APAS MONTHLY – VOLUME 3

APAS MONTHLY NEWSLETTER

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ashvin parekh

APAS

ashvin parekh advisory services

+91 22 67891000 | info@ap-as.com | www.ap-as.com

EDITORIAL

In this issue, Mr. Ashish Chhugani - Head Alternative Investments and Mr. Aashwin Dugal - Deputy Head Alternative Investments - Nippon Life India Asset Management Limited has presented his thoughts on **'Alternative Investments: Redefining your Investment Portfolio'**. We thank Mr. Chhugani and Mr. Dugal for their contribution to the APAS Monthly.

This month, the APAS column covers **'Navigating the Challenges: Alternative Investment Funds (AIFs) in India'**.

The economic indicators showed good performance. Manufacturing PMI was revised higher to 56.9 in February 2024 from 56.5. Services PMI was revised lower to 60.6 in February 2024 from 62.0. Infrastructure output in India increased 3.6% year-on-year in January 2024. Industrial production in India increased 3.8% year-on-year in January 2024. India's retail price inflation (CPI) was little changed at 5.09% in February 2024, compared to 5.1% in January. India Wholesale Price Index (WPI) number is 0.20% (Provisional) for the month of February 2024 over February 2023.

The Reserve Bank of India (RBI) and Bank Indonesia (BI) signed a Memorandum of Understanding (MoU) to encourage using local currencies for transactions between India and Indonesia. The RBI has now finalised the Omnibus Framework for recognising Self-Regulatory Organisations (SRO) for its Regulated Entities.

IRDAI published the life insurance data for March 2024.

SEBI held its 204th Board meeting. SEBI issued a circular to enhance trust in the securities market issued a circular to address investor concerns regarding the transfer of securities in dematerialized mode. It issued an amendment to a circular aimed at mandating additional disclosures by Foreign Portfolio Investors (FPIs) that meet specific objective criteria. SEBI introduced a beta version of T-0 rolling settlement cycle alongside the existing T-1 settlement cycle in equity cash markets.

In March, a Local Circles survey highlighted UPI users' resistance to transaction fees, posing challenges for MDR implementation. PCI advocated for legal reforms against Google's billing policies, echoing global concerns. Meanwhile, RBI approved an interoperable net banking platform to streamline transactions. However, it tightened retail lending oversight amidst rising risks. Directives promoting consumer choice in credit card issuance were introduced. Despite tighter regulations, Fintechs thrived in unsecured lending, reporting substantial loan disbursements with a noted gender gap. In a bid to stimulate growth, RBI eased restrictions on bank investments in AIFs.

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

Ashvin parekh

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On the Cover


GUEST COLUMN

Alternative Investments: Redefining your Investment Portfolio

Mr. Ashish Chhugani - Head Alternative Investments
Nippon Life India Asset Management Limited

Mr. Aashwin Dugal - Deputy Head Alternative Investments
Nippon Life India Asset Management Limited

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Navigating the Challenges: Alternative Investment Funds (AIFs) in India

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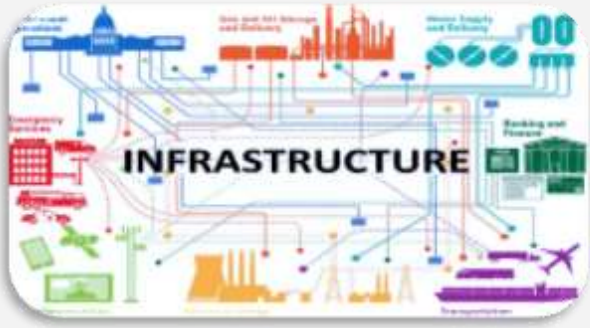
Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode

Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria

Introduction of Beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Equity Cash Markets



INFRASTRUCTURE and Govt Initiatives

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CAPITAL MARKETS SNAPSHOT

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Highlights of the Month

Guest Column: Alternative Investments: Redefining your Investment Portfolio

Mr. Ashish Chhugani
Head Alternative Investments
Nippon Life India Asset Management Limited

Mr. Aashwin Dugal
Deputy Head Alternative Investments
Nippon Life India Asset Management Limited

Ever since the introduction of Alternative Investments by SEBI through the SEBI (Alternative Investment Funds) Regulations, 2012, Alternative Investments have proved to be one of the fastest growing asset classes in recent times. The high growth momentum can be gauged from the fact that funds raised have grown from Rs. 530 Crs to Rs. 4.3 Lakh Crs between March 2013 to December 2023, registering a growth of over 800x or ~87% p.a. in just over a decade. This accelerated growth of the industry is attributed to a confluence of various factors such as Increased investor awareness, conducive regulatory environment, promising growth of the Indian economy, rise of affluence, need for diversification and above all, the search for higher risk-adjusted returns. The growing popularity of alternatives can also be attributed to the availability of various investment strategies which were previously not available to individual high net-worth investors such as Private Equity/Venture Capital, Private Credit and Long-Only/Long-Short Listed Equity Funds.

The Regulator has played a pivotal role in shaping and developing the alternative investment industry. SEBI has not only provided a unified investor friendly regulatory environment but has also, from time to time, come up with amendments to strengthen and increase transparency in the industry to make it at par with global standards. SEBI has also taken due care of Investment Managers while framing these regulations. Today more than ~1000 AIFs have been granted registrations under various investment strategies. Participants include Mutual Fund AMCs, Private Equity and Venture Capital firms, Hedge Fund Managers, Corporates, Boutique Investment Advisors etc. The industry has seen the emergence of several first-time Investment Managers who are actively contributing to the growth of the AIF industry.

The simplified categorization of investments under various categories (i.e. Category I, II and III AIFs) by the Regulator has further helped in better understanding and operating in this industry. Among these categories, Category II has attracted the maximum share of commitments i.e. ~72% of total commitments. Popular asset classes under this Category include Venture Capital, Private Equity, Private Credit and Real Estate. The recent changes in the tax rules of debt mutual funds have fueled the sudden interest in alternative fixed income products, leading to the emergence and growth of Private Credit AIFs. Today there are multiple strategies under a single asset class, designed to meet investor-specific goals, risk appetites and time horizons. Investment managers too have risen to the occasion by offering curated alternative investment strategies for investors based on their needs.

Alternatives today is no longer confined to cater to a limited set of sophisticated investors. A better grasp of the risk-return trade off in this asset class, emergence of high-quality investment managers with superior track records and search for higher risk adjusted returns has propelled domestic high net-worth investors towards this asset class. With rising income levels, an increasing number of investors are joining this pool and are seeking investment opportunities beyond the traditional investment avenues. According to a report released by Kotak Investment Managers, the coverage of investors has also increased beyond the metro cities and in terms of investor profile, the share of young investors (<35 Years) in AIFs have doubled in the past few years.

Alternatives have also since inception been increasingly attracting global investors. A favorable regulatory environment coupled with strong economic growth provides a lucrative opportunity for increased investment allocation to Indian AIFs for global institutional players. While so far domestic Institutional participation in the Indian AIF Industry is low, we are seeing increasing interest from domestic institutional investors, from both Government sponsored as well as private sector financial institutions.

In just over a decade, Alternatives have become a popular Investment asset class and has made its way to mainstream investment portfolios. While there has been exponential growth so far, the alternative investment opportunity is yet to reach its full potential. Greater participation from institutional Investors both from offshore and domestic sources will be key to the future growth of the industry. From the Investment Managers perspective, judicious capital allocation, consistent investment performance and risk management will be crucial to attract and retain investors. The rise of alternatives has also contributed to the overall growth of the Indian Economy by providing much needed risk capital for growth and expansion to Indian enterprises. As India stands poised for exponential economic growth, Alternatives can continue to play a dominant role in aiding and augmenting sources of available capital for companies.

APAS COLUMN

Navigating the Challenges: Alternative Investment Funds (AIFs) in India

In the dynamic landscape of the Indian financial market, Alternative Investment Funds (AIFs) have emerged as a compelling avenue for investors seeking diversification beyond traditional instruments like stocks and bonds. With the potential to offer higher returns and hedge against market volatility, AIFs have gained traction among both institutional and retail investors.

Understanding AIFs:
Alternative Investment Funds, as defined by the Securities and Exchange Board of India (SEBI), are privately pooled investment vehicles that collect funds from investors (typically HNIs or institutions) for investing in accordance with a defined investment policy. These funds operate distinctively from traditional investment avenues like mutual funds, primarily by venturing into unconventional asset classes such as private equity, real estate, hedge funds, and commodities.

There are three categories of AIFs:
- Category I AIFs: These funds can invest in start-ups, early-stage ventures, social ventures, SMEs, and sectors considered socially or economically desirable by regulators.

- Category II AIFs: These funds do not undertake leverage or borrowing other than to meet day-to-day operational requirements. They include various types of funds such as real estate funds, debt funds, private equity funds, and funds for distressed assets.

- Category III AIFs: These funds employ complex or diverse trading strategies and may employ leverage, including through investment in listed or unlisted derivatives. Examples include hedge funds and PIPE (Private Investment in Public Equity) Funds.

Challenges Faced by AIFs in India -
Regulatory Hurdles: Regulatory challenges cast a long shadow over AIFs presenting regulators with complex concerns. Foremost among these concerns is the need for robust regulation and oversight. AIFs frequently navigate complex investment strategies within obscure markets, raising worries about safeguarding investors, preserving market stability, and mitigating systemic risks. Regulators remain vigilant against potential AIF activities that could jeopardize investors or disrupt financial markets, particularly if left unchecked or unregulated. Moreover, AIFs cross-border operations and utilization of sophisticated financial frameworks could serve as conduits for issues such as tax evasion, money laundering, and other illicit practices.

To address these concerns and align with broader financial stability and public policy objectives, regulators typically favor stricter regulatory frameworks and enhanced oversight mechanisms. In India, the regulatory environment surrounding AIFs is notably stringent due to the proactive stance taken by SEBI. However, these stringent regulations also carry significant implications. Compliance requirements, especially onerous for smaller AIFs, pose barriers to their growth and scalability. Moreover, restrictions hinder AIFs ability to attract capital and deploy funds effectively. Thus, it is imperative to clarify and streamline regulations to cultivate a conducive environment for AIF operations while upholding regulatory standards and broader financial objectives.

Limited Investor Awareness: A significant obstacle for AIFs is the limited awareness among investors, particularly retail investors. Unlike traditional investment avenues, such as mutual funds or stocks, AIFs are relatively less understood by the general public. This lack of awareness impedes AIF managers ability to attract investors and raise capital, highlighting the need for enhanced investor education initiatives.

Risk Management: AIFs often engage in alternative investment strategies that entail higher risk compared to traditional asset classes. While risk-taking is inherent to their mandate, effective risk management is imperative to safeguard investor interests. However, implementing robust risk management frameworks can be challenging, especially in volatile market conditions or when dealing with complex investment strategies like derivatives or distressed assets.

Capital Constraints: Raising capital remains a significant hurdle for AIFs operating in India, particularly in niche segments such as private equity, real estate, or infrastructure. Limited access to institutional capital constrains the growth prospects of AIFs, while regulatory restrictions on foreign investments further exacerbate the challenge of capital mobilization.

Exit Challenges: Exit options for AIF investments present yet another challenge. Successful exits are crucial for generating returns and maintaining investor confidence. However, market illiquidity, regulatory constraints, and economic downturns often hinder the exit process for AIFs, leading to longer holding periods and diminished liquidity for investors.

Operational Efficiency: Efficient operations are vital for the success of AIFs, yet achieving operational excellence can be daunting. Operational challenges include various parts, including fund administration, compliance, investor servicing, and technology adoption. AIF managers must invest in robust operational infrastructure and talent to streamline processes, enhance transparency, and deliver superior investor experiences.

Comparison with Global Trends

In the global arena, AIFs have witnessed substantial growth and evolved into a mainstream investment option. While the Indian AIF industry is still nascent compared to developed markets like the United States and Europe, it is steadily gaining momentum. One notable difference lies in the asset allocation preferences, with Indian AIFs showing a greater inclination towards real estate and venture capital investments compared to their global counterparts, which often prioritize private equity and hedge funds.

Conclusion

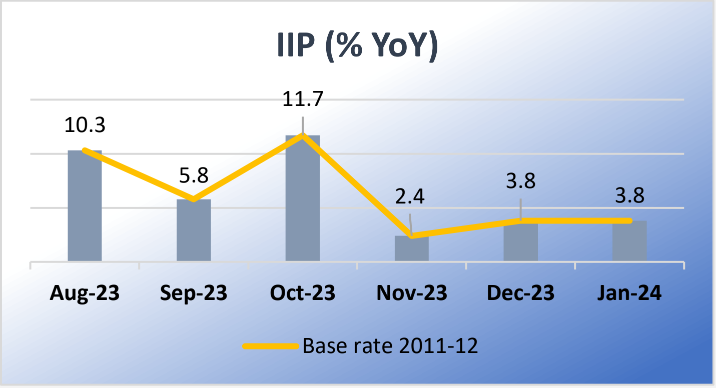
Addressing the challenges surrounding AIFs in India requires a intensive effort from regulators, industry participants, and stakeholders. Streamlining regulations, bolstering investor education, encouraging capital inflows, and fostering operational excellence stand as crucial measures to unlock the full potential of AIFs in the Indian financial landscape. Overcoming these obstacles can position AIFs as significant drivers of economic growth and innovation.

While SEBI's endeavors to establish robust governance mechanisms for AIFs are commendable, achieving a delicate balance in these provisions is vital. This equilibrium ensures that the AIF sector flourishes dynamically, enriching the broader financial ecosystem while safeguarding the interests and prosperity of both fund managers and investors alike.

ECONOMY

IIP (Index of Industrial Production) – Jan

Industrial production in India increased 3.8% year-on-year in January 2024, after an upwardly revised 4.2% rise in the previous month and below market expectations of 4.1%.



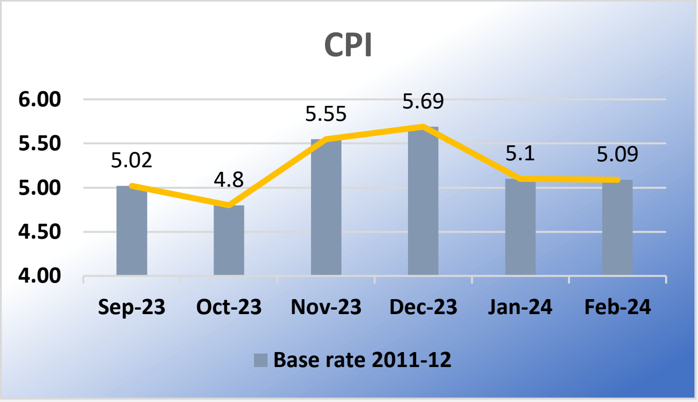
Source: APAS BRT, www.mospi.gov.in

For the month of January 2024, the Quick Estimates of Index of Industrial Production (IIP) with base 2011-12 stands at 153.0. Manufacturing output, which accounts for 78% of total production, advanced by 3.2%, easing from a 4.5% gain. On the other hand, output accelerated for mining (5.9% vs 5.2%) and electricity (5.6% vs 1.2%) year-on-year. Considering the April-January period, industrial production rose by 5.9%.

As per Use-based classification, the indices grew by 2.9% for Primary Goods, 4.1% for Capital Goods, 4.8% for Intermediate Goods and 4.6% for Infrastructure/ Construction Goods year-on-year for the month of January 2024. Further, the indices for Consumer durables and Consumer non-durables grew at 10.9% and (-0.3%) year-on-year respectively for the month of January 2024.

CPI (Consumer Price Index) – Feb

Annual retail inflation in India was little changed at 5.09% in February 2024, compared to 5.1% in January and market forecasts of 5.02%.



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

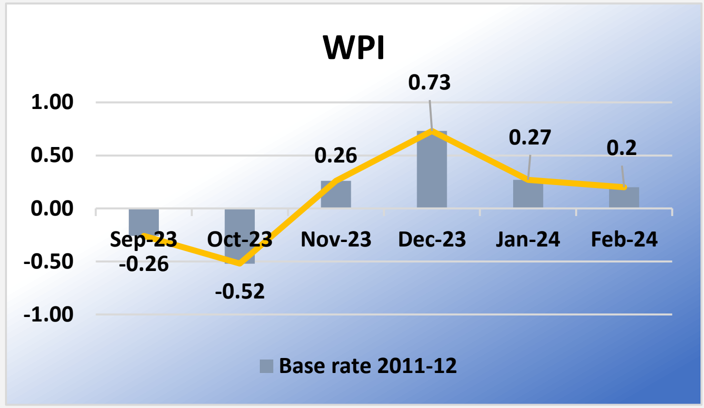
Food inflation was 8.66%, slightly higher than 8.3% in January, mainly due to prices for vegetables (30.3% vs 27%), while cost slowed for pulses (18.9% vs 19.5%), spices (13.5% vs 16.4%) and fruits (4.8% vs 8.7%) and continued to fall for oils and fats (-14% vs -15%). A slowdown was also seen in prices for pan, tobacco, and intoxicants (3.1% vs 3.3%), clothing and footwear (3.1% vs. 3.4%), miscellaneous (3.6% vs. 3.8%) and housing (2.9% vs 3.2%) while prices for fuel and light fe ll by 0.8% after a 0.6% drop.

February marks the sixth straight month the inflation stayed below the 6% upper tolerance band of the Reserve Bank of India.

WPI (Wholesale Price Index) – Feb

Wholesale Price Index (WPI) number is 0.20% (Provisional) for the month of February 2024 (over February 2023). Positive rate of inflation in February 2024 is primarily due to increase in prices of food articles, crude petroleum & natural gas, electricity, machinery & equipment and motor vehicles, trailers & semi-trailers etc.

The month over month change in WPI index for the month of February 2024 stood at 0.07% as compared to January 2024.



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

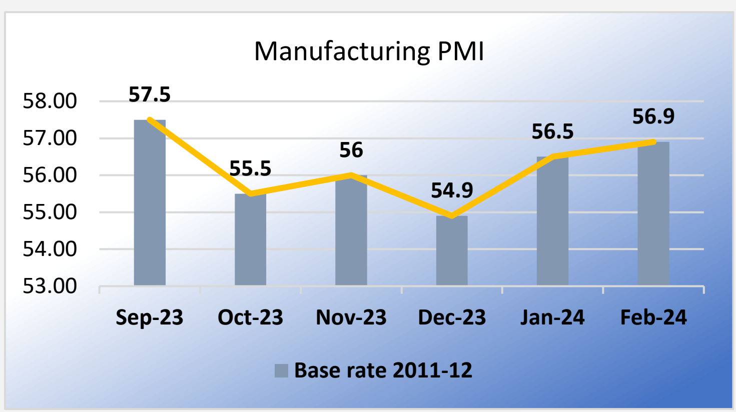
The index for primary articles increased by 0.22% to 181.4 (provisional) in February 2024 from 181.0 (provisional) for the month of January 2024. Prices of Minerals (2.80%), Crude Petroleum & Natural Gas (2.18%) and Food Articles (0.26%) increased in February 2024 as compared to January 2024. Prices of Non-food Articles (-1.73%) declined in February 2024 as compared to January 2024.

Prices for Fuel & Power increased by 0.19% to 155.1 (provisional) in February 2024 from 154.8 (provisional) for the month of January 2024. Prices of Electricity (0.77%) and Mineral Oils (0.06%) increased in February 2024 as compared to January 2024. Prices of Coal (-0.15%) declined in February 2024 as compared to January 2024.

Prices for Manufacturing products remains unchanged at 139.8 (provisional) in February 2024 as compared to the month of January, 2024.

Manufacturing PMI – Feb

The HSBC India Manufacturing PMI was revised higher to 56.9 in February 2024 from 56.5 in the preliminary reading, following a final 56.5 in January. It was the fastest growth in the factory sector since last September, as sales rose at the fastest pace since September, with new export orders growing the most in 21 months. Both output and new orders expanded at the quickest rate since September, helped by marketing efforts to boost demand. Australia, Bangladesh, Brazil, Canada, mainland China, Europe, Indonesia, the US, and the UAE were sources of demand growth. Employment



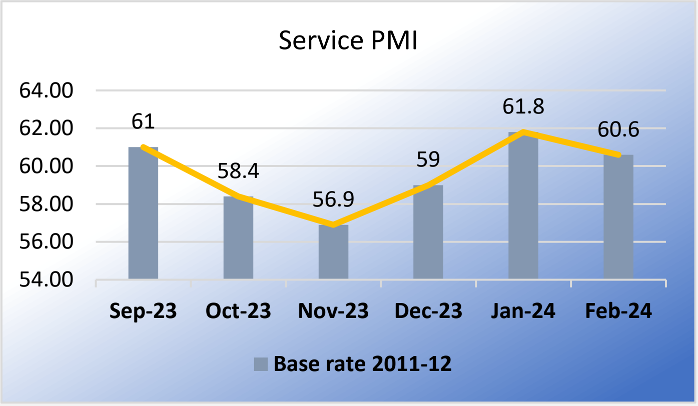
Source: www.tradingeconomics.com

was little changed, as payroll numbers were sufficient for current requirements, purchasing activity rose the most in five months, and lead times on inputs were broadly stable.

On the price front, input price inflation eased to the weakest since August 2020, while output cost inflation slowed to an eleven-month low. Finally, sentiment improved to the second-highest since December 2022 amid hopes of rising demand.

Services PMI – Feb

The HSBC India Services PMI was revised lower to 60.6 in February 2024 from 62.0 in the preliminary estimates and after January's six-month high of 61.8. Output and new orders grew softer, with foreign demand rising for the thirteenth successive month, and that was among the best in the nine-and-a half-year series history. Australia, Asia, Europe, the Americas, and the UAE were among the sources of gains. Outstanding business volumes expanded for the 26th consecutive month, but the weakest growth in three months.



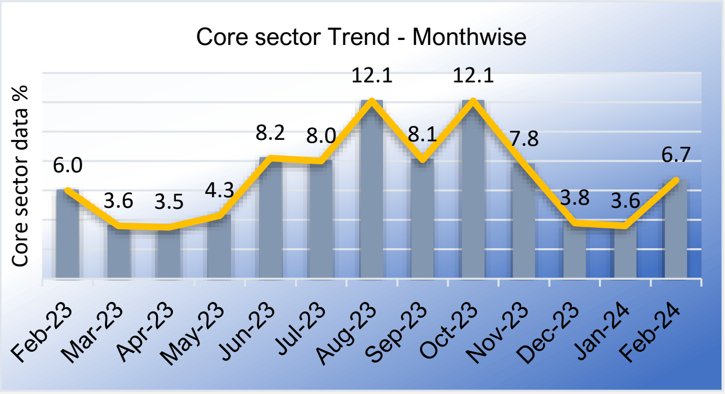
Source: www.tradingeconomics.com

Meanwhile, employment increased, with the job creation rising the least in 21 months. On the price front, input price inflation eased to the second lowest in 42 months. Meanwhile, price output inflation eased to a two-year low as firms sought to protect their margins by raising prices charged to customers.

Finally, business sentiment weakened slightly.

Core Sector Data – Feb

The combined Index of Eight Core Industries (ICI) increased by 6.7 % (provisional) in February 2024 as compared to the Index of February 2023. The production of Coal, Natural Gas, Cement, Steel, Crude Oil, Electricity and Refinery Products recorded positive growth in February 2024. The ICI measures the 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 % 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 November 2023 is revised to 7.9 %. The cumulative growth rate of ICI during April to February, 2023-24 is 7.7 % (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 11.6 % in February, 2024 over February, 2023. Its cumulative index increased by 12.1 % during April to February, 2023-24 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) increased by 7.9 % in February, 2024 over February, 2023. Its cumulative index increased by 0.5 % during April to February, 2023-24 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) increased by 11.3 % in February, 2024 over February, 2023. Its cumulative index increased by 6.0 % during April to February, 2023-24 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) increased by 2.6 % in February, 2024 over February, 2023. Its cumulative index increased by 3.8 % during April to February, 2023-24 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 %) declined by 9.5 % in February 2024 over February, 2023. Its cumulative index increased by 4.1 % during April to February, 2023-24 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 8.4 % in February, 2024 over February, 2023. Its cumulative index increased by 12.9 % during April to February, 2023-24 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 %) increased by 10.2 % in February, 2024 over February, 2023. Its cumulative index increased by 9.1 % during April to February, 2023-24 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) increased by 6.3 % in February, 2024 over February, 2023. Its cumulative index increased by 6.8 % during April to February, 2023-24 over corresponding period of the previous year.

ECONOMIC DATA SNAPSHOT

Countries	GDP (% change on year ago)		CPI (%change on year ago)		Current Account Balance % of GDP, 2024*	Budget Balance % of GDP, 2024*	Interest Rates 10-yr gov't bonds Latest,%
	Latest	2024*	Latest	2024*			
Brazil	2.1 Q4	1.8	4.5 Feb	4.1	-1.5	-7.2	10.9
Russia	5.5 Q3	1.9	7.7 Feb	6.5	2.0	-1.7	13.4
India	**8.4 Q4**	**6.6**	**5.1 Feb**	**4.8**	**-0.8**	**-5.3**	**7.1**
China	5.2 Q4	4.7	0.7 Feb	1.0	1.4	-4.4	2.2
S Africa	1.2 Q4	1.6	5.5 Feb	4.7	-2.0	-5.7	10.6
USA	3.1 Q4	1.8	3.2 Feb	2.5	-2.8	-6.1	4.2
Canada	0.9 Q4	1.2	2.8 Feb	2.6	-0.6	-1.2	3.5
Mexico	2.5 Q4	2.3	4.4 Feb	4.5	-0.6	-4.7	9.4
Euro Area	0.1 Q4	0.8	2.6 Feb	2.5	2.6	-3.1	2.4
Germany	-0.2 Q4	0.3	2.7 Feb	2.1	6.2	-1.5	2.4
Britain	-0.2 Q4	0.4	3.4 Feb	2.6	-2.8	-4.2	4.0
Australia	1.5 Q4	2.0	4.1 Q4	2.7	0.5	nil	4.1
Indonesia	5.0 Q4	5.1	2.8 Feb	2.7	0.3	-2.3	6.7
Malaysia	3.0 Q4	4.4	1.8 Feb	2.6	1.9	-4.4	3.9
Singapore	2.2 Q4	2.4	3.4 Feb	3.5	18.6	0.1	3.1
S Korea	2.2 Q4	2.3	3.1 Feb	2.5	1.9	-1.3	3.4

BANKING

Reserve Bank of India and Bank Indonesia Sign Memorandum of Understanding (MoU) to Promote Use of Local Currencies for Bilateral Transactions

The Reserve Bank of India (RBI) and Bank Indonesia (BI) signed a Memorandum of Understanding (MoU) to encourage using local currencies for transactions between India and Indonesia. This will allow exporters and importers to invoice and pay in their own currency (Indian Rupee and Indonesian Rupiah). This is expected to reduce transaction costs and processing time, ultimately boosting trade and financial ties between the two countries.

Omnibus Framework for recognition of Self-Regulatory Organisations for Regulated Entities of the Reserve Bank

Pursuant to the announcement made in the Statement on Developmental and Regulatory Policies of the Reserve Bank, as part of its Monetary Policy Statement – 2023-24 (dated October 06, 2023), a draft framework titled 'Draft Omnibus Framework for recognising Self-Regulatory Organisations for its Regulated Entities' was issued for public comments on December 21, 2023. Based on the examination of the inputs received, the Reserve Bank has now finalised the Omnibus Framework for recognising Self-Regulatory Organisations (SRO) for its Regulated Entities, which is given in the Annex.

The omnibus framework contains broad parameters viz., objectives, responsibilities, eligibility criteria, governance standards, application process and other basic conditions for grant of recognition, which will be common for any SRO proposed to be recognized by the Reserve Bank. Other sector-specific guidelines like number of SROs, membership, etc., shall be issued separately by the respective departments of the Reserve Bank wherever a sectoral SRO is intended to be set up.

INSURANCE

Life Insurance

New Business Statement of Life Insurers for the Period ended 29th February 2024

Sl No.	Insurer	First year premium			No. of Policies / Schemes			Sum Assured		
		Up to 29th February, 2024	*Growth in %*	*Market Share*	Up to 29th February, 2024	*Growth in %*	*Market Share*	Up to 29th February, 2024	*Growth in %*	*Market Share*
1	Aditya Birla Sun Life	6689.29	3.85	2.11	240918.00	18.88	1.01	315289.67	-0.89	4.03
2	Acko Life Insurance	29.84		0.01	49.00		0.00	2324.86		0.03
3	Aegon Life	101.26	1446.52	0.03	19022.00	787.22	0.08	12791.87	959.53	0.16
4	Ageas Federal Life	1031.64	32.12	0.32	49614.00	23.00	0.21	19420.85	38.34	0.25
5	Aviva Life	304.40	19.95	0.10	24062.00	3.55	0.10	53507.57	143.48	0.68
6	Bajaj Allianz Life	9539.55	5.28	3.00	623182.00	19.78	2.62	509211.58	7.23	6.50
7	Bharti Axa Life	658.24	-21.09	0.21	76317.00	-14.31	0.32	13163.84	-33.32	0.17
8	Canara HSBC Life	2431.95	-24.50	0.77	159017.00	3.13	0.67	208356.40	28.37	2.66
9	CreditAccess Life	69.97		0.02	109.00		0.00	4164.93		0.05
10	Edelweiss Tokio Life	436.59	13.02	0.14	46777.00	3.60	0.20	8762.93	-0.40	0.11
11	Exide Life*		-100.00	0.00		-100.00	0.00		-100.00	0.00
12	Future Generali Life	452.34	-18.65	0.14	29060.00	-15.15	0.12	25062.28	-11.58	0.32
13	Go Digit Life	341.26		0.11	503.00		0.00	163020.41		2.08
14	HDFC Life	25346.62	9.86	7.98	976212.00	18.59	4.10	1201840.56	36.58	15.35
15	ICICI Prudential Life	14855.21	5.68	4.68	524220.00	3.39	2.20	911279.92	-2.15	11.64
16	India First Life	2756.97	15.40	0.87	230681.00	-16.36	0.97	282090.24	106.44	3.60
17	Kotak Mahindra Life	6939.63	12.26	2.18	263808.00	-1.34	1.11	278833.36	-5.72	3.56
18	Max Life	8979.62	28.79	2.83	604132.00	25.63	2.54	440408.53	75.72	5.62
19	PNB Met Life	2857.55	6.15	0.90	245068.00	-0.98	1.03	131431.52	-43.43	1.68
20	Pramerica Life	958.10	64.78	0.30	32602.00	9.69	0.14	83633.00	64.15	1.07
21	Reliance Nippon Life	1006.06	6.91	0.32	154848.00	15.63	0.65	23617.28	3.16	0.30
22	SBI Life	33867.71	29.84	10.66	2004284.00	5.08	8.42	704508.31	25.95	9.00
23	Shriram Life	1558.41	65.40	0.49	362092.00	48.81	1.52	89884.75	48.22	1.15
24	Star Union Dai-ichi Life	3010.15	6.90	0.95	168225.00	-2.62	0.71	150290.47	-9.85	1.92
25	Tata AIA Life	7301.97	11.06	2.30	639949.00	17.53	2.69	755254.94	36.41	9.64
	Private Total	**131524.34**	**14.09**	**41.39**	**7474751**	**9.82**	**31.40**	**6388150**	**21.84**	**81.58**
26	LIC of India	186222.37	-8.35	58.61	16329346.00	-0.48	68.60	1442472.85	49.22	18.42
	Grand Total	**317746.72**	**-0.22**	**100.00**	**23804097**	**2.54**	**100.00**	**7830623**	**26.10**	**100.00**

CAPITAL MARKET

SEBI Board Meeting

The 204th SEBI Board meeting in Mumbai approved several measures including:
1) The launch of a Beta version of optional T+0 settlement for 25 scrips and selected brokers, subject to further stakeholder consultation.
2) Exempted additional disclosure requirements for certain FPIs and relaxed timelines for material changes disclosure.
3) Provided flexibility for FPIs in dealing with their securities post-registration expiry.
4) Amended regulations to ease IPO processes, ongoing compliance for listed companies, and verification of market rumors.
5) Allowed AIFs to encumber equity in infrastructure companies, introduced due diligence measures, and extended timelines for listing norms for High Value Debt Listed Entities.

Measures to instill trust in securities market – Expanding the framework of Qualified Stock Brokers (QSBs) to more stock brokers

SEBI issued a circular to enhance trust in the securities market. The circular expands the framework of Qualified Stock Brokers (QSBs) to include more stock brokers. This aims to ensure greater transparency and reliability in the functioning of the securities market by broadening the scope of qualified professionals operating within it.

Safeguards to address the concerns of the investors on transfer of securities in dematerialized mode

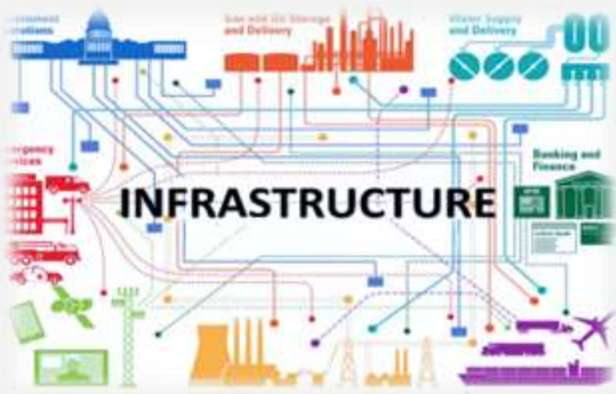
SEBI issued a circular to address investor concerns regarding the transfer of securities in dematerialized mode. The circular outlines safeguards to ensure the smooth transfer of securities and protect investor interests. It likely includes measures such as enhanced verification procedures, stricter oversight of intermediaries, and improved transparency in the transfer process. These safeguards aim to enhance investor confidence in the dematerialized securities market and mitigate risks associated with transfers.

Amendment to Circular for mandating additional disclosures by FPIs that fulfil certain objective criteria

SEBI issued an amendment to a circular aimed at mandating additional disclosures by Foreign Portfolio Investors (FPIs) that meet specific objective criteria. This amendment requires FPIs fulfilling certain criteria to provide additional disclosures pertaining to beneficial ownership information, investor group structure, and any changes in such information. The objective is to enhance transparency and ensure regulatory compliance within the Indian securities market.

Introduction of Beta version of T+0 rolling settlement cycle on optional basis in addition to the existing T+1 settlement cycle in Equity Cash Markets

SEBI introduced a beta version of T-0 rolling settlement cycle alongside the existing T-1 settlement cycle in equity cash markets. This beta version aims to enable trades executed on T day to be settled on the same day (T-0) instead of the conventional T+1 cycle. The initiative is optional and allows market participants to choose between the existing T-1 cycle and the new T-0 cycle. This beta version intends to enhance market efficiency and reduce settlement risks.

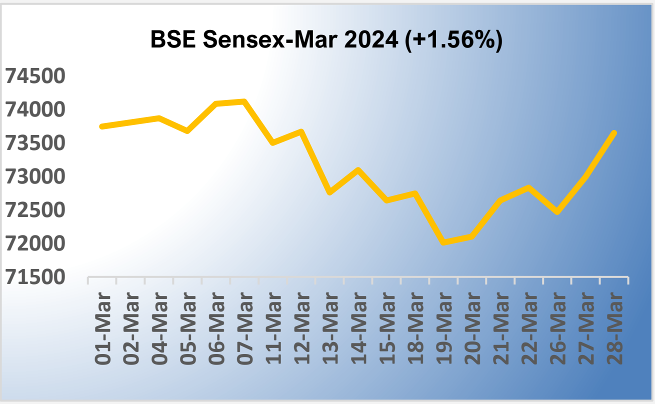


INFRASTRUCTURE & GOVT. INITIATIVES

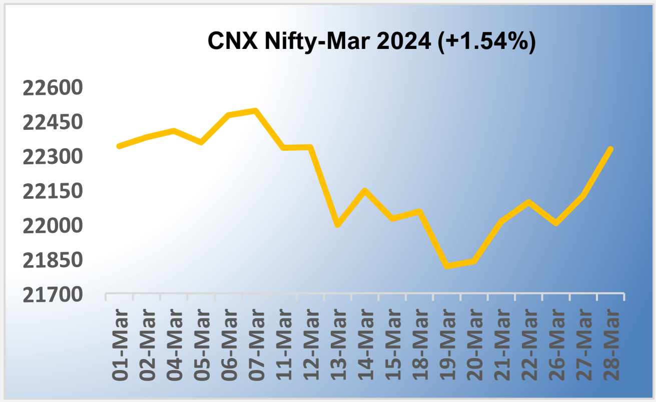
Government of India and ADB sign $23 million loan agreement to strengthen fintech ecosystem in India

The Government of India and the Asian Development Bank (ADB) signed a $23 million loan agreement to establish an International Fintech Institute (IFI) at Gujarat International Finance Tec-City (GIFT-City), aiming to enhance fintech education, research, and innovation. The IFI will offer industry-aligned training programs, support startups, particularly women-led ones, and collaborate with global institutes. This initiative is part of efforts by the Indian and Gujarat governments to bolster the country's financial services and fintech ecosystem, with a focus on market-driven skills development, private sector investment, and fostering collaboration. The ADB-supported program will also facilitate research on climate fintech, regulatory technology, social inclusion, and gender equality in finance, contributing to employment opportunities and technological advancements.

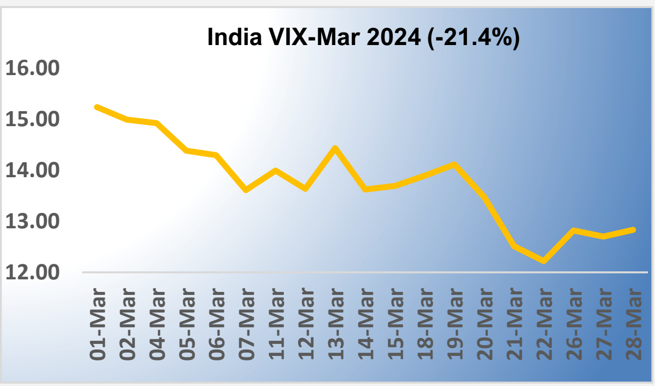
CAPITAL MARKET SNAPSHOT



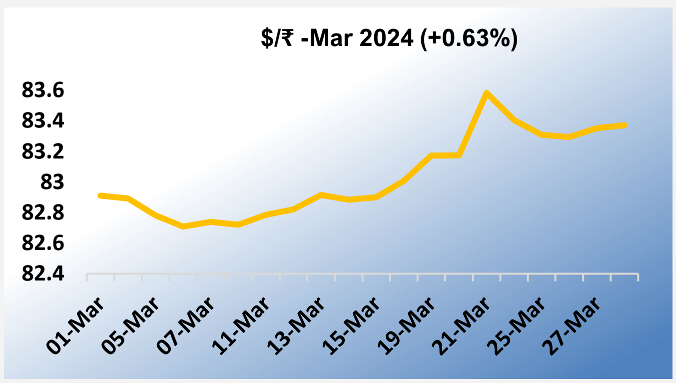
Sources: Bombay Stock Exchange



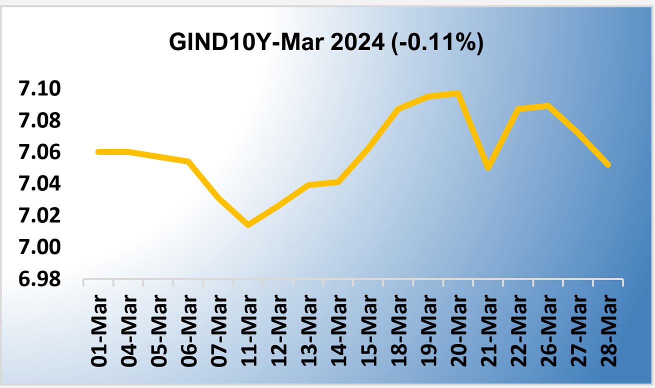
Source: National Stock Exchange



Sources: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

By the close of March, the Nifty 50 index surged to 22,326.9, demonstrating a 1.54% uptick compared to the previous month. Similarly, the BSE Sensex index concluded at 73,651.35, marking a 1.56% increase from the preceding month. On the other hand, both the Nifty Smallcap 100 and Nifty Midcap 100 indices experienced declines for the month, with the Nifty Midcap 100 decreasing by -0.54% and the Nifty Smallcap 100 by -4.62%.

The Nifty 50 has exhibited a remarkable performance, boasting a 29% increase in the fiscal year ending on March 31, its most robust showing in three fiscal years. Furthermore, the benchmark surged by 2.74% in the January-March quarter, extending its gains for four consecutive quarters, alongside achieving a second consecutive weekly increase of 1.04%.

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FINTECH

Highlights of the Month

[Majority users won't pay to use UPI, finds survey; fintechs pitch for it]

A survey conducted by LocalCircles revealed that only 23% of UPI users are willing to pay transaction fees, with 73% stating they would stop using UPI if fees were introduced. 37% of respondents reported encountering transaction fees over the past year. Meanwhile, discussions on implementing Merchant Discount Rate (MDR) for UPI transactions continue among fintechs, with some advocating for MDR to sustain revenue. However, the issue remains unresolved despite calls for a clear pricing model. The survey findings coincide with record-high UPI transactions in January, underscoring the need for clarity on MDR to ensure sustainable operations and investment in payment infrastructure.

[Google vs Indian apps: Payments industry seeks legal changes against Google's app billing policy]

The Payments Council of India, representing major payment companies, urges the government to intervene and amend laws against monopolistic policies of multinational companies like Google, following South Korea and the EU's lead. Google's recent enforcement of payment policies on Android apps has led to many startups shifting transactions to websites, fearing revenue loss and reduced real-time payments. The industry faces disruption as Google's dominance prompts concerns over pricing mandates and fairness, with potential impacts on digital payment volumes and merchant transactions.

[RBI clears 'interoperable' net banking payments]

RBI Governor announced the approval of a platform allowing online merchants to receive payments from any bank via internet banking without individually signing up with each bank. The Bharat Bill Payment System, under NPCI, will implement this interoperable net banking payment system, reducing efforts for smaller businesses and payment aggregators, potentially lowering payment charges. Das highlighted the challenges of non-interoperable transactions and delays, stating that the new system will address these issues and is set to launch in 2024, as part of RBI's efforts during the Digital Payments Awareness Week event in Mumbai. India's retail digital payments surged from 162 crore to 14,726 crore transactions in 12 years, with India accounting for nearly 46% of the world's digital transactions as per 2022 data, signalling significant growth in digital payments according to Das.

[RBI bars JM Financial's arm from lending against shares]

RBI has banned JM Financial Products from extending loans against shares, including IPO subscriptions, citing irregularities and governance issues. This action follows similar sanctions against IIFL Finance for gold loan violations. RBI accused JM Financial Products of facilitating IPO bidding with loaned funds, inadequate credit underwriting, and questionable governance practices. JM Financial Group denies violations and asserts compliance with regulations. The ban is pending a special audit by RBI and may be lifted upon rectification of deficiencies.

[Indian SaaS products to corner 8% global market share by 2028]

Indian SaaS startups are eyeing international markets, with the global market share expected to reach 8% by 2028, according to a report by advisory firm 1Lattice and Sorin Investments. The Indian SaaS market is projected to grow to $37 billion by 2028. However, the current global market share of Indian SaaS products remains at 6% since 2022, attributed to budget cuts by large enterprises amid global economic corrections. The report also highlights a shift towards efficiency and profitability focus among SaaS businesses, with a slower growth trajectory anticipated until 2025 when improved funding cycles are expected.

[Nearly 8 out of 10 digital payments are now done through UPI, claims RBI]

RBI Governor highlighted UPI's significant role in digital payments during the RBI's Digital Payments Awareness Week. UPI's share in digital payments surged to nearly 80% in 2023, making it a major driver of digital transactions in India. India currently represents about 46% of the world's digital transactions, and UPI recorded 12 billion transactions worth Rs 18.28 trillion in February 2024, indicating sustained growth. Despite a slight dip from January, UPI transactions saw a substantial year-on-year increase, with forecasts predicting a surge to 100 crore transactions per day and 90% of total digital transaction volumes within five years.

[RBI issues directions to card networks for issuance of credit card to customers]

RBI has issued directives to enhance choice and flexibility in credit card issuance. Card issuers, whether banks or non-bank entities, are mandated to allow customers to select from multiple card networks during issuance or renewal. The RBI prohibits agreements restraining card issuers from using other networks and emphasizes customer choice. Effective six months from March 6, 2024, these directives apply to major card networks while exempting smaller issuers and those with proprietary networks.

[Fintechs see exponential growth in small-ticket loans but need to focus on sustainability]

Fintech lenders dominate the sub-Rs 1 lakh loan market, accounting for 77% of loans by September 2023. While fintechs lead in small-ticket loans, they face stress and higher delinquency rates, especially in FY23. Despite growth, recovery rates remain subdued, and fintechs need to focus on sustainability and unit economics. With opportunities in smaller towns, fintechs must collaborate with traditional lenders and government initiatives for a sustainable future amidst challenges of low ticket sizes and rising delinquencies.

[RBI asks banks to check end use of card payments.]

The RBI has instructed credit card issuers to establish a system to monitor the end use of funds, targeting fintechs pushing regulatory boundaries. This move follows the RBI's decision to prohibit fintechs from issuing business credit cards due to lack of visibility on card payment end uses. New guidelines require banks to allow borrowers to select billing cycles and restrict sharing card transaction data with outsourcing partners without explicit consent. Additionally, banks and registered NBFCs can now become co-branding partners without prior RBI approval, while reporting default status to credit information companies has a reduced timeframe of "within 30 days from settlement."

[UPI duopoly revives fee debate]

Regulatory concerns arise over PhonePe and Google Pay's dominant position in the UPI market, prompting discussions on introducing fees for merchant transactions. Despite government assurances against such fees, fintech companies express worries about their earnings amidst rising expenses for customer acquisition. With PhonePe and Google Pay controlling 80% of the UPI market and RBI restrictions impacting Paytm's transactions, there's a call for levying fees to balance the ecosystem and encourage competition. Experts suggest that introducing Merchant Discount Rates (MDR) could incentivize smaller players, attract larger platforms, and ensure the long-term sustainability of the UPI system.

Surge In Unsecured Loans By Fintechs Led To RBI's Tightening Of Lending Norms: Bernstein

Indian banks and fintechs saw a significant surge in unsecured lending, prompting RBI to tighten lending norms in late 2023. Bernstein's report highlighted a rapid increase in non-mortgage consumer loans, driven by credit cards and personal loans, along with a rise in fintech numbers. Following the RBI's action in November, increasing risk weights for consumer credit, fintech giant Paytm scaled down its postpaid loan business, reflecting concerns over unsecured lending growth. Despite regulatory efforts, digital lending remains attractive for India's fintech sector, with startups venturing into the space.

Fintech firms disburse 2.5 crore loans in Q3, FACE reports

During the third quarter of the fiscal year, Fintech companies distributed 2.5 crore loans, a 12% increase from the previous year but a slight decline from the previous quarter, reaching a total disbursement value of Rs 33,922 crore. The average loan size disbursed was Rs 11,945. According to a report by FACE, 80% of 28 NBFCs were profitable in the first three quarters of FY23, up from 68% in the previous fiscal year. However, the report also highlights that women received only 12% of the loans disbursed, indicating a gender gap in access to digital loans.

RBI loosens restrictions on bank investments in AIFs

RBI has relaxed December 2023 rules on bank investments in Alternative Investment Funds (AIFs) to address concerns and streamline implementation. Key changes include reduced provisioning, exempting investments in borrower's equity shares, and exempting investments through intermediaries. The move aims to alleviate concerns about potential AIF industry slowdowns while maintaining oversight on bank-AIF relationships.

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.

Contact Us: 022-6789 1000

info@ap-as.com

www.ap-as.com