GREEN DIGEST

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ISSUE 49
JULY, 2024
33 PAGES
73 MINUTES

THE FIFTH UMPIRE OF CRICKET

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THE BIG STORY

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Beyond the boundary line – Cricket is a huge sport, but it is an even bigger business! The fifth umpires of cricket, decoded.

Background

Cricket, often hailed as a gentleman's game, has evolved beyond its origins into a global spectacle that transcends borders, cultures, and languages. Behind the thrilling matches, the cheers of the crowd, and the passion of players lies a robust business ecosystem that drives and sustains the sport. From broadcasting rights to sponsorships, and merchandising to digital platforms, companies play a pivotal role in shaping the modern landscape of cricket. Cricket, a sport that transcends boundaries and unites millions, is not just a spectacle on the field. It's a booming economic powerhouse in India, with businesses acting as the unseen 'fifth umpire' influencing the game's financial landscape.

Cricket's transformation from a leisurely pastime to a multi-billion-dollar industry can be traced back to the advent of televised matches in the 1970s. As broadcasts reached homes worldwide, cricket became a commercially viable entity. Companies recognized the potential to reach vast audiences, leading to investments in broadcasting rights and sponsorships. Today, cricket's revenue streams are diverse and expansive. Broadcast rights alone generate significant income, with networks vying for exclusive deals to broadcast matches across various formats. The International Cricket Council (ICC), the sport's global governing body, negotiates these rights, ensuring lucrative returns for tournaments like the ICC Cricket World Cup and ICC T20 World Cup. Major cricket tournaments like the ongoing ODI World Cup 2023 serve as economic windfalls. A report estimates the World Cup to inject a staggering INR 13,500 crore into the Indian economy, mirroring the INR 3,600 crore generated during the 2019 edition in England. This surge stems from increased consumer spending across various sectors.

Sponsorships and Endorsements

Sponsorship deals are another cornerstone of cricket's financial framework. Companies ranging from multinational corporations to local businesses eagerly associate their brands with cricketing events, teams, and individual players. These partnerships provide financial backing to teams and players while leveraging the sport's popularity to enhance brand visibility and consumer engagement. For instance, apparel companies sponsor national teams, while equipment manufacturers endorse individual players. These deals not only fund cricketing activities but also fuel innovation in equipment technology, influencing the game itself. The advent of Twenty20 (T20) cricket in the early 2000s revolutionized the sport's commercial dynamics. T20 matches, known for their fast-paced action and entertainment value, attracted a younger demographic and expanded cricket's global footprint. Leagues like the Indian Premier League (IPL), Big Bash League (BBL), and Pakistan Super League (PSL) emerged as lucrative properties, drawing substantial investments from corporate entities. Team franchises in these leagues operate as independent businesses, securing sponsorships, selling merchandise, and managing media rights. The IPL, in particular, exemplifies the synergy between cricket and business, with franchise valuations soaring into hundreds of millions of dollars.

Media and Digital Expansion

Cricket matches are a visual feast, not just for the action but also for the barrage of brand logos plastered across the field and players' jerseys. This in-your-face advertising guarantees brand visibility to a massive audience, creating brand awareness and enhancing brand image. The World Cup served as a prime platform for companies like Hindustan Unilever, M&M, and IndusInd Bank to leverage their expensive sponsorship deals and generate significant revenue through brand exposure. Additionally, broadcasters like TV18 Broadcast and Network18 Media, along with Reliance's subsidiaries holding media rights, benefit from increased advertising revenue and subscriptions during such high-profile events.

A relatively new phenomenon, fantasy cricket allows fans to create virtual teams and compete based on player performance. This has become a multi-million dollar industry, attracting sponsorships and generating revenue through entry fees and in-app purchases. Cricket ignites social media with real-time commentary, fan discussions, and viral trends. This online buzz creates brand awareness for companies that strategically engage with fans during tournaments. Cricket data analytics is also a growing field, helping teams strategize, identify talent, and personalize fan engagement. Companies specializing in sports analytics can capitalize on this growing demand. Technologies like Virtual Reality (VR) and Augmented Reality (AR) are changing the way fans experience cricket. VR experiences can place fans virtually within the stadium, while AR can overlay player stats and information onto live broadcasts. Companies developing these technologies can find lucrative opportunities in the cricket market.

The digital revolution further amplified cricket's commercial reach. Streaming platforms and digital media have democratized access to matches, allowing fans to watch live games on their devices anywhere in the world. This shift has unlocked new revenue streams through subscription models, digital advertising, and content partnerships. Social media platforms have become integral to cricket's marketing strategy, enabling real-time engagement with fans and amplifying sponsorship activations. Players themselves leverage social media to cultivate personal brands, attracting endorsements and expanding their influence beyond the field.

Food, Entertainment, Merchandising

Cricket's high-profile nature isn't just about on-field action; it's a goldmine for online gaming companies. The 2018 FIFA World Cup witnessed a surge in online betting activity, with the UK alone recording a staggering Euro 1.2 billion in wagers. This trend is likely to be replicated in India, a nation where the online gaming megatrend is on the rise, fueled by increased smartphone and internet penetration. Nazara Technologies, the leading player in this space with popular games like the World Cricket Championship, stands to gain significantly. The World Cup perfectly complements India's festive season, leading to a shopping bonanza. E-commerce giants witness a spike in sales of everything from big-screen TVs to jerseys and cricket equipment. This festive fervour, coupled with government initiatives like Production Linked Incentive (PLI) schemes, further bolsters the already positive sentiment in the appliance and electronics industry. Dixon Technologies and PG Electroplast, prominent players in consumer electronics, are prime beneficiaries of this World Cup-driven buying spree.

The Food and Beverage (F&B) industry takes centre stage during cricket extravaganzas. With fans glued to their screens, restaurants, cafes, and food companies witness a surge in sales. Imagine the delectable aromas wafting from homes as families indulge in their favourite snacks while cheering for their team. Companies like Zomato, Jubilant Foodworks, and Devyani International expect a significant boost in profits during these periods.

Merchandising plays a crucial role in cricket's commercial ecosystem. Licensed products, including team jerseys, memorabilia, and collectables, cater to the passionate fan base eager to connect with their favourite teams and players. Retail partnerships and e-commerce platforms facilitate the sale of these products globally, contributing to the sport's commercial success. Beyond merchandise, fan engagement initiatives such as fan clubs, interactive apps, and experiential events enhance the cricketing experience. These efforts deepen fan loyalty and drive recurring revenue through ticket sales, memberships, and hospitality packages.

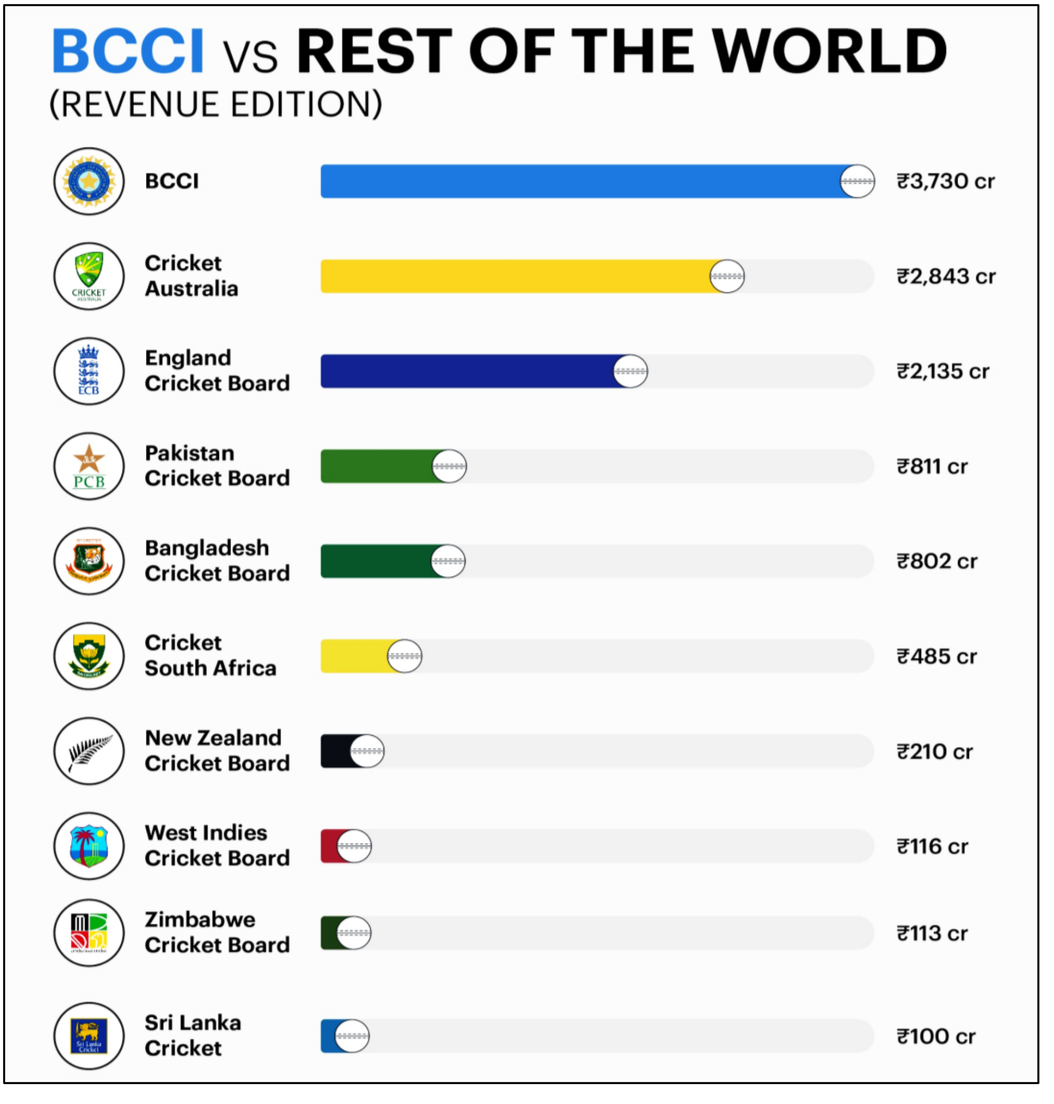
Infrastructure, Trade and Tourism

Building and upgrading stadiums, transportation networks, and communication infrastructure to host large-scale tournaments creates job opportunities and fosters economic growth. Cricket can act as a catalyst for developing world-class sporting facilities, and improving a nation's sporting infrastructure. Official team jerseys, caps, and other merchandise see a significant sales surge during tournaments, benefiting both official licensees and the unofficial cottage industry. Counterfeit merchandise, however, poses a challenge, impacting legitimate businesses and requiring stricter regulations. Cricket academies and grassroots programs play a crucial role in identifying and nurturing young talent, providing them with a pathway to a better life. Cricket can empower underprivileged communities and promote social mobility. While the focus was on India, cricket's economic influence extends beyond national borders. Cricket tournaments attract international tourists, boosting the economies of host countries. Countries like England, Australia, and the Caribbean benefit significantly from hosting major cricket events. Broadcasters pay hefty sums to secure telecast rights for major tournaments, generating significant revenue for cricket boards and contributing to the overall economic pie. Cricket equipment manufacturing and distribution is a global industry. Countries like India and Pakistan are major exporters of cricket bats, balls, and other equipment, contributing to international trade and economic activity. Major sporting events like the Cricket World Cup significantly impact the travel and hospitality industry. Hotels witness a surge in bookings and room rates, similar to the recent G20 summit in India. Airlines also benefit from increased travel, with Booking.com and MakeMyTrip reporting a massive rise in flight and accommodation bookings. International visitors from countries like the UK, Australia, and Sri Lanka further boost the industry's revenue. Investors can look at Indian Hotels, Lemon Tree Hotels, and InterGlobe Aviation for potential gains during cricketing seasons.

The Way Ahead

Cricket's economic impact is undeniable. It's a powerful force that generates revenue, creates jobs, and fosters infrastructure development. By embracing technological advancements, addressing challenges, and ensuring fair revenue distribution, cricket can continue to be a cornerstone of economic growth, not just in India but globally. However, Match-fixing and corruption scandals can tarnish the sport's image and deter sponsorships, negatively impacting the cricket economy. Robust anti-corruption measures are crucial to maintain the sport's integrity. Ensuring equitable distribution of revenue generated from cricket is essential. Grassroots development, player salaries, and infrastructure upgrades all require proper financial allocation for the sport's long-term sustainability. The significant pay disparity between men's and women's cricket needs to be addressed. As women's cricket gains popularity, ensuring equal remuneration will contribute to a more balanced cricket economy.

Despite its robust growth, cricket faces challenges that could impact its commercial viability. Regulatory issues, player integrity concerns, and the evolving media landscape pose ongoing threats. However, these challenges also present opportunities for innovation and adaptation. Emerging markets, such as the Americas and China, represent untapped potential for cricket's expansion. Strategic investments in grassroots development, digital infrastructure, and fan engagement can unlock new revenue streams and cultivate a diverse global fan base. Cricket's journey from sport to business exemplifies its evolution into a global phenomenon. Companies have become integral players, driving revenue, innovation, and fan engagement across various facets of the sport. As cricket continues to evolve, the synergy between sportsmanship and commerce will shape its future trajectory, ensuring its status as one of the world's most beloved games remains robust and enduring.



EXPERT OPINION

Greenvissage

EXPERT OPINION

What is Front Running and How Does it Impact Investors?

By Amit Chandak, Managing Partner, Greenvissage

Introduction

Indian authorities sent shockwaves through the mutual fund industry when the Securities and Exchange Board of India (SEBI) conducted raids on Quant MF's offices. The suspicion? Front-running activity. In the world of finance, where markets operate on a delicate balance of trust and transparency, the practice of front-running stands out as a stark violation. This unethical manoeuvre involves trading securities based on advanced knowledge of pending orders, exploiting a privileged position to gain an unfair advantage in the market. The recent allegations of front-running involving Quant Mutual Fund have raised concerns about its impact on investors and the broader financial ecosystem. Quant MF has been a star performer, attracting significant investments due to its impressive returns. However, if front-running was indeed happening, it raises questions about the legitimacy of those gains. Were these returns a result of genuine investment expertise, or were they inflated by exploiting insider information?

What is Front Running?

Imagine you're a cashier at a grocery store. A customer walks in with a massive shopping cart, and you recognize several high-demand items. Before processing their order, you quickly buy those same items for yourself at the current price, knowing their value will inevitably rise due to the large purchase. This, in essence, is front-running in the financial world. In the context of mutual funds, front-running occurs when someone with insider knowledge about a planned trade by the fund preys on that information. This insider, typically someone within the fund house or with access to confidential trade details, buys or sells the security before the fund executes its order. This allows the front-runner to capitalize on the anticipated price movement triggered by the larger fund transaction. Suppose a broker receives an order from a significant client to buy 1,00,000 shares of a particular company. Such a substantial order is expected to immediately push up the stock's price, at least in the short term. Instead of executing the client's order promptly, the broker first purchases XYZ shares for their personal investment portfolio. Following this, the broker proceeds to execute the client's order, swiftly selling the XYZ shares and generating a profit. This practice of front-running is deemed unethical and illegal. The broker has gained financially from information that was not available to the public. Moreover, the delay in executing the client's order might have caused financial harm to the client.

Front-running shares similarities with insider trading, albeit, in this instance, the broker is leveraging non-public information obtained from the client's brokerage rather than from within the client's own business. It is not an isolated issue in India. Regulatory bodies worldwide are constantly on guard against this deceptive practice. The Securities and Exchange Commission (SEC) enforces rules that prohibit fraudulent and deceptive practices by brokers and dealers, encompassing front-running. The Financial Conduct Authority (FCA) has similar regulations in place to prevent market abuse, including front-running.

Allegations on Quant MF

Securities and Exchange Board of India (SEBI), the market regulator in India, is investigating Quant Mutual Fund, a fast-growing asset manager, for potential front-running activities. SEBI conducted searches at Quant's Mumbai headquarters and locations of suspected beneficiaries in Hyderabad. SEBI's surveillance system identified suspicious matches between transactions of certain entities and those of Quant Mutual Fund. The investigation suspects a leak of trade information from either a Quant dealer or a broking firm handling Quant's orders. Quant MF's investment strategy heavily favoured small-cap stocks. These stocks are generally less liquid, meaning their prices can fluctuate more dramatically compared to large-cap stocks. This characteristic makes them more susceptible to manipulation through front-running. SEBI has seized electronic devices like mobiles and computers to gather evidence and identify the source of the leak. The regulator also plans to question individuals with access to Quant's trade information, focusing on executives who knew trade details and could have passed them on. Quant Mutual Fund confirmed SEBI's inquiries and assured investors of their full cooperation with the investigation. They emphasized their commitment to transparency and adherence to regulations.

Front-running scandals are not new to the financial world. In 2020, the Financial Industry Regulatory Authority (FINRA) took action against Citadel Securities, a Chicago-based market maker. FINRA accused Citadel of prioritizing its trades over client orders between 2012 and 2014. According to the regulatory body's findings, Citadel diverted hundreds of thousands of large over-the-counter orders away from automated systems, forcing them to be handled manually by traders. However, instead of fulfilling these client orders, Citadel allegedly executed trades for its benefit on the same side of the market at prices that would have satisfied the client orders. This behaviour violated FINRA's rules regarding client obligations. An investigation by FINRA revealed that in a single month, Citadel engaged in this practice against client interests for nearly 75% of the inactive orders. To settle the charges, Citadel agreed to compensate affected clients while also paying a USD 700,000 fine, all without admitting any wrongdoing. This case highlighted the regulatory scrutiny and consequences associated with front-running in global financial markets. Similarly, in India, Axis Mutual Fund faced allegations of front-running involving its chief dealer, Viren Joshi. That case resulted in a ban on the fund's dealer and 20 other entities from the securities market, along with the seizure of INR 30.55 crore in wrongful gains. The case underscored vulnerabilities within fund management operations and emphasized the need for stringent regulatory oversight to safeguard investor interests.

Impact of allegations

Quant Mutual Fund has witnessed its first weekly net outflows of 2024 in late June. The outflows, totalling INR 2,800 crores according to Value Research, mark the end of a six-month streak of positive inflows for the fund house. This net outflow represents roughly 3% of Quant MF's assets under management (AUM) from the previous week, spanning June 24th to June 30th. Notably, Quant Small Cap Fund, the firm's largest scheme managing INR 21,423 crore as of May 2024, bore the brunt of the outflows. It experienced a significant outflow, accounting for approximately 28% of the total outflows during that week. Meanwhile, Quant PSU Fund witnessed the highest outflow as a percentage of its total assets. The outflow of INR 80 crore represents 8% of the fund's AUM as of June 21. Furthermore, Value Research reports that Quant's five largest mutual funds experienced outflows following the front-running allegations in the last week of June. Interestingly, the report also highlights increased holdings of HDFC Bank and Reliance Industries in the top five Quant Mutual Funds. These holdings grew significantly, with Quant Flexi Cap Fund showing the most substantial increase, boosting its stake by 1.21% and 3.27% in Reliance Industries and HDFC Bank, respectively.

Front-running creates an uneven playing field for honest investors. It creates an unfair advantage for those with access to privileged information. It allows insiders to profit unfairly at the expense of others, jeopardizing the basic principle of a fair and transparent market. Therefore, the repercussions of front-running extend far beyond just the immediate financial loss for investors in the affected fund. When front-running is exposed, it erodes investor trust in the fairness and integrity of the market. When investors suspect foul play, their confidence in the fairness and integrity of the market plummets. This discourages potential investors from entering the market, hindering the flow of capital and hindering economic growth. This can lead investors to withdraw their funds, reducing overall market liquidity. This discourages honest participation from other investors. It can contribute to increased market volatility as the perpetrator's trades can create artificial price movements. This can make it difficult for investors to make informed investment decisions.

Should investors stay invested or exit?

Deciding whether to stay invested or exit Quant Mutual Fund amidst the ongoing investigation requires careful consideration of individual risk appetite, investment goals, and ethical principles. While the allegations are concerning, history suggests that regulatory actions often lead to reforms that strengthen investor protections. Historically, similar incidents involving other fund houses have seen investigations followed by corrective actions and reforms. As such, adopting a cautious wait-and-watch stance might be prudent until more clarity emerges from SEBI's investigation. Quant Mutual Fund has been a consistent performer in the market, delivering satisfactory returns to its investors over the years. For long-term investors who believe in the fund's investment strategy and management, exiting prematurely could mean missing out on potential recoveries.

For investors with diversified portfolios, the impact of any adverse developments in a single fund may be mitigated. It highlights the importance of spreading investments across different asset classes and fund houses to manage risks effectively. Investors with low-risk tolerance may prefer to exit Quant Mutual Fund to avoid any potential negative impact on their investments. This cautious approach prioritizes capital preservation over potential returns amidst uncertain circumstances. Some investors may find it challenging to continue supporting a fund house embroiled in allegations of unethical practices. Aligning investments with personal ethical standards can be a driving factor in the decision to exit. Exiting Quant Mutual Fund could provide an opportunity to reassess and diversify into other mutual funds or investment avenues perceived to be more transparent and less prone to similar controversies.

A call for vigilance

The Quant MF case serves as a stark reminder of the vulnerability of financial markets to front-running. While the investigation continues, it underscores the critical need for robust regulatory frameworks, coupled with constant vigilance by market watchdogs. Only through a collective effort can we ensure a level playing field for investors and foster a market environment built on trust and transparency. For now, investors are advised to monitor developments closely, seek professional advice if needed, and reevaluate their investment strategies based on evolving information. Whether staying invested or exiting, the focus should be on safeguarding long-term financial objectives while upholding ethical investment practices. *(References – Investopedia, Business Standard, LiveMint, MoneyControl)*

GREENVISSAGE EXPLAINS

Greenvissage

GREENVISSAGE EXPLAINS

Can we reduce fuel costs by bringing them under GST?

The high cost of fuel in India pinches the pockets of everyday citizens. With petrol and diesel prices near record highs, many believe bringing these fuels under the Goods and Services Tax (GST) could be a magic bullet. However, a closer look reveals a more intricate situation. A significant hurdle to including fuel under GST is the substantial tax revenue it generates for both the central and state governments. Taxes constitute nearly 40% of the final price at the pump. This revenue stream is critical for funding essential government programs and infrastructure development projects. If fuel were brought under GST, the government would need to impose a correspondingly high GST rate to maintain its current tax collection. The highest GST slab of 28% might not even suffice, potentially creating a revenue shortfall. To bridge this gap, the government might have to raise taxes on other goods and services, negating the potential benefit for consumers and pushing up the overall cost of living.

Another concern is the impact on consumers if the government opts for a lower GST rate to minimize the burden on households. While a lower GST rate might lead to a slight decrease in fuel prices, it would also result in a significant drop in government revenue. This could force cutbacks in essential services or necessitate finding alternative sources of income, potentially leading to higher taxes elsewhere. The issue becomes even more intricate when considering the dependence of state finances on fuel tax revenue. Fuel contributes a substantial portion – ranging from 11% to 17% – to the total tax revenue collected by various states. Bringing fuel under GST would significantly impact their financial health. The central government had previously addressed this concern by creating a temporary compensation fund for states. However, this measure is set to expire in 2026, leaving a question mark on how the central government plans to manage the financial health of states if fuel is brought under GST. Furthermore, including fuel under GST might not address the root causes of high fuel prices. Global crude oil prices, international refining costs, and currency fluctuations all play a role in determining the final price at the pump. Even under GST, these factors would continue to influence fuel prices in India.

The Indian government needs to find a sustainable solution that goes beyond simply including fuel under GST. This solution could involve a multi-pronged approach that includes – negotiating favourable terms with oil-producing nations to bring down crude oil import costs, investing in and expanding domestic refining capacity to reduce dependence on imported refined fuel, exploring alternative fuel sources such as biofuels and electric vehicles to lessen reliance on traditional fossil fuels, and promoting fuel efficiency through stricter emission standards and incentives for fuel-efficient vehicles. By implementing a combination of these measures, the government can work towards a more sustainable and long-term solution for managing fuel prices in India. This would not only benefit consumers but also ensure the financial stability of the government and states.

(References – The Hindu, The Times of India)

Can MSP be legalised in India?

The Minimum Support Price (MSP) is a critical policy tool employed by the Indian government to safeguard the livelihoods of millions of farmers. Established in 1965, it sets a guaranteed price at which the government will procure crops from farmers if market prices fall below this benchmark. This intervention aims to shield farmers from volatile market fluctuations and ensure a minimum level of income. However, the recent increase in MSPs for Kharif crops has reignited the debate surrounding its effectiveness and potential drawbacks. While the government maintains that the MSP hikes are a step towards doubling farmers' incomes, critics argue that the increase fails to account for the significant inflation in farm inputs. This disparity between rising input costs and stagnant MSP translates to meagre gains for farmers, leaving them vulnerable to financial distress. The recent protests by farmers demanding legal guarantees for MSP highlight the urgency of addressing these concerns.

The Indian government's primary objective in implementing MSP is to ensure national food security. By providing a safety net for farmers' incomes, the policy encourages continued production of essential food grains, thereby safeguarding the nation's food supply. Agriculture is inherently susceptible to price fluctuations due to factors like weather patterns and global market forces. MSP acts as a buffer, protecting farmers from drastic drops in income during periods of low market prices. A predictable minimum price incentivizes farmers to invest in better seeds, fertilizers, and irrigation techniques, potentially leading to increased productivity and overall agricultural growth. MSP can be strategically used to encourage the cultivation of crops beyond staples like rice and wheat. This diversification helps maintain soil health and reduces dependence on a limited set of crops.

Despite its noble intentions, implementing MSP effectively presents a multitude of challenges. Procuring vast quantities of crops at MSP places a substantial strain on the government's budget. The sheer number of farmers and the wide variety of crops covered under MSP make it a financially demanding exercise. Efficient procurement across the vast and diverse agricultural landscape of India is a logistical nightmare. Ensuring the smooth functioning of procurement centres and timely payments to farmers requires a robust infrastructure and administrative capacity. Critics argue that MSP can distort market dynamics by creating a disincentive for private sector investment in agriculture. Additionally, MSP for certain crops can lead to overproduction and subsequent price slumps, impacting overall market stability.

Finding a fair MSP requires a multi-pronged approach. We need to consider all farm costs, not just some. Streamlining procurement with technology can save money. Empowering farmers through cooperatives gives them bargaining power to access better markets. Upgrading infrastructure reduces waste and improves market access, lowering reliance on MSP. A more flexible system combining MSP with market-based profit margins could be explored. Encouraging high-value crops can boost farmer income and reduce dependence on MSP for staples.

(References – The Hindu, The Hindu BusinessLine, Indian Express)

Is Global Tax on Billionaires a Right Foot Forward?

Brazil's leadership of the G20 this year has ignited a firestorm of debate with its proposal for a global minimum tax on billionaires. The plan, spearheaded by French economist Gabriel Zucman, advocates for a 2% annual levy on the wealth exceeding USD 1 billion held by the world's estimated 3,000 richest individuals. This wealth tax aims to tackle the escalating issue of wealth inequality and generate substantial revenue streams that could be directed towards social programs and initiatives combating climate change. The proposal borrows heavily from the recently established global minimum corporate tax agreement. Similar to that initiative, this plan wouldn't necessitate a formal treaty. Instead, participating countries would have the flexibility to implement the tax through various domestic mechanisms. These mechanisms could include wealth taxes, presumptive income taxes that assume a minimum level of income based on wealth, or even capital gains taxes levied on unrealized income – income earned from assets that haven't yet been sold. This flexibility is seen as a key factor in encouraging broader international participation.

The path to implementation is fraught with challenges. Achieving international cooperation, especially in the current geopolitical climate with ongoing conflicts and domestic political struggles, can be a herculean task. Additionally, accurately assessing the often-murky wealth of billionaires, particularly assets with nebulous market values, presents a significant hurdle. Proponents, however, remain optimistic. They point to the recent global minimum corporate tax agreement as a testament to the possibility of forging new pathways for international tax cooperation, even if the process is slow and arduous.

Brazil's commitment to taxing the wealthy extends beyond the G20 proposal. The Lula da Silva administration has already taken concrete steps domestically, implementing measures to tax offshore investments – a haven for the super-rich to park their wealth and potentially avoid taxes – and limiting the size of exclusive pension funds used by these high-net-worth individuals. These domestic efforts underscore Brazil's seriousness about addressing wealth inequality and its willingness to take action, even if the global proposal faces an uphill battle. While the global billionaire tax faces an uncertain future, its significance shouldn't be understated. It represents a bold step towards tackling the widening wealth gap and generating resources for pressing global challenges. The success of this proposal hinges on garnering international support and developing robust mechanisms for wealth assessment and tax collection. Additionally, the potential for extending the tax bracket to centi-millionaires, further broadening the tax base, is also being explored.

The different implementation methods – wealth tax, presumptive income tax, capital gains tax on unrealized income – each have their advantages and disadvantages, which will be a focal point of discussions moving forward. Even if not immediately adopted, the long-term impact of the proposal on shaping future tax policies and international cooperation cannot be ignored. Brazil's proposal may not be an immediate silver bullet, but it has undeniably sparked a crucial conversation on international tax reform. The world is watching to see if this initiative will become a paradigm shift or remain a stalled start.

(References – Live Mint, The Guardian, Reuters)

Why is Koo, the Indian Twitter Alternative, Shutting Down?

Koo, a microblogging platform launched in 2020, aimed to be the desi (local) alternative to Twitter in India. It gained initial traction during a political standoff between the Indian government and Twitter, attracting prominent figures and enjoying a surge in popularity. However, after four years, Koo announced its closure due to financial struggles. Founded by Aprameya Radhakrishna and Mayank Bidawatka, Koo capitalized on the tensions between the Indian government and Twitter in 2020. The government's concerns over content regulation and alleged non-compliance by Twitter provided an opening for a domestic alternative. Koo, with its focus on supporting Indian languages, gained the support of government officials, celebrities, and media houses. This initial backing helped establish brand recognition and attract users.

Despite a promising start, Koo faced significant challenges. The social media landscape is fiercely competitive, and Twitter, with its established global user base and network effects, remained dominant. Koo struggled to differentiate itself beyond its language support, especially as other platforms like ShareChat already catered to regional language needs. Furthermore, building a successful social media platform requires substantial investment in infrastructure and user acquisition. While Koo received funding, it wasn't enough to sustain long-term growth. The founders attributed their closure to the "funding winter" – a period of decreased investor appetite for startups. This limited their ability to compete with Twitter's resources and marketing muscle.

Koo's founders revealed that a significant portion of their funding went towards user acquisition strategies like advertising. While attracting users is crucial, a sustainable social media platform thrives on organic growth – users join because of the existing user base and the value proposition. Over-reliance on paid acquisition can be a risky strategy, especially for a new platform with limited user engagement. One of Koo's goals was to create a more civil and less "toxic" online environment compared to Twitter. However, social media thrives on a balance between open expression and responsible moderation. While excessive negativity can be off-putting, overly curated platforms can struggle to attract and retain users accustomed to the unfiltered nature of social media. Koo might not have found the right balance between these competing forces.

Koo's closure highlights the difficulties faced by Indian social media platforms in challenging established global giants. Patient capital, long-term vision, and a differentiated user experience are all essential ingredients for success. Investors need to be willing to support homegrown platforms through the initial growth phase, understanding the challenges of competing with entrenched players. The founders expressed confidence that Koo could have been a global success story with sufficient funding. They point to their rapid user growth and claim they were close to surpassing Twitter in India within a short timeframe. Whether this is entirely accurate is debatable. However, their closure underscores the importance of a sustainable financial strategy for social media startups.

(References – The Economic Times, The Week, Live Mint)

COMPLIANCE UPDATES

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Goods and services tax

■ **Enhancements to Address-Related Fields in GST Registration** The GSTN has made enhancements to the address-related fields in GST registration functionalities. These improvements have been implemented following careful analysis of user feedback and tickets raised, aimed at ensuring clarity and compliance in addressing data input across various registration processes. Address fields such as PIN Code, State, District, and City/Town/Village are now interlinked and must be selected from autosuggestions. Alphanumeric values are accepted, with limited special characters allowed such as Hyphen, Forward Slash, Ampersands, Comma, Apostrophes, Hash, Periods, Small Brackets, Inverted Commas, Colons, Semi-Colon, Underscore, and Spaces. Special characters are prohibited at the beginning of the entry. Fields like Zip Code, State, and District allow alphanumeric values and specific special characters. Similar to Indian addresses, special characters are restricted at the beginning of entries for other fields. Clear instructions have been added to each address field regarding permissible input values. Hovering over icons provides immediate access to these instructions, ensuring accurate data entry. Existing data in the system, even if containing now-restricted special characters, remains unaffected. During amendment applications, the system validates address details based on the new criteria. The field for Locality/Sub-locality is no longer mandatory. If left blank or mapped to a different PIN Code, a warning message prompts users to confirm their input for continuity in registration. (GSTN)

■ **Government Requires Approval Before Issuing GST Demand Notices** In a significant development aimed at easing compliance and reducing litigation under the GST regime, the government has mandated that any GST demand notices related to interpretation or classification matters must receive prior approval from the policy wing of the Central Board of Indirect Taxes and Customs (CBIC) at North Block. This decision restricts the Directorate General of GST Intelligence (DGGI) from independently issuing tax demand notices without such approval. The DGGI, responsible for monitoring tax compliance and detecting tax evasion under GST, will now need clearance from CBIC's policy wing for any demand notices related to disputed tax interpretations. This measure intends to align tax enforcement actions more closely with official policy interpretations, thereby minimizing discrepancies and ensuring uniformity in tax assessments across industries. (CNBC TV18)

■ **CBIC Mandates Undertaking for ITC Reversal on Post-Sale Discounts** The Central Board of Indirect Taxes and Customs (CBIC) has issued a new circular requiring suppliers offering post-sale discounts through credit notes under GST to ensure that recipients reverse the Input Tax Credit (ITC) availed on the discounted value. This measure aims to regulate the process until a mechanism is established on the common GST portal to verify such reversals. Until a verification mechanism is in place on the GST portal, suppliers must obtain an undertaking or a certificate from the recipient. For amounts not exceeding INR 5 lakh in a financial year, an undertaking suffices; for amounts exceeding this threshold, a certificate from a Chartered Accountant or Cost Accountant certifying ITC reversal is required. The circular applies retrospectively from 2017, impacting all pending demands related to ITC reversals on post-sale discounts. Taxpayers involved in litigation can utilize this clarification to address historical issues. (Business Standard)

■ **GST Relief for Foreign Holding Companies in Intra-Loan Transactions** The Central Board of Indirect Taxes and Customs (CBIC) has provided significant relief to foreign firms extending loans to their Indian subsidiaries by clarifying GST applicability on such transactions. Loans provided by foreign entities to Indian subsidiaries will not attract GST. This clarification aims to resolve uncertainties and disputes that arose during GST audits regarding the taxation of loans and credit facilities among group companies. However, any additional fees, commissions, or related payments charged above the interest amount on these loans will be subject to GST at the rate of 18%. This ensures clarity on the tax treatment of ancillary charges associated with intra-group financial transactions. The CBIC has outlined that the open market value of services provided by foreign affiliates to Indian recipients, where full Input Tax Credit (ITC) is claimable, can be determined based on the invoiced amount. If no invoice exists, the service value can be considered nil, simplifying valuation methods for GST purposes. (Business Standard)

Centre's Decision to Halt Monthly GST Data Release Raises Concerns Concerns have surfaced following the Indian government's recent decision to discontinue the monthly release of Goods & Services Tax (GST) collection data, marking a departure from its longstanding practice. Previously, the Ministry of Finance regularly issued comprehensive statements on the first day of each month, providing detailed insights into GST collections. With rising prices and a slowdown in consumption, there have been increasing calls for tax relief, particularly concerning the high GST rates imposed on various services, including health insurance. These disclosures provided critical insights into revenue distribution and helped in assessing economic trends across different states. The cessation of monthly GST data releases implies that any future state-wise GST data disclosures will now depend on individual states' willingness to share such information. Moving forward, it is expected that future updates will primarily feature headline figures such as gross GST collections on a monthly and annual basis. Additionally, details regarding the monthly settlement of Integrated GST (IGST) between the central and state governments may continue to be disseminated, albeit in a more streamlined format. The government's decision to curtail the detailed monthly GST data releases raises questions about transparency and data accessibility in fiscal reporting, particularly amidst ongoing economic uncertainties and the need for informed policy decisions. (Economic Times)

GST Collection Reached 1.74 Trillion in June, with a Slower Growth of 7.7% In June 2024, India's gross Goods and Services Tax (GST) collection amounted to INR 1.74 trillion, marking a year-on-year growth of 7.7%. This growth rate represents a notable slowdown compared to the 12.4% and 10% increases recorded in April and May respectively. Additionally, the month-on-month figures for June showed no significant change. Earlier in May, GST collections totalled INR 1.73 trillion, while April saw a record high of INR 2.1 trillion. Cumulatively for the current financial year, GST collections have reached INR 5.57 trillion as of June. Detailed data breakdowns for Central and State GST collections were not provided in the latest update. Nonetheless, it was disclosed that approximately INR 39,600 crore was credited to the central GST account from Integrated GST (IGST) collections, while states received INR 33,548 crore from IGST collections. (Money Control)

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Income tax

Tax Tribunals Allow Deductions for Donations Part of CSR Spend Tribunals have decided to allow deductions for donations that companies make as part of their CSR initiatives. Under India's Companies Act, certain companies are mandated to spend a portion of their profits on CSR activities. These activities typically encompass initiatives aimed at promoting education, healthcare, environmental sustainability, and socio-economic development within communities. The ruling by the tax tribunals is expected to have far-reaching implications for businesses across various sectors. By permitting deductions for CSR expenditures, companies are likely to be more motivated to invest in impactful social projects. This could lead to increased funding and support for initiatives that address pressing societal issues, thereby contributing to overall community welfare and development. (Times of India)

Hybrid Faceless Scheme under Consideration The Government is reevaluating its 'faceless' income tax assessment system to potentially introduce a hybrid approach. This new system would offer taxpayers the choice between the existing faceless scheme and a more traditional in-person resolution. The faceless initiative, launched on April 1, 2021, aimed to streamline tax assessments and disputes by minimizing direct interactions. Despite its intended benefits, concerns have arisen regarding its effectiveness and the user experience. Taxpayers, including both individuals and businesses, have voiced difficulties in effectively communicating complex matters via video conferencing. There is a growing demand from taxpayers for a hybrid model that incorporates some level of in-person interaction. This approach is viewed as essential for resolving intricate tax issues where direct engagement might be more effective. Communication and expertise gaps have also been cited as critical issues. Taxpayers, especially startups and fund houses, have reported difficulties in explaining their business operations to assessing officers who may lack domain-specific knowledge. (Economic Times)

■ **Ravi Agrawal appointed as New CBDT Chairman** Ravi Agrawal, an IRS officer from the 1988 batch, has been appointed as the new chairman of the Central Board of Direct Taxes (CBDT), succeeding Nitin Gupta, who held the position until June 30. Currently serving as a Member (Administration) on the Board, Agrawal's appointment is effective until June 2025. Despite his scheduled retirement in September this year, Agrawal's tenure has been extended on a contract basis. The CBDT functions as the highest policy-making body for the Income Tax Department, overseeing crucial administrative and policy decisions. Alongside the chairman, the CBDT can accommodate up to six members holding the rank of special secretary, collectively shaping the tax administration framework in India. (CBDT)

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Customs and foreign trade

■ **Import Curbs on Studded Gold Jewellery Don't Apply to SEZs** The Indian government clarified that its recent restrictions on certain types of studded gold jewellery imports won't apply to units operating within Special Economic Zones (SEZs). This move eased concerns raised by SEZ units who feared the import curbs would disrupt their operations. On June 11th, the Directorate General of Foreign Trade (DGFT) imposed restrictions to discourage imports of studded gold jewellery, particularly from countries like Indonesia and Tanzania. These restrictions typically require a license or permission for import. SEZs are designated areas treated as foreign territory for trade and customs purposes. They play a significant role in India's exports, contributing over a third of the nation's total outbound shipments in the last fiscal year. The clarification from DGFT addresses the concerns of SEZ units and ensures their import operations remain unaffected. This ensures the continued smooth functioning of SEZs as crucial export hubs for India. (Money Control)

■ **India Opens Wheat Reserves to Curb Rising Prices** In a bid to control domestic wheat prices that have jumped nearly 6% year-on-year, the Indian government is releasing wheat from its state reserves. The Food Corporation of India (FCI) will begin selling wheat to bulk consumers like flour millers and biscuit makers at a discounted price of INR 23,250 (USD 279) per ton, nearly 12% lower than market rates. This move aims to increase wheat supply and bring down prices for consumers. The decision comes after consecutive years of lower wheat harvests due to high temperatures. India, the world's second-largest wheat producer, even banned exports in May 2022 to ensure domestic food security. This year's crop fell short of government estimates, and wheat stocks in state warehouses have dwindled. To further replenish reserves and control prices, India might resume wheat imports after a six-year gap. The government is considering reducing or removing a 40% import tax to incentivize purchases from major exporters like Russia and Australia. (Money Control)

■ **India Considers Easing Rice Export Restrictions, Potentnially Lowering Prices** India, the world's largest rice exporter, might loosen restrictions on some rice varieties. This move aims to avoid a surplus of rice before the new harvest arrives in October and could benefit rice-dependent countries. The government is considering a fixed duty on white rice exports and potentially replacing the 20% tax on parboiled rice exports with a fixed levy. These changes could help cool down high rice prices in Asia, which have been at a 15-year peak. Easing restrictions would be welcome news for countries in West Africa and the Middle East that rely heavily on Indian rice imports. The potential policy shift comes after India imposed export limitations on key rice varieties last year to control domestic food prices. However, this led to a record rice stockpile in the country. News of the potential easing sent shares of Indian rice millers soaring, indicating positive industry sentiment. With the monsoon season underway, Indian farmers are planting their main rice crop, and a good harvest could further influence the government's decision on export restrictions. (Money Control)

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Corporate and allied laws

ISI Mark Now Mandatory for Stainless Steel and Aluminium Utensils In a move to ensure consumer safety and product quality, the Indian government has mandated the ISI mark for stainless steel and aluminium kitchen utensils. This regulation comes into effect following a Quality Control Order issued by the Department for Promotion of Industry and Internal Trade (DPIIT) in March 2024. The ISI mark, developed by the Bureau of Indian Standards (BIS), signifies adherence to national quality standards. This new rule prohibits the manufacturing, import, sale, or distribution of any stainless steel or aluminium utensils that lack the BIS standard mark. Non-compliance will result in penalties. This initiative follows the recent development of comprehensive BIS standards for kitchenware, including IS 14756:2022 for stainless steel and IS 1660:2024 for aluminium utensils. These standards cover material requirements, design specifications, and performance parameters. (Money Control)

SEBI proposes crackdown on Futures and Options Trading The Securities and Exchange Board of India (SEBI) has taken steps to address concerns over excessive speculation in the derivatives market, driven largely by retail investors. A newly appointed expert working committee has proposed several significant measures to curb the volume of futures and options trading. The committee suggests raising the minimum lot size for derivative contracts from the current INR 5 lakh to a range of INR 20 lakh to INR 30 lakh. This substantial increase aims to discourage small-ticket traders and reduce speculative trading. The proposal restricts the availability of weekly options contracts to only one expiry per stock exchange per week. This limitation is intended to streamline trading activities and reduce the number of speculative transactions. The committee recommends fewer strike prices for options contracts, which could further limit the flexibility of traders and focus trading activities. Another suggestion is the upfront collection of option premiums from buyers, potentially adding a barrier to speculative trades. Margin requirements may be heightened closer to the expiry date of contracts, ensuring that traders maintain adequate collateral throughout the trading period. The proposals are set to be reviewed by the Secondary Market Advisory Committee before any final decisions are made, reflecting SEBI's cautious and consultative approach to regulatory changes in the derivatives market. This move follows a significant rise in derivatives trading volume in recent years, raising concerns about the potential social and economic impacts of speculative trading practices. SEBI is willing to consider removing certain derivative products from the market if deemed necessary by data-driven analysis. (Money Control)

SEBI tightens rules around Finfluencers SEBI has tightened regulations concerning unregistered financial influencers, often referred to as 'finfluencers,' by prohibiting regulated entities from engaging with them. This move aims to protect investors from potentially misleading financial advice and ensure that all financial influencers operate within a regulated framework. In a recent press release, SEBI stated that entities under its regulation and their agents are barred from associating, directly or indirectly, with individuals or entities that offer financial advice or make performance claims without SEBI's authorization. This prohibition extends to any form of financial transactions, client referrals, or interactions through IT systems. The responsibility to adhere to these guidelines lies with the registered entities, who must ensure that their associates do not participate in activities prohibited by SEBI. Finfluencers have gained prominence for providing advice on investing, personal finance, and real estate via digital platforms, influencing the financial decisions of their followers. However, their rise has also been accompanied by instances of misleading practices. Some influencers have collaborated with brokers and mutual funds to attract clients, sometimes engaging in unethical or illegal activities. (Business Today)

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Finance and banking

■ **RBI Empowers Indian Residents with Foreign Currency Accounts in GIFT City** Indian residents gained greater control over their foreign finances with the Reserve Bank of India's (RBI) expansion of the Liberalised Remittance Scheme (LRS). This reform allows residents to open Foreign Currency Accounts (FCAs) within GIFT City, India's international financial hub. Previously restricted in its scope, the LRS now permits residents to send up to USD 250,000 annually abroad for a wider range of purposes like investments, property purchases, travel, and medical bills. FCAs within GIFT City offer residents the potential to shield themselves from inflation and currency depreciation by holding foreign currency like US dollars. This move further strengthens GIFT City's position as an international financial centre by granting residents access to a broader spectrum of financial products and services denominated in foreign currencies. (CNBC TV18)

■ **RBI Allows Banks Cautious Use of Brickwork Ratings** In a policy reversal, the Reserve Bank of India (RBI) has lifted a two-year ban on banks using credit ratings from Brickwork Ratings. However, the RBI imposed conditions for re-inclusion, reflecting ongoing regulatory concerns. Brickwork ratings can now be used for calculating capital adequacy ratios on existing loans of any size. This provides some relief for banks that hold loans previously rated by Brickwork. However, looking forward, Brickwork's role is limited. New ratings from Brickwork are only allowed for loans below INR 250 crore. Additionally, Brickwork can only continue monitoring existing ratings for larger loans until those loans are up for renewal by the bank. This suggests the RBI is still cautious about Brickwork's credit assessment capabilities. (Economic Times)

■ **RBI Highlights Internal Account Risks** In a move promoting financial integrity, the Reserve Bank of India (RBI) has flagged the potential misuse of internal accounts held by certain banks. Deputy Governor Swaminathan J, expressed concern about a significant number of these accounts, potentially numbering in the hundreds of thousands. The RBI emphasized the inherent risk associated with such a large volume of internal accounts, citing their potential use in fraudulent activities and practices like evergreening loans. To address these concerns, the RBI urged the Chief Financial Officers (CFOs) of banks to implement stricter control measures. These measures include - reducing the number of internal accounts to the absolute minimum required for operations. implementing regular reconciliation procedures and reporting any suspicious activity, investing in data analytics tools to proactively identify and mitigate potential risks, and maintaining open and honest communication with auditors and regulatory bodies. (The Indian Express)

■ **MSMEs seek change in SMA-2 definition** The Indian MSME sector is seeking regulatory forbearance from the Reserve Bank of India (RBI) regarding loan repayment timelines. Industry associations contend that the current framework, which designates accounts as special mention accounts (SMA-2) after only 90 days of overdue payments, disproportionately restricts access to credit for MSMEs. They argue that inherent characteristics of the MSME business model, such as extended production cycles and delayed payments from buyers, can often make strict adherence to the 90-day window challenging. Furthermore, SMA-2 classification triggers limitations on existing credit lines, hindering an MSME's ability to navigate temporary financial difficulties. To address these concerns, industry bodies are advocating for a multi-pronged approach. This includes extending the SMA-2 grace period, revising the definition of a wilful defaulter to better account for MSME-specific challenges, and implementing improved data collection practices by the RBI. These measures, they posit, would enable the development of targeted solutions that nurture a more supportive financial ecosystem for MSMEs. (The Indian Express)

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Accounting and management

In Focus: Onerous Contract

■ An onerous contract, in accounting terms, refers to a situation where the unavoidable costs of fulfilling a contract outweigh the expected economic benefits. Imagine signing a deal to supply a product at a price that, after factoring in all the production and delivery expenses, results in a loss for your company. That contract would be considered onerous.

- The key element is the imbalance between unavoidable costs and expected benefits. These unavoidable costs encompass all expenses necessary to fulfil the contract, even if it leads to a loss. This includes direct material, labour, and overhead costs, as well as potential penalties for contract termination.

- Onerous contracts can occur at the outset, meaning the initial terms were unfavourable. Alternatively, they can become onerous over time due to unforeseen circumstances. For example, a sudden rise in raw material prices might turn a previously profitable contract into a burden. It's important to distinguish between an onerous contract and a simply unprofitable one. If a company can choose to terminate the contract without significant penalty, it's not necessarily onerous, even if it results in a loss.

- Companies have a responsibility to continuously assess their contracts for potential onerousness. Regularly analyzing contracts, especially those with long durations or variable cost structures, is crucial. Identifying potential risks early allows for proactive measures like renegotiating terms or preparing for potential losses. Performing a cost-benefit analysis for each contract helps compare the expected economic benefits (revenue) with the unavoidable costs associated with fulfilling it. Certain events can act as red flags, prompting a closer look at contract viability. This could include significant cost increases, unexpected delays, or changes in market conditions.

- When a contract is identified as onerous, companies need to reflect this in their financial statements. The company must recognize a provision for the expected loss arising from the onerous contract. This reduces the company's reported profits and provides a more accurate picture of its financial health. If the contract involves the construction of an asset, its value may need to be reduced to reflect the lower expected benefits from the project. Companies must disclose the existence of onerous contracts and the associated financial impact in their financial statements. This transparency allows investors to make informed decisions about the company's financial health and prospects.

- The presence of onerous contracts can have a significant negative impact on a company. Onerous contracts directly eat into profits, reducing the company's financial resources and potentially hindering its ability to invest in future growth. Fulfilling onerous contracts can drain a company's cash flow, making it difficult to meet other financial obligations. Disclosure of onerous contracts can damage investor confidence, lowering the company's stock price and making it more expensive to raise capital.

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Payroll and personal finance

- **Government Mulls Guaranteed Pension for NPS Subscribers** The Indian government is considering offering a guaranteed minimum pension under the National Pension System (NPS) for central government employees. This guaranteed pension could be around 50% of the employee's last drawn salary, aiming to address concerns about lower payouts compared to the Old Pension Scheme (OPS). The NPS is a defined contribution scheme where the final pension amount depends on market returns, while the OPS offers a fixed pension based on the last drawn salary. The NPS offers potentially higher returns for long-term investment, but the OPS provides a guaranteed payout. Implementing a guaranteed minimum pension in NPS would require government funding to cover any shortfalls between the guaranteed amount and actual returns. The government is exploring ways to balance employee satisfaction with fiscal responsibility. This might involve creating a dedicated pension fund or offering a slightly lower guaranteed percentage than the proposed 50%. A committee led by Finance Secretary T V Somanathan is evaluating the proposal's financial implications. While a final decision is pending, discussions are ongoing to find a solution that ensures both employee well-being and financial sustainability. (The Times of India)

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BUSINESS NEWS

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Government

Udyami Bharat - A One-Stop Portal for MSME Needs The Indian government is developing a comprehensive web portal called Udyami Bharat specifically for Micro, Small and Medium Enterprises (MSMEs). This one-stop platform aims to simplify access to information for entrepreneurs by offering details on all MSME-related schemes from various ministries. Udyami Bharat will allow users to enter their Udyam registration number and find relevant information tailored to their business needs. The MSME ministry is collaborating with Nexi Technologies on this project with a targeted launch by September 2024. Initially, the portal will integrate schemes offered by the MSME ministry itself. The project will be managed by a dedicated 15-member team and hosted on the NIC cloud. With over 30 million MSMEs registered in India, this initiative has the potential to significantly empower this critical sector. MSMEs play a vital role in the Indian economy, contributing nearly 29% of the nation's gross value added and approximately 45% of its exports. (Business Standard)

Production Linked Incentive Scheme Reopens for ACs and LED Lights The Government of India is reopening the application window for companies interested in the Production Linked Incentive (PLI) scheme for air conditioners (ACs) and LED lights. This scheme offers financial incentives to companies that invest in domestic manufacturing. Applications will be accepted from July 15th, 2024 for 90 days. The PLI scheme provides fiscal incentives for incremental sales of these goods manufactured in India. The aim is to boost domestic manufacturing and improve competitiveness in the AC and LED light sectors. This is the third round of applications for the PLI scheme for white goods. So far, 66 companies have been selected with a committed investment of INR 6,962 crore. This initiative reflects the government's ongoing efforts to strengthen the 'Atmanirbhar Bharat' (Self-reliant India) mission by promoting domestic manufacturing. (Business Standard)

Government Aims to Jumpstart Drone Industry with Production Incentive Scheme The Indian government's Production-Linked Incentive (PLI) scheme aims to boost domestic drone manufacturing, not provide a long-term handout. Piyush Goyal, a Union Minister, emphasized that the PLI scheme is a temporary measure to propel the industry forward and reduce reliance on subsidies. Drones hold immense potential for the agricultural sector, improving crop yields, battling erratic weather patterns, and empowering women through the NAMO Drone Didi initiative. Collaboration with institutions like SIDBI can aid in financing and mentoring drone ecosystem participants. The government is committed to accelerating India's economic growth and becoming the world's third-largest economy. Drones can benefit cooperative societies, Self-Help Groups (SHGs), and Farmers Producer Organizations (FPOs) by optimizing fertilizer delivery and reducing costs. (Business Insider)

Economies

Citi Sounds Alarm on India's Job Crisis Despite Economic Growth A report by Citigroup warns that India faces a significant challenge in creating enough jobs for its growing workforce, even with a robust economic growth rate of 7%. The bank estimates India needs to generate 12 million jobs annually over the next decade to absorb new labour market entrants. However, based on a 7% growth scenario, India can only create 8-9 million jobs per year. Beyond the quantity of jobs, Citi raises concerns about their quality. They found that nearly half the workforce remains employed in agriculture, a sector contributing less than 20% to GDP. Additionally, the share of formal sector jobs has declined to a record low of 25.7% in 2023, with self-employment dominating the Indian labour market. This highlights a lack of job opportunities with salaries and benefits. Citi proposes solutions including boosting manufacturing exports, attracting foreign investment, and filling vacant government positions. (Money Control)

India's Digital Currency Usage Slumps After Initial Push India's experiment with its digital currency, the e-rupee, has hit a snag. After reaching a peak of 1 million daily transactions in December 2023, usage has dropped to a mere 10% of that volume, according to sources familiar with the pilot program. This decline reflects a global challenge for central banks introducing digital currencies. While the Reserve Bank of India

(RBI) achieved its initial target through incentives for banks and employees, there appears to be limited organic demand for the e-rupee among consumers. Currently, a significant portion of remaining transactions involve salary disbursements by banks using the e-rupee. This inflates the numbers towards the end of each month, with daily transactions dropping otherwise. The RBI's focus has shifted from rapid expansion to refining the technology and exploring potential use cases for the e-rupee. They believe wider adoption will follow as these use cases develop. India's experience mirrors a broader trend - a third of central banks globally are exploring digital currencies, but even launched projects, like those in the Bahamas and Jamaica, have seen limited success. (Money Control)

■ **Indian Textile Exports Defy Global Slowdown** Despite global economic challenges, India's textile industry is experiencing a boom. According to a Confederation of Indian Textile Industry (CITI) report, textile exports grew by an impressive 9.59% in May 2024 compared to the same month last year. Apparel exports also witnessed a significant rise of 9.84%. This positive trend extends to overall exports, which surged by 10.2% to $68.29 billion in May 2024. This growth comes amidst unfavourable economic conditions in major markets like the European Union, the US, and West Asia. May 2024 saw a 9.59% increase in textile exports and a 9.84% increase in apparel exports compared to May 2023. Overall exports for May 2024 reached $68.29 billion, reflecting a 10.2% year-on-year growth. Positive performance was observed in sectors like electronics, pharmaceuticals, engineering goods, and textiles. The report doesn't explicitly mention the reasons behind this growth. However, factors like robust order bookings and increasing global demand for Indian textiles could be at play. The positive trajectory observed in May 2024 indicates promising prospects for India's textile sector. It remains to be seen if this momentum can be sustained in the coming months. (Business Insider)

■ **India's FDI Inflows Slide, Ranking Drops in UNCTAD Report** India's foreign direct investment (FDI) inflows saw a significant decline in 2023, according to the United Nations Conference on Trade and Development (UNCTAD) World Investment Ranking. The report shows a 43% drop in FDI inflows compared to 2022, bringing India's ranking down from 8th to 15th globally. Despite the ranking decline, India retains a strong position in attracting foreign investment for new ventures (greenfield projects) and international project finance deals. India ranked second globally in securing international project deals and fourth for greenfield projects. The report also highlights India's increasing role as an investor itself, with outward FDI rising from 23rd to 20th position. FDI inflows into India dropped 43% to USD 28 billion in 2023. India's ranking in global FDI destinations fell from 8th to 15th. India remains a top destination for greenfield projects and international project deals. (Money Control)

Corporates

■ **Tata Realty Secures Green Loan for Chennai IT Park Expansion** Tata Realty, a leading Indian real estate developer, has secured a significant INR 825 crore loan from the International Finance Corporation (IFC) to refinance its eco-friendly IT park, Ramanujan Intellion Park, in Chennai. This move underscores Tata Realty's commitment to sustainable development and positions it as a frontrunner in green building practices within India's commercial real estate sector. Ramanujan Intellion Park is a LEED-certified development known for its eco-conscious design. The park boasts a complete reduction in emissions achieved through the use of renewables or carbon offsets, alongside significant water and energy savings. The IFC's financing will allow Tata Realty to further integrate cutting-edge sustainable technologies throughout the park, which caters to a large tenant base and offers a total leasable area of approximately 4.67 million square feet. (Business Insider)

■ **Reliance Jio Prepares for Potential Record-Breaking Debut** Reliance Jio, India's leading telecom operator, is reportedly gearing up for a much-anticipated initial public offering (IPO). Analysts expect an announcement regarding the Jio IPO at Reliance Industries' upcoming AGM in August. This potential listing could be the biggest ever witnessed on the Indian stock market, surpassing the recent LIC IPO. Jio's recent price hike on prepaid plans and the shift of unlimited 5G benefits to higher-tier plans are seen as strategic moves to boost its Average Revenue Per User (ARPU). A stronger ARPU translates to a more attractive company for potential investors, potentially paving the way for a successful IPO. Current estimates value Jio at INR 11.11 lakh crore (USD 133 billion). Following Indian regulations, a 5% stake sale during the IPO would translate to a staggering INR 55,000 crore, eclipsing the record set by LIC's INR 21,000 crore IPO. This would solidify Jio's IPO as the largest in Indian stock market history. (Business Insider)

■ **Honeywell to Acquire Air Products' LNG Unit** Honeywell International Inc. has announced plans to purchase Air Products & Chemicals Inc.'s liquefied natural gas (LNG) process technology and equipment division for $1.81 billion in cash. This acquisition, Honeywell's fourth this year, aims to bolster its LNG pretreatment business with technologies such as heat exchangers and cryogenic equipment, crucial amid rising demand across sectors like power and data centres. The Energy Information Administration forecasts a significant uptick in U.S. LNG exports, reaching 12.2 billion cubic feet per day in 2024 and 14.3 billion in 2025, up from 11.9 billion in 2023. Air Products' offerings, including coil-wound heat exchangers known for efficient liquefaction with minimal space requirement, are utilized both onshore and offshore. The deal, expected to close by year-end, is projected to enhance Honeywell's adjusted earnings per share starting from the first full year of ownership, potentially contributing a 1% increase by 2025. It also promises growth opportunities in aftermarket services and digitalization through Honeywell's Forge platform. (Live Mint)

■ **Raymond Group Aims for Robust Growth with Realty Demerger** Raymond Group, led by Gautam Singhania, has initiated a strategic restructuring to transform into pure-play businesses, foreseeing significant growth prospects. The conglomerate anticipates its realty arm, now demerged into Raymond Realty and set for exchange listing pending regulatory approvals, to achieve an annual revenue of approximately INR 4,000 crore within the next 3-4 years. Simultaneously, Raymond Ltd will focus on its engineering business, targeting a doubling of revenue in 4-5 years. Raymond Group's real estate portfolio includes 100 acres in Thane, with current development focused on 40 acres offering a potential revenue of INR 9,000 crore from a 4 million sq ft area. Additionally, joint development agreements covering 2 million square feet are projected to generate INR 7,000 crore in revenue. The total revenue potential from Thane is estimated at INR 32,000 crore over 7-8 years, with significant pre-sales already secured. In FY24, the real estate business recorded INR 1,600 crore in revenue, an EBITDA of INR 370 crore, and INR 2,250 crore in bookings. With INR 500 crore in cash reserves allocated for construction, Raymond Realty is well-positioned for future growth. Meanwhile, Raymond Ltd's engineering division reported INR 1,800 crore in revenue and INR 270 crore in EBITDA for FY24. The division is expanding into high-growth sectors such as aerospace, defence, and electric vehicles, expecting substantial growth. (The Hindu Business Line)

■ **Bajaj Auto Launches World's First CNG-Powered Motorcycle** Bajaj Auto, renowned for its innovation in two-wheelers and three-wheelers, unveiled the revolutionary Freedom 125, the world's first CNG-powered motorcycle, in Pune. The Bajaj Freedom CNG motorcycle promises substantial fuel cost savings, estimated to be around 50% compared to conventional petrol motorcycles. It features a CNG tank capable of providing a range of over 200 km on just 2 kg of CNG. Additionally, a 2-litre petrol tank acts as a backup, extending the range by an additional 130 km if CNG runs out, ensuring uninterrupted journeys. Environmentally, the Freedom 125 significantly reduces CO_2 emissions by approximately 26.7% compared to petrol motorcycles. Features like the Link-Mono shock system enhance comfort and adaptability across various road conditions. Bajaj Auto, known for its legacy of pioneering vehicles such as the Pulsar and Chetak, continues its tradition of innovation with the Freedom 125. Available in three variants — the Freedom 125 is priced between INR 95,000 to INR 1,10,000 ex-showroom Delhi. (The Hindu Business Line)

Startups

■ **Ola Electric Gets SEBI Nod for INR 7,250 Crore IPO** India's leading electric two-wheeler manufacturer, Ola Electric, has received the green light from the Securities and Exchange Board of India (SEBI) to launch its initial public offering (IPO). IPO Size is going to INR 7,250 crore, of which fresh issue will be INR 5,500 crore, and the offer for sale will be INR 952 crore (including shares from founder Bhavish Aggarwal and other investors). There will be an optional pre-IPO placement of INR 1,100 crore. The company plans to use INR 1,226 crore towards capacity expansion, INR 800 crore towards debt repayment, INR 1,600 crore towards Research & development, and INR 350 crore towards other Growth initiatives. Old Electric holds nearly half of the Indian electric two-wheeler market share. The company is currently building a major EV hub in Tamil Nadu. Ola Electric's IPO approval signifies its intent to raise capital for further growth and solidify its position in the burgeoning Indian electric vehicle market. The company's focus on R&D and capacity expansion suggests continuous innovation and production ramp-up in the coming years. (Business Insider)

- **Zepto raises more funds, Valuation surges to USD 3.6 billion** Signalling the red-hot Indian quick commerce sector, Zepto, a leading player, secured a massive USD 665 million funding round. This impressive investment catapulted Zepto's valuation to a staggering USD 3.6 billion, nearly tripling its worth in just a single year. Attributing this meteoric rise to exceptional operational efficiency throughout its supply chain, from sourcing to last-mile delivery, Zepto boasts impressive financial metrics. The company reveals a strong financial performance with nearly 75% of their stores already achieving profitability, and the business itself nearing operational cash flow break-even. This financial strength fuels Zepto's ambitious future endeavours. The fresh capital infusion will be strategically deployed to acquire top talent across various departments, including engineering, product management, and finance. With this strategic talent acquisition and a potential public listing hinted at within the next 12-18 months, Zepto is aiming to solidify its dominance in the fiercely competitive Indian quick commerce market. (Business Insider)

- **Flipkart Expands Payment Services Through BillDesk Partnership** Flipkart, a leading e-commerce platform, has enhanced its digital payment offerings by collaborating with BillDesk to introduce five new bill payment categories. These categories include Fastag, DTH recharges, landline, broadband, and mobile postpaid bill payments. This expansion complements Flipkart's existing services, which already encompass prepaid mobile recharges and electricity bill payments. Customers can avail of up to 10% discounts through SuperCoins when using Flipkart UPI, as part of a limited-time promotion. The addition of these new categories aims to integrate bill and recharge payments seamlessly into the Flipkart shopping experience. The Bharat Bill Payment System (BBPS) processed around 1.3 billion transactions in FY24 across India, with projections indicating growth to over 3 billion transactions by 2026. This expansion aligns with Flipkart's strategy to tap into the increasing trend of digital payments, leveraging over 20 bill categories and more than 21,000 billers within the BBPS ecosystem. This initiative comes amidst heightened competition in the fintech sector, with Flipkart positioning itself against rivals like Amazon by expanding its payment suite and enhancing user incentives. (The Hindu Business Line)

Conglomerates

- **Samsung to Introduce Enhanced Bixby Voice Assistant with Own AI Models** Samsung is gearing up to release an upgraded version of its voice assistant Bixby later this year, leveraging its proprietary artificial intelligence models. TM Roh, head of Samsung's mobile division, revealed the plan at the Galaxy Unpacked event in Paris, emphasizing advancements in AI technology. Bixby, initially launched in 2017 with the Galaxy S8, offers functionalities ranging from live translations to visual recognition through Bixby Vision. The forthcoming upgrade will integrate Samsung's large language model (LLM) to enhance its capabilities, tapping into generative AI (Gen AI) for improved content generation. The decision to upgrade Bixby comes amidst a competitive landscape where digital assistants like Apple's Siri are also advancing with AI enhancements. Samsung aims to differentiate itself by enhancing AI features across its product lineup, recently launching the Galaxy Z Fold6 and Z Flip6 foldable devices with integrated AI tools. (CNBC)

China's Robotaxi Expansion Raises Concerns Over Job Security China's efforts to advance robotaxi technology are gaining momentum, particularly with Baidu's Apollo Go, which has seen rapid adoption in cities like Wuhan. As of April, over 70% of Apollo Go rides in Wuhan were fully autonomous, a figure expected to reach 100% shortly. The introduction of fully autonomous robotaxis has sparked widespread discussion on social media platforms like Douyin and Weibo, reflecting both excitement about the technology and concerns about its impact on traditional taxi drivers. In response to the rise of robotaxis, some taxi companies have expressed worries about declining income and have called for government intervention to protect their livelihoods. A taxi company in Wuhan reportedly appealed for reduced taxes and stricter regulations on robotaxis and ride-hailing services, citing financial difficulties exacerbated by the introduction of autonomous vehicles. The number of registered ride-hailing drivers in China has surged, reaching over 7 million by May 2024, doubling since July 2021. Local governments have responded with varying measures, with cities like Guiyang and Guyuan imposing restrictions on new ride-hailing licenses to manage market saturation and compliance issues. Despite concerns, Chinese ministries are pushing forward with plans to expand cloud-connected car technologies, with robotaxi trials underway in several pilot cities including Beijing and Shanghai. (Financial Times)

The yen continues to decline The yen's recent decline to 38-year lows has sparked speculation about whether Japan will intervene to support its currency, as it did in March. The Bank of Japan (BOJ) has started a gradual process of raising interest rates from near zero, whereas the U.S. Federal Reserve is expected to cut rates. This divergence has widened the interest rate differential between the dollar and the yen, making the yen less attractive for investors engaged in carry trades. Despite the yen's weakness, it remains popular for carry trades due to Japan's low interest rates. For instance, investors borrowing yen to invest in US Treasuries can earn substantial returns, creating a structural demand for yen as a funding currency. The attractiveness of such carry trades could deter Japanese authorities from intervening aggressively, as it would contradict market forces that are driving these trades. The strength of the U.S. dollar, bolstered by robust economic data such as strong job reports and inflation figures, presents a challenge for yen intervention. Despite public discontent over a weak yen, particularly in the context of high stock market valuations and robust wage growth in Japan, there is currently muted political pressure for intervention. Previous interventions have had a limited lasting impact on the yen's exchange rate, and Japan risks being labeled a currency manipulator by the US if it undertakes large-scale interventions without international consensus. (Financial Times)

ECONOMIC INDICATORS

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Key Economic Indicators

Indicator	As on	Current	Prior
GDP Growth (%)	Mar-24	7.80	8.60
Inflation (%)	May-24	4.75	4.83
Unemployment (%)	Mar-24	7.64	8.01
Trade Balance ($bn)	May-24	(23.80)	(19.10)
Business confidence	Mar-24	130.00	135.00
Manufacturing PMI	Jun-24	58.30	57.50
Services PMI	Jun-24	60.50	60.20

Global Indices

Index	Country	%
NIFTY 50	India	6.58
BSE SENSEX	India	6.56
INDIA VIX	India	(24.43)
NIFTY BANK	India	6.83
DOW JONES	USA	1.08
NASDAQ	USA	5.91
S&P 500	USA	3.44
FSTE 100	UK	(0.56)
NIKKEI 225	Japan	5.66
SHANGHAI COM	China	(3.24)
MOEX	Russia	(1.81)
CAC 40	France	(4.03)
DAX	Germany	(0.37)
S&P ASX 200	Australia	0.09
BOVESPA	Brazil	2.89
KOSPI	South Korea	6.42
HANG SENG	Hong Kong	(3.53)

Commodities Future

Commodity	Expiry	Price	%
Gold	Aug-24	72,739.00	1.69
Silver	Sep-24	92,766.00	3.89
Crude Oil	Jul-24	7,003.00	6.56
Natural Gas	Jul-24	198.60	(23.05)
Aluminum	Jul-24	235.00	1.10
Copper	Jun-24	876.05	1.55
Cotton	Jul-24	58,100.00	3.71

Currency Exchange Rates

Pair	Current	Prior	%
INR/1 USD	83.50	83.56	0.08
INR/1 GBP	106.65	106.51	(0.13)
INR/1 EUR	90.37	89.79	(0.65)
INR/100 YEN	51.97	53.15	2.22

Cryptocurrencies

Pair	Crypto	Price	%
BTC/USD	Bitcoin	55,445.00	(18.34)
ETH/USD	Ethereum	2,966.57	(16.20)
USDT/USD	Tether	1.00	0.01
BNB/USD	Binance	488.80	(20.39)

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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