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mint primer

Disinvestment: Why govt plans are moving slow

BY GULVEEN AULAKH

The government aims to earn ₹65,000 crore through the sale of its stakes in various central public sector enterprises (CPSEs) in FY23. However, privatization is still on the slow track. *Mint* examines the reasons:

Asset sale

The government has rarely met the disinvestment target. In FY22, it managed to raise just ₹13,530 crore against a target of ₹1.75 trillion.

* As of May 2022

Source: GoI

SARVESH KUMAR SHARMA/MINT

1 What is the Centre's disinvestment plan?

Under its Public Sector Enterprise (PSE) policy, the government plans to open all public sector units (PSUs) for private investment, fully exit sectors it considers non-strategic, and keep at least one PSU in sectors it considers strategic. Several profit-making enterprises including Bharat Petroleum Corp. of India (BPCL), Shipping Corp. of India, HLL Ltd, BEML Ltd, Projects & Development India Ltd, Ferro Scrap Nigam Ltd are in line for privatization. The government also sells equity through initial public offerings (IPOs), follow-on public offerings (FPOs), or offer for sale of listed entities.

2 What is responsible for these delays?

The covid-19 pandemic posed several hurdles to the government's disinvestment plans. Strategic sales stalled over FY21 and FY22 when India saw three waves of the pandemic, largely because potential investors were unable to physically inspect the assets, conduct due diligence and submit bids. Disinvestment has also faced opposition from employees fearful of job losses. Several state governments have opposed privatization as well. State governments and state or central-owned entities have been barred from bidding for these PSEs, but they have frequently sought to bid for them.

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3 How long could it take for the plan to pick up pace?

With covid-19 cases declining, some of the stalled strategic sales have made progress. In some cases, the Centre had to sweeten the deal. While offering better terms to potential investors adds a couple of quarters to the timeline of the asset sale process, resolving states' concerns and other issues such as demerger of non-core assets can also take some months.

4 How important is disinvestment?

Disinvestment is a strategy for the government to reduce its fiscal burden and raise money to meet the needs of investments towards creating value for the public, which can be in the form of creating infrastructure or towards welfare schemes. Disinvestment is also seen as a way to unlock the value of under-performing assets. Thus, through the privatization of some PSEs, the Centre can seek private sector investments to turn around loss-making or under-performing units. This, in turn, helps in creating further employment creation.

5 What if the Centre misses the targets?

The government has rarely met targets set for disinvestment over the past several years, putting pressure on the government's plans to balance out the fiscal deficit. For the pandemic-hit fiscal years—FY21 and FY22—the government fell far behind achieving its targets with ₹32,845 crore achieved in FY21 against target of ₹2.1 trillion, and ₹13,530 crore achieved against a target of ₹1.75 trillion, which was later revised downwards to ₹78,000 crore. For FY23, it has rationalized the disinvestment target to ₹65,000 crore.

Mint
Indian cos grab discounted Russian LNG
May 10, 2022 | Kolkata | Pg No.: 4 | | Sq Cm:184 | AVE: 276109 | PR Value: 1380547

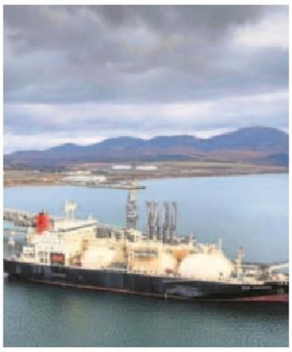
Indian cos grab discounted Russian LNG

Bloomberg
feedback@livemint.com

India's liquefied natural gas (LNG) importers are purchasing extra volumes from Russia at a discount as most other spot buyers shun the fuel.

Companies including Gujarat State Petroleum Corp. and GAIL India Ltd recently bought several LNG spot shipments from Russia at prices below prevailing market rates, according to traders with knowledge of the matter. They may purchase more as long as the Russian fuel remains cheaper than rival suppliers, the people said, who requested anonymity.

GSPC, GAIL and the ministry of petroleum and natural gas didn't respond to requests for comment.



Indian purchases may last till Russian fuel stays cheap. AP

India gets almost three-quarters of its LNG under long-term contracts, but sweltering heat and ongoing blackouts are forcing the nation's utilities to top up with spot shipments, which are trading at well above normal due to a global supply crunch. With demand for gas in the fertilizer sector also rising, some importers are snapping up the discounted Russian shipments.

The Russian LNG shipments were purchased by Indian companies via recent spot tenders, as those cargoes were offered at lower prices than other suppliers, the people said.

Companies including GSPC and GAIL bought several LNG spot shipments from Russia at low prices

Outside of India, few LNG importers allow for suppliers to offer Russia-origin shipments in purchase tenders.

India, which is also seeking deeper discounts on Russian oil, has emerged as a last resort for Russian fuels traded on the spot market and shunned by the world due to President Vladimir Putin's invasion of Ukraine.

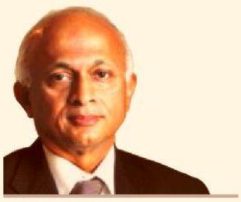
There are no direct sanctions on LNG, but top buyers including Japan and South Korea have halted purchases to avoid future penalties or reputational damage and PetroChina Co. said on Friday that it isn't seeking any discounted Russian spot supply.

While additional spot LNG shipments are being avoided, most Russian deliveries under long-term contracts are still being accepted by customers around the world.

Oil, toil and turmoil

The turmoil of war has jerked the entire world back into arranging for energy today, not in a distant emission-free future. India has successfully deflected hypocritical lectures from the West about buying discounted oil from Russia; but the ongoing war of words between the Centre and some state governments over the crushing burden of taxes on petroleum products leaves Indian consumers as helpless as ever.

The Centre's high-pitched demand on the states has helped obscure its failure in that during FY 2021-22 India's domestic oil production fell below 30 million metric tonnes — for the first time since the early 1990s. Oil import dependence has crossed 85 per cent — without anyone recalling that this was the year set for the prime minister's target of reducing it to 67 per cent. Imported oil cost us $120 billion —equal to 30 per cent of the total value of all goods exports.



RANJAN MATHAI

During the long hot summer ahead, electricity to keep us alive will depend not just on coal, but on increasingly costly diesel, refined in India, but from imported crude oil. Our hospitals, schools and other establishments survive because hardworking citizens have invested in diesel gensets for back-up power supply; with capacity reported to be 90,000 MW. (This is equal to all the electricity generated, intermittently, from India's solar and wind power establishments; in fact, it is close to 25 per cent of India's total installed power generation capacity.)

It has been argued, including in this paper, that in view of India's supposedly unfavourable geology and environmental controversies, further efforts to enhance exploration for oil are wasteful. Instead we can continue generating growth — and paying our way in the world through services, hi-tech, fintech, unicorns and tourism — while solar/wind farms and hydrogen power our future. Try explaining that in once dirt-poor Barmer, now transformed into Rajasthan's second richest district, because Cairn overrode geological scepticism and bureaucratic indifference: Teams working in desert conditions, drilled 13 wells at great cost, before striking oil in the 14th; and unlocked India's second largest oilfields. (And Cairn was then punished by our taxmen, now comfortably retired; while you and I are paying up for their debacle).

India's geological potential remains largely unexplored because of policy hostility and high-handed taxation rather than the lack of expertise. And the preference for foreign sourcing is never a recipe for security in an energy starved nation; or for managing perennial foreign exchange deficiencies. We should take heed of the shifting global priorities to chart a new trajectory.

Just one year ago, the International Energy Agency in Paris declared the developed world's perspective — that the goal of "Net Zero Emissions by 2050" meant, "no new exploration for new (oil) resources is required". A chastened IEA in its 2021-26 survey now says: "It is crucial to invest in the upstream sector, even during rapid transitions — in which it would still take years to shift"!

India will shift by 2030-2035, when renewables may provide enough electricity, but we have to manage till then, and not just for fuel. As pharma producers reminded us recently, even the ubiquitous paracetamol is derived from oil. Fertilisers for food, transport, packaging and logistics, managing workplaces and markets, making and setting up solar and wind farms, equipping and training the armed forces protecting our frontiers — all depend on oil.

Sixty per cent of the oil we use comes from the Gulf, historically a volatile region. We have done well to develop good ties with major producers, but political relationships are like the shifting desert sands and no guarantee for energy security. This is a key takeaway from the once unimaginable drama of the rulers of Saudi Arabia and the UAE declining to take phone calls from the US President asking for increased crude output to cool global markets!

While the military conflict in Ukraine grinds on, the West's worldwide war on Russia (aka sanctions) has distorted global energy trade with soaring prices and supply getting linked to political alignments. It was a relief for us that Qatar held off requests from the highest levels of the US government to divert LNG shipments from Asia to Europe in February this year. The Biden administration has tried to solve its petrol price crisis by easing sanctions on Iran's security forces; but it has been stymied by domestic lobbies, and by other affected countries, some of whom have the will to act first and argue later when their vital interests are at stake. China is clearly preparing for supply risk by increasing its strategic reserves and investing $77 billion in a determined attempt to raise domestic oil production.

India has had an extraordinary run of luck since 2014 when international oil prices crashed and remained relatively low till recently. Hence the political and bureaucratic establishments were able to tax and spend, and persist with policies that led to relentless decline in India's self-reliance. They refused to budge even as the world's top oil experts accepted the prime minister's invitations six times, and proffered advice on the target of reducing import dependence!

Next door Sri Lanka, has learnt quickly that inability to buy essential fuel imports can lead to political crisis. For India, energy security, like charity, begins at home. We cannot produce the 4 million barrels of oil per day we now import, or replace it with hydrogen of any hue. But we can mitigate dependence, and enhance our own prosperity, by incentivising increased oil production through lowering taxes and cess, rapid approval of development plans for fields once discovered, and accelerated enhanced oil recovery. We can still lure in foreign direct investment for exploration by promising oil majors a decade or two of growth but we will need to implement (not just proclaim) policy reform, ring-fenced by legal safeguards against our notorious regulatory legerdemain.

The writer is former foreign secretary of India

The Indian Express
9.99% ethanol blending in petrol
May 10, 2022 | Kolkata | Pg No.: 13 | | Sq Cm:49 | AVE: 121027 | PR Value: 605136

'9.99% ethanol blending in petrol'

New Delhi: The level of ethanol blending in petrol in India has reached 9.99 per cent, Petroleum Minister Hardeep Singh Puri said on Monday. India had targetted 10 per cent ethanol blending in petrol by the end of 2022 and 20 per cent blending by 2030.

The Centre has also targetted 5 per cent blending of biodiesel with diesel by 2030. The ethanol blending programme is aimed at reducing India's dependence on crude oil imports, cutting carbon emissions, and boosting farmers' incomes. The centre has also announced an additional duty of Rs 2 per litre on unblended fuels starting October to incentivise blending.

"9.99% ethanol blending in petrol achieved by our OMCs (Oil Marketing Companies) today, much ahead of the year end target," the union minister tweeted on Monday. **ENS**

AT 77.46 AGAINST USD AS CRUDE PRICES, VOLATILITY WEIGH

Re hits record low, breaches 77 level: Imports to get dearer

ENS ECONOMIC BUREAU
MUMBAI, MAY 9

UNNERVING THE foreign exchange market, the rupee plummeted to a record low of 77.46 against the dollar on Monday amid sustained capital outflows and strengthening of the US currency.

Making imports costlier, the rupee fell 55 paise during the day to cross the 77 level and touched an intra-day low of 77.58 before closing at 77.46 as against the previous record low of 76.98 registered on March 7. "The rupee fell to fresh all-time lows as the dollar rose broadly against its major crosses. Last week's central bank policy action led to heightened volatility in most of the currencies. Stronger dollar and sustained up-move in global crude oil price is weighing on the overall market sentiment," said Gaurang Somaiya, forex & bullion analyst, Motilal Oswal Financial Services.

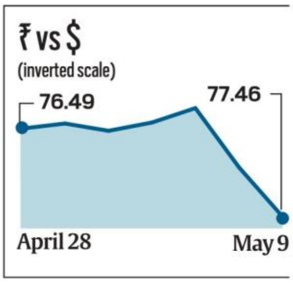
This (the fall) has come as a shock to the market because it did look like that the RBI was defending the rupee through the swap route or actions in the forwards market to stabilise the rupee in the range of 76-77. "This was a view we also held. There was panic in the market post the Fed rate hike and the inflation fears. While this was known last week, it looks like that the market awoke to this new reality with the 10-year bond also going to the 3.1 per cent range," said Madan Sabnavis, chief economist, Bank of Baroda.

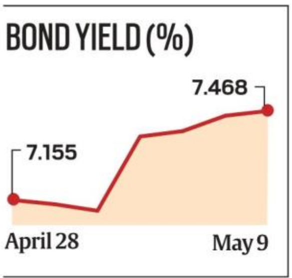
The Sensex fell 365 points to 54,470.67 and the Nifty Index lost 0.67 per cent, or 109 points, at 16,301.85 on Monday.

Forex reserves have now gone below $600 bn due to capital outflows and the RBI intervention. "The question is how much more can the RBI sell to defend the rupee. Will there be more swaps? Will there be more action in the forwards market? All this will matter finally. The dollar has been strengthening and this is something over which no one has control. Other currencies like baht, Turkish lira, and ringgit have fallen more sharply than the rupee while the yuan and rand have also fallen relative to the dollar, though less than the rupee," Sabnavis said.

The fundamentals are shaky and a lot depends on how the RBI reacts and the market will be watching for its intervention. "The issue is that the market will always be guessing. If the RBI intervenes, then it will be expected to do so continuously or else the rupee will start falling. If it does not, then it will be assumed that the RBI is happy with the proceedings, and the rupee will have a free fall," he said. Analysts said some guidance is expected from the RBI. If the rupee does not revert to a value of less than 77 in the next couple of days, the 78 level will be tested, they said. A senior RBI official has already indicated that it doesn't want the forex reserves to fall below the $600 billion level. If the RBI gives preference to sustain the forex reserves level, there could be some more depreciation, analysts said.

On Wall Street, the S&P 500 index fell to its lowest since April 2021 on Monday as higher US Treasury yields hit growth stocks. At 11:52 am ET, the Dow was down 486.39 points, or 1.48 per cent, at 32,412.98, the S&P 500 was down 93.43 points, or 2.27 per cent, at 4,029.91, and the Nasdaq was down 373.29 points, or 3.07 per cent, at 11,771.38. Meanwhile, oil prices sank over 5 per cent. Brent fell $5.92, or 5.3 per cent, to $106.47 a barrel at 1:06 pm ET. *Full report on www.indianexpress.com*





EXPLAINED

E. Strong dollar

MARKET SENTIMENT is being weighed on by a stronger dollar and a rise in global crude oil prices.

Domestic air passenger traffic rises by around 83% to 10.5 million in April: Report

MUMBAI: Domestic air passenger traffic is estimated to have logged an 83 per cent growth year-on-year at 10.5-million in April as COVID-19 infection cases waned, leaving a gap of just 5 per cent when compared to the pre-pandemic level, ICRA said on Monday.

Indian carriers had flown around 11 million passengers in April 2019.

However, the domestic airline operators saw the international passenger traffic marginally surpassing the pre-pandemic numbers (around 1.83 million), with total volumes standing at around 1.85 million, it said.

It also said that rising aviation turbine fuel (ATF) prices due to ongoing geo-political issues linked to the Russia-Ukraine conflict continue to evolve as a major threat to the recovery process.

For April 2022, the average daily departures were at around 2,726, notably higher than the average daily departures of around 2,000 in the same month a year earlier and higher compared to around 2,588 in March 2022, said Suprio Banerjee, Vice-President & Sector Head, ICRA.

According to him, the average number of passengers per flight during the previous month of April was at 128, against that of 133 passengers per flight in March 2022 and lower than the average of 135 passengers per flight in April 2019.

"Though recovery in passenger traffic is expected to be relatively fast-paced in FY2023, given the near normalcy situation seen in domestic airline operations, overhang of any further Covid wave looms on the sector, added Banerjee.

Elevated ATF prices aggravated by geo-political issues will remain a near term-challenge for the industry and will continue to weigh on the profitability of Indian carriers, he stated.

ATF prices have surged by around 89 per cent on y-o-y in the current month given the elevated crude oil prices, due to geo-political issues arising from the Russian invasion of Ukraine, ICRA said. The rising ATF prices will pose a serious threat to the industry earnings in FY2023, it said. PTI

अप्रैल में घरेलू उड़ानों के यात्रियों की संख्या 83 प्रतिशत बढ़ी : इक्रा

एजेंसी ■ मुंबई

कोविड महामारी का प्रकोप कम होने से अप्रैल में घरेलू उड़ानों के यात्रियों की संख्या सालाना आधार पर 83 फीसदी की वृद्धि के साथ 1.05 करोड़ रहने का अनुमान है। यह महामारी-पूर्व के स्तर की तुलना में मात्र पांच प्रतिशत कम है। रेटिंग एजेंसी इक्रा ने सोमवार को यह जानकारी दी। अप्रैल, 2019 में भारतीय एयरलाइंस से 1.1 करोड़ यात्रियों ने यात्रा की थी। इक्रा ने कहा कि घरेलू एयरलाइनों के अंतरराष्ट्रीय यात्रियों की संख्या महामारी-पूर्व के स्तर करीब 1.83 करोड़ को पार कर 1.85 करोड़ पर पहुंच गई है। रेटिंग एजेंसी ने कहा कि रूस-यूक्रेन संघर्ष के कारण पैदा हुए भू-राजनीतिक मुद्दों की वजह से विमान ईंधन (एटीएफ) के बढ़ते दाम पुनरुद्धार की प्रक्रिया के लिए एक बड़ा खतरा हैं। इक्रा के उपाध्यक्ष और खंड प्रमुख सुप्रियो

एटीएफ की ऊंची कीमतों उद्योग के लिए चुनौती बनी हुई है और यह भारतीय एयरलाइंस के मुनाफे को प्रभावित करेंगी।

बनर्जी ने बताया कि अप्रैल, 2022 में औसतन रोजाना 2,726 उड़ानें रवाना हुईं, जो पिछले वर्ष के समान महीने के 2,000 के आंकड़े से अधिक है। यह मार्च, 2022 के आंकड़े 2,588 से भी ज्यादा है। उन्होंने कहा कि चालू वित्त वर्ष में घरेलू एयरलाइन परिचालन में लगभग सामान्य हालात को देखते हुए यात्री यातायात में पुनरुद्धार तुलनात्मक रूप से तेज गति से होने की उम्मीद है। उन्होंने कहा कि एटीएफ की ऊंची कीमतों उद्योग के लिए चुनौती बनी हुई है और यह भारतीय एयरलाइंस के मुनाफे को प्रभावित करेंगी।

Business Standard
NTPC invites bids to import 4.53 mt of coal for blending
May 10, 2022 | Mumbai | Pg No.: 4 | | Sq Cm:33 | AVE: 83682 | PR Value: 418411

NTPC invites bids to import 4.53 mt of coal for blending

State-owned power giant NTPC has invited bids to procure imported 4.53 million tonnes (MT) coal mainly for blending with the domestic dry fuel in thermal plants. The NTPC tender for the import of coal assumes significance in view of the ongoing dry fuel shortage at power plants. Earlier this month, the power ministry had directed all the states and gencos (electricity-generating firms) to import at least 10 per cent of their requirement of coal for blending amid shortages at thermal plants. **PTI**