

Monthly Policy Review

January 2024

Highlights of this Issue

[Budget session of Parliament to be held from January 31, 2024 to February 9, 2024 \(p. 2\)](#)

Last session of the Lok Sabha began with the President's address. Two Bills have been listed for introduction and passing. Interim Union Budget 2024-25 to be presented.

[President addressed joint sitting of both houses of the Parliament \(p. 2\)](#)

The address outlines major policy achievements in various sectors. It highlighted work in areas such as infrastructure, renewable energy, economic growth, and education.

[GDP estimated to grow by 7.3% in 2023-24 \(p. 2\)](#)

The growth rate in 2023-24 is estimated to be marginally higher than the previous year (7.2%). Construction and financial services sectors are estimated to register the highest growth.

[Consumer Price Index inflation was 5.4% in the third quarter of 2023-24 \(p. 2\)](#)

Food inflation averaged 8.3% during the third quarter of 2023-24, higher than the corresponding quarter of last year (5.3%). WPI inflation averaged 0.2%.

[Guidelines for the regulation of coaching centres, released \(p. 6\)](#)

Coaching centres need to register with an officer notified by the state. They cannot enroll students upto class 10. The guidelines have been sent to states for their consideration.

[Draft Stamp Bill released for consultation \(p. 3\)](#)

Stamp duty on sale and transfer of securities is proposed to be collected by entities such as stock exchanges on behalf of the state government. They will deduct a percentage of stamp duty as facilitation charges.

[Mining rules amended in relation to grant of exploration license \(p. 7\)](#)

The amendment provides the process for conducting auction of exploration license for minerals specified in the Seventh Schedule of the Mines and Minerals (Development and Regulation) Act, 1957 including lithium and gold.

[Implementation guidelines for solar power scheme issued \(p. 8\)](#)

Households in particularly vulnerable tribal groups will be electrified by providing off-grid solar power. Mini solar grids, with potential to connect to main grids in the future may be established in high density areas.

[Electricity Rules amended to require tariffs to be cost reflective \(p. 7\)](#)

The Rules also cap surcharge on open access users. Entities such as generators, captive power plants, and energy storage systems will not require a transmission licence for establishing dedicated transmission lines.

[SEBI seeks comments on interim recommendations of expert committee \(p. 5\)](#)

An expert group has suggested various suggestions to regulatory requirements for listed entities and the conditions for listing of securities.

[Cabinet approves scheme to promote coal/lignite gasification projects \(p. 7\)](#)

The scheme will have an outlay of Rs 8,500 crore and will promote the setting up of projects by public sector undertakings and private companies.

[Union Cabinet approves PRITHVI Scheme \(p. 8\)](#)

The scheme under the Ministry of Earth Sciences subsumes five ongoing sub-schemes on climate research modelling, seismology, and education. It will be implemented for five years at a cost of Rs 4,797 crore.

February 1, 2024

Parliament

Arpita Mallick (arpita@prsindia.org)

Budget Session 2024 begins

The Budget Session of Parliament commenced on January 31, 2024, and is scheduled to end on February 9, 2024. This session will have eight sitting days.¹

The President addressed both houses of the Parliament on January 31, 2024. The interim Union Budget 2024-25 will be presented on February 1, 2024. Two Bills have been listed for introduction, consideration and passing: (i) The Water (Prevention and Control of Pollution) Amendment Bill, 2024, and (ii) The Public Examination (Prevention of Unfair Means) Bill, 2024.

President’s Address highlights achievements of the government

The President of India, Ms Droupadi Murmu, addressed a joint sitting of both Houses of Parliament on January 31, 2024. She outlined the major policy objectives and achievements of the government in her address. Key highlights of the address include:

- **Economy:** India has emerged as the fastest-growing major economy amidst serious global crisis, and has maintained a growth rate of over 7.5% for two consecutive quarters. Inflation was over 8% in the 10 years prior to 2014. In the past decade, it has been at 5%.
- **Industry:** Startups have grown from a few hundred to more than four lakh today. More than 40,000 compliances have been removed or simplified to enable ease of doing business.
- **Infrastructure and Transport:** In 10 years, capital expenditure has increased five times to Rs 10 lakh crore. National highway length has increased from 90,000 km to 1.46 lakh km. Four-lane highways have increased 2.5 times in length.
- **Energy:** In 10 years, non-fossil fuel-based energy capacity has increased from 81 gigawatt to 188 gigawatt. India has targeted to achieve 50% installed capacity from non-fossil fuels by 2030.
- **Education:** Government is working on more than 14,000 PM SHRI schools to provide quality education. Out of these, about 6,000 have started functioning.
- **Space:** India launched the Aditya Mission. The satellite reached 15 lakh km away from Earth. India has become the first country to hoist its flag on the southern pole of the Moon.

For a summary of the President’s Address, please see [here](#). For an analysis of progress made on policy announcements in the last five years, please see [here](#).

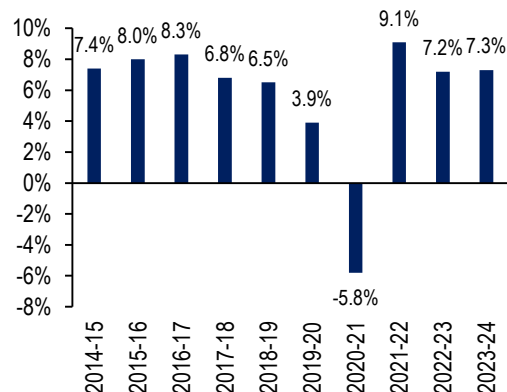
Macroeconomic Development

Tushar Chakrabarty (tushar@prsindia.org)

GDP estimated to grow by 7.3% in 2023-24

India’s GDP is estimated to grow by 7.3% in 2023-24 (at constant 2011-12 prices), according to the first advance estimates released by the Ministry of Statistics and Programme Implementation.² In the previous year, GDP is estimated to have grown by 7.2%.

Figure 1: Annual GDP growth rate (at constant 2011-12 prices)



Sources: MoSPI; PRS.

GDP across sectors is measured in terms of gross value added (GVA). In 2023-24, construction sector is estimated to register the highest growth (10.7%), followed by financial, real estate and professional services (8.9%), and electricity, gas, water supply and other utility services (8.3%). Agriculture sector is estimated to grow at 1.8% in 2023-24, lower than the 4% growth rate in 2022-23.

Table 1: Annual sectoral growth (at constant 2011-12 prices)

Sector	2021-22	2022-23	2023-24
Agriculture	3.5%	4.0%	1.8%
Mining	7.1%	4.6%	8.1%
Manufacturing	11.1%	1.3%	6.5%
Electricity	9.9%	9.0%	8.3%
Construction	14.8%	10.0%	10.7%
Trade	13.8%	14.0%	6.3%
Financial Services	4.7%	7.1%	8.9%
Public Services	9.7%	7.2%	7.7%
GVA	8.8%	7.0%	6.9%
GDP	9.1%	7.2%	7.3%

Sources: MoSPI; PRS.

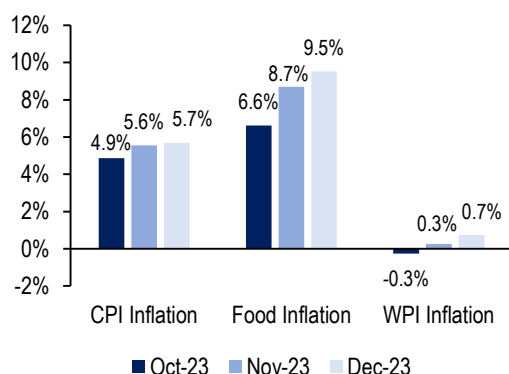
Retail inflation was 5.4% in the third quarter of 2023-24

Consumer Price Index (CPI) inflation was 5.4% in the third quarter (October-December) of 2023-24.³ This was lower than the CPI inflation in the same quarter

last year (6.1%), as well as the second quarter (July-September) of 2023-24 (6.4%). Food inflation averaged 8.3% during the third quarter of 2023-24, higher than 5.3% in the corresponding quarter of the previous year. Food inflation in the second quarter of 2023-24 was also higher (9.4%).

Wholesale Price Index (WPI) inflation averaged 0.2% during the third quarter of 2023-24.⁴ This was significantly lower than the same quarter last year (6.6%), but marginally higher than the second quarter of 2023-24 (-0.6%).

Figure 2: Monthly inflation in Q3 of 2023-24 (% change, year-on-year)



Sources: MoSPI; Ministry of Commerce and Industry; PRS.

Finance

Ministry of Finance allows direct listing of securities by Indian companies on international exchanges

Tushar Chakrabarty (tushar@prsindia.org)

The Ministry of Finance has allowed direct listing of securities by Indian companies on permitted international exchanges.^{5,6} The Ministry notified the Foreign Exchange Management (Non-debt Instruments) Amendment Rules, 2024 which amend the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.⁷ The amendment allows public Indian companies to issue equity shares on international exchanges subject to certain conditions. Citizens or entities from countries that share a land border with India can hold shares of such companies only with the approval of central government. Public Indian companies or existing shareholders may issue equity shares on international exchange based on certain criteria. These include: (i) the company, its directors, or directors are not debarred from accessing the capital market, (ii) the company, promoters, or directors are not wilful defaulters, and (iii) promoters or directors are not fugitive economic offenders.

Comments invited on Draft Indian Stamp Bill, 2023

Tanvi Vipra (tanvi@prsindia.org)

The Ministry of Finance released the draft Indian Stamp Bill, 2023 for public comments.^{8,9} It seeks to replace the Indian Stamp Act, 1899.¹⁰ The Act provides for the levy of stamp duty on instruments such as affidavits, bills of exchange, and bonds. The draft Bill retains several provisions of the Act. Key changes include the following:

- **Duty for certain instruments to be as per market value:** A duty is payable upon the execution of instruments such as lease agreements and bonds. The draft Bill adds that the duty on certain transactions such as renewal of mining leases, or transfer of interest in an estate will be based on the market value of the instrument.
- **Exemptions:** The Act exempts instruments that are used to sell and transfer ships from stamp duty. The draft Bill changes this to exempt instruments executed by, for, or on behalf of developers or units related to Special Economic Zones (SEZ). Developer refers to a person or state government, authorised by the central government. Unit may be set up by an entrepreneur in an SEZ.
- Under the Act, transfer in beneficial ownership of: (i) securities dealt by depositories and (ii) of mutual fund units, is exempt from stamp duty. The draft Bill removes this exemption. It continues to exempt transfer of registered ownership of securities between a person and a depository from stamp duty. It also adds that strategic sale or disinvestment of any government property to another state/central government will not be liable for stamp duty.
- **Collection of duties by private entities:** Under the draft Bill, duty levied on the sale and transfer of securities will be collected by certain entities on behalf of the state government. These include the stock exchange, depository, or an authorised clearing corporation. They will deduct a percentage of the stamp duty as a ‘facilitation charge’ before transferring it to the state government. The manner of collecting the stamp duty will be determined by the central government.
- **Under-valuation of instruments:** If an instrument is considered under-valued by the registering officer, the District Collector will determine its appropriate value. Appeals against the order of the Collector can be made to the Chief Controlling Revenue Authority.

Comments are invited until February 15, 2024.

RBI issues directions for management of foreign exchange risk

Tushar Chakrabarty (tushar@prsindia.org)

The Reserve Bank of India (RBI) has issued revised directions for the management of foreign exchange risk.¹¹ Key features include:

- **Platform for offering hedging products:** Foreign exchange contracts can be offered over both over the counter and through recognised stock exchanges. Over the counter transactions are conducted on platforms other than recognised stock exchanges.
- **Classification of users:** Users of over the counter foreign exchange derivative contracts will be divided into retail and non-retail. A foreign exchange derivative contract derives its value from the change in exchange rate of two currencies, at least one of which is not Indian rupee. Non-retail users include insurance companies, pension funds, mutual funds, and residents with minimum net worth of Rs 500 crore or minimum turnover of Rs 1,000 crore.
- **Products offered by stock exchanges:** Recognised stock exchanges may offer foreign exchange derivative contracts involving Indian rupee for hedging contracted exposure. Contracted exposure implies currency risk from current or capital account transactions. Foreign exchange derivative contracts not involving Indian rupee can be offered without any restrictions on purpose.

RBI releases report of the working group on state government guarantees

Tushar Chakrabarty (tushar@prsindia.org)

The Reserve Bank of India (RBI) released the report of the working group on state government guarantees.¹² A guarantee is a contingent liability which protects the lender from the risk of default by the borrower. State governments often guarantee the loans taken by state enterprises, urban local bodies, cooperative institutions, and other state-owned entities. The report noted that such guarantees may lead to significant fiscal risks and burden state finances. Key recommendations include:

- **Definition of guarantees:** The working group recommended that there should be no distinction between the type of guarantees to compute the total amount of guarantees extended. These include conditional/unconditional guarantees and financial/performance guarantees. It should include all instruments which create an obligation on the issuer for making payments on behalf of the borrower, whether contingent or otherwise.
- **Ceiling on guarantees:** The report recommended a ceiling of incremental guarantees issued during a

year at 5% of revenue receipts or 0.5% of GSDP, whichever is lesser.

- **Guidelines for guarantee policy:** State governments may be guided by guidelines issued by the central government while formulating their guarantee policy. These guidelines include: (i) extending guarantees only for principal and normal interest of a loan, (ii) not extending guarantees for external commercial borrowings, (iii) not guaranteeing more than 80% of the project loans, and (iv) not guaranteeing loans of private companies and institutions.
- **Risk categorisation:** States should classify projects as high risk, medium risk, and low risk and assign risk weights for extending guarantees. Risk categorisation should take into account past record of defaults.

RBI issues draft framework for self-regulatory organisations in fintech sector

Tushar Chakrabarty (tushar@prsindia.org)

The Reserve Bank of India (RBI) issued a draft framework for self-regulatory organisations (SROs) in the FinTech sector.¹³ FinTechs provide financial services and help to save time, enhance access, and lower costs. RBI noted that self-regulation could enable FinTechs to set and adhere to industry standards and best practices. Key proposals include:

- **Features of the SRO:** The SRO should function objectively under RBI's oversight. It should aim for sustainable development of the sector and, if necessary, identify a glide path for phased regulatory compliance. Other features include: (i) being truly representative of the sector through comprehensive membership agreements, (ii) operate independently and freely from the influence of a single member or group of members, (iii) act as a legitimate arbiter of disputes between members, and (iv) encourage its members to adhere to regulatory priorities.
- **Membership criteria:** The SRO should represent the sector with membership across entities of all sizes, stages, and activities. Membership would be voluntary but RBI would encourage FinTechs to become members of a recognised SRO.
- **Functions:** The SRO should have objective and consultative processes to make rules and standards. It should also set industry benchmarks and baseline technology standards. SROs should deploy surveillance measures to monitor the sector and to detect and highlight exceptions. They should establish a grievance redressal and dispute resolution framework for its members.

Comments are invited by end February 2024.¹⁴

RBI issues draft circular for regulatory framework of housing finance companies

Tushar Chakrabarty (tushar@prsindia.org)

The Reserve Bank of India (RBI) issued a draft circular to revise the regulatory framework for housing finance companies (HFCs).¹⁵ A HFC is a type of non-banking financial company which primarily provides housing loans. Key features include the following:

- **Maintenance of liquid assets:** Currently deposit taking HFCs are required to maintain 13% of liquid assets against public deposits held by them. Liquid assets include cash, deposits with RBI, and deposits in bank current accounts. RBI has proposed to increase liquid assets that HFCs must hold to 15% of public deposits. This will be implemented in phases up to March 31, 2025.
- **Credit rating of HFCs:** For accepting public deposits, HFCs must obtain investment grade credit rating at least once a year. In case their credit rating falls below minimum investment grade, HFCs shall not renew existing deposits or accept fresh deposits till they obtain an investment grade rating.
- **Finalisation of accounts:** HFCs must prepare their financial statements for a financial year on March 31. RBI has proposed that HFCs must finalise their balance sheet within three months from the date to which it pertains. For extending this period, prior approval would be needed from the National Housing Bank before approaching the Registrar of Companies.

Comments are invited by February 29, 2024.¹⁶

SEBI seeks comments on recommendations to simplify compliance

Pratinav Damani (pratinav@prsindia.org)

The Securities and Exchange Board of India (SEBI) has invited comments on interim recommendations submitted by an expert group to examine and simplify compliance with SEBI Regulations.¹⁷ The expert group has submitted its interim recommendations on ease of doing business with respect to SEBI's Listing Obligations and Disclosure Requirements Regulations, 2015, and Issue of Capital and Disclosure Requirements Regulations, 2018.^{18,19,20} Key recommendations include:

- **Calculation of market capitalisation:** SEBI requires listed entities to follow additional requirements if their market capitalisation is beyond a certain threshold. For instance, the top 1,000 companies by market capitalisation are required to: (i) have at least one female independent director, (ii) a Risk Management Committee, and (iii) a dividend distribution policy. Currently, SEBI uses the market capitalisation as

on March 31 of the year for compliance. The Committee has suggested that SEBI use the average market capitalisation of six months (July – December). Companies which will be required to comply for the first time will also get three months to comply with the relevant provisions.

- **Committee memberships by directors:** A director cannot be a member of more than 10 committees or act as a chairperson of more than five committees across all listed entities. This includes positions in unlisted public companies. The Committee has suggested that only listed entities must be considered for the purpose of calculating these limits.
- **Minimum promoters' contribution:** The promoters of a company are required to hold at least 20% shares in the company after listing. However, this excludes shares that have been acquired by way of convertible securities in the year preceding the filing of the prospectus for listing. A convertible security is a security (such as a bond) that can be converted into another type of security (such as equity). The Committee has suggested that shares acquired by way of compulsorily convertible securities should be considered for minimum promoters holding. However, such securities should be held for at least a year before the filing of the prospectus.

Comments are invited by February 1, 2024.¹⁷

Comments invited on providing flexibility to liquidate investments for certain schemes

Pratinav Damani (pratinav@prsindia.org)

The Securities and Exchange Board of India (SEBI) has released a consultation paper on providing flexibility to Alternative Investment Funds (AIFs) and Venture Capital Funds (VCFs) to deal with unliquidated investments.²¹ An AIF is a privately pooled investment vehicle with a defined investment policy.²² AIFs and VCFs are regulated by the SEBI (Alternative Investment Fund) Regulations, 2012.²³ After the completion of their tenure, AIFs and VCFs are required to liquidate their investments. Issues for consideration include the following:

- **Requirement of a liquidation scheme:** AIFs have a liquidation period of one year post their expiry of tenure. They may launch a liquidation scheme within this period. The consultation paper has proposed that AIFs be allowed to enter into a dissolution period/ process to liquidate their investments instead of having to launch a liquidation scheme. This has been proposed since setting up a liquidation scheme and winding up the original scheme is a time consuming and costly undertaking. An AIF will have to obtain the consent of 75% of the investors by value in the

scheme to begin the dissolution process during the liquidation period.

- **Extension of dissolution process to VCFs:** VCFs were earlier regulated by the SEBI (Venture Capital Funds) Regulations, 1996.²⁴ The Regulations were subsequently repealed and VCFs were bought under the ambit of the AIF Regulations. However, VCFs registered under the erstwhile regulations (which have not completed their tenure) continue to be regulated by the VCF Regulations. Thus, it is proposed that all VCFs be migrated to AIF Regulations within six months of the new proposal being notified.
- **One time flexibility scheme:** AIFs whose liquidation period has expired prior to June 15, 2023 cannot launch a liquidation scheme. Thus, it has been proposed that AIFs whose liquidation period has expired be granted a one-time flexibility scheme to fully liquidate their investments, enter the dissolution process or distribute their investments in-specie (distribute the assets).

Comments are invited by February 2, 2024

Education

Rutvik Upadhyaya (rutvik@prsindia.org)

Guidelines for the regulation of coaching centres released

The Ministry of Education released ‘Guidelines for Regulation of Coaching Centres’.²⁵ A coaching centre is defined as an institution that imparts academic guidance to over 50 students for competitive exams or an academic programme. The guidelines delineate standards of teaching and infrastructure to be maintained by coaching centres and provide conditions for registration and conduct. These guidelines have been sent to states for consideration. Key features of the guidelines include:

- **Registration:** Coaching centres are required to be registered with the competent authority. The competent authority will be an officer notified by the state government. Each branch of a coaching centre will be treated as a separate establishment, that requires a separate application for registration. A certificate of registration will have a period of validity as decided by the authority. The registration must be renewed at least two months before its expiry.
- **Conditions for registration:** To be eligible for registration, a coaching centre must meet certain conditions. These include: (i) hiring tutors who are at least graduates, and not convicted of an offence, (ii) not enrolling students who are yet to pass secondary exams (Class 10), and (iii) not making misleading promises of a good rank. An

undertaking stating compliance with these rules must be submitted during registration.

- **Fees:** Fees charged for each course must be fair and should not be raised in its duration. Any fees paid in full will have to be refunded on a proportionate basis if the student leaves the course in the middle. All information regarding fees, facilities and lectures must be given to prospective students/parents for free. It must also be prominently displayed in the centre’s premises.
- **Classes:** Coaching centres are required to provide a weekly-off to students, along with leaves during popular festivals in the region. Classes should not be conducted for more than five hours in a day and must not clash with school/college hours of relevant students.
- **Infrastructure:** Coaching classes must possess a minimum space of one square meter per student per batch. The premises should be fully electrified and well ventilated. Facilities such as drinking water and first-aid kits must be available.

Guidelines constituting a Centre for Literacy in each State/UT released

The Ministry of Education released ‘Guidelines on State Centre for Literacy in State Council for Education Literacy and Training’.²⁶ The guidelines constitute a Centre for Literacy in each State/UT. It will delineate measurable learning outcomes for adult education at the State/UT level. It will serve as a counterpart to the National Centre for Literacy, which will develop a national curriculum framework for adult education. Key features of the guidelines include:

- **Composition:** The State Centre for Literacy (SCL) will be established by the State Council for Education Research and Training (SCERT) in each State/UT. Ex-officio members of the SCL include: (i) the Director of the SCERT (Chairman), (ii) a Professor/Faculty of the SCERT (in-charge), and (iii) two faculties of the SCERT. Other members include representatives from higher educational institutions and representatives of local NGOs.
- **Curriculum:** The State Centre for Literacy will be primarily responsible for adopting the national curriculum framework for adult education at the State/UT level. The framework will outline outcomes for five areas of learning under the New India Literacy Programme (for adult education). These are: (i) foundational literacy and numeracy, (ii) critical life skills, (iii) vocational skills (iv) basic education, and (v) continuing education.
- The State Centre for Literacy will also develop training manuals for teachers and volunteers, and design teaching material and activity modules, according to the curriculum.

- **Budgetary support:** The budget for setting up and implementing the SCL will be primarily borne by the administration of a State/UT. It will also monitor the activities of the SCL.

Coal

Pratinav Damani (pratinav@prsindia.org)

Cabinet approves a scheme to promote coal/lignite gasification projects

The Union Cabinet approved a scheme to promote coal/lignite gasification projects.²⁷ Coal gasification is the process of converting coal into a gas that can be used for various purposes, such as generating electricity. The scheme will provide grants for setting up gasification projects under three categories (Table 2). The total outlay under the scheme is projected to be Rs 8,500 crore.

Table 2: Criteria and benefits under the scheme to promote coal/lignite gasification

Eligible Entities/Projects	Criteria/Benefit	Outlay (Rs Crore)
PSUs	<ul style="list-style-type: none"> ▪ Grant of Rs 1,350 crore or 15% of capital expenditure, whichever is lower ▪ Three projects will be supported 	4,050
Private companies as well as PSUs	<ul style="list-style-type: none"> ▪ Grant of Rs 1,000 crore or 15% of capital expenditure, whichever is lower ▪ At least one project will be selected through competitive bidding 	3,850
Demonstration Projects or small-scale product-based gasification plants	<ul style="list-style-type: none"> ▪ Grant of Rs 100 crore or 15% of the capital expenditure, whichever is lower ▪ A minimum capital expenditure of Rs 100 crore is required ▪ All projects will be selected through competitive bidding 	600

Source: “Cabinet approves scheme for promotion of coal/lignite gasification projects”, Press Information Bureau, Ministry of Coal January 24, 2024; PRS.

Mines

Tanvi Vipra (tanvi@prsindia.org)

Mining Rules amendments in relation to grant of exploration licence notified

The Ministry of Mines notified amendments to the Mineral (Auction) Rules, 2015.^{28,29} The Rules have

been framed under the Mines and Minerals (Development and Regulation) Act, 1957.³⁰ The Act regulates the mining sector in India. The 2015 Rules prescribe the procedure for auction of mines. Key features of the amended Rules include:

- **Auction of exploration licence:** The 1957 Act was amended in 2023 to introduce an exploration licence for minerals specified in the Seventh Schedule to the Act.³¹ These include lithium, cobalt, silver, and gold. Exploration licence allows either reconnaissance or prospecting, or both activities. Reconnaissance refers to preliminary survey to determine mineral resources. Prospecting involves exploring, locating, or proving mineral deposits.
- The exploration licensee will have a share in the auction premium paid by the future lessee of the mining lease for the area explored by them. The share will be payable for the entire period of fifty years or till the exhaustion of resources, whichever is earlier.
- The amended Rules provide that the state government may initiate the auction process for exploration licence. Any person seeking to obtain an exploration licence may submit a proposal to the state government to notify an area for auction. They must provide available geoscience data for this purpose.
- **Bidding parameters:** For auction of exploration licence, the state government will specify a ceiling price. The ceiling price will be expressed as the maximum percentage share in the auction premium payable by the future lessee of mining lease. The bidders will quote a price which is equal to or lower than the ceiling price. The bidder with the minimum quoted price will be awarded the licence.
- **Performance security:** The licensee will be required to provide a performance security. This security may be appropriated in specified cases. These include: (i) non-adherence to scheme of reconnaissance or prospecting, (ii) non-disclosure of entire exploration data, (iii) discrepancy in exploration data, and (iv) contravention of Rules or licence conditions.

Power

Pratinav Damani (pratinav@prsindia.org)

Rules amended to mandate cost reflective tariff and cap open access charges

The Ministry of Power notified amendments to the Electricity Rules, 2005.^{32,33} The Rules have been framed under the Electricity Act, 2003. The Act regulates the power sector.³⁴ Key features of the amendments include:

- **Tariff must be cost-reflective:** The amended Rules require that tariff charged by discoms must be cost reflective. This implies that tariff should be designed such that it recovers all of the costs for the given period. The amended Rules further provide that a lower tariff may be approved only in case of natural calamities. The gap cannot be higher than the 3% of the projected annual revenue requirement, which must be recovered within three years. Any existing gap must be recovered within seven years in equal yearly instalments.
- **Additional surcharge for open access:** Under the 2005 Rules, an additional surcharge may be levied on open access users. Open access consumers buy electricity directly from generators and utilise network of transmission and distribution utilities for receiving supply. The amended Rules cap this surcharge to be below the per unit fixed cost of power paid by the discom. The surcharge must be reduced such that it is eliminated within four years of grating access. The surcharge will be levied only if the open access consumers are or have previously been consumers of the discom.
- **Charges on using state network capped:** Certain general network access consumers may use the network of state transmission utilities. The amended Rules add that charges levied for short-term or temporary open access, should not exceed 110% of the charges levied on long-term users. Temporary users are those that have general network access for a period less than 11 months.
- **Licence removed for dedicated transmission lines:** The amended Rules add that certain entities will not require a licence to establish and operate dedicated transmission lines. These include: (i) generating companies, (ii) captive generating plants, and (iii) energy storage systems. Dedicated transmission lines refer electric supply-lines that connect captive generating plants or generating stations to transmission lines, sub-stations or generating stations. Consumers with a minimum load of 25 megawatts (MW) in case of inter-state transmission, and 10 MW in case of intra-state transmission will also be exempt from this licence.

New and Renewable Energy

Tanvi Vipra (tanvi@prsindia.org)

Guidelines for solar power for unelectrified households in tribal areas issued

The Ministry of New and Renewable Energy released guidelines to implement a solar power scheme under Pradhan Mantri Janjati Adivasi Nyaya Maha Abhiyan (PM-JANMAN).^{35,36} PM-JANMAN was launched in November 2023, and includes interventions such as providing off-grid solar power and solar street lighting

to particularly vulnerable tribal groups across 18 states.³⁷ Off grid power may be provided only when providing it through the main grid is not feasible. These components of the scheme have a financial outlay of Rs 515 crore across three years. Distribution licensees (discoms) in the respective areas will be the implementing agencies. Key features of the guidelines are as follows:

- **Electrification of individual households:** Individual households scattered in specified tribal areas, will be provided with an off-grid solar power system. This will consist of solar panels and battery system for storage. The households will also be provided with appliances such as LED bulbs and fans. The central government will entirely fund this component of the scheme. Discoms must operationalise the system within three months of awarding a tender.
- **Mini-grid for a cluster of households:** A mini-grid may be installed instead of providing an individual system, in a region with a cluster of households. Appliances will also be provided under this component. Households will be eligible to draw power from the mini-grid, and the grid should be designed such that it may be connected to the main grid in the future. A central share of up to Rs 50,000 per household will be provided for this component.
- **Solarising multi-purpose centres:** Multi-purpose centres will be electrified through off-grid solar. Power from this grid may be used for street lighting. Under this component, the central government will provide one lakh rupees per centre. Discoms must operationalise grids within nine months of awarding the tenders.
- **Inspection and monitoring:** Implementing agencies will carry out inspections for the first two years, after which a third party will carry it out. The Ministry of New and Renewable Energy and the Ministry of Tribal Affairs will monitor performance indicators such as the percentage of households electrified off-grid.

Earth Sciences

Tanvi Vipra (tanvi@prsindia.org)

Cabinet approves overarching scheme PRITHVI for Ministry of Earth Sciences

The Union Cabinet approved an umbrella scheme PRITHvi Vigyan (PRITHVI).³⁸ It encompasses five ongoing sub-schemes under the Ministry of Earth Sciences. These relate to climate research modelling, polar science, seismology, and education, and outreach.

PRITHVI scheme seeks to: (i) augment and sustain long-term observations of the atmosphere, ocean, and

the solid earth, (ii) develop model systems for understanding and predicting weather and climate hazards, (iii) explore polar and high seas regions, and (iv) develop technology for harnessing oceanic resources sustainably. The Scheme is to be implemented from 2021 to 2026, at an overall cost of Rs 4,797 crore.

Environment

Tanvi Vipra (tanvi@prsindia.org)

Draft rules for management of end-of-life vehicles released

The Ministry of Environment, Forest and Climate Change released the Draft End-of-Life Vehicles (Management) Rules, 2024.³⁹ These Rules have been framed under the Environment (Protection) Act, 1986, and specify responsibilities of consumers and producers of vehicles.⁴⁰ End-of-life vehicles include those which are not registered anymore, have been declared unfit by testing stations, or whose registrations have been cancelled. Key features of the Draft Rules include:

- **Recycling targets for producers:** Producers of vehicles will be required to meet specified targets for recycling of steel from end-of-life vehicles. The Rules specify separate targets for private and commercial vehicles for the period between 2025-26 and 2039-40, and for the period beyond 2039-40. Producers will meet these targets by purchasing Extended Producer Responsibility (EPR) certificates. EPR certificate will indicate the weight of steel or steel scrap recovered from end-of-life vehicles. The certificate will be generated by the registered vehicle scrapping facilities and authenticated by the Central Pollution Control Board. In the event of non-availability of certificates, the producer will be responsible for collection as well.
- **Responsibilities of vehicle owners:** Once a vehicle is declared end-of-life, owners will not be permitted to hold their vehicle for more than six months. They will be required to furnish a certificate validating that they have deposited their vehicle at a scrapping facility.
- **Responsibilities of bulk consumers:** Bulk consumers refer to those who own more than 100 vehicles. These consumers will be responsible to ensure that end-of-life vehicles are deposited at the registered vehicle scrapping facilities or the designated collection centres. They will also be required to file annual returns about their fleet, and about the end-of-life vehicles deposited.
- **Responsibilities of testing stations:** Automated Testing Stations must declare a vehicle as end-of-

life if it fails the automated fitness test. The stations shall maintain the record of the number of vehicles tested and link the data to a portal managed by the Central Pollution Control Board.

Comments are invited until March 30, 2024.

Road Transport and Highways

Tanvi Vipra (tanvi@prsindia.org)

Draft amendments to vehicle scrapping Rules released

The Ministry of Road Transport and Highways released draft amendments to the Central Motor Vehicles (Registration and Functions of Vehicle Scrapping Facility) Rules, 2021.^{41,42,43} The Rules have been made under the Motor Vehicles Act, 1988.⁴⁴ The Act provides for registration of motor vehicles. The Rules provide for scrapping end of life vehicles. Key features of the Draft Amendments are:

- **Obtaining consent to establish:** Under the 2021 Rules, to establish a vehicle scrapping facility, consent must be obtained from the registering authority of the state/UT government. The draft amendment instead provides that the Pollution Control Board of the state/UT will grant the consent to establish a facility.
- **Obtaining consent to operate:** Under the 2021 Rules, scrapping facilities must obtain a consent to operate from the State/UT Pollution Control Board within six months of beginning operations. The draft amendment provides that scrapping facilities must obtain or apply for a consent to operate at least 60 days before beginning operations.
- **Transfer of registration:** Under the 2021 Rules, registration of scrapping facilities is non-transferable. The draft amendment allows such transfer of registration.
- **Certificate of deposit:** The scrapping facility issues a Certificate of Deposit to the vehicle owner. The certificate acknowledges the transfer of ownership of the vehicle. The certificate is mandatory for vehicle owners to avail incentives and benefits while purchasing a new vehicle. The certificate is electronically tradeable. The draft amendment extends the validity of the certificate from two years to three years. Certificates issued to government owned vehicles or impounded vehicles will not have any incentives. Such certificates will not be electronically tradeable.

Comments are invited until February 17, 2024.

¹ Bulletin II, Lok Sabha, January 12, 2024, <https://sansad.in/getFile/bull2mk/2024/12-01-2024.pdf?source=loksabhadocs>.

² Press note on First Advance Estimates of National Income 2023-24, national Statistical Office, Ministry of Statistics and Programme Implementation, January 5, 2024, https://www.mospi.gov.in/sites/default/files/press_release/PressNoteFAE2023-24N.pdf.

³ “India’s Retail Inflation 5.69 per cent in December 2023”, Press Information Bureau, Ministry of Statistics and Programme Implementation, January 12, 2024, <https://pib.gov.in/PressReleasePage.aspx?PRID=1995548>.

⁴ “Index Numbers of Wholesale Price in India for the Month of December, 2023 (Base Year: 2011-12)”, Press Information Bureau, Ministry of Commerce and Industry, January 12, 2024, <https://pib.gov.in/PressReleasePage.aspx?PRID=1996177>.

⁵ “Government allows direct listing of securities by public Indian companies on International Exchanges of GIFT IFSC”, Press Information Bureau, Ministry of Finance, January 24, 2024, <https://pib.gov.in/PressReleasePage.aspx?PRID=1999154>.

⁶ S.O. 332(E), Department of Economic Affairs, Ministry of Finance, January 24, 2024, <https://egazette.gov.in/WriteReadData/2024/251577.pdf>.

⁷ Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, <https://incometaxindia.gov.in/Documents/Provisions%20for%20NR/FEM-Non-debt-Instruments-Rules-2019.htm>.

⁸ “Department of Revenue, Ministry of Finance, invites suggestions on draft ‘Indian Stamp Bill, 2023’ from public within a period of 30 days”, Ministry of Finance, Press Information Bureau, January 17, 2024, <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1997072>.

⁹ The Draft Indian Stamp Bill, 2023, <https://dor.gov.in/sites/default/files/stamp%20duty%202023.pdf>.

¹⁰ The Indian Stamp Act, 1899, https://www.indiacode.nic.in/bitstream/123456789/13205/1/the_indian_stamp_act%2C_1899.pdf.

¹¹ Risk Management and Inter-Bank Dealings – Hedging of foreign exchange risk, Reserve Bank of India, January 5, 2024, <https://rbidocs.rbi.org.in/rdocs/notification/PDFs/RISKMANAGEMENTCD64F5FE4F7446568C18FF2185ED06ED.PDF>.

¹² Report of the Working Group on State Government Guarantees, Reserve Bank of India, September 2023, <https://rbidocs.rbi.org.in/rdocs/PublicationReport/Pdfs/RWGSGG28666DF11C154643BF7FBC5B41C920C9.PDF>.

¹³ Draft Framework for Self-Regulatory Organisation(s) in the FinTech Sector, Reserve Bank of India, January 15, 2024, <https://rbi.org.in/Scripts/PublicationReportDetails.aspx?UrlPage=&ID=1260>.

¹⁴ Draft Framework for recognising Self-Regulatory Organisations for FinTech Sector, Reserve Bank of India, January 15, 2024, <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR1677FINTECHSECTORICF1796B97BB42199458823BC1D4D0FF.PDF>.

¹⁵ Review of regulatory framework for HFCs and harmonisation of regulations applicable to HFCs and NBFCs, Reserve Bank of India, January 15, 2024, <https://rbidocs.rbi.org.in/rdocs/Content/PDFs/DRAFTCIRCULARHFCSCDE781CE1A854DFEA533F0BF1A803B14.PDF>.

¹⁶ RBI releases draft circular on ‘Review of regulatory framework for Housing Finance Companies (HFCs) and harmonisation of regulations applicable to HFCs and Non-Banking Finance Companies (NBFCs)’, Reserve Bank of India, January 15, 2024, <https://rbidocs.rbi.org.in/rdocs/PressRelease/PDFs/PR1678DRAFTHFC173670235ED04B61BEE0010D58CEA013.PDF>.

¹⁷ Consultation Paper on the Interim Recommendations of the Expert Committee for facilitating ease of doing business and harmonising the provisions of ICDR and LODR Regulations, SEBI, January 11, 2024, https://www.sebi.gov.in/reports-and-statistics/reports/jan-2024/consultation-paper-on-interim-recommendations-of-the-expert-committee-for-facilitating-ease-of-doing-business-and-harmonization-of-the-provisions-of-icdr-and-lodr-regulations_80585.html.

https://www.sebi.gov.in/reports-and-statistics/reports/jan-2024/consultation-paper-on-interim-recommendations-of-the-expert-committee-for-facilitating-ease-of-doing-business-and-harmonization-of-the-provisions-of-icdr-and-lodr-regulations_80585.html.

¹⁸ Interim Recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations, SEBI, January 11, 2024, https://www.sebi.gov.in/sebi_data/commondocs/jan-2024/Interim_Recommendations_of_the_Expert_Committee_p.pdf.

¹⁹ SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, SEBI, https://www.sebi.gov.in/legal/regulations/dec-2023/securities-and-exchange-board-of-india-listing-obligations-and-disclosure-requirements-regulations-2015-last-amended-on-december-21-2023_80422.html.

²⁰ SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, SEBI, https://www.sebi.gov.in/legal/regulations/dec-2023/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-regulations-2018-last-amended-on-december-21-2023_80421.html.

²¹ Consultation Paper on providing flexibility to Alternative Investment Funds (AIFs), Venture Capital Funds (VCFs) and their investors to deal with unliquidated investments of their schemes beyond expiry of tenure, SEBI, January 12, 2024, <https://www.sebi.gov.in/reports-and-statistics/reports/jan-2024/consultation-paper-on-providing-flexibility-to-alternative-investment-funds-aifs-venture-capital-funds-vcfs-and-their-investors-to-deal-with-unliquidated-investments-of-their-schemes-beyond-expir-80612.html>.

²² Frequently Asked Questions, SEBI (Alternative Investment Funds) Regulations, 2012, January 2017, https://www.sebi.gov.in/sebi_data/faqfiles/jan-2017/1485861425527.pdf.

²³ SEBI (Alternative Investment Funds) Regulations, 2012, https://www.sebi.gov.in/legal/regulations/jan-2024/securities-and-exchange-board-of-india-alternative-investment-funds-regulations-2012-last-amended-on-january-05-2024_80600.html.

²⁴ SEBI (Venture Capital Funds) Regulations, 1996, https://www.sebi.gov.in/sebi_data/commondocs/vcfnew_p.pdf.

²⁵ ‘Guidelines for the Regulation of Coaching Centres’, Ministry of Education, January 18, 2024, https://www.education.gov.in/sites/upload_files/mhrd/files/Guidelines_Coaching_Centres_en_0.pdf

²⁶ Guidelines on State Centre for Literacy in State Council for Education Literacy and Training’, Ministry of Education, https://dsel.education.gov.in/sites/default/files/update/scl_guidelines_ullas.pdf

²⁷ Cabinet approves the scheme for promotion of Coal/Lignite Gasification Projects of Government PSUs and Private Sector towards incentive for coal gasification projects under three categories, Press Information Bureau, January 24, 2024, <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1999219>.

²⁸ G.S.R. 49(E), The Mineral (Auction) Amendment Rules, 2024, The Gazette of India, Ministry of Mines, January 21, 2024, <https://egazette.gov.in/WriteReadData/2024/251547.pdf>.

²⁹ The Mineral (Auction) Rules, 2015 as amended up to November 2, 2021, Indian Bureau of Mines, https://ibm.gov.in/writereaddata/files/11222021124835Mineral_Auction_Rules_2015%20updated%20upto%2002112021.pdf.

³⁰ The Mines and Minerals (Development and Regulation) Act, 1957, <https://www.indiacode.nic.in/bitstream/123456789/1421/3/A1957-67.pdf>.

³¹ The Mines and Minerals (Development And Regulation) Amendment Act, 2023, [https://prsindia.org/files/bills_acts/bills_parliament/2023/Mines_and_Minerals_\(Development_and_Regulation\)_Amendment_Act_2023.pdf](https://prsindia.org/files/bills_acts/bills_parliament/2023/Mines_and_Minerals_(Development_and_Regulation)_Amendment_Act_2023.pdf).

³² Electricity (Amendment) Rules, 2024, Ministry of Power, January 10, 2024, <https://egazette.gov.in/WriteReadData/2024/251281.pdf>.

³³ Electricity (Second Amendment) Rules, 2024, Ministry of Power, January 17, 2024, <https://egazette.gov.in/WriteReadData/2024/251408.pdf>.

- ³⁴ The Electricity Act, 2003, <https://www.indiacode.nic.in/bitstream/123456789/2058/1/A2003-36.pdf>.
- ³⁵ Implementation Guidelines for New Solar Power Scheme (for PVTG Habitations/ Villages) under PM JANMAN, Ministry of New and Renewable Energy, January 4, 2024, <https://cdnbbsr.s3waas.gov.in/s3716e1b8c6cd17b771da77391355749f3/uploads/2024/01/2024010413610627.pdf>.
- ³⁶ Pradhan Mantri Janjati Adivasi Nyaya Maha Abhiyan, Ministry of Tribal Affairs, <https://adiprasaran.tribal.gov.in/pm-janman/man.aspx>.
- ³⁷ ‘Cabinet approves Pradhan Mantri Janjati Adivasi Nyaya Maha Abhiyan’, Press Information Bureau, Ministry of Tribal Affairs, November 29, 2023, <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1980692>.
- ³⁸ ‘Cabinet approves overarching scheme “PRITHvi VIgyan (PRITHVI)” of the Ministry of Earth Sciences’, Ministry of Earth Sciences, Press Information Bureau, January 5, 2024, <https://www.pib.gov.in/PressReleasePage.aspx?PRID=1993366>.
- ³⁹ CG-DL-E-31012024-251663, Draft End of Life Vehicles (Management) Rules, 2024, Ministry of Environment, Forest and Climate Change, [https://egazette.gov.in/\(S\(k52ulazq11jyqbckmhzag52o\)\)/ViewPDF.aspx](https://egazette.gov.in/(S(k52ulazq11jyqbckmhzag52o))/ViewPDF.aspx).
- ⁴⁰ The Environment Protection Act, 1986, https://www.indiacode.nic.in/bitstream/123456789/6196/1/the_environment_protection_act%2C1986.pdf.
- ⁴¹ CG-DL-E-23012024-251569, Draft Central Motor Vehicles (Registration and Functions of Vehicle Scrapping Facility)

Amendment Rules, 2024, Ministry of Road Transport and Highways, January 19, 2024,

<https://egazette.gov.in/WriteReadData/2024/251569.pdf>.

⁴² CG-DL-E-24092021-229931, Motor Vehicles (Registration and Functions of Vehicle Scrapping Facility) Rules, 2021, Ministry of Road Transport and Highways, September 23, 2021,

https://morth.nic.in/sites/default/files/notifications_document/GSR%20653.pdf.

⁴³ CG-DL-E-16092022-238867, Motor Vehicles (Registration and Functions of Vehicle Scrapping Facility) Amendment Rules, 2022, Ministry of Road Transport and Highways, September 13, 2022,

[https://morth.nic.in/sites/default/files/circulars_document/GSR%20695\(E\)%20RVSF%20amendment%20rules%20dated%2013%2009%202022.pdf](https://morth.nic.in/sites/default/files/circulars_document/GSR%20695(E)%20RVSF%20amendment%20rules%20dated%2013%2009%202022.pdf).

⁴⁴ The Motor Vehicles Act, 1988,

<https://www.indiacode.nic.in/bitstream/123456789/9460/1/a1988-59.pdf>.

DISCLAIMER: This document is being furnished to you for your information. You may choose to reproduce or redistribute this report for non-commercial purposes in part or in full to any other person with due acknowledgement of PRS Legislative Research (“PRS”). The opinions expressed herein are entirely those of the author(s). PRS makes every effort to use reliable and comprehensive information, but PRS does not represent that the contents of the report are accurate or complete. PRS is an independent, not-for-profit group. This document has been prepared without regard to the objectives or opinions of those who may receive it.