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Volume 7

APAS MONTHLY

THIS MONTH

Season's greetings!

In this issue, Mr. Manoj Menon, SVP and Head of Research, ICICI Securities, has presented his thoughts on 'The evolving business and economic scenario post gradual lifting of lockdown: Shape of things to come. We thank Mr. Menon for his contribution to the APAS Monthly.

This month, the APAS column presents its views on 'Regulatory and relief measures introduced under lockdown due to COVID-19'.

The economic indicators showed mixed performance. Manufacturing PMI rose to 47.2 in June from 30.8 in May. India's annual infrastructure output in June contracted by 15%. India's Index of Industrial Production (IIP) contracted sharply by 34.7% in May. PMI services rose to 33.7 in June from 12.6 in May, while composite PMI rose to 37.8 in June from 14.8 in May. CPI inflation grew 6.09% in June. WPI inflation stood at (-) 1.81% in June, as compared to (-) 3.21% in May.

The Reserve Bank of India (RBI) announced the Monetary Policy Statement, 2020-21.

The Cabinet revised the definitions of Micro, Small and Medium Enterprises Sector.

RBI (1) incorporated the amendments under Indian Stamp Act, 1899 as announced by the Cabinet. (2) released the Financial Stability Report, July 2020. (3) announced Fair Practices Code for Asset Reconstruction Companies. (4) released RBI Bulletin – July 2020. (5) announced Special liquidity scheme for NBFCs/HFCs.

The Insurance Regulatory Development Authority of India (IRDAI) (1) released “Arogya Sanjeevani” Policy. (2) announced guidelines for Filing of “Arogya Sanjeevani Policy” as group health insurance product. (3) announced guidelines for Transfer of Shares of the Insurance Companies. (4) released Master Circular on Standardization of Health Insurance Products. (5) released consolidated Guidelines on Product filing in Health Insurance Business. (6) released guidelines on settlement of claims on treatment at ‘make-shift or temporary hospitals’ as permitted by Government. (7) announced guidelines on discount in premium in Corona Kavach Policy to Healthcare Workers. (8) announced guidelines on Cashless facility for treatment of COVID-19. (9) released modifications to Group credit life schemes to align the coverage with the moratorium announced by RBI.

Cabinet approved Capital infusion for the three Public Sector General Insurance Companies – Oriental Insurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited. World Bank and Government of India signed \$750 million Agreement for Emergency Response Programme for Micro, Small, and Medium Enterprises.

Securities and Exchange Board of India (SEBI) (1) announced norms on collection and Reporting of Margins by Trading Member (TM)/Clearing Member (CM) in Cash Segment. (2) issued Master Circular for Commodity Derivatives Market. (3) announced clarification on SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to open offers, buybacks and delisting of securities of listed entities. (4) announced implementation of SEBI circular on ‘Margin obligations to be given by way of Pledge/ Re-pledge in the Depository System’. (5) announced norms on transaction in Corporate Bonds/Commercial Papers through RFQ platform and enhancing transparency pertaining to debt schemes. (6) announced framework for Review of Stress Testing Methodology for Positions with Early Pay-in. (7) announced framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments. (8) announced guidelines for Issue and Listing of Structured Products/ Market Linked Debentures Amendments.

Our newsletter is focused on tracking the performance of the economy and the regulations and laws governing the Banking and Financial Services companies. We hope that this APAS Monthly is insightful.

We welcome your inputs and thoughts and encourage you to share them with us.

Ashvin parekh

On the cover



GUEST COLUMN

The evolving business and economic scenario post gradual lifting of lockdown: Shape of things to come

*Manoj Menon
SVP and Head of Research
ICICI Securities Ltd*



APAS COLUMN

Regulatory and relief measures introduced under lockdown due to COVID-19



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- [World Bank and Government of India sign \\$750 million Agreement for Emergency Response Programme for Micro, Small, and Medium Enterprises](#)



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CAPITAL MARKETS SNAPSHOT

- [CNX Nifty, BSE Sensex, India VIX, \\$/₹, GIND 10Y](#)

Countries	GDP			CPI		Current Account Balance % of GDP, 2016*	Budget Balance % of GDP, 2016*	Interest Rates (10Y Gov), Latest
	Latest	2016*	2017*	Latest	2016*			
Brazil	-2.9Q3	-3.4	0.9	7.0 Nov	8.3	-1.1	-6.4	11.8
Russia	-0.4Q3	-0.5	1.2	5.8 Nov	7.0	2.4	-3.7	8.60
India	7.3 Q3	7.2	7.5	3.6 Nov	4.9	-0.9	-3.8	6.51
China	6.7 Q3	6.7	6.4	2.3 Nov	2.0	2.5	-3.8	3.10^
S Africa	0.7 Q3	0.4	1.3	6.6 Nov	6.3	-4.0	-3.4	9.00
USA	1.6 Q3	1.6	2.2	1.7 Nov	1.3	-2.6	-3.2	2.56
Canada	1.3 Q3	1.2	1.9	1.5 Oct	1.5	-3.5	-2.5	1.78
Mexico	2.0 Q3	2.1	1.9	3.3 Nov	2.8	-2.8	-3.0	7.31
Euro Area	1.7 Q3	1.6	1.3	0.6 Nov	0.2	3.2	-1.8	0.25
Germany	1.7 Q3	1.8	1.4	0.8 Nov	0.4	8.8	1.0	0.25
Britain	2.3 Q3	2.0	1.1	1.2 Nov	0.6	-5.7	-3.7	1.55
Australia	1.8 Q3	2.9	2.8	1.3 Q3	1.3	-3.5	-2.1	2.86
Indonesia	5.0 Q3	5.0	5.2	3.6 Nov	3.5	-2.1	-2.6	7.93
Malaysia	4.3 Q3	4.3	4.6	1.4 Oct	1.9	1.8	-3.4	4.31
Singapore	1.1 Q3	1.3	2.0	-0.1 Oct	-0.6	21.5	21.5	2.49
S Korea	2.6 Q3	2.7	2.5	1.5 Nov	0.9	7.2	-1.3	2.17

	Latest	2016*	2017*	Latest	2016*	% of GDP, 2016*	% of GDP, 2016*	(10Y Gov), Latest
Japan	1.8 Q3	1.1	1.2	1.2 Q3	0.8	1.3	-1.3	0.15
Poland	2.1 Q3	2.3	1.6	-0.7 Q3	-0.8	31.2	37.2	3.48
Spain	1.1 Q3	0.3	0.0	1.9 Q3	1.9	1.9	-1.9	4.97
Turkey	1.1 Q3	0.0	2.1	1.9 Q3	2.2	3.1	-3.5	1.93

ECONOMIC DATA SNAPSHOT

- [Global GDP, CPI, Current account balance, budget balance, Interest rates](#)



The evolving business and economic scenario post gradual lifting of lockdown: Shape of things to come

Manoj Menon
SVP and Head of Research
ICICI Securities Ltd

Andrà tutto bene (Italian expression meaning ‘everything will be fine’)

After a stringent lockdown starting March-end, Indian economy has slowly started getting back on its feet with the beginning of phased reopening. Current estimates of GDP contraction in FY21 is ~5% and we expect weakness in consumer sentiment driven by risk to income and high unemployment rate.

There are commentaries on a potential recovery in rural economy led by a strong harvest, increased support from government in terms of higher allocation to employment guarantee schemes and estimates of a normal monsoon. However, the spread of the infection into the hinterland and the eventual lockdowns in these regions is likely to stall the recovery momentum. Importantly, while agriculture is important for rural (15% of overall GDP, employs ~60% of population), the relevance of services sector is high for rural (and that’s also somewhat disrupted as of now).

Looking beyond the noise, let’s focus on the potential changes in consumer behaviour that are likely to define how the businesses perform in the new normal.

The biggest change in the overall consumption landscape will be driven by a reset of excess consumption (impacts discretionary within staples) and the return of the ‘dreaded’ word of downtrading (last witnessed on a large scale in early-2000s). The greatest beneficiary of these trends are likely to be businesses that offer a strong value proposition to the customers.

There are other behavioural changes like significantly higher focus on health and hygiene which are likely permanent in nature. Companies have been quick to grasp this new opportunity – there have been almost 250 launches in sanitisers in the past four months in India. However, the brands / companies with some prior health and hygiene positioning are likely to be the ultimate beneficiary of this trend.

Another key behavioral change is the potential acceleration in adoption of digital medium across categories as companies are able to recruit new consumers faster. E-commerce in food and grocery could get a fillip – Reliance recently launched its Jio Mart service while existing players (Amazon, Big Basket, Flipkart, Grofers etc.) have been ramping up. Online / digital business models are also likely to take precedence in newer categories (auto dealerships) or to significantly lower the cost of doing business (banking).

Various export oriented businesses are likely to get a boost from the potential China+ strategy by global / developed markets.

Then there is the China+ strategy by global / developed markets which provides a huge opportunity to India. Indian government has already highlighted the potential sectors to target this opportunity – pharmaceuticals, textiles, gems & jewellery, electronics, steel, plastics and toys.

Real estate sector will likely continue to face headwinds – increased work from home adoption does not augur well for commercial builders. Remember it is not a fad – TCS has already stated its objective of making 75% of its workforce work from home by 2025. Other companies are also likely to follow suit.

All this could have a ripple effect on the financial industry. The current moratorium is the longest payment holiday ever given in India and could drive a change in consumer behavior and lead to an increase in default rates to levels much beyond expectations. It's a known unknown as of now.

There are positives too. Consumers are likely to come out of the pandemic with a greater focus on building 'contingent liquidity' in the form of safer and liquid asset classes like deposits. This can result in liquidity boost for banks right after the unlock of the economy. While the trend of private sector banks gaining market shares from the public sector is likely to continue, we expect further consolidation in banking even within private sector (larger ones gaining from smaller / regional ones). The same can be said about the NBFC sector as well (whether its financing of auto, durables, commercial vehicles etc).

Furthermore, some of the long-term trends in banking which we see are, (1) greater adoption of digital platforms, and investment towards building robust alternate channel platforms, (2) decline in leverage for lending institutions to maintain more liquid balance sheets, (3) NBFC-MFIs would be forced to think beyond traditional methods of collection. That said, in the short-term, we see, (1) system credit growth may remain at low single digits, (2) weak sentiment for vehicle demand, (3) spend on collection infrastructure to increase, (4) customer behavior change; unsecured more vulnerable, (5) self-employed/SME segments to be adversely affected.

Insurance industry trends could be mixed. Health and life insurance are likely to witness, (1) increased demand (led by greater awareness) for term protection products, (2) increase in pricing, (3) weak performance of offline channels a near term headwind and importantly, (4) lower interest rates are structurally negative in the long run. On the other hand, economic slowdown will impact businesses and hence lead to weakness in general and motor insurance premium growth.

Another key aspect that is true across businesses and sectors is the focus on cost controls given that there are limited ammunition which a marketer has to revive growth. We do see various businesses taking the current disruption as an opportunity to become more efficient – be it in terms of manufacturing, supply chain or new models of reaching and communicating to the consumers.

In the end, we believe that although there could be volatility, businesses will eventually evolve to the new normal - **Andrà tutto bene** (Italian expression meaning 'everything will be fine').

*Views are personal. Neither APAS nor any of its employees endorse any view, products or services mentioned in the article.

*Manoj Menon is SVP and Head of Research at ICICI Securities Ltd. Facts, view and opinions, if any, expressed in the above article are personal and do not represent that of ICICI Securities Ltd.



Regulatory and relief measures introduced under lockdown due to COVID-19

On May 12, Prime Minister Narendra Modi announced Atmanirbhar Bharat Abhiyan, a special economic package of INR 20 lakh crore, equivalent to 10% of India's GDP, with the aim of making the country independent against the tough competition in the global supply chain and to help in empowering those who have been adversely affected by COVID-19. Following this, Finance Minister Nirmala Sitharaman, through 5 press conferences, announced the detailed measures under the economic package.

Major steps for MSMEs were announced. The definition of MSMEs was changed, as per which investment limits were increased, a new criterion of annual turnover was introduced and the distinction between manufacturing and services MSMEs was removed. All businesses, including MSMEs, will be provided with collateral free automatic loans of up to INR 3 lakh crore. The government will facilitate INR 20,000 crore for subordinate debt to stressed MSMEs. A fund of funds with a corpus of INR 10,000 crore will be set up for MSMEs and INR 50,000 crore is expected to be leveraged through this fund structure. To protect Indian MSMEs from competition from foreign companies, global tenders of up to INR 200 crore will not be allowed in government procurement tenders.

Under the PM Garib Kalyan Yojana, the government paid 12% of employer and 12% of employee contribution into the EPF accounts of eligible establishments for the months of March, April and May. This will be continued for 3 more months of June, July and August. This is estimated to provide liquidity relief of INR 2500 crore to businesses and workers. Statutory PF contribution of both employer and employee will be reduced from 12% to 10% each for all establishments covered under EPFO for 3 months.

Some schemes for NBFCs were announced. A special liquidity scheme was announced, under which INR 30,000 crore of investment will be made by the government in both primary and secondary market transactions in investment grade debt paper of NBFCs/HFCs/MFIs. The central government will provide 100% guarantee for these securities. The existing partial credit guarantee scheme (PCGS) will be extended to partially safeguard NBFCs against borrowings of such entities. The first 20% of loss will be borne by the central government. The PCGS 2.0 will facilitate liquidity worth INR 45,000 crores for NBFCs.

The rates of Tax Deduction at Source (TDS) for the non-salaried specified payments made to residents and Tax Collected at Source (TCS) will be reduced by 25% from the existing rates. This reduction will apply from May 14, 2020 to March 31, 2021. This is estimated to provide liquidity of INR 50,000 crore.

Reliefs were announced for farmers, rural economy, migrants, urban poor, small businesses and street vendors. Structural reforms were announced in real estate, coal, minerals, defence, civil aviation, power, social infrastructure, space and atomic energy sectors.

The measures announced by the government have been a mix of short term and long term, with focus on building capabilities for the small players in the economy as well as paving the way for structural changes in certain sectors. The reforms are anticipated to provide an impetus to those sectors which are new areas of growth, unleash new opportunities, lead to more production and in turn, generate more jobs.

Economists said most of the measures announced to battle the economic impact of the Covid-19 pandemic are for either encouraging bank lending to specific sectors, or for providing more liquidity to firms and individuals and the impact on the fiscal deficit may be negligible.

Many economists and commentators have mentioned that the government announcement on stimulus of INR 20 lakh crore tries to resolve only supply side issues. There is nothing to bring in additional demand. It could be done by way of putting money in the hands of people, by creating large scale infrastructure projects, creating demand for manpower and goods alike. The government has a challenge of working on the demand revival side packages without hurting the fiscal discipline too much.

Along with Ministry, RBI also introduced several relief measures which primarily focussed on liquidity management in the banking sector, regulatory and supervisory measures for banking and financial markets. Subsequently, on 17th April 2020, RBI announced second set of measures which were based on a detailed assessment of economy and forecast of growth and thereby included additional liquidity measures, ways and means advances for states and further regulatory measures for entities including mutual funds.

By way of such reforms, RBI has identified the ways to fix the short-term impact of the lockdown on system. The introduction of traditional liquidity measures such as aggressive policy rate and cash reserve ratio cuts serve the purpose to cushion financial institutions from sudden illiquidity.

Further, RBI has attempted to protect the continued flow of credit to the real economy through a fundamental targeted long-term refinancing operations (TLTRO) and a moratorium program for the stressed sectors. TLTRO should also be appreciated more, for it doesn't have any impact on cash reserve ratio (CRR) requirement.

Apart from this, RBI has aggressively increased its asset purchase program and adjustments to capital conservation buffer, a countercyclical buffer and buffers for systemically important banks that will prevent financial conditions for the economy.

Amongst these, one of important measures introduced by RBI includes providing moratorium period on loans, working capital facilities for 3 months and further extension up to August 31 2020. With some time now having been passed since the introduction of the reforms, the after effects on all the constituents like individuals, banks, financial institutions, etc. are now surfacing. The reform provides a much needed relief to individuals with home loan, with increasing pressure of unemployment, pay cut, etc. However, one important speculation being raised is whether the borrowers should avail such moratorium and defer the EMI payments.

As per publicly available data, around 30 percent borrowers have availed such facility. For some banks, these figures are around 70 percent, specifically micro-finance institutions, who serve the segment of society which is facing severe crunch under impact of lockdown. The lenders have informed the borrowers about the additional cost that accepting the moratorium may bring upon them. RBI has allowed the lenders to charge

interest during the period of moratorium, hence when the borrower has to repay it would lead to interest-on-interest effect and bring additional burden on the borrower. RBI has also been reducing monetary policy rates for the past 18 months, irrespective of current situation. The lenders have not been quite active in passing these benefits to the borrowers of such reduction in rates.

An important after-effect of the economic slowdown induced by the lockdown includes increase in provisions and consequently Non-performing assets (NPAs) for the lenders. Q1 results of certain large lenders are already accommodating for such provisioning, however, the full-blown effect may be seen only by the end of Q2 of FY21. Also, RBI has halted all the NCLT proceedings for a period of 1 year from March 2020, to provide a breather to thousands of firms battered by the pandemic.

The preventive policy measures by RBI may cushion such aftereffects on banks to certain extent.

The measures introduced under COVID-19 by both Government and regulators focus on resolving long-term and short-term issues for lenders and borrowers alike. The direct impact of these measures shall surface only in the form of direct growth of the economy and GDP numbers, asset quality, etc. as and when the economy picks up its pace again. The tough times necessitate targeted actions and policy reforms for capital intensive sectors like real estate, hospitality, aviation, etc. The reforms could see a deeper effect had some measures been of direct nature and would have been able to address grass-root level problems and sector specific issues. One needs to wait for the demand to revive, locally as well as globally and see the full blown effects on the economy.

-APAS



ECONOMY

IIP (Index of Industrial Production) – May

Index of Industrial Production (IIP) or factory output for the month of May 2020 contracted sharply by 34.7%, but slower compared to contraction of 57.6% in April 2020, indicating a graded pickup in industrial activity.

The General Index for the month of May 2020 stands at 88.4, which is 34.7% lower as compared to 135.4 in May 2019.

In view of the preventive measures and announcement of nationwide lockdown by the government to contain spread of Covid-19 pandemic, majority of the industrial sector establishments were not operating from the end of March 2020 onwards.

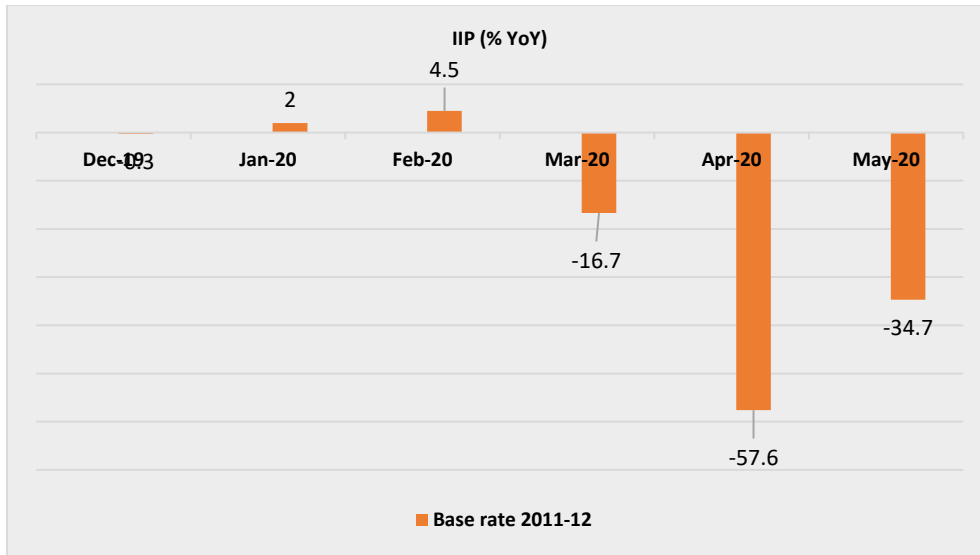
This has had an impact on the items being produced by the establishments during the period of lockdown and the subsequent periods of conditional relaxations in restrictions.

The number of units responding has improved in May 2020, as compared to the earlier months of lockdown.

The IIP for mining, manufacturing and electricity sectors for May stand at 87, 82.4 and 149.6, respectively.

As per Use-based classification, the indices stand at 105.5 for primary goods, 37.1 for capital goods, 77.6 for intermediate goods and 84.1 for infrastructure/construction goods for May.

Further, the indices for consumer durables and consumer non-durables were at 42.4 and 132.3, respectively.



Source: APAS BRT, www.mospi.gov.in

CPI (Consumer Price Index) – June

India's consumer price index (CPI) or retail inflation grew 6.09% in June 2020.

The government had not released the headline retail inflation data in April and May. However, in April, it had revised the CPI data for the month of March to 5.84% from 5.91%.

The corresponding provisional inflation rates for rural and urban areas are 6.2% and 5.91% respectively.

The Consumer Food Price Index (CFPI) eased to 7.87% in the month of June. The CFPI for May was revised to from 9.28%.

The core CPI inflation eased to 4.87% in June from 4.93% in May.

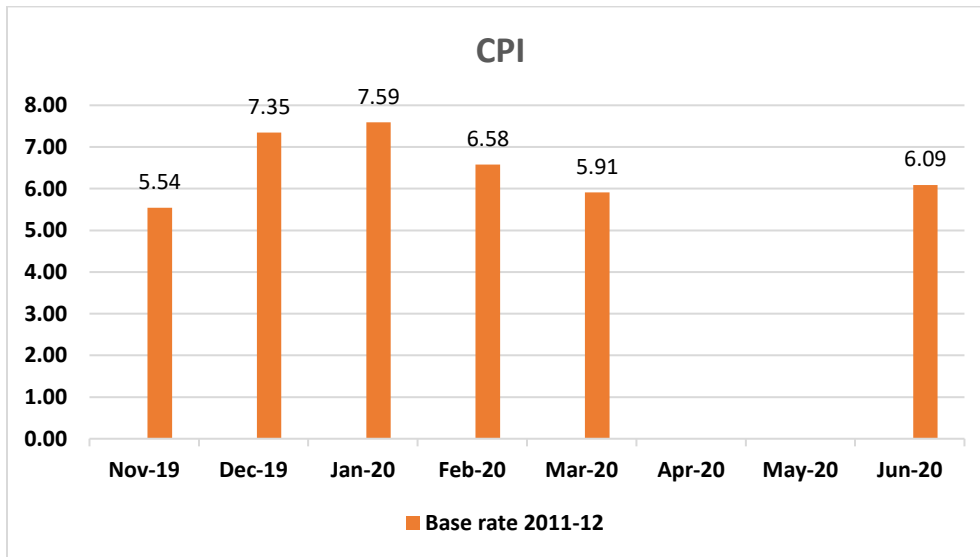
Among the CPI components, inflation for food and beverages declined to 7.29% in June 2020 from 8.37% in May 2020.

Within the food items, the inflation declined for vegetables to 1.86%, pulses and products to 16.68%, fruits to (-) 0.68%, cereals and products to 6.49%, milk and products to 8.44%, spices to 11.74%, sugar and confectionery to 4.41% and eggs to 7.4%. However, the inflation increased for meat and fish to 16.22%, non-alcoholic beverages to 4.47%, oils and fats to 12.27% and prepared meals, snacks, sweets, etc. to 4.3% in June 2020.

The inflation for housing eased to 3.55%, while that for miscellaneous items rose to 5.7% in June.

Within the miscellaneous items, the inflation increased for transport and communication to 7.14%, personal care and effects to 12.43%, education to 5.51%, health to 4.21%, household goods and services to 2.29%, while it declined for recreation and amusement to 3.01% in June 2020.

The inflation for clothing and footwear increased to 3.53%, while that for fuel and light moved up to 2.69% in June.



Source: APAS BRT, www.mospi.gov.in

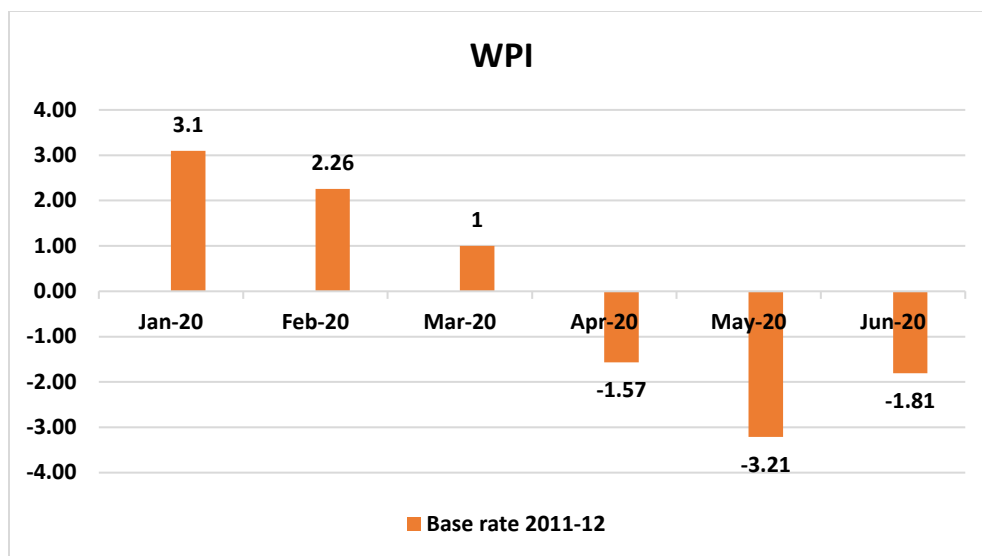
WPI (Wholesale Price Index) – June

India's wholesale price index (WPI) inflation stood at (-) 1.81% in June 2020, as compared to (-) 3.21% in May 2020 and 2.02% in June 2019.

The rate of inflation based on WPI Food Index increased to 3.05% in June 2020 from 2.31% in May 2020.

Deflation in primary articles stood at 1.21% in June, as compared to 2.92% in May. Inflation in food articles during June stood at 2.04%, as against 1.13% in May. In fuel and power basket, deflation stood at 13.6% in June, as against 19.83% in May. Manufactured products witnessed inflation of 0.08% in June, as against (-) 0.42% in May.

The final print of April WPI inflation stood at (-) 1.57%.



Source: APAS BRT, www.eaindustry.nic.in

Manufacturing PMI – June

The Nikkei India Manufacturing Purchasing Managers’ Index (PMI) jumped in June, as economic activity resumed after the nation eased curbs introduced to slow the spread of the Covid-19 virus.

The Manufacturing PMI rose to 47.2 in June 2020 from 30.8 in May 2020. It stayed below the 50 level, that separates expansion from contraction, for the third consecutive month.

India’s manufacturing sector moved towards stabilisation in June, with both output and new orders contracting at much softer rates than seen in April and May. Still, most sub-indices remained weak.

Latest PMI data pointed to another deterioration in business conditions faced by Indian goods producers during June. The downturn was primarily driven by sharp contractions in both output and new orders, with regional lockdown extensions severely hampering demand conditions.

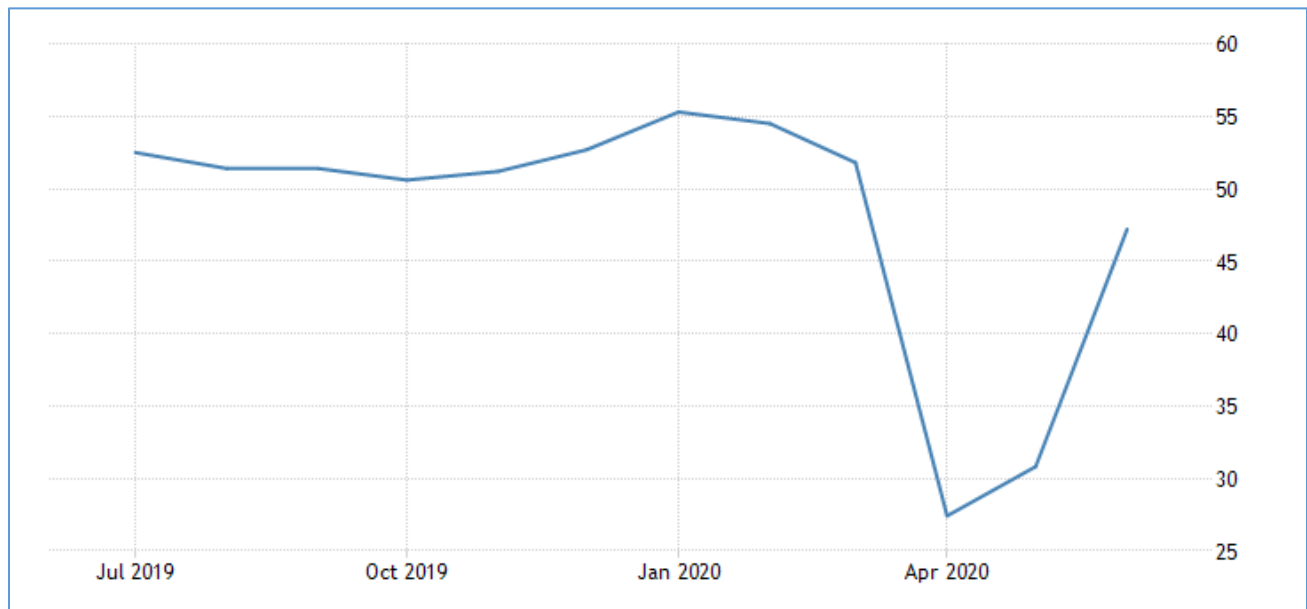
Even though June saw some relaxations across the country, the restrictions during lockdown had constrained production capacity and there was a decline in new business too. Demand remained a big concern as export orders fell for the fourth month in a row due to coronavirus pandemic across the world. Fewer new orders, low demand led to a sharp reduction in employment in Indian firms.

Despite easing from May’s record, the rate of workforce contraction remained among the quickest since data collection began in March 2005.

The recent spike in new coronavirus cases and the resulting lockdown extensions have seen demand continue to weaken. Should case numbers continue rising at their current pace, further lockdown extensions may be imposed, which would likely derail a recovery in economic conditions and prolong the woes of those most severely affected by this crisis.

Input prices softened and manufacturers passed lower prices to boost sales.

Looking ahead, Indian firms remained positive towards the 12-month business, with sentiment strengthening to a 4-month high. The degree of optimism remained far weaker than the historical average amid fears of a prolonged economic downturn due to the coronavirus outbreak.



Source: www.tradingeconomics.com

Services PMI – June

The Indian services sector activity picked up pace in June from record lows earlier but continued to show deep contraction for the fourth straight month, as firms reported job losses and business confidence hit an all-time low.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to 33.7 in June 2020 from 12.6 in May 2020. The index remained below the neutral mark of 50, which separates expansion from contraction.

India's service sector continued to struggle in June as the country's coronavirus crisis worsened.

Although the downturn lost further momentum in June, it remained excessively strong as the Covid-19 pandemic curtailed intakes of new work and disrupted business operations.

The slower rate of decline was reflective of some stabilisation in activity levels.

Simply put, the country is gripped in an unprecedented economic downturn, which is certainly going to spill over into the second half of this year, unless the infection rate can be brought under control.

As the country eased lockdown restrictions, some companies saw activity stabilise, but this is most likely just reflecting closures and temporary suspensions.

While this will have contributed to a rise in the PMI figures, this certainly is not a promising sign.

Firms are still reporting falling activity and order book volumes, reflecting an intensely challenging domestic picture in India.

New orders fell at a sharp pace in June, which was attributed to reduced consumption habits and lower requirements. In some instances, customers had closed their businesses due to the unfavourable environment.

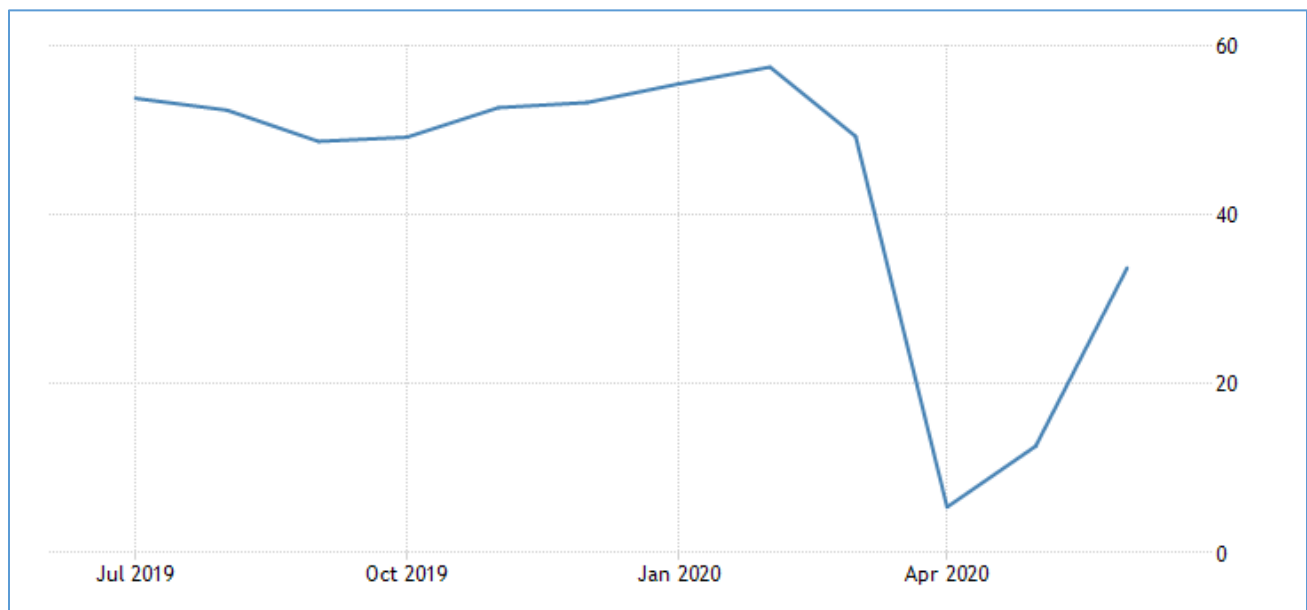
There was yet another steep drop in export sales, as restrictions related to travel hindered overseas orders.

On the prices front, for a third month running, Indian service providers reported a reduction to their input costs in June and lower expenses were passed through to clients via discounts during the month.

Employment across the Indian service sector fell during June. Job losses were attributed to lower business requirements, although some companies reported poor staff availability.

Business confidence slid to a survey low since December 2005, pointing to strongly negative expectations towards activity levels in the year ahead.

The seasonally adjusted Nikkei India Composite PMI Output Index rose to 37.8 in June from 14.8 in May.



Source: www.tradingeconomics.com

Core Sector Data – June

Growth of eight infrastructure sectors contracted by 15% in June 2020, shrinking for the fourth straight month.

However, the pace of contraction was slower, aided by the relaxation in lockdown restrictions.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had declined by 22% in May 2020 and grown by 1.2% in June 2019.

Barring fertiliser, all seven sectors recorded negative growth in June.

The output of coal, crude oil, natural gas, refinery products, steel, cement and electricity declined by 15.5%, 6%, 12%, 8.9%, 33.8%, 6.9% and 11%, respectively.

Fertiliser production grew 4.2% in June.

Cumulatively, the growth in the eight core sectors during April-June 2020-21 contracted by 24.6%, as against an expansion of 3.4% in the same period last financial year.



Source: APAS BRT, www.eaindustry.nic.in



BANKING

Monetary Policy Statement, 2020-21

On the basis of an assessment of the current and evolving macroeconomic situation, the [Monetary Policy Committee \(MPC\)](#) at its meeting decided to:

- Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 4.0 per cent.

Consequently, the reverse repo rate under the LAF remains unchanged at 3.35 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 4.25 per cent.

- The MPC also decided to continue with the accommodative stance as long as it is necessary to revive growth and mitigate the impact of COVID-19 on the economy, while ensuring that inflation remains within the target going forward.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4 per cent within a band of +/- 2 per cent, while supporting growth. The main considerations underlying the decision are set out in the statement below

Assessment

Global Economy

Since the MPC met in May 2020, global economic activity has remained fragile and in retrenchment in several geographies. While the uneasy and differently-paced withdrawal of COVID-19 lockdown restrictions in some countries enabled a sequential improvement in high frequency indicators during May-July, a renewed surge in COVID-19 infections in major economies and threats of a second wave of infections appear to have weakened these early signs of revival. Contractions in economic activity have been more severe in Q2:2020 than in Q1, and the near-term outlook points to a slow, uneven and hesitant recovery pushed into the second half of the year, with risks steeply slanted to the downside. Among advanced economies (AEs), output in the US and the Euro area underwent a deeper contraction in Q2:2020 than in the preceding quarter. Emerging market economies (EMEs) are expected to shrink in Q2 as reflected in high frequency indicators.

Global financial markets have rebounded since end-March 2020 with intermittent pauses, shrugging off the volatility and sharp correction recorded in Q1:2020. Portfolio flows returned to EMEs in Q2 after a massive reversal, though there was moderation in July from the previous month's level. EME currencies have also appreciated in close co-movement, tracking weakening of the US dollar. Crude oil prices have remained

supported on supply cuts by oil producing countries (OPEC plus) and improved demand prospects on the gradual easing of lockdown restrictions since May. Gold prices have rallied to an all-time high on August 5 on the back of safe haven demand. In AEs, benign fuel prices and soft aggregate demand have kept inflation subdued. In many EMEs, however, cost-push pressures arising from supply disruptions and demand revival have shown up in consumer prices in June 2020. Global food prices are elevated across the board.

Domestic Economy

On the domestic front, economic activity had started to recover from the lows of April-May following the uneven re-opening of some parts of the country in June; however, surges of fresh infections have forced re-clamping of lockdowns in several cities and states. Consequently, several high frequency indicators have levelled off.

The agricultural sector has emerged as a bright spot. Its prospects have strengthened on the back of good spatial and temporal progress of the south-west monsoon. The cumulative monsoon rainfall was 1 per cent below the long-period average (LPA) up to August 5, 2020. Spurred by the expanding precipitation, the total area sown under kharif crops on July 31 was 5.9 per cent higher than the normal area measured by the average over the period 2014-15 to 2018-19. As on July 30, 2020, the live storage in major reservoirs was 41 per cent of the full reservoir level (FRL), which bodes well for the rabi season. These developments have had a salutary effect on rural demand as reflected in fertiliser production and sales of tractors, motorcycles and fast-moving consumer goods.

Domestic financial conditions have eased substantially and systemic liquidity remains in large surplus, due to the conventional and unconventional measures by the Reserve Bank since February 2020. Cumulatively, these measures assured liquidity of the order of ₹9.57 lakh crore or 4.7 per cent of GDP. Reflecting these developments, reserve money (RM) increased by 15.4 per cent on a year-on-year basis (as on July 31, 2020), driven by a surge in currency demand (23.1 per cent). Growth in money supply (M3), however, was contained at 12.4 per cent as on July 17, 2020. Average daily net absorptions under the liquidity adjustment facility (LAF) moderated from ₹5.3 lakh crore in May 2020 to ₹4.1 lakh crore in June as government spending slowed. In July, average daily net absorptions under the LAF moderated further to ₹4.0 lakh crore, as government spending remained subdued. During 2020-21 (up to July 31), ₹1,24,154 crore was injected through open market operation (OMO) purchases. In order to distribute liquidity more evenly across the term structure and improve transmission, the Reserve Bank conducted 'operation twist' auctions involving the simultaneous sale and purchase of government securities for ₹10,000 crore on July 2, 2020. Furthermore, the utilisation of refinance provided by the Reserve Bank to the National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI) and the National Housing Bank (NHB) increased to ₹34,566 crore on July 31, 2020 from ₹22,334 crore during the May policy.

The transmission to bank lending rates has improved further, with the weighted average lending rate (WALR) on fresh rupee loans declining by 91 bps during March-June 2020. The spreads of 3-year AAA rated corporate bonds over G-Secs of similar maturity declined from 276 bps on March 26, 2020 to 50 bps by end-July 2020. Even for the lowest investment grade bonds (BBB-), spreads have come down by 125 bps by end-July 2020. Lower borrowing costs have led to record primary issuance of corporate bonds of ₹2.1 lakh crore in the first quarter of 2020-21.

Supply chain disruptions on account of COVID-19 persist, with implications for both food and non-food prices. A more favourable food inflation outlook may emerge as the bumper rabi harvest eases prices of cereals,

especially if open market sales and public distribution offtake are expanded on the back of significantly higher procurement. The relatively moderate increases in minimum support prices (MSP) for the kharif crops and monsoon are also supportive of benign inflation prospects. Nonetheless, upside risks to food prices remain. The abatement of price pressure in key vegetables is delayed and remains contingent upon normalisation of supplies.

The inflation outlook of non-food categories is, however, fraught with uncertainty. Higher domestic taxes on petroleum products have resulted in elevated domestic pump prices and will impart broad-based cost-push pressures going forward. Volatility in financial markets and rising asset prices also pose upside risks to the outlook. Taking into consideration all these factors, headline inflation may remain elevated in Q2:2020-21, but may moderate in H2:2020-21 aided by large favorable base effects.

At the same time, the MPC is conscious that its primary mandate is to achieve the medium-term target for CPI inflation of 4 per cent within a band of +/- 2 per cent. It also recognises that the headline CPI prints of April-May, 2020 require more clarity. At the current juncture, the inflation objective itself is further obscured by (a) the spike in food prices because of floods in eastern India and ongoing lockdown related disruptions; and (b) cost-push pressures in the form of high taxes on petroleum products, hikes in telecom charges, rising raw material costs reflected in upward revisions in steel prices and rise in gold prices on safe haven demand.

The MPC noted that the economy is experiencing unprecedented stress in an austere global environment. Extreme uncertainty characterises the outlook, which is heavily contingent upon the intensity, spread and duration of the pandemic – particularly the heightened risks associated with a second wave of infections – and the discovery of the vaccine.

Meanwhile, the cumulative reduction of 250 basis points since February 2019 is working its way through the economy, lowering interest rates in money, bond and credit markets, and narrowing down spreads. Financing conditions have eased considerably, enabling financial flows via financial markets, especially at a time when banks remain highly risk averse. Accordingly, the MPC decides to stay on hold with regard to the policy rate and remain watchful for a durable reduction in inflation to use the available space to support the revival of the economy.

Credit flow to Micro, Small and Medium Enterprises Sector

Government of India has notified revised norms on [classification criteria](#) of micro, small and medium enterprises sector. The details are as follows:

I. Classification of enterprises

An enterprise shall be classified as a Micro, Small or Medium enterprise on the basis of the following criteria, namely:

- i. A micro enterprise, where the investment in plant and machinery or equipment does not exceed one crore rupees and turnover does not exceed five crore rupees;
- ii. A small enterprise, where the investment in plant and machinery or equipment does not exceed ten crore rupees and turnover does not exceed fifty crore rupees; and

iii. A medium enterprise, where the investment in plant and machinery or equipment does not exceed fifty crore rupees and turnover does not exceed two hundred and fifty crore rupees

II. Composite criteria of investment and turnover for classification

- i. A composite criterion of investment and turnover shall apply for classification of an enterprise as micro, small or medium.
- ii. If an enterprise crosses the ceiling limits specified for its present category in either of the two criteria of investment or turnover, it will cease to exist in that category and be placed in the next higher category but no enterprise shall be placed in the lower category unless it goes below the ceiling limits specified for its present category in both the criteria of investment as well as turnover.
- iii. All units with Goods and Services Tax Identification Number (GSTIN) listed against the same Permanent Account Number (PAN) shall be collectively treated as one enterprise and the turnover and investment figures for all of such entities shall be seen together and only the aggregate values will be considered for deciding the category as micro, small or medium enterprise.

III. Calculation of investment in plant and machinery or equipment

- i. The calculation of investment in plant and machinery or equipment will be linked to the Income Tax Return (ITR) of the previous years filed under the Income Tax Act, 1961.
- ii. In case of a new enterprise, where no prior ITR is available, the investment will be based on self-declaration of the promoter of the enterprise and such relaxation shall end after the 31st March of the financial year in which it files its first ITR.
- iii. The expression "plant and machinery or equipment" of the enterprise, shall have the same meaning as assigned to the plant and machinery in the Income Tax Rules, 1962 framed under the Income Tax Act, 1961 and shall include all tangible assets (other than land and building, furniture and fittings).
- iv. The purchase (invoice) value of a plant and machinery or equipment, whether purchased first hand or second hand, shall be taken into account excluding Goods and Services Tax (GST), on self-disclosure basis, if the enterprise is a new one without any ITR.
- v. The cost of certain items specified in the Explanation I to sub-section (1) of section 7 of the Act shall be excluded from the calculation of the amount of investment in plant and machinery.

IV. Calculation of turnover

- i. Exports of goods or services or both, shall be excluded while calculating the turnover of any enterprise whether micro, small or medium, for the purposes of classification.
- ii. Information as regards turnover and exports turnover for an enterprise shall be linked to the Income Tax Act or the Central Goods and Services Act (CGST Act) and the GSTIN.
- iii. The turnover related figures of such enterprise which do not have PAN will be considered on self-declaration basis for a period up to 31st March, 2021 and thereafter, PAN and GSTIN shall be mandatory.

In case of an upward change in terms of investment in plant and machinery or equipment or turnover or both, and consequent re-classification, an enterprise will maintain its prevailing status till expiry of one year from the close of the year of registration. In case of reverse-graduation of an enterprise, whether as a result of re-classification or due to actual changes in investment in plant and machinery or equipment or turnover or both, and whether the enterprise is registered under the Act or not, the enterprise will continue in its present category till the closure of the financial year and it will be given the benefit of the changed status only with effect from 1st April of the financial year following the year in which such change took place.

Indian Stamp Act, 1899 Amendments and Rules made thereunder

With the objective of bringing uniformity in the [stamp duty](#) levied on securities transactions across states, the Government of India amended the Indian Stamp Act 1899 (revised Act), through Finance Act, 2019, and the relevant Stamp Rules, 2019, were notified on December 10, 2019. The revised Act has come into effect from July 1, 2020. Under the revised Act, CCIL has been appointed as collecting agent for foreign exchange, interest rate and credit derivative transactions which are reported to it.

RBI releases the Financial Stability Report, July 2020

The Reserve Bank released the 21st Issue of the [Financial Stability Report \(FSR\)](#), which reflects the collective assessment of the Sub-Committee of the Financial Stability and Development Council (FSDC) on risks to financial stability, and the resilience of the financial system in the context of contemporaneous issues relating to development and regulation of the financial sector.

Highlights:

- In response to COVID-19, a combination of fiscal, monetary and regulatory interventions on an unprecedented scale has ensured normal functioning of financial markets.
- The overleveraged non-financial sector, simmering global geopolitical tensions, and economic losses on account of the pandemic are major downside risks to global economic prospects.
- Actions undertaken by financial sector regulators and the Government to mitigate the impact of COVID-19 eased operational constraints and helped in maintaining market integrity and resilience in the face of severe risk aversion.
- Bank credit, which had considerably weakened during the first half of 2019-20, slid down further in the subsequent period with the moderation becoming broad-based across bank groups.
- The capital to risk-weighted assets ratio (CRAR) of Scheduled Commercial Banks (SCBs) edged down to 14.8 per cent in March 2020 from 15.0 per cent in September 2019 while their gross non-performing asset (GNPA) ratio declined to 8.5 per cent from 9.3 per cent and the provision coverage ratio (PCR) improved to 65.4 per cent from 61.6 per cent over this period.
- Macro stress tests for credit risk indicate that the GNPA ratio of all SCBs may increase from 8.5 per cent in March 2020 to 12.5 per cent by March 2021 under the baseline scenario; the ratio may escalate to 14.7 per cent under a very severely stressed scenario.

- Network analysis reveals that total bilateral exposures among entities in the financial system declined marginally during 2019-20; with the inter-bank market continuing to shrink and with better capitalisation of public sector banks (PSBs), there would be reduction in contagion losses to the banking system under various scenarios in relation to a year ago.
- Going forward, the major challenges include pandemic-proofing large sections of society, especially those that tend to get excluded in formal financial intermediation.

Fair Practices Code for Asset Reconstruction Companies

In order to achieve the highest standards of transparency and fairness in dealing with stakeholders, Asset Reconstruction Companies (ARCs) are advised to put in place [Fair Practices Code \(FPC\)](#) duly approved by their Board. The following paragraphs provide the minimum regulatory expectation while each ARC's Board is free to enhance its scope and coverage. The FPC must be followed in right earnest and the Board must involve itself in its evolution and proper implementation at all times. The FPC shall be placed in public domain for information of all stakeholders.

1. ARC shall follow transparent and non-discriminatory practices in acquisition of assets. It shall maintain arm's length distance in the pursuit of transparency.
2. In order to enhance transparency in the process of sale of secured assets,
 - (i) Invitation for participation in auction shall be publicly solicited; the process should enable participation of as many prospective buyers as possible;
 - (ii) Terms and conditions of such sale may be decided in wider consultation with investors in the security receipts as per SARFAESI Act 2002;
 - (iii) Spirit of Section 29A of Insolvency and Bankruptcy Code, 2016 may be followed in dealing with prospective buyers.
3. ARCs shall release all securities on repayment of dues or on realisation of the outstanding amount of loan, subject to any legitimate right or lien for any other claim they may have against the borrower. If such right of set off is to be exercised, the borrower shall be given notice about the same with full particulars about the remaining claims and the conditions under which ARCs are entitled to retain the securities till the relevant claim is settled/ paid.
4. ARCs shall put in place Board approved policy on the management fee, expenses and incentives, if any, claimed from trusts under their management. The Board approved policy should be transparent and ensure that management fee is reasonable and proportionate to financial transactions.
5. ARCs intending to outsource any of their activity shall put in place a comprehensive outsourcing policy, approved by the Board, which incorporates, inter alia, criteria for selection of such activities as well as service providers, delegation of authority depending on risks and materiality and systems to monitor and review the operations of these activities/ service providers. ARC shall ensure that outsourcing arrangements neither diminish its ability to fulfil its obligations to customers and the RBI nor impede

effective supervision by RBI. The outsourced agency, if owned/controlled by a director of the ARC, the same may be made part of the disclosures specified in the Master Circular.

6. In the matter of recovery of loans, ARCs shall not resort to harassment of the debtor. ARCs shall ensure that the staff are adequately trained to deal with customers in an appropriate manner.
 - a. ARCs shall put in place a Board approved Code of Conduct for Recovery Agents and obtain their undertaking to abide by that Code. ARCs, as principals, are responsible for the actions of their Recovery Agents.
 - b. It is essential that the Recovery Agents observe strict customer confidentiality.
 - c. ARCs shall ensure that Recovery Agents are properly trained to handle their responsibilities with care and sensitivity, particularly in respect of aspects such as hours of calling, privacy of customer information, etc. They should ensure that Recovery Agents do not induce adoption of uncivilized, unlawful and questionable behaviour or recovery process.
7. ARCs should constitute Grievance Redressal machinery within the organisation. The name and contact number of designated grievance redressal officer of the ARC should be mentioned in the communication with the borrowers. The designated officer should ensure that genuine grievances are redressed promptly. ARCs' Grievance Redressal machinery will also deal with the issue relating to services provided by the outsourced agency and recovery agents, if any.
8. ARCs shall keep the information, they come to acquire in course of their business, strictly confidential and shall not disclose the same to anyone including other companies in the group except when (i) required by law; (ii) there is duty towards public to reveal information; or (iii) there is borrower's permission.
9. Compliance with FPC shall be subject to periodic review by the Board.

RBI Bulletin – July 2020

The Reserve Bank of India released the [July 2020](#) issue of its monthly Bulletin. The Bulletin includes three Articles and Current Statistics.

I. Financial Stocks and Flows of the Indian Economy: 2016-17 to 2018-19

The financial stocks and flows (FSF) account for the Indian economy presents sectoral outstanding positions and transactions through financial instruments on a 'from-whom-to-whom' (FWTW) basis. It provides insights into sources and destinations of financial funds and movements of sectoral financial balances. The overall financial resource balance of the economy, though in marginal surplus, deteriorated during 2018-19 and with the protracted economic slowdown during 2019-20, the resource balance of the overall economy is expected to worsen further.

Along with the article, FSF data on FWTW basis is being released for the period 2011-12 to 2018-19. The article also provides preliminary estimates of sectoral resource gap and financial net worth position for 2019-20 based on leading indicators available for the respective sectors.

Highlights:

- The overall financial resource balance of the economy moderated during 2018-19 primarily due to increase in net borrowing of non-financial corporations and moderation in household savings.
- As per the preliminary estimates, the marginal surplus in the overall financial resource balance turned into a deficit in 2019-20 on account of the widening resource deficits of general government and public non-financial corporations.
- The balance sheet of depository corporations continued to remain in contraction mode during 2018-19, reflecting shift in the preferences away from deposits towards other competing financial instruments such as mutual funds and insurance.
- Liabilities of general government remained at an elevated level during 2018-19 and its financial net worth remained in negative territory.
- India remained a net borrower from the rest of the world.
- Loans and borrowing are the most used financial instruments to incur liabilities with a share of 29.0 per cent in total financial transactions, followed by debt securities and deposits with a share of 20.9 and 18.0 per cent, respectively.

II. Liquidity Management in the Time of Covid-19: An Outcomes Report

COVID-19 sent financial markets in India as also the world into a tailspin. Financial institutions were faced with liquidity stress, loss of access to funding and tightening of financial conditions amidst disruption of cash flows and working capital cycles. The Reserve Bank deployed several conventional and unconventional tools to restore orderly conditions in financial markets and maintain normal functioning of financial intermediaries. As a result, markets have remained resilient, liquid and stable, establishing conditions for a finance-led recovery of the economy ahead of the revival of demand.

Highlights:

- The abundant surplus liquidity in the system has ensured that the short-term rates have remained anchored and soft relative to the policy repo rate, aiding monetary policy transmission with positive spillovers to other segments of the market spectrum.
- Despite the increase in government borrowings and the significant loss of revenue due to the lockdown, the Government securities (G-secs) market has remained resilient and stable owing to targeted interventions by the Reserve Bank comprising Long term Repo Operations (LTROs), outright Open Market Operations (OMO) purchases and Operation Twists. A combination of aggressive policy easing, and the liquidity measures have caused yields on G-Secs to drop to their lowest level in more than a decade. However, long-term rates have not fallen commensurately with short-term rates, steepening the G-Sec yield curve.
- Targeted liquidity provision through LTROs and Targeted Long Term Repo Operations (TLTROs) has brought down financing costs in the corporate bond market to decadal lows, eased the access of non-AAA rated entities, and led to record primary issuances. These measures have also rekindled the risk appetite, as evinced in the compression of spreads of corporate bond yields over similar tenor G-Secs from the elevated levels witnessed in the last week of March 2020

- Additionally, TLTROs, complemented and backstopped by the special refinance facilities provided to All India Finance Institutions (AIFIs), have helped channelize liquidity to small and mid-sized corporates, including Non-Banking Financial Companies (NBFCs) and micro finance institutions (MFIs).

III. Compilation of House Price Index Using Big Data Techniques

The residential property price is an important piece of information for policymakers as variations in it influence both households and the banking and financial sectors. This study attempts to compile a timely alternative residential house price index employing big data and machine learning tools, based on data available on the web portals of real estate advertisement agencies. The study empirically examines the usefulness of this alternate house price index and compares it with Reserve Bank's House Price Index (HPI).

Highlights:

- The big data tools have been employed to collect data from real estate advertisement websites in India using a specific kind of web scraping technique called 'dynamic chart scraping'.
- Processing of the web crawled data has been carried out using machine learning techniques.
- There is a statistically significant correlation between the Reserve Bank's HPI and proposed web-based HPI.
- The proposed HPI - which can be compiled almost immediately at the end of each quarter - is found to be useful in estimating the Reserve Bank's HPI that is published with a lag of three months.

Special liquidity scheme for NBFCs/HFCs

The Government of India has approved a scheme to improve the liquidity position of [NBFCs/HFCs](#) through a Special Purpose Vehicle (SPV) to avoid any potential systemic risks to the financial sector. To be eligible under the Scheme, the following conditions should be met:

- NBFCs including Microfinance Institutions that are registered with the RBI under the Reserve Bank of India Act, 1934, excluding those registered as Core Investment Companies;
- Housing Finance Companies that are registered under the National Housing Bank Act, 1987;
- CRAR/CAR of NBFCs/HFCs should not be below the regulatory minimum, i.e., 15% and 12% respectively as on March 31, 2019;
- The net non-performing assets should not be more than 6% as on March 31, 2019;
- They should have made net profit in at least one of the last two preceding financial years (i.e. 2017-18 and 2018-19);
- They should not have been reported under SMA-1 or SMA-2 (SMA – Special mention accounts) category by any bank for their borrowings during last one year prior to August 01, 2018;
- They should be rated investment grade by a SEBI registered rating agency;
- They should comply with the requirement of the SPV for an appropriate level of collateral from the entity, which, however, would be optional and to be decided by the SPV.

As per the Government decision, SBICAP which is a subsidiary of the State Bank of India has set up a SPV (SLS Trust) to manage this operation. The SPV will purchase the short-term papers from eligible NBFCs/HFCs, who shall utilise the proceeds under this scheme solely for the purpose of extinguishing existing liabilities. The instruments will be CPs and NCDs with a residual maturity of not more than three months and rated as investment grade. The facility will not be available for any paper issued after September 30, 2020 and the SPV would cease to make fresh purchases after September 30, 2020 and would recover all dues by December 31, 2020; or as may be modified subsequently under the scheme.



INSURANCE

“Arogya Sanjeevani” Policy

IRDAI stipulated to all general and health insurers to offer standard individual health insurance policy called “[Arogya Sanjeevani](#)” Policy to the public from 01.04.2020. The terms and conditions of the policy are same across insurers except that premium rates are left to be fixed by the insurers.

1. All the insurers dealing with health insurance are presently offering the standard policy to the public.
2. Now, IRDAI has also allowed the insurers to offer the same standard policy also as a group policy under the same name “Arogya Sanjeevani” provided that all the terms and conditions of the standard policy are retained except for the premium which is to be fixed by the insurers.
3. This standard group policy is expected to be useful to various private and public establishments for covering the medical needs of their employees.
4. IRDAI has clarified that “Arogya Sanjeevani” policy, whether in individual or group form, also covers COVID – 19.
5. The group policy is expected to provide protection to a large number of employees engaged in manufacturing, services, SMEs, MSMEs, logistics sector and migrant workers, catering to their medical needs.

Filing of “Arogya Sanjeevani Policy” as group health insurance product

The Authority issued Circular on Filing of “[Arogya Sanjeevani Policy](#)” as group health insurance product.

The major highlights of the Circular are as follows:

- Insurers are allowed to use the standard product name for the group policy after adding the word “group”, provided all terms and conditions as applicable to the standard individual policy remain the same except premium rate and specification on operation of group policy.
- Insurers are allowed to set their own minimum and maximum sum limits under the group policy, subject to the board approved underwriting policy. Also, the mandate of offering sum insured in the multiples of INR 50,000 (Rupees Fifty Thousand only) is not insisted for the group product.

- The Insurers shall determine the price in accordance with the cover proposed to be offered subject to complying with the norms specified in the IRDAI (Health Insurance) Regulations, 2016 and Guidelines notified thereunder.
- The product shall be filed on Use and File basis after due compliance with the norms specified in Chapter IV of ‘Consolidated guidelines on product filing in health insurance business’ dated July 22, 2020.
- This group product shall comply with the all other applicable norms stipulated under the Guidelines.

Transfer of Shares of the Insurance Companies

The provisions relating to transfer of shares of insurance companies are governed by section 6A of the Insurance Act, 1938 read with IRDAI ([Transfer of Equity Shares of Insurance Companies](#)) Regulations, 2015 and IRDAI (Listed Indian Insurance Companies) Guidelines, 2016.

With a view to bringing more clarity on certain issues relating to transfer of shares of insurance companies by promoters/shareholders, the Authority in exercise of the powers under sub-section (1) of Section 14 of IRDA Act, 1999 read with Regulation 10 of IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015, hereby issues the following circular: -

A. Transfer of Shares – Listed Insurance Companies

1. Transfer of Shares of more than 1% and up to 5% of the paid up share capital:

- (i) For acquisition of more than 1% and up to 5% of the paid up share capital along with the existing holding - fit and proper declaration as specified in the IRDAI (Listed Indian Insurance Companies) Guidelines, 2016 shall be provided to the insurance company;
- (ii) Transfer of more than 1% but less than 5% of the paid up share capital - the transferor shall inform the Insurer immediately on execution of the transaction. The transferor shall be required to ensure compliance for any transaction(s) aggregating to more than 1 per cent of the paid-up capital.

2. Transfer of Shares above 5% of the paid up share capital:

In line with the provisions of the Insurance Act, 1938 -

- (i) Where the transfer of shares by the transferor, cumulative with his relatives, associate enterprises and persons acting in concert will/is likely to exceed 5% of the paid up share capital, such transferor shall seek the prior approval of the IRDAI. The application for this purpose shall be filed through the concerned insurance company.
- (ii) Similarly, any proposal for acquisition whereby the transferee’s holding is likely to exceed 5% of the paid up share capital of the insurance company, has to be submitted for prior approval to the IRDAI through the concerned insurance company.

B. Determination of extent of transfer – Listed and Unlisted Insurance companies

(i) For the purpose of reckoning the quantum of transfer/acquisition of shares, scenarios where transfer is executed in favor of one or more parties, whether in a single or multiple transactions aggregating to excess of 1 per cent or 5 per cent, the cumulative transfers made during a given financial year shall be considered. Accordingly, whenever the specified limits are likely to exceed in a financial year, the entity shall be under obligation to seek the prior approval of the Authority.

(ii) Listed companies: The provisions mentioned above shall be applicable only with respect to the promoters/promoter group. Further, transfer includes Offer for Sale as per SEBI (ICDR) regulations by the existing shareholders, whether such shareholder is part of the promoter/promoter group or not.

C. Pledge of Shares

The provisions relating to transfer of shares as contained in earlier circulars of (i) Section 6A(4)(b) of the Insurance Act, 1938, and (ii) IRDAI (Transfer of Equity Shares of Insurance Companies) Regulations, 2015 shall apply mutatis-mutandis to the creation of pledge or any other kind of encumbrance over shares of an insurance company, by its promoters.

D. Suspension of the voting rights

Insurance companies shall have to immediately inform the Authority if any non-compliance is observed with regard to the provisions of the Insurance Act, the regulations and guidelines framed thereunder and the circulars issued regarding the transfer of shares by the Authority. Further, where transactions are executed beyond the stipulated threshold limits by the shareholders, without the prior approval of the Authority:

(i) the transferee shall not have any voting rights in any of the meetings of the insurance company;

(ii) the transferee shall have to promptly dispose of the excess shares acquired, beyond the specified threshold limits.

Master Circular on Standardization of Health Insurance Products

Key sections in the master circular on [standardization of health insurance](#) products are as follows:

- I. Chapter I: Standard Definitions of terminology to be used in Health Insurance Policies
- II. Chapter II: Standard Nomenclature and Procedure for Critical Illnesses
- III. Chapter III: Items for which optional cover may be offered by insurers
- IV. Chapter IV: Standards and benchmarks for hospitals in the provider network
- V. Chapter V: Health Insurance Returns
- VI. Annexures

Consolidated Guidelines on Product filing in Health Insurance Business

Key sections under guidelines on [product filing in Health insurance](#) business are as follows:

- I. Preliminary
- II. General provisions
- III. File and use provisions
- IV. Use and file procedure
- V. Additional guidelines for group insurance
- VI. Withdrawal of products
- VII. Guidelines on wellness features / benefits
- VIII. Guidelines on Migration and Portability of health insurance policies

Guidelines on settlement of claims on treatment at 'make-shift or temporary hospitals' as permitted by Government

In view of increase in number of COVID-19 cases, in order to leverage on the extant healthcare systems put in place, it is important to recognise the [make-shift or temporary](#) hospitals permitted by Government for settlement of health insurance claims for insurance companies.

In the above backdrop, in order to ensure that the costs of treatment of COVID – 19 are covered as per the terms and conditions of policy contract, a make-shift or temporary hospital permitted by Central / State government shall be regarded as a hospital or network provider and insurers shall settle the claims as per the following norms.

a) Where a policyholder who is diagnosed as Covid-19 positive is admitted into any such make-shift or temporary hospital on the advice of a medical practitioner or appropriate Government authorities, notwithstanding the definition of hospital specified in the terms and conditions of policy contract, the treatment costs shall be settled by insurers.

b) Where any network provider has set up any such make-shift or temporary hospital, such make-shift or temporary hospital shall be regarded as the extension of the network provider and cashless facility shall be made available.

Discount in premium in Corona Kavach Policy to Healthcare Workers

As mandated by IRDAI, all the 30 general and health insurers that offer indemnity based health insurance, have started offering Individual COVID-specific Standard Health Policy called “Corona Kavach”.

As a gesture of acknowledgment of the [contribution of healthcare sector](#) in the nation’s fight with Covid-19, the insurance companies will provide a 5% discount in premium of “Corona Kavach” to doctors, nurses and other healthcare workers, in terms of the guidelines issued by IRDAI.

Cashless facility for treatment of COVID-19

The Authority is aware of reports that some hospitals are not granting [cashless facility](#) for treatment of COVID-19 despite such arrangements with the insurers. Also, regulator has noticed that some hospitals are also demanding cash deposits from the policyholders.

As per the provisions of IRDAI (Health insurance) Regulations, 2016, general and health insurance companies are expected to enter into agreements with public and private sector healthcare providers across the geographical spread. The list of the network providers (hospitals) with whom the insurance company has entered into a service level agreement shall be published on the websites of the insurers and TPAs (Third Party Administrators). Where such service level agreements (SLA) are entered with the Network Providers (hospitals), it is essential for all such hospitals to provide cashless facility for any treatment to the policyholders including COVID-19 treatment in accordance with agreed provisions of SLA and terms and conditions of policy contract.

Therefore, regulator has clarified that the policyholders are entitled to cashless facility at all such network providers (hospital) with whom the Insurance company/TPA has entered into an agreement in accordance to the norms of SLA.

In the event of denial of cashless facility at any such enlisted network providers (hospitals) the aggrieved policyholders may send a complaint to the concerned insurance company. The details and email ids of Grievance redressal officers of insurance companies can be accessed from the website of the insurers or at the following link:

https://www.irdai.gov.in/ADMINCMS/cms/NormalData_Layout.aspx?page=PageNo225&mid=14.2

Group Credit Life Schemes – Modifications to align the coverage with the moratorium announced by Reserve Bank of India

In reference to representations received from Life Insurers to permit them to make certain modifications in the [Group Credit Life Master Policies](#) issued by them so as to align the cover available under such schemes with the revised loan repayment schedule in respect of policyholders who have availed the facility of moratorium announced by RBI in the wake of the COVID-19 pandemic. The regulator has issued following instructions:

- 1) Life Insurers offering group credit life insurance schemes, where under, the members have availed moratorium on payment of EMIs are allowed to suitably modify the term and sum assured under such schemes, against collection of additional premium as may be required, in respect of such members, so that they may continue to be covered as per the revised loan repayment schedule.
- 2) The permission to make such modifications shall be subject to the following conditions:
 - a) The provision is allowed only in cases where the members have opted for moratorium in terms of RBI's announcements.
 - b) The modification shall be limited to the extent required to ensure that the coverage under the scheme matches the revised loan repayment schedule.

- c) The cover for the extended period shall be priced on the same terms as the original cover.
- d) The member enrolment form, the authorization for processing claim payment through the Master Policy Holder (in cases where the Master Policyholder is one of the regulated entities) and the Certificate of Insurance as originally submitted / issued, as the case may be, shall continue to remain valid for the scheme as modified.
- e) The difference in stamp duty shall be remitted as applicable and a suitable endorsement shall be made on the Master Policy Document.



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves capital infusion for the three Public Sector General Insurance Companies – Oriental Insurance Company Limited, National Insurance Company Limited and United India Insurance Company Limited

The Union Cabinet chaired by the Prime Minister, Shri Narendra Modi has approved the [capital infusion](#) for an overall value of Rs.12,450 crore; (including Rs. 2,500 crore infused in FY 2019-20) in the three Public Sector General Insurance Companies (PSGICs) namely Oriental Insurance Company Limited (OICL), National Insurance Company Limited (NICL) and United India Insurance Company Limited (UIICL) but of which Rs.3,475 crore will be released immediately; while the balance Rs,6475 crore will be infused later. Cabinet also approved increase in authorised share capital of NICL to Rs.7,500crore and that of UIICL and OICL to Rs 5,000 crore respectively to give effect to the capital infusion. Further, the process of merger has been ceased so far in view of the current scenario and instead, the focus shall be on their profitable growth.

The capital infusion of Rs.3,475 Crore will be allocated to three PSGICs viz. OICL, NICL and UIICL as the first tranche in the current financial year and the. Balance amount will be released in one or more tranches. To give effect to the infusion, the authorised capital of NICL will be increased to Rs. 7,500 Crore and that of UIICL and OICL to Rs.5,000 Crore respectively.

Impact

The capital infusion will enable the three PSGICs to improve their financial and solvency position, meet the insurance needs of the economy, absorb changes and enhance the capacity to raise resources and improved risk management.

Financial implications:

In the current financial year, the immediate financial implication would be Rs.3,475 crore as a result of capital infusion in three PSGICs namely OICL, NICL and UIICL as the first tranche which will be followed by Rs. 6,475 Crore.

Way forward:

To ensure optimum utilization of the capital being provided, the Government has issued guidelines in the form of KPIs aimed at bringing business efficiency and profitable growth. In the meanwhile, given the current

scenario, the process of merger has been ceased so far and/instead focus shall be on their solvency and profitable growth, post capital infusion.

World Bank and Government of India sign \$750 million Agreement for Emergency Response Programme for Micro, Small, and Medium Enterprises

The World Bank and the Government of India signed the \$750 million agreement for the [MSME Emergency Response Programme](#) to support increased flow of finance into the hands of micro, small, and medium enterprises (MSMEs), severely impacted by the COVID-19 crisis.

The World Bank's MSME Emergency Response Programme will address the immediate liquidity and credit needs of some 1.5 million viable MSMEs to help them withstand the impact of the current shock and protect millions of jobs. This is the first step among a broader set of reforms that are needed to propel the MSME sector over time.

The agreement was signed by Shri Sameer Kumar Khare, Additional Secretary, Department of Economic Affairs, Ministry of Finance on behalf of the Government of India and Mr Junaid Ahmad, Country Director (India) on behalf of the World Bank.

Shri Khare said that the COVID-19 pandemic has severely impacted the MSME sector leading to loss of livelihoods and jobs. The Government of India is focused on ensuring that the abundant financial sector liquidity available flow to NBFCs, and that banks which have turned extremely risk averse, continue taking exposures in the economy by lending to NBFCs. This project will support the Government in providing targeted guarantees to incentivize NBFCs and banks to continue lending to viable MSMEs to help sustain them through the crisis.

The World Bank Group, including its private sector arm – the International Finance Corporation (IFC), will support the government's initiatives to protect the MSME sector by:

Unlocking liquidity

India's financial system benefited from early and decisive measures taken by the RBI and the Government of India (GOI) to infuse liquidity into the market. Give current uncertainties, lenders remain concerned about borrowers' ability to repay – resulting in limited flow of credit even to the viable enterprises in the sector. This program will support government's efforts to channel that liquidity to the MSME sector by de-risking lending from banks and Non-Banking Financial Companies (NBFCs) to MSMEs through a range of instruments, including credit guarantees.

Strengthening NBFCs and SFBs

Improving the funding capacity of key market-oriented channels of credit, such as the NBFCs and Small Finance Bank (SFBs), will help them respond to the urgent and varied needs of the MSMEs. This will include supporting government's refinance facility for NBFCs. In parallel, the IFC is also providing direct support to SFBs through loans and equity.

Enabling financial innovations

Today, only about 8 percent of MSMEs are served by formal credit channels. The program will incentivize and mainstream the use of fintech and digital financial services in MSME lending and payments. Digital platforms will play an important role by enabling lenders, suppliers, and buyers to reach firms faster and at a lower cost, especially small enterprises who currently may not have access to the formal channels.

Shri Junaid Ahmad said that the MSME sector is central to India's growth and job creation and will be key to the pace of India's economic recovery, post COVID-19. The immediate need is to ensure that the liquidity infused into the system by the government is accessed by MSMEs. Equally important is to strengthen the overall financing ecosystem for MSMEs. This operation seeks to achieve both these objectives by furthering the role of NBFCs and SCBs as effective financial intermediaries and leveraging fintech to broaden the reach of finance into the MSME sector.

The World Bank has to date committed \$2.75 billion to support India's emergency COVID-19 response, including the new MSME project. The first \$1 billion emergency support was announced in April this year for immediate support to India's health sector. Another \$1 billion project was approved in May to increase cash transfers and food benefits to the poor and vulnerable, including a more consolidated delivery platform – accessible to both rural and urban populations across state boundaries.

The \$750 million loan from the International Bank for Reconstruction and Development (IBRD), has a maturity of 19 years including a 5-year grace period.



CAPITAL MARKETS

Collection and Reporting of Margins by Trading Member (TM)/Clearing Member (CM) in Cash Segment

Securities Exchange Board of India (SEBI) had earlier issued guidelines with regard to collection of margins from clients and reporting of short-collection / non-collection of margins by [Trading Margin \(TM\) / Clearing member \(CM\)](#).

In view of the representations received from investors, TMs / CMs, stock broker associations, SEBI has decided following:

- i. If TM / CM collects minimum 20% upfront margin in lieu of VaR (Value-at-risk) and ELM (Extreme loss margin) from the client, then penalty for short-collection / non-collection of margin shall not be applicable. However, SEBI reiterates that Clearing Corporation shall continue to collect the upfront margin from the TM / CM based on VaR and ELM.
- ii. The penalty provision for short-collection / non-collection of upfront margin in cash segment shall be implemented with effect from September 01, 2020.

Master Circular for Commodity Derivatives Market

SEBI issued [master circular on Commodity Derivatives market](#), which is a compilation of the circulars issued by the Commodity derivatives market regulation department (CDMRD) pertaining to domestic commodity derivatives segment, which have been issued till date.

Key sections in this circular include sections on following areas:

- I. Trading
- II. Products related guidelines
- III. Daily price limits and position limits
- IV. Participants in commodity derivatives markets
- V. Options in goods
- VI. Options on commodity futures
- VII. Design of commodity indices and product design for futures on commodity indices
- VIII. Risk management

- IX. Contract approval and modification
- X. Delivery and settlement
- XI. Warehousing norms for agriculture and agri-processed commodities
- XII. Investor protection fund and investor services fund and related matters
- XIII. Investor grievance redressal system and arbitration mechanism
- XIV. Governance and administration of exchanges and clearing corporations
- XV. Trading software and technology

Clarification on SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 to open offers, buybacks and delisting of securities of listed entities

One of the provisions in [SEBI \(Listing obligations and disclosure requirements\) Regulations, 2015](#) states that “except in case of transmission or transposition of securities, requests for effecting transfer of securities shall not be processed unless the securities are held in the dematerialized form with a depository.”

SEBI has received representations from investors expressing concerns that they have not been able to participate in open offers, buybacks and delisting of securities of listed entities since the securities held by them were not in dematerialized form.

In this context, SEBI has clarified that shareholders holding securities in physical form are allowed to tender shares in open offers, buy-backs through tender offer route and exit offers in case of voluntary or compulsory delisting. However, such tendering shall be as per the provisions of respective regulations.

Implementation of SEBI circular on ‘Margin obligations to be given by way of Pledge / Re-pledge in the Depository System’

SEBI via an earlier circular had issued mechanism with regard to Margin obligations to be given by way of Pledge / Re-pledge in the [Depository System](#). The provisions of this circular were initially to come into effect from June 01, 2020. The implementation date of the circular was extended till August 01, 2020 in view of disruptions on account of COVID-19 pandemic including restrictions in movement of people.

1. In view of the prevailing situation due to Covid-19 pandemic, partial lockdowns in various areas of the country, representations received from the stock brokers and stock broker associations and that the changes to the systems and software development still under progress, SEBI has decided that,
2. The mechanism of pledge / re-pledge shall be implemented with effect from August 01, 2020. Trading member (TM) / Clearing member (CM) shall endeavor to align their systems and accept client collateral and margin funded stocks by way of creation of pledge / re-pledge in the Depository system.
3. The TM / CM shall also be allowed to accept client securities as collateral by way of title transfer into the Client Collateral Account as per the present system. The system of parallel acceptance of the client securities by way of title transfer shall be available only up to August 31, 2020 and no further extension shall be granted.

4. Funded stocks held by the TM / CM under the margin trading facility shall preferably be held by the TM / CM by way of pledge with effect from August 01, 2020. TM / CM may continue to hold funded stocks in respect of margin funding in 'Client Margin' Trading Securities Account' till August 31, 2020 by which date all such accounts shall be closed. 3. SEBI reiterated that, in terms of paragraph 12 of the circular dated February 25, 2020, the TM / CM shall be required to close all existing demat accounts tagged as 'Client Margin / Collateral' by August 31, 2020.

Transaction in Corporate Bonds/Commercial Papers through RFQ platform and enhancing transparency pertaining to debt schemes

In order to enhance the transparency and disclosure pertaining to debt schemes and investments by mutual funds in [Corporate Bonds/Commercial Papers](#), SEBI based on the recommendation of Mutual Fund Advisory Committee (MFAC) has decided the following:

A. In order to increase the liquidity on exchange platform,

i. On monthly basis, Mutual Funds shall undertake at least 10% of their total secondary market trades by value (excluding Inter Scheme Transfer trades) in the Corporate Bonds by placing/seeking quotes through one-to-many mode on the Request for Quote (RFQ) platform of stock exchanges. The percentage as specified shall be reckoned on the average of secondary trades by value in immediate preceding three months on rolling basis.

For example, for the month of October 2020, Mutual Funds shall undertake 10% (by value) of their average secondary market trades (excluding IST) done in immediate preceding three months i.e. July 2020, August 2020 and September 2020 for Corporate Bonds by placing / seeking quotes through RFQ platform of stock exchanges.

ii. All transactions in Corporate Bonds and Commercial Papers wherein Mutual Fund is on both sides of the trade shall be executed through RFQ platform of stock exchanges in one-to-one mode.

iii. Any transaction entered by mutual fund in Corporate Bonds in one to many mode and gets executed with another mutual fund shall also be counted for the aforesaid 10% requirement.

Review of Stress Testing Methodology for Positions with Early Pay-in

SEBI, via an earlier circular, prescribed norms related [Stress Testing](#). In consultation with Clearing Corporations (CCs), to address the concern regarding high stress loss figures on positions with early pay-in.

Thereby, following clause has been inserted to the [circular](#).

"h) While calculating the residual losses as per 'd' and 'f' in the circular attached above, for positions on which early pay-in are given by the clients/brokers, and margin exemption are granted on such positions, CCs are permitted to consider the 'margin exemption granted' or 'value of early paid-in goods', whichever is lower, as 'margins supporting those positions'."

Framework to Enable Verification of Upfront Collection of Margins from Clients in Cash and Derivatives segments

With respect to equity derivatives and currency derivatives segments, Stock Exchanges/ Clearing Corporations have mandated clearing members/ trading members to collect [applicable margins](#) from their clients/ constituents on an upfront basis.

In order to align and streamline the risk management framework of both cash and derivatives segments, with respect to collection of margins from the clients and reporting of short-collection/non-collection of margins, SEBI required the Trading Members (TMs) / Clearing Members (CMs) in cash segment as well to mandatorily collect upfront VaR margins and ELM from their clients.

Subsequent to the aforesaid Circular, representations were received from the market participants raising issues in operationalization of collection of upfront margin from clients. SEBI held detailed discussions with the market participants so as to evolve a monitoring mechanism for verification of upfront collection of margin from clients.

Based on deliberations with the market participants, with an objective to enable uniform verification of upfront collection of margins from clients by TM/ CM and levy of penalty across segments, it has been decided that the Stock Exchanges/ Clearing Corporations shall adopt the framework specified in the Annexure in the link mentioned above, for the purpose of 'Mechanism for regular monitoring of and penalty for short-collection/ non-collection of margins from clients' in Cash and Derivatives segments.

SEBI reiterated that the applicable upfront margins are required to be collected from the clients in advance of the trade. The aforesaid framework prescribed in the Annexure is only for the purpose of verification of upfront collection of margin and levy of penalty

Guidelines for Issue and Listing of Structured Products/ Market Linked Debentures Amendments

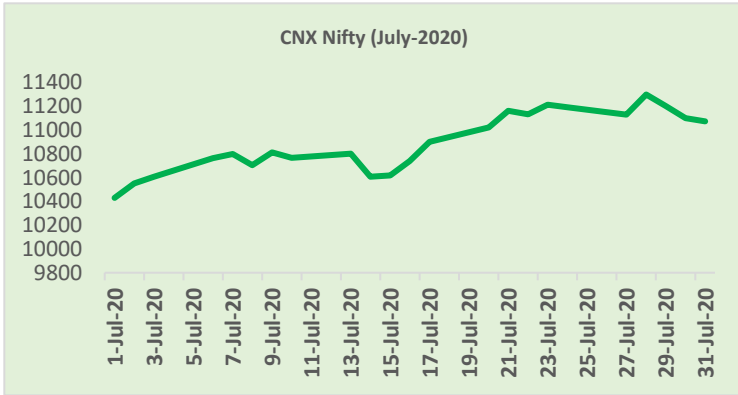
SEBI via an earlier circular had issued guidelines for issue and listing of structured products/ [Market linked Debentures \(MLDs\)](#).

As per the circular, SEBI specified that issuer of MLDs shall appoint a third party valuation agency which shall be a Credit Rating Agency (CRA) registered with SEBI for carrying out valuation of MLDs.

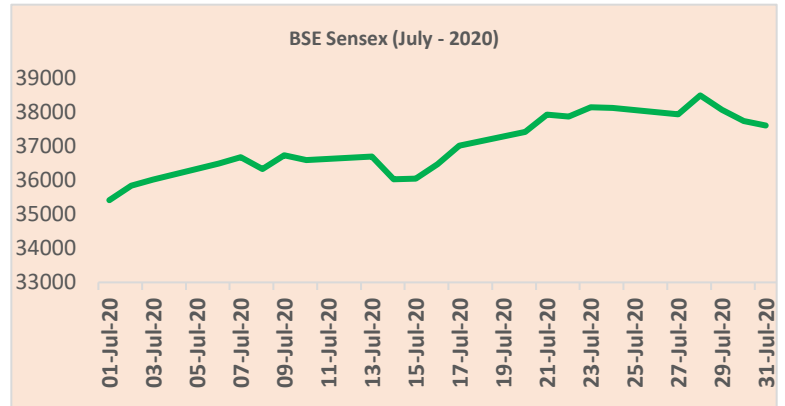
Pursuant to amendment to SEBI (Credit Rating Agencies) Regulation, 1999 on May 30, 2018, a CRA cannot carry out any activity other than rating of securities post May 30, 2020.

In view of the above, therefore, SEBI has decided that valuation of MLDs shall be carried out by an agency appointed by AMFI for the purpose of carrying out valuation.

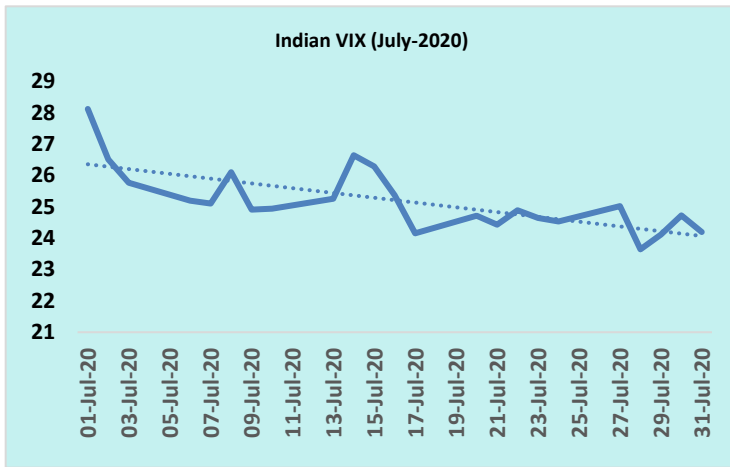
CAPITAL MARKETS SNAPSHOT



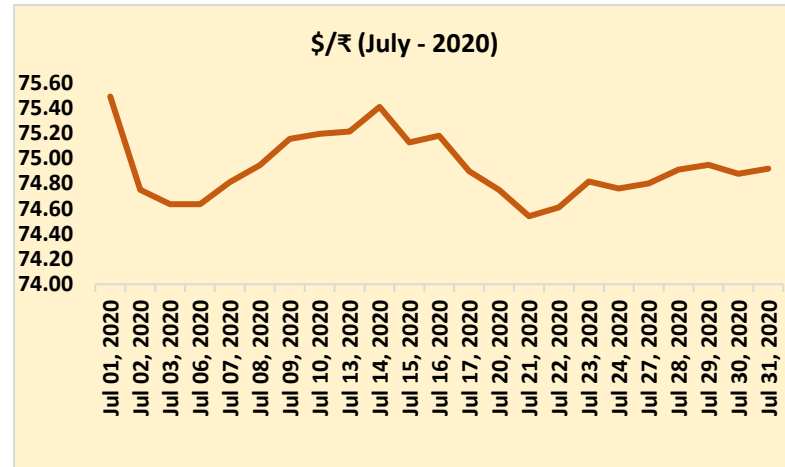
Source: National Stock Exchange



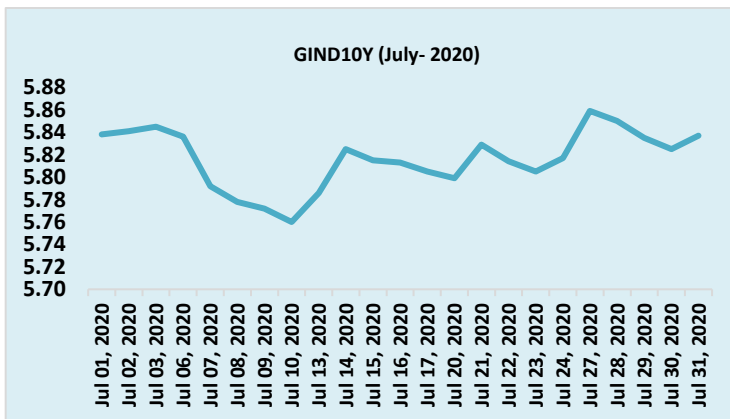
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

The positive momentum in domestic equities continued for the sixth consecutive week till beyond mid-July. The S&P BSE Sensex and Nifty 50 surged ~3% each. The positive tone in the market was set by upbeat earnings results from some major domestic companies. Hopes of additional stimulus from the government also boosted sentiment. Strong global cues, including reports of promising results from Covid-19 vaccine trials and a stimulus package from the European Union (EU), buoyed the market further. Later in the last week of July, The six-week positive trend in Indian equities came to a halt. The S&P BSE Sensex and Nifty 50 fell 1.4% and 1%, respectively. Sentiment was affected earlier since banking and financial stocks declined after the Reserve Bank of India (RBI) estimated the gross non-performing assets (NPA) ratio to increase from 8.5% in March 2020 to 12.5% by March 2021. S&P BSE Bankex was the biggest sectoral decliner, down 4.2%. On the global front, tensions between the United States (US) and China, disappointing US economic growth data and the intensifying Covid-19 pandemic also acted as a dampener.

ECONOMIC DATA SNAPSHOT

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2020*	2021*	Latest	2020*	% of GDP, 2020*	% of GDP, 2020*	(10YGov), Latest
Brazil	-0.3 Q1	-5.5	2.7	2.3 Jul	2.7	-2.0	-14.0	1.99
Russia	1.6 Q1	-6.1	2.6	3.4 Jul	3.5	1.5	-4.3	6.03
India	3.1 Q1	-8.5	9.1	6.1 Jun	5.1	0.9	-7.8	5.86
China	-3.2 Q2	1.4	8.0	2.5 Jun	3.7	0.7	-6.0	2.75 [^]
S Africa	-0.1 Q1	-8.0	1.5	2.1 Jun	3.6	-2.6	-16.0	9.29
USA	-9.5 Q2	-5.3	3.7	0.1 May	0.7	-1.7	-15.9	0.55
Canada	-0.9 Q1	-5.6	3.6	0.7 Jun	0.5	-3.1	-11.0	0.46
Mexico	-18.9 Q1	-9.7	2.1	3.6 Jul	3.1	-1.4	-4.5	5.69
Euro Area	-15.0 Q2	-8.6	5.5	0.4 Jul	0.4	2.3	-9.4	0.0
Germany	-11.6 Q2	-5.9	4.5	-0.1 Jul	0.8	5.9	-7.2	0.0
Britain	-1.7 Q1	-9.4	6.9	0.6 Jun	0.6	-2.2	-18.1	0.21
Australia	1.4 Q1	-4.4	1.6	-0.3 Q2	1.7	-1.3	-7.6	0.85
Indonesia	5.3 Q2	0.2	5.2	1.5 Jul	2.2	-1.6	-6.6	6.78
Malaysia	0.7 Q1	-5.1	1.9	-1.9 Jun	-1.1	2.1	-7.6	2.91
Singapore	-12.6 Q2	-6.0	3.9	-0.5 Jun	-0.2	19.1	-13.5	0.88
S Korea	-3.0 Q2	-1.8	2.6	0.3 Jul	0.4	2.5	-5.7	1.39

Sources: The Economist

* The Economist poll or Economist Intelligence Unit estimate/forecast;

[^] 5-year yield

Quarter represents a three-month period of a financial year beginning 1st April

ABOUT APAS

APAS is a management advisory firm specializing in banking, financial services and the insurance space. APAS assists business leaders of some of the leading domestic and global organizations, acting as an extended arm to the management in coping with the ever changing internal and external dynamics. Leveraging deep business insights APAS develops business and operational strategy for its clients. APAS provides transaction advisory services (Buy, sell and merge), and also specializes in governance and board training. APAS facilitates investors and sellers with directional guidelines of pursuing transactions, by utilizing subject knowledge, vast experience and deep market outreach. APAS has capability to identify and analyze key transaction drivers, recognize possible partnerships, and initiate discussions with them for possible growth opportunity. We help major insurance companies, payment institutions, and other financial organizations to identify their growth potential, innovative opportunity and possible benefits of consolidation, and hence comprehend the possible merger or acquisition. Buying or selling a major asset or a business, undertaking a merger, or performing an IPO can be risky and complex especially in this globalization era. Hence, the need of a trusted advisor who can help clients preserve, create and enhance value in transactions.

Contact Us: 022-6789 1000

info@ap-as.com

www.ap-as.com

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