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SECOND AFTER NASA

Isro rings in 2024 by launching satellite to study black holes

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PROFITABILITY PUSH

On track to hit $1-bn run rate in annual sales value: Zepto CEO

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JUDGEMENT TIME

Should Rohit Sharma and Virat Kohli play T20 World Cup?

MUMBAI, TUESDAY, JANUARY 2, 2024

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IN THE NEWS

MORE THAN 60% TAXPAYERS ADOPT NEW I-T REGIME

THE PLANS to increase buoyancy in tax collections, widening the tax base and increasing the compliance by taxpayers seem to have been aided by the new income tax (I-T) regime in the current fiscal, reports **Priyansh Verma**. ■ PAGE 2

ADANI HIRES GLOBAL TEAM FOR DHARAVI OVERHAUL PROJECT

ADANI GROUP'S Dharavi Redevelopment Project has appointed renowned architect Hafeez Contractor, US design firm Sasaki and UK-based consultancy firm Buro Happold to redevelop Dharavi in Mumbai, one of the largest slums in Asia, reports **Raghavendra Kamath**. ■ PAGE 4

CPSE DIVIDENDS EXCEED FY24 BUDGET TARGET

THE CENTRE'S dividend receipts from the Central Public Sector Enterprises (CPSEs) stood at ₹43,843 crore as of January 1, crossing the 2023-24 budget estimate (BE) of ₹43,000 crore, giving further comfort on the fiscal front, reports **Prasanta Sahu**. ■ PAGE 2

INDIA INC BEGINS EMBRACING GREEN ENERGY PLANS

INDIA INC is gearing up for the climate change journey, with COP28, held from November 30 to December 12 last year, taking stock of initiatives needed to contain global warming and deciding to end the fossil fuel era, report **Raghavendra Kamath**, **Swaraj Baggonkar** & **Rajesh Kurup**. ■ PAGE 4

MARKETS MAKE A MUTED START TO NEW YEAR

THE EQUITY markets kicked off the new year on a flat note, with benchmark Sensex closing with modest gains of 31 points in a highly-volatile trading session on Monday, helped by buying in energy, services and telecom shares. ■ PAGE 6

Dec a record month for PVs, but Maruti, Hyundai predict low single-digit growth

After two robust years, car firms see muted 2024

SWARAJ BAGGONKAR
Mumbai, January 1

AFTER GROWING AT a fast clip in the past two years, the country's top two carmakers — Maruti Suzuki and Hyundai — have warned of a low single-digit growth in 2024. While Hyundai has projected a growth of 3-4%, Maruti has indicated growth this year will be in low single digits.

In CY2023, both Maruti and Hyundai posted a sales growth of 8% year-on-year. The two carmakers control close to 55% of the domestic PV market.

The caution comes on the back of a record-breaking December performance in which sales of passenger vehicles grew 4.4% y-o-y, according to estimates by Maruti Suzuki.

Tarun Garg, chief operating officer at Hyundai Motor India, said 2024 could be a challenging year. "There could be a low single-digit, 3-4%, growth. But even that will be very good because we have had two good years," he said.

Shashank Srivastava, senior executive officer, marketing and sales, Maruti Suzuki, said 2024 will see muted single-digit growth because the huge pending bookings have been fulfilled and there are no supply constraints anymore.

Srivastava also pointed out the high interest rates could stifle demand. There has already been a rise of 130 bps increase in auto loan interest rate and a further 120 bps increase is expected, if rates are left unchanged, he added.

ON THE MOVE

	Dec 2022	Dec 2023	% Change
Maruti Suzuki	112,010	104,778	-6
Hyundai Motor India	38,831	42,750	10
Tata Motors	40,407	43,675	8
Mahindra & Mahindra	28,445	35,174	24
Toyota Kirloskar	10,421	21,372	105
MG Motor India*	3,899	4,400	13

*Retail sales
Source: Companies

Continued on Page 10

Govt extends PLI for auto, parts by a year to FY28

FE BUREAU
New Delhi, January 1

THE CENTRE HAS extended the tenure of the production-linked incentive (PLI) scheme for automobiles and auto components by a year to 2027-28, with some modifications aimed at giving some flexibility to companies for the rollout of investments.

However, the overall investment quantum required for the benefit over the tenure of the scheme will remain unchanged.

The release of incentives will now start from 2024-25, instead of the current fiscal, the ministry of heavy industries said on Monday.

The move follows the fact that companies other than Tata Motors and Mahindra & Mahindra are yet to obtain the certificates of eligibility for relevant products. This would mean that the current year's budget outlay for the scheme would remain unspent.

"Under the amended scheme, the incentive will be applicable for a total of five consecutive financial years, starting from the financial year 2023-24. The disbursement of the incentive will take place in the following financial year 2024-25," the ministry said. The scheme's earlier tenure was between 2022-23 and 2026-27.

"The scheme also specifies that an approved applicant will be eligible for benefits for five consecutive financial years, but not beyond the financial year ending on March 31, 2028."

Besides, the amendments state that if a company fails to meet the threshold for an increase in determined sales value over the first year's threshold, it will not receive any incentive for that year.

However, the company will still be eligible for benefits in the next year if it meets the threshold calculated on the basis of a 10% year-on-year growth over the first year's threshold.

Continued on Page 10

MASSIVE QUAKE, TSUNAMI JOLT JAPAN

A car is trapped under a collapsed house after an earthquake, at Japan's Ishikawa prefecture. The powerful quake struck on Monday, killing at least one, destroying buildings, knocking out power to tens of thousands of homes and prompting residents in some coastal areas to flee to higher ground. Besides Japan, tsunami warnings were issued in Russia and North Korea ■ PAGE 7 REUTERS/KYODO

At ₹1.65 trillion, GST mop-up slows in Dec

PRIYANSH VERMA
New Delhi, January 1

THE GROWTH IN the government's goods and services tax (GST) collections slightly slowed in December, despite the mop-up largely belonging to transactions made in November, the month which saw several festivals, including Diwali.

The gross GST mop-up came in at ₹1.65 trillion in December, up 10.3% on year, as per data released by the finance ministry on Monday. However, the annual growth in monthly collections was lower than 15.2% reported in November and average of 11.7% so far in FY24. In November, the total number of e-way bills generated was 87.6 million, the lowest in five months.

December marked the seventh month in the current fiscal in which the gross GST mop-up crossed the ₹1.6-trillion mark. With the December mop-up, the GST collections in the first nine months of FY24 have averaged ₹1.66 trillion per month, representing a 12% rise from the corresponding period of last year.

Of the total collections — Central GST (CGST) mop-up stood at ₹33,652 crore, State GST (SGST) at ₹37,935 crore, Integrated GST (IGST) at ₹84,255 crore, and collections from cess at ₹12,249 crore, in December.

The Budget has projected CGST collections to rise 12.9% on year, but in April-December, its growth has been 16.4%, indicating CGST mop-up may surpass the BE (budget estimate) by a wide margin.

Continued on Page 10

GROSS GST COLLECTIONS
(in ₹ trillion)

	FY23	FY24
Apr	1.68	1.87
May	1.41	1.57
Jun	1.45	1.61
July	1.49	1.65
Aug	1.44	1.59
Sep	1.48	1.63
Oct	1.52	1.72
Nov	1.46	1.68
Dec	1.50	1.65

IT union accuses TCS of stopping pay to 900 staff

SAMEER RANJAN BAKSHI
Bengaluru, January 1

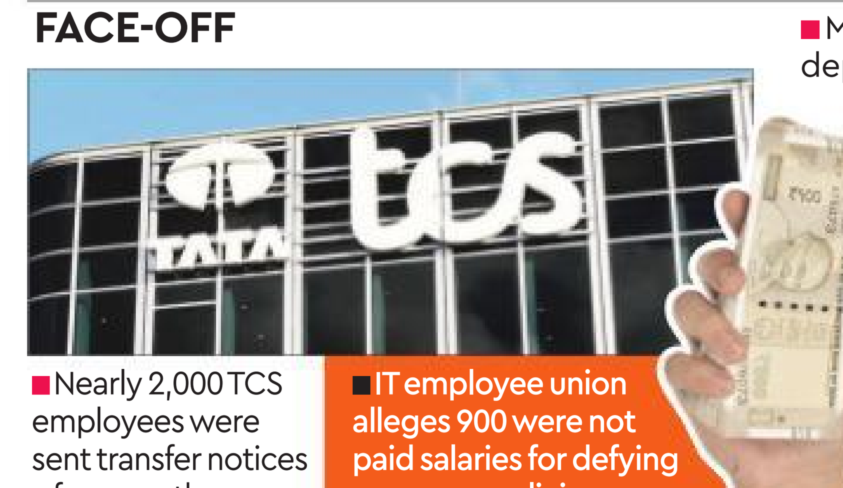
JUST A COUPLE of months after sending transfer notices to about 2,000 employees, Tata Consultancy Services (TCS) has allegedly stopped paying salaries to more than 900 of them for declining to abide by the company's policies. The development has come to light in the wake of the Maharashtra labour department issuing a notice summoning the company's officials over the 'unexplained' transfers.

While mails to TCS didn't elicit any response, IT employee union Nascent Information Technology Employees Senate (NITES) said, "The company has unethically stopped salary of employees who are opposing these forced transfers. NITES strongly condemns the illegal tactics of TCS forcing employees either to accept the forced transfers or resign from the job. The company is ignoring all the financial hardship, family disruption, stress and anxiety these forced transfers cause to employees."

FE spoke to about 30 employees from TCS on Google Meet, who complained they haven't been given any specific project in the locations they were suppose to move to. Some of the employees were paid only ₹6,000 for the month of December because they were not able to fill the time sheet on the company portal, Ultimatix. The firm had blocked their access to the portal, they said.

Continued on Page 10

FACE-OFF



■ Nearly 2,000 TCS employees were sent transfer notices a few months ago

■ IT employee union alleges 900 were not paid salaries for defying company policies

■ Maharashtra labour department has issued notice summoning TCS officials over 'unexplained' transfers

■ Some of the staff complain they weren't given any specific project in the new locations

FE SPECIALS

Tata Power: Optimistic growth outlook

Company aims 15 GW renewable energy expansion by FY30

■ INVESTOR, P9

Why NYT is suing ChatGPT-maker OpenAI & Microsoft

News outlet first major US media firm that has sued AI developers over IP rights

■ EXPLAINER, P9

NEW CAPEX ANNOUNCEMENTS PLUNGE TO ₹1.9 TRN IN DEC QUARTER

Private share rises but new projects down 78% in Q3

SAIKAT NEOGI
New Delhi, January 1

THE SHARE OF the private sector in new investment projects rose amid a slowing pace of government investments in the December quarter. But the value of new investment projects declined sharply by 78% on year to ₹2.1 trillion.

The Centre front-loaded its budget capex in the early part of the current financial year — growth in April-June was 59%. However, it subsequently curbed such spending, with April-November growth of just 31%, as imminent elections necessitated expenditure reprioritisation.

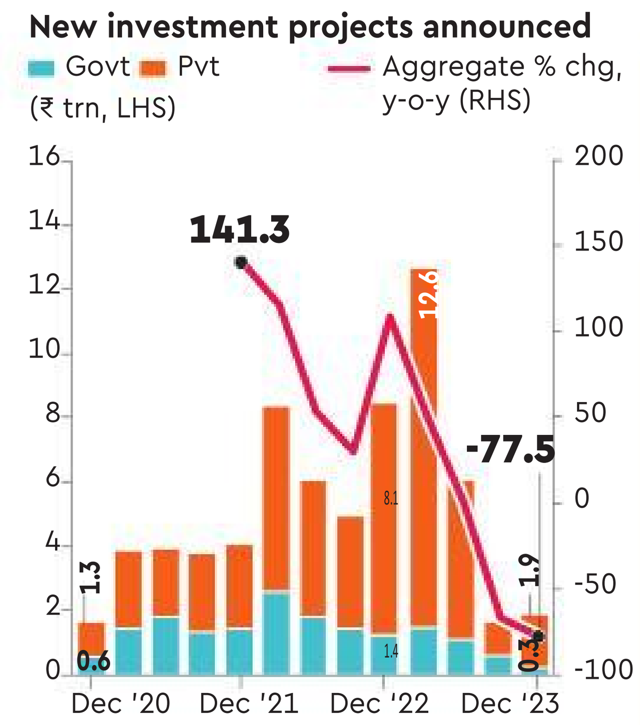
The private sector's new projects announced dropped 77% to ₹1.9 trillion in Q3FY24, and that of the government sector fell 81% to ₹0.3 trillion, data from the Centre for Monitoring Indian Economy (CMIE) revealed.

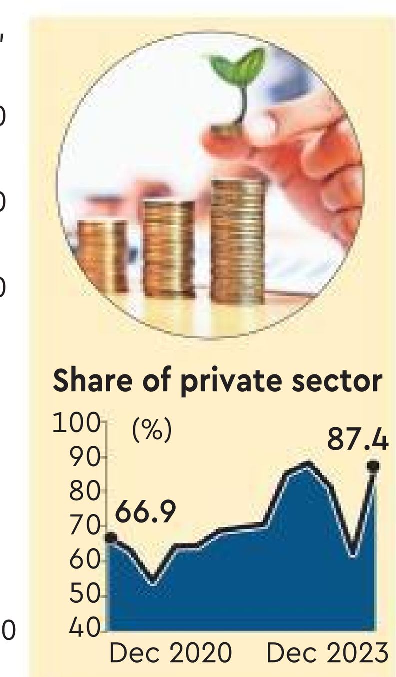
New projects announced had touched an all-time high of ₹14.2 trillion in the three months to March this year on the back of robust private sector projects of ₹12.6 trillion. Subsequently, in the three months to June, project announcements more than halved to ₹6.8 trillion and these fell further to ₹1.9 trillion in the quarter ended September.

However, there was a marginal uptick in the quarter ended December this year, largely because of a sequential rise from ₹1.2 trillion to ₹1.9 trillion in project announcements by the private sector.

Continued on Page 10

New investment projects announced





Projects completed

(₹ trn)		Govt	Pvt	Total
2021	Dec	1.5	1.4	2.9
2022	Mar	0.9	0.6	1.4
	Jun	0.5	0.7	1.3
	Sep	1.0	0.4	1.4
	Dec	1.3	0.5	1.9
2023	Mar	1.3	0.9	2.2
	Jun	0.6	1	1.5
	Sep	1.1	0.4	1.4
	Dec	0.9	0.3	1.2

Investment projects dropped

(₹ trn)		Govt	Pvt	Total
2021	Dec	1.3	1.7	2.9
2022	Mar	2.5	2.7	5.2
	Jun	2.1	2.4	4.4
	Sep	1.8	2.4	4.1
	Dec	2.8	0.9	3.6
2023	Mar	1.7	1.5	3.2
	Jun	1.3	2.9	4.2
	Sep	2.8	1.2	4.0
	Dec	2.1	1.2	3.3

Source: Economic Outlook

Economy

TUESDAY, JANUARY 2, 2024

STAY TUNED

Rajeev Chandrasekhar, MoS IT and electronics

NYT lawsuit against OpenAI, Microsoft is certainly a very important case. It is an issue that I have spoken about in the past in the context of social media and big tech platform versus Indian creators of content

IN THE NEWS

HFCL SECURES ₹1,127 CRORE ORDER FROM BSNL

HFCL LTD (HFCL) on Monday said it has secured a ₹1,127 crore order from Bharat Sanchar Nigam Ltd (BSNL) aimed at transforming the Optical Transport Network (OTN) infrastructure across the state-owned telco's pan India network. HFCL's comprehensive network upgrade will position BSNL for the future with the seamless launch of 4G services and the anticipation of 5G services in the coming years.

NEW DELHI GETS NEW PRINCIPAL BENCH OF GSTAT

THE FINANCE MINISTRY has notified setting up the Principal Bench of the Goods and Services Tax Appellate Tribunal (GSTAT) in New Delhi on Monday. The GSTAT's Principal Bench was constituted after the Parliament passed the crucial amendment to the Central Goods and Services Tax (CGST) Act in the third week of December.

INDIA, PAK SHARE LIST OF NUCLEAR INSTALLATIONS

INDIA AND PAKISTAN on Monday exchanged a list of their nuclear installations under a bilateral pact that prohibits the two sides from attacking each other's atomic facilities, continuing an annual practice that began in 1992. The exchange of the list took place under the provisions of an agreement on the prohibition of attack against nuclear installations and facilities.

28,811 COMPLAINTS OF CRIMES AGAINST WOMEN IN 2023

THE NATIONAL COMMISSION for Women (NCW) registered 28,811 complaints of crime against women last year and about 55% were from Uttar Pradesh. The highest number of complaints were received in the right to dignity category that involves harassment other than domestic violence and it stood at 8,540, as per to NCW data. This was followed by 6,274 complaints of domestic violence.

S SURESH KUMAR TAKES CHARGE AS CHAIRMAN OF DVC

SENIOR IAS OFFICER S Suresh Kumar on Monday took charge as the Chairman at Damodar Valley Corporation (DVC). Kumar, an IAS officer of 1988 batch of West Bengal cadre was the Director General at Netaji Subhash Administrative Training Institute, Kolkata, before joining as DVC chairman, the DVC said.

FE BUREAU & AGENCIES

MORE TWEAKS NEEDED FOR GREATER TRACTION, SAY EXPERTS

More than 60% of taxpayers adopt new income tax regime

RUN-UP TO THE INTERIM BUDGET 2024-25

PRIYANSH VERMA
New Delhi, January 1

THE PLANS TO increase buoyancy in tax collections, widening the tax base and increasing the compliance by taxpayers seem to have been aided by the new income tax (I-T) regime in the current financial year. However, experts feel a few more tweaks in the tax rates in the forthcoming interim Budget could make the exemption-free regime more attractive.

On Monday, the finance ministry reported that a record 81.8 million income tax returns (ITRs) have been filed for the assessment year (AY) 2023-24 as of December 31, which is 9% more than the corresponding period of last year. Personal income tax (PIT) collections have also seen a robust annual growth of 29.4% in April-November. These were touted as a 'milestone' by the I-T department on 'X' on December 29.

In fact, the growth rate in PIT collections is the highest in at least 10 years – barring FY22, which was on a low base, as income tax collections had contracted more than 12% in April-November FY21, the pandemic year. After the new tax regime was sweetened in the Budget for 2023-24, revenue secretary Sanjay Malhotra estimated that around 50% of the taxpayers would adopt the new regime. The earlier version of the exemption-less regime, launched in 2019-20, didn't get much traction among the taxpayers.

This was because the tax slabs in the exemption-less regime weren't attractive after taking into consideration the benefit of various deductions and exemptions available under the old tax regime.

And given the data that has now been compiled by the department for AY 2023-24, official sources say more than 60% of the taxpayers have adopted the new income tax regime, which is now the "default regime". "Over 50 million ITRs have been filed under the new tax regime," an official told FE. The new tax regime offers lower income tax rates with a threshold of ₹15,00,000 for the highest tax rate as compared to the old regime where the threshold for highest tax rate was ₹10,00,000. The basic exemption under this regime has also been increased to ₹300,000 from ₹250,000.

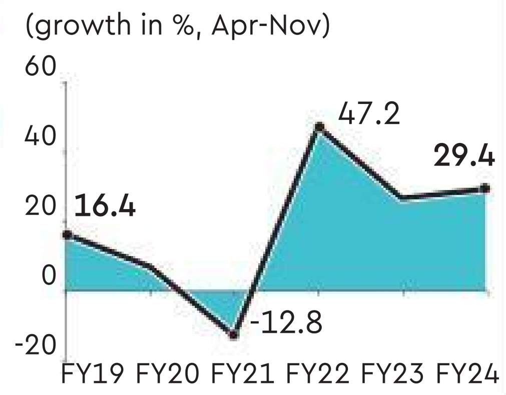
Further, the rebate under the new tax regime has been increased to ₹700,000 from ₹500,000 before and the benefit of standard deduction of ₹50,000 has also been extended to the salaried class and the pensioners including family pensioners. Accordingly, a salaried individual earning a gross income of ₹700,000 would not be required to pay any taxes even if no investments are made under Section 80C. Moreover, high-networth individuals (HNIs) earning more than ₹5 crore would prefer the new regime as the maximum marginal tax rate has dropped from 42.74% to 39% due to changes made in the rate of surcharge. The surcharge rate on income over ₹5 crore was slashed to 25% from 37% in the new regime.

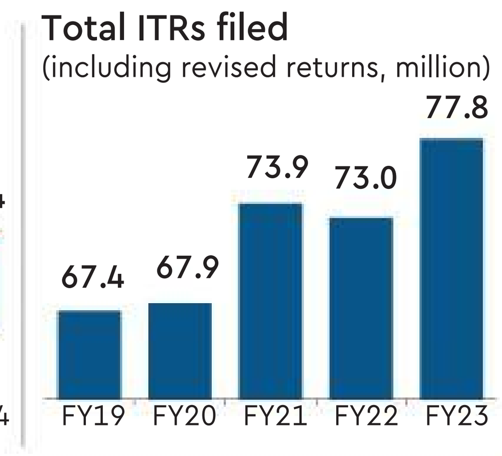
Sudhir Kapadia, partner-tax and regulatory services, EY said: "In FY20, when the exemption-less regime was implemented, deductions were still applicable, and the slab rates without deductions lacked appeal. Consequently, while low-income earners reaped benefits under the FY20 scheme, the majority of middle-income and high-income earners did not experience significant advantages." However, experts say that while the changes in the new regime have made it more lucrative for taxpayers, the old regime still has its advantages like availability of deduction for house rent allowance, leave travel allowance, and 80C deduction.

"Therefore to make the new regime more attractive, the government may consider reducing the highest tax rate from 30% to 25% and increasing the threshold limit for the highest tax rate from ₹15,00,000 to ₹20,00,000," said Divya Baweja, partner, Deloitte India. "Further, the limit of the standard deduction and basic exemption limit may also be increased. Allowing the set-off for House Property Loss could provide further boost to taxpayers towards the new regime," Baweja said.

Even though the aforementioned changes may simplify the tax structure and attract more taxpayers, it's unlikely the government would introduce any more changes, given its the interim Budget before the general elections in 2024.

NEW YEAR SURPRISE





- So far, more than 80 million income tax returns (ITRs) have been filed for the AY 2023-24
- Personal income tax collections saw a growth of 29.4% in April-Nov, highest in 10 years, barring FY22
- The old regime still has its advantages because of home rent, leave travel and 80c deductions, experts say

Dividends from CPSEs cross FY24 Budget target

Collections so far at ₹43,843 cr versus FY24BE of ₹43,000 cr

PRASANTA SAHU
New Delhi, January 1

THE CENTRE'S DIVIDEND receipts from the central public sector enterprises (CPSEs) stood at ₹43,843 crore as of January 1, crossing the 2023-24 budget estimate (BE) of ₹43,000 crore, giving further comfort on the fiscal front.

The dividend receipts of ₹39,086 crore so far in FY24 were 26% higher than the receipts in the corresponding period of last fiscal. Given that the oil marketing companies' (OMCs') profitability has improved substantially due to softening of global crude prices, the CPSE dividend receipts will likely exceed ₹60,000 crore comfortably in FY24 as against the budget target of ₹43,000 crore.

CPSE dividend receipts are an important component of the government's non-tax receipts. Along with dividends from the Reserve Bank of India, banks and financial institutions, the Centre's dividend income might exceed the budget target by at least ₹60,000 crore to ₹80,000 crore, boosting its resources to keep the fiscal deficit within the targeted 5.9% of GDP.

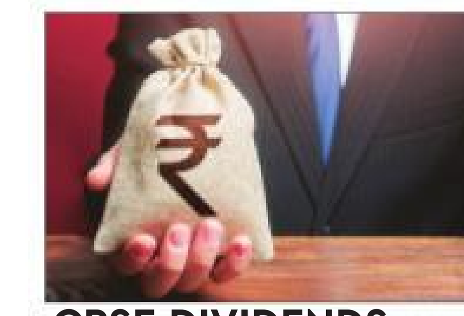
In December, the government received substantial dividend installments from Coal India (₹5,933 crore), ONGC (₹4,260 crore) and BPCL (₹2,413 crore). It also recently received about ₹3,636 crore from Indian Oil Corporation and about ₹1,910 crore from Power Grid Corporation of India Ltd (PGCIL) as dividend tranches. The dividend payments reflect the robust profitability of state-run commodity and energy firms, among others.

Despite a drastic fall in the profitability of OMCs, a major contributor to dividend receipts, the Centre's dividend receipts in FY23 were around ₹59,000 crore, 37% more than the budget target of ₹40,000 crore. With disinvestment receipts likely to fall substantially short of the target of ₹51,000 crore in FY24, the extra dividend receipts would cover the shortfall to a large extent.

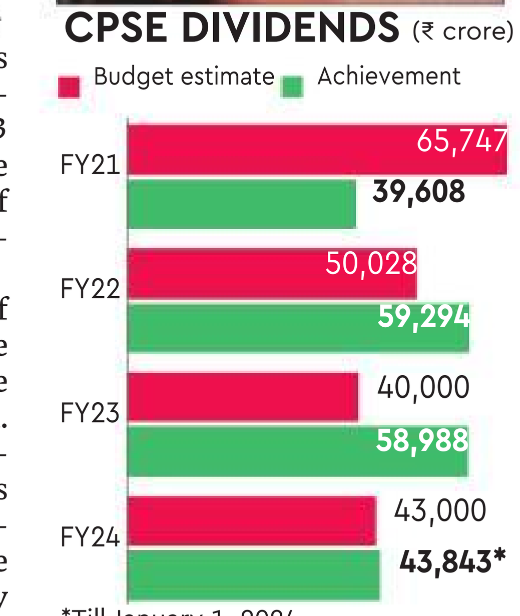
Despite the government reducing its stake in several of these companies, the department of investment and public asset management (Dipam)'s capital management policy of nudging CPSEs to give higher dividends to keep investors' interest in their stocks has aided the dividend payouts.

CPSE dividend receipts under the supervision of the Dipam do not include receipts from state-run financial institutions such as banks and insurance companies.

RBI's surplus transfer to the Centre rose 188% on year to ₹87,416 crore in FY24 (for accounting year FY23), which was very close to ₹91,000 crore estimated from dividend receipts from the RBI, public sector banks and financial institutions (₹48,000 crore) and the CPSEs (₹43,000 crore).



CPSE DIVIDENDS (₹ crore)



*Till January 1, 2024

NHAI offers 375-km stretch for monetisation via ToT

MUKESH JAGOTA
New Delhi, January 1

THE NATIONAL HIGHWAYS Authority of India (NHAI) has initiated another round of monetisation of its assets by seeking bids for three highway stretches spanning over 375 km in the states of Telangana and Tamil Nadu.

The monetisation will be done through toll operate transfer (ToT) model. Two highway stretches in Telangana have been bundled together with ToT bundle 16, while the other highway in Tamil Nadu is part of bundle 15. Earlier this month, NHAI had raised ₹9,384 crore by monetising 273 km of highways offered in bunde 13 and 14 through ToT. Two highway stretches totalling 251 km on the Hyderabad-Nagpur corridor in Telangana have been offered to private bidders in bundle 16. In bundle 15, a 124 km stretch on the four lane Trichy-Tovrankurichi-Madurai section is on offer.

The last date for submitting bids for both the bundles is February 28 and as the process of monetisation through ToT takes time, because it also involves the technical evaluation of bids, this round of monetisation will only be completed in the next financial year. Asset monetisation is a strategically important programme of NHAI to help it raise additional resources for its ambitious highway building programme. This helps reduce NHAI's dependence on the general budget as it has been barred from raising additional debt.

This year the highway building arm of the government has raised ₹15,968 crore by monetisation through ToT as against the budget target of ₹10,000 crore. However, internally NHAI was aiming for higher proceeds of around ₹10,000 to ₹15,000 crore through this route.

The highest bidder for highways through ToT gets to collect the toll on the stretches for 20 years in lieu of upfront payment. They are also required to maintain and operate the stretches. The first award of highways under ToT was done in 2018. Since then ₹42,334 crore has been raised through this route by transferring 2,287 km of highways to outside investors. This mode of monetisation has already generated considerable interest from some of the biggest names in investing like IRB Infrastructure Trust, KKR, Abu Dhabi Investment Authority-backed funds, National Investment and Infrastructure Trust and Adani group.

ROADS ON OFFER

- Two highway stretches in Telangana and one on Tamil Nadu are on offer for the private sector
- This year the highway building arm of the govt has raised ₹15,968 crore
- The highest bidder for highways through ToT gets to collect the toll on the stretches for 20 years in lieu of upfront payment

Petrol, diesel sales drop as winter sets in

PETROL AND DIESEL sales in India slumped in December as setting in of winter tapered demand, preliminary data of state-owned firms showed on Monday.

Petrol sales of the three state-owned firms, which control 90% of the fuel market, fell 1.4% to 2.72 million tonnes in December 2023 when compared to the year-ago period, while diesel demand dropped 7.8% to 6.73 million tonnes. The onset of the winter season in northern India led to the tapering of air-conditioning demand. Month-on-month petrol sales dropped 4.9% when compared to 2.86 million tonnes consumption in November. Diesel demand too was down 0.8% month-on-month when compared to 6.79 million tonnes in November.

Diesel is India's most consumed fuel, accounting for almost 40% of all petroleum product consumption. Transport sector accounts for 70% of all diesel sales in the country.

Fuel consumption has been on a see-saw over the last couple of months. —PTI

ATF price cut by 4% for third straight month

JET FUEL OR ATF price on Monday was cut by 4%, the third straight monthly reduction, and commercial cooking gas (LPG) rates were marginally lowered by ₹1.5 per 19-kg cylinder in line with international benchmarks.

However, the price of domestic LPG — used in household kitchens for cooking purposes — remained unchanged at ₹903 per 14.2-kg cylinder. Aviation turbine fuel (ATF) price was cut by ₹4,162.5, or 3.9%, in the national capital to ₹101,993.17 per kl, according to price notifications of state-owned fuel retailers. ATF price was cut by almost 6% (₹6,854.25 per kl) in November and by ₹5,189.25, or 4.6%, in December.

The three rounds of reduction have wiped away almost 45% of the ₹29,391.08 per kl increase in rates effected in four monthly tranches starting July 1. The reduction in the price of jet fuel, which makes up for 40% of an airline's operating cost, will ease the burden on already financially strained airlines.

Alongside, oil firms also reduced the price of commercial LPG - used in various establishments such as hotels and restaurants - by ₹1.50. A 19-kg commercial LPG cylinder will now cost ₹1,755.5 in the national capital and ₹1,708.5 in Mumbai. —PTI

Commercial cooking gas rates were marginally lowered by ₹1.5 per 19-kg cylinder

25k tonnes of kharif onion procured so far

PRESS TRUST OF INDIA
New Delhi, January 1

THE CENTRE HAS so far procured 25,000 tonnes of onion grown in the 2023 kharif season for maintaining a buffer stock, consumer affairs secretary Rohit Kumar Singh said on Monday.

The government is procuring onion to maintain a buffer stock and use it for market intervention to boost domestic availability and keep prices in check.

The government has raised the buffer stock target to 700,000 tonnes for the 2023-24 fiscal, against the actual stock of 300,000 tonnes last year.

According to the secretary, the government had procured 500,000 tonnes from last year's rabi season and is purchasing 200,000 tonnes of kharif onion as the buffer stock target has been raised. "About 25,000 tonnes of kharif onion has so far been procured from mandis. The procurement is underway," he told *PTI*.

Of the 500,000 tonnes of rabi onion lying in the buffer stock, the government has offloaded 304,000 tonnes of onion through cooperative Nafed and NCCF in the market to check prices.

As a result, the all-India average retail price of onion has come down by 27.58% to ₹42 per kg from over a month ago, he added.

To arrest sharp spikes in retail prices, the government has banned onion exports till March 31.

Food imports at $33 bn in 2023, down 10%

Liberal imports could undermine efforts to boost domestic output, warns research body

FE BUREAU
New Delhi, January 1

INDIA, DESPITE BEING one of the few developing countries self-sufficient in food, still shipped in $33 billion of farm products in 2023 with more than half of it just accounted for by vegetable oils, according to a report by trade policy think tank.

However, the imports in 2023 were 10% lower than last year's $36.7 billion as vegetable oil prices eased during the year.

The imports of vegetable oil in 2023 is expected to be $17.1 billion, which is 18% lower than last year largely due to lower international prices. Pulses, another staple for which India is dependent on imports, accounted for $2.7 billion worth of imports, which was 44% more than last year, the report by Global Trade Research Initiative (GTRI) said.

Vegetable oil, pulses, fresh and dry fruits account for 72.1% of agriculture imports in CY2023.

"India needs to cut its reliance on imported vegetable oils to promote better health outcomes and also reduce the import bill. This will need educating consumers about the health benefits of using locally-produced oils like mustard, groundnut, and rice bran in lieu of imported oils," GTRI's co-founder Ajay Srivastava said. High import duties and resisting pressure to open up are necessary to bolster domestic production and food security.

India is the world's largest producer and consumer of pulses but more effort is needed to enhance domestic production and cut imports. This can be done by introducing high-yielding, disease-resistant pulse varieties. The key challenges include addressing water scarcity, and mitigating market volatility issues.

Major efforts extend to reclaiming fallow land, promoting intercropping, and focusing on rainfed areas. Also, the market and infrastructure support involve ensuring fair prices through minimum support prices (MSP), investing in storage and processing, and establishing direct marketing channels.

Fresh and dry fruits imports are set to cross $4 billion in 2023. Major items of fresh fruit imports are apples ($350.7 million), oranges ($90.9 million), mandarins (including tangerines) ($14.8 million), grapes ($22.1 million), kiwi ($67 million), pears ($26.9 million), other fruits, ($40.9 million). In dry fruits, the major items of import are cashew ($1.4 billion), almonds ($930 million), walnuts ($235 million), areca nuts ($130.2 million), dates ($210 million), dried figs ($127.2 million) and raisins ($75.7 million).

Cutting imports of fresh fruits will require addressing challenges faced by the fresh fruit sector.

These include the unavailability of high-quality seeds, resulting in lower yields and inadequate storage and transportation facilities that lead to substantial post-harvest losses. Also, the lack of strong branding hampers the industry's competitiveness globally. Spice imports in 2023 are expected to be $1.3 billion, while sugar imports were $1.2 billion.

CUTTING INDIA'S FOOD BILL

- Imports in 2023 were 10% lower than 2022 due to low vegetable oil prices
- The imports of vegetable oil in 2023 is expected to be $17.1 bn, 18% lower than last year

- India is world's largest producer and consumer of pulses but more effort is needed to enhance domestic production
- The key challenges include addressing water scarcity, and mitigating market volatility issues

Pulses, Vegetable oil, fresh and dry fruits account for 72.1 % of agriculture imports in CY2023

LIC receives ₹806-crore GST notice

Eicher, UltraTech & Asian Paints have also recieved notices

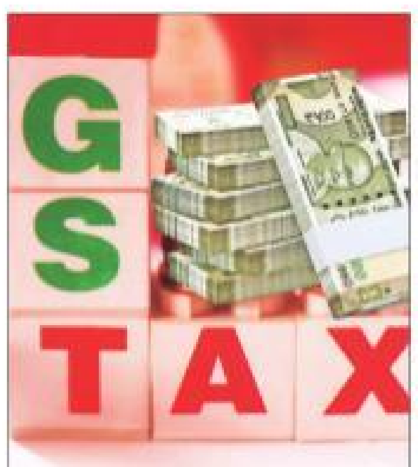
PRESS TRUST OF INDIA
New Delhi, January 1

LIFE INSURANCE CORPORATION of India (LIC) on Monday said tax authorities have slapped a demand notice of about ₹806 crore on it for alleged short payment of GST for 2017-18.

LIC has received a communication/demand order on Monday for collection of GST along with interest and penalty for Maharashtra state, the insurer said in a regulatory filing. The insurer shall file an appeal before Commissioner (Appeals), Mumbai against the said order within the prescribed timelines, it said. There is no material impact on financials, operations or other activities of the Corporation, it added.

Meanwhile, Eicher Motors has also been served demand notices of over ₹130 crore from three different authorities over issues related to GST, according to a regulatory filing by the company. The company has received a demand order for an aggregate amount of ₹129.79 crore, including a penalty of ₹11.8 crore and applicable interest from the office of the principal commissioner of Central Goods and Services Tax (CGST) and central excise, Chennai, the firm said in a regulatory filing.

The officer has disallowed certain GST credit and raised GST demand, largely on account of the difference in GST credit mismatch between the company's GST availment and details reported by suppliers in their GST returns, it added.



Leading cement maker UltraTech Cement has received two demand orders, interest and penalties totalling ₹72.06 lakh from the GST authorities.

According to UltraTech, it has a "good case on merits to defend the matter before the Appellate Authorities" and shall contest the order. The order has no major financial impact on the company, it added.

Asian Paints, meanwhile, informed that it has received a GST demand notice of ₹13.83 crore and a penalty of ₹1.38 crore from the deputy commissioner of state tax, Chennai.

The demand is for the financial year 2017-18 over mismatch on input tax credit, the leading paints maker said in a regulatory filing.

Asian Paints further said it that has discharged applicable taxes on the outward supplies made by the company and has also fulfilled all the conditions prescribed for availing of the ITC. The order was passed under relevant provisions of the CGST Act, 2017, and the corresponding provisions of the Tamil Nadu Goods and Services Tax Act, 2017.

● **PM PRASAD,** CMD, COAL INDIA

'Capex target for FY25 set at ₹16,500 crore'

Coal India (CIL) has lined up massive plans to ramp up its mining capacity, while also roping in the private players in a big way as mine development operators (MDOs). The state-run miner, which reported elevated capex consistently over the last several years, will keep the pace in the coming years as well, with greater focus on coal transportation infrastructure that will help cut costs and improve margins. The capex plan is in sync with the government's strategy to slash import reliance for the fuel and limit inward shipments of the fuel to only those fuel varieties that aren't domestically available. Chairman and managing director (CMD) **PM Prasad** *says the company has no plans to raise prices to the thermal power sector in the current financial year, even as e-auction premium has fallen of late. CIL, which reported a 12.5% rise in its consolidated profit after tax to nearly ₹6,800 crore in Q2FY24, on a 4% annual increase in operational revenue, is also putting its diversification plans on the fast track, with 3,000 MW solar units set to go on stream by FY27, Prasad tells* **Arunima Bharadwaj** *in an interview. Edited excerpts:*

> CURRENTLY, THERE IS A DECLINE IN E-AUCTION PREMIUMS COMPARED TO LAST YEAR, BUT THE QUANTITY OF COAL OFFERED FOR SALE VIA THIS ROUTE IS HIGHER

What is your capex target for the next financial year?

In about 117 ongoing projects, we are looking to invest ₹16,500 crore for FY25. This apart, MDOs will also make significant investments, under long-term sub-contracts. The capex would be focused on strengthening of infrastructure, especially transport. (In January, 2023, the ministry of mines told Parliament that MDOs assigned by CIL via open global tenders, are implementing 15 greenfield projects with investments of around ₹20,600 crore in land acquisition, rehabilitation and resettlement issues, and railway sidings).

How have e-auction volumes improved in recent years, and what kind of premiums are being fetched from this lucrative segment?

Currently, there is a decline in e-auction premiums compared to last year but the quantity of coal offered for sale via this route is higher. Till November FY24 we have offered 55.5 mt of coal under e-auctions, up 79% on year. Booked quantity also went up by 64% to 49.6 mt during this period. Of the total 460 mt of coal produced till November, the allocated quantity in e-auction accounted for 11%. We typically place 10% of production under the auction with an option to increase it to 20%, after fulfilling power sector's requirements.

This year, our supplies to the import-intensive non-regulated sectors are at an all-time high, with dispatch of 96 MTs till December-end, up 35% on year. With the increased supplies there is a feeling of coal adequacy in the market. Last year NRS opted for more coal through e-auction rather than importing because the international coal prices were high then. This fetched higher e-auction premiums. Since imported coal prices have lately cooled considerably, e-auction premiums are plummeting. Our target for e-auction is 20% of the production of the remainder of the current fiscal year.

When can we expect the company to come out with a price hike/revisions for various grades of coal?

There is no such proposal for this financial year. On pricing issues, our dual aims are to ensure energy at an affordable cost to the country, especially making electricity available at a fair price and protecting our bottom line.

What are your projections on coal production for the next financial year?

As of now, we are aiming at 850 mt output for FY25, (against a target of 780 MW in the current fiscal). Outsourcing the production and participation of MDO helps in pushing up our output. MDOs role would be to excavate, extract and deliver increased quantities of coal in accordance with the approved plan in an economically viable manner. Of the 15 MDO projects having a combined targeted capacity of 173 mt per year, mining operations have begun in three projects whose collective capacity is 54 mt/year. Work was awarded for nine projects of 77 mt/year capacity. The rest are advancing. We are also increasing operational efficiency at every level and pressing hard to possess more land and get more green clearances.

Is there any plan of entering into any fresh contracts for importing coal on behalf of state gencos and independent power producers?

There are no such plans.

When are your thermal power plants likely to be commissioned? Have you signed power purchase agreements for them?

CIL through two of its subsidiaries is in the process of setting up two thermal power plants. One is through joint venture mode between SECL and Madhya Pradesh Power Generating Company for the development of a 1 x 660 MW supercritical unit at Amarkantak. The second one is a supercritical plant being set up through a special purpose vehicle (SPV) in Sundargarh, Odisha called Mahanadi Basin Power.

The SPV is planned in two stages. Phase I of 2X800 MW capacity and Phase II having 3X800 MW capacity. CIL has commenced the exercise of initiating power purchase agreements with state discoms. The first MoU has been executed between CIL and Assam Power Distribution Company for the purchase of 1200 MW of power from the proposed MBPL Power Plant. The process of commissioning may take eight to nine years including land acquisition.

Solar is the main element of your diversification portfolio. When can we expect the solar power projects under pipeline to be commissioned?

We are planning to set up solar power plants of 3,000 MW capacity. These would be set up in CIL's land and outside on pan India participation. We are targeting 320 MW capacity this fiscal followed by 1,422 MW and 1,158 MW respectively in subsequent two fiscal years. We hope all these will come up by FY27. We are looking at an investment of about ₹16,500 crore on these projects at a ballpark figure of ₹5.5 crore per MW.

What strategies are in place by CIL to ensure adequate pithead stocks?

Coal inventory at CIL's pitheads is 50 MT (as of December 28) which is around 59% higher compared to 31.5 mt of the same period last year. Our production is also growing at a healthy 11% over last fiscal which ensures adequate stock at our end. This is despite near 9% growth in total supplies over a high base of last fiscal.

What is the progress on reopening discontinued underground mines?

CIL is revisiting 34 discontinued underground mines to unearth their locked up coal assets. LoA (Letter of Authorization) has been issued for 17 mines having 27.5 mt/year capacity and these mines will contribute from FY26. Others are under progress.

How does Coal India plan to expand the railway network for coal evacuation?

Eco-friendly mechanised coal transportation is being pursued through 61 first mile connectivity (FMC) projects under three phases. Combined, these projects will have a total evacuation capacity of 763.5 million tonnes per annum (mtpa) once fully operational by FY29. With 151 mtpa capacity already existing before the company initiated the new projects, the total transport capacity would go up to 914.5 mtpa. The current capacity is 278 mtpa We will be dovetailing FMC projects with existing and new rail connectivity networks connecting them with major routes.

What are the investments lined up for infrastructure building and railway network lines?

CIL will be investing about ₹24,750 crore on FMC projects spread over till FY29. A portion of it has already been used. We have identified 24 rail connectivity projects at an investment of about ₹4,000 crore to tie them with FMC projects. Besides these we are setting up 21 railway sidings at a capex of ₹3,500 crore to be completed by FY26. To have in place a strong coal evacuation infrastructure, investment of approximately ₹20,000 crore will be pumped into three major rail lines to come up in Odisha, Chattisgarh, and Jharkhand where three of our subsidiaries MCL, SECL and CCL are based.

Action against two EV firms likely for flouting PMP norms

FE BUREAU
New Delhi, January 1

AFTER RECOVERING OVER ₹190 crore worth of wrongfully claimed incentives from several EV makers for violating phased manufacturing programme (PMP) norms, the Centre now plans to take legal action against two of them — Hero Electric and Benling India—for wrongfully claiming funds as a part of phase II of the 'Faster Adoption and Manufacturing of Electric Vehicles' (FAME) scheme and not refunding the dues.

Hero Electric CEO Sohinder Gill said he had no knoledge of the matter.

"We do not have any such information from the ministry of heavy industries and this is not at all in line with our ongoing discussions with the ministry of heavy industries, Government of India. We are aware of another OEM who has taken the matter to court against the ministry," Gill told *FE*.

"In a meeting with the ministry last week, we explained that the analysis of all the detailed reports received from the ministry indicates no violations of the FAME policy. Anything minor could be due to differences of opinion that can easily be sorted."

According to Gill, the company has proposed a settlement, suggesting a template based on the department's methodology used in the cases of the other four OEMs.

A source in the ministry of heavy industries said, "We will file a legal suit in a high court against these two companies that have not paid back the incentive given under the PMP. We have already debarred at least three companies from the FAME scheme."

Sources said that the suit will be taken to a high court as the amount involved is more than ₹100 crore.

Hero Electric needs to pay back incentives worth ₹133.48 crore and Benling India ₹48.42 crore. Apart from incentives, the total payback to the Centre includes interest costs.

Sources added that another EV maker, Okinawa Autotech, accused of owing the government ₹116.85 crore for wrongfully claiming incentives, has filed its own suit against the ministry.

Coal sector achieves 10.9% growth among 8 core industries in Nov

PRESS TRUST OF INDIA
New Delhi, January 1

THE INDEX OF COAL industry has achieved a growth of 10.9% (provisional) among eight core industries, during November 2023, as per the data released by the ministry of commerce and industries.

The coal sector achieved 185.7 points in November, compared to 167.5 points, in the same time last year, the release added.

The index of coal industry measures the combined and individual production performance of eight core industries, viz. cement, coal, crude oil, electricity, fertilizers, natural gas, refinery products and steel.

The growth in the index of the coal industry is mainly due to a substantial surge in coal production during the month of November 2023, reaching 84.52 million tonne (mt), surpassing 76.16 mt of the corresponding month of the previous year, representing an increase of 10.97%.

Meanwhile, the cumulative index of the coal sector during April-November, 2023-24 has increased by 12.8% over the corresponding period of the previous year.

The ministry of coal has played a pivotal role in driving this growth through various strategic initiatives.

These include augmenting domestic production through an auction-based regime for commercial coal mining, engaging mine developer cum operators (MDOs) to ramp up domestic coal output and reopening of discontinued mines on a revenue-sharing model to boost coal production.

The note-worthy growth of the coal sector and its contribution to the overall growth of the eight core industries are a testament to the continuous initiatives undertaken by the ministry of coal.

BHEL shares rise after reports of firm winning NLC project

FE BUREAU
New Delhi, January 1

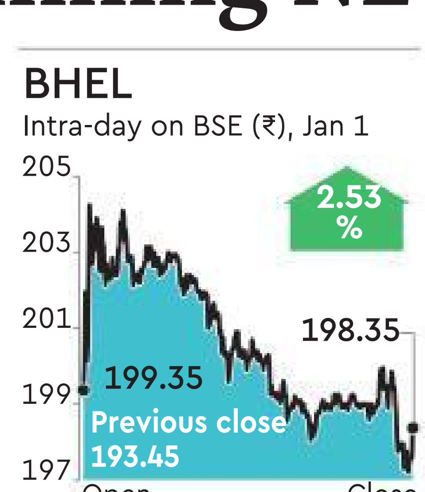
SHARES OF BHARAT Heavy Electricals (BHEL) surged 5% on Monday morning after reports suggested that the company won the ₹19,422 crore Talabira Power Project.

The Hindu BusinessLine had on Sunday reported that the company has bagged the contract and will build three ultra supercritical units of 800 MW each for NLC India at Talabira.

The coal for the plant will be sourced from captive mines of Talabira.

As of September 2023, NLC India had 3.6 GW of thermal power capacity and 1.4 GW of renewable energy.

The stock has risen 4.93% on a year-to-date basis.



It had made three previous attempts since 2012 to cross the ₹200 mark but saw a steep correction each time on nearing those levels.

Bharat Heavy Electricals' market capitalisation can be justified only under a very bullish set of assumptions, Kotak Institutional Equities said in a note.

"All scenarios show that Bharat Heavy Electricals' net income will be far lower than its current market capitalisation".

Shares of the company were trading 5.11% higher at ₹203.45 apiece as of 9:35 am.

In the first half of the current fiscal, Bharat Heavy Electricals had received orders worth ₹33,479 crore, more than double of the ₹12,310 crore orders bagged during the same period last fiscal.

Fructification of diversification initiatives and revival of thermal power ordering led to robust order booking, the company said.

ONGC seeks partners to cut gas flaring by 2030

PRESS TRUST OF INDIA
New Delhi, January 1

INDIA'S TOP OIL and gas producer ONGC is seeking global technology partners to cut gas flaring and achieve zero methane emission by 2030 as part of its ambitious decarbonisation plan, its chairman Arun Kumar Singh said on Monday.

Oil and Natural Gas Corporation (ONGC) has substantially cut gas flaring—burning of methane gas that is produced when oil is extracted from below surface—and would look to bring it down to nil as part of its environmental commitments.

In a post on LinkedIn, Singh said India's role in the global energy landscape is progressively becoming pivotal, and is likely to account for 25% of global energy demand growth over the next two decades.


ONGC chairman Arun Kumar Singh

According to the International Energy Agency (IEA), India's share in global primary energy consumption is expected to rise to 9.8% by 2050.

"India's share in cumulative global green-house-gas (GHG) emissions has been only 4%, and current emission is 7%, despite its population share of 16-17%," he said.

"As a responsible corporate citizen of the world, we are fully aware of our obligation towards the mother planet, which is shared by developing and developed world alike. Accordingly, our nation is chasing a paradigm shift in energy consumption, with a focus on cleaner, greener, and sustainable alternatives."

With increasing energy demand, the commitment to decarbonisation is stronger than ever.

Companies

TUESDAY, JANUARY 2, 2024

ON RECOVERY ROAD
TV Narendran, CEO & MD, Tata Steel

This (2023) has been good year for the steel sector in India, even though it was a challenging period globally... In fact, we recovered well due to good handling of micro-economy by the RBI, and the investment made for infrastructure development.

IN THE NEWS

DGCA PROBES AIR INDIA HARD LANDING IN DUBAI

AVIATION WATCHDOG DGCA is probing the hard landing of an Air India A320 neo aircraft in Dubai last month, an incident in which the airline has derostered the pilot, officials said on Monday.

AIRTEL TO ACQUIRE 97.1% STAKE IN BEETEL TELETECH

BHARTI AIRTEL SERVICES, a wholly owned subsidiary of Bharti Airtel, has entered into an agreement for the acquisition of 4.94 million shares or 97.1% stake in Beetel Teletech, another Bharti Group company.

ULTRATECH Q3 SALES UP 6% TO 27.3 MN TONNE

CEMENT MAKER ULTRATECH'S consolidated sales rose 6% to 27.32 MT year-on-year in the quarter ended December 31, 2023. Sales volume in the domestic market was up 5% to 26.06 MT.

JK TYRE RAISES ₹500 CR, TO USE FUNDS FOR CAPEX

JK TYRE & Industries on Monday said it has raised ₹500 crore by way of qualified institutional placement (QIP). The QIP saw response from marquee investors including mutual funds, insurance firms and foreign institutional investors.

TIGER LOGISTICS BAGS PROJECT FROM HPCL

TIGER LOGISTICS (INDIA) on Monday said it has bagged a project from Hindustan Petroleum Corporation (HPCL). It did not disclose the financial details of the transaction.

SJVN GETS GOVT APPROVAL TO FORM JVS FOR 8778 MW

STATE-OWNED POWER producer SJVN on Monday said it has received finance ministry's permission to form four joint venture firms to develop hydro and renewable projects with a total capacity of 8,778 MW in India and Nepal.

RAVINDRA KUMAR TYAGI IS NOW POWER GRID CMD

POWER GRID CORPORATION on Monday said it has appointed Ravindra Kumar Tyagi as its new chairman and managing director.

FE BUREAU & AGENCIES

BUT RELIANCE ON FOSSIL FUEL-BASED INSTALLED CAPACITY SEEN STAYING HIGH AT 41% BY FY30

India Inc embraces renewable energy goals

RAGHAVENDRA KAMATH, SWARAJ BAGGONKAR & RAJESH KURUP
Mumbai, January 1

WITH THE COP28 deciding to move away from fossil fuels, India Inc is gearing up for the green transition.

The UN Climate Change Conference last month also saw decisions on tripling renewable capacity, doubling energy efficiency, reducing methane emissions, phasing out coal, setting up a loss and damage fund, among others.

"In COP28, the primary commitments made were about tripling the renewable capacity and doubling the energy efficiency. I would say that Adani Green Energy (AGEL) is at the forefront of this movement and we are taking bold steps to realise these goals," said AGEL CEO Amit Singh.

"We have an operational portfolio of 8.4 GW and target to develop 45 GW RE capacity by 2030, hence, we are not aiming just three times, we are aiming beyond that," Singh said. The company is developing the world's largest renewable energy (RE) plant at Khavda, spread across 71,000 acre, which will further propel it towards the 2030 target. The plant will play a significant role in enabling India's target of 500 GW non-fossil fuel capacity by 2030.

AMIT SINGH, CEO, ADANI GREEN ENERGY

"WE HAVE AN OPERATIONAL PORTFOLIO OF 8.4 GW AND TARGET TO DEVELOP 45 GW RE CAPACITY BY 2030, HENCE WE ARE NOT AIMING JUST THREE TIMES"

VAISHALI NIGAM SINHA, CO-FOUNDER, RENEW

"OUR NOTABLE TARGETS INCLUDE BEING WATER-POSITIVE BY 2030, SOURCING 100% OF OUR ELECTRICITY THROUGH RENEWABLES BY 2030..."

GYANESH CHAUDHARY, CMD, VIKRAM SOLAR

"WITH AFRICA'S VOICE AS PART OF THE GLOBAL ECONOMIC FORUM, PARTNERSHIP WITH THE CONTINENT WILL BE GREATLY INTENSIFIED"

According to Suzlon vice chairman Girish R Tanti, the 'Green Credit' initiative that Prime Minister Narendra Modi unveiled at COP28 would be a game changer for India. "He astutely underscored the inadequacies inherent in the prevailing carbon credit system. This critique serves as the catalyst for ushering in a transformative philosophy encapsulated by the groundbreaking green credit concept," Tanti said. "It is no wonder that this programme has garnered massive international support."

COP28 was definitely a positive step towards climate action, and has helped "India's solar pioneers to lay the foundation for a sustainable and prosperous nation", according to Vikram Solar CMD Gyanesh Chaudhary. "COP28's monumental pledge sets the stage for India's solar ambitions," he said.

He added that as the call for tripling renewable energy capacity by 2030 resonated at COP28, "India has emerged as a solar powerhouse driven by innovation".

At COP28, Vikram Solar signed a partnership agreement with the US International Development Finance Corporation for its upcoming 3 GW cell and module manufacturing facility in Tamil Nadu.

Reliance Industries, Tata Power Renewable Energy and Essar Group among others also had representations at COP28.

According to Vaishali Nigam Sinha, co-founder and chairperson (Sustainability) at ReNew, the climate summit's move to phase out fossil fuels was "remarkable".

"Some of our notable targets include being water-positive by 2030, sourcing 100% of our electricity through renewables by 2030, and a 30% women workforce by 2030. Our recently released sustainability report highlights the progress we have made in FY23," she said. The company, she said, has prevented over 14 million tonne of carbon emissions and conserved 318,000 kilolitres of water, marking a 48% year-on-year increase.

ReNew also generated 17,385 GWh of clean energy, sufficient to power five million Indian households annually. It has committed to achieve net-zero targets by 2040, Nigam Sinha said.

Mahesh Babu, CEO, Switch Mobility, said, "(The aim) is to accelerate zero-carbon mobility by all original equipment manufacturers (OEM) not just from India, but by makers from across the world. There is a lot of focus happening on this globally. Many stakeholders are making investments and taking the agenda of electrification forward."

According to a report by Icra, as per India's Nationally Determined Contributions (NDCs), the country has to increase its non-fossil energy share to 50% in total power installed capacity by 2030.

Icra estimates that the non-fossil installed capacity would be about 59% in FY30 with renewable energy capacity of about 50%, indicating achieving of NDC goals for RE. However, India's reliance on fossil fuel-based installed capacity will be high at 41% in FY30.

"Considering the upward trajectory of greenhouse gas (GHG) emissions for India and COP28 suggestions on increasing RE capacity, policy decisions for transition from fossil fuels while maintaining economic development, will play a critical role," the agency said, adding, GHG emission for India has increased in past decades.

India needs to take on China on supply chain: Mahindra

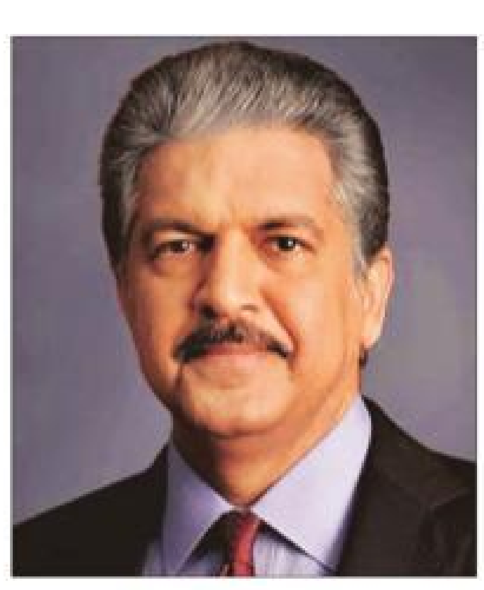
RAJESH KURUP
Mumbai, January 1

THE WORLD NEEDS India to become a challenger to China's supply chain dominance, which is a great opportunity for the country in 2024, Mahindra Group chairman Anand Mahindra said in his new year address on social media.

Investments would flow into India in "unprecedented" volumes, and in the long run, the country's capacity for disruptive innovation will lead to a rise in its economy, Mahindra said in a post on X on Monday.

He also wished the startup sector, which is the force behind disruptive innovation, "more power".

"Globally, the world needs India to become a reliable challenger to China's supply chain dominance. That is the great opportunity of 2024. That is what will fuel the lift-off," he said, adding, all signs point to the Indian economy achieving the mythical "lift-off".



Anand Mahindra, chairman, Mahindra Group

The opportunity for India's manufacturing to achieve a quantum leap "is within our grasp or ours to lose", he said, urging to seize it with both hands as growth in manufacturing and exports will enhance the consumption story and set in motion a virtuous cycle that could endure for years.

Talking about the past year, Mahindra said it was a year characterised by conflict, climate change and a sluggish post-Covid recovery. The year ended with the world crying out for renewal, he said.

While the rest of the world faced increasing turbulence over the last few years, India kept the engine of the economy chugging along through doses of government capital and infrastructure investment. "Now, the good news is that the consumption story is about to kick in. Companies that are able to create a portfolio of desirable products both in features and price will face the happy challenge of raising their production to meet demand."

DGCA issues record 1,622 commercial pilot licences

FE BUREAU
New Delhi, January 1

DGCA ISSUED 1,622 commercial pilot licences in 2023, the highest in a decade, the civil aviation regulator said on Monday. This was 39.22% higher than the previous record of 1,165 licences in 2022.

Directorate General of Civil Aviation (DGCA) data showed that among the total commercial licences issued, 18.12% are for women pilots, whose number increased 22.5% as compared to 2022.

This reflects the government's commitment to women empowerment in the civil aviation sector, the regulator said. It is estimated women consist 14% of the workforce if scheduled airlines.

According to DGCA, the rise in the issuance of commercial pilot licences comes at a time when the country's civil aviation sector is recovering at a fast pace after the pandemic. Besides, major operators like Air India and IndiGo have placed large orders for aircraft.

"The surge in licence issuance reflects the relentless efforts and rigorous standards upheld by the regulator to ensure safety, compliance and increased operational demands of the aviation sector," DGCA said.

Furthermore, the regulator said it has granted approval for a new helicopter flying training organisation to enable aspirants undergo training and acquire commercial licences for helicopters.

"With this, it is expected that the helicopter industry, largely engaged in regional connectivity services, pilgrimage, air ambulance, etc., will shore up in terms of crew strength by receiving an additional pool other than ex-military pilots."

Zepto on track for $1 bn run rate in annual sales value

FE BUREAU
Bengaluru, January 1

QUICK COMMERCE UNICORN Zepto is on track to reach a $1 billion run rate in annualised sales value within the next couple of quarters, its co-founder and chief executive officer Aadit Palicha said in a LinkedIn post.

"We're on track to hit Ebitda positive in 2024, which will make us one of the fastest venture-backed consumer internet companies in India to hit profitability (just ~36 months from launch)," Palicha said late on Sunday.

The company has improved its earnings before interest, tax, depreciation and amortisation (Ebitda) as a percentage of sales by 44% in CY23, compared to the preceding 12 months. In FY23, the company's losses widened to ₹1,272 crore from ₹390 crore in FY22, while revenue surged 14 times.

For comparison, rival Zomato-owned Blinkit hit $1 billion gross order value run rate early in 2023 and per HSBC, the company is well on track to hit $2 billion in GOV run rate by FY25. Blinkit, formerly Grofers, was founded in late 2013.

Zepto's co-founders had previously said the company plans to go for a public listing in early 2025, after maintaining Ebitda profitability for at least three quarters. They plan to use the funds to deepen their network in existing markets, set up more dark stores and invest in newer offerings such as its cloud kitchen setup Zepto Cafe.

AADIT PALICHA, CO-FOUNDER & CEO, ZEPTO

WE'RE ON TRACK TO HIT EBITDA POSITIVE IN 2024, WHICH WILL MAKE US ONE OF THE FASTEST VENTURE-BACKED CONSUMER INTERNET COMPANIES IN INDIA TO HIT PROFITABILITY

For December, the platform's monthly transacting users more than doubled year-on-year to 4.04 million, boosted by record sales of items such as snacks, ice creams and ice cubes on New Year's Eve.

Not just Zepto, Blinkit also saw record numbers on New Year's Eve. Albinder Dhindsa, co-founder and chief executive officer of Blinkit, said on LinkedIn the platform hit its highest ever orders in a day and per minute on Sunday. Items such as lipsticks, soft drinks, tonic water, shot glasses and chips saw record sales on New Year's Eve on Blinkit.

Air India's A350 jet to fly from Jan 22, carrier opens bookings

FE BUREAU
New Delhi, January 1

TATA GROUP-PROMOTED Air India said on Monday its brand new Airbus A350 aircraft will enter commercial service on January 22. The airline has opened bookings for the flights to be operated by the A350.

Initially, the aircraft will be deployed on domestic routes for crew familiarisation and regulatory compliance purposes. "Passengers from Bengaluru, Chennai, Delhi, Hyderabad and Mumbai will have the opportunity to fly and experience the unparalleled comfort and state-of-the-art technology of the Airbus A350 aircraft in Air India's bold new livery," the airline said in a statement on Monday.

The aircraft will be later deployed for longer-haul flights to destinations across continents, the airline said.

- Initial operations to be only on domestic routes
- Flights from Bengaluru, Chennai, Delhi, Hyderabad and Mumbai

Air India's A350-900 aircraft comes in a three-class cabin configuration with 316 seats. It has 28 private business suites with full-flat beds, 24 premium economy seats and 264 economy seats.

The aircraft is fitted with Rolls-Royce Trent XWB engines. It is 20% more fuel-efficient than other similar aircraft. Air India received the first of its 20 A350-900s on December 23.

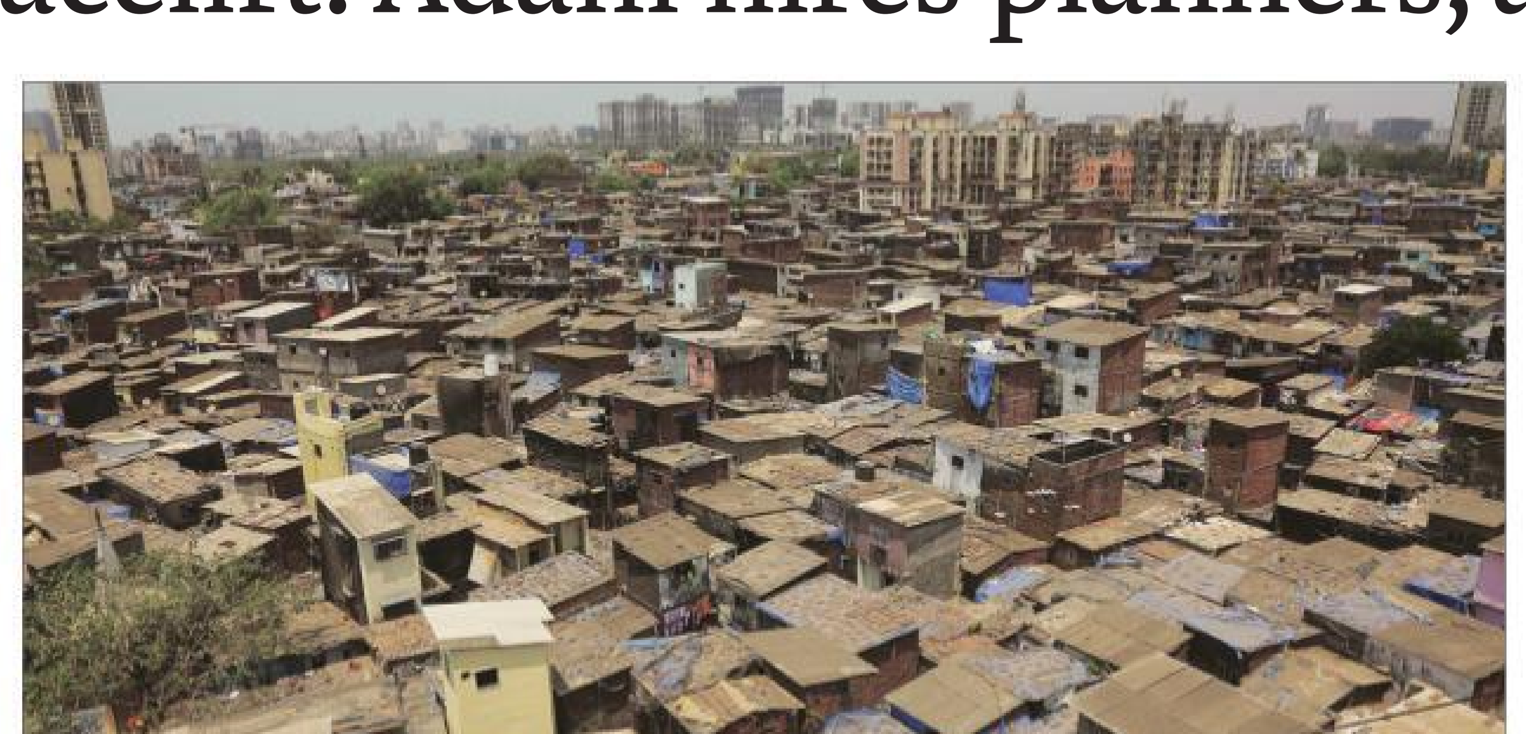
Dharavi facelift: Adani hires planners, architects

RAGHAVENDRA KAMATH
Mumbai, January 1

ADANI GROUP'S DHARAVI Redevelopment Project (DRPPL) has appointed architect Hafeez Contractor, US design firm Sasaki and UK-based consultancy firm Buro Happold to redevelop the area in Mumbai, which is home to Asia's largest slums and thousands of small business units.

Experts from Singapore have also joined the project, the company said. Adani Group said it plans to create private homes with independent toilets, airy kitchens and rooms for family living and resting. Once redeveloped, Dharavi would have areas for shops and businesses.

Originally envisaged by the Vilasrao Deshmukh-led Congress government in 2004, the mega slum redevelopment project was delayed by nearly two decades. Although UAE-based Seclink was the highest bidder for the project in 2019, fresh tenders were called in 2022 due to technical issues. In November 2022, Adani Properties, the real estate arm of Adani Group, emerged as the highest bidder to redevelop the 625-acre slum, with a quoted bid of ₹5,069 crore.



Dharavi Redevelopment Project has roped in architect Hafeez Contractor, American design firm Sasaki and UK-based consultancy firm Buro Happold FILE PHOTO

Though Seclink approached the Bombay High Court, the state government told the court last year the tendering process was transparent and no undue favour was given to Adani Group. Adani group holds 80% in the project, while Maharashtra government holds 20%.

Hafeez Contractor is known for his modern designs, social housing and landmark projects in Mumbai.

Sasaki is a renowned interdisciplinary design firm from the US, while Buro Happold, is an international consultancy firm from the UK.

Sasaki specialises in creating integrative live-work-play environments on a global scale, while Buro Happold is known for its creative and value-driven infrastructure solutions that blend with the environmental and social fabric of cities.

"The Dharavi Redevelopment Project is more than an urban renewal and revitalising the infrastructure — our goal is to elevate the quality of life of the residents of Dharavi while nurturing the essence of its vibrant culture," a DRPPL spokesperson said.

"With a commitment to integrity, inclusivity, and community engagement, we approach this pivotal endeavor with world-class excellence," the spokesperson said.

DRPPL is targeting a harmonious fusion of expertise from "our world-class partners and the vibrancy and spirit of Dharavi's citizens to cultivate a model of urban development that the world can look up to and can be replicated across other locations and cities".

DRPPL aims to incorporate the learnings of Singapore Housing Development Board, set up in 1969. The board built over 1.2 million houses there, the company said.

Oct-Dec institutional investments in real estate plummet 37%

PRESS TRUST OF INDIA
New Delhi, January 1

INSTITUTIONAL INVESTMENTS IN real estate fell 37% annually in the October-December quarter of last year to $822.3 million as fund inflows were less in all asset classes, according to Colliers India.

Data from the real estate consultant showed that institutional investments in real estate stood at $822.3 million during October-December 2023, as against $1,299.40 million in the year-ago period.

Institutional investments in real estate stood at $822.3 million during Oct-Dec 2023, as against $1,299.40 million the year ago

The inflow of funds declined 23% in the office segment to $135.5 million during the fourth quarter of last calendar year, from $175.5 million in the year-ago period.

In housing, the investments plunged 79% to $81 million in October-December 2023, from $379.1 million in the year-ago period. Alternate assets saw a dip of 11% to $418.7 million, from $467.9 million.

Alternate assets include data centres, life sciences, senior housing, holiday homes, student housing and schools among others.

Fund inflow in industrial and warehousing assets dipped 16% to $187.1 million during October-December last year, from $222 million in the corresponding period of the previous year. Mixed-use projects did not attract any investments in the fourth quarter, as against $54.9 million in the year-ago period.

The institutional flow of funds includes investments by family offices, foreign corporate groups, foreign banks, proprietary books, pension funds, private equity, real estate fund-cum-developers, foreign-funded NBFCs and sovereign wealth funds.

In CY23, institutional investments in real estate grew 10% to $5,380.40 million, from $4,877.90 million in 2022.

TO SHOWCASE HIS MAJOR FEATS IN LAST 9 YEARS

'Modi gallery' to open in PMs' Museum next week

DIVYA A
New Delhi, January 1

AHEAD OF THE inauguration of the Ram Temple in Ayodhya later this month, the 'Narendra Modi gallery' at the Prime Ministers' Museum will be opened to visitors in the second week of January, *The Indian Express* has learnt.

Located on the ground floor of the Pradhanmantri Sangrahalaya, right after the gallery dedicated to former Prime Minister Manmohan Singh, the Modi gallery will showcase his major achievements over the last nine years.

These include the construction of the Ram Temple and rejuvenation of other temples as part of a section called "Sanskriti", his focus on science and technology, foreign policy, digital payment infrastructure, abrogation of Article 370, securing India's borders, defence manufacturing and welfare schemes like Ujjwala and initiatives for farmers.

According to sources, while the gallery, which was in the works for over a year, was initially supposed to cover events up to December 2022, some events dating up to August 15, 2023 have also been accounted for.

"The gallery is divided into various buckets or sections, showcasing the key events of his tenure," Nripendra Misra, chairperson of the executive council of the Prime Ministers' Museum & Library (PMML), told The Indian Express.

It will be located on the ground floor of the PMs' Museum

Misra, who also heads the Ram Temple construction committee, served as Modi's Principal Secretary from 2014 to 2019. Among the different sections of the gallery, there is one called "Balya Kaal se Shasan Tak", dedicated to Modi's early life, which, besides his childhood years in Vadnagar, also captures his term as Gujarat Chief Minister. This section showcases his experimental exercises at the state level, and how these were expanded and extended at the national level, said sources.

The other sections are: "Sushasan" on his governance model; "Sadbhaav" on his foreign policy; "Vikas" on his development model; "Sanskriti" on cultural rejuvenation; "Janbhagidaari" on public participation; "Suraksha" on defence capabilities; "Paryavaran" on environmental causes; and "Vigyaanodaya" on science and technology. The narration and display under various heads establish the Prime Minister as an effective communicator, said sources.

"Each bucket is a confluence of three things -- technology, script or narration and display," said Misra, adding that the display takes various forms -- from a simple photograph mounted on the wall, to holograms, to the highest form of technology available now, the 7D.

He said the most advanced technology has been deployed in the "Suraksha" section, comprising demonstrations of India's defence capabilities, including the new aircraft carriers, naval fleet and weapons. "It will highlight, in great detail, how suraksha (security) is important to perpetuate vikas (development)," he said.

According to Misra, this section has an eight-minute experiential which allows visitors to board a vessel and, through 7D technology, they get to experience the "rarest of the rare" cross-border events including the 2019 Balakot airstrike, when the Indian Air Force (IAF) carried out airstrikes on terror camps in Pakistan's Balakot.

The overall message is to showcase Modi as the key enabler for growth, through empowerment of citizens and eradication of poverty, sources said. While Modi has not visited the gallery, he and his family have also stayed away from any active engagement with the project, they said.

There will be no formal inauguration of the Modi gallery, since it is part of the larger PMs' Museum project which was inaugurated by Modi in April 2022 in the erstwhile Nehru Memorial Museum and Library (NMML) campus. The Opposition had then boycotted the event, alleging an agenda to dilute Jawaharlal Nehru's legacy.

It is learnt that President Droupadi Murmu may be invited to visit the new gallery, after which it will be opened to the public.

The ₹271-crore museum has galleries dedicated to all the Prime Ministers. The erstwhile Nehru Museum building is now integrated with the new museum building.

While the area devoted to the Modi gallery is the same as for other PMs, the campus will make space for future Prime Ministers as well. "We plan to include Prime Ministers over the next 25 years as well, so there will be a need for extension of galleries, and more construction will be required eventually," said Misra.

Old vs new debate at TMC foundation day

ATRI MITRA
Kolkata, January 1

Trinamool Congress leaders at the party's foundation day programme in Kolkata on Monday EXPRESS PHOTO

THE BREWING TENSION between the old guard and the new in the Trinamool Congress spilled into the open on its foundation day Monday, with the usually recalcitrant state president Subrata Bakshi weighing in and being attacked from the other side.

After other leaders joined the debate, in favour of either TMC chief Mamata Banerjee on one side and her nephew and TMC general secretary Abhishek Banerjee on the other, the day ended with him calling on her. TMC sources insisted it was a courtesy call by Abhishek.

Unfurling the TMC flag at the ceremony to mark the setting up of the party on this day in 1998, Bakshi first raised the issue. Not heard during the recent war of words within the party, including a recommendation for an upper age limit for leaders, he said: "Abhishek Banerjee is our all-India general secretary... Swabhabilbhabei, ei nirbachone jodi lorai koren, ta hole Mamata Bandyopadhyay ke samne relhei lorai korben, loraier maidan theke pichhiye jaben na (Naturally, if he fights in the coming election, Mamata Banerjee will be in the forefront and he will not lag behind)."

Senior TMC leader Sudip Bandopadhyay seconded him, declaring that without Mamata, the TMC would not exist.

Kunal Ghosh, the TMC state secretary and Abhishek loyalist, who has been the most vocal against the old guard in the party, countered by accusing a "section of the senior leaders" of showing "pseudo-loyalty" to Mamata.

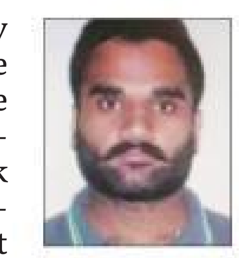
Ghosh said: "I respect our state president, but I have reservations regareding his sentence construction. It is not acceptable. Abhishek Banerjee is very much at the forefront, what he is doing is for the good of the party. He (Bakshi) is basically tarnishing the image of Abhishek Banerjee, making these off-the-cuff remarks, which are not good for the party."

Ghosh also attacked Bandopadhyay, saying: "He saw the leadership of Abhishek Banerjee at the recent agitation in Delhi (against the state's pending dues when it comes to the Centre). All these statements are creating division within the party. We want seniors to remain at the top, but on our side, we need a new generation."

Gangster Goldy Brar declared a terrorist

MAHENDER SINGH MANRAL
New Delhi, January 1

GANGSTER GOLDY BRAR, the alleged mastermind in the murder of singer Sidhu Moosewala, was on Monday declared a designated terrorist by the Union Ministry of Home Affairs under the Unlawful Activities (Prevention) Act (UAPA). A native of Faridkot in Punjab, Brar, whose real name is Satinderjit Singh, is currently based in Canada, where he had gone on a student visa in 2017. He is wanted in India in multiple murder cases.



A key member of the Lawrence Bishnoi gang, Brar had claimed responsibility for the murder of Moosewala on May 29, 2022.

In a gazetted notification issued Monday, additional secretary Praveen Vashista said Brar is associated with Babbar Khalsa International, which is listed as a terrorist organisation.

Markets

TUESDAY, JANUARY 2, 2024

EXPERIMENTING WITH AI

M Rajeshwar Rao, RBI deputy governor

We are seeing several banks and non-banks experimenting with AI. Global experience, so far, however, suggests that such deployment is mostly limited to back-office work and optimisation of business processes to deliver efficiency gains.

IN THE NEWS

BOND YIELDS START NEW YEAR WITH A MARGINAL UPTICK

GOVERNMENT BOND YIELDS ENDED the first trading session of the New Year with a marginal uptick after a higher-than-expected borrowing plan by states hurt the demand, while traders await a pick-up in volumes. The 10-year benchmark bond yield closed at 7.1969% on Monday, after ending at 7.1754% in the last session of 2023. The yield ended lower for the second consecutive month in December and closed the year with a drop of 15 bps.

RUPEE DECLINES 5 PAISE TO 83.21 AGAINST DOLLAR

THE RUPEE STARTED the new year on a weak note, depreciating by 5 paise to 83.21 against the US dollar amid a muted trend in domestic equities and dollar demand from importers. Forex traders said the rupee traded in a narrow range in the absence of global cues. Global crude oil markets were closed for New Year Day holiday.

GOLD REMAINS FLAT AT ₹63,920 PER 10 GRAM

GOLD PRICES REMAINED flat at ₹63,920 per 10 gram in the national capital on Monday, according to HDFC Securities. Silver was also flat at ₹78,500 per kilogram. "Spot gold prices (24 carats) in the Delhi markets are trading flat at ₹63,920/10 gram, unchanged from the previous close. In domestic markets, gold prices traded firm due to a lack of fresh cues from the international market," Saumil Gandhi, senior analyst of commodities at HDFC Securities, said.

TAC SECURITY PLANNING TO GO PUBLIC THIS YEAR

GLOBAL CYBER SECURITY firm TAC Security on Monday announced its plan to go public this year and raise funds from the capital markets to expand its operation with an aim to increase its turnover to ₹100 crore by 2026. SaaS firm TAC Security, founded by entrepreneur Trishneet Arora in 2013, is one of the leading players in cybersecurity.

DIFFUSION ENGINEERS FILES IPO PAPERS

ENGINEERING SOLUTIONS PROVIDER Diffusion Engineers has filed preliminary papers with Sebi to raise funds through an initial share sale. The initial public offering is purely a fresh issue of up to 98,47,000 equity shares with a face value of ₹10 each, according to the DRHP filed on December 27.

AGENCIES

● TRANSMISSION OF REPO RATE HIKE COMPLETE

Banks not likely to hike FD rates further

Deposit rates have a direct correlation with prevailing interest rates and liquidity

SACHIN KUMAR
Mumbai, January 1

HAVING MOVED UPWARD during 2023, fixed deposit (FD) rates of the banks are unlikely to rise in the current year. Easing of liquidity tightness in the banking system in the coming months and expectations of a repo rate cut by the Reserve Bank of India (RBI) in the middle of this year will prompt lenders to apply brakes on any further hike in fixed deposit rates.

The upward movement of FD rates last year was mainly driven by a series of repo rate hikes by the RBI which started in May 2022. After raising the repo rate by 250 basis points since May 2022, the central bank has not hiked its policy rate since February 2023. Bankers believe that the transmission of repo rate hikes in banks' deposit rates is nearly complete.

"I do not expect any further transmission because the rate trajectory is almost stable now," Dinesh Khara, chairman, State Bank of India, told *FE* on the sidelines of the SBI Banking & Economics Conclave held last week.

The country's largest lender had last week raised rates on fixed deposits. However, it only hiked rates for deposits having maturity of up to one year, leaving the same on longer-tenure FDs untouched. "Longer tenure, we had increased some time back, so there is no room for further increase in those buckets," Khara said.

Axis Bank and Bank of Baroda also hiked rates on fixed deposits of select maturities last week. The previous year turned out to be a good one for depositors as banks raised rates on FDs to meet their credit requirements. Tight liquidity, coupled with high demand for loans, compelled lenders to offer high rates on FDs. Smaller banks, in a bid to attract depositors, took an aggressive stance, causing the rates on fixed deposits to surpass the 9% mark in 2023.

"Deposit rates will be a function of the Monetary Policy Committee (MPC) rate as well as liquidity conditions in the economy. We expect the liquidity conditions to be balanced for most of 2024. So, the driving force behind the deposit rates shall be the MPC rate decisions," said Vivek Iyer, partner, Grant Thornton Bharat. "We expect the MPC rates to be at the same level for most of 2024 given external uncertainties, and hence we expect the deposit rates to remain at the same levels."

Deposit growth lagged the credit growth last year, which also prompted banks to hike rates. Banks credit offtake increased 20.8% year on year (YoY) to reach ₹156.2 trillion for the fortnight ending December 1 while deposits rose at 13.4% for the fortnight to reach Rs 198.8 trillion.

"I would expect bank deposit rates to remain at present levels for some time to come before heading lower, that too maybe marginally. Deposit rates have a direct correlation to prevailing interest rates in the market and liquidity," said Manish Kothari, president and head – commercial banking, Kotak Mahindra Bank.

Experts suggest that banks will be hesitant to increase fixed deposit rates as they anticipate a shift in the interest rate cycle from the middle of this year and any further hike will hurt their net interest margins.

SBI FD RATES (%)

Duration	Dec 13, 2022	Feb 15, 2023	Dec 27, 2023
1 year to less than 2 years	6.75	6.8	6.8
2 years to less than 3 years	6.75	7	7
3 years to less than 5 years	6.25	6.5	6.75
5 years and up to 10 years	6.25	6.5	6.5

■ 2023 was a good one for depositors as banks raised FD rates to meet credit requirements

■ After raising the repo rate by 250 bps since May 2022, RBI has not hiked it since February 2023

■ A shift in the interest rate cycle from the middle of 2024 will discourage banks to raise rates

Indices kick off 2024 on a flat note amid volatility

AGENCIES
Mumbai, January 1

THE EQUITY MARKETS kicked off the new year on a flat note, with benchmark Sensex closing with modest gains of 31 points in a highly-volatile trading session on Monday, helped by buying in energy, services and telecom shares.

The 30-share barometer scaled new intra-day high of 72,561.91 before closing at 72,271.94, a gain of 0.04% over the previous session. During the day, it hit a low of 72,031.23 and a high of 72,561.91. The broader Nifty also hit its all-time intra-day high of 21,834.35 before settling higher by 10.50 points, or 0.05%, at 21,741.90. As many as 22 Nifty shares advanced while 28 declined.

The key stock indices remained volatile throughout the session as traders were indecisive in the absence of global cues, analysts said.

"Market exhibited strength led by optimism on rate cuts, easing global inflation, and softer bond yields. But profit booking was visible at higher levels as lingering concerns over Red Sea disruptions pose short-term risks to global supply chains and freight costs," Vinod Nair, head of research at Geojit Financial Services, said. "The spotlight of this week is also on FOMC minutes which will provide an insight for 2024 rate cut," Nair added.

In 2023, the BSE benchmark jumped 11,399.52 points, or 18.73%, and the Nifty climbed 3,626.1 points, or 20%.

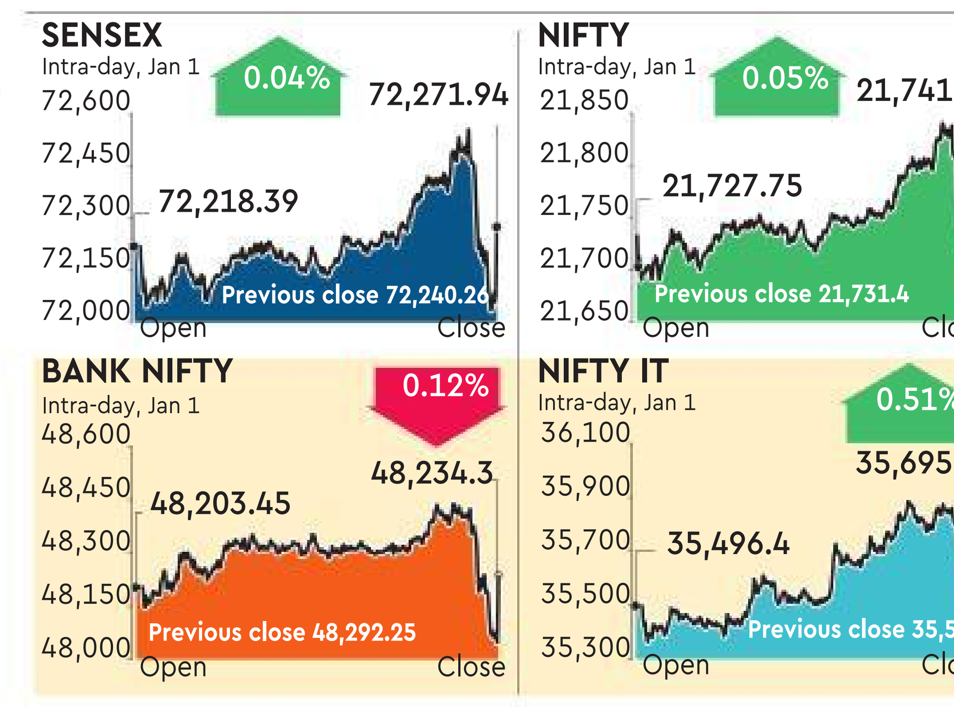
On the Sensex chart, Nestle, Tech Mahindra, HCL Tech, Tata Motors, Wipro and ITC were among the winners. In contrast, Bharti Airtel, M&M, Bajaj Finserv, HDFC Bank, NTPC and Hindustan Unilever were among the laggards.

The momentum in midcaps and smallcaps remained strong, buoyed by a positive macro outlook, but private banks experienced a reversal trend. The BSE smallcap gauge climbed 0.73% and the midcap index advanced 0.54%.

Among the indices, energy jumped 0.82%, telecommunication climbed 0.76%, services 0.73%, commodities 0.59%, oil & gas 0.64% and industrials by 0.35%. Auto, bankex and consumer durables were the laggards.

Asian and European markets were closed on Monday for the new year. The US markets ended marginally lower on Friday.

According to exchange data, foreign institutional investors bought equities worth ₹1,459.12 crore on Friday.



Foreign inflows into bonds spike to 6-year high in 2023

DHARAMRAJ DHUTIA
Mumbai, January 1

FOREIGN INVESTMENT IN Indian government bonds saw a significant jump in the last three months of 2023, with JPMorgan's decision to add the debt to its index boosting inflows to a six-year high.

Overseas investors net bought government bonds worth ₹35,000 crore ($4.2 billion) in October-December, pushing the full-year tally to ₹59,800 crore, the highest since 2017, clearing house data showed.

Fund managers expect more inflows in the New Year.

"We are positive on India into 2024 and also expect inflows into the local currency asset class," Jean-Charles Sambor, head – emerging markets, fixed income, at BNP Paribas Asset Management, said.

India's inflation should be contained and fiscal risks well-controlled, and this, along with rate cuts from the Federal Reserve, could push the 10-year benchmark bond yield to below 7%, Sambor said.

In September, JPMorgan announced it will include some Indian bonds in the Government Bond Index-Emerging Markets and its index suite from June. This should lead to incremental inflows of around $25 billion into bonds, according to analysts.

India's 10-year benchmark bond yield was trading at 7.20% on Monday, after falling 15 basis points in 2023. The yield had jumped in the previous year as central banks across the world tightened monetary policy, hurting demand for emerging market assets.

Now, the Fed has indicated it is ready to cut interest rates in 2024 and many expect the Reserve Bank of India (RBI) to follow suit.

"Foreign inflows in bonds should continue due to (index) inclusion and could see a boost if the Federal Reserve cuts rates aggressively, as that will enhance the yield differentials," Andrew Holland, CEO, Avendus Capital Public Markets Alternate Strategies, said.

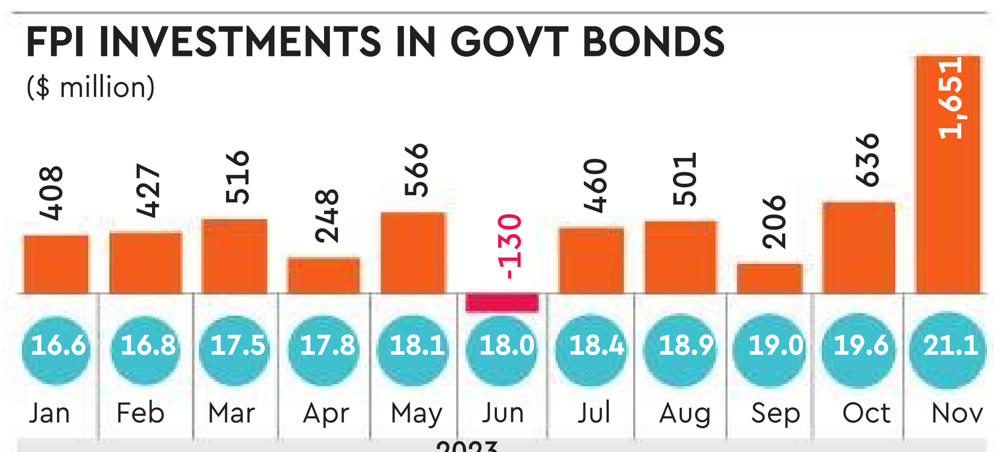
Holland expects the Fed to cut rates by 100-150 basis points in 2024 and the RBI to lower rates by at least 50 basis points.

The US 10-year bond yield has fallen to around 3.85% on rate cut hopes, widening the spread with its Indian peer to 335 basis points from around 240 bps in late October.

Indian bonds under the so-called fully accessible route received the bulk of flows late last year, with foreign holdings in them more than doubling from a year earlier to Rs 1.3 trillion, clearing house data showed.

—REUTERS

FPI INVESTMENTS IN GOVT BONDS



Souce: NSDL

UPI transaction value jumps 42% to ₹18.2 trn in Dec

AJAY RAMANATHAN
Mumbai, January 1

TRANSACTIONS THROUGH THE Unified Payments Interface (UPI) rose 54% year on year (YoY) to touch 12 billion in December, data from the National Payments Corporation of India (NPCI) showed. It had jumped nearly 54% YoY to 11.2 billion in November.

Transaction value on the platform rose 42.2% to ₹18.2 trillion in December. It had gone up 46.1% to ₹17.4 trillion in November.

"In December 2023, the UPI achieved a significant milestone by reaching the 12-billion-transaction mark, marking a pivotal moment in its journey," said Anand Kumar Bajaj, founder, managing director and chief executive officer, PayNearby.

Bajaj said the Reserve Bank of India (RBI) and the NPCI have actively contributed to the growth in UPI transactions by introducing additional features to enhance user experience. These efforts aim to create opportunities for digital financial service providers to tap into new customer segments, thereby allowing them to embrace digital transaction methods more and reduce costs.

In 2023, UPI transaction volumes surged 58.8% YoY to 117.6 billion. In terms of value, it rose 45.2% to ₹182.9 trillion. The growth in UPI transactions was aided by innovations like UPI-ATMs, making cash withdrawals card-less and convenient. Further, increasing UPI payments and e-mandates for key sectors like education, healthcare and finance signal a shift towards larger transactions seamlessly going digital, bypassing the current complex processes.

Additionally, making UPI quick response codes universally accepted at stores in countries like Singapore and France, as well as the introduction of conversational payments, has also aided the growth in UPI transactions.

"The integration of credit line on UPI and the linkage of RuPay credit cards to UPI is poised to revolutionise the landscape of customer access to credit," said Mandar Agashe, founder and managing director at Sarvatra Technologies. "Going ahead, we look forward to increased collaboration and participation from industry stakeholders and the regulators to take this payments revolution to the next level."

Saudi fund pips GIC of Singapore with $32-bn splurge

MATTHEW MARTIN & DAVID RAMLI
January 1

SAUDI ARABIA'S PUBLIC Investment Fund emerged as the world's most active sovereign investor last year, boosting its deal activity even as most global peers including GIC Pte and Temasek Holdings Pte slashed spending.

PIF, as the Saudi fund is known, deployed $31.6 billion in 2023, according to research consultancy Global SWF. That was higher than the $20.7 billion it invested the previous year, an increase that contrasts with a wider trend — globally state-owned investors deployed $124.7 billion, about a fifth less than the year prior to that.

The declines were led by GIC, which cut the amount of capital deployed by 46% to $19.9 billion and lost its spot as the world's most active sovereign wealth fund for the first time in six years. Temasek also reduced new investments by 53% to $6.3 billion against a backdrop of volatile markets, which led the two Singapore-based investors to report worsening returns.

Global SWF said much of GIC's decline related to investments across developed markets. Singapore's state investors continued to be active in emerging markets like India, with deals including GIC's $1.4 billion joint venture with Brookfield India REIT and Temasek's increased stake in Manipal Health Enterprises.

"Singaporean investors are being more cautious and we've seen that reflected in the numbers," Global SWF said.

—BLOOMBERG

Nearly 97.38% ₹2,000 notes returned to system, says RBI

PRESS TRUST OF INDIA
Mumbai, January 1

THE RESERVE BANK of India (RBI) on Monday said nearly 97.38% of ₹2,000 bank notes have been returned to the banking system, and only about ₹9,330 crore worth of the notes are still with the public.

On May 19, the RBI announced the withdrawal of ₹2,000 denomination bank notes from circulation.

"The total value of ₹2,000 bank notes in circulation, which amounted to ₹3.56 trillion as at the close of business on May 19, 2023, when the withdrawal of Rs 2,000 bank notes was announced, has declined to ₹9,330 crore as at the close of business on December 29, 2023," the RBI said in a statement. Thus, 97.38% of the high-value currency in circulation as of May 19, 2023 has since been returned to the banking system, it added. "₹2,000 bank notes continue to be legal tender."

People can deposit and/or exchange ₹2,000 bank notes at the 19 RBI offices across the country. People can also send such notes through India Post from any post office to any of the RBI issue offices for credit to their bank accounts.

Public and entities holding such notes were initially asked to either exchange or deposit them in bank accounts by September 30. The deadline was later extended to October 7. Deposit and exchange services at bank branches were discontinued on October 7.

Starting October 8, individuals have been provided with the choice of either exchanging the currency or having the equivalent sum credited to their bank accounts at the 19 offices of the RBI.

Meanwhile, queues are being witnessed during working hours at the RBI offices for exchange/deposit of ₹2,000 notes.

The 19 RBI offices depositing/exchanging the bank notes are in Ahmedabad, Bengaluru, Belapur, Bhopal, Bhubaneswar, Chandigarh, Chennai, Guwahati, Hyderabad, Jaipur, Jammu, Kanpur, Kolkata, Lucknow, Mumbai, Nagpur, New Delhi, Patna and Thiruvananthapuram.

RBI special push on unclaimed deposits

PRESS TRUST OF INDIA
Mumbai, January 1

THE RESERVE BANK on Monday came out with comprehensive guidelines on unclaimed deposits under which banks will be required to undertake special drives periodically to find out the whereabouts of customers with such accounts.

The revised instructions, to come into effect from April 1, are expected to complement the ongoing efforts and initiatives taken by banks and the RBI to reduce the quantum of unclaimed deposits in the banking system and return such deposits to their rightful owners/claimants.

Based on the review, the RBI has decided to issue comprehensive guidelines on the measures to be put in place by the banks covering various aspects of classifying accounts and deposits as inoperative accounts and unclaimed deposits.

Issuing a notification in this regard, the RBI said, a periodic review of such accounts and deposits is part of exercise to prevent fraud in such accounts/ deposits.

A savings/current account would be treated as inoperative if there are no 'customer-induced transactions' in the account for a period of over two years.

The credit balance in any deposit account maintained with banks, which have not been operated upon for 10 years or more, or any amount remaining unclaimed for 10 years or more is transferred to the 'Depositor Education and Awareness' (DEA) Fund Scheme, 2014.

With regard to tracing customers of inoperative accounts/ unclaimed deposits, it said, the bank shall contact the holder of such accounts through letters, email or SMS. The email/ SMS shall be sent on a quarterly basis, it said.

"In case the whereabouts of the holder(s) of the inoperative account/unclaimed deposit are not traceable, the banks shall contact the introducer, if any, who had introduced the account holder to the bank at the time of opening of the account," the RBI said. "The banks shall undertake special drives periodically to find out the whereabouts of the customers, their nominees or legal heirs in respect of inoperative accounts/unclaimed deposits."

Target of 1 million daily CBDC transactions achieved

THE RESERVE Bank of India (RBI) has achieved its target of reaching 1 million daily transactions of its central bank digital currency (CBDC) in the retail segment. The milestone was surpassed on December 27, governor Shaktikanta Das said in a letter to staff. "On the fintech front, the success story of UPI is now an international model," Das said. "We also made significant strides in the usage of e-rupee and exceeded the milestone of 1 million transactions in a day on Dec 27, 2023." The central bank had set a target of a million CBDC transactions per day by the end of December this year under the CBDC pilot, which was launched in December 1, 2022. As of now, 13 banks are participating in the CBDC pilot in 80 cities. In his letter, Das said the success of the Unified Payments Interface meant the model is being followed internationally.

—FE BUREAU

International

TUESDAY, JANUARY 2, 2024

PUSH FOR 'REARMAMENT'

Emmanuel Macron, French President

We'll be determined in amplifying our industrial, technological and scientific rearmament. We need to do all we can to meet our goal of full employment: continue to innovate, but also attract companies and create more in France.

IN THE NEWS

UKRAINE DOWNS 90 DRONES IN RUSSIAN NEW-YEAR EVE RAID

UKRAINE REPELLED A drone attack on the New Year's Eve, shooting down 87 of 90 Russian unmanned aerial vehicles, as a war that Russian President Vladimir Putin started almost two years ago continued to escalate.

PROSPECT FOR TALKS OVER N-DEAL 'STILL EXISTS': IRAN

IRAN SAID IT is open to fresh talks around its nuclear program with world powers that had been overshadowed by the deadly war in Gaza. "The diplomatic environment to hold a new round of talks still exists," Nasser Kanaani, a spokesman for Iran's foreign ministry, said in a press conference in Tehran on Monday.

PAKISTAN INFLATION QUICKENS FOR 2ND STRAIGHT MONTH

PAKISTAN'S INFLATION ACCELERATED for the second straight month in December despite record borrowing costs, as IMF-backed hikes in energy costs and a weak currency stoked price gains.

FRENCH AUTO MKT: NEW CAR SALES UP 14.5% IN DECEMBER

FRENCH NEW CAR registrations rose 14.5% in December, capping a year of market growth, the PFA auto association said in a statement on Monday. Sales for the full year rose 16.1% to 1.77 million vehicles.

AGENCIES

SCORES OF HOUSES DESTROYED; MAJOR TSUNAMI WARNING ISSUED, BUT WAS LATER REDUCED

Strong quake jolts Japan; alert in Korea, Russia

Cracks are seen on the ground in Wajima, Ishikawa prefecture on Monday, following an earthquake. Japan issued tsunami alerts Monday after a series of strong quakes in the Sea of Japan. AP/PTI

Customers crouch following an earthquake at a supermarket in Toyama, on Monday. AP

TIM KELLY, SATOSHI SUGIYAMA & SAKURA MURAKAMI
Tokyo, January 1

A POWERFUL EARTHQUAKE struck central Japan on Monday, destroying scores of buildings, knocking out power to tens of thousands of homes and prompting residents to evacuate some coastal areas.

The quake with a preliminary magnitude of 7.6 triggered waves of about 1 metre along Japan's west coast and neighbouring South Korea, with authorities saying larger waves could follow.

The Japan Meteorological Agency (JMA) issued tsunami warnings for the prefectures of Ishikawa, Niigata and Toyama. A major tsunami warning - the first since the March 2011 earthquake and tsunami that struck northeastern Japan - was initially issued for Ishikawa but later downgraded.

Russia and North Korea also issued tsunami warnings for some areas. Houses have been destroyed, fires have broken out and army personnel have been dispatched to help with rescue operations, government spokesperson Yoshimasa Hayashi told reporters, adding that authorities were still assessing the damage.

More strong quakes in the area, where seismic activity has been simmering for more than three years, could occur over coming days, JMA official Toshihiro Shimoyama said. In comments to the press shortly after the quake struck, Prime Minister Fumio Kishida also warned residents to prepare for more disasters. "I urge people in areas where tsunamis are expected to evacuate as soon as possible," Kishida said.

"Tsunami! Evacuate!" a bright yellow warning flashed across television screens advising residents in specific areas of the coast to immediately evacuate their homes.

Images carried by local media showed a building collapsing in a plume of dust in the city of Suzu and a huge crack in a road in Wajima where panicked-looking parents clutched their children. There have been reports of at least 30 collapsed buildings in Wajima, a town of around 30,000 known for its lacquerware, and a major blaze has engulfed several buildings.

The quake also jolted buildings in the capital Tokyo, some 500 km from Wajima on the opposite coast.

More than 36,000 households had lost power in Ishikawa and Toyama prefectures, areas where temperatures where set to drop to near freezing overnight, according to utilities provider Hokuriku Electric Power. Telecoms operators also reported phone and internet outages in some areas. —REUTERS

32k homes in Ishikawa prefecture face power outages

AFTER THE POWERFUL earthquake and aftershocks on Monday, more than 32,500 homes in Japan's Ishikawa prefecture are without power, CNN reported citing Hokuriku Electric Power.

Tsunami warnings have been issued along the coastal areas of western Japan. Furthermore, people have been urged to evacuate after an earthquake of magnitude 7.5 struck the region. Speaking to CNN, Suzu city officials in Japan's Ishikawa prefecture have said that buildings have been damaged after the quake and there are reports of injuries. According to Suzu police, they have received several reports regarding people being trapped in their houses, CNN reported citing NHK. The police and fire department are making efforts to assess the situation. Wajima city in Ishikawa prefecture has reported tsunami waves of around 1.2 metres, CNN reported. The waves were reported to have struck around 4:21 pm (local time). There were no reports of damage.

A number of other areas along the Japan's western coast have reported tsunami waves less than 1 meter, including Toyama city, Kashiwazaki, Kanazawa port, Tobishima island and Sado island. —ANI

North & South Korea brace for tsunami

A TSUNAMI MEASURING under one metre (3.3 ft) reached South Korea's east coast in the wake of a massive earthquake that hit Japan on Monday, South Korea's meteorological agency said, which added there may be more and larger waves in the next hours.

The first tsunami to reach South Korea's coast was 67 cm (2.2 ft) but it may increase in size after the initial waves and may continue for more than 24 hours, the meteorological agency said. —REUTERS

Xi to Biden: China and US should strive for peaceful coexistence

FOSTERING TIES

- 45 years ago, on this day, Washington officially cut diplomatic ties with Taipei in favour of recognising Beijing
- Relations between the nuclear-armed powers have steadied since Xi's meeting with Biden in US at the end of 2023

SING YEE ONG
January 1

CHINESE PRESIDENT XI Jinping told his US counterpart Joe Biden that their nations should strive for "peaceful coexistence," as the world's two largest economies try to stabilise strained relations.

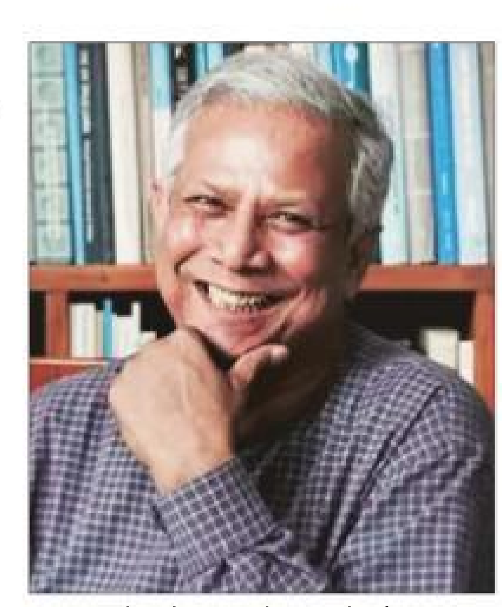
"Over the past 45 years, China-US relations have weathered storms and moved forward," Xi wrote in a new year's day letter commemorating the establishment of diplomatic ties on January 1, 1979, according to state-run broadcaster China Central Television. On that date, Washington also officially cut diplomatic ties with Taipei in favour of recognising Beijing. Since then, the relationship has "not only improved the well-being of people from both countries, but also contributed to global peace, stability and prosperity," the Chinese leader added.

Relations between the nuclear-armed powers have steadied since Xi's meeting with Biden in San Francisco at the end of last year, which concluded with a series of small diplomatic wins.

Overall ties, however, remain fragile, with fundamental disagreements lingering over Beijing's close links to Russia and its stance on Taiwan, as well as US trade curbs on China. Biden also sent Xi a congratulatory letter to mark the 45-year milestone, state media reported. The US leader also acknowledged relations between the two nations fostered prosperity for both countries. —BLOOMBERG

Nobel laureate Muhammad Yunus sentenced to 6 months in prison

ANISUR RAHMAN
Dhaka, January 1



Yunus had won the Nobel Peace Prize in 2006 for his anti-poverty campaign

BANGLADESH'S NOBEL LAUREATE economist Muhammad Yunus was on Monday sentenced to six months in jail by a court for violating the labour laws, a verdict termed as "politically motivated" by his supporters ahead of the January 7 general elections.

The 83-year-old economist, who was present in court, sought bail after the ruling, which Third Labour Court Judge Sheikh Merina Sultana granted immediately for a month in exchange for a Taka 5,000 ($45) bond. The court gave the defence 30 days to appeal.

Yunus won the Nobel Peace Prize in 2006 for his anti-poverty campaign, earning Bangladesh the reputation of being the home of micro-credit through his Grameen Bank, which he founded in 1983.

Yunus and three of his colleagues in Grameen Telecom-- one of the firms he founded-- were accused of violating labour laws when they failed to create a workers' welfare fund in the company.

Judge Sultana ordered Yunus to serve six months of simple or non-rigorous imprisonment for violating the law as the Grameen Telecom chairman, along with three other executives of the social business company.

"The allegation of violating the Labour Law against him has been proved. It appears that the allegation has not been barred by limitation (either)," the judge said, pronouncing the judgment while Yunus was in the dock.

She also slapped a Taka 25,000 fine (USD 227.82) on each of them, adding that they would have to serve 10 more days in jail in case of a default.

Under the law, all four can appeal against the verdict in the High Court. The verdict comes just days ahead of the January 7 general election in Bangladesh.

Describing the judgment as "politically motivated", his supporters said the charges were filed to harass him.

Last month, after a court appearance for the hearing, Yunus rejected claims of profiting from Grameen Telecom or any of the more than 50 social business firms he founded in Bangladesh. "They were not for my personal benefit," he told reporters. Grameen Telecom owns 34 per cent of Bangladesh's largest mobile phone company, Grameenphone. —PTI

Fighting rages as Israel plans to shift Gaza war tactics

DAN WILLIAMS, NIDAL AL-MUGHRABI & ARAFAT BARBAKH
Jerusalem/Cairo/Gaza, January 1

ISRAEL PULLED TANKS out of some Gaza City districts on Monday, residents said, as it announced plans to shift tactics and cut back on troop numbers, but fighting raged elsewhere in the Palestinian enclave along with intense bombardment.

Israel says the war in Gaza, which has reduced much of the territory to rubble, killing thousands and plunging its 2.3 million people into a humanitarian disaster, has many months to go.

But Israel has signalled a coming news phase in its offensive, with an official saying on Monday that the military would draw down forces inside Gaza this month and shift to a months-long phase of more localised "mopping up" operations.

The official said the troop reduction would allow some reservists to return to civilian life, shoring up Israel's war-battered economy, and free up units in case of a wider conflict in the north with Lebanon's Iran-backed Hezbollah.

Artillery fire between Hezbollah and Israel has rattled the border since the start of the Gaza conflict, with Israel's military saying it carried out an air strike on Monday, and any new escalation carries risks for a wider regional war. The Tehran-backed fighters in Yemen have attacked Red Sea shipping, drawing a US military response. —REUTERS

Military should annihilate US, Korea if provoked: Kim

NORTH KOREAN LEADER Kim Jong Un said his military should "thoroughly annihilate" the United States and South Korea if provoked, state media reported Monday, after he vowed to boost national defense to cope with what he called an unprecedented US-led confrontation.

> Kim said he will launch 3 more spy satellites, produce more nuclear materials and develop attack drones this year

North Korea has increased its warlike rhetoric in recent months in response to an expansion of US-South Korean military drills. Experts expect Kim will continue to escalate his rhetoric and weapons tests because he likely believes he can use heightened tensions to wrest US concessions if former President Donald Trump wins the US presidential election in November.

In a five-day major ruling party meeting last week, Kim said he will launch three more military spy satellites, produce more nuclear materials and develop attack drones this year in what observers say is an attempt to increase his leverage in future diplomacy with the US.

In a meeting on Sunday with commanding army officers, Kim said it is urgent to sharpen "the treasured sword" to safeguard national security, an apparent reference to his country's nuclear weapons programme. He cited "the US and other hostile forces' military confrontation moves," according to the official Korean Central News Agency.

Kim stressed that "our army should deal a deadly blow to and thoroughly annihilate them by mobilising all the toughest means and potentialities without a moment's hesitation" if they opt for military confrontation and provocations against North Korea, KCNA said. —AP

BYD posts record sales quarter to challenge Tesla at its own EV game

DANNY LEE
January 1

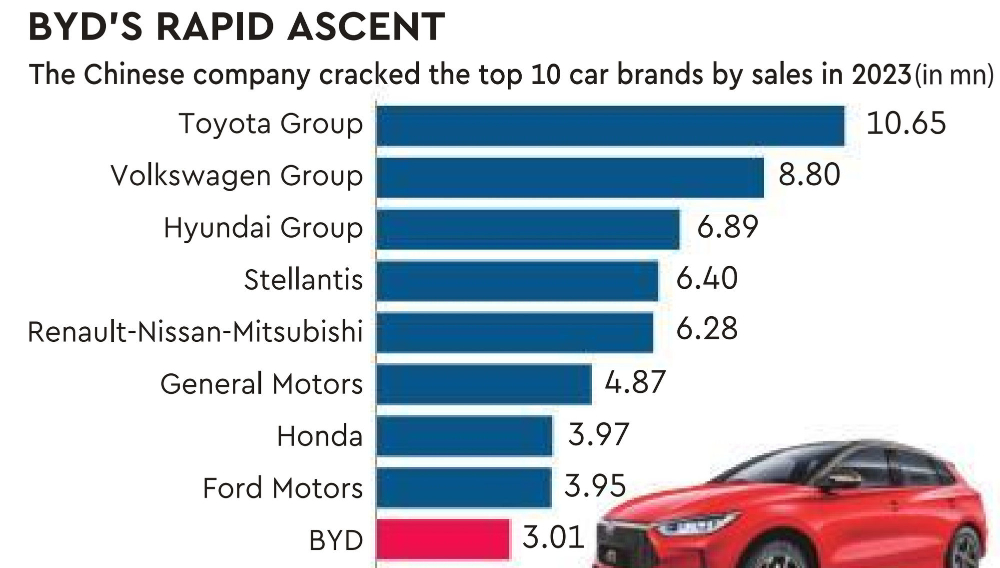
CHINESE AUTOMAKER BYD sold 526,409 fully electric vehicles in the fourth quarter, meaning Tesla will need a record showing to maintain its No. 1 status when it unveils sales figures on Tuesday.

China's best-selling car brand reported EV and hybrid sales of 340,178 in December — including 190,754 all-electric cars — aided by aggressive end-of-year discounting, according to an exchange filing Monday. In total, BYD sold 3.01 million units in 2023.

BYD should find out within days whether it has sold enough cars to overtake Tesla for the first time on a quarterly basis to become the world's biggest seller of fully electric EVs. Analysts tracking Elon Musk's Tesla expect it to shift around 483,200 units.

BYD'S RAPID ASCENT

The Chinese company cracked the top 10 car brands by sales in 2023 (in mn)



Source: GlobalData

A revamped Model 3 and the stainless steel-clad Cybertruck, which began deliveries at the end of November, may give Tesla's full year 1.8 million sales target a late boost. The US automaker has also been gradually adjusting sticker costs in the US and China, where it initiated a price war in late 2022 that extended into 2023.

BYD's full-year volumes were almost as much as its EV and hybrid sales over the previous five years combined. The Shenzhen-based firm, which had a 3 million annual sales target, saw rapid growth in 2023 that catapulted it into the top 10 ranking of global car sales for the first time.

BYD shares fell almost 24% in 2023, with an accelerated decline in the stock since mid-November as competitive pressures, price cuts, and concerns it cannot meet sales targets pummeled the company's valuation. Despite starting an industry price war in China, Tesla shares rose 130% last year.

BYD continued its aggressive global expansion plans in the past 12 months, recently picking Hungary over other European countries to establish its first production line on the continent. —BLOOMBERG

Opinion

TUESDAY, JANUARY 2, 2024

TRUST IN SHORT SUPPLY

UN secretary general Antonio Guterres

2023 has been a year of enormous suffering, violence, and climate chaos. People are getting crushed by growing poverty and hunger. Wars are growing in number and ferocity. And trust is in short supply. But pointing fingers and pointing guns lead nowhere

Winter may get longer

Start-up investors' circumspection may persist in 2024 as most businesses are still burning cash

IF NUMBERS EVER told a story, it was the $8.3 billion that investors put in start-ups last year—the smallest commitment in five years. With two-thirds of this amount going to fintechs, e-commerce and enterprise technology, it was evident that investors were no longer willing to bet on everything that came their way. In fact, the huge mark-downs showed many investors acknowledging that their investee firms weren't worth quite as much as they had earlier believed. Although there is some $10 billion of dry powder, caution and circumspection will persist in 2024 as most businesses are still burning cash. Moreover, like last year, private equities and venture capital firms will keep shying away from new businesses—seed-stage start-ups pulled in 72% less in 2023 than they did in 2022. That means there could be fewer new start-ups until there is more confidence in the existing models and the environment. Inc42 estimates that 2022 and 2023 together saw 1,140 new start-ups, way lower than 1,400 new ventures in 2021.

To be sure, the losses at many of the start-ups have narrowed in this financial year. However, the many disruptions in terms of competition, stricter regulation or new technology have left many others in a shambles. Take the case of Dunzo, which never seems to pay salaries on time. One casualty of tighter regulation has been PayTm. The lender has been compelled to scale down operations in some profitable areas because the rules have been tightened. Moreover, the competition in the fintech space is set to get intense with Jio Financial expected to go all out this year.

Of course, the big regulatory change awaited is the new e-commerce policy. Hopefully, it will bring clarity in terms of the definition of foreign investment (where there is still some ambiguity) while creating a level-playing field for foreign and domestic players. The government is hoping to rein in price distortions by curbing bulk purchases of branded products such as mobile phones by group companies of foreign-owned e-commerce players. The draft policy suggests that Indian-owned and Indian-controlled online marketplaces would be permitted to hold inventory, provided the products are 100% locally produced. It also prescribes that personal data of customers or community data will be stored in the country, but that could be contested by foreign firms who use data analytics to reach out to customers. While the government is well within its rights to regulate the sector, one hopes it would be impartial across local and foreign players. Meanwhile, with cash reserves dwindling, start-ups will need to further tighten their belts in 2024. That could mean further layoffs on the back of around 35,000 sackings in 2022 and 2023. Also, more businesses could be put on the block though whether there would be takers is not clear. There was none for ZestMoney after all. It is though possible that investors could bail out a promising business, much like it happened at PharmEasy.

Last year was a comeback year for new-age technology companies (NATC). After capitulating in 2022, 14 of them added a combined $12 billion in market capitalisation. The successful listing of Honasa will encourage more start-ups to go public in 2024. In fact, much of the capital waiting to be deployed could be invested in pre-IPO rounds or in late-stage businesses that are likely to hit the market in 2025. Other than that, money will flow mainly into start-ups in AI, deep-tech and localised language learning models.

Rishi Sunak's illusion of electoral choice

MARTIN IVENS

Bloomberg

THE TRAPPINGS OF UK PM Rishi Sunak's office are scant. His lodgings at No. 10 Downing Street are shabby compared to the opulence of White House or the Elysee Palace. The PM hardly enjoys a gilded existence at the workplace either. Every Wednesday in the House of Commons, Sunak has to face a jeering cross-examination by his opponents. Unlike a regal American or French president, he also knows that Tory MPs sitting behind him can terminate his leadership at any time. They have been effective at wielding that power against his predecessors in the recent past.

Sunak, however, has one advantage over most of his fellow democratic leaders: He has the right to call a general election at a time of his own choosing (within a five-year maximum term). Can he use his super power to turn around his fortunes in 2024?

The PM has already ruled out waiting until January 2025, the latest possible date, so two likely options remain. Sunak can call one in early May on the same day as local elections or wait until the autumn, giving more time for the economy to recover and cash-strapped voters to feel the impact of a sharp slowdown in inflation.

Prime ministers behind in the polls usually play it long in the hope that events will somehow turn in their favour. Sunak will have only been in the top job for two years by September, so he might calculate that it is best to enjoy power while it lasts.

In truth, the odds are against the Tories whatever he decides. Sunak predecessor Liz Truss's ejection from office robbed the party of its chief electoral asset—a reputation for economic competence. The PM has tried to steady the ship, but inflation and economic stagnation have taken their toll. Sunak can blame events outside his control, such as the malign effects of the Ukrainian war and Covid-19, but the Office for Budget Responsibility's verdict is electoral poison: "The largest reduction in living standards since ... records began in the 1950s."

Sunak, however, is not resigned to a dismal fate. Those who work closely with him describe resilience as one of his strengths. At the very least, he will try to minimise the scale of Tory defeat. At best, he hopes to maximise his slender prospects of victory. Politicians and commentators love to speculate on election timing. Sunak is keeping his options open. The Autumn Statement brought forward a 2 pence cut in the rate of national insurance to January, which voters would get before a May election. His finance minister, Jeremy Hunt, has announced an early date, March 6, for his budget, which has given rise to more speculation about a spring vote. Although Sunak and Hunt have pledged to cut the deficit, on present trends debt is projected to stand at 93% of GDP by 2030. That should leave little room for tax cuts, but the impact of lower inflation on government borrowing will give the chancellor the option to offer an election sweetener or two.

Hunt has the choice to cut or even abolish inheritance tax (IHT). Opinion among Tory MPs is split between those who would like to abolish IHT and others who would prefer to cut income tax. In either case, the government has to hope the voters are too forgetful or dimwitted to notice that by freezing income tax thresholds, Hunt has ensured that 4 million will be paying more, 3 million at the higher 40% rate.

Sunak has an incentive to wait in the hope that more of his five personal pledges are met. Inflation will continue to cool to the relief of mortgage holders; hospital waiting lists must eventually come down as the backlog caused by the pandemic is reduced, and even the number of migrants arriving on UK shores is expected to decline. But election timing is an inexact science. In general, governments at their zenith can indeed load the dice in their favour by manipulating taxes and spending for short-term advantage. Weak PMs most often get it wrong. The Tory Edward Heath went early in February 1974 and lost; Labour's James Callaghan went late in 1979 and was beaten by Margaret Thatcher; Tony Blair's successor, Gordon Brown, rejected an early chance in 2007 to seek an electoral mandate and limped to defeat in 2010.

But a few months here or there may offer Sunak only the illusion of choice. He can try to play smart politics, but the economic facts will remain the same. Whether it's May or October or even a "tinsel election" in December, Sunak can't bank on his timing for victory.

IMPLEMENTING RULES

ECO SURVEY 2016-17 HAD PROPOSED MANDATORY REALTIME PUBLISHING OF CITIZEN-FACING LAWS

Knowledge of the law

SANJEEV SANYAL
JAYASIMHA KR

Respectively, member, and consultant, Economic Advisory Council to the Prime Minister (EAC-PM)
Views are personal

A FUNDAMENTAL REQUIREMENT for a functioning state is that citizens are aware of laws, rules and procedures that they are expected to follow. This is why the ignorance of law is not accepted as a defence. This is based, in turn, on the assumption that citizens can easily find the relevant laws and rules. Alas, no easy task in India.

Every citizen and institution is expected to navigate a multitude of laws, rules, regulations, procedures, and exemptions imposed by different tiers of government. Moreover, this landscape keeps changing. Not only ordinary citizens, even government officials find it hard to keep abreast with the changes. Yet, one would think that in the digital age it would merely be a matter of searching it up on the internet. It is not so.

As an illustration, let's look at something as simple as traffic rules in the national capital. As any reader can try out themselves, it is not easy to find out the traffic rules and penalties for different violations on the Delhi Police website. Worse, when we did find a document on the official website, it was actually misleading!

An undated list provided on the 'Traffic Offences and Penalties' page *(shorturl.at/bHIUY)* on Delhi Traffic Police's official website has a list of 73 traffic offenses and corresponding penalties. According to it, there is no penalty for some of the serious traffic offenses in Delhi. For instance, penalties for "jumping red light", "drunken driving", "driving against authorised flow", "dangerous goods by common carrier" and "driving dangerously" are zero rupees!! Please look up the link yourself (an image is attached as the website will hopefully be updated after this article). We have nothing specifically against Delhi Police but merely want to highlight the paucity of basic information on the most commonly applied of rules.

The case for easy and updated access to laws is not new. The Supreme Court (SC) has repeatedly reiterated the need for easy access to laws and rules since establishment of our Republic. In *Harla v. The State of Rajasthan* (1951), the SC had held that natural justice required that before a law became operative it must be promulgated or published "in some recognisable way so that all men may know what it is".

Despite rapid technological advancement and expansion of digital public infrastructure,

we are still bereft of one comprehensive and updated online platform to access all the laws and rules we are expected to follow. Though laws are published in various gazettes of the government, they are not in a format that is easily accessible to the general public. Even when available, one has to hunt through a long list of amendments and updates.

One existing initiative to solve this issue is the India Code portal *(indiacode.nic.in)*. The portal is supposed to contain all the Acts, subordinate legislation, rules, regulations, notifications, orders, circulars, ordinances and statutes issued under a particular act. Though a commendable effort, the portal falls short of expectations as it is not regularly updated with accompanying documents and states' amendments to central Acts. Central Motor Vehicles Rules is a case in point. The latest rules under the said Act available on India Code is the Central Motor Vehicles (Eighteenth Amendment) Rules of 2017 but not the twenty-sixth amendment rules (2021) under the Act.

Other countries have used digital platforms to solve the problem. A good example of a one-stop source for all the laws and rules is the UK's *Legislation.gov.uk*. The website is the official home for all legislation and their accompanying documents enacted in the UK dating as far back as 1267 (including Magna Carta) to present. It also includes statutory instruments and local Acts where citizens can scroll through the changes made over time, including the latest available version, original as enacted, and all the corresponding amendments.

To end this asymmetry of information, the Economic Survey 2016-17 had suggested a Transparency of Rules Act (TORA). The proposed legislation would make it mandatory for all the ministries and departments to publish and update, in real-time, all the citizen-facing laws, rules, regulations, procedures, exemptions and other essential requirements on their respective websites as well as a portal like India Code.

TORA is not just about making portals like India Code function effectively. It is also about giving it a legislative teeth by enforcing the following elements:

All rules, regulations, procedures, exemptions, forms and other essential requirements would be accessible on the department website and the unified portal. Importantly, once a department or agency was declared TORA compliant, officials would not be allowed to impose laws/rules that are not explicitly published on the designated website. Demanding compliance to an unpublished rule would attract disciplinary action.

Laws, rules and regulations placed on websites and the portal would be presented as an updated unified whole and not as a series of endless circulars. The portal and websites would clearly mention the date and time each change is made with a clear time-stamp. This will help citizens know from which point in time the rule came into existence and discourage post facto uploading of information by officials.

In our view, TORA will be a significant value addition to the Digital India Mission which aims to achieve digital access, enhance ease of living and reduce the distance between government and citizens.

Trucks carrying sand/dust without covering (No Entry)	115/194(1) M.V. Act 1988	20000	20000
Misbehaviour with Police Officer	179 MVA	2000	2000
W/O Insurance	146/196 MVA	2000	4000
Driving Dangerously	184 MVA	0	0
W/O PUCC	115 CMVR /190(2)M.V.A	10000	10000
Driving against the authorized flow of traffic	184 MVA	0	0
RC Violation	39/192 MVA	5000	10000
Defective/Fancy/Not displaying Number Plate	50,51 CMVR / 39/192 MVA	5000	10000
Advertisements on Vehicle	DMVR 71.2/177 MVA	500	1500
Drunken Driving	185 MVA	0	0
Over Speed LMV	112.1/183(1) MVA	2000	0
Over Speed MMV/HTV	112.1/183(1) MVA	4000	0

Screenshot of 'Traffic Offences and Penalties' page on Delhi Traffic Police Website (accessed on 16-11-21)

Should India have non-trial resolution?

MOHIT ROHATGI
KAUSTUB NARENDRAN

Respectively, partner, and senior associate, Trilegal

There is growing global acceptance of this, thanks to the many advantages—from conservation of prosecutorial resources to better reparations

INDIA IS IN the process of replacing its existing criminal laws to, among other things, provide for a more reparative approach to justice where necessary. One modern-day instrument that must be considered is non-trial resolutions.

Commonly known as "settlements", non-trial resolutions are applied mostly in cases of serious economic crimes committed by corporate bodies. Their rising popularity is a testament to their advantages. Prosecutorial resources are conserved, penalty incomes received may be better applied towards reparations, the corporate body is able to avoid prolonged and expensive trials which could diminish value or do collateral damage.

While there are several iterations of non-trial resolutions, one of the most common ones is deferred prosecution agreement (DPA). Under this, the prosecution is suspended or deferred for a pre-determined period, provided certain conditions are complied with (by way of, say, a corporate compliance monitor programme and/ or payment of monetary penalties). If complied, the prosecution is eventually dropped. If not, charges are brought, and the trial continues.

The last two decades have seen growing global acceptance of this regime. In the UK, for instance, Section 45 and Schedule 17 of the Crime and Courts Act 2013 now authorise the Crown Prosecution Service and the Serious Fraud Office to enter into a court-approved DPA. Other examples include Chile's Conditional Suspension of Proceedings under Article 249 of the Chilean Code of Criminal Procedure, Canada's Remediation Agreements, and the French Convention Judiciaire d'Interêt Public (CJIP). In fact, it has now become so common that proposing new criminal legislation sans this regime is met with criticism. When Australian introduced the Crimes Legislation Amendment (Combatting Foreign Bribery) Bill 2023 earlier this year without DPA provisions, the OECD's Working Group on Bribery in International Business Transactions urged the country *"to consider introducing such a scheme into its arsenal of resolution mechanisms in the future"*.

Over the years, countries have taken the liberty to device their own forms of non-trial resolutions. Under Italy's *patteggiamento* rulings, there is neither an affirmation of liability nor an acceptance of guilt. However, once approved by a court, it typically results in the closure of the criminal proceeding without a trial and a significant reduction in the pecuniary fine. Another example is Brazil's *Acordo de leniência*—to resolve foreign bribery cases by imposing damages and other non-pecuniary conditions on the corporate body and requiring it to admit taking part in the wrongful acts without recognition of guilt. Both Italy and Brazil have successfully used these instruments (disclaimer: the authors have been involved as counsel in India-related investigations in two such cases).

There are good reasons for India to adopt some form of non-trial resolution.

> **All the considerations for non-trial resolution are in line with India's developing legislative stance**

Settlement-like concepts are not alien to India. In 2005, a provision for "plea bargaining" was introduced under Chapter 21A of the Criminal Procedure Code, 1973. Plea bargaining is a pre-trial negotiation between the prosecution and the accused where the latter agrees to plead 'guilty' in exchange for accepting a lesser punishment. However, this system falls short on three accounts. First, offences that entail more than 7 years of imprisonment and that which are considered "socio-economic" in character are, by law, excluded. Second, the focus continues to be on punishment (being a 'sentence' bargain, in effect). Third, there must be a clear admission of guilt, something that most corporate bodies would naturally hesitate to do. Examples in other regulatory contexts include amnesty schemes for EXIM traders defaulting in their export obligations, "compounding" of offences under the SEBI Act or FEMA, etc.

Also, a substantial percentage of corporate white-collar offences occur at the behest of a few rogue individuals. However, a criminal investigation and a trial could destroy a corporation's reputation, demoralise the employees and eventually reduce its financial viability. While recalcitrant corporate bodies should be dealt with firmly, making a corporation undergo such turmoil when it is willing to cooperate, provide evidence against rogue individuals, and comply with imposed conditions makes little sense.

The global shift towards non-trial resolutions shows a widely accepted progressive and nuanced outlook towards the criminal process, bringing much needed focus towards restorative justice in contrast to the traditional crime-and-punishment approach. In the US, for instance, the DOJ reports that between 2017 and 2021, it entered into 17 DPAs with billions of dollars of recoveries. These recoveries are then better applied towards pursuing restorative outcomes and conserved resources towards monitoring compliance and a pointed prosecution.

All these considerations are in line with India's developing legislative stance. This is not to say that this is a fool-proof system—several jurisdictions are facing criticism of their use of non-trial resolutions as "sweet-heart deals" for those that are "too big to jail". However, we can learn, and even profit, from lessons across the world.

LETTERS TO THE EDITOR

aEnergy questions

CRISIL's latest analysis foresees a notable surge of 10-15% in Indian oil and gas consumption during FY24-25. This projected uptick is primarily attributed to an upward trajectory in the country's economy, expected to grow at a healthy 7-8% rate in the fiscal year. This economic rebound is set to amplify energy demands across diverse sectors. Additionally, the government's concentrated efforts on infrastructure development, spanning highways, airports, and ports, are poised to drive a heightened need for fuels like diesel and bitumen. However, despite this positive outlook, potential challenges and uncertainties loom over the horizon. Fluctuating global oil prices remain a significant concern. Geopolitical tensions pose threats to global energy supplies even as the long-term shift towards renewable energy sources might eventually temper the growth trajectory of oil and gas.
—Amarjeet Kumar, Hazaribagh

India in 2023

The year gone by truly belonged to India—even as it exhibited impressive performance across many key growth parameters, other economies were shuddering in the face of geopolitical crisis, elevated inflation, muted growth, quantitative tightening, etc. Robustness of its banking system and the good health of India Inc will also fire up growth engines of the country.
—Ashok Kumar Sahoo, Guwahati

●Write to us at feletters@expressindia.com

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Investor

TUESDAY, JANUARY 2, 2024

EXPERT VIEW

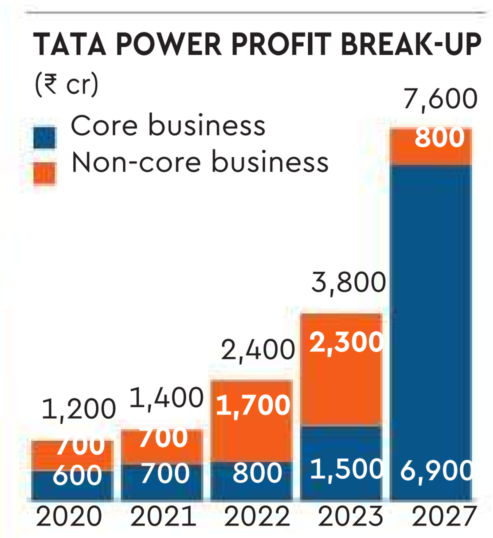
Despite solar pumps being a significant revenue source for Tata Power Solar, their profitability has waned, leading the company to shift focus to Pump Solar Hydro projects

—Kotak Institutional Equities estimates

RATING: SELL

Tata Power: Optimistic growth outlook

Company aims 15 GW renewable energy expansion by FY2030



Source: Company, Kotak Institutional Equities estimates

TATA POWER'S STOCK has rallied 26% in the past month, mostly in the aftermath of management's tall targets at their annual analyst day. We review its earnings and operational performance related to past targets, and triangulate the same with the attainability of targets from the recent analyst meet. Tata Power may have tripled profit after tax (PAT) to ₹3,800 crore (from ₹1,200 crore) in FY2020-23, but as much as ₹2,200 crore of the increase came from coal profits. In the context of weaker coal profits going forward, doubling of PAT by FY2027 will need 4.5X growth in the core PAT, which may be hard. Maintain SELL with revised fair value of ₹245 per share.

Composition of earnings performance tells a different story

Tata Power has witnessed a remarkable threefold increase in its PAT, reaching ₹3,800 crore in FY2023 from ₹1,200 crore in FY2020. However, it's essential to note that a substantial portion of the incremental earnings, amounting to ₹2,200 crore, stemmed from improvements in coal realisations. In the same period, the renewable business contributed a modest ₹280 crore of incremental profits, and the transmission & distribution (T&D) segment added another ₹300 crore.

Tata Power now sets an ambitious target to double its profits to ₹7,600 crore, concurrently aiming to reduce the composition of non-core earnings from 60% in FY2023 to 10%. This strategic shift implies a challenging journey, as the negative contribution from coal, possibly due to a reversal in coal prices, needs to be substantially offset by renewable earnings. Achieving this target entails a 4.5X growth in core earnings, escalating from ₹1,500 crore in FY2023 to ₹6,900 crore by FY2027—a formidable task, even with the proposed capital expenditure of ₹60,000 crore over the next four years. We do highlight that management's guidance hinges on the assumption that Mundra will break even in FY2027, from ₹1,100 crore loss incurred in FY2023 as they get a permanent resolution from the regulator.

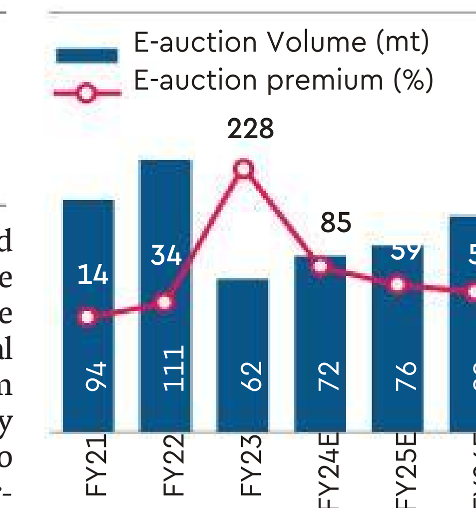
Tata Power's investment strategy centers around renewable energy growth. Initially targeting 20 GW by FY2027, the company has revised its goal to 15 GW by FY2030. The projected capital expenditure (capex) has also been adjusted to ₹60,000 crore over the next four years, deviating from the previously stated ₹1 trillion over five years. Despite solar pumps being a significant revenue source for Tata Power Solar, their profitability has waned, leading the company to shift focus to Pump Solar Hydro projects. With an assumed 30% equity contribution and 20% return on equity (RoE), the capex could yield an incremental PAT of ₹3,600 crore. However, reducing equity contribution to 20% and RoE to 15% would result in a ₹1,800 crore PAT contribution, making the growth in core business PAT even harder to achieve. Even if Tata Power achieves its target of doubling profits in the next four years, it would still be trading at a 15X P/E for FY2027, a notable premium compared to government-owned regulated entities' current multiples.

KOTAK INSTITUTIONAL EQUITIES

RATING: BUY

CIL: Focus on volumes to drive performance

The company aims to enhance infrastructure in numerous verticals



TO MEET THE increasing demand for coal in the power sector amid the government's strong push to ensure a reliable 24x7 electricity supply, Coal India (COAL) has made a long-term commitment through fuel supply agreement (FSA). Based on year to date (YTD) performance, COAL is targeting a production of 780 mt in FY24 (Motilal estimates of 751mt) and 850mt in FY25 (Motilal estimates estimate 821mt).

E-auction to propel performance; inches up in recent months: COAL sells 10% of its total volume via auction-determined prices and we expect the company to sell 72mt/76mt/88mt through e-auctions in FY24/FY25/FY26. E-auction premium, which eased in Jul'23 after peaking at 329% in 2QFY23 (in line with softening international coal prices), has rebounded. The revival in demand and rise in international prices have pushed the E-auction premium to a level of 80-100% over the last few months.

Robust capex in the last few years: COAL has intensified its focus on capex that will improve its evacuation infrastructure. Capex, which used to hover around ₹6,500-8,500 crore until FY20, tripled in FY23 to ₹18,600 crore. Over the last three years, capex has exceeded budget estimates. COAL has earmarked ₹16,500 crore capex in FY24 estimates, which will help the company develop infrastructure across numerous verticals such as railway corridors, land acquisitions, heavy earth moving machinery (HEMM) procurement, setting up coal handling plant (CHPs), etc. COAL has already incurred a capex of ₹10,500 crore during Apr-Nov'23 (up 7.6% y-o-y); its FY24 yearly capex is expected to surpass the budgeted target.

COAL trades at an EV/Adj. Ebitda of 4.2x FY26E. We roll forward our estimates to FY26. We reiterate our Buy rating on the stock with a target price of ₹430. We believe COAL is well placed to capitalise on the growth opportunity ahead.

Focus on volume growth to drive performance

COAL supplies approximately 90% of its production to the power sector, which includes captive power plants (CPPs). Thermal power constitutes over 80% of the total power generated in India. To fulfil the growing coal demands of the power sector, COAL has undertaken a long-term commitment through FSAs and bridge linkage commitments (BLCs). The company is projected to achieve sales of 610 mt in FY24E.

MOTILAL OSWAL

RATING: HOLD

Apollo Tyres: Mean reversion in margin a big risk

India EBITDAM to sustain high levels of 18-19% until Q1FY25

FINANCIALS

Y/E March (₹ cr)	FY23A	FY24E	FY25E	FY26E
Net Revenue	24,568.1	24,969.5	26,506.8	28,077.3
EBITDA	3,313.7	4,360.6	4,113.3	4,353.3
EBITDA %	13.5	17.5	15.5	15.5
Net Profit	1,081.8	1,835.4	1,853.0	2,085.9
EPS (₹)	17.0	28.9	29.2	32.8
EPS % Chg YoY	68.0	69.7	1.0	12.6
P/E (x)	25.3	14.9	14.7	13.1
EV/EBITDA (x)	9.7	6.9	6.9	6.1
RoCE (%)	8.0	12.0	10.9	11.5
RoE (%)	8.4	12.6	11.5	11.8

APOLLO TYRES (APTY), is currently trading at approximately 15 times the estimated earnings for FY25e, with an expected earnings per share compound annual growth rate (CAGR) of around 7% from FY24e-FY26e. Despite a projected 6% CAGR in India volume from FY24-FY26, we anticipate that India's earnings before interest, taxes, depreciation, amortisation, and margin (EBITDAM), free cash flow (FCF), and return on capital employed (RoCE) will remain stable during this period. The business is susceptible to mean reversion in gross margin (GM). Based on current trends in renminbi (RMB) costs and the controlled capital expenditure until FY25E, we expect India EBITDAM to stay near the current elevated levels of 18-19% until Q1FY25E. This optimism in the stock is likely driven by these RMB cost trends. We believe that the stock is currently priced for perfection, with all good fundamental parameters of the business factored into the current valuation. This leaves limited room for any potential earnings upgrades. Therefore, we recommend maintaining a HOLD rating with a revised discounted cash flow (DCF) based TP of ₹436, implying 15x FY25E earnings. The change in TP is attributed to the rollover of earnings to FY26.

On the back of favourable raw material basket (RMB) costing environment and limited need of price reduction in replacement market, APTY India's gross profit/kg is now above ₹95/kg for the third quarter in a row vs 5-yr mean of ₹83/kg. As per historical trend, Indian auto tyre industry's GP/kg does not sustain at more than 1-S.D. above mean GP/kg levels beyond 3-4 quarters. Thus, looking at RMB levels and pricing discipline, we believe 18-19% India EBITDAM of APTY is set to remain till Q1FY25E vs long-term sustainable levels of 14-15%. The good part is APTY is currently able to generate 18-19% EBITDAM at RMB/kg of ₹150 vs earlier levels of ₹120/kg. This implies the market has absorbed price hikes of ₹20-30/kg, without commensurate RMB inflation and industry/APTY is recovering the lost margin in FY22/23 led by severe RMB inflation. Thus, we believe, it would be tough for industry/APTY to hike prices easily going ahead due to major RMB inflation and thus result in margin mean reversion.

ICICI SECURITIES

Explainer

The big IPR fight: Why *NYT* is suing OpenAI and Microsoft

New York Times has sued OpenAI and Microsoft for unlawful use of its copyrighted content for developing their AI systems. While AI development critically depends on the breadth of human knowledge, there is friction over how material is used to train the models. Here is a look at NYT's case against the AI pioneers

AI developers
facing IPR heat from authors (John Grisham), actors (Sarah Silverman), and even Getty Images

NYT lawsuit
doesn't make an exact monetary demand, but says damages could run into billions

OpenAI
in talks for new financing at a $100-bn valuation, making it the second-most valuable US start-up

Why NYT is suing

LAST WEEK, *NEW YORK Times* filed a law suit against OpenAI and Microsoft for copyright infringement, at a Federal District Court in Manhattan. The suit claims that millions of articles published by the news outlet were subjected to unlawful use by the artificial intelligence (AI) developers, to train chatbots. *NYT* is the first major US media company suing the two tech firms that have separately developed ChatGPT and other AI platforms.

NYT has not sought any specific sum as damages, but has said that the two companies must be held responsible for "billions of dollars in statutory and actual damages" from "unlawful copying and use of The Times's uniquely valuable works." The lawsuit contends that the companies must be directed to destroy any AI model and training data that use *NYT*-copyrighted material. It had approached the defendants for an "amicable resolution" before filing the suit, but this did not yield any result.

What the lawsuit says

NYT HAS LINKED the copyright infringement issue to a range of other harms. It claims that "within a damaged information ecosystem that is awash in unreliable content", it provides a service that has grown even more valuable to the public by supplying trustworthy information, news analysis, and commentary. It contends that violation of copyright held by it by OpenAI and Microsoft to create AI products that compete with it "threatens" its "ability to provide that service." It claims that the defendants also breached copyright held by others, but gave particular emphasis to *NYT* content, "recognising" its value.

It accused them of free-riding on its "massive investment" to build substitutive products "without permission or payment. While copyright laws give it essential protections, the defendants "have refused to recognise" this. *NYT* also flagged potential harm to its brand from attributing false information to it wrongly. Such actions, it said, "undermine and damage" its relationship with readers, while depriving it of "subscription, licensing, advertising, and affiliate revenue."

AI's copyright problem

CREATIVE INDUSTRIES AND companies in these spaces have voiced concern time and again over the unpaid use of intellectual property they own by AI developers who have sometimes claimed "fair use" protection. American actress and comedienne Sarah Silverman joined a pair of lawsuits in July that accused Meta and OpenAI of having "ingested" her memoir as a training text for AI programmes. Novelists too have sounded alarm when it was reported that AI systems had already "absorbed" the content of tens of thousands of books, leading to cases being filed by a slew of authors including Jonathan Franzen and John Grisham, reports *NYT*.

Even photo syndication services have been feeling the threat. Getty Images recently filed a lawsuit against Stability AI, claiming that AI firm used its copyrighted material without authorisation to train its AI system to generate images upon being fed written directions.

OpenAI's response

AN OPENAI SPOKESWOMAN, Lindsey Held, said in a statement that the company had been "moving forward constructively" in conversations with *NYT* and that it was "surprised and disappointed" by the lawsuit. "We respect the rights of content creators and owners and are committed to working with them to ensure they benefit from A.I. technology and new revenue models," Held said.

Microsoft declined to comment on the case.

NYT noted in its lawsuit that the defendants insist that their conduct is "fair use" because their unlicensed use of copyrighted content to train generative AI models serves a new "transformative" purpose.

AI financing

AS PER *BLOOMBERG*, OpenAI is in negotiations with investors for new financing at a $100 billion valuation that would make it the second-most valuable US start-up. Microsoft is OpenAI's largest investor and has deployed its AI tools in many of its offerings. *NYT*, claims that unlawful use of its articles to train OpenAI products and there deployment for its products has boosted the tech giant's value by a trillion dollars.

As per *Bloomberg*, Microsoft's share price has risen 55% since ChatGPT debuted in November 2022, increasing its market capitalisation to $2.8 trillion. Meanwhile, in Q3CY2023, the Times Company had an adjusted operating profit of $89.8 million.

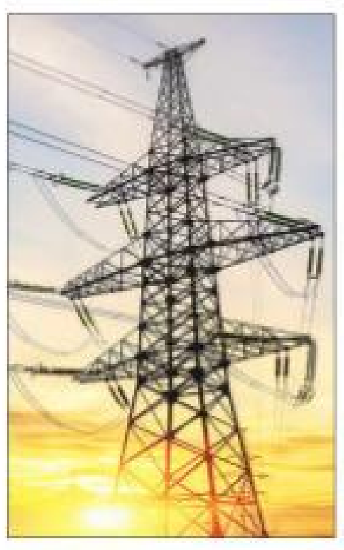
BANKS LOSING MARKET SHARE: REPORT

Disbursals by power finance firms to top ₹2.9 trn in FY24

Asset quality to improve over the medium term

FE BUREAU
Mumbai, January 1

ON GROWTH PATH



■ Growth in disbursements may let infrastructure finance firms gain more market share from banks

■ Such firms focusing on power form **64%** of total loan book of NBFC-IFCs and IDF as of March 31, 2023

■ Share of these firms' exposure to power sector in relation to banks rose to **59%** as on March 31, 2023, from **55%** a year ago

■ It is expected to rise to 63% by March 31, 2024

DISBURSEMENTS BY POWER-FOCUSED infrastructure companies are expected to surpass ₹2.9 trillion in 2023-24 (April-March), aided by substantial capital expenditure in the power sector and improving balance sheets, CareEdge Ratings said in a report. Disbursements were at ₹2 trillion in 2022-23.

This growth in disbursements is likely to enable such infrastructure finance companies to continue gaining market share from traditional banks. The companies include Power Finance Corporation, Rural Electrification Corporation and Indian Renewable Energy Development Agency.

Infrastructure finance companies focusing on power comprise 64% of total loan book of NBFC-IFCs (non-banking financial company – infrastructure finance companies) and IDF (infrastructure debt funds) as on March 31, 2023.

While the exposure of banks to the power sector has remained largely range bound, non-bank lenders have consistently been growing their loan books, supported by government schemes and improved financial position.

Share of infrastructure finance companies' exposure to the power sector in relation to banks increased to 59% as on March 31, 2023, from 55% as on March 31, 2020. It is expected to rise to 63% by March 31, 2024.

Growth will come from both generation and distribution portfolios, led by the revamped distribution sector scheme and disbursements towards the renewables segment. Traditionally, loan portfolios of power-focused IFCs have been dominated by the generation sector. However, there has been a noticeable shift in the composition of these portfolios.

With the government's growing emphasis on the renewable energy sector, the share of renewables in these loan portfolios rose to 12% as on March 31, 2023, from 10% as of March 31, 2022. The rating agency expects the share of renewable energy in the overall electricity generation mix to rise to 21% by 2024-25, from 14% in 2023-24. The asset quality metrics for these infrastructure finance companies have shown a continuous improvement due to negligible loan slippages and recoveries from legacy accounts. This improvement has been further supported by government initiatives, which have reduced legacy dues of generation and transmission companies by nearly half over the past year.

Subsequently, these finance companies are expected to maintain the trend of improving asset quality over the medium term. There are potential risks associated with client and sector concentration, increased exposure to the private sector, as well as inflationary pressures and consequent policy tightening, which could impact growth prospects, the report said.

FROM THE FRONT PAGE

After two robust years, car firms see muted 2024

HYUNDAI, WHICH IS India's second-largest carmaker, will increase prices by an unspecified quantum before January 3. Top Maruti officials will meet on Tuesday to determine the quantum of the hike and the date on which the hike will be brought into effect, a top company official said to FE.

The local PV industry, the third-largest in the world, clocked 4.1 million units in 2023, a jump of 8% over 2022 when 3.79 million units were sold. There are also fears that broader inflationary pressures, an increase in vehicle prices and the high base of 2023 will dampen the industry's prospects, making it difficult to repeat the sales performance of 2023.

December's PV volumes were the best ever for the month at 287,904 units, as per estimates shared by Maruti. The previous best total for the same month were seen in 2020 when 276,000 PVs were sold. Carmakers work to bring down inventory in December to the lowest possible levels ahead of the new year. There are an estimated 176,500 cars and sports utility vehicles (SUVs) in the channel or around 13 days of stock, according to Srivastava. This is higher than the 110,000 recorded in January 2023.

Maruti saw a 6% y-o-y decline in domestic volumes during December to 104,778 units, while Hyundai's domestic volumes grew by 10% y-o-y to 42,750 units.

Tata Motors beat Hyundai in December in terms of volumes to clinch the second spot yet again. The Mumbai-based company sold 8% more PVs during the month to clock a total of 43,675 units (including electric vehicles) compared with the same month last year.

Shailesh Chandra, managing director, Tata Motors Passenger Vehicles and Tata Passenger Electric Mobility, said: "Both EV and CNG segments posted growth greater than 90% and 25%, respectively, signalling a growing preference for green and smart technologies by Indian customers."

SUV specialist Mahindra & Mahindra (M&M) posted a rise of 24% y-o-y in sales volumes to 35,174 to retain the fourth position in the rankings.

Veejay Nakra, president, automotive division, M&M, said there were some supply challenges on select parts. "We are working closely with our suppliers to mitigate these challenges going forward" Nakra said.

At ₹1.65 trn, GST mop-up slows in Dec

THE GOVERNMENT SETTLED ₹40,057 crore to CGST and ₹33,652 crore to SGST from IGST collections in December.

Post settlement, the CGST mop-up stood at ₹70,501 crore and SGST at ₹71,587 crore, in December.

"Increased GST collections over a nine-month period is an indicator of a stable Indian economy, better tax administration and increased consumption," said Saurabh Agarwal, tax partner, EY.

Pratik Jain, Partner Price Waterhouse & Co LLP, said: "The collection in January is expected to be even higher, partly attributable to an increase in GST audits and notices in the last few months to meet the statutory timelines."

Private share up but new projects down 78% in Q3

THE SHARE OF private sector in new projects rose from 62.5% in the September quarter to 87.4% in the subsequent one, which was also the second-highest quarterly share of the sector in recent years, after a 88.4% rise in the quarter ended March, 2023.

New projects announced by the government have been falling sequentially since the three months to June this year. From ₹1.7 trillion in January-March this year, they dropped to an all-time low of ₹0.3 trillion in the three months to December, indicating that the government is going slow on capital expenditure.

Projects completed in the quarter ended December this year dropped to ₹1.2 trillion from ₹1.9 trillion in the same quarter last year and down from ₹1.4 trillion in the quarter ended September this year.

The government's final consumption expenditure grew 12.4% in Q2FY24, albeit on a negative growth of 4.1% during Q2FY23.

Chief economic adviser V Anantha Nageswaran had recently underlined that private capital formation is the most important catalyst to spur the growth engine. While external uncertainties would always remain, it should not deter the private sector from investing, he said.

Amid concerns that the much-delayed private capex cycle may not have taken root yet, Corporate India recently said with capacity utilisation in many sectors being 75-80%, if not higher, a strong momentum in private investments was firmly around the corner.

Pointing out that fresh investments have already started in many sectors, senior company executives maintain that strong corporate balance sheets and an incipient revival in the rural economy would aid private capex.

The data from CMIE show that the total value of projects completed in the three months to December 2023 was ₹1.2 trillion, lower than ₹1.9 trillion in the same quarter the year before. Also, the total value of investment projects dropped to ₹3.3 trillion in October-December 2023, lower than ₹3.6 trillion during October-December 2022.

IT union accuses TCS of stopping pay to 900 staff

AN EMAIL TO one of the affected employees reads, "This is with reference to your transfer order to TCS Mumbai followed by the transfer email directing you to report to the said branch within 14 days and complete your transfer process. However, it has been noted that you have failed to report to the transferred branch till date."

It adds, "Considering your failure to report to the transferred location and offering your services, even after 14 days of given timeline, the company is initiating stoppage of your salary with immediate effect. The company is proceeding with further disciplinary action against you for your continued failure to obey company order and breach of term of your employment."

The affected employee who didn't want to go on record said, "We were on bench for about 3-4 months after our project got into some financial problem. During that time, I was asked to go to some other location, without being given a project there. If I am in bench, how does it matter to the company whether I am in Hyderabad or Bengaluru or Mumbai?"

Another affected employee said on condition of anonymity, "In every location, the company has bench strength. So, why have we been sent to other locations just to be in bench? We have joined TCS at this level of salary considering the cost of living in our base location. It will be a raw deal for us to go to a bigger city that has a higher cost of living and lacks family support."

Govt extends PLI for auto, parts by a year

"THE PROVISION AIMS to ensure a level playing field for all approved firms and safeguard those who preferred to front-load their investments."

"The amendment also includes changes to the table indicating the incentive outlay, with the total indicative incentive amounting to ₹25,938 crore." Last month, FE reported that allocation for the auto PLI scheme is expected to remain unspent in the current financial year and will be reflected in the budget savings as certification of products eligible for benefits is taking time.

Many of the selected companies are struggling with designing products that meet the eligibility criteria. One big issue coming in the way is the stipulation that for availing of the incentives, 50% local value addition is a must.

The companies that are next in line are Ola, TVS, Minda, Toyota and Hero. The PLI scheme for the automobile and automotive component industry was launched in 2021 with a total outlay of ₹25,938 crore.

It offers financial incentives to boost domestic manufacturing of advanced automotive technology products and attract investment in the automotive value chain.

Emcure expands injectables capacity

FE BUREAU
Pune, January 1

THE THIRD INJECTABLE facility of Emcure Pharmaceuticals in Mehsana, Gujarat, which was commissioned in August 2023, is now ready for commercial supplies to domestic and international markets. The company already has an oral formulations manufacturing line in Mehsana.

Emcure has two other facilities in Hinjawadi, Pune and Sanand, Gujarat

It also has a facility in Hinjawadi, Pune, with a capacity of 80.64 million vials per annum and another in Sanand, Gujarat, with a capacity to churn out 72 million vials per annum. "The new Mehsana facility will help us meet the growing demand for our differentiated product portfolio across markets," said Satish Mehta, founder and CEO, Emcure Pharmaceuticals.

IPO-bound Emcure's manufacturing operations cover oral solids, oral liquids and injectables, including liposomal and lyophilized injectables, biotherapeutics and complex APIs. The company also plans to use its mRNA platform, through which it launched the Covid-19 vaccine, for three other vaccines for Zoster, Zika and Rabies.

Emcure's injectable portfolio includes complex iron injectables, oncology, steroids, suspensions and emulsions.

INDIA IS NEGOTIATING FTAs WITH UK, EU, AUSTRALIA AND OMAN

'No longer looking at custom duty as revenue source in FTA talks'

RAVI DUTTA MISHRA
New Delhi, January 1

INDIA IS LIKELY to lower tariffs on a range of items including high tariff products such as cars, whiskey and machinery items for the first time under the free trade agreements (FTAs) with developed economies and is moving away from looking at tariffs as a source of revenue during negotiations, a government official said.

This comes amid internal consultations between the finance ministry and the commerce ministry to assess the impact of the major duty reductions that could be announced as part of the FTAs. India is currently negotiating FTAs with the UK, the European Union, Australia and Oman where India could lower duties on goods and services sharply.

"Things are moving in the direction where tariffs cannot be a source of revenue. Tariffs contribute to revenue but a free trade agreement cannot be accessed on the basis of tariffs because when free movement of goods and services happen, the overall economic growth is immense. Revenue will be a minor part of the whole story," the official said.

Tariffs are customs duties on goods imported into a country. New Delhi has the highest import duty compared to most major economies with an average Most Favored Nation (MFN) rate of 18 per cent, about twice the global average, according to the WTO Tariff Profile database. In trade parlance, the most-favored-nation clause requires WTO members to offer the same trade terms to all trading partners.

The union government estimates to receive Rs 2.3 lakh crore in revenue from custom duty in 2023-24, about 11 per cent higher compared to the 2022-23 revised estimates of Rs 2.1 lakh crore according to the official figures. Customs duties contribute about 8 per cent of the gross tax revenue. The total import tax collection in 2021-22 stood at Rs 1.99 lakh crore. "India is a high tariff economy. Even if you see the major South Asean countries or the global landscape, the average tariff has gone pretty down. There is a tendency to remove tariff barriers across the globe. It is because of global value chain integration and India is also doing that with the help of free trade agreements, the official said.

As part of the UK FTA, India is contemplating a reduction in duty for the imports of Scotch whisky from the UK that attracts a 150 per cent and slash tariffs on automobiles that stands at 100 per cent. Under the partial trade deal signed with Australia, India had lowered duty for Australian wines for the first time.

The official further said that the opening up of the economy will be undertaken in a calibrated manner and that the commerce ministry is consulting with the finance ministry over the revenue implications. "We are looking for more competition, quality and consumer benefits in the economy and are moving away from protectionism," the official added.

High tariffs are among the key concerns raised by FTA partners India is negotiating an agreement with. The simple average tariff on goods imported into the UK from India is 4.2 per cent but the simple average tariffs on UK exports to India was 14.6 per cent, UK's department of international trade said in a report on India.

India has raised duty even on intermediate and capital goods that are used in the manufacturing process which is higher than competitors such as Vietnam and Indonesia. In the last decade, India's trade-weighted average MFN rate jumped from 7.7 per cent to 11.4 per cent, while the global average decreased from 7.5 per cent to 6.9 per cent, MVIRDC World Trade Center said in a report. The report added that duties imposed on capital goods such as electrical machinery, non-electrical machinery and transport equipment are also higher compared to the global average.

High tariffs have also been flagged by the US trade ministry saying that India's tariff regime has large disparities between bound rates and the most favored nation (MFN) applied rates charged at the border. US exporters face "tremendous uncertainty because India has considerable flexibility to change tariff rates at any time", the US Trade Representative said.

"India's trade regime and regulatory environment remains relatively restrictive. Technical barriers to trade (TBT), sanitary and phyto-sanitary (SPS) measures, deviation from internationally-agreed standards, as well as discrimination based on legislative or administrative measures by India, affect a wide range of sectors, including goods, services, public procurement and investment," European Union said on trade with India.

SECOND ONE AFTER NASA TO DO SO

Isro launches XPoSat to study black holes

S VIJAY KARTHIK
Sriharikota, January 1

Isro's PSLV-C58 carrying an X-ray polarimeter satellite and 10 other satellites lifts off from the spaceport of Sriharikota on Monday. PTI

ISRO ON MONDAY ushered in 2024 with the successful launch of its first X-Ray Polarimeter Satellite (XPoSat) that would offer insights into black holes in the space, making the country only the second to conduct experiment into such celestial objects.

The National Aeronautics and Space Administration (Nasa) had conducted a similar study—the Imaging X-Ray Polarimetry Explorer mission—in December 2021 on the remnants of supernova explosions, the particle streams emitted by black holes and other cosmic events.

The PSLV-C58 rocket, in its 60th mission, carried the primary payload XPoSat and deployed it in an intended 650 km low earth orbit.

Later, scientists performed the orbit lowering maneuver by reducing the altitude to 350 km for conducting the POEM experiment.

Isro chairman S Somanath said: "So on 1 January, yet another successful mission of PSLV has been accomplished. PSLV-C58 has placed the primary satellite XPoSat in the desired orbit."

The XPoSat is intended to investigate the polarisation of intense X-ray sources in space. It is the first dedicated scientific satellite from Isro stable to carry out such research.

"Let me also announce the orbit that has been accomplished which is available through various routes—it shows excellent orbit and the deviations from the targeted orbit is hardly 3 km in circular orbit of 650 km and inclination is 001 degree which is one of the very excellent orbital conditions," Somanath said.

"And yet another announcement is that the solar panel of the satellite has been deployed successfully," he added. While space-based X-ray astronomy has been established in India focusing on imaging, and time domain studies, the Monday's mission marks a major value-addition to the scientific fraternity, ISRO said.

The mission objective includes measuring polarisation of X-rays in the energy band 8-30 keV emanating from about 50 potential cosmic sources, to carry out long term spectral and temporal studies of cosmic x-ray sources. The x-ray polarisation serves as a crucial diagnostic tool for examining the radiation mechanism and geometry of celestial sources. The mission life is about five years.

The mission is poised to play a pivotal role in building expertise in X-Ray polarimetry in India, providing a foundation for future advancements and fostering a collaborative network within the astronomy community.

Earlier, soaring majestically from the spaceport here, located about 135 km from Chennai, the PSLV rocket initially deployed the primary satellite into a 650 km Low Earth Orbit, around 21 minutes after lift-off.

Later, the scientists reduced the altitude of the satellite to about 350 km by restarting the fourth stage of the vehicle, for conducting the PSLV Orbital Experimental Module-3 (POEM-3) experiment.

The space agency conducted a similar scientific experiment using POEM-2 in April 2023.

Mission director Jayakumar M said, expressed joy and said: "What makes this mission more interesting is the new technologies that are getting demonstrated in the POEM 3 experiment, we have the fuel cell, we have the silicon-based high energy battery, amateur radio satellite service...".

POEM-3 experiment was executed to meet the objective of 10 payloads, supplied by Isro and its subsidiary IN-SPACe. The electrical power requirements of the fourth stage orbital platform are catered by Flexible Solar Panel in conjunction with 50 Ah Li-ion battery.

PM congratulates Isro's successful launch

Prime Minister Narendra Modi on Monday hailed Isro's successful launch of its maiden XPoSa. In a post on X, Modi said, "A great start to 2024 thanks to our scientists! This launch is wonderful news for the space sector and will enhance India's prowess in this field." —PTI

Should Rohit, Virat play T20 World Cup?

IT'S THE YEAR the country picks its leader and the men to take the country forward, to embrace incumbency or winds of change; it is also the year the world of Indian sports has to make tough and definite decisions in its quest for medals and trophies, but without the choice of a ballot.

The big question

It's not about sentiments, to give Rohit Sharma and Virat Kohli potentially one last shot at winning the T20 World Cup. But there is no reason to look beyond them. Kohli was the tournament's highest run-getter and played one of the all-time great T20 knocks by an Indian batsman. He hasn't played another T20I since India's semifinal exit in the 2022 World Cup, but enjoyed a prosperous IPL. The tally of 639 runs is his second-best run-haul ever, so is the strike rate that is a nudge below 140. If any, he has only reinvigorated his T20 game and looks in no mood to slow down.

Rohit's recent T20I outings have not been quite eye-catching. but the freedom he displayed in the ODI World Cup is a reliable indicator of his mindset and method. A cricketer like him should not be valued merely through the prism of numbers in a particular format, but his recent form, even if it be in other formats. Little doubt that Rohit was India's tempo-setter in the 50-over World Cup, the pin-up boy of their gung-ho approach. Though a spate of openers have performed in recent T20Is—Sai Sudharsan the most promising of them—Rohit towers above them all with his body of work, as it is with Kohli.

Picking both risks being labelled conservative. But has not conservatism bore fruits in the T20 World Cup? A perfect case study is Australia's squad that won the 2021 World Cup in UAE. It was a supposedly old and worn-out group, but when the big moments came, their wisdom and experience made a telling difference.

A young, dynamic-looking team might win you bilateral series, give you fleeting thrills, but for the big tournaments, you need the big names, the past masters, inspired to make a big splash before their sneak into the su set. —SANDIP G

Should India send a large Olympics contingent?

At the Tokyo Olympics, just two Indian athletes, Neeraj Chopra and discus thrower Kamalpreet Kaur, reached the finals of their events among the 26 participants. This is not counting the race walk events where only direct finals are the norm. This may paint a dismal picture of Indian athletics and would naturally add muscle to the argument whether every qualified athlete should be sent to the Games in the first place.

But sports isn't always about stats and data. Steeplechaser Avinash Sable's national record-breaking effort wasn't good enough for a spot in the finals. Likewise, the 4x400m men's quartet couldn't make the cut for the finale despite running their hearts out to rewrite an Asian record. "Fastest in Asia but not quick enough" read the The Indian Express headline, summing up the situation. Since these athletes did not make it to the finals can their solid performances just be binned? Of course not.

Crystal ball gazing is the most futile activity that "sports experts" engage in. Don't recall even a single athletics preview that backed Neeraj Chopra, an Olympics debutant, to finish on the podium. Qualifying for the Olympics in a measurable sport like athletics is no mean feat. The two-tier system-qualification guidelines and rankings - in athletics leaves little room for luck or any outside interference.

Every athlete truly earns a spot and the basis of their predictive potential is unfair. The experience athletes gain in such big-ticket events cannot be replicated in any training conditions.

The only exception that should be made is in the case of injuries or fitness issues. The federation has the complete right to ascertain if an athlete is fully fit and not hiding injuries just to make it to the Games and earn the tag of an Olympian. That being said, every athlete in track and field who has qualified for the Olympics deserves to be on the flight to Paris. —ANDREW AMSAN

Some of shuttler Lakshya Sen's shots have gotten predictable, and opponents are reading him rather easily

Should Lakshya switch to an attacking game?

A season with 11 first round exits from 22 international meets, and ending with a loss to an unheralded opponent at the Nationals means Lakshya Sen is staring at an uphill challenge in qualifying for the Olympics. His defense-heavy style, though dazzling with dives and reflex pickups, was always going to be punishing on the body in the long run. But are things so dire that he needs to switch to an attacking game?

Some of Sen's shots have gotten predictable, and opponents are reading him rather easily. His body language is misunderstood as being casual, when it is in fact his lack of attacking rallies from the back that make it a technical issue more than a temperamental one.

It is evident that he will need to find offensive weapons to cut short the interminable rallies before he runs out of patience as is his wont.

The trouble with the switch is that the shoulder injury has seen him lose timing on his smashes, and he has been unable to kill the bird getting drawn into endless exchanges. Anup Sridhar is working earnestly, though Vimal Kumar has sensed the urgency of his flailing qualification campaign and will resume travelling for Malaysia, India and Indonesia events.

The sheer pressure and procedure to qualify for Paris Games - he needs to be Top 16 in next 4 months - can prove daunting. Just a few good results at Canada and Japan - mean Sen's lead-up is one right mess, and his team is understandably worried.

He was at his fearless best against Shi Yuqi in the Asiad team finals against China. The title at Canada where he defeated world champ Kunlavut and top Chinese youngster Li Shifeng with a confident attacking game, raises hopes of that style, yielding returns. And he is a certified big occasion player, capable of stitching up a dazzling run at Paris. If only he qualifies. —SHIVANI NAIK

197 cases of JN.1 variant detected so far: INSACOG

PRESS TRUST OF INDIA
New Delhi, January 1

A TOTAL OF 197 cases of Covid-19 sub-variant JN.1 have been detected in the country so far, with Odisha joining the list of states that have detected the presence of the variant.

According to INSACOG's data updated on Monday. Ten states and Union Territories have so far detected the presence of the variant. These states are Kerala (83), Goa (51), Gujarat (34), Karnataka (eight), Maharashtra (eight), Rajasthan (five), Tamil Nadu (four), Telangana (two), Odisha (one) and Delhi (one).

According to the Indian SARS-CoV-2 Genomics Consortium (INSACOG).

The INSACOG's data showed 180 Covid cases recorded in the country in December had the presence of JN.1, while 17 such cases were detected in November.

The World Health Organisation (WHO) has classified JN.1 as a separate "variant of interest" given its rapidly-increasing spread, but said it poses a "low" global public health risk.

The JN.1 sub-variant of the coronavirus was previously classified as a variant of interest (VOI) as part of the BA.2.86 sub-lineages, the parent lineage that is classified as a VOI, the world body said.

However, in recent weeks, JN.1 cases continued to be reported from multiple countries and its prevalence has rapidly increased globally.

The Centre has asked states and Union Territories to maintain a constant vigil amid an uptick in the number of Covid cases and the detection of the JN.1 sub-variant in the country.

In spite of Houthi threat, it is smooth sailing for Russian oil via Red Sea

SUKALP SHARMA
New Delhi, January 1

Prior to December, the Suez Canal and the Red Sea accounted for around 10% of global crude oil flows. REUTERS

THE RECENT SPATE of attacks on commercial vessels by Yemen-based Houthi rebels have not impacted flow of Russian crude through the Suez Canal-Red Sea route, even as a number of global shipping lines and oil companies are now avoiding the important global trade artery. Tankers carrying Russian crude have not rerouted, and even the fresh cargoes leaving Russian ports are sticking to the Red Sea route to reach Asia, instead of going all the way around Africa via the Cape of Good Hope, as per data from commodity market analytics firm Kpler.

Russian oil cargoes departing from the North Sea and Black Sea ports take the Suez Canal-Red Sea route to reach Asia, specifically India and China, which are currently the biggest buyers of Russian crude. Oil and shipping analysts do not foresee tankers carrying Russian oil coming under attack in the region as Russia is perceived as Iran's ally. The Houthi rebels are widely believed to be backed by Tehran.

"So far, it appears to be clear that Russian cargoes have a kind of safe passage through the Red Sea. They have been largely immune to the crisis and given the equation between Iran and Russia, it is likely to stay that way. It would be a surprise if the Houthis go after Russian oil passing through the region," an oil market analyst said on condition of anonymity.

Russian oil cargoes departing from the North Sea and Black Sea ports take the Suez Canal-Red Sea route to reach Asia

Data on India's December crude oil imports corroborates the lack of impact of the Red Sea crisis on Russian oil flows. Volumes of Urals crude—the mainstay of India's Russian oil imports—received by Indian refiners in December were in the same range as the previous few months, as per Kpler data. Urals crude accounts for about three-fourths of India's Russian oil imports and is transported to India via the Suez Canal-Red Sea route.

Over the past few weeks, a number of cargo ships have come under attack from the Houthi rebels around the Bab al-Mandab strait, which leads to the Red Sea and Suez Canal, forming the shortest, albeit narrow, route to the Mediterranean Sea and beyond from the Arab Peninsula, North-East Africa, and the Arabian Sea. The route is seen as an important artery of global goods and energy supplies. The Houthis have so far claimed that they are targetting vessels with links to Israel in view of its military offensive in Gaza.

Prior to December, the Suez Canal and the Red Sea accounted for around 10 per cent of global crude oil flows and 14 per cent of petroleum product flows. But as a number of major shipping companies are now avoiding the route, choosing instead to go around the African continent via the Cape of Good Hope, the share of global oil and petroleum product flows passing through the Suez Canal has dropped significantly. Russian crude, however, stands out as an exception.

"Crude oil transits through the Suez Canal were 1.86 million bpd (barrels per day) in December, the lowest number since January 2022, which was also the last month before the start of the Russia-Ukraine conflict. Before that, Russian oil sailing to India was a rare phenomenon," said Viktor Katona, Kpler's Lead Crude Analyst. He added that Russian oil cargoes are accounting for nearly half of the crude oil transiting through the Suez Canal.

According to the United States (US) Energy Information Administration (EIA), southbound shipments through the Suez Canal rose significantly between 2021 and 2023, largely because of Western sanctions on Russia's oil exports.

"Oil exports from Russia accounted for 74% of Suez southbound oil traffic in the first half of 2023, up from 30% in 2021. Most of those export volumes were destined for India and China, which imported mostly crude oil from Russia," the EIA said in December.

In the aftermath of the war in Ukraine, as Western sanctions on Russia altered global crude oil flows, India and China emerged as the biggest buyers of Russian crude, accounting for most of Moscow's oil exports. Prior to the war in Ukraine, Russia was a marginal player in India's oil imports.