INSIGHT

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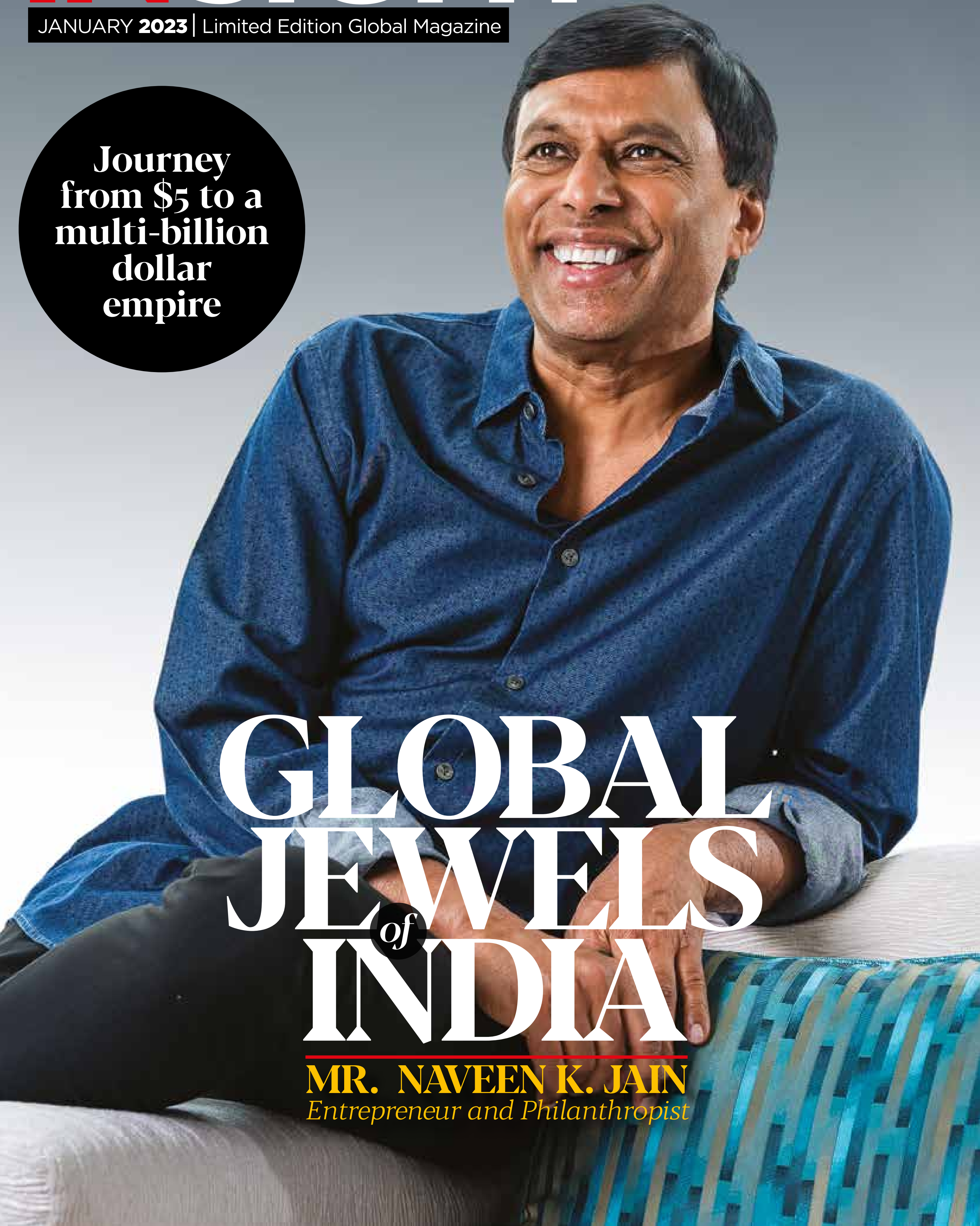

Journey from $5 to a multi-billion dollar empire

GLOBAL JEWELS *of* INDIA

MR. NAVEEN K. JAIN
Entrepreneur and Philanthropist

INSIDE THIS ISSUE

SELF-MADE JEWELS OF INDIA SERIES 5

Mr. Naveen K. Jain,
Entrepreneur and Philanthropist

MR. AMIT JAIN
Co-Founder, Ashika Global Family Office Services

Dear Global Investors,

On the eve of this new year 2023, I am ecstatic to share the 5th edition of our Global magazine Insight's – Self Made Jewels of India, sharing the journey of a man who needs no introduction across the world & the universe. An entrepreneur whose vision has no bounds & is on a mission to take humanity to the moon in the ongoing decade of 2030.

Mr. Naveen Jain embarked on his entrepreneurial journey in the US in 1979 with $5 in his pocket and now he is running a multi-billion-dollar empire globally. With a charismatic & effervescent personality and a philanthropic heart, Mr. Naveen Jain aims to solve the world's biggest problems through constant innovation.

In our previous issues, we shared the inspirational stories of the Haldiram Group, a Global food giant; the Vardhman Group, a world-class textile manufacturer; Mr. Ashish Chauhan, the man behind the success of the Bombay Stock Exchange (BSE) and now the MD of the National Stock Exchange (NSE); and also Ms. Aditi Kothari Desai, Vice Chairperson of the DSP Group, one of India's oldest financial houses.

I hope that this issue of "Self-Made Jewels of India" lights a spark in your life and pushes you to reach for the moon and beyond.

Regards
Amit Jain

Market
OVERVIEW

> The year 2022 has ended and it's time for retrospection as well as time to move ahead with positive expectations hoping that the new year ushers in good luck. While a lot many themes played out, what broadly stands out is the end of easy money for global financial markets together with unprecedented levels of inflation in the developed economies, not witnessed in four decades.

Inflation levels went past 10% in Euro area and although, they are expected to come down and be tamed (as base effect takes over), inflation is expected to stay above European Central Bank's target of 2% for next three years.

Higher inflation in advanced economies is partly being driven by excessive monetary and fiscal stimulus during the pandemic. As central bank balance sheets were already stretched, it was time for course correction and steep rate hikes and hawkish commentaries followed. While the world was on the path of normalisation (as far as the supply side challenges were concerned) somewhere in February, the whole supply side dynamics were thrown in jeopardy as Russia staged an attack on Ukraine. With the Western nations, condemning Russia and imposing sanctions and at the same time supporting Ukraine with necessary help, it meant the war rages on. Sadly, the war seems to move in year 2023 as well especially considering that both Russia and Ukraine are crucial to global economies with energy & mineral supplies and food items respectively. Europe was mostly dependent on Russia for its energy needs and Ukraine for food articles and thus were the ones heavily impacted. Inflation levels went past 10% in Euro area and although, they are expected to come down and be tamed (as base effect takes over), inflation is expected to stay above European Central Bank's target of 2% for next three years. That's a fairly long time and the efforts needed to bring inflation down, means heavy lifting of interest rates which would of course be detrimental for the economic growth. This is primarily the rationale behind the hue and cry with regards to the near certain recessionary estimates for the European economy. The situation however is lot better in US and so far, all indicators be it employment growth, business confidence, consumer confidence etc. have shown strength. However, financial markets have depicted confusing trends and traits in 2022 and the general term is 'what's good for the economy is bad for the equity markets'. Indeed so, since economic strength would imply sustained hawkishness from central banks while the early the economy goes soft, the earlier central banks would tame their hawkishness. Thankfully, for majority of the year, world economy was less impacted with COVID-19 headwinds and restrictions brought about by surging infections from new strains. There was even optimism with reopening of economies and global travel and tourism industry was thriving on the back of revenge travel, so was the retail sector, a common theme around the world. Of course, this meant moving away from online businesses which thrived during the periods of lockdowns and restrictions. The usual suspects are the same popular technology and start-ups which were considered 'darlings' during the difficult times (as far as health hazards are considered). Even the technology and IT sector has fallen out of favour on account of lower large sized deal wins amid lower growth or even recessionary chances in advanced economies.

However, COVID-19 cannot simply vanish into thin air and by December, cases were rising again in Japan, South Korea, Germany, Brazil, USA, Taiwan among others. While the media articles were ripe with unofficial reports which suggested that nearly 40% of Beijing population to be infected, the official estimates however suggest new cases to be rising daily by ~5000. The new variant (BF.7) is yet to create a havoc in India and so far, the new cases are a paltry 175 cases. However, the government has called meeting of key ministers with regards to the preparedness and has warned that the next 40 days would be crucial in determining the possibility of a resurgence of COVID-19 cases in India as they urged people to follow safety protocols and complete their vaccination doses. The government also plans to require RT-PCR testing for people returning from China, Hong Kong, Japan, Singapore, Thailand, and South Korea, the officials said. One of the officials have shared that it normally takes 30-35 days for the virus spread in India starting from East Asia, based on past pattern. However, the same official believes that hospitalization and deaths will be lower even if the new varient hit in January, considering

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that" we have developed hybrid immunity (from vaccine plus natural infection), so covid-19 wave may not affect us the same way as it is being reported in countries like China, Japan etc." Even prominent Indian virologist is also of the same view that this sub-variant of Omicron is unlikely to create havoc in India. While the probabilities are in favour for the time being, nobody knows for sure, after all it's a game of probabilities and hence uncertainties. Earlier there were bets on reopening of Chinese economy to the fullest and that could act as a trigger for the East Asian nations and their stock markets, thus moving away from India. Although, not many foreign investors are unanimous with regards to the same trends now, however, majority are 'underweight' on developed market equities, at least for 2023.

The International Monetary Fund (IMF) in its October edition of the World Economic Outlook projected global growth to slow down to 2.7% in 2023, compared to 6% in 2021. A large part of the developed world is expected to slip into a recession in 2023. A lot will depend on how quickly inflation is contained with durable signs of easing. This is where India stands tall, as it has managed to ward off high commodity prices and managed to get fair deals on its crucial crude imports while being relatively self-sufficient on food, the supply side challenges on higher food prices is mostly related to the vagaries of monsoon. IMF also agrees that India's position is strong, nevertheless, challenges from the external sector are likely to continue in 2023 (considering India being a net importer and carrying large trade deficit) however it still has fifth highest forex reserves worldwide. According to professional forecasters' projection for the Reserve Bank of India (RBI), the current account deficit in the ongoing fiscal year is expected to hit 3.4% of gross domestic product (GDP). Although it is expected to ease to 2.7% in FY24, the situation could change, given the global uncertainty. Both exports and capital flows could be affected because of weak global demand and higher interest rates in advanced economies, particularly the US. In the given circumstances, pushing growth will be a challenge for Indian policymakers. While the RBI has raised the policy rate by 225 basis points in the current cycle, more hikes are expected. The latest CPI inflation print suggests softness, which has been largely driven by food items, albeit, the core inflation remains sticky. Unfortunately, a recent RBI analysis showed, it's the second-round effects of fuel on transportation and again second round effects of transportation on to manufactured goods, which has kept core inflation sticky. Unfortunately, when would the energy and fuel prices come down to sublime levels or even remain steady, is the most unpredictable part. Thus, on all probabilities the RBI cannot ill afford to pause or lower rates (till the developed central banks are on rate hike spree), else INR will depreciate rapidly. Experts believe that higher rates will have to be maintained till inflation comes close to the target of 4% on a durable basis. Comparatively high interest rates would restrain economic activity. Although the IMF expects growth to slow down to 6.1% in FY24, compared to 6.8% in the current year, the actual outcome could be lower. On the fiscal front, while the government is confident of attaining the deficit target in the ongoing year, it remains to be seen how it approaches the consolidation path next year. Its decision last week to make the food grain provided under the National Food Security Act free has dented confidence. Given that nine state Assembly elections will be due in 2023 before the 2024 Lok Sabha elections, there is a risk of fiscal responsibility taking a back seat. Given the public debt and Budget deficit levels, this could create longer-term growth and macro-stability risks. The upcoming budget has all the ingredients to be a populist one, however there are priorities too which the government cannot miss, especially on healthcare as well as defence spends (considering the tension on borders) as well as crucial capex spend.

In short, the coming year could be marked by strong aftershocks of

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past year- global food and energy shortages, galloping inflation, aggressive interest rate hikes and a budget squeeze on both households and governments. Therefore, how the demand side copes up with the lagged effects of interest rate hikes, is going to be the story of 2023. There are certainly many imponderables ahead in next year and we are not out of the woods as far as the supply shocks from COVID-19 is concerned.

However, India has emerged stronger amidst the challenges and the policies taken by the government to make the economy stronger will pave way for new reforms ahead as manufacturing picks up amidst newer FDIs backed by PLI scheme as well as China+1 strategy. India is indeed a compelling manufacturing story for the future given the demographic advantage over China and sheer comparable size. Besides, it has a vibrant IT services industry and strong tech talent pool and start-up universe. Moreover, a stable political regime and a government which is focused on changing the archaic laws is a positive step for FDIs. Hence, it undoubtedly remains a long-term attractive story in majority for global investors. However, the temporary events have had an impact on the equity markets, being a source of hot money. Having said that, even in a turmoil led year in 2022, Indian equity markets have done well together with commodity exporters like Brazil, Indonesia and Gulf states. In this process, however, the valuation multiple for Nifty has been stretched and trades at a premium to historical average and over emerging markets. Nifty EPS is still expected to grow at a CAGR of ~15% between FY22 and FY25 and could support higher retail flows and domestic funds while foreign investors will consider India as a long term investment, albeit in short term, the activity could be volatile to say the least.

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Wishing you a Very Happy and Prosperous New Year 2023

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EXCLUSIVE **INTERVIEW** WITH

Journey from $ 5 to a multi-billion dollar empire

A conversation with

MR. NAVEEN JAIN

a self-made Indian-American entrepreneur and philanthropist

Q Your story is one with a humble beginning and starts in a small village in Uttar Pradesh circa 1959. What prompted you to dream big and travel to the US to begin your entrepreneurial journey?

My life never felt planned, even though we believe in the Indian culture that our destiny is pre-written. I didn't know what life would bring when I was young. Life is just a string of circumstances, one after the other, and one day, they begin to connect and make sense. But this is only when you can look back and see it. When you are young and your journey begins with humble beginnings, it is hard to understand how your circumstances could change or how they will set the tone for your future. You don't realize in those moments that your circumstances help to shape your mindset and give you tools or reasons to dream and become what you are meant to be. How you will react to future circumstances begins when you are young.

When I was faced with situations that were less than ideal, I embraced them and said, "It is what it is and what will be, will be." Once you start to embrace life and establish that the universe is your friend and everything that happens is for your benefit, you can disconnect from the idea of "fair" or "unfair". It doesn't matter anymore. Life is not happening to you. It is happening for you.

This makes me think of when my father was in government service, and we moved from village to village. I had to start over again, many times. But looking back, that was the best thing that could have happened to me because I became comfortable with change. Change is something most people really struggle with. The idea of impermanence causes much anxiety because we get very comfortable, depending on things outside of ourselves that can't possible remain the same forever.

Look back on everything that has happened to you and realize how it has given you the potential to be stronger, more aware, and equipped to handle more situations. Often, circumstances that are difficult to get through help us lead the way for others who are struggling and have no one to help guide them. God has been very kind to my family, and I hope to help others who need help changing their way of thinking and are looking for an alternate perspective.

Q When you moved to the US, you had only $5 in your pocket, and now you're a billionaire. What were the challenges you faced initially, and how did you overcome them?

The life of an entrepreneur is just like a heartbeat. It continuously goes up and down. If it's smooth, you're dead. So, if you find yourself looking for or wishing for a smooth life, you wish for the life of a dead person. Your heartbeat signifies that you are alive and that change is always possible. When you are at the bottom, all you have to do is hunker down and know that there is nowhere to go but up, and when you're on top, never become too comfortable. Winter is coming!

A lot of people become successful, and lose touch with reality. Why is that? They might say, "Do you know who I am? I'm the CEO of ABC company". But when bad things happen, they struggle with their identity because they let their success define them. Always remember who you are comes before what you do. When you leave this world, it is the only thing you'll take. Better to remember that sooner than later.

I am an entrepreneur, a father, and a husband, yes. But more than that, I am a curious person, a person who wants to change the world for the better, a problem solver, a teacher, a dreamer, and a disruptor. No matter what title I have, those are qualities that I can always take with me onto my next adventure and apply to new problems that need better solutions.

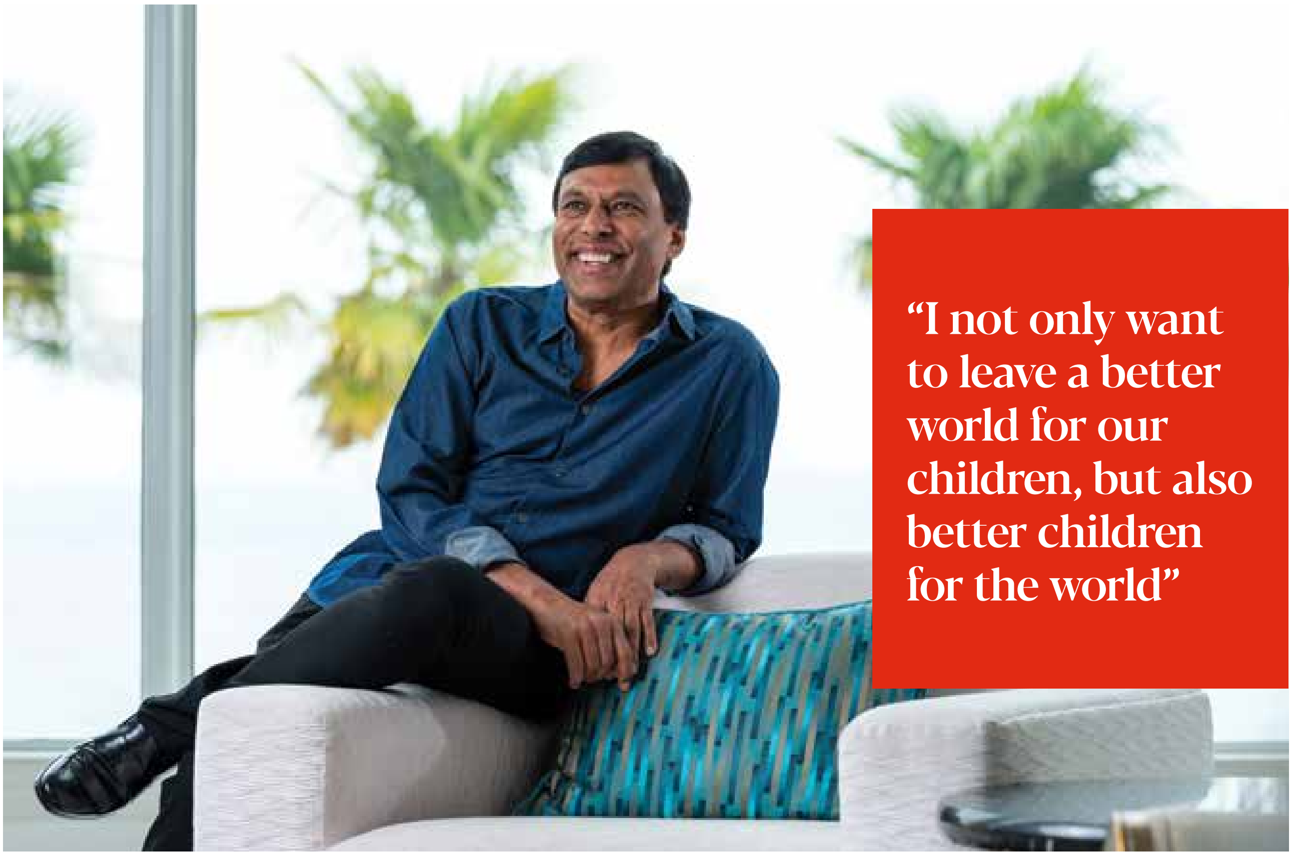
The life of an entrepreneur is just like a heartbeat. It continuously goes up and down.

Q InfoSpace was the first company that you founded. With all the challenges you faced on your first venture, what lessons did you learn and continue to follow on your entrepreneurial journey?

What are challenges? They are just problems that perhaps need a new way of looking at them to be solved. This is the part that excites me and allows for true creativity. This is the part that I want to teach to all young entrepreneurs. Every day, there are new situations you find yourself in that seem to hold you back or present a tentative reason to stop you in your tracks. You can call that a challenge, or you can look at it as an opportunity to look at things in a new light and call in new creative minds. At the end of the day, all you have to do is continue to execute and ask better questions. The mindset you have when approaching "challenges" will change everything about your outcome.

You must ask yourself daily, "What is the actual problem I am trying to solve?"

To a large extent, when you run a company, you always have to simultaneously be looking at the big picture because companies and



"I not only want to leave a better world for our children, but also better children for the world"

stock markets will go up and down, and it is easy to have short term vision.

Q Many entrepreneurs aspire to "shoot for the moon" but you actually executed this by founding Moon Express. Please tell us more about your "mission to the moon" and the aspirations of the organisation.

Eight billion of us live on a single spacecraft called Earth. Our spacecraft would be damaged if a massive asteroid struck us, and humanity could be completely wiped out, much like what happened to the dinosaurs. We, as humans, are always concerned about the planet. And if you ask our planet, it will say, "Don't worry about me! Worry about the human species. I will still be around. It is humans who may not last." Even after the asteroid hit, the planet continued to exist. If we screw up completely, we may not survive, but the planet will.

Our thinking at MoonExpress is: Can we distribute the human species to the Moon, Mars, and beyond our solar system as an alternative in order to survive if our planet were to be at risk of being destroyed?

Going to the moon is also symbolic because it can now be accomplished by a small group of individuals rather than the three former superpowers of the US, USSR, and China. Can entrepreneurs become the next superpower? You can see that the founders of SpaceX, Virgin Galactic, Moon Express, and other entrepreneurs are so driven because they believe that anything is possible.

Be it - Jeff Bezos, Richard Branson, or Elon Musk - most are from outside the sector. To me, the healthcare industry was the same.

Once you achieve one thing, the next set of entrepreneurs can surpass that. No one believed that humans could run a mile in under four minutes until Roger Bannister proved it could be done. The following year, eleven people ran a mile in under four minutes. Hence, once people start to see what is possible, they'll say, "If you can go to the Moon, why can't we go beyond our solar system into a different solar system? Can we travel beyond our galaxy and into another? Can we go beyond our universe into a different universe?" With MoonExpress we wish to open all those possibilities.

Q Viome is fundamentally different from the other companies you founded. What led you to venture into this new field and industry?

I believe that once you master something, you become ineffectual at it. Your knowledge makes you an expert, and you begin to take the fundamentals for granted. You can challenge those premises when you are a non-expert, from outside the field looking in. This allows you to reinvent and redesign things, disrupting the industry entirely.

Today, practically every industry is experiencing disruption brought on by outsiders who are non-experts. Regarding building reusable rockets, Lockheed Martin and Boeing were not the pioneers. I believe that our healthcare system is not broken but doing exactly what it was designed to do. The system only benefits financially when you are ill, not when you are healthy. Hence, the incentives are misaligned. They won't let you pass away or remain healthy because then they will cease to make money. Every drug you take has side effects, which are treated with additional pharmaceuticals. Hence, as you age, you start to consume more and more medicines. You are a subscriber for life.

At Viome, we use proprietary sequencing technology and AI to reveal the root cause of many health issues. We're looking for what may be causing inflammation, poor function, and imbalance in your microbiome and cells, the regulators of human health. We're seeing that it is possible to modulate these health functions using food as medicine. This is an example of how as technology, even AI, advances, humans can benefit from it if they look outside the box for new tools to solve a problem.

Viome's insights and recommendations are designed to address key areas of health that are impacted first by poor diet and lifestyle habits such as gut health, immune system health, brain health, heart health, and many more. We even advanced in disrupting the supplement industry by creating truly personalized supplements, made unique to every customer with their own formula, based on their biological data.

To me, what gives me the most satisfaction is the fact that we get thousands and thousands of people telling us that they're sleeping better, they have lost weight, their eczema is gone, etc. Every time you hear that you're changing people's lives, you start to feel that you're living a life of purpose. You start to do more of it because it gives you more joy.

Q How important is your legacy for you? What key learnings or pieces of advice have you shared with your children to help them be the "master of their own ships"?

Our legacy is not what we do but what we leave behind. It's not just about leaving a better world for our children, but about leaving better children for our world. My biggest legacy has been my three children, who are continuing on my journey of making the world a better place. We've encouraged our kids not to focus on how they can create a $100 billion company but on how they can improve a billion people's lives. If you do that, you automatically create a great company. More importantly, it's about doing good and not just about doing well.

My eldest son went to Wharton and then started a company called Bilt, which is fundamentally changing the lives of the middle class who have difficulty finding a security deposit by allowing them to earn points on the rent that they pay. These points can then be used to pay the next month's rent or to buy a home. His company is now valued in these tough markets at $1.5 billion.

My daughter went to Stanford and is now running a women's health company called Evvy, which focuses on improving women's health. She set out on this journey after she learned that women weren't allowed to be a part of clinical studies until '93, which is a reason why the drugs women take tend to have more side effects.

Our youngest one went to Stanford, became a Schwarzman scholar, and now he's focused on changing the system for people who have a terrible experience paying home mortgages. The fact that our kids are going out and working 16-hour days, seven days a week, and solving the problems that matter to them is truly rewarding to us.

Q As an entrepreneur, which core values do you hold close to your heart? What principles serve as a guide in your life?

The most important principle to me is creating intellectual curiosity in children and young people. What I find is that our system is designed in such a way wherein we want to take our kids near water and make them drink. I think instead, if you can make them thirsty, you have found they key. For this, they need to be intellectually curious, which results in continuous learning throughout life.

If you look at every one of our children, they didn't say, "That can't be done." They simply said, "Why can't I do it?" and many people say, "You're crazy! That will never work. Nobody will ever accept that." And their answer was, "Why not?" I believe we need to create a culture wherein everyone can say, "Why can't I do it?" And not, "I wish that could happen. One day someone will do it." We need to set our mindset to one of urgency, execution, and action.

When I am focused on solving a problem, I feel is worth it and demands my attention to continuous learning, I find myself jumping out of bed every morning, filled with joy, purpose, and motivation to take action.

Q In your opinion, what mindset differentiates billionaires from the rest? What qualities must one possess to achieve the impossible and be a pioneering force?

I think anyone who wants to succeed shouldn't focus on money. I disagree with the idea that money is the only way to define success. To me, it's about a mindset of abundance rather than scarcity. The mindset of scarcity says that things are finite. If someone else has it, I can't have it; if I have it, other people can't. The mindset of abundance says that since things are abundant, everyone can have them.

More than 100,000 people breathe the same air in India at a cricket game. No one slaps the person next to them and says, "I saw you taking deep breaths. You took my air." Why is that? Because we believe that air and oxygen are in abundance. If you look at wars, there are three things we fight over - land, water, or for energy.

Every 90 minutes, more solar energy falls on planet Earth than we use in the whole year. It's a matter of conversion. If we could execute this

> **Instead of asking successful people to give 50% of their money, ask them to give 30% of their time. And if they give 30% of their time, they'll solve more problems than by giving 50% of their money.**

conversion, energy would become completely abundant and free, just like air. In the grand scheme of things, we are a speck in the universe; where is the scarcity of land other than in our own mind we believe that we can only live here?

Once we create this mindset of abundance, we suddenly find that everything we value can be demonetized; just like free air. Also, resources are democratized since the poorest person breathes the same air as the richest person. Imagine a world where our needs could be democratized and demonetized!

Q The word "philanthropy" has a different meaning in your books and focuses more on solving problems than providing funds. How can we approach philanthropy systematically and strategically?

The idea of charity has to change. When you have money, giving money is the easiest thing to do. The question is - can you dedicate your life and your means to solving a problem? That is very different from giving money. If you care about something, give it your time, attention, and care. Instead of giving money, you must say, "Let us go build a company to solve this problem", then make it a profitable company when it become an engine that helps you do even more good. The trick is, can you create enough runway to keep the ball rolling?

Funding entrepreneurs is the way to solve problems. An ecosystem must be created where affluent people say, "I'm not going to give $10 billion to charity; I'm going to support 100 entrepreneurs with this money." The job of an entrepreneur is to solve a problem, thus improving people's lives. Hence, creating more entrepreneurs leads to impacting more lives.

Instead of asking successful people to give 50% of their money, ask them to give 30% of their time. And if they give 30% of their time, they'll solve more problems than by giving 50% of their money.

The more entrepreneurs you create, the more problems get solved. The right approach to philanthropy is mentoring young entrepreneurs and giving them financial resources, your time, and advice to help them become successful. That's the only way our society will be better in the future.

Q After successfully managing so many companies, what other milestones do you wish to accomplish in the future?

Our goal is to live a healthy life. increasing the health span, not just living forever. It's living healthy for a long time. I don't care to live to be 10,000 years old, but even if I live to be 1000 years old, I want to live healthy until the last day.

The answer to that is simple and similar to Maslow's hierarchy. There are five simple steps.

The first is nutrition. You may own a Ferrari, but if you don't put good fuel in the car, it won't work as well; nutrition works the same way. In many religions, we pray before we eat to show gratitude. Why is that? We do it to change our body's mode from sympathetic to parasympathetic.

The next part is reducing stress. Today we live in a constant state of stress and are training our brains with negative news. Our human brain is designed to look for things to be afraid of because we are still designed to survive. When we were living in a jungle, if we missed bad news, our DNA would've got wiped out. So now, we are always on the lookout for a threat, training our brains to be in a constant state of fear. We have to interrupt this cycle. Whether it's meditation or prayer, we can use different mechanisms to ease stress and reset.

The third is exercise. We know exercise has an impact on the body, but today we do a lot of sitting, especially when we work. The body was designed to move. I recommend taking a set time each day to walk, to stretch, and wake your body up.

The fourth is sleep. People say you need to sleep for 8 hours. However, it's not the quantity but sleep quality that matters. One should get enough

REM & deep sleep in however short a duration that person sleeps. Pausing the world and technology before bed is always a good idea and can help your mind settle in to deep sleep.

The last and most important part is purpose. Finding a true purpose that you live for. Everyone needs to be able to find what they are willing to die for and then live for it. Research shows that people who live a life of purpose tend to live eight to ten years longer than people who don't. Without purpose, people tend to lose a sense of themselves.

Q On a closing note, what message would you like to give to all the budding entrepreneurs in the world, who aspire to pave their own path in this world?

I would say - don't be afraid to dream so big that people think you are crazy. That means that when you tell people what you plan to do and they don't call you crazy, you are not dreaming big enough. So dream as big as you can, just like you did when you were a child or a teenager. And the second part is never to believe that you've failed. Failure only happens when you give up or you forget to apply the qualities that you've developed throughout life's lessons. Your ideas may or may not work. However, every idea that does not work is simply a stepping stone to a different and bigger idea. If the purpose is your center, the idea of failing will never ruin you. Don't ask yourself - what is my purpose in life? Ask yourself - what would you do with your life if there was nothing you needed?

Success is about a mindset of abundance rather than scarcity.

MUTUALFUNDS Sahi Hai

Mutual Fund Overview

KOTAK TAX SAVER SCHEME

Investment Objective

The investment objective of the scheme is to generate long-term capital appreciation from a diversified portfolio of equity and equity related securities and enable investors to avail the income tax rebate, as permitted from time to time. Investments in this scheme would be subject to a statutory lock-in of 3 years from the date of allotment to avail Section 80C benefits. The portfolio is generally diversified across sectors and market capitalization segments.

Why Kotak Tax Saver Fund?

Flexible Investment Approach: It follows a flexi cap approach and is not biased by market capitalization.

Comprehensive Investment Strategy: Emphasis on Bottom-up stock selection with a topdown thematic overlay helps identify stock opportunities.

Adequate Diversification: Risk is managed through adequate diversification by spreading investments over a range of sectors & companies.

Investment Approach

Investment Style & Philosophy

- Style: Growth at reasonable price (GARP)
- Philosophy – to remain fully invested as per mandate and not to take active cash calls

Investment Strategy

- Bottom-up stock picks supplemented by top down thematic overlay
- Investment across market capitalization ranges
- No use of derivatives

Portfolio Construction

- Flexibility to move across market capitalisation ranges
- Portfolio Composition: around 57 stocks*
- Top 10 holdings: Around 42% of portfolio*

*As on 30 Jun 2022

Critical Ingredients of the portfolio

- Scalable & competitive business model
- Valuation comfort
- Strong management bandwidth
- Efficient capital allocation

Stock Selection:

Based on one or more of the following considerations:

- The financial strength of the companies, as indicated by well recognized financial parameters;
- Reputation of the management and track record;
- Companies that are relatively less prone to recessions or cycles, either because of the nature of their businesses or superior strategies followed by their management;
- Companies which pursue a strategy to build strong brands for their products or services and those which are capable of building strong franchises; and
- Market liquidity of the stock.

Important Information	
NAV (G) (Rs.)	76.36
IDCW (Rs.)	28.58
Inception Date	Nov. 23, 2005
Fund size (Rs. Cr.)	3.163
Fund Manager	Mr. Harsha Upadhyaya
Entry load	Nil
Exit Load	Nil
Benchmark	Nifty 500 TRI
Min Investment (Rs.)	500
Min SIP Investment (Rs.)	500

Key Ratios	
Beta (x)	0.92
Standard deviation (%)	21.21
Sharpe Ratio	0.66
Alpha (%)	1.24
R Squared	94.24
Expense ratio (%)	2.48
Portfolio Turnover ratio	14.48%
Avg. Market Cap (Rs. Cr.)	1,46,296

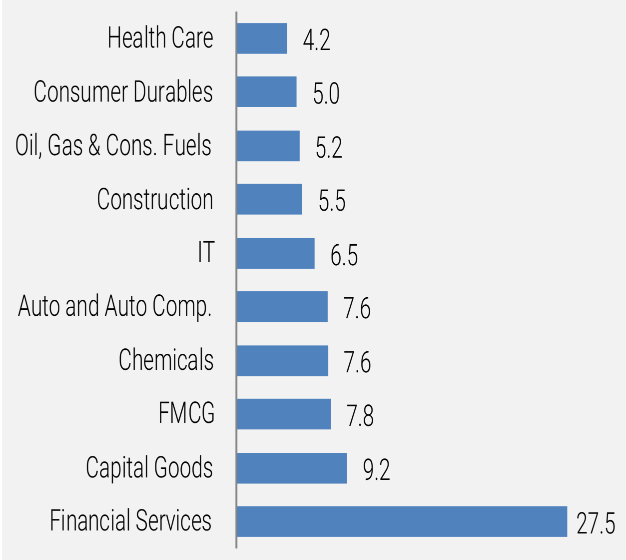
Top Ten Holdings

Stocks	% of Net Assets
ICICI Bank	7.8
State Bank Of India	5.7
Axis Bank	5.1
Reliance Industries	4.3
Infosys	4.1
Larsen And Toubro	3.8
ITC	3.3
Maruti Suzuki India	2.8
SRF	2.7
Ambuja Cements	2.5

Asset Allocation

Equity	Cash & Other Receivable
98.69%	1.31%

% SECTOR ALLOCATION



Note: All data are as on November 30, 2022; NAV are as on December 26, 2022
Source: Factsheet, Value Research

Performance of the Fund along with Benchmark (as on Dec 26, 2022)

	1 month	3 months	6 months	1 year	3 Years	5 Years	Since Inception
Fund (%)	-1.77	5.36	17.60	8.00	17.69	11.86	12.57
Benchmark (%)	-1.96	4.81	15.28	5.94	17.14	11.59	

Ashika Mutual Fund Recommendation Alpha Generation

Month of Recom	Fund Name	Benchmark	NAV as on 26.12.2022	1 Year Return (%)	3 Year Return (%)	5 Year Return (%)
Nov-21	PGIM India Flexi Cap Fund (G)	S&P BSE 200 TRI	25.2	-4.5	22.3	13.0
Dec-21	Quant Tax Plan (G)	NSE - Nifty 500 TRI	242.8	11.3	37.5	20.5
Jan-22	HSBC Large Cap Fund (G)	NSE - Nifty 50 TRI	321.4	2.6	12.5	9.7
Feb-22	SBI Long Term Equity Fund Reg (G)	S&P BSE 500 TRI	235.9	8.2	18.4	9.5
Mar-22	IDFC Tax Advantage Reg (G)	S&P BSE 200 TRI	100.0	5.3	22.4	10.9
Apr-22	ICICI Pru Multi Asset Fund (G)	NSE - Nifty 50 TRI	476.4	18.1	20.2	12.6
May-22	Sundaram Services Fund (G)	S&P BSE 200 TRI	21.6	4.4	19.9	0.0
Jun-22	Tata Banking and Financial Services Fund Reg (G)	NSE - Nifty Financial Services TRI	28.5	16.9	10.0	10.6
Jul-22	Kotak Pioneer Fund (G)	S&P BSE 500 TRI	17.0	-7.5	18.3	0.0
Aug-22	Quant Large Cap Fund Reg (G)	NSE - NIFTY 100 TRI	10.0	0.0	0.0	0.0
Oct-22	HDFC Small Cap Fund (G)	NSE - NIFTY SMALLCAP 100 TRI	77.5	4.3	26.7	10.8
Dec-22	Mahindra Manulife Focused Equity Yojana Reg (G)	NSE - Nifty 500 TRI	16.1	9.2	0.0	0.0

Note: All data are as on November 30, 2022; NAV are as on December 26, 2022
Source: Factsheet, Value Research

Large & Mid Cap Fund

	All Data Belongs To December 26, 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)	391.9	8993	2.8	18.4	9.1	20.1	11.5	14.1	0.8	1.9
Mirae Asset Emerging Bluechip Fund Reg (G)	95.9	24643	3.3	11.7	(0.0)	18.9	12.6	19.7	0.8	1.7
ICICI Pru Large & Mid Cap Fund Reg (G)	583.4	6183	6.2	16.9	13.5	21.0	11.7	18.1	0.8	2.0
LIC Large & Mid Cap Fund Reg (G)	23.9	1991	(1.2)	9.8	(0.8)	14.0	9.3	11.8	0.7	2.3
Kotak Emerging Equity (G)	75.5	22540	1.5	16.5	6.5	23.7	12.6	13.7	0.9	1.7

Value Fund

SBI Contra Fund Reg (G)	226.2	7205	5.8	18.4	13.4	30.2	13.0	17.2	1.1	1.8
IDFC Sterling Value Fund Reg (G)	91.5	5219	2.8	15.4	4.9	24.9	9.4	15.9	0.8	2.0
Nippon India Value Fund (G)	126.4	5001	3.9	15.6	6.0	19.3	10.3	15.5	0.8	1.9
Kotak India EQ Contra Fund (G)	87.9	1474	6.9	18.1	8.9	17.1	12.4	13.3	0.7	2.2
Invesco India Contra Fund (G)	79.4	9898	3.5	15.7	5.2	17.9	10.8	14.1	0.7	1.8

Focus Fund

Axis Focused 25 Fund Reg (G)	39.3	17894	(2.8)	6.2	(13.0)	8.5	8.3	13.9	0.4	1.8
Mirae Asset Focused Fund Reg (G)	18.6	9128	3.2	8.0	(5.6)	16.5	0.0	18.3	0.7	1.8
SBI Focused Equity Fund Reg (G)	228.4	28453	0.4	10.4	(7.6)	14.4	10.6	18.6	0.6	1.7
DSP Focus Fund Reg Fund (G)	32.7	1939	(1.3)	12.3	(2.6)	8.3	7.1	9.8	0.4	2.2
IDFC Focused Equity Fund Reg (G)	51.7	1319	(0.6)	8.9	(3.7)	10.9	4.9	10.3	0.5	2.2

ELSS Fund

Quant Tax Plan (G)	242.8	2327	1.3	20.4	11.3	37.5	20.5	15.7	1.3	2.6
Kotak Tax Saver Scheme (G)	75.7	3163	5.4	17.6	8.0	17.7	11.9	12.6	0.8	2.0
Mirae Asset Tax Saver Fund Reg (G)	31.1	14255	4.6	12.5	1.7	18.2	12.9	17.6	0.8	1.7
IDFC Tax Advantage Reg (G)	100.0	3986	3.8	14.9	5.3	22.4	10.9	17.8	0.8	1.9
SBI Long Term Equity Fund Reg (G)	235.9	12092	6.4	17.3	8.2	18.4	9.5	14.3	0.8	1.8

Flexi Cap Fund

Quant Active Fund (G)	447.1	3480	3.7	21.4	9.4	34.2	19.8	19.1	1.2	2.6
SBI Flexi Cap Fund Reg (G)	75.7	16549	2.4	11.3	1.9	14.3	9.2	12.5	0.6	1.8
Kotak Flexi Cap Fund Reg (G)	54.5	38295	5.8	16.4	6.2	13.5	10.1	13.5	0.6	1.6
Motilal Oswal Flexi Cap Fund Reg (G)	33.2	9354	(1.1)	12.2	(1.6)	7.1	4.0	14.9	0.4	1.8
Parag Parikh Flexi Cap Fund Reg (G)	47.6	28546	1.4	8.5	(5.6)	21.4	15.3	17.6	1.0	1.7

Small Cap Fund

Quant Small Cap Fund (G)	139.2	2580	7.2	23.6	8.3	52.3	22.2	14.9	1.4	2.7
SBI Small Cap Fund Reg (G)	112.2	15335	0.9	17.0	9.7	28.2	12.4	19.9	1.1	1.7
Axis Small Cap Fund Reg (G)	62.8	11358	0.7	13.5	4.3	25.4	16.5	22.4	1.0	1.9
Invesco India Smallcap Fund Reg (G)	21.3	1418	1.2	16.1	0.9	26.0	0.0	19.6	0.9	2.2
Kotak Smallcap Fund (G)	160.5	8498	(1.3)	10.2	(1.7)	30.8	13.9	16.8	1.1	1.9

Thematic/Sectoral Fund

	All Data Belongs To December 26, 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)	70.9	1250	7.0	21.9	12.0	19.9	10.0	15.7	0.7	2.3
ICICI Pru Banking and Financial Services Fund Reg (G)	90.6	5644	7.7	21.1	13.5	9.5	8.1	16.6	0.4	2.0
Nippon India Pharma Fund (G)	283.5	4787	4.0	8.6	(4.6)	23.5	14.7	19.7	1.0	2.7
Sundaram Rural and Consumption Fund Reg (G)	62.6	1251	(1.4)	15.9	11.8	14.1	7.1	11.7	0.6	2.3
Aditya Birla SL Digital India Fund Reg (G)	115.2	3414	5.3	5.1	(20.2)	28.4	21.9	9.2	1.1	2.1

Balanced Advantage Fund

IDFC Balanced Advantage Fund Reg (G)	18.0	2915	1.0	8.1	(1.1)	8.6	7.0	7.3	0.5	1.9
Sundaram Balanced Advantage Fund (Formerly Principal Balanced Advantage) Reg (G)	26.6	1595	3.4	11.4	6.4	8.8	6.1	8.4	1.3	2.1
Edelweiss Balanced Advantage Fund (G)	36.5	9108	2.8	9.2	2.8	14.1	10.2	10.2	1.0	1.8
Kotak Balanced Advantage Fund Reg (G)	14.9	14662	3.1	8.3	4.3	10.0	0.0	9.4	0.6	1.7
Aditya Birla SL Balanced Advantage Fund (G)	75.7	6860	3.2	9.3	4.9	11.0	8.2	9.3	0.6	1.8

Equity Savings Fund

Aditya Birla SL Equity Savings Fund Reg (G)	17.3	506	1.7	6.1	(0.5)	7.5	5.5	7.0	0.4	2.3
DSP Equity Saving Fund Reg (G)	16.6	531	2.2	5.9	5.5	8.3	6.0	7.8	0.5	1.5
Kotak Equity Savings Fund Reg (G)	19.5	2058	3.1	7.0	7.0	9.3	8.0	8.4	0.7	2.1
Nippon India Equity Savings Fund Reg (G)	12.7	192	2.6	5.5	4.1	2.8	0.1	3.2	0.0	1.6
SBI Equity Savings Fund Reg (G)	17.5	2369	0.6	5.7	1.9	8.7	6.9	7.6	0.6	1.2

Arbitrage Fund

Aditya Birla SL Arbitrage Fund Reg (G)	22.3	4503	1.3	2.4	4.0	4.0	4.8	6.1	0.3	1.0
ICICI Pru Equity Arbitrage Fund Reg (G)	28.7	10445	1.4	2.5	4.1	4.1	4.9	6.8	0.4	1.0
Kotak Equity Arbitrage Fund (G)	31.2	21439	1.4	2.5	4.4	4.2	5.0	6.8	0.6	1.0
Nippon India Arbitrage Fund (G)	22.3	8375	1.4	2.4	4.1	4.1	5.0	6.8	0.4	1.1
SBI Arbitrage Opp Fund Reg (G)	28.2	6509	1.5	2.6	4.5	4.0	4.9	6.6	0.2	0.8

Index Fund

HDFC Index Fund-NIFTY 50 Plan(G)	167.4	7551	5.9	15.1	6.8	14.7	12.2	14.5	0.6	0.4
ICICI Pru Nifty Next 50 Index Fund Reg (G)	36.7	2610	(1.4)	13.9	0.7	13.6	6.1	10.9	0.6	0.7
HDFC Index Fund - S&P BSE Sensex Plan	548.1	4214	6.1	15.2	6.9	14.4	12.9	14.9	0.6	0.4
Motilal Oswal Nasdaq 100 FOF (G)	18.7	3245	(1.3)	(4.3)	(26.3)	13.0	0.0	16.4	0.7	0.5
Motilal Oswal S&P 500 Index Fund Reg (G)	14.3	2343	5.4	7.0	(10.3)	0.0	0.0	14.0	0.0	1.1

Solutions

	All Data Belongs To December 26, 2022									
	NAV	AUM	Mod Dura-tion (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)	12.7	190	1.4	12.243 (03/02/2022)	1.3	3.0	2.8	2.9	0.7	2.2
Aditya Birla SL Retirement Fund 30s Plan (G)	13.3	272	0.5	11.482 (17/06/2022)	3.5	12.8	1.6	6.6	0.4	2.5
HDFC Retirement Savings Fund Hybrid Equity Reg (G)	26.2	933	0.9	22.807 (20/06/2022)	4.8	12.3	5.4	14.5	0.8	2.5
Aditya Birla SL Bal Bhavishya Yojna Reg (G)	13.6	666	0.5	11.76 (20/06/2022)	3.3	12.9	1.0	6.1	0.4	2.4
ICICI Pru Child Care Gift Plan Reg	200.9	911	0.6	175.89 (20/06/2022)	3.2	11.8	3.6	13.4	0.6	2.4
SBI Magnum Children Benefit Fund Investment Plan Reg (G)	23.7	672	0.0	20.8499 (20/06/2022)	2.2	11.6	6.3	35.8	0.0	2.4

Multi Assets

HDFC Multi Asset Fund (G)	49.8	1645	0.8	44.772 (20/06/2022)	4.5	9.5	5.3	11.3	0.8	2.1
SBI Multi Asset Allocation Fund Reg (G)	39.2	604	1.1	35.2392 (20/06/2022)	3.0	10.1	6.0	9.5	0.8	1.8
ICICI Pru Multi Asset Fund (G)	476.4	15473	1.1	404.0991 (27/12/2021)	7.7	14.9	18.1	25.3	0.9	1.8
Axis Triple Advantage Fund (G)	29.3	1746	0.6	26.4475 (17/06/2022)	1.6	8.5	(4.3)	7.9	0.6	2.0
Nippon India Multi-Asset Fund Reg (G)	13.5	1170	0.0	12.1603 (20/06/2022)	5.1	8.4	3.3	11.0	0.0	1.8

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

PROMINENT HEADLINES
DECEMBER 2022

India-UAE cooperation is particularly significant. We have known each other for long, but have rediscovered each other only in 2016. With CEPA, ties have really taken off. India-UAE cooperation is not about surviving change but shaping it positively....**S. JAISHANKAR,** *External Affairs Minister*

Urbanization is going to be the key. By 2047, 50% of the population will live in urban areas, if you don't have basic services in urban areas, then it is going to be a big challenge... **PARAMESWARAN IYER,** *Niti Aayog, CEO*

While being watchful of the impact of our earlier monetary policy actions, we will keep Arjuna's eye on the evolving inflation dynamics and be ready to act as may be necessary. The aspect of growth will obviously be kept in mind....**SHAKTIKANTA DAS,** *RBI Governor*

Hiring in key industries such as real estate, retail, tech and BFSI have been on an upward trajectory despite a slow-growing economy and high inflation. several industries, such as education and healthcare, are increasingly relying on technology to drive efficiency and productivity.... **SEKHAR GARISA,** *CEO - Foundit*

When you look at (the aviation market in) India, I see massive opportunities.... taxation has always been an issue in India and clearly makes the Industry less competitive and make the domestic market more expensive... **WILLIE WALSH,** *Director General IATA*

The possibility of avoiding a recession is really narrow for the U.S. You also have a significant fiscal tightening, a slowing economy and the unemployment rate going up. The unemployment rate is at record lows, and it's an incredibly tight labour market. Given all the policy tightening that's happened, the unemployment rate should go up.... **GITA GOPINATH,** *Deputy managing Director, IMF*

The acquisition of Metro India aligns with our new commerce strategy of building a unique model of shared prosperity through active collaboration with small merchants and enterprises..... **ISHA AMBANI,** *Director, RRVL*

I think India will be the first to handle the issue of auctioning the space base spectrum. We are working on it. Any system that we will be bringing is to actually encourage and promote investment in the sector, and not increase any burden...**PD VAGHELA,** *Chairman, TRAI*

India will need to balance between supporting growth and returning inflation to its 2 6 per cent target while guarding against complacency around the US dollar and the Fed... **RADHIKA RAO,** *Senior Economist, DBS*

Nurturing a culture of innovation will lead India to become a data hub for the planet... **ANANT MAHESHWARI,** *President, Microsoft India.*

We are on course to meet the capex target for this year. States have shown exceptional absorption capacity for taking the monies and spending them on capital assets. ...That is the sure-shot way of achieving the multiplier that the economy requires....**NIRMALA SITHARAMAN,** *Finance Minister*

We expect individual emerging market (EM) countries divergent paths in 2023. looks set to deliver the growth fuelled by strong domestic demand... **ALASTAIR REYNOLDS,** *Portfolio Manager (EM), Martin Currie*

Bring down the interest rate because... it is high compared to what you pay in other parts of the world. In India, the rate is in the range of 8% to 9.5% for the industry and (specifically) in power and renewables (sectors) it is 8-10%...**SUMANT SINHA,** *ReNew Power*

Research is converting money into knowledge, innovation converting knowledge into money, and the two must go hand in hand....**RA MASHELKAR,** *Former DG CSIR*

The market has been in a tug of war between better than feared economic juxtaposed with concerns about the potential for the Fed to overtighten monetary policy push the economy into a recession... **ART HOGAN,** *Chief Market Strategist, B Riley Wealth*

It is easier to create something which scales across the country. In India, you need to scale across the entire country. There is no better time to create a startup than the current moment...**SUNDAR PICHAI,** *Google CEO*

Petrochemical market size is currently in India about $190 billion, whereas the per capita consumption of petrochemical segments is significantly lower, compared to that in developed economies. And this gap offers substantial space for demand growth and investment opportunities.... **Hardeep Singh Puri,** *Oil Minister.*

The textiles sector is full of opportunities and we are confident of achieving a $100 billion exports target by 2030...**PIYUSH GOYAL,** *Minister of Commerce and Industry.*

The outgoing year 2022 has been inspirational and wonderful for India... it attained the status of the world's fifth largest economy... and crossed the "magical" export figure of $400 billion.... **NARENDRA MODI,** *Prime minister*

A comprehensive approach is needed to reduce debt, increase transparency, and facilitate swifter restructuring — so countries can focus on spending that supports growth and reduces poverty.... **DAVID MALPASS,** *President, World Bank*

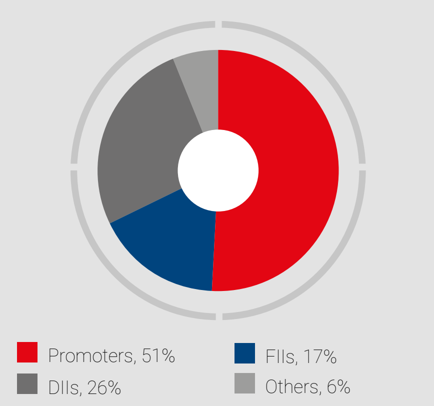
Bharat Electronics Ltd.

CMP: Rs 100	Rating: BUY	Target: Rs 115

Company Information

BSE Code	500049
NSE Code	BEL
Bloomberg Code	BHE IN
ISIN	INE263A01024
Market Cap (Rs. Cr)	73,060
Outstanding shares(Cr)	730.98
52-wk Hi/Lo (Rs.)	114.65/62.33
Avg. daily volume (1yr. on NSE)	1,15,30,860
Face Value(Rs.)	1
Book Value (Rs)	17.69

Share holding pattern as on September 2022



Company overview

Bharat Electronics Limited (BEL) is a Navratna PSU (under the Ministry of Defence, Government of India) established in the year 1954. The company has strong manufacturing (with nine manufacturing units) and R&D capabilities and robust cost-control measures. BEL is a principal supplier of electronics to all the three arms of defence i.e. Army, Air force and Navy. BEL's electronic communications products include HF/VHF transmitters, receivers, microwave radio relays, radars, and other electronic components required by defence and stands to benefit from enhanced budgetary outlay for strengthening and modernising India's security. The company also manufactures civilian products such as EVM (Electronic Voting Machines).

Investment Rationale

AtmaNirbhar boost for defence manufacturing

The government has emphasized to create an environment to boost AatmaNirbhar Bharat programme in the defence sector which will help create a level-playing field for private players, including MSMEs. India is one of the largest arms importers in the world, accounting for 11% of the total arms sales globally. Enhancing the defence technology, achieving customisation and uniqueness is important for India to develop a surprise element over its nemesis. Further, hike in foreign direct investment (FDI) to 74% through the automatic route would boost investments in the sector. Private sector participation in defence will encourage foreign producers to form strategic partnerships with various Indian businesses. This strategic collaboration will enhance the producers' exposure to the unexplored defence sector of India and generate numerous opportunities for the Indian companies by strengthening production and upgrading equipment. Some of the key initiatives by the government are: (a) approval of projects for boosting industry-backed R&D efforts (b) support to help developing start-ups in the defence sector (c) Around 68% of the capital procurement budget would be earmarked for the domestic industry (d) An indigenisation portal called SRIJAN would be launched to support indigenisation by Indian entities, including MSMEs (e) Two industrial defence corridors would be launched, one each in Uttar Pradesh and Tamil Nadu.

The share of domestic procurement in the total procurement has increased to 68% in FY22 from 54% in FY19. BEL is India's leading player with market share of more than 50%, helps meet country's defence electronics needs.

Leading player in India's defence electronics sector

Apart from the AtmaNirbhar boost for the sector, the government has also put a ban on import of 411 items of Services and total 3,738 items of Defence Public Sector Undertakings (DPSUs) to support the sector. The government's thrust towards indigenisation in itself is estimated to be offering close to a Rs 2-2.3-lakh-crore opportunity to domestic players. The share of domestic procurement in the total procurement has increased to 68% in FY22 from 54% in FY19. BEL is India's leading player with market share of more than 50%, helps meet country's defence electronics needs. BEL has a wide range of product portfolio in the defence as well as in non-defence segment and is a major beneficiary of government's focus towards indigenisation. Its defence products include Defence Communications Products, Land-based Radars, Naval Systems, Electronic Warfare Systems, Avionics, Electro Optics, Tanks & Armoured Fighting Vehicle Electronic Systems, Weapon Systems, C4I Systems, Shelters & Masts, Simulators, Batteries and Components. Nearly 80% of BEL's revenue is generated from communications equipment, radars and sonars, electronic warfare systems, avionics, electro optics, electronic systems for tanks and armoured fighting vehicles, etc. The company has its inhouse R&D (spend at 9% of revenue) thus enabling it to consistently develop complex products, components and equipment to cater to defence and non-defence sectors. BEL also has been using lithium-ion technology for defence applications for long and has initiated discussions to begin manufacturing lithium-ion batteries through PLI scheme. More importantly, the present volatile situation across northern and western borders will imply elevated allocation to defence expenses in upcoming budget.

BEL 3 yr price chart (Rs)

Strong order book augurs well for growth

The order book position of the company was at Rs 52,795 crore as of September 2022 end (implying ~3.1x TTM revenues). Despite lower ordering in the first half of the current fiscal, the company bagged Rs 2,200 crore orders and it has kept its order inflow guidance at Rs 20,000 crore for FY23. More than 90% of the orders are however from government nonetheless more than 80% of revenue of the company is generated from indigenous technologies developed either by BEL or Defence Research and Development Organisation (DRDO) which speaks of technological strength of the company. The company's order pipeline includes orders for Akash missile system, long-range surface-to-air missile systems, naval equipment, and radar systems. BEL is also into project execution for the development of smart cities and manufacturing of electronic voting machines. The company aims to spend Rs 1000 crore on R&D as well as another Rs 750 crore towards other expansion initiatives. In addition, BEL has been focusing on exploring the export (primarily non-defence currently) potential of defence electronics products and systems, which bodes well for revenue diversification. The company targets 10-15% revenue contribution from exports (currently ~2%). BEL has been exporting various products and systems to various friendly countries. Having established a Coastal Surveillance System (CSS) for few neighbouring countries, BEL is interacting with Ministry of External Affairs on a regular basis for supply of CSS to other friendly countries.

Decent Q2FY23 performance

BEL's revenue increased 7.8% yoy/ 26.8% qoq to Rs 3,945.8 crore, primarily driven by better execution and positive spill over effects (orders which was not booked in FY22 due to supply chain issues). The availability of electronics, vendors, and imported products, along with logistics and labour issues, have eased leading to the improvement in execution. The EBITDA margin dropped 157 basis points on a yoy basis but sequentially improved by 528 basis points at 21.9%. Margins were impacted due to unfavourable revenue mix and cost pressure (other items). Net profit was flat at Rs 624 crore yoy. Net profit was flat at Rs 624 crore y-o-y. Management however expects improvement in margins in coming quarters with ease in cost pressures and improved execution. Management expects revenue growth of 15% in current fiscal led by higher execution and strong order book. Besides, EBITDA margin is expected to be at 22-23% as against its earlier expectation of about 21-23%.

MoUs to act as new found triggers

BEL has signed an MoU with TEV (Triton Electric Vehicle US) to manufacture hydrogen fuel cells. This will help the company explore opportunities in clean energy both in the domestic and the international markets. It has already received the LoI for the procurement of 300 kw lithium battery pack for the India business, estimated to have value of ~Rs 8,060 crore. The battery packs are to be delivered by BEL to Triton in 24 months, commencing from January 2023. BEL has also signed an MoU with Munitions India Limited (MIL), another defence PSU, under the Ministry of Defence, Government of India to access export markets. MIL, India's largest manufacturer and market leader, is engaged in the design, development and manufacture of various types of ammunition and explosives including small, medium and high caliber ammunition, mortars, rockets, hand grenades, high explosives and propellants. The MoU aims at leveraging the complementary strengths and capabilities of BEL and MIL under the Make In India initiative.

Key Risks

- Slowdown in order inflows and cut in Defence capex
- Delay in receivable payments from government

Valuation

BEL, a Navratna PSU is India's leading player with market share of more than 50%, helps meet country's defence electronics needs. The company is a principal supplier of electronics to all the three arms of defence i.e. Army, Air force and Navy. The focus towards indigenisation and import ban of defence items by the government will augur well for companies like BEL which already is technologically strong and spends ~9% of its revenue on R&D. The share of domestic procurement in the total defence procurement for the government has already increased to 68% in FY22 from 54% in FY19. Besides, the company is also focusing on exports and with recent MoUs will further help to access new technologies and new markets which are various friendly neighbouring countries. The present volatile situation across northern and western borders will imply elevated allocation to defence expenses in upcoming budget. Moreover, the present order book implies revenue visibility of more than 3 years and the management has guided for higher orders in H2FY23 and improvement in margins ahead. At the CMP, the scrip trades at P/E of 22.1x FY24E EPS and investors are advised to 'BUY'.

Particulars (in Rs Cr)	FY21	FY22	FY23E	FY24E
Revenue	13,850	15,085	17,680	20,218
Growth (%)	6.8%	8.9%	17.2%	14.4%
EBITDA	3,211	3,341	3,941	4,605
EBITDA Margin (%)	23.2%	22.1%	22.3%	22.8%
Net Profit	2,098	2,399	2,861	3,313
Net Profit Margin (%)	15.1%	15.9%	16.2%	16.4%
EPS (Rs)	2.87	3.28	3.88	4.53

Source: Bloomberg Consensus Estimates

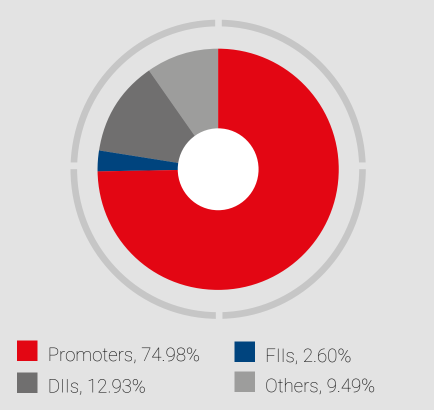
Zydus Lifesciences Ltd.

CMP: Rs 420	Rating: BUY	Target: Rs 480

Company Information

BSE Code	532321
NSE Code	ZYDUSLIFE
Bloomberg Code	ZYDUSLIF IN
ISIN	INE010B01027
Market Cap (Rs. Cr)	42,530
Outstanding shares(Cr)	101.22
52-wk Hi/Lo (Rs.)	487/319.4
Avg. daily volume (1yr. on NSE)	14,97,810
Face Value(Rs.)	1.0
Book Value (Rs)	164.5

Share holding pattern as on September 2022



Company Overview

Zydus Lifesciences is a leading pharma company having presence in domestic branded formulations, US generics and also in process of repurposing itself into niche areas of specialty pharmaceuticals, biosimilars and vaccines. It is the fourth largest pharma company in India with 14 brands among top 300 pharma brands in India and 9 with Rs 100 crore + sales. US is the largest contributor to its revenue, accounting 39% of revenue, followed by India 32%, Wellness 13% and Europe and emerging markets accounting 10% of the topline. The resurface of COVID-19 virus in other parts of the world again bring the focus on pharma companies due to rising demand for vaccine and inhalation therapies.

Investment Rationale

New product launches in US to benefit the company

US accounts nearly 39% of its total revenue hence it is an important market for Zydus Lifesciences. During 1HFY23, US sales grew by 11% YoY at Rs 3,300 crore as new launches are gaining traction despite pricing pressure in the business. Zydus

Lifesciences has a healthy product pipeline in US. It has filled 11 ANDAs and launched 18 products including Revlimid in 1HFY23. As of 1HFY23, it got the regulatory clearance for the Moraiya facility from the USFDA. Hence, complex product approvals like transdermal can be expected, subject to product specific successful review by USFDA. During 2QFY23, the company has launched 10 new products in the US including Revlimid, which aided the growth momentum. The sale of Revlimid in US during 2QFY23 stood at USD 24 million which is expected to increase in subsequent quarters. Further, the company expects to launch TrokendiXR (USD 250-300mn) in 4QFY23 which is an important settlement launch. Zydus Lifesciences has a robust pipeline of 105 ANDAs pending approval. The management guided for ~30 ANDA filings and launches each year while maintaining R&D spends at around 7% of revenues in FY23. In US, the management remains hopeful of a mid to high single-digit growth in FY23 on the back of robust launches. Hence, US market will witness growth recovery on the back of new product launches.

Zydus Lifesciences has a robust pipeline of 105 ANDAs pending approval. The management guided for ~30 ANDA filings and launches each year while maintaining R&D spends at around 7% of revenues in FY23.

Focus on Biosimilars & complex generics

Zydus Lifesciences continues to work on its innovation-led product pipeline as well as on complex generics to improve the growth in earnings going forward. On the biosimilar front, Zydus is focused on consolidating its domestic business of 13 products. This is led by the success of the Ujvira and the Exmeptia. The Ujvira is an antibody drug conjugate of Trastuzumab Emtansine used to treat breast cancer. The Exmeptia (Adalimumab) is an mAb (monoclonal antibodies) used to treat rheumatoid arthritis. In addition, Zydus has nine products in the pipeline. The Ujvira brand clocked over Rs 50 crore sales in the first year of launch (FY22). This further strengthens the oncology franchise, which includes brands such as Vivitra and the Bryxta. Other than India, company is targeting Latin America and Russia to roll out biosimilars. The company has recently received the marketing approval for the drug substance of biosimilar the Adalimumab from the Russian regulatory authority. Apart from Zydus, there is one more generic player for the Adalimumab in Russia. In US market, the company is planning to launch limited products later in 2027-28, given the competitive pressure and the regulatory gestation. Among NCEs (New Chemical Entity), Saroglitazar and Desidustat related to chronic liver diseases and treatment of anemia due to chemotherapy, respectively are under review in the US. The Company has also launched other products in NCE category which will drive the future growth of Zydus Lifesciences.

Zydus Lifesciences 3 year Price Chart

Return of flu season in India & US trigger demand for anti-infectives drugs

The return of the flu season in India and the US, and COVID-19 in China sparked the demand for anti-infectives, antibiotics and analgesics drugs. The IPM (Indian Pharma Market) data for November 2022 asserts the same. The domestic market which grew by 17% YoY led by 21% YoY growth in respiratory therapy. There has been revival in anti-infective drugs which grew by 15% YoY in November after subdued growth for the last four quarters. There was an unprecedented pick-up of Dolo and Zerodol in earlier seasons. In such situation, Zydus Lifesciences is well placed with good sales mix. Zydus 13% sales come from anti-infectives, 10% from respiratory drugs and 8% sales form pain analgesics and thus has good presence in all the key flu therapies. Zydus Lifesciences has also presence in COVID vaccine segment which could witness demand if the covid cases started to go up and if there is increase in booster dose by the people in order to fight against the virus.

2QFY23 numbers came in line with the consensus estimates

Zydus Lifesciences 2QFY23 numbers came in line with the consensus estimates. The 2QFY23 earnings were largely driven by Revlimid launch in US markets. The domestic and

Emerging markets reported sluggish growth given a high covid base, adjusting for which the growth was a healthy 11% YoY and 24%YoY respectively. The management remains confident of growing the business and maintains their EBITDA margin guidance of 20%+. US base business marginally declined, however, Revlimid contribution is sustainable over the next few quarters. Price erosion was in mid-single digits and Asacol HD competition is unlikely in the next 2 quarters which provides comfort on base business sustainability. US formulation revenue during the quarter grew by 15.9% YoY, while the Indian formulation grew by 4.2% YoY. Emerging markets and Europe sales during the quarter remain subdued. Consumer wellness sales remain strong at 12% YoY, while APIs sales during the same period declined by 16.6% YoY. Overall, consolidated revenue during the quarter grew by 7.6% YoY at Rs 3,942 crore, while EBITDA margin declined by 420 bps YoY at 19.7%. Due to lower other income and one-time adjusted for inventory provision, exceptional items and profit/(loss) from discontinued operations, adjusted PAT during the quarter declined by 82% YoY. In domestic formulation business, company has gained market share and improved ranking

Zydus Lifesciences long term plan in venturing into complex injectables and niche orphan drugs in US would provide meaningful traction only from FY24.

in key therapies viz. cardiovascular, gynecology, respiratory and gastrointestinal on a YoY basis. The focus on complex generics and biosimilars and new launches in US will help to revive the quarterly performance in coming quarters.

Key Risks

- Any inspection by US FDA to its plants and any import alert could have negative bearing on its business growth.
- Higher price erosion and competition in US generic drug market could hurt its margins going ahead.

Valuation

Zydus Lifesciences long term plan in venturing into complex injectables and niche orphan drugs in US would provide meaningful traction only from FY24. Further, it has a strong set of existing as well as pipeline products in the US which will ensure continued growth trajectory. The India formulations business is seeing an improving market share in key therapies. The consumer wellness business profitability is also expected to improve in the coming quarters due to pricing action and improving rural demand. Management expects of achieving EBITDA margins of around 20% in FY23. Management continues to remain focus on R&D expenses and expects it would remain elevated in the vicinity of 8% of sales due to the focus on biosimilars and clinical trials for NCEs. Further, the flu season in India and the US, and COVID-19 in China could bring some short-term opportunities for Zydus Lifesciences due to its good presence in anti-infectives, respiratory and analgesics drugs. Hence, we have a positive view on Zydus Lifesciences and recommend our investors to BUY the scrip with target of Rs 480 from 12 months investment perspective. The scrip is currently valued at P/E multiple of 17.6x on FY24E EPS which looks quite compelling.

Particulars (in Rs Cr)	FY21	FY22	FY23E	FY24E
Revenue	14,125.0	14,827.6	16,504.6	18,067.6
Growth (%)	2.3%	5.0%	11.3%	9.5%
EBITDA	3,445.9	3,210.2	3,454.8	3,913.3
EBITDA Margin (%)	24.4%	21.7%	20.9%	21.7%
Net profit	2,217.2	2,102.7	2,133.8	2,448.5
Net Profit Margin (%)	15.7%	14.2%	12.9%	13.6%
EPS (Rs)	21.7	20.6	20.8	23.8

Source: Bloomberg consensus

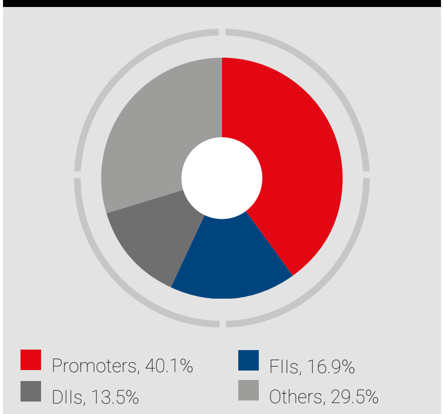
KPIT Technologies Ltd.

CMP: Rs 702	Rating: BUY	Target: Rs 800

Company Information

BSE Code	542651
NSE Code	KPITTECH
Bloomberg Code	KPITTECH IN
ISIN	INE04I401011
Market Cap (Rs. Cr)	19,320
Outstanding shares(Cr)	27.4
52-wk Hi/Lo (Rs.)	801 / 440.4
Avg. daily volume (1yr. on NSE)	1821616
Face Value(Rs.)	10
Book Value	50.9

Share holding pattern as on September 2022



Company Overview

KPIT Technologies Ltd. (KPIT Tech) is a global partner to the automotive and Mobility ecosystem for making software defined vehicles a reality. KPIT Tech provide software solutions targeting the Automobile OEM's leapfrog their growth towards CASE theme (Connected, Autonomous, Shared & Electric). It is a leading independent software development and integration partner helping mobility leapfrog towards a clean, smart, and safe future. KPIT's software integration capabilities with top global automobile manufacturers will provide significant value creation compared to its peers. With 10000+ automobelievers across the globe specializing in embedded software, AI, and digital solutions, KPIT accelerates its clients' implementation of next-generation technologies for the future mobility roadmap. With engineering centers in Europe, the USA, Japan, China, Thailand, and India, KPIT works with leaders in automotive and Mobility and is present where the ecosystem is transforming. KPIT's further expansion in the field of middleware (Complex Body electronics) & cloud base connected service through organic & inorganic route provides significant earnings growth visibility for the company.

Investment Rationale

High Global OEM's Spending in Future Mobility

The company derive most of its revenue from innovative technology and the scalability in this industry is huge. Global OEM's R&D expense currently stands at nearly USD 20 billion and is expected to rise to USD 60 billion over the next 5 years as global auto manufactures provide technological enhancement to vehicles & eventually move towards driverless vehicles. This presents a huge opportunity of revenue growth potential for the companies. KPIT is at the forefront on these. Engineering spend by the OEMs gone up by 10% and specially the CASE (Connected Autonomous Shared and Electric) area gone up by ~20%. Over the years, company has invested heavily in the technologies for automotive companies and continues to maintain its leadership position in this area. The company is positioned well to increase its focus on electric vehicles, especially in the US and Europe, with a top client's concentration of T25 globally.

Technica Engineering Acquisition to Propel Growth

In October 2022, KPIT has completed Technica Engineering deal to acquire four Technica Group companies, for a consideration of Rs.640 crores to be paid over 6 months. The deal is EPS accretive. Technica Engineering Gmbh, Germany, Technica Electronics Barcelona S.L., Spain and Technica Engineering Spain S.L., have been acquired by KPIT Technologies GmbH, a wholly owned subsidiary of the company. Technica Group companies is specializing in production-ready system prototyping (combination of network system architecture, hardware prototyping, integration), automotive ethernet products, and tools for validation. This will create across-the-stack expertise offering a one-stop shop for the industry to transform towards SDV. Technica Engineering is headquartered in Munich and has a presence in Spain, Tunisia, and the USA, with a team of 600+ engineers. Technica has an annual revenue run-rate of Euro 42-43 million with EBITDA margins in the 20% range. Technica's key clients are Volkswagen, Audi, BMW, Volvo, Renault, and Hyundai among others in this space. The groups companies have a strong presence in Europe, which could be highly beneficial to KPIT going forward. The full quarter revenues will get consolidated into KPIT from Q3FY23. KPIT has funded the acquisition from internal sources. The objective of the acquisition is to create a one-stop shop for the industry in its transformation towards Software Defined Vehicles (SDV). The acquisition will bring synergies like client stickiness, KPIT can engage much earlier in client development program, can be part of complex architecture, etc.

KPIT stands to benefit from the recent acquisition of the four Technica Group Companies, as the acquisition will help KPIT create a unique one-stop shop for the automotive industry in its transformation towards Software Defined Vehicles (SDVs).

Strong Player in the High Entry Barrier Segment

KPIT operates in an area which is extremely complex and disruptive, therefore, the entry into such a segment is extremely difficult for new players. KPIT specializes in shared mobility, connectivity, level 2 to level 5 autonomous mobility, and superior vehicle engineering. These areas have extremely high barriers to entry due to its complexity, and thereby, high margin potential. KPIT's complex manufacturing process in the autonomous vehicle computing is catching up faster in its outlook. Unlike other peers, KPIT's 100% revenue comes from the automobile software and it holds competitive advantage in the software integration space. KPIT's relationships with the top global OEM clients have allowed them to become involved in numerous complicated production processes, allowing them to work on future software integration projects.

Margins to Improve

EBITDA Margins guidance has been improved to 18.5-19% (from 18-19% earlier) which appears achievable, given the strong performance in

KPIT Tech 3Yr. Price Chart

H1 (19.0%), wage hikes behind and supply side stabilizing. In H2FY23, KPIT will incur certain non-recurring deal related expenses which has been factored while guiding EBITDA Margin outlook for FY23.The company has been able to maintain its margins at a reasonable level in spite of heavy wage hikes in Q2FY23, and it expects operating leverages and offshoring to aid margins to move upwards in the next couple of quarters. The supply side constraints are gradually moving in the right direction with attrition numbers consistently on the decline. The company is expected to report stronger margins in the next couple of years driven by enhanced operating efficiencies, net realization improvement and improved utilization. Some key tailwinds to add to the business of KPIT are that R&D spend in CASE by top OEM's which is expected to triple over the next 5 years, and the Vehicle software market is expected to grow at a CAGR of 9% till 2025. The management is extremely bullish on the future of KPIT, especially due to its high cash levels and low debt levels, which could enable them to pursue strategic acquisitions that will fuel the competitive position of the company.

Healthy Outlook

Management has raised FY23 constant currency growth outlook to 31%-32% (organic and in-organic). Further, organic growth outlook has been raised to 23+% as against 18%-21% earlier. Organic growth will be broad-based across practices, led by strategic clients. However, reported US$ growth will be impacted adversely due to cross currency headwinds. Despite certain non-recurring deal related expenses in H2FY23, the management maintained EBIDTA margin guidance of 18.5% to 19% supported by improvement in net realization, operational efficiency and better productivity. KPIT will now focus on sales and delivery integration, common go-to-market and enabling function integration. Management has indicated that it has a healthy pipeline with a couple of mega engagements (for 3-5 years) expected to get closed in the coming 3-4 months. Demand environment is strong as Vehicle makers are investing heavily to develop Software Defined Vehicles (SDVs). KPIT believes it has the deep domain expertise and software competence, which will throw robust business opportunity. The company is experiencing increased traction with Strategic Clients. The management may further revise the outlook positively in Q3 depending on the economic environment.

Key Risks

- Highly dependent on solely the automotive sector.
- Reduction of innovation budgets by OEMs and Tier I Auto companies due to economic slowdown.
- Appreciation of INR will impact negatively to company's business.

Valuation

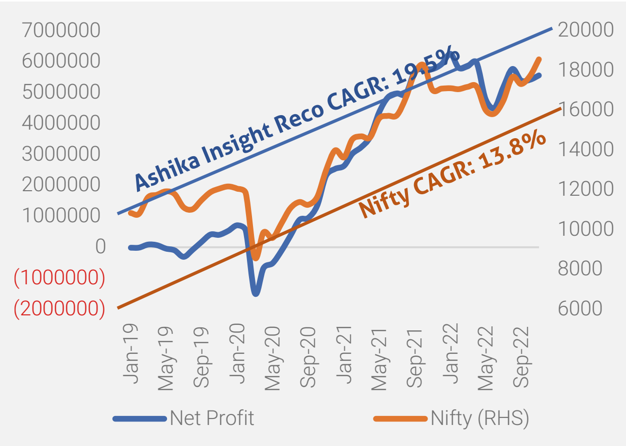
KPIT is a global partner in the automotive and mobility industry that focuses on the development of Software Defined Vehicles (SDVs). New Deal wins ($142mn) were robust with company winning five large engagements across EU, US & Asia and two large deals are in pipeline. Management upgraded its FY23 organic growth guidance to +23% in CC (from 18- 21% earlier), also guided to overall CC growth of 31-32% and EBITDA Margins guidance of 18.5-19%. Management sees ACES trends converging into Software Defined Vehicle (SDV), which will require new software architectures where KPIT Tech is becoming the trusted partner of OEMs and winning new business. KPIT also stands to benefit from the recently announced acquisition of the four Technica Group Companies, as the acquisition will help KPIT create a unique one-stop shop for the automotive industry in its transformation towards Software Defined Vehicles (SDVs). Due to high cash levels, KPIT could be seen entering into more strategic acquisitions and investments in the coming years. The company is well placed to take the advantage of mobility and the disruptive sectors (Telecom and Semiconductor). It's software integration capability, Middleware & new architectural solution and cloud base connected service through organic & inorganic route will bring long term value creation compared to its peers. KPIT is well on course to achieve its targeted growth. The key growth catalysts for the growth are soaring TCV deal size, healthy BS status, strategic end-to-end engagement model and strong demand. All the key growth levers in cumulation affirm the continuance of positive earnings growth trajectory. We recommend our investors to BUY the scrip with target of Rs 800 from 12 months investment perspective. The scrip is currently valued at P/E multiple of 40.7x on FY24E Bloomberg Consensus EPS of Rs 17.2.

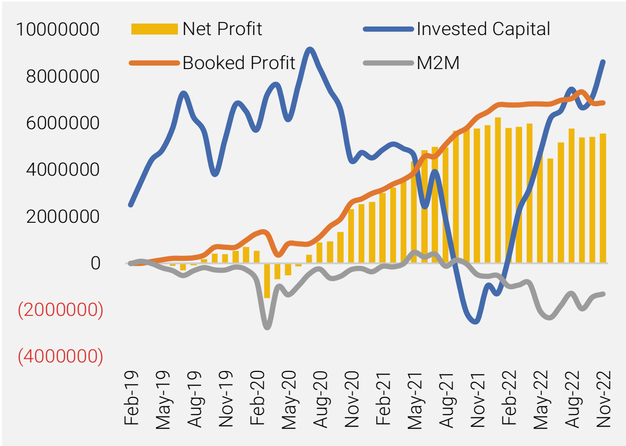
Particulars (in Rs Cr)	FY21	FY22	FY23E	FY24E
Net Sales	2035.7	2432.4	3164.5	3898.7
Growth (%)	-5.6	19.5	30.1	23.2
EBITDA	307.1	438.5	613.9	775.8
EBITDA Margin (%)	15.1	18.0	19.4	19.9
Net profit	147.1	276.0	379.7	471.7
Net Profit Margin (%)	7.2	11.3	12.0	12.1
EPS (Rs)	5.4	10.2	13.9	17.2

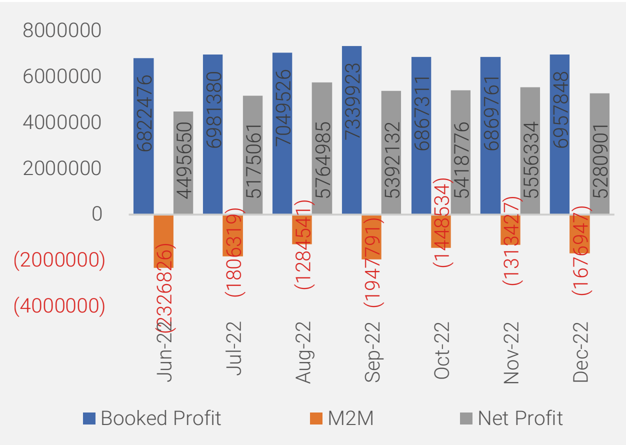
Consensus Estimate: Bloomberg, Ashika Research

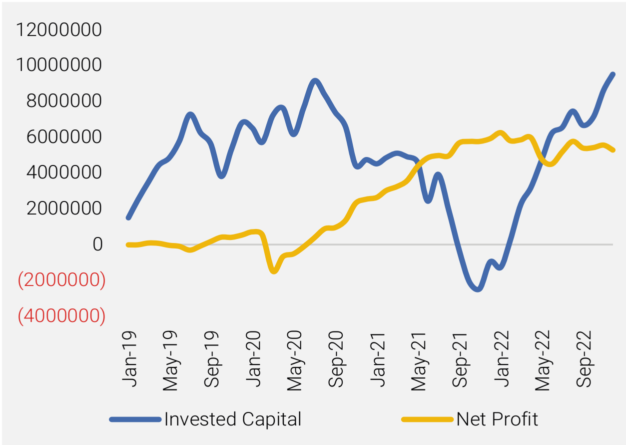
Monthly *Insight* Performance

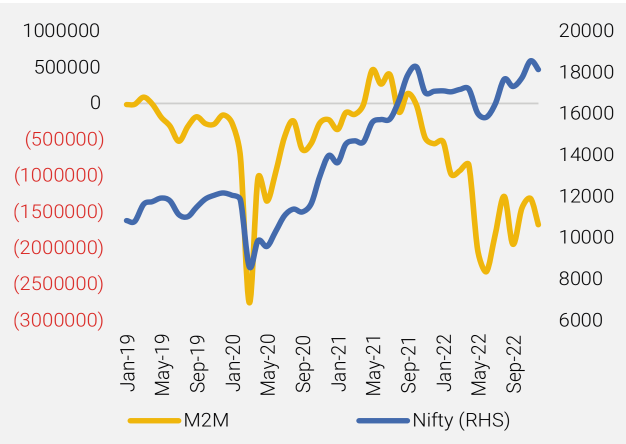
Since Jan-2019... Return @CAGR 19.5%

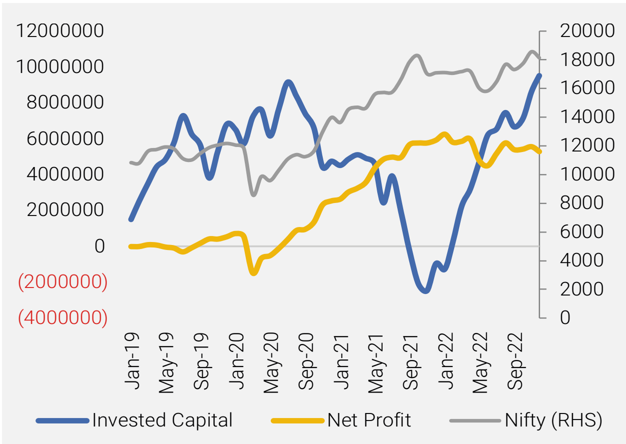












** All Figures quoted in Rs.*
Calculated as on December 27, 2022

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	(262189)	5531501	137699	5669200
31-Oct-21	(2096994)	5785074	(23817)	5761257
30-Nov-21	(2471736)	6236551	(475411)	5761140
31-Dec-21	(967066)	6476478	(557270)	5919208
31-Jan-22	(1274299)	6780638	(526905)	6253733
28-Feb-22	227695	6780638	(978700)	5801938
31-Mar-22	2234090	6780638	(927092)	5853545
30-Apr-22	3191862	6822476	(847570)	5974906
31-May-22	4693522	6822476	(2027276)	4795200
30-Jun-22	6199838	6822476	(2326826)	4495650
31-Jul-22	6539891	6981380	(1806319)	5175061
31-Aug-22	7455860	7049526	(1284541)	5764985
30-Sep-22	6660708	7339923	(1947791)	5392132
31-Oct-22	7128537	6867311	(1448534)	5418776
30-Nov-22	8623447	6869761	(1313427)	5556334
27-Dec-22	9514858	6957848	(1676947)	5280901

*Booked Profit = Profit booked after target achieved
**M2M = Open position marked to market as on date
***Net profit = Booked Profit + M2M P/L
****Invested Capital = Stock investment as recommended (minus) Stock sold on target
*****Calculation based on Rs. 5 lac invested on each stock recommended in our monthly insight on release date
******All Figures quoted in Rs.
****** Calculated as on December 27, 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
Bharat Electronics	02-Jan-23	5000	100.0	500000	115	15.0%							
Zydus Lifesciences	02-Jan-23	1190	420.0	499800	480	14.3%							
KPIT Technologies	02-Jan-23	712	702.0	499824	800	14.0%							
Bank of Baroda	01-Dec-22	2985	167.5	499958	197	17.6%	09-Dec-22	197.0	588045	88087	17.6%	8	804%
Balkrishna Industries	01-Dec-22	234	2049.4	479553	2370	15.6%							
Mirza International	01-Dec-22	1618	309.0	499946	370	19.7%							
Reliance Industries	01-Nov-22	196	2546.0	499016	2850	11.9%							
HDFC Bank	01-Nov-22	334	1495.0	499330	1750	17.1%							
Titan Company	01-Nov-22	181	2758.0	499198	3120	13.1%							
Divi's Lab	03-Oct-22	135	3700.0	499500	4110	11.1%							
Oracle Fin. Serv. Software	03-Oct-22	167	2985.0	498495	3460	15.9%							
Crompton Greaves Cons.	03-Oct-22	1214	412.8	501103	485	17.5%							
Tata Consultancy Services	01-Sep-22	156	3208	500448	3650	13.8%							
Tata Consumer Products	01-Sep-22	618	809	499962	935	15.6%							
Jubilant FoodWorks	01-Sep-22	813	615	499995	710	15.4%							
Nestle India	01-Aug-22	25	19475	486886	22200	14.0%							
Bayer Cropscience	01-Aug-22	94	5349	502839	6037	12.9%							
Whirlpool of India	01-Aug-22	280	1783	499257	2035	14.1%							
Siemens	01-Jul-22	210	2385	500870	2750	15.3%	21-Jul-22	2735	574413	73543	14.7%	20	268%
United Spirits	01-Jul-22	655	762	498984	875	14.9%	16-Sep-22	870	569850	70866	14.2%	77	67%
Ashok Leyland	01-Jul-22	3380	148	501100	170	14.7%	15-Sep-22	167	565102	64002	12.8%	76	61%
ICICI Lombard Gen. Ins.	01-Jun-22	394	1270	500416	1460	15.0%							
PI Industries	01-Jun-22	180	2784	501033	3203	15.1%	4-Aug-22	3203	576540	75507	15.1%	64	86%
Abbott India	01-Jun-22	28	18031	504867	20500	13.7%	1-Aug-22	20465	573013	68146	13.5%	61	81%
ICICI Bank	02-May-22	682	733	500096	874	19.2%	10-Aug-22	850	579700	79604	15.9%	100	58%
Sumitomo Chemical India	02-May-22	1175	426	501128	500	17.2%	11-Jul-22	499	586490	85361	17.0%	70	89%
NLC India	02-May-22	6160	81	500435	104	28.0%							
SAIL	01-Apr-22	5050	99	500810	115	16.0%							
Aditya Birla Fashion	01-Apr-22	1640	304	499253	350	15.0%	30-Sep-22	350	574000	74747	15.0%	182	30%
Fairchem Organics	01-Apr-22	328	1525	500265	1950	27.9%	10-Aug-22	1850	606800	106535	21.3%	131	59%
Birlasoft	02-Mar-22	1215	413	501441	ADD								
Zydus Wellness	02-Mar-22	315	1592	501623	ADD								
Johnson Cont - Hitachi AC	02-Mar-22	268	1862	499064	ADD								
Himatsingka Seide	02-Mar-22	3050	165	504268	ADD		27-Oct-22	93	284626	-219642	-43.6%	239	-67%
Asian Paints	02-Feb-22	156	3210	500821	3690	14.9%							
Ultratech Cement	02-Feb-22	66	7588	500809	8700	14.7%							
Cipla	02-Feb-22	528	948	500363	1088	14.8%	20-Sep-22	1088	574464	74101	14.8%	230	24%
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	1318	632510	132933	26.6%	24	405%

Script	Buying Date	QTY	Bought Rate	Value	Target Price	Target Return	Booked Date	Booked Price	Value	Profit	Return	Holding Days	Annu-alised Return
ICICI Bank	01-Dec-21	700	718	502343	825	15.0%	12-Jan-22	824	576506	74163	14.8%	42	128%
Fortis Healthcare	01-Dec-21	1775	283	501500	325	15.0%	19-Sep-22	325	576875	75375	15.0%	292	19%
Affle India	01-Dec-21	434	1154	500828	1380	19.6%	11-Jan-22	1378	597891	97063	19.4%	41	173%
Container Corp	01-Nov-21	758	660	500480	830	25.7%							
Sobha	01-Nov-21	640	782	500687	890	13.8%	03-Nov-21	930	595053	94366	18.8%	2	3440%
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	344	541422	40704	8.1%	181	16%
Birlasoft	01-Oct-21	1225	409	500512	485	18.7%	18-Nov-21	491	601549	101036	20.2%	48	154%
Himatsingka Seide	01-Oct-21	1850	270	500359	340	25.7%	27-Oct-22	93	172642	-327717	-65.5%	391	-61%
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	2476	576845	76200	15.2%	41	135%
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	4333	576228	73962	14.7%	71	76%
Can Fin Homes	02-Aug-21	920	545	501193	650	19.3%	08-Sep-21	649	596970	95776	19.1%	37	189%
Arvind	02-Aug-21	4750	105	500083.7	135	28.2%	19-Oct-21	135	640158	140074	28.0%	78	131%
Tech Mahindra	01-Jul-21	455	1098	499537.7	1270	15.7%	06-Aug-21	1268	576858	77320	15.5%	36	157%
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	576507	75532	15.1%	75	73%
Infosys	01-Jun-21	358	1402	502062.1	1610	14.8%	26-Jul-21	1607	575245	73183	14.6%	55	97%
HDFC Ltd.	01-Jun-21	195	2571	501426	2940	14.3%	27-Oct-21	2935	572313	70887	14.1%	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	605671	105871	20.8%	120	63%
DCM Shriram	03-May-21	700	716	499833	840	17.3%	22-Jun-21	839	586992	87159	17.1%	50	125%
Indian Metals & Ferro Alloys	03-May-21	1125	445	499840	570	28.2%	22-Jun-21	550	618908	119068	23.7%	50	173%
Vardhman Textiles	01-Apr-21	375	1330	498785	1550	16.5%	12-Jul-21	1547	580249	81464	16.3%	102	58%
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%

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

2022 Equity Market Flashback

Multiple headwinds at varied points of time impacted the Indian economy through economic revival in the calendar year 2022. The year started with the threat emanating from the Omicron variant which settled towards the later end of the succeeding month. This was followed by the Russian actions in Ukraine and the ensuing disturbances in global supply chains and inflation. With advanced economies tightening their monetary policy stance, it affixed ripple effect in global markets and the economies of emerging and low-income countries. The Indian economy too was not aloof to the headwinds with the central regulator, the Reserve Bank of India (RBI), constantly alternating between focus on growth after easing of the Omicron-induced wave and combatting inflation by tightening their monetary policy stance.

From reflation to recession in just a few months, 2022 began with hopes of a rebound in the global economy as pandemic fears receded, but the optimism was dashed early into the new year as Vladimir Putin's invasion of Ukraine triggered the biggest land conflict in Europe since World War II -yet another black swan moment that fundamentally altered the global economic outlook. The overhang of the war continues to cloud the outlook for 2022, with elevated food and fuel prices threatening to upend the fight against inflation. Add to that worsening financial conditions in key economies, China's uncertain post-pandemic path, and the prospect of a central bank-engineered downturn-global recession seems imminent. India may not be decoupled from all of this, even though it was bracketed with the better performing economies in 2022. Its relatively strong growth notwithstanding, the Indian economy is yet to recover a lot of ground lost due to Covid-19. Unlike most developed and emerging market economies that saw an extended run of high economic growth and subdued inflation before the pandemic hit, India entered the pandemic after eight successive quarters of declining growth and a flare-up in the inflation trajectory. So, the return to normal for India involves traversing a longer uphill trajectory, more so as the statistical base effect is now beginning to ebb.

If there is one big highlight of 2022 on the economic front, it is the way the Indian economy demonstrated resilience in navigating the storm of global headwinds emanating from the Russia-Ukraine conflict, the surge in commodity prices, and the impact of tightening global monetary policy cycle. The strong macroeconomic fundamentals have placed it in good stead compared to other emerging market economies, but this is no time to let one's guard down and continued vigilance is required as adverse global developments in form of further tightening of interest rates, relatively higher commodity prices could persist in 2023 as well. This resilience came largely from robust domestic demand coupled with some astute macroeconomic management by policymakers and the Reserve Bank of India. The rupee may have in calendar year 2022 seen depreciation against the US dollar from a low of Rs. 74 to about Rs. 83 now, but it has shown strength against other leading currencies.

2023: The Battle Continues

In the calendar year 2022, a multitude of battles were fought. These battles materially impacted the global markets and investors. Some of the important battles were:

- Russia-Ukraine conflict that polarized the global strategic powers, threatening to unwind the post USSR globalization of trade and commerce;
- Central banks' battle against the multi decade high inflation, that resulted from the colossal monetary easing and fiscal incentives to mitigate impact of the Covid pandemic, while keeping the economy from slipping into recession;
- China's battle against Coronavirus, that kept significant part of the country under strict mobility restrictions;
- Businesses' battle against logistic challenges, supply chain disruptions, and input cost inflation;
- Global communities' battle against the Mother Nature, as inclement weather conditions (drought and floods) impacted the life in almost all the continents;
- Governments' battle against private currencies (crypto) threatening to replace the fiat currencies as preferred medium of exchange; and
- Investors' battle with markets to protect their wealth.

It is likely that most of these battles will continue in 2023 as well. The outcome of these battles will eventually determine the direction of the global economy and markets in the next years.

Indian Stock Market

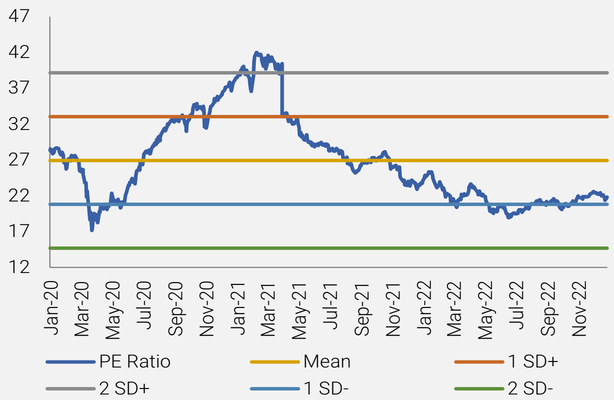
It's been a surprisingly stellar year at the stock market for India with key indices both the Nifty 50 and BSE Sensex clocking their all-time highs early December. Chiming in domestic investors' chorus on the incomprehensible disconnect between how the Indian markets perform and the economic parameters on the ground, stock prices have risen dramatically and have set the ball rolling to welcome 2023. The war between Russia and Ukraine leading to fluctuations in crude oil prices, weakness of the rupee, pandemic-induced global supply chain challenges and the staggering inflation well beyond the consumer price index (CPI) inflation of 4% within a band of +/- 2% range set by the Reserve Bank of India are factors that were set to break the Indian stock market indices' backs.

Despite global economic headwinds, the Indian equity market has extended its winning streak, largely supported by the banking, auto, FMCG and metal sectors, as well as a solid comeback by foreign portfolio investors (FPIs).

Despite global economic headwinds, the Indian equity market has extended its winning streak, largely supported by the banking, auto, FMCG and metal sectors, as well as a solid comeback by foreign portfolio investors (FPIs). The market also benefited from falling crude oil prices, a decline in inflation, and a slowdown in the Chinese economy. FPIs made a strong comeback, investing a total of Rs. 4,500 crore in Indian equities during December 1–9, according to depositories' data. In November, they infused nearly Rs. 36,329 crore, on expectations that the US Fed may be less aggressive on rate hikes soon. Prior to this, foreign investors pulled out Rs. 8 crore in October and Rs. 7,624 crore in September. FPIs were sellers in October initially, but the sell-off had slowed drastically on the back of some improvement in sentiment in the global markets. On the other hand, India's retail inflation cooled down to 5.88% in November from 6.77% in the prior month, falling below the RBI's upper tolerance level for the first time this year. Besides this, the Chinese economy's slowdown as a result of its "zero-Covid" policy has forced the closure of many manufacturing plants. As the lockdown continued, some of the major manufacturing plants shifted to India, giving the country's manufacturing sector a significant boost.

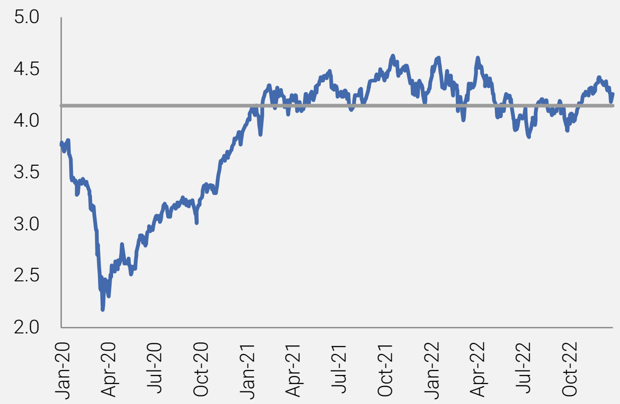
On December 01, the S&P BSE Sensex index rose 0.29% to hit a record high of 63,583. Similarly, the broader NSE Nifty marked a new all-time high of 18,887. Following nearly 5.78% rally in October, the Sensex has increased by 3.87% in November, while the Nifty50 has generated a return of 4.14% in the preceding month following a 5.37% rally in the month of October. YTD, the Nifty50 and Sensex have risen 6.58% and 6.65%, respectively. The rally in domestic indices so far this year has amply proven that it is far ahead of its global counterparts. US major indices, the Dow Jones Industrial Average and the S&P 500, have declined by 8.18% and 17.91%, respectively, so far this year, while the tech-heavy Nasdaq slumped 30.52% during the same time period. The European major indices, the Dax, the CAC40, and the FTSE 100, have declined by 10.72%, 7.90%, and 0.74%, respectively. Adding to that, major Asian indices fell. The Nikkei 225 dropped 4.98%, the Topix also dipped 3.59%, South Korea's Kospi lost 20.60%, and the Kosdaq shed 31.09% in 2022 so far. China's Shanghai Composite Index dipped 12.48%, while Hong Kong's Hang Seng index fell 16.73%.

Nifty PE



Source: NSE

Nifty PB Ratio (x)



Source: NSE

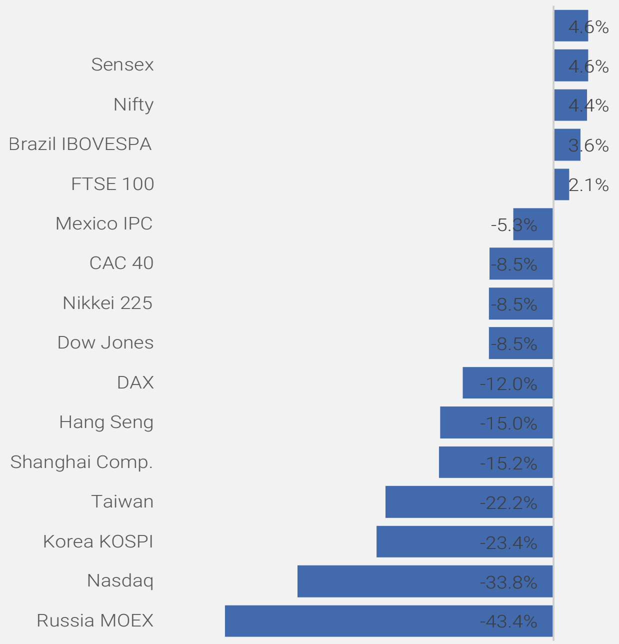
Nifty Top 15 Performing Stocks in 2022

1 Month Return		3 Month Return		6 Month Return		YTD Return	
Name	**%**	**Name**	**%**	**Name**	**%**	**Name**	**%**
Hindalco Industries Ltd.	6.9	Hindalco Industries Ltd.	26.1	Adani Enterprises Ltd.	74.4	Adani Enterprises Ltd.	120.5
JSW Steel Ltd.	5.3	Axis Bank Ltd.	25.5	IndusInd Bank Ltd.	49.1	ITC Ltd.	52.8
Axis Bank Ltd.	5.0	JSW Steel Ltd.	18.4	Axis Bank Ltd.	47.0	Coal India Ltd.	51.5
Tata Steel Ltd.	4.7	Oil & Natural Gas Corporation Ltd.	17.3	Hindalco Industries Ltd.	46.1	Mahindra & Mahindra Ltd.	47.4
Britannia Industries Ltd.	4.4	Housing Development Finance Corporation Ltd.	15.6	Larsen & Toubro Ltd.	42.1	Axis Bank Ltd.	37.4
Divi's Laboratories Ltd.	4.0	Britannia Industries Ltd.	15.4	JSW Steel Ltd.	34.7	IndusInd Bank Ltd.	35.4
Ultratech Cement Ltd.	3.4	Ultratech Cement Ltd.	15.1	Bajaj Finserv Ltd.	32.8	NTPC Ltd.	32.8
Oil & Natural Gas Corporation Ltd.	3.0	Larsen & Toubro Ltd.	14.7	State Bank Of India	32.5	State Bank Of India	30.7
Larsen & Toubro Ltd.	3.0	HDFC Bank Ltd.	14.3	Grasim Industries Ltd.	31.4	Eicher Motors Ltd.	23.5
Hindustan Unilever Ltd.	2.2	HCL Technologies Ltd.	14.3	Tata Steel Ltd.	30.3	ICICI Bank Ltd.	21.7
IndusInd Bank Ltd.	1.3	Tata Steel Ltd.	11.3	Ultratech Cement Ltd.	30.0	Britannia Industries Ltd.	21.2
Nestle India Ltd.	1.3	Sun Pharmaceutical Industries Ltd.	11.0	ICICI Bank Ltd.	26.2	Bharti Airtel Ltd.	19.2
HDFC Bank Ltd.	0.8	State Bank Of India	10.8	Britannia Industries Ltd.	25.9	Sun Pharmaceutical Industries Ltd.	18.3
Bharat Petroleum Corporation Ltd.	0.5	Infosys Ltd.	9.8	Coal India Ltd.	25.3	JSW Steel Ltd.	16.6
SBI Life Insurance Company Ltd.	0.5	HDFC Life Insurance Co Ltd.	9.0	ITC Ltd.	25.3	Cipla Ltd.	16.1

4 out of 4 3 out of 4

Source: NSE, AceEquity

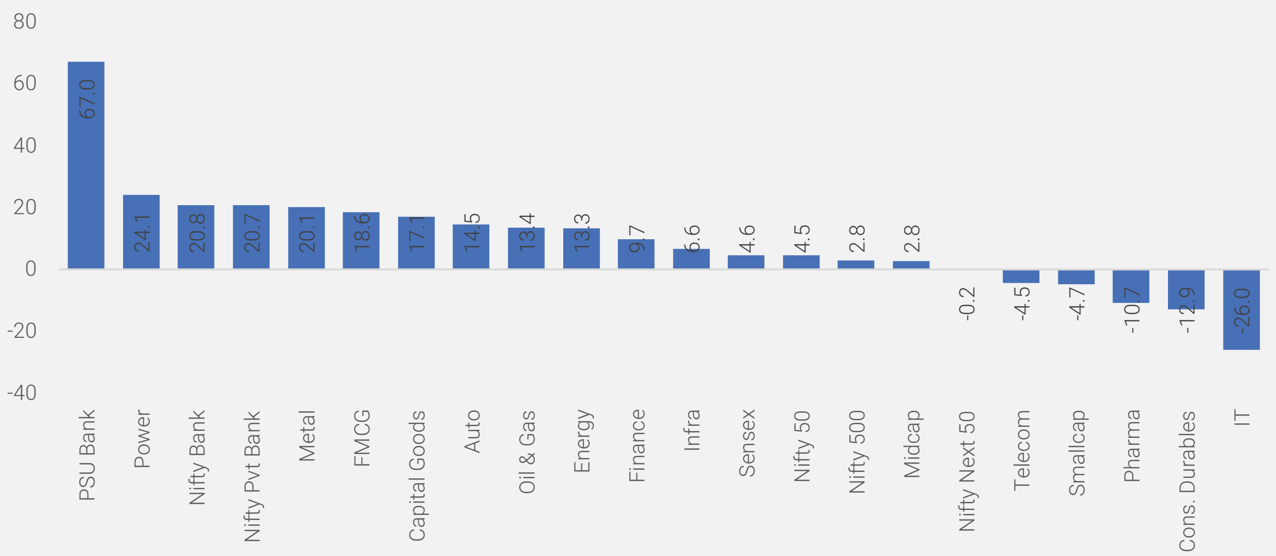
Global Indices Performance in 2022 (%)



Source: Bloomberg

Stocks from the banking, auto, FMCG, and metals sectors provided significant support for the indices to hit record highs. Over the last two quarters, most banks have reported improved performance as a result of the acceleration in credit growth. Following the RBI's rapid rate hikes, banks raised lending rates quickly but went slow on deposit rates, resulting in higher net interest margins in the second quarter. In addition, lower provisions have also contributed to the bank's profitability, propelling stock prices to new highs. Since the beginning of the year, the Nifty PSU Bank index has risen approximately by 1,828 points, moving from 2,530 to 4,358, gaining nearly 72.52% of its value. In addition, metal stocks also contributed a significant boost, fueled by easing Covid restrictions in China, the largest buyer of metals, the rollback of steel export duties, and the decline in coking coal prices. Over the past month, the Nifty Metal index has increased by nearly 4.05%; YTD, the index has risen by 21.49%. The Nifty Auto index and Nifty FMCG index have also rallied 17.72% and 23%, respectively, in the current year so far.

Sectoral Indices performance in 2022



Source: NSE, AceEquity

Equities – A Year of Consolidation

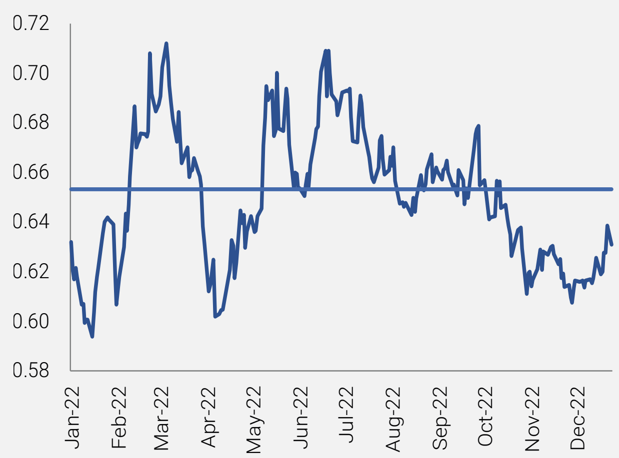
The Indian equities consolidated the gains made during 2021 and are ending the year 2022 with marginal gains; unlike other major global markets which gave up most of the gains made during the year 2021. Considering the global economic, geopolitical and financial conditions this is a remarkable performance.

- The benchmark Nifty50 and Nifty Midcap 100 are ending the year with ~5% gain; though Nifty Small 100 has lost 2022YTD by 11%. The market breadth has been marginally negative; and volumes below average.
- Nifty has now given positive returns in 9 out of the previous 10 years; with 2022 being the seventh consecutive year of positive return.
- Nifty averaged 17240 YTD2022, 8% higher than the average of previous year. This implies much better returns for the SIP investors.
- For long term buy and hold investors, five year rolling CAGR in 2022 is ~11.6%, which is close to 2016-2022 average. Five year absolute Nifty return in 2022 is ~73%, also close to 2016-2022 average.
- July 2022 was the best month of the year for markets. In July Nifty gained 8.7%; the aggregate return for the rest of 11 months is -3.7%.
- Smallcap stocks underperformed the benchmark Nifty for YTD2022; however on a 3yr basis, midcap and smallcap are still outperforming the benchmark materially. The newly introduced category of Multicap

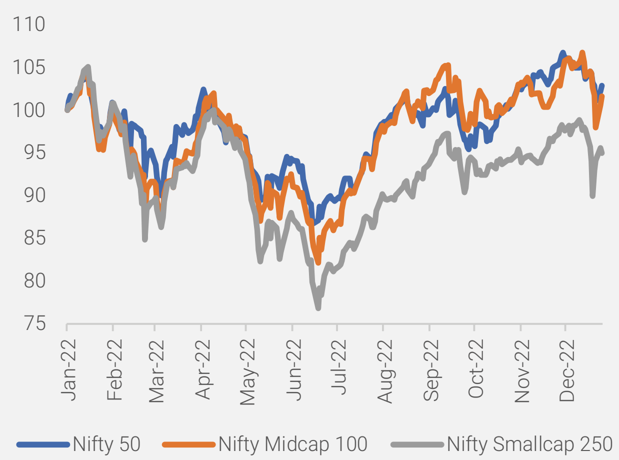
funds is the best performer YTD2022; while on 3, 5 and 10 yr basis smallcap funds are outperforming.

- Foreign investors have been net sellers in the Indian equities (secondary market) to the tune of Rs 1.46trn; while the domestic institutions were net buyers of Rs2.63trn; resulting in a net positive institutional flow of Rs1.17trn during YTD2022. Contrary to popular perception, the Nifty movement led the institutional flows and vice versa was not true.
- Sector wise, PSU banks (+71%) were clear leaders, outperforming all other sectors by large margin. Consumers, Auto, Energy and Metals were other notable outperformers. IT Services, Pharma and Realty have been notable underperformers YTD2022.
- Nifty Bank (+22%) has been a clear leader.
- Presently, technically Nifty is placed in neutral territory, close to 50 EDMA with RSI close to comfortable 44 and short term momentum indicators in buy zone.

Earning Yield / Bond Yield



Source: NSE, Bloomberg

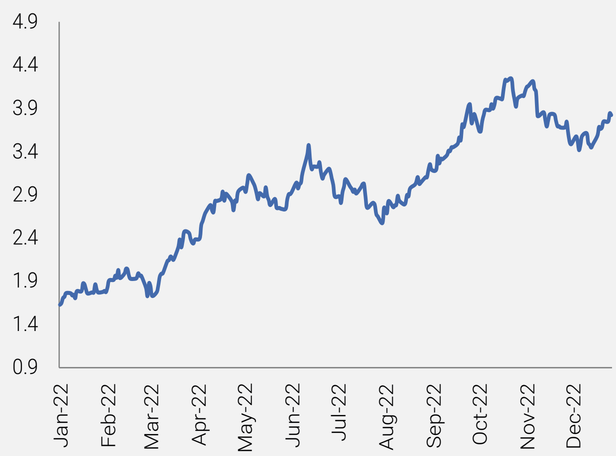


Source: NSE

US Unprecedented Interest Rate Hikes

In 2022, the US Fed accelerated rate hikes. This year, we have seen unprecedented rate hikes since 1950 of a total of 425 basis points in 2022 alone. Previous highest hike was in 1978 where the Fed hiked interest rates by 350 bps. US inflation peaked in June 2022, and the rate of inflation began to fall in November; it has fallen to 7.1% from 9.1% of June 2022. There are clear indications that the Fed's rate hike has begun to influence the economy. Even the Fed acknowledges that its rate hike will have a lag effect in terms of impact, and that this will begin to play out. To add to it, a high base effect will come into force. Jerome Powell has stated unequivocally that inflation of 2% is non-negotiable and as a result, he will take whatever steps are necessary to bring inflation under control. Even if it means that his policies cause pain to the economy and citizens. At the same time, Jerome Powell stated that he will not wait until inflation reaches 2% before changing his policy stance. He will reverse his policy action as soon as he is confident that inflation will reach 2%. It is expected that inflation has begun to fall as global supply-side pressures ease. Falling crude oil prices, as well as freight and container costs, are positive indicators. China is still struggling due to covid, which will reduce demand and help to ease US inflation. Then there's the lag factor. As a result, while it is expected that the Fed will raise interest rates in February 2023, there will be a pause followed by a rate cut in the second half of 2023.

US GSec Bond Yield (%)

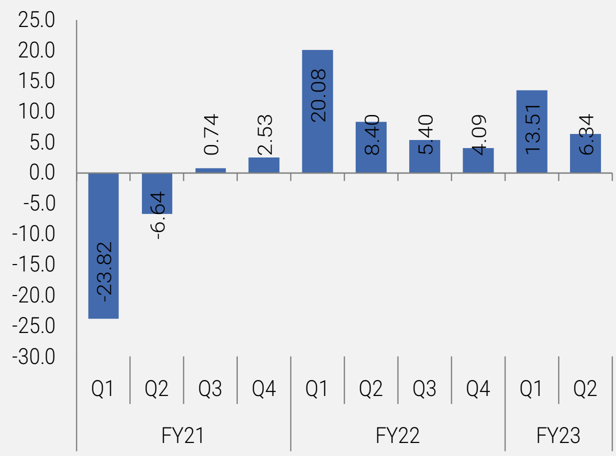


Source: Bloomberg

Domestic Demand Steadied The Ship

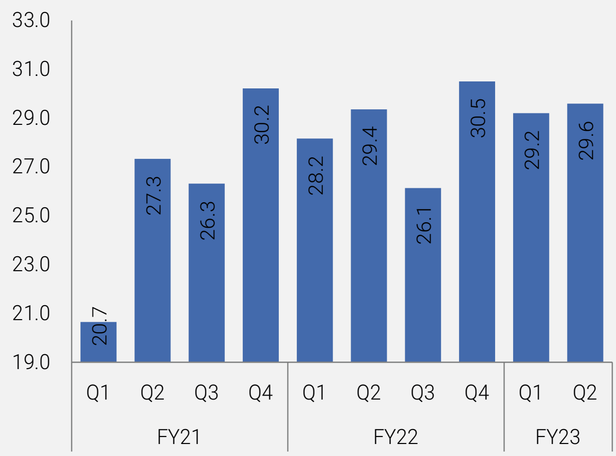
In the first half of the ongoing financial year, the Indian economy registered a GDP growth of 9.7% compared to 13.7% on a year-over-year comparison. Gross Value Added (GVA) rose 9% compared to 12.8% during the same period last year. GDP in the June-end quarter, though lower than the RBI's projection, rose 13.5% aided by an uptick in private consumption spending and gross fixed capital formation with a moderation in government final expenditure. In the September-end quarter with the normalisation of the base effect, GDP growth slowed to 6.3%. The mining and manufacturing sectors experienced contraction, combined with high inflation, weak exports and increased input prices in certain sectors led GVA rising slower-than-expected at 5.6%. “India’s growth rates in real terms of 9.7% in the first half of this year is well above the trend in other countries and is happening amid tightening global financial conditions and the commodity price shock since the Ukraine invasion by Russia,” CEA V. Anantha Nageswaran had emphasised.

Quarterly Real GDP (%)



Source: RBI MoSPI

GFCF % of GDPmp



Source: RBI MoSPI

Production Linked Incentive (PLI) Schemes

Keeping in view India’s vision of becoming ‘Atmanirbhar’, Production Linked Incentive (PLI) Schemes for 14 key sectors were announced with an outlay of Rs. 1.97 lakh crore to enhance India’s Manufacturing capabilities and Exports. PLI Scheme across these key specific sectors is poised to make Indian manufacturers globally competitive, attract investment in the areas of core competency and cutting-edge technology; ensure efficiencies; create economies of scale; enhance exports and make India an integral part of the global value chain. With the announcement of PLI Schemes, significant creation of production, employment, economic growth and exports is expected over the next five years and more. PLI scheme is going to have a cascading effect on the country’s MSME ecosystem. The anchor units that will be built in every sector will require a new supplier base in the entire value chain. Most of these ancillary units will be built in the MSME sector. PLI scheme can add 4% to the GDP annually in terms of incremental revenue. Manufacturing companies are adding capacities due to robust returns and this is evident from the number of new manufacturing companies registered. Registration of manufacturing companies has shot up to the highest ever in the last seven years and the share of manufacturing companies in total registrations is also at almost highest level since the past decade.

Key Achievements

- As on date, 650 applications have been approved under 13 Schemes.
- More than 100 MSMEs are among the PLI beneficiaries in sectors such as Bulk Drugs, Medical Devices, Telecom, White Goods and Food Processing.
- As per recent reporting from implementing Ministries/ Departments, around Rs. 47,000 crore (US$ 5.6 billion) of actual investment has been made; production/ sales of Rs. 3.75 lakh crore (US$ 45 billion) of eligible products and employment generation of around 2.5 lakhs has been reported.
- 106% achievement of actual investment reported versus the corresponding projections of FY 2021-22.
- Key sectors such as Large-Scale Electronics Manufacturing, Pharmaceuticals, Telecom & Networking Products, Food Processing and White Goods have contributed in achieving considerable amount of investment, production/ sales and employment.
- To promote the entire value-chain in telecom manufacturing, Design-led PLI was launched in June, 2022 to build a strong ecosystem for 5G as part of the PLI Scheme for Telecom & Networking products. Approvals under this Scheme have already been granted to eligible companies.
- In September 2022, the Cabinet has recently approved PLI Scheme (Tranche II) on ‘National programme on High Efficiency Solar PV Modules’, with an outlay of Rs. 19,500 crore to build an ecosystem for manufacturing of high efficiency solar PV modules in India, and thus reduce import dependence in the area of Renewable Energy.
- To encourage and incentivize the use of Millets in RTC/ RTE Products, GoI has recently approved 30 companies for availing sales-based incentives under PLI Scheme for Millet-based products from Large Entities and MSMEs.
- First Disbursement of Rs. 53.28 crore approved under PLI Scheme for Mobile manufacturing & Specified Electronic components.

PLI Scheme 2.0

The government is considering proposals to extend Rs 35,000 crore PLI scheme to different sectors such as leather, bicycle, some vaccine materials, and certain telecom products with an aim to boost domestic manufacturing and create jobs. PLI benefits are also being considered for toys, some chemicals and shipping containers. The proposals are at discussion stage. Inter-ministerial talks are going on to extend PLI benefits to all these different sectors as there has been demand from industry and certain departments. The government said there are some savings from this Rs 2 lakh crore which could be considered for other sectors and is under discussions. The PLI scheme is also aimed at making Indian manufacturers globally competitive, attracting investment in the areas of core competency and cutting-edge technology; ensuring efficiencies; creating economies of scale; enhancing exports and make India an integral part of the global supply chain.

Make in India 2.0

The government said that the second phase of the Make in India campaign is focusing on 27 sectors. In its year end review, the commerce and industry ministry said that the Department for Promotion of Industry and Internal Trade (DPIIT) is coordinating action plans for 15 manufacturing sectors while the commerce department is coordinating for 12 service sectors. It also said that DPIIT is working with 24 sectors, including furniture, EV parts electronics, textiles and auto components, to boost domestic manufacturing, increase exports and cut down imports. Around Rs 47,000 crore of actual investment has been made under the production-linked incentive (PLI) schemes with production/sales of Rs 3.75 lakh crore of eligible products and 250,000 of employment generation, it said. As per the statement, as on date, 650 applications have been approved under 13 schemes and "106% achievement of actual investment reported versus the corresponding projections of FY22". "More than 100 MSMEs are among the PLI beneficiaries in sectors such as bulk drugs, medical devices, telecom, white goods and food processing," the ministry said in a statement. It also said that 15 states have developed their logistics policies and the project monitoring group had resolved 69 issues pertaining to 21 private sector projects since January 1, 2022.

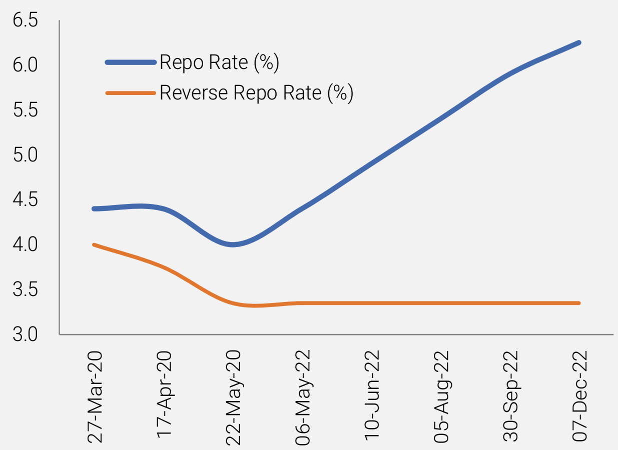
RBI's 2022 Map

The Reserve Bank of India failed to deliver on its contracted inflation target for the first time, started fiat digital currency pilot and finally saw its efforts to improve bank balance sheets see fruition in 2022, making it a mixed year for the central bank. With inflation ebbing into the target band, focus is likely to shift to helping economic growth in the new year, especially given the lagged impact of 2.25% in rate hikes since May 2022, is likely to hamper GDP expansion.

The big story of 2022 happened on October 12, when official data showed that headline inflation was above the 6% mark -- the upper end of the tolerance band set for the central bank -- for nine consecutive months. It triggered a letter from RBI to the government enumerating the reasons for the miss and also when it sees the price rise coming to the 4% mark. A bulk of the blame for persistent inflation was placed on the deteriorating global situation following the Russian invasion of Ukraine in late February, which led to a huge spike in the commodity prices, especially crude which India imports. The Indian situation on inflation was not as bad as many other countries experiencing record price rise, which served as a consolation.

The year started off with RBI Monetary Policy Committee (MPC) going for a prolonged status quo, till it delivered the surprise after an unscheduled meeting on May 4, by hiking the repo rate by 0.40%. Many blamed RBI for being behind the curve and acting late, but the central bank defended the actions by asserting that it was not behind the curve. They followed it with three consecutive hikes of 0.50% and another of 0.35% in December. For some, reducing the quantum of the rate hike to 0.35% means that RBI will not be reverting to the 0.50% hikes even as the world is bracing for more central banks to hike rates by 0.75%.

Repo & Rev.Repo (%)



Source: RBI

India GSec Bond Yield (%)

Source: Bloomberg

Headline inflation cooling off to 5.8% in November has led more analysts to believe that it will lead RBI to pause its rate hikes, and the divergent views coming out in the latest minutes of the six-member MPC only enhances the likelihood of a pause. Helping the growth momentum in the economy will be a prime motive for a move like rate hike pause, as analysts already are pegging FY24 growth to slip to under 6%. Even RBI has revised down its GDP growth estimate to 6.8% for FY23 though it is yet to come up with an estimate for FY24. Some analysts are even building-in the possibility of a rate cut as early as 2023 to help.

The currency depreciation aggravated the inflation situation as much of the commodities are imported. Unsurprisingly, it attracted a lot of RBI attention, with the overall reserves -- compared to an umbrella to protect on a rainy day -- declining by over USD 100 billion as RBI defended the rupee. Still, the rupee touched a lifetime low of 83.29 against the dollar and the official line continued to be that market interventions are done to do away with volatilities. RBI also introduced a slew of new measures, including settling bilateral trade in rupee and incentivising diaspora deposits for banks.

The current credit growth at multi-year highs of over 17% is something that the central bank can take solace in as growth assumes greater significance. RBI Governor Shaktikanta Das has asserted that the rise in credit is not exorbitant, attributing the high number to low base and pent-up demand of the pandemic. Health of banks improved considerably in 2022, with expectations of dud loans declining to decadal lows, which can be seen as RBI's actions over the last five-six years starting with the asset quality review, reaping its benefits.

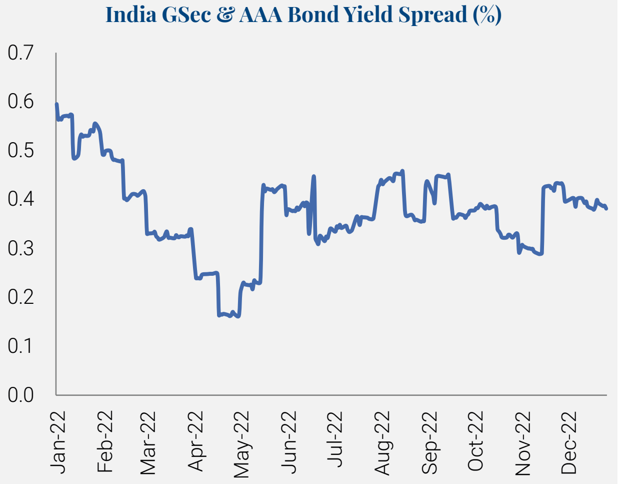
On cryptocurrencies, the government moved to tax gains and also every transaction, a move which was celebrated by the industry as one giving it legitimacy. However, there is no final word yet on it, and Das delivered a fresh salvo in late December, warning that such speculative instruments will cause the next financial crisis.

The Central Bank Digital Currency (CBDC), which runs on the same technology, is a step closer to reality with pilots on both wholesale and retail CBDCs kicking-off during the year. Some questions, including ensuring anonymity, are yet unanswered.

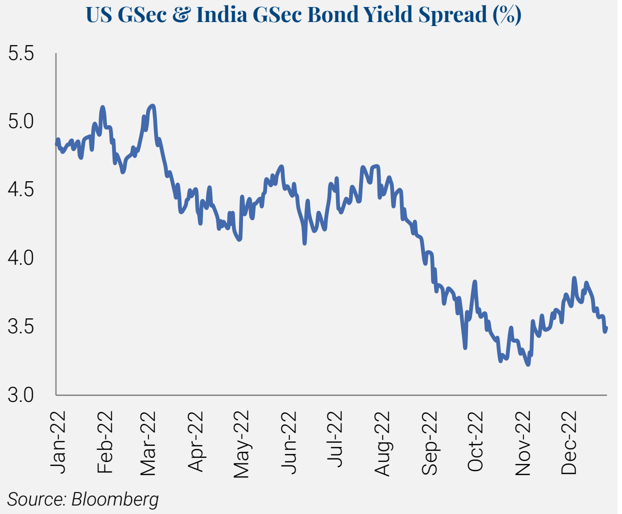
RBI acted against fintechs, preventing attempts to game the system like in case of prepaid payment instruments, where it disallowed the new-age players who are not banks from doing any credit or lending activities.

The central bank was also persistent in disciplining the tech sector, exhorting it frequently to follow the traffic rules and create products and services which do not affect the customers' interest.

Given that the Narendra Modi government has to face a general election in 2024, the pressure for addressing the growth demands are only bound to increase. However, a lot will depend on the last full budget to be presented by the Finance Minister Nirmala Sitharaman in February 2022. If it turns out to be expansionist and inflationary by connotation, then it is anyone's guess on the way forward for the central bank.



Source: Bloomberg

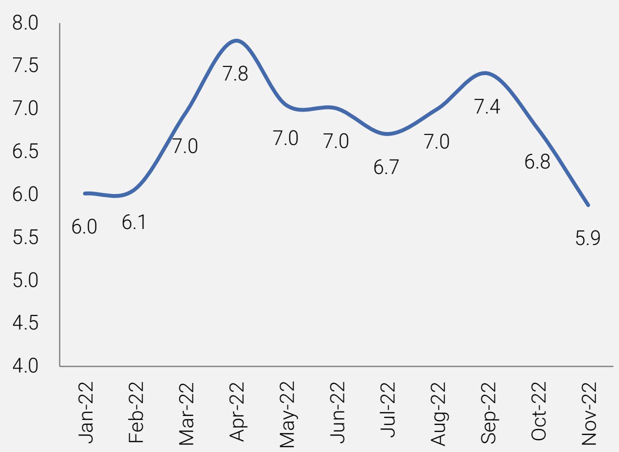


Source: Bloomberg

Inflation Rising Again

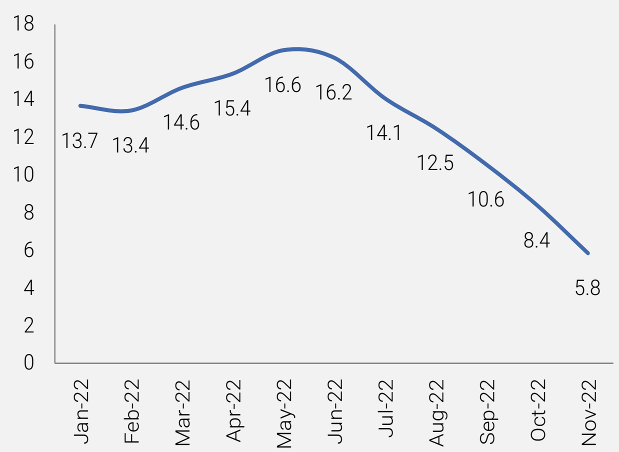
India's CPI inflation fell below the RBI's upper band of 6% for the first time since December 2021, led by a sharp fall in vegetable prices. The Consumer Price Index inflation eased to 5.88% YoY in November. During the month, rural CPI inflation stood at 6.09% and Urban CPI inflation was at 5.68%. Since January 2022, rural retail inflation was never lower than urban numbers. Many companies across the spectrum from automakers to electronic goods manufacturers have hiked prices of their products due to prolonged disruption in global supply chains and severe shortage of raw materials. Car manufacturers are already going for another round of price hikes in January 2023. Simply put, rising inflation in the non-food category, arising from global supply chain disruptions and fresh restrictions due to fresh cases of coronavirus, seem to be the biggest hurdle in the path of swift economic recovery. The RBI Governor mentioned that the inflation trajectory going ahead would be shaped by both global and domestic factors. Although domestic food prices are likely to ebb and global commodity prices are also moderating gradually, unabating geopolitical tensions continue to impart upside risk to inflation trajectory. The RBI Deputy Governor, Dr. Michael Debabrata Patra mentioned that three factors: a) pass through of high input prices by corporate sector, b) high imported inflation because of INR depreciation and c) soaring services inflation pose an upside risk to core inflation in India. Therefore, although inflation has come-off in Nov 22, its sustainability is the key. The RBI continues to expect inflation at 6.7% YoY in FY23 (1Q/4Q at 6.6%/5.9%) and 1QFY24/2Q at 5%/5.4%, respectively.

CPI Inflation (%)



Source: MOSPI

WPI Inflation (%)



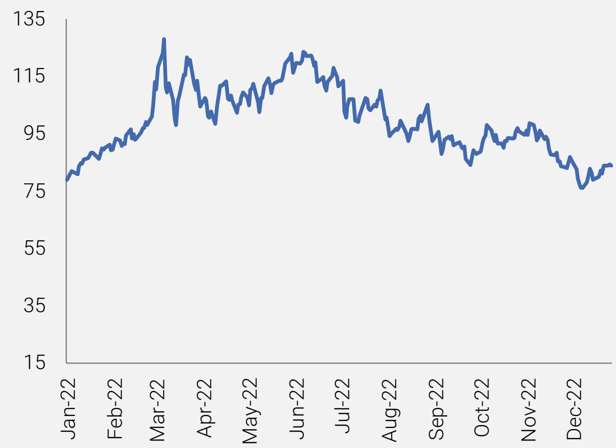
Source: Economic Adviser

Crude Oil

The global crude oil market was volatile in 2022, as demand remained strong but supply was pressured by the war in Ukraine and active market management by OPEC and its allies. This included a period of near record prices and backwardation. The sanctions levied on Russia following the full invasion of Ukraine changed long-established trade flows and forced consumers in Europe and a number of other countries to look further afield for supplies. Demand for crude oil also continues to rise around the world. In its November 2022 report, OPEC projects 2023 global crude demand to increase by 2.2 million barrels per day to a record high of 101.3 million bopd. Again, this is not the direction for crude demand predicted by proponents of the energy transition just a few years ago.

Price of petrol crossed the Rs. 100-mark in Delhi on March 29 after being increased by 80 paise a litre. After the price hike of motor fuels continued through the month of March, Finance Minister Nirmala Sitharaman said that disruptions in supply chains and the resultant increase in global crude oil prices due to the war between Russia and Ukraine has resulted in the record hike in motor fuel prices. After surging 14 times through March and first week of April, the prices of motor fuels remained unchanged on April 7, bringing monetary relief to commuters, and thereafter remained stable through the year. In July, the central government announced major excise duty on petrol and diesel in order to bring relief to motorists and common people, leading to the government reducing excise duty on petrol and diesel by Rs. 8 per litre and Rs. 6 per litre respectively. With this, petrol and diesel across India became cheaper by Rs. 9.5 per litre and Rs. 7 per litre respectively. Between July 2021 and 2022, petrol prices in India saw 78 hikes and only seven reductions in price. Diesel saw as many as 76 price hikes during the same period, with just 10 reductions.

Brent Crude Oil Price Trend in 2022 (USD per Barrel)



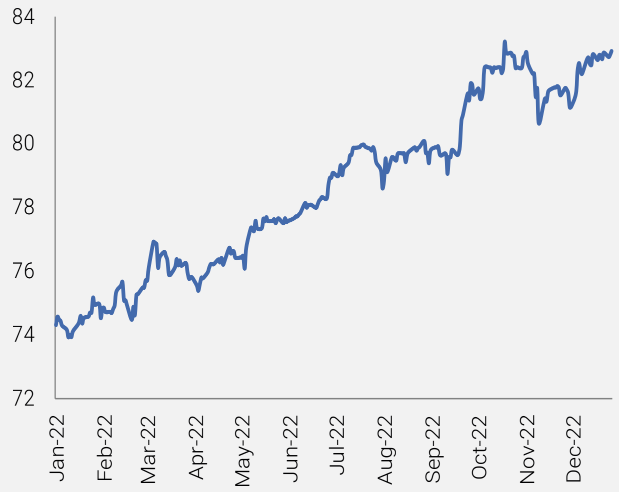
Source: Bloomberg

Domestic Currency in Better Position

The Indian Rupee has depreciated nearly 10% this year so far, breaching the key sentiment level of 82 against the US dollar for the first time in history. Several market experts believe that despite the crack, the domestic currency is in a better position than foreign currencies when compared to the dollar. Fed rate hikes were the instrumental cause behind the volatility of USD/INR and to some extent FII outflows too had an impact on INR currency volatility. However, the tide seems to be turning, with markets getting a sense of the Fed terminal rate and resumption of FII flows back into the Indian equity markets. According to experts, the Indian currency's depreciation is mainly due to the stronger dollar, which is taking support from incessant rate hikes by the US Fed Reserve to curb soaring inflation. Besides, other factors such as foreign institutional investors' outflows also impacted the Rupee's momentum. The rupee has been depreciating for the last five years, however, 2022 was the worst among the last five — in 2021 rupee slid around 1.5%, while in 2020 and 2019, it was down around 2% each, and, in 2018, it weakened over 8.5%. The local currency hit a low of 83.29 against the US dollar on October 20, this year. Although India's foreign exchange reserves remaining comfortable, both trade deficit and Current Account Deficit (CAD) widened sharply due to weak global macros and higher crude oil prices. This led to the Rupee depreciating in the later part of the year and also the fact that the dollar strengthened due to aggressive rate hikes by the Federal Reserve. The fundamentals of the Indian economy are strong, and inflation has been low compared to other economies. The dollar is expected to continue deriving support from aggressive ongoing interest rate hikes by the FED in the US along with quantitative tightening, apart from geopolitical risk aversion.

The domestic currency is in a better position than foreign currencies when compared to the dollar. Fed rate hikes were the instrumental cause behind the volatility of USD/INR and to some extent FII outflows too had an impact on INR currency volatility.

INR Performance Against USD in 2022



Source: Bloomberg

Sluggish IPO Market

Volatility on Dalal Street did not leave the Indian primary market untouched, but the performance of debutants of 2022 has been mostly positive. For those who see the glass half full, majority of the issue has delivered positive returns on listing and are in the green since then, whereas for others, the returns were skewed with lower subscriptions. The year 2022 was marked with geopolitical tensions, inflationary worries, interest rate hikes and fears of recession, which altogether soured the sentiments for financial markets. Since the beginning of the year, till December 12, Indian domestic markets welcomed as many as 32 companies raising about Rs 50,305 crore via their initial stake sales, delivering an average listing pop of little more than 12% (issue of Sula Vineyards, Abans Holdings, Landmark Cars, KFin Technologies and Elin Electronics are not considered). 75% of the debutants or 24 out of 32 listed on a positive note, with as many as 14 companies gaining 10-55% on the debut. However, the remaining eight companies listed at mild discounts of up to 9%. Electronics Mart and Dreamfolks Services were listed at a premium of more than 50%, followed by Harsha Engineers, DCX Systems and Hariom Pipes. LIC and Inox Green Energy Services were the biggest laggards on day one performance. LIC was the biggest issue for the year 2022, which mopped about Rs 21,000 crore from the primary markets, whereas Hariom Pipes and Venus Pipes were the smallest among the issues, raising Rs 130 crore and Rs 165 crore, respectively. Since listing, 25 out of 32 companies have delivered a positive return till December 19, with seven companies rising more than 50%, whereas the same numbers of companies delivered negative returns. Adani Wilmar, Venus Pipes, Hariom Pipe and Veranda Learning have turned multibaggers, rising 106-177% since their respective listing, followed by Patanjali Foods, Prudent Corporate and Vedant Fashions which gained 50% or more. First issue of 2022, AGS Transact Technologies, emerged as the worst performing IPO for the year 2022, dropping 60% since listing. Life Insurance Corporation of India is down by 27% from the issue price and ranks second in the worst IPOs. There are around 70 companies waiting in the wings to see the light of day for IPO after receiving Draft Red Herring Prospectus (DRHP) clearance from SEBI, according to the SEBI data.

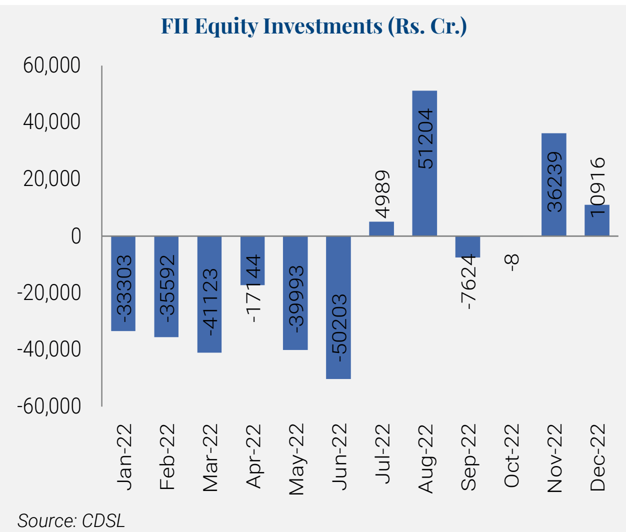
IPOs in 2022

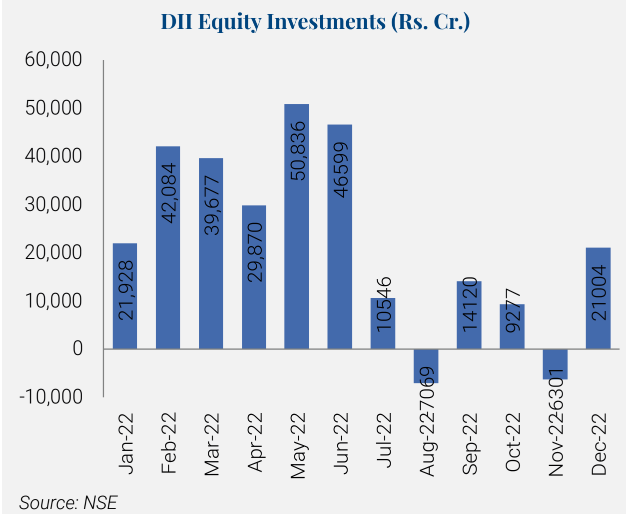
Sl No.	Company	IPO Month	Issue Size (Rs. Cr.)
1	AGS Transact Technologies Ltd.	January	680
2	Adani Wilmar Ltd.	January	3600
3	Vedant Fashions Ltd.	February	3149
4	Ruchi Soya Industries Ltd.	March	4300
5	Uma Exports Ltd.	March	60
6	Veranda Learning Solutions Ltd.	March	200
7	Hariom Pipe Industries Ltd.	April	130
8	Campus Activewear Ltd.	April	1400
9	Rainbow Children's Medicare Ltd.	April	1581
10	Life Insurance Corporation of India (LIC)	May	21008
11	Prudent Corporate Advisory Services Ltd.	May	539
12	Delhivery Ltd.	May	5235
13	Venus Pipes & Tubes Ltd.	May	165
14	Paradeep Phosphates Ltd.	May	1502
15	Ethos Ltd.	May	472
16	eMudhra Ltd.	May	413
17	Aether Industries Ltd.	May	808
18	Syrma SGS Technology Ltd.	August	840
19	Dreamfolks Services Ltd.	August	562
20	Tamilnad Mercantile Bank Ltd.	September	808
21	Harsha Engineers International Ltd.	September	755
22	Electronics Mart India Ltd.	October	500
23	Tracxn Technologies Ltd.	October	309
24	DCX Systems Ltd.	November	500
25	Fusion Micro Finance Ltd.	November	1104
26	Global Health Ltd.	November	2206
27	Bikaji Foods International Ltd.	November	881
28	Archean Chemical Industries Ltd.	November	1462
29	Five Star Business Finance Ltd.	November	1593
30	Kaynes Technology India Ltd.	November	858
31	Inox Green Energy Services Ltd.	November	740
32	Keystone Realtors Ltd.	November	635
33	Dharmaj Crop Guard Ltd.	November	251
34	Uniparts India Ltd.	December	836
35	Sula Vineyards Ltd.	December	960
36	Landmark Cars Ltd.	December	552
37	Abans Holdings Ltd.	December	346
38	Radiant Cash Management Services Ltd.	December	388
39	KFin Technologies Ltd.	December	1500
40	Elin Electronics Ltd.	December	475

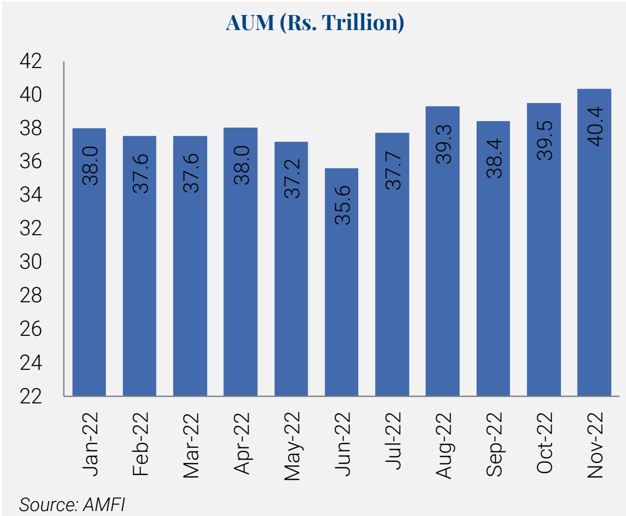
Source: Company

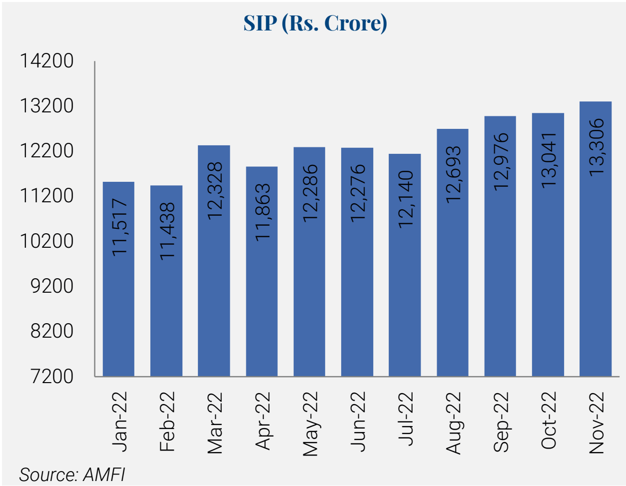
FPIs End 2022 as Net Sellers

If 2020 was the year of record foreign fund inflows into the Indian equity market, 2022 turned out to be the year of worst outflows. After a three-year buying streak, foreign portfolio investors (FPIs) will close 2022 as net sellers of Indian equities. With global central banks rising interest rates and the rupee weakening several foreign investors pulled out money from the local stock market at record pace in the first half of the year, before ploughing back some of it in the second half. According to depositories data, FPI net outflows from the Indian equities, on a year-to-date basis, stands at Rs. 1.21-lakh crore. In the previous calendar year, FPIs poured in Rs. 25,752 crore following a record investment of Rs. 1.70-lakh crore in 2020 and Rs. 1.01-lakh crore in 2019. FPIs have been pulling out huge sums of money from the Indian market since the beginning of 2022 amid aggressive monetary policy tightening by global central banks. The outflows were further accentuated by factors such as weakening rupee, high inflation, Russia-Ukraine war and fears of global economic recession. In the first half of CY22, FPI outflows from equities stood at Rs. 2.17-lakh crore. However, the foreign investors turned net buyers in most part of the second half amid cooling-off of US inflation, strong earnings growth posted by the corporate India and strengthening balance sheet of the banking and financial services sector. Between July and till date, FPIs have pumped in Rs. 96,357 crore in Indian equities. On a sectoral basis, IT services and BFSI — the two sectors which hold a chunk of FPI assets — bore the maximum brunt of the exodus. While IT services saw a net outflow of Rs. 69,115 crore, BFSI saw a net outflow at Rs. 63,929 crore. Oil & gas (Rs. 22,103 crore), consumer durables (Rs. 19,543 crore) and construction materials (Rs. 8,007 crore) are the other major losers. FMCG is the major gainer of FPI funds with a net inflow of Rs. 19,366 crore followed by healthcare (Rs. 14,131 crore) and consumer services (Rs. 11,367 crore). FPIs are likely to turn cautious in the near term. Macro data from the US and Covid news will drive FPI flows and the markets in the near term.









India M&A Activity Peaks in 2022

Aided by the $57.8-billion merger of HDFC Bank and HDFC, India Inc reported its highest ever mergers and acquisitions in calendar 2022 at $171 billion as against deals worth $145 billion announced last year. The acquisition by the Adani group across cement, media and ports dominated the headlines with the conglomerate making its foray into the cement sector by buying Swiss materials firm Holcim's stake in Ambuja Cements for $6.5

billion. The Adani family's additional $4-billion open offer for Ambuja did not get a response because shareholders preferred to stay invested with the new owner. The group also acquired Haifa Port, Israel, for $1.18 billion and media firm NDTV this year. The deal street remained busy with Indian companies becoming aggressive in overseas acquisitions. Apart from the Adani group's Haifa port acquisition, during the year, Biocon Biologics, a subsidiary of Biocon, completed the acquisition of Viatris' global biosimilars business in a part-equity, part-cash transaction worth $3 billion, making Biocon Biologics a world leader in biosimilars with eight commercial products. Back home in India, among other Indian conglomerates, Tata Steel acquired Neelachal Steel for $1.6 billion from the Indian government. And ArcelorMittal got the Essar group's five-million-tonne-a-year (MTPA) jetty at the Hazira port terminal and a 12-MTPA jetty in Paradip, along with a dedicated conveyor that handles the entire pellet shipments from Arcelor India's Paradip pellet plant, and a 270-Mw multi-fuel power plant in Hazira for $2.4 billion (Rs 16,500 crore). Bankers said after the blockbuster year the outlook for M&As would build on the momentum this year and was expected to be robust next year, driven by financial sponsor interests, moderating valuations and expectations, a marginally tighter financing environment, and changing geo-political priorities — leading to control transactions as distinct from minority transactions. In 2023, bankers said a lot of action was expected in the domestic market even as cross-border acquisitions would see a slowdown due to fears of a recession. Domestic M&As would be led by consolidation in the new age tech space, where, given the funding slowdown, quite a few players would be forced to go the M&A way. Another catalyst for domestic M&A would be the large conglomerate and private equity buyouts, which will keep on the acquisition spree going. Bankers said the sale of the government's stake in Concor, a logistics firm, and IDBI Bank would be the most watched deals in the first quarter of 2023. At the same time, the sale of Reliance Capital and Srei assets in the ongoing auctions would keep the bankers busy.

Globally, the interest rate cycle is reaching its peak with Federal Reserve (FED) indicating less aggressive rate hikes going forward, aided by a high base effect leading to inflation print being lower in the next few months.

2023 Outlook

Global Macro Outlook

Economic uncertainty as a theme may dominate 2023 as well. None of the factors that could restore market confidence —a resolution of the Ukraine crisis, a drop in inflation, and the end of monetary tightening—seem close at this point. Rather, recent developments such as the price caps on Russian oil, increased bonhomie between China and West Asia, and rising sovereign defaults among low-income countries have only added to the uncertainty. Globally, the interest rate cycle is reaching its peak with Federal Reserve (FED) indicating less aggressive rate hikes going forward. The aggressive Rate hike cycle may see a moderation, aided by a high base effect leading to inflation print being lower in the next few months. It is expected that the FED to reduce the pace of future rate hikes after a lower inflation print for October.

The Top Ten Global Risks of 2023

1) Polycrisis from the Ukraine War
2) Growing Food Insecurity
3) Upheaval and Confrontation with Iran
4) Worsening Debt Crises in Developing World
5) Spiraling Global Debt
6) Deepening Global Cooperation Deficit
7) Technopolarized and Fragmented System
8) Worsening Impacts of Climate Change
9) Deepening U.S.-China Tensions
10) More Dangerous Predicament on the Korean Peninsula

Global factors such as green energy investing, de-globalization, and supply chain redundancy requirements can keep commodities and Capex strong in the medium term.

Indian Macro Outlook

All three of the biggest contributors to world GDP—the US, China and the EU—are expected to slow from their longterm trends in 2023, with some predicting a recession for the US. This will impact India in several ways. A slowdown will hurt exports, which are already under stress. In 2021-22, 40% of India's exports went to North America and Europe. As production and incomes in these economies slow down, they will cut back on imports of raw materials and finished goods. Risk-averse foreign investors may hold back unless there are sufficient "pull" factors in the form of resilient domestic demand or structural economic reforms. Large-scale tech layoffs are likely to swell the ranks of the urban unemployed, which may depress salaries and spending. In sum, a global slowdown leads to a poor outlook for corporate earnings. This could depress equity returns unless compensated with robust domestic growth.

As the Global Market scenario continues to be worrisome, India continues to be the largest investable market. Corporate India's PAT has bounced back smartly to levels of ~5% of GDP in FY22 after troughing out at 1.2% in FY20 following a decade-long profitability erosion phase. Also, a series of reforms/cleanups and inherent growth momentum makes for a favorable Indian growth outlook. However, Global growth risks are all too real, given monetary winter setting in, geopolitics worsening (Ukraine, Taiwan, chip wars), and earnings seeing cuts globally. The economic growth is likely to slow down in 2023, due to a higher base effect. This will have an impact on the market, but a long-term investor should look at it as a breather before the next move in the market. Capex cycles are global and to a large extent synchronous with commodity cycles.

Some of the themes to stand out in CY23 are

- Electrification trend accelerating across categories in auto space
- Banks poised for next round of re-rating cycle
- Capex: Government to the fore with all guns blazing
- FMCG: Gross margins bottom out; volume recovery in sight
- Defence: Is the shift structural?
- Textile: Exporters to overcome near term headwinds, expand global share
- NLP, Gati Shakti to help logistics sector fire on all cylinders
- 5G: Huge opportunity for telecom sector

Market Outlook

Global factors such as green energy investing, de-globalization, and supply chain redundancy requirements can keep commodities and Capex strong in the medium term. A CAPEX cycle coupled with the Centre and State's strong fiscal due to higher tax collection is likely to bode well for an expansionary period in the coming months. It is expected that in the coming years, the PAT/GDP ratio will comfortably breach its previous peak in FY08 of 7.2%, given that operating leverage begin to play out since GDP (in real terms) has just about reached FY20 levels; services sector has emerged stronger with one-off hits like telecom AGR behind, and e-commerce having taken flight; banks and NBFCs have seen a substantial cleaning up of NPAs, are governed by a much stronger regulatory framework, and are substantially better capitalized than 3 years ago; corporate Debt / GDP has fallen from 41% to 32% in the last 9 years thanks to chromic underinvestment; policy environment is supportive with the government having cut corporate taxes, introduced PLI schemes and driven up tax collections, etc. and other domestic clean-up/speed bumps like GST/RERA, Covid are behind us.

These factors can drive a strong domestic growth cycle. Nifty 50 is currently trading at a 1-y forward PE multiple of ~22x and is now approaching the +1 Standard deviation from its mean of ~19. If multiple is capped near the +1SD of ~24x, it can be expected that Nifty can hit 20000. However, an extraordinary upside is likely to be difficult as seen in the 2017 to 2020 phase that when the index approached the +1SD, the Nifty traded in a broad range with moderate returns. Thus, it is expected that Nifty to continue to trade with a positive bias, but extraordinary returns are likely to be difficult.

Note: All data are of as on December 27, 2022

INFRASTRUCTURE
BETTER ROADS AHEAD

Today, India need a world class infrastructure in order to appear in top 4 powerful economic countries in the world. During the pandemic the Indian economy remained resilient compared to other economies on the back of huge consumption demand and government's prudent policies to support the economy. Government appropriate policies towards right direction makes India the fastest growing economy despite of Covid pandemic challenges and helped in becoming the world's fifth-largest economy after it overtook the UK in end-March 2022. India is now the 5th largest economy and is now behind only after the US, China, Japan and Germany, according to IMF projections. India after achieving the USD 3 trillion economy aspire to become USD 5 trillion economy and that could be achieved through spending and developing the infrastructure. Hence infrastructure is an enabler for growth. To achieve the target of USD 5 trillion economy by 2025 and meet the aspirations of the citizens of India, creating new and upgrading existing infrastructure will be important factors in raising India's competitiveness. The government has also sharpened its focus on infrastructure thus increased its allocation in FY23 budget. In FY23 budget, Finance minister had set a target of constructing 25,000 kms. This target will be met under the PM Gati Shakti National Master Plan, under which the government will have to provide connectivity to all the economic nodes in the country. Further, government plans to sharpen its focus on infrastructure growth in the coming Union budget by allocating 30% more funds for the roads ministry to speed up construction to more than 50 km of highways daily. It is expected, government could increase the budget allocation for MoRTH (ministry of road transport and highways) to a record level of Rs 2.5 trillion in FY24. The majority of the budgetary funds will be used to build highways, which will have a positive impact on the economy by improving the efficiency of businesses, creating construction jobs, and increasing demand for raw materials such as

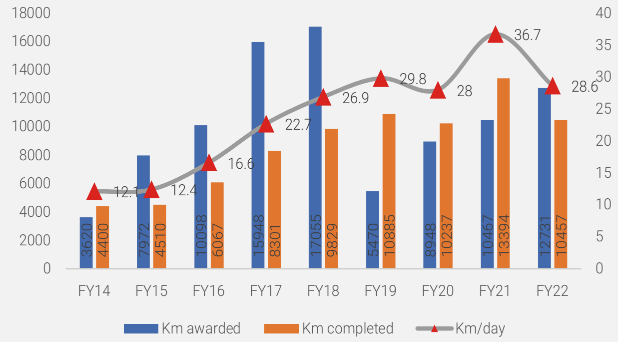
In FY23 budget, Finance minister had set a target of constructing 25,000 kms. This target will be met under the PM Gati Shakti National Master Plan, under which the government will have to provide connectivity to all the economic nodes in the country.

cement and steel. The government's budgetary allocation for FY24 would be built on a record 52% rise in the ministry's budget during the current year to about Rs 2 trillion from the previous year. The domestic macro picture is also improving which is conducive for the acceleration of infrastructure activities. The financial institutions mainly banks post clean-up of the balance sheet are relatively in better position to provide credit to the projects and corporate. The same has already been reflected in the domestic credit growth which shoot up 17% and surpassed the deposit growth of 11% in November 2022. Further, corporate also involved in de-leveraging its balance sheet and currently, they are in better positioned to unlock the next phase of growth and avail fresh credit lines on better terms and conditions and that would kick start the next capex cycle. In addition, the other sectoral tailwinds such as long-term financing through credit-enhanced project bonds, innovative models of financing–NIIF-led project development, value capture financing would enhance the growth visibility of infrastructure companies.

Awarding activities picking up

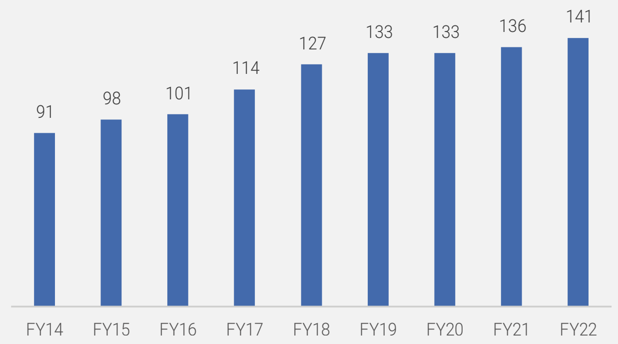
As the domestic macro environment is improving, the long-term order tendering activities by NHAI have been improving consistently increasing from 2,222 km in FY19 to 4,788 km in FY21. Further, awarding has inched up to 6,306 km during FY22 with capital expenditure by NHAI reaching an all-time high of Rs 1,68,770 crore. Further, in order to increase the interest of the private players in the public-private partnership (PPP) model, GoI introduced the HAM model and NHAI started awarding projects under HAM from 27 January 2016. In FY22, the NHAI and MoRTH have awarded as many as 127 projects spanning into 12,731 km (+21.6% YoY). Out of these 127 projects, 62 were HAM projects, while 63 were EPC projects and balance 1% were BOT projects. However, due to labor shortage issue and delayed payments from government and other funding issues the average road constructed in FY22 fell to 28.6 km per day vs 36.4 km per day in FY21. Government has set an ambitious target of constructing 40 km per day in FY23. India should increase the National highway capacity of handling traffic in order to accelerate the overall economic growth and also to increase the global competitiveness on infrastructure creation front. India has the second-largest road network in the world of about 6.2 million km comprising national and state highways and urban and rural roads. National highways account for 2% of the total road network and carry over 40% of total traffic. However, the construction of national highways has improved in last 7 years mainly because of PPP (Public Private Partnership) mode. The length of national highway in last 7 years for which the Ministry of Road Transport & Highways, Government of India, is responsible has gone up by more than 50%, from 91,287 km (FY14) to around 1,41,000 km at present. Government has been laying emphasize on infrastructure development in FY23 by increasing the budget allocation and the same is expected in FY24 budget which would augur well for infrastructure companies.

Total road Construction and awarding trend (NHAI + MORTH)



Source: Industry report

National Highways (Km in 000's)



Source: Industry report

Pick up in awarding activities resulted in healthy order book

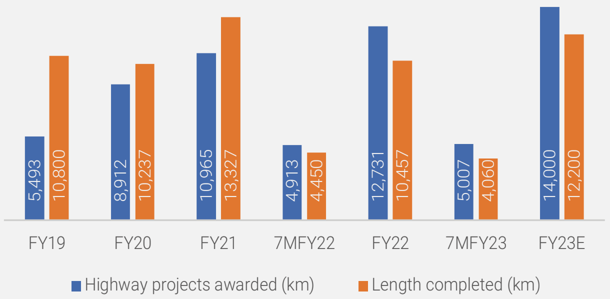
In order to achieve the next level of growth, infrastructure development is very imperative, hence government has been emphasizing on awarding the projects to infra players. The pick-up in awarding activities resulted in healthy order book for infrastructure companies. The order book position for most listed organized players remains healthy at 2.5-3.5x of FY22 sales, providing revenue visibility for the next two to three years. During October 2022, the tendering activities is at record levels of Rs 1.24 trillion increased by 32% YoY and 18% MoM led by highways, water sewerage and power distribution. The highways tendering stood at Rs 457 billion up by 48% YoY followed by water sewerage at Rs 208 billion up by 71% YoY and power distribution at Rs 218 billion increased by 24x YoY. During 7MFY23 the National Highway awarding stood at 5007km vs 4913km in PY (previous year) while NH construction stood at 4060km in 7MFY23 vs. 4450km in PY. NHAI has awarded only 35 projects of 1024km worth Rs191bn (including 386km of maintenance contracts) during H1FY23. MoRTH and NHAI continued with their awarding target of 14,000km and construction target of 12,200km in FY23 with likely pick-up in coming months. Further, highways and bridges bid pipeline also improved from Rs 746 billion to Rs 830 billion. Hence, higher awarding of highways and bridges will result in robust order backlog for the infra companies which is likely to provide strong future revenue growth visibility.

Highways/ bridges bid pipeline improving

Bid pipeline	No of projects	Value (Rs billion)
NHAI	75	697
NHIDCL	13	94
MoRTH	11	38
Total	**99**	**829**

Source: Industry report

Highway awarding & construction during 7MFY23



Source: Industry report

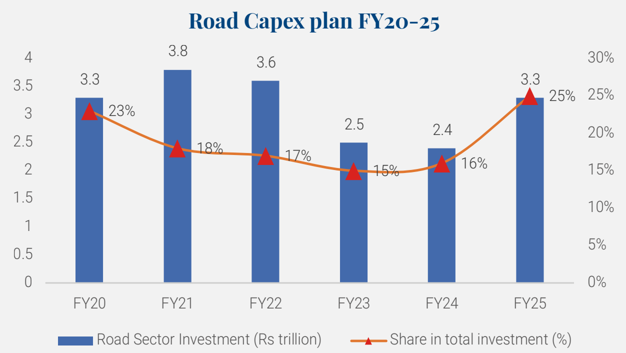
Setting of infra pipeline to benefit infrastructure companies

To support the economic growth and to pull out the economy from COVID crisis there is an urgent need for higher spending on infrastructure. Hence, government has come out with National Infrastructure Pipeline (NIP) has a coverage of 9,335 projects (vs. 6,835 projects earlier) with total envisaged cost of Rs 108 trillion from FY20-FY25. The center has budgeted its capital spending at a record high of Rs 7.5 trillion (+30% FY22RE), focusing on infrastructure. Government has identified 1,820 projects, which would be implemented in 2020-25. The total Capex for these projects by the Centre is estimated at Rs 13.8 trillion from FY20 to FY25. The projects include the construction of new expressways such as Delhi–Mumbai Expressway, Bengaluru–Chennai Expressway, etc. Several projects being implemented include four-laning/ two-laning or widening of existing highways. The NIP has been front ended infra spend which outputs are expected to be visible by the end of the planned five-year period. Around 79% (contributed by both State and Central government) of the total investments is expected to be contributed by public sector agencies with the balance 21% to be met through private sector investments. Of the total plan, ~40% of the projects are currently under implementation, ~20% are under, ~ 30% are in conceptual stages and the balance are unclassified. Centre and states were the primary funding sources for power and roads, with moderate participation from the private sector. Telecommunication investments were driven mainly by the private sector, while investments in irrigation sector were predominantly made by the states. In terms of shares, infrastructure investments between FY13 and FY19 were predominantly made by the public sector (Central & State government), while the share of the private sector has been ~30%. Out of total infrastructure pipeline between FY20-25, around 18-20% of the pipeline is expected to be financed through the Centre's budget, about 24-26% is expected to be financed through the state's budget, around 31% would be raised through debt, bond and equity and rest 4-10% would be funded through PSU internal accruals. Some proportion of the financing gap can be filled through establishing of new DFIs and using asset monetization as a tool to monetize operational assets at both Central and state levels. Hence, NIP during FY20-25 would bring lot of growth opportunities for infrastructure companies.

NIP Sectoral allocation

Sector (Rs trillion)	FY20	FY21	FY22	FY23	FY24	FY25	No phasing	Total	% of total
Power	1.6	2.3	2.2	2.2	2.3	2.1	1.4	14.1	13%
Renewable Energy	0.3	1.5	1.4	1.7	2.2	2.2	0	9.3	8%
Atomic Energy	0.1	0.2	0.3	0.3	0.3	0.3	0	1.5	1%
Petroleum & Natural gas	0.3	0.4	0.5	0.4	0.2	0.1	0	1.9	2%
Roads	3.3	3.8	3.6	2.5	2.4	3.3	1.3	20.2	18%
Railways	1.3	2.6	3.1	2.7	2.2	1.7	0	13.6	12%
Ports	0.1	0.2	0.2	0.2	0.1	0.1	0.4	1.3	1%
Airports	0.2	0.2	0.2	0.2	0.3	0.1	0.3	1.5	1%
Urban Infra	3	4.6	4	2.3	2.2	1.6	1.4	19.1	17%
Irrigation	1.1	2	1.8	1.4	1.2	0.7	0.8	9	8%
Rural Infra	1.4	1.8	2.1	1.1	1.1	0.3	0	7.8	7%
Digital Infra	0.8	0.6	0.5	0.4	0.4	0.4	0	3.1	3%
Social Infra	0.6	0.8	0.9	0.6	0.5	0.3	0.5	4.2	4%
Industrial Infra	0.2	0.4	0.4	0.4	0.2	0.1	1.4	3.1	3%
Agriculture and Food Processing	0	0	0	0	0	0	1.5	1.5	1%
Total	**14.3**	**21.4**	**21.2**	**16.4**	**15.6**	**13.3**	**9**	**111.2**	**100%**

Source: Industry report



Source: Industry report

In Budget FY23, government reinforced its commitment towards infra spending

In budget FY23, government has increased its capex and proposed infrastructure spend by over 35% YoY to Rs 10 lakh crore and that has reinforced its commitment to using infrastructure as a force multiplier for sustained economic growth. Within infrastructure, one of the key focus areas is leveraging multimodal transport infrastructure to reduce logistics costs, thereby improving India's overall competitiveness. The government in the budget has highlighted the need for coordination between various Ministries/agencies to enable identification and timely completion of priority projects. Both of these would be addressed through the Gati Shakti initiative which is one of the cornerstones of Budget 2022-23. Digital technology, including GIS, will form the backbone of Gati Shakti. The budget has proposed a Unified Logistics Interface Platform for data exchange among various operators through APIs to achieve regulatory and operational streamlining. In terms of investments, roads and railways have seen a significant increase in outlays, with y-o-y increase of over 50%. As part of rail connectivity, 100 PM Gati Shakti Cargo terminals are proposed to be developed over the next 3 years. Similarly, the National Highways network is proposed to be expanded by 25,000 km during the year, which is nearly double that of the maximum achieved in any of the last 5 years. The proposed spend on urban infrastructure, housing and ports has been maintained at FY2021-22 levels, with the outlay on Jal Jeevan Mission increasing by 20%. Further, government's NIP (2020-25) is envisaging an investment of Rs 111 lakh crore, the target annual investment ranges between Rs 20-22 lakh crore. The budgetary outlay of Rs 10-11 lakh crore represents the Centre's share in total infrastructure investments, which is around 45% and rest 55% would be funded by state governments and extra budgetary sources including private investment. State governments are likely to play a larger role in sectors like urban infrastructure, irrigation, health and education, which fall under their jurisdiction. To incentivize them to augment infrastructure in these sectors, the budget has significantly increased the outlay for "State Government Support for capital expenditure" from Rs 15,000 crore in 2021-22 to Rs 1 lakh crore in 2022-23. On private investments, a number of initiatives around public private partnerships, asset monetization, setting up of the National Bank for Infrastructure & Development (NABFID) as a development finance institution, tax concessions for foreign pension and sovereign wealth funds have already been introduced. The budget additionally highlights green bonds as well as thematic funds leveraging blended finance for financing sunrise sectors like deep tech, climate action, pharma, agri-tech, etc. Though the budget FY23 reinforces the Union government's commitment to infrastructure development, timely implementation of the aforementioned measures would be critical for putting a robust extra budgetary financial eco-system in place. However, infra spending is currently need of the hour as the private capex has not yet pick up and government really need to step up to boost the capital spending in order to boost up the economy in such challenging times.

Capex is increasing in other infrastructure space

Government is also increasing the investments in other infrastructure areas. In past few years, the huge opportunities in the social infrastructure have led to robust order inflows for contractors with expertise in the building segment. Companies like NCC, Ahluwalia Contracts, Capacit'e Infra, JMC have benefitted immensely from this. These companies have won significant orders for projects in education, healthcare and housing segments. The improvement in order inflows is visible from the significant uptick in order books for these companies. This improvement has been across the board and not limited to any particular company. The outbreak of COVID-19 has increased the government's spending on healthcare infrastructure resulting in more hospitals been built. India is witnessing a metro rail revolution and currently 20 metro projects are ongoing and it is expected that by the end of the decade, nearly 30 cities in the country will either already have a metro network or would have started work on the projects. There has also been ramp up in civil construction

In budget FY23, government has increased its capex and proposed infrastructure spend by over 35% YoY to Rs 10 lakh crore and that has reinforced its commitment to using infrastructure as a force multiplier for sustained economic growth.

award over the past couple of years. The quantum of bids currently underway are higher than the sum of projects awarded over FY20 and FY21 and that indicates the strong momentum in project award in the metro rail segment. India is also entering into a new era of passenger rail transport through development of High-speed rail and Semi high speed rail projects. Even the Indian railways has been doing robust capex in the past few years. Thus, higher infrastructure spending will boost the order book of infra companies, resulting in strong revenue visibility for these companies.

With consistent increase in budgetary allocations the activities under the infrastructure sector have been clearly growing at a decent pace. Additionally, the roads segment within infra has put up a stellar show with improving construction pace and robust awarding. The funding constraints are also improving with the banks and financial institutions are aggressively providing credit to the projects and corporates and same has been reflected in healthy credit growth. Corporate, post deleveraging their balance sheet are also biding for the projects and going for capex. Overall macro dynamics are improving which is conducive for infrastructure development. Increasing awarding activities has resulted in strong order book position for infra companies. The order book position for most listed organized players remains healthy at 2.5-3.5x of FY22 sales, providing revenue visibility for the next two to three years. Further, government through NIP has committed to invest around Rs 111 trillion towards infrastructure creation across the segments which will provide a huge growth opportunity for the infrastructure companies. Hence, the better days are coming in the infra space.

Peer Set

Company Name	Mcap (Rs crs)	Revenue (Rs crs)	EBITDA (Rs crs)	PAT (Rs crs)	EBITDA Margin (%)	PAT Margin (%)	ROE (%)	ROCE (%)	D/E ratio (x)	Interest coverage ratio (x)	Trailing EV/ EBITDA (x)	Trailing P/E (x)	Trailing P/Bvps (x)
Larsen & Toubro Ltd.	2,95,007	1,56,521	24,170	10,291	15.4%	6.6%	13.1	11.6	1.5	2.5	14.3	30.6	3.6
GMR Airports Infra-structure Ltd.	23,480	3,772	2,103	(823)	55.7%	-21.8%	0.0	4.1	-32.4	0.6	18.9	-	(20.2)
IRB Infrastructure Developers Ltd.	17,133	5,804	2,798	588	48.2%	10.1%	6.0	9.9	1.3	1.4	8.5	24.6	1.3
KEC International Ltd.	12,052	13,742	904	332	6.6%	2.4%	9.5	13.8	0.8	2.0	17.9	41.3	3.3
PNC Infratech Ltd.	7,240	7,208	1,534	580	21.3%	8.1%	17.4	15.7	1.3	2.9	7.0	10.3	1.8
KNR Constructions Ltd.	6,938	3,606	799	355	22.1%	9.8%	17.1	21.9	0.6	4.7	9.1	17.6	2.8
NBCC (India) Ltd.	6,570	7,575	204	238	2.7%	3.1%	14.0	29.0	0.0	2.8	3.1	31.6	3.7
NCC Ltd.	5,073	11,138	1,024	493	9.2%	4.4%	9.2	15.7	0.2	2.3	5.1	8.7	0.9
Dilip Buildcon Ltd.	3,167	9,566	773	(550)	8.1%	-5.7%	-15.8	2.7	2.5	0.3	13.1	-	0.9

Source: ACE Equity

Management Concall

Gland Pharma Ltd.

- This was the first international acquisition by Gland Pharma and it will help in expanding the international presence. It will help in increasing the customer base in EU including customers in biologics area.

- The acquisition is in line with objective of Gland Pharma.

- The Cenexi offering in Europe FDF CDMO market is USD 4 billion. It has 3 manufacturing sites in France and one in Belgium. All the plants are approved by US FDA and they have other regulatory approvals.

- It has a great manufacturing presence in Europe. The acquisition will give Gland access to Cenexi manufacturing sites where Gland can release its own products also. It also gives technological accesses which Gland doesn't have as of now.

- The current portfolio comprises of 70% injectables which is expected to grow to 82%. With Gland now joining hands with Cenexi the target of injectables will be much higher.

Cenexi has several biologic contracts with more than 70% contracts come from sole manufacturing partner. Its products have been served to more than 120 countries.

- Cenexi has 1400 people and of which 120 are in services which helps in technological development. Its business model is very similar to Gland Pharma. Business integration will be a simpler process as Gland is also in the business of CDMO.

- Cenexi is one of largest producers of ampoules in Europe. The customers of Cenexi are speciality pharma and large scale pharma companies.

- Cenexi has several biologic contracts with more than 70% contracts come from sole manufacturing partner. Its products have been served to more than 120 countries.

- Nearly 80% revenue of Cenexi come from the customers with 5+ years of relationship.

- For last few years, Cenexi's focus is on high value and high margin products. Cenexi is solely an ampoule manufacturer but for the past 2 years it diversified into prefill syringes, lifestyle products and high technological products including suspensions and hormones.
- The enterprise value for this acquisition was Euro 230 million, where equity value comes to Euro 120 million after deducting the adjusted net debt.
- The transaction would be funded by internal resources with no recourse to third-party funding.
- Currently Cenexi is a fully finished products company as well as a CDMO company. The services business is Euro 25 million. Cenexi is a completely branded generic CDMO company.
- The current ownership is through private equity. Private equity has retained some management people from previous owners.
- In order to launch products in Europe the company will have local sites, it is expensive to transfer products, local testing needs to be done in Europe.
- Cenexi is the sole supplier to many pharma companies. Cenexi is moving to high value products. The acquisition will give access to the customers and technology. Gland will get several things from the acquisition.
- In the last 3 years, the customer base of Cenexi has increased significantly.
- The ampoule business is a low margin business and thus the company has started to invest in other assets. Lot of assets are moving to future revenue stream asCenexi is moving to higher value products. The customer base that created by the company has a scope to grow in the future.
- Gland will invest in automated lines which will increase the production and yield in next 6 months.
- Cenexi will get the approval for new projects in next 18 months.
- By February-March the transactionis expected to be closed. The effective tax rate for Cenexi is around 27%.
- The combined EBITDA margin will improve on the back of operational efficiencies (which can be improved) on launching the new products and projects.
- In biologics, Cenexi is doing the finished products and they are doing for 3 clients. They also make some suspensions and hormone products. Cenexi also has Sterile Gel, which Gland doesn't produce. There is no product overlap with Cenexi. Gland will be supporting the Cenexi management in ramping up the capacities.
- Cenexi also develops control substances which will add value to Gland's products.
- Not many Indian companies manufacture products for Europe. The cost of production in India and then transferring to Europe is high. Gland can use Cenexi's know-how to manufacture high value products.

Cenexi is the sole supplier to many pharma companies. Cenexi is moving to high value products. The acquisition will give access to the customers and technology. Gland will get several things from the acquisition.

- Cenexi is selling its products to Asia, Japan and China. Cenexi has a branded presence in Europe as wel. Cenexi is currently focused on European clients and US accounts nearly 1% of revenue despite of all its plants are US FDA approved.
- Cenexi has gross block of Euro 90 million which they invested on facilities. Cenexi's working capital is at normal level of working capital which other CDMO players in Europe also maintains.
- Most of the capacities have come from last few years. Its follow cost plus mark up models with its clients.
- This is synergy driven acquisition and Gland has an internal threshold IRR of 20% on consolidated basis. There are lot of opportunities in this synergy.
- There are nearly 100 companies in Europe which offers different services in CDMO segment.
- The EBITDA margin will be dilutive temporarily but in longer perspective, company's effort is to reach the company level EBITDA margin.
- Cenexi has 5 manufacturing lines which will bring more efficiency.
- From the gross block of Euro 90 million, company is generating revenue of Euro 180-185 million and at peak it could be Euro 190 million. Cenexi has capacity available and has the opportunity to ramp up production as well as revenue.
- Cenexi has enough land in other 3 sites for green field expansion. It needs nearly Euro 70-80 million to double the capacity of Cenexi from current level.
- Energy crisis in Europe is not impacting the production of Cenexi. It has some clauses where it can pass on the higher cost to end customers.

Gland Pharma business update

- The shortage of inputs is settling on may be not 100%. The competition is intense and the company is launching products and filling is on track.

- ROW business is getting on track. The margin pressure is due to higher cost and it is likely to stay for another quarter. However, the logistic cost has started to come down, hopefully it will settle down in the next quarter.

- The company is using the inventory to mitigate the shortage. Currently it is a dynamic situation which will settle in the next 3-4 months.

Heritage Foods Limited

Company description

- Heritage food entered into 4th decade of operations. Company's vision is to sell fresh milk food products and empowered the farmers.

- Over the years, the company has created strong long-lasting relationships with 300,000+ dairy farmers for milk procurement across 8 states in India.

- The company has started the operations with capacity of 20,000 LPD (lakh per day) in Chittoor in 1992 and got listed in the exchanges in 1994.

- The company is focusing on timely payment for farmers. It follows value added products which account nearly 26% of total revenue.

- The company envisages to meet 70% of the power requirement from renewable energy in the future.

- The company has launched heritage app where the farmers can access the animal nutrition and veterinary services.

- The company's value chain and business are extremely fresh and company always ensures that its products are available at agent level.

- The company ensures that the availability of products is in ecommerce and modern trade channels.

- The company has a technologically advanced R&D infrastructure with stringent quality control for the benefit of consumers.

- Company strictly follows stringent manufacturing process to ensure delivery of quality products to the customers.

- Heritage is an ambitious company with a target of achieving Rs 6000 cr revenue in couple of years and to expand the procurement network.

Diary Industry

- India has unique advantage of being the largest producer of milk as well as consumption of milk. India produces 210 billion tonnes of milk and it is increasing over time.

- Diary Industry accounts for 5% of national economy. As a large number of small farmers run their livelihood from diary industry it is an important industry in terms of employment generation.

- Most of the milk consumed in India is in liquid milk form.

- Milk is of much higher turnover than wheat and rice at Rs 8.5 lakh crore. The Diary industry grew at 14% CAGR.

- The per capita consumption of milk in India is low at 300 gms vs 800 gms in US and Europe

- Urbanization, higher disposable income and health consciousness to drive the milk consumption in India going ahead.

- Around 70% of milk produced is from unorganized sector and 30% from organized players thus there is huge opportunity for growth.

- Large number of private investments came in diary sector especiallyin southern India.

- The sector is facing some cyclical issues such as excess supply in one year followed by deficit in another year.

- Competition in the industry is increasing yoy.

- The milk is a perishable product and it goes into production in next 20-48 hrs. Industry is focused on value added products such as Cheese, Ghee, Yoghurt.

- Diary is an important sector for national income and small farmers. The companies and stakeholders in the sector has huge growth opportunity in coming years.

Heritage procures milk from farmers. The company has created strong long-lasting relationships with 300,000+ dairy farmers for milk procurement across 8 states in India.

Processing capabilities, products and distribution network

- Heritage procures milk from farmers. The company has created strong long-lasting relationships with 300,000+ dairy farmers for milk procurement across 8 states in India.

- Every day the company runs 50 veterinary camps which cover nearly 2 lakh farmers.

- The milk from 11,000 Chilling units goes through 80 processing plants from where it goes to 16 states.

- Company has been focusing on value added products since 2007.

- Company has fast growing distribution network with 6800 distributors and 150,000 retail outlets.

Revenue

- The company has set an ambitious target of achieving Rs 6000 cr revenue in next 4 years thus aiming to grow at a CAGR of 20%. The industry is growing at a CAGR of 14-15%, hence Heritage food will grow ahead of the industry.

- Company has a four pillar strategy where foremost is consumer. In the consumer segment company is focused on value added products by understanding the consumer needs. The 2nd pillar is to expand the retail outlets from 150,000 to 300,000 outlets and that is customer leadership. 3rd pillar is to make milk procurement more efficient. The 4th one is expanding the margin profile by increasing the efficiency of supply chain by modernizing the plants.

- Heritage is known in the industry for its technology and R&D.

Financials and sustainability

- The company has delivered double digit revenue growth in first 2 quarters of FY23.
- EBITDA margin was mainly driven by value added products. The company is focused on increasing the contribution of value-added products in the next 4 years.
- The company is net zero debt company and the capex is mainly done from internal accruals. The working capital days is 50 days and the company will maintain this level.
- The company will use more green energy and optimization of plastic which will ensure low cost of capital.
- The milk volume is expected to grow at a CAGR of 4-5% and that will ensure sufficient milk for both unorganized and organized sectors.

Other key points

- Unorganized sector is unable to absorb the surplus milk because of consumer shifting from unhygienic milk to hygienic value added products.
- The company has 20 products in the portfolio. Milk accounts for nearly 67% of total revenue while value added products contribute 23% of revenue.
- The company is very bullish on sweets. During the pandemic time, there has been shift from unpackaged sweets to packaged sweets.
- The growth for the company will be driven by value added products and its contribution is likely to increase by 40% from current 23%. In value added products the growth is driven by Curd and the company will continue to grow in this segment.
- The company requires investments in expansion of plants and also to improve the operational efficiencies and thus need investments in coolers and chiller. The company is committed to maintain the EBTIDA margin at 7% level in near future.
- The company has long range plans in next 3 years. Currently the company procures nearly 1.4 million tonnes of milk and has capacity to procure nearly 2.5-3 million tonnes.
- In the current year, there is no surplus milk available in the market. Hencethe procurement price of milk is not coming down.
- The Company meets cooperatives in two side -one being the procurement side and another is the sell side. There is no fight with the Maharashtra cooperatives. Maharashtra cooperatives are very fragmented as there are more private players in that market.
- On the sell side, in the Mumbai market, Amul has larger dominance.

The company's value added products has a wide range. Curd is the prime driver of the value added products. In 30% organized diary market, the share of value added products is very small and the majority is contributed by milk.

- In AP and Karnataka markets Heritage foods face competition. The company works with the dairy farmers by providing social welfare schemes and also provides loan to purchase the animals.
- Heritage is a financially comfortable company and as of now there is no need to raise capital through debt.
- The company has tried to apply for PLI scheme but has missed from PLI scheme.
- The capex requirement for the company would be around Rs 100-120 cr every year in next 4 years to reach the turnover target of Rs 6000 cr. Company has sufficient fund to support the future growth.
- Nearly 70% of the diary market is unorganized and within this 40% is captive consumption and balance come to the market.
- The company is absolutely focusing on diary business and not considering entering into other business division through any acquisition route.
- The company currently has no ESOP policy for the employees.
- The company's value added products has a wide range. Curd is the prime driver of the value added products. In 30% organized diary market, the share of value added products is very small and the majority is contributed by milk. In value added products the Curd share is highest compared to other value added products.
- The Company has wide reach of social media campaign.
- The company is inherently generating 7-8% EBTIDA margin. The company is progressing quarter on quarter. In the next 18 months, company is expected to weather the volatility.
- On the procurement side, the supply chain is very different than US and thus it is not comparable.

Economy review

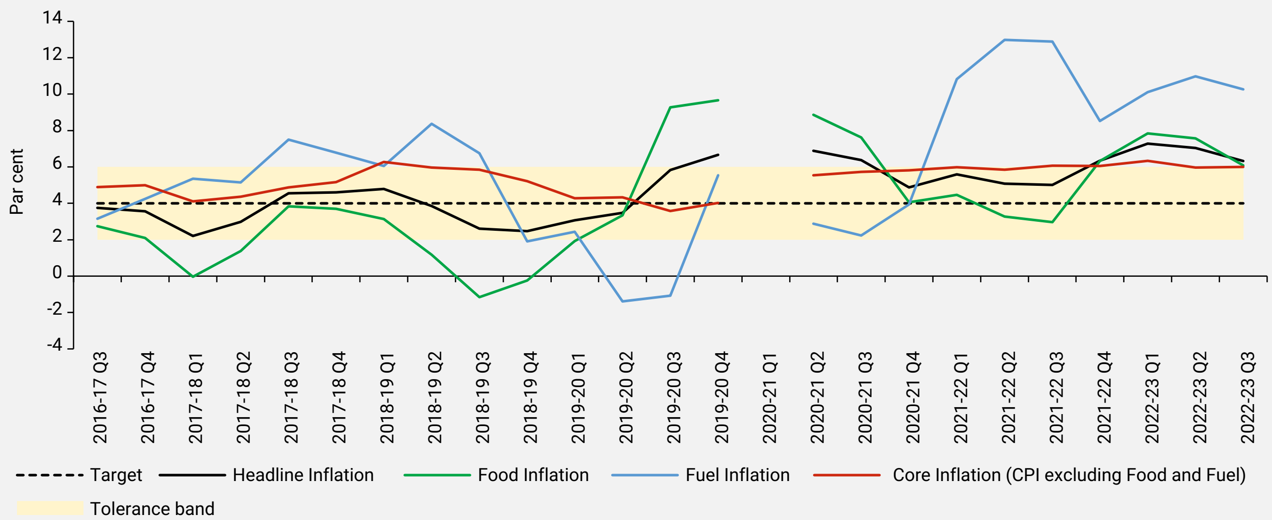
Inflationary pressures have cooled off in global economies, however we are nowhere back to pre-COVID levels (as far as supply side issues are concerned) and all have to adapt to new levels (or until base effects take over). The war in Ukraine is far from over and the new spike in COVID cases worldwide could create new supply side challenges for economies. So far, the central banks of developed economies have maintained a hawkish stance as inflation is likely to persist for long. Moreover, albeit the consumer price index (CPI) inflation levels in US, Europe and UK have come off highs, they are way above the target of 2% set by their central banks. The way farther the present inflation levels are from the targets, the greater the recessionary risks for economies since central banks need to adjust their hawkishness accordingly. US retail inflation levels came down from its peak at 7.1% reported for Nov'22 while Fed's preferred measure of annual inflation is expected to decline from 6% in October to 5.6% by the end of the year and 3.1% by the end of 2023. While the targeted inflation levels are significantly above the Fed's 2% target but are not awfully awry albeit tightening of rates will result in technical recession. However, the task for European central Bank (ECB) is challenging and recessionary risks for Europe economy is almost certain. Albeit inflation fell in Eurozone from a record high of 10.6% in October to 10% in November, ECB has lifted its inflation forecast for this year to 8.4%, 6.3% next year and 3.4% in 2024. Thus, inflation will stay above ECB's 2% target for the next three years and would take serious rate hikes to tame price pressures and in a way poses greater risks for economy. No wonder, the probability for Euro area to slip into recession in 2023 is almost a certainty. For us, the drivers of inflation have been different and despite the odds and occasional hiccups from supply side challenges, concerted efforts from government and the Reserve Bank of India (RBI) finally helped in taming the consumer price inflation in India. Clearly there aren't too many risks to economic growth from a hawkish central bank.

Thus, inflation will stay above ECB's 2% target for the next three years and would take serious rate hikes to tame price pressures and in a way poses greater risks for economy. No wonder, the probability for Euro area to slip into recession in 2023 is almost a certainty.

A recent paper in RBI's December 2022 bulletin titled 'Anatomy of

Inflation's Ascent in India' provides an analysis with regards to the inflation trajectory in India post February 2022. This paper thus unofficially gives some explanations with regards to why CPI inflation has stayed outside of the tolerance range of RBI for a considerable point of time. The month of February 2022 has been chosen, since post COVID, the world was undergoing normalization helped by various monetary and fiscal policies as well as strong supply side measures which resulted in pulling back inflation within tolerance range of the RBI's monetary policy committee (MPC) and below 6%. The MPC in February 2022 even projected average inflation at 4.5% for FY23 on ebbing COVID-19 infections, easing supply chain pressures, normal monsoons and global commodity prices moving in a range-bound manner. Unfortunately, geopolitical tensions took center stage with war between Russia and Ukraine and being two dominant world contributors of energy and food, international prices of energy, industrial metals and food shot up to unprecedented highs. As a consequence, inflation accelerated across the globe but most affected were developed economies with inflation levels not seen in the last four decades. Even India had to contain with the shock waves and inflation peaked at 7.8% in April 2022 before easing to an average of 6.8% between May and November 2022. India has indeed managed well and going by the current projections by MPC, inflation is forecast to average 6.7% in FY23 and 5.2% in H1FY24. The RBI paper quickly examined the role of basic building blocks- momentum and base effects – in the formation of year on year (y-o-y) CPI inflation. The RBI paper states that 'If the pick-up in inflation is driven by momentum, i.e., month-on-month (m-o-m) changes in the current period, it points to price pressures building up at the margin. On the other hand, if inflation is driven up by base effects (m-o-m changes in prices a year ago), the role of inflation's history comes into play'.

CPI Inflation (y-o-y)



Notes: The imputed CPI prints for April and May 2020 have been regarded as a break in the CPI series. Inflation figures for 2022-23 Q3 denote average inflation during October-November 2022.

Sources: National Statistical Office (NSO); and authors' estimates; RBI Bulletin Dec'22

The RBI paper beautifully dissects the CPI inflation trend post Ukraine war between momentum and base effects. The paper states that with outbreak of Ukraine war, inflation was led by momentum and which offset favourable base effects and drove inflation to its peak in April 2022. From April, however, momentum eased and favourable base effects kicked in which resulted in ease in inflation levels till June. From June onwards, however the favourable base effect waned and disappeared in September 2022, thus resulting in inflation averaging 7% during May- September, moving in a range of (-)30 bps to (+) 40 bps around the average. In October however favourable base effects were strong and responsible for 60bps decline in headline inflation to 6.8%. In November, CPI inflation continued to ease further to 5.9% helped by both favourable base effects, along with a decline in momentum. Core inflation (CPI excluding food & fuel items) which is generally demand led, has stayed at elevated levels all throughout this period between February-November. The paper is of the view that the core inflation is led by momentum rather than base effect and persistently since March 2022. In fact, momentum remained positive for all three CPI sub-segments (food, fuel and core) during February-October 2022, such that by August, food became the dominant driver of headline price movements while momentum with regards to fuel prices receded and positive base effects took over. CPI inflation has recently eased below the upper tolerance range in November 2022, however the same is majorly led by vegetable prices (which is seasonal in nature) while the RBI paper states that momentum in the fuel and core categories remains positive. Besides, few economists even cautioned that the positive base effects could wane going ahead and there's still upside risks alive.

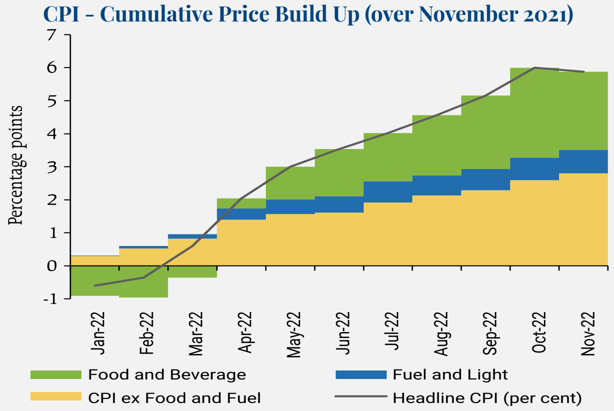
CPI Inflation: Base Effect and Momentum (%)

No	Category	Dec-21	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
1	CPI Headline inflation (per cent)	5.7	6.0	6.1	7.0	7.8	7.0	7.0	6.7	7.0	7.4	6.8	5.9
	1a Change in Headline inflation (1b+1c)		0.4	0.1	0.9	0.8	-0.7	0.0	-0.3	0.3	0.4	-0.6	-0.9
	1b Momentum		-0.3	0.2	1.0	1.4	0.9	0.5	0.5	0.5	0.6	0.8	-0.1
	1c Base Effect		0.6	-0.2	-0.1	-0.6	-1.6	-0.6	-0.7	-0.2	-0.2	-1.4	-0.7
2	CPI Food inflation (per cent)	4.5	5.6	5.9	7.5	8.1	7.8	7.6	6.7	7.6	8.4	7.1	5.1
	2a Change in Food inflation (2b+2c)		1.1	0.3	1.5	0.6	-0.3	-0.3	-0.9	0.9	0.8	-1.3	-2.0
	2b Momentum		-1.1	-0.1	1.3	1.4	1.5	0.9	0.1	0.7	0.9	1.0	-0.7
	2c Base Effect		2.1	0.4	0.1	-0.8	-1.7	-1.2	-0.9	0.1	-0.1	-2.3	-1.2
3	CPI Fuel inflation (per cent)	11.0	9.3	8.7	7.5	10.7	9.5	10.1	11.8	10.8	10.4	9.9	10.6
	3a Change in Fuel inflation (3b+3c)		-1.6	-0.6	-1.2	3.1	-1.1	0.6	1.6	-1.0	-0.4	-0.5	0.7
	3b Momentum		0.1	0.9	0.9	3.0	1.4	0.8	2.0	-0.4	0.4	0.6	0.4
	3c Base Effect		-1.6	-1.5	-2.0	-0.1	-2.4	-0.3	-0.6	-0.4	-0.7	-1.0	0.2
4	CPI ex Food Fuel Inflation (per cent)	6.1	6.0	5.8	6.4	7.1	5.9	6.0	6.0	5.9	6.0	6.0	6.0
	4a Change in ex Food Fuel inflation (4b+4c)		-0.1	-0.1	0.5	0.7	-1.2	0.1	0.0	-0.1	0.1	0.0	0.0
	4b Momentum		0.4	0.5	0.6	1.2	0.4	0.1	0.6	0.4	0.3	0.6	0.4
	4c Base Effect		-0.5	-0.6	-0.1	-0.5	-1.5	0.0	-0.7	-0.5	-0.2	-0.6	-0.4

Note: Some numbers may not add up due to rounding.
Sources: NSO; and authors' estimates.

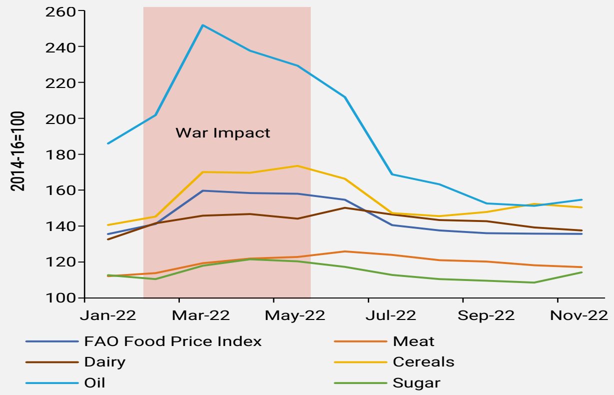
The paper states that the initial contributors to headline inflation was through food items (cereals and edible oils primarily) with disruption in global supplies of sunflower oil from Black Sea region while other edible oils including palm oil, price pressures stemmed from export bans by principal producers in April-May. Cereal price inflation accelerated with trouble at the Black Sea region and albeit India is immune from direct relationships, spillovers were felt through the channel of wheat exports. Adverse weather conditions also contributed to the supply side disruptions in agriculture (heat wave in March-May followed by uneven monsoon) which led to build up of price pressures. Volatility to food inflation as well as headline inflation was contributed by volatility in the vegetable prices as compared to secular price pressure in cereals. The RBI paper further stated that the price buildup in fuel category was led through sharp price rise in kerosene along with pick up in LPG prices. However, Kerosene prices ebbed lower from August onwards in line with international prices. Since, food and fuel prices constitute 55% of the CPI, the direct impact of these items drives the CPI index. However, fuel has second round effects as well, except for the first order impact which has a major implication on headline inflation due to its weightage. These second-round effects have actually kept core inflation elevated. The RBI paper states that price build up in the core category has been persistent across all sub constituents. The major contributors initially were clothing, transportation and communication, and personal care and effects. The increase in fuel prices at pumps ensured higher transportation costs and later on second round effects of transportation which was eventually reflected or passed through to other categories like clothing, household goods and services, personal care and effects, health, education and housing, i.e., 73% of core CPI. Thus essentially, price pressures on second round effects of fuel price inflation through transportation and second round effects of higher transportation costs accounted for elevated core inflation albeit the core category itself ironically excludes fuel items (first round impacts). Manufactured items also witnessed cost push inflation on account of supply side challenges, a fallout of the Russia-Ukraine war which led to spike in commodity prices. Services inflation remained subdued in early 2022 but later on did catch up, led by demand as well as reopening of economies.

CPI - Cumulative Price Build Up (over November 2021)



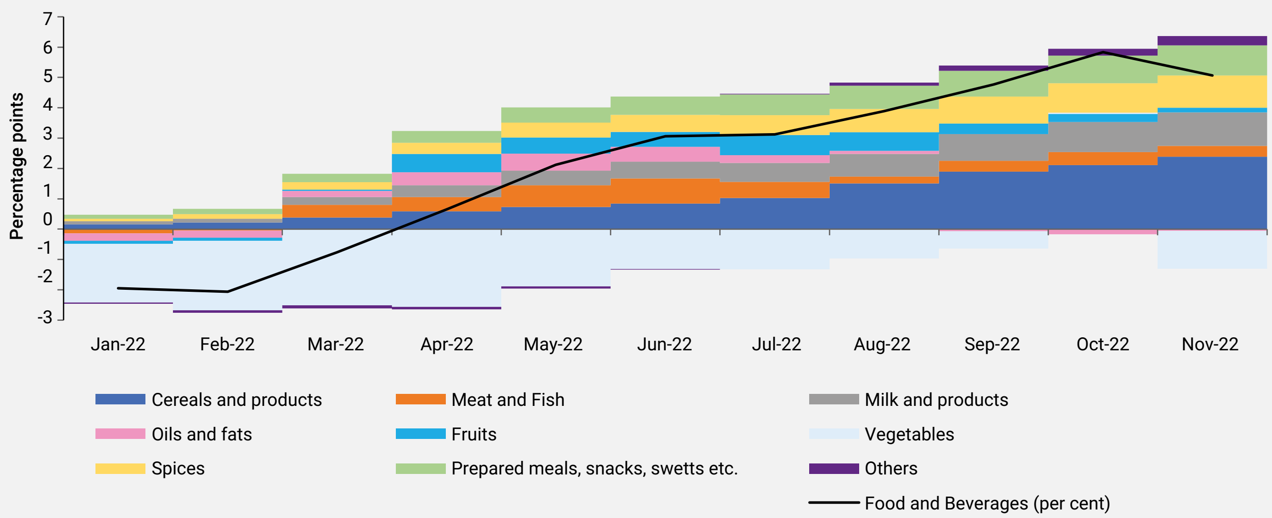
Source: NSO; and authors' estimates; RBI Bulletin Dec'22

Global Food Prices



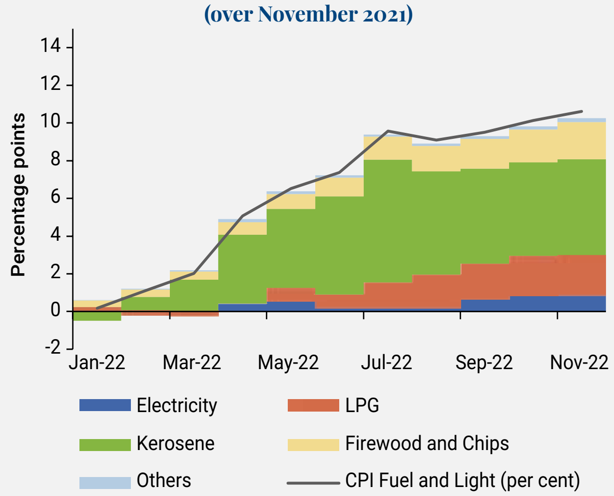
Source: Food and Agriculture Organization (FAO); RBI Bulletin Dec'22

CPI Food and Beverages - Cumulative Price Build Up (over November 2021)



Note: 'Others' include 'eggs', 'pulses and products', 'sugar and confectionary' and 'non-alcoholic beverages'.
Sources: NSO; and authors' estimates, RBI Bulletin Dec'22

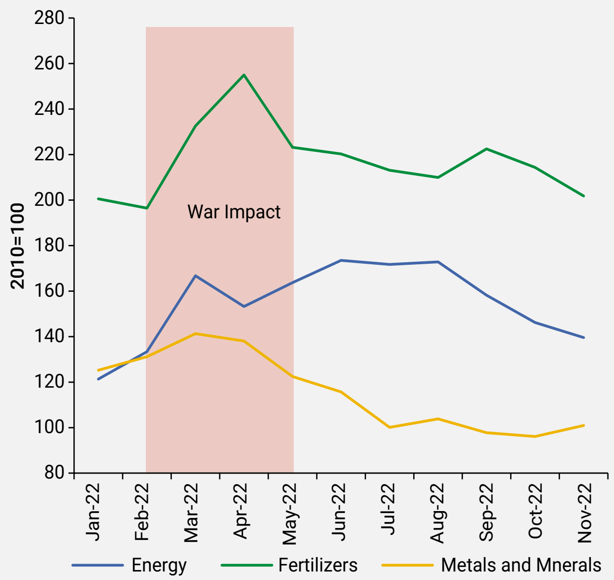
CPI Fuel and Light - Cumulative Price Build Up (over November 2021)



Note: 'Others' include diesel (excluding conveyance), other fuel, coke, firewood and chips, coal, charcoal and dung cake. Statistical discrepancies are distributed over the individual contributions.

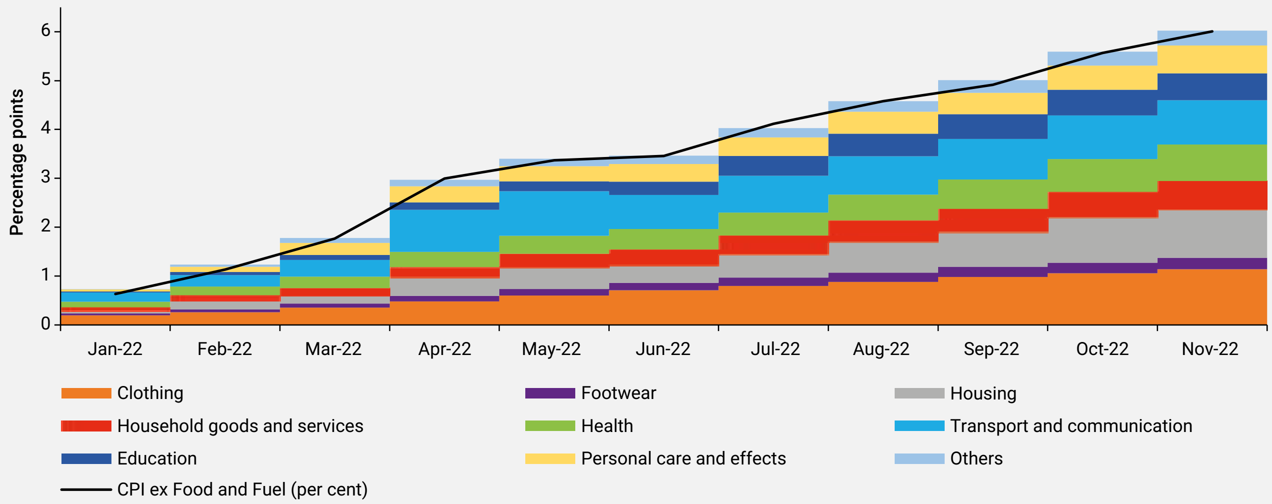
Sources: NSO; and authors' estimates, RBI Bulletin Dec'22

Global Industrial Input Prices



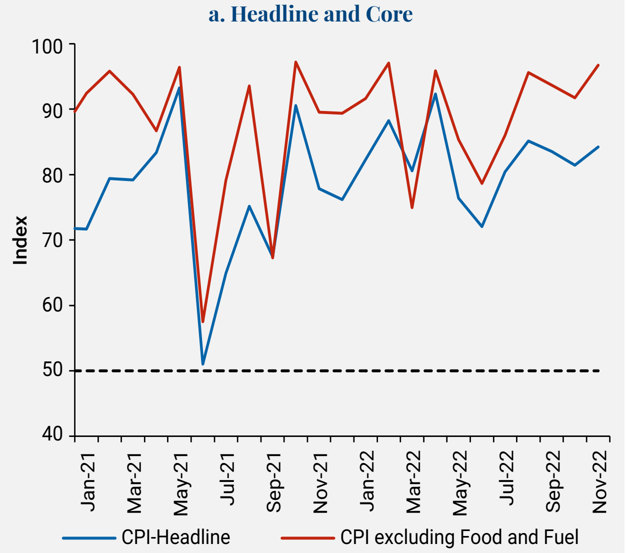
Source: World Bank, RBI Bulletin Dec'22

CPI Excluding Food and Fuel - Cumulative Price Build-up (over November 2021)

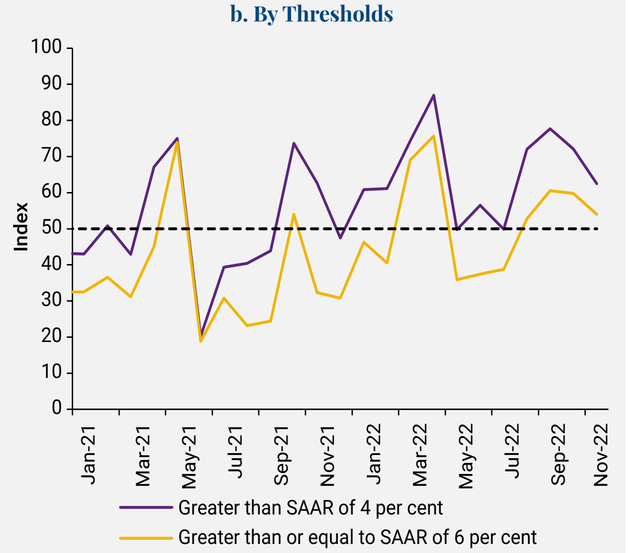


Note: 'Others' include 'pan, tobacco and intoxicants' and 'recreation and amusement'.
Sources: NSO and authors' estimates.

CPI Diffusion Indices



Sources: NSO; and authors' estimates; RBI Bulletin Dec'22



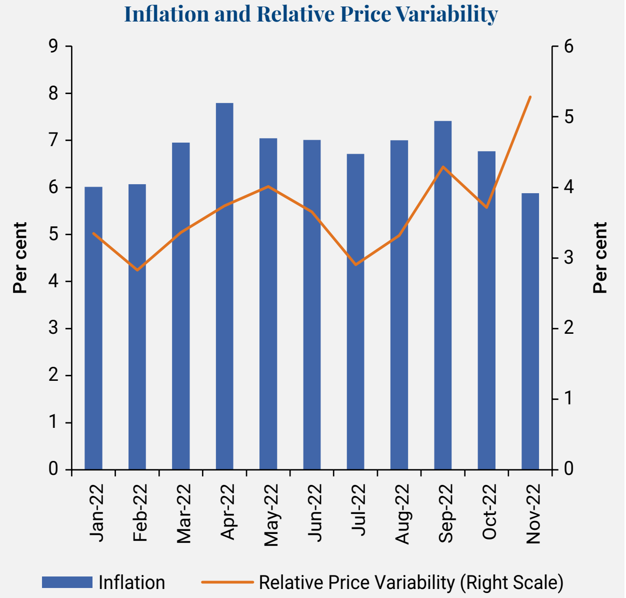
Sources: NSO; and authors' estimates; RBI Bulletin Dec'22

Goods and Services Inflation (% yoy)

	Weight	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22
Goods	76.6	6.6	6.8	7.8	8.9	8.0	7.9	7.4	7.8	8.3	7.3	6.2
Core (CPI ex Food Fuel) Goods	24.3	7.2	7.2	7.9	8.9	7.2	6.6	6.3	6.4	6.6	6.2	6.5
Services	23.4	4.3	3.7	4.3	4.2	3.8	4.2	4.4	4.3	4.7	5.1	4.9
Education	3.5	3.1	3.5	3.4	4.1	3.8	4.9	5.3	5.8	6.0	6.0	6.0
Housing	10.1	3.6	3.6	3.4	3.5	3.5	3.9	3.9	4.1	4.6	4.6	4.6
Transport	2.5	5.5	5.3	5.8	6.8	6.6	7.4	7.4	7.0	7.4	8.1	7.2
Medical	1.8	5.6	5.5	5.8	6.1	4.9	4.8	5.0	5.0	5.1	5.1	5.2
Other Services	5.5	5.3	2.5	5.3	3.8	2.7	2.7	3.0	2.3	2.6	3.8	3.7

Note: 'Other Services' include grinding charges, household services, mobile and internet charges, recreation services and personal care services.

Sources: NSO; and authors' estimates, RBI Bulletin Dec'22



Source: NSO; and authors' estimates; RBI Bulletin Dec'22

The paper even attempted to use diffusion measures as a formal examination of generalization of price pressures in CPI. Diffusion indices measure the extent to which prices of items in the CPI basket increased in a cross-sectional manner over time, adjusted for seasonal effects. 'The CPI diffusion index, a measure of dispersion of price changes, categorises items in the CPI basket according to whether their prices have risen, remained stagnant or fallen over the previous month. The higher the reading is above 50 for the diffusion index, the broader is the expansion or generalisation of price increases; the further is the reading below 50, the broader is the price decline across items. The CPI prices are controlled for seasonal movements using X13. Patra et al. (2014)' Even the diffusion indices suggest unabated broad-based price pressures across items within the CPI basket during January-June 2022. July was a blip, while price pressures continued again from August. Even for

November, the paper suggests that while CPI print has been on a lower trend, diffusion indices have indeed edged up, indicating broadening of price pressures. The paper further states that the surprising part has been the broadbase increase in price pressure across categories and at rates higher than range between 4% and 6%. The paper if of the opinion that 'the spike in inflation to 7.8% in April coincided with a large majority of core items registering price increases in excess of the seasonal adjusted annualised rate (SAAR) of 6%. In November 2022, there was a pull-back in the disproportionately large number of items that registered price increases in excess of 4% and 6%' Even the paper applies the concept of relative price variability (RPV) to identify whether inflation stems from concentrated price pressure from few commodities or is a generalized phenomenon.

In theory, the paper suggests that an increase in CPI together with an increase in RPV suggests supply shock (as the relative prices of a few items would have gone up in such a scenario). After spike in inflation, if inflation still continues to remain high accompanied by fall in relative prices which the paper identifies as generalization of inflation. The paper states that 'the initial spike in inflation was driven by supply shocks, but it got generalized thereafter as evident from the fall in RPV in recent months. In November, a rise in RPV along with a fall in inflation reflected the outsized impact of a few components'

The RBI paper even stated that based on the study of the cyclical factors it could be deduced that while inflation was initially pulled by cyclical factors, they have ebbed lower since October 2022. Moreover, the generalisation of the inflationary pressures indicates role of demand-pull factors thus implying that the monetary policy action by the RBI will help in taming second round effects.

Thus, the RBI paper summed up that CPI inflation was persistently above the RBI's upper tolerance band but was all started by supply side shocks induced by COVID-19 and followed by war in Ukraine as well as weather related uncertainties. However, some of these shocks transpired into generalized price pressures and the paper believes it needs further investigation. However, it could be very much led by the second-round effects of fuel items as was elaborately explained in the paper itself which impacted the core inflation. However, the present inflationary trend is largely demand led as well as pass through of pent-up input costs, especially in services. Without further external supply shocks or adverse climatic events, inflation is unlikely to pose major problems going ahead. Further, the paper believes that households' expectations of future inflation, which are influenced by recent movements in food and fuel prices, could also lead through cost of living considerations to higher wages and higher goods and service prices. Another RBI paper titled 'Assessing Inflation Expectations Adjusting for Households' Biases' however found out that household inflation expectation in India suffer from significant biases. Biases could stem from own assessment of basket, lack of proper about the true measure of inflation in the economy etc.

The paper states that 'the inflation expectation anchoring index shows that anchoring has improved since the adoption of the flexible inflation targeting (FIT) framework, but post-COVID, successive supply shocks that caused realised inflation to overshoot the target have increased the risk of de-anchoring expectations'.

Thus, the RBI paper summed up that CPI inflation was persistently above the RBI's upper tolerance band but was all started by supply side shocks induced by COVID-19 and followed by war in Ukraine as well as weather related uncertainties. However, some of these shocks transpired into generalized price pressures and the paper believes it needs further investigation.

START-UP CORNER

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 –

Advised India's leading Healthy foods startup, Lo! Foods get its first round of institutional capital led by Mount Judi Ventures & KP Balraj

Lo! Foods

Ashika Capital is proud to have advised Lo! Foods in this fund-raise. Lo! Foods is an FMCG company that is helping millions of Indians transition to a low-carb diet. To help consumers embrace a healthier lifestyle, Lo! Foods are providing affordable & tasty alternatives for everyday Indian vegetarian food needs.

India is the diabetes & heart attack capital of the world (Indian meal consists of 80%+ carbohydrates driven by rice, wheat & lentils). Through its proprietary formulation, Lo! Foods have developed keto-friendly, diabetic-friendly, and high-protein Indian products like atta, namkeens, etc. Also, leading diabetic reversal hospitals & chains have already partnered to procure food from the company.

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.

Technical view

A wave of selling pressure came as central banks all over the world started raising rates. Europe raised interest rates a day after the US Federal Reserve hiked its key rate again, emphasizing that interest rates will need to go higher than previously expected in order to tame inflation. Following the 50 bp rate hike and hawkish message from the Fed & the ECB, BoE too hiked rates by 50 bps each and delivered, perhaps, a more hawkish message than the Fed. Disappointing US retail sales for November suggested inflation is taking a toll on consumers and raising fears that the Fed's rate hikes are tipping the economy into a recession. While the Indian retail inflation cooled off to 5.88% in November, the IIP data for October month showed a sharp contraction of 4%. Albeit there's a new variant and spread of infections led to profit booking due to nervousness all around. After a vertical rise in the past month in Nifty, domestic Indices took a breather & witnessed consolidation throughout the month with Sector Rotation visible with strong broad-based buying witnessed in Metal, FMCG, Oil & gas as well as Banking and Financial Index which hit a fresh all-time high on the back of Declining Crude Prices. For the month Nifty and Sensex closed with loss of 1.56% and 1.8% at 18191 and 61133 levels respectively while, Mid cap and Small Cap indices has closed with loss of 0.60% and 1.2% at 25220 and 28645 respectively. Nifty

FPI selling has been absorbed by DII and retail buying is a reflection of the rising clout and maturity of domestic investors.

PSU Bank, Nifty Metal and Nifty FMCG were the best performing sectors in the month gone by closing 5.1%, 3.8% and 0.6% higher respectively. On the liquidity front, both FIIs were net sellers to the tune of Rs. 11280 while DIIs were net buyers to the tune of Rs 21892. Hence going forward, it seems that the global cues will be the big driver and stock specific actions are likely to continue.

The constituents of Nifty index almost 70% stocks are trading above their 200-DMA level, i.e. 35 stocks are trading above 200 DMA level while 15 stocks are trading below 200 DMA level

After witnessing fierce selling pressure in the month of December, stock trading volumes also dropped last month as the secondary market remained under pressure. The average daily trading volume (ADTV) for the cash segment dropped to rose to Rs.61,562 crore (National Stock Exchange, or NSE, and BSE combined) in November— a gain of 21% month-on-month (MoM), while it stood at Rs. 58008 crore in December (till 27th Dec) a drop of 5.7%. The ADTV for the futures and options segment (both NSE and BSE combined) stood at ~220.35 trillion — a gain of 52 per cent MoM in the month of November while it stood at Rs. Rs.189.21 trillion in December (till 27th Dec). Hopes that the US Federal Reserve might go for smaller hikes, falling oil prices, and China's Covid woes that a section of the market thinks will lead to greater foreign portfolio investment (FPI) flows into India, fueled the November rally. Falling volumes are a sign of investor pessimism in the market.

Domestic institutional investors (DIIs), including mutual funds (MFs), have poured over Rs. 2.62 trillion into equities since January 2022, with Rs.1.58 trillion between April and December. Retail buying has also been robust in direct equity, as well as via equity MFs and unit-linked insurance plans of insurance companies. Foreign portfolio investor (FPI) attitude has been much more variable. This year, FPIs have been net-sellers of Rs. 1.22 trillion. In 2021, they bought a net of Rs.25,750 crore of domestic stocks. Between April and December thus far, they have sold Rs.11,900 crore; in 2021-22, they sold Rs. 1.4 trillion. However, in the past two months, FPIs have bought stocks worth over Rs.46,000 crore. The attitudes of the three major trading groups - DIIs, FPIs, and retail — have aligned. Going forward, FPI flows are expected to be volatile amid equity markets worldwide witnessing increase in volatility as global central banks reiterate their intent to keep policy rates high for an extended period to curb elevated inflation in their respective economies. The fact that FPI selling has been absorbed by DII and retail buying is a reflection of the rising clout and maturity of domestic investors

The optimism and bullish momentum of the frontline indices — the S&P BSE Sensex and the Nifty50 — is slowly diminishing to the broader markets as well with 276 stocks out of 500 that comprise the Nifty 500 index, or nearly half of the Index constituents are now trading above their respective 200- day moving average (DMA). For long-term investors, DMA provides a broad outlook of the trend. Investors and traders prefer stocks holding above their respective 200-DMA, as they tend to perform better in a trending market. Currently, among the constituents of Nifty index almost 70% stocks are trading above their 200-DMA level, i.e. 35 stocks are trading above 200 DMA level while 15 stocks are trading below 200 DMA level. Bank was up by 0.4% during the month. Currently, among the constituents of Bank Nifty 83% stocks were trading above its long-term moving average, i.e. 200-DMA.

On the larger time frame i.e. in monthly chart the Index has given a breakout of the pole and flag pattern and with every decline being bought into the market indicates that the overall momentum in the market continues to remain positive and after fierce selling pressure the Index seems to have been taking support at it support zone of 17900-18000 which should provide a good buying opportunity for long term investors. Though the Index need to scale above the 18380 zone to be judged as a renewed buying activity rather than a short covering rally to take the Index towards 18880 and 19250 zones.

The Index after correcting by almost 1100 points from its high of 18887 is at a bargain buying level as multiple trendline from various time frame suggest the support zone for the Index is in the range of 17950-18000. The said psychological level of 18000 acted as a breakout level in the month of November and now presently the level is being retested which offers a favourable risk reward scenario. If the bulls can hold above the said range, a rally hereon seems eminent and might pave the way for the next leg of up move.

The Index has slipped below its 100-day EMA level for the first time since October 2022. The short-term moving averages, i.e., 20 and 50-day EMA are in a falling mode. While the rising slope of 100 and 200-day EMA has been slowed down significantly, which is bearish sign. The acceleration of downward momentum on the breach of 50 days EMA signifies prolongation of corrective bias which may lead towards key support of 17500. In the process, volatility also remained high owing to monthly expiry. However, to pause the ongoing corrective move, the index needs to form a higher high-low on the daily chart. Meanwhile, on the upside 18350-18380 would act as key resistance as it coincides with 20 days EMA placed at 18350. The next major crucial support band is visible near the significant 200DMA level of 17450 zone.

The benchmark Index Nifty has witnessed a fierce sell-off during the month, it tumbled by nearly 1100 points or over 5 per cent. This was the steepest fall since June 2022 in percentage terms. The index has formed sizeable bearish candle on weekly scale carrying lower high and low as compared to prior week. Along with this fall, Nifty has given breakdown of upward sloping trendline support formed by connecting swing lows since June 2022. Hence until and unless the Index scales above 18350 to dislocate the lower low formation, negative outlook in the Index is likely to remain.

The momentum indicators are also supporting the overall bearish momentum. The leading indicator, RSI recorded a low of 32.38 level this month, which is lowest level since June 2022. The daily MACD stays bearish as it is trading below its zero line and signal line. The MACD histogram suggests a pickup in downside momentum. The -DI is much above +DI and ADX. During the month Nifty RSI recorded a low of 32.38 & RSI average at 46.4. Gap between RSI & average was around 14 points due to sharp move. Extension of correction from 18887 to 18345 is now completed at 17819. Sharp correction can be termed as free fall or massive sell-off as gap between RSI & its average increased beyond normal level. Now this free fall could continue for 1 or 2 days more and can expect sharp reversal from oversold zone. However, as the Index has already corrected 6% over the past three weeks, which hauled the daily and weekly stochastic oscillator to the oversold territory (daily, weekly stochastic is placed at 18, 13, respectively), indicating possibility of extension of the pullback

Important observation amidst the sell-off being that since June 2022 lows, price wise index has not corrected for more than 8% and time wise decline has not extended for more than three consecutive weeks. In the current scenario, one can expect the index to maintain the same rhythm as it has already corrected 6% over past three weeks. Thus, it seems that elevated volatility owing to monthly expiry would present buying opportunity in the coming sessions. However only the formation of a higher high-low on the daily chart would confirm pause in the ongoing corrective move. Meanwhile, on the upside 18300-18350 would act as key resistance as it is 50% retracement of past three weeks' decline (18887-17816) coincided with 20 days EMA placed at 18350.

Present chart formation indicates that the ongoing correction in all likely to find ground around the key support zone of 17500 as it is confluence of 61.8% retracement of October-December rally 16748-18887 followed by 200 days EMA 17422 and the Price parity of September 2022 decline (18096 –16747) projected from all time high of 18887 is placed at 17480.

Elliot Wave Count

As per Elliot Wave theory, on weekly time frame the rally since Mar'20 if considered as start of new Impulse wave then inner wave of wave V is presently unfolding. The June low of 15183 can be identified as end of complex corrective wave structure wave IV with the internals of w-x-y-x-z which is a complex corrective (double combination formation). Now the major "wave V" is in progress towards new highs with subdivisions. Now Wave V might be unfolding, after breaching the cluster support of 17490, index started to show negative momentum, wave 4 of v seems to have ended as it has already retraced 50% of the internal "wave 3 of v" which started from 15511 to 18096. Now the present rally i.e., since registering the low of 16747 can be earmarked as start of "wave 5 of v" and going by the present setup it seems that last leg of the rally might end upward with an extended fifth wave. Projected 150% retracement of the 'wave 4 of v" comes around 18750 which recently has been scaled validates of authentic wave count is in process. After completion of five wave advance index has breached the wave (2) and wave (4) trend line which is a is a bearish development. However though First degree of breakdown is visible but the primary trendline adjoining the low of 15183 and 16747 projects an elevated support base at 18080, hence a breach

On the upside 18350-18380 would act as key resistance as it coincides with 20 days EMA placed at 18350. The next major crucial support band is visible near the significant 200DMA level of 17450 zone

below the said support level provides a clear confirmation that new life high in Index would be a distant dream and corrective wave structure A-B-C would be in process.

On the derivative data front, Bullish derivative bets into the New Year on expiry of the December contracts in anticipation of strength in the equity markets in January. Nearly 79% Nifty futures contracts rolled over to January F&O series, this is slightly higher compared with the three month average of 78.6% but lower than 90% of the carried forward positions in the previous series. The cost of carry forward futures positions stood around 61 bps compared with 90 bps in the previous series but about 45 bps in the previous three months. High rollover at a hefty premium is seen as a sign of bullishness. However, it begins the series with 1.05 crore shares in Open Interest, which is the lowest since September. Option data is scattered at various far strikes in monthly series. On Option front, Maximum Call OI is at 19000 then 19500 strike while Maximum Put OI is at 18000 then 17500 strike. Call writing is seen at 18500 then 18700 strike while Put writing is seen at 18000 then 17800 strike. Option data suggests a broader trading range in between 17700 to 18600 zones while an immediate trading range in between 17950 to 18400 zones.

Going ahead, in the current scenario the follow through strength on the last trading day of the week has opened the door for extension of ongoing pullback towards 18300 as it happens to be the 50% retracement of past three weeks' decline (18887-17816) also coinciding with 20 days EMA placed at 18314. Strong support for Nifty is placed at 17500 where extended correction would find its feet as it is confluence of 61.8% retracement of October-December rally 16748-18887 followed by 200 days EMA and the Price parity of September 2022 decline (18096 – 16747) projected from all time high of 18887.

Bank Nifty: Technically, on weekly scale, index has formed sizeable bearish candle and it has closed below its prior week's low for the first time after September 2022. Along with this sharp fall, the index has slipped below its 20 and 50-day EMA level. These averages have started edging lower. While the rising slope of 100 and 200-day EMA has slowed down significantly which is a bearish sign. The leading indicator, the daily RSI has slipped below 40 mark. While, weekly RSI has given bearish crossover. Going forward, the index has support in the zone of 41300-41200 level. Any sustainable move below the level of 41200 will lead to further correction in the index upto the level of 40700, followed by 40000 mark. While, the 50-day EMA will act as the trend deciding level for the Index. The 50-day EMA is currently placed near 42200 level.

Nearly 79% Nifty futures contracts rolled over to January F&O series, this is slightly higher compared with the three month average of 78.6% but lower than 90% of the carried forward positions in the previous series

India VIX

India VIX has been moving at substantially lower levels in the last few months, factoring India being in a better position compared to other countries in terms of inflation and interest rates. On an average, VIX is at 19.8, having stayed well below the 20 mark during 7 out of the 11 months so far, suggesting that the fear in the market is at a comfortable level. While multiple factors influence the movement of VIX but its worth mentioning that corporate earnings and budget expectations are the two factors that are likely to influence the volatility in the next two months. In this context one can expect India VIX to start increasing from December end onward. Chart structure too indicates a reversal in the down trend as the Index has witnessed a breakout from a falling wedge pattern on the daily chart. The daily RSI has also witnessed a breakout from the oversold zone. Going ahead, a breakout above 14.4 can lead the Index to gradually inch higher towards f 17.50, followed by 20 in the short term. while the support zone has shifted higher in the zone of 13-12.50 level.

NSE Midcap

Nifty Midcap index has witnessed a correction in tandem with the pullback seen in major Indices with the Index witnessing a close below its short-term moving average on the daily chart. The Index has seen a continuation of the correction with selling pressure seen at the upper end of the rising channel. The daily RSI is trading below 9-day's average, which is bearish sign. However, the longer-term picture continues to remain positive as the Index has provided a breakout of the falling channel and an elevated base has been formed above its 52 week's EMA suggesting inherent strength. RSI oscillators in the weekly and monthly scale are positively placed, which is likely to take the Index to higher levels. Overall chart structure indicates that a start of a new move in Midcap space is awaited. Going ahead, on the downside, the zone of 29900-29800 will act as immediate support for the stock. Any sustainable move below the level of 29800 will lead to further downside momentum in the index upto the level of 29200, followed by 28800 in short-term. While, on the upside, any sustainable move above the level of 32600 will lead to a further upside rally in the index up to the level of 33200.

Nifty Small Cap

The Index has witnessed a slower pace of retracement since June'22 onward and by far it has been able to scale 50% of the entire fall since Jannuary'22 high of 12047 highlighting inherent strength. Like its Midcap counterpart, the Small-cap Index too had been forming a higher base above the 52 week's EMA and surfacing its way for the next leg of up move. However after fierce sell-off in recent period has led the Index to provide a breakdown of rising channel though considering from the medium term perspective, sustain move above 52 week's EMA would lead the Index to trade higher towards 11150 as it happens to be the 78.2% retracement of the January-June decline. Going ahead, on the downside, immediate support is seen around the level of 9030, followed by 8750 in the short term. While, on the upside, any sustainable move above the level of 10200 will lead to a further upside rally in index upto the level of 11000.

Sectors to Watch

Nifty Oil & Gas Index

The Index had been on a tight consolidative range and with the Index trading close to its higher range it seems imperative that the Index was on the verge of providing a breakout before witnessing sharp correction. A breakout above the recent high of 8665 can result in a fresh breakout for the Index and with revision of windfall tax gains is likely to act as a positive trigger for the sector. The Index also trades above its medium-term moving average of 50 & 100, which is a bullish sign. Going ahead, the zone 8650-8700 will be the immediate resistance zone for the Index. Any sustainable move above the said resistance point will lead the Index to an extension of rally upto 9000. While, on the downside, the zone of 7900-8000 will be the immediate support for the Index.

Nifty Metal Index

Nifty Metal Index too witnessed a sideways consolidation with trading range shrinking gradually. However, the trend continues to remain positive with the Index currently trading above its short-term averages denoting positive outlook. Correction in Dollar Index is acting as a positive trigger for the sector.   Going ahead, the zone of 6800-6840 will be the immediate hurdle for the Index. Any sustainable move above the level of 6840 will lead to a further upside rally in index upto the level of 6950-7000. On the downside, the index has strong support in the zone of 6100-6050 level. Any sustainable move below the level of 6050 will lead to further correction in the index upto its 200-day EMA level at 5905.

Other Indices

Dow Jones

The US benchmark extended breather for the past few weeks in a row amid fears of a recession next year among investors. The short-term momentum in the Index appears to be easing as it approaches a tough hurdle, including the August high of 34280 and roughly coinciding with the upper edge of a bearish channel from early 2022. This raises the prospect of a minor retreat. However, 50-DMA closed above its longer-term 200-DMA, flashing a technical "golden cross" for the first time since August 2020 amid the ongoing recovery from the COVID-19 pandemic which is likely to summon uptrend and witness renewed buying interest. However, in the short-term perspective breakdown of Double Top pattern complemented by lower low formation signifies pause in upward momentum after 9 weeks rally. Going ahead, one can expect the Index to undergo healthy consolidation amidst the broader range of 32200-34300. On the downside, 32200 will act as key support as it happens to be the 38.2% retracement of Oct-Dec rally 28660- 34700. While, on the upside, the zone of 33400-33500 will be the immediate hurdle for the index. Any sustainable move above the level of 33500 will lead to resuming its upside journey.

Gold Spot

The global economy is at an inflection point after being hit by various shocks over the past year. The biggest was induced by central banks as they stepped up their aggressive fight against inflation. The interplay between inflation and central-bank intervention will be key in determining the outlook for 2023 and gold's performance. In the recent period the commodity reacted to the US CPI and FOMC rate hike outcome. On the technical front the commodity has been gradually rising for the past two months in a row. Recently the commodity is flirting around the 52-week EMA placed at $1780, sustaining above or below which is likely to determine the direction of the trend. Important support is placed around $1730 while on the upside

DJIA flashing a technical "golden cross" for the first time since August 2020 amid the ongoing recovery from the COVID-19 pandemic which is likely to summon uptrend and witness renewed buying interest

resistance is seen from the 50% retracement of entire CY22 decline (2070-1630) at $1850.

Brent Crude

Energy counter may witness higher volatility as the market found support after IEA's projections of Chinese oil demand recovering next year after a 2022 contraction. OPEC also forecasted its global oil demand growth of 2.55 million bpd this year and 2.25 million bpd in 2023 after several downgrades, saying that while economic slowdown was "quite evident" but there is potential upside such as in the from a relaxation of China's zero-COVID policy. However negative bias remains amid the strong dollar and US Fed & ECB hiked interest rates signaling borrowing costs are far from peaking raising the risk of a global economic slowdown. On the technical front crude oil prices bounce from its oversold trajectory taking support from its lower band of the declining channel and key support area of $75. Going forward a decisive close below the crucial support level of $75 would accelerate the decline towards $65-67 range, while on the upside pullback hereon is likely to face stiff resistance around the Dec'22 swing high of $87-88

LME Copper

Upside in the commodity remained capped as fears of surging COVID 19 infections in top consumer China and interest rate hikes by major central banks FED struck a hawkish tone, indicating rates would remain higher until next year fueled fears of an economic slowdown. On the technical front the commodity since June 2022 has been reversing and is on the path to pair losses however consecutive bearish candle at high indicating of profit booking at higher levels. Hence going forward, it can be expected the prices to enter into a consolidation phase amidst the broader range of 7950-8550. The level of 7950 would be crucial as it happens to be the 50% retracement of the current up move (7330-8550).

USDINR

The USDINR depreciated during the week, tracking strong dollar and weak global market sentiments. Further, FII outflows too weighed on the rupee. The US dollar rallied after a slew of central banks raised interest rates and warned there were more hikes to come next year. Market sentiments were hurt as investors worried about the risk of recession amid a fresh batch of disappointing economic data from the US. Hence upward trajectory of Dollar overseas against major currencies and brent crude prices will be key monitorable. On the technical front the previous swing high of $83.27-83.50 is likely to act as immediate resistance for the currency, which is also the long term trendline, breach of which can lead the currency to depreciate further towards the $85 mark while a decisive breach of $81 mark which happens to be the 20-week EMA and the rising trendline support since the start of CY22 would lead to further strength in rupee.

OPEC forecasted its global oil demand growth of 2.55 million bpd this year and 2.25 million bpd in 2023 after several downgrades, saying that economic slowdown was "quite evident"

World economic calendar
January 2023

Monday	Tuesday	Wednesday	Thursday	Friday
2	3	4	5	6
IN: S&P Global India PMI Mfg EC: S&P Global Eurozone Manuf. PMI	CH: Caixin China PMI Mfg UK: S&P Global/CIPS UK Manufacturing PMI US: S&P Global US Manufacturing PMI US: Construction Spending MoM	**IN: S&P Global India PMI Services** US: ISM Manufacturing JN: Jibun Bank Japan PMI Mfg US: MBA Mortgage Applications UK: Mortgage Approvals	US: Initial Jobless Claims US: ADP Employment Change US: Trade Balance CH: Trade Balance CH: Caixin China PMI Services	US: Change in Nonfarm Payrolls US: Durable Goods Orders US: Unemployment Rate US: Factory Orders EC: CPI MoM
9	10	11	12	13
CH: CPI YoY CH: PPI YoY EC: Unemployment Rate EC: Sentix Investor Confidence	JN: Tokyo CPI Ex-Fresh Food YoY CH: Industrial Production YoY CH: Retail Sales YoY US: Wholesale Inventories MoM US: NFIB Small Business Optimism	US: MBA Mortgage Applications JN: Leading Index CI JN: Coincident Index	**IN: Industrial Production YoY** **IN: CPI YoY** US: Initial Jobless Claims US: CPI MoM JN: BoP Current Account Balance	**IN: Exports YoY** CH: GDP YoY US: U. of Mich. Sentiment UK: Industrial Production MoM US: Import Price Index MoM
16	17	18	19	20
IN: Wholesale Prices YoY JN: PPI YoY JN: Machine Tool Orders YoY	UK: Jobless Claims Change JN: Tertiary Industry Index MoM UK: ILO Unemployment Rate 3Mths US: Empire Manufacturing EC: ZEW Survey Expectations	JN: Industrial Production MoM UK: CPI YoY US: Retail Sales Advance MoM JN: Core Machine Orders MoM US: Industrial Production MoM	US: Initial Jobless Claims US: Housing Starts US: Philadelphia Fed Business Outlook US: Net Long-term TIC Flows JN: Trade Balance	JN: Natl CPI YoY US: Existing Home Sales UK: Retail Sales Inc Auto Fuel MoM EC: Consumer Confidence UK: GfK Consumer Confidence
23	24	25	26	27
US: Leading Index UK: Rightmove House Prices MoM	JN: Jibun Bank Japan PMI Mfg EC: S&P Global Eurozone Manuf. PMI UK: S&P Global/CIPS UK Manufacturing PMI US: S&P Global US Manufacturing PMI UK: PSNB ex Banking Groups	US: MBA Mortgage Applications JN: Leading Index CI JN: Coincident Index	US: Initial Jobless Claims US: GDP Annualized QoQ US: Durable Goods Orders US: New Home Sales US: Wholesale Inventories MoM	US: U. of Mich. Sentiment JN: Tokyo CPI Ex-Fresh Food YoY US: Personal Income US: Pending Home Sales MoM EC: Consumer Confidence
30	31			
UK: Nationwide House PX MoM US: Dallas Fed Manf. Activity	**IN: Eight Infrastructure Industries** **IN: GDP Annual Estimate YoY** JN: Industrial Production MoM JN: Jobless Rate EC: GDP SA QoQ			

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

Services at Ashika Stock Broking Limited

Products	Products	Contact
• **Dhanush (Mobile App & Web base)** • Online Equity, Derivative, Currency and Commodity Trading Facility • **DhanushMF (Mobile App & Web base)** • A One Stop Solution to all your Mutual Funds needs online. • **Back Office Reports on WhatsApp. Ashika BOT on Whatsapp / Telegram.** • **Ask ACIRA –** • Online Customer service for clients on our website. • **Margin Trading Facility (MTF)** • With this MTF facility client can trade inspite of debits beyond T+7.	• **EKYC** • It now takes just 30 mins to open an Account. • **ReKYC** • Hassle-free & paperless modification without stepping out. • **Research Services** • A galaxy of potential research team to provide the best equity research reports, ideas, solving queries and many more. • **Online Fund Transfer Facility** • **Securities Lending and Borrowing (SLB)** • Provide securities lending and borrowing at a market competitive rate • **Depository Services (CDSL/NSDL)** • Provide one roof solution wherein seamless trading could be ensured through DP maintained with Ashika	**For Business Opportunity please contact** Mr. Amit Jain (Executive Director) Mobile: +91 90070 66000 E-mail: amitjain@ashikagroup.com Mr. Niraj Sarawgi (CEO - PCG) Mobile: +91 91676 16989 Email: nirajs@ashikagroup.com **For Services please contact** Mr. Nand Kishore Jajoo (Head - DP & KYC) Mobile: +91 90070 66028 Email: nkjajoo@ashikagroup.com

For institution business please contact

Mr. Dilip Minny (Co-founder- Institution); Mobile: +91 90070 66096; Email: dilipminny@ashikagroup.com

Services at Ashika Capital Limited

Capital Markets	Fund Raising	Advisory	Contact
• **Issue Management** • IPO / FPO • Right Issue • Qualified Institutional Placement • **Open Offer** • Takeover • Buyback • Delisting • **Overseaslisting** • **Underwriting**	• **Private Equity** • Venture / Growth Capital • Pipe • **Debt Syndication** • Project Finance • Team Loan • Working Capital Loan • Acquisition Funding • Construction Finance	• **M&A** • Merger / Acquisition / Disposal • Management buy-outs / buy-ins • Leveraged buy-outs • Joint Ventures • Strategic Partnership • Spin-Offs • Divestment • **Corporate restructuring** • Capital Restructuring • Finance Restructuring • **Business Valuation** • ESOP Valuation • Fairness Opinion	**For Debt Fund Raising / Mergers & Acquisition / Business Opportunity please contact** Mr. Yogesh Shetye Contact: + 91 22 6611 1770 E-mail: yogeshs@ashika-group.com

For start-up investing please contact

Mr. Chirag Jain (CEO); Contact: +91 22 66111700; E-mail: chiragjain@ashikagroup.com

Ashika Global Securities Pvt. Ltd.

Ashika Global Securities Pvt. Ltd is the holding company of Ashika Group, a RBI-registered non-deposit taking NBFC engaged in providing long term and short-term loans & advances to individual & body corporate and Investment in shares and securities. It has 6 subsidiaries and 1 associate company i.e. Ashika Credit Capital Ltd.

Ashika Credit Capital Ltd.

It is the Flagship company of the group and incorporated in the year 1994. RBI registered Non-banking Financial Company carrying on NBFI Activities i.e. investment in shares & securities and providing Loan to Individuals, corporates HNI etc. The company floated its shares to public in 2000 and got listed with CSE. Thereafter, in 2011, the shares were traded on BSE under permitted category and in 2014 got listed with MSEI. It has a registered FII as one of its investors.

Ashika Investment Managers Pvt. Ltd.

Ashika Investment Managers Private Limited, a private limited company incorporated on July 13, 2017, is a wholly owned subsidiary of Ashika Global Securities Private Limited. It is acting as the Investment Manager to Ashika Alternative Investments, a Trust being registered as a Category III Alternative Investment Fund **(Registration Number: IN/AIF3/20-21/0811)** with the Securities and Exchange Board of India ("SEBI") under the SEBI (Alternative Investments Funds) Regulations, 2012 ("AIF Regulations").

AWARDS

NSDL Stock Performer Awards of the Year 2019

CDSL Excellent Performer in Depository Services

BTVI Emerging Company of the Year 2019

BTVI Young Business Leader of the Year 2019

NSDL STAR PERFORMANCE AWARD 2018

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

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

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

Ashika Stock Broking Ltd.

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Gyanada Foundation

Gyanada e-learning initiative launching soon!

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

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

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

Updates on the Gyanada Labs In-School program

Our updates for the month December 2022:

• We are excited that our students from grade 8 to 10 at MD Bhatia School have started working on projects on Mobile application development and Python.

• Run for us at the Tata Mumbai Marathon 2023! Support the students to receive the much required skills to march into the future. For registration connect to Rinsa - 8451856662

Help us change computer education for children in low income schools. Support us set up 10 Gyanada labs in to low-income 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 15000.

The cost of 5 Raspberry pi enabled system is INR 750000

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

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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
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