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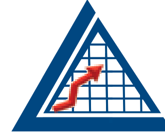

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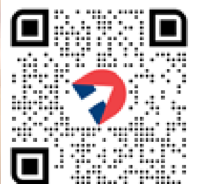
GROWING & SHARING WITH YOU

April **2022**

LIMITED EDITION

SELF-MADE JEWELS OF INDIA

VARDHMAN GROUP



STEEL AUTHORITY OF INDIA LTD. | ADITYA BIRLA FASHION AND RETAIL LTD.
FAIRCHEM ORGANICS LTD.

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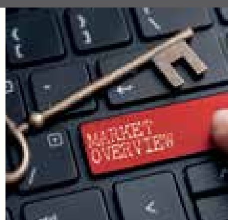

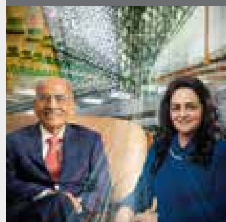

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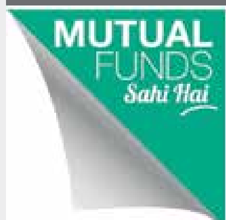

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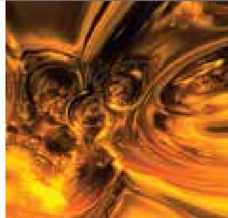

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SELF-MADE JEWELS OF INDIA SERIES 2

Mr. S. P. Oswal,
Chairman & Managing Director, Vardhman Group, Honourable Padma Bhushan Awardee - India

Ms. Suchita Oswal Jain,
Vice Chairman & Joint Managing Director

MR. AMIT JAIN

Co-Founder, Ashika Wealth

Dear Investors,

It gives me immense pleasure to present you the 2nd issue of our special edition, "Self-made Jewels of India". In the 1st series of January 2022, we covered the life journey of Haldiram Group, which is a global brand from India. The group started its journey from a small shop in the 1940's in Bikaner to build a multi-billion dollar global business empire.

Now, in this issue, we are ecstatic to cover another Self-Made Indian Jewel in global textile industry. The company, which started in 1965 with 6,000 spindles, is now exporting to 75+ countries or we can say they are covering one-third of the world with its wide product range. The company has 20+ manufacturing units, which employ more than 30,000 employees across India.

The core belief of the group is to earn the trust and respect of all stakeholders, while being profitable. I am elated to welcome the Vardhman Group family to be our next corporate family under our series "Self-made Jewels of India". The group, which started in the small town of Ludhiana in 1965, is a global brand today with an overall market cap of close to US$3bn.

Mr. S.P. Oswal, the CMD of the Group is not only a business tycoon at heart but also a "Padma Bhushan" awardee by the honorable President of India. Ms. Suchita Oswal Jain, the next-gen entrepreneur, is taking the global business empire to the next level of value creation.

We welcome both Mr. S.P. Oswal & Ms. Suchita Oswal Jain to this prestigious club of "Self Made Global Indians" by Ashika Group.

Cheers & Regards
Amit Jain

Market OVERVIEW

The global market scenario is extremely delicate now from future perspective led by multiple challenges. There are risks of stagflation in Europe and recession in the US, albeit the equity markets are not all that perturbed.

However, as media reports have highlighted, the difference between 10-year and 2-year treasury yields (a widely acknowledged as recession indicator) in the US, is just shy of 20bps (basis points) from turning negative, while it was handsomely positive 140bps a year ago. Articles suggest that the yield inversion (10-year yield falling below 2-year yield) have accurately predicted recession in last 60 years. Besides, 10 of the last 13 recessions have been preceded by yield inversion, and historically, it has been observed that US recession has occurred within 12-24 months after the first sign of inversion. Russia-Ukraine war has further complicated matters with global dependence for crucial commodities and pushing the supply chain to complete disarray. Europe is worst affected due to its strong dependence on both Russia and Ukraine for crucial commodities and food items (like wheat). The European Central Bank (ECB) had to trim growth estimate by 0.5 percentage points in CY22 because of this crisis. This has forced the central bank chiefs to change rhetoric on inflation from being transitory to rather keeping firm in medium-term. The Bank of England (BoE) was the first one amongst the developed nations to raise rates followed by the US Federal Reserve, while the ECB has also cautioned of tightening ahead. The Fed has turned hawkish in its latest statements and may increase rates by another~50bps in next meeting in May 2022and ~200bps in CY22. However, despite higher bond yields and increased commodity prices, equity markets in the US in particular have shrugged off those concerns. So far, manufacturing has been strong and so has been hiring in the US and earnings for S&P 500 companies posted double-digit expansion for the final quarter as well. However, the consumer spending will take the hit with the burgeoning prices of essentials items such as food and gas. Whilst there are a lot of factors which could drag US growth in US, the economists believe unless the Fed over tighten rates, there are lower risks of recession. Moreover, few also have suggested that while it is crucial to watch the gap between 10-year and 2-year yields, it is equally important to act the gap between 10-year and 3-month treasuries, which has steepened. Experts believe that both parts of the curve (10-year over 2-year and 10-year over 3-month) need to flatten and invert before concluding risks of recession. Moreover, the commodity rout is largely on account of supply side challenges, which are essentially global in nature, will ease going ahead.

The Reserve Bank of India (RBI) has so far maintained status quo and promised of keeping the stance accommodative as well. However, many believe that the RBI is behind the curve, as the supply side disruptions that have pushed the commodity prices to uncomfortable levels for the country, which largely depends on imports to meet its demand. However, the RBI governor sees no risks of stagflation, a scenario where the growth falters, while the inflation scales. Rather he ensures that the RBI will continue to ensure adequate liquidity to support the economy. However, India's retail inflation remained above the comfort range of 2 to 6% in January and February. The fact that Russia, being the world's largest exporter of natural gas and the second largest exporter of crude oil, and India being the third largest importer of crude oil

and fourth largest importer of natural gas, indicates adverse impacts of inevitable external shocks. According to an RBI study, a 10% rise in crude oil prices weakens India's real GDP growth by~20bps over the baseline. Considering crude oil averages at US$100/bbl againstUS$75/bbl as assumed in baseline calculations, GDP growth would be lower by ~67bps in FY23. Clearly, somebody has to bear these costs, and in all probabilities, these are likely to be shared between the consumers, oil marketing companies (OMCs) and the government. Although, the OMCs have raised petrol and diesel prices ninth time in the last 10 days, the under recoveries are still close to Rs20/liter. The government is unlikely to pass on the entire increase in prices (which will fuel retail inflation and have double impact on WPI); rather it will absorb some through cut in excise duties. As on October 2014, the excise duty on petrol and diesel was Rs9.48/liter and Rs3.56/liter, respectively. This gradually increased and even after cuts in November 2021, excise duty stood at Rs27.9/liter on petrol and Rs21.8/liter on diesel. As a thumb rule, a hike ofUS$10/bbl in crude oil prices implies a worsening of ~0.4%of GDP in India's current account deficit (CAD). If the government incurs the entire cost, the fiscal deficit will also widen by the same amount or by ~0.4% of GDP. Moreover, while there is no dependence on imports of food articles from Russia-Ukraine, the pain will be felt through higher fertilizer prices, which witnessed about 50% rise since the crisis. India is the world's second largest fertilizer importer. Other than imports, the domestic fertilizer production will get expensive due to higher prices of natural gas, which is a crucial component in preparation of nitrogenous fertilizers. The government will have to either shell out huge subsidy on fertilizers (mainly urea) or have to raise minimum support price (MSP) of rice and wheat, which will lead to food inflation. Notably, India imports ~90% of sunflower oil from Ukraine and Russia combined. Thus, in all probabilities, the RBI's earlier inflation forecast for FY23 at 4.5% will be eventually revised higher. More importantly, since the rates haven't being raised, the rupee had to bear the brunt of the same. Moreover, since the FPIs have been selling domestic equities, it has put further pressure on the rupee. Nevertheless, it could intensify in case the FPIs continue to sell bonds too. In order to support the value of the rupee, the RBI has been selling dollars and buying rupees. Foreign exchange reserves have declined weekly by $2.59bn to $619.67bn during the week ended on March 18, after $9.64bn weekly decline in March 11. In a bid to protect value of rupee, the RBI has been sucking out excess liquidity and excess money in the system has fallen from ~Rs8 trillion as of March 2, to Rs5.5 trillion as of March 24. Thus, in a way, it defies the very purpose of the RBI i.e., providing ample liquidity.

However, despite challenges, the rupee is expected to wither the storm on the back of accumulation of forex reverses, inflation targeting regime, strong services exports, and low FPIs' exposure to Indian debt market etc. Nevertheless, tolerating inflation and getting off the radar, means risking household financial savings, which is already under pressure on negative real rates. However, as communicated, the RBI would probably give preference to growth over inflation, albeit it has a mandate to target inflation. As far as the economic momentum is concerned, the ongoing challenges have transpired into slag into the latest economic activities as suggested by economic indicators for the month of February, as per Mint's monthly macro tracker. Half of the 16 high-frequency indicators considered in the tracker were in the red, and only 3 were in the green in February. Five were in the amber zone, in line with its five-year average trend. Mint's macro tracker provides a comprehensive monthly report on the state of economy, based on trends in 16 high-frequency indicators across four segments: (1) consumer economy; (2) producer economy; (3) external sector; and (4) ease of living. The colour-coding – red, green and amber – is based on the relative performance to the five-year average trend. In January, 6 indicators were in the red and 4 in green. Mint tracker revealed that the consumer economy segment performed similar to January, with 3 indicators in the red and only 1 in line with its five-year average. On the other hand, the auto sector is making a comeback albeit tractor sales remain pathetically low. The producer economy remained in better shape with 2 indicators in green and amber for the third month in a row. Ease of living indicators however, fared the worst with inflation picking up and core inflation (CPI excluding food and fuel). As highlighted, the Indian economy is expected to go through challenging times and the policymakers have to do their best to instill confidence in the economy and growth ahead. There is a global reset and the challenges will not impact the countries/economies homogenously. According to the BofA March Global Fund Manager survey, the investors expect the global equities to slump into a bear market this year, as the growth outlook has tumbled to the lowest level since the 2008 financial crisis amid fears over the impact from the war in Ukraine. Cash levels have jumped to the highest since April 2020, while allocation to commodities is on a high and equities at the lowest in ~2 years. This pretty much sums up, the directive for the markets at global stage.

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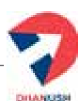
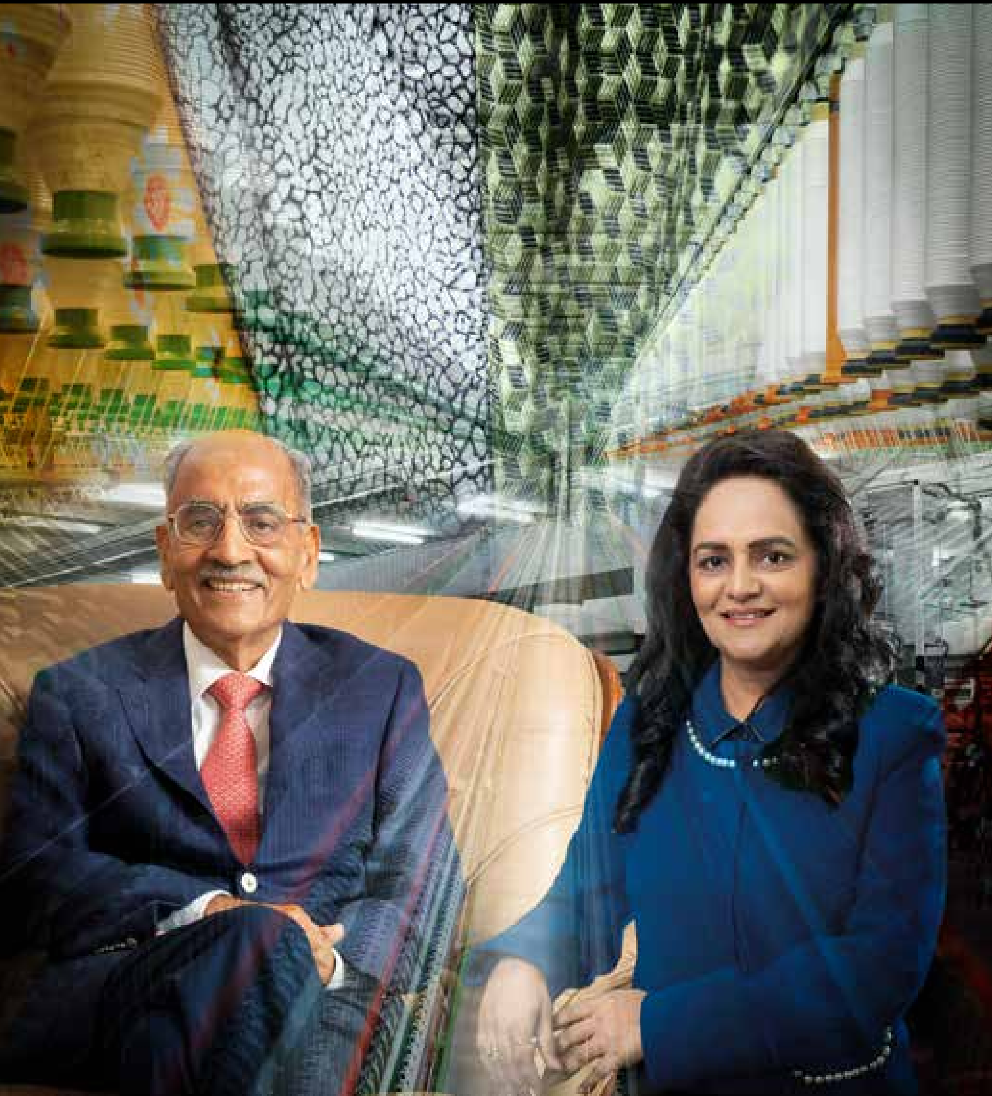


Exclusive Interview with

Mr. S.P. OSWAL - *Chairman & Managing Director, Vardhman Group, Honourable Padma Bhushan Awardee - India*

Mrs. SUCHITA JAIN - *Vice Chairman & Joint Managing Director*



Our core belief - "Businesses not only need to make consistent profits, but also need to earn the trust and respect of all associates, as well as enrich the community and safeguard the environment."

Q What was the inspiration behind setting up the Vardhman Group? What unseen opportunities did the founders see that resulted in making the brand a huge success?

Well, the Indian textile industry has a rich history and spinning has remained a part of the cultural heritage throughout. In 1965, when I laid the foundation of our first unit along with my father Shri Rattan Chand Oswal, we saw how the Indian textile industry would capitalize on opportunities and thrive against international brands. However, at that time no one could just foresee how dynamic a force it would become!

The textile industry was modernizing at the time of Vardhman's establishment. Advancing technologies changed the process by which textiles were manufactured. India was a major producer of cotton. Also, there was a substantial availability of manpower seeking employment opportunities. Generating work and helping the country grow were important factors in this decision of establishing Vardhman Textiles.

On the other side of the spectrum was the reason that textiles was already an international industry and had governing bodies such as Cotton Boards (like those in the USA or UK), Trade Associations etc.

We have always considered textile manufacturing to be an essential industry - just like food and housing. So, we were expecting that there would be no limits to building a huge brand in textiles. At the same time, with the demand for textiles growing and it becoming more popular, there was a definite need for an organisation that could cater to the market by providing quality products at competitive prices.

However, behind the success of Vardhman as a leader in textile manufacturing is an attitude towards continuous innovation

Q What was the family's initial goal when the Vardhman Group was set up and how did they keep changing the goal with every new milestone of success?

We have had our eyes set on one goal– to be recognized as a world-class textile manufacturer. Our ambition is to be the best and be a one-stop solution for all textile needs, and for such audacious goals, your focus needs to be clear.

Success is a multi-step process and our foremost objective is meeting commitments at all times, completing tasks to the highest possible standard and delivering nothing but excellence.

At Vardhman, it is our absolute commitment to excellence that challenges us to go above and beyond to deliver outstanding results. We strive towards perfection by challenging ourselves, honing our skills and delivering only the best in everything we do.

We have a strong value system in place and our core belief is that a business not only needs to make consistent profits, but it also needs to earn the trust and respect of all associates, as well as enrich the community and safeguard the

environment. We believe these values complement our commitment to meet & exceed customer expectations.

Vardhman is India's leading textile manufacturer, but it is not solely based on production strength. Focus on customer satisfaction is essential to gain the trust of customers. We have embraced this customer-centric philosophy with utmost zeal and turned it into our competitive advantage. It is owing to this vision that today, Vardhman is a preferred partner to a slew of global brands.

Furthermore, we understand that while building a differentiation is an achievement, sustaining it remains an ongoing challenge.

Throughout our history, we have fostered innovation, creativity and compassion. Aiding us in the pursuit is our conviction to continuous learning.

In an industry that must constantly adapt to new circumstances, and cater to fresh demands, it is this approach that has held us in good stead. It has helped us stay ahead of the curve on the design part, adopt new technologies not only on the manufacturing front but also in allied areas such as warehousing and supply chain.

In our business expansions, there has always been a feeling of determination to do better and we have followed the path of excellence in our offerings. It's this drive that allows us to do something better each day.

Q What visualisation led Vardhman to be a global brand from a small yarn mill in a small town like Ludhiana? What inspired you to think on such a large scale? Can you give an example of an early lesson in life that helped bring Vardhman where it is today?

When you are setting up a business, thinking long term is important, but it's equally important to remember that there will be short-term goals that need to be met on the way.

When we initiate the expansion of a spinning line, we think about the increased production capacity, adding more variety to the product range and giving the choice of customization to the customers. Our commitment to consistency extends in all areas - quality, performance, customer service.

When we started back in 1965, there were no market conventions or established norms as there are today; instead-we focused on staying agile while evolving as time went on to accommodate an ever-changing market.

Even the global giants like Amazon have started with goals that looked more tangible at the beginning and scaled them up while building resources and harnessing opportunities.

The manufacturing industry can not be started in a room, it requires an adequate set-up and we knew about the potential, not the extent to which we could reach in the domain. The one lesson which has helped us reach here is our value system and belief that people want the best service. To maintain a brand and ensure brand loyalty, the brand has to be a leader in its segment. Innovation might perk up success but adaptability and continuous upgradation need to be taken seriously. To be successful and remain successful, an organization has to reach the highest standards of customer satisfaction and also maintain the same.

The most important lesson we've learned during our journey is that customers' desires matter the most. You have to not only address their needs but also provide them with what they might need and do so before they even ask. Innovation will only help you to an extent - adaptability is key! As a brand or an organization, it is imperative to meet the highest standards of satisfaction in order to retain your customers and keep adding to the list.

Q Ms Suchita, During this journey of building Vardhman as a global brand, what challenges/ struggles did the family face?

Being an entrepreneur in a family business is like being in a relay race. As one passes the baton to the next person, you need to adapt to whatever situation that might arise. Every business goes through different sets of highs and lows, but it's up to each individual to persevere for what they believe in and make sure that focus does not drift away from the overall goal at hand. Keeping up with trends, always-changing

markets, ever-shifting consumer needs, shifting policies...the fashion industry faces many challenges every day. It is up to leaders within the fashion industry (and their respective companies) as to how they choose to embrace those challenges — would they see them as stumbling blocks or look at them as opportunities? The choice is theirs! If we go back to the time when we decided to venture into the fabrics business, there already were established players in the industry. We only had expertise and infrastructure for yarns, and fabrics were uncharted territory. We could have focused on our strengths or ventured into industries where there was less competition, but took the risk of initiating the forward integration of the Group.

Everything was to be started fresh - acquiring machinery, building the team, devising marketing initiatives, making decisions about the manufacturing process, quality assurance etc. In fact, we focused on the most quality conscious markets of Europe and the US even when we were in a nascent stage. Today, the business division accounts for about one-third of the Group's turnover. If the team is sharing a goal, envisioning the same dream and is dedicated to working hard to achieve it, challenges turn into opportunities.

Managing and nurturing human capital is in our opinion the biggest responsibility of an organization. We have faced and overcome situations when managing human power appeared to be the toughest task. Human capital is the harbinger of success and any sort of unrest in the workforce can prove to be fatal for a company. To address this issue, we established training and development centres across the group, engaged people and aligned them with organizational goals. To strengthen senior resources, we focused on providing learning opportunities from global business schools. Most of our senior leaders are homegrown owing to this emphasis on resource development and appreciation.

Continuous upgradation is another element of challenge. We have always focused on absorbing technology and had global collaborations, bringing in learnings, best shopfloor practices, principles like TPM & Quality Circles. It is through adaptability, we have always overcome the challenges that came our way by becoming service & experience-oriented, not just product oriented.

Q Ms Suchita - How did you start your career at the organisation? What has your journey been like so far?

I joined the company as an Executive Director and worked in different departments, learning the intricacies of business and streamlining the processes. Today, designated as the Vice- Chairman and Joint Managing Director of Vardhman Textiles, I am involved in formulating the Group strategy, CSR initiatives, governance policies, corporate services, new projects and expansion plans.

Associated with the Group for over 20 years now, I have envisioned the dream to make Vardhman a one-stop solution for all our customer needs. I made my decision to join Vardhman long back when I used to visit the manufacturing facilities along with my father. The colours and textures of textiles fascinated me and I wanted to contribute to the organization.

The most crucial decision I took during my journey in the organization was the establishment of the fabric manufacturing unit in Baddi, in the year 1992 while the country was opening up to globalization.

Sensing the opportunity, I took the charge of forward integration of Vardhman Group, gradually making it the largest vertically integrated textile manufacturer in India by setting up our largest plant in Budhni, Madhya Pradesh.

During my journey, I have remained at the forefront of all the business process including operations, market penetration, technology development etc. Today, we have an annual production capacity of 240 million metric tons of yarns and 180 million meters of processed fabrics.

Q What does "success" mean to the company? And to continue to build upon this success, what steps are being taken by the Next Gen to make a traditional conglomerate like Vardhman Group to be a new-age company?

Success is when you are able to bring about a change, when you are able to contribute, when your actions are supporting the country and people. A legacy that Vardhman is, this principle of holistic growth is ingrained in our work culture. As a third-generation entrepreneur, I try to balance the modern and existing approach.

Vardhman is surely a legacy but we believe in adapting with agility. The organization has the most advanced technology installed in all its units, sourced from global leaders. We nurture our value culture and at the same time keep upgrading to maintain our edge. For instance, we have a stern focus on digitalization.

Not only do we have automation and standardization of processes, but digital technology also aids our day-to-day operations. It has played a significant role in monitoring the operations at a central level in the country's largest vertically integrated textile manufacturing company.

In relation to the pandemic and consequent need for social distancing, we continued to connect with our customers not just through virtual communications but

developed portals & means for digital presentations and implemented software to help showcase the products in their final form i.e. garments in order to give the customers a better understanding of touch, feel and drape the product has.

We have a team of textile designers who continuously analyse the global trends and anticipate change, utilizing the insights to bring innovative new products. We even bi-annually launch our collections at an event we call Textrum. A one of a kind exhibition, we receive a footfall and appreciation that's very encouraging. In the present context, we have taken that too on digital mode.

Q As the Next-Gen Entrepreneurs take the reins, what value additions across product segments in the business are being implemented?

Focus on Sustainability and Digitalization besides continuing the practice of nurturing human potential aligned with modern-day needs are the focus areas. We have an unparalleled product basket, have achieved the quality and offer choice to customize products, making us a preferred textile solution provider for major brands. There is a continuous thrust on innovation and improvement. In terms of sustainability as well, we are focused on green fibers, green processes and green products. The principle of Reduce, Reuse and Recycle is all-pervasive. Gender parity and inclusive development are other add-ons.

Q What are the future expansion plans of Vardhman Group across geographies?

We are already exporting to 75+ countries and catering to some of the most quality-conscious markets in Europe, the US & Asia. In terms of manufacturing, we are having our presence in four States – Punjab, Himachal Pradesh, Madhya Pradesh and Gujarat. There are 20+ factories, providing direct employment to about 30,000 people. We have balanced expansions going on within these geographies. The work of modernization and upgradation of our facilities is continuous. The addition of production lines or establishing something altogether new to add to the Sustainability quotient is a routine exercise.

Q What message would you give women entrepreneurs envisioning to build world-renowned brands like yours?

Skillset has nothing to do with gender. My message would be the same to all entrepreneurs – try, try and keep trying till you achieve your goal. It is dedication, grit, tireless efforts, strategizing, adapting to change, building the right team, analysing the need, focusing on customer satisfaction, bringing something new to the table, ethical dealings, etc. which play a key role in building a brand. I would, however, emphasize on "women for women" approach here.

I believe Women and management skills are naturally intertwined. Managing a house is no less demanding than managing a business. It involves similar principles like resource allocation and their optimum utilization along with strong problem-solving skills. Holding the family together and ensuring every member's well-being without a break can be taxing but women do it all the time and that too with a smile.

I have myself brought up two daughters along with a flourishing and growing business simultaneously. My responsibilities at home are no less than any other woman's. But this art of wearing so many hats is a blessing women naturally have.

I would only like to tell my fellow women entrepreneurs and aspirers to drive the change and lead the chain of empowerment, to believe in themselves & their potential; and to work for the empowerment of other women while they work towards building their brands.

Q What would your message be for young budding entrepreneurs? What three tips would you give to other entrepreneurs who are starting out on their journey?

Firstly, Never crave for micro-waved success. Short-term benefits shouldn't ever be the base to a decision. Every action has a reaction; every decision has its repercussions. Make wise choices. There do come, situations in business when one can feel a temptation to quickly move up the ladder. There's no harm in having a dynamic approach and a go-getter attitude but balancing is one lesson to be learnt by heart. A major drawback we are experiencing with this fast-paced life is the urge for instant gratification. Patience and perseverance are the key qualities of an entrepreneur. My father advices analyzing every business move on the parameters of impact, both desired and probable. Just as a half-baked cake is not good enough, so is micro-waved success.

Secondly, there's only 'one' scale for commitment: 100 per cent. Commitment is the magic wand that turns dreams into reality. When there's 100 per cent commitment to achieve a goal, limitations turn into possibilities. Moreover, credibility and reliability never go out of style.

Lastly, there are no golden rules for success. Remember that your journey is unique. The challenges you face, the solutions you devise, the way you tackle a crisis, everything is falling in line with the unique idea/product you are creating and thus 'one of a kind'. Instead of trying to fit into a standard mould or searching for a roadmap, be dynamic and willing to explore. Have a set of principles that guide you but remain prepared to accept challenges and changes at all times. After all, great things never happen in comfort zone.

About Mr. S. P. Oswal,
Chairman & Managing Director

Mr. Shri Paul Oswal is the Chairman and Managing Director of Vardhman Group. A Gold medallist from Punjab University, he holds a master's degree in Commerce. With more than 5 decades of experience, he has led Vardhman to achieve accelerated growth in textile manufacturing.

Enlisted among India's Best CEOs (2017), Mr. Oswal has won several prestigious honours including Padma Bhushan by Hon'ble President of India in 2010, Udyog Ratna by PHD Chamber of Commerce & Industries in 2005 and Lakshya Business Visionary Award by National Institute of Industrial Engineering in 2019.

During his journey, Mr. S P Oswal has chaired offices of great importance. He was a Member of Board of Management - Punjab Agriculture University from the year 1979 to 1986. From 1987 to 1991, he functioned as the President of Ludhiana Management Association. He also was the Founder President and Director of Ludhiana Stock Exchange from 1983 to 1987 and the President of Northern India Textile Mills Associations during the years 1993-1995. He also remained in the position of Chairman at National Committee of Textiles of Confederation of Indian Industry during 1999-2004, as the Director of Exim Bank of India in 2005 and Member, Board of Governors – IIT, Delhi during 2006-2009.

He also made noteworthy contribution as the Member, Industrial Advisory Council - Government of Madhya Pradesh in the years 2006-2011. From 2006 to 2013, he held the position of Director at UTI Trustee Company Pvt. Ltd. Besides, he has served as the Chairman of Textiles Committee - Ministry of Textiles, Government of India during 2012 - 2015.

About Ms. Suchita Oswal Jain,
Vice Chairman & Joint Managing Director

A third-generation entrepreneur and an able custodian of the family business, Ms. Suchita Oswal Jain is associated with the group for over 20 years. She started her career in Vardhman as an Executive Director and gradually worked her way up. During her journey, she initiated the forward integration of Vardhman Textiles and established the first fabric manufacturing plant of the Group. Fuelled by passion and determined to achieve her goals, she has nurtured a business segment of Vardhman Group that not only contributes to about 30% of the total turnover but has become the growth engine for the Group.

Ms. Jain has won several accolades including Outstanding Women Leadership Award 2021 conferred by World Women Leadership Congress, AsiaOne's Women Empowerment Entrepreneur Award 2019-20, India CSR Leadership Award 2021, Times Power Icons Ludhiana 2021 and ET Leaders of Change 2021.

She has completed Master in Commerce from Panjab University (India), Accelerated Development & Strategy Programme from London Business School (U.K.) and Leadership Development Programme from INSEAD, Paris. Besides, she is a venerable member of International Textile Manufacturers Federation, Federation of Indian Chambers of Commerce & Industry and Young Presidents' Organization.

About Vardhman Textiles

Vardhaman Textiles Limited is the leading Indian textile conglomerate delivering excellence for over 5 decades. Equipped with cutting-edge technology, the 18 manufacturing units of the textile major are strategically located across four states – Punjab, Himachal Pradesh, Madhya Pradesh and Gujarat. The billion-dollar organization, with the largest installed spinning (240 million metric tons of yarn p.a.) and processing capacity (180 million meters of fabric p.a.) is also the largest vertically integrated textile manufacturer in the country.

Incorporated in 1965, the company has grown multi-fold since its inception and has emerged as a textile powerhouse manufacturing yarns, fabrics, acrylic fibre and garments. The foundation of Vardhman was laid by Shri Ratan Chand Oswal and Shri S P Oswal, a Padam Bhushan Awardee, nurtured this great organization, establishing the Group as a pioneer in yarn manufacturing. Taking forward the legacy, Ms Suchita Oswal Jain, a third-generation entrepreneur initiated the forward integration of the Group, establishing the organization as the leading fabric manufacturer as well.

A trendsetter and a barrier breaker, Ms Suchita Oswal Jain is leading Vardhman Textiles from the front as the Vice-Chairman & Joint Managing Director. A dynamic personality, she is associated with the Group for more than two decades, playing a pivotal role in long-term strategy, corporate governance, policy decisions, CSR initiatives, expansion plans, new developments etc.

Under the aegis of Ms Jain, the Group has evolved as one of the most technologically advanced textile manufacturer with an unparalleled product range. "Fulfilling our commitment at all times, and not just meeting but exceeding customer expectations is a part of our ethos," says Suchita who asserts on anticipating the change prior to its occurrence by evaluating the shift in market and customer preferences beforehand.

Suchita emphasises innovation and continuous development besides quick adaptability. She advocates a customer-centric approach and remaining steadfast on ethics. "Deep-rooted values give you the necessary fortitude to hold your ground amidst the winds of challenges," she says.

A preferred partner for renowned international brands including Marks & Spenser, Uniqlo, H&M, Calvin Klein, Target and Stylem, Vardhman is exporting quality textile products to over 75 countries. Ms Jain is navigating the Group to greater heights through her radical approach and farsightedness.

Sensing the shift, she had already prompted initiatives towards digitalization and cybersecurity owing to which the organization has proficiently and quickly adapted to the New Normal. Vardhman has not only overcome the challenges posed by lack of physical proximity by utilizing technology but is adding convenience for its customers through graphical representations for expression and virtual presentations for precision.

While technological advancement is crucial, ensuring sustainability is what reinforces Vardhman's position as an industry leader. Following a decentralized approach, every employee in Vardhman is encouraged to contribute towards sustainable development. There is a comprehensive plan to achieve the set goals and dedicated teams are assigned the responsibility to enhance the positive impact of the organization's presence rather than focusing only on minimizing the negative.

On the people front, Vardhman is revered highly for its emphasis on safety and holistic growth. Ms Jain recommends investing in the development of people. With a special thrust on the inclusion of women in the mainstream economy, she champions women empowerment through skill development and financial independence. "Over 35% of our workforce comprises of women workers. And many of them, who reside within the factory premises work in night shift. It is not only our responsibility to give women equal opportunities but to ensure they are safe and feel comfortable while at it. Removing apprehensions and addressing concerns is a part of the process," Ms Suchita stated.

A woman of grit, Ms Jain is committed to creating opportunities while she continues her journey on the path to making Vardhman a one-stop solution for all its customer's textile needs.

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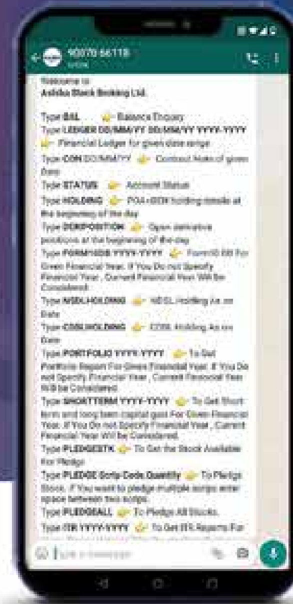

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PROMINENT HEADLINES
MARCH 2022

ULIP will be a game-changer for the Indian logistics landscape. It will assist just-in-time inventory management, monitor cargo movement, among others.... **AMITABH KANT,** *Niti Ayog CEO*

The economic clinch point of this war is commodity prices. Higher energy prices, slowing growth, and surging inflation are not a good outlook... **FIONA CINCOTTA,** *Senior financial markets analyst ,City Index*

Anxiety is again rippling through global financial markets with the fear of stagflation taking hold, as the Ukraine conflict ratchets up inflationary pressures and threatens to derail global growth... **SUSANNAH STREETER,** *Senior investment and markets analyst, Hargreaves Lansdown*

China may gain from more trade with Russia but a major offset is the surge in commodity prices, which could swell China's annual import bill... **ROBERT SUBBARAMAN,** *Head, Global Markets Research, Nomura*

Current events suggest near-term headwinds to real growth and stronger tailwinds for higher inflation. We see near-term equity risk skewed to the downside...**JONATHAN STUBBS,** *Equity strategist, Berenberg*

Despite the Fed having started hiking rates, gold prices are still likely to remain well supported on the back of strong safe haven demand. We would expect this support to remain until there is a de-escalation in the ongoing war... **WARREN PATTERSON,** *Head of commodities strategy, ING Groep*

The Fed has been underestimating the intensity of inflation pressures. They have finally realised they have a serious problem and have to act. There is a whatever-it-takes kind of mentality now....**STEPHEN STANLEY,** *Chief economist at Amherst Pierpont Securities*

Three biggest factors that drive the US economy into a recession are an inverted yield curve, commodity price shock or Fed tightening. Potentially, all three could happen at the same time...**ED CLISSOLD,** *Chief US Strategist, Ned Davis Research*

Returns from Indian markets could be in the 5-10 per cent range this year, depending on how the geopolitical situation develops....**MARK MOBIUS,** *Founder, Mobius Capital Partners*

Over the next few weeks we'll see alot of gyrations and a potential for an even bigger dip, but a dip worth buying...**ANDY KAPYRIN,** *Co-chief investment officer, RegentAtlantic Capital*

I don't think we can escape from volatility. Earlier, we were only dealing with uncertainties surrounding the global central banks' reaction function to inflation. Now, we also have to deal with geopolitical tensions....**MANISHI RAYCHAUDHURI,** *Head-APAC Equity Research, BNP Paribas*

The world is effectively at War. The physical battle may be in one country, but the political, economic, cyber, social media & commodity resource battle lines have been drawn & are global. Welcome to World War in the 21st century.... **ANAND MAHINDRA,** *Chairman, Mahindra Group*

The Fed has now waged a war on inflation. They want to bring inflation down with the most aggressive surge in rates in decades...DIANE SWONK, *Chief Economist, Grant Thornton*

We are experiencing volatility in global equities compounded by wavering market sentiment, and the risk of recession intensifies on spiraling commodity prices. We expect ongoing swings in the short term as geopolitical uncertainty over Russian crude persists...LOUISE DUDLEY, *Portfolio manager for global equities at Federated Hermes*

A combination of geopolitical uncertainty and higher oil prices should lead to higher inflation and lower growth in Asia. The impact on Asian markets will be via FX, given that FX is the main shock absorber...MIN DAI, *Head of Asia macro strategy, Morgan Stanley*

Stock markets are highly volatile as uncertainties loom. Rallies are mostly driven by intra-day trades, whereas longer-term investors are leaving the market...IPEK OZKARDESKAYA, *Senior Analyst, Swissquote*

The global economic fallout of the war is expected to negatively impact India's economy through a number of channels, which differ from those impacting the Indian economy during covid-19.... GERRY RICE. *IMF Director, Communications Dept*

The devastating war in Ukraine is having a material negative impact on the global economy & GDP... Markets are forward looking but energy & food supplies will take time to increase.... DAVID MALPASS, *President, World Bank*

Infrastructure costs incurred in VDA mining will not be treated as cost of acquisition as it will be in the nature of capital expenditure, which is not allowable as deduction.. PANKAJ CHAUDHARY, *Minister of State for Finance*

Private investment is weak because capacity utilization is lower at the moment. Investments that would have happened pre-Covid-will hopefully get filled up as consumption picks up.... SANJIV PURI, *Chairman and Managing Director, ITC*

Other countries are also talking about programmes similar to Aatmanirbhar Bharat. The world today wants to emulate the India story. 90 unicorns, by itself, is reflective of the confidence with which our startups are growing..... **PIYUSH GOYAL,** *Commerce and Industry Minister*

We are going to come out with a policy for regional airlines and for helicopters to make them more economical, pervasive, and to provide that last mile connectivity.... **JYOTIRADITYA SCINDIA,** *Aviation minister*

Mutual Fund Overview

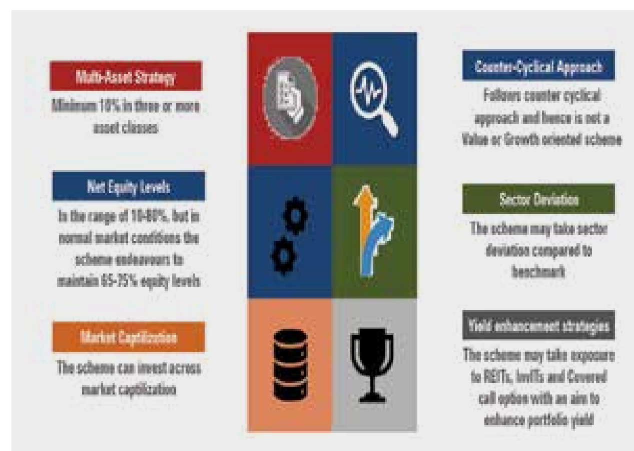
ICICI PRUDENTIAL MULTI-ASSET FUND

Investment Objective

To generate capital appreciation and income for investors by investing across asset classes. This open-ended scheme invests in equity, debt, Gold/Gold ETF/units of REITs & InvITs and across similar asset classes. The fund is suitable for capital appreciation by asset allocation in equity and defensive instruments during volatile market conditions.

Investment Strategy

The fund will invest at least 10% across the three asset classes--equity, debt, and REITs/gold. The fund manager with its distinct ability uncovering value opportunities that have the potential to generate higher returns. The fund's long-standing process is research-based with a mix of top-down and bottom-up styles. The fund now follows a multi-asset-allocation approach with the higher allocation in equities (minimum 65%) with a tilt towards value stocks that have long-term growth potential. When markets run up and valuations seem stretched, reducing net equity exposure in the portfolio has been the USP of the Fund Manager. A rules-based approach using the historical price/book value of the market to determine fair value and in turn tweaking cash allocations is another credible features of the Fund. In a sustained bull run, the price/book model will point towards a higher allocation to cash, which may lead the fund to underperform its peers. There are inevitable periods of underperformance when the value style is out of favour, but the fund's dynamic allocation managed to provide cushion to the portfolio during the downturn and provide a decent long term returns. The fund uses defensive strategy by avoiding expensive sectors during bullish markets and may even turn portfolio into cash during bearish conditions. Fund Manager also uses hedging during volatile markets. The fund will comparatively decline less during a bear market due to its investing strategies.



Important Information	
NAV (G) (Rs.)	431.26
IDCW (Rs.)	24.38
Inception Date	October 31, 2002
Fund size (Rs. Cr.)	12,703.0
Fund Manager	Sankaran Naren, Ihab Dalwai, Anuj Tagra, Gaurav Chikane & Sri Sharma
Entry load	N.A.
Exit Load	For units in excess of 10% of the investment,1% will be charged for redemption within 365 days
Benchmark	Nifty 200 (65%) + Nifty Composite Debt TRI (25%) + LBMA AM Fixing Prices (10%)
Min Investment (Rs.)	5000
Min SIP Investment (Rs.)	100

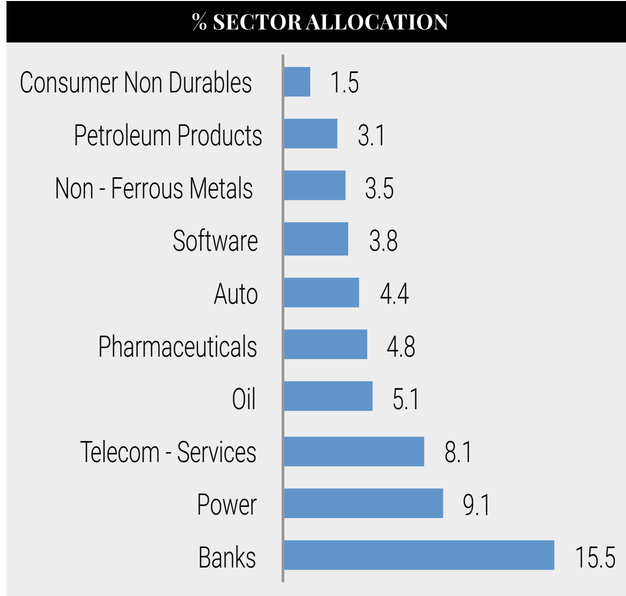
Key Ratios	
Beta (x)	1.21
Standard deviation (%)	18.61
Sharpe Ratio	0.84
Alpha (%)	3.58
R Squared	-
Expense ratio (%)	1.83
Portfolio Turnover ratio	0.52

Portfolio as on February 28, 2022

Stocks	% of Net Assets
NTPC	9.1
Bharti Airtel	8.1
ICICI Bank	7.4
Oil & Natural Gas Corporation	5.1
Sun Pharmaceutical Industries	3.9
Hindalco Industries	3.5
Axis Bank	3.1
State Bank Of India	2.1
Mahindra & Mahindra	2.0
HCL Technologies	2.0

Asset Allocation

Equity	Debt	Cash	Commodities
66.1%	12.7%	11.2%	10.0%



Note: All data are as on Feb 28, 2022; NAV are as on Mar 28, 2022
Source: Factsheet, Value Research

Performance of the Fund along with Benchmark (as on Mar 28, 2022)

	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	2.73	6.87	7.63	32.67	17.75	13.63	21.40
Benchmark (%)	2.58	0.98	-3.01	18.57	14.53	13.48	

Ashika Mutual Fund Recommendation Alpha Generation

Month of Recom	Fund Name	Benchmark	NAV as on 28.03.2022	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)
Apr-21	LIC Large & Mid Cap Fund Reg (G)	NSE - NIFTY Large Midcap 250 TRI	23.8	24.7	17.5	13.9
May-21	IDFC Sterling Value Fund Reg (G)	S&P BSE 500 TRI	86.7	36.8	18.9	14.9
Jun-21	ICICI Pru Large & Mid Cap Fund Reg (G)	NSE - NIFTY Large Midcap 250 TRI	523.3	29.1	17.5	12.6
Jul-21	Edelweiss Balanced Advantage Fund (G)	CRISIL Hybrid 50+50 Moderate Index	35.2	12.9	14.6	12.1
Aug-21	Nippon India Flexi Cap Fund Reg (G)	NSE - Nifty 500 TRI	10.4	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	14.2	32.1	0.0	0.0
Nov-21	PGIM India Flexi Cap Fund (G)	S&P BSE 200 TRI	25.2	26.3	23.8	16.8
Dec-21	Quant Tax Plan (G)	NSE - Nifty 500 TRI	223.1	44.2	33.8	23.4
Jan-22	HSBC Large Cap Equity Fund (G)	NSE - Nifty 50 TRI	307.1	14.3	13.8	11.9
Feb-22	SBI Long Term Equity Fund Reg (G)	S&P BSE 500 TRI	215.1	20.1	14.5	11.4
Mar-22	IDFC Tax Advantage Reg (G)	S&P BSE 200 TRI	96.3	30.8	19.4	16.4

Note: All data are as on Feb 28, 2022; NAV are as on Mar 28, 2022
Source: Factsheet, Value Research

Large & Mid Cap Fund

	All Data Belongs To March 28, 2022									
	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)	360.4	5806	(0.9)	1.5	26.5	17.8	14.6	14.2	0.7	2.1
Mirae Asset Emerging Bluechip Fund Reg (G)	93.3	21084	(4.1)	(4.5)	20.8	20.7	17.5	20.7	0.9	1.7
ICICI Pru Large & Mid Cap Fund Reg (G)	523.3	3796	0.4	(0.2)	29.1	17.5	12.6	18.2	0.7	2.1
LIC Large & Mid Cap Fund Reg (G)	23.8	1566	(2.5)	(1.4)	24.7	17.5	13.9	13.0	0.8	2.4
Kotak Emerging Equity (G)	69.9	17380	(2.2)	0.1	24.5	22.0	15.2	13.9	0.9	1.8

Value Fund

Fund	NAV	AUM (Rs Cr)	3 M	6 M	1 Yr	3 Yr	5 Yr	Since Inception Return	Sharpe Ratio	Exp. Ratio
SBI Contra Fund Reg (G)	197.1	3773	(2.0)	1.3	30.9	21.7	15.1	17.1	0.9	2.1
IDFC Sterling Value Fund Reg (G)	86.7	4268	(2.4)	3.8	36.8	18.9	14.9	16.4	0.7	2.0
Nippon India Value Fund (G)	121.1	4205	0.1	(0.3)	27.4	17.9	14.8	16.0	0.8	2.0
Kotak India EQ Contra Fund (G)	81.3	1192	(0.5)	(2.5)	18.5	15.7	15.0	13.4	0.7	2.3
Invesco India Contra Fund (G)	74.2	8203	(3.0)	(3.1)	18.8	15.3	14.7	14.3	0.7	1.8

Focus Fund

Fund	NAV	AUM (Rs Cr)	3 M	6 M	1 Yr	3 Yr	5 Yr	Since Inception Return	Sharpe Ratio	Exp. Ratio
Axis Focused 25 Fund Reg (G)	42.4	19277	(7.4)	(11.2)	13.9	16.3	15.1	15.9	0.7	1.8
Mirae Asset Focused Fund Reg (G)	18.7	8097	(6.1)	(4.5)	20.2	0.0	0.0	23.7	0.0	1.8
SBI Focused Equity Fund Reg (G)	229.6	23542	(8.1)	(3.5)	24.2	18.2	17.2	19.5	0.9	1.7
DSP Focus Fund Reg Fund (G)	32.2	1893	(5.5)	(7.1)	11.2	12.0	9.7	10.3	0.6	2.1
IDFC Focused Equity Fund Reg (G)	52.6	1337	(3.1)	(1.5)	15.5	13.0	12.0	10.9	0.6	2.2

ELSS Fund

Fund	NAV	AUM (Rs Cr)	3 M	6 M	1 Yr	3 Yr	5 Yr	Since Inception Return	Sharpe Ratio	Exp. Ratio
Quant Tax Plan (G)	223.1	855	0.9	4.6	44.2	33.8	23.4	15.8	1.2	2.6
Kotak Tax Saver Scheme (G)	71.1	2415	(0.1)	1.2	22.7	17.6	13.9	12.7	0.8	2.2
Mirae Asset Tax Saver Fund Reg (G)	30.0	10802	(3.4)	(4.1)	19.6	19.7	17.7	19.2	0.8	1.8
IDFC Tax Advantage Reg (G)	96.3	3428	(0.2)	2.0	30.8	19.4	16.4	18.5	0.8	2.0
SBI Long Term Equity Fund Reg (G)	215.1	10300	(3.0)	(2.2)	20.1	14.5	11.4	14.3	0.6	1.9

Flexi Cap Fund

Fund	NAV	AUM (Rs Cr)	3 M	6 M	1 Yr	3 Yr	5 Yr	Since Inception Return	Sharpe Ratio	Exp. Ratio
Quant Active Fund (G)	417.0	1764	0.6	3.4	41.1	31.9	23.4	19.4	1.2	2.6
SBI Flexi Cap Fund Reg (G)	75.3	15248	0.3	(1.3)	21.5	16.0	13.5	13.0	0.7	1.8
Kotak Flexi Cap Fund Reg (G)	51.0	35811	(1.8)	(3.9)	15.3	13.0	12.3	13.7	0.6	1.6
Motilal Oswal Flexi Cap Fund Reg (G)	31.5	9763	(7.3)	(12.3)	1.4	6.9	6.9	15.6	0.4	1.9
Parag Parikh Flexi Cap Fund Reg (G)	49.2	20412	(3.6)	(1.4)	31.2	25.4	20.4	19.7	1.3	1.8

Small Cap Fund

Fund	NAV	AUM (Rs Cr)	3 M	6 M	1 Yr	3 Yr	5 Yr	Since Inception Return	Sharpe Ratio	Exp. Ratio
Quant Small Cap Fund (G)	128.9	1466	(1.5)	1.7	57.9	36.0	21.3	15.0	1.0	2.6
SBI Small Cap Fund Reg (G)	100.5	10962	(2.7)	1.3	28.9	25.3	20.0	20.2	1.0	1.8
Axis Small Cap Fund Reg (G)	60.2	8263	(1.6)	3.9	40.8	29.8	20.5	24.1	1.1	2.0
Invesco India Smallcap Fund Reg (G)	20.4	1174	(4.4)	(0.7)	34.9	24.2	0.0	22.8	0.9	2.2
Kotak Smallcap Fund (G)	159.4	6660	(3.3)	1.0	36.0	30.8	18.5	17.6	1.1	2.0

Thematic/Sectoral Fund

	All Data Belongs To March 28, 2022									
	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)	61.5	1066	(4.0)	(3.7)	24.6	13.1	11.7	15.4	0.6	2.3
ICICI Pru Banking and Financial Services Fund Reg (G)	79.1	4122	(2.1)	(8.1)	10.3	6.5	9.2	16.4	0.4	2.1
Nippon India Pharma Fund (G)	287.9	4750	(5.2)	(5.8)	18.3	24.3	16.2	20.8	0.9	2.7
Sundaram Rural and Consumption Fund Reg (G)	54.6	1197	(3.8)	(6.3)	11.9	9.5	8.5	11.4	0.5	2.3
Aditya Birla SL Digital India Fund Reg (G)	136.8	3036	(6.6)	1.5	43.7	36.9	31.0	10.4	1.3	2.1

Balanced Advantage Fund

IDFC Balanced Advantage Fund Reg (G)	17.7	2966	(3.2)	(2.2)	9.1	10.2	9.2	7.9	0.6	2.0
Sundaram Balanced Advantage Fund (Formerly Principal Balanced Advantage) Reg (G)	25.0	1639	(0.2)	0.4	8.9	6.5	6.4	8.4	0.5	2.5
Edelweiss Balanced Advantage Fund (G)	35.2	7472	(1.4)	(1.8)	12.9	14.6	12.1	10.5	1.0	1.8
Kotak Balanced Advantage Fund Reg (G)	14.3	13064	(0.7)	(1.0)	8.8	11.2	0.0	10.0	0.7	1.8
Aditya Birla SL Balanced Advantage Fund (G)	71.9	6560	(0.9)	(1.9)	10.5	10.9	8.8	9.4	0.6	1.9

Equity Savings Fund

Aditya Birla SL Equity Savings Fund Reg (G)	17.1	527	(2.1)	(2.5)	6.9	8.8	7.0	7.5	0.6	2.5
DSP Equity Saving Fund Reg (G)	16.0	398	0.6	(1.4)	8.3	8.3	7.1	8.0	0.6	1.5
Kotak Equity Savings Fund Reg (G)	18.5	1739	1.4	2.9	10.9	9.4	8.8	8.5	0.7	2.2
Nippon India Equity Savings Fund Reg (G)	12.3	200	0.0	(1.0)	7.6	(1.3)	1.5	3.0	(0.2)	2.6
SBI Equity Savings Fund Reg (G)	17.3	2275	(0.1)	0.6	10.1	10.2	8.5	8.2	0.7	1.2

Arbitrage Fund

Aditya Birla SL Arbitrage Fund Reg (G)	21.6	8604	0.8	1.7	3.8	4.6	5.1	6.3	1.2	1.0
ICICI Pru Equity Arbitrage Fund Reg (G)	27.8	15120	0.8	1.7	3.9	4.6	5.1	6.9	1.2	1.0
Kotak Equity Arbitrage Fund (G)	30.2	25208	0.9	1.9	4.0	4.7	5.2	6.9	1.4	1.0
Nippon India Arbitrage Fund (G)	21.6	11509	0.8	1.8	3.9	4.6	5.2	6.9	1.3	1.1
SBI Arbitrage Opp Fund Reg (G)	27.3	6296	0.9	2.1	4.2	4.4	5.0	6.7	1.0	0.8

Index Fund

HDFC Index Fund-NIFTY 50 Plan(G)	158.8	4812	0.0	(2.8)	19.5	14.8	14.4	14.8	0.7	0.4
ICICI Pru Nifty Next 50 Index Fund Reg (G)	35.7	1919	(3.1)	(4.5)	19.6	13.2	10.3	11.4	0.6	0.8
HDFC Index Fund Sensex Plan	517.1	3015	(0.5)	(3.4)	18.1	14.9	15.1	15.1	0.7	0.4
Motilal Oswal Nasdaq 100 FOF (G)	23.1	3986	(10.2)	(0.2)	17.7	29.5	0.0	28.1	1.2	0.5
Motilal Oswal S&P 500 Index Fund Reg (G)	15.5	2631	(3.4)	4.9	21.4	0.0	0.0	25.2	0.0	1.1

Solutions

	All Data Belongs To March 28, 2022									
	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	270	2.7	11.9984 (30/03/2021)	0.3	0.6	3.4	5.6	1.4	2.1
Aditya Birla SL Retirement Fund 30s Plan (G)	12.6	226	0.0	11.785 (07/03/2022)	(4.3)	(7.5)	4.2	26.0	0.0	2.5
HDFC Retirement Savings Fund Hybrid Equity Reg (G)	24.4	767	0.8	20.996 (12/04/2021)	(2.6)	(3.1)	15.3	33.1	0.7	2.4
Aditya Birla SL Bal Bhavishya Yojna Reg (G)	13.0	521	0.4	12.14 (07/03/2022)	(4.7)	(7.9)	3.8	25.2	0.3	2.5
ICICI Pru Child Care Gift Plan Reg	192.7	834	0.6	163.32 (23/04/2021)	(1.6)	(0.3)	17.5	31.2	0.6	2.4
SBI Magnum Children Benefit Fund Investment Plan Reg (G)	22.7	422	0.0	14.253 (12/04/2021)	0.9	5.9	58.2	0.0	0.0	2.6

Multi Assets

HDFC Multi Asset Fund (G)	46.9	1438	0.8	40.826 (12/04/2021)	(1.5)	0.0	15.1	30.6	0.7	2.5
SBI Multi Asset Allocation Fund Reg (G)	37.3	541	1.2	32.8134 (12/04/2021)	0.6	0.6	14.0	20.5	0.9	1.8
ICICI Pru Multi Asset Fund (G)	432.7	12703	1.0	324.3126 (12/04/2021)	6.2	7.3	31.7	43.9	0.8	1.8
Axis Triple Advantage Fund (G)	29.7	1663	0.9	25.3864 (12/04/2021)	(4.0)	(3.4)	16.7	29.6	0.9	2.1
Nippon India Multi-Asset Fund Reg (G)	13.2	1170	0.0	11.2581 (31/03/2021)	0.3	2.5	18.2	0.0	0.0	2.0

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

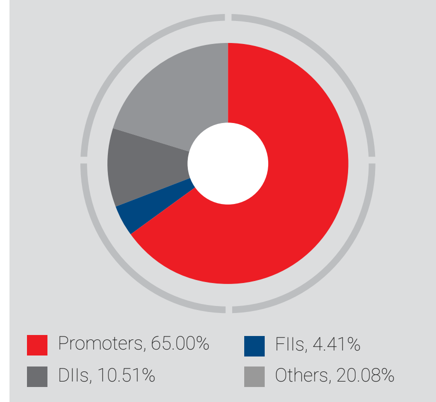
Steel Authority of India Ltd.

CMP: Rs 98.6	Rating: BUY	Target: Rs 115

Company Information

BSE Code	500113
NSE Code	SAIL
Bloomberg Code	SAIL IN
ISIN	INE114A01011
Market Cap (Rs. Cr)	40720
Outstanding shares(Cr)	413.05
52-wk Hi/Lo (Rs.)	151.1/67.6
Avg. daily volume (1yr. on NSE)	54,174,950
Face Value(Rs.)	10
Book Value (Rs)	131.7

Shareholding Pattern as on 31st Dec. 2021



Investment Rationale

Integrated operation offers competitive edge over its peers

Steel Authority of India Ltd. (SAIL) has integrated operations with 5 integrated plants located at Bhilai (Chhattisgarh), Rourkela (Odisha), Durgapur (West Bengal), Bokaro (Jharkhand) and Burnpur (West Bengal) having captive iron ore mines. It has 3 alloy steel plants at Durgapur (West Bengal), Salem (Tamil Nadu) and Bhadravati (Karnataka). Multi-located production units provide the company a competitive edge over the other domestic steel players. As the company operates 8 iron ore mines, it is self-sufficient to meet its iron ore requirements. The company meets its entire iron ore requirements through the captive mines. However, the company has to depend on coking coal imports, as it manufactures steel from blast furnace process, which requires coking coal. It has long-term/quarterly contracts to import ~95% of coking coal requirement. Nonetheless, SAIL is exploring new coking coal blocks in order to reduce its dependency on coking coal imports. For thermal coal, it depends on purchases from Coal India except for small quantities produced from the captive mines. Further, the company has an extensive sales and distribution network with 37 branch sales offices and 3,100 dealers spread across the country. SAIL is currently working on strengthening its Tier-I and Tier-II distribution network across India. Thus, integrated operation and strong distribution provide SAIL a competitive edge over its peers.

Modernization and expansion to drive growth

SAIL has completed its first leg of investment and expansion, which is yielding positive result. The company has started its modernization and expansion plan way back in FY07 with an initial plan to enhance its hot metal capacity from 14.6 million tonne (MT) to 25 MT with an indicative capex of Rs40,000 crore. Shift from legacy to modern technology post modernization would result in better margin for the company amid the challenging environment. SAIL is now gearing up for next leg of investment, which is likely to start from FY24. In the next wave of expansion, it aims to increase its capacity from 20 MTPA to 50 MTPA in line with the National Steel Policy that aims to create an installed capacity of 300 MTPA by 2030-31. SAIL will look at expanding capacity by 12-14 MTPA in Phase-I at its Bokaro, Burnpur (IISCO) and Rourkela units. The company has adequate land parcel to support this brownfield expansion. The steel sector is going through structural up-cycle on the back of infrastructure push by the governments across the world in post COVID-19 scenario, closure of plant in Europe due to high energy prices and China going slow on production due to environmental concern. Hence, capitalizing the high steel price scenario, SAIL has substantially reduced its debt burden through utilizing its incremental cash flows. Deleveraging balance sheet provides the company with the room to plan for next leg of expansion.

The steel sector is going through structural up-cycle on the back of infrastructure push by the governments across the world in post COVID-19 scenario, closure of plant in Europe due to high energy prices and China going slow on production due to environmental concern.

Domestic steel demand improving

Since the beginning of FY22, domestic steel demand was the highest in January 2022 at 10.09 MT (up 11.7% MoM), though it declined marginally by 0.8% on YoY comparison. While the demand was driven by a sharp pent-up demand in January 2021, the current demand situation is largely structural in nature, primarily led by infrastructure push by the government. Global steel demand is expected to grow 2.2% in CY22 compared to 1% decline in CY21, as China continued to tighten the real estate industry, which resulted in sharp demand contraction. Domestic steel demand was affected in Q3FY22 due to rise of Omicron variant of COVID. However, it witnessed a sharp bounce back, as a sharp up-tick is being noticed in steel consumption since 15th of Jan'22. Notably, the demand for long products has risen faster than flat products, as the country's construction activities kick start on the back of infrastructure push by the government and steady demand from the real estate sector. Further, the current geopolitical scenario will provide an opportunity to the Indian steel manufacturers to increase their export share, as the sanctions on Russia would result in supply disruption in global steel markets. Post sanctions on Russia, it is expected that the steel shortage in Europe to emerge, which would result in escalation of prices until alternative sourcing is arranged. This will take time given the quota system on steel imports in Europe. Currently, export accounts for ~9% of SAIL's topline, thus opening up the export markets will augur well for SAIL to increase its export share and reduce domestic dependency.

SAIL 3 year Price Chart

Resilient steel price to improve EBITDA/tonne

Global steel prices gathered its momentum since June 2020, when the governments across the globe infused massive liquidity into the economy amid the COVID-19 pandemic, which took a toll in the overall economic growth. As a significant amount of this stimulus found its way to commodity, the commodity price witnessed a secular bull run since then. During the period, the metal

companies reported their highest spread in the history, thus getting the benefit of firm steel prices. However, the steel prices softened in Q3FY22 amid the emergence of Omicron variant, which weighed on SAIL's EBITDA/tonne. Apart from soft steel prices, higher coking coal and thermal coal price also put pressure on its margin. Thus, SAIL's EBTIDA/tonne contracted in excess of Rs7,000/tonne sequentially in Q3FY22, as coking coal cost increased >Rs10,000/tonne, overshadowing Rs3,000/tonne gain in realization. However, as the company got the benefit of higher steel prices, its EBITDA/tonne jumped to Rs8,725 in FY21 from Rs6,478 in FY19. Now, its EBITDA/tonne is expected to improve in the coming quarters amid the geopolitical conflict between Russia and Ukraine, which pushed the steel prices to previous high level. Further, export market also provides opportunity to improve its realization/tonne, as export commands premium over the domestic market. In Q3FY22, SAIL's export stood at 1.13 MT, which is expected to grow in the range of 11-13% in Q4FY22. Further, the management aims to utilize the incremental cash flows to deleverage its balance sheet by lowering receivables, reducing long term debt and focus on working capital requirements.

Sustained high steel price in CY22 will help the company to deleverage balance sheet further as well as to drive profitability.

Key Risks

- Continued higher prices of coking and thermal coal to negatively impact margin
- Slow pick-up and poor execution of infrastructure projects could drag steel demand and realization.

Valuation

SAIL is an integrated steel manufacturer having captive iron ore mines and long term contract with Coal India for thermal coal. The steel sector is on structural bull-run on the back of infrastructure push by the governments across the world in post COVID-19 scenario, closure of plant in Europe due to high energy prices and China going slow on production due to environmental concern. Further, as the sanctions on Russia will lead to disruption in supply chain for several commodities, the prices are likely to remain elevated until the situation gets normalized. SAIL is gearing up for the next leg of investments in order to capitalize on the rising demand for the ferrous metal. Sustained high steel price in CY22 will help the company to deleverage balance sheet further as well as to drive profitability. **Thus, we hold our positive view on SAIL given the compelling valuation amid strong industry tailwind. We recommend our investors to BUY the scrip with target of Rs 115 from 12 months investment perspective. Currently, the scrip is valued at EV/EBITDA multiple of 4.2x on FY23E Bloomberg consensus EBITDA of Rs15,184 crore.**

Particulars (in Rs Cr)	FY20	FY21	FY22E	FY23E
Revenue	61,051.3	68,476.4	101,735.9	100,336.5
Growth (%)	-7.9%	12.2%	48.6%	-1.4%
EBITDA	10,510.3	12,776.5	21,850.4	15,184.0
EBITDA Margin (%)	17.2%	18.7%	21.5%	9.0%
Net profit	2,154.9	4,171.4	13,153.5	8,274.8
Net Profit Margin (%)	3.5%	6.1%	12.9%	4.0%
EPS (Rs)	5.2	10.1	31.8	20.0

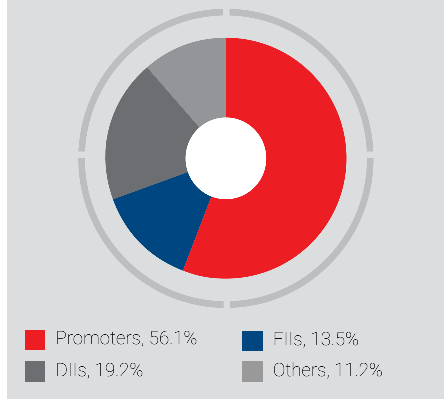
Source: Bloomberg consensus

Aditya Birla Fashion and Retail Ltd.

CMP: Rs 302	Rating: BUY	Target: Rs 350

Company Information	
BSE Code	535755
NSE Code	ABFRL
Bloomberg Code	ABFRL IN
ISIN	INE647O01011
Market Cap (Rs. Cr)	28330
Outstanding shares(Cr)	93.8
52-wk Hi/Lo (Rs.)	318.7 / 163.1
Avg. daily volume (1yr. on NSE)	3470318
Face Value(Rs.)	10
Book Value	29.3

Shareholding Pattern as on 31st Dec. 2021



Company Overview

Aditya Birla Fashion and Retail Ltd. (ABFRL) is part of Aditya Birla Group, which is a leading Indian conglomerate. With retail space of 8.4 million sq. ft. (as on March 31, 2021), it is India's first billion-dollar pure-play fashion powerhouse with an elegant bouquet of leading fashion brands and retail formats. The company has a network of 3,397 stores across ~26,744 multi-brand outlets with >6,750 point of sales in department stores across India (as on 31st December, 2021). It has a repertoire of leading brands such as Louis Philippe, Van Heusen, Allen Solly and Peter England. Pantaloons is one of India's largest fast fashion store brand. The company holds exclusive online and offline rights to the India network of California-based fast fashion brand Forever 21. Its international brands portfolio includes: The Collective (the largest multi-brand retailer of international brands in India), Simon Carter and select mono-brands such as American Eagle, Ralph Lauren, Hackett London, Ted Baker and Fred Perry. Van Heusen Innerwear, Athleisure and Active wear have established themselves as India's most innovative and fashionable brands. ABFRL's foray into branded ethnic wear business includes: Jaypore and strategic partnerships with Designers 'Shantanu & Nikhil', 'Tarun Tahiliani' and 'Sabyasachi'.

Investment Rationale

Acquisition of Reputed Brands

ABFRL has acquired two of the most renowned brands in their respective

sectors. It has entered into an agreement to acquire exclusive online and offline rights to the global brand 'Reebok' for India, Bhutan, Nepal, Bangladesh, Maldives and Sri Lanka. The deal is subject to completion of transfer of global ownership of 'Reebok' brand from Adidas to Authentic Brand Group, US. Acquisition of Reebok brand would mark ABFRL's foray into India's fast-growing Active Athleisure wear and sportswear category. The company expects to clock an annual turnover of Rs1,000 crore in the next five years. ABFRL has made another major acquisition (51% stake) of House of Masaba Lifestyle Pvt. Ltd. (HMLPL), which houses apparel, non-apparel, beauty and personal care and accessories businesses under the brand 'Masaba'. The acquisition will pave the way for ABFRL to enter into the beauty and personal care segment with an opportunity to build a truly digital first brand. This partnership aims to create a young, aspirational and digital-led portfolio play, across the affordable luxury segment in the fashion, beauty and accessory categories. The company aims to clock Rs500 crore of annual revenue in the next five years from this business.

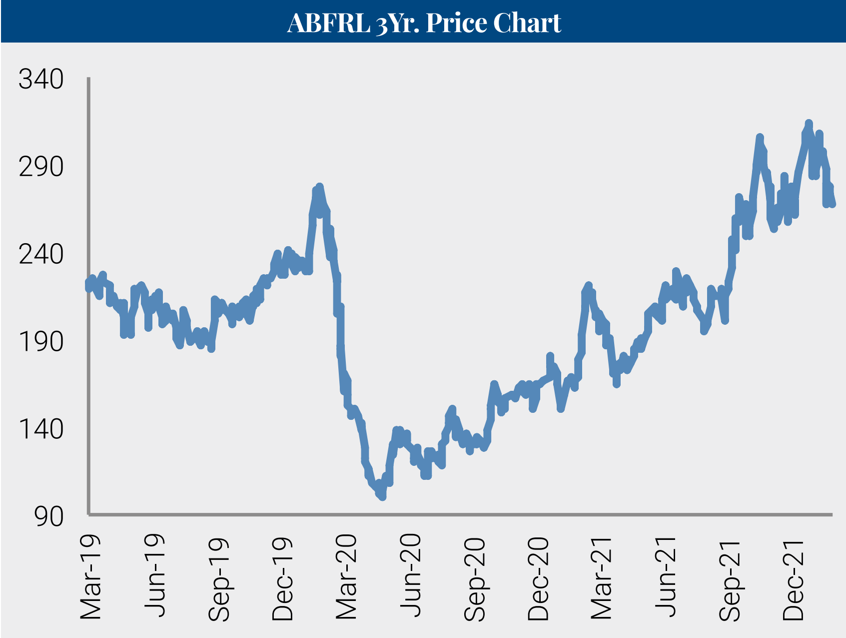
The D2C market opportunity in India is expected to touch $100bn by 2025. As per the management, the company wants to build the next set of iconic brands in digital space in line with changing preference of the consumers.

Expected healthy growth in ethnic-wear brands

In partnership with Tarun Tahiliani, ABFRL launched an ethnic men's-wear brand, "Tasva", following the acquisition of stake in the designer's couture business in Feb'21. Tasva has a wide range of high-quality men's celebration wear at accessible prices. Its first online store was opened in Bengaluru and it plans to add 6 more stores in Mumbai, Delhi and other cities. It recently launched "Marigold Lane", its modern ethnic women's-wear brand. The company expects to add >100 ethnic stores over the next 3-4 years. After acquiring Jaypore, it introduced new categories in Jaypore such as home, lounge and kids' wear. Besides, it started offline store expansion and plans to add more stores going ahead. In Shantanu and Nikhil, standalone eCommerce websites were launched for both couture and pret lines. It has been expanding its retail operations through the Phygital avatar. Its ethnic-wear businesses are expected to report a healthy growth driven by acquisitions, brand extensions, rapid network expansion and brand launches.

Create D2C platform

ABFRL will set up a platform to foray into the Direct-to-Consumer (D2C) business. The company will set up a new subsidiary for building a portfolio of new-age, digital brands across categories such as beauty, fashion and other allied lifestyle segments. The D2C portfolio will be built through organic and inorganic means and will initially be funded through the company's internal accruals. At an appropriate time, the company will look forward to external capital to accelerate the growth journey. The D2C market opportunity in India is expected to touch $100bn by 2025. The new entity will also organically incubate and also acquire promising and scalable D2C brands. ABFRL will offer its rich experience and capabilities to scale up the portfolio. It will look to tap the broader tech ecosystem and collaborate effectively with its ecommerce partners, tech service providers and digital marketing agencies to scale this business rapidly. As per the management, the company wants to build the next set of iconic brands in digital space in line with changing preference of the consumers. Leveraging its core capabilities around design, product creation, sourcing and brand



building, the company plans to craft a blockbuster portfolio in the digital space.

Balance sheet situation resolved

The company's debt was as high as Rs2,783 crore at the end of FY20, which increased further to Rs3,159 crore by H1FY21 due to onset of pandemic. ABFRL took a strategic call to raise a total of Rs2,500 crore via Flipkart infusion of Rs1,500 crore and a right issue of Rs1,000 crore. With improving operations, better margin profile and robust working capital model, the company reduced its debt from Rs1,200 crore in Q1FY22 to Rs873 crore by the end of Q2FY22 and ended Q3FY22 with a negative net debt. Despite vigorous growth plans for brands and channels, the management expects the company's debt to be in a similar range by end-FY22 and it will maintain 1-1.5x debt/EBITDA in the medium-to-long-term.

Despite vigorous growth plans for brands and channels, the management expects the company's debt to be in a similar range by end-FY22 and it will maintain 1-1.5x debt/EBITDA in the medium-to-long-term.

Key Risks

- Slowdown in discretionary demand
- Heightened competition, especially in the form of private labels by other branded players
- Mounting losses in its Fast Fashion and other businesses

Valuation

ABFRL is a leading apparel retailer in India with distribution network spread across majority of the cities and towns in India. The company has a portfolio of some of the most reputed brands. Multiple strategic initiatives like entry into footwear by acquiring Reebok's India operations, acquisition of majority stake in Masaba, launch of premium menswear ethnic brand Tasva and setting up a separate platform to build a portfolio of D2C brands are expected to add value over the medium to long term. With new launches (Tasva & Marigold Lane) and network expansion, ABFRL's ethnic wear is gaining momentum. Its core businesses (Lifestyle brands, Pantaloons) continue generating healthy cash, which is aiding the company to fund the new initiatives. With improved business fundamentals, enhanced digital capabilities and strengthened balance sheet, ABFRL is focusing on achieving strong earnings growth. Further, entering into niche businesses will expand its top-line in the long-run. Going forward, maintaining balance sheet strength coupled with aggressive expansion would be the focus of ABFRL. **Thus, we recommend our investors to BUY the scrip with target of Rs350 from 12 months investment perspective. At the CMP, the scrip is valued at EV/EBITDA multiple of 15.6x on FY23E EBITDA.**

Particulars (in Rs Cr)	FY20	FY21	FY22E	FY23E
Net Sales	8787.9	5248.9	8046.6	10919.2
Growth (%)	8.3	-40.3	53.3	35.7
EBITDA	1256.6	582.2	1038.0	1594.2
EBITDA Margin (%)	14.3	11.1	12.9	14.6
Net profit	-165.0	-735.7	-128.7	273.0
Net Profit Margin (%)	-1.9	-14.0	-1.6	2.5
EPS (Rs)	-2.1	-7.3	-1.4	2.9

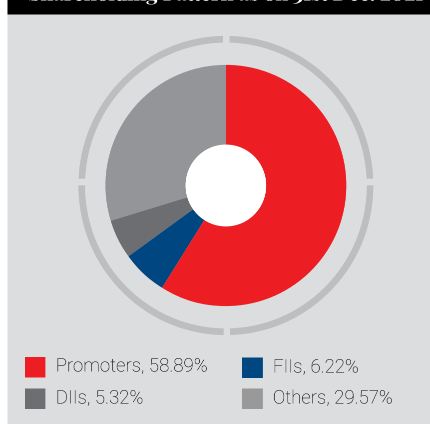
Consensus Estimate: Bloomberg, Ashika Research

Fairchem Organics Ltd.

CMP: Rs 1,496	Rating: BUY	Target: Rs 1,950

Company Information	
BSE Code	543252
NSE Code	FAIRCHEMOR
Bloomberg Code	FAIRORGA IN
ISIN	INE0DNW01011
Market Cap (Rs. Cr)	1970
Outstanding shares(Cr)	1.30
52-wk Hi/Lo (Rs.)	2,290/610
Avg. daily volume (1yr. on NSE)	38,820
Face Value(Rs.)	10.0
Book Value (Rs)	159.4

Shareholding Pattern as on 31st Dec. 2021



Company Profile

Fairchem Organics Ltd. (Fairchem) was established in 2019. As per scheme of demerger, Fairchem Speciality Ltd. (FSL) transferred its entire business (oleo chemicals and nutraceuticals). In FY16, Fairfax India through its wholly owned subsidiary, FIH Mauritius Investment Ltd. (FMIL) acquired controlling stake in FSL. Post demerger, FMIL increased its equity stake to 52.83% as on Dec 31, 2021 from 48.75% stake as on March 31, 2021. Fairchem is engaged in the manufacturing of specialty chemicals i.e., Dimer Acid, Linoleic Acid, Mixed Tocopherol Concentrate and Sterols Concentrate, which find application in various industries like nutraceuticals, paints, printing ink, detergents and adhesives etc. Its manufacturing facility is located at Chekala village near Sanand in Gujarat with an installed capacity of 72,000 MTPA as on May 31, 2021.

Investment Rationale

Leadership position in domestic market in key oleo chemical products

Fairchem is engaged in the business of manufacturing of oleo chemicals and nutraceuticals, since the last 25 years. Overall, oleo chemicals contribute ~97-99% to its total revenue. Its key oleo chemical products include: Dimer Acid, Linoleic Acid, Palmitic Acid, Monomer Acid and

key nutraceutical products include: Mixed Tocopherols and Sterol concentrate. Linoleic Acid, Dimer Acid and nutraceutical products (Tocopherols and Sterols) contribute ~75% to its total revenue, while other co-products and by-products contribute the rest. Fairchem is the one of the only manufacturers of Linoleic Acid and Dimer Acid in India, having a large addressable market size in India, which is expected to clock ~4% CAGR over FY21-FY27. The company supplies Linoleic Acid to paints and ink manufacturers, while Dimer Acid finds use in the in the manufacturing of epoxy hardeners. Mixed Tocopherol concentrate and Sterols concentrate are nutraceutical products having usage in FMCG and food additives. Fairchem supplies to various marquee customers like Asian Paints, Berger Paints, Huber (erstwhile Micro Inks), Arkema, BASF, ADM and Cargill etc. As most of its clients enjoy leading position in their respective industry segments and hence, Fairchem enjoys low business risk.

Efficient raw material sourcing acts as an entry barrier

Fairchem manufactures its products from Acid Oil and Fatty acid, which are byproducts of vegetable oil refineries (1-1.5% of waste generated during refining of edible oil). This provides cost advantage to the company compared to other players, who manufactures these products using raw soft oil or tall oil. Though total availability of fatty acid in India is limited, the company has developed relation with its suppliers spanning >20 years and established procurement network to ensure steady supply of raw materials. Low cost of raw material and efficient manufacturing process enable the company to be highly cost-competitive vis-à-vis global peers. Moreover, Fairchem has also expanded its plant raw material capacity from 45,000 MTPA to 72,000 MTPA in FY21, which is being expanded to 1,20,000 MTPA by end of FY22 with minimal capex. The management expects capacity utilisation to clock 70%, 80% and 90% in FY23, FY24 and FY25, respectively.

Fairchem manufactures its products from Acid Oil and Fatty acid, which are byproducts of vegetable oil refineries (1-1.5% of waste generated during refining of edible oil). This provides cost advantage to the company compared to other players, who manufactures these products using raw soft oil or tall oil.

Backed by strong promoter

Fairchem is a professionally managed company led by one of the promoters, Mr. Nahoosh Jariwala, who is the MD and has experience of >25 years in chemical manufacturing and trading of various textile products. He looks after the company's core operations including process optimization, product development and production planning etc. He is well-supported by a qualified second tier management. As on Dec 31st, 2021, Canada-based FIH Mauritius Investment Ltd. (FMIL) has 52.83% equity stake (increased from 48.75% as on March 31, 2021) in Fairchem. FMIL is an investment arm of Fairfax India founded in 2014 by Mr. V. Prem Watsa having diverse investment portfolio with fair value of Rs24,723 crore in India as on March 31, 2021. Thus, the company is under able guidance of experienced management and backed by strong international promoter, which augur well for future ventures.

Healthy financial performance over the years

Having monopoly in key products together with efficient raw material sourcing is reflected in healthy financials. Its 5-year Revenue, EBITDA and PAT CAGR stood at 14%, 24% and 36%, respectively. More importantly, strong focus on R&D together with higher economies of scale and efficient sourcing of raw materials reflected in improvement

in EBITDA margin from 11.6% in FY17 to 17.3% in FY21. During 9MFY22, Revenue, EBITDA and PAT grew by 96%, 110% and 140% on YoY basis to Rs465.5 crore, Rs86.1 crore and Rs56.7 crore, respectively. More importantly, EBITDA margin improved to 18.5% in 9MFY22 from 17.3% in FY21.In Q3FY22, the company witnessed some margin pressure owing to higher raw materials and coal prices in Q3FY22 apart from lower lifting of one of the prime products by the customers. Although, majority of raw material hike is passed on, the company, being in B2B business, has to absorb the cost to some extent in view of long-term relationship with its customers. Fairchem is nearly debt-free and generates healthy free cash flow, translating into strong RoCE of ~30%. The management expects the company's revenue to clock 25% CAGR in the next 5 years. It sees EBITDA margin at 15-16% on sustainable basis, driven by economies of scale on higher capacity utilization, going ahead.

Fairchem Organics Ltd. is the one of the only manufacturers of key oleo chemicals (Linoleic Acid and Dimer Acid) in India, having a large addressable market size in India and backed by strong promoter group.

Key Risks

- Increase in competition
- Higher raw material prices

Valuation

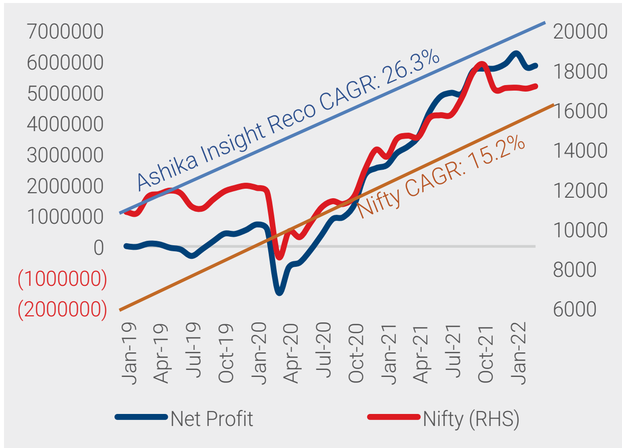
Fairchem Organics Ltd. is the one of the only manufacturers of key oleo chemicals (Linoleic Acid and Dimer Acid) in India, having a large addressable market size in India and backed by strong promoter group. Linoleic Acid and Dimer Acid together with nutraceutical products (Tocopherols and Sterols) contribute ~75% to its total revenue, while other co-products and by-products contribute the rest. Fairchem supplies to various marquee customers like Asian Paints, Berger Paints, Huber (erstwhile Micro Inks), Arkema, BASF, ADM and Cargill etc. Strong business model and efficient raw materials sourcing is reflected in strong financials, as its 5-year CAGR for revenue, EBITDA and PAT stood at 14%, 24% and 36%, respectively. Besides, its EBITDA margin improved from 11.6% in FY17 to 17.3% in FY21 and further to 18.5% in 9MFY22. **At the CMP, the stock trades at a P/E of 16.6x FY24E EPS and the investors are advised to 'BUY' the scrip for a target of Rs 1,950.**

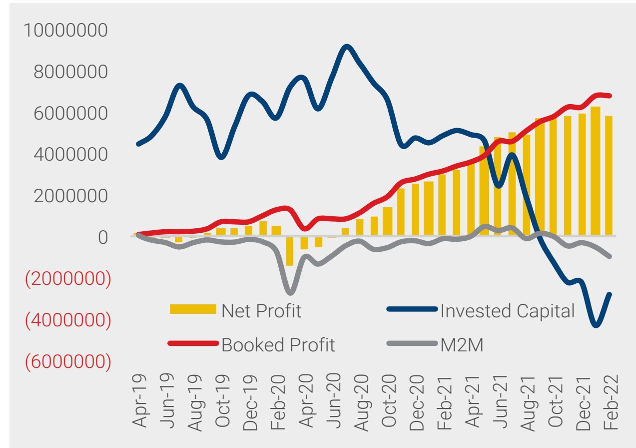
Particulars (in Rs Cr)	FY21	FY22E	FY23E	FY24E
Revenue	397	616	769	962
Growth (%)	29.4%	55.2%	25%	25%
EBITDA	69	106	130	163
EBITDA Margin (%)	17.3%	17.2%	16.9%	17.0%
Net profit	43	69	93	117
Net profit Margin (%)	10.7%	11.2%	12.0%	12.2%
EPS (Rs)	32.6	53.0	71.1	90.1

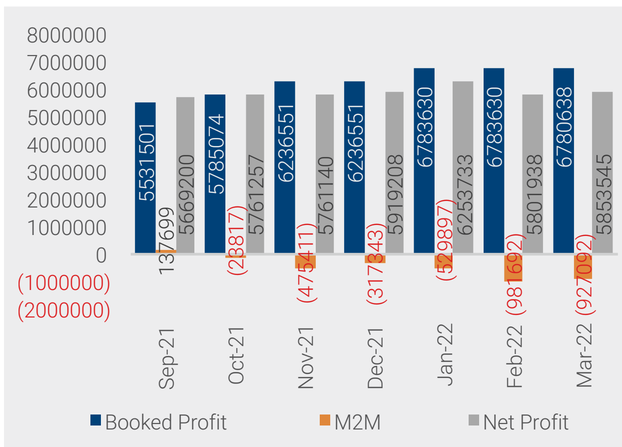
Source: Ashika Research

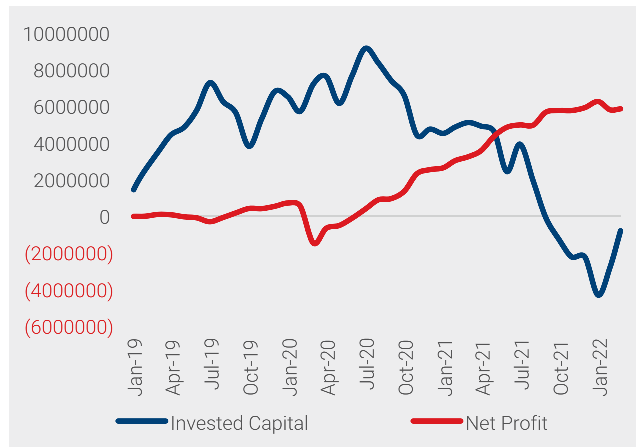
Monthly *Insight* Performance

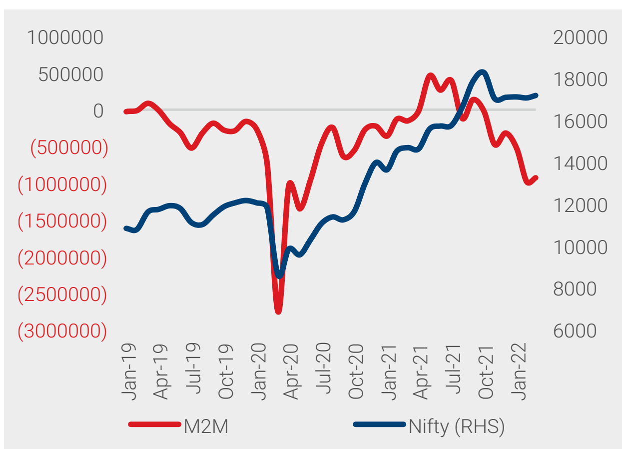
Since Jan-2019... Return @CAGR 26.3%

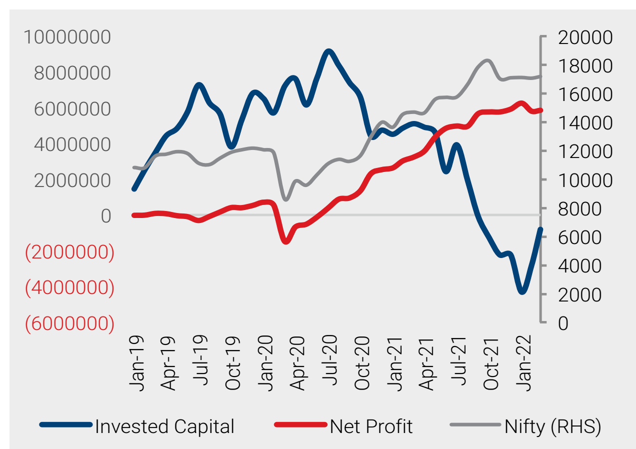












** All Figures quoted in Rs.*

Calculated as on March 25, 2022

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
31-Dec-21	(2236970)	6236551	(317343)	5919208
31-Jan-22	(4317924)	6783630	(529897)	6253733
28-Feb-22	(2818510)	6783630	(981692)	5801938
25-Mar-22	(806543)	6780638	(927092)	5853545

*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 March 25, 2022

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
SAIL	01-Apr-22	5051	99	498029	115	16.6%							
Aditya Birla Fashion	01-Apr-22	1656	302	500112	350	15.9%							
Fairchem Organics	01-Apr-22	334	1496	499664	1950	30.3%							
Birlasoft	02-Mar-22	1229	407	500203	ADD								
Zydus Wellness	02-Mar-22	316	1584	500544	ADD								
Johnson Cont - Hitachi AC	02-Mar-22	274	1828	500872	ADD								
Himatsingka Seide	02-Mar-22	3086	162	499932	ADD								
Asian Paints	02-Feb-22	156	3205	499961	3690	15.1%							
Ultratech Cement	02-Feb-22	66	7575	499949	8700	14.9%							
Cipla	02-Feb-22	528	946	499504	1088	15.0%							
G R Infraprojects	03-Jan-22	285	1748	498180	2029	16.1%							
Birlasoft	03-Jan-22	915	549	501916	630	14.8%							
Medplus Health	03-Jan-22	480	1041	499578	1320	26.8%	27-Jan-22	1320	633600	134022	26.8%	24	408%
ICICI Bank	01-Dec-21	700	718	502343	825	15.0%	12-Jan-22	825	577500	75157	15.0%	42	130%
Fortis Healthcare	01-Dec-21	1775	283	501500	325	15.0%							
Affle India	01-Dec-21	434	1154	500828	1380	19.6%	11-Jan-22	1380	598920	98092	19.6%	41	174%
Container Corp	01-Nov-21	758	660	500480	830	25.7%							
Sobha	01-Nov-21	640	782	500687	890	13.8%	03-Nov-21	932	596480	95793	19.1%	2	3492%
Johnson Cont - Hitachi AC	01-Nov-21	238	2102	500340	2550	21.3%							
Aptus Value Hsg. Fin.	01-Oct-21	1575	318	500718	450	41.5%	31-Mar-22	345	543375	42657	8.5%	181	17%
Birlasoft	01-Oct-21	1225	409	500512	485	18.7%	18-Nov-21	492	602578	102065	20.4%	48	155%
Himatsingka Seide	01-Oct-21	1850	270	500359	340	25.7%							
HCL Tech	01-Sep-21	420	1192	500630	1390	16.6%							
Whirlpool of India	01-Sep-21	233	2149	500645	2480	15.4%	12-Oct-21	2480	577840	77195	15.4%	41	137%
Zydus Wellness	01-Sep-21	214	2342	501225	2680	14.4%							
Jubilant Foodworks	02-Aug-21	133	3776	502266	4340	14.9%	12-Oct-21	4340	577220	74954	14.9%	71	77%
Can Fin Homes	02-Aug-21	920	545	501193	650	19.3%	08-Sep-21	650	598000	96807	19.3%	37	191%
Arvind	02-Aug-21	4750	105	500083.7	135	28.2%	19-Oct-21	135	641250	141166	28.2%	78	132%
Tech Mahindra	01-Jul-21	455	1098	499537.7	1270	15.7%	06-Aug-21	1270	577850	78312	15.7%	36	159%
Hero Motocorp	01-Jul-21	172	2910	500519.4	3390	16.5%							
Zee Entertainment	01-Jul-21	2310	217	500975.2	250	15.3%	14-Sep-21	250	577500	76525	15.3%	75	74%
Infosys	01-Jun-21	358	1402	502062.1	1610	14.8%	26-Jul-21	1610	576380	74318	14.8%	55	98%

Script	Buying Date	QTY	Bought Rate	Value	Target Price	Target Return	Booked Date	Booked Price	Value	Profit	Return	Holding Days	Annu-alised Return
HDFC Ltd.	01-Jun-21	195	2571	501426	2940	14.3%	27-Oct-21	2940	573300	71874	14.3%	148	35%
Natco Pharma	01-Jun-21	472	1060	500471.3	1230	16.0%							
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%
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%

Script	Buying Date	QTY	Bought Rate	Value	Target Price	Target Return	Booked Date	Booked Price	Value	Profit	Return	Holding Days	Annu-alised Return
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

METAL SECTOR
ENTERS INTO COMMODITY SUPER CYCLE

After a temporary shock from the COVID-19 outbreak in early 2020, metal, especially, industrial metals have seen robust recovery fuelled by loose monetary policies and fiscal measures, followed by gradual recovery in economic activities and higher vaccination coverage across the globe. Increased infrastructure spending in China and the country's plan to cut metal production in order to reduce emissions and supply disruption due to COVID pandemic bolstered the metal price across the globe. However, since December 2021, the metal prices started to cool off, as the supply chain started to normalize, which bought balance between supply and demand. However, the war between Ukraine and Russia disrupted the equilibrium and the metal sector entered into commodity super cycle. A commodity super cycle is a rare phenomenon that sees an unusually strong demand growth for commodities for a long period, with the suppliers struggling to keep the pace with the demand, which leads to a sharp rally in the prices. A commodity super cycle last for few years or even a decade. In the starting of pandemic, it had been a giant demand killer but brought good tidings for the metal companies after the initial hit, as the nations started stimulating their economies, pushing excess liquidity into commodities/ other financial assets. Further, the demand was stimulated by China cutting back the production of metals, especially steel, to protect its environment, even as India went on a construction overdrive to manage social distress from job losses due to pandemic-led lockdowns. So far, the world had witnessed four commodity super cycles. Three commodity super cycles were triggered by: (1) US industrialization in early 20th century, (2) rise of Nazi Germany in 1930s and (3) re-construction of Europe after World War II. The fourth was led by infrastructure build-up in China after it joined the WTO in 2001. The Russian invasion of Ukraine is the newest addition to the list of events that have been sending the prices of industrial metals up following the ease in COVID-led supply disruptions. The Russia-Ukraine conflict has provided traction to global metal prices. During YTD CY22, a healthy rally has been witnessed in both

Increased infrastructure spending in China and the country's plan to cut metal production in order to reduce emissions and supply disruption due to COVID pandemic bolstered the metal price across the globe.

ferrous and non-ferrous metals. However, at the same time there has been a near-term risk associated with the commodity price, as the cessation of the war could pull down the metal prices to some extent, which could affect the realization of the metal companies. Metal price can also come under pressure in case China comes forward to rescue Russia by buying metals from it and then exporting its own surplus and in that case, the demand supply situation could change dramatically. Even if China decides to not rescue Russia, it could calm the market by ramping up its own output of these metals by putting on hold its pollution-control goals, citing the war as a reason. Hence, these are few uncertainties, which are looming over the sustained rise in metal price. However, the rise in metal prices is a positive development for the Indian metal companies. Spot market sales will reflect this growth. Higher realization is expected to reflect in March quarter numbers, though the high energy cost could cap the margin expansion of these metal companies. Nonetheless, the increase in realization will be adequate to absorb these costs.

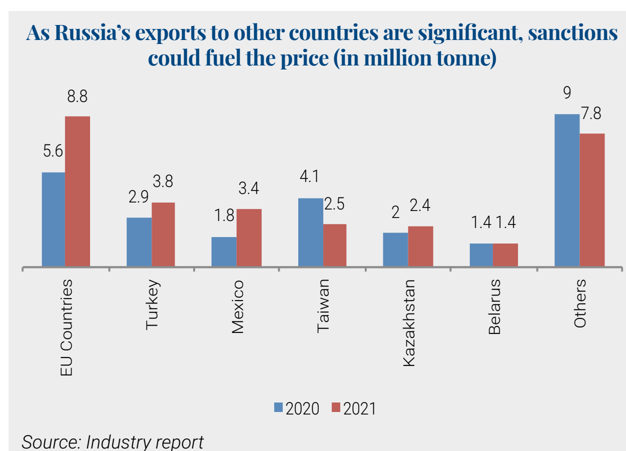
Geopolitical conflict to support metal prices

Ongoing geopolitical rift between Russia and Ukraine fuelled the metal prices, as the western countries including the US put strict sanctions on Russia, who is the commodity powerhouse and net exporter of many metals. Russia was the second largest crude oil producer globally in 2020 with 9.86 mbpd (million barrel per day). It was the fourth largest steel producer in the world in 2020 with 73.4 mtpa and also the third largest aluminum producer (at 3.6mt) and the third largest nickel producer (at 250kt) in the world. Russia accounts for ~6% of global primary aluminium production and is also one of the major exporters of aluminium. The US is also reliant on Russian-supplied aluminium, which accounts for ~10% of total US aluminium imports. Hence, due to supply related fears on the back of ongoing conflict, both ferrous and aluminium prices have seen an up-tick during the current calendar year (YTD). In terms of global trade, Russia currently accounts for ~9-10% of global aluminum exports, ~11-12% of nickel exports, ~20% of thermal coal exports and ~12% of global steel trade. Thus, the sanctions on Russia will definitely impact the price of aluminum, nickel, steel, thermal coal positively. Further, the end-users of these metals will find cost escalation because of alternative sourcing, delays in establishing new sources, delays in payments and consequent deferrals in shipment releases. The Russia-Ukraine conflict has provided traction to global metal prices. During YTD CY22, a healthy rally has been witnessed in both ferrous and non-ferrous metals. Thus, the higher metal prices augur well for Indian metal companies and higher price realization will reflect directly on their EBITDA growth and margin in the coming quarters.

Russia & Ukraine account substantial share in steel export

Source: Industry report

As Russia's exports to other countries are significant, sanctions could fuel the price (in million tonne)



Source: Industry report

Infrastructure build up to drive demand

After COVID-19 outbreak, the governments across the globe rolled out the stimulus packages totaling ~US$20 trillion. Almost a third of this has found its way to infrastructure projects and supported metal prices. Even now also, there is no sign of moderation in government spending. The Biden administration has committed US$2 trillion for "overhaul and upgrade" the nation's infrastructure. India, too, has been very much a part of the global infrastructure boom. The central government, for instance, has announced Rs7.5 lakh crore capital expenditure for FY23 with focus on highways, railways and health, pushing demand for steel and other commodities. The increased capital expenditure now accounts for ~2.9% of GDP in FY23. Further, the Indian government announced to issue sovereign green bonds for mobilizing resources for green infrastructure as a part of the government's overall market borrowings in FY23. Further, there has been massive global push towards building green energy infrastructure. Domestic steel industry is also bullish on demand from renewable energy projects as well as from the automobile sector. Another factor that driving the demand is government's thrust on laying pipelines for ensuring 24-hour drinking water supply. It has been noticed that the government response towards COVID-19 economic stimulus is metal intensive, which is one of the structural driver for metal and another trigger for metal is transition to green infrastructure. Hence, the massive infrastructure

creation across the globe will drive the demand for metal and will support the elevated price.

China's efforts to reduce pollution is another trigger

China's aim to reduce the environmental pollution has caused supply disruptions in the global markets. Over the last decade, China had been a major disruptor in the global metals market, selling at ultra-cheap prices and forcing the nations to impose import curbs to protect their producers. Further, China's policy support through LPR cuts was its first step towards boosting construction and infrastructure demand. In June last year, India also imposed anti-dumping duty on various steel categories from China, Vietnam and South Korea. Steel prices went up from Rs47,325/tonne (hot rolled coil) in June 2020 to Rs57,250/tonne in December 2021. However, with the prices going through the roof and impacting small businesses, the Finance Minister announced reduction in customs duty on flat and long products of non-alloy, alloy and stainless steel from 12.5% to 7.5%. China's Ministry of Industry and Information Technology said in a formal document early in 2021 that China's ultimate aim is to achieve 40% industry concentration ratio by the Top-5 steelmakers and 60% industry concentration ratio by the Top-10 steelmakers by 2025. The effort on de-carbonization is aim to reduce the environmental pollution in the country, which is becoming a big concern for China. Few years ago, China witnessed massive rise in environmental pollution, which resulted in high fog across the country and people becoming sick and start using mask to insulate them from the pollution. Thus, China in 2017, announced its plan to curb the pollution across the country by shutting down the excess industrial capacity. As China, is the largest producer of metal across the globe, shutdown of production capacity will lead to supply shortage, which would support the metal prices, going ahead. Further, China's withdrawal of export rebates of 13% on 146 steel products and scrapping import duty cut on crude steel, pig iron and scrap augurs well for Indian steel companies. The cut in export rebates is in sync with China's long-term goal of achieving carbon neutrality. The Chinese Government intends to keep steel capacities under check with stricter production curbs even though it may not have excess steel volume to divert to export markets. As a result, international steel prices are expected to remain buoyant in the near-term, which in turn would benefit the Indian steel makers.

Over the last decade, China had been a major disruptor in the global metals market, selling at ultracheap prices and forcing the nations to impose import curbs to protect their producers. Further, China's policy support through LPR cuts was its first step towards boosting construction and infrastructure demand.

Global crude steel production

Geography	CY21 (mn tonne)	YoY (%)	Jan'22 (mn tonne)	YoY (%)	MoM (%)
Global	1,911.9	3.6	155	-6.1	-2.3
China	1,032.8	-3	81.7	-11.2	-5.2
India	118.1	17.8	10.8	4.7	3.8
World (ex China)	879.1	14.8	73.3	0.8	1.1
Japan	96.3	14.9	7.8	-2.1	-1.3
US	86.0	18.3	7.3	11.9	1.4
EU 28	152.5	15.4	11.5	-6.8	3.6
UK + Netherland	14.4	7.5	1.3	-4.6	11.6
CIS	105.6	5.6	9	2.1	1.1

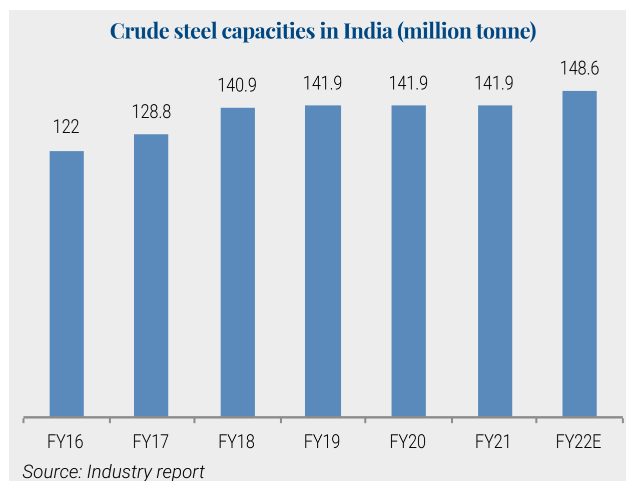
Source: Industry data

Source: Industry data

Improvement in domestic steel demand

Domestic steel demand was the highest in January 2022 at 10.09 million tonne, though it declined marginally by 0.8% compared to January 2021. While the January 2021 demand was driven by a sharp pent-up demand and the current demand situation is largely structural in nature led by infrastructure push by the government. In January 2022, the domestic steel demand was up by 11.7% MoM. Global steel demand is expected to grow by 2.2% in CY22 vs. 1% decline in CY21, as China continued to tighten the real

estate industry resulting in sharp contraction in demand in the sector. Domestic steel demand was affected during Q3FY22 due to rise of Omicron variant of COVID. However, the demand witnessed sharp bounce back and a sharp up-tick was noticed in steel consumption since 15th Jan'22, as normalcy returns. The demand for long products has risen faster than flat products, as the country's construction activities kick start on the back of infrastructure push by the government and steady demand from real estate sector. In long product segment, the TMT prices in the trade increased by Rs9,000/tonne-12,000/tonne in the last 45 days, driven by demand for steel from both construction and infrastructure sectors, while restocking aided steel demand further. However, demand for flat steel continues to lag and pricing is dependent on both exports and imports. Further, the current geopolitical scenario will provide an opportunity to Indian steel manufacturers to increase their export market share, as the sanctions on Russia result in supply disruption in global steel markets. Post sanctions on Russia, steel shortage in Europe is expected to result in escalation of prices until alternative sourcing is arranged. This will take time given the quota system on steel imports in Europe. Hence, the Indian steel companies are in sweet spot to capitalize on the emerging opportunity in export markets.



Source: Industry report

Source: Bloomberg

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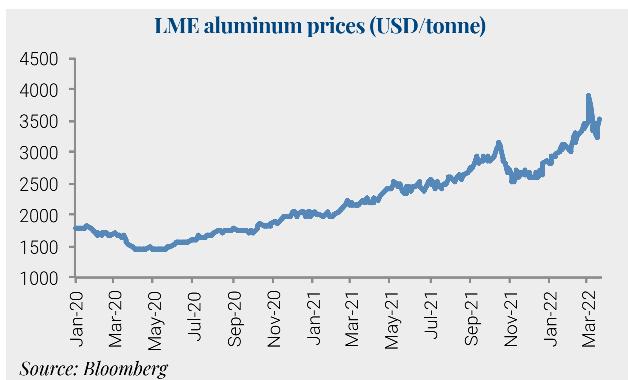
Source: Bloomberg

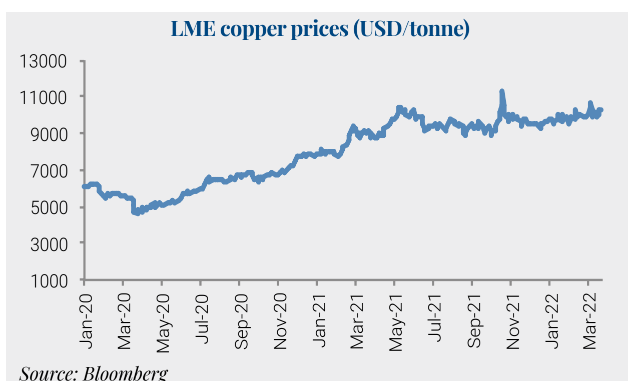
Structural demand driver for global aluminum industry

The recent Ukraine Russia conflict has given further legs to ongoing base metal prices rally, especially aluminium, which is currently hovering at a multi-year high. Russia accounts for ~6% of global aluminium production and is also one of the major exporters of aluminium. On the back of the recent geopolitical situation, there is a fear there would be supply disruption from Russia, which has supported an uptick in global aluminium prices. Aluminium prices on the LME are currently hovering at

~13-year high. Further, there has been structural demand driver for global aluminum industry, as there has been healthy traction from the user industries. Underlying demand for aluminum has been driven by replacement of plastic and bottle in packaging, increased demand for high-end vehicles, and CVs in western world where the automotive body is made of aluminum instead of steel and manufacturing of battery for EVs. In addition, the supply side constraints due to energy issues and environmental policies around the world caused imbalance in supply-demand scenario. This puts demand supply dynamics strongly in favour of aluminium, which augurs well from medium-to-long-term perspective. Aluminium was already a deficit commodity in CY21, while the deficit is likely to rise further in CY22E. Global aluminum demand is likely to remain strong and sanctions on Russia taking out ~10% of global trade could keep the prices elevated. As India is a net exporter of aluminum, the Indian aluminum producers including Hindalco, NALCO and Vedanta will be benefited from the elevated aluminum prices.



Source: Bloomberg



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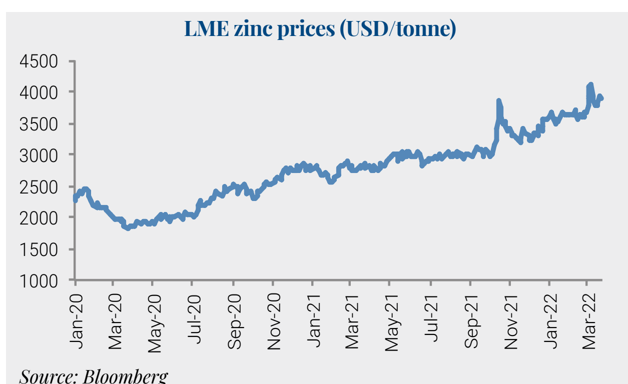

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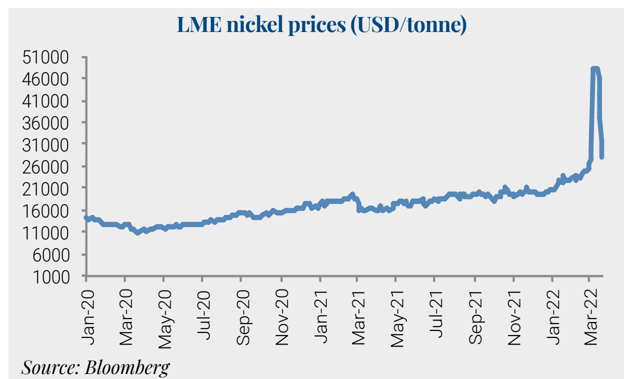

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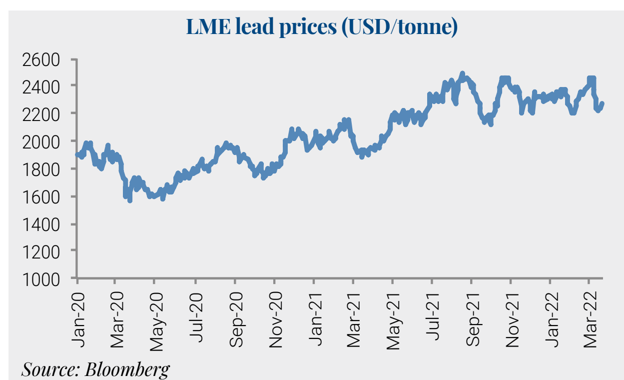

Source: Bloomberg

Expanding capacities to meet the demand

Metal companies are gearing up for augmenting their capacities to garner the benefit of commodity super cycle. Primarily the major capex programme is coming from the steel industry, which has made investment plans in line with the demand outlook. While JSW Steel has made a commitment to invest ~Rs30,000 crore by March 2024, JSPL will invest ~Rs18,000 crore. Tata Steel also sticks to its investment guidance of Rs10,000-12,000 crore in next year. Apart from the steel companies, other non-ferrous companies are also in the process to augment their capacity. Vedanta Group will invest ~Rs37,500 crore in the next three years in oil and gas, aluminium, zinc, copper and steel. With the prices on the upswing, Novelis, the US subsidiary of Hindalco, is also planning to expand its downstream business. NALCO has also lined up with Rs30,000 crore investments by FY28. Strong momentum in metal prices since the middle of 2020 has resulted in healthy cash flows for the metal companies, which they utilized to repay their debt burden. By FY20-end, Indian steel companies reported a high net debt-to-EBITDA ratio of 5.8x. Steel companies have seen sharp deleveraging in FY21 with net debt-to-EBITDA coming in at 2.3x, which is expected to decline further in FY22. Thus, deleveraging in metal sector is expected to continue as the industry's profitability is likely to stay higher than FY10-FY20 average due to structural changes in China and a shift towards lower emissions globally.

Metal sector is on structural bull run on the back of infrastructure push by the governments across the world

post COVID led by closure of plant in Europe due to high energy prices and China going slow on production due to environmental concern. Further, the sanctions on Russia will lead to a disruption in supply chain for several commodities and it may take up to several months to reinstate the entire supply chain. Thus, the prices are likely to remain elevated until the situation gets normalized. As Russia and Ukraine account for significant quantity of metal exports, ongoing conflict between them offers opportunity for Indian metal companies to tap the export market and increase market share. Again, as higher prices are likely to reflect on the earnings of metal companies in next couple of quarters, there is high possibility of valuation re-rating. All integrated metal companies are taking the benefit of this commodity super cycle by deleveraging their balance sheets. They are utilizing their incremental cash flows to pay off the debt and are preparing for next leg of investments in order to meet the demand.

Peer Comparison

Company Name	Mcap (Rs crs)	Revenue (Rs crs)	EBITDA (Rs crs)	PAT (Rs crs)	EBITDA Margin (%)	PAT Margin (%)	ROE (%)	ROCE (%)	D/E ratio (x)	1 Yr Forward EV/ EBITDA (x)	1 Yr Forward P/E (x)	1 Yr Forward P/Bvps (x)
Coal India	112,716	90,026	18,573	12,705	20.6	14.1	37.0	46.1	0.2	3.53	6.43	2.37
Hindalco Industries	136,718	131,985	17,536	5,177	13.3	3.9	5.6	7.4	1.0	6.36	9.80	1.54
Hindustan Zinc	131,344	22,629	11,672	7,980	51.6	35.3	22.0	27.3	0.2	6.68	12.19	3.91
Jindal Stainless	9,387	12,188	1,424	414	11.7	3.4	14.1	17.9	1.0	4.64	8.02	1.59
Jindal Steel & Power	52,116	38,989	14,444	5,527	37	14.2	13.3	14.7	0.9	4.94	7.89	1.17
JSW Steel	170,221	79,839	20,141	7,872	25.2	9.9	19.0	15.6	1.3	6.37	9.61	2.08
NMDC.	44,311	15,370	8,789	6,247	57.2	40.6	21.7	29.7	0.1	4.04	6.47	1.20
SAIL	42,586	69,114	12,739	3,680	18.4	5.3	8.5	10.7	0.8	4.38	5.18	0.70
Tata Steel	162,632	156,294	30,504	7,862	19.5	5	10.9	12.0	1.2	5.23	7.12	1.28
Vedanta	151,941	88,021	27,318	15,033	31	17.1	25.8	17.9	1.1	3.87	6.58	1.97
Godawari Power & Ispat	5,575	4,072	1,229	624	30.2	15.3	36.6	36.4	0.4	NA	NA	NA

Source: ACE Equity & Bloomberg

Management Meet Takeaways

Key highlights of discussion with **Mr. Dinesh Nolkha,** *MD & Co-founder of Nitin Spinners*

History

- Nitin Spinners was incorporated in 1992 and started operations in 1993 with small investment of Rs. 2.85 crore. Initially, the company started with very small capacity in open-end spinning and ventured into ring spinning subsequently in 2000.
- The company started the journey when the liberalization and de-licensing happened in India. It is one of the few companies, which reaped the benefit of de-licensing.
- Nitin Spinners is one of the few companies to take the advantage of government's TUFS (Technology Up-gradation Fund Scheme) policy.
- In 2000, the company started with 14,000 spinners and slowly increased the capacities. It was listed in BSE and NSE in 2006. Since then it has been scaling its capacity consistently.
- In 2021, the company had 3 lakh spindles, 3,500 rotors. It has started the latest integrated textiles projects. The company started the project in 2016 and in 2017 and raised fund for the project through QIP following which it completed the project in 2019.
- The company has annual yarn capacity of 75,000 tonne (~200 tonne / day). Further, the company has annual capacity of knitted fabrics of 10,000 tonne (~35 tonne / day). It produces several varieties of knitted fabrics.

Exports

- The company's focuses mainly on exports. It was converted into 100% EoU, about 10 years back. It exports to 65 countries and currently, its exports stand in the range of >60%. Nitin Spinners is engaged in direct exports.
- The company is exporting to all 6 continents and it has diversified market. In domestic markets, it has tied-up with larger brands and bigger players of the textile industry.
- The company continues to focus on producing quality products with utmost efficiency and at the lowest possible cost.
- It has always been focusing on increasing cotton production and reducing logistic cost.
- In last 10 years, the company has secured its raw materials requirement. Lot of synthetic cotton are manufactured in Rajasthan and the company is first to develop the cotton manufacturing in Bhilwara and Chittorgarh in Rajasthan.
- The company has also an advantage of selling the cotton products in the local markets. It has been a very successful story of the company in the last 15-20 years.
- The company has entire

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professional team to look after production, marketing and technology.

9MFY22 Financials

- The company has been witnessing a CAGR of 19% over the last 2 decades.
- During 9MFY22, its revenue grew by 73% YoY to Rs. 1,923 crore with exports of Rs. 1,400 crore compared to Rs. 717 crore in last year.
- EBITDA stood at Rs. 484 crore vs. Rs. 153 crore in the previous year (up 216%). During 9MFY22, its PAT stood at Rs. 241 crore (up 8.25x YoY).
- The company produced 54,000 tonne of yarn in 9MFY22 vs. 46,000 tonne in the year-ago period. Out of total yarn production, 72-73% used for captive consumption. Knitted fabric production stood at 6,100 tonne in 9MFY22 vs. 5,200 tonne in the year-ago period.
- Woven fabric production stood at 198 lakh meters in 9MFY22 vs. 168 lakh meters in the year-ago period. Finished fabric production stood at 154 lakh meters vs. 88.3 lakh meters in the year-ago period.
- The company is strategically enhancing capacities across segments including spinning, knitting, weaving and finishing. It is also increasing its presence in cotton blended yarns and fabrics.
- The estimated project cost will be ~Rs. 950 crore, which will be funded through term loan and internal accruals.

Cotton Price

- Cotton is a cyclical industry and when the raw material prices increase, the company passes on the same to the customers. In yarn industry, it normally takes 1½-2 months to pass on the higher cost.
- In fabric industry, it takes 3-5 months to pass on the increased cost, while it takes ~5-6 months in garments industry.
- Raw material price increased by 65-70% YoY, which was extraordinary. Last year, the cotton price was ~Rs48,000-49,000/candy, which increased to Rs76,000-77,000/candy.
- The company has been able to increase the yarn prices by 30%+. However, in last 1½-month, it could not pass on the higher cost due to resistance.
- Currently, the company passes on the price at slower pace and thus, there is a resistance in increasing the price.

Sustainability Goals

- The company's prime objective is to sustain profitability in order to service the debt, as it has been focusing on balance sheet deleveraging. In the past, the company has successfully reduced its debt.
- The company is trying to vertically integrate the operations to improve margin. It is focusing on value-added products, which yield better pricing and will support in improving the margin.

Yarn Realization

- Current yarn price is higher compared to the last quarter. Though EBITDA/kg remains at same level, it has increased in percentage term. The company sees EBITDA/kg (Rs. 75-80/kg) to sustain, going forward. It expects elevated EBITDA/kg to normalize in the next year.

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- The company expects margin normalization to kick in next year and it will normalize to ~15-18%, depending on location.

Spreads

- Traditionally, the spread stood at Rs. 75-80/kg, which shot up to Rs100/kg and now hovering at Rs90-100/kg. 10 years back, spreads stood at Rs. 45-50/kg. The company does not expect the spread to fall back to Rs. 60-65/kg because of cost of various industries. At most, the spreads may go down to Rs. 75-80/kg. The company is mitigating the high cost by adding value to products and introducing newer products. Its margin may come down to 18-19% from the current level of 24-25%, if spreads declined to Rs. 75-80/kg.

China Factor

- China has been supplying garments to the whole world. China's global garments exports stand at ~US$120-130bn as against US$16-18bn for India and US$25-30bn for Bangladesh.
- These countries are the major suppliers of garments globally, out of which >50-60% produced in Xinjiang. The US and various countries banned this area due to labour practices, owing to which shift is happening to other countries like Vietnam, India and Bangladesh. In this process, some business is coming to India.
- As India's spinning capacity is still half compared to that of China, there is huge leeway for growth.
- Demand for Indian cotton will remain elevated in the next 2-3 years.

Capacity Expansion

- By FY24, the company expects to complete its fully-integrated capacity. While its spinning capacity will be increased by 45% from the current level, weaving/finished goods capacity and knitting capacity would increase by 35% and 30%, respectively.
- The company always expanded the capacity during the downturn. Thus, it did not expand its capacities in the last year.

- The company is trying to diversify its products and also striving to reduce the leverage. It is also keeping its interest cost low in order to improve earnings.

- Major capex was completed just before the onset of COVID-19 pandemic. New capacities utilization: spinning - 98-99%; Weaving - 100%; Processing - 84-85%.

Entry Barriers

- Spinning business has no entry barrier as such, as it has no licensing requirement. Over the years, the company has enhanced its spinning capacity and thus, it enjoys economies of scale. With the kind of automation, AI and robotics, the spinning manufacturing has become upgraded. Thus, it is difficult for the SMEs and MSMEs to enter into the business.

- The second entry barrier is delivery of equipment, which takes >2 years. Thus, when a new player comes to the industry, it needs at least 2 years to start operations. During textile boom, it was noticed that several small players entered into the business. But this time, all brownfield and greenfield expansion were been done by the incumbent textile players.

Location

- The company's transportation cost is not high compared to peers. The transportation to the port takes a night only.

- Due to the cost factors, several manufacturers in the US and Europe use to buy from China. But due Xinjiang factor, the global suppliers are now shifting their requirements to other countries like India and Vietnam. Now, China is utilizing its cotton domestically.

Raw Cotton & Contract Farming

- The company can enter into contract farming in future. However, it is possible only on large-scale with huge land, which is helping the company in backward integration only after suitable farm laws in place. Hence, it is a remote possibility as of today.

- It takes ~2 months to transform the yarn to finished goods.

EBITDA Margins & Return Ratios

- In last 10 years, the company has expanded its capacity by 4x. As the completed project has a gestation period of 1-1½ years, it impacts the RoCE matrix. Projects start generating revenue and return in 1½ years, hence adjusted RoCE would be ~16% vs. average rate of ~11%.

- Its EBITDA witnessed pressure due to various challenges since demonetization and GST roll-out (2016-2017) following which lot of changes happened i.e., closure of small-scale sector and exit of customers. These changes led to margin contraction till 2018-2019. EBITDA margin is expected to remain be in range of 16-20% over next 3-5 years.

Debt Levels

- At present, the company's debt stands at Rs. 960 crore, which is expected to come down to ~Rs. 700 crore. In FY24, after expansion, long-term debt will be at ~Rs. 1,000 crore and working capital would be Rs. 450-500 crore. Short-term debt rose in 4Q due to peak inventory level on account of raw cotton season, which starts in Oct/Nov. In Sept'21 quarter, the working capital was miniscule. Out of Rs. 1,000 crore, almost the entire will be covered under interest subsidy and hence interest cost will be ~2.5-3%.

The company has always been prudent in allocating capital in the past and focuses on single business segment i.e. textile. It strives to build a world-class company through continuous innovation. It has transformed from a converter of commodity and start focusing on products, which can create a lot of value (both in yarn and fabrics segment).

Impact of Russia-Ukraine Crisis

- Direct export to Russia is miniscule being <1%. At this juncture, there are no outstanding or pending export orders to Russia. In Europe, however Nitin Spinners is dealing with 20 countries and the company has an edge in maintaining its market share. Most EU countries are exporting various products to Russia. Russian textile and garments is mainly fed by European manufacturers. Hence, this war would definitely impact Russia. However, we need to watch out how the sanctions impact the textile industry.

Inventory Policy

- For last 10 years, the company hasn't speculated on raw cotton and keeping at certain level based on the order book. Speculation part has been minimized, which has helped the company to fine tune. Most players buy up to March/April and then consume in next 6 months. Whilst the company's inventory policy might impact its margin a bit, it doesn't result in sharp loss due to abrupt jump in raw cotton prices.

Future Capital Allocation

- The company has always been prudent in allocating capital in the past and focuses on single business segment i.e. textile. It strives to build a world-class company through continuous innovation. It has transformed from a converter of commodity and start focusing on products, which can create a lot of value (both in yarn and fabrics segment).

Key highlights of discussion with **Mr. Jagannathan Chakravarthi,** *CFO of Sonata Software*

- The company has been in the business since 1986. It witnessed many ups and downs throughout this journey.
- The company has done a lot of good things for which it has been able to attain the current position.
- Sonata started its journey during the onset of IT boom in the country.
- The company has developed a product of its own, which increased the utilization of RAM. Software product engineering is in the DNA of the company.
- The company tied-up with Microsoft in 1991 for product reselling in India.
- Sonata Software has a strong relationship with the Microsoft, which is its largest customer.
- Sonata is one of the very few companies in the world, which has 360 degree of relationship with Microsoft.
- During the COVID-19 pandemic, the company transformed its business to cloud, which has been helping it to serve the customers better.
- Bad debt is deterrent in the IT business, as the margin is thin. The company's bad debt – as a percentage of sales – stands at the lowest level of 0.2%.
- In last quarter, the company delivered RoCE of 36% and DSO of 32 days. Further, apart from steady decline in working capital, Sonata has healthy operating cash flows.
- Microsoft is launching a lot of power apps and the company is meaningfully contributing on product development front.
- Focus on mid-sized IT companies is the strategy of Microsoft, as economic growth is driven by those companies.
- The company has IP (intellectual property) in travel, distribution and retail space etc.
- Sonata provides customized solutions to the customers and thus, the IP is important.
- Despite competition from the large players, Sonata Software has been delivering in the best possible way, as it is difficult for the large players to do the contracts in low cost.
- Sonata's international business is likely to witness very high growth in the next 4-5 years. The company is also expanding the cloud solution to their clients. Entire IT sector will register strong growth in the next 4-5 years.
- The company does value added reselling business in India, which is growing at a healthy rate.
- It provides data solution, which accounts ~10% of its revenue. The company focuses on growing this segment.
- Travel industry is "wait and watch" for the company. The company does not consider travel business as a growth division owing to lots of uncertainties.
- European summer (July-October) was not good due to lockdown, which impacted its travel division.
- In next 2 years, the company does not see any issue on growth front, barring some supply side constraints owing to high attrition. The company looks forward to high teen growth in the next 2 years.
- The company got I-T refund from old pending cases. It follows 50-60% dividend payout and is very focused on capital allocation.
- Healthcare retail division and logistic are the areas, which are growing at high rate in the western world.
- Average cost of employee increased to Rs13-14 lakh from Rs10 lakh in FY21, which was an exceptional year. However, the IT companies will be able to manage this issue rather efficiently.
- The company has expanded its international business and opened micro delivery centers in Tier-II towns.
- Though the company does not face any competition in Microsoft business domestically, it faces competition on international front. The company is very much integrated from ERP to data solution.
- Whilst the company believes topline would grow at high teens, the bottom-line will be impacted in the short-term due to higher salary and travel cost. The company is confident of achieving EBITDA margin in the range of 25-27% in the coming years.
- The company will continue to reward its shareholders with the dividend and will maintain the payout ratio in the coming years.
- Sonata enjoys A1+ and AA+ rating on short-term long-term debt, respectively.
- The company witnessed short term pressure in bottom-line over the last 2 quarter due to salary hike. Notably, attrition was sequentially lower in 3Q.
- As the company adopted hedging strategy 6 quarters back, it doesn't expect any MTM loss in 4Q.

In last quarter, the company delivered RoCE of 36% and DSO of 32 days. Further, apart from steady decline in working capital, Sonata has healthy operating cash flows.

Economy review

Prime Minister's announcement of net-zero pledge for India at Glasgow CoP-26 in November 2021 will eventually lead to shift of policies in line with evolution of climate technology. As it will set the direction of the Indian companies towards net-zero, the businesses will now have to set sustainability plans to achieve the same. A recent McKinsey research report highlights the opportunities, which stand out on the economics of a net-zero transition. The article was published in Mint and was authored by Mr. Rajat Gupta and Mr. Suvojoy Sengupta, senior partner and leader of sustainability practice, Asia; and a partner and leader of sustainability practice, India at McKinsey & Company, respectively. The said report states that considering a scenario where the world reaches net-zero emissions in 2050, India's capital spending on low-emission assets such as solar firms and EVs is estimated to rise from its current level, 50% of capital spending, to 80% over the next three decades. The report further states that for the companies in many industries—especially those with energy-intensive operations and which produce energy, materials and capital equipment—this shift will come with big changes and cost structures. The authors state that India actually possesses resources and has reserves of key minerals, such as zinc and rare earths, required to make climate technologies. They also state that India ranks in the top quartile for patents related to climate change mitigation and by its count of science, technology, engineering and mathematics graduates. Hence, India can actually take advantage of the opportunities that a net-zero transition would create. In fact, many leading Indian corporations have already taken the onus to reduce carbon emissions and there has been an uptick in number of independent renewable energy producers in the country in recent years, acknowledge the authors. Even steel companies like Tata Steel and JSW Steel have taken initiates under ESG and the concept of net-zero is gaining prominence across sectors. IT, technology companies and even financial companies have certainly increased their focus towards net-zero and strategized policies towards the same. However, the transition is not without challenges, especially for the banking sector, as highlighted by the Reserve Bank of India (RBI) in an article published in March 2022 bulletin.

Considering a scenario where the world reaches net-zero emissions in 2050, India's capital spending on low-emission assets such as solar firms and EVs is estimated to rise from its current level, 50% of capital spending, to 80% over the next three decades.

According to the RBI article titled "Green Transition Risks to Indian Banks", transition to a net-zero carbon emission target could have implications for incomes of industries that indirectly use fossil fuels, and consequently their interest coverage ratio (ICR), which in turn could affect gross non-performing asset (NPA) ratios of banks with exposure to such industries. The report stated that "given the economic costs and benefits of the policies required to tackle climate change, it has become imperative to analyze the related macroeconomic issues, including financial risks". In fact, the central banks across the world have started monitoring financial entities' exposure to climate risk and stress

testing the impact of those risks for macroeconomic stability. To monitor such challenges, the Bank of England has launched the Biennial Exploratory Scenario Analysis; Banque de France uses a sectoral rating-based model and financial models; Bank of Canada evaluates the impact of climate change scenarios on Canadian GDP; and Banco Central de Chile assesses the probability of default. The RBI has also highlighted green finance related issues with its effects on financial stability in the Financial Stability Report (FSR).

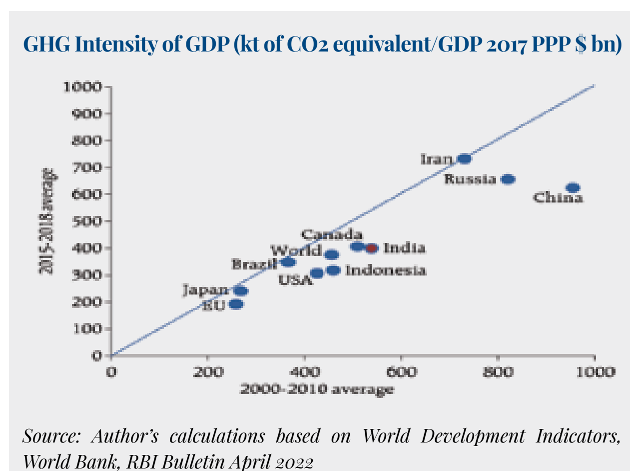
2030 Unconditional According to NDCs

Country	Reduction in Emission Intensity (Percentage reduction from base year)	GHG Intensity 2015-18 average (kt of CO_2 equivalent/ GDP 2017 PPP $ bn)
	1	2
India	30-35	399
China	60-65	624
Indonesia	29	318
EU	29	192
Japan	26	241
Canada	30	406
Brazil	6	348
Russia	25-30	657

Source: RBI Bulletin 2022, https://climateactiontracker.org

Note: The figures in column (1) represent the NDCs according to Paris Climate Agreement 2015. Thereafter, most countries have agreed to revise these targets in COP26 Summit. These commitments are in terms of the percentage reduction in GHG emission intensity (GHG emission/ GDP). The countries listed here are the top emitters as per the total GHG emissions (kt of CO2 equivalent), according to the data published by the World Bank. The major emitters include the USA and Iran. NDCs for USA were not available since the country had withdrawn from Paris Agreement. The source also didn't have data on NDCs for Iran. Reference year for India, China, Indonesia and Canada is 2005. Reference year for EU and Brazil is 2010. Reference year for Japan and Russia are 2013 and 1990, respectively.

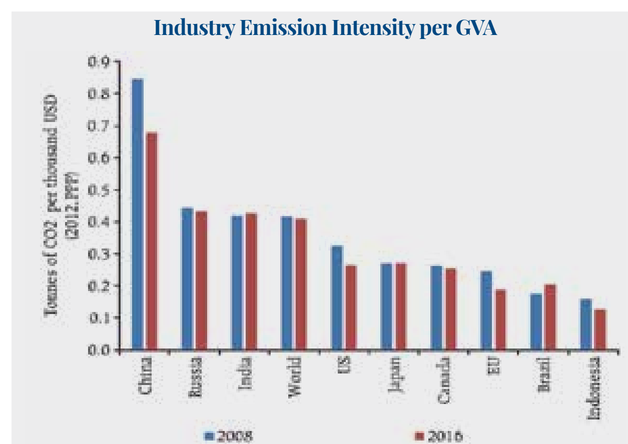
GHG Intensity of GDP (kt of CO2 equivalent/GDP 2017 PPP $ bn)



Source: Author's calculations based on World Development Indicators, World Bank, RBI Bulletin April 2022

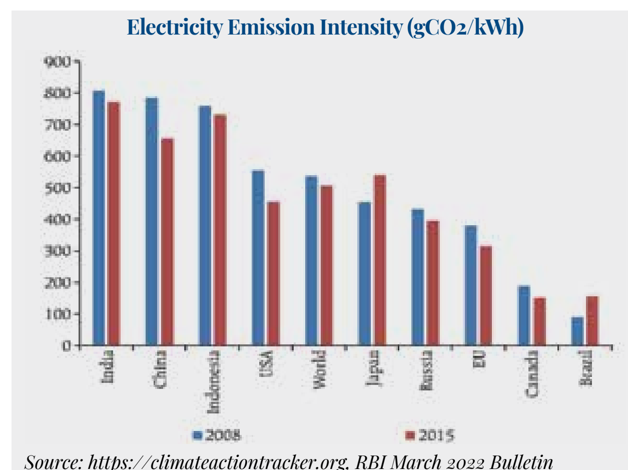
In order to combat the climate change risks, the Paris Agreement was adopted by 196 parties in December 2015 and came into force in November 2016. The goal of the deal is to limit global temperature rise to well below 2 degrees Celsius, preferably to 1.5 degrees Celsius, compared to the pre-industrialization period of last century. The Paris climate deal primarily rests upon country-specific plans for climate action, known as nationally determined contributions (NDCs), which the countries had to submit by 2020. In their NDCs, the countries commit to reduce Green House Gas (GHG) emissions and targets to achieve by 2030. Moreover, from 2024, the countries will track progress as well as report actions, adaptation measures undertaken in a transparent manner as reported under enhanced transparency framework (ETF). Barring Iran, all major countries have made progress in reducing CHG emission intensity measured as ratio to their GDP over 2000-2010 and the post-Paris deal years. The RBI report has clearly stated that for the world as a whole, GHG emission intensity has declined by 18% during 2015-18 from the average during 2000-10 period. Countries like China, Indonesia and USA including EU countries have been the torchbearers to bring this change albeit the figures are on relative basis to GDP. In absolute terms, the USA and EU are the only regions, which brought GHG emission levels lower during 2015-18 from 2000-10 levels. Contrary to the same, GHG emission for the world as a whole was actually higher by 21% during these two periods. Thus, the report stresses on the transfer of appropriate technologies from the advanced economies to the emerging nations to fully counter the adverse effects of GHG emissions.

Industry Emission Intensity per GVA

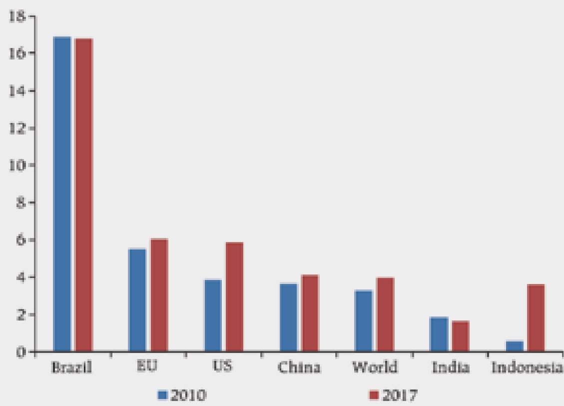


Source: https://climateactiontracker.org, RBI March 2022 Bulletin | Note: the figure for Canada pertains to 2015

Electricity Emission Intensity (gCO2/kWh)

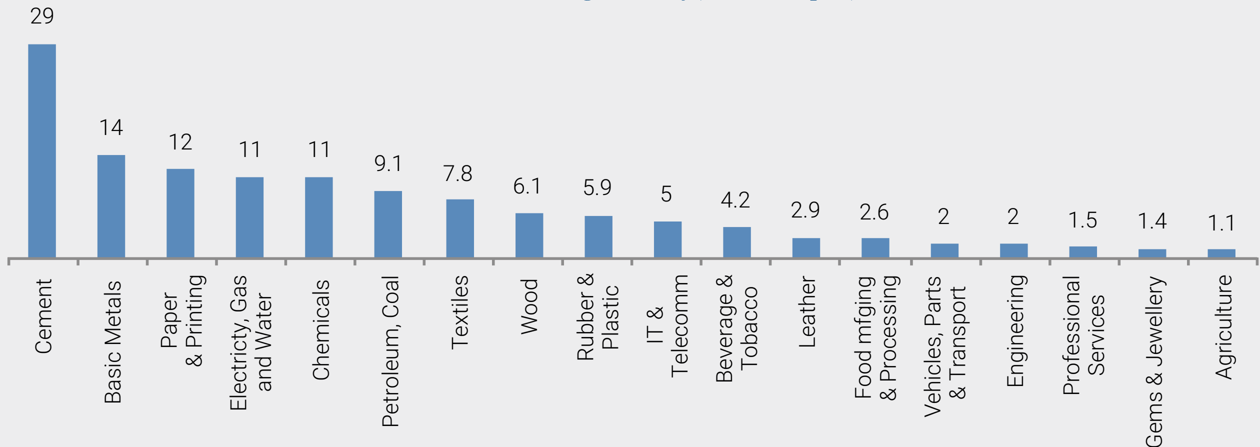


Source: https://climateactiontracker.org, RBI March 2022 Bulletin

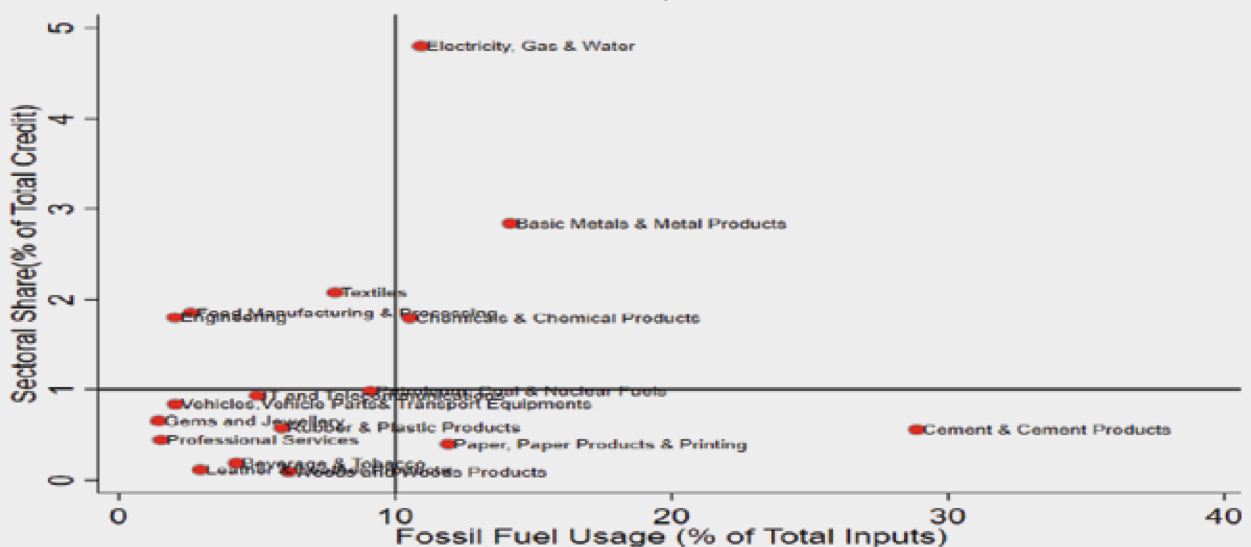


Source: https://climateactiontracker.org, RBI March 2022 Bulletin

The need for the technology transfer is badly felt, as highlighted by the report since the industries in even larger emerging nations like India and Indonesia have showed very little decline in GHG emissions between 2008 and 2015 and rather continue to rank high. China leads the pack in reduction in emission intensity followed by USA and EU. Even when it comes for emission from electricity, China leads with decline in GHG emissions followed by USA and EU, while Japan and Brazil have witnessed increase. India and Indonesia have also reduced GHG emissions from electricity generation between these years. For India, the per cent of domestic transport kilometer powered by zero emissions fuels is very low and have seen a very small change during 2010-2017. There is an urgent need for improvement in emission parameters across major sectors, which use fossil fuels. Thankfully, the present government has raised focus on introducing policy measures to curtail GHG emissions. The RBI report states that there are other policy tools as well including carbon taxation, public investment, public guarantees, Emission Trading System and Feebates etc. However, this increased push towards greener fuel also poses risks towards sectors, which are heavily dependent on fossil fuels.



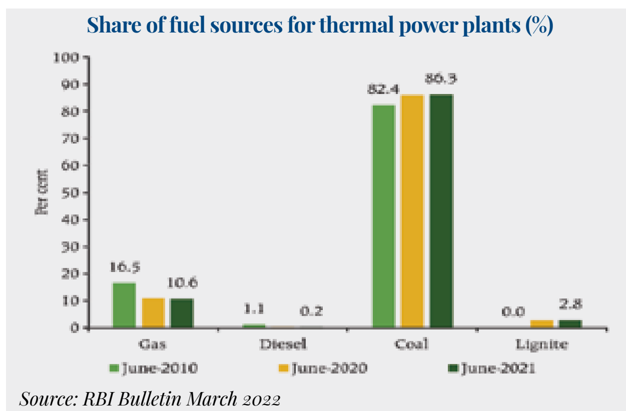
Source: Annual Survey of Industries (ASI), BSR, Author's calculation, RBI March 2022 Bulletin



Source: RBI March 2022 Bulletin

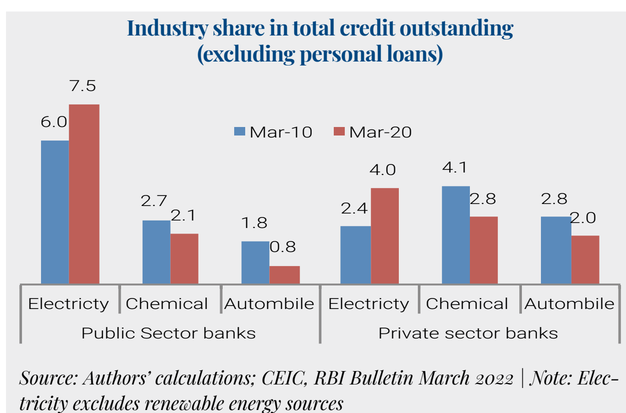
The authors in the RBI report calculated the dependence of various domestic sectors over fossil fuels by using data from Annual Survey of Industries (ASI) for year 2016-17 and thus calculated fuel intensity at the input level after adjusting for non-fossil fuel usage. As derived from the analysis, the cement products and basic metals are two most exposed to fossil fuel as 29% and 14% of total inputs, respectively are sourced from fossil fuel. The banking sector remained as the predominant source of capital for the corporate despite having other options for the corporate to raise funds. Thus, it was important that the RBI report mapped fuel intensity with credit intensity of industries in India to identify vulnerabilities. The RBI report used ASI data for fossil fuel usage intensity and BSR data (as of March 2019) on credit outstanding for each sector for this purpose. Fortunately, sectors like electricity and basic metals which have higher credit intensity have relatively lower intensity to fossil fuels, while the sectors with large exposure to fossil fuel have lower credit shares. Thus, the three sectors i.e., electricity, base metals and chemicals, which have large exposure to fossil fuels, represent only 9% of total outstanding credit. Apart from these sectors, the RBI report has also focused on chemical sector (considering its horizontal and vertical linkages with other sectors of the economy) as well as the automobile sector (due to low per cent of India's domestic transport kilometer being powered by energy efficient fuels). The RBI report states that apart from electricity, chemicals and automobiles, other sectors may be indirectly dependent on fossil fuels by the virtue of using electricity, petrol/diesel and coal in their production processes. Thus, the RBI study would look at both the direct and indirect impact on bank credit.

Share of fuel sources for thermal power plants (%)



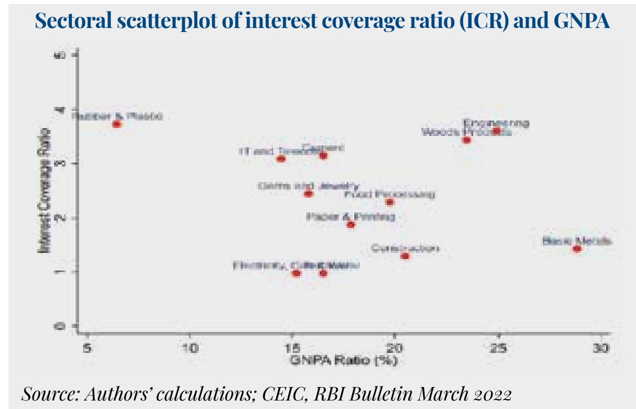
Source: RBI Bulletin March 2022

Industry share in total credit outstanding (excluding personal loans)



Source: Authors' calculations; CEIC, RBI Bulletin March 2022 | Note: Electricity excludes renewable energy sources

Sectoral scatterplot of interest coverage ratio (ICR) and GNPA



Source: Authors' calculations; CEIC, RBI Bulletin March 2022

The RBI study observes an anomaly in the electricity sector. While the share of renewable energy sources (RES) increased during 2010-2021, the share of thermal energy plants has remained unchanged during the same period. Thus, the increase in the share of RES plants has been at the cost of other types of plants like hydro and nuclear. On the contrary, the share thermal power plants using coal as fuel, increased from 82.4% to 86.3% during 2010-2021. For chemical sector, while the direct usage of fossil fuels is limited, the same is through usage of energy, which is again dependent on fossil fuels. India's automobile sector is witnessing massive changes in emission norms as well as targets to move to cleaner vehicles and eventually EVs. The International Energy Agency (IEA) has however estimated that only 30% of the total vehicles in India will be electric by 2030. More importantly, as the report observes, while the automobile sector makes a 100% switch to EVs, electricity generation is mainly dependent on fossil fuel, hence the automobile sector will still be indirectly dependent on fossil fuels. As far the direct impact to bank credit is concerned, the share of electricity in bank credit has increased in last decade and the rise is sharper for private sector banks than public sector banks. On the contrary, the share of bank credit for chemical as well as automobile sector has declined in last decade for both public sector as well as private banks. Thus, as stated before, the direct exposure of the banking sector to the three fossil fuel-based industries may not be alarming and at ~10% for public sector banks and ~9% for the private sector banks. For indirect exposure, the RBI study states that almost all sectors in India are indirectly exposed to fossil fuel by virtue of using electricity, petrol/diesel and coal in their production processes. As stated before, the sectors which have high fossil fuel intensity (as percent of total inputs) are cement, basic metals, paper products and textiles. The authors make a crucial assumption that on account of transition to green energy and shift in input mix, there could be rise in input cost in these sectors in the short-term. Depending on market structure, the higher cost could either be passed on to the end consumers or absorbed by the firms themselves. In case it is absorbed, it will hit EBITDA of the firms and thus eventually leading to worsening of their capabilities to service loans. The phenomenon will eventually transpire into increase in GNPA ratio of such affected sectors and thus may require close monitoring during the transition to green energy.

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 –

Fabcurate

Fabcurate is an innovative fast-growing startup that is revolutionizing the fabric printing space. Through their asset-light model, they have created a platform for fashion designers, boutiques etc. to order the most fashionable fabrics to create the latest trends in the fashion space. Fabcurate ensures that the quality of the fabrics is best & source from traditional fabric merchants who are the masters of traditional craft.

Fabcurate came into existence recognising the need of making the best fabrics available to all the creators out there without the need for a "Minimum Quantity Limit". Thus Fabcurate enables young & small designers & businesses to thrive by providing fabrics that are even 1 metre long.

Recur Club

Recur Club is a one-of-a-kind trading platform for recurring revenue companies allowing them to trade their contracts/subscriptions & get upfront capital instantly without diluting equity or taking on restrictive debt

The marketplace has unlocked an all-new asset class - Recurring Revenue Streams (across industries like SaaS, D2C brands, IT services, Furniture leasing, Managed workspaces, ISV's, and many more).

Bonomi

BONOMI is a new-age beverage start-up in Bangalore founded by Armaan & Vardhman (ex-Uber, Dunzo, CRED, Kyt).

BONOMI creates ready to drink cold **brew coffees**, both speciality & flavoured coffee. The coffee is sourced from Chikmaglur & Coorg, roasted in Bangalore, ground, brewed, & bottled in house. They are also building a **house of ready to drink beverages** with a focus on digital first distribution, real ingredients, & a design forward brand driven by user love.

In the last 9 months, they have sold 4000+ bottles through their website, dark stores, & coffee experiences & are currently at an ARR of INR 70L.

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.

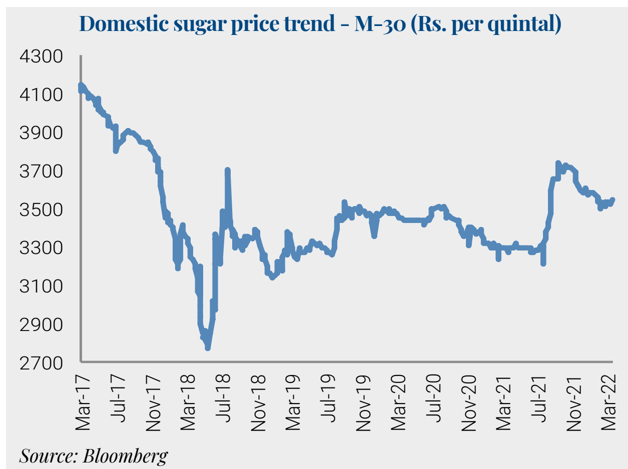
SUGAR:
SHATTERING THE BITTER PHASES

The sugar industry is on the cusp of a mega transformation and has emerged as a potent driver of clean energy, as it has been driving India's shift to renewable energy faster than ever. The sugar industry is entering a multi-year up-cycle driven by landmark initiatives by the government to connect this sector with the need for clean energy. Over the last three years, the government has helped in creating robust demand for ethanol, which allowed the industry to diversify risks, enhance revenue streams, contribute to national energy security and make the world cleaner. The National Biofuel Policy'18 followed by Niti Aayog's Ethanol Roadmap released on 5th June 2021 address these four priorities. Indian sugar industry is transforming through cathartic changes with various government measures to make business models more viable by introducing the of concept of Minimal Selling Price (MSP) for sugar and increasing the ethanol-blending target to 10% by 2022 & 20% by 2025 to avoid the losses in sugar business.

As per ISMA's latest estimates, total net sugar production for Sugar Season (SS) 2021-2022 is estimated at 31.45 million tonne after considering higher diversion of sugar of 3.4 million tonne towards ethanol production as against diversion of 2.07 million tonne in SS 2020-2021. In mid-March, the ISMA, the apex trade body had revised its export estimates to 75 lakh tonne, up from the earlier 60 lakh tonne. However, with the crude prices seeing a sharp increase in recent weeks due to the Ukraine-Russia conflict, resulting in higher freight cost, Indian exporters, supported by higher domestic output, are seen having an edge over their Brazilian counterparts. Moreover, with the price of Brent crude surging past $100-mark amid concerns over supply disruptions after Russia's invasion of Ukraine and an imminent steep hike in domestic fuel prices, the Centre's ambitious Ethanol Blending Programme (EBP) may get a shot in the arm. On the pricing side, even though the sugar prices have come off the recent peaks both in domestic and global markets, they continue to remain higher compared to last year. International sugar prices are expected to remain high in the near-term due to anticipated supply deficit and current disruptions caused by the global turmoil. Thus, the domestic prices will be well-supported by higher international sugar prices.

The government has helped in creating robust demand for ethanol, which allowed the industry to diversify risks, enhance revenue streams, contribute to national energy security and make the world cleaner.

With the spike in crude prices, ethanol blending is given higher preference in global markets (including Brazil and India), which will help the prices to remain firm in the medium-term.

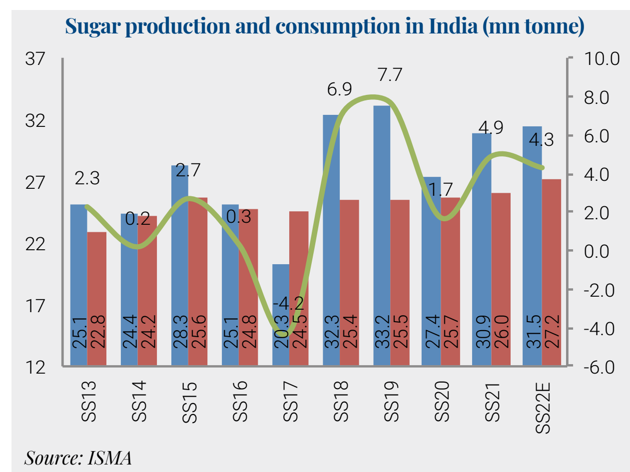


Source: Bloomberg

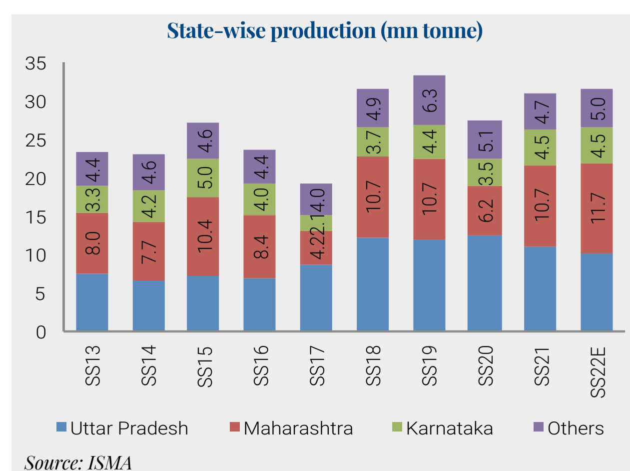
Source: Bloomberg

Upward revision in sugar production estimate

Releasing its second advance estimates, ISMA said "the country is expected to produce 314.5 lakh tonne of sugar in 2021-22 season." Sugar marketing year runs from October to September. Sugar output stood at 311.8 lakh tonne in 2020-21 season. This is after considering an estimated diversion of sugar equivalent of 34 lakh tonne for production of ethanol by means of diversion of sugarcane juice /syrup or B-heavy molasses. Sugar production in UP stood at 102 lakh tonne in SS 2021-22 as against 110.59 lakh tonne in the previous year due to lower cane yields and lower recoveries along with much higher diversion of sugar for production of ethanol by way of diversion of B-heavy molasses and sugarcane juice. It is estimated that about 12.55 lakh tonne of sugar will be diverted for ethanol production by the sugar mills in UP in the current year compared to ~6.9 lakh tonne diverted in 2020-21. Maharashtra is expected to produce about 117 lakh tonne in 2021-22 as against 106.5 lakh tonne in 2020-21. Higher estimated sugar production this year is mainly attributable to increased cane area by ~11% and better cane yields and higher sugar recovery compared to the last season. Based on the allocations made by the OMCs for supply of ethanol in 2021-22 so far and expected allocation in the current season, it is estimated that sugar mills in Maharashtra will divert ~11.27 lakh tonne of sugar equivalent for production of ethanol in the current year, which is much higher compared to ~7.12 lakh tonne in 2020-21. Karnataka is expected to produce ~45.21 lakh tonne of sugar in 2021-22 as against 44.68 lakh tonne produced in 2020-21. Mills in the state are expected to divert ~7.37 lakh tonne of sugar equivalent for ethanol production in the current year compared to ~5.02 lakh tonne diverted in 2020-21. With the demand for sugar picking up, the association estimated that the domestic sugar consumption would be ~270 lakh tonne in 2021-22. As export contracts for ~65 lakh tonne have already been entered into, the market is very positive that India will be able to export 75 lakh tonne in the current season quite comfortably by the end of September 2022.



Source: ISMA



Source: ISMA

Sugar Production as on March 2022

During SS 2021-22, 516 sugar mills started crushing operations as against 503 mills in last year i.e., 13 more mills operated this year. 283.26 lakh tonne of sugar have been produced till 15th March 2022 as against 259.37 lakh tonne last year by 15th March 2021 i.e. higher by 23.89 lakh tonne. As on 15th March 2022, 81 mills have stopped crushing and 435 sugar mills in the country

were still crushing compared to172 mills had stopped operations on 15th March 2021 and 331 mills were operating then. In Maharashtra, sugar production stood at 108.95 lakh tonne compared to 94.05 lakh tonne in the year-ago period. UP has produced 78.33 lakh tonne of sugar compared to 84.25 lakh tonne as on 15th March 2021. In case of Karnataka, 72 sugar mills have produced 54.65 lakh tonne of sugar compared to 41.95 lakh tonne in the year-ago period. With 15 mills, Gujarat has produced 9.15 lakh tonne of sugar compared to 8.49 lakh tonne till 15th March, 2021. Tamil Nadu has produced 5.75 lakh tonne of sugar compared to 4.16 lakh tonne in the year-ago period. Other states i.e., Andhra Pradesh/Telangana, Bihar, Uttarakhand, Punjab, Haryana, Madhya Pradesh, Chhattisgarh, Rajasthan and Odisha have collectively produced 26.43 lakh tonne of sugar till 15th March, 2022.

> **According to ISMA, India's sugar exports are estimated to increase 15.38% YoY to 7.5 million tonne in SS 2021-22, due to likely rise in demand amid the possibility of a global deficit.**

On the ethanol front, against the total LOI quantity of 416.33 crore liters, 113.17 crore liters have been supplied as on 13th March' 2022. Out of the total supply so far, ~86% comprises of ethanol made from sugarcane juice / B heavy molasses. Contracted quantity as on date is of 391.85 crore liters as against LOIs of ~416 crore liters issued by the OMCs. On an average, the country has achieved a blending percentage of 9.45% till mid-March since December, 2021.

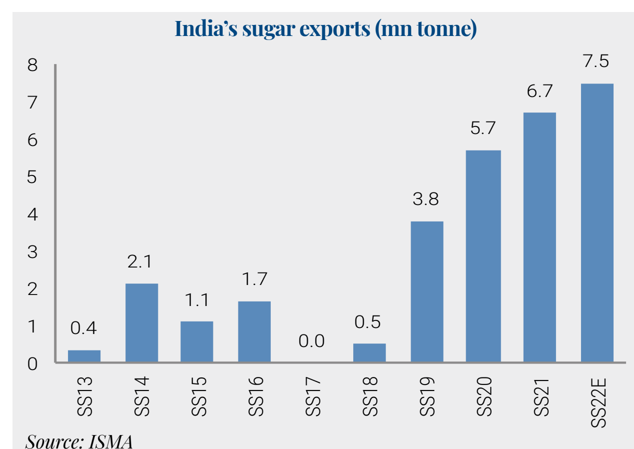
As per reports from the trade, ~64-65 lakh tonne of sugar export have been contracted for so far. Out of which, ~47 lakh tonne have been physically exported from India till the end of February, 2022 in the current sugar year compared to ~17.75 lakh tonne in the year-ago period. Further, considering the pipeline, the physical exports are expected at ~55-56 lakh tonne by the end of this month. Accordingly, it is estimated that in the current season, Indian sugar industry should be able to export 75 lakh tonne, which will be a record feat.

With an opening stock of 82 lakh tonne, considering estimated domestic consumption of 272 lakh tonne and production of 314.5 lakh tonne, the export of 75 lakh tonne will help reduce the closing stocks of sugar at 50 lakh tonne on 30th September, 2022. This will be 77 lakh tonne lower than 145 lakh tonne 3 years back (as on 30th September, 2019).

Sugar exports accelerate

Indian sugar mills signed contracts to export 550,000 tonne of the sweetener in recent days, as surging global prices and a weak rupee made overseas sales lucrative. Higher exports from the world's second-biggest sugar producer could check the rally in global prices, which have been buoyed by a spike in crude oil prices and lower output in top exporter Brazil. The shipments will also help India reduce its stockpile and support the local prices of the sweetener and crucial in ensuring millions of cane farmers get government-mandated prices. Indian mills have so far signed contracts to export 6.4 million tonne of sugar in 2021/22, dealers estimate. Out of this, ~5 million tonne have already been shipped. India had exported a record 7.2 million tonne of sugar in the previous season, taking advantage of government subsidy for overseas sales. But this year, mills could export 7.5-8 million tonne without government incentives. Local sugar prices could have fallen sharply because of the record output but the export demand is supporting. The rupee depreciated to a record low this week, increasing traders' margin from overseas sales. Weak rupee and strong global prices support India's sugar exports. If the government does not impose any restrictions on exports, then exports could rise to 8 million tonne.

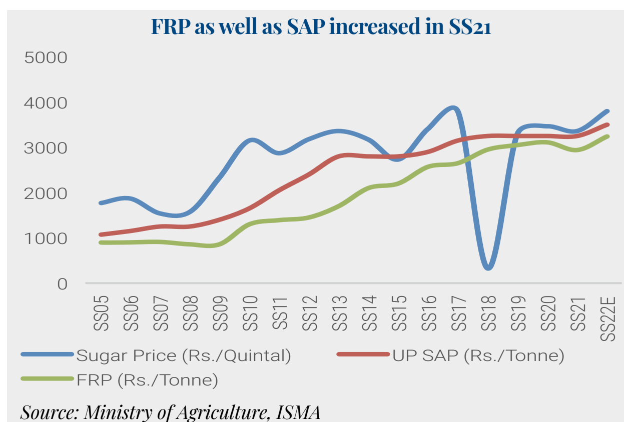
According to ISMA, India's sugar exports are estimated to increase 15.38% YoY to 7.5 million tonne as against 6 mn tonne estimated earlier in the current marketing year 2021-22, due to likely rise in demand amid the possibility of a global deficit. The country has physically exported 4.2 million tonne of sugar till February of the current marketing year, against the export contracts already undertaken for shipment of 6 million tonne. Higher exports from India are possible, as the International Sugar Organization (ISO) has indicated a global deficit of ~1.93 million tonne for 2021-22 marketing year (October-September). Indian exporters are likely to ship another 1.2-1.3 million tonne in March, taking the total physical exports to 5.4-5.5 million tonne.



Source: ISMA

Hike in FRP and SAP

After the central government increased cane Fair and Remunerative Price (FRP) to Rs324/quintal for sugar season 2021-22, the UP government also increased cane State Advised Price (SAP) to Rs350/quintal. The UP farmers had demanded SAP to be increased to >Rs400/quintal, citing a hike in farm input cost, including diesel, labour and fertilizer. This is the second successive year the UP government has increased SAP. Increased cane prices is expected to not go will for the sugar industry, as the companies are still struggling with cash-flow, as they are carrying higher inventory from last year. However, seeing the current scenario, situation is favourable for the companies, as the sugar price has increased along with higher export and higher sugar recovery rates, which would improve their margin.

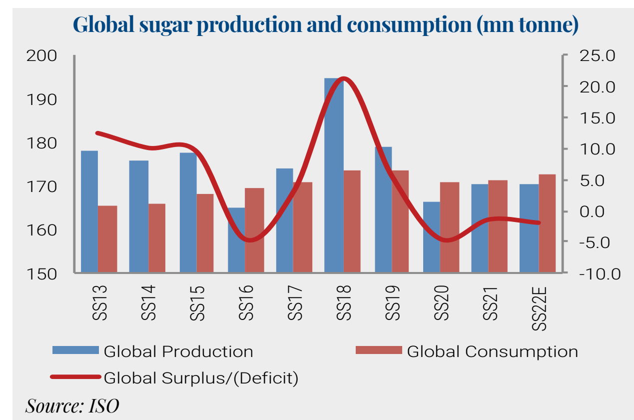


Source: Ministry of Agriculture, ISMA

Global sugar deficit to widen

The ISO has trimmed its forecast for an expected global sugar deficit in the 2021/22 season (October/September) to 1.93 million tonne from a previous projection of 2.55 million tonne, which is albeit higher than 1.4 million tonne deficit in 2020-2021. According to ISO, the cut was primarily by a downward revision in its consumption forecast to 172.44 million tonne from the earlier forecast of 173.03 million tonne issued in November. Global sugar production in 2021/22 was raised marginally to 170.51 million tonne, up from 170.47 million tonne seen previously. The ISO said the outlook for prices was neutral to bearish. The current geopolitical tension has led to ~15% rise in global price of raw sugar to US$20/lb over the past two months, which translates into Rs35.5/kg. However, the global prices have no direct impact on domestic sugar prices due to government measures of MSP and release mechanism. Rally in global prices along with government export subsidies would boost export prospects for India.

India will need 1020 crore liter of ethanol capacity by 2025E to reach 20% blending rate target which help to reduce export dependency for sugar and cut imports of fuels, besides cleaning up the environment.



Source: ISO

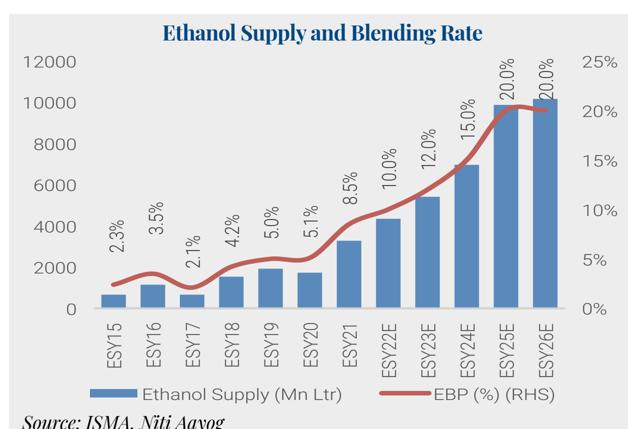
Ethanol blending programme to change industry fundamentals

The government has been focused on the EBP (Ethanol Blending Programme) through various measures including higher ethanol prices for B-Heavy and sugarcane juice. With the aggressive government approach to increase the ethanol blending to 10% by 2022 and 20% by 2025, the sugar companies are witnessing a massive expansion of distillery capacities. The OMCs would require ~450 crore liter for 10% ethanol blending with petrol against the current production of ~800 crore liter. India will need 1020 crore liter of ethanol capacity by 2025E to reach 20% blending rate target. To reduce export dependency for sugar and cut imports of fuels, besides cleaning up the environment, the government approved the National Policy on Biofuels in 2018 to achieve 20% blending of ethanol in petrol by 2030. In January 2021, the target of achieving 20% ethanol-blending was preponed to 2025. The blending of ethanol has been increased to 9.45% in ongoing SS 2021-2022 from 8.5% blending achieved in SS2020-2021. Thus, blending has increased by over 11% in the current SS. The Cabinet Committee of Economic Affairs (CCEA) has raised the ex-mill price of ethanol derived out of C-grade molasses from Rs45.69/liter to Rs46.66/liter. Ex-mill price of ethanol derived from B-grade molasses and sugarcane juice routes was increased from Rs57.61/liter to Rs59.08/liter and from Rs62.65/liter to Rs63.45/liter, respectively. These prices have been improved in an environment of raising crude oil prices to encourage mills to produce more ethanol. Moreover, the government is also giving interest subvention for distillery capacity expansion. It is expected that increasing blending levels and sugarcane diversion towards B heavy ethanol would benefit integrated sugar companies and distillery business to continue to drive growth in the medium-term.

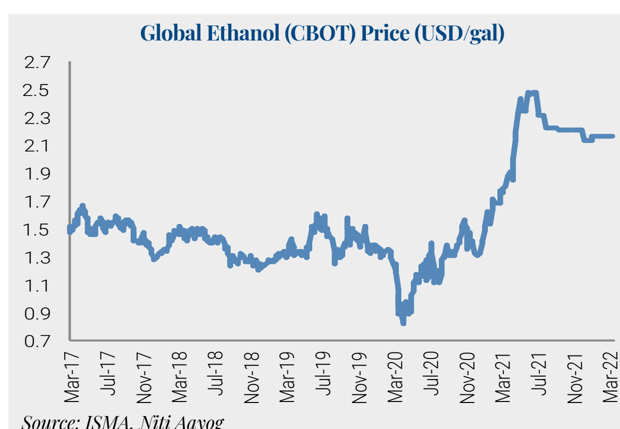
India's ethanol production and blend rate (Million Litres)

Calendar Year	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021E
Opening stock	125	33	60	60	75	61	128	150	300	146	416
Production	1681	2,154	2,057	2,002	2,292	2,061	1,671	2,692	2,552	2,981	3,178
Imports	61	5	108	193	204	432	722	607	704	722	750
Exports	119	177	233	180	165	136	141	129	50	133	140
Consumption	1715	1,955	1,932	2,000	2,345	2,290	2,230	3,020	3,360	3,300	4,120
Fuel Ethanol	365	305	382	350	685	1,110	675	1,500	1,890	1,730	2,700
Closing stock	33	60	60	75	61	128	150	300	146	416	84
Blend Rate (%)	1.8	1.4	1.6	1.4	2.3	3.3	1.9	3.9	4.5	5	7.5

Source: USDA



Source: ISMA, Niti Aayog



Source: ISMA, Niti Aayog

Distillery capacity

Company	Distillery capacity (KLPD)	Capacity addition (KLPD)	Total enhanced capacity (KLPD)
Balrampur Chini Mills	560	490	1,050 (Q3FY23)
Triveni Engineering	320	340	660 (Q1FY23)
Dhampur Sugar Mills	500	150	650 (FY24)
Dalmia Bharat Sugar	590	Recently expanded	590
DCM Sriram	350	120	470 (Q2FY23)
EID Parry	327	120	447 (Q3FY23)
Dwarikesh Sugar	163	175	338 (Q1FY23)
Avadh Sugar	325	Recently expanded	325
Magadh Sugar	150	Recently expanded	150

Source: Company, Industry Report, Ashika Research

High crude prices may spur ethanol blending

With the price of Brent crude surging past $100-mark amid concerns over supply disruptions after Russia's invasion of Ukraine, and imminent steep hike in domestic fuel prices, the Centre's ambitious Ethanol Blending Programme (EBP) may get a shot in the arm. The country is dependent on imports to meet >80% of its oil demands. In 2020-21, state-run OMCs sold 3,672 crore liter of ethanol-blended fuel, representing a foreign exchange saving of Rs9,580 crore ($1.3 billion).

According to ISMA, the country has an annual ethanol capacity to make 722 crore liters currently, which will reach 1,500 crore liter by 2025. In 2020-21, the OMCs were supplied 302 crore liter of ethanol with which the country achieved an average blending of 8.1%. India's ethanol blending has seen a sharp rise in the last five years, from 2.07% in 2016-17 to 8.10% in 2020-21. To help reduce its dependence on costly oil imports and provide farmers with an additional source of income, the central government last year brought forward the target to achieve 20% ethanol blending with petrol from 2030 to 2025. It is expected that the country will achieving 10%

blending target by the end of FY22 and 20% by 2025 but to meet the target, both the production and demand sides need to work in tandem.

According to the Niti Aayog's roadmap for ethanol blending, India's net import of petroleum in 2020-21 was 185 million tonne at a cost of $55 billion. A successful E20 programme can save $4 billion per annum (Rs30,000 crore). With a view to enhancing ethanol production capacity in the country, the central government has notified two interest subvention schemes in 2018 and 2019 for molasses-based distilleries, under which the interest subvention at the rate of 6%/annum or 50% of the rate of interest. As per the Niti Aayog's ethanol production projections, India will have 1,016 crore liters for 20% ethanol blending by 2025-26, out of which 466 crore liters would be grain-based ethanol, while the rest would be molasses based.

According to Abinash Verma, DG of ISMA, "we are confident of having enough production capacity to supply the required estimated 1020 crore liters by 2025. The industry has shown a lot of interest in scaling up production, but what needs to be worked now is to augment the demand said too, which includes getting augmenting the storage capacity in the depots for off-take of capacity and dispensing at retail pumps, which will can provide both E10 as well as E20 fuel. We also need the auto companies to come up with the right kind of cars and two-wheelers that are E20 compatible for the programme to be successful." He further said that while the production of ethanol can be preponed, the demand cannot be preponed, as the auto manufacturers would need time to start rolling out E20-compatible vehicles. From April 2023 onwards, E20-compatible vehicles will start rolling out and we expect that by 2025, as many as 25-30% of vehicles on the streets would be E20-compatible. But we need more time to see 100% E20-compatible vehicles.

Domestic and global demand-supply scenario

in million tonne	SS11	SS12	SS13	SS14	SS15	SS16	SS17	SS18	SS19	SS20	SS21	SS22E
Opening stock	5.0	5.9	6.6	9.3	7.5	9.1	7.8	3.9	10.7	14.7	10.7	8.9
Production	**24.4**	**26.3**	**25.1**	**24.4**	**28.3**	**25.1**	**20.3**	**32.3**	**33.2**	**27.4**	**30.9**	**31.5**
YoY growth	29%	8%	-5%	-3%	16%	-11%	-19%	59%	3%	-17%	13%	2%
Uttar Pradesh	6.0	7.0	7.5	6.5	7.1	6.8	8.8	12.1	11.8	12.6	11.1	10.2
Maharashtra	9.1	9.0	8.0	7.7	10.4	8.4	4.2	10.7	10.7	6.2	10.7	11.7
Karnataka	4.1	3.8	3.3	4.2	5.0	4.0	2.1	3.7	4.4	3.5	4.5	4.5
Others	5.2	6.5	6.3	6.0	5.8	5.9	5.2	5.8	6.3	5.1	4.7	5.0
Imports	0.0	0.0	0.7	0.1	0.0	0.0	0.5	0.2	0.0	0.0	0.0	0.0
Local consumption	**20.8**	**22.6**	**22.8**	**24.2**	**25.6**	**24.8**	**24.5**	**25.4**	**25.5**	**25.7**	**26.0**	**27.2**
YoY growth	-2%	9%	1%	6%	6%	-3%	-1%	4%	0%	1%	1%	5%
Exports	2.6	3.0	0.4	2.1	1.1	1.7	0.0	0.5	3.8	5.7	6.7	7.5
Closing stock	**6.0**	**6.6**	**9.2**	**7.5**	**9.1**	**7.7**	**4.1**	**10.5**	**14.6**	**10.7**	**8.9**	**5.7**
Surplus/Deficit	**3.6**	**3.7**	**2.3**	**0.2**	**2.7**	**0.3**	**-4.2**	**6.9**	**7.7**	**1.7**	**4.9**	**4.3**
Global Production	**162.2**	**172.3**	**177.8**	**175.9**	**177.6**	**164.9**	**174.0**	**194.6**	**178.9**	**166.3**	**170.5**	**170.5**
YoY growth	6%	6%	3%	-1%	1%	-7%	6%	12%	-8%	-7%	3%	0%
Brazil	38.4	36.2	38.6	37.8	36.0	34.7	39.2	38.9	29.5	30.3	42.1	36.0
India	26.6	28.6	27.3	26.6	30.5	27.4	22.2	34.1	33.1	28.9	33.8	31.5
Thailand	9.7	10.2	10.0	11.3	10.8	9.7	10.0	14.7	14.2	8.3	7.6	10.0
Global Consumption	**155.3**	**159.6**	**165.3**	**165.7**	**168.0**	**169.5**	**170.8**	**173.4**	**173.3**	**170.8**	**171.1**	**172.4**
Global Surplus/(Deficit)	**7.0**	**12.8**	**12.6**	**10.1**	**9.5**	**-4.6**	**3.2**	**21.2**	**5.6**	**-4.6**	**-1.4**	**-1.9**

Source: ISMA, ISO, Industry

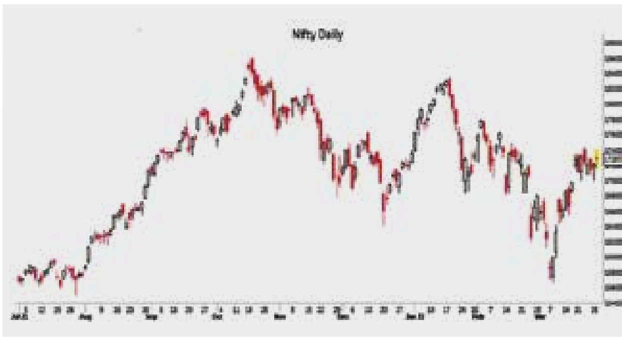
Technical view

Escalating geopolitical tension and spiraling crude oil prices led the domestic benchmark Indices, Nifty and Sensex to plunge at the beginning of the month but later short squeeze propelled the Indexes to trade higher recovering the bulk of the losses to end with a gain of 6.4% and 6.0%, respectively in March. BSE Mid-cap and Small-cap indices also felt the blunt but later recouped losses to end with a gain of 9.3% and 10.1%, respectively. The current scenario though continues to remain pessimistic and market movement is likely to stall owing to tapering, high inflation, emergence of new COVID variants, unexpected jolt from Russia-Ukraine war, rising crude oil price and intensified selling pressure by the FIIs. While wild gyration were seen amongst the major asset classes for the past couple of weeks, Indian market staged a sharp recovery, as Nifty moved from 15,700 low to 16,700. On sectoral front, the Metal Index was able to buck the trend gaining 23.5%, on the back of consistent rise in metal prices due to sanctions against Russia, which opens a window of opportunity for Indian metal exporters. On the other hand, Auto Index was the top loser recording losses by 1.0%, as semiconductor shortage continues to take a toll on production. Traditionally defensive stocks from the IT, Pharma, FMCG and Consumption space might unfold in the event of any imminent consolidation.

Technical Observation

On technical parlance, market extended gains for the second consecutive week after gaining support at ~15,600-level following sharp correction in the beginning of the calendar year. Nifty started the month with some choppiness and gestured fragility right from the beginning. Downward sloping channel pattern on the daily time frame suggested that the market might remain range-bound in March market with negative bias. However, buying demand emerged in the vicinity of key support threshold of 15,600, which had been the crucial resistance in during Feb'21-July'21 period. Hence, resistance has turned support now which helped the index to recover some of initial losses. Now, the Index raced to fill the gap area of 17,100-17,300 and presently heading towards the previous swing highs of 17,800-level. Trend reversal or rather the elevated support base for the market is now seen at 16,800-16,900. The intermediate carnage in Nifty seems to have halted for the time being, as it was able to sustain above the key support level of 16,800 and initiated a higher-high, higher-low formation for the past couple of weeks on a closing basis. The level of 17,800-17,900 would act as intermediate resistance. Scaling and sustaining the said resistance amidst global volatility would change the short-term outlook to positive.

Equity benchmarks witnessed an extended gain for the second consecutive week was mainly led by cool-off in commodity prices and VIX, which boosted the market sentiments that also provided impetus to global recovery. Nifty ended the month at 17,287 (up 6.4%). In the process, Nifty Mid-cap and Small-cap indices relatively outperformed by gaining 9.3% and 10.1%, respectively. Sectorally, financials, auto, IT and realty remained at the forefront during the month. The recent pattern breakdown that happened was when Nifty violated and broke down from the bearish descending triangle pattern and the 200DMA. During the month, Nifty staged an equally remarkable rally in the form of technical pull-back. The weekly price action formed a strong bull candle carrying a higher high-low, scaling the 200DMA at 17,000 indicating continuance of positive bias. Key point to highlight is that the index closed above its previous week's high after eight weeks of corrective phase and also indicating of a pause in downward momentum. As a result, the index retraced 61.8% of January-March decline (18,350-15,671), placed at 17,300, in line with past two occasions, since October 2021.



On the oscillator front too, Nifty made a sharp lower-low, while the RSI did not, which resulted in with a bullish divergence of RSI against the price. However, for pull-back to continue, Nifty needs to defend the most important support point placed at 16,800-level. On the weekly time-frame if it closes below the 50 zone, it would be quite damaging for the market technically. MACD is still bearish, as it is still below the signal line for the past few weeks. On the other side, directional indicators are not giving any positive signs. ADX flattened at 20-level mark. Though the –DMI is lower than the +DMI with consecutive higher highs, ADX indicates weakness in the trend. Nifty had been able to scale above the 200DMA and sustenance above which would indicate of change in trend.

Formation of higher peak and trough along with multi sector participation further signifies positive bias. Over the past few weeks, the broader market indices have undergone healthy consolidation above 52 weeks EMA which has set the stage to witness catch up activity with its large-cap peers in the coming sessions. Nifty has the momentum to climb to much higher levels, as seasonally the month of March offers a good reason for an important market bottom. Hence, focus should be on accumulating quality mid-cap stocks and temporary breather should not be construed as negative. Instead dips should be capitalized on as incremental buying opportunity to ride the next leg of up-move towards 18,000. The 18,000-level has an added significance, as it coincides with 80% retracement of entire corrective phase since October 2021 (18,604-15,671) followed by Downward slanting trend-line drawn adjoining October-January highs (18,604-18,350). While strong base formation above 50 days EMA amid shallow retracement displays strength hence further reinstates of the elevated support level at 16800 as it is 38.2% retracement of recent up-move (15,671-17,442).

On the retracement principle, two different time cycles are being considered to determine the next trend deciding level for the Index. First major cycle for the short-term trading perspective is the recent correction i.e. Jan'22-Mar'22 (Low: 15,670; High: 18,350), while the second short-term corrective decline being the correction since Oct'21-Dec'21 (High: 18,604; Low: 15,670). The two said retracement levels conjoint around a singular point i.e. around 16,700-16,800, which is expected to be the crucial support for Nifty and sustenance above which would maintain a positive outlook. Further, the projected retracement in Nifty too is facing strong resistance at ~17,555-17,600 (weekly chart low: 14;151; high; 18,604; and low: 15,671). As per the extension theory breach of immediate resistance would invite upside till 18,150 (150% retracement). Hence, the said theory indicates Nifty is likely to change trend only at the breach of immediate resistance zone of 17,555-17,600.

As per Elliot Wave theory, start of impulse wave counted since July'21 and rally from 15,513 to 18,604 would unfold into wave 1-2-3-4-5 and thereon correction from 18,604 till present day unfolds a Zig-Zag corrective wave pattern. Wave C seems to have ended with the principle of equality (Wave A = Wave B), where maximum downside was projected at 15,900-16,000 level. Contracting triangle that unfolds since the beginning of the calendar year also reinstates that maximum downside might be limited till 15,800. Therefore, only a decisive close below 15,800 would lead to further acceleration of decline towards 15,100-15,300, as it is confluence of February 2021 swing high. Thus, though volatility is likely to remain high, but it seems unlikely to breach the 15,800-level mark. An alternate count is also very valid, where the price breached the trended channel and could be heading towards 18,000-18,200-level, as present count unfolds a complex Zig-Zag (Flat or Double combination Zig-Zag formation) before continuing its corrective mode below 15,800-level.

The 18,000 level has an added significance, as it coincides with 80% retracement of entire corrective phase since October 2021 (18,604-15,671) followed by Downward slanting trend-line drawn adjoining October-January highs (18,604-18,350).

Looking ahead, the index to witness follow through strength amid broad-based participation and gradually head towards 18,000-level (80% retracement of entire corrective phase since October 2021 High:18604; Low:15671), as buying on decline strategy should continue to work in favour of market participants. Therefore, temporary breather should be capitalised as an incremental buying opportunity. Broader indices too have been forming a higher base above 52-weeks EMA, which has set the stage to witness catch-up activity with its large-cap peers. Overall bias in the index might remain positive with support base at 16,800 as it is 38.2% retracement of recent up-move (15,671-17,442).

World economic calendar
April 2022

Monday	Tuesday	Wednesday	Thursday	Friday
				1
				US: Change in Nonfarm Payrolls US: ISM Manufacturing CH: Caixin China PMI Mfg JN: Jibun Bank Japan PMI Mfg EC: S&P Global Eurozone Manufacturing PMI
4	5	6	7	8
IN: S&P Global India PMI Mfg US: Durable Goods Orders US: Factory Orders US: Cap Goods Orders Nondef Ex Air EC: PPI YoY	US: Trade Balance US: ISM Services Index UK: S&P Global/CIPS UK Services PMI JN: Jibun Bank Japan PMI Services EC: S&P Global Eurozone Services PMI	**IN: S&P Global India PMI Services** US: MBA Mortgage Applications UK: S&P Global/CIPS UK Construction PMI CH: Caixin China PMI Services EC: Retail Sales MoM	US: Initial Jobless Claims US: Continuing Claims JN: Leading Index CI JN: Coincident Index	**IN: RBI Repurchase Rate** JN: BoP Current Account Balance US: Wholesale Inventories MoM JN: Trade Balance BoP Basis US: Consumer Credit
11	12	13	14	15
CH: CPI YoY UK: Industrial Production MoM CH: PPI YoY UK: Trade Balance GBP/Mn JN: Machine Tool Orders YoY	**IN: Industrial Production YoY** **IN: CPI YoY** US: CPI MoM UK: Jobless Claims Change JN: PPI YoY	UK: CPI YoY JN: Core Machine Orders MoM US: PPI Final Demand MoM CH: Trade Balance UK: RPI MoM	**IN: Wholesale Prices YoY** **IN: Trade Balance** US: Initial Jobless Claims EC: ECB Main Refinancing Rate US: U. of Mich. Sentiment	US: Industrial Production MoM US: Empire Manufacturing US: Capacity Utilization JN: Nationwide Dept Sales YoY CH: New Home Prices MoM
18	19	20	21	22
US: Net Long-term TIC Flows CH: GDP YoY CH: Industrial Production YoY CH: Retail Sales YoY UK: Rightmove House Prices MoM	JN: Industrial Production MoM US: Housing Starts US: Building Permits	US: MBA Mortgage Applications US: Existing Home Sales JN: Trade Balance	US: Initial Jobless Claims EC: CPI YoY US: Leading Index US: Philadelphia Fed Business Outlook EC: Consumer Confidence	JN: Natl CPI YoY UK: Retail Sales Inc Auto Fuel MoM UK: GfK Consumer Confidence EC: ECB Current Account SA
25	26	27	28	29
US: Dallas Fed Manf. Activity US: Chicago Fed Nat Activity Index JN: Leading Index CI JN: PPI Services YoY JN: Coincident Index	JN: Jobless Rate US: Conf. Board Consumer Confidence US: Durable Goods Orders US: New Home Sales UK: PSNB ex Banking Groups	US: MBA Mortgage Applications US: Wholesale Inventories MoM US: Pending Home Sales MoM CH: Industrial Profits YoY	JN: Industrial Production MoM US: Initial Jobless Claims US: GDP Annualized QoQ UK: Nationwide House PX MoM JN: BOJ Policy Balance Rate	**IN: Eight Infrastructure Industries** US: U. of Mich. Sentiment EC: GDP SA QoQ US: Personal Income US: MNI Chicago PMI

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

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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)**.

Updates on the Binary Story In-School program

Our updates for the month of March 2022:

• Morning Star as part of their CSR initiative is helping us set up labs in 3 schools in Mumbai and 1 school in Maharashtra

• It is the final assessment time for all students

• Our curriculum for the next academic year 22-23 has been planned

• Teachers are under annual review

We aim to set of 10 Gyanada labs in to schools in the coming academic year.

In the coming academic year, we aim to set up 10 Gyanada labs in 10 schools. In every school we want to set up 15 low cost Raspberry pi computers. Every Gyanada lab will impact the lives 800-1000 children every year. The labs will enable the schools to provide quality computer education that is open source and affordable.

The cost of 1 Raspberry pi enabled system is INR 12000.

The cost of 5 Raspberry pi enabled system is INR 60000

The cost of 1 child receiving computer education for a year is INR 225

Please support our mission to enable the lives of more than 8000 school children in the coming academic year. To support kindly click here https://tinyurl.com/58tsr29a

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

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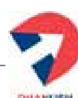
We, at Gyanada Foundation, engage students in practical learning. For this we provide kids with Gyanada Lab Kits. To help us fund these kits, visit: https://gyanada.org/donate.html. You can also write to us at rinsa@gyanada.org or connect with us at 9819044922. Our bank details are:

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

IFSC CODE: HDFC0000008

MICR CODE: 700240002



Group Companies

Ashika Stock Broking Ltd.

(Member: NSE, BSE, MSEI, MCX, NCDEX, ICEX Depository participant of CDSL / NSDL, Research Analyst, AMFI- Registered Mutual Fund Distributor)

CIN No. U65921WB1994PL217071
SEBI Registration No: INZ000169130
SEBI Registration No: INH000000006 (RA)

Ashika Credit Capital Ltd.

(RBI Registered NBFC)
CIN No. L67120WB1994PLC062159

Ashika Capital Ltd.

(SEBI Authorised Merchant Banker)
CIN No. U30009WB2000PLC091674
SEBI Registration No: INM000010536

Ashika Investment Managers Pvt. Ltd.

(Investment Manger to Ashika Alternative Investments, a Category III AIF registered with SEBI)
CIN number – U65929MH2017PTC297291
SEBI Registration No: IN/AIF3/20-21/0811

Ashika Global Securities Pvt. Ltd.

(RBI Registered NBFC)
CIN No. U65929WB1995PTC069046

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