



*Celebrating 11 years of Creating Wealth*

# I-CAN COMMUNIQUÉ

## DECEMBER 2023





## MONTHLY NEWSLETTER – DECEMBER 2023

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| <b>Sensex : Up 4.49 %</b>                                  |  |
| <b>Nifty : Up 5.18%</b>                                    |  |
| Best performing sector: Realty (20.01 %)                   | Worst performing sector: PSU Bank (2.31 %)         |
| Best performing Global index: Merval (Argentina) (37.47 %) | Worst performing Global index: Hang Seng (-2.09 %) |
| Indian Rupee: -0.15 %                                      | Gold (International): +2.1 %                       |

### MACRO ECONOMIC HIGHLIGHTS

The US Fed Reserve announced its interest rate decision today after a two-day Federal Open Market Committee (FOMC) meeting, leaving the benchmark interest rates unchanged at 5.25 per cent - 5.50 per cent for the second straight meeting. The Fed's decision to hold its benchmark lending rate at the same 22-year high mark gives policymakers time to "assess additional information and its implications for monetary policy," the central bank said in a statement. US Fed Chairman Jerome Powell-led FOMC was widely expected to keep the interest rate unchanged after having raised its policy rate by 525 basis points since March 2022 to the current 5.25 per cent-5.50 per cent range, despite persistent US inflation rate levels exceeding the central bank's target range while the US economy remains resilient. The US central bank added that any future decisions on

policy firming would "take into account the cumulative tightening of monetary policy, the lags with which monetary policy affects economic activity and inflation, as well as economic and financial developments."

The U.S. economy's third-quarter growth was revised upwards to a 5.2% annualized rate, exceeding the previously reported 4.9%. The Commerce Department's Bureau of Economic Analysis released the second estimate, indicating the fastest expansion since Q4 2021. The revision was attributed to upgrades in business investment, state and local government spending, and residential investment.

The Bank of England held interest rates at a 15-year peak as it kept up its fight against the highest inflation among the world's big rich economies, and it stressed that it did not expect to cut them any time soon. Despite publishing forecasts which now show the British economy now skirting close to a recession and flat-lining in the coming years, the BoE held Bank Rate at 5.25% for the second meeting in a row after 14 back-to-back increases. It also reinforced its message that borrowing costs were set to stay high, even though only about half of the impact of its long run of rate hikes have been felt in the economy so far. The Monetary Policy Committee (MPC) voted 6-3 to keep Bank Rate on hold, in line with economists' expectations in a Reuters poll.

The Indian economy has the potential to clock 6.2 per cent annual average growth rate in the medium term during the 2019-27 period, credit rating agency Fitch ratings said in its latest Global Economic Outlook report. The agency raised the projection by 0.7 percentage points from 5.7 per cent estimated for 2013-2022, primarily due to improved employment rate and better working-age population forecast.

S & P Global Ratings said India's economy has a track record of strong growth and retained its 6 per cent growth forecast for current fiscal year. India's economy has a track record of strong growth. We expect this momentum to continue and forecast growth of 6 per cent for FY 2024, then 6.9 per cent for FY 2025 and FY 2026," S&P said.

Retail inflation for agricultural labourers and rural workers rose marginally to 7.08 per cent and 6.92 per cent in October, respectively, from 6.70 per cent and 6.55 per cent respectively in September 2023 due to higher prices of certain food items. Point to point rate of inflation based on CPI-AL (Consumer Price Index-Agricultural Labourers) and CPI-RL (Consumer Price Index-Rural Labourers) stood at 7.22 per cent and 7.34 per cent, respectively in October 2022, a labour ministry statement said. Food inflation stood at 8.42 per cent and 8.18 per cent for CPI-AL and CPI-RL in October 2023 compared to 8.06 per cent and 7.73 per cent respectively in September 2023 and 7.05 per cent and 7.00 per cent respectively during the corresponding month of the previous year. The All India CPI-AL and CPI-RL for October 2023 increased by 15 points and 14 points respectively to stand at 1,241 points and 1,251 points respectively.

Goods and Services Tax(**GST**) revenue collection jumped by 13% YoY to ₹1.72 lakh crore in

October this year. This is the second highest-ever GST revenue collection ever. Notably, this is the second highest gross GST revenue collection next to April month of this financial year. Out of the total gross GST, ₹30,062 crore is CGST, ₹38,171 crore is SGST, ₹91,315 crore is IGST and ₹12,456 crore is cess. The total revenue of Centre and the States in October stood at ₹72,934 crore for CGST and ₹74,785 crore for SGST. During October, revenue from domestic transactions (including import of services) is also 13% higher than the revenues from these sources during the same month last year.

Tightened cost pressures and a decline in demand in the consumer goods sub-sector saw manufacturing activity fall to an eight-month low in October. During the month, the Purchasing Managers' Index (PMI) fell for the second consecutive month to 55.5 from 57.5 in September, the latest survey released by S&P Global showed.

The output of eight key infrastructure industries, known as the core sector, slowed to a four-month low of 8.1 per cent in September, on the back of a high base and a slowdown in seven constituent sectors. In September last year, the core sector output had grown 8.3 per cent.

## **REFORMS**

The Securities and Exchange Board of India (Sebi) decision to create a regulatory framework for the facilitation of small and medium real estate investment trusts (SM REITs) is expected to boost participation of retail investors, institutionalise the segment, and encourage greater capital influx from both domestic and offshore investors. The establishment of regulation is poised to bolster investor confidence, expanding acceptance for the

burgeoning asset class. This initiative is anticipated to provide crucial support to realty developers, offering an additional avenue to monetize assets and infuse much-needed liquidity into the sector. The micro-REITs will be able to list with an asset value of at least Rs 50 crore as against minimum asset value of Rs 500 crore for existing REITs. The SM REITs will also be able to create separate schemes for owning realty assets through special purpose vehicles constituted as companies.

SEBI has said that it will go ahead with a plan to allow the settlement of equity market trades within the same day as it looks for ways to help Indian retail investors, provided there were no "serious objections" from market participants. India in January transitioned to a plan where trades are settled in one business day. The Sebi now plans to add an option - by October 2024 - to allow settlements instantly, Reuters had reported in September.

The Bombay Stock Exchange (**BSE**) has introduced new guidelines for small and medium enterprises (SMEs) seeking to move to the main board from the SMEs platform. As per the latest guidelines, an applicant firm will be required to have a net worth of at least ₹15 crore for the preceding two financial years to migrate to the main board. Besides, the guidelines stipulate that the applicant firm should have been listed on the SME platform for a minimum of three years. Also, they should have 250 public shareholders before shifting to the main board. The other parameters for SMEs seeking to migrate to the main board under the new rules are--they should have a positive operating profit for at least any two out of three financial years and have a positive profit after tax (PAT) in the immediate financial year of making the migration application to the bourse.

The finance ministry has come out with an amnesty scheme for filing appeals against Goods and Services Tax (GST) demand orders. The scheme, which will be open till January 31, 2024, will be available for entities that were unable to submit their appeals against orders issued by the tax officer on or before March 31, 2023, according to the Central Board of Indirect Taxes and Customs (CBIC). The CBIC issued a notification with respect to the scheme. So far, the GST law allowed an assessee to file an appeal against an assessment order seeking taxes within three months of the tax officer passing such a demand order. This can be extended by one more month. In its meeting on October 7, the GST Council had approved this amnesty scheme for filing appeals. The entities willing to avail of the scheme will have to pre-deposit 12.5 per cent of the tax demand, against 10 per cent currently.

The Reserve Bank of India (RBI) said it has been decided to bring all entities facilitating cross-border payment transactions for import and export of goods and services under direct regulation of the regulator. Such entities, from hereon, shall be treated as Payment Aggregator-Cross Border (PA-CB), the regulator said. The RBI said that currently authorised dealer (AD) category-1 banks do not require separate approval from the RBI for undertaking cross border payment transactions. However, non-bank entities, which provide PA-CB services as on date, shall apply to the RBI for authorisation by April 30, 2024. Entities shall be allowed to continue such services till they receive communication from the RBI regarding the decision on their application, the central bank said. Authorisation for PA-CB activity may be sought for any one of the following categories — export only PA-CB, import only PA-CB and export and import PA-CB. The entities, currently

carrying out the activity should also adhere to the regulator's extant guidelines on governance, merchant on-boarding, customer grievance redressal and dispute management framework, among others, within a period of three months and should be complied with on an ongoing basis thereafter. "Non-adherence to these instructions may lead to the application for authorisation being refused," RBI said. Non-bank payment aggregators, both authorised and those whose applications for authorisation are pending with the RBI, shall advise the Department of Payment and Settlement Systems (DPSS), of RBI within 60 days about their existing PA-CB activity and whether or not they would want to continue it. If they wish to continue, they shall seek an approval from RBI for the same, it said. If an authorised PA-CB desires to change its activity category, it shall inform DPSS at least 60 calendar days prior to commencement of business in such new activity category. The RBI said such entities shall commence the new business only after approval from the regulator and as a pre-requisite for seeking authorisation from the RBI, all non-bank PA-CBs shall register themselves with the Financial Intelligence Unit-India. Further, non-banks providing PA-CB services shall have a minimum net worth of Rs 15 crore at the time of submitting application to the RBI for authorisation, and a minimum net worth of Rs 25 crore by March 31, 2026. Entities which

are not able to comply with the net worth criteria will have to wind down their business activity by July next year. Lastly, AD category-1 banks undertaking PA-CB activity shall ensure compliance with the requirements for PA-CBs by April 30, 2024, RBI said.

## Analogy: Cricket and Finance

1. In order to play good cricket, firstly, you need to train under a good coach. Similarly, you need to do your financial planning with the help of a good advisor and understand the fundamentals of investing well before even getting started. However, don't wait forever since you'll only learn with experience.
2. Just like you need a team of players to play cricket, you need a team of investment options to build a strong portfolio. Every player has their own strength and contributes to the team's success. The choice whether to bat or bowl first after winning a toss or the decision regarding the order of batsmen is made according to the team's strength. Similarly, every asset class has its own benefits and contributes to your portfolio returns. Thus, right asset allocation is the key to your financial success.
3. You don't quit the game if the pitch is bad. You don't stop investing if the news flow is negative. You must continue your SIPs no matter how good or bad the market sentiment could be while you might choose to invest aggressively when the market starts recovering.
4. You need sixers to win at cricket. Similarly, you need to make some aggressive choices such as investing in small caps to make extra ordinary returns. However, you don't hit sixers at every ball and you don't invest all of your money in aggressive options even if it is towards long term financial goals. Also, you don't invest in aggressive options at any point in time. It is important that conditions be favourable to such an investment. Thus, if valuations are reasonable or there are multiple tailwinds building a strong narrative, then only you make a risky investment. There is always a chance of getting caught out if things go wrong. However, fortune favours the brave and hence taking well calculated risks is imperative to financial success.
5. You must not undermine the power of singles in cricket. Similarly, you must not undermine the power of SIPs in financial success.
6. How would you feel if your team is batting and some of your batsmen are already out? It would surely demoralize you and put you in doubt. Sometimes the world is hit with a crisis, be it the Global Financial Crisis of 2008 or the health crisis of 2020 when the pandemic hit us, locking our economies down. Markets had a panic sale and many investors had sold out of equity and stopped their SIPs. However, those who showed sportsmanship and didn't give up, eventually witnessed stupendous recovery as the game changed in their favour. Hence, be a sport and don't give up in your investment journey. You could be the man of your match when the tables turn.
7. You don't apply the same strategy at every game. It changes as per the pitch or the opposite team. Similarly, you must not apply the same investment strategy everytime. Your asset allocation must change according to factors such as your financial goals, stage of life cycle, risk appetite etc. Also, in equity, your category allocation should change as per valuations and near time prospects of the respective categories.



8. Past returns is not a guarantee of the future returns. Poor performance in one match doesn't make you a bad player and poor performance in one quarter doesn't make one a bad fund manager.
9. Last but not the least, every drop makes the ocean, every run makes the target and every penny makes the portfolio.

### Monthly Mantra

“What happens if your investments don’t pay off?” Then you work until 65. This “worst scenario” is a normal scenario for most people. Think about it.

### Cartoon of the Month



## Good News!

1. The number of income tax returns (ITRs) for assessment year (AY) 2023-24, filed by 31 October, stood at a record 76.5 million, up 11.7% from the comparable period of the previous year, the Central Board of Direct Taxes (CBDT) said. Further, the total number of ITRs filed in FY 2023-24 for all assessment years stood at 78.5 million, compared with 77.8 million filed in FY 2022-23, the statement said. The income tax department said it provided support in the form of a helpdesk to taxpayers through “inbound calls, outbound calls, live chats, Webex, and co-browsing sessions”.
2. The Income tax refund process has seen major improvement with 89 per cent of individual taxpayers and 88% of firms reporting reduction in waiting time for the refunds, says a latest survey by confederation of Indian industry (CII). The survey further reveals that not only has the refund timing been reduced, individual taxpayers have also reported simplification of the refund process with 90% of taxpayers getting automatic refunds.
3. The position of women in the urban job market improved further in the second quarter of FY24, with the female labour force participation rate rising to 24% compared with 23.2% in the previous quarter and 21.7% in Q2FY23, showed government data released.
4. iPhone maker Hon Hai Precision Industry Co., also known as Foxconn, plans to expand its footprint in India with another New Taiwan (NT) \$50 billion (or \$1.6 billion) investment as part of its strategy to diversify outside China. The announcement was made in an exchange filing in Taiwan. The investment was made through a Foxconn subsidiary, Hon Hai Technology India Mega Development, which has been registered in Maharashtra since 2015. So far, the Taiwanese electronics major has invested nearly \$8 billion in India. But it plans to seriously bump its investment into the country, as the tensions between the United States and Beijing continue to be on the rise.
5. The focussed efforts by the government to bring down non-essential imports and diversify the sources of these imports have started making an impact in sectors like petroleum, automotive tyres, televisions and pharmaceuticals (active pharma ingredients), a senior official said. The steps taken to curb these imports include progressively increasing the percentage of blending in auto fuels to make a dent in the biggest item of imports – petroleum crude. In other sectors, procedural restrictions, closer monitoring of incoming shipments, prescribing quality standards and creating space for domestic manufacturing have been tried. The commerce and industry ministry is sensitising other ministries to see areas where we have competitiveness and where we can increase our manufacturing and cut import of those goods, the official added. The information flow is helping in analysing data and framing specific policy interventions like PLI, the official said. From a mere 1.53% in 2013-14, the ethanol blending has touched 11.77% in FY 23. Target is to get to 20% by 2025 as against 2030 earlier. In July 2020 television imports were put in the restricted category which means prior licensing was required for imports. This resulted in imports coming down to \$ 39 million in FY 23 from \$ 781 million in 2019-20. In June 2020 imports of pneumatic



tyres were also put on a restricted list that brought down imports to \$36 million till July of 2023 from \$285 million in 2019. Imports of edible oil came down in value due to lower prices in the international market but the country's import dependence on the commodity remains at 56%.

6. The Union government has asked states to continue to lift food grains under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) free of cost, confirming the scheme will not end by the current deadline of December 31. "The Food Corporation of India (FCI) may continue to allocate foodgrains to states and union territories free of cost till further order," according to a food ministry communication to the corporation. The free ration scheme was to end in December 2023, but prime minister Narendra Modi earlier this month at an election rally in Chhattisgarh had stated that the scheme would run for another five years. The food ministry's directive to FCI is the first official step to continue the scheme after Modi's statement. A formal announcement is seen to be delayed due to the electoral code of conduct in place.
7. The government is set to take a slew of measures to contain the stubborn retail food inflation, including through intervention in pulses markets, a senior official said. Under the plan, the government would continue to sell chana through retail initiative – Bharat Dal – as well as offload surplus stocks of estimated 2.4 million tonne (MT) of the variety with the farmers cooperative Nafed. This is expected to keep wholesale prices from flaring up. Earlier this month, the Centre had launched the sale of wheat flour at a subsidised rate of Rs 27.50/ kg under the brand name 'Bharat Atta' across the country to provide relief to consumers from high prices. The government is also selling onions at Rs 25/kg through more than 3000 outlets.
8. India's power consumption grew 9.4 per cent to around 984.39 billion units in the April-October period this fiscal compared to a year ago mainly due to improvement in economic activities and weather conditions. Power consumption in the April-October period in fiscal year 2022-23 was 899.95 billion units, according to Power Ministry data. Another indicator, peak power demand, was also higher at nearly 241 GW during the April-October period this fiscal against 215.88 GW in the same period in 2022. The country's power consumption grew nearly 22 per cent to 138.94 billion units (BU) in October, showing a surge in electricity demand due to festivities and increased economic activities.
9. S&P Global Ratings forecasts India's GDP to reach 7% by 2026, surpassing China's expected 4.6% growth. The report, titled 'China Slows India Grows,' envisions a shift in Asia-Pacific's growth engine from China to South and Southeast Asia. S&P projects China's GDP to slow to 4.6% in 2024, India's to expand at 6.4% in the current and next fiscal years, and rise to 7% by 2026.

## Top Personal Finance News – November 2023

1. 'Over 50% of individuals get income tax refunds in a month' [Click here](#)
2. Damage to EV battery, charging station while charging: Insurer launches insurance covers for this [Click here](#)
3. 10-yr period for income tax review applies to income over Rs 50 lakh: Delhi high court [Click here](#)
4. Latest loan interest rates November 2023: ICICI Bank, HDFC Bank, SBI, PNB, Yes Bank [Click here](#)
5. Home loan overdraft facility: Eligibility, how to avail, documentation, interest rate [Click here](#)
6. Are you financially ready to buy a house worth Rs 50 lakh-Rs 70 lakh? Here's your checklist [Click here](#)
7. Did your ELSS Fund's name change? Should you do anything? [Click here](#)
8. India to ease capital, disclosure rules for passive funds – sources [Click here](#)
9. Unifi Capital gets Sebi's in-principle nod to launch mutual fund operations [Click here](#)
10. Amfi asks fund houses to use standardised returns for illustrations [Click here](#)