2022

Volume 9

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. S Naren, ED & CIO, ICICI Prudential AMC, has presented his thoughts on 'Trends and market dynamics in mutual funds industry and way forward: Shape of things to come'. We thank Mr. Naren for his contribution to the APAS Monthly.

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

The economic indicators showed mixed performance. Manufacturing PMI edged down to 56.2 in August from 56.4 in July. India's annual infrastructure output in August slowed to a 9-month low of 3.3%. India's Index of Industrial Production (IIP) rose 2.4% in July. PMI services rose to 57.2 in August from 55.5 in July, while composite PMI rose to 58.2 in August from 56.6 in July. CPI inflation rose to 7% in August from 6.71% in July. WPI inflation eased to 12.41% in August from 13.93% in July.

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

Insurance Regulatory Development Authority of India (IRDAI) released a circular on Appointment or Continuation of Common Director(s) u/s 48A of Insurance Act, 1938 and announced rationalization of health insurance business returns.

Cabinet approved release of additional instalment of Dearness Allowance to Central Government employees and Dearness Relief to Pensioners, due from 01.07.2022 and Centre extended Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY) for another three months (October 2022-December 2022).

Securities and Exchange Board of India (SEBI) Board had a meeting.

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 and market dynamics in mutual funds industry and way forward: Shape of things to come

S Naren
ED & CIO
ICICI Prudential AMC

APAS COLUMN

Fintechs in India

ECONOMY

- ***Index of Industrial Production – July***
- ***Inflation update – August***
- ***PMI update – August***
- ***Core Sector – August***

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BANKING

- [RBI Monetary Policy – September 2022](#)

INSURANCE

- Appointment or continuation of common director(s) u/s 48A of Insurance Act, 1938
- Rationalisation of health insurance business returns

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

- Cabinet approves release of additional instalment of Dearness Allowance to Central Government employees and Dearness Relief to Pensioners, due from 01.07.2022
- Centre extends Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY) for another three months (October 2022-December 2022)

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CAPITAL MARKETS

- *SEBI Board Meeting*

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*

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Trends and market dynamics in mutual funds industry and way forward: Shape of things to come

S Naren
ED & CIO
ICICI Prudential AMC

The biggest challenge till the global financial crisis in 2008 was that mutual fund on the retail side was seen as only an equity mutual fund industry. But today, the industry has moved on and has adequate assets in hybrid, debt and in equity. So, even if there is a major correction in equity markets, the other offering are all-weather products.

Mutual Funds regulated by the Securities and Exchange Board of India (SEBI), have emerged as one of the fastest growing investment vehicles in the Indian financial system. Its rising popularity and increasing acceptability among Indian investors can well be gauged from the fact that over the past decade the investors' assets in mutual funds have witnessed more than five-fold increase from Rs. 7 lakh crores to a whopping Rs. 36 lakh crores.

This meteoric rise in assets has been possible due to investors trust in mutual funds to fulfil their various financial goals. And facilitating this trust is the transparent nature of the offering and robust regulatory practices which the mutual fund as an industry has to adhere to. Thanks to SEBI, the guardrails put in place over time in the form of comprehensive regulations has withstood the test of time and has revitalised the entire sector.

Some of the factors which will aid in shaping the journey of mutual fund from here on are as follows:

Technology as an Aid to Reach Investors

While we have come a long way, there is much more that needs to be done to broaden the participation from Tier 2 and tier 3 cities. And helping this become a reality is increasing digitisation and distribution network which will help cover the last mile challenge. The emergence of sleek websites and apps has ensured that investors no longer need to go the paper route to initiate a transaction. Once KYC compliant, any investment is just a few clicks away. Apart from this, technology can enable the industry to target the three key parameters such as risk management, lower costs and improved efficiency and deliver seamless customer experience without compromising on any of them. Globally too large asset management companies have made significant investments in building technology and analytical capabilities.

Innovative Product Offerings

The industry over the years have endeavoured to attract every type of investors ranging across conservative, moderate and aggressive with its wide bouquet of offerings. We believe in the years ahead, there will be further innovation in terms of product offerings / features, to meet the requirement of investors at large. Innovative features such as Freedom SIP, Freedom SWP, Booster SIP and Booster STP have been introduced. Owing to increased awareness, investors today realise that both active and passive offerings have a place in one's portfolio. In India, there has been an increased interest in passive offering since the pandemic times. New-age investors are open to funds which are tailored as per some set rules such as the Asset allocation funds, Fund of Funds, smart beta offerings, passive multi-asset offering and they are increasingly becoming aware of the benefits of investing in solution oriented products.

Change in Investor Landscape

Over the past five years, the mutual fund industry has seen a considerable shift in the sources of investment capital. There has been a significant rise in the SIP inflows as a result of which DIIs could effectively counterbalance the FII outflows seen over the last 10 months. This was achieved at a time when only 3.36 cr individual PAN holders invested in mutual fund against a total of 43.5 cr individual PAN holders in the country.

Flywheel Effect

Over the past decade, most of the investors who have stayed put with their investments have experienced favourable investment outcomes. This has paved way for a word of mouth publicity for mutual funds. As more and more domestic investors start investing with a long term horizon, we believe individual positive experience will help encourage equity investing as a culture. In the interim, the continuous support of the various stakeholders – SEBI, AMFI, distributors, advisors and AMCs – will help drive the investing culture.

Apart from this, hybrid funds are likely to play a major role in aiding the flywheel effect to take off. Over the past years, investors are increasingly opting for schemes which allow them to gain exposure to various asset classes in one-go. We believe this is one trend which will continue and in the future years' asset allocation schemes have the potential to be as huge as the equity AUM of the industry. Debt is another asset class which we believe will gain prominence over the decade.

As India journeys towards a $5 trn (Rs 400 lakh crore) economy, an additional savings of $750 bn (Rs 60 lakh crore) is likely to be generated every year. A significant portion of this savings could be invested in financial assets which may be tapped by the mutual fund ecosystem.

Fintechs in India

Fintech, a combination of the terms 'financial' and 'technology', refers to businesses that use technology to enhance or automate financial services and processes. The term encompasses a rapidly growing industry that serves the interests of both consumers and businesses in multiple ways.

India is amongst the fastest growing Fintech markets in the world and there are 6,636 FinTech startups in India. Indian FinTech industry's market size is USD 50 Bn in 2021 and is estimated at ~USD 150 Bn by 2025. India has the highest FinTech adoption rate of 87% globally.

The Indian Fintech industry ecosystem sees a wide range of subsegments, including Payments, Lending, Wealth Technology (WealthTech), Personal Finance Management, Insurance Technology (InsurTech), Regulation Technology (RegTech), etc.

As of July 2022, India has 23 Fintech companies, which have gained 'Unicorn Status' with a valuation of over USD 1 Bn and 1/5 Startup Unicorns are from Fintech.

While Payments and Alternative Finance segments constituted more than 90% of the sector's investment flows in 2015, there has been a major shift towards a more equitable distribution of investment across sectors since, to include InsurTechs, WealthTechs, etc.

India's payment landscape over the last decade has developed into the most advanced payment system with regards to digital payments by volume (CAGR 50%) and value (CAGR 6%). The Fintech transaction value size is set to grow from USD 66 Bn in 2019 to USD 138 Bn in 2023, at a CAGR of 20%.

As of July 2022, India's Unified Payments Interface (UPI) has seen participation of 338 banks and has recorded 5.9 Bn monthly transactions worth over USD 130 Bn. UPI recorded over 6.28 bn transactions in July 2022, a new record since the service was launched in July 2016.

India recorded the largest absolute number of real-time transactions in the world. India's real-time transactions crossed 48 Bn, which is 6.5 times of the combined volume of the world's leading economies: US, Canada, UK, France and Germany in 2021, resulting in cost savings of ~USD 12.6 Bn for Indian businesses and consumers in 2021.

The digital investment market is set to be worth USD 14.3 bn by 2025, growing from USD 6.4 bn in 2021 at a 5-year CAGR of 22.4%.

India's digital payments market is at an inflection point and is expected to more than triple from USD 3 tn today to USD 10 tn by 2026. As a result of this unprecedented growth, digital payments (non-cash) would constitute nearly 65% of all payments by 2026, i.e., 2 out of 3 transactions (by value) would be digital.

Indian fintech market has received USD 29 bn in funding across 2,084 deals to date (January 2017-July 2022), gaining 14% share of the global funding and ranked number 2 on the deal volume. The Fintech segment in India has seen an exponential rise in funding over the last few years and investments worth more than USD 8 bn have already been witnessed across various stages of investment in 2021. FinTech funding in India recorded a 3X jump in 2021. The Fintech sector in India has seen a funding of USD 8.53 Bn (in 278 deals) in FY22. FinTech is expected to be USD 1 tn in AUM and USD 200 bn in revenue by 2030.

The Fintech revolution in India is the culmination of years of efforts in laying the groundwork towards developing key enablers through important initiatives. Below are the growth drivers for fintechs in India.

- **Financial inclusion initiatives:** Financial inclusion programmes such as PMJDY, DAY-NRLM, Direct Benefit Transfer, Atal Pension Yojana, among others, have accelerated the digital revolution and brought more citizens, especially in rural areas, within the ambit of digital financial services.
- **Increasing internet and smartphone penetration:** India already has the 2nd highest number of smartphone users globally and is the 2nd largest Internet user market. Around 1 Bn Internet Users are expected by 2026. The number of households with internet connections is estimated to increase by 46%, reaching 233 Mn households by 2026, compared to 160 Mn in 2021.
- **Favourable demographics:** 68% of India's population is young and 55% of its population is in the age group of 20-59 (working population) in the year 2020 and is estimated to reach 56% of the total population by 2025. By 2030, India will add 140 Mn middle-income and 21 Mn high-income households, which will drive the demand and growth of Indian FinTech space.

As India leads the world in fintech adoption rate, riding on the emerging financial technology and innovations, the industry is set to see unprecedented growth in the years to come. This would go a long way in extending the reach of banking and financial services to people in underserved towns and rural areas of the country.

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ECONOMY

IIP (Index of Industrial Production) – July

Index of Industrial Production (IIP) or factory output for the month of July 2022 rose 2.4%, compared to 12.7% in June 2022 and 11.5% in July 2021.

The General Index for the month of July 2022 stands at 134.6, which is 2.4% higher as compared to July 2021.

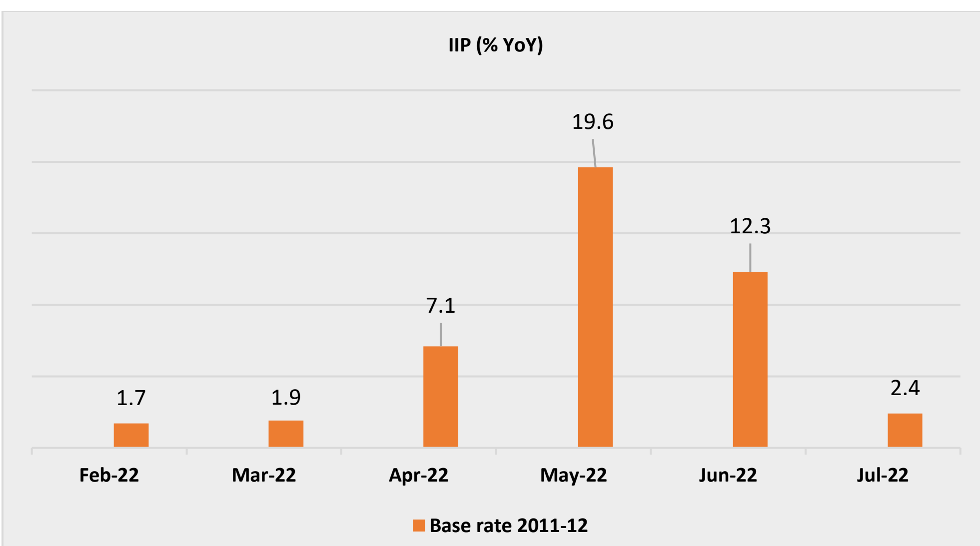
The manufacturing sector, which constitutes 77.63% of the index, grew by 3.2% in July, to 135.2.

Mining sector output contracted by 3.3%, to 101.1.

Electricity generation rose by 2.3%, to 188.9.

As per Use-based classification, the indices stand at 131.7 for primary goods, 97.8 for capital goods, 148.9 for intermediate goods and 150.1 for infrastructure/construction goods for July.

Further, the indices for consumer durables and consumer non-durables were at 121.5 and 143, respectively.



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

CPI (Consumer Price Index) – August

India's consumer price index (CPI) or retail inflation rose to 7% in August 2022, compared to 6.71% in July 2022 and 5.3% in August 2021.

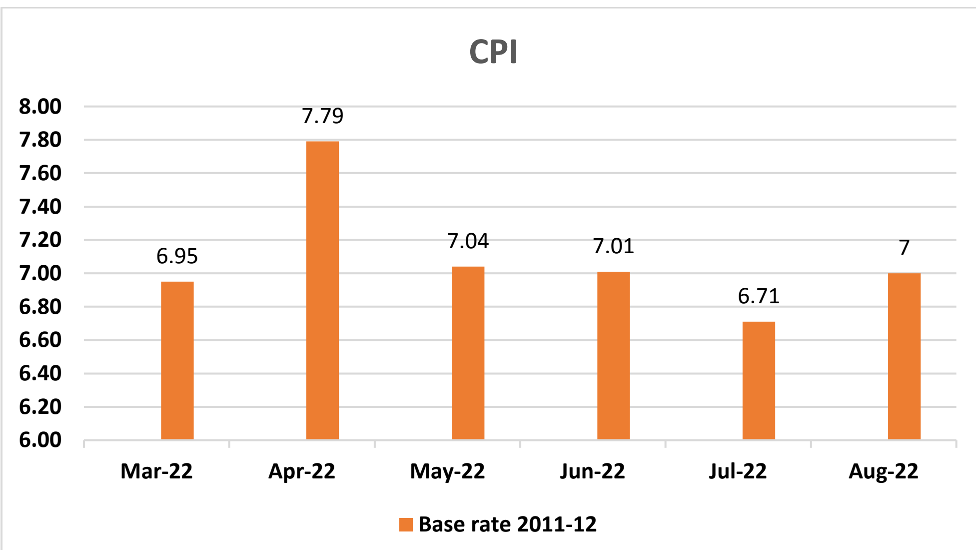
The corresponding provisional inflation rates for rural and urban areas are 5.28% and 5.32% respectively.

The Consumer Food Price Index (CFPI) rose to 7.62% in August from 6.69% in July.

Prices increased faster for food (7.62% vs 6.75% in July), with meat and fish (206.4%), oils and fats (192.4%), spices (193.6%), vegetables (186.6%) and fruits (172.9%) recording the biggest increases.

Prices of housing (4.06% vs 3.9%) and education (5.51% vs 5.02%) also accelerated, while a slowdown was seen in fuel and light (10.78% vs 11.8%), transportation & communication (5.2% vs 5.55%) and health (5.43% vs 5.45%).

Compared to July, prices were up 0.52%.



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

WPI (Wholesale Price Index) – August

India's wholesale price index (WPI) inflation eased to 12.41% in August 2022, as compared to 13.93% in July 2022. It was 11.64% in August 2021.

The rate of inflation based on WPI Food Index increased to 9.93% in August 2022 from 9.41% in July 2022.

The index for primary articles increased by 0.62% from the previous month.

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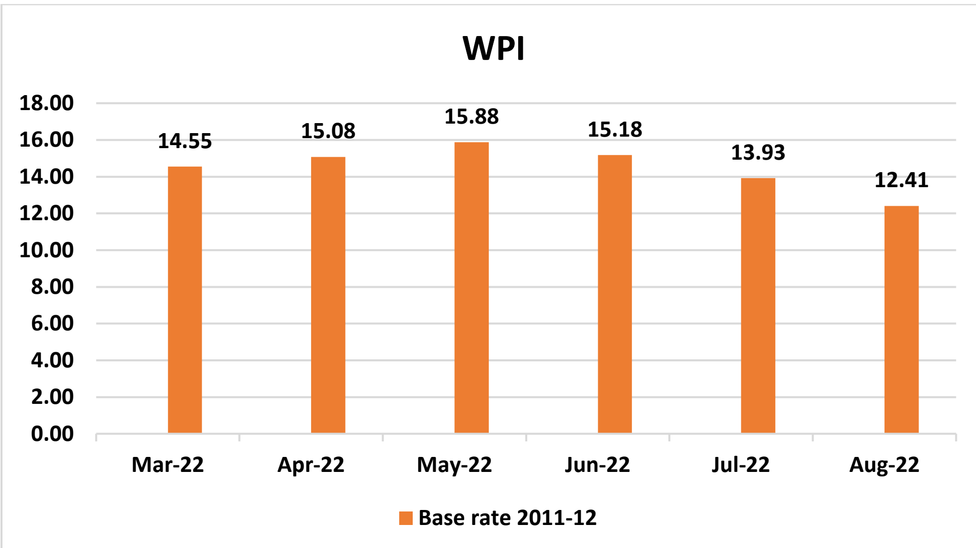
Prices increased for non-food articles (1.98%) and food articles (1.57%). Prices declined for minerals (1.9%) and crude petroleum & natural gas (7.34%).

The index for fuel and power declined by 4.83% from the previous month.

Prices increased for electricity (2.85%). Prices declined for mineral oils (7.79%).

The index for manufactured products increased by 0.07% from the previous month.



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

Manufacturing PMI – August

The Nikkei India Manufacturing Purchasing Managers' Index (PMI) in August witnessed the second strongest improvement in operating conditions in 9 months, boosted by strengthening demand conditions and softening inflation concerns.

The Manufacturing PMI edged down to 56.2 in August 2022 from 56.4 in July 2022. It remained above the 50 level, that separates expansion from contraction, for the 14th straight month.

This was the second strongest expansion in the sector since last November.

Both output and new orders expanded at the fastest pace since November and new export orders rose at a faster rate.

At the same time, input purchasing continued to increase, amid a third consecutive improvement in supplier performance.

Employment increased at slower pace, with backlogs of work accumulation the fastest since November 2020.

On the price side, input cost inflation slowed to a 12-month low, due to a softer rise in commodity prices, while output prices little changed.

Finally, sentiment strengthened to a 6-year high on hopes of stronger sales.

Source: www.tradingeconomics.com

Services PMI – August

The Indian services sector activity in August showed an upturn on stronger gains in new businesses, ongoing improvements in demand, job creation and overtime work.

The Nikkei India Services Purchasing Managers' Index (PMI) Business Activity Index rose to 57.2 in August 2022 from 55.5 in July 2022. The index stayed above the neutral mark of 50, which separates expansion from contraction, for the 13th straight month.

There was a faster rise in both output and new orders, while employment rose to the fastest pace in over 14 years.

On the price front, input price inflation eased to an 11-month low.

Meanwhile, output cost inflation was solid and broadly similar to that seen in July.

Looking ahead, sentiment strengthened to an over 4-year high, amid ongoing improvements in demand and planned marketing.

The seasonally adjusted Nikkei India Composite PMI Output Index rose to 58.2 in August from 56.6 in July, indicating a sharp pace of expansion.

Source: www.tradingeconomics.com

Core Sector Data – August

Growth of eight infrastructure sectors slowed to a 9-month low of 3.3% in August 2022.

The eight core sectors – coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity – had grown by 4.5% in July 2022 and 12.2% in August 2021.

Apart from crude oil and natural gas, all other six industries recorded an expansion in August 2022.

The production of coal, refinery products, fertilisers, steel, cement and electricity rose by 7.6%, 7%, 11.9%, 2.2%, 1.8% and 0.9%, respectively.

Crude oil and natural gas saw contractions of 3.3% and 0.9%, respectively.

Cumulatively, the growth in the eight core sectors during April-July 2022-23 stood at 9.8%, as against 19.4% in the same period last financial year.

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

BANKING

RBI Monetary Policy – September 2022

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting on September 30, 2022 decided to:

- Increase the policy repo rate under the liquidity adjustment facility (LAF) by 50 basis points to 5.9% with immediate effect.

Consequently, the standing deposit facility (SDF) rate stands adjusted to 5.65% and the marginal standing facility (MSF) rate and the Bank Rate to 6.15%.

- 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

Global economic activity is weakening under the impact of the protracted conflict in Ukraine and aggressive monetary policy actions and stances across the world. As financial conditions tighten, global financial markets are experiencing surges of volatility, with sporadic sell-offs in equity and bond markets, and the US dollar (USD) strengthening to a 20-year high. Emerging market economies (EMEs) are facing intensified pressures from retrenchment of portfolio flows, currency depreciations, reserve losses and financial stability risks, besides the global inflation shock. As external demand deteriorates, their macroeconomic outlook is becoming increasingly adverse.

Domestic Economy

Real gross domestic product (GDP) grew year-on-year (y-o-y) by 13.5% in Q1:2022-23. While all constituents of domestic aggregate demand expanded y-o-y and exceeded their pre-pandemic levels, the drag from net exports provided an offset. On the supply side, gross value added (GVA) rose by 12.7% in Q1:2022-23, with all constituents recording y-o-y growth and most notably, services.

Aggregate supply conditions are improving. With the south-west monsoon rainfall 7% above the long period average (LPA) as on September 29 and its spatial distribution spreading to some deficit areas, kharif sowing has been catching up. Acreage was 1.7% above the normal sown area as on September 23 and only 1.2% below last year's coverage. The production of kharif foodgrains as per first advance estimates (FAE) was 3.9% below last year's fourth advance estimates (only 0.4% below last year's FAE). Activity in industry and services sectors remains in expansion, especially the latter, as reflected in purchasing managers indices (PMIs) and other high frequency indicators. The index of industrial production growth, however, slowed to 2.4% (y-o-y) in July.

On the demand side, urban consumption is being lifted by discretionary spending ahead of the festival season and rural demand is gradually improving. Investment demand is also gaining traction, as reflected in rising imports and domestic production of capital goods, steel consumption and cement production. Merchandise exports posted a modest expansion in August. Non-oil non-gold imports remained buoyant.

CPI inflation rose to 7% (y-o-y) in August 2022 from 6.7% in July as food inflation moved higher, driven by prices of cereals, vegetables, pulses, spices and milk. Fuel inflation moderated with reduction in kerosene (PDS) prices, though it remained in double digits. Core CPI (i.e., CPI excluding food and fuel) inflation remained sticky at heightened levels, with upside pressures across various constituent goods and services.

Overall system liquidity remained in surplus, with the average daily absorption under the liquidity adjustment facility (LAF) easing to INR 2.3 lakh crore during August-September (up to September 28, 2022) from INR 3.8 lakh crore in June-July. Money supply (M3) expanded y-o-y by 8.9%, with aggregate deposits of commercial banks growing by 9.5% and bank credit by 16.2% as on September 9, 2022. India's foreign exchange reserves were placed at USD 537.5 billion as on September 23, 2022.

Outlook

High and protracted uncertainty surrounding the course of geopolitical conditions weighs heavily on the inflation outlook. Commodity prices, however, have softened and recession risks in advanced economies (AEs) are rising. On the domestic front, the late recovery in sowing augurs well for kharif output. The prospects for the rabi crop are buffered by comfortable reservoir levels. The risk of crop damage from excessive/unseasonal rains, however, remains. These factors have implications for the food price outlook. Elevated imported inflation pressures remain an upside risk for the future trajectory of inflation, amplified by the continuing appreciation of the USD. The outlook for crude oil prices is highly uncertain and tethered to geopolitical developments, with attendant concerns relating to both supply and demand. The Reserve Bank's enterprise surveys point to some easing of input cost and output price pressures across manufacturing, services and infrastructure firms; however, the pass-through of input costs to prices remains incomplete. Taking into account these factors and an average crude oil price (Indian basket) of USD 100 per barrel, inflation is projected at 6.7% in 2022-23, with Q2 at 7.1%; Q3 at 6.5%; and Q4 at 5.8%, and risks are evenly balanced. CPI inflation for Q1:2023-24 is projected at 5%.

On growth, the improving outlook for agriculture and allied activities and rebound in services are boosting the prospects for aggregate supply. The Government's continued thrust on capex, improvement in capacity utilisation in manufacturing and pick-up in non-food credit should sustain the expansion in industrial activity that stalled in July. The outlook for aggregate demand is positive, with rural demand catching up and urban demand expected to strengthen further with the typical upturn in the second half of the year. According to the RBI's surveys, consumer outlook remains stable and firms in manufacturing, services and infrastructure sectors are optimistic about demand conditions and sales prospects. On the other hand, headwinds from geopolitical tensions, tightening global financial conditions and the slowing external demand pose downside risks to net exports and hence to India's GDP outlook. Taking all these factors into consideration, real GDP growth for 2022-23 is projected at 7% with Q2 at 6.3%; Q3 at 4.6%; and Q4 at 4.6%, and risks broadly balanced. For Q1:2023-24, it is projected at 7.2%.

In the MPC's view, inflation is likely to be above the upper tolerance level of 6% through the first three quarters of 2022-23, with core inflation remaining high. The outlook is fraught with considerable uncertainty, given the volatile geopolitical situation, global financial market volatility and supply disruptions. Meanwhile, domestic economic activity is holding up well and is expected to be buoyant in H2:2022-23, supported by festive season demand amidst consumer and business optimism. The MPC is of the view that further calibrated monetary policy action is warranted to keep inflation expectations anchored, restrain the broadening of price pressures and pre-empt second round effects. The MPC feels that this action will support medium-term growth prospects. Accordingly, the MPC decided to increase the policy repo rate by 50 basis points to 5.9%. 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

Appointment or Continuation of Common Director(s) u/s 48A of Insurance Act, 1938

The second proviso of section 48A of the Insurance Act, 1938 provides that "*the Authority may permit an agent or intermediary or insurance intermediary to be on the Board of an insurance company subject to such conditions or restrictions as it may impose to protect the interest of policyholders or to avoid conflict of interest.*"

Applications are filed with the Authority seeking approval under section 48A of the Insurance Act, 1938, for new appointment or continuation of common director(s) representing insurance agent, intermediary or insurance intermediary on the board of insurance company.

The Authority, in exercise of powers conferred under section 14(1) of the IRDA Act, 1999 hereby provides the following framework for appointment of common director under section 48A of the Insurance Act, 1938:

a. The appointment or continuation of common director representing insurance agent, intermediary or insurance intermediary on the board of insurance company shall be deemed to have been permitted, unless otherwise provided for in this Circular, subject to following conditions:

i. The proposed director shall not be working in the capacity of the Chief Insurance Executive / Specified Person or any other officer responsible for soliciting insurance business for or on behalf of the insurance agent, intermediary or insurance intermediary while holding the position of director in the insurance company.

ii. There should be no conflict of interest or prejudice against the interest of the policyholders as a result of such appointment.

iii. Insurer shall not pay any remuneration to non-executive directors without prior approval of the Authority. However, insurers are permitted to pay sitting fees, as per applicable norms.

iv. The disclosure requirement as laid down under the Corporate Governance Guidelines for Insurers in India, IRDA (Preparation of Financial Statement and Auditor's Report of Insurance Companies) Regulations, 2002 and any other extant applicable laws shall be complied with.

v. A resolution is passed approving such appointment by the Board of insurance company/agent/intermediary/insurance intermediary.

vi. The common director shall recuse himself/herself from the discussion and voting on any matter/discussion pertaining to:

1. Any area having potential conflict of interest

2. Insurer/Agent/Intermediary/Insurance intermediary where she/he is holding common directorship.

vii. The number of directorships held by the common director shall not exceed, at any point of time, the maximum number of directorships specified under the extant law including the Companies Act, 2013.

viii. The Insurer/Agent/Intermediary/Insurance intermediary shall comply with all other applicable laws.

b. An individual, already acting or proposed to act as Executive Director / Whole-Time Director on the Board of the Insurer/Agent/Intermediary/Insurance intermediary, shall not be appointed as nominee/common director.

c. The common director may be appointed as Chairperson on the Board of the insurance company / agent / intermediary / insurance intermediary subject to necessary safeguards, to be put in place at all the times, to protect the interest of policyholders and to avoid the conflict of interest as may arise due to such appointment.

The Insurers shall file a certificate on an annual basis, duly certified by the CEO, confirming compliance with the provisions of this circular on financial year basis. The compliance shall be filed with Authority not later than 30^{th} April of the succeeding financial year.

Rationalization of Health Insurance Business Returns

As part of promoting ease of doing business for insurance companies, Insurance Regulatory and Development Authority of India (IRDAI) has been constantly striving to reduce the compliance burden of all the regulated entities. Towards this endeavour, the health insurance returns being filed by the insurance companies have been significantly reduced. Now, the General and Health Insurers will have to file 8 returns and Life Insurers will be filing 3 returns in place of 17 returns being filed currently. This step will further help insurers in focusing on their business rather than a plethora of compliances and in turn help in increasing the insurance penetration in country.

These revised reporting norms will be applicable with immediate effect.

INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves release of additional instalment of Dearness Allowance to Central Government employees and Dearness Relief to Pensioners, due from 01.07.2022

The Cabinet, chaired by Prime Minister, Shri Narendra Modi, has approved the release of additional instalment of Dearness Allowance and Dearness Relief @ 4% to Central Government employees and pensioners due from 01.07.2022 based on the percentage increase in 12 monthly average of All India Consumer Price Index for the period ending June 2022.

The Central Government employees and pensioners will become entitled to higher amount of Dearness Allowance and Dearness Relief respectively, w.e.f. 01.07.2022.

The additional financial implications on account of this increase of Dearness Allowance to Central Government employees are estimated at INR 6,591.36 crore per annum and INR 4,394.24 crore in the financial year 2022-23 (i.e., for a period of 8 months from July 2022 to February 2023).

The additional financial implications on account of this increase of Dearness Relief to pensioners are estimated at INR 6,261.20 crore per annum and INR 4,174.12 crore in the financial year 2022-23 (i.e., for a period of 8 months from July 2022 to February 2023).

The combined impact on the exchequer on account of both Dearness Allowance and Dearness Relief would be of the order of INR 12,852.56 crore per annum and INR 8,568.36 crore in the financial year 2022-23 (i.e., for a period of 8 months from July 2022 to February 2023).

Centre extends Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY) for another three months (October 2022-December 2022)

In pursuance of the pro-people announcement made by Hon'ble Prime Minister in 2021 and successful implementation of additional food security under PMGKAY, the Union Cabinet has approved the extension for the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY-Phase VII) for a further period of 3 months, i.e., October to December 2022.

At a time when the world is battling with the effects of Covid on its decline and insecurity due to various reasons, India has been successfully maintaining food security for its vulnerable sections while taking necessary steps to keep availability and affordability for common man.

Recognising that people have gone through a difficult period of pandemic, Govt has decided to extend PMGKAY for a period of three months so that poor and vulnerable sections of society are supported for the forthcoming major festivals like Navratri, Dussehra, Milad-un-nabi, Deepawali, Chhath pooja, Guru Nanak Dev Jayanti, Christmas, etc. which they can celebrate with great gaiety and community for festivities. With a view to ensuring this, Govt. has approved this extension of PMGKAY for three months, so that they continue to enjoy the benefits of easy availability of foodgrains without any financial distress.

Under this welfare scheme, 5 kg of food grain per person per month is provided free of cost for all the beneficiaries covered under the National Food Security Act (NFSA) [Antodaya Anna Yojana & Priority Households] including those covered under Direct Benefit Transfer (DBT).

Financial implication for the Government of India has been about INR 3.45 Lakh Crore up to Phase-VI of PMGKAY. With the additional expenditure of about INR 44,762 Crore for Phase-VII of this scheme, the overall expenditure of PMGKAY will be about INR 3.91 lakh crore for all the phases.

The total outgo in terms of food grains for PMGKAY Phase VII is likely to be about 122 LMT. The aggregate allocation of food grain for phases I- VII is about 1121 LMT.

So far, PMGKAY has been in operation for 25 months as under

- Phase I and II (8 months): April'20 to Nov.'20
- Phase-III to V (11 months): May'21 to March'22
- Phase-VI (6 months): April'22 to Sept.'22

PM Garib Kalyan Anna Yojana (PM-GKAY), started during difficult time of COVID-19 crisis, has provided food security to the poor, needy and the vulnerable households/beneficiaries so that they do not suffer on account of non-availability of adequate foodgrains. Effectively, it has doubled the quantity of monthly foodgrains entitlements being normally delivered to beneficiaries.

Going by the experience of earlier phases, the performance of PMGKAY-VII is expected to be on the same high level as achieved before.

CAPITAL MARKETS

SEBI Board Meeting

The SEBI Board met in Mumbai and inter-alia, took the following decisions:

i. Introduction of Regulatory Framework to facilitate Online Bond Platform Providers and reduction in the face value of listed privately placed debt securities
ii. Disclosure of Key Performance Indicators (KPIs) and price per share of issuer, in Public Issues, based on past transactions and past fund raising from the investors
iii. Amendment to Mutual Funds Regulations to facilitate faster payout of redemptions and dividends to unitholders

The Board approved amendment to SEBI (Mutual Funds) Regulations, 1996 to facilitate faster payout of redemption and dividend to unitholders by AMCs from existing 10 working days and 15 days respectively to such period as may be specified by SEBI from time to time, proposed as 3 working days and 7 working days.

iv. Net settlement of cash segment and F&O segment upon expiry of stock derivatives to facilitate efficient settlement
v. Introduction of pre-filing of offer document as an optional alternative mechanism for the purpose of Initial Public Offer on the Main Board of Stock Exchanges
vi. Flexibility in approval process for appointment and / or removal of Independent Directors – Amendments to the SEBI (LODR) Regulations
vii. Amendments to SEBI (Real Estate Investment Trusts) Regulations, 2014 to allow reduction in minimum holding by sponsors

The Board approved the proposals relating to the reduction in the minimum holding requirement of units from 25% to 15% by sponsor(s) and sponsor group(s) of the total outstanding units of the Real Estate Investment Trust (REIT) on post-initial offer basis in line with the requirements specified for sponsor(s) in the SEBI (Infrastructure Investment Trusts) Regulations, 2014.

viii. Amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 relating to unlisted InvITs

The Board approved the proposals relating to discontinuation of a separate regulatory framework for unlisted Infrastructure Investment Trust (InvIT).

ix. Amendment to SEBI (Alternative Investment Funds) Regulations, 2012 to facilitate clarity in tenure of AIF schemes and requirements for change in manager/ sponsor

x. Review of the existing framework for Offer for Sale (OFS) of Shares through Stock Exchange Mechanism to facilitate greater flexibility in the process

xi. Monitoring of utilization of issue proceeds raised through Preferential Issue and Qualified Institutions Placement (QIP) issue, in terms of SEBI (ICDR) Regulations, 2018

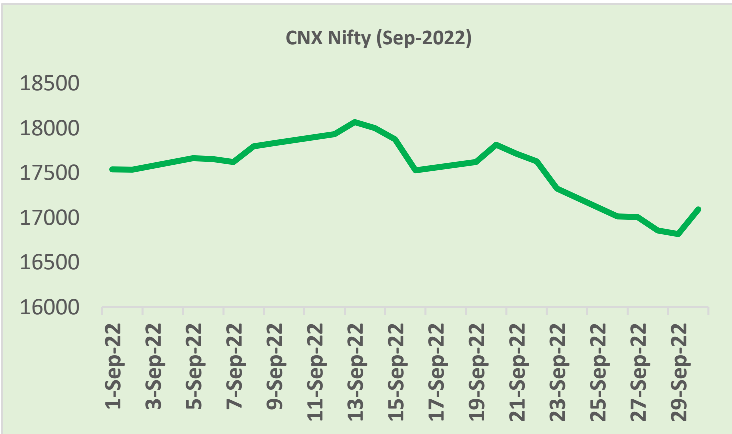
xii. Amendment to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 in the context of schemes of arrangement

xiii. Amendment to SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("Takeover Regulations") in the context of strategic disinvestment of PSUs and consideration payable under open offer

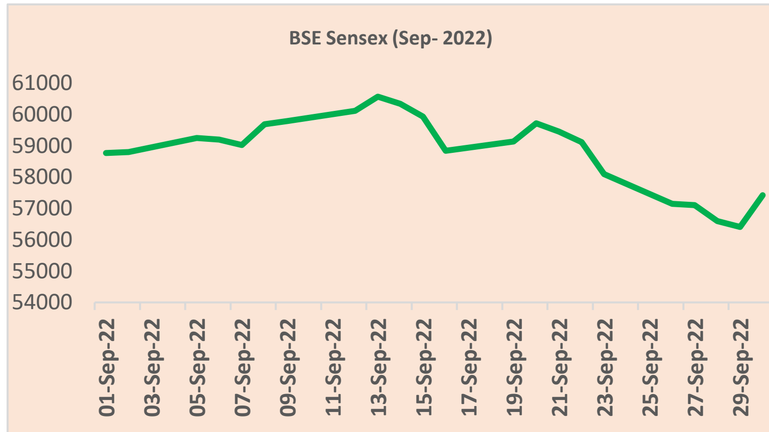
xiv. Inclusion of units of Mutual Funds under the SEBI (Prohibition of Insider Trading) Regulations, 2015

xv. Amendments to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 for orderly winding down of Clearing Corporations

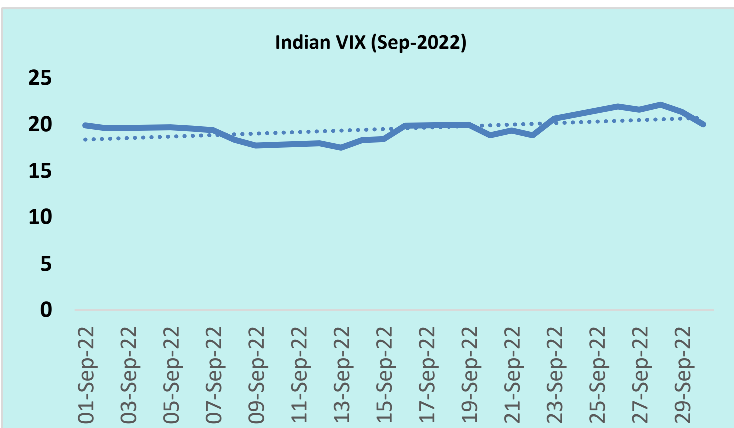
CAPITAL MARKETS SNAPSHOT



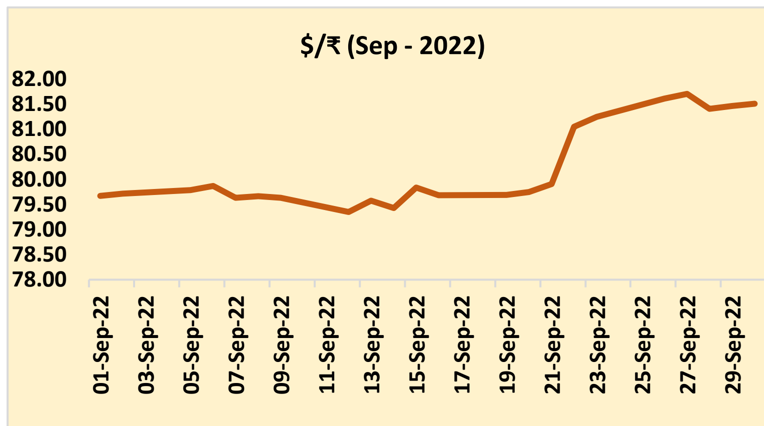
Source: National Stock Exchange



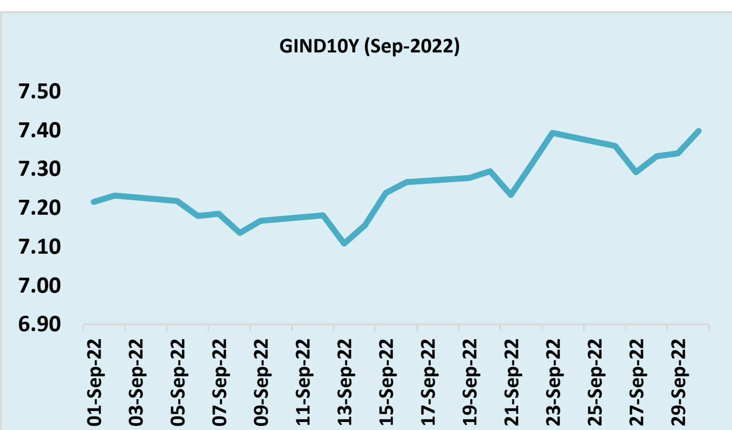
Source: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

If July and August were the months of hope and optimism, September 2022 was the month that the markets were mugged by hard reality. After heady FPI inflows in August, the FPI sentiments turned back once again in September as FPIs moved from being net buyers to being net sellers. Towards the end of September, the FPIs had sold equities worth over USD 900 million, despite being net buyers for the first 3 weeks. Nearly USD 2.3 billion of equities got net sold by FPIs in the last 8 trading sessions of September 2022. Not surprisingly, the Nifty ended the month with negative returns. The Nifty fall of 2.56% may not appear to be really bad after 2 successive months of rise. However, the fall got accentuated after the Fed announced a 75 bps rate hike.

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	3.2 Q2	2.6	1.1	8.7 Aug	9.6	-0.4	-6.2	12.2
Russia	-4.1 Q2	-6.2	-2.0	14.3 Aug	15.2	11.9	-3.7	10.5
India	**13.5 Q2**	**6.9**	**5.0**	**7.0 Aug**	**7.0**	**-1.5**	**-6.6**	**7.3**
China	0.4 Q2	3.6	5.5	2.5 Aug	2.4	2.2	-6.2	2.5^
S Africa	0.2 Q2	1.9	2.4	7.9 Aug	6.9	-1.2	-6.2	10.8
USA	1.7 Q2	1.5	1.3	8.3 Aug	7.9	-3.7	-3.9	3.7
Canada	4.6 Q2	3.2	2.8	7.0 Aug	7.0	1.2	-3.6	3.1
Mexico	2.0 Q2	2.2	2.2	8.7 Aug	8.0	-1.1	-2.4	9.7
Euro Area	4.1 Q2	2.9	1.6	9.1 Aug	8.3	1.5	-4.4	2.1
Germany	1.7 Q2	1.0	0.9	7.9 Aug	8.3	3.5	-3.2	2.1
Britain	2.9 Q2	3.3	0.5	9.9 Aug	8.6	-5.2	-6.8	4.3
Australia	3.6 Q2	3.2	2.5	6.1 Q2	6.0	1.9	-2.6	4.1
Indonesia	5.4 Q2	5.1	4.6	4.7 Aug	4.9	1.2	-3.8	7.4
Malaysia	8.9 Q2	6.0	4.2	4.7 Aug	3.1	1.6	-6.1	4.5
Singapore	4.4 Q2	3.5	3.1	7.5 Aug	5.7	18.9	-1.0	3.5
S Korea	3.0 Q2	2.6	2.5	5.7 Aug	5.1	1.8	-3.3	4.2

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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