GREEN DIGEST

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PAYTM RBI

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ABOUT US

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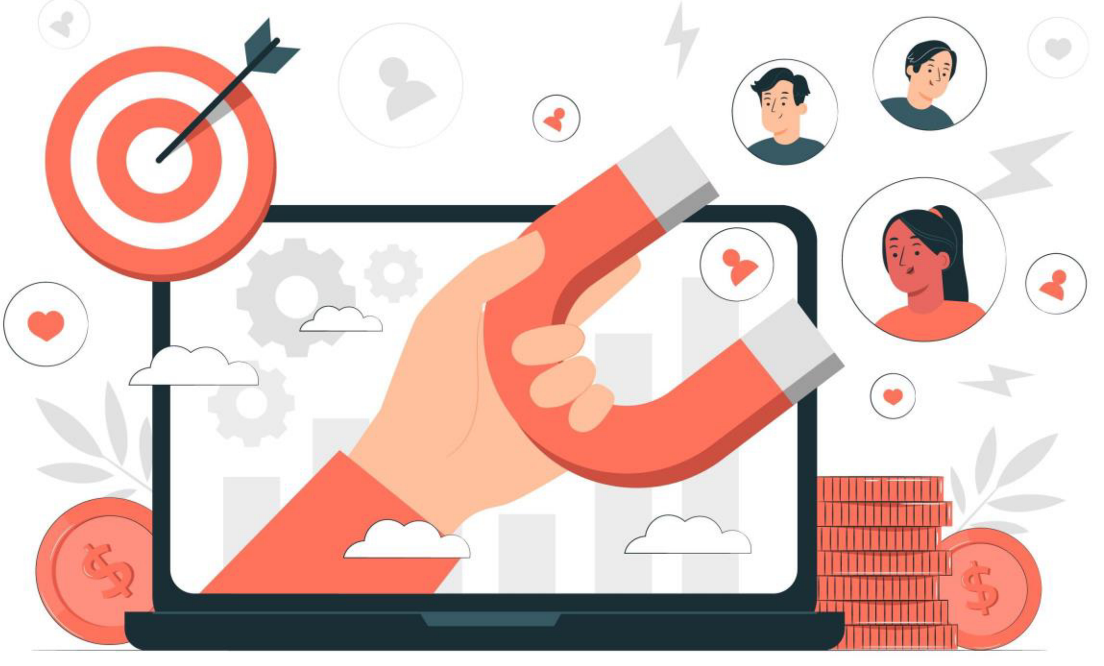

THE BIG STORY

Greenvissage

Paytm Karo... Only till February 29? Decoding Reserve Bank of India's directives to Paytm

Introduction

In the bustling heart of India, amidst the clinking chai glasses and vibrant spice markets, when the Government announced Demonetisation, a revolution was brewing in the background. "Paytm Karo!" became a magical mantra that made Paytm synonymous with digital transactions. But Paytm's journey wasn't a walk in the park. Imagine a land where cash reigned supreme, pockets bulging with crumpled notes. This was Paytm's battleground, a landscape ripe for change. Armed with a smartphone app and audacious ambition, Paytm challenged the status quo. It became the Robinhood of payments, robbing the inconvenience of cash and handing out the freedom of digital transactions. It empowered the chai wallas and kirana stores, transforming them into mini-payment hubs. For the tech-savvy youth, it was a game-changer, a seamless way to recharge phones, pay bills, and shop online. Paytm's magic wasn't just in its technology. It spoke the language of the people, resonating with their aspirations. Its marketing campaigns were catchy, its rewards enticing, and its user interface was as welcoming as a friendly neighbour. It embraced new technologies like QR codes and UPI, making payments faster and easier than ever. Today, Paytm stands tall, a testament to India's digital transformation. However, RBI's latest announcement is bringing an end to this journey, at least, that's what it seems currently!

What has the RBI instructed Paytm?

The Reserve Bank of India (RBI) has instructed the subsidiary of Paytm i.e. Paytm Payments Bank Limited (PPBL), to cease accepting further deposits, top-ups, or credit transactions into its operated wallets or accounts effective from February 29. This directive extends to its prepaid instruments for FASTags and National Common Mobility Cards (NCMC) as well. However, existing customers will still retain the ability to utilize their current balances for accessing services. Notably, the payments bank, which holds more than 330 million wallet accounts of the parent company One97 Communication (OCL), stores transactional funds within its wallets. Furthermore, PPBL has been directed to refrain from conducting any banking services such as AEPS, IMPS, etc., bill payments, and UPI transactions. Additionally, it has been mandated to close the nodal accounts of its parent company and Paytm Payments Services by February 29. Nodal accounts, utilized by businesses as financial intermediaries, hold funds from participating banks on behalf of consumers and subsequently transfer them to specific merchants. Moreover, the regulatory body has stipulated that the subsidiary must settle all pipeline and nodal account transactions by March 29, with no further transactions permitted thereafter. With no immediate resolution in sight, researchers suggest the regulator is indirectly revoking Paytm's prepaid instrument license.

Why did RBI take action against Paytm?

The genesis of this crackdown can be traced back to the early days of Paytm Payments Bank (PPBL), which obtained its banking license in January 2017. Despite an auspicious beginning following the 2016 demonetization, the bank encountered its first regulatory hurdle within a year of operation. Breaches of licensing conditions, including discrepancies in day-end balances and non-compliance with know-your-customer (KYC) guidelines, led to the RBI temporarily halting the opening of new accounts in June 2018. However, despite assurances of compliance, PPBL faced another setback in October 2021 when the RBI uncovered false information submitted by the bank. This led to a monetary penalty of INR 1 crore and raised concerns about the bank's integrity.

Further investigations in late 2021 exposed lapses in technology, cybersecurity, and KYC anti-money laundering compliance. Of particular concern was the lack of segregation between PPBL's servers and physical space and those of other entities within the One 97 group, the bank's parent company. In response to these findings, the RBI imposed supervisory restrictions on PPBL in March 2022, halting the onboarding of new customers and mandating a comprehensive system audit by an external firm. However, subsequent audits revealed a lack of substantive action taken by the bank to address identified issues.

By October 2023, the RBI imposed a substantial monetary penalty of INR 5.39 crore for continued non-compliance with KYC norms, citing failures in identifying beneficial owners, monitoring payout transactions, and lapses in video-based customer identification processes (V-CIP), among other concerns. The regulator's scrutiny also unearthed serious KYC and AML violations, digital frauds, and money laundering risks within PPBL's operations. Thousands of accounts lacked proper KYC documentation, with some linked to suspicious transaction patterns raising red flags for potential money laundering activities. Additionally, concerns were raised about the co-mingling of financial and non-financial businesses within the One 97 group, violating licensing conditions and RBI directives. The reliance of PPBL on the IT infrastructure of its parent company further raised apprehensions about data privacy and sharing practices. Furthermore, a pattern of non-transparency from the bank's promoters exacerbated regulatory concerns. False compliance reports and undisclosed financial dealings with the parent company highlighted a lack of accountability and integrity within PPBL's operations. And thus, with no other option left, RBI finally decided to take serious action against Paytm. Currently, RBI has not specified any further directions about what would happen after Feb 29.

What will be the impact of the directive?

As the Reserve Bank of India (RBI) imposes stringent restrictions on Paytm Payments Bank (PPBL), the future of Paytm and its associated businesses faces unprecedented uncertainty. Industry insiders speculate that the RBI's actions may signify the impending revocation of the bank's license, hinting at a potential end to Paytm's banking endeavours. However, the repercussions extend beyond just the banking sector. There are broader concerns regarding Paytm's regulatory standing, suggesting potential repercussions for its lending partnerships. In response to ongoing challenges, Paytm management has announced a temporary halt on originating new loans, emphasizing a need to address current issues. Amidst regulatory scrutiny, Paytm's vast merchant network, comprising approximately 3.93 crore merchants as of December 2023, faces significant disruption. Many of these merchants rely on QR codes provided by Paytm Payments Bank for payment processing, necessitating a transition to alternative banking partners by February 29. The company will find it hard to retain merchant customers amidst the upheaval. Furthermore, the transition poses challenges for Paytm's customers as well. While user-facing UPI payments may remain unaffected, the RBI's directive to cease nodal account operations raises concerns regarding the seamless processing of payments. Paytm has to swiftly establish alternative nodal accounts to ensure continuity in its payment services. Additionally, the sudden halt in banking activities poses liquidity challenges for Paytm, with customers holding an estimated deposit balance of INR 3000 to 4000 crore across wallets. Paytm must facilitate withdrawals and fund utilization seamlessly to uphold customer trust and regulatory compliance.

Should RBI give leeway to Fintechs?

The world of fintech, short for financial technology, is abuzz with innovative startups and growing companies using technology to disrupt traditional financial services. These players, as defined by McKinsey, typically start without a banking license and partner with established banks to offer services like checking, savings, and loans. Some eventually graduate to full-fledged banks by acquiring a charter. Paytm, however, stands apart. Instead of solely relying on partner banks, it operates its in-house bank, Paytm Payments Bank (PPBL). This unique structure, with Paytm's parent company holding 49% and founder Vijay Shekhar Sharma owning the remaining 51%, raises complexities in security, data privacy, and regulatory compliance. RBI's crackdown on Paytm highlights the ongoing debate around regulatory oversight in fintech. While some view strict enforcement as crucial for economic stability, others fear it stifles innovation. The RBI's approach can be seen in two ways – the 'ban highways to prevent accidents' philosophy, prioritizing broad restrictions even if they hinder progress, or as targeted intervention where RBI is acting like a traffic cop, focusing on specific wrongdoers to deter widespread misconduct, reflecting 'punish one driver to deter all' approach. Examples from various domains, like ticketless travel in Germany or the Powell Doctrine in the US, show that stringent enforcement can promote compliance. While seeming harsh, it might be a pragmatic solution in resource-constrained environments.

The way ahead

Paytm's case now becomes a test case for this balancing act. Can it address regulatory concerns and remain innovative? The outcome will have significant implications for the future of fintech in India and beyond. Overall, we are in for a treat – RBI doesn't seem to be backing out of this battle, while Paytm has become habitual to emerge winner out all kinds of situationship. This battle is far from over. We will have to wait and see who writes the final chapter in the saga!

(References – The Hindu, Business Standard, India Today)

EXPERT OPINION

Highlights of Interim Budget 2024 – 'Viksit Bharat 2047'

By Amit Chandak, Managing Partner, Greenvissage

Introduction

Every year, the anticipation leading up to the budget announcement in India is palpable. It is a time when the entire nation eagerly awaits to learn about the government's fiscal plans and policies for the upcoming financial year. However, 2024 is an election year and therefore, the annual budget can be presented only after the new government is elected to the office, diverging from the typical schedule. To keep the government running, in its place, an interim budget has been unveiled. This deviation from the norm sparked curiosity and speculation among citizens, businesses, and policymakers alike, as they awaited the interim budget with keen interest to discern its implications for the economy and society at large.

What is an Interim Budget?

Two concepts often arise during election season – Interim budgets and vote on account. While both deal with bridging the gap until the new government presents its first full budget, their nuances can be confusing. India's general elections occur every five years, usually around March-April. However, the financial year runs from April 1 to March 31. This creates a potential gap if elections happen close to the beginning of the financial year. Traditionally, governments nearing elections present an interim budget. This serves as a temporary financial plan covering the initial months (usually four) of the upcoming financial year. It details estimated expenditures for various sectors and presents the outgoing government's economic vision for the future. However, to avoid undue influence on voters, it typically steers clear of major policy changes or significant spending promises. The Constitution offers a simpler alternative – the vote on account. This doesn't present a detailed financial plan but simply seeks Parliament's approval for funds needed to meet essential expenses like salaries, pensions, and key government functions during the initial months. It's a quicker process with minimal economic announcements or policy changes. While the vote on account fulfils the technical requirement, the interim budget has become a customary practice. This allows the outgoing government to showcase its economic achievements and present its vision for the future, albeit with limited room for manoeuvring on policies or tax rates.

Highlights of the Budget 2024

1. Budgetary Estimates

Revised Estimates – The total receipts other than borrowings stand at INR 27.56 lakh crore, with tax receipts amounting to INR 23.24 lakh crore. Total expenditure under RE is recorded at INR 44.90 lakh crore. Revenue receipts are projected at INR 30.03 lakh crore, reflecting robust growth and formalization in the economy. The fiscal deficit for 2023-24 stands at 5.8 percent of GDP.

Budgeted Estimates – Total receipts, excluding borrowings, and total expenditure are estimated at INR 30.80 and INR 47.66 lakh crore, respectively. Tax receipts are anticipated to reach INR 26.02 lakh crore. The scheme of a fifty-year interest-free loan for capital expenditure in states continues, with a total outlay of INR 1.3 lakh crore. The fiscal deficit for 2024-25 is projected to be 5.1 per cent of GDP. Gross and net market borrowings through dated securities during 2024-25 are estimated at INR 14.13 and INR 11.75 lakh crore, respectively.

2. Direct Tax Proposals

Finance Minister Nirmala Sitharaman, in her budget proposal, announced a steadfast commitment to maintaining existing tax rates for direct taxes, ensuring stability and predictability for taxpayers. Over the past decade, the government has achieved remarkable success in direct tax collection, witnessing a threefold increase, alongside a significant surge in return filers, which now stands at 2.4 times higher. Recognizing the importance of taxpayer services, the government has pledged to enhance service delivery in this regard. In a move to ease the burden on taxpayers, outstanding direct tax demands up to Rs. 25,000 for the period up to FY 2009-10 and up to INR 10,000 for financial years 2010-11 to 2014-15 have been withdrawn, benefiting approximately one crore taxpayers. Moreover, to stimulate investment and encourage entrepreneurship, tax benefits for Start-Ups and investments made by Sovereign Wealth Funds or Pension Funds have been extended until March 31, 2025. Additionally, to promote the International Financial Services Centre (IFSC), tax exemption on certain income of IFSC units has been extended for another year until March 31, 2025.

Over the years, India has embarked on a transformative journey in tax rationalization, aimed at simplifying procedures and enhancing efficiency. The upward revision of the tax exemption threshold to INR 7 lakh from INR 2.2 lakh in FY 2013-14 signifies a significant stride towards relieving the tax liability for individuals. Similarly, the increase in presumptive taxation thresholds for retail businesses and professionals has provided much-needed relief, enabling small businesses to thrive. In a bid to boost corporate investment and competitiveness, the government has substantially reduced corporate income tax rates. Existing domestic companies now enjoy a reduced tax rate of 22% from the previous 30%, while new manufacturing companies benefit from an even lower rate of 15%. Furthermore, the government has made significant strides in enhancing taxpayer services. The average processing time of tax returns has been dramatically reduced to just 10 days from a staggering 93 days in 2013-14. The introduction of Faceless Assessment and Appeal mechanisms has further streamlined processes, ensuring greater efficiency and transparency. Additionally, initiatives such as updated income tax returns, the introduction of new form 26AS, and prefilled tax returns have simplified the filing process, making it more accessible for taxpayers. Moreover, reforms in customs have led to reduced import release times, with significant reductions in processing hours at Inland Container Depots, Air Cargo complexes, and Sea Ports, fostering smoother trade operations and reducing logistical bottlenecks.

3. Indirect Tax Proposals

In her budget proposal, Finance Minister Nirmala Sitharaman announced the decision to maintain existing tax rates for indirect taxes and import duties, ensuring stability in the tax regime. The introduction of the Goods and Services Tax (GST) marked a watershed moment, unifying India's previously fragmented indirect tax system. This consolidation has yielded remarkable results, with the average monthly gross GST collection doubling to INR 1.66 lakh crore this year and the GST tax base expanding twofold. The positive impact of GST is further evident in the buoyancy of State Goods and Services Tax (SGST) revenue, which has increased to 1.22 in the post-GST period (2017-18 to 2022-23) from 0.72 in the pre-GST period (2012-13 to 2015-16). Industryleaders have overwhelmingly viewed the transition to GST as largely positive, with 94% acknowledging its benefits. GST implementation has facilitated supply chain optimization and reduced the compliance burden on trade and industry. Furthermore, lower logistics costs and taxes have translated into reduced prices of goods and services, directly benefiting consumers.

4. Empowering the Marginalized, Enriching the Nation

Over the past decade, government initiatives such as 'Garib Kalyan, Desh ka Kalyan' have uplifted 25 crore individuals from multidimensional poverty. The Direct Benefit Transfer (DBT) system, utilizing PM-Jan Dhan accounts, disbursed INR 34 lakh crore, resulting in government savings of INR 2.7 lakh crore. Under PM-SVANidhi, 78 lakh street vendors received credit assistance, with 2.3 lakh beneficiaries accessing credit for the third time. The PM-JANMAN Yojana targets the development of particularly vulnerable tribal groups (PVTG), ensuring their well-being and progress. Furthermore, the PM-Vishwakarma Yojana extends comprehensive support to artisans and craftspeople involved in 18 trades, promoting their growth and sustainability.

5. The Guardians of Agriculture

The welfare of our 'Annadata' (food providers) is a top priority for the Government. Through the PM-KISAN SAMMAN Yojana, 11.8 crore farmers have received vital financial assistance. Additionally, the PM Fasal BimaYojana ensures crop insurance for 4 crore farmers, safeguarding their livelihoods against agricultural risks. The Electronic National Agriculture Market (e-NAM) has seamlessly integrated 1361 mandis, extending its services to 1.8 crore farmers. This integration has facilitated trading worth INR 3 lakh crore, thereby enhancing market access and opportunities for farmers across the nation.

6. Agriculture and Food Processing

In the realm of agriculture and food processing, the Pradhan Mantri Kisan Sampada Yojana has emerged as a game-changer, benefiting 38 lakh farmers and generating employment opportunities for 10 lakh individuals, thereby invigorating the rural economy. Complementing this effort, the Pradhan Mantri Formalisation of Micro Food Processing Enterprises Yojana has provided vital support to 2.4 lakh Self-Help Groups (SHGs) and 60,000 individuals through credit linkages, fostering entrepreneurship and empowering local food processing units.

7. Momentum for Nari Shakti

Under the Mudra Yojana, a commendable 30 crore loans have been disbursed to women entrepreneurs, fostering economic independence and entrepreneurship among women. Moreover, there has been a notable 28% increase in female enrolment in higher education, reflecting enhanced access to educational opportunities for women. Particularly encouraging is the fact that in STEM courses, girls and women now constitute 43% of enrolment, marking one of the highest percentages globally. Additionally, the government's commitment to gender equality is underscored by the allocation of over 70% of houses under the PM Awas Yojana to women from rural areas, ensuring shelter security and promoting women's socio-economic empowerment at the grassroots level.

8. Pioneering Rural Housing and Sustainable Energy

The target of three crore houses under the PM Awas Yojana (Grameen) is on track to be accomplished imminently, demonstrating the government's steadfast commitment to providing shelter security to rural communities. Looking ahead, an ambitious plan to undertake an additional two crore houses over the next five years signifies a proactive approach towards addressing housing shortages and improving living standards in rural areas. Furthermore, the introduction of rooftop solarization initiatives under the 'Muft Bijli' scheme heralds a new era of sustainable energy access for rural households. A staggering one crore households are set to benefit from 300 units of free electricity every month, courtesy of rooftop solar panels. This not only promotes clean energy adoption but also promises substantial financial savings for households, with each expected to conserve between INR 15,000 to INR 18,000 annually.

9. Revolutionizing Healthcare

In a significant stride towards universal healthcare access, Finance Minister Nirmala Sitharaman announced the extension of healthcare coverage under the Ayushman Bharat scheme to all ASHA workers, Anganwadi Workers, and Helpers, ensuring the well-being of frontline healthcare workers and grassroots community facilitators.

10. Nurturing Innovation

In a bid to spur research and innovation, a landmark corpus of INR 1 lakh crore will be established, offering fifty-year interest-free loans to facilitate long-term financing or refinancing with favourable terms, aimed at catalyzing growth, employment, and overall development. Furthermore, a novel scheme will be introduced to bolster deep-tech technologies for defence purposes, accelerating the nation's journey towards self-reliance ('atmanirbharta') and reinforcing India's prowess in innovation and national security.

11. Prioritizing Infrastructure Development

In a bid to turbocharge economic growth and foster employment opportunities, Finance Minister Nirmala Sitharaman unveiled ambitious plans for infrastructure development in her budget speech. Notably, the capital expenditure outlay earmarked for infrastructure development and employment generation will witness a significant boost, surging by 11.1 per cent to reach a monumental INR 11,11,111 crore. This substantial allocation represents 3.4 per cent of the GDP, underscoring the government's unwavering commitment to building a robust infrastructure that serves as the backbone of economic progress.

12. Revitalizing Railways

Under the PM Gati Shakti initiative, three major economic railway corridor programs have been identified, aimed at bolstering logistics efficiency and enhancing connectivity across the nation. These corridors include energy, mineral, and cement corridors, port connectivity corridors, and high-traffic density corridors, all poised to streamline transportation networks and spur economic growth. Additionally, in a move to modernize railway infrastructure, the government announced plans to convert forty thousand normal rail bogies to Vande Bharat standards, symbolizing a shift towards cutting-edge technology and superior travel experiences.

13. Taking Flights to New Heights

The number of airports in the country has now doubled, reaching a significant milestone of 149, reflecting a concerted effort to enhance air connectivity across the nation. Furthermore, the introduction of 517 new routes has facilitated the smooth transportation of 1.3 crore passengers, underscoring the sector's robust growth trajectory. In a promising sign of confidence in the industry, Indian carriers have placed orders for over 1000 new aircraft, signalling a significant expansion and modernization of the fleet.

14. Propelling Green Energy Initiatives

By 2030, the government aims to establish a coal gasification and liquefaction capacity of 100 MT, marking a significant step towards reducing carbon emissions and transitioning to cleaner energy sources. Additionally, the budget outlines phased mandatory blending of compressed biogas (CBG) in compressed natural gas (CNG) for transport and piped natural gas (PNG) for domestic purposes. This mandate not only promotes the use of renewable energy but also fosters a greener and more environmentally friendly approach to transportation and household energy consumption.

15. Vision for Iconic Destinations

In a bid to unleash the full potential of India's tourism sector, Finance Minister Nirmala Sitharaman announced transformative measures aimed at enhancing the country's iconic tourist centres. States will be incentivized to undertake comprehensive development initiatives, focusing on the branding and marketing of these centres on a global scale. To ensure quality standards and enhance visitor experiences, a robust framework for rating tourist centres based on the quality of facilities and services will be established. Moreover, recognizing the need for financial support, long-term interest-free loans will be extended to states for financing such development projects on a matching basis.

16. Attracting Global Investments

Between 2014 and 2023, India witnessed an impressive FDI inflow of USD 596 billion, which marked a remarkable doubling compared to the inflow recorded during the preceding period of 2005 to 2014. This surge in FDI underscores India's growing attractiveness as a favourable destination for global investments, reflecting the confidence of international investors in the country's economic prospects and business environment. The substantial increase in FDI inflows is indicative of India's emergence as a key player in the global economy and underscores the government's commitment to fostering a conducive environment for foreign investments, thereby fueling economic growth, job creation, and innovation.

17. Empowering States for Sustainable Development

In a bid to drive comprehensive reforms and foster development at the state level, Finance Minister Nirmala Sitharaman unveiled the 'Viksit Bharat' initiative, proposing a substantial provision of INR 75,000 crore as a fifty-year interest-free loan. This support aims to incentivize state governments to undertake milestone-linked reforms, catalyzing progress and prosperity across the nation.

GREENVISSAGE EXPLAINS

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Can Bitcoin ETFs provide a safe pass to Cryptocurrencies?

In the realm of finance, few innovations have captivated the world's attention quite like Bitcoin. Since its inception in 2009 by an anonymous individual or group using the pseudonym Satoshi Nakamoto, Bitcoin has emerged as a groundbreaking digital currency, challenging traditional notions of money and revolutionizing the way we think about value exchange. Powered by blockchain technology, Bitcoin operates on a decentralized network, free from the control of any central authority, such as governments or financial institutions. Its unique properties, including limited supply, transparency, and security, have propelled it into the spotlight, attracting investors, technologists, and policymakers alike. However, governments have prohibited or heavily regulated Bitcoins due to concerns about their potential for facilitating illicit activities such as money laundering, tax evasion, and funding illegal transactions. Additionally, Bitcoin's decentralized nature challenges traditional financial systems and control mechanisms, raising fears of destabilizing effects on national currencies and monetary policies. Government restrictions have been a key hurdle in the meteoric rise of cryptocurrencies. However, that might be a thing of the past now, at least that's what the institutions are promising with the introduction of – Bitcoin ETFs!

Imagine buying Bitcoin as easily as investing in a stock through your brokerage account. That's the dream that Bitcoin ETFs offer. Unlike directly buying crypto on exchanges, ETFs hold underlying Bitcoin assets, allowing investors to trade them through familiar channels. This removes the hurdles of dealing with crypto wallets and navigating unfamiliar platforms, potentially attracting millions of new investors who were previously hesitant due to complexity. After years of scepticism from regulators, the approval of Bitcoin ETFs in countries like Canada and the US signifies a turning point. It lends legitimacy to the cryptocurrency industry and could pave the way for wider institutional adoption. This could bring much-needed stability to the notoriously volatile Bitcoin market. ETFs could significantly increase the liquidity of Bitcoin, meaning it becomes easier to buy and sell. This could lead to more efficient price discovery, reflecting the true value of the asset. With easier entry and exit points, investors might be more comfortable allocating a portion of their portfolio to Bitcoin, further driving its adoption.

Despite the positive outlook, concerns linger. The underlying volatility of Bitcoin remains, and ETFs might not shield investors from price swings. Additionally, the potential for manipulation and security breaches within the ETF structure itself needs careful consideration. Regulatory oversight and investor education will be crucial for ensuring a safe and responsible environment. Yet, the arrival of Bitcoin ETFs marks a significant step forward for cryptocurrency integration into mainstream finance. While challenges exist, the potential benefits are undeniable. As the market matures and regulations evolve, Bitcoin ETFs could become a powerful tool for investors seeking exposure to this dynamic asset class. However, it's crucial to remember that any investment carries risk, and careful research and a well-diversified portfolio are key to responsible investing, regardless of the asset.

(References – Investopedia, Coindesk, CNBC)

What is the Pradhan Mantri Suryodaya Yojana?

The Indian Prime Minister has recently launched the 'Pradhan Mantri Suryodaya Yojana,' marking a renewed commitment to harnessing solar power. With a focus on installing rooftop solar power systems in one crore households nationwide, this initiative holds the promise of not only reducing electricity costs for consumers but also contributing significantly to India's renewable energy goals. Rooftop solar panels, the cornerstone of this initiative, offer a decentralized and environmentally friendly solution to energy needs. These photovoltaic panels, when installed on rooftops, are connected to the main power supply unit, thereby reducing reliance on grid-connected electricity. One of the primary benefits of rooftop solar panels is the potential for consumers to generate surplus solar power, which can be exported to the grid. This surplus power can then be monetized, providing additional income to households while contributing to the overall energy grid. The launch of the Pradhan Mantri Suryodaya Yojana comes in the wake of previous government initiatives such as the Rooftop Solar Programme, launched in 2014. Despite the ambitious target of achieving 40 gigawatts (GW) of rooftop solar capacity by 2022, the country fell short of this goal. Consequently, the deadline was extended to 2026. The new initiative is seen as a strategic step towards achieving this target, underscoring the government's commitment to bolstering India's renewable energy sector. India's current solar capacity reflects both progress and potential for growth. As of December 2023, the total rooftop solar installed capacity stands at approximately 11.08 GW. Gujarat leads the pack with 2.8 GW, followed by Maharashtra with 1.7 GW. However, it's noteworthy that the majority of rooftop solar installations are in the commercial and industrial sectors, with only 20% in the residential sector. This highlights the untapped potential within residential areas, where solar energy could play a transformative role in meeting electricity demands.

In the broader context of renewable energy, India has made significant strides. The total solar power installed capacity in the country has reached around 73.31 GW, with Rajasthan and Gujarat emerging as top performers. However, given the country's surging energy demand, driven by rapid economic growth and urbanization, there's an urgent need for further expansion in renewable energy capacity. India's commitment to renewable energy is underscored by its ambitious targets. Despite being one of the largest consumers of coal, the country aims to achieve 500 GW of renewable energy capacity by 2030. Additionally, India aims for 50% of electricity generation from non-fossil fuel sources by 2030, with renewables already contributing 30% to the total installed capacity. To complement the Pradhan Mantri Suryodaya Yojana, the government has implemented various other initiatives to harness solar energy effectively. These include the National Solar Mission, Solar Park Scheme, Kisan Urja Suraksha evam Utthaan Mahabhiyan (PM-KUSUM), Suryamitra Skill Development Programme, and participation in the International Solar Alliance. The launch of the Pradhan Mantri Suryodaya Yojana marks a significant milestone in India's transition towards sustainable energy. By leveraging rooftop solar power, the initiative not only empowers households but also contributes to the nation's renewable energy targets.

(References – Business Line, Economic Times, Indian Express)

Why the New MSME Payment Rule Sparked Debate in India?

The Indian government introduced a new regulation in Budget 2023, impacting Micro, Small, and Medium Enterprises (MSMEs), aiming to address a long-standing issue - delayed payments. Section 43B(h) of the Income Tax Act mandates buyers to settle payments for goods procured from MSMEs within the timeframe agreed upon, not exceeding 45 days from the invoice date. If such payments were not cleared within 45 days or less, the amount outstanding as of March 31 of the year, would be a disallowed expense for income tax purposes. This amount would be allowed again to be claimed as expense, in the year in which payment is made. While the intent is noble - ensuring financial stability for MSMEs - the rule has ignited debate, raising concerns and questions about its feasibility and potential unintended consequences. Effective from the assessment year 2024-25 i.e. April 1, 2023, the rule applies to all businesses and individuals purchasing goods from MSMEs registered under the MSMED Act, 2006.

While wholesale and retail traders can register as MSMEs after the July 2021 notification, a crucial caveat exists. The notification included traders for the limited purpose of benefitting from RBI's Priority Sector Lending (PSL) norms. Therefore, all other benefits, including the tax relief for delayed payments under the MSME Act, are not available to traders. Thereby, section 43B(h) will be applicable only if the vendor is a Manufacturer or a Service Provider, while Traders would be excluded from the purview of this section. Since the section is effective from April 1, 2023, any payments in respect of transactions before that date will also be excluded from the impact of this section. For Section 43B(h) purposes, a simple written declaration clearly stating the enterprise type as Micro or Small suffices for creditor recognition. This eliminates the potential hurdle of mandatory registration and empowers unregistered MSMEs to enforce their right to timely payments within the stipulated 15 or 45-day timeframe. While the rules are unclear in many respects, the above are interpretations made by the expert and will be subjected to various judicial proceedings in the future, until clarifications are issued by the government.

Supporters hail the rule as a game-changer for MSMEs. Timely payments will improve their financial health, allowing them to reinvest in growth, create jobs, and contribute more effectively to the economy. It also promotes fair business practices and fosters an environment conducive to MSME success. However, concerns around implementation and potential disruptions loom large. Industries like textiles, with inherently complex logistics and payment cycles, express difficulty adhering to a strict 45-day limit. Businesses might face challenges integrating the new terms into their financial systems and adjusting existing contracts. Open dialogue with stakeholders, industry-specific considerations, and flexible approaches are vital. While the new rule represents a positive step towards empowering MSMEs, its success hinges on careful monitoring, addressing industry concerns, and ensuring clarity and flexibility in its application.

(References – Economic Times, Business Line, Live Mint)

COMPLIANCE UPDATES

Greenvissage

Goods and services tax

New Tables Added to GSTR-1 for E-commerce Supplies GSTN has introduced two new tables, Table 14 and Table 15, in the GSTR-1 form. These tables aim to capture the details of supplies facilitated through e-commerce operators (ECO), where such operators are obligated to collect tax under section 52 of the Act or are liable to pay tax under section 9(5). The recent development is the activation of these tables on the GST common portal, effective from the January 2024 tax period onwards. This implementation enhances the reporting mechanism for e-commerce transactions, ensuring compliance with tax regulations. For further details, please refer to the complete advisory. (GSTN)

Mandatory Bank Account Details Submission for GST Registration Under the provisions of the CGST Act, 2017 and corresponding rules, all registered taxpayers are mandated to furnish their bank account details within 30 days of registration grant or before the due date of filing GSTR-1/IFF, whichever comes first. Failure to comply within the stipulated time will result in repercussions affecting business operations and GSTIN status. To streamline this process, a new functionality is being developed with key features. Firstly, non-compliance will lead to suspension of taxpayer registration after 30 days, accompanied by an intimation in FORM REG-31 and a bar on further GSTR-1/IFF filings. Secondly, the suspension can be automatically revoked upon updating bank account details in response to the intimation. However, if bank account details remain unsubmitted even after receiving FORM REG-31, registration cancellation proceedings may ensue. (GSTN)

New Payment Options for GST Taxpayers In a move to enhance convenience for taxpayers registered under GST, two additional payment methods have been introduced under the e-payment system, alongside net banking. These new facilities encompass Cards and Unified Payments Interface (UPI). The card facility comprises Credit Card (CC) and Debit Card (DC), including Mastercard, Visa, RuPay, and Diners (CC only), issued by any Indian bank. This expansion in payment options aims to provide greater flexibility and ease of transactions for GST taxpayers. (GSTN)

E-Way Bill Generation Linked to B2B E-Invoice Data The National Informatics Centre (NIC) announced that effective March 1, businesses with a turnover exceeding INR 5 crore will be required to include e-invoice details for all B2B transactions when generating e-way bills. However, this mandate, was taken back within a few days later and its applicability has been delayed without specifying any further information. Under the goods and services tax (GST) framework, e-way bills are essential for interstate transportation of goods valued at over INR 50,000. The NIC highlighted instances where taxpayers eligible for e-invoicing were generating e-way bills without aligning them with e-invoice details, leading to inconsistencies in certain parameters. To mitigate such discrepancies, the NIC stated that e-way bill generation without e-invoice details will be prohibited for B2B and B2E transactions involving e-invoice-enabled taxpayers. However, this change will not be implemented as of now, until further update. (Business Standard)

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

Income tax

Record 8.18 Crore ITRs Filed for AY 2023-24 The Central Board of Direct Taxes (CBDT) revealed that a record-breaking 8.18 crore income tax returns (ITRs) were filed until December 31 in the current fiscal year, marking a significant increase from the 7.51 crore ITRs filed by the same period in the previous fiscal year. This represents a notable 9% surge compared to the total ITRs filed for the fiscal year 2022-23. Additionally, the CBDT stated that the total number of audit reports and other forms filed during the same period amounted to 1.60 crore, surpassing the 1.43 crore audit reports and forms filed in the corresponding period of the preceding year. (Financial Express)

Supreme Court Stays Delhi HC's Ruling on DIN The Supreme Court issued an interim stay on the Delhi High Court's order, which had declared that any Income Tax assessment order issued without a Document Identification Number (DIN) holds no legal standing. The apex court's division bench, while hearing the matter, noted that the absence of DIN in assessment orders might constitute an irregularity but does not necessarily render them illegal. The bench highlighted that invalidating assessment orders lacking DIN would entail too serious a consequence. Earlier, the Delhi High Court had upheld the provisions of a 2019 CBDT circular mandating the use of DIN for documents issued. The CBDT circular stated that any communication by an Income Tax Authority without DIN would be deemed invalid. The IT Department had argued before the Delhi High Court that the failure to generate and allocate DIN should not invalidate assessment proceedings, citing Section 292B of the IT Act. However, the HC deemed this argument untenable in light of the CBDT's 2019 circular. (Financial Express)

Domain Registration Fees is Not Royalty In a significant ruling, the Delhi High Court, in the case involving Godaddy.com LLC, a prominent domain name registrar, declared that fees received by the US company for providing domain name registration services are not taxable as royalty in India. The court emphasized that the US entity, acting solely as a registrar, lacked proprietorship rights in the domain names and therefore could not grant or transfer usage rights to others. This ruling nullifies any requirement for withholding tax on such payments. The Income-tax officer had initially classified these payments as royalty, contending they were for using the servers of the US entity. However, the Delhi bench of the tax tribunal had upheld this classification. The High Court, however, examined the accreditation agreement between the taxpayer and ICANN, establishing the US entity's registrar role and its lack of ownership over the domain names. Consequently, the court ruled that the fees received for domain name registration cannot be deemed as royalty. (Times of India)

Delhi HC Stays Tax Exemption Cancellation for Oxfam, Care India The Delhi High Court, in an interim order, has stayed the decision of the Income Tax authorities to cancel the tax exemption status of Oxfam India and Care India Solutions for Sustainable Development, two non-profit organizations. The division bench cited a previous interim order issued in favour of the Centre for Policy Research (CPR) and extended similar relief to Oxfam and Care India. The court directed that these organizations are entitled to interim reliefs identical to those provided to CPR, subject to accepting donations limited to domestic contributions only. The bench acknowledged the substantial jurisdictional question raised by the matter and emphasized the need for a uniform and consistent approach in issuing interim orders. (Indian Express)

11.48 Crore PAN Cards Remain Unlinked with Aadhaar As of January 2024, approximately 11.48 crore Permanent Account Numbers (PANs) are yet to be linked with Aadhaar, excluding exempted categories, according to information provided by Minister of State for Finance Pankaj Chaudhary in a written reply to the Lok Sabha. The Ministry disclosed that the total fee collection from individuals who failed to link their PAN with Aadhaar after the June 30, 2023 deadline amounted to INR 602 crore. The last date for linking PAN with Aadhaar was June 30, 2023. The Income Tax department had announced that PANs of taxpayers who failed to link their Aadhaar would become inoperative from July 1, 2023, with no refunds issued against such PANs, and higher rates of TDS and TCS would be applied. (Indian Express)

CBDT Extends Processing Time for ITRs with Refund Claims The Central Board of Direct Taxes (CBDT) has announced that all electronically filed income tax returns up to Assessment Year 2020-21 with refund claims under section 143(1) will be processed by April 30, 2024, unless otherwise specified. The extension aims to alleviate genuine hardships faced by taxpayers. An intimation notice under section 143(1) will be sent to the taxpayer's registered email ID before the refund is credited to their bank account. The extended processing time does not apply to cases where the ITR is selected for scrutiny, indicates a tax demand, or remains unprocessed due to reasons attributable to the taxpayer. Previously, the income tax department had time until one year from the end of the financial year to process ITRs, but this was reduced to nine months effective from April 1, 2021. Technical issues or other reasons, not attributable to the taxpayer, have led to delays in processing ITRs. (Economic Times)

4,600 Crore Tax Collection in 2 Years from ITR-U The Central Board of Direct Taxes (CBDT) chief, Nitin Gupta, revealed that approximately INR 4,600 crore in taxes has been collected from 56 lakh updated Income Tax Returns (ITRs) filed by taxpayers over the past two years. Budget 2022 allowed taxpayers to file updated returns within two years of the relevant assessment year for updating the income, including unfiled returns, incorrect income reporting, erroneous choice of income heads, or reduction of carried forward losses. (Financial Express)

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Customs and foreign trade

Government Slashes Import Duties on Smartphone Components to 10% In a move aimed at bolstering the mobile phone manufacturing ecosystem and enhancing India's competitiveness in the global smartphone market, the government has reduced import duties on smartphone components and spare parts from 15% to 10%. The reduction applies to various components categorized under mechanics, such as battery covers, antennas, sealing gaskets, and sim sockets, among others. Additionally, import duties on die-cut components like LCD foam, conductive cloth, and sticker-battery slots have also been slashed to 10%. Notably, the import duty on inputs utilized in manufacturing these components has been reduced to zero, encompassing items like adhesive, steel sheets, and logos. This decision comes in response to calls from industry associations to enhance India's competitiveness in smartphone manufacturing globally, given the comparatively higher tariff rates in the country compared to others like China and Vietnam. (Business Standard)

Customs Department Unveils Plans for Customs 2.0 Revenue Secretary Sanjay Malhotra announced the development of a comprehensive automated trade interface system, dubbed Customs 2.0, by the customs department. This initiative aims to enhance efficiency and streamline processes, ultimately improving India's ranking in the World Bank's Logistics Performance Index. The proposed Customs 2.0 system is envisioned to automate all customs processes and interactions with trade partners. (Press Trust of India)

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Corporate and allied laws

New NCLT Rules to Expedite Corporate Insolvency Resolution Process Anticipated changes in the National Company Law Tribunal (NCLT) are set to accelerate the Corporate Insolvency Resolution Process (CIRP) with the introduction of admission benches. These benches, once established, will be tasked with promptly admitting or rejecting CIRP initiation applications within 14 days of receipt, streamlining the process and prioritizing cases for tribunal hearings. Delays in admitting resolution plans have been exacerbated by NCLT benches questioning company defaults, despite validation by the Committee of Creditors (CoC), leading to process delays and asset value erosion. Under the Insolvency and Bankruptcy Code, the AA or NCLT is mandated to admit CIRP applications within 14 days, with provisions for addressing deficiencies before rejection. However, in practice, admission timelines have often been extended due to insufficient bench staffing, causing delays in processing. (Financial Express)

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Finance and banking

Regulatory Action Against Paytm Payments Bank In response to persistent non-compliance and ongoing supervisory concerns, the Reserve Bank of India (RBI) has taken decisive action against Paytm Payments Bank Ltd (PPBL) under Section 35A of the Banking Regulation Act, 1949. Following a Comprehensive System Audit report and subsequent compliance validation, the RBI directed PPBL, to cease onboarding new customers immediately. Furthermore, effective February 29, 2024, PPBL is prohibited from accepting new deposits or credit transactions, with exceptions for interest, cashback, or refunds. Customers, however, retain unrestricted access to withdraw or utilize their balances from various accounts and instruments. PPBL is restricted from providing banking services beyond withdrawals, including fund transfers, BBPOU, and UPI facilities. Additionally, the RBI has ordered the termination of Nodal Accounts belonging to One97 Communications Limited and Paytm Payments Services Limited by February 29. All pending transactions and nodal accounts must be settled by March 15 (Reserve Bank of India)

Withdrawal Status of INR 2000 Denomination Banknotes The Reserve Bank of India (RBI) announced the withdrawal of INR 2000 denomination banknotes from circulation. Since then, periodic updates on the status of the withdrawal have been published. Until October 7, deposit and exchange facilities for INR 2000 banknotes were available at all bank branches nationwide. As of January 31, the total value of INR 2000 banknotes in circulation has decreased significantly from INR 3.56 lakh crore on May 19, to INR 8,897 crore, indicating that 97.50% of the INR 2000 banknotes in circulation have been returned. It is important to note that INR 2000 banknotes continue to be legal tender. (Reserve Bank of India)

RBI Cautions of KYC Updation Frauds The Reserve Bank of India (RBI) has reiterated its warning against fraudulent activities masquerading as KYC updation. Typically, these frauds involve individuals receiving unsolicited communications, such as phone calls, SMS, or emails, coercing them to disclose personal information, and account/login details, or installing unauthorized apps via embedded links. Fraudulent messages often induce a false sense of urgency, threatening account freezing or closure if compliance is not met. Subsequently, divulged information grants fraudsters unauthorized access to accounts, facilitating fraudulent activities. In the event of financial cyber fraud, individuals are advised to promptly report incidents through the National Cyber Crime Reporting Portal or the cybercrime helpline (1930). To safeguard against such scams, the public is encouraged to adhere to the following measures: a) Verify any KYC updation requests directly with the bank/financial institution, b) Obtain contact details from official sources only, c) Promptly report cyber fraud incidents to the bank/financial institution, d) Inquire with the bank regarding KYC updation procedures, e) Avoid sharing account credentials, card information, PINs, passwords, or OTPs, f) Refrain from sharing KYC documents with unknown parties, g) Avoid sharing sensitive data via unverified websites or applications, h) Exercise caution with suspicious links received via mobile or email. (Reserve Bank of India)

RBI-DPI Indicates Continued Growth in Digital Payments The Reserve Bank of India (RBI) has been tracking the digitization of payments in the country through the composite Reserve Bank of India – Digital Payments Index (RBI-DPI) since January 1, 2021, with March 2018 as the base. As of September 2023, the RBI-DPI stands at 418.77, showcasing an increase from 395.57 in March 2023, which was announced on July 27. The rise in the RBI-DPI index is attributed to growth across all parameters, with notable increases in payment enablers, payment performance, and consumer centricity nationwide during the period. (Reserve Bank of India)

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Accounting and management

In Focus: Audit Trail

- Commencing on April 1, 2023, Indian companies are mandated to adhere to newly established regulations necessitating the utilization of accounting software equipped with an audit trail feature, documenting all modifications along with their respective timestamps. This audit trail must remain active and preserved for 8 years. Additionally, auditors are tasked with verifying and reporting on the company's adherence to these stipulations.

- This mandate encompasses all entities registered under the Companies Act, 2013, inclusive of small-scale enterprises, non-governmental organizations (NGOs), and publicly listed corporations, as well as foreign entities operating branches or liaison offices within India. However, these provisions are not LLP, Partnership Firm, Sole proprietorships, etc.

- According to Section 128(5) of the Act, companies are obligated to maintain their books of account for a minimum duration of eight years. Consequently, the company must retain its audit trail for at least eight years, starting from the date when the Account Rules become applicable, which is presently set as April 1, 2023.

- The accounting software can be operated and managed either within India or outside of India, provided it remains accessible within India at all times. It may be deployed on-premise, on the cloud, or accessed through subscription as Software as a Service (SaaS). Additionally, a company might utilize software maintained by a service organization. For instance, the company could outsource its payroll processing to a shared service centre, which in turn employs its software for processing the company's payroll.

- Following Rule 3 of the Companies (Accounts) Rules, the backup of the company's electronic books of account and other pertinent documents, even those maintained outside India, must be stored on servers physically located within India daily. This amendment implies that companies are mandated to back up their electronic Books of Accounts and related records daily.

- The audit trail serves to capture essential details of alterations made in financial records, ensuring transparency and deterring tampering. To comply, companies must either update their existing accounting software to incorporate the audit trail feature or opt for compliant software providers.

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Payroll and personal finance

■ **EPFO Raises Interest Rate to 8.25%** The interest rate paid on employee provident fund (EPF) has been increased to 8.25% marking the highest rate in three years. The Central Board of Trustees of the Employees' Provident Fund Organisation (EPFO) recommended this hike to the finance ministry, benefiting nearly 8 crore contributing subscribers, as per a statement by the labour ministry. This adjustment represents a significant upsurge from the previous fiscal years, with the last highest interest rate recorded at 8.5% in 2019-20. Subsequently, the rate remained at 8.5% in 2020-21 but was reduced to 8.1% in the following year, the lowest in four decades. However, the interest rate experienced a marginal increase to 8.15% in 2022-23. The recommendation for the fiscal year 2023-24 will now undergo review by the finance ministry. Once approved, the EPFO will credit the revised interest rate to the EPF subscribers. With India gearing up for elections scheduled in April-May, this decision carries significant implications for the millions of EPF contributors across the country. (Economic Times)

■ **Deadline for FASTag KYC Extended** The National Highways Authority of India (NHAI), a state-owned entity, has extended the deadline for Know Your Customer (KYC) compliance for FASTags until February 29. This extension comes after NHAI's announcement that FASTags with valid balances but incomplete KYC would be deactivated by banks after January 31. NHAI's initiative One Vehicle, One FASTag aims to streamline electronic toll collection by discouraging the use of a single FASTag for multiple vehicles. Despite the closure of only 7 lakh multiple FASTags out of 1.27 crore, NHAI has extended the deadline by another month. FASTag, an electronic toll collection system operated by NHAI, utilizes RFID technology to deduct toll charges directly from linked prepaid or savings accounts. With a penetration rate of around 98% and over 8 crore users, FASTag facilitates seamless toll payments across India's highways. (Your Story)

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BUSINESS NEWS

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Government

■ **FAME-II Program gets Additional INR 1,500 Crore Allocation** The Union Finance Ministry has greenlit an additional INR 1,500 Crore infusion for the second phase of the Faster Adoption and Manufacturing of Electric Vehicles in India (FAME-II) program. These subsidies will remain applicable for electric two-, three-, and four-wheelers sold until March 31, 2024, or until the funds are depleted, whichever occurs first. The Ministry of Heavy Industries clarified that the scheme's total outlay has been increased to INR 11,500 Crore, emphasizing its limited duration and fund availability. Of the total allocation, INR 7,048 Crore is earmarked for electric vehicles, with INR 5,311 Crore dedicated to electric two-wheelers and INR 4,048 Crore designated for electric buses and EV charging infrastructure. Launched in April 2019, FAME India Phase II aims to electrify public and shared transportation over five years. (Inc42)

■ **Karnataka Government Partners with Wistron for Laptop Manufacturing Unit** The Karnataka government and Wistron (ICT Service Management Solutions) have inked a memorandum of understanding (MoU) to establish a laptop manufacturing plant. The Taiwan-based company is poised to invest INR 1,500 crore in this endeavour, potentially generating around 3,000 job opportunities. Large and Medium Industries Minister M B Patil disclosed that the company has requested 32 acres of land for the proposed project, with the government contemplating the provision of suitable land in the Bengaluru region. Scheduled to initiate operations in July, the plant aims to commence laptop manufacturing by January 2026. Additionally, the facility will produce Internet of Things (IoT) components and parts for electric vehicles (EVs), further diversifying its scope. (Source: Press Trust of India)

■ **Government's Fund of Funds Injects INR 17,534 Crore into 938 Indian Startups** A recent CRISIL report unveiled the significant impact of the government's Fund of Funds (FoFs) initiative on India's startup ecosystem. Since its inception in 2016 until November 2023, the FoFs scheme has facilitated investments totalling INR 17,534 Crore across 938 unique Indian startups. Managed by the Small Industries Development Bank of India (SIDBI), the FoFs scheme aims to bolster the startup ecosystem by providing vital capital. Notably, investments amounting to INR 1,590 Crore have been directed towards 129 startups located beyond Tier-I cities, fostering regional entrepreneurship. Founded with a corpus of INR 10,000 Crore, the FoFs scheme plays a pivotal role in channelling capital to startups indirectly through SEBI-registered AIFs, driving innovation and economic growth. Despite recent reductions in budgetary allocations, the government remains committed to fostering a conducive environment for startup growth through strategic investments and policy support. (Inc42)

Economies

■ **India Becomes Fourth Largest Stock Market Globally** India has achieved a significant milestone by surpassing Hong Kong to become the world's fourth-largest equity market by market capitalization. With a market cap of USD 4.33 trillion, India's stock market has edged past Hong Kong's USD 4.29 trillion, marking a historic achievement. Currently, the United States holds the top position as the largest stock market globally, with a market cap of USD 50.86 trillion, followed by China at USD 8.44 trillion, and Japan at USD 6.36 trillion. India's stock market crossed the USD 4 trillion mark for the first time on December 5, with substantial growth observed over the past four years. This growth can be attributed to various factors including the expanding retail investor base, consistent inflows from foreign institutional investors (FIIs), robust corporate earnings, and strong domestic macroeconomic fundamentals. Notably, India's stock market has registered gains for eight consecutive years, indicating its resilience and potential for further expansion. In contrast, Hong Kong's Hang Seng index has experienced a four-year losing streak, while the Shanghai Stock Exchange has seen losses for two consecutive years. Negative sentiment towards China and Hong Kong has intensified due to factors such as the absence of significant economic stimulus measures and regulatory crackdowns on corporations. (Outlook India)

■ **Repo Rate Maintained at 6.50% for the Sixth Time** The Reserve Bank of India (RBI) has decided to keep the repo rate unchanged at 6.50%. This marks the sixth consecutive time that the central bank has opted to maintain the current rate. RBI Governor Shaktikanta Das cited the Monetary Policy Committee's (MPC) decision as a response to the unevenness in inflation. Notably, this decision was reached through a vote of 5:1, indicating some divergence among committee members compared to previous unanimous decisions. The challenge of achieving the targeted inflation rate of 4% is a key factor driving the decision to keep the repo rates steady. Despite efforts, maintaining inflation at the desired level has proven difficult, prompting the RBI to maintain the status quo on interest rates. (Reserve Bank of India)

■ **US Fed Keeps Key Rates Unchanged** In its latest decision, the US Federal Reserve, led by Jerome Powell, maintained the benchmark interest rates at 5.25% - 5.50%, marking the fourth consecutive meeting without any changes. The decision, in line with market expectations, reflects the Fed's cautious approach amidst ongoing economic uncertainties. The Fed emphasized its commitment to closely monitoring inflation dynamics, stating that it will only consider reducing the target range for interest rates once it is confident that inflation is moving sustainably towards the two per cent target. This cautious stance indicates that the Fed is prioritizing inflation management while maintaining a balanced approach towards achieving its employment and inflation goals. This stance contrasts with previous expectations of potential rate cuts, disappointing investors who had anticipated a shift in monetary policy. The Fed's decision to maintain rates comes after a series of aggressive rate hikes totalling 5.25 percentage points since March 2022, aimed at curbing rising price pressures. (Live Mint)

Corporates

■ **Bajaj Auto Announces INR 4,000 Crore Share Buyback** Bajaj Auto, a prominent player in the two and three-wheeler segment, greenlit a substantial share buyback program worth INR 4,000 crore, set at INR 10,000 per share. This move represents a significant premium of 43 per cent over the previous closing price. The buyback will involve the repurchase of 40 lakh shares via the tender route, equivalent to 1.41 per cent of Bajaj Auto's outstanding shares. Notably, the company's promoters, holding a 54.94 per cent stake, will also partake in the buyback initiative. This marks Bajaj Auto's second share buyback in as many years, following a previous buyback in July 2022. According to Bajaj Auto's Managing Director, Rajiv Bajaj, the company is poised to end the fiscal year 2024 with a cash balance of INR 20,000 crore, buoyed by an exceptional performance in 2023. Over the past year, the stock has surged by over 93 per cent, securing its position as the second-best performer on the index, trailing only Tata Motors. (Money Control)

■ **Zee-Sony Merger Falls Out** The much-anticipated merger between Culver Max Entertainment (Sony India) and Zee Entertainment Enterprises (Zee) has been officially called off after facing significant hurdles, including legal challenges and regulatory issues. Initially announced amidst considerable excitement, the merger would have created a broadcasting powerhouse boasting 75 channels and two OTT platforms, spanning entertainment, sports, and regional content. However, the Securities and Exchange Board of India (SEBI) issued an interim order last June, barring Essel Group Chairman Subhash Chandra and his son Punit Goenka from key managerial roles at Zee due to allegations of diverting funds to private entities. With Goenka slated to lead the merged entity, Sony decided to abandon the deal, leaving both companies to navigate the evolving media landscape individually. Meanwhile, Reliance Industries and Disney Star are pursuing a merger of their media businesses, potentially creating a formidable competitor with approximately 110 channels. As the industry braces for further consolidation, concerns arise about the implications for smaller players in the broadcasting sector. (Business Today)

■ **Hyundai's Unveils IPO Plans** South Korea's Hyundai Motor Co is contemplating a significant move to capitalize on India's thriving IPO market by considering the listing of its local unit, Hyundai Motor India Limited (HMIL). This decision marks a pivotal moment nearly three decades after HMIL's inception and could potentially constitute the largest initial public offering in India's history. As the second-largest passenger vehicle seller in India last year, trailing only Maruti Suzuki

India, HMIL's IPO has garnered attention from major financial institutions, including Goldman Sachs, Citi, Morgan Stanley, JP Morgan, Bank of America, HSBC, Deutsche Bank, and UBS. Valuations for the company range from USD 22-28 billion, with plans for a 15-20% dilution to raise USD 3.3-5.6 billion. This move aligns with South Korea's strategy to enhance the valuation of its underperforming stocks and mitigate the 'Korea discount' prevalent in financial markets. Moreover, given the low price-to-earnings ratios of South Korean automakers compared to their Japanese and American counterparts, Hyundai's Indian subsidiary could potentially command superior PE multiples. (Economic Times)

Startups

- **Delhivery Achieves Profitability in Q3 Ecommerce logistics firm** Delhivery marked a significant milestone in the October-December 2023 quarter by posting a profit of INR 11.7 crore, a notable turnaround from the INR 196 crore loss incurred in the same period a year ago. This achievement follows a loss of nearly INR 103 crore in Q2 of the current fiscal year. Delhivery's operating revenue witnessed a robust 20% year-over-year jump, totalling INR 2,194 crore in Q3 FY24 compared to INR 1,832 crore in the corresponding quarter last year. Established in 2011, Delhivery offers a comprehensive suite of delivery logistics services encompassing last-mile delivery, warehousing, reverse logistics, and more. (Your Story)

- **PhysicsWallah Launches PW Gurukulam School** PhysicsWallah (PW) has expanded its educational offerings by inaugurating its inaugural PW Gurukulam School in Gurugram. This venture into physical schools marks a significant diversification for the edtech unicorn, following its investment in a brick-and-mortar skilling institute. The PW Gurukulam School, affiliated with the Central Board of Secondary Education Board (CBSE), will provide primary education from play school to grade 7, aligning its curriculum with the National Education Policy 2020. PW Gurukulam aims to deliver experiential learning, fostering well-rounded students with a special emphasis on financial literacy, entrepreneurship, and initiatives such as Model United Nations. Founded in 2020, PW has significantly expanded its offerings across 28 test prep categories and a skilling vertical, boasting over 72 tech-enabled Vidyapeeth (offline) and 28 Pathshala (hybrid) centres nationwide. This move to establish a physical school further enriches PW's offline portfolio, echoing a broader trend within the tech sector, where companies are increasingly exploring offline channels in the wake of the pandemic-induced surge in online education. (Your Story)

- **Zomato Posts Strong Q3 Performance** Brokerage firms, including Jefferies, Nuvama, and Kotak, have revised their price targets for Zomato's stock upward following the company's robust performance in the third quarter of the financial year 2023-24. Zomato reported a consolidated profit after tax (PAT) of INR 138 Crore, marking its third consecutive profitable quarter. This stellar performance has led to a surge in optimism among securities analysts, with many maintaining a buy rating on the stock and expecting total returns of 15% or more within a year. The company's impressive financial results were driven by its quick commerce vertical, Blinkit, which saw significant revenue growth. Blinkit's revenue surged to INR 644 Crore, more than doubling from the previous year, attributed to increased festive demand. Despite the strong performance of Blinkit, Zomato's food delivery vertical remains a significant revenue contributor. While revenue from this segment increased by 29% year-on-year to INR 2,205 Crpre, sequential growth fell short of expectations due to the muted demand environment in the quarter. Additionally, Zomato's B2B arm, Hyperpure, witnessed a substantial increase in revenue, doubling from the previous year to INR 859 Crore. (Inc42)

Conglomerates

- **Meta's Q4 Profit Triples** In the fourth quarter of 2023, Meta, the parent company of Facebook, reported a remarkable surge in profit, tripling its earnings thanks to robust digital ad spending. Mark Zuckerberg-led Meta also announced its inaugural cash dividend of USD 0.50 per share, along with a USD 50 billion expansion in its stock repurchase authorization. This news propelled Meta's stocks to soar by 14% during extended trading. The social media behemoth concluded FY23 with an impressive USD 134.9 billion in revenue, marking a substantial 15.7% annual growth, alongside a staggering net profit of USD 39.1 billion, reflecting a remarkable 68.5% increase compared to the preceding fiscal year. (Financial Times)

Amazon Achieves Record Operating Profit in Q4 In the fourth quarter of 2023, Amazon reported its highest-ever quarterly operating profit, soaring to USD 13.2 billion, marking a remarkable 388% increase from USD 2.7 billion in the same period the previous year. This exceptional performance was attributed to a robust holiday season, surpassing expectations, and marked efficiency enhancements in its e-commerce operations, according to statements from the California-based company. Amazon's net profit also witnessed a significant surge, reaching USD 10.6 billion for the quarter ended December 31, compared to a mere USD 0.3 billion in Q4 of 2022. The company's total income rose by 14% year-over-year to USD 170 billion, up from USD 149.2 billion in the corresponding period last year. (Financial Times)

Alphabet Beats Expectations But Ad Revenue Growth Slows Down Alphabet, the parent company of Google, reported fourth-quarter earnings that surpassed analyst expectations, with net income reaching USD 20.69 billion, or USD 1.64 per diluted share. Google's advertising revenue for the quarter totalled USD 65.52 billion, just shy of analyst projections of USD 65.73 billion. This figure includes USD 48 billion from Google search revenue and approximately USD 9.2 billion from YouTube ad revenue. However, the company's cloud segment revenue showed promising growth, increasing by 25% year-over-year to USD 9.19 billion. Alphabet CEO Sundar Pichai expressed satisfaction with the continued strength in Search and the growing contributions from YouTube and Cloud, attributing these successes to the company's investments in artificial intelligence (AI) and innovation. Pichai also highlighted the recent launch of Gemini, Google's new AI model, which has raised optimism about the company's competitiveness in the AI space. (Investopedia)

ECONOMIC INDICATORS

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ECONOMIC INDICATORS

Key Economic Indicators

Indicator	As on	Current	Prior
GDP Growth (%)	Sep-23	7.60	7.80
Inflation (%)	Dec-23	5.69	5.55
Unemployment (%)	Dec-23	8.65	9.16
Trade Balance ($m)	Dec-23	(19.80)	(20.58)
Business confidence	Dec-23	135.00	132.00
Manufacturing PMI	Jan-24	56.50	54.90
Services PMI	Jan-24	61.80	59.00

Commodities Future

Commodity	Expiry	Price	%
Gold	Apr-24	62,356.00	(1.32)
Silver	Mar-24	70,593.00	(5.12)
Crude Oil	Feb-24	6,061.00	1.05
Natural Gas	Feb-24	173.70	(17.68)
Aluminum	Feb-24	199.95	(5.55)
Copper	Feb-24	716.45	(1.91)
Cotton	Mar-24	57,700.00	2.34

Global Indices

Index	Country	%
NIFTY 50	India	0.76
BSE SENSEX	India	0.06
INDIA VIX	India	25.65
NIFTY BANK	India	(5.14)
DOW JONES	USA	2.44
NASDAQ	USA	7.39
S&P 500	USA	5.23
FSTE 100	UK	(1.00)
NIKKEI 225	Japan	8.31
SHANGHAI COM	China	(5.03)
MOEX	Russia	3.00
CAC 40	France	2.28
DAX	Germany	1.87
S&P ASX 200	Australia	1.01
BOVESPA	Brazil	(3.36)
KOSPI	South Korea	(0.15)
HANG SENG	Hong Kong	(2.59)

Currency Exchange Rates

Pair	Current	Prior	%
INR/1 USD	83.03	83.12	0.11
INR/1 GBP	104.73	106.11	1.29
INR/1 EUR	89.52	92.00	2.70
INR/100 YEN	55.98	58.82	4.83

Cryptocurrencies

Pair	Crypto	Price	%
BTC/USD	Bitcoin	42,684.00	1.55
ETH/USD	Ethereum	2,309.00	0.30
USDT/USD	Tether	1.00	(0.13)
BNB/USD	Binance	301.50	(4.89)

Small Savings Schemes

Scheme	Current	Prior	%
SSCS	8.20	8.20	-
SSA	8.20	8.00	0.20
NSC	7.70	7.70	-
PPF	7.10	7.10	-
KVP	7.50	7.50	-

For queries and feedback, please write to us at **info@greenvissage.com**

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