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BANGLADESH

50th issue

Dear Reader,

As we celebrate the milestone of our 50th newsletter issue, we want to express our heartfelt gratitude for your support and readership.

Your engagement and enthusiasm have been the driving force behind every edition. Whether you've been with us from the beginning or just recently joined our community, your presence and feedback have been invaluable. We couldn't have reached this milestone without you!

Thank you for being a part of our journey. Here's to many more issues filled with stories, updates, and insights that we hope continue to inspire and inform.

Regards,
Team Greenvissage

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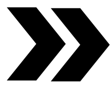

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THE BIG STORY

Greenvissage

Bangladesh's Political Crisis – What does it mean for India?

Background

Bangladesh once heralded as a beacon of economic success in South Asia, is currently grappling with a severe crisis that threatens to unravel decades of progress. From a thriving textile industry to a burgeoning middle-income nation, the country's rapid growth story is now overshadowed by political instability, economic mismanagement, and social unrest. The crisis has far-reaching implications not just for Bangladesh but also for regional geopolitics and global trade. This article delves into the intricacies of Bangladesh's economic turmoil, explores the multifaceted impacts on its economy and geopolitical landscape, and considers the broader implications for international stakeholders. Over the past three decades, Bangladesh transformed itself from one of the world's poorest nations into a lower-middle-income country, thanks in large part to its booming textile and garment sector. This sector, which accounts for approximately 80% of Bangladesh's export earnings, became the cornerstone of the nation's economic ascent. Major global brands like H&M, Gap, and Zara source their garments from Bangladesh, which boasts one of the largest garment industries in the world. The country's economic success story is characterized by impressive growth rates. In the early 2000s, Bangladesh's GDP growth averaged around 6% per year, and the country made significant strides in reducing poverty. The expansion of the textile industry, coupled with remittances from millions of Bangladeshis working abroad, fueled this growth and improved living standards for many. However, beneath the surface of this economic success lay structural issues and vulnerabilities. Despite impressive GDP growth, the country faced challenges such as widespread poverty, insufficient infrastructure, and a significant informal economy. Additionally, the garment industry, while crucial for economic development, was marred by labour issues, including low wages and poor working conditions.

Political Unrest and Economic Decline

The recent political upheaval in Bangladesh has dramatically altered the nation's trajectory. In August 2024, widespread

protests led to the ousting of Prime Minister Sheikh Hasina, who fled the country amid escalating violence. The unrest, driven by frustrations over job quotas and economic inequality, resulted in significant casualties and property damage, including the destruction of factories and businesses. The political instability has had a cascading effect on Bangladesh's economy. The interim government, led by Nobel Laureate Muhammad Yunus, faces the daunting task of stabilizing the economy while navigating a volatile political landscape. The combination of a crumbling political framework and an already fragile economy has led to severe repercussions. The immediate impact of the crisis on Bangladesh's economy has been profound. The Foreign Investors' Chamber of Commerce and Industry (FICCI) reported losses exceeding $10 billion due to the violence and subsequent shutdowns. Key sectors such as the garment industry, which is critical for export revenue, have been hit hard. The interruption of operations due to factory closures and supply chain disruptions has led to significant financial losses for manufacturers and suppliers. Inflation in Bangladesh has surged to unprecedented levels, reaching a decade-high of 9.7% year-on-year in April 2024. This spike in inflation has eroded purchasing power and increased the cost of living, further straining the economic stability of ordinary citizens. The currency, the Bangladeshi Taka, has come under severe pressure, with foreign exchange reserves dwindling to cover only about 3.3 months of current account payments. The IMF has highlighted that high international commodity prices and global financial tightening have amplified Bangladesh's macroeconomic vulnerabilities. The decline in foreign reserves, coupled with a struggling currency, has exacerbated the country's economic woes.

High unemployment rates, especially among the youth, have been a significant driver of the recent protests. The unemployment rate surged to 3.51% in early 2024, reflecting the growing frustration of a generation struggling to find decent employment opportunities. The protests, led predominantly by students and young people, have underscored the disconnect between the country's economic growth and the real-world opportunities available to its citizens. The textile sector, a critical pillar of Bangladesh's economy, has faced severe disruptions. The violence and unrest have led to factory closures, arson attacks, and a halt in production. This sector's dependency on international orders means that disruptions have a direct impact on the country's export revenues. The sector is now grappling with the loss of orders and a potential shift of business to competing countries like Vietnam, which could result in a 10-20% drop in exports.

Geopolitical Implications

The economic and political crisis in Bangladesh extends beyond its borders, impacting regional and global stakeholders. The crisis has implications for South Asian geopolitics, foreign investments, and international relations. Bangladesh's instability is a matter of significant concern for its neighbouring country, India. India has substantial economic interests in Bangladesh, with Indian companies investing in sectors such as power, infrastructure, and consumer goods. The political unrest and economic decline in Bangladesh pose risks to these investments and could disrupt cross-border trade. The potential return of Tarique Rahman, the acting chairman of the BNP and a known critic of India, adds another layer of complexity to the situation. If the BNP were to form the next government, it could alter India-Bangladesh relations, particularly if it adopts a more anti-India stance. India's historical support for Sheikh Hasina's administration complicates its position as it navigates the shifting political dynamics in Bangladesh.

For the United States, Bangladesh represents a significant investment destination. The U.S. is the largest investor in the country, with substantial interests in the garment sector and other industries. The ongoing instability threatens these investments and could impact strategic gains in South Asia. China, while not the top investor in Bangladesh, has a crucial role through its Belt and Road Initiative (BRI). Chinese investments in infrastructure projects such as the Padma Bridge and Payra Power Plant underscore China's influence in the region. However, China's relationship with Bangladesh could be tested if the new government shifts its alliances or policies. The disruption in Bangladesh's garment sector has

ripple effects on global supply chains. Major international brands that rely on Bangladeshi manufacturing are facing delays and uncertainties. The potential shift of orders to other countries could alter global trade patterns and impact the supply chains of various industries.

Challenges and Opportunities

As Bangladesh navigates this turbulent period, several challenges and opportunities will shape its future trajectory. The immediate priority for the interim government under Muhammad Yunus is to restore political stability and ensure a transparent electoral process. The promise of comprehensive reforms and anti-corruption measures will be critical in rebuilding trust and confidence among investors and citizens alike. Addressing the structural issues within the economy will be crucial for long-term stability. Diversifying the economy beyond the garment sector and investing in human infrastructure are essential steps. The failure of past attempts at diversification, as exemplified by the abandoned technology park, highlights the need for a more targeted and effective approach. Bangladesh may need additional financial support, including another IMF bailout, to stabilize its economy. International stakeholders, including the US, India, and China, will play a role in providing support and fostering stability in the region. Bangladesh's vulnerability to climate change, including the increased frequency of cyclones and flooding, adds another layer of complexity. Addressing environmental challenges and investing in climate resilience will be essential for sustainable development.

Impact on India

Bangladesh and India share a multifaceted economic relationship characterized by significant trade, investment, and economic cooperation. These ties have evolved from historical connections and now reflect a complex web of mutual interests and interdependencies. Examining this relationship provides insight into how political turmoil in Bangladesh could impact India and its broader economic and geopolitical interests. India is one of Bangladesh's largest trading partners, with a trade balance traditionally favouring India. However, Bangladesh's exports to India have grown in recent years, particularly in textiles, garments, and agricultural products. Conversely, India exports machinery, chemicals, and pharmaceuticals to Bangladesh. The bilateral trade is facilitated by agreements aimed at reducing trade barriers and tariffs, which have helped both countries to bolster their economic interactions. Indian companies have made substantial investments in Bangladesh across various sectors, including power, infrastructure, and consumer goods. Noteworthy investments include those by Adani Power, Tata Motors, and Hero MotoCorp. These investments not only contribute to Bangladesh's economic development but also offer new market opportunities for Indian businesses. Additionally, India has been involved in several infrastructure projects in Bangladesh, such as road and rail connectivity improvements, which enhance regional trade and economic integration. The two countries have collaborated on numerous joint ventures and development projects, aimed at improving economic infrastructure and connectivity. These initiatives include constructing roads, rail links, and energy projects, which are crucial for fostering regional cooperation and economic integration. Bangladesh and India also participate in regional economic forums and initiatives like the South Asian Association for Regional Cooperation (SAARC) and the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC). These platforms are designed to enhance regional cooperation and economic integration.

Political turmoil in Bangladesh might create opportunities for Indian businesses. As some firms seek safer or more stable environments, Indian companies could benefit by expanding their operations or investments in Bangladesh's absence. For instance, disruptions in the Bangladeshi textile sector might allow Indian firms to increase their market share or source production from other regions, including India. Additionally, political instability in Bangladesh could enhance India's strategic influence in South Asia. With Bangladesh's internal situation becoming more complex, India could position itself as a stabilizing force and increase its economic and political leverage in the region. However, instability in Bangladesh also

presents significant risks. Trade disruptions can affect Indian companies that rely on imports or exports through Bangladesh. These disruptions might impact various sectors, such as textiles, where both countries are major players. Indian investments in Bangladesh could face increased risks due to operational challenges, heightened security concerns, or financial losses. Additionally, political unrest might lead to an influx of refugees or migrants into India, particularly in border areas, placing strain on resources and necessitating diplomatic and logistical responses from the Indian government.

India's response to Bangladesh's political turmoil will likely involve diplomatic, economic, and humanitarian measures. India might engage in diplomatic efforts to support Bangladesh's stabilization, offering aid, facilitating dialogue, or supporting international mediation. Indian businesses may need to adapt by seeking alternative markets, adjusting supply chains, or exploring new investment opportunities. Addressing any humanitarian issues arising from the crisis, such as managing refugee flows or providing aid, will also be crucial. Furthermore, India will continue to advocate for regional cooperation and stability, working with other countries and regional organizations to promote economic development and security in South Asia.

Conclusion

Bangladesh stands at a critical juncture as it grapples with an economic and political crisis that threatens to undermine years of progress. The country's immediate challenges include restoring political stability, addressing economic vulnerabilities, and navigating complex geopolitical dynamics. The path forward will require concerted efforts from the interim government, international stakeholders, and the broader community to stabilize the economy, rebuild trust, and set the stage for sustainable development. The outcome of this crisis will not only shape the future of Bangladesh but also have significant implications for regional stability and global trade. *(References – Live Mint, India Today, BBC)*

EXPERT OPINION

Greenvissage

What is driving the SME IPO frenzy in India?

By Amit Chandak, Managing Partner, Greenvissage

Introduction

India's capital markets have recently witnessed a remarkable surge in Initial Public Offerings (IPOs), particularly among small and medium-sized enterprises (SMEs). This frenzy has been nothing short of extraordinary, with SMEs grabbing a significant share of the spotlight in 2023. The sheer volume and enthusiasm surrounding these listings offer both an intriguing narrative and a cautionary tale for investors and market watchers alike. In 2023, India saw an unprecedented wave of SME IPOs, marking a significant departure from the past. SMEs, traditionally less visible in the IPO landscape compared to larger, high-profile companies, have come to the forefront. This year alone, 173 SMEs have launched their IPOs, reflecting a dynamic shift in market behaviour. The success of these listings is not merely a statistic but a testament to the evolving landscape of Indian entrepreneurship and investor appetite.

Demand Drives the Market

The dynamics of supply and demand play a crucial role in shaping the IPO market, particularly evident in recent times. When the demand for IPOs exceeds the available supply of shares, it creates a seller's market where investors are willing to pay a premium for new listings. This imbalance is often reflected in the oversubscription rates, where IPOs are significantly oversubscribed, sometimes multiple times, as seen in recent Indian IPOs. The high demand, driven by a surge in new retail investors and abundant liquidity, pushes share prices higher, resulting in elevated price-to-earnings ratios. Conversely, if supply were to increase substantially without a corresponding rise in demand, it could lead to a market correction. In the current environment, the heightened demand for IPOs has led to inflated valuations, illustrating how supply and demand dynamics can influence market trends and investor behaviour, creating both opportunities and risks in the equity markets. Therefore, the burgeoning demand for IPOs in India can be largely attributed to a significant influx of new investors and a substantial increase in market liquidity. Over the past few years, there has been a dramatic rise in the number of retail trading accounts, with over 20 million new demat accounts opened in 2023 alone, highlighting a surge in retail

participation. This influx of new investors has contributed to a flood of capital into the market, often exceeding the available investment opportunities. For instance, the average amount raised per IPO has surged, with several recent listings garnering significant attention and oversubscription levels far surpassing historical norms. In 2023, the oversubscription ratio for many IPOs soared to unprecedented levels, with some offerings being oversubscribed more than 60 times, compared to historical averages of around 10 to 15 times. This overwhelming demand has driven up price-to-earnings ratios across the board, reflecting the intense investor appetite and the high liquidity that has been injected into the market. As a result, companies are achieving record-high valuations, driven by the sheer volume of capital looking to be deployed, often leading to inflated valuations and a crowded IPO pipeline.

Positives in the Economy

The Indian economy's robust growth and resilience have created a conducive environment for SMEs to go public. With positive market sentiment, low inflation, and stable interest rates, the economic backdrop has encouraged SMEs to seek capital through public markets. A buoyant secondary market, with record-high benchmark indices, has emboldened investors. The recent successes of large IPOs have amplified this confidence, leading to heightened interest in SME listings. The Indian government's supportive policies, including tax incentives and schemes aimed at fostering entrepreneurship, have played a crucial role. Initiatives like the Start-Up India and Make in India campaigns have provided a solid foundation for SMEs to tap into the equity markets. Advances in technology and digital platforms have lowered the barriers to entry for SMEs. These tools have simplified the IPO process, making it more accessible for smaller companies. The ample liquidity in the financial system has led investors to explore new opportunities. SMEs, offering growth potential, have become attractive targets for this surplus capital.

The response to SME IPOs has been overwhelmingly positive. Many SME listings have been oversubscribed multiple times, with some experiencing substantial listing gains. For instance, companies like V-Guard Industries and Arvind Fashions have seen their shares trade well above the issue price on debut. This enthusiastic reception underscores a broader trend: investors are increasingly looking beyond traditional large-cap stocks and are willing to embrace the growth potential offered by SMEs. This shift reflects a growing appetite for diversified investment opportunities and a recognition of the significant role SMEs play in driving economic growth and innovation.

Risks and Challenges

Despite the excitement, the SME IPO boom comes with its share of risks and challenges. The high levels of oversubscription can lead to inflated valuations. Investors may face the risk of overpaying for shares, which can impact long-term returns if the company's performance does not meet market expectations. SMEs often have lower trading volumes compared to their larger counterparts, which can lead to liquidity challenges. This situation may make it difficult for investors to exit their positions without affecting the stock price. SMEs may struggle with the regulatory and compliance requirements associated with being a public company. The added scrutiny and need for transparency can be challenging for smaller enterprises. The IPO market is inherently volatile, and the performance of SME stocks can be influenced by broader market trends. A downturn in the market could disproportionately affect smaller companies.

For investors keen on participating in the SME IPO frenzy, it is crucial to exercise caution and conduct thorough due diligence. Investors should evaluate the company's business model, financial health, and growth prospects. Understanding the company's market position and competitive landscape is essential. Pay attention to valuation metrics and avoid getting swayed by oversubscription numbers. Ensure that the investment aligns with your risk tolerance and long-term financial goals. Focus on companies with strong fundamentals and a clear growth strategy. Short-term gains can be enticing, but long-term sustainability is key to achieving meaningful returns. Spread your investments across different sectors and asset classes to mitigate risk. Diversification helps in managing potential losses and balancing your investment portfolio.

Market Regulator in Action

In response to the IPO frenzy and the recent surge in micro-cap IPOs in India, SEBI is considering implementing several new measures to enhance oversight and mitigate risks associated with this segment of the market. SEBI is exploring stricter guidelines for merchant bankers involved in the IPO process. This includes enhancing the due diligence requirements to ensure that micro-cap firms meet higher standards before going public. The aim is to prevent fraudulent activities and ensure the credibility of the offerings. The regulator is considering mandating a longer track record of profitability for companies seeking to list, particularly in the micro-cap segment. This would help to ensure that only financially sound and sustainable businesses can access public markets. There is a proposal to impose more rigorous scrutiny on the financial statements of firms going public. This would involve thorough verification to uncover any discrepancies or potential manipulations, thereby protecting investors from misleading information. SEBI is also looking into measures to monitor how the funds raised through IPOs are utilized by the companies. This step aims to ensure that the capital is used effectively for the intended purposes, which could help in maintaining investor confidence. A discussion paper outlining these proposed stricter listing rules for micro-cap and SME firms is expected to be released by the end of the year. This paper will likely detail the new criteria and regulations, inviting feedback from market participants before finalizing the measures. Recently, the NSE set a 90% cap on listing gains to curb excessive speculative trading and protect investors from inflated initial returns that could lead to volatility. SEBI has been actively advising investors to exercise caution when investing in SME firms, highlighting the need for careful evaluation of such opportunities

A Balanced Perspective

The SME IPO frenzy in India represents a vibrant and evolving segment of the capital markets. While the surge in SME listings highlights a dynamic shift in investor behaviour and market opportunities, it also brings with it a set of challenges and risks. Investors must navigate this landscape with a balanced perspective, combining enthusiasm with careful analysis and due diligence. As India continues to grow and evolve, the role of SMEs in shaping the market's future remains pivotal, making this IPO boom a significant chapter in country's financial story.

(References – The Economic Times, Live Mint, India Today, The Hindustan Times)

GREENVISSAGE EXPLAINS

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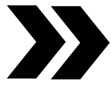
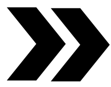


Should India be worried about the rise of E-commerce Giants?

Union Commerce Minister Piyush Goyal has raised eyebrows by questioning the fairness of e-commerce giants like Amazon in India. The crux of his concern lies in Amazon's ambitious USD 26 billion investment plan for the Indian market, juxtaposed with its Indian arm's significant losses and aggressive pricing strategies. The issue at hand: predatory pricing and its implications for India's small businesses and economy. Predatory pricing refers to the practice of setting prices so low that they drive competitors out of the market. For e-commerce giants, this means offering deep discounts that local retailers simply cannot match. The intent is clear: capture market share and establish dominance, even if it means incurring substantial losses in the short term. Amazon's pricing strategy in India exemplifies this approach. During festive seasons, the company slashes prices by up to 70%, a tactic designed to lure consumers with seemingly unbeatable deals. While these discounts attract shoppers, they also create a perilous environment for small businesses, which struggle to compete with such low prices. The result is a marketplace where local retailers, unable to sustain such heavy losses, are gradually squeezed out. The consequences of this aggressive pricing strategy extend beyond individual retailers. As small businesses close, the diversity and vibrancy of local markets diminish. This trend is particularly alarming given that small and medium-sized enterprises (SMEs) form the backbone of the Indian economy. Their decline could lead to a reduction in employment opportunities and a loss of cultural and economic diversity in local markets. Furthermore, the dominance of e-commerce giants risks creating monopolistic conditions. With fewer competitors, these giants could eventually raise prices once they have secured a significant share of the market. The temporary consumer benefits from deep discounts might give way to higher prices and reduced choice in the long run. India's regulatory framework aims to prevent e-commerce giants from engaging in practices that could harm local businesses. According to Foreign Direct Investment (FDI) regulations, e-commerce marketplaces should function solely as platforms connecting buyers and sellers, rather than selling their inventory directly to consumers. However, the effectiveness of these regulations is questionable. Amazon's reported losses are partly attributed to high infrastructure and technology costs, including investments in fulfilment centres and delivery networks. But there's also the issue of legal and compliance battles, as the company faces scrutiny for allegedly violating FDI regulations and engaging in anti-competitive practices. The Competition Commission of India (CCI) has investigated Amazon and Flipkart for issues such as preferential treatment of certain sellers and deep discounts that disadvantage competitors. Globally, Amazon's direct sales model, which includes significant investment in infrastructure and a vast product range, has proven profitable. However, replicating this model in India is complicated by regulatory barriers and a unique market environment. Despite these challenges, Amazon and its competitors continue to push boundaries, seeking ways to bypass restrictions and gain a foothold in one of the world's most populous and rapidly growing markets. India's proposed regulatory measures, inspired by the European Union's Digital Markets Act (DMA), aim to address these concerns. Key suggestions include preventing e-commerce platforms from prioritizing their private-label products over those of independent sellers, no restrictions on payment options, and limiting the use of customer data. *(References – The New Indian Express, The Hindu Frontline)*

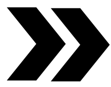


Why SGBs are becoming a headache for the Indian Government?

Sovereign Gold Bonds (SGBs) were introduced in India in 2015 with high hopes and grand ambitions. Developed jointly by the Reserve Bank of India (RBI) and the government, SGBs were envisioned as a tool to curb the country's gold obsession, reduce gold imports, and provide a safer, government-backed investment alternative. However, what began as a strategic financial move to solve economic issues has evolved into a significant challenge for the Indian government. The idea behind Sovereign Gold Bonds was straightforward. Instead of purchasing physical gold, investors could buy bonds tied to gold prices. These bonds offered an annual interest rate of 2.5%, and the returns were tax-exempt at maturity. The government hoped that by making this alternative attractive, it could reduce the high demand for physical gold, thereby decreasing gold imports and improving the current account deficit. Initially, the scheme was a success. Investors were drawn to SGBs because they provided exposure to gold without the hassle of storage or security concerns. Furthermore, the tax-free returns and the steady annual interest made SGBs a compelling choice compared to other investment options. However, the financial landscape began to shift dramatically with the surge in gold prices. Between 2015 and 2024, gold prices in India skyrocketed by 180%. This unexpected rise created a significant financial burden for the government. For instance, the first tranche of SGBs issued in 2015 was priced based on gold valued at INR2,684 per gram. By the time these bonds matured, the price had soared to INR 6,132 per gram—a staggering increase of 128%. This dramatic escalation meant that the government had to pay out significantly more than anticipated. For the first batch of SGBs, the total payout was approximately INR 609 crores, far exceeding the INR 245 crores initially raised. This disparity resulted in a financial shortfall of about INR 193 crores, highlighting a major issue with the scheme's sustainability. The government's predicament is clear: the soaring gold prices have turned what was intended to be a cost-effective borrowing tool into an expensive financial obligation. As more SGB tranches mature over the coming years, the government faces a growing financial burden. With gold prices likely to remain volatile due to global uncertainties and market dynamics, the potential for further financial strain is significant. Moreover, the expectation that gold prices would remain stable or decline, which was a key factor in the initial decision to launch SGBs, has proven to be overly optimistic. The unanticipated rise in gold prices has not only increased the government's payouts but also raised concerns about the overall viability of the SGB scheme. Given the current situation, the government has a few potential courses of action. It could halt the issuance of new SGBs until gold prices stabilize or explore modifications to the bond structure. Possible adjustments could include altering the tax treatment of returns or adjusting the interest rates. However, such changes could make SGBs less attractive to investors, undermining the very appeal that led to their initial success. The RBI and the government have already reduced the projected issuance of SGBs for FY25 from INR 29,600 crores to INR 18,500 crores. This reduction reflects the growing concerns about the financial implications of continuing the scheme in its current form. As of now, no new SGBs have been issued recently, and the future of the scheme remains uncertain. The government faces a delicate balancing act: managing the financial impact of rising gold prices while maintaining investor interest in SGBs. *(References - Live Mint, Business Today, Money Control)*

What does World's First AI Treaty Mean for Global Governance?

In a landmark development for international law and artificial intelligence (AI), the Council of Europe is set to unveil the world's first legally binding international treaty on AI. Known as "The Framework Convention on Artificial Intelligence and Human Rights, Democracy, and the Rule of Law," this groundbreaking treaty represents a significant step forward in the global governance of AI technologies. Scheduled to open for signing by participating nations, including European Union members, the United States, and the United Kingdom, this treaty aims to set a new standard for the ethical development and deployment of AI. The AI Convention, formally adopted in May 2024 after extensive deliberations among 57 countries, is designed to address the myriad challenges posed by rapidly advancing AI technologies. Its primary goal is to safeguard human rights, promote democratic values, and ensure the rule of law in the context of AI systems. The treaty emphasizes that AI systems must be developed and operated in alignment with human rights principles. This includes ensuring that AI supports democratic values and does not infringe upon fundamental rights. A key provision of the treaty is the requirement for AI systems to operate transparently, particularly those that interact directly with humans. Governments are also mandated to provide legal recourse in cases where AI systems violate human rights. The treaty establishes frameworks for assessing and managing AI-related risks. It includes oversight mechanisms to ensure that AI systems adhere to safety and ethical standards. The treaty includes safeguards to prevent AI from being used to undermine democratic processes. This encompasses the preservation of judicial independence and ensuring public access to justice. Signatory nations are required to implement legislative and administrative measures to adhere to the treaty's principles. The treaty also promotes international cooperation to harmonize AI standards and address transnational issues. The Framework Convention on Artificial Intelligence is a milestone in the evolution of global AI governance for several reasons. As the first globally binding treaty on AI, it establishes a comprehensive legal framework that addresses both the potential and risks associated with AI technologies. This sets a precedent for future international agreements on AI. The treaty aims to foster responsible innovation by promoting the benefits of AI while mitigating its risks. It ensures that AI development aligns with human rights, democratic principles, and the rule of law. The treaty covers AI systems across both public and private sectors, extending its enforcement across various geographical regions. This broad applicability is crucial for addressing the global nature of AI technologies. Designed to be technology-neutral, the treaty allows for adaptability as AI technologies evolve. This ensures that the standards remain relevant and enforceable in the face of rapid technological advancements. Despite its groundbreaking nature, the AI Convention is not without challenges. Critics point out that while the treaty is legally binding, it lacks provisions for punitive sanctions such as fines or penalties. This may weaken its deterrent effect and effectiveness in ensuring compliance. There is concern that stringent regulations might stifle innovation, particularly for small and medium-sized enterprises (SMEs) and startups. Striking the right balance between regulation and fostering technological advancement is a critical issue. The treaty's provisions may conflict with national laws, creating potential tensions between international standards and state sovereignty. Ensuring that national security interests are not compromised while upholding ethical AI practices requires careful balancing. *(References – The Indian Express, The Guardian, Reuters)*

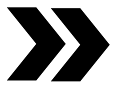


What is Ayushman Bharat Health Insurance and who can avail it?

In a significant move aimed at bolstering public health coverage, the Union Cabinet recently approved an expansion of the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB PM-JAY) to include all senior citizens aged 70 and above. This decision, announced on September 11, 2024, represents a major step towards universal health coverage in India and promises to transform the healthcare landscape for millions of elderly citizens. Initially launched in 2018, the Ayushman Bharat scheme primarily targeted the economically disadvantaged segments of the Indian population. Specifically, it provided health coverage to families identified within the bottom 40% of India's socio-economic spectrum. Under the scheme, eligible families received a health insurance cover of INR 5 lakh per family per year for secondary and tertiary care hospitalization. With the latest update, the scheme now extends its coverage to all senior citizens aged 70 years and above, irrespective of their income level. This expansion will benefit approximately 6 crore senior citizens from around 4.5 crore families. These individuals will receive a health insurance cover of up to INR 5 lakh annually, enhancing their access to essential medical treatments without financial strain. The primary benefit of this expansion is the increased financial security it offers to the elderly population. With healthcare costs rising steadily, the INR 5 lakh cover provides a significant safety net for senior citizens, shielding them from the high expenses associated with medical care. This is particularly crucial given that many older adults face a higher incidence of chronic and acute health conditions. Senior citizens already covered under AB PM-JAY will receive an additional top-up cover of INR 5 lakh per year, specifically for their own medical needs. This means that if an elderly person is part of a family that already benefits from the scheme, they will have an extra layer of protection, separate from the family's overall cover. For those already benefiting from other public health insurance schemes like the Central Government Health Scheme (CGHS), Ex-Servicemen Contributory Health Scheme (ECHS), or Ayushman Central Armed Police Force (CAPF), there is flexibility to either continue with their existing coverage or switch to the AB PM-JAY. This option ensures that senior citizens can choose the scheme that best meets their needs. Senior citizens with private health insurance policies or those under the Employees' State Insurance (ESI) scheme can also avail themselves of the benefits under AB PM-JAY. This inclusivity ensures that all elderly individuals, regardless of their existing insurance status, have access to comprehensive healthcare coverage. The initial cost of rolling out this expanded coverage is estimated to be around INR 3,437 crore. The financial burden will be shared between the central and state governments, with most states covering about 40% of the costs. Special arrangements will be made for states in hilly regions and the Northeast, where the central government will bear a larger share of the expenses. This expansion is expected to have a profound impact on public health by providing critical financial protection to a rapidly growing segment of the population. With the elderly population projected to increase significantly in the coming decades, the enhanced coverage under AB PM-JAY will play a crucial role in addressing the healthcare needs of this demographic. To qualify for the Ayushman Bharat Pradhan Mantri Jan Arogya Yojana (AB-PMJAY), a family must be listed in the 2011 SEC Census. *(References – The Indian Express, The Hindu)*

COMPLIANCE UPDATES

Greenvissage



Goods and services tax

Advisory on Furnishing Bank Account Details Before Filing GSTR-1/IFF Following Rule 10A of the Central Goods and Services Tax (CGST) Rules, 2017, as specified in Notification No. 31/2019 dated June 28, 2019, taxpayers are mandated to provide details of a valid bank account within 30 days of receiving GST registration or before filing their outward supply details in FORM GSTR-1 or using the Invoice Furnishing Facility (IFF), whichever comes first. Effective September 1, 2024, this rule will be enforced, and taxpayers will be unable to file GSTR-1 or IFF for the tax period August 2024 and onwards unless their bank account details are updated in their GST registration. Taxpayers who have not yet submitted their bank account details are advised to do so by accessing the GST Portal under Services > Registration > Amendment of Registration Non-Core Fields. After updating the bank account details, taxpayers can proceed with filing their GSTR-1 or IFF. Please note that bank account details, even if pending validation, will be verified subsequently after the GSTR-1/IFF submission. (GSTN)

Introduction of RCM Liability/ITC Statement To improve the accuracy and transparency of reporting Reverse Charge Mechanism (RCM) transactions, the GST Portal has introduced a new feature, the "RCM Liability/ITC Statement." Effective from the tax period of August 2024 for monthly filers and the quarter of July-September 2024 for quarterly filers, this statement will capture the RCM liability reported in Table 3.1(d) of GSTR-3B and the corresponding Input Tax Credit (ITC) claimed in Tables 4A(2) and 4A(3) of GSTR-3B. Taxpayers can access the RCM Liability/ITC Statement via Services >> Ledger >> RCM Liability/ITC Statement. For reporting the opening balance of RCM ITC, taxpayers should use the following navigation paths: Login >> Report RCM ITC Opening Balance or Services >> Ledger >> RCM Liability/ITC Statement >> Report RCM ITC Opening Balance. If taxpayers have paid excess RCM liabilities not matched with ITC claims, they must report a positive value of such excess liability as the opening balance. Conversely, if excess RCM ITC has been claimed without corresponding liability payment, a negative value should be reported. Reclaimed RCM ITC, reversed in previous periods and eligible for reclaiming, should be reported in Table 4A(5) of GSTR-3B, not in Tables 4A(2) or 4A(3). Monthly filers are required to reconcile and report the opening balance up to the July 2024 return period, while quarterly filers should reconcile up to Q1 of FY 2024-25, considering RCM ITC up to April-June 2024. The deadline for declaring the opening balance is October 31, 2024, with an amendment facility available until November 30, 2024. Taxpayers have three opportunities to rectify any errors before this facility is discontinued. (GSTN)

GSTN to Launch Invoice Management System (IMS) In a bid to streamline the process of invoice matching and facilitate accurate Input Tax Credit (ITC) claims, the GST Network (GSTN) will introduce the Invoice Management System (IMS) starting October 1, 2024. This new system, available on the GST portal, will enable taxpayers to efficiently manage and address invoice corrections or amendments directly with their suppliers. According to the advisory issued by GSTN, IMS will allow taxpayers to either accept, reject, or keep invoices pending for future action, thus ensuring accurate ITC claims. Executive Director Rajat Mohan highlighted that IMS will also maintain a detailed audit trail of all actions taken on each invoice, providing valuable evidence for GST audits and potentially simplifying the scrutiny process. The new system is expected to enhance transparency and efficiency in managing GST-related transactions. (GSTN)

Advisory on Reporting Supplies to Unregistered Dealers Following the Government's Notification No. 12/2024 – Central Tax dated July 10, 2024, the threshold for reporting invoice-wise details of inter-state taxable outward supplies made to unregistered dealers has been reduced from INR 2.5 lakh to INR 1 lakh. This change, which affects the reporting in Table 5 of Form GSTR-1 and Table 6 of GSTR-5, is currently being updated on the GST portal and will be available to taxpayers shortly. In the interim, taxpayers are advised to continue reporting invoice-wise details for taxable outward supplies exceeding INR 2.5 lakh in the respective tables of GSTR-1 and GSTR-5 until the new functionality is implemented. (GSTN)

(For queries or more information about goods and services tax, contact our colleague Ashish at ashish.gandhi@greenvissage.com)

Income tax

CBDT Intensifies Scrutiny of High-Value Foreign Remittances The Central Board of Direct Taxes (CBDT) has initiated a comprehensive review of outward foreign remittances exceeding INR 6 lakh to identify discrepancies in remittance data and potential tax evasion. This move follows the detection of cases where individuals' foreign remittances and expenditures did not align with their declared income. The CBDT is analyzing Form 15CC data, a quarterly disclosure statement of outward remittances filed by authorized dealers. By comparing remittance data with individuals' income tax filings, the government aims to identify instances where remittances were sent but not reported by taxpayers. The board has set a deadline of December 31 to send initial notices to individuals suspected of having undeclared income. Field formations have been instructed to develop a standard operating procedure (SOP) to detect high-risk cases and submit a list by September 30. One example of irregularities highlighted by the CBDT involves an individual with a declared annual income of 5 lakhs who sent INR 15 lakhs abroad over three years using different dealers to avoid mandatory TCS. The government collects a 20% Tax Collected at Source (TCS) on foreign remittances exceeding INR 7 lakh under the Liberalised Remittance Scheme (LRS), with certain exceptions. The CBDT has also directed banks to report total foreign exchange spending separately from total credit card spending, even when TCS is not collected. This data will be used to assess income tax. The government's increased scrutiny of foreign remittances aims to curb tax evasion and ensure that legitimate remittances are facilitated while preventing the abuse of relaxations in foreign remittance reporting. (Economic Times)

CBDT Clarifies, Most Travelers Don't Need Tax Clearance Certificate The Central Board of Direct Taxes (CBDT) has issued a clarification addressing widespread misinformation regarding the requirement for an income-tax clearance certificate (ITCC) for Indian citizens travelling abroad. The recent amendment to Section 230(1A) of the Income-tax Act, 1961, does not mandate all Indian citizens to obtain an ITCC before leaving the country. The amendment merely incorporates references to the Black Money Act. The requirement to obtain an ITCC remains applicable only to specific individuals, primarily those involved in serious financial irregularities or with direct tax arrears exceeding INR 10 lakh that have not been stayed. The decision to require an ITCC is made on a case-by-case basis, with the Principal Chief Commissioner or Chief Commissioner of Income-tax approval. The CBDT's clarification aims to dispel any confusion and ensure that travellers are aware of the specific circumstances under which an ITCC is necessary. (Business Standard)

CBDT Chief Affirms Timely Completion of Income Tax Act Review The Chairman of the Central Board of Direct Taxes (CBDT), Ravi Agrawal, has assured the public that the comprehensive review of the Income Tax Act, 1961, will be completed within the designated timeframe. This review, announced in the 2024-25 Union Budget by Finance Minister Nirmala Sitharaman, aims to simplify the Act and make it easier for taxpayers to understand and comply with. The CBDT has formed an internal committee of income tax officials nationwide to undertake the review. Their focus lies on streamlining the Act by eliminating redundant clauses, incorporating best global practices, and making it more concise and user-friendly. This initiative is expected to reduce disputes and litigation, thereby promoting tax certainty for taxpayers. (Economic Times)

Finance Minister Calls for Simpler Tax Notices Finance Minister Nirmala Sitharaman has urged tax officials to adopt a more taxpayer-friendly approach. Tax notices should be written in plain language that is easy for the average taxpayer to understand. Technical jargon should be avoided. Tax authorities should aim to encourage voluntary tax filing through clear and informative communication, rather than relying solely on enforcement measures. Taxpayers should not be subjected to unnecessary harassment or fear tactics. Notices should explain the reason for contact and give taxpayers a chance to respond. The process for issuing tax refunds needs to be streamlined to ensure quicker turnaround times. Sitharaman emphasized that tax officers should use their powers judiciously and treat taxpayers with fairness and respect. The goal is to build trust and encourage voluntary

compliance, while still collecting taxes owed to the government. (Business Standard)

CBDT Commits to Streamlining Income Tax Act and Addressing Pending Appeals The Central Board of Direct Taxes (CBDT) has formed a committee to review the Income Tax Act, of 1961, to simplify the law for taxpayers. The committee is tasked with identifying redundant clauses, adopting best global practices, and making the Act more user-friendly. The review is part of a broader government initiative to modernize the Income Tax Act. The committee aims to eliminate unnecessary complexities and make the Act easier to understand and comply with. The review will consider international standards and practices to improve the Act. The CBDT aims to complete the review within six months, as announced in the 2024-25 Union Budget. The CBDT is also working to make tax notices and communications simpler and easier to understand. The CBDT plans to allocate additional resources to expedite the resolution of pending appeals. (Business Standard)

Option for Calculating Capital Gains Tax on Realty Transactions The government has proposed an amendment that allows taxpayers more flexibility when calculating capital gains tax on real estate transactions acquired before July 23, 2024. Capital gains tax on long-term real estate sales was 20%. This tax could be reduced by factoring in inflation through a process called indexation. Indexation adjusts the purchase price of the property to reflect inflation, effectively reducing the taxable gain. Taxpayers can now choose between two methods to calculate their capital gains tax: 12.5% without indexation - This option offers a lower tax rate but eliminates the inflation adjustment; 20% with indexation - This option retains the previous method with a higher tax rate but allows for the inflation adjustment. This amendment primarily benefits taxpayers who purchased properties before July 23, 2024, and are now selling them. They can now choose the method that results in a lower tax liability. If inflation, since the purchase was high, using indexation with the 20% rate, might be advantageous. If inflation was low, the lower 12.5% rate without indexation could be more favourable. This option is only available for properties acquired before July 23, 2024. (Economic Times)

Record 7.28 Crore ITR Filed The Income Tax Department has reported a historic high of over 7.28 crore income tax returns (ITRs) filed by July 31 for the assessment year 2024-25, marking a 7.5% increase from the previous year's total. Of these, 5.27 crore were submitted under the new tax regime, representing approximately 72% of the filings, while the remaining 28% were under the old regime. The filing peak occurred on July 31, with nearly 69.92 lakh returns filed on the deadline day alone. The department also recorded 58.57 lakh returns from first-time filers, indicating a broadening tax base. The introduction of ITR forms on the e-filing portal on April 1, 2024, contributed to the increased filing volume. Among the filings, ITR-1 was the most popular, accounting for 45.77%, followed by ITR-4 at 25.77%. The online ITR utility was used for over 43.82% of submissions, and the e-filing portal efficiently managed high traffic, with 3.2 crore successful logins on the peak day. More than 6.21 crore ITRs have been e-verified, with over 5.81 crore verified through Aadhaar-based OTPs. As of July 31, 2024, over 2.69 crore returns have been processed. The department received 91.94 lakh challans through the TIN 2.0 payment system in July and 1.64 crore challans since April 1. The e-filing helpdesk addressed around 10.64 lakh queries, and extensive outreach campaigns, including multilingual educational content and social media efforts, contributed to the high filing rate. Taxpayers are advised to verify their returns within 30 days and those who missed the deadline should file promptly. (Business Standard)

(For queries or more information about income tax, contact our colleague Sneha at sneha.halder@greenvissage.com)

Customs and foreign trade

Government Allocates 8,606 Tonnes of Raw Cane Sugar Exports to US Under TRQ Regime The Indian government has announced the allocation of 8,606 tonnes of raw cane sugar for export to the United States under the tariff-rate quota (TRQ) scheme for the period from October 1, 2024, to September 30, 2025. This quota allows for shipments to benefit from reduced customs duties, though higher tariffs will apply to any exports exceeding the allocated volume. The Directorate General of Foreign Trade (DGFT) confirmed this in a recent public notice,

specifying that the Agriculture and Processed Food Products Export Development Authority (APEDA) will manage the quota. This allocation mirrors a similar quantity set earlier in January and is part of India's broader strategy to leverage preferential trade arrangements, including with the European Union, to boost its sugar exports. (Business Standard)

India's Exports Decline 1.48% in July as Trade Deficit Widens to USD 23.5 Billion India's exports contracted by 1.48% in July 2024, falling to USD 33.98 billion amid subdued global demand and ongoing geopolitical challenges. This decline, the first in three months, contrasts with a 5.8% increase in outbound shipments during the April-June period. Concurrently, imports surged by 7.46% to USD 57.48 billion, leading to a nine-month high trade deficit of USD 23.5 billion, up from USD 19 billion in July 2023. The rise in imports was driven by a 17.4% increase in crude oil and petroleum product imports, which grew to USD 13.87 billion. The contraction in petroleum product exports, down 22% to USD 5.23 billion, was attributed to falling global prices, reduced demand, and increased domestic consumption. Despite this, non-petroleum and non-gems and jewellery exports grew by 5.7%, with notable increases in engineering goods, electronic goods, pharmaceuticals, and textiles. Conversely, high imports of electronic goods, non-ferrous metals, and other materials further expanded the trade deficit. Services exports experienced an 8.4% rise to USD 28.43 billion, offsetting part of the merchandise trade deficit with a surplus of USD 13.88 billion. The widening trade deficit underscores the impact of international trade disruptions and logistical challenges on India's export performance. (Business Standard)

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Corporate and allied laws

SEBI Amends Mutual Fund Rules to Enhance Oversight and Whistleblower Protections In a move aimed at curbing insider trading and front-running, the Securities and Exchange Board of India (Sebi) has amended regulations governing mutual funds. Effective November 1, 2024, Asset Management Companies (AMCs) will be required to implement robust institutional mechanisms to detect and prevent market abuses, including front-running and insider trading. According to the new guidelines, AMCs must establish enhanced surveillance systems, internal controls, and escalation processes to identify and address misconduct. Additionally, AMCs are mandated to have a whistleblower mechanism to provide a confidential channel for reporting unethical practices and regulatory violations. The management, including CEOs, Managing Directors, or equivalent, along with Chief Compliance Officers, will be responsible for ensuring the effectiveness of these mechanisms. The regulatory changes follow recent Sebi orders related to front-running cases involving Axis AMC and Life Insurance Corporation (LIC). AMCs must also develop written policies for investigating potential abuses and promptly escalate issues to their board of directors. The updates also include provisions for stock exchanges and depositories to facilitate data sharing with AMCs to support these new requirements. (Hindustan Times)

SEBI Proposes Comprehensive Overhaul of Investment Advisor and Research Analyst Regulations The Securities and Exchange Board of India (Sebi) is considering a significant overhaul of its regulations concerning investment advisors (IAs) and research analysts (RAs) to foster greater participation and reduce misinformation. Among the proposed changes are relaxed eligibility criteria, including modifications to base certification renewals, educational qualifications, minimum net worth, and experience requirements. The new rules would also permit individuals to register as both IAs and RAs and accommodate part-time IAs. Additionally, Sebi plans to introduce regulations on 'model portfolios' to ensure transparency through required disclosures, accurate labelling, benchmarking, and performance validation. The updated guidelines also aim to address the role of Artificial Intelligence (AI) by mandating disclosures about its use in advisory services. Under the new framework, base certifications would only need to be obtained at the time of registration, rather than every three years, focusing instead on incremental updates related to regulatory and professional developments. Individual IAs exceeding 300 clients or Rs 3 crore in annual fees would be required to register as non-individual entities. The proposed

regulations also include fee caps for RAs, limiting charges to Rs 1.25 lakh per annum per family for individual clients, though this does not apply to institutional investors or qualified buyers. The changes are intended to address compliance challenges faced by advisors and analysts, providing them with a more manageable regulatory environment. (Business Standard)

MCA Eases KYC Update Process for Directors with New Notification In a significant move aimed at enhancing flexibility for directors and businesses undergoing organizational changes, the Ministry of Corporate Affairs (MCA) has updated its guidelines to allow multiple KYC updates throughout the financial year. Previously, directors could only update their mobile numbers and email IDs once annually after filing their KYC forms, with changes being restricted until the following April. The latest notification, issued on July 16, 2024, permits directors to update their contact information at any time during the year by submitting an e-form DIR-3 KYC and paying a fee of Rs 500. This change addresses issues faced by directors who frequently switch organizations or are involved in global restructuring, ensuring they remain informed and connected through timely updates. This amendment allows directors to stay current with important communications from the MCA, improving their ability to manage transitions smoothly. (Business Standard)

Government Plans to Double NCLT Strength to Accelerate Insolvency Resolution In a strategic move to expedite the corporate insolvency resolution process (CIRP), the government is planning to significantly bolster the National Company Law Tribunal (NCLT). The proposed expansion involves increasing the number of NCLT benches from the current 16 to over 30 and augmenting the tribunal's member strength from 63 to approximately 115. This expansion aims to address the current inefficiencies, as the existing capacity is struggling to manage the volume of cases within the mandated 330-day resolution period. Official sources indicate that the changes could be implemented within a few months. The NCLT's enhanced capabilities are expected to streamline the handling of both insolvency and company-law matters, which are often time-sensitive. Finance Minister Nirmala Sitharaman had previously highlighted the need for reforms in this area during her Budget speech, emphasizing the establishment of additional tribunals to improve resolution speeds. Industry experts, such as Sukrit Kapoor and Bikash Jhawar, have noted that increasing the number of benches and members will reduce the backlog of cases and improve accessibility, thereby potentially increasing the recovery rate for creditors. Currently, the average CIRP duration stands at 679 days, well above the 330-day standard, impacting asset value and recovery rates negatively. (Financial Express)

(For queries or more information about corporate and allied laws, contact our colleague Adnan at adnan.ginwala@greenvissage.com)

Finance and banking

Indian Banks' Association to Seek Easing of Proposed Retail Deposit Norms The Indian Banks' Association (IBA) is preparing to request the Reserve Bank of India (RBI) for modifications to the newly proposed regulations on retail deposits, according to informed sources. In July, the RBI suggested an additional 5% "runoff" requirement on retail deposits that are accessible via internet and mobile banking. This measure is intended to enhance the liquidity resilience of banks by ensuring they have sufficient funds readily available to meet potential withdrawal demands. However, the IBA is expected to advocate for a reduction in the amount of additional funds that banks would need to reserve under these new norms. Furthermore, the association is likely to request a delayed and more gradual implementation of these proposals, which are slated for finalization by the end of August and are set to come into effect in April 2025. (Economic Times)

All-India House Price Index Moderates to 3.3% in Q1FY25 The Reserve Bank of India (RBI) has reported a moderation in the All-India House Price Index (HPI), which increased by 3.3% year-on-year (y-o-y) in the June quarter of fiscal year 2024-25, down from 5.1% in the same period last year. This deceleration follows a 4.1% rise in the previous quarter. The HPI data is derived from transaction-level information collected from registration authorities across ten major cities: Ahmedabad, Bengaluru, Chennai, Delhi, Jaipur, Kanpur, Kochi, Kolkata,

Lucknow, and Mumbai. The RBI noted significant regional variations in house price growth during this period. Kolkata led with the highest increase at 8.9%, while Delhi experienced a decline of 1.7%, reflecting a diverse housing market across different cities. (Business Standard)

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Accounting and management

In Focus: Proration in Corporate Actions

- ✓ Proration is a critical concept in corporate finance, particularly relevant during significant corporate actions such as mergers, acquisitions, or spin-offs. It addresses the scenario where an acquiring company offers a combination of cash and equity to the shareholders of a target company, and there is not enough cash or equity to fully satisfy all shareholder preferences. This concept ensures fair allocation when the demand exceeds the resources.
- ✓ Proration occurs when an acquiring company provides a mixed offer of cash and shares to the shareholders of the company being acquired. Shareholders are given the option to choose between receiving cash, equity, or a combination of both. However, if the total amount of cash or shares offered is insufficient to meet all shareholder requests, proration comes into play. Proration ensures that each shareholder receives a proportionate share of both cash and equity. This means that if the total number of shares requested exceeds the available shares, or the total cash requested exceeds the available cash, the company will distribute the available resources proportionally. Essentially, proration divides the shortfall across all offers so that every participating shareholder receives a fair portion of the cash and equity.
- ✓ In a typical proration scenario, an acquiring company might offer a choice between USD 20 per share in cash or one share of the acquiring company's stock for each share of the target company. Shareholders indicate their preference, but if the total cash requested surpasses the available cash or the total shares requested exceed the available shares, proration is applied.
- ✓ The acquiring company will then calculate the proportion of the total available cash or shares relative to the total demand. For instance, if the company has only enough cash to fulfil 70% of the total cash requests and only 50% of the share requests, proration will allocate 70% of the cash request and 50% of the share request to each shareholder according to their initial preference.
- ✓ For shareholders, proration ensures that even if their preferred option cannot be fully met, they will still receive a fair portion of both types of consideration—cash and shares. This mechanism helps manage expectations and equitably distribute limited resources, reducing the likelihood of dissatisfaction among shareholders. For acquiring companies, proration helps in managing the financial and operational challenges of completing a merger or acquisition. By ensuring that all shareholders receive a fair share of the offer, the acquiring company maintains a balanced approach and mitigates the risk of legal disputes or shareholder dissatisfaction due to uneven distribution.

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Payroll and personal finance

⬛ **Unified Pension Scheme Launched** The Central Government of India introduced the Unified Pension Scheme (UPS), which is set to be implemented on April 1, 2025. The UPS is designed to address the limitations of the current National Pension System (NPS). Beneficiaries will be Central Government employees; state governments can also adopt the scheme, with Maharashtra already implementing it. Employee Contribution will be 10% of basic salary plus dearness allowance, while Employer Contribution will be 18.5% of basic salary plus dearness allowance. Employees with at least 10 years of service are eligible for a fixed minimum pension. Employees with at least 25 years of service are eligible for a pension based on a percentage of their average basic pay over the last 12 months before retirement.

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BUSINESS NEWS

Greenvissage

Government

Inflation rate increases marginally India's inflation rate increased marginally to 3.65 per cent in August from 3.6 per cent in July. This uptick was primarily driven by rising prices in food categories, such as pulses, vegetables, and fruits. Prices of pulses, vegetables, and fruits rose significantly, contributing to the overall inflation increase. The cost of services also climbed, adding to inflationary pressures. A favourable base effect from last year helped contain inflation, but it is expected to become less supportive in the coming months. Economists anticipate inflation to rise further in the near term, driven by unfavourable base effects and potential increases in core inflation. The Reserve Bank of India (RBI) had predicted inflation to settle at 4.4 per cent for the fourth quarter. However, the recent data suggests a lower trajectory. Overall, while inflation remains below 4 per cent for the second consecutive month, the upward trend in food and services prices indicates potential challenges ahead. The RBI will need to closely monitor these developments to assess the appropriate monetary policy stance. (Money Control)

MoSPI to Conduct Annual Private Capex Survey The Ministry of Statistics and Programme Implementation (MoSPI) is set to launch a new annual survey to track the status of private sector capital expenditure (capex). This survey will provide valuable insights into the investment plans and activities of private companies in India. The survey will begin in October and be completed by December, with results released in February. The survey will be conducted online using data from the Ministry of Corporate Affairs. The survey will track projected capital investment for the next two years and the past three years. The government is actively working to boost economic growth by encouraging private-sector investment. Recent data indicates a rise in private capex due to factors such as increased domestic demand, improved corporate profitability, and government support. This new survey will provide valuable data to policymakers and businesses, helping to understand the current state of private sector investment and identify potential growth opportunities. (Business Standard)

PM E-DRIVE Scheme Welcomed by Automakers The PM E-DRIVE scheme, which aims to promote the adoption of electric vehicles in India, has received positive feedback from major automakers. Mahindra & Mahindra and Tata Motors have expressed their support for the scheme, highlighting its potential to accelerate EV adoption in the country. The scheme provides subsidies and demand incentives for various electric vehicles, including e-2Ws, e-3Ws, e-buses, and e-trucks. Automakers have welcomed the scheme as a significant step towards promoting electric mobility. The scheme is expected to boost EV adoption, reduce pollution, and create new opportunities for the EV industry. The PM E-DRIVE scheme, along with other government initiatives, is playing a crucial role in India's transition to electric vehicles. (Business Standard)

Indian Telecoms to Unitedly Fight against Spam Indian telecom operators are exploring a collaborative approach to tackle the persistent issue of spam calls and messages. Airtel CEO Gopal Vittal has initiated discussions with competitors Reliance Jio, Vodafone Idea, BSNL, and Tata Teleservices to develop a unified system for monitoring corporate connections used in commercial calling. This proposal seeks to overcome competitive barriers and facilitate data sharing among telecom companies, to improve the effectiveness of spam prevention efforts. The Department of Telecommunications (DoT) and the Telecom Regulatory Authority of India (Trai) have been advocating for such industry cooperation to combat the growing spam menace, which affects millions of consumers daily. The suggested system would involve the monthly exchange of critical data, including corporate names and active numbers, though telecom companies have traditionally been reluctant to share data due to concerns about potential financial impacts on enterprise customers. The government has already implemented measures such as blocking numbers and blacklisting entities to address spam, and this industry-wide collaboration could further enhance efforts to protect consumers and reduce unsolicited communications. (Business Standard)

Economies

World Bank Upgrades India's Growth Forecast The World

has raised its estimate of India's economic growth for the current fiscal year (FY25) to 7% from 6.6%. This upward revision reflects the country's strong performance and positive medium-term outlook. India's economy is expected to continue growing at a robust pace in the coming years, driven by various factors. The government's efforts to reduce the fiscal deficit and lower the debt-to-GDP ratio are expected to contribute to sustainable growth. The current account deficit is projected to remain manageable, staying within 1-1.6% of GDP. India is encouraged to diversify its export basket and leverage global value chains to boost its exports and achieve the USD 1 trillion target by 2030. The report highlights the need to address tariff and non-tariff barriers to enhance India's trade potential. Improving productivity and reducing costs of production are crucial for India to maintain its competitiveness in the global market. (Money Control)

ECB announces rate cuts The European Central Bank (ECB) has announced a reduction in its deposit rate by 25 basis points to 3.50%, continuing its recent trend of easing monetary policy amid slowing economic growth and decreasing inflation. This move follows a similar cut in June, as the ECB aims to navigate a challenging economic landscape where inflation is nearing its 2% target and the eurozone is facing a potential recession. Despite the rate cut being widely anticipated, the ECB provided limited guidance on its future actions. President Christine Lagarde emphasized a data-dependent approach, suggesting that the path forward will be determined by incoming economic data rather than a fixed plan. This cautious stance reflects ongoing uncertainty and the ECB's intention to avoid making premature commitments. The central bank's decision comes as investors and analysts await the U.S. Federal Reserve's expected rate cuts, which could influence ECB policy in the coming months. The ECB's latest forecasts indicate that economic growth for this year is expected to be slightly below earlier projections, while inflation is anticipated to hit the 2% target in the second half of 2025. This suggests that the debate within the ECB is shifting towards the pace of policy easing rather than the need for further cuts. In addition to the deposit rate adjustment, the ECB also made a technical change to its refinancing rate, which was cut by 60 basis points to 3.65%. This adjustment narrows the gap between the deposit rate and the refinancing rate, a move intended to eventually encourage more lending between banks. (Reuters)

Corporates

IHCL Expands Presence in Chennai with Two New Hotels Indian Hotels Company (IHCL) has announced plans to open two new hotels, Vivanta and Ginger, in Chennai's Mahindra World City (MWC). These greenfield projects will be located on a three-acre plot near Kolavai Lake. Vivanta MWC is a 100-room hotel will offers elegant accommodations, dining options, a wellness centre, and a banquet space. Ginger MWC is a 200-room hotel that will feature contemporary rooms, a dining bar, and modern amenities. Mahindra World City is a well-established business district with excellent connectivity and infrastructure. IHCL is partnering with Asbri Energy to develop these hotels. These new hotels will cater to both business and leisure travellers, strengthening IHCL's presence in Chennai and contributing to the city's hospitality landscape. (Business Standard)

DGCA puts SpiceJet under surveillance In response to SpiceJet's worsening financial troubles, India's Directorate General of Civil Aviation (DGCA) has intensified surveillance of the airline to prevent any negative impact on flight safety. The move comes as SpiceJet faces significant operational disruptions, including being barred from check-ins at Dubai airport due to unpaid dues. The DGCA's increased scrutiny includes spot checks and night surveillance, following a recent audit that revealed deficiencies in the airline's engineering facilities. SpiceJet's financial difficulties have led to the cancellation of several flights and the grounding of aircraft, with operational challenges exacerbated by delayed payments to ground-handling services. Moreover, the airline has struggled to pay its employees, resulting in unpaid cabin crew and protests by airport staff. The company's shrinking fleet, now reduced to 23 aircraft from nearly 120 pre-COVID, and its failure to meet financial obligations, including provident fund and tax payments, reflect deeper systemic issues. SpiceJet's attempts to raise funds through a qualified institutional placement have also fallen short, adding to its financial strain.

The Ministry of Civil Aviation is closely monitoring the situation as SpiceJet navigates its current crisis. (The Hindu)

Samsung India layoffs employees Samsung India is bracing for significant layoffs as it grapples with declining sales and shrinking market share. The company plans to reduce its workforce across several departments, including sales, marketing, and operations, amidst a broader restructuring effort affecting its smartphone, consumer electronics, and home appliance divisions. The situation has been compounded by the departure of several senior executives, many of whom have joined rival Xiaomi. Samsung has also encountered issues with offline retailers, such as differential pricing, reduced margins, and inconsistent product availability. Additionally, its Chennai manufacturing plant has faced disruptions due to strikes, further impacting production. These combined challenges have severely affected Samsung's performance in India, prompting the company to undertake difficult measures to stabilize its operations. (Business Today)

Adani Ports' Kenya Port Takeover halted by Kenyan Court Gautam Adani's USD 1.85 billion investment plan to modernize Kenya's Jomo Kenyatta International Airport has been temporarily halted by a Kenyan court. This deal, which would have allowed Adani Airport Holdings Limited to manage the airport for 30 years, faces legal challenges from various groups. Critics, including the Kenya Human Rights Commission and the Law Society of Kenya, argue that the lease is unconstitutional and threatens jobs, while also questioning its cost-effectiveness. The Kenyan government defends the agreement as essential for addressing capacity issues at the airport, emphasizing that private investment is crucial given current fiscal constraints. The dispute has also led to potential strikes by Kenya's aviation workers and concerns from India's Congress party about possible backlash against India. This project marks Adani's first airport operation outside India and is part of his broader strategy to expand globally. Meanwhile, the competition between India and China for influence in Africa continues, with China pledging significant investments in the region. (Economic Times)

Mahindra launches e-Zeo On World EV Day, Mahindra Last Mile Mobility Limited (MLMML), a division of Mahindra & Mahindra, introduced the name of its forthcoming commercial electric vehicle, the 'e-ZEO,' which stands for "Zero Emission Option." The 'e-ZEO' aims to compete with internal combustion engine vehicles in the Small Commercial Vehicle (SCV) segment by offering enhanced energy efficiency, a longer driving range, and faster charging times. Scheduled for an official launch on October 3, 2024, the 'e-ZEO' represents Mahindra's continued commitment to advancing electric mobility. The company has announced a significant investment of INR 12,000 crore in its electric vehicle unit over the next three years, reflecting its dedication to expanding its EV portfolio. This launch aligns with Mahindra's broader strategy to lead in the electric vehicle sector and reshape urban logistics. (Money Control)

Startups

Zepto announces plans for IPO Zepto, the quick commerce startup, has begun discussions with top bankers such as Morgan Stanley and Goldman Sachs for a potential USD 450 million initial public offering (IPO) slated for completion by August 2025. The IPO will include both a fresh issue of shares and an offer for sale (OFS) component. This move follows a period of rapid expansion, during which Zepto raised over $1 billion in funding and saw its valuation jump from USD 1.4 billion to USD 5 billion in just over a year. The company, founded in 2021 by Aadit Palicha and Kaivalya Vohra, has gained traction with its 10-minute delivery service and plans to grow its number of dark stores from 400 to 700 by March 2025. Alongside the IPO, Zepto is exploring new ventures like 'Zepto Postpaid' and aims to significantly increase its gross sales run rate from USD 1.5 billion to USD 3.5 billion by the end of 2025. The IPO and expansion plans are contingent upon the company's transition back to India, reflecting its broader strategy to solidify its market presence and competitive edge. (Inc42)

Nykaa sues former CBO Nykaa has filed a lawsuit against its former Chief Business Officer, Gopal Asthana, accusing him of breaching confidentiality and misusing company data. Asthana, who now heads Tata Cliq, Tata's fashion e-commerce

platform, allegedly used his position at Nykaa to solicit former employees to join Tata Cliq. Nykaa's petition to the Bombay High Court seeks to prevent Asthana from recruiting its staff and demands compensation, including INR 19 crore for employee stock options and INR 5 crore for loss of goodwill. The court has issued an interim order prohibiting Asthana from hiring Nykaa employees, though Tata Cliq has not been named as a defendant in the case. Asthana, who served Nykaa for four years and was a board member, disputes the allegations, asserting they will be addressed in arbitration. The case highlights ongoing tensions in the competitive e-commerce sector, which includes other players like Amazon Fashion, Ajio, and Myntra. (Live Mint)

Amazon to enter Quick Commerce in India Amazon is preparing to enter the quick commerce sector in India, aiming for a rollout in the first quarter of 2025. This strategic move aligns with the company's broader plan to tap into the rapidly expanding market, which has recently seen significant advancements, including Flipkart's launch of its 'Minutes' service. To lead this new initiative, Amazon has appointed Nishant Sardana, who previously managed the company's PC and appliance segments in India. Additionally, Ranjit Babu, the former CEO of Cloudtail, will now oversee consumer electronics and other verticals. The company is also considering acquiring a stake in Swiggy's quick commerce platform, Instamart, which could bolster its position in the quick delivery segment. Amazon's goal is to offer deliveries within 20 to 30 minutes, a notable shift from its current next-day and two-hour delivery services. The company plans to use More Retail stores to support this while continuing to provide options like store pick-ups. The quick commerce sector is expected to reach USD 6 billion by 2025, with quick commerce now making up nearly 40% of online grocery sales. Amazon's entry into this competitive field, dominated by players such as Zepto, Blinkit, Swiggy Instamart, and BigBasket, reflects its strategic adaptation to the evolving e-commerce landscape in India and its intent to capture a significant share of the expanding quick commerce market. (Business Standard)

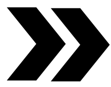
Conglomerates

Boeing Faces Employee Strikes Boeing faces a critical juncture as its US West Coast factory workers vote on a contentious new contract that could lead to a strike starting Friday. The International Association of Machinists and Aerospace Workers (IAM) reported that about 30,000 employees who build Boeing's 737 MAX, 767, and 777 jets in Seattle and Portland are deciding whether to accept a proposed deal offering a 25% wage increase, a USD 3,000 signing bonus, and a pledge to construct the next commercial jet in the Seattle area if launched within four years. Despite IAM leadership's recommendation to accept the deal, many workers are dissatisfied with the offer, demanding a 40% pay raise and expressing frustration over the loss of an annual bonus. New CEO Kelly Ortberg, who joined Boeing last month, has urged workers to approve the contract, warning that a strike could worsen Boeing's financial troubles and further delay production. Boeing's shares have fallen 36% this year due to safety and production concerns, and an extended strike could cost the company up to USD 3.5 billion in cash flow, compounding its USD 60 billion debt. (Reuters)

Apple Partners with Airtel in India Apple is poised to make a significant push into India's content market through a new partnership with Bharti Airtel, the country's second-largest telecom provider. This collaboration aims to expand the user base for Apple Music and Apple TV in India, where Apple has traditionally struggled to gain traction compared to competitors like Spotify and Walt Disney. The deal will provide Airtel's 281 million customers with free access to Apple's streaming services. This move represents a strategic effort by Apple to boost its presence in a market where its share has been relatively small. Apple's share of the content market remains limited. Apple's approach in India will mirror its previous strategies in other markets. The competition in India's audio streaming market is fierce, with Spotify leading with approximately 3 million paid users, followed by Gaana and Wynk. Apple Music trails with around 200,000 users. The overall market for paid audio streaming is relatively small, with about 7.5 million paying users out of 185 million total users of both ad-supported and ad-free apps. (Live Mint)

ECONOMIC INDICATORS

Greenvissage



ECONOMIC INDICATORS

Key Economic Indicators

Indicator	As on	Current	Prior
GDP Growth (%)	Mar-24	1.90	2.10
Inflation (%)	Jul-24	3.54	5.08
Unemployment (%)	Aug-24	8.50	7.90
Trade Balance ($bn)	Jul-24	(23.50)	(21.00)
Business confidence	Jun-24	127.00	130.00
Manufacturing PMI	Aug-24	57.50	58.10
Services PMI	Aug-24	60.90	60.30

Global Indices

Index	Country	%
NIFTY 50	India	3.58
BSE SENSEX	India	3.48
INDIA VIX	India	(18.90)
NIFTY BANK	India	2.76
DOW JONES	USA	2.76
NASDAQ	USA	1.21
S&P 500	USA	2.20
FSTE 100	UK	0.67
NIKKEI 225	Japan	1.72
SHANGHAI COM	China	(5.25)
MOEX	Russia	(8.66)
CAC 40	France	2.49
DAX	Germany	4.22
S&P ASX 200	Australia	3.50
BOVESPA	Brazil	1.72
KOSPI	South Korea	(1.89)
HANG SENG	Hong Kong	0.44

Commodities Future

Commodity	Expiry	Price	%
Gold	Oct-24	71,960.00	(1.07)
Silver	Dec-24	84,905.00	(8.47)
Crude Oil	Sep-24	5,746.00	(17.95)
Natural Gas	Sep-24	190.80	(3.93)
Aluminum	Sep-24	225.15	(4.19)
Copper	Sep-24	799.60	(8.73)
Cotton	Sep-24	58,800.00	1.20

Currency Exchange Rates

Pair	Current	Prior	%
INR/1 USD	83.95	83.50	(0.54)
INR/1 GBP	109.85	106.65	(3.00)
INR/1 EUR	92.71	90.37	(2.58)
INR/100 YEN	59.38	51.97	(14.26)

Cryptocurrencies

Pair	Crypto	Price	%
BTC/USD	Bitcoin	58,076.00	4.75
ETH/USD	Ethereum	2,357.00	(20.55)
USDT/USD	Tether	1.00	0.02
BNB/USD	Binance	541.22	10.72

Small Savings Schemes

Scheme	Current	Prior	%
SSCS	8.20	8.20	-
SSA	8.20	8.20	-
NSC	7.70	7.70	-
PPF	7.10	7.10	-
KVP	7.50	7.50	-

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