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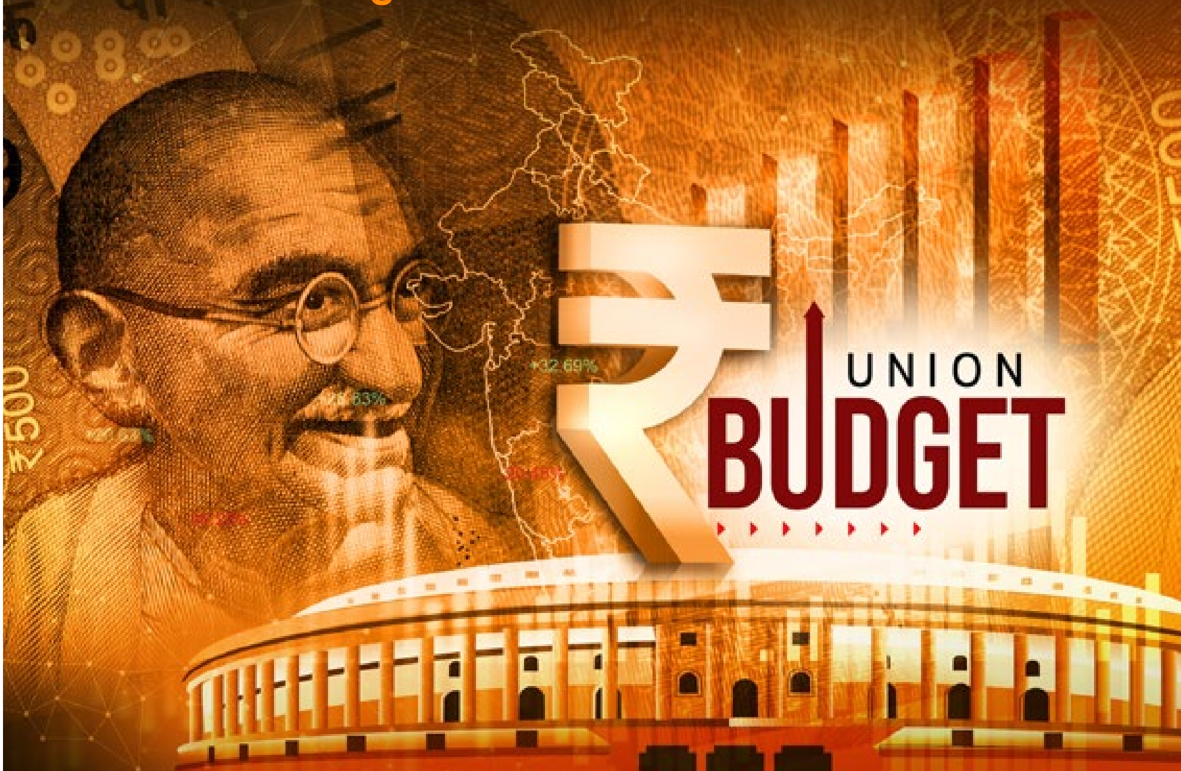
PRUDENT YET GROWTH-FOCUSSED

The Union Budget 2024-25 aims to maintain fiscal health while stimulating economic growth, thus laying a strong groundwork for India's future



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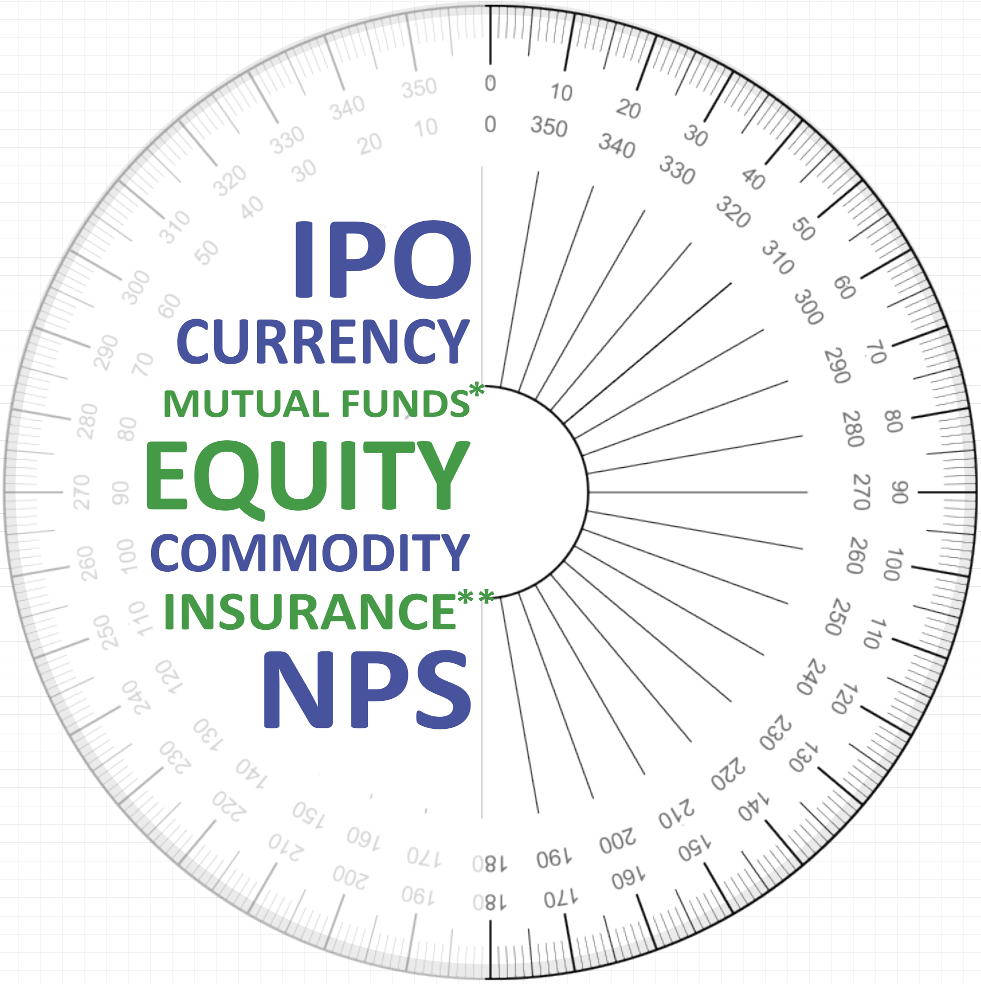

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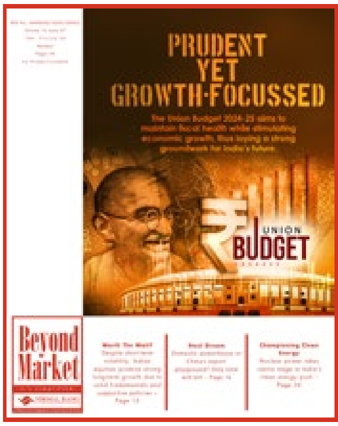

Tushita Nigam
Editor

A JUDICIOUS STEP FORWARD

On 23rd July, Finance Minister Nirmala Sitharaman presented the Union Budget 2024-2025, her seventh under the Narendra Modi government. This budget aimed to address the needs of all segments of the society.

With a focus on fiscal consolidation, it outlined nine key areas: productivity and resilience in agriculture, employment and skilling, inclusive human resource development and social justice, manufacturing and services, urban development, energy security, infrastructure, innovation, research and development, and next generation reforms. The commitments made by Sitharaman's government in the Interim Budget towards 'Viksit Bharat' were a focal point too.

The cover story of Beyond Market's latest issue rounds up key details of the budget for you to review.

Beyond the budget, this issue explores the economic optimism driving investment opportunities in the stock market, the Indian steel sector's outlook, the current state of the job market and its potential recovery driven by budget initiatives, the nation's green hydrogen ambitions, and India's strategic push into nuclear energy for economic growth and energy security.

The digital revolution is also in focus, with articles on the transformation of the banking sector through digitalization, and the booming audio market.

Also, do not miss our Beyond Basics section for essential insights on the insurance sector. Discover the importance of top-up and super top-up health insurance plans on your existing health plans, and explore the world of telematics in car insurance and learn how it can enhance safety and potentially lower insurance premiumS.

"On the upper side, the Nifty Futures is likely to touch 25,400, and 26,350 thereafter."

Nifty Futures: 24,932
(Last Traded Price As On 30th Jul '24)

The Union Budget 2024 has had a negligible impact on corporate earnings, remaining largely neutral. The allocation for capital expenditure mirrored what was outlined in the Interim Budget.

Meanwhile, monsoon rains have been above normal and well-distributed across India.

Q1 FY24-25 earnings have been positive and exceeded expectations across most sectors, except for BFSI.

Now, coming to the stock markets, over the next few days, the Nifty Futures has support at 24,750. On the upper side, it is likely to touch 25,400, and 26,350 thereafter.

Market participants should closely monitor the upcoming Federal Reserve meeting, where a rate cut seems unlikely. However, rate cut announcements may be expected during each of the three remaining Fed meetings of CY24. Additionally, traders and investors should keep an eye on the remaining financial results of India InC.

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It is safe to assume that my clients and I may have an investment interest in the stocks/sectors discussed. Investors are required to take an independent decision before investing. Investment in equity is subject to market risk. Our research should not be considered as an advertisement or advice, professional or otherwise. The investor is requested to take into consideration all the risk factors including their financial condition, suitability to risk return profile and the like and take professional advice before investing.

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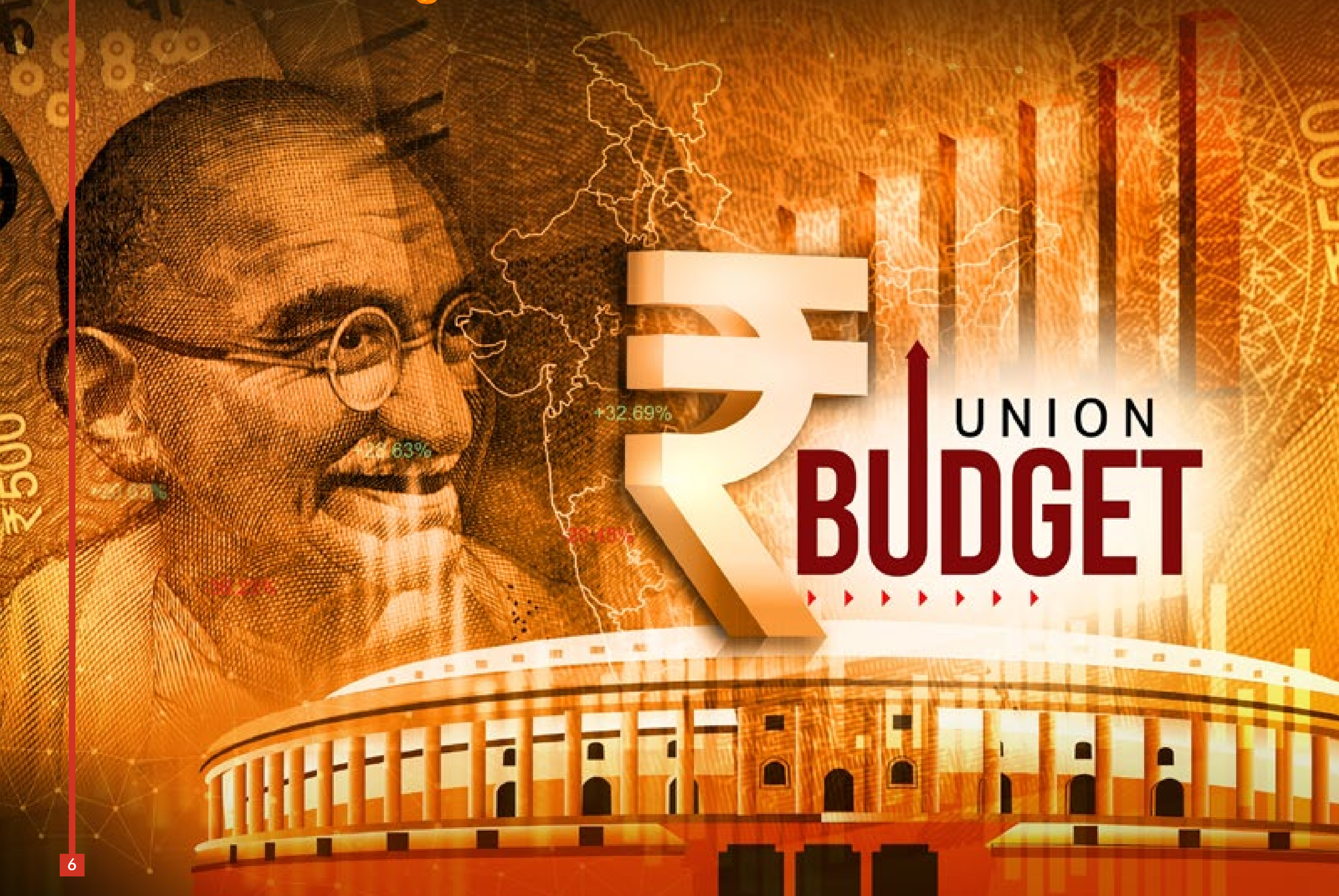
The Union Budget 2024-25 aims to maintain fiscal health while stimulating economic growth, thus laying a strong groundwork for India's future



One of the frequently-used expressions to describe the Union Budget 2024 is "reasonable." It was indeed a reasonable budget, focusing more on the poor, the middle class and the rural population. In a broader context, the government's focus has been on protecting the interests of the people who form a large part of the middle and bottom of society's pyramid. Let us look at the salient features of the Union Budget 2024 to understand this clearly.

For the sake of simplicity, we will start with personal and corporate taxes. Then, we will move on to broad sectoral announcements. We will follow a simple structure, focusing on key announcements in each category or sector. So, read on:

PERSONAL TAX

There have been certain amendments in the New Tax regime (NTR). Firstly, a key development is the increase in standard deduction from ₹ 50,000 to ₹ 75,000. Now, let us understand the key changes in the tax structure based on income:

• Income up to ₹ 3 lakh: no tax

• Income above ₹ 3 lakh to ₹ 7 lakh: 5% tax

• Income above ₹ 7 lakh to ₹ 10 lakh: 10% tax

• Income above ₹ 10 lakh to ₹ 12 lakh: 15% tax

• Income above ₹ 12 lakh to ₹ 15 lakh: 20% tax

• Income above ₹ 15 lakh: 30% tax

In the New Tax Regime, the following key developments have transpired:

• Deductions available to an employer for contribution to New Pension Scheme (NPS) have been increased to 14% from 10% of an employee's salary

• Deductions available for family pension to pensioners have been increased to ₹ 25,000 from ₹ 15,000

• There is a proposal to classify all listed financial assets as long-term if held for more than one year and all unlisted financial assets and non-financial assets will be considered long term if held for more than two years

• Short-term capital gains rates on sale of equity-oriented mutual funds and equity shares have been increased to 20% from the existing rate of 15%. Short-term capital gains on the sale of other financial assets will be taxed at applicable rates

• Long-term capital gains on sale of all financial and non-financial assets will attract a tax rate of 12.5% as against the existing rate of 10% and 20%

• The limit of exemption for long-term capital gains will be increased to ₹ 1.25 lakh per year from the present threshold of ₹ 1 lakh per year for STT-paid equity shares and units of equity-oriented funds

• Unlisted bonds and debentures will be taxed on capital gains at applicable rates irrespective of the period of holding

• Increase in rates of securities transaction tax on sale of an Option in securities from 0.0625% to 0.1% of the Option premium and on sale of a Futures in securities from 0.0125% to 0.02% of the price at which such "Futures" are traded

• The benefit of indexation on long-term capital assets has been removed for the calculation of long-term capital gains

• There will be no exemption to shareholders on buy-back of shares. It will be treated as a deemed dividend

CORPORATE TAX

Here are a few key important announcements related to corporate India:

• The holding period for all listed securities, which also includes units of business trust, will now be a common period of one year to be classified as long-term capital assets. All other assets will qualify as long-term capital assets if held for two years or more

• Gains from unlisted bonds and debentures transferred, redeemed or maturing on or after 23rd July '24 will be treated as Short-term Capital Gains (STCG) irrespective of the holding period

• No indexation benefit in case of any long-term capital assets

TDS of 10% will now be applicable on the payment of:

• Salary, interest, bonus or commission, which exceeds ₹ 20,000 in a financial year to partners by partnership firm with effect from 1st April '25

• Also, interest exceeding ₹ 10,000 on Floating Rate Savings (Taxable) Bonds (FRSB) 2020 with effect from 1st October '24

Also, corporate tax rate for a foreign company has been reduced to 35% from 40% with effect from 1st April '24

KEY SECTORAL ANNOUNCEMENTS AND THEIR IMPACT

INFRASTRUCTURE

The government plans to increase its investments in the sector through various means. A few of them are viability gap funding, and favourable policies and regulations to encourage private participation.

Here are a few key announcements in the sector:

• The government has proposed to increase the allocation to Pradhan Mantri (PM) Awas Yojana scheme by 56.5% in the Union Budget 2024 when compared to the actual expenditure in the scheme in FY24. It is estimated that the actual expenditure on PM Awas Yojana Scheme in FY24 was ₹ 54,100 crore. In the Union Budget 2024, the government has proposed to increase its allocation by 56.5% to ₹ 84,700 crore to the same scheme.

• The government has also increased the allocation to Pradhan Mantri Gram Sadak Yojana by 11.7% in the Union Budget 2024 when compared to the actual expenditure done in the scheme in FY24. In the budget, the government proposed to allocate ₹ 19,000 crore in the Union Budget 2024 compared to the actual expenditure of ₹ 17,000 crore in the scheme in FY24.

• Construct and develop 'plug and play' industrial parks in 100 cities

•12 new parks proposed to be sanctioned under the National Industrial Corridor Development Programme

To improve infrastructure in Bihar, the government made a few announcements. They are as follows:

•Industrial node at Gaya on the Amritsar-Kolkata Industrial Corridor

•Highway projects worth ₹ 26,000 crore

•New airports, medical colleges and sports infrastructure in Bihar

•The government announced a special financial support of ₹ 15,000 crore for the development of the state of Andhra Pradesh

REAL ESTATE

In general, there is a considerable interest in the new policy or tax changes in the real estate sector given the demand for housing in urban and even semi-urban and rural areas. Here are a few announcements in the Budget:

•Housing requirements of 1 crore urban poor and middle-class families will be fulfilled with an investment of ₹ 10 lakh crore

•Transit-oriented development plans for 14 cities with a population in excess of 30 lakh

•State governments have been encouraged to reduce stamp duty, particularly on women-owned property

Tax Reforms In The Real Estate

Sector:

•The period of holding for listed units of Real Estate Investment Trusts (REITs) for Long-term Capital Gains (LTCG) treatment has been reduced to one year. This will be effective from 23rd July '24

•Capital Gains Tax rates on listed units of REITs increased - Short-term Capital Gains at 20% and Long-term Capital Gains Tax at 12.5%. This will be effective from 23rd July '24

•LTCG on immovable property reduced to 12.5% without indexation benefit. This is effective from 23rd July '24

•Tax Deducted at Source (TDS) on rent paid by individual / Hindu Undivided Family (HUF) to a resident reduced to 2% under section 194-IB from 5%. This will be effective from 1st October '24

•Rental income from residential houses to be taxed as 'Income from House Property'. This will be effective from 1st April '25

•In the case of co-owned property, TDS on transfer of immovable property will be at 1% where aggregate consideration of all co-owners exceeds ₹ 50 lakh. This will be effective from 1st October this year

START-UPS

In the past decade or more, the culture of start-ups has caught on well in India. In this regard, the announcements related to the sector have been keenly monitored. Here are a few key ones:

•Angel Tax will be abolished with effect from assessment year FY26

•Sum paid by a company for the purchase of its own shares shall be treated as dividend in the hands of shareholders and charged to income tax at applicable rates

•TDS rate on payments by e-commerce operators reduced from 1% to 0.1%

DEFENCE

Defence has been a key investment theme in the markets. The government also made a few important announcements in the sector. Here are a few of them:

•Budget allocation for the Ministry of Defence is ₹ 6,21,941 crore. This is 0.06% increase when compared to the allocation to the sector in the Interim Budget. This increase is largely focused on public enterprises

•The duration of export of aircraft and vessels imported for maintenance, repair and overhauling has been increased to one year from six months. There is a possibility of an additional one-year extension included in this proposal

AUTOMOBILE

To support manufacturing in the automobile sector, the following announcements have been made:

Exemption from Customs Duty (Basic Customs Duty (BCD) and Social Welfare Surcharge (SWS) on few minerals required in the manufacturing of batteries in India

The government has extended exemption on the following inputs in the automobile sector till 31st March '26:

•Specified parts, components for use in manufacture of lithium-ion cells, and lithium-ion battery and battery pack

•Specified goods for the manufacture of Brushless Direct Current (BLDC) motors

•Inputs, parts or sub-parts for use in the manufacturing of Printed Circuit Board Assembly

PHARMACEUTICALS

Post the pandemic, India's pharmaceuticals sector has been a favourite investment theme among investors. Given its increasing role in the economy as people become increasingly health-conscious, the government has made a few important announcements in the sector. Here are some of them:

•The government will set up a mechanism for private sector driven research and innovation at commercial scale with a financing pool of ₹ 1 lakh crore

•The estimated Production-Linked Incentive (PLI) allocation for pharmaceutical industry for financial year FY24-25 shall be ₹ 2,143 crore

•Removal of angel tax

•The government plans to

operationalize the Anusandhan National Research fund for basic research and prototype development

•The government cuts customs duty on cancer medicines such as Trastuzumab Deruxtecan, Osimertinib and Durvalumab to 0% from 10%

POWER AND UTILITY

Power and utility is yet another sector where the government made a few important announcements. A few of them are:

• A joint venture between NTPC and BHEL will be set up. This joint venture will construct an 800 MW commercial plant using indigenously developed Advanced Ultra Super Critical (AUSC) technology

•Power projects, including the new 2400 MW power plant at Pirpainti, Bihar, at a cost of ₹21,400 crore will be set up

•Reduction in Customs Duty for certain additional capital goods for use in the manufacture of solar cells and modules to 0% from 7.5%

•The government announced PM Surya Ghar Muft Bijli Yojana in the interim budget. In this scheme, the government plans to install rooftop solar panels, which will help one crore households obtain free electricity up to 300 units a month

•The government foresees partnerships with the private sector. It plans to set up Bharat Small Reactors, R&D of Bharat Small Modular Reactor, and R&D of newer technologies for nuclear energy

CONSUMER AND RETAIL

The government has made a few broad announcements, which directly or indirectly impact businesses in the consumer and retail sectors. Here are a few important announcements in these sectors:

•The government introduced five schemes and initiatives to facilitate employment skilling and other opportunities. The schemes will target 4.1 crore youth over the next five years. It will have a budgetary allocation of ₹2 lakh crore

• As part of skilling, 20 lakh youth will be skilled over a five-year period and 1,000 industrial training institutes will be upgraded in hub and spoke arrangements

•Financial support for setting up of 50 multi-product food irradiation units in the Micro Small and Medium Enterprises (MSME) sector will be provided

•The government will facilitate the setting up of 100 food quality and safety testing labs with National Accreditation Board for Testing and Calibration Laboratories (NABL) accreditation

•The government will introduce credit guarantee schemes for Micro Small and Medium Enterprises (MSME). A guarantee cover of ₹100 crore will be provided for the higher amount of loan

•The government introduced Taxes Collected at Source (TCS) at 1% on luxury goods (goods of value over ₹10 lakh). This will be effective from 1st January '25

•The government plans to set up e-commerce export hubs in public-private-partnership (PPP) mode to enable MSMEs and traditional artisans to sell their products in international markets

•The government reduced customs duty rate for gold and silver bars to 6% from 15%. It reduced customs duty on gold and silver dores to 5.35% from 14.35%. It also reduced customs duty on platinum to 6.4% from 15.4%

•The government reduced the Basic Customs Duty (BCD) on cellular mobile phone and its charger / adapted reduced to 15% from 20%

•The government reduced BCD to 10% from 30% on Real Down Filling material from duck or goose for use in the manufacture of textile or leather garments for export

•The government extended exemption to wet white leather, crust, finished leather, certain additional accessories and embellishments for the manufacture of textile or leather garments, leather / synthetic footwear or other leather products for export

•The government reduced BCD to 5% from 7.5% on Methylene Diphenyl Diisocyanate (MDI), which is used in the manufacture of spandex yarn

•The government reduced the Tax Deducted at Source (TDS) by e-commerce operators on payments to e-commerce participants to 0.1% from 1%. This will be effective from 1st October '24

IN A NUTSHELL

To sum it up, key amendments in Union Budget 2024 include an increase in the standard deduction and revised income tax slabs under the New Tax Regime, making it more equitable for different income groups.

Corporate tax adjustments like reduced rates for foreign companies and changes in capital gains treatment, aim to create a more favourable business environment.

Sectoral announcements highlight substantial investments in infrastructure, real estate, start-ups, defense, automobiles, pharmaceuticals, power, and utilities, ensuring comprehensive growth across various industries.

Initiatives in consumer and retail sectors focus on employment, skilling, MSME support, and reductions in customs duties on various goods, reflecting a commitment to holistic development and economic inclusivitY.

WORTH THE WAIT?

Despite short-term volatility, Indian equities promise strong long-term growth due to solid fundamentals and supportive policies

Financial markets are all about sentiments. Often, a broad sentiment in the markets considers many factors that may not be recognized by untrained, inexperienced, and impulsive minds. This is because the markets are driven by investors who are not only aware of what is happening around them but also understand the right implications of these events.

At present, a large section of investors believes that the Indian markets are expensive. Facts support this line of thought. The Indian equity markets have rewarded investors in the past three years. After gaining 21% in 2023, the Nifty 50 index is already up 14% in the year-to-date (YTD) period in 2024. The broad markets, especially small- and mid-cap stocks, have run up much faster.

Though first-time investors find the ongoing rally lucrative, value-conscious investors find it difficult to keep adding to their equity investments at the current level. Equity valuations are stretched in some segments, particularly in small-cap stocks. Earnings growth has yet to catch up. Valuations are not cheap in large-cap stocks either. The forward price-to-earnings multiple for the Nifty 50 index stands at 21, higher than the mean of 16.6.

Comparing the valuation of MSCI India with MSCI Emerging Markets shows a stark difference. It is estimated that the valuation of MSCI India is at an 88% premium compared to that of emerging markets, making investors uncomfortable.

In this context, an investor may want to avoid investing in Indian stocks directly or through a managed vehicle such as an equity mutual fund scheme, portfolio managed scheme, or an alternative investment fund. These usual criteria are used to prove this point. However, there is a simple question that requires a certain amount of big-picture understanding: Are there enough triggers that indicate the strong health of the Indian economy? Let us explore this question in greater detail.

At present, three variables are driving the markets: liquidity, sentiment, and importantly, fundamentals. One argument in favour of the Indian markets is that there is limited downside. Though certain risks exist, such as unfavourable geopolitical developments and potential interest rate increases by the Federal Reserve, the fundamentals of the Indian economy are equally compelling, especially from a long-term perspective. Let us understand these fundamentals, which form a convincing basis to remain invested in the Indian markets.

STRONG MACROECONOMICS

The Indian economy is the fastest-growing among the large economies. In its last monetary policy review, the Reserve Bank of India pegged the gross domestic product (GDP) growth estimate for FY24-25 at 7.2%, up from 7% earlier. The International Monetary Fund (IMF) has also raised India's GDP growth forecast for FY24-25 to 7%, from 6.8%, citing a revival in consumption in rural India.

While the Indian growth engines are firing on all cylinders, fiscal prudence remains the cornerstone of government finances. India's fiscal deficit has improved to 5.63% in FY24 and is expected to decrease to 5.1% of the GDP. Though the government has acted prudently so far, the investment cycle in the Indian economy continues. Gross fixed capital formation in India has risen to ₹ 92 trillion in FY24, compared to ₹ 69 trillion in FY22, and this is expected to continue at an even higher rate, going forward.

Although growth is driven by a surge in investment and capacity creation, consumption in India is also not weak. Despite the fact that inflation has been going down, tax collections are rising. Gross

GST collection for May '24 stood at ₹ 1.73 lakh crore, 10% up compared to the previous year. Additionally, India's direct tax collections were up 19.5% at ₹ 5.74 lakh crore as of 11th July in FY24-25. Other high-frequency indicators, such as cargo movement and power demand, also indicate robust economic activity.

POLICY FRAMEWORK

In the backdrop of a strong macroeconomic setup, a stable government with a strong pro-growth agenda can propel the Indian economy on the path of economic growth. The government has decided to revive and push the growth rate of manufacturing across sectors.

Following the Make in India reform initiative, the production-linked incentives have encouraged many Indian corporations to invest in creating capacities. The government is vocal about its agenda of import substitution and export promotion.

Fortunately, these steps are being taken at a time when the world is looking for sourcing alternatives beyond China. The "China plus one" strategy may benefit India, among other nations. Indian manufacturing efforts could yield substantial rewards if Indian companies are able to export to more countries. Large-scale manufacturing capacity creation in India will also generate job opportunities.

The government is also expected to continue with infrastructure development. Roads, railways, airports, and waterways will facilitate the movement of goods and labour across the length and breadth of the nation. In the third term of the National Democratic Alliance, the government is anticipated to focus on job creation by offering targeted incentives to people-intensive manufacturing sectors.

Over the next two to three years, this approach should leave more money in the hands of individuals. As income rises, household consumption should also increase. This cycle should ensure that the Indian growth story remains broad-based and sustains over the long term.

Investment-driven growth leading to consumption-driven growth ensures that the government does not have to bear the entire burden of economic growth.

EARNINGS GROWTH

As the economy expands, corporate India stands to benefit from rising revenues and profits. Local demand for goods and services is expected to remain strong, given the buoyant sentiment in the economy. After a long period of stagnation, rural demand has revived and is expected to remain strong due to the anticipation of a normal monsoon.

Sectors such as textiles, real estate, and agri-produce processing industries are likely to receive government support, as they tend to create jobs and impact a large portion of the population. Some of these sectors may also become foreign exchange earners for the country.

Companies in manufacturing and infrastructure are also expected to experience good growth, going forward. Sectors such as chemicals and pharmaceuticals are emerging from a consolidation phase, and their growth is expected to revive soon.

Although earnings growth has not yet met expectations, positive surprises cannot be ruled out in the future. The Union Budget may announce some policy support for nascent sectors such as renewable energy and high-value manufacturing, including semiconductors.

Another factor that could support earnings growth is the long-awaited decline in interest rates. If interest rates fall in the US, the Reserve Bank of India may follow suit. Inflation in India has trended downwards, and a normal monsoon suggests healthy agricultural produce.

The RBI may cut interest rates, making capital less costly. Companies might announce incremental capex plans if they can access cheaper money. Lower loan rates can also boost demand for consumer loans, thereby stimulating demand and, in turn, driving economic growth.

INVESTMENT FLOWS

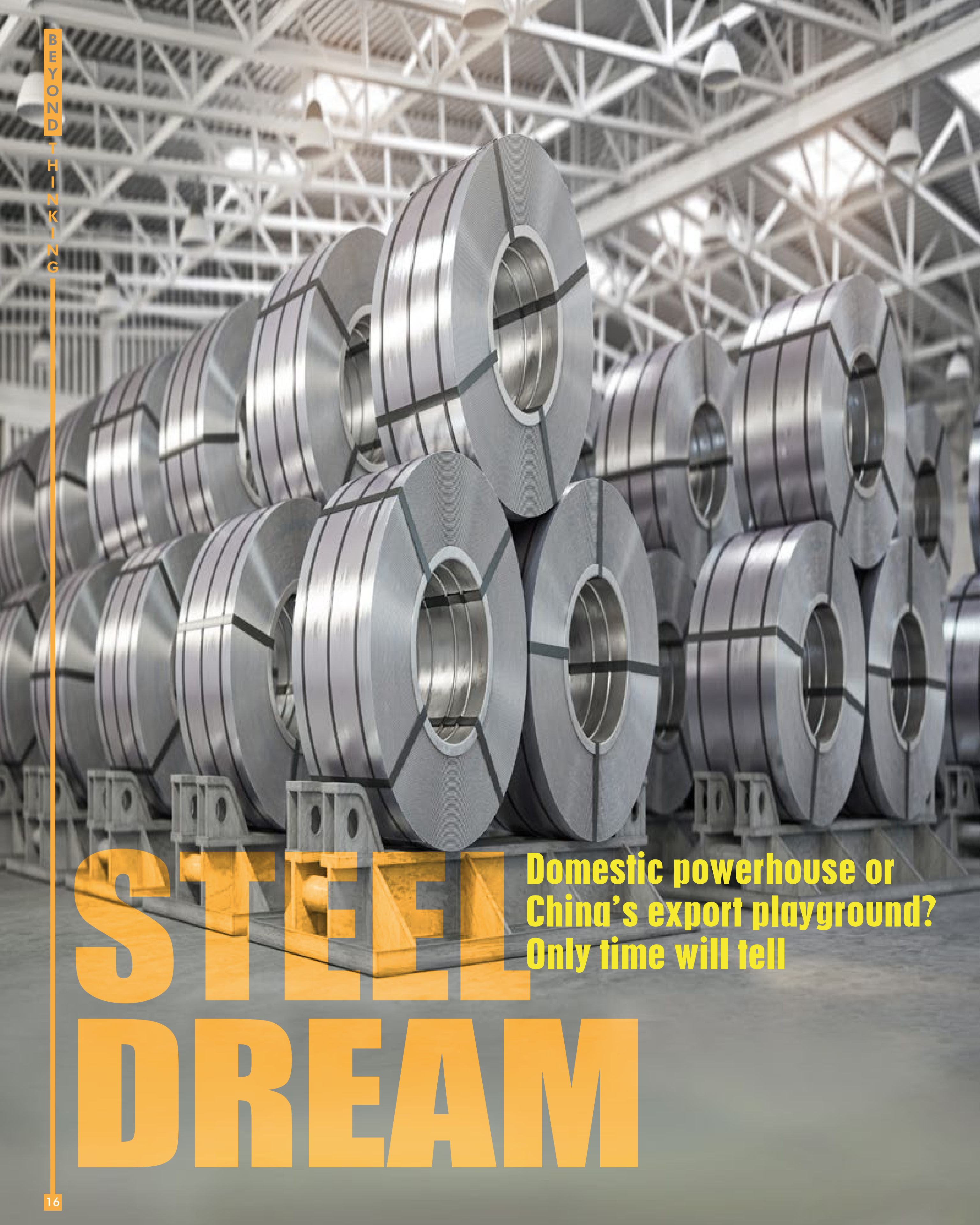
While all-round growth is visible in the Indian economy, money flowing into equities should continue. So far, the rally has been funded by domestic investments. Foreign portfolio investors are keen to invest in India.

If interest rates are cut in the US, money will likely flow towards emerging markets, including India, which bodes well for Indian stocks. As of 18th July, CY24, FPI net purchases in equities were ₹ 28,920 crore compared to ₹ 79,266 crore in debt.

Going forward, FPI investments in equities may grow significantly. Domestic flows are stable and increasing, with more investors signing up for systematic investment plans (SIPs), showing a preference for disciplined investments in equities. These factors should support the equity markets, moving forward.

IN A NUTSHELL

Though there are many positives for Indian equities and they are expected to reward investors in the medium to long term, they may experience volatility in the short term. A price correction or time correction cannot be ruled out. Investors may use such situations to their advantage by building diversified portfolioS.



STEEL DREAM

Domestic powerhouse or China's export playground? Only time will tell

Buoyed by strong domestic demand and anticipation of easing raw material prices, blue-chip steel companies in India are outpacing the broader market. Tata Steel, JSW Steel, Jindal Steel and Power, and Steel Authority of India (SAIL) have all witnessed a stellar rally of 40% in the past six months, compared to a more modest 25% gain for the Nifty 50 index. This outperformance reflects optimism within the steel sector.

However, near-term challenges cloud the positive outlook for the domestic steel industry. Despite recent gains, data reveals a worrying trend: India transitioned from a net steel exporter (FY16-17) to a net importer (FY23-24). This trend is expected to continue in FY24-25, with import figures for April '24 and May '24 already up 20% year-on-year at 1.14 million tonnes.

India's steel demand has a healthy outlook, driven by expectations of policy reforms and continued government spending on infrastructure. This is particularly significant given the recent slowdown in steel demand from major players like China, the US, and Europe.

Nevertheless, the key challenge for both the global and Indian steel sectors lies in managing the influx of excess steel from China.

THE CHINA FACTOR

China dominates global steel production, accounting for roughly 55% of the world's annual output of 1,900 million tonnes. This translates to a high level of domestic consumption, with each person in China averaging roughly 700 kilograms of steel use per year. However, despite this substantial consumption of 950 million tonnes every year, China still produces more steel than it uses. This surplus is then exported to the global market.

China's efforts to curb steel production for environmental reasons seem to be falling short. Despite earlier indications to limit production to 2022 levels, China's steel output in 2024 is projected to remain around 1,020 million tonnes, same as last year's figures.

China's weak real estate sector, a major steel consumer, is creating a ripple effect. Unable to absorb domestic production, China is exporting a significant surplus of steel into the global market. This surge in supply, coupled with already high global steel inventory, is suppressing steel prices and consequently, lowering realizations for steel producers worldwide. According to data, China's steel exports from January '24 to May '24 saw a sharp 25% increase year-on-year, reaching 44 million tonnes.

THE IMPACT ON INDIA

The global steel market is fiercely competitive. Steel, a standardized commodity, can be readily shipped from any corner of the world, making geographic location irrelevant for both producers and consumers.

The fortunes of the steel sector are closely tied to construction, infrastructure, engineering, and the auto industry. These sectors are major consumers of steel. Steel manufacturers cater to this demand with two main product categories: long products and flat products.

Long products include bars, wires and wire rods, and are primarily used in the construction industry, accounting for around 65% of the total steel demand in India. Flat products, on the other hand, include hot rolled coils (HRC) and cold rolled coils (CRC), which are largely used in automobiles, pipes and consumer durable industries.

India, along with South Korea and the UAE, stands out as a bright spot in global steel demand. However, this very demand attracts cheaper Chinese steel imports, intensifying competition for domestic producers. Consequently, Indian steel companies face pressure to lower prices, impacting their profit margins (realizations). This price decline further weakens the viability of steel exports from India.

India utilizes tariffs and non-tariff barriers to shield its domestic steel industry from import competition. However, this protection comes with a drawback. While these measures insulate domestic prices from immediate fluctuations in the global market, they eventually reflect on the domestic prices, with a lag. During this interim period, domestic steel producers have the opportunity to increase their margins.

The spread between domestic and imported steel in India is narrowing. Currently, Indian steel prices are trading at around 8% premium to imported Chinese steel. This translates to benchmark prices of US $570 per tonne for domestic HRC compared to US $510 per tonne for imported Chinese HRC. Notably, these prices have remained stable for the past six months.

ROBUST CAPACITY BUILD-UP PLANS

Steel prices and higher realization per tonne matter a lot to steel mills. Strong margins enable them to not only meet their current financial obligations but also fund crucial capital expenditures (capex) without relying heavily on debt. This financial health fosters investor and banker confidence, which is vital for the industry's growth and modernization plans. Conversely, if margins shrink, investors and bankers will turn vary on their investments, potentially delaying capex plans and hindering the sector's ability to innovate and expand.

Steelmakers have embarked on a significant capacity expansion spree post-pandemic. According to ICRA, a ratings agency, nearly 26.3 million tonnes per annum (MTPA) of new capacity was commissioned between FY20-21 and FY23-24. This trend is expected to continue, with an additional 27.5 MTPA projected to be commissioned between FY24-25 and FY26-27. Notably, FY24-25 is poised for a record-breaking expansion of 15.6 MTPA alone.

Significantly bolstering confidence in the sector, capacity utilization has reached a decade-high of around 88%. This indicates strong demand and the ability to absorb the projected increase in steel production, providing positive visibility for domestic steelmakers.

FINALLY – INDIA A BRIGHT SPOT

Despite ambitious capacity expansion plans, many experts believe India will fall short of the government's target of 300 million tonnes of crude steel capacity by fiscal year 2030-31. Currently, India's steel producers have a capacity of around 160 million tonnes, while domestic consumption is around 124 million tonnes annually. Achieving this ambitious target would necessitate a staggering investment of ₹10 lakh crore.

India also aims to significantly increase its per capita steel consumption from the current 80 kilograms to 160 kilograms by fiscal year 2030-31. This ambitious goal remains well below the global average of around 230 kilograms per capita.

While the medium-term capacity target appears optimistic, there's a potential silver lining for the domestic sector: raw material costs. For Indian steel producers, the raw material cycle seems to have peaked.

A big advantage for India is its abundant domestic iron ore reserves. This translates to lower costs, with current domestic prices at around US $60 per tonne – a significant 45% discount compared to global prices. Analysts even predict further downside risks to domestic ore prices.

The picture is less rosy for coking coal, an important raw material accounting for 40% to 50% of a steel mill's operating cost. Here, India relies heavily on imports, primarily from Australia. While coking coal prices have shown a modest 2% decline in a month to roughly US $250 per tonne, they remain a cost concern.

Despite some near-term challenges, India remains a bright spot for the global steel sector. Demand continues to shine brightly, with ratings agency ICRA recently revising its FY24-25 steel demand growth target upwards to 9% to 10%, exceeding their earlier estimate of 7% to 8%. This positive outlook builds on a strong track record: India's steel consumption has surpassed 10% growth for the past three years. Provisional data reveals a stellar 13.6% growth in FY23-24, pushing consumption to an impressive 136 million tonnes. This robust demand, coupled with its strategic position as the world's second-largest steel producer after China, paints a positive medium- to long-term outlook for Indian steelmakerS.

INDIA'S JOB CONUNDRUM

Despite economic growth, India struggles with job creation due to skills gap and an education system misaligned with industry needs

Recently, a rush at a walk-in interview at Air India in Mumbai created a mini stampede as over 25,000 people assembled to apply for airport loader jobs. This was similar to incidents regularly reported all over the country where an army of youths chase very few jobs, especially the government ones, whenever they are advertised.

However, the fact that it happened in Mumbai, the land of opportunities, took many by surprise and underscored the acute problem of unemployment in the country.

BUT HOW STARK IS THE SITUATION?

According to a recent Citigroup report, India will struggle to create enough jobs for its growing workforce over the next decade, even with a 7% economic growth rate. It estimates that the country needs 12 million new jobs annually but can only generate 8-9 million with the projected growth.

Job quality is another issue, with 46% of the workforce in agriculture, which contributes less than 20% to GDP. The manufacturing sector, employing 11.4% of the workforce in 2023, hasn't rebounded since the pandemic, and formal sector employment has fallen to 25.7%, the lowest in 18 years. Only 21% of the workforce holds salaried or wage-paying jobs, down from 24% pre-pandemic.

Unemployment, especially among youth, remains a significant concern, affecting voter support for the ruling Bharatiya Janata Party. The official 3.2% unemployment rate is considered an underestimate, with the Centre for Monitoring Indian Economy reporting a 9.2% jobless rate in May, the highest in eight months, and over 40% for those aged 20-24.

Amid the job scarcity, there is an intriguing paradox in the talent market: despite high unemployment rates, the industry bemoans that there is a shortage of people with the right skills. Each year, over 10 million people enter the job market, yet companies across the board are struggling to find qualified talent.

This month the Financial Planning Standards Board said India is facing the issue of unemployability in the financial services sector because there were no takers of nearly 18 lakhs jobs last year.

“Last year, as per the data provided by the National Career Services portal of the central government, India created 46.86 lakh jobs in financial services. Of those, only 27.5 lakh jobs were filled. It shows that there were no takers for 18 lakh jobs. This is because of unemployability. Jobs are there, but people are not capable enough to take them up,” its official said.

Recently Larsen & Toubro said it needed about 30,000 skilled labourers but is struggling to hire. Its CEO noted a $50 billion backlog due to the labour shortage, particularly in the Engineering, Procurement, and Construction (EPC) sector. Despite efforts to upskill workers using modularity and automation, the hiring challenge persists.

These issues point to a broader problem in the Indian job market. Despite rapid GDP growth, the real economy, which should drive job creation, is experiencing jobless growth or even a decline in job creation.

While old jobs are being eliminated, new opportunities are not emerging at a sufficient pace to absorb the growing workforce.

WHAT'S WRONG WITH THE EDUCATION SYSTEM?

Recently, a group of college students staged a protest at the office of a major political party. However, when questioned by a news reporter, none of the students could explain the reason for their protest. They struggled to read or comprehend the slogans on their placards, sparking a wave of memes and ridicule on social media, pointing towards deeper issues in India's education and employment sectors.

Experts say that from a policy standpoint there has been insufficient focus on job creation, even for elite engineers graduating from top institutions, forget about students from tier-II, tier-III, and tier-IV colleges.

The mismatch between college curricula and industry demands exacerbates the problem.

A significant portion of the workforce lacks the skills needed to meet rising demands and enhance productivity. In the construction sector, only a small number of workers are considered highly skilled, while many vocationally trained workers still find themselves unprepared to bridge the skill gap.

A study by HR consultant Mercer last year said that just 45% of Indian graduates who seek employment possess the skills necessary to meet the evolving demands of the job market.

The report highlighted that candidates with strong non-technical skills are more readily found compared to those with technical expertise.

Specifically, 44% of graduates are deemed employable for top technical roles, while 53% are suitable for leading non-technical positions. Applied mathematics graduates show the highest employability at 72%, whereas 48% of those applying for AI/ML (artificial intelligence/machine learning) roles are considered job-ready.

In contrast, project management holds the lowest employability rate among in-demand non-technical skills, at just 23%.

On-the-job skills like proficiency in MS Office, accounting, and numerical ability demonstrate higher employability rates of 61%, 60%, and 57%, respectively. Employability for data science and data analyst roles is lower, at 39%.

Also, while companies are starting to adapt by creating training programmes and offering amenities like housing to retain skilled workers, they are often opting for quick fixes and short-term solutions.

They tend to avoid making substantial investments in comprehensive training and long-term employee welfare.

THE BIGGER PICTURE

India's labour market faces significant challenges despite economic growth. The Labour Force Participation Rate (LFPR) indicates that while the population growth has slowed to 0.8% annually, the labour force is expanding at over 2% per year.

However, trends over the past two decades reveal declining LFPR, Worker Participation Ratio (WPR), and rising unemployment, highlighting a lack of adequate job creation. From 2000 to 2012, the economy grew by 6.2% annually, but job growth was only 1.6%. This disparity worsened from 2012 to 2019, with economic growth at 6.7% but job growth at just 0.1%.

This indicates that economic productivity, as measured by GDP per worker, has been rising, which has reduced the demand for additional workers. It also signifies that GDP growth has become more capital-intensive, relying more on machines rather than human labour, especially in the manufacturing sector.

From 2000 to 2019, manufacturing employment grew at only 1.7% annually, while manufacturing output surged by 7.5%. In contrast, the services sector saw nearly 3% annual growth in employment, creating more job opportunities.

The construction sector also notably benefited from economic growth during this period. Manufacturing employment stagnated, while the services sector provided more jobs.

India's employment landscape faces critical issues, with a stark disconnect between job growth and the expanding labour force. The informal sector continues to dominate, with 11 crore workers engaged in low-productivity jobs.

Despite a slowdown in population growth to 0.8% per year, the labour force is growing at over 2% annually.

This mismatch means that a significant portion of the workforce remains trapped in low-productivity sectors like agriculture, which contributes less to the economy than before.

Informal jobs in construction and other sectors further exacerbate the problem, as these roles are often precarious and offer limited stability. The shift from agriculture to manufacturing and services has been slow, exacerbated by skill mismatches and inadequate vocational training.

Youth unemployment is particularly severe, with 83% of the unemployed under 34, highlighting the failure of educational institutions to impart employable skills.

A key issue is the lack of sufficient low or semi-skilled job opportunities in formal manufacturing and high-end services. As a result, many workers turn to the gig economy for employment, with companies like Uber, Zomato, and Swiggy emerging as major job providers.

The increasing participation of women in the labour force, driven by financial pressures, and a rising youth population further strain the job market.

Despite economic growth, the informal sector's share is shrinking, and production is becoming more capital-intensive, reducing the need for additional labour.

Furthermore, a decline in migration patterns, evidenced by reduced railway passenger traffic, disrupts resource transfer from urban to rural areas.

If these employment trends continue, managing fiscal transfers and high-income taxation will become increasingly challenging.

The substantial increase in high-income surcharge collections - from ₹ 1,343 crore in 2014-15 to ₹ 65,000 crore in 2023-24 - illustrates the strain on government finances. This approach has limits and could lead to greater social inequality and reduced social mobility.

THE SILVER LINING

Recent estimates from the Reserve Bank of India indicate a notable increase in employment, with 4.67 crore new jobs created in 2023-24, although detailed sector-wise data for this period is not yet available.

Historical data from 2017-18 to 2022-23 shows that much of the job growth occurred in agriculture, construction, and trade - sectors with low productivity.

This low productivity impacts wages, as these sectors have lower value-added per worker compared to more productive industries.

The labour force participation rate has risen, largely due to increased participation by females.

However, many new entrants are engaged in self-employment or informal sector roles, which are typically less productive and lower-paying.

In 2022-23, the informal sector included 6.5 crore enterprises employing about 11 crore workers, who earn significantly less than those in formal firms. The persistent challenge in India's development has been creating productive non-farm jobs.

Despite various government initiatives, job creation has been inconsistent. Increased capital intensity in production, even in traditionally labour-intensive sectors, exacerbates this issue.

The India Employment Report 2024 highlights the growing mismatch between job creation and the country's skill needs, emphasizing the need for growth that translates into more productive job opportunities.

THE WAY AHEAD

Experts emphasize on the need for a focus on labour-intensive manufacturing to achieve inclusive growth, as current economic growth has led to labour displacement rather than job creation.

They also call for targeted policy interventions to enhance job quality and inclusivity in India's labour market.

Finally, they stress on the need for colleges and institutes across India to adapt their curricula to equip students with future-ready skills and align their educational outcomes with industry requirementS.

HYDROGEN HUSTLE

India's $70 billion green hydrogen dream targets 5 million tonnes by 2030, aiming for clean energy dominance, empowered industries, and net-zero emissions by 2070

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o meet its growing industrial and energy needs, India projects a requirement of 25 million tonnes of hydrogen gas annually by 2050. This ambitious target dwarfs current capacities. However, India is taking a significant step forward with its National Hydrogen Mission launched in 2021. The mission includes a revised target of producing 5 million tonnes of green hydrogen by 2030, a substantial increase from the previous goal of 1 million tonnes. This ambitious production goal positions India to become a global hub for clean hydrogen production and export.

According to a World Bank executive, India would need an investment of over ₹ 5,80,000 crore ($70 billion) in green hydrogen production and allied infrastructure to achieve this ambitious target. This includes plans to set up at least 25 GW of renewable energy capacity dedicated to green hydrogen by 2030.

Hydrogen as a fuel is gaining huge prominence in the world and India. Hydrogen fuel cell technology utilizes hydrogen and oxygen to generate electricity, with water vapour being the sole emission. This eliminates harmful pollutants, drastically improving air quality.

HUGE OPPORTUNITIES FOR INDUSTRIAL USES

Green hydrogen doesn't produce greenhouse gas emissions when used. By replacing fossil fuels in sectors like steel production, refineries, and heavy-duty transportation, it can massively contribute to India's net-zero goals.

At the COP26 climate conference in Glasgow in November '21, India announced its commitment to achieving net zero emissions by 2070. This ambitious goal recognizes the urgency of climate change while acknowledging India's developing economy. The plan focuses on ramping up clean energy, improving energy efficiency, and reducing emissions throughout the economy. While some argue for a faster timeline, India's target reflects the need to balance environmental responsibility with continued economic growth.

With rapid industrialization and growing economy Hydrogen is going to play a vital role, especially in energy intensive industries. The conventional steel production process, using blast furnace-basic oxygen furnace (BF-BOF) technology, relies heavily on coal for both energy and the reduction of iron ore into steel. This process releases heavy CO2 emissions.

According to the World Steel Association, the global steel industry accounts for around 7% to 9% of global CO2 emissions, with the BF-BOF route being the most common and emission-intensive technology.

India's steel sector alone contributes around 12% of the country's total CO2 emissions. In the coming years green hydrogen would be used to replace coal in the steel production process. Through a process called direct reduction (DR), green hydrogen reacts with iron ore to produce steel, eliminating the emission of greenhouse gases.

A study by Hydrogen Council suggests that green hydrogen can achieve temperatures exceeding 3,000°C, which is sufficient for most industrial processes currently reliant on fossil fuels. When used, green hydrogen doesn't produce greenhouse gas emissions, unlike traditional fossil fuels. This greatly reduces the carbon footprint of these industries and contributes to India's net-zero goals.

Green hydrogen can be used to produce ammonia, a key component of fertilizers, without generating greenhouse gas emissions. This "green ammonia" can then be used to create clean fertilizers, considerably reducing the environmental impact of the fertilizer industry.

According to a report by the World Bank, the fertilizer industry contributes around 1.4% of global greenhouse gas emissions. India's green hydrogen push in this sector can have a positive impact on global climate goals.

INDIA RAILWAYS

The Indian Railways, one of the largest consumers of diesel in the country, has announced plans to convert its entire fleet to hydrogen-powered trains by 2030.

According to estimates, this transition could save the railways over 7,00,000 tonnes of annual diesel consumption and significantly reduce its carbon footprint.

A study by Hydrogen Council suggests that hydrogen fuel cell trains can achieve energy efficiencies exceeding 60%, compared to around 30% to 40% for diesel locomotives.

The transition to hydrogen trains presents both opportunities. The shift to hydrogen-powered trains can significantly reduce air and noise pollution, contributing to a cleaner and healthier environment for millions of Indians.

In addition to this, it aligns with India's net-zero emissions target of the year 2070. While hydrogen fuel cell technology offers long-term cost benefits, the initial investment for infrastructure development, hydrogen production, and train conversion can be momentous but in the long run the benefits are going to be huge.

EXPORTS: A BIG OPPORTUNITY

Most developed and developing nations are striving to meet ambitious climate targets, with hydrogen emerging as an important alternative globally, particularly for sectors like heavy industry and transportation. It is proven that green hydrogen, produced using renewable energy, offers a clean and sustainable alternative to traditional fossil fuel-based hydrogen.

A report by the International Renewable Energy Agency (IRENA) suggests that global green hydrogen demand could reach 800 million tonnes by 2050. This surge in demand presents a significant export opportunity for countries like India.

India envisions becoming a global hub for green hydrogen and green ammonia production. The 5 million tonne target includes an ambitious plan to export 70% of the produced green hydrogen, generating revenue and strengthening India's position in the clean energy market.

Green hydrogen production relies on clean electricity to power the electrolysis process. India plans to add 125 GW of renewable energy capacity by 2030 to support green hydrogen production.

This mission represents a strategic shift towards clean energy and positions India as a potential global leader in green hydrogen production and export.

REDUCE INDIA'S DEPENDENCE ON IMPORTS

India currently imports over 80% of its oil needs, leaving it vulnerable to price fluctuations and geopolitical instability. Green hydrogen, produced domestically using renewable energy sources like solar and wind, offers a secure and sustainable alternative. By investing in green hydrogen infrastructure, India can enhance its energy security, reduce its carbon footprint, and diversify its energy mix. This transition to green hydrogen not only mitigates reliance on oil imports but also contributes to global efforts in combating climate change.

Experts predict green hydrogen and other green fuels could transform India's current $200 billion energy import bill into a $300 billion export advantage in the future. This potential is backed by India's strengths in technology, resources, scale, and expertise. Also, India can leverage its robust engineering capabilities. Globally, there are over 1,000 hydrogen projects underway, with more than 350 announced just in the past year.

GOVERNMENT SUPPORT TO HYDROGEN INDUSTRY

The National Green Hydrogen Mission (NGHM) is a game-changer for India's energy sector, aiming to establish the country as a global leader in green hydrogen production and utilization. Moreover, government support and policy action in this direction is worth noting. Here are few pillars supporting this ambitious goal:

1. Infra Development

The NGHM recognizes the importance of a robust infrastructure network for efficient transportation, utilization, and export of green hydrogen. This includes pipelines, storage facilities, and refueling stations across the country. Investments in building this infrastructure are actively encouraged and thus already provided required support from the government.

2. Policy And Regulatory Support

The government is streamlining norms to simplify the process for green hydrogen producers. Tax incentives are being offered to make production more economically viable.

3. R&D

Electrolyzers, the equipment used to split water molecules into hydrogen using renewable electricity, are crucial for green hydrogen production.

The NGHM is heavily invested in R&D to improve the efficiency and reduce the cost of electrolyzers. A dedicated fund of ₹ 400 crore ($48 million) supports advancements in electrolysis technology, materials science, and storage solutions.

A study by the International Renewable Energy Agency (IRENA) predicts a 60% decline in electrolyzer costs by 2030, making green hydrogen even more competitive with traditional fuels.

By focusing on these key pillars, the NGHM is paving the way for a clean energy future powered by green hydrogen in India.

TO SUM IT UP

India's energy sector is poised for a significant transformation with the emergence of green hydrogen. Aligned with the nation's renewable energy objectives, green hydrogen offers a sustainable alternative by reducing fossil fuel imports. The government's strategic policies and investments in research and development (R&D) are fostering an environment conducive to green hydrogen growth. As India strives for a low-carbon economy and aims to minimize its carbon footprint, green hydrogen holds immense promise.

Its potential to revolutionize the energy landscape makes it a pivotal player in India's energy sector. Moreover, the policy framework supports scaling up manufacturing, which will drive investment, create jobs, and benefit the manufacturing value chain.

Cummins, Thermax, L&T, MTAR, and others, are actively evaluating opportunities and will play a crucial role in providing engineering services and infrastructure for green hydrogen projectS.

EMPOWERING THE UNDERSERVED

Millions gain financial freedom with mobile payments and government backing

The Indian banking sector is undergoing a remarkable transformation, driven by digital technologies. This shift is not just an upgrade but a complete overhaul of traditional banking systems. The government's push for a cashless economy, increased smartphone penetration with over 600 million users, and the need for greater financial inclusion have accelerated digital transformation in Indian banking.

Digitalization of banks has empowered millions of Indians, spanning from urban hubs to rural areas, by granting them convenient, secure, and efficient access to financial services. Popular digital banking services such as mobile applications, online payments, and digital wallets have reshaped how individuals manage their finances and interact with financial institutions.

With its robust stack infrastructure and extensive integration of the Unified Payments Interface (UPI), India currently leads the global charts in real-time digital payments volume. UPI has emerged as a game-changer in digital payments in India, with 131 billion digital payment transactions recorded in FY24.

The biggest driver of digital transformation is improving customer experience. Modern customers demand seamless, fast, and personalized banking services. Digital transformation allows banks to meet these expectations with online and mobile banking, digital wallets, and real-time updates.

Additionally, operational efficiency is significantly enhanced as digital tools and automation streamline banking operations, reducing manual processes and operational costs. This efficiency allows banks to serve more customers with fewer resources.

FINANCIAL INCLUSION: CREATING SPACE FOR ALL

Digital banking bridges the gap between urban and rural India, bringing banking services to the unbanked population. This inclusion is vital for economic growth and development. It has enabled individuals, regardless of their geographical locations and strata, to access essential banking services conveniently.

With a smartphone and internet connection, individuals can open bank accounts, make transactions, check balances, and even avail themselves of credit facilities. This convenience eliminates the need for physical visits to banks, which can be time-consuming and logistically challenging for those residing in remote areas.

It has also facilitated the direct transfer of government subsidies and welfare benefits to individuals, reducing leakages and ensuring that funds reach the intended beneficiaries efficiently. Another significant aspect of digital banking's impact on financial inclusion is the availability of digital payment solutions.

Digital wallets and mobile payment platforms have gained immense popularity, allowing individuals to make transactions, pay bills, and shop online without physical currency. This has particularly benefitted the unbanked population, who previously relied heavily on cash transactions.

Digital banking also offers opportunities for micro, small, and medium-sized enterprises (MSMEs) and entrepreneurs. Digital lending platforms, enabled by digital banking infrastructure, provide easier access to credit for these businesses, which often face challenges obtaining loans through traditional channels.

This access to finance allows MSMEs to grow, invest, and contribute to the nation's job creation and economic development. Digital lending is also expected to significantly plug the approximately $250 billion to $300 billion credit gap in the MSME sector, which contributes 30% to India's GDP.

GOVERNMENT PUSH FOR DIGITAL TRANSFORMATION

The transformative journey of India's banking ecosystem is largely because of the efforts of the government and the Reserve Bank of India (RBI). Digital public infrastructure in India has been a game-changer, enhancing accessibility and inclusivity in financial services. The much-talked-about India Stack forms the backbone of this revolution, with Aadhaar, the world's largest biometric identity system, at its core.

UPI, another component of India Stack, allows users to send and receive money instantly using Virtual Payment Addresses (VPAs) linked to their bank accounts, eliminating the need for traditional bank account numbers and IFSC codes.

For instance, the government has launched DigiLocker - a digital document-storage platform that enables citizens to store and access their official documents securely in a cloud-based repository, eliminating the need for physical documents.

eKYC (electronic KYC) leverages Aadhaar-based authentication to verify customers' identities quickly and remotely, while Account Aggregator, an essential component of India Stack, enables individuals to share their financial data securely across multiple institutions. It allows users to consolidate their financial information from various banks and financial institutions, promoting transparency and facilitating better financial planning.

RBI's proactive approach toward digitalization has encouraged the banking ecosystem to embrace innovative initiatives. The launch of the Central Bank Digital Currency (CBDC) pilot has garnered significant attention, presenting exciting possibilities for a tokenized form of money.

Several banks, including Axis Bank, have actively participated in the CBDC pilot, paving the way for potential cross-border transactions, programmability, and offline usability. The pilot has been successful, with more than one million users and approximately 2,62,000 merchants participating. Similar to the success of the UPI, the tokenized form of the rupee is likely to witness significant innovation in the future.

Collaboration between banks and ecosystem players has also increased. India's banking ecosystem has witnessed partnerships between banks and various stakeholders, including fintech companies, payment gateways, and insurance providers. These collaborations have facilitated the introduction of innovative financial products and services, expanding the choices available to customers. The collaborative approach has also accelerated the growth of digital payment systems and other fintech solutions, making banking more convenient, secure, and efficient for users.

IMPACT ON FINANCIAL SERVICES

Digital wallets and UPI have simplified payments and reduced the reliance on cash. Customers can now transfer money instantly and securely using their smartphones. Digital platforms enable quicker loan approvals and disbursements. AI-driven credit scoring models assess creditworthiness more accurately, making lending more accessible and inclusive.

Personalized marketing and tailored financial products enhance customer engagement. Banks use data analytics to understand customer behaviour and preferences, offering customized solutions. Digital tools improve risk assessment and fraud detection. Machine learning algorithms analyze transaction patterns to identify suspicious activities, safeguarding customers' assets.

CHALLENGES AND THE WAY FORWARD

While the benefits of digital transformation are clear, the journey is not without challenges. Data security and privacy concerns, the digital divide between urban and rural areas, and resistance to change among traditional bankers are significant hurdles.

Infrastructure limitations remain a barrier, particularly in rural and remote areas, where reliable internet connectivity and power supply are limited. This hampers the seamless delivery of digital banking services and impedes access for a large population segment. Security concerns arise as digital transactions increase in volume. Safeguarding customer data and ensuring secure transactions are paramount to maintaining trust in digital banking platforms.

To overcome these challenges, banks must invest in robust cybersecurity measures, focus on digital literacy initiatives, and foster a culture of innovation. Collaboration with fintech companies and continuous technological upgrades will be crucial in sustaining the momentum of digital transformation.

As banks continue to embrace digital technologies, they will be better positioned to meet the evolving needs of their customers and contribute to India's economic growth. The future of banking in India is digital, and the journey has just begun.

DITCH THE SCREENS, DIVE INTO AUDIO

Gripping content and convenience are making audio series the new entertainment powerhouse

In a world brimming with entertainment options, subscriber engagement with any one mode eventually reaches a peak. When the content on streaming platforms loses its sheen, we turn to social media giants like the ever-evolving X (erstwhile Twitter), Facebook, and Instagram. But even the endless scroll of social media feeds can become overwhelming, leading us to the bite-sized entertainment of YouTube Shorts.

However, a new trend has emerged in recent years: a solution for the inevitable screen fatigue. This has resulted in the increasing acceptance of audio series. According to a recent study by Redseer, a research and consultancy firm specializing in new-age businesses, the global audience for audio series is a staggering 1.3 billion addressable users. The value of the audio series segment itself is pegged at a whopping US $21 billion to US $25 billion, and Redseer's study projects it to double in size within the next five years.

These figures beg two intriguing questions. First, what factors are driving the rise of audio series in a digital landscape already flooded with web series content? Second, what does the future hold for this burgeoning segment of the entertainment industry? Let's explore this topic in detail to understand these questions.

THE INDUSTRY

The genesis of the audio streaming industry can be traced back to the launch of Apple iTunes in 2001, which revolutionized music consumption. This was followed by the widespread adoption of the paid music streaming app Spotify in 2008. Audiobooks then emerged as a mainstream trend, popularized by services like Amazon's Audible. This paved the way for the era of non-music streaming platforms.

The past decade has witnessed two key trends: the high acceptance of streaming platforms among subscribers and the rise of podcasts as a popular form of content dissemination. In 2018, Pocket FM introduced Audio Series, serialized audio fiction that captivated audiences.

Several other players have since entered this flourishing segment, with Spotify being a prominent one. A recent Redseer study aptly captures this evolution: "On-music Audio Streaming formats are fast evolving and have witnessed several milestones in the last 4-5 years. The non-music audio formats consist of podcasts, audiobooks, and the most recent addition – audio series."

The Redseer study further highlights, "...The popularity of audio series and their long-term potential has prompted incumbents such as Spotify and Audible to experiment with launching audio series on their own platforms, while vertical pure-play platforms such as Pocket FM continue to dominate the segment."

It's important to note that there are two main types of distribution platforms for audio content: horizontal and vertical. Horizontal platforms, like Spotify and Tencent Music Entertainment, offer a vast array of audio formats, encompassing music, podcasts, audiobooks, and the newest addition – audio series.

Vertical platforms, as highlighted in the Redseer report, focus on one or two formats and meticulously curate their catalogues accordingly. Key examples of vertical platforms include Pocket FM (known for its focus on audio series), Audible (specializing in audiobooks, and Storytel (another audiobook powerhouse). These platforms typically leverage subscription or micropayment models to monetize their content.

Audio series themselves are serialized works of audio fiction, captivating audiences with immersive storytelling. The Redseer study positions them as the newest addition to the long-form entertainment landscape, experiencing the fastest growth spurt compared to movies and video series. This growing market has seen a remarkable 40x expansion in just the past two years, a testament to the increasing acceptance of audio series.

Looking ahead, the Redseer study projects the global market size for audio series to balloon to US $45 billion to US $50 billion by 2027, compared to the current US $21 billion to US $25 billion. In India alone, the market is anticipated to witness a surge in users, reaching 540 million by 2027, up from 350 million in 2023. These figures paint a promising picture for the future of audio series.

WHY IS AUDIO SERIES BOOMING?

Redseer's research sheds light on the key factors driving the popularity of audio series platforms in India. Their case studies reveal that content quality, variety, and the convenience of anytime listening are paramount. This flexibility empowers users to seamlessly integrate audio series into their daily routines, enjoying them during commutes, work breaks, or even before bed, as the study notes.

Interestingly, Redseer also observed a pronounced trend in early adopter markets like India: a prioritization of content diversity and the freedom of flexible listening. These factors have undeniably contributed to the surge in popularity of the audio series format in India.

Further bolstering this trend, another Redseer case study delves into user engagement within the Indian market. The study reveals a fascinating phenomenon: user engagement increases as users become more familiar with the platform.

For instance, in India, users who have been on a platform for less than six months spend an average of 1.3 hours per day listening to audio series. This figure jumps to 1.5 hours for users who have been on the platform for over a year. This rising engagement level demonstrates a positive user experience on Indian audio series platforms.

Redseer's research also highlights a key behavioural pattern in early adopter markets like India and the US: audio series users leverage the format's versatility to cater to their round-the-clock entertainment needs throughout the day.

The study observed users enjoying audio series before sleep, while working, during breaks, while commuting, while exercising, and even while doing chores. This ability to seamlessly integrate audio series into various aspects of daily life underscores the format's growing appeal in India.

THE BUSINESS MODEL

Redseer's study unveils promising monetization opportunities for audio series platforms. Over 80% of audio series users are classified as mature internet users, indicating a strong potential for monetization through direct payments or advertisements. The study emphasizes the high monetization potential of this segment, driven by the expanding subscriber base. This trend aligns with the observed rise in internet usage and user spending patterns. As the study notes, users are demonstrating their investment in these platforms by continuing their subscriptions.

Interestingly, the study reveals that the paid user penetration rate for audio series in developing regions like India has reached levels comparable to other entertainment formats, despite the format's relatively recent launch and limited user base.

Micropayments, according to the study, have been a key driver of this growth in paid users. Over 80% of paying users opt for "micropayment packs," which allow them to pay-per-content for specific shows they want to listen to, rather than subscribing to the entire library. This micropayment model not only encourages affordability but also increases the frequency of payments by offering a flexible option.

Further, the Redseer's study highlights the financial viability of audio series platforms through innovative pricing models and the high engagement they cultivate. This translates to an Average Revenue Per Paying Customer

(ARPPU) that rivals subscription fees of other entertainment formats.

For example, the study shows that audio series ARPPU in the US is on par with or even surpasses video streaming ARPPU, while in India, audio series ARPPU sits comfortably alongside audio streaming ARPPU. This trend is supported by the observation that pay-per-content subscriptions boast an ARPPU 25% higher than annual subscriptions. This enduring user spending on pay-per-content reflects the "sticky nature" of audio series, a reflection of their high engagement factor.

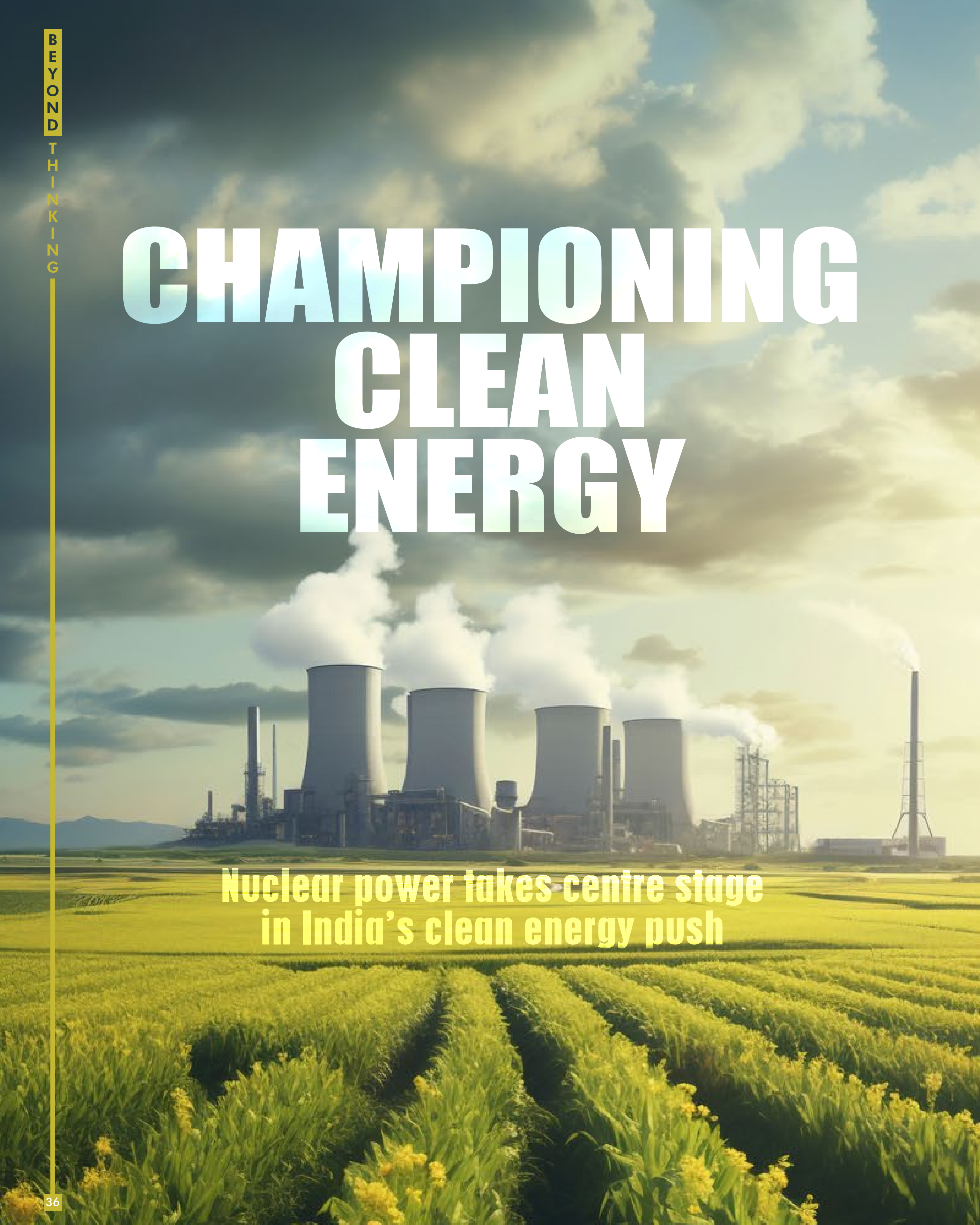
The growing adoption of audio series in India and the US is further underscored by the rise in yearly subscription fees. The study notes that as users become more familiar with the platform, their payment preferences evolve towards longer durations. This is reflected in annual subscriptions rising from just 5% of all subscriptions at the beginning of platform usage to over 13% by the end of the second year.

Beyond subscriptions and micropayments, the study also identifies advertising as a promising revenue stream for audio series, considering that subscription or content monetization models contribute to over 90% of the revenue generated by audio series. The captivating nature of audio series content further reinforces the potential for ad-generated revenue.

The economics of producing audio series present another layer of attractiveness for the format. A major portion of audio series content is created by freelancers, leading to a more cost-effective production process compared to video series. Redseer's study reveals that audio series platforms are currently able to capture contribution margins of up to 70% of the revenue generated per finished hour of content.

This healthy margin is further expected to climb to 75% by 2027, led by wider adoption and increasing monetization potential per finished hour of audio series content.

These projections, coupled with the improving visibility of revenue streams and a favourable cost-effective business model, paint a bright future for the audio series segment. Importantly, it offers an effective alternative for users suffering from screen fatigue due to excessive engagement with video content, providing a welcome escape for their weary eyeS.



CHAMPIONING CLEAN ENERGY

Nuclear power takes centre stage in India's clean energy push

In a landmark event during Narendra Modi's recent visit to Russia, the Eurasian powerhouse has agreed to help India build six more nuclear power plants. This is a significant development, especially considering that India could secure a supply of uranium from Russia to support its ambitious nuclear power energy plans.

India and Russia are exploring substantial growth in their nuclear power partnership. Rosatom, the Russian state nuclear corporation, announced ongoing discussions with India regarding the construction of these six new high-powered nuclear reactors.

This collaboration extends beyond just high-power plants. Rosatom is also looking into developing lower-power nuclear facilities within India. In addition, in April '24, India received information on floating nuclear power plant solutions from Rosatom.

The potential expansion in nuclear power signifies a strategic move for both nations. It could provide India with a substantial boost to its energy security and economic development. According to Union Minister Dr. Jitendra Singh, India's installed nuclear power capacity is set to grow by around 70% in the next five years, from the current 7.48 GW to 13.08 GW by 2029. India plans to build close to 18 new reactors.

Moreover, by 2047, India aims to increase its nuclear power generation capacity to about 100 GW.

This expansion is part of India's broader strategy to diversify its energy mix and reduce its reliance on fossil fuels.

INDIA'S NUCLEAR ASPIRATIONS

India has set ambitious clean energy targets, aiming to increase the share of non-fossil fuel sources in its electricity generation mix to 40% by 2030, and to achieve a net-zero emissions target by 2070.

Nuclear power plays a crucial role in diversifying India's energy mix away from fossil fuels such as coal and natural gas, which currently dominate the electricity sector.

Such diversification is essential for achieving sustainable development goals and reducing environmental impacts.

A study by the OECD Nuclear Energy Agency and the International Energy Agency found that the median value for lifecycle GHG emissions from nuclear power is around 12 gCO2eq/kWh, significantly lower than coal (820 gCO2eq/kWh) and natural gas (490 gCO2eq/kWh). This makes nuclear power an

Nuclear Power By Country

Country	Nuclear Electricity Supplied (GWH)	% of Global nuclear power production 2020
U.S.	789,919	30.90%
China	344,748	13.50%
France	338,671	13.30%
Russia	201,821	7.90%
South Korea	152,583	6.00%
Canada	92,166	3.60%
Ukraine	71,550	2.80%
Germany	60,918	2.40%
Spain	55,825	2.20%
Sweden	47,362	1.90%
U.K.	45,668	1.80%
Japan	43,099	1.70%
India	40,374	1.60%

Source: World Economic Forum

PLF Outlook

PLF%	FY23	FY24
Coal	64	73
Gas	11	20
Nuclear	76	85
Hydro	39	40
Renewable Sources	19	27

Source: Ministry Of Power

essential component of a diversified, low-carbon energy mix.

India's transition towards greater nuclear power generation can directly contribute to its Nationally Determined Contribution (NDC) under the Paris Agreement.

The country has committed to reducing the emissions intensity of its GDP by 45% from 2005 levels by 2030 and achieving net-zero emissions by 2070.

Currently, nuclear power contributes only 2% to 3% to India's total power generation, which is largely dominated by coal.

However, the government recognizes the importance of nuclear energy in providing reliable, carbon-free baseload power to support the country's growing economy and population.

To achieve this target, India plans to add 7 new nuclear reactors. Currently, India operates 22 nuclear reactors across several parts of the country, collectively generating around 6,780 megawatts (MW) of electricity.

The addition of these seven new reactors is projected to substantially increase the country's nuclear power capacity.

By 2031, the total installed capacity is anticipated to rise to 22,480 MW, marking a significant leap forward in clean energy production.

NUCLEAR POWER EFFICIENCY

Nuclear reactors typically operate at capacity factors of over 90%, meaning they generate electricity close to their maximum potential almost all the time.

This is much higher than the average capacity factors of coal (57.9%), natural gas (54.6%), and renewable sources like solar (24.1%) and wind (34.7%) in India.

India is also making progress on its first Prototype Fast Breeder Reactor (PFBR) at Kalpakkam, which is expected to achieve initial fuel loading and criticality in the coming months.

This 500 MW sodium-cooled fast reactor is a key milestone in India's three-stage nuclear programme, which aims to utilize the country's vast thorium resources for long-term energy security.

Beyond these large-scale reactor projects, India is also focusing on developing advanced nuclear technologies such as Bharat Small Reactor (BSR) and Bharat Small Modular Reactor (BSMR).

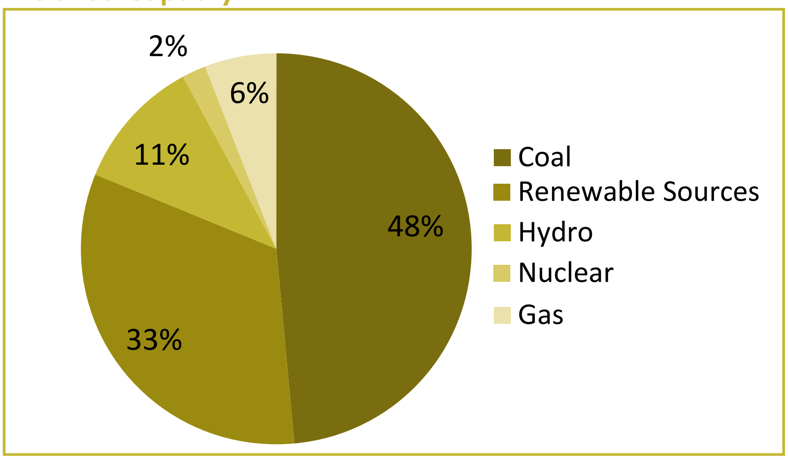
These smaller, more localized reactor designs could help increase access to nuclear power in remote areas and support the nation's growing energy needs.

IDEAL FOR INDIA TO BECOME A GLOBAL MANUFACTURING HUB

Nuclear reactors provide reliable baseload electricity, meaning they can operate continuously and provide a stable power supply regardless of fluctuations in demand or the availability of renewable sources such as solar and wind.

This expansion will provide a major boost to the stability and efficiency of India's industrial sector. Baseload

Installed Capacity Mix In FY24



Source: Ministry Of Power

power from nuclear plants can support energy-hungry industries like steel, cement, chemicals, and mining, which require uninterrupted electricity to maintain their production processes.

Frequent power outages or voltage fluctuations can lead to equipment damage, quality issues with products, and costly downtime for these industries.

STABLE AND RELIABLE POWER SUPPLY

Nuclear reactors operate at high-capacity factors (typically above 90%), ensuring a reliable and stable electricity supply for industries.

This stability reduces operational disruptions and downtime, crucial for industries reliant on continuous power. The predictability of nuclear power also allows industrial consumers to better plan their operations.

This predictability helps them manage their energy costs more effectively.

With a reliable baseload supply, industries can optimize their production schedules, reduce reliance on expensive backup generators, and negotiate more favourable electricity tariffs from utilities.

COST-EFFECTIVE, UNINTERRUPTED POWER

The expansion of nuclear power generation capacity in India has the potential to drive down electricity costs for industrial consumers, enhancing the competitiveness of the country's manufacturing and heavy industries.

Nuclear power plants have relatively low and stable operating costs compared to fossil fuel-based plants, which are subject to volatile fuel prices.

Industries benefit from nuclear power's low operating costs once the plant is built.

For example, according to industry reports, nuclear power in the United States is among the cheapest sources of electricity, with an average cost of around 2.5 cents per kilowatt-hour (kWh) for nuclear-generated electricity.

Moreover, the long operating lifetimes of nuclear plants, often 40-60 years, provide industries with the assurance of a stable and affordable energy source for decades to come.

This long-term certainty is crucial for capital-intensive industries that make investments based on multi-year horizons.

ECONOMIC BENEFITS

A report by the Confederation of Indian Industry (CII) estimates that a 10% reduction in industrial electricity tariffs could boost India's manufacturing GDP by 1.2%, and create an additional 1 million jobs.

Similarly, a study by the National Institute of Public Finance and Policy (NIPFP) found that a 20% reduction in industrial power costs could increase India's manufacturing output by 3.3%.

However, the realization of these cost-reduction benefits will depend on the successful execution of India's nuclear expansion plans, as well as addressing challenges like high upfront costs and public acceptance issues.

Nonetheless, the potential for nuclear power to drive down industrial electricity prices remains a compelling prospect for India's industrial development.

INVESTMENT OPPORTUNITIES

Generation companies, equipment manufacturers, EPC players, civil construction, cable manufacturers, consultants, power financing companies and many others who are operating in the entire value chain like L&T, BHEL, ABB, Siemens, NTPC and other smaller players carrying different kinds of activities like Hindustan Construction, Patel Engineering, OM Infra, and many others, could remain in the limelight.

Moreover, there is growing emphasis on the increased participation of private players in India.

Currently, most nuclear power plants are run by state utilities like Nuclear Power Corporation of India.

Indian companies are also participating in the construction of these power plants in overseas markets like BangladesH.

EXTRA CARE

Don't settle for a basic health insurance plan. Get additional care by topping up your coverage

The primary objective of a health insurance policy is to cover the medical needs of the insured, minimizing financial strain, especially in times of emotional distress. However, with rising medical costs due to technological advancements, a policyholder's existing base health insurance policy may not fully cover all expenses owing to medical inflation, leaving him/her with out-of-pocket expenses.

Emergency funds can certainly address unexpected medical costs. However, for a more practical approach to avoiding financial hardship during medical emergencies, consider investing in additional health insurance coverage. This is especially important if your current plan seems inadequate.

While purchasing a new health insurance policy might be an option, it can be expensive. A more cost-effective solution is a top-up health insurance plan, offering increased coverage at a lower premium. Alternatively, super top-up plans provide another layer of protection. Both options enhance your overall health insurance coverage, minimizing out-of-pocket expenses during medical emergencies.

TOP-UP PLANS

As the name implies, a top-up plan supplements your existing health insurance policy (including employer-provided mediclaim) by offering additional coverage for each medical claim. This acts as a safety net, kicking in once you have exhausted the sum insured of your base policy. Top-up plans have a pre-defined coverage limit per claim, ensuring you don't incur out-of-pocket expenses beyond a certain point. Importantly, there's no overlap of benefits under the top-up plan.

Consider someone with a health insurance policy offering ₹2 lakhs coverage, which they feel is inadequate. To increase their coverage to, say, 5 lakhs, they can purchase a top-up plan with ₹3 lakhs coverage.

If your medical bill falls below ₹2 lakhs, your base plan handles everything. But for bills exceeding ₹2 lakhs, the top-up plan kicks in after your base policy reaches its limit, covering up to an additional ₹3 lakhs. Unfortunately, any expenses exceeding the combined ₹5 lakh coverage (₹2 lakh base plan + ₹3 lakh top-up plan) will be an out-of-pocket expense.

It's important to remember that a top-up plan functions on a per-claim basis. This means for each medical claim you file during the policy period, your base policy will cover expenses up to its sum insured first. Only after your base policy is exhausted will the top-up plan become active, providing coverage up to its defined limit.

For example, imagine you have three separate medical claims, each with a bill less than ₹2 lakhs. In this scenario, your base policy would handle all the costs since none of the claims exceed its coverage limit.

With a threshold of ₹2 lakhs per claim, your top-up plan only activates if a single medical bill exceeds this amount. Since your claim is exactly ₹2 lakhs, your base health insurance will cover the entire cost, and the top-up plan will remain unused in this instance.

FEATURES

• A top-up plan comes with a mandatory threshold limit and provides coverage only after it has exhausted. The top-up plan works on a per-claim basis. Hence, the threshold will apply for each claim and not the total medical expenses incurred during the policy year. So, only if the claim amount exceeds the threshold when there is a medical event will the top-up plan come into force.

• If the illness relapses within

45 days of discharge from the hospital, doctors usually consider it a single event/illness. However, if the illness exceeds 45 days from discharge, doctors consider it a fresh illness.

• Most top-up plans do not have any restrictions or sub-limits on hospital expenses like room rent, doctor's fees, etc.

• Most top-up plans do not require medical check-ups up to a particular age.

• While buying the plan, it is important to consider that top-up plans have a waiting period during which no claims can be raised. Some top-up plans have a one-year waiting before they cover certain illnesses. If there is a pre-existing ailment, the waiting period maybe even longer.

• For every claim-free year, the health insurance company rewards the policyholder with a no-claim bonus by increasing the coverage amount or decreasing the premium amount. However, top-up plans do not provide the benefits of a non-claim bonus.

SUPER TOP-UP PLANS

Similar to top-up plans, super top-up plans aim to boost your health insurance coverage. However, there's a key difference: top-up plans only activate for individual claims exceeding the deductible, while super top-up plans consider the total annual claims. This means that the super top-up plan kicks in when the combined medical expenses throughout the year surpass the deductible.

Let's revisit the previous example. With a base health insurance of ₹ 2 lakhs and a super top-up plan of ₹ 3 lakhs (instead of a top-up plan), the super top-up would be triggered once the total yearly claims exceed ₹ 2 lakhs. If there were three claims of ₹ 2 lakhs each, the regular top-up plan wouldn't apply to any claim because each falls below the individual threshold. This could result in huge out-of-pocket expenses since only the base policy would cover the first claim after which the coverage would be exhausted for the year and the top-up plan coverage would not take effect.

However, the super top-up plan would become active after the second claim, as the cumulative total (₹ 4 lakhs) surpasses the deductible (₹ 2 lakhs). This highlights the advantage of super top-up plans for individuals with a history of multiple claims within a year, such as those with chronic illnesses, or older adults who might require frequent medical care.

Why Should A Top-Up Plan / Super Top-Up Be Considered?

• **Economical:** Compared to buying a fresh health insurance plan, a top-up / super top-up medical insurance plan is economical. This is because these plans have an in-built threshold, which is covered under the base health insurance company, and only if it is surpassed, does the liability of the top-up or super top-up insurer come into force. Thus, top-up and super top-up plans offer the twin advantages of lower cost and higher health insurance coverage.

• **Alleviates Financial Burden:** Medical costs have been rising at a fast pace, rendering the current health insurance coverage insufficient. Top-up and super top-up plans enable one to buy additional coverage at a reasonable premium. The enhancement of the coverage will minimize out-of-pocket expenses to the extent of the coverage.

• **Additional Benefits:** The top-up plan typically does not have any sub-limits on hospitalization, unlike most individual health insurance plans, providing additional benefits and reducing out-of-pocket expenses.

Who Is It Best Suited For?

Policyholders That Have Inadequate Coverage: The cost of treating illnesses has increased manifold in the last few years. Thus, if the existing health insurance policy coverage is on the lower side, it is advisable to opt for increasing the coverage with either the top-up or super top-up policy so that provides better financial protection against unexpected medical expenses and ensures you can access quality healthcare without significant financial strain.

Corporate Coverage: Corporates provide health insurance coverage to employees and since it is often a group plan, the insurance coverage may not suffice. Enhancing health insurance coverage thus warrants serious consideration.

Senior Citizens: With age, there is a higher probability of medical events occurring. So, for senior citizens or those at the threshold of crossing that age barrier, a top-up or super top-up plan will be a more affordable option.

IN A NUTSHELL

While health insurance is crucial, inadequate coverage can leave you financially vulnerable. Instead of a costly new plan, consider a top-up or super top-up policy. These affordable options extend your coverage, acting as a safety net when your base policy reaches its limit.

The key difference between top-up and super top-up plans lies in how they handle deductibles. A top-up plan applies the deductible to each individual claim.

In contrast, a super top-up plan only applies the deductible once during the entire policy year, making it more suitable for scenarios with multiple or high-value claims. As a result, super top-up plans typically come with a slightly higher premium compared to top-up plans.

Selecting the right plan depends on your individual health situation. For those with a higher chance of multiple claims within a year, a super top-up plan offers comprehensive coverage.

Conversely, a top-up plan might be more suitable for young, healthy individuals. Take control of your financial well-being and ensure you have adequate health insurance coverage by exploring top-up and super top-up options todaY.

SHIFTING GEARS WITH DATA-DRIVEN PREMIUMS

INDIA'S CAR INSURANCE GETS A TECH UPGRADE: TELEMATICS REWARDS SAFE DRIVERS WITH LOWER PREMIUMS, BUT DEVICE COST AND PRIVACY ARE ROADBLOCKS

In recent years, the Indian insurance sector has witnessed a transformative shift with the advent of telematics technology. This innovative approach, which integrates telecommunications and informatics, promises to redefine how auto insurance is underwritten and priced in the country.

Telematics mainly involves the use of devices installed in vehicles to monitor and transmit data on driving behaviours such as speed, braking patterns, distance travelled, and more. This data allows insurers to move away from traditional risk assessment models based solely on demographic factors and vehicle characteristics to a more nuanced and personalized approach.

THE EMERGENCE OF TELEMATICS IN INDIA

India, known for its vast and diverse automotive landscape, has seen an increasing adoption of telematics-enabled insurance solutions, driven by several factors:

Regulatory Initiatives: The Insurance Regulatory and Development Authority of India (IRDAI) has been exploring the potential of telematics to enhance insurance offerings. Regulatory frameworks are being adapted to aid usage-based insurance (UBI), which aligns premiums more closely with actual driving behaviours rather than statistical averages.

Technological Advancements: The proliferation of smartphones and affordable IoT (Internet of Things) devices has facilitated the deployment of telematics solutions across a broader demographic. Mobile apps and connected car technologies are making it easier for insurers to collect and analyze real-time data, providing consumers with insights into their driving habits and potential cost savings.

Market Dynamics: Increasing competition among insurance providers has led to a push for differentiated products and services. Telematics offers insurers a unique value proposition by rewarding safe driving behaviours with lower premiums, thereby attracting a growing segment of conscientious consumers.

BENEFITS OF TELEMATICS IN INDIAN INSURANCE

The introduction of telematics-based insurance products brings forth a multitude of benefits for both insurers and policyholders:

Accurate Risk Assessment: Traditional methods of assessing risk in insurance often rely on generalized data points. Telematics allows for a more granular analysis of risk factors specific to each driver, such as driving frequency, time of day, and adherence to traffic rules. This enables insurers to price premiums more accurately based on individual risk profiles.

Improved Claims Management: Real-time data from telematics devices enables quicker and more accurate claims processing. Insurers can verify the circumstances of accidents, assess fault, and expedite settlements.

Promotion Of Safe Driving: By providing feedback on driving behaviours through apps or dashboards, telematics encourages drivers to adopt safer practices on the road. The prospect of potential premium discounts incentivizes drivers to maintain good driving habits, thereby contributing to road safety.

Cost Savings: For consumers, the potential to lower insurance premiums based on actual driving habits presents a significant financial incentive. This can be particularly appealing in a market like India, where price sensitivity plays a crucial role in consumer decision-making.

The insurance companies also stand to benefit from this technology. They will be in a better position to assess the risks they are underwriting - by means of data analytics-led insights – and, hence, create an improved segmentation of the market.

TELEMATICS ADOPTION CHALLENGES AND CONSIDERATIONS

While the benefits of telematics are clear, its adoption in India faces several challenges that need to be addressed:

Initial Costs: The upfront cost of installing telematics devices in vehicles can be a deterrent, especially for price-sensitive consumers. Insurers need to explore cost-effective solutions or alternative financing options to facilitate broader adoption.

Data Privacy Concerns: The collection and use of personal data through telematics devices raise privacy concerns among consumers. Setting up robust data protection policies and ensuring transparency in data usage are essential to building trust and compliance with regulatory requirements.

Infrastructure Limitations: Despite advancements in technology, challenges related to network connectivity and data transmission in remote or rural areas remain. Insurers must consider these infrastructure constraints when designing telematics solutions for diverse geographical landscapes.

STUDIES & INNOVATIONS IN TELEMATICS INSURANCE

Several insurance providers in India have pioneered the implementation of telematics-based insurance products, showcasing innovative approaches and market leadership:

Zuno General Insurance: Zuno GI has been the frontrunner in the usage-based motor insurance category. In 2020, under the sandboX initiative of IRDAI, Zuno launched India's first app-based switch on/switch off motor insurance, Zuno Switch Motor Insurance, where one pays only for the days the car is driven.

In 2022, a new and improved Switch 2.0 was launched to enhance the customer experience even further. Zuno Switch 2.0, incorporates telematics technology to detect when customers are driving and adjusts premiums based on driving behaviour and usage. Drive Less, Pay Less. Drive Better, Pay Less, and enjoy more savings.

Shanai Ghosh, MD & CEO, Zuno General Insurance said, "These products were launched under the regulatory sandboX, and last year the regulator allowed us to launch usage-based add-on for motor insurance products. We will be adding many products under our usage-based insurance platform 'Switch'. We have already launched PAYD (Pay-As-You-Drive) add on, which allows customers who drive less, to get a lower premium. And in November '22, we launched a 'first-of-a-kind' innovative concept to measure driving behaviour using mobile telematics. Now anyone can download our app and get their 'ZunoDrivingQuotient,' which will tell them how well they drive.

"With this endeavour, we want to take the conversation around road safety to the next level by first creating an objective score to measure driving behaviour and as a next step, incentivising customers to get a good score," added Ghosh.

This initiative represents a game-changer in the insurance industry, allowing users to assess their driving skills and obtain an objective score. In simple terms, the better one drives, the higher the score, leading to lower car insurance costs.

"Building ZDQ into an insurance product, we are planning a few more product launches around UBI, shortly which will allow customers to build rewards to save their insurance premium, every time they drive," Ghosh elaborated.

Bajaj Allianz General Insurance: Bajaj Allianz introduced telematics solutions integrated with comprehensive car insurance policies, providing consumers with options to monitor their driving habits and potentially lower their insurance costs based on performance.

RenewBuy.com: As a digital platform specializing in motor insurance, RenewBuy.com collaborates with insurers to integrate telematics features into their product offerings. This partnership enhances consumer engagement and promotes adoption through user-friendly interfaces and value-added services.

THE FUTURE OF TELEMATICS IN INDIAN INSURANCE

Looking forward, the trajectory of telematics in India's insurance industry appears promising, driven by evolving consumer preferences, regulatory support, and technological advancements.

Key trends and developments expected to shape the future include:

Expansion Of UBI Models: The growth of usage-based insurance models, such as pay-as-you-drive and pay-how-you-drive, catering to diverse customer segments seeking personalized insurance solutions.

Integration With IoT: Continued integration of telematics with IoT technologies to enhance data accuracy, expand service capabilities, and integrate with smart city initiatives focused on transportation and mobility.

Regulatory Framework Enhancements: Further refinement of regulatory frameworks by IRDAI to facilitate telematics adoption, including guidelines on data privacy, security standards, and interoperability among insurers.

Consumer Education And Awareness: Increasing awareness campaigns and educational initiatives to familiarize consumers with the benefits of telematics, dispel misconceptions, and promote responsible use of connected car technologies.

IN A NUTSHELL

Telematics companies in India, Singapore, Japan, China, and South Korea have huge growth potential. Telematics in auto insurance is projected to grow in popularity due to its low policy rates and customized, value-added services.

In these countries, a shortage of financial resources has led to a need for cost-effective solutions, which may offer market advancement prospects. As a result of rising innovation in the car sector, telematics providers are exploring new methods to improve customer experiences, collaborate with partners, and monetize data. This is projected to open market opportunities in the coming years.

In our country, with the Insurance Regulatory and Development Authority of India (IRDAI) taking proactive steps to recognize and explore the potential of telematics technology in the insurance sector, there is growing anticipation that more insurers in India will embrace and offer telematics-based services in the near future.

Telematics, which involves the use of advanced telecommunications and informatics technologies to monitor and transmit data on driving behaviours, has garnered significant interest globally for its potential to revolutionize how auto insurance is priced and managed. In India, where the insurance landscape is rapidly evolving amidst technological advancements and changing consumer preferences, the recognition of telematics by IRDAI marks a pivotal moment.

In conclusion, telematics technology represents a paradigm shift in how auto insurance is conceptualized and delivered not only in India but across the world. By leveraging real-time data analytics, insurers can offer more personalized, transparent, and cost-effective insurance solutions tailored to individual driving behaviours.

As the market continues to evolve, collaboration between insurers, technology providers, and regulatory bodies will be crucial in unlocking the full potential of telematics to enhance road safety, mitigate risks, and foster sustainable growth in the Indian insurance ecosystem.

As stakeholders across the industry embrace these transformative opportunities, the future of telematics in Indian insurance holds promise for creating safer roads, empowering consumers, and driving innovation in the digital era.

However, the cost of a telematics device could continue to be a barrier to wider adoption. If more insurers offer telematics-based products, and it results in savings in premiums for consumers, it would be beneficial for all. In the meanwhile, it needs to be seen how the process started by IRDAI shapes uP.

MUTUAL FUND BLACKBOARD

Large Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Baroda BNP Paribas Large Cap Fund - Growth	221.3	39.0	20.2	19.9	15.3	14.8	2,120
ICICI Prudential Bluechip Fund - Growth	105.6	36.8	21.8	20.4	16	15.2	59,364
Invesco India Largecap Fund - Growth	66.7	33.9	18.2	18.8	14.7	14.5	1,146
Kotak Bluechip Fund - Reg - Growth	556.2	31.7	17.4	19.3	14.8	14.6	8,848
Nippon India Large Cap Fund - Reg - Growth	87.2	36.3	24.9	20.5	16.2	15.9	29,534
Nifty 100 TRI	34,456.8	30.6	18.0	18.5	15.2	14.2	--

Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Edelweiss Mid Cap Fund - Growth	91.8	53.6	25.0	29.5	20.2	20.3	6,625
Mahindra Manulife Mid Cap Fund - Reg - Growth	32.8	57.6	26.2	29.7	--	--	2,873
Mirae Asset Midcap Fund - Reg - Growth	34.9	43.6	22.2	--	--	--	16,667
Nippon India Growth Fund - Reg - Growth	3,895.8	53.8	27.8	29.4	20.4	19.4	30,839
Tata Mid Cap Growth Fund - Reg - Growth	431.7	51.2	24.5	26.7	18.5	19.1	4,194
Nifty Midcap 150 TRI	26,262.6	51.9	26.8	29.5	20.0	20.3	--

Small Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Edelweiss Small Cap Fund - Reg - Growth	42.4	41.6	24.7	32.3	--	--	3,816
Mahindra Manulife Small Cap Fund - Reg - Growth	19.5	60.5	--	--	--	--	4,568
Quant Small Cap Fund - Growth	269.6	59.4	29.6	44.3	27.1	21.5	22,967
Nifty Smallcap 250 TRI	21,627.6	56.2	24.8	30.0	16.7	17.2	--

Large & Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Edelweiss Large & Mid Cap Fund - Growth	83.4	38.7	19.8	22.1	17.1	15.8	3,393
Kotak Equity Opportunities Fund - Reg - Growth	332.0	41.1	22.3	23.3	16.9	17.5	24,055
Mahindra Manulife Large & Mid Cap Fund	26.9	37.6	21.3	--	--	--	2,381
Tata Large & Mid Cap Fund - Reg - Growth	517.1	29.0	19.3	20.5	15.7	15.6	7,968
UTI Large & Mid Cap Fund - Growth	173.8	47.9	23.4	23.6	16.3	15.5	3,441
NIFTY Large Midcap 250 TRI	20,377.3	41.1	22.5	24.0	17.7	17.3	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Bandhan Multi Cap Fund - Reg - Growth	16.8	38.6	--	--	--	--	2,304
HDFC Multi Cap Fund - Reg - Growth	18.8	45.1	--	--	--	--	15,564
HSBC Multi Cap Fund - Reg - Growth	18.2	55.3	--	--	--	--	3,561
Mahindra Manulife Multi Cap Fund - Reg - Growth	34.5	43.9	23.1	26.4	18.6	--	4,091
Nippon India Multi Cap Fund - Reg - Growth	286.4	45.7	30.9	24.5	18.7	16.7	34,943
NIFTY 500 Multicap 50:25:25 TRI	20,510.0	42.2	22.0	24.2	17.0	16.5	--

FlexiCap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HSBC Flexi Cap Fund - Growth	210.7	42.8	20.6	20.6	14.2	14.3	4,805
ICICI Prudential Flexicap Fund - Reg - Growth	18.1	39.5	21.7	--	--	--	16,002
Mirae Asset Flexi Cap Fund - Reg - Growth	14.9	28.7	--	--	--	--	2,072
Parag Parikh Flexi Cap Fund - Reg - Growth	76.9	35.2	19.0	25.3	20.3	17.9	71,701
WhiteOak Capital Flexi Cap Fund - Reg - Growth	16.1	35.3	--	--	--	--	3,600
S&P BSE 500 TRI	45,771.3	35.7	20.1	21.1	16.3	15.4	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Axis Focused 25 Fund - Growth	52.5	22.2	8.0	13.7	12.0	13.5	13,881
Bandhan Focused Equity Fund - Reg - Growth	78.7	30.8	16.4	17.9	11.7	12.3	1,641
HDFC Focused 30 Fund - Growth	212.1	42.5	28.4	22.7	15.4	14.5	13,137
Nippon India Focused Equity Fund - Reg - Growth	118.7	33.0	19.3	21.0	14.7	16.3	8,585
UTI Focused Fund - Reg - Growth	15.4	34.2	--	--	--	--	2,738
S&P BSE 500 TRI	45,771.3	35.7	20.1	21.1	16.3	15.4	--

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	50.5	52.8	29.4	25.9	16.6	16.4	4,257
Tata Dividend Yield Fund - Reg - Growth	18.2	38.6	20.1	--	--	--	998
Nifty 500 TRI	35,989.8	36.0	20.0	20.9	16.1	15.2	--

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	148.2	37.6	23.3	25.7	16.7	17.7	9,757
SBI Contra Fund - Growth	381.7	44.0	28.3	30.1	19.4	17.9	34,366
Nippon India Value Fund - Reg - Growth	218.8	50.9	24.6	24.9	18.3	17.4	8,188
S&P BSE 500 TRI	45,771.3	35.7	20.1	21.1	16.3	15.4	--

ELSS Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Bandhan ELSS Tax saver Fund - Reg - Growth	151.9	31.1	20.1	23.0	16.6	17.0	6,856
Kotak ELSS Tax Saver Fund - Reg - Growth	116.3	37.4	20.8	21.7	16.3	17.1	6,101
Mahindra Manulife ELSS Tax Saver Fund - Reg	28.4	30.5	18.5	20.7	13.4	--	923
Parag Parikh ELSS Tax Saver Fund - Reg - Growth	29.7	34.7	20.8	--	--	--	3,731
Tata ELSS Tax Saver Fund - Reg - Growth	43.0	31.8	19.5	18.9	14.7	--	4,551
Nifty 500 TRI	35,989.8	36.0	20.0	20.9	16.1	15.2	--

Thematic / Sector Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
ICICI Prudential Banking and Financial Services	120.5	20.6	13.2	12.9	10.8	14.6	7,671
Nippon India Pharma Fund - Reg - Growth	460.2	40.2	13.7	26.8	19.0	16.8	7,404
Tata Digital India Fund - Reg - Growth	48.5	37.8	15.8	26.7	25.8	--	10,204
ICICI Prudential Business Cycle Fund - Reg - Growth	22.6	42.5	24.9	--	--	--	10,907
Mirae Asset Great Consumer Fund - Growth	91.5	33.4	22.5	22.6	17.6	17.7	3,751
Quant Quantamental Fund - Reg - Growth	25.2	58.8	33.2	--	--	--	2,564
Nifty 500 TRI	35,989.8	36.0	20.0	20.9	16.1	15.2	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
Bandhan Arbitrage Fund - Reg - Growth	30.5	7.3	7.9	7.8	7.0	5.7	6,367
Edelweiss Arbitrage Fund - Reg - Growth	18.2	7.2	8.2	7.9	7.1	5.9	11,876
Invesco India Arbitrage Fund - Growth	30.0	7.5	8.0	7.9	7.3	6.1	16,490
Kotak Equity Arbitrage Fund - Reg - Growth	35.2	7.5	8.3	8.1	7.3	6.1	48,000
Tata Arbitrage Fund - Reg - Growth	13.5	7.2	7.9	7.8	6.9	5.7	11,520
Nifty 50 Arbitrage Index	2,354.3	6.7	7.9	8.2	7.3	6.0	--

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	23.3	16.5	9.7	10.8	9.4	--	442
HDFC Equity Savings Fund - Growth	62.8	17.1	10.9	11.3	9.2	9.7	4,620
Kotak Equity Savings Fund - Reg - Growth	24.8	18.9	12.6	11.7	10.1	--	6,077
NIFTY 50 Hybrid Composite Debt 65:35 Index	19,670.30	18.9	13.3	14.4	12.7	12	--

Index Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC NIFTY Next 50 Index Fund - Reg - Growth	16.50	59.9	--	--	--	--	1,566
Motilal Oswal Nifty Midcap 150 Index Fund	36.10	50.5	25.5	--	--	--	1,759
Motilal Oswal Nifty Next 50 Index Fund	24.60	59.6	22.1	--	--	--	266
Motilal Oswal Nifty Smallcap 250 Index Fund	37.00	54.5	23.1	--	--	--	734
Nippon India Nifty Midcap 150 Index Fund	23.50	50.6	25.6	--	--	--	1,426
Tata Nifty Midcap 150 Momentum 50 Index Fund	18.40	64.9	--	--	--	--	406
Nifty 500 TRI	35,989.80	36	20	20.9	16.1	15.2	--

Dynamic Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Edelweiss Balanced Advantage Fund - Growth	49.2	22.9	13.4	16.1	12.6	11.9	11,721
HDFC Balanced Advantage Fund - Growth	500.9	38.9	24.2	20.2	16.4	15.3	89,903
Nippon India Balanced Advantage Fund - Reg	168.7	23.9	12.8	13.1	10.7	11.2	8,286
Tata Balanced Advantage Fund - Reg - Growth	19.9	20.5	12.9	13.9	--	--	9,465
NIFTY 50 Hybrid Composite Debt 65:35 Index	19,670.3	18.9	13.3	14.4	12.7	12.0	--

Hybrid Aggressive Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Baroda BNP Paribas Aggresive Hybrid Fund	27.0	30.1	15.2	18.0	14.4	--	1,100
Kotak Equity Hybrid Fund - Growth	59.5	30.5	17.4	19.1	14.1	--	6,045
Mirae Asset Aggressive Hybrid Fund - Reg - Growth	30.7	24.6	14.3	15.7	13.2	--	8,963
Tata Hybrid Equity Fund - Reg - Growth	430.3	23.0	15.4	15.2	11.4	12.3	3,917
NIFTY 50 Hybrid Composite Debt 65:35 Index	19,670.3	18.9	13.3	14.4	12.7	12.0	--

Multi Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HSBC Multi Asset Allocation Fund - Reg - Growth	11.4	--	--	--	--	--	1,816
Mirae Asset Multi Asset Allocation Fund	11.1	--	--	--	--	--	1,525
Nippon India Multi Asset Fund - Reg - Growth	19.7	30.9	17.1	--	--	--	3,602
Tata Multi Asset Opportunities Fund - Reg - Growth	22.3	25.7	15.6	--	--	--	3,051
UTI Multi Asset Allocation Fund - Growth	70.1	36.1	18.5	15.9	11.7	10.0	2,418
WhiteOak Capital Multi Asset Allocation Fund	12.4	19.5	--	--	--	--	604
NIFTY 50 Hybrid Composite Debt 65:35 Index	19,670.3	18.9	13.3	14.4	12.7	12.0	--

Gold Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	22.6	21.8	14.1	14.5	13.4	8.7	2,072
Kotak Gold Fund - Reg - Growth	29.2	22.5	13.9	14.7	13.5	8.8	1,889
Nippon India Gold Savings Fund - Reg - Growth	28.9	21.8	14.0	14.5	13.2	8.6	1,848
Prices of Gold	73,168.0	22.6	15.1	15.8	14.6	10.0	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1,294.4	6.3	6.4	6.5	6.7	6.76	1,197
Tata Overnight Fund - Reg - Growth	1,280.8	6.4	6.4	6.5	6.7	6.77	2,763

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
HDFC Liquid Fund - Growth	4,799.8	6.9	7.1	6.9	7.3	7.25	52,666
Mahindra Manulife Liquid Fund - Reg - Growth	1,591.6	6.9	7.1	7.0	7.3	7.32	1,149
Nippon India Liquid Fund - Reg - Growth	5,970.6	6.9	7.1	7.0	7.3	7.37	28,791

Ultra Short Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Ultra Short Term Fund - Growth	25.9	6.9	7.6	7.2	5.8	7.72	12,286
Kotak Savings Fund - Reg - Growth	40.1	6.8	7.3	7.0	5.6	7.63	14,379

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	5,324.4	7.2	7.8	7.4	6.0	7.62	23,661
Tata Money Market Fund - Reg - Growth	4,397.0	7.2	7.8	7.5	6.1	7.59	21,693

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	53.8	7.2	7.5	7.1	5.6	7.87	18,702
Kotak Low Duration Fund - Std - Growth	3,118.3	7.1	7.3	6.8	5.4	7.87	10,272
Nippon India Low Duration Fund - Reg - Growth	3,487.3	6.9	7.3	6.9	5.5	7.82	6,215

Short Term Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Short Term Fund - Growth	55.6	8.7	7.9	7.4	6.1	7.94	18,228
Nippon India Short Term Fund - Reg - Growth	48.7	8.4	7.7	7.0	5.4	7.75	5,434

Corporate Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Corporate Bond Fund - Std - Growth	3,478.5	9.1	8.2	7.3	5.6	7.68	12,723
SBI Corporate Bond Fund - Reg - Growth	14.3	8.7	7.8	6.9	5.2	7.68	20,286

BEYOND NUMBERS

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Dynamic Debt Fund - Growth	83.5	12.2	9.3	7.7	4.8	7.29	686
Kotak Dynamic Bond Fund - Reg - Growth	34.8	13.4	9.9	8.2	5.7	7.36	2,561

Medium Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HSBC Medium Duration Fund - Reg - Growth	18.8	9.6	8.5	7.2	5.4	7.79	807
ICICI Prudential Medium Term Bond Fund - Growth	41.2	9.2	7.8	7.0	5.9	8.30	6,113
SBI Magnum Medium Duration Fund - Growth	47.3	9.3	8.1	7.0	5.7	8.20	5,989

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	16.6	15.5	13.1	8.8	7	7.17	7,844

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Bandhan Government Securities Fund Investment Plan	33.2	18.9	13.7	9.7	5.7	7.18	2,034
Kotak Gilt Fund - Growth	90.3	14.6	9.3	7.7	5.7	7.23	3,254

Gilt Funds 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 Growth	22.5	12.7	9.2	7.2	5.3	7.16	2,308

Credit Risk Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Credit Risk Fund - Growth	29.3	9.2	7.8	7.9	6.5	8.82	6,763
SBI Credit Risk Fund - Growth	42.2	9.6	8.4	7.4	6.4	8.59	2,434

Banking & PSU Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Banking and PSU Debt Fund - Reg - Growth	21.3	8.8	7.9	7.1	5.4	7.64	6,013
HSBC Banking and PSU Debt Fund - Growth	22.5	7.6	7.3	6.6	4.5	7.55	4,682

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 19th July 2024.

TECHNICAL OUTLOOK

The Nifty rallied strongly in July, reaching a life-time high of 24,980.45. Positive sentiment on Dalal Street drove buying across all sectors.

However, after hitting the all-time high, the Bulls continue to be in control, holding strong at higher levels.

Technically, the Nifty faces strong resistance between 25,200 and 25,400.

A close above 25,200 for two consecutive trading sessions could signal an upward rally towards 25,600/26,000 levels.

Following the rally, we may see some profit-taking at higher levels. On the downside, the Nifty has strong support at 24,500-24,200, its 20-Day Moving Average.

A break below 24,500 on a closing basis could trigger further selling pressure, potentially pushing the Nifty down to 24,000-23,600.

The daily momentum indicator, RSI, suggests a possible uptrend with a sideways movement in the near term.

This indicates a potential consolidation phase with profit-booking. Given the recent rally, profit-booking at higher levels is likely.

Investors could consider booking profits at higher levels and wait for potential dips to enter long positions.

Technically, the Bank Nifty faces immediate support at 51,300. A close below this level could extend the decline towards 50,700/50,200.

On the flip side, resistance is positioned at 52,200/53,800. Overall, the technical outlook is positive as long as the Bank Nifty doesn't break the support level of 51,300 on closing basis.

On the Nifty Options front for the August series, the highest Open Interest (OI) build up is concentrated around the 25,000 and 25,500 Call strikes.

On the Put side, the highest OI is observed at the 24,500 and 24,000 strikes.

July saw volatile movement, but a strong recovery pushed the index above 24,800.

Positive rollovers were observed across most stocks and indices, with Oil & Gas, and Pharma sectors leading the way. We expect these sectors to continue outperforming in August.

India VIX, which measures the immediate 30-day volatility in the market, has cooled off from the recent highs and is expected to remain within the range of 11-16 for the August series.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options remained within the range of 0.80 to 1.4 for most of July.

Going forward, we expect this ratio to stay within the range of 0.7 to 1.5 in August.

The markets are expected to remain bullish in the first half of August, with supports placed at 24,500 and 24,000 levels. However, important resistances are expected at the 25,000 and 25,500 levels.

OPTIONS STRATEGY

Long Strangle

It can be initiated by 'Buying 1 lot 08AUG 25000 CE (₹ 140) and Buying 1 lot 08AUG 24800 PE (₹ 140).' The total outflow of premium comes to around 280 points, which is also your maximum loss.

A Stop Loss can be placed at 180 points (a 100-point loss from the total premium). While the maximum gain is unlimited, a Target of 500 points (a 220-point gain from the total premium) can be considered.

Based on the current Nifty Options OI positions, we expect good momentum to continue, potentially favouring this strategy and leading to profitS.

IMPORTANT JARGON

SEBI'S PROPOSAL ON A NEW ASSET CLASS

The Securities and Exchange Board of India (SEBI), the country's market regulator, recently released a consultation paper proposing a new asset class – a category of investment products – for investors. The new asset class is intended to have a risk-return profile between mutual funds and Portfolio Management Services (PMS) that are offered by Asset Management Companies (AMCs) and stock broking companies.

Q. Why Is A New Investment Product Category Needed?

India's investment management landscape has evolved significantly over the years, offering a diverse range of investment products with varying risk-reward profiles to cater to retail, high net-worth, and institutional investors. Currently, Mutual Funds (MFs) provide a safer option with lower returns, while Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs) offer a high-risk, high-return profile, but come with a large minimum investment, accessible only to very affluent investors. To bridge this gap and cater to the growing segment of investors, a need arose for a regulated product that combines greater flexibility, the ability to take on higher risk, and a reasonable minimum investment.

Q. How Will This New Class Differ From Existing Options Like Mutual Funds, PMS, and AIFs?

While one can invest in mutual funds with minimum investments as low as ₹ 500 through SIPs, Portfolio Management Services (PMS) and Alternative Investment Funds (AIFs) typically require minimum investments of ₹ 50 lakh and ₹ 1 crore, respectively. The proposed new asset class falls in between, with a minimum investment of ₹ 10 lakh per investor.

Q. Who Will Be Eligible To Offer This New Asset Class?

SEBI's consultation paper proposes that only eligible Asset Management Companies (AMCs) can offer this new product category. These AMCs must meet certain criteria, including having an Asset Under Management (AUM) exceeding ₹ 10,000 crore. Alternatively, AMCs can be eligible if they appoint a chief investment officer and a fund manager with the experience outlined by SEBI.

Q. What Are The Other Details?

The new asset class will have a distinct nomenclature from traditional mutual funds (MFs) and other investment products, which are already available in the securities market, such as Portfolio Management Services (PMS), Alternative Investment Funds (AIFs), Real Estate

Investment Trusts (REITs), Infrastructure Investment Trusts (INVITs), etc. Similar to mutual funds, the new asset class will offer investors the flexibility of Systematic Investment Plans (SIPs), Systematic Withdrawal Plans (SWPs), and Systematic Transfer Plans (STPs). AMCs will have the freedom to determine the redemption frequency for these investment strategies.

Q. Will The New Asset Class Be Regulated?

Yes, like other asset classes, SEBI will oversee the new investment product. Entities offering this product will be required to disclose portfolio holdings and investment strategies periodically. However, SEBI is proposing some regulatory flexibility compared to MFs.

Q. Where Can The New Asset Class Invest To Generate Returns?

The new asset class will offer more flexibility in portfolio construction, allowing for higher risk-taking compared to mutual funds. While they can invest in all asset classes permitted to MFs, they'll have the additional ability to use derivatives for purposes other than hedging and portfolio rebalancing. This implies that they can take speculative exposures in derivatives, unlike MFs. However, borrowing for investment purposes will be restricted to temporary liquidity needs. Additionally, investments in debt securities will be restricted to 10% of the fund's net asset value (NAV), with the possibility of extending this limit to 20% with SEBI's approval.

Q. What Unique Strategies Will The New Asset Class Be Allowed To Undertake?

The new asset class will be able to undertake investment strategies, including long-short equity strategy and inverse Exchange-traded Fund (ETF) strategy. While the former involves taking long and short positions in equity and equity-related instruments, the latter aims to generate returns negatively correlated with the underlying index by using derivative products. This will allow investors to hedge against market downturns or even speculate on potential market declines. Currently, fund managers in India are not allowed to take up these strategies, which are prevalent in the US and Australia.

Q. Who Will Benefit The Most From This New Asset Class?

Investors with a high tolerance for risk and potentially high return expectations, but who lack the significant capital required for AIFs or PMS, are likely to benefit the most from this new product category. SEBI recognizes this gap in the market and how it has inadvertently pushed some investors towards unregulated and potentially risky schemes offering unrealistic returns. The new asset class aims to address this concern by providing a regulated and structured investment avenue specifically suited to this segment's risk appetite and capital constraints.

Q. How Might This Impact The Investment Industry?

The introduction of the new asset class is expected to bring innovative investment options to the market, but it might also lead to some churning. Experts predict that existing high-risk product categories like PMS and AIFs could see some outflow as investors gravitate towards the new class. This potential shift in investor preference might result in decreased AUMs for PMS and AIFs.

Q. What Key Information Is Missing From The Consultation Paper?

While the new asset class promises exciting possibilities, some key details remain undecided. Clarity is needed on expense ratios, how distributors will be compensated for selling this product, and most importantly, the tax implications for investors. These nitty-gritties will be important in determining the overall attractiveness of the new investment avenue.

Q. When Can We Expect Final Guidelines On This New Product Category?

SEBI is currently seeking public feedback on the new asset class until 6th August. To finalize the structure and permissible investments for this class, SEBI is also gathering input from the Association of Mutual Funds in India (AMFI) and asset management companies. Once the feedback period closes and SEBI incorporates the insights, it will release the final regulationS.

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