NEWSLETTER

APAS MONTHLY

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ASHVIN PAREKH

THIS MONTH

We invite our readers and patrons to visit our wealth of knowledge e by tuning into our APAS podcasts –

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EDITORIAL

In this issue, Mr. Shailendra Jhingan- Managing Director & CEO, ICICI Securities Primary Dealership Limited has presented his thoughts on the monetary policy - **'RBI prudently adopts a wait and watch approach, despite consensus view of 25bps hike'**. We thank Mr. Jhingan for his contribution to the APAS Monthly.

This month, the APAS column covers "**Innovation in Indian insurance industry**'.

The economic indicators showed mixed performance. Manufacturing PMI fell to a three-month low of 55.3 in February 2023 from 55.4 in January 2023. Services PMI declined to 59.4 in February 2023 from 57.2 of January 2023. Infrastructure output in India increased 6% year-on-year in February 2023, racing from an upwardly revised 8.9% advance in the previous month. Index of Industrial Production (IIP) or factory output recorded increased 5.2% year-on-year in January of 2023, following a 4.3% rise in December. India's retail price inflation (CPI) slowed slightly to 6.44% in February of 2023 from 6.52% in January. India Wholesale Price Index (WPI) number 3.85% (Provisional) for the month of February 2023 (over February2022) against 4.73% recorded in January 2023.

The Supreme Court has ordered that a borrower must be accorded a hearing before an account is classified as "fraud". The RBI released its released its web publication entitled 'Quarterly Basic Statistical Returns (BSR)-1: Outstanding Credit of Scheduled Commercial Banks – December 2022. RBI announced the Monetary Policy Statement, 2023-24 Resolution of the Monetary Policy Committee (MPC) April 3, 5 and 6, 2023.

Insurance Regulatory Development Authority of India (IRDAI) announced Life Insurers New Business Figures. IRDAI has invited applications for Regulatory Sandbox. It has registered two life insurers.

SEBI had its Board Meeting on the 29th March 2023.

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.

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On the cover

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RBI prudently adopts a wait and watch approach, despite consensus view of 25bps hike

Shailendra Jhingan
Managing Director & CEO,
ICICI Securities Primary Dealership Limited

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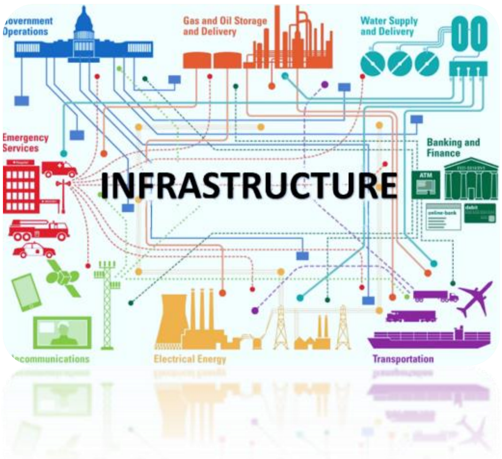


INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves additional instalment of Dearness Allowance to Central Government employees and Dearness Relief to Pensioners

Cabinet approves listing of Indian Renewable Energy Development Agency Limited on stock exchanges through an Initial Public Offer by part-sale of Government's stake in it and to raise funds through issue of fresh equity shares by IREDA

Revamping of Credit Guarantee Scheme for Micro & Small Enterprises with effect from 01.04.2023

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

RBI prudently adopts a wait and watch approach, despite consensus view of 25bps hike.

Shailendra Jhingan
Managing Director & CEO
ICICI Securities Primary Dealership Limited

RBI MPC voted for a 'pause' in the latest meeting, while retaining the same monetary policy stance that is focussed on withdrawal of accommodation. Even as market consensus favoured 25bps hike, pricing in the swap markets was less definitive. In my view, RBI has been very prudent to take a more passive strategic posture, given the heightened global macroeconomic and financial market uncertainty and domestic considerations.

Central bank (CB) indicated three reasons for the pause. One, heightened global uncertainty over last month has played a key role, as can be inferred from the opening remarks of the Governor statement. Second, and perhaps more important, RBI MPC preferred to take a breather in the context of strong cumulative hikes delivered over the course of last year. The weighted average call rate that serves as the operative target of monetary policy has increased by 320bps between March 2022 and March 2023 as per RBI and that is likely to be progressively transmitted to the overall economy. Finally, even as inflation in Q4FY23 had surprised higher, RBI has faded away the potential spill over of forecast miss to next year projection. Forecasts for current fiscal has in fact been tweaked lower, with Jan-Mar 2024 inflation seen lower by 40bps to 5.2%. That adjustment implies real policy rates ex ante (based on Jan-Mar 2024 inflation) has interestingly increased compared to Feb policy meeting (1.3% versus 0.9%), and this may have helped RBI's out of consensus decision as well.

The decision to take a pause substantially lessens the probability the CB will be wrong footed quickly in case global crisis worsens. There is still substantial uncertainty about how global financial conditions will evolve. Its been just about a month since the troubles in the US banking system came to the fore and spilled over quickly across the Atlantic. Even as there has been no fresh dominos that have been unearthed over last fortnight, the strong pace of outflows from the US banking system appears to have continued and the financial markets (and particularly the bond markets) remain very volatile.

The current episode of stress is not a credit crisis like GFC, and the regulators have responded swiftly to mitigate that risk. But, it is too soon to make a definitive judgement on that. Even as US Federal Reserve and ECB that are both at the center of the storm have still gone ahead and hiked the benchmark policy rates, there has clearly been a shift in their reaction function. US Fed for instance only hiked 25bps after the Fed Chair almost greenlighted the 50bps move and higher terminal rate in a speech just days before the collapse of Silicon Valley Bank. The 'dot plot' was also left unchanged from Dec meet, and that shows only one more hike as per median FOMC member. ECB hiked 50bps as expected, but gave no forward guidance. Typically bigger hikes are paired with more aggressive forward guidance. In the run up to the ECB meeting, and before the troubles came to light for Credit Suisse (regulated by SNB), some ECB members were referring to need for series of strong hikes.

In case either of those CBs had decided to pivot to a pause in their respective monetary policy meetings, financial markets may have potentially concluded these regulators fear there are more skeletons that will come out. Given recent inflation in both these jurisdictions has remained excessively high, CBs were forced to navigate the trade-off between financial stability and inflation risks, and to manage the market perception. In contrast, some other CBs such as RBA delivered a hawkish pause in the un up to RBI MPC meeting that saw a similar result. Indeed, RBI MPC was in far better position compared to systemic CBs, with inflation poised to come down in near term, and given positive real policy rates – whether ex ante or ex post.

The way inflation evolves over next few months will be crucial, in determining whether the RBI MPC needs to tighten more. RBI currently predicts average inflation of 5.2% in current fiscal, with a range of 5%-5.4% between quarters. Market consensus remains in the same ball park as well. RBI has also recently released inflation projections for FY25, with CB's monetary policy model indicating 4.5% average inflation next fiscal, with a range of 4.4-4.7%. In case inflation tracks RBI and market forecasts, real policy rates ex ante will rise to 2% (i.e. close to pre-covid period average) as FY25 inflation forecasts are progressively used to benchmark policy rates. Moreover, there is downside risks to RBI growth forecast of 6.5% as well. RBI is thus poised for a prolonged pause, despite the hawkish rhetoric paired with the latest pause. Even as swap market is pricing in rate cuts by the end of CY, bar for rate cuts may be high as well however.

APAS Column

Innovation in Indian insurance industry

Indian Insurance industry has come a long way growing along with the Indian economy. Since the formation of the Insurance Regulatory and Development Authority of India (IRDAI) in 1999 and opening up of the insurance sector in early 2000 to private players, the number of insurance companies have been on the rise and so is the innovation in this sector. Thanks to the opening of the sector to foreign players and conducive regulatory environment, the industry has been continuously adapting and growing. Spurt of activity in the recent years and new kind of companies applying for insurance license is a testament of vibrancy and growing innovation in this industry. Innovative products like ULIPS pushed the growth over a few years and the real innovation and technology disruption is now making its impact felt. We have been seeing even the non-sector players like e-commerce giants participating in the growth of the industry by offering customised insurance products by tying up with the insurance players. New areas and insurance products such as cyber insurance have evolved over the years. Innovation is not only seen in products but also in the distribution and other allied areas.

Innovation is seen in both life as well as non-life insurance. Some of the major areas where innovation is seen in life insurance industry include – Microinsurance where affordable and small-ticket life insurance policies are tailored for low-income individuals and families; online distribution channels; usage based pricing where the premiums are based on the policyholder's behaviour, such as exercise habits or lifestyle choices; enhanced security and reduced processing time for policy issuance, underwriting, and claims management; AI-powered chatbots for customer service, underwriting, and claims processing; insurers partnering with wearable tech companies to offer discounts based on policyholder's health data; improved annuity products offering more flexible options and guaranteed income streams for policyholders, web aggregators and online comparison portals allowing customers to compare various life insurance policies based on their preferences; tailored products for women; and additional coverage options providing financial support for policyholders needing long-term care services.

Some of the major innovations seen in non-life insurance include - Telematics-based motor insurance where in the premiums are determined based on driving behaviour data collected from telematics devices; faster claims settlement using digital platforms, photos, and AI-powered assessments; usage of drones to assess crop damage and enable accurate and efficient pay-outs to farmers; mobile apps for policy purchase, claims management, and customer support; temporary and usage-based insurance policies for specific events or time periods, health insurance discounts and incentives for policyholders who maintain a healthy lifestyle through wearables; policies tailored to individual homeowners' needs, accounting for regional risks and property characteristics, cyber insurance; online aggregators; and parametric insurance where Trigger-based insurance products, such as weather-indexed crop insurance, that pay out upon the occurrence of a predefined event.

IRDAI has been a progressive regulator and thanks to the sandbox concept which provides conducive environment for insurtech and fintech companies to carry innovation in the insurance space. Sandboxing provides a chance for the companies to develop services that might be outside of the status quo and encourage companies to explore ideas that could better serve employees as well as customers. Few of the products which are approved by the Sandbox Committee at IRDAI are motor insurance on the basis of distance, health profile-based pricing, wearable fitness tracker, health insurance and co-pay model, AI-based apps and others.

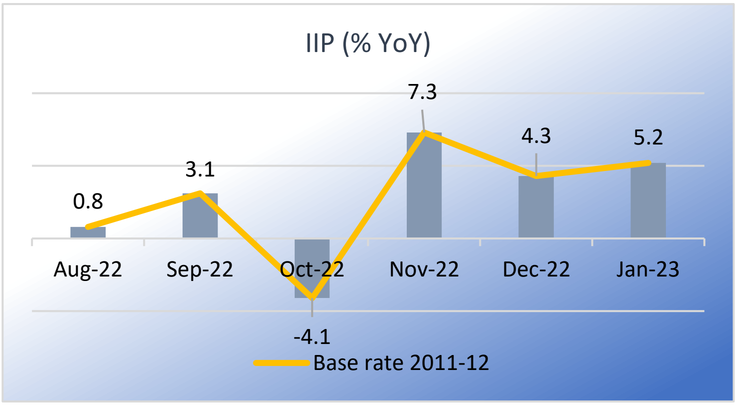
Another major regulatory change which has serious implications on innovation is transition from 'file and use' to a 'use and file' framework. This allows insurance companies to try and test a product before filing for approval as against the earlier regulation of filing and then using. This helps insurers to launch new products quickly, as they will no longer need to wait for regulatory approval before offering their products to consumers. The use and file framework will encourage insurers to develop new, innovative products tailored to specific customer needs, as they will have more freedom to experiment and iterate on product designs. As insurers can quickly launch new products, competition in the market will intensify, leading to better pricing and a wider range of options will be available for consumers. Insurers will need to focus on understanding and addressing customer needs to stay competitive. This may lead to more personalized and tailored insurance products and services. The use and file framework may encourage insurers to adopt advanced data analytics and machine learning algorithms for real-time, risk-based pricing and underwriting. Insurers will be more likely to explore and integrate new technologies, such as artificial intelligence, blockchain, and the Internet of Things, to improve their offerings and streamline operations.

As insurers will be responsible for their products' performance and compliance with regulations, they will need to invest in more robust risk management and monitoring systems. To ensure that customers understand the new products and their benefits, insurers may need to invest in customer education and awareness campaigns. While the use and file framework provide more freedom to insurers, it also means that regulators will need to closely monitor the market and ensure that the products launched are compliant with regulations and consumer protection norms. The new framework may encourage insurers to collaborate with InsurTech startups and other industry players to develop innovative products and solutions, fostering an ecosystem that supports innovation and growth in the sector.

-APAS

ECONOMY

IIP (Index of Industrial Production) – January



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

Industrial Production in India increased 5.2% year-on-year in January of 2023, following a 4.3% rise in December 2022 and 1.3% in January 2022.

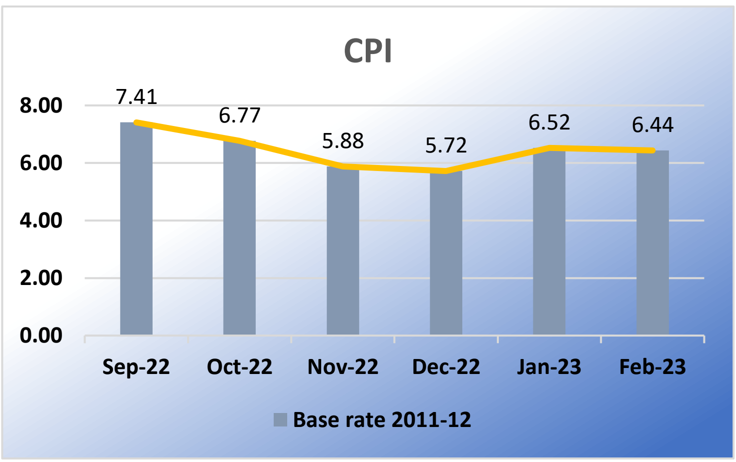
For the month of January 2022, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 146.5.

The manufacturing sector, which constitutes close to 77 % of the index, increased by 3.7% in January, to 144.3. Mining sector grew by 8.8 %, to 135.9. Electricity generation grew by 12.7%, to 186.6.

As per Use-based classification, the indices stand at 149.6 for Primary Goods, 105.3 for Capital Goods, 153.6 for Intermediate Goods and 171.7 for Infrastructure/ Construction Goods for the month of January 2023.

Further, the indices for Consumer durables and Consumer non-durables stand at 109.6 and 164.0 respectively for the month of January 2023.

CPI (Consumer Price Index) – February



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

The annual consumer price inflation in India slowed slightly to 6.44% in February 2023 from 6.52% in January 2022.

Inflation stayed above the Reserve Bank of India target of 2-6% for a second consecutive month.

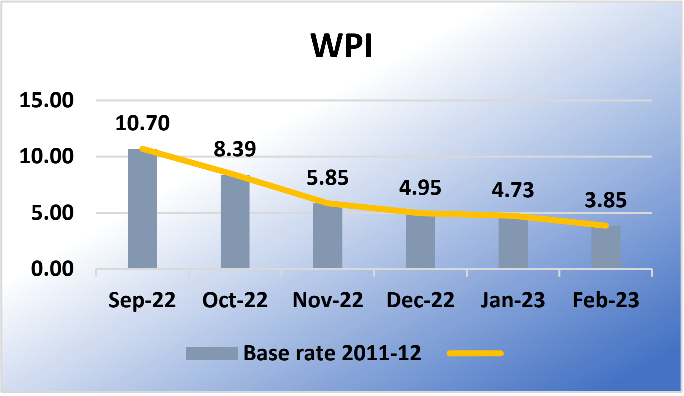
Food inflation was little changed at 5.95%, compared to 5.94% in the previous month, with prices for spices (20.2%), cereals (16.7%) and milk (9.7%) recording the biggest increases while prices of vegetables dropped 11.6%.

Meanwhile, a slowdown was seen in cost for fuel and light (9.9% vs 10.84%), miscellaneous (6.12% vs 6.21%) and clothing and footwear (8.8% vs 9.08%) while prices rose faster for housing (4.83% vs 4.62%); and pan, tobacco, and intoxicants (3.22% vs 3.07%).

WPI (Wholesale Price Index) – February

India Wholesale Price Index (WPI) number is 3.85% (Provisional) for the month of February 2023 (over February 2022) against 4.73% recorded in January 2023.

Decline in the rate of inflation in February 2023 is primarily contributed by fall in prices of crude petroleum & natural gas, non-food articles, food products, minerals, computer, electronic & optical products, chemicals & chemical products, electrical equipment and motor vehicles, trailers & semi-trailers.



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

The month over month change in WPI for the month of February 2023 stood at 0.20% as compared to January 2023.

The index for primary articles declined by 0.57% to 173.0 (provisional) in February 2023 from 174.0 (provisional) for the month of January 2023.

Prices of Crude Petroleum & Natural Gas declined by -5.42%% in February 2023 and Non-food Articles declined by -1.73% in February 2023 as compared to January 2023.

The index for fuel and power increased by 1.93% to 158.8 (provisional) in February 2023 from 155.8 (provisional) for the month of January 2023.

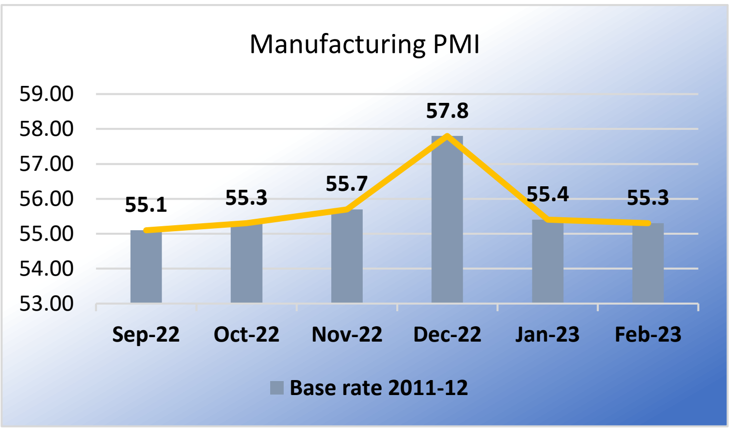
Prices of Mineral Oils (2.86%) and Coal (0.74%) increased in February 2023 as compared to January 2023.

The index for manufactured products declined by 0.21 % to 141.6 (provisional) in February 2023.

Manufacturing PMI – February

The S&P Global India Manufacturing PMI edged down to a four-month low of 55.3 in February of 2023 from 55.4 in the previous month while pointing to the 20th straight month of expansion.

Both output and new orders grew for the 20th month with the rates of expansion broadly similar to January, while foreign sales increased the least in the current 11-month period of growth. Overall job numbers were little changed, amid a marginal rise in outstanding business.



Source: www.tradingeconomics.com

Meantime, buying levels rose sharply and at a rate that outpaced its long-run average. Vendor performance was stable, as suppliers' capacity seemed adequate to keep up with improving input demand.

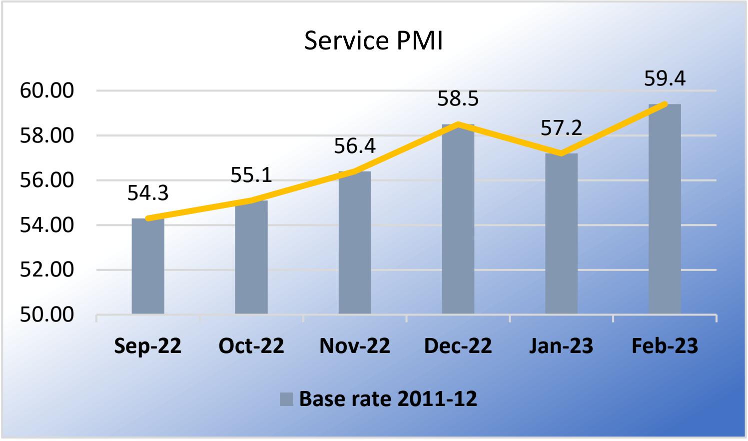
On prices, input cost inflation accelerated to a four-month high but there was a softer upturn in selling charges. Finally, sentiment improved, attributed to hopes of demand strength that were supported by new product releases and investments.

Services PMI – February

The S&P Global India Services PMI increased to a 12-year high of 59.4 in February 2023 from 57.2 in the previous month, beating market forecasts of 56.2 growth due to a sharp expansion in output and the joint-best improvement in new business intakes in 12 years.

Meanwhile, employment rose only marginally, with backlogs of work accumulating further.

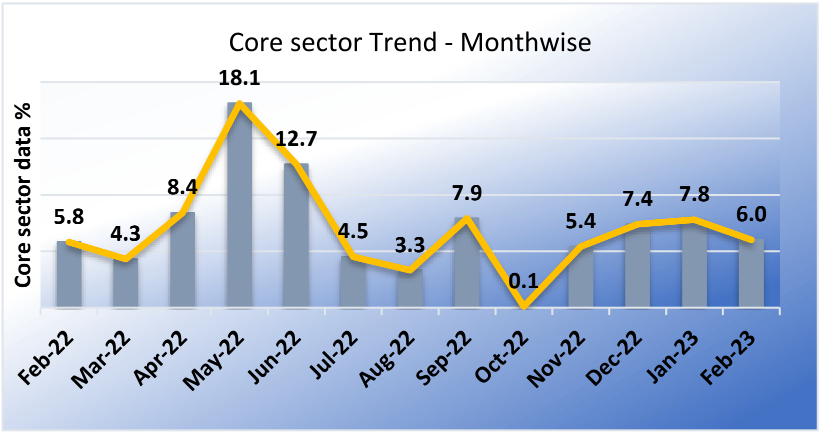
On the pricing front, input cost inflation eased to a 23-month low, while output cost inflation slowed to a 12-month low.



Source: www.tradingeconomics.com

Core Sector Data – February

The combined Index of Eight Core Industries (ICI) increased by 6.0 per cent (provisional) in February 2023 as compared to the Index of February 2022. The production of Fertilizers, Coal, Electricity, Cement, Steel, Refinery Products and Natural Gas increased in February 2023 over the corresponding month of last year. ICI measures combined and individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity. The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).



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

Final growth rate of Index of Eight Core Industries for November 2022 is revised to 5.7 per cent from its provisional level 5.4 per cent. The cumulative growth rate of ICI during April-February 2022-23 reported 7.8 per cent (provisional) as compared to the corresponding period of last year.

The summary of the Index of Eight Core Industries is given below:

Coal - Coal production (weight: 10.33 per cent) increased by 8.5 per cent in February 2023 over February, 2022. Its cumulative index increased by 15.2 per cent during April to February 2022-23 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 per cent) declined by 4.9 per cent in February 2023 over February 2022. Its cumulative index declined by 1.6 per cent during April to February, 2022-23 over the corresponding period of previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) increased by 3.2 per cent in February 2023 over February 2022. Its cumulative index increased by 1.5 per cent during April to February, 2022-23 over the corresponding period of previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 per cent) increased by 3.3 per cent in February 2023 over February 2022. Its cumulative index increased by 5.2 per cent during April to February, 2022-23 over the corresponding period of previous year.

Fertilizers - Fertilizers production (weight: 2.63 per cent) increased by 22.2 per cent in February 2023 over February 2022. Its cumulative index increased by 11.5 per cent during April to February, 2022-23 over the corresponding period of previous year.

Steel - Steel production (weight: 17.92 per cent) increased by 6.9 per cent in February 2023 over February 2022. Its cumulative index increased by 7.5 per cent during April to February, 2022-23 over the corresponding period of previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 7.3 per cent in February 2023 over February 2022. Its cumulative index increased by 9.7 per cent during April to February, 2022-23 over the corresponding period of previous year.

Electricity - Electricity generation (weight: 19.85 per cent) increased by 7.6 per cent in February 2023 over February 2022. Its cumulative index increased by 9.9 per cent during April to February, 2022-23 over the corresponding period of previous year.

BANKING

Supreme court verdict on hearing before an account is classified as fraud

In a recent Supreme Court hearing, the Court has ordered that a borrower must be accorded a hearing before an account is classified as "fraud" and a reasoned order must follow if such an action is taken, as declaring the account as fraud leads to serious civil consequences. The Supreme court upheld the order by the Telangana High Court in 2020 against an appeal by State Bank of India (SBI).

Context: A borrower account is declared as fraudulent by the bank, based on the findings of a forensic report where the loan has become a non-performing asset (where interest or principal payment is overdue for 90 days).Banks classify accounts as fraudulent accounts in keeping with The Master Circular on "Frauds – Classification and Reporting", issued under Section 35 A of the Banking Regulation Act, 1949, and updated in 2016. The purpose of 2016 circular was early detection of fraud and prompt reporting of the same. This mechanism will send out alerts enabling banks to take timely action and steps to manage overall exposure to a corporate, inclusive of lending through pledged shares. The Master Directions on Frauds were necessitated to protect the interests of depositors and banks from the growing instances of frauds. RBI is duly empowered to take pre-emptive measures in public interest to ensure that fraudulent borrowers are brought to justice and loss caused to the banks is mitigated. Hence, RBI, SBI led consortium contested the judgement of Telangana High Court. The Master Directions on Frauds provides a regulatory framework for four types of frauds: (i) Chapter IV deals with attempted fraud; (ii) Chapter VII deals with cheque related frauds; (iii) Chapter VIII deals with loan frauds; and (iv) Chapter X deals with cases relating to theft, burglary, dacoity, and bank robberies. The dispute in the present case is concerned with Chapter VIII dealing with loan frauds.

The Supreme Court emphasised on reading the "audi alterm partem" principle, which means hearing the other side, with the master circular of RBI. The Court said that the principles of natural justice have to be read into the Master Circular issued by the Reserve Bank of India on the classification of bank accounts as fraud accounts. Therefore, ordered that a borrower must be accorded a hearing before an account is classified as "fraud".

History: Rajesh Agarwal of BS Company Ltd had moved to Telangana HC seeking to declare the RBI circular relating to fraud loan accounts as arbitrary as it violated the principle of natural justice in as much as there is no provision for an opportunity of hearing before an account is classified and reported as fraud. The BS Company's account was declared as a fraud on February 15, 2019, by the SBI-led consortium in tune with the RBI circular. The company took loans of Rs 1,400 crore and defaulted on repayment. As the forensic audit of the company accounts revealed discrepancies, the SBI and other banks formed to a joint lenders' forum (JLF) and initiated action against Agarwal's bank account. The fraud dentification committee (FIC) also recommended action against the account of Agarwal.

Implications: Bankers and lawyers believe that though the process to declare a fraudulent account may get elongated after the Supreme Court verdict, a detailed standard operating procedure (SoP) will eventually eliminate legal hurdles in the future. Banks will have to set down a proper process, including a platform to hear the views of borrowers and accounts labelled as a fraud, even after a forensic audit finds such delinquents guilty of embezzlement.

Quarterly BSR-1: Outstanding Credit of Scheduled Commercial Banks – December 2022

The Reserve Bank released its web publication entitled 'Quarterly Basic Statistical Returns (BSR)-1: Outstanding Credit of Scheduled Commercial Banks (SCBs), December 2022' on its Database on Indian Economy (DBIE) portal (web-link: https://dbie.rbi.org.in/DBIE/dbie.rbi?site=publications#!12). It captures various characteristics of bank credit such as occupation/activity and organizational sector of the borrower, type of account and interest rates. Data reported by 90 SCBs (excluding Regional Rural Banks) are presented for bank groups, population groups and states.

Highlights:

- Bank credit growth (y-o-y) stood at 16.8 per cent in December 2022 (8.1 per cent a year ago); all population groups (rural, semi-urban, urban and metropolitan) recorded double digit credit growth.
- Personal loans continued to lead the credit expansion and accounted for over a third of the incremental credit during the calendar year 2022.
- Growth (y-o-y) in credit to industry moderated to 9.2 per cent in December 2022 from 12.3 per cent a quarter ago.
- Working capital loan growth (y-o-y) accelerated to 16.6 per cent in December 2022 (5.1 per cent a year ago).
- The share of female borrowers in total credit to individuals stood at 22.7 per cent in December 2022.
- Private sector banks continued to outpace their public sector counterparts in credit growth and accounted for 38.4 per cent share in total credit in December 2022 (37.7 per cent a year ago and 30.0 per cent five years ago).
- The weighted average lending rate (WALR) on outstanding credit increased by 37 basis points (bps) during October-December 2022 and by 67 bps during January-December 2022 to 9.81 per cent in December 2022.

Monetary Policy Statement, 2023-24 Resolution of the Monetary Policy Committee (MPC) April 3, 5 and 6, 2023

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting (April 6, 2023) decided to:

- Keep the policy repo rate under the liquidity adjustment facility (LAF) unchanged at 6.50 per cent.

The standing deposit facility (SDF) rate remains unchanged at 6.25 per cent and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 per cent.

- The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns with the target, 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 per cent within a band of +/- 2 per cent, while supporting growth.

INSURANCE

Life Insurers New Business Figures

The third edition of Bima Manthan took place over a course of 2 days on 1st and 2nd March, 2023 at Hyderabad. In this edition, focussed discussions happened on the performance of the industry in FY 2022-23 (till Jan 23). The industry registered year on year growth rate of 18% till Jan 2023, with general insurance industry recording 17% and life insurance industry clocking 18%. Further, deep dive was made on all major segments of both the life and non-life segments highlighting opportunities in each area. A common consensus existed on prioritizing term insurance, pension and annuity segments in life and health, motor, property in general insurance. It was encouraged to leverage existing government databases and collaborating with other agencies and regulators to expand reach.

Furthering the mission of maximum insurance inclusion, the progress of industry under State Insurance Plan was deliberated. The insurance industry displayed enthusiasm for the flagship program and committed to actively engage in taking insurance to every nook and corner of the country. Various initiatives by the lead insurers in their respective states were showcased like Jeevan Beema Jagruti Abhiyan in Jharkhand, digital campaign in Ladakh, comprehensive survey on insurance awareness across 10 cities in Chhattisgarh etc. The “Roti, Kapda, Makaan, Aur Jeevan Bima” campaign by SUD Life Insurance Co. Ltd. in Jharkhand resulted in increased awareness about PMJJBY and insurer submitted that its PMJJBY covers increased from 8 lacs to 14 lacs in just 2 months as a result of the campaign. It was agreed to formulate a 5-year plan to increase footprints of lead insurers in their respective states.

Further, IRDAI mission mode teams on Risk Based Capital, Risk Based Supervision Framework, and Convergence to Ind AS/IFRS presented the progress made in the respective areas. The transition to the India Model of RBC & RBSF and adoption of Ind AS is possible only with the active role and participation of the industry and thus the expectation from the industry including continued participation in data submission, testing and pilot stage, prompt responsiveness, better synergies etc. were highlighted. Considering the immense potential of account aggregators, a holistic view of the framework was presented by Sahamati, a non-profit organization engaged in the harmonious adoption of the Account Aggregator framework. The use case studies for insurance sector leveraging account aggregator framework on customer on-boarding & risk assessment, verification process & reducing frauds, claim payments & reduction in unclaimed amounts and for advanced analytics-based products were discussed. Insurance Information Bureau of India (IIBI) also showcased how advanced data analytics can help the industry and presented demo of ‘Bima Satark’ – a fraud prevention tool created in-house by IIBI for health insurance. The industry was encouraged to put Digital First in their data strategy.

The Health Insurance Consultative Committee also presented their findings on increasing penetration of health insurance and increasing efficiencies in claim servicing. The immediate, short term and medium to long term steps were discussed. The need for prudent health ecosystem collaborations to take the health insurance forward was highlighted. IRDAI stressed upon preference to cashless mode in health insurance over the reimbursement mode.

One of the major focus of this Bima Manthan was discussions around prompt claim settlement and speedy redressal of grievances. IRDAI emphasized on bringing ‘EASE’, that is Enhanced Access and Service Excellence in delivery of insurance services, in line with banking industry. It envisages creating an environment which provides ease to the policyholder in approaching the insurance company, be it for purchasing, servicing, or receiving claims or lodging any complaint or grievance and that the insurance companies must strive to provide maximum excellence in their service delivery. The enhanced responsibility on the insurance companies as well as councils to ensure best market conduct practices and market ethics maximizing customer satisfaction were spelt out. Various strategies to deepen insurance inclusion and enhance penetration across different lines of business were indicated and the industry was encouraged to have more active role in launching new age products and for emerging risks.

All the themes of the 3rd Bima Manthan revolved around customer centricity, confidence, and convenience and to support the insurance sector in transition to changing global scenario.

Regulatory Sandbox – Inviting Applications

With the idea of promoting innovation in the insurance sector and encouraging technological solutions on a continuous basis, the process of filing of applications had been made perpetual vide notification of IRDAI (Regulatory Sandbox) (Amendment) Regulations, 2022. The experimentation period has also been increased from '6 months' to 'up to 36 months' along with a provision to review rejected applications, among other amendments.

A Committee on Regulatory Sandbox with representation from industry and academia has been constituted to screen applications, evaluate test design of the hypothesis and recommend applications for experimentation.

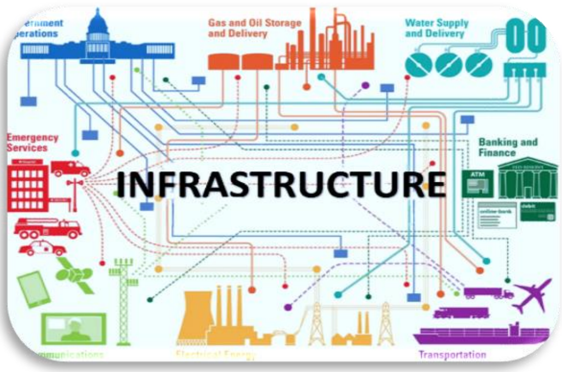
InsurTech Team at IRDAI will be the secretariat for Regulatory Sandbox and will act as single point of contact with respect to the sandbox applications.

The desirous applicants can file the application to be considered under Regulatory Sandbox by e-mail to IRDAI at reg-sandbox@irdai.gov.in

Registration of two life insurers

In the 121st meeting of Insurance Regulatory and Development Authority of India held on 25th March 2023, two new entities namely Acko Life Insurance Ltd. and Credit Access Life Insurance Ltd. were granted certificate of registration to commence life insurance business. With these two additions, the total number of life insurers operating in India have gone up to 25, which had remained stagnant since 2011, when the certificate of registration was last granted to a life insurer.

This comes after the grant of registration to a general insurer in the Authority's 120th meeting held in November 2022; marking addition of a total three new insurers in the financial year 2022-23. Another 20 applications are in pipeline at various stages of registration in life, general and reinsurance segments.



INFRASTRUCTURE & OTHER GOVT. INITIATIVES

Cabinet approves additional instalment of Dearness Allowance to Central Government employees and Dearness Relief to Pensioners

The Union Cabinet, Shri Narendra Modi, has given its approval to release an additional instalment of Dearness Allowance to Central Governments employees and Dearness Relief to Pensioners with effect from 01.01.2023. The additional instalment will represent an increase of 4% over the existing rate of 38% of the Basic Pay/Pension, to compensate against the price rise.

The combined impact on the exchequer on account of both Dearness Allowance and Dearness Relief would be Rs.12,815.60 crore per annum.

This will benefit about 47.58 lakh Central Governments employees and 69.76 lakh pensioners.

This increase is in accordance with the accepted formular which is based on the recommendations of the 7th Central Pay Commission.

Cabinet approves listing of Indian Renewable Energy Development Agency Limited on stock exchanges through an Initial Public Offer by part-sale of Government's stake in it and to raise funds through issue of fresh equity shares by IREDA

Cabinet Committee on Economic Affairs (CCEA) chaired by the Hon'ble Prime Minister has approved for listing of IREDA - a CPSE under Ministry of New & Renewable Energy (MNRE) on the Stock Exchanges through an Initial Public Offer (IPO) by part sale of Government's stake in it and to raise funds for IREDA through issue of fresh equity shares. The Department of Investment and Public Asset Management (DIPAM) will drive the listing

The Initial Public Offer (IPO) will help in unlocking the value of Government's investment on the one hand and on the other hand will provide an opportunity to the public to acquire stake in the national asset and draw benefits therefrom. Besides, it will help IREDA in raising a part of its capital requirement for meeting growth plans without depending on the public exchequer and improve governance through greater market discipline and transparency arising from listing requirements and disclosures.

IREDA is currently a wholly owned Government of India, Mini-ratna (Category-I) CPSE incorporated in 1987 and is engaged in financing of Renewable Energy (RE) and Energy Efficiency (EE) projects in India. It is registered as a Non-banking Financial Company (NBFC) with the Reserve Bank of India (RBI).

Revamping of Credit Guarantee Scheme for Micro & Small Enterprises with effect from 01.04.2023

In Union Budget 2023-24, Union Finance Minister Mrs Nirmala Sitharaman announced the revamping of Credit Guarantee Scheme for Micro & Small Enterprises with effect from 01.04.2023, with an infusion of Rs 9,000 crore to the corpus to enable additional collateral-free guaranteed credit of Rs. 2 lakh crore and the reduction in the cost of the credit by about 1 per cent.

Consequent upon this, the following significant steps have been taken:

- The corpus of Credit Guarantee Fund Trust for Micro & Small Enterprises (CGTMSE) has been infused with a sum of Rs. 8,000 crore on 30.03.2023.
- CGTMSE has issued guidelines regarding reduction of annual guarantee fee for loans upto Rs. 1 crore from a peak rate of 2% per annum to as low as 0.37% per annum. This will reduce the overall cost of credit to the Micro & Small Enterprises to a great extent.
- The limit on ceiling for guarantees has been enhanced from Rs. 2 crore to Rs. 5 crore.
- For settlement of claims in respect of guarantees for loan outstanding upto Rs. 10 lakh, initiation of legal proceedings will no longer be required.

CGTMSE created a new landmark by touching the milestone figure of approving guarantees worth Rs. 1 lakh crore during FY 2022 - 23.

CAPITAL MARKETS

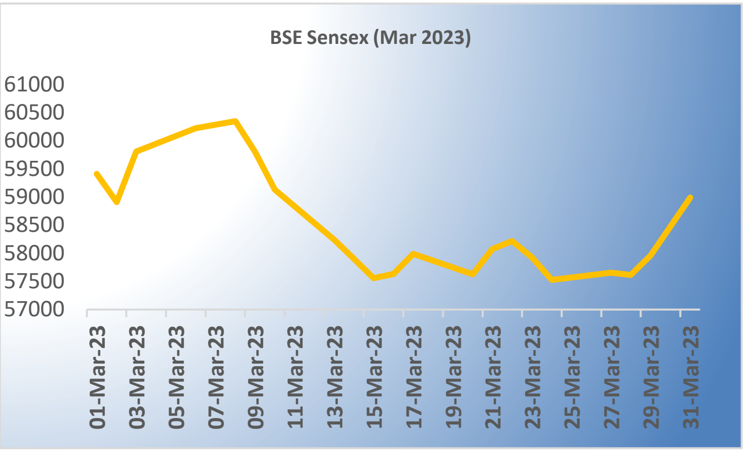
SEBI Board Meeting

The SEBI Board met in Mumbai today and, inter-alia, took decisions: [SEBI | SEBI Board Meeting]

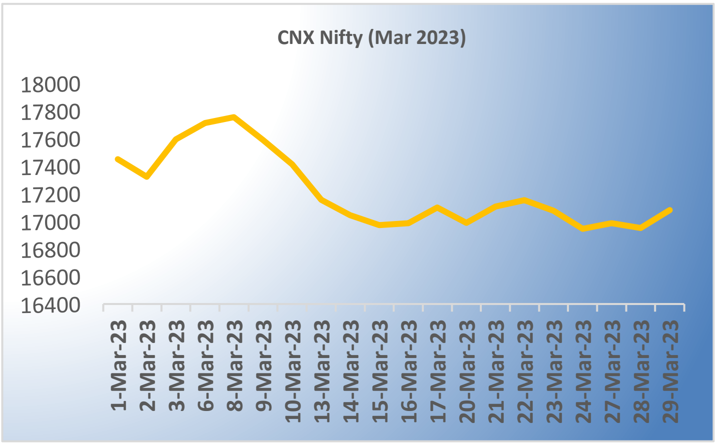
Sl. No.	Particulars
	ESG related
1	Balanced Framework for ESG Disclosures, Ratings and Investing
2	Establishing a regulatory framework for Environmental, Social and Governance (ESG) Rating Providers in Securities Market by introducing a new chapter in the SEBI (Credit Rating Agencies) Regulations, 1999.
	Secondary Market related
3	ASBA - like facility for trading in Secondary Market: Option to investors
4	Upstreaming of clients' funds by Stock Brokers (SBs) / Clearing Members (CMs) to Clearing Corporations (CCs) to mitigate credit risk on intermediaries
5	Amendments to Stock Brokers Regulations to institute a formal mechanism for prevention and detection of fraud or market abuse by stock brokers
6	Introduction of Regulatory Framework for Index Providers
	Mutual Funds related
7	Framework for "Corporate Debt Market Development Fund": Backstop Facility for specified Debt Funds
8	Bringing clarity on the roles and responsibilities of Trustees and Board of Asset Management Companies of Mutual Funds with a focus on Unitholder protection
9	Review of Regulatory Framework for Sponsors of Mutual Funds to give greater flexibility to the industry
	Shareholder Empowerment Related
10	Amendments to LODR Regulations, 2015
11	Amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, with the objective of increasing transparency and streamlining certain issue processes
	Debt Market Related
12	Introduction of concept of General Information Document (GID) and Key Information Document (KID) for issuance of Bonds/ Commercial Paper and streamlining of disclosures
13	Extension of "Comply or Explain" period for Large Corporates (LCs) to meet their financing needs from debt market through issuance of debt securities to the extent of 25% of their incremental borrowings in a financial year
14	Extension of 'Comply or Explain' period for the High Value Debt Listed Entities (HVDLEs) in respect of corporate governance norms and simplification of

	disclosure requirements pertaining to the payment of interest/ coupon and redemption amount.
	AIF related
15	Amendment to AIF Regulations to prescribe provisions for valuation of investments, dematerialisation of units, certification requirement for key employees of Investment Manager, transactions with associates, and option to sell unliquidated investments to a new scheme of Alternative Investment Fund
	Investor Grievances Redressal related
16	Strengthening the Investor Grievance Redressal Mechanism in the Securities Market through amendments to Regulations to operationalize Online Dispute Resolution (ODR) Mechanism for investors across registered intermediaries / regulated entities
	SEBI Budget
17	Budget Estimates for the Financial Year (FY) 2023-24

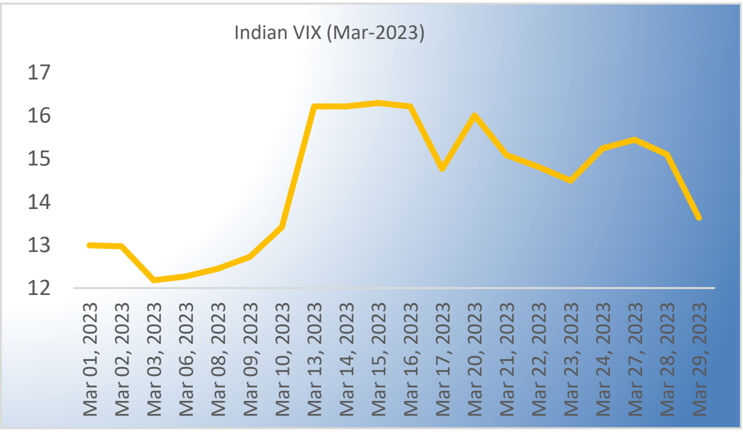
CAPITAL MARKETS SNAPSHOT



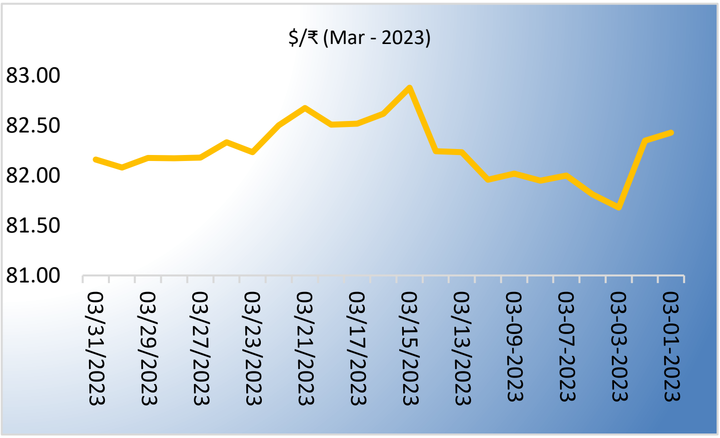
Sources: Bombay Stock Exchange



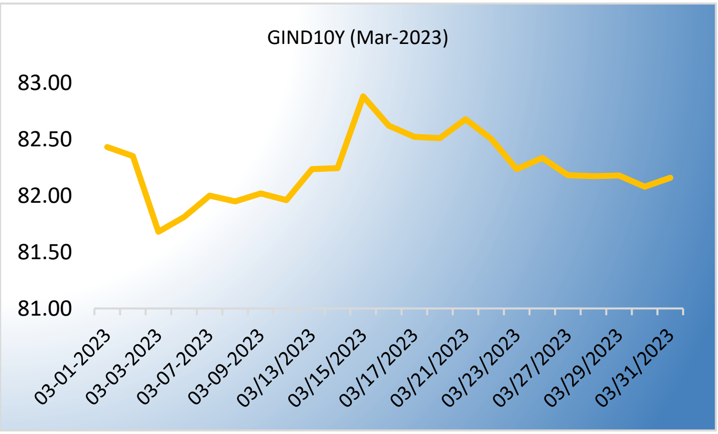
Sources: Bombay Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

The month of March 2023 was a marginal relief in terms of FPI flows. After seeing combined net outflows of $4.2 billion in January and February; March 2023 saw net FPI inflows of $967 million into equities. However, a substantial chunk of these inflows came from the $1.9 billion investment made by GQG Investments into the Adani group.

Nifty and Sensex have been flat in March and also for FY23 overall. However, it is the small cap index that has shown deep cuts in March and much deeper cuts for FY23.

Clearly, the smaller companies are bearing the brunt of global uncertainty, especially the stress on exports, which is still predominantly driven by smaller sized companies.

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ECONOMIC DATA SNAPSHOT

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10YGov), Latest
Brazil	1.9 Q4	1.0	5.6 Feb	5.2	-2.9	-7.9	12.9
Russia	-3.7 Q3	-2.1	11.0 Feb	7.5	6.8	-4.4	10.8
India	**4.4 Q4**	**6.0**	**6.4 Feb**	**5.8**	**-1.5**	**-5.9**	**7.3**
China	2.9 Q4	5.7	1.0 Feb	2.1	1.9	-2.7	2.7
S Africa	0.9 Q4	1.3	7.3 Feb	5.1	-1.9	-4.5	9.8
USA	0.9 Q4	0.7	6.0 Feb	4.0	-3.0	-5.2	3.6
Canada	2.1 Q4	0.8	5.2 Feb	3.4	-1.2	-1.1	2.9
Mexico	3.6 Q4	1.4	7.6 Feb	5.9	-1.0	-3.7	9.0
Euro Area	1.8 Q4	0.7	8.5 Feb	5.9	1.0	-3.5	2.3
Germany	0.9 Q4	-0.1	8.7 Feb	6.2	3.5	-2.0	2.3
Britain	0.4 Q4	-0.3	10.4 Feb	5.9	-3.2	-5.4	3.4
Australia	2.7 Q4	1.6	7.8 Q4	4.2	1.1	-2.1	3.3
Indonesia	5.0 Q4	4.7	5.5 Feb	3.9	0.8	-2.9	6.8
Malaysia	7.0 Q4	3.5	3.7 Feb	2.3	2.9	-5.2	4.0
Singapore	2.1 Q4	1.7	6.3 Feb	3.3	17.2	-0.1	2.9
S Korea	1.3 Q4	1.5	4.8 Feb	2.8	2.6	-2.1	3.3

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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