iCMA

INDUSTRY Insights

JANUARY 2024

MEMBERS IN INDUSTRY COMMITTEE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

Statutory Body under an Act of Parliament

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Behind every successful business decision, there is always a CMA

Vision Statement

"The Institute of Cost Accountants of India would be the preferred source of resources and professionals for the financial leadership of enterprises globally."

Mission Statement

"The CMA Professionals would ethically drive enterprises globally by creating value to stakeholders in the socio-economic context through competencies drawn from the integration of strategy, management and accounting."

Institute Motto

असतोमा सद्गमय	From ignorance, lead me to truth
तमसोमा ज्योतिर् गमय	From darkness, lead me to light
मृत्योर्मामृतं गमय	From death, lead me to immortality
ॐ शान्ति शान्ति शान्तिः	Peace, Peace, Peace

About the Institute

The Institute of Cost Accountants of India (ICMAI) is a statutory body set up under an Act of Parliament in the year 1959. The Institute as a part of its obligation, regulates the profession of Cost and Management Accountancy, enrols students for its courses, provides coaching facilities to the students, organizes professional development programmes for the members and undertakes research programmes in the field of Cost and Management Accountancy. The Institute pursues the vision of cost competitiveness, cost management, efficient use of resources and structured approach to cost accounting as the key drivers of the profession. In today's world, the profession of conventional accounting and auditing has taken a back seat and cost and management accountants increasingly contributing towards the management of scarce resources like funds, land and apply strategic decisions. This has opened up further scope and tremendous opportunities for cost accountants in India and abroad.

The Institute is headquartered in Kolkata having four Regional Councils at Kolkata, Delhi, Mumbai and Chennai, 116 Chapters in India and 11 Overseas Centres. The Institute is the largest Cost & Management Accounting body in the world with about 1,00,000 qualified CMAs and over 5,00,000 students pursuing the CMA Course. The Institute is a founder member of International Federation of Accountants (IFAC), Confederation of Asian and Pacific Accountants (CAPA) and South Asian Federation of Accountants (SAFA). The Institute is also an Associate Member of ASEAN Federation of Accountants (AFA) and member in the Council of International Integrated Reporting Council (IIRC), UK.

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Chairman
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The Institute of Cost Accountants of India

MESSAGE

Dear Esteemed Members,

As we step into the first month of the new year, it is my immense pleasure to lay before you the January 2024 issue of 'Industry Insights,' the esteemed industry bulletin published by the Members in Industry Committee (MIC) of the Institute of Cost Accountants of India (ICMAI). In the dynamic landscape of business and finance, staying abreast of industry trends, emerging challenges, and innovative solutions assumes paramount importance. In such a scenario, 'Industry Insights' continues to serve as a beacon of knowledge, offering invaluable perspectives and analyses to our esteemed readership.

We are pleased to share that 'Industry Insights' is now a part of the world's largest and fastest growing multi-platform global digital newsstand with over 10,000 magazines from around the world, spanning across 50+ languages and 40+ categories.

The Members in Industry Committee plays a pivotal role in fostering collaboration and knowledge-sharing among our esteemed members who contribute to the diverse sectors of the economy. Our committee is committed to providing a platform for thought leadership, professional development and the exchange of ideas that are instrumental in shaping the future of industries. This bulletin serves as a testament to the unflinching dedication and expertise of our committee members, who tirelessly work to curate content that is both informative and impactful.

In this edition, we present a comprehensive array of articles, analyses, and interview that throw light on the current state of various industries. From insightful commentaries on global economic trends to in-depth analysis of industry-specific challenges, our contributors have crafted content that is designed to equip you with the knowledge needed to navigate the complexities of today's business environment.

We extend our gratitude to all our contributors, members and the editorial team for their unwavering commitment to excellence. We are confident that the thought-provoking content will stimulate meaningful discussions and inspire innovative approaches to the challenges and opportunities that lie ahead.

We invite you to immerse yourself in the wealth of knowledge presented in this issue and leverage the insights shared by industry experts to enhance your professional journey. May this bulletin serve as a source of inspiration and guidance as we collectively strive for excellence in the dynamic world of industry.

Best Regards,

CMA TCA Srinivasa Prasad

Inside...

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The Forged Backbone of India: A Deep Dive into the Steel Industry

Steel, the quintessential symbol of strength and resilience, forms the backbone of countless industries and shapes the very infrastructure of a nation. In India, the steel industry stands tall as a titan, wielding immense economic power and driving the country's ambitious development goals.

Production Activity in a Steel Plant

The first successful blast furnace in India was established in 1874 by the Bengal Iron Works in Kulti, marking a significant milestone. However, the industry remained largely nascent, catering primarily to the British colonial infrastructure needs. With India's independence in 1947, the steel industry witnessed a transformative era. The newly formed government recognized the crucial role of steel in nation-building and embarked on a path of aggressive development. Public sector giants like SAIL (Steel Authority of India) and TISCO (Tata Iron and Steel Company) were established, laying the foundation for a robust domestic steel sector.

These behemoths adopted cutting-edge technologies, expanded production capacities, and diversified their product offerings. By the 1960s and 70s, India witnessed a period of rapid industrialization, fuelled by the abundant supply of steel from these national champions.

The economic reforms of the 1990s ushered in a new era for the Indian steel industry. Delicensing and decontrolling measures paved the way for private players to enter the arena, injecting fresh competition and dynamism. Companies like JSW Steel and Mittal Steel emerged as powerful contenders, challenging the dominance of the public sector giants.

This period also saw increased foreign investment and technological collaborations, propelling the industry towards greater efficiency and innovation. Today, the Indian steel industry boasts a vibrant mix of both public and private players, catering to a diverse range of domestic and international markets.

India currently holds the coveted title of the world's second-largest producer of crude steel, churning out over 125 million tonnes annually. This staggering figure is a testament to the industry's rapid growth, having surpassed Japan in 2019 and steadily closing the gap with China, the undisputed leader

The Indian steel industry boasts a diverse landscape, encompassing both private and public sector players. Major companies like Tata Steel, JSW Steel, SAIL, and ArcelorMittal employ cutting-edge technology and possess expansive production capacities. This competitive environment fosters innovation and ensures a steady flow of high-quality steel to meet the ever-growing demand.

Classification of Steel

Short steel, typically referring to steel pieces that are less than 3 feet in length, is valued more in recycling centres due to its ease of handling, separation, and shipping. Some individuals may intentionally cut steel into shorter lengths before recycling it to receive the premium price for short steel based on its weight. This practice may also be known as short steel turnings. The premium is often offered because shorter lengths simplify the recycling process and reduce the effort required for processing.

Long steel refers to products manufactured from billets and blooms, primarily through Electric Arc Furnaces (EAF). These products are commonly used in the construction sector due to their strength and durability. Long steel products encompass a variety of items such as rebar, wire rod, merchant bars, rails, and sections. These materials play a crucial role in construction and infrastructure projects, providing the necessary structural components for buildings, bridges, railways, and more. The distinction between long and short steel is often based on the length and intended use of the steel products in various industries.

Long Steel Products (Stainless Steel Long Products)

https://www.business-standard.com/companies/news/jsw-steel-to-step-up-long-steel-capacity-to-tap-infrastructure-boom-123081800543_1.html

https://www.zeebiz.com/companies/news-tata-steel-long-products-reports-rs-184-crores-loss-in-q4-232351

Steel Plants in India

While India boasts over 30 integrated steel plants, their output accounts for roughly half of the nation's total steel production. The other half comes from a thriving ecosystem of medium and small enterprises, particularly mini steel plants.

Name	Year Established	Location	Operator
Ankur Industries ISP	2023	Gorakhpur, UP	Ankur Udyag Ltd.
Bhilai Steel Plant	1955	Bhilai, Chhattisgarh	SAIL
Bokaro Steel Plant	1964	Bokaro Steel City, JH	SAIL
Chandrapur Ferro Alloy Plant	1974	Chandrapur, Maharashtra	SAIL
Durgapur Steel Plant	1959	Durgapur, WB	SAIL
IISCO Steel Plant	2007	Asansol, WB	SAIL
Rourkela Steel Plant	1959	Rourkela, Odisha	SAIL
Salem Steel Plant	1981	Salem, Tamil Nadu	SAIL
Visakhapatnam Steel Plant	1982	Visakhapatnam, AP	RINL

Visvesvaraya Iron & Steel Plant	1923	Bhadravati, Karnataka	SAIL
JSW Steel (2 plants)	1982, 1994	Hospet, Tarapur, MH	JSW Steel
JSL Stainless (2 plants)	1970, 1975	Jajpur, Hisar, HR	Jindal Stainless
Jindal Steel & Power (4 plants)	1979, 1990, 2012, 2023	Angul, Raigarh, Patratu, Chh.	Jindal Steel & Power
Tata Steel (2 plants)	1912, 2016	Jamshedpur, JH, Kalinganagar, Od.	Tata Steel
Hospet Steel Limited	1998	Koppal, Karnataka	Kalyani Steels & Mukand
Neelachal Ispat Nigam Limited	1982	Kalinganagar, Odisha	MMTC Ltd.
MECON (Ranchi)	1959	Ranchi, Jharkhand	MECON
Mesco Steel Kalinganagar	2005	Kalinganagar, Odisha	Mideast Integrated Steel
Nagarnar Steel Plant	2019	Jagdalpur, Chhattisgarh	NMDC Steel Ltd.
Prakash Industries	1980	Janjgir, Chhattisgarh	Prakash Industries
RML Kharagpur	2004	Kharagpur, WB	Rashmi Metaliks
Rungta Mines Dhenkanal	2022	Dhenkanal, Odisha	Rungta Mines Limited
Radha TMT Hyderabad	1960	Hyderabad, Telangana	Radha TMT
Tata Steel Meramandali	1987	Meramandali, Odisha	Tata Steel
VISA Steel Kalinganagar	1996	Kalinganagar, Odisha	VISA Steel

Recent Development in Steel Industry

Here are some recent developments in the Indian Steel Industry:

- Production and Demand: India's steel production is estimated to grow 4-7% to 123-127 MT in FY24[1]. In the past 10–12 years, India's steel sector has expanded significantly. Production has increased by 75% since 2008, while domestic steel demand has increased by almost 80%[2].
- Government Initiatives: The Indian government is implementing a Production-linked Incentive (PLI) Scheme for Specialty Steel. It is expected that the specialty steel production will reach 42 MT by the end of 2026-27[3]. In October 2021, the government announced guidelines for the approved specialty steel production-linked incentive (PLI) scheme.
- International Collaboration: In October 2021, India and Russia signed an MoU to carry out R&D in the steel sector and produce coking coal (used in steel making).
- Infrastructure Development: The steel industry has been one of the bulwarks of India's rapid infrastructure development. And with the Indian government targeting a $5 trillion economy by fiscal 2025, this is one industry whose fortunes look bright indeed[4].

1 https://www.ibef.org/industry/steel-presentation
2 https://www.clearias.com/steel-industry-india/
3 https://www.ibef.org/industry/steel-presentation
4 https://www.crisil.com/content/dam/crisil/our-analysis/reports/Research/documents/2021/01/new-opportunities-for-steel-in-infrastructure-and-construction.pdf

The National Steel Policy (NSP) 2017

The National Steel Policy (NSP) 2017 stands as a roadmap for India's ambitions in the steel sector. Envisioning a globally competitive and technologically advanced industry, the policy is designed to achieve several key objectives:

1. Boosting Production and Consumption:

- The NSP aims to treble domestic steel production to 300 million tonnes by 2030-31, making India the world's second-largest producer (currently in third place).
- It targets an increase in per capita steel consumption to 160 kg by 2030-31 (from the current 61 kg), reflecting growing infrastructure and industrial demand.

2. Enhancing Quality and Value Addition:

- The policy emphasizes the production of high-grade automotive steel, electrical steel, and special steels to meet the critical needs of various industries.
- It encourages adoption of new technologies and research in sustainable steel production to improve efficiency and reduce environmental impact.

3. Creating a Conducive Business Environment:

- The NSP promotes ease of doing business through various measures like streamlining clearances, simplifying regulations, and improving land acquisition processes.
- It emphasizes facilitation of raw material security, particularly coking coal, which is currently largely imported.
- The policy envisions the development of steel clusters and special economic zones to attract investments and create employment opportunities.

4. Fostering Innovation and Sustainability:

- The NSP encourages adoption of digital technologies and automation to enhance productivity and competitiveness.
- It promotes environmentally friendly practices like waste heat recovery and energy efficiency improvements to reduce the carbon footprint of the steel industry.
- The policy also supports skill development and training programs to create a skilled workforce for the sector.

Overall, the National Steel Policy holds immense potential to benefit India in several ways:

- Economic Growth: The booming steel industry will translate into increased GDP, creation of millions of jobs, and greater investment in infrastructure.
- Industrial Development: High-quality domestic steel will fuel growth in automotive, manufacturing, construction, and other industries that rely heavily on this material.
- Technological Advancement: The focus on research and innovation will propel India towards becoming a global leader in sustainable and efficient steel production.
- Infrastructure Improvement: Increased steel production will facilitate the development of critical infrastructure like roads, bridges, railways, and power plants.
- Trade and Exports: A robust steel industry will enhance India's competitiveness in the global market and boost its export potential.

However, the NSP also faces certain challenges:

- Implementation: Effective implementation of the policy requires strong administrative efforts, efficient resource allocation, and coordinated action from various stakeholders.

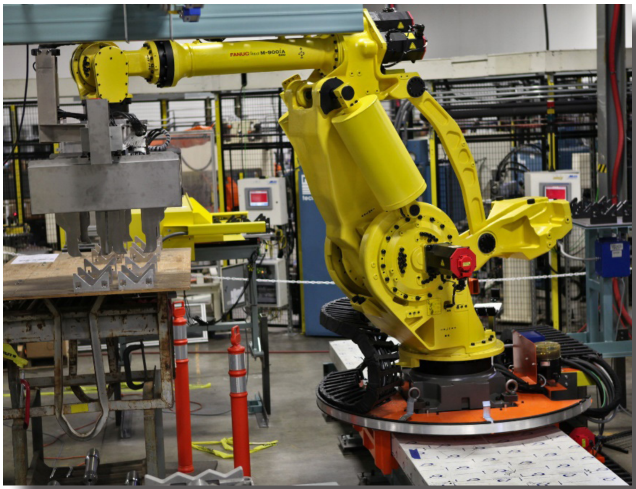
- Environmental Concerns: Balancing rapid growth with sustainable practices and responsible waste management remains a critical task.
- Skill Gap: Bridging the gap between industry demand and workforce skills requires sustained investment in training and education programs.

Despite these challenges, the National Steel Policy presents a transformative vision for India's steel sector. By actively addressing the existing roadblocks and capitalizing on its immense potential, the NSP can pave the way for a future where steel forms the backbone of a thriving economy, a technologically advanced nation, and a brighter future for India.

Innovative Technologies in the Steel Industry

The steel industry, the backbone of modern civilization, is constantly evolving. Beyond the fiery furnaces and towering mills, cutting-edge technologies are transforming how steel is produced, processed, and utilized. Let's dive into some of the most exciting advancements, each paired with a photo to visualize their impact:

1. Automation and Robotics:



Source: https://www.mwes.com/recent-projects/robotic-furnace-tending-cell/

Replacing manual labor in hazardous environments, robots handle tasks like charging furnaces, manipulating heavy materials, and performing inspections. This improves safety, precision, and overall efficiency.

2. Artificial Intelligence and Machine Learning:

- AI algorithms analyze vast amounts of data from sensors and simulations, optimizing production parameters, predicting equipment failures, and ensuring high-quality steel output.

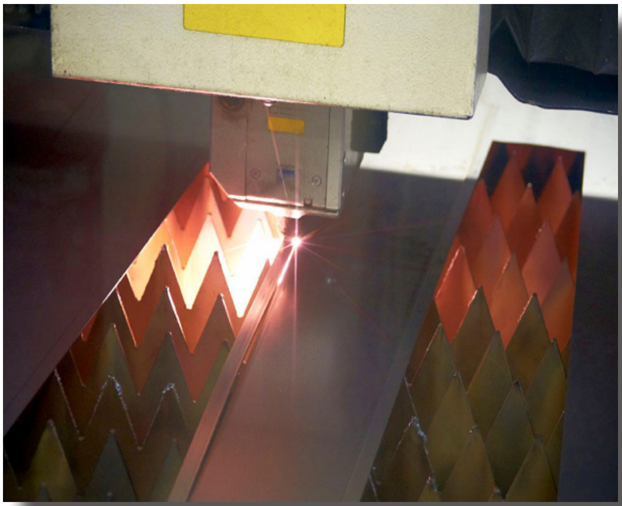
3. Digital Twin Technology:

- Creating a virtual replica of the entire steelmaking process allows for real-time monitoring, performance simulations, and proactive maintenance, minimizing downtime and maximizing productivity.

4. Advanced Process Control:

- Sensors and automated systems precisely control crucial aspects like furnace temperature, material flow, and cooling rates, leading to consistent steel quality and reduced energy consumption.

5. Laser-based Technologies:



Source: https://www.jcmetalworks.co.uk/metal-manufacturing-services/laser-punching/metal-laser-cutting/

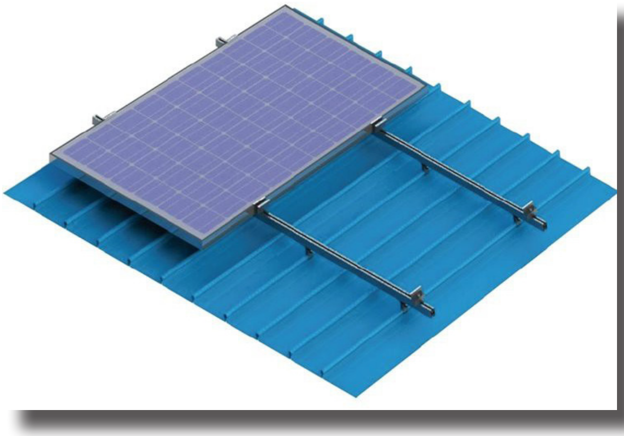
- High-powered lasers are used for cutting, welding, and surface treatment of steel, offering speed, precision, and minimal material waste compared to traditional methods.

6. Additive Manufacturing (3D Printing):

3Dprinted Steel Component

Source: https://all3dp.com/1/3d-printed-steel/

7. Sustainable Steel Production:



Source: https://www.hdsolartech.com/showroom/china-factory-price-easy-to-install-best-quality-k-type-steel-frame-sandwich-panel-prefab-house-for-sale.html

Solar panel array installed on the roof of a steel mill

- The industry is adopting green technologies like renewable energy sources, improved waste management, and water recycling to reduce its environmental footprint and create a more sustainable future.

These are just a few examples of the many transformative technologies shaping the steel industry. As research and development continue to push the boundaries, we can expect even more innovation in the years to come, ensuring that steel remains the vital building block of our world for generations to come.

Forging Ahead: Innovations and Sustainability in the Steel

Tata Steel is a towering name in the global steel industry, boasting a rich history, innovative practices, and a commitment to sustainability. From its humble beginnings in India to its current status as a leading multinational, Tata Steel's journey is one of resilience, growth, and transformation. Let's delve into the company's overall view, exploring its operations, values, and impact.

A Legacy of Steel Excellence

Founded in 1907, Tata Steel established itself as Asia's first integrated private steel company. Its roots lie in Jamshedpur, India, a city that grew alongside the company's development. Today, Tata Steel operates across five continents, with a significant presence in India, Europe, Southeast Asia, and the Americas. The company boasts an annual crude steel production capacity of over 20 million tonnes, catering to diverse sectors like construction, automotive, and infrastructure.

A Commitment to Innovation

Tata Steel is at the forefront of technological advancements in the steel industry. Its focus on research and development has led to the creation of high-strength, lightweight steels that are revolutionizing industries like transportation and construction. The company's innovations extend beyond product development, encompassing efficient manufacturing processes and sustainable practices.

Sustainability at the Core

Recognizing the environmental impact of steel production, Tata Steel has made sustainability a core pillar of its operations. The company has set ambitious goals for reducing emissions, increasing resource efficiency, and adopting renewable energy sources. Its efforts have been recognized globally, with Tata Steel consistently ranking among the most sustainable steel producers in the world.

Empowering Communities

Tata Steel believes in creating shared value for the communities it operates in. The company's social responsibility initiatives focus on education, healthcare, and community development. These efforts have transformed lives, empowered individuals, and fostered inclusive growth in the regions where Tata Steel operates.

Looking Ahead: A Vision for the Future

Tata Steel's vision is to be "the world's steel leader in value creation, consistently exceeding the expectations of our stakeholders." The company is committed to sustainable growth, technological leadership, and community engagement. As the world grapples with climate change and resource scarcity, Tata Steel's focus on innovation and sustainability positions it well for the future.

A Beacon of Indian Industry

Tata Steel's success story is an inspiration for Indian businesses and a testament to the country's growing industrial prowess. The company's global reach, commitment to innovation, and focus on sustainability make it a role model for responsible corporate practices. As Tata Steel continues its journey, one can expect it to remain a leading force in shaping the future of the steel industry.

Accelerating growth and prosperity through building and transforming is central to the JSW brand and forms the core of our purpose. It is the reason JSW exists and it is the mission we all doggedly follow. All of our initiatives – from building steel plants to setting up cement factories, to supporting sports and preserving heritage – have growth at their heart.

The JSW Group, a prominent entity in India's business landscape, boasts a substantial market presence with a valuation of US$23 billion. The conglomerate has established itself as a key player in diverse sectors, encompassing Steel, Energy, Infrastructure, Cement, Paints, Venture Capital, and Sports. This multifaceted approach positions the group as a pivotal contributor to India's economic advancement.

JSW Group's commitment to innovation and sustainability is evident in its strategic involvement in various industries. The conglomerate's success is underpinned by a combination of factors, including a proven track record in executing large-scale, capital-intensive projects, a diverse product portfolio, cutting-edge manufacturing facilities, and an unwavering dedication to sustainable growth.

A significant aspect of JSW's influence extends to its culturally diverse workforce, spanning across India, the USA, Europe, and Africa. With nearly 40,000 direct employees, the group's global presence underscores its commitment to fostering a collaborative and inclusive environment.

Beyond its business ventures, JSW Group is actively engaged in social development initiatives, particularly aimed at empowering local communities around its Plant and Port locations. This emphasis on corporate social responsibility reflects the group's broader commitment to creating positive impacts beyond its economic pursuits.

JSW's approach to value creation extends to all stakeholders, epitomized by its growth roadmap, superior execution capabilities, and an unyielding commitment to continuous improvement, encapsulated by its mantra to be #Better Everyday. Through this comprehensive strategy, JSW Group stands as a dynamic force in India's business landscape, contributing not only to economic growth but also to social development and sustainability.

The reported consolidated crude steel production for November 2023 is 22.04 lakh tonnes, indicating an 11% increase from the same period last year when it was 19.94 lakh tonnes. The Indian Operations contributed 21.14 lakh tonnes, up 7% YoY, with a capacity utilization of 90%. JSW Steel USA-Ohio volumes also rose significantly from 0.24 lakh tonnes to 0.90 lakh tonnes, attributed to improved demand compared to the previous year.

The company anticipates exporting 3-3.5 million tonnes during the current financial year, reflecting a growth from the 2.8 million tonnes exported in the previous year.

For the quarter ended on December 31, 2023, the company has reported a Consolidated Total Income of ₹ 42,134.00 Crore, reflecting a 5.99% decrease from the previous quarter's total income of ₹44,821.00 Crore. However, there is a 7.15% increase compared to the Total Income of ₹ 39,322.00 Crore in the same quarter of the previous year.

Steel Authority of India Limited (SAIL) is a prominent steel-making company in India, categorized as one of the Maharatnas among the country's Central Public Sector Enterprises. With five integrated plants and three special steel plants, strategically located in the eastern and central regions of India, SAIL is known for manufacturing and selling a diverse range of steel products.

Under the ownership of the Ministry of Steel, Government of India, SAIL reported an annual turnover of ₹105,398 crore for the fiscal year 2022-23. Established on January 24, 1973, the company boasts a workforce of 57,139 employees.

SAIL's operations include five integrated steel plants at Bhilai, Rourkela, Durgapur, Bokaro, and Burnpur (Asansol), along with three special steel plants at Salem, Durgapur, and Bhadravathi. Additionally, it owns a Ferro Alloy plant at Chandrapur. As part of its global aspirations, SAIL is undergoing a substantial expansion and modernization program, emphasizing state-of-the-art green technology.

The company has a significant research and development presence, including the R&D Centre for Iron & Steel (RDCIS) and a Centre for Engineering in Ranchi, Jharkhand. SAIL has achieved global recognition with a total of 692 patents, with more than 64% of them active. India, Egypt, and Germany are the top countries where SAIL has filed patents. In 2021, SAIL generated an annual revenue of US $9.0 billion, positioning itself as one of India's fastest-growing Public Sector Units.

The company has achieved its best-ever performance in production and sales during H1 and Q2 of the current financial year. Notably, there's a robust growth of 9.7% in crude steel production and a substantial 17.4% increase in sales volume during H1 FY'24 compared to the corresponding period last year. In Q2 of this financial year, there's a commendable growth of 11.6% in crude steel production and a notable 13.3% increase in sales volume over the same quarter of the previous year.

In the fiscal year ending March 2023, Steel Authority of India Limited (SAIL) displayed a nuanced financial performance. While the operating income saw a marginal uptick of 0.9% year-on-year, the company faced a substantial 58.2% decline in operating profit, resulting in a notable decrease in operating profit margins from 20.7% in FY22 to 8.6% in FY23. Despite a positive growth of 10.7% in other income, the net profit for the year witnessed a significant plunge of 82.2%, leading to a decrease in net profit margins from 11.8% in FY22 to 2.1% in FY23. On the balance sheet front, current liabilities rose by 25.6%, reaching ₹495 billion, while long-term debt experienced a 7.6% decline to ₹ 108 billion. Current assets exhibited a substantial 32% increase, standing at ₹ 381 billion, and fixed assets saw a modest 1% rise, reaching ₹925 billion. Overall, the total assets and liabilities for FY23 amounted to ₹ 1,306 billion, marking a 9% growth from the previous fiscal year. These financial metrics provide a comprehensive snapshot of SAIL's performance, highlighting both areas of growth and challenges during the mentioned fiscal year.

Despite a significant decline in market price realization, the company's consistent efforts to increase volumes have positively impacted its financial performance. The commitment towards enhancing capacity utilization, value addition, and cost competitiveness, along with a focus on de-carbonization efforts, reflects the company's strategic approach to sustainability and growth.

CMAs IN THE LEADERSHIP

CMA Sanjay Kumar Shrivastav

Chief Financial Controller, Long Products Division, Tata Steel Ltd

1. How do you perceive the current global economic landscape and its impact on the long products industry?

   Despite the geopolitical tensions, the steel industry per se is expected to remain robust. Infrastructural push in developing countries is expected to keep elevated the demand in the long product space.

2. In your view, what are the key financial challenges faced by the steel industry in general and how are the key steel players addressing them?

   Fluctuation in margin always keeps steel players on their toes. Managing the cost curve well is fundamental to achieving financial goals. Another challenge for the steel industry is to keep in check the working capital. Huge amount of cash can get blocked and exposed to the vagary of external forces. Steel players, over the years, have applied robust supply chain solutions to address this challenge.

3. How has the industry adapted its financial strategies in response to recent market fluctuations and disruptions?

   As already talked in the previous section, steel players have really shown agility and willingness to adapt to the newer challenges. Since, steel is capital intensive, the key players have to manage their liquidity and the debt very well.

4. Could you elaborate on the role of technology in shaping financial practices within the industry, particularly in the context of Industry 4.0?

   Industry 4.0 IT structure has really provided a well-conceived framework to drive digital strategies by laying solid foundations for infrastructure and visualisation tools. This has also enabled the industry to prioritise their capital spend on the IT landscape. Going digital is no more a fashion statement, but a business inevitability offering considerable values back to the business.

5. How do you assess the impact of regulatory changes on the financial operations of the steel industry as a whole?

   The industry has more often been subject to key regulatory changes. In the mining sector, the impact of regulatory changes has been considerable. It has potential of changing the cost curve by eroding the arbitrage that a captive iron ore miner earlier had. On the positive side, mining divisions of the integrated steel plants are exploring and pursuing efficiencies measures to keep the overall delivered cost of iron ore in check.

6. Can you share insights into approach towards risk management, especially in light of the uncertainties prevalent in the industry?

   At the beginning of a planning cycle, it is always a good idea to look at world mega trend and key risks looming around. This minimises the surprise to the business leaders and prepares them with thinking of contingencies or land soft strategies. I have personally been facilitator and later on practitioner of Enterprise Risk Management process and have found immense value in deepening knowledge on how to foresee the unforeseen and prepare the counter measures. Businesses gain immensely by shifting gears navigating in a pre-determined manner should an eventuality becomes a reality.

7. What trends do you foresee in terms of financial reporting standards and how is the division aligning itself with these changes?

   The biggest thing is that the reporting requirements are becoming more inclusive, well rounded and assured. The industry is gearing up to the requirements of the BRSR / ESG and to my mind has come a long way in this direction. However, the industry needs to sensitise more layers of its leadership team to implant the key spirit of the reporting requirements. Mere number reporting is one thing, but cultivating a culture of inclusive thinkers is another. There lies the real challenge as well as the real gain.

8. What role does innovation play in the financial strategy of steel industry?

   Finance domains in the industry have really involved over period and have embraced technology and innovation to plan better, consolidate the date better and report better. Use of data analytics and robotic process automation tools have been widely seen by finance leaders in promoting agility in their domain.

9. How does the industry collaborate with financial institutions and other stakeholders to ensure access to capital and support for its financial initiatives?

   I see a good trend in the way the steel players have collaborated with financial institutions; be it in the area of MSME financing, vendor financing or debtors reduction. I particularly witnessed a healthy collaboration during the difficult times of Covid pandemic. Insurance brokers have also helped the industry understand different risks and cover them well.

INDUSTRY TITBITS

CMA Industry Insights – January 2024 Issue

Highlights from MSME Sector

- The Ministry of MSME is implementing a Credit Guarantee Scheme for Micro and Small Enterprises through CGTMSE. MSEs can avail collateral-free loans up to ₹ 5 crores with an 85% guarantee coverage.
- The Self-Reliant India (SRI) Fund aims to inject ₹ 50,000 crores as equity funding into MSMEs with growth potential. The total fund comprises ₹ 10,000 crores from the Government of India and ₹ 40,000 crores leveraged through Private Equity/Venture Capital funds.
- Udyam registration witnessed significant acceleration, increasing from 1.31 crore (as of December 31, 2022) to a total of 2.19 crore registrations.
- During the period from January to December 2023, an additional 88.89 lakh registrations occurred, reflecting a robust uptake in registrations.
- The Ministry, in collaboration with SIDBI, launched the Udyam Assist Platform (UAP) on January 11, 2023, to formalize Informal Micro Enterprises (IMEs).
- By December 31, 2023, approximately 1.11 crore IMEs had onboarded on the UAP, showcasing the success of the initiative in bringing informal enterprises into the formal sector.
- The Government of India acknowledged the Udyam Assist Platform's certificates for 'Informal Micro Enterprises,' treating them on par with Udyam Registration Certificates.
- This recognition enables registered IMEs to avail Priority Sector Lending (PSL) benefits, contributing to their financial growth and stability.
- Under the Chairpersonship of the Hon'ble Minister of MSME, the 19th Meeting of the National Board for Micro, Small, and Medium Enterprises took place on January 11, 2023, at Vigyan Bhawan, New Delhi.
- The meeting focused on deliberations aimed at strengthening the MSME sector, showcasing the government's commitment to enhancing the sector's overall capabilities and impact.

(Source: Compiled from various newspaper reports and government websites)

Infrastructure Related News

- December 2023 reported over 1582 new infrastructure-related projects

  In December, several infrastructure-related projects were unveiled in India. December 2023 witnessed the incorporation of 191 infrastructure projects valued at INR 41,223 crore and 420 industrial projects valued at INR 136,767 crore.

With 65 completed projects, Maharashtra led the states in terms of industrial projects, and was followed by Gujarat, Tamil Nadu, West Bengal, and Kerala. A total of 152 projects totalling INR 8,309 Crore have been reported in terms of water infrastructure projects. With 24, Madhya Pradesh attracted the most water projects. Maharashtra, West Bengal, Uttar Pradesh, and Kerala were the following most popular states.

(Source:https://media.biltrax.com/over-1582-new-construction-projects-tracked-in-december-2023/)

- ₹ 1170.16 crore is approved for 29 road projects in Ladakh

Road infrastructure is essential to any region to improve its connectivity, accelerate its economic growth and development. The Indian government also committed to increase connectivity to its remote areas. In this regard, the Indian government has approved 29 road projects totalling ₹ 1,170.16 crore for December 2023. These projects include state highways and other significant roads in the Union Territory of Ladakh. State highways, major roads, and other district roads are among the several types of roads that are included in the approved projects. Furthermore, the Central Road and Infrastructure Fund (CRIF) scheme granted ₹181.71 crore for eight bridges for the fiscal year 2023–2024. It is expected that increased road connectivity will boost economic activity, especially in the tourism and agriculture sectors, and aid in Ladakh's overall infrastructure development.

(Source:https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1991429#:~:text=Shri%20Nitin%20Gadkari%20sanctions%2029%20road%20projects%20in%20Ladakh%20worth%20Rs%201170.16%20crore&text=Union%20Minister%20for%20Road%20Transport,major%20and%20other%20District%20roads.)

- The road ministry's budgetary allocation climbs to ₹ 2.7 trillion in 2023–2024.

The Ministry of Road Transport & Highways (MoRTH) stated in a press release that the average annual budgetary allocation ascended by 940 percent, from ₹ 25,872 crore per year in 2009–14 to ₹ 2.7 trillion in 2023–24. According to the press release, from 18,371 km in March 2014 to 46,179 km in December 2023, the length of national highways (NHs) with four lanes and above, including high-speed corridors, has expanded by more than 250 percent. "The length of national highways with less than two lanes has decreased from 27,517 km in March, 2014 to 14,870 km, which is presently around ten percent of the NH network," stated the report.

The ministry has begun the construction of 21 greenfield access-controlled corridors, which include motorways, and have completed around 3,336 km of the project's length. According to the press release, the average yearly budget for new line, gauge conversion, and doubling projects throughout the Indian Railways has increased from ₹ 11,527 crore per year during 2009-14 to about ₹ 67,199 crore during 2023-24. This represents a significant increase in funding for the country's rail network expansion. According to the ministry, a total of as 459 railway infrastructure projects totalling 46,360 km in length and ₹7.18 trillion in cost are in the planning stages as of April 1, 2023. It stated that over 25,871 km of railway sections—5,785 km of new line, 5,749 km of gauge conversion, and 14,337 km of doubling—had been put into service between 2014 and 2023.

(Source:https://pib.gov.in/essReleaseIframePage.aspx?PRID=1988566#:~:text=Annual%20Budgetary%20Allocation%20of%20the,70%2C435%20Crore%20during%202023%2D24&text=The%20Ministry%20of%20Road%20Transport,of%20National%20Highways%20(NHs).)

Banking Sector Related News

- The Reserve Bank of India (RBI) wants the commercial banks to take various pre-emptive measures to mitigate risks such that the banks can ensure that the initial risks can be mitigated at the first instance. The RBI also wants the Board of Directors, senior management, the Internal Audit function in banks, and the Audit and Risk Management Committees to play a more crucial and proactive role, and be more watchful of incipient and emerging baking risks.
- K.V. Kamath, former chief of the New Development Bank of BRICS countries, said that Financial Technology (fintech) companies are currently going through an innovation wave in India but the fintech companies may need a regulator in future when there will be a profitability concern for the new age fintech companies.
- HDFC Bank has partnered with Tata Neu and Swiggy to give a major push to its credit card business. The private bank has till now distributed credit cards more than one million with Tata Group's super app Tata Neu and around 1,20,000 with foodtech giant Swiggy where the cards are mostly used for food delivery, grocery shopping, bill payments and purchase of electronic items.
- The Reserve Bank of India (RBI) has levied a penalty of rupees 7,00,000 against Navsarjan Industrial Co-operative Bank Ltd. for non-compliance which is situated in Ankleshwar, District Bharuch, Gujarat. The co-operative bank's non-compliance with RBI directives was on 'Placement of Deposits with Other Banks by Primary (Urban) Co-operative Banks (UCBs),' contravention of 'Section 26A (2) read with Section 56 of the Banking Regulation Act, 1949 (BR Act)' and 'Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016.'
- State Bank of India (SBI) has launched SBI Green Rupee Term Deposit (SGRTD) largely to raise money for various activities and projects which will help to promote the environment and flourish India's green finance ecosystem. The newly launched SGRTD aims to raise sustainable finance

and encourage contributions towards green activities which will ultimately give an opportunity for the investors and stakeholders to support for the country's vision for a sustainable future.

- As on 29th December 2023, bank deposits stood at ₹ 200.8 lakh crore out of which ₹ 176 lakh crore was in term deposits and the rest is in savings and current account which is a record number for the Indian banking sector having an increase in bank deposit of 13.2% compared to last year and the amount is double from the year 2016. Also, the bank deposits stood at ₹ 159.6 crore, which is 20% more compared to last year.

- RBI raised the minimum capital requirement for Small Finance Banks (SFBs) to ₹ 200 crore and also permitted the Payments Bank to upgrade as SFBs. After the issuance of revised guidelines by the RBI, the Primary (Urban) Co-operative Banks (UCBs) desirous of voluntarily transiting into SFBs with the initial requirement of net worth would be at ₹ 100 crore, which will have to be increased to ₹ 200 crore within five years from the date of commencement of business.

Insurance Sector Related News

- India's insurance sector saw 25% rise in surrenders and withdrawals from life insurance policies in 2023: IRDAI Report

  The year 2022-23 has seen a surge in the surrenders and withdrawals of life insurance policies. It The jump has been attributed to several factors ranging from rise in inflation and issues related to mis-selling of insurance policies.

  According to the annual report of Insurance Regulatory and Development Authority of India (IRDAI) 2023, the life insurance sector disbursed total benefits amounting to ₹ 4.96 lakh crore, which is approximately 64.08% of the net premium. The benefits paid due to surrenders or withdrawals has increased by 25.62% from ₹1.29 lakh crore in 2021-22 to ₹ 1.98 lakh crore in 2022-23. This increment was dominated by public sector insurers (56.27%), followed by private insurers.

- IRDAI aims to converge to IFRS model by 2025: IRDAI Chairman

  The Insurance Regulatory and Development Authority of India (IRDAI) plans to converge to the International Financial Reporting Standards (IFRS) model by 2025, said by the IRDAI Chairman, Debasish Panda. "IRDAI should be able to transition to risk-based capital regime and converge to the IFRS by 2025," Panda said at National Insurance Academy's event in Mumbai on December 14. IFRS are standards that state the classification of the assets and liabilities of companies operating in the insurance sector. These standards clarify how an insurer should classify and measure its assets and define the accounting of insurance contracts.

ESG Related News

- Denmark has announced the Green Fuels Alliance India (GFAI) initiative to strengthen collaboration between Denmark and India in sustainable energy solutions and to advance their joint goal towards carbon neutrality. Led by the Danish Embassy and Consulate in India, the alliance aims to foster innovation and partnerships between Danish industries and their Indian counterparts, focusing on the Green Fuels sector including Green Hydrogen. The primary goal of GFAI is to promote sustainable energy growth in India by creating an ecosystem for collaboration among businesses, government, research institutions, and financial stakeholders from both countries.

  (Source:https://esgnews.com/denmark-and-india-forge-alliance-for-green-fuel-development/)

- Sphera, a leader in ESG and risk management, has acquired SupplyShift, enhancing its supply chain sustainability offerings. SupplyShift provides a robust platform for supply chain transparency and supplier mapping, boasting a network of over 100,000 suppliers worldwide. The acquisition strengthens Sphera's ability to track and report Scope 3 emissions and ESG performance, aligning with increasing regulatory transparency requirements.

  (Source:https://esgnews.com/integrating-sustainability-into-supply-chains-spheras-acquisition-of-supplyshift/)

- The European Council reached an agreement on its negotiating mandate on a proposal for a regulation on environmental, social and governance (ESG) ratings, with the aim of boosting investor confidence in sustainable products. ESG ratings provide an opinion on a company's or a financial instrument's sustainability profile, by assessing its exposure to sustainability risks and its impact on society and the environment. ESG ratings have an increasingly important impact on the operation of capital markets and on investor confidence. The new rules aim to strengthen the reliability and comparability of ESG ratings by improving the transparency and integrity of the operations of ESG ratings providers, making ratings more comparable and preventing potential conflicts of interests.

  (Source: https://esgnews.com/european-council-sets-path-for-enhanced-transparency-in-esg-ratings/)

- Brussels Airport Company, with federal government support, will be granting a special financial contribution to promote the use of sustainable aviation fuel (SAF). One year ago, Brussels Airport announced the first delivery of SAF via the NATO pipeline. However the high price of SAF remained an obstacle and slowed down its use by airlines. This new SAF incentive will be available to all airlines, for all flights taking off from Brussels Airport in 2024. Increasing the use of SAF is a priority for the airport and this programme has been accepted by the Belgian government.

  (Source:https://esgnews.com/brussels-airport-boosts-green-flying-with-government-backed-saf-incentives/)

- Schneider Electric, in partnership with the Clean Energy Business Council, has launched a report on the decarbonization of the Middle East by 2060. Titled "Climate Horizon: Opportunities for a greener world in the Middle East," the report was unveiled at COP28 by Peter Herweck, CEO of Schneider Electric, Vincent Petit, SVP of Climate and Energy Transition Research, and Dr. Nasser H. Saidi, Chairman of CEBC. The report emphasizes Schneider Electric's commitment to promoting energy-efficient solutions in the Middle East and globally. It outlines two future scenarios – one centered on the role of energy services in achieving a net-zero economy, and the other on radical economic transformation. The report provides insights into the unique challenges and opportunities in the Middle East's energy transition, balancing technological advancements with policy development.

(Source:https://esgnews.com/schneider-electric-unveils-research-on-middle-east-decarbonization-pathways-by-2060/)

- S&P Dow Jones Indices introduces the S&P 500 SDG Index and the S&P Global LargeMidCap SDG Index to measure companies' alignment with the UN Sustainable Development Goals. These indices aim to provide insights into companies that contribute positively to the 17 SDGs addressing global environmental, social, and governance challenges. Unlike traditional ESG assessments, these indices leverage data focusing on the external impact of companies' products and activities, not just financial materiality. The indices offer a comprehensive view of sustainability performance, with the S&P 500 SDG Index focusing on large-cap U.S. equities and the S&P Global Large MidCap Index covering a wide market capitalization range in developed and emerging markets.

  (Source: https://esgnews.com/new-benchmarks-for-sustainable-development-sp-dow-jones-indices-introduces-sdg-aligned-indices/)

- BNP Paribas Asset Management has updated its GSS to strengthen its commitment to sustainability in investments and operations, focusing on positive real-world outcomes and financial returns. The strategy includes comprehensive ESG integration into their product offerings, with a significant portion of their European-domiciled funds classified under the Sustainable Finance Disclosure Regulation. The strategy aligns with the '3Es' model, emphasizing energy transition, healthy ecosystems, and social equality, and includes a detailed roadmap for biodiversity and net-zero commitments.

  (Source: https://esgnews.com/bnp-paribas-asset-management-updates-global-sustainability-strategy-for-enhanced-esg-integration/)

- ADNOC announced it has taken a 10.1% equity stake in Storegga to become a lead investor in the UK-based company that focuses on the development of global carbon capture and storage (CCS) projects. The strategic transaction represents ADNOC's first international equity investment in carbon management and supports the company's strategy to leverage carbon management partnerships and technology to advance global carbon capture and storage projects that can accelerate decarbonization. The investment is enabled by ADNOC's initial allocation of $15 billion (AED55 billion) to low-carbon solutions and decarbonization technologies. ADNOC is targeting a carbon capture capacity of 10 million tonnes per annum (mtpa) by 2030, equivalent to taking over 2 million internal combustion vehicles off the road.

  (Source:https://esgnews.com/adnoc-diversifies-into-carbon-management-with-strategic-stake-in-storegga/)

- The World Bank (International Bank for Reconstruction and Development, IBRD rated Aaa/AAA) has priced its first benchmark of 2024 – an Australian dollar 2 billion 5-year bond due January 10, 2029.The transaction attracted over 50 orders totaling more than AUD 2.4 billion from investors drawn to IBRD's high credit quality while supporting the World Bank's mission. World Bank Sustainable Development Bonds support the financing of green and social projects, programs and activities in IBRD member countries. The 4.30% p.a. fixed-rate bond equates to a spread of +60.4 basis points over the Australian government bond due November 2028. The joint-lead managers for the transaction are Deutsche Bank, J.P. Morgan, Nomura International plc and RBC Capital Markets.

(Source:https://esgnews.com/world-bank-launches-aud-2-billion-bond-to-fuel-green-and-social-projects/)

Highlights of Digital India

- As of January 2024, BHIM UPI was the most used mode of digital transaction in India with a transaction volume of around 81 billion transactions. PPI followed with around four billion transactions.
- The digital payments market of India is expected to grow at a CAGR of 50% and exceed 400 billion transactions in FY2026–27, up from 100 billion in FY2022–23.
- Union Minister of State for Finance, Dr. Bhagwat Kisanrao Karad, highlighted a significant increase in digital payments in recent years, attributing it to the collaborative efforts of the Government and stakeholders.
- The total volume of digital payment transactions witnessed a remarkable rise, escalating from 2,071 crore in FY 2017-18 to 13,462 crore in FY 2022-23, reflecting a Compound Annual Growth Rate (CAGR) of 45%.
- As of December 11, 2023, the digital payments transactions for the ongoing fiscal year have already reached 11,660 crore, indicating the sustained growth and adoption of digital payment methods in the country.
- In 2024, the landscape of digital payments is witnessing dynamic shifts, with Account-to-Account (A2A) transactions poised for substantial growth. This trend is particularly pronounced in key markets like India, Brazil, and China, where digital wallets are increasingly adopting A2A systems.
- Simultaneously, the biometric payment cards market is experiencing an extraordinary surge, projecting an impressive Compound Annual Growth Rate (CAGR) of 62.50%.
- The market is expected to reach a significant valuation of USD 5,878.32 million by 2030. Another notable development is the global wearable payments market, inclusive of India, which is on track for remarkable expansion.
- Projections suggest a compelling CAGR of 18.31%, with an estimated market size reaching USD 180.29 billion by 2030. This growth is predominantly fueled by the rapid pace of digitization, particularly in the Asia-Pacific region, with India playing a pivotal role in this transformative journey.

(Source: Compiled from various newspaper reports and government websites)

Entrepreneurship and Startup Related News

- The Indian Central Government is gearing up to roll out the second phase of its Startup India programme on 16th January 2024 with a focus on deeptech startups and such startups will concentrate on critical areas like artificial intelligence, semiconductor chips, cybersecurity and quantum computing. The second leg of the Startup India programme is anticipated to give more support for the startups, including improved valuation norms, stable policies and taxation, and enhanced research and collaboration opportunities with both academia and industry.
- 817 startups have enrolled for Elevate 2023, the Karnataka state's programme for promoting startups with innovative ideas as said but the Information Technology (IT) minister of Karnataka, Priyank Kharge. The minister further said that Karnataka has got the most favourable environment for entrepreneurship and innovation where the Government of Karnataka is determined to support every startup and entrepreneurs by providing full assistance in every possible manner.
- Startup fintech platforms are having a rapid expansion in mutual fund investor base that allows the small value Systematic Investment Plans (SIPs) to help the investors distribute the financial products at lower costs. According to data from the asset management companies, fintech startups added lakhs of new SIPs every month and it has been emerged as the top distributors of mutual fund products,
- Financing platform Get Vantage launched a Software as a Service (SaaS) accelerator fund of rupees 250 crore to help business to business startups scale without any equity dilution. The accelerator fund is an extension to their earlier fund launched in the year 2022 of about rupees 65 crore. Get Vantage has fully deployed original corpus and has set aside nearly four times the amount for the follow-on fund that gives inbound interest from hundreds of SaaS founders over the past 12 to 18 months.
- Aquaculture technology platform "Aquaconnect" signed a Memorandum of Understanding (MoU) with StartupTN, backed by the Tamil Nadu government and Sathyabama University Technology Business Incubator to launch "The Fish Tank" to promote innovation in the Indian aquaculture sector by providing a platform for the early-stage startups and entrepreneurs to showcase their ideas to the world and also to promote the blue economy initiatives within the Tamil Nadu state.
- Till now more than 8,204 startups have been given exemption from norms under angel tax out of 10,939 startups that have applied for exemption from angel tax as per the data provided by the Department for Promotion of Industry and Internal Trade in India, that which recognizes Indian startups as per specific criteria.
- Angel investing platform Inflection Point Ventures (IPV) is recently launching an accelerator programme called IPV Idea school where a six-week nationwide programme has been initiated for early-stage entrepreneurs looking to take their startups from the idea stage to accelerate at an MVP (minimum viable product) stage. The programme initiates to give an edge to the startups as they will not only secure early-stage funding but also get an opportunity to grow and scale their startup rapidly with IPV's rich network and strategic guidance.

Market Report: A Recap of the Key Developments for the month of December 2023

Introduction

As we delve into the last month of the year 2023, it becomes imperative to analyze the noteworthy events and trends that shaped the Indian stock market landscape in December. The stock market is a dynamic entity, influenced by a myriad of factors ranging from economic indicators to global events. In this note, we will explore key developments that unfolded during this crucial period, shedding light on market movements, regulatory changes, and noteworthy corporate activities.

Market Performance

In December 2023, the Indian stock market maintained its ascent, capitalizing on the favorable momentum that had been established the previous month.

The market maintained its resilience and expansion in spite of the obstacles presented by the Omicron, a novel iteration of COVID-19, and the reduction in the bond-buying program initiated by the US Federal Reserve.

In November, the BSE Sensex and NSE Nifty both peaked at an all-time high of 66,666.66 and 20,000.00, respectively. In December, they surged to 72,240 and 21,800, showcasing the market's resilience and positive sentiment.

Fig 1: Nifty 50 during the month of December 2023

Numerous elements contributed to the market's success, including robust economic recovery, favorable policy measures, strategic sectoral growth, and robust corporate earnings.

Amidst the global pandemic, the Nifty IT index exhibited the highest performance among all sectors in December, amassing 1.29% on the final trading day of the month. This surge can be attributed to the robust demand for digital services and solutions.

The year 2023 witnessed the highest sectoral performance of the Nifty Realty index, which surged more than 80% year-to-date. This surge reflected the real estate industry's recovery from the closure measures and the environment of low interest rates.

The Nifty Midcap and Nifty Smallcap indices surged by as much as 50% in 2023, surpassing the performance of the benchmark indices. This upward trend signifies the widespread engagement and recuperation of the market.

The government's endeavours to stimulate the manufacturing and infrastructure sectors, including the introduction of the Production Linked Incentive (PLI) programme for fourteen sectors and the declaration of the National Monetisation Pipeline (NMP) to generate revenue from public assets, were met with a favourable reaction from the market as well. During the month of December 2023, under the PLI program, the Ministry of New and Renewable Energy awarded letters of award to 34 companies for the establishment of 48.3 GW of solar PV module manufacturing capacity. Incentives ranging from ₹ 2.25 to ₹ 2.75 per watt of installed capacity will be awarded to the companies. The guidelines for the PLI scheme for the food processing industry were published by the Ministry of Food Processing Industries. This initiative is designed to strengthen the supply chain infrastructure and facilitate the emergence of global leaders in food manufacturing. With an expenditure of ₹ 10,900 crores, the program will provide advantages to 500 food processing units.

In December 2023 and for the entire year of 2023, the Indian stock market demonstrated exceptional performance, resilience, and growth, surpassing numerous international peers and establishing itself as a highly appealing investment hub globally.

RBI Policy

The Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) met in December and decided to maintain the policy repo rate at 6.50 percent. In addition, the MPC maintained an accommodating monetary policy stance to aid in the recovery of the economy and lessen the effects of the COVID-19 pandemic.

On December 8, 2023, the monetary policy statement was presented by the Governor of the Reserve Bank of India (RBI), Shri Shaktikanta Das. In it, the RBI provided an update on domestic and international macroeconomic developments, inflation and growth projections, liquidity and financial market conditions, as well as the regulatory and developmental initiatives it has implemented.

The RBI announced several significant regulatory and developmental measures in December 2023, including the following:

i) The deadline for the implementation of the Legal Entity Identifier (LEI) system for non-individual entities engaged in non-derivative markets has been extended by the RBI to March 31, 2024. Transparency is increased and risks are diminished through the LEI system's identification and verification of parties to financial transactions, which is a global standard.

ii) The Centralised Payment Systems (CPS) Access Framework was implemented by the Reserve Bank of India (RBI) in order to enable a broader range of non-bank entities, including payment system operators, prepaid payment instrument issuers, white label ATM operators, and so forth, to utilise centralised payment systems (RTGS) and NEFT. The primary objective of the framework is to foster efficiency, competition, and innovation within the payment system domain.

iii) To improve the security and convenience of card payments, the RBI issued guidelines for tokenisation of card transactions, which involves substituting the actual card details with an alternative identifier or token. The eligibility criteria, governance framework, and operational requirements for entities engaged in tokenisation services are delineated in the guidelines.

iv) Individual housing loans, or loans made to individuals for the purchase or construction of residential properties, had their risk weights revised by the RBI. Applicable to all newly approved housing loans initiated on or after January 1, 2024, the revised risk weights are determined by the loan-to-value (LTV) ratio, wherein the loan amount is divided by the property's value. As a result of the anticipated reduction in capital requirements, banks are anticipated to be more inclined to extend loans to the housing sector.

v) Effective January 1, 2024, the RBI increased the transaction limit for contactless cards from ₹2,000 to ₹ 5,000 per transaction. Additionally, the per-transaction limit for e-mandates involving recurring card and Prepaid Payment Instrument (PPI) transactions was raised from ₹ 2,000 to ₹ 5,000. The objective of these measures is to increase the prevalence of digital payment systems and decrease the dependence on physical currency.

Policy Decisions by Securities and Exchange Board of India (SEBI):

The important policy steps taken by SEBI in the month of December 2023 is as below:

i) In December, SEBI issued a circular proposing amendments to the provisions outlined in Chapter XXI of the NCS Master Circular, which pertains to the registration and regulatory framework for Online Bond Platform Providers (OBPPs). The objective of the circular is to enhance the efficiency of the registration procedure, establish uniformity in eligibility criteria, and enforce compliance obligations for OBPPs. These entities facilitate the online trading and settlement of bonds issued by public sector undertakings, financial institutions, and corporations.

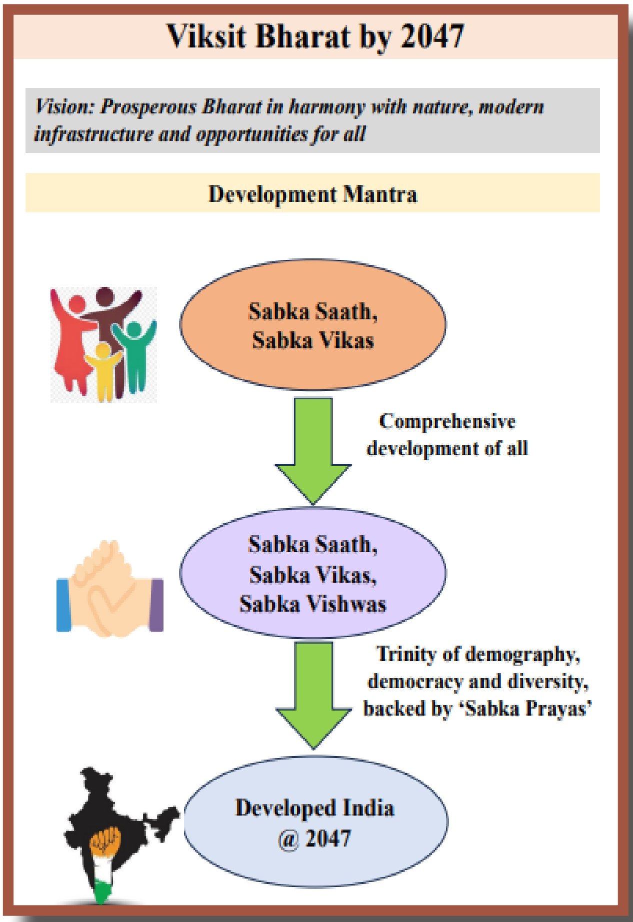
ii) In December, SEBI implemented a framework known as the Social Stock Exchange (SSE). This framework was designed to facilitate the listing and trading of securities issued by voluntary organizations and social enterprises on a distinct segment of established stock exchanges. The framework delineates the parameters for such issuers to meet, including the disclosure standards, reporting obligations, and eligibility criteria. Additionally, it delineates the functions and obligations of intermediaries, including information repositories, social auditors, and impact valuers.

iii) Disputes arising from transactions in securities, derivatives, mutual funds, collective investment schemes, portfolio management services, and depository services are now encompassed within the purview of online dispute resolution. All registered intermediaries, including stock brokers, depository participants, mutual fund distributors, and others, as well as their clients, are obligated to utilize the online dispute resolution mechanism. The integration of the online dispute resolution platform with the SEBI Complaint Redressal (SCORES) Platform, a centralized web-based system designed to address investor complaints against listed companies and market intermediaries, has resulted in streamlined and expedited procedures. Specifically, the online dispute resolution process now offers online fee payment and document submission, online communication, online arbitration, and online complaint filing and fee payment.

UNION BUDGET HIGHLIGHTS (2024-25)

The Union Finance Minister Nirmala Sitharaman presented the interim budget for the financial year 2024-25 on 1st day of February, 2024.

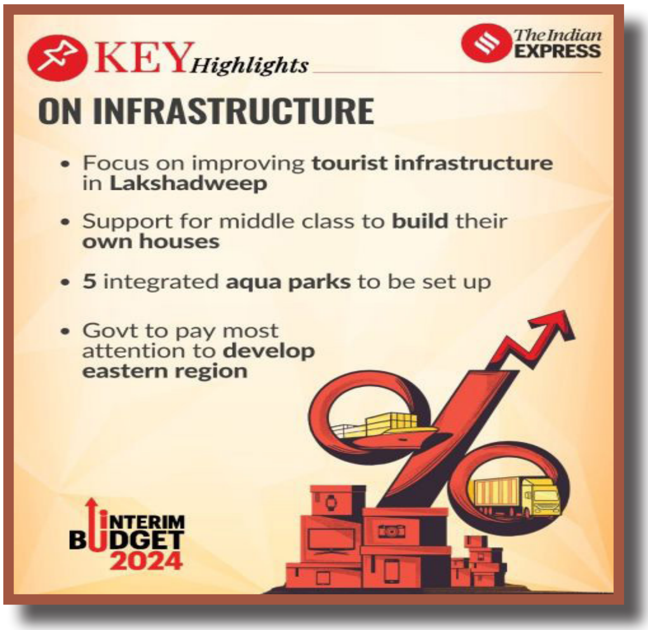
With the vision of Sabka Saath, Sabka Vikas leading to Sabka Saath, Sabka Vikas, Sabka Vishwas and finally to the dream destination of 'Viksit Bharat' by 2047 (Developed India @2047). Poor, women, youth and farmers — their needs, their aspirations will guide country's growth. Indian economy has witnessed a major transformation in the last 10 years.



The key highlights of the budget:

- The revised fiscal deficit — the gap between government's revenue and expenses — is at 5.8% of the GDP for 2023-24 (FY24). For FY 25 it is expected to be 5.1% of GDP. Reduction of fiscal deficit below 4.5% of the GDP by FY 2025-26 is the target.
- Allocation of ₹1.27 lakh crore towards the Ministry of Agriculture and Farmers Welfare.
- There is no change in the income tax slabs and tax rates.
- Government has decided to withdraw outstanding direct tax demands up to ₹25,000 for the period up to financial year 2009-10 and up to ₹10,000 for financial years 2010-11 to 2014-15.
- Tax exemptions provided to start-ups extended till 31st March, 2025.
- Increase in the number of tax filers increased by 2.4 times. Direct tax collection increased by almost three times since 2014. Tax receipts have been estimated to be ₹26.02 lakh crore in 2024-2025.
- Another 2 crore households to be brought under Pradhan Mantri Awas Yojana (Gramin) in next 5 years.
- New scheme for middle class people housing to be announced soon. Beneficiaries will include those living in rented house or living in chawls and unauthorized colonies.
- ₹11.11 lakh crore allotted for infrastructure in FY 2024-25.
- For women empowerment, 30 crore Mudra loans announced for women. Female enrolment in higher education witnessed a growth of about 28% in 10 years. 70% of PM Awas Yojana Homes are either solely or jointly owned by women.

- Ayushman Bharat cover will be extended to all Anganwadi and Asha workers.
- 40,000 normal rail bogies will be converted to Vande Bharat to enhance the safety, convenience, and comfort of passengers. Key rail infrastructure projects including Metro Rail and Namo Bharat will be expanded to more cities.
- Three major economic corridor programmes namely energy, mineral and cement corridors, port connectivity corridors, and high traffic density corridors announced to improve operations of passenger trains and improved air connectivity. The objective is to improve logistics efficiency and reduction of cost.
- A corpus of ₹ 1 lakh crore will be established with 50-year interest free loan provided. The corpus will provide long term financing and re-financing with long tenures at low or nil interest rates. This will encourage the private sector to scale up research and innovation significantly in sunrise domains which is going to be a golden opportunity for tech-savvy youths.
- Expediting Atma Nirbharta by launching new schemes for strengthening the deep tech technology for defence purposes. Combination of youth power and technology to be focused.
- Committees to be set up to look after the proposal of setting up new medical colleges through utilisation of the "existing hospital infrastructure under various departments".
- Vaccination for girls in the age group of 9 to 14 years for prevention of feminine cancer.
- Enhancement in dignity of women by making triple talaq illegal, reservation of 1/3rd seats for women in Lok Sabha and state assemblies, and giving over 70 per cent houses under the PM Awas Yoajana in rural areas.
- 'Lakhpati Didi' aiming at upliftment of economic status of rural poor women, target enhanced from 2 crore to 3 crore. 83 lakhs SHGs with 9 crore women already benefitted.
- Long term interest free loans will be provided to States to encourage development in tourism sector. Tourism to be promoted in Lakshadweep.



- 1 crore households to obtain upto 300 units of free electricity every months by means of roof-top solarization scheme to be launched as per commitment of Prime Minister.
- The government aims to achieve 'net zero' by 2070. Focus on more use of electrical vehicles. Green energy conservation to be prioritized by Viability gap funding harnessing offshore wind energy potential for the initial capacity of one giga-watt, Coal gasification and liquefaction capacity of 100 MT to be set up by 2030, blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes will be made mandatory, Financial assistance will be provided for procurement of biomass aggregation machinery to support collection.
- More training to be provided to MSMEs so that they can compete globally.
- 11.8 crore farmers have been provided financial assistance.

- Government's focus is on GDP i.e. Governance, Development and Performance.
- As far as social justice is concerned, government is working with an approach to development that is all-round, all pervasive and all inclusive.
- Target to bring inclusive growth by focusing on empowering farmers, women and young population.
- Research and Innovation: A corpus of ₹ 100,000 crores to be provided with 50-year interest free loan. The corpus will provide long-term financing options for the private sector to scale up research and innovation significantly in sunrise domains.

The next full budget will be presented in July after formation of new government owing to Lok Sabha election.

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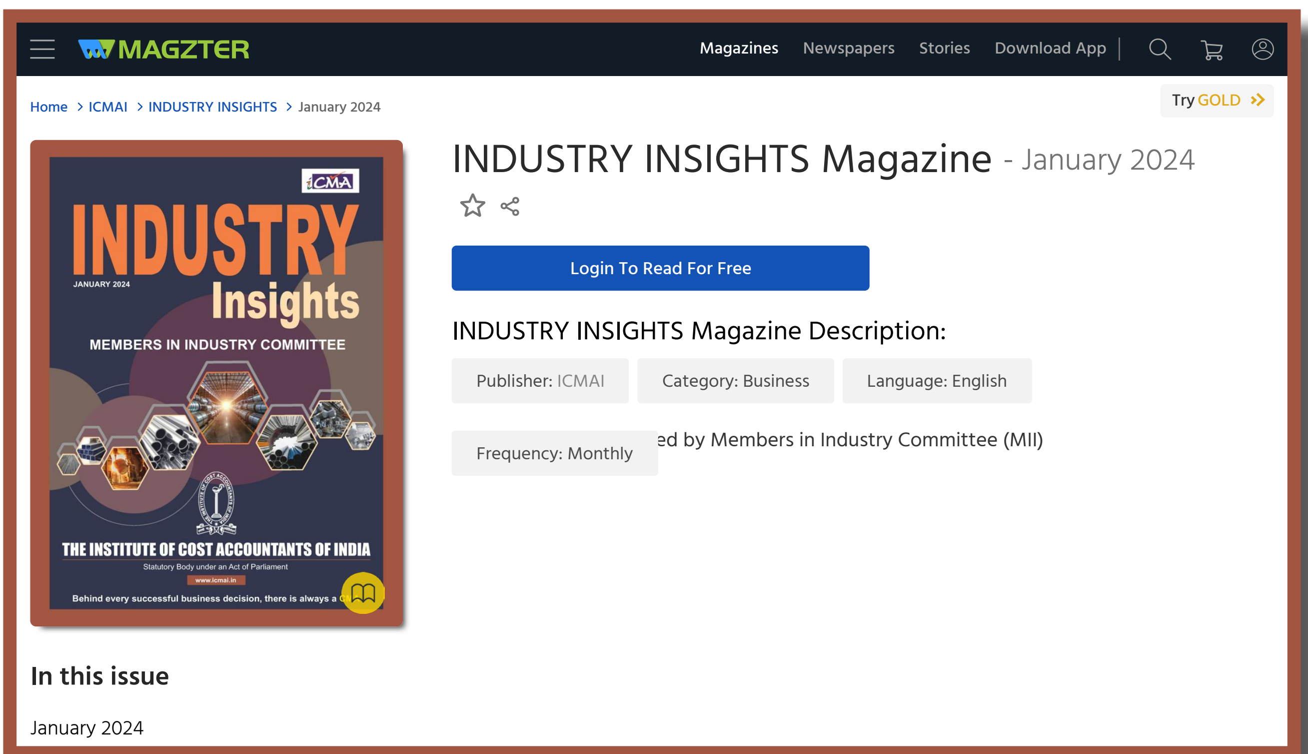

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