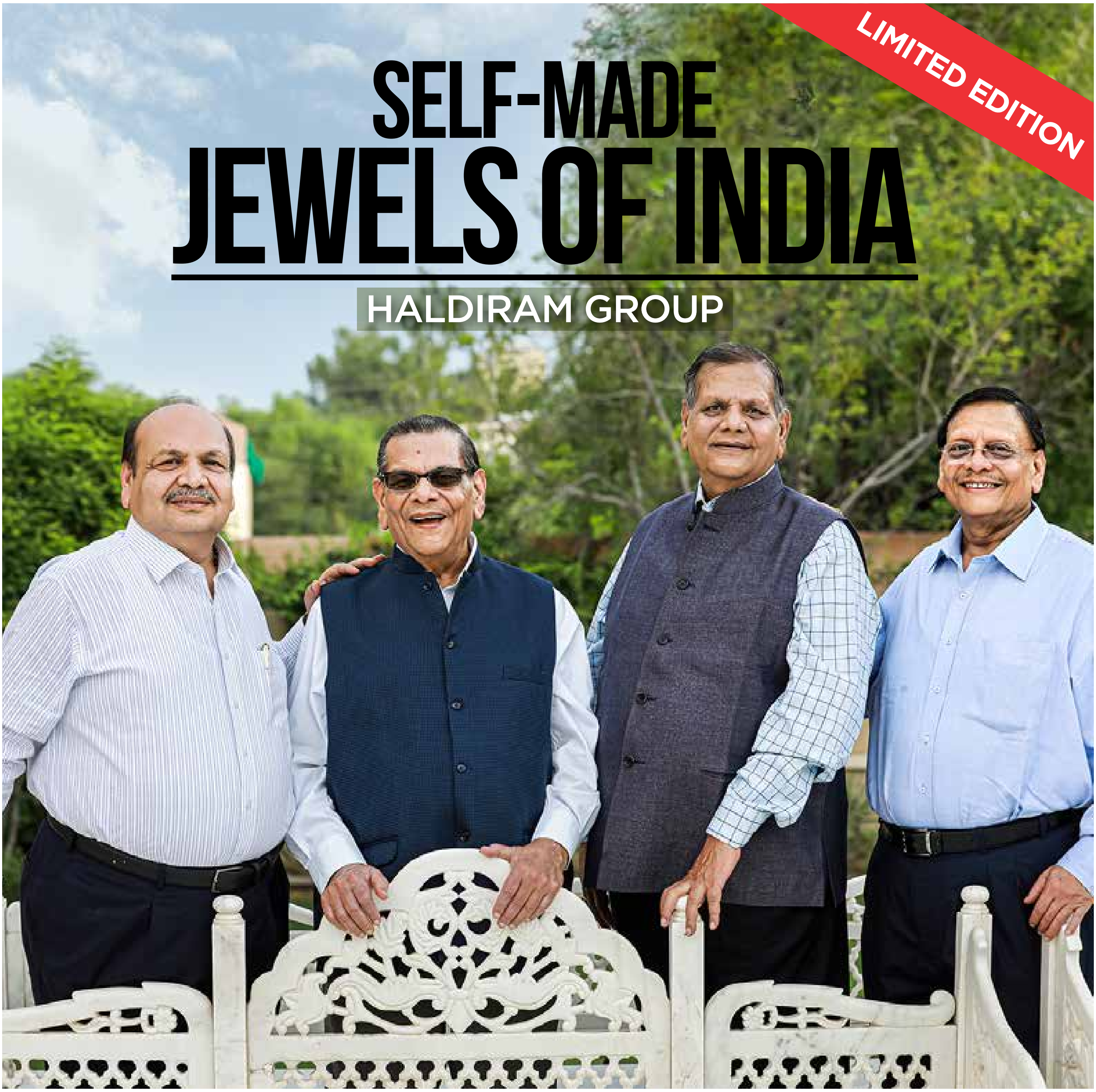
INSIGHT

ASHIKA
GROWING & SHARING WITH YOU

January **2022**



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INSIDE THIS ISSUE

MR. AMIT JAIN

Co-Founder, Ashika Wealth

Dear Investors,

On the eve of New Year 2022, we wish you & your family a very happy & prosperous New Year. We always begin New Year with a lot of hope & new commitments for our life, we wish all our aspirations come true with the grace of God along with a fulfilling life.

Beginning this New Year, we at Ashika Group are also taking a new initiative, where we will publish the success story of Indian Self-made billionaires & Global CEO's, who are the "Jewels of India" & growth engine for the Global Economy. These Indian Entrepreneurs & Global CEO's contribute significantly to Global GDP growth across the World Economies.

To begin this series we are delighted to cover the life journey Mr. Manohar Lal Agarwal & brothers whose family has laid down the Foundation of Haldiram Group way back in 1932. This is an Indian brand which don't need any introduction, globally. They are The Brand for "Food & Beverage Industry" representing India on the Global platform. In fact, I can say they are truly a Global Indian brand.

This edition is going to be a "limited edition" of Ashika's Insight magazine. A print copy shall be shared only with Global Family offices & Institutional Investors. This series for the success story of "Indian billionaires & Global CEO's", is a tribute from Ashika Group to all those Indians who bring pride to their country with a blend of Indian values & commitment to the Nation.

Watch out for our next Indian Billionaire in our April 2022 limited edition issue.

Cheers & Regards

Amit Jain

Market OVERVIEW

As the year 2021 wraps up, there are a lot of things to ponder in retrospect. No wonder we have been educated over the risks and ways to tackle the new and emerging variants of Covid-19, however one thing's for sure the covid-19 pandemic is far from turning into an endemic.

Omicron triggered a new wave of Covid-19 in South Africa, the UK, France, Italy and several other regions albeit Delta still remains the dominant one in India. Worldwide cases hit 1.44 million recently, the highest single-day number on record. Besides, the seven-day rolling average of daily cases, just above 840,000, is at its worst, too, and likely to rise as 2022 rolls in, states Live Mint. The new variant's hyper-infectivity is to be blamed and yet it shows us how hard it is indeed difficult to predict the evolution path of the virus. The best way to tackle the virus is to take precautions and that is precisely what the Union Government has asked states and many of them have already imposed restrictions while others are contemplating to impose some. However, the equity markets have been rather calm albeit these restrictions will again push the service sectors and the rather popular 2nd wave unlock trades. Thus, risks of an imminent 3rd wave could be looming large, however at the same time there are few facts to tame the soothing nerves of investors; (a) the Omicron variant is perceived to be rather milder one (when compared with Delta) (b) > 42% of population is inoculated (with 2 doses) and >60% with at least one dose (c) there are newer vaccines approved and new covid-19 antivirals. Thus, when people have overcome Delta, it gives them enough confidence to get over Omicron. There is a raging debate over the vaccine effectiveness and booster shots over Omicron and more importantly how long antibodies last for different makes of vaccines. Regarding booster doses and precautionary jabs, which are expected to be rolled out early next year, the Centre has clarified that those aged 60 and above will not need to show a doctor's certificate of co-morbidity, although the vulnerable in this age bracket are eligible for a third shot only if nine months have elapsed since their second dose. Meanwhile, pre-adults aged 15-18 are to be offered Covaxin jabs, while frontline health workers will be able to get Covishield as well. Emerging nations (with significant population still left to be inoculated) following in footsteps of developed ones and jumping on the bandwagon to provide booster jabs has always been debated against. So far, there's still uncertainty with regards to risks posed by the new variant. Apart from overwhelming health infrastructure, the key question is always with regards to restrictions and their repercussions on business and more importantly on trades and burgeoning freight rates and then there's inflationary concerns (both domestic and imported). India Inc has already passed on some input costs pressure, the effect of the same on demand is yet to be witnessed. At the same time, organized sector gains market share at the cost of unorganized and smaller ones which perish. Thus, there are lot of moving parts which goes into forecasting the future, needless to say, it is extremely challenging to grasp. And yet despite those challenges, NSE Nifty and BSE Sensex already delivered YTD returns of 23% and 21% respectively. Investor enthusiasm & confidence can also be gauged from a vibrant primary market.

The minutes of the December monetary policy of RBI reveal that the monetary policy committee (MPC) members are concerned with

Omicron variant and are hesitant to adopt an aggressive stance due to concerns over durable growth in the economy. RBI governor Shaktikanta Das said it was too premature to gauge as to how the effects of the Omicron variant on growth and inflation would pan out. RBI has off late has been questioned whether being behind the curve and for the dichotomy between the stance of global central banks and that of RBI. Even the 10-year bond yields have discounted inflationary scenario ahead when RBI largely adopts dovish stance, this challenges financial soundness. MPC members like Michael Patra however believes that although there are limits to dichotomy, there has been differences between growth scenarios between developed economies and domestic one. He stated that the global growth momentum and that of world trade faded even before being affected by Omicron. Mridul K Saggar, executive director, RBI and an MPC member, added that the prospect of higher inflation and lower growth has raised the spectre of stagflation in the developed economies where population inoculation is high. Mr. Patra observed that India is on a trajectory divergent from global situation where bank credit is picking up, tax revenues are buoyant, exports are growing robustly and the current account balance is set to swing into a deficit on the back of strong import demand. "Overall, out of the 59 high frequency indicators that have become available for October out of 67 that I track, 88% of the indicators exhibited month-on-month improvement after a somewhat weak August and September," added Mridul K Saggar. What has echoed unanimously among all MPC members has been the drag in consumption over the GDP growth which suggests income loss (particularly for the informal sector). Thus, the key question which perplexed MPC members was whether economy withstand the output sacrifice it may bring (on aggressive monetary policy), at a time when the recovery is nascent. However, decoupling from other central banks will lead to depreciation for Indian rupee. While RBI could tolerate up to a certain point since rupee is already overvalued as expressed by REER and it helps exports, at the same time it fuels imported inflation. History suggests that in order to protect value of currencies significant forex is lost without achieving any remarkable outcome, thus making the rupee further weak. Thus, albeit challenges galore on the external front, some economists are on the same page with the RBI Governor that inflation dynamics of India differs that of US. In short, Indian economic trends are comparable to Malaysia, Philippines, and Thailand rather than of US or even Brazil.

Both Union Govt. and states have shown restraints when it comes to GFD and maintained fine balance between growth and fiscal consolidation for H1FY22. Post fiscal and monetary policy supports, GDP has slowly recovered to pre-pandemic levels while maintaining fiscal consolidation. The same is achieved on the back of robust tax collections and higher distribution of surplus from RBI (than budgeted). Govt. has been unsuccessful to take advantage of a vibrant capital markets and divestments lag far behind, hopefully H2FY22 see some action there. Most importantly, the expenditure is expected to be more skewed towards capital outlays than revenue, unless of course Omicron changes the plans. A recently released RBI report however believes that "notwithstanding renewed concerns associated with the new omicron variant of the virus, as economic revival gains further traction, the Centre and States should provide credible medium-term glide paths towards fiscal policy normalisation so that fiscal buffers can be replenished to deal with future economic shocks, if any." Rating agencies are now taking cognizance and while FY23 growth was expected between 7% to 8%, recently ICRA raised the bars with 9% growth forecast. The belief was on the back of strong performance of 7 of 13 leading indicators above pre-covid levels. However, Sudipto Mundle is distinguished fellow, National Council of Applied Economic Research, New Delhi believes that "...appropriate fiscal and monetary policies alone will not get us to the sustained high growth rates of 7%-8% necessary to overcome our massive problem of unemployment and under-employment. That can only come through deep, wide-ranging structural reforms of the kind seen in 1991". Probably, the Govt. is preparing the platform and already announced PLI schemes for broad ranging industries with latest being semi-conductors having received global interest. In the midst of China plus one strategy, India is probably the right fit, at least by size. Expectations are building up for something extraordinary to be announced for the upcoming budget given the dynamic changes brought about by Covid-19 as well as ESG norms. Moreover, despite the developed central banks being all aggressive, the same is not reflected in long term yields, suggests that investors expect central banks to fall back or tame their aggressive stance. Besides, improved economic parameters for the domestic economy is getting reflected in corporate earnings. The primary market exuberance is expected to continue in 2022 as well with new age companies & start-ups changing hands from private to becoming widely-held public companies. 2021 was already a blockbuster year where a total of 65 companies raised a record Rs 1.31 lakh crore from the public particularly for the new age companies like Paytm, Zomato, Policybazaar, Nykaa, CarTrade Tech, Fino Payments Bank, MapmyIndia, and Nazara Technologies. 2022 would also witness the biggest IPO till date of LIC, which if brought within March, would also help the Govt. to bridge its divestment shortfall and help focus towards capital expenditure projects. Thus, in a way and probably the first, the equity markets will help propel the economic growth and that is beyond correlation.

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Exclusive Interview with

Mr. Manoharlal Agarwal *MD - Haldiram Snacks Pvt. Ltd.*

Make what customers want rather than selling what we have...

Q How has the journey been for Haldiram to become a Global Brand name?

If a moment can be pinned on the fabric of time as the one that seeded the glorious future for this Agarwal family and led to Haldiram's becoming the business giant that it is today, this was probably the moment when young Haldiram used moth dal flour to make bhujia that was thinner, crispier and far better tasting than what they had been making earlier. It was a paradigm shift in thinking; that of making what the customer wanted rather than selling what they could make.

Haldiram, our grandfather, was born to Chandmal Agarwal in 1902 and was named Ganga Bishen. He was blessed with an unusual but lovely fair complexion for a Marwari, which had a tinge of turmeric's (Haldi) yellow adding to its uniqueness. This prompted his mother, Tulsi Devi, to fondly nickname him Haldia, which later morphed into Haldiram.

Haldiram, conscientious and responsible that he was, learnt how to make the bhujia from his Bua and persuaded his father and grandfather to sell it at their shop. At the age of 12, when most children went to school Ganga Bhishen Agarwal spent his days in Bikaner inventing the ubiquitous snack we today know as Haldiram's bhujia and reiterating the product to make it more irresistible to customers. He in his early days in business also demonstrated a knack for marketing by setting the price point such that the product was more exclusive and not just considered a commodity

Having a small shop but much bigger vision & goal for family in the early 1950s, Ganga Bhishen, along with his sons (Moolchand and Rameshwar Lal), took a leap of faith with the help of well-wishers and opened a business in Kolkata (Haldiram Bhujiawala which later split into Haldiram's Prabhuji and Haldiram) that became a huge success within a few years. There was no looking back after that. In the next three decades, the business migrated to Nagpur (Shiv Kishan Agarwal) and then the national capital (Manohar Lal Agarwal and Madhusudan Agarwal) and now a behemoth in Global Food & Beverage Industry

Nagpur was the third city, apart from Bikaner and Kolkata, that welcomed the famed Haldiram's bhujia. Nagpur was a lazy, laid back city that was in the infancy of development and did not appear promising to young Shiv Kishan Ji as a place for business. He realized that just namkeen would not provide business sustainability due to its low sales volume. He felt that there was dire need to supplement it with some other product. One being to add variety and range to his products and the second was to open an eatery and serve the people food that they could consume there and then. So he started making and selling Kaju Katli, Kalakand, Peda, Malai Laddu etc along with the traditional Bengali sweets especially the famed Rasgullas. His concerted efforts at raising the bar of business growth and working tirelessly at making it happen raised the sales figures and the worth of his gut feel about the sweets being a good prospect and there was no looking back thereafter. In 1973, he started a 35-seater restaurant in Nagpur that sold dosas and tea amongst other products that he was already making and selling.

For him, Nagpur became his destiny, the arena where Shiv Kishan Ji would prove his mettle as an entrepreneur. An exceptionally successful one at that.

Then, my brother Madhusudanji and I expanded to Delhi, we had to fight out independently when the time came to invest in Delhi. We have built our business empire brick by brick & remained steadfast.

As bhujia was not a unique product in Delhi , we brothers faced immense competition from established players , however we strategically differentiated by focusing on adjusting flavours and innovating to meet the needs of the market and make Haldiram what it is today.

Q What was your initial goal when you started from scratch and how did you kept changing your Goal Post in life journey of your success?

Building a business whose products would reach people in the farthest corners of the country was the dream of all our 4 brothers and we fought the quintessential battle with our father to strike out independently. We did our sincere efforts and left the rest to GOD

Shiv Kishan Ji had also been busy in Nagpur with his characteristic brand of dynamic growth and expansion. An ever-increasing demand for his products in Nagpur prompted him to decide upon shifting his production operations to a dedicated factory instead of continuing to make them at the rear of their shops. This not only freed space at the shop for better selling with more room for the customers. It would also make the product quality more consistent across all sales outlets since it would be made at one place in a consolidated manner. So he purchased his first factory in Jalalpura in 1974 and added another 5000 sq ft of space to it in 1975. His workforce was also steadily increasing and by this time, Shiv Kishan Ji had some 45-50 people working for him.

In Delhi, We faced immense competition from established players such as Ghantewala and Bikanerwala. Strategically, we differentiated ourselves by focusing on adjusting flavours and innovating to meet the needs of the market and soon began to break even.

Innovation and automation were the pillars for achieving our goal. We started with rebuilding our shop after the shop and apartment were burnt down in a fire during the 1984 Sikh riots. Once business picked up, we turned our apartment into a factory overnight, where the entire family pulled long sleepless nights, trying to keep up with demand. Soon, the Chandni Chowk location was not enough and we began looking for factory space for large-scale production. The first factory was set up in the late '80s. After that, distribution became one of our greatest strengths and one of the secrets to our success in the national capital region. A testament of our success is that today at railway stations and stalls around the country, the 5 Haldiram's bhujia packet is used as currency, as a substitute for loose change.

Q How did you envision Haldiram to be a global brand from a small shop in Chandni Chowk? What was the inspiration for you to dream big?

Many businesses survive because of an uncanny sense of how to run operations, an understanding of customers and differentiation in products. In addition to these, the one thing that sets us apart is the indefatigable grit and ability to persist regardless of the obstacles. Hard work and growth always go hand in hand. There is no substitute to hard work and there is no greater or better goal in life than to have an endless desire to learn, work and grow.

The company started its export arm in 1993 to USA, today the company has found global success in more than 80 countries.

We have been pushing boundaries in business and the ambitions for international expansion have driven us. At a time when the bhujia's shelf life was hardly a week, the company extended it to six months. Given Indians' penchant for fresh food, this was a risk, but the company successfully attempted to change the habits of customers, a feat, that even large brands find difficult to achieve.

Q How did you manage to fund your growth organically throughout as compared to new age startups who raise funds within two years of their business?

We always believed in building our Business model so strong and never

We always believed in building our Business model so strong and never rely on external funds to run our business...

rely on external funds to run our business.

The Agarwal family was vehemently opposed to the idea of debt or taking loans. Organic growth was their mantra. We always believed in funding our growth through internal accruals & reinvesting in the business to make it a success.

Slow, patient and steady growth that resisted biting into bigger chunks of possibilities than what the available resources would be able to support, had always been the hallmark of the Agarwal family since Haldiram's time. And the same pragmatic, measured and sagacious approach to expansion remains embedded in their ethos a century and more hence.

Today, the Haldiram's Empire is a proud debt free global enterprise.

Q During the journey of more than 8 decades what challenges/ struggles did you face?

As a pioneer in the industry we faced several challenges. Haldiram was the first company in India to convert traditional snacks (Namkeen) from unorganized sector to organized sector. However we kept innovating, automating and researching to overcome the challenges.

Some of the Challenges we faced were:

- Traditional namkeen was manufactured by hand by skilled karigar followed by frying in conventional batch fryer hence it was difficult to get consistency in quality because industry was depended on karigar. (skilled labour)
- Production limitations.
- Shelf life 6 days only therefore product cannot be distributed widely.
- Difficult to maintain hygiene conditions.
- Packaging had been one of the biggest limitations for the expansion of their business even when they were based solely in Bikaner and not capable of producing namkeen in high volumes

Our Vision as leaders is to always motivate the teams to work towards enhancing customer experience through our Product Quality, Taste & Hygiene. Thus, the above obstacles never stopped us as we kept learning and overcoming the challenges with grit to become a Global brand.

Q Being a close knit family business what joint efforts were taken to make Haldiram's a strong brand recall?

The Haldiram's family demonstrates a level of cross-generation synergy is a rare find within a group as large as ours and where the stakes are big enough to be game changers for more than a few smaller organizations. Such a harmony in mindsets is not just exceptional but also a significant factor in Haldiram's outstanding success.

The lineage of families, while they are commonplace, is usually lost in the mists of time. It is only when a generation goes on the ascendant that their true glory bursts forth for all to see.

While the brand is thrilled that we have debuted on the 2019 Forbes India Rich List, the attitude of the family is still grounded.

This is also the result of the dedication, loyalty and hard work of our employees and customers who make us what we are today.

Q Which principles in business remained intact to keep Haldiram's a sustainable success?

Everyone believes that there is God in this world, even though no one has seen Him. For us, our customers are our God. We see them and they are the ones who help us earn our livelihood and that of our workers. The customer establishes our goodwill. There is no greater God for us than our customer.

Always be honest. Dishonesty with the customer harms the seller more than it harms the customer. The one who is dishonest and gets away with it once will only become more dishonest with each passing day. The customer was his victim only for one instance but he shall be his own victim for the rest of his life.

Q Which products and segments are explored after being traditional sweets and snacks brand?

Haldiram's has been a unique mix of the traditional and the modern. And this fusion is visible across all aspects of their lives, enterprises, products and the values and ethics that guide their business principles. Haldiram Snacks Pvt. Ltd. is synonymous to traditional snacks in India. The range includes traditional snacks, western snacks, package sweets, bakery, RTE, Frozen, syrups, papad, non-salty products like pasta, macaroni, vermicelli, rusk, pickle and sattu. The portfolio targets to all GENRE AGES AND DEMOGRAPHICS distributing across the country and 70 countries worldwide. The products range are available in all modern trader's chain across the country and worldwide

We began including sweets such as canned rasgullas and soan papdi, pani puri and now desi wraps. This would be a precursor to Haldiram's 400+ product range that includes traditional namkeens, western snacks, Indian sweets, cookies, sherbets, papads and pickles.

In 2003, the company started the process of developing convenience foods that could be marketed to consumers. These products in the ready-to-eat format included paneer, pulao, dal and vegetables. Expanding into this market, we began competing with well-established incumbents such as MTR, Tasty Bites & ITC.

But Haldiram's wasn't satisfied with newer products as it always aspired to become a Global Brand.Its product basket has also expanded beyond sweets and snacks for global markets. These would include cookies, biscuits, fruit juice concentrates, frozen Indian food which all have a growing demand in the international markets.

Q What is the strategy fuelled the growth globally?

Time, technology and techniques are constantly changing, ever evolving but they remain mere tools for an enterprise. Putting these tools to the best use for progress and betterment is an act of judgment and character.

Haldiram's epitomize these attributes most visibly and possessing them has been their biggest strength.

Developing entire eco-systems around a business aspect or even a product is one trait that has been a hallmark of Haldiram's. And this happens primarily due to the extreme diligence and attention to detail that they give towards developing any and every product in their repertoire.

Haldiram has managed details of right technology, packaging standardizations, consumer affordability, quality tasty products, and volume deliverables extremely well to weave the magical success saga. Following aspects helped it in growing:

- Authentic taste know-how, plus delivery in product
- Complex flavors, wide spectrum
- Proven high quality content
- Standardized packaging
- Accurate pricing know-how (what is "reasonable")
- Pack size know-how
- Deep understanding of distribution
- Channel contribution : general trade dominance

Q What message would you like to give to the young entreprenuers starting their career?

Hard work and growth always go hand in hand. There is no substitute to hard work and there is no better goal in life than to have an endless desire to learn, work and grow.

Having a vision and sheer determination with focused mindset is necessary.

An execution with planning and taking calculated risks is important in every aspect of entreprenuership.

Being grounded towards your beliefs and values in life should be inculcated as a life principle.

PROMINENT HEADLINES
DECEMBER 2021

Technology has always been a double-edged sword. It has opened up new vistas of progress just as it has helped create greater vulnerabilities and threats. A recurring theme in global governance has been to find the right balance...**S. JAISHANKAR,** *External affairs minister*

The pandemic really brought home the truth that small merchant shops, retailers, and small businesses urgently needed to convert their physical brick and mortar stores to digital storefronts.... **ISHA AMBANI,** *Director, Reliance Jio*

Corporate India is expected to report healthy earning growth in Q3, though they will no longer have the benefit of lower base quarter. We have witnessed very sharp increase in commodity prices and logistic costs in recent month. Both have started cooling off, so we would see some impact in Q3 but directionally things are getting better..... **SRINIVAS RAO RAVURI,** *Chief Investment Officer – Equities, Pgim India Asset Management*

The market has spent the last few weeks digesting the likelihood of an accelerated taper schedule. The rising volatility is a reminder that Fed action in the coming year could be more impactful after nearly two years of fearless trading in the riskiest of risk assets.. **RENNY ZUCKER,** *CIO, Capital Y Management*

Crypto is backed by algorithms and there is fear that the central bank might lose control over money supply and inflation management. There are also concerns that crypto will disrupt the monetary policy...**D SUBBARAO,** *Former Governor, RBI*

India's premium to global equities has been in the range of -5 percent to 35 percent in the past decade. In September, it had reached decadal highs. After some correction, it is now off the peak, but is not at a level where the market looks attractive.... **NEELKANTH MISHRA,** *Co-Head of Equity Strategy, Asia Pacific and India Equity Strategist, Securities Research, Credit Suisse*

The role of government should be that of like a referee, but not a player on the field. It should get out of the way and not impede progress...**ELON MUSK,** *Chief Executive, TESLA*

It may be the time to resurrect the concept of a gold bank — a bank which will accept gold deposits that provides gold loans exclusively or predominantly...**R GANDHI,** *Former Deputy Governor, RBI*

The cycle you are seeing here is really about a change in tone, a change in regime, the possibility of tighter policy next year, not just at the Fed, but globally...**ALICIA LEVINE,** *Head of equities and capital markets advisory, BNY Mellon Wealth Management*

Skilling in new age technologies is critical to stay relevant and make India the digital talent hub for the world...R**ISHAD PREMJI,** *Chairman, Wipro*

There is more uncertainty than I think most people thought we'd see here as they were anticipating aSanta Claus rally. Volatility and uncertainty are the key terms that will lead us into the new year...**VICTORIA FERNANDEZ,** *Chief market strategist, Crossmark Global Investments*

Government's strong emphasis on public works, timely interventions to boost liquidity and several reforms carried out in the recent months including easing regulations, PLI scheme, RoDTEP and several other bold reforms have buoyed the optimism on higher economic growth...**T V NARENDRAN,** *President, CII*

The market is witnessing a shift in consumer behaviour... Consumers are now preferring technologically advanced appliances that are connected, energy efficient and easy to use, enabling them to multitask....**MANISH SHARMA** *CHAIRMAN AND CEO, PANASONIC INDIA*

The market is lowering its expectations for growth due to Omicron and lower liquidity as the year ending is potentially amplifying the moves. We have to be a bit careful of reading too much into the weakness.....**PETER GARNRY,** *Head-equity strategy, Saxo Bank*

We continue to have a view of marginal under weight on small and midcaps because of their valuation, and marginal overweight on large caps. Its time to be neutral to equity as an asset, as it is fairly priced....**NILESH SHAH,** *Group President Kotak Mahindra AMC*

Monetary policy authorities avoid discussions on inequity. They like to be seen in a macro stabilization role and prefer leaving distributional issues to fiscal authorities. Yet, increasingly, they realize that financial inclusion impacts the conduct of policy more fundamentally than they thought....**MICHAEL PATRA,** *RBI Deputy Governor.*

Macroeconomic data shows boom (2003-04 to 2010-11), slowdown/deceleration (2013-14 to 2018-19), collapse (2019-20) but... National Income Accounts data shows steady GDP growth, accelerating consumption. Measurement problem (is) particularly serious in 2019-20....**ARVIND SUBRAMANIAN,** *Former CEA*

It is a fact that chemicals and fertilizers have played a crucial role in the green revolution. But it is also imperative to work on their alternatives. It is the right time to take big steps before the issues related to farming become severe... **NARENDRA MODI,** *Prime Minister of India*

India strongly believes that the pricing of liquid hydrocarbons should be reasonable, responsible and be determined by market forces... **RAMESWAR TELI,** *Minister of State for Petroleum and Natural Gas*

Q&A WITH HEAD OF EQUITIES

Mr. Neelotpal Sahai – *Head of Equities, HSBC Asset Management (India) Pvt. Ltd.*

1) Which sectors could do well over the next 12 months in your opinion? What are some of the mega structural themes that you are currently betting on in India?ß

Over the next 1-2 years, stock returns will largely come from earnings growth rather than valuation multiple expansion as the latter is on the higher side as compared to its own history. Earnings growth expectation from the market over remainder of FY22 and FY23 is robust. Hence, differentiation among the sectors will come from which sectors will contribute more towards the earnings growth. We believe, Financials (led by large banks), Auto, Industrials, and Technology will contribute more towards earnings growth in this period. We have a positive stance on rate sensitives followed by domestic cyclicals and exporters.

The structural themes that we are looking at is not from 1-year perspective but from multi-year perspective.

First, a macro theme which will encompass multiple sectors. The macro theme that we are most bullish on, over the next 3 years is the 'capex cycle'. We see this as the single biggest driver of corporate earnings over the next 2-3 years. As a result, our portfolios reflect a pro-cyclical stance and our order of preference for sectors (above mentioned) is driven by this broader theme (i.e. rate sensitives followed by domestic cyclicals and exporters).

Second, is a segment specific theme but that is also a multi-year theme. It is that of the outsourced manufacturing. Right now manufacturing is a smaller segment of our GDP but expected to grow to a larger share of the pie over the next few years. This theme will benefit more from exports and then on account of revival in domestic growth. Conducive policy measures (Make in India, PLI schemes) and change in global supply chain considerations are helping on this front. The pockets of opportunities lie in Speciality chemicals and in the durable manufacturing segments.

2) So far consumer facing corporate have absorbed significant amount of input cost pressure in Q2FY22, however has since passed on a major part. How do you see the demand scenario and earnings expectation for H2FY22 and FY23?

There had been considerable input cost pressure on consumer facing corporates. The cost pressure had come from both raw material as well as power and fuel cost. Commodity prices had risen sharply in H1FY22 and stayed high. Only recently there has been slight moderation in commodity and fuel costs. Companies were able to pass on the cost but only partially. More than half companies in the consumer universe showed decline in EBITDA margin despite demand holding up. But,

First, a macro theme which will encompass multiple sectors. The macro theme that we are most bullish on, over the next 3 years is the 'capex cycle'. We see this as the single biggest driver of corporate earnings over the next 2-3 years.

Nifty companies' Q2FY22 earnings came in slightly ahead of estimates, largely driven by metals and energy sector. Key trends that we witnessed during the quarter a) Recovery has been faster than expected (on back of vaccination) – demand was strong; and b) Margin pressure due to high commodity and fuel prices.

from the post-result commentary, we realize that price increase (forced due to rise in raw material cost) has been unprecedented in some cases and very high in many other cases. These companies are bracing for impact on demand once pent-up demand moderates.

Nifty companies' Q2FY22 earnings came in slightly ahead of estimates, largely driven by metals and energy sector. Key trends that we witnessed during the quarter a) Recovery has been faster than expected (on back of vaccination) – demand was strong; and b) Margin pressure due to high commodity and fuel prices.

As a result, Bloomberg consensus earnings estimate for Nifty companies for FY22 has remained unchanged but FY23 earnings estimate has been upgraded by 2-3%.

3) With the economy showing signs of pickup, do you see the NPA woes behind for the banking sector? Any views on the formation of the bad bank?

Large banks have been showing robust asset quality since 2QFY21 – initially driven by moratorium on classifying a loan as NPA and later on due to rebound and recovery in the economy. However, large banks made excess provision in anticipation of asset quality to worsen after moratorium was lifted. Since, asset quality has held up, the banks are sitting comfortable with high provision coverage ratio. The trend of sequential improvement in loan quality was visible in this quarter too.

Improvement in the economy has meant that smaller banks and NBFCs, too, have been able to see improvement in disbursement and collection efficiency.

There is one pocket of loan book (those SMEs which have availed benefit ECLGS scheme), which hasn't yet normalized. This normalization will happen over the next 2-3 quarters. However, we believe that the excess provision, that the large banks are carrying, should be sufficient.

IBC process has been working well over the last 4-5 years and major chunky NPAs have been resolved. Therefore, in the near term, formation of the bad bank will not have a significant change loan book of large banks.

4) Do you expect any big bang reforms from the upcoming Union Budget?

We have seen in the past that big bang reforms like GST implementation, Demonetization, PLI Scheme, IBC etc have been undertaken outside Union Budget. We believe, that is how it should be. However, at the same time we have seen that Union Budget has been used to set long term direction in many fields. For example, in the first term of 5 years of the government there was a trend to improve social security. Progressively, schemes were brought to increase insurance (both life and health) improve private sector participation in pension scheme as well as long term savings.

In the current tenure of 5 years, there is a trend towards improving ease of doing business as well as giving long term direction of government finances and expenditure. We expect the latter trend to continue in this upcoming union budget too.

5) With divestment not keeping up with estimates, do you expect action to intensify in H2FY22? What are your views on PSU stocks?

Yes, we do expect the government to intensify its effort in H2FY22 to meet its divestment estimates. But, we do believe that it may not be able meet its estimates. In any year, that would mean that fiscal deficit would slip to that extent. However, in the current fiscal tax collection (both direct as well as indirect) has been running ahead of estimates. Therefore, we believe that slippage in fiscal deficit may not be there and the government

We have seen in the past that big bang reforms like GST implementation, Demonetization, PLI Scheme, IBC etc have been undertaken outside Union Budget. We believe, that is how it should be. However, at the same time we have seen that Union Budget has been used to set long term direction in many fields. For example, in the first term of 5 years of the government there was a trend to improve social security.

Year 2021 has been very good for IPO markets. In terms of money raised, this year should be among top years. Equity culture augurs well for long term health of Indian entrepreneurship.

doesn't need to compromise capex expenditure (vital for growth) too.

PSU stocks are not one basket and each company is different. Therefore, we view PSU stocks like any other stock. That means we look at PSU stocks on the parameters of sustainable return on equity, allocation of capital, near-term earnings growth and potential for medium to long term earnings growth, valuations, management quality and ESG parameters.

6) What is your view on the current IPO market in India? Where do you stand in the debate between new and old economy stocks?

Year 2021 has been very good for IPO markets. In terms of money raised, this year should be among top years. Equity culture augurs well for long term health of Indian entrepreneurship. It demonstrates two things – On one hand it demonstrates vibrancy of Indian entrepreneurship and on the other hand it unlocks domestic pool of risk capital. IPO market brings the two together.

We do not bracket stocks and companies as new and old economy. As mentioned above, we look at stocks on the parameters of sustainable return on equity, allocation of capital, near-term earnings growth and potential for medium to long term earnings growth, valuations, management quality and ESG parameters. However, we do note that there are companies without near term earnings and/or return on equity. In those cases, it important to see the potential of the addressable market and that company's ability to capture the market. It is worthwhile re-iterating that we not only look near term return on equity but on sustainable return on equity which these companies can generate when their operations stabilizes.

7) The PLI scheme could be a game changer for India, however similar strategies have been adopted by other nations as well. Which areas you think India has a chance of succeeding the most given Govt.'s preparedness?

I agree that the PLI scheme can be a game changer. If initial indications are to be extrapolated then India can be a major manufacturing hub in 5-10 years. However, it is going easier said than done as you have rightly pointed that similar strategies have been adopted by other nations as well. It is therefore important that India is able to differentiate by targeting specific sectors and industries. We believe, initial success is most likely in those sectors where India is already present in global supply chain. The pockets of opportunities lie in Speciality chemicals and in the durable manufacturing segments (including mobile phones). Subsequently, success stories in these sectors can lead to belief in India as manufacturing destination. That, in turn, could lead to success many other sectors. In parallel, the Govt could look to attract marquee names in many sectors. Success of these marquee names will attract investments from other players too. In the latter case, success in a particular sector will depend upon success of the marquee name of that sector.

8) Your advice for retail investors on playing this difficult phase in Indian equity markets.

Allocation to specific market cap category of funds will depend on the risk appetite of the individual. Investors with a lower risk appetite can consider aggressive hybrid or large cap funds. Investors with a higher risk appetite along with a longer investment horizon can consider flexi-cap funds. We expect the near term to be unpredictable given the backdrop of high valuations. Earnings growth should eventually catch-up with valuations and this will mean that the equity market returns will be mirroring earnings growth over the medium to long term.

I agree that the PLI scheme can be a game changer. If initial indications are to be extrapolated then India can be a major manufacturing hub in 5-10 years. However, it is going easier said than done as you have rightly pointed that similar strategies have been adopted by other nations as well.

MUTUALFUNDS Sahi Hai

Mutual Fund Overview

HSBC LARGE CAP EQUITY FUND

Investment Objective

To generate long-term capital growth from an actively managed portfolio of equity and equity related securities of predominantly large cap companies.

Investment Approach

The aim of HSBC Large Cap Equity Fund is to deliver above benchmark returns by providing long-term capital growth from an actively managed portfolio, mainly comprising companies registered in and / or listed on a regulated market of India. The Scheme will invest at least 80% in large cap companies and may also invest in equity and equity related instruments of companies other than large cap companies.

A top down and bottom up approach will be used to invest in equity and equity related instruments. Investments will be pursued in select sectors based on the Investment Team's analysis of business cycles, regulatory reforms, competitive advantage etc. Selective stock picking will be done from these sectors. The fund manager in selecting scrips will focus on the fundamentals of the business, the industry structure, the quality of management, sensitivity to economic factors, the financial strength of the company and the key earnings drivers.

Fund Philosophy

- Prefer dominant and scalable businesses available at reasonable valuations.
- Profit pool consolidation with dominant players to continue and disruption to accelerate this shift.
- Stock selection focuses on earnings growth trajectory and within that, the emphasis lies on earnings surprises.

Key portfolio themes

- Continue to maintain a pro-cyclical bias in the portfolio. This is driven by strong medium term earnings growth outlook.
- Expect earnings growth to rebound and is expected to sustain in high-teens beyond FY22 as well.
- Multi-year earnings visibility driven by cyclical recovery on the back of revival in capex over the next 2-3 years.
- Benign cost of capital environment to support equity performance.
- Prefer rate sensitives followed by domestic cyclicals, exporters and domestic consumption. Predominantly regulated businesses come last in the pecking order.
- Preference dictated by assessment of sectors / segments leading contribution to the market earnings growth over the next 2-3 years.

Important Information	
NAV (G) (Rs.)	315.08
IDCW (Rs.)	40.05
Inception Date	Dec 10, 2002
Fund size(Rs.Cr.)	753.21
Fund Manager	Neelotpal Sahai
Entry load	Nil
Exit Load	1% for redemption within 365 days
Benchmark	NIFTY 50 TRI
Min Investment (Rs.)	5000
Min SIP Investment (Rs.)	500

Key Ratios	
Beta (x)	0.94
Standard deviation (%)	20.29
Sharpe Ratio	0.66
Alpha (%)	-0.34
R Squared	98.18
Expense ratio (%)	2.43
Portfolio Turnover ratio (1 Year)	49.0%
Avg Market cap (Rs. Cr.)	35043.4

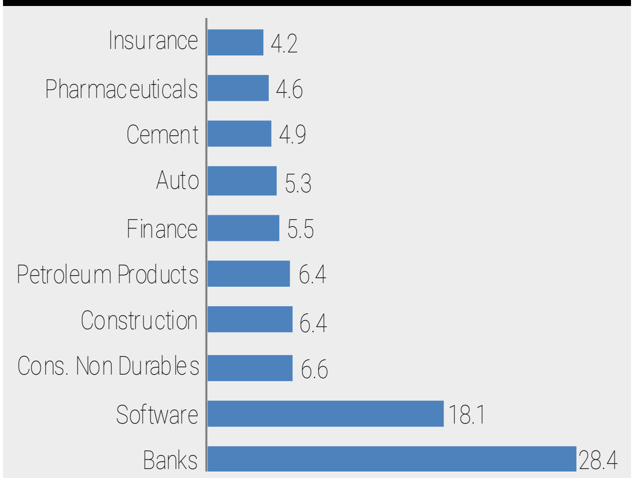
Portfolio as on Nov 30, 2021

Stocks	% of Net assets
Infosys	9.7
ICICI Bank	9.2
HDFC Bank	8.9
Larsen & Toubro	6.4
Reliance Industries	6.4
State Bank of India	5.5
Axis Bank	4.8
Tata Motors	4.0
Hindustan Unilever	3.9
Titan Company	3.2

Asset Allocation

Equity	Cash
99.04%	0.96%

% SECTOR ALLOCATION



Note: All data are as on Nov 30, 2021; NAV are as on Dec 27, 2021
Source: Factsheet, Value Research

Performance of the Fund alongwith Benchmark (as on Dec 27, 2021)

	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	1.93	-2.36	7.73	22.39	17.44	15.65	19.84
Benchmark (%)	-0.02	-3.91	8.34	26.44	17.67	17.63	

Ashika Mutual Fund Recommendation Alpha Generation

Month of Recom	Fund Name	Benchmark	NAV as on 27.12.2021	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)
Jan-21	Quant Active Fund (G)	NSE - Nifty 500 TRI	409.1	56.2	32.4	26.3
Feb-21	Kotak Tax Saver Scheme (G)	S&P BSE Sensex TRI	70.5	32.7	19.7	17.4
Mar-21	Quant Small Cap Fund (G)	NSE - NIFTY SMALLCAP 250 TRI	129.0	87.3	35.4	21.6
Apr-21	LIC Large & Mid Cap Fund Reg (G)	NSE - NIFTY Large Midcap 250 TRI	24.2	32.7	18.8	17.6
May-21	IDFC Sterling Value Fund Reg (G)	S&P BSE 500 TRI	87.8	62.7	20.6	20.0
Jun-21	ICICI Pru Large & Mid Cap Fund Reg (G)	NSE - NIFTY Large Midcap 250 TRI	515.2	40.3	18.3	15.3
Jul-21	Edelweiss Balanced Advantage Fund (G)	CRISIL Hybrid 50+50 Moderate Index	35.6	18.9	16.1	14.8
Aug-21	Nippon India Flexi Cap Fund Reg (G)	NSE - Nifty 500 TRI	10.6	0.0	0.0	0.0
Sep-21	SBI Balanced Advantage Fund Reg (G)	CRISIL Hybrid 50+50 Moderate Index	10.2	0.0	0.0	0.0
Oct-21	HDFC Dividend Yield Fund Reg (G)	NSE - Nifty Dividend Opp 50 TRI	14.0	39.8	0.0	0.0
Nov-21	PGIM India Flexi Cap Fund (G)	S&P BSE 200 TRI	26.6	43.2	28.7	22.0
Dec-21	Quant Tax Plan (G)	NSE - Nifty 500 TRI	218.3	60.7	34.2	26.0

Note: All data are as on Nov 30, 2021; NAV are as on Dec 27, 2021
Source: Factsheet, Value Research

Large & Mid Cap Fund

	All Data Belongs To December 27, 2021									
	NAV	AUM (Rs Cr)	3 M	6 M	1 Yr	3 Yr	5 Yr	Since Inception Return	Sharpe Ratio	Exp. Ratio
SBI Large & Midcap Fund Reg (G)	360.2	5362	0.8	9.2	38.4	19.5	18.0	14.3	0.7	2.0
Mirae Asset Emerging Bluechip Fund Reg (G)	96.2	21231	(2.1)	9.6	38.8	24.6	22.5	21.6	1.0	1.7
ICICI Pru Large & Mid Cap Fund Reg (G)	515.2	3575	(1.7)	12.8	40.3	18.3	15.3	18.3	0.7	2.1
LIC Large & Mid Cap Fund Reg (G)	24.2	1500	(0.7)	13.4	32.7	18.8	17.6	13.8	0.9	2.4
Kotak Emerging Equity (G)	70.9	16705	0.5	10.0	46.0	24.5	19.7	14.2	0.9	1.8

Value Fund

SBI Contra Fund Reg (G)	199.4	3106	1.8	15.8	49.8	24.5	18.3	17.3	0.9	2.1
IDFC Sterling Value Fund Reg (G)	87.8	4114	4.3	16.4	62.7	20.6	20.0	16.8	0.6	2.0
Nippon India Value Fund (G)	119.9	4179	(2.1)	10.6	39.6	19.5	18.2	16.2	0.7	2.0
Kotak India EQ Contra Fund (G)	81.0	1153	(3.4)	6.8	29.8	17.8	18.1	13.6	0.7	2.3
Invesco India Contra Fund (G)	75.8	8270	(1.7)	8.2	29.5	18.2	18.8	14.8	0.7	1.9

Focus Fund

Axis Focused 25 Fund Reg (G)	45.4	20069	(6.1)	10.0	23.9	19.5	20.5	17.2	0.8	1.8
Mirae Asset Focused Fund Reg (G)	19.7	7967	(0.2)	13.1	39.9	0.0	0.0	28.7	0.0	1.8
SBI Focused Equity Fund Reg (G)	248.3	21677	3.6	18.4	42.6	23.7	21.6	20.4	1.0	1.8
DSP Focus Fund Reg Fund (G)	33.7	2081	(3.5)	3.8	22.3	15.9	14.0	11.0	0.6	2.1
IDFC Focused Equity Fund Reg (G)	53.9	1371	(0.2)	8.2	23.2	15.4	16.0	11.3	0.6	2.2

ELSS Fund

Quant Tax Plan (G)	218.3	555	1.5	12.1	60.7	34.2	26.0	15.9	1.2	2.6
Kotak Tax Saver Scheme (G)	70.5	2335	(0.6)	8.1	32.7	19.7	17.4	12.9	0.8	2.1
Mirae Asset Tax Saver Fund Reg (G)	30.7	10146	(2.4)	8.7	35.3	22.9	22.1	20.6	1.0	1.7
Axis Long Term Equity Fund (G)	72.4	33529	(5.9)	8.7	24.3	19.5	19.5	17.9	0.8	1.6
SBI Long Term Equity Fund Reg (G)	219.1	10731	(1.0)	8.2	30.6	17.2	14.7	14.5	0.7	1.8

Flexi Cap Fund

Quant Active Fund (G)	409.1	1459	0.7	13.5	56.2	32.4	26.3	19.6	1.1	2.6
SBI Flexi Cap Fund Reg (G)	74.5	15462	(3.0)	8.0	30.8	17.9	16.5	13.2	0.8	1.8
Kotak Flexi Cap Fund Reg (G)	51.5	36661	(3.7)	5.6	25.1	15.9	16.1	14.1	0.6	1.6
Motilal Oswal Flexi Cap Fund Reg (G)	33.9	10814	(6.9)	0.7	15.2	10.7	12.8	17.2	0.4	1.8
Parag Parikh Flexi Cap Fund Reg (G)	50.7	18299	0.6	18.5	45.3	29.7	23.2	20.7	1.3	1.9

Small Cap Fund

Quant Small Cap Fund (G)	129.0	1271	1.0	13.3	87.3	35.4	21.6	15.2	1.0	2.6
SBI Small Cap Fund Reg (G)	102.4	10878	3.2	12.4	46.8	27.2	24.4	20.8	1.0	1.7
Axis Small Cap Fund Reg (G)	60.5	7695	3.1	19.7	56.4	31.5	23.6	25.0	1.2	2.0
Invesco India Smallcap Fund Reg (G)	21.0	1231	1.8	15.3	58.9	26.9	0.0	25.9	0.9	2.3
Kotak Smallcap Fund (G)	163.1	6509	2.7	17.1	69.9	33.4	23.4	18.0	1.1	2.0

Thematic/Sectoral Fund

	All Data Belongs To December 27, 2021									
	NAV	AUM (Rs Cr)	3 M	6 M	1 Yr	3 Yr	5 Yr	Since Inception Return	Sharpe Ratio	Exp. Ratio
Franklin Build India Fund (G)	63.5	1111	(1.1)	11.0	47.6	17.5	15.9	16.0	0.6	2.3
ICICI Pru Banking and Financial Services Fund Reg (G)	80.3	4905	(7.5)	(0.7)	24.3	10.1	14.3	16.9	0.4	2.1
Nippon India Pharma Fund (G)	301.9	5224	(1.9)	0.3	19.4	27.1	18.1	21.4	1.1	2.7
Sundaram Rural and Consumption Fund Reg (G)	56.1	1225	(4.3)	4.7	19.1	11.2	12.4	11.7	0.5	2.2
Aditya Birla SL Digital India Fund Reg (G)	145.0	2842	5.5	28.2	69.0	43.1	33.2	10.8	1.6	2.2

Balanced Advantage Fund

IDFC Balanced Advantage Fund Reg (G)	18.2	2811	0.0	6.9	15.0	12.2	11.0	8.6	0.6	2.0
Sundaram Balanced Advantage Fund Reg (G)	14.5	1248	(0.4)	5.0	14.8	0.0	0.0	22.8	0.0	2.2
Edelweiss Balanced Advantage Fund (G)	35.6	6586	(1.4)	6.5	18.9	16.1	14.8	10.8	1.0	1.8
Kotak Balanced Advantage Fund Reg (G)	14.3	12256	(0.8)	4.4	13.1	12.8	0.0	11.0	0.7	1.8
Aditya Birla SL Balanced Advantage Fund (G)	72.2	6281	(1.8)	3.5	13.5	12.1	10.5	9.5	0.6	1.8

Equity Savings Fund

Aditya Birla SL Equity Savings Fund Reg (G)	17.4	540	(1.1)	4.3	12.7	10.4	9.4	8.1	0.7	2.5
DSP Equity Saving Fund Reg (G)	15.8	381	(2.5)	2.4	12.7	9.0	8.2	8.2	0.5	2.4
Kotak Equity Savings Fund Reg (G)	18.2	1652	1.2	5.1	11.1	9.7	9.5	8.6	0.7	2.2
Nippon India Equity Savings Fund Reg (G)	12.2	229	(1.6)	2.3	11.6	(0.7)	2.8	3.1	(0.3)	2.7
SBI Equity Savings Fund Reg (G)	17.2	1950	0.1	4.1	13.7	11.4	9.7	8.5	0.8	1.2

Arbitrage Fund

Aditya Birla SL Arbitrage Fund Reg (G)	21.4	9036	0.9	1.7	4.0	4.7	5.2	6.3	1.1	1.0
ICICI Pru Equity Arbitrage Fund Reg (G)	27.6	15263	1.0	1.8	4.0	4.7	5.2	7.0	1.1	0.9
Kotak Equity Arbitrage Fund (G)	29.9	25442	1.0	1.8	4.1	4.8	5.3	7.0	1.2	1.0
Nippon India Arbitrage Fund (G)	21.5	12494	1.0	1.8	4.0	4.8	5.4	7.0	1.2	1.0
SBI Arbitrage Opp Fund Reg (G)	27.0	5013	1.2	2.0	4.1	4.5	5.0	6.8	0.8	0.9

Index Fund

HDFC Index Fund-NIFTY 50 Plan (G)	157.5	4164	(4.2)	8.0	25.1	17.3	17.1	15.0	0.7	0.4
ICICI Pru Nifty Next 50 Index Fund Reg (G)	36.6	1732	(3.0)	7.9	29.3	14.1	14.9	11.9	0.6	0.8
HDFC Index Fund Sensex Plan	515.3	2749	(4.4)	8.7	22.9	17.7	17.7	15.3	0.7	0.4
Motilal Oswal Nasdaq 100 FOF (G)	25.4	4282	8.4	13.8	29.6	39.5	0.0	34.7	0.0	0.5
Motilal Oswal S&P 500 Index Fund Reg (G)	15.9	2566	7.6	11.6	29.7	0.0	0.0	31.2	0.0	1.1

Solutions

	All Data Belongs To December 27, 2021									
	NAV	AUM	Mod Duration (in Yrs)	AMP (IN Yrs)	3 M	6 M	1 Yr	2 Yr	Sharpe Ratio	Exp. Ratio
ICICI Pru Retirement Fund Pure Debt Plan (G)	12.4	301	0.0	11.92 (16/03/2021)	0.3	1.7	3.1	6.5	0.0	2.1
Aditya Birla SL Retirement Fund 30s Plan (G)	13.1	232	0.0	11.45 (29/01/2021)	(3.9)	3.0	12.3	12.6	0.0	2.5
HDFC Retirement Savings Fund Hybrid Equity Reg (G)	24.9	763	0.9	20.005 (29/01/2021)	(1.4)	5.9	24.8	20.2	0.8	2.6
Aditya Birla SL Bal Bhavishya Yojna Reg (G)	13.6	520	0.0	11.84 (29/01/2021)	(4.0)	2.9	12.1	12.3	0.0	2.6
ICICI Pru Child Care Gift Plan Reg	194.6	854	0.6	157.5 (28/12/2020)	(0.3)	9.7	24.7	15.5	0.6	2.4
SBI Magnum Children Benefit Fund Investment Plan Reg (G)	22.3	357	0.0	12.6272 (31/01/2021)	4.2	32.7	73.6	0.0	0.0	2.6

Multi Assets

HDFC Multi Asset Fund (G)	47.4	1322	0.9	39.537 (29/01/2021)	0.7	7.5	18.1	18.9	0.8	2.3
SBI Multi Asset Allocation Fund Reg (G)	37.0	491	1.3	32.4493 (31/01/2021)	(0.3)	4.8	13.2	13.2	1.0	1.9
ICICI Pru Multi Asset Fund (G)	404.1	12243	0.9	302.4363 (29/01/2021)	0.2	11.0	33.3	20.9	0.8	1.8
Axis Triple Advantage Fund (G)	30.7	1656	1.0	24.5845 (29/01/2021)	(0.9)	10.4	22.3	19.4	0.9	2.1
Nippon India Multi-Asset Fund Reg (G)	13.0	1174	0.0	10.9006 (29/01/2021)	0.6	7.7	19.3	0.0	0.0	2.1

Disclaimer: Mutual Fund investments are subject to market risks, read all scheme related documents carefully.

STOCK PICKS

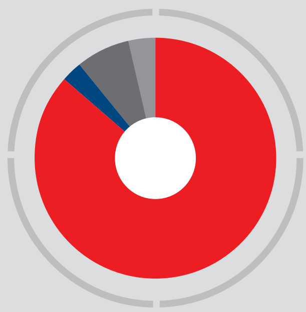
G R Infraprojects Ltd.

CMP: Rs 1,740	Rating: BUY	Target: Rs 2,029

Company Information

BSE Code	543317
NSE Code	GRINFRA
Bloomberg Code	GRINFRA IN
ISIN	INE201P01022
Market Cap (Rs. Cr)	16,805
Outstanding shares(Cr)	9.66
52-wk Hi/Lo (Rs.)	2,267.3/1,543
Avg. daily volume (1yr. on NSE)	262,910
Face Value(Rs.)	5.0
Book Value (Rs)	410.5

Shareholding Pattern as on 30th Sept. 2021



Company overview

GR Infraprojects is an integrated road EPC company with experience in design and construction of various road/highway projects across 15 States in India and recently forayed into projects in the railway sector. The company undertakes construction business in an integrated manner as the company has developed key competencies and resources in-house to deliver a project from conceptualization until completion. Its principal business operations are broadly divided into three categories namely Civil construction activities, under which they provide EPC services, Development of roads, highways on a Build Operate Transfer (BOT) basis, including under annuity and Hybrid Annuity Model (HAM) and Manufacturing activities, under which they process bitumen, manufacture thermoplastic road-marking paint, electric poles and road signage and fabricate and galvanize metal crash barriers.

Investment Rationale

Integrated business model

GR infra projects is an integrated EPC company, with 25 years of proven track record. As part of their in-house integrated model, they have developed in-house resources with key competencies to deliver a project from conceptualization to completion that includes their design and engineering team, 3 manufacturing units at Udaipur, Rajasthan, Guwahati, Assam and Sandila, processing bitumen in UP, thermoplastic road-marking paint and road signage and a fabrication and galvanization unit at Ahmedabad, manufacturing metal crash barriers and electric poles at Gujarat. In addition, company's equipment base is comprised over 7,000 construction equipment and vehicles. GR infra's in-house integrated model reduces dependence on third party suppliers for key raw materials, construction equipment and other products and services required in the development and construction of their projects. They also set up a central procurement team that procures major materials and engineering items required for their projects. Company has also implemented SAP in all plants and installed GPRS in all fleet for transportation, which ensures better operating efficiencies in all its divisions. Its integrated business model facilitates execution of projects within scheduled timelines. Further, company always strives to complete the project within time or before the schedule time and all these help in maintaining higher margins in the industry.

Healthy order book

GR infra has healthy order book of Rs 19,025 crore and comprised 16 EPC projects, 10 HAM projects and three other projects, which gives strong revenue visibility going forward. Further, the company had made the lowest bid of Rs. 592.18 crore for the proposed project. Its order book primarily comprised of EPC and HAM projects in the road sector across the states of Uttar Pradesh, Madhya Pradesh, Maharashtra, Gujarat, Rajasthan, Andhra Pradesh, Bihar, Manipur, Odisha and Himachal Pradesh. In addition, Order Book also

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includes railway projects in Andhra Pradesh and Madhya Pradesh and an optical fibre project spread across the states of Bihar, Odisha, West Bengal, Andaman and Nicobar Islands, Jharkhand and Sikkim. The company in the past also executed projects in Haryana, Punjab, Jharkhand and Meghalaya. Over the next few years, the company will continue to focus on construction of the existing projects while seeking opportunities to expand the portfolio of road projects. Though the company has the intention to focus on EPC contracts, it also plans to continue BOT projects (including toll projects), either independently or in partnership with other players. Further, as part of their growth strategy, the company intend to diversify and will bid for, projects related to the railways sector, including earthwork, construction of bridges and supply of materials and track linking, and laying of optical fibre cables. Healthy order book and company's strategy to diversify in other projects will amplify its revenue growth going ahead.

GR Infra Price Chart

Government thrust on infrastructure space to boost the growth

In order to pull out the economy from Covid led slowdown, government has committed large infrastructure spend over the next few years. Government healthy fiscal health will also support its infrastructure spend commitment. In FY22, budget, government has announced massive infrastructure spending. As per the budget, the total investment in roads, railways, urban infra, housing and water supply segments in FY22 is projected to be around 30% higher than FY21 revised estimate. In FY22 budget, government has also announced capital outlay for various sectors for infra space. NHAI is targeting to award over 5000 km of road in FY22 after rewarding 4,788 km in FY21 and this is likely to drive the order book momentum for infra companies. The 1QFY22 order book position demonstrates that most of the infra companies currently have strong order books, which is nearly 3.5x to book to sales. The net order inflow in 1QFY22 was Rs 138 billion and including L1/New orders, the total order inflow stood at Rs 283 billion which was up by 53% on YoY basis. During Q3FY21 and Q4FY21, the road construction companies witnessed the highest order inflow in last nine quarters driven by strong order award momentum by NHAI. The national highway awarding & construction continues to improve and stood at 10,965 km/13,327 km in

FY21 vs 8,912 km/10,237 km in FY20. NHAI and MoRTH together plan to award/construct 11,000km/14,600km of NH in FY22, which will provide a fillip to the infrastructure development. As a result of the robust order inflows, revenue visibility for the sector is at an all-time high. The book-to-bill for most infra companies currently is the highest in more than a decade and also much higher than the FY15-18 period.

Maintain strong financial performance

GR Infra's financial performance has been quite impressive on all counts. Revenue and EBITDA recorded a CAGR growth of 21.9% and 20.1%, respectively through FY18- FY21, its net profit recorded 15.3% CAGR over the same period. Especially, its EBITDA margin has remains constant at around 24% during FY19-FY21. Company always strives to complete the project within time or before the schedule time and all these help in maintaining higher margins in the industry and company believes this EBITDA margin will sustain in future. As per the management, the deep focus on each part of construction and timely completion of project are the main reasons for sustaining higher EBITDA margins in the industry. Company has also maintained healthy balance sheet with low debt equity ratio in the industry. GR Infra also generated more than 20% RoE on consistent basis. Company also has the ability to generate enough cash, which they utilize in funding their projects and also monetize the assets whenever there is requirement for fund. Hence, company has strong balance sheet to support its future growth.

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Key risks

- Any economic slowdown will have adverse impact on its order inflow
- Any delay in their execution could result in cost overrun in the project, thus will be negative for healthy sustainable margins.

Valuation

GR infra project has established highly capital efficient business model with strong funding lines, powered by low interest costs and empowered by robust management depth and bandwidth. Its long term growth story will be largely funded by internal accruals and asset monetization. Diversification will also not be a constraint as the company's strong balance sheet, low levels of fund/non-fund based utilization, and strong cash flow generation bode well for growth. Further, government's increased focus on infrastructure development too provides tailwinds on the macroeconomic front. NHAI's plan to award Rs. 2.25 lakh crore of projects in FY22 (up from Rs. 1.7 lakh crore a year ago) and the Ministry of Road Transport & Highways' target to award projects worth Rs. 15 lakh crore projects in the next two years, should help create a robust order pipeline for the companies in this space. Given the healthy growth prospects and considering the strong emerging opportunity for road infrastructure, strong order book with order book to sales ratio of 2.4x, timely execution of order, expand to new geographies and segments, strong financials and healthy balance sheet will augur well for the company's future performance. Hence, we recommend to BUY the scrip with target of Rs 2,029 from 12 months perspective. At the CMP the scrip is valued at P/E multiple of 17.1x on FY23E Bloomberg consensus EPS of Rs 101.5.

Particulars (in Rs Cr)	FY20	FY21	FY22E	FY23E
Revenue	6,372.7	7,844.1	8,326.8	9,626.2
Growth (%)	20.6%	23.1%	6.2%	15.6%
EBITDA	1,589.8	1,853.2	1,419.5	1,644.7
EBITDA Margin (%)	24.9%	23.6%	17.0%	17.1%
Net profit	799.1	955.5	836.8	980.8
Net Profit Margin (%)	12.5%	12.2%	10.0%	10.2%
EPS (Rs)	82.4	98.6	86.6	101.5

Source: Bloomberg consensus

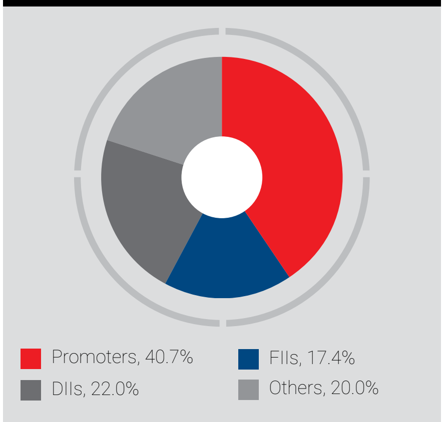
Birlasoft Ltd.

CMP: Rs 545	Rating: BUY	Target: Rs 630

Company Information

BSE Code	532400
NSE Code	BSOFT
Bloomberg Code	BSOFT IN
ISIN	INE836A01035
Market Cap (Rs. Cr)	15,161
Outstanding shares(Cr)	27.8
52-wk Hi/Lo (Rs.)	538.4 / 215.9
Avg. daily volume (1yr. on NSE)	2443617
Face Value(Rs.)	2
Book Value	84.1

Share holding pattern as on September 2021



Company overview

Birlasoft Ltd. (BSOFT) was incorporated in 1990 as part of the diversified CK Birla Group, one of India's premier commercial and industrial houses. Birlasoft is the global technology services division of the CK Birla Group, with strategic equity participation by GE Capital. Birlasoft combines the power of domain, enterprise and digital technologies to reimagine business processes for customers and their ecosystem. The company's consultative and design thinking approach makes societies more productive by helping customers run businesses. Birlasoft offers IT services worldwide from development centers in India and Australia. BSOFT and KPIT's IT services business has merged to form a leading publicly listed Enterprise Digital and IT Services company. Birlasoft had strengths primarily on the non-ERP digital businesses, while KPIT IT services possessed core strengths on the enterprise software solutions and capabilities in digital transformation services.

Investment Rationale

Annuity revenues and deal wins to drive growth

Birlasoft is aiming to achieve a target of US$1 billion in revenues in the next four years (implying a CAGR of 20%). The company aims to achieve this via organic and inorganic revenues (US$150-200 million). Higher spending on platform-based digital initiatives, Cloud adoption, and aggressive automation would be the company's growth driver in FY22. On the platform side, the company accelerated customers' cloud adoption journey by achieving AWS advanced consulting partner status, which is expected to further strengthen its cloud portfolio. The management indicated that Cloud revenues has started improving because of the partnerships with google, Microsoft. The management reckons that clients are now accelerating cloud transformation, which should help in the growth journey. The management also highlighted that its SAP and ERP pipeline in terms of both transformation and implementation side increased. Birlasoft has significantly improved its annuity revenues from 60% in FY20 to 70% in FY21. The company continued to maintain its annuity-based revenue contribution at 71% during the quarter, while project-based traction picked up especially in the enterprise IT area. Management expects this would lead to higher annuity-based revenue at the later stages of the project and maintain the annuity-based revenue contribution at 75% by the end of FY22. Going forward, it is expected that the company to continue to improve annuity revenues, cross sell to clients and focus on niche verticals. This coupled with Birlasoft's

Birlasoft is aiming to achieve a target of US$1 billion in revenues in the next four years (implying a CAGR of 20%). The company aims to achieve this via organic and inorganic revenues (US$150-200 million).

focus on client mining, expansion in Europe & APAC, improving growth in top 30 accounts, healthy deal pipeline, healthy order book, increase in deal sizes, project ramp ups, reversal of discounts, and focused ERP channel sales bode well for revenue growth in coming years. Further, management indicated that BSOFT will continue to make investments to capitalize on demand. As part of its micro vertical strategy, BSOFT has identified medical devices (part of Life sciences), high tech (part of Manufacturing; growing at over 20%), heavy industries (Cement, Building Materials; part of Manufacturing), and lending and payment (part of BFSI) as key micro verticals to focus on in order to accelerate growth.

Birlasoft 3Yr. Price Chart

Strengthening global partnership ecosystem

Over the last two years, the company strengthened its global partnership and alliances with key platform players and OEMs to provide customers a broader range of solutions to accelerate the execution of digital transformation. Birlasoft enjoys strong partnerships with SAP, Oracle, Salesforce.com, ServiceNow, Microsoft, Amazon, etc. With the recent collaboration with Microsoft, Birlasoft has strategically positioned itself to support its enterprise clients with their cloud transformation needs, right from infrastructure to business applications. In August 2020, BSOFT announced Global Strategic Cloud Alliance with Microsoft to help its clients accelerate their digital journey. BSOFT has plans to scale it Microsoft channel business to US$ 100 mn. The company also became AWS partner recently and in advance stage to penetrate Google in the same fashion. These investments coupled with investment in right talent will help the company in building horizontal levers such as cloud migration, IoT and industry 4.0 adoption, data and analytics, blockchain. All these will allow the BSOFT to be technology agonistic in the cloud migration opportunities.

Margins to improve despite headwinds

Birlasoft reported an improvement in margins due to revenue growth, higher billing and lower bad debt partially offset by higher wage hikes, higher recruitment, higher subcontracting costs and strategic investments in domain and technology capabilities. Going forward, there are margin headwinds due to higher employee cost, lower utilisation and reskilling of employees. Though the expenses would increase with opening of travel in H2FY22, management remains confident to maintain the margin level despite the impact of wage revision, by optimizing the cost structure and higher revenue growth. Management believes that the attrition is expected to soften in next 2-3 quarters as the economy normalises and fresher hiring increases across the industry. Given large deal wins, strong deal pipelines, healthy growth momentum in key verticals, strong growth across top 20 accounts, and sharpening focus on top 30 accounts, management remains optimistic for 15% revenue growth in FY22. Management indicated that the company's priority currently is to make the required investments to capture high demand and that it is comfortable with operating at ~15% margins in the near term.

Management Outlook

Management remains confident of accelerating revenue growth on the back of broad-based demand and increased traction in the areas of Cloud, Digital and Cybersecurity. While the shortage of talent is a constraint on achieving higher growth (20%), BSOFT is confident of delivering revenue growth in the mid-teens in FY22 with at least 15% EBITDAM. Birlasoft is planning to expand its presence in the Europe region to drive growth in the BFSI vertical. Birlasoft expects Europe performance to improve on the back of deal wins. Management remains confident of sustaining revenue growth momentum and delivering midteen revenue growth in FY22 on the back of broad-based demand, healthy deal intake (ACV (Annual Contract Value) remains robust although reported Total Contract Value (TCV) not reflecting strength on YoY basis), robust deal pipeline (up 50% YoY) and improving win rates, growing annuity revenue, and anticipated recovery in Enterprise Solutions. Management expects to sustain EBITDA Margin at the current level with an upward bias in FY22 as it anticipates headwinds stemming from wage hikes and investments in capability building and talent, which would be partially offset by revenue growth-led operating leverage, higher offshoring and other efficiencies. Higher spending on platform-based digital initiatives, Cloud adoption, and aggressive automation would be the company's growth driver in FY22. Management reiterated its aspiration to reach USD1bn revenue by Mar'25, with an EBITDAM of 18%. The management expects supply-side challenges to ease by Q4 because of higher offshoring revenue and cost-efficiency measures.

Key Risks

- Deterioration of demand for IT services in the wake of third wave of COVID-19
- Softness in SAP and IES
- Loss of any large clients

Valuation

Management has reiterated the strong demand environment and that demand will continue to remain robust for the next 3-4 years. The company is benefitting from its strong partnership with hyperscalers like AWS, Microsoft Azure and Google Cloud. Management remains confident of accelerating revenue growth on the back of broad-based demand and increased traction in the areas of Cloud, Digital and Cybersecurity. Further, management indicated that BSOFT will continue to make investments to capitalize on demand. Given strong demand recovery for ERP services, acceleration in digital technologies, improving client mining, healthy deal pipeline, cross selling opportunities, increase in deal sizes, healthy order book, focus on niche verticals, reversal of discounts and expansion in Europe & APAC, it is expected that the company would register healthy growth in earnings going ahead. Management expects to sustain EBITDA Margin at the current level with an upward bias in FY22 as it anticipates headwinds stemming from wage hikes and investments in capability building and talent, which would be partially offset by revenue growth led operating leverage, higher offshoring and other efficiencies. Further, robust margins and healthy cash balance could lead to inorganic expansion or healthy dividend payout. Thus, we recommend our investors to BUY the scrip with target of Rs. 630 from 12 months investment perspective. At the CMP, the scrip is valued at P/E multiple of 27.1x on FY23E Bloomberg consensus EPS of Rs. 20.1.

Particulars (in Rs Cr)	FY20	FY21	FY22E	FY23E
Net Sales	3291.0	3555.7	4110.4	4850.3
Growth (%)	-16.5	8.0	15.6	18.0
EBITDA	390.2	518.2	645.3	785.7
EBITDA Margin (%)	11.9	14.6	15.7	16.2
Net profit	224.3	320.8	456.3	557.8
Net Profit Margin (%)	6.8	9.0	11.1	11.5
EPS (Rs)	8.1	11.6	16.4	20.1

Consensus Estimate: Bloomberg, Ashika Research

STOCK PICKS

Always Quality. Always Near.

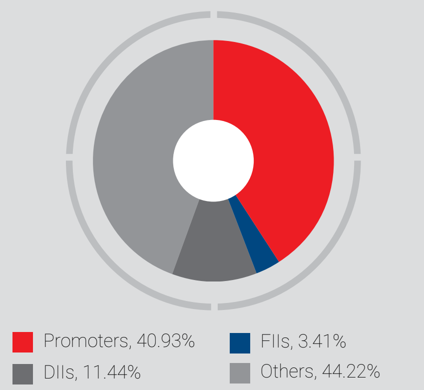
Medplus Health Services Ltd.

CMP: Rs 1,032	Rating: BUY	Target: Rs 1,320

Company Information

BSE Code	543427
NSE Code	MEDPLUS
Bloomberg Code	MEDPLUS IN
ISIN	INE804L01022
Market Cap (Rs. Cr)	12,340
Outstanding shares(Cr)	11.93
52-wk Hi/Lo (Rs.)	1143.10/993.35
Avg. daily volume (1yr. on NSE)	6,276,730
Face Value(Rs.)	2
Book Value (Rs)	131

Shareholding Pattern as on 20 Dec'2021



Company overview

Medplus Health Services Limited ("Medplus") is the 2nd largest pharmacy retailer in India, in terms of (i) revenue from operations for the financial year 2021, and (ii) number of stores as of March 31, 2021. Medplus offers a wide range of products, including (i) pharmaceutical and wellness products, including medicines, vitamins, medical devices and test kits, and (ii) fast-moving consumer goods, such as home and personal care products, including toiletries, baby care products, soaps and detergents, and sanitizers. Medplus has 3 manufacturing plants in Telangana, manufacturing range of plastic products, optical frames, spectacles and liquid disinfectants etc. Medplus holds strong market share in Chennai, Bangalore, Hyderabad and Kolkata of approximately 30%, 29%, 30% and 22%, respectively in organized pharmacy retail market. As of Sep'21, the company operated 2326 stores across Karnataka (546), Tamil Nadu (475), Telangana (474), Andhra Pradesh (297), West Bengal (224), Maharashtra (221) and Odisha (89). In 2020 company started focusing on online sales, by virtue of which company was able to deliver their online purchases customers within 2 hours of purchase in select cities of Hyderabad, Bangalore, Kolkata, Pune and Nagpur. Medplus employs a data analytics driven cluster-based approach to their store network expansion. A strong omni channel platform (store, website, app, telephone ordering, order online, pick physically) which enables it to leverage the strong offline presence to establish and grow its online channel.

Investment Rationale

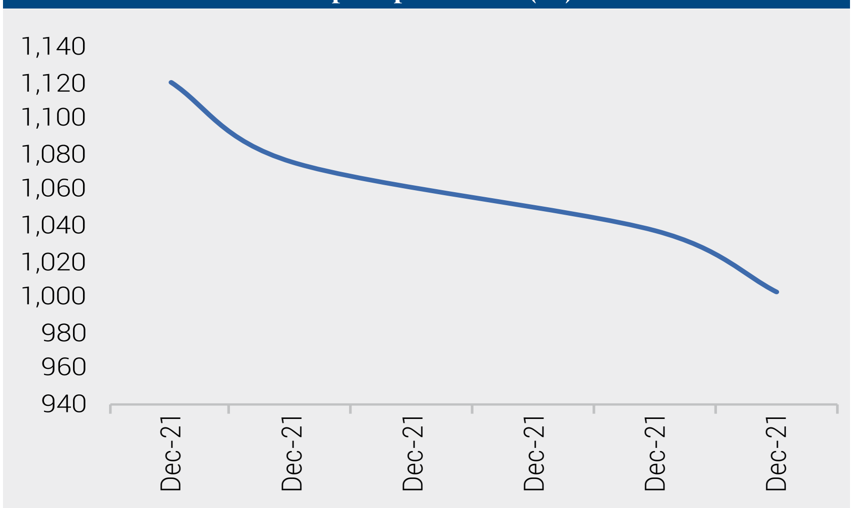
Medplus major beneficiary of increasing share for E-commerce channel

While traditional retail channels continue to constitute mammoth share (89% as of FY21) of pharmacy retail market in India, there has been a recent shift towards modern retail channels such as e-commerce and brick & mortar (B&M). The share of the modern retail (e-commerce and B&M) is expected to inch higher on the back of 27% CAGR between FY21 and FY25 vs 8% for traditional channel. Courtesy of high growth, traditional retail channels' share is expected to come down to 80% by FY25. Within modern retail, e-commerce (together with omni-retail channel) is expected to grow at a robust CAGR of 42% between the same period. The shift is expected to be driven by change in consumer perception who are now inclined to purchase regular prescription drugs and other wellness products from modern organized pharmacy retail outlets that offer the benefit of an enhanced retail environment, the assurance of authentic drugs, transparent discounts and a wide variety of products. This trend has been further accelerated by the outbreak of the COVID-19 pandemic. Medplus with (i) well-established brand, (ii) genuine and good quality pharmaceutical products offering, (iii) wide product offering, (iv) ability to achieve high fulfilment rates, (v) offering of neighbourhood convenience with large store footprint, and (vi) ability to offer competitive pricing to the customers, is likely to continue the gains in market share. The company was the first to operate as an omni channel platform and wants to further increase online sales revenue contribution to total revenues leveraging store expansion and faster delivery. Over the last two years, revenue from online sales channel has steadily increased and for the financial years 2020 and 2021 and the six months ended September 30, 2021 accounted for 6.99%, 8.98%, and 8.44% of total revenue from operations, respectively.

Apt store expansion with improving per store dynamics from matured stores

Medplus streamlined and methodical store opening process along with focus on the sustainability and profitability of each store, has allowed company to maintain healthy store level economics. Between FY19-21, Medplus opened new stores at a CAGR of more than 12% and as of FY21, 53% of the stores are located in Metro cities, 26% in Tier-1, 17% in Tier 2 and only 4% in Tier 3, hence there is immense scope of growth. Medplus has a higher average revenue per store of Rs 1.59 cr being more present in metro and tier 1 cities. Medplus employs a data analytics driven cluster-based approach to store network expansion, whereby the company first achieve high store density in a densely-populated residential area within a target city before expanding store network in the surrounding areas within that city, followed by expansion into other adjacent cities. Hence, it has higher store concentration in Chennai, Bangalore, Hyderabad and Kolkata. Medplus' typical store comprises of 550 to 600 square feet with capex of Rs 0.60 million. Moreover, over 95% of company's stores are operated and managed exclusively by the company thus bearing the capex. As of FY21, over 60% and 75% of the new stores achieved a positive store level operating EBITDA within the first three months and first six months of operations, respectively. Further, as of H2FY22, the mature stores had a median payback period of less than 3 years and demonstrated a compounded average same store sales growth of 8.3% on MRP from FY19 to FY21. As of September 30, 2021, Medplus store network comprised of 2,326 stores, of which 55.25% of the total number of stores have been opened since FY18. The company has an operating EBITDA margin of 5.74% as of Sep'21 while the store level operating EBITDA margin stands at 10.26%. More importantly, store level operating EBITDA margin for matured stores stands at 11.58% vs 8.59% for non-matured stores as of Sep'21. Hence, there is likelihood of increased contribution from such stores as they mature and gradually achieve higher growth rates and improved profitability.

Medplus price chart (Rs)



Fully integrated across value chain driven by inhouse technology

Medplus' business operations across the entire value chain are backward integrated and are wholly-managed and operated by the company. Company's entire business value chain, from sourcing of products, to warehousing, to distribution to stores, to store operations and interfacing with customers, and to last mile delivery, is supported by integrated technology infrastructure, which has been developed in-house. As of September 30, 2021, company has 18 primary warehouses in total with each in Bangalore, Chennai, Hyderabad, Vijayawada, Kolkata, Pune, Bhubaneshwar, Mumbai and Nagpur. These warehouses are supported by smaller warehouses in cities where Medplus has higher store density. These technologically enabled warehouses form hubs for company's stores, and stores' inventories are replenished through centralized inventory management system, which is capable of tracking the sales and inventory levels at stores and warehouses in real-time. Company's supply chain is supported by an algorithm driven automated replenishment and stock picking system that is driven by a real time inventory analytics platform, which again has been developed in-house and refined over the last ten years. The company aims to enhance its delivery infrastructure and achieve a higher rate of online delivery purchases by reaching customers within two hours. The 2-hour delivery services were started in FY21, and recent pilots in July 2021 have showed promising results where 93% of online delivery purchases were delivered within two hours in select micro-markets of Hyderabad. The company expects to expand its ability to deliver online purchases within two hours of purchase in big cities such as Mumbai by December 31, 2021.

Increase in share of private label products will lead to improvement in profit margins

For FY21 and H1FY22, Medplus' product mix primarily comprised of branded pharmaceutical products (76.8% and 74.9%, respectively), private label pharmaceutical products (5.6% and 6.7%, respectively), branded fast-moving consumer goods (12.9% and 11.6%, respectively) and private label consumer goods (4.8% and 6.9%, respectively). Percentage of store revenues from private label pharmaceutical products and private label consumer goods together have increased from 4.48% in FY19 to 10.36% in FY21 and further to 13.54% in H1FY22. This has helped to improve gross margins from 18.86% in FY19 to 21.02% in FY21 and further to 21.3% in H1FY22. Company has stated that 1% increase in private label share will increase the margins by 0.5%. Company intends to (i) increase the penetration of private label pharmaceutical products by introducing private label products for more therapeutic areas, in particular for sub-chronic and chronic ailments and (ii) introduce new private label products for FMCG in particular, in the consumer categories of nutrition and wellness. Besides, the company also plans to spend on advertising for private label products and train staff to push for more private label products particularly for stores where share of revenue is less from private label products. Besides, Medplus aims to keep a tight control over costs through inhouse management of all supply chain and infrastructure and logistics and also has inhouse technology team. Besides, pharmaceutical products are also procured directly from pharmaceutical companies or their carry forward agents, which helps to keep costs under check. Besides, as store matures, albeit absolute costs increase, as % of revenue, store EBITDA margins improve. On financial front, during FY19-21, Medplus' revenue and EBITDA grew at a CAGR of 16.2% (to Rs. 3069 cr) and 34.9% (to Rs. 217), respectively, while PAT grew at a CAGR of 130% to Rs. 63 cr. EBITDA margins improved by 182bps to 7.1%, while PAT margins improved by 153bps to 2.1%. EBITDA and PAT margins have further increased to 8.4% and 3.5% respectively in H1FY22.

Key risks

- Increase in competitive intensity from online players
- Delay in EBITDA break-even at new stores

Valuation

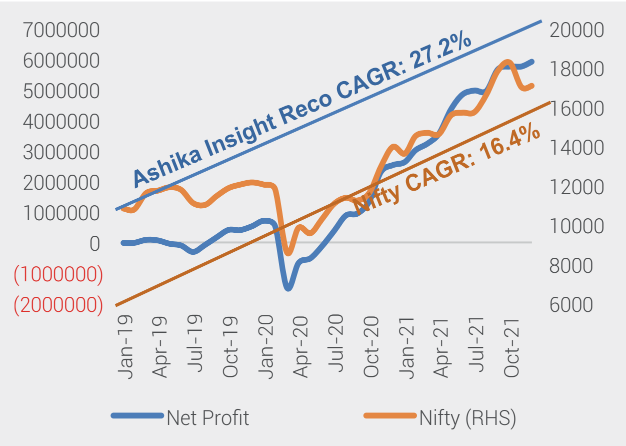
Medplus Health Services Limited ("Medplus") is the 2nd largest pharmacy retailer in India, in terms of (i) revenue from operations for the financial year 2021, and (ii) number of stores as of March 31, 2021. The share of the modern retail (e-commerce and B&M) is expected to inch higher to 20% vs (11% as of FY21) driven by 27% CAGR between FY21 and FY25 vs 8% for traditional channel. Medplus has been growing its stores at a CAGR of more than 12% and presently holds 2326 stores. 53% of the stores are located in Metro cities, 26% in Tier-1, 17% in Tier 2 and only 4% in Tier 3, hence there is immense scope of growth. Medplus has a higher average revenue per store of Rs 1.59 cr being more present in metro and tier 1 cities. Medplus employs a data analytics driven cluster-based approach to store network expansion, whereby the company first achieve high store density in a densely-populated residential area within a target city before expanding store network in the surrounding areas within that city, followed by expansion into other adjacent cities. Hence, it has higher store concentration in Chennai, Bangalore, Hyderabad and Kolkata. Moreover, over 95% of company's stores are operated and managed exclusively by the company and 55.25% of the total number of stores have been opened since FY18 and hence are not matured. Store level operating EBITDA margin for matured stores stands at 11.58% vs 8.59% for non-matured stores as of Sep'21. Hence, there is likelihood of increased contribution from such stores as they mature and gradually achieve higher growth rates and improved profitability. Besides, the company has been gradually increasing share of private label products from 4.48% in FY19 to 10.36% in FY21 and further to 13.54% in H1FY22. This has helped to improve gross margins from 18.86% in FY19 to 21.02% in FY21 and further to 21.3% in H1FY22. Company has stated that 1% increase in private label share will increase the margins by 0.5%. Company's entire business value chain, from sourcing of products, to warehousing, to distribution to stores, to store operations and interfacing with customers, and to last mile delivery, is supported by integrated technology infrastructure, which has been developed in-house. These strategies helped the company to contain costs and as more stores matures and the company exploits economies of scale, EBITDA margins will expand. Medplus also sources pharmaceutical products directly from pharmaceutical companies or their carry forward agents, which helps to keep costs under check. Thus, given industry dynamics and company positioning, we expect Medplus to reap benefits from this shift towards modern retail. At the CMP, the scrip trades at EV/EBITDA of 34.16x FY23E EBITDA. Investors are advised to 'BUY' the scrip for a target price of Rs 1320 at a target EV/EBITDA of 42x FY23E EBITDA.

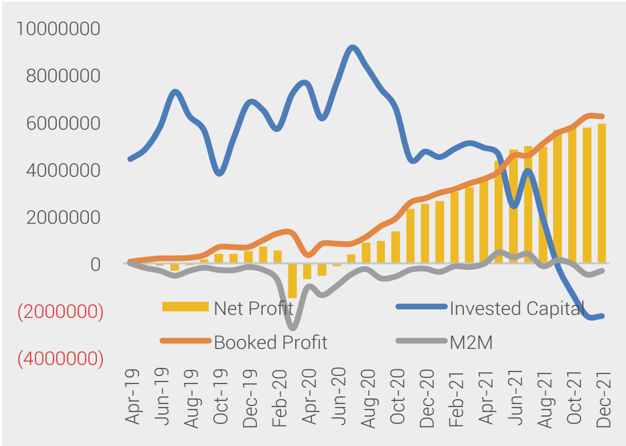
Particulars (in Rs Cr)	FY20	FY21	FY22E	FY23E
Revenue	2,871	3,069	3,888	4,570
Growth (%)	26%	7%	27%	18%
EBITDA	134	217	307	370
EBITDA Margin (%)	4.7%	7.1%	7.9%	8.1%
Net Profit	2	63	113	142
Net Profit Margin (%)	0.1%	2.1%	2.9%	3.1%
EPS (Rs)	0.2	5.3	9.5	11.9

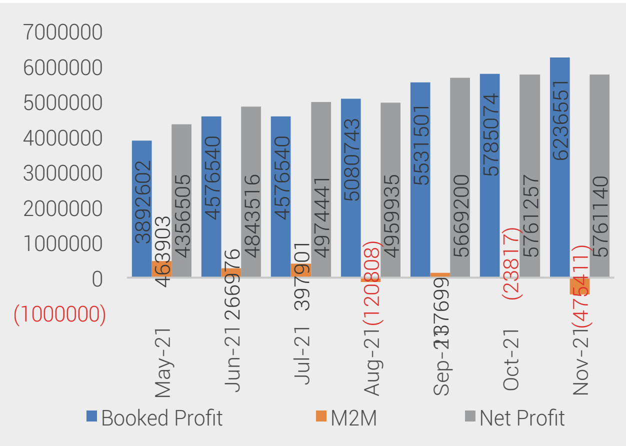
Source: Ashika Research

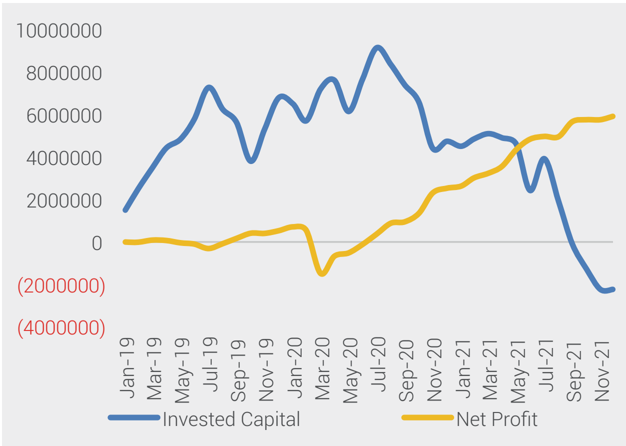
Monthly *Insight* Performance

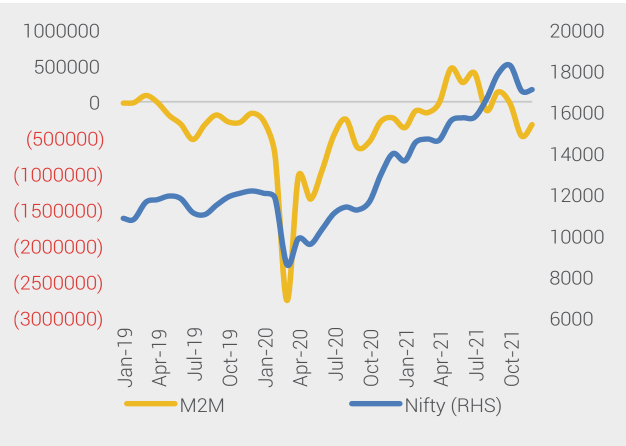
Since Jan-2019... Return @CAGR 27.2%

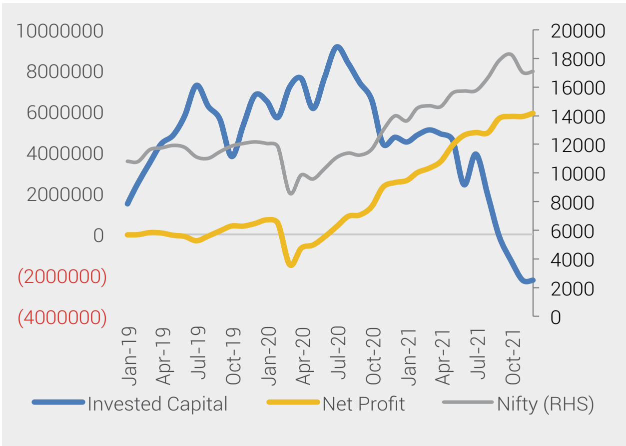












** All Figures quoted in Rs.*
Calculated as on December 27 2021

Monthly Profit & Loss Fact Sheet (Rs.)

Date	Invested Capital	Booked Profit	M2M	Net Profit
31-Jan-19	1496513	0	(15549)	(15549)
28-Feb-19	2500555	0	(12120)	(12120)
31-Mar-19	3499100	0	87058	87058
30-Apr-19	4423753	77386	(8924)	68462
31-May-19	4843373	149734	(192232)	(42498)
30-Jun-19	5780649	212997	(312556)	(99559)
31-Jul-19	7280745	212997	(523193)	(310197)
31-Aug-19	6252245	237315	(318110)	(80795)
30-Sep-19	5638553	351653	(183965)	167688
31-Oct-19	3805452	689902	(279263)	410639
30-Nov-19	5300467	689902	(286815)	403087
31-Dec-19	6799062	689902	(159580)	530321
31-Jan-20	6506557	981148	(270658)	710490
29-Feb-20	5711903	1272382	(733289)	539092
31-Mar-20	7207537	1272382	(2755943)	(1483561)
30-Apr-20	7623497	356948	(1030982)	(674034)
31-May-20	6149806	833936	(1351330)	(517394)
30-Jun-20	7651620	833936	(956088)	(122152)
31-Jul-20	9152079	833936	(463266)	370670
31-Aug-20	8360481	1124891	(241678)	883213
30-Sep-20	7410397	1581629	(634208)	947421
31-Oct-20	6589893	1902621	(554750)	1347871
30-Nov-20	4415962	2580822	(272418)	2308404
31-Dec-20	4744368	2757455	(224457)	2532998
31-Jan-21	4512183	2992911	(360195)	2632716
28-Feb-21	4855257	3147357	(126852)	3020505
31-Mar-21	5103512	3388344	(151565)	3236779
30-Apr-21	4908741	3581795	(17805)	3563990
31-May-21	4608003	3892602	463903	4356505
30-Jun-21	2426006	4576540	266976	4843516
31-Jul-21	3924461	4576540	397901	4974441
31-Aug-21	1920864	5080743	(120808)	4959935
30-Sep-21	(97678)	5531501	137699	5669200
31-Oct-21	(1282290)	5785074	(23817)	5761257
30-Nov-21	(2236970)	6236551	(475411)	5761140
27-Dec-21	(2236970)	6236551	(317343)	5919208

*Booked Profit = Profit booked after target achieved

**M2M = Open position marked to market as on date

***Net profit = Booked Profit + M2M P/L

****Invested Capital = Stock investment as recommended (minus) Stock sold on target

*****Calculation based on Rs. 5 lac invested on each stock recommended in our monthly insight on release date

******All Figures quoted in Rs.

****** Calculated as on December 27, 2021

Monthly *Insight* Recommendation Performance Sheet

Script	Buying Date	QTY	Bought Rate	Value	Target Price	Target Return	Booked Date	Booked Price	Value	Profit	Return	Holding Days	Annu-alised Return
G R Infraprojects	03-Jan-22	287	1740.0	499380	2029	16.6%							
Birlasoft	03-Jan-22	917	545.0	499765	630	15.6%							
Medplus Health	03-Jan-22	484	1032.0	499488	1320	27.9%							
ICICI Bank	01-Dec-21	702	712.0	499824	825	15.9%							
Fortis Healthcare	01-Dec-21	1786	280.0	500080	325	16.1%							
Affle India	01-Dec-21	434	1152.0	499968	1380	19.8%							
Container Corp	01-Nov-21	761	657.0	499977	830	26.3%							
Sobha	01-Nov-21	649	770.0	499730	890	15.6%	03-Nov-21	932	604868	105138	21.0%	2	3840%
Johnson Cont - Hitachi AC	01-Nov-21	241	2076.0	500316	2550	22.8%							
Aptus Value Hsg. Fin.	01-Oct-21	1577	317.0	499909	450	42.0%							
Birlasoft	01-Oct-21	1220	410.0	500200	485	18.3%	18-Nov-21	492	600118	99918	20.0%	48	152%
Himatsingka Seide	01-Oct-21	1838	272.0	499936	340	25.0%							
HCL Tech	01-Sep-21	424	1180.0	500320	1390	17.8%							
Whirlpool of India	01-Sep-21	234	2135.0	499590	2480	16.2%	12-Oct-21	2480	580320	80730	16.2%	41	144%
Zydus Wellness	01-Sep-21	217	2304.0	499968	2680	16.3%							
Jubilant Foodworks	02-Aug-21	133	3770.0	501403	4340	15.1%	12-Oct-21	4340	577220	75817	15.1%	71	78%
Can Fin Homes	02-Aug-21	920	543.8	500333	650	19.5%	08-Sep-21	650	598000	97667	19.5%	37	193%
Arvind	02-Aug-21	4750	105.1	499225	135	28.4%	19-Oct-21	135	641250	142025	28.4%	78	133%
Tech Mahindra	01-Jul-21	455	1096.0	498680	1270	15.9%	06-Aug-21	1270	577850	79170	15.9%	36	161%
Hero Motocorp	01-Jul-21	172	2905.0	499660	3390	16.7%							
Zee Entertainment	01-Jul-21	2310	216.5	500115	250	15.5%	14-Sep-21	250	577500	77385	15.5%	75	75%
Infosys	01-Jun-21	358	1400	501200	1610	15.0%	26-Jul-21	1610	576380	75180	15.0%	55	100%
HDFC Ltd.	01-Jun-21	195	2567	500565	2940	14.5%	27-Oct-21	2940	573300	72735	14.5%	148	36%
Natco Pharma	01-Jun-21	472	1059	499612	1230	16.2%							
ICICI Bank	03-May-21	845	593	499800	720	21.4%	31-Aug-21	717	605696	105896	20.8%	120	63%
DCM Shriram	03-May-21	700	716	499833	840	17.3%	22-Jun-21	840	588000	88167	17.3%	50	126%
Indian Metals & Ferro Alloys	03-May-21	1125	445	499840	570	28.2%	22-Jun-21	551	619976	120136	23.9%	50	175%
Vardhman Textiles	01-Apr-21	375	1330	498785	1550	16.5%	12-Jul-21	1550	581250	82465	16.5%	102	59%
Kirloskar Oil Engines	01-Apr-21	2960	170	502879	208	22.4%	11-May-21	203	600051	97172	19.3%	40	176%
Amrutanjan Health Care	01-Apr-21	870	575	499864	670	16.6%	11-May-21	669	581900	82035	16.4%	40	150%
Divis Lab	01-Mar-21	147	3407	500807	3900	14.5%	27-Apr-21	3893	572315	71508	14.3%	57	91%
Supreme Industries	01-Mar-21	240	2068	496299	2350	13.6%	17-Sep-21	2350	564000	67701	13.6%	200	25%
Somany Home Innov.	01-Mar-21	1700	290	493763	370	27.4%	08-Jun-21	370	629000	135237	27.4%	99	101%
Infosys	02-Feb-21	390	1276	497754	1457	14.2%	12-Apr-21	1471	573869	76116	15.3%	69	81%
Kajaria Ceramics	02-Feb-21	595	839	499295	980	16.8%	16-Feb-21	972	578102	78807	15.8%	14	412%
Borosil Renewables	02-Feb-21	1810	276	500329	340	23.0%	09-Aug-21	340	615400	115071	23.0%	188	45%
BPCL	01-Jan-21	1312	383	502046	480	25.4%	02-Mar-21	469	615577	113531	22.6%	60	138%
Welspun India	01-Jan-21	7353	69	508230	84	21.5%	12-Mar-21	84	616623	108393	21.3%	70	111%
Kaveri Seed	01-Jan-21	962	525	504955	650	23.8%	10-May-21	649	624223	119268	23.6%	129	67%
Bosch	01-Dec-20	39	12842	500840	15200	18.4%	19-Jan-21	15174	591781	90941	18.2%	49	135%
Sumitomo Chemical	01-Dec-20	1750	286	501133	340	18.7%	02-Jun-21	340	595000	93867	18.7%	183	37%
Prestige Estate	01-Dec-20	1850	271	500563	312	15.3%	18-Feb-21	311	576201	75638	15.1%	79	70%
MRF	02-Nov-20	7	66042	462295	76588	16.0%	19-Nov-20	76456	535194	72899	15.8%	17	339%
Dixon	02-Nov-20	52	9586	498474	11268	17.5%	26-Nov-20	11249	584928	86455	17.3%	24	264%
Privi Speciality Chem.	02-Nov-20	910	549	499328	640	16.6%	21-Jan-21	639	581399	82071	16.4%	80	75%
Ultratech Cement	01-Oct-20	122	4095	499594	4543	10.9%	19-Oct-20	4535	553293	53699	10.7%	18	218%
Essel Propack	01-Oct-20	2025	248	501522	290	17.1%	11-Jan-21	290	586238	84715	16.9%	102	60%
Valiant Organics	01-Oct-20	168	2970	498946	3350	12.8%	09-Oct-20	3344	561832	62886	12.6%	8	575%

Script	Buying Date	QTY	Bought Rate	Value	Target Price	Target Return	Booked Date	Booked Price	Value	Profit	Return	Holding Days	Annu-alised Return
Mishra Dhatu Nigam	01-Sep-20	2400	209	502246	260	24.2%	30-Sep-21	191	457200	-45046	-9.0%	394	-8%
Hawkins Cooker	01-Sep-20	103	4852	499740	5890	21.4%	29-Dec-20	5671	584118	84379	16.9%	119	52%
Phillips Carbon Black	01-Sep-20	4275	117	501035	151	28.8%	25-Oct-20	148	630563	129527	25.9%	54	175%
Wipro	03-Aug-20	1770	282	499999	325	15.1%	05-Oct-20	325	574878	74880	15.0%	63	87%
Divis Lab	03-Aug-20	190	2644	502371	3050	15.4%	10-Aug-20	3058	581026	78654	15.7%	7	816%
Fine Organics	03-Aug-20	230	2177	500822	2470	13.4%	24-Aug-20	2466	567123	66300	13.2%	21	230%
ICICI Securities	01-Jul-20	1050	476	499818	620	30.2%	03-Jun-21	601	631050	131232	26%	337	28%
Apollo Tyres	01-Jul-20	4600	109	501341	130	19.3%	10-Aug-20	127	582498	81157	16.2%	40	148%
Galaxy Surfactants	01-Jul-20	335	1490	499300	1680	12.7%	04-Aug-20	1684	564130	64829	13.0%	34	139%
Nestle India	01-Jun-20	28	17571	491987	19500	11.0%	20-Aug-21	19500	546000	54013	11%	445	9%
Tech Mahindra	01-Jun-20	925	541	500453	ADD		29-Sep-20	774	715691	215238	43.0%	120	131%
Abbott India	01-Jun-20	30	16979	509375	19464	14.6%	02-Aug-21	19464	583920	74545	14.6%	427	13%
Bharti Airtel	04-May-20	985	508	500232	610	20.1%	20-May-20	606	597058	96826	19.4%	16	442%
Pfizer	04-May-20	102	4934	503304	5800	17.5%	28-Jun-21	5600	571200	67896	13.5%	420	12%
Bayer Cropscience	04-May-20	116	4287	497334	5425	26.5%	27-May-20	5281	612584	115251	23.2%	23	368%
ITC	01-Apr-20	2950	170	502363	ADD		17-Nov-21	240	708000	205637	40.9%	595	25%
Britannia Industries	01-Apr-20	184	2719	500320	ADD		29-May-20	3384	622704	122384	24.5%	58	154%
TCS	01-Apr-20	274	1827	500508	ADD		14-Sep-20	2480	679520	179012	35.8%	166	79%
HDFC Bank	01-Apr-20	586	852	499290	ADD		10-Nov-20	1361	797739	298450	59.8%	223	98%
Britannia Industries	02-Mar-20	164	3048	499888	3400	11.5%	29-May-20	3384	555019	55130	11.0%	88	46%
Aarti Industries	02-Mar-20	505	990	499799	1177	18.9%	05-May-20	1139	575018	75220	15.1%	64	86%
Metropolis Healthcare	02-Mar-20	263	1886	495946	2200	16.7%	23-Nov-20	2187	575165	79219	16.0%	266	22%
Bajaj Finance	03-Feb-20	115	4306	495178	5000	16.1%	01-Dec-20	4894	562761	67583	13.6%	302	16%
Gujarat State Petronet	03-Feb-20	2040	246	501493	300	22.0%	01-Apr-20	169	344168	-157325	-31.4%	58	-197%
Granules India	03-Feb-20	3600	140	502632	170	21.8%	07-Feb-20	164	591156	88524	17.6%	4	1607%
Concor	01-Jan-20	870	575	500239	665	15.7%	25-May-21	665	578550	78311	15.7%	510	11%
Mahanagar Gas	01-Jan-20	470	1066	501095	1164	9.2%	23-Jan-20	1162	546140	45045	9.0%	22	149%
SIS	01-Jan-20	1020	490	500147	568	15.8%	07-Feb-20	559	570119	69972	14.0%	37	138%
HDFC Life	02-Dec-19	875	571	499608	680	19.1%	17-Nov-20	671	586740	87133	17.4%	351	18%
Dr. Reddy's Lab	02-Dec-19	171	2923	499818	3503	19.8%	07-Apr-20	3554	607713	107896	21.6%	127	62%
Just Dial	02-Dec-19	875	570	499170	750	31.5%	01-Apr-20	288	251615	-247555	-49.6%	121	-150%
IRCTC	01-Nov-19	561	893	500709	1170	31.1%	30-Jan-20	1158	649638	148929	29.7%	90	121%
PI Industries	01-Nov-19	350	1432	501323	1613	12.6%	07-Feb-20	1612	564109	62787	12.5%	98	47%
Procter & Gamble Hygiene	01-Nov-19	40	12325	492982	14078	14.2%	16-Apr-21	14026	561034	68052	13.8%	532	9%
HDFC Bank	01-Oct-19	405	1235	500212	1395	12.9%	10-Nov-20	1361	551339	51127	10.2%	406	9%
Indian Hotels	01-Oct-19	3130	160	500595	179	11.9%	01-Apr-20	74	230525	-270071	-53.9%	183	-108%
Siemens	01-Oct-19	330	1549	511213	1680	8.4%	23-Oct-19	1689	557420	46207	9.0%	22	150%
Gujarat Gas	01-Sep-19	2800	179	501501	200	11.7%	30-Oct-19	200	559048	57547	11.5%	59	71%
Hindustan Unilever	01-Sep-19	265	1888	500371	1975	4.6%	20-Sep-19	1957	518507	18136	3.6%	19	70%
Divi's Lab	01-Aug-19	305	1636	498882	1750	7.0%	22-Oct-19	1757	535885	37003	7.4%	82	33%
ICICI Bank	01-Aug-19	1175	426	500234	473	11.1%	25-Oct-19	468	550206	49972	10.0%	85	43%
City Union Bank	01-Jul-19	2410	208	500935	254	22.2%	16-Jan-20	248	597005	96070	19.2%	199	35%
Reliance Nippon Life	01-Jul-19	2250	222	499773	265	19.3%	27-Aug-19	258	579510	79737	16.0%	57	102%
Sanofi India	01-Jul-19	87	5740	499387	6775	18.0%	29-Oct-19	6678	581029	81641	16.3%	120	50%
Asian Paints	01-Jun-19	346	1445	499797	1560	8.0%	02-Aug-19	1549	535985	36188	7.2%	62	43%
Axis Bank	01-Jun-19	614	812	498614	905	11.4%	18-Oct-21	820	503480	4866	1.0%	870	0%
Honeywell Automation	01-Jun-19	19	26087	495655	30195	15.7%	25-Oct-19	29105	552999	57344	11.6%	146	29%
MCX	01-May-19	575	868	499354	1005	15.7%	30-Aug-19	971	558147	58793	11.8%	121	36%
TCS	01-May-19	220	2259	496953	2490	10.2%	14-Sep-20	2480	545600	48647	9.8%	502	7%
Crompton Greaves Cons.	01-Apr-19	2138	234	501153	256	9.2%	20-Sep-19	251	536681	35528	7.1%	172	15%
Equitas Holdings	01-Apr-19	3637	138	500875	191	38.7%	01-Apr-20	42	152499	-348375	-69.6%	366	-69%
Page Industries	01-Apr-19	20	25219	504373	29080	15.3%	14-Aug-19	17525	350506	-153867	-30.5%	135	-82%
ITC	01-Mar-19	1800	278	500089	319	14.8%	13-Sep-21	215	387000	-113089	-23%	927	-9%
Tech Mahindra	01-Mar-19	605	824	498456	960	16.5%	29-Sep-20	774	468101	-30356	-6.1%	578	-4%
HDFC Bank	01-Feb-19	240	2101	504338	1204	-42.7%	20-May-19	2403	576686	72348	14.3%	108	48%
Pfizer	01-Feb-19	163	3066	499703	3490	13.8%	20-Sep-19	3389	552433	52730	10.6%	231	17%
Abbott India	01-Jan-19	65	7593	493527	8580	13.0%	11-Jun-19	8566	556790	63263	12.8%	161	29%
Indraprastha Gas	01-Jan-19	1850	273	504362	315	15.5%	08-Apr-19	314	581748	77386	15.3%	97	58%
United Spirits	01-Jan-19	800	623	498624	735	17.9%	14-Feb-20	711	568576	69952	14.0%	409	13%

SECTOR OUTLOOK

TECHNOLOGY SECTOR:
DIGITAL TRANSFORMATION JOURNEY LONG WAY TO GO

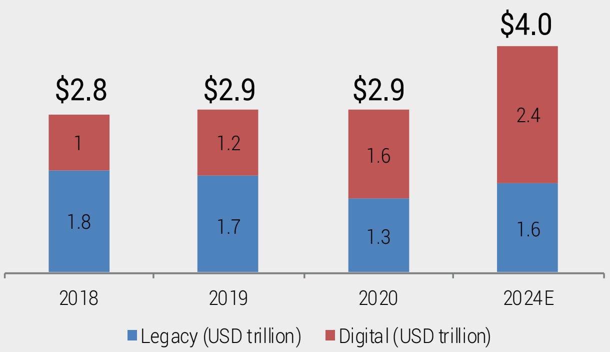
The pandemic which hit in the late 2019, has changed the human life to large extent on technological front. The COVID-19 pandemic has further accelerated the pace of digital technologies. The digitally savvy enterprises were better placed compared to the others in the Covid 19 pandemic. In addition, due to pandemic consumer have now adopted a digital life wherein they prefer product/services at the convenience of an app instead of physical transaction. This has led to virtualization of business models. In addition, in order to keep the business going on and increasing need for work from home, technology is gaining traction. The pandemic which hit the world in the late 2019, had started to intensify in the early 2020 and brought the world to grinding halt. Corporate find it difficult to continue its functionality amid the stringent lockdown across the world. Hence, the corporate realize the faster adoption of technological changes which happening around the world. As a result, new age technologies like cyber security (to protect business from hybrid work model), app development (to help customer transact virtually) and Cloud (to enable seamless & efficient online transaction) are witnessing robust growth. Enterprises across industries are undertaking efforts to lower the spend on maintenance of legacy applications and rapidly scaling up investments in digital technologies to fuel growth. As a result, the growth in IT spending is expected to be largely driven by investments in digital technologies as the enterprises are scaling up the digital transformation efforts across the business units. It has been estimated that the investment in digital technologies to grow at a CAGR of 16% to USD 2.4 trillion between FY20-24, thus would provide a 3 year up cycle for technological companies. It has been 3 stage transformation of digitization of business commenced with IT spend on cloud. The cloud spend is minimum 3-4 years opportunity for IT sector. Second round of IT spend is on artificial intelligence, augmented reality, virtual reality, data analytics and IoT. In the last phase, there will be emergence of new business models, which could leverage technology to drive growth in ancillary business. Hence, the growth opportunity on account of rapid digital transformation is long way to go for Indian IT companies.

Currently, the IT sector is in the first phase of a multi-year technology transformation phase. In the current phase, enterprises are building a cloud-based foundation that will serve as a resilient, secure, scalable digital core.

Digital transformation majorly lead by cloud

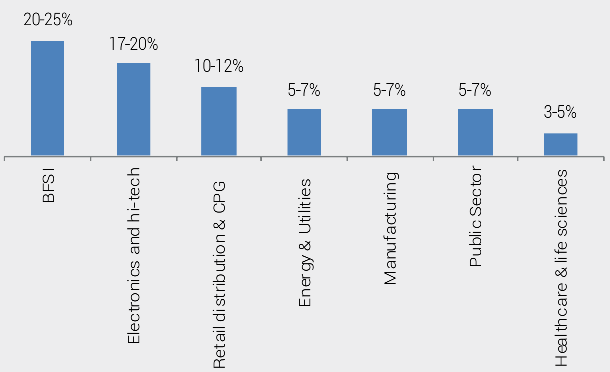
Currently, the IT sector is in the first phase of a multi-year technology transformation phase. In the current phase, enterprises are building a cloud-based foundation that will serve as a resilient, secure, scalable digital core. In next phase, enterprises will see new age technologies like artificial intelligence, augmented reality, virtual reality, data analytics and Internet of Things (IOT) to be developed around cloud leading to a multi-year technology spends. Thereafter, in next 4-5 years, every major company is expected to migrate to cloud and use of Artificial Intelligence (AI) will be at a very nascent stage. In the last phase, there will be emergence of new business models and leverage of technology to drive growth in ancillary business. The onset of COVID-19 pandemic has accelerated the pace of cloud adoption by every enterprise. Rising e-commerce, need to communicate through virtual platform, shift from capex to opex, flexibility and ability to scale IT operations has led to increasing spend by enterprise on cloud adoption. The pandemic has taught us the concept of hybrid work model and that has led to more spending on systems and tools for virtual communication and collaboration. Transaction through app has been accelerated during the time of pandemic and it is expected to continue even after the pandemic. Investments in technology as enablers for the new digital business model is therefore expected to improve in coming years. Further, now a days, data is becoming very important for forecasting demand, optimizing supply chains, maximizing ROI from promotional spending, predicting fraud and machine failures. Hence, analytics and automation are gaining prominence across industries. Thus, Indian IT industry has entered into multi year up cycle on the back of rapid digital transformation.

Increasing Digital technologies spending



Source: Industry report

Industry wise adoption of Digital services



Source: Industry report

Long term deals are reducing due to higher demand for digitalization

As the demand for transforming the traditional business to digital business is increasing, it has become difficult to get longer-term deals (8-10 year deals). Consequently, deal sizes have been lower due to shorter projects and lower deal tenure. As per Information Service Group (ISG) the average deal size has dropped to USD 50 million from USD 66 million in 2015 (down 33% in last 5 years). However, the volume of small size deal has increased significantly mainly led by higher spending on digital, platform built, application transformation, cloud adoption and higher outsourcing. The total addressable market has expanded mainly led by opening of large pockets of spends outside the traditional business. Further, new pockets like spending in digitalization of supply chain is also boosting the volume. According to ISG, IT companies have set a record of getting total 564 awards in 3QCY21 and at this pace it could break the previous record of receiving 1977 awards in 2018. In recent concluded quarter (2QFY22) the intake of Total Contract Value (TCV) has moderated as the deal tenures have become shorter due to clients' urgency to execute digital transformation projects in a short span than to signing large, longer-tenure deals, which follow lengthy due diligence and legal process. During Q2FY22, the deal intake was driven by increased demand for cloud adoption, digital transformation and customer experience transformation deals. The deal pipeline is robust across the industry, driven by an uptick in digital transformation, cloud adoption and automation deals. Hence, although the deal size & tenure are shortening the increasing volume of deals due to urgency of enterprises to transform their business to digital is expected to boost long-term revenue growth visibility.

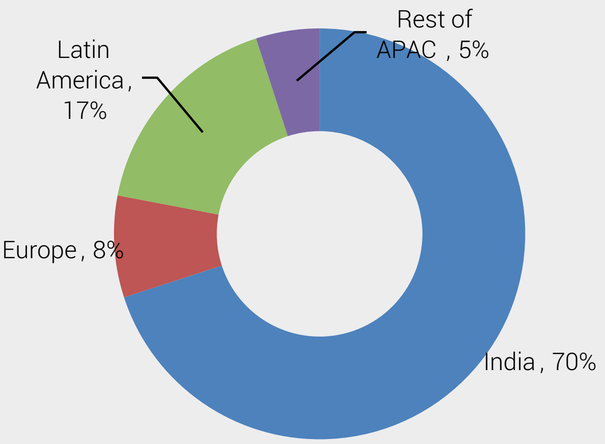
Company	Deal size (USD million) Q2FY22	Deal size (USD million) Q1FY22
TCS	7,600	8,100
Infosys	2,152	2,570
Wipro	580	700
HCL Technology	2,245	1,664
Tech Mahindra	750	815

Source: Companies

Supply concerns easing on the back of massive hiring

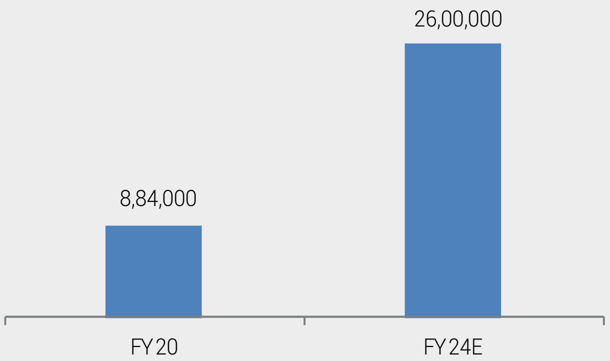
The slow hiring of fresher over FY18-FY20 (due to lower demand visibility) led to supply side constrain in current situation. With demand surging significantly the supply was unable to catch up. However, the IT companies are addressing the situation in the short term by aggressively hiring freshers, employee retention, higher sub-contracting and utilization. After massive hiring by IT companies since the middle of 2020, the supply concern has eased to great extent. The Naukri JobSpeak index, which tracks the job postings on the Naukri platform for different industry sectors, reported the second straight month of decline in postings from IT services companies in November 2021. As per the index, hiring activity in the sector is down 26% from the all-time high activity seen in September 2021 and is at the lowest level in seven months. Historically, IT attrition activity has had a high correlation with the JobSpeak index, hence any moderation in the index level is an important lead indicator of employee movement within the IT Services industry. Thus, easing of attrition pressure in the sector could materially impact the profitability of IT services companies, as an increase in attrition has resulted in a sharp jump in both hiring activity as well as cost per employee across the industry. In the past couple of quarters, IT companies' management expressed their concern over increasing attrition rate and challenges on supply side, which impacted their operating margins adversely. Though the expectation on demand side in FY22 continue to be robust, so it is important to watch how the industry will address the demand supply mismatch. Hence, any normalization in attrition in the sector could be taken positively by the investors and result in a further re-rating of the IT stocks.

India has highest digital talent



Source: Industry report

India's digital talent to grow at health rate

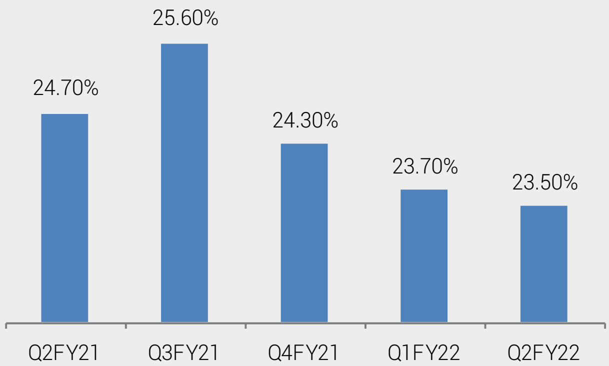


Source: Industry report

Cost rationalization and higher share of offshoring to mitigate margin headwinds

IT companies margins came into pressure in last 2-4 years on the back of investments in digital across sales, solution building and staffing, resource costs in Digital being higher, and legacy drag setting in with pricing/cost pressures as clients are looking to optimize spends and channelize savings towards Digital. The initial round of digital investment is over for Indian IT companies and now it has reached a healthy size, which offers economies of scale. One of the structural change observed during the COVID times, with the increasing acceptability of offshoring among IT clients owing to hybrid work culture & work from anywhere scenario. The travel restriction due to COVID-19 outbreak has increased the share of off-shoring revenue for Indian IT companies which save cost for Indian service providers. Work from Anywhere (WFA) model gave IT companies the flexibility to hire talent from anywhere and build delivery capabilities irrespective of geographic requirements. Most importantly, the norms for H1-B visa have also been relaxed, which should further benefit IT companies. Cost reduction initiatives owing to Covid-19 (e-travel, e-meetings, e-appraisals) will enable IT companies to re-innovate their businesses substantially to keep margins stable. WFH also resulted in lower rental expenses for Indian IT companies since the beginning of the pandemic. However, the cost saving due to travel restrictions and WFH, has been mitigated by the supply crunch that IT companies have witnessed in past one and half years. The rapid increase in digital transformation by the enterprises due to the pandemic and related restrictions, created the talent crunch in the sector. Hence, the IT companies in order to retain the talent and to match with the demand, have gone for massive hiring and provided sharp hike in increments and bonuses. However, now the hiring has slowed down and IT companies have been efficiently address the supply side challenges. Considering the improved productivity and seamless execution during this Covid times, it is expected that the offshoring trend to witness improved traction. This, coupled with automation, pyramid rationalization, pricing (mainly led by supply crunch) and higher digital value will help IT companies offset headwinds like wage hikes, higher travel cost & other discretionary spends.

IT Players witnessed pressure on EBIT Margin (%)

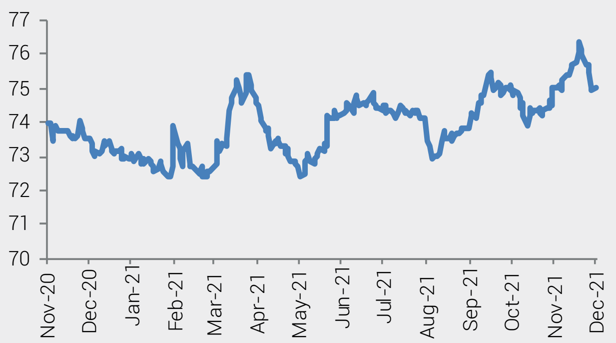


Source: ACE Equity

Favorable currency swing to boost earnings

Indian, currency in past couple of months started to depreciate against the major currencies of developed countries. Developed economies have started to scale back their stimulus measures and also in hurry to raise interest rates amid improving economic growth, increasing inflation and declining unemployment rate. In an anticipation of rising interest rates in US, the emerging countries like India witnessed withdrawal of foreign money from the stock market, which put further pressure on INR as the depreciating INR will impact the overall return of foreign investors. However, the depreciating INR will be augur well for Indian IT companies as they earn more than 90% of their revenue from US and Europe. Indian IT Services sector has enjoyed favorable YoY cross currency tailwinds through the past 15 months. Indian Tier I techs have enjoyed ~100-400 bps YoY cross currency tailwinds since 1QFY21 which has aided reported USD revenue growth for the companies. However, the current situation is unlikely of 2013, when US started taper tantrum and INR plunged significantly. Now, RBI has enough forex reserve to arrest the fall of INR against the Dollar. Hence, INR depreciation is likely to be limited in coming quarters. However, the IT companies are likely

INR depreciating agains dollar (USD/INR)



Source: Investing.com

to witness some margin improvement in coming quarter due to INR depreciation against the dollar.

Indian IT companies are expected to report healthy growth rate in FY22. The growth will be driven by lower furloughs, improvement in demand post Covid-19 and ramp up of deals won in the past few quarters. This, coupled with cross currency tailwind, will further boost revenue growth in the coming quarters. The IT companies are also witnessing a demand tailwind in terms of cost takeout by clients (led by higher offshoring & automation), vendor consolidation opportunities, captive carve outs and traction in cloud & customer experience that could further propel demand in coming quarters. Further, global technology giant Accenture's recent earnings update and optimistic outlook indicate a strong and sustainable demand environment, with continued spend on digital and cloud adoption. The pandemic has made industries across the globe bring about changes to adapt to the work-from-home environment with minimal disruption to their business models. This also led businesses to change their models from captive to outsourcing, which is expected to benefit Indian IT companies. Further, Indian IT companies have efficiently addressed the supply side challenges to large extent. Hence, as the IT companies have slowed down their hiring, it has been expected the margins to improve from here on. Indian IT sector is in sweet spot and has entered into multi year up cycle on the back of robust demand from enterprises for rapid digital transformation.

Peer Set

Company Name	Mcap (Rs crs)	Revenue (Rs crs)	EBIT (Rs crs)	PAT (Rs crs)	EBIT Margin (%)	PAT Margin (%)	ROE (%)	1 Yr Forward P/E (x)	1 Yr Forward P/Bvps (x)	1 Yr Forward EV/EBITDA (x)
Tata Consultancy Services Ltd.	1,357,644	164,177	44,397	32,562	27.0%	19.8%	38.6	31.1	12.7	22.1
Infosys Ltd.	783,780	100,472	26,823	19,423	26.7%	19.3%	27.5	30.5	9.3	21.3
HCL Technologies Ltd.	343,306	75,379	16,364	11,169	21.7%	14.8%	20.1	22.4	5.0	14.1
Wipro Ltd.	382,868	61,943	14,399	10,855	23.2%	17.5%	19.8	27.6	5.4	18.6
Tech Mahindra Ltd.	167,276	37,855	6,126	4,352	16.2%	11.5%	19.0	24.6	5.1	17.5
Larsen & Toubro Infotech Ltd.	125,604	12,370	2,667	1,938	21.6%	15.7%	30.8	45.8	12.1	32.7
Mphasis Ltd.	60,357	9,722	1,694	1,217	17.4%	12.5%	19.9	34.9	7.8	23.1
Mindtree Ltd.	76,182	7,968	1,549	1,111	19.4%	13.9%	29.8	44.2	12.0	30.6
L&T Technology Services Ltd.	56,359	5,450	943	667	17.3%	12.2%	21.6	50.4	11.9	34.4
Tata Elxsi Ltd.	34,262	1,826	519	368	28.4%	20.2%	30.2	53.9	NA	NA
Coforge Ltd.	34374.77	4662.8	610.5	466	13.1%	10.0%	19.4	39.2	10.0	24.1
Persistent Systems Ltd.	35323.25	4187.89	615.24	450.68	14.7%	10.8%	17.7	43.3	9.3	29.1

Source: Ace Equity and Bloomberg

Management Concall highlights

ITC Ltd.

ITC Next strategy

- Driving Scale and Profitability
  - o ITC Synergy, future ready portfolio, strong growth platforms, power brands
  - o Agile & purposeful innovation anchored on new age insight and science-based R&D platforms
  - o Structural interventions to drive margin expansion & capital productivity
  - o Accelerating Digital to power growth & productivity
  - o Harnessing opportunities at the intersection of Digital & Sustainability
  - o Value Accretive M&A and exports: additional growth vectors
- Top notch ESG credentials - Bold Sustainability 2.0 agenda raising the bar
- Strategy of Organisation redefined to sharpen Consumer Centricity, Agility & Focus

The government had recently set up an expert panel to determine a roadmap for taxation of tobacco in India. This is not the first time the government/Finance Ministry has sought recommendations from the Health Ministry and other stakeholders. However, this time a panel would be making recommendations for the broader Tobacco industry as opposed to just Cigarettes, and the management is hopeful of a reasonable outcome...ITC Ltd

- Engaged and motivated world-class talent pool driven by a 'proneurial' spirit

Cigarette business

- Legal cigarette industry in India comprises 8% of total tobacco consumption, however contribution to exchequer stands at 80% clearly indicating how skewed cigarette taxation is in India thus resulting in tepid volume growth over the last decade
- The government had recently set up an expert panel to determine a roadmap for taxation of tobacco in India. This is not the first time the government/Finance Ministry has sought recommendations from the Health Ministry and other stakeholders. However, this time a panel would be making recommendations for the broader Tobacco industry as opposed to just Cigarettes, and the management is hopeful of a reasonable outcome.
- Cigarette volume have recovered to pre-covid levels and management believes stable taxation regime will

be critical in ensuring respectable volume growth in medium term.

• For maximizing its revenue potential of cigarette segment, it intends to adopt the following approach

o Future ready portfolio: ITC has in the past been aggressive in launching products such that 11% of volume has been accounted from new products. Company intends that its products be available in every possible price point via focusing on micro markets and based on customer taste and preferences.

o Agile Innovation: ITC has R&D capabilities which ensures innovation across filers, formats (Rs 5 pack, fresh seal) and variants.

o Integrated seed to smoke value chain: Given its strong backend procurement capabilities it is poised to deliver best in class margins in cigarette business vs competition

o Execution Prowess: With a reach of over 7m outlets, ITC's distribution strength is 2x that of its nearest competitor. This has helped to capture 100 bps of market share over last 18 months post second COVID-19 wave.

FMCG – Foods

• ITC's Food brands are present in 174m households (penetration of 57%) and 5.6m outlets (>50% of total outlets) across India.

• In 10 years, foods division reported CAGR 16% growth or revenue multiplied 4.2x

o Aashirwad atta has consumer spend Rs 60bn and it grew 5.1x growing at CAGR 18% over FY11-FY21 period

o Sunfeast cream biscuits has category size of Rs 40bn and grew CAGR 16%. Company has a 26% market share in premium biscuits segment despite late entry

o Bingo has customer spends of Rs 25 bn and has seen revenue Cagr of 25% over the past decade. It has market leadership position in finger snacks segment as well as has been able to achieve uno position in potato wafers market in South India

o Yippee is 2nd largest instant noodles brand with revenue CAGR of 42% over the past decade. It is now market leader in AP, Orissa and Kerala markets ITC is now targeting exports to 58 countries and revenues doubled in last three years

o B-Natural now commands 24% market share in modern trade, no1 in Reliance retail and Amazon. Company has partnered with Indigo and Spicejet for B-Natural

• Branded packaged foods in India is poised for growth and driven by (1) consumer seeking safe, hygienic food products (2) testimony to the claims was seen during Covid wave as consumers picked up trusted brands (3) Growth in e-commerce and D2c space

Branded packaged foods in India is poised for growth and driven by (1) consumer seeking safe, hygienic food products (2) testimony to the claims was seen during Covid wave as consumers picked up trusted brands (3) Growth in e-commerce and D2c space...ITC Ltd

• Strategy: (1) innovations around consumer centric products (2) strengthening the core (3) driving profitability through smart manufacturing, agile cost management, improve mix- premium products and value accretive acquisitions

FMCG – Personal Care

• This category grew at CAGR of 19% in last four years

• Strategy: (1) building brands with purpose (2) innovations around first in the category (3) drive growth with category focus (4) wining in channels of future (5) value accretive acquisitions

• Focus on future facing categories with lower penetrations such as: deodorants (12%), body-wash (3%), hand-wash (48%), disinfectant spray (2%), floor cleaners (34%), dish-wash liquids (16%)

• Company is trying to upgrade consumers of soap bars to liquid with attractive price proposition delivering superior profitability. In liquids ITC has grown CAGR 27.6%

• Focus on D2C brands: acquired Mother Sparsh brand recently to build scale

• Savlon: Brand has grown 14x since the time of acquisition in 2015 (Rs 10 bn consumer spands); margins up 600bps. 95% of revenue used to come only from two products (soaps, antiseptic liquids) at time of acquisition and it has been able to broad based its product portfolio significantly (customer spends reaching Rs 10 bn in FY21) on back of covid led tailwinds.

• Vivel: It is market leader in Assam / North East and leading player in Eastern India. 25% of sales come from liquids (body wash) within this segment and idea is to drive conversion from soaps to liquids (since liquids command 1.4x margin vs soaps)

• Nimyle floor cleaner: It has grown 5x since acquisition and proposition is largely based on natural solutions

Other businesses

Agri:

• Company is looking to move up the value chain & focusing on value added ingredient & niche products like spices, fruits, vegetable.

• Agri business to focus on 1) delivering sustainable competitive advantage to FMCG businesses 2) future ready portfolio of value-added products to drive growth & margins 3) ITC MAARs – transformative business model building on e-Choupal and 4) NextGen Indian agriculture

Paperboards, Paper & Packaging:

• Market leader in scale, profitability and sustainability.

• Will invest 25-30% of total capex to expand capacity.

• Key strategic pillars 1) one-stop packaging solutions provider 2) sustainability 2.0 3) sustainable paperboard/ packaging solutions 4) leverage industry 4.0 and digital 5) augment renewable and cost-competitive chains and 6) scale up value added product portfolio

Hotels:

• 110 properties spread across 75+ locations.

• Strategy refresh to focus on 1) Asset right Strategy 2) Augment revenue streams/ sweat assets 3) Leverage digital and 4) extreme cost cuts.

ITC Infotech:

• The IT division has done well under the new leadership, with revenue growing at 10.6% CAGR over FY19-21. EBITDA margin expanded by 1,720bp over the same period to 25.2% in FY21. This momentum continued in 1HFY22, with revenue/EBITDA growing 24%/63%YoY.

• It is delivering business friendly solutions to clients across 29 countries, including 60+ Fortune listed clients. Its top management has revolutionized the concept of 'Work from Anywhere'.

• The management sees great potential in this segment and is open to M&A opportunities keeping its domain focus in mind.

• As a 100% subsidiary, separate listing of this segment is a possibility and is often discussed by the board. The latter regularly examines opportune times for the same, but no fixed timeline has been shared

Capex plans: ITC plans to invest Rs 10,000 crore (with a run rate of Rs 3,000 cr p.a) in the next three years to create growth vectors. Of this, 35-40% would be invested in FMCG capacity expansion, 25-30% towards Paperboards, 10% on ongoing Hotel projects and the balance towards Agri business, building digital capabilities and sustainability agenda. ITC is coming up with spices facility in Guntur to become preferred supplier for customers in Food Safe Markets with product tested for over 470 pesticide residues. It is also coming up with a plant in Mysuru (ITC Indi-Vision Ltd) for Nicotine and related products

Dividend Policy: The company would continue to maintain 80-85% dividend payout and would prefer maintaining ordinary dividend instead of giving special dividend. Total cash on the books of | 25000 crore would not increase, going forward.

Demerger plan: De-merger plan of hotels business would be taken at an appropriate time once the business stabilises from the current disruption. The company is actively pursuing M&A opportunity in the FMCG & IT space

City Union Bank: CUB first started with crop loans and then entered into gold loans. Later, CUB entered into term loan segment and working capital loan.

City Union Bank

History of the Bank

• CUB is oldest private sector bank in India which has completed 117 years in India.

• Bank has completed 100 years of profitability and dividend payout. Many banks around the world didn't have so impressive track record.

• Bank is first local bank to help the local farmers by providing the funds.

• In the past multiple community launched banks in India to channelize their savings.

• In 1960, there had been structural changes in Indian banking system by way of nationalization.

• CUB first started with crop loans and then entered into gold loans. Later, CUB entered into term loan segment and working capital loan.

• In Indian banking system, the entire orientation has changed.

• CUB was listed during 1997-1998 in the stock exchange.

Financial metrics

• In 2010, the bank had networth of Rs 200 cr, internal accruals of Rs 600 cr and other investments of Rs 400 cr.

• Bank has track record of maintaining stable RoE, RoA, Cost efficiency ratios. Bank has lowest CASA ratio in the industry. Lower CASA ratio resulted in lower NIMs for the bank.

• Banks prime source of fund are

retail deposits. Bank has started the LIC distribution and become LIC distributor.

• Bank has been doing the technological up gradation since long time. Bank's core banking system came in early 2000.

• Bank had 11-12% NPA at the time of 2000 when the situation was worse.

• L&T, LIC became the largest institutional shareholders for the bank in early years.

• CUB has 700 branches with Rs 82000 cr of business and loan book of Rs 37,000 cr now. CUB reported net profit of Rs 700 cr in FY19 before the COVID year.

• Post COVID bank reported 1.3% ROA and there are very few banks in India which maintain RoA of 1.3%

• CUB has 19% capital adequacy and 15% RoE.

• Bank's motive is to lend in order to create business assets not for consumption. CUB's 60% of loan is Working capital loan and 37% are agriculture and other loans.

National Presence

• 480 branches are located in Tamil Nadu out of 700 branches.

• In Kolkata, bank has couple of branches and has limited presence in Eastern India.

• Government will not give banking license to corporate houses.

Technological transformation

• The second leg of digitalization started in 2014. During COVID times nearly 89-90% of transaction happened through digital channels only and 12% of transaction happened through bank's physical channels

• Arrival of fintech has accelerated the pace of loan disbursal which earlier take long time.

• Other income is mainly contributed by commission, brokerages, etc, which are also considered as fee based income.

• As interest rate come down, bank has huge opportunity in treasury income.

Other important points

• Pre Lehman period, Finance ministry was keen to consolidate the small banks. However, post Lehman, people said that big the bank, bigger the problem was and then the consolidation thinking disappeared.

• Bank of Rajashthan, Lakshmi Vilas Bank cases highlights that there had been corporate governance issues from Promoter side.

• For CUB, out of 700 branches, 500 branches were opened in last 10 years, thus bank was able to hire young generation employees

• CUB kept itself away from national level Bank Union associations. Bank has gone for contributory pension scheme which differentiate bank from other public sector banks.

• Despite having focus in textile sector, there has been least NPA contribution from textile sector in the history. Textile business has done extremely well only important thing is that they should not divert the funds in other avenues.

• Bank does the bulk of gold loan financing from rural and semi urban areas. Bulk of gold loan also for agricultural loan.

• Some of the NBFCs are also sourcing gold loans and co-lending is progressing well for the banking system.

> **CUB grew at 20% in last 20 years. Bank will continue to grow 3-4% over and above the industry growth rate in next 5-10 years.**

• There are limitations for old generation banks and that is for both private or public sector banks. It is imperative to align the HR policies to performance-based incentives for employees in order to achieve better operating efficiencies.

• Gold finance companies charge higher interest rate for gold lending as compared to public sector or private sector banks.

• Corporate lending started moving from early 2000. In next 10 years, there will be more corporate bonds coming into the market and banks will be restricted to corporate lending.

• If a bank starts a micro finance business, then it will be a bump. CUB is not going to micro finance business. Micro finance business will not work for CUB's DNA.

• Small banks are continuously investing in digitalization. End of the day, the question is whether they are creating value for your shareholders.

• Gold loan is for rural and semi urban areas as they use gold loan to fund their business or agriculture land.

Outlook

• CUB grew at 20% in last 20 years. Bank will continue to grow 3-4% over and above the industry growth rate in next 5-10 years.

• Average utilization is currently at 70% and as investment cycle starts, utilization will cross 85% level.

Indian Energy Exchange Ltd.

Sector view

• India intend to increase the Renewable Energy capacity to 500 GW by 2030 from 102 GW.

• Generation 390 GW capacity of which 48% are private. 102 GW renewable and 20 GW merchant.

• India is now power surplus country previously it was deficit of 10%.

• Capacity grew by 8% CAGR in last 10 years while demand grew by 5%.

• The PPAs account nearly 89% of total electricity sector and it is upto 25 years while the Short term market is 11%.

• Company has 6.4% share in electricity sector and company has 95% market share in exchanges.

• Exchanges are growing fastest at 18.6% and its now 6.4% which increased from 3% of total electricity market.

• In other developed markets the electricity exchange share is higher while India share is very low thus has great opportunity.

• Energy consumption in India is set to grow and average per capita consumption in India is low in the world.

• Per capital income is expected to double in the next 5 years because of rapid urbanization and increasing economic activities.

IEX overview

• Company commenced operations in 2008 and regulated by CERC.

• All the distribution companies are on board with the company and IEX is market leader with 95% market share.

• Electricity volumes grew by CAGR of 32% since 2008.

• Company provides benchmark prices for all electricity transactions.

• The high liquidity on exchanges has ensured lowest cost and assured supply.

• Continuous investment in transmission result in seamless transmission across the country.

• Any customers want to procure power can buy power in 24x7 and power is delivered by 1 hr. The pricing is very competitive.

• Company has robust ecosystem.

• Company has 6 different market segments. Company has started the journey with day ahead market, followed by term ahead contracts, real time market, green term ahead market and there are more 2 certificates including renewable energy certificates and energy saving certificates.

• Real time market accounts nearly 25% of electricity market and green market accounts nearly 6% of total electricity market.

• IEX is technological oriented company and keep working on automation and technological upgradation. Technology platform is really the state of the art.

• Company is driven by customers centric and fulfill the demand of customers.

• Company has done 4-5 product launches in last 1 year.

• Company's revenue mix including transaction fees account 86%, admission and annul fees 4% and others income 10%.

• Company has showcased robust financials growth in the past years.

• During COVID times, there was no lockdown in IEX and company supported the distribution companies in 24x7.

IEX: Company will be able to maintain the market share because of its new product launches and strong technological platform.

• IEX is a technology platform and company is going all automations. Company has global partnerships and company is transforming to future tech.

• Company is providing platform access beyond 70+members.

• The outlook of the company is very positive as the electricity of the demand is growing very fast on the back of rapid urbanization, increasing per capita consumption of electricity.

• Draft national electricity policy which is intended to increase the spot electricity market across the country is one of the main growth driver for the company.

• Company has very efficient price discovery mechanism.

• The launch of derivatives will also help the company to grow in the future.

Key highlights

• Company is already operating in competitive environment and competition is on from day 1 of 2008.

• Company will be able to maintain the market share because of its new product launches and strong technological platform.

• Power is a perishable commodity and it cannot be store hence the generators should sell power otherwise it will be the lost opportunity.

• 22 lacks of Renewable energy (RE) are sold and 1.2 cr RE will be sold in FY22 and IEX will sell nearly 80-90 laks RE.

• Government is considering to bring all the carbon credits under carbon trading platform.

• Carbon trading is expected to start from 2023 onwards.

• Real time market, company has started in June 2020 and company is getting much apprehension. Real time market is getting good volume and company is expecting the volume to grow because of more renewable energy is coming in the market.

• There is no cannibalization in to day ahead market as this segment is also growing at good rate.

• Exchange volume growth only happen when there will be conducive regulatory frame work and this is happening now.

• Green market which accounts 6% of total electricity market and company is working on it. Price discovery in green market is much higher than the others.

• 100 GW and is going to be 500 GW in the green capacity. Solar capacity is Rs 2/unit and even wind energy is around Rs2.1/unit much competitive than thermal power cost.

• Thus, the green energy will come big in coming years because of its competitive cost.

• Government intend to increase the spot electricity market from 6% to 25% in next 3 and half years.

• There will be lot of policy initiatives from government to boost the green energy power.

• Company is working continuously to harness any opportunity emerge in the market.

• Company is regulated by CERC and thus there is risk of regulating the transaction fees. CERC has approved

IEX: India is also adopted the European power exchange model. In GERMANY, in last 5-6 years the exchange transactions has reached to 50% from 20% and this is because of increasing share of green energy.

the transaction fees of 2 paisa for Rs 3/unit.

• India is also adopted the European power exchange model. In GERMANY, in last 5-6 years the exchange transactions has reached to 50% from 20% and this is because of increasing share of green energy.

• The bilateral transaction happening between the trading companies are declining in the past few years.

• In most of the countries, there is one exchange which dominant the market by having more than 90% market share.

• Exchange work on 100% deliverable contract. In 2010, MCX introduced electricity derivatives. MCX will use IEX price to settle the electricity derivatives contract and there is price sharing between the companies.

• There is revenue sharing between MCX and due to this partnership IEX volume will also increase going ahead.

• In next 5-6 years, the exchange transaction will increase in India, otherwise it will be difficult to deal with RE as it requires vast storage capacity.

• Distribution companies are not going to long term PPA in last 4-5 years. Distribution companies are both buyer and seller depending on the demand for power during the day or season.

• Company has started the cross border transaction in April 2021 and has started with Nepal and also in talk with Bangladesh. Company is also talking with Bhutan.

• Trading with neighboring countries will only happen when there will be electrical connectivity. Further, the demand for electricity in neighboring countries are not so high and thus the opportunity is small.

• In gas the opportunity is huge as the gas consumption is only 6% of total energy consumption while the other developed countries gas consumption is around 25%

• Government has vision to increase the gas consumption from 6% to 15% by 2030.

• Gas exchange revenue potential could be as large as electricity trading in next 5 years.

• PTC is doing around 20-21% of electricity transaction through exchanges.

Economy review

India's GDP is expected to grow at 9% to 10% in FY22 primarily driven by low base in FY21 (which witnessed contraction of 7.3%). However, the focus has now shifted to how the economy would perform in FY23 since there will be no advantage of base effect. Mr. Sudipto Mundle, distinguished fellow, National Council of Applied Economic Research, estimates the growth to be at 5.2%, much lower than 7.8% projected by Reserve Bank of India (RBI). However, it is still higher than pre-pandemic growth of 4% clocked in FY20 and similar to growth scenarios projected by the 15th Finance Commission. He believes that 'actual outcomes in 2022-23 will depend a great deal on the policies that are pursued during the year'. He even hailed how the RBI conducted its policies particularly in a difficult year and complemented Govt. in framing policies which are conducive for growth. However, core inflation has remained firm and WPI inflation have risen above 14% and hence RBI cannot ignore inflationary pressures for long. More importantly, at a time when central banks of developed economies have been turning gradually aggressive, decoupling will take a toll on rupee. RBI might actually let the rupee to devalue fair bit as the currency is overvalued than signified by its value reflected by REER. RBI's aim to protect value of rupee above their market clearing level (if at all) would eventually fail, as suggested by history and the same would result in burning up significant amount of forex reserves. Since, the focus will now be shifted to the fiscal policy and what Govt. delivers in 2022-23 budget. Mr. Mundle states that focus on growth and food support for the poor would undoubtedly be the prime focus of the Govt. Mr. Mundle believes that 'The central government needs

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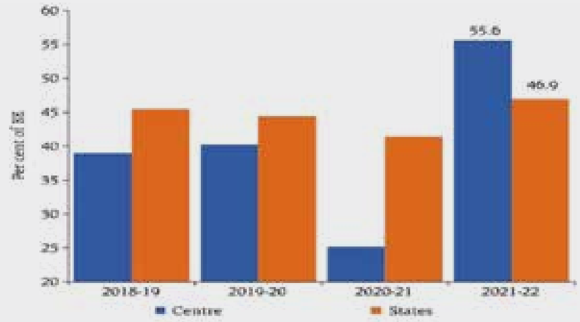
to adjust its spending programme in favour of growth-promoting infrastructure, including social infrastructure such as education and health. It also needs to ensure through its transfer programme that states have enough spending headroom to do the same.'

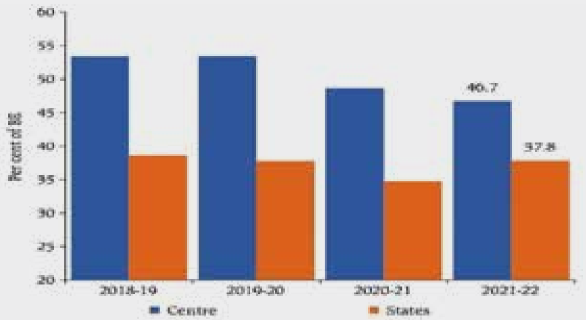
It is worthwhile to look at the performance of the Govt. and current state of economic parameters in particularly challenging circumstances. A recent report by RBI reviews the Govt finances for H1FY22 and there are quite a few areas which has shown remarkable improvement, particularly in the context of higher spends by Govt. over food and welfare expenses induced by 2nd wave of Covid-19. Most importantly, state finances also recovered to their pre-pandemic level and states collected 46.9% of their budgeted receipts which is higher than the corresponding figures for the past three years. Despite higher pandemic induced expenditure, H1FY22 expenditure was 37.8% of the budgeted target, broadly in line with the average during the pre-pandemic years. On the positive aspect, higher tax buoyancy resulted in higher tax receipts while non-tax receipts were helped by higher than budgeted dividend transfer from RBI. For centre, direct tax collections grew 83.7% yoy in H1FY22 led by growth in income tax and corporation tax by 64.7% and 105.1%, respectively, on the back of strong corporate performance. For states, stamp duties which account for more than 85% of own direct tax revenues, more than doubled in Q1FY22; Q2 recorded a yoy growth of 53.4%. Even indirect taxes increased in H1FY22 led by more than 100% growth in customs duty (driven by higher import demand) and 33% yoy growth in Union excise duties (79% over H1FY20). GST collections (Centre + States) increased by 50.1% and 12.5% in H1FY22 over H1FY21 and H1FY20 levels respectively. The Union government has also transferred the entire amount of Rs 1.59 lakh crore that was to be released to States in 2021-22 under the back-to-back loan facility in lieu of GST compensation cess. The front-loading has been done to enable States to plan their expenditure effectively. States' GST collections recorded a yoy growth of 71.6% in Q1 and 27.3% in Q2, 2021-22, with many States like Gujarat, Uttarakhand, Andhra Pradesh, Himachal Pradesh, Maharashtra and Punjab registering a yoy growth of over 50% in H1FY22 over H1FY21. Union Govt.'s non-tax revenues also increased in H1FY22 primarily led by higher than budgeted surplus transfers from the RBI. However, Govt. couldn't cash in on the vibrant stock markets and failed to get anywhere close to the budgeted levels of divestment target set. Of the budgeted 1.75 lakh cr, the Union Govt. could only raise 5.2% in H1FY22. After brilliant bull run, the stock markets could face both internal and external challenges and hence it is unlikely that the shortfall in divestment would be met up in H2FY22. However, stake sale in LIC could change the metrics in favour of the Govt. Besides, the Govt. also aims to raise Rs 0.88 lakh cr in FY22 out of Rs 6 lakh cr asset monetization plan over FY22 to FY25. For States, non-tax revenues increased by 40.2% and 53.1% in Q1 and Q2 of 2021-22, respectively (compared to Q1 and Q2 of 2019-20 at 15.9% and 20.6%, respectively).

Total Receipts



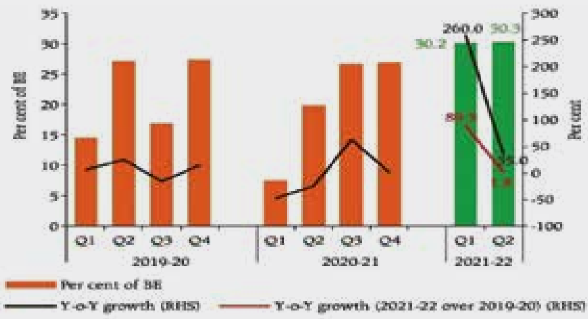
Source: RBI

Total Expenditure



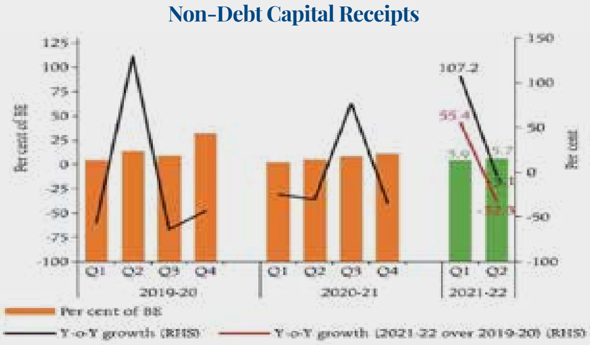
Source: RBI

Revenue receipts



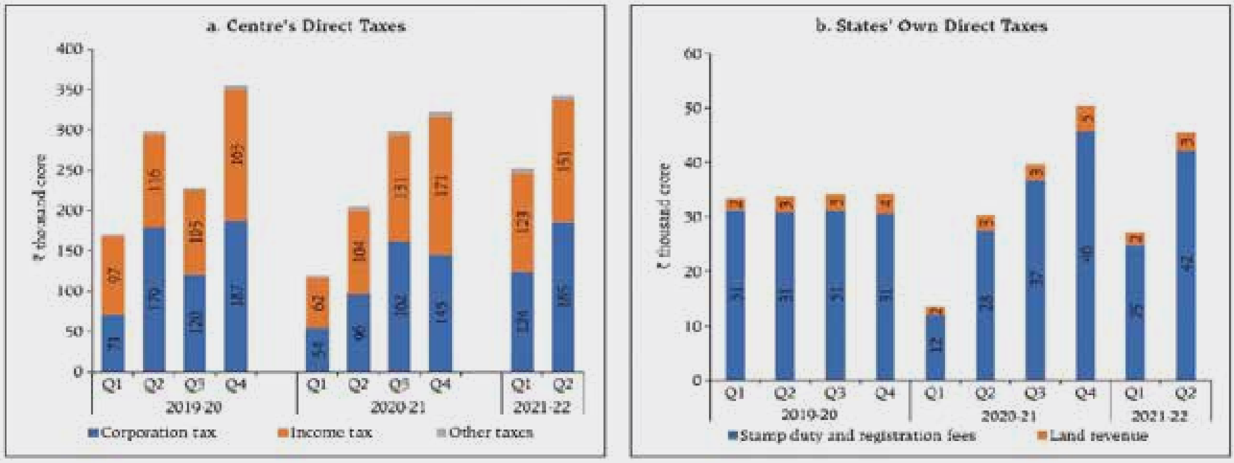
Source: RBI

Non-Debt Capital Receipts



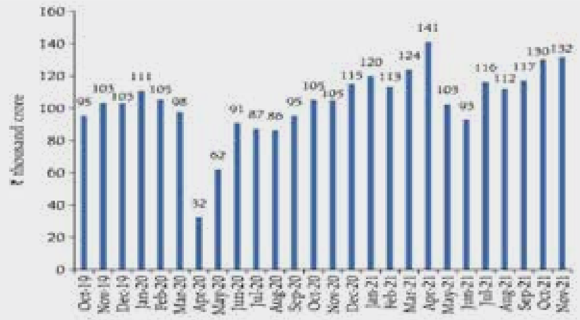
Source: RBI

Quarterly Direct Tax Collection



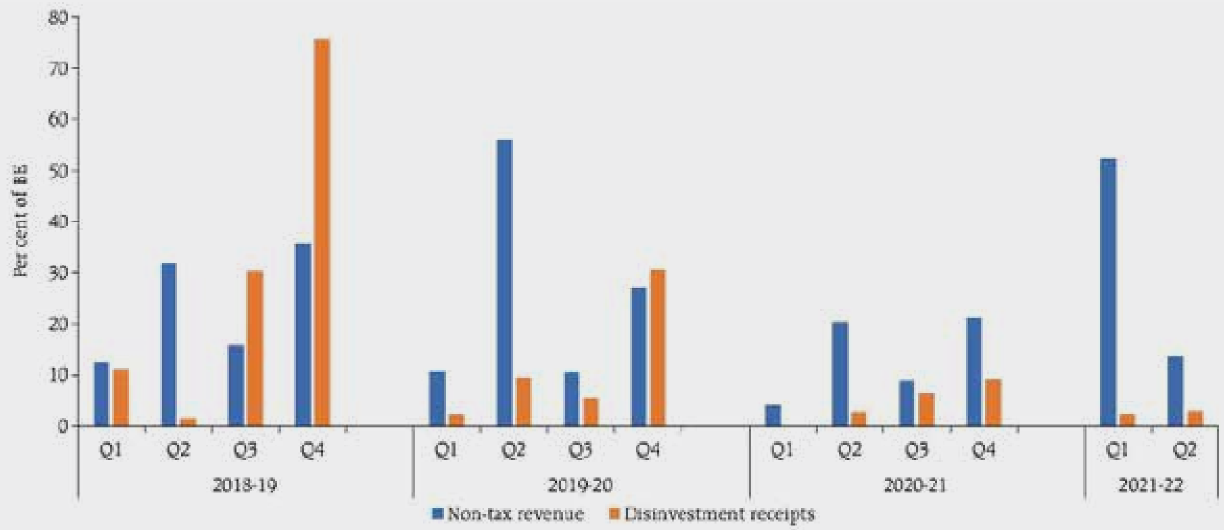
Source: RBI

GST Collections



Source: RBI

Non-tax Revenue and Disinvestment Receipts of the Central Government

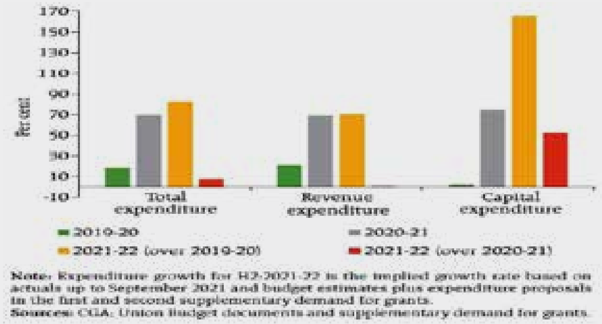


Source: RBI

On the expenditure side, Centre had to do a balancing act considering that the Union Govt. announced a fiscal package of Rs 6.3 lakh crore in June 2021 in response to the second wave of Covid-19, which included inter alia extension of free provisions of foodgrains under the Pradhan Mantri Garib Kalyan Anna Yojana (PMGKAY) until November, enhanced fertiliser subsidy necessitated by the impact of increase in international prices of fertilisers, measures to strengthen public health, and loan guarantee schemes for COVID affected sectors. A major part of the expenditure was in form of liquidity support and did not entail any additional fiscal burden. Besides, the report stated that the first supplementary demand for grants, introduced in July 2021, proposed additional expenditure measures resulting in net cash outgo of Rs 23,675 crore. Despite pandemic related expansionary measures, Govt.

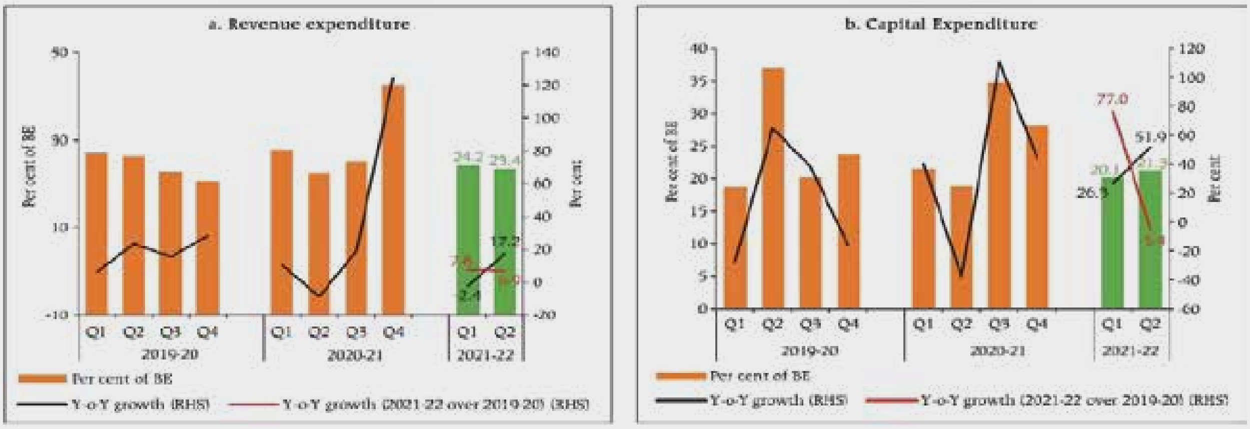
contained total expenditure at 46.7% of BE during H1FY22, as against 48.6% and 53.4% during H1FY21 and H1FY20, respectively. Expenditure curtailment was also on account of precautionary steps taken by the Govt. to limit spending through expenditure curbs on various Central ministries and departments in Q2FY22. These imposed limits on expenditure items have now been relaxed from Sep 24, 2021. Going forward, the RBI report expects pick up in expenditure in H2FY22 on account of second batch of supplementary demand for grants which is expected to result in net cash outgo of Rs 2.99 lakh crore – Rs 2.33 lakh crore on revenue expenditure and Rs 0.66 lakh crore on capital expenditure. While revenue expenditure would continue to remain elevated especially when compared to FY20, the focus of the Govt. has now shifted towards capital expenditure in H1FY22 which recorded growth of 38.3% and 22.3% over H1FY21 and H1FY20 respectively. Together, first and second supplementary demand for grants in H2FY22 would result into growth of 7.3% and 82% over H2FY21 and H2FY20 respectively. There's room to spend on subsidies too as the same on food, fuel and fertilisers together accounted for 53.8% of BE in H1FY22 vs 68.6% in H1FY21. Needless to state, food subsidy accounted for 72.5% of major subsidies as Govt. embarked on free distribution of food under PDS machinery. Infrastructure spending will further get a fillip under the newly launched Pradhan Mantri Gati Shakti National Master Plan. Since majority of the capital asset creation is driven by state governments, the Centre introduced a scheme for providing interest free loans for new or ongoing infrastructure projects 'Special Assistance to States for Capital Expenditure'.

Expenditure Growth in H2



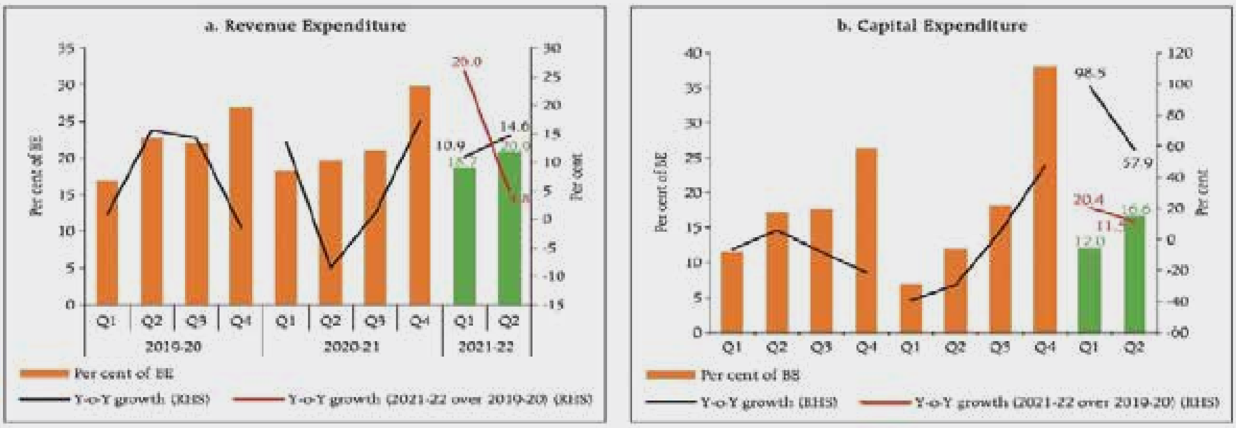
Source: RBI

Quarterly Expenditure of the Central Government



Source: RBI

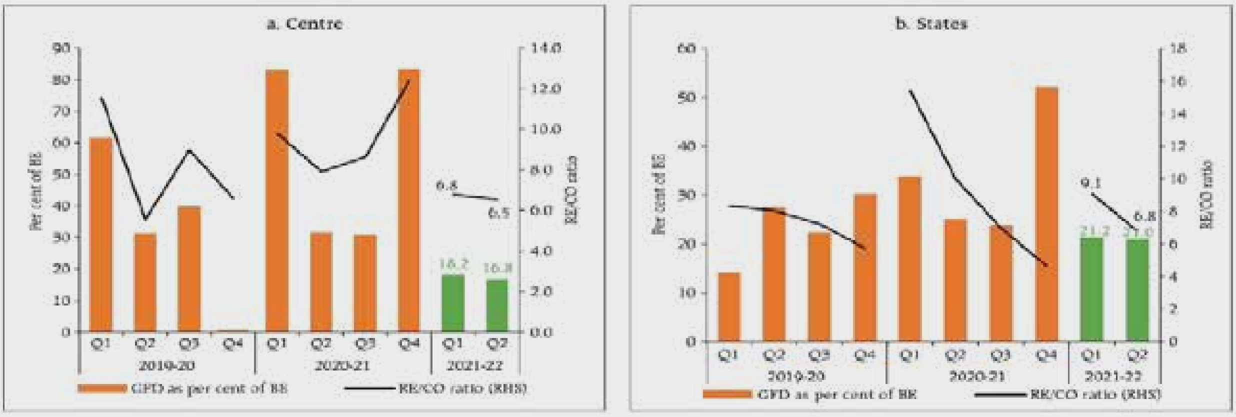
Quarterly Expenditure of State Government



Source: RBI

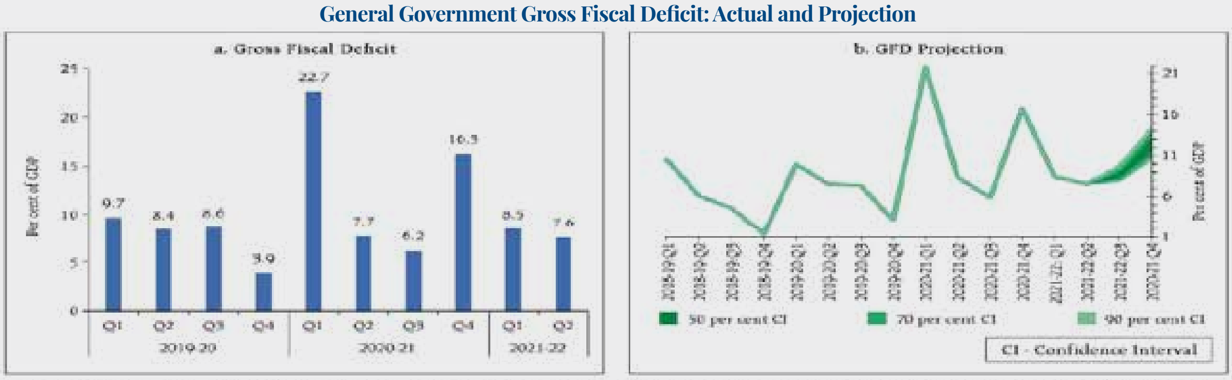
Despite spend on revenue account, led by supplementary demand for grants, the fiscal position of the Govt. remains more than comfortable. Gross fiscal deficit (GFD) for the centre stands at 35% of BE in H1FY22, much lower than in previous years. GFD for FY21 was at 9.2% and Govt. has targeted for a level of 6.8% for FY22 and aimed to lower to 4.5% by FY26. States have altogether budgeted for GFD of 3.7% for FY22 vs 4.7% in FY21 (RE). Even for the states, there is space to provide impetus towards growth with capex spends as the GFD for H1FY22 stands at 42.2% of budget estimates. Most importantly, the RBI report states that the quality of expenditure has improved as measured by revenue expenditure to capital outlay (RECO) ratio, which has improved too yoy, as capex projects have been undertaken in H1FY22 vs H1FY21. Going ahead, the ratio is further expected to improve and which will augur exceedingly well for medium-term growth prospects of the economy. Just as it is important to maintain a steady GFD, equally important is to maintain a balance in financing of the GFD. Normally, market borrowings are used to finance GFD and so far, the Govt. has financed more than 90% of H1FY22 GFD and in the process utilized 57.5% of the budgeted net market borrowings for FY22. However, the Govt. has also fully compensated the states for any shortfall in GST collections. States have shown restraints as well, overall net market borrowings in H1FY22, accounting for 34.4% of BE, were 20% lower than those in H1FY21, states the RBI report. Even financial accommodation availed by states [Ways and Means Advances (WMA), Overdraft (OD) facilities and Special Drawing Facility (SDF)] from RBI came down by 14.6% yoy in H1FY22. On account of better revenue mobilization by both centre and states, general Govt. GFD for FY22 (BE) is expected to be lower at 10.2% of GDP vs 13.3% in FY21 (RE). Higher numbers last year were also on account of on-budgeting of past Food Corporation of India (FCI) dues in March 2021. The RBI expects general Govt. GFD to increase from 8% in H1FY22 to 10.9% in H2FY22 on account of higher expenditure by Govt. and despite expectations of buoyant tax collections.

Gross Fiscal Deficit and Quality of Expenditure for the Central and State



Source: RBI

General Government Gross Fiscal Deficit: Actual and Projection



Notes: 1. The thick green shaded area represents 50 per cent confidence interval (CI) implying that there is 50 per cent probability that actual outcome will be within the range given by the thick green shaded area. Like-wise, for 70 per cent and 90 per cent confidence intervals, there is 70 per cent and 90 per cent probability, respectively, that the actual outcomes will be in the range represented by the respective shaded areas.
2. The actual combined GFD-GDP ratio is for Centre plus 27 states for 2019-20 and 2020-21, and Centre plus 26 states for Q1 and Q2:2021-22.

Source: RBI

Thus, in totality and considering the challenges faced, both Union Govt. and states have shown restraints when it comes to GFD and maintained fine balance between growth and fiscal consolidation. Post fiscal and monetary policy supports, GDP has slowly recovered to pre-pandemic levels while maintaining fiscal consolidation. The same is achieved on the back of robust tax collections and higher distribution of surplus from RBI (than budgeted). Govt. has been unsuccessful to take advantage of a vibrant capital markets and divestments lag far behind, hopefully H2FY22 see some action there. Most importantly, the expenditure is expected to be more skewed towards capital outlays than revenue, unless of course Omicron changes the plans. The RBI report however believes that "notwithstanding renewed concerns associated with the new omicron variant of the virus, as economic revival gains further traction, the Centre and States should provide credible medium-term glide paths towards fiscal policy normalisation so that fiscal buffers can be replenished to deal with future economic shocks, if any."

Summing of an economy is not an easy task and even the monetary policy committee (MPC) members in the recently released minutes have expressed anxiousness over the unknown especially for the challenges posed by Omicron if at all and the pace of GDP growth ahead and more importantly the amount of loss of economic output foregone on account of change in stance or being hawkish. The fact that there is a large negative output gap (the difference between actual output and potential output of an economy) and together with inflationary scenario in India complicates work for policy makers. More importantly what works for advanced economies might not hold the same for India and hence there is dichotomy in policy stance. Unfortunately, the fallout of the same will be on domestic currency and more interestingly, albeit RBI continues to maintain dovish stance, higher inflationary expectations are clearly reflected in 10-year bond yields. This phenomenon is not for India alone for emerging nations like Malaysia, Philippines, and Thailand as well. In contrast, despite trying to sound hawkish, long term bond yields for advanced economies have hardly budged and expect their central banks to eventually tame their hawkish view or rather be very gradual and gentle in their approach. For India, despite being in a relatively strong zone, Q2FY22 absolute GDP (at constant currency) is yet to cross levels 2 years ago. Besides, the pandemic has taught us about K-shaped recovery and while labour intensive sectors like construction & manufacturing after being penalized did recover strongly, challenges could come to the fore again. Besides, sectors such as Mining & quarrying as well as Hotels, transport and communication are yet to achieve Q4FY20 level, reveals an article from Live mint. Probably, these are the areas which constantly challenges policymakers and without proper confidence to grasp the challenges, it would be exceedingly difficult to predict the future. The scenario is best summed by RBI Governor, "Uncertainty is emerging as the only certainty with which central bankers will have to deal with in the period ahead."

Source: Livemint

Gross value added in some sectors is yet to cross pre-pandemic levels

	Jun-20	Sep-20	Dec-20	Mar-21	Jun-21	Sep-21
Financial, real estate & professional services	121	124	105	105	125	134
Electricity, gas, water supply & other utility services	98	109	104	109	113	118
Public administration, defence and other services	78	88	97	102	83	103
Manufacturing	62	94	94	107	92	99
Construction	47	81	99	115	80	87
Trade, hotels, transport and communication	47	73	83	98	63	79
Agriculture, forestry & fishing	88	74	121	103	92	77
Mining & quarrying	71	63	76	94	84	72

Sectoral gross value added (GVA) relative to pre-pandemic (Q4FY20 GVA = 100)

Note: 1. GVA (gross value added) in constant prices (2011-12 series). 2. Sectors arranged in descending order of September 2021 value. 3. GVA for agriculture is low in some quarters due to seasonality in production and marketing. However, agriculture was the only sector to show a positive GVA in 2020-21.

Source: Livemint

START-UP CORNER

Mr. Mihir Mehta

At Ashika Capital, we are extremely passionate about fostering symbiotic relationships that are aimed at building and sustaining high-growth founder led businesses. We strongly believe that financial capital is the first stepping stone to build a scalable, sustainable and impactful business. Therefore, our endeavour is to identify great entrepreneurs in pursuit of building businesses that carry magnanimous investment potential. Here is an INSIGHT into businesses that we have worked/working with –

Farmex

Farmex is an Agrit-Tech startup that is working for small-holder farmers. Farmex has created a platform through which it engages with farmers to provide them with knowledge & data. They employ agro-entrepreneurs to collect soil, crop & other inputs through which their proprietary platform assesses the risk of the farm. Based on this data, the platform also recommends the risk-mitigation steps that are required to be taken by the farmers which include recommendations on planning the farming process, type of seeds & fertilizers to be bought etc.

Started by Founders who have spent decades on ground working with farmers & having their work covered by World Bank, Bill & Melinda Gates Foundation etc, this start-up is creating large scale impact for 510 mn smallholder farmers globally by reducing their risks & increasing their revenues.

Since inception, they have been working with farmers not only in India but also in Africa & have entered into strategic partnerships with multiple stakeholders in India & Africa to create strong value for these small scale farmers. They are looking to raise $1 mn in a seed round.

Snackible

Snackible - a one-stop destination for a health conscious consumer's snacking needs.

Snackible, an online-first snacks brand markets a robust range of healthier, differentiated, and innovative snacking options predominantly through their own online portal. Identifying a sheer lack of choice of healthy, nutritious and tasty snacks, Aditya Sanghavi conceptualised Snackible to solve everyone's "snack life crisis" by providing snacks which are not only tasty but also that don't punish one's waistline.

The company is currently at an **annualized revenue run-rate of approximately INR 14 Cr. and has created an omnichannel sales approach**. In a month, Snackible fulfills more than 20,000 orders across both the brands **Snackible & Dipsters**.

Allern Enterprises Private Limited

Allern is an enterprise born out of Mr. Mahesh Shetty's vision and backed by a strong cumulative experience of over 100 years in the education segment. After having taught over 5 lac+ students in his four decade long stint, Mahesh Ji & his team have now created a **revolutionary platform that fuses technology in daily use books for students and provides a 24*7 teacher experience to the learning student.**

Quick excerpts on the product & business -

- One of its kind secure system to ensure that practice books, guide books etc. are digitally empowered with **in-house content of over 40000+ videos**
- A holistic business ecosystem that involves **Allern, publishers, schools & the final consumers i.e. students**
- Rapidly scalable PaaS platform **with adequate entry barriers and adept management team**
- Already working with some of India's leading publisher houses like **Chetna, Subhas etc.**

These are the top three business opportunities that interested stakeholders can pursue from an investment standpoint. If you are interested to know more about these companies from the perspective of business operations, investment thesis, exit opportunities and more, please drop in a line to us at ib@ashikagroup.com.

2021 EQUITY MARKET FLASHBACK

The year started on a wave of optimism with the start of the vaccination program and the sharp revival of the economy. However, the intensity of the second wave tempered some of this initial optimism. This was soon followed by the return of inflation, led primarily by supply chain disruptions. However, strong commitment on the part of central banks, both globally and domestically, towards ensuring strong revival in growth through the continuation of easy money policies saw liquidity remaining benign, fuelling strong inflows into financial markets and other risky assets. Multi-year low-interest rates, new generation reforms, adequate availability of capital and the revival of the real estate sector have created the framework for a multi-year earnings growth cycle.

As if wanting to be an antidote to the coronavirus pandemic, the Indian stock market adorned carnival robes in 2021 with a tsunami of liquidity unleashed by global central banks coupled with supportive domestic policies and the world's largest vaccination drive sparking off a world-beating rally on Dalal Street, despite bouts of uneasiness over fizzy valuations. While the wider economy shuttled between recovery and relapse, dictated by multiple mutations of the virus, equity market benchmarks appeared headed in just one direction -- skywards. The dizzying upward journey has added a whopping Rs 72 lakh crore during 2021 to investors' wealth, measured as the cumulative value of all listed shares in the country, taking it to nearly Rs 260 lakh crore.

With a tsunami of liquidity unleashed by global central banks coupled with supportive domestic policies and the world's largest vaccination drive sparking off a world-beating rally on Dalal Street, despite bouts of uneasiness over fizzy valuations.

The BSE Sensex made history this year by breaching the 50,000-mark for the first time ever, and went on to scale the 60,000 level within the next seven months. It closed at its lifetime high of 61,765.59 on October 18. Despite the year-end gyrations due to the Omicron threat, Sensex has posted returns of nearly 20% so far this year, eclipsing most of its global peers. However, Sensex is also the most expensive large market in the world, trading at a price-to-earnings ratio of 27.11. But, the Indian market is not the only one witnessing such exuberance.

Global central banks, led by the US Federal Reserve, have pumped in trillions of dollars into the financial markets since the onset of the pandemic to boost liquidity and prop up growth. The US Fed has been buying bonds worth USD 120 every month for the past one-and-a-half years, nearly doubling its balance sheet to an astounding USD 8.3 trillion. This unprecedented sea of liquidity has induced what experts have termed the 'everything bubble' -- an across-the-board increase in asset prices, be it stocks, real estate or commodities, not to mention more exotic instruments like crypto-currencies and non-fungible tokens (NFTs).

Back home, the government and the RBI worked in tandem to reignite the animal spirit of the pandemic-battered economy. The Reserve Bank has kept the policy rate at an all-time low of 4% since May last year, while reiterating its commitment to maintaining an accommodative stance as long as required. The Centre unleashed a slew of big bang reforms, including production-linked incentive schemes for multiple sectors, a Rs 100 lakh-crore PM Gati Shakti Master Plan for infrastructure development and an ambitious asset monetisation pipeline, among various other measures.

That apart, the coronavirus remains an unpredictable adversary for investors worldwide. Just when countries had started reopening and the global economy was getting back on track, the highly-contagious Omicron variant emerged, triggering a fresh wave of cases and border restrictions. With soaring inflation playing havoc with economies the world over, central banks too have started to dial back their stimulus measures. The Fed has already begun tapering its bond-buying, and will wind down the quantitative easing program by early next year, to be followed by rate hikes. The Bank of England earlier this month became the first major central bank to raise interest rates since the onset of the pandemic. The tightening of ultra-loose monetary policies has subsequently led to a flight of foreign capital from emerging markets, including India.

After being net investors for the most part of the year, FPIs have been on a selling spree since October, offloading shares worth Rs 37,320 crore (as of December 24). The relentless selling pressure, however, has been partially offset by a growing force in the domestic financial landscape - the retail investor. Inflows from systematic investment plans (SIPs) crossed the Rs 1 lakh crore mark for the first time this year, as per data from the Association of Mutual Funds in India (AMFI). Individual investors hold a higher share of the MF industry assets (54.9% in November 2021, compared to 51.5% in the same month last year). Not only that, 77% of individual investor assets are held in equity-oriented schemes.

Investors are not shying away from direct participation in the equity markets as well. While the number of demat accounts stood at 4.09 crore at the end of 2019-20 and 5.51 crore in 2020-21, the figure has already swelled to 7.38 crore this fiscal so far (as of October 31, 2021).

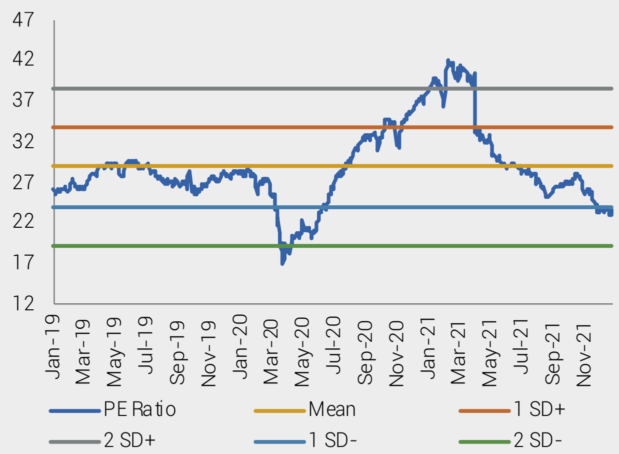
Adhering to the adage of making hay while the sun shines, India Inc too piled into the capital market with initial public offers (IPOs), raising a record-shattering Rs 1.19 lakh crore from over 60 issues. The Street saw more initial share sales in 2021 than in the year past three years combined, both in terms of the number of listings and the amount raised.

With such high spirits all around, many market participants are asking themselves an uncomfortable question -- how long will the good times last? Most experts expect Sensex to post tepid returns in 2022, weighed by the already stretched valuations, hawkish central banks and an uncertain global recovery. The looming threat of Omicron setting off another wave of the pandemic is the biggest short-term risk. But faith in the underlying India story remains intact.

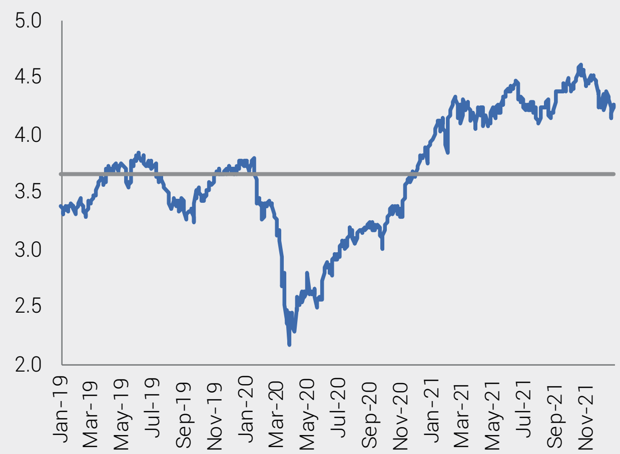
Indian Equities

The Indian equities performed decently in 2021. Investors would normally have nothing to complain about the returns on their equity portfolios.

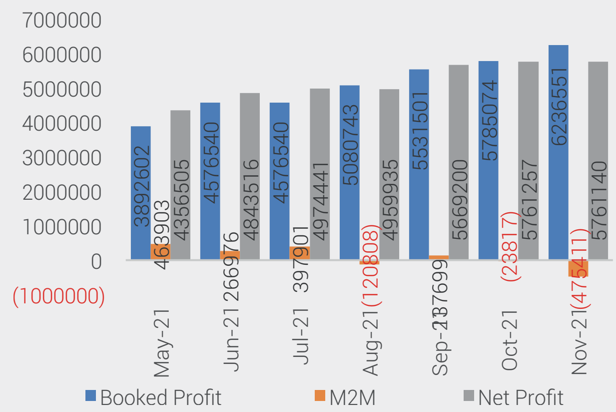
- The benchmark Nifty is up ~21% YTD2021. It is 6th consecutive year of positive return on Nifty. Nifty has now returned positive return in 9 out of past 10years (2012-2021).
- Nifty has averaged 15881 (based on daily closings) in 2021, which is 44% higher than the same average for 2020. Based on change in average, this is best performance since 47% gain in 2006; implying strong returns for SIP investors.
- Five year rolling CAGR in 2021 is ~15.7%, which is best performance since 2013. Five year absolute Nifty return in 2021 is ~107%, also highest since 2013.
- The market returns were fairly broad based in 2021. Smallcap (~56% YTD2021) and Midcap (~44% YTD2021) have done significantly better than Nifty (~21% YTD2021). Broader market indices are now outperforming the benchmark Nifty on 3yr and 5yr basis.
- Nifty has outperformed most of its emerging marker peers in 2021; and has performed in line with the top performing major global markets US and France.



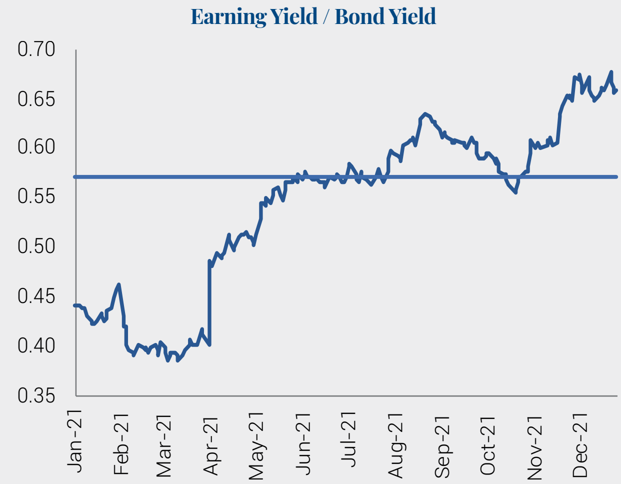
Source: NSE, AceEquity



Source: NSE, AceEquity



Source: NSE, AceEquity



Source: NSE, Bloomberg

Nifty top 15 performing stocks in 2021

1 Month Return		3 Month Return		6 Month Return		YTD Return	
Name	%	Name	%	Name	%	Name	%
HCL Tech	13.0	Tata Motors	47.1	Tech Mahindra	59.6	Tata Motors	154.3
Tech Mahindra	12.1	Power Grid Corp	16.6	Tata Motors	39.7	Hindalco	90.8
Infosys	9.9	Tech Mahindra	13.8	Titan	30.2	Wipro	80.8
Wipro	9.7	Titan	10.8	Bharti Airtel	30.1	Bajaj Finserv	78.8
TCS	6.6	Infosys	5.6	Bajaj Finserv	29.1	Tech Mahindra	77.1
Asian Paints	4.0	Maruti Suzuki India	5.2	HCL Tech	27.8	Grasim	73.6
UPL	3.5	Larsen & Toubro	5.1	Wipro	27.2	Tata Steel	73.3
Cipla	1.7	M&M	4.3	Hindalco	24.3	JSW Steel	68.2
Hindalco	1.5	UPL	3.9	Larsen & Toubro	23.6	SBI	66.2
Power Grid Corp	1.0	SBI	3.7	Infosys	19.5	UPL	60.1
Reliance Industries	0.9	Wipro	3.2	Power Grid Corp	18.5	Adani Ports	49.3
Dr. Reddy's Lab	0.9	Sun Pharma	1.9	Sun Pharma	18.1	ONGC	48.8
Sun Pharma	0.8	ONGC	1.8	ICICI Bank	14.7	Infosys	48.4
Nestle India	0.7	ICICI Bank	0.6	SBI Life Ins. Co.	14.6	Titan	48.0
Larsen & Toubro	-0.2	Grasim	-1.2	ONGC	13.5	Larsen & Toubro	44.4

4 out of 4   3 out of 4

Source: NSE, AceEquity

Source: NSE, AceEquity

Year of the IPOs

Fundraising by India Inc via initial public offer (IPO) crossed the Rs 1 lakh crore mark in 2021 in a first for any calendar year. A total of 63 Indian corporates including new-age technology brands like Paytm, Zomato, Nykaa and Policybazaar raised an all-time high of Rs 1,18,704 crore through mainboard IPOs in 2021. This was nearly 4.5 times Rs 26,613 crore raised through 15 IPOs in 2020 and almost double of the previous best year 2017 in which Rs 68,827 crore was raised. IPOs from new-age loss-making technology startups, strong retail participation and huge listing gains were the key highlights.

For 2021, the average IPO deal size was as high as Rs 1,884 crore. The year saw India's largest-ever IPO worth Rs 18,300 crore by One 97 Communications. The second-largest IPO was Zomato raised Rs 9,375 crore. PB Fintech raised Rs 5,710 crore. FSN E-Commerce Ventures raised Rs 5,352 crore.

Out of the IPOs, 36 received mega responses of more than 10 times. Six of them even received more than 100 times subscription. Eight IPOs were subscribed by 3 times or more. The balance of 15 IPOs were subscribed between 1 time and 3 times. The success of IPOs was further buoyed by strong listing performance. Of the 58 IPOs which have got listed thus far, 34 gave a return of over 10%. Sigachi Industries gave a stupendous return of 270% followed by Paras Defence (185%) and Latent View (148%). 40 of the 58 IPOs are trading above the issue price. The average listing gain for those IPOs was 32% compared with 44% in 2020 and 19% in 2019.

The IPO pipeline continues to remain strong with 35 companies holding Sebi approval to raise roughly Rs 50,000 crore and another 33 companies awaiting regulator go-ahead to raise about Rs 60,000 crore. This excludes the much anticipated mega IPO of LIC, which is expected to be launched in this financial year. Inflationary concerns resulting in rate hikes can be expected, which shall reduce the amount of liquidity available. How Omicron variant plays out shall also have an impact on the secondary market and consequently the primary market.

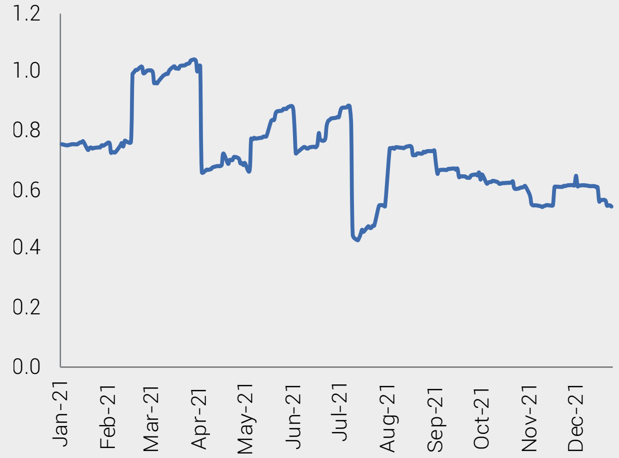
IPOs in 2021

Sl No.	Net Sales	IPO Month	Issue Size (Rs. Cr.)
1	CMS Info Systems Ltd.	December	1100.0
2	Supriya Lifescience Ltd.	December	700.0
3	HP Adhesives Ltd.	December	126.0
4	Data Patterns (India) Ltd.	December	588.2
5	MedPlus Health Services Ltd.	December	1398.3
6	Metro Brands Ltd.	December	1367.5
7	C.E. Info Systems Ltd.	December	1039.6
8	Shriram Properties Ltd.	December	600.0
9	RateGain Travel Technologies Ltd.	December	1335.7
10	Anand Rathi Wealth Ltd.	December	660.0
11	Tega Industries Ltd.	December	619.2
12	Star Health and Allied Insurance Company Ltd.	December	7249.2
13	Go Fashion (India) Ltd.	November	1013.6
14	Tarsons Products Ltd.	November	1023.5
15	Latent View Analytics Ltd.	November	600.0
16	Sapphire Foods India Ltd.	November	2073.3
17	One 97 Communications Ltd.	November	18300.0
18	S J S Enterprises Ltd.	November	800.0
19	Sigachi Industries Ltd.	November	125.4
20	PB Fintech Ltd.	November	5625.0
21	FINO Payments Bank Ltd.	November	1200.3
22	FSN Ecommerce Ventures Ltd.	November	5351.9
23	Aditya Birla Sun Life AMC Ltd.	October	2768.3
24	Paras Defence and Space Technologies Ltd.	October	170.8
25	Sansera Engineering Ltd.	September	1283.0
26	Vijaya Diagnostic Centre Ltd.	September	1895.0
27	Ami Organics Ltd.	September	569.6
28	Chemplast Sanmar Ltd.	August	3850.0
29	Aptus Value Hs. Fin. India Ltd.	August	2780.1
30	Nuvoco Vistas Corporation Ltd.	August	5000.0
31	CarTrade Tech Ltd.	August	2998.5
32	Devyani International Ltd.	August	1838.0
33	Exxaro Tiles Ltd.	August	161.1
34	Windlas Biotech Ltd.	August	401.5
35	Krsnaa Diagnostics Ltd.	August	1213.3
36	Rolex Rings Ltd.	August	731.0
37	Glenmark Life Sciences Ltd.	August	1513.6
38	Tatva Chintan Pharma Chem Ltd.	July	500.0
39	Zomato Ltd.	July	9375.0
40	G R Infraprojects Ltd.	July	962.0
41	Clean Science and Tech. Ltd.	July	1546.6
42	India Pesticides Ltd.	July	800.0
43	Dodla Dairy Ltd.	June	520.2
44	Krishna Institute of Medical Sciences Ltd.	June	2143.7
45	Shyam Metalics and Energy Ltd.	June	909.0
46	Sona BLW Precision Forgings Ltd.	June	5550.0
47	Macrotech Developers Ltd.	April	2500.0
48	Barbeque-Nation Hospitality Ltd.	April	452.9
49	Suryoday Small Fin.Bank Ltd.	March	582.3
50	Nazara Technologies Ltd.	March	582.9
51	Kalyan Jewellers India Ltd.	March	1175.0
52	Laxmi Organic Industries Ltd.	March	600.0
53	Craftsman Automation Ltd.	March	823.7
54	Anupam Rasayan India Ltd.	March	760.0
55	Easy Trip Planners Ltd.	March	510.0
56	MTAR Technologies Ltd.	March	596.4
57	Heranba Industries Ltd.	March	625.2
58	RailTel Corporation of India Ltd.	February	819.2
59	Nureca Ltd.	February	100.0
60	Stove Kraft Ltd.	February	412.6
61	Home First Fin. Co. India Ltd.	February	1153.7
62	Indigo Paints Ltd.	February	1170.2
63	Indian Railway Fin. Corp. Ltd.	January	4633.4
	Total Fund Raised		**119874.7**

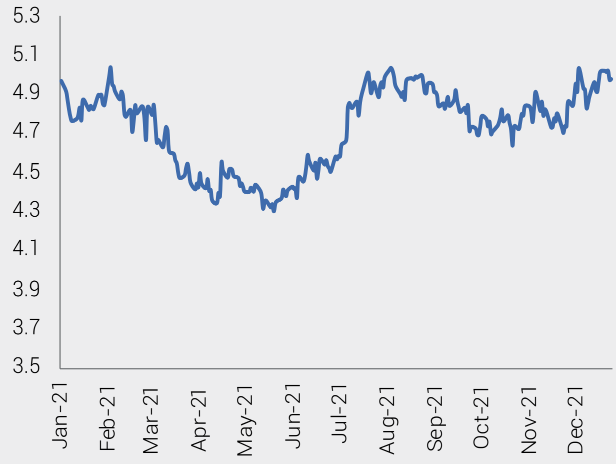
Source: Company

Government's steps to revive economy

The year is closing just as it began with the economy being pulled up by its bootstraps, even as new virus mutations (then Delta variant, now Omicron) circle like vultures overhead. If in initial months, it seemed as though the deepest horrors of the pandemic were behind us, we were soon gripped by a ferocious second wave of Covid-19 infections that left an untold trail of human tragedy, exposing the government's recklessness and the country's inadequate healthcare infrastructure. Notwithstanding the shortcomings, the government used the crisis to go headlong with its welfare-versus-reforms approach for development. As opposed to opening up the treasury, the government favoured reforms and 2021 saw some watershed moments in areas such as public procurement, besides making meaningful amendments to the Insolvency and Bankruptcy Code (IBC), Limited Liability Partnership (LLP) Act 2008, and taxation laws. Perhaps, one of the biggest achievements includes repealing of the retrospective tax ending years of legal disputes with multinationals like Cairn and Vodafone at international tribunals. Similarly, the changes made to the LLP Act decriminalised various offences, lowered compliances. Tweaks in IBC aids in faster resolution saving time and effort. Then there's this production linked incentive scheme rolled out to boost 14 sectors, That said, a lack of political consensus on agriculture reforms amid a year-long farmers' protest saw the government quashing its own policies in a final showdown. While Air India's privatisation is the undisputed lodestar of our disinvestment strategy, the deal is less buck and more whiz-bang. The pipeline of state assets such as BPCL, insurance companies and banks within this fiscal is long and with just one quarter to go, there's little hope of meeting the annual target. The ballyhooed public listing of LIC India too gained attention. The government also started unlocking infrastructure assets through its monetisation programme, of which an esstimated 15-17% accrued revenue will likely fund the Rs 111 lakh crore National Infrastructure Pipeline (NIP) plan.



Source: Bloomberg

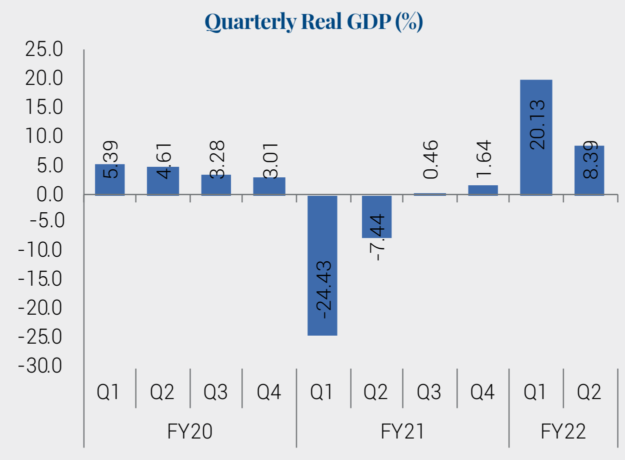


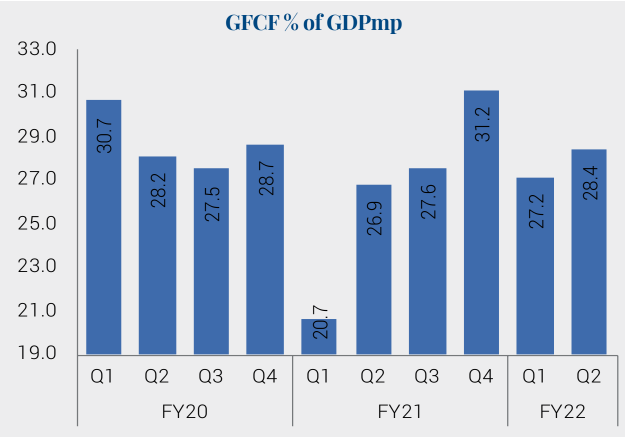
Source: Bloomberg

Economy on track

Indian economy is showing strong signs of recovery from the devastation caused by the pandemic, with an upswing being reported in 19 out of the 22 economic indicators as compared to the pre-Covid levels. High-frequency indicators (HFIs) are being monitored to track the progress of economic recovery in India since the first COVID-19 case was reported in the country in January 2020. The latest information indicates that among 22 HFIs, full recovery has been achieved in respect of 19 HFIs, as their latest levels in the months of September, October and November this year are higher than their pre-pandemic levels in the corresponding months of 2019. Among the 19 HFIs, there are some indicators whose recovery is way beyond 100%, such as e-way bill by volume, merchandize exports, coal production and rail freight traffic, which suggests that not only the recovery is complete, the economic growth is now gathering momentum over the pre-pandemic levels of output.

This is further confirmed by the estimates of GDP recently released for Q2FY22, whose YoY growth in real terms at 8.4% takes the output level higher than the pre-pandemic level of Q2 output in 2019-20. While Electronic Toll Collection (ETC) at Rs 108.2 crore in October was 157% of the pre-Covid levels of 2019, UPI volumes are nearly four times at 421.9 crore. Merchandise imports at USD 55.4 billion in October are 146% of 2019 levels. E-way bill volume has more than doubled to 7.4 crore in October. Coal production has risen 131% to 114.1 million tonnes in September while rail freight traffic has jumped 125%. Fertiliser sales, power consumption, tractor sales, cement production, port cargo traffic, fuel consumption, air cargo, IIP, and 8-core industries are all above pre-Covid levels. The only sectors that are yet to touch the pre-pandemic level are steel consumption which is 99% of 2019 levels in October, domestic auto sales that are 86% of pre-Covid levels and air passenger traffic which is 66% of the October 2019 volume.

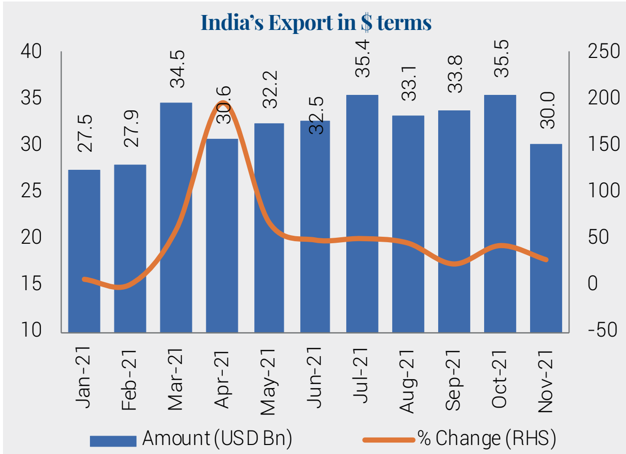




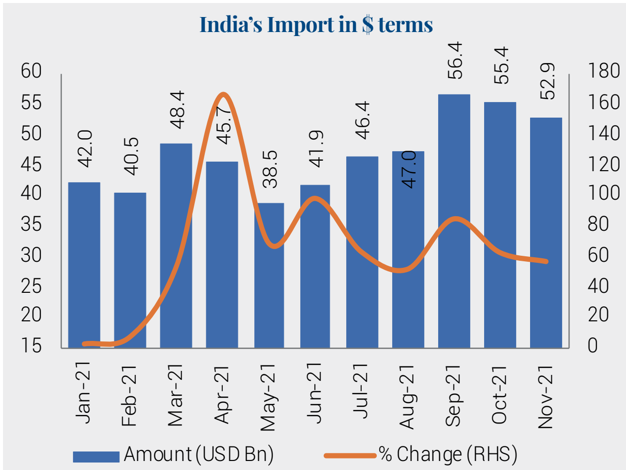
The Indian economy is slowly bouncing back to the growth trajectory. Yet, some headwinds can play spoilsport in the recovery. Firstly, rising inflation rate can act as an obstacle. Though the cut in excise duty on petrol/diesel is a welcome step, the pressure of rising prices has not gone away. Rising inflationary pressure could force the RBI (Reserve Bank of India) to tighten its monetary policy. Both global and domestic factors contribute to the rising pressure on prices. Secondly, the uncertainty surrounding Omicron, and its possible impact on the economic recovery, is not clear. The economy still needs support to be on the growth track, and it is too early to withdraw them.

Export accelerates

India's export performance has never been as good as it has been in 2021. In the first 11 months of the year, exports exceeded $354 billion, over $57 billion (or 19.2%) higher than the previous best for the same period, which was achieved in 2019. Imports, too, have touched a record high of $513 billion, almost 9% above the previous high of $472 billion in 2018. Importantly, higher imports could well be the sign that the economy is on course for a sustained recovery in 2022. Buoyed by rapid expansion of exports in the earlier months of the year, the government had set an export target of $400 billion for fiscal 2021-22. A similar target has also been set in the past, but India's exports have not gone beyond $330 billion (in 2018-19). In the first 8 months of the current fiscal (April-November 2021), exports had reached well over $263 billion, exceeding the previous high for this period by almost 22%. Although in November 2021 exports were at their lowest level during this fiscal year, there is every likelihood that the $400 billion target will be reached. Driving India's export surge were five major product groups — metals, ores, agricultural products, electronics, and petroleum products. Specific products within metals and agricultural products performed exceptionally well, which include iron and steel, copper, non-basmati rice, sugar, and wheat. Exports of each of these products have more than doubled during January-October 2021, as compared to the level in the corresponding period during 2019. Raw cotton and to a lesser extent cotton yarn, also experienced surge in exports in current year.



Source: Ministry of Commerce

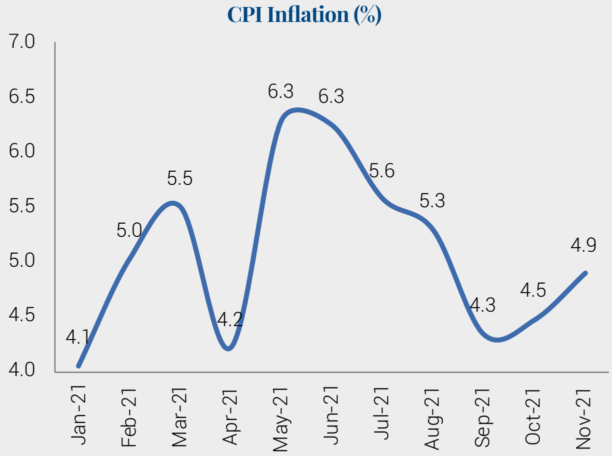


Source: Ministry of Commerce

Inflation rising again

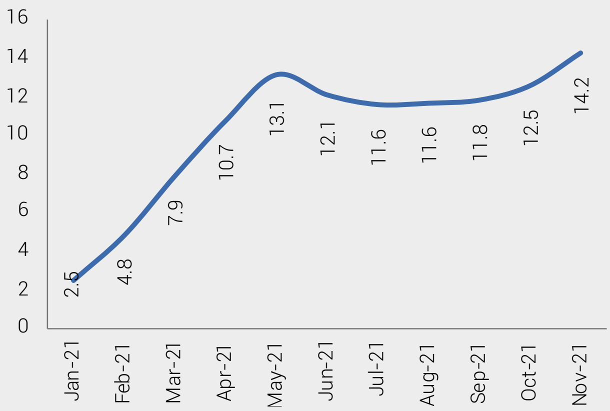
A sharp rebound in economic activity strengthened India's gross domestic product (GDP) growth in the second quarter of the year, but rising inflation could disrupt the recovery. Data suggests that inflation is gradually rising in the country, though it remains within the Reserve Bank of India's (RBI) target of 2-6%. However, there are chances that inflation accelerated sharply due to several factors, including rising vegetable prices, elevated fuel costs and rising input costs for companies. While vegetable prices and fuel demand may fade away over the next few months, India could face a period of persistently high inflation due to rising input costs. Many companies across the spectrum from automakers to electronic goods manufacturers have hiked prices of their products due to prolonged disruption in global supply chains and severe shortage of semiconductors. Car manufacturers are already going for another round of price hikes in January 2022. Simply put, rising inflation in the non-food category, arising from global supply chain disruptions and fresh restrictions due to the new Omicron variant of coronavirus, seem to be the biggest hurdle in the path of swift economic recovery.

CPI Inflation (%)



Source: MOSPI

WPI Inflation (%)



Source: Economic Adviser

USD/INR range-bound

Omicron worries, higher inflation and expectations of tighter monetary policies globally were the key factors that led to a sharp depreciation of the INR against the USD. Moreover, the recent selling of Indian equities by FPIs has added to downward pressure on the INR. Amid rising global headwinds, it is expected that the INR to continue to trade with a downward bias in the near term. However, a combination of the improved fiscal position, healthy foreign exchange reserves and a surplus balance-of payments position should protect the significant downside. Thus, the performance of USD/INR is expected to be range-bound over the medium term.

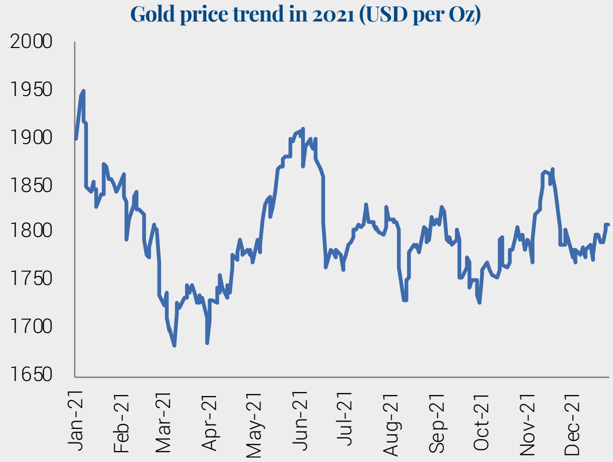
INR performance against USD in 2021

Source: Bloomberg

Precious metals lacked momentum

Precious metals like gold and silver began to weaken towards the end of 2020, and thus, right from the beginning of 2021, they lacked momentum. A key reason was a change in investor sentiment. "As vaccination cover increased and the global economy limped back to normalcy post the Covid disruptions, risk-on of investors drove assets like equities up, even as gold prices softened from their life-time highs of 2020," says PR Somasundaram, President, World Gold Council (WGC), India. Precious metals were further impacted by the rising dollar on the back of the expectation of the US Fed tapering measures and the start of interest rate upcycle. In contrast, gold was not supported by fundamental factors. Investment demand — which drove the price in the preceding two years — saw a slump in 2021. According to WGC data, investment demand in 2021 (first three quarters) stood at 700 tonnes, a drop of about 38% y-o-y. Precious metals are likely to stay positive in the next year. Rising expectations of inflation and uncertainty about interest rate across the globe will continue to support gold price. Moreover, strategic investors have not really moved out of gold and the long-term upward momentum continues to stay.

Gold price trend in 2021 (USD per Oz)

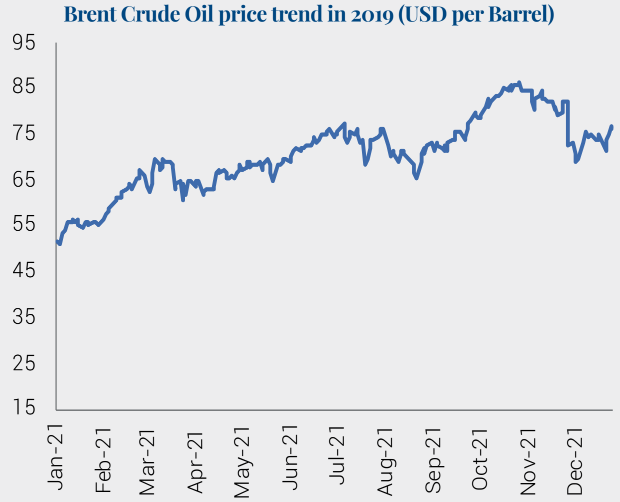


Source: Bloomberg

Omicron concerns temper fuel prices

A fall in international crude oil prices due to concerns about the Omicron variant of the virus that causes Covid-19 could, if it persists, end up lowering the price of petrol and diesel for consumers in India, as well as in other countries. The price of Brent crude saw its largest monthly fall since the beginning of the pandemic in November, ending the month at $70.6 per barrel down from $84.4 per barrel at the beginning of the month. Concerns that current vaccines may not be as effective at preventing infection from the Omicron variant as they have been for other variants, raised worries about oil demand. Brent crude is currently trading at around $70 per barrel. The announcement of a planned coordinated release of emergency crude oil reserves by the United States, China, Japan, India, South Korea and the United Kingdom has also helped curb a year-long rally in crude oil prices, which nearly doubled to $85.5 per barrel in October from $43 per barrel in October 2020. The US had, late last month, announced that it would release 50 million barrels of crude oil from strategic reserves as part of efforts to curb rising crude oil prices. India announced a release of 5 million barrels of crude oil from strategic reserves, while the UK announced a release of 1.5 million barrels of crude oil.

Brent Crude Oil price trend in 2019 (USD per Barrel)

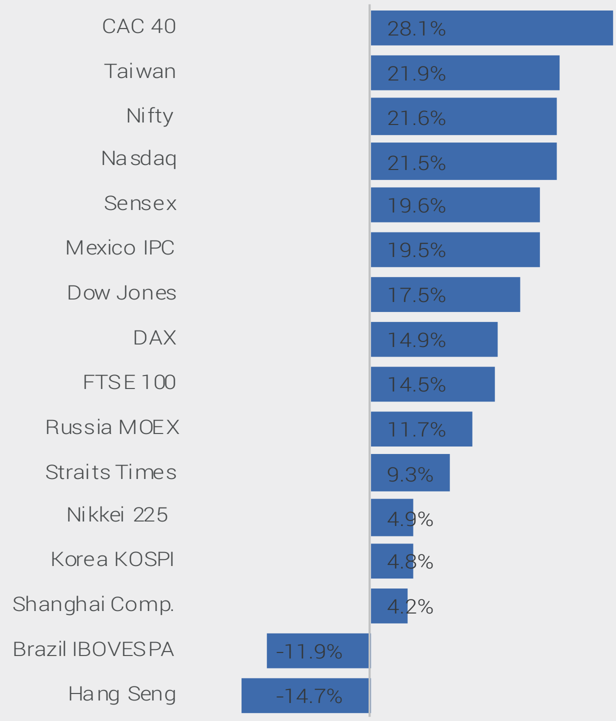


Source: Bloomberg

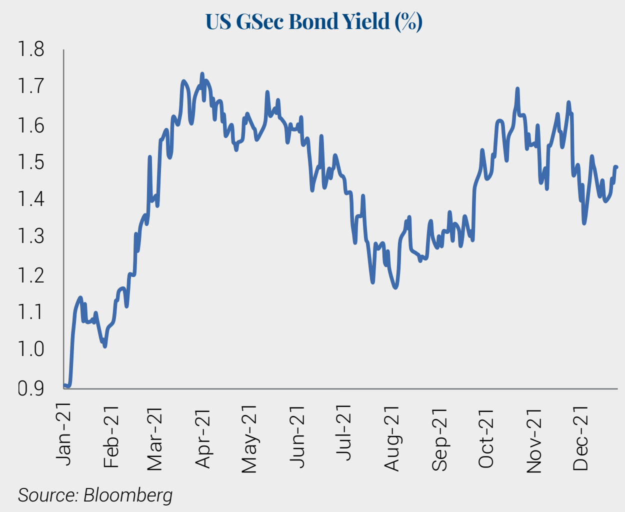
Global economy rebounds

The world economy woke up from its pandemic-induced coma in 2021, but soaring inflation, global supply chain bottlenecks and a resurgent coronavirus have taken the shine off the comeback. Countries have posted impressive growth figures as they clawed their way out of the depths of the 2020 Covid-induced recession, but some are faring better than others as wealthier countries have had better access to vaccines. The United States has overcome its worst downturn since the Great Depression while the eurozone's economy could return to pre-pandemic levels by the end of the year. But a resurgence of the coronavirus could scupper the recovery, with the emergence of the Omicron variant raising new concerns. Most emerging and developing countries should remain far behind their pre-pandemic forecasts by 2024, the IMF says. Central banks in Brazil, Russia and South Korea have raised interest rates to combat rising inflation, a move that could rein in growth. China is facing a slew of risks: New coronavirus cases, an energy crunch and fears over the debt crisis at real estate giant Evergrande. Inflation has accelerated to multi-year highs around the world, as consumers returned with a vengeance and industries faced shortages. Prices have soared across the board, with oil, natural gas and raw materials such as wood, copper and steel going through the roof. Central banks insist the inflationary pressure is a temporary consequence of economic activity returning to normal this year after it came to a halt when the pandemic erupted in 2020. Stock markets have hit new record highs this year, but investors are concerned that central banks will withdraw their stimulus programmes and raise interest rates earlier than expected to tame inflation. Global trade has been disrupted by insufficient shipping containers, congestion at ports and labour shortages. One key component that is hard to come by these days is semiconductors, chips used in everything from phones to video game consoles to the electronic systems of cars. The shortage has been so bad that several automakers have had to temporarily halt production at some factories. Labour shortages have added to the problem as truck drivers, port workers and cashiers have not returned to work following lockdowns. Despite the difficulties, the IMF expects the world economy to grow by a healthy 4.9% next year.

Global Indices Performance in 2021 (%)

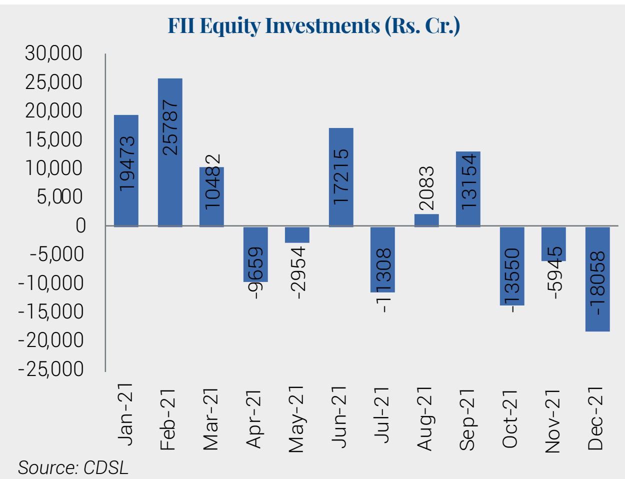


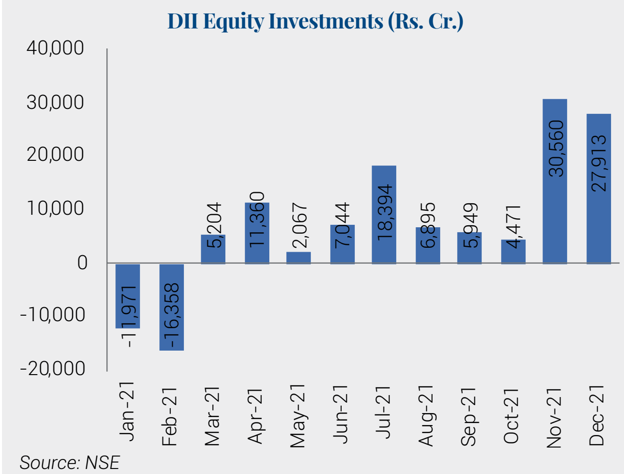
Source: Bloomberg

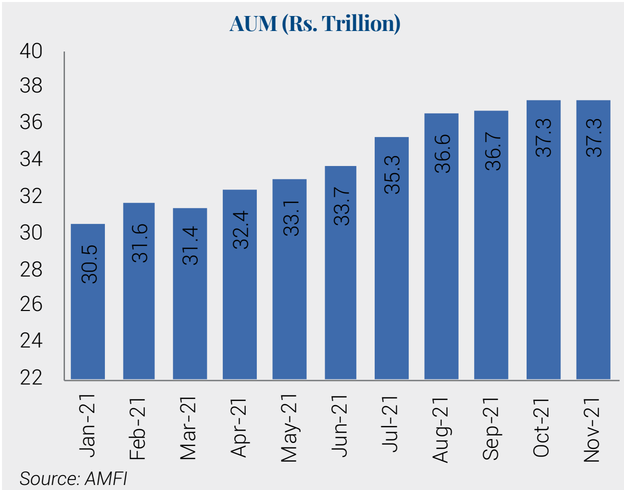


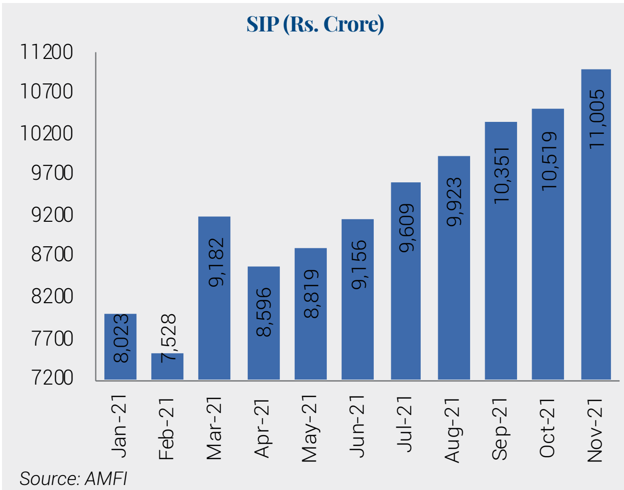
FPI inflows moderate

'Sell in stock markets and buy in IPOs' seems to be the motto of foreign portfolio investors (FPIs) these days. While FPIs have been pulling out funds from stock markets in the wake of monetary tightening plans of global central banks like the US Federal Reserve and Bank of England, they have been major investors in initial public offerings (IPOs) that hit the primary market in recent months. In December alone, while FPIs withdrew Rs 17825 crore from stock markets, they invested Rs 11782 crore in IPOs. Foreign investors had invested Rs 40,562 crore ($5.40 billion) in the primary market while they took out Rs 37320 crore ($5.00 billion) from the stock markets between October 1 and December 24, according to data from the National Securities Depository Ltd (NSDL). In CY21 so far, FPIs have withdrawn Rs 47,126 crore from stock markets, but invested Rs 78,433 crore in the primary market. Barring some IPOs like Paytm and Star Health Insurance, FPIs have made money in most of the issues, especially in some unicorns, that hit the primary market this year. The improving trend in economies and easing of active cases seems to have triggered an increase in India's weight in the MSCI Emerging Market Index; thereby further fuelling foreign flows into India. Amongst sectors, FII flows were skewed in favour of Financials, Discretionary and Industrials sectors; whereas only IT and Real Estate sectors saw moderate outflows while maintaining their underweight position in materials, healthcare, utilities, telecom and staples.









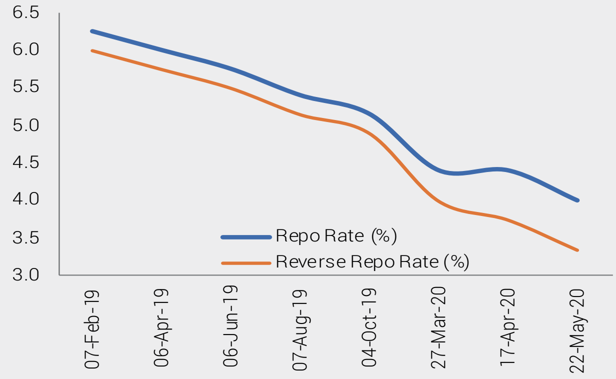
Key RBI decisions taken in 2021

The year 2021 is coming to a close. Throughout the year, the Reserve Bank of India (RBI) undertook several decisions in public interest.

Key interest rates unchanged

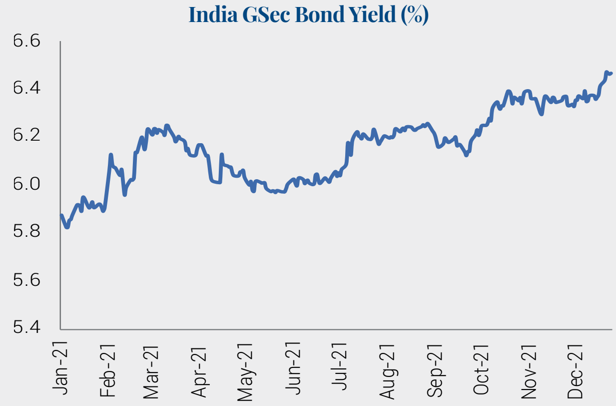
The Reserve Bank had kept the key interest rate unchanged after its Monetary Policy Committee (MPC) meeting in December. It kept benchmark lending rate unchanged 9th time in a row at 4%. The central bank had last revised the policy rate on May 22, 2020, in an off-policy cycle to perk up demand by cutting interest rate to a historic low. Consequently, the reverse repo rate continues to earn 3.35% for banks for their deposits kept with RBI.

Repo & Rev. Repo (%)



Source: RBI

India GSec Bond Yield (%)



Source: Bloomberg

Digital Payment solutions in offline mode

At the end of the MPC meeting on October 8, 2021, the RBI Governor informed that a scheme to test technologies that enable digital payments even in remote places where internet connectivity is either absent or barely available was announced in August 2020. The statement on Developmental and Regulatory Policies dated August 06, 2020 had announced a scheme to conduct pilot tests of innovative technology that enables retail digital payments even in situations where internet connectivity is low / not available (offline mode). Now, given the encouraging experience gained from the pilot tests, it is proposed to introduce a framework for retail digital payments in offline mode across the country. This will further expand the reach of digital payments and open up new opportunities for individuals and businesses.

Enhancing Transaction Limit in IMPS to Rs 5 lakh

In view of the importance of the IMPS system and for enhanced consumer convenience, it was proposed to increase the per transaction limit from Rs 2 lakh to Rs 5 lakh during the RBI MPC meeting in October.

SLTRO for Small Finance Banks

A special three-year long-term repo operation (SLTRO) of Rs 10,000 crore at the repo rate was introduced for Small Finance Banks (SFBs) in May 2021. This facility was available till October 31, 2021. Recognising the need for continued support to small business units, micro and small industries, and other unorganised sector entities, it has been decided to extend this facility till December 31, 2021 and make it available On Tap, the RBI statement said.

Increase in UPI limit for Retail Direct Scheme and IPO

After the RBI MPC meeting in December, the RBI Governor made an important announcement on 'Increase in UPI Transaction Limit for Specified Categories.' The RBI statement on Developmental and Regulatory Policies said, "To further encourage the use of UPI by retail investors, it is proposed to enhance the transaction limit for payments through UPI for Retail Direct Scheme and IPO applications from Rs 2 lakh to Rs 5 lakh."

Second loan moratorium

Due to the second wave of the COVID-19 pandemic, earlier this year, RBI asked its lenders to allow a second moratorium. The eligible borrowers who did not use the first loan moratorium can avail the second one, it had said. Also, those who used the first one can get the moratorium period extended. This announcement was made by the RBI Governor on May 5, 2021.

Top significant events in India

From the coronavirus pandemic to farmer protests, poll violence, Olympic gold, the year 2021 was filled with life-changing events. The year draws to a close, here is a recap of the some of the prominent events took place this year.

2021 Indian farmers' Republic Day violence

A tractor march meant to highlight farmers' demands dissolved into anarchy on the streets of the national capital on Republic Day this year. Hordes of rampaging protesters broke through barriers, fought with police, overturned vehicles and delivered a national insult -- hoisting a religious flag from the rampart of Red Fort, a privilege reserved for India's tricolour. Tens of thousands of protesters clashed with police in multiple places, leading to chaos in well known landmarks of Delhi and suburbs, amid waves of violence that ebbed and flowed through the day, leaving the farmers' two-month peaceful movement in tatters.

Indian farmers call off protest after Govt accepts their demands

After the Centre handed them an official letter agreeing to most of their demands, the farmers called off their year-long protest on December 9.Farmers have been staging a sit-in protest against three farm legislation since November, which the government has now abolished.

Bengal post-poll violence

Violence erupted after the Mamata Banerjee-led Trinamool Congress returned to power for a third consecutive term. The opposition alleged alleged murders, rapes, and vandalism that happened in across the state following the announcement of the results of the 2021 West Bengal Legislative Assembly election. The Calcutta high court had pulled up the West Bengal government for its failure in compensating the victims of the alleged post-poll violence.

COVID-19: India's Oxygen Crisis

After a new coronavirus variant unleashed a brutal second wave of infections in India, hospitals in the country faced worst nightmare with shortage of oxygen tanks and beds. Many hospitals in Delhi and around the country ran out of oxygen, with hundreds dying from a shortage of oxygen. However, the centre has claimed no deaths due to oxygen shortage were reported by states and UTs during the second COVID-19 wave.

Indians named in Pandora Paper leaks

The ''Pandora Papers'' have named 300 Indian individuals, including Sachin Tendulkar, Anil Ambani, Nirav Modi, Jackie Shroff, Ajit Kerkar and Kiran Mazumdar-Shaw. Millions of leaked documents dubbed as the ''Pandora Papers'' by a worldwide journalistic partnership on October 3, claimed to have uncovered financial secrets of current and former world leaders, politicians and public officials in 91 countries and territories, including India. There are over 300 Indian names in the Pandora Papers leak, including over 60 prominent ones.

Air India returns to Tata after 70 years

Tata Sons won Air India bid, the airline it founded nearly 90 years back - as the government accepted its winning bid of Rs 18,000 crore to acquire 100% of the debt-laden state-run carrier. The deal completed a full circle as Air India was founded in 1932 under the name Tata Airlines by family scion and aviation enthusiast Jehangir Ratanji Dadabhoy Tata.

India to monetise $81 billion worth of state assets over next 4 years

India stated on August 23 that it would monetise 6 trillion rupees ($80.90 billion) in public assets over the next four years, as part of a strategy unveiled earlier in the 2021/2022 budget to increase infrastructure expenditure and drive economic growth in Asia's third largest economy.

2022 Outlook

Post a super show in 2021, valuation levels in Indian equities could make most people cautious on India within EMs and Asia. Also, uncertainties on crude and commodity prices, speed of US tapering, and Covid recurrence are other factors that lead to a cautious view. Indian equities are running into many challenges, including the US rate cycle, rising oil prices, elections in key states, potential Covid wave 3, upward inflexion in domestic interest rates, rich headline valuations and strong relative trailing performance. However, the market still has potential to positively surprise, as a macro construct (GDP growth, tax collections, flush liquidity, the start of a Capex cycle, a listing of start-ups leading to risk on sentiments, supportive monetary policy, better than expected pace of macro recovery post-pandemic, and strong vaccination drive) and earnings remain largely supportive.

In the US, for instance, while growth has been picking up, inflation is rearing its ugly head and the stubborn core inflation perhaps has turned the US Federal Reserve distinctively hawkish, indicating an earlier-than-expected end to its taper timeline and the start of an interest rate hike cycle. Emerging markets such as India have already felt the tremor with foreign fund outflows and are now staring at an interest rate hike as well. With inflation refusing to soften and competitive pressure to prevent significant depreciation of the currency, the writing seems to be on the wall.

While the sequence of events appears to reflect copybook macroeconomic theory, the emergence of the highly transmissible Omicron variety could turn out to be a joker in the pack. Inflation, which is the biggest bugbear now, could moderate if growth takes a beating on a decisive third wave of Covid. Central banks and governments could also find it difficult to reverse easy liquidity or fiscal support should Covid turn out to be disruptive despite the wide availability and decent coverage of vaccines, especially in the developed world.

Unlike the past when FIIs used to rule the bourses, the long-term journey of Indian markets will ride on domestic liquidity. India's changing demographics with a young population having no social security benefits coupled with negative real interest rates, augur well for domestic inflows to equities. The record number of new demat account openings and the soaring monthly contribution to SIP (systematic investment plan) stand testimony to the same. This domestic liquidity should provide downside support to equities.

Note: All data are of as on December 24, 2021

Technical view

Equity Indices Sensex and Nifty declined by 1.5% and 1.7% respectively during the month. These benchmark Indices fell to their lowest level in three months on weak global cues as a consequence of the detection of the new corona virus variant, Omicorn. FII's too continued their withdrawal of capital from the Indian market. Adding to this is the recent announcement of the Federal Reserve tapering expected to commence earlier than anticipated. Concern regarding rising global inflation is fast becoming a reality and cannot be ignored. Hence against such backdrop it won't be unfair to state that market is still not out of the woods yet and market would continue to remain on shaky grounds, but opportunities are in the making for investors in this lull period.

Technical Observation

On the technical parlance Nifty started the month with some choppiness and gestured fragility right from the beginning. At the latter part of the month Index witnessed sharp selling pressure and hence cascaded down to 16400 zones. Volatility with negative bias was reflective in abundance and could not sustain at higher levels. The month observed quite a turbulent month and resulted in with a decline for the second consecutive month in a row. Every rise is getting sold-off as the index witnessing major hurdles at every crucial level. Weakness was broad based and selling pressure were seen across most of the sectors.

With presence of range of resistance around 17300 (downward channel), 17500 (50 retracement) and 17765 (61.8% retracement) the Index would confront a herculean task to shed its negative outlook.

Realty, Banks and Energy emerged as top loser for the month with a decline of more than 6% while only the IT and Pharma ended in green territory with gains of 8% and 2% respectively.

Pattern wise in our previous issue we mentioned about the presence of Bearish 'Head & Shoulder' formation and which indicated that weakness to persist. Target for the said pattern is almost met and after completion of the pattern a countertrend rally is inevitable. Hence for the Index to witness a reversal, it need to exceed the 61.8% retracement of the recent leg of decline (Low: 16410; High: 18604) at 17765. Succeeding the said resistance point would reverse the intermediate downtrend into a decisive uptrend. Technically in the recent 2.5 month of decline the Index had been trading amidst the downward sloping channel and it seems the present reversal is in the formation stage as 4-leg of the pattern is likely to face crucial resistance around 17250-17300. So we believe with presence of range of resistance around 17300 (downward channel), 17500 (50 retracement) and 17765 (61.8% retracement) the Index would confront a herculean task to shed its negative outlook.

Structurally Nifty formed a bullish candle on the weekly time frame retracing by a mere 23.6% (Low: 16410; High: 18604). Though weekly price structure is bullish resembling closer to a bullish Dragonfly Doji candle with long lower shadow but due to the low reliability of such pattern calls for volume confirmation which remained muted past week and only a trade above the 17300 would confirm of a reversal in place. Here the zone of 17300-17350 will be key level to watch as it further coincides with the 100dma followed by 38.2% retracement level of the entire decline since Oct'21. In case Nifty fails to move beyond the said resistance point, the recent low of 16400 can be considered as an elevated bottom for the market as since May 2020, index maintained the rhythm of not correcting for more than 10%. Any correction above 10% is categorized as a clear downtrend.

The Index presently has been flirting around the 20dma and now if 20dma enters the uptrend it would be positive trend indication. It is also above the 200 dma of 16290. As long as Nifty stays above the 200dma, it will be a good sign for the market. The medium term averages of 50 and 100 dma are placed at 17627 and 17372 respectively and might act as the next resistance level in coming sessions. The Nifty midcap, small cap indices are forming a higher base above 100dma which has been majorly held since June 2020. Key point to highlight is that the broader market indices are undergoing slower pace of retracement as over past ten weeks both indices retraced 61.8% of preceding eight week's rally. Slower pace of retracement signifies healthy retracement that would set the stage for next leg of up move.

On the Oscillator front MACD histogram is in the negative zone on a weekly chart, weekly RSI is below the April swing low which is a clear indication that strength has weakened in the market however on the daily time frame it seems to be exiting from near oversold region of 32 and the daily MACD too has given a fresh buy signal and the histogram suggests that fresh bullish strength is a reality now. Hence with the above conditions, market is in a tricky situation and it would be under through consideration whether market reverses its trend amid fragile global cues.

Presently close to 38% of the Nifty constituent stocks are trading below its 200dma indicating that Nifty has not witnessed a major correction and broader market continues to be supportive. Last extreme pessimism was witnessed in March 2020 followed by February 2016. On the oscillator front too almost 82% of the Nifty constituent trading above the 40 RSI and all the Index constituents are trading above the 30 RSI which reinstates that the present correction is temporary in nature it should not be viewed negatively rather need to be utilized to accumulate quality large and midcap companies as we expect Nifty to find strong buying demand in 16400-16500 zone.

Significant correction	% of Stocks below 200dma	% of Nifty 50 Stocks below 30 RSI
Feb-08	91	80
Mar-11	65	45
Feb-16	93	64
Mar-20	95	72
Nov-21 (current date)	38	-

Key observation over past 20 months of bull market, there have been three major corrections (May'20, Sept'20, Apr'21) with an average decline of 11%. Currently, Nifty has already corrected 11% from life highs of 18600 and Time wise the Index has normally content corrected within 9 week period. In the current scenario the Index has corrected by 11.8% price wise and time wise also the secondary correction too seems to have arrested. Buying in each of these corrections provided handsome returns for investors as index eventually scaled back to new highs post such corrections. Nifty is expected to maintain the similar rhythm and hence current correction should not be viewed negatively rather utilise to accumulate quality large and midcap companies as we expect Nifty to find strong buying demand in 16400-16500 zone.

Broader market indices are undergoing slower pace of retracement as over past ten weeks both indices retraced 61.8% of preceding eight week's rally. Slower pace of retracement signifies healthy retracement that would set the stage for next leg of up move.

Nifty Elliot Wave count since March 2020 unfolds into a 5-wave impulse pattern and currently it seems that the last leg of the impulse wave ended with wave 5 topping out at 18600. Wave 5 had been unshackling into an equality principle of wave 1 which on the said principle projected an upside potential till 18500-18600 level. Post completion of the 5 impulse wave now might have triggered correction towards 16400-16500 in the next 2-3 months and a move below 16400 would confirm the start of wave A correction of a larger degree.

The volatility index (India VIX) increased by 16.1% from 17.91 to 16.66 levels in Nov series. With VIX closing above the 18 level mark bears in all probability will dominate the market for some time. History too has been the witnessed the same during the top of 2014 where VIX has broken out of the range and closed above the 18 level mark on a closing basis. Hence with a VIX close above the 18 mark would be a red flag which it did during the month but managed to close below it. An uptick would be the first sign of caution for the market and would depict of an upcoming volatile days.

Other correlated markets

Other correlated markets like Gold prices rose last month, as rising inflation, US-Russia geopolitical tensions over the Ukraine issue and decline in dollar index boosted the demand for safe haven metal. Further, gold prices were also supported on risks posed to global economic growth from a surge in Omicron variant cases and rising inflation. However, sharp upsides were capped by better than expected GDP and Consumer confidence data from US. Going forward gold prices are likely to trade in the range of 1750-1885 with positive bias.

Crude oil prices gained 1.47% in the previous week on the back of decline in US crude oil inventories. Further, prices were supported on the expectations of lower supply from Opec, rising geopolitical tensions between Iran and Israel, between US and Russia over Ukraine issue and expectations that the Omicron coronavirus variant will have only a limited impact on global demand.

Aggressive or higher leveraged positions are not advisable as index is undergoing healthy consolidation (17200-16600), only a decisive close above 17500 levels backed by improvement in market breadth would lead to extension of pullback towards 17600.

Going forward Investors are awaiting an OPEC+ meeting on Jan. 4, at which the alliance will decide whether to go ahead with a planned 400,000 barrels-per-day production increase in February. Hence Crude oil prices are likely to trade with a positive bias.

Indian rupee is expected to rise against the U.S. currency, tracking broad dollar weakness and rise in risk appetite in the global markets. Market sentiments improved on ebbing concerns over severity of micron variant, fueling hopes that governments across the globe may not need to widen restrictions. However, sharp gains may be capped on a surge in crude oil prices and consistent FII outflows.

To sum up, extended correction from hereon should not be construed as negative instead dips should be capitalised on as buying opportunity as it seems that Index is unlikely to breach the key support threshold of 16400-16500 zone as it coincides with the 50% retracement of the rally since Apr 2021. On the higher side 50-day moving average placed at 17500-17600 would act as an immediate hurdle in the current pull backs. Therefore, ongoing correction should be used as an incremental buying opportunity to ride structural uptrend. However aggressive or higher leveraged positions are not advisable as index is undergoing healthy consolidation (17200-16600), only a decisive close above 17500 levels backed by improvement in market breadth would lead to extension of pullback towards 17600. Failure to do so would lead to prolonged consolidation amid stock specific action in broader. Sectorally, Capital goods, IT and Realty are expected to outperform.

World economic calendar
January 2022

Monday	Tuesday	Wednesday	Thursday	Friday
3	4	5	6	7
IN: Markit India PMI Mfg US: ISM Manufacturing US: MBA Mortgage Applications CH: Caixin China PMI Mfg JN: Jibun Bank Japan PMI Mfg	US: ISM Manufacturing CH: Caixin China PMI Mfg JN: Jibun Bank Japan PMI Mfg UK: Markit UK PMI Manufacturing SA UK: Mortgage Approvals	**IN: Markit India PMI Services** US: MBA Mortgage Applications US: ADP Employment Change EC: Markit Eurozone Services PMI US: Markit US Services PMI	US: Initial Jobless Claims US: Durable Goods Orders US: Factory Orders US: Trade Balance UK: Markit/CIPS UK Services PMI	US: Change in Nonfarm Payrolls JN: Tokyo CPI Ex-Fresh Food YoY US: Unemployment Rate EC: CPI MoM EC: Consumer Confidence
10	11	12	13	14
US: Wholesale Inventories MoM EC: Unemployment Rate EC: Sentix Investor Confidence	JN: Leading Index CI US: NFIB Small Business Optimism JN: Coincident Index	**IN: Industrial Production YoY** **IN: CPI YoY** US: CPI MoM JN: BoP Current Account Balance EC: Industrial Production SA MoM	US: Initial Jobless Claims US: PPI Final Demand MoM JN: Machine Tool Orders YoY US: Langer Consumer Comfort UK: RICS House Price Balance	**IN: Wholesale Prices YoY** IN: Trade Balance US: U. of Mich. Sentiment JN: PPI YoY UK: Industrial Production MoM
17	18	19	20	21
JN: Core Machine Orders MoM JN: Tertiary Industry Index MoM UK: Rightmove House Prices MoM JN: Nationwide Dept Sales YoY	JN: Industrial Production MoM UK: Jobless Claims Change UK: ILO Unemployment Rate 3Mths US: Empire Manufacturing JN: BOJ Policy Balance Rate	UK: CPI YoY US: Housing Starts US: Net Long-term TIC Flows UK: RPI MoM US: Total Net TIC Flows	US: Initial Jobless Claims EC: CPI YoY US: Existing Home Sales US: Philadelphia Fed Business Outlook JN: Trade Balance	JN: Natl CPI YoY US: Leading Index UK: Retail Sales Inc Auto Fuel MoM EC: Consumer Confidence UK: GfK Consumer Confidence
24	25	26	27	28
JN: Jibun Bank Japan PMI Mfg EC: Markit Eurozone Manufacturing PMI UK: Markit UK PMI Manufacturing SA US: Markit US Manufacturing PMI US: Chicago Fed Nat Activity Index	US: Conf. Board Consumer Confidence UK: PSNB ex Banking Groups US: Richmond Fed Manufact. Index US: FHFA House Price Index MoM UK: Public Finances (PSNCR)	US: MBA Mortgage Applications US: New Home Sales US: Wholesale Inventories MoM JN: Leading Index CI JN: PPI Services YoY	US: Initial Jobless Claims US: FOMC Rate Decision (Upper Bound) US: GDP Annualized QoQ US: Durable Goods Orders US: Pending Home Sales MoM	US: U. of Mich. Sentiment JN: Tokyo CPI Ex-Fresh Food YoY UK: Nationwide House PX MoM US: Personal Income EC: Consumer Confidence
31				
IN: Eight Infrastructure Industries **IN: GDP Annual Estimate YoY** JN: Industrial Production MoM EC: GDP SA QoQ JN: Retail Sales YoY				

IN: India, US: United States, EC: European Union, UK: United Kingdom, CH: China, JN: Japan

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• **Back Office Reports on WhatsApp. Ashika BOT on Whatsapp / Telegram.**
• **Ask ACIRA –**
  ◦ Online Customer service for clients on our website.
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  ◦ With this MTF facility client can trade inspite of debits beyond T+7.
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	• **ReKYC**
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		  ◦ Fairness Opinion
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NSDL Stock Performer Awards of the Year 2019

CDSL Excellent Performer in Depository Services

BTVI Emerging Company of the Year 2019

BTVI Young Business Leader of the Year 2019

NSDL STAR PERFORMANCE AWARD 2018

Helping Clients Reach for Better Via SIP – National from Franklin Templeton Investments, 2018

NSE Market Achievers Award 2018
REGEIONAL RETAIL MEMBER OF THE YEAR 2018 – EASTERN INDIA

NSE Market Achievers Award 2017
REGEIONAL RETAIL MEMBER OF THE YEAR 2017 – EASTERN INDIA

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Gyanada
Foundation

Gyanada e-learning initiative launching soon!

Ashika Group supports charitable foundation to fuel the aspirations of young girls in India.

With our vision to develop essential 21st century capacities, computational thinking and working with computer-based systems, we will be launching our e-learning module by September,2020.

It has been designed as two sub-initiatives: **Every Child Can Code (ECCC)** *and* **Makers in the making (MIM)**.

BINARY STORY

Updates on the Binary Story In-School program

We are super glad to share that we have set and started our fully functional lab with 30 Raspberry Pi 400 at Ramji Assar Vidyalaya. Raspberry Pi systems are low-cost, portable and low maintenance. They work the best for learning and tinkering.

Meanwhile let us share some of our updates for the month of December:

• We set up out first school lab in Mumbai with 30 computer systems

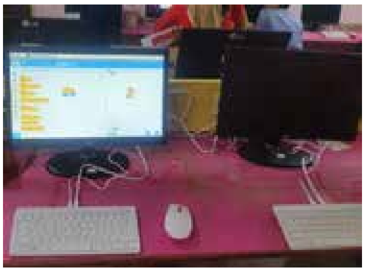
• We had visitors from **Teach For India X** visiting our program, who had focused group discussions with our students on Safety and technological- the new future

• We have finalised 4 low budget schools for the next academic year 2022 in Mumbai

• We are collaborating with Responsible Netism, a non-profit working on online safety for curriculum and training on Safety

• We are concluding our paper on why Inclusion of sustainability is essential when we are learning computer in school

• We are preparing for our Teachers training in the last week of December, to introduce them to electronics.



Inviting edu-enthusiast be part of our learning experience at our classrooms

We are inviting more tech enthusiasts to come and experience our leaning sessions. covering a wide range of topics according to the level of understanding, as per the age of the students.

If you are interested to join one of the sessions to experience our way of learning, feel free to reach out to our founder, Rinsa at +91 8451856662 or write to us at info@ gyanada.org

We, at Gyanada Foundation, engage students in practical learning. For this we provide kids with Gyanada Lab Kits. To help us fund these kits, visit: https://gyanada.org/donate.html. You can also write to us at rinsa@gyanada.org or connect with us at 9819044922. Our bank details are:

GYANADA FOUNDATION HDFC Bank, Stephen House Branch, Current A/c No. 50200002885400

IFSC CODE: HDFC0000008

MICR CODE: 700240002

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GROWING & SHARING WITH YOU

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