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Increased capital
expenditure to act as a
catalyst for economic
growth

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The Lending Gamechanger

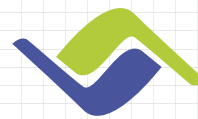
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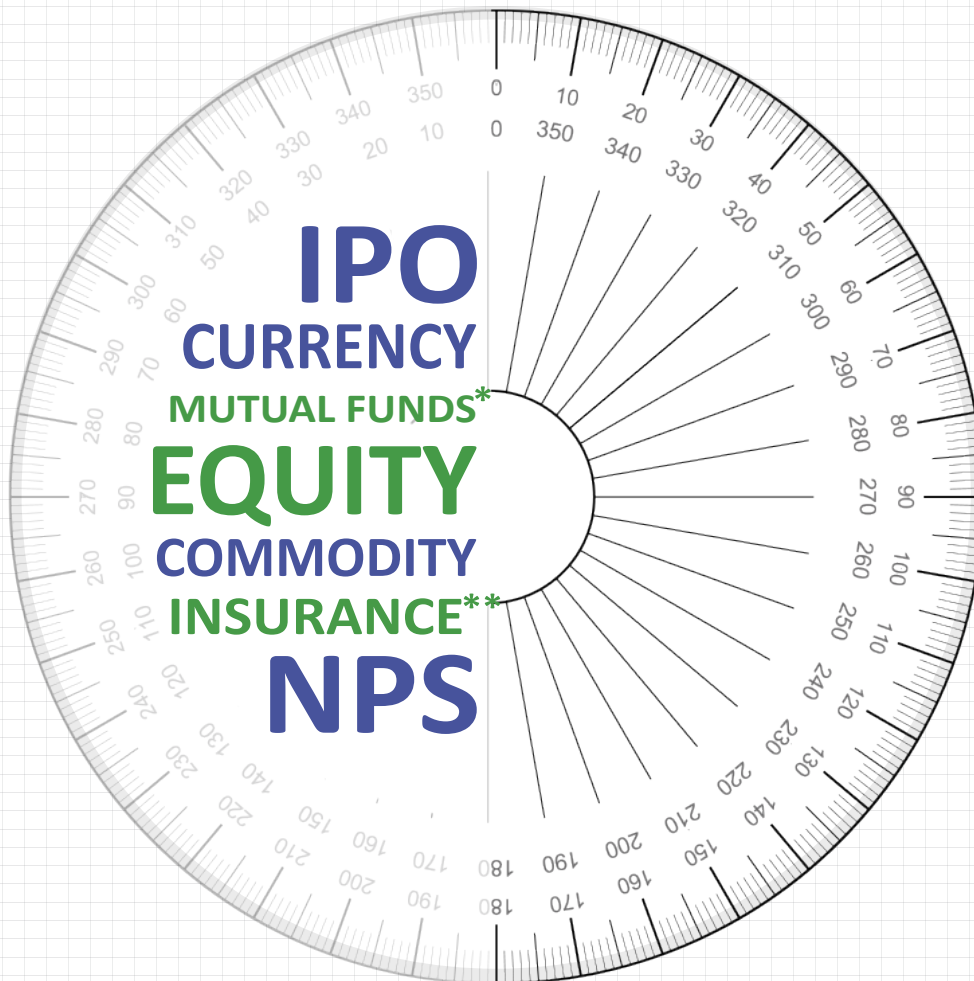
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Tushita Nigam
Editor

THE CAPEX SPLURGE

An important precursor to economic growth is strategic and well-balanced capital expenditure. Budgetary allocations by a country provide valuable insights into the government's outlook on future growth. In its recent budget, the Indian government has taken key steps in this direction, making provisions for both public and private sectors to encourage economic development. Read the cover story to discover where India stands currently on this front.

Skim through this issue for a variety of irresistible reads. We have featured articles on the Reserve Bank's upcoming initiative, the Unified Lending Platform, which has the potential to be a gamechanger, the future of the water purifier industry in India, the resilience of the Indian agrochemical sector despite challenging times, and how the struggles at the box office are pushing Indian film producers to seek success on OTT platforms.

You will also come across insightful write-ups on urea production, which has been ramped up to meet domestic demand and reduce import dependency, as well as the urgent steps India must take to achieve its net-zero carbon emissions target by 2070. In addition to this, another article explores how fast moving goods companies are trying to keep up with the times through changes and innovations to stay competitive and sustainable.

The Beyond Basics section highlights various instruments investors can use to invest in gold, the forever favourite and reliable safe haven in perilous times.

Lastly, don't miss the Beyond Learning article, which examines the timeless principles of British-born American financial analyst and investor Benjamin Graham, and how Warren Buffett has adopted and adapted them to the present market environment. This article offers an intriguing perspective on the balance between staying true to foundational principles while evolving with the timeS.

**"In the coming days,
the Nifty Futures
is likely to touch
the 27,700 level
on the upper side."**

Nifty Futures: 26,216

(Last Traded Price As On 26th September, 2024)



The Federal Reserve has cut interest rates by 50 basis points and indicated that further reductions may follow in the near future.

Above-average rainfall is expected to improve demand during the festival season.

In the coming days, the Nifty Futures has support at the 26,000 level. On the upper side, it is likely to touch the 27,700 level.

Investors should monitor corporate results, which are likely to be a mixed bag for the September quarter.

Additionally, they should keep an eye on large-sized IPOs raising funds, as these could reduce liquidity in the market.

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Dilip Bang



THE LENDING GAMECHANGER

RBI hopes its new initiative, Unified Lending Interface, will be the next UPI. But considerable challenges persist



When Raghuram Rajan quit as the Reserve Bank of India Governor in 2016, he gave a parting gift: UPI. The payment system, propped by demonetization and the pandemic, has revolutionized the way money moves through India.

Now, the current RBI Governor Shaktikanta Das, whose extended tenure ends in December '24, is looking to repeat the feat with Unified Lending Interface, or ULI.

Das recently announced the ULI, a new initiative aimed at transforming India's credit ecosystem. ULI is designed to streamline and enhance the lending process, making it faster, more efficient, and accessible to a wider range of borrowers, including small and rural sectors such as farmers and MSMEs.

WHAT IS ULI?

Developed by the RBI's Innovation Hub, ULI is a digital platform that integrates a borrower's financial and non-financial data from various sources into one seamless system.

It builds upon the frictionless credit platform introduced by the RBI in August '23. Initially aimed at easing the lending process for banks by enabling loans to be processed within seconds, the frictionless credit platform has since been expanded and renamed as ULI. It now includes not only banks but also non-bank lenders, such as fintech companies and non-banking financial companies (NBFCs).

ULI helps lenders easily access vital information for credit appraisal, allowing them to make faster, more informed decisions. The platform will address the common problem of data being siloed across different institutions like government databases, credit agencies, and banks, which has traditionally slowed down the lending process.

By integrating financial and non-financial data, such as land records, from multiple sources, ULI is expected to reduce the time taken for approval and disbursement, while also minimizing the documentation required from the borrower.

Designed with a plug-and-play architecture, ULI will enable quicker access to information through standardized application

programming interfaces (APIs) through a 'plug and play' model. This architecture not only simplifies technical integration but also ensures that data sharing is secure and consent-based.

This system will be particularly beneficial to borrowers in rural areas or those with limited access to credit, as ULI allows for the use of non-financial data like land records or cooperative cash flows to assess creditworthiness. In the case of tenant farmers, for instance, who often struggle to secure loans due to a lack of land titles, ULI can verify their eligibility based on other economic activities such as milk production or farming patterns.

Just as the JAM trinity helped streamline government benefit transfers and UPI revolutionized digital payments, ULI is expected to have a similar transformative impact on lending. By facilitating a frictionless flow of both financial and non-financial data, ULI is set to address the unmet credit demand across key sectors like agriculture and MSMEs, making lending more inclusive and accessible to underserved communities.

The new approach now includes UPI, ULI, and the Central Bank Digital Currency (CBDC), which will be rolled out gradually as part of India's digital revolution.

THE BENEFITS

ULI aims to make lending processes more inclusive, efficient, and scalable,

empowering small businesses and rural borrowers to access credit more easily.

For lenders, ULI offers the ability to make data-driven lending decisions quickly and efficiently. By aggregating real-time information from multiple sources, the platform reduces the operational costs and complexities that typically accompany the lending process. This will enable faster credit delivery and a quicker turnaround time for loan approvals, which is particularly important for small borrowers and MSMEs. ULI also opens up opportunities for fintech companies and NBFCs to innovate within this space by connecting them to a wide array of lenders and borrowers on one platform.

The system integrates data from central and state governments, financial institutions, credit information companies, and digital identity platforms. This connectivity is expected to significantly reduce loan processing times, lower costs, and improve scalability, especially for sectors like agriculture and small businesses that have traditionally faced barriers to credit.

A successful pilot project demonstrated that the time taken for processing Kisan Credit Card loans, for example, could be reduced from several weeks to under an hour using ULI.

Beyond simply providing access to data, ULI encourages banks and financial institutions to rethink their internal operations to take full

advantage of the platform's capabilities. By integrating different systems within banks, ULI is set to improve partnerships between traditional banks and fintech companies, thereby enhancing the overall efficiency of credit distribution.

The platform allows lenders to access diverse data sources more easily, facilitating faster and more informed loan decisions. This could lead to more transparent credit assessments, lower borrowing costs, and a more robust lending ecosystem.

ULI can also play a critical role in advancing financial inclusion. With the RBI tracking progress through its Financial Inclusion Index, ULI could be instrumental in expanding access to credit for underserved populations, including farmers, small businesses, and rural communities. By connecting with the existing Jan Dhan, Aadhaar, and Mobile (JAM) trinity, the platform offers greater insights into borrowers' financial situations, allowing for more tailored lending solutions.

By equipping banks' business correspondents with the necessary tools for loan sourcing and collections, ULI can ensure that financial inclusion efforts reach even the most remote parts of the country.

THE CHALLENGES

Despite its promise of easy credit access through digitized records, ULI faces significant challenges that could hinder

its success.

In theory, ULI could transform lending for underbanked segments, enabling faster loan disbursements without the traditional bottlenecks of documentation and record verification.

Many banks' lending decisions are driven less by the availability of records and more by profitability and regulatory constraints. Banks have always had access to records for qualified borrowers. In cases where credit history is thin or nonexistent, lenders typically take time to assess risk. ULI may speed up the data collation process, but this does not automatically translate into an approval or ensure that more loans will be extended.

Banks' lending abilities are influenced by factors beyond digitized records. Contrary to popular belief, a bank's ability to lend is not directly tied to its deposits. Loans are created through loan assets and deposit liabilities, regulated by the RBI's reserve policies. Yet, central banks also impose risk-weighted capital requirements that limit banks' ability to lend indiscriminately. Even with ULI's facilitation of faster data access, these limitations on lending volumes remain a challenge.

Profitability is another key issue. Banks and financial institutions make lending decisions based on risk-return analyses. These decisions are influenced by regulatory policies, costs associated with third-party commissions,

collections, and administration. Servicing small borrowers, particularly in the MSME sector, often results in thin profit margins.

Higher servicing costs, combined with unproven risk models and limited credit history, make ULI's target segment unattractive to traditional banks. The complexity of lending to MSMEs, including low GST registration rates and inflexible priority sector definitions, adds to the reluctance. As a result, ULI's seamless design may be insufficient to overcome the fundamental issue of profitability.

Moreover, the success of ULI depends heavily on the willingness of financial institutions to adopt the platform. While UPI thrived due to payment aggregators, the RBI has been less enthusiastic about allowing fintechs to dominate the lending landscape. Given the central bank's cautious stance on fintech lending, it is uncertain whether ULI will see the same widespread adoption as UPI did in payments.

PATH TO PROFITABILITY

While ULI is technically advanced, offering flexibility, privacy safeguards, and potential for innovation, its success ultimately hinges on profitable financial inclusion. Without addressing banks' concerns about profitability and regulatory constraints, ULI may struggle to fulfil its promise. Technology alone cannot resolve the deeper issues that shape lending decisions. The gap between

ULI's potential and its actual impact will be determined by whether it can align with the needs and incentives of banks and other financial institutions.

PRIVACY CONCERNS

As ULI seeks to extend the DPI benefits to the lending sector, concerns about data privacy have come to the forefront. While the system is designed to protect users' data by offering consent-based sharing, the sheer volume of personal financial information involved raises key questions about security and privacy.

With ULI, lenders will have access to a vast array of borrower data, including granular financial details that were once private. While this can help streamline lending to underserved sectors like small businesses and agriculture, it also opens the door to potential misuse or overreach. Striking a balance between enabling access to credit and safeguarding citizens' private data will be crucial.

The RBI must ensure that data privacy protocols are ironclad, and that borrowers retain meaningful control over their information, even as they seek loans.

Equally concerning is the potential impact on household finances. India's formal banking system, dominated by public sector banks with conservative lending practices, has long struggled to lend to small borrowers with little or no collateral.

ULI seeks to bridge this gap by giving these borrowers a

digital footprint, making it easier for them to access credit. However, making loans more accessible, especially to households already under financial stress, carries risks.

Household debt in India has traditionally been low, but that is changing. Net household savings have fallen to a 47-year low, with borrowing on the rise. ULI, by facilitating quick, collateral-free loans, may inadvertently accelerate this trend.

While ULI aims to offer greater financial inclusion, especially for small businesses and farmers, it may also lead to a surge in household borrowing without corresponding safeguards. If households, already burdened by shrinking savings, start borrowing excessively, the economy could face a systemic risk.

The easy availability of loans might encourage households to take on more debt than they can manage, especially without the traditional guardrails of collateral or extensive documentation. Over time, this could lead to defaults, a rise in non-performing assets for banks, and broader macroeconomic instability.

Experts say the RBI must ensure that the platform is not only robust in its technical design but also mindful of the economic behaviours it may unintentionally encourage. They say financial innovation is essential for long-term growth, but it must be accompanied by stringent protections to prevent unintended consequences.



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One of the barometers of a healthy, growing economy is the increase in investments. These investments must come not only from the government but also from private sector companies, as rising private sector investments signal stable and growing demand. Hence, the train of a strong economy runs on two tracks: increasing investments from both the public sector - the government - and private sector companies. In this context, a natural question arises: how well are investments growing in the Indian economy? This will provide valuable insight into the overall health of the economy.

Let us examine what recent investments from both the private sector and the government reveal about the Indian economy:

PUBLIC SECTOR CAPEX

Public capital expenditure, or government investments, has been a fulcrum of total investments in the economy. In her speech, Finance Minister Nirmala Sitharaman confirmed that the government has maintained capital expenditure at ₹11.11 lakh crore, as estimated in the interim budget - marking the highest level in the past decade. Interestingly, the government has been steadily investing in the economy for a long time. Between FY22 and FY24, it is estimated that the government invested ₹22.77 lakh crore, primarily to counter the disruptive effects of the coronavirus pandemic.

One important factor closely examined by economists and analysts is the dividend payout by the Reserve Bank of India (RBI) to the government. In FY24, the RBI transferred ₹2.1 lakh crore - far exceeding the ₹60,000 crore predicted by experts.

The government has also rolled out key policy initiatives, including the Aatmanirbhar packages, the production-linked incentive (PLI) schemes, and investment avenues under the National Infrastructure Pipeline (NIP), consistently injecting funds into the economy.

The latest economic survey provides detailed insights into the government's capital expenditure. Here are some key investments highlighted in the report:

GROSS BUDGETARY SUPPORT (GBS) TO CENTRAL PUBLIC

SECTOR ENTERPRISES (CPSEs)

The share of Gross Budgetary Support (GBS) allocated to key sectors like railways and the National Highway Authority of India (NHAI) rose from 36.4% in FY21 to 42.9% in FY24 (revised estimates). In absolute terms, these allocations jumped by 2.6 times over the same period.

STATE GOVERNMENTS' CAPITAL EXPENDITURE

The Union government's financial support for the capital expenditure of state governments and institutions saw a noteworthy rise of 31.6% between FY21 and FY24.

NON-GOVERNMENT SOURCES OF INFRASTRUCTURE FUNDING

Infrastructure funding has been the focus area of the government's investments. It is estimated that credit growth to the infrastructure sector increased to 6.5% in FY24 from 2.3% in FY23.

EXTERNAL COMMERCIAL BORROWINGS

The government has leveraged external commercial borrowings (ECBs) to bolster infrastructure investments.

The gross inflow of ECBs to the infrastructure sector increased greatly to \$9.05 billion in FY24, compared to an average of \$5.91 billion between FY20 and FY23. This highlights the government's crucial role in driving infrastructure investments.

In her Budget speech, Finance Minister Nirmala Sitharaman emphasized that the central government will encourage states to provide similar levels of support for infrastructure, aligned with their development priorities.

Sitharaman said, "A provision of ₹1.5 lakh crore for long-term interest-free loans has been made this year also to support the states in their resource allocation."

Economists and analysts believe that this support to states will likely boost infrastructure projects, which, in turn, is expected to benefit private sector businesses to some extent.

PRIVATE SECTOR CAPEX

Recent investment announcements reveal that private sector companies are experiencing an upswing in their capital expenditure cycle.

A study by India Ratings and Research highlights that private investment proposals sanctioned by banks increased by nearly ₹1 lakh crore, reaching ₹3 lakh crore over the past year.

The Economic Survey 2023-24 draws attention to the fact that India is currently in a private capex upcycle, bolstered by government capital expenditure. For context, the Economic Survey is a comprehensive annual report presented to Parliament before the Union Budget.

The report indicates that Gross Fixed Capital Formation (GFCF) by private non-financial corporations grew by 19.8% in FY23, with

early signs suggesting this momentum has continued into FY24. GFCF has become a key growth driver, evident from its increasing share of nominal Gross Domestic Product (GDP).

The Economic Survey references a study by Axis Bank Research, which shows that private investment in a consistent set of over 3,200 listed and unlisted non-financial firms rose by 19.8% in FY24.

This suggests a growing inclination among private sector companies to expand their capacities. The survey also notes that healthy corporate and bank balance sheets are expected to further boost private investments in the coming months.

It observed, "With cleaner balance sheets and adequate capital buffers, the banking and financial sector is well-positioned to cater to the growing financing needs of investment demand. Credit disbursement by scheduled commercial banks (SCBs) to industrial micro, small, and medium enterprises (MSMEs) and services continues to grow in double digits despite a higher base." It added, "Credit offtake by large industries seems to be growing at a lower albeit stable pace."

The report noted that from FY19 to FY23, the share of private non-financial corporations in total Gross Fixed Capital Formation (GFCF) rose from 34.1% to 34.9%. It observed: "This was mostly driven by their fast-increasing share in the additional stock of dwellings,

other buildings, and structures. Their share in the capital stock for machinery and equipment, started growing robustly only since FY22, a trend that needs to be sustained on the strength of their improving bottom-lines and balance sheets in order to generate high-quality jobs."

The survey emphasized that the Indian private sector must now take over from the public sector and maintain the investment momentum in the economy. "The signs are encouraging," it stated.

A recent study by the Reserve Bank of India (RBI) estimates a 54% increase in private sector capital expenditure, projecting it to rise to ₹2.45 trillion in 2024-25, up from ₹1.59 trillion in 2023-24. This increase is attributed to growing domestic demand, enhanced corporate profitability, sustained credit demand, business optimism, and the government's emphasis on infrastructure development, the study noted.

RBI Governor Shaktikanta Das in August said that "private corporate investment is gaining steam on the back of expansion in bank credit."

According to the latest national accounts data released on 30th August, growth in gross fixed capital formation - viewed as a proxy for investments - rose to 7.5% in the June '24 quarter, up from 6.46% in the previous quarter.

Experts attribute this increase to heightened capex by the private sector and households. This suggests that the private

sector's contribution to total capex in the Indian economy is set to improve in a pronounced manner.

IN A NUTSHELL

Overall, an economy thrives when there is a balanced interplay between private and public sector investments. Economists and analysts widely agree that private sector companies should now focus on capacity expansion and increased investment, given the current stage of their operations.

In a recent media interaction, Chief Economic Advisor V Anantha Nageswaran shared compelling data: corporate profit before tax surged from ₹5.3 lakh crore in FY20 to

₹20.6 lakh crore in FY23, nearly quadrupling. He noted, "The private sector has had an excellent run, which is good for them, and they have great balance sheets now. Now, it is time for them to come good, or not for the sake of the economy, not for the sake of the government, but for their own sake."

Given the strong financial performance in recent years, it's logical to expect that private sector companies may announce incremental capital expenditure in the upcoming quarters.

Many economists and analysts believe that following the Union Budget 2024, India Inc. is likely to increase investments, thanks to the

clarity provided on the government's policy framework.

The Indian economy stands out in the global arena thanks to its advantageous demographics and relatively stable government. Even conservative estimates suggest that the Indian economy will grow between 6.5% and 7%.

As per the latest economic survey report, "On the positive side, improved balance sheets will enable the private sector to meet robust investment demand, further enhancing the country's growth prospects." As private sector capital expenditure gains momentum, it will significantly boost the long-term appeal of the Indian economy.

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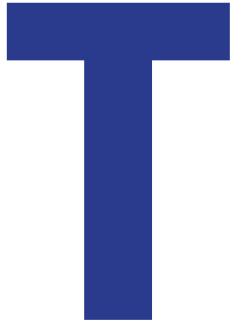
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A SPLASH OF SUCCESS

Rising concerns over water quality and advancements in purification technology are driving the expansion of the water purifier market in India



The Indian water purifier market is poised for massive growth in the coming years, driven by increasing concerns over water quality and demographic shifts. Key factors such as deteriorating water conditions, limited access to safe drinking water, rising urbanization, growing disposable incomes, and heightened awareness of waterborne diseases are all contributing to the sector's expansion.

RIISING INDUSTRY: A SUNRISE MARKET IN WATER PURIFICATION

Having emerged as a sunrise industry, projections indicate an impressive annual growth rate of 17.35% for the water purifier sector. Currently, the market is valued at less than \$1 billion but is expected to reach approximately \$4 billion (₹29,840 crore) by 2029. Notably, the industry is still in its early stages, and growth is expected to accelerate beyond 2029 due to under-penetration and other long-term drivers favouring its development.

DETERIORATING WATER QUALITY: A GROWING CONCERN

As urbanization and industrialization progress, the quality of water sources has deteriorated significantly, raising concerns about public health and safety. Increasing reports of polluted rivers, contaminated groundwater, and unsafe drinking water have heightened consumer awareness about the importance of ensuring the purity of their water. Consequently, individuals are becoming more vigilant about the water they consume, driving the demand for reliable purification solutions.

HEALTH AND HYGIENE: INCREASING FOCUS ON SAFE WATER

As water quality declines on a large scale, concerns about waterborne diseases have grown. With increasing awareness of the health risks posed by contaminated water, consumers are now actively seeking effective purification solutions.

A report from the World Health Organization (WHO) indicates that around 21% of communicable diseases in India are linked to waterborne pathogens. The prevalence of diseases such as cholera, typhoid, and dysentery, often transmitted through contaminated water, has raised public health concerns. As a

result, individuals are prioritizing reliable methods to ensure that their drinking water is safe.

Furthermore, it is estimated that approximately 37.7 million Indians suffer from waterborne diseases each year, with a substantial number of fatalities among children due to diarrhoea. This has heightened the urgency for water purifiers to become essential components of health and safety measures, both in homes and institutions. Once considered luxury items, water purifiers have now become a necessity due to growing concerns over poor water quality and the spread of waterborne illnesses.

The need for safe water has only intensified post-Covid-19. The pandemic underscored the importance of strong immune systems and sanitation practices, particularly as vulnerabilities in water infrastructure were exposed, especially in underserved communities. These weaknesses contributed to the faster spread and greater risk of disease, making access to clean, safe water more crucial than ever.

CONSUMER AWARENESS: WATER QUALITY IN THE SPOTLIGHT

India is witnessing a significant shift in health consciousness, with a growing focus on preventive healthcare and wellness. Nowadays, many people prefer to carry their own filtered or purified water when travelling, reflecting a heightened awareness of water quality. This trend is

further reinforced by a “me-too” factor - individuals accustomed to purified water often influence those in their social circles to adopt similar practices.

Moreover, the increasing availability of information through digital platforms has empowered consumers to make more informed decisions about water quality. Online resources and social media have become valuable tools for spreading awareness about water pollution and purification technologies, further driving consumer consciousness and demand for safer water solutions.

SHIFT TO ADVANCED FILTRATION: BEYOND TRADITIONAL METHODS

Consumers are no longer content with merely filtering the water they drink. With growing awareness and deteriorating water quality, there has been a significant shift from traditional water-cleaning methods to advanced solutions, such as modern water purifiers equipped with cutting-edge filtration technologies like Reverse Osmosis (RO), Ultraviolet (UV), and Ultrafiltration (UF).

These technologies provide effective solutions to a wide range of water quality issues, from removing dissolved solids and bacteria to eliminating viruses and organic contaminants. RO systems, in particular, have gained popularity for their ability to purify water at a molecular level, removing impurities such as salts, minerals, and heavy

metals. This delivers highly purified water, suitable not only for drinking but also for various household applications.

Additionally, newer filtration methods continue to emerge, attracting more consumers by catering to their specific water purification needs. These advanced systems are setting new standards for water safety and quality.

COMMERCIAL SECTOR BOOM: GROWING DEMAND IN BUSINESS SPACES

The commercial water purifier segment is currently experiencing the fastest growth within the broader water purification market. This surge in demand is driven by the increasing need for safe and clean water in office spaces, hotels, restaurants, and healthcare facilities.

The hospitality sector, in particular, relies on water purifiers to uphold hygiene standards and ensure customer satisfaction. As urbanization accelerates and health consciousness grows, businesses are placing greater emphasis on the well-being of their employees, guests, and customers. On top of this, many institutions are facing water availability challenges and are investing in purified water as a solution.

URBANIZATION: A KEY DRIVER OF MARKET GROWTH

India is undergoing a rapid transition from a predominantly rural nation to

an increasingly urban one. By 2036, its towns and cities are projected to be home to nearly 600 million people, accounting for 40% of the total population. This marks a significant rise from the 31% urban population recorded in 2011, driven by factors such as economic growth, industrialization, and rural-to-urban migration.

The expansion of urban areas presents both challenges and opportunities for the water purifier market. Urbanization often places a strain on existing water supply systems and infrastructure, leading to issues such as water contamination and inadequate treatment. Consequently, urban residents are increasingly turning to reliable water purification solutions to ensure the safety and quality of their drinking water.

A report by Research and Markets predicts that the urban water purifier market in India will grow at a compound annual growth rate (CAGR) of 20% between 2024 and 2029. This growth is driven by increasing population density in urban areas and the corresponding demand for clean, safe drinking water. As urbanization continues, households are investing in technologies such as RO and UV systems to address concerns about water quality.

AFFORDABILITY: WATER PURIFIERS BECOMING ACCESSIBLE TO ALL

The rise in disposable incomes across India has been a key factor in increasing the affordability of water purifiers,

making them accessible to a wider segment of the population. As more households experience greater discretionary spending power, their ability to invest in health-related products, such as water purification systems, has significantly improved.

With higher disposable incomes, households are prioritizing essential goods that enhance their quality of life. Many are transitioning from traditional methods, like boiling water or using basic filters, to more advanced purification technologies like RO or UV purifiers. This rise in affordability is a major driving force, especially in small towns and rural areas. According to data from Research and Markets, the water purifier market in rural areas is expected to grow at a compound annual growth rate (CAGR) of 18% from 2024 to 2029, driven by increasing affordability.

TAP WATER PENETRATION: FUELLING THE DEMAND FOR PURIFIERS

The growing penetration of tap water connections is directly boosting the demand for water purifiers. As more households receive tap water, the need to ensure its safety and purity becomes more pressing.

The Indian government's "Har Ghar Jal" initiative, part of the Jal Jeevan Mission (JJM), aims to provide every rural household with a functional tap water connection by 2024.

As of mid-2024, over 11 crore households have been connected, with the goal of reaching 19 crore households. However, despite increased access to piped water, approximately 70% of it remains contaminated due to infrastructure challenges and inadequate treatment processes.

This situation is driving demand for water purifiers. As more households gain access to tap water, the need for effective purification systems is becoming increasingly critical to ensure safe and clean drinking water.

IN A NUTSHELL: A PROMISING FUTURE FOR INDIA'S WATER PURIFIER INDUSTRY

India's water purifier industry has a long way to go but presents a promising future as an investment opportunity. Investors seeking future growth themes may want to explore companies in the listed space in this sector.

Some companies, such as Eureka Forbes (brand Aquaguard), operate as standalone businesses, while others, like Ion Exchange and Hindustan Unilever (HUL), have a diversified presence in this segment.



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A FERTILE FUTURE AWAITS

India's agrochemical industry is blooming again, resilient in the face of adversity





The Indian agrochemical industry appears to be emerging from a challenging period. The global de-stocking of inventory, combined with stable input costs, is creating a more favourable environment for the sector. Further, a strong forecast for the monsoon season and adequate water levels in key reservoirs across India should help sustain demand momentum in the near- to medium-term.

CHALLENGES IN EXPORTS AMIDST GLOBAL MARKET STRUGGLES

While domestic demand has remained robust, the sector has faced hurdles on the export front, which accounts for roughly half of its revenue. The year 2023 was particularly difficult for the global agrochemical market. Adverse weather conditions led to reduced agricultural incomes, which, in turn, dampened demand for agrochemical products.

Compounding these challenges, China's dumping of surplus products into the global market resulted in oversupply and price erosion.

However, the excess channel inventory is now being liquidated, which is helping to normalize inventory levels. This should support a quicker-than-expected recovery in export demand for India. Moreover, new product launches and expectations of price stabilization are likely to further improve revenue prospects. Favourable trends in raw material costs are also contributing to better profitability for agrochemical companies.

RECOVERY ON THE HORIZON FOR INDIAN AGROCHEMICALS

CareEdge Ratings anticipates the Indian agrochemical industry to grow by 7% to 9% in fiscal year 2024-25. From fiscal year 2020-21 to fiscal year 2023-24, the industry achieved a robust compound annual growth rate (CAGR) of 16%. In the medium term, India's agrochemical sector is expected to grow in revenue to US \$14 billion by fiscal year 2027-28, up from the current US \$10 billion.

In contrast, the global agrochemical market is projected to grow at a slower CAGR of around 3%, reaching US \$90 billion by

2029, from approximately US \$75 billion at present.

CHINA'S INFLUENCE AND SHIFTING EXPORT DYNAMICS

The agrochemical market saw massive expansion in 2021 and 2022. Post-Covid, the global agrochemical sector thrived, with rising product prices driven by supply chain disruptions, increasing agricultural commodity prices, and robust demand from farmers. India's domestic sector also benefited from these global trends, with exports surging by an impressive 28% in fiscal year 2021-22, followed by relatively moderate growth in fiscal year 2022-23.

However, 2023 saw degrowth in the sector. China, which accounts for roughly 15% to 20% of the global agrochemical industry, plays a pivotal role in this shift. Notably, two-thirds of China's pesticide production is geared toward exports. After being severely impacted by the pandemic, China normalized its production in September 2022 and ramped up its agrochemical exports.

By December '23, China's export volumes had increased notably. In June '24, China's agrochemical exports saw a year-on-year (y-o-y) growth of 31%, while India's exports declined by 6% during the same period. So far in 2024, India's exports have recorded an 8% y-o-y decline, whereas China's exports grew by 12%.

In fiscal year 2023-24, India's agrochemical exports

India's Agrochemical Sector

Agrochemicals are broadly categorized into insecticides, herbicides, and fungicides, and they are used both pre-harvest and post-harvest. These chemicals are diluted in recommended doses and applied to seeds, soil, irrigation water, and crops to protect against damage from pests, weeds, and diseases. There are about 30,000 known species of weeds, 3,000 species of nematodes, and 10,000 species of plant-eating insects.

When used judiciously, agrochemicals, also known as crop protection chemicals, help reduce crop losses and are a vital input in agriculture, contributing to higher yields. However, unregulated chemicals and improper usage by farmers can sometimes lead to adverse effects, such as harming the farmer or poisoning the soil.

Globally, agrochemical usage is skewed towards herbicides, whereas in India, it is more focused on insecticides. India is expected to follow the global trend of increasing herbicide consumption in the medium- to long-term.

The United States and Brazil account for over 50% of India's agrochemical exports, which earned the country ₹29,000 crore in foreign exchange during fiscal year 2022-23. In India, Andhra Pradesh, Punjab, Maharashtra, Karnataka, and Gujarat together account for more than 60% of total agrochemical consumption. In terms of crops, paddy and cotton are the major crops that utilize about 60% of the agrochemicals used in the country.

The increased use of bio-pesticides is also an emerging trend in the sector. With growing concerns about health and environmental sustainability, the demand for bio-pesticides is rising. Globally, the bio-pesticides market is projected to grow at a compound annual growth rate (CAGR) of 14.7%, from \$5.3 billion in 2022 to \$8.7 billion by 2025, and India is expected to follow this trend.

experienced a steep y-o-y decline of 20.36%, falling from ₹13,788 crore in fiscal year 2022-23 to ₹11,456 crore, according to data from CareEdge Ratings. This decline was largely due to lower product prices, driven by Chinese dumping in the Indian market, which negatively impacted realizations.

INDIA'S COMPETITIVE EDGE AND CAPACITY EXPANSION

However, the trend appears to be shifting as global inventory levels are cleared. India is expected to resume exports as the supply chain moves towards re-stocking, a trend likely to persist in the near

term. Factors such as the adoption of the China+1 policy, India's low-cost manufacturing advantage, and opportunities from off-patent agrochemical products have helped India become the second-largest exporter of agrochemicals worldwide. The sector has also maintained a consistent capacity expansion plan, and product prices seem to have bottomed out.

According to projections from the Agro Chem Federation of India (ACFI) and EY, India's agrochemical exports are expected to exceed ₹80,000 crore in the next four years, up from ₹43,223 crore in fiscal year 2022-23.

Domestically, it's important to note that the global agrochemical industry is oligopolistic, with a few companies capturing most of the market or garnering most revenue. The sector has also seen a wave of consolidation, with numerous mergers and acquisitions in recent years.

Given its world-class manufacturing, innovation, and quality capabilities, India is well-positioned to form strategic partnerships with global giants.

To capitalize on both global and domestic opportunities, the domestic agrochemical industry has made sizeable

investments in capital expenditure in recent years. According to Care Ratings, capital expenditure by Indian companies is expected to reach ₹9,735 crore in fiscal year 2023-24, up from ₹4,202 crore in fiscal year 2017-18.

THE GROWING IMPORTANCE OF GENERIC AGROCHEMICALS

There is also great potential in the development of generic products. Research indicates that agrochemicals worth around \$6 billion are expected to go off-patent globally by 2030. Once patents expire after 20 years, these products become available as generics. India stands to benefit greatly from this, as the acceptance of generic products is already high among the farming community. This presents a

major opportunity to the domestic sector to meet both domestic and global demand.

INDIA'S AGROCHEMICAL REVIVAL: A GLOBAL LEADERSHIP OPPORTUNITY

India's agrochemical sector has played a pivotal role in making the country self-sufficient in food grains.


Factors such as a growing population, shrinking arable land, labour shortages, and challenges in crop yield have driven the increased use of agrochemicals. It is estimated that 15% to 20% of India's crop output is lost due to pests, weeds, and diseases.

Currently, India uses around 600 gms of agrochemicals per hectare, significantly lower than the global average of 2.6


kilograms per hectare. This indicates a considerable scope for increased agrochemical usage in India. Also, farm economics in the country is improving. Through various policy reforms such as increases in the Minimum Support Price (MSP), crop insurance, and interest subsidies, the government is working to enhance farmers' incomes. These efforts will likely lead to higher consumption in the future.


As global conditions improve for the agrochemical sector, India is expected to be among the first to benefit. It is widely anticipated that the domestic sector may see a revival in the second half of the current fiscal year. In the long term, India is well-positioned to emerge as a global leader in the agrochemical industry.

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DIGITAL DOMINANCE

Indian film producers leverage digital rights to assert dominance amid box office struggles



T

he Indian film industry is currently in a bit of a melodramatic slump, where few films are making a splash at the box office. It's as if the movie business has become one big game of "hit or miss" - and let's be honest, it's more miss than hit these days.

The industry's motto has morphed into: "Chali Toh Bahot Chalegi, Nahi Toh Chalegi Hi Nahi." In simpler terms, a film either becomes a blockbuster sensation or is greeted with the same enthusiasm as a soggy popcorn bucket - there's no in-between.

The current state of affairs is like a high-stakes poker game, but with fewer chips on the table and more bluffing. Films are either dazzling the audience or disappearing faster than a magician's rabbit. This dramatic polarization reflects a broader trend, leaving filmmakers with the impossible task of guessing what will make the audience's hearts race and what will make them hit the snooze button.

Meanwhile, footfalls in theatres have dropped dramatically, and exhibitors are struggling to bump up ticket prices without causing an uproar. So, revenue from the sale of digital rights of films has become a key source of revenues for producers. According to a recent study by Media Partners Asia, revenue from digital rights is poised for a blockbuster growth spurt, outpacing traditional box office collections.

In essence, digital platforms are no longer just the back-up dancers but are now taking centre stage in the film industry's spotlight. With content consumption shifting online, filmmakers are increasingly betting on digital rights to cushion the blow from unpredictable box office returns. So, while the box office may be a gamble, the digital space is looking like a sure bet.

Let us understand the story behind this prediction:

DIGITAL RIGHTS

Film-making has always been a high-stakes game, riddled with uncertainties at nearly every turn. It all begins with the script - finding one that's not only commercially viable but also in tune with shifting audience tastes. A stellar script is a producer's golden ticket; even if the performances fall short, a good script

can often save the day. But just like a well-manufactured car needs fuel, a film needs funding to get off the ground. Add to that the challenge of securing stars or actors, and post-shooting, the whole business changes.

Today, however, before a film even hits the screens, the sale of rights helps producers recover a big portion of their investment. Films come with three major types of rights: overseas rights, music rights, and digital or streaming platform rights. Of these, digital rights (Over The Top (OTT) or streaming platforms' rights) are becoming the hottest commodity. Streaming platforms are constantly on the lookout for fresh content to build their libraries, making digital rights a more reliable and lucrative revenue stream.

Take recent Telugu blockbusters like Kalki 2898 AD, Devara, Pushpa 2: The Rule, Game Changer, and OG. Collectively, their digital rights have fetched producers a staggering ₹1,000 crore. In fact, Pushpa 2: The Rule set a new record with Netflix purchasing its digital rights for ₹275 crore before the film's release. This deal includes a base price of ₹250 crore with bonuses potentially pushing the total to ₹300 crore, depending on box office performance. This deal with Netflix has created a new benchmark for digital rights sales in Indian cinema, by surpassing the previous record held by SS Rajamouli-directed film RRR, which had its digital rights sold for ₹170 crore.

This shows the importance of

the sale of digital rights in recovering investments on a film. According to the FICCI-EY Media and Entertainment 2024 report, revenue from digital rights is expected to grow from ₹3,500 crore in 2020 to ₹4,200 crore by 2026. The Media Partners Asia report highlights that over 300 films were directly released on streaming platforms between 2020 and 2022. This trend reveals that even mid-budget films, which might struggle to secure a multiplex screen, find a lifeline through streaming platforms. So, streaming platforms provide business and distribution to a wide range of films given their high appetite for already-created content.

WILL IT GROW MORE THAN BOX OFFICE REVENUES?

The Media Partners Asia report highlights a massive shift in the Indian film industry: digital streaming rights are now generating 1.5 times more revenue than producers' net share from domestic box office collections.

This trend is expected to intensify over the next four years, with streaming revenues projected to grow at a compound annual growth rate (CAGR) of 8.2%, reaching \$1.1 billion (₹9,130 crore) by 2028, up from \$0.8 billion (₹6,640 crore) in 2024. In contrast, theatrical revenues are forecasted to grow at a slower CAGR of 4.6%, reaching ₹4,980 crore by 2028 from ₹4,150 crore in 2024.

Mihir Shah, Vice President at Media Partners Asia, emphasizes that premium

Video on Demand (VoD) revenues - both from ads and subscriptions - are outpacing traditional box office growth. He said, "As the market expands, streaming majors will continue to invest heavily in local original content, particularly movies. In recent years, to deepen their market presence, established players have also focused on acquiring rights to successful regional movies, given the longer timelines involved in commissioning web series." This push toward digital comes as the ritual of weekend theatre visits fades, with audiences now heading to cinemas mainly for blockbusters like Baahubali, RRR, or Kalki 2898 AD.

With 59 streaming platforms operating in India, competition to create fresh and accessible content is more intense than ever. Streaming giants are investing heavily in local original content, particularly regional films, to capture a growing audience.

According to Media Partners Asia (MPA), India's online video industry could attract investments close to \$17 billion over the next five years. Between 2018 and 2023, investments in local entertainment - including scripted, unscripted, and sports programming - grew to \$5.8 billion from \$3.3 billion, as noted in the report.

Film trade analysts believe the growth in digital rights revenues may outpace theatrical revenues in the coming years. With the ritual of frequent theatre visits becoming less common, a

large section of the audience now reserves cinema trips for cinematic spectacles like Kalki 2898 AD, Baahubali, or RRR.

IN A NUTSHELL

In the coming years, investments in video content are likely to show high growth, driven by the rising consumption of entertainment across all age groups. Streaming platforms will play a key role in this surge, with their planned investments shaping the future of content. According to the Media Partners Asia report, OTT platforms with streaming Video on Demand (VoD) are expected to contribute nearly 50% of new revenue growth in the video economy.

In 2023, investment in India's local entertainment - including scripted, unscripted, and sports programming - reached \$5.8 billion. For comparison, local entertainment investments stood at \$10 billion in Japan, \$6 billion in Korea, and a staggering \$125 billion in the US. On a per capita basis, India's investment in local content is just \$4, whereas it ranges between \$80 and \$370 in the US, Korea and Japan. This points to a massive potential for growth in India's local content landscape.

In India's local entertainment, the role of streaming platforms cannot be overemphasized. This is because there are relatively cheaper means of entertainment in India. So, the sale of digital rights will continue to be a strong and consistent source of revenues for film producers in the coming year.



TOWARDS SELF- SUFFICIENCY

India is committed to boosting domestic urea production to bridge the gap between supply and demand and reduce import reliance

India's urea industry is steadily moving towards self-sufficiency. With the launch of new production plants, the country's dependency on urea imports, which currently meet around 55% of its chemical fertilizer demand, is set to decline significantly in the coming years. Achieving self-sufficiency will provide farmers with easier access to domestically produced fertilizers, while also reducing the nation's import bill.

Over the past decade, demand for urea has consistently outstripped domestic production, leading to a rise in import dependency. In response, the government has taken various measures to reduce its reliance on imports over the years. To enhance domestic production, the government introduced a new investment policy in 2012, later updating it in 2014 and 2015. Under this policy, a total of six new urea plants were planned, including four public sector units and two private sector units. Each plant has an installed capacity of 12.7 lakh metric tonnes per annum (LMTPA).

These plants, with a combined capacity of approximately 7.62 million tonnes - around 25% of the current domestic capacity - have been gradually commissioned over the past five fiscal years. As a result, urea production has increased to 31.41 million metric tonnes (MMT) in FY23-24, up from 22.5 MMT per annum in FY14-15.

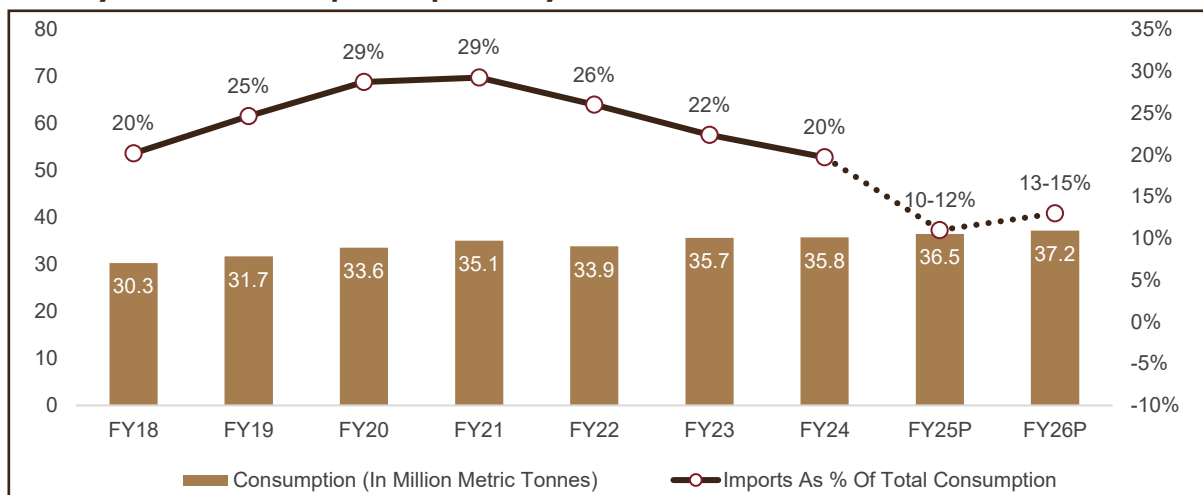
As a result, urea imports saw a 7.1% reduction in FY23-24 compared to FY22-23, with around 7 MMT of urea worth US \$2.61 billion imported during the year. With the expected commissioning of one more plant in FY24-25, import dependency on urea is set to decline further.

Ratings agency Crisil projects that import dependency in the sector will decrease to 10% to 15% in the near- to medium-term. Notably, import dependency had peaked at 30% in FY20-21.

NATURAL GAS - A CHALLENGE

India is firmly committed to increasing domestic urea production, aiming to bridge the gap between production and consumption while reducing its reliance on imports. This shift is evident in India's reduced participation in international urea tenders in recent times. Currently, domestic inventory levels are high, ensuring sufficient availability for the ongoing kharif season.

Healthy Reduction In Import Dependency Of Urea



Source: Crisil Ratings

However, there remains a heavy dependence on natural gas from international markets, as it accounts for 85% to 90% of the cost of urea production. Currently, all urea plants use natural gas as feedstock, replacing coal used in the past. Due to limited domestic supply, over 80% of the country's natural gas needs are met through imported liquefied natural gas (LNG). Fluctuations in the price and availability of LNG have made urea producers vulnerable to global market conditions.

THE SUBSIDY CHALLENGE

Another challenge lies in the disparity between the cost of urea production and the selling price. The urea industry is heavily reliant on government subsidies, which typically account for 80% to 85% of sales. Due to high raw material costs, the production or import cost of fertilizer often exceeds what farmers can afford.

To offset these losses, the

government regulates the fertilizer sector and provides subsidies. Under its subsidy regime, the government ensures that urea and around 24 grades of nitrogen (N), phosphorus (P), potassium (K), and sulphur (S) fertilizers are made available to farmers at subsidized prices through fertilizer manufacturers and importers.

Currently, urea is sold to farmers at a statutorily notified Maximum Retail Price (MRP) of ₹242 per 45 kg bag (excluding charges for neem coating and applicable taxes). This MRP has remained unchanged for decades, despite rising raw material costs. These higher costs are offset by increasing the subsidy. Research indicates that the MRP of urea is approximately one-tenth of the cost of production, while for other fertilizers, the price is nearly one-third of the production cost.

IN A NUTSHELL

Thus, the profitability of urea

companies largely depends on government subsidy transfers. Fortunately, the government has been disbursing subsidies in a timely manner in recent years, helping maintain the sector's fundamentals. This year's budget has allocated ₹1.19 lakh crore for urea subsidies, an amount experts believe is sufficient.

While timely subsidy releases benefit the working capital of urea companies, higher capacity utilization will enhance their operating efficiency and profitability in the near term.

Additionally, with expectations of stable natural gas prices, profitability for urea companies is likely to remain robust.

Chemical fertilizers are important for boosting agricultural productivity and achieving self-reliance in agricultural produce. With the introduction of new capacities, the urea sector in the country has made come a long way.

Is India Self-Reliant In Fertilizers?

No, India is not fully self-reliant in fertilizers. While the country is progressing toward self-sufficiency in urea, 25% of urea is still imported. India remains heavily dependent on imports for raw materials such as rock phosphate, phosphoric acid, ammonia, and gas. Specifically, the import dependence for natural gas, used in urea production, is about 80%. For phosphatic fertilizers, over 90% of the demand is met through imports, either as finished products or raw materials. Also, India is 100% import-dependent for muriate of potash (MOP).

What Are The Current Production Levels?

The government has implemented various measures over the last decade, resulting in an increase in total fertilizer production from 38.5 MMT in 2014-15 to 50.33 MMT in 2023-24. Urea production has risen from 22.5 MMT per annum in 2014-15 to a record 31.47 MMT in 2023-24. DAP production grew from 3.9 MMT in 2018-19 to 4.29 MMT in 2023-24. Similarly, the production of NPK fertilizers increased from 8.9 MMT to 9.54 MMT during the same period, supported by 22 P&K fertilizer manufacturing units. SSP production also rose from 4.07 MMT in 2018-19 to 4.44 MMT in 2023-24, with 104 SSP manufacturing units contributing to this growth.



CLIMATE CONUNDRUM

Achieving India's net-zero carbon emissions target by 2070 requires balancing economic growth, securing investments, and advancing technology



At the COP26 summit, India made an ambitious pledge to achieve net-zero carbon emissions by 2070. This long-term target presents an enormous opportunity and challenge for India, requiring fundamental shifts in critical sectors like power, industry, and transportation.

Transitioning these sectors from current carbon-intensive production methods to low-carbon technologies will be essential. However, managing economic growth while minimizing the adverse impact on businesses and society will be equally important.

In essence, India's net-zero goal is not just about reducing emissions, it's also poised to be the country's biggest infrastructure and employment generation opportunity over the next 50 years. To meet this target, the country must dramatically scale up renewable energy production.

For instance, solar and wind energy installations need to grow by 70 times their current levels to reach a staggering 7,700 gigawatts (GW) by 2070. Additionally, India will need to establish infrastructure capable of supporting the production of 114 million metric tonnes per annum (MMTPA) of green hydrogen, a vital source of clean energy.

The financial implications of this transition are staggering. Estimates suggest that transitioning the electricity, industrial, and transportation sectors to meet the 2070 net-zero target, will require over US \$10.1 trillion in investments.

However, current capital sources can cover only about US \$6.6 trillion, leaving a deficit of approximately US \$3.5 trillion. This shortfall highlights the urgent need for innovative financing solutions, international co-operation, and stronger policies to mobilize additional resources.

THE GROWING CARBON FOOTPRINT

While India is not the largest carbon emitter globally, its carbon footprint is expanding rapidly as it continues to develop. India's emissions are projected to peak between 2040 and 2045, largely driven by its energy sector, which is heavily reliant on coal for electricity generation. Additionally, industrial activities

such as manufacturing, construction, and transportation contribute significantly to the country's greenhouse gas (GHG) emissions.

Given these realities, India's transition to a net-zero economy cannot be achieved overnight. Decarbonizing key sectors like energy, industry, and transportation is essential, but these sectors also underpin economic growth and development. The challenge is to find a balance between reducing emissions and sustaining economic progress, particularly as India works to lift millions of its citizens out of poverty.

A COMMITMENT TO CLIMATE ACTION

India's government has demonstrated its commitment to climate action, aiming to meet the 2070 net-zero target through a series of strategic measures. The focus must remain on phasing out fossil fuels and investing in clean technologies. This will require coordinated efforts between the private sector and government to transition to sustainable practices without jeopardizing economic growth.

The private sector has a critical role to play in this green transition. Many businesses are increasingly focusing on sustainability, driven by both regulatory pressures and market demand. Yet, transforming India's energy landscape requires a comprehensive approach that integrates government policy, financial incentives, technological innovation, and

active participation from local communities.

India's priority is economic growth, which, in turn, drives surging energy demand. The solution to meet this demand sustainably lies in a rapid expansion of renewable energy. However, achieving this is easier said than done. The Carbon Markets Association of India (CMAI) has identified several pillars that are key to building a renewable energy strategy: setting clear targets, attracting investments, improving efficiency, and ensuring affordability.

Government policies must reinforce support for renewable energy by providing incentives, tax benefits, and a stable regulatory environment. Financial incentives such as subsidies and low-interest loans would make renewable projects more viable. Moreover, investments in grid infrastructure and energy storage solutions are critical to managing the intermittent nature of renewable energy sources like solar and wind.

TECHNOLOGY AND INNOVATION: DRIVING THE ENERGY TRANSITION

Technological advancements are pivotal to India's clean energy transition. Increasing research and development funding for advanced renewables like offshore wind, floating solar, and green hydrogen production will open new possibilities for clean energy. By scaling up the domestic manufacturing of renewable energy equipment and components, India can

reduce costs, create jobs, and foster innovation in areas such as smart grids and microgrid solutions.

India is already taking steps to develop green hydrogen production capabilities. The National Green Hydrogen Mission, launched in 2021, aims to reduce fossil fuel imports and cut carbon emissions by 50 million tonnes annually by 2030. This mission is expected to play a pivotal role in decarbonizing industries like steel, cement, and fertilizers, which are among the largest green house gas (GHG) emitters.

FINANCING THE GREEN TRANSITION

The financial requirements for India's net-zero transition are immense. A strategic mix of public and private funding will be necessary to bridge the US \$3.5 trillion investment gap. Green bonds, climate-friendly investment strategies, and carbon markets are some of the mechanisms that can help attract private sector funds. In addition to this, pilot projects in carbon capture and storage (CCS) technologies could offer solutions for hard-to-abate sectors.

India is also positioning itself as a global leader in green finance. In February '23, the government pledged US \$4.3 billion in green technology investments to clean up the economy and create jobs. Investment in renewable energy projects is expected to rise by more than 83% in 2024, with significant capital flowing into solar, wind, and green hydrogen sectors.

While the central government plays a leading role in shaping India's renewable energy policies, state governments also have a significant part to play. However, state-level policies and regulations are not always aligned with national goals, and inconsistencies can create hurdles for renewable energy deployment.

State-level policy reforms are critical to accelerating the adoption of renewable energy. They have the potential to drive renewable energy adoption, from large-scale grid projects to rooftop solar installations. By ensuring that state policies support renewable energy initiatives, India can maximize its renewable energy capacity.

CHALLENGES AHEAD: COAL DEPENDENCY AND INSUFFICIENT INFRASTRUCTURE

One of the most significant challenges in India's net-zero journey is its reliance on coal. Despite efforts to reduce coal consumption, India plans to increase domestic coal production until 2040 to reduce its dependence on imports. While this may seem counterintuitive, the government argues that domestic coal production is necessary to meet India's growing energy needs during its transition to cleaner energy sources.

However, India's coal use could peak much earlier than anticipated if significant investments are made in renewable energy infrastructure. Current rates of

solar and wind power installations are far below what is required to meet the 500 GW clean energy capacity target by 2030. As of 2023, India had installed just 45 GW of wind power, far behind global leaders like China and the United States.

India's net-zero commitment by 2070 is an ambitious goal that will require unprecedented levels of investment, innovation, and international cooperation.

While the country has made significant strides in renewable energy, there are still substantial challenges to overcome. Closing the investment gap, scaling up infrastructure, and fostering technological advancements are critical to the success of India's green transition.

The global community also has a responsibility to support India's efforts. Developed countries must stand by their commitments to provide

financial and technological assistance to help developing nations like India transition to a low-carbon economy. Domestically, India must continue to focus on transparent, inclusive, and sustainable policies that balance economic growth with environmental stewardship. Only through a coordinated, multi-stakeholder approach can India achieve its ambitious net-zero target and contribute meaningfully to the global fight against climate change.



EXPLORE A GAMUT OF INVESTMENT OPPORTUNITIES

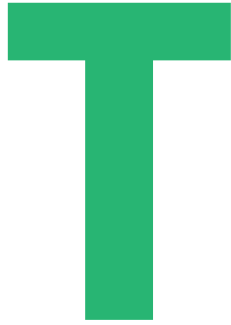


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LEAN AND MEAN

FMCG players are shrinking their packs, going niche, and shedding assets to bulk up their bottom lines





The political turmoil in Bangladesh, including the recent ousting of Prime Minister Sheikh Hasina, has created ripples that extend into the fast-moving consumer goods (FMCG) sector. Companies operating in Bangladesh, such as Marico, Dabur, Godrej, Emami, Nestle, Pepsi-co, Coca Cola and Hindustan Unilever, are facing operational challenges. The uncertainty is impacting their business, with some companies suspending operations or advising employees to work from home.

The crisis could also affect trade and investment flows between the two countries, particularly in sectors like cotton yarn, where Bangladesh is a significant market. While the overall impact on India's trade volumes may be limited, specific industries may experience disruptions or opportunities as the situation evolves.

Though Bangladesh is a key trade partner for India, the recent political crisis there is unlikely to gravely affect India's overall trade volumes. Exports to Bangladesh make up only 2.5% of India's total merchandise exports. Experts note that political turmoil typically has minimal long-term effects on FMCG companies, which is why their stock prices have not experienced notable declines.

TRANSFORMATIONS IN INDIA'S FMCG SECTOR: TRENDS AND IMPACTS

Indian manufacturing companies having business, project operations or supply linkages in Bangladesh are likely to witness some disruption and uncertainty in the near term. Importantly, the current scenario may lead to deferment or slowdown of fresh investments by Indian companies in the neighbouring country pending the establishment of a stable government, experts opined.

Saugata Gupta, Managing Director and CEO of Marico, whose 44% of international revenue comes from Bangladesh, said, "The Bangladesh business has held firm in a challenging environment on the back of a broad-based and robust portfolio. We remain watchful in the current on-ground situation."

The FMCG companies have paused their operations in the neighbouring country due to concerns regarding safety and security of their employees.

PERFORMANCE OF FMCG COMPANIES IN INDIA

The FMCG sector in India stands as a pillar of the country's economic landscape. From the soap we use to the tea we sip, FMCG products have been integral to the daily life and an important part of the Indian economy.

However, this sector is at a pivotal moment, confronting various transformative changes driven by evolving consumer behaviours, technological advancements, and market dynamics.

FMCG margins are expected to gain from lower costs, but sales growth faces a big risk, experts said.

The FMCG industry reported a sharp drop in volume growth in the food and non-food categories in the June quarter, largely due to a slowdown in sales of packaged foods such as salt, flour and cooking oil, according to consumer intelligence company NielsenIQ (NIQ).

FMCG volumes grew 3.8% year-on-year in the June quarter, slowing down both sequentially and from a year earlier, NIQ said in its quarterly update on the sector released recently. Volumes increased 7.5% in the June quarter last year.

Rural growth outpaced urban demand for the second consecutive quarter, according to Nielsen IQ. The numbers, however, reflected weakening consumer demand due to broader macroeconomic headwinds, Nielsen IQ said in

its report.

“The Indian FMCG industry growth has been steady, reflecting its resilience and adaptability. The sector experienced a 4% value growth in Q2, 2024, attributed to relaxed consumption patterns. This deceleration in volumes is largely due to macroeconomic headwinds. While rural volume growth at +5.2% continues to outpace the 2.8% growth in urban areas, both regions experienced softer consumption this quarter,” said Roosevelt Dsouza, Head of Customer Success – India at Nielsen IQ.

Overall, the sector reported a 4% jump in value growth and a 0.2% jump in price-led growth. The data suggests that companies did not rely on excessive price hikes to derive growth in the June quarter. However, the numbers are a drag in comparison to the year-ago period.

In the June quarter of 2023, the industry reported a 12.2% jump in value growth; volumes grew 7.5% while price-led growth stood at 4.4%. Last year, companies had increased prices to counter accelerating inflation. However, the price hikes have since eased. (Nielsen IQ follows a calendar year).

RETURN OF RURAL

Rural volumes grew at a faster pace in the June quarter, broadly reflected in the trends reported by several large consumer goods makers in their quarterly earnings. Urban volume growth eased from

10.5% reported a year ago.

In the quarter gone by, most companies were encouraged by the rebound in rural demand but cautioned against tepid consumer sentiment overall.

“I think overall the rural demand is coming back. If you ask me, it’s a large long-term impact happening. Inflation (is) going down, (and) the elasticity of demand (is) working very well. As inflation goes down, price premium goes down, more traction happens in discretionary & staples. That is what is given and that is getting built up by good harvest, normal monsoon, government initiative of putting in a lot of infrastructure, more employment opportunities, MNREGA outlay going up among others and new schemes being announced by the government. So, I think all that is leading to a better sentiment. And this better sentiment generally leads to better consumption,” Mohit Malhotra, Dabur India’s Chief Executive Officer said during the company’s earnings call.

However, he added that not everything is “hunky dory” because the overall FMCG market continues to go down. The timely arrival of the monsoon coupled with a budget focussed on rural employment and infrastructure and agriculture will help in the gradual recovery of the sector, Malhotra said.

MODERN TRADE TRENDS IN INDIA

According to NielsenIQ, India

is leading the Asia-Pacific region in modern trade growth. The premium segment constitutes a substantial portion of FMCG sales, and festive seasons play a key role in driving sales.

Despite inflationary pressures, modern trade channels continue to show resilience, with a noticeable shift towards smaller pack sizes and an increasing presence of private labels and small players. These trends indicate a shifting balance in market dynamics and consumer preferences.

Within the FMCG industry, large companies continued to demonstrate stronger performance than small and mid-sized entities. The smaller companies face challenges in keeping prices stable, thereby impacting their sales volumes.

Meanwhile, categories such as soft drinks, packaged drinking water, prickly heat powder, and glucose powder reported strong growth in the June quarter, helped by an intense summer across the country. Soft drinks grew at twice the pace of the broader FMCG category.

CHANGING DISTRIBUTION DYNAMICS

In the past, dominance in FMCG was largely defined by the extent of a company’s distribution network. The larger the reach, the greater the market influence. With over 14.6 million retail outlets in India, a vast distribution network was once the key to market success. Today, this model is undergoing a radical shift.

The rise of e-commerce, quick-commerce platforms like Blinkit, and direct-to-consumer (D2C) channels has revolutionized access to consumers.

While traditional distribution channels remain relevant, new digital and logistics innovations are enabling smaller and more agile brands to compete effectively. This democratization of distribution is reshaping the competitive landscape and empowering a new generation of brands to emerge.

THE EMERGENCE OF FOUR DISTINCT CATEGORIES

Previously, the Indian market was broadly categorized into urban and rural segments. Now, it encompasses four distinct categories: urban, rurban (semi-urban), rural, and deep-rural. Each of these segments presents its own unique challenges and opportunities. The rise of digital channels means that these markets are now accessible in both physical and virtual forms. Companies must tailor their strategies to address the diverse needs and preferences of each segment to remain competitive.

THE SHIFT IN PREMIUM BRANDING

The concept of premium brands is becoming increasingly fluid. What was once considered a luxury is now available in more accessible formats. Brands that were once classified as premium are now being offered in smaller, affordable packs, making them accessible

to a broader audience. This shift is forcing companies to rethink traditional definitions of premium and mass-market segments and innovate beyond conventional branding strategies.

THE RISE OF SMALL AND NICHE BRANDS

Consumer sentiment is shifting towards smaller, niche brands that emphasize sustainability, health, and authenticity. These brands are capturing the attention of a segment of consumers who are increasingly critical of long-standing, mainstream brands.

As these niche brands grow, they pose a significant challenge to established players, compelling them to adapt and innovate to maintain their market positions.

THE ASSET-LIGHT MODEL

The asset-light business model is gaining traction in the FMCG sector. New brands are leveraging digital platforms, outsourcing production, and utilizing pop-up facilities to avoid the overhead costs associated with traditional manufacturing. This model allows companies to remain flexible and adapt quickly to changing market conditions, reshaping how production and distribution are managed.

PORTFOLIO DIVERSIFICATION

The current FMCG landscape demands a comprehensive portfolio strategy. Companies need to cater to a wide range

of consumer segments, from the economically weaker to the affluent. This ensures that brands can tap into diverse market opportunities and mitigate risks associated with focusing on a single segment.

THE GENERATIONAL SHIFT

The rise of Generation Alpha, who will become the largest living generation by the end of 2025, represents a big change. Understanding and catering to the preferences, aspirations, and values of this new generation will be crucial for future success. Brands must adapt their strategies to resonate with this demographic to stay relevant.

IN A NUTSHELL

The Indian FMCG sector is navigating a complex and rapidly changing environment.

Key trends include the transformation of distribution dynamics, evolving market segmentation, the blurring of premium branding lines, the rise of small and niche brands, the adoption of asset-light models, the need for diversified portfolios, and the influence of generational shifts. These changes are reshaping the sector, presenting both challenges and opportunities. Companies that can adapt to these trends and innovate will be well-positioned to thrive in this new era of FMCG.

As the sector continues to evolve, staying attuned to these shifts and understanding their implications will be important for stakeholders across the FMCG sector.



GLEAMING GAINS

Investors can hedge their bets and diversify with physical gold, ETFs, mutual funds, or SGBs ~ each offering its own blend of liquidity, tax perks, and hassle-free convenience



Gold has glittered through 2024, emerging as the best-performing asset class of the year so far. Since 3rd January, gold prices have surged by 22.7%, climbing from US \$2,042.1 per ounce to US \$2,506.15 by 7th September. In rupee terms, the price of gold has seen a similar remarkable rise, increasing from ₹54,670.6 per ten grams on 3rd January to ₹71,460 by 7th September.

The shift toward gold was largely influenced by geopolitical tensions, especially after Russia's invasion of Ukraine. In response to US sanctions, including the freezing of Russia's dollar assets, countries worldwide began reducing their dollar reserves and turning to gold. This global central bank demand for gold, driven by the need to diversify reserves amidst ongoing geopolitical unrest, has resulted in a significant appreciation in gold prices, even as US interest rates have remained high - normally a factor that would depress gold prices.

In July '24, global central banks purchased 37 tonnes of gold, marking a 206% month-on-month increase and the highest monthly total since January '23, when 45 tonnes were acquired. The Reserve Bank of India (RBI) also added 5 tonnes of gold in July '24, continuing its monthly gold purchases throughout the year. By July, India's gold reserves had reached 846 tonnes, reflecting an increase of 43 tonnes from January to July '24.

There are differing opinions on whether gold consistently serves as an effective hedge against inflation, as historical data shows instances where gold prices have remained relatively stable despite high inflation. However, there is no doubt that during times of uncertainty, geopolitical tension, and economic volatility, gold is widely regarded as a safe haven due to its liquidity and universal acceptance.

Moreover, anecdotal evidence suggests that when the interest rate cycle reverses, that is, the US interest rates start their declining trend, which is evidently imminent, the precious metal tends to rally, a scenario that is being predicted by many well-known market experts. Moreover, anecdotal evidence suggests that when the interest rate cycle reverses and the US interest rates begin to decline - a trend many experts predict to be imminent - gold tends to rally, a scenario predicted by many well-known market experts.

Regardless of current gold prices, many financial experts advocate for gold as an essential investment for portfolio diversification, typically recommending an allocation between 5% and 10%.

What options are available to include gold in one's portfolio? Investors have several options to include gold in their portfolios: physical gold, gold exchange-traded funds (ETFs), gold mutual funds, or sovereign gold bonds (SGBs).

• Physical Gold

This includes purchasing gold bars, coins, or jewellery. For pure investment purposes, gold bars and coins are preferable as jewellery often incurs additional making and design charges, which can reduce or affect overall returns. The challenge with physical gold is ensuring secure storage, which may involve renting a locker or other security measures to ensure that it is safe.

• Gold ETFs

These involve investing in gold electronically or in dematerialized form, with the investment backed by gold bullion. Gold ETFs are designed to mirror the price of domestic physical gold, providing exposure to the metal without the need to manage it physically or worry about its purity. Gold ETFs can be bought and sold on the Bombay Stock Exchange (BSE) or National Stock Exchange (NSE) during market hours, similar to trading shares of companies. A demat account is required to buy ETFs, as is

the case for trading in equity shares, and the latest budget mandates that gold ETFs held for less than a year are taxed at the applicable slab rate, while investments held for over a year are subject to long-term capital gains tax of 12.5%, without indexation.

• Gold Mutual Funds

A gold mutual fund is an open-ended investment vehicle that invests in gold ETFs and gold mining firms. In India, most gold mutual funds follow a fund-of-funds (FoFs) structure, meaning they invest primarily in gold ETFs backed by a bullion.

Examples include HDFC Gold Mutual Fund, which invests in HDFC Gold ETF, Aditya Birla Sun Life Gold Fund, which invests in Aditya Birla Sun Life Gold ETF, and Canara Robeco Gold Savings Fund, which invests in Canara Robeco Gold ETF. For investors not having a demat account, gold mutual funds are a suitable investment vehicle, managed by professional investment professionals, providing exposure to the precious metal without the complexities of physical storage or management.

Returns on gold mutual funds are categorized as short-term if they are held for less than two years post 1st April '25, and are taxed at the applicable slab rate while long-term capital gains are taxed at 12.5% without indexation.

• Sovereign Gold Bonds (SGBs)

Issued by the Reserve Bank of India (RBI) on behalf of the

government of India, Sovereign Gold Bonds are an alternative to holding physical gold.

Denominated in grams of gold with the minimum investment being 1 gram and the maximum being 4 kg for retail investors, these bonds pay an interest at 2.5% p.a. on the initial investment until maturity, with payouts made twice annually, and are credited directly to the investor's account.

The bonds are typically issued four times every financial year. The bonds have an eight-year tenure, with premature redemption allowed after the fifth year on coupon payment dates. The redemption price is the average closing price of gold of 999 purity in the previous three working days.

The advantage is that this investment provides a fixed rate of interest through the tenure on the invested value with the final returns being linked to the price of gold at the time of redemption.

The interest earned on the SGBs is taxed as per the provisions of the Income Tax Act of 1961, but capital gains from bond redemption are exempt from tax. However, if the bonds change hands, after 23rd July '24, no indexation benefits apply.

For investors who prefer flexibility and ease of access, gold ETFs and mutual funds are convenient choices, as they are not bound by the specific issue dates or lock-in periods of SGBs. When deciding between gold ETFs and mutual funds, consider

factors such as:

- **Ticket Size:** The minimum investment permissible in a gold mutual funds can be as low as ₹1,000, while gold ETFs require an investment equivalent to 1 gram of gold.

- **Investment Process:** To invest in a gold ETF, a demat account is a prerequisite. On the other hand, gold mutual funds, just like any mutual fund investment, can be purchased from the mutual fund house that offers the product directly online or through an agent.

- **Liquidity And Pricing:** Gold ETFs are listed on the exchange, and, hence, can be bought and sold during market hours at any time during the day provided buyers and sellers are available.

In the case of gold mutual funds, the investor has to buy or sell the units of his gold investment to the mutual fund house. He will receive the day-end net asset value (NAV). Hence, since gold ETFs are traded on the stock exchange, the investor will get the real-time price, while in the case of a gold mutual fund, the reported day-end NAV will be the entry or exit price.

- **Expenses:** The annual cost for gold ETFs which include brokerage and other charges is between 0.5% and 1.0% annually. The expenses of gold mutual funds, which include the management fees and ETF fees, tend to be higher. Moreover, in case of gold mutual funds, most fund houses have an exit load if the

investment is sold within a year of purchase, which adds to the cost. No such thing exists for gold ETFs.

• **Taxation:** In the case of gold ETFs, after the latest budget, the holding period for the investment to be categorised as long-term is one year, while the same for gold mutual funds is two years.

• **Recurrent Investment:** Investing in gold mutual funds through a Systematic Investment Plan (SIP) offers a disciplined approach, allowing investors to contribute as little as ₹1,000 to benefit from rupee cost averaging. In contrast, Gold ETFs lack this option, requiring investors to manage their investments independently if they aim to

invest regularly

Gold ETFs and gold mutual funds have their pros and cons, leaving it to the investor to decide which of the investment options is more appropriate based on personal choices. Consider factors such as taxation, ease and convenience (demat account/ ticket size/ SIPs/ desire for real-time prices), costs involved and liquidity before deciding which one is the appropriate option to meet the investment goals.

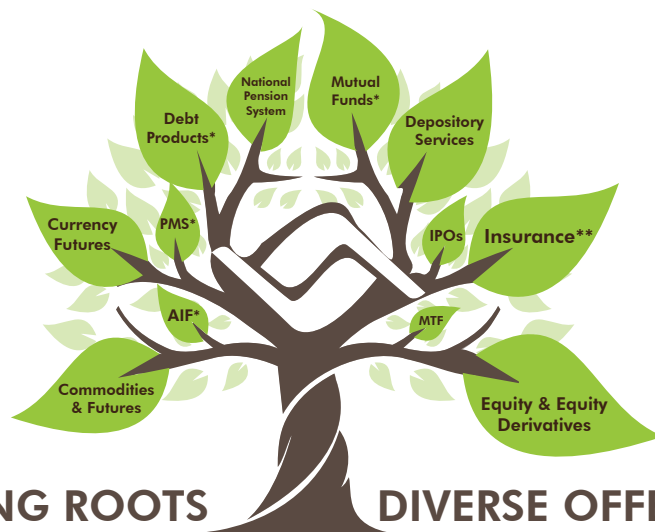
IN A NUTSHELL

The need to have exposure to gold in one's portfolio cannot be overstated because of its ability to reduce portfolio risk and enhance stability over

extended periods. Gold investment offers significant diversification benefits, particularly due to gold's low correlation with other asset classes during times of economic turmoil and geopolitical uncertainty.

Investing and tracking the performance of gold investment has been made easy with the availability of digital options that make portfolio management easier (rebalancing) as compared to physical gold, which sits in lockers.

If this precious metal doesn't find a place in your portfolio, it is time to choose between the product options available to manage the portfolio's risks better.



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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	231.7	40.4	18.0	21.5	15.7	14.6	2,343
ICICI Prudential Bluechip Fund - Growth	110.8	37.4	19.6	22.5	16.3	15.1	64,223
Invesco India Largecap Fund - Growth	70.9	39.6	16.7	21.3	15.3	14.4	1,238
Kotak Bluechip Fund - Reg - Growth	580.3	33.4	15.1	21.2	15.1	14.3	9,465
Nippon India Large Cap Fund - Reg - Growth	90.4	35.0	22.0	23.5	16.5	15.6	32,884
Nifty 100 TRI	35917.8	33.4	15.3	20.6	15.4	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	101.4	59.5	27.0	32.9	21.0	20.8	7,401
Mahindra Manulife Mid Cap Fund - Reg - Growth	35.1	52.9	27.3	31.9	--	--	3,293
Mirae Asset Midcap Fund - Reg - Growth	37.5	40.7	21.9	30.3	--	--	17,561
Nippon India Growth Fund - Reg - Growth	4211.7	51.5	27.3	32.5	21.1	19.6	33,707
Tata Mid Cap Growth Fund - Reg - Growth	455.8	46.7	23.3	28.6	18.6	18.5	4,514
Nifty Midcap 150 TRI	28091.5	47.4	26.5	32.3	20.2	20.4	--

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	46.0	43.1	25.5	35.0	--	--	4,142
Mahindra Manulife Small Cap Fund - Reg - Growth	21.4	58.4	--	--	--	--	5,279
Quant Small Cap Fund - Growth	282.4	53.9	31.0	49.0	27.7	21.9	25,535
Nifty Smallcap 250 TRI	23411.6	52.4	26.9	33.4	17.5	17.6	--

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	89.4	42.1	19.8	24.9	17.5	16.2	3,655
Kotak Equity Opportunities Fund - Reg - Growth	349.2	41.0	21.0	25.2	17.2	17.2	25,293
Mahindra Manulife Large & Mid Cap Fund	28.4	36.9	20.0	--	--	--	2,570
Tata Large & Mid Cap Fund - Reg - Growth	555.3	33.9	18.8	22.9	16.4	15.6	8,412
UTI Large & Mid Cap Fund - Growth	184.8	47.4	23.1	26.3	17.0	15.4	3,931
NIFTY Large Midcap 250 TRI	21515.3	40.4	20.9	26.4	17.9	17.4	--

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	17.9	40.7	--	--	--	--	2,488
HDFC Multi Cap Fund - Reg - Growth	19.9	43.7	--	--	--	--	17,186
HSBC Multi Cap Fund - Reg - Growth	19.3	52.1	--	--	--	--	4,088
Mahindra Manulife Multi Cap Fund - Reg - Growth	36.8	44.3	22.0	29.0	19.2	--	4,686
Nippon India Multi Cap Fund - Reg - Growth	303.6	42.9	28.5	28.4	19.3	16.4	38,115
NIFTY 500 Multicap 50:25:25 TRI	21720.3	41.6	21.0	26.8	17.3	16.7	--

FlexiCap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HSBC Flexi Cap Fund - Growth	225.9	45.3	19.9	23.9	14.6	14.4	5,078
ICICI Prudential Flexicap Fund - Reg - Growth	19.5	43.7	22.2	--	--	--	17,167
Mirae Asset Flexi Cap Fund - Reg - Growth	15.7	30.6	--	--	--	--	2,274
Parag Parikh Flexi Cap Fund - Reg - Growth	80.3	35.4	17.2	26.5	20.3	18.4	78,490
WhiteOak Capital Flexi Cap Fund - Reg - Growth	17.1	37.5	--	--	--	--	4,026
S&P BSE 500 TRI	48049.6	37.0	18.0	23.4	16.5	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	56.9	32.2	6.2	16.1	12.2	14.0	14,156
Bandhan Focused Equity Fund - Reg - Growth	87.8	43.4	17.7	21.4	12.8	13.0	1,744
HDFC Focused 30 Fund - Growth	222.5	41.2	27.6	25.6	16.1	14.5	14,330
Nippon India Focused Equity Fund - Reg - Growth	123.9	29.9	17.4	24.0	15.3	15.7	8,887
UTI Focused Fund - Reg - Growth	16.6	37.3	17.2	--	--	--	2,880
S&P BSE 500 TRI	48049.6	37.0	18.0	23.4	16.5	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	53.1	49.3	27.8	28.3	17.3	16.2	4,841
Tata Dividend Yield Fund - Reg - Growth	18.9	36.9	18.8	--	--	--	1,032
Nifty 500 TRI	37824.5	37.4	18.0	23.3	16.4	15.3	--

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	157.2	38.8	23.3	28.8	16.5	17.1	10,412
SBI Contra Fund - Growth	399.4	41.7	27.3	32.6	20.1	17.8	39,433
Nippon India Value Fund - Reg - Growth	235.0	52.8	24.7	28.1	18.6	17.6	8,752
S&P BSE 500 TRI	48049.6	37.0	18.0	23.4	16.5	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	159.9	31.7	19.7	25.8	16.6	16.8	7,235
Kotak ELSS Tax Saver Fund - Reg - Growth	121.7	37.7	19.8	24.0	16.6	16.6	6,298
Mahindra Manulife ELSS Tax Saver Fund - Reg	29.3	29.6	16.1	22.2	13.6	--	973
Parag Parikh ELSS Tax Saver Fund - Reg - Growth	31.1	32.9	19.4	25.1	--	--	4,152
Tata ELSS Tax Saver Fund - Reg - Growth	46.1	35.7	18.4	21.8	15.1	--	4,806
Nifty 500 TRI	37824.5	37.4	18.0	23.3	16.4	15.3	--

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	126.4	23.3	13.6	16.1	10.9	14.8	8,176
Nippon India Pharma Fund - Reg - Growth	523.9	48.6	18.6	30.0	22.2	16.2	8,648
Tata Digital India Fund - Reg - Growth	53.5	43.6	12.6	28.6	27.5	--	12,041
ICICI Prudential Business Cycle Fund - Reg - Growth	23.6	42.0	23.9	--	--	--	11,535
Mirae Asset Great Consumer Fund - Growth	101.5	43.7	22.5	25.2	18.6	18.0	4,233
Quant Quantamental Fund - Reg - Growth	25.3	51.7	31.9	--	--	--	2,702
Nifty 500 TRI	37824.5	37.4	18.0	23.3	16.4	15.3	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
Bandhan Arbitrage Fund - Reg - Growth	30.8	6.9	7.4	7.5	7.2	5.9	6,723
Edelweiss Arbitrage Fund - Reg - Growth	18.4	6.8	7.4	7.6	7.2	6.1	12,305
Invesco India Arbitrage Fund - Growth	30.3	7.0	7.5	7.6	7.4	6.3	17,362
Kotak Equity Arbitrage Fund - Reg - Growth	35.5	6.9	7.6	7.8	7.5	6.2	53,423
Tata Arbitrage Fund - Reg - Growth	13.6	6.8	7.3	7.5	7.1	5.8	11,802
Nifty 50 Arbitrage Index	2374.2	5.1	7.0	7.5	7.4	6.1	--

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	24.1	17.4	9.5	11.6	9.6	--	472
HDFC Equity Savings Fund - Growth	64.4	17.1	10.7	12.2	9.5	9.8	5,052
Kotak Equity Savings Fund - Reg - Growth	25.6	20.1	12.6	12.5	10.1	--	7,115
NIFTY 50 Hybrid Composite Debt 65:35 Index	20279.2	20.6	11.5	15.9	12.9	12.0	--

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	17.4	63.0	--	--	--	--	1,732
Motilal Oswal Nifty Midcap 150 Index Fund	38.6	46.1	25.2	31.0	--	--	1,866
Motilal Oswal Nifty Next 50 Index Fund	25.9	62.7	20.1	--	--	--	292
Motilal Oswal Nifty Smallcap 250 Index Fund	39.9	50.4	25.1	31.5	--	--	822
Nippon India Nifty Midcap 150 Index Fund	25.2	46.1	25.2	--	--	--	1,585
Tata Nifty Midcap 150 Momentum 50 Index Fund	19.5	58.2	--	--	--	--	575
Nifty 500 TRI	37824.5	37.4	18.0	23.3	16.4	15.3	--

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	51.2	25.7	12.5	17.4	12.9	11.8	12,399
HDFC Balanced Advantage Fund - Growth	510.9	33.1	23.1	22.2	16.4	15.0	95,392
Nippon India Balanced Advantage Fund - Reg	174.4	24.6	12.7	14.4	10.7	11.0	8,803
Tata Balanced Advantage Fund - Reg - Growth	20.4	20.1	12.1	14.9	--	--	10,208
NIFTY 50 Hybrid Composite Debt 65:35 Index	20279.2	20.6	11.5	15.9	12.9	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 Aggressive Hybrid Fund	28.3	31.9	15.1	19.2	14.9	--	1,171
Kotak Equity Hybrid Fund - Growth	62.6	32.8	17.2	21.1	14.9	--	6,510
Mirae Asset Aggressive Hybrid Fund - Reg - Growth	32.2	27.0	13.3	17.7	13.4	--	9,381
Tata Hybrid Equity Fund - Reg - Growth	448.5	26.3	13.8	17.1	11.8	12.0	4,268
NIFTY 50 Hybrid Composite Debt 65:35 Index	20279.2	20.6	11.5	15.9	12.9	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	11.9	--	--	--	--	--	1,987
Mirae Asset Multi Asset Allocation Fund	11.4	--	--	--	--	--	1,638
Nippon India Multi Asset Fund - Reg - Growth	20.4	31.7	16.5	--	--	--	4,095
Tata Multi Asset Opportunities Fund - Reg - Growth	22.7	24.7	14.5	--	--	--	3,263
UTI Multi Asset Allocation Fund - Growth	73.6	38.9	18.5	17.3	12.3	10.3	3,460
WhiteOak Capital Multi Asset Allocation Fund	12.7	21.5	--	--	--	--	745
NIFTY 50 Hybrid Composite Debt 65:35 Index	20279.2	20.6	11.5	15.9	12.9	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	22.4	22.2	15.1	12.9	12.1	9.0	2,295
Kotak Gold Fund - Reg - Growth	28.8	22.1	14.6	12.6	12.7	9.1	1,977
Nippon India Gold Savings Fund - Reg - Growth	28.6	22.0	15.0	12.7	12.2	8.9	1,907
Prices of Gold	72947.0	23.4	16.4	14.0	13.7	10.5	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1307.8	6.3	6.3	6.4	6.7	6.6	1,395
Tata Overnight Fund - Reg - Growth	1294.0	6.3	6.3	6.4	6.7	6.5	4,942

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
HDFC Liquid Fund - Growth	4853.5	6.7	6.8	6.9	7.3	7.1	64,248
Mahindra Manulife Liquid Fund - Reg - Growth	1609.6	6.8	6.9	7.0	7.3	7.2	1,417
Nippon India Liquid Fund - Reg - Growth	6036.8	6.7	6.7	6.9	7.3	7.2	32,552

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	26.1	6.9	7.3	7.3	5.9	7.7	14,968
Kotak Savings Fund - Reg - Growth	40.5	6.8	7.1	7.0	5.8	7.6	12,644

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	5384.7	7.2	7.5	7.5	6.2	7.5	28,725
Tata Money Market Fund - Reg - Growth	4447.1	7.3	7.5	7.6	6.2	7.5	27,628

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	54.4	7.2	7.4	7.1	5.7	7.9	17,941
Kotak Low Duration Fund - Std - Growth	3151.2	6.8	7.2	6.8	5.5	7.9	9,489
Nippon India Low Duration Fund - Reg - Growth	3526.5	7.0	7.1	7.0	5.7	7.9	6,262

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	56.4	8.3	8.0	7.7	6.1	7.8	19,611
Nippon India Short Term Fund - Reg - Growth	49.4	9.0	8.0	7.7	5.5	7.6	6,974

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	3534.2	9.5	8.6	8.0	5.8	7.5	13,507
SBI Corporate Bond Fund - Reg - Growth	14.5	9.1	8.2	7.6	5.4	7.6	20,176

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Dynamic Debt Fund - Growth	85.3	11.8	10.0	9.0	5.2	7.2	748
Kotak Dynamic Bond Fund - Reg - Growth	35.6	12.9	10.5	10.0	5.9	7.3	2,713

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	19.1	9.3	8.6	8.0	5.5	7.8	818
ICICI Prudential Medium Term Bond Fund - Growth	41.9	9.3	8.4	7.9	6.0	8.2	6,011
SBI Magnum Medium Duration Fund - Growth	48.0	9.4	8.5	7.9	5.8	8.0	6,195

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	17.0	13.3	11.5	10.9	6.6	7.1	8,351

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Bandhan Government Securities Fund Investment Plan	33.9	13.0	11.9	11.7	6.1	7.1	2,648
Kotak Gilt Fund - Growth	92.4	12.1	10.7	9.3	5.7	7.1	3,643

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	23.1	12.6	10.4	9.2	5.4	7.0	2,362

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	29.8	9.9	8.3	8.7	6.7	8.6	6,570
SBI Credit Risk Fund - Growth	42.8	8.2	8.5	7.9	6.5	8.5	2,370

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	21.6	8.9	8.0	7.6	5.5	7.5	5,919
HSBC Banking and PSU Debt Fund - Growth	22.8	7.3	7.2	7.0	4.5	7.5	4,600

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 17th September 2024.

TECHNICAL OUTLOOK

E

quity indices closed at all-time highs, with a late surge pushing the Nifty above 26,000 for the first time. While this signals potential hurdles for traders in the immediate future, a sharp sell-off is not anticipated in the near term.

This shows growing optimism among investors and suggests a continued rise. In case of a negative reaction, the index has support at approximately 25,800 on a closing basis.

Technically, the Nifty faces strong resistance in the 26,240-26,440 range. If it manages to close above 26,440 for two consecutive trading sessions, this could signal an upward rally toward the 26,700/26,900 levels.

Following the rally, some profit-taking may occur at higher levels. On the downside, the Nifty has strong support at 25,700. Any move below 25,700 on a closing basis could drag the Nifty down to its 20-Day Moving Average of 25,400 to find a support level.

The daily momentum indicator, RSI, above 70, shows that the Nifty has strong positive

momentum in the short term. The near-term uptrend status of the Nifty remains intact, and one can expect further range-bound action or a minor dip in the next few trading sessions.

Looking at the technical setup, we believe the Nifty's upward trend remains intact as long as it sustains above the 25,700 mark on a closing basis. Traders and investors should consider booking profits as the market is trading at higher levels, and profit booking may occur in the near term. Long positions should be held with a strict stop-loss, while fresh longs can be initiated on dips.

Technically, the Bank Nifty faces immediate resistance at 55,000. A close above this level could extend the upward rally towards 55,600/56,200. On the flip side, support is positioned at 53,900/53,200. Overall, the technical outlook remains positive as long as the Bank Nifty doesn't break the support level on a closing basis.

On the Nifty Options front for the October series, the highest Open Interest (OI) build-up is concentrated around the 26,000 and 27,000 Call strikes. On the Put side, the highest OI is observed at the 26,000 and 25,500 strikes.

September saw bullish movement, which is expected to continue into the October series, with major resistance positioned in the 26,500-26,800 range and

support well-placed between 25,800-25,000.

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 11-14 range for the October series.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options stayed within the 1.00 to 1.4 range for most of September. We expect this ratio to remain between 0.9 and 1.5 in October.

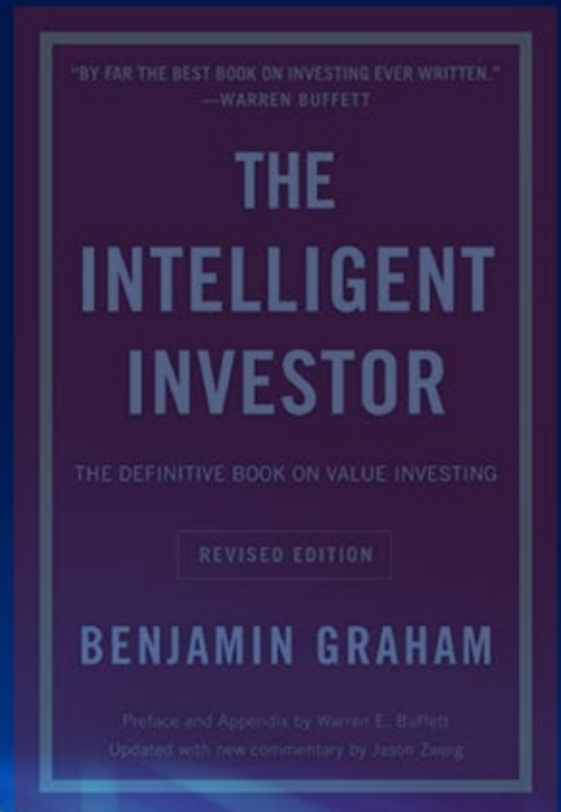
The markets are expected to remain bullish in the first half of October, with supports placed at 25,800 and 25,500 levels. However, important resistances are expected at 26,500 and 26,800.

OPTIONS STRATEGY Long Strangle

It can be initiated by 'Buying 1 lot of 10OCT 26250 CE (₹160) and Buying 1 lot of 10OCT 26000 PE (₹160).' The total outflow of premium comes to around 320 points, which also represents the maximum loss. A Stop-Loss can be placed at 200 points (a 120-point loss from the total premium). While the maximum gain is unlimited, a Target of 500 points (a 180-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 profit\$.

GRAHAM'S PRINCIPLE, BUFFETT'S ADAPTATION

Graham's value investing was the foundation, but Buffett built on it with a focus on the intangible



B

enjamin Graham, often regarded as the father of value investing, devised a defensive investment strategy aimed at protecting investors from significant losses while providing moderate returns. His investment philosophy centred on selecting financially sound, undervalued companies with a "margin of safety."

In his seminal work, *Security Analysis*, Graham provided a comprehensive framework for evaluating defensive investment strategies, emphasizing thorough analysis and sound judgment. He outlined two key approaches for defensive investors:

First, he advocated for investing in a diversified portfolio of high-quality, stable companies to mirror the overall market. This method, often referred to as passive investing, allowed investors to reduce the risks associated with selecting individual stocks.

Second, Graham suggested constructing a portfolio of individual securities based on both qualitative and quantitative criteria. Defensive investors were advised to prioritize well-established companies with strong financials, low debt, and a history of stable earnings. This strategy involved balancing stocks and high-quality bonds to provide diversification and reduce exposure to market volatility.

While most of Graham's teaching remain relevant today, Warren Buffett, his most favoured and renowned student, has adapted these principles to fit the modern context. For those who follow Graham's teachings religiously, these adaptations by Buffett offer an interesting perspective on evolving investment strategies.

SIZE OF THE COMPANY

One of the core elements of Graham's strategy was to invest in adequately sized companies. By targeting large, established firms with substantial resources, Graham sought to minimize the risk of significant volatility or failure. These companies, often holding a dominant market position and strong financial fundamentals, were better equipped to withstand economic downturns and market disruptions. The rationale was straightforward: larger companies tend to be more stable, as they are more diversified in their operations, and have greater

access to capital, which reduces the likelihood of bankruptcy.

However, Warren Buffett, one of Graham's most famous students, modified this strategy to align with his own investment philosophy. While Graham focused on large companies, Buffett took this approach further by emphasizing on high-quality businesses with robust competitive advantages or "economic moats." This shift reflected Buffett's understanding that not all large companies were created equal - some had more durable business models, stronger brands, or technological advantages that set them apart from their peers.

Buffett's focus on companies with strong competitive advantages is exemplified by his investments in firms like Apple, Coca-Cola, and American Express. These companies not only have a large market presence but also possess unique competitive advantages that allow them to generate consistent cash flows and maintain market leadership.

THE FINANCIAL SOUNDNESS CHECKLIST

Graham's focus on liquidity and financial health was another critical aspect of his defensive strategy. He recommended investing in companies with a strong current ratio, ideally at least 2:1, meaning the company's current assets were twice its current liabilities. This ratio indicated that the company

could easily cover its short-term obligations, reducing the risk of financial distress.

Warren Buffett shares Graham's cautious approach toward financial stability but places more emphasis on long-term debt. He focuses on how effectively a company can manage its debt over time, assessing how long it would take to repay all debts using current earnings.

Buffett believes that excessive long-term debt can pose a major risk, particularly during periods of economic downturns, when earnings might decline. Companies with manageable levels of debt are better positioned to weather tough times, ensuring their long-term survival.

This focus on long-term financial stability is central to Buffett's strategy. He avoids companies with high levels of leverage or those that depend heavily on borrowing to fund operations. Instead, he prefers businesses that generate enough cash flow to comfortably service their debt, which allows them to maintain financial flexibility and avoid excessive risk.

EARNINGS STABILITY: GRAHAM VS. BUFFETT

Another key aspect of Graham's strategy was his emphasis on earnings stability. He believed that investors should only consider companies with a history of positive earnings over the past ten years. This criterion ensured that the company demonstrated resilience and

consistency over a significant period, making it less likely to encounter sudden financial distress.

For instance, under Graham's criteria, if a company like Infosys Ltd had shown stable earnings for the past decade, it would be considered a solid investment. This focus on long-term earnings stability reduced the risk of investing in companies with volatile or unpredictable profits, ensuring a more reliable investment over time.

Buffett, while valuing earnings stability, is more flexible in his approach. He emphasizes consistent earnings growth over time rather than requiring a strict ten-year history of positive earnings. For Buffett, it is more important that a company has the potential for long-term growth, even if it experiences occasional setbacks. He is willing to overlook a year or two of negative earnings if he believes the company is fundamentally sound and has strong growth prospects.

A more flexible approach like this allows Buffett to take advantage of opportunities in companies that may be temporarily undervalued due to short-term issues. Rather than adhering strictly to past earnings, Buffett looks for companies that are positioned to grow in the future, even if they have encountered recent challenges.

DIVIDEND PAYMENTS: GRAHAM VS. BUFFETT

Dividends were a cornerstone of Graham's defensive

investment strategy. He believed that companies with a long history of consistent dividend payments demonstrated financial stability and a commitment to returning value to shareholders. Graham recommended that investors prioritize companies with at least a 20-year record of uninterrupted dividend payments.

Buffett, on the other hand, has a different perspective on dividends. Under his leadership, Berkshire Hathaway has never paid dividends.

Instead, Buffett prefers to reinvest profits into the company to fuel long-term growth. He believes that retaining earnings within the business can generate higher returns for shareholders over time, especially when those profits are used to expand operations, make acquisitions, or invest in new growth opportunities.

Additionally, Buffett points out the tax disadvantages of dividends, as they are taxed at ordinary income rates, while capital gains from selling shares are taxed at lower rates. This makes capital appreciation more attractive to long-term investors than dividend income.

Buffett's stance on dividends reflects his broader investment philosophy of focusing on long-term value creation rather than short-term returns. He prefers companies that reinvest profits to grow their businesses, which can lead to greater capital appreciation

over time.

VALUING STOCKS: GRAHAM'S PRICE-TO-BOOK RATIO VS. BUFFETT'S FOCUS ON INTANGIBLES

Benjamin Graham's strategy for valuing stocks involved assessing their price-to-book value (P/BV) ratio. He believed that a company's stock should not trade at more than 1.5 times its book value. This conservative approach ensured that investors were buying stocks that were trading at or below their intrinsic value, providing a margin of safety.

In contrast, Warren Buffett places less emphasis on the P/BV ratio and more on the intangible qualities of a company. Buffett recognizes that many successful companies derive a significant portion of their value from intangible assets such as brand strength, intellectual property, or customer loyalty. These intangible assets may not be fully reflected in a company's book value, but they can be critical drivers of long-term profitability and competitive advantage.

For example, companies like HDFC Bank Ltd, which has a P/BV ratio of 3, would not meet Graham's criteria. However, Buffett would focus on the bank's intangible assets, such as its brand, technology, and customer base, and consider its competitive position in the market.

In Buffett's view, these intangible assets justify a higher P/BV ratio because they

contribute to the company's long-term success and profitability.

EARNINGS GROWTH: GRAHAM'S ONE-THIRD INCREASE VS. BUFFETT'S FOCUS ON TRAJECTORY OF GROWTH

Graham's approach to earnings growth was relatively straightforward. He required companies to demonstrate at least a one-third (33.3%) increase in earnings per share over the past ten years. This criterion ensured that companies were growing at a pace that outpaced inflation, making them attractive long-term investments.

Buffett's approach to earnings growth is more nuanced. While he prefers companies with strong growth potential, he is not as rigid in his expectations. Buffett acknowledges that some companies, especially those in cyclical industries, may experience periods of slow growth or temporary setbacks.

For example, Wells Fargo, a long-time investment of Berkshire Hathaway, had an average earnings growth rate of only 2.2% over the past decade. Despite this, Buffett continues to invest in the company, reflecting his belief in its long-term potential.

Buffett's focus on earnings growth is more about the overall trajectory of the company rather than meeting specific short-term benchmarks. He is willing to overlook temporary earnings declines if he believes the company has the potential to

achieve long-term success.

GRAHAM'S MARGIN OF SAFETY VS. BUFFETT'S ADAPTATION

The concept of "margin of safety" is one of the most well-known principles of value investing, introduced by Benjamin Graham. It involves buying securities at a significant discount to their intrinsic value to protect against potential losses. By paying less than what the company is worth, investors create a cushion against unforeseen declines in stock prices or mistakes in judgment.

Warren Buffett has adapted this concept to suit modern market conditions. While he still values the margin of safety, Buffett focuses more on the quality of the business and its long-term prospects. For Buffett, the margin of safety is not just about buying cheap stocks or a number to guide - it's about investing in high-quality businesses at reasonable prices.

Buffett's adaptation of the margin of safety concept reflects his broader investment philosophy. He is willing to pay a premium for companies with strong competitive advantages, believing that their long-term growth potential provides a margin of safety in itself.

GRAHAM'S DIVERSIFICATION VS. BUFFETT'S CONCENTRATION

Graham was a strong advocate of diversification as a

risk-reduction strategy. He believed that by spreading investments across a wide range of industries and asset classes, investors could reduce the risk of any single stock's underperformance.

Buffett, however, takes a different approach to diversification. He prefers to concentrate his investments in

a smaller number of high-quality companies that he understands deeply. Buffett believes that diversification comes from understanding the businesses in which one invests. Rather than owning a large number of stocks, Buffett argues that it's better to own a handful of companies that are well-positioned for long-term growth.

Buffett's strategy of focusing on a smaller number of high-quality investments is exemplified by Berkshire Hathaway's portfolio, which often contains large, concentrated bets on a few select companies. For Buffett, the key to reducing risk is not diversification but deep knowledge of the businesses in which he invests.



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IMPORTANT JARGON

US PRESIDENTIAL ELECTION AND ITS IMPACT

The US Presidential elections are just weeks away, with current Vice-President Kamala Harris and former President Donald Trump representing the Democratic and Republican parties, respectively. Scheduled for Tuesday, 5th November '24, the election will determine who will serve a four-year term starting January '25. Given the political and economic influence of the United States, the election outcome is likely to significantly impact global markets, including in India.

Q. What Is The Backdrop To The US Elections?

Geo-politically, the world is grappling with conflicts in Ukraine and Israel. Economically, there are significant challenges such as low growth rates, high inflation, and trade issues, alongside concerns related to climate change.

Domestically, the US faces its own economic hurdles, including sluggish growth, high inflation, and uncertain monetary policy. Some labour data indicators suggest a potential recession, prompting expectations that the US Federal Reserve may cut

rates from September to stimulate the economy. Key issues leading up to the US elections also include healthcare, immigration, and enhancing domestic production.

Q. Generally, What Should Investors Watch Out For In The Upcoming US Presidential Elections?

After the elections, global investors will look for clarity on domestic, trade, and foreign policies from the incoming administration. Each of these areas will impact both the US and the global economy. Anticipate potential volatility across various asset classes

both ahead of and following the elections.

Q. What Can Be Expected If Kamala Harris Wins?

As a member of the Democratic party, which is generally seen as more liberal, Kamala Harris is expected to continue advocating for civil rights, broad social safety policies, and initiatives to address climate change. If she wins, we can expect political and economic continuity, given her role as Vice-President under Joe Biden.

Domestically, corporate and high-income taxes are likely to increase.

On the foreign policy front, the US may continue its support for Ukraine, while tensions in the Middle East could persist without a solution.

In terms of trade, the focus might be on boosting domestic production in the US, with significant tariff hikes not anticipated.

Q. What Can Be Expected If Donald Trump Wins?

The Republican party, known for its conservative stance, typically advocates for lower taxes for individuals and corporations, as well as stricter immigration laws. If Donald Trump wins, a shift in policies is anticipated. Many expect these changes to disrupt global trade.

The US is likely to avoid increasing taxes for citizens and may increase spending to boost the economy. On the trade front, expect higher

tariffs, particularly on imports from China. Under Trump, there may be reduced emphasis on climate change and resolving geopolitical challenges.

Q. Broadly, How Will India Be Impacted?

India may be affected in two primary ways: through changes in bilateral relations with the US and via indirect impacts on markets. Any adverse US policies could lead to global market corrections that would also be reflected in Indian markets.

Bilaterally, changes in US immigration laws or regulations could negatively impact India.

Additionally, US-sensitive stocks may experience volatility until there is greater clarity on policy directions. Currency markets may also see increased volatility in response to policy changes.

Q. What Does The Outcome Of The US Elections Mean For India?

Bilaterally, India is likely to maintain a cooperative relationship with whichever candidate is elected in the US. Politically, India is crucial to the US national security strategy, particularly in countering China's growing clout.

However, on the trade front, there could be tariff-related issues if Donald Trump wins. In addition to this, some friction might arise under a Trump administration concerning tariffs and immigration

policies.

Q. Which Sectors Heavily Rely On US Policies?

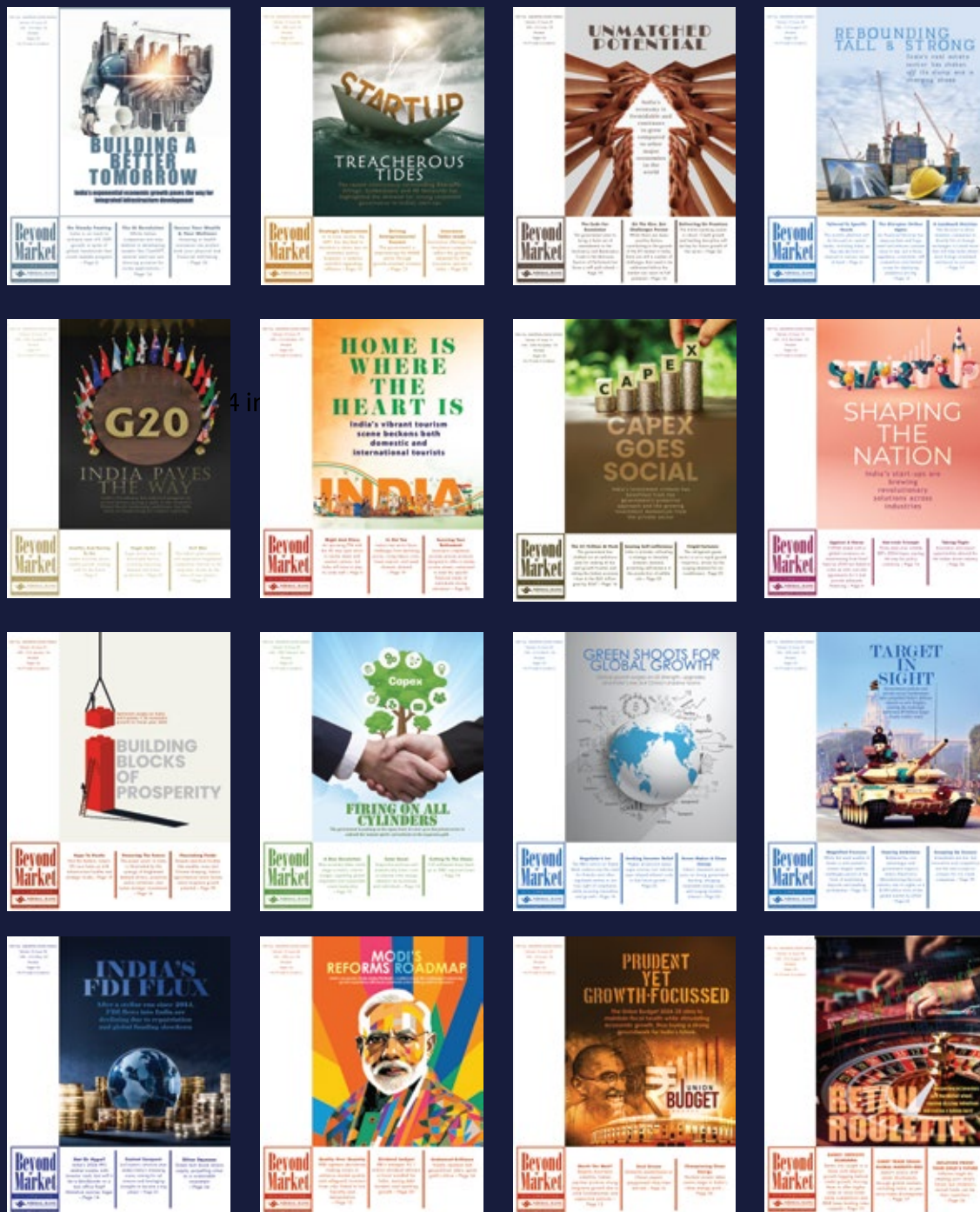
The Pharmaceuticals and Information Technology sectors are highly vulnerable to US policies. The US relies heavily on generic drugs produced in India, so any changes in domestic policies affecting the generic drug market could impact Indian pharmaceutical companies with significant US exposure.

Similarly, the Indian IT sector is highly susceptible to changes in US immigration laws, which could disrupt operations. Conversely, the US may offer support to sectors such as renewables and semiconductors.

Q. What Should Investors Do?

Firstly, investors should prepare for heightened volatility across asset classes - currency, commodities, bonds, and equities - both ahead of and immediately following the election verdict. Foreign institutional investment (FII) flows into India may be influenced by the US election outcomes.

Also, investments by Indian investors in US-based ETFs could also be affected if significant changes in US domestic policies occur. To mitigate risks, investors might consider hedging their portfolios before the elections. Diversifying portfolios across various sectors can also help reduce the potential adverse impact of the US presidential election results.



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