

# KREO CAPITAL PRIVATE LIMITED

SEBI REGISTERED CATEGORY I - MERCHANT BANKER

## SIXTY NINTH EDITION



May 2024

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**“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



**Ministry of Corporate Affairs  
Government of India**

**MCA**



**INCOME TAX**



**INDIRECT TAX**



**STARTUP INDIA**

*Click on individual images for detailed coverage*

## GLOBAL MARKETS



01

US inflation increases moderately in April, consumer spending slows



02

Developed countries fulfilled USD 100 billion climate finance promise in 2022: OECD report



03

Credit Suisse ceases to exist as UBS wraps up takeover



04

Global equity funds record first outflows in five weeks amid rising U.S. yields



05

UK economy emerges from recession with 0.6% growth in first quarter



06

Prices Level Off, Hurting Prospects for Lower Inflation Global Commodity



## BROAD ECONOMIC NEWS



01

RBI buys back Govt securities worth Rs 10,513 crore



News Link

02

India's robust LNG imports standout in Asia, higher prices concern looms



News Link

03

India's core sector growth rises 6.2% in April



News Link

04

India's forex reserves dip \$2 bn to \$646.67 bn as of May 24 after hitting record high



News Link

05

Flash composite Purchasing Managers' Index (PMI) up at 61.7 in May, job creation strongest in 18 years



News Link

06

India's GDP grows 7.8 per cent in Q4, FY24 growth pegged at 8.2 per cent



News Link

## CAPITAL MARKETS



01

BSE rejig: Adani Ports to replace Wipro in Sensex from June 24



News Link

02

NSE Indices launch India's first EV index



News Link

03

India's FDI equity inflow at five-year low of \$44 billion in FY24



News Link

04

Investors bought Rs 27,000 cr of sovereign gold bonds in FY24: RBI report



News Link

05

BSE-listed firms' M-cap races past \$5-trillion mark



News Link

06

Volumes of gas traded on Indian Gas Exchange surge amid demand from power plants



News Link

## STARTUP INDIA



01

US-based Pienza Ventures to offer accelerator initiative for SAAS-based Indian B2B startup



02

Anthill Ventures plans \$100 million hybrid fund for Indian startups, seeks investors planning to diversify from China



03

Finvolve Launches Rs 500 Crore Fund Targeting GIFT City Startups



04

IIT Guwahati signs two MoUs to develop entrepreneurial ecosystem in the Northeast



05

Startup funding in May rises 62% on year to \$817 million



06

Increasing number of large startups across sectors looking to shift from US, Singapore to India



## SEBI



भारतीय प्रतिशुति और विनियम बोर्ड  
Securities and Exchange Board of India

01

### SEBI moots relaxation in valuation norms for alternative investment fund



02

### SEBI introduces new regulations for sharing of real-time price data with third parties



- SEBI proposed relaxations for AIFs regarding the valuation of investment portfolios, including changes in valuation methodology, eligibility criteria for independent valuers, and reporting timelines to performance benchmarking agencies.
- For unlisted, non-traded, thinly-traded, and below investment-grade securities, SEBI suggested using the International Private Equity and Venture Capital Valuation Guidelines instead of MF regulations.
- For other securities, SEBI proposed following the valuation norms prescribed under MF regulations.

- SEBI introduced rules to regulate real-time share price dissemination to third parties, including online platforms, to prevent misuse and ensure compliance.
- MIIs and market intermediaries must ensure that real-time pricing data is only disclosed for regulatory compliance or proper market operation.
- Organizations sharing this data must sign agreements specifying its use. The boards of MIIs or intermediaries must review the list of entities and activities annually.

## SEBI



भारतीय प्रतिभूति और विनियम बोर्ड  
Securities and Exchange Board of India

03

SEBI issues 'unaffected price' concept, other guidelines to help mitigate impact of market rumors on stock prices



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- Listed entities must verify market rumours upon significant price movements. Stock exchanges will provide the framework for determining such movements on their websites. This requirement will apply to the top 100 listed entities from June 1, 2024, and to the top 250 entities from December 1, 2024.
- The adjusted volume weighted average price (VWAP) for the unaffected price is detailed in the circular. The unaffected price remains valid for 60 or 180 days, depending on the transaction stage, from the market rumour confirmation date to the 'relevant date' under existing regulations.

04

SEBI enhances dynamic-price band setting to protect against sudden price moves



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- The market regulator has improved dynamic price bands for stocks in the derivatives segment to protect against sudden price movements and fat-finger errors.
- This change aims to enhance risk management and reduce information asymmetry for market participants.
- Dynamic price bands are now set for securities with derivatives products, starting at 10% of the previous day's closing price. Under the new norms, more trades from diverse users are required to 'flex' these price bands.

### 05

### SEBI CIRCULARS

Comprehensive guidelines for Investor Protection Fund (IPF) and Investor Services Fund (ISF) for Stock Exchanges having commodity derivatives segment



Link

Revision of eligibility criteria for launching commodity futures contracts



Link

Eligibility criteria for launching Options with Commodity Futures as underlying by Stock Exchanges having commodity derivative segments



Link

Norms for acceptable collaterals and exposure of Clearing Corporations



Link

Modification in Staggered Delivery Period in Commodity Futures Contracts



Link

Investor Charter for Stock Exchanges



Link

Audio visual (AV) presentation of disclosures made in Public Issue Offer Documents



Link

Certification requirement for key investment team of manager of AIF



Link

## RBI



01

RBI balance sheet grows 11.08% to Rs 70.47 trn in FY24, income up 17%

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- The contingency risk buffer now stands at 6.5 per cent of the balance sheet at the end of March 2024, up from 6 per cent at end-March 2023. The norm is maintaining a risk buffer between 5.5 and 6.5 per cent. The increase in balance sheet was driven by its liquidity & forex operations.
- In its annual report for FY24, the RBI's balance sheet size grew to 24.1 per cent of GDP at the end of March 2024 from 23.5 per cent at the end of March 2023. The balance sheet has now normalised to its pre-pandemic level.
- Domestic assets constituted 23.31 per cent of total assets as of March 31, 2024, down from 26.08 per cent a year ago.

02

RBI allows rupee accounts outside India for currency internationalization; simplifies norms for non-residents

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- "With emphasis on continuous synchronisation of the FEMA operating framework with the evolving macroeconomic environment, rationalisation of various guidelines will be of primary focus," the central bank said in its annual report. The RBI will permit the opening of rupee (INR) accounts outside India by persons resident outside India (PROIs) as part of the 2024-25 agenda.
- The RBI report further said that the rationalisation of regulations towards the internationalisation of INR was undertaken to enable the settlement of bilateral trade in local currencies.

## RBI



03

RBI moves 1 lakh kg of gold from UK back to India, first such move of this quantum since 1991



- India's central bank has moved around 100 tonnes of gold from the UK to its domestic vaults, with plans to relocate more soon, according to a TOI report. This significant transfer, the first since 1991, addresses logistical and storage diversity concerns. The RBI, which held 822.1 tonnes of gold as of March, coordinated closely with various government bodies and used special aircraft for secure transport.
- RBI's appetite for gold has also increased recently, with the central bank buying 1.5 times more gold in January-April 2024 than whole of 2023. This is reckoned to be a part of strategic diversification of reserves in challenging times.

04

RBI liquidity operations to match monetary policy stance: Annual report



- With the Reserve Bank of India(RBI) leaving the door open for multiple self-regulatory organisations (SRO), several entities are looking to seek approval for 'SRO' license in fintech industry.
- RBI has been administering a "judicious mix" of instruments to regulate both short-term and long-term liquidity, ensuring that money market interest rates evolve systematically while maintaining financial stability, according to the annual report.
- Das said "We try to keep the liquidity at a level wherein the overnight call rate, the operating target of the monetary policy, remains around the repo rate."

**RBI**



**05**

## RBI CIRCULARS

**Master Direction - Risk Management and Inter-Bank Dealings: Amendments**



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**Banks' Exposure to Capital Market - Issue of Irrevocable Payment Commitments (IPCs)**



[Link](#)

**Margin for Derivative Contracts**



[Link](#)

**Internal Review - Interim Recommendations - Withdrawal of Circulars**



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**Issuance of partly paid units to persons resident outside India by investment vehicles under Foreign Exchange Management (Non-debt Instruments) Rules, 2019**



[Link](#)

**Instructions on Money Changing Activities**



[Link](#)

## MCA



01

### MCA tightens scrutiny of significant beneficial ownership (SBO) norms for foreign-owned companies



- The MCA has intensified scrutiny of beneficial ownership standards for foreign-owned and controlled companies, affecting compliance practices. The RoC has issued notices to several such companies, including LinkedIn, for allegedly violating beneficial ownership disclosure norms, despite their annual filings declaring no significant beneficial owner (SBO).
- Many foreign-owned companies claim no SBO if the end-beneficiary is a corporate or publicly pooled fund, arguing this exempts them. However, the rules state that if the end-entity is a corporate or fund, the person controlling the end-entity, such as its CEO, should be considered the SBO.

02

### MCA mulls faster transfer of old unclaimed shares to beneficiaries



- MCA is considering a faster method for transferring shares, dividends, and matured debentures in inactive accounts that have not been claimed for over 7 years. The ministry plans to allow companies to settle claims after following due processes and obtaining IEPFA approval. The authority will transfer unclaimed papers to companies for refunds within 15 days. The ultimate responsibility of the transfer will lie with the companies concerned.
- In 2023-24, 10.58 million shares were refunded by the IEPFA to investors, against 7.65 million in the previous year. The ministry is also weighing a proposal to ease the process for claimants by curtailing superfluous documentation.

## MCA



03

### MCA working on developing SOPs for FTA strategy, trade negotiation

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- The Ministry of Corporate Affairs (MCA) in India is developing standard operating procedures (SOPs) for Free Trade Agreement (FTA) strategy and trade negotiation. The commerce ministry has held discussions on various issues related to FTA negotiations, including economic assessment, new disciplines such as labour and environment, and services and digital trade.
- Emerging areas like carbon border adjustment mechanism, supply chain disruptions, critical minerals, and artificial intelligence were also discussed. The need for detailed economic studies to guide FTA negotiations and the importance of considering trade and industrial policies together were highlighted.

04

### RoC to issue direct licenses to not-for-profit firms

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- The new rules issued by the Ministry of Corporate Affairs has done away with some mandatory provisions which will make incorporation as a Section 25 company much faster.
- Now, the power to issue license under Section 25 has been delegated to Registrar of Companies. It will reduce the time taken in incorporation of Section 25 companies (not-for-profit companies). The 30-day mandatory notice period before incorporating such a company has also been done away with
- Amidst rising concerns of misuse of funds raised by companies through private placement of shares, MCA will come up with new rules to regulate the use of such funds.

## INCOME TAX



01

**Mandatory scrutiny of ITR: Income tax dept reveals the criteria how the ITRs will be selected for the scrutiny**



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The CBDT has set criteria for ITR scrutiny for FY 24-25, including:

- No ITR filed in response to a section 142(1) notice.
- Assessments from section 133A surveys detecting tax evasion.
- Assessments from pre-April 2021 search cases under section 153C and 143(3).
- Assessments from post-April 2021 search cases under sections 132/132A.
- ITRs not filed in response to section 148 notices.
- Information on tax evasion from law enforcement agencies.

02

**FM Sitharaman: Will go back to original rule if MSMEs okay with delay in payments beyond 45 days**



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- Finance Minister Sitharaman stated that MSMEs can have the 45-day payment limit extended if needed, potentially reverting to the original rule. This change can be easily implemented if MSMEs find the current clause restrictive.
- MSMEs, including members of the Clothing Manufacturers Association of India (CMAI), argue that the 45-day limit harms their working capital as their payment cycles often extend up to six months. They fear the new IT Act clause will push buyers to choose sellers not classified as MSMEs, leading to business losses.

## INDIRECT TAXATION



01

Major rejig of Customs duty, GST being planned



- The government has identified that the inverted duty structure is harming trade and manufacturing competitiveness by making finished product imports cheaper than raw materials, discouraging local manufacturing.
- For example, in the paper industry, the import duty on raw pulp is 12%, while finished products have a 5% duty, leading to higher imports of finished paper worth \$3.6 billion compared to \$1.7 billion for raw pulp and waste paper from April to February last year.
- In the washing machine sector, both parts and fully built units face a 10% basic customs duty, which, with IGST and cess, totals 41.1%, reducing incentives for local manufacturing.

02

Central Board of Indirect Taxes and Customs (CBIC) announced the new registration and monthly return filing procedure to improve GST compliance.



- The Goods and Services Tax Network (GSTN) has introduced an online facility for tobacco product manufacturers to register their machines with tax authorities. This initiative, aimed at improving tax compliance and curbing evasion, allows manufacturers to submit machine details via Form GST SRM-I.
- Initially announced in January with an April 1 start date, the implementation was postponed to May 15. The GSTN has now informed taxpayers that the online utility for Form GST SRM-I is available on the GST portal. This new feature will aid in better machinery and production tracking, and taxpayers are advised to use it promptly to avoid penalties.

# 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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