

HIGHEST EXPORTS IN NOVEMBER SINCE PLI LAUNCH

# Apple's India exports set to hit ₹20K cr

SURAJEET DAS GUPTA

New Delhi, 12 December

Propelled by the central government's production-linked incentive (PLI) scheme, Apple Inc. through its three contract manufacturers — Foxconn, Wistron, and Pegatron — is poised to export iPhones worth ₹20,000 crore from India between April and December this year, say sources in the know.

Between April and November, Apple had breached exports of ₹17,500 crore. Even as the Cupertino-based company faced the full brunt on its production in China in November due to Covid-zero and labour unrest, its exports from India crossed a record \$500 million (₹4,250 crore) that month.

The export number for November is the highest run rate achieved by the three contract manufacturers since the PLI scheme was rolled out 16 months ago.

A spokesperson for Apple Inc. did

## TAKING A BIG BITE

▶ **Mobile exports from India surge during April-December** as Apple faces production loss in China due to Covid-19

▶ **Exports from India may account for 45-50% of all iPhone shipments** by FY23-end

▶ **Apple's vendors Foxconn Hon Hai and Wistron, in the second year of the PLI scheme**, have been the biggest contributors to iPhone exports

▶ **Pegatron is a new entrant**, which started operations in April

## PAGE 6 ▶

## ICEA WANTS PLI FOR ELECTRONICS INPUTS EXPANDED

not respond to queries on exports from India until the time of going to press.

Apple exported ₹11,000 crore of iPhones in 2021-22.

En bloc, the mobile device industry exported \$5.8 billion (₹47,800 crore) worth of phones.

Apple's export push is significant in light of the India Cellular and Electronics Association projecting total exports of mobile phones to hit ₹75,000 crore by 2022-23 (FY23).

Analysts expect Apple to account for anything between 45 per cent and 50 per cent of all mobile exports from



the country if the export uptick persists.

The company's five-year target is to contribute 60 per cent of exports under the PLI scheme.

Apple shifted some of its production from China to India after the government's flagship PLI scheme was launched in 2020 and extended by a year due to the pandemic.

Based on its numbers submitted to the government, India's share of Apple's global free-on-board (FOB) value should be a minimum of 3.2 per cent in FY23, going up to about 10 per cent in 2025-26. India's share of global FOB could double as its vendors have the flexibility of manufacturing nearly double that value under the scheme in case other eligible players do not.

The assembly of the newly launched iPhone was started first in India in September by Foxconn in Tamil Nadu, within days of the global launch of the iPhone 14 series.

Turn to Page 5 ▶

# Apple...

*Contd. P/1*

Sources tracking sales say a large number of iPhone 14 and other series are being exported to Europe. Apple's contract manufacturers produce a diverse range that comprises iPhone series 11, 12, 13, and 14.

According to the PLI scheme, each company has to reach a minimum incremental production over the base year across five years: ₹4,000 crore in the first year, ₹8,000 crore in the second, ₹15,000 crore in the third, ₹20,000 crore in the fourth, and ₹25,000 crore in the fifth.

**CREDIT DEMAND** falls nearly 25% year-on-year in Oct; further slowdown in exports likely

# Exporters Seek Fewer Loans on Signs of Slowing Global Trade

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**Kolkata:** The impact of slowing global trade is beginning to show on credit demand from Indian exporters, with export credit by banks shrinking nearly a quarter year-on-year at the end of October, pointing to a further likely slowdown in overseas merchandise shipments.

Exports contracted in October after a gap of 19 months. Merchandise exports slipped below the level of \$30 billion for the first time in the last 20 months. This marked a contraction of 16% on a sequential basis and a hefty 17% on an annualised basis.

“Headwinds are clearly visible in the global trade accentuated by geopolitical tensions, rising inflation, impending recession and currency volatility,” said Yogesh Gupta, eastern region chairman of the Federation of Indian Export Organisations (FIEO).

He, however, attributed the contraction largely to the long holidays in October, expecting a rise in November.

Data released by the Reserve Bank of India (RBI) showed that export

## Less Orders

Exports contracted in **October** first time in **19 months**

The extent of contraction was **16% month-on-month** and **17% year-on-year**



Outstanding Export Credit	Oct 21, 2021	₹16,909 crore
	Mar 25, 2022	₹23,330 crore
	Oct 22, 2022	₹22,584 crore

credit from banks has seen a 25.1% dip to ₹16,909 crore at the end of October 21, 2022, compared with what it was a year ago. This is in sharp contrast to a robust 18% overall bank credit growth.

“The lack of liquidity is a big challenge for exporters. Bank insistence on collateral is depriving many MSMEs of credit. The share of exports credit in the total net banking credit is constantly moving downward,” Gupta said.

Worse, the weak global economic outlook would weigh heavily on Indian exporters more than anything

else, economists said.

“Indian exports tend to be affected more by the state of the global economy than advantages in currency valuation. Hence, with the slowdown in the world economy commencing, it will be hard to foster growth in exports considering that USA and EU are two major markets (for Indian exporters) besides China,” Bank of Baroda chief economist Madan Sabnavis told ET.

The US and Europe together account for about 34% share of India’s export baskets.

“In addition, significant drag is also

seen in case of contraction in export demand (during April-September FY23 over the year-ago period) from other key export destinations such as China, Russia, Hong Kong, and Japan,” said Yuvika Singhal, an economist with QuantEco Research.

Gupta said that while the space vacated by China is an opportunity, Indian exporters need to bring their acts together to seize it. “The opportunities may go away as soon as China bounces back from its zero-covid policies. All stakeholders need to understand this,” Gupta said.

He expects demand for Indian goods to rise in February-March 2023 if oil and gas prices do not throw upward surprises. Economists are not so optimistic.

“A rebound (in exports) is likely only in 2024 as 2023 will be even less satisfactory than 2022 given that the recession will reach its nadir in 2023. With global commodity prices now coming down the value of exports will tend to get depressed further,” Sabnavis said.

The International Monetary Fund slashed 2023 world GDP and world trade forecasts by 20 bps and 70 bps to 2.7% and 2.5% respectively.

# Ukraine and India's foreign trade

**TRADE TANGLE.** How much of India's trade deficit since January 2022 can be attributed to Ukraine-induced factors?

MACROSCAN.



CP CHANDRASHEKHAR, JAYATI GHOSH

The Russian invasion of Ukraine and the subsequent war sparked rapid and dramatic increases in some global trade prices, particularly for fuel products, wheat and fertiliser for which Russia and Ukraine are major exporters. It is now clear that these price changes were not due to actual changes in total supply, which remained largely unchanged (although source locations and trade routes shifted).

Instead, market expectations amplified by media hype, financial speculation in commodity futures and simple profiteering by major fuel companies and agribusinesses, were probably the major factors. This is why these prices rose sharply from January until around June 2022, and then subsided, such that by late September, they were down to pre-Ukraine war levels.

## PRICE PAIN

Nevertheless, developing countries have suffered from those price rises, and not only because of the increase in the prices of these essential commodities that are universal intermediates entering into all other production and distribution costs directly or indirectly. There tends to be a ratchet effect of these prices within the developing world, as they stay high within their economies in the absence of countervailing measures by governments.

The higher prices of what are essential imports for net oil-importing and food-importing countries also puts pressure on their trade balances. Meanwhile, the impact of the war and related sanctions on supply chains and disruption of trade routes can adversely affect exports.

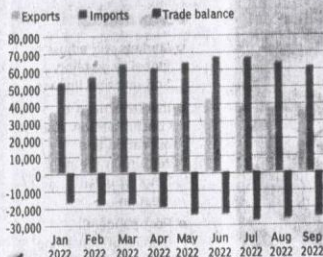
Several Indian analysts currently put forward these explanations of the Indian economy's poor trade performance and rising trade deficits in recent months. Certainly, India's trade has also suffered, as Figure 1 indicates, with merchandise exports mostly stagnant barring a few months, and clearly declining since June 2022. Imports by contrast have been rising and stayed relatively high over this period, and continued to increase even after global fuel prices have come down.

But these factors have reflected more complex trends in India's case. To begin with, India is a net importer of oil products, and even so a significant exporter — and additionally one that has benefited from the sanctions against Russian oil exports by becoming an intermediary able to import Russian crude to provide refined petroleum to countries (including in Europe).

Figure 2, which shows trade only in oil products, indicates how both imports

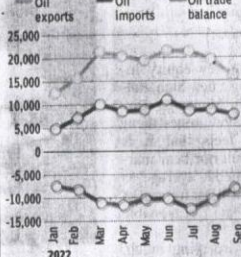
## Deficit worries

India's trade in goods (\$ million)



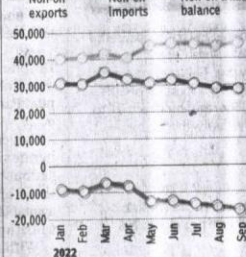
## Imports dip

Trade in oil products (\$ million)



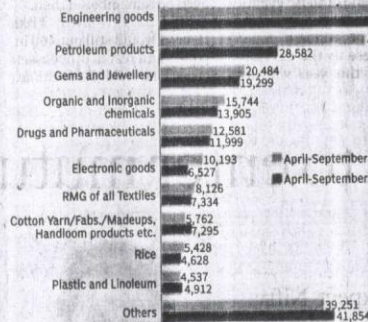
## Falling exports

Trade in non-oil product (\$ million)



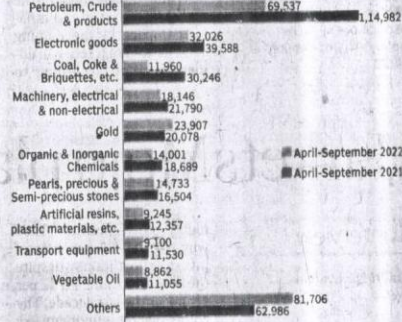
## Export profile

Goods exports April-September (\$ million)



## Import profile

Goods imports April-September (\$ million)



and exports increased sharply in March 2022, dipped slightly in May and rose again in June and July. Since then, imports have fallen more than exports, such that the oil trade deficit actually declined by \$2.2 billion between June and September 2022.

## WORSENING DEFICIT

However, the non-oil trade balance (Figure 3) tells a different story. The non-oil trade deficit worsened from March 2022 onwards, so that in September it was \$10 billion more than in March. This was not really because of rising imports, which remained broadly stable, but because exports fell continuously, going down by \$6.6 billion between March and September 2022.

It's worth looking more closely at the composition of trade to see what exactly has been happening to cause this decline

**Apart from external factors, there were a host of domestic factors too that weighed down India's trade performance since January**

in merchandise exports. Figure 4 indicates that the only category of exports that showed significant increase was petroleum products, for reasons outlined earlier.

But several other export categories also showed mild increase or at least stability, such as electronic goods, drugs and chemicals, gems and jewellery and readymade garments. The increase in these exports was not particularly large, and did not keep pace with the global export recovery, but even so at least these exports did not decline and even increased to some extent.

The decline in other export categories such as rice and textiles probably reflected domestic policies, with export bans and other measures designed to keep domestic prices down. For example, as domestic food price inflation increased, the government imposed bans on rice and wheat exports. The ban on non-basmati rice exports has only recently been lifted.

There were demands by garment manufacturers for similar bans on textiles exports as prices of this material required for their production rose, and this appeared to be under consideration in April-May 2022. While the ban was not ultimately imposed, fears of such a

ban may have affected exports. There were also taxes imposed on the export of iron and steel.

## DEPRESSED DEMAND

With imports, once again petroleum products dominated — but here the trend was different, as imports came down substantially in April-September 2022 compared to the same period the previous year. Interestingly, many other categories of imports also declined. Some of these declines reflect the overall depressed state of domestic demand, which has not really recovered despite all the talking up by official and interested parties.

But there was a significant increase in the "other" or miscellaneous category of imports, as well as in gold imports. India has been a "sink for precious metals" for a very long time, as gold continues to be seen as a safe investment or form of saving in times of uncertainty.

Ultimately, these trade patterns suggest that the increasing merchandise trade deficits in India cannot be blamed on external or global factors. They are likely much more the result of domestic economic tendencies, and therefore should be of greater concern for policymakers.

# 'India imported record 1.7 m b/d of Russian crude in Nov'

**Rishi Ranjan Kala**

New Delhi

India imported a record 1.7 million barrels per day (b/d) of crude oil from Russia in November with inbound shipments surging to a record high ahead of the European Union's December 5 import ban and G7 price cap, said S&P Global Commodity Insights on Monday.

"While Russian crude flows to the EU slumped 308,000 b/d to average a record low of 464,000 b/d in the month, Indian refiners stepped up their buying of Russian oil by 272,000 b/d to a record 1.17 million b/d," said S&P.

According to S&P Global Commodities at Sea data, the seaborne exports of crude oil from Russia averaged 3.07 million b/d in November, with China and India picking 68 per cent of it, beating their October purchase.

In October, Russia seaborne exports of the key commodity averaged 3.09 million b/d, with the

tow Asian energy guzzlers picking 58 per cent of it. A senior official from an oil marketing company (OMC) said refiners have contracted high volumes in anticipation of the disruptions due to the price cap and sanctions. Besides, many are taking advantage of the January 19 window.

The G7's price cap mechanism, which controls access to shipping insurance and services for Russian oil, allows a transition period of 45 days for vessels carrying Russian-origin crude loaded before December 5 and unloaded at the final port of destination by January 19, 2023.

## CRUDE DISCOUNTS

S&P said the G7's price cap may do little to initially further curb Russian oil export flows, as its main export grade is currently trading below \$60 per barrel.

"Russia's medium sour Urals crude, once viewed as the key indicator for medium-sour crudes trading in Europe, was assessed by Platts, part of S&P Global



**PLAYING IT SAFE.** Refiners have contracted high volumes in anticipation of disruptions due to G7 price cap and sanctions

Commodity Insights, at \$53.47 per barrel on December 2.

In the East, Russia's ESPO export grade was assessed by Platts at \$72.86 on December 5, however," it added.

As the December 5 deadline approached, discounts for the Urals to benchmark Dated Brent widened again after retracing ground from the record highs of above \$40 per barrel reached in June.

"On December 2, the discount for Urals crude

loading at the Russian Baltic Sea port of Primorsk stood at \$33.45 a barrel, below Dated Brent, according to data from S&P Global. In Asia, the discount for Russia's ESPO crude export stream versus Dubai has also widened in recent weeks to stand at \$7.94 per barrel on December 5," the data showed.

## SHIPMENTS TO ASIA

S&P Global estimates that some 2 million b/d of Russian crude and products to Europe will ultimately

need to find new buyers when the EU's full oil sanctions on Moscow take effect February 5, 2023.

The agency expects about half of the 2 million b/d displaced from Europe to find new buyers in Asia although uncertainty over the available shadow tanker fleet able and willing to sidestep the G7's price cap measures made forecasts difficult.

"Concurrent restrictions on G7 insurance and financing, a delayed rollout of the price cap, and Russia's aversion to selling into Western policy constraints will combine to create an initial shortage of ships and buyers required to re-route roughly half of the 2 million b/d," S&P Global's chief geopolitical risk advisor said in a note.

Overall, S&P analysts forecast that initial dislocations will lower Russian crude and condensate output by 1 million b/d between November 2022 and March 2023, to 1.5 million b/d below pre-conflict levels.

Business line Oct. 13.12.22

# Bangladesh seeks rice from India

**REPLENISHING SUPPLIES.** Dhaka wants 5 lt parboiled rice on G2G basis, approaches 3 more nations

**Subramani Ra Mancombu**  
Chennai

Bangladesh has approached India to source at least 0.5 million tonnes (mt) of parboiled rice on a government-to-government (G2G) basis for distribution through ration shops.

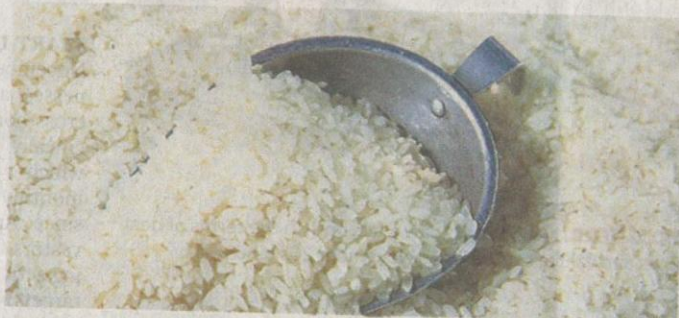
India's High Commissioner to Bangladesh has been approached by the Sheikh Hasina Wajed government for the supply, even as Dhaka has floated two tenders of 50,000 tonnes each to import parboiled rice, trade sources said.

The tenders floated on December 6 and 12 will close on December 21 and December 17, respectively.

## FOREIGN VISITS

Bangladesh has approached India after a delegation including the Food Secretary and Director-General of the Food Directorate, from Dhaka visited Vietnam, Thailand and Cambodia last month to scout for supplies.

According to the sources,



Bangladesh has turned to India as it has not been able to find parboiled rice at a competitive rate from these three countries.

The sources said one of the four agencies between the NAFED, NCCF, Kendriya Bhandar and Kribhco Agri could be shipping the rice on G2G basis to Bangladesh.

Data from Thailand Rice Exporters Association show that parboiled rice is currently offered at \$468 a tonne by Thailand, while Pakistan's offers are between \$453 and \$457.

Indian parboiled rice is offered at \$373 and \$377.

Thailand's offer price has in-

creased by \$5-6 a tonne over the past fortnight, while Pakistan's rate has gone by marginally.

Indian prices, on the other hand, are down by \$1.

## WEATHER-HIT CROP

Though the Wajed government says it has ample rice stocks, it has begun importing rice on G2G and through private trade to prevent any crisis. In Bangladesh, rice prices have spiked over the past few weeks since its paddy crop has been affected by weather, initially due to floods and then dry weather.

India may not have any prob-

Offering stiff competition\*

Parboiled rice prices in \$/tonne

	Nov 29	Dec 12
India	374-377	373-377
Pakistan	452	453-457
Thailand	462	468

Source: Thai Rice Exporters Association

lem in supplying parboiled rice to Bangladesh since its exports have not been curbed. In its order curbing rice exports from September 9, the Centre has banned shipments of fully broken rice, while imposing 20 per cent export duty on non-basmati white rice.

Parboiled and Basmati rice have been exempt from any curbs.

However, rice prices have been rising in the country on fears that the kharif paddy crop may be lower as key growing regions in West Bengal, eastern Uttar Pradesh, Bihar, Jharkhand and Odisha were affected.

ers Bengaluru



Kishore Indukuri, Founder and MD, Sid's Farm

statement said: "We are kicking off our venture by serving our superior quality milk and dairy products only through e-commerce sites and will introduce the same subsequently with niche store partners in Bengaluru. Eventually, we also want to be directly available to our customers at their doorsteps through our app and our own distribution channel too."

Currently, the company serves more than 20,000 customers daily on a subscription basis, the statement said.

Business Line 26.11.22

# Bulk tea prices seen buoyant on supply woes, higher exports: ICRA

**Our Bureau**  
Kolkata

Sub-normal production between 2020 and 2022 and a higher volume of export are expected to result in a significant tightness in pipeline stock, which is likely to support bulk tea prices going into the new season.

Buoyant tea prices, particularly of good quality CTC and orthodox, would lead to an improvement in the margin of North India (NI) based bulk tea players in FY23, despite the wage increase in CY2022, ICRA said in its latest quarterly report on bulk tea. Earlier in FY22, a moderation in domestic tea prices due to increase in production on a year-on-year basis, and increase in wage costs compared with FY21, had impacted the operating margin (OPM) of bulk tea players. "Flatish production and strong demand for



quality CTC and orthodox teas augur well for the sustainability of firm realisation for North India tea estates till at least the first half of CY2023. Besides the sharp rise in orthodox prices, the price premium for North Indian CTC for the top 50 estates also remained high at ₹116 a kg in the first ten months of CY2022 vis-a-vis ₹80 a kg in CY2019. As a result, notwithstanding another round of wage increase in CY2022, the operating profit margin of bulk tea players is likely to improve in FY2023," Sujoy Saha, Vice-

President and Sector Head, Corporate Sector Ratings, ICRA said in the report.

## LOWER CROP IN LANKA

The economic crisis in Sri Lanka has led to a production loss in the island nation, which is the largest exporter of orthodox tea globally. This has kept the supply tight in the international market in CY2022, which not only led to higher volumes of export from India but also drove the prices of orthodox tea in the domestic market upward. Cumulative prices for North India as well as South India (SI) orthodox teas during seven months of FY2023 increased by nearly 32 per cent to ₹300 a kg and around 9 per cent to ₹154 a kg, respectively on a YoY basis.

The price rise, in case of NI orthodox teas, was much higher compared with SI orthodox teas because of the formers' superior quality.

# Coal import bill hit a record \$28-b as 132 mt landed in H1 FY23

**Rishi Ranjan Kala**

New Delhi

India imported 131.92 million tonnes (mt) of coal during the first half of the current financial year at a whopping ₹2.31-lakh crore, or roughly \$28 billion at Wednesday's exchange rate, the highest so far in value terms since FY19.

The high value of imports was on account of surging international coal prices largely due to the Russia-Ukraine conflict and a weakening rupee against the US dollar.

According to the data provided by Coal Minister Pralhad Joshi in a written response in Rajya Sabha, coal imports in FY22 has been 208.93 mt of coal worth ₹2.29-lakh crore against a record 248.54 mt in FY20 for ₹1.53-lakh crore.

The average landed price of imported coal during H1

## Coal imports

	Quantity (mt)	Value (₹ cr)
H1FY23	131.9	2,31,378.4
FY22	208.9	2,28,741.9
FY21	215.3	1,16,024.1
FY20	248.5	1,52,732.1
FY19	235.4	1,70,920.5
FY18	208.3	1,38,477.0

Source: Coal Ministry

FY23 was 58 per cent higher at ₹19,324.79 per tonne than ₹12,211.59 in FY22.

Compared to the landed price of ₹6,215.32 a tonne during the Covid-impacted FY21, the average price of imported coal in H1 FY23 was more than double.

India largely imports coking coal and high grade coal as domestic production is limited due to scarce reserves or non-availability. Prices of coking coal and high grade coal

are normally higher than thermal coal. Indian coal is largely of lower calorific value and is generally used by power plants. The average notified price (ex-coliery) of domestic coal during H1 FY23 stood at ₹2,662.97 per tonne, as compared with ₹2,306.53 in FY22 and ₹2,206.97 in FY21.

## COAL PRICES

As per CareEdge, coal prices of South African thermal coal, a global benchmark, have been on an upward trajectory since November 2021 and the geopolitical tensions between Russia and Ukraine have caused significant price fluctuations since the beginning of FY23.

As of July 2022, the global benchmark had crossed its all-time high price of around \$300 per tonne in April 2022 and had reached \$329 in July 2022, before settling at \$321 per tonne in September 2022.