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DELIVERING CAPITAL. CHANGING LIVES.

A TECH-FOCUSED IMPACT-FIRST INVESTMENT BANK

Key Updates from Regulators

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Key Updates from RBI

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RBI Tightens Investment Norms for Banks

Regulation

Classification of Investments: Banks are required to reclassify investments into three categories – **Held to Maturity (HTM), Available for Sale (AFS)**, and **Fair Value Through Profit and Loss (FVTPL)** – in alignment with global accounting standards.

Exposure Limits: Single-counterparty exposure limits tightened to reduce risks from concentrated investments.

Capital Adequacy Requirements: Increased focus on provisioning to account for market volatility and credit risks.

Implications

Impact Areas

- **Transparency:** Enhanced disclosure of investment portfolios improves trust and facilitates better stakeholder decision-making.
- **Risk Mitigation:** Ensures banks maintain stronger buffers to withstand market fluctuations and investment risks.
- **Economic Stability:** Stricter norms expected to bring more resilience to the banking system, fostering long-term growth.

Sector Insights

- Banking Investments: Account for **20%-25%** of financial assets in India, reflecting their critical role in economic stability.
- Future Projections: Compliance with these norms is anticipated to reduce default risks by **10%** and promote more secure financial practices by **FY26**.

Key Updates from SEBI

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SEBI Tightens Investment Norms for Equity F&O Market

Regulation

Higher Margin Requirements: Margins for F&O trades have been raised to ensure traders have more financial backing, reducing the risk of defaults by **10%** and promoting more secure financial practices by **FY26**.

Stricter Position Limits: New restrictions on the maximum number of contracts per trader aim to curb excessive speculation and ensure a balanced trading environment.

New Threshold Limit: The **new exposure threshold limit** is capped at **20% of a bank's eligible capital base** for single-counterparty exposure. This has been tightened to reduce the risks of over-concentration in investments.

Implications

Impact Areas

- **Lower Trading Volumes:** The equity F&O market experienced a significant **36.56%** drop in volumes in December 2024, marking a **16-month** low, as traders adjusted to the new cost structure and restrictions.
- **Shift to Cash Markets:** Cash market turnover increased by **4.4%**, reflecting a growing preference for traditional investments and lower-risk avenues as trading in derivatives becomes costlier.

Sector Insights

- **Stability and Security:** The regulations encourage disciplined trading, reduce market volatility, and enhance transparency, ensuring a safer environment for all participants.
- **Global Alignment:** SEBI's measures align with international best practices, fostering a robust and competitive ecosystem that attracts global and domestic investors.

Key Updates from NPCI

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NPCI Revises Market Cap Deadline for UPI Players

Regulation

Extended Timeline: NPCI extends the deadline for the 30% market cap compliance by two years, now set to December 31, 2026.

Current Status: Dominant UPI players like PhonePe and Google Pay hold over 80% market share, exceeding the limit.

Gradual Implementation: Originally set for January 2023, then extended to December 2024, now pushed further to ensure seamless compliance.

Future Outlook: NPCI has given PhonePe, Google Pay, and other UPI players until December 31, 2026, to reduce their market share to 30%. During this time, these companies will work on adjustments, while NPCI will monitor progress to ensure no disruption to users and maintain stability in the UPI ecosystem.

Implications

Impact Areas

- **Continued Dominance:** Leading players like PhonePe (47.8%) and Google Pay (37%) retain significant market shares without immediate disruption.
- **Ease of Transition:** Extending the deadline ensures smoother adaptation for major players.

Sector Insights

- **Strengthened Ecosystem:** Aligns India's digital payment landscape with international standards, supporting long-term innovation.
- **Market Dynamics:** Balances regulatory measures while reducing dependence on leading players.

Key Updates from SMEs IPO

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SME IPOs Achieve Record Fundraising in CY24

Regulation

Market Performance:

- **Record Mop-Up:** Small and Medium Enterprises (SMEs) raised a **record ₹5,000 crore** through Initial Public Offerings (IPOs) in CY24, reflecting strong investor confidence.
- **Sector-Wise Contribution:** Key industries like **manufacturing**, **technology**, and **services** dominated the fundraising, showcasing diverse market participation.

Regulation and Trends:

- **Ease of Listing:** Regulatory reforms by SEBI and streamlined processes have significantly boosted SME participation in capital markets.
- **Investor Interest:** Growing trust in SME businesses and attractive valuations have increased retail and institutional participation.

Impact Areas:

- **Market Liquidity:** Increased fundraising enhances liquidity for SME businesses, enabling growth and innovation.
- **Retail Participation:** A higher number of retail investors are venturing into SME IPOs, diversifying their portfolios and driving market depth.
- **Economic Contribution:** Strengthened SME sectors contribute to job creation and regional economic development.

Sector Insights:

- **Growth Momentum:** Regulatory support and strong investor demand will sustain SME growth in the coming years.
- **Capital Utilization:** Funds are focused on expansion, technology upgrades, and debt repayment for sustainable growth.

Non-resident Investment in Debt Securities

Non-resident Investment in Debt Securities

Reserve Bank of India (RBI) has issued the Master Direction on Non-resident Investment in Debt Instruments, 2025, to regulate foreign investments in Indian debt instruments. The Directions consolidate earlier guidelines issued through various circulars and apply to all non-resident debt instrument transactions.

The following shall be the channels for investment in debt instruments by non-residents:

Particulars	General Route	Voluntary Retention Route (VRR)	Fully Accessible Route (FAR)
Eligible Investors	Foreign Portfolio Investors (FPIs)	Foreign Portfolio Investors (FPIs)	Foreign Portfolio Investors (FPIs), Non-Resident Indians (NRIs), Overseas Citizens of India (OCIs), and other eligible non-residents.
Eligible Instruments	- Central Government Securities (excluding specified securities under FAR) - State Government Securities - Corporate Debt Securities (Residual maturity >1 year)	- All instruments under General Route (excluding units of domestic mutual funds/ETFs investing ≤50% in equity and partly paid debt instruments) - Repo/Reverse Repo (upto 10% of VRR investments)	- Specified Central Government Securities (e.g., 5-year, 7-year, and 10-year bonds notified by RBI)
Macroprudential Limits	- **6%** of outstanding stock for Central Government Securities - **2%** for State Government Securities - **15%** for Corporate Debt Securities	- No macroprudential limits	- No macroprudential limits

Non-resident Investment in Debt Securities

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Particulars	General Route	Voluntary Retention Route (VRR)	Fully Accessible Route (FAR)
Investment Limits	- **Short-term investments (residual maturity ≤ 1 year): ≤30%** of total investments for each category - **Central Government Security: ≤30%** of the outstanding stock - **Concentration Limits:** Long-term FPIs: **15%**; Other FPIs: **10%**	- **₹2,50,000 crore** or higher, as notified by RBI - 75% of Committed Portfolio Size (CPS) must be invested within 3 months	- No restrictions
Investment Conditions	- **Minimum residual maturity requirement:** Corporate Debt Securities >1 year	- **Minimum Retention Period:** 3 years - Income reinvestment allowed, even if such investments are exceeding CPS - Exit before retention by transferring to another FPI only	- Investments limited to RBI designated specified securities - Securities remain eligible until maturity
Challenges	- High compliance burden - Risk of breaching macroprudential limits (requires constant monitoring) - Limited flexibility for short-term investments	- Long retention period may reduce liquidity - Limited options for premature exit	- Restricted to certain government securities, limiting diversification - Excludes State Government and Corporate Bonds.

Note: ECB is covered under "Master Direction - External Commercial Borrowings, Trade Credits and Structured Obligations"

Market and Investment Updates

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Market Overview

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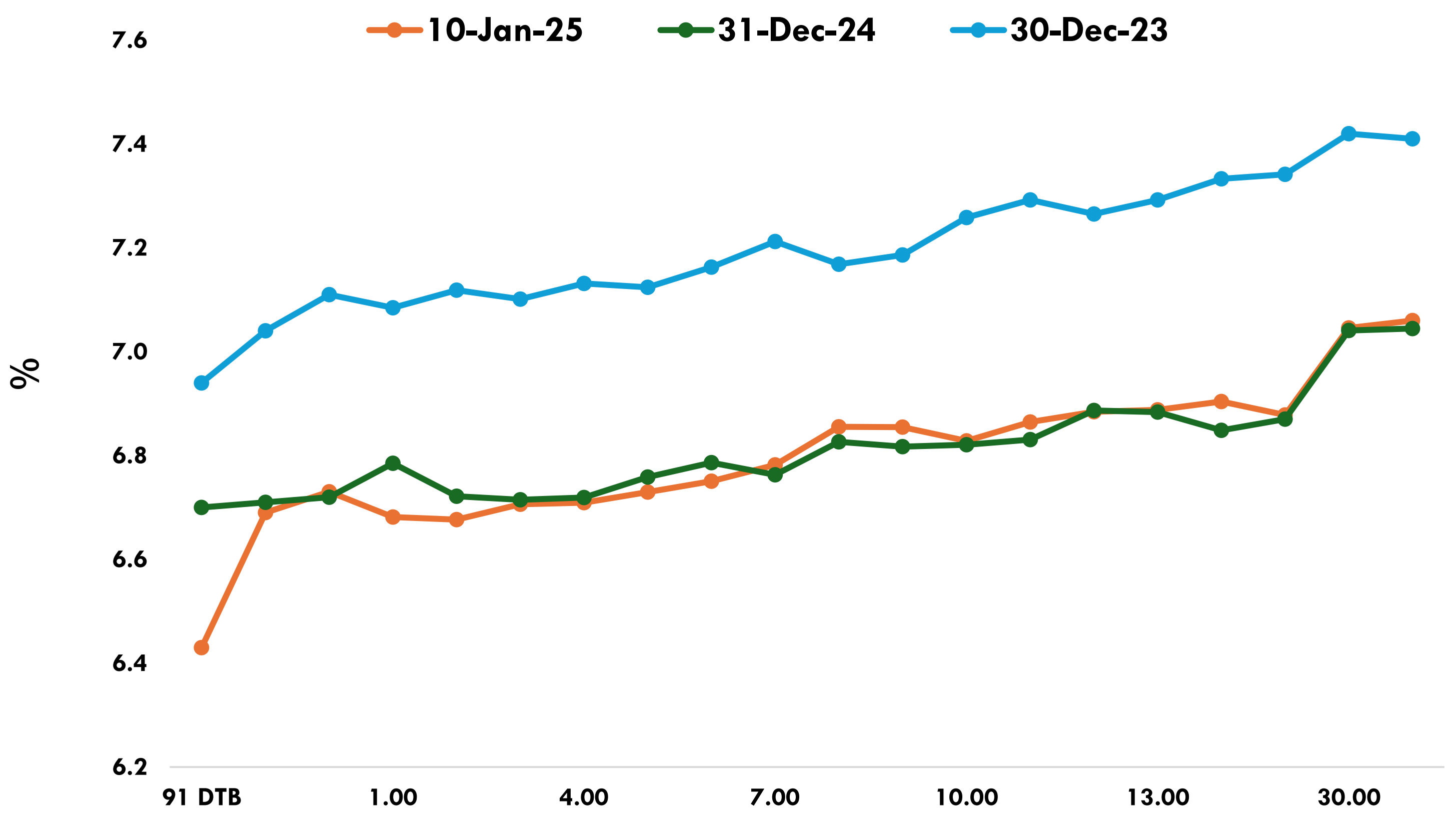
Yield Curve



Key market rates*

Repo Rate
6.50%

Reverse Repo Rate
3.35%

MSFR
6.75%

EURIBOR-6M
2.685%

SOFR-6M
4.95380%

Source: FBIL, RBI | ***Data as of Jan 14, 2025**

Public market performance and recent fundraises

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Sector-	Market Capitalization #	% Change*
Finance		
• Housing	275,143	▼ 7.5%
• NBFC's	1,417,874	▼ 0.4%
• Lending^	359,094	▼ 4.1%
Agriculture	315,466	▼ 1.0%
Climate		
• Power	1,664,056	▼ 4.4%
• Oil and Gas	2,568,570	▲ 2.4%
• Plastics	203,905	▼ 9.3%

#Market capitalization based on top 5 companies listed in BSE within the sector
**% Change from 21/12/2024- 15/01/2025*
^Does not include private banks

Company	Funding raised/ Stage
Botanic Healthcare	$29.1 Mn: Series B
Harsoria Healthcare	$20.0 Mn: Series A
GrayQuest	$9.3 Mn: Series B
BluSmart	$8.7 Mn: Series A
Zypp Electric	$6.5 Mn: Series C
EMO Energy	$6.2 Mn: Series A
Oben Electric	$5.8 Mn: Series A
Zoplar	$3.4 Mn: Series A
Sparkle Edventure	$4.0 Mn: Seed

Select fundraises from Mid-December 2024 to Mid-January 2025

Thank You