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GREEN SHOOTS FOR GLOBAL GROWTH

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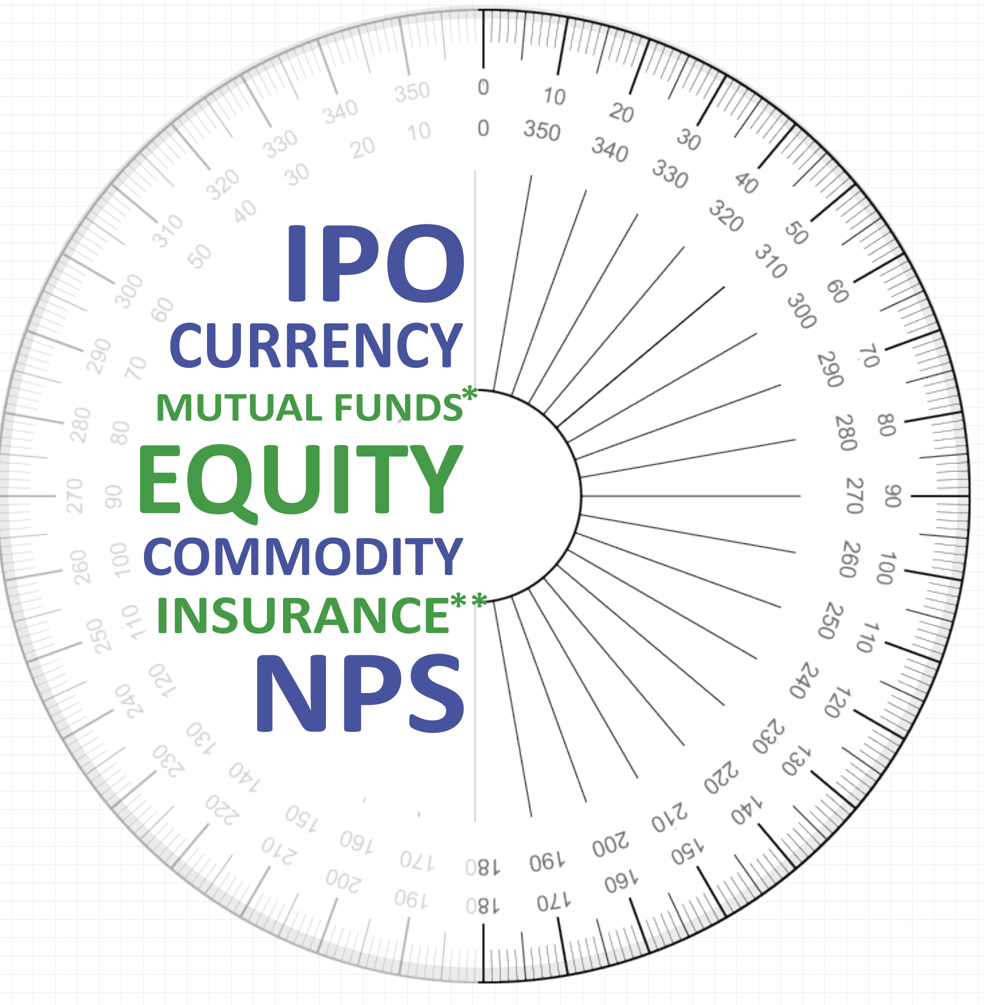

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Tushita Nigam
Editor

BACK IN THE RECKONING

Global economic growth, especially in the USA, has experienced a revival, thanks to the resilience exhibited by economies. This shift in sentiment on the global front has led analysts to upgrade their expectations and reinforce an optimistic outlook. In the case of India, the nation continues to grow from strength to strength, while China poses ongoing challenges. Our cover story in this issue details what possibly lies ahead for economies across the globe, while offering investors valuable insights on ways to navigate this landscape.

In addition to our cover story, we have chosen to devote space in our coverage to a host of topics. Firstly, the Indian economy is on a growth trajectory and remains unfazed by global issues. Secondly, the Reserve Bank of India's crackdown on fintechs for failing to adhere to compliance norms has been discussed, particularly in the light of Paytm Bank's woes. Also, public sector companies are witnessing a surge, but this performance warrants a cautious approach from investors.

Furthermore, readers will find engaging stories on various topics. These include the state of the sugar industry and how the revision in sugar production levels should be viewed. Also covered is India's cleantech sector, which is growing on the back of government impetus. Additionally, the strengthening of the media and entertainment sector, which has staged a comeback from the days of the pandemic, has been explored. Finally, another article discusses the slump in demand from the rural sector for FMCG companies, along with what could help revive the situation.

From the article in the Beyond Learning section of this issue, readers can discover the principles of American financial wizard, Charlie Munger, which formed the foundation of his and Berkshire Hathaway's succesS.

"On The Upper Side, The Nifty Futures Could Touch 22,350 And 22,600, Thereafter."

Nifty Futures: 22,194

(Last Traded Price As On 27th March '24)

The US Federal Reserve has signalled that it plans to cut interest rates three times in 2024, starting in June.

On the domestic front, the Reserve Bank of India (RBI) has not given any direction on potential rate cuts. Also, it has recently tightened regulations for Non-Banking Financial Companies (NBFCs) to keep them under check.

In the coming weeks, markets look good with the Nifty Futures having support at the 21,950 level. On the upper side, it could touch 22,350 and 22,600, thereafter.

Market participants should closely monitor the upcoming Lok Sabha elections and Q4 FY24 corporate earnings results, as both these events could significantly impact the movement of the marketS.

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AIMING HIGH

India's economy expects strong GDP growth, backed by optimistic forecasts

ebruary GST Collection Registers A Healthy 12.5% Climb To ₹ 1.68 Lakh Crore

In February this year, India's Goods and Services Tax (GST) revenue collection exhibited a robust 12.5% increase, totalling ₹ 1,68,337 crore. This growth is notably higher than the corresponding period last year. The primary drivers behind this surge were a healthy 13.9% increase in GST from domestic transactions and an 8.5% rise in GST from the import of goods.

According to a press release, the GST revenue net of refunds for February '24 amounted to ₹ 1.51 lakh crore, marking a substantial growth of 13.6% over the same period last year. This noteworthy increase accentuates the positive trajectory of GST revenue collection.

For the fiscal year until February '24, the total gross GST collection reached an impressive ₹ 18.40 lakh crore, reflecting a strong performance in GST collections for the fiscal year. Notably, this figure represents an impressive 11.7% increase over the corresponding period in the previous fiscal year.

The average monthly gross collections for FY24 stand at ₹ 1.67 lakh crore, surpassing the ₹ 1.5 lakh crore mark recorded during the same period in the previous fiscal year (FY23). This consistent growth in monthly collections further emphasizes the strengthening trend in GST revenue.

Moreover, it's essential to highlight that the net GST revenue for FY24, after refunds, has climbed to ₹ 16.36 lakh crore as of February this year. This represents a considerable 13% growth compared to the same period in the previous fiscal year, reiterating the sustained momentum in GST revenue generation.

India's IIP Declines In January To 3.8%

India's Index of Industrial Production (IIP) decelerated in January, registering 3.8% growth, down from 4.2% in December of the previous year (2023).

The December figure saw an upward revision from the initial 3.8% to 4.2%, following a revision in core sector growth numbers to 4.9% from 3.8%.

Comprising approximately 40% of the IIP, the eight core industries - coal, crude oil, natural gas, refinery products, fertilizers, steel, cement, and electricity - serve as a leading indicator of industrial growth.

For the period from April '23 to January '24, industrial growth stood at 5.9%, compared to 5.5% during the corresponding year-ago period. Notably, the country's industrial output had grown by 5.8% in January '23.

The slide in industrial growth in January can be attributed to the manufacturing sector, which saw its output grow by 3.2%, a decrease from the 4.5% expansion observed in the last month of 2023.

While mining and electricity production exhibited healthy growth rates, with increases of 5.9% and 5.6%, respectively in January, compared to 5.2% and 1.2%, respectively in December '23, the slowdown in manufacturing growth offset the gains made in these two key segments.

Among the use-based classifications of IIP, the output of primary goods rose by 2.9%, while that of intermediate goods grew by 4.8%. Production of capital goods and infrastructure/ construction goods swelled by 4.1% and 4.6%, respectively. In consumer goods, the production of durables surged by 10.9%, while that of non-durables slid by 0.3%.

Retail Inflation Slides To 5.09% In February

The Consumer Price Index

(CPI)-based inflation, also known as retail inflation, declined slightly to 5.09% in February. In January, the country's retail inflation rate stood at 5.1%, compared to 5.69% in December of the previous year (2023).

This figure falls within the Reserve Bank of India's (RBI's) tolerance level of 2% to 6%, a trend that has persisted for six consecutive months. However, it's important to emphasize that the headline number still exceeds the RBI's medium-term target rate of 4%, marking the 53rd consecutive week (of such deviation).

In terms of specific sectors, food and beverage inflation rose to 8.66%, up from 8.3% in January. Rural inflation remained unchanged at 5.34% in February, but it has decreased from 5.93% in December.

Urban inflation eased marginally, dropping to 4.78% from 4.92% in January '24.

India's GDP Growth To Be Around 8% In FY 24

India's Chief Economic Advisor, Mr V Anantha Nageswaran, anticipates the country's economy to surpass the government's initial expectations, driven by heightened activity in the industry and service sectors. Contrary to the Ministry of Statistics' estimate of 7.6% growth, Mr Nageswaran suggests that India's GDP growth for FY24 will likely reach around 8%.

Earlier, the country's economy was predicted to grow at 7.6% by the central government's second advance estimate for this fiscal (FY24). "If the fourth quarter GDP data is not much lower than the pace that we have seen in the first three quarters, the GDP growth rate will be closer to 8% instead of 7.6%," Mr Nageswaran said.

Mr Nageswaran called for a focus on long-term growth and urged to not be influenced by short-term success. India's agri sector has suffered due to irregular monsoons, but economic growth in the industry and service sectors has been impressive, he said.

There were, however, still some positive signs for the agriculture sector such as increased winter crop sowing, a reduction in El Nino, and expectations of a normal monsoon in the coming times.

What requires highlighting here is Mr Nageswaran's observation that going forward, domestic consumption will be at the forefront of contributing to the country's growth. Additionally, he anticipates the gap between rural and urban consumption to narrow as the nation moves ahead.

The financial health of the banking and corporate sectors was also good and they were expected to be major contributors to the country's economic growth over the next five to seven-year period, he maintained.

Fitch Upwardly Revises India's GDP Growth Estimate For FY24 To 7.8%

World-renowned ratings agency, Fitch, has revised India's GDP growth estimate upwards for FY24 and FY25 compared to its previous forecast. This revision is driven by stronger domestic demand and improved business and consumer confidence.

Fitch has described the upward revision as "sizeable" and now forecasts GDP growth for FY24 at 7.8%, up from its December '23 figure of 6.9%.

For the next fiscal year (FY25), the global ratings agency raised its GDP growth estimate for India to 7%, up from 6.5% just three months ago.

The ratings agency has also lowered its expectation of future rate cuts.

"With GDP growth having exceeded 8% for three consecutive quarters, we expect an easing in growth momentum in the final quarter of the current fiscal year, implying an estimate of 7.8% for growth in FY24," Fitch said.

The ratings agency further noted that economic growth has consistently exceeded its quarterly forecasts, with a much stronger increase in real GDP than estimated in the December outlook report.

Fitch attributed its optimistic outlook to strong domestic demand, led by a 10.6% year-on-year investment growth and a 3.5% rise in private consumption.

It's important to note that Fitch's revision of India's GDP growth forecast follows similar upward revisions by other renowned global organizations

like S&P and Moody's. This trend is primarily driven by the explosive growth registered by the Indian economy in the third quarter of the current fiscal year (Q3 FY24).

Registering a robust 8.4%, Q3 FY24's GDP growth marked the fastest pace recorded in the last 18 months. Fitch forecasts that India's headline retail inflation rate will fall to 4% by the end of December this year, aided by a decline in food prices.

RBI Bulletin Paints Optimistic Picture Of Indian Economy, Says Can Sustain 8% Growth Or Higher

An article on the 'State of the Economy' in the RBI's March bulletin indicated that the country has the potential to sustain a heartening 8% annual GDP growth rate.

The article was authored by a team led by the RBI's Deputy Governor Mr Michael Debabrata Patra.

Over the 2021-24 period, GDP growth has averaged above 8%. India's real GDP growth surged to a six-quarter high in Q3 FY24 (October-December '23), driven by strong economic momentum, robust indirect tax collections, and lower subsidies.

It highlighted a concerning trend in the global economy: growth was slowing even in most resilient economies, with high- frequency indicators showing further levelling in coming period.

The high visibility of structural demand and healthier corporate and bank balance sheets are likely to be the galvanizing forces for growth, going forward.

"The world is confronted with large shifts in structure and sentiments, which are either underway or impending," it said.

The balance sheets in the financial sector were sound and healthy providing the wherewithal for intermediating the productive credit needs of a resurgent economy, the article pointed out.

"The time has come to build world-class infrastructure, strong manufacturing bases, a high-quality labour force and global leadership in services to convert these favourable factors into opportunities and strengths over the next few decades," it added.

The aggregate demand in the third quarter of 2023-24 was investment-driven, with some indications of a revival of the private capex cycle.

The article further noted that capacity utilization in several sectors had reached a point requiring new investments.

Additionally, the demand outlook for premium consumer business remained robust, suggesting the growth momentum would likely persist into the medium terM.

GREEN SHOOTS FOR GLOBAL GROWTH

Global growth surges on US strength, upgrades, and India's rise, but China's shadow looms

In recent months, sentiment regarding global growth has notably shifted. Fund managers and analysts are now less apprehensive about the trajectory of global GDP growth. Instead, there's a prevailing optimism, particularly evident in the resilience of US markets.

While the Chinese economy faces internal challenges, experts are finding solace and hope in the growth of Indian markets, which they believe can contribute to global GDP expansion. This school of thought needs a fair bit of exploration.

THE GLOBAL PICTURE

Recently, the International Monetary Fund (IMF) announced its projections for global inflation, foreseeing it to reach 5.8% in 2024 and 4.4% in 2025. The IMF also predicts global economic growth to be 3.1% in 2024, up by 20 basis points from its previous estimate of 2.9% in October '23, and 3.2% in 2025. This optimism stems from the resilience of the global economy, declining inflation, and sustained economic growth.

After the IMF, S&P Global Market Intelligence has revised its global growth forecast upwards for 2024. Initially projected at 2.3%, the global Gross Domestic Product (GDP) now estimated at 2.6% as of March.

The website said, "The upward revision reflects higher forecast for growth in several countries, including the US, the UK, and India. Our global forecast remains above the market consensus expectation (2.4%) as it has been since the beginning of 2023." It added, "Our annual global real GDP growth forecast for 2025 is unchanged at 2.6%. Global real GDP growth on a quarter-over-quarter basis likely reached a trough of 0.4% in the final quarter of 2023, with a pick-up to 0.8% forecast by the second half of 2024."

S&P Global Market Intelligence's optimism about global GDP growth has been bolstered by two key factors: increased household incomes resulting from lower inflation and more accommodative financial conditions.

Additionally, the Global Purchasing Managers' Index (PMI) data indicates further improvement in economic conditions. According to S&P Global, the JP Morgan Global Composite PMI Output Index, compiled by S&P Global, has improved for the fourth consecutive month, reaching a nine-month high in February.

Also, output indexes for manufacturing and services were both above the expansion level of 50 in February for the first time since mid-2022.

The S&P Global's study highlights that the aggregate composite output index for emerging economies continues to outperform its developed economy counterpart.

Moreover, positive signs such as an increase in the global PMI's order-to-inventory ratio and improving export orders have been observed. Improving export orders serve as a leading indicator of trends in global trade.

The S&P Global Market Intelligence in its analysis observed, "Our forecast of the initial cut in policy rates by the US Federal Reserve has been pushed back to June. This development reflects continued growth resilience and firmer inflation data. We now expect only 75 basis points (bps) of rate cuts in total in the US during 2024, a little less than current futures market expectations."

The resilience of US markets has become a focal point shaping hopes for enhanced global GDP growth. Historically, both the US and China have been pivotal drivers of global GDP growth.

Given this context, the strength of US markets stands out as a key factor contributing to the optimism surrounding improved global economic growth.

THE US-CHINA STORY

In the past few months, the US markets have bounced back. From May '22, the US Federal Reserve has increased policy rates by 500 basis points to rein in inflation. The US economy has emerged resilient. There were expectations in the markets that there was a possibility of a hard landing in the US.

Hard landing means a period of economic slowdown after a period of rapid growth. But the macro-economic data from the US allayed any concerns about a hard landing.

Increasingly, economists are of the view that the possibility of a hard landing in the US is slim. They believe that the US economy may continue its journey of growth path if interest rates are cut this year.

However, economists and fund managers do not share the same sentiment about the Chinese economy - the second biggest lever, which drives the global GDP growth. A key concern about the Chinese economy is deflation.

Spending levels in China have not reached pre-pandemic levels. Then, there is a big crisis in the country's property sector.

At present, the government of China is trying its best to revive the country's economy. The country's reserve requirement ratio was cut by 50 basis points compared to an expectation of a cut of 25 basis points. This released 1 trillion Yuan into the Chinese economy. This was a much-required stimulus.

In March this year, the Chinese government is expected to supplement the monetary stimulus with the fiscal stimulus along with additional policy measures, point out media reports.

INDIA'S ADVANTAGE

Increasingly, fund managers who track global markets are of the view that the growth in the Indian markets may make up for the weak growth in the Chinese economy.

In fact, several observations from the study by IMF a few months ago show how the Indian markets can be a solid contributor to the global GDP growth.

The IMF had said that India is expected to contribute over 16% of global growth as economic reforms in key sectors like infrastructure and digitalization have made India a "star performer" among countries.

In a media interaction, Nada Choueiri, Assistant Director and the Mission Chief for India at IMF said, "What we have been observing for quite some time now is that India has been growing at a very robust rate. It is one of the star performers when it comes to real growth when you look at peer countries. It's one of the fastest growing large emerging markets and it's contributing, in our current projections, more than 16% of global growth this year."

Apart from this, the IMF noted that the Indian government's reforms in logistics and infrastructure sectors will help the country to deal better with global headwinds.

Nada Choueiri of IMF noted in her media interaction that the focus on digitalization has put India on a strong platform towards growth and productivity in the future.

The IMF cited the demography of the Indian economy as its key strength. Besides, political stability is India's distinct advantage when compared to other countries.

Nada Choueiri of IMF in her media interaction said: "While we haven't conducted specific quantitative analysis on this, extensive research underlines the criticality of political stability and a clear policy framework. This transparency, not only in politics but also in business policies, such as tax regulations and procedures, plays a pivotal role in fostering an environment conducive to investment and growth."

Lastly, the resilience of the Indian economy post the pandemic is another key strength. Data points out that employment rate has improved and crossed the pre-pandemic level.

These facts affirm the stability of global GDP growth estimates, with a high likelihood of revival. Despite temporary roadblocks such as

geopolitical tensions, notably in the Middle East, the implications of elections in over fifty countries worldwide cannot be ignored. These developments may create some volatility in the stock markets.

On a macro level, the robustness of both the US and Indian markets is expected to effectively address these challenges. In light of these observations, experts recommend that investors incorporate defensive stocks into their portfolios.

Overall, the outlook suggests that global GDP growth is poised to strengthen, presenting promising investment opportunities for investors in the futurE.

REGULATOR'S IRE

The RBI's action on Paytm Bank underscores the need for fintechs and other regulated entities to not lose sight of compliance while pursuing innovation and growth

day before the Union Budget, the Reserve Bank of India shocked the financial world with unprecedented curbs against Paytm Payments Bank, which virtually put the bank into a coma and posed an existential threat to its listed parent, One97 Communications. In one fell swoop, the RBI action halved One97's stock price as institutional investors, sensing the regulator's fury, dumped the stock en masse.

The regulator did not stop with Paytm Bank. On 5th March, the central bank barred JM Financial Products from issuing loans against shares and debentures, including sanctioning and disbursing loans against Initial Public Offering shares. A day earlier, RBI asked IIFL Finance to stop sanctioning or disbursing gold loans with immediate effect, noting "supervisory concerns" in the company's gold loan portfolio. RBI also ordered Visa Inc to immediately stop a payments service wherein cards were used to transact with merchants who weren't allowed to accept such payments.

While the Paytm Bank action has brought the severity of the regulator's ire to the fore, the RBI, especially after the pandemic, has been taking severe actions against regulated entities, including hefty penalties, over compliance matters.

In November last year, the RBI directed Bajaj Finance to stop sanctioning and disbursing loans under its two lending products, 'eCOM' and 'Insta EMI Card', with immediate effect. In December '20, the RBI banned HDFC Bank from issuing new credit cards, which was only lifted in March '22.

In August '21, a payment system operator was fined Rs 3 crore for non-compliance with KYC norms among other reasons. The regulator even cancelled the licence of a digital lender for several transgressions, including a failure to comply with the KYC norms.

ACTION ON PAYTM

The RBI took significant action against Paytm Payments Bank Ltd (PPBL), directing it to cease accepting deposits or top-ups in customer accounts, wallets, FASTags, and other instruments. This action came after the discovery of numerous non-KYC-compliant accounts, with thousands linked to a single PAN. There were instances of transactions exceeding regulatory limits, raising concerns about money laundering.

PPBL had approximately 35 crore e-wallets, of which about 31 crore were dormant, suggesting potential misuse. Despite the RBI's detection of serious KYC Anti-Money Laundering violations in 2021 and subsequent supervisory restrictions, compliance deficiencies persisted. As a result, the RBI imposed restrictions on new customer onboarding and mandated an external audit.

Enforcement Directorate raids in September '22 targeted PPBL and One97 Communications, over allegations of money laundering through e-wallets. Data reveals 90 million Paytm users, 15 million unique users, and 1,00,000 users receiving Direct Benefit Transfers in six months. PPBL had 31.5 million savings accounts, with 14 million dormant or frozen accounts, and 350 million wallets, including 300 million with zero balance and 50 million active accounts.

The charges against Paytm encompass irregularities in KYC processes, manipulation of customer bases, and exceeding transaction limits, raising concerns about money laundering. While there may be uncertainty regarding FEMA violations, evidence suggests significant KYC norm violations, including linking a single PAN to numerous customers.

Previously, the RBI imposed a fine of ₹ 5.39 crore for

non-compliance with licensing guidelines, cybersecurity protocols, and securing mobile banking applications. The Paytm case highlights larger issues of macroeconomics, consumer protection, board dynamics, and accountability, underscoring the need for stringent measures against financial mismanagement and fraud.

Why Paytm did not follow compliance or what went wrong is another question to discuss, but the direct message that fintechs have received is clear: if a top player, a regulated entity with a massive market share, can be thrashed by the regulator, then no one else will be spared.

Additionally, the RBI has also announced it is working on Self-Regulatory Organization (SRO), indicating that the world of compliance is gradually becoming tougher. The RBI Governor Shantikanta Das, while addressing the Paytm issue, said, "If you comply, we don't need to take action."

WHY THE RBI CRACKDOWN?

Since the global financial crisis in 2008, the RBI has intensified its focus on strengthening supervision, particularly in the fintech and digital lending sectors. The pandemic exacerbated concerns, with numerous complaints from borrowers, some of whom tragically resorted to suicide, prompting regulatory action.

With the rise in disposable income, consumers are increasingly trusting fintech companies with their savings and investments. However, as lenders rush to open accounts and gather deposits to meet surging loan demand, outsourcing customer verification to third parties has led to leakages occurring in the predominantly paper-based process.

Although Indian banks have augmented technology spending to combat money laundering and fraud, reported cases have surged. The RBI, with the authority to impose fines of up to ₹ 5 crore, levied penalties totalling ₹ 40 crore in FY23, and the numbers are also high this fiscal year. But still, more is needed to be done.

The misuse of customer data is rampant, with fraudsters paying runners paltry sums for Know-Your-Customer (KYC) documents. This enables identity theft, facilitating the operation of multiple bank accounts for fraudulent purposes, often through phishing calls.

KYC CONUNDRUM

In most regulated economies worldwide, banks are obligated to fulfill KYC requirements to prevent financial crimes. In India, the RBI mandated KYC compliance for all banks by the end of 2005, requiring photo identity and address proof verification before opening new accounts. Initially paper-based and time-consuming, KYC processes were expedited with the introduction of Aadhaar and video KYC.

Fintech start-ups capitalized on speed, offering account openings or loan disbursals in minutes by resorting to partial KYC based on mobile numbers. However, concerns over KYC compliance prompted RBI intervention, issuing directives to fintechs for stricter adherence.

RBI's focus on KYC compliance is integral to building consumer trust in the fintech ecosystem. Full KYC ensures fraud prevention and risk mitigation for both fintech companies and customers. Despite potential customer drop-offs, fintechs can access existing KYC records through the CKYC registry, alleviating the need for new KYC for 30% of new customers. Nonetheless, the remaining 70% necessitate full KYC either in person or via video.

INNOVATION OR COMPLIANCE?

Genuine fintech companies are facing significant challenges, particularly regarding compliance issues that arise either from a lack of awareness or from regulations introduced after they developed and launched their products. Coming from a purely tech background, these companies may struggle to adapt quickly to evolving regulatory requirements as their focus has primarily been on product development.

Many of these fintech products were conceived and built in an environment where regulatory frameworks were either absent or less stringent.

Consequently, when

regulations were later introduced, these companies found themselves unprepared to comply. However, this cannot serve as an excuse. It's imperative for fintech firms to prioritize adherence to regulatory rulings without hesitation or delay.

While sandboxes have been introduced, fintechs struggle to navigate regulatory channels effectively, often feeling unsupported.

Moreover, compliance costs are prohibitive, consuming a significant portion of operational expenses. Many companies find it financially burdensome to engage legal firms or consultants for compliance purposes.

Furthermore, acquiring talent proficient in understanding evolving regulations and aligning them with product development remains a challenge. Such expertise is scarce within the industry, complicating regulatory adherence for fintech firms.

With the fintech sector expanding rapidly, experts emphasize the need to reassess regulatory policies to further drive financial inclusion and product penetration to underserved populations.

While fintech has helped transform the Indian economy and formalize it to a great extent, the regulatory actions have raised concerns in the industry.

Some say regulations often lag behind technology-led companies, hindering innovation. The creation of payments banks is aimed to serve the unserved and underserved population with limited KYC accounts. Despite this, there's a call for greater compliance through Digital Public Infrastructure (DPI) and a fintech SRO.

Experts stress the need for cohesive government policies and regulatory frameworks to enhance transparency and security for consumers. While caution is warranted to manage systemic risks, there's also a need for tailor-made regulations that don't stifle innovation. Regulators should support young fintech companies in achieving India's digital mission.

Recognizing the benefits of disruptive innovation, regulators aim to balance risks with potential benefits, especially for start-ups yet to scale. A regulatory approach should safeguard consumers' savings and personal data integrity while encouraging innovation through light-touch licensing for start-ups.

The exponential growth of fintech products, particularly in payments and digital lending, necessitates inevitable regulation critical to growth. However, sudden regulatory changes can disrupt markets and increase the perception of regulatory risk among innovators and investors.

Experts say fintech start-ups must prioritize regulatory compliance while meeting consumer demands to thrive in the industry. Also, innovation, when coupled with regulatory adherence, can drive long-term industry transformation.

KYC: WHAT CAN BE DONE?

Indian banks are enhancing their KYC protocols by adding additional verification layers to identify both accounts and account holders. They plan to upgrade existing accounts, especially those linked to a single phone number with multiple or joint accounts.

Banks will also require heightened verification for individuals holding multiple accounts opened with different documentation sets.

This initiative coincides with the government's formation of a committee to standardize and enforce KYC norms across the financial sector.

The Indian Banks' Association has raised concerns about fintech companies flouting KYC rules, with Paytm facing scrutiny for lax KYC norms.

Accepted documents for bank account opening currently include passports, Aadhaar, voter cards, NREGA cards, PAN cards, or driving licenses. Banks are exploring methods like integrating PAN, Aadhaar, and Unique Mobile Numbers as multi-level identifiers for joint accounts. This approach may facilitate tracing multiple unlinked accounts established with different KYC documents.

Additionally, including joint accounts in the account aggregator (AA) network is under consideration. AAs retrieve and consolidate financial asset information for users. Currently, only individually operated accounts are included in the AA frameworK.

The surge in PSU stocks may hide potential valuation concerns. Investors need to be selective and focus on PSUs with strong earnings

RISKS BENEATH THE SURGE

ublic Sector Undertakings (PSUs) have defied tradition by surging during a recent market rally. This surge, coinciding with broader market volatility, warrants closer examination. While the rally lifted many PSUs, their inflated valuations and weak fundamentals raise concerns about sustainability. Now is the time for selective investment, focusing on PSUs with strong performance to capitalize on the ongoing rally.

Let us first understand what has led to this rally and whether it is sustainable.

The recent rally in India's PSU stocks has been a remarkable phenomenon, with the Nifty PSU index delivering a staggering 79% return in 2023 compared to the benchmark Nifty's 19.8% return. Several factors have contributed to this surge, creating a perfect storm of bullish sentiment.

INCREASED GOVERNMENT CAPEX

The Indian government has significantly ramped up infrastructure spending in recent years, with the latest budget allocating a record ₹ 10 trillion ($120 billion) for capital expenditure in 2024. This massive investment directly benefits PSU companies involved in sectors like construction, power, oil & gas, engineering, and transportation, fuelling optimism about their growth prospects.

About two years back when private capex was down due to Covid-related stress, the government and PSUs increased significant capex to drive growth. Capex-led growth and expansion in earnings resulted in a huge re-rating of PSU stocks.

IMPROVING FINANCIALS

Many PSU companies have shown marked improvement in their financial performance. Bad loan cleanup initiatives, mergers, and better operational efficiency have led to rising profits and earnings, boosting investor confidence. Many PSUs, which were struggling in the past, have seen strong improvement in operating profits and cash flows as a result of higher scale. Balance sheets of many PSUs, particularly PSU banks post-restructuring of the assets, have undergone a significant change, resulting in higher confidence. Wherever needed, the government has made additional investments in some of these companies, including loans and other guarantees. Restructuring of the government assets and PSUs with dedicated business focus has allowed these PSUs to report improved financial performance.

POLICY BOOST

Certain PSUs have witnessed additional catalysts, driving their outperformance. The defence sector, for instance, benefited from increased budget allocations, strong order wins, and the government's focus on domestic procurement.

Renewable energy PSUs also gained traction due to India's ambitious clean energy goals. Likewise, railways, clean energy, transmission, oil and gas, and many others benefited from strong sector-specific initiatives taken by the government.

STOCK RE-RATING

The influence of key factors like improving earnings, better visibility, a strong balance sheet, and liquidity led investors to gradually shift towards PSU stocks. At one point, they were offering better risk-reward compared to their private sector peers.

Last year, we saw many PSU stocks turning into multi-baggers and already providing returns of 2x, 6x, and 10x to investors. But as we enter the new fiscal year (FY25), investors do not have a similar advantage as they had in 2023. Many PSUs are at risk

today.

NAVIGATING RISKS IN PSU STOCKS

Liquidity And Sentiments

The biggest challenge today lies in the fact that many PSU stocks - technically and fundamentally - are seemingly in a bubble, driven by strong liquidity and sentiments. Investors have been drawn to these stocks in a bid to make quick money, leading to a momentum rally.

Narrowing Breadth Of The Rally

It is important to exercise selectivity while investing in PSU stocks. Not every PSU stock is overvalued; some have genuine reasons for their rise. However, investors must be discerning as not all stocks will offer similar risk-return profiles in the new year. Thus, choosing PSUs with strong investment potential and justified valuations based on earnings visibility is essential.

Assessing Valuation Dynamics

Valuation scrutiny is paramount for investors, going forward. A couple of years back, these stocks were trading at about 6 to 7 times their one-year forward earnings. Now, since these stocks have risen multifold, valuations in some cases have hit the roof.

Not just the index, the entire PSU index is now trading at about 25 times, which is the highest level in its recent history. Therefore, investors must assess whether these valuations align with past performance and expected earnings growth.

Focus On Earnings Sustainability

Another important point to consider is evaluating earnings visibility in terms of growth and sustainability. PSUs historically have had volatile earnings profiles, influenced by factors such as their ability to scale businesses and external situations including government policies and the capex cycle.

When selecting PSUs moving forward, chosen stocks should demonstrate strong earnings visibility. For instance, railways and defence companies boast order books nearly 3 to 5 times their annual revenues, ensuring robust revenue visibility. Company managements have expressed confidence in execution and margins, supporting solid earnings visibility.

Similarly, PSU engineering companies exhibit strong revenue visibility due to government capex. Growth in government capex has particularly supported engineering companies in power generation, transmission and distribution, roads, and construction, providing robust revenue visibility.

Companies with volatile earnings profiles will eventually face market punishment. It is advisable to avoid many of these PSUs, especially now when their share prices are soaring due to strong liquidity and sentiments. PSUs in oil and gas, shipping, metals, trading, and other commodities often experience volatile earnings owing to exposure to global commodities prices. The growth and sustainability of their revenues and profits depend on global commodity prices.

So, investors need to exercise caution. Despite rallying across the board, many PSUs, known for exhibiting volatile earnings in the past, continue to trade at premium valuations, posing an additional risk.

Certainty Of Government Policies

Apart from the valuation and earnings risks discussed in this article, other potential pitfalls for these PSUs include sudden changes in government policies such as divestment, increasing competition from the private sector, price caps or limitations on operating margins, and shifts in government capex for specific sectors, among other deterrents.

These risks are particularly apparent in light of the upcoming general elections in April and May '24. Sudden shifts in government policies could adversely impact earnings.

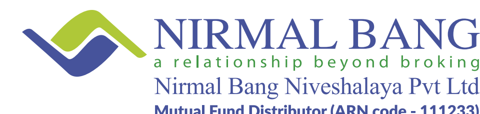
Historically, the government has adjusted its investment strategies in response to budget and inflation and given the upcoming general elections this year and the prevailing pressure on government finances, any

adverse changes in the government's capex cycle, rate tightening, regulatory interventions, or policy alterations, could significantly impact these stocks.

Private Sector Takes the Lead

Importantly, private capex has started to pick up. With strong consumption demand and robust growth in private capex, it is quite possible that some of the measures taken by the government in the past to boost the economy, which was impacted by Covid-19, might be curtailed or altered, including changes in investment policies and taxes. The government might reassess these investment plans, which may no longer warrant attention. If this occurs, many of these PSU stocks, where investors already have very high expectations in terms of earnings growth, might suffer.

By considering these factors and exercising caution, investors can better navigate the risks associated with investing in PSU stockS.



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SEEKING SWEETER RELIEF

Higher production eases sugar worries, but industry eyes relaxed ethanol curbs to fuel future growth

ugar production in the country for the ongoing marketing year (October-September) is expected to be higher than earlier estimates. This development is viewed as a positive for the domestic sugar industry. Increased sugar supply should allow the government to lift curbs on ethanol production that were implemented in December.

Lower supply in the system served as the harbinger of higher retail prices for sugar. In anticipation of lower sugar supply, the government decided to prioritize consumers over the industry in recent months. This was evident as it banned sugar exports since May last year and later imposed restrictions on sugar diversion for ethanol production.

On 7th December, the government issued a notification instructing sugar mills not to utilize sugarcane juice and sugar syrup for ethanol production in the ongoing ethanol supply year (ESY) 2023-2024. ESY spans from November to October. However, a week later, the government relaxed the restriction, permitting the diversion of sugarcane juice and syrup for ethanol production, albeit with an overall diversion cap set at only 1.7 million tonnes. Given that it's an election year, it was expected that the government would take measures to ensure that consumers do not feel the pain of rising sugar prices.

Now, as sugar production is likely to be higher, the industry is hoping that the government will reverse some of its restrictive measures. The industry body, Indian Sugar Mills Association (ISMA), which had earlier projected sugar production to be around 33 million tonnes for the October '23 to September '24 season, has now revised its estimate to 34 million tonnes.

This, along with curbs on the diversion of sugar for ethanol production, may increase the sugar available in the market by around 2 million tonnes, which would otherwise have been used for ethanol production. In the previous sugar year, around 3.7 million tonnes of sugar were diverted to ethanol production. Local sugar consumption is expected at 28-29 million tonnes.

Higher domestic production is due to increased sugarcane availability in Maharashtra and Karnataka than expected earlier. However, cane availability in another major state, Uttar Pradesh, is expected to be lower than earlier estimates.

Sugar production in India up to 29th February '24, was ~25.55 million tonnes (net sugar after diversion), with 466 sugar mills still operating. Experts expect the sugar crushing season to be extended this year, resulting in higher production of sugar. But sugar sales are also expected to peak in few weeks as India experiences summer.

FRP HIKE

There is yet another reason why the industry is witnessing improved sentiments. The government has increased the Fair and Remunerative Price (FRP) for sugarcane for the next sugar season starting October '24 to September '25. FRP is the minimum price that sugar mills must pay to cane growers. While some States have opted to pay the same as FRP, other states like Uttar Pradesh have decided to pay over and above the FRP as determined by the Centre.

On 21st February, the FRP of sugarcane for the next season was fixed at ₹ 340 per quintal. This price marks an all-time high for sugarcane and is about 8% higher than last year's FRP. The higher FRP will assist farmers in meeting the increasing expenditures associated with growing cane. The move is expected to benefit around 5 crore cane farmers and their family members, enabling them to earn better profits by cultivating sugarcane.

Significantly, higher FRP will ensure that sugarcane retains its competitiveness against other remunerative crops such as rice and maize. This way,

mills are assured of cane supplies for crushing, although the higher FRP will result in an additional payout of around ₹ 10,000 crore to cane farmers through the sugar industry. Notably, the industry has paid over ₹ 1 lakh crore to cane farmers in a timely manner in the past few years without major accumulation of arrears.

Over the last decade, the government, through various policy initiatives, has struck a fine balance between industry and farmers' interests. The government has ensured that sugar production remained balanced in the system by either tempering with export quotas or allowing diversification into ethanol production for its Ethanol Blended Petrol (EBP) Programme.

Also, the government has announced a remunerative price in the form of Minimum Sale Price (MSP) for sugar at factory gates or healthy ethanol prices at which oil marketing companies (OMCs) float tenders for purchase of the fuel blender.

EBP TO SUSTAIN

Until a few years back, sugarcane was primarily used for sugar production. Now, sugarcane has emerged as a key raw material for the production of both sugar and ethanol. Since the industry has undertaken huge investments to build large capacities for ethanol production, government-imposed curbs on ethanol production have left the industry concerned. However, with expectations of increased supplies, the industry is only hopeful that the curb on ethanol production could be a temporary setback, ensuring that the long-term growth prospects of the sugar sector remain intact.

The government has set an ambitious target under its ethanol blended petrol programme: 30% blending by the ethanol supply year (ESY) 2029-30, and 20% by ESY 2024-25. ESY runs from November to October. In the 2022-23 supply year, the government achieved 12% blending of ethanol with petrol. However, the new regulation is expected to keep the blending rate below 10% in EY 2023-24, as opposed to a target of around 15%.

It is estimated that India will need 1,016 crore litres of ethanol to achieve the 20% blending targets in ESY 2025-26.

As per a dataset, large sugar companies have invested ₹ 14,000 crore to ₹ 15,000 crore in making ethanol from sugarcane in recent years. The current ethanol production capacity of 1,364 crore litres is spread across most states of the country. There are a total of 157 mills engaged in the production of ethanol from sugarcane.

IN A NUTSHELL

Once sugar inventory builds up in the system in the coming months, the government might reverse the decision to curb ethanol production. However, any delay in reversal could impact the prospects of the industry, even in the medium term.

The industry is pushing for a buffer stock. This idea exists in other agri-commodities like pulses, rice, and other essential commodities.

To avoid sudden policy shifts on ethanol conversion for ensuring adequate sugar supplies in the domestic market, ISMA has recommended to the government to collect 4 million tonnes to 5 million tonnes of sugar every year from the industry so that the industry can continue to support the EBP without getting impacted by any sudden policy changes.

Buffer stock will not only protect the industry from a steep fall in sugar prices and the flip-flop of policies on ethanol but it will also benefit consumers by stabilizing retail sugar prices.

During times of price rise in the sugar market, the government can always intervene by releasing the buffer stock.

In recent years, exports and ethanol production have been the mainstay for the sugar industry. Previously, its fortunes swung between peaks and troughs following sugar production in the country.

Exports and ethanol have improved the financials of sugar mills in recent years. Of these, diversification for ethanol production is a sustainable way to support the industry. With projections of higher domestic sugar production, the sector now expects a reversal of government's curb on ethanol production and exportS.

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India's cleantech sector soars on strong government backing, plunging renewable energy costs, and surging investor interest

GREEN MAKES A CLEAN SWEEP

n recent years, India has emerged as a leading player in the global fight against climate change. With an increasing focus on sustainability, the country is fast becoming a hotbed for climate action. Cleantech plays a crucial role in mitigating climate change by reducing greenhouse gas emissions and enhancing carbon sequestration. Renewable energy technologies, energy-efficient practices, and sustainable land use strategies help to mitigate the impacts of climate change, such as extreme weather events, rising sea levels, and disruptions to ecosystems and livelihoods.

Cleantech refers to the use of technology towards innovations in reusing, sustainable power sources (solar, hydropower, wind energy, biofuels), green construction, electric vehicles, lighting, etc. India's cleantech sector is forecasted to emerge as the fastest-growing segment. By 2030, the value of cleantech could surpass that of oil.

Addressing today's energy challenges, the government is calling for $2 trillion in investments in clean energy by 2030. India's market potential, including batteries, wind, and solar photovoltaics (PVs), could reach $41 billion by 2040. This transition, dubbed 'the big switch' of the century, marks a shift from reliance on oil and gas to cleaner energy alternatives.

One of the primary catalysts for growth in this sector is the governmental policy backing. The government of India has been actively promoting green energy initiatives by implementing sector-specific policies and schemes to promote the growth of solar, wind, energy efficiency, and electric mobility. Examples of the government's proactive involvement in building the cleantech ecosystem in India include waivers, permits for 100% foreign direct investments (FDIs) under the automatic route, establishment of project development cells for investments, as well as the support of think tanks and investments. These initiatives have garnered significant interest from start-ups and investors.

Experts assert that the cleantech sector holds significant promise in meeting the urgent demands of today's times. It is becoming increasingly competitive against traditional electricity generation methods, driven by declining costs and escalating demand. While policy incentives and net-zero objectives play an important role in the growth of cleantech, other factors contribute to its expansion. These include corporate and industrial (C&I) internal sustainability targets, the availability of capital (both equity and debt) for cleantech projects, improved operational efficiency and cost savings offered by sustainable technologies, leading to higher adoption rates among users, and advancements in carbon markets that establish new mechanisms for cleantech adoption.

One of the most promising avenues for driving positive change lies in climate entrepreneurship, where innovative start-ups are leveraging clean technologies to address environmental challenges. Investors are taking notice of this trend, pouring funds into cleantech and solar energy ventures, thereby fuelling the growth of the sector.

The increase in cleantech transactions highlighted in the India Venture Debt Report 2024 emphasizes the rising investor interest in sustainable technologies. Projections indicate a significant rise in venture debt funding for the cleantech industry in 2024, demonstrating the increasing momentum for environmentally-friendly investments. This trend aligns with global priorities and investor preferences, indicating a shift towards a more sustainable future.

The solar energy sector, in particular, has experienced impressive growth, establishing India as a key

player in this field. According to Tracxn's Geo Solar Energy Report, India's solar energy sector received a substantial $1.55 billion in funding in 2023, with a notable increase seen in the early months of 2024. This surge in investments highlights the significant potential of solar energy in propelling India's transition to renewable energy sources.

While late-stage funding continues to dominate the solar energy sector, there has been a notable increase in early-stage and seed-stage investments. This diversification of funding sources bodes well for the long-term sustainability and growth of the industry, fostering innovation and driving technological advancements.

Despite the significant funding influx, the Indian solar energy sector is yet to produce a unicorn. However, with 39 rounds of $100 million or more funding and several notable acquisitions and IPOs, the sector is poised for further expansion and consolidation in the coming years. Key cities like Delhi, Gurgaon, and Mumbai have emerged as hubs for solar energy investment, attracting billions of dollars in funding.

The government's push for renewable energy development, backed by incentives and policies, has been instrumental in driving sectoral growth. Initiatives such as incentivizing solar product development, setting ambitious emission targets, and promoting foreign investment have created a conducive environment for solar energy companies to thrive.

From electric vehicles (EVs) to renewable energy solutions, the country is witnessing a surge in innovation across industries, with the automotive sector leading the charge. The adoption of EVs is experiencing unprecedented growth, fuelled by mature technologies and supportive government policies.

According to data from Vahaan, FY22-23 saw a record 11,83,198 EV registrations, with two-wheelers accounting for approximately 61.5% of the total. This dominance of two-wheelers in the EV market underscores the affordability and scalability of electric mobility solutions in India.

Government initiatives such as FAME I and FAME II have played a pivotal role in driving the adoption of EVs, despite recent revisions to address compliance issues. Moreover, the expansion of public charging infrastructure, with 6,586 operational Public Charging Stations (PCS) as of March '23, further facilitates the transition to electric mobility.

To understand the innovation landscape within the EV value chain, it's essential to examine four key categories: upstream, midstream, downstream, and enabling. Each category represents distinct stages of EV development and highlights areas of innovation and improvement.

Upstream innovations involve early-stage production and material sourcing, including advancements in battery technology, recycled materials, and manufacturing processes. Initiatives like Extended Producer Responsibility (EPR) and government schemes promote sustainability and local manufacturing of key components like lithium-ion batteries.

Midstream innovations focus on enhancing performance, range, and efficiency in the production and assembly of EV components. Challenges include cost constraints, supply chain complexities, and the need for standardization, requiring collaborative efforts to drive advancements.

Downstream innovations improve the user experience and integration of EVs, including autonomous driving, advanced assistance, and smart charging solutions. Subscription-based models offer flexible transportation options, meeting evolving consumer preferences.

Enabling innovations plays a critical role in supporting the growth of the EV industry, including regulatory and policy interventions, collaborative ecosystems, and workforce upskilling. Initiatives like the PM-eBus Sewa scheme demonstrate the government's commitment to electrification and sustainable mobility, extending the benefits of EV adoption to tier II and III cities.

Beyond the automotive sector, opportunities for innovation abound in infrastructure, energy, urban planning, and public transportation.

Developing an extensive network of charging stations, integrating renewable energy solutions, and implementing smart mobility solutions are key priorities for India's clean energy transition.

Cleantech offers diverse solutions to combat environmental degradation and climate change by promoting renewable energy, enhancing energy efficiency, minimizing waste, and curbing pollution. It promotes sustainable development, economic growth, and energy security while improving public health and quality of life.

Looking ahead, India's transition to a sustainable energy future hinges on continued collaboration between government, industry, and the entrepreneurial ecosystem. By harnessing the power of climate entrepreneurship and embracing clean technologies, India can pave the way for a greener, more resilient futurE.

FROM PAUSE TO PLAY

India's media and entertainment industry stages a comeback after the pandemic, propelled by a digital boom

ost-pandemic, India's media and entertainment sector has seen a massive improvement in its earnings. According to the latest FICCI-EY Media and Entertainment report, revenues from domestic theatres rose more than threefold, reaching ₹ 12,000 crore in 2023 from ₹ 3,900 crore previously. The report offers a comprehensive analysis of key developments across various industry segments in recent years and outlines future growth drivers for each segment.

Interestingly, the report predicts that sector revenues are poised to stabilize and continue growing in a fixed range even after this substantial expansion. Here are several prominent trends of the key segments in the media and entertainment sector expected to emerge in the next two years.

FILMED ENTERTAINMENT

In 2023, the total value of India's filmed entertainment segment, encompassing revenues from theatres, digital and broadcast rights sales, and in-cinema advertising, grew by 15% to reach an all-time high of ₹ 19,700 crore. Some of the key trends estimated by the FICCI-EY report are:

• The segment is expected to grow at a Compound Annual Growth Rate (CAGR) of 7% to ₹ 23,800 crore by 2026. This growth will be driven by increased affluence, the availability of high-quality mass content, innovations in pricing, infrastructure, and distribution.

• In the coming years, the segment's growth will rely heavily on Hindi films focusing on massy themes. The report notes that Hindi movies embracing mass market storytelling, incorporating more VFX to enhance the movie-going experience, and expanding aggressively into tier-II and tier-III cities are likely to experience higher growth in theatrical revenues.

• Broadcast rights (rights to show films on television) are expected to remain soft as the number of pay TV homes continues to decline. However, this gap is expected to be offset by digital rights, with Connected TV (CTV) homes expected to grow significantly.

• As streaming platforms prioritize profitability, they will continue to invest in tentpole properties (money-spinners for studios), albeit fewer than before, and decrease investments in mid-range films.

• The study suggests that the theatre-going audience size will increase as India's affluence grows. Estimates of India's per capita income increasing from US $2,500 in 2022 to US $3,000 by 2025 support this hypothesis.

• It is anticipated that more mass content will be created to attract wider audiences and drive increased footfalls beyond the current 900 million admissions, particularly in non-multiplex screens.

DIGITAL MEDIA

India's digital media segment has seen exceptional growth over the past five years. Presently, data from telecom companies indicates a staggering 119 crore telecom subscriptions in India, showing the country's robust digital infrastructure. Despite the proliferation of 5G services, which boast 130 million subscriptions, the market is dominated by 4G. Connected TV has grown 50%, propelled by rising internet penetration. The broadband market is also expanding, with subscription numbers reaching 904 million.

The rise in smartphone users has led to an increase in average usage time. However, despite a high number of app downloads totalling 26.4 billion, India lags in monetizing this potential, with users spending half of their time on social media apps, as

noted in the report.

The report highlights advancements in video viewership, with content platforms focusing on localization, particularly in popular genres such as drama, action, and thrillers. Improved digital engagement has resulted in distinct patterns in content consumption and advertising. In 2023, digital ad spending saw a 15% growth.

Here are some key future estimates for this segment:

• The digital segment is likely to expand to ₹ 95,500 crore by 2026, representing a CAGR growth of 13.5%.

• Digital advertising may grow at a 13.5% CAGR, reaching ₹ 84,200 crore, driven by enhanced governance.

• E-commerce advertising is anticipated to experience the fastest growth, with a value reaching ₹ 15,000 crore by 2026. Also, entertainment and sports streaming platforms are forecasted to attain advertising revenues ranging from ₹ 8,000 crore to ₹ 9,000 crore.

• News streaming platforms and music ad revenues are predicted to continue struggling unless they build loyal, app-based audiences.

• Subscription revenues for digital media are likely to grow at a 13% CAGR, reaching ₹ 11,400 crore in 2026. The report states that growth in subscription revenues will be driven by ad-supported platforms.

• The study indicates that the content mix will undergo changes in the next two years. There will be an increasing focus on tentpole properties (films with a high certainty of box office success), and low-cost content.

ONLINE GAMING

The gaming segment is the most promising in terms of potential for growth. A few popular online games in India are: Dream11, Ludo, Poker, Chess, Minecraft, PUBG and Counter-Strike: Global Offensive. The growth in online gaming segment is expected to be high because online gaming cuts across age-groups.

The report notes that the gaming segment in India is now a formidable force in India's media and entertainment sector. It is likely to displace filmed entertainment to become the fourth largest segment, notes the report. Almost a quarter of the 455 million gamers in India are engaging with online games daily.

There are challenges for the segment as some states in India have their laws regarding online gaming. But the study notes that there is an increasing acceptance for paying for online gaming. The user base of online gaming is steadily growing to become the number one online gaming country in the world, observes the study.

A few key trends:

• Online gaming may grow at a CAGR of 21%, reaching ₹ 38,800 crore by 2026.

• Within the segment, the fastest-growing sub-segment is projected to be in-app purchases (estimated to grow at a CAGR of 27% over the next two years). Following closely are fantasy sports (expected to grow at a CAGR of 23% in the next two years), and then rummy and poker (anticipated to grow at a CAGR of 19% in the next two years).

• Consolidation is expected in the segment as smaller, less profitable companies struggle to manage the cost implications of high Goods and Services Tax (GST).

• Real Money Gaming (RMG) is emerging as a notable trend in the gaming segment, where individuals earn money from playing online games. The report indicates that RMG is poised to constitute 83% of the total revenues in the segment.

• The number of online gamers in India grew to 455 million in 2023. The report predicts that this figure will rise to 491 million by 2024.

ANIMATION AND VFX

The industry's animation and Visual Effects (VFX) segment has exhibited remarkable resilience over the past one year. Despite a global slowdown in demand for Visual Effects, India's VFX segment demonstrated some growth, albeit with weak demand for animation. Production delays in Hollywood due to strikes have been cited as a key reason for this weakness. However, the current year appears promising for the segment as

shooting work on film projects has resumed at full scale.

Here are several key trends expected in the next two years in this segment:

• The report highlights the Indian government's incentive scheme for international animation, visual effects, and post-production projects utilizing Indian services as a potential boost to earnings prospects.

• The scheme offers up to 30% reimbursement on a minimum expenditure of ₹ 10 million, with an additional 5% for significant Indian content. The incentive is capped at ₹ 300 million per project and is to be applied for by the Indian service company involved.

• Adult animation is identified as a huge opportunity for Indian studios.

• Increasing global collaborations are noted as a key trend, such as the NFDC Film Bazaar partnering with the Southeast Asian AudioVisual Association (SAAVA) and the ATF IP Accelerator Project Market (AIPA) for a multi-year collaboration. Such collaborations aim to enhance film and TV co-productions across Asia.

• Studios are expected to increasingly collaborate with universities and institutions to address the talent gap.

• The report observes that global cost rationalization will provide an opportunity for Indian studios and service providers.

MUSIC

Music holds significant importance in India's media and entertainment industry, driven by the strong affinity among Indians for music. While film music remains the primary consumption source, particularly through music streaming, the live events space has witnessed a robust comeback. Digital music consumption continues to dominate, contributing to the majority of the music industry's revenues, with technology playing a pivotal role in its evolution.

Here are a few key trends expected in this segment:

• The segment is expected to grow at a CAGR of 15% over the next three years, reaching ₹ 3,700 crore.

• According to the study, the segment has the potential to more than double the number of paid subscribers in the next three years, reaching 15 million, and possibly grow four to five times in the next five years, reaching 35-40 million.

• Record labels will continue to consolidate, says the report.

• The study emphasizes the entry of several global music labels and publishers in India, along with the improved performance of theatrical films across languages, which are expected to maintain music rights values at their current elevated levels in 2024 and likely in **2025.**

SUNSHINE AFTER THE STORM?

Favourable policies, strong crop yields, and prospects of improved rains could help navigate the challenges in rural FMCG demand

India's Fast Moving Consumer Goods (FMCG) sector has encountered a key challenge in recent quarters: weak demand from rural markets. During this period, urban market has remained stable. Currently, urban markets contribute to 60% of the total consumption in the FMCG sector, with the remaining 40% coming from rural markets.

According to a study by Bizom, a mobile platform for retail commerce, a substantial portion of FMCG industry revenue is derived from the top 75 cities in India, each with a population of 5,00,000 and above. These cities alone account for approximately 40% of the industry's earnings. Conversely, the remaining 60% is generated from rural India. This underscores the critical importance of revitalizing demand in rural markets for the growth of the FMCG sector in India.

With 2024 being an election year, there's heightened focus on rural markets. The crucial question occupying investors' minds is: Will demand in India's rural markets experience a resurgence? Let us understand this in greater detail:

THE PRESENT SITUATION

In the December '23 quarter, early signs of demand revival emerged in India's FMCG sector. According to a recent study by market research firm NielsenIQ, the volume of the Indian FMCG industry grew by 6.4% year-on-year in the December '23 quarter. An improvement in consumption was observed in both urban and rural areas, as highlighted in a report by the analytics firm. The report underscores that the consumption gap between urban and rural markets in India is narrowing for the first time in 2023. It further notes that higher volume and a recovery in rural markets contributed to the FMCG industry's 6% growth in value terms.

In 2024, the Indian FMCG industry is projected to achieve a growth rate ranging between 4.5% and 6.5%, based on the sector's resilience and the strength of the Indian economy, as indicated in the report. However, sequentially, volume growth declined in the October-December quarter compared to the previous September quarter due to a moderation in consumption within the FMCG sector. This decline serves as a reference point highlighting the instability of demand in rural markets in India.

The report notes, "In rural markets, there is a sequential slowdown in volume growth, with consumption experiencing a slight decline during this quarter (December '23 quarter) compared to the September '23 quarter." In the December quarter, the FMCG industry witnessed a consumption uptick of 6.8% year-on-year in the urban market and 5.8% in the rural market, which had been lagging behind for several quarters. Consequently, revenues of BSE-listed FMCG firms grew by just 4.3% year-on-year, marking the slowest growth in three quarters.

There are several reasons behind the lagging demand in rural markets compared to urban markets. According to post-earnings commentaries from leading FMCG companies, their focus has leaned more towards value growth rather than volume growth. This emphasis on value growth has manifested through strategies such as increasing prices, reducing product grammage, and shifting the product mix towards the premium segment.

Market research studies indicate that while 30% to 40% of FMCG sector growth has been driven by volumes in recent quarters, a significant portion - 60 to 70% - has been propelled by price hikes and alterations in product mix.

Additionally, subdued demand in rural markets can be attributed to income stress

within these regions. Analysts highlight concerns over the unemployment rate in rural areas, reflected in the demand for the National Rural Employment Generation Scheme. Furthermore, FMCG companies face fierce competition from small and local firms in rural markets, further dampening demand.

Weak demand during key festivals, coupled with factors like rainfall deficit and unseasonal rains, have also impacted rural market growth. Analysts note that volume growth in rural markets has remained muted for the past five to six quarters, marking one of the longest periods of stagnation in the past decade.

Among the various categories, packaged consumer goods such as soaps, detergents and snacks saw weak demand in rural India in the December '23 quarter.

THE WAY AHEAD

The revival of demand in rural markets is vital for the FMCG sector, particularly as a significant portion of India's FMCG sector growth post-pandemic has been driven by the resurgence in rural market demand. Analysts suggest that the subdued growth in rural market demand is reaching its lowest point.

Recent evaluations indicate a shifting trend. FMCG companies suggest that the weak demand cycle in rural markets has bottomed out. From this juncture, it is anticipated that demand in rural markets will begin to rebound. Three key factors are likely to contribute to the revival of demand in rural markets: government measures, the dissipation of El Niño effects, and favourable rabi crop data.

One of the biggest factors that can revive demand in rural markets is recent government announcements. Leading FMCG companies emphasize that schemes like Lakhpati Didi, PM Awas Yojana, and PM Mudra Loans are expected to gradually boost rural consumption. Importantly, it is anticipated that demand, particularly in hinterland areas, will see a notable increase.

According to these companies, budgetary announcements are expected to result in higher allocations for capital expenditure, thereby generating long-term employment opportunities. Additionally, upcoming elections are forecasted to enhance demand in rural areas, as historical data indicates increased consumption during election campaigns. Reports also suggest that the government plans to sell rice and wheat at subsidized rates, further stimulating demand in rural markets.

Another factor expected to boost consumption is the fading of El Niño by April this year. According to the Australian weather bureau, the El Niño phenomenon, which typically pushes rain clouds away from India, will fade by April. Additionally, the Indian Meteorological Department (IMD) predicts that the impact of El Niño is likely to diminish with the onset of the monsoon in June. Weather experts estimate a high likelihood of La Niña - a phenomenon that typically brings rain clouds to India.

Lastly a key factor that is likely to boost demand in rural markets is the expectation of a bumper rabi crop. Analysts anticipate that once the rabi crop is harvested, financial constraints in rural markets may ease. Various estimates project farm income growth at 4.3% for the current rabi season.

Analysts point out that FMCG companies must adjust their product portfolio strategies. Currently, rural markets are inundated with a multitude of unorganized players. To combat the intense competition posed by these unorganized entities, leading FMCG companies must offer competitive pricing for their products. Additionally, expanding their distribution networks further into rural markets is imperative. A prevailing sentiment gaining traction is that by the second half of FY25, rural market demand is likely to improve as these factors come into play.

A study by marketing research firms NielsenIQ and Kantar suggests that the FMCG sector is positioned for mid-single-digit growth in 2024, primarily driven by volume growth. The study indicates that demand dynamics are expected to remain muted in the first half of FY25 but are anticipated to gradually recover in the second half as the effects of El Niño subsid**E.**

TECHNICAL OUTLOOK

he Nifty rallied strongly in the first week of March, reaching a lifetime high of 22,526.60. Positive sentiment on Dalal Street drove buying across all sectors. However, after hitting the all-time high, the Bulls were not able to sustain their gains at higher levels and took a backseat, giving way to the Bears. This shift triggered profit booking, or a correction, of almost 810 points.

Financial Services, Oil & Gas, Auto, IT, FMCG, Media, and Realty were among the key sectors that saw a correction over the past month. Almost across all sectors a strong correction was seen.

Technically speaking, the Nifty faces strong resistance between 22,200 and 22,400. Once the Nifty manages to trade above the 22,200 level on a closing basis for at least two to three trading sessions, it may pave the way for an upward rally towards 22,600/ 22,900 levels.

On the flip side, the immediate strong support is at 21,900, 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 21,600-21,300.
The daily momentum indicator, RSI, shows weakness, indicating a potential correction in the near term. The Nifty is consolidating above the 50-DMA, which indicates a relief sign; a pullback rally may be seen as long as the Nifty holds short-term moving average.

The overall market outlook remains cautious to positive, 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.

The Bank Nifty has immediate resistance at 47,000-47,200. A close above 47,200 may extend the rally towards 47,800/48,400. On the flip side, support is positioned at 46,400. Overall, the view is cautious, as long as the Bank Nifty doesn't show any sign of reversal from support levels.

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

The movement in the month of March has been volatile, but a good recovery has been seen in the last part of March as index moved above the 22,000 level.

The rollovers have been subdued for most stocks and indices. Metals and Banking sectors witnessed positive rollovers as per the early trend (26th March Data). We expect both these sectors to outperform in April.

India VIX has remained high in the range of 12-16 for the March series. Going forward, we anticipate the index to gradually increase as election volatility kicks in.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 0.8-1.3 in March. It is expected to remain between 0.6 and 1.5 in April.

The markets are believed to remain bullish in the first half of April with supports placed at 22,000 and 21,500 levels. Also, the markets will continue to see important resistances at 22,500 and 23,000 levels.

OPTIONS STRATEGY

Long Straddle
It can be initiated by 'Buying 1 lot 25APR 22000 CE (₹ 490) and Buying 1 lot 25APR 22000 PE (₹ 190)'. The total outflow of premium comes to around 680 points, which is maximum loss. One can set a Stop Loss at 550 points (a 130-point loss from the total premium).

The maximum gain is unlimited; one can set a Target at 930 points (a 250-point gain from the total premium). With the current options OI positions for Nifty and the volatility expected from the elections, the strategy is likely to yield good profit**S.**

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	57.5	38.4	17.5	14.9	13.6	14.7	983
UTI Mastershare Unit Scheme - Growth	237.4	29.1	13.9	14.3	13.1	14.2	12,147
Canara Robeco Bluechip Equity Fund - Growth	53.0	31.9	14.7	16.7	15.3	15.2	12,185
Kotak Bluechip Fund - Reg - Growth	483.4	31.8	15.5	15.8	13.8	15.1	7,679
Nifty 100 TRI	30,357.0	34.1	16.2	15.3	14.7	14.9	--

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	355.1	49.3	22.4	20.8	17.1	20.7	3,293
Edelweiss Mid Cap Fund - Growth	74.8	48.8	24.2	23.3	18.7	22.1	5,067
Mirae Asset Midcap Fund - Reg - Growth	29.3	44.6	22.5	--	--	--	14,536
Nippon India Growth Fund - Reg - Growth	3,166.0	53.0	26.6	23.6	18.9	20.4	24,481
Kotak Emerging Equity Fund - Reg - Growth	101.2	36.6	21.4	21.6	16.9	22.3	39,738
Nifty Midcap 150 TRI	21,906.7	54.7	26.2	23.3	18.6	22.1	--

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	212.9	35.4	21.8	24.6	17.9	21.8	14,196
Edelweiss Small Cap Fund - Reg - Growth	35.4	46.0	26.2	26.5	--	--	3,147
Nippon India Small Cap Fund - Reg - Growth	137.7	52.5	33.1	28.1	22.5	26.8	46,044
ICICI Prudential Smallcap Fund - Growth	73.9	41.3	26.7	24.4	17.4	18.4	7,415
Union Small Cap Fund - Reg - Growth	39.6	41.2	23.6	23.4	16.8	--	1,328
Nifty Smallcap 250 TRI	17,670.4	60.1	27.4	22.4	15.6	19.6	--

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	455.4	32.9	17.8	18.1	15.1	16.5	6,620
Canara Robeco Emerging Equities - Growth	205.7	34.1	16.7	17.2	15.2	21.3	20,326
Edelweiss Large & Mid Cap Fund - Growth	70.9	39.1	18.4	18.1	16.0	16.4	2,797
Kotak Equity Opportunities Fund - Reg - Growth	280.2	39.2	20.3	18.8	15.8	17.9	19,092
Mahindra Manulife Large & Mid Cap Fund - Reg	24.1	48.4	22.7	--	--	--	1,928
NIFTY Large Midcap 250 TRI	17,456.7	44.3	21.2	19.4	16.7	18.5	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mahindra Manulife Multi Cap Fund - Reg - Growth	29.6	48.6	24.4	22.6	--	--	3,037
HDFC Multi Cap Fund - Reg - Growth	15.8	47.8	--	--	--	--	12,232
Kotak Multicap Fund - Reg - Growth	15.9	57.4	--	--	--	--	9,630
Nippon India Multi Cap Fund - Reg - Growth	240.3	49.4	28.6	19.6	17.5	17.5	26,809
S&P BSE 500 TRI	39,697.0	38.9	18.5	17.2	15.5	16.2	--

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	283.9	32.8	15.8	16.4	15.6	15.4	11,875
Mirae Asset Flexi Cap Fund - Reg - Growth	13.1	33.9	--	--	--	--	1,649
UTI Flexi Cap Fund - Growth	266.1	22.1	8.0	13.5	12.9	14.4	24,684
Union Flexi Cap Fund - Growth	44.5	38.9	18.4	18.1	15.1	14.1	1,983
Parag Parikh Flexi Cap Fund - Reg - Growth	68.3	39.0	21.3	22.4	19.6	19.5	58,901
S&P BSE 500 TRI	39,697.0	38.9	18.5	17.2	15.5	16.2	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	182.4	40.3	27.0	18.6	14.8	16.6	9,919
Nippon India Focused Equity Fund - Reg - Growth	100.9	30.5	16.1	16.6	14.1	18.9	7,655
ICICI Prudential Focused Equity Fund - Ret - Growth	72.3	44.3	22.1	19.2	15.6	15.5	7,232
Mahindra Manulife Focused Fund - Reg - Growth	22.9	46.3	24.1	--	--	--	1,179
S&P BSE 500 TRI	39,697.0	38.9	18.5	17.2	15.5	16.2	--

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	44.1	52.5	29.9	21.6	16.6	--	3,450
Sundaram Dividend Yield Fund - Growth	121.1	42.2	20.0	18.1	16.4	16.8	805
UTI Dividend Yield Fund - Growth	143.8	40.9	19.9	17.1	14.9	15.0	3,614
S&P BSE 500 TRI	39,697.0	38.9	18.5	17.2	15.5	16.2	--

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	130.1	43.6	26.6	20.5	17.3	19.4	8,449
SBI Contra Fund - Growth	325.9	45.2	28.7	24.4	18.9	18.5	25,325
Nippon India Value Fund - Reg - Growth	185.5	54.4	24.2	20.4	17.5	18.7	7,063
S&P BSE 500 TRI	39,697.0	38.9	18.5	17.2	15.5	16.2	--

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	174.0	30.3	13.8	14.9	12.8	14.2	3,437
Canara Robeco Equity Tax Saver Fund - Growth	147.9	32.8	16.1	18.0	16.6	16.6	7,333
Kotak Tax Saver Fund - Reg - Growth	99.9	36.1	19.7	18.2	15.3	17.7	5,050
Mahindra Manulife ELSS Fund - Reg - Growth	24.5	32.9	18.0	16.5	12.3	--	790
Parag Parikh Tax Saver Fund - Reg - Growth	26.2	33.6	21.0	--	--	--	2,997
Tata India Tax Savings Fund - Reg - Growth	37.0	32.6	16.7	15.5	14.3	--	4,016
S&P BSE 200 TRI	12,553.7	37.6	17.9	16.8	15.5	15.9	--

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	77.1	36.8	20.4	17.4	17.2	17.9	3,138
ICICI Prudential Banking and Financial Services Fund	106.2	24.8	13.2	10.5	11.3	16.8	7,356
Nippon India Pharma Fund - Reg - Growth	419.8	57.8	20.3	22.7	17.6	17.0	7,132
Quant Quantamental Fund - Reg - Growth	21.5	62.3	--	--	--	--	1,774
Tata Digital India Fund - Reg - Growth	42.2	37	18.1	23	23.7	--	10,068
S&P BSE 500 TRI	39,697.0	38.9	18.5	17.2	15.5	16.2	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
Bandhan Arbitrage Fund - Reg - Growth	29.7	2.0	3.6	7.6	6.1	5.3	5,768
Kotak Equity Arbitrage Fund - Reg - Growth	34.2	2.2	3.9	7.9	6.5	5.7	39,099
Tata Arbitrage Fund - Reg - Growth	13.1	2.0	3.7	7.6	6.1	5.3	10,152
Invesco India Arbitrage Fund - Growth	29.2	2.0	3.7	7.8	6.7	5.7	14,593
Edelweiss Arbitrage Fund - Reg - Growth	17.7	2.2	3.8	7.7	6.3	5.5	8,768

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	21.9	16.6	9.2	9.7	9.2	--	366
HDFC Equity Savings Fund - Growth	59.4	18.6	11.5	10.2	9.2	10.1	3,901
Kotak Equity Savings Fund - Reg - Growth	23.2	18.9	11.3	10.4	9.7	--	4,615
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,090.20	22.2	12.3	13	12.5	12.5	--

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	19.3	10.5	11.4	--	--	15,719
Nippon India Balanced Advantage Fund - Reg - Growth	153.7	23.6	12.1	11.3	10.6	12.4	7,651
Tata Balanced Advantage Fund - Reg - Growth	18.5	22.6	12.3	12.7	--	--	8,730
Edelweiss Balanced Advantage Fund - Growth	44.8	24.7	12.5	14.0	12.3	12.6	10,623
Union Balanced Advantage Fund - Reg - Growth	18.1	19.4	9.2	11.5	--	--	1,629
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,090.2	22.2	12.3	13.0	12.5	12.5	--

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	305.7	26.7	13.3	14.2	13.1	15.0	9,809
Kotak Equity Hybrid Fund - Growth	51.2	25.9	15.1	16.0	12.8	--	5,045
Mirae Asset Hybrid - Equity Fund - Reg - Growth	27.3	26.2	13.3	13.3	12.6	--	8,414
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,090.2	22.2	12.3	13.0	12.5	12.5	--

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	60.8	22.9	14.1	13.8	11.3	11.3	2,527
Nippon India Multi Asset Fund - Reg - Growth	17.5	30.6	16.0	--	--	--	2,703
Tata Multi Asset Opportunities Fund - Reg - Growth	20.0	25.2	14.8	--	--	--	2,501
NIFTY 50 Hybrid Composite Debt 65:35 Index	18,090.2	22.2	12.3	13.0	12.5	12.5	--

Gold Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	20.5	11.8	12.7	14.7	11.5	7.1	1,682
Kotak Gold Fund - Reg - Growth	26.5	12.1	12.4	14.7	11.7	7.1	1,576
Nippon India Gold Savings Fund - Reg - Growth	26.3	11.9	12.6	14.6	11.3	6.9	1,590
Prices of Gold	66,679.0	13.1	14.1	15.9	12.9	8.4	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1,267.3	0.2	0.5	1.6	6.7	6.65	1,834
Tata Overnight Fund - Reg - Growth	1,254.0	0.2	0.5	1.6	6.7	6.46	2,884
Nippon India Overnight Fund - Reg - Growth	127.7	0.2	0.5	1.6	6.7	6.73	5,745

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	384.8	0.3	0.6	1.8	7.2	7.47	43,962
Mirae Asset Cash Management Fund - Growth	2,504.4	0.3	0.6	1.8	7.2	7.34	12,303
Kotak Liquid Fund - Reg - Growth	4,828.8	0.3	0.6	1.8	7.1	7.48	36,628
Nippon India Liquid Fund - Reg - Growth	5,830.0	0.3	0.6	1.8	7.1	7.48	35,419
Mahindra Manulife Liquid Fund - Reg - Growth	1,554.2	0.3	0.6	1.8	7.2	7.39	1,229

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	13.8	1.8	3.5	7.2	5.3	7.78	12,661
ICICI Prudential Ultra Short Term Fund - Growth	25.2	1.9	3.5	7.2	5.4	8.02	13,883
Kotak Savings Fund - Reg - Growth	39.2	1.8	3.3	7.0	5.2	7.89	12,814

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	5,194.2	1.9	3.6	7.5	5.6	7.86	17,645
Tata Money Market Fund - Reg - Growth	4,288.8	1.9	3.7	7.6	5.7	7.67	16,515

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	52.5	1.8	3.2	7.3	5.4	8.06	15,464
ICICI Prudential Savings Fund - Reg - Growth	492.3	2.0	3.5	8.0	5.8	8.05	17,855
Kotak Low Duration Fund - Std - Growth	3,044.6	1.8	3.2	6.9	5.1	8.09	8,587

Floater Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Floating Rate Fund - Reg - Growth	1,357.2	1.9	3.3	7.5	5.9	8.00	3,905
Tata Floating Rate Fund - Reg - Growth	11.5	1.7	3.2	7.1	--	8.07	237

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	28.8	2.1	3.7	7.8	5.7	7.80	14,612
HSBC Short Duration Fund - Reg - Growth	23.9	1.8	3.4	6.9	4.8	7.53	3,554
ICICI Prudential Short Term Fund - Growth	54.3	2.0	3.6	7.8	6.0	8.02	18,987

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	26.9	2.0	3.5	8.0	6.0	7.92	26,051
HDFC Corporate Bond Fund - Growth	29.3	2.2	3.6	8.1	5.8	7.76	28,269
Kotak Corporate Bond Fund - Std - Growth	3,391.4	2.1	3.6	7.6	5.6	7.81	11,423

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	33.2	2.0	3.8	8.0	6.1	8.03	11,810
Nippon India Dynamic Bond Fund - Reg - Growth	33.4	2.2	3.5	8.1	5.5	7.48	4,549
Kotak Dynamic Bond Fund - Reg - Growth	33.9	3.0	4.7	8.8	5.7	7.42	2,488

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	40.3	2.0	3.6	7.6	6.1	8.33	6,408
HDFC Medium Term Debt Fund - Growth	50.8	2.1	3.5	7.6	5.7	7.96	4,198
SBI Magnum Medium Duration Fund - Growth	46.1	2.0	3.5	7.8	5.7	8.08	6,560

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	16.1	4.3	4.9	9.5	5.8	7.26	7,258

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Gilt Fund - Growth	87.9	2.4	3.9	8.0	5.3	7.48	3,137

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	22.0	2.6	4.0	8.7	5.4	7.20	2,457

Credit Risk Fund

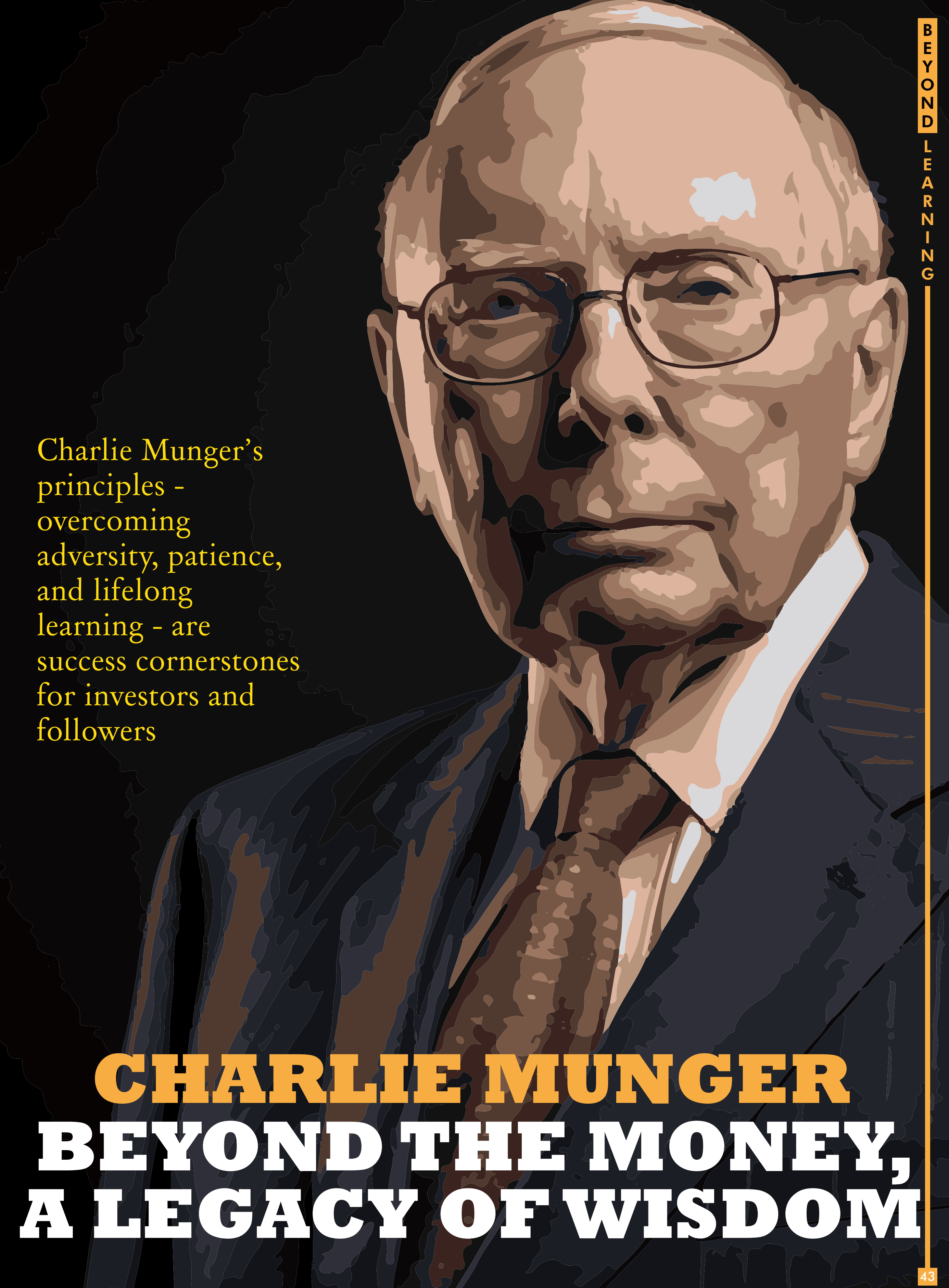
SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Credit Risk Fund - Growth	28.6	2.3	4.3	8.2	6.7	8.73	7,250
HDFC Credit Risk Debt Fund - Reg - Growth	21.7	2.2	3.8	7.6	6.3	8.62	8,191
SBI Credit Risk Fund - Growth	41.1	1.8	3.4	8.7	6.4	8.49	2,557

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	22.2	2.3	3.7	7.7	5.9	7.44	295.9
HSBC Banking and PSU Debt Fund - Growth	22	1.8	3.3	7	4.4	7.57	4,595

Disclaimer : Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing. Past performance is no guarantee of future performance. Returns are of Growth option of Regular plans. Returns which are below 1 year period are Annualized Returns.

Source: - ICRA MFI, NAV as on 21st March 2024



Charlie Munger's principles - overcoming adversity, patience, and lifelong learning - are success cornerstones for investors and followers

CHARLIE MUNGER
BEYOND THE MONEY, A LEGACY OF WISDOM

harlie Munger, a titan of the investment world, passed away on 28th November '23, just 33 days short of what would have been a monumental milestone - his 100th birthday.

In February '24, Berkshire Hathaway's annual letter to shareholders, a document eagerly anticipated by investors for its wisdom and valuable teachings, was published, and Warren Buffett paid tribute to his long-time friend and right-hand man, Charlie Munger. He lauded Munger as the 'architect' of Berkshire Hathaway while describing himself as the 'general contractor' tasked with executing Munger's visionary blueprint.

Outlined in the annual letter, Buffett stated that in 1965, Charlie Munger advised him that acquiring Berkshire was a misstep, emphasizing the strategy of purchasing outstanding businesses at fair prices rather than mediocre businesses at attractive prices. After joining Berkshire, together with Buffett, he made Berkshire a world-class conglomerate and helped imbibe his investment strategy, which has yielded rich results.

Charlie Munger is frequently viewed as being overshadowed by Warren Buffett, largely because of Buffett's prominent public presence and his position at Berkshire Hathaway. However, Buffett has consistently emphasized Munger's critical contribution to the company's success. Although Buffett might be the more well-known figure, Munger's influence and legacy in the investment realm are extensively recognized and celebrated.

Charlie's immense success in the investment world provides profound insights, but along with it, how he overcame personal setbacks is insightful and a powerful reminder that his journey was not one without ups and downs. He navigated personal blows with grit, determination and resilience. Thus, reflecting on his life lessons is highly important.

SOME OF CHARLIE MUNGER'S LIFE LESSONS

Do Not Indulge In Self-Pity

In his most recent interview before his demise, he said, "The iron rule of life is that everybody struggles." At the young age of 29, he divorced after eight years of marriage and lost all he had to his wife in separation. To add to that setback, his son was diagnosed with leukaemia a year after the divorce. Despite bearing the entire financial burden due to the lack of medical insurance, his relentless efforts proved insufficient, resulting in the heartbreaking loss of his child. This was a huge setback, yet he did not wallow in self-pity.

He embraced the philosopher Epictetus' words - every mischance in life is an opportunity to learn something and not to be immersed in self-pity, but to utilize the terrible blow constructively. He believed self-pity cannot improve your situation. His trials did not end here.

A few years later, he had a failed cataract operation that led to the removal of his left eye. Doctors warned that his other eye could suffer the same fate. He began taking Braille lessons soon after to prepare himself should the worst happen. Luckily, his right eye vision remained stable.

His mental fortitude, the ability to move on and bounce back because he didn't dwell in self-pity, is a vital life lesson coming from an immensely successful individual, as setbacks are an inherent part of life's journey. How we respond to those setbacks is what will shape the future.

Avoid Envy

Munger believed that envy was a self-destructive emotion. Instead of harbouring resentment, he felt focussing inward on self-improvement was the best solution.

Stay Honest And True To Yourself

Munger emphasizes the importance of being ethical.

He said if you're going to do it, get it done. Nobody cares about an excuse.

Follow Your Passion

He stated that passion is more important than brain power. He added that one would do better if they combine passion with aptitude.

Charlie Munger achieved remarkable success in the realm of investing, establishing himself as an icon in the field. He didn't confine his strategic approach to a linear path. He gained a reputation for his quotes that encapsulated the wisdom of his experience. Some of them are as follows:

"If You Mix Raisins With Turds, You Still Have Turds."

Charlie Munger wisely cautioned against the perilous practice of mixing sound investments, likening them to "raisins," with speculative and irrational ones, labelled as "turds." He believed that such a combination would lead to unfavourable consequences, as the flaws inherent in the speculative investment would outweigh any potential merits. He spoke about this during the dot-com bubble and still holds a lot of relevance today as new investment classes/ opportunities emerge with irrational exuberance.

"The big money is not in buying or selling but in waiting."

Munger believed patience in investing yields the best results. In the realm of investments, unlike many other facets of life, such as personal relationships, achieving remarkable returns doesn't necessarily demand strenuous effort. Continuous trading and capitalizing on short-term market fluctuations do not always yield results. Holding the well-chosen investments for longer periods of time yields the benefits of compounding, which enables wealth accumulation.

"We Have Three Baskets For Investing - Yes, No And Too Tough To Understand."

This quote emphasizes the clarity and understanding one needs before taking the investment plunge. He advocated, "Recognize your limitations and work within your circle of competence." He argued that it is important to understand what you do not know. That's where humility comes in, which he characterized as one of the pivotal traits for investors.

He warned that arrogance makes one overconfident, leading to a potential downfall as it renders one susceptible to errors. Staying humble and nurturing an insatiable thirst for learning will ensure sound decision-making.

"If Something Is Too Hard, We Move On To Something Else. What Could Be More Simple Than That?"

Charlie emphasized on the need to understand thoroughly what one wants to invest in. He practiced it through and through by not following the herd and not worrying about somebody else making more money than him. His strategy was simple - if an opportunity is too difficult to understand, it's prudent to move on to something within the realms of comprehension.

"A Lot Of People With High IQs Are Terrible Investors Because They've Got Terrible Temperaments."

Having the right temperament and emotional control is more important to ensure success in investing than having a high IQ. Charlie maintained that lots of people with high IQs are terrible when it comes to investment decisions because of their temperament.

Being able to book losses and take it in your stride without having a meltdown is part of the investment journey. Discipline, patience and emotional resilience are far more important to be successful in the investment world than an high IQ.

"In My Whole Life, I Have Known No Wise People Who Didn't Read All The Time - None, Zero."

Charlie Munger has time and again emphasized the importance of reading, as lifelong learning is paramount to success. He enjoyed reading and, right to the end, he would read 500 pages a day. To put into context the benefits of reading, he stated that reading is like compound interest, as its benefits grow exponentially over time.

Throughout his life, he said he saw not the smartest or the most diligent people rise because they go to bed wiser than when they woke up every morning better equipped to handle problems they faced the previous day.

"It's A Good Idea To Learn From Your Mistakes. It's A Better Idea To Learn From Other People's Mistakes."

Charlie opined that one of the best ways to learn from mistakes is to learn from the mistakes of others. It is a cost-free proposition and you don't have to learn the same lessons with your money through personal hardships.

He also stated that making mistakes is inevitable. But recognizing and learning from them and not repeating them are important. He also believed in the multidisciplinary approach to learning, i.e. drawing knowledge from the insights and experiences of others across different fields to make more informed decisions.

"It Takes Character To Sit There With All That Cash And Do Nothing. I Didn't Get To Where I Am By Going After Mediocre Opportunities."

There is always a lot of pressure if one is holding cash and waiting for an outstanding investment opportunity. Munger believed in quality over quantity and he was willing to wait till he found an outstanding business with a strong moat to deploy the cash. Being patient and selective has never failed to yield rich results.

"I Did Not Intend To Get Rich. I Just Wanted To Get Independent. I Just Overshot."

Charlie emphasized that he wanted money to achieve independence so that he can make decisions without the pressure of finances. He did not intend to create wealth for the sake of luxury or material possessions. He is known for his frugal lifestyle and has often spoken about simplicity and financial prudence. In fact, he said in an interview, "having a basic house really helps you." He added having a really fancy house is good for entertaining 100 people at once, but that's an expensive thing to do and it doesn't do one that much good.

IN A NUTSHELL

Charlie Munger's commitment to lifelong learning, his incredible patience to wait for the ideal investment opportunity, and ability to hold investments over extended periods has helped him become a successful wealth creator, and a source of inspiration to countless people in the investment world.

Beyond his financial acumen, Munger's remarkable fortitude in the face of personal adversity offers profound lessons, highlighting his journey was not always smooth. Thus, Charlie Munger leaves behind an indelible mark on the investment world and a legacy that transcends investment wisdom to include valuable life philosophY.

IMPORTANT JARGON

GOVERNMENT APPROVES NUTRIENT-BASED SUBSIDY (NBS) FOR KHARIF SEASON

Recently, the government approved new subsidy rates for non-urea fertilizers for the kharif sowing (monsoon) season. The new rates will apply from 1st April to 30th September. These new subsidy rates will ensure the availability of fertilizers to farmers at affordable prices.

Q. What Are The Different Types Of Fertilizers And Their Compositions?

A fertilizer may either have a single nutrient; say only nitrogen as in the case of urea, or a combination of nutrients in various proportions, say DAP which contains 46% phosphorus (P) and 18% nitrogen (N). Urea and DAP are the two most widely used fertilizers in India. Other widely used fertilizers are single super phosphate (SSP) containing 16% P and 11% sulphur (S), and muriate of potash (MOP) which has 60% of potassium (K).

Q. Is India Self-Reliant In Fertilizer Production?

No. Despite efforts towards self-sufficiency in urea, India still imports around 25%. The country also relies heavily on imports of raw materials like rock phosphate, phosphoric acid, ammonia, and natural gas for fertilizer production. For instance, about 80% of the feedstock (natural gas) used to produce urea comes from imports. Similarly, over 90% of phosphatic fertilizers are sourced through imports, either as finished products or raw materials. India is entirely dependent (100%) on imports for muriate of potash (MOP).

Q. Why Did The Government Find It Necessary To Regulate Fertilizer Subsidies?

As the cost of fertilizer production or imports often exceeds what farmers can afford due to high raw material prices, the government regulates the fertilizer sector and provides subsidies to make good the loss.

Under this subsidy programme, around 24 grades of phosphorus (P) and potassium (K) fertilizers are made available to farmers at subsidized prices through fertilizer manufacturers and importers.

Q. What Is The Nutrient-Based Subsidy Rate And How Does It Work?

The government sets the retail prices of urea. Currently, the maximum retail price of urea is ₹5,378 per tonne or ₹242 for a 45-kg bag. The government covers any difference between the production or import cost

through a urea subsidy. For other non-urea fertilizers, the subsidy amount is determined by the nutrient content (nitrogen [N], phosphorus [P], potassium [K], or sulphur [S]) of a particular grade (a technical name for a fertilizer having nutrients in different proportions).

This Nutrient-Based Subsidy (NBS) programme, launched in 2010, is announced twice a year to adjust for changes in raw material input prices and maintain stable retail prices for farmers. The scheme covers 25 grades of P&K fertilizers for both the rabi and kharif seasons.

Q. What Are The Government's New Fertilizer Subsidy Rates For The 2024 Kharif Season?

The subsidy on nitrogen (N), potassic (K), and sulphur (S) remains unchanged for the 2024 kharif season. However, the subsidy on phosphatic fertilizers has been increased to ₹28.72 per kg for the 2024 kharif season from ₹20.82 per kg in the 2023 rabi season.

Specifically, the subsidy on nitrogen (N) has been fixed at ₹47.02 per kg, potassic (K) at ₹2.38 per kg, and sulphur (S) at ₹1.89 per kg for the 2024 kharif season.

Q. What Other Announcements Has The Government Made Regarding Fertilizers?

The government has also included three new fertilizer grades, each a combination of various nutrients in different proportions, under its nutrient-based subsidy (NBS) scheme. Thus, the NBS scheme now applies to 28 grades of fertilizers. This is important to encourage the use of different grades of fertilizers, as overuse of urea and DAP has adversely affected the quality of soil. Urgent measures are required to restore soil health.

Q. What Is The Approved Budget For The New Subsidy Rates?

The tentative budgetary requirement for new NBS rates as announced for the kharif season 2024 would be approximately ₹24,420 crore.

To point out, the Union Budget has allocated ₹1.64 trillion for fertilizer subsidy for fiscal year 2024-25, lower than the revised estimate of ₹1.88 trillion allotted for fiscal year 2023-24. Subsidy requirement for complex fertilizers has reduced to ₹60,300 crore in fiscal year 2023-24 from ₹86,122 crore in fiscal year 2022-23.

Q. How Have Analysts Reacted To The New Nutrient-Based Subsidy (NBS) Rates?

Analysts believe that the new rates are promising for fertilizer companies' profitability in fiscal year 2024-25. This is because the increased or stable NBS rates persist despite the sharp fall in global raw material prices.

For example, till March, there was a sharp correction in rock phosphate prices to US $153/metric tonne, marking a 56% decrease from the average price in October-December '23 period. Therefore, profitability is expected to be enhanced following the implementation of the new NBS rates.

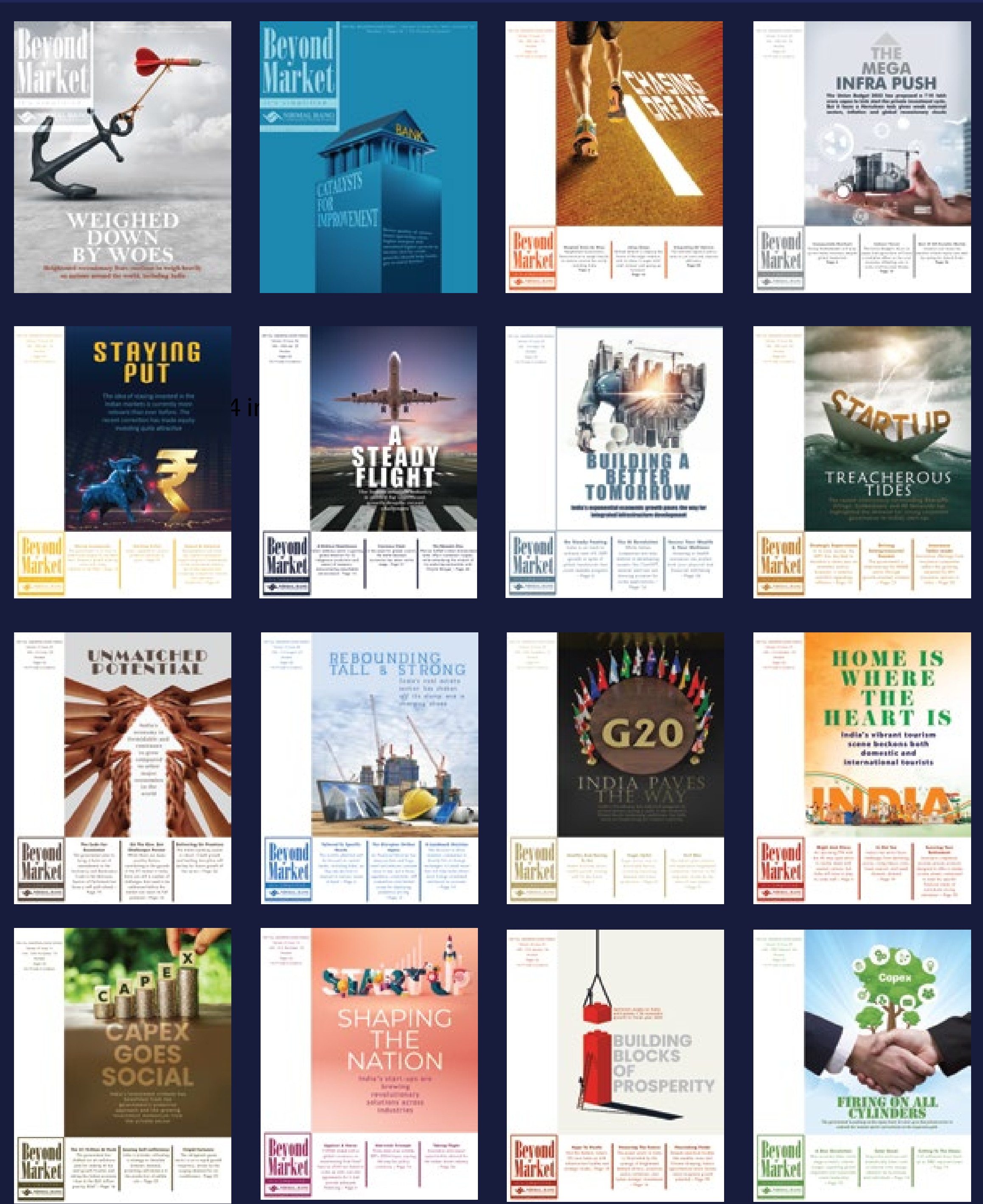
Q. What Is The Sales Outlook For Non-Urea Fertilizers?

According to ratings agency Crisil, the domestic sales volume of complex fertilizers (DAP and other NPK fertilizers) is expected to return to the historical growth rate of 4% to 5% in fiscal 2024-25, following a strong 7% to 8% jump in the ongoing fiscal year.

Lower volatility in raw material costs will support commensurate NBS by the government and help improve the operating profitability of manufacturers to a normalized level of about ₹4,000 per tonne to ₹4,500 per tonne in fiscal year 2024-25, after a decline in the ongoing fiscal year, says the ratings agency.

Q. What Else Is Happening On The Non-Urea Fertilizer Front?

Reports suggest that the government intends to impose controls on the sale pricing of non-urea fertilizers. The government has prescribed an outer limit for profit before tax (PBT) margins, with margins capped at 8% of total costs for importers, 10% for manufacturers, and 12% for integrated manufacturers. The intention behind this move appears to decouple Indian farmers from the vagaries of global raw materials and ensure the affordability of fertilizerS.



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