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I-CAN COMMUNIQUÉ

APRIL 2025

MONTHLY NEWSLETTER – APRIL 2025

Sensex : Up 5.76% Nifty : Up 6.31%	
Best performing sector: Defence (+ 24.59 %)	Worst performing sector: BSE SME IPO (- 5.58 %)
Best performing Global index: Bovespa (6.08 %)	Worst performing Global index: Nasdaq Transportation (-11.32%)
Indian Rupee: +2.08%	Gold (International): +10.08%

MACRO ECONOMIC HIGHLIGHTS

India's CPI Inflation

A sharp deceleration in food price rise helped moderate India's retail inflation to a seven-month low of 3.61 per cent in February, triggering hopes of another repo rate cut as this would be the final official price gauge print before the Monetary Policy Committee (MPC) of the Reserve Bank of India (RBI) convenes on April 7. Food inflation fell sharply from almost 6 per cent in January to 3.75 per cent in February, marking the mildest uptick since May 2023, thanks largely to a year-on-year contraction in prices of vegetables (-1.07 per cent), pulses (-0.35 per cent), and eggs (-3.01 per cent). Rural food inflation stood at 4.06 per cent, while urban food inflation was 3.20 per cent, significantly below the 6.31 per cent and 5.53 per cent, respectively, recorded in January. Overall rural inflation dropped to 3.79 per cent in February from 4.59 per cent in January, while urban inflation declined from 3.87 per cent to 3.32 per cent. Core inflation, which excludes food and fuel components, inched up slightly during February to about 4 per cent, as inflation rates for housing (2.91 per cent), and services like health (4.12 per cent), transport (2.87 per cent), recreation (2.75 per cent) and personal care (13.58 per cent) accelerated during the month.

India's IIP data

The Index for Industrial Production (IIP) numbers for January, released separately by the National Statistics Office (NSO) showed factory output growth surged to an eight-month high of 5.01 per cent from 3.54 per cent in December, driven by a 5.5 per cent upswing in the critical manufacturing sector. The first IIP print for Q4 of 2024-25 should also offer some comfort to policy makers on the restoration of the growth-inflation balance that had gone a tad awry in preceding months.

India's Economic Growth

Indian economy grew by 6.2 per cent during October-December quarter (Q3) of current fiscal as against 5.6 per cent in July-September quarter (Q2), data released by the Statistics Ministry showed. Growth rate during Q3 of last fiscal has been revised to 9.5 per cent. The Ministry has also revised growth number for full fiscal. Now Real GDP has been estimated to grow by 6.5 per cent in FY 2024-25 as against 6.4 per cent.

'Construction' sector is estimated to observe a growth rate of 8.6 per cent followed by 'Financial, Real Estate & Professional Services' sector (7.2 per cent) and 'Trade, Hotels, Transport, Communication & Services related to Broadcasting' sector (6.4 per cent) during 2024-25. Private Final Consumption Expenditure (PFCE) is expected to register a good growth of 7.6 per cent during 2024-25 as compared to 5.6 per cent growth observed during 2023-24.

India's PMI Data

Private sector output in India increased at a slower pace in March as compared to the previous month, amid a quicker expansion in manufacturing activity and a softer increase in services activity, according to the HSBC flash Purchasing Managers' Index (PMI) survey release. "Manufacturing was March's brighter spot, posting quicker increases in sales and output that were faster than those registered in the service economy," the survey noted. The index compiled by S&P Global fell to 58.6 in March from February's final reading of 58.8. The index, which measures monthly change in the combined output of India's manufacturing and service sectors, has been above the neutral 50-mark that separates growth from contraction for the 44th consecutive month. "India's private sector economy ended the FY25 on strong footing, sustaining robust expansions in new business intakes and output. Rates of growth softened from February, though remained well above their respective long-run averages," the survey said. In the manufacturing sector, the flash PMI, which is a composite measure of new orders, output, employment, supplier delivery times, and inventory levels, noted improvement in operating conditions that was broadly aligned with the average for FY25. "Goods producers indicated a quicker increase than in February, and one that was above the growth rate recorded for service providers. Among the latter, the pace of expansion was the second-slowest since November 2023 as firms noted an intensification of competitive pressure," the survey noted.

Liquidity Injection by RBI

The Reserve Bank of India (RBI) has injected liquidity, durable and transient, aggregating about ₹15.5 lakh crore into the banking system in the last couple of months to help overcome funds crunch and support credit growth. So far in Q4FY25, the Reserve Bank has injected around ₹5.5 lakh crore of durable liquidity into the banking system through a combination of OMO (open market operation) purchases, longer-duration VRR (variable repo rate) auctions and forex (US Dollar/Indian Rupee Buy/Sell) swaps, according to RBI's latest monthly bulletin. OMO-purchase entails purchase of Government Securities (G-Secs) by RBI from Banks to infuse durable liquidity. VRR auction involves Banks placing G-Secs as collateral with RBI and drawing short-term (transient) liquidity. A dollar/rupee buy/sell swap auction involves banks selling dollars to the RBI in the first leg. In the reverse leg, rupee funds are returned to the RBI along with the swap premium to get the dollars back after the prescribed swap tenor."

RBI's Gold Reserves

The Reserve Bank of India (RBI) has added more gold to its reserves since the pandemic than any other central bank barring China's. The RBI added 244 tonnes in five years, from 2020 to 2024, shows the data from the World Gold Council. China added 336 tonnes over this period. The pace continues for India even as some others have slowed. It was the second-biggest buyer of gold in the last quarter of 2024

(22.54 tonnes). China was lower (15.24 tonnes), and Singapore cut gold holdings by 7.65 tonnes.

India's Fiscal Deficit

India's fiscal deficit for April to January, or the first 10 months of this fiscal year, was at 11.70 lakh crore rupees, equivalent to 74.5% of annual estimates, widening from the previous year's 63.6%. The government aims to narrow the fiscal gap to 4.8% of GDP in this financial year from 5.6% a year earlier.

Moody's outlook on Indian Banking Sector

Moody's maintains a stable outlook for the Indian banking sector but anticipates some asset quality deterioration in unsecured retail, microfinance, and small business loans. Bank growth is predicted to slow to 11%-13% by FY26. Non-performing loans are expected to rise moderately to 2%-3%, and profitability will weaken slightly yet remain adequate.

HSBC India Business Outlook

Private sector companies in India remain optimistic about demand conditions over the next year, driven by new projects, advertising, and tech investment. The HSBC India Business Outlook shows a slight decline in output growth expectations while still above global averages. Challenges include competitive pressures and client demand for lower prices. Firms plan to expand workforces and manage competitive pricing.

India Growth Forecast by S&P Global

S&P Global revised downwards its India growth forecast for 2025-26 by 20 basis points (bps) to 6.5 per cent, while maintaining that the country's services-led exports to the US will remain resilient despite impending reciprocal tariffs. "India's gross domestic product (GDP) will grow 6.5 per cent in the financial year ending March 31, 2026, we expect. Our forecast is the same as the outcome for the previous financial year but lower than our earlier estimate of 6.7 per cent," the global credit rating agency said in its latest quarterly economic update for APAC. The update assumes the upcoming monsoon season will be normal and that commodity prices, especially crude oil will remain soft. "Cooling food inflation, the tax benefits announced in the country's Budget for the financial year ending March 2026, and lower borrowing costs will support discretionary consumption," the update notes. The update also projected that the Reserve Bank of India (RBI) will cut interest rates by another 75-100 bps in the current cycle, as easing food inflation and lower crude prices will bring headline inflation closer to the central bank's target of 4 per cent in the financial year ending March 2026.

S&P Global on US Tariff Impact

On the possible impact of US tariffs, the update notes that, as tariffs tend to be levied on goods, trade will be more resilient in economies where a substantial share of exports consists of services. "This is the case for the Philippines and, especially, India. Still, all of APAC will feel the indirect impact of tariff turmoil. Slower international growth resulting from trade friction and the associated uncertainty will weigh on exports," it noted. However, the US tariff hikes on China's exports will weigh on its economy. "We had incorporated 10 per cent US tariffs in our November baseline, implying an effective US tariff on Chinese exports of about 25 per cent. The additional 10 per cent levies will bring the effective rate to about 35 per cent. That will depress China's growth through lower exports, investment, and other spillover effects," the update said. S&P said the impact on GDP growth would be most pronounced for Malaysia (because of semiconductors), Singapore (due to pharmaceutical products), and South Korea (because of automobiles).

REFORMS

SEBI eases intraday monitoring rules

The Securities and Exchange Board of India (Sebi) has eased the intraday monitoring rules which are set to take effect from April 1 for index derivatives amid industry pushback. Starting next week, exchanges like the NSE and BSE will take at least four random snapshots of positions daily within predefined time windows. The move aims to enhance oversight of the derivatives market but has sparked debate among brokers and traders. Industry bodies, including the Association of National Exchanges Members of India (ANMI), Brokers' Forum (BBF), and Commodity Participants Association of India (CPAI), flagged potential challenges. They argued that stockbrokers and clients lack the systems to monitor existing notional-based position limits intraday. Adding to the complexity, Sebi's consultation paper issued on February 24 proposes a shift to delta-based or futures-equivalent limits, with higher intraday thresholds than end-of-day (EOD) caps, a framework that could render current preparations obsolete once finalised. As a result, Sebi has opted for a softer rollout, under which exchanges will monitor intraday limits and notify clients and trading members of breaches for risk management purposes, but no fines or violations will be recorded until further guidance is issued.

SEBI approves proposal to increase granular disclosures by FPIs

Sebi has approved a proposal to increase the investment threshold for granular disclosures by foreign portfolio investors (FPIs) to Rs 50,000 crore from Rs 25,000 crore. The decision was taken at the board meeting under the newly-appointed chairman Tuhin Kanta Pandey. Currently, certain FPIs with equity assets under management (AUM) of more than Rs 25,000 crore are needed to give granular details of all their investors or stakeholders on a look-through basis. Through a circular in August 24, 2023, the market regulator had directed FPIs with more than 50% of their equity AUM in a single corporate group to make disclosures under the additional disclosure framework. It also directed FPIS holding more than Rs 25,000 crore of equity AUM in Indian markets to disclose details of all entities (up to the level of natural person) holding any ownership, economic interest, or control, on a full look through basis, without any thresholds.

SEBI launches centralized database portal for corporate bonds

Sebi has launched a centralised database portal for corporate bonds in a bid to create a single, authentic source of information on such securities. The portal, Bond Central, has been developed by the Online Bond Platform Providers Association (OBPP Association) in collaboration with Market Infrastructure Institutions (MIIs), which include stock exchanges and depositories. "The Bond Central aims to create a single, authentic source of information on corporate bonds issued in India and is intended as an information repository for the public at large and is accessible free of cost," SEBI said in a statement.

SEBI's settlement scheme

Sebi is set to introduce a settlement scheme for over 100 stock brokers who faced regulatory scrutiny for their association with algorithmic trading platforms promising guaranteed returns. Each broker may be required to pay a settlement amount of ₹1 lakh under the scheme, sources said. The settlement scheme is expected to be notified soon, providing relief to the affected brokers. Sebi has already approved the scheme, which aims to ease the burden on the judicial system. "The settlement amount of ₹1 lakh will be uniform for all brokers," said a person familiar with the developments. The brokers in question had allowed application programming interfaces (APIs) of algo provider TradeTron, allegedly providing assured returns, to be used by their clients. This episode prompted Sebi to strengthen its framework on retail traders using algo platforms, mandating empanelment of algo providers and defining responsibilities for stock brokers and exchanges. Sebi is also considering a standard operating procedure (SOP) for settlement regulations.

SEBI to tighten post listing disclosure norms for SMEs

After tightening rules for listing and eligibility of SME public issues, Sebi is set to introduce stricter rules on post-listing obligations and disclosures, sources said. The regulator is expected to amend the Listing Obligations and Disclosure Requirements (LODR) Regulations by early April, introducing tighter disclosure norms for SMEs after listing on dedicated stock exchanges. The move follows repeated instances of irregularities, non-compliances, and manipulations within the SME ecosystem.

SEBI proposes to limit expiries of equity derivatives contracts to either Tuesdays/ Thursdays

Sebi has proposed to limit the expiries of all equity derivatives contracts of an exchange to one of either Tuesdays or Thursdays. This is with a view to provide optimal spacing between expiries across exchanges while avoiding choice of either the first day of the week or the last day as an expiry day. The Sebi proposal comes following NSE's decision to move F&O expiry days for Nifty, Bank Nifty, FinNifty, Nifty Next50 and Nifty Midcap Select to Monday from the current Thursday expiry day. In a circular issued on March 4, NSE made these changes which will come into effect from Tuesday, April 4, 2025. A consultation paper released also proposes that every exchange will continue to be allowed one weekly benchmark index options contract, on their chosen day i.e. Tuesday or Thursday. Besides benchmark index options, all other equity derivatives contracts viz. all benchmark index futures, non-benchmark index futures / options and all single stock futures / options will be offered with a minimum tenor of 1 month and the expiry will be in the last week of every month on their chosen day. Exchanges will also now have to seek prior approval of Sebi for launching or modifying any contract expiry or settlement day. The last date to send the submit public feedback is April 17, 2025.
The market watchdog seeks to achieve predictability and stability for the market participants around expiry days of equity derivatives contracts across the exchanges. It also wants to ensure ideal spacing of expiry days to reduce concentration risk, provide room for product innovation and risk management, while ensuring investor protection and market stability. Expiry day for BSE's F&O single stocks and index contracts is Tuesday.

Tale of Tariffs

You must be reading about the US President imposing tariffs on nations in the recent past. A tariff is a tax or duty that a government places on goods imported into a country. Its objective is either to raise government revenue or protect domestic industries by making imported goods more expensive. However, it is widely speculated that Mr Trump might have several other motives, the obvious one being reducing their trade deficit with other nations by negotiating better trade deals in favour of the US.

Then why did equity investors globally, including the US, have a negative reaction to it? Well, the tariff rates seemed beyond the market expectations. The most obvious risk of excessive tariffs is a sharp spike in inflation. When government adds tariffs to imported goods, those goods become more expensive for businesses and consumers. That price increase can spread through the economy, raising the overall cost of living, which is basically inflation.

However, excessive tariffs can also lead to a recession, especially if they are widespread and prolonged. Let us break down how that happens:

1. **Lower Consumer Spending**

- Tariffs raise the cost of imported goods
- Businesses pass that cost onto consumers, hurting the demand. Lower demand can lead to layoffs which can further impact consumer spending.

2. **Trade Wars Hurt Exports**

- Other countries may retaliate with their own tariffs
- That makes it harder for domestic companies to sell products abroad

3. **Less Investment due to Business Uncertainty**

- Companies get nervous when trade policies change and delay expansion, hiring, or investing in new projects

4. **Supply Chain Disruptions**

- Many products rely on global supply chains
- If tariffs block key parts or materials, production gets harder and more expensive

5. **Inefficiency and Lack of Innovation**

- With less global competition, local industries may become less efficient since there is less pressure to innovate or improve quality

Thus, excessive tariffs can protect some industries temporarily, but they usually lead to higher prices, trade conflicts and slower growth. Excessive tariffs can definitely influence bond yields and currency strength, and the effects are mostly tied to how they impact inflation, economic growth, and investor confidence.

While economists called out Trump tariffs as unsustainable for the US economy, Trump has paused the tariff imposition for 90 days for most countries except China. It will be interesting to witness how the US negotiates trade deals with several countries in the meanwhile.

Monthly Mantra

You never lose when the market panics. You only lose when you panic.

Cartoon of the Month

Good News!

1. A surge of visitors on account of Mahakhumbh contributed to Uttar Pradesh recording over ₹1,000 crore increase in GST collections in January and February over the corresponding period last year. During the period, UP witnessed double digit growth in GST collections, which surpassed the national average of 9 per cent in February. The boost to the state economy will have a national impact as well. Chief Economic Advisor V Anantha Nageswaran said that a likely contributor to economic growth this year can be the “huge spending” associated with the Mahakumbh.

2. India’s exports of agricultural and processed food products rose by more than 13% year-on-year to $22.67 billion during the April-February period of the current financial year, driven primarily by a sharp increase of 21% in rice shipments. The government started easing restrictions on rice exports in September 2024 on prospects of bumper output and significantly higher stocks, around a year after they were imposed. Exporters say that rice exports in FY25 may see an increase of 15% surpassing a record $12 billion because of a robust global demand. Trade sources say India’s dominance in global rice trade is likely to be restored with a spike in shipments, especially to Africa and Southeast Asian countries.

3. After a gap of nearly 10 years, India and New Zealand announced resumption of negotiations for a proposed free trade agreement (FTA) to boost economic ties. The announcement came on the eve of the meeting between Prime Minister Narendra Modi and New Zealand Prime Minister Christopher Luxon, who was on a four-day visit to India. The announcement came after a meeting between commerce minister Piyush Goyal and New Zealand’s minister of trade and investment Todd McClay. “The India-New Zealand FTA negotiations aim to achieve balanced outcomes that enhance supply chain integration and improve market access,” a commerce ministry statement said.

4. The Reserve Bank of India (RBI) has been selected for the Digital Transformation Award 2025 by Central Banking, London, UK. The central bank was awarded for its digital initiatives- Pravaah and Sarthi, which were developed by its in-house developer team. The awards committee noted how these digital initiatives have reduced the use of paper-based submissions, thus transforming RBI’s internal and external processes.

5. The Union Cabinet approved ₹1,500 crore allocation to promote low-value UPI transactions, offering 0.15% incentives for transactions up to ₹2,000. The goal is 200 billion transactions by FY25. Additional projects approved include a national highway in Maharashtra, a new ammonia-urea complex in Assam, and revisions in dairy and livestock programs.

Top Personal Finance News – March 2025

1. Cabinet approves 2% DA hike for central govt employees - The Economic Times Click here
2. ATM charges hiked by ₹2 to ₹23 per withdrawal beyond free monthly usage from May 1 | Mint Click here
3. India to introduce easy process for claiming over ₹78,000 crore in unclaimed deposits - The Economic Times Click here
4. At 2.26 mn, February sees lowest demat account additions in 21 months | Markets News - Business Standard Click here
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6. Do foreign investors not pay capital gains tax in other countries? Not true | Markets News - Business Standard Click here
7. 25 Lakh Indians already Investing Abroad. Their favourite stocks are… - Investing Abroad News | The Financial Express Click here
8. Deposit insurance demystified: Exploring the future of bank deposit safety | Finance News - Business Standard Click here
9. UPI transactions hit record 17 bn in Jan, set new record - Banking & Finance News | The Financial Express Click here
10. UPI alert! Banks to roll out these changes from April 1 onwards | Mint Click here