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32 PAGES | ISSUE 52 | NOVEMBER 2024 | 74 MINUTES

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SPOTLIGHT

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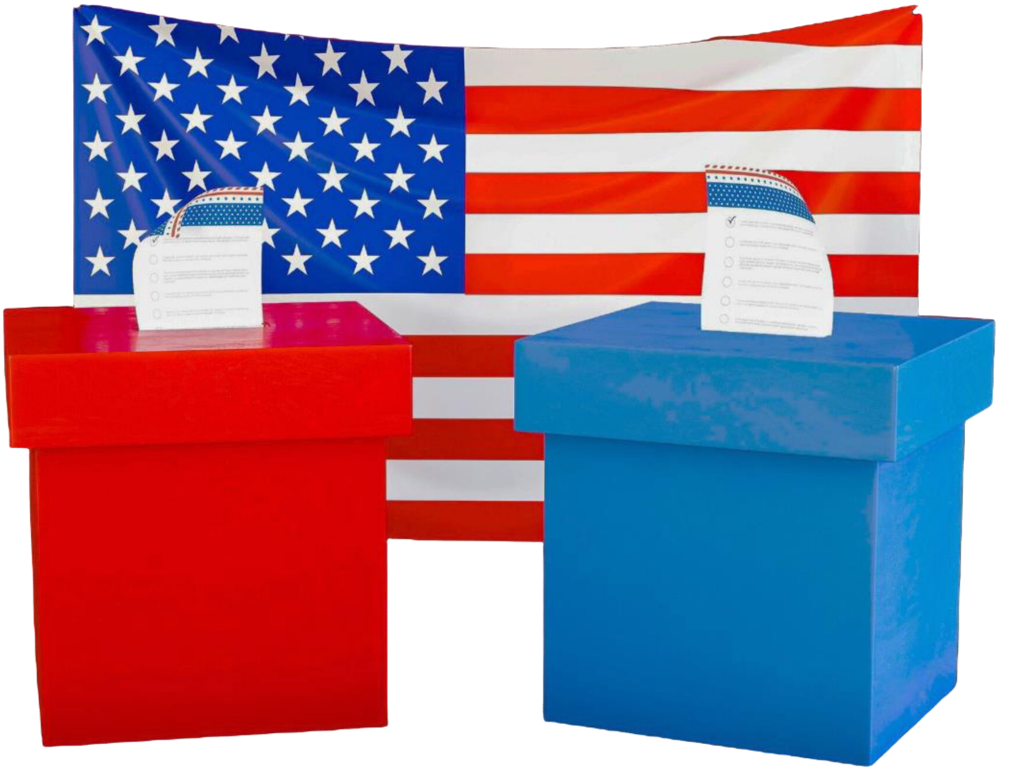
Trumponomics 2.0 – So, you think, you understand Economics? Well, think again, because Trump is back in White House!



Introduction

Donald Trump is a master of unpredictability, a leader whose political journey has often seemed like an endless series of surprises. His first term in office was marked by bold promises, fierce rhetoric, and a whirlwind of policies that defied conventional wisdom and left even his supporters wondering what would come next. From the tax cuts and tariffs to the trade wars with China and his tough stance on immigration, Trump turned Washington on its head and kept the world guessing at every turn. His time in office was a blend of shocking decisions and unexpected reversals, making it impossible to predict his next move. And now, in a stunning twist, Donald Trump has been elected for a second term as President of the United States, setting the stage for another round of economic and geopolitical upheaval. As the world braces itself for the impact of "Trumponomics 2.0," the question remains: will his second term be a repeat of the first, or will it take an even more unpredictable turn?

What is Trumponomics?

Trumponomics refers to the distinctive economic policies and principles championed by Donald Trump during his presidency, and which continue to shape his approach to governance in his second term. Centered around the idea of putting "America First," Trumponomics is built on several core pillars: protectionism, deregulation, tax cuts, and an aggressive stance on trade and immigration. At its core, Trumponomics seeks to reassert American economic dominance by reshaping the global trading system, reducing reliance on foreign goods, and encouraging domestic production. One of the most defining features of Trumponomics is protectionism, particularly in the form of tariffs. Trump's administration levied significant tariffs on imports from countries like China, aiming to reduce the US trade deficit and encourage American companies to manufacture more domestically. By making foreign goods more expensive, Trump hoped to give US businesses a competitive edge in the global market. Another key aspect is corporate tax cuts. The Tax Cuts and Jobs Act of 2017 slashed the corporate tax rate from 35% to 21%, with the belief that this would incentivize companies to invest more in the US economy, create jobs, and boost wages. In parallel, the Trump administration has worked to roll back environmental and business regulations, which they argue stifle innovation and growth.

Deregulation is also a hallmark of Trumponomics, as Trump has sought to reduce the regulatory burden on businesses, particularly in industries like energy, healthcare, and finance. The idea is to foster a more business-friendly environment where companies can grow more quickly and innovate without being bogged down by excessive government oversight. Lastly, immigration control plays a significant role in Trump's economic vision. His administration pushed for stricter immigration laws, including limitations on work visas like the H-1B, which directly impacted countries like India, a major supplier of skilled labour to US tech companies. Together, these policies have created a distinctive and often controversial economic model. Critics argue that Trumponomics favours the wealthy, exacerbates inequality, and destabilizes global trade, while proponents believe that it has strengthened the US economy by fostering job growth, reviving American manufacturing, and forcing other nations to play by more equitable trade rules. Now, with Trump's return to the White House, the world is watching to see how Trumponomics will evolve—and how it will affect global economies like India's.

Protectionism and Trade Tariffs

At the core of Trumponomics is a commitment to protectionism, particularly through the imposition of tariffs on foreign goods. Trump's administration aimed to reduce the US trade deficit by making imports more expensive, thereby encouraging American companies to restore manufacturing and purchase domestically-produced goods. This strategy is most prominently seen in his trade war with China, where the US imposed tariffs on billions of dollars worth of Chinese products. Trump's rationale is that such tariffs will force trading partners to adopt fairer trade practices, while also boosting American industries. By levying tariffs, Trump hoped to reduce reliance on cheap foreign labour and encourage companies to set up production facilities in the US This protectionist stance was not limited to China—Trump also imposed tariffs on steel and aluminium imports from other countries, including the European Union and Mexico. The goal was to protect US manufacturing jobs and ensure that American workers benefit from the nation's trade policies.

Tax Cuts and Corporate Tax Reform

A central feature of Trumponomics was the Tax Cuts and Jobs Act of 2017, which slashed the corporate tax rate from 35% to 21%. The idea behind this significant tax reform was to stimulate economic growth by encouraging businesses to invest more in the US economy, create jobs, and increase wages. By making the US tax system more competitive, Trump hoped to attract more foreign investment and make American businesses more globally competitive. In addition to corporate tax cuts, the reform also lowered taxes for individuals, although critics argue that the wealthiest Americans benefited disproportionately. The tax cuts were designed to spur economic activity by putting more money in the hands of businesses and consumers. The hope was that businesses would reinvest their tax savings in new jobs and infrastructure, while consumers would benefit from lower taxes and potentially higher disposable income.

Deregulation

Trump's administration placed a strong emphasis on deregulation, particularly in industries like energy, finance, and manufacturing. Trumponomics seeks to create a pro-business environment by reducing the regulatory burden that businesses often face. The logic behind this approach is that excessive regulations can stifle innovation, increase costs, and slow economic growth. By removing these regulations, Trump believed businesses would be free to innovate and invest in their operations without being hindered by government oversight. One of the most visible aspects of Trump's deregulation agenda was the rollback of environmental protections. For example, the Trump administration dismantled several key elements of the Clean Power Plan and relaxed restrictions on fossil fuel industries. Similarly, financial regulations that were put in place after the 2008 financial crisis were also targeted for reduction. These efforts were intended to create a more favourable environment for businesses to thrive, although critics argue that deregulation could have negative long-term consequences for the environment and consumer protection.

America First

Another cornerstone of Trumponomics is the "America First" policy, which seeks to revitalize US manufacturing by reducing reliance on foreign goods and encouraging domestic production. Trump’s economic agenda has focused on reshoring jobs that were previously outsourced to countries with lower labour costs, particularly China. His administration sought to bring back manufacturing jobs to the US by offering incentives to companies to relocate factories and supply chains back to American soil. This policy has been a key element of Trump’s rhetoric, particularly in the Rust Belt states, where manufacturing jobs were lost due to globalization and outsourcing. By imposing tariffs and offering tax breaks for US manufacturing companies, Trump aimed to revitalize American industry and create jobs for blue-collar workers. The administration also pursued policies to encourage more US-based research and development (R&D) and incentivized the relocation of overseas production facilities back to the US through tax advantages.

Immigration Restrictions

Immigration plays a significant role in Trumponomics, particularly concerning skilled labour and low-wage workers. Throughout his presidency, Trump pushed for stricter immigration controls, arguing that reducing the flow of foreign workers would protect American jobs, particularly in industries like technology and low-wage labour. His administration made efforts to cut the number of H-1B work visas, which are crucial for skilled workers in fields such as IT, a sector that heavily relies on foreign labour, particularly from countries like India. Trump’s immigration policies extended beyond work visas. His administration also took a hardline stance on illegal immigration, pushing for a border wall between the US and Mexico and implementing a series of policies aimed at reducing both legal and illegal immigration. The rationale behind these policies was that American workers, particularly in low-skilled jobs, were being undercut by cheaper labour from abroad, which would be mitigated by tighter immigration controls.

Energy Independence

Energy independence was another major focus of Trumponomics, with an emphasis on increasing domestic energy production, particularly through fossil fuels. The Trump administration sought to reduce US reliance on foreign oil by ramping up domestic production of oil, natural gas, and coal. This was in line with Trump's broader economic agenda of reducing foreign influence over critical sectors of the US economy. Trump rolled back several environmental regulations that had restricted the development of domestic energy resources, especially those related to the fossil fuel industry. This included easing restrictions on fracking and oil drilling on federal lands. The administration’s energy policies were designed to ensure that the US could produce more of its energy, thus reducing its dependence on imports and enhancing energy security. Critics, however, argued that these policies contributed to environmental degradation and undermined efforts to combat climate change.

America’s Global Trade Position

Under Trumponomics, one of the primary goals was to renegotiate existing trade deals and demand fairer terms from the US's global partners. Trump’s approach to trade was rooted in the idea that past trade agreements, like NAFTA and the Trans-Pacific Partnership (TPP), were detrimental to American interests. His administration prioritized renegotiating these deals to ensure that they benefited US workers and industries. One of the most high-profile examples of this renegotiation was the USMCA (United States-Mexico-Canada Agreement), which replaced NAFTA. Trump argued that the USMCA would create more jobs and improve trade relations between the three countries, particularly in sectors like agriculture and manufacturing. He also took a tough stance against China, imposing tariffs to address perceived unfair trade practices and intellectual property theft, which he believed had hurt US businesses.

Debt and Fiscal Policy

While Trump’s tax cuts and aggressive spending were meant to stimulate economic growth, they also raised questions about the long-term fiscal health of the US economy. Trumponomics aimed to reduce the national debt, but the combination of tax cuts and increased military spending led to a sharp rise in the federal deficit. Despite this, Trump maintained that the benefits of his tax reforms would ultimately outweigh the costs by stimulating enough economic growth to offset the deficit. Critics argue that the tax cuts primarily benefited the wealthy and large corporations, while the national debt ballooned under Trump's watch. While job creation and economic growth were emphasized, the long-term sustainability of such fiscal policies remained a point of contention.

Currency Manipulation

Trumponomics also extended to global financial markets, with a particular focus on addressing currency manipulation by other countries. Trump frequently accused China and other nations of artificially devaluing their currencies to gain an unfair trade advantage. His administration took a more aggressive stance on foreign exchange rates, intending to ensure that the US dollar remained competitive on the global stage. In addition to addressing currency manipulation, Trump's policies sought to push for a weaker US dollar, which would make American exports cheaper and more competitive globally. The idea was that a weaker dollar would help reduce the US trade deficit by making US products more attractive in international markets.

Conclusion

Trumponomics represents a bold, and often controversial, vision for the US economy. Its central pillars of protectionism, tax cuts, deregulation, and a focus on domestic manufacturing reflect a desire to reassert American economic dominance and reduce dependence on imports. While some aspects of Trumponomics have been praised for their ability to stimulate economic growth and create jobs, other aspects, particularly its protectionist measures and fiscal policies, have sparked significant debate. As Trump embarks on his second term, the world will continue to watch how his economic policies evolve and how they impact not just the US, but also global trade and economies like India's.

(References – The Economist, The Indian Express, Money Control, The Economic Times)

EXPERT OPINION

China's Economic Stimulus – Is this the return of Dragon?

By Amit Chandak, Managing Partner, Greenvissage

Background

In the sprawling cityscapes of Shanghai and Beijing, the hum of the industry once echoed like a mighty drumbeat, signalling the rise of a global economic titan. Yet, somewhere between the rapid construction of towering skyscrapers and the feverish expansion of new markets, the pulse of China's economy began to falter. It all started in the summer of 2021 when the collapse of the once-mighty Evergrande Group sent shockwaves rippling through the foundations of China's sprawling property sector—a key pillar of its economic growth. What seemed like a momentary stumble soon turned into a protracted tumble. The Evergrande crisis was a symbol of deeper structural cracks: an overheated property market, soaring debt levels, and an unsustainable reliance on real estate as a growth engine. As Evergrande's debts ballooned, defaults piled up across the sector, leading to a cascade of bankruptcies, plummeting housing prices, and a consumer confidence crisis. From the glittering skyscrapers of Shenzhen to the quieter streets of rural towns, millions of Chinese families found their wealth tied up in unfinished homes, while businesses, once buoyed by China's rapid urbanization, saw profits evaporate.

Beyond the property sector, the ripple effects reached far and wide—retail sales slowed, manufacturing growth dwindled, and youth unemployment hit alarming levels. The government, which had long staked its legitimacy on economic progress, now found itself scrambling for answers. Its attempts to recalibrate the economy—by reining in debt, reforming state-owned enterprises, and promoting technological innovation—were met with mixed results. Confidence in China's economic miracle began to erode, and whispers of a slowdown morphed into louder fears of a long-term decline. Then, as the fog of uncertainty hung over the world's second-largest economy, October 2024 brought an unexpected twist to the tale. In a dramatic turn of events, China's leadership announced a massive economic stimulus package—a bold gambit to revive growth and restore the nation's global standing. As the world watched, cautiously optimistic yet deeply aware of the stakes, China stood on the precipice of a new chapter. Would this be the moment it found its footing again, or would the echoes of Evergrande's fall continue to haunt its ambitions? In the wake of this sudden resurgence, China's economic future hangs in a delicate balance, shaped by forces both external and deeply entrenched within its borders.

China's Stimulus Package

In 2024, China's economy found itself at a crossroads. Struggling with a slowdown that seemed almost inevitable after years of unprecedented growth, the country faced not only internal challenges but also the prospect of global headwinds. By October, economic growth was faltering, exacerbated by lingering issues from the post-COVID recovery, a crumbling real estate market, and high youth unemployment. As Beijing grappled with these obstacles, two major economic stimulus packages were introduced in quick succession, aimed at reviving the economy and stabilizing its financial system. While the stimulus packages differ in scale and approach, they share a common goal: to provide a lifeline to China's ailing economy. These measures, while bold and expansive, reflect Beijing's desire to maintain the country's growth trajectory, bolster domestic demand, and recalibrate its economic structure. While the October package was primarily focused on short-term relief and immediate stabilizing measures, the November 2024 stimulus plan took a longer-term view. This package aimed not only to stabilize the economy but also to reshape it for future growth. The focus was on increasing fiscal spending, supporting key industries, and implementing reforms that would foster sustainable development. In many ways, the November package was a complementary set of policies designed to work alongside the October measures and create the conditions for a more robust economic recovery. Together, the two stimulus packages mark a significant shift in China's approach to economic policy—a pivot from crisis management to long-term structural reforms, all while navigating the complex and uncertain global environment.

Monetary Policy Easing

The first major stimulus package, unveiled in October 2024, was designed to address immediate economic challenges, particularly the slowdown in growth and the persistent troubles in the real estate sector. While the package contained several elements, it was particularly notable for its aggressive monetary policy easing and its focus on stabilizing the real estate market. The People's Bank of China (PBOC), China's central bank, wasted no time in implementing multiple rounds of interest rate cuts. With growth slipping below expectations, the PBOC aimed to lower borrowing costs for both businesses and consumers. Lower interest rates would make it cheaper for companies to borrow, thus incentivizing investment and production. At the same time, reduced rates would ease the burden on households, making loans for homes and cars more affordable. In addition to cutting interest rates, the PBOC also slashed the Reserve Requirement Ratio (RRR)—a measure that dictates how much capital banks must hold in reserve. By reducing the RRR, the central bank injected liquidity into the financial system, effectively making more money available for banks to lend. These measures were designed to boost credit expansion, stimulate domestic consumption, and stabilize the overall financial ecosystem. Though these monetary steps provided immediate relief, their effectiveness in catalyzing a sustained recovery remained uncertain. Critics argued that while these actions might stabilize the economy temporarily, they wouldn't be enough to address deeper, structural issues such as deflation and under-consumption, which would require more direct interventions.

Real Estate Market Support

China's real estate market has been one of the primary drivers of economic growth for years, but it has also been the source of much of the current turmoil. Following the collapse of real estate giant Evergrande in 2021, a wave of bankruptcies swept through the property sector, taking down several developers and leaving millions of homeowners with unfinished apartments. The downturn has also led to falling property values and stagnant demand, which has hurt local government revenues, traditionally fueled by land sales. Recognizing the central role that the real estate market plays in the broader economy, the October stimulus package aimed to revive this sector. Among the most significant measures were relaxed mortgage rules, which eased restrictions on down payments and loan-to-value ratios. By lowering the barriers to homeownership, the government hoped to stimulate demand for housing, thus driving activity in construction and related industries. Additionally, the government allocated increased funding for affordable housing projects. The push to build more affordable housing aimed not only to meet the country's growing demand for homes but also to stimulate job creation in construction and related sectors. With real estate being such a crucial pillar of China's economic structure, the government's intervention was seen as an essential step to preventing a deeper economic slump.

Stabilizing Financial Markets

The Chinese stock market has been volatile in recent months, with investor confidence shaken by domestic economic conditions and external geopolitical tensions. To stabilize the financial markets, the government implemented a series of measures aimed at supporting the stock exchange. These included increasing margin financing, which allows investors to borrow money to buy stocks, as well as promoting share buyback programs. Share buybacks, in which companies purchase their shares from the market, help support share prices and demonstrate confidence in the market's future. Alongside these measures, the government also introduced reforms aimed at enhancing the oversight of the financial sector. These reforms were designed to improve transparency, protect investors, and bolster confidence in Chinese financial markets. However, while these steps may have provided short-term relief, questions remained about the long-term sustainability of the stock market rally and whether the underlying structural issues—such as sluggish corporate earnings and declining investor sentiment—had been adequately addressed.

Increased Fiscal Spending

The November stimulus package saw a significant increase in fiscal spending, particularly in areas that would directly stimulate economic activity and job creation. A substantial portion of the funds was earmarked for infrastructure investment, focusing on projects related to transportation, energy, and technology. Infrastructure development has long been a key driver of economic growth in China, and the government hoped to use this stimulus to not only create jobs but also to modernize the country's infrastructure in ways that would benefit the economy for years to come. Alongside infrastructure investment, the government allocated funds to social welfare programs, including healthcare and education. These initiatives were designed to boost domestic consumption by increasing disposable income for vulnerable groups. By improving access to healthcare and education, the government hoped to both alleviate social pressures and support long-term economic stability.

Targeted Support for Key Industries

The government's approach to industry-specific support was another critical feature of the November package. Recognizing the importance of advanced manufacturing and high-tech sectors in driving China's future growth, the government introduced a series of incentives and subsidies aimed at boosting these industries. This included providing support for research and development, technology innovation, and digital technologies. With an eye on becoming a global leader in industries like semiconductors, artificial intelligence, and renewable energy, the government sought to bolster China's high-tech capabilities and reduce its reliance on foreign technologies. Additionally, support was directed toward the renewable energy sector, in line with China's long-term environmental and energy goals. As the country faces growing pressure to address climate change and transition away from fossil fuels, increased investments in renewable energy infrastructure were seen as a necessary step toward achieving sustainable economic growth. By accelerating the transition to green energy, the government hoped to lay the groundwork for a future that is both economically and environmentally resilient.

Financial Reforms

Another key feature of the November package was a focus on financial market reforms. As part of its effort to liberalize the financial sector, the government moved to allow greater foreign participation in China's financial markets. This was seen as a way to attract foreign capital, encourage innovation in financial services, and enhance the efficiency of China's financial system. At the same time, the government continued to strengthen corporate governance practices. Reforms aimed at increasing transparency, improving regulatory oversight, and protecting investors were introduced to enhance confidence in China's corporate sector. These changes were crucial not only for improving China's investment climate but also for addressing concerns about corporate accountability, particularly after the corporate scandals that rocked the country in recent years.

Tax Cuts, SME Support, Revitalization

Beyond the major areas of fiscal spending and industrial support, the November package also included a range of measures aimed at relieving pressure on businesses and households. Tax cuts and fee reductions were implemented to alleviate the financial burden on companies and individuals, while specific support was provided to small and medium-sized enterprises (SMEs). These businesses, which are crucial to China's employment and economic activity, faced particular difficulties during the economic slowdown, and the new measures sought to make financing more accessible and reduce regulatory burdens. Moreover, the government emphasized rural revitalization, channelling investment into rural areas to improve infrastructure, boost agricultural productivity, and improve living standards. These efforts were aimed at reducing urban-rural inequalities and promoting more balanced economic development across the country.

Conclusion

The October and November stimulus packages represent a two-pronged approach to China's economic challenges—one that seeks both short-term relief and long-term structural transformation. The October package's focus on monetary easing and real estate support aimed to stabilize the economy and prevent a deeper downturn, while the November package introduced more far-reaching reforms aimed at reorienting China's growth model toward innovation, sustainability, and self-sufficiency. As these policies unfold, the effectiveness of China's economic recovery will depend on the successful implementation of these measures and the broader global context, particularly the potential for renewed trade tensions with the United States and the ongoing challenges posed by the country's property sector. Yet, by taking a proactive stance through these dual stimulus packages, China is signalling its commitment to both maintaining growth in the near term and transforming its economic structure for future generations. Whether these measures are sufficient to put the economy on a sustainable path remains to be seen, but for now, they represent China's best hope for a revival.

(References – China Briefing, Washington Post, CNBC, Al Jazeera)

GREENVISSAGE EXPLAINS

How does Europe's Carbon Tax affect India?

As climate change becomes an increasingly urgent global issue, countries worldwide are stepping up their efforts to reduce carbon emissions. One of the most ambitious and far-reaching measures taken in this regard is the European Union's (EU) Carbon Border Adjustment Mechanism (CBAM). This new carbon tax, set to be fully implemented by 2026, is set to have significant implications for global trade—and particularly for India's export-heavy industries. In this article, we explore how the EU's CBAM will affect India, its industries, and the country's broader economic and political landscape. The Carbon Border Adjustment Mechanism (CBAM) is a new policy introduced by the European Union designed to address "carbon leakage." Carbon leakage occurs when companies move their operations to countries with less stringent environmental regulations to avoid higher carbon taxes. To prevent this, the EU plans to impose a carbon tax on imports of carbon-intensive goods, such as steel, aluminium, cement, fertilizers, and electricity. Under CBAM, goods imported into the EU from countries outside its borders will be taxed based on the amount of carbon emissions produced during their production. This tax will mirror the cost that EU-based companies face under the EU's existing Emissions Trading System (ETS), where they must buy carbon credits to offset their emissions. The goal of CBAM is to level the playing field by ensuring that foreign companies are subject to the same environmental standards as European businesses, preventing the incentive to relocate production to low-regulation countries. For India, this new carbon tax presents a significant challenge. The country is a major exporter of carbon-intensive goods, particularly in sectors like steel, iron, aluminium, and cement—industries that are heavily reliant on coal and other fossil fuels. According to recent statistics, in 2022, 27% of India's steel, iron, and aluminium exports, valued at approximately $8.2 billion, were sent to Europe. These sectors are expected to face higher costs under the new tax, making their goods less competitive in the European market. Take steel, for example. Indian steel production, like that of many developing countries, relies heavily on coal-based technologies such as blast furnaces. These methods are carbon-intensive, meaning that Indian steel exporters, such as JSW Steel and Tata Steel, will need to buy CBAM certificates to offset the carbon emissions generated during production. Since India does not yet have a carbon pricing system like the EU, the additional cost of these certificates will make Indian steel more expensive in Europe, thus reducing the competitiveness of Indian exports. The financial burden of CBAM could result in a reduction of Indian exports to the EU, with some estimates suggesting a potential 10.5% drop in exports of carbon-heavy goods like steel, aluminium, and cement. For Indian companies that already face rising costs due to factors like inflation and fluctuating commodity prices, the added expense of CBAM could pose a serious challenge. The EU's carbon tax may catalyze change in India's industrial practices, but the road to a greener future is fraught with challenges. While Indian companies like JSW Steel are already investing in cleaner technologies such as green steel production, the shift away from coal-based technologies will require significant investments. The transition to greener production methods, such as using hydrogen-based steel production, is costly and will take time to implement. Many Indian industries, particularly steel and cement, remain reliant on carbon-intensive processes, and the abrupt introduction of CBAM could put them at a disadvantage compared to European companies that already have more advanced technologies in place. For India to effectively compete in the global market while meeting its climate goals, the country will need substantial investments in renewable energy, clean technologies, and infrastructure. However, India has limited access to international climate finance and technology transfers, which makes this transition particularly challenging. The country has estimated that it will need around USD 28 billion per year to meet its net-zero target by 2070, but international funding has largely been insufficient. This financial gap exacerbates the difficulties Indian industries face as they work to reduce emissions and align with global climate goals.

(References – The Economic Times, Reuters)

Can BRICS+ Currency Defeat the US Dollar?

The global financial landscape has long been dominated by the US dollar. It is the world's primary reserve currency, used in international trade, and investment, and as a store of value by central banks. However, in recent years, the emergence of the BRICS+ (Brazil, Russia, India, China, and South Africa, along with several other nations) has sparked debates about whether these countries could create an alternative to the dollar that might challenge its dominance. In this article, we will explore the possibility of a BRICS+ currency defeating the US dollar, examining the challenges, potential benefits, and global implications of such a move. The US dollar's global dominance is rooted in a variety of factors. The most significant of these is the size and strength of the US economy, which has made it a reliable and stable currency for international trade and investment. The dollar is also the currency in which commodities like oil, gold, and other vital resources are priced. In addition, most global reserves are held in US dollars, providing a built-in demand for the currency. The Bretton Woods system, established after World War II, further cemented the dollar's role as the world's reserve currency. Under this system, many nations agreed to peg their currencies to the US dollar, and the dollar itself was pegged to gold. Though the gold standard was abandoned in 1971, the US dollar continued to benefit from the financial system's reliance on it, including being the dominant currency for international trade and the issuance of debt. In recent years, BRICS+ has discussed the possibility of creating a new reserve currency or a common currency for trade among its members. This idea has gained traction as these nations increasingly seek to reduce their dependence on the US dollar in international trade and finance. For example, Russia and China have signed agreements to conduct bilateral trade in their local currencies, bypassing the dollar altogether. Similarly, India, Brazil, and other BRICS+ nations have signalled interest in exploring alternatives to dollar-based systems. While the BRICS+ countries collectively represent a significant portion of the global economy—about 40% of the world's population and nearly a quarter of global GDP—they are far from unified in terms of economic strength. China, the largest economy in the group, accounts for a large share of BRICS+ GDP, while Brazil and South Africa face significant economic challenges, including inflation, unemployment, and political instability. India's economy, though growing rapidly, still faces considerable structural hurdles. A common currency or a BRICS+ alternative to the US dollar would require considerable economic coordination and stability among member states. One of the key challenges is the diversity of economic conditions among BRICS+ countries. For example, China and India are both growing rapidly, while Brazil and South Africa are struggling with slow growth and debt issues. Economic disparities could make it difficult to implement a currency or trade system that suits all members. Creating a BRICS+ currency would also require overcoming significant geopolitical hurdles. The member nations of BRICS+ do not always share the same foreign policy objectives, and their interests often diverge. For instance, China and India have a complicated relationship, marked by territorial disputes, while Russia's relationship with Western nations has been increasingly hostile, especially in the wake of the Ukraine conflict. Moreover, the US dollar is not just a currency; it is a tool of US geopolitical influence. The US wields enormous power through its control over the global financial system, particularly via institutions like the SWIFT payment network and the US-dominated International Monetary Fund (IMF). Any attempt to challenge the dollar would face resistance from the US, which could leverage economic sanctions or other forms of pressure to preserve its dominance. China has been the most proactive member of BRICS+ in pushing for alternatives to the dollar. The Chinese yuan (renminbi) has been steadily increasing its presence in global trade, finance, and reserves. China's Belt and Road Initiative (BRI) has also played a role in encouraging the use of the yuan in international transactions, particularly in Asia and Africa. However, the yuan still faces significant hurdles in becoming a global reserve currency.

(References – Financial Express, Nasdaq, Economic Times)

Can Lab Grown Diamonds take over the World?

India has long held a special place in the global diamond industry, both as a major consumer and as the world's largest diamond-cutting and polishing hub. The Indian diamond market is one of the fastest-growing sectors in the global jewellery industry, with a cultural affinity for diamonds deeply rooted in celebrations, weddings, and luxury. However, recent advancements in technology have brought a new type of diamond to the forefront — artificial diamonds, also known as lab-grown or synthetic diamonds. These diamonds, which are chemically identical to their natural counterparts, are set to transform the Indian diamond industry in profound ways. Lab-grown diamonds are produced through two primary methods: High-Pressure High Temperature (HPHT) and Chemical Vapor Deposition (CVD). Both processes replicate the natural conditions under which diamonds are formed in the Earth's mantle, but they do so in controlled laboratory environments. The result is a diamond that is indistinguishable from a natural diamond in terms of physical, chemical, and optical properties. While lab-grown diamonds have been around for a few decades, they have gained significant traction in the last 5 to 10 years, driven by technological advancements, increased awareness, and growing consumer demand for ethical and sustainable products. Unlike natural diamonds, lab-grown diamonds are produced without the environmental damage or ethical concerns associated with traditional diamond mining, such as human rights violations or ecological degradation. In India, where the diamond market is valued at billions of dollars, this shift is gaining momentum. The potential for artificial diamonds to take over the market is fueled by several factors, including cost-effectiveness, sustainability, and changing consumer preferences. One of the most compelling reasons why artificial diamonds could revolutionize the Indian market is their significant cost advantage. Lab-grown diamonds are typically priced 20-40% lower than mined diamonds of the same size, clarity, and colour. This pricing differential presents an opportunity for consumers, especially in a price-sensitive market like India, to acquire larger or higher-quality diamonds for the same budget. In a country where the demand for diamonds is closely tied to weddings and special occasions, where people often purchase diamonds as an investment, the lower price point of artificial diamonds could make them more accessible to a broader demographic. This would be especially appealing to younger consumers, who may be more inclined to embrace the environmental and ethical appeal of lab-grown diamonds while still maintaining the desire for luxury and status symbol products. India is one of the world's largest consumers of gold and diamonds, but it is also increasingly becoming aware of the environmental and social impact of these industries. As consumers grow more eco-conscious, there is a rising preference for sustainable and ethically produced products. Lab-grown diamonds, with their minimal environmental impact and ethical sourcing, align perfectly with these concerns. Mining for natural diamonds is a resource-intensive process that often leads to deforestation, soil erosion, and the destruction of local ecosystems. Additionally, diamond mining in some regions has been linked to human rights violations, with conflict diamonds (or "blood diamonds") fueling violence and exploitation. On the other hand, lab-grown diamonds are produced with significantly less environmental degradation, and many companies now offer transparent sourcing processes, ensuring that no harm is done to the planet or communities in their creation. In India, where environmental awareness is growing, particularly among the younger generation, lab-grown diamonds offer an ethical alternative that resonates with the country's shifting values. The increasing popularity of sustainable brands, including in the fashion and jewellery sectors, further underlines the potential of artificial diamonds to capture a large share of the market. The traditional allure of diamonds as symbols of love, commitment, and wealth is still strong in India. However, consumer preferences are evolving, and younger, more tech-savvy buyers are beginning to prioritize value, ethics, and transparency.

(References – Live Mint, The Indian Express, Your Story)

Can Starlink survive in the Indian Telecom Market?

SpaceX's ambitious satellite internet project, Starlink, has generated significant excitement globally, and its potential entry into India has stirred up both curiosity and debate. The service promises to offer high-speed internet access through a constellation of low Earth orbit (LEO) satellites, potentially revolutionizing internet connectivity, especially in rural and remote areas where traditional broadband infrastructure is either sparse or non-existent. However, while Starlink's promise of faster and more reliable internet is alluring, there are several factors—ranging from regulatory challenges to competition and pricing—that could determine whether the service can truly thrive in the Indian market. Starlink, operated by SpaceX, aims to provide internet connectivity to underserved regions around the world by using a network of thousands of small satellites in Low Earth orbit (LEO). Unlike traditional broadband services that rely on ground-based infrastructure like fibre optic cables, Starlink uses a constellation of satellites that communicate directly with user terminals, allowing for internet access even in the most remote areas. Starlink's satellite constellation is designed to cover every corner of the globe, including areas where traditional internet infrastructure is impractical or prohibitively expensive to build. Starlink's satellites operate in low Earth orbit (LEO), which reduces the latency compared to traditional satellite internet services, making it suitable for high-bandwidth activities like video conferencing, gaming, and streaming. One of the most promising aspects of Starlink is its potential to bridge the digital divide in rural India, where internet access remains a significant challenge. By bypassing the need for physical infrastructure, Starlink could provide fast and reliable internet to millions of people who are otherwise cut off from the digital economy. Despite the promising outlook, several challenges could hinder Starlink's success in India. The entry of any foreign company, particularly in sectors like internet services, requires navigating complex and often bureaucratic regulations. In 2021, Starlink's plans to begin services in India were temporarily halted by the Department of Telecommunications (DoT), which expressed concerns about the company offering services without the necessary licenses. The government requires foreign companies like Starlink to obtain licenses to provide satellite-based communication services in India. While Starlink is making efforts to comply with these regulations, the complex process of obtaining approvals, operating permits, and ensuring compliance with the country's legal framework could slow its rollout. Moreover, the Indian government has pushed for "Made in India" initiatives across many sectors, including technology. The requirement for Starlink to use locally manufactured equipment or partner with Indian companies could add to its operational costs and delay its deployment. India's telecom market is fiercely competitive, with established players like Jio, Airtel, and Vi already offering affordable internet services across the country. These companies have built extensive infrastructure over the years, including fibre optic cables, 4G, and 5G networks, making them formidable competitors. For Starlink to gain a foothold, it would have to offer compelling advantages over these established services. While satellite internet has the potential to provide high-speed internet in rural areas, the cost of setting up and maintaining the necessary infrastructure (like satellite dishes and user terminals) could be a significant hurdle for Starlink. Affordability is a key issue in India, where the cost of internet access is a major factor influencing adoption rates. India's telecom tariffs are among the lowest in the world, with data prices that are significantly cheaper than in many other countries. For instance, Jio's plans provide users with 1GB of data for as little as INR 10 (USD 0.12). In contrast, Starlink's initial setup cost, including the dish and modem, can run into several thousand dollars, with ongoing monthly fees of around USD 110-120. For the average Indian consumer, these prices are unaffordable, particularly in rural areas where income levels are lower. While Starlink's pricing may become more competitive as its technology matures and it scales up its operations, it will need to address this affordability gap if it aims to capture a significant market share in India.

(References – Live Mint, The Hindu Business Line)

COMPLIANCE UPDATES

Greenvissage

Goods and services tax

REPORTING E-INVOICES WITHIN 30 DAYS FROM APRIL 1, 2025 Starting April 1, 2025, businesses with an annual turnover exceeding ₹10 crore will be restricted from reporting e-invoices older than 30 days under the Goods and Services Tax (GST) system. This new rule aims to ensure timely tax payments and address delays in reporting tax invoices, ultimately streamlining the GST ecosystem. Previously, such a restriction applied only to businesses with a turnover of ₹100 crore or more. According to the advisory issued by the GST e-invoice systems, businesses with a turnover of ₹10 crore or above will need to report e-invoices within 30 days from the date of issuance on the Invoice Registration Portal (IRP). This change applies to all types of documents requiring an Invoice Reference Number (IRN), including credit and debit notes. The deadline of April 1, 2025, gives taxpayers ample time to comply with the new requirement, which is part of the government's broader effort to regulate and simplify the invoicing process. (Central Board of Indirect Taxes and Customs)

VALIDATION OF BANK ACCOUNT DETAILS FOR NON-CORE AMENDMENTS The Goods and Services Tax Network (GSTN) has introduced a new validation process for taxpayers attempting a non-core amendment to update their bank account details. Taxpayers are advised to follow the specific procedure outlined in the official advisory to ensure smooth processing of the amendment. This update aims to improve the accuracy and security of bank account information on the GST portal. (Goods and Services Tax Network)

REGISTRATION COMPLIANCE FOR METAL SCRAP BUYERS GSTN has issued an update to simplify the registration process for buyers of metal scrap under Form GST REG-07. As per the new GST provisions outlined in the advisory dated October 13, 2024, taxpayers in this category must select Others in Part B of Table 2 under the Constitution of Business section. A text box will then appear where the taxpayer must enter Metal Scrap Dealers. This entry is mandatory for those choosing the Others option. After entering this information, the taxpayer should complete the remaining details in Form GST REG-07 and submit it on the common portal to fulfil registration requirements following Notification No. 25/2024 - Central Tax, dated October 9, 2024. (Goods and Services Tax Network)

BARRING OF GST RETURN FILING AFTER THREE YEARS As per the provisions of the Finance Act, 2023 (8 of 2023), effective from October 1, 2023, and implemented via Notification No. 28/2023 – Central Tax dated July 31, 2023, taxpayers will no longer be allowed to file GST returns after three years from the due date for submission. This includes returns under Section 37 (Outward Supply), Section 39 (Payment of Liability), Section 44 (Annual Return), and Section 52 (Tax Collected at Source). These sections cover various GST returns, including GSTR-1, GSTR-3B, GSTR-4, GSTR-5, GSTR-5A, GSTR-6, GSTR-7, GSTR-8, and GSTR-9. This change will be reflected on the GST portal starting early in 2025. (Goods and Services Tax Network)

ADVISORY FOR FORM GST DRC-03A It has come to the attention of GSTN that some taxpayers have made payments using DRC-03, instead of using the 'Payment towards demand' facility available on the GST portal for demands raised through DRC-07, DRC-08, MOV-09, MOV-11, and APL-04. This has resulted in a situation where payments were made, but the demand was not closed in the electronic liability register. To address this, a new form, GST DRC-03A, has been introduced, as notified in Notification No. 12/2024 dated July 10, 2024. Taxpayers are now required to use Form GST DRC-03A to adjust payments made through DRC-03 against the corresponding demand order. This form is available on the GST portal. Only DRC-03 payments marked as 'Voluntary' or 'Others' can be linked via DRC-03A. To use the form, taxpayers must enter the ARN of the DRC-03 along with the relevant demand order number. Upon doing so, the system will auto-populate the necessary information from both the DRC-03 and the demand order, allowing the payment to be properly adjusted. Once the adjustment is completed, the taxpayer's liability ledger will automatically reflect the updated status of the demand. (Goods and Services Tax Network)

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

Income tax

NEW ITR E-FILING PORTAL 3.0 TO BE LAUNCHED SOON The Income Tax Department is set to launch the new ITR e-filing portal 3.0, which aims to offer a more user-friendly and faster experience for taxpayers. The revamped portal is designed to address the feedback from taxpayers and tax professionals, focusing on improving its efficiency and minimizing issues like login difficulties and delayed processing times that have affected the current platform. The Tax Department has already begun collecting suggestions from users to further refine the portal's features. The new version promises to streamline tax filing, making the process smoother and more intuitive, while also enhancing accessibility and speed. This update is part of a broader effort to modernize India's tax infrastructure, with the ultimate goal of simplifying tax compliance for individuals and businesses alike. As the launch date draws closer, stakeholders are hopeful that these changes will contribute to a more transparent and efficient system for e-filing. (Economic Times)

FORM 12BAA FOR REPORTING SALARY-RELATED INFORMATION The Central Board of Direct Taxes (CBDT) has introduced a new form, Form 12BAA, to allow salaried individuals to inform their employers about taxes they have already paid, aiming to reduce the Tax Deducted at Source (TDS) from their salary. The form can be used by taxpayers who have made payments under sections such as advance tax, self-assessment tax, and tax on income from other sources. By submitting Form 12BAA to their employer, employees can help ensure that TDS is adjusted according to their total tax liability, reducing the chances of excess tax deductions. This move is expected to offer greater convenience for taxpayers by streamlining the process of tax adjustments and helping them avoid the need to claim refunds later. The form is a significant step in improving tax compliance and transparency for salaried individuals. For further details, the CBDT has issued guidelines on how employees can utilize the form to notify their employers and update their tax status efficiently. (Economic Times)

DIRECT TAX COLLECTIONS SURGE 182% OVER THE PAST DECADE India's direct tax collections have seen a remarkable surge of 182% over the past decade, surpassing Rs 19.60 trillion in the 2023-24 fiscal year, according to data from the Income Tax Department. Corporate tax collections more than doubled, reaching over Rs 9.11 trillion, while personal income tax receipts grew nearly fourfold, reaching Rs 10.45 trillion. This growth reflects a significant increase in both the number of taxpayers and income tax returns filed, which rose from 4.04 crore in 2014-15 to 8.61 crore in 2023-24. The direct tax-to-GDP ratio has also improved, rising from 5.55% in FY15 to 6.64% in FY24, highlighting a more efficient revenue mobilization. The number of taxpayers has expanded from 5.7 crores in 2014-15 to 10.41 crores in 2023-24, signalling growing tax compliance. This increase in direct tax collections is seen as a sign of the government's success in widening the tax base and improving tax collection efficiency, which is also reflected in the rise in tax buoyancy from 0.86 to 2.12 during this period. These developments indicate a strong and sustainable growth trajectory for India's tax revenue system, contributing to fiscal stability and economic growth. (Business Standard)

CBDT ISSUES FAQs ON DIRECT TAX VIVAD SE VISWAS SCHEME 2024 The Central Board of Direct Taxes (CBDT) has released a set of Frequently Asked Questions (FAQs) to provide clarity on the newly operationalized Direct Tax Vivad Se Vishwas (DTVSV) Scheme 2024, which aims to resolve pending income tax disputes. The scheme, which became active on October 1, 2024, was announced in the Union Budget 2024-25 and provides taxpayers with a simplified process to settle disputes with the tax authorities. According to the CBDT's guidance note, taxpayers can participate in the scheme if they have any pending appeals, writ petitions, or special leave petitions before an appellate forum as of July 22, 2024. The scheme also applies to those who have submitted objections to the Dispute Resolution Panel (DRP), with specific provisions for cases where no DRP directions have been issued or where the process has not been completed by the Assessing Officer. A key feature of the scheme is its distinction between "new" and "old" appellants, with the former eligible for lower settlement amounts. Additionally, the scheme introduces four specific forms for taxpayers, including Form 1 for filing declarations and Form 3 for notifying payments. The deadline for filing declarations to benefit from the reduced settlement amounts is December 31, 2024. (Business Standard)

GOVT EXTENDS ITR DUE DATE FOR CORPORATES TILL NOVEMBER 15 In a move aimed at easing the tax filing process, the Government of India has extended the deadline for corporate income tax returns (ITR) for the assessment year 2024-25 by 15 days. The new deadline, now set for November 15, replaces the earlier October 31 target date. The Central Board of Direct Taxes (CBDT) announced a circular, allowing corporates more time to submit their returns for the fiscal year 2023-24. However, this extension does not apply to other related filings, including the Tax Audit Report, transfer pricing certifications in Form 3CEB, and forms like Form 10DA, for which the original deadline of October 31 remains unchanged. Tax experts have suggested that this extension likely coincides with the upcoming festive season, providing both taxpayers and professionals with more flexibility to focus on accuracy and compliance without the pressure of last-minute filings. The CBDT had previously extended the deadline for filing tax audit reports in September, further indicating a trend of accommodating the needs of taxpayers during peak periods. (Business Standard)

ITD NOTIFIES TOLERANCE RANGE FOR AY25 IN TRANSFER PRICING CASES The Income Tax Department has announced the tolerance range for transfer pricing variations for the Assessment Year 2024-25, maintaining the same limits as the previous year. According to the Central Board of Direct Taxes (CBDT), the tolerance range will be 1% for wholesale traders and 3% for all other taxpayers involved in international and specified domestic transactions. The tolerance range indicates that if the arm's length price, which refers to the price applied in transactions between unrelated entities, deviates by up to 1% for wholesale trading or 3% for other taxpayers, it will still be considered compliant with transfer pricing rules. The CBDT emphasized that this measure is intended to provide greater certainty and reduce the risk perception for taxpayers in transfer pricing matters. Transfer pricing, which involves pricing goods and services exchanged between related entities, is a critical area of tax compliance. (Economic Times)

REVENUE DEPT FORMS 22 SUB-COMMITTEES TO REVIEW IT ACT In a significant move to simplify and modernize India's tax laws, the government has established 22 specialized sub-committees to reassess the Income Tax Act. This initiative, spearheaded by the Department of Revenue, aims to make the tax system more user-friendly and efficient. Finance Minister Nirmala Sitharaman chaired a meeting to review the progress of this effort, which has already garnered over 6,500 public suggestions. The government intends to introduce a draft bill for the revised law during the upcoming budget session, with a completion target set for January. The review is part of the government's broader objective to overhaul the tax framework, making it simpler for taxpayers while addressing key concerns raised by the public. Senior officials, including Revenue Secretary Sanjay Malhotra and CBDT Chairman Ravi Agarwal, participated in the meeting, emphasizing the importance of making the law more accessible and easier to comply with. This review follows Finance Minister Sitharaman's announcement in the July Budget, which proposed a comprehensive reassessment of the tax laws within six months. As the process progresses, it is expected to significantly impact tax compliance and ease the burden on taxpayers. (Economic Times)

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Customs and foreign trade

INQUIRY IN COMMERCIAL FRAUD CASES WITHIN A YEAR The Central Board of Indirect Taxes and Customs (CBIC) has introduced new guidelines aimed at expediting investigations into export and import fraud cases. Effective from November 1, 2024, customs officers are now required to specify the nature of the inquiry when issuing summons in commercial fraud cases. The CBIC has set a clear directive for customs officers to complete investigations within one year to minimize disruption to businesses. This move is part of the government's broader effort to balance efficient fraud detection with a business-friendly environment. The CBIC's guidelines emphasize the need for a thorough analysis of available information before initiating investigations, ensuring minimal interaction with the importer or exporter. The instructions also stress transparency by requiring customs officers to avoid vague or general language in communications and to provide the option for an authorized agent to attend on behalf of the summoned party. To further enhance transparency, the customs commissioner is encouraged to meet with the concerned parties if a grievance arises during an ongoing inquiry. (Central Board of Indirect Taxes and Customs)

CBIC REDUCES COMPLIANCE BURDEN FOR CUSTOMS CARGO SERVICE PROVIDERS In a bid to streamline operations and reduce costs for customs cargo service providers (CCSPs), the Central Board of Indirect Taxes and Customs (CBIC) has announced key changes aimed at enhancing the efficiency of EXIM operations. Effective immediately, the CBIC has reduced the mandatory insurance days. This trade facilitation measure is designed to improve cash flow for businesses by lowering insurance costs. Additionally, the CBIC has removed the license renewal process for Authorized Economic Operator (AEO)--compliant CCSPs, aligning their operational licenses with their AEO status. This change will simplify compliance and foster a more business-friendly environment for logistics operators. These steps are expected to reduce operational burdens and enhance India's competitiveness in global trade by lowering logistics costs and improving efficiency in handling imported and exported goods. (Business Standard)

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Corporate and allied laws

SEBI PROPOSES A BROADER DEFINITION FOR UPSI The Securities and Exchange Board of India (Sebi) is considering expanding the scope of Unpublished Price Sensitive Information (UPSI) to enhance market transparency and ensure more consistent regulatory oversight. In a recent consultation paper, Sebi has proposed that a range of new corporate developments be included under UPSI, which could potentially affect a company's stock price but have not yet been publicly disclosed. Under the proposed changes, events such as significant fundraising activities, corporate restructuring plans, and one-time bank settlements would be considered price-sensitive and thus subject to disclosure. Additionally, the inclusion of agreements like shareholder agreements, joint ventures, and family settlements—especially those that impact the management or control of a company—has been recommended for better alignment with market realities. (Financial Express)

NEW MF LITE REGULATIONS SEBI's new MF Lite regulations are set to simplify the entry process for firms focusing solely on passive asset management, such as index funds and ETFs. By reducing the net worth and profit track record criteria, these rules lower the barriers for new players, making it easier to enter the mutual fund market. Existing fund houses can also spin off their passive operations under the MF Lite framework. However, new entrants will be restricted from launching high-risk products like smart beta and thematic index funds. The focus is on encouraging plain vanilla index funds, providing a safer entry for first-time investors. Additionally, SEBI is pushing for a reduction in SIP minimum investments to as low as INR 250 to make mutual funds more accessible to retail investors. (Business Line)

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Finance and banking

RBI IMPOSES PENALTY ON SOUTH INDIAN BANK FOR NON-COMPLIANCE The Reserve Bank of India (RBI) has slapped a penalty of INR 59.20 lakh on South Indian Bank for violations related to 'interest rates on deposits' and 'customer service.' The penalty follows findings from a statutory inspection conducted by the RBI as of March 31, 2023, which revealed the bank's failure to comply with certain regulatory directions. Specifically, the RBI noted that South Indian Bank had imposed penal charges on customers for failing to maintain minimum balance requirements without proper prior notification via SMS, email, or letter. Additionally, the bank was found to have wrongfully marked liens on certain Non-Resident External (NRE) savings accounts. In response to the RBI's notice, the bank submitted its explanation and participated in a personal hearing, but the central bank upheld the charges, leading to the penalty. The RBI clarified that the penalty is focused solely on regulatory and statutory compliance issues and does not question the validity of the bank's transactions or agreements with customers. (Economic Times)

GOVERNMENT KICK-STARTS 4TH ROUND OF RRB CONSOLIDATION The Indian government has launched the fourth round of consolidation for regional rural banks (RRBs), intending to create larger, more robust financial institutions. This consolidation initiative is part of the government's ongoing efforts to strengthen the rural banking sector, improve operational efficiency, and expand financial inclusion across India. By merging smaller RRBs, the government aims to create stronger entities that can offer a wider range of financial products and services to rural communities. (Business Line)

REAL-TIME AI-DRIVEN SYSTEMS TO CHECK CYBER FRAUD In a move to combat the growing threat of cyber fraud, the Reserve Bank of India (RBI) is set to implement real-time artificial intelligence AI-driven systems aimed at detecting and preventing cybercrimes in the banking sector. This initiative comes as cyberattacks targeting financial institutions continue to rise, posing significant risks to both banks and their customers. By deploying AI, the RBI seeks to enhance the security infrastructure of financial institutions, enabling them to quickly identify suspicious activities and take immediate action. The introduction of this technology underscores the RBI's commitment to strengthening the resilience of India's banking system against evolving cyber threats. (Financial Express)

BANKS GO SLOW ON MICROLOANS AS ASSET QUALITY STRESS WEIGHS Amid growing concerns over asset quality, Indian banks are becoming more cautious in extending loans to microfinance institutions (MFIs), which could slow down the growth of microfinance lending. The increased stress on asset quality, exacerbated by the economic challenges in recent years, has led financial institutions to reassess their exposure to this sector. Many banks are tightening their lending standards and focusing on risk mitigation, which may lead to a slowdown in credit availability for underserved populations. This cautious approach by banks could have long-term implications for the microfinance sector, which plays a crucial role in providing financial access to low-income groups. (Economic Times)

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Accounting and management

In Focus: OKRs

1. OKRs are a goal-setting framework used by organizations to align their objectives with measurable outcomes. The framework consists of two components: Objectives, which define what an organization aims to achieve, and Key Results, which outline how success will be measured. Typically set on a quarterly or annual basis, OKRs help teams focus on what matters most and ensure that everyone is aligned towards common goals.
2. The main benefits of OKRs include fostering transparency, improving performance, and promoting accountability across all levels of the organization. Originally popularized by companies like Intel and Google, OKRs have been adopted by businesses of all sizes as a way to drive growth, innovation, and efficiency.
3. OKRs are a system used to define and track objectives and their outcomes, focusing on what needs to be achieved (Objective) and how success will be measured (Key Results). Objective: A qualitative goal, typically ambitious and inspiring. Key Results: Quantifiable measures that track progress toward achieving the objective.
4. OKRs are typically set on a quarterly or annual basis, but they can be adjusted if priorities change during the cycle. Objectives are meant to be ambitious and challenging but should remain achievable with effort and focus.
5. OKRs prioritize results and outcomes over the tasks or activities needed to achieve them. By setting stretch goals, OKRs encourage teams to think outside the box and pursue innovative solutions.

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Payroll and personal finance

WITHHOLDING PENSION DURING VIGILANCE PROCEEDINGS JUSTIFIED The Kerala High Court has upheld the Kerala Administrative Tribunal's (KAT) decision to justify the withholding of pensionary benefits during the pendency of vigilance proceedings. Potti, who was suspended in 2000 and reinstated in 2001, had his pension delayed until 2011 despite being acquitted in 2010. He sought penal interest for the delayed benefits, arguing that similar employees had received their dues on time. However, the court found that under Rule 3A(a) of Part III Kerala Service Rules, pension benefits can be withheld during ongoing disciplinary or vigilance proceedings. The State argued that the delay was due to statutory guidelines and not due to undue administrative inefficiency. The court also emphasized that the delay fell within the permissible period of three years and was not subject to penal interest, referring to past judgments. (Live Law)

BUSINESS NEWS

Greenvissage

Government

CANADA CANCELS FAST-TRACK STUDENT VISA PROGRAM In a surprising move, the Canadian government has officially ended its popular Student Direct Stream (SDS) program, which provides fast-track processing for international students. The program, which has been in operation since 2018, benefited students from 14 countries, including India. The program was officially terminated at 2 PM ET on November 8, 2024, and all future student visa applications from these countries will now be processed through the regular study permit route, which typically involves longer processing times and additional documentation. The SDS program has been particularly beneficial to students from India, China, Pakistan, and other countries, allowing for quicker approval of study permits. Under the new system, Indian students can expect visa processing times to extend from around 20 days to as long as 6-8 weeks. The move comes amid growing diplomatic tensions between Canada and India, with the two countries at odds over allegations involving the killing of Hardeep Singh Nijjar. India is one of the largest sources of international students to Canada, with around 427,000 Indian students currently enrolled in Canadian institutions. The termination of SDS is expected to disrupt the study plans of many students, particularly from India and Nigeria, who will now face additional hurdles in their visa applications. (Business Insider)

RUSSIAN OIL FLOWS TO EUROPE THROUGH INDIA India has become the largest exporter of refined oil products to the European Union (EU), thanks to discounted Russian crude. In the first three quarters of 2024, India's fuel exports to the EU rose 58%, with a significant portion of these products likely sourced from Russian crude oil. This surge is due to the loophole in sanctions, which prohibit EU countries from importing Russian crude but allow them to buy refined products made from it. India's refining industry, including major players like Reliance Industries and Nayara Energy, has capitalized on the discounted Russian crude. By processing this oil, India has been able to legally export products like diesel and jet fuel to the EU, filling the gap left by European countries that once imported these fuels from Russia. Since Russia invaded Ukraine, India has become the second-largest buyer of Russian crude, accounting for nearly 40% of its total oil imports. The EU, which previously sourced a significant portion of its diesel from Russia, has turned to India to meet its fuel demands. This shift is driven by discounted Russian crude, especially Urals oil, which has become increasingly attractive to Indian refiners. While EU sanctions remain in place, the ability to process Russian crude and export refined products allows Russian oil to reach European markets indirectly. (Financial Express)

Economies

US FEDERAL RESERVE CUTS INTEREST RATES The US Federal Reserve has reduced interest rates by 25 basis points, bringing them to a range of 4.5-4.75%. This marks the second rate cut of 2024, following a 50 basis point reduction in September. The decision comes in the wake of Donald Trump's victory in the 2024 Presidential election, but Federal Reserve Chairman Jerome Powell reassured markets that the outcome would not influence the Fed's policy decisions. The decision to cut rates was widely expected, though market observers were keenly watching the potential impact of Trump's return to the White House. In the past, Trump has expressed his desire to exert more control over the Fed, even criticizing Powell's policies. In the wake of the rate cut, US bond yields have shown signs of cooling, with 10-year bond yields slipping below 4.335%. This could be a positive signal for emerging markets, including India, as lower bond yields typically boost investor sentiment in global markets. (Business Insider)

FII STAKE IN INDIAN EQUITIES DROPS TO 12-YEAR LOW Foreign Institutional Investors (FIIs) have pulled back sharply from Indian equities, with their stake in NSE-listed companies dipping to a 12-year low. As of October 2024, FIIs held just 15.98% of these companies, marking a notable decline from September's 16.8%. In monetary terms, the assets under FII custody in the equity segment fell to INR 71.08 lakh crore in October, down from INR 77.96 lakh crore the previous month. This reflects a significant outflow, with FIIs withdrawing a total of INR 1,14,445 crore in October alone. Moreover, in early November, FIIs continued their selling spree, offloading a net amount of INR 16,445 crore, while domestic institutional investors (DIIs) stepped in with a counterbalancing infusion of INR 12,265 crore. The mass exodus by FIIs has been driven by a combination of factors, including high valuations of Indian stocks, weak corporate earnings, and sluggish consumer demand. Indian equities are currently trading at about 24 times expected earnings, which many consider steep compared to Chinese stocks, which are priced at approximately 10 times earnings. Fears of inflationary pressures and potential monetary tightening by global central banks have further dampened investor sentiment. (Business Insider)

US ORDERS TSMC TO HALT AI CHIP SHIPMENTS TO CHINA The US has instructed Taiwan Semiconductor Manufacturing Co. (TSMC) to suspend shipments of advanced chips used in artificial intelligence (AI) applications to Chinese customers, marking a significant escalation in the ongoing tech rivalry between the two nations. According to sources, the US Department of Commerce imposed export restrictions on chips with designs of 7 nanometers or more, which power AI accelerators and graphics processing units (GPUs). This move follows a prior incident in which a TSMC chip was discovered in a Huawei AI processor, violating export controls. As a result, TSMC has informed Chinese clients, including chip designers like Sophgo, that shipments of such chips will be suspended starting November 11. This clampdown aims to prevent Chinese companies, particularly Huawei, from advancing their AI capabilities, as the US restricts tech that could enhance China's technological and military power. TSMC, in compliance with US regulations, confirmed it would adhere to the new export controls, although it declined to comment further. The action is part of a broader effort by the US to tighten its grip on tech exports to China, including past restrictions on Nvidia and AMD AI chips, as well as semiconductor manufacturing tools. (Reuters)

Corporates

SINGAPORE AIRLINES TO INVEST 3,195 CRORE IN AIR INDIA Singapore Airlines (SIA) has announced plans to invest an additional INR 3,194 crore in Air India, following the completion of the merger between Vistara and the Tata Group-owned airline. The merger, set to finalize by November 11, 2024, will see SIA hold a 25.1% stake in the expanded Air India. This strategic move is part of SIA's consideration for the merger, which also includes its 49% shareholding in Vistara and a cash infusion of INR 2,058 crore. The merger, initially announced in November 2022, marks a significant consolidation in the Indian aviation sector, with the combined entity poised to dominate both domestic and international markets. Vistara, a joint venture between Singapore Airlines and the Tatas, began operations in 2015 and will cease to operate under its brand name following the merger. Singapore Airlines will continue to play a key role in the future of Air India, particularly as it seeks to maintain its stake and influence in the competitive Indian market. As part of the merger agreement, SIA will also cover a portion of Tata's pre-existing funding to Air India, amounting to INR 5,020 crore. The capital infusion will enable SIA to secure its 25.1% equity interest in the restructured airline. (Business Insider)

ADANI POWER REDUCES BANGLADESH'S SUPPLY BY OVER 60% Adani Power has cut electricity supply to Bangladesh by over 60% in response to unpaid dues exceeding USD 800 million, according to reports from Bangladesh's grid operator and sources familiar with the matter. The supply from Adani Power's 1,600 MW Godda plant in Jharkhand has been gradually reduced from around 1,400-1,500 MW in early August to 700-750 MW this month. As of late Thursday, the supply was further lowered to approximately 520 MW. The reduction in supply comes as Bangladesh works on clearing its dues, but government officials have warned they will not let any power producer hold the country "hostage" by cutting off electricity. Muhammad Fauzul Kabir Khan, Bangladesh's power and energy adviser, stated that the country would take alternative measures if the supply was halted entirely. (Money Control)

SKODA TO LAUNCH UPDATED ELECTRIC VEHICLE IN INDIA BY 2025 Skoda Auto is set to bring an updated version of its popular Enyaq EV to India in 2025, following a delay from its original 2024 launch schedule. The company has confirmed that the new version of the European bestseller will debut in the Indian market after undergoing a significant facelift, which is slated for March 2025. Skoda's Brand Director, Petr Janeba, explained that the decision to postpone the launch was made to align with the introduction of the updated design language for the Enyaq EV, which will be better suited to Indian market preferences. Skoda is also investing in localizing production, with plans to manufacture its EVs at its Pune facility, which is already producing the Kylaq SUV. The company has increased the production capacity at the Pune plant to 250,000 units per year, and further expansions are anticipated to meet demand for both current models and upcoming electric cars. (Business Insider)

🟩 **TATA GROUP ENTERS QUICK COMMERCE WITH NEU FLASH** Tata Group is set to make a major foray into the quick commerce sector with the launch of its new platform, Neu Flash, which is an extension of its existing e-commerce venture, Tata Neu. Neu Flash is designed to compete with established players like Blinkit, Swiggy Instamart, and Zepto, offering ultra-fast deliveries in categories such as groceries, electronics, and fashion. The platform will be powered by BigBasket for groceries, Croma for electronics, and Tata Cliq for fashion products. Set to roll out to select users in the coming weeks, Neu Flash will also integrate Tata's e-pharmacy arm, 1mg, to deliver medicines quickly. This move follows similar initiatives by rivals like Flipkart with its "Minutes" service and Reliance Industries, which has also entered the quick commerce space. As the segment grows rapidly, accounting for 85% of the market, the competition intensifies, with new entrants like Zepto raising significant funds to challenge existing giants. (Business Today)

Startups

🟥 **PHYSICS WALLAH POSTS INR 1,131 CRORE LOSS IN FY24** Edtech unicorn Physics Wallah (PW) reported a massive net loss of INR 1,131.2 crore for the financial year 2023-24 (FY24), a sharp increase from the previous year's loss of INR 84.06 crore. The startup also adjusted its FY23 profit, originally reported as INR 8.9 crore, due to changes in accounting standards. The significant rise in losses was attributed to a change in the fair value of Compulsorily Convertible Preference Shares (CCPS), which resulted in a loss of INR 756 crore in FY24, compared to INR 67.1 crore the previous year. Additionally, employee stock option plan (ESOP) expenses increased nearly fourfold, reaching INR 151 crore in FY24. Despite these challenges, Physics Wallah's operating revenue surged 2.6 times to INR 1,940.4 crore, up from INR 744.3 crore in FY23, as the company expanded its services in the offline coaching market for competitive exams like NEET and JEE. Physics Wallah's total expenses skyrocketed by over 280% to INR 3,279.1 crore. The startup's biggest costs were employee benefits (INR 1,158.96 crore), depreciation (INR 298.2 crore), and miscellaneous expenses, which amounted to INR 1,452.7 crore. However, the company reduced its advertising and promotional costs by over 70%. Physics Wallah, which secured USD 210 million in Series B funding in September 2024, continues its expansion as a major player in the Indian edtech space. (Inc42)

🟩 **CRED ENTERS INSURANCE SECTOR WITH NEW PARTNERSHIPS** Fintech unicorn CRED has ventured into the insurance sector through strategic partnerships with Go Digit General Insurance, ICICI Lombard, and Zurich Kotak General Insurance. The new offering, available via CRED's vehicle management platform, CRED Garage, includes motor insurance with added benefits such as credit score-based discounts, reminders for vehicle-related tasks, and easy access to important documents like driver's licenses and insurance papers. Launched in September 2023, CRED Garage has quickly gained traction, amassing 4.2 million users and over 7 million vehicles. The platform is part of CRED's broader strategy to expand its services, having recently launched CRED Money and CRED Guarantee, and partnered with L&T Finance to offer unsecured personal loans. With a 58% growth in its monetized customer base in FY24, CRED plans to roll out more products in the coming months, strengthening its position in the fintech space while further monetizing its user base. (Inc42)

Conglomerates

🟩 **TESLA REACHES USD 1 TRILLION MARKET VALUE** Tesla's market value surged past USD 1 trillion following an 8.2% rise in its stock price, boosted by expectations that President-elect Donald Trump's victory will bring favourable regulatory treatment for Elon Musk's companies. The electric automaker's shares jumped to USD 321.22, marking the company's highest valuation in over two years, with a 29% increase this week alone, adding more than USD 230 billion in market cap. Analysts believe that Trump's win will expedite regulatory approvals for Tesla's autonomous driving technology, which is a key focus for Musk. The US National Highway Traffic Safety Administration (NHTSA) could also hold off on enforcing safety regulations for Tesla's driver-assistance systems. Musk's push for federal rules governing autonomous vehicles could lead to a unified regulatory framework, avoiding a patchwork of state laws. As Tesla continues to lead the global electric vehicle market, its shares now trade at a high multiple compared to traditional automakers and tech giants, underscoring investor confidence in the company's prospects under the Trump administration. (Reuters)

TOYOTA PLANS TO RAMP UP CHINA PRODUCTION

Toyota is set to increase its production capacity in China to at least 2.5 million vehicles per year by 2030, signalling a major shift in its strategy to better compete with local electric vehicle (EV) makers like BYD. The ambitious goal, which aims for a 63% increase from its 2022 production of 1.84 million vehicles, includes plans to enhance its collaboration with local joint ventures and bring sales and production operations closer together. This strategy reflects Toyota's growing recognition that to succeed in China's highly competitive EV market, it must rely more on local expertise, particularly in areas like electrification and connected car technologies. The company intends to delegate more product development responsibilities to China-based teams who are better positioned to understand local consumer preferences. Unlike other global automakers, which have scaled back or pulled out of the Chinese market, Toyota is reinforcing its commitment to the region. It is also consolidating the production of twinned vehicles (those made by different joint ventures but sold under different brands) to improve efficiency. The shift comes as Toyota faces increasing pressure from fast-moving local competitors, who have outpaced traditional automakers with affordable, tech-driven EVs. (Reuters)

ECONOMIC INDICATORS

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Key Economic Indicators

Indicator	As on	Current	Prior
GDP Growth (%)	Jun-24	6.70	7.80
Unemployment (%)	Sep-24	7.80	8.50
Inflation (%)	Sep-24	5.49	3.65
Balance of Trade ($bn)	Sep-24	(20.80)	(29.70)
Business confidence	Sep-24	119.00	127.00
Manufacturing PMI	Oct-24	57.50	56.50
Services PMI	Oct-24	58.50	57.70

(Trading Economics)

Commodities Future

Commodity	Expiry	Price	Change %
Gold	Dec-24	77,292.00	1.27
Silver	Dec-24	91,270.00	(0.50)
Crude Oil	Nov-24	5,950.00	(6.56)
Natural Gas	Nov-24	225.70	1.17
Aluminum	Nov-24	241.85	(0.17)
Copper	Nov-24	840.10	-
Cotton	Nov-24	56,000.00	(1.75)

(MCX India)

Global Indices

Index	Country	Change %
NIFTY 50	India	(3.27)
BSE SENSEX	India	(2.33)
NIFTY BANK	India	0.76
INDIA VIX	India	9.46
DOW JONES	USA	2.62
S&P 500	USA	3.10
NASDAQ 100	USA	5.15
S&P TSX	Canada	1.18
BOVESPA	Brazil	(1.66)
DAX	Germany	(0.82)
FSTE 100	UK	(2.20)
CAC 40	France	(3.16)
FTSE MIB	Italy	(1.43)
MOEX	Russia	(0.72)
NIKKEI 225	Japan	(0.35)
S&P ASX 200	Australia	(0.35)
SHANGHAI	China	7.29
HANG SENG	Hong Kong	(2.46)
KOSPI	South Korea	(1.38)

(Investing.com)

Currency Exchange Rates

Pair	Current	Prior	Change %
USD/INR	84.09	84.06	(0.04)
GBP/INR	108.95	109.69	0.68
EUR/INR	91.25	91.93	0.74
YEN/INR	55.03	56.48	2.57

(FBIL India)

Cryptocurrencies

Pair	Crypto	Price	Change %
BTC/USD	Bitcoin	79,672.43	27.10
ETH/USD	Ethereum	3,211.27	31.28
BNB/USD	Binance	633.69	9.65
SOL/USD	Solona	204.73	40.57

(Crypto.com)

Bank Policy Rates

Type	Current	Prior	Change %
Repo rate	6.50	6.50	-
Standing deposit	6.25	6.25	-
Marginal facility	6.75	6.75	-
Bank rate	6.75	6.75	-
Reverse Repo	3.35	3.35	-

(RBI India)

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