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I-CAN COMMUNIQUÉ

JANUARY 2025

MONTHLY NEWSLETTER – JANUARY 2025

Sensex : Down 2.08 % Nifty : Down 2.02 %	
Best performing sector: SME IPO (+ 14.5 %)	Worst performing sector: Media (- 8.96 %)
Best performing Global index: Merval (Argentina) (+ 12.19 %)	Worst performing Global index: Nasdaq Transportation (- 9.99 %)
Indian Rupee: - 0.82 %	Gold (International): - 1.92 %

MACRO ECONOMIC HIGHLIGHTS

US inflation accelerated for a second straight month in November 2024, reporting the steepest gain in the last seven months amid higher food prices and other sectors. The data proved consumer prices rose slightly higher last month, the latest sign that price pressures in some sectors are elevated in the world's largest economy. US consumer price index (CPI) rose to 2.7 per cent last month from a year ago, up slightly from 2.6 per cent in October. The rise was said to be in line with economists' expectations. Progress in lowering inflation toward the US central bank's two per cent target has virtually stalled, with the report from report from Bureau of Labor Statistics showing no improvement in the measure of underlying price pressures over the past four months.

Federal Reserve officials lowered their benchmark interest rate for a third consecutive time but reined in the number of cuts they expect in 2025, signalling greater caution over how quickly they can continue reducing borrowing costs. The Federal Open Market Committee voted 11-1 to cut the federal funds rate to 4.25%- 4.5%. New quarterly forecasts showed several officials pencilled in fewer rate cuts for next year than they estimated just a few months ago. They now see their benchmark rate reaching a range of 3.75% to 4% by the end of 2025, implying two quarter-percentage-point cuts, according to the median estimate.

Ending weeks of speculation, the government appointed Sanjay Malhotra, currently serving as secretary in the Ministry of Finance, the 26th governor of the Reserve Bank of India (RBI) for a three-year term, effective December 11. “The Appointments Committee of the Cabinet has approved the appointment of Sanjay Malhotra, Secretary, Department of Revenue, as Governor, Reserve Bank of India, for a period of three years from 11.12.2024,” the government notification said.

Retail inflation based on the consumer price index (CPI) fell to a three-month low of 5.48% in November from the 14-month high of 6.21% in October, statistics ministry data showed. Inflation fell as vegetable prices cooled due to rising supplies, while factory output growth touched 3.5%. The decline in inflation comes at a time when senior government functionaries including finance minister Nirmala Sitharaman and commerce Piyush Goyal have called for lower interest rates. India's wholesale price index (WPI) in November eased to a three-month low of 1.89 per cent as prices of food items, especially vegetables fell.

The RBI lowered the cash reserve ratio (CRR) by 50 basis points to 4% to address expected liquidity tightness. The cut, implemented in two 25bps tranches, will release ₹1.16 lakh crore. This move signals a potential shift towards an accommodative monetary policy and possible future rate cuts, according to market experts. The six-member monetary policy committee (MPC) stood its ground, maintaining the status quo on the policy repo rate amid mounting calls from various quarters, including cabinet ministers, to usher in a softer interest rate regime.

Net direct tax collections surged by over 16 per cent between April 1 and November 17, the Income Tax Department reported. Securities Transaction Tax (STT) collections have exceeded Budget Estimates by over 8 per cent. Meanwhile, collections through advance tax after three instalments grew by over 20 per cent. With the latest number showing collections exceeding 71 per cent of budget estimates, the Finance Ministry hopes to meet the budget target for net direct tax collection of ₹22.07 lakh crore and exceed the target by a notable margin. This, along with good growth in Goods & Services Tax (GST), is expected to help the government push fiscal deficit lower than the budget estimate of 4.9 per cent for the current fiscal.

Driven by festive demand, the Goods and Services Tax (GST) collections for the Union and state governments climbed to ₹1.82 trillion in November, marking an 8.5% year-on-year growth, according to official data released. Sequentially, however, the latest collection figures are lower than the ₹1.87 trillion reported in October, which was the second highest reported so far since the new indirect tax regime was introduced in 2017.

India's manufacturing growth slowed in November, with activity easing to its weakest level in 11 months, as price pressures and softer domestic demand weighed on the sector. The HSBC India Manufacturing Purchasing Managers Index (PMI), compiled by S&P Global, came in at 56.5 for November, down from 57.5 in October and matching the level recorded in September. The latest reading, though firmly above the 50-point threshold indicating expansion, was below the preliminary flash estimate of 57.3, reflecting a more subdued rise in factory orders and production. Despite inflationary pressure, the services sector performed well in November, a private survey report released showed. The survey result, known as the Purchasing Managers' Index (PMI), came in at 58.4 in the said month.

India's Consumer Price Index (CPI) inflation is expected to decrease to 5.5% year-on-year in November, down from 6.2% in October, according to Morgan Stanley. This decline is primarily driven by falling food prices and a slowdown in core CPI, which excludes food and fuel. A report by Union Bank of India also predicts a decline in CPI inflation to 5.4%.

The Indian economy is expected to grow by 6.8% in 2024-25 and 6.9% in 2025-26, according to India Outlook by S&P Global Ratings. The economy is poised for robust growth in 2025, supported by strong urban consumption, steady growth in the service sector, and ongoing investment in infrastructure, the rating agency said.

US-based credit rating agency, Fitch Ratings on Friday revised India's GDP forecast to 6.4 per cent to 7 per cent for FY25. This cut comes after the RBI in its recent monetary policy committee (MPC), revised India's growth forecast to 6.6 per cent from 7.2 per cent. Fitch expects the GDP to rise by 6.4 per cent in FY25 and 6.5 per cent in FY26, slowing from 8.2 per cent in FY24.

REFORMS

The Securities and Exchange Board of India (SEBI) has introduced major changes in the norms governing investment advisors and research analysts (RAs), relaxing requirements on minimum qualification, experience, mandatory examination to be passed periodically, and net worth requirements. The new norms also allow registrations for part-time investment advisors and research analysts. Further, trading calls have been excluded from the definition of "investment advice". The minimum qualification has been reduced to graduation while the requirement for prior experience has been eliminated. While base certifications from NISM will be required initially for registration, the need for repeating the base examination subsequently has been removed. The net worth requirements have also been replaced with a reduced requirement of deposits. Additionally, individual investment advisors who have over 300 clients or if their fee collection is over Rs 3 crore in a financial year will have to apply for in-principle registration as non-individual investment adviser. Till now, this was limited to only 150 clients. For part-time advisors, the limit has been set at 75 clients. RIAs and RAs will also have to disclose to the clients if they are using artificial intelligence tools.

SEBI announced that the optional T+0 settlement will now be available to the top 500 stocks, according to an official circular released on December 10. According to the circular, this announcement will be applicable from January 31, 2025. "Optional T+0 settlement cycle shall be made available to top 500 scrips in terms of market capitalization as on December 31, 2024," said SEBI. The regulator also said that the option will be first rolled out for the bottom 100 companies of the total 500 list and the entire availability will be rolled out in intervals of 100.

"Every participant shall provide an option to the beneficial owner to nominate, in the manner as may be specified, a person who shall be authorised to conduct transactions on behalf of the beneficial owner in the event of the incapacitation of the beneficial owner," SEBI said in a notification. SEBI has notified rules on nomination allowing nominees to act on behalf of incapacitated investors. Additionally, it notified the rule mandating every participant to provide beneficial owners with the option to nominate a person to whom their securities will transfer upon their death. The new rules are aimed at enhancing investor convenience and introducing uniform standards for nomination facilities across the Indian securities market.

SEBI took many decisions including tighter listing regulations for small and medium enterprises (SMEs), easier norms for REITs and InvITs, and a wider definition of unpublished price-sensitive information (UPSI). In a bid to curb the manipulation by some SMEs to paint a pretty picture for investors, it has approved mandating an operating profit of Rs 1 crore in two out of three years, and a phased release of promoter lock-in over 1-2 years. The offer for sale (OFS) should not exceed 20% of the total issue size, and amount of general corporate purpose to be capped at 15%. "Lock-in on promoters' holding held in excess of minimum promoter contribution (MPC) to be released in phased manner, that is, lock-in for 50% promoters' holding in excess of MPC shall be released after 1 year and lock-in for remaining 50% promoters' holding in excess of MPC shall be released after 2 years," according to the press release.

SEBI has also approved setting up a performance validation agency called Past Risk and Return Verification Agency (PaRRVA). The markets regulator also cleared the review of merchant bankers, custodians, and provisions for high-value debt-listed entities (HVDLEs) by increasing the threshold for identification of HVDLE from Rs 500 crore to Rs 1,000 crore, aligning it with that of large corporates, and introduced a sunset clause governing corporate governance of debt-listed securities. Custodians will have to maintain a net worth of Rs 75 crore, which existing custodians have to meet in three years' time. Mutual fund houses will have to deploy new fund offerings (NFOs) within 30 days. The regulator has also eased regulations for debenture trustees, ESG rating providers and Business Responsibility and Sustainability Report (BRSR). Ease of doing business norms for asset management companies (AMCs), SM REITs, and use of AI by market infrastructure institutions (MIIs) have also been ratified.

The Reserve Bank of India (RBI) allowed interoperability of prepaid payment instruments (PPIs) for Unified Payments Interface (UPI) transactions through third party application providers (TPAPs). "It has been decided to enable UPI payments from/to full-KYC (know your customer) PPIs through third-party UPI applications. This will enable PPI holders to make/receive UPI payments through the mobile application of third-party UPI applications," the RBI said in a statement.

RBI asked banks enabling RTGS & NEFT transfers to facilitate the 'beneficiary account name look-up facility' before April 1. With this, customers will be able to verify the name of the beneficiary through their bank's internet banking and mobile banking services. "To ensure that remitters using RTGS and NEFT systems can verify the name of the bank account to which money is being transferred before initiating the transfer and thereby avoid mistakes and prevent frauds, a solution for fetching the beneficiary's name is being implemented," the RBI said.

Things To Do While Starting Your Entrepreneurship Journey

Entrepreneurship can be quite a challenging journey, and can also impact one's personal finance. Here are some tips which might be helpful in making this journey smoother.

1. To begin, one must have **business mentors** to review their business model and strategies on a continual basis.

2. Open **separate accounts**: Have dedicated bank accounts and credit cards for personal and business use to maintain clarity and ease tax filing.

3. Pay yourself a **salary**: Establish a consistent amount to draw for personal expenses. Consider the opportunity cost of entrepreneurship i.e. what salary you could have drawn if you were working for someone else.

4. Build an **Emergency Fund**: Your business can initially be a cash-burner. Also, business growth is mostly non-linear, so you must have a cushion for downturns. Hence, save 5-6 months' worth of personal expenses in a separate account to protect yourself against unexpected downturns in your business. If your business has seasonal cash flow, aim for a larger cushion.

5. Since business income being your active source of income would itself be riskier than salary income, you might have to review your investments in terms of **asset allocation** and have a bigger allocation towards fixed-income assets. You might also want to change the **category allocation of your equity investments** and increase the large cap allocation.

6. Also, you might have to change the asset allocation of your **incremental investments** and tilt them towards less risky options until you find cash flow visibility in your business.

7. While it is extremely crucial to secure oneself along with family members against unforeseen events by availing life and health **insurance** for any individual, it assumes even more significance for entrepreneurs. Also, if you have bought a car or invested in real estate for the business, you must avail insurance towards all such assets.

Broadly, the aforementioned tips should be effective in ensuring that the entrepreneur is adequately able to meet the personal needs of themself and their family while establishing their enterprise.

Monthly Mantra

When you focus on the good, the good gets better!

Cartoon of the Month

Good News!

1. India's business activity reached a four-month high in December, driven by increased output in both goods and services sectors. The composite PMI rose to 60.7, fueled by stronger new orders and employment growth. While cost pressures eased, selling prices continued to rise, reaching their highest level since February 2013.
2. The Indian space economy, which currently contributes eight to nine per cent of the world space economy, will increase threefold in next 10 years according to Union Minister Jitendra Singh. He informed that India has made a quantum jump since 2014 in the Space economy. Responding to a question on how India can unleash benefits out of its natural resources in terms of creative growth, the Union Minister said that Prime Minister has opened the Space sector for private players, which offers an ample opportunity to harness benefits. Singh said that India will have its own space station by 2035.
3. The e-commerce channel has recorded over 30 per cent volume growth year-on-year across 32 FMCG categories in metro cities in the last five consecutive quarters, per data sourced from NielsenIQ. This growth was seen in 52 metros with one million plus population and is being driven by convenience and impulse categories as well as monthly basket categories. E-commerce channel is also witnessing higher salience of premium products compared to offline channels. Online channel’s contribution for premium products is pegged at close to 50 per cent in terms of value and is growing 3x faster compared to offline channel (MAT March 24).
4. India’s startup ecosystem has grown significantly over the past decade due to a vast consumer market, supportive government policies, a surge in venture capital (VC) funding, talent availability, and the younger generation's entrepreneurial spirit. As of June 2024, the Department for Promotion of Industry and Internal Trade (DPIIT) recognised 1,40,803 startups, leading to the creation of over 15.5 lakh direct jobs. India’s startup ecosystem, valued at over $349 billion, ranks third globally in unicorn count as of May 2024. The increasing significance of tier-II and tier-III cities as startup hubs in India is a noteworthy trend. This is driven by the need to solve local problems, diverse funding options, improved infrastructure, robust digital payment systems, and digital-first business models, all of which have attracted investors. The startup growth rate in tier-II cities has seen a 15 per cent upsurge. KPMG’s report stated that India’s startup ecosystem is poised for exponential growth in the next five to seven years. India is expected to have a labour force of 535 million by 2030, offering a ready pool of talent and consumers for innovative solutions.
5. Even as the medium term outlook for global economy remains challenging, the prospects for the Indian economy are expected to improve driven by high consumer and business confidence, said the new Reserve Bank of India (RBI) governor Sanjay Malhotra in foreword to the Financial Stability Report. After witnessing a slowdown in the first half of the current financial year, Indian economy is expected to pick up pace in the second half, noted the report released. “Consumer and business confidence for the year ahead remain high and the investment scenario is brighter as corporations step into 2025 with robust balance sheets and high profitability,” said Malhotra, who took over as 26th Governor.

Top Personal Finance News – December 2024

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