

APAS MONTHLY - VOLUME I

APAS MONTHLY NEWSLETTER

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EDITORIAL

In this issue, Mr. Ajay Saraf, Wholetime Director and Head – Investment Banking & Equities, ICICI Securities Ltd has presented his thoughts on ‘**The growth of primary market and analysis of IPOs which have hit the market and the proposed one’s**’. We thank Mr. Saraf for his contribution to the APAS Monthly.

This month, the APAS column covers ‘**Interim Budget 2024: A Glimpse into India’s Economic Direction**’.

The economic indicators showed reasonably good performance. Though manufacturing PMI dropped to 54.9 in December 2023. Services PMI rose to 59.0 in December 2023 from 56.9 in the previous month. Infrastructure output in India increased 3.8% year-on-year in December of 2023. Industrial production in India eased to 2.4% year-on-year in November 2023. India's retail price inflation (CPI) edged higher to 5.69% in December 2023 from 5.55% in November. India Wholesale Price Index (WPI) is 0.73% (Provisional) for the month of December 2023.

Reserve Bank of India released draft circular on declaration of dividend by banks and remittance of profits to Head Office by foreign bank branches in India. RBI released a draft circular on ‘Review of regulatory framework for HFCs and harmonization of regulations applicable to HFCs and NBFCs’. Reserve Bank's new state guarantee report proposes stricter controls: defined purposes, yearly limits, potential fees, and improved transparency. RBI issued its Monetary Policy Statement for 2023-24.

IRDAI consolidated EoM and commission regulations for insurers, granting them flexibility while ensuring policyholder protection and streamlined oversight. Bima Manthan 2024 focused on analyzing industry performance, promoting insurance awareness, and improving claim settlement, with an emphasis on technology adoption and principle-based regulations.

SEBI has implemented the amendments made by the Government of India in the Prevention of Money Laundering Rules in March and September 2023, changing thresholds for determining beneficial ownership. SEBI has also issued guidelines for AIFs with respect to holding their investments in dematerialized form and appointment of custodian.

In Jan, the RBI Governor reiterated India's cautious stance on cryptocurrencies, highlighting their significant risks for emerging and advanced economies. RBI issued draft norms for fintech SROs, emphasizing their independence and developmental orientation. The govt and RBI are also actively engaged in enhancing digital currency for cross-border transactions. Later this month, RBI ordered Paytm Payments Bank to halt transactions after Feb 29, and measures on unsecured lending resulted in trimmed growth rates.

We hope that this APAS Monthly is insightful. We welcome your input and thoughts and encourage you to share them with us.

Ashvin parekh

On the Cover



GUEST COLUMN

The growth of primary market and analysis of IPOs which have hit the market and the proposed one's

Mr. Ajay Saraf
Wholetime Director and Head –
Investment Banking & Equities
ICICI Securities Ltd



APAS COLUMN

Interim Budget 2024: A Glimpse into India's Economic Direction



ECONOMY

Index of Industrial Production – Nov
Inflation update – Dec
PMI update – Dec
Core Sector - Dec

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*			
Brazil	3.4 Q2	3.3	4.8 Aug	4.7	-1.8	-7.8	13.1
Russia	4.0 Q2	0.5	5.1 Aug	6.5	1.8	-1.8	11.8
India	7.8 Q2	6.5	6.9 Aug	5.5	-1.5	-5.8	7.2
China	4.3 Q2	5.2	0.1 Aug	0.8	1.8	-5.2	2.5
S Africa	1.5 Q2	0.5	4.8 Aug	5.7	-3.8	-1.7	10.8
USA	2.5 Q2	1.8	3.7 Aug	3.8	-2.9	0.8	4.6
Canada	1.2 Q2	1.1	4.0 Aug	3.8	0.6	-1.2	4.1
Mexico	3.4 Q2	2.4	4.6 Aug	5.3	-1.8	-0.4	10.1
Euro Area	0.5 Q2	0.8	5.2 Aug	5.5	2.3	-3.3	2.9
Germany	-0.1 Q2	-0.3	6.4 Aug	6.0	3.8	-2.2	2.9
Italy	0.4 Q2	0.8	6.7 Aug	4.8	-6.8	-1.2	4.9
Australia	2.3 Q2	1.8	6.0 Q2	5.8	1.7	0.8	4.8
Indonesia	3.2 Q2	3.0	3.3 Aug	3.8	0.7	2.8	8.5
Malaysia	2.0 Q2	4.0	2.8 Aug	2.5	1.7	-0.0	4.0

ECONOMIC DATA

SNAPSHOT

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



BANKING

[RBI releases draft circular on declaration of dividend by banks and remittance of profits to Head Office by foreign bank branches in India](#)

[RBI releases Name of Applicant under the Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector](#)

[RBI releases draft circular on 'Review of regulatory framework for Housing Finance Companies \(HFCs\) and harmonization of regulations applicable to HFCs and Non-Banking Finance Companies \(NBFCs\)'](#)

[Report of Working Group on State Government Guarantees](#)

[Standing Liquidity Facility for Standalone Primary Dealers](#)

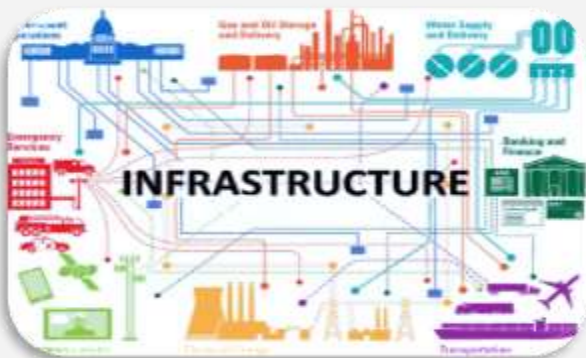
[Monetary Policy Statement, 2023-24](#)



INSURANCE

[Moving towards principle-based regulations - Notification of first consolidated regulation](#)

[Bima Manthan -Interaction with the Indian Insurance Industry](#)



INFRASTRUCTURE

[PFRDA notifies Point of Presence \(PoP\) Regulations requiring only one registration for National Pension System](#)



CAPITAL MARKETS

Foreign investment in Alternative Investment Funds (AIFs)

Guidelines for AIFs with respect to holding their investments in dematerialized form and appointment of custodian



CAPITAL MARKETS

SNAPSHOT

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



FINTECH NEWS

Highlights of the Month



GUEST COLUMN

Mr. Ajay Saraf

**Wholetime Director and Head – Investment Banking & Equities
ICICI Securities Ltd**

The growth of primary market and analysis of IPOs which have hit the market and the proposed one's

Global Economic Outlook

The global economic outlook for 2024 presents a cautiously optimistic scenario, characterized by a potential soft landing and a balance of risks. The IMF indicates an approach towards a stable economic phase, with the possibility of faster disinflation and central banks easing monetary policies sooner than anticipated. However, this is tempered by concerns over new commodity and supply disruptions arising from geopolitical tensions, particularly in the Middle East, which could impact global markets and inflate prices. Additionally, financial stress remains a point of consideration, despite the global economy having navigated the sharpest increase in interest rates in decades without severe turmoil. Overall, the year ahead is expected to witness steady, albeit modest, growth while navigating a landscape marked by potential geopolitical uncertainties and moderated financial risks.

Indian Economic Outlook;

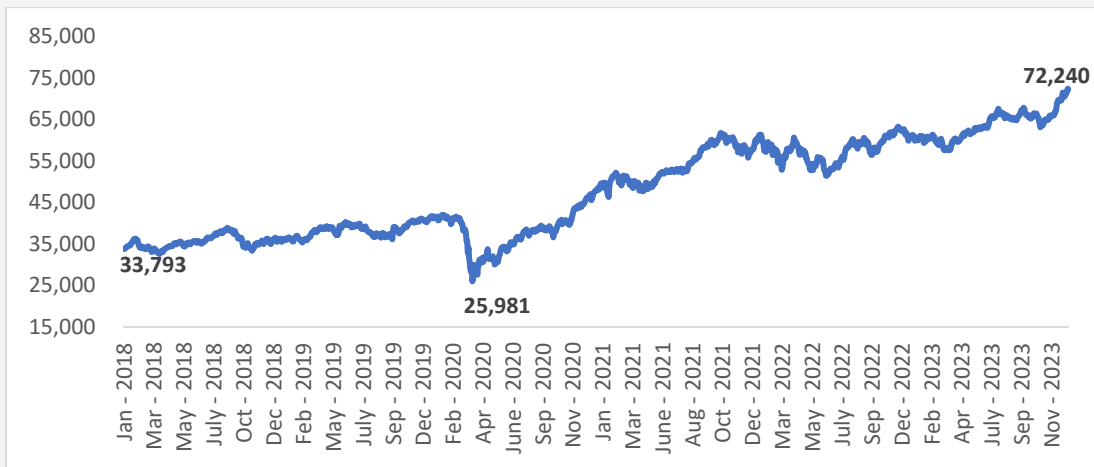
India as the 5th Largest Economy Globally: India's ascension to the 5th largest global economy is a monumental achievement that significantly enhances its attractiveness in the eyes of global investors. This milestone reflects the country's robust economic growth, resilience in navigating global economic challenges, and its vast potential as a market. For primary markets, this translates to enhanced investor confidence, more significant foreign investment inflows, and a heightened interest in Indian corporate growth stories. Companies capitalizing on this economic stature are likely to find a more enthusiastic investor base, both domestically and internationally.

Home to 84,000 Startups & over 100 Unicorns: India's startup ecosystem, indicates a fertile ground for new ideas, technologies, and business models - factors that are fundamental to the dynamism of primary markets. The emergence of over 100 unicorns in India highlights the country's capability to nurture high-growth companies with billion-dollar valuations. For primary markets, this means a range of attractive investment opportunities and a pipeline of potential IPOs in companies with proven business models and the potential for high returns.

Indian Stock Market, fourth largest in the world, with a total market capitalization crossing the \$4 trillion mark is a testament to its growth and the expanding scope of opportunities it offers. This milestone underscores the depth and maturity of the Indian stock market, making it an attractive destination for a broad spectrum of investors. High market capitalization often correlates with improved liquidity, diversified investment choices, and heightened global visibility, all of which are critical for a thriving primary market

environment. A robust secondary market elevates investor confidence and facilitates successful IPO's as investors become more willing to invest in newcomers in the market.

The intensity of FII selling has drastically reduced by INR 2.6L Crores in CY23 compared to CY22, the DII's continue to participate heavily and support the market taking it to all time highs. Together the net purchase by the institutional investors increased by INR 1.6L Crores. Substantial FPI engagement in primary markets through IPOs, QIPs, Rights Issues etc. reflects growing investor confidence in Indian stocks and the appeal of India's primary market to global investors. Additionally, SIP collection reached a record high of INR 1.83L Crores in CY23, this number was up 61% year on year, indicating retail investors increased willingness and ability to participate in the stock market.



Movement in market since January 2018 (Source: BSE)

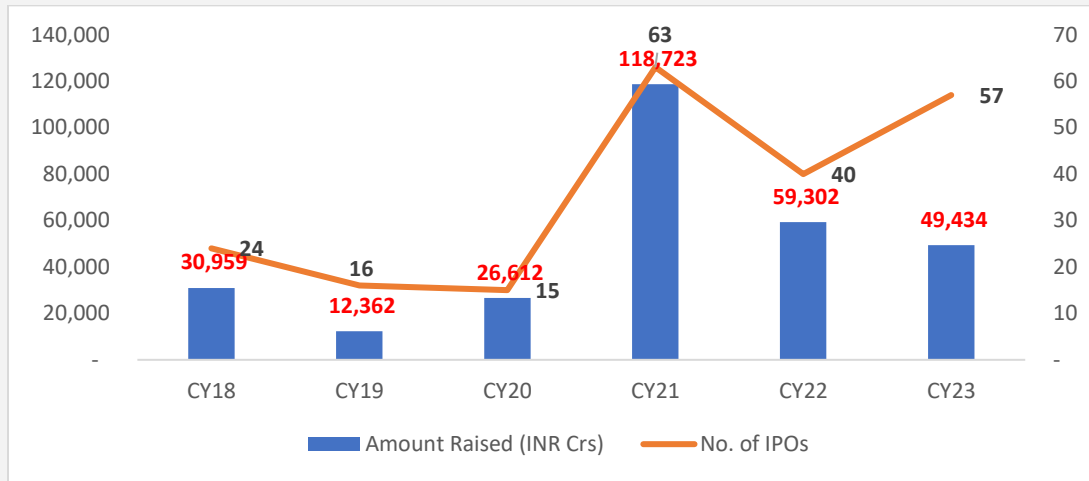
2024, the Year of Elections with over 60 nations representing about half the worlds population, set to cast their votes in some of the most highly anticipated elections, including USA, European Union and India. Despite potential short-term market fluctuations due to electoral outcomes and associated policy shifts, historical trends suggest that markets generally find a way to stabilize and adapt over time post-elections. 2023's vibrant primary market activity was buoyed by several key macroeconomic factors, providing a robust backdrop for capital market movements. Chief among these was the political stability ushered by results in several state elections, signaling policy continuity and reinforcing investor confidence. This political landscape, combined with India's steadily growing GDP, resilient economic policies, and controlled inflation rates, painted a promising picture for investors.

India's Primary Markets

In 2023, India's primary markets experienced notable growth, reflecting a steep upswing in the capital markets performance and marking a defining year in the nation's financial history. The total volume of equity related issuances reached over INR 2.2L crores through 384 transactions, showcasing the depth and resilience of India's Capital Markets. This activity spanned across all major sectors reflecting diversified economic strength. In the IPO arena, 57 offerings hit the market on the mainboard, collectively raising over INR 49,000 Crores. I-Sec led the market during this period with the most number of mainboard IPO issuances highlighting its prominence in the investment banking sector.

Even though CY23 saw a fair bit of IPO activity the average size of deals has come down compared to the previous 2 CYs. IPOs worth INR 40,000 crores are in pipeline, with 20 companies having valid approvals from the market regulators. Additionally close to 40 companies are in queue seeking SEBI nod and multiple issuers

planning to file draft documents for their IPOs to raise a similar amount being a positive sign. With the rebound in IPO activity in the second half of CY23, growing momentum, larger deals are expected to break through the constraints of subdued global sentiments and liquidity pressures during CY24.



Main Board IPOs since January 2018 (Source: Prime Database)

Outlook on Primary Markets for 2024;

The easing inflation data and consistent inflow from FIIs may keep on boosting the market sentiment, corporate earnings outcome will keep stock-specific volatility high and concerns with regards to global growth may impact investors’ sentiments. The impressive growth prospects, notable financial achievements, and the combined political and macro-economic solidity of the country present an attractive prospect for sustained inflows. In contrast, China's slowing growth rate has prompted investors to look for alternative markets. India, with its large consumer base and ongoing economic reforms, is becoming a preferred choice for many investors. The structural drivers for the Indian equity markets including: a) diversified economy with robust domestic macro fundamentals, b) healthy corporate balance sheets and strong financial sector health, c) lower forex risks, d) a sustained corporate earnings growth cycle driven by increased formalization, improving capacity utilization and efficiency gains from technological improvements and e) lower reliance on foreign investor inflows. The blend of positive macroeconomic factors, political stability, and emerging market trends positions 2024 as a year of great potential and opportunity. India's growing economy and political stability make it an attractive destination for investment.



APAS COLUMN

Interim Budget 2024: A Glimpse into India's Economic Direction

In the lead-up to India's impending elections, Union Finance Minister Nirmala Sitharaman unveiled the nation's sixth Interim Budget on February 1, 2023. This budget acts as a placeholder, guaranteeing continuity in government expenditure until the new government presents a comprehensive budget after the elections. While avoiding major policy changes, the Interim Budget 2024 sheds light on the government's priorities and spending directions, shaping the economic landscape in the coming months.

Infrastructure Investment

The budget proposes a substantial Capex outlay of Rs 11.11 lakh crore, constituting 3.4% of the GDP, marking an 11.1% increase from previous expenditures. Additionally, plans include the decongestion of high-density corridors by dedicating specific corridors to Energy, Mineral, and Cement sectors, along with converting 40,000 normal train bogies into high-speed Vande Bharat trains. This investment aims to reduce the cost of logistics, expedite business processes, decrease working capital deployment and attract investments.

Affordable Housing and Healthcare Initiatives

Recognizing the need for affordable housing, the budget proposes a new plan targeting the middle class, enabling them to purchase or construct homes Under the PM Aavas Yojana, the government aims to build 2 crore houses, while over 1 crore houses will receive 300 units of free power under the new Solar power policy. These initiatives address the housing shortage and contribute to social stability and improved living standards.

The budget also expands healthcare facilities under Ayushman Bharat, ensuring coverage for Aasha workers, Aanganwadi workers, and helpers. Vaccination for cervical cancer for 9–14-year-old girls and the establishment of more medical colleges are positive steps towards improving healthcare access and outcomes.

Agriculture Focus

The budget emphasizes investment in post-harvest activities through public-private partnerships to minimize crop losses and enhance produce quality. Efforts to control Foot and Mouth Disease aim to empower dairy farmers, increase milk production, and improve livestock health. Moreover, the budget encourages the adoption of 'Nano DAP' fertilizer across all agro-climatic zones for improved crop yields, soil fertility, and environmental sustainability.

Fiscal Discipline

In a move aimed at ensuring fiscal prudence, the government has revised its fiscal deficit target for FY24 to 5.8% of GDP, slightly lower than the previous target of 5.9%. The government has also set a fiscal deficit

target of 5.1% for FY25, which is lower than market expectations. This reflects the government's commitment to fiscal consolidation and reducing the fiscal deficit to 4.5% by FY26. To achieve this, the government has set a market borrowing target of Rs 14.13 lakh crore for FY25, with net market borrowing estimated at Rs 11.75 lakh crore. The revised expenditure for FY24 is set at Rs 44.90 lakh crore. These measures aim to maintain fiscal discipline while supporting economic growth and development.

Income Tax Measures

The government is not proposing any major changes to the existing tax regime, the extension of the tax break for start-ups is a positive move that will help to encourage entrepreneurship and innovation.

The proposal to withdraw old tax demands up to 25000 till the year 2009-10 and up to 10000 for the years 2010-11 to 2014-15 is also a welcome move. This will help to reduce the burden on taxpayers and free up resources that can be used for other purposes.

The income tax proposals are a mix of continuity and reform. The government is maintaining the current tax rates and structure, while also taking steps to make the tax system more efficient and effective.

Other Measures

The budget also includes measures to promote sustainability, such as funding for offshore wind energy, biomass aggregation machinery, and e-vehicle sector expansion. Long-term interest-free loans for tourism promotion and a panel to address population challenges are in place. Additionally, the government is committed to achieving Net Zero by 2070 through various schemes.

The Interim Budget 2024 provides a glimpse into India's economic direction, emphasizing youth and women empowerment, infrastructure development, affordable housing, healthcare, agriculture, and fiscal discipline. It also demonstrates a shift towards performance-based budgeting and citizen-centric governance, ensuring that public expenditures have a tangible impact on the lives of ordinary citizens.

While the interim budget offers a glimpse into the government's priorities, it remains a temporary measure. The true test will lie in the full budget presented after the elections. This will provide a more comprehensive picture of the government's long-term economic vision, its ability to navigate potential economic challenges, and its commitment to tackling pressing issues like unemployment and poverty. Ultimately, the success of the interim budget and the subsequent full budget hinges on effective implementation and their ability to truly drive sustainable and inclusive growth for India's future.

One thing is certain: India's economic journey in the coming year will be closely watched, with the interim budget providing a glimpse into the potential roadmap ahead.

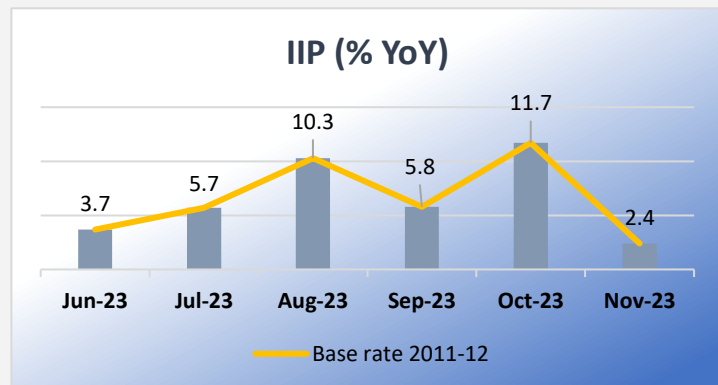


ECONOMY

IIP (Index of Industrial Production) – Nov

Industrial production in India decreased to 2.4% year-on-year in November 2023, marking the lowest reading since March last year, following a downwardly revised 11.6% growth in the previous month and falls below market expectations of 4%.

For the month of November 2023, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 141.0. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for the month of November 2023 stand at 131.1, 139.2 and 176.3 respectively.



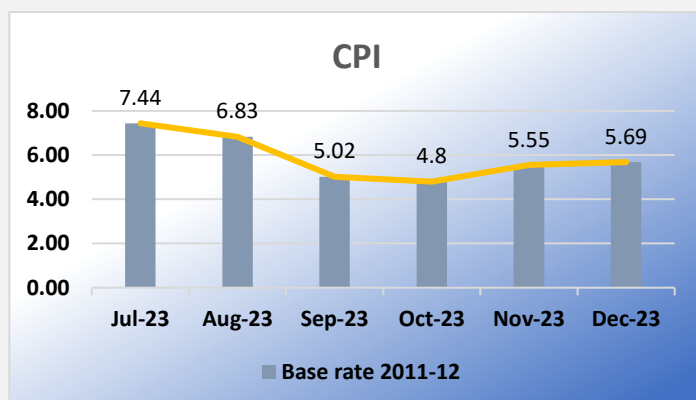
Source: APAS BRT, www.mospi.gov.in

As per Use-based classification, the indices stand at 143.8 for Primary Goods, 98.0 for Capital Goods, 151.4 for Intermediate Goods and 164.1 for Infrastructure/ Construction Goods for the month of November 2023. Further, the indices for Consumer durables and Consumer non-durables stand at 105.9 and 156.9 respectively for the month of November 2023.

CPI (Consumer Price Index) – Dec

The annual inflation rate in India edged higher to 5.69% in December 2023 from 5.55% in November, below market forecasts of 5.87%. It is the highest rate in four months, with food inflation rising to 9.5% from 8.7%.

Monsoon rainfall in India hit five-year low in 2023 due to El Nino, affecting agricultural production. Prices rose the most for vegetables (27.6%), pulses (20.7%), spices (19.7%) and fruits (11.1%) but fell for oils and fats (-15%). On the other hand, a



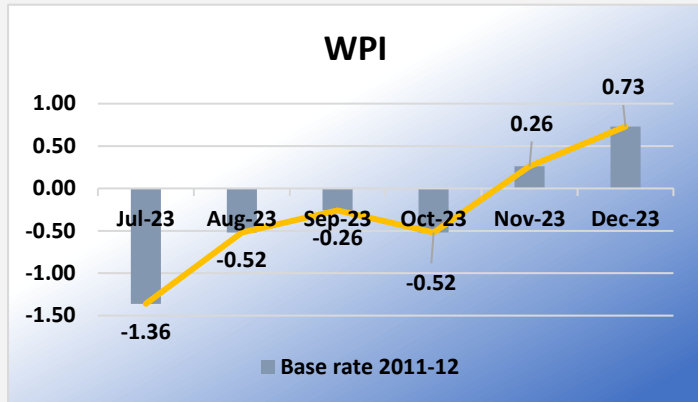
Source: APAS BRT, www.eaindustry.nic.in

slowdown was seen in prices for pan, tobacco, and intoxicants (3.7% vs. 3.8%), clothing and footwear (3.6% vs. 3.9%), and miscellaneous (4.1% vs. 4.4%). Additionally, housing inflation was steady at 3.6% and prices for fuel and light costs fell by 1% after a 0.8% drop in November.

WPI (Wholesale Price Index) – Dec

Wholesale Price Index (WPI) number is 0.73% (Provisional) for the month of December 2023 (over December 2022). The positive rate of inflation in December 2023 is primarily due to increase in prices of food articles, machinery & equipment, other manufacturing, other transport equipment and computer, electronics & optical products etc.

The month-over-month change in WPI for the month of December 2023 stood at (-) 0.85% as compared to November 2023.



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

The index for primary articles declined by 2.14% to 182.9 (provisional) in December 2023 from 186.9 (provisional) for the month of November 2023. Prices of Non-food Articles (-0.18%), Minerals (-1.91%), Food Articles (-2.30%) and Crude Petroleum & Natural Gas (-4.28%) declined in December 2023 as compared to November 2023.

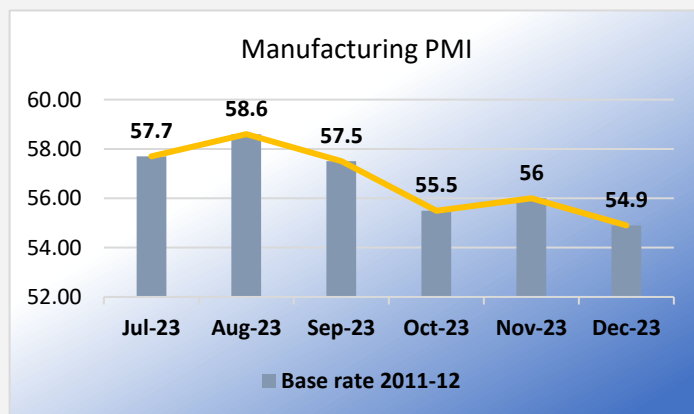
Prices for Fuel & Power declined by 0.71% to 154.2 (provisional) in December 2023 from 155.3 (provisional) for the month of November 2023. Prices of Electricity (1.34%) increased in December 2023 as compared to November 2023. Prices of Mineral Oils (-1.54%) declined in December 2023 as compared to November 2023.

Prices for Manufacturing products decreased by 0.21% to 140.1 (provisional) in December 2023 from 140.4 (provisional) for the month of November 2023.

Manufacturing PMI – Dec

The S&P Global India Manufacturing PMI dropped to 54.9 in December 2023 from 56.0 a month earlier, pointing to the lowest print since June 2022 and missing market forecasts of 55.9.

Output expanded the least since October 2022 even as it remained above its long-run average, and new orders growth was at its lowest level in 1-1/2 years. Also, foreign sales rose at a moderate pace that was the joint-slowest in 8 months while buying activity increased at the softest pace since November 2022. Further, the outstanding business was marginally higher amid a lack of pressure on the capacity and stable employment.



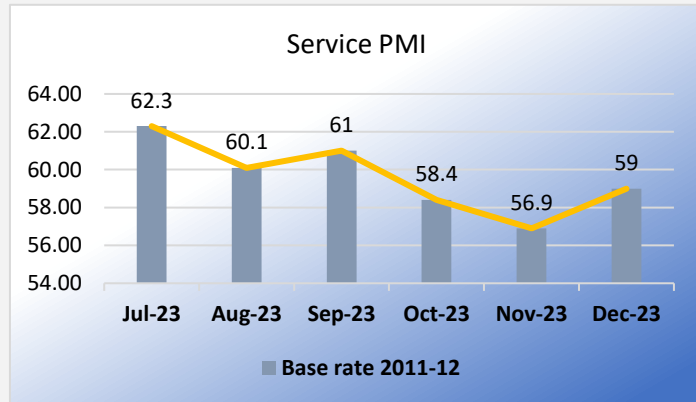
Source: www.tradingeconomics.com

On prices, input cost continued to rise but the inflation level was negligible by historical standards and was the second-weakest in 3-1/2 years.

The rate of charge inflation eased to a 9-month low, surpassing that of input prices for the fourth month running. Finally, confidence stood at a 3-month peak, lifted by advertising efforts, better customer relations, and new inquiries.

Services PMI – Dec

The S&P Global India Services PMI rose to 59.0 in December 2023 from 56.9 in the previous month, beating market forecasts of 56.5. It was the strongest reading since September, as new business grew to its quickest in three months due to favourable economic conditions and positive demand trends. Moreover, new export orders continued to increase, although slowing and was the softest since June. At the same time, job creation extended into a nineteenth successive period and faster than the rate seen in November.

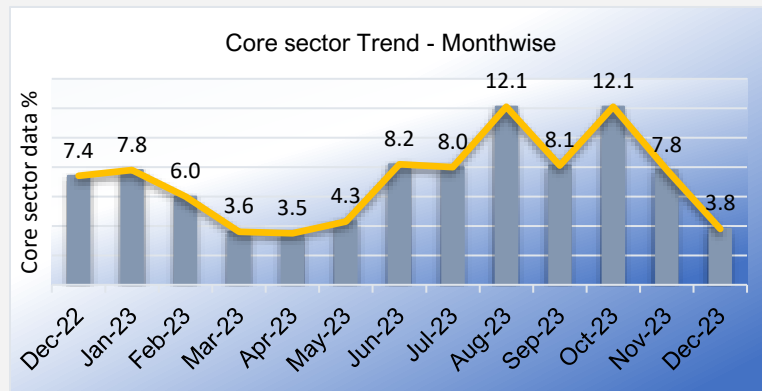


Source: www.tradingeconomics.com

On prices, input cost pressures receded further, reaching its lowest in nearly three-and-a-half years. Still, there was mild pick-up in output charge inflation and above the long-run average. Looking ahead, forecasts for output were upbeat, underpinned by expectations that the strong demand will carry forward to 2024, coupled with advertising and better customer relationships.

Core Sector Data – Dec

The combined Index of Eight Core Industries (ICI) increased by 3.8% (provisional) in December 2023 as compared to the Index of December 2022. The production of Coal, Natural Gas, Steel, Fertilizers, Refinery Products, Cement and Electricity recorded positive growth in December 2023. The ICI measures combined and individual performance of production of eight core industries viz. Cement, Coal, Crude Oil, Electricity, Fertilizers, Natural Gas, Refinery Products and Steel. 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

The final growth rate of Index of Eight Core Industries for September 2023 is revised to 9.4%. The cumulative growth rate of ICI during April to December, 2023-24 is 8.1% (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 10.6 per cent in December, 2023 over December, 2022. Its cumulative index increased by 12.5 per cent during April to December, 2023-24 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 per cent) decreased by 1.0 per cent in December, 2023 over December, 2022. Its cumulative index declined by 0.3 per cent during April to December, 2023-24 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) increased by 6.6 per cent in December, 2023 over December, 2022. Its cumulative index increased by 5.6 per cent during April to December, 2023-24 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 per cent) increased by 2.6 per cent in December, 2023 over December, 2022. Its cumulative index increased by 4.7 per cent during April to December, 2023-24 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 per cent) increased by 5.8 per cent in December, 2023 over December, 2022. Its cumulative index increased by 6.2 per cent during April to December, 2023-24 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 per cent) increased by 5.9 per cent in December, 2023 over December, 2022. Its cumulative index increased by 13.3 per cent during April to December, 2023-24 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 1.3 per cent in December, 2023 over December, 2022. Its cumulative index increased by 9.2 per cent during April to December, 2023-24 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 per cent) increased by 0.6 per cent in December, 2023 over December, 2022. Its cumulative index increased by 6.9 per cent during April to December, 2023-24 over corresponding period of the previous year.

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10YGov), Latest
Brazil	3.4 Q2	3.1	4.9 Aug	4.7	-1.8	-7.6	12.3
Russia	4.9 Q2	4.5	5.1 Aug	6.3	3.8	-3.8	11.8
India	7.6 Q3	6.5	6.8 Aug	5.5	-1.3	-5.9	7.2
China	6.3 Q2	5.2	0.1 Aug	0.8	3.8	-3.2	2.5
S Africa	1.6 Q2	0.5	4.8 Aug	5.7	-1.8	-5.7	9.8
USA	2.9 Q2	2.4	3.7 Aug	3.8	-2.9	-6.3	4.6
Canada	1.1 Q2	1.1	4.0 Aug	3.8	-0.4	-1.2	4.1
Mexico	2.4 Q2	3.4	4.9 Aug	5.5	-1.4	-3.8	9.3
Euro Area	0.5 Q2	0.6	5.7 Aug	5.5	2.4	-3.3	2.2
Germany	-0.1 Q2	-0.1	6.4 Aug	6.0	5.6	-2.2	2.2
Britain	0.3 Q2	0.2	6.7 Aug	6.8	-2.9	-3.9	4.0
Australia	2.1 Q2	1.9	6.0 Q2	5.6	1.7	0.3	4.2
Indonesia	5.2 Q2	5.0	3.2 Aug	3.8	0.7	-2.5	6.6
Malaysia	2.9 Q2	4.0	2.0 Aug	2.5	1.7	-5.1	3.8
Singapore	0.3 Q2	1.2	4.0 Aug	4.8	18.8	-0.7	2.9
S Korea	0.6 Q2	1.3	3.4 Aug	3.6	2.1	-2.7	3.4

ECONOMIC DATA SNAPSHOT

Countries	GDP (% change on year ago)		CPI (%change on year ago)		Current Account Balance % of GDP, 2023*	Budget Balance % of GDP, 2023*	Interest Rates (10YGov), Latest,%
	Latest	2023*	Latest	2023*			
Brazil	2.0 Q3	2.9	4.6 Dec	4.6	-1.2	-7.5	10.6
Russia	5.5 Q3	2.8	7.4 Dec	6.2	3.0	-2.8	11.6
India	7.6 Q3	6.9	5.7 Dec	5.7	-0.5	-5.9	7.1
China	5.2 Q4	5.5	-0.3 Dec	0.3	2.3	-3.8	2.3
S Africa	-0.7 Q3	0.6	5.2 Dec	5.9	-1.9	-5.2	9.8
USA	2.9 Q3	2.4	3.1 Nov	4.1	-2.8	-6.3	4.0
Canada	0.5 Q3	1.0	3.4 Dec	3.8	-0.9	-1.5	3.3
Mexico	2.4 Q4	3.4	4.7 Dec	5.5	-1.4	-3.8	9.3
Euro Area	0.1 Q4	0.6	2.9 Dec	5.4	2.4	-3.3	2.2
Germany	-0.2 Q4	-0.1	3.1 Jan	6.0	5.6	-2.2	2.2
Britain	0.3 Q3	0.2	4.0 Dec	6.8	-2.9	-3.9	4.0
Australia	2.1 Q3	1.9	4.1 Q4	5.7	0.3	0.3	4.2
Indonesia	4.9 Q3	5.0	2.6 Dec	3.7	0.4	-2.5	6.6
Malaysia	3.4 Q4	3.8	1.5 Dec	2.5	1.5	-5.1	3.8
Singapore	2.8 Q4	1.2	3.7 Dec	4.8	18.8	-0.7	2.9
S Korea	2.2 Q4	1.3	3.2 Dec	3.6	2.1	-2.7	3.4



BANKING

RBI releases draft circular on declaration of dividend by banks and remittance of profits to Head Office by foreign bank branches in India

The Reserve Bank of India released the draft circular on [Declaration of dividend by banks and remittance of profits to Head Office by foreign bank branches in India](#)".

Background:

Currently, scheduled commercial banks (SCBs) declare dividend and foreign bank branches remit profit, subject to compliance with the guidelines issued on [May 4, 2005](#) and [November 6, 2003](#), respectively. There have been significant changes in the regulatory framework governing banks post issuance of these guidelines. Some of these developments also have implications for the guidelines on declaration of dividend and remittance of profits. In view of this, the Reserve Bank has undertaken a comprehensive review of the extant regulations on declaration of dividend and remittance of profits.

RBI releases Name of Applicant under the Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector

During the quarter ended December 31, 2023, the Reserve Bank of India has received one application under the [Guidelines for 'on tap' Licensing of Small Finance Banks in the Private Sector dated December 05, 2019](#) from Fino Payments Bank Limited.

RBI releases draft circular on 'Review of regulatory framework for Housing Finance Companies (HFCs) and harmonisation of regulations applicable to HFCs and Non-Banking Finance Companies (NBFCs)'

The Reserve Bank of India released the draft circular on [Review of regulatory framework for HFCs and harmonisation of regulations applicable to HFCs and NBFCs'](#)

Background

Subsequent to transfer of regulation of HFCs from National Housing Bank (NHB), the Reserve Bank had issued revised regulatory framework for HFCs vide [circular dated October 22, 2020](#) wherein it was stated that further harmonisation between regulations of HFCs and NBFCs will be taken up in a phased manner. In view of this, the Reserve Bank has undertaken a review and proposes to harmonise certain regulations of HFCs with those applicable to NBFCs viz., deposit directions for deposit taking HFCs, participation of HFCs in various derivative products for hedging purposes, diversification into other financial products, adoption of technical specifications by HFCs under Account Aggregator ecosystem, etc. The draft circular also proposes to review certain directions for deposit taking NBFCs. This exercise is part of further harmonisation of HFC regulations with NBFC regulations.

Report of Working Group on State Government Guarantees

A Working Group comprising members drawn from the Ministry of Finance, Government of India; Comptroller and Auditor General of India; and some State Governments. The terms of reference of the Working Group included, inter alia, prescribing a uniform guarantee ceiling for the States; uniform reporting framework for the guarantees given by the State Governments; assessing the adequacy of states' contribution to the Guarantee Redemption Fund, etc.

The Reserve Bank's [new state guarantee report](#) proposes stricter controls: defined purposes, yearly limits, potential fees, and improved transparency. This aims to bolster fiscal responsibility and financial stability

Standing Liquidity Facility for Standalone Primary Dealers

Based on an assessment of the prevailing and evolving liquidity conditions, the Reserve Bank of India has decided that an additional aggregate amount of ₹5,000 crore will be made available to the Standalone Primary Dealers (SPDs) under the Standing Liquidity Facility at the prevailing repo rate starting from January 31, 2024. The incremental limit for individual SPDs is being conveyed to them separately. All other terms and conditions of the facility shall remain unchanged.

Monetary Policy Statement, 2023-24 Resolution of the Monetary Policy Committee (MPC) February 6 to 8, 2024

On the basis of an assessment of the current and evolving macroeconomic situation, the Monetary Policy Committee (MPC) at its meeting (on February 8, 2024) decided to:

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

Consequently, the standing deposit facility (SDF) rate remains unchanged at 6.25% and the marginal standing facility (MSF) rate and the Bank Rate at 6.75 %.

The MPC also decided to remain focused on withdrawal of accommodation to ensure that inflation progressively aligns to 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 %, while supporting growth.



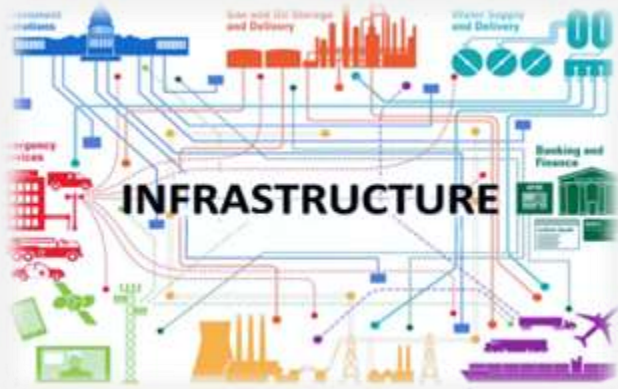
INSURANCE

Moving towards principle-based regulations - Notification of first consolidated regulation

In a major overhaul, IRDAI consolidated EoM and commission regulations for insurers, granting them flexibility while ensuring policyholder protection and streamlined oversight. This simplifies compliance and fosters a dynamic, adaptable insurance sector.

Bima Manthan -Interaction with the Indian Insurance Industry

Bima Manthan 2024 focused on analyzing industry performance, promoting insurance awareness, and improving claim settlement, with an emphasis on technology adoption and principle-based regulations.



INFRASTRUCTURE & GOVT. INITIATIVES

PFRDA notifies Point of Presence (PoP) Regulations requiring only one registration for National Pension System

The Pension Fund Regulatory and Development Authority (PFRDA) notified the Point of Presence (PoP) Regulations 2023, simplifying the registration process with the objectives of ease of doing business and greater usage of digital mode. With this notification, banks and non-banks can act as PoPs to on-board NPS subscribers. Now, they require only single Registration for NPS, instead of multiple registrations earlier, and can operate with just one branch with wider digital presence. The timeline for disposing off applications has been reduced from 60 days to 30 days. The above simplification is in line with Union Budget 2023-24 announcement to review regulations to reduce the cost of compliance and enhance the ease of doing business.



CAPITAL MARKET

Foreign investment in Alternative Investment Funds (AIFs)

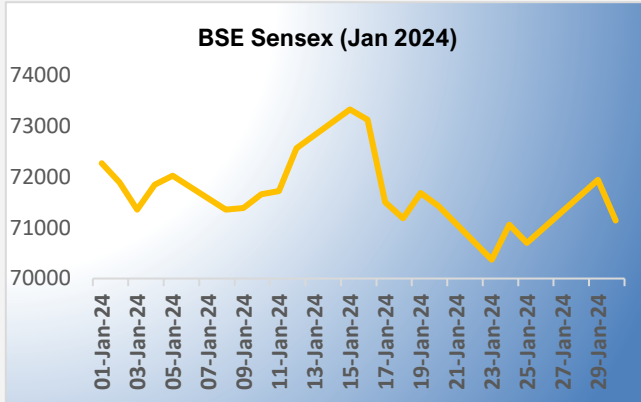
The Government of India amended the Prevention of Money Laundering Rules in March and September 2023, changing thresholds for determining beneficial ownership. SEBI's Master Circular No. SEBI/HO/AFD/PoD1/P/CIR/2023/130 was modified accordingly, stating that investors or their beneficial owners should not be on the UN Sanctions List or residents of countries with strategic AML/CFT deficiencies. AIF managers are prohibited from drawing further capital contributions from investors who do not meet these conditions, effective immediately. This circular aims to safeguard investor interests and regulate the securities market under the Securities and Exchange Board of India Act, 1992.

Guidelines for AIFs with respect to holding their investments in dematerialised form and appointment of custodian

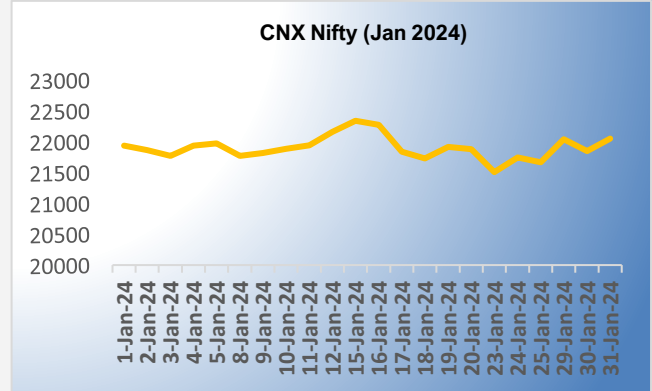
SEBI has amended the AIF Regulations, requiring Alternative Investment Funds (AIFs) to hold investments in dematerialized form, effective from October 1, 2024. Investments made before this date are exempted unless certain conditions apply, including if the investee company is mandated to facilitate dematerialization or if the AIF exercises control over the company. Additionally, AIFs must appoint a custodian registered with SEBI for safekeeping of securities, with reporting standards set by the Standard Setting Forum for AIFs in consultation with SEBI. Compliance with these regulations is mandatory, ensuring investor protection and market development.



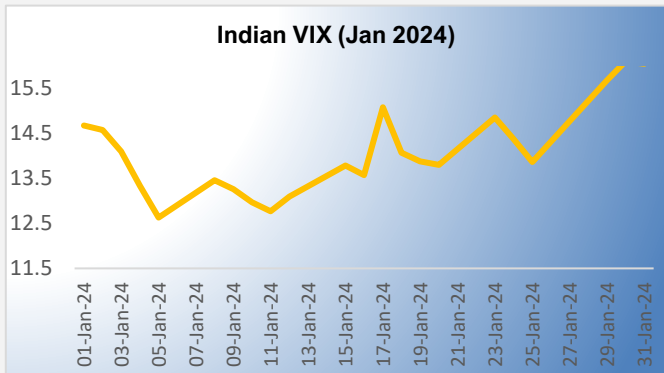
CAPITAL MARKET SNAPSHOT



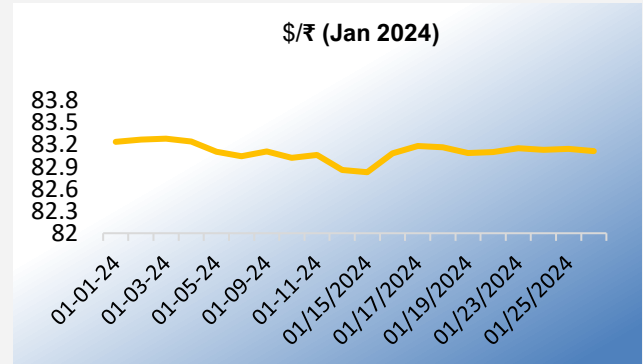
Sources: Bombay Stock Exchange



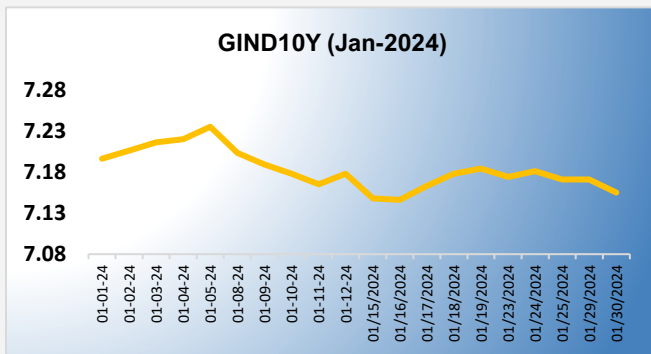
Source: National Stock Exchange



Sources: Bombay Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

The Indian market experienced a volatile January, with benchmark indices reaching record highs but ultimately ending the month flat in the red. This cautious investor sentiment was influenced by the upcoming Interim Budget and weak global cues.

The Nifty index closed 0.03% lower, while the BSE Sensex index declined by 0.7% compared to December. However, the Nifty Midcap 100 and Nifty Smallcap 100 indices exhibited resilience, posting monthly gains of 5.2% and 6% respectively.



FINTECH

Highlights of the Month

[Alternative lending, payments and banking tech top performing areas in fintech. \\$100 tn payments expected by 2030: Report](#)

India's fintech sector is rapidly evolving and aiming for sustainability despite muted funding in 2023. Ranking 3rd globally in FinTech startup funding in 2023, India shows robust growth, especially in alternative lending, payments, and banking tech. The payments sector, despite a 41% decline in funding, is expanding due to increased UPI adoption, while alternative lending and banking tech also saw declines in funding but anticipate growth with regulatory support and digitalization initiatives. With government investments like the USD 16.7 billion BharatNet project, the sector is poised for further expansion, leveraging India's young, tech-savvy population and digitalization efforts.

[FinTech funding witnesses significant decline in December, total \\$96 mln raised](#)

In December, Fintech funding experienced a decline to USD 96 million from 10 deals, down from USD 122 million in the previous month. InCred led with a raise of approximately USD 60 million, followed by RevFin with USD 14 million from Omidyar Network. Despite India ranking 3rd globally in FinTech startup funding in 2023, the sector saw a significant drop in investment, receiving USD 2 billion, down 63% and 76% from the previous two years. This downturn mirrors a global trend in reduced FinTech funding.

[Cryptos Pose Huge Risks For Emerging Economies: RBI Governor](#)

RBI Governor reaffirmed India's cautious stance on cryptocurrencies, emphasizing their significant risks for both emerging and advanced economies. Despite wider acceptance elsewhere, Das maintains that cryptocurrencies pose threats to India's macroeconomic stability and advocates for an outright ban due to concerns about gambling and potential financial crises. Meanwhile, the RBI plans to pilot its central bank digital currency, e-rupee, for wholesale segments and explore programmability for cash transfers. Additionally, the government aims to regulate cryptocurrencies globally, implementing heavy taxation and stringent compliance measures to deter trading and combat money laundering and terrorism financing.

[RBI Issues Draft Norms For Fintech SROs; Says Should Be Free From Influence, Development Oriented](#)

RBI issued draft norms for self-regulatory organizations (SROs) in the fintech sector to ensure compliance with statutory and regulatory requirements. It left room for multiple fintech SROs, aiming to address industry concerns while maintaining representative character. The SROs will operate independently, contribute to industry growth, ensure adherence to standards, and communicate transparently with the RBI. With the Indian fintech sector rapidly growing, fueled by digital payments and loans, the RBI aims to strike a balance between innovation and regulatory priorities through self-regulation, seeking feedback until February 2024 before issuing the final framework.

[Focus on profitability at all-time high as funding dries up: Survey](#)

In 2023, startup founders shifted focus towards fiscal prudence and profitability due to dwindling funding. According to a survey by InnoVen Capital, 62% of founders prioritize profitability over growth, a significant increase from previous years. Notably, SaaS and fintech founders show the highest inclination towards profitability. Furthermore, with tech IPOs gaining momentum, founders prefer exits via IPOs or mergers over overseas IPOs. Despite challenges, founders remain optimistic about turning profitable within two years, with many anticipating disruptions from advances in AI. Overall, the year underscored a shift towards sustainable business models and realistic valuations in the startup ecosystem.

[AI set to dominate fintech development for next five years: WEF study](#)

A new study conducted by the Cambridge Centre for Alternative Finance and the World Economic Forum reveals that AI will be the most relevant topic for fintech development in the next five years, according to 70% of respondents. The research draws insights from 227 fintech firms across various industry verticals and regions. Fintechs express concerns about the lack of incentives for environmental and inclusion goals, while growth is primarily driven by consumer demand and hindered by macroeconomic factors. Regional disparities in funding and regulatory infrastructure underscore the importance of fostering environments supportive of innovation and financial inclusion in the evolving fintech landscape.

[Govt, RBI actively engaged on digital currency: FM](#)

Finance Minister announced the government's active engagement with the Reserve Bank to enhance the central bank digital currency (CBDC) for cross-border transactions. The RBI initiated a wholesale CBDC pilot involving nine banks, while also launching a retail version, e-rupee, on December 1, 2022. The e-rupee functions as digital legal tender, distributed through banks' digital wallets, aimed at facilitating transparent and traceable cross-border payments. Sitharaman highlighted the benefits of CBDC, emphasizing its potential to accelerate transactions at reduced costs, while also outlining the government's focus on modernizing agriculture and bolstering manufacturing in sectors like renewable energy and machine learning.

[RBI orders Paytm Payments Bank to stop deposits and credit transaction after Feb 29](#)

RBI has directed Paytm Payments Bank to halt deposits and credit transactions after February 29, 2024. No further deposits or credits will be accepted, but withdrawals and utilization of existing balances will be allowed without restrictions. Additionally, banking services such as fund transfers and UPI facilities will cease after the specified date. Nodal accounts of One97 Communications Ltd and Paytm Payments Services Ltd. are to be terminated by February 29, 2024.

[Measures on unsecured lending trims growth](#)

RBI's tightened regulations on unsecured loans have led to a slowdown in growth, with unsecured lending increasing by 22.9 percent in December, down from 24.3 percent in November. Credit card outstanding, affected by the same measures, also saw a decrease in growth to 32.6 percent in December from 34.2 percent in November. Overall retail loans growth decreased to 17.7 percent in December, with total non-food bank credit increasing by 15.8 percent, as per RBI data from 41 commercial banks. Industry credit grew at 8.1 percent, while credit to services and agriculture sectors increased to 19.6 percent and 19.5 percent respectively, in December 2023.

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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