

# KREO CAPITAL PRIVATE LIMITED

SEBI REGISTERED CATEGORY I - MERCHANT BANKER

SEVENTIETH EDITION



June 2024

Wednesday, 10<sup>th</sup> July 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

US consumer inflation falls to 3.3 percent ahead of Fed rate decision



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02

UK inflation at 2% for first time since 2021, underlying pressure persists



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03

Paris loses its crown to London as the biggest stock market in Europe



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04

Global carbon removal market could touch \$100 bn/yr from 2030-35: Report



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05

CBO Jacks Up US 2024 Budget Gap Forecast by 27% to Nearly \$2 Trillion



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06

BRICS calls for enhanced use of local currencies in trade between member countries



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*BROAD ECONOMIC NEWS*

01

Microfinance loans up 24.5% to Rs 4.3 trn in FY24, NBFC-MFIs see moderation



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02

EV sales soar 40.31 per cent in FY24, two-wheelers lead the charge



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03

India's wholesale prices accelerate to 15-month high of 2.61% in May



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04

India's Forex Reserves Jump By \$816 Million To \$653.71 Billion



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Higher demand pushes hiring up as manufacturing PMI touches 58.3 in June



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India's GDP calculations set for an upgrade as MOSPI sets up panel to revise base year



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## CAPITAL MARKETS

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SBI MF becomes first fund house to cross Rs 10 lakh crore in assets

[News Link](#)**02**

Budget may impose higher tax on F&O income by treating derivatives like lottery: Report

[News Link](#)**03**

BSE midcap surges over 7%, most since November; smallcap jumps 10% in June

[News Link](#)**04**

India receives highest FDI from Singapore in 2023-24, Mauritius follows

[News Link](#)**05**

Foreigners buy \$10 billion of index-bound Indian bonds since JPMorgan inclusion announcement

[News Link](#)**06**

Over Rs 50,000 crore worth planned IPOs likely in next few months

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*STARTUP INDIA*

01

Tamil Nadu To Set Up Two New Regional Startup Hubs In Coimbatore, Tiruchi



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02

100-Day action plan: DPIIT looking to start up funding & spur manufacturing push



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03

Startups raise \$1.71 billion in June 2024, marking a 148% on-year increase



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04

Maharashtra To Expand Its Startup Portfolio from 8,300 to 50,000 Startups Soon: Industries Minister



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05

AWS expands global GenAI accelerator, commits \$230 mn to back early-stage startups



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06

Tamil Nadu announces special seed fund for start-ups run by transpersons and persons with disabilities



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SEBI


 भारतीय प्रतिभूति और विनियम बोर्ड  
 Securities and Exchange Board of India

01

## SEBI Allows Greater Overseas Investments; Permits 100% Aggregate Contribution In FPIs For NRIs

- SEBI has revised regulations to allow Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs), and Resident Indians to contribute up to 100% in the corpus of Foreign Portfolio Investors (FPIs) based in International Financial Services Centre. This move aims to enhance flexibility and encourage more investment in India's securities market.
- As of March 31, 2023, such investors held INR 3.46 Lakh Cr in the Indian securities market. The updated policy mandates that FPIs based in IFSCs and regulated by the International Financial Services Centre Authority declare their intent to have a majority contribution from NRIs, OCIs, and Indian residents if exceeds 50%.


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02

## SEBI board approves new tenure for Category I and II AIF borrowing

- SEBI board has introduced a new regulation capping the extension of Alternative Investment Fund tenures to a maximum of 5 years. This measure aims to safeguard investors by ensuring timely disclosure and accurate representation of AIFs' asset quality, liquidity, fund value, and performance. The extension is subject to the approval of two-thirds of the unit holders by value.
- To support operational flexibility & ease of doing business, Category I and II AIFs are now explicitly permitted to borrow for up to 30 days to address temporary shortfalls in drawdowns from investors. Chairperson Madhabi Puri Buch emphasized that borrowing as a last resort and not a routine practice, with mandatory 30-day cooling-off period between borrowings.


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**SEBI**भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India**03****SEBI Board introduces fixed price process for de-listing**

- Companies can now opt for a fixed price process for voluntary de-listing, setting the minimum price at the floor price plus a 15% premium.
- The new scheme also permits selective capital reduction, enabling companies to pass on the benefits of liquid share encashment to investors, provided at least 75% of their value is in listed companies.
- SEBI Chairperson Madhabi Puri Buch emphasized the importance of exit options for companies.

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more**04****SEBI restricts association of registered entities with unregistered entities such as finfluencers**

- The Securities and Exchange Board of India (SEBI) has implemented a ban on the association of regulated entities with unregistered financial influencers, known as 'finfluencers'. This decision aims to prevent the dissemination of unauthorized financial advice and protect investors from potential misinformation.
- Registered entities must ensure their associates do not engage in prohibited activities. Finfluencers who are registered must display their credentials and adhere to advertising guidelines. SEBI allows limited referrals from retail clients, but has set restrictions on referral fees to curb unethical practices.

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*SEBI*भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India

05

## SEBI CIRCULARS

Measures for Ease of Doing Business for Credit Rating Agencies (CRAs) – Timelines and Disclosures



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Modification in Framework for Offer for Sale (OFS) of Shares to Employees through Stock Exchange Mechanism



Link

Participation by Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs) and Resident Indian (RI) individuals in SEBI registered FPIs based in International Financial Services Centre in India.



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Disclosures of Material Changes and Other Obligations for Foreign Portfolio Investors



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Modification in duration for Call auction in pre-open session for Initial Public Offer (IPO) and Relisted scrips



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Framework for providing flexibility to Foreign Portfolio Investors in dealing with their securities post expiry of their registration



Link

Introduction of a special call auction mechanism for price discovery of scrips of listed Investment Companies (ICs) and listed Investment Holding Companies (IHCs)



Link

RBI



01

## RBI to set up digital payments intelligence platform to prevent fraud

- This initiative aims to foster real-time data sharing and network-level intelligence across the digital payments ecosystem. A committee has been formed to explore the platform's establishment, with insights expected in the coming two months.
- Despite a significant increase in digital fraud cases reported in FY24, the total amount involved has seen a substantial decrease. The RBI's annual report indicates that while private sector banks report more frequent small-value frauds, public sector banks face larger financial losses, primarily from loan portfolio frauds. The new platform by RBI is a strategic move to enhance trust and security in the digital payment landscape.



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02

## Indian banks' gross NPA ratio at multi-year low of 2.8%, net NPA down to 0.6% in FY24: RBI Fin Stability Report

- Indian banks' gross NPA ratio reached a multi-year low of 2.8%, with net NPA down to 0.6% by March 2024.
- The banking sector has seen a boost in profitability and a decline in non-performing assets, with return on assets (RoA) and return on equity (RoE) reaching close to decadal highs.
- Despite global risks, India's banking sector shows resilience, supporting economic growth through credit expansion.
- Non-banking financial companies (NBFCs) also report strong metrics.



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RBI



03

### RBI Flags High Delinquency Levels For Fintech Lenders In Below INR 50K Loan Category

- Fintech lenders, especially NBFC-Fintechs, face significant delinquency levels in small value loans (under ₹50,000), according to the RBI's Financial Stability Report.
- The RBI has taken steps to address this surge in unsecured loans by increasing risk weights, leading to a slowdown in consumer credit growth.
- RBI has flagged rising stress in retail loans from private sector banks, where slippages from retail loans (excluding housing loans) have contributed to 40% of fresh accretion to Non-Performing Assets (NPAs) in 2023-24.



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04

### RBI MPC retains repo rate at 6.5 per cent for 8th time in a row; GDP forecast hiked, inflation unchanged

- The Reserve Bank of India's Monetary Policy Committee (MPC) has maintained the repo rate at 6.5% for the eighth consecutive time.
- The MPC raised the real GDP growth forecast to 7.2% for FY25.
- Kept the inflation forecast unchanged at 4.5%.
- The policy direction precedes the new government's budget presentation after the recent election results.
- The policy direction is significant as it precedes the new government's budget presentation, following the election results



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*RBI*

05

## RBI CIRCULARS

Priority Sector Lending - Amendments to the Master Directions



Link

Foreign Exchange Management (Overseas Investment) Directions, 2022 - Investments in Overseas Funds



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Amendment to Master Direction - Reserve Bank of India (Interest Rate on Deposits) Directions, 2016



Link

International Trade Settlement in Indian Rupees (INR) - Opening of additional Current Account for settlement of trade transactions



Link

Exim Bank's \$23.37M Govt of India Credit Line to Govt. of the Co-operative Republic of Guyana for procurement of two Hindustan Aircraft



Link

# MCA

**01**

## MCA to roll out more high security statutory filing forms in July:

- The ministry of corporate affairs will shift more statutory filing forms to a web-based format with added security features from next month.
- As part of the technology transformation of corporate filings, according to an update from the ministry.
- About 50 forms were already migrated to the new format last year.
- On 15 July, nine more forms will be rolled out in the new format, called version three.
- The Ministry's IT revamp of the MCA21 portal shifts documents from PDF to web format, integrating pre-filled machine-readable data for real-time verification.



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**02**

## MCA reworks rules for winding up businesses

- The ministry of corporate affairs (MCA) has revised the rules on voluntary winding up of companies to give additional opportunities to companies for making the case for an exit through electronic filing after the initial request.
- The idea is to make the corporate exit process under the Companies Act provisions, outside the Insolvency and Bankruptcy Code (IBC), smoother.
- The move seeks to improve the business climate as ease of exit is a consideration for many entrepreneurs before they commit investments.



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## INCOME TAX



01

### Net direct tax collections grew 9.8% to Rs 4.62 trillion till mid-June

- India's net direct tax collections for the first quarter of FY25 rose by 9.81% to Rs 4.62 trillion compared to the same period last year. This growth was driven by Rs 1.81 trillion from corporation tax and Rs 2.69 trillion from personal income tax, including significant contributions from advance tax payments.
- Mumbai led in city-wise collections with Rs 1.19 trillion, followed by Karnataka and Delhi. The FY24 direct tax revenue reached Rs 19.58 trillion, showing a robust 17.7% growth adjusted for refunds. With the upcoming full-year budget in mid-July, attention is on potential revisions to the annual targets amidst economic dynamics.



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02

### Govt looks at income tax rate cut to boost demand, trigger private investment

- The government plans to reform the tax structure to boost spending and economic activity. Key measures include aligning capital gains tax rates, rationalizing GST rates, and possibly bringing petroleum products under GST.
- Taxpayer numbers have surged, with individual taxpayers increasing from 4.95 crore in 2013-14 to 8.9 crore in 2022-23, and active GST registrations reaching 1.4 crore by June 2023. Previous efforts like lowering corporate tax rates and simplifying income tax rules will continue under the new government to strengthen the tax system and foster economic growth.



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## INDIRECT TAXATION



01

### Banks in a GST Fix Over RBI's Directive to Levy Penal Charges

- Banks worry that shifting from penal interest to penal charges may attract GST and increase tax liabilities. They have sought guidance, concerned about having to pay GST upfront, which poses financial risks if penalties are not collected.
- Accrual accounting could worsen the issue if penalties are reduced post-GST payment or if loans become non-performing. Historically, similar charges were exempt from GST, but banks seek clear directives to avoid disputes.
- The RBI's directive for penal charges aims for transparency, but it has created a tax dilemma, leaving banks in uncertainty as they await guidelines.



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02

### GST Council meeting: Tax rates changed for goods & services

- GST Council meeting introduced exemptions for key services like railway facilities and hostel accommodations, aiming to enhance affordability and accessibility. Additionally, uniform GST rates of 12% were recommended for essential items such as carton boxes, solar cookers, milk cans, and sprinklers. Extended deadlines for filing GST returns and waived interest on penalties for tax demands issued under Section 73 of the GST.
- These adjustments provide breathing space for taxpayers while aligning with broader efforts to simplify tax administration and promote smoother operations within the GST framework.



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# KREO CAPITAL PRIVATE LIMITED

CAPITAL MARKETS | INVESTMENT BANKING | WEALTH MANAGEMENT | LENDING SOLUTIONS

## ABOUT OUR INVESTMENT BANKING SERVICES

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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