



# INDUSTRY

JULY - AUGUST 2024

# Insights

MEMBERS IN INDUSTRY & PSUs COMMITTEE



**THE INSTITUTE OF COST ACCOUNTANTS OF INDIA**

Statutory Body under an Act of Parliament

[www.icmai.in](http://www.icmai.in)

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 सदगमय  
तमसोमा ज्योतिर् गमय  
मृत्योर्मा मृतं गमय  
ॐ शान्ति शान्ति शान्तिः

From ignorance, lead me to truth  
From darkness, lead me to light  
From death, lead me to immortality  
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, enrolls 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, 117 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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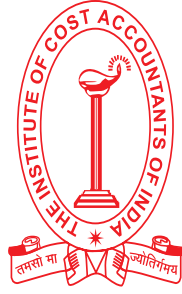


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## MESSAGE

Dear Esteemed Members,

It gives me immense pleasure to extend my warmest greetings to all members of the ICAI fraternity. In this edition of 'Industry Insights,' we turn our focus towards the dynamic and ever-evolving in Neo Banking in India.

This kind of new development in banking & financial services sector plays an important role to growth in the modern banking business in India.

This edition of 'Industry Insights' is intended to enrich the readers about the Neo Banking by providing current updates and value added articles from the experts.

We encourage you to actively engage with the content of this bulletin and participate in the initiatives and discussions.

Your contributions and feedback are invaluable as we continue to support a robust and innovative financial services industry.

Thank you for your relentless support and commitment to excellence.

Warm regards,



CMA Avijit Goswami



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# Neo Banking in India

## New trend in banking

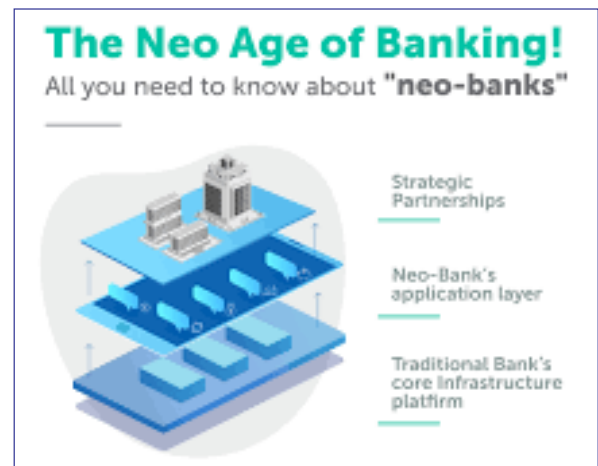


# Neo Banking: The Future of Finance and its Intersection with Fintech

The financial landscape is undergoing a transformative shift, driven by advancements in technology and changing consumer expectations. A neobank is a type of fintech that offers direct banking services to individuals and organizations, without traditional physical branches. Neo Banks, which operate exclusively online without any physical branches, represent a significant evolution in banking. These digital-first financial institutions leverage the power of fintech to offer a seamless, customer-centric banking experience. As the Reserve Bank of India (RBI) does not permit fully-digital banking establishments yet, neobanks in the country use partnerships with physical banks to deliver some of their key services.

## 1. The Rise of Neo Banking

Neo Banks emerged as a response to the limitations of traditional banking systems. Traditional banks, often encumbered by legacy systems and bureaucratic processes, struggled to keep pace with the rapid digital transformation sweeping across industries. Neo Banks, unburdened by physical infrastructure and outdated technology, capitalized on this gap, offering streamlined, user-friendly services that appeal to a digitally-savvy population.

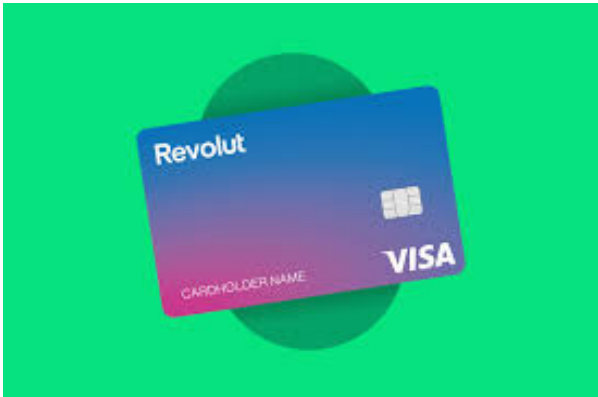


According to a report by Allied Market Research, the global Neo Bank market was valued at approximately \$34.77 billion in 2020 and is projected to reach \$722.60 billion by 2030, growing at a compound annual growth rate (CAGR) of 46.5% from 2021 to 2030. This explosive growth is driven by the increasing penetration of smartphones, internet connectivity, and the rising demand for convenient and efficient banking services.

## 2. Key Players in the Neo Banking Space

The Neo Banking landscape is populated by a diverse array of players, ranging from startups to digital arms of established financial institutions. Some of the notable Neo Banks include:

**Revolut:** Launched in the UK in 2015, Revolut offers a range of services, including currency exchange, stock trading, and cryptocurrency trading. As of 2023, Revolut has over 28 million users globally.



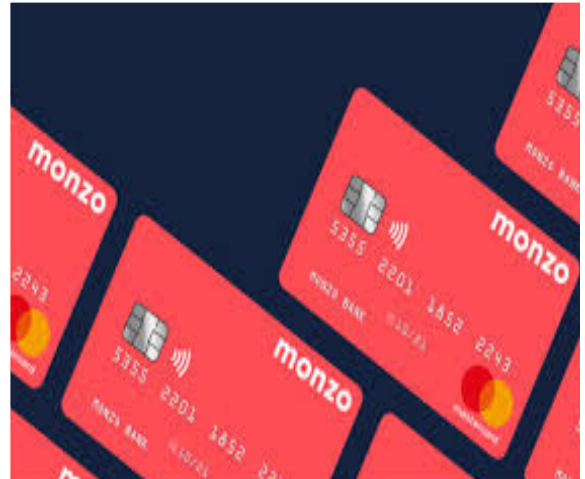
**N26:** A German-based Neo Bank, N26 has grown rapidly since its inception in 2013. It offers a fully digital banking experience and has expanded its services to over 25 countries, serving more than 7 million customers.



**Chime:** An American Neo Bank, Chime, focuses on providing fee-free banking services. Founded in 2013, it has become one of the largest Neo Banks in the U.S., with over 23 million account holders as of 2023.



**Monzo:** Another UK-based Neo Bank, Monzo, is known for its user-friendly app and transparent fee structure. Launched in 2015, Monzo has attracted over 6 million customers.



These players, along with many others, are redefining the banking experience by offering services such as instant account opening, zero-fee transactions, real-time notifications, and advanced budgeting tools.

### 3. The Role of Fintech in Neo Banking

Fintech, short for financial technology, is the backbone of Neo Banking. Fintech innovations have enabled Neo Banks to operate with unprecedented efficiency and scale. Here are some of the key fintech technologies powering Neo Banks:

**Artificial Intelligence (AI) and Machine Learning (ML):** AI and ML are used extensively in Neo Banks for personalized customer experiences, fraud detection, and credit scoring. These technologies analyze vast amounts of data to provide insights that help Neo Banks offer tailored services to their users.

**Blockchain Technology:** While still in its nascent stages within mainstream banking, blockchain offers the potential for secure, transparent transactions. Some Neo Banks are exploring blockchain for cryptocurrency services and cross-border transactions.

**Application Programming Interfaces (APIs):** APIs are crucial for Neo Banks as they enable seamless integration with third-party services. This allows Neo Banks to offer a wide range of services, from insurance to investment products, within a single platform.

**Cloud Computing:** Neo Banks rely heavily on cloud infrastructure to ensure scalability, security, and cost-efficiency. Cloud computing allows these banks to operate without the need for costly physical branches, passing on the savings to customers in the form of lower fees.

**Data Analytics:** Data analytics plays a significant role in understanding customer behavior, optimizing services, and identifying new revenue streams. Neo Banks use big data to drive decision-making processes and enhance customer satisfaction.

#### 4. The Impact of Neo Banking on Traditional Banking

Neo Banks pose a significant challenge to traditional banks, which are often weighed down by legacy systems and regulatory requirements. The flexibility and innovation of Neo Banks have forced traditional banks to rethink their strategies. Many have responded by launching their digital arms or partnering with fintech companies to stay competitive.

According to a report by Accenture, traditional banks could lose up to \$280 billion in revenue to Neo Banks by 2025 if they fail to adapt. This has led to an increase in digital transformation initiatives within traditional banks,

focusing on improving the customer experience, reducing costs, and enhancing operational efficiency.

Moreover, Neo Banks are playing a crucial role in promoting financial inclusion. By offering low-cost banking services accessible via smartphones, Neo Banks are reaching underserved populations, particularly in emerging markets. This has the potential to significantly reduce the number of unbanked individuals globally.

#### 5. Case Study: Neo Banking in India

India provides a compelling case study for the rise of Neo Banking. With over 1.4 billion people, India is one of the largest markets for digital banking services. The country has witnessed a fintech boom, driven by a young, tech-savvy population and supportive government policies.

Several Indian Neo Banks, such as RazorpayX, open, and Jupiter, have emerged, offering a range of services from payments to lending. These Neo Banks have capitalized on the digital payments revolution in India, spearheaded by the Unified Payments Interface (UPI), which saw transactions worth over INR 141 trillion (about \$1.75 trillion) in 2022.



Moreover, the Indian government's push for financial inclusion through initiatives like Jan Dhan Yojana has created a fertile ground for the growth of Neo Banks.

According to the Reserve Bank of India (RBI), the number of digital transactions in India grew by over 60% between 2018 and 2023, highlighting the country's shift towards digital banking.

## 6. Challenges and Risks Facing Neo Banks

Despite their rapid growth, Neo Banks face several challenges and risks:

**Regulatory Compliance:** Operating in a highly regulated industry, Neo Banks must navigate complex regulatory frameworks that vary by country. Compliance with anti-money laundering (AML) and know-your-customer (KYC) regulations is particularly challenging for Neo Banks operating across multiple jurisdictions.

**Security Concerns:** As digital-only platforms, Neo Banks are prime targets for cyberattacks. Ensuring robust cybersecurity measures is critical to maintaining customer trust and avoiding financial losses.

**Customer Trust:** Unlike traditional banks, which have a long history and physical presence, Neo Banks must work harder to build and maintain customer trust. Any security breach or service disruption can severely damage their reputation.

**Profitability:** Many Neo Banks operate on thin margins, relying on venture capital funding to sustain operations. Achieving profitability while offering low-cost services remains a significant challenge for many Neo Banks.

## 7. The Future of Neo Banking

The future of Neo Banking looks promising, with continued growth expected in the coming years. Several trends are likely to shape the future of this sector:

**Expansion into New Markets:** Neo Banks are likely to expand into emerging markets, where there is a significant

opportunity for growth. Africa and Southeast Asia are particularly attractive markets due to their large unbanked populations and increasing internet penetration.

**Partnerships with Traditional Banks:** As competition intensifies, we can expect more partnerships between Neo Banks and traditional banks. Such collaborations can leverage the strengths of both parties, offering customers the best of both worlds.

**Increased Adoption of AI and Automation:** AI and automation will play an even more prominent role in the future of Neo Banking. From chatbots providing customer support to AI-driven investment advice, these technologies will enhance the efficiency and personalization of banking services.

**Focus on Sustainability:** With growing awareness of environmental issues, Neo Banks may increasingly focus on sustainability. This could involve offering green financial products or using sustainable practices in their operations.

## Conclusion

Neo Banking represents a paradigm shift in the financial services industry, driven by fintech innovations and changing consumer expectations. As these digital-only banks continue to grow, they are reshaping the competitive landscape, challenging traditional banks, and promoting financial inclusion globally. However, they must navigate significant challenges, including regulatory compliance, cybersecurity, and profitability, to sustain their growth. The symbiotic relationship between Neo Banks and fintech will continue to evolve, with new technologies and business models emerging to meet the needs of a digitally connected world. For consumers, this translates to more choice, convenience, and control over their financial lives.



# INDUSTRY TITBITS

CMA Industry Insights - August 2024 Issue

## Entrepreneurship and Startup News

### • Indian Startups Raise Nearly \$1.6 Bn in August

Indian startups had a strong month in August, raising nearly \$1.6 billion across 112 deals. This is the second-highest funding amount of 2024, following June, and the third-highest in the past 12 months. On a year-over-year basis, August 2024 also ranked at the top for total funds raised. Several factors contributed to the strong fundraising performance in August. First, there were several large funding rounds, including a \$300 million investment in logistics platform Shiprocket and a \$200 million investment in edtech platform Vedantu. Second, there was a surge in interest from investors in growth-stage startups. Third, there were many deals from tier II cities, which is a sign that the startup ecosystem is becoming more decentralized. Fourth, there were several IPOs and major mergers and acquisitions. The strong fundraising performance in August is a positive sign for the Indian startup ecosystem. It indicates that investors are confident in the long-term prospects of Indian startups and that there is a growing pool of capital available to support them.

### • Nazara Tech Acquires 47.7% Stake in PokerBaazi Parent in ₹ 832 Crore Deal

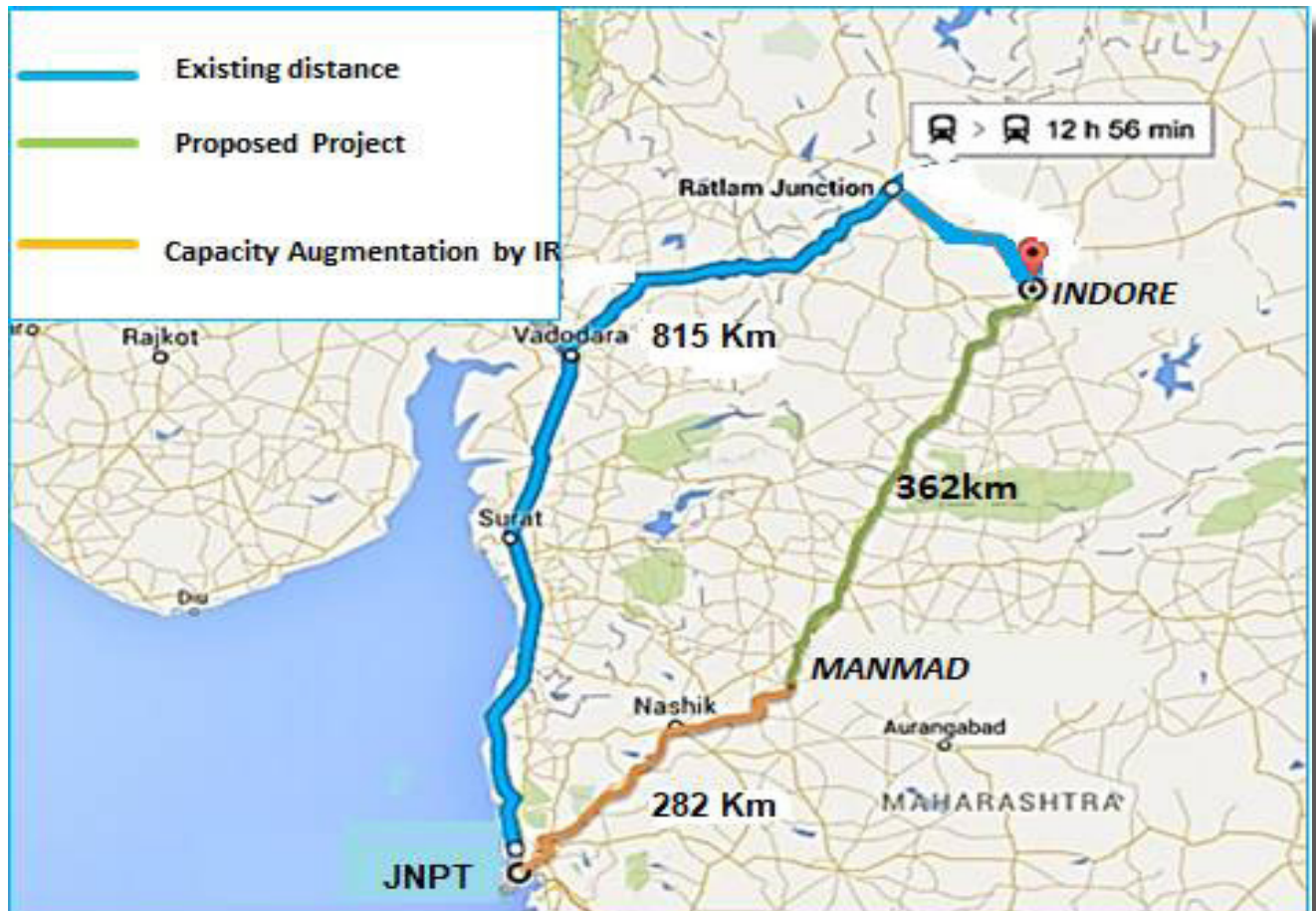
Nazara Technologies has acquired a 47.7% stake in the parent company of Poker Baazi for ₹ 832 crore. This strategic move indicates Nazara's expansion into the online gaming and poker sector, aligning with its focus on diversifying and enhancing its portfolio in the gaming industry. The acquisition underscores the growing interest and investment in online gaming platforms in India.

### • Chennai R&D Centre to Drive Udemy's Growth in India

Udemy's country head has announced that the company's Chennai R&D center will be pivotal in driving its growth in India. The center will focus on developing new technologies and solutions tailored to the Indian market, aiming to enhance the platform's offerings and user experience. This move underscores Udemy's commitment to investing in local talent and adapting its services to better serve Indian learners and professionals, reflecting the company's strategy to strengthen its foothold in one of the world's largest education and training markets.

# Infrastructure News

- **Manmad-Indore Railway Line: Cabinet Approves ₹ 18,036 Crore Project, Boosting Pithampura Industrial Area**



The Indian Cabinet approved the Manmad-Indore Railway Line project in August 2024, with an estimated investment of ₹18,036 crore. This railway line will provide a significant boost to the Pithampur Industrial Area in Madhya Pradesh. The 362 km-long railway line is set to improve connectivity between the northern and southern regions of the country, facilitating smoother movement of goods and services. The primary beneficiaries of this project will be the industrial hubs of Indore, Dhar, and Pithampur. The railway line will serve as a major logistical

advantage, reducing transportation costs and time, making the region more attractive for businesses and investors. Pithampur, a prominent industrial zone, will experience enhanced trade and manufacturing prospects, as the new rail link will ensure faster movement of raw materials and finished products. In addition to bolstering industrial activity, the project is expected to create substantial employment opportunities during its construction phase and once operational, driving economic growth in the region.

## • PM Modi Lays Foundation Stone of Vadhvan Port, Inaugurates 218 Fisheries Projects in Maharashtra's Palghar



In August 2024, Prime Minister Narendra Modi laid the foundation stone for Vadhvan Port in Maharashtra's Palghar district, marking a significant step in enhancing India's maritime infrastructure. The port, once completed, will become one of the country's largest and most advanced, contributing to India's efforts to improve port capacity and efficiency. This project is expected to reduce logistical costs and enhance trade, particularly benefiting the nearby industrial regions. Alongside the port's foundation, PM Modi inaugurated 218 fisheries projects

across Maharashtra. These projects are aimed at boosting the fishing industry's infrastructure, providing better facilities for fish production, storage, and processing. The fisheries sector in Maharashtra plays a critical role in local economies, especially for the coastal communities. The new projects are expected to improve livelihoods, increase exports, and promote sustainable fishing practices. Both initiatives align with the government's broader efforts to modernize India's infrastructure and enhance its global trade footprint.

## • Cabinet Approves Three Railway Track Projects Worth Rs 6,456 Crores

In August 2024, the Indian government approved railway projects worth ₹6,400 crore, aimed at expanding and upgrading the rail network across the country. These projects are a part of the broader initiative to enhance connectivity, improve logistics, and promote regional development. The focus is primarily on constructing new rail lines, doubling existing ones, and electrification of routes, which will help reduce travel time and energy costs. The approved projects are expected to significantly boost trade and movement of goods, particularly in key industrial and agricultural regions. Additionally, these developments are set to create job opportunities during the construction phase and contribute to long-term



economic growth by facilitating better transportation links. This approval is part of the government's continued efforts to modernize the rail infrastructure and align with the Gati Shakti initiative, focusing on multi-modal transport infrastructure.

## • Government Invites Bids to Empanel AI Infra Providers Under ₹ 10,372-Cr India AI Mission

The Indian government has invited bids to empanel providers of Artificial Intelligence (AI) infrastructure under the ₹10,372 crore India AI mission, a significant initiative to bolster the nation's AI capabilities. The India AI mission aims to develop a robust ecosystem for AI research, innovation, and application, positioning the country as a global leader in AI technology. This tender is a crucial step toward building the necessary infrastructure for AI-driven solutions across various



sectors, including healthcare, agriculture, education, and smart governance. By empaneling AI infrastructure providers, the government seeks to ensure access to advanced computing power, data management services, and machine learning frameworks that are essential for AI development. The empaneled providers will be responsible for supplying the hardware, software, and cloud solutions needed to support the mission. The mission aligns with the government's broader Digital India initiative, which focuses on leveraging technology to drive economic growth, improve public services, and foster innovation.

The use of AI is expected to accelerate digital transformation, improve decision-making, and boost productivity across industries. These bids represent a move towards fostering public-private partnerships and ensuring the scalability of AI infrastructure to meet the growing demand for AI applications in the country.

## • Road Ministry to Build 74 New Tunnels at An Estimated Investment of ₹ 1,00,000 Crore Over Next Few Years: Nitin Gadkari

The Indian Ministry of Road Transport and Highways has announced plans to build 74 new tunnels, spanning 273 kilometers, with an estimated investment of ₹1,00,000 crore over the coming years. This initiative is aimed at enhancing the national highway network and tackling the challenges posed by diverse terrains across the country. Union Minister Nitin Gadkari highlighted the importance of integrating global best practices and cost-effective technologies in the construction process. Currently, 69 tunnels, covering 134 km, are already under construction, with an investment of ₹40,000 crore. The government has previously completed 35 tunnels totaling 49 km at a cost of ₹15,000



crore. This expansion is part of India's broader infrastructure development plan, which also includes continuous performance audits of ongoing projects. The project is seen as crucial for improving road safety, especially in regions vulnerable to landslides, floods, and adverse weather conditions.

## • Rural Development Ministry Approves Construction of Roads in Three States Under Central Schemes

The Rural Development Ministry approved the construction of roads in three states under central schemes. The projects approved by Rural Development Minister Shivraj Singh Chouhan include the construction of 60 roads of 152.44 km in



Madhya Pradesh, 117 roads of 745.286 km in Maharashtra and 11 bridges in Kerala. The roads in Madhya Pradesh are being constructed under the Pradhan Mantri Janjati Adivasi Nyaya Maha Abhiyan (PM-JANMAN) at a cost of ₹ 113.58 crore. The roads will be constructed under the Pradhan Mantri Gram Sadak Yojana (PMGSY) in Maharashtra and Kerala at a cost of ₹ 655.66 crore and ₹ 55.28 crore, respectively. These initiatives aim to improve rural connectivity and infrastructure across the states.



# Insurance Sector News

## • General Insurance Growth Slows to 4.5% in August Amid Slower Auto Sales

In August, the growth rate for general insurance slowed to 4.5%, which reflects a deceleration compared to previous months. This slowdown is attributed to weaker auto sales, which have historically been a significant driver of general insurance growth. The automotive sector's reduced sales impact the demand for motor insurance, contributing to the overall slower growth in the general insurance sector.

## • Life Insurance Companies' New Business Premium Rises 22% in August

In August, life insurance companies reported a 22% increase in new business premiums. This significant rise indicates a strong performance in the sector, driven by higher consumer interest in life insurance products. Key factors contributing to this growth include increased awareness about financial planning and protection, as well as a broader range of product offerings tailored to meet diverse customer needs. The growth reflects a positive trend in the life insurance industry, contrasting with the slower pace observed in other segments of the insurance market.

## ESG Related News

1. The Australian Accounting Standards Board (AASB) is currently in the process of developing the internationally-aligned climate disclosure standards for Australian companies, which are expected to be issued shortly, and the Australian Auditing and Assurance Board (AUASB) is developing assurance standards for climate disclosures in late 2024.

[Source: <https://www.esgtoday.com/australia-senate-passes-new-mandatory-climate-disclosure-law/>]

2. A U.S. federal court has blocked new regulations in Missouri that aimed to restrict how financial professionals could include ESG (Environmental, Social, and Governance) factors in their investment advice. The court ruled that the regulations were too vague and unconstitutional. These rules, introduced by Missouri Secretary of State Jay Ashcroft and enacted in 2023, required that securities firms and advisors

obtain written consent from their clients before they could factor in “nonfinancial objectives” or “social goals”—like environmental or social concerns—into their investment recommendations. This consent had to include specific language acknowledging that such advice would focus on more than just maximizing financial returns.

[Source: <https://www.esgtoday.com/u-s-federal-court-strikes-down-missouri-anti-esg-investing-rule/>]

3. Global energy and electricity provider Iberdrola announced on 8th August, 2024 that it has raised \$525 million in a new green bond issuance through its U.S. business Avangrid's subsidiary New York State Electricity and Gas, with proceeds aimed at boosting the company's U.S. network business. According to Iberdrola, demand for the 10-year offering was strong at more than \$2 billion, enabling the company



to bring the cost of funding down to 5.332%, only 135 basis points over the benchmark interest rate. This new offering continues Iberdrola's trend of engaging in sustainable finance, following a series of recent transactions including three green bonds issued earlier this year, a €500 million green loan announced recently, and additional green loans with the European Investment Bank (EIB) and the World Bank. Iberdrola currently has around €23 billion in green bonds outstanding. Earlier this year, Iberdrola unveiled a significant investment program focused on electrification, committing €41 billion to its network and renewable energy projects from 2024 to 2026. Of this investment, about 60% will be directed towards expanding its network infrastructure, including distribution and transmission, while over 40% is expected to be invested in the U.S.

[Source: <https://www.esgtoday.com/iberdrola-raises-525-million-in-green-bond-offering-to-invest-in-u-s-network/>]

4. The World Bank announced that it has priced a \$225 million bond, with financial returns to investors linked to the generation of carbon removal units (CRUs) from reforestation projects in Brazil's Amazon rainforest. The transaction marks the first bond to link financial returns to the removal of carbon from the atmosphere – compared with prior bonds tied to carbon credits from avoided emissions – as well as the World Bank's largest-ever outcome bond. Under the terms of the 9-year, 100% principal-protected bond, investors will receive a coupon consisting of a fixed guaranteed component, and a variable component tied to CRUs generated by reforestation projects by Brazil-

based company Mombak. Founded in 2021, Mombak is focused on large-scale carbon removal projects, starting with native, bio-diverse reforestation of the Amazon rainforest. The company's solution targets capturing carbon through large-scale reforestation of degraded, unproductive pastureland with native tree species and assisted natural regeneration, with co-benefits including reversing biodiversity loss, improving watershed assets and generating employment and social impact in local communities. Mombak recently signed one of the largest-ever nature-based carbon removal offtake agreements with Microsoft.

[Source: <https://www.esgtoday.com/world-bank-issues-225-million-bond-with-interest-tied-to-carbon-removals-from-amazon-reforestation/>]

5. Alaska Airlines announced today that it invested in sustainable aircraft developer JetZero, including the company's first options for future aircraft orders. Founded in 2021, JetZero is developing the first commercial blended-wing body (BWB) aircraft that it said will provide up to 50% less fuel burn and lower emissions. The company said that its design, which integrates the wings and fuselage into a single smooth shape, greatly reduces aerodynamic drag, leading to lower emissions and operating costs. JetZero aims to launch its BWB aircraft into commercial service by 2030, with 100% sustainable aviation fuel (SAF) compatibility, as well as the internal volume to accommodate zero-carbon hydrogen.

[Source: <https://www.esgtoday.com/alaska-airlines-invests-in-sustainable-aircraft-developer-jetzero/>]

6. Carbon capture and removal technology provider Svante announced an investment of up to USD\$100 million from Canada's government-backed Canada Growth Fund (CGF), with proceeds aimed at supporting the development of projects to address emissions in hard-to-abate industries in Canada and the U.S. CGF commenced operations in 2023, capitalized with \$15 billion for deployment over five years, aimed at helping develop a clean economy in Canada, and attracting private capital to help absorb risks and encourage investment in low carbon projects, technologies, businesses, and supply chains. The new announcement marks CGF's seventh investment to date, with other investments including \$200 million in Calgary-based carbon capture startup Entropy, \$90 million in Calgary-based geothermal energy company Eavor Technologies, and up to \$1 billion to develop carbon capture and sequestration (CCS) infrastructure on energy company Strathcona's Saskatchewan and Alberta oil sands facilities.

[Source: <https://www.esgtoday.com/canada-growth-fund-invests-100-million-in-carbon-capture-solutions-provider-svante/>]

7. Guidewheel, an AI-powered company focused on optimizing factory operations, has announced the successful completion of a \$31 million Series B funding round. The round was led by BlackRock and Decarbonization Partners, a fund dedicated to decarbonization efforts, jointly created by BlackRock and Temasek. Founded in 2018 and based in Stanford, California, Guidewheel specializes in solutions that help factories achieve sustainable peak performance.

Their flagship product, "FactoryOps," utilizes sensors attached to the power sources of factory machinery, which transmit data for real-time analysis. This system provides essential metrics and visual insights directly to users' devices, enabling them to make informed decisions, receive immediate alerts, and quickly address machine-level issues to boost efficiency. Additionally, it helps track and manage energy use and carbon emissions to meet sustainability goals. Guidewheel's clients include major companies like General Motors, Kimberly Clark, U.S. Steel, and Johnson & Johnson.

[Source: <https://www.esgtoday.com/blackrock-temasek-decarbonization-fund-leads-31-million-capital-raise-for-ai-powered-factory-optimization-platform-guidewheel/>]

8. Private equity and venture capital investor EQT Group announced today an agreement to acquire a majority stake in resource-intensive industry-focused performance and sustainability software provider AMCS. Founded in 2003, Ireland-based AMCS provides cloud-based and AI-enabled planning, performance, safety and sustainability focused software, aimed at enabling resource-intensive industries – including waste management, recycling, transportation, manufacturing, and utilities – to boost sustainability and profitability. AMCS' platform includes Enterprise Resource Planning, recycling, transport, and EHSQ & ESG software, designed to increase the performance of customers' operations, and to help meet sustainability reporting and regulatory requirements. AMCS also recently



completed the acquisition of ESG data and reporting platform provider Figbytes.

[Source:<https://www.esgtoday.com/eqt-acquires-majority-stake-in-performance-and-sustainability-software-solutions-provider-amcs/>]

9. Global issuance of labelled sustainable bonds – including green, social, sustainability, sustainability-linked, and transition bonds – declined sharply in the second quarter of 2024, as fewer new issuers entered the market and issuers contend with regulatory scrutiny, according to a new report released by Moody's Ratings. Despite the decline, however, Moody's notes that the sustainable bond market remains on track to reach \$950 billion in issuance this year, an increase over 2023 volumes, and could reach as high as \$1 trillion. Overall, for the quarter, sustainable bond issuance volumes reached \$234 billion, down 20% over the same period last year, and 19% lower than the strong performance in Q1 2024. For the first half of the year, volumes were \$534 billion, down 8% from the corresponding period in 2023, but still well above volumes in second half of 2023. Green bonds continued to account for the majority of sustainable bond issuance at \$146 billion for the quarter. Green bond volumes were down 12% year-over-year in the first half of 2024, driven by a sharp decline in Asia Pacific issuance. The report did note some bright spots for green bond volumes, however, with European and North American issuance growing in the first half, up 3% and 9%, respectively, and particular strength in issuance by non-financial companies, increasing 19% over the first half of 2023. Issuance by financial institutions fell sharply, driven mostly by a decline by

Asia Pacific financials, which dropped by more than 80% in the first half of the year to only \$6 billion. Social bond volumes fell 10% to \$91 billion year-to-date, while sustainable bonds increased 8% to \$100 billion, according to the report.

[Source:<https://www.esgtoday.com/sustainable-bond-issuance-could-grow-to-1-trillion-in-2024-despite-sharp-q2-slowdown-moodys/>]

10. International banking group Standard Chartered announced the launch of a new ESG-linked cash account, enabling corporate clients to be rewarded, through the credit balance interest rate or fee pricing, for meeting material ESG-related targets. The new ESG-linked cash account forms the latest in a series of sustainability-focused Transaction Banking Cash solutions by Standard Chartered, which also includes the Sustainable Account, which allows retain access to cash for day-to-day liquidity while using surplus cash to support activities contributing to the UN SDGs, Sustainable Trade Finance, designed to help clients implement more sustainable practices, and Sustainable Financial Institution Trade Loan, providing liquidity to support trade flows associated with sustainable development. According to Standard Chartered, ESG goals rewarded under the new cash account will be based on KPIs that are material and relevant to the client's business, with a requirement for the targets to be ambitious relative to external benchmarks, peers, and the client's previous performance.

[Source:<https://www.esgtoday.com/standard-chartered-rolls-out-esg-linked-cash-accounts-for-corporate-clients/>]

# Updates from MSME Sector

- In 2023-24, Central Ministries/Departments/Central Public Sector Enterprises (CPSEs) and departments procured a total of ₹ 82,431 crore (33.30%) from MSEs.
- A total of 2,36,452 MSEs benefitted from this procurement.
- Collateral free loans up to ₹ 500 lakhs (from April 1, 2023) with guarantee coverage up to 85% through CGTMSE.
- ₹ 50,000 crore equity infusion through Self Reliant India Fund, including a ₹ 10,000 crore corpus from the Government of India.
- Exemption from global tenders for procurement up to ₹ 200 crores.
- Roll out of Raising and Accelerating MSME Performance (RAMP) programme with a ₹6,000 crores outlay over 5 years.
- Integration of Udyam Portal with the National Career Service (NCS) to enable registered MSMEs to search for jobseekers.
- Relief under Vivad se Vishwas – I, including a refund of 95% of performance security, bid security, and liquidated damages for MSMEs, and relief for debarred MSMEs due to contract execution defaults.
- Samadhaan Portal introduced from October 30, 2017 for monitoring outstanding dues to MSEs from buyers of goods and services.
- The government is considering relaxing the 45-day payment requirement to MSMEs to prevent large corporations from seeking other sourcing options.
- Under the credit guarantee scheme, 1.3 lakh guarantees amounting to ₹ 17,697 crore were approved in May, 2024, whereas as on 23.06.2024, 1.02 lakh guarantees amounting to ₹ 10,269 crore were approved in June, 2024, taking the total guarantees approved to 3.18 lakh guarantees amounting to ₹ 39,502 crore during FY 2024-25 (up to 23.06.2024).
- As on 24.06.2024, 53 Daughter funds were empanelled and financial assistance provided to 447 potential MSMEs by way of investing about ₹ 8,142 crore, registering an increase in investment of ₹ 192 crore than the previous month. ₹ 21.48 crore has been released to the Implementing Agency i.e., NSIC Venture Capital Fund Ltd in the month of June, 2024.
- During June 2024, 7,444 micro enterprises were recommended for Margin Money subsidy of ₹ 299.26 crore, generating estimated employment opportunities for 59,552 people.
- Also, 6,423 beneficiaries were provided Entrepreneurship Development Programme (EDP) training. Since inception of the Scheme i.e., FY 2008-09 till 28.06.2024, more than 9.65 lakh micro enterprises have been assisted with Margin Money subsidy of ₹ 25,263 crore providing employment to an estimated 78.85 lakh persons.
- 10th India International MSME Expo & Summit 2024”, Investments & Trade Fair is being organized by MSME Development Forum from 29-31, August 2024 at Pragati Maidan, New Delhi.

[Source: Compiled from various newspaper reports and government websites]



# Updates from Indian Space Research

- In August 2024, ISRO launched the third and final development flight of the Small Satellite Launch Vehicle (SSLV), successfully placing the EOS-08 and SR-0 Demosat satellites in orbit. With two consecutive successful test flights, ISRO concluded the SSLV's development and transferred it to industry.
- National Space Day: Celebrated on August 23, 2024, this day commemorates the successful landing of the Vikram lander and the deployment of the Pragyan rover on the moon as part of the Chandrayaan-3 mission. The theme for the day is "Touching Lives while Touching the Moon: India's Space Saga".
- The celebrations will include a variety of events, including interactive exhibitions, sessions, and announcements about India's space achievements. The main event will be held at Bharat Mandapam in New Delhi and will be streamed on the ISRO website and YouTube channel.
- SSLV-D3/EOS-08 Mission: This mission is scheduled for August 16, 2024. The Small Satellite Launch Vehicle (SSLV) will launch its third and final development flight, placing the EOS-08 and SR-0 Demosat satellites in orbit.
- Air Breathing Propulsion System (ATV D03): This mission is scheduled for July 22, 2024.
- About 30 launches are planned for 2023-24 (Q4) & 2024-25 from SDSC, SHAR, half of which are catering to the commercial space sector of India with rest being user-funded, scientific missions or technology test launches.
- Out of the 14 commercial missions identified, 7 launches are being undertaken by M/s NSIL including 2 numbers of PSLVs being realized through an industry consortium. This marks a substantial increase in launch activity compared to previous years and is a positive indicator of the expanding space ecosystem in the country.
- The key NGE highlights for this period include planned Sub-Orbital and Orbital launches by M/s Agnikul Cosmos and M/s Skyroot Aerospace. Few of the NGEs facilitated for their satellite launch requirements include M/s Digantara Research & Technology, M/s Dhruvaspace, M/s Space Kidz India and academic institutes like IIT-Madras, Manipal Institute of Technology and C.V. Raman Global University Odisha. However, IN-SPACe will make every effort to accommodate any additional requirement of NGEs during this period.
- In the SROSS-C2, satellite of the Stretched Rohini Satellite Series, a Gamma-ray burst detector was flown. India is set to launch its first reusable hybrid rocket, Mission RHUMI 2024, on August 24, marking a significant milestone in the country's space exploration efforts.

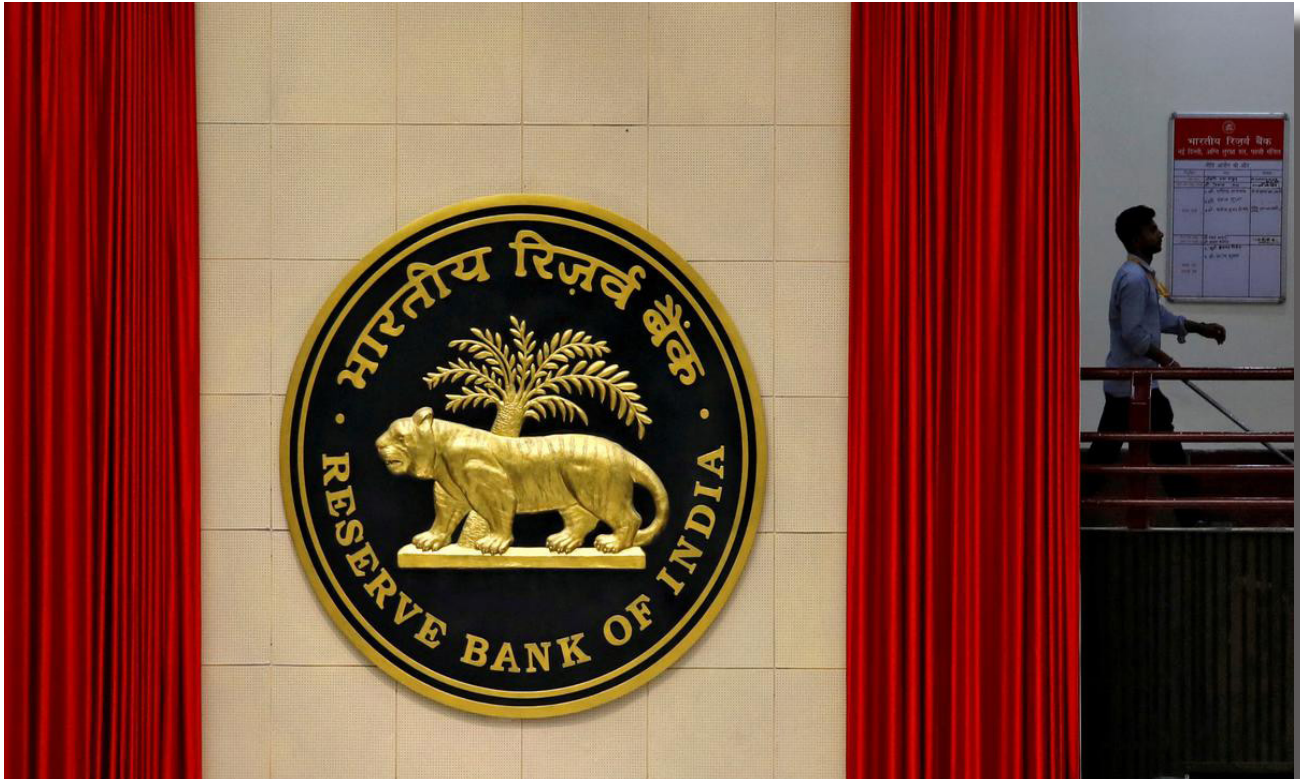
[Source: Compiled from various newspaper reports and government websites]

# INDUSTRY TITBITS

CMA Industry Insights - July 2024 Issue

## Banking Sector News

### 1. Bank Credit Growth Rises Further to 15.1% as of July, Deposits Lag Behind: RBI



As of July, the Reserve Bank of India (RBI) reported that bank credit growth has surged to 15.1%, reflecting strong demand for loans and credit expansion in the economy. This growth indicates increased borrowing by businesses and consumers, which can be a positive sign of economic activity and confidence. However, deposits have not kept pace with this growth in credit. The lag in deposit growth compared to credit growth can lead to concerns about liquidity in the banking system. When credit grows faster than deposits, banks may need to seek alternative sources

of funds or face tighter liquidity conditions. This situation could potentially impact the interest rates banks offer on deposits and loans.

**Credit Growth:** 15.1% as of July, indicating robust demand for loans.

**Deposits:** Growth in deposits is lagging behind credit growth, raising potential liquidity concerns for banks.

This scenario highlights the need for banks to manage their liquidity carefully and could influence monetary policy decisions by the RBI.

## 2. HDFC in talks with global banks to offload \$1 billion in loans



HDFC's discussions with global banks to offload \$1 billion in loans suggest that the company is seeking to manage its balance sheet more effectively or raise capital. Here's what this could entail:

**Loan Sale:** Offloading a significant amount of loans to global banks can help HDFC reduce its risk exposure and free up capital. This move could also help improve liquidity and strengthen its financial position.

**Balance Sheet Management:** By selling these loans, HDFC may aim to optimize its balance sheet, potentially improving its capital ratios and overall financial stability.

**Market Conditions:** The decision to offload loans might be influenced by current market conditions, interest rates, or strategic considerations related to HDFC's growth plans or risk management strategies.

**Investor Confidence:** This move could be viewed positively by investors if it strengthens HDFC's financial health and allows it to focus on its core business or growth initiatives.

For specific details and the implications of this deal, it would be useful to follow updates from HDFC and the involved global banks.

### 3. Industry credit expected to grow over 12%: FICCI-IBA survey

The FICCI-IBA survey's expectation of over 12% growth in industry credit reflects a positive outlook for the industrial sector and overall economic activity. Here are a few key points to consider:

**Credit Growth:** A projected growth rate of over 12% in industry credit suggests increased borrowing by businesses, which can signal confidence in economic prospects and expansion plans.

**Economic Impact:** Higher industry credit growth often correlates with increased investment in infrastructure, equipment, and other capital expenditures, potentially leading to job creation and economic development.

**Sectoral Performance:** The survey's projection may highlight robust performance in key sectors, such as manufacturing, infrastructure, and services, driving the demand for credit.

**Banking Sector:** This anticipated credit growth could also reflect positively on the banking sector, indicating strong loan disbursements and financial activity.

**Policy Implications:** The growth in industry credit could influence policymakers to maintain supportive monetary and fiscal policies to sustain economic momentum.

Monitoring the actual credit growth against these projections will provide insights into the effectiveness of economic policies and the health of the industrial sector.

#### 4. Consumption Loan Portfolio Expands 15% to ₹ 90 lakh cr in FY'24: Report

The FICCI-IBA survey's expectation that industry credit will grow by over 12% is a significant forecast for the industrial sector. Here's a summary of the key points:

**Credit Growth Forecast:** The survey projects a 12% increase in industry credit, indicating strong confidence in economic and industrial growth.

##### **Driving Factors:**

**Investment Plans:** Companies may be expanding their

investments in infrastructure, technology, and capacity building.

**Economic Conditions:** Positive economic conditions and growth prospects are likely fueling the demand for credit.

**Government Policies:** Supportive policies and incentives from the government could be contributing to increased borrowing.

##### **Sectoral Impact:**

**Industrial Expansion:** Industries may be using credit to finance expansion, new projects, and operational enhancements.

**Employment and Production:** Increased credit can lead to higher production levels and job creation.

##### **Banking Sector Implications:**

**Loan Disbursements:** Banks are expected to see increased loan disbursements, potentially leading to higher revenues.

**Credit Risk Management:** With higher credit growth, banks will need to manage credit risk carefully to avoid defaults.

**Economic Outlook:** The projected credit growth reflects optimism about the industrial sector's performance and broader economic recovery.

For the most detailed insights, reviewing the full FICCI-IBA survey report would provide a comprehensive understanding of the factors influencing this forecast and its implications for the industry and the economy.



# News related to Indian Economy and Education

## 1. India's Economic Growth Surpasses Expectations

India's economy continues to impress, recording an 8.2% growth rate for the fiscal year 2023-2024, surpassing all expectations. This marks the third consecutive year where India's GDP growth has outpaced predictions, bolstered by a resurgence in rural economic activity, a strong manufacturing sector, and a stable financial system. Looking forward, Deloitte forecasts suggest that the growth rate could maintain a robust 7.0-7.2% in FY 2024-2025. This growth is supported by increased consumer spending on discretionary items such as electronics and automobiles, reflecting a broader shift towards non-food expenditures. However, concerns remain regarding the disparities in spending patterns across states and the declining share of expenditure on education, which could affect long-term economic sustainability.

## 2. Education Sector Faces Budgetary Constraints

Despite the Indian government's focus on education and skill development, the Union Budget 2024 has left experts concerned about inadequate funding. The allocation for higher education has seen a reduction from ₹57,244 crore to ₹47,620 crore, sparking worries about the ability to meet the targets set by the National Education Policy (NEP) 2020, especially the goal to raise the Gross Enrollment Ratio in higher education to 50% by 2035. Additionally, although there has been an increase in grants for central universities, the budget for the University Grants Commission (UGC) has been slashed by 61%, signaling

a potential shift towards the establishment of the Higher Education Commission of India (HECI).

## 3. Digital Learning and Teacher Training Require More Investment

The Union Budget 2024 has seen a slight increase in the allocation for digital learning and e-learning initiatives, with a rise from ₹420 crore to ₹505 crore. However, experts argue that this increment is insufficient given the rapid digitization of the education sector. The Malaviya Mission Teacher Training Programme, a key initiative for aligning teachers with the NEP 2020, has also received a modest budget of ₹100 crore, raising concerns about the effective implementation of the NEP's future-oriented goals. The underfunding of these areas could hamper efforts to improve educational outcomes, particularly in remote and underserved regions.

## 4. India's Focus on Research and Innovation

In an effort to strengthen its position in global research and innovation, the Indian government has announced the operationalization of the Anusandhan National Research Fund, with a funding pool of ₹1 lakh crore. This initiative is designed to promote private sector-led research and development on a commercial scale. However, despite this ambitious plan, the budget for the National Research Foundation (NRF) remains unchanged at ₹2,000 crore, indicating a need for more substantial investment in R&D to keep pace with global standards, where research expenditure is around 2% of GDP compared to India's less than 1%.

## 5. Challenges in the Education Sector's Budget Allocation

The 2024 budget has faced criticism for its allocation towards the education sector, which is currently at 2.9% of GDP, still far below the global average. Experts from the education sector have highlighted the need for more substantial investment in areas such as early childhood education, digital infrastructure, vocational training, and teacher upskilling to better align with Industry 4.0 demands. Additionally, there is a call for modernizing curricula, promoting inclusive education, and establishing advanced training facilities, all of which are crucial for enhancing the overall quality and accessibility of education in India.

## 6. India's Evolving Consumer Spending Patterns

The Household Consumption Expenditure Survey 2022-23 has revealed significant changes in Indian consumer behavior, with a noticeable shift towards spending on durable goods and services. This shift is indicative of a broader trend towards non-food items, reflecting changing lifestyles and preferences among a new generation of consumers. However, the data also points to a growing concern about the declining share of spending on education, which could have long-term implications for India's human capital development. The government is urged to address these disparities through targeted policy interventions to sustain the country's economic growth.

# Startup News

## Indian startups raise \$1 Bn in July: Report

In July 2024, Indian startups collectively raised approximately \$1 billion in funding. This surge included two notable deals where companies raised over \$100 million each. Bike taxi firm Rapido became a unicorn after raising \$120 million, joining the billion-dollar valuation club, and beauty and personal care startup Purplle also secured \$120 million. Other significant deals included Oyo raising \$50 million, Urban Company, Navi, Matter, and Dezerv. In the early-stage funding space, 72 startups raised a total of \$311.83 million, with Unimech Aerospace leading with a \$30 million fundraise. Renewable energy company BluPine and electric vehicle startup Simple Energy were among the top early-stage startups securing funding. The month also saw 17 acquisition deals and a significant shift toward investments in fintech startups, followed by e-commerce and SaaS sectors. Additionally, there's a growing trend of startups emerging from smaller

cities, indicating a broadening of the entrepreneurial landscape in India.

## Startup Funding Jumps 42% During Jan-July 2024; Deal Count Sees Modest Rise

Indian startups experienced significant growth in funding during the first seven months of 2024, with venture capital funding soaring by 42% to \$6.3 billion across 672 deals. This marks a substantial increase from the \$4.4 billion raised through 664 deals in the same period of 2023. Notably, this surge in funding is attributed to high investor confidence and several big-ticket deals, such as Zepto's \$665 million funding and Meesho's \$300 million round. Despite global economic uncertainties and a general slowdown in funding growth, India managed to account for 7% of the total global VC deals and 4.3% of the funding value during this period. Sectors like retail, enterprise applications, and fintech were among the leading areas



of investment. Additionally, India's startup IPO market showed remarkable growth, with 15 startups going public in the first half of 2024, raising around \$3.5 billion. This growth reinforces India's position as a key player in the global venture ecosystem, demonstrating resilience even amid cautious investment sentiment.

### Global Startup Summit Comes to Delhi on 13th July 2024

The Global Startup Summit's 7th edition was held on July 13, 2024, in Delhi NCR at the Radisson, Udyog Vihar. The event featured over eight hours of panel discussions with entrepreneurs, venture capitalists, and industry leaders. Key topics included HealthTech, PropTech, D2C, and SaaS. Additionally, forums like the Asia PropTech Forum and Bharat Technology Conclave took place concurrently, focusing on sector-specific advancements and investment opportunities.

## Insurance Sector News

### India's Life Insurance Industry Records Robust Growth in July 2024

India's life insurance industry recorded significant growth in July 2024, with a 14.2% increase in new business premiums compared to the same period last year. The industry collected ₹31,822.69 crore in new business premiums, up from ₹27,867.1 crore in July 2023. This growth is driven by increased demand for insurance protection among individuals, with a 2.73% rise in new policy issuances and strong performance in both individual and group premiums.

### General Insurance Premiums Rise 9% in July; Health Insurance Sees 23% Increase

India's general insurance industry saw a 9.28% year-on-year increase in gross direct premiums in July 2024. This growth was largely driven by the motor and health insurance segments. Health insurance premiums, in particular, experienced a significant surge, rising by

23% in July alone. Overall, non-life insurers reported gross premiums of ₹29,032.29 crore for July, up from ₹26,567.26 crore during the same period last year.

### LIC Still Leads the NBP Road in July 2024, but Private Insurers Catch on

In July 2024, the Life Insurance Corporation of India (LIC) maintained its lead in new business premium (NBP) collections. LIC's NBP grew by 20% year-on-year to ₹18,431 crore in July 2024, up from ₹15,387 crore in July 2023. The overall life insurance industry also saw a significant growth in NBP, increasing by 14.2% year-on-year in July 2024, with the total premium collections reaching ₹31,822.69 crore. While LIC continues to dominate the market, private insurers have been catching up. The industry's cumulative NBP growth for the first four months of fiscal year 2025 was 20.5% compared to the same period last year.

# Infrastructure and Industrial News

## India's Industrial Production Grows at 4.8 per cent in July 2024



India's industrial production grew by 4.8% in July 2024, slightly improving from the 4.7% growth recorded in June. The growth in industrial production was driven by sectors such as manufacturing, which grew by 4.6%, and electricity, which saw a 7.9% increase. However, the mining sector experienced a slowdown with a growth rate of 3.7%, a significant decline from the 10.3% increase in June. Within the manufacturing sector, "Manufacture of basic metals," "Manufacture of coke and refined petroleum products," and "Manufacture of electrical equipment" were among the top positive contributors. The mixed performance across different industries highlights the complex landscape of India's industrial sector.

## Union Budget 2024 – Highlights on Infrastructure sector

The Union Budget 2024, presented by the Government of India, typically includes several key highlights for the infrastructure sector. Here are some likely areas of focus based on recent trends and priorities:



### Transportation:

- **Roads and Highways:** Increased funding for national highways and expressways, with a focus on improving road connectivity and reducing travel time.
- **Railways:** Investment in modernizing rail infrastructure, including high-speed rail projects, station upgrades, and freight corridor enhancements.
- **Airports and Ports:** Expansion and modernization of major airports and ports to boost trade and passenger traffic.

### Urban Development:

- **Smart Cities:** Continued support for smart city initiatives, with investments in technology-driven urban solutions and infrastructure improvements.
- **Affordable Housing:** Funding for housing projects under schemes like Pradhan Mantri Awas Yojana (PMAY) to address housing shortages in urban areas.

### Energy:

- **Renewable Energy:** Increased investment in solar,



wind, and other renewable energy sources, along with incentives for clean energy projects.

- **Power Infrastructure:** Strengthening the power grid, reducing transmission losses, and promoting energy efficiency measures.

### Water and Sanitation:

- **Clean Water Supply:** Projects aimed at improving access to clean drinking water and enhancing water management systems.
- **Sanitation:** Continued efforts to improve sanitation infrastructure, including sewage treatment and waste management systems.

### Public-Private Partnerships (PPPs):

- **Infrastructure Projects:** Encouragement of private sector participation in financing and managing infrastructure projects through PPP models.

### Sustainability:

- **Green Infrastructure:** Investments in eco-friendly and sustainable infrastructure projects, such as green buildings and low-emission transportation systems.

For the most accurate and detailed information, it's best to refer to the official Union Budget document released by the Ministry of Finance.

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# Market Report: A Recap of the Key Developments for the month of August 2024

## Developments in Indian stock market

The Indian stock market experienced a dynamic month in August 2024, defined by record highs, noteworthy sectoral performances, and significant corporate actions. This report presents a comprehensive summary of the important events and trends that influenced the market during this time.

## Market Performance and Indices

The Nifty 50 index, which is trading near its all-time highs, demonstrated significant resilience by maintaining above the near-term hurdle of 25,200, as the Sensex and Nifty 50 indices reached new record highs in intraday trade on August 30, 2024. Additionally, the BSE Midcap and Smallcap indices gained nearly one percent each, which helped the overall market capitalization approach ₹465 lakh crore. Expectations of a rate cut, robust economic growth prospects amid a healthy monsoon, and a significant influx of retail investors have all contributed to the Nifty 50's 12-session streak of positive performance, despite concerns regarding strained valuations.

The Nifty IT index experienced a 2.35% increase on August 28, 2024, with the IT sector leading the way, influenced by the robust performances of companies such as LTIMindtree, LTTS, Coforge, and Wipro. The BSE SmallCap and MidCap indices, which encompass the broader market, have reclaimed their record highs, primarily as a result of the robust earnings growth and outperformance of specific equities in small and mid-cap companies.

## Major Corporate Developments

Reliance Industries has disclosed that it is considering issuing bonus shares to its shareholders at a 1:1 ratio, which is indicative of its ongoing transition to a deep

tech company. Jyoti Structures was awarded a ₹105.57 crore contract for 765 kV transmission towers, and Varun Beverages acquired a 10.91% stake in Huoban Energy 11 for solar power supply in Maharashtra. SBI's Tier 2 bonds, which were issued at a coupon of 7.42%, raised ₹7,500 crores, suggesting that investors have high levels of confidence in the company.

## Strategic Partnerships and Expansions

Tata Consultancy Services (TCS) has expanded its partnership with Primark, an international fashion retailer, in order to revolutionize the company's technology operations over the next five years. LeafyBus and JBM Electric Vehicles have entered into a strategic partnership to supply 200 luxury e-buses, underscoring the increasing emphasis on electric mobility.

## Global Cues and Foreign Institutional Investments

Foreign institutional investors (FIIs) resumed purchasing Indian equities as the commencement of the rate-cut cycle approached, thereby bolstering market sentiment. Also, investor sentiments were bolstered by the renewed optimism that the US Federal Reserve will begin reducing interest rates in the near future and the decline in global crude oil prices.

## Economic and Geopolitical Overhangs

Despite the positive momentum, geopolitical tensions, elevated valuations, and unimpressive Q1 earnings continued to be significant overhangs. In light of these factors, investors were advised by experts to anticipate volatility.

## Sectoral Highlights

The Nifty Bank and Nifty IT indices demonstrated consistent gains, indicating that the banking and IT sectors



had a positive impact on the market. The manufacturing sector underwent a substantial decline, with a decrease of -12.42%, whereas the trading sector experienced solid growth of 7.48%.

### Notable Stock Movements

The NSE saw a surge in the shares of companies such as Hindalco, HCL Tech, NTPC, and ONGC, which is indicative of their robust sectoral performances. Due to regulatory sanctions and market reactions, stocks such as Minda Corp and Purvah Green Power experienced declines.

### Emerging Market Trends That Are Important Overview

Technological advancements, socio-economic shifts, and evolving investment landscapes are all contributing to the substantial transformations that emerging markets are currently experiencing. This report compiles the most significant trends in sustainable investing, economic activities, and digitization that are influencing the future of these markets.

### Digitization and Technological Advancements

Unique socio-economic factors and technological advancements are propelling emerging markets to become hotbeds of digital transformation. This transformation is not solely about the implementation of new technologies; it also involves the establishment of a fundamental change in the delivery of services, community engagement, and business operations. In contrast to developed markets, emergent markets frequently prioritize access in areas where none previously existed.

### Fintech Innovation and Mobile Penetration

In emerging markets, digitization is crucially influenced by fintech innovation and high mobile penetration. Mobile technology's transformative potential has been underscored by services such as M-Pesa in Kenya, which have revolutionized financial services. The high mobile penetration in these regions necessitates the optimization of services for mobile access.

### Confronting the Digital Divide

The digital divide between urban and rural locations is a

persistent challenge in emerging markets. The accelerated adoption of digital technologies is frequently observed in urban centers, while rural areas experience infrastructure challenges that impede their progress. To address this divide, it is also necessary to address gaps in digital literacy, as many potential users may not possess the requisite skills to completely benefit from digital services.

### Government and Regulatory Support

The digitization of emerging markets is significantly influenced by regulatory environments and government support. Regulations have the potential to either promote a vibrant digital ecosystem or impede innovation and expansion. It is imperative to establish partnerships with community organizations and local businesses in order to achieve success.

### Economic Activities and Sustainable Investing

Growing Emphasis on ESG - Sustainable investing is experiencing growth, with an emphasis on environmental, social, and governance (ESG) outcomes. In addition to financial returns, investors are becoming more demanding of demonstrable positive impacts. Companies that demonstrate robust ESG performance frequently outperform their competitors in terms of financial performance.

### Climate Action and Renewable Energy

Countries such as China, India, South Africa, and Brazil are making substantial strides toward decarbonization, which is a significant factor in climate negotiations. In 2022, renewables comprised approximately 75% of new power generation in emerging economies, suggesting a transition to more environmentally friendly energy sources. In 2022, clean energy investments in these markets totaled approximately \$770 billion.

### Womenomics and Financial Inclusion

In order to improve access to financial services in emergent markets, it is essential to prioritize digital and financial inclusion. Economic growth is contingent upon the empowerment of women to engage completely in the economy, a concept referred to as Womenomics. Supporting micro, small, and medium enterprises (MSMEs) can make

a substantial contribution to the advancement of financial inclusion and gender equality.

## Economic and Geopolitical Influences

**Investment Shifts and Geopolitical Tensions** The primary concern for sovereign investors has shifted from inflation to geopolitical tensions, resulting in a rise in investments in gold and emergent markets. These tensions are perceived as a significant threat to global growth, which in turn affects investment strategies.

## Volatility and Economic Optimism

Despite volatility, there are valid reasons for optimism in emerging markets. Central banks in these regions have the potential to reduce rates in response to the decrease in global inflation, which could result in an increase in economic activity. Additionally, the investment appeal of major emerging market economies is being further enhanced by their increased emphasis on climate action.

## GLOBAL MARKET PERFORMANCE

Global markets experienced a rollercoaster journey in August 2024. The month commenced with a significant decline in U.S. equities, which was precipitated by recessionary concerns. However, the markets promptly recovered. The Cboe Volatility Index reached highs that were reminiscent of the early pandemic, as volatility persisted. Economic data and central bank policies influenced fluctuations in the U.S., European, and Asia-Pacific markets. Emerging markets demonstrated resilience, while technology equities experienced corrections. Bonds responded to policy expectations, and commodities such as oil and gold experienced price declines. Bitcoin prices declined in accordance with the risk-off sentiment. Markets concluded the month relatively stable, buoyed by investor optimism and anticipation of accommodative monetary policies, despite the obstacles they faced.

August 2024 was characterized by substantial volatility and rapid fluctuations in global market sentiment. Expectations of a more aggressive policy easing by the Federal Reserve, which initiated its easing cycle in September, propelled a 2.5% increase in global equities. The VIX Index initially experienced a surge, but it soon returned to its pre-existing level, indicating the market's resilience.

Asia ex-Japan and emerging market equities outperformed their Western counterparts, while the U.S. equity markets, including the S&P 500, generated returns of 2.4%. The Bank of Japan's interest rate hike resulted in a 12% daily decline in the MSCI Japan Index, causing the most substantial harm to Japan.

Brent Crude oil experienced a decline of -2.4%, while global government bonds returned 1.0% and gold increased by 2.3%. The case for a September Fed rate cut was further bolstered by weakened economic data and cooling inflation, which led to a rebound in markets by month-end, despite early turbulence.

## Developments in Indian Banking Sector:

The Indian banking sector experienced substantial changes in August 2024, including technological advancements, regulatory adjustments, and economic challenges.

**Regulatory and Policy Adjustments - Repo Rate Unchanged:** The Reserve Bank of India (RBI) has maintained the policy repo rate at 6.5%, while the standing deposit facility rate and the marginal standing facility rate have remained unchanged at 6.25% and 6.75%, respectively.

**Amendments to Banking Laws:** The Banking Laws (Amendment) Bill, 2024, was introduced in Lok Sabha with the objective of extending the maximum term for directors of cooperative banks and redefining the maintenance of cash reserves.

**FinTech Regulations:** The Reserve Bank of India (RBI) has proposed amendments to the Master Directions on Non-Banking Financial Company – Peer-to-Peer Lending Platform and has issued a draft framework for managing credit models and risks.

**Technological and Digital Advancements - Digital Payments Growth:** The Indian FinTech industry, which is currently valued at \$111 billion, is expected to reach \$421 billion by 2029. By 2026, it is anticipated that digital payments will account for 65% of all transactions.

**UPI Enhancements:** The Reserve Bank of India (RBI) has increased the transaction limit for tax payments through UPI from INR 1,00,000 to INR 5,00,000 per transaction and expanded the e-mandate framework to include auto-replenishment payments.



### **Economic and Market Challenges - Margin Squeeze:**

Indian banks experienced margin pressure as a result of prospective rate cuts, liquidity issues, and slowing credit growth. It is anticipated that credit growth will moderate to 12-13% in the fiscal year ending March 2025.

**Liquidity Risks:** The credit-deposit gap's expansion has prompted apprehensions regarding structural liquidity issues, which could potentially reduce bank margin.

**Government Initiatives - Support for MSMEs:** The government has implemented a Credit Guarantee Scheme for Micro, Small, and Medium Enterprises (MSMEs), which provides collateral-free loans to assist small businesses.

These developments are indicative of a dynamic period in the Indian financial sector, as it navigates economic challenges, technological advancements, and regulatory reforms.

### **Developments with RESERVE BANK OF INDIA**

The Reserve Bank of India (RBI) maintained the policy repo rate at 6.5% in August 2024 and left other key rates unchanged. The RBI introduced the Banking Laws (Amendment) Bill in Lok Sabha to redefine cash reserve maintenance and extend the term limits of directors in cooperative banks. Furthermore, the Reserve Bank of India (RBI) suggested modifications to FinTech regulations, with an emphasis on credit risk management and peer-to-peer lending platforms. The RBI increased the transaction limit for tax payments and expanded the e-mandate framework for UPI payments in a technological sense. Margin pressures on banks were a result of liquidity concerns and a slowdown in credit growth, which were among the economic challenges. The RBI's initiatives were designed to address these challenges, as well as to support the development of digital payments and improve regulatory frameworks.

### **Developments with SEBI**

In August 2024, there were several significant regulatory changes and initiatives implemented by the Securities and Exchange Board of India (SEBI).

### **Regulatory Actions**

SEBI imposed a total sanction of approximately ₹624 crore on Anil Ambani and 24 other entities for their involvement in the RHFL case, which resulted in their ban from the securities market for five years.

### **Guidelines and Amendments**

SEBI amended the Alternative Investment Funds (AIF) Regulations, enabling Category I and II AIFs to borrow funds under specific conditions and extending the tenure of large value funds for accredited investors by maximum five years. SEBI has implemented a new chapter in its regulations to limit interactions with unregulated entities, with the objective of preventing unauthorized advice and claims regarding securities.

### **Consultation Papers**

**Sustainable Finance:** SEBI has released a consultation paper that proposes the issuance of Sustainable Securitised Debt Instruments (SSDIs), as well as social, sustainable, and sustainability-linked bonds. Comments are being solicited by September 6, 2024.

SEBI's dedication to the advancement of sustainable finance and the preservation of a robust regulatory framework is emphasized by these measures.

### **Conclusion:**

A month of strategic developments and significant highs in the Indian stock market was August 2024. Resilience and growth potential of the market were emphasized by sectoral gains, strategic corporate actions, and record-breaking performances by key indices. In spite of this, investors were advised to exercise caution as a result of the underlying economic and geopolitical uncertainties.

Emerging markets are at the vanguard of substantial economic and digital transformations. The future of these markets is being influenced by the rapid adoption of digital technologies, the growing emphasis on sustainable investing, and the evolving regulatory environments. Despite the persistence of challenges such as the digital divide and geopolitical tensions, the general outlook remains optimistic, as a result of strategic investments and technological advancements.



# Market Report: A Recap of the Key Developments for the month of July 2024

## Introduction

In July 2024, the Indian stock market experienced significant volatility due to various economic and geopolitical concerns. Investors diligently tracked firm earnings, government regulations, and global market movements to make informed judgments. The market indices displayed a level of volatility, responding to both positive and negative news. In July 2024, the Indian stock market showcased its dynamic nature, emphasizing the importance of staying informed and adaptable to navigate the constantly changing financial landscape.

## Union Budget 2024

### Indian Union Budget 2024

The Indian Union Budget for the fiscal year 2024-25, presented by Finance Minister Nirmala Sitharaman on July 23, 2024, highlighted numerous important priorities and strategic initiatives to promote economic growth and social development.

### Main Focus and Distribution

The budget has identified nine priority areas which include productivity and resilience in agriculture, employment and skilling, inclusive human resource development and social justice, manufacturing and services, urban development, energy security, infrastructure, innovation and R&D, and next-generation reforms.

An impressive amount of INR 11.1 trillion (US\$132 billion) was allocated for capital expenditure, representing a notable 16.9% increase compared to the previous year. The fiscal deficit target has been revised to 4.9% of GDP, which is a decrease from the previous target of 5.1% in the interim budget. There is a commitment to further reduce it to 4.5% by FY26.

### Initiatives specific to the sector

The agriculture sector was granted a significant allocation of INR 1.52 trillion (US\$18.16 billion) to assist in the development of high-yield and climate-resilient crops. In addition, a comprehensive package was introduced for the MSME sector, which includes financing, regulatory reforms, and technological support.

In the energy sector, the PM Surya Ghar Muft Bijli Yojana aims to install rooftop solar panels on one crore homes, providing up to 300 units of free electricity per month. The budget also highlighted the importance of developing ‘Cities as Growth Hubs’ in partnership with states, with a specific focus on economic and transit planning.

### Social and Economic Measures

The budget unveiled three new “Employment Linked Incentives” tied to EPFO enrollment in order to stimulate job creation. One notable tax relief measure involved lowering income tax rates for specific income brackets in order to encourage spending. The standard deduction for salaried employees has been raised to INR 75,000 from INR 50,000.



## Research and Development

The Anusandhan National Research Fund was created with a funding pool of INR 100 billion (US\$1.1 billion) to promote basic research and prototype development, fostering innovation driven by the private sector.

The Union Budget 2024-25 has set a strong base for inclusive growth, economic stability, and technological advancement, with the goal of achieving the vision of 'Viksit Bharat 2047'.

## GLOBAL MARKET PERFORMANCE

In July 2024, global markets experienced a range of outcomes, which were shaped by a variety of economic and geopolitical factors. The S&P 500 Index recorded a slight increase of 1.13%, pushing its year-to-date (YTD) return to 15.78%. The Dow Jones Industrial Average had an impressive performance, with a 4.41% increase for the month and reaching new closing highs above 40,000 and 41,000. Small-cap stocks experienced a significant surge in July, as the S&P SmallCap 600® saw a remarkable increase of 10.71%. This positive performance also contributed to a positive year-to-date return.

On a global scale, the MSCI World Index experienced a slight decrease of 0.1%, while the MSCI Emerging Markets Index saw a more significant decline of 1%. Major tech companies saw a decline, as the NYSE FANG+ Index fell by around 6.7%. On the other hand, the UK market demonstrated resilience, as the FTSE All-Share experienced a 3.1% increase. This growth was fueled by strong service sector PMIs and better-than-anticipated economic expansion.

Monetary policy continued to be a key focus, as the Federal Reserve maintained interest rates for the seventh consecutive meeting. However, there is growing

anticipation for potential rate cuts in September. The European Central Bank and the South African Reserve Bank maintained their rates, while the Bank of Japan decided to increase its benchmark interest rate.

In general, US equities demonstrated strength, but global markets experienced mixed results due to ongoing economic uncertainties and central bank policies.

## Developments in the Indian Stock Market in July 2024

July 2024 was a month of significant fluctuations in the Indian markets, with notable highs followed by necessary adjustments. The BSE Sensex has reached an unprecedented high of 81,343 points, with the Nifty 50 also hitting a new peak at 24,800 points. This remarkable surge can be attributed to the impressive performance of the IT sector. Top IT companies such as Infosys and LTIMindtree announced strong quarterly results, which has bolstered investor confidence. Nevertheless, the rupee experienced a significant decline, reaching a record low of 83.64 against the US dollar, which introduced a new level of intricacy to the market dynamics.

After a promising start, the market experienced a minor setback due to profit-booking towards the middle of the month. By July 19, the Sensex and Nifty closed at 80,604 and 24,530 points, respectively. The market witnessed a variety of performances across sectors. The IT and FMCG indices demonstrated strength, while there was profit booking in capital goods, metals, and commodities.

Various economic data releases, such as the HSBC India PMI and CPI figures, offered valuable insights into the state of the Indian economy, which had an impact on market sentiment. The Nifty 50 and Sensex maintained their upward momentum, achieving their eighth consecutive

week of gains by the end of July, despite facing obstacles such as tax hikes and disappointing earnings reports.

July 2024 was a month of considerable ups and downs, as various sectors showed impressive performances and economic data had a major impact on the market's trajectory.

### Developments in Indian Banking Sector:

In July 2024, the Indian banking sector experienced a series of impactful events, including regulatory shifts, mergers, and improved financial stability. The Reserve Bank of India (RBI) has implemented a set of guidelines to strengthen the cybersecurity framework and protect against cyber threats in the sector. This framework emphasizes the importance of promptly reporting cybersecurity incidents and prioritizes aspects such as IT architecture, network security, and safeguarding customer information.

The government has revealed its intentions to consolidate four smaller public sector banks (PSBs)—UCO Bank, Bank of Maharashtra, Punjab & Sind Bank, and Central Bank of India. This move is intended to establish bigger, more financially secure institutions that can handle substantial loans and compete with private banks. The merger is anticipated to result in cost savings and enhanced operational efficiency, although it may also lead to job redundancies and temporary customer disruptions. However, UCO Bank declined any such proposals on the move.

The sector demonstrated strong financial performance. In March 2024, the RBI's Financial Stability Report pointed out positive developments in asset quality, as the gross non-performing asset (GNPA) ratio reached its lowest level in 12 years, standing at 2.8%. Bank credit growth is expected to remain robust, with projections of 15% per annum for fiscals 2023 and 2024. This positive outlook is

driven by a widespread economic recovery and improved balance sheets. In addition, banks saw improvements in their capital adequacy, profitability, and asset quality. Net interest margins remained stable at 3.6% and return on equity increased to 13.8%.

In July 2024, the Indian banking sector experienced a series of strategic regulatory measures, notable mergers, and a strong sense of financial stability.

### Developments with RESERVE BANK OF INDIA

In July 2024, the Reserve Bank of India (RBI) implemented a number of significant initiatives and experienced notable developments:

The RBI has recently published its 29th Financial Stability Report (FSR), emphasizing the strength of India's financial system in the face of global economic challenges. The key metrics for Scheduled Commercial Banks indicate strong capital ratios and minimal non-performing assets. The report also included macro stress tests for credit risk, projecting a robust financial condition under different stress scenarios.

An executive appointment has been made by the RBI. Smt. Charulatha S. Kar will assume the role of Executive Director starting from July 1, 2024. Having more than thirty years of experience in the RBI, Smt. Kar will be responsible for overseeing the Human Resource Management Department, as well as other important roles.

The RBI's Monetary Policy Committee (MPC) decided to keep the repo rate at 6.50%. This decision was made considering the projected 7% real GDP growth rate for FY25 and an estimated Consumer Price Index (CPI) inflation of 4.5%.



Starting on November 1, 2024, the RBI implemented more stringent KYC requirements and other measures to improve the security and efficiency of domestic money transfers. These guidelines aim to reduce fraudulent activities and ensure a consistent customer experience across different banking services.

These developments indicate the RBI's continuous efforts to uphold financial stability, improve governance, and establish strong regulatory frameworks in the banking and financial sectors.

### Developments with SEBI

In July 2024, there were several significant regulatory changes and initiatives implemented by the Securities and Exchange Board of India (SEBI).

**1. Amendments to Regulations:** SEBI has introduced amendments to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018. These amendments aim to improve transparency and operational efficiency in stock exchanges and clearing corporations. The SEBI (Stock Brokers) (Amendment) Regulations, 2024, have been recently revised to enhance internal controls, surveillance, and reporting mechanisms for stock brokers. These requirements encompass periodic reviews, documentation of alert thresholds, and the implementation of a whistleblower policy.

**2. Master Circular on Surveillance:** SEBI has recently issued a master circular to enhance the monitoring of the securities market. This circular is intended to enhance the monitoring of unverified news spread by market intermediaries and enforce more stringent disclosure and reporting requirements under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

### DEVELOPMENTS IN GLOBAL CRYPTO CURRENCY SECTOR

In July 2024, there were several noteworthy developments in the global cryptocurrency market:

**1. Market Performance:** The cryptocurrency market experienced a decline, with significant drops in major cryptocurrencies such as Bitcoin (BTC) and Ethereum (ETH) at 10.9% and 10% respectively. Despite these declines, Bitcoin's market cap dominance grew as a result of substantial institutional investment.

**2. Meme Coins:** Market interest in meme coins remained strong. WienerAI (\$WAI) secured an impressive \$7 million in funding, highlighting the significant impact of social media-driven speculative trading. Nevertheless, the coins' volatility continues to be significant, presenting potential advantages and disadvantages for investors.

**3. Regulatory Actions:** The legal actions taken by the SEC had a significant impact on the market. Adding to the regulatory pressures on the crypto industry, a lawsuit for securities fraud against Silvergate Capital highlights the ongoing challenges and the complex relationship between traditional finance and cryptocurrencies.

**4. Security and Innovations:** The month witnessed a notable decrease in crypto-related thefts, indicating enhanced security measures across platforms. Projects such as Floki Inu prioritized their security protocols and remained dedicated to introducing new digital services.

These developments suggest a constantly changing cryptocurrency market, with both obstacles and possibilities arising as regulations change and technology advances.

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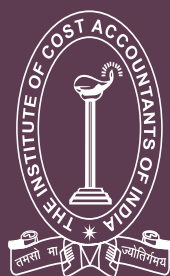
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