

2021

Volume 4

# APAS MONTHLY

## THIS MONTH

### Season's greetings!

In this issue, Mr. Prasanna Balachander, Head - Global Markets & Proprietary Trading Group, ICICI Bank has presented his thoughts on 'Indian economy and banking sector: Shape of things and way forward'. We thank Mr. Balachander for his contribution to the APAS Monthly.

This month, the APAS column presents its views on 'Retail Banking in India.'

The economic indicators showed mixed performance. Manufacturing PMI fell to a 7-month low of 55.4 in March from 57.5 in February. India's annual infrastructure output in March expanded to a 32-month high of 6.8%. India's Index of Industrial Production (IIP) witnessed a contraction of 3.6% in February. PMI services fell to 54.6 in March from 55.3 in February, while composite PMI fell to 56 in March from 57.3 in February. CPI inflation rose to 5.52% in March from 5.03% in February. WPI inflation rose to over 8-year high of 7.39% in March from 4.17% in February.

The Reserve Bank of India (RBI) (1) Released Discussion Paper on Corporate Governance in Banks – Appointment of Directors and Constitution of Committees of the Board (2) Enhanced limit of maximum balance per customer at end of the day from INR 1 lakh to INR 2 lakh for Payments Banks (PBs) (3) Harmonised Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) (4) Joined Network for Greening the Financial System (5) Reviewed Norms on Declaration of dividends by banks.

The Insurance Regulatory Development Authority of India (IRDAI) announced (1) Insurance Regulatory and Development Authority of India (Manner of Assessment of Compensation to Shareholders or Members on Amalgamation) Regulations, 2021 (2) Conditions applied to insurers investing in Debt Securities of InvITs and REITs (3) Provisions applicable for insurers investing in alternative investment fund (AIFs).

Government measures increased FDI inflows in the country. President promulgated Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021. Cabinet approved Amendments to the Finance Bill, 2021. Emergency Credit Line Guarantee Scheme (ECLGS) 1.0 & 2.0 extended upto 30.6.2021

Securities and Exchange Board of India (SEBI) announced (1) Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes (2) Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments (3) Guidelines for warehousing norms.

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.

*Ashwin parekh*

## On the cover



## GUEST COLUMN

*Indian economy and banking sector: Shape of things and way forward*

*Mr. Prasanna Balachander  
Head - Global Markets & Proprietary Trading Group,  
ICICI Bank*



## APAS COLUMN

*Retail banking in India*



## ECONOMY

- *Index of Industrial Production – February*
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- [Enhancement of limit of maximum balance per customer at end of the day from ₹1 lakh to ₹2 lakh – Payments Banks \(PBs\)](#)
- [Guidelines for Appointment of Statutory Central Auditors \(SCAs\)/Statutory Auditors \(SAs\) of Commercial Banks \(excluding RRBs\), UCBs and NBFCs \(including HFCs\)](#)
- [RBI joins Network for Greening the Financial System](#)
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- [Investments in Debt Securities of InvITs and REITs](#)
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## INFRASTRUCTURE & OTHER GOVT. INITIATIVES



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- [President promulgates Insolvency and Bankruptcy Code \(Amendment\) Ordinance, 2021](#)
- [Cabinet approves Amendments to the Finance Bill, 2021](#)
- [Emergency Credit Line Guarantee Scheme \(ECLGS\) 1.0 & 2.0 extended upto 30.6.2021](#)



## CAPITAL MARKETS

- Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes
- Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments
- Guidelines for warehousing norms

## CAPITAL MARKETS SNAPSHOT

- CNX Nifty, BSE Sensex, India VIX, \$/₹, GIND 10Y

Countries	GDP			CPI		Current Account Balance		Budget Balance	Interest Rates
	Latest	2016*	2017*	Latest	2016*	% of GDP, 2016*	% of GDP, 2016*	(10Y Gov), Latest	
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	
<b>India</b>	<b>7.3 Q3</b>	<b>7.2</b>	<b>7.5</b>	<b>3.6 Nov</b>	<b>4.9</b>	<b>-0.9</b>	<b>-3.8</b>	<b>6.51</b>	
China	6.7 Q3	6.7	6.4	2.3 Nov	2.0	2.5	-3.8	3.10 <sup>A</sup>	
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	

Japan	1.6 Q3	1.1	1.2	1.2 Nov	0.8	1.1	-1.2	3.11
South Korea	1.1 Q3	1.3	2.0	-0.1 Oct	-0.6	21.5	21.5	2.49
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## ECONOMIC DATA SNAPSHOT

- Global GDP, CPI, Current account balance, budget balance, Interest rates





## Indian economy and banking sector: Shape of things and way forward

*Mr. Prasanna Balachander*  
*Head - Global Markets & Proprietary Trading Group,*  
*ICICI Bank*

After an optimistic start to 2021, growth sentiment has rapidly turned around as India battles the ferocious second wave of the pandemic. The learnings from the previous wave has ensured that all the stakeholders – Government, Corporates and Individuals - seem to be much better prepared to handle the pandemic with lesser impact on livelihood. However, the uncertainty from localized lockdowns, its longevity and the disruption caused to supply chains are by no means negligible and has moved the focus back on monetary and fiscal policy response.

As a first line of defense, RBI-MPC has been swift enough to move towards a more open ended “state-based guidance” from an earlier “time based exit” of its accommodative stance. Though the RBI in its last MPC meeting retained the GDP growth projection at 10.5% for FY22, the intensity of the second wave pandemic has clearly opened up downside risk. In this context, the unanimity among policy makers to support durable recovery has reinforced the “lower for longer” outlook on policy rates. It was also interesting that the minutes of the MPC meeting released on 22nd April was far more dovish in its language, tonality and focus than the policy itself that was announced on 7th April. Clearly the exponential pick up in infections and the intensity of the uncertainty in the ensuing period probably played a very important part in this dovish shift.

To complement the MPC’s accommodative stance, the RBI has also reaffirmed ample system liquidity to ensure congenial financial conditions. Continuing with its record of innovative and unconventional measures, RBI unveiled a “Government Security Acquisition Program” (GSAP v1) wherein it has committed upfront acquisition of a specified amount of government securities in a specified period of time. The first acquisition tranche of INR 1.0 trillion during Q1FY22 is approx. 30% and 40% of gross and net supply respectively by the central government during that period. The RBI has stated that the program cedes discretion in the interest of supporting the market while assisting market participants to plan their engagement with the sovereign borrowing in a better way. Even as RBI acknowledged the associated risks in form of asset price inflation, currency depreciation and capital flight, it has stated that the balance of risks lies in favor of G-SAP 1.0 to support financial conditions, keep borrowing costs low for the central government and ultimately pave the way for a durable economic recovery. To drive the message loud and clear, the Governor himself stated that GSAP 1.0, as the name itself indicated, suggests that more versions are likely to come.

The new GSAP program strongly reinforces the RBI commitment for “an orderly evolution of the yield curve as a public good”. While the front end of the yield curve is anchored through elongated accommodative guidance and ample system liquidity provision, the long end curve is managed through balance sheet

operations. This two-pronged strategy along with sector specific support program by RBI is also helping Indian corporates raise cheaper resources through market borrowings and thereby manage refinancing risk. As yields for top rated borrowers continue to remain low and stable, the liquidity is ensuring market financing availability for corporates lower down the credit curve. Moreover, a fast-normalizing current account deficit and a more balanced foreign reserve accretion profile is likely to ease the RBI's hand in managing the sovereign borrowing program. The RBI's persistent focus and purchases of the benchmark 10y bond has also helped telegraph a stable yield environment. Given that the 10y IGB yields have traded in a relatively narrow range and centered around 6.0% despite the huge borrowing program, firming global commodity prices and rise in developed market yields, it underlies the success of RBI's market operations. We believe that rise in growth risks and elevated uncertainty amid the ongoing pandemic situation implies that the RBI's "influence" on IGBs yield could persist in the near term.

However, even as central banks across the globe continue to remain highly accommodative in a bid to push growth, there is a debate raging now whether the global inflation pickup is transient or persistent and will it accelerate the normalization process from systemic central banks. Though it is too early to judge at this moment, some of these factors which have kept global inflation low over the last many years may now be waning. Prominent among these were globalization and technological enhancement, which somewhat weaken the bargaining power of labor and pricing power of domestic firms and led to an increase in overall factor productivity. The pandemic has rekindled the need to have domestic production capacities which may accelerate the trend towards de-globalization and reshoring of supply chains. There is a growing risk that such a fallout may lead to increased costs and lower productivity, bringing an end to the low inflation era.

In the near term, the sharp rise in global commodity prices and inflationary expectations have raised the risk on the external account. However, we believe that exit strategies from systemic central banks will be well telegraphed and more predictable as compared to 2013 taper tantrum. This may provide a window to RBI to recalibrate / delay its normalization strategy which is ultimately necessitated given that real policy rates are in deep negative territory and the policy rate differentials with the US are far lower than historical averages. Nevertheless, the policy normalization will be contingent upon how effectively we navigate the vaccination strategy balanced with the containment of the infection spread. All things considered, as of now, we believe that RBI will remove its enhanced forward guidance in Q3 and increase the reverse repo rate in Q4FY22 to normalize policy rate corridor.

To conclude, the world has seen enormous coordination between fiscal and monetary authorities to deal with the current crisis and RBI policy response is no exception. It is equally important that to nurture the recovery process, the policy supports are not prematurely withdrawn. However, the strength and pace of the global recovery is uneven and largely hinges on the speed of inoculation, extent and effectiveness of policy support and country-specific structural factors. In this global backdrop, the path ahead for RBI will necessitate careful trade-offs between lifting near-term activity and addressing medium-term challenges. Moreover, dealing with high public debt requires a two-pronged approach. First and foremost, governments need to safeguard fiscal sustainability through credible roadmap and structural reforms to boost trade, competitiveness and productivity. Second, a credible monetary policy framework lies at the core of debt management. Without low and stable inflation, it would be difficult to keep borrowing costs low for the government and elongate the debt maturity profile. By preferring continuity and consistency with the inflation mandate, India has shown its intent to consolidate the gains in terms of a decline in inflation volatility through more credible anchoring of inflation expectations. Last but not the least, with all major central banks so heavily invested in the economic recovery, central bank "speak" and "reading the sub text" of central bank statements will

assume paramount importance in determining how easy or difficult it will be for markets to prepare for the road to normalization in rates across the world.

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





## Retail Banking in India

Economy and banking system go hand-in-hand, specifically in India, where the only manner of financial inclusion is through banking channel. Growth of banking system is commensurate with the growth of economy in terms of growth of banking book size. Over the years, retail banking has become one of the most elemental components of the commercial banking system and is of utmost importance to the general public. The growth could be attributed to the massive shift in financial inclusion post liberalization era, opening up of financial sector to foreign companies, increase in disposable wealth and foreign banks driving most of these changes to bring the services in retail banking in line with the global standards. However, some of the foreign banks have started exiting their retail business in India. Recently, Citi Bank has decided to exit its consumer banking business from India. We understand in detail the background and future of retail banking in India.

Retail banking systems services customers in areas like checking accounts, opening accounts, savings accounts, loans, debit cards, and more to the citizens. This system targets members of the general public and their personal needs of handling money. It excludes companies, businesses, and corporations which may need more complex banking solutions.

Foreign banks were first to introduce culture of personalized banking in India. This came in the same era when certain sections of urban population had new-found financial freedom on account of more disposable income and wanted a privileged experiential treatment. The market was already very limited though.

Slowly, over the years until Global financial crisis (GFC), this market came to a saturation due to slowing down of economy growth curve. Banks that had aggressively grown their retail credit portfolios during the pre-crisis period significantly reduced their lending to this segment and tightened their credit underwriting standards, shifting the emphasis from volume to quality. Private and foreign banks, in particular, reined in retail credit due to the perceived increased risk on account of the general slowdown. Adding to it, the high-default rate in the post-crisis era had also hurt the books of these banks. These included mostly portfolios like unsecured business, personal loans and credit card units for foreign banks. Foreign banks, owing to liquidity pressures in their home-markets, saw consolidation across several economies. The impact on Indian markets being wrap-up of wealth-management, NBFC-units, retail and private banking units of several major foreign banks in India.

Expanding in India for foreign banks beyond specific urban background for retail has been a tough game. According to a foreign expert, the foreign banks stopped developing new products which could cater to the

large middle class segment. That meant, that India business did not grow to the level they aspired to. The banks faced challenges such as diversity, demography, customer preferences for savings and banking services, lack of foreign bank brand identification and brand loyalty, competition from home-grown institutions, trust, high costs of operations, etc.

Home-grown domestic institutions have been aggressively playing their retail game. Large domestic banking institutions now have a fair share of retail banking, which has been gradually increasing over the years. These institutions had an advantage of Indian leadership with a foreign banking experience and thereby win-win on both fronts. We now also have certain too-big-to-fail institutions with Government backing, which have the capacity to cater to every strata of society.

On account of demographic and geographic diversity in India, the financial institutions are also diverse to an extent, with regional-focusing institutions like non-banking financial companies, small finance banks, regional rural banks, payments banks and more recently digital lenders catering to needs at localized level. In the last few years, large private sector banks, along with a bunch of small and mid-sized lenders, are aggressively increasing their retail business due to low rate of defaults and decent margin in it. More number of private banks would mean intense competition for foreign players who do not have a level playing field here. Thus, resulting in a loss of major market share for foreign banks.

On the operational front, the costs of running local branches have been always huge for foreign banks. To compete in retail, feet-on-street is an absolute necessity which totally adds to the cost of expensive infrastructure and staff, thereby curtailing the expansion like local banks. Adding to this, regulations entail the foreign banks to establish local wholly owned subsidiaries to get 'near-national' treatment. Among the rules that hurt foreign banks the most were those related to priority sector-lending. The RBI regulations state that if a foreign bank wants to incorporate locally, they will have to comply with norm that requires at least 40 percent of the overall loans be extended to priority sector lending. This is not feasible for foreign banks which are mostly confined to metros and urban centers. So, the dilemma was to bear an emblem of luxurious retail banking and be present at ground-root level too.

Some of the foreign banks are looking at strategic methods to expand markets in India. A major South-Asian bank which was the first large foreign bank to set up wholly owned subsidiary in India, has adopted a digital only model in India and has also acquired a South-Indian bank to expand its branch-level operations.

Technology could be one of the major driving factors, specifically in post-COVID era driving the growth of digital servicing of retail customers. Almost all private banks, state-run banks and foreign banks have started adopting digital means and ways such as mobile applications, internet banking, phone-banking etc. Payment banks service only through mobile applications.

Retail banking has been ever evolving in India. Foreign banks were at the forefront of evolution of experiential banking, however, lagged in the coming years and have eventually wrapped up owing to lack of capital and slow growth. Over the years, various domestic financial institutions along-with large banks have evolved in India to make retail banking more 'personalized experience'. With a recent gush of technology-based banking and increase in the relevant customer base, banks may rely more on avenues such as contactless banking such mobile-banking, internet-banking, etc. How this impacts the savings and deposit profile of the country remains to be seen.

**-APAS**



## ECONOMY

### **IIP (Index of Industrial Production) – February**

Index of Industrial Production (IIP) or factory output for the month of February 2021 witnessed a contraction of 3.6%, compared to a contraction of 0.9% in January 2021 and a growth of 5.2% in February 2020.

The General Index for the month of February 2021 stands at 129.4, which is 3.6% lower as compared to February 2020.

The manufacturing sector, which constitutes 77.63% of the index, declined by 3.7% in February, to 129.3.

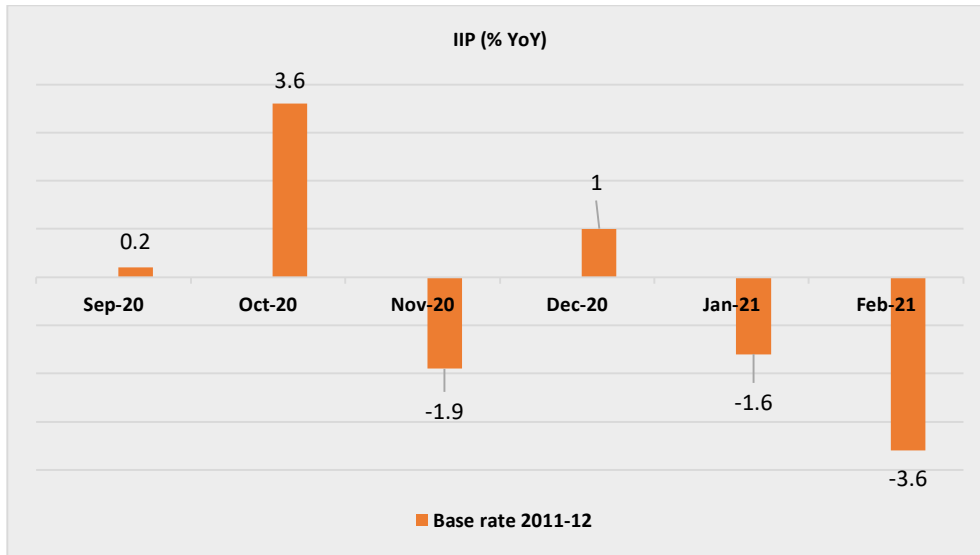
Mining sector output contracted by 5.5%, to 116.5.

Electricity generation rose by 0.1%, to 153.9.

As per Use-based classification, the indices stand at 124.3 for primary goods, 93.3 for capital goods, 137.6 for intermediate goods and 138.2 for infrastructure/construction goods for February.

Further, the indices for consumer durables and consumer non-durables were at 124.7 and 147.6, respectively.

The IIP for April-February period has contracted by 11.3%. It had registered a growth of 1% during the same period last fiscal.



Source: APAS BRT, [www.mospi.gov.in](http://www.mospi.gov.in)

### **CPI (Consumer Price Index) – March**

India's consumer price index (CPI) or retail inflation rose to 5.52% in March 2021, compared to 5.03% in February 2021 and 5.8% in March 2020.

The corresponding provisional inflation rates for rural and urban areas are 4.61% and 6.52% respectively.

The core CPI inflation rose to 5.72% in March 2021 from 5.59% in February 2021.

The Consumer Food Price Index (CFPI) rose to 4.94% in March from 3.87% in February.

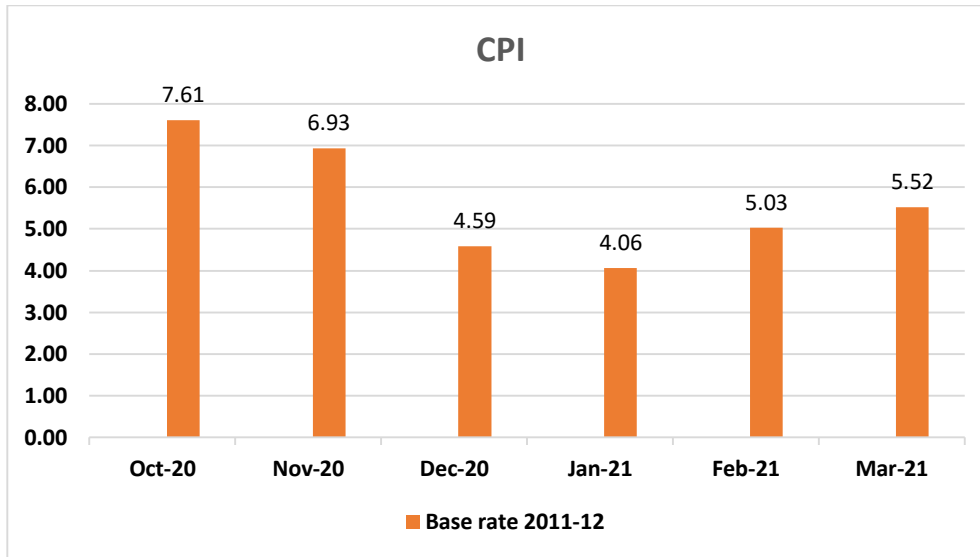
Among the CPI components, inflation for food and beverages rose to 5.24% in March from 4.25% in February.

Within the food items, the inflation increased for meat and fish to 15.09%, oils and fats to 24.92%, vegetables to (-) 4.83%, fruits to 7.86%, pulses and products to 13.25%, prepared meals, snacks, sweets, etc. to 5.39%, non-alcoholic beverages to 14.41% and sugar and confectionery to (-) 0.53%. However, the inflation declined for cereals and products to (-) 0.69%, spices to 6.72%, milk and products to 2.24% and egg to 10.6% in March 2021.

The inflation for housing increased to 3.5%, while that for miscellaneous items rose to 6.88% in March.

Within the miscellaneous items, the inflation rose for transport and communication to 12.55%, education to 2.5%, household goods and services to 3.28%, recreation and amusement to 6.12%, while it eased for personal care and effects to 5.92% and health to 6.17%, in March 2021.

The inflation for clothing and footwear rose to 4.41%, while that for fuel and light moved up to 4.5% in March.



Source: APAS BRT, [www.mospi.gov.in](http://www.mospi.gov.in)

### **WPI (Wholesale Price Index) – March**

India's wholesale price index (WPI) inflation rose to over 8-year high of 7.39% in March 2021, as compared to 4.17% in February 2021 and 0.42% in March 2020.

The rate of inflation based on WPI Food Index increased to 5.28% in March 2021 from 3.31% in February 2021.

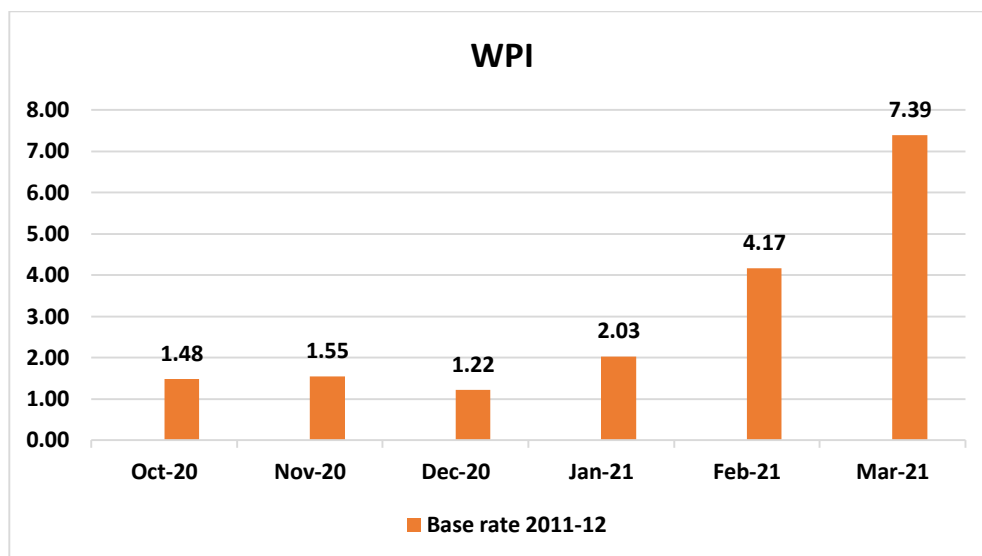
The index for primary articles increased by 0.55% from the previous month.

Prices increased for crude petroleum and natural gas (8.64%), non-food articles (1.9%) and minerals (0.35%). Prices declined for food articles (-0.45%).

The index for fuel and power increased by 5.28% from the previous month.

Prices increased for mineral oils (9.76%), prices declined for coal (-0.08%), while prices of electricity remained unchanged.

The index for manufactured products increased by 1.27% from the previous month.



Source: APAS BRT, [www.eaindustry.nic.in](http://www.eaindustry.nic.in)

### **Manufacturing PMI – March**

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) grew at its weakest pace in 7 months in March as renewed lockdowns to curtail a resurgence in Covid-19 cases dampened domestic demand and output, forcing firms to cut headcount again.

The Manufacturing PMI fell to a 7-month low of 55.4 in March 2021 from 57.5 in February 2021. It stayed above the 50 level, that separates expansion from contraction, for the eighth straight month.

It was indicative of a substantial improvement in the health of the sector, that outpaced the long-run series average.

After starting 2021 on a stronger footing than it ended 2020, the manufacturing sector lost further growth momentum in March. Production, new orders and input buying expanded at softer rates. However, in all 3 cases, the increases were sharp and outpaced their respective long-run averages.

While predictions that the vaccination programme will curb the disease and underpin output growth in the year ahead meant that business confidence remained positive, growing uncertainty over the near-term outlook due to a rise in Covid-19 cases dragged sentiment to a 7-month low.

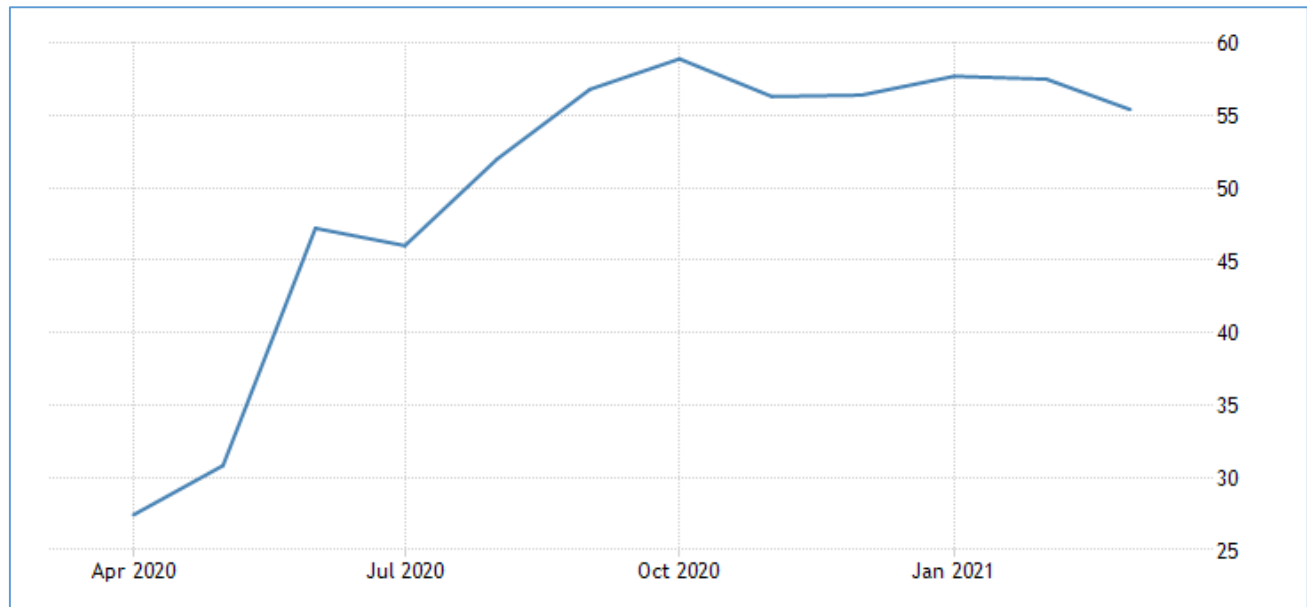
The manufacturing sector conditions in India continued to improve sharply in March, despite some loss of growth momentum.

Firms scaled up production and input buying in line with another upturn in sales, but employment decreased due to Covid-19 restrictions and a lack of pressure on capacity.

On the price front, the rate of input cost inflation was among the strongest seen over the past 3 years. However, selling prices increased only moderately as companies limited their adjustments to retain a competitive edge and boost sales.



With Covid-19 restrictions expanded and lockdown measures reintroduced in many states, Indian manufacturers look set to experience a challenging month in April.



Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

### **Services PMI – March**

The Indian services sector activity softened in March amid rising cases of coronavirus infections and falling footfalls, though ongoing state elections kept services demand elevated.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index fell to 54.6 in March 2021 from 55.3 in February 2021. The index stayed above the neutral mark of 50, which separates expansion from contraction, for the sixth straight month.

The reading pointed to the sixth straight month of expansion in the sector, as both output and new orders continued to grow, despite the rate of expansion softening.

External demand continued to worsen, with new orders from abroad decreasing for the 13<sup>th</sup> straight month.

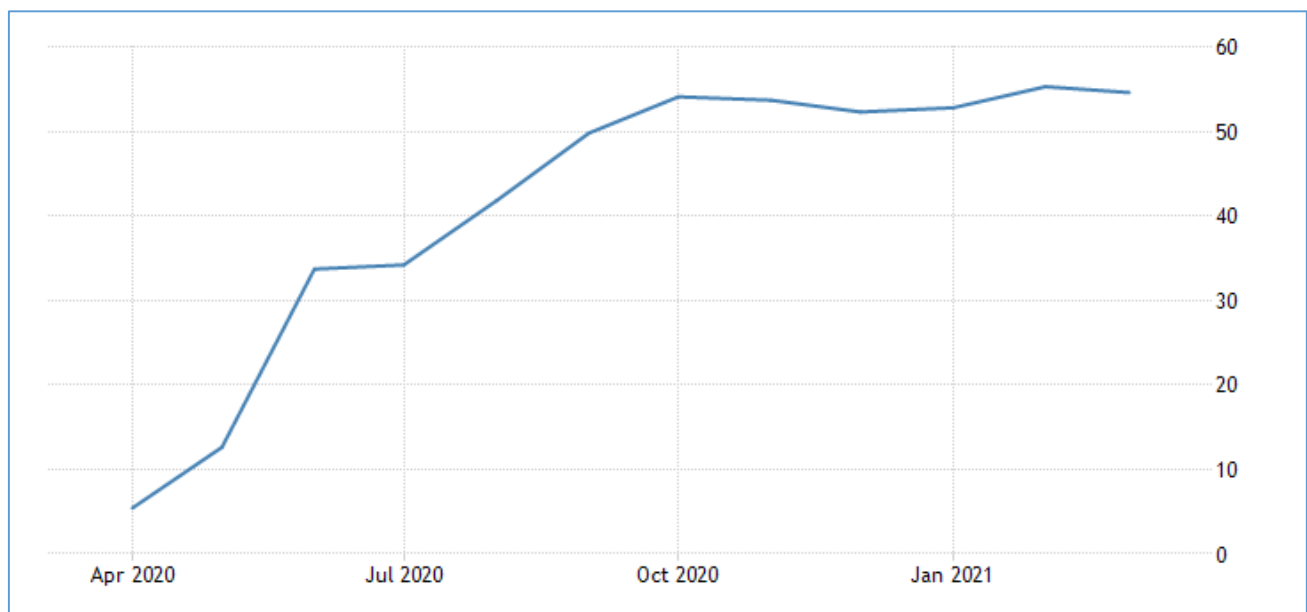
At the same time, the pace of job shedding accelerated, with backlogs of work rising for the 10<sup>th</sup> month running, but at the weakest pace since last June.

On the price front, input cost inflation eased from February's 8-year high.

Meanwhile, selling prices increased, amid efforts to protect margins, given ongoing increases in input costs.

Looking ahead, business sentiment was unchanged amid the rollout of Covid-19 vaccines underpinning positive expectations towards growth prospects.

The seasonally adjusted Nikkei India Composite PMI Output Index fell to 56 in March from 57.3 in February.



Source: [www.tradingeconomics.com](http://www.tradingeconomics.com)

### **Core Sector Data – March**

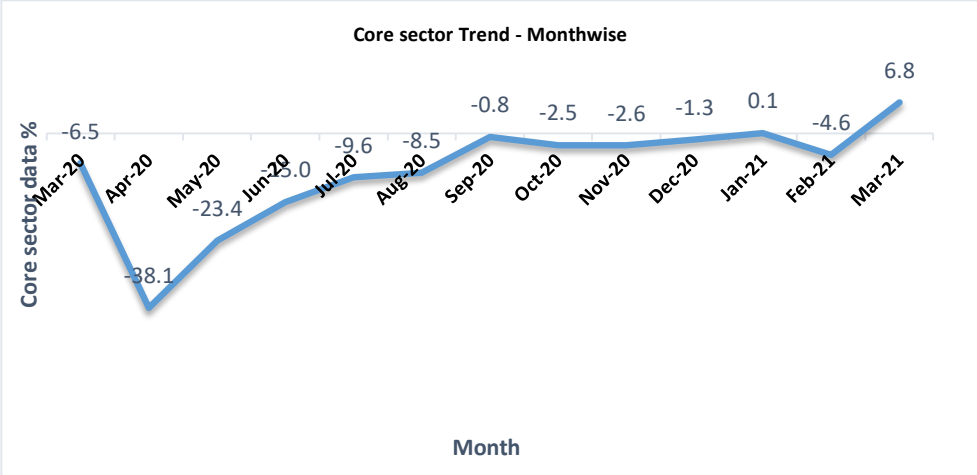
Growth of eight infrastructure sectors expanded to a 32-month high of 6.8% in March 2021.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had contracted by 3.8% in February 2021 and 8.6% in March 2020.

The production of cement, steel, electricity and natural gas sectors increased by 32.5%, 23%, 21.6% and 12.3%, respectively.

On the other hand, the output of coal, crude oil, refinery products and fertilisers declined by 21.9%, 3.1%, 0.7% and 5%, respectively.

Cumulatively, the growth in the eight core sectors during April-March 2020-21 contracted by 7%, as against an expansion of 0.4% in the same period last financial year.



Source: APAS BRT, [www.eaindustry.nic.in](http://www.eaindustry.nic.in)



## BANKING

### **Corporate Governance in Banks – Appointment of Directors and Constitution of Committees of the Board**

A Discussion Paper on ‘Governance in Commercial Banks in India’ was issued by the Reserve Bank on June 11, 2020 to review the framework for [governance in the commercial banks](#).

In order to address a few operative aspects received through such feedback from the discussion paper, RBI has decided to issue instructions with regard to the Chair and meetings of the board, composition of certain committees of the board, age, tenure and remuneration of directors, and appointment of the whole-time directors (WTDs).

Key working instructions by RBI are as follows:

1. Chair and meetings of the Board

The Chair of the board shall be an independent director. In the absence of the Chair of the board, the meetings of the board shall be chaired by an independent director. The quorum for the board meetings shall be one-third of the total strength of the board or three directors, whichever is higher. At least half of the directors attending the meetings of the board shall be independent directors.

2. Committees of the Board

- (a) Audit Committee of the Board (ACB)

The ACB shall be constituted with only non-executive directors (NEDs). The Chair of the board shall not be a member of the ACB. The ACB shall meet with a quorum of three members. At least two-thirds of the members attending the meeting of the ACB shall be independent directors<sup>1</sup>. The ACB shall meet at least once in a quarter. The meetings of the ACB shall be chaired by an independent director who shall not chair any other committee of the Board. The Chair of the ACB shall not be a member of any committee of the board which has a mandate of sanctioning credit exposures. All members should have the ability to understand all financial statements as well as the notes/ reports attached thereto and at least one member shall have requisite professional expertise/ qualification in financial accounting or financial management [e.g., experience in application of accounting standards and practices, including internal controls around it].

### (b) Risk Management Committee of the Board (RMCB)

The board shall constitute an RMCB with a majority of NEDs. The RMCB shall meet with a quorum of three members. At least half of the members attending the meeting of the RMCB shall be independent directors of which at least one member shall have professional expertise/ qualification in risk management<sup>2</sup>. Meetings of RMCB shall be chaired by an independent director who shall not be a Chair of the board or any other committee of the board. The Chair of the board may be a member of the RMCB only if he/she has the requisite risk management expertise. The RMCB shall meet at least once in each quarter.

### (c) Nomination and Remuneration Committee (NRC)

The board shall constitute an NRC made up of only NEDs. The NRC shall meet with a quorum of three members. At least half of the members attending the meeting of the NRC shall be independent directors, of which one shall be a member of the RMCB. The meetings of the NRC shall be chaired by an independent director. The Chair of the board shall not chair the NRC. The meeting of NRC may be held as and when required<sup>3</sup>.

### 3. Age and tenure of NEDs

The upper age limit for NEDs, including the Chair of the board, shall be 75 years and after attaining the age of 75 years no person can continue in these positions<sup>4</sup>.

The total tenure of an NED, continuously or otherwise, on the board of a bank, shall not exceed eight years. After completing eight years on the board of a bank the person may be considered for re-appointment only after a minimum gap of three years.<sup>5</sup> This will not preclude him/her from being appointed as a director in another bank subject to meeting the requirements.

### 4. Remuneration of NEDs

In addition to sitting fees and expenses related to attending meetings of the board and its committees as per extant statutory norms/ practices, the bank may provide for payment of compensation to NEDs in the form of a fixed remuneration commensurate with an individual director's responsibilities and demands on time and which are considered sufficient to attract qualified competent individuals. However, such fixed remuneration for an NED, other than the Chair of the board, shall not exceed ₹20 lakh per annum<sup>6</sup>.

### 5. Tenure of MD&CEO and WTDs

Subject to the statutory approvals required from time to time, the post of the MD&CEO or WTD cannot be held by the same incumbent for more than 15 years. Thereafter, the individual will be eligible for re-appointment as MD&CEO or WTD in the same bank, if considered necessary and desirable by the board, after a minimum gap of three years, subject to meeting other conditions. During this three-year cooling period, the individual shall not be appointed or associated with the bank or its group entities in any capacity, either directly or indirectly.

It is clarified that the extant instructions on upper age limit for MD&CEO and WTDs in the private sector banks would continue and no person can continue as MD&CEO or WTD beyond the age of 70 years. Within the overall limit of 70 years, as part of their internal policy, individual bank's Boards are free to prescribe a lower retirement age for the WTDs, including the MD&CEO.

MD&CEO or WTD who is also a promoter/ major shareholder, cannot hold these posts for more than 12 years. However, in extraordinary circumstances, at the sole discretion of the Reserve Bank such MD&CEO or WTDs may be allowed to continue up to 15 years. While examining the matter of re-appointment of such MD&CEOs or WTDs within the 12/15 years period, the level of progress and adherence to the milestones for dilution of promoters' shareholding in the bank shall also be factored in by the Reserve Bank.

**Enhancement of limit of maximum balance per customer at end of the day from ₹1 lakh to ₹2 lakh – Payments Banks (PBs)**

As per the guidelines for Payments Banks, PBs were restricted to hold a [maximum balance](#) of ₹1 lakh per individual customer at the end of the day. It was also indicated in the guidelines that after gauging the performance of the PBs, RBI may consider increasing the maximum balance limit.

Considering the progress made by PBs in furthering financial inclusion and with the objective of giving more flexibility to the PBs, RBI has decided to enhance the limit of maximum balance at the end of the day from ₹1 lakh to ₹2 lakh per individual customer of PBs with immediate effect.

**Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)**

As per an announcement by RBI within the Statement of Developmental and Regulatory Policies, with a view to improve the quality of financial reporting of Supervised Entities (SEs), harmonized guidelines on appointment of [Statutory Auditors](#) of Commercial Banks (excluding RRBs), Primary (Urban) Co-operative Banks (UCBs) and Non-Banking Finance Companies (NBFCs) will be issued by RBI.

The key guidelines on such matter are on the following areas:

1. Applicability
2. Prior approval of RBI
3. Number of statutory central auditors / statutory auditors and branch coverage
4. Eligibility criteria of auditors
5. Independence of auditors
6. Professional standards of statutory central auditors and statutory auditors
7. Tenure and rotation
8. Audit fees and expenses
9. Statutory Audit Policy and Appointment Procedure



### **RBI joins Network for Greening the Financial System**

The Reserve Bank of India (RBI) has joined the Central Banks and Supervisors Network for [Greening the Financial System \(NGFS\)](#) as a Member on April 23, 2021.

Launched at the Paris One Planet Summit on December 12, 2017, the NGFS is a group of central banks and supervisors willing to share best practices and contribute to the development of environment and climate risk management in the financial sector, while mobilizing mainstream finance to support the transition towards a sustainable economy.

The Reserve Bank expects to benefit from the membership of NGFS by learning from and contributing to global efforts on Green Finance which has assumed significance in the context of climate change.

### **Declaration of dividends by banks**

In view of the continuing uncertainty caused by the ongoing second wave of COVID-19 in the country, it is crucial that banks remain resilient and proactively raise and conserve capital as a bulwark against unexpected losses. Therefore, while allowing banks to pay [dividend on equity shares](#), RBI has decided to review the dividend declaration norms for the year ended March 31, 2021 as below.

#### **Commercial Banks**

Commercial banks may pay dividend on equity shares from the profits for the financial year ended March 31, 2021, subject to the quantum of dividend being not more than fifty percent of the amount determined as per the dividend payout ratio prescribed in an earlier circular.

#### **Cooperative Banks**

Cooperative banks shall be permitted to pay dividend on equity shares from the profits of the financial year ended March 31, 2021.

#### **General**

All banks shall continue to meet the applicable minimum regulatory capital requirements after dividend payment. While declaring dividend on equity shares, it shall be the responsibility of the Board of Directors to inter-alia consider the current and projected capital position of the bank vis-à-vis the applicable capital requirements and the adequacy of provisions, taking into account the economic environment and the outlook for profitability.



## INSURANCE

### **Insurance Regulatory and Development Authority of India (Manner of Assessment of Compensation to Shareholders or Members on Amalgamation) Regulations, 2021**

IRDAI released guidelines on [Manner of assessment of compensation to shareholders](#) or members on amalgamation to provide for the manner of assessment of compensation for the shareholders or members whose interests in, or rights against, the transferee insurer resulting from amalgamation are less than his interest in, or rights against the original insurer.

Key inclusions of these regulations are as follows:

1. Chapter 1: Key definitions
2. Chapter 2:
  - i. Every person who, immediately before the appointed date, is registered as a shareholder or a member of the original insurer and the interest in, or rights of such shareholder or member against the transferee insurer are less than the interest in, or rights against the original insurer, shall be eligible for compensation in accordance with these regulations.  
Provided that the eligible shareholders or members shall be considered for payment of such compensation only where the residual value of the assets is positive.
  - ii. The compensation assessed in accordance with the provisions of these regulations shall be paid either in cash or in kind or partially in cash and partially in kind.
  - iii. The Authority shall assess the compensation payable to the shareholders or members of the original insurer, whose interest in, or rights against the transferee insurer are less than their interest in or rights against the original insurer, on the basis of the residual value of the assets as arrived at.
3. Chapter 3
  - a) Part I: Methodology for assessment of Compensation to Shareholders or Members 6. The residual value shall be apportioned in the following order of preference:

- a. Subordinated debt under the head "other forms of capital"
  - b. Preference share capital under the head "other forms of capital"
  - c. Shareholders or members of the original insurer.
- b) The remaining residual value arrived at in accordance with above, shall be distributed to every eligible shareholder or member in such proportion as the amount of paid-up capital of the shares held by such shareholder or member bears to the total paid up capital of the original insurer.
- c) Part II: For the purpose of computation of residual value of assets by the Authority, "assets" shall be the sum total of the following: -
- a. the amount of cash in hand and the amount of balances with any bank immediately before the appointed date, whether in deposit or current account, and money at call and short notice, balance held outside India being converted at the market rate of exchange
  - b. the market value, as on the day immediately before the appointed date, of any securities, shares, debentures, bonds and other investments, held by the original insurer concerned
  - c. The amount of advances (including loans), other debts, whether secured or unsecured, to the extent to which they are reasonably considered recoverable;
  - d. The value of any land or buildings
  - e. The total amount of premia paid, in respect of all leasehold properties, reduced in the case of each such premium by an amount which bears to such premium the same proportion as the expired term of the lease in respect of which such premium shall have been paid bears to the total term of the lease
  - f. The written down value as per books, or the realisable value, as may be considered reasonable, of all furniture, fixtures and fittings; 7)
  - g. The market or realisable value, as may be appropriate, of the other assets appearing in the books of the original insurer.

d) Part III-Liabilities

For the purpose of computation of residual value of assets by the Authority, "liabilities" shall be the total value of

- (a) all liabilities existing as on the appointed date, and
- (b) all contingent liabilities which the transferee insurer may reasonably be expected to discharge on or after the appointed date under the scheme of amalgamation.

Provided that (i) policyholders' liabilities in case of a life insurer; and (ii) IBNR and IBNER liabilities in case of a general insurer shall be taken on the basis of the valuation determined by an independent actuary.

### **Investments in Debt Securities of InvITs and REITs**

As per an earlier circular by IRDAI on Investments-Master Circular permits insurers to invest in Units of listed Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs). Consequent to Finance Act, 2021 permitting Trusts to issue [Debt Securities](#), the following conditions shall apply to Insurers investing in “Debt Securities” issued by InvITs / REITs:

- a. The Debt Instruments of InvIT / REIT shall be rated and not less than “AA” as a part of Approved Investments.
- b. Debt Instruments of InvITs / REITs rated and or downgraded below “AA” shall form part of Other Investments.
- c. No insurer shall invest more than 10% of the Outstanding Debt instruments (including the current issue) in a single InvIT/REITs issue.
- d. The cumulative Investments in Units and Debt Instruments of InvITs and REITs shall not exceed 3% of total fund size of the Insurer at any point of time.
- e. No investment shall be made in Debt instruments of an InvIT/REIT where the Sponsor is under the Promoter Group of the Insurer.
- f. Group shall have the meaning as defined under Regulation 2(g) of IRDAI (Investment) Regulations, 2016
- g. Investment in Debt Instruments of InvIT will form part “Infrastructure Investments”.
- h. Investment in Debt Instruments of REIT will form part of industry group “Real Estate Activities” under NIC Industry Classification.
- i. The Investment in Debt Securities of InvITs/REITs shall be valued either as per FIMMDA or at applicable market yield rates published by any Rating Agency registered with SEBI.
- j. The codes applicable under Category of Investment (COI) for Debt Instruments of InvITs and REITs are:

#### **Approved Investments**

- i. Debt Instruments of InvITs - IDIT
- ii. Debt Instruments of REITs - EDRT

#### **Other Investments**

- i. Debt Instruments of InvITs - IOIT
- ii. Debt Instruments of REITs - ODRT

### **Investment in alternative investment fund (AIFs)**

Investment – Master Circular, 2017 specifies the conditions applicable for Insurers Investment in [Alternative Investment Fund \(AIF\)](#). The following shall replace the provisions applicable for Fund of Funds (FoF) mentioned in the circular:

- (a) No investment is permitted into AIFs which undertake leverage or borrowing other than to meet day-to-day operational requirements and as permitted under SEBI (Alternative Investment Funds) Regulations, 2012.
- (b) Insurer shall invest only into Fund of Funds (FoF) which comply requirement of Section 27E of the Insurance Act, 1938.
- (c) Insurer shall ensure compliance with Section 27E by a clause in the Fund Offer Documents executed by FoF to restrain such FoF investing into AIFs which invest in overseas companies/funds.
- (d) No Insurer shall invest in an AIF, which in turn has exposure to a FoF, in which the Insurer has taken an exposure.
- (e) The Insurer on a quarterly basis, obtain a certificate issued by the Concurrent Auditor on the compliance of the above conditions and file the same along with quarterly periodical returns.”



## INFRASTRUCTURE & OTHER GOVT. INITIATIVES

### **Government measures increase FDI inflows in the country**

The Measures taken by the Government on the fronts of FDI policy reforms, investment facilitation and ease of doing business have resulted in increased FDI inflows into the country as India has attracted total [FDI inflow](#) of US\$ 72.12 billion during April to January 2021. It is the highest ever for the first ten months of a financial year and 15% higher as compared to the first ten months of 2019-20 (US\$ 62.72 billion).

The trends show that the FDI equity inflow grew by 28% in the first ten months of F.Y. 2020-21 (US\$ 54.18 billion) compared to the year ago period (US\$ 42.34 billion). In terms of top investor countries, 'Singapore' is at the apex with 30.28% of the total FDI Equity inflow followed by U.S.A (24.28%) and UAE (7.31%) for the first ten months of the current financial year 2020-21.

Japan has been leading the list of investor countries to invest in India with 29.09% of the total FDI Equity inflows during January 2021, followed by Singapore (25.46%) and the U.S.A. (12.06%).

The Computer Software & Hardware has emerged as the top sector during the first ten months of F.Y. 2020-21 with 45.81% of the total FDI Equity inflow followed by Construction (Infrastructure) Activities (13.37%) and Services Sector (7.80%) respectively.

As per the trends shown during the month of January 2021, the consultancy services emerged as the top sector with 21.80% of the total FDI Equity inflow followed by Computer Software & Hardware (15.96%) and Service Sector (13.64%).

These trends in India's Foreign Direct Investment are an endorsement of its status as a preferred investment destination amongst global investors.



### **President promulgates Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021**

The President promulgated the [Insolvency and Bankruptcy Code \(Amendment\) Ordinance, 2021](#) on 4th April 2021. The Cabinet had approved on 31st March 2021 the proposal to make amendments in the Insolvency and Bankruptcy Code, 2016 (Code), through the Insolvency and Bankruptcy Code (Amendment) Ordinance, 2021.

The amendments aim to provide an efficient alternative insolvency resolution framework for corporate persons classified as micro, small and medium enterprises (MSMEs) under the Code, for ensuring quicker, cost-effective and value maximizing outcomes for all the stakeholders, in a manner which is least disruptive to the continuity of MSMEs businesses, and which preserves jobs. The initiative is based on a trust model and the amendments honor the honest MSME owners by trying to ensure that the resolution happens, and the company remains with them.

It is expected that the incorporation of Pre-Packaged insolvency resolution process for MSMEs in the Code will alleviate the distress faced by MSMEs due to the impact of the pandemic & the unique nature of their business, duly recognizing their importance in the economy. It provides an efficient alternative insolvency resolution framework for corporate persons classified as MSMEs for timely, efficient & cost-effective resolution of distress thereby ensuring positive signal to debt market, employment preservation, ease of doing business and preservation of enterprise capital. Other expected impact and benefits of the amendment in Code are lesser burden on Adjudicating Authority, assured continuity of business operations for corporate debtor (CD), less process costs & maximum assets realization for financial creditors (FC) and assurance of continued business relation with CD and rights protection for operational Creditors (OC).

### **Cabinet approves Amendments to the Finance Bill, 2021**

The Union Cabinet, chaired by the Prime Minister Shri Narendra Modi gives ex-post facto approval for the Government amendments to the [Finance Bill, 2021](#) (enacted on 28th March 2021 as the Finance Act, 2021).

The amendments were essential to clarify and rationalise the proposals further and address stakeholders concerns arising out of amendments proposed in the Finance Bill.

#### **Objectives**

The Government amendments to the Finance Bill, 2021 shall provide equity and inclusiveness to all the taxpayers by addressing stakeholders concerns arising out of amendments proposed in the Bill.

The Government amendments to the Finance Bill, 2021 are tax proposals which shall generate timely revenue for the Government and streamline existing provisions by addressing grievances of the taxpayers.

### **Emergency Credit Line Guarantee Scheme (ECLGS) 1.0 & 2.0 extended upto 30.6.2021**

In recognition of the continuing adverse impact of COVID-19 pandemic on certain service sectors, the Government has now extended the scope of [Emergency Credit Line Guarantee Scheme \(ECLGS\)](#) through introduction of ECLGS 3.0 to cover business enterprises in Hospitality, Travel & Tourism, Leisure & Sporting

sectors which had, as on 29.02.2020, total credit outstanding not exceeding INR 500 crores and overdues, if any, were for 60 days or less, on that date i.e. 29th Feb 2020.

ECLGS 3.0 would involve extension of credit of up to 40% of total credit outstanding across all lending institutions as on 29.02.2020. The tenor of loans granted under ECLGS 3.0 shall be 6 years including moratorium period of 2 years.

Further, the validity of ECLGS i.e. ECLGS 1.0, ECLGS 2.0 & ECLGS 3.0 have been extended up to 30.06.2021 or till guarantees for an amount of INR 3 lakh crores are issued. Last date of disbursement under the scheme has been extended to 30.09.2021.

The modifications introduced in the scheme, while providing an incentive to MLIs to enable availability of additional funding facility to the eligible beneficiaries will go a long way in contributing to economic revival, protecting jobs, and creating conducive environment for employment generation.

The revised operational guidelines in this regard shall be issued by National Credit Guarantee Trustee Company Ltd (NCGTC).



## CAPITAL MARKETS

### **Alignment of interest of Key Employees of Asset Management Companies (AMCs) with the Unitholders of the Mutual Fund Schemes**

While SEBI has taken steps to standardize the scheme categories and characteristics of each category, the management of risk return profile of the schemes rests with the [AMCs and the Key Employees](#).

1. In order to align the interest of the Key Employees of the AMCs with the unitholders of the mutual fund schemes, it has been decided that a part of compensation of the Key Employees of the AMCs shall be paid in the form of units of the scheme(s), as under:
  - i. A minimum of 20% of the salary/ perks/ bonus/ non-cash compensation (gross annual CTC) net of income tax and any statutory contributions (i.e., PF and NPS) of the Key Employees of the AMCs shall be paid in the form of units of Mutual Fund schemes in which they have a role/ oversight.
  - ii. The compensation paid in the form of units, as mentioned above, shall be:
    - a. proportionate to the AUM of the schemes in which the Key Employee has a role/oversight. For this purpose, Exchange Traded Funds (ETFs), Index Funds, Overnight Funds and existing close ended schemes shall be excluded.
    - b. paid proportionately over 12 months on the date of payment of such salary/ perks/ bonus/ non-cash compensation. In case of compensation paid in the form of employee stock options, the date of exercising such option shall be considered as the date of such payment.
    - c. locked-in for a minimum period of 3 years or tenure of the scheme whichever is less.
  - iii. Further, with a view to allow the Key Employees to diversify their unit holdings, in case of dedicated fund managers managing only a single scheme / single category of schemes, 50% of the aforementioned compensation shall be by way of units of the scheme/category managed by the fund manager and the remaining 50% can, if they so desire, be by way of units of those schemes whose risk value as per the risk-o-meter is equivalent or higher than the scheme managed by the fund manager.
  - iv. No redemptions of the said units shall be allowed during the lock-in period. However, AMC may decide to have a provision of borrowing from the AMC by Key Employees against such units in exigencies such as medical emergencies or on humanitarian grounds, as per the policy laid down by the AMC.

- v. No redemption of such units shall be allowed within the lock-in period in case of resignation or retirement before attaining the age of superannuation as defined in the AMC service rules. However, in case of retirement on attaining the superannuation age, such units shall be released from the lock-in and the Key Employee shall be free to redeem the units, except for the units in close ended schemes where the units shall remain locked in till the tenure of the scheme is over.
2. Clawback: Units allotted to the Key Employees shall be subject to clawback in the event of violation of Code of Conduct, fraud, gross negligence by them, as determined by SEBI. Upon clawback, the units shall be redeemed, and amount shall be credited to the scheme.
3. Oversight:
  - a. The compliance of the provisions of this circular shall be ensured by the AMCs and monitored by the Trustees. Any non-compliance in this regard, shall be reported in the quarterly CTR and half yearly trustee report.
  - b. Every scheme shall disclose the 'compensation, in aggregate, paid in the form of units to the Key Employees', under the provisions of this Circular, on the website of the AMC.
4. Key Employees:

Key Employees of the AMCs shall include:

  - a. Chief Executive Officer (CEO), Chief Investment Officer (CIO), Chief Risk Officer (CRO), Chief Information Security Officer (CISO), Chief Operation Officer (COO), Fund Manager(s), Compliance Officer, Sales Head, Investor Relation Officer(s) (IRO), heads of other departments, Dealer(s) of the AMC
  - b. Direct reportees to the CEO (excluding Personal Assistant/Secretary)
  - c. Fund Management Team and Research team; iv. Other employees as identified & included by AMCs and Trustees.

**Standardizing and Strengthening Policies on Provisional Rating by Credit Rating Agencies (CRAs) for Debt Instruments**

In order to strengthen and standardize the policies on [provisional rating for debt instruments](#), subsequent to consultation with various stakeholders, including credit rating agencies, SEBI has decided to prescribe as under:

- i. Rating Symbol
- ii. Standardized Term
- iii. Validity period
- iv. Disclosures in the press release / rating rationale
- v. Unaccepted provisional rating

**Guidelines for warehousing norms for agricultural/agri-processed goods and non-agricultural goods (only base/industrial metals) underlying a commodity derivatives contract having the feature of physical delivery**

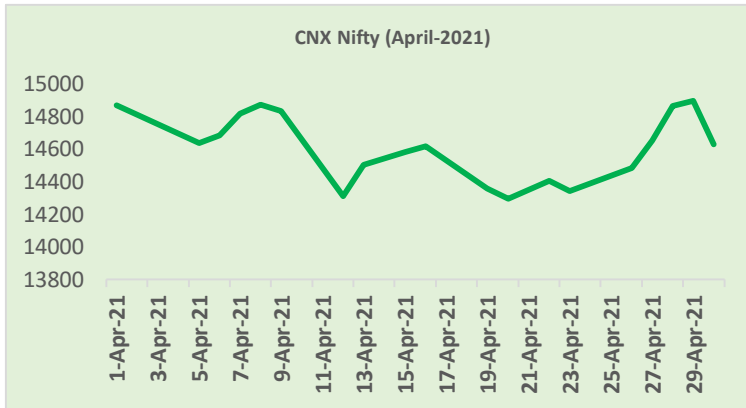
[Warehousing or Storage infrastructure](#) and its ancillary services play a critical role in the delivery mechanism of the Commodity Derivatives Market. A robust and credible warehousing infrastructure is sine qua non for an effective Commodity Derivatives Market that can inspire confidence amongst the market participants and other stakeholders. With this objective, every recognized Clearing Corporation providing clearing and settlement services for commodity derivatives shall ensure guarantee for settlement of trades including good delivery. To fulfil this obligation, it is imperative on the part of the Clearing Corporations to ensure that their accredited storage facilities exercise due diligence for safety and quality of the goods deposited with them for the purpose of delivery on exchange platform.

It is, therefore, incumbent upon the Clearing Corporations to put in place a comprehensive framework of norms for adherence by the Warehouse Service Providers (hereinafter referred to as “WSP/s”), assayers and other allied service providers engaged by them for ensuring good delivery as mandated under the (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations).

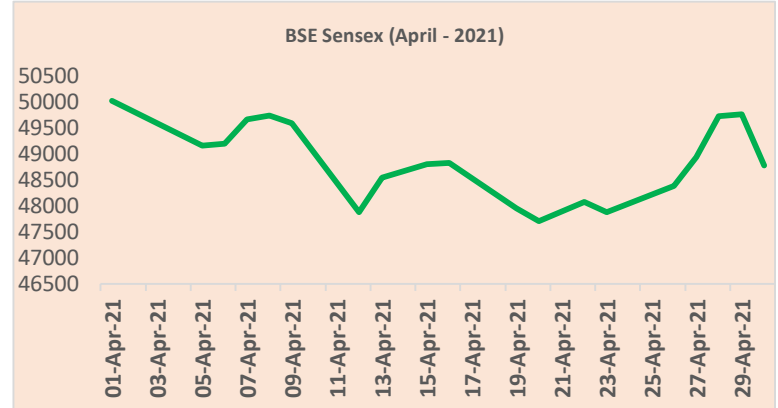
Key inclusions of this framework are in following areas:

1. Quality of Warehouse service provider (WSP)
2. Financial soundness of WSP
3. Fit and proper criteria and corporate governance
4. Compliance
5. Facilities and infrastructure requirements
6. Standard operating procedures
7. Insurance
8. Technology
9. Inspection
10. Code of conduct
11. Business continuity plan
12. Disclosures

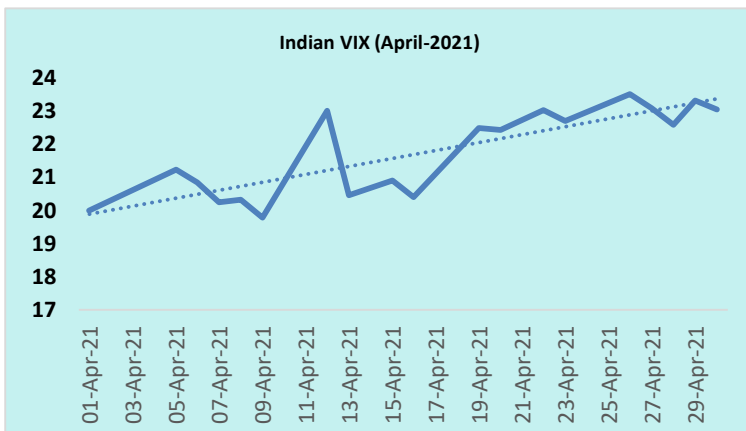
# CAPITAL MARKETS SNAPSHOT



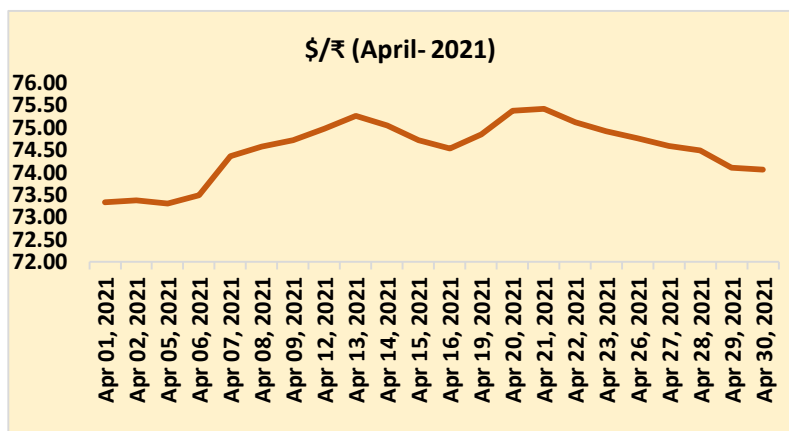
Source: National Stock Exchange



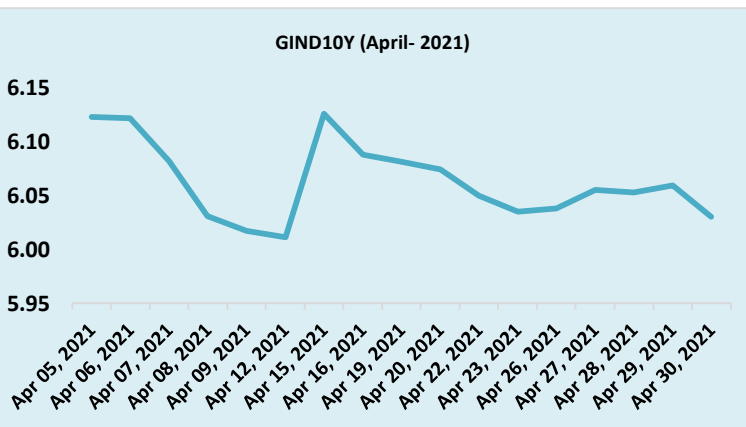
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

An increase in localized lockdowns in the country amid surging Covid-19 cases dragged the market down. Buying interest in healthcare and metal stocks also chipped off some losses from the market. S&P BSE Healthcare was the top sectoral gainer, up 1.4%, while S&P BSE Metal rose 0.3%. S&P Global Ratings projected the Indian economy to grow at 11% this fiscal but flagged the impact of broader lockdowns on the economy. Fitch Ratings affirmed the 'BBB-' sovereign rating for India with a negative outlook, stating the recent surge in Covid-19 cases poses increasing downside risks to the fiscal 2022 gross domestic product (GDP) growth outlook.



## 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	-1.1 Q4	3.2	2.3	6.1 Mar	6.7	0.5	-7.9	9.22
Russia	-1.8 Q4	2.7	2.1	5.8 Mar	4.6	4.0	-1.7	7.21
<b>India</b>	<b>0.4 Q4</b>	<b>10.4</b>	<b>5.2</b>	<b>5.5 Mar</b>	<b>5.2</b>	<b>-1.0</b>	<b>-7.0</b>	<b>6.00</b>
China	18.3 Q1	8.5	5.2	0.4 Mar	1.6	2.7	-4.7	2.96 <sup>^</sup>
S Africa	-4.1 Q4	2.0	2.2	3.2 Mar	3.7	-1.6	-9.2	9.19
USA	0.4 Q1	5.5	3.1	2.6 Mar	2.1	-2.7	-13.5	1.63
Canada	-3.2 Q4	-4.8	4.0	2.2 Mar	2.1	-2.0	-9.2	1.52
Mexico	-3.8 Q1	5.1	3.2	4.7 Mar	3.8	2.4	-2.8	6.63
Euro Area	-1.8 Q1	4.1	3.9	1.6 Apr	1.3	3.1	-6.2	0.0
Germany	-3.0 Q1	3.5	4.0	2.0 Apr	1.9	6.8	-3.6	0.0
Britain	-7.3 Q4	5.1	5.6	0.7 Mar	1.5	-4.2	-12.3	0.92
Australia	-1.1 Q4	3.1	2.3	1.1 Q1	2.0	2.2	-7.6	1.65
Indonesia	-2.2 Q4	3.3	5.0	1.4 Apr	2.8	-0.3	-6.4	6.44
Malaysia	-3.4 Q4	4.4	3.8	1.7 Mar	2.4	3.5	-6.0	3.14
Singapore	2.4 Q1	4.8	3.2	1.3 Mar	1.8	16.5	-4.1	1.58
S Korea	1.7 Q1	3.2	2.7	2.3 Apr	1.5	4.3	-4.7	2.12

Sources: *The Economist*

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

<sup>^</sup> 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.

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