



**SHRI RAM CONSULTING AND RESEARCH CENTRE**

# **THE COMPENDIUM**

**BUSINESS AND ECONOMICS NEWSLETTER**



**APRIL 2023**



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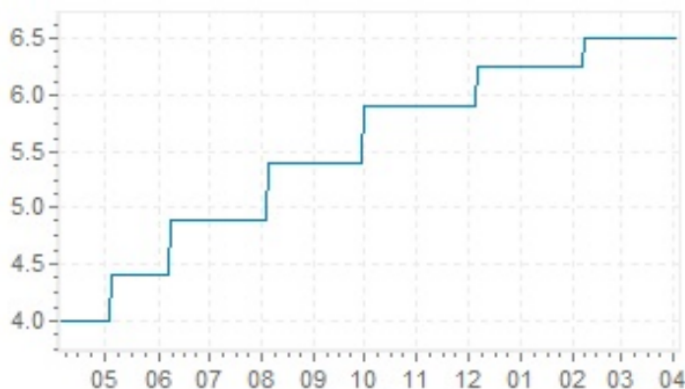
# ECONOMY

## 01 RBI MONETARY POLICY FAVORABLE TO BORROWERS, COULD MEAN MORE CONSUMPTION

To the amazement of economists and market observers, the Monetary Policy Committee has chosen to take a break after six straight rate increases. However, RBI has made it quite clear that this is not a pivot; it is just a halt.

The high retail inflation was the primary driver of the RBI's earlier rate increases, but after falling below 6% in December 2022, it rose once again to 6.44% in February 2023. In case it falls below 6%, RBI may be able to extend the hiatus in the hiking cycle in the near future. Yet, the possibility of another repo rate increase cannot be fully ruled out unless inflation declines significantly over time.

The pause has quite a different impact on different groups. For the borrowers, there won't be any unpleasant surprises in terms of an EMI at least for the foreseeable future. However, for the FD depositors who were expecting another interest rate hike, the decision has been quite disappointing. Overall, the market is glad that this growth is being given a slight boost because the cost of capital has not yet materialized.



## 02 SRI FOREIGN TRADE POLICY INCORPORATES INDIA'S "STRATEGIC AND ECONOMIC INTERESTS" INTO TRADE TRANSIT TIES

On March 31, 2023, Piyush Goyal, Minister of Commerce and Industry, released the "Foreign Trade Policy 2023" in New Delhi alongside Minister of State Anupriya Patel and Commerce Secretary Sunil Barthwal.

The previous FTP 2015-20 placed several restrictions over the transit of goods. However, According to the FTP 2023, the transit of goods must be authorized and controlled in accordance with India's strategic and economic interests as well as any bilateral agreements it may have with those nations.

The new policy's changed provisions, as well as a subtle shift in the stance on trade with neighboring countries, may worry some landlocked countries around India, such as Nepal and Bhutan, which rely on goods transit through India.

# FINANCE

## **01 INDIA'S TOURISM SECTOR CONTRIBUTED TO A SUBSTANTIAL INCREASE OF 107% IN FOREIGN EXCHANGE EARNINGS IN 2022.**

- The tourism industry has a priority for the economic development of many countries in the world because it is a large source of export earnings while also being an important factor in creating employment opportunities, promoting cultural exchange, and contributing to the overall economic growth.
- According to the tourism ministry's data, foreign tourist arrivals (FTAs) in India surged from 15.2 lakh in 2021 to 61.9 lakh in 2022, contributing to a remarkable 107% increase in foreign exchange earnings from tourism.
- The ministry has also set up a 24x7 multi-lingual tourist info-helpline on the toll free number in 12 different languages.



## **02 FINANCING WORTH \$5.3 BILLION IS SET TO BE PROVIDED BY SOUTH KOREA TO THE FIRMS OPERATING IN THE ELECTRIC VEHICLE BATTERY INDUSTRY.**

- In an effort to secure technology prowess, South Korea seeks to establish a "mother factory" or a hub of cutting-edge technology development, research, production and other core functions at home.
- The South Korean government has announced to provide \$5.32 billion as financial assistance to battery makers who plan to invest in infrastructure in North America over the next five years to help them manage the impact of the U.S. Inflation Reduction Act.
- Government support will include lowering lending rates and insurance premiums by as much as 20% as well as providing more loans and tax credits for Korean firms' battery and material production facilities in the region.





# INTERNATIONAL NEWS

## **01 CHINA ANNOUNCES DRILLS AROUND TAIWAN AFTER US SPEAKER MEETING**

Taiwan President Tsai Ing- Wen Met Speaker, Kevin McCarthy, US house of representatives in Los Angeles on April 5, 2023. A day after the Taiwan President returned from a trip to the US, China announced that it would begin three days of military drills around Taiwan on 8 April 2023.

Taiwan's Defense Ministry stated that it was keeping a close eye on the situation, exercising extreme caution, and would take applicable action to cover the security of the islet. According to the ministry, China uses it as defense for military drills, seriously risking indigenous peace, stability, and security. On the other hand, China states that the Chinese government's countermeasures are all part of its licit and legal measures to cover its home and public sovereignty.

Tsai will meet a delegation of American lawmakers that's traveling there, led by Michael McCaul, president of the House Foreign Affairs Committee later on 8 April 2023.



# INTERNATIONAL NEWS

## 02 US ABORTION PILL RULING

Mifepristone, a medication frequently used to end pregnancies, had its FDA approval suspended by a federal judge in Texas, casting doubt on the drug's future.

An hour later, however, a judge in Washington State made a different decision, mandating that access to the drug be maintained in 17 states.

The pill has been legal for more than 20 years and the conflict will now probably reach the US Supreme Court.

While the FDA appeals, nothing will change for seven days. It's unclear how far the choice will go even after that. Legal authorities claim that the FDA is not required to follow Kacsmaryk's decision, despite the fact that the FDA has historically tended to be overly cautious when regulating mifepristone. The future of the drug is even less certain as a result of the conflicting Washington ruling.

Although Kacsmaryk's ruling is likely to be quickly appealed by the FDA, there will likely be considerable confusion regarding the drug's legal standing for some time.





## **01** MINISTRY OF I&B SIGNED AN AGREEMENT WITH AMAZON TO SUPPORT INDIA'S CREATIVE ECONOMY

It is a multifaceted collaborative between several entities of the Ministry of I&B and different verticals of Amazon jointly developing the idea of helping India's creative talent.

Ways to support the creative industry:

- Alexa All India Radio powered by Prasar Bharti would be broadcasting educational content.
- Amazon Prime video and miniTV plan to undertake skill development and offer internships and scholarships to the students of Indian Film Institute and Satyajit Ray Film and Television School.
- Movies created under India's foreign co-production shall be made accessible to a global audience by Amazon Prime Video.
- Amazon.in will provide a reliable platform for the promotion of various types of books and magazines.



## **02** FACEBOOK'S NEW VIRTUAL REALITY VERSION

- In an effort to secure technology prowess, South Korea seeks to establish a "mother factory" or a hub of cutting-edge technology development, research, production and other core functions at home.
- The South Korean government has announced to provide \$5.32 billion as financial assistance to battery makers who plan to invest in infrastructure in North America over the next five years to help them manage the impact of the U.S. Inflation Reduction Act.
- Government support will include lowering lending rates and insurance premiums by as much as 20% as well as providing more loans and tax credits for Korean firms' battery and material production facilities in the region.

## **01 ESG (ENVIRONMENTAL, SOCIAL AND GOVERNANCE) INVESTMENTS GAINING ATTRACTION IN APRIL 2023**

- The rising concerns for sustainability and responsible corporate behavior among investors has led to a rise in spending in the ESG sector. Many companies across various industries are contributing to ESG investments by prioritizing environmental, social and governance factors in their business practices.
- Companies like Tesla and Unilever for example have been recognized for its sustainable efforts and commitment to achieve zero net emissions by 2039.
- Reasons for prioritization of ESG Investments:
- Social inequality and human rights issues are becoming an important consideration for investors.
- Investors who prioritize ESG factors can help ensure that companies are transparent, accountable and don't suffer from governance failures.
- Changing global scenarios is generating new initiatives to promote sustainable investing. Investors who mainstream ESG are better positioned to navigate these changes and take advantage of new opportunities.
- It's been noticed that companies that prioritize ESG factors in their operations tend to outperform their peers over the long term.





## **02 NSE REDUCES NIFTY BANK LOT SIZE TO DISRUPT RETAIL MARKETS**

- NSE has reduced the market size of Nifty Bank futures and options from 25 to 15 that shall be applicable to the contracts starting from July 2023 while the Nifty 50, Nifty Financial Services and Nifty Midcap Select indices will remain unchanged at 50, 40 and 75 respectively.

### **What's expected now?**

- Retail investor: With a smaller lot size, they will need to buy more lots to make a meaningful investment that can result in higher transactional cost affecting the profitability.
- Brokerages: Likely to experience a decline in revenue as a result of reduction in the lot size.
- Regulators: Regulators might view this reduction in the lot size as a positive step towards increasing retail participation in the market.

Market Makers: With the smaller lot size, market makers will have to increase their spreads to maintain the profitability, which could negatively impact liquidity in the market.



# MEDIA AND TECHNOLOGY

## **01 A PROJECTION FOR 2023 SUGGESTS THAT INDIA'S IT SPENDING WILL REACH \$108.5 BN IN TOTAL**

- IT investment among Indian firms is expected to hit \$108.5 billion in 2023, while worldwide IT spending is projected to grow by 5.5% from 2022, reaching \$4.6 trillion in the same year.
- Every region across the world is predicted to see growth in IT spending in the next year, despite the ongoing economic turbulence, according to the Gartner report.
- Furthermore, the report stated that the software segment will witness growth in double digits this year, since the enterprises are prioritizing spending on software-driven initiatives that will improve productivity, automation, and help them stay ahead in the competition.

## **02 INDIA : A MAJOR BIOECONOMY ON THE GLOBAL STAGE, CREDITS TO BIOTECH STARTUP SECTOR**

- Biotechnology sector is recognized as one of the key drivers for contributing to India's USD 5 Trillion economy target by 2024.
- Minister of State for Science and Technology, Dr. Jitendra Singh said that India has developed four indigenous Vaccines in just two years under 'Mission COVID Suraksha', augmented the manufacturing of Covaxin, and created necessary infrastructure for smooth development of future vaccines to make the country pandemic ready.
- It was further announced that India has climbed from the 81st to the 40th rank in the Global Innovation Index 2022 stating the Indian Economy as the backbone of the world's economy.

### IT Investments





# CONSULTING FIRMS

## 01 KPMG AND PWC TO EMBRACE CHATGPT

- World's biggest consultancy firms are now embracing the revolutionary power of Open AI's ChatGPT technology.
- They plan to generate AI with ChatGPT tools to support staff.
- KPMG has even released its own proprietary version of ChatGPT as one of the few companies worldwide to be given access to develop its own private tools.



## 02 TCS WINS BANE NOR SECURITY DEAL

- Bane NOR, a Norwegian government agency responsible for the maintenance, operation and development of the Norwegian Railway Network has chosen TCS to manage its Identity and Access Management making it more secure.
- The TCS teams in Norway and across Europe will be providing the services of spanning identity governance and administration, access management, identity lifecycle management and application management operations to Bane NOR in a well managed services model.



# ANALYSIS REPORT

## E-VEHICLE:

Over the past ten years, there has been significant global growth in the Electric Vehicle (EV) sector. China has emerged as a leader in the EV industry, with advancements in battery manufacturing, charging infrastructure, and new EV model developments. According to retail data from the Indian government's Vahan portal, as of December 31, 2022, just before the start of 2023, India experienced a record year of sales across various vehicle segments, including a significant demand for EVs, totaling 999,949 units. This surge in demand can be attributed to increasing awareness of environmental concerns, government incentives, and a wider product choice for consumers. These factors are expected to drive the future growth of EVs.

ELECTRIC VEHICLE SALES IN INDIA		
Calendar Year	Units sold	% growth
2013	2,693	
2014	2,392	-11.12%
2015	7,772	224.95%
2016	49,065	531.22%
2017	86,120	75.52%
2018	1,27,576	48.13%
2019	1,63,459	28.12%
2020	1,21,654	-25.57%
2021	3,22,871	165.40%
2022	9,99,949	209.70%
<b>Total EVs sold</b>	<b>18,83,551</b>	

Data: Vahan



# ANALYSIS REPORT

GROWTH OF THE INDIAN EV INDUSTRY: HOW EV SALES HAVE ACCELERATED OVER 10 YEARS							
Year	2-wheelers	3-wheelers	4-wheelers	Buses	Goods carriers	Total	YoY growth (%)
2013	1,989	36	374	1	43	2,443	
2014	1,678	12	481	3	20	2,194	-10.19%
2015	1,454	5,399	678	3	19	7,553	244.25%
2016	1,459	46,561	621	4	54	48,699	544.76%
2017	1,523	82,238	820	17	533	85,131	74.81%
2018	16,572	1,08,289	988	49	657	1,26,555	48.65%
2019	29,756	1,31,375	847	468	53	1,62,499	28.40%
2020	28,632	88,227	3,179	88	13	1,20,139	-26.06%
2021	1,53,523	1,53,679	12,112	1,177	1,084	3,21,575	167.66%
2022	6,22,337	3,37,335	37,792	1,932	453	9,99,849	211.00%
<b>Total</b>	<b>8,58,923</b>	<b>9,53,151</b>	<b>52,898</b>	<b>3742</b>	<b>2,929</b>	<b>18,76,637</b>	
Data: Vahan							

India has set ambitious targets of 25% to 35% electric two-wheeler penetration and 65% to 75% electric threewheeler penetration by 2030, along with a focus on passenger vehicle electrification. As part of the Budget 2023-24, the government has taken steps to accelerate the growth of the Electric Vehicles (EV) sector in India. This includes the continuation of concessional duty on components of lithium-ion batteries for another year and a reduction in indirect taxes from 21% to 13%. Additionally, the announcement of the Production Linked Incentive Scheme with an allocation of Rs 74,850 crore, which covers electric vehicles, aims to boost domestic manufacturing and lower battery production costs, launched in 2021. Electric vehicles are considered the driving factor towards electric mobility, and the government is actively encouraging the implementation of EV charging stations through capital subsidies offered under the Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicles in India (FAME) India Scheme Phase II, as well as state-level measures. To support the goal of achieving 30% EVs on the road by 2030, the government has also implemented purchase reductions, lower road taxes, scrapping, and retrofit incentives across various vehicle categories. The high cost of oil imports, increasing pollution levels, and India's international responsibilities to combat climate change are the key driving forces behind the recent measures taken by the government to accelerate the transition to e-mobility in the country, and to promote the adoption of EVs as a viable option for consumers.

# ANALYSIS REPORT

## Let us look into some Government Policies and Incentives for Electric Vehicles in India

The Indian government has been actively supporting the development of India as a global leader in the electric vehicle (EV) sector through various schemes and incentives. These initiatives are aimed at boosting the demand for EVs, encouraging manufacturers to invest in research and development of electric vehicles and related infrastructure. Some of the key government policies and incentives for EVs in India include FAME-II (Faster Adoption and Manufacturing of (Hybrid and) Electric Vehicles in India) scheme, PLI (Production Linked Incentive) scheme, Battery Swapping Policy, Special Electric Mobility Zone, and Tax Reduction on EVs.

### 1. FAME-II :

The FAME India Scheme, launched on April 1, 2015, is a government initiative in India aimed at reducing the use of diesel and petrol-powered vehicles in the country. It is a key component of the National Electric Mobility Mission Plan (NEMMP) of the government, with the goal of promoting the sale of 6-7 million electric and hybrid vehicles by 2020. The scheme is administered by the Ministry of Heavy Industries and Public Enterprises, overseeing its implementation.

- The first phase of the scheme was an experimental phase and it was divided into four vital areas
  - Demand creation
  - Technology Platform
  - Pilot Project
  - Charging Infrastructure

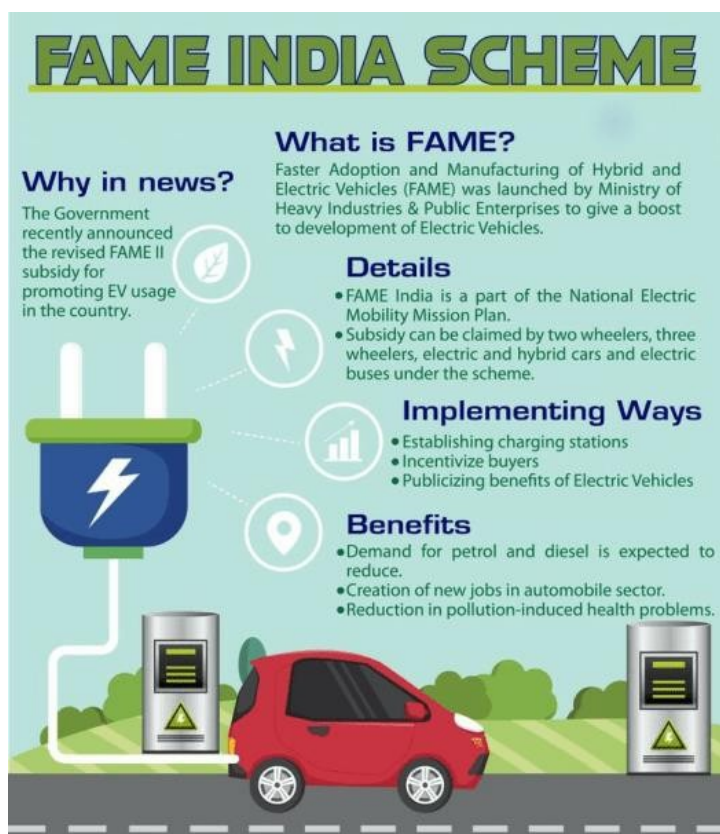
The FAME II scheme, introduced in April 2019 with a budget allocation of Rs 10,000 crore, was designed to support the adoption of electric vehicles in India. The scheme aimed to facilitate the purchase of 5,00,000 e-three-wheelers, 7,000 e-buses, 55,000 e-passenger vehicles, and a million two-wheelers. Initially planned to end in 2022, the FAME II scheme has been extended till 31 March 2024 as part of the National Electric Mobility Mission Plan (NEMMP) Phase II, as announced in the budget for FY2022-23 by the Government of India.

# ANALYSIS REPORT

- As of January 2023 DHI has sanctioned 6690 Electric Buses, 3.32 Lakh Electric Vehicles in addition of 3297 Charging stations across the country
- The Demand creation part of the scheme was realized by making the vehicles affordable by reducing the cost of those in the first phase
- The authorities made observation in the four-year time span of the scheme that there were not sufficient charging stations to support the electrical vehicles.
- This issue is being addressed in this follow-up phase of the scheme

## Objective :

The primary goal of the scheme is to decrease the reliance on fossil fuels by replacing diesel/petrol vehicles with electric vehicles, as a response to the rising population and transportation demands that contribute to increased fuel consumption and pollution. The scheme promotes the concept of sustainable and affordable electric vehicles for the general public, while also aiming to position India as a global leader in automotive manufacturing, with a particular emphasis on promoting the use of electric two-wheelers in metropolitan cities. Additionally, the scheme underscores the need for increased manufacturing of charging stations for electric vehicles and provides subsidies to support their establishment and implementation.





## 2. Production-linked incentive (PLI) Scheme :

- The Government of India has revised a production-linked incentive (PLI) scheme with a reduced budget of US\$3.54 billion to promote the local production of electric vehicles (EVs) and hydrogen fuel cell vehicles.
- The revised scheme is expected to benefit 10 vehicle manufacturers, 50 auto component makers, and 5 non-automotive investors, with a goal of building a domestic manufacturing capacity of 50 GWh for advanced automotive components (ACC).
- The scheme will be effective from FY'23 for a period of five years, using FY'20 as the base year for eligibility. Several prominent Indian companies, including Reliance, Hyundai, Ola, and M&M, have already submitted bids totaling around 130 GWh under the PLI scheme.
- The scheme covers 22 components related to auto components, such as flex fuel kits, hydrogen fuel cells, hybrid energy storage systems, charging ports, drive trains, electric vacuum pumps, and electric compressors for EVs.
- The objective is to promote localization of the EV supply chain, boost manufacturing capacity, reduce dependence on imports, and foster growth in the electronics industry and technological capabilities in India. The revised PLI scheme offers multiple advantages to EV manufacturers, including direct subsidies to consumers who purchase EVs, and it covers both the cell battery and automobile component sectors. This is expected to result in lower prices for EV products, making them more affordable to customers and driving the growth of the EV industry in India.

# ANALYSIS REPORT

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## Benefits:-

- Enhanced exports and minimising dependence on imports for high end steel
- Bring in investment of approximately **₹40,000 crores**
- Employment generation potential of about **5.25 lakh**
- Capacity addition of **25 MT**
- Will incentivize steel sector to invest in technological capability building to contribute to global steel value chain



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## 3. Battery Swapping Policy :

The Finance Minister has announced the government's plan to implement a Battery Swapping Policy in India, with the aim of standardizing EV batteries across the country, particularly for time-sensitive service sectors like deliveries and inter-city transportation. Battery swapping allows EV owners to exchange discharged batteries with fully charged ones at designated swapping stations, addressing concerns about range anxiety and battery replacement costs. According to the proposed policy, customers can visit energy operator outlets, lease charged batteries, and pay for the energy consumed. Energy operators will purchase batteries in bulk and set up swapping stations similar to petrol pumps for convenient battery exchanges. However, unlike traditional internal combustion engine (ICE) vehicles that can refuel at any petrol pump, EV owners will need to sign agreements with energy operators to participate in battery swapping. This policy is expected to introduce disruptive business models such as Battery-as-a-Service (BaaS) and leasing, allowing EV owners to avoid owning the battery, which can account for a significant portion of the total vehicle cost. This will help lower the upfront cost of EVs compared to conventional ICE vehicles. Additionally, once battery standards are established, manufacturers will benefit from improved availability of spare parts and potential cost reductions through economies of scale in battery production. Furthermore, EV owners will be eligible for up to a 20% incentive on the subscription or lease cost of the battery, in addition to existing incentives for purchasing clean vehicles.



## 4. State EV policies :

States across India are taking steps to promote electric mobility by implementing their own regulations and policies. Approximately 50% of the states in the country have introduced state-level initiatives to incentivize and encourage the adoption of electric vehicles (EVs) for a sustainable future. One significant aspect of these state policies is the provision of financial incentives such as subsidies, rebates, and exemptions from road taxes and registration fees to promote EV purchases. Additionally, some states offer low-interest loans tailored specifically for EV purchases, making them more affordable for consumers. Furthermore, state-level initiatives are targeting the adoption of EVs in last-mile delivery services and public transportation through incentives and subsidies for EVs used in these sectors and the development of charging infrastructure and battery production facilities. Another important focus of state EV policies is the establishment of infrastructure for battery production and EV charging. This may involve setting up manufacturing facilities for EV batteries and installing charging stations across the state to improve accessibility and convenience for EV owners.

## 5. Duty Reduction on Electric Vehicles :

As part of the budget proposal, the Indian government has recommended a decrease in customs duties on various nickel-related materials used in the production of lithium-ion batteries, which are crucial components of electric vehicles (EVs). The proposed changes include reducing customs duties on nickel ore and concentrate from 5% to 0%, nickel oxide from 10% to 0%, and ferronickel from 15% to 2.5%. Nickel manganese cobalt (NMC) is a significant alloy used in the manufacture of lithium-ion batteries, which are widely used in EVs. However, India relies heavily on imports for these ores as it has limited reserves. The government aims to lower production costs for local EV battery manufacturers by lowering customs duties on these nickel-related materials, making domestic battery production more cost-effective. Additionally, there is a proposal to decrease customs duties on motor parts from 10% to 7.5%. This reduction in customs duties on motor parts is expected to contribute to the overall cost reduction of EVs in India, making them more affordable for consumers. These proposed changes in customs duties are intended to promote local battery manufacturing, reduce dependency on imports, and support the growth of the EV industry in India.

## 6. Special E-mobility Zone :

The Indian government has proposed the creation of dedicated mobility zones exclusively for electric vehicles (EVs), following similar policies implemented in European countries and China. These zones would only allow the operation of EVs or comparable vehicles as determined by the government. The main goal of these dedicated EV mobility zones is to promote the use of EVs and increase their market share. By restricting these zones to only EVs or comparable vehicles, the government aims to create an environment that incentivizes the adoption of EVs as the preferred mode of transportation. This would not only help reduce emissions from traditional combustion engine vehicles, but also alleviate traffic congestion caused by private vehicles on the roads. By mandating the use of EVs or public EV vehicles within these designated zones, the government aims to create a viable market for EVs and foster their usage. This can accelerate the adoption of EVs, stimulate demand in the market, and promote the growth of the EV ecosystem, including charging infrastructure and related services. The establishment of dedicated mobility zones for EVs is part of the government's comprehensive strategy to promote sustainable transportation and reduce dependence on fossil fuels. It is expected to contribute to the growth of the EV market in India and support the transition towards a cleaner and more sustainable mobility future.

# ANALYSIS REPORT

## Summary :

The growing enthusiasm for electric vehicles (EVs) is evident across regions, industries, and philosophies. Many believe that the EV industry has the potential to become a trillion-dollar industry in the future, while also contributing to environmental conservation efforts. In particular, electrifying vehicles in developing nations is considered crucial for rapidly decarbonizing the transportation sector, given the large number of vehicles and their popularity. In this context, the role of government becomes critical. Government subsidy programs, such as incentives for EV purchases, have a visible impact on boosting EV sales. These incentives help make EVs more affordable and accessible to consumers, encouraging their adoption and driving demand in the market. The government's participation in promoting EVs through such incentive programs is crucial in creating a favorable environment for EV adoption. However, government incentives are not the only way to boost EV sales. Manufacturers also play a significant role in driving EV adoption by developing affordable and technologically advanced EV models. Additionally, modifying customer behavior through awareness campaigns and education can also have practical implications in promoting EVs. Successful measures from various stakeholders, including the government, manufacturers, and consumers, demonstrate how collective efforts can address the challenges of promoting EVs and driving their adoption. Overall, it is hoped that the government's measures, including subsidy programs and other initiatives, will enable India to continue on its path towards a greener and more sustainable future by promoting the adoption of EVs, reducing emissions, and contributing to environmental conservation efforts. The collective efforts of various stakeholders will be crucial in accelerating the transition towards a cleaner and more sustainable transportation system.