

APAS MONTHLY - VOLUME 3

APAS MONTHLY NEWSLETTER

March 2026 Edition

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EDITORIAL

In this issue, **Mr. Ashvin Parekh** – Managing Partner has presented his thoughts on ‘**India’s Hidden Wealth: Can Household Gold Bridge the Infrastructure Funding Gap?**’ (article published in Financial Express on 26th March 2026).

This month, the APAS column covers ‘**When Distant Wars Become Economic Reality**’

The economic indicators exhibited a mixed performance. Manufacturing PMI rose to 56.9 in February 2026 from 55.4 in January, revising lower from initial estimates of 57.5. Services PMI was revised slightly down to 58.1 in February 2026 from an initial estimate of 58.4. The infrastructure output in India rose by 2.3% annually in February of 2026, slowing from the upwardly revised 4.7% increase from the previous month. India’s Industrial production India accelerated to 5.2% year-over-year in February 2026, up from a revised 5.1% in January and surpassing market expectations of 4.2%. India’s consumer price inflation rose 3.21% annually in February of 2026, picking up from the 2.74% in the previous month and loosely in line with market expectations of 3.1% to mark the fastest pace of inflation in 11 months. Real GDP has been estimated to grow by 7.6% in FY 2025-26. Nominal GDP has witnessed a growth of 8.6%.

Reserve Bank of India has issued draft Amendment Directions (2026) to update its 2017 framework on limiting customer liability in unauthorized digital banking transactions, reflecting the rapid evolution of digital payments. RBI has issued final Directions on prudential norms governing the declaration of dividends and remittance of profits by banks, following stakeholder feedback on draft proposals released in January 2026. RBI has issued final Amendment Directions on the computation of Owned Fund/Tier 1 Capital and its applicability to credit and investment concentration norms for NBFCs and ARCs, following stakeholder feedback on draft proposals released in January 2026. Japan and India renewed the Bilateral Swap Arrangement (BSA) effective from February 28, 2026. Monetary Policy Committee of the RBI, in its April 6–8, 2026 meeting, decided to keep the repo rate unchanged at 5.25% and maintain a neutral stance, citing rising global uncertainties, especially due to the West Asia conflict impacting supply chains, energy prices, and financial markets.

Insurance Regulatory and Development Authority of India has issued a draft amendment to strengthen policyholder protection and improve transparency by proposing the adoption of Indian Accounting Standards (Ind AS) for all insurers from April 1, 2026. IRDAI in collaboration with the US-India Strategic Partnership Forum, held a virtual meeting with US-based financial stakeholders to discuss opportunities and regulatory developments in India’s insurance sector. IRDAI has approved amendments mandating all insurers to adopt Indian Accounting Standards (Ind AS) for financial reporting from April 1, 2026, to enhance transparency, consistency, and global alignment.

SEBI has introduced a voluntary debit freeze (lock-in) facility for mutual fund folios, allowing investors to block redemptions or transfers to enhance security against unauthorized transactions. SEBI has issued a revised framework on borrowing by mutual funds under the 2026 regulations, allowing funds to borrow up to 20% of scheme assets for up to six months to meet temporary liquidity needs such as redemptions and payouts. SEBI, in its board meeting on 23 March 2026, approved a wide set of reforms aimed at improving market efficiency and ease of doing business while strengthening governance. SEBI has introduced a “Verified” label for stock trading apps of SEBI-registered brokers on the Google Play Store as an investor protection measure to combat rising digital fraud.

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

Ashvin parekh

On the Cover



GUEST COLUMN

India's Hidden Wealth: Can Household Gold Bridge the Infrastructure Funding Gap?



APAS COLUMN

When Distant Wars Become Economic Reality



ECONOMY

Index of Industrial Production: Feb

Inflation update – Feb

PMI Update - Feb

Core Sector – Feb

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	7.9 Q2	4.0	7.0 Aug	7.5	1.7	-5.0	1.0

ECONOMIC DATA

SNAPSHOT

[Global GDP, CPI, Current account balance, budget balance, Interest rates](#)



BANKING

[RBI Issues Draft Amendment Directions for 'Review of Framework of Limiting Customer Liability in Digital Transactions'](#)

[RBI issues Directions on Prudential Norms on Declaration of Dividend and Remittance of Profit by Regulated Entities](#)

[RBI Issues Amendment Directions on 'Clarification on Owned Fund / Tier 1 Capital computation for NBFCs / ARCs and applicability to Credit / Investment Concentration Norms'](#)

[Renewal of the Bilateral Swap Arrangement between Japan and India](#)

[Monetary Policy Statement, 2026-27 Resolution of the Monetary Policy Committee April 6 to 8, 2026](#)



INSURANCE

[Step Towards Aligning India's Insurance Financial Reporting Framework with Globally Accepted Standards](#)

[Press Release IRDAI-USISPF](#)

[Ind AS based Financial Reporting Framework for Insurance Sector](#)



CAPITAL MARKETS

[Introduction of Voluntary Lock-in / Debit freeze facility to Mutual Fund folios](#)

[Borrowing by Mutual Funds](#)

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[SEBI has introduced a “Verified” label for stock trading apps of SEBI-registered brokers](#)



CAPITAL MARKETS

SNAPSHOT

[CNX Nifty, BSE Sensex, India VIX, \\$/₹, GIND 10Y](#)



GUEST COLUMN

Ashvin Parekh
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Article published in Financial Express on 26th March 2026

India's Hidden Wealth: Can Household Gold Bridge the Infrastructure Funding Gap?

India's household gold holdings vastly exceed the scale of infrastructure funding requirements. Recent estimates peg household gold at around 30,000 – 34,600 tonnes, valued at USD 3.8 – 5 Trillion (Rs. 357 – 470 lakh crore) amid record prices, while infrastructure needs range from USD 1.4 – 2.2 trillion (Rs 132 – 206 lakh crore) through 2030. This article discusses potential for monetization via ETFs and other schemes to channel idle assets productively. The reforms essential around ETFs and other schemes are covered in the discussion.

Let us turn to our infrastructure funding needs. For the economy which is estimated to be around USD 7 trillion, per reports of CRISIL and some government and regulatory bodies, the need for infrastructure funding as mentioned above would be roughly USD 2 trillion. The current gap exceeds 5% of GDP annually, despite record central government capex of Rs 11.21 – 12.25 trillion (USD 128 – 135 billion) for FY 2026 – 27. Private participation has lagged, necessitating alternative domestic sources like gold.

The gold held by households, which is valued at USD 3.8 trillion at the recent prices accounts for 89% of GDP and as of late 2025 and potentially over USD 5 trillion at peak prices near USD 4,550/ounce. This stockpile, mostly idle bullion and jewellery represents untapped liquidity equivalent to or exceeding India's nominal GDP of USD 4.1 trillion. ETFs already enable partial conversion, but uptake remains low at under 5% of holdings.

It is very interesting to note that Indian religious and charitable trusts, primarily temples, hold at an estimate, 2500 – 4000 tonnes of gold, worth USD 150-240 billion at current price (about 8-12% of total gold held), much of it idle in vaults from centuries of donations. If these entities are mandated to financial assets like gold ETFs it could provide support to the economy in its infrastructure development. It is recognised however, that the legal protection for religious endowments makes it difficult and voluntary monetization occurs sparingly. The present laws, particularly under Income Tax Act section 11(5), public charitable/religious trust face "invalid investments" restrictions, prohibiting gold/jewellery except in the form of idol's adornment or buying ornaments for deities is permissible. There is no mandate to convert gold into financial assets (eg. ETFs or gold bonds). Trust enjoy autonomy via state endowments board and RBI's gold monetizing scheme saw minor deposits (eg. Tirupati 4.5 tonnes, Somnath / Ambaji 174 kgs). Let us now look at one of the monetization routes, namely the ETFs. India's ETF market is managed by Asset management companies (AMCS). It has grown rapidly, with the ETFs seeing exceptional in flows amid high prices. As of early 2026, total ETF AUM (Asset under management) exceeded Rs. 10 lakh crores, gold ETFs alone reach Rs. 1.85 lakh crores by January. This was driven by retail and institutional adoption. There was a record in flow in gold ETFs in January of Rs. 24,000 crores. The gold held by the AMCs reached 95 tonnes

by end 2025. Even silver ETFs, another assets which needs to be monetized, have seen an unprecedented growth.

The other route for monetization is the sovereign gold bonds (SGBs). They have indeed underperformed expectations since 2015, mobilizing only modest quantities despite policy intent to tap household gold for economic growth. As of late 2025, outstanding SGBs were about 126 – 128 tonnes of gold, with government liabilities ballooning to Rs 1.5 lakh crore due to price surge. A mobilization of such a quantity pales against 30,000+ tonnes in the household holdings. The main reason for the scheme to fail was the way it was structured. High gold prices increased liabilities manifold making the scheme costlier for fiscal financing than alternative approaches to mobilisation. Low awareness, preference for physical gold/jewellery, complex 8 year tenure with limited liquidity and fewer tranches (down to 2 years), deterred investors. Gold ETFs outperformed on the other hand with excellent growth in AUM.

There is, on this subject, one school of thinkers who believe that creation of a trustworthy, infrastructure to ascertain and certify quality of gold held by households in the form of jewellery could assist the AMC to mobilize sizeable quantity of this physical asset into financial asset. The BIS hallmarking system already provides a robust foundation to certifying household jewellery quality and expanding it could unlock liquidity by enabling AMC to confidently onboard idle assets into ETFs or funds. It would also provide an instrument which can be collateralised, by the banking system for funding needs of the households. Here a dedicated infrastructure for certifying old jewellery via digital pop-ups, BIS centres, jewellery partnerships and digital ledgers - could assist purity/ weight non-destructivity, issuing tradable certificates for ETF pledging or gold bond deposits. Indian Association for Gold Excellence and standards (IAGES), an industry SRO can complement this with ethical standards, potentially integrating with AMCs to create “certified gold pools” for liquidity without physical melting.

Fiscal incentives can also help the households to offer their physical gold and make ETFs a route to convert their physical gold to financial asset.

Promoting conversion of household gold into liquid financial asset will require some regulatory safeguards for legitimate schemes. SEBI mutual fund regulations strictly require gold/silver ETFs to allocate at least 95% of the assets to physical bullion (of 99.5 % plus purity with 5% in cash equivalents for liquidity. Gold is stored domestically in vaults of certified and empanelled custodians, which is verifiable by audits and redeemable as physical metal in large units when called for. This counters the “paper gold” myths, which may prevail amongst the investors.

There is need for cracking down on fraudulent entities. Regulators must wield a heavy hand against non-SEBI regulated entities, peddling fake gold schemes, as they have eroded public confidence and diverted about 8-10% of potential ETF inflows to scams. RBI and SEBI have banned several fraudulent platforms (estimated to be above 500) since 2024. The enforcement requires AI surveillance, mandatory hallmark unique identification (HUID) - BIS certification, disclosure and jail term for violators to rebuild trust. Public campaigns highlighting ETF physical backing could sway households.

Last but not the least, building household confidence by way of transparent audits, published periodically, block-chain tracked serial numbers for ETF gold, and incentives like priority redemption for certified jewellery deposits would differentiate regulated AMCs, from ponzi frauds, potentially unlocking at least 5% of 30,000 tonnes holding.

India’s vast household gold holdings represent one of the largest untapped pools of domestic capital, yet instruments such as Gold ETFs and Sovereign Gold Bonds remain limited in scale relative to the magnitude of idle reserves. Structural barriers including trust deficits, regulatory constraints, and a deep-rooted

preference for physical gold continue to impede effective monetization. Addressing this requires a coordinated policy approach focused on strengthening hallmarking systems, enabling seamless conversion into financial assets, enhancing investor awareness, and enforcing robust regulation to build trust in formal channels. Even a modest mobilization of 5–10% of household gold could unlock substantial liquidity, offering a stable and reliable domestic source of funding to support India’s infrastructure ambitions.



APAS COLUMN

When Distant Wars Become Economic Reality

A significant regional geopolitical conflict that escalated on February 28, 2026, seemed distant for most Indians. Yet within days, ripple effects reached kitchen budgets, factory floors, and investment portfolios across the country. For an economy deeply integrated into global energy markets, any Middle East conflict becomes an immediate economic challenge testing macroeconomic stability and forcing difficult policy choices. As of April 2, 2026, conflicting signals about de-escalation have prompted urgent policy reviews and mounting concerns about India's growth trajectory through FY27.

The Energy Crisis

A critical maritime passage through which 80–90% of India's LPG and 40–50% of crude oil imports flow faced partial blockade and heightened shipping risks due to regional tensions. Oil prices surged from \$70 to \$119 per barrel intraday, settling at \$90–110 initially. Mixed de-escalation signals have since created volatility, with crude now trading at \$98–108 per barrel as of April 2, 2026.

LPG shortages followed immediately, with commercial deliveries facing 2–8 day delays and domestic cylinder prices jumping ₹60 while commercial cylinders spiked ₹114–115. For a country importing 88% of its oil and 91% of its LPG from the Gulf, this represents far more than a supply chain inconvenience—it constitutes an existential economic vulnerability. Every \$10 increase in crude prices adds ₹13–14 billion annually to India's import bill. With crude hovering above \$100 per barrel throughout March and into April, India's import bill has surged by ₹65–70 billion in the first month alone, with cumulative impact now exceeding ₹80–90 billion by early April.

The LPG shortage exposed how razor thin supply demand margins truly are in India's energy ecosystem. Morbi's \$7 billion ceramics and tiles cluster depends entirely on propane to fire kilns, and within days of the blockade, the industry faced potential shutdown. Commercial kitchens across the country began rationing gas while city gas distribution networks struggled to meet demand. This cascading effect vividly illustrated how a geopolitical event in the Middle East translates directly into factory closures and dinner table anxiety across India within mere weeks.

Inflation and Policy Dilemma

With energy costs spiralling upward, inflation became the inevitable second victim of this conflict. Previous oil shocks demonstrated clearly that petrol price hikes correlate with an average 0.7% jump in overall inflation, and economists now warn that inflation could exceed 6%, far above the projected 4.3% for FY27. Goldman Sachs has already revised its 2026 inflation forecast upward to 4.2% from 3.9%, citing sustained supply side pressures stemming from elevated energy costs.

Chief economist at Bank of Baroda estimates inflation rising by 40–50 basis points from higher input and fuel costs alone. When transport costs climb and energy intensive industries compress margins in response, the inflation effect permeates through the entire economy, cascading from cement to chemicals and from food to pharmaceuticals. This inflationary pressure arrives at precisely the wrong moment, when India's fiscal space is already constrained and the government must increase fuel subsidies, diverting resources away from productive investment in infrastructure and human capital.

The Reserve Bank faces a genuine policy dilemma: cut rates to support growth or raise rates to combat inflation. Neither option appears ideal when external shocks severely limit manoeuvre room. The RBI is expected to hold rates at 5.25% when its Monetary Policy Committee meets April 6–8, continuing the pause maintained in February. However, policymakers now face increasingly constrained flexibility, with the new inflation targeting framework set at 4% for FY2026–2031, potentially limiting the scope for future rate cuts if oil prices persist above \$100.

Currency Crisis and Capital Flight

As oil costs mounted relentlessly, the rupee weakened significantly, standing at approximately 93.4 per dollar as of April 2, having recovered slightly from record lows near 92.6 earlier in the week but still representing substantial depreciation. Foreign portfolio investors, suddenly gripped by risk aversion, have withdrawn a record breaking \$12.3 billion (₹1.14 lakh crore) in March alone, marking the largest single month FPI outflow ever recorded. Total FPI outflows for 2026 now reach approximately ₹1.27–1.8 lakh crore (\$15–17 billion), representing the worst year start since FPI data became available in 1992.

The market response has been swift and severe. Goldman Sachs downgraded Indian equities to 'market weight' from 'overweight', while the Nifty declined 15% from September 2025 peaks with a 9–10% correction since conflict onset. Demonstrating the seriousness of currency stability concerns, the RBI capped banks' foreign exchange exposure at \$100 million per day effective April 10. The fundamental mechanics are straightforward: higher oil imports widen the current account deficit, making rupee denominated assets considerably less attractive to foreign investors.

Bernstein Research issued a stark warning that if crude remains elevated at \$100–120, the rupee could fall past ₹110, a scenario that would trigger further capital flight and financial instability. In a prolonged conflict scenario, Bernstein warned of potential double digit inflation, economic growth in the 2–3% range, rupee moving beyond 110, and Nifty declining below 20,000. Currency weakness feeds back into inflation through higher import costs, which forces policy tightening, which then slows growth, which triggers more capital outflows. This self-reinforcing negative cycle mirrors the external crises experienced in 1991, 2008, and 2013.

Export Disruption and Trade Pressures

Around \$15 billion of India's merchandise exports to GCC countries face mounting pressure from war risk insurance, security surcharges, and freight cost spikes. Exporters operating on already thin 5–10% margins find that a \$500 surcharge on a \$5,000 container suddenly makes consignments commercially unviable. Engineering goods, food products, building materials, and manufactured items destined for the Middle East now face significant delays and cancellations, with rice exporters seeing buyers postpone orders and tea exporters discovering shipments stuck in port or subject to fees that eliminate profitability entirely.

These represent not theoretical risks but real challenges reported by exporters who have already experienced cancellations within weeks of conflict escalation. India's trade with the Gulf region fundamentally anchors its broader economic engagement with West Asia, and any disruption here signals destabilizing instability in India's immediate neighbourhood. When energy supplies become uncertain and trade routes risky, the calculation for industrial investment shifts decisively. Manufacturers delay capex

spending while entrepreneurs defer expansion plans, causing the investment momentum that had carried India toward 7% growth to stall considerably. Corporate India enters FY2027 facing heightened uncertainty from geopolitical tensions and AI driven disruption, with numerous sectors contending with pricing pressures and margin compression.

Three Scenarios: What Happens Next?

The April 1 Shift: On April 1, 2026, conflicting signals emerged when military officials indicated the conflict would end soon but military operations would continue for another 2–3 weeks, causing mixed market reactions. This cautiously optimistic tone, though coupled with continued military engagement, temporarily supported oil prices stabilizing in the \$98–108 range after hitting \$119 earlier in March. However, genuine uncertainty about actual cessation of hostilities persists.

Optimistic Scenario (2–4 weeks): Should the war end as recent statements suggest, oil could fall 10–15% within days, markets would stabilize within 30–60 days, and stock indices would recover by 60–90 days as foreign portfolio investment resumes. The rupee would strengthen back toward ₹88–90 per dollar, and by June–August 2026, India's economy would largely normalize, missing perhaps 0.3–0.4 percentage points of GDP growth in FY27 but otherwise recovering.

Challenging Scenario (3–6 months): If conflict persists despite ceasefire rhetoric, crude would likely remain in the \$100–120 range, with every quarter of sustained high energy prices compounding negative effects including persistent 6%+ inflation, mounting government fiscal stress from subsidy bills, weak capital flows as foreign investors remain cautious, and export volume declines as Indian companies lose orders to competitors in less affected regions. GDP growth would slip to 6.0–6.4%, well below potential, while the current account deficit widens dangerously. The rupee would stabilize at weaker levels around ₹95–100 per dollar, with recovery taking 6–9 months post conflict and growth remaining below potential through 2027. Bernstein warns this scenario could set back India's growth trajectory by 3–4 years on a structural basis.

Worst Case (Beyond 6 months): Escalation and persistence of the conflict would cause structural damage, with strategic regional infrastructure vital to India's Central Asia connectivity potentially facing destruction. Indian firms would abandon new investments in the region while supply chains permanently shift away from Middle East routing, allowing alternative suppliers to lock in contracts with competitors. By the time stability returns, India would emerge geopolitically weakened and forced to completely recalibrate its West Asia strategy.

Why This Differs From COVID Recovery

Some have speculated whether this crisis could create opportunities similar to those that followed COVID. This comparison, while instructive, ultimately misleads. COVID forced temporary demand destruction through unemployment, but vaccines and lockdown endings sparked a pent up demand explosion. Global supply chains relocated from China to India, accelerated by PLI schemes, while digital transformation leaped forward and government capex expanded substantially. India emerged as the fastest growing major economy, achieving 8.2% growth by FY24.

Oil shocks operate through fundamentally different mechanisms. They represent structural cost inflation that persists as long as geopolitical risk remains elevated, with no pent up demand burst following price normalization but rather cautious business behaviour, delayed investment, and guarded consumer sentiment prevailing instead. Oil shocks create neither manufacturing relocation bonuses nor digital transformation leaps. They require defensive positioning, not offensive expansion.

If war persists, India will experience U shaped recovery that is slow and grinding rather than the V shaped rebound following COVID. Growth will compress by 0.3–0.5 percentage points while inflation persists and fiscal space remains constrained. The 2026–2027 period will ultimately be remembered as a decade year when external factors constrained potential rather than as a catalyst for structural transformation.

Recovery and Lessons Ahead

Once the conflict ends and geopolitical risk subsides, potentially by mid April if recent timelines hold, oil should normalize toward \$65–75 per barrel within 6–8 weeks as shipping insurance premiums fall, trade accelerates, capital flows resume, and currency pressure eases. This would support gradual economic recovery toward 7%+ growth by late 2026 or early 2027.

India has weathered multiple previous Middle East disruptions throughout its economic history. Each time, however, the policy response has proven incomplete. Investments in domestic exploration through ONGC stalled, renewable transitions accelerated only under immediate pressure, strategic reserves were built but never fully filled, and LNG diversification was sought while dependency remained concentrated. This 2026 crisis should finally trigger decisive action including accelerated renewable deployment, genuine reductions in oil import intensity, LNG diversification across Australia, the US, Africa and other sources, and deepened strategic petroleum reserves.

India recognized this imperative through its Samudramantran deep sea mineral exploration initiative, though execution has proceeded slowly. War typically focuses policymaking minds sharply. If this conflict achieves anything meaningful, it should be to finally establish energy independence as a genuine national priority rather than merely rhetorical commitment.

The Critical Months Ahead

As of April 2, 2026, the conflict remains active with mixed de-escalation signals generating tentative optimism in markets. Crude has stabilized at \$98–108 and preliminary FPI stabilization hopes have emerged, yet the RBI faces extraordinarily complex policy terrain navigating its critical April 6–8 MPC meeting, with analysts describing the environment as presenting the growth inflation trade off central banks dislike most. India confronts difficult arithmetic across multiple fronts: maintaining growth while absorbing oil shocks, preserving fiscal space while managing inflation pressures, retaining capital while the rupee weakens, and sustaining exports amid mounting shipping costs. These interconnected pressures collectively will test policy agility and institutional resilience. The coming weeks will reveal whether this represents temporary disruption or structural inflection point.

India's response through policy adjustments, diplomatic manoeuvring, or structural reforms will ultimately determine whether this becomes merely a growth dip or a decade defining vulnerability. Vigilance remains paramount: monitoring oil prices for credible stabilization signals, managing capital flows through targeted forex interventions (which the RBI has already initiated), protecting export competitiveness through careful rupee management, and maintaining inflation expectations. With growth already moderating, vulnerabilities exposed, and policy space constrained by both inflation and external pressures, the margin for error has become smaller than ever before.

The next four to six weeks, particularly the RBI's April policy decision and any ceasefire developments, will prove decisive in determining whether India emerges from Q4 FY26 with stabilizing markets or faces prolonged macroeconomic headwinds extending through FY27.



ECONOMY

IIP (Index of Industrial Production) - Feb

India's industrial production growth accelerated to 5.2% year-over-year in February 2026, up from a revised 5.1% in January and surpassing market expectations of 4.2%.

The growth rates of the three sectors, Mining, Manufacturing and Electricity for the month of February 2026 are 3.1 percent, 6.0 percent and 2.3 percent respectively.

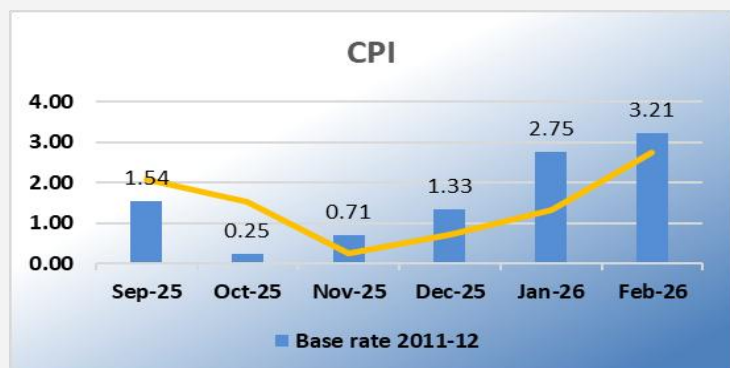
The corresponding growth rates of IIP as per Use-based classification in February 2026 over February 2025 are 1.8 percent in Primary goods, 12.5 percent in Capital goods, 7.7 percent in Intermediate goods, 11.2 percent in Infrastructure/ Construction Goods, 7.3 percent in Consumer durables and (-)0.6 percent in Consumer non-durables. Based on use-based classification, top three positive contributors to the growth of IIP for the month of February 2026 are Infrastructure/ construction goods, Intermediate goods and Capital goods.



Source: APAS BRT, mospi.gov.in

CPI (Consumer Price Index) – Feb

The consumer price index in India rose 3.21% annually in February of 2026, picking up from the 2.74% in the previous month and loosely in line with market expectations of 3.1% to mark the fastest pace of inflation in 11 months. The increase reflected the normalization of Indian inflation after a pullback in food prices drove the headline rate to continuously test record lows late last year. The food inflation gauge rose to 3.47% from 2.13% last month. Prices also rose firmly for restaurants and accommodation (2.73%), clothing and footwear (2.81%), and paan and tobacco (3.49%). In turn, prices fell for transportation (-0.05%) amid the pullback in oil and gas costs in the wholesale market, which are set to rise in March due to the war in the Persian Gulf. From the previous month, prices inched higher by 0.11%.

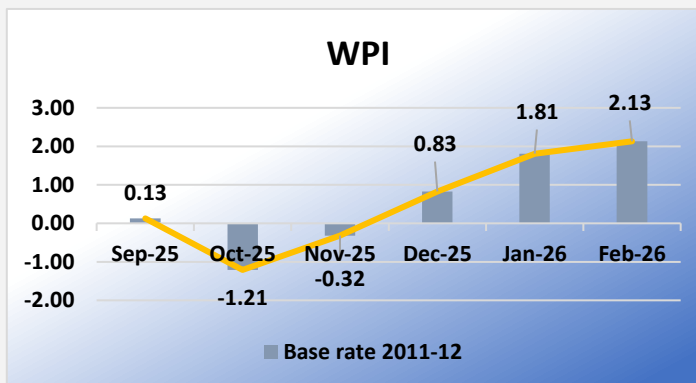


Source: APAS BRT, eaindustry.nic.in

WPI (Wholesale Price Index) – Feb

The Wholesale Price Index (WPI) number is 2.13% (provisional) for the month of February, 2026 (over February, 2025). Positive rate of inflation in February, 2026 is primarily due to increase in prices of other manufacturing, manufacture of basic metals, non-food articles, food articles and textiles etc.

The month over month change in WPI for the month of February, 2026 stood at 0.25 % as compared to January, 2026.



Source: APAS BRT, eaindustry.nic.in

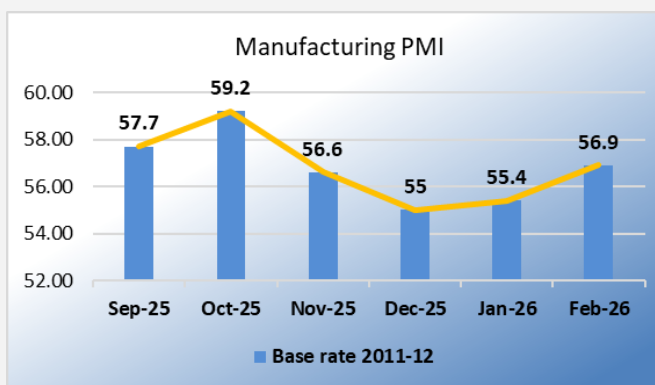
The index for primary articles declined by 0.52 % from 193.9 (provisional) for the month of January, 2026 to 192.9 (provisional) in February, 2026. The Price of food articles (-1.33%) and minerals (-1.21%) decreased in February, 2026 as compared to January, 2026. The Price of crude petroleum & natural gas (4.17 %) and non- food articles (0.83 %) increased in February, 2026 as compared to January, 2026.

Prices for Fuel & Power increased by 1.17 % from 145.9 (provisional) for the month of January, 2026 to 147.6 (provisional) in February, 2026. The Price of mineral oils (2.05 %) increased in February, 2026 as compared to January, 2026. The Price of electricity (-0.27%) decreased in February, 2026 as compared to January, 2026.

Prices for Manufacturing products increased by 0.47 % from 147.5 (provisional) for the month of January, 2026 to 148.2 (provisional) in February, 2026. Out of the 22 NIC two-digit groups for manufactured products, 16 groups witnessed an increase in prices and 5 groups witnessed a decrease in prices. Some of the important groups that showed month-over-month increase in prices were other manufacturing; manufacture of food products; textiles; manufacture of electrical equipment and chemical and chemical products etc. Some of the groups that witnessed a decrease in prices were manufacture of basic metals; computer, electronic and optical products, fabricated metal products, except machinery and equipment; wood and products of wood and cork and leather and related products in February, 2026 as compared to January, 2026

Manufacturing PMI – Feb

The HSBC India Manufacturing PMI rose to 56.9 in February 2026 from 55.4 in January, revising lower from initial estimates of 57.5. Still, this marked a four-month high and signals a notable improvement in operating conditions. Factory output expanded at the fastest pace in four months, supported by strong domestic demand and rising new orders, although growth in new export orders slowed to the weakest in 17 months. Employment rose slightly, recording the fastest pace in four months, as firms hired to cope with



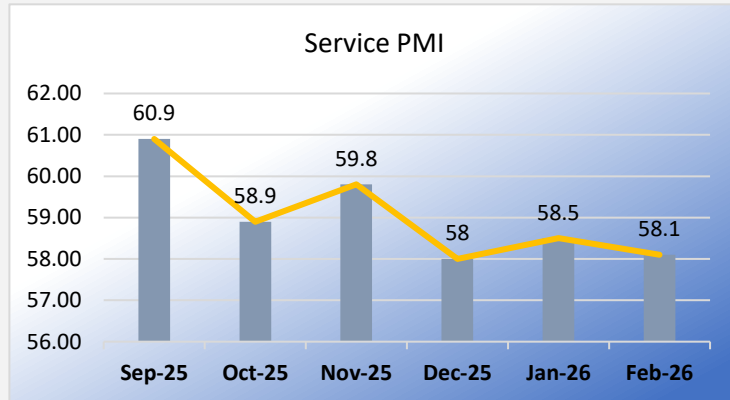
Source: tradingeconomics.com

higher workloads. Input purchases and inventories expanded at the quickest pace in three months, reflecting increased production needs and precautionary stock building. Input cost inflation remained moderate and unchanged from January, while output prices rose at a faster rate, outpacing the long-run trend. Backlogs of work rose marginally to a seven-month high, and firms remained optimistic about output over the year, with 16% anticipating growth

Services PMI – Feb

The HSBC India Services PMI was revised slightly down to 58.1 in February 2026 from an initial estimate of 58.4. This was below January’s reading of 58.5 and forecasts of 58.6, yet still signaled another month of robust expansion in the sector. While new order growth slowed to a 13-month low due rising competition, international sales rose at the fastest pace since last August. This led firms to increase hiring, with the rate of job creation surpassing its long-term trend.

Meanwhile, services companies faced mild operating capacity pressures, reflected in a second monthly rise in backlogs. Cost pressures also intensified, with input inflation accelerating to a two-and-a-half-year high, driven by higher food prices and increased spending on energy, labour, and commodities. Output price inflation also rose to a six-month high. Nonetheless, business confidence climbed to its highest level in a year as companies sought to expand their presence in both existing and new markets.



Source: tradingeconomics.com

Core Sector Data –Feb

The combined Index of Eight Core Industries (ICI) increased by 2.3 per cent (provisional) in February, 2026 as compared to the Index in February, 2025. The production of Cement, Steel, Fertilizers, Coal and Electricity recorded positive growth in February, 2026. The ICI measures the combined and individual performance of production of eight core industries viz. Coal, Crude Oil, Natural Gas, Refinery Products, Fertilizers, Steel, Cement and Electricity.

The Eight Core Industries comprise 40.27 percent of the weight of items included in the Index of Industrial Production (IIP).



Source: APAS BRT, eaindustry.nic.in

The final growth rate of Index of Eight Core Industries for January 2026 was observed at 4.7 per cent. The cumulative growth rate of ICI during April to February, 2025-26 is 2.9 per cent (provisional) as compared to the corresponding period of last year.

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

Coal - Coal production (weight: 10.33 per cent) increased by 2.3 per cent in February, 2026 over February, 2025. Its cumulative index has remained unchanged at 185.8 during April to February, 2025-26 over corresponding period of the previous year.

Crude Oil - Crude Oil production (weight: 8.98 per cent) declined by 5.2 per cent in February, 2026 over February, 2025. Its cumulative index declined by 2.5 per cent during April to February, 2025-26 over corresponding period of the previous year.

Natural Gas - Natural Gas production (weight: 6.88 per cent) declined by 5.0 per cent in February, 2026 over February, 2025. Its cumulative index declined by 3.5 per cent during April to February, 2025-26 over corresponding period of the previous year.

Petroleum Refinery Products - Petroleum Refinery production (weight: 28.04 per cent) declined by 1.0 per cent in February, 2026 over February, 2025. Its cumulative index declined by 0.1 per cent during April to February, 2025-26 over corresponding period of the previous year.

Fertilizers - Fertilizer production (weight: 2.63 per cent) increased by 3.4 per cent in February, 2026 over February, 2025. Its cumulative index increased by 2.0 per cent during April to February, 2025-26 over corresponding period of the previous year.

Steel - Steel production (weight: 17.92 per cent) increased by 7.2 per cent in February, 2026 over February, 2025. Its cumulative index increased by 9.7 per cent during April to February, 2025-26 over corresponding period of the previous year.

Cement - Cement production (weight: 5.37 per cent) increased by 9.3 per cent in February, 2026 over February, 2025. Its cumulative index increased by 9.2 per cent during April to February, 2025-26 over corresponding period of the previous year.

Electricity - Electricity generation (weight: 19.85 per cent) increased by 0.5 per cent in February, 2026 over February, 2025. Its cumulative index increased by 0.9 per cent during April to February, 2025-26 over corresponding period of the previous year.

Countries	GDP		CPI		Current Account Balance	Budget Balance	Interest Rates
	Latest	2023*	Latest	2023*	% of GDP, 2023*	% of GDP, 2023*	(10YGov), Latest
Brazil	3.4 Q2	3.1	4.6 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	2.1	-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	3.4

ECONOMIC DATA SNAPSHOT

Countries	GDP (% change on year ago)		CPI (%change on year ago)		Current Account Balance % of GDP, 2026*	Budget Balance % of GDP, 2026*	Interest Rates 10-yr gov't bonds latest,%
	Latest	2026*	Latest	2026*			
	Brazil	1.8 Q4	1.8	3.8 Feb			
Russia	0.6 Q3	1.5	5.9 Feb	5.7	2.7	-2.6	14.3
India	7.8 Q4	7.2	3.2 Feb	4.5	-1.3	-4.3	6.9
China	4.5 Q4	4.6	1.3 Feb	1.2	3.3	-5.7	1.6
S Africa	0.8 Q4	1.7	2.9 Feb	3.8	-0.5	-4.2	9.0
USA	2.0 Q4	2.5	2.4 Feb	3.2	-3.5	-6.5	4.3
Canada	0.7 Q4	1.4	1.8 Feb	2.5	-0.7	-2.2	3.5
Mexico	1.8 Q4	1.5	4.0 Feb	3.8	-0.5	-3.8	9.3
Euro Area	1.2 Q4	1.2	1.9 Feb	2.2	2.4	-3.3	3.0
Germany	0.4 Q4	1.0	1.9 Feb	2.6	4.6	-3.8	3.0
Britain	1.0 Q4	1.0	3.0 Feb	2.8	-4.1	-5.0	4.9
Australia	2.6 Q4	2.1	3.7 Feb	3.7	-1.6	-1.6	4.9
Indonesia	5.4 Q4	5.2	4.8 Feb	3.1	-0.2	-3.4	6.8
Malaysia	6.3 Q4	4.8	1.4 Feb	2.2	2.6	-3.6	3.6
Singapore	6.9 Q4	3.2	1.2 Feb	1.7	15.0	1.1	2.2
S Korea	1.6 Q4	2.1	2.0 Feb	2.1	4.4	-2.9	3.9



BANKING

RBI Issues Draft Amendment Directions for ‘Review of Framework of Limiting Customer Liability in Digital Transactions’

The Reserve Bank of India has issued draft Amendment Directions (2026) to update its 2017 framework on limiting customer liability in unauthorised digital banking transactions, reflecting the rapid evolution of digital payments. The proposed changes aim to broaden coverage to more types of fraudulent electronic transactions, speed up complaint resolution by banks, and introduce a compensation mechanism for small-value frauds. These amendments will apply across various banking entities, including commercial banks, small finance banks, payment banks, cooperative banks, and regional rural banks. The compensation mechanism will initially be implemented for one year and later reviewed to potentially increase banks’ share and reduce RBI’s role in payouts. The RBI has invited public and stakeholder feedback on the draft directions until April 6, 2026.

RBI issues Directions on Prudential Norms on Declaration of Dividend and Remittance of Profit by Regulated Entities

The Reserve Bank of India has issued final Directions on prudential norms governing the declaration of dividends and remittance of profits by banks, following stakeholder feedback on draft proposals released in January 2026. The revised framework, applicable to commercial banks, small finance banks, payment banks, local area banks, and regional rural banks, incorporates modifications based on feedback and will come into effect from FY 2026–27, while existing norms will continue until FY 2025–26. As part of the update, the RBI has released new Master Directions, Repeal Directions to replace earlier guidelines, and an Amendment Guideline related to wholly owned subsidiaries of foreign banks, thereby streamlining and strengthening the regulatory framework for profit distribution by regulated entities.

RBI Issues Amendment Directions on ‘Clarification on Owned Fund / Tier 1 Capital computation for NBFCs / ARCs and applicability to Credit / Investment Concentration Norms’

The Reserve Bank of India has issued final Amendment Directions on the computation of Owned Fund/Tier 1 Capital and its applicability to credit and investment concentration norms for NBFCs and ARCs, following stakeholder feedback on draft proposals released in January 2026. The revisions clarify existing provisions—particularly the practice of considering Tier 1 Capital as of March 31 of the previous year (for NBFCs excluding NBFC-UL and ARCs)—and aim to bring greater consistency and regulatory clarity in capital adequacy and concentration risk management. The updated framework incorporates modifications based on industry inputs and spans multiple entities, including NBFCs, housing finance companies, core investment companies, mortgage guarantee companies, asset reconstruction companies, and standalone primary dealers.

Renewal of the Bilateral Swap Arrangement between Japan and India

Japan and India renewed the Bilateral Swap Arrangement (BSA) effective from February 28, 2026.

The Bank of Japan, acting as the agent for the Minister of Finance, Japan, and the Reserve Bank of India signed the third Amendment and Restatement Agreement of the BSA. The BSA is a two-way arrangement where both authorities can swap their local currencies in exchange for the US Dollar. The size of the BSA remains unchanged, that is, up to 75 billion US Dollars.

Japan and India believe that the BSA, which aims to strengthen and complement other financial safety nets, will further deepen financial cooperation between the two countries and contribute to regional and global financial stability.

Monetary Policy Statement, 2026-27 Resolution of the Monetary Policy Committee April 6 to 8, 2026

The Monetary Policy Committee of the Reserve Bank of India, in its April 6–8, 2026 meeting, decided to keep the repo rate unchanged at 5.25% and maintain a neutral stance, citing rising global uncertainties, especially due to the West Asia conflict impacting supply chains, energy prices, and financial markets. While India's economy remains resilient with strong growth (7.6% in 2025–26) driven by consumption and investment, growth for 2026–27 is projected to moderate to 6.9% amid external risks. Inflation, though currently contained, is expected at 4.6% with potential upward pressure from energy prices and weather-related disruptions. Given this mix of steady domestic fundamentals but uncertain global conditions, the MPC opted for a cautious “wait and watch” approach, aiming to balance inflation control with sustaining growth.



INSURANCE

Step Towards Aligning India's Insurance Financial Reporting Framework with Globally Accepted Standards

The Insurance Regulatory and Development Authority of India has issued a draft amendment to strengthen policyholder protection and improve transparency by proposing the adoption of Indian Accounting Standards (Ind AS) for all insurers from April 1, 2026. The framework aims to standardize financial reporting in line with global practices, ensure smoother transition through industry consultations, and invites stakeholder feedback before final implementation.

Press Release IRDAI-USISPF

The Insurance Regulatory and Development Authority of India, in collaboration with the US-India Strategic Partnership Forum, held a virtual meeting with US-based financial stakeholders to discuss opportunities and regulatory developments in India's insurance sector. Key reforms, including the Sabka Bima Sabki Raksha Act 2025 and Ind AS implementation, were highlighted for enhancing transparency and growth. The engagement reflected IRDAI's focus on global collaboration to build a resilient and forward-looking insurance ecosystem.

Ind AS based Financial Reporting Framework for Insurance Sector

The Insurance Regulatory and Development Authority of India has approved amendments mandating all insurers to adopt Indian Accounting Standards (Ind AS) for financial reporting from April 1, 2026, to enhance transparency, consistency, and global alignment. Applicable to life, general, health, and reinsurance companies, the framework includes a two-year parallel reporting period and a one-year forbearance option to ensure a smooth transition. Developed through stakeholder consultations, the move aims to strengthen regulatory oversight, improve financial disclosures, and support a more robust insurance sector.



CAPITAL MARKET

Introduction of Voluntary Lock-in / Debit freeze facility to Mutual Fund folios

SEBI has introduced a voluntary debit freeze (lock-in) facility for mutual fund folios, allowing investors to block redemptions or transfers to enhance security against unauthorized transactions. This facility applies to both demat and non-demat folios and will initially be available through MF Central for KYC-compliant investors with registered contact details. Effective from 30 April 2026, detailed operational guidelines, including the process for freezing and unfreezing folios, will be specified by AMFI.

Borrowing by Mutual Funds

SEBI has issued a revised framework on borrowing by mutual funds under the 2026 regulations, allowing funds to borrow up to 20% of scheme assets for up to six months to meet temporary liquidity needs such as redemptions and payouts. It also formalises intraday borrowing, which is exempt from this limit but tightly restricted permitted only to bridge same-day cash flow mismatches and capped by guaranteed receivables due the same day from specified entities. Additional safeguards include defined eligible instruments, board-approved policies by AMCs, and a requirement that borrowing costs be borne by the AMC, with the framework effective from 1 April 2026.

Key decisions taken in the SEBI Board Meeting dated 23rd March, 2026

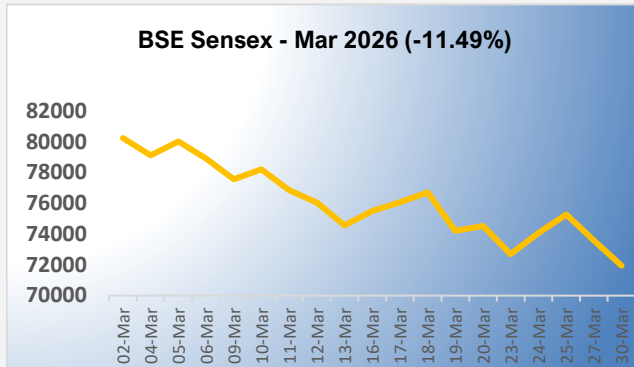
SEBI, in its board meeting on 23 March 2026, approved a wide set of reforms aimed at improving market efficiency and ease of doing business while strengthening governance. Key decisions included easing norms for AIFs (including flexibility in winding up), allowing net settlement for FPIs to reduce funding costs, lowering the minimum investment in social impact funds to ₹1,000 to boost retail participation, and introducing operational relaxations for REITs and InvITs. The board also revised the “fit and proper” criteria for intermediaries and approved stricter conflict-of-interest and disclosure norms for SEBI officials, enhancing transparency and accountability.

Chairman, SEBI launched an important investor protection measure in the form of Verified Label for stock trading apps of brokers registered with SEBI, on Google Play Store

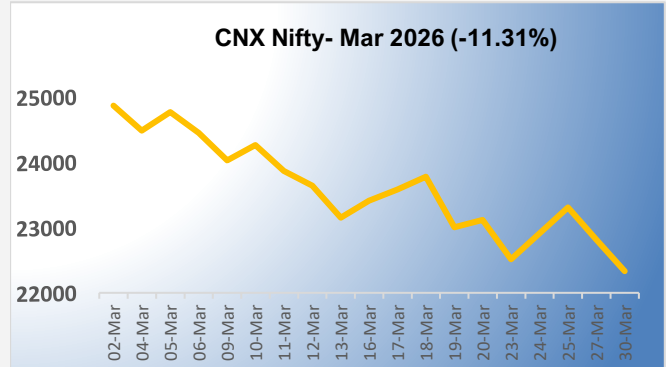
SEBI has introduced a “Verified” label for stock trading apps of SEBI-registered brokers on the Google Play Store as an investor protection measure to combat rising digital fraud. The label acts as a visual trust marker, helping investors easily identify genuine, regulated apps and avoid fake or impersonating platforms. Initially rolled out for stockbroker apps (with over 600 already verified), the initiative will later extend to other intermediaries and is part of SEBI’s broader collaboration with Google to strengthen digital market safety and curb misleading activities.



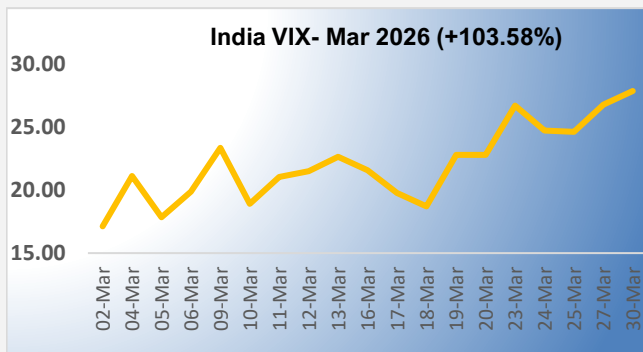
CAPITAL MARKET SNAPSHOT



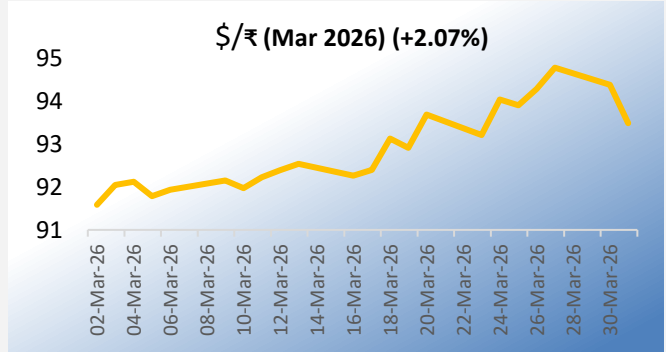
Sources: Bombay Stock Exchange



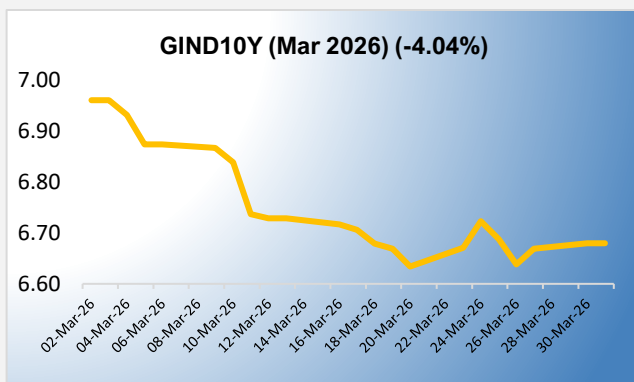
Sources: National Stock Exchange



Source: National Stock Exchange



Sources: APAS Business Research Team



Sources: APAS Business Research Team

Equity markets collapsed in March 2026, witnessing their sharpest monthly decline in recent years amid a perfect storm of domestic and global headwinds. The BSE Sensex plummeted 11.49%, while the Nifty 50 crashed 11.31%. Broader markets also suffered steep losses, with the Nifty Midcap 100 falling 10.94% and the Nifty Smallcap 100 declining 10.19%. Vix surged dramatically by 103.58%, reflecting extreme market panic and unprecedented investor anxiety as risk appetite evaporated across all segments.

Sentiment during March deteriorated sharply due to a confluence of severe pressures including escalating geopolitical tensions, aggressive US trade actions, sharp foreign portfolio investor withdrawals, currency depreciation, and deteriorating corporate earnings outlooks. Domestic support mechanisms proved inadequate in stemming the broad-based selloff as investors rushed to reduce exposure and de-risk portfolios.

Overall, March 2026 marked a watershed moment for Indian equity markets, erasing a substantial portion of prior year gains and signalling a fundamental shift in market dynamics. The severe correction highlighted vulnerabilities to external shocks and underscored the critical need for policy intervention and stabilization measures heading into the second quarter of 2026.

ABOUT APAS

APAS is an advisory management 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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