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OVL, IOC eye 50% in Kenya project

Utpal Bhaskar
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NEW DELHI

A consortium of state-run ONGC Videsh Ltd (OVL) and Indian Oil Corp. Ltd (IOCL) is in talks with Tullow Oil Plc to jointly acquire around 50% participating interest in the latter's $3.4 billion oil project in Kenya, two people aware of the development said. Executives of all three companies met in Nairobi in July to discuss the plan, the people said on condition of anonymity.

Tullow Oil, an independent energy firm based in London but operating in Africa and South America, is planning to induct a strategic partner for its Project Oil Kenya. Tullow Oil's proposed merger with Capricorn Energy Plc was recently shelved, with Capricorn choosing a combination with NewMed Energy Ltd Partnership.

Tullow is listed on London, Irish and Ghana stock exchanges and has 30 exploration and production licences across 11 countries.

"Tullow Oil Plc's Kenyan oil project is an interesting opportunity that the Indian state-run

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Mint
OVL, IOC eye 50% in Kenya project
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Indian Oil-OVL consortium eyes 50% stake in Kenya plant

FROM PAGE 1

consortium is actively pursuing. Diversifying energy supplies and securing equity energy is an important focus area for the Indian government," said one of the two people cited above, requesting anonymity.

With India dependent on imports for as much as 85% of its oil needs and 55% of its natural gas demand, the government has stepped up efforts to acquire equity energy at a time energy prices have become very unpredictable.

OVL is the overseas arm of Oil and Natural Gas Corp. Ltd (ONGC) and has been investing in oil and gas assets. OVL owns a participating interest in 33 oil and gas assets in 15 countries and has produced around 9.4% of oil and natural gas of India's domestic production in FY22.

An OVL spokesperson, in an emailed response, said, "As per company policy, we do not respond to market speculations." Queries emailed to the spokespersons of Tullow Oil, and Indian Oil Corp. remained unanswered till press time.

India has stepped up efforts to acquire equity energy at a time energy prices are volatile. BLOOMBERG

A sharp output cut by the Organization of the Petroleum Exporting Countries (Opec) amid record high prices of fuels in India has raised concerns among Indian policy planners, with the world's third-largest oil consumer, particularly at a disadvantage; as any increase in global prices can affect the country's import bill, stoke inflation and widen its trade deficit.

"In December 2021, as per the licence extension obligations provided by the government of Kenya in September 2020, the Project Oil Kenya JV Partners submitted a field development plan for the 10BB and 13T licences, including the additional exploration and appraisal (E&A) opportunities within the 10BB and 13T licences. The E&A plan for 10BA was also submitted," according to the information available on Tullow Oil website.

India's energy security efforts have been gaining traction. A case in point is OVL looking to invest around $1 billion in a Brazilian offshore hydrocarbon block with Brazil's state-run Petroleo Brasileiro SA (Petrobras) as the operator and raise its stake in the block, as reported by *Mint* earlier. India has been trying to diversify its energy supplies and access equity oil, with Indian Oil Corp. recently signing separate long-term contracts to procure crude oil from Colombia's state-run Ecopetrol SA and Petrobras, respectively. Also, India is in talks with Angola and Algeria to procure liquefied natural gas (LNG) on long-term contracts.

OVL, IOC vie for 50% stake in Kenya project

Utpal Bhaskar
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NEW DELHI: A consortium of state-run ONGC Videsh Ltd (OVL) and Indian Oil Corp. Ltd (IOCL) is in talks with Tullow Oil Plc to jointly acquire around 50% participating interest in the latter's $3.4 billion oil project in Kenya, two people aware of the development said. Executives of all three companies met in Nairobi in July to discuss the plan, the people said on condition of anonymity.

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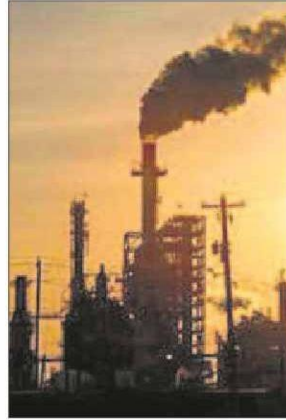

Executives of all three companies met in Nairobi. AFP

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UAE expects trade with India to cross $100 billion in 2-3 years

The Indo-UAE trade stood at $73 billion in FY22, which got a major fillip since the two nations signed the CEPA on May 1, 2022

OUR CORRESPONDENT

MUMBAI: The UAE expects trade with India to cross $100 billion-mark over the next 2-3 years, boosted by the comprehensive economic partnership agreement.

The Indo-UAE trade stood at $73 billion in FY22, which got a major fillip since the two nations signed the comprehensive economic partnership agreement (CEPA) on May 1, 2022.

Between FY21 and FY22, the overall trade rose 68 per cent to $73 billion, after declining for two years. But the trend has reversed since the signing of CEPA.

The bilateral trade has increased markedly with total value of non-oil trade at $29.5 billion in first six months of 2022, growing 22 per cent over the same period in 2021.

Non-oil exports too rose 31 per cent with total value reaching $2.7 billion between May and June, junior foreign trade minister of the UAE, Thani Bin Ahmed Al Zeyoudi, told the Indo-UAE economic forum organized by industry lobby CII here.

Between FY21 and FY22, the overall trade rose 68 per cent to $73 billion, after declining for two years. But the trend has reversed since the signing of CEPA

Though we've set a five-year deadline to take the UAE-India bilateral trade to $100 billion from what it is now, going by the way trade has been growing since the signing of the CEPA, I am confident that we'll achieve the target much earlier, say over the next two-three years, Zeyoudi told PTI later during an interaction.

The minister said trade is still dominated by oil, which constitutes 62 per cent of the overall trade value and only 38 per cent are non-oil trade now. But he expressed hope that CEPA will change this over the years.

The minister also said while non-oil trade balance is still in favour of India by a whisker, overall India has a trade deficit of $17 billion in FY22, led vastly by large oil imports.

During the first half of 2022, bilateral non-oil trade grew 22 per cent to $29.5 billion, the minister said.

The UAE minister also said, his country's cumulative investments in India is over $20 billion, of which $14.4 billion are FDI, making the UAE the eighth largest FDI source for India.

In April-June this year, FDI flows into the country from the UAE stood at $2.14 billion. Zeyoudi also said his country is open to invest in the now-stalled West Coast Refinery if India revives the 60-million tonne refinery involving over Rs 3 lakh crore investment.

Highlights

- » Total value of non-oil trade at $29.5 billion in first six months of 2022, growing 22% over the same period in 2021
- » Non-oil exports too rose 31% with total value reaching $2.7 billion between May and June, junior foreign trade minister of the UAE said
- » The minister said trade is still dominated by oil, which constitutes 62% of the overall trade value and only 38% are non-oil trade now

Addressing another session at the same forum, joint secretary in the commerce ministry Srikar Reddy said, since the CEPA, overall exports from the country to the UAE rose 16 per cent to $10.46 billion from $9 billion between May and August, which is commendable given the decline in overall global trade during the period.

Reddy also said exports under the CEPA have been outpacing the country's overall exports by 5:1. On the other hand, non-oil exports to the UAE grew 14 per cent.

Reddy said non-oil trade is still dominated by gems & jewellery which constitutes around a third of the total trade, which has grown by 33 per cent to $1.4 billion.

Companies from the UAE that have invested in India are Mubadala, DP World, Sharaf Group, Lulu Group, Emaar Properties, RAK Ceramics.

Companies from India that have invested in the UAE are ONGC & PetroResources, Tata Motors, Larsen & Tourbo Middle East, Oberoi Group, Zuari Agro Chemicals, Essar Steel Manufacturing Company.

Mint
Crude prices decline as traders book profit after prices surge
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Crude prices decline as traders book profit after prices surge

Staff Writer
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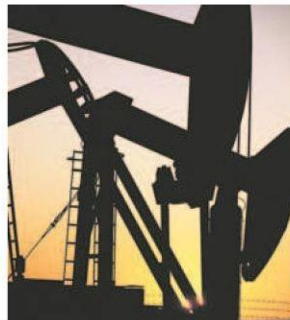
NEW DELHI

International crude oil prices declined 0.83% on Monday as traders booked profits after the recent surge in prices.

Around 3 pm, the December contract of Brent was at $97.11 a barrel. The November contract of West Texas Intermediate (WTI) also fell by 0.72% to $91.97 a barrel.

Investors had booked profits following the rise in crude prices by around 4% on Friday. The price rose for five consecutive trading sessions after the Organization of the Petroleum Exporting Countries and its allies (OPEC+) decided to cut output by 2 million barrels per day starting November.



Crude oil prices had surged around 4% on Friday. MINT

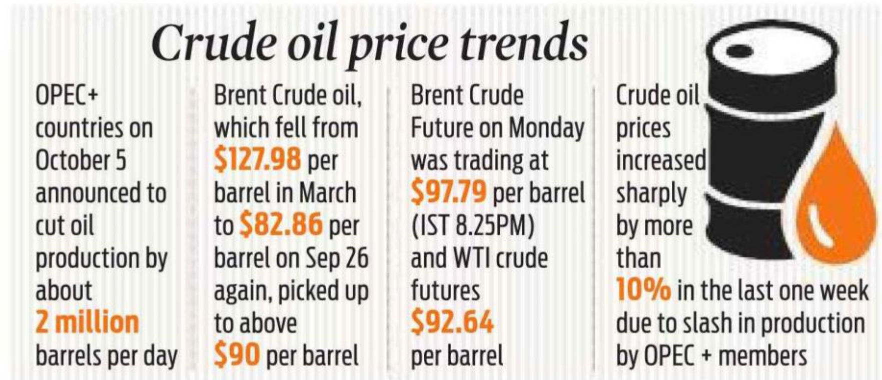
"Both Brent and WTI crude were outperformers last week, rallying by 12% and 17%, respectively, marking the biggest weekly gains since March. OPEC+ announced output cut of 2 million barrels per day. Their biggest supply cut since 2020, combined with Russia's threats to massively curb production, supported prices. Selling in the US dollar from higher levels also supported the bull case," said Ravindra Rao, head of commodity research at Kotak Securities. "However, renewed dollar strength might limit the gains in oil prices," he said.

Crude prices were weaker as rising recession fears offset the gains because of output cuts, said Sriram Iyer, senior research analyst at Reliance Securities. "The dollar also remained elevated and weighed on prices," Iyer said.

The Morning Standard
Output cut by OPEC+ countries may push up India's oil import bill
Oct 11, 2022 | Delhi | Pg No.: 10 | | Sq Cm:455 | AVE: 1091125 | PR Value: 5455624

Output cut by OPEC+ countries may push up India's oil import bill

RAKESH KUMAR @ New Delhi



CUT in oil production by OPEC+ countries will increase India's oil import bill, and eventually will increase the cost of transport fuel in the country.

The industry experts also noted that the inflated price of crude in the global market is likely to increase the under recoveries of Indian Oil Marketing Companies (OMCs). "The under-recoveries of OMCs are likely to increase on sale of petrol and diesel. If higher prices are passed on to the consumers, it would lead to higher inflation. Besides this, the oil import bill would increase. There would be some inventory gains for refiners," said Prashant Vasisht, VP and co-Group head at ICRA.

The OPEC+ countries on October 5, 2022, announced to reduce oil production by about 2 million barrels per day to check the oil price in the international market. Following this move, Brent Crude oil, which fell from $127.98 per barrel in March to $82.86 per barrel on 26 September 2022, again picked up to above $90 per barrel. Brent Crude Future on Monday was trading at $97.79 per barrel (IST 8.25PM) and US West Texas Intermediate (WTI) crude futures $92.64 per barrel (IST 8.25PM).

"Crude prices increased by over 10% in last one week due to cut in output by OPEC+ members. We are expecting it to test $100 to $102 levels soon," said Anuj Gupta, vice-president, Research, IIFL Securities. Gaurav Moda, India Energy Leader, EY said Indian OMCs are careful about price hikes as well as reductions in line with market dynamics. "Based on this, it is expected that there may be some moderation in domestic fuel prices in due course, not necessarily immediately," he said. India's crude basket, which has come down below $80 per barrel last week, again jumped to $95 per barrel on 7 October 2022. Throughout the year it has averaged above $100 per barrel. India is the third-largest oil consumer in the world, and the country meets 85.5 percent of its crude oil demand from imports as of FY22 (FY22).

COMMODITY CALL.

Natural gas: Wait for dips and go long

Gurumurthy K
bl. research bureau

The downtrend in natural gas prices since August this year could be coming close to a bottom. Last week, the contract traded on the Multi Commodity Exchange (MCX) at ₹518.30 per mmBtu and has risen back wel. Although prices are coming down from the high of ₹591.9, the downside is likely to be limited. It is currently trading at ₹555.20 per mmBtu.

The 200-day moving average (DMA) support is at ₹508. A long-term trend line support is at ₹515. This makes the ₹518-₹515 region a very strong support. A break below ₹515 will not be very easy. So, the current pull-back from the high of ₹591.9 could be short-lived.

We expect the contract to sustain above the ₹518-515 support zone and rise to ₹610-620 in the next couple of weeks or so.

This bullish outlook will get negated if it breaks below ₹515 decisively. In that case, the contract will come under pressure for a fall to ₹480 and even ₹460 going forward.

TRADING STRATEGY

Traders with a short-term perspective can wait for dips. Go long at ₹545 and accumulate at ₹525. Keep the stop-loss at ₹505. Trail the stop-loss up to ₹555 when the contract moves up to ₹565.

Revise the stop-loss further up to ₹560 when the contract touches ₹575 on the upside. Book profits at ₹595.

Business Standard

Adani firms' road to Sensex not so smooth

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Adani firms' road to Sensex not so smooth

Derivatives entry must for index qualification, proposes BSE arm

OPTIONS LEFT

	Market cap* (₹ cr)	In F&O?
Adani Transmission	83,408	X
Tata Motors	81,541	✓
Adani Total Gas	80,756	X
Adani Green	75,741	X
Adani Enterprises	75,100	✓

*Average free float market cap during the review period

Source: Smartkarma

SAMIE MODAK
Mumbai, 10 October

Two firms belonging to the Adani group — India's most valued conglomerate — are part of the NSE Nifty50 index. The group, however, has no representation in the BSE Sensex. And it could stay this way if a proposed index qualification rule change gets approved.

Last week, Asia Index, a joint venture between S&P Dow Jones and the BSE, responsible for index composition, floated a consultation paper where it proposed that a stock must have a derivative contract to be eligible for inclusion in the flagship 30-share Sensex index.

At present, at least 90 per cent of weighting of the Sensex constituents has to be linked to derivatives trading. This leaves scope for a stock that is not part of the futures and options (F&O) segment of the market to be part of the index. It also allows a large initial public offering (IPO) to gain fast-track entry into the index as the company doesn't have to wait to first get added to the derivatives segment.

While Adani Transmission, Tata Motors and Adani Total Gas have higher free float market cap, but since preference is also given to stocks belonging to sectors that are under-represented in the index, one can't say for sure which one of the five stocks could get added

If the proposed change is accepted, most Adani group companies, frontrunners for Sensex inclusion, could be impacted.

Analyst Brian Freitas of Periscope Analytics, who publishes on Smartkarma, says a bunch of Adani-group companies are at the cusp of index inclusion and are not a part of the F&O market.

The Sensex's next rebalancing is in December. But the review period to decide the addition and deletion of stocks ends on October 31. According to the latest data, Dr Reddy's Laboratories is seen as a candidate for exclusion. On the other hand, any one of Adani Transmission, Tata Motors, Adani Total Gas, Adani Green Energy and Adani Enterprises are potential inclusions. Of the five, only Tata Motors and Adani Enterprises are part of BSE's F&O segment.

While Adani Transmission, Tata Motors and Adani Total Gas have higher free float market capitalisation, but since preference is also given to stocks belonging to sectors that are under-represented in the index, one can't say for sure which one of the five stocks could get added.

Why such a move

BSE's bigger rival, NSE, already has such a rule in place. All the Nifty50 components have to be part of its derivatives segment. Experts say this is beneficial for investors and money managers.

"The introduction of non-F&O stocks could create replication issues for portfolio managers that use derivatives to get exposure to the index and could also lead to stocks trading limit going up or down and create tracking error for these managers. Stocks in F&O do not have daily price limits. The inclusion of non-F&O stocks could also preclude arbitrage between the Sensex futures and the single stock futures on the index constituents," says Fretias.

The feedback for the consultation paper floated by Asia Index closes on November 4. Sources say that if the market response is positive on the inclusion of only F&O stocks, the change could become effective before the December rebalance.

Fiscal prudence, key to stability

POLICY FOCUS. Open economy challenges may haunt policies ahead as spillovers intensify

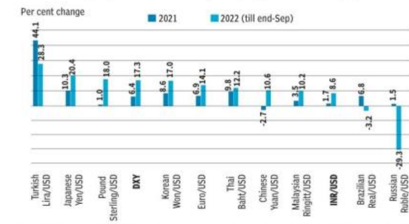
Mridul Saggar

A common economic sophism is that fiscal policy can prop up growth even when monetary policy is assigned to bringing inflation under control. In the short run, lifting demand amid supply constraints will only fuel inflation and the twin deficits, with a wider fiscal gap feeding into a wider current account deficit (CAD).

The pandemic has already made debt dynamics unsustainable in several economies. IMF research shows that a one percentage point unanticipated contraction fiscal balance reduces the CAD, on average, by 0.8 percentage point of GDP.

With the four large central banks expanding their balance sheets by about 8x since 2007, demand and inflation have returned with a vengeance. Private wealth and inequities have increased on the back of fiscal support and large central bank liquidity. This has accentuated CAD to unsustainable levels in some countries. Careful countervailing policy action is required. Open economy considerations will rule monetary and fiscal policies, going forward.

Strong dollar: Currencies' depreciation (+) against US dollar (%)/ Dollar index (DXY) appreciation (+) in %



STAYING THE COURSE The rate hikes must continue for the rest of this fiscal REUTERS

FISCAL CONSOLIDATION

Fiscal policy, and not monetary policy, will determine long-term interest rates in the Indian economy. More of fiscal restraint will be needed to avert interest rate shock.

It is time to move back to the 15th Finance Commission's fiscal consolidation path envisaged under its baseline macroeconomic assessment. It envisages GFD/GDP ratio at 4 per cent by 2025-26. Union Budget 2021-22 had announced the government's intention to reduce the GFD (gross fiscal deficit) below 4.5 per cent by 2025-26. In this year's Budget, the government reiterated the resolve to meet this target. However, this target is consistent with the 15th Finance Commissions' worse-case scenario of slower than assessed recovery path from the pandemic.

Macroeconomic conditions are evolving better than anticipated. The key metric of nominal GDP growth was 19.5 per cent in 2021-22 against the base case projection of 13.5 per cent by the Finance Commission. This year too it will easily exceed the 9.5 per cent growth assumed by the Commission.

The government, however, will not be able to meet even the slow post-pandemic recovery scenario targets unless it packages next year's Budget with a clear strategy to downsize government. This seems an uphill task given that not even two state-owned banks have been privatised this year. Opposition should support the needed reforms, but if political consensus is elusive, the government that has a clear mandate, must push reforms that are never painless.

Next year's Budget will set the course for the economy. Given the impending slowdown, the 15th Finance Commission's base case GFD/GDP ratio of 5 per cent for 2023-24 looks difficult but the government must make sincere efforts to bring the ratio down to 5.5 per cent.Those who think this is big adjustment, may be reminded of how successfully the Euro area did the same. The region ran a general government deficit (net borrowing) of 6 per cent of GDP for two years after the global financial crisis but even with some improvement in growth, it went on massive fiscal consolidation and ran primary surpluses for five years from 2015 onward. This enabled them to expand the fiscal deficit by 6.4 percentage points in 2020 after the pandemic struck. Such is the power of counter-cyclical fiscal consolidation.

> **It is best to stay focused on maintaining** macro-financial stability and not overly worry about growth at this stage.

AVOID TRILEMMA

The impossible trinity will increasingly haunt macroeconomic policies in the near future. It is just not possible to maintain independent monetary policy, fixed exchange rate and an open capital account. The trilemma needs to be handled with less than corner solutions. Exchange rate can be managed but not pegged to a level. Markets can enter very choppy waters once financial conditions tighten and target Fed Funds rate peaks at about 5 per cent next year. Fed had last month hiked by 80 basis points (bps) its guidance on its terminal rate. Dot plots could rise further by another 50 bps if inflation remains intransigent.

Investor risk-aversion can magnify financial and business cycles. Recent work from Chicago University (Pflueger and Rinaldi's, September 2022) shows that investor habit preferences explain the large response to Federal Funds rate surprises. A surprise increase in the short-term interest rate lowers output and consumption relative to habit, thereby raising risk aversion and amplifying the fall in stocks.

We have witnessed substantial global equity and bond market corrections in the first half this year, but the tightening cycle is far from over and very much likely to continue into next year. This could result in substantial tightening of global financial conditions into the next year. House price bubbles may burst in parts of the world soon with correction already underway in the US, China, the UK, Australia, Korea and many other parts of the world. The end of free money can do a lot to deepen fissures in the world of finance. The rising pressures on Credit Suisse are just tips of the iceberg.

We are already witnessing a clustering of volatility in the exchange rate market. While a section of the market has taken the call that the dollar has peaked, from the rate cycle perspective that looks rather hasty. The JPY-USD rate, which had dipped to as low as 131 in the first half of August on expectations of looser Fed policy, fell to almost 145 on Powell's Jackson Hole speech later that month and is holding there. Japan intervened in the foreign exchange markets for the first time since 1998 but could not do much. Dollar strength can remain the bugbear for EM (emerging market) currencies till the middle of next calendar year and we must bulwark against such outcomes.

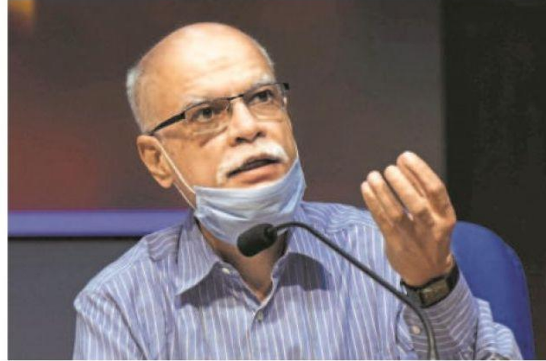
Our buffers have come very handy, but we have used a fair chunk of our ammunition early on, whereas exchange rate should best be treated as an automatic stabiliser while leaning against strong volatile movements. The RBI's early July capital flow measures have done little to stem the tide.

In this milieu, the RBI will do well to encourage corporates to maintain a good hedge ratio. If the going gets worse, one cannot rule out radical measures, like quasi fiscal dollar borrowing (such as Resurgent India Bonds issued by SBI) or taking the oil companies' demand out of the market.

Meanwhile, the open economy considerations call for continuing with rate hikes for the rest of the fiscal year and then holding them till the expected severe global slowdown starts biting Indian growth. It is best to stay focused on maintaining macro-financial stability and not overly worry about growth at this stage. Such is the nature of policy trade-offs.

(Concluded)

The writer is IEPF Chair Professor at NCAER. He was formerly RBI's Executive Director and an MPC member. Views are personal



Revenue secretary Tarun Bajaj said the slowing growth in monthly direct tax collections, net of refunds, could be attributed to higher tax refunds issued at a faster pace. HT

Govt expects direct tax collections to grow 30% in FY23

Dilasha Seth &
Gireesh Chandra Prasad

NEW DELHI

The Union government expects direct tax revenue to grow 25-30% in FY23, despite monthly direct tax receipts net of refunds showing signs of moderation from August.

Revenue secretary Tarun Bajaj said that direct tax collections remain robust, and the slowing growth rate in monthly direct tax collections, net of refunds, could be attributed to higher tax refunds issued at a faster pace. Direct tax collection primarily comprises personal income tax and corporation tax.

"We expect direct tax revenues to grow by 25-30% in FY23. It must be noted that there is a pickup in issuing refunds now with the IT portal functioning well. We are issuing refunds at a faster pace," Bajaj said. "About 45% of returns are being processed the same day and another 30% within seven days of filing. Direct tax refunds have touched almost ₹1.5 trillion, which is 81% more than last year at the same time," Bajaj said.

A 25% growth in direct tax collections will translate into a revenue of ₹17.25 trillion for the current fiscal.

With customs and excise duty mop-up likely to be lower than last year, robust direct tax revenues are expected to act as a buffer amid higher government spending due to higher-than-budgeted fertilizer and food subsidies. "Gross tax collections are more relevant to assess the health of the economy as net tax receipt after refunds is a dynamic figure. The government is proactively issuing refunds—₹1.53 trillion so far this year, 81% more than the comparable period last year. Gross direct tax receipts up to 8 October is showing a 23.8% jump over a year ago. There is no contraction in direct tax receipts," said a person privy to the government's assessment of the tax collection figures.

The budget has estimated direct tax collections at ₹14.2 trillion, compared with ₹14.09 trillion collected last year,

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ओएनजीसी ONGC

Mint
Govt expects direct tax collections to grow 30% in FY23
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Centre eyes up to 30% jump in direct taxes this fiscal year

FROM PAGE 1

which indicates a very conservative budget estimate for direct tax revenues.

There is a big jump in corporate and personal income tax collections in July from that of the comparable month a year ago, followed by the contraction in August, although cumulatively, personal and corporate tax collection numbers show strong growth so far this year. Experts suggested that since the income-tax return filing due date was in July for assessment year 2022-23, followed by quick tax refunds, net collections have shown a decline in August from the year-ago period. In the assessment year 2021-22, the due date for filing tax returns was the end of December.

Data from the controller general of accounts released by the government last week showed that direct tax collections in August comprising personal income tax and corporation tax dropped 42% to ₹34,972 crore. While corporation tax mop-up halved during the month, personal income tax collections fell 38% in August on a year-on-year basis.

However, data released by the Central Board of Direct Taxes on Sunday showed that between 1 April and 8 October, direct tax collections touched ₹7.45 trillion, a 16.3% increase in net collections from a year earlier. In fact, it is 52.5% of the total budget estimates of direct taxes for FY23.

Refunds stood at ₹1.53 trillion during this period, which is 81% higher than the same period last year.

An email sent to a finance ministry spokesperson remained unanswered till press time.

Between 1 April and 8 October, direct tax collections touched ₹7.45 tn, a 16.3% increase in net collections from a year ago. MINT

Data showed direct tax collections in Aug comprising personal income and corporation taxes dropped 42% to ₹34,972 crore

CBDT chairman Nitin Gupta said at an event on 27 September in New Delhi that 58.3 million returns were filed in July for AY22-23, and almost 93% of the verified returns have already been processed. "There is an almost five times increase in the number of refunds issued so far compared to the preceding year," he said then.

According to Archit Gupta, founder and chief executive of fintech firm Clear, adherence to the return filing due date and no postponement is good for the ecosystem, as it will help improve compliance and frees up time for chartered accountants, who can then focus on other compliances for their clients.

"We remain upbeat about the positive trend in advance tax collections sustaining in the second half of the current fiscal. The jump seen in personal income tax receipts in July compared to the same period a year ago and the moderation in August this year against the same period a year ago is driven by the spillover of return filing last year post-July. If the due date is 31 July, most people usually finish payment of dues by the 31st and spillover after the due date is limited," Gupta said.

Aditi Nayar, chief economist at ICRA Ltd, said that she expects non-excise tax collections, before devolution to the states, to exceed the estimated budget estimates by ₹3-3.5 trillion.

Customs collection and excise duty mop-up posted a decline during the first five months of the fiscal on account of measures, including tax reduction in petrol and diesel and customs duty suspension for cotton to tackle inflation. The government is trying to cut avoidable spending amid concerns of private investment slowdown due to monetary policy tightening.

The government last month announced the extension of the free foodgrain scheme for another three months, costing the exchequer an additional ₹44,762 crore. It will take the total food subsidy bill this year to ₹3.2 trillion as against ₹2.06 trillion estimated in the budget.

The Union cabinet also approved the release of an additional 4% dearness allowance for central government employees and dearness relief for pensioners with effect from 1 July. This is expected to cost the government an extra ₹8,468 crore in the remaining eight months of the current fiscal.

The Financial Express

Palios is Essar Oil UK non-exec director

Oct 11, 2022 | Delhi | Pg No.: 4 | | Sq Cm:20 | AVE: 65346 | PR Value: 326728

Palios is Essar Oil UK non-exec director

ESSAR OIL UK, the firm that owns the Stanlow oil refinery in the UK, on Monday announced the appointment of Mark Palios, chairman and co-owner of Tranmere Rovers-Tranmere Rovers FC, as an independent non-executive board director.

Business Standard

Protests in Iran over woman's death reach key oil industry

Oct 11, 2022 | Delhi | Pg No.: 8 | | Sq Cm:33 | AVE: 82153 | PR Value: 410763

Protests in Iran over woman's death reach key oil industry

Workers at the site of a major complex of refineries crucial for Iran's massive offshore natural gas field protested on Monday over the death of a 22-year-old woman, online videos appeared to show. The demonstrations at Asaluyeh mark the first time the unrest surrounding the death of Mahsa Amini threatened the coffers of Iran's long-sanctioned theocratic government. While it remains unclear if other workers will follow, the protests come as demonstrations rage on in cities, towns and villages across Iran over the death of Amini after her arrest by the country's morality police in Tehran. **AP**

The Hindu
Protests in Iran over woman's death reach key oil industry
Oct 11, 2022 | Delhi | Pg No.: 15 | | Sq Cm:113 | AVE: 422048 | PR Value: 2110242

Protests in Iran over woman's death reach key oil industry

Associated Press
DUBAI

Workers at refineries crucial for Iran's oil and natural gas production protested on Monday over the death of a 22-year-old woman, online videos appeared to show, escalating the crisis faced by Tehran.

The demonstrations in Abadan and Asaluyeh mark the first time the unrest surrounding the death of Mahsa Amini threatened the industry crucial to the coffers of Iran. While it remains unclear if other workers will follow, the protests come as demonstrations rage on across Iran over the September 16 death of Amini after her arrest by the country's morality police in Tehran.

Early on Monday, the sound of apparent gunshots and explosions echoed through the streets of a city in western Iran, while security forces reportedly killed one man in a nearby village, activists said.

Videos showed students demonstrating, with some women and girls marching through the streets without headscarves as the protests continue into a fourth week. The demonstrations represent one of the biggest challenges to Iran's theocracy since the 2009 Green Movement protests.

Business Standard
Taxes may help curb fiscal deficit
Oct 11, 2022 | Delhi | Pg No.: 4 | | Sq Cm:219 | AVE: 542931 | PR Value: 2714655

Taxes may help curb fiscal deficit

Mop-up from direct taxes and GST are expected to aid in keeping deficit at 6.4%

INDIVJAL DHASMANA
New Delhi, 10 October

Robust tax collections — both from direct taxes and goods and services tax (GST) — are expected to help the government in reining in fiscal deficit at 6.4 per cent of the gross domestic product (GDP) for this fiscal year (FY23). This comes despite rising fertiliser and food subsidy, and likely decline in excise duty mop up.

The government has collected ₹13.49 trillion if the latest numbers of direct tax collections till October 8, central GST figures till September and customs and excise duty figures till August are taken into consideration.

This constitutes 48.9 per cent of the Budgeted figure of ₹27.58 trillion for the current fiscal year.

If devolution to the states in in September is considered the same as was given in July (₹58,333 crore), the government would give ₹3.76 trillion to the states in the first half. In August, the government had doubled the devolution to ₹1.17 trillion compared to July.

If this devolution is taken out, the Centre's net tax revenues would be ₹9.73 trillion — in a bit over the first half without considering customs and excise collections for September. This would be 50.28 per cent of the Budgeted amount of ₹19.35 trillion.

This means that the government has already collected half the targeted revenue in the first six months of the current financial year even as customs and excise duty collection figures are yet to come in the public domain. Most of the tax revenues come in the second half due to the festival season and last month's rush in paying taxes in March. For instance, 16 per cent of total tax revenues (pre-devolution) came in March during 2021-22.

Anyway, the government was too conservative in estimating tax figures in the Budget for 2022-23. The Budget projected just 1.8 per cent growth in tax collections, at ₹2.76 trillion, in FY23 over the actual collections of ₹2.71 trillion in FY22.

While tax revenues have been robust, there would be extra expenditure in subsidies on two fronts — food and fertilisers. Besides, cutting excise duty on fuels would also reduce tax numbers.

The exchequer could take a hit of ₹44,762 crore with the extension of the free food scheme by three months till this December. This extension, along with the earlier ones, would cost the government ₹1.30 trillion.

However, according to some reports, based on rough estimates, there could be a saving of about ₹70,000 crore from lower wheat procurement. So, the exchequer could take a hit of ₹60,000 crore on net basis.

Besides, there could be additional expenditure of ₹1.45 trillion on fertilisers. But this calculation was made before the sharp drop in prices since August. Gas prices are stabilising as well.

So, broadly speaking, there could be extra expenditure of a bit over ₹2 trillion on food and fertiliser subsidies, which could reduce if commodity prices continue to fall globally.

KEEPING AN EYE

₹13.49 trn
Gross tax collections in little over first half of FY23

₹27.58 trn
Budget estimates for FY23

48.9
Gross tax collections in first half as % of BE

₹3.76 trn
Devolution to states in first half

₹9.73 trn
Net tax revenue of the Centre in first half

₹19.35 trn
BE for net tax revenue of the Centre for FY23

50.28
Net tax revenue of Centre as % of BE in first half

Note: Gross tax collections does not include figure for customs and excise for the month of September, direct tax collection figures are till October eight and CGST figures are till September
Sources: Central Board of Direct Taxes, Central Board of Indirect Taxes and Customs and Controller General of Accounts

Mint
What happens if CAD breaches 3% red line
Oct 11, 2022 | Delhi | Pg No.: 2 | | Sq Cm:709 | AVE: 2836940 | PR Value: 14184698

PLAIN FACTS

What happens if CAD breaches 3% red line

BY DEEPA VASUDEVAN

The two major forex crises most ordinary Indians would remember are the balance of payments crisis in 1991 and the one after the US Federal Reserve's "taper tantrum" in 2013. Both events had one common feature: India's current account deficit (CAD) breached 3% of gross domestic product (GDP) before they unfolded.

Once again, the CAD is on the verge of crossing that red line. It has already reached $23.9 billion, or 2.8% of GDP, in Q1, and could go beyond 3% soon, a big change from a deficit of just 1.2% in 2021-22.

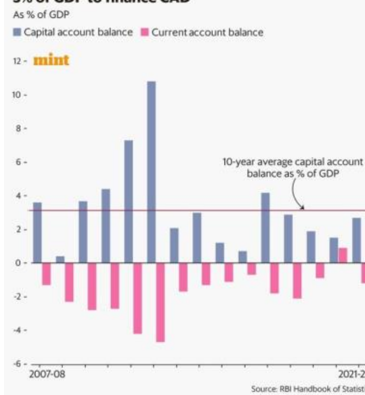
This deficit is financed by a surplus on the capital account. As foreign capital inflows, by way of direct and market investments, external commercial borrowings, and non-resident Indian (NRI) deposits, have averaged about 3.1% of GDP in the last decade, this level has effectively become a "safe" cap on CAD. That cap is about to be breached.

This is largely because of rising crude oil prices. The commodity formed nearly one-fourth of India's imports in April-July. The price of the Indian basket has risen over 20% this year and the rupee has fallen 9.7% against the dollar, which means a hefty increase in import bills.

The worst may not be over. The announcement of supply cuts by oil producers has led to fears of crude crossing $100 per barrel again. High and volatile oil prices and a weaker rupee make for the perfect recipe for higher CAD. Strong fundamentals will keep India afloat, but there are enough reasons to keep policymakers on their toes.

Surplus on capital account gives a cushion of 3% of GDP to finance CAD

As % of GDP



Source: RBI Handbook of Statistics

Higher crude oil prices are one of the major reasons behind high CAD

*CAD based on $23.9 billion for Apr-Jun and a projection of $40 billion for Jul-Sep.

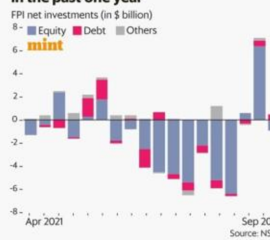
Source: PPAC, RBI, ICRA

FPI Unreliability

ON THE capital account, the most volatile component, foreign portfolio investments (FPIs), showed net outflows until the June-ended quarter in response to rising US interest rates, higher geopolitical risk, and central bank tightening around the world. FPI flows are notoriously volatile and shift nimbly from one country to another in search of returns. India has suffered partly because FPIs tend to lump all emerging market assets together and sell them off in a risk-averse scenario. However, Indian assets, both debt and equity, face another disadvantage. Not only has the rate gap between India and the US narrowed, the weaker rupee has also reduced dollar returns for investors. If the current fiscal ends up with a net pullout of FPI flows, it would reduce dollar inflows available to finance the CAD. India then has to look to other sources of funding, such as the special foreign currency non-resident account (FCNR) deposits launched in 2013, or run down its forex reserves.

India has seen large FPI outflows in the past one year

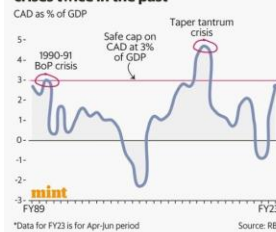
FPI net investments (in $ billion)



Source: NSDL

CAD spikes have preceded external crises twice in the past

CAD as % of GDP



*Data for FY23 is for Apr-Jun period

Source: RBI

CAD Breaches

CAD HAS breached the 3% mark only twice since 1990. In 1991, it was because of an oil price rise triggered by Iraq's invasion of Kuwait, which increased India's crude bill so much that its forex reserves were not enough to cover even one month of imports. The country was forced to seek funding from the International Monetary Fund, devalue the rupee, and implement economic reforms. During 2011-13, supply disruptions in West Asia pushed oil over $100 per barrel, resulting in 4%-plus levels of CAD. By the time of the famous "taper tantrum" speech in May 2013, India's external position was so fragile that the rupee lost 20% within four months. These events reinforce the role of CAD as a red flag. Investors tend to associate a CAD spike with exchange rate weakening and market volatility. Hence, any development that could push CAD beyond the 3% threshold would weaken investor sentiments, leading to dollar outflows and a weaker rupee.

External Risk

HOWEVER, THIS time, India is unlikely to see a repeat of past crises. India is one of the few economies expected to grow at 7% this fiscal and is thus an attractive investment destination. Despite recent depletion, its forex reserves are still healthy and the national debt is largely in rupees, which makes a panicky scramble for dollars to honour debts less likely.

The rising CAD need not be seen as a predictor of an external crisis, but rather an indicator of increased external risk, which can be mitigated by reducing the deficit or improving inflows. The former is tough in the current global scenario, but the latter is achievable. If India can keep its fundamentals strong, it may attract enough investments on a sustained basis to not just finance an occasionally higher CAD but to be able to raise the red mark itself above 3%.

Deepa Vasudevan is an independent writer in economics and finance.

External risk profile is moderate compared to previous two crisis years

India's external risk indicators

Worse → Better	March-end 1991	March-end 2013	June-end 2022
External debt as % of GDP	28.7	22.3	19.4
Short-term debt as % of forex reserves	146.5	33.1	22
Forex reserves as % of total debt	7	71.3	95.5
Import cover of reserves in months	2.5	7	7.8
Current account deficit as % of GDP	3	4.7	2.8

mint

Source: RBI, CEIC

PARAS JAIN/MINT

The Financial Express
Yield near 4-month high; rupee claws back on RBI support
Oct 11, 2022 | Delhi | Pg No.: 9 | | Sq Cm:207 | AVE: 677676 | PR Value: 3388382

Yield near 4-month high; rupee claws back on RBI support

DHARAMRAJ LALIT DHUTIA
& ANUSHKA TRIVEDI
Mumbai, October 10

THE YIELD ON the benchmark government bond hit its highest level in nearly four months on Monday, tracking the relentless spike in the US yields as well as oil prices. The yield ended at 7.4758%, the highest since June 21. It had ended at 7.4596% on Friday, and had risen 10 basis points in last two sessions.

The rupee recovered from a record low to end flat after the Reserve Bank of India (RBI) likely intervened in the markets, but analysts said the currency is set for further losses.

On rise in the bond yield, Debendra Kumar Dash, senior vice president – treasury, at AU Small Finance Bank, said: "Selling for the time being is done, and we should see bonds in thin range till inflation data, especially of the US, which would provide more clarity on their rate hike cycle, while India's reading is more or less priced in."

The US inflation data is due on Thursday. The 10-year yield was around 3.90% after a strong jobs report fuelled bets of another 75-bps rate hike by the Fed in November. Oil prices stayed elevated at $97.05 per barrel, as the benchmark Brent crude contract jumped over 11% last week, its biggest such move in six months, after the OPEC+ agreed to make its largest supply cut since 2020.

Meanwhile, the intervention from the RBI helped the rupee recover from a record low against the dollar on Monday. The rupee hit 82.6825 in early morning trade.

The RBI likely sold dollars via state-run banks at 82.60-82.65 levels, traders told Reuters. The RBI has been in the market "continuously", as they "clamped down" on the rupee to bring it to 82.40 to the dollar, said a trader with a Mumbai-based bank.

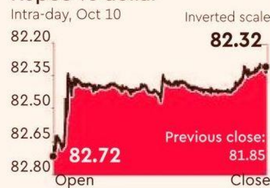
A holiday in the US meant that dollar purchases for trade accounts were muted to some extent, also helping the central bank to keep the rupee well contained, he added.

The rupee has gone from trading under 80 per dollar to above 82 in a span of less than three weeks.

India's depleting foreign exchange reserves in the face of the rupee's rapid depreciation are becoming a point of concern, as they fell 16% at September-end, compared to the beginning of the year. This was the biggest percentage drop among emerging Asian markets, said analysts from Goldman Sachs.

Economists from HDFC and Elara Capital expressed concerns over the Fed's expected rate hikes, rising oil prices and widening trade deficit further weighing on the currency. — REUTERS

Rupee vs dollar
Intra-day, Oct 10



10-year bond yield (%)
Intra-day, Oct 10

'Rupee may hit 84-85 per dollar by March on trade deficit, oil'

Reuters
MUMBAI

The Indian rupee could drop to 84-85 to the dollar by March due to rising crude oil prices, high trade deficit and depleting foreign exchange reserves, Elara Global Research said.

"The rupee, so far, has borne the brunt of aggressive global tightening as a hawkish (U.S.) Federal Reserve and interest rate differentials weigh on its outlook," Garima Kapoor, an economist at Elara, said.

"Elevated trade deficit prints and the recent surge in crude oil prices add to the near-term headwinds."

Ms. Kapoor expects the rupee to fall to 83.50 per U.S. dollar by December, before slipping even further to 84-85 by March.

The rupee on Monday extended its recent slide to a record low of 82.6825 following the U.S. jobs report.

Higher-than-expected jobs addition in September and a dip in the unemployment rate cemented bets of another 75 bps Fed rate hike next month, pressuring the rupee.

The 'October surprise' and the November election

With barely weeks to go for the November showdown, Republicans and Democrats are bracing for an event that not only sets the political landscape in the United States for the next two years but also the general framework for the showdown in 2024, with or without Donald Trump. Democrats are especially concerned and should be for more than one reason. Holding their own ranks is a major task and beating back the persistent and worn-out rhetoric of many in the Grand Old Party (GOP) of a fraudulent U.S. presidential election in 2020 seems to be a bigger challenge.

Recently, Democrats were bracing themselves for a disastrous rout on November 8. The party was expected to be beaten badly in the House of Representatives and the chances of the GOP wresting control of the Senate also seemed to be a distinct possibility. The poor ratings of the Democrats aside, what hurt was the standing of U.S. President Joseph Biden who had an approval rating between the low to mid 30s.

Findings of NPR poll

But a latest NPR poll shows Mr. Biden to be rebounding to an approval rate of 44%. Still, not many political pundits are sure if this will reflect on the fortunes of the Democratic Party. At one time this June, the country was just outraged that the U.S. Supreme Court had overturned the historic Roe vs Wade, in what led to an emotional and spirited debate on abortion and the right of a woman over her body. Three months ago, and for a brief period of time, 'abortion' ranked as one of the top issues in the mid-term elections. But to the dismay of many liberals, that subject is slowly falling off the radar to perhaps fifth or sixth position in the scheme of things only to be replaced by what conservatives have used to go after the Biden administration – inflation and crime. The NPR/Marist poll also had some

Sridhar Krishnaswami

was a senior journalist in Washington for 14 years covering North America and the United Nations

Faced with an event that not only sets the political tone for the next two years but also the general framework for the showdown in 2024, Democrats have every reason to be concerned

warning signals to the Democrats, the first of which being that 70% of respondents believed that the country is headed in the wrong direction and that inflation is the number one issue that voters say is on the top of their minds when casting their ballots. On the enthusiasm front, there is again trouble even as both parties are charged up for the election. The whites and college-educated segment who have leaned to the Democratic side in the past decade continue to be the most engaged, but the latest survey has shown that young and African-American voters are least likely to vote – this is trouble.

Past political events

One of the things that has been of interest, at least since the 1980s, was something known as "October Surprise", or an event/ events that happen suddenly, re-shaping or attempting to re-work the political framework. For instance, in the election between Jimmy Carter and Ronald Reagan (Republican) in 1980, there was an eerie feeling in the conservative camp that the 52 American hostages held in Tehran since the overthrow of the Shah in 1979 would be released ahead of the November election so as to give (incumbent) President Carter an electoral advantage.

In fact, an unproved allegation has been that the Reagan team worked with the Iranians and convinced them to have the hostages freed only after the election was over. The Americans were finally let go on the day of Reagan's inauguration in January 1981. The closest to an October Surprise came in 2016 when days before the election, the Director of the Federal Bureau of Investigation, James Comey, informed members of Congress that he was re-opening the matter pertaining to Hillary Clinton's handling of confidential e-mails. To this day, many Democrats believe that it cost Ms. Clinton the Presidential election. The election of 2022 had its share of surprises as well starting with Republican hopeful for a Senate seat in Georgia, Herschel Walker, the football legend, alleged to have paid for his girlfriend's abortion even as he was politically opposed to abortion. The flatout denials from the Walker camp and the candidate aside, revelations that he is the father of one of the children by the same woman do not seem to have worried the GOP. Neither has the issue gathered enough traction in spite of all the heat between Democrats and Republicans for control of the Senate.

The Saudi factor

The real October Surprise could come in November and in the form of Saudi Arabia which has agreed, as a part of the Organization of the Petroleum Exporting Countries, to curtail oil production up to two million barrels of oil a day or more that would not only result in increased crude prices but also assist Russia. The worst part is that at a time when gas prices have been seen stabilising in pumps in the U.S., the Biden White House and Democrats are again seeing gasoline as one of the top issues in the November election. This is not a comforting thought. For now, the Biden administration is said to be looking at various options including perhaps lifting some sanctions against Iran and Venezuela so as to incentivise their higher production. But Saudi Arabia has given the perfect opportunity for law makers, including from the Democratic Party, to not only question the wisdom of Mr. Biden having visited the kingdom in July but also focus on a complete reassessment of U.S.-Riyadh relations including the stationing of American troops and the selling of sophisticated weaponry to that country.

The views expressed are personal