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RED SEA

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ABOUT US

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Greenvissage Business Consulting LLP

LLPIN: AAB-9132

PUNE

106, Mayfair Tower I,
Wakdewadi, Pune – 411005, India

Google Maps

7, Kunal Puram Commercial Complex,
Opp Atlas Copco, Old Mumbai – Pune Highway,
Dapodi, Pune – 411012, India

Google Maps

MUMBAI

904, 9th Floor, Bhumiraj Costarica,
Off Palm Beach Road, Sector 18, Sanpada,
Navi Mumbai – 400705, India

Google Maps

Email: info@greenvissage.com

Call: +91 20 6764 0900

THE BIG STORY

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"The Neck without Necklace" – Red Sea Crisis – How one crisis is choking the entire global trade and disrupting trade routes

Introduction

In the vast expanse of the maritime world, where the shimmering waters of the Red Sea meet the endless horizons, lies a hub of global commerce and ancient history. The Red Sea, with its strategic location connecting the Mediterranean Sea to the Indian Ocean, has been a vital artery of international trade for millennia. Its shores have witnessed the ebb and flow of civilizations, and the exchange of goods, ideas, and cultures. However, the Red Sea, once a sapphire highway for global commerce, has become a constricting anaconda, squeezing the life out of international trade. Just a few months ago, container ships glided through its waters, their bellies laden with the lifeblood of economies. Now, the very route that once pulsed with the rhythm of global exchange is choked by a silent crisis, threatening to send the world's intricate trade web into a tangled mess. This is the story of a vital artery slowly turning into a commercial tourniquet.

Background

The Red Sea, a vital artery for global trade, has become a source of disruption since late 2023. A surge in security threats – including attacks on vessels – has forced a significant rerouting of maritime traffic, impacting economies worldwide and causing headaches for Indian businesses. The Red Sea serves as a critical link between Asia and Europe, handling roughly 30% of global container traffic. The lynchpin of this route is the Suez Canal, a man-made waterway that significantly reduces travel time between continents. However, recent security issues have deterred many shipping companies from using the canal, leading to a mass diversion of vessels around Africa's Cape of Good Hope. The exact nature of the security threats in the Red Sea remains somewhat unclear. Reports suggest a confluence of factors. While piracy incidents in the region have declined in recent years, a resurgence of attacks on ships has been documented. This raises concerns for cargo safety and crew wellbeing, prompting companies to prioritize alternative routes. The Red Sea is bordered by several countries with complex political landscapes. Heightened regional tensions, coupled with a potential lack of international cooperation on maritime security, could be contributing to the instability. Increased military exercises and naval manoeuvres in the Red Sea might be deterring commercial shipping due to safety concerns or restricted access to certain areas.

Global Trade Takes a Hit

The Red Sea crisis has thrown a wrench into the finely tuned gears of global trade, causing disruptions across the board. The rerouting of ships around Africa's Cape of Good Hope adds significant distance to journeys, translating to a 30% increase in transit times. This throws off delivery schedules and disrupts just-in-time inventory management, a cornerstone of modern supply chains. Imagine a meticulously planned choreography thrown into chaos by a missing dancer – that's the effect on global trade. Delays in key routes like the Red Sea create bottlenecks throughout supply chains. This can lead to shortages of essential goods and raw materials in certain regions. It's like a domino effect – a delay in one shipment disrupts production schedules for companies relying on those materials, leading to further delays and potential product shortages down the line. With ships rerouted, there are simply fewer vessels available on traditional routes. This effectively reduces global container shipping capacity by an estimated 9%, creating a situation where there's more cargo than there are ships to carry it. Think of it like having fewer lanes on a highway during rush hour – everything slows down.

The increased demand for alternative routes and the perceived higher risk in the Red Sea have driven up shipping costs by an estimated 40-60%. This puts a financial strain on businesses of all sizes, forcing them to make tough decisions about pricing and production. Insurance companies have responded to the perceived risk by raising premiums for vessels traversing the Red Sea. This adds another layer of financial burden for shipping companies, further squeezing their profit margins. It's like having to pay extra for car insurance just for driving on a specific road. Ultimately, the cost increases are likely to be passed on to consumers in the form of higher prices for imported goods. This can harm inflation and household budgets. Imagine your grocery list getting more expensive because it takes longer and costs more to get certain products to your local store.

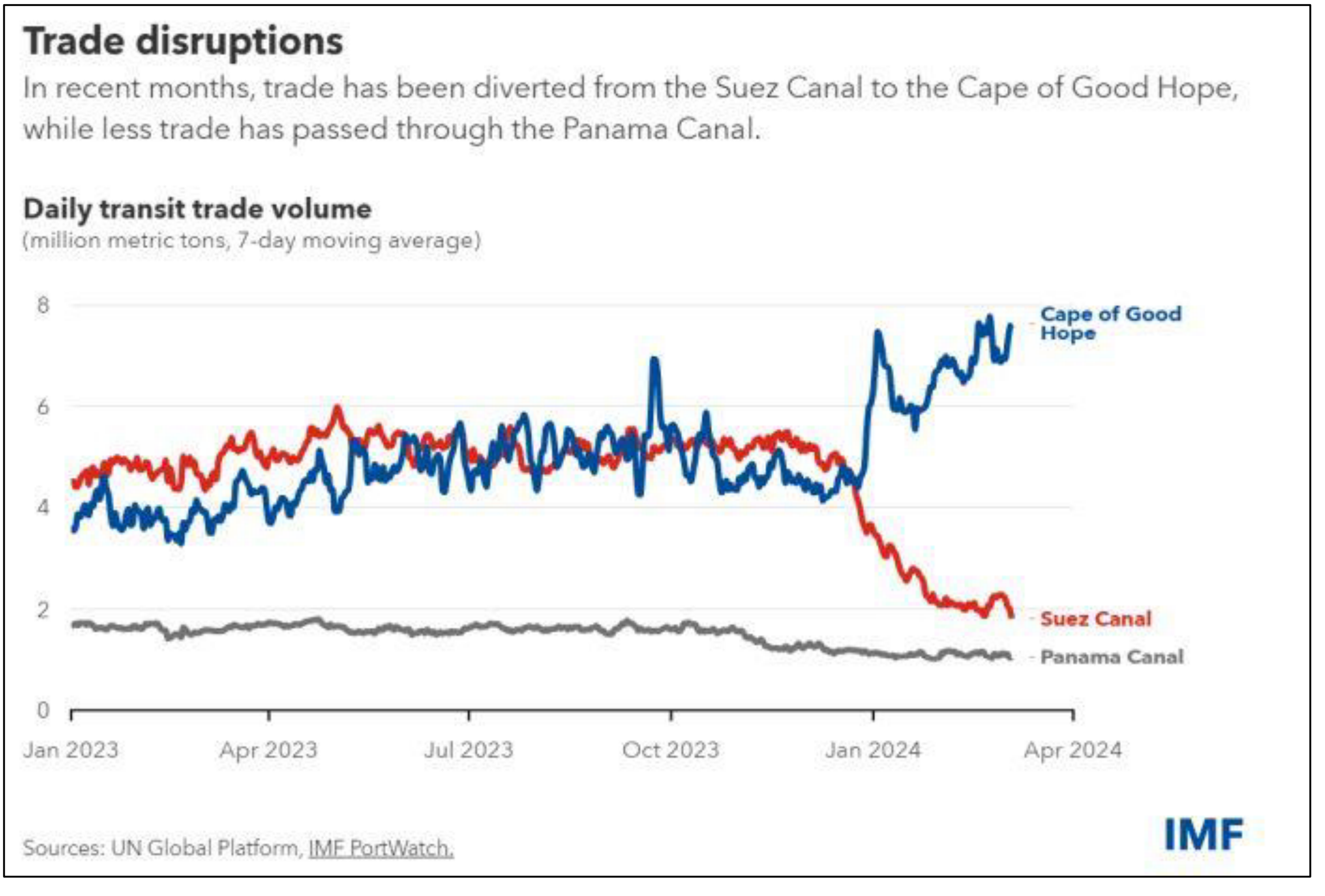
India Caught in the Crossfire

India, with its burgeoning economy and strategic maritime interests, is deeply affected by any crisis that unfolds in the Red Sea region. As a major player in global trade, particularly with its extensive maritime routes connecting the Indian Ocean to the Arabian Sea and beyond, India heavily relies on the smooth functioning of the Red Sea for its trade and energy security. A substantial portion of India's trade – roughly 65% of crude oil imports and 50-60% of merchandise trade with Europe and North Africa – traditionally utilizes the Suez Canal route. Firstly, any disruption in the Red Sea could directly impact India's energy supplies. A significant portion of India's oil and gas imports pass through the Red Sea, either via the Suez Canal or the Bab-el-Mandeb Strait. Any blockade or crisis in these crucial waterways could lead to delays in oil shipments, causing potential shortages and price spikes in the Indian market. This, in turn, could adversely affect India's economy and its citizens' daily lives. Moreover, India's robust trade ties with countries in Africa, the Middle East, and Europe heavily rely on maritime routes passing through the Red Sea. Any disruption in these trade routes could disrupt the flow of goods to and from India, affecting industries, supply chains, and ultimately the overall economy. Furthermore, India has strategic interests in maintaining stability and security in the Red Sea region. Instability, conflicts, or piracy could threaten not only India's maritime trade but also the safety of Indian vessels and personnel navigating through these waters. Protecting Indian interests and ensuring the safety of its maritime assets would require increased naval presence and diplomatic efforts, which could divert resources and attention from other priorities.

A Glimmer of Hope

The Red Sea crisis highlights the interconnectedness of the global economy. A disruption in one region can have cascading effects across continents. The impact is felt not just by businesses, but by everyday consumers as well. This situation demands a collective response from governments, international organizations, shipping companies, and port authorities to restore stability and find long-term solutions. There's no easy fix to the Red Sea crisis. However, several potential solutions can help mitigate the impact and restore stability. Concerted efforts by regional countries and the international community are needed to improve maritime security in the Red Sea. This could involve increased naval patrols, intelligence sharing, and diplomatic cooperation to address underlying geopolitical tensions. The surge in traffic around the Cape of Good Hope has exposed limitations in African port infrastructure. Investments in port expansion and efficiency improvements can help handle the increased load and reduce congestion. Exploring alternative shipping routes, such as the Northern Sea Route via the Arctic Ocean, could offer long-term solutions. However, these routes face challenges related to harsh weather conditions and infrastructure limitations. The Red Sea crisis is a stark reminder of the interconnectedness of the global economy. A disruption in one region can have cascading effects across continents. Finding a solution requires a collective effort from governments, international organizations, shipping companies, and port authorities. By prioritizing maritime security, investing in infrastructure, and exploring alternative routes, stakeholders can work together.

(References – Financial Express, Business Standard, The Guardian)



EXPERT OPINION

India-Mauritius Tax Treaty – "Pay your fair share of taxes"

By Amit Chandak, Managing Partner, Greenvissage

Introduction

In the intricate landscape of international finance, tax treaties stand as the bedrock of cross-border investment relations. These agreements delineate the treatment of incomes arising in one country but accruing to residents of another. However, behind their seemingly technical design lies a reflection of power dynamics, often shaping and reshaping global financial flows. For developing nations like India, negotiating tax treaties holds strategic importance. In the quest for higher investments, they may concede greater taxing rights, hoping to attract more capital.

What are DTAAs?

DTAA stands for Double Taxation Avoidance Agreements. These agreements are signed between countries to mitigate the issue of double taxation, where the same income is taxed in two different jurisdictions. In essence, DTAA ensures that individuals or entities earning income in one country while being residents of another country are not subjected to taxation on the same income twice. Every country has its own tax rules regarding foreign income and taxation of non-residents. DTAA operates based on two principles: the source rule – Income is taxed in the country where it originates, regardless of the taxpayer's residency status, and the resident rule – Income is taxed in the country where the taxpayer resides, regardless of where the income originates. In India, the residence rule is followed. This means that if you're a resident of India, your international income is taxed in India. However, if you're a non-resident Indian (NRI), Indian income may be taxed both in India and your country of residence. DTAA provisions allow NRIs to claim benefits to avoid double taxation. DTAA provisions often exempt certain types of income from double taxation. In the Indian context, NRIs may not have to pay double tax on income earned in India in various categories such as salary, payment for services, interest on fixed deposits, income from house property, interest earned on savings bank accounts, and capital gains from assets in India. These agreements facilitate international trade, investment, and movement of labour by providing clarity on tax obligations, thereby promoting economic cooperation between countries.

India-Mauritius Trade Relations

India and Mauritius boast a vibrant commercial relationship, with India emerging as Mauritius's primary trading partner. This partnership is underscored by a healthy exchange of goods. In the 2022-2023 fiscal year, India exported a substantial USD 462.69 million worth of goods to Mauritius, exceeding Mauritian exports to India, which stood at USD 91.50 million. Key Indian exports fueling this trade corridor include essential products like pharmaceuticals, cereals, and machinery, while Mauritius contributes medical devices, scrap metal, and the prized spice, vanilla, to the Indian market. This dynamic highlights India's role as a supplier of crucial commodities and Mauritius's niche contribution to specific Indian sectors. This robust commercial relationship offers significant advantages to both India and Mauritius. India gains access to a reliable export market and a substantial source of foreign investment, fueling its economic growth. Mauritius benefits from a steady supply of essential goods and a lucrative market for its specialized exports. The potential for even stronger economic ties between India and Mauritius remains immense. Exploring avenues for deeper integration, such as potential free trade agreements or enhanced collaboration in specific sectors like pharmaceuticals or renewable energy, could further solidify this partnership.

What is the India-Mauritius Tax Treaty?

The India-Mauritius Tax Treaty is a long-standing fixture in bilateral relations to prevent double taxation of income and also evasion of taxes between the two countries. Originally crafted in 1982, the treaty aimed to prevent double taxation and foster bilateral trade and investment by offering tax certainty to investors. Yet, over time, loopholes emerged, raising concerns about tax evasion and the misuse of the treaty for round-tripping funds. This prompted a series of amendments, notably in 2016, when India and Mauritius revised the agreement to allow India to tax capital gains on shares sold through Mauritius. However, despite these revisions, the treaty lacked a robust anti-abuse clause. Enter the Base Erosion and Profit Shifting (BEPS) programme, an initiative spearheaded by the OECD to combat tax avoidance. Under BEPS, a set of best practices, including the Multilateral Instrument (MLI), was developed to reform international tax laws swiftly. Significantly, India, along with numerous other nations, signed onto the MLI, signalling a commitment to plug tax loopholes. The recent amendments to the India-Mauritius Tax Treaty underscore India's evolving stance on tax treaty abuse. The inclusion of the Principal Purpose Test (PPT) is a pivotal move, denying treaty benefits where tax avoidance is the primary intent. Moreover, amendments to the treaty's preamble emphasize the intent to eliminate double taxation and prevent tax evasion, shifting the focus from mutual trade promotion to tax compliance. These changes align with global efforts against treaty abuse, particularly under the BEPS framework. They also reflect India's readiness to adopt minimum tax regimes for multinational enterprises, as proposed under Pillar Two of the OECD's BEPS initiative. By integrating PPT into the treaty and aligning with global tax norms, India aims to curb tax avoidance and bolster tax revenues.

The Mauritius Route

The Mauritius route refers to a strategy used by foreign investors to channel their investments into India via Mauritius. This route gained popularity due to the favourable tax environment established by a Double Taxation Avoidance Convention (DTAC) between India and Mauritius. Beyond trade, Mauritius has emerged as a powerhouse for foreign direct investment (FDI) into India. Notably, a staggering USD 161 billion in FDI has flowed from Mauritius to India over the past two decades, constituting a significant 26% of India's total FDI inflows. This phenomenon can be attributed, in part, to the favourable Double Taxation Avoidance Convention (DTAC) signed by both countries. The DTAC eliminates double taxation for businesses operating in both nations, creating a more attractive investment environment for Mauritian companies looking to expand into the Indian market.

The DTAC offered significant tax benefits. Under its terms, capital gains earned from Indian investments by a Mauritian resident company were not taxed in either India or Mauritius (if the Mauritian company met certain criteria). This advantage attracted foreign investors to set up companies in Mauritius, essentially creating a legal intermediary. The Mauritius route facilitated significant foreign direct investment (FDI) into India, boosting its economic growth. However, it also raised concerns about potential tax avoidance. Regulatory changes in both countries aimed to address these concerns. In recent years, the Mauritius route has become less attractive. Amendments to the India-Mauritius DTAC introduced minimum substance requirements for Mauritian companies and limited the capital gains tax benefit. Additionally, India's implementation of General Anti-Avoidance Rules (GAAR) further tightened regulations. While the Mauritius route's dominance has waned, it played a significant role in India's economic development. As India seeks to attract foreign investment, it continues to focus on creating a more transparent and investor-friendly environment.

The New Amendments

India has introduced a new protocol amending its Double Taxation Avoidance Agreement (DTAA) with Mauritius. This update aims to prevent tax evasion and avoidance practices that exploit loopholes in the treaty. A new provision, Article 27B, introduces the PPT. This allows Indian tax authorities to deny treaty benefits, such as lower withholding taxes, if the main reason for a transaction or business structure is to obtain these benefits. This discourages the use of the treaty for purely tax-motivated purposes and ensures benefits go to genuine investors with real economic activity in Mauritius.

The amendments also emphasize that Mauritian companies claiming treaty benefits must have a legitimate business presence and activities in Mauritius. This discourages the use of "shell companies" set up solely to take advantage of the treaty's tax breaks. Further, the treaty's preamble has been revised to reflect a focus on eliminating double taxation, not creating opportunities for reduced or no taxation through tax evasion or avoidance. This includes "treaty shopping" arrangements where benefits are channelled to residents of other countries through Mauritius. Indian authorities will now be able to look beyond just a residency certificate when evaluating a company's entitlement to treaty benefits. They can assess the overall purpose of a transaction or business structure.

These amendments demonstrate India's commitment to aligning with international efforts against tax abuse. This includes the Base Erosion and Profit Shifting (BEPS) project by the OECD, which aims to prevent multinational companies from shifting profits to low-tax jurisdictions. The exact date the amendments take effect is still pending, dependent on internal notification processes in both countries. While India hasn't announced changes related to the BEPS Pillar Two minimum tax yet, it's expected to be addressed in the upcoming July 2024 budget.

Conclusion

The implications of these amendments are profound. They necessitate a reevaluation of cross-border investment structures, especially those routed through Mauritius. With the PPT applicable to all transactions post-notification of the treaty, investors face heightened scrutiny and potential tax liabilities. However, concerns linger regarding the impact on existing investments and the potential for increased litigation. Clarifications from tax authorities will be crucial to navigating these changes effectively. Nonetheless, the amended treaty represents a significant step towards ensuring that investment decisions are driven by economic fundamentals rather than tax considerations alone. The evolution of the India-Mauritius tax treaty exemplifies the shifting dynamics of cross-border investment and international tax law. As nations strive to align with global standards and combat tax evasion, such amendments serve as a testament to the changing tide of international finance, where transparency and compliance take precedence.

(References – Indian Express, Business Standard, India Briefing)

GREENVISSAGE EXPLAINS

Greenvissage

Are RBI's new rules a shot in the arm for stability or a blow to infrastructure growth?

The Reserve Bank of India (RBI) has unveiled a fresh set of guidelines for project finance, sparking debates within the financial sector and raising questions about its potential impact on infrastructure development. The proposed regulations come at a time when the RBI aims to mitigate risks inherent in financing infrastructure projects, notorious for their prolonged gestation periods and susceptibility to delays. The central bank's focus is on fortifying the financial health of such projects, safeguarding lenders against potential defaults that could arise during the lengthy construction phases.

Under the new framework, banks are mandated to allocate a larger portion of their funds, up to 5%, as a cushion during the construction phase of infrastructure projects. This measure is designed to shield lenders from financial losses should projects encounter unforeseen challenges later on. The regulations impose stricter deadlines for project completion, with projects classified as non-performing assets if they surpass a six-month delay beyond the stipulated timeline. This represents a departure from previous leniency towards project timelines. In consortium lending arrangements, where multiple banks participate in financing a single project, each bank is required to maintain a minimum stake. This provision aims to incentivize thorough due diligence before extending loans.

While the RBI's intentions are geared towards enhancing financial stability, lenders have expressed apprehension over several aspects of the proposed regulations. Banks fear that the increased provisioning requirements could erode profits derived from project finance, impacting their bottom line. Stricter regulations may lead to higher borrowing costs for infrastructure companies, potentially stalling growth in this critical sector. Some lenders may be deterred from engaging in project finance altogether if the proposed rules are implemented without revision. At present, the RBI is soliciting feedback on the draft guidelines until mid-June. Banks are expected to lobby against the regulations, advocating for revisions to address their concerns while ensuring the financial viability of infrastructure projects.

The RBI's proposed regulations underscore its commitment to fostering financial stability. However, the outcome hinges on whether the framework will strike a delicate balance between stability and growth in India's infrastructure landscape. As stakeholders engage in discussions, the trajectory of infrastructure financing in the country will be closely watched to gauge its broader economic implications.

(References – Economic Times, The Hindu Busines Line)

Can inheritance tax reduce inequality or will it be an economic blunder?

In a world marked by staggering wealth disparities, the debate over inheritance tax has ignited fervent discussions on the role of taxation in shaping societal equality and economic growth. Advocates argue that it offers a pathway to mitigate wealth concentration among the affluent, while detractors caution against its potential adverse effects on entrepreneurship and economic dynamism. As nations grapple with these diverging viewpoints, it becomes imperative to dissect the nuanced implications of inheritance tax policies within the context of their socio-economic landscapes. Proponents of inheritance tax ground their argument in principles of equity and social justice. They contend that allowing vast fortunes to be passed down from one generation to the next perpetuates a cycle of privilege, further entrenching inequality. By imposing taxes on inherited wealth, governments can redirect resources towards addressing pressing social needs and fostering a more level playing field for all citizens. Moreover, inheritance tax advocates emphasize the democratic imperative of curbing excessive concentration of economic power, thereby safeguarding the principles of equal opportunity and civic participation. However, the implementation of inheritance tax is not without its challenges and criticisms. One of the primary concerns raised by opponents is the potential burden it places on the middle class. Without careful calibration, inheritance tax policies could inadvertently penalize hardworking individuals who have amassed modest assets through years of toil and prudence. Moreover, there is apprehension that high tax rates may dampen entrepreneurial spirit and investment incentives, leading to capital flight and stifling economic growth. Additionally, the complexity of assessing inherited assets and the possibility of tax evasion pose formidable administrative hurdles, casting doubt on the feasibility and efficacy of such measures. Examining international experiences with inheritance tax offers valuable insights into its potential impacts and limitations. Countries like Japan and France have successfully implemented inheritance tax regimes, albeit with varying rates and exemptions. While these policies have contributed to wealth redistribution, they have also encountered challenges such as tax evasion and administrative inefficiencies. Conversely, the United States' experience demonstrates the contentious nature of inheritance tax, with ongoing debates over its economic rationale and fairness. As nations deliberate over the merits of inheritance tax, finding a balanced approach is paramount. Any policy intervention must strike a delicate equilibrium between promoting equity and fostering economic vitality. This necessitates robust safeguards to shield the middle class from undue tax burdens while ensuring that wealth redistribution measures effectively target entrenched disparities. Moreover, enhancing tax compliance mechanisms and streamlining administrative processes can bolster the efficacy of inheritance tax regimes, bolstering revenue generation without stifling economic dynamism. The discourse surrounding inheritance tax encapsulates broader questions about the role of taxation in shaping societal values and economic outcomes. While advocates champion it as a tool for fostering equity and social cohesion, sceptics caution against its potential unintended consequences.

(References – The Business Standard, The Hindu, Indian Express)

Are the Indian Government's sugarcane subsidies fair and remunerative?

Recent allegations by the US and Australia against India regarding its sugarcane subsidies have brought to light a contentious issue in international trade. The accusations revolve around India's purported violation of the World Trade Organization's (WTO) Agreement on Agriculture (AoA), raising questions about fair trade practices and the effectiveness of global trade regulations. The AoA, established during the Uruguay Round of the General Agreement on Tariffs and Trade (GATT) in 1995, aims to foster transparent market access and promote a fair and market-oriented agricultural trading system. It delineates rules applicable to all WTO members, including the reduction of domestic support, ensuring market access, and regulating export subsidies.

The crux of the allegations against India lies in its domestic support measures, particularly concerning sugarcane subsidies. The US and Australia argue that India's subsidies for sugarcane production far exceed the limits set by the AoA, with Market Price Support (MPS) constituting over 90% of the value of sugar production annually, well beyond the permitted 10%. India has contested these allegations, asserting that the calculations made by the accusers are flawed. India argues that the analysis fails to account for whether sugarcane was delivered to sugar mills for processing, as stipulated by the Sugarcane (Control) Order. Furthermore, India's appeal against a previous WTO ruling demonstrates its commitment to challenging perceived injustices within the global trade framework.

The dispute resolution process within the WTO faces significant challenges, notably the inactive state of the WTO's Appellate Body. Without a functioning Appellate Body, the resolution of disputes is delayed, prolonging uncertainty and potentially hindering the enforcement of WTO regulations. Moreover, the complexity of international trade dynamics exacerbates the difficulties in achieving consensus among member countries. The allegations against India's sugarcane subsidies underscore the complexities inherent in regulating global agricultural trade. Beyond the specific case, this dispute highlights broader issues regarding compliance with WTO standards and the efficacy of dispute resolution mechanisms. As international trade continues to evolve, addressing these challenges will be crucial in fostering a fair and equitable trading environment for all nations involved. In essence, the current standoff between the US, Australia, and India serves as a poignant reminder of the intricacies and tensions inherent in international trade relations, urging stakeholders to reevaluate existing frameworks and work towards more effective and equitable solutions.

(References – Economic Times, Hindu Business Line, The Hindu)

How does RBI's new directives on currency derivatives affect Indian markets?

A recent directive from the Reserve Bank of India (RBI) regarding exchange-traded currency derivatives has sent tremors through India's financial markets. The mandate, effective from April 5th, requires proprietary traders and retail investors to demonstrate currency exposure to participate in currency derivatives segments provided by exchanges such as the NSE and the BSE. This move has sparked concerns among brokers and traders, who fear it could significantly impact market liquidity and activity. The RBI circular stipulates that participants must demonstrate contracted or prospective currency exposure to engage in currency derivatives trading. This marks a departure from the previous practice where traders could speculate on currency futures contracts without establishing underlying exposure. The new regulation aims to bring transparency and accountability to currency trading activities, aligning with the RBI's broader foreign exchange management policy.

Brokers and proprietary traders, who have historically utilized currency derivatives for speculation, are apprehensive about the implications of the new rule. They fear that requiring contracted exposure will deter retail participants and traders, leading to a drain in market liquidity. This concern is compounded by the fact that the clarification of the rule came relatively close to its implementation date, catching many market participants off guard. The implementation of the directive is expected to reshape the landscape of India's currency derivatives market. Market experts predict a significant reduction in trading volumes, with estimates suggesting that up to 70% of trading activity could dry up. This decline is attributed to the exclusion of individual traders and speculators, who traditionally contribute a substantial portion of market liquidity. While the RBI's directive aims to enhance market integrity and stability, critics argue that it may inadvertently stifle market activity. The ambiguity surrounding the interpretation of the rule has raised concerns about its practical implementation and enforcement. Some industry stakeholders advocate for a more balanced approach, suggesting adjustments to the USD 100 million limit or clearer guidelines to mitigate market disruptions.

As the market adapts to the new regulatory framework, the true impact of the directive on currency derivatives trading will become evident. Market participants, including brokers, traders, and exchanges, will need to navigate the evolving regulatory landscape while maintaining market competitiveness and liquidity. Clarity from regulatory authorities and ongoing dialogue between stakeholders will be essential in addressing concerns and ensuring the continued vibrancy of India's currency derivatives market. The RBI's directive on currency derivatives trading represents a significant regulatory shift aimed at enhancing transparency and accountability in India's financial markets. While the measure is intended to promote market integrity, its implementation has raised concerns among market participants regarding its potential impact on liquidity and trading activity. As the market adjusts to the new regulatory framework, collaboration between regulators, exchanges, and market participants will be crucial in navigating the evolving landscape of currency derivatives trading in India.

(References – Bloomberg, Live Mint)

COMPLIANCE UPDATES

Greenvissage

Goods and services tax

GST Portal Gets User-Friendly Makeover The Goods and Services Tax Network (GSTN) is set to launch an enhanced version of the GST portal. This upgrade prioritizes a smoother user experience and simplifies information access for businesses navigating the Goods and Services Tax. The revamped portal boasts a dedicated News and Updates section. This section streamlines information retrieval with a built-in search function, categorized drop-down menus, and an archive of advisories dating back to 2017. For those familiar with the current portal, the homepage will receive a facelift. These minor tweaks focus on improving usability and aesthetics, making the portal more visually appealing and easier to navigate. (GSTN)

Court Blocks GST on Holding Company Guarantees The Punjab and Haryana High Court has put a temporary hold on a Goods and Services Tax (GST) rule. This rule previously treated corporate guarantees provided by holding companies to their subsidiaries as taxable services. The Central Board of Indirect Taxes and Customs (CBIC) had issued a circular stating that such guarantees would be subject to GST, even if no additional fee was involved. This triggered a surge in show-cause notices and GST demands on holding companies across various sectors. The High Court's interim order provides a sigh of relief for companies facing such notices. They can now approach their jurisdictional high courts to get them quashed. The order applies to pan-India. Experts argue that the CBIC circular overstepped its bounds. It essentially made a pre-determined judgment on all corporate guarantee transactions, without considering individual circumstances. Companies are challenging the valuation method outlined in the rules as well, calling it arbitrary. The High Court will likely take up the broader challenge to the rules in the future. However, the current stay offers temporary relief to Indian businesses. (Times of India)

India's GST Officials to Discuss Curbing Fake Registrations India's central and state GST (Goods and Services Tax) authorities are scheduled to meet to discuss measures for tightening registration norms. This move aims to crack down on fake companies set up for tax evasion. The meeting comes after record-breaking GST collections in April, driven by economic growth and stricter tax scrutiny. A key agenda item will be devising stricter registration procedures to prevent fake GST registrations used to claim undue tax credits. Authorities are also looking at ways to track down masterminds behind GST scams by following financial trails. Data analytics and AI tools are currently being used to identify risky taxpayers suspected of fraudulent transactions. Current safeguards include physical verification of business premises and Aadhaar authentication for registration. Additionally, a pilot program testing risk-based biometric Aadhaar verification for registration is underway in three states. With a significant number of such cases detected in Maharashtra, Gujarat, Haryana, and West Bengal, this upcoming meeting is expected to yield concrete steps for tackling this issue. (Times of India)

Government Mulling Relief for the Gaming Industry The Indian government is considering relief for the online gaming industry. This would involve exempting them from paying GST (Goods and Services Tax) on bets placed before October 1, 2023. This is a major point of contention, as the industry argues they were previously only liable for 18% GST on gross gaming revenue, not the full bet amount. The 28% GST rate and its retrospective application have created significant financial burdens for online gaming companies. Some have been served with notices demanding billions of rupees in back taxes. The Supreme Court is currently hearing challenges to these notices. The government's potential relief would come through the GST Council, which may issue a removal of difficulties order waiving the pre-October 2023 taxes. This would provide breathing room for the industry while the GST Council reviews the 28% tax rate in July. (Financial Express)

Don't use Threats or Coercion during Search and Seizure The Supreme Court of India directed the Central government to avoid using threats or coercion during search and seizure operations for recovering Goods and Services Tax (GST). The Court emphasized that authorities cannot force traders to pay dues during these operations and should instead persuade them to voluntary payment. They should be given 3-4 days to consult and settle the liability. The directive came during the examination of various provisions of the GST Act by the Supreme Court bench. The Court noted that while the law allows arrest for tax evasion, it should be strictly done under legal procedures. The Court also pointed out concerns raised by petitioners regarding the use of threats and coercion by authorities during search and seizure. They argued that existing safeguards aren't followed, and people are pressured into paying dues through arrest threats. The Solicitor General representing the Centre acknowledged the possibility of past instances where force might have been used. He maintained that such practices are not the norm. (Deccan Herald)

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

Income tax

■ **Interest-Free Loans for Bank Employees are Fringe Benefits** The Supreme Court of India has ruled that interest-free or concessional loans provided by banks to their employees are considered taxable as fringe benefits or amenities. This decision is a setback for bank employees who previously enjoyed this benefit without tax implications. The court upheld the Income Tax rule that classifies these loans as taxable benefits for employees. The court considers these loans a unique perk attached to the job, exceeding regular salary and hence taxable. Bank employee unions challenged the rule, arguing it violated their rights by using the State Bank of India's (SBI) prime lending rate as a benchmark for taxation instead of the actual interest rate charged by individual banks. The court defended the use of SBI's rate as a clear and practical benchmark, avoiding complexities and potential litigation. They reasoned that SBI's rates influence other banks' rates anyway. The court rejected arguments that the tax rule was unfair or excessive. They viewed the use of a single benchmark as a reasonable solution to a complex issue. (Economic Times)

■ **CBDT Signs Record Number of APAs in FY24** India's Central Board of Direct Taxes (CBDT) reached a milestone by signing a record 125 APAs with Indian taxpayers in the 2023-24 financial year. This surpasses all previous years and represents a 31% increase compared to the prior year. The agreements include both Unilateral APAs (UAPAs) and Bilateral APAs (BAPAs). UAPAs involve only Indian tax authorities, while BAPAs involve agreements with India's treaty partners like Australia, Canada, and the US. This year also saw the highest number of BAPAs signed to date. The APA program offers tax certainty to businesses by pre-determining how international transactions between related companies will be priced for tax purposes. This can be beneficial for multinational enterprises with frequent cross-border transactions within their group. The program not only promotes ease of doing business but also helps prevent potential double taxation through BAPAs. With a total of 641 APAs signed since its inception, the program has emerged as a valuable tool for taxpayers and the Indian government. (Economic Times)

■ **MSMEs reach Supreme Court over New Payment Rule** A new regulation in India requires companies to settle dues to micro, small and medium enterprises (MSMEs) within 45 days. Introduced in April 2024, the rule is based on Section 43B(h) of the Income Tax Act. It disallows companies tax deductions for delayed payments to MSMEs. This aims to ensure timely payments and support the crucial MSME sector, which employs over 123 million people. However, the regulation has sparked protests from MSMEs. Over 40,000 businesses, including 12,000 in Gujarat, have reportedly cancelled their registrations and challenged the rule in the Supreme Court. They argue that the 45-day deadline is causing a decline in new orders from larger clients. Businesses typically record expenses as they occur, but this rule compels them to pay MSMEs within 15 days, or 45 days with a written agreement. The Confederation of All India Traders, representing small businesses, has requested a one-year deferment of the regulation to allow for smoother implementation. Overall, the new MSME payment rule faces challenges despite its intentions to improve the financial health of smaller businesses.

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

Customs and foreign trade

■ **Onion Export Policy Flip-Flops Cause Uncertainty** India's recent changes to onion export policies have created confusion and frustration for farmers. In December 2023, the government banned onion exports due to rising domestic prices and concerns about supply. In April 2024, a small window for white onion exports from Gujarat opened, sparking accusations of favouritism. In the latest announcements, onion exports have been technically freed but with a high minimum price and export duty, making them unlikely to be profitable. These policy changes come during key election periods in major onion-producing states. While the government claims it will help farmers, the high export price effectively continues the export ban. This creates uncertainty for farmers who may hesitate to plant onions in the future. India aspires to be a major food supplier, but these unpredictable policies could hinder that goal. A more stable approach is needed to balance consumer concerns with farmer livelihoods. (The Hindu)

- **India-UK Free Trade Talks on Hold** Until After Indian Elections The 14th round of negotiations for a free trade agreement (FTA) between India and the UK has concluded without a deal. Talks are on hold until after India's general elections, which will be scheduled this Saturday. Both sides acknowledge significant progress but require further discussions to finalize agreements on goods, services, and investments. The UK seeks lower tariffs on exports like cars and whiskey, while India is concerned about fair treatment for its workers in the UK. UK officials highlighted the positive track record of negotiations and emphasized that a final agreement must be fair and beneficial for both economies. Indian Commerce Minister Piyush Goyal previously stressed the importance of long-term economic benefits for India and seeks a balanced, fair and equitable deal. The UK understands the complexity of negotiating with a large, protectionist economy like India. While a deal before India's elections is technically possible, the UK is not prioritizing speed over a comprehensive agreement. (Economic Times)

(For queries or more information about customs and foreign trade, contact our colleague Adnan at adnan.ginwala@greenvissage.com)

Corporate and allied laws

- **SEBI Launches SCORES 2.0 for Faster Investor Complaint Resolution** India's securities regulator, SEBI, has unveiled a revamped SCORES (SEBI Complaint Redress System) to improve investor grievance redressal. SCORES 2.0 utilizes new technology to streamline the process, making it quicker and more efficient. Complaints are automatically directed to the relevant party for faster response. Unresolved issues are automatically escalated for timely resolution. Complaints are now addressed within a uniform timeframe of 21 days. Designated bodies oversee the process to ensure smooth functioning. User-friendliness is also a priority. Investors can lodge complaints via the new SCORES 2.0 web portal or mobile app. The old portal will no longer accept new complaints as of April 1, 2024. However, investors can still check the status of previously submitted complaints and view disposed-off cases on the new portal. (SEBI Press Release)

- **SEBI Standardizes PPM Audit Reporting for AIFs** SEBI, the Indian securities regulator, has introduced a standardized format for Alternative Investment Fund (AIF) Private Placement Memorandum (PPM) Audit Reports. This move aims to ensure consistent compliance standards and simplify the reporting process for AIFs. Developed in collaboration with the Standard Setting Forum for AIFs (SFA), the format applies to all AIF categories. It will be available on the websites of participating AIF Associations within two days of this announcement. These associations will guide AIFs in understanding the reporting requirements and resolving any potential issues. This ensures accurate and timely report submission. AIFs must submit their PPM Audit Reports electronically through the SEBI Intermediary Portal (SI Portal) using the standardized format. The new reporting requirement applies to PPM Audit Reports filed for the financial year ending March 31, 2024, onwards. (SEBI Circular)

- **Exchanges Clarifies Disclosure Requirements for Large Companies** The National Stock Exchange (NSE) and Bombay Stock Exchange (BSE) have issued clarifications on disclosure requirements for Large corporations (LCs) following a circular released in October 2023. This update aims to streamline corporate bond market development and ease business operations. Companies are no longer required to submit Initial

The revised framework focuses on specific information disclosures. All listed entities must provide the required information along with their audited financial results for the year ending March 31, 2024. Those who have already submitted their results have a deadline of April 26, 2024, to submit the additional information. Listed entities should mention the financial year as 2024-2025. The requested information on outstanding borrowings needs to reflect the status as of March 31, 2024. (NSE, BSE)

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

Finance and banking

■ **RBI asks NBFCs to adhere to cash disbursal limits** In a move to strengthen compliance with anti-money laundering regulations, the Reserve Bank of India (RBI) has issued a directive to non-banking financial companies (NBFCs) emphasizing strict adherence to the Income Tax Act's cash disbursement limits. This directive follows recent enforcement actions against IIFL Finance for exceeding the INR 20,000 cash loan limit within their gold loan business. Citing Section 269SS of the Income Tax Act, the RBI's communication instructs NBFCs to refrain from disbursal of loan amounts exceeding this threshold in cash. This action underscores the RBI's commitment to fostering a transparent financial ecosystem and follows industry reports suggesting widespread non-compliance with cash disbursement limits among gold loan NBFCs. While the directive does not explicitly mention imminent penalties for non-compliance, it serves as a clear warning to lenders potentially overlooking these regulations. The RBI maintains its supervisory role over major financial entities and will take corrective actions when necessary, as evidenced by their previous enforcement against IIFL Finance. (CNBC TV18)

■ **RBI Proposes Enhanced Risk Management for Infra Projects** The Reserve Bank of India (RBI) has introduced draft guidelines aimed at strengthening risk management practices for infrastructure project financing in India. This initiative follows a period of significant loan delinquencies within the sector. The proposed regulations emphasize increased provisioning requirements for banks during the construction phase of these projects. The RBI suggests a provisioning rate of up to 5%, compared to the current 0.4%. This measure aims to mitigate potential risks for lenders by creating a financial buffer. As the project progresses towards operational status and generates cash flow, these provisions can be adjusted downwards. Furthermore, the RBI underscores the importance of rigorous project monitoring by lending institutions. Early identification and intervention are crucial in addressing any emerging financial stress within the project. Additionally, the guidelines propose minimum individual exposure thresholds for banks participating in consortiums financing large infrastructure projects. The RBI is currently seeking feedback on these proposals before finalizing the regulations. (Business Standard)

■ **India's Bond Buyback Stalls Amid Tight Monetary Policy** India's attempt to buy back government bonds with surplus cash has met resistance. The central bank, RBI, seems hesitant to offer lower yields as it could signal a shift towards looser monetary policy. Last week, the RBI only accepted bids for about 25% of the targeted 400 billion rupees (USD 4.8 billion) in bonds. Traders demanded higher prices, reflecting a desire for better returns. Market participants see the buyback as an opportunity to get a good price from a cash-rich buyer. This could lead to a repricing of short-term bonds, lowering their yields. The RBI needs to manage liquidity in the banking system, currently in deficit. But it's also focused on controlling inflation and won't loosen its stance prematurely. The buyback aims to manage debt by using surplus tax revenue. It also helps reduce interest costs on government borrowing. The need to control inflation restricts the use of surplus cash for economic stimulus. (Business Standard)

■ **15 NBFCs surrender their License** The Reserve Bank of India (RBI) announced that 15 non-banking financial companies (NBFCs) have surrendered their registrations. Exiting the NBFC business were six NBFCs, including Vian Growth Capital and Jewel Strips, who voluntarily shut down their NBFI operations and gave up their licenses. Nine NBFCs surrendered their licenses after they ceased to be independent legal entities. This could be due to mergers e.g., Tata Capital Financial

Accounting and management

In Focus: Blue Ocean Strategy

- The Blue Ocean Strategy, created by W Chan Kim and Renée Mauborgne, is a popular management concept that focuses on creating new market space rather than competing in existing, often saturated, markets. Traditionally, businesses compete within a red ocean, where companies fight for a share of existing customers and market share. This competition often leads to price wars, diminishing profits, and a lack of differentiation.
- The Blue Ocean Strategy proposes a different approach – creating an entirely new market space, or blue oceans, where competition is irrelevant because the demand is created. This is achieved by strategically reconstructing market boundaries, focusing on value innovation, and aligning the entire organization around the chosen strategy.
- Value innovation is the heart of the strategy. It involves simultaneously creating and capturing value by offering a combination of high value to the customer and low cost to the company. This can be achieved through a combination of factors like eliminating unnecessary features, creating entirely new functionalities, or appealing to a different customer segment altogether.
- Kim and Mauborgne propose a six-step framework to systematically create blue oceans. This framework helps businesses deconstruct existing markets, identify opportunities for innovation, and build a strong action plan for capturing the newly created market space. The framework uses a visual representation of red and blue oceans to distinguish between existing and new market spaces. It helps businesses analyze their current position and make strategic decisions about where to focus their resources.
- The Blue Ocean Strategy has been adopted by numerous companies across various industries, with notable successes like Cirque du Soleil who revolutionized the circus industry by creating a high-end entertainment experience that appealed to adults as well as children. Netflix also similarly disrupted the movie rental industry by offering a subscription model with on-demand streaming, creating a new market for convenient and affordable movie access. With the iPhone, Apple also combined a phone with a user-friendly computer and internet functionalities, creating a new category of mobile devices.

(For queries or more information about accounting, contact our colleague Rahul at rahul.mundada@greenvissage.com)

Payroll and personal finance

Non-Residents Gain Easier Access to Indian Derivatives Market The Reserve Bank of India (RBI) has relaxed regulations, allowing foreign residents to open special accounts for managing margin requirements in derivative contracts. These accounts can hold both rupees and foreign currency. This move is seen as a regulatory adjustment but is expected to improve efficiency for foreign investors. Previously, managing margin funds could be cumbersome. Industry experts believe this will simplify participation in permitted derivative contracts, including interest-rate and currency derivatives, as well as equity-linked products. (Business Standard)

SEBI exempts jointly-held Mutual Fund folios from Nomination In a move to simplify compliance, SEBI has made nomination optional for jointly-held mutual fund accounts. This eliminates the need for such accounts to be nominated by June 30, 2024, to avoid being frozen. It's important to note that this exemption applies only to jointly held accounts. The nomination requirement remains mandatory for all other types of mutual fund holdings as specified in previous SEBI circulars. (SEBI Circular)

(For queries or more information about payroll and personal finance, contact our colleague Snigdha at kumari.snigdha@greenvissage.com)

BUSINESS NEWS

Greenvissage

Government

17 Firms to Commence Production Under IT PLI Scheme The Indian government's Production-Linked Incentive (PLI) scheme for the IT hardware sector is gaining momentum, with 17 companies slated to kickstart production this year. Under this initiative, the government aims to boost domestic manufacturing and reduce dependency on imports in the IT hardware segment. The PLI scheme offers incentives to companies for manufacturing electronic goods domestically, aiming to make India a global manufacturing hub and create job opportunities. By encouraging local production, the government aims to enhance the competitiveness of the Indian IT hardware industry on a global scale. The companies poised to commence production encompass a range of players in the IT hardware ecosystem, contributing to the diversity and resilience of the domestic manufacturing landscape. As these companies gear up to start production, they are poised to generate employment opportunities, enhance technological capabilities, and bolster India's position in the global IT hardware market. (Money Control)

India Strengthens Trade Ties with Rupee Vostro Accounts Indian businesses are finding new opportunities thanks to the Reserve Bank of India's (RBI) initiative to promote bilateral trade in local currencies. This initiative allows foreign banks to open Special Rupee Vostro Accounts (SRVAs) in India. Russian firms reportedly spent nearly USD 4 billion from their rupee vostro accounts in the past six to eight months. These funds were used to purchase Indian-made defence equipment and other goods. This development highlights the potential of rupee vostro accounts to facilitate trade even under challenging circumstances like international sanctions. The RBI's program allows partner banks from 22 countries to open SRVAs in India. This promotes direct trade settlements in local currencies, bypassing the need for major currencies like US dollars or Euros. India recently signed an agreement with the United Arab Emirates (UAE) to further facilitate bilateral trade in local currencies. The Indian government reports a significant increase in exports over the past five years. This growth suggests that initiatives like rupee vostro accounts are contributing to a stronger Indian economy. (Money Control)

Indian Airlines to Dominate International Travel Indian airlines are expected to soar, capturing nearly half of the country's international passenger traffic by FY'28, according to a report by CRISIL. CRISIL predicts a significant rise in Indian airlines' market share, reaching 50% of international traffic by FY'28. This translates to a jump from 43% in the previous year. Airlines are strategically adding aircraft and establishing new international routes, particularly to popular long-haul destinations. Indian carriers have a natural edge due to their extensive domestic connections. This allows them to offer seamless travel experiences for passengers in smaller Indian cities, connecting them to international destinations on a single ticket. The report highlights that a larger share of international traffic will strengthen Indian airlines financially, as these routes typically generate higher profits than domestic ones. India's international passenger traffic is experiencing a robust rebound, surpassing pre-pandemic levels and reaching around 70 million in FY'24. This growth is fueled by factors like rising disposable incomes, easier visa processes, improved airport infrastructure, and government initiatives promoting tourism. Over the past 15 months, they've established more than 55 new international routes, exceeding 300 in total. Airlines are deploying additional aircraft for short and medium-haul international routes. They are leveraging codeshare agreements with major global airlines to provide passengers with onward connectivity. (Money Control)

Economies

China Reclaims Top Trading Partner Spot for India China has overtaken the United States as India's largest trading partner, according to recent data. This shift comes after two years of the US holding the top spot. The total trade volume between China and India reached USD 118.4 billion in the 2024 fiscal year, surpassing USD 118.3 billion in US-India trade. This growth is primarily driven by a rise in Chinese imports to India. China's exports to India increased by 3.24% to USD 101.7 billion. India's exports to China grew by 8.7% to USD 16.67 billion. This trend highlights India's growing dependence on Chinese goods, particularly in the technology sector. The report emphasizes that nearly half (44%) of India's telecom and smartphone parts imports originate from China, and China supplies a staggering

77.7% of India's laptops and PCs. The reasons behind the decline in US-India trade are not specified in the report. However, it highlights a significant shift in India's trade partnerships. (Live Mint)

Gold Demand Gleams in India Despite Price Surge The World Gold Council (WGC) reports an 8% increase in gold demand for the January-March quarter of 2024, reaching 136.6 tonnes. This growth defies the trend of historically high gold prices. WGC's report highlights the enduring affinity Indians have for gold, evidenced by sustained demand even during price hikes. India's robust macroeconomic environment supports gold consumption for jewellery, despite a slowdown in sales towards the end of the quarter due to record-high prices. The Reserve Bank of India's (RBI) aggressive gold buying (19 tonnes in Q1 2024 compared to 16 tonnes for all of 2023) is a significant contributor to the demand surge. Notably, unlike traditional patterns, Indian and Chinese markets are responding positively to rising gold prices, purchasing even at record highs. A sharp increase in gold prices and upcoming elections in India might dampen demand in the April-June quarter. WGC forecasts India's annual gold demand to be between 700-800 tonnes, with the possibility of being on the lower end if the price rally continues. Gold demand in value terms rose 20% to INR 75,470 crore. Jewellery demand grew 4% to 95.5 tonnes, while investment demand (bars, coins, ETFs) witnessed a 19% increase to 41.1 tonnes. Gold recycling in India increased 10% to 38.3 tonnes. Despite high prices, there were minimal reports of distressed selling of gold, suggesting a positive economic outlook. (Money Control)

India's Retail Inflation Eases Slightly India's retail inflation dipped to 4.83% in April, down from 4.85% in March. However, food price inflation rose to 8.7%, posing a challenge for the Reserve Bank of India (RBI). Overall inflation remains within the RBI's target range of 2-6%. The bad news: food prices continue to surge, putting pressure on household budgets. Despite recent pauses, the RBI has raised interest rates to combat inflation. This move aims to cool demand and bring inflation down. Experts believe the upcoming monsoon season could bring relief if rainfall is well-distributed. They predict inflation to average around 4.5% for the fiscal year. The RBI is likely to maintain interest rates soon while keeping a close eye on food prices and rural consumption. (Business Insider)

India Takes Over Management of Chabahar Port in Iran India signed a long-term contract to operate the Shahid Beheshti Port terminal at Chabahar in Iran. This marks the first time India will manage an overseas port. The contract signing, witnessed by India's Ports Minister Sarbananda Sonowal, signifies India's long-term commitment to Chabahar. Sonowal highlighted the port's strategic location, being the closest Iranian port to India and well-suited for maritime operations. Located on Iran's southern coast, Chabahar is being jointly developed by India and Iran to enhance trade and connectivity. India sees Chabahar as a crucial link for regional trade, particularly with Afghanistan. The port is also projected as a key hub for the International North-South Transport Corridor (INSTC), a vast transport network connecting India, Iran, Central Asia, and Europe. India's continued focus on Chabahar is further reflected in the recent allocation of INR 100 crore for the port in the 2024-25 budget. This move underscores the growing importance of Chabahar in India's regional connectivity strategy. (Business Insider)

Corporates

Reliance Jio becomes the World's Largest Mobile Data Traffic Operator Reliance Jio, India's leading telecom operator, has dethroned China Mobile to become the world's largest carrier in terms of data traffic. This achievement comes courtesy of Jio's impressive first quarter of 2024, where their network handled a massive 40.9 Exabytes of data, surpassing China Mobile's 38 Exabytes, according to Tefficient, a global analytics firm. Jio's dominance extends to the 5G realm as well. They boast the world's second-largest 5G subscriber base with a staggering 108 million users. Notably, over 28% of Jio's total data traffic now originates from 5G users. This growth can be attributed to strategic initiatives like JioBharat value plans and promotional unlimited 5G offers, rapidly expanding their subscriber base. Jio's fixed-wireless home broadband service, AirFiber, has also seen significant success. They witnessed record-high quarterly connections across 5,900 towns. Remarkably, AirFiber users consume an average of 13 gigabytes of data daily, exceeding JioFiber users by a substantial 30%. Reports indicate a surge in digital dependency, with annual data traffic witnessing a dramatic 2.4-fold increase since the COVID-19 pandemic. Monthly per capita data usage has skyrocketed from 13.3 GB to a staggering 28.7 GB over the past three years. (Financial Express)

■ **Tata Motors reports record profits** Tata Motors reported a strong financial performance for Q4 and FY24. Consolidated net profit surged over three-fold to INR 17,528 crore in Q4, driven by strong performances across all business segments, particularly Jaguar Land Rover (JLR). Consolidated net profit for FY24 reached INR 31,806 crore, significantly higher than the previous year's INR 2,689 crore. Revenue Growth: Total consolidated revenue grew to INR 4,37,927 crore for FY24 compared to INR 3,45,966 crore in FY23. JLR achieved record revenue and profit, reaching 29 billion pounds and 2.6 billion pounds respectively for FY24. They also generated significant free cash flow, enabling net debt reduction. Tata Commercial Vehicles' revenue grew to INR 78,800 crore for FY24, despite a challenging market. The company aims to further strengthen its market share. Tata Passenger Vehicles witnessed record sales in FY24, exceeding 4.2 million units with a strong focus on SUVs and electric vehicles. EV sales grew 48% year-on-year to 73,800 units. The India business became debt-free, and the company targets to achieve net automotive debt-free status on a consolidated basis in FY25. (Business Insider)

■ **Tata Motors to Merge Vehicle Financing Arm with Tata Capital** Tata Motors is planning a strategic move to streamline operations and improve its financial health. Tata Motors' vehicle financing subsidiaries under Tata Motors Finance Ltd will be merged with Tata Capital. This restructuring aims to simplify operations and reduce Tata Motors' debt burden (balance sheet deleverage). A share-swap agreement will be implemented, with Tata Sons (holding company) offering Tata Capital shares to Tata Motors, giving them a minority stake in Tata Capital. The estimated valuation of Tata Motors Finance is between INR 15,000 crore and INR 20,000 crore. This valuation is significantly higher than what analysts attribute to the business. Overall, this merger presents a strategic win-win for both Tata Motors and Tata Capital. Tata Motors streamlines operations and reduces debt, while Tata Capital strengthens its financial services portfolio and prepares for a potential IPO. (Economic Times)

■ **Tata Electronics Makes Headway in Indian Chip Manufacturing** Tata Electronics, a key player in India's burgeoning semiconductor industry, has begun exporting a limited quantity of packaged chips. The company is currently sending chips to partners in Japan, the US, and Europe. A new chip packaging unit is planned for Morigaon, Assam. A USD 10 billion chip foundry is under development in Dholera, Gujarat, in collaboration with Powerchip Semiconductor Manufacturing Corporation (PSMC) from Taiwan. This foundry aims to produce chips in advanced (28nm and 40nm) and legacy nodes (55nm, 90nm, and 110nm) with a monthly capacity of 50,000 wafer starts. Recent reports suggest a strategic partnership between Tata Electronics and Tesla for global chip sourcing. This aligns with Tesla's rumoured interest in establishing a local presence in India, possibly through a joint venture with Reliance Industries. Tata Electronics plans to strategically deploy chip production across various sectors, creating significant job opportunities. Tata Electronics' initiatives mark a significant step forward for India's ambition to become a self-sufficient semiconductor manufacturer. These developments position Tata as a reliable supplier for global clients and potentially contribute to a robust domestic chip ecosystem. (Economic Times)

■ **Google Cloud and Airtel Partner to Boost Cloud** Adoption in India Google Cloud and Bharti Airtel announced a long-term collaboration to deliver cloud solutions to Airtel's customers. This partnership aims to accelerate cloud adoption and modernization across Indian businesses. Google Cloud will offer its solutions to Airtel's vast customer base, including large enterprises and emerging businesses. The collaboration leverages both companies' strengths - Airtel's connectivity and Google Cloud's AI technologies. Airtel plans to develop industry-leading AI/ML solutions using Google Cloud and its extensive data. Airtel will provide cloud-managed services encompassing geospatial analytics, voice analytics, and marketing technology solutions. (Business Insider)

Startups

Zomato Swings to Profit in Q4 FY24 Zomato reported a turnaround in financial performance for the fourth quarter (Q4) of FY24, achieving a net profit of INR 175 crore. This marks a significant improvement compared to the net loss of INR 188 crore in the same quarter last year. Zomato delivered its first profitable quarter in Q4 FY24, showcasing a positive shift. Consolidated revenue from operations grew by 73% to INR 3,562 crore in Q4 FY24 compared to INR 2,056 crore in Q4 FY23. Total expenses also rose to INR 3,636 crore in Q4 FY24 from INR 2,431 crore in the corresponding period last year. For the entire FY24, Zomato achieved a consolidated net profit of INR 351 crore, a stark contrast to the net loss of INR 971 crore in FY23. Revenue for FY24 stood at INR 12,114 crore, a significant increase from INR 7,079 crore in FY23. The company clarifies that year-on-year comparisons for the full year are not entirely accurate due to the acquisition of Blink Commerce in June 2022. Overall, Zomato's Q4 and FY24 results indicate a positive trajectory for the online food delivery platform. The company's focus on revenue growth and improved profitability positions it for future success. (Business Insider)

Meesho Secures USD 275 Million Funding Meesho, a leading Indian social commerce platform, has secured USD 275 million in the first tranche of a larger USD 600 million funding round. This move signifies continued investor confidence in the company's growth potential. The funding round includes a mix of primary and secondary share sales. Meesho's valuation is estimated to be around USD 3.9 billion. The company is considering an initial public offering (IPO) in India and is undertaking a domicile flip from the US to facilitate this. Existing investors participated alongside new entrants in the funding round. The fresh capital will fuel Meesho's expansion plans and strategic initiatives. The company has shown impressive operating growth while reducing its monthly burn rate significantly. This, coupled with a valuation discount compared to its peak of nearly USD 5 billion, has attracted investor interest. The successful completion of the first tranche positions Meesho well to achieve its USD 600 million funding target. With continued investor backing and a clear strategic direction, Meesho is well-positioned for continued success in the dynamic Indian e-commerce market. (Indian Express)

Swiggy Gears Up for IPO to Challenge Zomato's Food Delivery Lead in India Swiggy, an Indian food delivery startup, has confidentially filed for a USD 1.3 billion IPO. This move aims to compete with its larger rival Zomato, which controls 54% of the Indian food delivery market. Both companies are expanding into grocery delivery, further intensifying the competition. Zomato, already publicly traded, is financially stronger with a USD 21 million net profit in the past nine months. Swiggy remains unprofitable but has secured a higher valuation of USD 12.7 billion compared to Zomato's USD 20 billion. Swiggy's IPO could fuel its expansion and potentially lead to a price war in the market. Zomato has already acknowledged offering discounts to maintain its customer base. Swiggy's investors will expect significant returns given its high valuation. Zomato's successful IPO experience (stock price up 195% in a year) likely influenced Swiggy's decision to go public. (Reuters)

Conglomerates

Disney Seeks to Unmask Leaker of Captain America Footage Disney is taking legal action to identify the person behind an Instagram account that leaked footage from its upcoming Captain America: Brave New World movie. The company filed a petition in federal court requesting a subpoena to compel Instagram, owned by Meta, to reveal the account holder's identity. The leaker has a history of sharing unauthorized clips of superhero films. Disney intends to use the subpoena to enforce its copyright and prevent further leaks. This isn't the first time Disney has taken action against leaks. Last year, they successfully removed the script for Ant-Man and the Wasp: Quantumania after it was shared on Reddit. Neither Disney, Marvel, nor Meta responded to requests for comment. The news comes amidst Disney's recent strategy shift towards prioritizing quality over quantity for its Marvel Cinematic Universe (MCU) releases. With Deadpool and Wolverine as the only MCU movie scheduled for 2024, the premiere of Captain America: Brave New World has been pushed back to February 2025. (Business Insider)

ECONOMIC INDICATORS

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ECONOMIC INDICATORS

Key Economic Indicators

Indicator	As on	Current	Prior
GDP Growth (%)	Dec-23	8.40	8.10
Inflation (%)	Apr-24	4.83	4.85
Unemployment (%)	Mar-24	7.64	8.01
Trade Balance ($bn)	Mar-24	(15.60)	(18.70)
Business confidence	Mar-24	130.00	135.00
Manufacturing PMI	Apr-24	58.80	59.10
Services PMI	Apr-24	60.80	61.20

Commodities Future

Commodity	Expiry	Price	%
Gold	Jun-24	72,100.00	0.77
Silver	Jul-24	85,056.00	2.74
Crude Oil	May-24	6,591.00	0.86
Natural Gas	Apr-24	186.70	16.69
Aluminum	May-24	233.00	3.62
Copper	May-24	877.60	6.29
Cotton	May-24	57,300.00	(6.92)

Global Indices

Index	Country	%
BOVESPA	Brazil	1.31
BSE SENSEX	India	(1.98)
CAC 40	France	2.38
DAX	Germany	4.47
DOW JONES	USA	4.03
FSTE 100	UK	5.27
HANG SENG	Hong Kong	14.31
INDIA VIX	India	78.63
KOSPI	South Korea	1.69
MOEX	Russia	(0.07)
NASDAQ	USA	1.02
NIFTY 50	India	(1.84)
NIFTY BANK	India	(1.67)
NIKKEI 225	Japan	(3.44)
S&P 500	USA	1.94
S&P ASX 200	Australia	(0.43)
SHANGHAI COM	China	4.26

Currency Exchange Rates

Pair	Current	Prior	%
INR/1 USD	83.52	83.32	(0.25)
INR/1 GBP	104.64	105.23	0.56
INR/1 EUR	89.98	90.25	0.30
INR/100 YEN	53.60	54.88	2.33

Cryptocurrencies

Pair	Crypto	Price	%
BTC/USD	Bitcoin	62,531.50	(10.89)
ETH/USD	Ethereum	2,960.20	(17.68)
USDT/USD	Tether	1.00	(0.03)
BNB/USD	Binance	593.60	2.17

Small Savings Schemes

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

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