



**ONGC News as on 23 October 2023 (Print)**

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## Military training and discipline give Vishnu a fresh perspective

**Kamesh Srinivasan**

An Olympian is a rare breed. In Indian tennis, only Leander Paes comes to mind as an Olympian for his heart-warming achievement of winning the Olympic bronze despite being a rank outsider in the Atlanta Games in 1996.

We also remember multiple Grand Slam champion Paes for partnering rookie Vishnu Vardhan for the London Olympics, when Mahesh Bhupathi and Rohan Bopanna decided to stick together as a pair.

Vishnu was a very good student and learnt the finer points of grass court tennis from his versatile partner in Wimbledon where the Olympic tennis was played in the London Games in 2012. His exhilarating return winners off Jo Wilfried Tsonga, a top-10 singles player from France, on the quick grass of Wimbledon is still fresh in mind.

Vishnu has gone on to win 44 doubles and 10 singles titles in the international circuit – and even won a doubles round in Wimbledon, partnering Sriram Balaji in 2018.

At 36, the Human Resources officer with Oil and Natural Gas Corporation (ONGC) may be far from his best ranks of 262 (2012) in singles and 92 (2018) in doubles, but the drive to



**No privilege:** It was back to the basics for Vishnu in military training. SPECIAL ARRANGEMENT

break new ground by getting out of the comfort zone keeps him young.

Vishnu chose to undergo basic military training, organised regularly by ONGC. It was a month-long hard training with the 8th Territorial Army Engineers Regiment in Vadodara. These trained officers, known as Energy Soldiers, are at times utilised

to ensure regular supply from the oil drills that are directly linked to the health of the nation.

"We could have done the training in two parts of two weeks each in two different periods, but I did it in one go for full effect and to derive total benefit," Vishnu said about the rigorous training that gave him a new perspective

of life.

As an international sportsman and an officer, Vishnu has been used to certain privileges and good life. But it was back to the basics in the military training as everyone gets treated on par. The punishment for not being perfect can really be a humbling experience, as Vishnu found out.

"At the very start one of the trainers, a Havildar told us '*jitna ragada hoga, utthna shine maroge*'. (Stronger the punishment, better you shine!) The punishment could range from crawling without using knees and palms, front rolls, frog jumps, push ups, and the Maharaja position. If the shoe lace was not tied properly, one had to take the punishment of frog jumps and also inspect everyone's shoes. It was very humbling. There were times when we were given punishment without any reason. An order had been given, you just obey. No questions," remembered Vishnu, who was given the title of Lieutenant at the passing out parade.

Even as the ego was shattered and a strong personality was rebuilt, Vishnu said that the whole experience made a life-long bonding of the fellow trainees to the extent that they would do anything for each other despite having spent such a short time together.

Even though he had longed to undergo the training for the last few years, Vishnu contemplated an early exit when he felt overwhelmed. "Perhaps my ego had got a jolt. I thought, 'I don't need to do this. I deserve to be comfortable'," said Vishnu.

It was his wife Sonia who ensured Vishnu hung on and completed the course.

"I told him that he had wanted to do it all along. He did understand that it was a privilege to go through the training. He also realised that achieving the best required greatest sacrifices," said Sonia.

The training changed Vishnu's routine.

"There was no time for phone or social media. One crashed into the bed at the end of the day, for we had to be up at 4 a.m. next day for training," said Vishnu.

He did lose three kilograms in body weight, but gained invaluable lessons.

It is one aspect that Vishnu wants to introduce to the youngsters in tennis. Curtail their screen time, so that they are able to focus on their game and life, with a lot more purpose, and be in a better position to maximise their potential.

His admiration for Rohan Bopanna, a top-10 doubles player has only increased, as a classic example of how one can be on top of his game, despite being 43 years of age.

"I did have training with Rohan, Saketh Myneni and Yuki Bhambri in Europe this year. Rohan has no technical change, or structural change. But he is better physically. He is playing so well with experience and anticipation. He is looking quicker on court", said Vishnu, hoping to use the inspiration to build himself back in the professional circuit.

More than anything, Vishnu wants his five-year-old son to have some good basics and discipline to give himself a better chance for excellence in anything that he wants to pursue in life.

For the first time, there was a lady officer as the commandant of the unit. It was a proud moment for Vishnu when the Commanding Officer, Col. Preena Verma and Sonia put the stars on his shoulder at the passing out parade.

"They really took care of the family members when they were with us for two days. There was so much respect for women in the Officers mess. They understand that the family makes the biggest sacrifice by letting a member serve the country," said Vishnu.

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## ‘Global trends, crude oil prices, Q2 earnings to drive markets in holiday-shortened week’

**NEW DELHI:** Domestic equity markets will be driven mainly by quarterly earnings, global trends, and the movement in crude oil prices in this holiday-shortened week, analysts said.

Investors would also keep an eye on the Middle East amid the ongoing Hamas-Israel conflict and the trading activity of foreign investors.

Markets will remain closed on Tuesday for Dussehra.

“Global markets are currently fragile due to heightened attention on the rising US bond yield, global economic uncertainty, and also the geopolitical situation. These factors will be closely monitored, as they have the potential to influence market sentiment.

“Market participants will be closely watching the movement of the rupee against the dollar and crude oil prices, as



well as investments by foreign institutional investors (FIIs) and domestic institutional investors (DIIs), during the results season,” Pravesh Gour, Senior Technical Analyst at Swastika Investmart Ltd, said.

Markets may face volatile trends amid monthly derivatives expiry on Thursday.

This week is a holiday-shortened one and we expect volatility to remain high due to the prevailing earnings season and scheduled expiry of October month derivatives contracts, Ajit Mishra, SVP - Technical

Research at Religare Broking Ltd, said.

“The market will take further cues from the Israel-Palestine conflict. One should keep a watch on the earnings of major companies in India. Some major global and domestic events will be in focus such as the UK services PMI, US manufacturing and services PMI, US GDP, initial jobless claims, and crude oil inventories,” Arvinder Singh Nanda, Senior Vice President at Master Capital Services Ltd, said.

Shrikant Chouhan, Head of Equity Research (Retail) at Kotak Securities Ltd, said markets worldwide, including India, will respond to geopolitical challenges, oil prices, and bond yield fluctuations, with continued stock-specific action tied to quarterly results.

“We expect earnings season

to pick up pace in a truncated week which would direct the market trend along with global cues. On the global front, ECB (European Central Bank) will announce interest rate decision this week,” Siddhartha Khemka, Head - Retail Research at Motilal Oswal Financial Services Ltd, said.

Among the key results, Axis Bank, Tech Mahindra, Maruti Suzuki and Bajaj Finserv will announce financial numbers for the September quarter, he added.

Canara Bank, Asian Paints, PNB, BPCL and Reliance Industries will also announce their quarterly earnings during the week.

Last week, the BSE benchmark plunged 885.12 points or 1.33 per cent and the Nifty declined 208.4 points or 1.05 per cent.

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## Pollution board fines IOC, BPCL

The Central Pollution Control Board (CPCB) has fined state-owned Indian Oil Corporation (IOC) and Bharat Petroleum Corporation Ltd (BPCL) for not installing pollution control devices at their petrol pumps. IOC has been fined ₹1 crore and BPCL ₹2 crore, the two firms said in separate stock exchange filings.

When a vehicle is refilled at a fuel station, petrol vapour tends to dissipate into the atmosphere. The vapour contains cancer-causing substances like benzene, toluene and xylene. Petrol pumps were in 2016 ordered to install vapour recovery system (VRS) at fuel stations to prevent petrol vapours from escaping. "There is no impact on the operation and other activities of the company. However, the financial implication would be limited to a compensation amount of ₹1 crore," IOC said.

BPCL said it is "examining the notice and would be giving appropriate reply requesting the CPCB not to proceed further and discharge the company from the notice".

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## US checks if foreign banks followed cap on Russia oil

Rituraj Baruah & Utpal Bhaskar  
NEW DELHI

**A** US government office is checking whether foreign banks operating in the US conformed to the G7 price cap of \$60 a barrel for Russian oil, a person aware of the matter said.

The US treasury department's Office of Foreign Assets Control (OFAC) has sought details of Russian oil purchases by including those by Indian entities in the last few months, the person said on condition of anonymity. Indian banks operating in the US include State Bank of India (SBI), Bank of Baroda and Bank of India.

The G7 introduced the price cap on Russian seaborne crude oil in December to limit Russia's earnings from exports, which would, in turn, impact its military budget. The move bars the purchase as well as import of crude from Russia at rates exceeding the price cap. It is part of the strategy of the West to isolate Russia, as well as ensure a steady supply to stabilize global oil prices, which had surged following Russia's invasion of Ukraine in February 2022.

"The oil marketing companies (OMCs) have shared the information with SBI. OFAC

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## Banks draw US scrutiny on Russian oil

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had asked for this information from banks having operations in the US," the person added.

Mint had reported that SBI is taking steps to avoid violating US sanctions by inadvertently processing payments for Indian oil refiners that may have purchased Russian oil above the \$60 per barrel price cap set by a US-led coalition.

The development comes amid rising global crude oil prices over the last three months following a decrease from the multi-year highs of last year. The December contract of Brent on the Intercontinental Exchange is currently trading at \$93.49 a barrel, higher by 1.20% from the previous close. It is 17% higher than the levels seen in July.

Though details have been sought by the OFAC, it is unlikely Indian banks and OMCs will violate sanctions and the price cap regulations as oil is available from other



The G7 introduced the price cap on Russian seaborne crude oil in December to limit Russia's earnings from exports. REUTERS

sources at a discount, including Iraq, which is among the top two suppliers for India, a second person said.

"Indian banks will not do transactions above the price cap because if they were to do so, their overall businesses may be impacted," said Prashant Vashisht, vice president of corporate ratings at Icra.

India and China have turned major importers of Russian crude since February 2022

after the supplier offered deep discounts. Currently, discounts on Russian oil stand in the range of \$13-15 per barrel from the international market price, according to traders.

The import value of Russian crude oil was around \$74 per barrel in August when India imported 7.63 million tonnes of Russian crude oil worth \$4.15 billion, according to commerce ministry data. The cost includes freight, insur-

ance and customs duty, which has not been included under the price cap mechanism.

The Organization of the Petroleum Exporting Countries (OPEC) and its allies, including Russia, have announced successive production cuts in the past few months, leading to a surge in oil prices. Furthermore, the recent Israel-Hamas war and the possibility of it becoming a regional conflict have resulted in higher prices.

Queries sent to the ministries of petroleum and natural gas and external affairs, US treasury department, SBI, Bank of Baroda and Bank of India, Indian Oil Ltd, Hindustan Petroleum Corp. Ltd and Bharat Petroleum Corp. Ltd remained unanswered till press time. On 12 October, OFAC declared the imposition of sanctions on two retail entities, identifying two of their vessels as "blocked property".

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## IOC, BPCL Fined for Lack of Pollution Control at Pumps

Central Pollution Control Board fines IOC ₹1 cr, BPCL ₹2 cr for not installing devices at retail outlets

PTI

**New Delhi:** The Central Pollution Control Board (CPCB) has fined state-owned Indian Oil Corporation (IOC) and Bharat Petroleum Corporation Ltd (BPCL) for not installing pollution control devices at their petrol pumps. IOC has been fined ₹1 crore and BPCL ₹2 crore, the two firms said in separate stock exchange filings.

"The company has received a direction from CPCB to pay compensation of ₹1 crore for non-installation of vapour recovery systems (VRS) at retail outlets in National Capital Region (NCR)," IOC said, adding the fine was for not installing VRS at petrol refuelling stations within the timeline prescribed by the Supreme Court.

When a vehicle is refilled at a fuel station, petrol vapour tends to dissipate into the atmosphere. The vapour contains cancer-causing substances like benzene, toluene and xylene. Petrol pumps were in 2016 ordered to install VRS at fuel stations to prevent petrol vapours from escaping.

"There is no impact on the operation and other activities of the company. However, the financial impli-



BCCCL

cation would be limited to a compensation amount of ₹1 crore," IOC said.

In a separate filing, BPCL said it has "received notice under Section 5 of Environment (Protection) Act, 1986 to pay environmental compensation of ₹2 crore to CPCB for non-installation of Vapour Recovery Systems within the timeline prescribed by Supreme Court and CPCB, in petrol refuelling stations and storage terminals."

BPCL said it is "examining the notice and would be giving appropriate reply, requesting CPCB not to proceed further and discharge the company from the notice".

Both the companies received notices on October 19, 2023.

**Petrol pumps were in 2016 ordered to install vapour recovery systems at fuel stations to prevent petrol vapours from escaping**



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### 86 power plants have 25% less coal stocks, says CEA report

AS MANY as 86 thermal power plants in the country, including six imported dry fuel-based, had critical coal stock levels as of October 18, according to a Central Electricity Authority (CEA) report. The power plants are labelled as having a critical coal stock situation, where the dry fuel is less than 25% of the normative level.

According to the daily coal

report of the CEA for October 18, 2023, as many as 86 thermal power plants were having critical coal stock situations out of the monitored 181 in the country.

There were six imported coal-based plants out of these 86 plants. CEA monitors 181 coal-based thermal power plants in the country with a total installed generation capacity of 206 GW.

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THE BIG PICTURE

**Making a premium play:  
Can MG Motor be an  
EV goldmine for Jindal?**



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● PREMIUM PLAY

# Can MG be Jindal's EV goldmine?

SWARAJ BAGGAONKAR

IN JUNE THIS year Sajjan Jindal confirmed that an alliance with MG Motor India to manufacture electric vehicles (EV) was on the JSW Group's radar. The steel magnate, chairman of the JSW Group, asserted it was time to foray into a consumer-facing business, much like other conglomerates have done. He was looking for a premium play in the EV space. "I feel EVs are going to be a major driver of mobility and we want to be there," Jindal had said in an interview.

Soon thereafter in August, Jindal re-iterated that the Shanghai-based SAIC Motor, the maker of Hector and Astor SUVs, would be its preferred partner if things worked out. Else the Group would make cars on its own. As it turns out, a private entity owned by Jindal might soon pick up a 35% stake in MG Motor with an option to take this up to 49% and 51% post an IPO.

The willingness to buy into MG Motor India reflected something of a softening of Jindal's stance on teaming up with Chinese players. At one point, he had expressed reservations about China's 'behavior' saying the rules of engagement on trade and business might need to be different. He maintains of course that he would not work with the Chinese if inter-government relations are hostile. Jindal said in an interview to a television channel, it was a difficult situation. "If the technology is available only in China and the cost structure that the Chinese can provide us, the Europeans cannot, we have to think twice before we really decide," he said.

Jindal has good reason for wanting to partner with SAIC. MG Motor is the country's second largest EV maker and will give him access to top-class technology. As Puneet Gupta, director, S&P Global Mobility, points out, "MG is interesting to JSW because it has access to Chinese technology".

While Gupta is not sure how much of the technology SAIC will share since it may not be in control of the company, others believe Jindal will not cut a deal without getting the fine print right. Also, while SAIC will resist being in the minority this might not be an option. Given the strained political relations between



SAJJAN JINDAL, CHAIRMAN, JSW GROUP

penetration of just 1-2%, the auto market itself is crowded, different and difficult."

That is true. Apart from the Tatas and Mahindra & Mahindra, who have a head-start, and others like Hyundai and Maruti who are readying launches, Volkswagen, Skoda, Renault, Nissan, Kia, Toyota and Honda will also be bringing EVs to India at different price points. Tesla might also join the queue.

For Jindal therefore, going it alone could be a risky proposition. Auto experts say that although technology has always been at the core of the automobile business, there is a greater need for state-of-the-art technology in electric cars, which will be powered not by just batteries but by complex software. In fact, along with automobile engineers, EV players are hiring software engineers in large numbers. Some are even upskilling those blue-collar workers who work with EVs.

With MG Motor, Jindal will get a foot in the door. The management has done well to turn out the popular diesel-engine-powered SUV Hector though it may have had limited success with the new compact Comet EV, the small, twin-door city car, priced at an attractive Rs 8 lakh. The company showcased multiple SAIC-developed EV models at the Auto Expo earlier this year. Once a joint venture is inked, these can be launched in India.

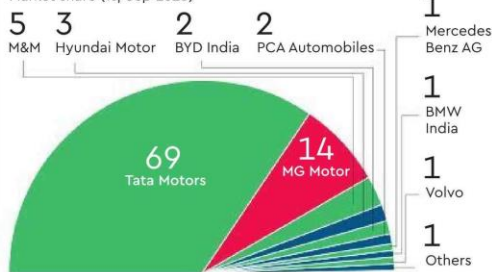
As Jindal has said, the business should require too much capital. By one estimate, MG Motor India is today valued at \$1.2-1.5 billion, much lower than it was a few years back so, he should have no problems buying a 50% stake. Also, the share of EVs is expected to go up to 30% by 2023 with an estimated annual production of two million units and this has whetted the appetites of financial investors. The likes of Temasek and TPG are lining up to back manufacturers so it will not be hard for MG Motor to attract capital. In the long run Jindal can straddle the EV space and build a portfolio of green businesses—renewable energy, batteries, charging stations—which would reduce the group's carbon footprint and make it easier to raise funds from global lenders.

THE BIG PICTURE

SAIC MAY RESIST A MINORITY STATUS BUT THIS MIGHT NOT BE AN OPTION. ITS GROWTH AND CAPITAL INFUSION PLANS HAVE MADE NO HEADWAY

HOW THEY STACK UP

Market share (% , Sep 2023)



India and China following border clashes in 2020, SAIC's attempts to grow the business in India and infuse capital have made no headway. The necessary approvals are still awaited. "Their edge in technology notwithstanding, they may have to give up control of the company with a stake of less than 40%," a management

expert said, adding Jindal will certainly be looking for a majority stake at some point.

SAIC is understandably circumspect about the situation. All it will say is that options are being evaluated to grow its presence in India by bringing in world-class technology and enhancing localisation. But it might

not be an entirely bad deal for the Chinese firm.

As a senior consultant observed: "Jindal is an astute businessman with strong political connections and resources and that would help grow the business. While EVs might account for a minuscule share of the passenger car in the country with a

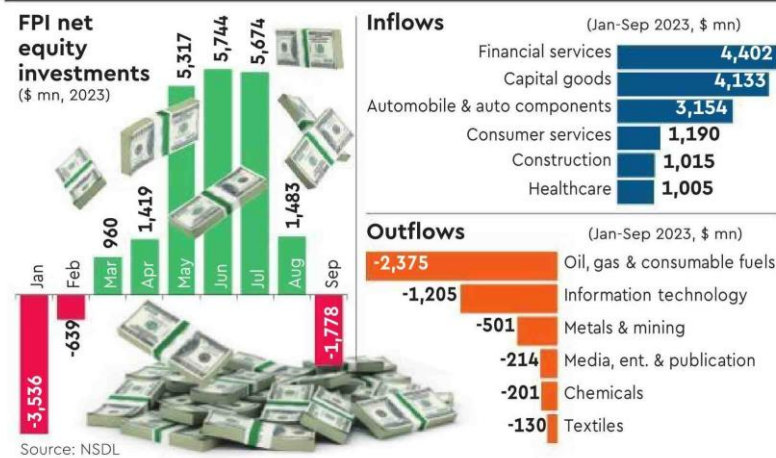
## FPI basket: Oil & gas, IT lose steam

Oil & gas, IT, and metals saw the maximum outflows by foreign portfolio investors (FPIs) in the current calendar year till September, while financials and capital goods remained the prime picks. FPIs turned net sellers in

September to the tune of \$1.8 billion, after six months of continuous buying exceeding \$20 billion. Net investment by FPIs in the first nine months stood at \$14.6 billion. According to analysts, strength in the dollar index

and the high US 10-year bond yield have weighed on FPI inflows. Further, the elevated crude oil prices have also triggered sell-off by foreign investors.

**Siddhant Mishra & Kishor Kadam**



# A renewable energy revolution is possible

India has committed to the rest of the world that by 2030, 50% of its energy will be from non-traditional fuel sources. This is an ambitious target and the Central Electricity Authority (CEA) has estimated a need of nearly 50GW for storage to enable this target. Bringing such significant volumes of storage, particularly Battery Energy Storage Systems (BESS), can be achieved by overcoming two challenges — India's current dependence on imports and the cost of storage.

The government's production-linked incentive (PLI) scheme, with incentives of over ₹18,000 crore, has attracted bids for the set up of 95GW of manufacturing capacity to reduce dependence on imports and the cost of storage. Innovative policies and regulations could unlock this market and lead it to a tipping point where the domestic demand for BESS would make India one of the largest BESS-manufacturing hubs in the world.

The high storage demand projected by CEA stems from the growing necessity for grid balancing with the escalation of renewable energy (RE) penetration. Global experience shows that as RE penetration approaches around 20% of total grid energy, there is a need to establish a dedicated balancing market to ensure stability. India currently stands at 12% and in this aggressive renewable journey that we are embarking on, the threshold is not too far away. The Ministry of Power has recently amended the Renewable Portfolio Obligation (RPOs) and has included Energy Storage Obligation (ESO). This is another step in demand creation though there is still a need for several tenders by states to be finalised with the government looking at a viability gap funding. India has begun shifting towards developing a breadth of markets enabling BESS participation but there is still potential to encompass the scope of a battery's value.

**GLOBAL ENERGY ALLIANCE FOR PEOPLE AND PLANET INDIA IS LOOKING TO SUPPORT DEVELOPMENT OF BESS ECOSYSTEMS BY BANKROLLING PILOTS WITH FUNDING THAT WILL REDUCE WITH SUCCESSIVE PROJECTS**



Saurabh Kumar

This will aid BESS systems to provide the services that they are capable of and be adequately compensated for it. For this, regulatory architecture needs to be brought into place to unlock the value streams for BESS in India. For instance, the peak power demand in Delhi is close to 8GW while the off-peak is 5GW. If batteries can reduce the peak demand by 1GW, the power procurement cost will be reduced by 12%, and a part of the savings can be used to provide another revenue stream to batteries.

Yet again, given the fact that utilities are regulated businesses, monetisation of this value stream requires regulatory architecture and thereafter, procurement by utilities of batteries. The next two candidates are EV charging and frequency control; the latter is needed to avoid penalties levied by grid operators when there is a mismatch in demand supply leading to over

or under-drawal from the schedule. While the policy and regulatory regime for EV charging has been put in place, monetisation of frequency control still needs to be added. If the three revenue streams are unlocked, each revenue stream contributes ₹2 per unit, and the cost of battery storage comes down to ₹2 per unit, which is very affordable. One does not need to wait for prices to fall before scaling this up. This would complement the manufacturing of BESS given the demand creation, development of new business models and seamless integration of renewables in the grid.

Global Energy Alliance for People and Planet (GEAPP) India is looking at supporting the development of BESS ecosystems by funding four to five pilots with concessional funding that will reduce with successive projects as value streams are unlocked to evolve a market-based regulatory model that enables utilities to procure BESS at scale.

This would fast-track innovative regulations that will unlock the value streams on batteries, provide much-needed balancing support to the grid and lead to much higher levels of RE integration. This would have a positive impact on demand for RE which is needed to achieve the ambitious targets that have been set. These regulations will enable utilities to procure more batteries as they become affordable which will increase demand and therefore investments in manufacturing.

*Saurabh Kumar is Vice-President-India, Global Energy Alliance for People and Planet. The views expressed are personal*





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## NLC's green arm begins operations

The coal ministry on Sunday said Navratna public sector company NLC India has incorporated a wholly-owned subsidiary NLC India Green Energy Ltd (NIGEL), which commenced its business operations.

NIGEL chairman Prasanna Kumar Motupalli said the new company, with a focus on renewable energy (RE) projects, will help to expand the RE power generation capacity faster. The arm is likely to establish RE projects to the capacity of 6 GW by 2030.

NLC India Ltd recently said it has incorporated a wholly-owned arm NLC India Green Energy Ltd for the commissioning of green projects.

NIGEL will take care of planning, participating in upcoming renewable energy tenders, execution and commissioning of green energy projects, NLC India Ltd (NLCIL) said in a statement earlier.

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## India-made solar panels to get push

**T**he government is planning to register solar panels made up of only domestically manufactured cells, wafers and polysilicon under the approved list of models and manufacturers (ALMM) in the next 3-4 years. Minister for new and renewable energy RK Singh has also asked the officers of his ministry to prepare a policy in this regard.

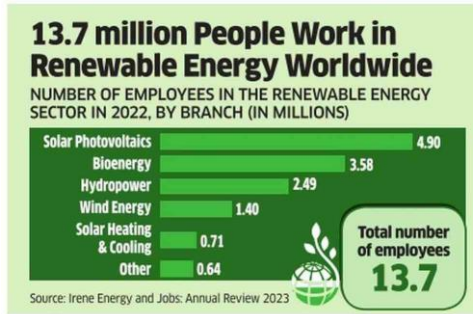
ALMM was introduced by the government to boost domestic manufacturing of solar panels. The modules with less efficiency are removed from the ALMM, the minister said. "We will evolve our policies. We will only protect those modules, which are made-in-India cells. In one or two years, we will bring such a policy. Then again, after 1-2 years, we will bring a policy that wafers and polysilicon should also be made in India."

"We only register those players under ALMM whose cell, wafers and polysilicon are India-made," Singh said. **PTI**





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**DELHI GOVT'S EV PUSH DELIVERS A SHOCK**  
**Better to Stay Away from IGL and MGL, say Analysts**

Ruchita.Sonawane  
 @timesgroup.com

Mumbai: Investors would be better off not buying afresh in beaten-down shares of city gas distributors Indraprastha Gas and Mahanagar Gas for now, said analysts.

With the proposed road map by the Delhi government mandating a phased shift of all cab aggregators and delivery vehicles, to electric by 2030 seen impacting Indraprastha Gas (IGL), analysts are expecting its shares to continue underperforming in the near term. The company derives over 70% of its revenues from compressed natural gas (CNG).

IGL has shed 16% in the past two trading sessions since the announcement of the policy proposal. Concerns over the impact of Delhi's EV policy on the company rubbed off on peer Mahanagar Gas (MGL), whose shares fell 8.3% on Friday, though the company is not impacted by the decision.

Analysts said that the policy will adversely impact CNG growth volumes and investors should stay cautious on IGL.



"The threat of decline in volume growth is expected to result in further erosion of the stock price," said Swarnendu Bhushan, co-head of research at Prabhudas Lilladher. "Due to the electrical vehicle policy, the CNG volume growth of the company will be limited," Bhushan advised investors to sell Indraprastha shares.

Brokerage Jefferies downgraded its rating on the stock to hold from buy and cut its target price to ₹465 from ₹565 in response to the Delhi government's policy. "This could potentially impact 30% of IGL's overall volumes starting FY25," said analysts Bhaskar Chakraborty and Niraj Todi in a client note. "New gas (geographical areas) are unlikely to compensate for the slowdown in NCR that accounts for 88% of IGL's volumes."

Cab aggregators comprise 30% of the company's overall volumes with Uber, Ola and e-commerce delivery service providers accounting for the largest share, said Jefferies.

Analysts said MGL could also remain under pressure on concerns that other states may also be encouraged to emulate Delhi's EV policy. "People are taking a larger view that other large cities like Mumbai could also adopt the EV policy, which is why MGL saw a sell-off," said Hemang Jani, founder of Finazern Advisory.

## Debt MFs continue to attract retail flows despite volatility

**Suresh P. Iyengar**  
Mumbai

Notwithstanding an outflow of ₹1.01 lakh crore last month, inflows into the debt schemes during the first half of this fiscal were much better than the same period last year.

Interestingly, inflow into the debt funds in the first half ended September this year was at ₹72,556 crore against an outflow of ₹81,491 crore logged in the same period last year, on the back of improved retail participation.

The assets under management of debt funds increased five per cent to ₹13.05 lakh crore as of September-end 2023 against ₹12.42 lakh crore as of September-end 2022 despite large institu-



tional investors pulling out money intermittently.

### INVESTMENT SHIFT

The rise in interest rate and the concern over high equity valuation amid looming economic uncertainty driven by geopolitical developments have forced many investors to park their money in short-term debt funds before ploughing in equity schemes.

Prathit Bhohe, Managing Director, Tata Asset Manage-

ment, told *businessline*, though inflows into debt funds were very volatile they were much better compared with last year on higher interest rate and attractive yields.

Moreover, he said the yield to maturity has played in favour of debt mutual fund investors and attracted good inflows especially in the short-term schemes. The inflow into ultrashort term funds increased to ₹ 9,935

crore in the first half of this fiscal against an outflow of ₹ 418 crore in same period last year, while that in low duration funds was at ₹16,124 crore against an outflow of ₹19,099 crore last year.

The inflows into short-term funds in the six months ended September were at ₹3,293 crore against an outflow of ₹2,811 crore in the same period.

Ramesh P, CEO, Rasi Investment Advisors, said despite the geopolitical developments the domestic equity markets have been holding steady other than the small occasional fall in benchmark indices. The second half of the fiscal looks difficult with the rise in crude oil prices pushing up the production and logistics costs for most corporates amid uncertainty

over sagging domestic rural demand and there are huge concerns on the export front. The current equity valuations are untenable given these developments, he added.

## Drying liquidity, rising crude prices cast a shadow over financial conditions in September: Crisil index

**Our Bureau**  
Mumbai

Drying liquidity and rising crude prices weighed down financial conditions in September. Domestic financial conditions were tighter in September relative to the previous month, Crisil's Financial Conditions Index (FCI) shows.

The index value moderated to 0.2 in September compared with 0.5 the previous month. A higher index value indicates easier financial conditions and vice versa.

"Reducing domestic systemic liquidity exerted pressure on domestic interest rates in September, particularly in the money market. The global environment was unsupportive as well with a sharp rise in crude oil prices and US Treasury yields spurring Foreign Portfolio Investor (FPI) outflows," Crisil said in its report shared with *businessline* exclusively.

However, India's inclusion in the JP Morgan Global Bond Index and easing domestic inflation were positive cues for investor sentiment. But September saw net capital outflows as adverse global factors offset them.

"Markets may not see easing from monetary policy this year as the RBI remains committed to aligning inflation to the 4 per cent target. While we expect the RBI to keep the policy rates unchanged this fiscal, the central bank may use liquidity tools to keep the rates consistent with its stance of withdrawal of accommodation. Open market sales of government securities (G-secs) will rein in liquidity and may put pressure on yields," it added.

The global environment remains a source of volatility. Crude oil prices face risks from geopolitical tensions even as slowing global demand should work towards



cooling prices. The spectre of market accidents looms in major economies that see higher interest rates for a longer period, thereby inducing sporadic episodes of volatility.

### FACTORS

Reacting to extension of supply cuts by major global oil producers, Brent crude oil prices rose to \$94/barrel average in September from \$86.2/bbl in August. A net oil importer, higher oil prices typically impact investor sentiments and in September this phenomenon put pressure on FPI flows, rupee and G-sec yields

In September, the 10-year US Treasury yield rose 21 bps on-month. In addition to safe haven investments, investors in the US bond market are factoring in a prolonged period of tight monetary policy by major central banks. While the US Federal Reserve kept policy rates unchanged in September, it reduced the number of rate cuts expected next year.

Higher crude oil prices and rising US interest rates turned FPIs net sellers in India for the first time in seven months. September saw \$1.7 billion net outflows, compared with \$2.2 billion net inflows the previous month. Outflows were primarily from Indian equities (-\$1.8 billion in September versus \$1.5 billion the previous month) while debt saw net inflows (\$0.1 billion vs \$0.9 billion) owing to India's inclusion in the JP Morgan Bond Index

The rupee averaged \$83 per US dollar, 0.3 per cent

weaker on-month, driven by FPI outflows and stronger dollar – the US dollar index reached a 12-month high in September. However, the rupee did not depreciate to the same extent as the 1.45 per cent increase seen in the US dollar this month. India's narrower trade deficit on-month along with the RBI's intervention in the forex market may have controlled the rupee's depreciation.

### LIQUIDITY DYNAMICS

Systemic liquidity moved into the deficit zone after being in surplus for six consecutive months. Given the deficit in systemic liquidity, the RBI net-injected ₹0.2 lakh crore (0.1 per cent of NDTL1) on average in September compared with net absorption of ₹1.2 lakh crore (0.6 per cent of NDTL) in August. The RBI's temporary imposition of incremental cash reserve ratio (I-CRR) during August-September reduced liquidity.



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## Can be more patient to bring down inflation to 4%: RBI panel member

**HITESH VYAS &  
GEORGE MATHEW**  
MUMBAI, OCTOBER 22

RBI'S MONETARY Policy Committee member Jayanth R Varma is of the view that there is a need to be more patient when it comes to gliding inflation to the 4 per cent target, and this is the price to pay for avoiding a growth shock.

With retail inflation at 5 per cent now and an environment of greater economic stability, how fast should the Reserve Bank of India go in reining in inflation? There are differences of opinion in the Monetary Policy Committee of the central bank.

"I have been saying for quite some time now that while there is great urgency for bringing inflation well below the upper tolerance band, we can be more patient when it comes to gliding inflation to the target. A more rapid pace of reduction could impose an intolerable growth sacrifice. We should be willing to accept inflation between 4 per cent and 5 per cent for several quarters as the price of avoiding

**CONTINUED ON PAGE 2**



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### ‘Can be more patient to bring down inflation to 4%’

a growth shock,” Varma, Professor of Finance and Accounting, IIM Ahmedabad, told The Indian Express in an interview.

In its meeting on October 6, the MPC had retained the main policy instrument, repo rate, at 6.50 per cent and decided to stick to the stance of “withdrawal of accommodation”. Two weeks later on October 20, RBI Governor Shaktikanta Das said monetary policy must remain actively disinflationary to ensure that ongoing disinflation process progresses smoothly in the current situation.

Addressing the Kautilya Economic Conclave in New Delhi, Das said price stability and financial stability complement each other. In fact, price stability is an anchor for financial stability, but the trade-off between the two becomes a close call at times. “It has been our endeavour to manage these complementarities and trade-offs as efficiently as possible. While according priority to price stability keeping in mind the objective of growth, as mandated under the law, we treat financial stability as non-negotiable,” he said.

According to Varma, while there is great urgency for bringing inflation well below the upper tolerance band, “we can be more patient when it comes to gliding inflation to the target”. Headline retail inflation has moderated sharply to 5 per cent in September 2023 with correction in vegetable prices.

On October 6, while announcing a status quo the bi-monthly monetary policy, Das emphatically said the inflation target is 4 per cent and not 2 per cent to 6 per cent. “Our aim is to align inflation to the target on a durable basis, while supporting growth,” Das emphasised.

The RBI has projected headline retail inflation at 5.4 per cent for 2023-24. “As evident from our survey of September 2023, there is further progress on anchoring of inflation expectations which entered single digit zone for the first time since the COVID-19 pandemic,” Das said.

RBI Governor doesn’t see any issue on the growth front, stating that economic activity in India exhibits resilience on the back of strong domestic demand. “Real GDP growth for 2023-24 is projected at 6.5 per cent and India is poised to become the new growth engine of the world,” he said.

There’s also difference of opinion on withdrawal of accommodation, or loose monetary policy with higher liquidity in the system. Withdrawal of accommodation is expected to bring down liquidity and aid in bringing down inflation. When the MPC talks about “withdrawal of accommodation” it can refer only to increases in the repo rate which is within its mandate, and not to something that is outside the ambit of the MPC. As such, when meeting after meeting ends with

a resolve to raise rates, but does not actually do so, that creates a dissonance between words and deeds, Varma said.

Varma says reduction in the repo rate need not wait for the 4 per cent inflation target. “Monetary policy acts with lags and must therefore be forward looking. What matters is that projected inflation falls close to 4 per cent on a durable basis and not that actual inflation does so. Second, if a real repo rate of 1 per cent is required to glide inflation to target, then the required nominal repo rate falls with falling inflation projections,” Varma said.

For example, if projected inflation falls durably below 4.5 per cent, then the current repo rate of 6.5 per cent would translate into a real rate of 2 per cent which would probably be excessive. There would then be a need to cut the repo rate to maintain the real rate at a reasonable level, he said.

On the ongoing conflict in the Middle East, Varma said there is no question that the conflicts there pose risks to the world economy. “What I find reassuring is that oil prices have remained range bound in the face of these conflicts. This is in my view suggestive of depressed global demand putting a lid on prices. Of course, a bigger flare up in the region that takes us back to 1973 would be a very different situation, but as of now there is ground for guarded optimism,” he said.



## 'We should be willing to accept inflation between 4-5% for several quarters'

JAYANTH R VARMA, one of the members of the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI), says the stance of 'withdrawal of accommodation' can only refer to rise in the repo rate. "When meeting after meeting ends with a resolve to raise rates, but does not actually do so, that creates a dissonance between words and deeds," he says. Varma, Professor of Finance and Accounting at Indian Institute of Management-Ahmedabad, tells HITESH VYAS and GEORGE MATHEW that though bringing inflation below the upper tolerance band is required, there is a need for being more patient when it comes to gliding inflation to the 4 per cent target. "A more rapid pace of reduction could impose an intolerable growth sacrifice," he says. Edited excerpts:

**You have said there is a disconnect between policy stance and action, which does not enhance the credibility of the MPC. Can you elaborate further on it?**

When the MPC talks about "withdrawal of accommodation", it can refer only to increases in the repo rate which is within its mandate, and not something that is outside the ambit of the MPC. As such, when meeting after meeting ends with a resolve to raise rates, but does not actually do so, that creates a dissonance between words and deeds.

**When do you see inflation reaching the 4 per cent target on a sustainable basis?**

I have been saying for quite some time now that while there is great urgency for bringing inflation well below the upper tolerance band, we can be more patient when it comes to gliding inflation to the target. A more rapid pace of reduction could impose an intolerable growth sacrifice. We should be willing to accept inflation between 4 per cent and 5 per cent for several quarters as the price of avoiding a growth shock.

**Do you see reduction in the repo rate only after the 4 per cent inflation target is achieved?**

No, for two reasons. First, monetary policy acts with lags and must therefore be forward looking. What matters is that projected inflation falls close to 4 per cent on a durable basis and not that actual inflation does so. Second, if a real repo rate of 1 per cent is required to glide inflation



to target, then the required nominal repo rate falls with falling inflation projections. For example, if projected inflation falls durably below 4.5 per cent, then the current repo rate of 6.5 per cent would translate into a real rate of 2 per cent which would probably be excessive. There would then be a need to cut the repo rate to maintain the real rate at a reasonable level.

**You mentioned that there could be some volatility in food prices which may lead to short-lived inflation spikes. In September, CPI eased to 5.02 per cent. Do you see inflation accelerating to above 6 per cent again in the coming months?**

There are some risks regarding prices of pulses and cereals, but it is hard to say how high the spike will be. The important point is that these spikes would be transient and would not in my view require a monetary policy response.

**Are there any risks to inflation and growth given the ongoing conflict in the Middle East?**

There is no question that the conflicts there pose risks to the world economy. What I find reassuring is that oil prices have remained range bound in the face of these conflicts. This is in my view suggestive of depressed global demand putting a lid on prices. Of course, a bigger flare up in the region that takes us back to 1973 would be a very different situation, but as of now

there is ground for guarded optimism.

**You have said that the medium-term growth outlook has become stronger but there are several headwinds. What major challenges lie ahead for growth?**

There are three headwinds. First, external demand is weak due to the sluggishness in the world economy. Second, the revival in private capital expenditure is still too tentative and muted. Third, fiscal consolidation amounts to a withdrawal of the pandemic era government spending stimulus.

**There's a perception that the dollar's growing strength is a global risk. US yields have almost hit 5 per cent. What will be the impact in India?**

Inflation targeting central banks respond to domestic growth-inflation dynamics and not to perceived exchange rate and capital flow considerations. The RBI and the government have other tools to deal with issues related to the external account, and, therefore, they do not in my view constrain monetary policy. In any case, exchange rate issues lie outside the remit of the MPC.

**MPC says there are signs of a revival in investment now after more than a decade. Don't you think this is because of public sector capex? Why is private investment yet to take off in a big way?**

I agree that the muted private investment is one of the headwinds to economic growth. What we seem to be encountering is a situation where economic growth would have to drag capex up along with it, rather than one where rising capex lifts economic growth.

**One of the MPC members (Ashima Goyal) said prudential tightening, such as raising LTV ratios or risk weights, would be preferable for raising policy rates further. What's your view on this?**

I think this is not in the MPC resolution but in the statement of one member. I would prefer not to comment on matters of prudential regulation that are not within the mandate of the MPC, but I agree that the situation regarding household credit does not require an interest rate response at this stage.