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THE GREEN DIGEST

'War Economics' Edition

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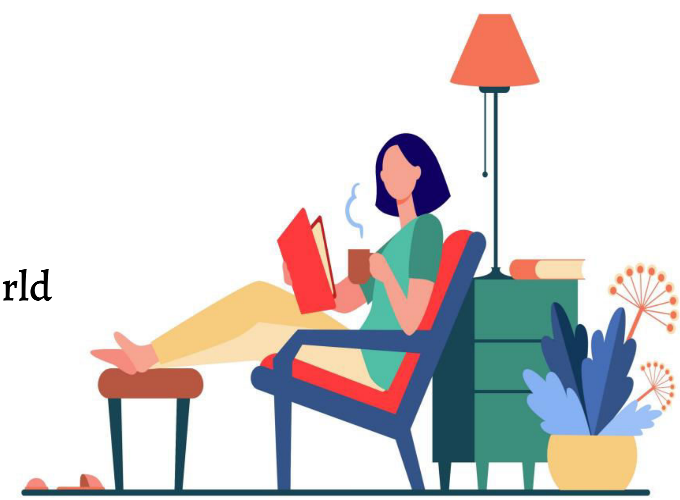

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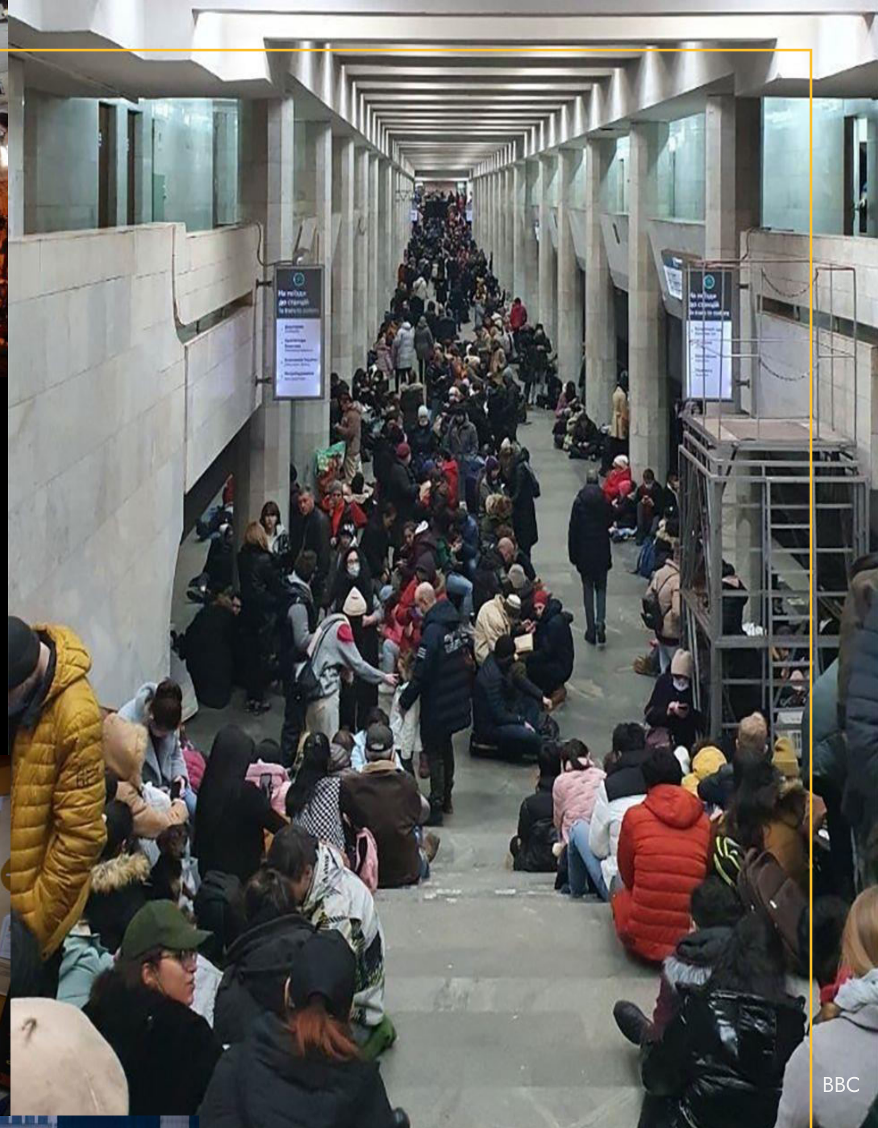

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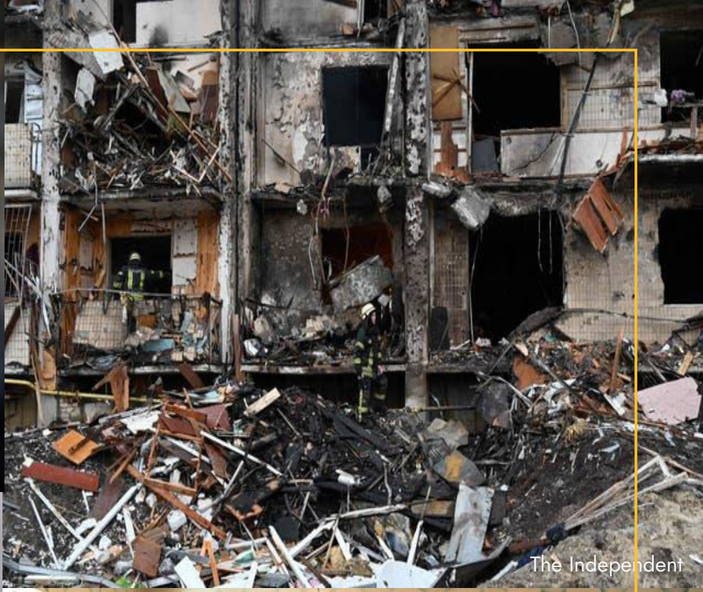
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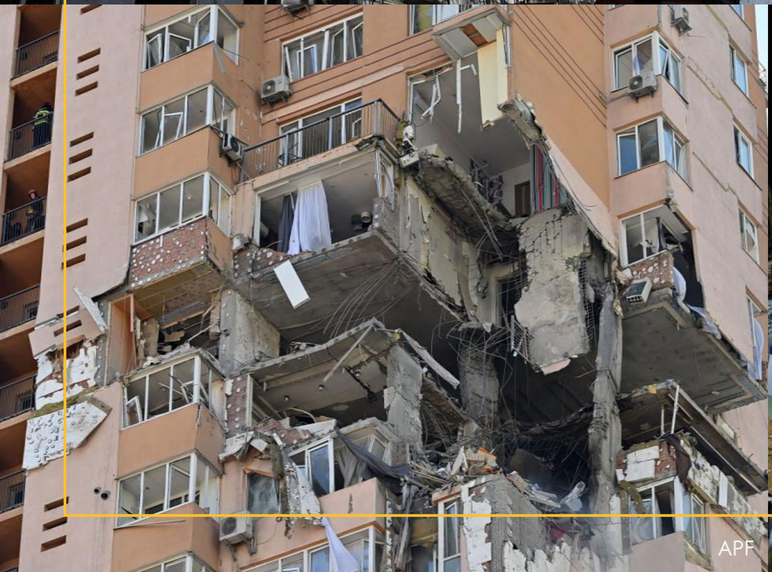
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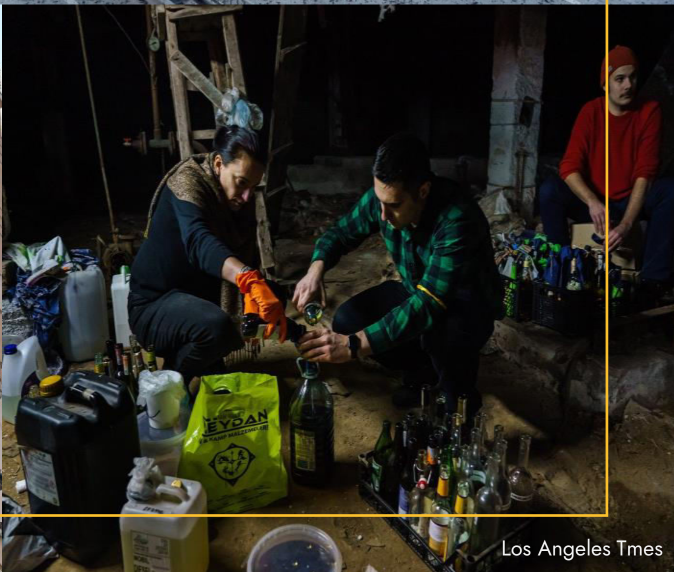
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War Economics – The economic impact of war, shift in global economic order, and how global economies are in jeopardy again, the Ukraine-Russia war, explained.

Prologue

Right and wrong – surprisingly, the simplest and yet most widely misunderstood concept, even in the twenty-first century where the world thrives on data and instant information. What's right and what's wrong, is a matter of opinion. It is subjective as based on an individual's perception. Something might be right according to one, and wrong according to the other, and thus, one event can be both right and wrong, at the very same moment. Besides, a person's opinion is based on their knowledge of the topic and the information available to them. Consider this – a salary package of 25 lakhs for living, sounds like a dream to some people, at par for some others, and too low according to others. However, when considering the 25 lakh salary package against the current package of 15 lakhs, the new offer suddenly seems superior, right? Now, what if you are informed that the cost of living is going to be 20 lakhs in the new package and 8 lakhs in the old package? The opinion changes altogether. Do you realise our opinion changed thrice in the last few lines?

The world is full of information today, however, misinformation, lack of information, and partial disclosure of the information are thwarting informed opinions. All that we are left with is opinions, but that's still workable, as long as people accept that different opinions can co-exist on the same table, irrespective of how they feel about those opinions. Every individual has the right to think and act according to their version of right or wrong, as long as it doesn't affect other people's lives. However, when people start imposing their opinions on others, it leads to conflicts. And when people start using their might to impose their opinion on others, matters turn much worse. Today, one powerful nation is using all its might to impose what it thinks is right – Russia, and the results, we already know!

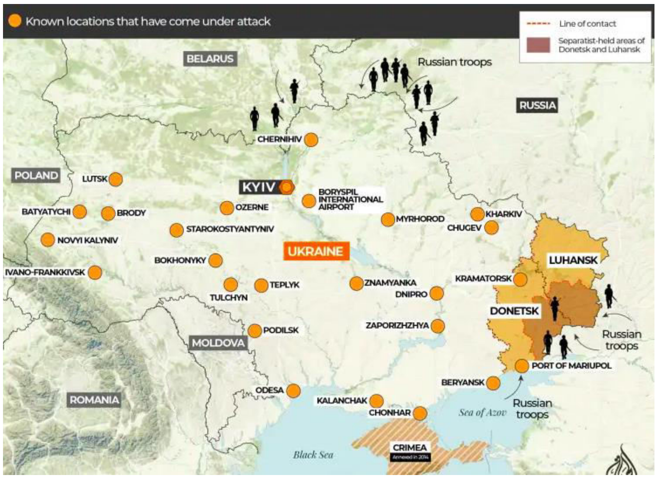
Introduction

"India should attack and destroy Pakistan", "Why doesn't the United States nuke Afghanistan?", "Israel should wipe off the Gaza strip from the world map." Unless you live under a rock, you would have surely heard of several such opinions on social media, informal debates and even on primetime shows of a few news channels. It's easy for extremists to call a war from the comfort of home, as against the military personnel who risk their lives. Yes, the brave militants won't even blink twice if ordered to go on war, and would happily die for the nation if it comes to it. However, their sacrifices would be more honoured if they come for the right cause and not just mass destruction of humanity for issues which can be resolved by discussions and co-operation. As Mahatma Gandhi advocated 'An eye for an eye makes the whole world blind', wars never have an end, there's always another around the corner to retaliate or to gain dominance. Russia's latest attack on Ukraine owes its origin to the Second War when most of us were not even born including Vladimir Putin and Volodymyr Zelensky!

Most people believe that the war is between Russia and Ukraine, and as long as their Government stays out of it, it doesn't affect them. However, the reality is otherwise. Modern wars are fought not merely on the battlegrounds but also on the political, economical and informational front. Thus, the repercussions of the war are to be faced by everyone, as our world is deeply interconnected through money. Wars affect not just the citizens of the nations waging them, but also the citizens of those nations who are not part of it. Even abstinence from war is participation in the war. Let's understand the economics of the Russia-Ukraine war in this article.

Why is Russia attacking Ukraine?

The situation between Russia, the largest country in the world by land, and Ukraine, the largest country in Europe by land, had already intensified in January 2021 when Ukrainian President Volodymyr Zelenskyy urged the United States President Joe Biden to let Ukraine join North Atlantic Treaty Organisation (NATO). This didn't go well with Russia and it began militarising near Ukraine border under the hood of 'training exercises'. By December 2021, there was such heavy deployment of the military that it no longer seemed like a military exercise. The United States alarmed the world about Russia's intentions, and also warned Russia that it will face sanctions and others repercussions if it attacked Ukraine, however, Russia didn't budge.



On February 21, Russian President Vladimir Putin recognised Luhansk and Donetsk, the two separatist regions in Ukraine, as independent states and ordered Russian troops to act as 'peacekeepers' there, after signing cooperation agreements with the two breakaway regions. On February 22, the Russian Government received consent from its Parliament to deploy Military forces beyond Russia's borders. Thereafter, on February 24, early morning, Vladimir Putin addressed his nation that he is announcing a 'Special Military Operation' against Ukraine and within a few hours of his speech, the Russian military launched a full-scale attack on Ukraine through army, navy and airforce.

The moves were well-orchestrated to stay on the right side of the United Nations' Article 7 which although does not allow a nation to attack another, does permit a member nation to launch 'Special Military Operations' against breach of peace and acts of aggression. Allegedly, it was the Russian Government who sowed and nurtured the idea of separation of the Donbas region of Ukraine and after recognising the Republic of Luhansk and Republic of Donetsk as two independent nations, it signed a cooperation agreement with them. This allowed Russia to launch a war against Ukraine, under the hood of 'Special Military Operations' alleging that Ukraine was threatening the peace of these two new neighbouring countries.

Russia has demanded that the western countries should give Russia a legally binding guarantee that NATO will not hold any military activity in eastern Europe and Ukraine. According to the Russian Government, their security is threatened by the expansion of the North Atlantic Treaty Organisation (NATO) in eastern Europe, as its military infrastructure was closing in with Russian borders. Meanwhile, the western countries are calling it a smokescreen by Russia to occupy the sovereign territory.

What is NATO? Why is Ukraine seeking its membership?

North Atlantic Treaty Organisation (NATO)

North Atlantic Treaty Organization (NATO) is a military alliance that was formed in 1949 by 12 countries. It derived the name 'North Atlantic' as the countries involved were located in the Northern hemisphere of the Atlantic Ocean – the United States and Canada on the western side, and France, United Kingdom, Portugal, Italy, Belgium, Luxembourg, Netherlands, Norway, Denmark and Iceland on the eastern side of the ocean. After World War II, to counter the threat of attack from the Soviet Union, the western countries signed this mutual cooperation agreement for collective security. They pledged to provide aid to each other, in the event of an armed attack against any of the member nations.

Warsaw Treaty Organisation (WTO)

In response, the Soviet Union formed its military alliance known as the 'Warsaw Treaty Organisation (WTO)' or the Warsaw Pact in 1955, to counter NATO. The WTO consisted of the Soviet Union, Albania, Bulgaria, Czechoslovakia, East Germany, Hungary, Poland and Romania. The conflict between the United States and its allies (NATO), and the Soviet Union and its allies (WTO) led to a period of geopolitical tension referred to as the 'Cold War'. However, with the 'Fall of Berlin Wall' in 1989, the cold war ended; and with the 'Dissolution of Soviet Union' in 1991, the Warsaw Pact also ended on February 25, 1991.

Enlargement of NATO

On December 25, 1991, when Russia was formed after the dissolution of the Soviet Union, the country was weak and left alone without the Warsaw Pact. NATO (allegedly the United States), taking advantage of the opportunity, inducted more eastern European countries as members of NATO including Latvia, Estonia and Lithuania who share borders with Russia apart from Poland and Norway. Bosnia and Herzegovina, and Georgia are also under consideration for membership. The NATO allies have increased from 12 to 30 and the alliance has grown powerful over the year, which according to Russia is a threat to its security.

Minsk Peace Accord, 2014

This is not the first time when tensions between Ukraine and Russia have reached their boiling point. In 2014, following internal revolutions when the Pro-Russian President of Ukraine was deposed, Russia attacked Ukraine and annexed the Crimea region. Russia and Ukraine have been engaged in military fights since then. The two countries had then signed the 'Minsk Peace Accord' in 2014 to halt the conflict in eastern Ukraine including the Donbas region.

Ukraine's desire for NATO

Europe consists of several small nations in a densely covered area. Individually, most nations find it difficult to defend themselves, however, together as NATO, they form a powerful allegiance against Russia. Ukraine has deep social and cultural ties with Russia, as it was part of the Soviet Union and the Russian language is widely spoken there. However, since 2014, when Russia attacked Ukraine, those relations have frayed. It realised that alone it cannot withstand powerful Russia, and it is in its best interest to join NATO, as it shares its entire eastern border with Russia has already corrupted the Donbas region. Therefore, for its national security, on December 23, 2014, Ukraine renounced its non-aligned status (not being part of any military alliance) and since then, has been progressively seeking NATO membership. In June 2021, Ukraine performed a joint naval drill with the NATO forces in the Black sea which infuriated Russia. Meanwhile, Moldova and Georgia are also seeking NATO membership.

Russia's opposition to Ukraine's NATO membership

In 2021, when Ukraine's NATO membership talks gained momentum, Russia began a large build-up of the military on the Ukrainian border and has been vocal about its concerns with Ukraine's NATO membership. According to Russia, in 1991, NATO had promised to not enlarge the alliance in eastern Europe. However, it has not adhered to the same and has been expanding to cover all strategic fronts of Russia which allows the United States to build its military presence near Russian borders. If Ukraine joins NATO, it will give direct access to the United States to the Russian borders, as Ukraine shares a long border with Russia which is a direct threat to Russian security, and therefore, Russia has allegedly waged the latest war to not merely stop the same, but also to demilitarise and convert Ukraine into a Russian satellite state (formally independent but under the heavy political, economic and military control of Russia).

NATO's response to Russian attacks

According to NATO, Ukraine is not a member and therefore, it won't send its troops to Ukraine, however, it is extending support through the provision of military equipment, finance and necessary supplies. In 2014, when the world merely watched, Russia annexed the Crimea region. Russia has launched a full-scale war against Russia this time, and if Russia succeeds it would bring Russia right next to the European Union (EU) and therefore, the NATO allies are providing support through the backdoor.

Economic warfare

The main principle of war is to hurt or harm the enemy as much as possible. And what hurts more in the twenty-first century than money? While the United States and NATO members have denied any direct involvement in the Ukraine war, they are fighting the war on the economic front. In a bid to stop Russia from further attacks, the United States, the European Union and other countries have levied several economic sanctions on Russia. Sanctions are penalties that one country imposes on another to penalize them for violating international laws. These sanctions can be unilateral i.e. levied by one country on another country or multilateral i.e. several countries collectively levying a ban on other countries. Usually, these sanctions take the form of trade embargoes and travel bans, as they are the easiest to implement. However, this time threat is from the world's most powerful nation and therefore, the sanctions are being levelled accordingly. Belarus which has supported Russia in this war is also facing the wrath of these sanctions.

Sanctions that Russia is facing

Since 80% of Russia's foreign exchange transactions are carried out in US dollars, the United States has announced that it has frozen the assets of four major Russian banks and also cut them off from dollar trades. Several measures have been taken to ensure the Russian Government, companies or citizens cannot raise, withdraw or deposit money in other countries. The United Kingdom and others have also followed the same. Russian President Vladimir Putin's assets in the United States, European Union, United Kingdom, Switzerland, Japan and Canada have been frozen for recognising the independence of Donetsk and Luhansk and for the full-scale invasion of Ukraine. Similar sanctions have also been levied on Russia's Foreign Minister, Defence Minister, Chief of Armed Forces and Russian Security Council members. Some countries have also banned all 351 Russian Parliamentarians who supported Russia's vote for recognition of Donetsk and Luhansk, from travelling and have frozen their assets. A long list of Russian industrialists and politicians has also been placed in the sanctions list, and their assets have been frozen. Businesspersons who are considered to be close to President Vladimir Putin have been targeted ahead of others. The United States, European Union and others have closed their airspace to Russian aircraft and therefore, Russians or others cannot fly to or from Russia to these countries. Many western countries have banned the export of high-end technology, especially those relating to military up-gradation to Russia and also includes electronics, telecommunications and aerospace, countries. European companies have been banned from doing any business with Russian state-owned companies.

Companies that have cut their ties with Russia

Apart from the Government's sanctions, various companies have also voluntarily opted to stop providing goods or services to Russia, or have halted their operations in Russia. Visa, Mastercard and American Express have suspended all their operations in Russia to protest the invasion of Ukraine. Their cards will no longer work on ATMs, card swipe machines, online payments or international payments to Russian companies. However, the Russians would be able to continue using their card within Russia, until the expiry of the card. Microsoft said it was horrified by the situation in Ukraine and would suspend all new sales of its products and services in Russia. Apple halted product sales and restricted Apple Pay Russia, disabled Apple Maps in Ukraine, and removed Russian State media outlets from its App Store. Meta has announced that Facebook pages and Instagram accounts would no longer be accessible in Russia. Dell has suspended product sales in Russia.

Mango, which employs 800 people in Russia, has temporarily closed its stores and its online platform. Ikea has closed all its 17 stores in Russia and has paused sourcing materials from Russia. H&M, the world's second-largest clothing retailer, has paused all of its sales in Russia. Nike has stopped taking online orders for Russian customers as processing payments becomes more difficult with the sanctions, however, has allowed its stores to remain open. Netflix has temporarily halted all future film and television projects in Russia and has defied calls from the Government to add state news channels to its services. Later, it also suspended all its services in Russia. Airbnb has suspended all operations, hitting Russia's 90,000 active short term rentals on the service. Spotify has indefinitely closed its Russian offices and removed state-backed media content from its platform. Mercedes-Benz Group has halted the sale of cars and vans in Russia. Harley-Davidson has paused the shipment of motorcycles to Russia saying its thoughts are on the safety of the people of Ukraine. BMW has stopped the export of cars and said it would stop production on the ground there.

Banning Russia from SWIFT

To further escalate the economic war, the United States and European Union used the so-called 'Economic Nuclear Weapon' by banning Russian banks from SWIFT to isolate Russia from the international financial system. SWIFT stands for the 'Society for Worldwide Interbank Financial Telecommunication'. It is a secure platform for financial institutions that exchange information about money transfer transactions. The SWIFT network is based in Belgium and is overseen by the central banks of 11 countries – Canada, France, Germany, Italy, Japan, Netherlands, Sweden, Switzerland, the United Kingdom, and the United States, apart from Belgium. SWIFT does not move money rather it only verifies information of transactions with secure financial messaging services that include more than 11,000 banks in over 200 countries, under its network.

When we request to transfer money to someone in a foreign country, our bank only sends a message which contains details of account, beneficiary and amount, to the other bank, through the SWIFT messaging system. Based on the message, the other party bank releases payment to the intended beneficiary. Since banks have several transactions every day across cities and multiple countries, the actual remittance only takes place at designated settlement times when only the net amount of all transactions put together, is paid or received, as applicable. Thus, cutting off a country from SWIFT is equivalent to restricting the internet access of a nation, as it becomes difficult to execute and settle thousands of transactions that occur every day with multiple banks, in multiple currencies and across multiple countries.

Till date, only one country has been cut off from SWIFT — Iran, and it resulted in Iran losing one-third of its forex reserves. Thus, banning Russia from SWIFT is the harshest measure against the country, and is expected to badly hit its economy, as it is heavily reliant on the SWIFT platform for its oil and gas exports. This move will cripple the country and push it back to 'the telephone or a fax machine' to make payments. Currently, only a few banks have been banned, to keep open further escalations.

Impact of economic sanctions

The United States and the European Union are using sanctions as the main weapon of war instead of the army, navy and airforce. Firstly, for years, economic sanctions have had little impact, despite being levied on 50+ countries, with 27% of world GDP. Most autocratic governments have bypassed the sanctions and managed to stay afloat. The sanctions have already tumbled the Russian currency, Rouble, by 28% this year and have led to inflation in the country. Russian Ruble is now worth less than a penny, falling from 0.013 against USD before the war to as low as 0.0072 on March 8. The Russian Central Bank had to double its key interest rate to 20%. Meanwhile, share prices also dropped by over 90% in offshore trading, as many multinationals have left Russia. Russia has already announced emergency measures, to ban residents from transferring money abroad and forcing exporters to buy the currency, to restore the plunging Russian Ruble. There is a shock in the economy with financial panic, sudden market closures, and inflation that will take months to stabilize. Russia is sitting on doors of a big recession that will impact its investments, spending, exports, and trade if the economic sanctions continue.

Meanwhile, Russia had prepared for the war, and the sanctions, as it had been building up foreign currency reserves which were touching a record high of USD 630 billion in January 2022. Since the 2014 attack on Crimea, Russia has worked on alternatives, to the SWIFT system, including the SPFS (System for Transfer of Financial Messages), developed by the Central Bank of Russia. Russia had shifted to 'System for Transfer of Financial Messages (SPFS) which is based on a network of more than 100 countries on China's Cross-border Interbank Payment System (CIPS) system. It has been internally using the network since 2014, after learning lessons from the sanctions levied back then. About 20% of Russia's international trades are also done through SPFS.

Impact of economic war on India

The United States has historically used economic sanctions as a weapon in the international war, owing to the dominance of US dollars. However, the overuse of sanctions is also threatening to destabilize the global economy. The continuous use of sanctions is pushing more countries to end their reliance on the financing of the west, which will eventually dilute the impact of such sanctions. The economic sanctions will also have a direct impact on individuals who do business with Russia and who have assets in those banks.

While the United States is a net exporter of oil and can afford to ban Russian oil imports, the same is not the case with Europe. The European Union depends on Russia for 40% of its total gas consumption, and thus, makes it is hard to impose sanctions on Russia. One-third of Germany's oil and gas supply origins from Russia and with the ban on certification of Nord Pipeline 2.0, it has already taken one for the team. Meanwhile, Russia has also threatened sanctions of its own that may involve shutting down exports of oil and gas supplies to Europe which would be disastrous.

Use of Cryptocurrencies to bypass sanctions

Russia can also use cryptocurrency to mitigate the impact of sanctions. Many believe that banks have already put money into cryptocurrencies to evade the impact of sanctions. The core of economic sanctions is to block access to the US dollars which is the world's preferred reserve currency and the most widely used for cross-border payments. However, the rise of cryptocurrencies threatens their dominance and lessens the impact of these sanctions. For sanctions to be effective, the banks and other financial institutions have to track the flow of money, so entities that have been sanctioned, can be blocked from transacting. However, cryptocurrencies are beyond the radar of the banking system currently, and therefore, it allows doing business independently to sanctioned entities as well. The key for Russia is to avoid sanctions is to not conduct trade using the US dollar and cryptocurrencies provide that cushion. Russia is already developing its own central bank digital currency (CBDC), a 'Digital Ruble'.

Prices of crude oil and fuels

India heavily imports crude oil, with around 85 per cent of its fuel demand through imports. Russia is one of the largest exporters of oil (about 5 million barrels per day). However, India doesn't buy even 1% of these exports, as India does not have the infrastructure to import, as well as the high transportation costs. Hence, the sanctions on Russia do not have a direct impact on the Indian oil imports. Crude oil prices have already touched a 7-year high with Brent oil prices crossing the USD 100 a barrel mark for the first time since 2014 (when Russia had invaded Ukraine) and going as high as USD 133 per barrel, with forecasts of remaining at higher levels, until the shortfall in the global supply of oil is recalibrated. India will have to closely monitor the global energy market and may have to release some crude of its Strategic Petroleum Reserves (SPR) if needed to boost supply and ensure price stability. The Government has set SPRs at three locations with a capacity of 5.33 million metric tonnes at Visakhapatnam (1.33 MMT), Mangalore (1.50 MMT) and Padur (2.5 MMT) which meet India's demand for 9.5 days. SPR facilities at Chandikhol (4 MMT) in Odisha and Padur (2.5 MMT) in Tamil Nadu are under construction, to take care of another 12 days of India's needs. Costlier crude will also inflate the current account deficit, push up inflation, increase the cost of inputs for various industries and make transportation expensive. Meanwhile, for Russia, the problems are quite the opposite. Around 70% of Russia's oil is waiting for buyers, as the western countries have shunned Russia's oil exports. BP, Shell and Equinor have suspended their Russian operations entirely. Sweden's Nynas has vowed to end the import of Russian raw materials altogether. Switzerland's Trafigura is reviewing options while Finland's energy group Neste is replacing Russian crude with other alternatives. China and India might slowly start buying Russia's crude if issues around shipping, insurance, and payments are resolved. However, this is subject to the sanctions that the United States and others, if the industry is protected or not, from the same.

Affected sectors and companies in India

Supply chain disruptions and higher costs of steel, aluminium, copper, lead, and crude is expected to raise the cost of automobiles. Besides, auto players manufacturing in Europe such as Tata Motors and Mahindra will be impacted as Europe is dependent heavily on Russia for its energy needs. Mahindra CIE, Bharat Forge and Motherson Sumi are some companies that will face the consequences of the economic turmoil. In the Pharma sector, Dr Reddy sources its raw materials from Russia and will be deeply hurt by the sanctions. India also exports pharmaceuticals to Ukraine and thus, all pharma companies will be affected by the same. An increase in crude oil prices will also be detrimental to oil marketing companies such as Indian Oil Corporation, Bharat Petroleum Corporation and Hindustan Petroleum as they will not be able to pass on the price increases to their customers. However, upstream companies such as ONGC, GAIL, and Oil India could benefit from the same. Paint companies such as Asian Paints, Berger Paints, and Kansai Nerolac, could be impacted if crude oil prices continue to rise since oil derivatives such as monomer and titanium dioxide, will also rise. Technology companies such as Mastek who generates 67% revenue from the European and the UK markets, and other companies such as Tata Elxsi, Tata Consultancy Services, Firstsource, and Tech Mahindra, on similar lines, have vast exposure in Europe and will be affected by the Russian-Ukraine conflict. Meanwhile, the European Union is also the biggest market for India's exports and supply disruptions are generating greater demand for steel and engineering goods. Russia is the second-largest producer of aluminium and the disruption in the supply chain will prove advantageous to Indian aluminium companies.

Prices of Cooking Oils

India is the world's largest buyer of sunflower oil and imports 60% of its consumption and is also the top purchaser of palm and soybean oils. Ukraine and Russia together account for 80% of the world's sunflower oil shipments. Amid war between Russia and Ukraine, shipments of more than 3,50,000 tonnes of cooking oil to India are at risk as logistics and loadings remain stuck at various ports. Meanwhile, Indian traders have an estimated import contract of 5,50,000 tonnes of sunflower oil from Ukraine and Russia for deliveries in February and March. As long as the supply is disrupted, the prices of cooking oil will continue to rise and can cripple household budgets. Thus, all variants of vegetable oils, used for everything from preparing cookies to frying potato chips to making shampoo, are already rising and expected to rise further, as there is a shortage of supply.

Demand for Indian Wheat, Corn, Spices and Textiles

Export demand for Indian wheat, corn and spices has significantly increased after Russia attacked Ukraine. This is because the international trade of agricultural commodities has shifted to India as the supply from Russia and Ukraine has halted. The prices of wheat have increased from INR 2,200 per quintal to INR 2,350-2,400 per quintal. Wheat traders want the Food Corporation of India (FCI) who keeps large stocks of wheat, to release more wheat into the market and keep domestic prices under control. The food processing industry is worried, as cooking oil prices have already shot up, transportation costs too owing to fuel, and if the cost of wheat and corn goes up, it would be difficult for them to provide end product at the same price, and price rise would lead to lower sales. Prices of spices have also increased due to shortages and strong global demand, as Ukraine is a major exporter of coriander seeds. Export demand for cotton, cotton yarn, textile fabrics, and readymade garments has made the spinning mills consume more cotton and thus, increasing the demand and prices thereon.

Equity markets

Global equity markets reacted sharply to the 'demilitarisation and denazification of Ukraine' (as being called on Russian news channels), as all indices were trading in red during the week and it has been a hell of a ride for traders. The market capitalization of companies listed Bombay Stock Exchange (BSE) eroded by USD 103 billion within an hour, while Gold, the haven surged by 2%. Historically, after every major erosion of wealth, the markets have usually bounced back with more gains than the loss within a year. Thus, for investors looking to invest in equity markets, it is a good opportunity to invest and take the back seat. However, it is important to invest in companies not majorly affected by the ongoing economic warfare.

Why is India abstaining from war?

While Russia is evading Ukraine, India has remained silent on the entire crisis. Even at the United Nations General Assembly, when 141 countries voted for a resolution to condemn Russia over its invasion of Ukraine, and 4 countries voted against the same, 35 abstained from voting which included India as well as Pakistan and China. India has maintained a non-aligned stand in this conflict and there are several reasons for the same.

India's relations with Ukraine

Diplomatic ties between India and Ukraine were established in January 1992. India had recognised Ukraine in December 1991 when Ukraine became an independent country after the dissolution of the Soviet Union. Trade relations between India and Ukraine have increased significantly in recent years and touched almost USD 2.8 billion in FY 2019. Meanwhile, India is also Ukraine's fifth-largest export destination, and largest in the Asia-Pacific region. About 18,000 Indian students study in Ukraine, mostly in the field of medicine and a few businesspersons in the fields of pharmaceuticals, technology, medicine, engineering, education, etc. In 2005, APJ Abdul Kalam (then President) and ISRO officials also visited Yuzhnoye, a Ukrainian space agency to bolster ties in the space sector. On the political front, the following were some of the key noticeable conflicts between India and Ukraine –

1. In 1998, when India conducted nuclear tests, Ukraine supported the United Nations Security Council (UNSC) resolution which condemned India's actions.
2. When Russia annexed the Crimea region of Ukraine in 2014, India said that Russia had legitimate interests in Crimea and also opposed sanctions against Russia. Further, in November 2020, India voted against the United Nations resolution that condemned Russia for human rights violations in Crimea.
3. Ukraine is also a key partner in China's Belt and Road Initiative (BRI) its largest trading partner, as trade with China equals 11% of Ukraine's GDP (FY 2020).
4. Ukraine also supplies jet engines to China for its military aircraft and strong military ties with Pakistan and China. Ukraine has supplied tanks and aircraft to Pakistan and is also aiding their servicing and modernising efforts. Recently, Ukraine signed a contract worth USD 85.6 million to repair battle tanks of the Pakistan army.
5. Ukraine has also expressed support for United Nations' intervention in Kashmir, supporting Pakistan, while India has called it a bilateral issue and seeks no third party interventions.

Thus, India's relations with Ukraine have been generally cordial, however, Ukraine's close ties with China and Pakistan, and India's close ties with Russia has led to indirect conflicts in the past.

India's relations with Russia

As compared to Ukraine, Russia is a tried and tested strategic partner of India and the relations age way back to the Soviet Union era. Russia has leased India's nuclear submarine, has sold aircraft carriers, and also advanced surface-to-air missile systems. Russia and the erstwhile Soviet Union, has consistently vetoed United Nations' resolutions against India on Kashmir. While India was officially a non-aligned nation during the Cold War, the Soviet Union supported India in the 1971 war against Pakistan that led to the creation of Bangladesh while the United States backed Pakistan. Russia continued to help India with its defence and nuclear capabilities when the United States poured billions into Pakistan during the cold war and the Afghanistan war. However, when it comes to military alliances, chances are bleak if Russia would ever support India, against China, as Russia-China relations have grown closer. However, the history of the United States stance on the Kashmir issue and its ties with Pakistan, forces India to remain aligned to Russia.

India's dependence on Russian arms

India's dependence on Russian arms is heavy and this is known to the world including the United States has considered imposing sanctions on India, several times for this reason. Over 65% of arms imported by India between 1950-2020 were from Russia. Since 2010, Russia has been the source of 62% of all Indian arms imports and on the contrary, India is also Russia's largest arms importer, accounting for 32% of all Russian arms exports. India's defence ties with Russia are strong and deals worth as much as USD 15 billion are in pipeline including contracts for S-400 missile systems. Indian army's battle tank is composed predominantly of Russian T-72M1 and T-90s.

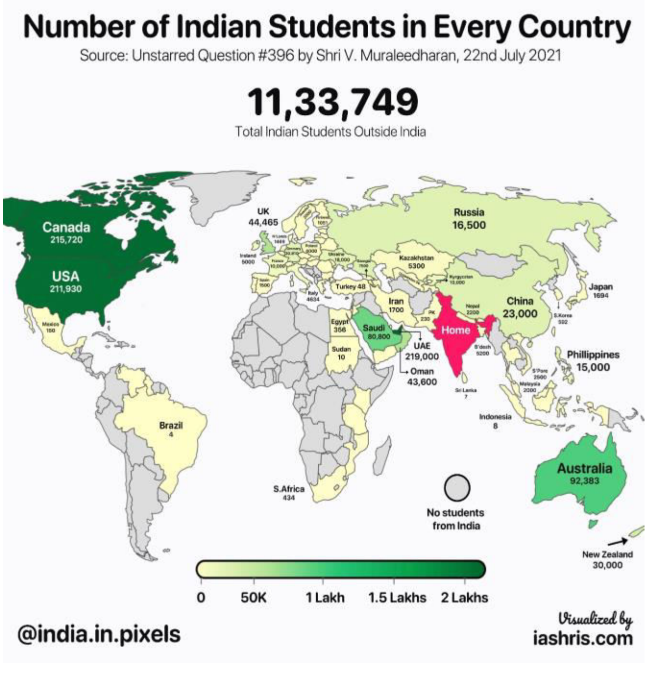
India is also manufacturing over 5 lakh AK-203 assault rifles in partnership with Russia. On the navy front, the Indian Navy's sole operational aircraft carrier INS Vikramaditya was a refurbished Soviet-era ship. India's sole nuclear-powered submarine is also obtained on lease from Russia, and also 8 of the total 14 other submarines are of Russian origin. India has also sealed USD 3 billion deal with Russia for another nuclear-powered submarine on lease for 10 years. On the airforce front, the Indian Airforce's 667-plane FGA fleet is 71% Russian-origin consisting of Su-30s, MiG-21s, MiG-29s. India has also signed a USD 800 million contract to make 18 Sukhoi fighter air jets. In the latest budget, the government has announced that 68% of the defence procurement budget would be from domestic manufacturers, to reduce dependence on imports. However, defence manufacturing is strategic and takes time to establish and develop.

Alternate modes of payments to Russia

India-Russia trade is approximately USD 10 billion or 1.3% of India's total trade. Although the trade is not significant, the Indian Government has huge defence trade deals with Russia. With the United States and European Union announcing wide-scale sanctions, the Indian government is examining all possible payment mechanisms to continue trade with Russia including settlement of payments through Iran. Foreign banks that don't operate in countries that have imposed sanctions or routing payments through small Russian banks unaffected by the sanctions are the options that India is exploring currently considering. The Indian Government is also considering repayment of Russian debt through a rupee auction held by the Russian central bank where the repayment is made via export of identified commodities and services. Currently, two Russian banks – Sberbank and Gazprombank are exempted from sanctions as they are the main channels for payment of oil imports from Russia.

Evacuation of Indians from Ukraine

Indian Government's primary focus in this crisis time has been the evacuation of its 18,000 Indian students stranded in the war zone. While the government has deployed Air India and Indigo flights, Indian airforce, union ministers, multiple embassies, etc the same was more reactionary to the rising criticism rather than a proactive plan. Yes, the Government issued various advisories to the students, however, these were mere notices and press releases. If the Union Ministers and Chief Ministers, can spare time to welcome the students at the airport, with bouquets and greetings, and warm inflight "welcome home" speeches, they could have done a lot more using the intelligence services and contacts in embassies, to save the trouble altogether. Blaming students for not taking the early flights when the prices were sky-rocketing, or for thinking about their classes, and permissions from university and their career, especially after the pandemic. The Government could have subsidised or regulated those flight prices (which it eventually offered for free) and issued clear strict orders of evacuation.



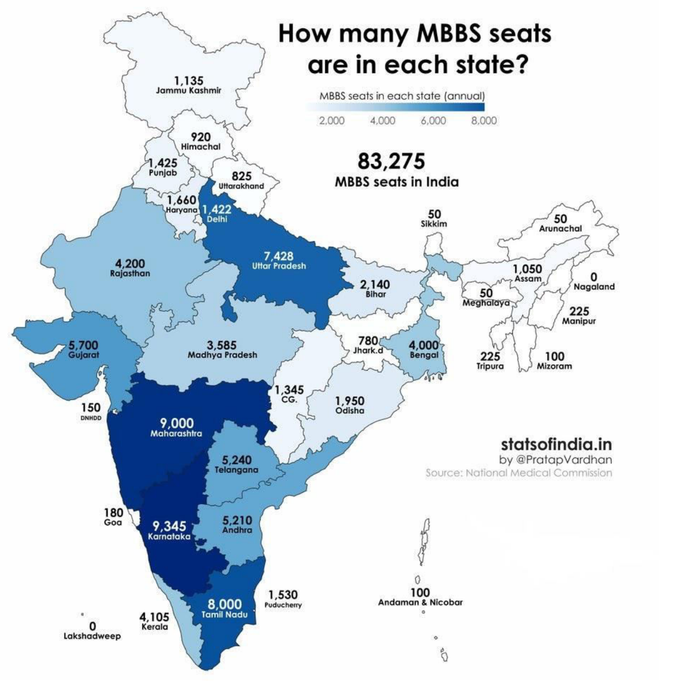
That being said, India is amongst the few nations that have historically carried out such evacuations successfully and it was no different this time, as well. Besides, nobody expected the situation to escalate so quickly. The fact that the government had to issue ultimatums to leave the cities of Kyiv and Kharkiv "immediately by any means possible" when Russia aggressively bombarded these cities, explains the challenges that the Government is facing.

However, it's a little absurd to expect 18-25-year-old students to understand the gravity of the situation when even the well-equipped Government could not predict the unfolding of events. At the end of the day, everything will be forgotten and buried once the government completes the evacuations and news cycle changes. However, the racism at the border, the visuals of bombs and tanks, and the feared the uncertainty of life that the students and their parents faced would remain with them forever – something that only they can relate to.

Why do so many Indian students study in Ukraine?

The whole evacuation process led to the questioning 'why do so many Indian students study in Ukraine?' There are diverging stories here. According to some Government officials, 90% of Indian students don't qualify in Indian examinations and hence study abroad. However, the statistics depict a completely different picture. India has only 83,275 seats for MBBS students whereas the number of applicants is 15.9 lakhs, thus, statistically, only 5 seats are available for every 100 applicants. Then, there are reservations based on religion and economic status, and the high cost of education in the top universities even when the facilities provided are not adequate. The aspirants have no choice but to opt for Ukraine where firstly there are no entrance exams as a large number of seats are available and then the cost of education compared to the quality of education is also lower.

While the Government has managed to rescue the students from the war zone, there are more challenges that the students have to face. Firstly, Ukraine won't be able to restart its educational universities for a long time, owing to the massive destruction. Next, it's doubtful that the education fees would be recoverable. It's scarier if the students had taken an education loan to pay the fees. There's absolutely no remote possibility that Indian Universities can absorb these students as already there's a war out there for seats (figuratively). Thus, these students might be forced to lose an educational year, if no other option is available, at their behest.



The number of students studying in Ukraine is merely a small percentage of the total students studying abroad. There are about 11,33,749 students who are studying in foreign countries with the majority of them studying in the United States, Canada Australia and Saudi Arabia, while 18,000 students in Ukraine, as per official Government data (July 2021).

Information warfare

From comedy to heroism

When Ukrainian President Volodymyr Zelenskiy was elected in 2019, critics expressed doubts about his ability to lead the nation, as he had no major political experience. In fact, when the war began, analysts globally believed that Ukraine would surrender immediately as Zelenskiy, a former comedian with no experience of handling a war would give up easily. However, Zelenskiy is being hailed as a hero across the world, and somehow his entertainment background is the reason for the same. He started his career in 1995 as an improviser and co-founded the television production company. His role in the Kvartal95-produced show, Servant of the People, was the turning point of his life where he played a history teacher who accidentally becomes the President of his country when a video of him criticizing the government goes viral. His experience in the entertainment industry is helping Ukraine in winning the modern 'Information warfare' that is dependent on optics and international rapport, rather than weapons and monetary tactics.

Tax exemption on capturing Russian tanks

Yes, amid the raging war, the Ukrainian Government announced that citizens will not have to declare captured Russian tanks or any equipment they pick up, as personal income while filing income tax returns. They are free to keep it as per the Ukrainian National Agency on Corruption Prevention (NACP). According to the Government, the seizure of tanks or equipment would be considered a manifestation of the unity and cohesion of the Ukrainian people against invaders, and not taxable income. This announcement came in the backdrop of the Ukraine Government seeking support from the citizens to defend their motherland from evasion. While citizens have been handed guns and other weapons, this is more a game of optics rather than actual military strategy, as the citizens are not be expected to fight with the military side by side, but surely, the move has invoked patriotism amongst citizens and a sense of togetherness amidst war, boosting the morale of the military as well as demoralising the opponents.

A war that Russians can't see

Most Russian citizens aren't even aware that Russia is waging a war, instead, they believe that Russia has launched a 'Special Military Operation' for 'demilitarization and denazification' of Ukraine. This is because the government has barred news channels from using words like war, aggression, and invasion. There is no ongoing live coverage and no mention of attacks on the civilians. However, those closely connected with the internet are discovering details through social media and have also expressed their rage through protests and other means. While people across the globe have displayed solidarity for Ukraine in different ways, some Russian citizens as well have arranged protests in their country. In fact, police arrested 1,702 Russian citizens in 53 Russian cities within the first two days of the war.

Russians – Facing a war they didn't ask for

The war is as much of a shock for Russians, as it has been for the rest of the world. It's a war that they didn't ask for and probably never wished for, however, will have to face all its consequences. Many Russians have decided to flee their country to escape the devastating consequences of the evasion. Google Analytics revealed that searches for the word emigration surged in Russia, in the first week of the war. Russians are facing travel bans to several countries. Prices for other locations have also spiked dramatically as a one-way flight to Yerevan, Istanbul and Belgrade costing over USD 4,006 as compared with USD 334 in ordinary times. Besides, those leaving the country are also being subjected to hours of questioning, luggage being searched and private chats being examined to determine their stance on the war. As per the latest rules applicable following the war, Russians are not allowed to leave the country with more than USD 10,000 in foreign currency.

The new economic order

Ukraine, Europe and Russia

Russia's invasion of Ukraine has led to a crisis that will have far fetched impact and believe it or not, the impact would be felt more in Russia than in Ukraine. Though Ukraine will not become a NATO or EU member, it will receive the aid and support that it needs to stand up once again, against Russia. This is because the best way to avoid a war with neighbours is to build a wall that separates them. Ukraine is a wall between Russia and Europe and to protect their interests, European Union would do everything that it can, without directly engaging in war with Russia. While a direct engagement will lead to a catastrophic world war with no end, Europe's dependence on Russia for fuel and energy is another major reason. Sanctions levied by European Union cannot last in the long term as it is heavily dependent on Russia. However, this war has made Europe realise that they need to boost their defences to fight Russia and become economically independent before they test their defences.

Meanwhile, Russia would be partially depleted by the end of this war – militarily as well as economically, as a result of its own doing. While the military and political damage are repairable, Russia was never economically powerful and is taking another harsh blow with this war. Yes, the dominance that Russia is establishing in the 'Black Sea' region would be helpful both strategically and economically, however, it will take a long time to reap its benefits.

The United States and China

"Energy can neither be created nor destroyed. It merely transfers from one form to another." Money is no different from energy. It only changes form and exchanges hands. Russia is spending its defence and military to destroy Ukraine, and while doing so, the money that is invested in the same is now changing its form and exchanging hands. Who will earn from the destruction? The United States and China. War brings more business for the United States and leads the world in the military while for China it brings the global economy at its doorsteps. It is well-known that the United States is the largest exporter of weapons and its industry benefits the most from wars in Afghanistan, India and Pakistan, Russia-Ukraine, etc. While it may not be supplying the weapons directly, the fear that this war has installed will result in increased defence spending across the world – Germany has already announced, most others would join soon enough. However, Russia and the world are realising more than ever the need to move away from US dollars, and make their financial system less dependent, if not independent of the United States. As long as US dollars maintain their supremacy, the United States will remain the undisputed global superpower. China can challenge the United States, as it has already built its economy that sustains without the United States, in fact, it is increasingly making the world dependent on it. In these desperate times, China is the only option available to Russia to bring its economy back up and running, and thus, China is set to become the global mediator for trade, especially for Russia, aligning with its long-standing strategy of maintaining economic supremacy rather than political.

India and other developing nations

When a new economic order is being established, it is a chance for those who are deprived of it, to grab the opportunity and make the most of it. With Russia out of the equation, the oil-producing countries in the middle east would enjoy more power than before, until the sanctions are in place. The global disruption of supply chain and economic activities provides the opportunity for India and other developing nations to rise to the occasion and make the most of it. When the United States placed various restrictions on imports from China, many Indian industries benefitted from the same, as it received the opportunity to export goods that previously Chinese companies dominated. India needs to become the global manufacturing hub, and with its relatively young population, it seems possible, if the Government policy-making remains in the right direction. India is walking on a thin wall between the United States and Russia, and so far, has balanced them benefitting from both worlds.

The bottom line

The civil wars in Yemen, Syria and Libya, war initiated by the United States in Iraq and Afghanistan, the conflicts in Somalia, the Democratic Republic of Congo, and now eastern Ukraine – there's one common feature of every major conflict of the twenty-first century – they are all proxy wars. The United States and Europe on one side, Russia and China on the other side, have already destroyed Korea, Vietnam, Afghanistan, Syria, and now Ukraine, in their proxy wars. It's time that the world understands, that it is in their best interest, to stay diplomatic and solve issues bilaterally, rather than involving the superpowers and being destroyed in their proxy wars. The new proxy war in Ukraine is establishing a new economic order and as you keep tabs, don't forget to re-evaluate your opportunities, in the new world.

Signal :
Positive
Negative
Mixed

Government policies

Reducing curbs on travel The Ministry of Health and Family Welfare (MoHFW) has issued revised guidelines for international arrivals with effect from February 14. The mandatory 7 day home quarantine has been done away with along with the need to undertake an RT-PCR test on the 8th day. Passengers travelling to India will now have the option to upload a certificate of COVID Vaccination apart from uploading a negative RT-PCR report, taken 72 hours before the journey. The demarcation of countries 'at-risk' and other countries has also been removed. It is also expected that regular international flights will resume from March 15 following the standard operating procedures, given the consistent decline in Covid cases. The ban on scheduled international passenger flights in India is in effect till February 28, as suspended since March 23, 2020, due to the pandemic. Since then, special passenger flights have been functioning between India and around 40 countries under air bubble arrangements.

Ayushman Bharat Digital Mission to be rolled out nationwide The Ayushman Bharat Digital Mission (ABDM) which received a budget of INR 1,600 crore across five years has received consent from Union Cabinet for a nationwide rollout. The National Health Authority (NHA) will be implementing this central sector scheme which will enable citizens to create Ayushman Bharat Health Account numbers, to which their digital health records can be linked. Based on Jan Dhan, Aadhaar and Mobile (JAM) trinity and other digital initiatives of the government, Ayushman Bharat Digital Mission (ABDM) aims to create a seamless online platform through a wide range of data, information and infrastructure. The mission was launched on a pilot basis in six union territories and 17 crore accounts were created with 10,114 doctors and 17,319 health facilities. The Government believes that ABDM will facilitate evidence-based decision making for effective public health interventions and also catalyse innovation and generate employment in the healthcare ecosystem.

Indian entrepreneurs can be jailed for 26,000 reasons Observer Research Foundation, Delhi based global think tank, has disclosed in its report 'Jailed for Doing Business' that there are over 26,000 ways in which an Indian entrepreneur can land in jail for non-compliance with laws in India. India has 1,536 laws that govern doing business in India and more than 50% of them carry imprisonment clauses. In terms of compliances, there are 69,233 unique rules that businesses have to follow, of which 26,134 have imprisonment clauses. More than half of these clauses carry an imprisonment sentence of at least one year. Most imprisonment clauses are found in labour laws. The states leading the chart are – Gujarat (1,469), Punjab (1,273), Maharashtra (1,210), Karnataka (1,175), and Tamil Nadu (1,043). "Not only the compliances are large in number, but they also change frequently, adding uncertainty to business" according to the report as there were 3,577 regulatory changes in the first nine months of FY 2022. Further, there are 6,618 annual filings – 2,282 at the Union level and 4,336 at the state level, of which delayed or incorrect filing in some cases, is an offence at par with 'Sedition' under the Indian Penal Code (IPC).

Paddy procurement on MSP As per the latest statement by the Ministry of Food Processing Industries, Government has procured INR 695.67 lakh tonnes of paddy in the 2021-22 marketing year at a minimum support price (MSP) from over 94 lakh farmers across the country with maximum 186.85 lakh tonnes of paddy procured from Punjab, followed by 92.01 lakh tonnes from Chhattisgarh, 70.22 lakh tonnes from Telangana, 55.30 lakh tonnes from Haryana and 64 lakh tonnes from Uttar Pradesh. The paddy marketing year begins in October and ends in September next year. The central government usually undertakes procures at MSP through the Food Corporation of India (FCI).

Draft data policy released The Government has published draft data policy 'Draft India Data Accessibility & Use Policy 2022' that allows all data collected, generated, and stored by all ministries and departments to be open and shareable with certain exceptions. The policy prescribes a regulatory authority called the Indian Data Council (IDC) and the agency India Data Office (IDO) to oversee the framing of metadata standards and enforcement, respectively. The IDC will comprise the IDO and data officers of five government departments. The IDO will be constituted by the Ministry of Electronics and Information Technology (MeitY) to streamline and consolidate data access and sharing. According to the draft policy, start-ups, enterprises, individuals and researchers will be able to access enriched data through licensing, sharing, and valuation within the frameworks of data security and privacy. The core objective of the policy seems to be revenue generation.

Projects approved under PMAY (Urban) The Central Government at the 58th meeting of Central Sanctioning and Monitoring Committee (CSMC) under Pradhan Mantri Awas Yojana (Urban) on February 15, has approved project proposals for more than 60,000 houses in Andhra Pradesh, Chhattisgarh, Himachal Pradesh, Karnataka and Rajasthan, taking the total number of houses sanctioned under the PMAY scheme to 114.04 lakh, of which around 93.25 lakh have been grounded for construction and around 54.78 lakh have been completed and delivered to the beneficiaries. The total investment under the scheme is INR 7.52 lakh crore, with central assistance of INR 1.87 lakh crore.

Vaccination for age group 12-18 The Expert Panel of India's Central Drug Authority 'The Drugs Controller General Of India' (DCGI) has recommended granting restricted emergency use authorisation to Corbevax, Biological E's vaccine for age group 12 to 18 years. However, the government is undecided on vaccinating those aged below 15 years. DCGI has already approved Corbevax, India's first indigenously developed RBD protein sub-unit vaccine for restricted use in an emergency for adults, on December 28. However, the vaccine has not been included in the country's vaccination drive.

No Relaxation in Rules for Tesla Union Minister Krishan Pal Gurjar, in a reply to Query raised in Lok Sabha, has said that Tesla will not get any relaxation in rules if the EV maker does not participate in manufacturing activities in India. According to the minister, the Government won't allow a situation where the 'market is India but jobs are created in China. Further, Tesla has not yet applied for production-linked incentives for both automobiles and their makers, domestic as well as foreign entities. Meanwhile, Elon Musk sought a reduction in import duties on EVs for Tesla, in India, to import cars and parts to India, instead of manufacturing them.

Delhi Government pushes EVs The Delhi government has started scrapping its old petrol and diesel vehicles to procure Electric Vehicles (EVs) in a bid to reduce air pollution in Delhi. The General Administration Department (GAD) has procured 12 electric vehicles to be used by ministers and top officers of the Delhi government. The Government has also started the process to identify and send such vehicles that have completed their lifespan for scrapping. The Delhi Government had ordered its departments and autonomous bodies, last year, to hire or purchase only EVs for their fleets. Delhi has already banned the use of diesel and petrol vehicles older than 10 years and 15 years respectively.

Biggest Gobar-Dhan Plant in Indore The Government has launched the Gobar-Dhan Bio-CNG plant in Indore constructed under the principles of 'waste to wealth' and 'circular economy', in line with the Government's Swachh Bharat Mission Urban 2.0. The Gobar-Dhan plant can treat 550 tonnes of segregated wet organic waste per day and is expected to produce around 17,000 kg CNG and 100 tonnes of organic compost every day. The plant is also expected to yield environmental benefits such as a reduction in greenhouse gas emissions and green energy along with organic compost as fertiliser. The project has been implemented by Indore Clean Energy Private Limited, a Special Purpose Vehicle set up by Indore Municipal Corporation (IMC) and Indo Enviro Integrated Solutions Limited (IEISL). The municipal corporation will purchase a minimum of 50% of the CNG produced and run 400 city buses on the CNG.

Aid to Afghanistan through Pakistan Indian Government has dispatched the first consignment of 2,000 metric tons of wheat to Afghanistan, by road from the Wagah border, and through Pakistan. Afghanistan is set to receive a total of 50, 000 metric tonnes of foodgrains as humanitarian aid from India. India had signed an agreement on February 12, with the United Nation's World Food Programme (WFP) to distribute wheat in Afghanistan. Afghanistan is facing a humanitarian crisis after the Taliban came to power in August 2021.

Seventy km/day highway construction The Finance Minister has announced that 25,000 km of national highways would be constructed in the current fiscal year. The target can be achieved only if an average of 70 km of highway is constructed each day in FY 2023. Though the construction of roads and highways has gathered pace over the past few years, the target is unrealistic according to various infrastructure experts. The target for constructing 14,000 km has been reduced to 12,000 km in the current fiscal year. According to the data of 'Ministry of Road Transport and Highways', only 5,118 km highway was constructed during the first eight months of the current fiscal year, which translates to a mere 21 km per day.

Goods and services tax

Applicability of e-invoicing for FY 2023 The Central Board of Indirect Taxes and Customs (CBIC) has issued a notification to provide that e-invoicing under GST laws will be compulsory for all businesses having turnover higher than INR 20 crore, instead of the INR 50 crore threshold applicable till date. The new rule shall be effective from April 1 for FY 2023 onwards. Thus, more taxpayers will have to generate invoices on their systems or software and report them immediately online on the invoice registration portal. Please note, if a taxpayer exceeds the aforementioned threshold in any of the financial years beginning from FY 2018, the e-invoicing shall be applicable. Non-issuance of e-invoice is an offence under GST and attracts a penalty of higher amongst the tax amount or INR 10,000 in case of non-issuance of e-invoice and INR 25,000 for incorrect invoicing.

ATF under GST and inverted duty structure in textiles Finance Minister Nirmala Sitharaman has said that the GST council will consider bringing Aviation Turbine Fuel (ATF) under GST laws and also resolve the pending GST rate hike on textiles and footwear to solve the inverted duty structure issue. Meanwhile, the Government is also considering GST on cryptocurrency mining and a decision can be expected on the same in the next GST council meeting.

Upcoming enhancements in GSTR-1 The Goods and Services Tax Network has announced upcoming changes to the GST portal for GSTR-1 return filing. GSTN is working on the removal of the 'Submit' button before filing to reduce the current two-step filing involving 'Submit' and 'File' buttons, with a simpler single-step filing process with the 'File Statement' button. The GSTR-1 shall also display a table-wise consolidated summary before filing GSTR-1 which will have a detailed and table-wise summary of the records added by the taxpayers, to provide an overview of the records added. The consolidated summary will also provide a recipient-wise summary, containing the total value & the total tax involved for each recipient.

GST Refund Helpdesk The office of Principal Chief Controller of Accounts (Pr. CCA) in Central Board of Indirect Taxes and Customs (CBIC) has set up a new 'GST Refund Helpdesk' for addressing taxpayers' payment-related problems faced by the taxpayers. The toll-free helpline number is 1800-11-1424 and the email id is gstrefunds-helpdesk@gov.in.

(For queries or more information relating to GST, contact our colleague Ashish Gandhi at ashish.gandhi@greenvissage.com)

Income tax

Withholding tax on Dividend to Foreign Companies The Central Board of Direct Taxes (CBDT) has clarified that Indian subsidiaries of companies located in France, Switzerland and Netherlands are not eligible for a low tax rate of 5% on dividends, as the tax treaties entered into by India with Columbia and Slovenia is based on the most favoured nation clause. Withholding tax on such dividends shall continue at 15%.

Freebies to doctors disallowed as tax expense The Supreme Court has held that pharmaceutical companies who often gift freebies to doctors, cannot claim such expenses as tax-deductible, as the same is prohibited by law and therefore disallowed under section 37(1) of the Income Tax Act. According to the court, the freebies are technically not 'free' as the cost of supplying such freebies is usually factored into the end product of the company. As per the Indian Medical Council (Professional Conduct, Etiquette and Ethics) Regulations, 2002, accepting freebies given by pharmaceutical companies by medical practitioners is a punishable offence. Meanwhile, as per explanation 1 to section 37, any expenditure incurred by an assessee for any purpose which is an offence prohibited by law, shall be deemed to have not incurred for the business and thereby, no deduction can be made.

Depreciation on spectrum fees as intangible asset Income Tax Appellate Tribunal (ITAT), Mumbai bench, has allowed Vodafone Idea to claim depreciation on the spectrum fee the company paid in FY 2015 where income tax department had claimed INR 408 crore in taxes. Vodafone Idea had claimed depreciation expense INR 1,682 crore as Intangible assets at 25% on the spectrum fee.

Updated return is not an amnesty scheme Revenue Secretary Tarun Bajaj has clarified that the updated return option announced in the budget is not an amnesty scheme. The taxpayers are required to pay a total of 50-75% tax on the additional income disclosed in such returns. Interestingly, the finance minister conveniently failed to mention the same in the Budget speech. In another update, CBDT Chairman, J B Mohapatra has clarified that Updated Return can only be filed once for an assessment year.

Income tax refund statistics Income tax department has revealed that it has issued tax refunds close to INR 1.83 lakh crore to more than 2.07 crore taxpayers in the current financial year which includes 1.67 crore tax refunds for FY 2021 amounting to INR 33,818 crore.

(For queries and more information relating to Income Tax, contact our colleague Sneha Halder at sneha.halder@greenvissage.com)

Customs and foreign trade

India UAE trade agreement India and the UAE have entered into the 'Comprehensive Economic Partnership Agreement' (CEPA) to increase bilateral merchandise trade to USD 100 billion by 2030. Under the agreement, the UAE will eliminate duties on 80% of its tariff lines which account for 90% of India's exports to the UAE by value, particularly important for exports in textiles and garments. Key domestic sectors such as gems and jewellery, textiles, leather, footwear, sports goods, engineering goods, automobiles and pharmaceuticals are set to benefit from this agreement. Meanwhile, products such as dairy, fruits, vegetables, cereals, tea, coffee, sugar, food preparations, tobacco, toys, plastic, aluminium scrap, and copper are excluded from the agreement, as 'sensitive products.' The agreement is the first in the series of Free Trade Agreements (FTA) that India is pursuing to boost exports to 1 trillion dollars in merchandise and services each, by 2030. This is also India's first major FTA since the one with Japan in 2011. India is also pursuing FTAs with the Gulf Cooperation Council (GCC) group of countries (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE).

DGFT helpdesk for Russia Ukraine crisis The Department of Commerce and the Directorate General of Foreign Trade (DGFT), have issued a circular stating that a special helpdesk has been established to resolve issues related to International Trade affected by the Russia/Ukraine crisis. Importers and exporters may navigate to the DGFT website https://dgft.gov.in and raise a new request under the category 'Russia-Ukraine' or email to dgftedi@nic.in with the subject "Russia-Ukraine Trade Helpdesk". They can call on toll-free number 1800111550.

Mandatory online registration The Ministry of Trade and Commerce has made it mandatory for exporters to file registration applications through a common digital portal only. Exporters need Registration-cum-Membership Certificate (RCMC) to avail benefits under the foreign trade policy, relating to customs and excise. According to the ministry, the objective of the platform is to provide an electronic, contact-less single window for registration-related processes. Regional authorities have been requested to be on the eRCMC portal before March 31.

(For queries and more information relating to Foreign Trade, contact our colleague Adnan Ginwala at adnan.ginwala@greenvissage.com)

Corporate laws

Startups to declare the basis of pricing in IPO The Securities and Exchange Board of India (SEBI) has mentioned in its discussion papers to seek more justification and transparency from new-age technology companies while pricing their share in initial public offerings (IPOs). Companies will now be expected to provide a detailed explanation of how they priced their issue, compare it to pre-IPO share sales, and also disclose all the presentations made to pre-IPO investors if the aforesaid proposal is accepted. The move comes following the meltdown of New-age technology stocks which plunged 50% from their highs in the recent period. Metrics such as price to earnings multiples, earnings per share, and return ratios used for pricing traditional companies do not apply to new-age companies which are loss-making entities.

Splitting key managerial positions voluntary Securities and Exchange Board of India (SEBI) has announced that the requirement to split Chairperson, Managing Director (MD) and Chief Executive Officer (CEO) positions at listed companies will not be mandatory and can be implemented voluntarily. Earlier the regulator had requested companies to follow the norms mandatorily from April 2022 onwards. The rationale for the separation of powers of chairperson and MD and CEO is to provide a balanced governance structure with effective and objective supervision of the management.

Disclosure of client margin by stockbrokers deferred The Securities and Exchange Board of India (SEBI) has updated its earlier circular to extend the due date to implement the new system for segregation and monitoring of collateral at the client level. The new compliance framework was supposed to come in force from December 1, however, it was postponed due to the Karvy Stockbroking fiasco where clients' shares had been pledged illegally as collateral against the loan. The new date for implementation has now been fixed as May 2, 2022. The stockbrokers have to report disaggregated information on collaterals up to the level of its clients to the clearing brokers who in turn, would report the same to the stock exchanges and clearing corporations, on daily basis.

SEBI's first female chairperson The Government has appointed Madhabi Puri Buch as the new chairperson of the Securities and Exchange Board of India (SEBI), the first woman to be appointed at that position. She was the former head of ICICI Securities and has already served SEBI from 2017 to 2021 as a whole-time member. She will be replacing Ajay Tyagi whose term ended on February 28. Ajay Tyagi was an IAS officer of Himachal Pradesh and was appointed in 2017 for three years which was later extended by six months and later again by eighteen months.

(For queries and more information on Corporate Laws, contact our colleague Adnan Ginwala at adnan.ginwala@greenvissage.com)

Banking and finance

CFSS implementation by NBFCs The Reserve Bank of India (RBI) through a circular, has asked a certain class of

Non-Banking Financial Companies (NBFC) to mandatorily implement 'Core Financial Services Solution (CFSS)' by September 30, 2025, to provide seamless customer interface with a centralised database. Middle layer and upper layer NBFCs with 10 and more 'fixed point service delivery units' as of October 1, 2022, will have to mandatorily implement CFSS. CFSS is similar to the Core Banking Solution (CBS) adopted by banks and provides a seamless customer interface in digital offerings and transactions, enables integration of NBFCs' functions, provides centralised database and accounting records, and also generates suitable MIS for internal and regulatory reporting. As per the timeline prescribed, upper layer NBFCs will have to ensure that the CFSS is implemented in 70% of its 'Fixed point service delivery units' on or before September 30, 2024.

Recommendations of Reserve Bank of India's Regulation Review Authority (RRA 2.0) The Reserve Bank of India's (RBI) Regulation Review Authority (RRA) 2.0 has recommended the withdrawal of 100 more circulars in its second tranche, after withdrawing 150 circulars in November 2021. The RRA has also recommended the elimination of paper-based returns identifying 65 regulatory returns which can be discontinued or merged with others or converted online. The RRA has also recommended creating a web page 'Regulatory Reporting' to consolidate regulatory reporting and return submission at a single source. RRA 2.0 was set up in April 2021 to review regulatory instructions and remove redundant or duplicate circulars, to reduce the compliance burden of regulated entities.

Implementation of new NPA norms by NBFCs deferred
The Reserve Bank of India (RBI) has extended the timeline for Non-Banking Financial Companies (NBFCs) to adhere to the new NPA recognition norms by six months, from March 31 to September 30. The NBFCs have been ordered to upgrade Non Performing assets (NPAs) only after all arrears and principal dues are paid, as per the revised norms. NBFCs now have time till September 30, to place necessary systems to implement the new norms.

(For queries and more information on banking and finance, contact our colleague Kethaan Parakh at ksparakh@greenvissage.com)

Accounting and auditing

In Focus: ICDS

Query – ICDS 1 states that the standard is applicable for computation of income under the head 'Profits and gains of business or profession' or 'Income from other sources and not for maintaining books of accounts. However, Paragraph 1 also states that it deals with significant accounting policies which are applied only when maintaining accounts and preparing financial statements. What is the interplay between ICDS 1 and books of accounts?

Guidance – Income Computation and Disclosure Standards (ICDS) do not provide standards for maintaining books of accounts or preparing financial statements. Taxpayers are required to maintain books of accounts and prepare financials as per accounting policies that apply to their enterprise which may be specified under various regulations such as Companies Act, LLP Act, Guidelines of professional bodies, Accounting Standards of ICAI, etc. The accounting policies mentioned in ICDS are expected to be applied only when computing income for tax purposes, as income tax laws do not provide standards for maintaining books, rather express rules concerning how income must be computed. If a taxpayer is required to statutorily maintain books of account, they must maintain their annual books in such manner as may be specified under that statute, however, before filing income tax returns, they must consider the impact of ICDS guidelines and accordingly recalculate their revenue, expenses and profit. However, if such recalculation requires additional information the taxpayers have to maintain such information throughout the year to ensure accurate calculation of their taxes. Thus, a taxpayer doesn't have to maintain two books of account but instead has to ensure that the necessary information to calculate the taxes at the end of the year, following ICDS is available in accounting records.

Query – Many provisions of ICDS are inconsistent with the judicial pronouncements of courts. In such a situation, whether the judicial pronouncements would prevail over ICDS or otherwise?

Guidance – The income computation and disclosure standards have been notified after deliberation of judicial views and accordingly finalised, to ensure uniformity in the calculation of taxable income and the methods used for the same. Various judicial pronouncements have been ruled when the authoritative guidance on those issues was absent and hence, the certainty was missing. However, ICDS tries to plug those gaps and therefore, overrides the judicial pronouncements ruled before its introduction.

Query – Does ICDS apply to taxpayers who do not maintain books of account and disclose their income under the presumptive taxation scheme under section 44AD, 44AE, 44ADA, 44B, 44BB, 44BBA?

Guidance – ICDS applies to persons having income chargeable under the head 'Profits and gains of business or profession' or 'Income from other sources. Therefore, the provisions of ICDS also apply to persons adopting a presumptive taxation scheme. However, since the presumptive taxation schemes are based on turnovers of the assessee on most occasions, such turnover alone would be required to be considered after applying the standards. For example, for computing presumptive income under section 44AD, the provisions of ICDS on Revenue recognition shall apply for determining the receipts or turnover.

Query – In case of conflict between ICDS and other provisions of income tax rules what shall prevail?

Guidance – ICDS provides general principles for computation of income and therefore, in case of conflict between the income tax rules and the standards, the income tax rules would prevail in all circumstances as they deal with specific situations.

Query – Should ICDS be considered while computing Minimum Alternate Tax (MAT) under section 115JB or Alternate Minimum Tax (AMT) under section 115JC?

Guidance – Minimum Alternate Tax (MAT) under section 115JB considers 'book profits' as the net profit subject to certain specific adjustments. Since MAT considers profits as per books, ICDS does not apply to the same. Meanwhile, Alternate Minimum Tax (AMT) under section 115JC considers Adjusted Total Income which is derived by making specific adjustments to the total income computed as per the income tax provisions. Since the income considered for MAT is already adjusted according to the ICDS provisions, the ICDS provisions are not required to be applied again.

(For queries and more information relating to Accounting, contact our colleague Rahul Mundada at rahul.mundada@greenvissage.com)

Payroll and personal savings

Provident Fund account to be split into two From April 1 onwards, all existing provident fund (PF) accounts are to be divided into two parts to allow the income tax department to tax provident fund income of employees contributing more than INR 2.5 lakh annually, as per the new income tax rules. The Government aims to prevent high earning people from taking advantage of government welfare schemes. Thereby, all existing provident fund accounts will be divided into taxable and non-taxable accounts. The non-taxable accounts will include their closing balance as of March 31, 2021. The taxation rules come into effect from April 1, 2022, under section 9D.

Haryana's 75% quota in private jobs for locals The Supreme Court has set aside the Punjab and Haryana High Court's order that stayed the state government's new legislation providing a 75% quota in private sector jobs for residents. The Supreme Court has sought sufficient reasons for staying the legislation from the High Court. Haryana Government has been directed not to take coercive action against employers while the matter is decided again by High Court within the time frame of the next four weeks. The Haryana State Employment of Local Candidates Act 2020 provides for 75% reservation for local people in private sector jobs having a monthly salary of less than INR 30,000.

Employer liable for delay in EPF contribution While hearing an appeal against the Karnataka High Court's judgement which held that the employer is liable to pay damages for failure to deposit Employers' Provident Fund (EPF) contribution, the supreme court has upheld the high court's judgement. According to the Supreme Court, the EPF Act casts an obligation on the employer to compulsorily deduct provident funds and deposit the same in workers' accounts with the EPF office. Therefore, any default or delay in the payment of EPF contribution is liable to imposition of damages under Section 14B. Employees Provident Fund & Miscellaneous Provisions Act provides for social security to the employees working in any establishment which has 20 or more employees.

(For queries and more information relating to Payroll, contact our colleague Kumari Snigdha at kumari.snigdha@greenvissage.com)

Markets and economies

Second highest Cryptocurrency users in India According to the latest report by ChainAnalysis, India had the second-highest number of cryptocurrency users in the world in 2021, with ease of investing in cryptocurrencies being the main reason. Investing in equities requires signing a lot of documents and takes three to four days while investing in cryptocurrencies takes less than an hour. Vietnam holds the top position while Pakistan comes in at number three. Emerging markets are opting for cryptocurrency to preserve their savings in the face of currency devaluation and it can also defeat inflation if held as a store of value.

New Advertisement Guidelines for Cryptocurrencies The Advertising Standards Council of India (ASCI) has issued new guidelines for advertisements related to cryptocurrencies and non-fungible tokens. As per the guidelines, the words currency, securities, custodian, and depositories cannot be used in crypto-related advertisements. The advertisements have to disclaim the virtual digital assets as 'can be highly risky.' The guidelines also put the responsibility on celebrities and personalities who feature in such advertisements as they must do their due diligence on the claims made in the advertisement. Further, minors cannot be shown in these advertisements and information related to past performance also cannot be provided. The advertisements cannot make claims of helping people in case of money problems by way of cryptocurrency and also avoid downplaying the risks associated with investing in cryptocurrencies. The advertisements are also required to publish the names of the advertisers and their contact details. While the guidelines are strict, they are not legally binding as they are merely guidelines and policymaking can be done only by Government. Crypto exchanges have been bombarding advertisements on prime slots, to encourage investors to invest in cryptocurrencies. The guidelines come into effect from April 1, 2022.

Green Energy Exports to cross USD 500 billion Mukesh Ambani, Chairman and Managing Director of Reliance Industries, while speaking at the Asia Economic Dialogue, has predicted that India's Green Energy Exports would cross USD 500 billion in the next two decades, following the growth trajectory of the country's technology and digital exports. India's technology and digital exports have risen to USD 150 billion from less than USD 10 billion in the past two decades. Reliance Industries has already announced its foray into green energy with an INR 75,000 crore investment in the next 3 years with plans to invest in solar power generation and manufacturing, hydrogen production, e-fuels, and energy storage with its newly formed company 'Reliance New Energy Solar Limited' (RNESL). The company has won its first solar manufacturing tender under the Production Linked Incentive (PLI) scheme of the Government. Currently, India is a net importer of solar cells and modules.

Latest GDP and Growth statistics As per the latest statistics released by National Statistical Office (NSO), the Indian economy grew by 5.4 per cent in the latest quarter October-December of 2021. The Gross Domestic Product (GDP) expanded by 0.7 per cent as compared to the same quarter of last year. The NSO has also projected 8.9 per cent growth in FY 2022. Earlier, it had projected 9.2 per cent growth for the current financial year against a contraction of 6.6 per cent in the previous financial year. Indian economy grew by 20.3 per cent in the first quarter of this fiscal due to the lower base effect while the same was 8.5 per cent in the second quarter. Manufacturing and construction sectors have not performed adequately while services segment is pushing the economy towards recovery.

Key Economic Indicators

Indicator	As on	Current	Prior
GDP Growth (%)	Dec-21	5.4	8.5
Inflation (%)	Jan-22	6.01	5.66
Unemployment (%)	Dec-21	8	7
Trade Balance ($m)	Jan-22	−21.19	−17.42
GOI Bond 10yr (%)	Feb-22	6.77	6.68
Manufacturing PMI	Feb-22	54.9	54.0
Services PMI	Feb-22	51.8	51.5

Global Indices

Equity Index	Country	%
NIFTY 50	India	−4.16
BSE SENSEX	India	−4.01
INDIA VIX	India	+52.01
NIFTY BANK	India	−9.39
DOW JONES	USA	−8.40
NASDAQ	USA	−3.88
S&P 500	USA	−3.19
FSTE 100	UK	−2.62
NIKKEI 225	Japan	−7.22
SHANGHAI COM	China	−4.17
MOEX	Russia	−34.77
CAC 40	France	−8.90
DAX	Germany	−10.22
ASX 200	Australia	−1.11
BOVESPA	Brazil	+0.29
KOSPI	South Korea	−10.16
HANG SENG	Hong Kong	−10.83

Commodities Future

Commodity	Expiry	Price	%
Gold	Apr 5	52,508	+9.51
Silver	May 5	69,428	+14,09
Crude Oil	Mar 21	8,471	+22,50
Natural Gas	Mar 28	348	−0.69
Aluminum	Mar 31	269	+9.27
Copper	Mar 31	803	+6.18
Cotton	Mar 31	37,360	−0.74

Currency Exchange Rates

Currency Pair	Current	Prior	%
INR/1 USD	75.49	74.95	−0.72
INR/1 GBP	100.92	100.51	−0.41
INR/1 EUR	84.26	83.59	−0.80
INR/100 YEN	65.34	64.95	−0.60

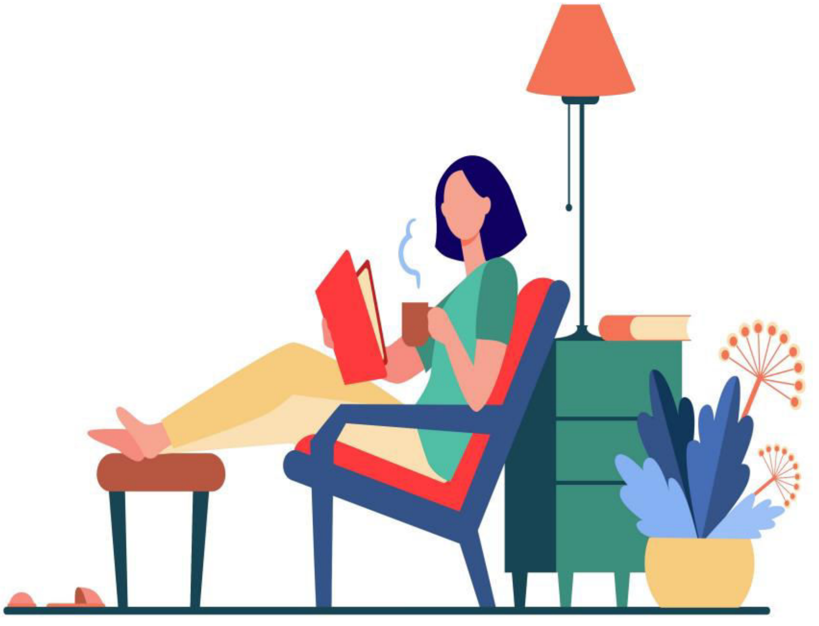
Cryptocurrencies

Currency	Pair	Price	%
Bitcoin	BTC/USD	41,230	+4.33
Ethereum	ETH/USD	2,719	−3.75
XRP	XRP/USD	0.75	+22.14
Btc Cash	BCH/USD	302	4.94

Small Savings Schemes

Scheme	Current	Prior	%
Savings	4.00	4.00	0.00
FD (5 years)	6.70	6.70	0.00
NSC	6.80	6.80	0.00
PPF	7.10	7.10	0.00
KVP	6.90	6.90	0.00
SSA	7.60	7.60	0.00

Signal :
Positive
Negative
Mixed



Indian Corporates

Reliance takes over 200 Future Group stores Reliance Industries, which is in the process of transferring 30,000 Future Retail and Future Lifestyle employees, has decided to take over 200 Future Group stores and has re-branded the same as Reliance stores. The move comes in the backdrop of landlords terminating the lease agreements with Future Group. The debt-ridden Future Group has over 1,700 stores across various brands including Big Bazaar, FBB, and Central. The Future Group is scaling down its operations to reduce losses in the coming months and also proposing to expand its online and home delivery business to increase its reach.

Reliance to enter Retail Lending segment Reliance has announced its plans to enter the retail lending sector to offer Jio and Reliance Retail's 400 million customers access to finance whenever they buy consumer durable products. The company would also offer these customers personal loans based on information about their past repayment trends. Reliance Retail Finance Limited, a 100% subsidiary of Reliance Industries became a Non-banking financial company (NBFC) in 2000 and has been offering Jio phones on equated monthly instalments (EMI) basis. Earlier in 2019, Reliance Jio also obtained an account aggregator (AA) licence which allowed it to collect and share financial information with third parties. The company has already added insurance and mutual fund products to its Jio platforms. Jio's strong brand recall and Reliance Retail's 14,412 stores provide a strong distribution channel for the financial products that the company wants to sell.

Ashok Leyland enters EV segment Ashok Leyland, the Hinduja Group's Chennai based company, has announced its plans to set up a new manufacturing facility in India to roll out electric vehicles. The firm has also earmarked INR 500 crore investment to develop powertrains on alternative fuels such as CNG, hydrogen and electric for its commercial vehicles. Earlier the company had announced a USD 200 million investment through its Switch Mobility, its United Kingdom-based company, for electric mobility.

Vedanta discovers oil in Barmer Vedanta Limited has announced that it has made an oil discovery in its exploratory well in Rajasthan's Barmer district and has notified the Directorate General of Hydrocarbons (DGH) and the Ministry of Petroleum and Natural Gas about the same. The block was awarded to the company under the Open Acreage Licensing Policy (OALP). This is the company's third hydrocarbon discovery under the OALP portfolio. OALP provides a single uniform licence to a company, for exploration and production of conventional as well as unconventional hydrocarbon resources.

Adani Power to receive Compensatory Tariff The Supreme Court of India has ordered Rajasthan-based in contempt of the court for not paying the dues despite their court order last year. The distribution companies had filed a review petition last year to review the order that directed them to pay a compensatory tariff to Adani Power, however, the same was dismissed by the court. The companies have to pay a total of INR 4,200 crores as a compensatory tariff to Adani Power for power supplied since 2013.

Bharat Forge to acquire JS Auto Bharat Forge, through its subsidiary BF Industrial Solutions has entered into an agreement to buy 100% of JS Auto which will include an upfront payment and a fixed deferred payment after three years. JS Auto, founded in 2004, is a supplier of machined ductile iron castings for the wind, hydraulic, off-highway, and automotive applications and currently has a capacity of 45,000 tons and operates at 50 – 55% of its capacity.

Infosys enters the Metaverse segment Infosys, India's second-largest software firm in terms of revenue, has announced that it is aggressively building several solutions around the Metaverse, the much-hyped next phase of the internet that would provide immersive and interconnected virtual experience. The company has launched a 'Metaverse Foundry' to explore the Metaverse and it would build virtual and augmented environments for its customers, workplaces, products, and operations. According to the company, the Metaverse can play a major role in education, pharma, and automotive. The company has already deployed solutions for Tennis Australia, French Tennis Federation (Roland-Garros), and Komatsu which involve virtual shopping and mixed reality experiences. Tata Consultancy Services, HCL Technologies, Wipro and Mphasis also have big plans in this segment.

Mankind to acquire brands from Dr Reddy's Mankind Pharma has announced that it will acquire two brands – Combihale and Daffy from Dr Reddy's Laboratories. Combihale which is used in the treatment of asthma and chronic obstructive pulmonary disease is valued at INR 900 crore and is growing at 14%. Meanwhile, Daffy, a soap-free moisturizing bar for infants, is valued at INR 1,000 crore and is growing at 18%. Mankind Pharma will take over the manufacturing, marketing, and distribution of both Daffy and Combihale in India by March 2022.

FIR filed against ABG Shipyard for financial fraud The Central Bureau of Investigation (CBI) has filed a Police First Information Report (FIR) against Gujarat-based ABG Shipyard Limited and its ex-chairman and managing director Rishi Agarwal and others. The company allegedly cheated 28 banks with INR 22,842 crore, with INR 7,089 crore owed to ICICI Bank, 3,639 crores to IDBI Bank, 2,925 crores to State Bank, 1,614 crores to Bank of Baroda, and 1,244 crores to Punjab National Bank, amongst others. The CBI conducted searches on 13 premises of the company in Surat, Bharuch, Mumbai, Pune, etc. and recovered incriminating documents. The State Bank of India (SBI) had filed a complaint against the company in November 2019, after the Forensic Audit report revealed that the company diverted and misappropriated funds between 2012 and 2017. The company's loans were declared as Non-Performing Assets (NPA) by banks in July 2016.

IndiGo cofounder resigns Rakesh Gangwal, the co-founder of Indigo Airlines, has resigned from the board and has also announced his plan to reduce his 36.61% stake in the company swiftly over the next five years. The co-founder was engaged in a spat in 2020 when Rakesh Gangwal sought to modify rules in the company's articles of association that prevented co-founders from buying publicly listed shares while Rahul Bhatia, the other co-founder with 37.8% stake in the company, didn't agree to the same. Rakesh Gangwal is an American and aviation industry veteran and has been in senior roles at United Airlines and U.S. Airways before Indigo Airlines.

Public sector undertakings

Radio on Indian Railways Indian Railways has decided to provide radio music and connectivity during the journey on Shatabdi and Vande Bharat Trains. Passengers travelling through cities of Delhi, Lucknow, Bhopal, Chandigarh, Amritsar, Ajmer, Dehradun, Kanpur, Varanasi, Katra and Kathgodam will be greeted by Shatabdi / Vande Bharat radio music and connectivity in transit. Northern Railway has awarded the contract to Ooka Radio, to provide full entertainment and information about cities they are travelling through radio service on Shatabdi and Vande Bharat Trains of Delhi Division. The main focus of the service is advertising through Radio in trains with the ratio of entertainment or railway information and commercial advertisement to be at 50:10 minutes per hour. The Railways expects to raise revenue of INR 43.20 lakh per annum through these commercials.

IOC raises 1,500 crores through bonds Indian Oil Corporation (IOC) has raised INR 1,500 crore through bonds issue at a coupon rate of 6.14% to refinance its existing borrowing. Interestingly, the company has managed to fetch interest rates lower than the yield on government bonds. The company has issued 15,000, 6.14% unsecured, listed, rated, taxable, redeemable, non-convertible debentures on a private placement basis, as per its filing with stock exchanges. The firm had received bids worth INR 5,403 crore in the range of 5 – 6.7%. The company has returned to the bond market after a gap of more than a year.

FDI in LIC under automatic route The Union Cabinet has approved Foreign Direct Investment (FDI) under the automatic route in the Life Insurance Corporation of India (LIC) up to 20 per cent, similar to the ceiling for public sector banks, to expedite the capital-raising process. The FDI reform has been brought in, to facilitate foreign investment in LIC for disinvestment purposes.

Startups

Metaversity raises funding from 70 investors Edtech startup Invact Metaversity, founded by former Twitter India head Manish Maheshwari and former Microsoft executive Tanay Pratap has raised funding from over 70 global entrepreneurs at a valuation of the company at USD 33 million with a dilution of less than 15% equity. Investors include Microsoft, Meta, Coinbase, Google, Twitter, Uber, Amazon, SoftBank, World Bank, Ford Foundation, Qatar Foundation, McKinsey, Spotify, GoJek, LinkedIn, Notion, Disney, and others. Kishore Biyani, TV Mohandas Pai (Manipal Global Education), Dr Ritesh Malik (Plaksha), and Kirthiga Reddy, former Facebook India Head, had also joined the funding round. In December 2021, Maheshwari announced that he is quitting Twitter to launch his ed-tech venture which runs a 3D immersive virtual learning platform and allows students to communicate with one another and their teachers via animated avatars regardless of their physical location.

Paytm ties up with Twitter Tips Paytm Payments Services Limited has tied up with Twitter to boost the social media platform's Twitter Tips feature that allows users to support creators or owners on Twitter. Twitter users can use Paytm UPI, Paytm Wallet, Paytm Postpaid, debit and credit cards, and net banking as well to send and receive tips on Twitter. Twitter does not take any commission from such transfers. Twitter has also allowed users in India to send Tips using Razorpay, Patreon, or Bitcoin and Ethereum wallets while globally, Twitter supports PayPal and Venmo.

Paytm partners with Government for e-RUPI Paytm Payments Bank has announced that it has become an official acquiring partner for the Government's e-RUPI vouchers initiative. Paytm's merchants will now be able to collect payments through e-RUPI and give them another method of digital payment collection, meanwhile increasing the digital footprint of the company. e-RUPI is an initiative of the Indian Government to provide a cashless prepaid voucher that beneficiaries can present through an SMS or QR code. Paytm merchant partners can scan, and enter the amount to be paid and receive the payment directly into their accounts. The Government launched the e-RUPI scheme in August 2021 to help people with no access to formal banking services or smartphones. The Reserve Bank of India (RBI) has also increased the cap on e-RUPI vouchers from INR 10,000 to INR 1 lakh per year. The beneficiaries can use the voucher multiple times until it is redeemed completely.

BharatPe in troubles with Ashneer Grover Controversy The Ashneer Grover controversy has posed a bigger challenge before the company BharatPe. In June 2021, the Reserve Bank of India (RBI) had granted a banking licence to the joint venture of BharatPe and Centrum Financial Services called Unity Bank to allow running a Small Finance Bank (SFB). In return, the RBI placed a condition to merge Unity Bank with Punjab and Maharashtra

Cooperative (PMC) Bank, to resolve all issues related to its collapse. The RBI regulations mandate that the owners of a bank have to be fit and proper which means they should not be under adverse notice of any regulatory or supervisory authority or law enforcement agency, and should not be a defaulter. Ashneer Grover has been accused of financial fraud on account of irregularities in recruitment and payment to non-existent vendors. If found guilty, the RBI can stop the merger of the Unity bank with PMC which will be significantly bad news for PMC depositors. However, it may be argued that the Centrum controls 51% of Unity SFB and Ashneer Grover isn't even a Director at the bank.

Zomato reveals third-quarter earnings While Zomato executives try to paint a positive image of the company's operations, many metrics reveal a different picture. While the company's revenue from operations rose by 9%, its adjusted revenue has remained flat. The company has announced that they have expanded their services to 180 new cities during the latest quarter, taking the total to 700 cities. However, Zomato has experienced slow growth in its customer acquisition while its monthly transaction users have dipped to 15.3 million from 15.5 million, quarter over quarter. Zomato's Gross Order Value stood at INR 5,500 crores compared to INR 5,410 crores quarter on quarter, while the average order value stood at around INR 400. Zomato has announced its plans to enter the quick commerce market and deliver goods in under 30 minutes. However, quick commerce usually increases costs and Zomato already has competition from Reliance through Dunzo.

Pine Labs raises USD 150 million Fintech company Pine Labs has raised USD 150 million from Alpha Wave Global taking its total fundraising in the last seven months to around USD 870 million. The company has also announced that it has plans to go for an IPO in near future. Earlier the company had received a USD 20 million investment from the State Bank of India (SBI). Pine Labs, is backed by Sequoia Capital, Temasek Holdings, Actis, PayPal and Mastercard and competes with other fintech companies such as BharatPe, Mswipe, Paytm and Razorpay. Pine Labs had raised a round of USD 600 million at a valuation of USD 3 billion last year. Pine Labs is looking to invest in Plural, its newly launched brand of online payment products to emerge as an omnichannel partner of choice for merchants. The company is also expanding its Buy Now Pay Later (BNPL) business in India and Southeast Asia. The company had entered the consumer payment space in April 2021 when it acquired Fave. It has also acquired a sizable presence in the gift, prepaid and stored value segment through investment in Qwikcilver.

Ola Scooters malfunctioning Customers of Ola Electric are reporting problems relating to malfunctioning vehicle management systems which are laying significant risk on the lives of riders. Ola's electric scooters often malfunction in the middle of the road leaving the riders stranded and prone to accidents, amidst traffic. The scooter's display goes blank and the scooter just goes dead according to some users. Some other users have encountered issues relating to the scooter dropping to zero in seconds despite sending it for service on multiple occasions. Riders have also reported that the scooter fails to climb slopes. Experts believe that Ola has rushed into launching its half-baked product as nearly 30-35% of the scooters have encountered such problems.

Equity markets

Bikaji to introduce IPO Bikaji Foods International, the snacks and sweets maker, has sought approval from the Securities and Exchange Board of India (SEBI) for an initial public offering (IPO) of 2.93 crore shares, a pure offer for sale. In an offer for sale, the existing shareholders selling the shares will be entitled to the entire proceeds of the IPO, and not the company. Bikaji has an 8.7% market share in the Indian snack segment while its competitor Haldiram leads with a 36.6% share. The company claims to be the largest maker of Bikaneri bhujia with an annual production of 26,690 tonnes, and it produces more than 250 products, with namkeen being the highest-selling category, followed by bhujia, sweets, papad and others contributing to 37%, 36%, 12%, 7% and 8% of the total sales of FY 2021. The company's western snacks segment holds only 0.4% market share through chips, extruded products and pellets.

Pharmeasy to introduce IPO API holdings, the parent company of online platform Pharmeasy, has received approval from the Securities and Exchange Board of India (SEBI) to raise INR 6,250 crore through an initial public offering (IPO). The company would be the second pharmacy chain going for an IPO after Hyderabad-based MedPlus, already lined up for the same. The company plans to utilise the proceeds to prepay or repay an outstanding debt of INR 1,929 crore, fund organic growth initiatives of INR 1,259 crore, and pursue inorganic growth through acquisitions and strategic initiatives aggregating to INR 1,500 crore. The IPO would consist of an entirely fresh issue of shares.

Wellness Forever to introduce IPO Adar Poonawalla backed Wellness Forever, an omnichannel retail pharmacy, has announced its plan to raise INR 1,500-1,600 crore through Initial Public Offering (IPO). The IPO will consist of a fresh issue of equity shares aggregating to INR 400 crore and an offer for sale of 1,60,44,709 equity shares. The company has recently nominated three new independent directors – Avani Davda, Ranjit Shahani, and Kewal Handa to its board of directors with broad experience in banking, healthcare, and retail respectively.

Boat to introduce IPO Six-year-old electronics and lifestyle company Boat will introduce its initial public offering in upcoming months to raise USD 226 million at a valuation of USD 1.5 billion. The company was valued at INR 2,200 crores when it raised 50 crores from Qualcomm Ventures last April, expecting the revenue of the company to double in the current fiscal year. The company heavily relies on online sales and has stated in its prospectus that geopolitical tensions with China could lead to hindrance in their business, as China is a manufacturing hub for the company. The company has built a range of products that are affordable to the masses and has marketed through cricketers and Bollywood stars for promotion. The founders are maintaining a majority of the stake in their hands even after the IPO and would use the proceeds to venture and expand in other areas.

Manyavar debuts on Stock Markets Manyavar owner Vedanta Fashions listed on stock exchanges at INR 935 apiece, INR 69 higher from its offered price of INR 866 on its debut on the National Stock Exchange (NSE). The stock price even jumped to INR 977 during trading on opening day as while the market capitalization of the company stood at INR 22,716 crores. The company raised INR 3,150 crores from its IPO. Before the IPO, the company had raised over INR 944 crores from 75 anchor investors including the Government of Singapore, Morgan Stanley, Abu Dhabi Investment Authority etc. at the upper price band of INR 866 per share. Vedanta Fashions has five subsidiaries including Mohey, Mebaz, Manthan, Twamev, and Manyavar. The company has an extensive retail network with 546 exclusive brand outlets which includes 11 overseas stores in the US, Canada, and UAE.

Most active angel investors Inc42 has released a list of the most active angel investors in India. As per the list, Kunal Shah, the founder of CRED, has participated in 62 startup funding deals in 2021, taking his total to 150. Snapdeal co-founders Kunal Bahl and Rohit Bansal have invested in over 91 startups in 2021 alone. Meanwhile, Paytm founder Vijay Shekhar Sharma has backed 70+ startups so far. OYO founder Ritesh Agarwal, one of the youngest billionaires in the country, has also invested in around 35 startups in 2021 worth USD 10 million. Shaadi.com founder and one of the judges on Shark Tank India, Anupam Mittal, has invested in more than 50 startups over the years, including Ola, Druva and Whatfix. Zomato founder Deepinder Goyal has invested in about 15 startups to date, while Flipkart co-founder Binny Bansal invested in 12 startups last year alone. MakeMyTrip founder Deep Kalra, Unacademy founder Gaurav Munjal, Pine Labs CEO Amrish Rau, Delhivery founder Sahil Barua, Udaan co-founder Sujeet Kumar, Mamaearth co-founder Varun Alagh, Meesho founder Vidit Aatrey, and Razorpay co-founders Harshil Mathur and Shashank Kumar are some other marquee names on the list. Startup funding in India crossed USD 100 billion since 2014 last year, of which 42 billion was invested in 2021 alone. India now has over 26,500 angel investors.

T+1 Settlement to be rolled out The Securities and Exchange Board of India (SEBI) had allowed the exchanges to introduce T+1 settlement in September last year and the exchanges have now announced to switch to trade date plus one day (T+1) settlement cycle in a phased manner from February 25. Once the T+1 system comes into force, the trade-related settlements will require to be cleared within a day of the actual transaction. Currently, trades are settled in two working days (T+2). SEBI had last reduced the settlement duration from T+3 to T+2 in April 2003.

Upcoming IPOs The upcoming initial public offers (IPOs) announced by the companies and expected to be launched in the coming months are as follows:

1. Lava International
2. Le Travenues Technology (Ixigo)
3. Life Insurance Corporation of India (LIC)
4. Wellness Forever Medicare
5. OYO (Oravel Stays)
6. Ruchi Soya
7. Go First (Go Airlines)
8. Fincare Small Finance Bank
9. Penna Cement Industries
10. Tamilnad Merchantile Bank

Global conglomerates

Meta to share advertising revenue from Reels Meta is testing advertising on its short video offering Reels to attract more creators to its platform to counter the growing threat of rival TikTok. Meta has said that it is expanding its experiment of overlay advertisement to all creators in the United States, Canada, and Mexico, and with plans to extend to more countries. Creators participating in this experiment will have access to two ad formats – banners and stickers. Banner advertisements will appear as a semi-transparent overlay at the bottom of a Facebook Reel while stickers will be static image ads that can be placed by a creator anywhere within their reel, similar to other stickers available on the app. During the testing period, creators will receive 55% of the advertisement revenue, while Facebook will take the remaining 45% share. The move comes at a time when Facebook saw its first-ever quarterly decline of daily users, as the platform witnessed slower user growth in India.

Virgin Galactic opens tickets for space travel Billionaire Richard Branson's Virgin Galactic Space has started taking reservations to send travellers to space for a whopping USD 450,000 (INR 3.38 crore). The customers are expected to deposit USD 150,000 for the reservations. The company has plans to have 1,000 customers on board at the start of commercial service this year. The travellers will undergo training and spaceflight preparedness activities before boarding the flight which is expected to be of 90 minutes. Travellers also have to go through the company's health test to verify fitness to fly and only 18+ adults can travel. There are height and weight restrictions as well.

Meta to build Universal Speech Translator Meta has announced its plans to build an Artificial I(AI) powered translation system that works for everyone in the world along with an ambitious universal speech translator, as a part of the metaverse. Mark Zuckerberg expects that metaverse which is a more immersive version of the internet, as the successor of the mobile internet with the experiences in the metaverse beyond what is possible today. Instead of merely looking at the screen, the users can feel the presence of another person. Universal speech translator is an instantaneous speech-to-speech translation across all languages including those that are mostly spoken and don't have a standard writing system. The company is also building a new AI model that can learn new languages with lesser training data than existing models.

Meta settles decade-old Cookies lawsuit Meta Platforms Inc has settled a decade-old class-action lawsuit on the company over its use of cookies in 2010 and 2011 that tracked people online even after they logged off from Facebook. As per the proposed settlement, Meta has agreed to delete all the data wrongfully collected and will also pay USD 90 million to users who filed claims, after deducting lawyer's fees. According to the lawsuit, Facebook got people's consent to track them while they were logged in to its platform but promised to stop the tracking once they logged out, however, continued to track users' activity even after they had logged off.

Neuralink accused of animal cruelty Elon Musk's firm Neuralink has denied accusations of animal cruelty caused by testing techniques that resulted in the deaths of macaque monkeys during the development of its brain chip. In a complaint filed against the company, the University of California, mentioned invasive and deadly brain experiments where most of the animals had portions of their skulls removed to implant electrodes in their brains. According to the complaint, some monkeys were also euthanized after being used in the experiments. However, the company has responded to the criticism that it has extensively planned the use of animals most humanely and ethically possible. According to the company, the complaint is misleading and that the company meets all mandated standards.

Aliexpress, WeChat added to 'Notorious markets' list E-commerce sites 'WeChat' operated by Tencent Holdings Limited and 'Aliexpress' by Alibaba Group Holding Limited, have been added to the United States Government's 'Notorious Markets' list which identifies 42 online markets and 35 physical markets reported to engage in trademark counterfeiting or copyright piracy. China-based online markets Baidu Wangpan, DHGate, Pinduoduo, and Taobao are also part of the list. Meanwhile, the Chinese Ministry of Commerce does not agree with the decision and has remarked the action as 'irresponsible.'

Sea Limited loses USD 16 billion in Markets Singapore based Sea Limited, lost more than USD 16 billion with an 18% drop in value, in its largest market drop after India abruptly banned its popular mobile game Free Fire. Investors are concerned that the ban may be the beginning of the company's troubles. The company went public in 2017 and quickly become the most valuable company in Southeast Asia, offering gaming, e-commerce and financial services beyond its home turf. India has banned hundreds of Chinese apps over the past two years, however, the expansion of the same to Sea took management and investors by surprise. The company's largest shareholder is Tencent Holdings, the Chinese social media giant. Investors are worried that India might also ban Shopee, the e-commerce pillar of Sea's business, which has 20,000 local sellers as of December.

Meta unveils new branding Meta has introduced the company's new internal values 'move fast', 'build awesome things' and 'live in the future and several new slogans and internal branding changes at an all-hands meeting. The company will now address its employees as 'metamates'. The company has also renamed its News Feed, to 'Feed'. Meta has recently acquired Kustomer, a customer service management platform. The company has been facing issues on the investors' front and recently lost over USD 230 billion in market value following an unprecedented fall in its stock price.

Miscellaneous

Yogi who guided NSE CEO Anand Subramanian, Former Group Operating Officer of the National Stock Exchange (NSE), has been arrested by the Central Bureau of Investigation (CBI) for stock market manipulation, after being detained by the agency for 4 days in Chennai. A probe in NSE was launched after email exchanges between Chitra Ramkrishna, the former CEO of NSE, and an individual referred to as a 'Yogi' surfaced. Earlier, a whistleblower had informed SEBI that some stockbrokers were receiving preferential access to the price feeds of the stock market. From the emails, it has appeared that the faceless Yogi had recommended the appointment of Anand Subramanian, unknown in the industry, as the Chief Operating Officer in 2013. SEBI has already penalized the NSE and Chitra Ramakrishna for sharing confidential information with the 'Yogi' and for taking advice on decisions related to the NSE's functioning.

IDFC First MD gifts shares to household help V Vaidyanathan, IDFC First Bank's Managing Director and Chief Operating Officer, has gifted 9 lakh shares of the bank worth over approximately INR 3.95 crore, in his personal capacity, to five individuals to help them purchase houses for themselves. The beneficiaries of the gift are his trainer Ramesh Raju (3 lakh shares), househelp Pranjal Narvekar (2 lakh shares) and driver Algarsamy C Munapar (2 lakh shares), office support staff Deepak Pathare (1 lakh shares) and househelp Santosh Jogale (1 lakh shares). As per the regulatory filing, V Vaidyanathan does not have any direct or indirect benefit from these transactions.

Cricketer Bhuvaneshwar Kumar launches NFTs Indian Cricketer Bhuvaneshwar Kumar has launched his Non-

-fungible tokens (NFTs) on cricket digital collectables platform Rario. Virender Sehwag, Zaheer Khan, Smriti Mandhana, Rishabh Pant, Rashid Khan, Jason Holder, Quinton De Kock, Mohammad Siraj, Ruturaj Gaikwad and Shafali Verma are already part of the platform. Backed by investors such as Polygon Studios, Kingsway Capital, Presight Capital, DST investment, Animoca, Thiel Capital, amongst others, the platform is built by a team of Indian founders. The platform allows cricket fans to engage as a community and invest in sporting moments, to own a piece of sports history.

Billionaire Rahul Bajaj passes away at 83 Billionaire Industrialist Rahul Bajaj, Chairman of Bajaj Group, passed away in Pune on February 12, after a prolonged illness for the last one month. He is survived by his two sons and a daughter – Rajiv Bajaj, Sanjiv Bajaj, and Sunaina Kejriwal. He was the company's chairman from 1965 to 2005 and the Chetak scooter was introduced under his leadership. He was awarded Padma Bhushan in 2001, for noteworthy contributions to the world of commerce and industry.

Sangfor Technologies' software predicts employees who will resign Sangfor Technologies, a Shenzhen-based technology company, has sparked controversy after it announced developing a monitoring system that can predict if an employee is about to quit. The system spies on the online activities of the employees to see if workers have been visiting job search sites and the time they spent on such websites. An anonymous social media user has also claimed that he was laid off after his boss discovered that he had applied for other jobs through a Sangfor Technologies product.

Chinese Government asks food delivery platforms to cut charges Meituan, the food delivery giant of China, lost USD 26 billion in its market value on the stock exchanges after the Chinese government asked the food delivery platforms to cut charges for restaurants to reduce their business costs. Online food delivery platforms have also been told to give preferential fees to restaurants in regions hit by the pandemic, under Government's 'Common Prosperity' campaign to tighten oversight on anti-monopolistic practices and cybersecurity.

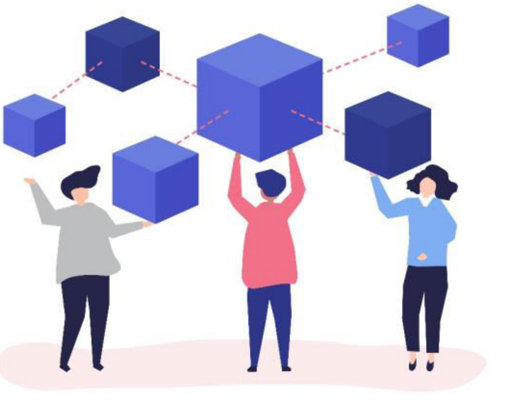
Singapore Government increases GST rates Singapore Government has begun implementation of its increase in goods and services tax and tax hikes for higher-income groups, from FY 2023 onwards, as per the Government's budget presentation. Singapore has emerged from the pandemic-induced economic slump, however, is finding it difficult to maintain its attractiveness as a global financial hub while guarding against local concerns about wealth inequality and costs of living. The Goods and Services Tax (GST) will rise from 7% currently to 8% from 2023 and 9% in 2024. The Government seeks to raise revenue to fund estimated future spending of 20% of gross domestic product (GDP) by 2030, especially on healthcare.

The Economics of Olympics – Good Sport, Bad Business! Olympics – once in every four years, athletes and teams from around the world compete against each other – a global event in a true spirit. Ever since the first modern games in 1896, the Olympics have evolved dramatically. The sports have become competitive and it's a pride to watch national athletes compete at a global level – something that brings people of a nation together irrespective of the differences within. However, the business end…

Why are Gold Jewellers protesting new hallmarking rules? A man in Kerala was recently arrested by the Customs for smuggling gold in a rather novel way – he had 'painted' gold worth INR 14 lakhs in the inner layers of the jeans that he was wearing, in a paste form. That speaks for Gold and its royal properties, and of course the innovative smuggling methods. Gold has been traditionally the most preferred long term investment for Indians…

Helicopter Money – When Government Goes on Shopping Spree "It's not raining money", a phrase that I have heard my parents say several times in my childhood whenever I went out of bounds to buy something expensive. I teach the same to my kids today! The implied meaning is simple – we work day in and day out to earn money and it is not easy to earn money, although spending it is the opposite. Life would have been so easier if earning was …

Cryptocurrencies – Volatility and other problems Bitcoin, the most popular cryptocurrency, is not yet recognized as legal currency by any government. However, any person can buy, hold or sell and even trade cryptocurrencies, subject to rules and regulations in their countries. Buying cryptocurrencies is similar to buying stocks – Investors can purchase bitcoins through cryptocurrency exchanges and store them in …



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