

# Led by oil, Russia becomes 5<sup>th</sup> largest exporter to India

**ON A HIGH.** As discounted oil imports are set to rise further, India wants to step up exports

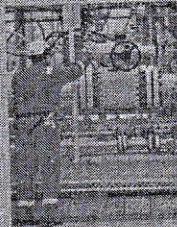
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Crude and petroleum products dominated India's import basket from Russia in the first half of 2022-23, with Moscow becoming the fifth largest source for many items for the country. The Ukraine conflict and the consequent economic sanctions on Russia by the West have improved trade prospects between India and Russia. Imports of coal and coke, and fertilisers also increased.

However, while India's imports from Russia in April-September period surged 410 per cent to \$21.34 billion, its exports declined 18.8 per cent to \$1.3 billion, leaving a trade gap of \$20 billion, per government figures. "Attempts are on to increase exports to Russia as the success of the rupee trade mechanism, which is being implemented by the two countries to bypass Western sanctions, hinges on a better-balanced bilateral trade. With such a large trade deficit, Russia may be left with a huge rupee surplus that it receives for

## DEEPENING TIES

- India's imports from Russia in the April-September period spiked 410% to \$21.34 billion
- India's exports to Russia fell 18.8% Y-o-Y in H1 FY23, creating a trade gap of \$20 billion
- To check the growing trade gap, India is now exploring avenues to increase exports to Russia
- During April-September, India's imports from Russia of coal and coke were at \$2.25 billion, petroleum products at \$1.52 billion and fertiliser at \$1.6 billion



its exports," said a source tracking the matter.

With Russia identifying items such as food, pharmaceuticals and engineering goods that it can source from India and also suggesting the names of interested companies, work is apace on this front.

## DISCOUNTS ON OIL

Following the economic sanctions imposed on it, Russian discounts on oil during April-June went up to \$35 per barrel, with India getting oil at about \$75/barrel. Consequently, in

the first six months of 2022-23, India sourced crude worth \$14 billion from Russia accounting for 15.62 per cent of its total oil imports up from less than 2 per cent last fiscal.

"This scenario will play out again. With crude projected at \$98-103 a barrel in H1 (calendar 2023), India might be able to secure supplies for \$68-75, depending on how the Russian situation pans out," said sources. Russia jumped to the position of No 3 crude supplier to India (after Iraq and Saudi Arabia) in April-September,

per Commerce Ministry data. While data from energy intelligence firm Vortexa marks Russia as India's top oil supplier in October, it is yet to be corroborated by Delhi.

"It is not always that India, as a top oil consumer, gets preference from suppliers. Our first responsibility is energy security for the 1.35 billion Indians. As Russians are willing to give discounts, Saudi Arabia has also cut prices, and Iraq, too, has offered some discounts on Basrah (crude oil). The tilt right now is with Russia as it seems more accommodative to our requirements," said an official.

"Foreign Minister S Jaishankar said in Moscow that India will continue to source oil from Russia which indicates that Moscow's share in India's import basket may grow," said an official.

## G7 PRICE CAP

Moreover, as the G7 price cap and more stringent European sanctions are to kick in next month, Russia may want to come even closer to India for crude cargoes as direct contracts with Europe may stop, an OMC official explained.