2022

Volume 7

APAS MONTHLY

THIS MONTH

We invite our readers and patrons to visit our wealth of knowledge by tuning into our APAS podcasts – "Demystifying Reforms" and "BFSI insights", where we help demystify the latest reforms and bring market insights of the BFSI sector in India. Hope you will find it insightful. Keep tuning in for more.

https://podcasts.google.com/feed/aHR0cHM6Ly9hdWRpb2Jvb20uY29tL2NoYW5uZWxzLzUwNzEwMDMucnNz?sa=X&ved=0CAMQ4aUDahcKEwjIpO6SwP71AhUAAAAAHQAAAAAQOQ

Also, do visit our APAS blog. It is a place where you will find articles on the latest happenings in the financial sector.

https://ap-as.com/apas-blog/

In this issue, Mr. Manoj Kumar Jain, MD, Shriram Life Insurance, has presented his thoughts on 'Trends in life insurance industry and way forward: Shape of things to come'. We thank Mr. Jain for his contribution to the APAS Monthly.

This month, the APAS column presents its views on 'Sliding Rupee'.

The economic indicators showed mixed performance. Manufacturing PMI declined to a 9-month low of 53.9 in June from 54.6 in May. India's annual infrastructure output in June rose by 12.7%. India's Index of Industrial Production (IIP) rose to 19.6% in May. PMI services rose to a 11-year high of 59.2 in June from 58.9 in May, while composite PMI was at 58.2 in June, little changed from 58.3 in May.

CPI inflation edged down to 7.01% in June from 7.04% in May. WPI inflation eased to 15.18% in June from 15.88% in May.

The Reserve Bank of India (RBI) announced RBI Monetary Policy – August 2022.

Insurance Regulatory Development Authority of India (IRDAI) announced (i) Guidelines on Standards and benchmarks for the hospitals in the provider network (ii) Extension of ‘use and file’ procedure to products for agriculture and allied activities (iii) Sophisticated add-ons to motor – own damage policy.

Cabinet approved a project for saturation of 4G mobile services in uncovered villages at a total cost of INR 26,316 Cr and revival package of BSNL amounting to INR 1.64 Lakh Cr.

Securities and Exchange Board of India (SEBI) signed MoU with the Financial Regulatory Commission, Mongolia.

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

[Trends in life insurance industry and way forward: Shape of things to come]

Manoj Kumar Jain
MD
Shriram Life Insurance

APAS COLUMN

Sliding Rupee

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- ***Index of Industrial Production – May***
- ***Inflation update – June***
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- [RBI Monetary Policy – August 2022]

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INFRASTRUCTURE & OTHER GOVT. INITIATIVES

- [Cabinet approves a project for saturation of 4G mobile services in uncovered villages at a total cost of INR 26,316 Cr]
- [Cabinet approves revival package of BSNL amounting to INR 1.64 Lakh Cr]

CAPITAL MARKETS

- *SEBI signs MoU with the Financial Regulatory Commission, Mongolia*

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*	(10YGov), 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
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

ECONOMIC DATA SNAPSHOT

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

Trends in life insurance industry and way forward: Shape of things to come

Manoj Kumar Jain
MD
Shriram Life

Indian Insurance industry is in a cusp of changes and disruptions. Some of these disruptions are caused not only due to Covid 19, but also from the recent positive regulatory approach. Insurance industry is undergoing profound change which is not only in the embracing of the “digital” but also in understanding the customer needs.

Covid 19 and the restrictions imposed has hastened up the digital adoption in insurance business. Currently Insurance companies have gone completely digital not only in on boarding of customers but also in the entire life cycle including servicing and claim settlements. Mobility applications have become very common as both the insurers and distributors have started appreciating the need for going digital in meeting the needs of the customer

Secondly, Covid 19 has also brought in the much needed awareness on Life Insurance and health insurance in the minds of the public. The need for health insurance and life insurance has got further emphasized due to Covid 19, more so due to the impact on common man during wave 2, wherein the general public felt the pain of loss of lives and cost of health care.

Globally too, Covid 19 has helped accelerate the adoption of newer technology and moving away or modifying the legacy systems amongst insurers. In this emerging world, digital adoption is not simply cosmetic but has to be embraced in all customer touch points and in the full life cycle of customer journey. Customers would like to make an opinion on the organisation based on his experience and even one isolated unhappy experience will have a significant impact about the company in his perception.

Another significant change is the emergence of Fintech and InsureTech companies in the domain of insurance. These tech companies have built digital capabilities both for the customers and the insurers. In the coming years, we can expect these pure tech players to be a significant contributor in the insurance business. InsureTech companies with clear focus on customer segment, more so in a country like India with substantial diversity, will be able to add value to both the customers and the insurers. InsureTech organisations will provide a 360^{O} technology support to the insurers and they can play a role of integrating customers, intermediary and insurers. This can help in offering better value to the customers while ensuring good service experience and more so all in the touch of a button in his mobile phone. Some of the InsureTech organisations may eventually become product manufacturers, i.e. insurers.

Of late, we are experiencing a positive regulatory environment in India. The regulator, IRDAI has been engaging with the insurers, insurance bodies and is focussed on increasing the Insurance penetration in the country. Regulator is also stepping in and discussing with the insurers on growth of insurance and setting vision for the insurance industry. We also expect a slew of further favourable guidelines in Products approval, distribution and servicing which will facilitate the expansion and growth of insurance business in India.

Another major disruptor in the insurance business will be customisation of products. Every individual would demand a customised product based on his profile. In health and life insurance space, the current health, Habits and the fitness regime followed by the individual will form part of the pricing of a product for him. In Motor insurance, we have started seeing "Pay as you Drive" policy, keeping in mind the low end users and high end users of car. This brings in a discriminated pricing advantage for low mileage customers.

Use of Artificial Intelligence, Big Data Analytics Machine Learning and block chain technology will all become essential part of insurance business. The role of connectable /wearable devices cannot be understated in the emerging scenario of product customisation. Secondly, the digital technology adoption can support the insurers in the process of risk evaluation and mitigation by supporting the development of appropriate premium pricing model based on the customer profile.

We expect more institutionalised distribution on digital platform will be a key to growth and to reach out to customers in a cost effective manner. We at Shriram Life insurance are committed to our mass customer base in offering the products to match up to their growing need and ensure quality service experience.

Sliding Rupee

The Indian rupee (INR) has dropped nearly 7% against the US dollar (USD) in the year to date, even breaching the psychological 80 mark. Multiple forces have been pulling the INR down, including the exit of FPIs, the rising cost of international crude oil prices, fears of a global recession and a strong USD.

The current slump has brought back memories of the INR's selloff in 2013, a time that also saw widening current account and fiscal deficits, accelerating inflation and rising US treasury yields. Back then, the currency fell steadily for several months before the war in Syria caused oil to spike and the INR to tumble as much as 3.9% on a single day, the biggest loss in 2 decades.

Both the government and the RBI have been taking steps to attract dollar flows and the strength of the USD has been uniform this year. It has appreciated against many other currencies. The USD index against 6 major currencies – EUR, GBP, JPY, Swiss franc, CAD and the Swedish krona – has gained 13% this year.

So, the strength of the USD against the INR cannot be viewed as an isolated case. It is just part of the strength of the USD globally, against all currencies.

In general, net exporters would gain as they would receive more rupees for their dollars, while net importers would need to pay more to buy dollars for imports. Those with large foreign loans would also see rupee interest costs rise.

IT companies are the biggest gainers as they bill most clients in USD. Americas, including the US, contribute about 50-60% of revenue. Their rupee earnings rise as the Indian currency falls. Some of the gains are being offset by other cross-currency headwinds.

Pharma is a net gainer sector as it is a big exporter, though raw materials are substantial imports. In FY 22, India exported USD 24.62 billion worth of products, of which about 30% is to the US. Raw material imports were about USD 4-5 billion.

Garments sector is expected to benefit, given the significant exports and most inputs are locally sourced.

Oil and gas would be the most adversely impacted sector as India imports over 85% of oil and half of the gas it consumes. Purchase costs would rise for crude importers as well as gas importers.

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Steel sector is likely to benefit, as India exports between 10-15% of its steel production. It would make Indian steel more competitive globally.

The impact on auto sector is expected to be neutral, as about 10-20% of a car's total raw materials by value are imported, but firms also export vehicles.

FMCG sector is expected to be negatively impacted, as key raw materials like crude oil and palm oil derivatives are imported and account for nearly half of input cost.

Consumer electronics sector is also expected to be negatively impacted, as around 40-60% of total inputs, including components, are imported. In smartphones, around 70-80% of the inputs are imported.

The RBI's currency intervention is already making inroads into its cash pile, with foreign reserves dropping to USD 593 billion in June, from as high as USD 642 billion in September last year. While it is still well above the low of USD 275 billion in 2013, it has now dropped in 6 of the last 8 months.

The government is viewing the evolving situation with concern, but does not immediately see it as a crisis, as there are similar conditions across emerging markets. The RBI is also sticking to its policy that it does not target a specific level, but is only intervening to smooth out volatility.

The RBI has to maintain a delicate balance between supporting growth on the one hand and limiting domestic inflation and currency depreciation on the other.

-APAS

ECONOMY

IIP (Index of Industrial Production) – May

Index of Industrial Production (IIP) or factory output for the month of May 2022 rose 19.6%, compared to 7.1% in April 2022. It grew by 27.6% in May 2021.

The General Index for the month of May 2022 stands at 137.7, which is 19.6% higher as compared to May 2021.

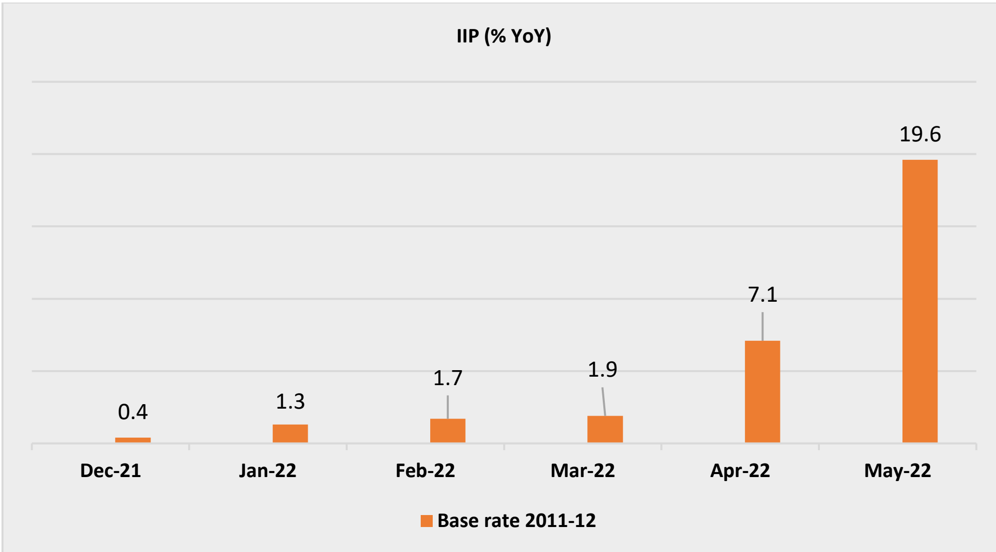
The manufacturing sector, which constitutes 77.63% of the index, grew by 20.6% in May, to 134.5.

Mining sector output grew by 10.9%, to 120.1.

Electricity generation rose by 23.5%, to 199.9.

As per Use-based classification, the indices stand at 144.5 for primary goods, 95.3 for capital goods, 152.2 for intermediate goods and 153.1 for infrastructure/construction goods for May.

Further, the indices for consumer durables and consumer non-durables were at 113.5 and 136.8, respectively.



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

CPI (Consumer Price Index) – June

India's consumer price index (CPI) or retail inflation edged down to 7.01% in June 2022, compared to 7.04% in May 2022. It was 5.59% in June 2021.

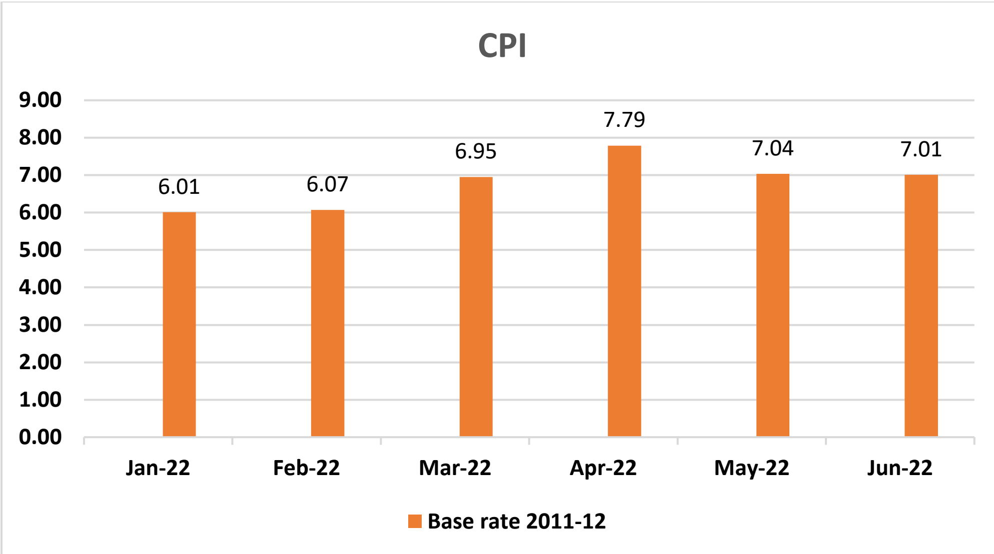
The corresponding provisional inflation rates for rural and urban areas are 7.09% and 6.92% respectively.

The Consumer Food Price Index (CFPI) fell to 7.75% in June from 7.97% in May.

Prices of food rose 7.56%, particularly vegetables (17.37%), spices (11.04%) and oils and fats (9.36%).

Additional upward pressure came from costs of transportation & communication (6.9%), health (5.47%), education (4.51%) and housing (3.93%).

On a monthly basis, consumer prices went up 0.52%, after a 0.94% gain in May.



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

WPI (Wholesale Price Index) – June

India's wholesale price index (WPI) inflation eased to 15.18% in June 2022, as compared to 15.88% in May 2022 and 12.07% in June 2021.

The rate of inflation based on WPI Food Index increased to 12.41% in June 2022 from 10.89% in May 2022.

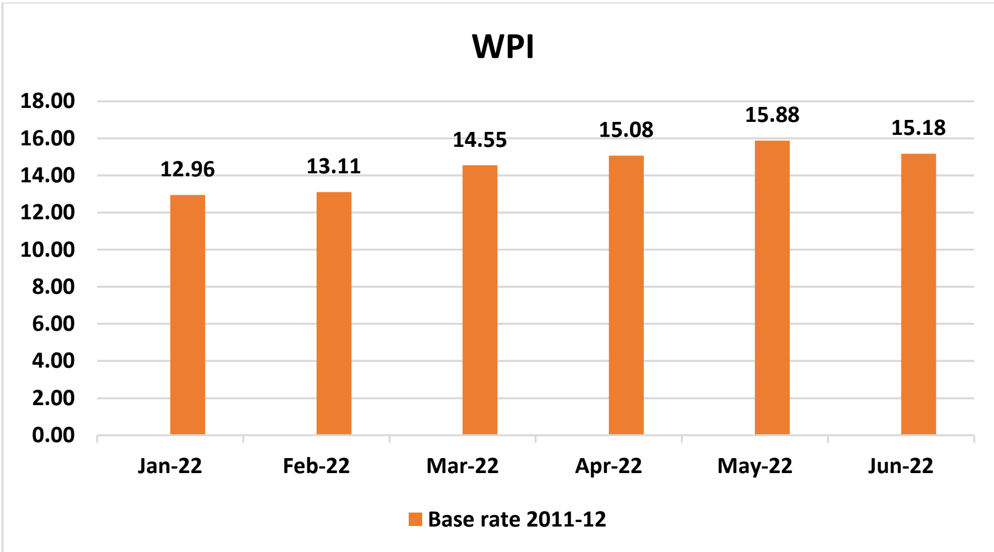
The index for primary articles increased by 1.45% from the previous month.

Prices increased for crude petroleum & natural gas (6.59%) and food articles (2.4%). Prices declined for non-food articles (2.06%) and minerals (9.04%).

The index for fuel and power increased by 0.65% from the previous month.

Prices increased for mineral oils (0.98%).

The index for manufactured products declined by 0.76% from the previous month.



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

Manufacturing PMI – June

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) in June declined to the weakest since last September, marred by the rise of input costs and inflation concerns.

The Manufacturing PMI declined to a 9-month low of 53.9 in June 2022 from 54.6 in May 2022. It remained above the 50 level, that separates expansion from contraction, for the twelfth straight month.

Both output and new orders grew for the 12^{th} straight month, with the rate of expansion easing to 9-month lows.

Also, export orders rose for the third month running, despite the rate of growth moderating from May's 11-year high.

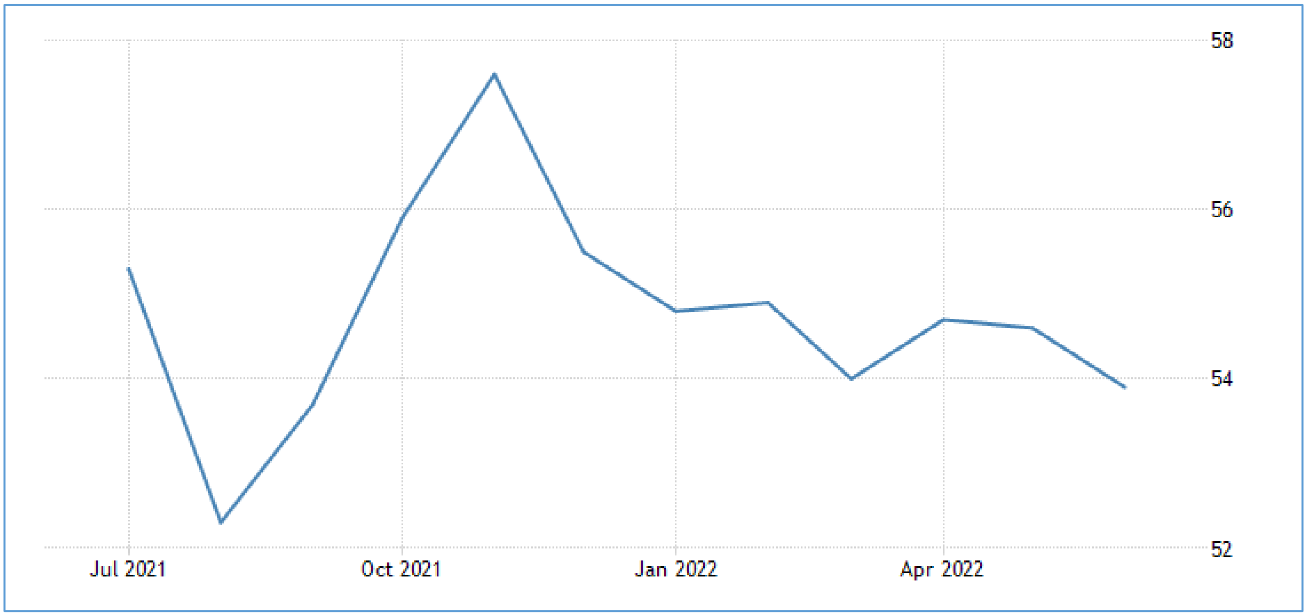
At the same time, input purchasing increased, while supplier delivery times shortened for the first time since 2021.

Employment rose slightly, with backlogs of work rising marginally.

On the price side, input prices continued to rise due to higher prices in chemicals, electronics, energy, metals and textiles.

Meanwhile, output price inflation eased to a 3-month low.

Finally, sentiment deteriorated to a 27-month low amid concerns over inflationary pressure.



Source: www.tradingeconomics.com

Services PMI – June

The Indian services sector activity in June expanded at the fastest pace in 11 years, pointing to the strongest expansion in the sector since April 2011, due to further accelerations in growth of new business and output, amid ongoing improvements in demand conditions.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to a 11-year high of 59.2 in June 2022 from 58.9 in May 2022. The index stayed above the neutral mark of 50, which separates expansion from contraction, for the eleventh straight month.

The growth was buoyed by a substantial pick-up in new business growth as demand strengthened to the best in over 11 years, following the reopening of the economy after Covid-19 lockdowns.

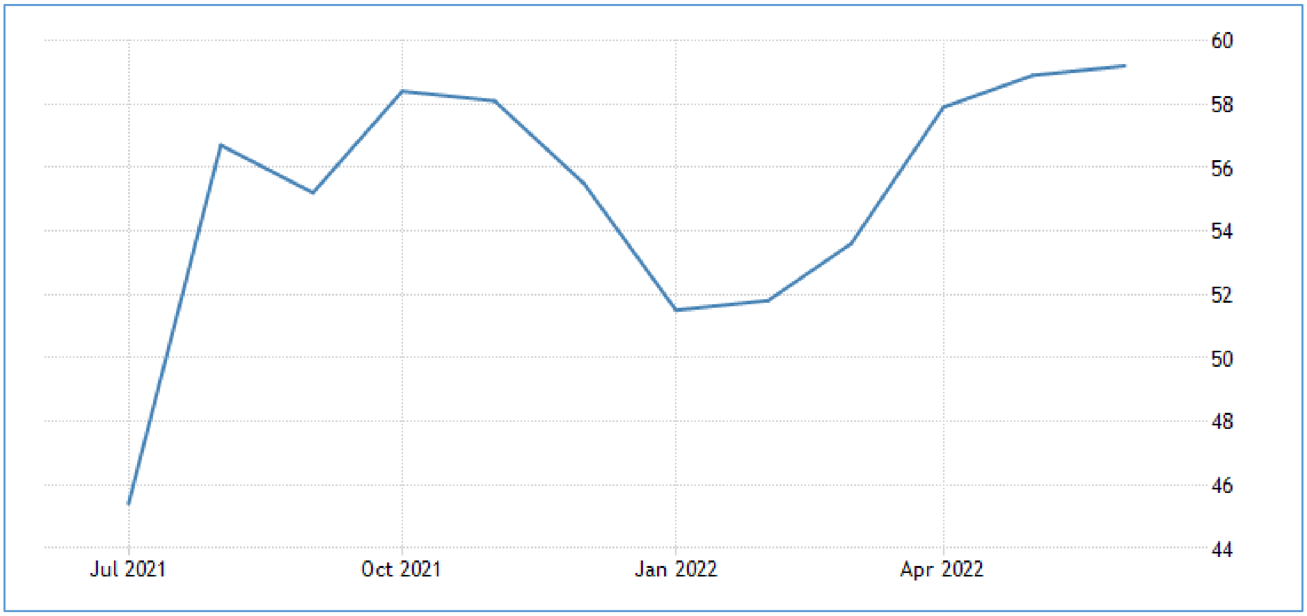
Meanwhile, employment increased marginally, after a decline in May.

On the price front, input price inflation continued to rise due to higher chemicals, food, petrol, retail and staff costs.

Meanwhile, output cost inflation accelerated to a near 5-year high, as companies sought to transfer part of their additional cost burdens to clients.

Looking ahead, sentiment remained historically low as concerns lingered over inflationary pressures.

The seasonally adjusted Nikkei India Composite PMI Output Index was at 58.2 in June, little changed from 58.3 in May.



Source: www.tradingeconomics.com

Core Sector Data – June

Growth of eight infrastructure sectors rose by 12.7% in June 2022.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had grown by 19.3% in May 2022 and 9.4% in June 2021.

The production of coal, natural gas, refinery products, fertilisers, steel, cement and electricity rose by 31.1%, 1.2%, 15.1%, 8.2%, 3.3%, 19.4% and 15.5%, respectively.

Crude oil is the only sector that saw a contraction, as it declined by 1.7%.

Cumulatively, the growth in the eight core sectors during April-June 2022-23 stood at 13.7%, as against 26% in the same period last financial year.

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

BANKING

RBI Monetary Policy – August 2022

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on August 5, 2022, decided to:

- Increase the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.4% with immediate effect.

Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.15% and the marginal standing facility (MSF) rate and the Bank Rate to 5.65%.

- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

These decisions are in consonance with the objective of achieving the medium-term target for consumer price index (CPI) inflation of 4% within a band of +/- 2%, while supporting growth.

The main considerations underlying the decision are set out in the statement below.

Assessment

Global Economy

Since the MPC's meeting in June 2022, the global economic and financial environment has deteriorated with the combined impact of monetary policy tightening across the world and the persisting war in Europe heightening risks of recession. Gripped by risk aversion, global financial markets have experienced surges of volatility and large selloffs. The US dollar index soared to a two-decade high in July. Both advanced economies (AEs) and emerging market economies (EMEs) witnessed weakening of their currencies against the US dollar. EMEs are experiencing capital outflows and reserve losses which are exacerbating risks to their growth and financial stability.

Domestic Economy

Domestic economic activity remains resilient. As on August 4, 2022, the south-west monsoon rainfall was 6% above the long period average (LPA). Kharif sowing is picking up. High frequency indicators of activity in the industrial and services sectors are holding up. Urban demand is strengthening while rural demand is gradually catching up. Merchandise exports recorded a growth of 24.5% during April-June 2022, with some moderation in July. Non-oil non-gold imports were robust, indicating strengthening domestic demand.

CPI inflation eased to 7% (year-on-year, y-o-y) during May-June 2022 from 7.8% in April, although it persists above the upper tolerance band. Food inflation has registered some moderation, especially with the softening of edible oil prices, and deepening deflation in pulses and eggs. Fuel inflation moved back to double digits in June primarily due to the rise in LPG and kerosene prices. While core inflation (i.e., CPI excluding food and fuel) moderated in May-June due to the full direct impact of the cut in excise duties on petrol and diesel pump prices, effected on May 22, 2022, it remains at elevated levels.

Overall system liquidity continues in surplus, with average daily absorption under the LAF at INR 3.8 lakh crore during June-July. Money supply (M3) and bank credit from commercial banks rose (y-o-y) by 7.9% and 14%, respectively, as on July 15, 2022. India's foreign exchange reserves were placed at USD 573.9 billion as on July 29, 2022.

Outlook

Spillovers from geopolitical shocks are imparting considerable uncertainty to the inflation trajectory. More recently, food and metal prices have come off their peaks. International crude oil prices have eased in recent weeks but remain elevated and volatile on supply concerns even as the global demand outlook is weakening. The appreciation of the US dollar can feed into imported inflation pressures. Rising kharif sowing augurs well for the domestic food price outlook. The shortfall in paddy sowing, however, needs to be watched closely, although stocks of rice are well above the buffer norms. Firms polled in the Reserve Bank's enterprise surveys expect input cost pressures to soften across sectors in H2. Cost pressures are, however, expected to get increasingly transmitted to output prices across manufacturing and services sectors. Taking into account these factors and on the assumption of a normal monsoon in 2022 and average crude oil price (Indian basket) of USD 105 per barrel, the inflation projection is retained at 6.7% in 2022-23, with Q2 at 7.1%; Q3 at 6.4%; and Q4 at 5.8%, and risks evenly balanced. CPI inflation for Q1:2023-24 is projected at 5%.

On the outlook for growth, rural consumption is expected to benefit from the brightening agricultural prospects. The demand for contact-intensive services and the improvement in business and consumer sentiment should bolster discretionary spending and urban consumption. Investment activity is expected to get support from the government's capex push, improving bank credit and rising capacity utilisation. Firms polled in the Reserve Bank's industrial outlook survey expect sequential expansion in production volumes and new orders in Q2:2022-23, which is likely to sustain through Q4. On the other hand, elevated risks emanating from protracted geopolitical tensions, the upsurge in global financial market volatility and tightening global financial conditions continue to weigh heavily on the outlook. Taking all these factors into consideration, the real GDP growth projection for 2022-23 is retained at 7.2%, with Q1 at 16.2%; Q2 at 6.2%; Q3 at 4.1%; and Q4 at 4%, and risks broadly balanced. Real GDP growth for Q1:2023-24 is projected at 6.7%.

Headline inflation has recently flattened and the supply outlook is improving, helped by some easing of global supply constraints. The MPC, however, noted that inflation is projected to remain above the upper tolerance level of 6% through the first three quarters of 2022-23, entailing the risk of destabilising inflation expectations and triggering second round effects. Given the elevated level of inflation and resilience in domestic economic activity, the MPC took the view that further calibrated monetary policy action is needed to contain inflationary pressures, pull back headline inflation within the tolerance band closer to the target, and keep inflation expectations anchored so as to ensure that growth is sustained. Accordingly, the MPC decided to increase the policy repo rate by 50 basis points to 5.4%. The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation remains within the target going forward, while supporting growth.

INSURANCE

Standards and benchmarks for the hospitals in the provider network

In partial modification of the Guidelines on Standardisation in Health Insurance, in order to enhance the scope for offering cashless facility across the length and breadth of the country, the insurers are now empowered to empanel the network providers that meet the standards and benchmarks criteria as specified by their respective boards. While specifying the criteria, the board of insurers shall, amongst others, consider especially the minimum manpower and healthcare infrastructure facilities.

The board approved empanelment criteria shall be published on the website of the insurers from time to time.

While empaneling network providers for cashless facility, insurers are also advised to focus on the delivery of quality healthcare services.

These instructions shall come into force with immediate effect.

Ease of filing insurance products for Agriculture and allied activities

Insurance Regulatory and Development Authority of India (IRDAI) in its continued endeavor to protect the interests of all segments of policyholders and improve the ease of doing business, has now extended the 'Use and File' procedure to products covering Agriculture and allied activities.

Agriculture and allied activities constitute one of the largest sources of livelihood in India. Also, the adverse impact of natural catastrophes on the vulnerable segments of society is enormous and underlines the need to design and offer suitable insurance products for their protection. This move will facilitate the insurance companies to design and launch innovative products for these segments in a timely manner and expand the choices available to the policyholders.

Sophisticated Add-Ons to Motor - Own Damage policy

The Concept of Motor Insurance is constantly evolving. The advent of technology has created a relentless pace for the insurance fraternity to rise up to interesting yet challenging demands of the millennials. The general insurance sector needs to keep pace with and adapt to the changing needs of the policyholders.

In its perpetual endeavor to protect the interest of the policyholders and increase the insurance penetration in India, Insurance Regulatory and Development Authority of India (IRDAI) has been seeking to facilitate the industry to move with the times. And as a step towards facilitating technology enabled covers, IRDAI has permitted general insurance companies to introduce the following tech-enabled concepts for the Motor Own Damage (OD) cover:

1. Pay as You Drive
2. Pay How You Drive
3. Floater policy for vehicles belonging to the same individual owner for two wheelers and private cars

The above mentioned covers will be provided as add-ons to the basic policy of Motor OD.

Introduction of the above options will aid in giving the much needed fillip to Motor OD Insurance in the country and increase its penetration.

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves a project for saturation of 4G mobile services in uncovered villages at a total cost of INR 26,316 Cr

Digital inclusion and connectivity for all is an integral part of 'antyodaya' vision of the Government. Last year Government approved a project for providing 4G mobile services in 7,287 uncovered villages in 44 aspirational districts across 5 states.

In his Independence Day address in 2021, Prime Minister Shri Narendra Modi gave a call for saturation of government schemes. The Union Cabinet today approved a project for saturation of 4G mobile services in uncovered villages across the country at a total cost of INR 26,316 Cr.

The project will provide 4G mobile services in 24,680 uncovered villages in remote and difficult areas. The project has a provision to include 20% additional villages on account of rehabilitation, new-settlements, withdrawal of services by existing operators etc. In addition, 6,279 villages having only 2G/3G connectivity shall be upgraded to 4G.

The project will be executed by BSNL using Atmanirbhar Bharat's 4G technology stack and will be funded through Universal Service Obligation Fund. The project cost of INR 26,316 Cr includes capex and 5 year opex.

BSNL is already in process of deployment of Atmanirbhar 4G technology stack, which will be deployed in this project as well.

The project is a significant step towards the vision of the Government to provide mobile connectivity in rural areas. This project will promote delivery of various e-governance services, banking services, tele-medicine, tele-education etc. through mobile broadband and generate employment in rural areas.

Cabinet approves revival package of BSNL amounting to INR 1.64 Lakh Cr

Telecom is a strategic sector. Presence of BSNL in telecom market acts as a market balancer. BSNL plays a crucial role in expansion of telecom services in rural areas, development of indigenous technology and disaster relief.

To make BSNL financially viable, the Union Cabinet chaired by Prime Minister Shri Narendra Modi today approved the revival package of BSNL amounting to INR 1.64 Lakh Cr.

Revival measures approved by the Cabinet focus on infusing fresh capital for upgrading BSNL services, allocating spectrum, de-stressing its balance sheet, and augmenting its fiber network by merging Bharat Broadband Nigam Limited (BBNL) with BSNL.

A. **Upgrading BSNL services**

1. **Administrative allotment of Spectrum:** To improve existing services and provide 4G services, BSNL will be allotted Spectrum in 900/1800 MHz band administratively at the cost of INR 44,993 Cr through equity infusion. With this spectrum, BSNL will be able to compete in the market and provide high speed data using their vast network including in rural areas.

2. **Financial support for capex:** To promote indigenous technology development, BSNL is in process of deploying Atmanirbhar 4G technology stack. To meet the projected capital expenditure for next 4 years, Government will fund capex of INR 22,471 Cr. This will be a significant boost to development and deployment of Atmanirbhar 4G stack.

3. **Viability gap funding for rural wireline operations:** Despite the commercial non-viability, BSNL has been providing wireline services in rural/remote areas to meet the social objectives of the Government. Government will provide INR 13,789 Cr to BSNL as viability gap funding for commercially unviable rural wire-line operations done during 2014-15 to 2019-20.

4. **Increase in authorized capital:** The authorized capital of BSNL will be increased from INR 40,000 Cr to INR 1,50,000 Cr in lieu of AGR dues, provision of capex and allotment of spectrum.

B. **De-stressing BSNL balance sheet**

5. **Debt structuring**: Government will provide sovereign guarantee to these PSUs for raising long term loan. They will be able to raise long term bonds for an amount of INR 40,399 Cr. This will help restructuring existing debt and de-stressing the balance sheets.

6. **Financial support for AGR dues:** To further improve the balance sheet, AGR dues of BSNL amounting to INR 33,404 Cr will be settled by conversion into equity. Government will provide funds to BSNL for settling the AGR/GST dues.

7. **Re-issue of preference shares:** BSNL will re-issue preference share of INR 7,500 Cr to the Government.

C. **Augmenting BSNL fiber network**

8. **Merger of BBNL and BSNL:** To facilitate wider utilization of infrastructure laid under BharatNet, Bharat Broadband Network Ltd (BBNL) will be merged with BSNL. The infrastructure created under BharatNet will continue to be national asset, accessible on a non-discriminatory basis to all the Telecom Service Providers.

With these measures, BSNL will be able to improve the quality of existing services, roll out 4G services and become financially viable. It is expected that with the implementation of this revival plan, BSNL will turn-around and earn profit in FY 2026-27.

CAPITAL MARKETS

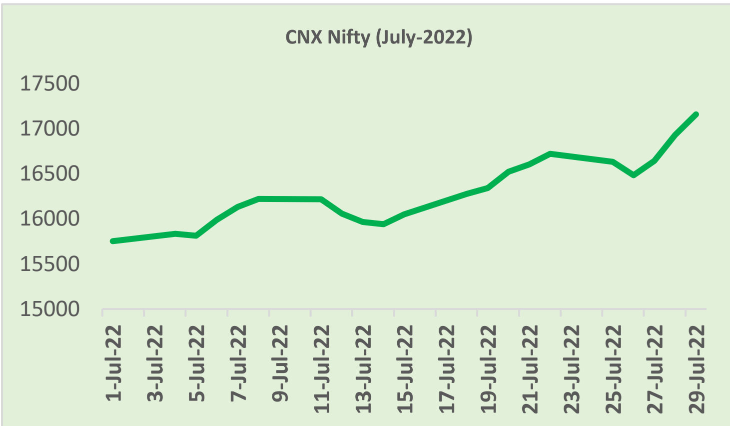
SEBI signs MoU with the Financial Regulatory Commission, Mongolia

The Securities and Exchange Board of India (SEBI) and the Financial Regulatory Commission, Mongolia (FRC) have entered into a bilateral Memorandum of Understanding (MoU) for mutual co-operation and technical assistance. The MoU has been signed by Ms. Madhabi Puri Buch, Chairperson, SEBI and Mr. Bayarsaikhan Dembereldash, Chairman, FRC.

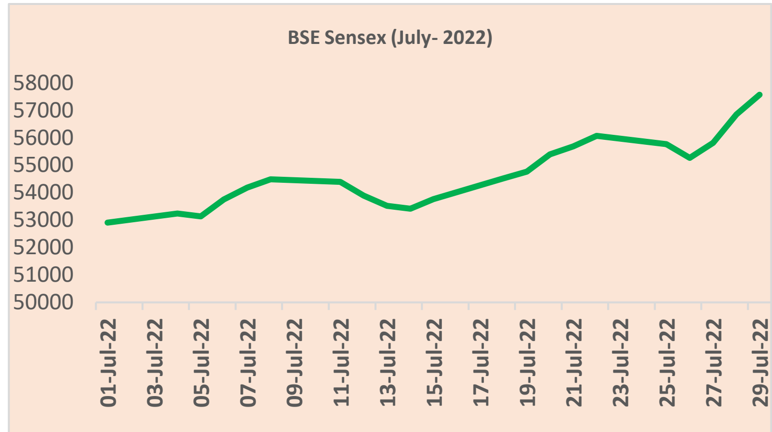
The objective of this MoU is to strengthen cross border co-operation in the area of securities regulation. This will facilitate mutual assistance, contribute towards efficient performance of the supervisory functions, aid in sharing technical domain knowledge, and enable effective enforcement of the laws and regulations governing the securities markets.

SEBI has signed bilateral MoUs with securities regulators of various jurisdictions. SEBI is also a signatory to the Multilateral MoU (MMoU) and Enhanced MMoU (EMMoU) of the International Organization of Securities Commissions (IOSCO).

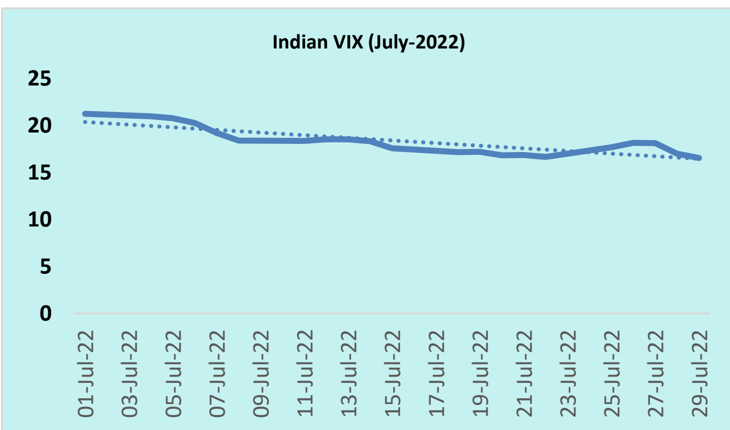
CAPITAL MARKETS SNAPSHOT



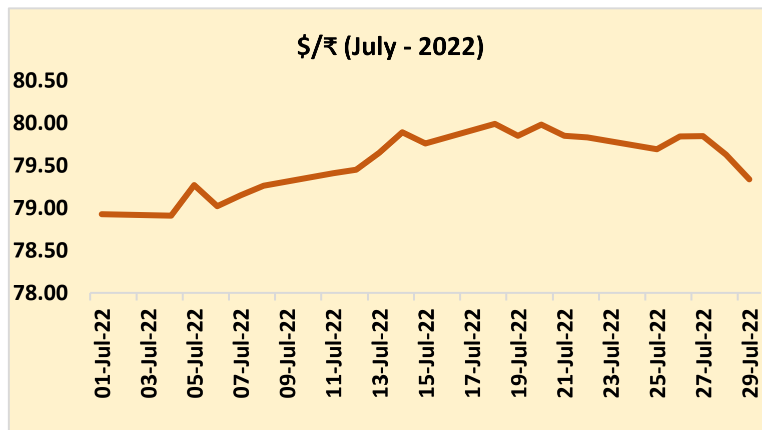
Source: National Stock Exchange



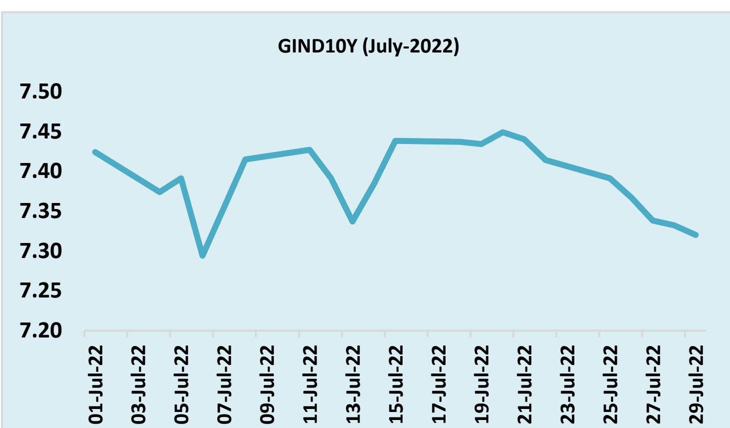
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

The good news for the Indian markets came from FPI flows. After nearly USD 30 billion of equities got sold in the first 6 months of 2022, July saw net inflows of USD 618 million into equities. The inflow looks paltry compared to the extent of outflows, but the good news is that the undertone appears to have changed. However, if the rupee settles beyond 80/USD, there is the risk of imported inflation, with negative implications for markets. In a sense, the change in tone of the markets was visible in the first half of the month itself. However, the real thrust to the markets came in the second half of the month with the Nifty closing with gains of 8.7% in July after four consecutive months of negative returns on the Nifty.

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ECONOMIC DATA SNAPSHOT

Countries	GDP			CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2022*	2023*	Latest	2022*	% of GDP, 2022*	% of GDP, 2022*	(10YGov), Latest
Brazil	1.7 Q1	1.3	1.1	11.7 May	10.4	0.0	-6.7	12
Russia	3.5 Q1	-10.0	-2.0	17.1 May	21.0	9.9	-4.4	8.94
India	**4.1 Q1**	**6.9**	**5.0**	**7.0 May**	**7.3**	**-1.5**	**-6.6**	**7.40**
China	4.8 Q1	4.0	5.5	2.1 May	2.1	2.5	-6.2	2.59^
S Africa	3.0 Q1	1.9	2.4	6.6 May	6.0	-1.1	-6.1	10.0
USA	3.5 Q1	2.3	1.3	8.6 May	7.8	-4.3	-5.9	3.16
Canada	2.9 Q1	3.8	2.8	7.7 May	6.2	1.1	-3.6	3.42
Mexico	1.8 Q1	1.9	2.2	7.7 May	7.6	-0.6	-3.2	9.16
Euro Area	5.4 Q1	2.3	1.6	8.1 May	7.1	2.3	-4.4	1.62
Germany	3.8 Q1	1.3	0.9	7.9 May	7.7	6.3	-3.2	1.62
Britain	8.7 Q1	3.6	0.5	9.1 May	7.2	-2.7	-5.5	2.63
Australia	3.3 Q1	3.0	2.5	5.1 Q1	5.0	3.1	-3.2	3.99
Indonesia	5.0 Q1	5.1	4.6	3.6 May	5.3	0.2	-4.8	7.47
Malaysia	5.0 Q1	5.0	4.2	2.3 Apr	3.0	2.8	-6.2	4.27
Singapore	3.7 Q1	3.6	3.1	5.6 May	6.0	18.3	-0.9	3.05
S Korea	3.0 Q1	2.7	2.5	5.4 May	4.4	3.4	-2.3	3.70

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

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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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