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INDIA PAVES THE WAY

India's Presidency has achieved progress on several fronts, giving a push to the country's Global South leadership ambitions, but falls short on fundraising for climate concerns

Beyond Market
it's simplified...
NIRMAL BANG
a relationship beyond broking
a financial magazine crossing horizons

Healthy And Raring To Go
Indian economy shows healthy growth, boding well for the future – Page 6

Sugar Spike
Sugar prices soar on favourable factors, including improving demand and lower production – Page 25

Turf War
The Indian paint industry will experience heightened competitive intensity in the long term, driven by the entry of new players – Page 31

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Tushita Nigam
Editor

The World Is One Family

India assumed the presidency of the G20 this year. During its presidency, India has focused on inclusive growth, digital innovation, climate resilience, and equitable global health access, striking a balance between its own citizens and the global community. This milestone in India's global leadership journey is in line with its philosophy of "Vasudhaiva Kutumbakam" or "The World is One Family."

India's G20 presidency has been a resounding success, and the cover story of this issue explores the goals achieved, the steps taken to maintain a calm global geopolitical scenario, India's stand on climate change, and much more. Read on to get a bigger picture of this important milestone in India's global leadership journey.

This issue features a diverse lineup of articles on topics such as the current state of the Indian economy in line with the latest economic data that supports the positive pulse of the country, the sustainability of the rally in small- and mid-cap stocks, and the future of the FMCG sector in India.

Further along you will find articles on the major uptrends in steel, sugar, entertainment, with special focus on Hindi cinema, paints, and retail sectors. Despite some challenges, these sectors appear to have a bright future and are worth considering.

Lastly, do not miss the article on buyback of shares that explains in detail the process and how investors can benefit from such corporate actionS.

"In the coming days, the Indian stock markets look good."

Nifty Futures: 19,720
Last Traded Price As On 27th Sept '23

During its most recent meeting, the US Federal Reserve indicated its intention to raise interest rates once more this year. Simultaneously, it warned that higher interest rates are likely to persist for a longer period.

The likelihood of higher interest rates for a longer period led to a 52-week high for 10-year bond yields and a 3-month low for the S&P 500 in the US.

Meanwhile, below-normal monsoon rains in India could lead to a decline in purchasing power in rural India, whereas government spending on infrastructure continues to remain strong.

In the coming days, the Indian stock markets look good, with the Nifty Futures having support at the 19,600 level. On the upper side, it is likely to touch the 20,100 level.

Inflation and further Fed action in the US, as well as festive demand and Q2 FY24 results in India, are likely to have a significant impact on the economy, going forward. Hence, investors should monitor these factors closely during this perioD.

HEALTHY AND RARING TO GO

Indian economy shows healthy growth, boding well for the future

The first quarter (April to June) of this fiscal has brought encouraging news for India's economy - the country's GDP expanded by 7.8%, which was a four-quarter high. This figure was better than expected and augurs well for the financial year 2023-24 (FY24).

There are challenges ahead, but unless something drastic hits the Indian economy, the country seems well-positioned to achieve a 6% or even a slightly higher GDP growth this fiscal year.

India's Chief Economic Advisor (CEA), Mr. V. Anantha Nageswaran, said that India's quarterly GDP growth was way higher than the GDP print of many economies. He added that the government was confident of achieving a 6.5% GDP growth this fiscal year.

Claiming that the government's capital expenditure push was "paying off" and crowding in private investment, the top Finance Ministry official said that the main propeller of growth in Q1 was the services sector, coupled with an uptick in capital formation.

Buoyancy in agriculture and services, especially financial, real estate and professional services, as well as contact-intensive services of trade, hotels, and transportation, contributed healthily to the heartening Q1 FY24 performance.

In the quarter, five out of the eight key sectors registered growth exceeding 5%. Importantly, two sectors clocked higher growth compared to the year-ago period.

Financial, real estate, and professional services grew by 12.2% as against 8.5% in the year-ago period, while agriculture, forestry and fishing grew at 3.5% in Q1 FY24 as against just 2.4% in the same quarter last fiscal.

India's apex bank, the Reserve Bank of India (RBI) has pegged India's GDP growth for this fiscal year at 6.5%, with the Q1 figure at 8%, Q2 at 6.5%, Q3 at 6%, and Q4 at 5.7%.

NOMURA, MORGAN STANLEY UP INDIA'S GDP RATE

After a long time, reputed international organizations have raised India's GDP growth rate for this fiscal year (FY24). There is new-found buoyancy in the air, and for the first time in nearly a couple of years, there is optimism that India can achieve a 6% or even higher GDP growth.

A better-than-expected GDP number in Q1 of this fiscal has reinforced this feeling. In fact, India's economy grew at its quickest pace in a year in the April to June quarter.

Two reputed international organizations - Nomura and Morgan Stanley - have upped their FY24 GDP growth rate estimates for the country.

Nomura has upped its forecast to 5.9% from the earlier 5.5% while Morgan Stanley has raised the country's GDP forecast to 6.4% from 6.2%.

Morgan Stanley's number is, in fact, only marginally below the Reserve Bank's estimate of a 6.5% GDP growth for this fiscal. Goldman Sachs and Barclays have kept their figures unchanged - the former at 6.4% and the latter at 6.3%.

A strong performance by India's services sector combined with a healthy demand situation helped India clock an encouraging 7.8% growth in the first quarter of this fiscal year.

Nomura has, however, lowered its 2025 GDP growth rate forecast to 5.6% from 6.5%. It said that higher food inflation, sluggish global growth, weaker monsoon this year, and a likely slowdown in government capital expenditure could adversely impact India's economic growth.

However, as things stand presently, domestic demand is expected to remain healthy, but GDP growth could moderate due to weaker manufacturing and exports against the backdrop of a global slowdown.

IN JULY INDIA'S IIP GROWS AT 5.7%

The country's Index of Industrial Production (IIP) grew at an encouraging 5.7% in July '23. In June, the IIP number came in at a much lower 3.8%.

Here, it must be highlighted that the July IIP growth of 5.7% exceeded expectations of 5%. Additionally, this growth figure is also a five-month high, and this, just like India's Q1 GDP growth rate of 7.8%, is indeed encouraging for this fiscal.

Indices of industrial production for mining, manufacturing and electricity sectors for July stood at 111.9, 141.2 and 204.0, respectively. As per use-based classification, indices stood at 141.7 for primary goods, 101.6 for capital goods, 151.8 for intermediate goods and 168.5 for infrastructure / construction goods for July.

The indices for consumer durables and consumer non-durables stood at 118.1 and 152.2, respectively, for the same month.

In June of this year, industrial growth had come in at 3.7%, which was revised upward to 3.8%. In July last year, the number stood at 2.2%.

The number may rise or fall a little but generally speaking, the IIP number is expected to be reasonably healthy in the remaining two quarters (Q3 and Q4), going forward.

INDIA'S RETAIL INFLATION SLIDES TO 6.83%

With vegetable prices moving southward in recent weeks, the country's Consumer Price Index (CPI) or retail inflation reduced to 6.83% in August. While retail inflation has slid, it is still above the Reserve Bank of India's comfort level.

The Reserve Bank's tolerance band is between 2% and 6%. It has projected CPI inflation at 5.4% for this fiscal (FY24).

Worryingly, the August number is the fourth instance of retail inflation breaching the Reserve Bank of India's 2% to 6% tolerance band in 2023, and the seventh time that this has happened since July last year.

The August number is 61 basis points (bps) below the July figure of 7.44%, which was at a 15-month high.

A significant highlight is that both urban and rural inflation reduced - the former to 6.59% and the latter to 7.02% from 7.20% and 7.63% in July of this year, respectively.

GST AUGUST COLLECTION UP 11% Y-O-Y

India's Goods and Services Tax (GST) revenue collection in August of this year was up 11% year-on-year (Y-o-Y) at ₹ 1.59 trillion. This fiscal the GST collection was the highest-ever in April at ₹ 1.87 trillion.

In June and July, the revenue mop-up stood at ₹ 1.61 lakh crore and ₹ 1.65 lakh crore, respectively.

After settlement of taxes for interstate sales, the Centre collected ₹ 65,909 crore, while states collected ₹ 67,202 crore, India's Finance Ministry said.

An important point to note is that revenue from imports of goods was 3% higher on a year-on-year basics, while revenue from domestic transactions (including imports of services) was 14% higher.

The highlight of this fiscal so far has been the robust GST revenue collections, which are expected to continue throughout this fiscal.

The steady increase in revenue is not only encouraging but also reflects resurgence in consumer demand. It also shows that the government's ongoing efforts to boost capital expenditure are beginning to reap dividends.

However, the government should keep in mind certain factors that could push down collections, such as deficient rainfall this monsoon season, high inflation and inflationary pressures, geopolitical tensions, and higher interest rates.

INDIA'S ADVANCE TAX COLLECTIONS ROBUST

India's advance tax and net direct tax collections have climbed steeply so far this year, including in the second quarter of this fiscal year (Q2 FY24).

Advance tax, which is collected from corporations and individuals, has risen sharply to reach the ₹3.55 trillion as of mid-September, up from a much lesser figure of ₹2.94 trillion a year ago.

This increase in collections has been driven by increased profitability of corporations in Q2 FY24, system-driven compliance and various enforcement initiatives.

A significant point here is that the robust tax mop-up will provide the government with additional financial cushioning to support its spending plans and reduce the fiscal deficit gap.

In the period from 1st April to 16th September of this year, India Inc contributed ₹2.8 trillion to advance tax collections, while individuals contributed ₹74,858 crore.

Overall, direct tax collection (net of refunds) registered a 23.5% jump, reaching ₹8.65 trillion during this period. This includes corporate income tax of ₹4.16 trillion and personal income tax, including securities transaction tax of ₹4.47 trillion.

What needs highlighting here is that this rate exceeds the projected growth rate of ~10% for the entire financial year, a clear indication that the direct tax collection target will most likely be met comfortablY.

INDIA PAVES THE WAY

India's Presidency has achieved progress on several fronts, giving a push to the country's Global South leadership ambitions, but falls short on fundraising for climate concerns

Since last November, when India took over the Presidency of G20, Indian cities have been adorned by G20 logos on billboards and streets. Events have been held in dozens of Indian cities in every state, making a global event a pan-India celebration. The G20 Presidency has helped showcase India's breadth, diversity, and achievements before the world.

The last time India sought to play such a prominent role in global leadership was during the tenure of first Prime Minister Jawaharlal Nehru. India then projected itself as a voice of the Third World, was the architect of the Non-Aligned Movement, and played an important mediatory role during various conflicts.

India is in a much stronger position today and this time aspires to be the leader of Global South. India took over the Presidency at a crucial juncture when a war was being waged in Europe, climate change concerns, and indebtedness among poor countries were rising. Amid these challenges, India has managed to forge progress on a lot of contentious issues during its G20 presidency and even a consensus statement.

By the end of the G20 Presidency, there will have been over 220 meetings in 60 cities across all 28 states and 8 Union territories. More than 1 lakh participants from approximately 125 nationalities would have visited India. Over 1.5 crore individuals in our country have been involved in these programs or have been exposed to various aspects of them.

So what does the country have to show for its year-long efforts?

THE ACHIEVEMENTS

One of the most remarkable takeaways from India's G20 presidency is its bridging disposition. India has effectively worked with countries from both the industrialized and developing worlds to facilitate consensus on complex issues. Negotiations have been arduous, testing the resilience of India's G20 sherpa and the young diplomats supporting him. This steadfastness aligns with India's pragmatic internationalism, which is characterized by its ability to seize opportunities and exploit fissures to broker multilateral breakthroughs.

India's G20 presidency has invigorated public discourse on global issues within India while simultaneously emphasizing India's growing importance in the international arena. India's commitment to a form of globalization that prioritizes equity stands in contrast to the more insular worldview adopted by some Western nations in recent years.

By successfully rallying the diverse group of G20 countries to endorse a joint statement - an outcome that was in doubt - India has underscored its convening power, collaborative approach, and ability to achieve results. In this context, India has positioned itself not only as a voice for the Global South but also as a potential bridge between the Global South and the West, prompting references to India as a "South Western country."

THE DELHI DECLARATION

The 2023 G20 New Delhi Leaders' Declaration is a testament to India's effective leadership. All 83 paragraphs of the declaration were unanimously approved, achieving a historic 100% consensus, even with China and Russia on board. What sets this declaration apart is its absence of footnotes or Chair's Summary, marking a significant milestone.

The Declaration is guided by the theme: "We are one Earth, one family, and we share one future." It underscores the urgent challenges facing the world, such as economic growth, poverty alleviation, and climate change, all of which demand immediate and comprehensive responses.

To accelerate progress towards the Sustainable Development Goals (SDGs) by 2030, the declaration recognizes the pivotal role of digital transformation, artificial intelligence (AI), and addressing digital divides. These elements are expected to significantly impact environmental, social, and governance norms (ESG) in the business world.

CLIMATE COMPLIANCE

The most prominent feature of the Delhi Declaration is the clear commitment by G20 member nations to achieve net-zero emissions by 2050.

The declaration underscores the critical importance of biodiversity and directs attention to oceans and climate finance. Companies are likely to face rigorous scrutiny when seeking funds, with expectations that they disclose their actions and commitments in these areas.

The urgency of mobilizing substantial financial resources for developing countries - $5.8 trillion to $5.9 trillion in the pre-2030 period and $4 trillion per year for clean energy technologies by 2030 - was emphasized to attain net-zero emissions by 2050. This marks a significant shift from dealing with climate funding in billions to trillions of dollars.

The summit also endorsed the G20 High-Level Principles on Lifestyles for Sustainable Development, which aims to turn the battle against the climate crisis into a mass movement by promoting sustainable lifestyles. This represents an opportunity for Indian brands to align their business strategies with long-term sustainability goals, embedding sustainability and social impact into their brand promises. Such sustainable impact is expected to redefine how consumers and brands perceive themselves and affect brand valuations.

However, the G20 leaders did not reach a consensus on the phase-out of fossil fuels, despite a United Nations report categorizing this phase-out as "indispensable" for achieving net-zero emissions. Given that the G20 nations collectively contribute to approximately 80% of global emissions, the inability to agree on this crucial issue casts a shadow over upcoming climate discussions, set to commence in the oil-rich UAE.

DIGITAL INFRASTRUCTURE AND AI FOR REAL-TIME ESG

The Delhi Declaration introduced artificial intelligence into the global conversation. It also embraces the concept of digital public infrastructure (DPI), defined as "a set of shared digital systems, built and leveraged by both the public and private sectors, based on secure and resilient infrastructure" that can enable the delivery of services at a societal scale. This concept is expected to play a pivotal role in facilitating various aspects of governance, including environmental, social, and governance (ESG) norms.

It envisions a comprehensive toolkit with adaptable frameworks for designing and implementing digital upskilling and reskilling programs. It commits to ensuring well-managed, regular, and skills-based migration pathways.

FINANCE TRACK

India's G20 presidency has made significant strides in the Finance Track, with several crucial agreements and initiatives:

Strengthening Multilateral Development Banks (MDBs)

India has successfully secured agreements to enhance the effectiveness of MDBs, making them more capable of addressing global challenges. This includes measures to bolster the financing capabilities of world banks and the implementation of recommendations for capital adequacy framework reforms for MDBs.

Policy And Regulatory Framework For Crypto Assets

India has laid the groundwork for a coordinated global policy and regulatory framework for crypto assets. This achievement is underscored by widespread support for a clearer policy on crypto assets and a global consensus on this front. Collaborative efforts involving institutions such as the International Monetary Fund (IMF) and the Financial Stability Board (FSB) are aimed at providing comprehensive policy recommendations in response to the Indian G20 presidency's request.

Digital Public Infrastructure

(DPI) For Financial Inclusion

India, leveraging its India Stack initiative, has developed key components of DPI, including digital identity, real-time fast payments, and secure data-sharing platforms. These elements have been integrated into the G20's financial inclusion agenda, spanning various aspects of DPI deployment scheduled for 2024-26.

Debt Resolution

The G20 has reached a consensus on debt resolution for nations, both within and outside the common framework, with ongoing discussions focused on addressing deficiencies in the debt restructuring process. This includes the finalization of debt vulnerability frameworks for countries such as Zambia, Ghana, Ethiopia, and soon, Sri Lanka.

Financing Cities Of Tomorrow

India has actively worked to mobilize resources and promote sustainable, resilient, and inclusive urban development. Principles for urban infrastructure financing plans have been established for MDBs and development financing institutions.

Two-Pillar Taxation Solutions

The G20 has addressed taxation issues through two-pillar solutions. These efforts are aimed at supporting timely resource mobilization for climate finance, scaling up sustainable finance for social sectors like health and education, and facilitating discussions on global transition policies.

India–Middle East–Europe Economic Corridor (IMEC)

A significant development during the G20 Summit in New Delhi was the signing of a Memorandum of Understanding (MoU) among governments, including India, the US, Saudi Arabia, the European Union, the UAE, France, Germany, and Italy, to establish the India–Middle East–Europe Economic Corridor (IMEC).

This ambitious project envisions a network of transportation routes, including railways and sea lanes, aimed at promoting economic development by fostering integration between Asia, the Arabian Gulf, and Europe.

While specific details of IMEC are yet to be outlined, this project falls under the umbrella of the Partnership for Global Infrastructure Investment (PGII).

The PGII is an initiative led by Western nations to support critical infrastructure projects worldwide, encompassing areas such as roads, ports, bridges, and communication systems. Its overarching goal is to enhance global trade and cooperation.

Implicitly, IMEC is viewed as a viable alternative to China's Belt and Road Initiative (BRI), which, over the past decade, has established extensive global connectivity linkages with the Chinese market through an array of shipping, rail, and road networks.

GLOBAL BIOFUELS ALLIANCE

The Global Biofuels Alliance (GBA) was announced backed by G20 member countries and organizations such as IAE, ICAO, WEF, and the World LPG Foundation. The GBA's primary mission is to unite biofuel producers and consumers to bolster worldwide biofuels trade, all in the pursuit of a more environmentally sustainable future.

With a focus on ensuring future energy security, affordability, and accessibility, the GBA will catalyze global cooperation, actively promoting the development and deployment of sustainable biofuels.

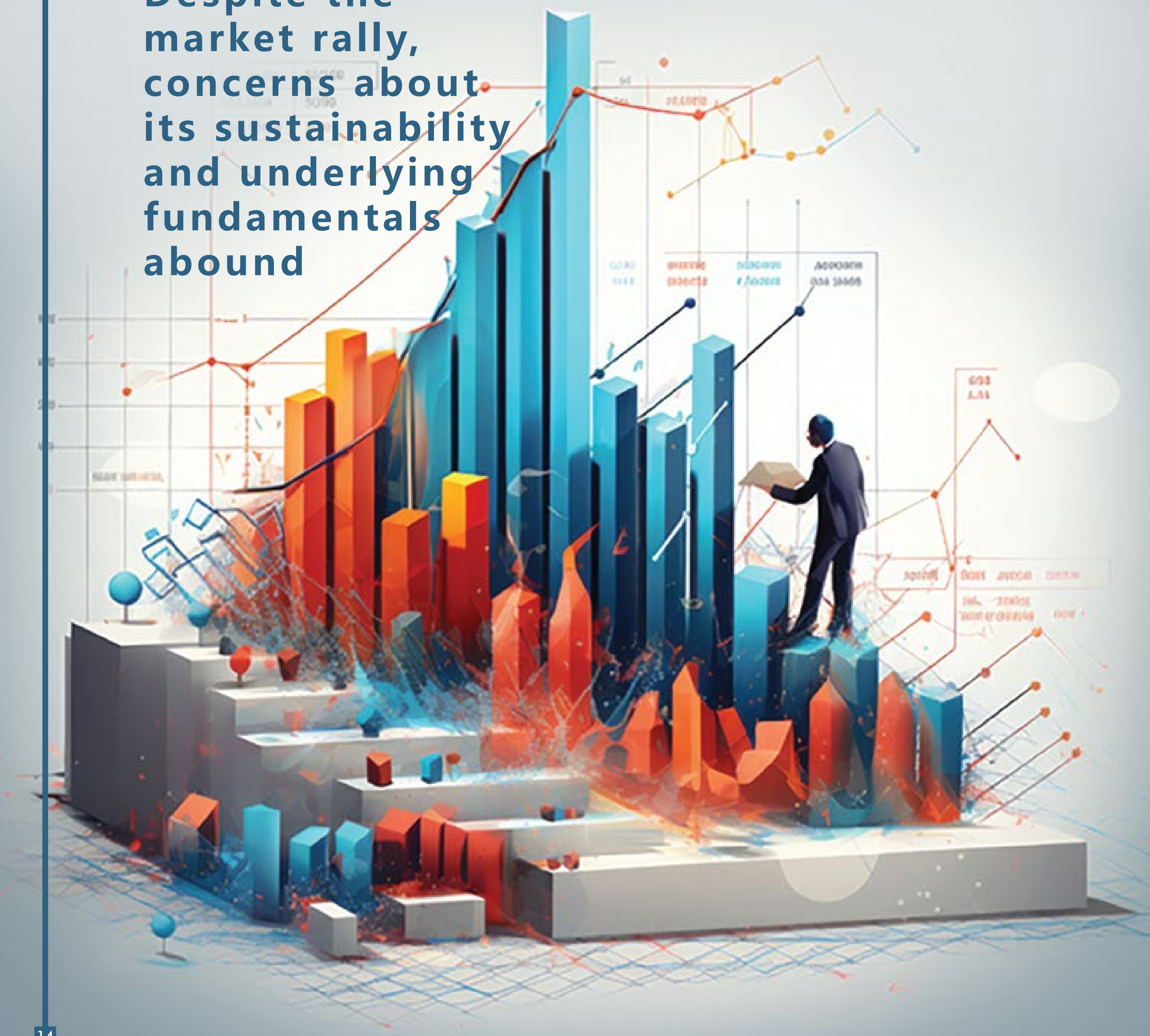
THE SHORTFALL

Despite the key achievements of India's G20 presidency, it is not without its criticisms and challenges. One notable concern revolves around the ambitious targets set forth in the Delhi Declaration, particularly the goal of adding 1,000 GW of renewable power capacity annually.

This raises critical questions about whether such substantial financial resources can be mobilized. The primary concern is whether the international community can muster the financial means to meet the staggering goal of adding 1,000 GW of renewable power capacity annually. This huge financing requirement, estimated at $4.4 trillion annually, poses a significant hurdlE.

LINGERING CONCERNS

Despite the market rally, concerns about its sustainability and underlying fundamentals abound



Mid-cap and small-cap stocks have witnessed a significant rally in recent months, outperforming the broader market. The BSE Sensex has risen by 13% in 2023, while mid-cap and small-cap indices have surged by 26% during the same period. This impressive performance has caught the attention of investors and analysts alike, but concerns have been raised about the rally's sustainability and underlying fundamentals.

WHAT IS DRIVING THIS RALLY?

Following are some of the key theories for why mid-caps and small-caps have outperformed the broader indices after a long period of time:

Accommodative Monetary Policy: The Reserve Bank of India (RBI) has been maintaining a low-interest-rate environment to stimulate economic growth and counter the impact of the Covid-19 pandemic. This has resulted in ample liquidity in the system, which has flowed into riskier assets such as small-cap stocks.

When there is an abundance of liquidity, it tends to flow towards riskier assets, such as small-cap stocks. This is because small-caps are seen as offering the potential for higher returns.

Record Investment In SIPs: Apart from the increase in the number of new mutual fund folios, retail investors have poured in a lot of fresh money in small-cap and mid-cap funds. A record investment of ₹ 15,813 crore was made through systematic investment plans (SIPs) in India in August '23. This shows that retail investors are increasingly investing in small-caps through SIPs.

Rising Number Of Demat Accounts: A record number of 3 million new demat accounts were opened in July '23, indicating the growing retail participation in the stock market. This also shows that more and more investors are opening demat accounts to trade in small-caps.

Oversubscription in the recent IPOs and the herd mentality of investors are reasons for caution. Many companies and promoters have been raising funds at exuberant valuations, capitalizing on sentiments, and this is largely because of the liquidity in the markets.

Social Media Influence: Retail investors are often influenced by social media and other forms of online information. This can lead to herd behaviour, where investors buy or sell stocks based on what others are doing, rather than on the fundamentals of companies.

Institutional Investors Infuse Lot Of Money: Foreign institutional investors (FIIs) have infused a lot of money into the Indian equity markets this year. FIIs have invested close to $17 billion, while DIIs have invested close to $13.2 billion. Several mutual funds are sitting on cash and some of the schemes have stopped taking fresh money from investors, fearing that there are not enough opportunities to invest fresh money in the markets.

This has pushed mutual fund assets under managements (AUMs) to lifetime highs, with mid-cap and small-cap AUMs crossing large-cap AUMs for the first time. The combined asset size of small- and mid-cap funds is now close to 23% of the total AUM of the industry, as against 15% in the case of large-cap funds.

ENTERING WEAKER HANDS

The rise of online trading platforms has made it easier for retail investors to trade in small-caps, leading to a surge in their participation in mid- and small-cap stocks.

Another important point is that because there is so much liquidity, investors are downgrading their stock picks or looking for new ideas by getting into underperforming stocks, betting on the underdogs, or low-quality stocks.

In a rising market, people start to compromise on their stock picks, follow herd mentality, and are influenced by the media and social media. Many other factors also compel people to look for opportunities. And when there are not enough opportunities, they start to downgrade, which is a sign of danger. This is clearly visible today, as many stocks are trading much above their intrinsic value.

ALL-TIME HIGH VALUATIONS

Generally, small-caps and mid-caps trade at a discount to their large-cap peers, which are considered to be much more solid and a safer bet, apart from the quality and sustainability of their business. However, this is not the case in the current market.

The trailing 12 months' price-to-earnings (P/E) ratio of the Nifty is currently around 23.2 times. Compared to this, the Nifty mid-cap index is trading at 30 times and the Nifty small-cap index is at 25 times. Both mid- and small-cap valuations have surpassed the Nifty valuations, which is a growing risk.

Secondly, while the fundamentals of many of these small and mid-size companies are improving with the improvement in the economy supported by government policies, investors have started to pay too much premium for the future. Many IPOs are launched at 50-70 times their trailing earnings and yet they are oversubscribed simply because investors are ready to pay for the earnings that could be earned over the next three years. This is typically a bull market phenomenon where sentiments and liquidity keep investors busy buying at every level. With the momentum, valuation gradually becomes irrelevant and we are reaching that point.

The margin of safety, a concept that is a hallmark in investing where prudent investors advise to buy securities at discount to their intrinsic value, is no longer available. A majority of small- and mid-cap stocks are trading well above their intrinsic value, and this puts them in the danger zone.

OUTLOOK

Small-cap stocks are generally more volatile and less liquid compared to large-cap stocks. Even a small set-off because of any reason can make many of them vulnerable. Due to low liquidity, many of these stocks may not provide an exit and thus erode value in the absence of buyers. Investors need to exercise caution and conduct thorough research while making fresh buys or participating in any of the themes or other influences that are impacting the markets.

The recent rally in small-cap stocks in India can be largely attributed to the abundance of liquidity in the market. The accommodative monetary policy, government initiatives, and increased participation of retail investors have all contributed to this trend. While liquidity has provided opportunities for investors, it is crucial to approach small-cap investing with caution and a long-term perspective. Thus, it is safe to say that it is important for investors to research well before investing in any stock, regardless of its size. This is especially important for small-cap stocks, which are often more volatile and less liquid than large-cap stocks.

Gradually, sensible money would shift to large-caps or safe stocks, putting pressure on small- and mid-size companies and their market performance. High inflation, the possibility of a hike in interest rates, global geopolitical shocks, the fall of the Chinese economy, and other factors could spike volatility.

WHAT CAN INVESTORS DO?

Investors must evaluate their portfolios in terms of exposure to key stocks, sectors, weightage, and allocation. Based on the tolerance of risks and individual risk appetite, they must restructure and reshuffle portfolios so that excessive risks can be avoided. Also, they should evaluate and look at risks sitting in their portfolios and rectify them even if they are facing losses.

Increasingly, investors should carefully buy only if necessary and the investment meets the prerequisites of quality and reasonable price. Investors should not compromise on the quality of assets just because the market is rewarding them. They should stay away from rumours, news, momentum, stock tips and succumbing to the feeling of FOMO (fear of missing out).

They must be reasonable in return expectations. Hyper returns may not continue for long. Staying humble with high-quality names will protect their capital and portfolio durability for the long term. Focusing on protecting capital will ensure that they avoid unnecessary risks.

While many stocks and themes may seem attractive in times like these, remember that market prices often reflect future expectations. This means that if something looks promising, others have likely already sensed it, and the price may already be reflecting that, limiting investors' returns.

Also, investors must keep cash and emergency funds on hand, as they may need liquidity sooner than later to help themselves or make prudent buying whenever opportunities arise.

If they have exposure to low-quality stocks, risky bets, derivatives, or cyclicals, they must reduce their exposure or exit those positions completely to minimize the impact on their portfolio performance.

They should avoid trading. If they have already traded in stocks or derivatives, they should be vigilant about exiting those positions. A trade is a trade; they should not mistake it for an investmen**T.**

RAPID RISE

As the dynamics of the Indian markets undergo transformation, the FMCG sector continues to forge ahead with remarkable progress

In a significant shift, the Indian stock market has been witnessing a steady increase in the participation of domestic investors, comprising DIIs (Domestic Institutional Investors), retail investors, and HNIs (High Net Worth Individuals). This trend, which has persisted for six consecutive quarters, reflects a transformative period in India's financial landscape, as per reports.

According to primeinfobase.com, as of 31st March this year, domestic investors' stake in these companies reached another all-time high of 25.72%, up from 24.44% as of 31st December '22. Despite net outflows of ₹26,211 crore from foreign institutional investors during the quarter, FIIs' share increased marginally to 20.56% on 31st March, marking a 32 basis point (bps) rise from 20.24% as of 31st December '22.

Pranav Haldea, Managing Director of PRIME Database Group, noted that breaking the 25% threshold for the first time is emblematic of the Indian capital market's steady march towards self-reliance, often referred to as "Atmanirbharta."

Over the last eight years, a structural transformation has unfolded in the Indian market, significantly altering the balance between foreign and domestic investors. In 2015, FII ownership exceeded the combined share of DIIs, retail, and HNIs. However, this gap has steadily dwindled, with the latest figures indicating a remarkable reversal.

As of 31st March '23, the disparity between FII and DII holdings reached its narrowest point ever, with DII holdings trailing FII holdings by just 20.46%, in contrast to a 24.30% gap on 31st December '22. Notably, the widest gap between FII and DII holdings was recorded on 31st March '15, when DII holdings lagged behind by a staggering 55.45%. The FII to DII ownership ratio also hit an all-time low of 1.26 on 31st March '23, down from 1.32 at the end of the previous quarter.

Furthermore, the combined share of institutional investors, encompassing both FIIs and DIIs, reached an unprecedented 36.91% by the end of the first quarter in 2023, up from 35.56% in the preceding quarter. This underlines the seismic shift in the composition of investors actively shaping the Indian market.

Turning the spotlight to the domestic mutual funds (MFs) sector, it's noteworthy that their share marked a seventh consecutive quarterly rise, reaching a historic 8.74% on 31st March. This impressive growth was driven by net inflows of ₹ 54,942 crore during the quarter. Domestic MFs strategically increased their exposure to the financial services and industrial sectors while reducing their presence in Diversified and FMCG segments.

In the insurance sector, the share of insurance companies as a whole reached a six-year pinnacle of 5.87% on 31st March, up from 5.65% at the close of 31st December '22. The venerable Life Insurance Corporation (LIC) continued to wield significant influence, commanding a lion's share, accounting for at least 68% of investments in equities by insurance companies, equivalent to ₹ 10.05 lakh crore.

In contrast to the resilience of retail investors, the share of HNIs saw a marginal dip, settling at 1.88% on 31st March, as opposed to 1.89% on 31st December '22. Meanwhile, retail investors solidified their position at an all-time high of 7.48% by the end of the first quarter in 2023.

Shifting gears to the corporate landscape, the government's share as a promoter in NSE-listed companies retreated to 7.75% by 31st March, down from 7.99% at the close of 31st December '22.

This decline follows a 13-year trajectory that commenced in June '09, attributed to government divestment initiatives, a lack of new listings, and the relatively lackluster performance of many central public sector enterprises (CPSEs) in comparison to their private counterparts.

On a parallel track, the share of private promoters in NSE-listed companies dipped to a three-year low of 41.97% on 31st March, down from 43.25% at the close of 31st December '22. Over the course of 13 years, starting from June '09, private promoters' share steadily ascended, climbing from 33.60% on 30th June '09.

Amidst these transformations, a select group of 18 companies experienced a convergence of interests from promoters, FIIs, and DIIs, resulting in increased stakes during the quarter. These companies span a diverse range of sectors, reflecting the dynamic nature of the Indian market.

Shifting focus to the Fast Moving Consumer Goods (FMCG) sector, it's evident that the founders and promoters of some of India's largest FMCG firms have demonstrated an exceptional ability to identify the right products, price them competitively, and strategically position them in the market.

In a post-Covid world, India's surging consumer spending is propelling the FMCG industry forward at an accelerated pace. Despite grappling with challenges such as high inflation and volatile fuel prices in recent years, the sector is poised for a period of growth driven by innovation and increased demand for diverse, healthy, and convenient products and services.

This is evident in the inclusion of over a dozen FMCG company promoters in Fortune India's Rich List, collectively amassing a wealth exceeding ₹ 5.2 lakh crore. This transformation has been facilitated by strategic investments, informed by consumer data, and empowered by technology.

A prime example is Ravi Kant Jaipuria, the promoter and chairman of RJ Corp, often referred to as the "cola king" of India. The stellar rally in the stocks of companies under his purview, named after his children, propelled his net worth to ₹ 83,783 crore in 2023. Stocks of Varun Beverages and Devyani International, both under his leadership, significantly contributed to this wealth surge. Consequently, Jaipuria now claims the 17th spot on the list of India's wealthiest individuals.

Asian Paints, a favourite among domestic and foreign investors alike, continues to bolster the fortunes of its three promoters: Ashwin Suryakant Dani, Mahendra Chimanlal Choksi, and the Nehal, Bhairavi, Vivek-Abhay Vakil family. While Dani experienced a 9.55% increase in net worth to ₹ 68,080 crore, Choksi and the Vakil families saw slight declines of 0.77% and 2.05%, respectively. Despite this dip, they remain prominent figures among the rich entrepreneurs in the FMCG sector.

The fortunes of FMCG sector promoters have been a mixed bag, with some witnessing an increase in net worth and others experiencing a decline. Parle Biscuits, Nirma Industries, and Hatsun Agro Product are among the companies whose promoters saw a dip in wealth during the year.

On the flip side, the promoter family of Berger Paints saw a remarkable 14.97% increase in wealth, reaching ₹ 48,720 crore. Strong sales and margins, driven by significant volume growth and robust performance in decorative paints, played a pivotal role in this growth. EBITDA margins expanded by 370 basis points year-on-year, bolstered by lower raw material prices.

Marico promoters, Harsh Mariwala and Kishore Mariwala, witnessed a combined net worth increase of 5.38%, reaching ₹ 41,459 crore. Their focus on optimizing the food portfolio and direct-to-consumer (D2C) brands proved to be strategic moves.

Marico's diversification into the food business and digital brands, although initially slow to gain traction, has started to show promise in recent years. The company has also embarked on a premiumization journey, recognizing that its core product categories have high penetration levels.

A noteworthy standout in this narrative is Acharya Balkrishna, the promoter of Patanjali Ayurved And Foods, who saw a staggering 62% surge in net worth, climbing from ₹ 21,141 crore in 2022 to ₹ 34,376 crore in 2023.

With a steadfast commitment to achieving self-sufficiency, the company aims to source 70% of its palm oil from its own plantations within the next six to seven years. However, the first quarter of FY24 witnessed a 64% dip in net profit due to market-to-market losses through commodity hedging, decreasing from ₹ 241.25 crore in the previous year to ₹ 87.75 crore.

Notably, despite fierce competition and saturation in some segments, the FMCG sector remains well-positioned to confront future challenges. The growth of the FMCG sector is largely attributed to the entrepreneurial spirit of its promoters, who have established robust institutional mechanisms and attracted top talent.

While commodity prices are showing signs of softening, companies are increasingly digitizing their operations and expanding their distribution networks in rural and tier-II cities. Two exemplary cases include Haldiram Snacks and Parle Products. The promoters of Haldiram witnessed a remarkable 20.49% rise in wealth, reaching ₹ 15,752 crore.

Haldiram's transformation into a Quick Service Restaurant (QSR) entity has enabled it to compete effectively in a crowded and competitive snacks industry. As a QSR, the company has significant potential for market share expansion and enhanced EBITDA margins.

In conclusion, while it may be premature to declare a complete recovery, the gradual ebbing of the pandemic and the stabilization of commodity prices has set FMCG consumption on a path to revival.

The NSE FMCG index, reflecting strong demand for FMCG products, has registered a compound annual growth rate (CAGR) of over 19% in the last three years. The sector commands a high price-to-earnings ratio, indicative of market confidence in its earnings potential and sustained growth in demand, revenue, and return on equity.

To keep pace with burgeoning demand, the FMCG industry is poised to invest in technology. Innovation tailored to local needs and the rise in discretionary incomes will continue to fuel consumption.

Companies are formulating strategies to leverage opportunities through artificial intelligence, machine learning, and omnichannel distribution while simultaneously enhancing the return on investment for their marketing efforts.

Overall, the FMCG sector remains an attractive investment avenue, driven by favourable demographics, economic development, and a cadre of forward-thinking companies committed to fostering sustainable consumption.

As the shift towards an organized market gains momentum, rural consumption expands and e-commerce permeates deeper into the Indian landscape, the fortunes of FMCG promoters are likely to continue their upward trajectorY.

Domestic steel sector gears up for soaring demand driven by favourable indicators

BRACING FOR A BOOM

R

obust domestic demand and softer raw material prices have driven a recent rally in the stock prices of blue-chip steel companies, such as Tata Steel, JSW Steel, Jindal Steel and Power, and Steel Authority of India (SAIL).

Domestic steel demand from key steel consuming sectors such as real estate, infrastructure and automobiles has remained robust in recent times. It is also driven by the government's spending on infrastructure ahead of the 2024 general election.

Steel consumption in August was up 19% year-on-year and 3.8% month-on-month domestically, continuing a trend of double-digit growth in recent years. Between April and August of the ongoing fiscal year, domestic steel demand has registered a healthy growth of 13% (11.4% and 13.4% in fiscals 2021-22 and 2022-23, respectively).

Local demand is offsetting the weakness in the global steel market, making India a bright spot in an otherwise weak global economy. As a result, global steel majors from China, Japan and South Korea are routing their produce to India, thus offering competition to domestic players.

A GLOBAL COMMODITY

Competition in the global steel business cannot be wished away. As steel is a standardized commodity, it can be shipped and used anywhere in the world.

Steel manufacturers produce long products, such as bars, wires and wire rods, which are primarily used in the construction industry, accounting for around 65% of total steel demand in India.

Flat products, on the other hand, which include hot rolled coils (HRC), and cold rolled coils (CRC), are mainly used in the automobile, pipes and consumer durable industries.

India safeguards the local industry by imposing tariff and non-tariff barriers on imports. However, global steel prices eventually reflect on domestic prices, albeit with a lag. During this period, domestic steel producers exploit the situation to increase their margins.

Currently, benchmark HRC prices in India are around ₹ 57,700 per tonne (US $580 per tonne), down from around ₹ 70,000 per tonne on average in the April-June quarter of FY22-23. This fall is due to a sharp slide in raw material prices. Despite this, steel prices in India remain about ₹ 4,500 per tonne, higher than imported Chinese steel, thanks to government safeguards. In fact, domestic steel prices are trading at a premium to global prices.

STEEL PRICES & THE CHINA FACTOR

Like any other commodity, international steel prices are largely determined by developments in China. China is a behemoth as far as steel sector is concerned, accounting for around 55% of world's steel production. While China consumes around 950 million tonnes of steel every year, it produces over 1,000 million tonnes, leaving a surplus, which is exported to other countries.

China's steel exports increased 14% in August as compared to July owing to a slowdown in its economy and a slump in its real estate sector, which is a major consumer of steel, resulting in flooding of global markets with surplus steel and lowering prices.

So, what is the outlook on global steel prices? To boost economic activities, China has been lowering interest rates. Through various policy measures, China is trying to halt a slide in its real estate market. This is likely to lead to increased steel demand in the future.

China has indicated that it will not increase steel production above 2022 levels, which could limit global supply and support steel prices in the second half of the year. Experts believe that global steel prices could stay around $600 per tonne in the near term.

Also, steel intermediaries' inventory levels are low, suggesting that channel destocking is largely complete. This could lead to stronger steel demand from them in the coming quarters, which would be a positive for the global steel industry.

DOMESTIC PRICES

Domestic steel prices are expected to remain stable for the next few months, with ratings agency Crisil forecasting steel prices to be ₹ 59,000 per tonne for flat steel products and ₹ 56,000 per tonne for long steel products during this fiscal.

Strong domestic demand, passing-off of higher raw material costs to customers and favourable production dynamics in China are expected to prevent any slide in steel prices in the coming months, benefitting steelmakers despite softer raw material prices.

Prices of key raw materials such as iron ore and coking coal have fallen from their peaks in recent months. In fact, prices of coking coal, which is almost entirely imported into India, have fallen to US $310 per tonne from US $450 per tonne in the April-June quarter of FY22-23.

While iron ore prices have not corrected to the extent expected (from US $126 per tonne to US $113 per tonne currently, in the same period), they could soften in the coming months.

IN A NUTSHELL

Experts believe that steel prices have largely bottomed out, with robust demand expected from the private sector following the government's increased infrastructure spending. Steel companies have been able to pass on high raw material costs to customers by hiking prices without impacting demand, thus protecting their margins.

The local steel sector has already started increasing its capacity to meet demand. Ratings agency ICRA expects around 14.3 million tonne per annum of new steel-making capacity to come onstream in the current fiscal, the largest capacity addition in a single year in the recent past.

An additional 12.3 million tonne per annum of capacity is lined up for commissioning in fiscal year 2024-25, which will be adequately absorbed by favourable domestic demand, as per the ratings agency.

Today, India is the world's second largest steel producer after China, with a current capacity of around 160 million tonnes and a consumption of around 124 million tonnes per annum. India has set a target of crude steel capacity of 300 million tonnes by FY2030-31.

Doubling India's steel capacity would need an investment of about ₹ 10 lakh crores. India has also set a per capita steel consumption goal of 160 kgs by FY2030-31, up from around 80 kgs currently. The average global per capita consumption stands at around 230 kgs. The outlook for Indian steelmakers is positive for the medium to long terM.

SUGAR SPIKE

Sugar prices soar on favourable factors, including improving demand and lower production

Domestic sugar prices in India have surged significantly in recent months, reaching record high. The sugar market is experiencing a bumper cycle due to improving demand and lower production.

The deficit monsoon has only added to its fortune, as sugar prices are now trading at a six-year high.

This has also boosted the prospects of sugar stocks in equity markets, as they catch the sentiments led by expectations of higher realizations and profits in the coming cycle.

SUGAR PRICES AT AN ALL-

TIME HIGH

As of August '23, the average ex-mill sugar price stood at around ₹ 40 per kilogram, compared to ₹ 30 per kilogram in the previous year. One of the primary reasons for the surge in domestic sugar prices is concern over production.

India's sugar output is expected to be around 31.6 million tonnes, or 7% lower than previously estimated at 34 million metric tonnes, for the current season (October '22 to September '23), according to the Indian Sugar Mill Association (ISMA).

However, a dry period in August, particularly in the states of Maharashtra and Karnataka, has raised the risk of a further cut in production estimates. These two states account for a significant portion of India's sugar production, making the situation even more challenging.

Additionally, the market believes that the delayed start of the crushing season has also contributed to the price hike. The crushing season typically begins in mid-October, but this year it is expected to commence in November due to delayed festivals and labour shortages. This delay has raised concerns about the availability of sugar in the market, further driving up prices.

MONSOON DEFICIT

The deficit monsoon has heavily impacted agricultural output, leading to a shift towards sugarcane cultivation. Several regions in India, including Maharashtra, Karnataka, and Gujarat, experienced a deficit in rainfall during the monsoon season, according to the India Meteorological Department (IMD).

The IMD has estimated that the monsoon rainfall deficit for the 2023 season will be around 11%, marking the first time in eight years that India has experienced a below-normal monsoon season.

The monsoon deficit is expected to reduce sugarcane yields, which will, in turn, lead to a decline in sugar output. Maharashtra, India's top sugar-producing state, is expected to see a 14% decline in sugar output in the 2023/24 crop year, the lowest in four years.

Lower sugar production from India is expected to contribute to the global sugar shortage, keeping sugar prices high in the coming months. India's 2023 monsoon deficit will further worsen the global sugar shortage and drive up the global sugar prices even higher, as India is the world's second-largest sugar producer and its output is heavily dependent on monsoon rains.

GLOBAL MARKETS IN TIGHT SITUATIONS

India has been one of the world's leading sugar exporters in recent years. However, India, the world's second-largest sugar producer, is expected to ban sugar exports in the season beginning in October, halting shipments for the first time in seven years. It has already reduced its sugar exports target to 6.1 million tonnes as against 11.2 million tonnes in the previous season. This is due to a decline in sugar output in the key sugar-producing state of Maharashtra, which is expected to produce 10.5 million tonnes in 2022/23, down from a record 13.7 million tonnes in 2021/22.

Global sugar prices are at an 11-year high, and Brazil is now the world's most important sugar producer as other major producers such as India, China, and the EU, struggle. The global sugar market is expected to remain in deficit in 2023-24, putting further upward pressure on sugar prices. The war in Ukraine is also disrupting global sugar supplies, as Ukraine is a major exporter of sugar beet.

Brazil's sugar production is expected to be higher in 2023-24 than in the previous season, but still below record levels of 2019-20. India's sugar production is expected to be lower in 2023-24 than in the previous season due to a drought in Maharashtra, a major sugar-producing state.

China's sugar production is expected to remain flat in 2023-24, as the government continues to limit the amount of land that can be used to grow sugarcane. The EU's sugar production is expected to be lower in 2023-24 than in the previous season, due to the rising cost of production and competition from other sugar producers. Overall, the global sugar market is expected to remain tight.

ARRIVAL OF FESTIVE SEASON

Despite the challenges posed by the price hike, there is growing optimism in the domestic sugar industry. Seasonal factors, such as the festival period, have further contributed to the increase in domestic sugar prices.

Moreover, concerns over India's sugar production estimates for the upcoming season have also fuelled this optimism. Domestic festive demand and other social activities, along with the strong growth in the domestic consumption cycle, have kept prices high and supported their upward movement.

ETHANOL BLENDING AND RENEWABLE ENERGY

The other important factor is ethanol. The Indian sugar industry stands to benefit from the global consensus on sustainability and renewable energy. India, being the second-largest producer of sugar after Brazil, has the potential to capitalize on the decision to increase ethanol blending with petroleum products.

The Indian government has recognized the potential of ethanol blending and has taken proactive measures to encourage its adoption. In 2020, the government announced a target of achieving 20% ethanol blending with gasoline by 2025. This ambitious goal has set the stage for increased demand for ethanol, creating a favourable environment for the sugar industry.

The production of ethanol from sugarcane offers dual benefits for sugar mills: it provides an additional revenue stream, diversifying their income sources, and it helps address the issue of surplus sugarcane production, which often leads to price fluctuations and financial challenges. By utilizing excess sugarcane for ethanol production, sugar mills can optimize their operations and improve their financial stability.

The potential impact of ethanol blending on the sugar industry is significant. According to industry estimates, achieving the 20% ethanol blending target would increase annual ethanol demand by around 1.5 billion litres. This increased demand would require a substantial increase in sugarcane cultivation and processing, which would boost the sugar industry.

Actual diversion towards ethanol in India increased by 38% year-on-year to 2.6 million metric tonnes (MMT) by mid-February '23. However, co-operative and private millers in Maharashtra estimate that the state may fall short of its ethanol contribution target of 132 crore litres during the current ethanol supply year (December '22 to November '23) due to a decline in production. Despite this, ethanol blending in India is expected to reach 12% in India in 2023, which is good and should support domestic millers.

Overall, the situation is favourable for domestic sugar companies, and the recent surge in domestic sugar prices is expected to support them.

Factors such as low production, lack of exports, tight global sugar markets, the delicate balance sheets of domestic sugar companies, the delayed crushing season, and other factors such as firm international sugar prices and the start of the festive season should support this optimism and help sugar companies achieve better margins and profits.

Though all factors point towards the upcycle or a profitable cycle for domestic sugar producers, it is crucial to monitor how the government manages prices and the overall impact on the industry, especially in light of the upcoming state and general elections in India.

HOW SHOULD INVESTORS APPROACH THIS CYCLE?

The surge in domestic sugar prices has improved the prospects for sugar companies in India. However, investors should be careful not to read too much too fast into the new cycle. Some sugar stocks have already seen re-rating and are trading near their 52-week highs.

Sentiment has already started to play a role, but selective plays, mostly integrated companies with strong balance sheets, may be the best strategY.

A CINEMATIC REVIVAL

Hindi cinema makes a strong comeback in 2023 after pandemic slump

Over the past quarter, the Hindi film industry has experienced a remarkable resurgence in its fortunes. Interestingly, this revival is not limited solely to a select few blockbuster productions. Instead, both mid-budget and small-budget films are achieving notable success.

Could this year mark a true revival for the beleaguered Hindi film industry?

Let's delve deeper to gain a comprehensive understanding.

UNPRECEDENTED EVENTS

Over the past four years, the Hindi film industry has witnessed greater volatility than in the previous decade. Prior to the coronavirus pandemic, the industry faced major challenges. Films produced in Hindi struggled to excel in the crucial aspect of entertainment.

Filmmakers seemed to have forgotten the grammar of filmmaking, principles that regional filmmakers had faithfully upheld. One of the primary reasons for the Hindi film industry's struggles was that many films were being made by individuals who crafted their work solely by watching existing films instead of being innovative.

Scholars and analysts have emphasized that the prevailing culture in the Hindi film industry has not been conducive to creating entertaining films.

Studio decision-makers and financial backers were primarily fixated on discovering a formula for producing money-making films. Unfortunately, this approach undermined the importance of writers while placing disproportionate importance on movie stars.

Consequently, stars guaranteed a certain initial box office collection for a film, but they couldn't sustain these collections over time. This was because of the simple fact that the presence of stars couldn't compensate for the absence of a compelling and entertaining story in the film. As a result of this myopic approach, more than 70% of Hindi films released in 2022 flopped miserably.

Rather than addressing this burning issue, which Hindi filmmakers had duly acknowledged and identified, they shifted their focus to remaking Southern films in Hindi.

This approach of remaking southern films in Hindi paid rich dividends, as southern films preserved the formulaic mainstream grammar and presented it in a fresh and engaging manner.

But this trend was short-lived owing to two reasons. First, southern filmmakers themselves realized the scope of profits their remakes could generate at the box office. So, they shared profits with Hindi producers, thereby reducing the total profits of Hindi producers.

Second, audiences had access to southern films, which were available not only in the original language but also in the dubbed version in Hindi, especially on streaming platforms. Hence, remakes of southern films in Hindi could not sustain their momentum at the box office.

Thus, the trend of southern films becoming pan-India emerged. Southern films, both dubbed in Hindi and in the original language, performed well, as evidenced by the box office collections of these remakes.

According to a FICCI-EY report, in the past three years, the box office collections (gross) of regional films have increased from ₹ 4,000 crore in 2019 to ₹ 5,300 crore in 2022, while the box office collections (gross) of Hindi films have decreased from ₹ 5,200 crore in the year 2019 to ₹ 3,500 crore in the year 2022.

In terms of percentage of total box office collections (gross), regional films have trumped Hindi films.

In the three years ending in 2022, the share of regional films in total box collections (gross) rose from nearly 30% in 2019 to about 42% in 2022. In the same period, the share of Hindi films in total box collections (gross) decreased from approximately 39% in 2019 to close to 28% in 2022.

The coronavirus pandemic too served a big jolt to the Hindi film industry. During the pandemic, theatres were shut to prevent the spread of the virus, leading to a decline in box office revenue.

However, the pandemic changed the way people consumed films, with more and more people turning to streaming platforms as a means to watch movies.

This habit-changing trend compelled filmmakers to reconsider their approach to filmmaking as they learnt that they had to give audiences a strong reason to go to theatres to watch films.

THE REVIVAL

Nevertheless, the third quarter of 2023 began on a very promising note. According to various estimates, analysts believe that Hindi films recorded box office collections of ₹ 1,300 crore, which is actually 75% of the total collection of Hindi films in 2022.

Pathaan, Jawan, Gadar 2, Oppenheimer, and Rocky and Rani Ki Prem Kahani are some of the films that have worked at the box office.

Industry analysts estimate that theatrical revenues from Hindi films will reach between ₹ 11,000 crore and ₹ 12,000 crore in 2023. They project films such as Tiger 3, Dunki, Animal and Fukrey 3 to be box office successes in the remaining part of 2023, which could boost the recovery of the Hindi film industry.

Analysts believe that audiences tend to eagerly watch films that either have a strong franchise value or high emotional appeal in the mainstream Hindi cinema grammar. This is clearly evident from the unprecedented success of Gadar 2.

Despite generating no buzz in the trade circuit when its trailer was released, Gadar 2 had advanced bookings of ₹ 40 crore just four days before its release. And it continues to perform well at the box office, having grossed over ₹ 500 crore in India itself.

Many trade analysts believe that the film's success is due to the inclusion of the same elements that were instrumental in making the original film a success.

Furthermore, trade analysts increasingly point out that stars are using their star power well and making reasonably good contributions to box office collections.

According to them, big stars employ two prominent strategies, namely, efficient use of Twitter Spaces and endorsement deals with companies.

For example, Shah Rukh Khan conducted Twitter Spaces with his fans just before the release of his film Pathaan, urging them to buy tickets. Since King Khan has more than seven million followers on Twitter alone, this strategy may have boosted the film's collections at the box office.

In addition to this, stars often ask companies to buy tickets in bulk and in advance, creating a buzz at the box office.

When audiences see that a film is generating high opening collections, they are more than likely to join the bandwagon and go to theatres to watch films.

The strong performance of these aforementioned films outside the country is also a major factor in their successes at cinemas.

Films such as Jawan, Gadar 2, and Rocky and Rani Ki Prem Kahani secured high incremental collections overseas.

In the coming months, with a number of high-budget films slated for release, the year 2023 is likely to be remembered as a year of swift revival for the Hindi film industry after a nearly two-year slump due to the coronavirus pandemiC.

THE INDIAN PAINT INDUSTRY WILL EXPERIENCE HEIGHTENED COMPETITIVE INTENSITY IN THE LONG TERM, DRIVEN BY THE ENTRY OF NEW PLAYERS

TURF WAR

India's paint industry is in the limelight, with robust demand and softening input costs ensuring high growth rates. However, increasing competitive intensity is expected to restrict margins and reduce the market share of established players in the long term, with multiple new players entering the paints business in recent months.

Lured by high growth rates of the sector, the paint industry has seen the entry of several new business conglomerates, such as Grasim Industries, Pidilite, Astral, and JSW Group, recently. The ~₹ 70,000 crore paint industry is slightly oligopolistic, with market share tilted towards a handful of companies.

As a reminder, the Indian paint industry is divided into two main segments: decorative paints and industrial paints. Decorative paints contribute about 70% of the market, while industrial paints represent the remaining 30%. The decorative paints segment is around 70% to 75% organized, with just five companies, namely Asian Paints, Berger Paints, Kansai Nerolac Paints, Akzo Nobel, and Indigo Paints, commanding a substantial market share of 90%. These five players have grown at a remarkable rate of around 15% in terms of revenue in the last five fiscal years. As per CareEdge Ratings, sales of the top five players are projected to increase by around 10% in the ongoing fiscal year.

THE SCOPE

In the paints sector, the decorative segment is growing faster than the industrial segment. And within the decorative segment, organized players are growing at an even faster rate. The real estate sector accounts for about 70% of the total paint demand in India. Repainting accounts for 80% of total decorative paint demand, which is driven by strong housing demand and rising consumer aspirations.

Urbanization, increasing disposable incomes, premiumization, and shortening of repainting cycles are aiding growth momentum in the paint industry. Rising rural incomes have boosted paint sales in rural India. The market is shifting from unorganized to organized players.

Experts and industry players expect the Indian paint market to expand to ₹ 1 lakh crore over the next 4-5 years. Given the market potential, it is not surprising that conglomerates are vying for space in the sector.

MARGINS

While topline potential is robust in the sector, even margins are healthy. Operating margins for the top five players are between 11% and 19%. Crude oil and foreign exchange are two variables that impact the profitability of the sector and paint prices.

Raw material prices make up 50% to 60% of total sales. The key raw materials used to make paint are titanium dioxide, phthalic anhydride, solvents, pigments, resins, and other crude oil derivatives. Titanium dioxide accounts for around 55% to 60% of the total cost of raw materials.

Crude oil prices and paint manufacturers' margins are inversely correlated. The industry has successfully raised prices in the past whenever crude oil prices have risen. Stable crude prices have also softened the prices of other raw materials. Since the second half of the last fiscal year, raw material prices have started to decline and are likely to remain stable in the medium term.

ACTION ON GROUND

Given the sector's potential, new and existing players have announced expansion plans of around ₹ 20,000 to ₹ 22,000 crore over the next three to four years, which will increase overall paint capacity by 20% from the current capacity of around 4.22 million kilolitres. Many players have expanded inorganically, with the sector seeing a spate of acquisitions in the paint and related industries.

How will the intensifying competition impact the sector? The paint industry has formidable entry barriers for newcomers. The key to success in the sector is a robust marketing (brand promotion and advertisement spends) and distribution (dealer and retail outlets) network. Existing players possess a substantial pan-India dealer network.

New entrants too are capable of investing in building networks and promoting brands. So, it is only a matter of time before they achieve parity with incumbents in this area.

Existing players will have to sacrifice their market share or undertake higher marketing spend to hold on to their turf, which could restrict their margins, unless the market expands. As such, the new entrants are expected to disrupt the market over the long term.

IN A NUTSHELL

Demand drivers are creating opportunities for new players to enter the market. The industry has grown by 12% to 18% in the last 15 years. The per capita paint consumption in India is around 3 kilograms, which is much lower than other countries in the world. India is at the cusp of tremendous economic growth for the medium to long term. This is one of the important reasons for higher paint consumption in India.

It remains to be seen how established players will maintain their dominance in the face of increasing competition. Will they lose market share or hold onto it at the expense of margins?

It will be interesting to see if new players can gain both margins and market share. It will be equally important to know if lower margins will become the new norm for the sector. Will competition lead to more mergers and acquisitions in the sector? As competition intensifies, level of disruptions remains to be seeN.

The retail merchandise sector is set to flourish, driven by the influence of e-commerce

THRIVING IN TRANSFORMATION

T

he evolution of India's e-commerce landscape over the past decade is nothing short of extraordinary. From its modest beginnings to the projected ₹ 90,000 crore in gross merchandise value for the 10th festive season, this industry has reshaped consumer behaviour, empowered MSMEs, and driven economic growth.

As India's consumer spending dynamics continue to evolve, e-commerce remains a resilient and integral part of the retail landscape. With diversification, technological advancements, and growing consumer confidence, the future of e-commerce in India holds immense promise. The journey of the past decade serves as a testament to the industry's adaptability and enduring impact on the Indian economy.

Festive season sales this year are expected to touch ₹ 90,000 crore in terms of gross merchandise value (GMV), boosted by meaningful global tailwinds, according to a report by Redseer Strategy Consultants. Sales in 2023 will be up 18% to 20% from last year's festive month sales driven by about 140 million shoppers who are expected to transact online at least once during the season, the report added.

The year 2023 marks the tenth year of e-commerce festive month sales. This year, sales are likely to catalyze consumption demand as the economy emerges from the turbulence of the Covid-19 years, it noted.

"The Indian e-tailing has increasingly become the litmus test for consumer demand in India. The 10th festive season sale period is even more significant this year considering the recent slowdown in consumption and the almost three years of external shocks on the economy," the report stated.

There are two major tailwinds supporting the growth of e-commerce festive sales in India. The year-on-year growth rates of nominal Private Final Consumption Expenditure (PFCE) in the pre-Covid-19 time used to be around 8% to 9%.

However, continuous external shocks like the pandemic and the Russia-Ukraine conflict created significant flux in the market. In the last few quarters of FY23, consumption slowed down due to tightening liquidity conditions.

However, the y-o-y growth for PFCE has now bounced back to 9%, which has led to the stabilization of several factors including interest rates maxing out and countries aiming to resolve the Russia-Ukraine conflict, according to Redseer.

Beauty and personal care (BPC), home and general merchandise, and fashion are likely to contribute more to the overall GMV. The report noted that persistent premiumization leading to rising average selling prices and increasing ads and promotion revenues will possibly make this year's festive season the most efficient from a margin perspective.

"Over the last several quarters, we are seeing enhanced GMV contributions from categories beyond electronics. While electronics sell a lot in the festive period, looking at the bigger picture and comparing the festive sale periods over the last several years, there is a clear trend of category diversification," Mrigank Gutgutia, Partner at Redseer Strategy Consultants, said in a statement.

"This is good for the ecosystem as it shows consumers' willingness to purchase multiple categories online and more brands coming to cater to their needs," he added.

Beyond category diversification, Redseer expected multiple other sub-themes to play out. For example, direct-to-consumer (D2C) brands will be more prominent this festive season, which will help them grow 1.6X as fast as the broader e-tailing market in the long run, according to the report.

Redseer also said it expected robust growth across city tiers this festive season. Additionally, new-age technology solutions like generative AI being more widely adopted in multiple use cases during the sale period will also lead to better and novel consumer experiences and drive stronger growth momentum.

In the ever-evolving world of e-commerce, India has emerged as a key player over the past decade. In 2023, as we celebrate a decade of festive e-commerce sales, the stage is set for unprecedented growth and opportunities.

CONSUMER SPENDING DYNAMICS

Before delving deeper into the transformation of India's e-commerce sector, let's examine the backdrop of India's consumer spending dynamics. Before the Covid-19 pandemic, the country typically experienced annual growth rates of 8% to 9% in nominal Private Final Consumption Expenditure (PFCE). However, external shocks, such as the pandemic and the Russia-Ukraine conflict, disrupted the market, leading to a slowdown in consumption due to tightening liquidity conditions.

Nevertheless, there is renewed optimism as y-o-y growth for PFCE has bounced back to 9%, supported by factors such as stabilized interest rates, efforts to resolve the Russia-Ukraine conflict, and robust Indian economic growth. These factors are expected to fuel a strong festive season in 2023.

E-COMMERCE GROWTH TRAJECTORY

Over the years, e-commerce in India has witnessed astounding growth, with the GMV for the entire industry surging nearly 20-fold since 2014.

To put this in perspective, the industry's GMV for the entire year in 2014 was ₹27,000 crores, while in 2023, it is expected to reach approximately ₹5,25,000 crores. Simultaneously, the number of annual transacting users has skyrocketed by a factor of 15.

This remarkable growth can be attributed to several factors, including rapid digital transformation, increased internet penetration, and affordable smartphones. Connectivity has bridged the gap between urban and rural areas, enabling millions to participate in e-commerce. The government's Digital India initiative and investments in digital infrastructure have further accelerated this trend.

E-COMMERCE'S IMPACT ON MSMEs

One of the most significant impacts of e-commerce in India has been on Micro, Small, and Medium Enterprises (MSMEs). These enterprises have long struggled with limited access to larger markets and the ability to compete with more established companies. However, e-commerce has opened new doors of growth and opportunity for them.

EFFICIENCY AND EXPANSION

E-commerce has empowered MSMEs to streamline their operations by embracing digital platforms, resulting in cost savings and increased focus on providing high-quality products and services. Furthermore, the online presence has expanded its customer base, reaching audiences previously inaccessible to them. This has allowed MSMEs to overcome geographical constraints and tap into national and international markets.

TECHNOLOGICAL ADVANCEMENTS

E-commerce platforms offer a plethora of tools and technologies to assist MSMEs in improving their operations. These include inventory management systems, data analytics, digital marketing solutions, and supply chain management. These tools enhance efficiency, reduce costs, and build credibility, contributing to the success and growth of MSMEs in the digital age.

DIVERSIFICATION AND FUTURE TRENDS

Beyond traditional categories like electronics, e-commerce has witnessed diversification in recent years. This diversification reflects consumers' willingness to purchase multiple categories online and the increasing number of brands catering to their needs. Categories such as Beauty and Personal Care, Home and General Merchandise, and Fashion are expected to contribute significantly to this year's GMV.

Direct-to-Consumer (D2C) brands are also expected to take center stage this festive season, with projections indicating that they will grow 1.6 times faster than the broader e-tailing market in the long run.

Moreover, growth is expected to extend across city tiers, with robust expansion anticipated in various regions.

CONSUMER SENTIMENT AND CONFIDENCE

Consumer spending in both online and offline retail has exhibited positive trends, with growth in Q1 FY24 attributed to cooling inflation and rising incomes. While offline retail has outpaced e-commerce in recent times, online platforms continue to perform well, leading to increased trust and satisfaction among consumers.

Redseer's quarterly survey indicates that consumer sentiment towards e-commerce spending remains optimistic. The eCommerce Consumer Confidence Index (ECCI) for Q2 FY24 stands at 131, a slight decline from the previous quarter but still positive. Over 45% of respondents plan to increase their e-commerce spending, particularly in categories such as fashion, grocery, beauty, and personal care.

CHALLENGES AND THE ROAD AHEAD

As businesses world over are battling recession and bringing their offline operations and revenues back to pre-Covid levels, e-commerce growth appears to have peaked and plateaued.

RBI's consumer confidence index assessment of household sentiment about the current and future economic situation gives a sense check on how consumers plan ahead for future expenses. To complement this analysis, Redseer's quarterly ECCI (eCommerce Consumer Confidence Index) aims to gauge consumers' future e-commerce spending expectations.
While e-commerce continues to be a key driver for retail growth and consumer spending, the sector is approaching maturity. New user adoption has slowed down, and many non-users still prefer offline retail. Therefore, much of the growth in e-commerce will be driven by existing users.

To navigate these challenges, e-commerce companies must focus on strategies such as premiumization, cross-selling, loyalty programs, and customer satisfaction. Adapting to changing consumer dynamics and evolving technology trends will be crucial for sustaining growtH.

The IEA's bold projection and OPEC's challenge mark a critical juncture in human history as we confront the end of the fossil fuel era

THE BEGINNING OF AN END?

As the global energy landscape stands at a crossroads, the revelations from the International Energy Agency (IEA) about the approaching peak in fossil fuel consumption and the growing call to end fossil fuels signal a critical juncture in human history. This juncture represents both hope and challenges, offering a chance to mitigate the worst effects of climate change while facing resistance from powerful interests deeply rooted in the fossil fuel industry.

In a landmark revelation, the International Energy Agency (IEA) recently declared that the world's demand for fossil fuels is approaching a turning point. The agency's projections indicate that the consumption of oil, gas, and coal will peak before 2030 and subsequently decline, marking a crucial step towards transitioning to a more sustainable energy landscape.

This announcement, often referred to as "the beginning of the end" for the fossil fuel era, underscores the impact of climate policies and the rapid growth of cleaner energy alternatives.

The IEA's forthcoming energy outlook report, set to be published next month, predicts a peak in fossil fuel consumption within this decade. This shift in consumption patterns is attributed to the widespread adoption of climate policies worldwide, which are promoting the transition to cleaner and more sustainable energy sources.

While this projection is a positive development in the fight against climate change, it is essential to recognize that it alone is insufficient to limit global temperature rises to 1.5 degrees Celsius above pre-industrial levels - a threshold widely considered crucial to avoiding catastrophic climate consequences.

Fatih Birol, the Head of the IEA, aptly described this revelation as "the world on the cusp of a historic turning point." Peaks in fossil fuel consumption signify that the transition to cleaner and more secure energy systems is accelerating, and concerted efforts to mitigate the most severe impacts of climate change are gaining momentum.

Several factors are contributing to the earlier-than-expected peak in fossil fuel consumption. One, the spectacular expansion of clean energy sources, such as solar panels and electric vehicles, has significantly reduced the reliance on fossil fuels. As these technologies become more affordable and accessible, their adoption rates continue to soar.

And second, the structural changes in major economies are playing a critical role. China's pivot away from energy-intensive heavy industries towards cleaner, more sustainable economic activities is helping to reduce their carbon footprint.

Similarly, Europe has expedited its transition away from natural gas following geopolitical events like Russia's invasion of Ukraine, emphasizing the importance of energy security and independence.

Calling for an end to fossil fuels, and their urgency is underscored by the global climate actions. Millions of people across the world are taking to the streets to demand an end to fossil fuels and a rapid transition to clean energy sources. This global movement advocates for a fast, fair, and permanent shift away from fossil fuels.

These events unfold against the backdrop of a year marked by unprecedented climate disruptions, including record-breaking heatwaves, devastating floods, and widespread forest fires. Alarmingly, the world is currently on track to exceed the 1.5-degree Celsius target established in the Paris Agreement, with the threshold potentially breached as early as 2027, according to the World Meteorological Association.

The call to action to greener energy extends to the United States, where organizations are urging President Joe Biden to take significant steps such as stopping approvals of new fossil fuel projects and reconsidering permits for previously approved projects. These are critical steps in reducing emissions and shifting towards cleaner energy sources.

The phase-out of fossil fuel drilling on public lands and waters is another move towards protecting the environment and curbing carbon emissions. There are some who believe that a declaration of a climate emergency can accelerate the transition away from fossil fuels by halting fossil fuel exports and investments abroad while promoting investments in decentralized clean energy sources.

While these measures are under consideration, implementing a just transition plan that generates jobs and supports communities and workers is essential for ensuring that the shift away from fossil fuels benefits everyone.

Notably, despite these calls for change, President Biden recently approved two new fossil fuel projects, including the Willow oil drilling project in Alaska and the Mountain Valley Pipeline project in Virginia / West Virginia, which have been dubbed "carbon bombs."

The significance of the United States taking a lead role in these efforts cannot be overstated, as it is the largest producer of oil and gas globally.

However, Canada, another major oil and gas producer, must also demonstrate leadership in this critical endeavour.

Climate activists are becoming increasingly explicit in their demands, calling for an end to fossil fuels. This shift in focus is imperative because many governments, including those of the US, Canada, and Australia, continue to support new fossil fuel projects while attempting to reduce emissions. This contradiction between climate action and fossil fuel expansion is unsustainable. Most CO_2 emissions in Canada and worldwide are directly linked to the production and combustion of fossil fuels.

In response to IEA's statement, OPEC, the Organization of the Petroleum Exporting Countries, has issued a stern response. Haitham Al Ghais, the Secretary General of OPEC, expressed scepticism about this prediction and emphasized the need for data-based forecasts.

Al Ghais argued that such narratives, suggesting the end of the fossil fuel era, could have catastrophic consequences for the global energy system. He warned that it might lead to unprecedented energy chaos with dire economic ramifications, affecting billions of people worldwide.

OPEC has disputed past claims of "peak supply" and "peak demand," highlighting that neither had materialized in previous decades. What sets today's predictions apart, and why they are viewed as dangerous, is the accompanying call to halt investments in new oil and gas projects.

OPEC contended that the dismissal of fossil fuels is ideologically driven rather than grounded in fact. It argued that these predictions fail to acknowledge the ongoing technological advancements in the industry aimed at reducing emissions.

Moreover, OPEC pointed out that fossil fuels still constitute over 80% of the global energy mix, a proportion that has remained relatively stable for the past three decades, and that they play a vital role in ensuring energy security.

OPEC has also emphasized its commitment to technological innovation, noting that its members are making substantial investments in various areas, including hydrogen projects, carbon capture, utilization, and storage facilities, the circular carbon economy, and renewables. The organization believes that these innovations can contribute to addressing climate concerns while sustaining energy supply.

While acknowledging that some of these oil-focused technologies may still be in their early stages, OPEC said that many of the technologies referenced in net-zero space are also in experimental or theoretical phases.

Al Ghais emphasized that OPEC recognizes the global challenge to eliminate energy poverty, meet rising energy demand, ensure affordable energy, and reduce emissions. In response to this challenge, OPEC does not dismiss any energy sources or technologies. The organization called for all stakeholders to acknowledge both short and long-term energy realities and work collectively to address the complex and multifaceted energy transition.

The IEA's revelation of an impending peak in fossil fuel consumption reflects the growing momentum behind cleaner energy technologies and the impact of climate policies worldwide. But in this ongoing debate between the IEA's projections and OPEC's response, the path forward remains uncertain.

The world faces a pivotal moment in its energy transition, where the role of fossil fuels and the pace of their decline are subjects of intense scrutiny and debate. The outcomes of these discussions will undoubtedly shape the future of our energy landscape and impact efforts to combat climate changE.

MUTUAL FUND BLACKBOARD

Large Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Invesco India Largecap Fund - Growth	49.6	12.7	20.1	12.4	11.4	14.2	797
UTI Mastershare Unit Scheme - Growth	214.7	10.5	20.8	12.5	11.9	14.3	11,314
Canara Robeco Bluechip Equity Fund - Growth	46.4	11.7	19.7	14.3	13.3	14.6	10,090
Kotak Bluechip Fund - Reg - Growth	426.1	12.7	21.3	13.4	12.1	14.9	6,370
Nifty 100 TRI	26,328.2	9.8	21.7	12.8	13.0	14.4	--

Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Mid Cap Growth Fund - Reg - Growth	307.2	21.7	29.1	18.8	15.6	21.4	2,449
Edelweiss Mid Cap Fund - Growth	62.5	15.6	31.3	18.4	16.3	22.6	3,666
Mirae Asset Midcap Fund - Reg - Growth	26.3	19.6	33.1	--	--	--	11,919
Nippon India Growth Fund - Reg - Growth	2,746.0	24.0	34.3	20.6	17.0	20.5	18,343
Kotak Emerging Equity Fund - Reg - Growth	90.5	15.9	31.2	19.2	16.2	23.9	33,091
Nifty Midcap 150 TRI	18,813.2	24.8	34.5	19.1	17.5	22.3	--

Small Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Kotak Small Cap Fund - Reg - Growth	197.1	16.5	36.1	22.2	17.6	23.7	12,286
Edelweiss Small Cap Fund - Reg - Growth	31.5	21.9	37.1	--	--	--	2,361
Nippon India Small Cap Fund - Reg - Growth	121.2	30.7	43.1	23.5	21.9	29.7	36,540
ICICI Prudential Smallcap Fund - Growth	66.8	22.2	38.1	22.5	16.4	18.4	6,989
Union Small Cap Fund - Reg - Growth	37.8	19.4	34.3	21.1	16.0	--	1,072
Nifty Smallcap 250 TRI	15,110.9	27.6	36.4	17.4	14.3	20.9	--

Large & Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Large & Mid Cap Fund - Reg - Growth	407.8	14.8	25.1	16.6	13.5	16.5	5,125
Canara Robeco Emerging Equities - Growth	181.3	9.4	22.7	14.6	14.4	23.1	17,939
Edelweiss Large & Mid Cap Fund - Growth	61.6	12.9	24.8	15.2	13.9	16.2	2,198
Kotak Equity Opportunities Fund - Reg - Growth	244.1	17.4	25.7	16.5	14.5	17.6	15,013
Mahindra Manulife Large & Mid Cap Fund - Reg -	20.4	16.4	28.1	--	--	--	1,378
NIFTY Large Midcap 250 TRI	15,062.1	17.3	28.1	16.0	15.3	18.5	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mahindra Manulife Multi Cap Fund - Reg - Growth	25.1	18.8	30.6	18.9	--	--	2,120
HDFC Multi Cap Fund - Reg - Growth	13.6	25.7	--	--	--	--	8,263
Kotak Multicap Fund - Reg - Growth	13.0	23.8	--	--	--	--	5,918
Nippon India Multi Cap Fund - Reg - Growth	208.7	25.1	38.1	17.7	15.4	18.2	20,192
S&P BSE 500 TRI	34,366.5	13.4	24.7	14.3	13.9	15.8	--

FlexiCap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Flexi Cap Fund - Growth	249.1	10.5	20.5	14.5	13.8	15.2	10,133
Mirae Asset Flexi Cap Fund - Reg - Growth	11.8	--	--	--	--	--	1,120
UTI Flexi Cap Fund - Growth	257.0	5.2	18.9	12.9	12.6	15.4	25,612
Union Flexi Cap Fund - Growth	38.7	14.5	23.6	15.1	12.9	13.9	1,609
Parag Parikh Flexi Cap Fund - Reg - Growth	58.2	20.3	24.2	18.6	17.8	19.2	40,760
S&P BSE 500 TRI	34,366.5	13.4	24.7	14.3	13.9	15.8	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	154.0	19.3	33.2	15.0	12.7	16.7	6,166
Nippon India Focused Equity Fund - Reg - Growth	94.2	14.8	29.2	15.7	13.4	20.5	6,977
ICICI Prudential Focused Equity Fund - Ret - Growth	60.1	18.6	25.4	13.7	12.7	14.9	4,854
Mahindra Manulife Focused Fund - Reg - Growth	18.8	19.4	--	--	--	--	827
S&P BSE 500 TRI	34,366.5	13.4	24.7	14.3	13.9	15.8	--

Dividend Yield Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
ICICI Prudential Dividend Yield Equity Fund - Reg	35.1	25.5	33.5	15.4	14.0	--	2,217
Sundaram Dividend Yield Fund - Growth	101.1	17.4	23.2	13.4	14.2	16.4	568
UTI Dividend Yield Fund - Growth	123.2	20.3	23.2	13.4	13.2	14.5	3,109
S&P BSE 500 TRI	34,366.5	13.4	24.7	14.3	13.9	15.8	--

Contra/Value Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Bandhan Sterling Value Fund - Reg - Growth	111.2	20.2	36.8	16.3	15.9	19.2	6,650
SBI Contra Fund - Growth	277.5	24.6	39.1	20.8	16.0	18.1	14,608
Nippon India Value Fund - Reg - Growth	151.2	19.2	29.2	16.3	14.4	18.1	5,575
S&P BSE 500 TRI	34,366.5	13.4	24.7	14.3	13.9	15.8	--

ELSS Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
UTI Long Term Equity Fund (Tax Saving) - Growth	159.1	9.6	22.3	13.4	12.0	14.5	3,141
Canara Robeco Equity Tax Saver Fund - Growth	129.9	10.1	22.2	15.9	14.8	16.5	5,981
Kotak Tax Saver Fund - Reg - Growth	87.1	15.7	25.3	15.8	14.0	17.7	4,089
Mahindra Manulife ELSS Fund - Reg - Growth	22.2	16.6	26.3	14.0	--	--	656
Parag Parikh Tax Saver Fund - Reg - Growth	23.1	17.0	24.3	--	--	--	1,932
Tata India Tax Savings Fund - Reg - Growth	33.2	14.1	23.6	14.4	13.1	--	3,556
S&P BSE 200 TRI	10,845.5	12.1	23.8	14.0	13.8	15.5	--

Thematic / Sector Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mirae Asset Great Consumer Fund - Growth	69.6	14.2	26.2	15.7	16.1	17.6	2,590
ICICI Prudential Banking and Financial Services Fund	100.0	13.7	27.3	11.7	11.5	18.1	6,740
Nippon India Pharma Fund - Reg - Growth	343.4	24.6	14.9	16.2	12.8	16.9	5,545
Quant Quantamental Fund - Reg - Growth	16.3	22.4	--	--	--	--	979
Tata Digital India Fund - Reg - Growth	36.9	23	24.7	19.2	21.5	--	7863
S&P BSE 500 TRI	34,366.5	13.4	24.7	14.3	13.9	15.8	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
Bandhan Arbitrage Fund - Reg - Growth	28.7	7.2	7.5	7.0	5.1	4.6	3,931
Kotak Equity Arbitrage Fund - Reg - Growth	33.0	7.6	7.7	7.2	5.5	5.0	25,860
Tata Arbitrage Fund - Reg - Growth	12.7	7.2	7.4	6.8	5.0	4.7	7,150
Invesco India Arbitrage Fund - Growth	28.1	7.4	7.6	7.3	5.7	5.0	6,983
Edelweiss Arbitrage Fund - Reg - Growth	17.1	7.4	7.5	7.0	5.4	4.8	6,675

Equity Savings Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Edelweiss Equity Savings Fund - Reg - Growth	20.4	9.4	10.3	8.7	8.4	--	286
HDFC Equity Savings Fund - Growth	54.6	10.0	14.3	8.9	8.8	9.8	2,978
Kotak Equity Savings Fund - Reg - Growth	21.2	10.9	11.6	9.0	8.8	--	2,936
NIFTY 50 Hybrid Composite Debt 65:35 Index	16533.8	11	16.2	12	11.6	12.3	--

Dynamic Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Kotak Balanced Advantage Fund - Reg - Growth	16.4	10.5	12.1	10.5	--	--	15,050
Nippon India Balanced Advantage Fund - Reg - Growth	138.6	9.9	14.5	9.8	9.7	12.5	6,957
Tata Balanced Advantage Fund - Reg - Growth	16.8	11.3	14.3	--	--	--	7,476
Edelweiss Balanced Advantage Fund - Growth	40.1	10.3	15.1	11.6	10.9	11.9	9,395
Union Balanced Advantage Fund - Reg - Growth	16.5	8.8	11.6	10.2	--	--	1,600
NIFTY 50 Hybrid Composite Debt 65:35 Index	16,533.8	11.0	16.2	12.0	11.6	12.3	--

Hybrid Aggressive Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Equity Hybrid Fund - Growth	274.8	10.6	17.0	12.9	11.8	15.1	8,988
Kotak Equity Hybrid Fund - Growth	46.6	12.4	21.8	14.4	11.9	--	4,171
Mirae Asset Hybrid - Equity Fund - Reg - Growth	25.0	12.2	18.1	12.3	12.1	--	7,722
NIFTY 50 Hybrid Composite Debt 65:35 Index	16,533.8	11.0	16.2	12.0	11.6	12.3	--

Multi Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Multi - Asset Fund - Growth	54.7	12.4	15.9	11.9	10.1	11.0	1,913
Nippon India Multi Asset Fund - Reg - Growth	15.2	15.6	16.4	--	--	--	1,448
Tata Multi Asset Opportunities Fund - Reg - Growth	18.0	13.0	18.6	--	--	--	1,787
NIFTY 50 Hybrid Composite Debt 65:35 Index	16,533.8	11.0	16.2	12.0	11.6	12.3	--

Gold Funds Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	18.2	16.4	4.1	12.6	8.1	5.7	1,570
Kotak Gold Fund - Reg - Growth	23.4	15.4	3.9	12.7	8.3	5.6	1,514
Nippon India Gold Savings Fund - Reg - Growth	23.3	16.4	3.9	12.4	7.9	5.5	1,524
Prices of Gold	58,870.0	18.3	5.2	13.9	9.5	7.2	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1,226.8	6.6	6.5	6.4	6.4	6.62	1,573
Tata Overnight Fund - Reg - Growth	1,213.9	6.6	6.5	6.4	6.3	6.63	2,646
Nippon India Overnight Fund - Reg - Growth	123.6	6.6	6.5	6.4	6.4	6.66	7,423

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Aditya Birla Sun Life Liquid Fund - Reg - Growth	371.6	6.7	6.7	6.7	6.9	7.14	39,348
Mirae Asset Cash Management Fund - Growth	2,418.7	6.7	6.8	6.7	6.8	7.03	10,335
Kotak Liquid Fund - Reg - Growth	4,664.4	6.7	6.7	6.6	6.8	7.03	31,624
Nippon India Liquid Fund - Reg - Growth	5,630.8	6.7	6.7	6.7	6.8	7.06	28,533
Mahindra Manulife Liquid Fund - Reg - Growth	1,500.8	6.8	6.8	6.8	6.9	7.06	795

Ultra Short Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Ultra Short Term Fund - Reg - Growth	13.4	6.5	7.1	6.8	4.8	7.37	13,495
ICICI Prudential Ultra Short Term Fund - Growth	24.4	6.5	7.1	6.8	5.0	7.48	13,376
Kotak Savings Fund - Reg - Growth	37.9	6.5	7.1	6.7	4.6	7.36	13,488

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	5,012.4	6.7	7.5	7.1	5.0	7.41	18,093
Tata Money Market Fund - Reg - Growth	4,136.2	6.8	7.5	7.2	5.1	7.33	14,825

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	50.9	7.4	7.8	6.9	5.1	7.75	16,497
ICICI Prudential Savings Fund - Reg - Growth	475.6	8.4	8.5	7.6	5.5	7.67	22,000
Kotak Low Duration Fund - Std - Growth	2,951.2	6.6	7.2	6.7	4.7	7.67	11,125

Floater Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Floating Rate Fund - Reg - Growth	1,313.8	8.1	8.1	7.1	5.5	7.71	5,341
Tata Floating Rate Fund - Reg - Growth	11.2	7.2	7.5	6.7	--	7.82	259

Short Term Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Short Term Debt Fund - Growth	27.8	6.6	7.9	7.1	5.1	7.73	12,400
HSBC Short Duration Fund - Reg - Growth	23.1	5.3	6.7	6.3	4.2	7.49	3,394
ICICI Prudential Short Term Fund - Growth	52.4	7.3	8.1	7.4	5.6	7.97	16,656

Corporate Bond Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Corporate Bond Fund - Reg - Growth	26.0	8.1	8.6	7.6	5.6	7.83	23,244
HDFC Corporate Bond Fund - Growth	28.3	7.5	8.6	7.3	5.3	7.70	26,782
Kotak Corporate Bond Fund - Std - Growth	3,274.6	6.5	7.7	6.9	5.0	7.68	10,696

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential All Seasons Bond Fund - Growth	32.0	6.7	8.2	7.4	5.8	7.93	11,160
Nippon India Dynamic Bond Fund - Reg - Growth	32.2	5.0	8.9	7.0	4.6	7.52	4,521
Kotak Dynamic Bond Fund - Reg - Growth	32.4	5.9	7.8	6.4	4.5	7.60	2,502

Medium Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Medium Term Bond Fund - Growth	38.9	5.9	7.6	7.0	6.0	8.21	6,517
HDFC Medium Term Debt Fund - Growth	49.1	5.7	7.8	6.9	5.5	7.92	4,333
SBI Magnum Medium Duration Fund - Growth	44.6	5.7	8.1	7.4	5.4	7.88	7,113

Long duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Nippon India Nivesh Lakshya Fund - Reg - Growth	15.3	4.0	8.6	8.2	4.3	7.41	6348

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Gilt Fund - Growth	84.6	6.0	7.9	7.1	4.6	7.54	2,473

Gilt Fund with 10 year constant duration

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Constant Maturity Gilt Fund - Reg	21.1	4.3	8.9	7.8	4.3	7.19	2,238

Credit Risk Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Credit Risk Fund - Growth	27.4	6.6	7.5	7.0	6.5	8.35	7,598
HDFC Credit Risk Debt Fund - Reg - Growth	21.0	6.2	7.4	6.6	6.6	8.46	8,443
SBI Credit Risk Fund - Growth	39.7	6.4	10.2	8.3	6.3	8.21	2,734

Banking & PSU Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Edelweiss Banking & PSU Debt Fund - Reg - Growth	21.4	4.9	7.8	6.7	5	7.46	345
HSBC Banking and PSU Debt Fund - Growth	21.3	5.3	7.0	6.5	4	7.48	4556

Source: - ICRA MFI, NAV as on 22nd September 2023

TECHNICAL OUTLOOK

The Nifty experienced a roller-coaster ride in September, hitting an all-time high of 20,222.45, before profit-booking brought it down to the 19,550 level. Despite the cautious sentiment on Dalal Street, sectoral rotation was seen.

However, investors should remain cautious, as profit-booking may occur at higher levels. Also, the Nifty is witnessing volatile trading sessions.

The Nifty is currently facing strong resistance between 19,720 and 19,840 on a closing basis. Any move above the 19,840 mark would likely signal a positive rally towards 20,100/20,300 levels.

However, the Nifty is trading below the Golden Ratio i.e. 61.8% of Extension (Low - 15,183.40, High - 18,887.60, Low - 16,828.35), which is at 19,600 levels, indicating caution. As long as the Nifty struggles to move higher, positive momentum may not be sustained.

Looking at the technical set up, the immediate support lies at 19,540. If it fails to hold this support, i.e. 19,240 on a closing basis, then we may see further sell-off, potentially taking the Nifty towards 19,000/18,800.

The daily momentum indicator is showing negative crossover, indicating a potential correction or consolidation in the index. The overall market outlook remains cautious as profit-booking is seen at higher levels, and some volatility can still be expected.

Traders should consider taking profits during rallies and look for opportunities to buy on dips. Any dip towards 19,500 will contribute to strengthening the Nifty.

Technically, the Bank Nifty has immediate support at 44,000. A close below 44,000 may extend the fall towards 43,600/43,200. On the flip side, resistance is positioned at 45,000. Beyond that, the Bank Nifty may witness a positive move towards 45,600-46,400 levels.

On the Nifty Options front for the October series, the highest Open Interest (OI) build up is seen near 20000 and 19800 Call strikes, whereas on the Put side, it is observed at 19500 and 19200 strikes.

India VIX, which measures the immediate 30-day volatility in the market, has remained sideways in the range of 10-12 for most of the September series. Going forward, we expect the index to remain sideways in the first part of October. Once VIX goes above 13.5, volatility is likely to increase in the market.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 0.8-1.3 in September. Going forward, it is expected to remain between 0.6 and 1.2 in October.

The markets are believed to remain cautious in the first half of October with supports placed at 19,500 and 19,200 levels; also, the markets will continue to witness some important resistances at 19,800 and 20,000 levels.

OPTIONS STRATEGY

Long Strangle

The strategy can be initiated by 'Buying 1 lot 12OCT 19800 CE (₹ 110) and Buying 1 lot 12OCT 19600 PE (₹ 110).' The total outflow of premium comes to around 220 points, which is also your maximum loss.

One can maintain a stop loss of 160 points (60 point loss from total premium). The maximum gain is unlimited; one can set the target at 350 points (130 points gain from total premium).

Considering the current options' OI positions for Nifty, it seems likely that the index will experience a range breakout, with momentum on either side leading to decent gains in this strategY.

A CORPORATE STRATEGY

SHARE BUYBACKS ARE COMMONLY EMPLOYED TO BOOST PROMOTER OWNERSHIP, DEFEND AGAINST HOSTILE TAKEOVERS, BOLSTER SHARE PRICES, AND ENHANCE EARNINGS PER SHARE

Rewarding shareholders is a strategic objective of listed companies, which can be achieved through dividend payouts or a share buyback plan. Dividend payouts create a pattern and an expectation among investors, and hence, there is a need to strive to maintain the dividend schedules so that confidence in the company's financial strength remains intact.

Conversely, share buybacks are typically employed as a one-off or occasional strategy by companies to distribute surplus cash from their balance sheets when they do not have more compelling uses for the funds.

While this is the most common reason, in certain instances, share buybacks are used to increase promoter holding, safeguard against hostile takeovers, support the share price, and increase earnings per share.

While share buybacks are generally strategically planned and are not frequent, this does not imply that companies cannot resort to share buybacks frequently to reward shareholders. Some companies, especially those with robust cash generation capability, more often seen in the information technology sector, where the need for constant capital investment is less common, strategically use share buybacks more frequently to reward shareholders, as in the case of Infosys.

Over the last few years, they have undergone multiple rounds of share buybacks. Buybacks have found favour in the last couple of years, and companies across the board are carrying out this strategic capital allocation exercise

WHAT DOES A SHARE BUYBACK MEAN?

A share buyback is a strategic capital allocation initiative undertaken by a public company that involves repurchasing its shares in the secondary market from existing shareholders to reduce the number of outstanding shares in the open market. Once the repurchase is completed, the shares are extinguished, reducing the total number of shares outstanding.

Generally, companies engage in share buybacks when they have a strong financial footing and excess cash at their disposal, and they believe that returning the money to shareholders is the best way to utilize the funds, as they do not see the need for it to fund operations or undertake any investments.

In some countries, companies can buy back shares and hold them as treasury stock on the balance sheet. In India, this is not permitted. Hence shares have to be extinguished. In fact, as per the Companies Act 2013, the company must extinguish the shares it has bought back within seven days from the last day of the completion of the buyback.

Participation in a share buyback is optional for an investor, and hence there is no obligation to sell the shares to the company.

Even though the company may have announced a buyback and received approval from the board, the buyback can be aborted if the management changes its mind, which can happen if circumstances have changed or certain unexpected events have occurred.

For a public company to execute the buyback of shares, approval from the Board of Directors is required, and the communiqué will have details on the quantum of shares to be purchased, the price, and the amount of funds that can be used. In the recent past, due to the run-up in prices, companies buying back shares through the tender route have increased their share buyback price before the launch to entice shareholders to participate in this process.

RECENT SHARE BUYBACKS

- Larsen & Toubro (L&T), a

large engineering company, announced its buyback at ₹ 3,000 per share, having a total size of ₹ 10,000 crore during July '23. The buyback price was revised higher owing to an appreciation in share price to ₹ 3,200 a share, closer to 18th September '23, when the buyback was launched through the tender offer. Thus, L&T could repurchase 3.12 crore shares, lower than the 3.33 crore shares earlier planned, or 2.22% of the outstanding equity.

• BSE in July '23 announced that the buyback was approved at ₹ 1,080 per share (revised higher from ₹ 816 decided earlier), valued up to ₹ 374.80 crore, equating to 3.39% of its paid-up capital through the tender route. The record date was fixed for 14th September '23.

• Control Print approved a buyback for ₹ 800 per share through the tender route, totaling ₹ 27 crore, equating to 2.07% of its equity.

• Infosys board in October '22 approved a ₹ 9,300 crore buyback at a share price of ₹ 1,850, approximately 1.19% of the company's paid-up capital. It completed the buyback, which commenced on 7th December '22, through the open market route in February '23 when it bought back 60.4 million shares, or 1.44% of the total equity capital at an average price of ₹ 1,539 per share, which was below the maximum offer price of ₹ 1,850.

• Wipro concluded a ₹ 16,000 crore share buyback, open from 22nd June to 30th June '23, for ₹ 445. The company extinguished 4.91% of the shares, totaling 26.97 crore shares.

• Piramal Enterprises approved a ₹ 1,750 crore buyback, amounting to 140 crore shares in July '23 for ₹ 1,250 per share, which opened in August '23 via the tender route.

TYPES OF SHARE BUYBACKS

Share buybacks can be executed either through a tender offer or the open market channel. Under the tender offer, shareholders are offered a fixed price at which the shares will be bought.

There is a record date, which means that shareholders who own the stock as of the record date are eligible to participate in the share buyback. A buyback form needs to be filled out in which they need to mention the number of shares they wish to tender. This can be done online using the stockbroker's platform.

The acceptance ratio will determine what proportion of the tendered shares has been accepted for the buyback; the remaining shares will be released back to the investor's demat account, and the ones accepted will be extinguished. In case of a tender offer, the process has to be completed in ten working days.

In an open market process, the company will buy shares from shareholders in the open market. t will announce a ceiling price up to which they will repurchase the shares, and since they can be bought from the market, companies need not pay a premium.

A case in point is PayTm, which announced its buyback at a maximum price of ₹ 810 per share. When the buyback was completed, it was revealed that the company bought shares at a much lower price and did not have to pay the maximum price set.

Regarding the timeline, open market buybacks can extend for as long as six months or until the approved maximum amount of buyback is achieved. As elaborated, Infosys completed the buyback through the open market much earlier than the six-month timeframe.

In March '23, the market regulator, SEBI, announced that it would phase out the open market route in a gradual manner, and it will not be an option from April '25. In the interim, rules have been amended to ensure that the share buyback process is robust, efficient, and investor-friendly.

IMPACT OF BUYBACKS

Improvement In Financial Ratios: When a company buys back its shares, it reduces the total number of shares outstanding and the capital base, as the shares are extinguished. This will boost the EPS as shareholders will be entitled to a greater share of the company's profits. If a company has 10,000 shares, and public shareholder ownership is 10%, it means 1,000 shares are owned by the general public. If the company, through the share buyback, repurchases 500 shares, shareholder ownership in the company will rise to 10.53% (1,000 shares/reduced capital base of 9,500 shares).

Potential To Boost Share Prices: When a buyback is announced, there is a tendency for the stock price to go up as it signals the company's confidence in itself, using its cash reserves, and signalling that it perceives its stock to be undervalued. The rise in demand for the shares when the company does a buyback supports the stock price, creating value for all shareholders.

Tax-Efficient Instrument: Buybacks are a more efficient way to return capital to shareholders because the company is liable to pay a tax at 20%, plus a surcharge of 12%, which effectively means a tax of 23.296%. However, investors do not have to pay any additional tax on the proceeds received from the buyback. It is thus considered more efficient than dividend distribution, as dividends above a cumulative amount of ₹ 5,000 are taxed in the hands of the investor, depending on the tax bracket applicable.

OPTIONS FOR INVESTORS

To decide whether to tender the shares or not in the buyback, an investor has to understand the underlying reason that has resulted in the company arriving at this strategic decision.

If the company feels that it is doing well, but the price reflected on the stock exchange is not giving it its due, i.e., it is undervalued, the company may decide to repurchase its shares using its spare cash. In such an instance, the buyback announcement reflects positively on the company. On the other hand, if the company opts for a buyback to support share prices instead of utilizing the cash for investing in future growth, shareholders are better off tendering the shares.

If the company is doing a buyback because of a lack of investment opportunities, investors looking for growth may need to re-evaluate their investments.

Normally, buybacks are done at a premium to the current market price to entice shareholders, and if the company's price overvalues the shares, then it makes sense to opt for a buyback and redeploy the cash in better investment opportunitieS.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IMPORTANT JARGON

GOVERNMENT BONDS TO BE INCLUDED IN JP MORGAN INDEX

Index provider JP Morgan has said that it will include Indian government bonds (IGBs) in its Global Bond Index-Emerging Market Global Diversified from June '24. The move was much awaited and is hugely positive for India at many levels.

Q. What Announcement Did JP Morgan Make?

JP Morgan Chase & Co. said that it will include 23 Indian government bonds (IGBs) in its Global Bond Index-Emerging Market Global Diversified. The inclusion will be staggered over a 10-month period, starting from 28th June '24. After 10 months, IGBs will have a 10% weightage in the index. So far, India was the only large emerging economy that was not included in any global bond index.

Q. What Is Bond Index?

Just as stock exchanges create and maintain indices, private index maintenance companies also do the same. Instead of stocks, these indices have bonds as components. The JP Morgan Bond Index comprises bonds of governments from China, Brazil, India, and other nations. These bonds have different weightages, with the maximum weightage being 10% of the overall index.

Q. What Is The Significance Of Such Indices?

Many global index and exchange-traded funds (ETFs) use these indices as benchmarks. For instance, a fund manager may start an exchange-traded bond fund by collecting money from people and using the JP Morgan Global Bond Index Global Diversified index as a benchmark.

To show his/her pereformance, the fund manager would have to beat the returns of the benchmark index. In addition to this, the fund manager would have to accordingly alter his/her portfolios whenever there are changes (additions or deletions) in the composition of the index.

Q. What Will Change After IGBs Are Included In The JP Morgan Bond Index?

As explained above, ETFs will now need to buy these 23 IGBs from the market to replicate the benchmark index.

This is known as passive investing. Global assets worth US $231 billion are benchmarked to this index. Since India will have a 10% weightage, it is expected that around US $22 billion to US $25 billion worth demand for these 23 bonds will be generated in the next 10 months, starting in June '24.

Q. Why Couldn't The Timing Of The Announcement Have Been Any Better?

The global backdrop has become more challenging, with elevated interest rates, surging crude prices, and currencies under pressure.

The Indian rupee has depreciated and is hovering near its all-time low and India's trade deficit is likely to remain elevated.

Thus, the step to include IGBs in the global bond index is sentimentally positive in the near-term and structurally positive in the medium term, as it will ease some pressure from the external sector.

Q. What Will Be The Impact On Indian Bond Markets?

As demand for underlying government bonds increases, even active funds will look to invest in these bonds for higher returns. There are expectations that another US $15 billion worth of demand will be generated for these Indian government bonds (IGBs) by active fund managers, immediately without any lag.

The inclusion of IGBs in a foreign bond index could be an important milestone for India's bond market. Currently, foreign players have less than 2% market share in the Indian bond market, but this is expected to go up eventually.

Q. What Does The Move Mean For The Fiscal Deficit?

As demand for bonds increases, their yield would fall. As yield falls, it would become less expensive for the government to borrow money.

The government has to borrow more than ₹ 15 trillion from the market to fill the fiscal deficit gap this year. Now, the government has easy access to around US $40 billion (₹ 3.2 trillion or 20% of fiscal deficit). This is good news.

Q. What Does The Move Mean For India's Current Account Deficit?

Historically, India has been using capital flows to fill its current account deficit. Around US $40 billion would flow into India in the form of capital flows. This will help bridge the current account deficit. The inclusion of IGB in a global index takes away some pressure from India's external sector.

Q. What Does The Move Mean For The Indian Rupee?

With India's external sector looking good, the Indian rupee is likely to appreciate steadily. This is good for the Indian economy in the long term.

Q. Are There Any Negatives From The Move?

Yes, with higher capital flows, the Indian markets will be integrated with the global markets and will be more susceptible to volatile global cues. The move also increases the responsibility of the Reserve Bank of India (RBI) to ensure stable currency movements in the market.

It is worth highlighting that an appreciating rupee reduces the competitiveness of Indian exporters, which can impact the economy. The RBI will have a greater role to play in the future as it tries to balance these two aspects.

Q. How Will It Impact Corporates And NBFCs?

Due to the lack of depth in the Indian bond markets, corporates and non-banking finance companies (NBFCs) used to borrow money from the markets at a premium to sovereign bonds.

Now, as sovereign bond yields fall, bond raising by corporates and NBFCs will also become cheaper than before. As a result, they will benefit from interest outgo, which will have a positive impact on their balance sheets.

Q. Will There Be More Such Inclusions By Other Index Providers As Well?

The inclusion of IGBs in the JP Morgan Global Bond Index-Emerging Markets index was a work in progress for the last ten years. Therefore, the move was not a surprise for the markets.

Now, there are expectations that Indian bonds will be included in other major global bond indices, such as the Bloomberg Global Aggregate Index and the FTSE Russell World Government Bond Index. However, the timeline for these reviews is still uncleaR.


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