APAS MONTHLY – VOLUME 2

# 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. Ajay Saraf, Wholetime Director & Head – Investment Banking and Equities– ICICI Securities Limited** has presented his thoughts on **‘Growth of India’s Primary Market for Equities: Road Ahead and Challenges’**. We thank Mr. Saraf for his contribution to the APAS Monthly.

This month, the APAS column covers ‘**Navigating Geopolitical Uncertainty: India’s Economic Outlook’.**

The economic indicators exhibited a mixed performance, trending downwards. Manufacturing PMI for January 2025 came in at 57.7 below the initial estimate of 58, market forecasts of 57.8, and December’s 56.4. Services PMI was revised lower to 56.5 in January 2025, down from 56.8. India's infrastructure output advanced by 4.6% year-on-year in January 2025, slightly down from a revised 4.8% expansion in December. Industrial production in India grew by 3.2% year-on-year in December 2024, slowing from a downwardly revised 5% rise in November. India's annual inflation rate fell to 4.31% in January of 2025 from 5.22% in the previous month. India Wholesale Price Index (WPI) number is 2.31% (provisional) for the month of January 2025.

Reserve Bank of India (RBI) has announced several developmental and regulatory measures focusing on financial markets, cybersecurity, and payment systems. RBI has launched the RBIDATA mobile app, providing access to over 11,000 macroeconomic and financial data series on the Indian economy. In order to meet the durable liquidity needs of the system, the RB has decided to inject Rupee liquidity for longer duration through long-term USD/INR Buy/Sell swap.

The Insurance Regulatory and Development Authority of India (IRDAI) has issued comprehensive guidelines allowing insurers to use equity derivatives solely for hedging their equity portfolios, aiming to mitigate market volatility and preserve investment value.
The 9th edition of Bima Manthan, IRDAI’s quarterly meeting with insurance CEOs, was held on February 13-14, 2025, focusing on key industry developments.

SEBI issued a circular permitting SEBI-registered stockbrokers to trade in Government Securities (G-Secs) via the Negotiated Dealing System-Order Matching (NDS-OM) platform. SEBI released the “Industry Standards Recognition Manual.” SEBI issued a circular granting Alternative Investment Funds (AIFs) an extension on the deadline to hold their investments in dematerialized form. SEBI issued a circular mandating that Research Analysts (RAs) disclose standardized Most Important Terms and Conditions (MITC) to their clients. SEBI issued a circular mandating that Investment Advisers (IAs) disclose standardized Most Important Terms and Conditions (MITC) to their clients. SEBI has introduced a new category of investment vehicles called Specialized Investment Funds (SIFs), effective from April 1, 2025.

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

*Growth of India's Primary Market for Equities: Road Ahead and Challenges*

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

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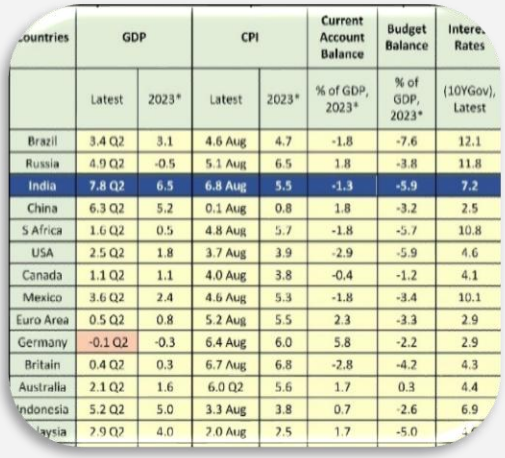

| ountries | GDP | | CPI | | Current Account Balance | Budget Balance | Intere. Rates |
|---|---|---|---|---|---|---|---|
| | Latest | 2023* | Latest | 2023* | % of GDP, 2023* | % of GDP, 2023* | (10YGov), Latest |
| Brazil | 3.4 Q2 | 3.1 | 4.6 Aug | 4.7 | -1.8 | -7.6 | 12.1 |
| Russia | 4.9 Q2 | -0.5 | 5.1 Aug | 6.5 | 1.8 | -3.8 | 11.8 |
| India | 7.8 Q2 | 6.5 | 6.8 Aug | 5.5 | -1.3 | -5.9 | 7.2 |
| China | 6.3 Q2 | 5.2 | 0.1 Aug | 0.8 | 1.8 | -3.2 | 2.5 |
| S Africa | 1.6 Q2 | 0.5 | 4.8 Aug | 5.7 | -1.8 | -5.7 | 10.8 |
| USA | 2.5 Q2 | 1.8 | 3.7 Aug | 3.9 | -2.9 | -5.9 | 4.6 |
| Canada | 1.1 Q2 | 1.1 | 4.0 Aug | 3.8 | -0.4 | -1.2 | 4.1 |
| Mexico | 3.6 Q2 | 2.4 | 4.6 Aug | 5.3 | -1.8 | -3.4 | 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 | 5.8 | -2.2 | 2.9 |
| Britain | 0.4 Q2 | 0.3 | 6.7 Aug | 6.8 | -2.8 | -4.2 | 4.3 |
| Australia | 2.1 Q2 | 1.6 | 6.0 Q2 | 5.6 | 1.7 | 0.3 | 4.4 |
| ndonesia | 5.2 Q2 | 5.0 | 3.3 Aug | 3.8 | 0.7 | -2.6 | 6.9 |
| laysia | 2.9 Q2 | 4.0 | 2.0 Aug | 2.5 | 1.7 | -5.0 | [illegible] |

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# CAPITAL MARKETS SNAPSHOT

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

# GUEST COLUMN

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

## Growth of India's Primary Market for Equities: Road Ahead and Challenges

**Introduction**

India's primary equity market has experienced impressive growth over the past few decades, transforming into a crucial platform for businesses to raise capital and for investors to partake in the country's economic development. This market allows companies to secure the necessary funds for expansion and provides both retail and institutional investors with opportunities to invest in high-growth firms. As India's primary market matures, it continues to face challenges that need addressing in order to ensure sustainable growth and market stability.

**Growth of India's Primary Market: A Journey So Far**

Despite recent market volatility, India's financial ecosystem has made remarkable progress, consistently outperforming its global counterparts. By the end of 2024, India had outpaced many of its emerging market peers. Despite global uncertainties, the Nifty 50 index posted positive returns, and the BSE market capitalization reached ₹445.2 lakh crore. These developments are clear indicators of India's ability to attract capital and build investor confidence.[1] In 2024, Indian capital market reached a historic milestone by recording the highest number of IPOs in Asia[2] and in terms of amount of capital raised, 2nd largest in global market with equity raise of $70 billion.[3]

One of the most notable aspects of this growth story is the surge in investor participation. The COVID-19 pandemic acted as a catalyst, leading many individuals and households to enter the market. This trend has continued with increasing momentum. By December 2024, Demat accounts grew by 33% to 18.5 crore, and the number of unique mutual fund investors reached 5.6 crore, signalling a shift from traditional saving to active investing.[4]

**From Savers to Investors: A Paradigm Shift**

Indian households are transitioning from a culture of saving to one of investing, as reflected in the rise in net investments in the NSE's cash market segment, which reached ₹4.4 lakh crore over the past five years.

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[1] Source: https://www.businesstoday.in/union-budget/story/indias-capital-markets-opportunities-challenges-and-the-road-ahead-462837-2025-01-31
[2] Source: https://www.moneycontrol.com/news/business/ipo/nse-leads-asia-in-ipo-count-in-2024-sets-global-record-for-equity-capital-raised-in-primary-market-12902822.html
[3] Source: https://www.moneycontrol.com/news/business/markets/the-great-indian-capital-market-deals-party-of-2024-will-the-revelry-continue-in-2025-12901184.html
[4] Source: https://www.businesstoday.in/union-budget/story/indias-capital-markets-opportunities-challenges-and-the-road-ahead-462837-2025-01-31

This trend shows no signs of slowing down, with record inflows in 2024 alone. Household wealth has surged by ₹40 lakh crore over the same period, indicating strong economic growth.[5]

This shift—marked by an increasing number of individual investors, higher trading frequency, and significant net inflows—has transformed the Indian equity market into a more inclusive platform. For the first time, individual investors' ownership in NSE-listed companies (17.6%) surpassed that of Foreign Portfolio Investors (FPIs), highlighting the growing importance of domestic capital.[6]

**India's Primary Market: A Global Leader in IPO Activity**

India's primary market has solidified its position as a global leader in IPO activity. In FY25, resource mobilization reached ₹11.1 lakh crore within the first nine months, surpassing the total raised in FY24. The IPO market has flourished, with a 32.1% increase in listings and a 150% surge in the average deal size, reflecting the growing demand for equity financing. India's prominence on the global stage has also increased, as the country accounted for 30% of global IPO listings in 2024, a substantial jump from 17% the previous year.[7]

**Strengthening Regulations to Safeguard Investor Interests**

While the surge in investor participation is encouraging, it has also introduced potential risks, particularly concerning financial stability. The rise in consumer credit and unsecured lending may pose a threat. With young investors becoming more active in the market, the regulatory framework must evolve to support this growth while maintaining market stability. SEBI has been proactive in addressing these concerns, implementing measures to moderate market excesses and ensure sustainable growth.

The regulator has taken several steps to improve the IPO process, including the use of artificial intelligence (AI) to accelerate IPO application processing, reducing the timeline for listing shares from T+6 to T+3 days, and revamping the Rights Issue process. Additionally, SEBI has proposed amendments to the SEBI (ICDR) Regulations, 2018, aiming to streamline the IPO process further, making it more transparent and accessible. In union budget for F.Y. 2023-24, financial sector regulators were directed to carry out a comprehensive review of existing regulations in order to simplify, ease and reduce the cost of compliance. Pursuant to it, SEBI has constituted 16 working groups reviewing compliance requirements under various SEBI Regulations applicable such as The Expert Committee for Facilitating Ease of Doing Business and Harmonization of The Provisions of ICDR and LODR Regulations, which has played significant role since formation in simplifying the compliance processes for the issuer companies.[8]

**Cross-Border Listings: A New Frontier**

In addition to domestic IPOs, India is also seeing increased activity in cross-border listings. Foreign companies are increasingly choosing to list their subsidiaries in India, attracted by the market's resilience and strong listing performance.

For example, Hyundai Motor Company listed its Indian subsidiary and raised ₹27,870 crore via an IPO, marking the largest IPO in India's history. Following this, LG Electronics India Limited, the Indian subsidiary of South Korea's LG Electronics, also filed for an IPO with SEBI. Another such example is IPO of Sagility

[5] Source: https://www.businesstoday.in/union-budget/story/indias-capital-markets-opportunities-challenges-and-the-road-ahead-462837-2025-01-31
[6] Source: https://www.businesstoday.in/union-budget/story/indias-capital-markets-opportunities-challenges-and-the-road-ahead-462837-2025-01-31
[7] Source: https://www.businesstoday.in/union-budget/story/indias-capital-markets-opportunities-challenges-and-the-road-ahead-462837-2025-01-31
[8] Source: SEBI press release PR No.24/2023 'Working Groups to recommend on simplification, ease of compliance and reduction in cost of compliance; suggestions invited'

India Limited in which its Netherland based holding company sold its 15% stake in Indian Market. In November 2024, Niva Bupa Health Insurance Company Limited, company promoted by Bupa Singapore Holdings Pte. Ltd got listed in Indian Stock Exchanges while raising Rs.800 Crores.

With growing Indian economy and robust Indian capital market, various foreign corporates are being able to unlock the value of their investments and avail higher multiples in valuation in Indian capital market, making it a preferred designation for listing.

**The Path Ahead: Fostering Sustainable and Inclusive Growth**

The growing participation of retail investors is not a fleeting trend; it is a structural shift that will continue to shape India’s primary market. As financial literacy improves and technology becomes more accessible, even more individuals will join the market. The increasing number of domestic investors enhances the market’s resilience, reducing reliance on Foreign Portfolio Investors (FPIs) and making it less susceptible to external shocks.

India’s expanding fintech ecosystem will play a crucial role in democratizing investment opportunities, enabling millions of new investors to participate in capital markets. Technology will continue to make investing more inclusive and accessible, which will be essential for long-term growth.

**Challenges to Overcome**

Despite the promising growth, the Indian primary equity market faces several challenges. One significant issue is the lack of transparency and weak corporate governance standards in the SME (Small and Medium Enterprises) segment. Allegations of misconduct, market manipulation, and insufficient due diligence have raised concerns about the integrity of this segment. SEBI has introduced reforms to address these issues, but it needs to strike a balance between fostering growth and ensuring compliance.

Another challenge is the overvaluation of IPOs, which can undermine investor confidence. Overvalued IPOs may lead to high-profile failures, where investor expectations do not meet post-listing. While SEBI has maintained it will not intervene in valuations, recent proposals to enhance the disclosure of key performance indicators (KPIs) aim to address this issue.

Additionally, a major challenge for inclusive growth is the geographic concentration of investors. States like Maharashtra, Gujarat, and Uttar Pradesh account for 40% of investors, while many north-eastern states have little to no investor participation. Efforts to improve investor awareness and expand access to these underserved areas are crucial for achieving nationwide growth.[9]

**Conclusion**

India’s primary equity market stands at a pivotal point in its growth story. The future is filled with potential, driven by the rise of technology businesses, increasing retail participation, and robust regulatory measures. However, addressing challenges such as transparency, valuation, and regional inclusivity will be key to ensuring the market’s continued success. By taking the right steps, India’s primary market can remain an essential player in global capital markets, driving economic growth and wealth creation for millions of investors.

[9] Source: https://www.icicidirect.com/research/equity/finace/which-state-in-india-has-the-highest-number-of-stock-market-investors

# APAS COLUMN

## *Navigating Geopolitical Uncertainty: India's Economic Outlook*

Geopolitical uncertainties like wars, trade disputes, and global economic slowdowns have significantly impacted India's economy over the past year. Global conflicts, currency volatility, and foreign investor outflows continue to pose challenges to India's economic growth. This article explores the latest geopolitical risks affecting the Indian economy, the rupee's performance, and strategic measures to sustain growth.

**Key Geopolitical Risks Impacting India**

**1. War and Geopolitical Tensions**

Ongoing conflicts, including the Russia-Ukraine war and the Israel-Hamas war, have disrupted global trade and supply chains. The crisis in the Red Sea has particularly affected maritime trade, forcing longer shipping routes and increasing freight costs by 15-20%. These disruptions have raised import costs for key commodities such as oil, electronics, and machinery.

China's economic slowdown (GDP growth of 4.8% in 2024) has also reduced demand for Indian exports, affecting trade balances. Given India's dependence on crude oil imports, rising oil prices—triggered by geopolitical uncertainties—have fueled inflationary pressures.

**2. US Tariffs and Trade Disputes**

The reintroduction of US tariffs under President Donald Trump could negatively impact India's economy. Goldman Sachs estimates that India's GDP could shrink by 0.1% to 0.6% due to these tariffs, while ANZ projects a near-term impact of 0.1% to 0.2%.

Higher tariffs on Indian exports, especially textiles, pharmaceuticals, and engineering goods could reduce India's competitive advantage in the US market. At the same time, lower tariffs on American exports could increase India's imports of US goods like crude oil and motorcycles, widening India's current account deficit. A further weakening of the rupee due to increased dollar outflows could exacerbate these challenges.

**3. Currency Volatility and Capital Outflows**

The Indian rupee has experienced significant volatility, depreciating by nearly 3% in 2024 from ₹83.19 per USD in January 2024 to a record low of ₹87.47 in February 2025. This decline has been driven by a stronger US dollar, foreign investor outflows, and global uncertainty. However, the rupee strengthened against other major currencies, gaining 8.7% against the Japanese yen and over 5% against the euro.

RBI has intervened to check the volatility in the currency, drawing from foreign exchange reserves, which declined from $704.89 billion in September to $644.39 billion by December 2024. Foreign Institutional Investors (FIIs) pulled out ₹1.70 lakh crore (~19.51 billion USD) from Indian stock markets between October and December and further pulled out ₹1.12 lakh crore (~12.85 billion USD) in first two months of 2025, further pressuring the rupee.

**4. US Monetary Policy and Global Markets**
The US Federal Reserve's tight monetary policy has strengthened the dollar, triggering capital outflows from emerging markets, including India. Higher interest rates in the US have prompted investors to withdraw from Indian markets in search of better returns. The uncertainty surrounding US trade policies, particularly potential tariff hikes on Chinese imports, has further contributed to global market volatility.

**India's Response to Geopolitical and Economic Challenges**
**1. Fiscal and Monetary Policy Adjustments**
Union Budget 2025 Tax Relief: The Indian government has introduced significant tax relief measures, including income tax exemptions for individuals earning up to ₹12 lakh annually, revised tax slabs, and higher standard deductions for salaried employees and pensioners. These steps aim to boost disposable income and consumer spending.

RBI's Monetary Policy Actions: In December 2024, the RBI reduced the Cash Reserve Ratio (CRR) from 4.5% to 4%, injecting additional liquidity into the banking system. In February 2025, it also cut the repo rate by 25 basis points to 6.25%, the first cut in nearly five years, to lower borrowing costs and stimulate investment.

Easing Credit Flow: To boost lending, the RBI lowered risk weightages on loans to Non-Banking Financial Companies (NBFCs) and microfinance institutions, improving access to credit for lower-income borrowers and businesses.

**2. Strengthening Domestic Manufacturing and Supply Chains**
To mitigate supply chain disruptions and reduce import dependency, India is accelerating initiatives like **Make in India** and **Production-Linked Incentive (PLI) schemes**. Expanding domestic manufacturing in key sectors such as semiconductors, defense, and electronics will reduce India's vulnerability to geopolitical shocks.

India is also promoting domestic semiconductor design capabilities, as India now ranks third globally in chip design research, strengthening the country's position in advanced technology development and reducing reliance on foreign supply chains.

**3. Expanding Trade Partnerships**
With China's economic slowdown and Middle East tensions affecting trade, India is seeking alternative trade partners in **Southeast Asia, Africa, and Europe**. Expanding exports in high-growth sectors like pharmaceuticals, IT services, and renewable energy can help balance the trade deficit.

**4. Strengthening Energy Security**
India remains heavily reliant on crude oil imports, making energy security a priority. To mitigate risks, the government is:

- **Investing in renewable energy** (solar, wind, and biofuels) to reduce dependency on imported fossil fuels.
- **Diversifying energy imports** by sourcing crude oil from multiple countries, reducing exposure to disruptions from the Middle East or Russia.
- **Expanding strategic oil reserves** to cushion against future price shocks.

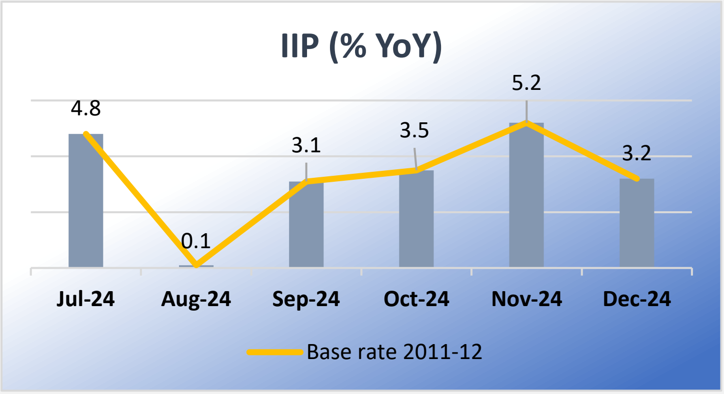
**Conclusion**

Geopolitical uncertainties like conflicts, trade disputes, and currency volatility will continue to challenge India's economic growth in 2025. However, through proactive policy measures such as strengthening domestic manufacturing, stabilizing the rupee, expanding trade partnerships, and securing energy independence, India can navigate these risks while maintaining economic resilience.

# ECONOMY

## IIP (Index of Industrial Production) – Dec

Industrial production in India grew by 3.2% year-on-year in December 2024, slowing from a downwardly revised 5% rise in November and falling short of market expectations of a 3.9% gain.



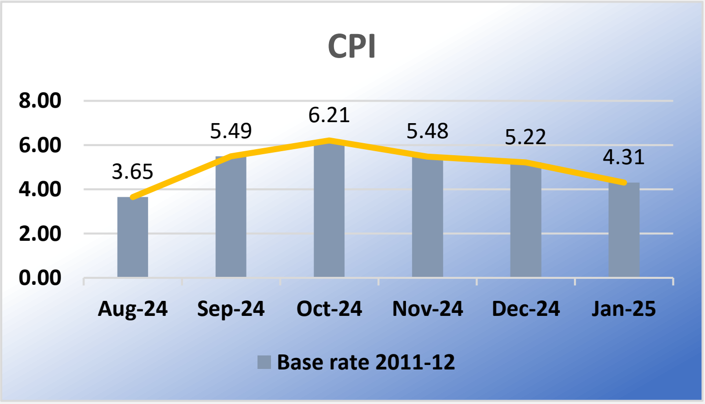

Source: APAS BRT, www.mospi.gov.in

The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of December 2024 are 2.6 %, 3.0 % and 6.2 % respectively. Within the manufacturing sector, 18 out of 23 industry groups at NIC 2 digit-level have recorded a positive growth in December 2024 over December 2023. The top three positive contributors for the month of December 2024 are – “Manufacture of basic metals” (6.7%), “Manufacture of electrical equipment” (40.1%) and “Manufacture of coke and refined petroleum products” (3.9%).

The corresponding growth rates of IIP as per Use-based classification in December 2024 over December 2023 are 3.8 % in Primary goods, 10.3 % in Capital goods, 5.9 % in Intermediate goods, 6.3 % in Infrastructure/ Construction Goods, 8.3 % in Consumer durables and (-)7.6 % in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of December 2024 are – Primary goods, Intermediate goods, and Infrastructure/ construction goods.

## CPI (Consumer Price Index) – Jan

The annual inflation rate in India fell to 4.31% in January of 2025 from 5.22% in the previous month, sharply below market expectations that it would fall to 4.6% to mark the softest rate of price growth since August of last year. The result marked a fast approach to the RBI’s target rate of 4% after four consecutive periods of inflation above the 5% threshold, supporting the case for the central bank to continue cutting interest rates and supporting commercial banks with liquidity. The drop was primarily due to a



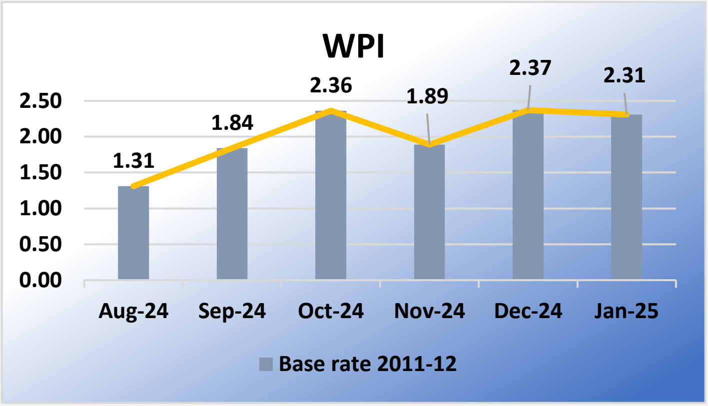

Source: APAS BRT, www.eaindustry.nic.in

deceleration in food prices (6.02% vs 8.4% in December 2024), which makes up around half of the Indian consumer price basket, due to softer inflation for vegetables (11.35% vs 26.56%). In the meantime, deflation persisted for fuel and light (-1.38% vs -1.39%) and inflation remained steady for housing (2.76% vs 2.71%). From the previous month, the Indian CPI fell by 0.97%.

## *WPI (Wholesale Price Index) – Jan*

Wholesale Price Index (WPI) number is 2.31% (provisional) for the month of January 2025 (over January 2024). Positive rate of inflation in January 2025 is primarily due to increase in prices of manufacture of food products, food articles, other manufacturing, non-food articles and manufacture of textiles etc.

The month-over-month change in WPI for the month of January 2025 stood at (-) 0.45% as compared to December 2024.




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

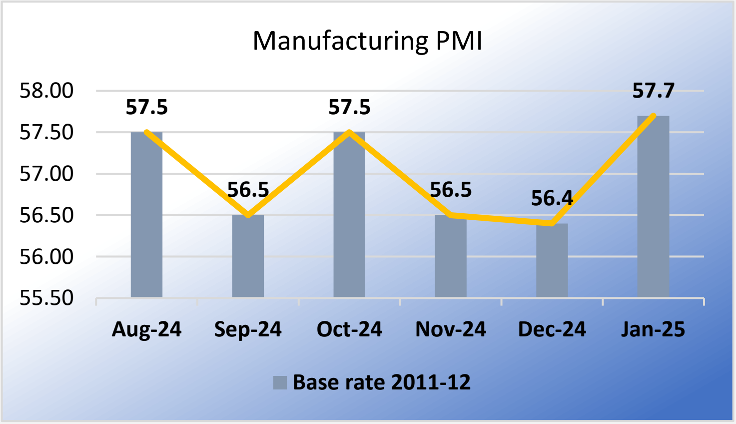
The index for primary articles decreased by 2.01% to 189.9 (provisional) in January 2025 from 193.8 (provisional) for the month of December 2024. Price of food articles (-3.62%) decreased in January 2025 as compared to December 2024. The Price of crude petroleum & natural gas (6.34%), non-food articles (0.66%) and minerals (0.22%) increased in January 2025 as compared to December 2024.

Prices for Fuel & Power increased by 0.47% to 150.6 (provisional) in January 2025 from 149.9 (provisional) for the month of December 2024. Price of mineral oils (0.71%) and electricity (0.20%) increased in January 2025 as compared to December 2024. The price of coal has remained same as in the previous month.

Prices for Manufacturing products increased by 0.14% to 143.2 (Provisional) in January 2025 from 143.0 (Provisional) for the month of December 2024.

## *Manufacturing PMI – Jan*

The HSBC India Manufacturing PMI for January 2025 came in at 57.7, below the initial estimate of 58, market forecasts of 57.8, and December's 56.4. Still, it marked the fastest expansion since last July, with new orders rising at the sharpest pace in six months, driven by the steepest increase in exports in nearly 14 years. As a result, manufacturers ramped up production, continuing a substantial expansion trend since October 2024. Manufacturers also accelerated the purchase of inputs, with January's upturn the strongest in three months. Firms successfully increased inventories, while vendor performance improved the most in eight months. Companies also hire more workers, with employment expanding at the greatest rate in nearly 20 years. On prices, input costs inflation remained modest and the weakest since

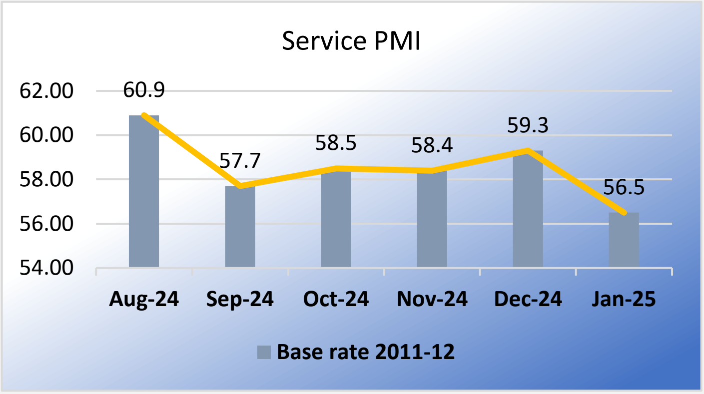



Source: www.tradingeconomics.com

February 2024. Prices charged for goods rose at the slowest pace in four months, although still above the long-term average. Meanwhile, business confidence strengthened.

## *Services PMI – Jan*

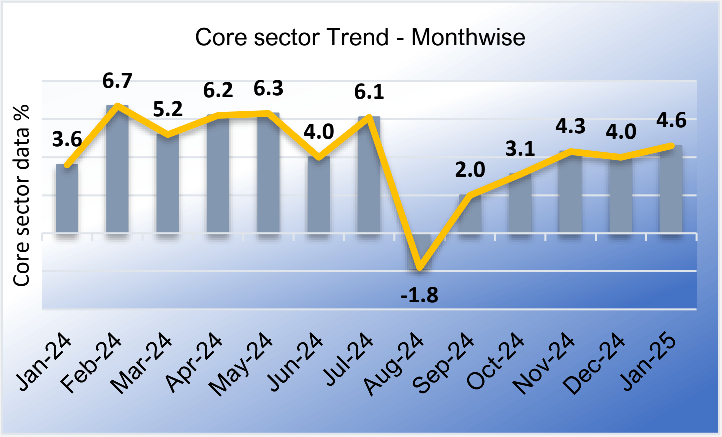
The HSBC India Services PMI was revised lower to 56.5 in January 2025, down from 56.8 in the preliminary estimates and declining from the highest reading in four months in December of 59.3. Still, the latest figure marked the 42nd consecutive month of growth in services activity and the softest pace since November 2022, below market forecasts of 57.6, as new business rose the least since November 2023. New orders grew, with foreign sales rising faster, mainly from Asia, Europe, the Middle East, and the Americas. The overall rate of expansion hit a five-month high. The job creation accelerated and was among the fastest seen since data collection started in December 2005. On the price front, input cost inflation accelerated due to higher staff costs and food prices. As a result, output cost inflation also accelerated and above its trend. Finally, sentiment weakened to a three-month low amid concerns about competition.




*Source: www.tradingeconomics.com*

## *Core Sector Data – Jan*

The combined Index of Eight Core Industries (ICI) increased by 4.6 % (provisional) in January 2025 as compared to the Index in January 2024. The production of Cement, Refinery Products, Coal, Steel, Fertilizers and Electricity recorded positive growth in January 2025. 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 October 2024 increased by 3.8 %. The cumulative growth rate of ICI during April to January, 2024-25 is 4.4 % (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 %) increased by 4.6 % in January 2025 over January 2024. Its cumulative index increased by 6.0 % during April to January, 2024-25 over corresponding period of the previous year.

**Crude Oil** - Crude Oil production (weight: 8.98 %) declined by 1.1 % in January 2025 over January 2024. Its cumulative index declined by 2.0 % during April to January, 2024-25 over corresponding period of the previous year.

**Natural Gas** - Natural Gas production (weight: 6.88 %) declined by 1.5 % in January 2025 over January 2024. Its cumulative index increased by 0.5 % during April to January, 2024-25 over corresponding period of the previous year.

**Petroleum Refinery Products** - Petroleum Refinery production (weight: 28.04 %) increased by 8.3 % in January 2025 over January 2024. Its cumulative index increased by 3.3 % during April to January, 2024-25 over corresponding period of the previous year.

**Fertilizers** - Fertilizer production (weight: 2.63 %) increased by 3.0 % in January 2025 over January 2024. Its cumulative index increased by 1.7 % during April to January, 2024-25 over corresponding period of the previous year.

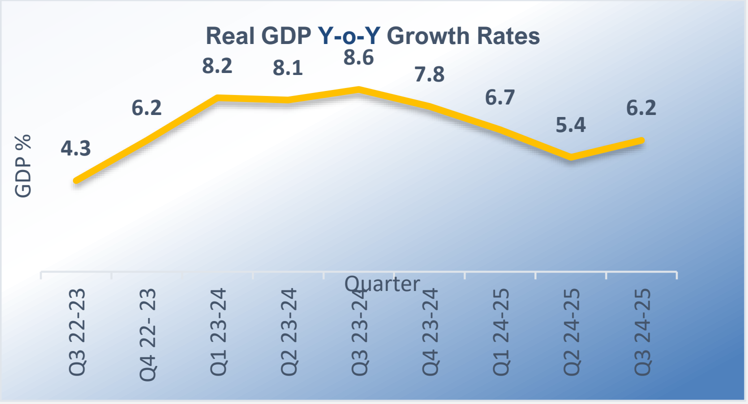
**Steel** - Steel production (weight: 17.92 %) increased by 3.7 % in January 2025 over January 2024. Its cumulative index increased by 5.9 % during April to January, 2024-25 over corresponding period of the previous year.

**Cement** - Cement production (weight: 5.37 %) increased by 14.5 % in January 2025 over January 2024. Its cumulative index increased by 4.6 % during April to January, 2024-25 over corresponding period of the previous year.

**Electricity** - Electricity generation (weight: 19.85 %) increased by 1.3 % in January 2025 over January 2024. Its cumulative index increased by 5.0 % during April to January, 2024-25 over corresponding period of the previous year.

## *GDP - Quarter 3 – FY – 2024 – 25*

**Key Highlights**




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

1. Real GDP has been estimated to grow by 6.5% in FY 2024-25. Nominal GDP is expected to witness a growth rate of 9.9% in FY 2024-25. Both the growth rates are revised upward from their respective First Advance Estimates.
2. As per the First Revised Estimates, Real GDP has grown by 9.2% in the financial year 2023-24, which is highest in the previous 12 years except for the financial year 2021-22 (the post-covid year). This growth has been contributed by double-digit growth rates in 'Manufacturing' sector (12.3%), 'Construction' sector (10.4%) and 'Financial, Real Estate & Professional Services' sector (10.3%).
3. As per the Final Estimates, Real GDP has observed a growth rate of 7.6% in the financial year 2022-23, mainly contributed by double-digit growth rates in 'Trade, Hotels, Transport, Communication & Services related to Broadcasting' sector (12.3%), 'Financial, Real Estate & Professional Services' sector (10.8%) and 'Electricity, Gas, Water Supply & Other Utility Services' sector (10.8%).

4. Real GDP is estimated to grow by 6.2% in Q3 of FY 2024-25. Growth rate in Nominal GDP for Q3 of FY 2024-25 has been estimated at 9.9%.
5. The growth rate of Real GDP for Q2 of financial year 2024-25 has been revised upward to 5.6%.
6. ‘Construction’ sector is estimated to observe a growth rate of 8.6%, followed by ‘Financial, Real Estate & Professional Services’ sector (7.2%) and ‘Trade, Hotels, Transport, Communication & Services related to Broadcasting’ sector (6.4%) during 2024-25.
7. Private Final Consumption Expenditure (PFCE) is expected to register a good growth of 7.6% during 2024-25 as compared to 5.6% growth observed during 2023-24.

| 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 | 4.6 Aug | 4.7 | -1.8 | -7.6 | 12.1 |
| Russia | 4.9 Q2 | -0.5 | 5.1 Aug | 6.5 | 1.8 | -3.8 | 11.8 |
| India | 7.8 Q2 | 6.5 | 6.8 Aug | 5.5 | -1.3 | -5.9 | 7.2 |
| China | 6.3 Q2 | 5.2 | 0.1 Aug | 0.8 | 1.8 | -3.2 | 2.5 |
| S Africa | 1.6 Q2 | 0.5 | 4.8 Aug | 5.7 | -1.8 | -5.7 | 10.8 |
| USA | 2.5 Q2 | 1.8 | 3.7 Aug | 3.9 | -2.9 | -5.9 | 4.6 |
| Canada | 1.1 Q2 | 1.1 | 4.0 Aug | 3.8 | -0.4 | -1.2 | 4.1 |
| Mexico | 3.6 Q2 | 2.4 | 4.6 Aug | 5.3 | -1.8 | -3.4 | 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 | 5.8 | -2.2 | 2.9 |
| Britain | 0.4 Q2 | 0.3 | 6.7 Aug | 6.8 | -2.8 | -4.2 | 4.3 |
| Australia | 2.1 Q2 | 1.6 | 6.0 Q2 | 5.6 | 1.7 | 0.3 | 4.4 |
| Indonesia | 5.2 Q2 | 5.0 | 3.3 Aug | 3.8 | 0.7 | -2.6 | 6.9 |
| Malaysia | 2.9 Q2 | 4.0 | 2.0 Aug | 2.5 | 1.7 | 5.0 | 4.0 |
| Singapore | 0.5 Q2 | 1.0 | 4.0 Aug | 4.3 | 18.8 | -0.7 | 3.4 |
| Korea | 0.9 Q2 | 1.3 | 3.4 Aug | 3.0 | 1.6 | -2.7 | [illegible] |

# 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 | 4.0 Q3 | 3.4 | 4.6 Jan | 4.4 | -2.6 | -7.5 | 14.9 |
| Russia | 3.1 Q3 | 3.7 | 9.9 Jan | 8.4 | 2.5 | -1.7 | 15.5 |
| India | 5.4 Q3 | 6.3 | 4.3 Jan | 4.8 | -0.5 | -4.8 | 6.7 |
| China | 5.4 Q4 | 5.0 | 0.5 Jan | 0.2 | 2.1 | -5.0 | 1.6 |
| S Africa | 0.3 Q3 | 0.8 | 3.1 Jan | 4.4 | -2.1 | -5.3 | 10.4 |
| USA | 2.5 Q4 | 2.8 | 3.0 Jan | 2.9 | -3.4 | -6.6 | 4.2 |
| Canada | 1.5 Q3 | 1.3 | 1.9 Jan | 2.4 | -0.5 | -2.3 | 3.0 |
| Mexico | 0.5 Q4 | 1.5 | 3.6 Jan | 4.7 | -1.1 | -4.9 | 9.6 |
| Euro Area | 0.9 Q4 | 0.7 | 2.5 Jan | 2.4 | 3.2 | -3.2 | 2.4 |
| Germany | -0.2 Q4 | -0.2 | 2.8 Jan | 2.5 | 5.8 | -1.8 | 2.4 |
| Britain | 1.4 Q4 | 0.8 | 3.0 Jan | 3.3 | -2.8 | -4.5 | 4.5 |
| Australia | 0.8 Q3 | 1.0 | 2.4 Q4 | 3.2 | -2.1 | -1.0 | 4.5 |
| Indonesia | 5.0 Q4 | 5.0 | 0.8 Jan | 2.3 | -0.2 | -2.5 | 6.8 |
| Malaysia | 5.0 Q4 | 5.1 | 1.7 Jan | 1.8 | 1.6 | -4.4 | 3.8 |
| Singapore | 5.0 Q4 | 4.0 | 1.2 Jan | 2.4 | 19.7 | 0.2 | 2.8 |
| S Korea | 1.3 Q4 | 2.1 | 2.2 Jan | 2.3 | 5.5 | -1.8 | 2.8 |


# BANKING

## *Statement on Developmental and Regulatory Policies*

The Reserve Bank of India (RBI) has announced several developmental and regulatory measures focusing on financial markets, cybersecurity, and payment systems. In financial markets, the RBI plans to introduce forward contracts in government securities to help long-term investors manage interest rate risks. Additionally, SEBI-registered non-bank brokers will now have direct access to the Negotiated Dealing System – Order Matching (NDS-OM) platform to enhance market participation. To optimize market efficiency, a working group has been formed to review trading and settlement timings across various financial segments, with a report expected by April 30, 2025.

In the cybersecurity domain, the RBI is launching a dedicated 'bank.in' domain for Indian banks to enhance security and trust in digital banking, with registrations starting in April 2025. Plans are also underway for a similar 'fin.in' domain for non-bank financial entities. In payment systems, the RBI is extending Additional Factor of Authentication (AFA) to cross-border online transactions made with Indian-issued cards, aiming to strengthen security against fraud. A draft circular for stakeholder feedback will be issued soon.

## *Launch of the RBIDATA Mobile App by RBI*

The Reserve Bank of India (RBI) has launched the RBIDATA mobile app, providing access to over 11,000 macroeconomic and financial data series on the Indian economy in a user-friendly format. The app enables users to view time series data through interactive graphs and charts, download data for analysis, and access details such as data sources, measurement units, frequency, and updates. Key features include a 'Popular Reports' section, a search function for quick data access, and a 'Banking Outlet' locator within a 20 km radius. It also offers insights into SAARC countries via the 'SAARC Finance' link and provides seamless access to the Database on the Indian Economy (DBIE) portal. Designed for researchers, students, and the general public, the app is available on both iOS and Android (version 12 and above), with a feedback option to enhance its functionality.

## *RBI to inject liquidity through long term USD/INR Buy/Sell Swap auction*

In order to meet the durable liquidity needs of the system, the Reserve Bank has decided to inject Rupee liquidity for longer duration through long-term USD/INR Buy/Sell swap. Accordingly, the Reserve Bank will be conducting a USD/INR Buy/Sell swap auction of USD 10 billion for a tenor of 3 years.

The market participants would be required to place their bids in terms of the premium that they are willing to pay to the Reserve Bank for the tenor of the swap, expressed in paisa terms up to two decimal places. The auction cut-off would be based on the premium. The auction would be a multiple price based auction, i.e., successful bids will get accepted at their respective quoted premium.

## Sectoral Deployment of Bank Credit – January 2025

As of January 24, 2025, bank credit to agriculture and allied activities grew by 12.2% year-on-year (y-o-y), down from 20.0% in the previous year. Credit to industry saw an 8.2% y-o-y growth, improving from 7.5%, with sectors like petroleum, metals, chemicals, and engineering witnessing accelerated credit expansion. The services sector experienced a slowdown in credit growth to 13.8% y-o-y from 21.0%, mainly due to reduced lending to NBFCs and trade, though credit to computer software increased. Personal loans grew by 14.2% y-o-y, lower than the 18.2% growth a year ago, attributed to a decline in vehicle loans, credit card outstanding, and other personal loans.

# INSURANCE

## *Equity Derivatives*

The Insurance Regulatory and Development Authority of India (IRDAI) has issued comprehensive guidelines allowing insurers to use equity derivatives solely for hedging their equity portfolios, aiming to mitigate market volatility and preserve investment value. While insurers were previously permitted to deal in fixed-income derivatives and Credit Default Swaps (CDS) as protection buyers, the growing equity market exposure necessitated additional risk management measures. Under the new framework, insurers can hedge their holdings using stock and index futures and options within prescribed exposure and position limits, while Over The Counter (OTC) equity derivatives remain prohibited. Insurers must establish Board-approved hedging policies, risk management frameworks, IT infrastructure, and conduct periodic audits. A strong corporate governance mechanism, with Board and senior management oversight, is mandated to ensure policyholder interests are safeguarded. Additionally, insurers must submit quarterly reports to IRDAI to ensure compliance.

## *Bima Manthan IX*

The Ninth edition of Bima Manthan, IRDAI's quarterly meeting with insurance CEOs, was held on February 13-14, 2025, in Hyderabad, focusing on key industry developments. Discussions covered sector performance, strategies for expanding insurance accessibility, and strengthening risk management against emerging threats, including cyber risks. Emphasis was placed on enhancing financial resilience through stress testing, asset-liability management, and investment diversification, with insights from NaBFID on infrastructure and bond markets. IRDAI also highlighted the importance of public disclosures, seamless claim settlements, and strict regulatory compliance. The meeting encouraged insurers to leverage technology and innovation through the regulatory sandbox and introduced Entity Locker, a digital platform for business document management. Plans for distribution reforms aimed at improving intermediary performance, career growth, and revenue sustainability were also discussed.

A key highlight was the progress on Bima Trinity, comprising Bima Sugam, Bima Vahak, and Bima Vistaar, with a phased rollout strategy in place. The Bima Vahak portal, focusing on a women-centric insurance sales force, is set for a soft launch in April 2025, while Bima Vistaar, a composite insurance product, has received industry-wide approval. Bima Sugam, a digital insurance marketplace, is progressing as planned, with its operating entity, Bima Sugam India Federation (BSIF), ready for capitalization. Additionally, IRDAI unveiled the State Insurance Plan, a mission-mode initiative to enhance insurance penetration across India through a multi-tier governance framework. The meeting concluded with a reaffirmation of the industry's commitment to expanding insurance access, strengthening governance, leveraging digital transformation, and achieving "Insurance for All by 2047."

# CAPITAL MARKET

## Facilitation to SEBI registered Stockbrokers to access Negotiated Dealing System-Order Matching (NDS-OM) for trading in Government Securities- Separate Business Units (SBU)

On Feb 11, 2025, SEBI issued a circular permitting SEBI-registered stockbrokers to trade in Government Securities (G-Secs) via the Negotiated Dealing System-Order Matching (NDS-OM) platform. To facilitate this, brokers are required to establish a Separate Business Unit (SBU) within their existing entities, ensuring segregation from their regular securities market activities. This move aligns with the Reserve Bank of India's Feb 7, 2025, notification, which granted non-bank brokers access to the NDS-OM platform.

## Industry Standards Recognition Manual

SEBI released the "Industry Standards Recognition Manual." which aims to establish uniform guidelines and best practices across the securities market to enhance transparency, efficiency, and investor protection. It serves as a comprehensive reference for market participants, detailing the criteria and procedures for recognizing industry standards. The manual is part of SEBI's ongoing efforts to promote the development and regulation of the securities market.

## Relaxation in timelines for holding AIFs' investments in dematerialised form

SEBI issued a circular granting Alternative Investment Funds (AIFs) an extension on the deadline to hold their investments in dematerialized form. This relaxation aims to provide AIFs with additional time to comply with the dematerialization requirements, ensuring a smoother transition and adherence to regulatory standards. The specific details regarding the extended timelines and compliance procedures are outlined in the circular.

## Most Important Terms and Conditions (MITC) for Research Analysts

SEBI issued a circular mandating that Research Analysts (RAs) disclose standardized Most Important Terms and Conditions (MITC) to their clients. These MITC, developed in consultation with the Industry Standards Forum (ISF) and the Research Analyst Administration and Supervisory Body (RAASB), include provisions such as fee caps, prohibitions on guaranteed returns, and requirements for conflict-of-interest disclosures. RAs are required to inform existing clients of these terms by June 30, 2025, and incorporate them into all new client agreements immediately.

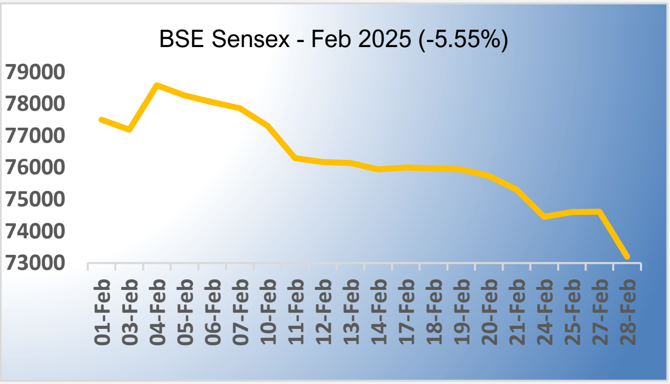
## *Most Important Terms and Conditions (MITC) for Investment Advisers*

SEBI issued a circular mandating that Investment Advisers (IAs) disclose standardized Most Important Terms and Conditions (MITC) to their clients. These MITC, developed in consultation with the Industry Standards Forum (ISF) and the Investment Adviser Administration and Supervisory Body (IAASB), include provisions such as fee structures, prohibitions on guaranteed returns, and requirements for conflict-of-interest disclosures. IAs are required to inform existing clients of these terms by June 30, 2025, and incorporate them into all new client agreements immediately.

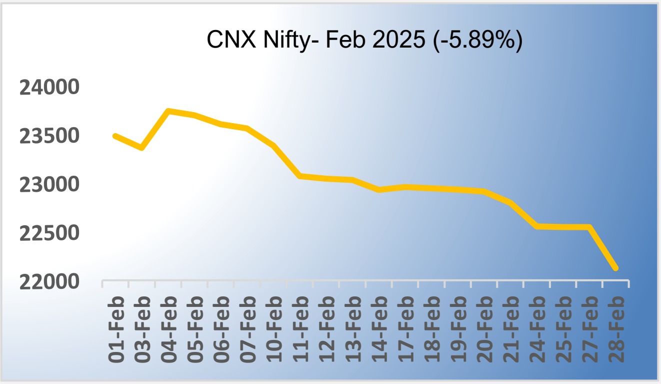
## *Regulatory framework for Specialized Investment Funds (SIF')*

SEBI has introduced a new category of investment vehicles called Specialized Investment Funds (SIFs), effective from April 1, 2025. Aimed at wealthier investors, SIFs require a minimum investment of ₹1 million and allow asset managers with a minimum three-year track record and at least ₹100 billion in AUM to offer diverse strategies, including equity long-short, debt long-short, and sectoral long-short funds. These funds can be structured as open-ended or close-ended, with the latter needing exchange listings to facilitate investor exits. Derivatives exposure is capped at 25% of net assets, and SEBI mandates distinct branding to differentiate these higher-risk SIFs from traditional mutual funds targeting retail investors.

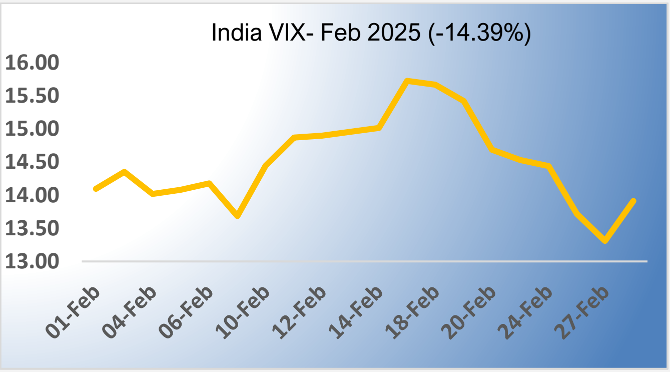

# CAPITAL MARKET SNAPSHOT



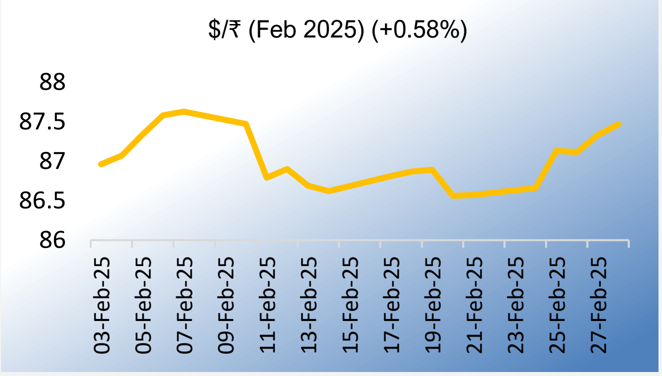

*Source: National Stock Exchange*



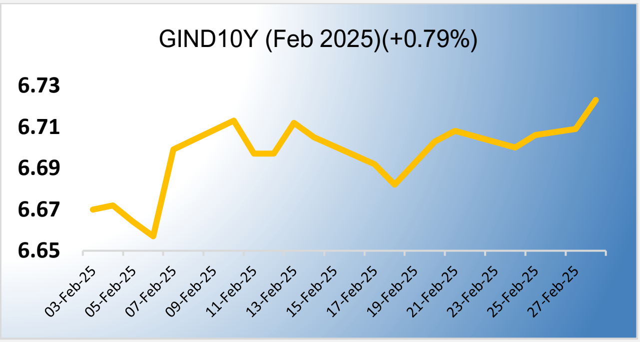

*Sources: Bombay Stock Exchange*




*Sources: National Stock Exchange*




*Sources: APAS Business Research Team*




*Sources: APAS Business Research Team*

In February 2025, India's stock market marked its fifth consecutive monthly loss, making it the worst-performing global market since 1996.

The Nifty fell 5.89%, Sensex 5.55%, and small- and mid-cap indices plunged over 10%, driven by weak earnings, persistent foreign outflows ($25B since September, $4.1B in February), and U.S. tariff concerns, eroding nearly $1 trillion in investor wealth.

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# ABOUT APAS

APAS is a management advisory firm specializing in banking, financial services, and the insurance space. APAS assists business leaders of some of the leading domestic and global organizations, acting as an extended arm to the management in coping with the ever changing internal and external dynamics. Leveraging deep business insights APAS develops business and operational strategy for its clients. APAS provides transaction advisory services (Buy, sell and merge), and also specializes in governance and board training. APAS facilitates investors and sellers with directional guidelines of pursuing transactions, by utilizing subject knowledge, vast experience, and deep market outreach. APAS has capability to identify and analyze key transaction drivers, recognize possible partnerships, and initiate discussions with them for possible growth opportunity. We help major insurance companies, payment institutions, and other financial organizations to identify their growth potential, innovative opportunity, and possible benefits of consolidation, and hence comprehend the possible merger or acquisition. Buying or selling a major asset or a business, undertaking a merger, or performing an IPO can be risky and complex especially in this globalization era. Hence, the need of a trusted advisor who can help clients preserve, create and enhance value in transactions.

**Contact Us: 022-6789 1000**

info@ap-as.com

www.ap-as.com