APAS MONTHLY NEWSLETTER

April 2025 Edition

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EDITORIAL

In this issue, **Ms. Rachana Bhusari, Chief Compliance Officer and Head Legal and Compliance, ICICI Securities Ltd** has presented his thoughts on **'Social stock exchange: A new fund-raising mechanism for Social Enterprises'**. We thank Ms. Bhusari for her contribution to the APAS Monthly.

This month, the APAS column covers '**India's FY2025-26 GDP Growth Outlook: A Comprehensive Overview'.**

The economic indicators exhibited a mixed performance. Manufacturing PMI was adjusted upward to 58.1 in March 2025, surpassing the flash estimate of 57.6. Services PMI was revised higher to 58.5 in March 2025 from the preliminary estimate of 57.7, but declined from the previous month's reading of 59.0, marking the 44th consecutive month of growth in services activity. India's infrastructure output expanded by 3.8% from the previous year in March of 2025, accelerating from the upwardly revised 3.4% increase in the previous month. India's Industrial production growth decelerated sharply to 2.9% year-on-year in February 2025, down from an upwardly revised 5.2% in January and falling short of market expectations of 4.0%. India's annual inflation rate fell to 3.34% in March of 2025 from the 3.61% in the previous month, well below market expectations that it would remain relatively unchanged. India Wholesale Price Index (WPI) number is 2.05% (provisional) for the month of March 2025 (over March 2024).

The Reserve Bank of India will shortly issue ₹10 and ₹500 denomination Banknotes in Mahatma Gandhi (New) Series bearing the signature of Shri Sanjay Malhotra, Governor. RBI has been operating the Regulatory Sandbox (RS) framework since 2019, completing four thematic cohorts and launching a fifth 'Theme Neutral' cohort in 2023, which is ongoing. The Monetary Policy Committee (MPC) of the Reserve Bank of India, chaired by Governor Shri Sanjay Malhotra, met from April 7 to 9, 2025, and unanimously decided to reduce the policy repo rate by 25 basis points to 6.00%, shifting its stance from neutral to accommodative. RBI has announced several developmental and regulatory measures covering regulations, payment systems, and fintech. The RBI has finalized amendments to the Liquidity Coverage Ratio (LCR) framework after reviewing feedback on a draft issued in July 2024.

The Financial Sector Assessment Program (FSAP), a joint program of the International Monetary Fund (IMF) and the World Bank (WB), undertakes a comprehensive and in-depth analysis of a country's financial sector.

SEBI issued a circular extending the cut-off time for determining the applicable Net Asset Value (NAV) for redemption of units in overnight mutual fund schemes from 3:00 PM to 7:00 PM. SEBI issued a circular mandating that trading and clearing members collect all client margins excluding upfront Value at Risk (VaR) and Extreme Loss Margin (ELM) by the T+1 settlement day in the cash market segment. SEBI issued clarifications and procedural changes to strengthen ESG Rating Providers (ERPs).

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

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On the Cover

GUEST COLUMN

Social stock exchange: A new fund-raising mechanism for deserving NGOs Social Enterprises

Mr. Rachana Bhusari
Chief Compliance Officer and Head Legal and Compliance
ICICI Securities Limited

APAS COLUMN

India's FY2025-26 GDP Growth Outlook: A Comprehensive Overview

ECONOMY

Index of Industrial Production – Feb
Inflation update – Mar
PMI update – Mar
Core Sector – Mar

ountries	GDP		CPI		Current Account Balance	Budget Balance	Interes 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]

ECONOMIC DATA SNAPSHOT

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

BANKING

Issue of ₹10 and ₹500 Denomination Banknotes in Mahatma Gandhi (New) Series bearing the signature of Shri Sanjay Malhotra, Governor

Regulatory Sandbox – Theme Neutral 'On Tap' application facility

Monetary Policy Statement, 2025-26 Resolution of the Monetary Policy Committee April 7 to 9, 2025

Statement on Developmental and Regulatory Policies

Amendments to Liquidity Coverage Ratio (LCR) Framework

INSURANCE

India: Financial Sector Assessment Program, 2024

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CAPITAL MARKETS

Change in cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in overnight schemes of Mutual Funds

Timelines for collection of Margins other than Upfront Margins – Alignment to settlement cycle

Clarificatory and Procedural changes to aid and strengthen ESG Rating Providers (ERPs)

CAPITAL MARKETS SNAPSHOT

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

GUEST COLUMN

Ms. Rachana Bhusari
Chief Compliance Officer and Head Legal and Compliance
ICICI Securities Limited

Social stock exchange: A new fund-raising mechanism for Social Enterprises

In recent years, we have witnessed a growing recognition of the power of capital markets in driving positive change in society. While traditional stock exchanges have played a vital role in economic growth, there has been a realization that financial markets can and should do more to address social issues such as health, education, environment, poverty alleviation etc.

Social Enterprises – whether Not for Profit or For profit Enterprises in India face persistent challenges in mobilizing sustained and transparent funding. Traditional fundraising methods often lack scalability, credibility, and visibility. There was a pressing need to modernize the way capital flows to the social sector and introduce structured, accountable mechanisms for donor engagement.

To address this, Hon'ble Finance Minister Smt. Nirmala Sitharaman as part of the Budget Speech for FY 2019-20 proposed the idea of an electronic fund-raising platform "Social Stock Exchange(SSE) under the regulatory ambit of Securities and Exchange Board of India (SEBI) for listing social enterprises and voluntary organizations working for the realization of a social welfare objective so that they can raise capital as equity, debt or as units like a mutual fund.

SSE is hosted as a separate segment within existing stock exchanges (e.g., BSE and NSE). It allows social enterprises to register with exchanges and also raise funds.

Objective of the SSE

- Enable eligible social enterprises to raise capital in a structured and transparent manner.
- Improve accountability and reporting standards in the non-profit sector.

Who Can List/Register:

- Non-profits (NGOs)
- For-profit social enterprises
- Charitable trusts
- Section 8 companies (in India)

The entities should demonstrate primacy of social intent and target audience should be underserved or less privileged population segments or regions.

How It Works:

- These organizations can list or register on the SSE after meeting eligibility and disclosure norms.
- They can raise funds via zero-coupon zero-principal instrument (ZCZP)
- Investors/Donors can subscribe to ZCZP instruments online.

Benefits:

- Transparency in how funds are used.
- Credibility and visibility for social organizations.
- Access to a broader pool of investors interested in impact-driven causes.
- Investors/Donors too can access larger pool of social enterprises and contribute to the cause they relate to and can track the social impact of their investments

Compliance Mechanism:

- Social Impact Reporting: Annual disclosure of outcomes and fund utilization.
- Social Audit: Mandatory assessment by SEBI-certified social auditors.

The details of the process, instruments for fund raising and documentation can be accessed at the website of respective exchanges.

https://sseindia.in/ and https://www.nseindia.com/sse

The Social Stock Exchange is a step towards fostering a more inclusive and sustainable economic system. It encourages collaboration between the private sector, government, and civil society, leveraging the power of markets to address pressing social and environmental issues. By catalyzing impact investment and enabling capital flows towards social enterprises, it paves a path to unlock new avenues for positive change and promote a more equitable and prosperous future.

APAS COLUMN

India's FY2025-26 GDP Growth Outlook: A Comprehensive Overview

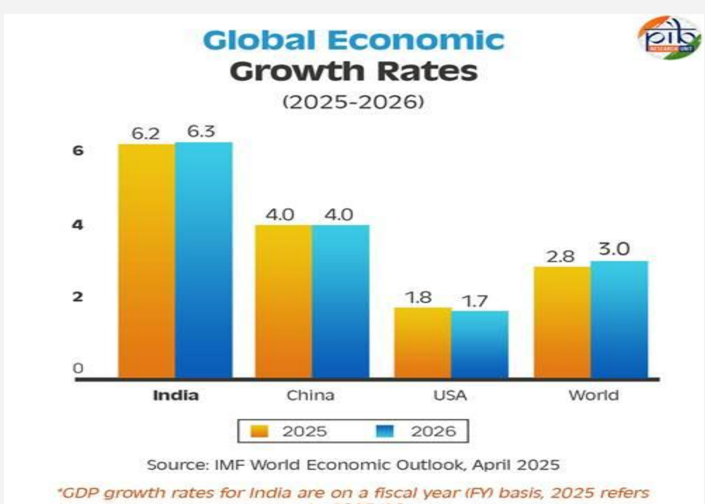
As India gears up for the fiscal year 2025-26, the country's economic prospects have come under scrutiny from major financial institutions and rating agencies. While India continues to be one of the fastest-growing major economies, recent global and domestic developments have prompted a downward revision in GDP growth estimates by several key observers. The overarching narrative indicates resilience in the face of global headwinds, but with caution driven by policy uncertainty, inflation, and a slowdown in external demand.

Reserve Bank of India (RBI): Focused on Domestic Stability

RBI has revised its GDP growth projection for FY2025-26 to **6.5%**, slightly down from an earlier 6.7%. The revision reflects concerns around subdued domestic activity and inflationary pressures. In response, the RBI adopted a more accommodative monetary policy stance, cutting the repo rate by 25 basis points to 6% in April 2025 to stimulate demand and provide a cushion against global uncertainties. This move is aimed at bolstering domestic consumption and investment amid a softening international environment.

International Monetary Fund (IMF): Still Optimistic, But Cautious

According to IMF, India's economy is projected to grow at **6.2%** in FY2025-26, a revision from its earlier forecast of 6.5%. While acknowledging India's strong economic fundamentals and reform momentum, the IMF noted that global trade uncertainties and high interest rates in advanced economies could weigh on the country's export performance. Nevertheless, it recognized India as a standout performer in an otherwise slowing global economy, attributing this to sustained reforms and strong consumption dynamics.



World Bank: Weighing External Weakness and Investment Lags
The World Bank lowered its growth forecast for India in FY2025-26 to **6.3%**, down from its previous estimate of 6.7%. This downgrade is attributed to slower-than-expected private investment and government capital expenditure shortfalls. In its South Asia Development Update, the World Bank warned that while monetary easing and regulatory reforms could benefit private investment, these gains may be negated by global economic weakness and policy uncertainty. Moreover, despite tax relief and enhanced public investment planning, export performance is expected to be constrained by sluggish global demand and shifting trade policies.

Credit Rating Agencies: Mixed but Moderate Projections

- **S&P Global Ratings** projects India's FY2025-26 GDP growth at **6.3%**, down from earlier estimates, citing trade uncertainties and tariff impacts.
- **Fitch Ratings** forecasts a slightly more conservative growth rate of **6.2%**, cutting its previous outlook by 10 basis points.
- **Moody's Ratings** remains cautious, offering a broad projection between **5.5% to 6.5%**, highlighting concerns over U.S. tariff measures and weaker global demand that could hinder exports.

These agencies acknowledge India's robust domestic market but remain vigilant about the country's vulnerability to global economic disruptions and policy shifts.

Private Financial Institutions: Moderate Expectations with Trade Sensitivity

- **Morgan Stanley** revised its forecast to **6.1%**, attributing the downgrade to tariff changes and a weaker global trade environment. It also moderated its outlook for FY2026-27 to 6.3%.
- **Nomura** is among the more bearish forecasters, projecting **5.8%** growth, considerably lower than consensus expectations, based on decelerating consumption and investment trends.
- **Goldman Sachs**, meanwhile, remains relatively steady with a **6.1%** forecast, indicating that while global trade tensions are a risk, India's domestic fundamentals remain strong enough to support growth.

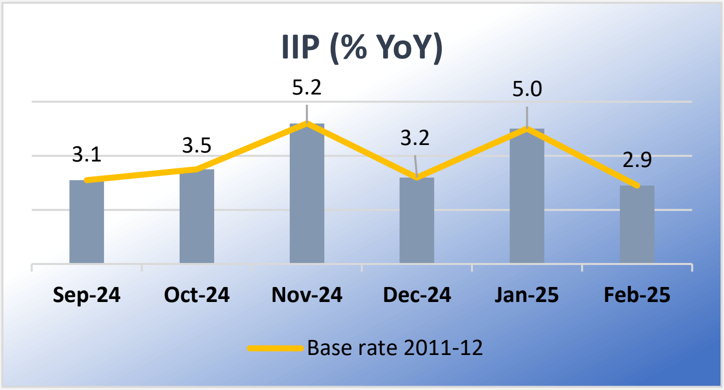
Conclusion
India's GDP growth outlook for FY2025-26, while still relatively strong on a global scale, reflects an emerging consensus of cautious optimism. With growth projections ranging between 5.5% and 6.5%, the nation faces a delicate balancing act—managing domestic inflation and investment shortfalls while adapting to a shifting global trade landscape.

Key supportive factors include a resilient domestic consumption base, ongoing monetary easing, and efforts to streamline regulatory frameworks. However, external risks—such as global economic slowdown, tariff escalations, and weakening export demand—are expected to weigh on overall performance.

Policy clarity, timely execution of public investments, and adaptive trade strategies will be crucial in ensuring that India remains on a high-growth trajectory, even as global conditions remain volatile.

ECONOMY

IIP (Index of Industrial Production) – Feb

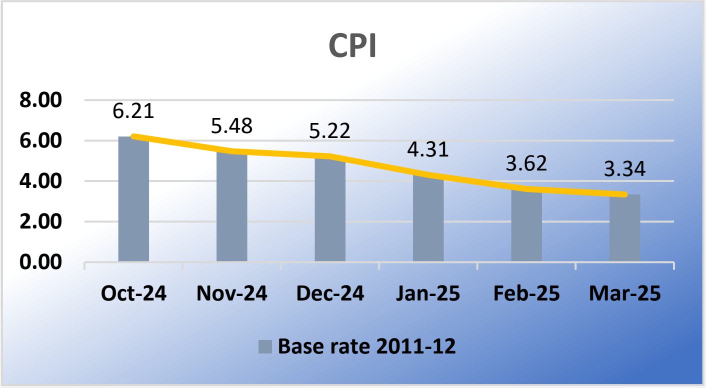


India's industrial production growth decelerated sharply to 2.9% year-on-year in February 2025, down from an upwardly revised 5.2% in January and falling short of market expectations of 4.0%.

The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of February 2025 are 1.6 percent, 2.9 percent and 3.6 percent respectively. Within the manufacturing sector, 19 out of 23 industry groups at NIC 2 digit-level have recorded a positive growth in February 2025 over February 2024. The top three positive contributors for the month of February 2025 are – "Manufacture of basic metals" (5.8%), "Manufacture of motor vehicles, trailers and semi-trailers" (8.9%) and "Manufacture of other non-metallic mineral products" (8.0%).

The corresponding growth rates of IIP as per Use-based classification in February 2025 over February 2024 are 2.8 percent in Primary goods, 8.2 percent in Capital goods, 1.5 percent in Intermediate goods, 6.6 percent in Infrastructure/ Construction Goods, 3.8 percent in Consumer durables and (-)2.1 percent in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of February 2025 are – Infrastructure/ construction goods, Primary goods, and Capital goods.

CPI (Consumer Price Index) – Mar



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

India's annual inflation rate fell to 3.34% in March of 2025 from the 3.61% in the previous month, well below market expectations that it would remain relatively unchanged, to mark a fifth consecutive slowdown to the lowest inflation rate since August 2019. The drop lowered the inflation rate deeper below the Reserve Bank of India's 4% mid-point target. Inflation fell to a near four-year low for food (2.69% vs 3.75% in February), which accounts for nearly half of the Indian

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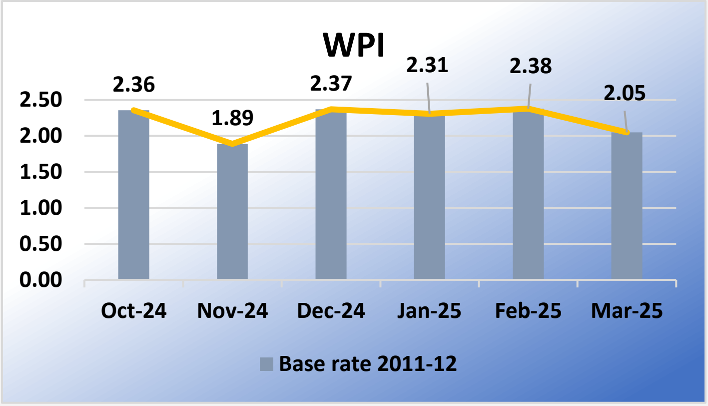
price basket, amid deflationary pressure for eggs, spices, vegetables, and pulses. This was enough to offset a rebound in prices of fuel and light (1.48% vs -1.33%) and faster inflation for housing (3.03% vs 2.91%). From the previous month, consumer prices fell by 0.26%, a fifth consecutive drop.

WPI (Wholesale Price Index) –Mar

Wholesale Price Index (WPI) number is 2.05% (provisional) for the month of March 2025 (over March 2024). Positive rate of inflation in March 2025 is primarily due to increase in prices of manufacture of food products, other manufacturing, food articles, electricity and manufacture of textiles etc.



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

The month-over-month change in WPI for the month of March 2025 stood at (-) 0.19% as compared to February 2025.

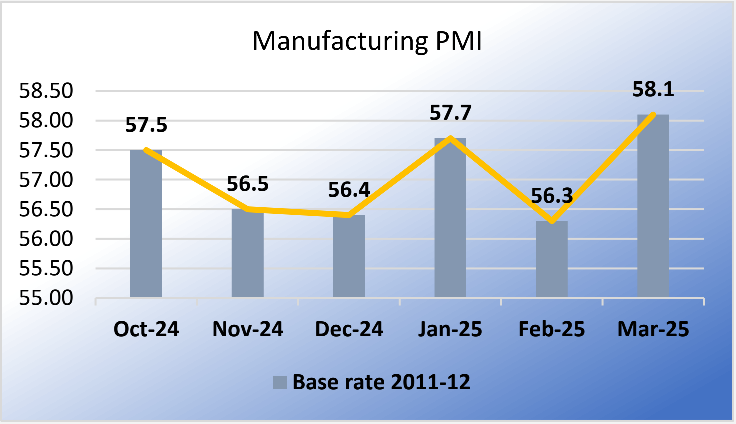
The index for primary articles decreased by 1.07% to 184.6 (provisional) in March 2025 from 186.6 (provisional) for the month of February 2025. Price of crude petroleum & natural gas (-2.42%), non-food articles (-2.40%) and food articles (-0.72%) decreased in March 2025 as compared to February 2025. The price of minerals (0.31%) increased in March 2025 as compared to February2025.

Prices for Fuel & Power decreased by 0.91% to 152.4 (provisional) in March 2025 from 153.8 (provisional) for the month of February 2025. Price of electricity (-2.31%) and mineral oils (-0.70%) decreased in March 2025 as compared to February 2025. The price of coal remained same as in the previous month.

Prices for Manufacturing products increased by 0.42% to 144.4 (Provisional) in March 2025 from 143.8 (Provisional) for the month of February 2025.

Manufacturing PMI – Mar

The HSBC India Manufacturing PMI was adjusted upward to 58.1 in March 2025, surpassing the flash estimate of 57.6. This figure also exceeded February's reading of 56.3, representing the highest level since July 2024. Both new orders and output rose the most in eight months, and buying levels notched their highest level in seven months. Employment also rose solidly while outstanding business rose at a marginal pace that was slower than in February. However, foreign sales rose the least in 3 months, despite its growth rate staying robust. Lead times shortened for the 13th month, albeit to the second-least degree over this period. Regarding prices, input cost inflation reached a 3-month top despite being below its average on higher

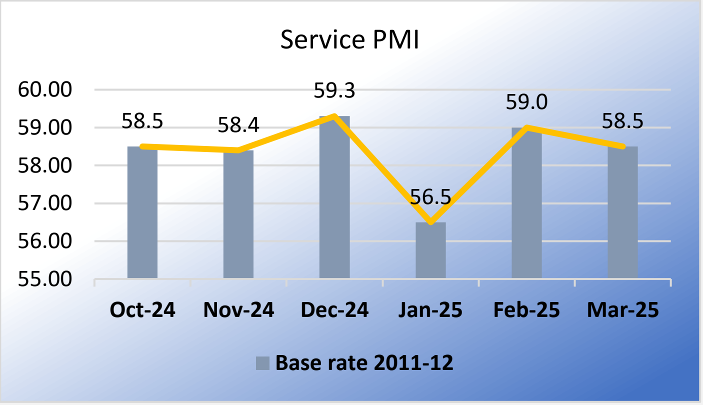


Source: www.tradingeconomics.com

prices for copper, electronic items, leather, LPG, and rubber. That said, prices charged rose the least in a year. Finally, sentiment remained fairly optimistic, supported by demand conditions, better customer relations, and projects pending approval.

Services PMI – Mar

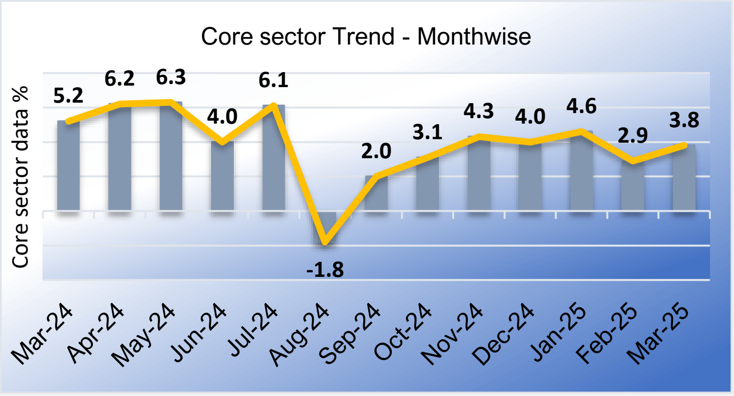
The HSBC India Services PMI was revised higher to 58.5 in March 2025 from the preliminary estimate of 57.7, but declined from the previous month's reading of 59.0, marking the 44th consecutive month of growth in services activity. The slowdown reflected a softer increase in services activity, with foreign sales growing at the slowest pace since December 2023. Output continued to grow, supported by buoyant underlying demand and ongoing increases in new business. Employment increased, though at the weakest rate in nearly a year, while outstanding business rose slightly. On the price front, input cost inflation eased to a five-month low. As a result, output cost inflation slowed to its weakest level since September 2021 amid competitive pressures. Looking ahead, business sentiment weakened to a seven-month low and fell below its long-run average amid heightened competition.



Source: www.tradingeconomics.com

Core Sector Data – Mar

The combined Index of Eight Core Industries (ICI) increased by 3.8 % (provisional) in March 2025 as compared to the Index in March 2024. The production of Cement, Fertilizers, Steel, Electricity, Coal and Refinery Products recorded positive growth in March 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 percent of the weight of items included in the Index of Industrial Production (IIP).



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

The final growth rate of Index of Eight Core Industries for December 2024 was observed at 5.1 %. The cumulative growth rate of ICI during April to March, 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 1.6 % in March 2025 over March 2024. Its cumulative index increased by 5.1 % during April to March, 2024-25 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 %) declined by 1.9 % in March 2025 over March 2024. Its cumulative index declined by 2.2 % during April to March, 2024-25 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 %) declined by 12.7 % in March 2025 over March 2024. Its cumulative index declined by 1.2 % during April to March, 2024-25 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 %) increased by 0.2 % in March 2025 over March 2024. Its cumulative index increased by 2.8 % during April to March, 2024-25 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 %) increased by 8.8 % in March 2025 over March 2024. Its cumulative index increased by 2.9 % during April to March, 2024-25 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 %) increased by 7.1 % in March 2025 over March 2024. Its cumulative index increased by 6.7 % during April to March, 2024-25 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 %) increased by 11.6 % in March 2025 over March 2024. Its cumulative index increased by 6.3 % during April to March, 2024-25 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 %) increased by 6.2 % in March 2025 over March 2024. Its cumulative index increased by 5.1 % during April to March, 2024-25 over corresponding period of the previous year.

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interes 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	4.0

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	3.6 Q4	3.4	5.5 Mar	4.4	-2.8	-7.6	14.6
Russia	4.5 Q4	3.8	10.3 Mar	8.4	3.0	-2.3	15.6
India	6.2 Q4	6.3	3.3 Mar	4.9	-0.6	-4.8	6.3
China	5.4 Q1	5.0	-0.1 Mar	0.2	2.3	-4.8	1.5
S Africa	0.9 Q4	0.6	2.7 Mar	4.4	-0.6	-5.0	10.8
USA	2.5 Q4	2.8	2.4 Mar	2.9	-3.9	-6.5	4.4
Canada	2.4 Q4	1.5	2.3 Mar	2.4	-0.5	-2.3	3.2
Mexico	0.5 Q4	1.5	3.8 Mar	4.7	-0.3	-4.9	9.5
Euro Area	1.2 Q4	0.8	2.2 Mar	2.4	3.2	-3.2	2.5
Germany	-0.2 Q4	-0.2	2.3 Mar	2.5	6.0	-2.8	2.5
Britain	1.5 Q4	1.1	2.6 Mar	3.3	-2.7	-5.4	4.5
Australia	1.3 Q4	1.0	2.4 Q4	3.2	-1.9	-2.2	4.3
Indonesia	5.0 Q4	5.0	1.0 Mar	2.3	-0.6	-2.5	6.9
Malaysia	4.4 Q1	5.1	1.4 Mar	1.8	1.7	-4.3	3.7
Singapore	3.8 Q1	4.4	0.9 Mar	2.4	17.5	0.3	2.5
S Korea	1.2 Q4	2.1	2.1 Mar	2.3	5.3	-1.8	2.6

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BANKING

Issue of ₹10 and ₹500 Denomination Banknotes in Mahatma Gandhi (New) Series bearing the signature of Shri Sanjay Malhotra, Governor

The Reserve Bank of India will shortly issue ₹10 and ₹500 denomination Banknotes in Mahatma Gandhi (New) Series bearing the signature of Shri Sanjay Malhotra, Governor. The design of these notes is similar in all respects to ₹10 and ₹500 banknotes in Mahatma Gandhi (New) Series. All banknotes in the denomination of ₹10 issued by the Reserve Bank in the past will continue to be legal tender. All banknotes in the denomination of ₹500 in Mahatma Gandhi (New) Series issued by the Reserve Bank in the past will also continue to be legal tender.

Regulatory Sandbox – Theme Neutral 'On Tap' application facility

The Reserve Bank of India (RBI) has been operating the Regulatory Sandbox (RS) framework since 2019, completing four thematic cohorts and launching a fifth 'Theme Neutral' cohort in 2023, which is ongoing. Additionally, an 'On Tap' facility for applications on closed cohort themes was introduced in 2021. Building on this, as announced on April 9, 2025, RBI has expanded the 'On Tap' facility to accept 'Theme Neutral' applications, allowing innovators to test products across diverse areas like digital financial literacy, digital lending, e-KYC, emerging technologies (AI, Blockchain, ML), financial inclusion, open finance, RegTech, SupTech, sustainable finance, and more. Interested entities must submit applications by email, following the updated Enabling Framework (February 28, 2024), enabling continuous innovation and proactive engagement with the evolving FinTech landscape.

Monetary Policy Statement, 2025-26 Resolution of the Monetary Policy Committee April 7 to 9, 2025

The Monetary Policy Committee (MPC) of the Reserve Bank of India, chaired by Governor Shri Sanjay Malhotra, met from April 7 to 9, 2025, and unanimously decided to reduce the policy repo rate by 25 basis points to 6.00%, shifting its stance from neutral to accommodative. This decision aims to maintain CPI inflation within the 4% target (±2%) while supporting economic growth. The global economic outlook remains uncertain due to trade-related disruptions, though India's growth prospects are buoyed by strong rural demand, recovering urban consumption, increased government investment, and robust corporate and banking sector health. Real GDP growth for 2025-26 is projected at 6.5%, with risks evenly balanced, while services exports are expected to remain resilient despite headwinds in merchandise exports.

Inflation has declined notably, with CPI inflation falling to 3.6% in February 2025, aided by a broad correction in food prices, continued fuel deflation, and stable core inflation. A positive food inflation outlook, record rabi production, lower inflation expectations, and declining crude prices support the inflation trajectory, although risks from global uncertainties and adverse weather remain. CPI inflation for 2025-26 is projected at 4.0%, assuming a normal monsoon. The MPC highlighted the need to sustain growth in a volatile global environment, given the favorable inflation backdrop, while emphasizing that economic conditions will require ongoing monitoring. The next MPC meeting is scheduled for June 4-6, 2025.

Statement on Developmental and Regulatory Policies

The Reserve Bank of India (RBI) has announced several developmental and regulatory measures covering regulations, payment systems, and fintech. In regulations, RBI proposed a draft framework for securitisation of stressed assets to enhance risk distribution and provide lenders an additional exit route beyond ARCs. It also plans to broaden the co-lending framework beyond banks and NBFCs to cater to a wider credit segment, harmonize lending guidelines against gold jewelry across all regulated entities (REs), and consolidate norms related to non-fund-based facilities like guarantees and letters of credit. Draft guidelines for all these initiatives are being issued for public comments.

In payment systems, RBI proposed that the NPCI, in consultation with banks and stakeholders, may revise UPI transaction limits based on evolving needs, though P2P limits will remain capped at ₹1 lakh. For the fintech sector, RBI plans to make the Regulatory Sandbox “theme neutral” and introduce an ‘On Tap’ application facility, allowing continuous testing of innovative products within RBI’s regulatory scope. These measures aim to encourage sustainable credit practices, foster innovation, and enhance digital transaction ecosystems.

Amendments to Liquidity Coverage Ratio (LCR) Framework

The Reserve Bank of India has finalized amendments to the Liquidity Coverage Ratio (LCR) framework after reviewing feedback on a draft issued in July 2024. Key changes include assigning a 2.5% additional run-off rate to internet and mobile banking enabled retail and small business deposits and aligning haircuts on government securities (HQLA) with liquidity facility margin requirements. Wholesale funding from certain non-financial entities like trusts and partnerships will now attract a lower 40% run-off rate instead of 100%. An impact analysis shows these measures will improve banks' aggregate LCR by about 6 percentage points while maintaining regulatory compliance, thereby strengthening liquidity resilience in line with global standards. The new rules will come into effect from April 1, 2026.

INSURANCE

India: Financial Sector Assessment Program, 2024

The Financial Sector Assessment Program (FSAP), a joint program of the International Monetary Fund (IMF) and the World Bank (WB), undertakes a comprehensive and in-depth analysis of a country's financial sector. Since September 2010 the exercise has become mandatory for jurisdictions with systemically important financial sectors. Currently, it is mandatory for 32 jurisdictions including India, every five years, and for another 15 jurisdictions every ten years. Last FSAP for India was conducted in 2017 and the Financial System Stability Assessment (FSSA) report was published by IMF on 21st December 2017.

2. IMF released the latest India-FSSA report on their websites on February 28, 2025, based on the assessment carried out during 2024, while WB's Financial Sector Assessment (FSA) report is due for publication.

3.India welcomes assessment of the Indian financial system undertaken by the joint IMFWorld Bank team conforming to the highest international standards.

4. IMF's FSSA report highlights that India's financial system has become more resilient and diverse since the last FSAP in 2017, driven by rapid economic growth. Financial Sector in India has shown recovery from various distress episodes of 2010s and withstood the pandemic well. In terms of evolution of financial sector landscape, Non-Banking Financial Intermediaries (NBFI) sector has become diverse but more interconnected. Banks and Non-Banking Financial Companies (NBFCs) have sufficient aggregate capital to support moderate lending even in severe macrofinancial scenarios.

5. On regulation and supervision of NBFCs, IMF acknowledged India's systematic approach for prudential requirements of NBFCs with scale based regulatory framework. IMF appreciated India's approach on introduction of bank-like Liquidity Coverage Ratio (LCR) for large NBFCs. For supervision of banks, IMF suggested strengthening credit risk management through IFSR 9 adoption and upgrading supervision over individual loans, collateral valuation, connected borrower groups, large exposure limits, and related-party transactions.

6. IMF acknowledges that the regulatory framework in securities markets has been enhanced in line with international practice to manage and prevent emerging risks. Notable improvements include establishing the Corporate Debt Market Development Fund (CDMDF), introducing swing pricing and liquidity requirements for bond mutual funds. The regulatory scope has also been expanded over emerging areas such as sustainability and investor protection measures for fast-growing equity derivatives products.

7. IMF has stated that public digital infrastructures have significantly improved retail financial inclusion and recommended that financially underserved sectors' access to credit can be enhanced by strengthening legal, tax, and informational infrastructures for asset-based and digital lending.

8. The FSSA report acknowledges that India's insurance sector is strong and growing, with a significant presence in both life and general insurance. The sector has remained stable, supported by better regulations and digital innovations. The report notes India's progress in improving oversight, risk management and governance and suggests further steps toward riskbased solvency / supervision frameworks and stronger group supervision. It acknowledged transition plans towards risk-based approach in the insurance sector. This reflects India's commitment to global best practices and a resilient insurance sector.

9. IMF recommends that financial stability should be the primary objective of the macroprudential authorities.

10. In terms of emerging risks, cybersecurity, climate change and system-wide contagion need attention. Financial stability risks from climate change appear manageable but warrant careful monitoring. The assessment suggested enhanced data coverage with better granularity for mapping climate-related financial risks.

11. IMF also analyzed cyber security framework in banking sector, Financial Market Infrastructure (FMI), Critical Information Systems, and other relevant players in securities market. IMF found that Indian authorities have advanced cybersecurity risk oversight, especially for banks. However, IMF stated that extensive cybersecurity crisis simulations and stress tests for banks could be expanded for cross-sectoral and market-wide events to further strengthen cybersecurity resilience.

12. The recommendations in case of India FSAP are mainly focused on bringing about further improvements in the structure and functioning of the financial system and many of the detailed recommendations are in conformity with the concerned authorities'/regulators' own developmental plans. India remains committed to adoption of internationally accepted standards and best practices in a phased manner, attuned to domestic needs and economic conditions, wherever necessary.

CAPITAL MARKET

Change in cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in overnight schemes of Mutual Funds

SEBI issued a circular extending the cut-off time for determining the applicable Net Asset Value (NAV) for redemption of units in overnight mutual fund schemes from 3:00 PM to 7:00 PM. This change aims to provide stockbrokers and clearing members additional time to un-pledge Mutual Fund Overnight Scheme (MFOS) units and submit redemption requests after-market hours, aligning with SEBI's upstreaming framework for client funds. The adjustment is designed to enhance operational efficiency without impacting fund valuation or redemption capabilities, given the overnight nature of these investments.

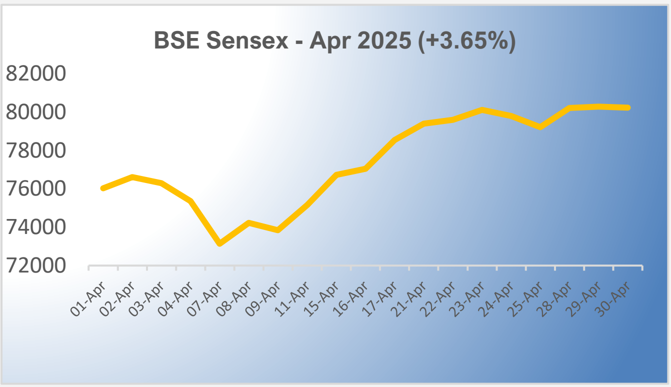
Timelines for collection of Margins other than Upfront Margins – Alignment to settlement cycle

SEBI issued a circular mandating that trading and clearing members collect all client margins—excluding upfront Value at Risk (VaR) and Extreme Loss Margin (ELM)—by the T+1 settlement day in the cash market segment. This move aligns margin collection timelines with the T+1 settlement cycle introduced in January 2023, aiming to enhance risk management practices. If clients complete their pay-in of funds and securities by the settlement day, it is considered that all margins have been collected, thereby avoiding penalties. However, failure to meet this deadline will result in applicable penalties for short or non-collection of margins.

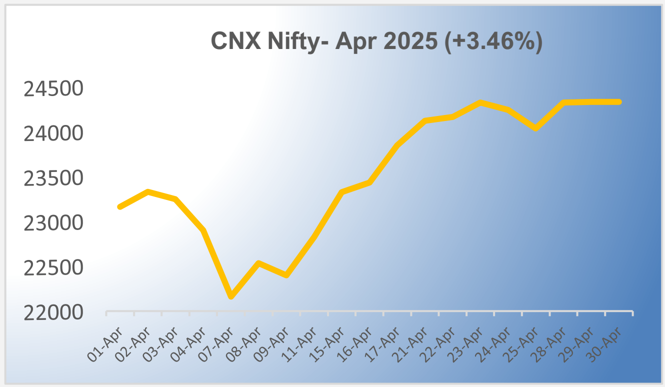
Clarificatory and Procedural changes to aid and strengthen ESG Rating Providers (ERPs)

SEBI issued clarifications and procedural changes to strengthen ESG Rating Providers (ERPs). The updated guidelines outline conditions under which ESG ratings can be withdrawn, such as the absence of a Business Responsibility and Sustainability Report (BRSR) or lack of demand for the rating. Additionally, ratings may be withdrawn if they have been in place for three years or for half the tenure of the rated security. These measures aim to enhance transparency and accountability in ESG assessments.

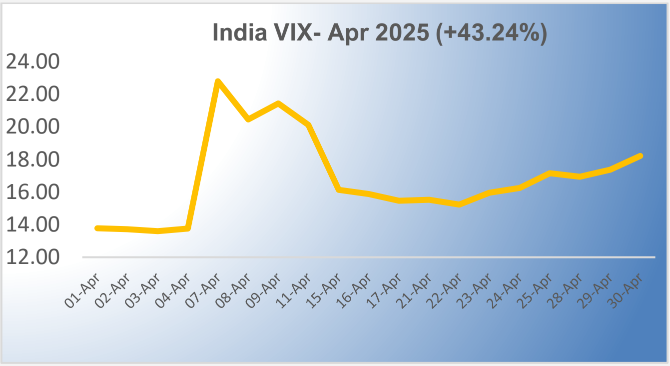
CAPITAL MARKET SNAPSHOT



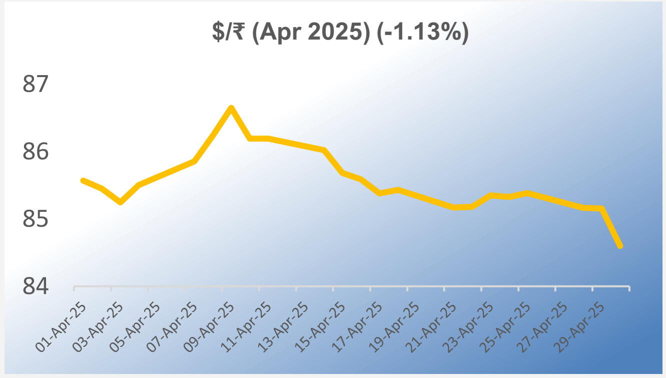
Source: National Stock Exchange



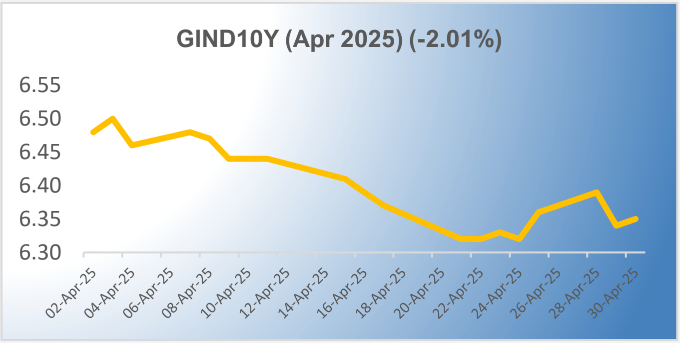
Sources: Bombay Stock Exchange



Sources: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

Equity markets extended their gains in April, though with increased caution. The BSE Sensex rose 3.65%, and the Nifty 50 gained 3.46%, supported by steady FII inflows and stable corporate earnings. Midcaps outperformed with a 4.74% rise, while small caps grew 2.19%, showing selective investor interest in broader markets.

A key highlight was the 43.24% spike in India VIX, indicating heightened market volatility driven by global uncertainties and macroeconomic developments.

ABOUT APAS

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

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