QUICKLY.

ReNew Chief to lead WEF Climate Alliance

New Delhi: Renewable energy solutions provider ReNew on Monday said that its Chairman and CEO Sumant Sinha has been named the Co-Chair of Alliance of CEO Climate Leaders, a flagship initiative of the World Economic Forum. Sinha joins a group of influential leaders from top global companies, the company said. OUR BUREAU

Scindia pushes for telecom self-reliance roadmap

New Delhi: Union telecom Minister Jyotiraditya Scindia met committees comprising satellite communications and telecom gear makers to prepare a roadmap for achieving self-reliance and global leadership in the sector. He said that the meeting was to deep dive into the issues related to satcom, PLIs and equipment. PTI

Railways' dedicated freight corridor to be exempted from 18% GST

ON TRACK. Move will help avoid potential hikes in freight rates, eliminate need for accounting changes

Abhishek Law
New Delhi

RAIL REMITTANCES. The tax obligation reportedly applied to track access charges, which are remittances paid for using the rail network. This charge constitutes a fixed cost for the Dedicated Freight Corridor Corporation of India Ltd

India's dedicated freight corridor, a special purpose vehicle of the Railways, is likely to be exempted from the purview of 18 per cent GST, thereby eliminating the need to work out a new revenue model or change in freight rates.

The tax obligation reportedly applied to track access charges, which are remittances paid for using the rail network. This charge constitutes a fixed cost for the Dedicated Freight Corridor Corporation of India Ltd (DFCCIL).

Estimated remittances under this head were ₹5,000 crore, which could have gone up subsequently as more tracks of the corridor became operational, sources said.

On July 12, the Central Board of Indirect Taxes & Customs notified the Goods and Services Tax (GST) exemption on services provided by the Railways to the public and that provided by Special Purpose Vehicles (SPVs) to the Railways. The exemption will come into force from July 15, 2024.

"Services provided by SPVs to the Indian Railways by way of allowing the Railways to use the infrastructure built and owned by them during the concession period against consideration and services of maintenance supplied by Indian Railways to SPVs in relation to the said infrastructure built by the SPVs during the concession period against consideration is said to be exempt from the purview of GST, it was decided at a recent council meeting," a part of the notification read.

"A simple interpretation of this would mean track access charges which are remitted as remittances from the Railways would be exempt from GST. So there need not be a requirement to categorise such a charge under a separate head (for accounting purposes) or hike freight rates for users of the corridor," a Railways official told *businessline* requesting anonymity.

THE GST HITCH

Typically, money transfers or remittances between government entities or departments are exempt from GST. However, the DFCCIL is categorised as an SPV, which means it is a separate entity.

However, the Railways categorise DFCCIL as a zone. So the revenue generated from it is credited to the Railways. Subsequently, funds are remitted. DFCCIL incurs fixed and variable costs. The track access charges comprise operations and maintenance costs, interest paid, land lease costs, employee costs and other overheads. Most of these are dynamic.

Sources said DFCCIL operated on a reimbursement model, where the Railways pays it primarily through track access charges. Additionally, DFCCIL has been supported with loans from multi-lateral agencies like the Japan International Cooperation Agency.

RBI likely to hold rate until Dec: Barclays

RISING INFLATION. Higher than expected seasonal increase in vegetable prices inflation pulled CPI Inflation to 5.08% in June

KR Srivats
New Delhi

With the Consumer Price Index (CPI)-based inflation back at over 5 per cent to touch 5.1 per cent in June, Barclays Research expects the Reserve Bank of India (RBI) to stay hawkish and go in for the first interest rate cut only in December.

"Amid increased comfort over growth, we see a window for rate cuts opening only in December 2024. Our base case remains a cut in December, with a risk of no cuts this year," Shreya Sodhani, Regional Economist, Barclays, said in the latest research note post the June CPI release by the government.

Higher than expected seasonal increase in vegetable prices pulled CPI Inflation to 5.08 per cent in June.

For the entire 2024-25, Barclays Research expects inflation to average 4.3 per cent (RBI: 4.5 per cent).

Barclays Research sees CPI inflation for July 2024 coming in at 3 per cent year-on-year, driven lower in part by a high base.

RISING INFLATION

"Food prices are likely to increase into next month (July), though we expect the momentum in vegetables to ease. That said, July is likely to see a larger sequential increase in core inflation than seen in recent times with a seasonal pick-up in housing prices combined with the implementation of higher telecom prices from July 2," Sodhani added.

"Annual inflation is likely to be low through Q2 FY25, driven by base effects. We expect the MPC members to look through this and monitor monsoons and the corresponding trajectory of food inflation. We expect inflation to average 4.3 per cent in FY24-25 (RBI: 4.5 per cent)."

RBI Governor at the last Monetary Policy Committee (MPC) meeting in June raised India's GDP growth projection for the current fiscal from 7 per cent to 7.2 per cent. Last week RBI Governor Shaktikanta Das said that it is too soon to cut rates and that inflation is moving towards the RBI's 4 per cent target very slowly.

"Our view is supported by the Governor's interview," she said.

India's central bank has kept policy rates unchanged for eight consecutive MPC meetings, with RBI Governor Shaktikanta Das signalling his reluctance to ease rates unless inflation falls to its target of 4 per cent.

There are three upcoming MPC meetings between now and December — August 6-8; October 7-9 and December 4-6.

TN CM condemns Karnataka's refusal to release Cauvery water

Our Bureau
Chennai

MK Stalin, Chief Minister of Tamil Nadu

Tamil Nadu Chief Minister MK Stalin on Monday condemned Karnataka's refusal to release Cauvery water. Tamil Nadu's Minister for Water Resources Durai Murugan will chair an all-party meeting on Tuesday to decide about the next course of action, according to a release.

Stalin said that as of July 15, the storage in four major reservoirs of Karnataka stood at 75.586 tmc. However, storage in Mettur dam is only 13.808 tmc. In this situation, the government of Karnataka refusing to release water is an act against the farmers of Tamil Nadu.

'CONTEMPT OF COURT'

The State government has written to the Cauvery Water Management Authority, urging it to implement the directive of the Cauvery Water Regulatory Committee to Karnataka to release 1 tmc ft to Tamil Nadu. Not releasing water to Tamil Nadu was "contempt" of the direction of the Supreme Court, he said.

At the all-party meeting convened by Karnataka Chief Minister Siddaramaiah on Sunday, the State government said it would only release 8,000 cusecs instead of 1 tmc per day. The mandate requires the release of 9.4 tmc ft in June and 31.24 tmc ft in July, totalling 40.43 tmc ft. Currently, over 5 tmc ft has been released, said Siddaramaiah. "If there is no rain, we will minimise the release of water and file an appeal," he said.

AP govt to introduce new Act against land-grabbing: Naidu

Naga Sridhar G
Hyderabad

Andhra Pradesh Chief Minister N Chandrababu Naidu

Andhra Pradesh Chief Minister N Chandrababu Naidu has announced that the State government will soon introduce an Act to prevent land-grabbing on the lines of the Gujarat Act.

"The onus of establishing ownership will be on land-grabbers under the new Act and not the original owners," he said, criticising the Land Entitlement Act of the previous YSR Congress government. He was speaking during a presentation on the key points of a white paper, titled 'The state of natural resources and their looting' during the YSRCP rule in Amaravati, on Monday.

LAND SCAMS

The white paper estimated illegal financial gains amounting to ₹9,750 crore over the last five years. "There were many irregularities in mining leases and quarrying, including violations of the first come, first serve norm, allowing private agencies and bringing officers of their choice on deputation during the previous government," he said.

Naidu alleged that the YSRCP government ruthlessly looted natural resources and did not even spare forests and mineral deposits. "In Visakhapatnam, Ongole and Chittoor, lands of private individuals were grabbed. A total of 13,800 acres were unlawfully handed over to the YSR Congress Party leaders," he added.

Thoothukudi firing: HC directs DVAC to probe into assets of police, revenue officials

Mohamed Imranullah S
Chennai

The Madras High Court on Monday directed the Directorate of Vigilance and Anti Corruption (DVAC) to conduct an inquiry into the assets of police and revenue personnel involved in the 2018 Thoothukudi Sterlite police firing, in which 13 protesters were shot dead, and submit a report before July 29.

A Division Bench of Justices SS Sundar and N Senthilkumar ordered that the assets procured by the individuals in their names and the names of spouses and close relatives at least two years before the police firing, as well as two years after the incident, must be collated and submitted.

The direction was issued on a writ petition filed by human rights activist Henri Tiphagne in 2021 against the closure of his complaint, regarding the brutal killing of those who protested against Vedanta-owned Sterlite copper smelting plant in Thoothukudi, by the National Human Rights Commission.

Justice Sundar said, "All this happened because one industrialist wanted this to happen. He wanted to teach a lesson to everyone and therefore, he made it happen and you all acted only for him." He expressed dissatisfaction over the investigation conducted by the Central Bureau of Investigation (CBI) into the police firing and the chargesheet filed against just one inspector before the Chief Judicial Magistrate (CJM) in Madurai in December 2023.

Though the CJM refused to accept the chargesheet and ordered further investigation, the CBI re-submitted the same chargesheet in June stating that "further investigation did not reveal criminality on the part of any public servant warranting filing of any supplementary chargesheet."

'CBI FAILED'

Expressing disappointment over such a report filed before the CJM, the senior judge in the Bench said, "The CBI has actually failed. Is this how you conduct the investigation? No court will accept this. You are now hand in glove with the people who are respondents (the police and revenue officials) here."

Though the CBI concluded that the firing against protesters was not pre-mediated and that the police personnel had to open fire only as a last resort, the Division Bench said there were certain materials to doubt the conclusion arrived at by the investigating agency.

Cement industry likely to see moderate demand, muted price movement in Q1

Abhishek Law
New Delhi

The April-June quarter is expected to be challenging for the cement industry. Demand has been moderate (or flat depending on micro-markets) in Q1FY25 — a departure from eight consecutive quarters of strong growth. Meanwhile, prices remained muted with previously announced hikes being rolled back.

Market sources said at least two attempts had been made to increase prices, in April and May, and a third was mulled in June. But these did not sustain.

Due to the persisting softness in demand, cement prices in the East and Southern regions decreased by 4 per cent y-o-y, followed by a 3 per cent y-o-y decline in the North, Central and West. On average, prices were down 3-4 per cent pan-India y-o-y. "Cement prices have declined in recent quarters and are likely to stay under pressure. This was due to intense competition among existing players, the general elections and the unprecedented heat wave across the country," a cement maker told *businessline*.

It is being said that stiff competition reduced prices by 5-6 per cent even during the peak construction quarter of Q4FY24 (when demand grew 8-9 per cent).

PRICE HIKES

ICICI Securities, said in a report, that the company's channel-checks showed the highest (price) dips were seen in North and East India, while another consultancy firm, Prabhudas Lilladher, reported that the decline was steep in the South.

The industry is expecting a demand boost post-Budget. But "with the onset of the monsoon, the scope for price recovery in Q2FY25 appears limited,"ICICI Securities said.

If demand picks up, an upward price revision could happen post-September. "The industry is anticipated to hike cement prices by ₹10-45/bag after the monsoon. However, price hike absorption remains a concern due to demand slowdown," consultancy firm Nirmal Bang said in a report.

VOLUME OUTLOOK

The firm anticipates that while H1 demand will be "lacklustre", the full year is forecast to be in the 8.5-9 per cent range with steady demand from the commercial and housing segments.

Cement demand in Q1 was affected by factors such as extreme heat, reduced infrastructure activities and unavailability of labour due to the harvesting season. The quarter also saw water shortage in a few pockets, which hampered construction. Additionally, the general election impacted volumes too.

In June, volume movement remained weak. Some regions witnessed rainfall, while the labour shortage persisted.

Heat waves push gas-based power plants capacity to a five-year high

Rishi Ranjan Kala
New Delhi

Gas-based power generation

May	PLF (%)	Power generation (MU)	Gas consumed / supplied (MSCMD)
2024	28.7	5,053.41	36.35
2023	15.9	2,818.90	21.20
2022	13.9	2,457.18	18.44
2021	20.4	3,446.45	24.86
2020	28.9	5,152.02	35.36
2019	25.0	4,439.81	31.68

Source: Power Ministry; MSCMD: Million standard cubic meters per day; MU: Million units; PLF: Plant load factor

The plant load factor (PLF), or capacity utilisation, of gas-based power plants hit a record 28.7 per cent in May 2024 as the country witnessed unprecedented heat waves, pushing up demand.

Gas-based plants reported a PLF of 28.7 per cent in May 2024, the highest in the last five years. Before this, the plants had reported PLF of 28.9 per cent in May 2020.

Power generation by them rose by 83 per cent y-o-y and 39 per cent m-o-m to 2.8 billion units (BU) last month. Overall power generation rose by 15 per cent y-o-y to 167.55 BU.

Generation by gas-based plants, with a monitored capacity of almost 25 gigawatts (GW), has been scaling records during May 2024. For instance, the share of gas-based plants almost doubled to 3.1 per cent in India's overall generation last month compared with 1.6 per cent a year ago, Crisil Market Intelligence & Analytics said.

The world's fourth largest LNG importer consumed 36.35 million standard cubic meters per day (MSCMD) of natural gas in May 2024, up 33 per cent m-o-m and almost 72 per cent y-o-y.

The country's peak power demand (day) hit an all-time high of 250 GW on May 30 against the government's projection of 235 GW. Cumulative electricity generation and consumption during the month grew at a healthy 15 per cent y-o-y.

GAS DEMAND

The International Energy Agency projects India's gas demand to grow 7 per cent y-o-y in 2024 calendar year, while the Gas Exporting Countries Forum (GCEF) predicts usage to grow at 6 per cent y-o-y. Higher gas consumption for power generation is among the reasons fuelling the growth.

In FY24, the PLF of gas-based plants rose to 14.8 per cent from 11.5 per cent in FY23. They produced 31.30 BU against a target of 32 BU, cumulatively consuming 235.78 MSCMD natural gas. India's peak power demand in 2023 was a record 240 GW in September 2023.

EXCHANGE TRADING

Softening LNG prices and higher requirements of gas by the industrial and power sectors also pushed up trade on gas exchanges.

Indian Gas Exchange (IGX) traded 4.92 million Btu (million British thermal units), or around 124 million standard cubic meters (MSCM) gas, in May, a high of 99 per cent m-o-m and a whopping 480 per cent on an annual basis.

Trade volumes were high mainly due to an increase in demand from gas-based plants amid hot weather and directives from the government to maximise their output to address the growing electricity demand.

A total of 96 trades were executed in May 2024, with 32 trades (maximum) executed in monthly contracts, followed by 29 trades in daily contracts and 19 trades in weekly contracts; other contracts were fortnightly, weekday and day-ahead.

GIXI (Gas Index of India) for May 2024 was ₹851, or $10.2 per mBtu, higher by 13 per cent M-o-M. Prices at Henry Hub (HH) were around $2.1 per mBtu, JKM (around $10/mBtu), and West India Marker (WIM) around $11.3 per mBtu.

Crisil observed that despite peak power demand reaching an all-time high, prices on the Indian Energy Exchange (IEX) remained below ₹5 per kilowatt hour (kWh) in May 2024 as generation increased across fuel categories.

Mandatory operations of imported coal-based plants, along with gas-based plants, under Section 11 aided generation, leading to a comfortable supply situation, it said.