businessline.
FRIDAY - JANUARY 13 - 2023

Gold imports plunge 79% in Dec on weak demand, high prices

Suresh P Iyengar
Mumbai

India's gold imports declined 79 per cent in December to 20 tonnes against 95 tonnes a year ago amid sharp rise in prices in rupee terms, weak demand and a surge in smuggling.

A as result, gold imports in 2022 dropped 34 per cent to 706 tonnes from 1,068 tonnes a year ago, bullion sources said.

In the first three quarters of 2022, gold imports were down 26 per cent at 559 tonnes against 752 tonnes during the same period in 2021, according to the World Gold Council which is yet to release its report for the third quarter.

Imports hit the lowest in two decades in December as the demand plunged due to high prices. Gold prices increased by ₹1,815 per 10 grams or three per cent during December-end to ₹54,935 per 10 grams against ₹53,120 registered on December 1, according to the Indian Bullion and Jewellers Association.

GREY TRADE. Shipments hit the lowest in two decades as smuggling also played spoilsport

Prices have further rallied to ₹56,110 so far this month in line with the global markets. In the US, gold rose to eight-month high of $1,881.41 an ounce on weak dollar on Thursday.

Moreover, lack of any wedding or festival season sapped gold jewellery demand in December

In November, the government increased the gold import prices for calculating duty at $56,200 per kg from $53,100 fixed in October. The price of gold in any form except medallions was raised to $56,200 a kg from $53,100.

REFINERS' WOES

The trend is in tune with gold refining coming to a standstill as refiners have been unable to sell bullion despite a busy wedding season ahead. Refiners say due to widespread smuggling and a hefty import duty of 18 per cent on gold, refiners are unable to record any bullion sales over the past six weeks.

The World Gold Council has estimated gold smuggling to increase by 33 per cent to 160 tonnes in 2022 compared to the pre-pandemic period. Gold refining capacity of the 33 refiners in the country is 1,800 tonnes.

Business Line dt. 13.1.23.

Vegoil imports up 30% in Nov-Dec at 31.11 lakh tonnes

Our Bureau
Bengaluru

Import of vegetable oils, edible and non-edible oils, in the first two months of the oil year 2022-23 (November-October) are up 30 per cent at 31.11 lakh tonnes, leading to record stocks at the ports at the beginning of the calendar 2023. Imports were 24 lakh tonnes (lt) during the November-December period of the oil year 2021-22.

According to Solvent Extractors' Association of India (SEA) data, edible oil imports during November-December 2022-23 stood at 30.84 lt (23.55 lt). However, non-edible oil imports were a tad lower at 27,129 tonnes (44,747 tonnes).

Edible oil stocks stood at ports stood at 8.92 lt as of January 1, 2023. Including the stocks in the pipeline, total stocks stood at 32.23 lt — up from 27.72 lt as of December 1.

PALM OIL GAINS

SEA said the import of refined oil (RBD palmolein) and crude palm oil are increasing sharply as the large spread of $350-400 per tonne between palm oil and soft oils is encouraging higher imports of palm products into the country.

In the first two months of oil year 2022-23, about 4.58 lakh tonnes of refined oils were imported — over five-fold increase against 82,267 tonnes a year ago. Refined oils accounted for 15 per cent of total vegetable oil imports compared with three per cent in the same period last year. Crude oil imports, too, increased to 26.25 lt (22.73 lt). The share of crude oils in the overall imports has come dropped to 85 per cent during the period compared with 97 per cent a year ago.

During the two months, palm oil imports sharply increased to 22.50 lt (11.05 lt). At the same time, imports of soft oils such as sunflower and soyabean have reduced to 8.33 lt (12.50 lt). The share of palm oil in total edible oil imports increased to 73 per cent from 47 per cent, while that of soft oils decreased to 27 per cent from 53 per cent.

Widening spread between palm oil and soft oils is seen driving imports of palm products

NO TRQ

Meanwhile, SEA has welcomed the Government's move to suspend the tariff rate quota for crude soyabean oil import for the financial year 2023-24. DGFT in a notification on Wednesday suspended the TRQ for crude soyabean oil, while allowing shipments upto June 30, provided the bill of lading is on or before March 31, 2023. In view of this, 5.5 per cent import duty will be attracted from April 1 for non TRQ shipment.

"This will ensure level playing field to the domestic refiners and same time ensure remunerative price to soyabean farmers and will also support mustard price harvesting in February/March. Government should also suspend TRQ for crude sunflower oil to encourage domestic sunflower seed crop cultivation," SEA said in a statement.

Business Line dt. 13.1.23

Bangladesh drags feet on signing pacts with Indian co-op agencies to import 2-lt rice

Subramani Ra Mancombu
Chennai

Bangladesh is hesitating to sign contracts with Indian co-operative agencies NCCF and Kendriya Bhandar (National Cooperative Consumers Federation of India Ltd) to import two lakh tonnes of parboiled rice under government-to-government (G2G) deals following criticism that is paying more.

Dhaka is dragging its feet as it is being criticised for offering \$35/tonne more to these cooperative agencies than what private traders offered in a 50,000 tonnes global import tender.

Bangladesh placed a letter of intent (LOI) to purchase one lakh tonnes each of parboiled rice from NCCF and Kendriya Bhandar on December 21, 2022, at \$433.60 and \$433.50 a tonne, respectively.

Surging trend*

Country	29-Nov-22	11-Jan-23
India	377	380
Pakistan	452	457
Thailand	453	517

Source: Thai Rice Exporters Association;
*Parboiled prices in $/tonne

In addition, it floated two global tenders to procure 50,000 tonnes each as part of its efforts to procure 3 lakh tonnes of parboiled rice for the public distribution system.

India's Bagadiya Brothers was the lowest bidder in the first tender opened on December 21, offering the cereal at \$393.90/tonne. Singapore's AgroCorp International offered the most competitive rate in the second tender opened on December 27 at \$397.03.

The LOI was placed after accepting the Indian cooperatives' offer. The Indian agencies were to furnish bank guarantees but as it got delayed by six days, Bangladesh has utilised the opportunity to probably renegotiate by refusing to accept them, trade sources, who did not want to be identified, said.

"It was a minor clerical error that delayed the bank guarantee. If it wanted, Bangladesh could have accepted the guarantee," said a trader.

DHAKA'S NEED

Bangladesh media reports said the Sheikh Hasina Wajed government's Food Ministry and the Cabinet committee that decides on public procurement have cleared the imports.

Trade sources said Bangladesh had to pay more since it required the rice from the current crop within two months. "Had it given more time and opted for an older crop, it could have got the rice at a cheaper rate," an official said on condition of anonymity.

Traders say the additional amount that Bangladesh is paying is justified since it is looking for a guarantee in delivery. "You cannot be sure of delivery of such huge quantity from private traders, who are bidding aggressively by settling for a lower margin," the trader said.

An email sent to Bangladesh's Directorate General of Food did not get any response until this report was published.

MOST COMPETITIVE

Rice exporters say Indian rice is the most competitive in view of this aggressive bidding. A South-based exporter told *businessline* that in 2021 some exporters settled for a margin as low as \$1 a tonne.

Traders wonder where can Bangladesh find parboiled rice more competitively in the global market.

A senior trader said India, which currently enjoys a 40 per cent of the global rice market, will be calling the shots in two years.

Business Standard 13.1.23

Scheme to settle export obligation defaults on cards

One-time opportunity to help 1,100 exporters

SHRIMI CHOUDHARY & SHREYA NANDI
New Delhi, 12 January

RELIEF FOR MSMEs

The Union Budget 2023-24 may propose a dispute resolution scheme for exporters, which will offer a one-time opportunity to settle past issues of disagreement involving export obligation defaults.

The scheme, in the works, may provide a window of three-six months for exporters to come clean. It could lower the interest to one-third on delayed Customs duty payment and may even waive penalties, two people privy to the matter said.

RUN-UP TO THE BUDGET 2023-24

About 1,100 exporters, a majority of them from micro, small, and medium enterprises, are learnt to have failed to fulfil the stipulated export obligation, making them liable to pay the 10 per cent Customs duty, along with 15 per cent interest per annum to the Customs authorities.

The scheme, if it comes into effect, will benefit exporters who have defaulted on export obligations related to two schemes — the Export Promotion Capital Goods Scheme (EPCG) and Advance Authorisation (AA) Scheme — since 2010.

- The proposed dispute resolution scheme may provide a window of 3-6 months
- Defaults mainly in two schemes — Export Promotion Capital Goods Scheme, and Advance Authorisation Scheme
- Exporters wanting to avail of the scheme may have to pay Customs duty along with one-third interest
- Penalty for non-compliance could be waived
- Pending Customs duty could be about ₹1,000 crore, but interest could have swelled over the years

// Contd. from page 1 dt 13.1.23

FROM PAGE 1

Export ...

"The Directorate General of Foreign Trade (DGFT) has prepared the draft of the scheme in consultation with the Revenue Department. The terms of the scheme are under examination and could be proposed in the Budget," a senior government official told *Business Standard*.

He said talks had been held with several stakeholders and the departments concerned. The idea is to regularise default in export-scheme cases while unlocking tax revenue and providing relief to exporters, the official added. Industry's rough estimates suggest that Customs duties payable are not high and could be about ₹1,000 crore. However, interest on the dues could have swelled over the years. "The scheme will benefit several exporters who are unable to meet export obligations mainly due to external circumstances. The last couple of years were difficult worldwide due to the pandemic and as the economy returns to normal, it is an opportunity for Indian exporters to settle any past unresolved export obligations amicably," said Bipin Sapra, partner, EY.

Exporters availing themselves of benefits under the EPCG scheme are required to achieve an export value equivalent to six times the Customs duties saved on capital goods. This has to be met in six years reckoned from the date of the issue of authorisation. Advance Authorisation is issued for importing duty-free inputs, against which prescribed export obligations have to be fulfilled within 18 months of the date of issue of the authorisation.

The EPCG scheme enables importing capital goods used in pre- and post-production without paying any duty for it.

Some exporters are learnt to have requested the government to extend the time period for compliance. In the case of non-compliance, the DGFT has the powers to take action against licence holders. "In a number of cases, the interest amount so far exceeded the customs duties payable by exporters. We are seeking relief from the interest and penalties because these liabilities will make businesses non-viable," said Ajay Sahai, director general and CEO, Federation of Indian Export Organisations.

'GM mustard won't solve India's edible oil import problem'

The Centre needs to spend much more on agriculture research and development than on farm subsidies to ensure sustainability and productivity of the food systems in the country, agriculture economist and Infosys Chair Professor for Agriculture at the Indian Council for Research on International Economic Relations (ICRIER) **ASHOK GULATI** tells Sanjeeb Mukherjee in an interview ahead of the Budget. Edited excerpts:

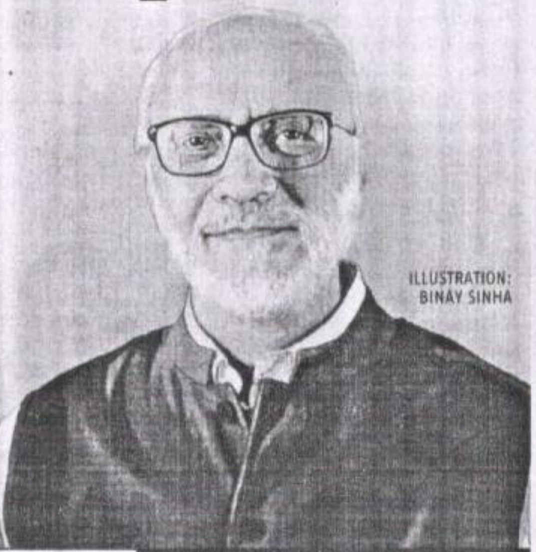

ILLUSTRATION: BINAY SINHA

A big challenge India faced last year was food inflation. We had high inflation in cereals and also in edible oils. Do you think inflation will remain a concern in FY24 as well, particularly in cereals?
The RBI said a few weeks back that, hopefully, the worst of inflation is behind us. It was not just some demand-supply issue or disruption due to climate change. It was the high energy costs and lack of supplies from Russia and Ukraine that pushed up food prices. Now, that type of unknown in the system we don't know. But, to the extent, at present, it is not as bad as it was before. It has not come totally under control. The energy prices are gradually coming down and unless there is a major flashpoint within the Russia-Ukraine war or any other geopolitical crisis or the heatwave again hits us very badly in March last year, we could lose something. So, in a nutshell, I feel given the business as usual, under normal circumstances, we should have inflation reasonably under control. It is still not the best but better than earlier.

> "UNDER NORMAL CIRCUMSTANCES, WE SHOULD HAVE INFLATION REASONABLY UNDER CONTROL. IT IS STILL NOT THE BEST BUT BETTER THAN EARLIER"

Does this also call for a rethink on the numerous curbs and bans that India had imposed to control inflation in the past few months?
I would never recommend anything like stock limits or export controls but some filtration can be done. We should move gradually, in a calibrated manner, towards opening up. The good thing is the big increase in fertiliser costs has not been transmitted to the farmers. That was absorbed by the government. In that way, the government can say to farmers — we are not hurting you on fertiliser prices but you also make some sacrifices by not getting the best possible benefit of the international price.

approval' to GM mustard (DMH-11). It has said FMH-11 is the answer to India's problem of rising edible oil imports. Do you think the time has come to move decisively on a new technology path for agriculture?
As far as GM mustard is concerned, as long as Genetic Engineering Appraisal Committee (GEAC) has given some clearance, I'm in support of that. But it is a political call finally because some people are opposing it which is perfectly fine as in democratic countries you have these checks and balances. I'm in support of new tech and GM mustard should go ahead. Will it solve India's problem of edible oil imports? No way. This is because we are importing 55-60 per cent of our annual edible consumption and mustard oil can never be competitive with palm oil. Palm oil gives four tonnes of oil per hectare while mustard gives about 400 kg. It will go up due to these technological innovations but it can never match palm oil. Palm oil is by far the cheapest edible oil available.

Q&A

ASHOK GULATI
Infosys Chair Professor for Agriculture, ICRIER

Coming to the forthcoming Budget, what according to you should be the big concerns for the government?
In agriculture and food space, there are three big items — food and fertiliser subsidies; and PM-Kisan disbursals. The Centre should rationalise them all. We are spending much less on agriculture investment than on subsidies. Look at the Budget allocation for the Indian Council of Agriculture Research. It is around ₹8,000 crore per year. And we are spending lakhs of crores annually on subsidies. This does not gel well with the sustainability and productivity of the food systems, which will come through investments in agriculture R&D which have a very high rate of return, irrigation and now investment in environmental protection within agriculture and not just adaptation. We need to find resources to do these.

Business Standard dt. 13.1.23

India, US create new working group on 'resilient trade', focus on new-age issues

SHREYA NANDI
New Delhi, 12 January

India and the US have decided to create a working group on 'resilient trade' under the Trade Policy Forum (TPF), where both nations will initially focus on new-age trade issues, such as environment protection, promotion of labour rights, and sustainable lifestyle.

Moreover, there will be a discussion on issues such as digitisation of Customs procedures and strengthening the resilience of global supply chains in critical sectors, which will help both nations withstand current and future global challenges, according to a joint statement on the 13th TPF co-chaired by Commerce and Industry Minister Piyush Goyal and US Trade Representative Katherine Tai on Wednesday in Washington.

The TPF aims to iron out key trade and investment-related issues between India and its largest exporter and trade partner — the US. Bilateral merchandise trade from April to October stood at $77.25 billion.

During the meeting, India showed its interest in the restoration of its beneficiary status under the US' Generalized System of Preferences (GSP). The US noted that this could be 'considered' as warranted, concerning the eligibility criteria determined by the US Congress, said an official statement. Goyal said even as India requested the US for restoration of GSP, the government did not hear major clamour from the Indian industry to focus on the issue. "It's an issue which is probably something the Congress will have to take a call on. But it's not high on our priority list or something we spent a lot of time on discussing... I do not think GSP withdrawal has been to the detriment of ongoing ties," said Goyal at a media briefing.

Piyush Goyal with US Trade Representative Katherine Tai in Washington, DC PHOTO: PTI

> THE US IS NOT LOOKING AT FREE TRADE DEALS WITH ANY COUNTRY WHATSOEVER AS A MATTER OF POLITICAL POLICY. I THINK THAT (MINI-TRADE DEALS) IS NOT ON THE TABLE
>
> PIYUSH GOYAL, Minister of Commerce and Industry

In 2019, the US removed India from the GSP — a special trade treatment for developing countries due to trade barriers in India. Shortly after the US move, India raised its retaliatory tariffs against the US, after which Washington filed a dispute at the World Trade Organization (WTO).

Goyal said that both sides have directed officials to engage 'very aggressively' over the next two to three months to see if there can be a bilateral settlement of some of the pending WTO disputes. "These outstanding disputes are areas where both countries have had some wins and some losses. We have directed our officials to engage very aggressively."

Goyal said a free trade agreement will not be the way forward and both nations have 'bigger ambitions' as far as bilateral trade is concerned. "The US is not looking at free trade deals with any country whatsoever as a matter of their political policy. I think that is not something on the table. So rather than that, we are focusing on greater market access. We are focusing on the ease of doing business between the two countries. We are looking at, bilaterally, a much larger footprint between the two countries for trade, investment, and business," he said, adding that mini-trade deals have lost relevance.

Business Standard. Dt. 16.1.23

Exporters under scanner for tax scheme misuse

Sources say refunds of 600 entities not being processed

SHRIMI CHOUDHARY
New Delhi, 15 January

Exporters are misusing the government's duty drawback scheme by claiming it along with refunds of integrated goods and services tax (GST), according to GST authorities, who are doing an investigation into this.

Over 100 such exporters — mainly in apparel, drugs, and leather — have been "illegally" drawing benefits from two routes, according to two officials privy to the probe.

"We have detected that several exporters have been allegedly making integrated GST refund claims on exports while part of the amount is also being claimed through the duty drawback route, which is illegal," one of the officials said.

From the ongoing probe, the authorities are learnt to have stalled the refunds of about 600 exporters, amounting to ₹2,000-3,000 crore pending since September 2022, according to an exporter.

Some have filed writ petitions in different courts, he said.

An official said this could delay refund issuances to exporters.

These exporters are from mainly four cities, Mumbai, Surat, Ludhiana, and Tirupur, officials said.

In case the exporters are found guilty, show-cause notices will be issued by the GST authorities.

Subsequently, they have to pay for the wrongful gains in the form of an 18 per cent interest rate and penalty.

Explaining the illegality, an official quoted above said the duty drawback scheme was for compensating "unrebated taxes and duties" embedded in the cost of manufacturing exported goods.

Exporters pay taxes and duties such as value-added tax, mandi tax, and electricity duties.

Turn to Page 6

UNDER THE SCANNER

- **Officials say over 100 exporters** have 'illegally' drawn benefits
- **Exporters found to have misused duty drawback** incentives despite claiming IGST refunds
- **Duty drawback can be only claimed for compensating unrebated** taxes and duties, not for GST
- **Some exporters have moved court** seeking relief
- **GST authorities verifying refunds** and incentives claimed

IMAGING: AJAY MOHANTY

Business Standard
dt. 16.1.23.

Continued from Page - 1

Exporters...

Claiming both for the same goods is prohibited. On the other hand, under IGST, exports would be zero-rated, which means they can take credit of taxes (GST) paid on the input side for making the output supply. The suppliers hence are entitled to claim refunds. Currently, IGST refunds are issued to exporters automatically based on the shipping bills filed with the Customs and goods and services tax returns filed with the central tax authorities. The refunds are issued within a fortnight of filing returns without any manual intervention.

Duty drawback claims take a month. "Duty drawback and IGST refunds are separate schemes to incentivise exporters and must not be linked to interpreting issues. Any delay in giving these benefits impacts the working capital flow and is against the objectives of the government to provide timely benefits to exporters," said Abhishek Rastogi, founder of Rastoji Chambers. In the past, exporters had allegedly misused the duty drawback scheme, taking advantage of the difficulty in ascertaining the market value of exports. An exporter may quote a higher price on low-quality readymade garments to claim higher reimbursement, sources said, explaining the reasons behind such evasion.

More on business-standard.com

Iranian oil exports end 2022 on a high

ALEX LAWLER, BOZORGMEHR SHARAFEDIN & CHEN AIZHU
London, January 15

IRANIAN OIL EXPORTS hit new highs in the last two months of 2022 and are making a strong start to 2023 despite US sanctions, according to companies that track the flows, on higher shipments to China and Venezuela. Tehran's oil exports have been limited since former U.S. President Donald Trump in 2018 exited a 2015 nuclear accord and reimposed sanctions aimed at curbing oil exports and the associated revenue to Iran's government. Exports have risen during the term of his successor President Joe Biden, who had sought to revive the nuclear deal, and hit the highest since 2019 on some estimates. —REUTERS

Financial Express dt. 16.1.23