FTCCI Review

Azadi Ka Amrit Mahotsav

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THE FEDERATION OF TELANGANA CHAMBERS OF COMMERCE AND INDUSTRY

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Inside


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Inside

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Dear Members

India celebrated its 75 years of independence and the country has much more to rejoice than the significance of number, that is, India became 5th largest economy in the world, surpassing UK, its erstwhile colonial master. The timing could not have been more symbolic.

A decade back, India was ranked 11th among the large economies while the U.K. was at the fifth position, and is now behind only the US, China, Japan, and Germany. This is not a "mean achievement", and the people of India should take credit for it, said our Finance Minister. Yes, it is no mean achievement, especially when the world is going through various challenges and difficulties for the last four to five years such as economic slowdown, pandemic, and now the Russia-Ukraine War etc. disrupting normal economic activities. I congratulate the people of India for their hard work and perseverance that made this achievement possible in shortest time.

India has also made remarkable achievements in the field of digital payment through the UPI and also record number of people being vaccinated. The country has achieved a lot in the last 75 years, but there is lot more to do. Though India became the fifth largest country in the GDP share, the per capita income of the country is below $ 2000 compared and is at 125th rank by GDP (PPP). Let us all be optimistic that we will improve our rank to 50th by 2030.

I would like to share with our members that FTCCI is making all efforts to keep the 'cost of doing business' in the state competitive and on par with other states. The area of concern in the recent days is – rising power cost. The DISCOMs have proposed to levy additional surcharge of Rs 6.81 per unit on power procured from Open Access for the H2 of 2022-23. Clearly, the intention is to stop industry from going to Open Access and force the industry to buy from DISCOMs at higher tariff. FTCCI has filed its objections and presented the case before the ERC opposing the proposal.

Also, the DISCOMs have filed "True-Up petitions" for 3 Control Periods at a time, from 2006-07 to 2020-21, claiming more than Rs 4000 crore towards true-up. Now, the Captive Power Plant owners are receiving notices for payment of huge amounts towards 'Grid Support Charges' from 2002-09. These retrospective claims will impose huge burden on industry and kill the competitiveness leading to closure of units.

The government must look at all these claims and ensure that industry is not put to suffering with retrospective claims due to failure of DISCOMs in filing the True-Up in time and inordinate delays.

I am glad to inform the members that a trade delegation was taken to Thailand from 8th to 10th of September and entered into MoUs with Thailand Chamber of Trade and also Indo-Thai Chamber of Trade for promotion of trade between the two countries. The detailed report will be circulated soon.

The Federation is taking its activities to the Districts to ensure that the benefits of the programs are availed by the industry and trade outside Hyderabad. As a part of the effort six-day Export-Import Management program at Warangal is being organized from 15th September and awareness program on how to register with Amazon is being conducted at Nizamabad on 16th September. We are confident that the opportunity is availed by the industry and enter into new fields and areas to expand their activities.

I express my gratitude to Shri Pratap Chandra Sarangi, Member of Parliament, LS, Balasore, Odisha for visiting the Federation House and interacting with members. Odisha offers ample investment opportunities and members may explore and avail the opportunities in the state of Odisha.

The Federation is actively promoting the trade and investment opportunities within the country and also between various countries through Trade Delegations, participation in international Expos and also interaction with Ambassadors of various countries. I request all the members to avail the services of FTCCI and strengthen the organization.

Anil Agarwal
President

Govt gives 2-year extension to power companies to comply with SO2 emission norms

The decision comes over three months after the power ministry had written to the environment ministry, seeking a two-year delay for the mandatory compliance of the emission norms.

The deadline to comply with sulphur dioxide (SO2) emission norms for power companies has been extended by two more years, as per a government notification issued on September 6.

For utilities operating within 10 km radius of National Capital Region or in cities having a million-plus population, the deadline has been pushed to "31st December, 2024", the Ministry of Environment stated.

Power units being operated within 10 km radius of areas marked as "critically polluted" will have to comply with SO2 emission norms by 31st December, 2025, it added.

The utilities that do not fall in any of the above-mentioned categories will have to comply with the emission norms by 31st December, 2026, the notification further said.

Indian cities have some of the world's most polluted air. Thermal utilities, which produce 75 percent of the country's power, account for some 80 percent of industrial emissions of sulphur- and nitrous-oxides, which cause lung diseases, acid rain and smog.

In May, the power ministry had written to the environment ministry, seeking a two-year extension for utilities to install emission-cutting equipment.

In the letter, which was seen by Reuters, the power ministry had cited higher costs, lack of funds, COVID-19-related delays and geopolitical tension with neighbouring China as the reasons behind its appeal for another extension.

"The entire process of planning, tendering and implementing FGD has been badly effected," the power ministry had said, referring to flue gas desulphurization (FGD) units that cut emissions of sulphur dioxide.

India had initially set a 2017 deadline for thermal power plants to install FGD units. That was later changed to varying deadlines for different regions, ending in 2022.

https://www.moneycontrol.com

India plans to become green hydrogen giant to cut energy imports

India is planning a massive expansion of green hydrogen production to curb its dependence on energy imports and to wean the economy off fossil fuels to meet climate targets.

New Delhi is aiming for an annual production capacity of 25 million tons by 2047, according to people familiar with the plans who didn't want to be named as the information is not yet public. However, the number could change going forward, depending on technology and the country's demand outlook, they said. Media officials at the power and renewable energy ministries didn't immediately respond to emailed requests for comment.

Green hydrogen is widely expected to play a major role in decarbonizing heavy industries, including oil refineries, steel mills and fertilizer plants. India's current output of the fuel is very low and comes from a handful of pilot projects.

While green hydrogen is regarded as a potential panacea to cut emissions, there are still major challenges in scaling up the technology and making it cost-effective. It's not certain demand growth will materialize, and the fuel may not become the first choice in transport and industry.

https://economictimes.indiatimes.com

Telangana ranked fourth in India in solar energy sector

Telangana is ranked fourth in India in the solar energy sector, thanks to a series of initiatives taken up by the State government since the formation of a separate State in 2014, officials said.

They said Telangana was generating 4,511 MW of solar and 128 MW of wind energy through Telangana State Renewable Energy Development Corporation (TSREDCO). After the State formation, the State government laid special attention on using non-conventional energy sources along with increasing solar and wind energy.

According to officials, the State government was implementing Telangana State Electric Vehicle and Energy Storage Solution policy along with all renewable energy and energy conservation programs. Under renewable energy program, the State has already achieved 4511.77MW of solar energy, which is fully developed under decentralized distributed generation system, which is first of its kind in the country.

The corporation has already taken up installation of LED streetlights under demand side management activity apart from distributing devices to save electricity. It is also implementing the Energy Conservation Building Code for commercial buildings and exhibitions are being organized in different areas to create awareness among consumers about the programs.

Stating that power conservation activities saved 1005 million units of electricity in the State, the officials said that the value of this electricity was equivalent to the energy of 3.30 lakh metric tonnes of oil (containing both electrical and thermal energy).

A program of installing energy efficient LED streetlights has also been started in all gram panchayats to replace the high power consuming street lights. It is estimated that around 50 per cent of the annual energy savings will be achieved with this program.

Under the State Electric Vehicle and Energy Storage Solution Policy-2020, the first two lakh electric two-wheelers and the first 5,000 units of four-wheelers will get 100 per cent exemption on road tax and registration fees. The corporation is setting up a dedicated energy park at Divitipalli and utilizing the existing electrical motor companies at Raviryala and Maheswaram.

Hence, the estimated total investment in the State will be around Rs.30,000 crore in the sector enabling 1.2 lakh people to get jobs, officials said. They added that with the implementation of eco friendly energy policy, carbon emission reduction was expected to be up to 6.61 tera grams (661 crore kg).

According to officials, as many as 32000 electric vehicles are, presently, on the roads in the State and currently 156 electric vehicles (EV) charging stations are operational while another 100 EV charging stations are in progress. Around 1000 charging points will be set up under the PPP model across the State by the corporation.

https://telanganatoday.com

Coal Production increases 8.27% to 58.33 mt in August despite monsoon disruption

India's overall coal production increased by 8.27% to 58.33 Million Tonne (MT) in August, 2022 as compared to 53.88 MT during the same month last year beating the trend that saw production fall during monsoon months.

As per the provisional statistics of the Ministry of Coal, in the month of August, 2022, Coal India Ltd (CIL) and captive mines/ others registered a growth of 8.49% and 27.06% by producing 46.22 MT and 8.02 MT respectively. However, SCCL registered a negative growth of 17.49% during the month.

Of the top 37 coal producing mines in the country, 25 mines produced more than 100 % while the production level of five mines stood between 80 and 100 per cent, a statement from the coal ministry said.

At the same time, coal despatch increased by 5.41% to 63.43 MT in August, 2022 as compared to the same period previous year. During August, 2022, CIL and captive / others registered a growth of 5.11% and 26.29% by despatching 51.12 MT and 8.28 MT respectively.

The power utilities despatch has also grown by 10.84% to 54.09 MT during August 2022 as compared to 48.80 MT in August 2021 due to increase in power demand.

https://www.livemint.com

Adani Power to start exporting electricity from India to Bangladesh

Tycoon Gautam Adani plans to start exporting electricity from a coal-fired plant in eastern India to Bangladesh before the end of the year, helping to alleviate energy shortages in the South Asian nation.

Adani Power Ltd. will commission a 1.6 gigawatt facility in Jharkhand state and a dedicated transmission line for the exports by Dec. 16, Adani said in a Twitter post late on Monday after meeting Bangladesh's Prime Minister Sheikh Hasina in New Delhi.

The project underscores India's push to use infrastructure as part of its diplomatic outreach to neighbors. Adani — Asia's richest person controlling a business empire spanning ports, infrastructure and energy — is also involved in investments in Sri Lanka.

Bangladesh has been suffering energy shortages as the price of fuels like gas and coal surge following Russia's invasion of Ukraine. It remains heavily dependent on imported fossil fuels for electricity, and is aiming to double its power generation capacity by 2041 to support its export-oriented economy, according to the US Department of Commerce.

Jharkhand is one of India's biggest coal-mining regions, but the plant will mainly use fuel imported from overseas, according to a 2017 approval document from the environment ministry.

Adani's project has been criticized due to the high costs of transporting the coal by sea from places like Australia and South Africa and then by train to the plant.

https://www.business-standard.com

Coal ministry slashes interest on late payment of royalty, rent

The coal ministry has amended the Mineral Concession Rules, 1960 (MCR) aimed at decriminalising its provisions. The Centre has been taking action in a bid to reduce compliances for business and citizens, the coal ministry said in a statement.

The government has reduced the rate of interest levied on delayed payment of royalty, rent and fee from coal mines, a move that would give a fillip to ease of doing business. The coal ministry has amended the Mineral Concession Rules, 1960 (MCR) aimed at decriminalising its provisions.

The Centre has been taking action in a bid to reduce compliances for business and citizens, the coal ministry said in a statement.

"To further promote and boost the 'Ease of doing business' policy of the government, the amendment in MCR decriminalised 68 provisions whereas penalty has been reduced for 10 provisions of MCR," it said.

MCR relates to the application and grant of mineral concessions such as reconnaissance permit, prospecting license, and mining lease.

https://energy.economictimes.indiatimes.com/news/coal/coal-ministry-slashes-interest-on-late-payment-of-royalty-rent/94086894

India set to become 3rd largest economy in the world, report says

The Indian economy has undergone a large structural shift in the last eight years and is currently the 5th largest economy in the world after overtaking the United Kingdom. Going ahead, India is expected to pip Germany in 2027 and Japan by 2029 at the current rate of growth, as per a State Bank of India (SBI) research report.

The path taken by India since 2014 reveals India is likely to get the tag of 3rd largest economy in 2029, a movement of 7 places upwards since 2014 when India was ranked 10th, according to a research report from the State Bank of India's Economic Research Department. India should surpass Germany in 2027 and most likely Japan by 2029 at the current rate of growth.

India, a former British colony, leapt past the UK in the final three months of 2021 to become the fifth-biggest economy. The calculation is based in US dollars, and India extended its lead in the first quarter, according to GDP figures from the International Monetary Fund.

India's GDP growth in Q1 FY23 was 13.5 per cent. At this rate, India is likely to be the fastest growing economy in the current fiscal. The share of India's GDP is now at 3.5 per cent, as against 2.6 per cent in 2014 and is likely to cross 4 per cent in 2027, the current share of Germany in global GDP.

Broad-based growth of empowerment will also lift India's per capita income from current levels and this could also as a force multiplier for a better tomorrow.

The Indian economy is forecast to grow more than 7% this year. A world-beating rebound in Indian stocks this quarter has just seen their weighting rise to the second spot in the MSCI Emerging Markets Index, trailing only China's.

https://economictimes.indiatimes.com

Moody's affirms stable outlook for India, says economy has high growth potential

India's credit profile reflects key strengths including its large and diversified economy with high growth potential, a relatively strong external position, and a stable domestic financing base for government debt, rating agency Moody's said in a report.

The Indian economy has higher capital buffers and greater liquidity and as such, the risk from the negative feedback between the economy and financial system are receding, the agency said. The agency has allotted a Baa3 rating for the Government of India with a stable outlook.

"With higher capital buffers and greater liquidity, banks and nonbank financial institutions (NBFIs) pose much less risk to the sovereign than we previously anticipated, facilitating the ongoing recovery from the pandemic," it said.

The agency expects India's economic environment to allow for a gradual narrowing in the general government fiscal deficit over the next few years, avoiding further deterioration in the sovereign credit profile. However, the risks from a higher debt burden and weak debt affordability persist.

Moody's has forecast India's real GDP to grow at 7.6% in FY23 and 6.3% in FY24.

Further, the agency does not expect any rising challenges to the global economy, including the impact of the Russia-Ukraine military conflict, higher inflation, and the tightening financial conditions on the back of policy tightening, to derail India's ongoing recovery from the pandemic in 2022 and 2023.

https://economictimes.indiatimes.com

Ethanol plants to generate green jobs, raise farmer income: PM Modi

Prime Minister Narendra Modi on Wednesday said that the new second generation (2G) ethanol plant by Indian Oil Corporation (IOC) in Haryana's Panipat will reduce pollution due to stubble burning in Delhi, National Capital Region (NCR) and Haryana. He added that more such plants across the country will bring in more green jobs and money into the hands of farmers. "In the last seven to eight years, the country has saved at least Rs 50,000 crore on foreign exchange due to the rise in ethanol blending and almost a similar amount has gone to farmers. This biofuel plant is a beginning and will help in reducing pollution in Delhi, NCR and the entire Haryana," Modi said. He dedicated the Rs 900-crore IOC plant to the nation. In 2014, the share of ethanol blending in petrol was a mere 1.4 per cent. India's ethanol blending in petrol has increased to 10.16 per cent in 2022, much ahead of its target. The country has also set a target of achieving 20 per cent blending by 2025.

https://www.business-standard.com

India $5 trillion economy by FY29 only if it grows at 9% for five years, says former RBI Guv Subbarao

India may become a USD five trillion economy by 2028-29 only if the GDP grows at nine per cent per annum consistently for the next five years, former RBI Governor D Subbarao said on Monday. Speaking at Federation of Telangana Chamber of Commerce and Industry on India @75- Marching Towards USD 5 Trillion Economy on the occasion of 75 years of Indian Independence, he said there are eight key challenges for India to overcome to achieve the dream of 5 trillion economy. "India can become a 5 trillion economy as envisaged by Prime Minister Narendra Modi not before 2028-29. Also for this we need to clock an annual GDP growth of 9 per cent consistently for the next 5 years. I see eight key challenges for India to overcome to achieve the dream of USD five trillion economy," a press release from FTCCI quoted Subbarao as saying.

According to him, the challenges are increasing investment, improving productivity and education and health outcomes, creating jobs, raising agriculture productivity, maintaining macroeconomic stability, managing global mega trends and improving governance, it said. Subba Rao further said Modi triggered a debate on State subsidies and all political parties are at fault for the situation. He cautioned that the States and union government must realise that the country does not have surplus budgets and while some safety net is surely needed. They must be cautious and selective on what freebies to be given from borrowed money and the future generations should not be burdened with unnecessary debt burden, the release added.

https://economictimes.indiatimes.com

16 states onboard single-window system for ease of doing business

As many as 16 states, including Odisha, Tamil Nadu and Bihar have integrated with National Single Window System (NSWS) so far with an aim to promote ease of doing business, a senior official said on Tuesday. The government in September last year soft-launched NSWS for businesses. It was aimed at providing support to investors, including pre-investment advisory, information related to land banks, and facilitation of clearances at the Centre and state levels.

The NSWS portal is envisioned as a one-stop shop for investors for taking all the regulatory approvals and services related to investments.

It allows online filing and tracking of all applications and clearances, thereby helping investors to obtain clearances from different stakeholders without visiting different government offices.

"Currently, 24 of the 32 ministries and departments have onboarded the system and others are in the process. 181 out of total 368 services identified as relevant, have been onboarded. At the same time, 16 states/ UTs out of 36 have also onboarded the system," Additional Secretary in Department for Promotion of Industry and Internal Trade (DPIIT) Sumita Dawra told reporters here.

States and UT which are yet to integrate with the portal include Haryana, Jharkhand, West Bengal, Rajasthan, Delhi, Chandigarh, among others. Dawra said the scope of the system has also been expanded to include special schemes such as vehicle scrapping, Indian Footwear and Leather Development Programme, ethanol- blending programme, and sugar mill exporters registration by bundling both central and state government approvals.

A common registration form has been in-built into the system which enables the investor to apply in a user-friendly format for investor-related clearances.

"There is hence no need to fill in multiple forms for various clearances relevant to the investor's proposal," she added.

The form is integrated with the payment gateway (PayGov) and is also integrated with 'Bharat Kosh', thereby integrating all ministries/ departments with public financial management system of accounting of the government, along with reconciliation of accounts.

https://www.business-standard.com

India home to as many as 75,000 start-ups, says Piyush Goyal

India in its 75th year of Independence is now home to as many as 75,000 startups, Union minister Piyush Goyal said on Wednesday. In a tweet, the Commerce and Industry Minister said "These numbers tell the power of a vision. A vision to see innovation & enterprise drive growth." "India is now home to 75,000 startups in the 75th year of Independence and this is only the beginning," Goyal said in the tweet. The minister had recently said the country aspires to become the largest start-up ecosystem in the world. On another occasion, Goyal had appealed to startups to get incorporated and listed in India and not leave the country "just for few dollars more". The Ministry of Commerce and Industry stated that the latest 10,000 start-ups were recognised in 156 days, compared to the initial 10,000 start-ups that were recognised in 808 days. It added that 49 per cent of the start-ups are from tier-2 and tier-3 cities. Of the recognised start-ups, 12 per cent cater to IT services, 9 per cent to health care and life sciences, 7 per cent to education, 5 per cent to professional and commercial services and 5 per cent to agriculture.

https://www.business-standard.com

FTCCI Business delegation in Thailand : 8th to 11th September, 2022

FTCCI led team met H. E. Ms. Suchitra Durai Ambassador of India to the Kingdom of Thailand and shared details of MoU signed with Thai Chamber of Commerce : 8th September, 2022

FTCCI signed a MoU with Thai Chamber of commerce at Bangkok . The main objective of the MoU is to help facilitate and promote trade and investment between Telangana and Thailand : 8th September, 2022

FTCCI led trade officials visited SCG Homes, largest provider of building materials, home goods , health and life style products and had a detailed interaction with Mr Navasphol Ratanarom Head SCG homes at Thailand and discussed about synergies : 9th September, 2022

FTCCI signed an MoU with India Thai Chamber of Commerce in Thailand. The objective of the MoU is to exchange ideas to promote trade and investment between Telangana and Thailand : 10th September, 2022

Representations

To,
Sri Sunil Sharma, IAS
Spl. Chief Secretary, (Energy)
Government of Telangana,
B.R.K.R. Bhavan, 7th Floor,
Telangana Secretariat,
Hyderabad - 500 063.

Shri. Jayesh Ranjan IAS,
Principal Secretary, Industries & Commerce, and Information Technology,
Government of Telangana.

Sub: Proposal to levy Additional Surcharge of Rs. 6.81 per unit on open access consumers for the H2 of FY 2022-23 - reg

Ref: The Petitions (O.P. No. 55 & 56 of 2022) filed by TSDISCOMs for determination of Additional Surcharge to be levied on Open Access consumers as per provisions of the Electricity Act, 2003 and National Tariff Policy, 2016 for the H2 of the Financial Year 2022-23

Referring to the subject cited, we hring it to your notice that the TS Electricity Distribution Companies have submitted petitions (referred) to TSERC proposing to levy Additional Surcharge of Rs. 6.81 per unit from Open Access Consumers in the state. We must say that the preposterous proposal baffled the industry and ifimplemented will make the industrial units in Telangana uncompetitive and push them out of market.

Furthermore, the Hon'ble Regulatory Commission, in its previous Orders, stated that "The Preamble of Electricity Act 2003, emphasises, amongst others, taking measures conducive to development of electricity industry, promoting competition there in, protection of interests of consumers and rationalization of electricity tariffs as objectives. The DISCO Ms are entitled to the AS computation but at the same time such AS should not be so high that it hinders the very competition that the Electricity Act 2003 advocates".

It is to be noted that the proposed Additional Surcharge @ Rs. 6.81 per unit is 4 to 5 times more than that of levied during the HI of2022-23. (for HI , the AS was Rs. 1.15 per unit). We are at a loss to understand what have changed so drastically and why to propose such high level of Additional Surcharge on Open Access consumers.

There is no rationale behind proposing Additional Surcharge almost equivalent to energy tariff for industrial consumers and how the fixed costs for stranded capacity is arrived at Rs. 6.81 perunit.

It is clear that the DISCOMs are fixing the Additional Surcharge at prohioitively high rate to dissuade mdustry from procuring energy through Open Access and purchase only from DISCOMs at high tariff rates.

"'We request you to look into the matter and protect the !ndustry in ~he interest of the State's mdustnal progress and create an environment where the mdustry thnve and prosper.

Comparative statement of AS in different states is enclosed for reference.

Mr. Anil Agarwal, President, Mr. Meela Jayadev, Senior Vice President, Mr. Suresh Kumar Singhal, Vice President and Ms. Khyati Naravane, CEO met and greeted Dr. Tamilisai Soundararajan, Hon'ble Governor of Telangana State

Joint Meeting of FTCCI and CII

22nd August, 2022

A joint meeting with CII (Telangana Chapter) Office Bearers and MSE members was held on 22nd August 2022 to discuss on various issues faced by industry in the State.

Anil Agarwal, President, FTCCI welcoming the members of FTCCI and CII said that though the state is ranking top in Ease of Doing Business, the cost of doing business is going up in the state due to abnormal increase in certain taxes, fee, and energy tariffs. When the other states are offering incentives to the industries that aids cutting down the cost of operations, industries in Telangana are facing adverse conditions due to increasing costs. He further said that this meeting is an effort towards making industry's voice stronger by making joint effort to address the arbitrary increase in various fee/ taxes/ power tariffs etc applicable to industrial and commercial establishments and to call upon the state government to reduce the cost of doing business in the State and make industry more competitive.

The members have discussed the proposal of DISCOMs to levy Additional Surcharge on Open Access consumers at Rs. 6.81 per unit for the H2 of 2022-23. MR. Vagesh Dixit, Chairman and Mr. Sekhar Reddy, Vice Chairman of CII Telangana and other members strongly opposed the irrational proposal to levy huge amount of additional surcharge on open access consumers and agreed to file objections before the TSERC as well as issue a press statement on how it affects the industry.

The members have also discussed on various other problems such as imposing Trade License fee on manufacturing units on square feet basis at a very high rate, removing ceiling on trade license fee, high power cost, industrial infrastructure etc.

Prof. Rajkiran, Director, Centre for Energy Studies, ASCI explained the Act position on power supply and tariff, cross subsidy, additional surcharge etc. and advised to file objections in ERC.

The meeting ended with unanimous agreement on taking joint action possible by CII and FTCCI to reduce the cost of doing business and issue a joint press statement on irrational proposal of Additional Surcharge at Rs. 6.81 for the H2 of 2022-23.

Sri Meela Jayadev, Senior Vice President thanked the CII officials and members for their time and efforts to address the issues / challenges faced by industry in Telangana State.

Certificate Course on GST

26th August, 2022

FTCCI is organizing a certificate course on GST commencing from 26th August, 2022 spell over to 8 days on weekends (Friday & Saturday).

Sri V.S. Sudhir, Chiar, GST and Customs Committee in his welcome address said that FTCCI has indentified certain recent developments in GST such as e-way bills, e-invoicing and other compliances. To facilitate Trade and Industry in their strife to cope up with these changes FTCCI is organizing an Advanced Certificate Course with focus on Recent Changes in GST covering important topics of relevance for business enterprises. The Course is spread over 8 days in daily 2 sessions of 3 hours duration. This is with an aim to enable business executives and Trade and Industry members take advantage of the Course without too much interruption in normal operations.

Sri Mankoskar Surendrakumar Chandrakant Rao, IRS., Commissioner – Medchal GST Commissionerate in his inaugural address said that The Goods and Services Tax (GST), one of the biggest tax reforms that the country has ever had, completed its 5-year journey on June 30th. A Nationwide GST, which subsumed 17 local levies like excise duty, service tax, VAT, and 13 cesses, was rolled out at the stroke of midnight on July 1, 2017.

The motto of the GST – One Nation, One Tax – has been the driving force behind its introduction and has brought about 13 lakh taxpayers into a unified indirect taxation system. The ultimate idea behind the implementation of the GST was that it would offer a win-win situation for all, be it the government or taxpayers.

Currently, a four-rate GST structure that exempts or imposes a low rate of tax of 5 per cent on essential items and top rate of 28 per cent on cars is levied. The other slabs of tax are 12 and 18 per cent.

During the pre-GST era, the total of VAT, excise, CST, and their cascading effect led to 31 per cent as tax payable, on an average, for a consumer. Besides, there is a special 3 per cent rate for gold, jewellery and precious stones and 1.5 per cent on cut and polished diamonds.

The GST revenue collections in June 2022 was up 56 per cent year-on-year (YoY) to over Rs 1.44 lakh crore. The gross GST collections in June is the second-highest, next to the April 2022 collections of Rs 1.68 lakh crore.

The GST also represents an unprecedented exercise in fiscal federalism as the Centre and states come together in the GST Council to thrash out modalities for smooth functioning of the relatively new tax regime. More recently, the GST Council, in its 47th meeting in Chandigarh, has decided to ease compliance for small taxpayers who supply through the e-commerce platform.

Day one sessions were handled by Sri V.S. Sudhir, Partner, Hiregange on Overview of GST – Levy, Classification, Rates, Exemptions, Jurisdiction & authorities and Sri S. Thirumalai, Advocate extensively explained on Valuation, Time of Supply and Place of Supply – intra-state / inter-state

Second day sessions were handled by Sri Karan Talwar, Advocate, High Court of Telangana & AP on Input Tax Credit (ITC) – Law & Procedure and CA Tushar Aggarwal, Co-Founder, Tattvam Group New Delhi on Input Tax Credit (ITC) – Computation and Reconciliation with live examples.

Third day Sessions were handled by CMA B. Mallikarjuna Gupta on Tax Invoice, Debit and Credit Notes, Payments and Sri Hitesh Jain, Partner, Sanjiv Shah & Associates, Chartered Accountants on Monthly Returns – Data Extraction.

Fourth day sessions were handled by Sri Venugopal, Partner , M/s Venu & Vinay, Chartered Accounts ,Bangalore on E-way bills and Sri K. Sriram, Chartered Accountant, KVR & Co., Hyd on Filing of GSTR 3B with practical examples.

CA Mohd. Irshad Ahmed, CA Hitesh Jain, Co-Chairmen, GST and Customs Committee and Ms. Khyati Naravane, CEO, FTCCI were also participated at the Inaugural session.

The remaining sessions will be on 16th, 17th, 22nd and 23rd Sept. 2022 respectively.

FTCCI CEO Forum Interaction with Dr. B.V.R. Mohan Reddy, Founder Chairman & Board Member, Cyient On "Business Beyond Boundaries" : 17th August, 2022 at Hyatt Place, Hyderabad

Industrial meet on "Investment Opportunities in Odisha" *with* Shri Pratap Chandra Sarangi

Member of Parliament, LS, Balasore, Odisha, Former Union Minister of State, Ministry of MSME & Fisheries, Animal Husbandry & Dairying Government of India

30th August, 2022

Sri Anil Agarwal, President while welcoming the chief guest stated that Telangana being one of the fastest growing state offers immense opportunities to the State of Odisha and he was sure the investors from the state will avail the business/investment opportunities. He also said that there are several similarities between Telangana and Odisha in key industrial sectors and there is greater scope for collaboration and exchange of best practices for industrialization. Odisha's business environment is powered by an enterprise-friendly government, good infrastructure and a young & committed workforce. The remarkably peaceful and politically stable State offers a set of unique advantages and opportunities for profitable investment in many sectors.

Shri Pratap Chandra Sarangi, Member of Parliament, LS, Balasore, Odisha, while welcoming the participants said that simple living and high thinking leads to development of society with values and also environment protection. He spoke about the cultural heritage of Odisha and the significance of main tourist attractions in the state. He highlighted the benefits of geographical locations of Balasore constituency, having coast line on one side and with thick forest on the other side. He invited the investors from Telangana to explore the investment opportunities in his constituency stressing the opportunities for traditional industries such as processing of forest products, food processing, bamboo, minerals, etc.

Shri Shankar Prasad, CEO, MSME Trust, Hyderabad, has given a detailed presentation on Balasore constituency, its strengths and resources and also the government support for investors.

The participants had one to one interaction with the chief guest. Sri Meela Jaydev, Sr Vice President, Sri Suresh Kumar Singhal, Vice President, Sri B.P Acharya, Advisor, Ms. Khyati Naravane, CEO, Ms. T.Sujatha, Deputy CEO have also participated in the interactive meeting.

Credit to MSMEs - An Unending Saga

Dr.B.Yerram Raju *

> The Union government announced Atma Nirbhar Bharat Abhiyan to push the companies on margin get incremental credit to stay in businesses.

Reserve Bank of India (RBI) governor Shaktikanta Das, while speaking on monetary policy, said recently: "The key to monetary policy calibration lies in understanding the drivers of inflation: global supply chain disruptions, Ukraine-Russia War, external value of rupee, social schemes in the name of equity providing less than the compatible goods and services, ballooning current account deficit etc. Centre's surreptitious freebies, states' open freebies pushed up the rural demand far ahead of supply leading to price rise."

The effect of inflation on this already disrupted supply chains is accentuated by the rate hikes to contain inflation. Credit becomes instantaneously costlier as the banks and financial institutions lose no time in passing on the rate hike to the borrowers, with disproportionate time for the depositors. Studying the flow of credit is constrained by authentic data. RBI and state level bankers' committees (SLBCs) indicate only the stock represented by the outstanding credit available on the RBI annual reports, monthly bulletins, economic and political weekly and CMIE data. Hence, our study has this limitation for interpreting the data.

It reminds me of what Keynes said: "It would be foolish, in forming our expectations, to attach great weight to matters which are uncertain." In his A Treatise on Money, he argued that "certain classes of investment are governed by the average expectation of those who deal on the Stock Exchange as revealed in the price of shares, rather than genuine expectations of the professional entrepreneur."

He clearly mentioned that this does not apply to classes of enterprise which are not readily marketable or to which no negotiable instrument closely corresponds. The categories falling in this category are fairly extensive – the micro and small manufacturing enterprises in the present connotation. (GTE, Ch.12, p.151)

Rate fluctuations impacting on marginal efficiency of capital indicate that the new investments will not be in great disproportion to change in the yield of capital, while the marginal propensity to consume would not be seriously impacted, going by the static rate of employment and rising growth of gross domestic product (GDP).

I looked at the changes in gross bank credit to industry versus the credit to micro and small manufacturing enterprises.

Analysis of changes is constrained by non-availability of the flow of credit, in terms of disbursements month by month or quarter by quarter and the number of enterprises. The data gives an idea of stock of credit or outstanding credit that includes interest, inspection charges, insurance payments, guarantee commissions, and SMS messages and sometimes unspecified debits to the clients' accounts.

Credit Outstanding

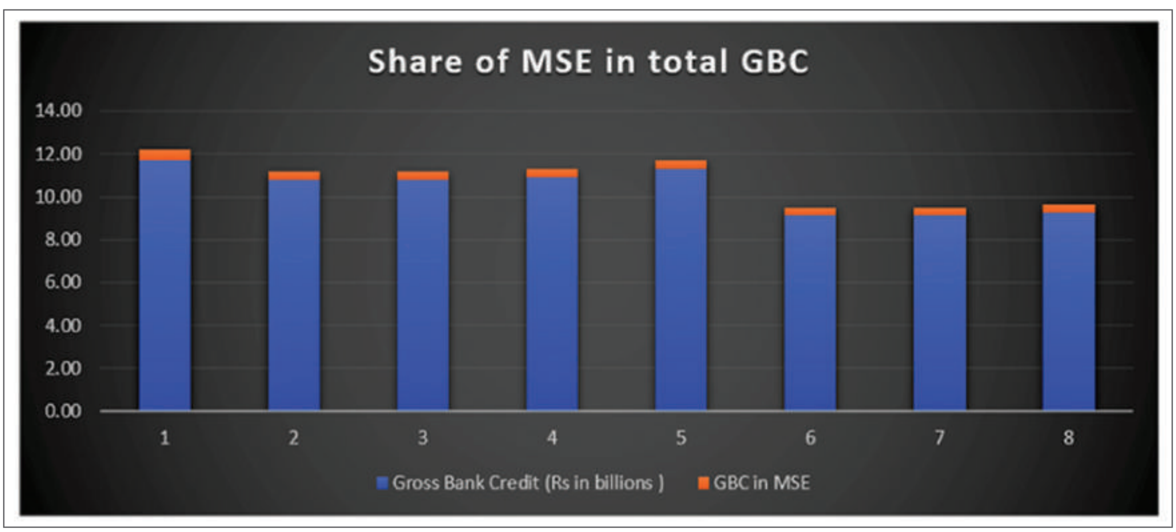
RBI bank rates were constant, ranging from 4.25% to 4.65% ever since the pandemic broke, and it goes to the credit of the RBI for maintaining financial stability by making sure that liquidity of the system is not affected by infusing more than adequate capital into the banks.

The Union government announced Atma Nirbhar Bharat Abhiyan to push the companies on margin get incremental credit to stay in businesses. When we see the data relating to outstanding credit to the micro and small manufacturing enterprises (MSEs) in the chart, 'not all the perfumes could sweeten the little hands.' Credit outstanding for this sector has been reflective of risk aversion from the banks.

Thus, with these two primary variables remaining uniform, it was unanticipated to find that the credit outstanding at the MSE levels was fluctuating exceptionally.

Year	2022-23	2021-22			2020-21			
	Q1	Q1	Q2	Q3	Q4	Q2	Q3	Q4
Gross Bank Credit - GBC (Rs in billions)	11.700	10.775	10.775	10.922	11.297	9.133	9.148	9.280
GBC in MSE (in billion)	0.494	0.400	0.404	0.391	0.421	0.355	0.357	0.365
Share of MSE in total GBC (%)	4.217	3.711	3.752	3.576	3.723	3.883	3.899	3.937
Increase/Decrease (%)	0.596	5.307	-0.013	0.353	2.179	-0.458	0.174	0.570
Increase/Decrease (%) in MSE	5.970	3.303	-2.584	1.777	4.268	-2.576	0.766	0.838
Bank rate	4.25	4.25	4.25	4.25	4.25	4.38	4.25	4.25

Source: RBI Monthly Reports



From the above table, it can be clearly inferred that quarters 2 in 2020 and 2021 were hit negatively. With the gross bank credit (GBC) flowing out in a linear path, the expected outcome for the MSE sector has to be in line with the GBC levels, since they front-end the supply chains of the medium and large industry. But with the negative outcomes glaring, it projects a different picture comprehensively.

It would appear that the outstanding credit to MSEs has been flat blue line. If the banks had extended the Atma Nirbhar Bharat Yojana incentive of moratorium and incremental credit during the period June 2020-June 2022 even to those who deserved it (more than 60% as some studies revealed), the share of MSEs in GBC should have been impressive instead of wild fluctuation in the credit outstanding.

Progressive increase in outstanding credit was impressive during the year 2020-21 while in the very subsequent year, the huge increase during the first quarter of 2021-22 fades to a negative 2.584%. The jump in the very subsequent quarters should be attributed to the banks' reclassification of the MSEs according to the new definition announced in June 2020 and the new registered units under Udyam Aadhar portal.

While the outstanding credit in the first quarter of 2021-22 increased by 5.307%, during the first quarter of 2022-23 it was just 0.596%. Such a large decline only indicates the continued risk aversion of the banks. The chart below showing month on month variation clearly indicates the very wild fluctuations in the stock of credit to the MSEs compared to the medium enterprise sector.

While the medium enterprise sector credit stock peaked during November2021-January 2022, it nosedived in March 2022. Banks must have put pressure on the enterprises to reduce the outstanding credit for managing their balance sheet provisions.

It is, therefore, desirable that these MSEs, touted as seedbeds of employment generation and engines of growth, should be seen through a different lens with a view to mainstreaming into the economy and not outbound players. Another evidence, stark and naked, is their presence in the start-up category.

Manufacturing MSEs are less than ten percent of the total number of start-ups. For the past two decades, their ability to pare with the service sector enterprises in payment of wages and salaries to their employees, has made them depress, and highly uncompetitive.

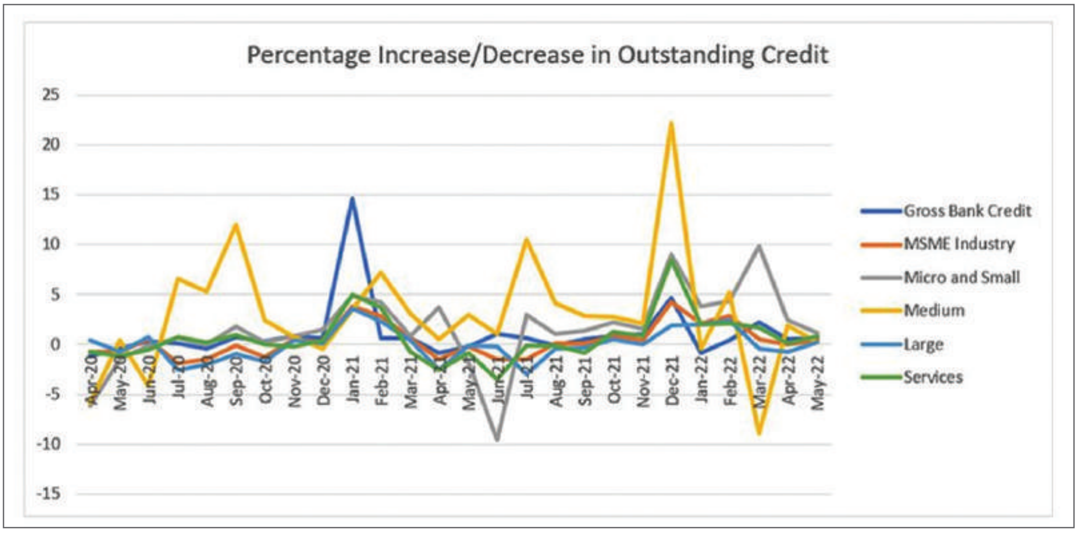
Human resource management of the MSEs did not receive adequate attention of the governments as much as digitisation.

Perverse incentives and untimely delivery of incentives at the other end also added fuel to the fire. A growing economy, that promises to reach the third in the global economies, has to devote greater attention to the ecosystem of the MSEs that form the front-end of the supply chains of the large and medium industry.

Credit is an important element of the process but not a sufficient condition for growth. MSE manufacturing has competitive advantage in the agro-industry sector even globally when the food processing chain of clusters and logistics are supported with appropriate packaging, branding, and export incentives.

Focus should be on the way the MSEs can be enabled to build equity over time and the way they can be helped to scale up. RBI and GoI should evolve their management information system in a way that they periodically get data on the number of enterprises financed and the credit disbursed and not just the credit outstanding that includes interest, SMS charges, inspection charges and compound interest.

Incentivising them for digitisation and culturing them to regulatory compliance are worthy investments in the MSEs to ensure their sustainability and resilience.



https://www.moneylife.in/article/credit-to-msmes-an-unending-saga/68239.html

(The author is founder Director of Telangana Industrial Health Clinic Ltd, and an economist with three decades of experience as banker. He is thankful to Ramya Bhavani for the statistical support.)

How to Tackle Delayed Payments to MSMEs

*Bhaven Shah |Garv Sultania **

Faster and more effective, Online Dispute Resolution has gained wide recognition from the judiciary, govt and business entities

Contributing 29 per cent to India's GDP and 40 per cent of India's exports, 6.3 crore micro, small and medium enterprises (MSMEs) provide employment to 21 per cent of India's workforce translating into 80 million jobs.

However, MSMEs continue to face serious issues and disputes relating to delayed payments that choke cash flows and push many towards the brink of insolvency. A recent report by the Global Alliance for Mass Entrepreneurship (GAME), Dun & Bradstreet, and Omidyar Network India reveals that 80 per cent of the annual delayed payments amounting to a whopping Rs. 8.73 lakh crore were owed to micro and small suppliers. Interestingly, 72.4 per cent of such instances can be avoided provided there is an effective and efficient way to tackle the menace of delayed payments.

The current mechanisms involve informal follow-ups, with less than 1 per cent of the eligible enterprises, representing only 1.3 per cent of the delayed payments pool, using the MSME Samadhaan portal for formally recording delays. Lack of any tangible outcomes and high rejections have rendered it as a mere filing tool. The final recourse of going to court is plagued with issues such as being resource heavy, existence of power asymmetry and an already overburdened justice delivery system.

To tackle this issue, one of the solutions proposed in the GAME report is to enable the entry of Online Dispute Resolution (ODR) service providers to ensure faster and, thereby, effective resolution of payment related disputes. The use of ODR will play a tremendous role in easing the burden faced by the Micro and Small Enterprise Facilitation Councils-MSEFCs. Unlocking ODR by leveraging data and technology is integral to addressing a part of the concern relating to delayed payments for suppliers in the MSME ecosystem.

The law requires the buyer to pay to the micro and small enterprises compound interest at monthly rests at three times the rate notified by the RBI if the payment to the supplier is delayed beyond 45 days. Buyers are also required to make disclosures and have reporting obligations around delayed payments, failure of which, attracts serious penalties and consequences for both the buyer and officers-in-charge of the buyer.

Such disputes can be registered online on the Samadhaan portal or can be directly filed with the jurisdictional MSEFC. After evaluating the application, the MSEFC may either convert it into a case or reject the application. The concerned MSEFC may itself conduct conciliation followed by arbitration or refer it to an alternative dispute resolution (ADR) institution.

ADR-like mechanism

Commonly ODR is referred to as the modern counterpart of ADR mechanisms like negotiation, mediation, arbitration, etc. Powerful communication technologies, case management tools and advanced technologies like artificial intelligence and machine learning allow ODR to curate a case-specific solution which is quick, effective and efficient. The law not only permits ODR, but it has also gained wide recognition in India from the judiciary, the government and business enterprises. For instance, the National Payments Corporation of India (NPCI) has mandated platforms in the UPI ecosystem to adopt ODR for complaints and grievances connected to failed transactions.

The time is ripe for ODR to solve the issue of delayed payments that is crippling MSMEs. This can be achieved by a two-pronged approach. First, a dedicated supplier-side technology platform accessible 24x7 in multiple languages encompassing

(i) a layered approach to establish communication and convey consequences to buyers to ensure increased awareness; (ii) automating processes and standardisation to ensure a streamlined process; and

(iii) integrated reporting to concerned authorities to ensure increased recoveries, prompt payments, and reduced rejections by MSEFCs.

Second, exploring the enabling provisions of the law which permit referral of disputes by MSEFCs to ADR institutions. Where the incumbent setup involves significant resources, ODR provides a superior experience, while being pocket-friendl y and convenient.

Ultimately, given the government's emphasis on supporting MSMEs as the growth-driver of India's economy, the question is not whether ODR should be explored to solve for delayed payments but how soon can it be implemented.

**Shah is the co-founder of Presolv360, an online dispute resolution company, and Sultania is part of the Strategy Team of the company*

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Business Meeting with H.E. Guillermo Rubio Funes, El Salvador Ambassador to India, Mr. Steven Ramirez - El Salvador Economic Counsellor in India and Dr. Yashwanth Kumar Venkataraman -Honorary Consul of El Salvador : 18th August, 2022 at Federation House.

Financial debt and default thereto - Is it sufficient to trigger insolvency proceedings

*Y. Sriniwas Arun **

The decision on admission of an application preferred by a financial creditor under section 7 of the Insolvency and Bankruptcy Code, 2016 ('IBC') has by large been dependent only on two aspects – existence of a financial debt and default in relation thereto. Any other extraneous factors being contended by a corporate debtor has at best served limited purpose of deferring the inevitable.

However, two recent judgments on the subject matter are likely to have far reaching implications on the way an application under section 7 has to be dealt with by the Adjudicating Authority going forward.

This article deals with the key observations made while denying initiation of Corporate Insolvency Resolution Process pursuant to section 7 application in N.S. Engineering Projects Private Limited and the stay on commencement of insolvency proceedings in the case of Vidarbha Industries Power Limited.

Hon'ble National Company Law Tribunal, Kolkata Bench in State Bank of India, Punjab National Bank Vs N. S. Engineering Projects Private Limited (Corporate Debtor)

The Corporate Debtor ("CD") had availed Term Loan Facilities and Working Capital Facilities and the said facilities were restructured upon approval of CDR package. Upon the account being declared non-performing asset, State Bank of India followed by Punjab National Bank filed an application u/s 7 of Insolvency and Bankruptcy Code, 2016 ("Code") before the Hon'ble NCLT Kolkata Bench against the CD.

The contentions on behalf of the CD were prevailed:

- the agreed contract [being the master restructuring agreement pursuant to approved restructuring package under Corporate Debt Restructuring (CDR) mechanism] consisted of reciprocal promises to be performed by both the parties, whereby on default of one party, the other party will not only be required to not perform its obligations but will also be discharged and further entitled to compensation.
- In view of the position of dominance that banks have over industries, the CD could not have terminated the contract and was obliged to wait for the banks to perform their obligations. Owing to the failure on part of the banks to fund and perform their obligations on time, the CD was unjustly prevented from running its unit and performing its obligations.

Key observations of the Adjudicating Authority

1. The Lenders' Independent Engineer (LIE)'s Report commissioned by the Financial Creditor (FC) does not point to any failure on the part of the CD or its promoters to perform its obligations in terms of the sanction letter. Therefore, there seemed no reason whatsoever for the FC not to disburse the amounts in terms of the sanction letters.
2. The whole gamut of the economics of an enterprise is dependent upon the lender and the borrower alike, therefore, FC should not plead innocence on either the failure or the below-par performance of a commercial endeavour and lay the entire blame at the door of the entrepreneur.
3. Section 7(5)(a) of the Code stipulates that where the AA is satisfied that a default has occurred, it may by order admit such application however, it cannot be extended to a fact situation where the FC, by its own acts of omission and commission, contributes to the default on the part of the CD.

The moot question addressed by the Adjudicating Authority was is it bound to admit an application under section 7 of the Code when it is alleged that there is contributory negligence arising out of non-disbursement of the amounts in terms of the sanction letters.

The Adjudicating Authority disagreed with the submissions of the financial creditor that it is imperative for the AA to consider whether there is a debt in respect of which there is a default or not and determination of counterclaim, set-off etc., comes in later.

With the above observations, the application of the financial creditor was rejected stating that the same was not a fit case for initiating CIRP against the CD.

Hon'ble Supreme Court of India in Vidarbha Industries Power Limited vs. Axis Bank Limited

An appeal under Section 62 of the Insolvency and Bankruptcy Code 2016 ("Code") was preferred against a judgment and order dated 02.03.2021 passed by the National Company Law Appellate Tribunal (NCLAT), New Delhi whereby the learned Tribunal refused to stay the proceedings initiated by the Axis Bank Limited (Financial Creditor/FC) against Vidarbha Industries Power Limited (CD) for initiation of the Corporate Insolvency Resolution Process (CIRP) under Section 7 of the IBC.

The main contention of the CD was that it had applied for stay of the proceedings before NCLT, Mumbai in extraordinary circumstances, where the CD had not been able to pay the dues of the FC, only because an appeal filed by Maharashtra Electricity Regulatory Commission (MERC) against an order dated 03.11.2016 passed by Appellate Tribunal for Electricity (APTEL) in favour of the CD, was pending before the Supreme Court and resultantly, the CD was unable to realize a sum of Rs.1,730 Crores, which is due and payable to it in terms of the order of APTEL.

It was submitted that considering the special nature of the business of the CD of production of electricity, tariff whereof is regulated by MERC and APTEL, the application under Section 7 of the IBC should not have been admitted.

Key observations of the Hon'ble Supreme Court

1. The new Insolvency and Bankruptcy framework has been designed, inter alia, to facilitate the assessment of viability of an enterprise at a very early stage, and to ensure a time bound Insolvency Resolution Process to preserve the economic value of the enterprise.
2. There can be no doubt that a CD who is in the red should be resolved expeditiously, following the timelines in the Code. No extraneous matter should come in the way. However, the viability and overall financial health of the CD are not extraneous matters.
3. Both, the NCLT and the Appellate Tribunal (NCLAT) proceeded on the premises that an application must necessarily be entertained under Section 7(5)(a) of the Code, if a debt existed and the CD was in default of payment of debt.
4. An award of the APTEL in favour of the CD, cannot be completely disregarded by the Adjudicating Authority (NCLT), when it is claimed that, in terms of the said award, a sum of Rs.1,730 crores (which far exceeds the claim of the FC), is realisable by the CD.
5. The Appellate Authority (NCLAT) erred in holding that the Adjudicating Authority (NCLT) was only required to see whether there had been a debt and the Corporate Debtor had defaulted in making repayment of the debt, and that these two aspects, if satisfied, would trigger the CIRP. The existence of a financial debt and default in payment thereof only gave the financial creditor the right to apply for initiation of CIRP.
6. The Adjudicating Authority (NCLT) was required to apply its mind to

relevant factors including the feasibility of initiation of CIRP, against an electricity generating company operated under statutory control, the impact of MERC's appeal pending for disposal, order of APTEL and the overall financial health and viability of the CD under its existing management.

7. The fact that Legislature used 'may' in Section 7(5)(a) of the IBC but a different word, 'shall' in the otherwise almost identical provision of Section 9(5)(a) shows that 'may' and 'shall' in the two provisions are intended to convey a different meaning. It is apparent that Legislature intended Section 9(5)(a) of the IBC to be mandatory and Section 7(5)(a) of the IBC to be discretionary.

8. It is certainly not the object of the Code to penalize solvent companies, temporarily defaulting in repayment of its financial debts, by initiation of CIRP. Section 7(5)(a) of the IBC, therefore, confers discretionary power on the Adjudicating Authority (NCLT) to admit an application of a Financial Creditor under Section 7 of the Code for initiation of CIRP.

9. The Adjudicating Authority (NCLT) has to consider the grounds made out by the CD against admission, on its own merits. When admission is opposed on the ground of existence of an award or a decree in favour of the CD, and the awarded/decretal amount exceeds the amount of the debt, the Adjudicating Authority would have to exercise its discretion under Section 7(5)(a) of the IBC to keep the admission of the application of the Financial Creditor in abeyance, unless there is good reason not to do so.

10. The Adjudicating Authority (NCLT) has simply brushed aside the case of the CD that an amount of Rs.1,730 Crores was realizable by the CD in terms of the order passed by APTEL, with the cursory observation that the said disputes, if any, were inconsequential.

With the above observations, the appeal was allowed and NCLT directed to re-consider the application of the CD for stay of further proceedings on merits in accordance with law.

In the light of the above judgments, the Adjudicating Authority would expectedly exercise their discretion while determining admissibility of a Section 7 application by considering factors beyond debt and corresponding default and accord fair share of consideration to the reasons resulting in inability of the CD to cure the default.

The above judgments render a whole new perspective by bringing in an element of subjectivity to the initiation of insolvency proceedings by financial creditors. Notwithstanding the underlying rationale, these precedents are bound to create ripples in the ecosystem with the rules of the game undergoing changes and the consequent impact on the nascent insolvency regime for all to witness in the times to come.

**Partner at Link Legal, Hyderabad.*

Launching Ceremony of World Business Forum - Ivory Coast Trade Opportunities with African Countries: 18th August, 2022

Why Indian states are opposed to the Electricity Amendment Bill

Manish Kumar *

There is a view that the legislation could boost privatisation and create a threat to cooperative federalism.

The Ministry of Power in the latest Monsoon Session of Lok Sabha introduced the Electricity (Amendment) Bill 2022 with an objective to transform the power sector, with a special focus on boosting the power distribution network in the country. However, the move did not go well with the opposition parties, as a majority of them vehemently opposed it.

Forced by vocal opposition to the Bill in the House, the federal government sent the legislation to a Parliamentary Standing Committee for a better scrutiny of the Bill, before initiating a discussion on the same in the House. Political parties such as the Indian National Congress, Trinamool Congress, the Communist Party of India-Marxist and others, opposed the introduction of the Bill in the Lok Sabha citing threat to the powers of the states, a fear of an increased privatisation of the power sector in the country. They also had apprehensions regarding the subsidies given to farmers for electricity, being snatched away. The Bill aims to amend the principal Act – The Electricity Act, 2003, which governs the electricity business in India.

Union Power Minister RK Singh, during the Lok Sabha session, denied several apprehensions of the rival parties calling it a "false propaganda". He told the Lok Sabha, "The Bill does not mandate snatching any kind of subsidies for the farmers and the provision of allowing more than one distribution company (discom) in one area was already prescribed in The Electricity Act of 2003."

However, it's not just the political parties that are against the controversial Bill, but also the Samyukt Kisan Morcha, a coalition which had spearheaded the farmers protest following newly introduced farm laws in India in 2020-'21. The coalition had also raised their apprehensions against provisions of the Bill. The All India Power Engineers Federation has also written to the government voicing their views about the provisions of the Bill.

The power ministry in the 'statement of object' of the legislation claimed that the legislation was meant to boost the competition and efficiency of power distribution companies in order to enhance non-discriminatory open access, so that the services given to consumers are improved and the power sector becomes sustainable.

The most controversial reform the Bill tries to impose, is the provision of allowing more than one power distribution company in one region which could lead to the end of monopoly of one power network in one area. It also mandates several changes in the powers of the State Electricity Regulatory Commissions in terms of regulating the power tariffs in the country, gives the SERC powers equivalent to a civil court. The new Bill also attempts to remove the punishment of jail term in case of defiance of rules made under the Bill, and in the case of offences like power theft, but keeps the provision of fines with an increased amount going up to Rs 1 crore per offence.

The discom dilemma

While the new Bill proposes 35 amendments to the massive 84-page Electricity Act of 2003, one provision that stands out is Section 5 of the Bill which is about allowing more than one distribution licensee (or discom) in one region to distribute power to the consumers. Although the provision of allowing more than one discom in one area was also mentioned in the 2003 Act, as per the old law the new discom had to have its own wire and distribution infrastructure. The new Bill, however, envisages a regime where the new entrant can use the distribution infrastructure of the existing discom by paying some charges like wheeling charge and others. Opposition parties and others see this as an alleged attempt to boost privatisation in the power distribution business with this provision.

Somit Dasgupta, a senior visiting fellow at the International Council for Research on International Economic Relations told Mongabay-India, "The most distinctive feature of the bill under consideration is the concept of multiple distribution licensees in each geographical area. While there can be multiple distribution licensees, the distribution wires of only one of the licensees will be used. The concept of having multiple licensees in one area is not a workable proposition in India where we have large scale cross-subsidy, huge commercial losses etc. The central government is well within its rights to suggest something as a matter of policy since 'power' is a concurrent subject, but the problem is that it is not viable," Dasgupta elaborated.

Union Power Minister RK Singh, during the Lok Sabha session, denied several apprehensions of the rival parties calling it a "false propaganda". He told the Lok Sabha, "The Bill does not mandate snatching any kind of subsidies for the farmers and the provision of allowing more than one distribution company (discom) in one area was already prescribed in The Electricity Act of 2003."

"What is more mystifying is that in case an applicant applies for a distribution license in more than one state, the license will be granted by the CERC and not the SERCs. CERC actually has nothing to do with the subject of distribution," he continued.

He also claimed that as around 80 percent of the costs incurred by discoms are in purchasing powers from power generating companies, the consumers are not likely to get any great benefits in a case of availability of more than one discom competing with each other.

Can multiple discoms help meet the losses?

The concept of co-existence of multiple discoms in a single area is not alien to India. In Mumbai, there existed a model in which two discoms operated together. However, it was mired in several litigation processes and experts do not cite this as a success model.

Ashwani Ghayal Chitnis, Senior Advisor, Legal Initiative for Forest and Environment cited the Mumbai case and said that multiple players cannot be linked to lowered costs. "There is no data to support the assumption that simply having multiple privately owned distribution companies will lead to cost improvements. The success of the proposed changes will depend on parameters such as: how the area of supply is defined, what would be the basis for determining the floor and ceiling tariffs, would there be regulatory certainty for cost recovery for all distribution licensees, who will invest in network augmentation, and so on. However, these absolutely crucial details are not part of the proposed bill and will be defined later on by the central government through rules," she told Mongabay-India.

She also added that this kind of opaque process does not bode well for creating a transparent and level playing field, which is a pre-requisite for healthy competition. "Also, there is no effort to improve and strengthen consumer participation and public accountability of the regulatory commissions. Issues with the current system such as, lack of access for a common consumer to approach the fora such as the Appellate Tribunal For Electricity or CERC, remain unaddressed," she said.

A study report by Chitnis and Saumya Vaishnava, on the Mumbai model of multiple discoms earlier had claimed that although the cables were underground and saw less losses the competition in terms of distribution was not very much significant, as the consumers who wanted to transit had to pay heavy regulatory charges which proved as a deterrent.

A 2021 report of the NITI Aayog also claimed that in several parts of India, the presence of private players in distribution networks is significant in cities like Delhi, Surat, Ahmedabad, Kolkata and Mumbai which also saw reduction of distribution losses. But the report also cited the example of Odisha, where four discoms were privatised in 1999, but they could not help in improving the distribution system or reduce losses while one private discom even abandoned the attempt leading to its de-licencing.

Other reasons for criticism of amendments

The Bill also suggests that the central government can give directions to the SERCs directly, bypassing the states, which is another reason for opposing, added Dasgupta. "Further, the composition of the selection committee for appointing the Chairman and the members of the SERCs, has been altered somewhat. Currently what happens is that the Central government provides direction to the CERC, and the states give directions to the SERC. But the Bill proposes that, now the Centre can give directions to the SERC directly, which the states are likely to oppose," he explained.

The All India Power Engineers Federation, Andhra Pradesh State Power Employees Joint Action Committee and other power sector associations are also against the bill. Shailendra Dubey, Chairman of the All-India Power Engineers Federation told Mongabay-India that this Bill could allow the power discoms to cherry pick the preferable profitable areas and not likely to benefit the domestic consumers more as claimed in the bill.

"The government is comparing electricity distribution infrastructure with that of telecom distribution. While telecom works on airwaves, electricity is supplied with huge infrastructure with wires, transformers, and others. The Bill will not give equal playing opportunity to the government discoms and private players because while the onus is on the government discoms to reach out to all sets of consumers, the private players would be allowed to use our infrastructure," said Dubey.

"So, with this Bill, the government units are likely to face the brunt of investing in all areas without discriminations, private units will have the advantage of choosing their area of their choice without any infrastructure of their own. In such a situation, the government discoms of today would become the BSNL of tomorrow," said Dubey.

DISCOM health and RPO obligations

Discoms in India are often seen incurring losses in their power distribution business which has remained a major challenge for decades, yet to be resolved despite several reforms. According to the government data, discoms owe around Rs 1.1 lakh crore to the power generating companies.

The new Bill mandates that the discoms would be liable to comply with Renewable Purchase Obligations otherwise they would be forced to pay penalties. RPOs refer to the mandate given to discoms, to purchase a portion of their total power through renewable sources of energy. Experts working in the energy sector claimed that this could lead to increased use of clean energy but there are still several challenges in this pathway too.

"The Bill also talks about boosting clean energy by ensuring mandatory RPO compliance by discoms. This provision is likely to force the discoms to buy clean energy at a higher cost. In such a situation how, these companies will ensure compliance is a question to discuss and needs special attention. Usually, the discoms tend to pass on such extra burden on the consumers. We have to see how the consumers would be affected by such actions," said Tirthankar Mandal, Head of Energy Policy at the World Resources Institute, India.

Mandal, however, added that the Bill needs a wider consultation, to address the bigger and fundamental questions around power distribution.

SOURCE

https://scroll.in/article/1031744/why-indian-states-are-opposed-to-the-electricity-amendment-bill

FTCCI OFFICE BEARERS *With*

With Dr. E. Vishnu Vardhan Reddy, Special Secretary (Investment Promotion and External Engagement) Department of Industries and Commerce and Mr. Rajender Reddy G, Director- Logistics, Industries & Commerce Dept, Government of Telangana : 10th August, 2022

With Mr. Roopesh Kumar Gupta, Managing Director, Hariom Pipe Industries Limited and their team : 10th August, 2022

Corporate Law & IBC Committee Chair CA Naresh Chandra Gelli and Secretary Smt M Veena met the Registrar of Companies, Telangana, Hyderabad : 19th August 2022

With C.Rajasekhar,OSD/HOD (States), Ministry of External Affairs : 19th August, 2022

6th edition of Hyderabad International Machine Tool & Engineering Expo at HITEX Exhibition Centre, Hyderabad : 18th August, 2022

With Mr P V S Raju, Vice Chairman AIG Hospital : 25th August 2022

Sri Prem Chand Kankaria, Chair, Banking Finance and Insurance Committee and Ms Sujatha, Dy CEO, FTCCI presenting representation on MSME Issues and FTCCI publications to Sri Bhanu Pratap Singh Verma, Minister of State for MSMEs, Govt of India and Shri Shailendra Kumar Singh, IAS, Additional Secretary and Development Commissioner, Ministry of MSME on 30th August, 2022.
Sri. D Chandra Sekhar, IEDS, Additional Development Commissioner, MSME-DFO is also seen

The leadership team of FTCCI along with participants of Industrial Visits to Quantra - Pokarna Ltd felicitates Mr. Gautam Chand Jain for his wonderful contribution in the development of exports and worldclass business facility in the State of Telangana : 27th August 2022

with Dr. Rajiv Sharma, Hon'ble Chief Advisor, Government of Telangana : 2nd September, 2022

With Ms. Garima Bhargava, Director, Hyderabad Ammonia & Chemicals Pvt. Ltd : 5th September, 2022

Thailand Online B2B Meeting – 2nd & 4th September 2022

Mr. BP Acharya, Chief Advisor, FTCCI with Mr Brahma Mishra ,President Utkal Chambers of Commerce and Industry, Bhubaneswar : 8th September, 2022

The fourth edition of Electriexpo 2022 organized by Secunderabad Electric Traders Association(SETA) held on 3rd September, 2022.
Sri Meela Jayadev, Sr Vice President, FTCCI attended as Guest of Honour at Hitex Exhibition Centre, Hyderabad

The Federation of
Telangana Chambers of
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MSME ADVISORY SERVICES at FTCCI

Every Thursday (4.30 - 5.30 pm)

FTCCI is launching "MSME Advisory Services", a novel initiative of the FTCCI, wherein domain and subject matter experts are available for hands-on mentoring, handholding and consultation for the MSME units.

Some of the areas to be addressed by the domain experts are :

- MSME General Issues
- Infrastructure development (water, power, roads, STP etc)
- Banking related issues
- Skill development
- Land related issues (TSIIC, Revenue, HMDA)
- Coordination with Govt agencies
- Any other issue that needs expert advice

Panel for Advisory Services will comprise the following:

Chairman : Sri BP Acharya, IAS (Retd.), Chief Advisor, FTCCI

Member : Dr. B. Yerram Raju, Advisor, IDC Committee, FTCCI

FTCCI requests members to avail this unique initiative by attending the one–on–one Mentoring session at the MSME Advisory Services.

Please send us your problems in advance, by email : kulkarni@ftcci.in, so that the same can be taken forward.

For further details/assistance, please contact Mr. R. Kulkarni, Director, FTCCI on 9848286640/8008579625.

The Federation of Telangana Chambers of Commerce and Industry

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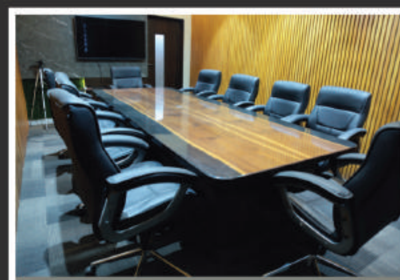
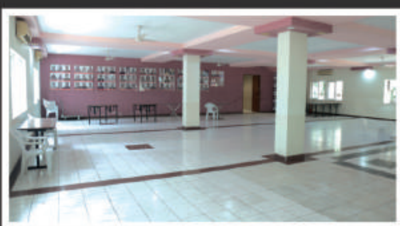
OPT Board Room(A/C) I 14 No.

FTCCI Surana Auditorium (A/C) I 130 No.

Dhanjibhai Sawla Hall (A/C) I 2500 sft



White House Board Room(A/C) I 10 No.



Banarsilal Gupta Exhibition Hall I 2500 sft

J.S.Krishna Murthy Hall (A.C) I 40 No.

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