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FIRING ON ALL CYLINDERS

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

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We Offer
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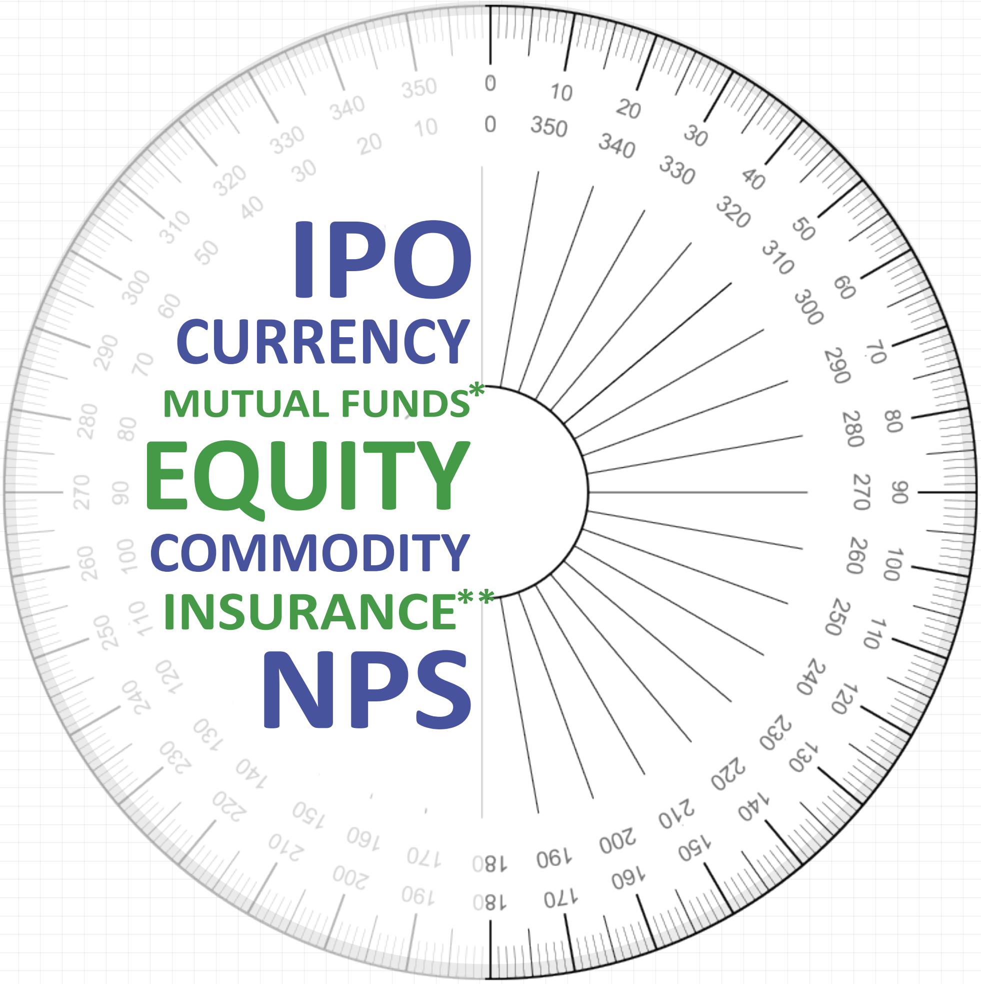

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Tushita Nigam
Editor

INVESTING FOR THE FUTURE

The month of February began with the Finance Minister Nirmala Sitharaman presenting the Interim Budget for 2024-25. Despite remaining muted, the budget announcement failed to create a buzz among businesses and masses. Nevertheless, certain aspects of her speech managed to capture the attention and interest of many.

One noteworthy point was the emphasis placed on capital expenditure in both the government and the private sector, coinciding with the Budget's announcement of an 11.1% increase in government capex. The cover story of this issue highlights areas earmarked for the new capital expenditure and explores the potential beneficiaries of these investments.

This issue also features articles discussing the potential and opportunities in the blue economy owing to the importance given to the fishery sector in the Budget. Additionally, it digs into the impact of supportive policies and lower costs on the increased use of solar energy. Furthermore, the advantages to investors are explored in an article on the proposed introduction of same-day settlement in the stock markets.

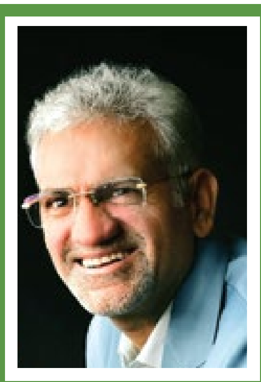
You will also find interesting reads on the growing preference for road travel over air travel in domestic travel, promotions and offers implemented by FMCG companies to increase their topline and bottomline, the importance of prudence and mindfulness for new-age investors in making investment decisions and planning for their future. Lastly, there is an article on the growing interest in luxurious products and services among Indians due to higher disposable incomes.

Do skim through the mutual fund blackboard section to identify schemes that are offering good returns and could, therefore, be considered for inclusion in your investment portfolios.

Also, an interesting survey states that "doomed spending" is on the rise among Americans who prioritize living in the moment over saving for a rainy day. Find out more about this trend in the Beyond Learning sectioN.

"In the coming days, traders and investors should avoid fresh buying."

Nifty Futures: 21,895
(Last Traded Price as on 28th Feb '24)



Both the Reserve Bank of India (RBI) and the US Federal Reserve left interest rates unchanged during their recent policy meetings. However, they stated that they may not resort to rate cuts in the near future.

The government's Interim Union Budget 2024-25 prioritized higher growth in capital expenditure while scaling down the fiscal deficit.

In the coming days, traders and investors should avoid fresh buying. However, they could consider buying opportunities if the Nifty Futures crosses 22,150. On the downside, the Nifty Futures is likely to touch 21,550 and 21,150, thereafter.

Market participants are advised to closely monitor both geopolitical developments and developments related to the central election, as these events have the potential to impact the stock marketS.

FIRING ON ALL CYLINDERS

The government is pushing on the capex front; it's now up to the private sector to unleash the 'animal spirits' and embark on the expansion path

Presenting the Interim Budget early this month, Union Finance Minister Nirmala Sitharaman hit an 'auspicious' note by announcing the central government capital expenditure (capex) for FY25 at ₹ 11,11,111 crore, an 11% growth over the previous fiscal, veering away from the tradition of staid budgetary numbers.

While the numerological significance awed, many were not enthused and quickly pointed out that the government's capex growth has slowed from 34% hike in the current fiscal's Budget, to 11% in the next. The FY25 capex is, though, a 16% hike over ₹ 9.5 lakh crore revised estimates.

The lower growth, albeit on a high base, marks a return to normalized growth in spending after a stellar period when the central government capital expenditure grew 26% CAGR in FY19-24.

HOW BIG IS THE CAPEX?

The Indian economy has been on a roll over the last four years by tripling the capex outlay for developing physical capital for connectivity and asset creation.

In FY24, India witnessed the highest central government capital expenditure as a share of nominal GDP since 2004-05. Despite being the highest in the new GDP series (2011-12), Union government capex constituted only 10.8% of nominal Gross Fixed Capital Formation (GFCF) in FY24, a fraction of the total investment.

The FY25 Budget emphasizes increased capex, offering interest-free loans to states, and encouraging private sector research and development spending. India's gross fixed capital formation is estimated to grow by 10.3% in the current fiscal year, with a deliberate focus on public capex to address infrastructure deficits.

Analysts expect a 16.5% rise in government capex outlay in FY25, maintaining central government capex at 3.4% of the GDP. Achieving a higher investment rate, crucial for a 7% growth rate, requires collaborative efforts from corporates, households and the government.

PRIVATE CAPEX

While the government is shouldering the major capex drive, private sector capex revival is yet to witness a broad-based trend. However, there is a sense of optimism driven by major players' substantial investment plans.

Experts say private capex is poised for a sustained increase, driven by strengthened corporate balance sheets and enhanced credit financing.

The private corporate capex cycle is anticipated to reach a decadal high in FY24, according to a study published in the RBI Bulletin in August '23.

According to the Ministry of Corporate Affairs, private capex has grown at an 8.5% Compound Annual Growth Rate (CAGR) from FY19 to FY23, reaching ₹ 6 lakh crore. With expectations of lower borrowing costs due to anticipated interest rate cuts in FY25 and improved balance sheets, further growth is anticipated.

Recent quarters have seen rising optimism regarding private capex, supported by favourable government policies.

According to the Centre for Monitoring Indian Economy, about 86% of new project announcements in the past year were from the private sector.

Listed corporates have reported a significant increase in capex, growing over two times from FY17-19 to FY24, reaching a trailing 12-month level of ₹ 23.9 lakh crore. This growth has been driven primarily by key industries such as energy, automotive, and industrials.

Additionally, increased capacity utilization levels, particularly in the manufacturing sector, bode well for private capex. Despite a slight decline in the first quarter of FY24 compared to the previous quarter, capacity utilization remained higher than the same period last year, indicating potential for new capacity additions over time.

ROOM FOR GROWTH

An analysis of 1,700 companies from FY19 to H1FY24 shows that the pace of asset addition aligns with revenue growth, both around 7% to 8%. Return ratios for companies are at a multi-year high, with Return on Equity (RoE) expanding 400 basis points to 15.6% by H1FY24 from FY19.

Leverage metrics improved to a comfortable 2.5 times net debt to EBITDA in H1FY24, significantly down from 4.2 times in FY19. This improvement was mainly driven by a 600 basis points expansion in EBITDA margins, indicating ample room in balance sheets for further growth investments.

Core sector momentum is anticipated to persist, supported by initiatives like the 2 crore affordable housing programme. Railways, roads, and logistics remain focal points for government spending, providing a multiplier effect for demand growth in core sectors.

Listed entities' share in total corporate investments has risen to 33.5% in FY23 from 26% in the pre-Covid period (FY16-FY21), reflecting resilience, especially in sectors like oil and gas, telecom, healthcare, metals, and technology.

While sectors like auto, chemicals, and cement may witness increased investment, challenges persist due to flat toplines in other sectors despite higher capacity utilization.

The RBI has said in its recent State of Economy report in February '24 that India Inc's balance sheets were healthy on the back of high profits, with leverage remaining constant or improving and the return ratio at a multi-year high.

The report pointed out that fixed asset growth was evident in the oil and gas sector and chemicals, while in sectors such as steel and automobiles, for which stock returns have exceeded index returns, fixed asset additions have, however, been underwhelming.

INDIA INC CAPEX PLANS

The big-ticket investments are from the big guns of industry — from Mukesh Ambani, Gautam Adani, Sajjan Jindal, and Lakshmi Mittal to the Tata group.

Notable among these is Reliance Industries, which aims to inject $10 billion into developing an energy ecosystem. Likewise, the Adani Group has ambitious plans to invest $100 billion, with a substantial 70% earmarked for clean energy initiatives. Tata Power has outlined a capex of ₹ 60,000 crore by FY27, with almost half of the investment dedicated to the renewables sector.

In power transmission, projects totalling about ₹ 60,000 crore were proposed between April and December '23, with both state-owned entities like Power Grid Corporation and private players such as Sterlite Power, Tata Power, and Adani Energy Solutions securing sizable projects.

The steel sector is undergoing considerable activity, with key producers like Tata Steel, JSW Steel and Jindal Steel & Power engaged in a significant investment phase.

In base metals, Hindalco Industries is executing a planned capex of ₹ 8,000 crore for establishing a 2 million tonne greenfield alumina refinery in Odisha.

The automobile industry in India is poised for substantial growth, with companies like Maruti Suzuki India committing to a capex of about ₹ 1.25 lakh crore between FY24 and FY31.

Tata Motors, while not disclosing specific capex details, has emphasized significant investments across various segments, including Jaguar Land Rover and its passenger vehicle, commercial vehicle, and electric vehicle businesses.

Capex is already in motion, with companies like JSW Steel, Tata Steel, UltraTech, and Reliance Industries undertaking noteworthy expenditures.

JSW Steel's capex during 9MFY24 was ₹ 13,249 crore, Tata Steel's capex stood at ₹ 13,357 crore, UltraTech spent ₹ 6,922 crore in the same period, and Reliance Industries' capex for Q3 2023 was ₹ 30,102 crore.

DROPPED PROJECTS

In the four quarters ending December '23, the value of dropped capex projects in India was more than double the value of the completed ones.

Completed projects amounted to ₹ 6.9 lakh crore, while dropped projects totalled ₹ 15 lakh crore, highlighting a significant ₹ 8.1 lakh crore gap.

This trend has persisted across investment cycles, emphasizing the challenges in sustaining and executing planned capex.

Government-backed dropped projects have surpassed private sector ones, reaching ₹ 8 lakh crore compared to ₹ 7.1 lakh crore for the private sector.

In the manufacturing sector, dropped projects rose to ₹ 4.4 lakh crore in December '23 from ₹ 2.5 lakh crore in December '19, overtaking electricity projects as the highest contributor. Services, which led in dropped projects in December '19 with ₹ 7.8 lakh crore, eased to ₹ 4 lakh crore.

BORROWINGS TAILWIND

One notable factor in the budget is the expected reduction in the crowding-out effect due to government borrowing.

With high tax buoyancy, the government is likely to borrow less in FY25, raising the potential for an expansion in private borrowing.

The budget revealed a fiscal deficit of 5.8% for FY24, slightly lower than anticipated, with a projected fiscal deficit of 5.1% for FY25 and an aim for FY26 to have a fiscal deficit below 4.5%.

This disciplined fiscal approach signals a strong commitment to curbing government borrowings, providing room for increased private-sector borrowing.

The RBI too has said that the Indian corporate sector must get its act together to take advantage of the lower borrowing cost to make capital expenditure (capex) and relieve the government of heavy lifting, according to the RBI's February State of the Economy report.

"Overall, the corporate sector must take advantage of the space ceded in financial markets by a lower budgeted borrowing programme and the easing of borrowing costs that has already begun in response to the Interim Budget for 2024-25, driven as it is by capex and consolidation," said the report.

THE WAY AHEAD

The 3.4% share of GDP allocated to public capex is significant, especially given the cautious stance of private investment and ongoing efforts to stimulate consumption, as per experts.

The private capex cycle appears to be poised for success, as authorities emphasize the cleanliness and health of banking and corporate sector balance sheets.

Nevertheless, the manufacturing sector's capacity utilization remains below the critical threshold of 75%, as indicated by the RBI survey.

However, some experts said that private capex is unaffected by budgetary considerations. Economic viability will be the key driver for robust private capex.

Previous experiences have made the private sector cautious about following trends blindly.

The Budget will likely be assessed for potential challenges or opportunities, but the fundamental investment decision will hinge on factors such as demand and supply dynamics, and cost competitiveness in both domestic and international markets.

Till there is a concrete turn in the private capex cycle, the government will have to assert its commitment to prioritizing long-term growth over immediate fiscal stimuluS.

A BLUE REVOLUTION

Blue economy takes centre stage in India's interim budget, signalling global alignment and responsible ocean leadership

The Indian government has allocated a record amount of ₹ 2,584.50 crore for the Department of Fisheries in FY24-25. This budgetary allocation is 15% higher than the previous year, making it the highest-ever annual allocation for the department. The investment in the fisheries sector has been steadily increasing over the years, with a total of ₹ 6,378 crore released from 2014-15 to 2023-24 for various developmental activities.

The fisheries sector plays an important role in the Indian economy, contributing to national income, exports, food security, and employment generation. With a record fish production of 175.45 lakh tonnes in FY22-23, India is the third-largest fish-producing country in the world.

The sector accounts for 8% of global production and contributes around 1.09% to the country's Gross Value Added (GVA) and over 6.724% to the agricultural GVA. It also sustains the livelihoods of approximately 30 million people, especially marginalized and vulnerable communities.

According to the Ministry of Fisheries, Animal Husbandry & Dairying, inland fisheries and aquaculture have witnessed a significant increase in fish production. In 1950-51, annual fish production stood at a mere 2.18 lakh tonnes. The national fish production for 2022-23 is expected to reach or exceed 174 lakh tonnes, a remarkable 81% increase compared to 2013-14. The fisheries sector provides livelihoods, employment, and entrepreneurship to over 2.8 crore fishers and fish farmers at the primary level and several lakhs along the value chain.

On a global scale, India ranks second in aquaculture production, and is one of the leading nations in shrimp production and exportation. India's seafood exports have more than doubled since 2013-14. Back then, seafood exports were valued at ₹ 30,213 crore, but by fiscal year 2022-23, they had soared to ₹ 63,969.14 crore. That's a whopping increase of 111.73%, even amidst challenges posed by the pandemic in global markets. Currently, Indian seafood finds its way to 129 countries, with the USA being the largest importer.

During her Budget speech, Finance Minister, Smt. Nirmala Sitharaman highlighted the significant development in the fisheries sector. Establishing a separate Fisheries Department has been instrumental in doubling inland and aquaculture production and seafood exports since 2013-14. The flagship scheme, Pradhan Mantri Matsya Sampada Yojana (PMMSY), is being strengthened to enhance aquaculture productivity, double exports, and generate employment opportunities.

The Department of Fisheries was established in 2019 to provide focused attention and support to the sector. With schemes like PMMSY, Fisheries Infrastructure Development Fund (FIDF), and Kisan Credit Card (KCC), the department aims to achieve sustainable, responsible, inclusive, and equitable growth in the fisheries sector.

Additionally, the government will launch the Blue Economy 2.0 to focus on climate-resilient activities and coastal development. The budget proposes launching a scheme for restoration and adaptation measures and coastal aquaculture and mariculture with an integrated and multi-sectoral approach.

So, what exactly is the blue economy, and why is it important? The blue economy refers to economic activities related to the sea and coasts, focusing on sustainability. It encompasses many sectors and industries, including fisheries, tourism, shipping, renewable energy, and marine conservation.

The European Commission defines it as all economic activities related to oceans, seas, and coasts, while the

World Bank describes it as the sustainable use of ocean resources for economic growth, improved livelihoods, and job creation while preserving the health of the ocean ecosystem.

For a country like India, with its long coastline, rich biodiversity, and tourism potential, the blue economy holds immense significance. It offers opportunities for economic growth, employment generation, and improved livelihoods for coastal communities. The ocean resources, such as fish and other aquatic produce, can contribute to food security and exports. The blue economy can also be crucial in addressing climate change, as it promotes climate-resilient activities and sustainable practices.

In line with this, the Interim Budget proposes the launch of a scheme for restoration and adaptation measures, which aims to ensure that the health of the oceans is not compromised while carrying out economic activities.

Coastal aquaculture and mariculture, which involve farming and rearing aquatic plants and animals, are also highlighted as important components of the blue economy. The budget aims to enhance aquaculture productivity, double exports, and generate employment opportunities in this sector.

It is worth noting that India has been proactive in formulating a blue economy policy. A draft policy framework on India's Blue Economy was released in July '22, which included recommendations on various aspects of the blue economy, such as ocean governance, fisheries, aquaculture, tourism, trade, and technology. This policy framework provides a roadmap for sustainable and inclusive development of the blue economy in the country.

Furthermore, India has also been actively engaging with international forums and organizations on blue economy-related issues. When the G20 summit was hosted in New Delhi under India's presidency, the Comptroller & Auditor General of India chaired the Engagement Group for Supreme Audit Institutions of member countries. The two priorities for discussions were the blue economy and responsible Artificial Intelligence.

Introducing a new scheme for restoration and adaptation measures, coastal aquaculture, and mariculture is positive for the 14 million people engaged in fisheries and allied activities along India's coastline.

However, concerns remain regarding potential maladaptation resulting from misguided adaptation measures. Maladaptation refers to changes in natural or human systems that inadvertently increase vulnerability to climate stimuli.

The Intergovernmental Panel on Climate Change (IPCC) highlighted an increased incidence of maladaptation in various sectors and regions in their Sixth Assessment Report, released in March '23.

Many adaptation measures have been taken along India's coasts, such as the relocation of affected villages, coast protection structures, and mangrove restoration. However, these measures have proven ineffective in reducing vulnerability to sea-level rise, extreme sea-level events, and cyclones, particularly along the Odisha coast.

Instead, effective adaptation measures such as cultivating indigenous seaweeds, deploying artificial reefs, and stabilizing beach sand dunes should be prioritized. These approaches can protect coasts against erosion and provide livelihoods to local communities.

The government is also prioritizing the development of Fishing Harbours (FHs) and Fish Landing Centres (FLCs) to ensure safe fishing vessels' land, berth, load, and unload facilities. Under the Blue Revolution Scheme, project proposals for the construction/modernization of 13 Fishing Harbours and Fishing Landing Centres have been approved, with a total project cost of ₹ 1,423.28 crore.

Additionally, approval has been granted for the construction / expansion of 46 Fishing Harbours and Fishing Landing Centres under the Fisheries and Aquaculture Infrastructure Development Fund (FIDF), totalling ₹ 5,087.97 crore. Furthermore, the government has approved projects for the construction / modernization / maintenance of 48 Fishing Harbours and Fishing Landing Centres under the Pradhan Mantri Matysa Sampada Yojana, with a total cost of ₹ 2,517.04 crore.

The government has also given the green light to allocate ₹ 364 crore to install a satellite-based Vessel Communication and Support System on one lakh fishing vessels.

This initiative will be carried out through New Space India, a Central Public Sector Undertaking under the Department of Space. Developed domestically by ISRO, this technology aims to enhance the safety and security of fishermen while they are out at sea.

The entire expense of this endeavour will be covered jointly by the central and state governments, with the devices being distributed to fishermen free of charge. The monumental project is slated to be completed within the next 18 months.

The Interim Budget's focus on the blue economy reflects the government's commitment to sustainable development and the preservation of ocean ecosystems. By promoting climate-resilient activities and sustainable practices, India can harness the potential of its vast coastline and diverse marine resources for economic growth, job creation, and improved livelihoods.

This emphasis on the blue economy aligns with global efforts toward sustainable ocean management and reinforces India's role as a responsible steward of the oceanS.

SOLAR BOOM

Supportive policies and dramatically lower costs accelerate solar energy adoption by businesses and individuals

India's solar energy sector is undergoing a remarkable transformation, propelled by government policies. Prime Minister Narendra Modi recently announced a massive initiative to install solar panels on one crore houses, aligning with other policy measures and decreasing input costs that benefit the domestic solar industry.

The installed solar capacity in India has skyrocketed from a mere 10 MW in 2010 to a whopping 73.32 GWAC in 2023, representing a monumental 7,332-fold increase. This growth is further amplified by a 45% plunge in solar panel prices over the past five years, making solar energy increasingly attractive to both businesses and individuals.

The Indian government is playing a pivotal role in this solar surge, with initiatives like the National Solar Mission and the Production Linked Incentive (PLI) scheme driving the country towards its ambitious target of achieving 500 GW of renewable energy capacity by 2030.

India's solar energy achievements extend beyond impressive numbers; globally ranking fifth in solar PV deployment, with solar electricity generation witnessing a significant 39% jump in 2022-23.

WHY SOLAR?

India has set an ambitious goal to reduce the carbon intensity of its economy by less than 45% by the end of the decade. Committed to achieving 50% cumulative electric power from renewables by 2030, India aims for net-zero carbon emissions by 2070, positioning itself as a global leader in sustainable development. Solar energy, given its demand and potential for development, is expected to play a vital role within the renewable energy sector in India.

INDIA'S OWN BLESSINGS

For millennia, humanity has revered the Sun as a bestower of life upon our planet. As we progressed through the industrial ages, our perception of sunlight evolved into an invaluable source of energy. India, blessed with abundant solar energy potential, receives an annual incidence of about 5,000 trillion kWh across its vast land area, with most regions basking in 4-7 kWh per square meter per day, showcasing the immense solar richness.

For instance, Rajasthan, with the highest solar radiation and over 325 sunny days annually, holds huge potential in India's solar scene. With 14,450 MW of installed solar power and ambitions to reach 65 GW by 2030, it's a magnet for major investments and home to the world's largest solar park.

FALLING INPUT PRICE TO SUPPORT GROWTH

Input prices of key materials have sharply declined in recent years. As of December '23, global module prices have fallen by over 50% compared to their Q4 2022 peak, driven by increased production capacity, intense competition, and falling polysilicon prices.

In India the average per-watt price of solar panels has dropped from over ₹ 100 in 2019 to around ₹ 60 currently (2024), translating to significant savings.

This price reduction is attributed to factors such as increased import duty, technological advancements, expanded domestic manufacturing, and competitive market dynamics.

Government initiatives, including policy incentives and streamlined approval processes, further contribute to this trend. Recent research highlights a significant 20% reduction in the cost of solar panels in 2024, enhancing the economic viability of solar investments.

AMBITIOUS 500 GW RENEWABLE ENERGY TARGET

India is committed to achieving a 500 GW renewable energy target by 2030, with a focal point on solar. One of the key indicators of India's progress in the solar energy sector is the projected milestone of surpassing 100 GW of solar installed capacity by early 2024 as against 21 GW two years back. This achievement signifies a major leap forward in the country's renewable energy journey and demonstrates its capability to rapidly expand its solar power infrastructure.

ROOFTOP SOLAR REVOLUTION

The Rooftop Solar Revolution, marked by the ambitious initiative to install solar panels on one crore Indian houses, signifies a paradigm shift in India's energy landscape. Beyond unlocking substantial market potential, this endeavour is set to inject 30-40 GW of solar capacity into the grid. Apart from the environmental benefits, the initiative is expected to attract an investment of approximately ₹ 30,000 crore to ₹ 40,000 crore.

Moreover, the implementation of rooftop solar is not just a structural change but a financial boon for consumers. The estimated savings, ranging from ₹ 15,000 to ₹ 18,000 per household, are likely to alleviate financial burdens and empower households with a sustainable and cost-effective energy solution.

SUPPORTIVE POLICY LANDSCAPE

India's solar sector benefits from a supportive policy landscape, with government initiatives such as net metering, subsidies, RE purchase obligation for DISCOMs, development of solar parks, and Production-Linked Incentive (PLI) schemes playing a key role in fostering a conducive environment for investments.

Net metering, for instance, facilitates seamless integration of solar power into the grid, enabling users to offset energy consumption and contribute excess energy.

Government-provided solar installation subsidies serve as financial incentives, enhancing the economic viability and accessibility of solar projects.

The Production-Linked Incentive (PLI) schemes, launched in 2021, further bolster the solar industry by encouraging domestic manufacturing, reducing dependence on imports, and stimulating economic growth. Through PLI schemes, India aims to build close to 10 GW of solar panel and module capacity by 2025, potentially reducing India's 80% dependence on imported modules.

SOLAR PARK POLICY

The Solar Park Scheme, initiated in 2014 by the Ministry of New and Renewable Energy (MNRE), aims to expedite the installation of large-scale grid-connected solar power projects in India. Envisaging solar parks with a capacity of 500 MW and above at various locations, the scheme involves collaboration with State governments, their agencies, CPSUs, and private entrepreneurs.

This initiative has played a huge role in the growth of the solar energy sector in India. As of January '23, a total of 52 solar parks have been sanctioned, with a total capacity of 42,755 MW. Of these, 20 parks are operational, boasting a capacity of 11,440 MW.

LONG-TERM GROWTH POTENTIAL

Despite encountering challenges, India's solar sector stands as a compelling avenue for long-term growth, offering strategic opportunities for investors who adeptly navigate associated risks. The market's evolution, which is marked by technological advancements and shifting regulatory landscapes, has propelled the solar sector into a promising trajectory. More so with the rooftop solar opportunities, the sector is poised to benefit many listed players in the entire value chain.

KEY BENEFICIARIES

India's solar push benefits domestic solar equipment manufacturers greatly. The Production-Linked Incentive (PLI) schemes provide a substantial boost, incentivizing domestic production and fostering competitiveness. With increasing demand for solar panels and components, these manufacturers are well-placed to capitalize on the growing market, contributing to the country's self-reliance in renewable energy technology and creating job opportunities.

Project developers specializing in large-scale and rooftop solar projects stand to gain from India's capacity expansion initiatives. As demand for solar installations continues to rise, these developers can leverage their expertise to participate in and lead projects, contributing to the country's renewable energy targets, thus presenting growth opportunities within the sector.

The influx of investments in the solar sector has opened doors for financing services to play a pivotal role. Innovative financing solutions, such as infrastructure funds and green bonds, gain traction, providing avenues for investors to support and benefit from India's solar energy transition. This not only facilitates funding for large-scale solar projects but also promotes sustainable investment practices, aligning with global efforts to combat climate change.

Furthermore, emerging segments within the renewable energy space, such as green hydrogen, battery storage, and smart grid technologies, present lucrative opportunities with long-term growth potential.

Forward-thinking investors and companies can capitalize on these promising segments, contributing to the diversification and resilience of India's renewable energy ecosystem.

In essence, India's solar power ambitions extend beyond energy generation, creating a ripple effect that benefits a diverse range of stakeholders - from manufacturers and project developers to financiers and innovatorS.

CUTTING TO THE CHASE

T+0 settlement buzz heats up as SEBI response looms

A great reform is in the making for the Indian stock markets. Capital markets regulator, the Securities and Exchange Board of India (SEBI) is working on plans to shorten the trade settlement cycle for equity investments. The regulator had come out with a consultation paper in December on optional same-day trade settlement for equity cash market. Public comments were sought till 12th January.

According to the proposal, India will switch to same-day trade settlement (by evening on the trade day if the trade is executed by 1.30 p.m.). Later, the regulator has plans to make trade settlement instantaneous (settlement within one hour of trade execution). It is important to note that same day trade settlement would remain optional for the investor, and they can continue to opt for the current T+1 trade settlement cycle.

India has come a long way as far as trade settlement in stock markets is concerned. India switched to T+1 settlement cycle (one day post trade execution) in January '23. This switch happened after a wait of 20 long years as the last switch to T+2 (two days post trade execution) happened way back in 2003. To highlight, the settlement cycle was shortened to T+3 from T+5 in 2002, and subsequently to T+2 in 2003.

Although shortening of the trade settlement cycle in the stock market is a global trend currently, India has been at the forefront. The aim is to lower counter-party risk, especially post Covid and other geo-political events, and release capital for investors, which is otherwise stuck in the system during the settlement period.

Advancements in technology in the stock market intermediaries' space and robust payment system has helped serve this purpose. For India, the Unified Payment Interface (UPI) with its real-time fund transferring and Electronic Know Your Customer (e-KYC) has been a silent revolution for the markets.

To highlight, India is even ahead of developed markets in adopting shorter stock market settlement cycle. India moved to the T+2 settlement cycle in 2003, 14 years before the US did. In fact, the US will make a switch to T+1 trade settlement cycle in May this year. Although European markets are generally slow in this transition, they are expected to follow suit.

BENEFITS

But why is SEBI pushing for such a reform? Simply because it is in the interest of investors. Simply put, the buyer will receive shares while the seller will receive the consideration for the shares on the same day instead of waiting for the settlement to happen on the next day. A shorter settlement cycle brings more transparency in operations, frees up the cash for investors and reduces frauds in the markets.

Also, a shorter settlement cycle will lead to an increase in volumes as investors would be able to move from one stock to another quickly. For stock market intermediaries like exchanges, clearing corporations, depositors, brokers, a shorter settlement cycle would reduce risks, although it would need higher spending for building operational capacities initially.

FPI'S OPPOSITION

Despite the benefits, there has been some opposition to shortening of trade settlement cycle. It has been argued that a switch to same day or instant settlement may be beneficial to domestic retail investors, but there are challenges for Foreign Portfolio Investors (FPIs).

According to SEBI, for around 90% of delivery-based trades happening on Indian exchanges with value up to ₹ 1,00,000 per transaction, retail investors make early pay–in of funds and securities. This is to say that small investors have funds or securities instantaneously available for debit.

But for foreign investors, it's a different ball game. This is because they work on different time zones across the globe. They need to convert money into the Indian rupee before taking a bet on the Indian markets. From pre-execution to settlement, they will have to align different stakeholders like custodians, foreign exchange brokers and banks with the new system.

Today, investors can execute a buy order by putting some money as margin and enjoy one day's delay before paying the entire sum. FPIs typically use funds received from one stock market to fund purchases of another stock market.

With India's trade settlement happening on T+0 and other stock markets still have a long trade settlement cycle, there is a mismatch here. To that effect, FPIs will also have to adjust to this full margin requirements.

This means that FPIs will have to ensure that they fund their account in advance for any transaction, that too in the Indian rupee.

The Hong Kong-based Asia Securities Industry and Financial Markets Association (ASIFMA), a lobby for leading offshore foreign funds in a 12th January letter to SEBI said that while this pre-funding is less of an issue for domestic retail investors who can easily do it on the same day, FPIs will have to pre-fund at least one or two days before owing to time zone differences and the need to go through multiple parties such as their broker, global custodian to local custodian and foreign exchange bank. Further, if FPIs pre-fund their account and make delays in placing bets, they will lose interest on capital, which they would otherwise earn if not blocked with the custodians.

Also, since many FPIs manage money for other foreign players like endowment funds, sovereign wealth funds, universities, banks, etc., they would also face issue in calculating the net asset value (NAV) of their funds, which have stocks of other countries as well.

All this will need some overhauling of their operations, which will require additional costs for building operational efficiencies. Same-day settlement would certainly increase cost of transaction for FPIs.

TWO PARALLEL MARKETS?

Although the argument has some merit, it is worth highlighting that FPIs registered their protest even when India switched to T+1 settlement last year. There are reports that they are still grappling with operational issues.

But, more or less, FPIs have managed to adopt the new system. Perhaps for this reason, the regulator plans to keep the new same-day settlement cycle as optional along with the existing T+1 cycle.

However, optionality between T+0 and current T+1 trade settlement cycle will also have its set of challenges. In all likelihood, retail investors would opt for T+0, while foreign investors would stick to the current T+1 cycle. This will lead to bifurcation of the market and liquidity fragmentation. There could be liquidity mismatch between two trade settlement cycles.

This would also result in divergence in the price of same security. This is a serious concern for markets' efficiency and integrity.

SEBI expects market players like arbitrageurs to come-in on days when there is a mismatch of liquidity between the different segments in order to transfer liquidity from one segment to the other.

Arbitrageurs typically step in to exploit price differential between markets to make money. But this will not be easy. Especially, knowing that any arbitrage operations in any market comes at a cost. Further, given high taxes in India, the task seems difficult.

In conclusion, SEBI's consultation paper has initiated a debate within the stock market community. It remains to be seen if SEBI would undertake any further consultation with foreign investors on this.

FPIs are expecting some leeway in the form of extended settlement period with brokers, newer credit lines or allowing FPIs to net-off their purchase with sale receipts. It remains to be seen what shape the final regulation would tak**E**.

Travellers ditch planes for cars as India's roads improve and costs drop

WHEELS OVER WINGS

Of late, a notable trend has gained widespread acceptance among travellers, wherein they increasingly choose road travel over air transportation due to soaring costs of airfares. This shift is particularly evident among families of four, comprising a couple and two children, who find driving to destinations within thousand kilometers more economically viable.

The enhancement of India's infrastructure over the past three years, particularly in the form of improved highways and expressways, has further facilitated this trend. Additionally, the upgrading of infrastructure has prompted travellers to opt for Vande Bharat trains for journeys spanning a thousand kilometers or less.

Let us understand the economic considerations of road travel compared to air travel for distances up to a thousand kilometres. Furthermore, we will explore the expressways and highways that have played a big role in revolutionizing road travel in India.

THE SHIFT

Over the past decade, the concept of travel has evolved a great deal, witnessing a surge in trends such as weekend getaways, road trips, staycations (vacations close to home), workations (leisure trips with work as an add-on), and bleisure (business trips extended for leisure). In the last two years, these trends have substantially boosted leisure travel.

The easy availability of finance has also led to increased ownership of large-sized cars, particularly in major cities. This, combined with the travel trends, has contributed to a growing inclination among travellers to choose road travel for distances up to a thousand kilometers.

This preference for road travel within the thousand-kilometer range is notable among families, specifically those consisting of a couple and two children. A rising trend is observed in families with their own car, planning extended holidays of at least a week, opting for road trips on expressways or train journeys, especially on Vande Bharat trains, for distances less than or equal to 1,000 km. The high cost of airline tickets serves as a critical factor influencing families (four people, with a car) to prefer road travel (via expressways) or Vande Bharat trains for distances less than 1,000 km.

The gravity of the travel situation can be understood with an example. Consider a family of four planning a week-long trip from Mumbai to Bengaluru. Recently, the average one-way airfare for a Mumbai-Bengaluru flight was ₹ 17,274, resulting in a huge cost of ₹ 70,000 for a one-way trip and approximately ₹ 1,40,000 for a round trip. This cost is very expensive.

Now, let us understand the economics of road travel for a distance less than or equal to 1,000 km. The distance between Mumbai and Bengaluru is 990 km.

For a family of four with both spouses capable of driving, the expenses include tolls, estimated to be a maximum of ₹ 1,000 one-way, and fuel costs, approximately ₹ 5,500 for petrol and ₹ 6,000 to ₹ 6,500 for diesel. If we consider the one-way cost for the entire family in a large car, it amounts to a maximum of ₹ 15,000.

A large number of families undertake such week-long long distance journeys quite early in the morning, with both spouses driving alternatively to reduce the burden of continuous driving. Also, the convenience of halting and resuming journeys as and when needed makes road travel more appealing.

Despite prohibitively expensive airfares for destinations within a thousand kilometers, solo and corporate travellers, still prefer air travel, according to various tour operators.

THE GAME-CHANGING ROAD MAP

Now, let us understand some notable expressways and highways that have revolutionized the landscape of road travel. In the past ten years, expressways have emerged as the most influential factor reshaping the way people travel by road. These expressways not only offer high-speed and uninterrupted routes but also reduce congestion, resulting in reduced travel times.

As of March '23, the Indian government has successfully constructed a total of 4,067.27 km length of expressways. Official data shows that there are approximately 44 high-class expressways across India, with the 1,386 km-long Delhi-Mumbai expressway standing out as the country's longest. The shortest controlled access expressway, National Highway 548, covers the states of Maharashtra and Karnataka.

Nearly all expressways are constructed for maximum speeds of 120 kilometres per hour, making road travel at this pace, a compelling choice for distances up to a thousand kilometers. This speed limit is a key factor influencing travellers to opt for road travel within this range.

Here are a few prominent expressways that are currently operational or are likely to be operational this year:

1. Bengaluru–Chennai Expressway

Bengaluru and Chennai are two capital cities known for their prominence in IT, medical, auto and education sectors. One significant factor contributing to the increasing usage of the expressway connecting these cities is the time saved in commuting.

According to various estimates, the time required to cover 100 km and reach Chennai from Bengaluru is significantly reduced thanks to this expressway. Also, there is a notable saving in fuel consumption. It is estimated that over 30,000-40,000 litres of diesel are saved every day due to this expressway. This means close to ₹ 100 crore worth of diesel is saved annually.

2. Delhi-Mumbai Expressway

Both cities merit the construction of an expressway, marking a big milestone in India's infrastructure sector. The proposed eight-lane expressway will span approximately 1,200 km, reducing travel time between Mumbai and Delhi to half the current duration, as per official estimates.

3. Delhi-Dehradun Expressway

This expressway serves as a valuable link for both leisure and business travellers, connecting the hill station of Dehradun with the capital, Delhi. Previously, the journey from Delhi to Dehradun took approximately seven hours, but with the construction of this expressway, the same distance is covered in just four hours, resulting in time savings of nearly three hours for travellers. An estimated seven thousand people commute daily on this route, and the six-lane expressway is expected to be completed by March '24.

4. Amritsar-Jamnagar Expressway

Stretching across 1,224 km, this expressway serves as a vital link connecting the industrial and agricultural hubs of northern India with major cities in the western part of the country. Thanks to the expressway, travellers can now cover the distance between these two cities in half the time compared to traditional travel routes.

5. Dwarka Expressway

Also known as the Northern Peripheral Road or NH 248-BB, this 27.6 km expressway is currently under construction. Upon completion, it will feature eight lanes, connecting Delhi and Gurgaon. Particularly advantageous for office-goers commuting to industrial areas in Gurgaon and Delhi, this expressway is expected to serve approximately 4,000 daily commuters using 80 buses. Additionally, it will majorly reduce travel time to Delhi airport and the surrounding industrial hubs.

Overall, the government's strong emphasis on India's infrastructure is expected to lead to the construction of additional expressways in the coming years. This trend will make road travel a more convenient and appealing option over air travel for those seeking week-long vacationS.

A FLEXIBLE MANOEUVRE

Facing moderate growth, FMCG flexes its marketing muscle with increased advertising and promotional spending

The fast-moving consumer goods (FMCG) industry is expected to witness a more subdued growth in 2024 compared to the past two years, although it is still anticipated to expand at a moderate pace. The Indian FMCG sector, a key player in the nation's economy, is expected to achieve a value growth of 4.5% to 6.5% in 2024, according to NielsenIQ's latest projections. This growth projection represents a significant deceleration compared to the robust 9.3% growth in 2023 and 8.4% in 2022.

NielsenIQ notes a sequential deceleration in the rate of consumption growth, both in volume and value, across the entire country, including urban and rural markets. In the urban sector, volume growth during the October-December quarter was 6.8%, down from 10.2% in the previous quarter. Rural volume growth stood at 5.8%, compared to 6.4% in the July to September quarter. The industry's value growth in the quarter was 6%, attributed to a 6.4% rise in volume, indicating positive consumption patterns at an all-India level.

FMCG companies have raised concerns about a persistent slowdown in rural demand, citing factors such as erratic monsoons and a normalization post-Covid. Krishnarao Buddha, Senior Category Head of Marketing at Parle Products, emphasized the slowdown in both rural and urban markets. "There is a definite slowdown," Krishnarao Buddha, Senior Category Head, Marketing at Parle Products said. "Both rural and urban markets have slowed down. Errant monsoon in select geographies due to the El Niño has impacted slowdown in consumption. There is also a normalizing effect post-Covid," Buddha elaborated.

Overall sector growth is diminishing, with negligible price growth. Urban growth has moderated, now growing 1.2 times rural growth. The low base aids non-food volume recovery, while food categories show moderation in volume growth. Channel growth has also moderated, although modern trade continues to clock healthy growth, according to industry experts.

NIELSEN REPORT

The Nielsen report notes a decline in the food sector's volume growth from 8.7% in July-September 2023 to 5.3% in October-December. This slowdown is attributed to staples and impulse categories. However, non-food categories, encompassing personal and home care products, show improvement, with volume growth reaching 9.6% in December, up from 8.7% in July-September.

The distinction between volume and value growth is critical for understanding consumer demand. Volume growth represents the increase in the physical quantity of goods sold, reflecting actual demand, while value growth considers sales revenue and market value, accounting for factors like price increases.

Despite the projected slowdown, Nielsen remains optimistic about the FMCG industry's prospects. The report emphasizes the industry's adaptability to market dynamics as a key factor supporting the 2024 growth outlook.

Roosevelt Dsouza, Head of Customer Success at NielsenIQ India, highlights the continued rural recovery and narrowed consumption gaps between urban and rural markets in 2023. He notes that the northern and western regions contribute to this trend, and the favourable interim Union Budget 2024-25, supporting rural sectors, bodes well for companies with a rural strategy.

Dsouza points out an uptick in consumption in Q4 2023, driven by habit-forming categories in food and essential home products, showcasing resilience and sustained demand despite flat to negative price growth.

DECEMBER QUARTER

The report notes a sequential slowdown in volume growth in the rural markets, with consumption declining in the fourth quarter compared to the September quarter. However, the decline is more pronounced in urban markets.

In the retail sector, modern trade sees robust double-digit consumption growth at 16.8%, while traditional trade declines to 5.3% in Q4 2023 from 7.5% in the previous quarter.

Analyzing the FMCG industry's December quarter performance reveals a 6% year-on-year (y-o-y) value growth, driven by a 6.4% volume increase. Volume growth was 6.1% higher than the same period the previous year, despite a sequential decline from the 8.6% in the September quarter.

NielsenIQ attributes demand in Q4 to “habit-forming” products like biscuits and noodles in food and essential home categories, showing resilience and sustained demand despite flat to negative price growth.

ADVERTISING AND SALES PROMOTIONS

Facing heightened competition and declining volumes, FMCG companies are increasing advertising and sales promotions. The relief comes from lower inflationary pressure and softened commodity prices, prompting a strategic focus on capturing consumer attention.

FMCG companies raised advertising and sales promotion (ASP) spending by 11% to 45% in Q3 FY24 compared to the previous year, benefiting from moderated commodity inflation. Lower commodity prices allowed increased ad budgets, enabling companies to concentrate on boosting volume growth and combating competition from rising local brands in a deflationary environment. Despite stable urban demand, the sector faces anaemic volume growth, primarily due to soft rural demand over multiple quarters.

Inflationary pressures previously hindered increased ad spends for players, but this is changing as input prices decrease. In Q3, gross margins expanded by 400-450 basis points compared to last year, providing a positive outlook for FMCG firms aiming to boost advertising and marketing spending amid heightened competition.

As a percentage of sales, advertising and sales promotions touched 7% to 17% in Q3 FY24 versus 5% to 16% seen in the previous five quarters, according to experts. Executives from FMCG companies as well as analysts said post earnings that the trend is likely to grow in Q4 as increasing sales volumes takes precedence for players. “Moderating inflation has helped us step up investments behind our brands,” Mohit Malhotra, CEO, Dabur India, said after announcing the company’s Q3 earnings. “This trend should continue as we look to drive competitive volume growth and increase sales,” Malhotra said.

While rural demand for Dabur grew 200 basis points ahead of urban demand in Q3 led by distribution expansion and brand investments, the company hopes to reduce this gap in the future.

With a year-on-year growth of 36.1% in the December quarter to ₹ 245 crore, Dabur was second only to Jyothy Labs, which upped ad spends by 45.1% (to ₹ 61 crore) during the period.

The country’s largest consumer goods company, Hindustan Unilever (HUL), increased ad spends by 34.5% versus last year (or ₹ 417 crore) to ₹ 1,626 crore in Q3. While Godrej Consumer, Colgate-Palmolive India, Procter & Gamble Hygiene and Healthcare and Marico increased ad spends by 24.5%, 20.2%, 14.4% and 11.8%, respectively, in Q3 versus last year.

“The competitive intensity is increasing. So, we will need more advertising and promotional investments to lean into,” Ritesh Tiwari, Chief Financial Officer, HUL, said during the company’s Q3 analysts call last month.

Rohit Jawa, CEO & MD, HUL, said during the same investor call that the company was putting greater focus on brand power to stand out in a cluttered market.

“We want to use this period from high inflation to deflation to come out even stronger in terms of brand power. Which is why there is a marked step-up in above-the-line advertising. Where required we have also stepped up below-the-line advertising in terms of driving thematic spends," Jawa said.

Saugata Gupta, MD & CEO, Marico, said that he saw an uptick in consumption trends in the future driven by government spending and favourable consumer pricing across FMCG categories.

"In the domestic business, we have witnessed signs of improvement in our core portfolio and expect the steps we have initiated in general trade to improve business prospects. We have also stepped-up investments behind our brands," he said of the company's future strategy.

In the December quarter, the FMCG sector grew 6.4% in volumes on the back of positive consumption across the country, NielsenIQ said. Q4 volumes are expected to be lower sequentiallY.

SMART MONEY MOVES

New-age investors, ditch the snooze button - invest your time and money wisely

Recognizing the value of financial literacy, countries like Singapore integrate the basics of money management into their formal education system. This equips students with essential skills like budgeting, the importance of saving and investing early, and responsible borrowing.

In India, unless you study finance, the education system offers limited exposure to money management. This disadvantages those who don't, leaving them unaware of the power of early investing for wealth creation. It's crucial to distinguish this from simply saving, which is an important first step, but not enough on its own.

The allure of quick riches through speculative investments can be irresistible for young investors, bombarded with information overload from press, social media, and other sources. Even those who understand that wealth is built through long-term commitment, not short-term bets, are not immune to the temptation of instant gratification. Seeking reliable financial advice and avoiding get-rich-quick schemes can help young investors stay on track towards their financial goals.

Starting your wealth creation journey is possible at any stage of life. While early starters have the advantage of starting with smaller amounts and leveraging the power of time, it's never too late to begin building your wealth.

Conversely, those who start late, need to save more to reach their goals; but that shouldn't stop anyone from beginning. Time is a powerful ally in wealth creation, and young investors have the advantage of time on their side. The most important thing is to act now!

Saving is the essential first step to wealth creation, but it's only the beginning. To truly build wealth, you need to invest those savings in carefully chosen asset classes that match your risk tolerance. These investments, when strategically selected, will work alongside your income to gradually grow your wealth.

Starting your investment journey early is crucial in today's world, where job stability is less common. Investing is a building block towards financial freedom, making you less reliant on paychecks by creating a source of income that can support you in times of need.

Therefore, young professionals often face several key questions:

• What defines wealth for me? Is it financial freedom, early retirement, or something else?

• What is my risk tolerance? Can I handle potential losses, or do I prioritize safety?

• How should I allocate my savings across different asset classes to achieve my goals?

• What amount should I save to ensure financial security while still enjoying the present?

Seeking professional financial advice can help you navigate these questions and create a personalized plan for your future.

Setting clear goals is the first step to figuring out how much money you need. Are you saving for a house, a wedding fund, early retirement, or pursuing your passions later in life? A financial planner or online tools can help you assess your risk tolerance, which is crucial for deciding how much to allocate across different investment options.

The 50/30/20 rule, popularized by US Senator Elizabeth Warren in her book titled 'All Your Worth: The Ultimate Lifetime Money Plan,' can help you bring discipline to your savings. This simple method involves allocating your after-tax income into three categories: 50% for needs, 30% for wants, and 20% for savings. It ensures both discipline and allows you to enjoy life while investing in your future.

Budgeting tools can help you clearly track your income and expenses, giving you a better understanding of your spending habits. Seeking professional advice provides personalized strategies and helps avoid emotional decisions, guiding you towards suitable asset allocation aligned with your risk tolerance.

DOS AND DON'TS OF WEALTH CREATION

• **Keep A Tab On Borrowings:** Borrowings on credit cards or taking personal loans and not paying them back in time can be disastrous due to high-interest rates. It is essential to make timely payments of your debts and, if possible, avoid taking them in the first place by living within one's means.

Avoid falling into the trap of debt, especially because of easy availability. That is not to say that borrowing is taboo. Taking a home loan may be the only way to buy the asset, but the quantum of the loan should be such that you can service it easily, taking into consideration your lifestyle and also ensuring that there is headroom for at least a small portion of your income to go towards savings

• **Start Small As Early As Possible And Benefit From Rupee Cost Averaging:** Cultivating the habit of saving and investing is important. Young professionals may not have a lot of money that can be allocated towards savings, but the quantum of savings does not matter. The discipline of saving regularly and starting early is vital because it gives your money more time to work for you through the investment. Moreover, directing monthly savings into investment products will provide the investor with the advantage of rupee cost averaging.

The investment will be made at a lower cost when the asset is in a downcycle and at a higher cost when it is in an upcycle, bringing down the average investment cost without having to time the market

• **Have A Well-Defined Goal To Keep The Motivation:** There should be a driving force behind investments — an end objective. When there is a purpose, commitment remains high. It becomes more than just a short-term fad; instead, it becomes a discipline driven by the need to achieve the investment objective.

• **Understand The Investments And The Risks Associated:** Ignorance can prove to be a costly mistake in the wealth creation journey. It is essential to understand that asset classes, such as equities, can yield great returns in good times but can also result in substantial losses as it is a high-risk asset class. On the other hand, bonds may not provide high returns, but the downside will also not be as much as equities.

Understanding the investment well will ensure that the investor does not get carried away with asset class fluctuations

• **Shut Out The Noise:** Wealth creation is a journey, and one must avoid impulsive decisions based on short-term market fluctuations, as they can derail the process. It is easy to get carried away, given the plethora of investment ideas and tips in traditional as well as alternative asset classes on the internet.

Sticking to the established plan and resisting the temptation to make easy money is key to successful wealth creation. Make the right investment decision and let it do the job for you.

• **Have Emergency Funds At Your Disposal:** We live in an uncertain environment where there can be an immediate need for funds at any time. This need may arise from a medical emergency, the loss of a job, or the rising cost of living, among other reasons. Thus, having savings in an emergency fund that can cover 3-6 months of living expenses is imperative. This safety net can help one overcome temporary financial needs without resorting to borrowing and falling into a debt trap.

• **Understand The Power Of Compound Interest:** A young investor with a source of income from a job does not necessarily require regular income from investments, such as interest or dividends. Compound interest enables one to earn income on the principal as well as on the interest. Over long periods, the benefits of compound interest magnify, enhancing overall portfolio returns.

- **Remain Committed To Saving:** Your job is your source of income. As you judiciously save and invest, your money will begin to work for you. Higher savings will accelerate the wealth accumulation process. Furthermore, the accumulated wealth can serve as a passive source of income, coming to the rescue when your primary source of income is affected. Thus, it is pragmatic to maximize one's savings to create wealth.

COMMON MISCONCEPTIONS

- **Need A Lot Of Money To Invest:** Young individuals often think that a significant amount of money is required to create meaningful wealth. This couldn't be further from the truth. Remember, even if you allocate your money towards a relatively risk-free asset, such as a fixed deposit with a bank at 7.5% p.a., your money will double in approximately 9.6 years. That is the advantage time can bring.

- **Investing Is A Complex Process:** Choosing investments suitable for your risk profile and time horizon is the crux. Seeking the help of a professional to guide you through your investment decisions is helpful. Once the decision is made, the investing process becomes hassle-free as it can be automated, thanks to technology.

- **Time Is On My Side, So The Investments Can Wait:** Time is a valuable ally when it comes to investments. Having time on your side provides a higher scope for your investment to grow. If you start investing today rather than five years later, you would have already built a corpus that will have grown over five years, giving you a head start.

Many young people are lured by get-rich-quick schemes fuelled by social media influencers and investing fads. It's true that younger investors are generally more comfortable with risk, but remember: diversification is key!

Different asset classes, like stocks and bonds, react differently to market changes, so spreading your investments protects you when one goes down. Building wealth is like a long-distance race, not a sprint. Starting early, consistently saving and investing, and learning about different options are crucial to reaching your financial goalS.

THE LUXE EFFECT

A growing number of consumers are craving a life of refined pleasures, desiring elevated experiences and unparalleled quality

In the intricate dance of India's economic landscape, a compelling theme has emerged for equity investors - the rise of premiumization. Beyond a mere trend, it represents a strategic response to evolving consumer aspirations, a burgeoning youth demographic, and transformative shifts in economic dynamics such as income levels, working population, education and urbanization.

Let's delve into the key pillars of the premiumization wave.

EXPLOSION IN INDIA'S MILLIONAIRE POPULATION

Despite wealth inequality concerns, India's millionaire population is booming, expected to surge by 107% within five years, fuelled by a robust economy, a thriving stock market, and a young entrepreneurial spirit. While concentrated in major cities, this growth reflects rising income levels and changing consumption patterns, highlighting both the opportunities and challenges of India's evolving wealth landscape.

Capgemini World Wealth Report 2023: India's High Net Worth Individual (HNWI) population, defined as individuals with investible assets of $1 million or more, grew by 10.3% to 8,22,000 in 2022. This includes millionaires and individuals with even higher wealth.

Knight Frank Wealth Report 2023: India is expected to witness the fastest growth in the ultra-high net worth individual (UHNWIs) population (individuals with $30 million or more in net assets) globally, with a projected 34% increase between 2023 and 2027.

According to research by People's Research on India's Consumer Economy and India's Citizen Environment (PRICE), the number of super rich households almost doubled between 2015-16 and 2020-21, from 1.06 million to 1.81 million. This translates to an annual growth of 11.3%. Studies predict a five-fold increase in super rich households by 2031, reaching a staggering 9.1 million.

RISING AFFLUENCE AND DEMOGRAPHIC YOUTH BULGE

This India boasts of the world's largest youth population. As of 2023, India has an estimated 808 million individuals below 35 years old, comprising nearly 66% of the total population.

Growing young population coupled with the rising income is fuelling the growth for luxury goods and services. Official estimates show a 35.12% increase in India's Net National Income (NNI) per capita (constant prices) between 2014-15 and 2022-23, signifying a jump from ₹ 72,805 to ₹ 98,374.

Moreover, this coupled with the increasing role of women in the workforce, fuelling a growing demand for premium products and experiences.

A pivotal catalyst in this dynamic is the expanding role of women in the workforce. Recent statistics indicate that the female labour force participation rate in India has risen to 24%, a significant increase over the past decade. This shift contributes significantly to the rise of dual-income households. Data points to a robust correlation between dual-income households and increased spending on premium categories. This presents immense opportunities.

ASPIRATIONAL SPENDING

Rising incomes have immense impact on purchasing behaviour of the market. For instance, many tiles and ceramic companies have benefitted in India because of growing income levels, resulting in high demand for high-end luxury bathroom and kitchen fittings.

Unlike previous generations burdened by financial constraints, young Indians often enjoy higher disposable incomes and a globalized mindset. This fosters a desire for self-expression and upward mobility, fuelling their inclination towards premium brands and experiences.

For instance, purchasing expensive jewellery or a car or for that matters things like buying high-end home décor or furniture, prioritizing aesthetics over affordability is new and a growing trend.

According to the "India Market Monitor Q4 2023" report by CBRE South Asia, new data reveals a 75% surge in sales of ultra-luxe homes (priced over ₹ 4 crore) in 2023, compared to the year before. This boom is driven by strong demand across the country, with Delhi-NCR leading the charge with a phenomenal 197% jump! Not far behind are Pune, Hyderabad, and Mumbai, all boasting impressive growth.

TECH-SAVVY & BRAND CONSCIOUS

This digitally native generation actively researches and engages with luxury brands online. They prioritize authenticity, sustainability, and social responsibility, pushing brands to adapt their offerings accordingly.

For instance, Mercedes-Benz, the undisputed leader in India's luxury car market, has been experiencing impressive growth. Mercedes sold a record 17,408 units in 2023, a 10% increase from the previous year.

Similarly, Apple imported a staggering 9 million iPhone units in 2023, marking a 38.6% growth compared to 2022. This signifies India's rapidly growing appetite for iPhones, despite having the highest Average Selling Price (ASP) of $940 amongst smartphones.

EXPERIENCES OVER POSSESSIONS

While luxury goods remain coveted, young Indians increasingly seek immersive experiences, from exclusive travel getaways to personalized brand interactions. This opens doors for luxury brands to create unique customer journeys and foster deeper engagement.

Forget just owning a luxury watch; millennials want to experience the brand's world. High-end travel agencies report a 30% rise in bookings from young Indians seeking bespoke trips and exclusive events like designer fashion shows or vineyard tours.

Sectors like travel, wellness, and entertainment are witnessing a surge in demand for premium experiences, presenting a lucrative realm for savvy investors.

E-COMMERCE & ACCESSIBILITY

The rise of e-commerce platforms with curated luxury sections and flexible payment options makes luxury more accessible to young consumers, especially those in non-metro cities. This bridges the gap between aspiration and purchase, expanding the luxury customer base.
E-commerce platforms like Tata Cliq Luxury and Ajio Luxe make premium products accessible to young consumers in smaller cities. This convenience, coupled with flexible payment options, is fuelling a 25% annual growth in online luxury sales.

VALUE-CONSCIOUS PREMIUM: PAY MORE FOR QUALITY

Premiumization in India is not about flaunting price tags; it's a commitment to perceived value. According to a survey, 72% of Indian consumers express a willingness to pay more for sustainable products. Investing in value-conscious premiumization aligns portfolios with the evolving conscientious consumer base, creating a strategic pathway for sustained growth.

Many luxury hotels, technology products, jewellery, ethnic wears are getting attention because of the value they drive in the minds of consumers. For instance, luxury textiles, valued at $3.2 billion in 2022, is expected to grow at a CAGR of 11.8%, reaching $5.5 billion by 2027. This growth is driven by rising disposable incomes, increasing brand awareness, and a growing appreciation for heritage and craftsmanship.

UNTAPPED TIER-2 AND TIER-3 MARKETS

A 2022 Kantar report reveals a staggering 14.8% income growth in Tier-2 cities, surpassing even metros. A

Bain & Company study highlights that 68% of Tier-2 & Tier-3 town consumers crave premium experiences, mirroring metro trends but facing limited options. This creates a lucrative gap in the market, waiting to be filled by brands that can cater effectively.

With a collective population share of 60%, Tier-2 and Tier-3 regions are emerging as influential consumer bases, poised for exploration and engagement. Marked by an impressive 8% annual increase in disposable incomes and a concurrent 10% growth in the middle-class demographic, these markets present a landscape of rising affluence, particularly favorable for premium or luxury products and services.

URBANIZATION TRENDS: GROWING URBAN AREAS CREATE PREMIUM MARKETS

Accelerating urbanization trends in India present a significant avenue, driven by the emergence of expansive premium markets. Over the past decade, India's urban migration has surged by a robust 15%, positioning growing urban areas as vital hubs for demographic transformations. Urban dwellers, enjoying a 12% higher average income, emerge as a significant market for premium products, fostering a culture of aspirational consumption.

Many urban-centric products and services like renting a car, property rental businesses, wedding planners, construction of high rise buildings, hotels, café and restaurants, aviation, premium hotels, kitchen and other premium accessories, are all growing segments that are being impacted by growing urbanization in India.

Overall, the structural shift in India's consumption pattern towards the premium and the luxury segments is one that investors can capitalize on and ride in the long run. More so, it is the right time to bet considering the favourable global factors and India's political as well as economic situatioN.

SEEKING CERTAINTY THROUGH DIVERSIFICATION

Investors, achieve stability and peace of mind by diversifying with multi-asset funds amid inflation and volatility

Markets revolve around valuations, which, ironically, are always relative. A company's stock may trade above its historical average, discouraging some investors. However, another group of experienced and well-informed investors may perceive the same company's valuation as attractive. This optimism stems from their clear understanding of the company's future revenue growth.

Similarly, these approaches can be applied on a broader scale to encompass entire markets, such as the Indian markets. A widely accepted viewpoint suggests that the Indian markets are currently overvalued. The significant premium in the valuation of these markets has led analysts and fund managers to recommend a multi-asset approach to navigate potential uncertainties in the coming months. Let's understand this aspect in more detail.

THE INDIAN MARKETS

Let's understand some basic statistics. Generally, investors track three major indices to gauge the overall market sentiment: the Nifty 50 index, the Nifty Midcap 100 index, and the Nifty Smallcap 100 index. In the past one year period, the key benchmark indices — Nifty 50, Nifty Midcap 100, and Nifty Smallcap 100 — have delivered returns of 22%, 56%, and 66%, respectively. This sharp appreciation in these major indices leaves little room for further incremental returns.

In fact, analysts believe that the markets are somewhat overvalued, with small-cap companies exhibiting the highest overvaluation compared to historical levels. On an absolute basis, the mid-cap index stands out as the most overvalued among the three major indices. A notable characteristic of the growth in these indices is the broad-based nature of the rally. Approximately 70% of stocks in these indices are trading above their twelve-year average historical valuation. These facts make it highly uncertain which direction the markets will take in the future.

MYRIAD CHALLENGES

In addition to the high valuation of the three major indices, there are global challenges that are likely to impact the Indian markets.

One potential global risk is the ongoing inflation in the US, which has not yet cooled off. The Federal Reserve recently communicated that it requires more time and data to ensure inflation is genuinely subdued before considering a cut to its key interest rate. The high inflation in the US eliminates any near-term prospects of the Federal Reserve reducing interest rates.

When the Federal Reserve does cut interest rates, it makes the Indian markets more attractive to foreign investors. This attractiveness stems from the fact that foreign investors perceive India as more profitable than the US, particularly as the interest rate differential between India and the US widens.

Moreover, geopolitical risks, such as tensions in the Middle East and Europe, could lead to an increase in crude oil prices. Notably, the US and the UK have intensified airstrikes against Houthi rebels in Yemen in response to Houthi attacks on commercial shipping in the Red Sea.

According to a report from Nasdaq.com, Houthi rebels initiated attacks on ships in the Red Sea in mid-November, in support of Hamas in the Israeli-Hamas conflict. They declared their intent to continue these attacks until Israel ceases its assault on Gaza.

These assaults by Iran-backed Houthi rebels in the Red Sea have forced shippers to reroute shipments around the southern tip of Africa instead of through the Red Sea, causing disruptions in global crude oil supplies. These developments may keep crude oil prices at elevated levels. Given India's high dependence on crude oil, these geopolitical tensions could potentially impact the Indian markets.

Additionally, there is a challenge in the form of a strong dollar index, which has the potential to delay the reallocation of funds to emerging markets, particularly the Indian markets. A strong dollar prompts foreign investors to redirect their investments from emerging markets to US-denominated assets.

These facts are likely to contribute to volatility in the Indian markets, especially in the present calendar year.

MULTI-ASSET INVESTMENT APPROACH

Given these circumstances, a multi-investment approach could serve the interests of investors. Since the beginning of 2024, multi-asset funds have emerged as a preferred choice among leading fund houses. In the past month alone, at least five fund houses - Sundaram, HSBC, Bank of India, Mirae, and Bandhan - have launched multi-asset funds. This investment strategy spans various asset classes, including equity, debt, commodities, and other assets like REITs. Several reasons contribute to the popularity of multi-asset funds among mutual funds.

Considerable uncertainty surrounds the market direction in 2024, led by high-octane events such as general elections in India and the US, escalating geopolitical uncertainty emanating from unresolved aggression in the Middle East, and economic growth uncertainties in the US.

To address these challenges, a multi-asset investment approach proves beneficial. It's important to note that multi-asset funds capitalize on favourable movements in nearly any asset class, given their exposure to key assets.

Multi-asset funds not only provide access to diverse asset classes but also maintain a range-bound exposure to different asset classes through active rebalancing. Operating on a buy-low-and-sell-high mechanism, these funds adjust allocations based on market conditions. For instance, during periods of high equity market valuations, asset allocation funds book profits in equity (sell high) and redistribute them to other asset classes, ensuring diversification.

Importantly, investments in multi-asset schemes act as a hedge in case of unfavourable events for a specific asset class, eliminating the need for investors to rebalance their allocations in response to changing market dynamics. This reduces risks and potentially improves returns. Furthermore, these funds negate the necessity of holding separate equity, debt, and gold funds in a portfolio.

So, instead of fretting over the direction of the markets, stay invested in multi-asset schemes, as it allows investors to benefit from potential long-term appreciation in various asset classeS.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BEYOND NUMBERS

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	58.4	35.7	17.3	16.9	14.3	15.6	925
UTI Mastershare Unit Scheme - Growth	238.3	24.1	13.5	15.9	13.6	15	12,082
Canara Robeco Bluechip Equity Fund - Growth	53.0	27.1	14.0	18.3	15.6	15.9	11,823
Kotak Bluechip Fund - Reg - Growth	485.6	27.0	15.3	17.7	14.3	15.8	7,447
Nifty 100 TRI	30,552.1	30.1	15.8	17.2	15.2	15.7	--

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	362.1	47.9	23.6	23.5	17.7	21.7	3,224
Edelweiss Mid Cap Fund - Growth	77.2	48.5	25.5	26.1	19.7	23.4	4,916
Mirae Asset Midcap Fund - Reg - Growth	30.7	46.9	24.1	--	--	--	14,362
Nippon India Growth Fund - Reg - Growth	3,298.4	53.9	28.7	26.7	19.8	21.5	24,366
Kotak Emerging Equity Fund - Reg - Growth	102.5	34.7	22.5	24.1	17.6	23.3	39,027
Nifty Midcap 150 TRI	22,830.9	57.3	28.6	26.5	20.1	23.3	--

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	221.5	36.3	24.8	28.1	19.0	23.3	14,426
Edelweiss Small Cap Fund - Reg - Growth	36.9	47.1	29.3	30.0	--	--	3,157
Nippon India Small Cap Fund - Reg - Growth	143.6	55.6	36.3	31.9	23.8	28.4	45,894
ICICI Prudential Smallcap Fund - Growth	77.1	45.6	29.7	29.0	18.7	19.6	7,455
Union Small Cap Fund - Reg - Growth	41.9	44.9	26.4	27.4	18.2	--	1,349
Nifty Smallcap 250 TRI	19,002.6	66.5	31.7	27.2	17.4	21.4	--

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	463.3	31.4	18.3	20.3	15.6	17.3	6,431
Canara Robeco Emerging Equities - Growth	206.8	30.0	16.6	19.1	16.1	22.5	19,902
Edelweiss Large & Mid Cap Fund - Growth	72.8	37.3	19.0	20.3	16.9	17.4	2,734
Kotak Equity Opportunities Fund - Reg - Growth	281.2	35.7	20.4	20.8	16.3	18.7	18,315
Mahindra Manulife Large & Mid Cap Fund - Reg	25.0	48.8	24.4	--	--	--	1,826
NIFTY Large Midcap 250 TRI	17,880.0	43.3	22.2	21.9	17.7	19.6	--

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	30.7	50.7	26.2	25.2	--	--	2,936
HDFC Multi Cap Fund - Reg - Growth	16.3	48.3	--	--	--	--	11,758
Kotak Multicap Fund - Reg - Growth	16.4	57.5	--	--	--	--	8,932
Nippon India Multi Cap Fund - Reg - Growth	241.2	45.9	29.2	21.9	17.9	18.3	25,723
S&P BSE 500 TRI	40,414.2	36.7	19.0	19.5	16.3	17.1	--

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	285.3	27.9	15.4	18.0	16.0	16.2	11,609
Mirae Asset Flexi Cap Fund - Reg - Growth	13.4	--	--	--	--	--	1,578
UTI Flexi Cap Fund - Growth	272.0	19.2	8.7	15.5	13.8	15.3	25,156
Union Flexi Cap Fund - Growth	45.0	35.6	18.5	20.2	15.7	14.9	1,918
Parag Parikh Flexi Cap Fund - Reg - Growth	69.4	41.4	22.3	23.7	20.2	20.6	55,034
S&P BSE 500 TRI	40,414.2	36.7	19.0	19.5	16.3	17.1	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	184.0	38.2	26.8	21.4	15.1	17.4	9,317
Nippon India Focused Equity Fund - Reg - Growth	103.1	30.6	16.4	19.4	14.6	19.7	7,780
ICICI Prudential Focused Equity Fund - Ret - Growth	71.8	39.4	21.3	21.0	15.6	16.3	6,823
Mahindra Manulife Focused Fund - Reg - Growth	23.2	44.8	24.4	--	--	--	1,102
S&P BSE 500 TRI	40,414.2	36.7	19.0	19.5	16.3	17.1	--

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	44.6	50.8	31.4	24.0	17.1	--	3,454
Sundaram Dividend Yield Fund - Growth	124.7	42.2	21.2	20.3	17.2	18.0	783
UTI Dividend Yield Fund - Growth	146.9	39.4	21.3	18.9	15.5	16.0	3,527
S&P BSE 500 TRI	40,414.2	36.7	19.0	19.5	16.3	17.1	--

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	131.4	41.3	27.6	23.3	18.0	19.9	8,161
SBI Contra Fund - Growth	338.0	48.4	30.1	27.6	19.8	19.6	23,572
Nippon India Value Fund - Reg - Growth	192.0	54.3	25.7	23.6	18.6	19.7	6,996
S&P BSE 500 TRI	40,414.2	36.7	19.0	19.5	16.3	17.1	--

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	176.2	26.7	13.9	16.8	13.3	15.1	3,467
Canara Robeco Equity Tax Saver Fund - Growth	149.2	29.1	15.7	20.0	17.1	17.4	7,155
Kotak Tax Saver Fund - Reg - Growth	99.9	33.0	19.5	20.0	15.8	18.6	4,797
Mahindra Manulife ELSS Fund - Reg - Growth	24.7	28.9	18.3	18.2	12.6	--	781
Parag Parikh Tax Saver Fund - Reg - Growth	26.9	33.9	22.8	--	--	--	2,761
Tata India Tax Savings Fund - Reg - Growth	37.6	29.3	16.3	17.7	14.9	--	3,987
S&P BSE 200 TRI	12,689.7	34.3	17.9	18.9	16.1	16.8	--

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	78.0	35.8	20.5	19.3	17.9	18.4	3,094
ICICI Prudential Banking and Financial Services Fund	106.7	22.6	11.9	13.3	11.7	18.2	7,322
Nippon India Pharma Fund - Reg - Growth	435.5	60.3	20.6	24.3	18.0	17.7	6,891
Quant Quantamental Fund - Reg - Growth	21.7	59.4	--	--	--	--	1,603
Tata Digital India Fund - Reg - Growth	44.4	33.2	21.7	24.4	24.6	--	9,702
S&P BSE 500 TRI	40,414.2	36.7	19.0	19.5	16.3	17.1	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
Bandhan Arbitrage Fund - Reg - Growth	29.6	7.9	7.5	7.5	5.9	5.2	5,374
Kotak Equity Arbitrage Fund - Reg - Growth	34.0	8.3	7.9	7.8	6.3	5.6	35,998
Tata Arbitrage Fund - Reg - Growth	13.1	7.8	7.6	7.4	5.9	5.2	9,644
Invesco India Arbitrage Fund - Growth	29.0	8.2	7.7	7.6	6.5	5.6	12,849
Edelweiss Arbitrage Fund - Reg - Growth	17.6	8.2	7.7	7.6	6.1	5.4	8,135

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	22.0	15.9	9.2	10.3	9.4	--	368
HDFC Equity Savings Fund - Growth	59.6	18.1	11.5	11.1	9.4	10.3	3,737
Kotak Equity Savings Fund - Reg - Growth	23.3	18.8	11.5	11.1	9.9	--	4,330
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,143.60	19.6	12.1	14.2	12.9	13.1	--

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	17.7	17.1	10.5	12.2	--	--	15,623
Nippon India Balanced Advantage Fund - Reg - Growth	153.7	22.0	12.3	12.2	10.8	13.2	7,588
Tata Balanced Advantage Fund - Reg - Growth	18.6	21.5	12.3	13.2	--	--	8,517
Edelweiss Balanced Advantage Fund - Growth	45.3	23.7	12.5	15.2	12.7	13.0	10,349
Union Balanced Advantage Fund - Reg - Growth	18.3	18.9	9.3	12.5	--	--	1,640
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,143.6	19.6	12.1	14.2	12.9	13.1	--

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	307.0	23.4	13.0	15.6	13.4	15.7	9,746
Kotak Equity Hybrid Fund - Growth	51.6	24.3	15.3	17.9	13.1	--	4,918
Mirae Asset Hybrid - Equity Fund - Reg - Growth	27.6	23.9	13.2	15.0	13.1	--	8,350
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,143.6	19.6	12.1	14.2	12.9	13.1	--

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	60.7	21.6	13.7	15.0	11.4	11.5	2,406
Nippon India Multi Asset Fund - Reg - Growth	17.5	27.9	15.4	--	--	--	2,543
Tata Multi Asset Opportunities Fund - Reg - Growth	20.2	24.0	14.9	--	--	--	2,381
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,143.6	19.6	12.1	14.2	12.9	13.1	--

Gold Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	1,696
HDFC Gold Fund - Growth	19.0	8.5	9.0	11.5	9.9	5.9	1,590
Kotak Gold Fund - Reg - Growth	24.5	8.3	8.5	11.7	10.1	5.9	1,603
Nippon India Gold Savings Fund - Reg - Growth	24.4	8.3	9.0	11.5	9.6	5.7	--
Prices of Gold	61,928.0	9.9	10.4	12.9	11.3	7.3	

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1,260.7	6.5	6.5	6.6	6.7	6.73	2,403
Tata Overnight Fund - Reg - Growth	1,247.4	6.5	6.5	6.6	6.7	6.77	4,539
Nippon India Overnight Fund - Reg - Growth	127.0	6.5	6.6	6.6	6.7	6.78	10,780

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	382.5	7.2	7.0	7.2	7.2	7.48	38,638
Mirae Asset Cash Management Fund - Growth	2,489.6	7.3	7.1	7.2	7.1	7.33	11,106
Kotak Liquid Fund - Reg - Growth	4,800.0	7.2	7.0	7.1	7.1	7.44	29,657
Nippon India Liquid Fund - Reg - Growth	5,794.7	7.2	7.1	7.1	7.1	7.50	25,877
Mahindra Manulife Liquid Fund - Reg - Growth	1,545.0	7.3	7.1	7.2	7.2	7.43	1,125

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	13.7	6.8	6.7	7.1	5.2	7.89	12,397
ICICI Prudential Ultra Short Term Fund - Growth	25.1	6.9	6.8	7.1	5.3	7.97	13,854
Kotak Savings Fund - Reg - Growth	38.9	6.5	6.5	6.9	5.0	7.83	12,414

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	5,157.8	7.1	7.0	7.4	5.5	7.80	17,521
Tata Money Market Fund - Reg - Growth	4,258.9	7.2	7.2	7.5	5.6	7.69	17,030

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	52.2	6.5	6.4	7.2	5.1	8.09	16,395
ICICI Prudential Savings Fund - Reg - Growth	488.6	7.0	6.9	7.8	5.5	8.01	19,138
Kotak Low Duration Fund - Std - Growth	3,025.5	6.3	6.3	6.8	4.9	8.16	9,136

Floater Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Floating Rate Fund - Reg - Growth	1,347.9	6.5	6.6	7.4	5.6	8.14	4,725
Tata Floating Rate Fund - Reg - Growth	11.5	6.5	6.6	7.1	--	8.11	250

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	28.6	8.3	7.3	7.6	5.4	7.85	14,373
HSBC Short Duration Fund - Reg - Growth	23.7	7.4	6.7	6.9	4.6	7.56	3,331
ICICI Prudential Short Term Fund - Growth	53.9	7.4	7.2	7.7	5.7	8.05	18,691

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	26.7	7.2	7.0	7.8	5.8	8.02	23,762
HDFC Corporate Bond Fund - Growth	29.0	7.9	7.1	7.8	5.5	7.86	27,626
Kotak Corporate Bond Fund - Std - Growth	3,369.2	7.9	7.2	7.5	5.3	7.91	10,991

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	33.0	8.2	7.7	8.0	5.9	8.01	11,699
Nippon India Dynamic Bond Fund - Reg - Growth	33.2	10.8	7.3	7.9	5.3	7.63	4,514
Kotak Dynamic Bond Fund - Reg - Growth	33.7	13.3	9.7	9.1	5.4	7.67	2,460

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	40.0	7.9	7.2	7.5	6.0	8.33	6,409
HDFC Medium Term Debt Fund - Growth	50.5	8.4	7.1	7.5	5.4	8.04	4,204
SBI Magnum Medium Duration Fund - Growth	45.9	8.1	7.1	7.8	5.5	8.21	6,680

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	16	18.4	11.6	9.5	5.5	7.37	6,984

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Gilt Fund - Growth	87.5	11.3	8.4	8.3	5.1	7.67	3,044

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	21.8	11.8	8.5	8.8	5.1	7.27	2,401

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	28.4	9.7	8.6	8.4	6.6	8.65	7,302
HDFC Credit Risk Debt Fund - Reg - Growth	21.6	8.4	7.2	7.4	6.1	8.63	8,245
SBI Credit Risk Fund - Growth	40.8	7.3	7.0	8.7	6.2	8.50	2,601

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	22.1	8.8	7.4	7.5	5.5	7.51	301
HSBC Banking and PSU Debt Fund - Growth	21.8	7.1	6.6	7	4.2	7.59	4,498

Source: - ICRA MFI, NAV as on 22nd February 2024.

TECHNICAL OUTLOOK

The Nifty rallied strongly in February, reaching a lifetime high of 22,297.50. Positive sentiment on Dalal Street drove buying across all sectors. However, after hitting an all-time high, the bulls are trying to hold on to their strength above the 22,000-mark.

Technically speaking, the Nifty faces strong resistance between 22,200 and 22,300. Once the Nifty manages to trade above the 22,200 level on a closing basis for at least 2-3 trading sessions, it may pave the way for an upward rally towards 22,600/22,800 levels.

On the flip side, the immediate strong support is at 21,720, its 50-Day Moving Average. Failing to hold this support level on a closing basis may lead to a further sell-off, potentially taking the Nifty towards 21,400/21,000.

The overall market outlook remains cautious, and some volatility can still be expected. Traders should avoid major short positions and look for opportunities to buy on dips. Any dip will contribute to the strengthening of the Nifty. Technically, the Bank Nifty has immediate resistance at 47,400. A close above 48,000 may extend the rally towards 48,800/49,400. On the flip side, support is positioned at 45,400/44,500. Overall, the view is cautious as long as the Bank Nifty doesn't show any sign of reversal from support levels.

In the Nifty Options for the March series, the highest Open Interest (OI) build-up is observed near 22,500 and 23,000 Call strikes. On the Put side, it is seen at 22,000 and 21,500 strikes.

The movement in February has been volatile, with a huge round of selling seen in the first week. Subsequent strong buying from a supportive base pushed the Nifty above the 22,000 level. However, over the past two weeks of trading sessions, the Nifty has managed to remain in the range of 22,200-21,800.

India VIX has consistently remained high in the range of 14-16 for the February series. It is expected to remain high in the month of March.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options ranged between 0.8 and 1.5 in February. Going forward, it is expected to stay within the range of 0.7 and 1.5 in March.

The markets are likely to remain range-bound until a breakout occurs in the 22,200 -21,800 range. Immediate supports are placed at 22,000 and 21,500 levels, while the markets are likely to witness some important resistances at 22,200 and 22,500 levels.

OPTIONS STRATEGY

Long Strangle

It can be initiated by 'Buying 1 lot 14MAR 22500 CE (₹ 170) and Buying 1 lot 14MAR 22000 PE (₹ 160)'. The total outflow of premium comes to around 330 points, which is also the maximum loss.

One can keep a SL of 250 points (80 point loss from total premium). The maximum gain is unlimited; one can place a Target at 600 points (270 point gain from total premiuM).

NSE NIFTY

A PERILOUS PRACTICE

Gen-X, Millennials, and Gen-Z engage in 'doomed spending,' rejecting traditional financial planning for immediate gratification through instant expenditures, finds a survey

A doha of Saint Kabir, 'Kaal Kare So Aaj Kar' (What you plan to do tomorrow, do it today), has taken on a different meaning for a segment of consumers in recent years.

Post the Covid-19 pandemic, especially in the US, there is a growing trend among consumers in Gen-X (born between 1965 and 1980), Millennials (born post-1981), and Gen-Z (born post-1998) to spend more than they earn, forsaking the age-old tradition of planning and saving for the future. This evolving trend is referred to as "Doomed Spending."

Let's dig into this new trend in greater detail.

THE PREVAILING PATTERN

To some extent, an individual is a product of their time, with time playing a key role in shaping choices. Post the pandemic, a tectonic shift has occurred in the way people live and think, particularly in their vision for the future.

Among the various effects of the pandemic, a notable change is the heightened focus on living in the present rather than worrying about the future, driven by a more personal and intense understanding of uncertainty.

In this context, a segment of consumers from Millennials, Gen-Z, and Gen-X appears to have relinquished a focus on their economic future. They are choosing to live more for the present, spending rather than saving for future needs such as buying a house, starting a family, or planning for post-retirement, considering these investments as fruitless.

A recent study by Qualtrics (a cloud-based subscription software platform), commissioned by Intuit Credit Karma (a company which specializes in financial software), reveals that 27% of Americans are engaging in "doom spending," defined as spending money despite concerns about the economy and foreign affairs to cope with stress. This phenomenon is most prevalent among younger generations, with 35% of Gen-Z and 43% of Millennials taking this route.

The study shows that nearly one third (32%) of Americans' debt level has increased in the past six months with Millennials and Gen-X being the most likely to report increased debt levels, 38% and 35% respectively. It provides an interesting data point about the savings rate of the Americans.

The study reveals that in the past six months nearly half of Americans (47%) say the amount of money they are saving has gone down.

It revealed that more than half of Americans (52%) estimate they have less than $2,000 in savings or none at all, which is the case for nerly 22% of Americans.

In fact, sociologists point out that there is an increasing number of Americans who are giving up on the age-old American tradition of owning a house for oneself.

These socialogists have observed that there are a number of Americans who are in their mid-and-late-twenties who have refrained from starting a family and are instead resigned to living for today.

THE GENESIS

Several factors contribute to the phenomenon of doomed spending among Americans. Firstly, these spenders are primarily concerned about the economy.

According to the Qualtrics-Intuit Credit Karma study, 56% of Americans express concerns about inflation, 50% about an increase in the cost of living, and 23% about rising real estate prices, making buying a house almost unaffordable to a large number of people.

The study, available on Credit Karma's website, explains, "Of those concerned about the economy, nearly half (48%) are most worried about not having enough money to afford necessities like food, clothing, and rent, followed by going into debt (34%) and not being able to spend money on things that bring them happiness (30%)."

Post the pandemic, income inequality in the US has widened, particularly evident in the inability to afford a house of their own.

Since the year 2020, house prices have increased drastically due to low mortgage rates and a shortage of homes, following an economic downturn.

According to a report in The Guardian, the typical US home value, which was approximately $2,30,000 at the beginning of 2020, shot up to over $3,30,000 by May '23.

Historically, the average home cost about 2.6 times the median income, a ratio considered a threshold for affordability.

As income growth lagged behind property price increases, many Americans found homeownership unattainable, leading to a trend where the rich, growing richer, dominated the housing market.

The negative impact of inflation further fuelled the pessimism of doomed spenders, compelling them to prioritize present enjoyment over future considerations.

These factors have led psychologists and sociologists to believe that a segment of the Gen-X, Millennial, and Gen-Z population has abandoned hope for a better economic future, choosing instead to spend in the present.

The impact on the mindset of some Americans is so deep that the definition of poverty has shifted.

According to a Business Insider report, in the US, half of the individuals earning six figures or more, reported living paycheck to paycheck, despite exceeding the country's median income.

A Bloomberg report further disclosed that a quarter of survey respondents earning at least $1,75,000 annually described themselves as "very poor," "poor," or "getting by but things are tight."

To cope with low spirits, doomed spenders are finding solace in purchasing new clothes, a common trend among them.

In addition to this, they indulge in luxury items, once considered a privilege beyond their means.

Psychologists highlight that since buying houses is perceived as beyond their control, doom spenders compensate by indulging in luxury purchases.

Dr. Dion Terrelonge, a researcher on Fashion Psychology and Sustainability, says: "Doom spending [is] a display of what we call the passive to active flip, with the passive being the many things we may want to change in the world but feel we cannot, and the active being the buying of things."

Sales statistics strongly support this trend, with the National Retail Federation in the US reporting record-breaking holiday shopping at $964.4 billion last year, indicating a significant contribution from doomed spenders despite inflation and high-interest rates.

A BRIEF RESPITE

While this indulgence may offer temporary relief to doomed spenders, psychologists and market observers caution that it doesn't address their underlying problems.

The pursuit of instant gratification, if uncontrolled, leads to unhealthy lifestyles and is deemed unsustainable. Many sociologists deem this trend of doomed spending as unwise and predict it may not persist.

Financial experts emphasize that there will be a realization among these spenders that saving for the future is not about purchasing things beyond their current means or capacity.

Instead, mindful spending involves acquiring necessities for a healthy, sustainable, and rewarding lifestyle in the futur**E.**

IMPORTANT JARGON

MONETARY POLICY COMMITTEE (MPC) MAINTAINS STATUS QUO ON INTEREST RATES; HOWEVER, STAYS VIGILANT ON INFLATION

The Reserve Bank of India's six-member Monetary Policy Committee (MPC) left policy interest rates unchanged for the sixth time in a row in its February meeting. While the MPC is bullish on the near-term economic growth, it has highlighted certain upside risks to the food inflation trajectory.

Q. What Is Policy Rate?

Different central banks have different benchmark interest rates. In India, the repurchase rate (repo rate) is the benchmark rate that the monetary policy committee tweaks (alongside other tools at its disposal) to achieve its mandate of keeping 4% inflation as measured by the consumer price index (CPI) for the medium term.

The repo rate is the interest rate at which banks borrow from the RBI during times of liquidity crunch. This repo rate acts as a benchmark and influences other interest rates in the economy like banks' lending and savings interest rates, corporate bonds, government bonds, etc.

Q. What Has Been The MPC's Decision?

The MPC has kept the repo rate unchanged at 6.5%. It was not an unanimous decision of all the members. One MPC member voted for a 25 basis points (bps) cut in the repo rate.

Q. What Is The Current Stance Of The Monetary Policy?

One member out of six from the monetary policy committee also voted for a change in the policy stance to 'neutral' from the current policy stance of 'withdrawal of accommodation.'

To point out, along with the announcement of any tweaking of the policy rates, the MPC also comes out with a stance which indicates the direction of the upcoming monetary policy reviews.

The stance is that the MPC will withdraw its loose monetary policy that it had undertaken post-Covid breakout to boost the economy.

Q. What Is The Backdrop To Recent Policy Meets?

Post the Covid breakout, the

RBI had cut the repo rate multiple times to ensure the economy is not impacted due to the pandemic. However, a loose monetary policy, much like in other economies, led to a rise in inflation.

CPI inflation stayed above the 6% target level for many quarters forcing the MPC to undertake continuous rate hikes from May '22. It increased the repo rate by 250 basis points from May '22 to February '23.

Q. What Are The Current Inflation Levels?

From its October '23 low of 4.9%, CPI inflation increased successively in the next two months to 5.7% by December. In January, the CPI inflation (data was released after the MPC outcome day on 12th February) reversed course and stood at 5.1%.

The jump in CPI inflation since October lows was due to the increase in food inflation, primarily vegetable prices. However, fuel prices stayed lower. Positively, core inflation (CPI inflation excluding food and fuel) softened to a four-year low of 3.8% in December.

Q. What Is The Outlook On Repo Rate Cuts?

It's clear from the February policy that the MPC has now resolved to align with the 4% target for inflation over the medium term. Since CPI inflation is expected to stay above 4% in the near term, the MPC is unlikely to cut rates in a hurry. Most experts expect any cut in repo rate only around September '24. Even then, the cuts are likely to be shallow. Important to note is that policy stance would have to be changed to 'neutral' from the current policy stance of 'withdrawal of accommodation' before any rate cut.

Policy moves by other systemically important global central banks would also weigh on the MPC's decision. Other factors would include the full Union Budget post the general elections and transmission of earlier rate hikes by banks to their customers before MPC cuts the repo rate. The next meeting of the MPC is scheduled from 3rd April to 5th Apr '24.

Q. What Is The RBI's Outlook On CPI Inflation?

The MPC expects CPI inflation to be at 5.4% for FY23-24 and assuming a normal monsoon next year, CPI inflation for fiscal year 2024-25 has been projected at 4.5%. However, the RBI has highlighted certain upside risks to the food inflation trajectory in the near term. The fall in vegetable prices remains uneven.

According to the RBI, there are risks to food inflation due to the impact of any potential adverse weather conditions. There are also risks from geopolitical events and their impact on supply chains.

Also, the RBI has said that volatility in international financial markets and commodity prices are sources of upside risks to inflation.

Q. What Is The RBI's Take On Economic Growth?

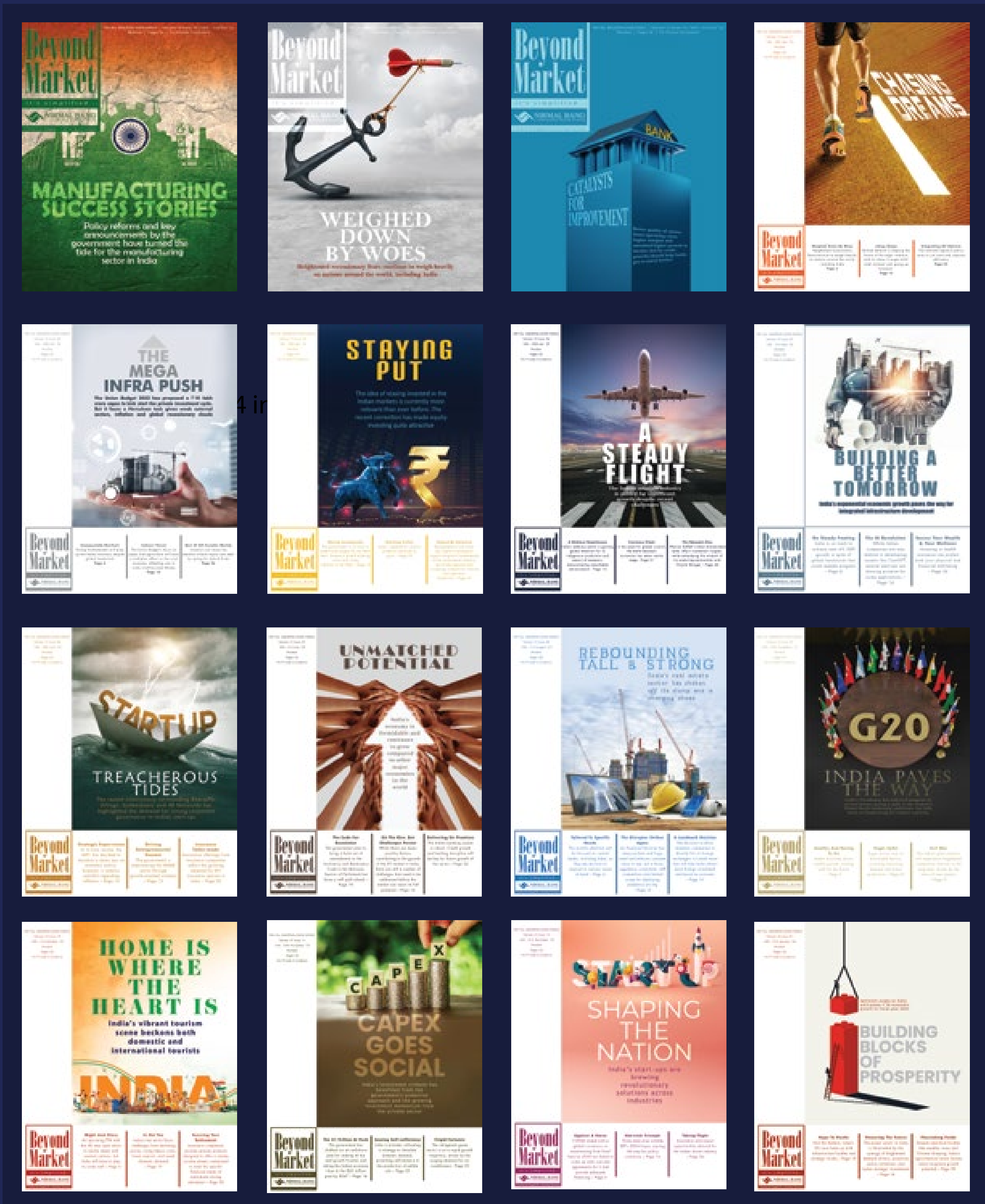
The MPC has noted that domestic economic activity is holding up well. The economic growth outlook for FY25 is seen as bullish. GDP growth is projected at 7% in FY24-25. The economy will be supported by investment & consumption demand, buoyancy in industrial activity and sustained growth momentum in services.

Q. What Is The Status Of Transmission Of Rates?

The RBI is closely watching the incomplete transmission of past rate hikes. Compared to the 250 basis points hike in repo rate by the MPC since May '22, banks have hiked lending rates by only around 200 basis points till December, and deposit rates by around 170 basis points. Typically deposit rates get adjusted only with a lag.

Q. What Is The Impact Of The Interim Union Budget On The MPC's Decisions?

The interim Union Budget presented by the government on 1st February exceeded market expectations with a strong commitment to fiscal prudence. The government set a fiscal deficit target of 5.1% of the GDP for FY24-25, while revising down the FY23-24 estimate to 5.8% of the GDP as against the earlier estimate of 5.9% of the GDP. The government has the medium-term goal of bringing fiscal deficit down to 4.5% of the GDP by FY25-26. Fiscal consolidation will support non-inflationary growth in the economy in the futurE.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