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I-CAN COMMUNIQUÉ

JULY 2024





MONTHLY NEWSLETTER – JULY 2024

Sensex : Up 7.0 %	
Nifty : Up 6.8 %	
Best performing sector: SME IPO (25.7 %)	Worst performing sector: PSU BANK (1 %)
Best performing Global index: Taiwan (7.8 %)	Worst performing Global index: Shanghai Composite (-4 %)
Indian Rupee: - 0.11%	Gold (International): - 0.79 %

MACRO ECONOMIC HIGHLIGHTS

Prime Minister Narendra Modi and 71 ministers in the BJP-led National Democratic Alliance (NDA) government took oath at the mega ceremony at Rashtrapati Bhavan on 9th June 2024. The BJP has kept the most of the top ministries with it while 11 leaders from the NDA allies also took oath. The new council of ministers has 61 members from the BJP and 11 leaders from the NDA allies. Of the 72 ministers, 43 have three or more terms in the Parliament, and 39 were ministers in the Union government earlier.

Retail inflation based on the consumer price index (CPI) fell to 4.75% in May from 4.83% in April, touching the lowest in a year, statistics ministry data showed. Inflation has stayed below 5% since March. Food inflation, which

accounts for nearly 40% of the overall consumer price basket, rose 8.69% year-on-year in May, compared with 8.70% in April. Food prices have remained elevated for over a year now, primarily due to last year's uneven and below-normal monsoon rains. Food inflation has consistently stayed above 8% since November. Core inflation, which excludes the more volatile food, and fuel and light groups, makes up nearly 50% of the basket.

Meanwhile, factory output rose 5% in April, marking a steady climb from 4.9% in March and 5.6% in February. This uptick followed an eight-month low of 2.5% in November. Over the April-March (FY24) period, factory output expanded by 5.9%, slightly above the previous year's 5.2% growth.

The Reserve Bank of India (RBI) released the minutes of the Monetary Policy Committee (MPC) meeting on Friday, June 21, highlighting that the policy must continue to be actively disinflationary to ensure anchoring of inflation to its target level and fuller transmission. The RBI's rate-setting panel believes that food inflation remains elevated due to high prices of vegetables, pulses, cereals, and spices. However, price stability and resilient growth have created space for the monetary policy to focus unambiguously on inflation, according to the RBI. On future indicators, the central bank said in its statement that overlapping shocks engendered by rising adverse climate events impart considerable uncertainty to the food inflation trajectory. Volatility in crude oil prices and financial markets, along with firming up non-



energy commodity prices, pose upside risks to inflation.

India's wholesale inflation as measured by the wholesale price index (WPI) rose sharply to a 15-month high of 2.61 per cent in May from 1.26 per cent in April. This was on the back of an adverse base effect and a sharp spike in food prices. Data released by the Ministry of Commerce and Industry showed that the uptick in factory gate inflation during May was also driven by other major sub-indices barring fuel and power. This comes as they witnessed either a higher year-on-year (Y-o-Y) inflation print or a lower deflation in the month.

The US Federal Reserve announced its fourth interest rate decision for 2024 where it unanimously voted to leave the key benchmark interest rates unchanged at 5.25 per cent - 5.50 per cent for the seventh straight meeting, which was broadly in line with Wall Street estimates and market analysts. Separate US government data revealed that the annual consumer price index (CPI) came in at 3.3 per cent in May, down 0.1 percentage point from April and unchanged on a monthly basis, which was slightly below Street expectations. The core CPI, which excludes food and energy, rose 0.2 per cent in May and 3.4 per cent from a year earlier, the slowest pace since 2021. The US central bank has maintained its key overnight interest rate at the 23-year high-mark since July 2023. Despite US inflation falling further to the target range in recent months, the Fed does not expect to reduce interest rates until it has "gained greater confidence" that inflation is moving sustainably towards its two per cent level.

India's goods exports in May 2024 increased 9.1 per cent (year-on-year) to \$38.13 billion, propped by sectors such as engineering goods, petroleum products, electronics,

pharmaceuticals, and textiles, as global demand showed clear signs of picking up, according to government data released. Imports in May 2024 increased by a lower 7.7 per cent to \$61.91 billion, with a rise in shipments of petroleum, transport equipment, silver, and vegetable oil, but the trade deficit widened to \$23.78 billion, which was a seven-month high.

In its Global Economic Outlook (GEO), Fitch ratings raised its forecast for world growth in 2024 to 2.6% from 2.4% estimated earlier. India's economy grew 8.2% in FY24. "We expect the Indian economy to expand by a strong 7.2% in FY25 (an upward revision of 0.2pp from the March GEO)," Fitch Ratings said, adding that investment will continue to rise but more slowly than in recent quarters, while consumer spending will recover with elevated consumer confidence. Purchasing managers survey data point to continued growth at the start of the current financial year.

India will remain the region's fastest-growing economy, sustaining last year's domestically driven momentum and its policy momentum is expected to continue as the new government takes charge with a reduced majority, according to ratings firm Moody's. "We anticipate policy continuity after the general election, and a continued focus on infrastructure development and encouragement of private sector investment" the ratings firm said in a report.

The World Bank revised India's FY25 growth forecast to 6.6% from 6.4%, expecting India to remain the fastest growing economy, driven by public and private investment, and rising consumption.

The newly elected Finance Minister Nirmala Sitharaman is likely to begin the budget preparation process, highlighting the

importance of meticulous planning and comprehensive analysis. The Union Budget is expected to be presented in Parliament by the third week of July, according to a report by ANI. Additionally, a meeting of the Goods and Services Tax (GST) Council, chaired by Union Finance Minister Nirmala Sitharaman, is scheduled for June 22 in the national capital. This will be the Council's first meeting since their last gathering in October 2023.

REFORMS

The Securities and Exchange Board of India (Sebi) has relaxed the timeline for foreign portfolio investors (FPIs) for reporting and disclosing material changes. The regulator has also notified norms for FPIs whose registration has lapsed to liquidate their holdings in the domestic market. Material changes categorised as Type 1 such as restructuring, change in jurisdiction, merger or acquisition-related changes, impact on exemptions granted to the FPI and the change in any privileges will have to be disclosed within seven working days of the occurrence of the change while the supporting documents will have to be provided within 30 days. Earlier, many material disclosures were mandated to be disclosed as soon as possible. Legal experts said that the seven-day period is a relief to FPIs. With the amended norms, Sebi has specified the material changes into two categories. The type 1 category of material changes has more urgency in reporting than type 2. While Sebi has specified a 14-point list for type 1 material changes, all other changes will fall under Type 2 category and will be required to be reported within thirty days with supporting documents.

SEBI has expanded promoter definition for IPO-bound companies, including founders holding

10% or more, and their immediate relatives. According to current SEBI regulations, a promoter is someone who controls the affairs of the company or can appoint the majority of directors or is named as such in an offer document. Earlier, founders holding 25 per cent were deemed as promoters by virtue of having negative control and the power to block special resolution. For the past year or so, the market regulator has been insisting that founders of IPO-bound companies holding 10 per cent or more classify themselves as promoters. SEBI has yet to introduce a consultation paper or any amending regulations to put this view into practice, according to experts.

SEBI has asked for auditor-certified disclosures about utilisation of pre-IPO proceeds towards objects of the issue. If this is not done, the proceeds will have to be attributed or adjusted towards the portion reserved for general corporate purposes (GCP), SEBI's recent advisory said.

Sebi rolled back its diktat on annulment of special rights granted to private equity (PE) players before filing for public offers. In an email to the merchant bankers and investment bankers' association AIBI on June 24, Sebi stated, "All special rights granted to shareholders under AoA, SHA or through any arrangement or agreement shall lapse on the date of listing." This means that the rights granted to PE players will now lapse on listing instead of being cancelled before the filing of the updated draft red herring prospectus (UDRHP) for IPO.

To boost participation of small investors in the securities market, Sebi increased the threshold for the basic service demat account to Rs 10 lakh from the current Rs 2 lakh. The new guidelines will come into force from September 1, SEBI said in a circular. Increasing the limit of securities'



value held in the Basic Services Demat Account (BSDA) will encourage small investors to trade in the stock market and ensure their financial inclusion. A basic service demat account, or BSDA, is a more basic version of a regular demat account. The facility was introduced by markets regulator Sebi in 2012 to reduce the burden of demat charges on investors with small portfolios.



How can the Union Budget impact Personal Finance?

As we all eagerly await the Union Budget knowing well that it can affect the economic progress of our country, let us look at how it can affect personal finance. We all know that changes can be made both in direct and indirect taxes in the Union Budget. Direct taxes influence the disposable income of the public. Thus, more the disposable income, more will be one's capacity to spend, save and invest. While income tax is the most relevant tax under direct taxes in our country, there have been several direct taxes in the past, most of which have eventually been abolished. Generally, the rationale of the Government behind reducing direct tax rates is that the public will be encouraged to spend more as their disposable income increases and this will raise the domestic demand, aid the growth of businesses and create more employment opportunities for the public.

GST has been truly reformatory as it managed to simplify the whole taxation procedure in India by eliminating around 17 indirect taxes. Generally, indirect taxes are higher for luxury goods or categories of products that are considered sinful such as cigarettes and alcohol while they are the lowest for essential goods. The rationale behind this is to make essential goods most affordable to the public at large and discourage the public from consuming things that can cause health hazards.

The government may announce changes in tax benefits available on various insurance policies which can affect an individual's decision to purchase and continue with these policies. The government may also announce changes in the tax on securities transactions such as the Securities Transaction Tax (STT) and long-term capital gains on equity investments i.e. the Long-term Capital Gains Tax (LTCG). This can affect an individual's decision to trade in the markets. Changes to the regulations for foreign portfolio investment (FPI) in Indian markets can also affect the stock markets and investments in India. The government may also announce changes to the import duty on gold. This can affect an individual's decision to purchase gold and the overall cost of the metal.

In 2021, the Finance Minister said in her budget speech that owing to many banks facing stress and putting hardship on their depositors (for instance, YES Bank and PMC Bank), the insurance cover on deposits held in a bank would be raised from Rs 1 lakh to Rs 5 lakh. Thus, such announcements would boost the confidence of the general public in the banking system and encourage them to save and deposit their money with the banks.

The Union Budget can impact the financial well-being of people, especially those belonging to lower strata of society through changes in subsidies on various products such as cooking gas and fertilizers and welfare schemes such as the Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) or the Pradhan Mantri Fasal Bima Yojana (PMFBY).

Although interest rates such as repo rates are decided by the Reserve Bank of India (RBI) through its monetary policies, such decisions depend on the level of inflation in the economy and the Government can take various measures to control inflation through taxation and manage the exchange rate which affects the competitiveness of exports and imports and the balance of payments in the Union Budget. The union Budget can also influence several sectors through various decisions which can impact their growth and create employment opportunities for public and also make them attractive to the investors.

Monthly Mantra

The financial decisions you make in your 20s and 30s set the tone for the rest of your life. Although it is possible to change the direction of things later in life, life is easier when you do right things from the start.

Cartoon of the Month



Good News!

1. The gross loan portfolio of the microfinance industry rose 25% year-on-year (YoY) to Rs 4.3 trillion as on March 31, a report by Micro Finance Industry Network (MFIN) said. The industry served 78 million unique borrowers through 149 million accounts. Assets under management of NBFC-MFIs rose nearly 30% YoY to Rs 1.6 trillion. AUMs include an off-balance-sheet exposure of Rs 30,641 crore. The average loan amount disbursed per account rose 9.9% to Rs 45,024 in 2023-24.
2. Asset quality of commercial banks continued to show an upward trend, with their gross non-performing asset (GNPA) ratio falling to a 12-year low of 2.8 per cent at the end of March 2024 from 3.2 per cent in September last year. Net NPA ratio also fell to 0.6 per cent from 0.9 per cent during the same period, the biannual Financial Stability Report of the Reserve Bank of India (RBI) showed. Under the baseline scenario of stress tests, the GNPA ratio of all scheduled commercial banks might improve to 2.5 per cent by March 2025, the report said. Macro stress tests for credit risk reveal that all banks would be able to meet the regulatory minimum capital even under a severe stress scenario.
3. India's coal sector investment is expected to grow by almost 10 per cent y-o-y to around \$15 billion, or roughly ₹1.25-lakh crore, in the current calendar year as the country prepares to meet demand due to rising electricity consumption and expanding industrial base. According to the International Energy Agency (IEA), investments in the coal sector by the world's second largest producer and consumer has been growing consistently since 2021 with the annual rate of growth in investments expected to double in 2024 compared to 2023.
4. The total order book of 25 top companies across infrastructure, power and capital goods rose to Rs 12.22 trillion as of March 31, compared with Rs 10.33 trillion as of FY23 end. In tandem with a rebounding economy and steep rise in project spends, the order book of infrastructure firms surged 18.3% in FY24 and the momentum is expected to continue. With infrastructure and allied firms hiking capex for FY25, the outlook for the industry is also positive. Companies such as JSW Steel has earmarked a capex of Rs 20,000 crore (Rs 17,000 crore last year), UltraTech Cement Rs 9,500 crore (Rs 9,187 crore in FY24), Jindal Stainless Rs 4,700 crore (Rs 3,800 crore last year) for FY25.
5. It is not just the secondary market that is setting new records, the primary market is also buzzing with energy. During the first half, 37 companies from diverse sectors like co-working space, furniture retailing, and online ticket booking have been able to tap the market to raise almost Rs 32,000 crore, according to data provided by PRIME Database. In 2007, the peak of the bull market, 54 companies had raised Rs 20,833 crore. In terms of the quantum of funds raised, this year's tally is the second-best ever after 2022 when 16 firms raised Rs 40,311 crore, led by the biggest-ever

IPO of state-owned Life Insurance Corporation of India (LIC). If one excludes the amount raised by the LIC IPO, this year is the best for the IPO market in terms of the number of issues as well as the amount raised. Compared to the first half of last year, the funding has jumped four times, underpinned by strong liquidity support from both foreign and domestic investors. Also, supportive valuations from the secondary market, which provide cues for the primary market, have encouraged new issuers to go public.

6. The government's fiscal deficit for 2023-24 stood at 5.63 per cent of the GDP, marginally better than the 5.8 per cent estimated in the Union Budget, according to data released by the Controller General of Accounts (CGA) on May 31. CGA data also showed that revenue deficit during FY24 was 2.6 per cent of the GDP and effective revenue deficit was 1.6 per cent. ICRA Chief Economist Aditi Nayar said the government's fiscal deficit was contained below the RE for FY24, benefiting from higher-than-anticipated receipts and lower-than-estimated revenue spending, with only a marginal miss in capital expenditure.
7. India's current account recorded a surplus of \$5.7 billion, or 0.6% of the GDP during the March quarter, compared with a deficit of \$8.7 billion, or 1% of GDP in the previous quarter due to higher services exports. The current account deficit, or CAD, which is the difference between exports and imports of both goods and services, narrowed to \$1.3 billion or 0.2% of GDP in the year-ago quarter. The merchandise trade deficit narrowed during the March quarter to \$50.9 billion, from \$ 52.6 billion during the year-ago period, the Reserve Bank of India (RBI) said. Services exports and transfers saw an improvement in the fourth quarter, helping tame a widening trade balance. Services exports grew by 4.1% on a y-o-y basis during the fourth quarter of FY24 on the back of rising shipments of software, travel and business services, the RBI data showed.
8. Finance minister Nirmala Sitharaman said the Modi government has turned around the banking sector through various reforms and improved governance which has led to banks recovering more than Rs 10 lakh crore from bad loans between 2014 and 2023. She said the Enforcement Directorate has investigated around 1,105 bank fraud cases, which resulted in the attachment of Rs 64,920 crore worth of proceeds of crime. As of December 2023, assets amounting to Rs 15,183 crore have been restituted to the Public Sector Banks (PSBs).



Top Personal Finance News – June 2024

1. New-age cos may turn to phantom stocks, warrants to reward founders - The Hindu BusinessLine [Click here](#)
2. ATM operators seek Rs 2 hike in interchange fee for viability - The Economic Times (indiatimes.com) [Click here](#)
3. Bitcoin plunges 3.7% to \$66,870; here's why its falling | Stock Market News (livemint.com) [Click here](#)
4. Sebi fines former CNBC Awaaz anchor, analyst Rs 1 crore each - Market News | The Financial Express [Click here](#)
5. I-T department set to complete 170,000 reassessments by next March | Economy & Policy News - Business Standard (business-standard.com) [Click here](#)
6. SBI news: SBI to use IT, GST data for quick sanction of MSME loans - The Economic Times (indiatimes.com) [Click here](#)
7. Work from office: We're trying to build careers, says TCS chairman | Company News - Business Standard (business-standard.com) [Click here](#)
8. NSE sets world record! 1971 crore transactions in a single day- Market News [Click here](#)
9. nifty500 equal weight index: NSE launches Nifty500 Equal Weight index; base date April 1, 2005 - The Economic Times (indiatimes.com) [Click here](#)
10. Banks reported sharp increase in number of frauds in FY24 - The Hindu Business Line [Click here](#)