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Capex push sees India Inc's debt rise to record ₹36.63 trn in FY23

Reliance tops charts with ₹3.35 trillion

RAJESH KURUP, AJAY RAMANATHAN & KISHOR KADAM
Mumbai, July 2

THE DEBT OF Indian corporates soared to an all-time high of ₹36.63 trillion in FY23, a 12.6% rise over the amount recorded in the previous financial year, while borrowing costs rose 19% to ₹2.51 trillion. This comes on the back of higher capex as companies bet on a rebounding economy and rising demand. Crisil estimates India Inc's capex will grow 12-14% to ₹6 trillion in FY24 as corporates add capacity.

The combined debt in FY22 stood at ₹32.53 trillion, interest costs at ₹2.10 trillion, according to data sourced from Capitaline. The data is based on a sample of 406 companies from the BSE 500, excluding banks, finance and insurance firms.

Shree Cement MD Neeraj Akhori told *FE* that India is witnessing one of the most confident periods with the acceleration of demand drivers and increased economic activity. "The rise of debt demonstrates strong intent for future preparedness, both in terms of meeting larger order flows and capacity expansions. I am sure individual firms will continue to put risk management as a critical part of their business plans," Akhori said.

Geojit Financial Services executive director Satish Menon said the rise in debt was propelled by rising private capital expenditure, and the consolidation of the stock market in the later period of FY23 may have led to a higher reliance on debt funding. He added that the profits of companies were growing well and needed to be supported by the expanding balance sheet.

Menon said he did not anticipate an issue with the rise of corporate debt because companies' balance sheets were lean and cash flows generation was strong. "The interest rate cycle has reached its peak and as interest rates normalise we anticipate an improvement in interest coverage," he added.

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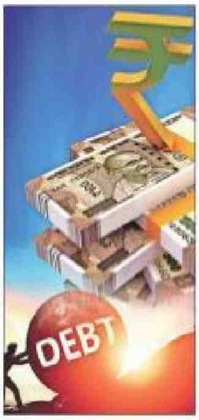
ANIMAL SPIRITS REBOUND

Company	Debt (₹ cr) FY23	Debt % chg	Interest cost (₹ cr) FY23	Interest cost % chg
Reliance Inds	3,35,134	18.9	19,571	34.2
Vodafone Idea	2,37,766	11.2	23,354	11.3
Bharti Airtel	2,26,020	33.2	19,300	16.2
NTPC	2,21,626	5.2	11,156	19.8
IOCL	1,48,977	12.8	7,541	39.1
ONGC	1,42,255	16.6	7,889	38.5
Tata Motors	1,34,113	-8.4	10,225	9.8
Power Grid Corpn	1,26,661	-6.0	9,634	19.9
Larsen & Toubro	1,20,650	-3.9	9,234	1.7
Grasim Inds	1,03,039	38.2	6,044	26.5



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Capex push sees India Inc's debt rise to record ₹36.63 trillion in FY23

According to Mahesh Singhi, founder & MD at investment banking firm Singhi Advisors, the rise in debt, particularly long-term debt, indicates that companies have started expanding capacity as they expect a rise in order inflows.

Karan Gupta, director-financial institutions at India Ratings and Research, said some of the rise in debt was due to working capital while some was on the term-loan side. "There are no concerns on asset quality at the moment, especially on the corporate side. Given the healthy deleveraging, this is only the start of some leverage coming back into specific sectors," he added.

Gupta said the rise in debt was reflected in the credit growth. "We have just finished FY23 at around 16.5% credit growth and we are set for around 13-14% growth this year," he said.

Reliance Industries (RIL) topped the charts with a gross debt of ₹3.35 trillion, an 18.9% rise from ₹2.82 trillion recorded in FY23. Vodafone Idea came in second with a debt of ₹2.38 trillion, followed by Bharti Airtel (₹2.26 trillion), NTPC (₹2.22 trillion) and Indian Oil Corporation (₹1.49 trillion). Oil and Natural Gas Corporation (₹1.42 trillion), Tata Motors (₹1.34 trillion), Power Grid Corporation (₹1.27 trillion), Larsen & Toubro (₹1.20 trillion) and Grasim Industries (₹1.03 trillion) were others in the top 10. Vodafone Idea topped the charts on interest costs with an 11.3% rise at ₹23,354 crore, followed by RIL with ₹19,571 crore, while Bharti Airtel came in third with ₹19,300 crore.

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INDIA'S RUSSIAN CRUDE IMPORTS SLIP IN JUNE

Indian imports of crude oil from the Russian Federation, which were 7 per cent cheaper than the Indian crude basket and 17 per cent less expensive than Saudi Arabian crude in May, hit a slight pause in June after reaching an all-time high in May, reveals trade and shipping data. India imported roughly 2.1 million barrels per day of Russian crude in June, down 2 per cent from 2.15 million barrels per day in May, according to data from market intelligence firm Kpler. **S DINAKAR** writes

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Russian crude oil imports slip in June

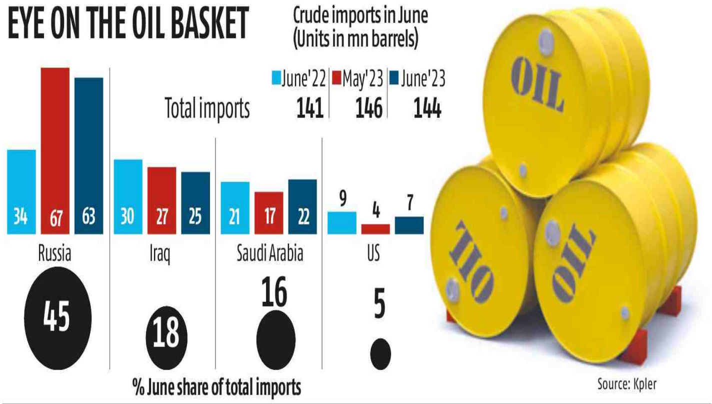
S DINAKAR

Chennai, 2 July

Indian imports of crude oil from the Russian Federation, which were 7 per cent cheaper than the Indian crude basket and 17 per cent less expensive than Saudi Arabian crude in May, hit a slight pause in June after reaching an all-time high in May, reveals trade and shipping data. India imported roughly 2.1 million barrels per day of Russian crude in June, down 2 per cent from 2.15 million barrels per day in May, according to data from Paris-headquartered commodity market intelligence firm Kpler.

But imports rose 87 per cent from June 2022 levels, four months after Russia launched an attack on Ukraine, roiling global oil markets.

State-run refiner Indian Oil Corporation (IndianOil) retained its place as the top importer of Russian crude, displacing Reliance Industries (RIL). IndianOil bought 17.3 million barrels in June, compared with 23 million barrels in May. RIL bought 14 million barrels last month, compared with 16.3 million barrels in May.Indian imports of Russian crude, which accounted for 45 per cent of its total crude imports in June, have sustained after strong backing from New Delhi, with state-run refiners powering imports of discounted crude.



Iraqi and Saudi Arabian shares came in at 18 per cent and 16 per cent, respectively, compared with 21 per cent and 14.5 per cent a year earlier. Saudi supplies to India are sustained by traditional term contracts. "Based on current refinery configuration and capacity of plants to handle Russian crudes, the share of Russian oil is expected to be in this range," observes R Ramachandran, an oil industry consultant. If a refiner wants to increase the processing of Russian crude, modifications and capital investments need to be made to the facilities, says Ramachandran, a former refinery director at state refiner Bharat Petroleum Corporation. India paid around $70 per barrel in May for Russian crude on a delivered basis, according to Indian Customs data. Saudi crude averaged $84 per barrel, while Iraqi oil, India's second-biggest supplier last month, cost $75 per barrel, the same as the average price of the Indian crude basket in May. The basket has ignored Russian purchases in the past while calculating the country's average rate, say industry officials.

The average discounts on delivered Russian crude average $8–10 per barrel, compared to European benchmark Brent crude, says an official from a state-run refiner.

For deliveries of Russian crude in May, Indian refiners typically place orders in March or early April. The price of Russian crude applies on the date of loading the oil for India. Brent averaged $78.4 per barrel in March and $84.6 per barrel in April, according to the US Energy Information Administration data.

Russian oil supplies exceeded the combined shipments of the next four biggest shippers — Iraq, Saudi Arabia, the US, and the United Arab Emirates — in June.

Supply from the US dropped to 7 million barrels in June, from 9 million barrels a year earlier. But purchases in June, when Prime Minister Narendra Modi visited the US, rose 75 per cent from May, shows Kpler's ship-tracking data.

The share of the US in the Indian oil market dropped to 5 per cent last month, from 7.6 per cent in June 2021. Purchases from Russia averaged around 2.1 million barrels per day in June, predominantly of the Russian Urals, a medium-sour grade similar to the Gulf crude.

The Urals comprised 71 per cent of the purchases last month, up from 67 per cent in May.

India's total crude imports totalled 4.7 million barrels per day in June, flat from May.

The Urals typically trade below a Group of Seven grouping-imposed price cap of $60 per barrel, calculated on a free-on-board basis. Most of the remaining grades, like the Sokol, Eastern Siberia–Pacific Ocean, and Varandey, are lighter, sweeter, and more premium grades and trade above the cap.

Publication : The Economic Times | Editions : New Delhi
Date : 3 July 2023 | Page : 7

LPG Shipments to Draw Customs Duty of 15% & Farm Cess of Equal Amount

Our Bureau

New Delhi: The Centre has raised the basic customs duty on domestic LPG to 15% from 5%. It has also imposed an Agriculture Infrastructure and Development Cess (AIDC) of 15% on the import of LPG cylinders.

However, the basic customs duty hike will not be applicable to imports of liquefied propane, liquefied butane and mixture of liquefied propane and liquefied butane by Indian Oil Corporation Ltd, Hindustan Petroleum Corporation Ltd and Bharat Petroleum Corporation Ltd for supply to household domestic consumers, a Central Board of Indirect Taxes and Customs notification said.

Basic customs duty will be nil for import of domestic LPG sold to household consumers by state-owned oil marketing companies. The customs duty rate will be 15% for other importers of domestic LPG.

The new rates will be effective from July 1.

Officials said the move will protect domestic consumers and at the same time reduce import bills.

India is short on production of cooking gas or LPG and is dependent on imports from nations such as Saudi Arabia.

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'Adoption of EVs expected to accelerate in coming yrs'

The introduction of vehicle scrapping policy for scrapping and replacing old vehicles is likely to aid the growth of the industry: Rane Brake Linings Ltd

CHENNAI

RANE Brake Linings Ltd, engaged in the manufacturing of auto-components including disc pads and brake linings, has projected a sustained growth momentum in the automotive industry during the current financial year, despite minor headwinds in the form of rising interest rates, the company said.

Adoption of electric vehicles is expected to accelerate in the coming years as electric vehicles become more cost competitive backed by supportive government policies, enhanced charging infrastructure, and consumer willingness to move towards clean and sustainable mobility solutions, Rane Brake Linings noted. "The introduction of vehicle scrapping policy for scrapping and replacing old vehicles is likely to aid the growth of the industry." Rane Brake Linings said in its annual report. On the opportunities and challenges, the company said the automotive industry remains well poised to ride strong growth momentum as the industry focuses on reducing reliance on imported products and working towards developing a strong domestic supplier ecosystem.

"In order to remain relevant and stay ahead of the curve and establish the country as a global auto component manufacturing hub, it is equally important to make investments in technology and work towards fully digitalizing manufacturing and non-manufacturing operations," the company said.

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EV makers in talks with govt for battery decoupling

SOHINI DAS
Mumbai, 2 July

Electric-vehicle (EV) makers are in talks with the Centre on a concrete policy to decouple the battery from the EV and develop a nation-wide battery-swapping infrastructure, said multiple people close to the development.

With the FAME-II (Faster Adoption and Manufacturing of Electric and Hybrid Vehicles in India) subsidy going in 2024, this move can reduce the cost of purchase, and thereby fuel EV adoption, the industry says.

Some industry players say by 2025 India may have a nationwide policy of decoupling batteries from EVs, and swapping infrastructure.

Batteries typically constitute 40-50 per cent of an EV's cost.

A senior government official said meetings of stakeholders had been happening for over a year now; and at the moment work on standardising the battery used in vehicles is on.

"Stakeholder meetings happened in January-March. The NITI Aayog had submitted its draft battery-swapping policy document last year. Now work on coming up with battery standards is on and this would be happening under the Bureau of Indian Standards, which comes under the Ministry of Consumer Affairs," the official said, requesting anonymity. He added once the standards were ready, there would be more stakeholder meetings.

The EV industry seems to be geared up for the change.

Ayush Lohia, chief executive officer (CEO) of Lohia Auto, who has been part of industry-government stakeholder meetings, said this move was critical in achieving cost-competitiveness and making electric two-wheelers more attractive in the market.

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IN PROGRESS

- **About 80% of the electric vehicles in India** today are e-rickshaws
- **There are over 2.4 mn such vehicles in the country transporting** about 140 mn people each day
- **Stakeholder meetings between industry and Centre** are on for battery swapping policy
- **Standardisation of batteries** can act as deterrent for R&D and tech-upgrade
- **India is committed to achieving** net-zero emissions by 2070
- **With existing technologies for e-2Ws and e-3Ws,** regular charging takes at least 3 to 4 hours

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EV...

"The electric two-wheeler segment, which accounts for 55 per cent of India's EV industry, is facing pressure to cut the cost of electric scooters. The impact of subsidy reduction on EVs is particularly pronounced in this segment, because buyers have limited purchasing power and may opt for petrol-driven two-wheelers, given the circumstances," he said. In this case, the consumer will not have to buy the battery with the vehicle. But it would be more like battery-as-a-service (BaaS). The NITI Aayog said in its draft report last year: "Battery swapping falls under the broader umbrella of Battery as a Service business models which involve users purchasing an EV without the battery, which significantly lowers upfront costs, and paying a regular subscription fee (daily, weekly, monthly, etc.) to service providers for battery services throughout the vehicle lifetime." Lohia also said the Centre needed to work out the GST implications of such a move. EVs come under the 5 per cent slab, whereas service providers of batteries will fall under a different one. Sohinder Gill, director general of the Society of Manufacturers of Electric Vehicles and CEO of Hero Electric, said if implemented properly, decoupling batteries from EVs could prove to be a game-changer because India was a cost-conscious market. But it needs battery standardisation so that a single battery can fit several brands.

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PTC India may log 20% growth in power trading in FY24: CMD

Power trading solutions provider PTC India has clocked 16 per cent growth in its power trading volumes during the first quarter of this financial year and hopes for around 20 per cent rise in the entire 2023-24, driven by targeted segment wise trade and innovative products, according to CMD Rajib Kumar Mishra. PTC India's trading activities include long-term trading of power generated from large power projects and short-term trading arising from supply and demand mismatches, which inevitably occur in various regions of the country. PTI

STATSGURU

Switching to cleaner power

ANOUSHKA SAWHNEY

India's transition to less polluting fuels is happening faster than in many other countries.

India was ranked 67th among 120 countries in the Energy Transition Index (ETI) released by the Geneva-based World Economic Forum (WEF) on June 28. It was ranked 94 in 2014. The index measures the progress of different nations towards making the transition to clean energy. Like much of the world, India's score has begun to improve again after plateauing during the Covid-19 pandemic (*chart 1*).

The report listed replacement of solid fuels with cooking gas, universal electricity access and rising renewable energy deployment as among the key reasons for an improved score. A comparison with the other top economies shows that India is more dependent on imports for meeting its energy needs than many other countries. Only Japan, Germany and France have higher net energy imports relative to use (*chart 2*).

This is despite India's per capita consumption being lower than other large economies. India's energy consumption per capita is 26 gigajoules. It is 257 gigajoules in the United States (*chart 3*).

India's economy grew at nearly 6 per cent over the last 10 years. Energy consumption has grown less than 3 per cent. This has meant that energy intensity, or energy consumed for generating one unit of gross domestic product (GDP), has shown a -2.4 per cent growth rate over the same period — a sign of improved energy efficiency (*chart 4*).

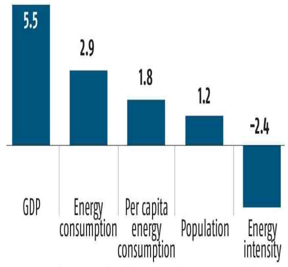
But India remains more dependent on polluting energy sources than many peers. The carbon intensity among major economies is higher only for China and Japan (*chart 5*).

The WEF report noted an 85 per cent increase in oil subsidies in 2022 globally following energy price volatility. Fluctuations in international energy prices can also affect energy intensive industries and 'firms are seeking to shift operations to markets with cheaper and more reliable energy, raising concerns over employment in local communities', according to the report.

Renewable energy can help plug some of the gap. The government reportedly is moving to encourage electricity grid battery production in India, which can make renewable energy supply a more stable source of power. The share of renewables in India's electricity production increased to 20.5 per cent in 2022 from around 15 per cent a decade ago (*chart 6*).

4: FALL IN ENERGY INTENSITY

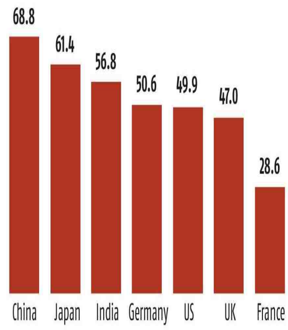
Ten-year compound annual growth rate (in %)



Note: Compound annual growth rate is for the period between 2012-13 and 2021-22, based on provisional data for 2021-22. Source: Energy Statistics India 2023

5: RELATIVELY HIGH CARBON INTENSITY

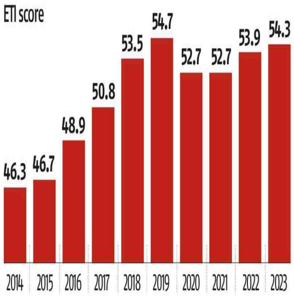
CO2 intensity of total energy supply (in kg/gigajoules)



Source: World Economic Forum

1: GAINS AFTER PANDEMIC DECLINE

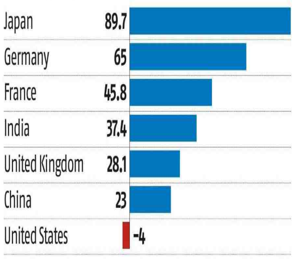
ETI score



Note: The ETI (Energy Transition Index) framework analyses countries' current energy system performance and enabling environment for energy transition. Higher numbers indicate better scores. Source: World Economic Forum

2: INDIA'S NET ENERGY IMPORTS HIGHER THAN THOSE OF CHINA, US

Net energy imports (relative to energy use, in %)



Note: Based on top seven economies in terms of gross domestic product (GDP). Source: World Economic Forum

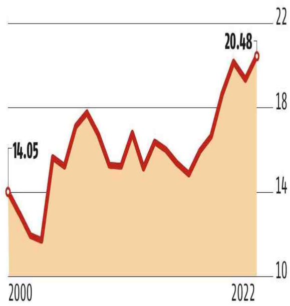
3: LOWER PER CAPITA ENERGY CONSUMPTION THAN OTHERS

Energy consumption (in gigajoules per capita)

Note: Based on top seven economies in terms of GDP. Source: World Economic Forum

6: RISING SHARE OF RENEWABLES

Share of electricity production from renewables (in %)



Source: Our World in Data

StatsGuru is a weekly feature. Every Monday, Business Standard guides you through the numbers you need to know to make sense of the headlines

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The net-zero approach to trading in carbon credits

SANJEEB MUKHERJEE & SHREYA JAI
New Delhi, 2 July

With the Centre laying down the initial framework for a domestic-regulated carbon credit trading market, some of the major exchanges have started exploring the possibility of trading in carbon credits.

Sources in the know said that the National Commodity and Derivatives Exchange (NCDEX), which is one of the foremost exchanges in agriculture commodities, recently initiated preliminary talks on such a futures contract and was looking to commission studies to understand the nuances and viability of such futures.

Also, the National Stock Exchange is exploring opportunities in the voluntary carbon credit (VCC) market and electricity derivatives to deepen its product portfolio, its Chief Business Development Officer Sriram Krishnan told *PTI*. The news agency said that another bourse, the Indian Energy Exchange, has also announced plans to explore business opportunities in the VCC market and has established a wholly-owned arm for this purpose.

"We need to figure out how to build a market for these voluntary carbon credits so that they can find their values. You need to monetise them, and of course, we also need to create a healthy market because India is producing such carbon credits every year. It is difficult to quantify, but it is estimated to be worth $150 million," said Krishnan.

Meanwhile, on the NCDEX, sources said once the broad structure of the futures contract in carbon credit is formed, the exchange could approach the capital markets regulator — Securities and Exchange Board of India — for approval, as is the norm. "The discussions are in a very nascent state because, first and foremost, the domestic carbon credit market has to develop and mature before it can be expanded further," said a senior official.

A carbon credit can be issued by any project or entity that saves on emissions. These are usually energy efficiency, renewable energy, and sustainable agriculture projects. These credits can be bought by an entity that is a carbon emitter.

A carbon credit allows its owner to emit a certain amount of carbon dioxide (CO2) or other greenhouse gases. One credit is equivalent to 1 tonne of CO2 or the equivalent of other greenhouse gases.

A futures contract is a kind of derivative wherein two parties agree to trade an underlying asset at a specific date for a specific price. The assets, in this case, are the carbon credits.

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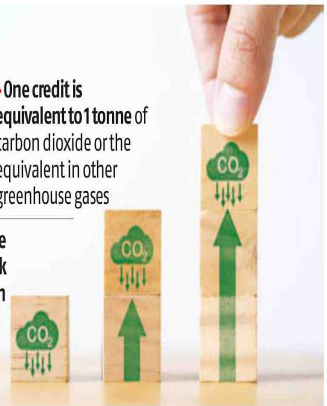
FUTURE IS CARBON

- **Exchanges like NSE, NCDEX, and IEX are believed to be exploring the possibility** of launching products for trading in carbon credit
- **Carbon credit can be issued by any project or entity** which saves on emissions against their savings
- **One credit is equivalent to 1 tonne** of carbon dioxide or the equivalent in other greenhouse gases
- **A futures contract is a kind of derivative wherein two parties** agree to trade an underlying asset at a specific date for a specific price
- **A Deloitte Economics Institute report released sometime back said India could gain $11 trillion** in economic value over the next 50 years by limiting rising global temperatures



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Carbon...

Companies can mitigate their risk when such assets are added to their portfolio as carbon prices fluctuate. Some studies show that, globally, carbon credit futures are used by financial market participants to hedge their risks. The involvement of institutional investors, such as hedge funds, pension funds, etc, has given further depth to the market. The ICE has one of the most thriving carbon credit portfolios, said sources. However, there are lots of challenges in launching carbon credit futures. "Currently, there is hardly any platform that offers futures contracts, as the price discovery mechanism has not evolved. Whatever futures contracts are there are between two parties, say a manufacturing giant and a renewable energy company. There is currently no platform for forward contracts in the carbon credit trading market. There are ongoing efforts, but in a voluntary market, it is difficult to have futures contracts," said a sector expert. The Centre recently approved the formation of India's first domestically regulated carbon market. *(With inputs from* PTI*)*

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Centre may offer grants to NE states for hydropower projects

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NEW DELHI

States in India's north-east holding rich hydropower potential may get central grants to pick equity stakes in hydropower projects under a new policy, two people familiar with the Centre's plans said.

The Union power ministry has proposed a new hydropower policy that will facilitate such grants, and the Union cabinet may take up the proposal soon, the people said on condition of anonymity.

"The Centre may provide grants worth ₹4,000 crore to states in the north-eastern region so that the state governments can infuse equity in hydropower projects there," said one of the people cited above. "The proposal has been moved, and it should come up in the cabinet soon."

Queries sent to the power ministry remained unanswered till press time.

Several hydropower projects are under construction in Arunachal Pradesh. MINT

The hydropower push comes in the backdrop of India's ambitious energy transition plans and the need to protect its lower riparian rights as China works to dam the upper reaches of the Brahmaputra.

India has installed a hydropower capacity of 52 gigawatts (GW) and another 18GW is in the implementation stage or has been bid out.

Out of the ambitious target of 500GW installed renewable energy capacity, hydropower is expected to make up 78GW. Several hydropower projects are under construction or in the conceptual stage in the border state of Arunachal Pradesh.

Late last year, state-run NHPC Ltd submitted a pre-feasibility report to the Central Electricity Authority for the 11GW Upper Siang Multi-purpose Storage project at a capital expenditure of ₹1.13 trillion to build the largest hydropower project in the country.

This, along with other hydro projects on the Brahmaputra, known as Siang in Arunachal Pradesh, is part of India's attempt to counter China's water diversion. The northern neighbour that has often sparred with India, more so since its incursions into Indian territory in 2020,

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NE states may get central grants for hydro projects

FROM PAGE 1

has been building a number of dams upstream of the Brahmaputra.

Hydropower is key for India's energy transition as solar and wind power are intermittent, while hydropower and pumped storage projects are expected to provide the required power supply at night or any other time period.

The development on the policy front also comes at a time when the government is contemplating merging the major public sector hydropower projects in the country. NHPC has already submitted a proposal to merge public sector hydro companies THDC India Ltd and North Eastern Electric Power Corp. Ltd (Neepco) with itself, the second person said. The merged entity is expected to have a market capitalization of around ₹70,000 crore.

The policy is also expected to give a major push to pumped storage projects. Recently, the power ministry announced guidelines to encourage such projects on the monetization of ancillary services, exemption from double taxation, state goods and services tax (GST) reimbursement, and rationalization of environment clearance.

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State power tariff appeals to become costlier for gencos

Sanjay Dutta & Sidhartha | TNN

New Delhi: The government plans to make it costly for gencos (generation companies) and discoms (distribution companies) to challenge orders of state electricity regulatory commissions (SERCs). The move is aimed at checking "non-serious" litigation often used to delay payments but could also impact efforts to seek rightful compensation by entities.

The power ministry's latest draft amendment to the Electricity Rules says any party challenging an SERC's decision, regarding recovery of higher costs as a result of 'change in law' clause, will have to deposit 75% of payable amount before moving APTEL (Appellate Tribunal for Electricity).

The deposit in case of disputes on other issues will be 50% of the payable amount, says the draft, adding that any excess deposit resulting from APTEL's verdict will be returned within 90 days. But in case APTEL or the Supreme Court deems the appeal frivolous, 18% late payment surcharge will be levied on the appellant.

NO FRIVOLOUS LITIGATION

The ministry says the proposal is in accordance with the advice of the Supreme Court. In its April 20 judgment in a dispute between GMR Warora Energy and CERC, the apex court had noted the implication of non-essential litigation on consumers and advised the ministry to evolve mechanisms to ensure timely payment and avoid unnecessary litigation.

Arguably, the proposal could improve payment cycles, currently a bane. But it is likely to raise the hackles of gencos as an appeal will entail locking up huge sums as deposits, especially for imported coal-based gencos, whose bids to seek higher tariffs could involve very large sums, such as, in cases of Tata Power and Adani Power.

The latest changes in rules also say gencos and industries setting up captive power plants or energy storage systems will not need a licence to build, operate or maintain dedicated lines for connecting with grid.