

KREO CAPITAL PRIVATE LIMITED

SEBI REGISTERED CATEGORY I - MERCHANT BANKER

SEVENTY FIRST EDITION



July 2024

Friday, 9th August 2024

“An investment in knowledge yields the best return.”

In the ever changing and dynamic Capital Market Environment, staying updated with the latest happenings is the need of the hour.

Keeping up to date with laws & notifications is time consuming and legislation itself is complex. However, it is of vital importance that businesses stay up to date on regulations in their sector to keep pace with best practices.

This is our series of knowledge sharing initiative towards sharing regulations and updates on corporate laws.



**CAPITAL
MARKETS**



RBI



भारतीय प्रतिभूति और विनियम बोर्ड
Securities and Exchange Board of India

SEBI



MCA



INCOME TAX



INDIRECT TAX



STARTUP INDIA

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GLOBAL MARKETS



01

Asian Markets Sell-Off: Nikkei tanks 13%, Kospi 5% amid US recession fears



News Link

02

Euro zone inflation eases to 2.5% as core print misses estimate



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03

US hiring fell sharply in July, an unexpected setback for the economy stoking recession fears



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04

Fed holds rates steady at their current level of about 5.5% and notes inflation is at 3% and is getting closer to its 2% target



News Link

05

Japan hikes interest rates for second time since 2007



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06

First Income Tax In GCC Approved By Oman's Parliament



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BROAD ECONOMIC NEWS

01

To boost investment, Budget presents GIFT to VC funds on compliance



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02

FY25 gold bond float target cut by 38%



News Link

03

India updates trade advisory for its SMEs doing business with Chinese firms, says adopt adequate precaution



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04

India's economic activity expands in July, services composite PMI rises to 61.4



News Link

05

India's July diesel, jet fuel exports to Singapore, Australia set to hit 2-1/2-year high



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06

NHAI sets up an asset monetisation cell; aims to achieve over Rs 50,000 crore monetisation target for 2024-25



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CAPITAL MARKETS



01

FPIs pump in Rs 52,910 crore as Budget aims to foster stable investment environment



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02

Govt eases LTCG tax blow: Finance Act protects property sellers against higher tax outgo



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03

Equity mutual fund investments soar five-fold to Rs 94,151 crore in June quarter, boosted by strong economic conditions



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04

Indian bond yields ease almost 8-10 bps in one month on positive cues



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05

Gold customs duty may take some shine off Sovereign Gold Bonds



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06

Private Equity venture capital investments dip in July



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STARTUP INDIA



01

Indian startups raised about \$617 million in July 2024



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02

Venture investors call abolition of angel tax a 'huge reform', aligns with Startup India initiative : Budget 2024



News Link

03

FM announces Rs 1,000 crore fund to back space-tech startups : Budget 2024



News Link

04

H1 2024 Sees Funding Surge for Women-Led Startups



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05

Layoffs: Have Indian startups sailed past the crisis? Companies cut fewer jobs in 2024



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06

India marks 1.4 lakh registered startups; Maharashtra ahead of Karnataka with 25,044 startups



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SEBI


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 Securities and Exchange Board of India

01

SEBI returns over 10 IPO papers citing omissions

- SEBI has been returning draft IPO papers to merchant bankers due to issues with due diligence and disclosures.
- Over 10 draft red herring prospectuses (DRHPs) have been returned recently, leading to delays in IPO timelines.
- The returns are based on technical grounds, minor omissions, or oversights, including language issues as per SEBI's February guidelines.
- Refiling the DRHPs extends the IPO timeline.
- Merchant bankers have differing opinions on whether SEBI's scrutiny is to ensure thorough disclosures or due to minor issues.


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02

SEBI spent Rs 62 crore in 5 years on investors' education, awareness on F&O trade risks

- SEBI spent over Rs 62 crore in five years on investor education, including F&O risks.
- Expenditures from SEBI's Investor Protection Fund included Rs 2.73 crore in FY 2023-24.
- SEBI and MIs run programs to raise awareness about F&O trading risks.
- In FY 2023-24, SEBI held 43,826 awareness programs reaching over 27.93 lakh people.
- An increase in securities transaction tax on F&O trades starts October 1 to curb excessive trading.


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SEBI


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03

SEBI raps influencers, 8,890 misleading securities market posts flagged for legal action

- SEBI flagged 8,890 misleading social media posts about the securities market for legal action.
- Facebook, Instagram, Telegram, and YouTube have been asked to address these posts.
- SEBI targets influencers providing unauthorized advice and false claims.
- Increased retail investor activity and influencer marketing have worsened these issues.
- New rules prohibit SEBI-regulated entities from working with unregistered financial promoters.



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04

PSU banks may get another 2-year extension to comply with SEBI's MPS norms

- Public sector banks (PSBs) may receive a two-year extension to meet SEBI's minimum public shareholding (MPS) requirement of 25%.
- Five out of 12 PSBs currently have government holdings exceeding 75% and need to comply with MPS norms.
- SEBI had previously granted an extension until August 2024 for these banks.
- The government is seeking an additional extension from the Department of Economic Affairs.
- A financial sector vision and strategy document, including plans for Vision 2047, will be released during the current fiscal year.



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Securities and Exchange Board of India

05

SEBI CIRCULARS

Recognition of BSE Limited as Research Analyst Administration and Supervisory Body (RAASB) and Investment Adviser Administration and Supervisory Body (IAASB)



Link

Information to be filed by schemes of AIFs availing dissolution period/additional liquidation period and conditions for in-specie distribution of assets of AIFs



Link

Measures to instil confidence in securities market - Brokers' institutional mechanism for prevention and detection of fraud or market abuse



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Modification to Enhanced Supervision of Stock Brokers and Depository Participants



Link

Enabling Credit Rating Agencies (CRAs) to undertake rating activities under IFSCA



Link

Reduction in denomination of debt securities and non-convertible redeemable preference shares



Link

RBI



01

India's forex reserves come off record highs, fall to \$667.39 billion as on July 26

- India's foreign exchange reserves fell by \$3.47 billion to \$667.39 billion as of July 26, from a record high of \$670.86 billion the previous week.
- Foreign currency assets decreased by \$1.1 billion to \$586.88 billion.
- Gold reserves decreased by \$2.2 billion to \$57.69 billion.
- Special Drawing Rights (SDRs) fell by \$5 million to \$18.202 billion, while the reserve position in the IMF increased by \$2 million to \$4.61 billion.
- The RBI intervenes in the forex market to manage liquidity and prevent excessive rupee volatility.



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02

RBI issues final directions on cybersecurity controls for non-bank PSOs

- RBI guidelines on cyber resilience for non-bank PSOs effective July 30.
- Compliance deadlines: large PSOs by April 2025, medium by April 2026, small by April 2028.
- Report incidents to RBI within six hours and to CERT-IN for cybersecurity.
- PSOs' Boards must oversee information security risks and approve a CCMP.
- Conduct cyber-risk assessments, provide security training, establish a cloud policy, and implement fraud monitoring.



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RBI



03

RBI's new liquidity coverage guidelines for banks could slow credit growth

- RBI requires banks to set aside more liquid assets for potential outflows of retail deposits via digital means.
- The run-off factor for retail deposits via Internet and Mobile banking increases from 5% to 10%.
- Stable retail deposits with internet and mobile banking face a 10% run-off factor; less stable deposits face 15%.
- Banks must apply haircuts on assets when calculating the liquidity coverage ratio (LCR).
- These guidelines may lead to increased investment in government securities, higher deposit rates, and slower credit growth.



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04

RBI Orders Banks to Check 'Wilful Default' in NPA Accounts

- RBI mandates scrutiny of wilful defaults in NPA accounts over Rs 25 lakh.
- Banks and NBFCs must follow a procedure to classify wilful defaulters, with evidence reviewed by a committee.
- Classification must occur within six months of the account becoming an NPA.
- Lenders must have a policy for publishing photos of wilful defaulters and can't grant them further credit for one year after removal from the list.
- The guidelines ensure fair and transparent handling of wilful defaulters.



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MCA**01**

MCA launches New Company Forms on 15th July

- MCA launches new company forms (IEPF-1, IEPF-1A, IEPF-2, IEPF-4, IEPF-5, IEPF-5 e-verification) on July 15, 2024.
- MCA V2 portal was unavailable for e-filing from July 4 to July 15, 2024.
- The new V3 portal will replace V2, offering online form filling, partial save options, and enhanced security with email login and OTP verification.
- Stakeholders should plan filings around these dates to avoid delays or rejections.
- V3 portal includes a “My Application” feature for improved tracking, replacing V2’s “My Workspace.”



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02

MCA eases KYC rules for basic details of company directors

- MCA is easing KYC rules for company directors, allowing multiple updates to basic details (email IDs, mobile numbers) within a year.
- The new rules, effective from August 1, 2024, will address issues for directors changing organizations mid-year.
- The Companies (Appointment and Qualification of Directors) (Amendment) Rules, 2024 also revise the MGT 6 form for reporting beneficial owners.
- The updated MGT 6 form now requires individual details for beneficial owners, potentially confusing the distinction between beneficial and significant beneficial owners.



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MCA



03

Centre overhauls beneficial ownership disclosure norms

- MCA introduced forms BEN-2 and MGT-6 to enhance the disclosure and updating of Significant Beneficial Ownership (SBO) details.
- Companies including LinkedIn and Samsung units faced penalties for not complying with SBO disclosure requirements.
- Section 90 of the Companies Act mandates identifying and disclosing individuals with over 10% beneficial interest in a company.
- The new forms simplify the process of updating SBO details and reporting changes, improving regulatory compliance.
- The rules now require reporting control by individuals, such as CEOs, in foreign-owned entities to ensure tax transparency and prevent financial crimes.



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04

Companies now have to report dealings with MSEs on half-yearly basis

- MCA mandates half-yearly disclosure of MSE payments via the new MSME-1 form on MCA V3.
- Companies must submit details of payments made, overdue, and reasons for delays.
- The form includes data on payments within and beyond 45 days, payment modes, and outstanding amounts.
- This aims to enhance transparency and address delayed payments, benefiting MSMEs.
- An amendment mandates payments to MSMEs within 45 days from April 2024, though some sectors oppose this cycle.



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INCOME TAX



01

India's net direct tax collection jumps 19.54% this fiscal year till July 11

- Net direct tax collection increased by 19.54% to Rs 5.74 lakh crore as of July 11, FY25.
- Total refunds rose by 64.49% to Rs 70,902 crore in FY25.
- Gross direct tax collection grew by 23.24% to Rs 6,45,259 crore in FY25.
- Corporate tax collection was up 20.44% to Rs 2,65,336 crore.
- Personal income tax collection increased by 22.76% to Rs 3,61,862 crore.
- Securities tax doubled to Rs 16,634 crore from Rs 7,285 crore in FY24.



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02

Govt proposes tax cuts, more standard deduction: Income Tax Budget 2024

- Standard deduction limit increased from Rs 50,000 to Rs 75,000.
- New tax regime exempts income up to Rs 7.75 lakh from tax.
- Employees can save up to Rs 17,500 in income tax annually due to these changes.
- Taxpayers with income above Rs 15 lakh can save Rs 17,500: Rs 7,500 from the increased standard deduction and Rs 10,000 from revised tax rates
- Revised tax slabs: 0-3 lakh: Nil, 3-7 lakh: 5%, 7-10 lakh: 10%, 10-12 lakh: 15%, 12-15 lakh: 20%, above 15 lakh: 30%.



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INCOME TAX



03

Income tax clearance now mandatory to leave India : Union Budget 2024

- From October 1, 2024, anyone domiciled in India will need an income tax clearance certificate to leave the country.
- The Finance Bill, 2024, amends section 230 of the Income-tax Act to include this requirement.
- The certificate ensures there are no liabilities under the Income-tax Act, Wealth-tax Act, Gift-tax Act, Expenditure-tax Act, or Black Money Act.
- Alternatively, individuals can make satisfactory arrangements for the payment of these taxes.
- The amendment aims to address tax liabilities before individuals leave India.



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04

Govt to bring revised Direct Tax Code with comprehensive review in 6 months: Revenue Secretary

- The government is working on a comprehensive review of the Direct Tax Code, with a draft to be prepared and shared for stakeholder consultation within the next six months.
- The review will involve a collaborative approach to implementation, focusing on simplicity and hassle-free tax processes.
- The government aims to collect taxes respectfully and smoothly, maintaining a collaborative rather than confrontational approach.
- The Union Budget includes measures to simplify the tax process, such as the abolition of angel tax, decriminalization of laws, and reduction in duties to benefit the industry.



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INDIRECT TAX

**01**

Customs duty slashed on range of input materials including gold and silver

- Customs duties on gold and silver reduced to 6% from 15%; platinum to 6.4% from 15.4%.
- Basic customs duty on mobile phones and components cut to 15% from 20%.
- Duty on 25 critical minerals, like lithium and cobalt, exempted to support renewable energy and high-tech sectors.
- Reduced duties on ferronickel, blister copper, and other minerals to aid processing.
- Lowered or exempted duties on inputs for marine, leather, and textile industries, including shrimp and fish feed.



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02

No GST demand notice to be issued beyond 42 months from the due date of filing annual return : Budget 2024

- Section 74A of the CGST Act sets a 42-month deadline for issuing GST demand notices from the annual return due date.
- GST demand orders must be issued within 12 months of the notice date.
- New rule standardizes deadlines: more time for non-fraud cases, less for fraud.
- Process includes issuing a notice, reviewing responses, and finalizing the demand.



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03**SEZ units set to get refund of cess on imports**

- The Centre will refund compensation cess on SEZ imports retroactive to 2017 and the 5% GST on food packages for the public distribution system (PDS).
- Total refunds, amounting to around ₹6,500 crore, follow a GST Council decision exempting SEZ imports from July 1, 2017.
- Refunds are expected within six months and will also cover GST paid by the National Agricultural Cooperative Marketing Federation of India Ltd (NAFED) on PDS food packs.
- This move follows a ruling by the Andhra Pradesh High Court.



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04**No GST registration without biometric authentication through Aadhaar and in person verification**

- GST registration now requires biometric Aadhaar authentication and photo capturing for certain individuals.
- Taxpayers not opting for Aadhaar must visit a GST Suvidha Kendra for photo and document verification.
- This rule is applicable nationwide.
- Registration is complete only after biometric or physical verification.
- Those who opt for Aadhaar and are not flagged can complete registration without visiting a centre.



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CAPITAL MARKETS | INVESTMENT BANKING | WEALTH MANAGEMENT | LENDING SOLUTIONS

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Our Investment Banking division works with a wide range of clients including young, cutting-edge start-ups and established market leaders. We advise our clients on mergers and acquisitions, private equity funding, divestments, corporate restructuring, valuation of shares as per SEBI guidelines, company law and secretarial advisory.

Our advice is built from a rigorous and up-to-date understanding of the market, coupled with clients financial vision. This means we only offer solutions that work best for our clients.

ABOUT KREO CAPITAL

Kreo Capital is a boutique financial service company with Mid Market focus, offering integrated financial advice and services. Promoted by professionals with rich experience in financial and capital markets, Kreo Capital is a financial expert for all growth oriented companies.

Team Kreo is committed to long term relationships and has a proficient and skilled work force invested in its clients and their business. Our services enable our clients to access Capital Markets, Corporate Finance Advisory, Wealth Management Advisory, Mergers and Acquisition Advisory, ESOP & Valuation Advisory, Equity/Debt Placements and Restructuring.

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CA Varun Parakh
Managing Director
M:+91-9890920892
E: varun@kreocapital.com

HEAD OFFICE:

2nd Floor, Near Gate No.
8, V.C.A. Complex, Civil
Lines, Nagpur – 440001
T: +91-712-6641111

MUMBAI OFFICE:

Unit 202, Tower-A,
Peninsula Business
Park, Senapati Bapat
Marg, Lower Parel,
Mumbai – 400013
T:+91-22-41731000

W: www.kreocapital.com
E: info@kreocapital.com

SEBI REGISTRATION
NO: INM000012689