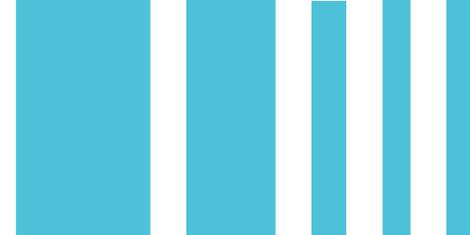




Leveraged Growth

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**MONTHLY  
SNAPSHOT  
FEBRUARY 2020**



### India Not a Developing Country Anymore

The United States Trade Representative considers countries with at least 0.5% share of the global trade, to be developed countries, hence it eliminated India and many other countries from the list of countries that were previously eliminated from the countervailing duty investigations.



The visit had raised hopes about a US India trade deal and the Prime Minister has assured of positive talks with his U.S counterpart and expects a new trade deal to be finalised soon. In addition, President Trump has announced the expansion of the defence cooperation between the two countries where India will purchase \$3 billion of advanced military equipment which shall strengthen the joint defence capabilities of the two countries.

SBI cards has raised Rs.27.7 billion from 74 anchor investor, ahead of its IPO starting March 2<sup>nd</sup>. SBI cards expects to raise more than \$1 billion from the IPO.



### Pockets Empty

Anil Ambani, the chairman of the Reliance Industries claimed his net worth to be nearly zero & no family support when he was asked to payback \$100mn within 6 weeks against the debt refinancing loan of \$925mn taken by him in February 2012.

### Mergers & Acquisitions

- Reliance Industries will merge its media and distribution. TV18 Broadcast, Hathway Cable and Datacom and Den Networks will merge into Network18 Media and Investments which will be net debt free. Upon announcement, shares of these companies rose up to 20% on February 18th.
- The Competition Commission of India has approved Mahindra & Mahindra's acquisition of 51% in Ardour Automotive Pvt Ltd, creating a joint venture with Ford Motor Co.



Chanda Kochhar  
ICICI Bank



Usha Ananthasubramanian  
Punjab National Bank



Archana Bhargava  
United Bank



Arun Kaul  
UCO Bank

### CBI vs CEO

The CBI & Enforcing Directorate have been investigating cases against 6 bank CEOs & MDs, without any arrests so far. In order to strengthen governance in public sector banks, the position of chairman & MD has been split into non-executive chairman, an MD and CEO along with the creation of a Banks Board Bureau for arm's length selection of non-executive chairmen and whole time directors.

# KTAs FROM BUDGET 2020

## Adopting a “GRADUALIST” approach towards reforms

- The finance minister announced the merger of 10 PSBs into 4 and infused a capital of Rs.3.5lakh crores
- The top 100 institutions as per the National Institutional Ranking Framework will come up with a degree level full-fledged online education program and fresh engineers will be provided with a full one-year internship by Urban Local Bodies to meet the skill gap
- The government allocated Rs.44 billion to promote clean air in cities with a population of over 1mn people
- Initiatives for MSMs
  - Turnover threshold for audit increased to 5cr
  - NIRVIK scheme (or ECIS) to guarantee 90% of insurance cover
  - Launch of an app for invoice financing loans
  - National Logistics Policies will be released soon with a single window clearance

The Union Budget 2020-21 was a prudent one wherein the Government tried to balance growth and fiscal prudence. The Government is clearly looking to stimulate the economy through increased spending and tax cuts. The new optional tax regime introduced by the Government will be beneficial for a section of people who do not take benefit of deductions. As expected the Government let fiscal deficit slip by 50bps for FY20 and FY21 to support growth. Key highlight of the Budget was the Government's focus on boosting domestic manufacturing as they increased import duties on a wide range of goods which will help domestic manufacturing companies.

	Allocation (in million)		Difference (in%)
	Average*	2020-21	
<b>Top gainers</b>			
Ministry of agriculture	491,882	1,427,623	190
Ministry of communication	314,317	819,571	161
Ministry of Parliamentary affairs	203	505	148
Ministry of new and renewable energy	27,219	57,530	111
Ministry of fisheries, animal husbandry and dairying	22,955	41,141	79
<b>Top Losers</b>			
Ministry of steel	1,518	1,000	-34
Ministry of textiles	52,678	35,148	-33
Ministry of law and justice	39,986	27,786	-31
Ministry of civil aviation	50,272	37,977	-24
Ministry of planning	8,494	6,500	-23

Note: Figures refer to average allocations in the year 2014-2020

Source: Economic Times

# UPSTARTS

## News on the New Economy

### Banks make a beeline for start-ups

Finance secretary Rajiv Kumar launched a startup banking initiative by Bank of Baroda. Baroda Startup Banking is looking to make Bank of Baroda a preferred banking partner for the startup community. It aims to establish connects with at least 2,000 startups over the next two years, the bank said in a statement. He also said banks across the country will be encouraged to partner with startups and handhold them in “rewarding innovation”.

HDFC Bank aims to be a dominant and go-to bank for startups, a key official said on Tuesday. Close to 9,000 startups are currently banking with HDFC Bank, which now has dedicated “SmartUp” zones in 70 branches in 30 cities across India. HDFC Bank on Tuesday disbursed SmartUp grants totalling Rs five crore to 20 startups in Bengaluru working in the social sector.

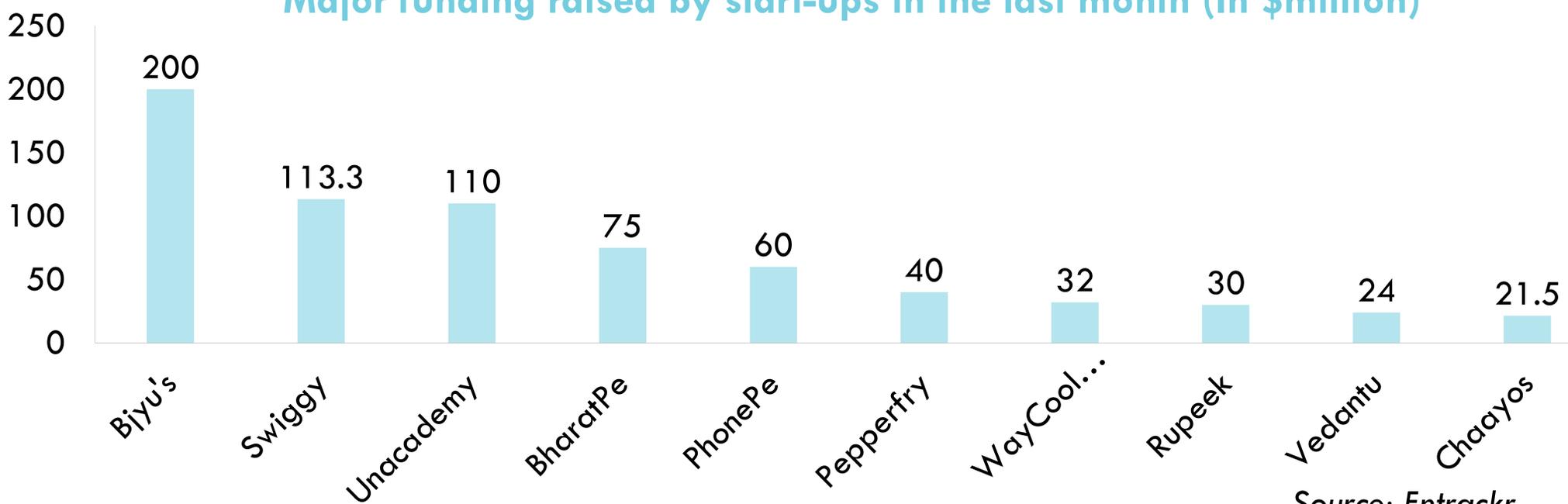
### Budget Bonanza for startups

For startups with a turnover of up to Rs.1 billion, a 100% tax deduction was announced for 3 consecutive years. Along with this, the Union Budget proposed to defer tax deducted at source (TDS) on shares allotted by the startups to their employees under the Employee Stock Option Plans (ESOPs) which will provide the employees exercising these ESOPs the flexibility to pay taxes at a later date

### Ramping & Growing

- With 25,000 drivers and a market estimated to be worth nearly \$3 billion, Ola hit the streets of London on 10th February and aims to get licensed across 350 jurisdictions and become the market leader by the end of 2021. This move comes soon after Transport for London withdrew Uber’s license.
- Flipkart, announced ramping up its private brand furniture selection, Perfect homes, with an aim to target a new segment of customers who wish to own the latest décor but may have budgetary constraints.

### Major funding raised by start-ups in the last month (In \$million)

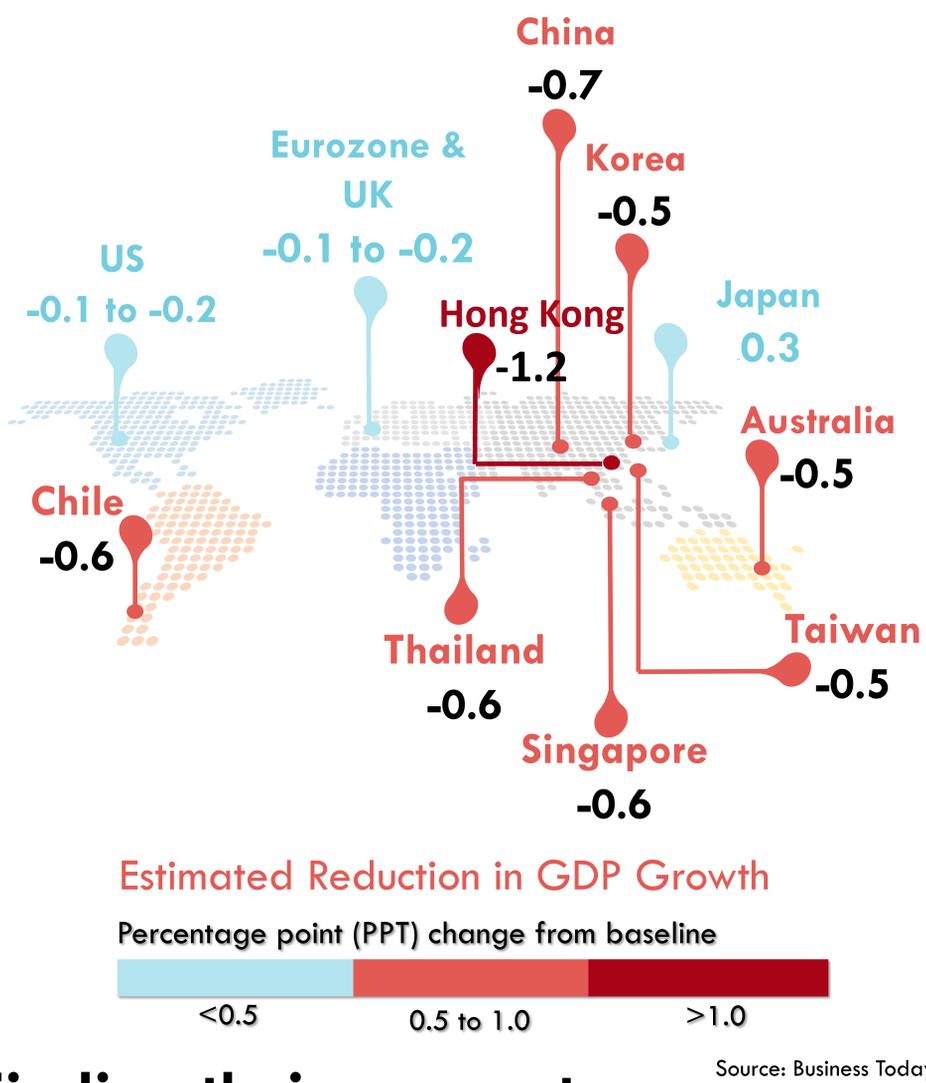


Source: Entrackr

India has the 2<sup>nd</sup> largest start-up ecosystem witnessing YoY growth of around 12%. February was no different as more than 50 companies raised more than \$800mn in capital. The start-up scene in the country is dominated by Edutech, Healthtech and Fintech companies which was evident again as Byju’s, Unacademy and BharatPe, among others, emerged as the frontrunners.

# CORONAVIRUS GLOBAL IMPACT

## Bringing the Factories of the World to a Standstill



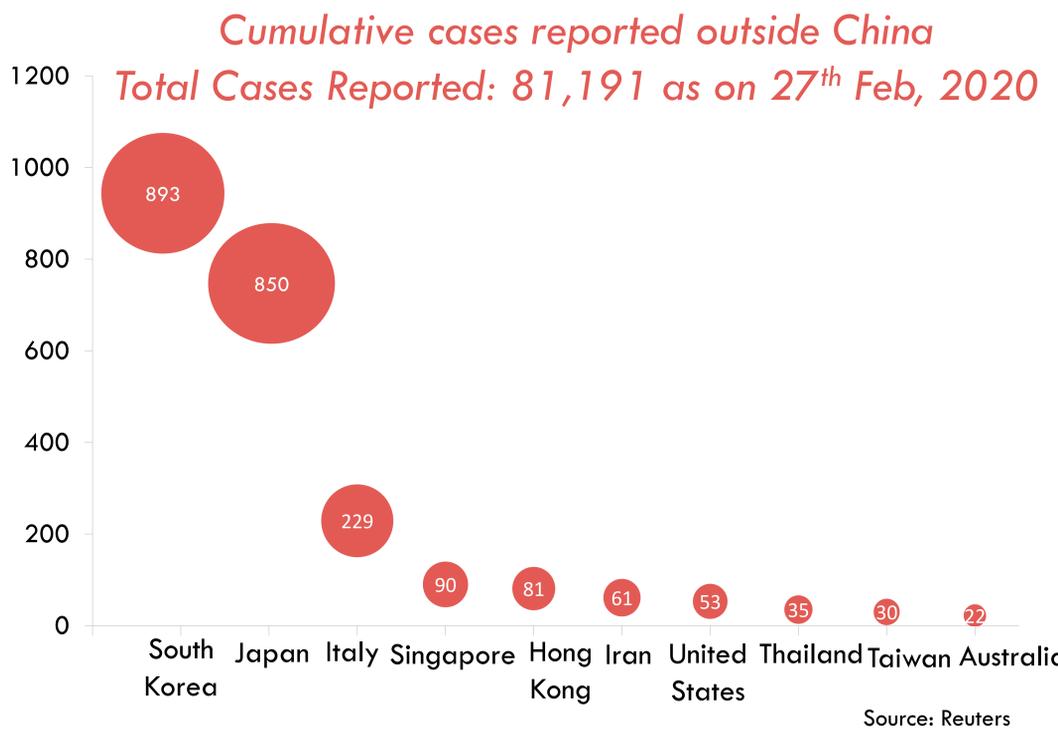
Harvard epidemiologist Marc Lipsitch has estimated the virus could infect 40-70% of the global population

According to a CII analysis, China supplies 43% of India's imports of the top 20 goods, including mobile handsets (\$7.2bn import from China), computers (\$3bn), integrated circuits and other inputs (\$7.5 bn), fertilizers (\$1.5bn), API (\$1.4bn) and antibiotics (\$1.1 bn).

Coronavirus Outbreak will Impact India Inc.'s Q1 Results: Centrum Broking's Nischal Maheshwari

### Finding their way out

- ¥1.7tn has been infused into the banking system by the People's Bank of China
- Loans worth ¥300bn provided to medical equipment producers at cheaper rate, reduced from 3.2% to 1.6%
- Credit support has been provided to firms in the form of loans worth ¥349bn
- Bonds worth ¥5bn to support medical supplies & emergency loans worth ¥10.07bn have been issued by the Agricultural Development Bank



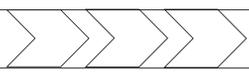
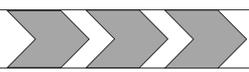
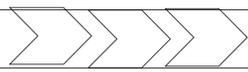
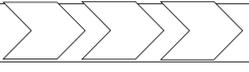
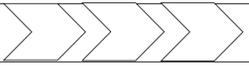
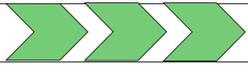
Cement      Power      Oil & Gas      Gems & Jewelry      Iron & Steel Industry      Metal Industry

**POSITIVE IMPACT**

**NEGATIVE IMPACT**

# GLOBAL ECONOMIC OUTLOOK 2020

Baseline Expectations from the Biggest Asset Managers of the World

Company	Underweight	Neutral	Overweight
 Goldman Sachs			
	Economic and earnings growth are expected to be moderate and hence decent risky asset returns. But along with this numerous risks and challenging valuations limit the upside		
 Citi Bank			
	There are low expectations for risks to decrease but no chance of a global recession in 2020. Global growth is expected to settle in around 2.7% YoY in 2020 & 2021, as per Citi's economists as soon as global manufacturing activities are revived		
 Morgan Stanley			
	An uneven global recovery with uneven valuations is expected in 2020. However, expansionary monetary policies & trade stabilization will help boost global growth, but will only stabilize GDP growth in the US at 1.8%		
 Deutsche Bank			
	Years with sharp gains as seen in 2019 aren't expected to fall, but rise in a modest manner, hence 2020 should be approached positively		
 BlackRock Investment			
	They expect growth higher growth in 2020 with limited recession risks. The best case is to go about things mildly, supported by easy financial conditions and a slight rise in US inflation pressures		
 JP Morgan & Chase Co			
	Positive drivers will continue at least for the first half of 2020, with some negatives that will dominate the second half. Returns are expected to be worse than 2019, which was still able to deliver above average gains in all sectors except commodities & EM FX		
 HSBC			
	The base scenario for 2020 is favourable with slow & steady growth, expansionary policies, low inflation & single digit profit growth. Recession isn't expected to take place until 2021		

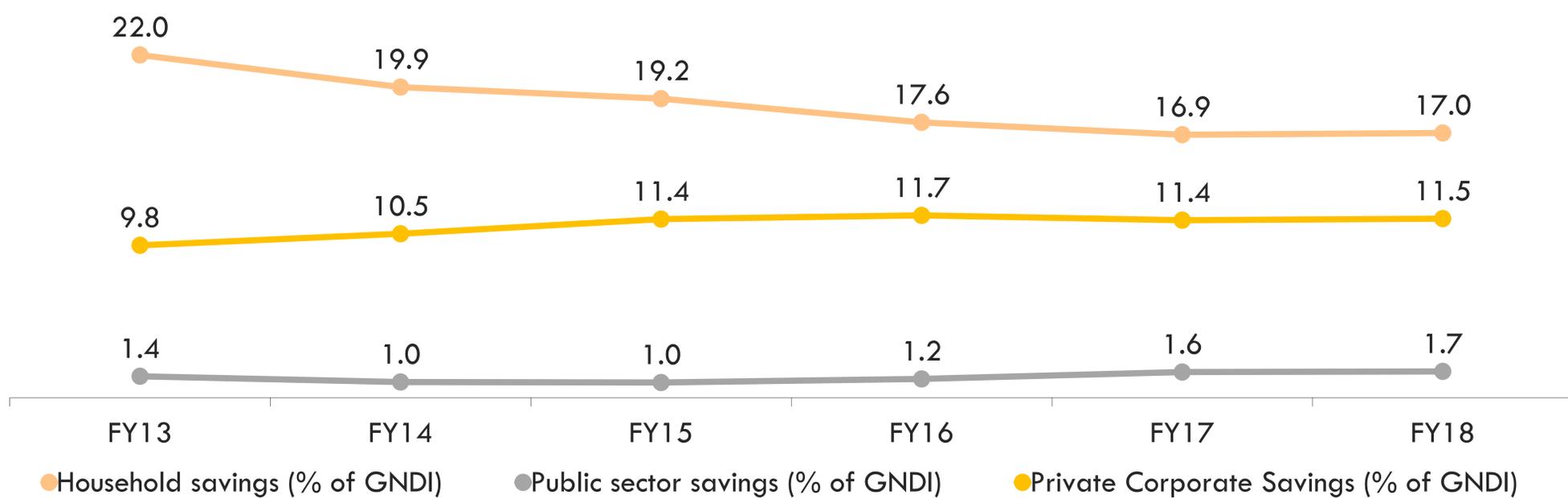
Source: Bloomberg

# A SAGA OF ECONOMIC INDICATORS

## Private Sector Comes to the Rescue

The dramatic fall in the domestic savings rate in the economy, signals toward a lack of resources in the economy to fund a revival in investments and commercial activity, as the economy continues to slow. The rates are a gauge of how much domestic funds government and businesses can access for investments.

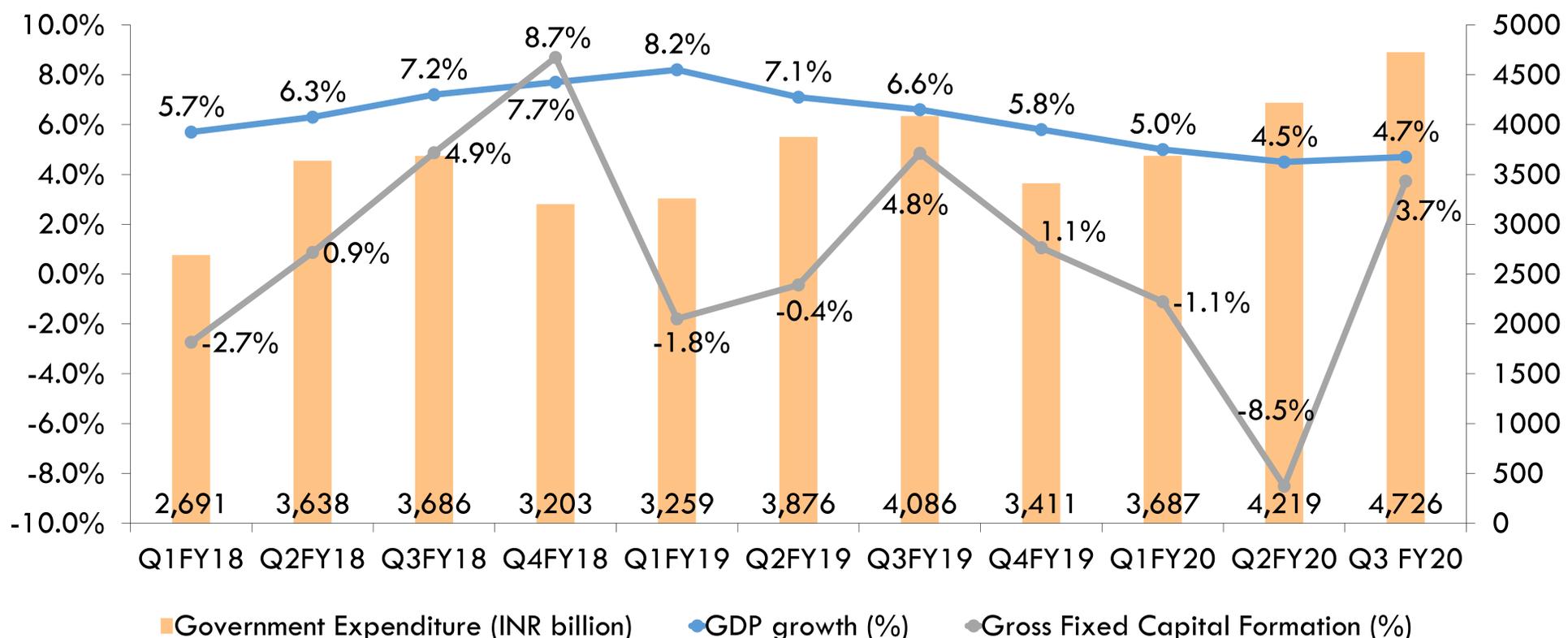
Both the old and the new GDP series data suggest that the savings rate has been declining since the global crash of 2008, with the new series suggesting that the drop may be less steep than what the old series reported. In 2017-18, the fall in the savings rate was arrested, primarily due to higher corporate savings.



Source: OECD

Perhaps the most common call ahead of the budget was for greater government spending to boost waning consumption. That stimulus has not come as overall government spending growth in FY2021, although higher than the five-year trend, is budgeted to be lower than the ongoing financial year. Private consumption growth picked up in

the third quarter, and so did gross fixed capital formation or private investment after falling for 4 quarters. Given that bank credit offtake remained lackluster at about 6.8%, it appears that investments too are unlikely to lift the sagging economy in Q4FY20. To read our interesting take on this, [click here](#).



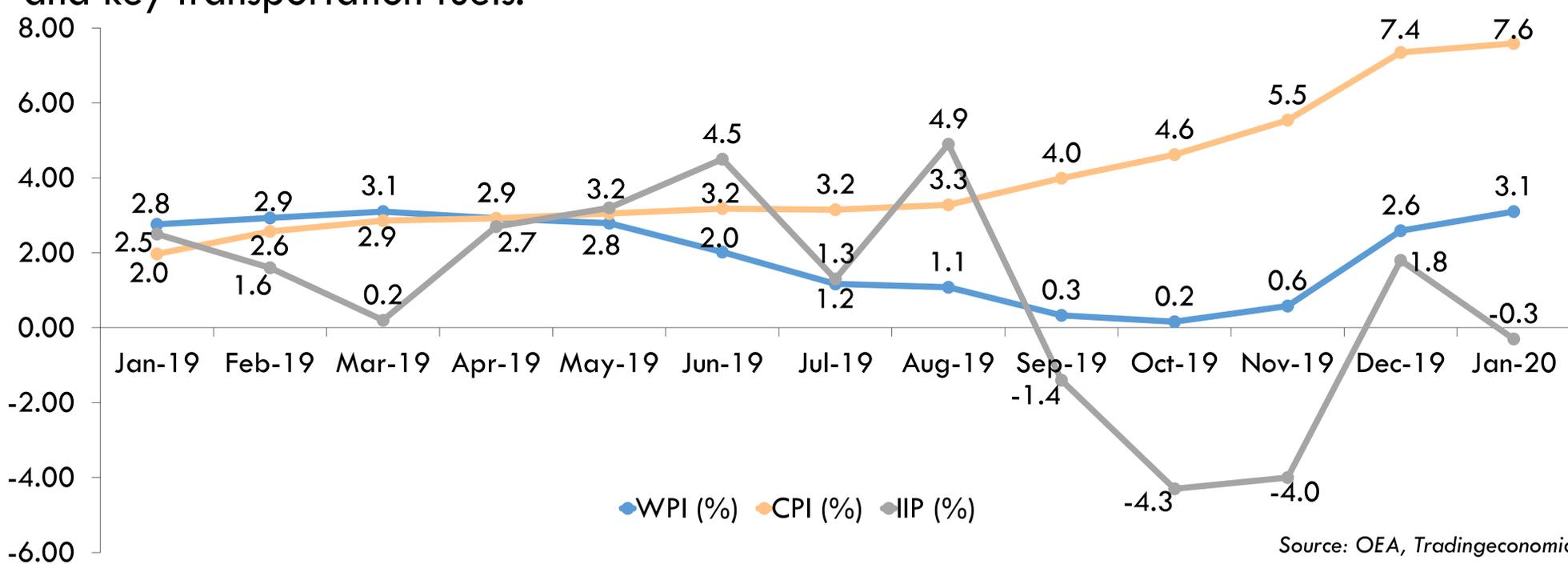
Source: OECD, Tradingeconomics

# A SAGA OF ECONOMIC INDICATORS

## India's growth engines take a break

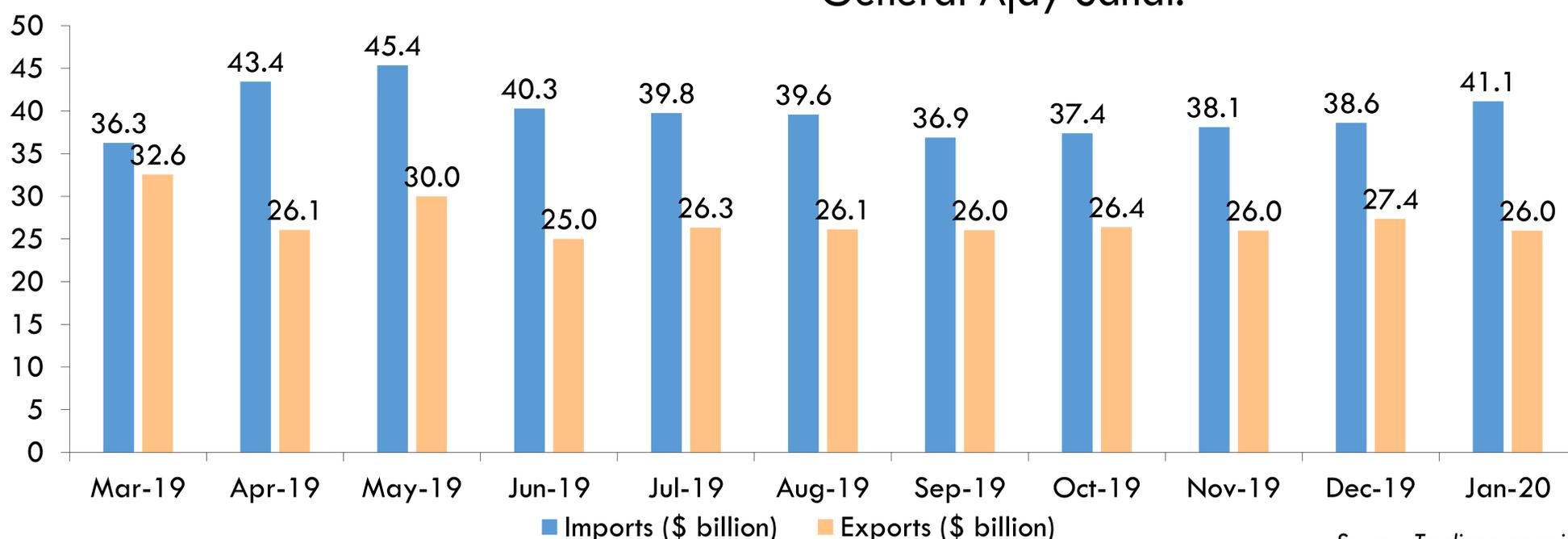
Retail inflation has breached the Reserve Bank of India's medium-term target of 4% for the fourth straight month. Around two-thirds of India's population depends on the rural sector, and rising inflation suggests pricing power is returning to the hands of the farmers. WPI increased driven by higher prices of manufactured products and key transportation fuels.

RBI Chief Das reiterated the monetary policy committee's (MPC) intent in terms of the accommodative stance. "This time also, the MPC, while recognizing that inflation has spiked and we need to wait for more data to see that moderation in inflation is well entrenched. The MPC does recognize very clearly that there is space for rate cuts," he said.



The continuous contraction in India's exports is likely to stop next year, but the rate of growth will be subdued on account of the uncertain global trade situation due to rising protectionism. The positive growth in the exports of non-conventional commodity groups like electronic goods, drugs, and pharmaceuticals, organic and inorganic chemicals, augur well for future growth.

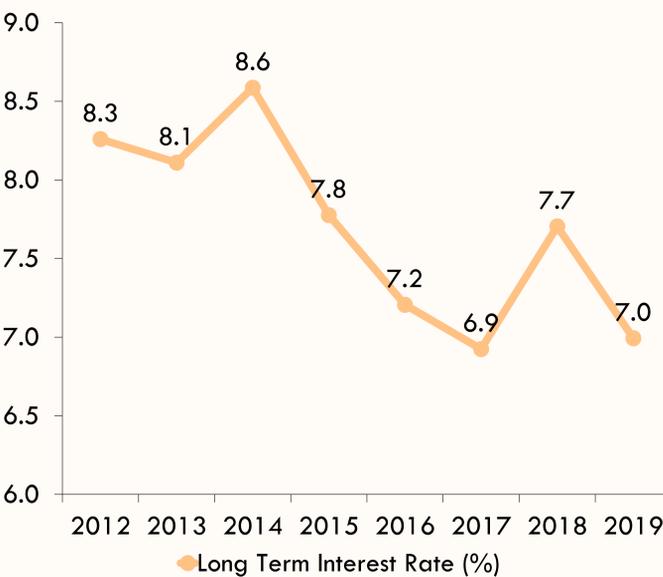
Apex exporters body Federation of Indian Export Organisation said the global situation is becoming extremely challenging as rising protectionism is leading to uncertainty. "If the global situation improves, we may look for 15% growth in exports next year. Exports will come out of negative zone but the rate of growth will not be in double digits" said FIEO Director General Ajay Sahai.



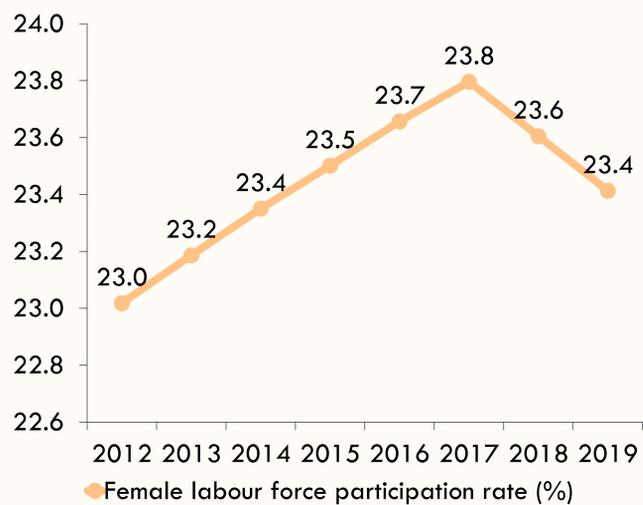
# THE ECONOMY IN SNIPPETS

Bringing You Up to Speed

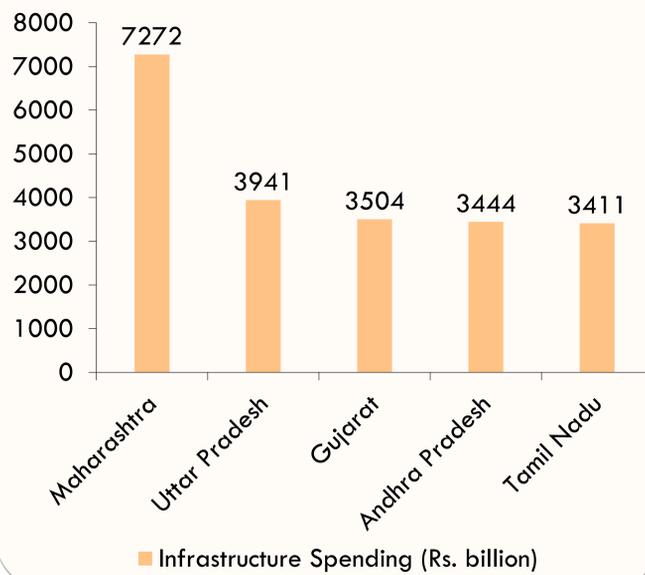
Rate cuts have not been as impactful as initially hoped, as banks are not passing the lower rate to consumers, and there are still challenges in reviving domestic consumption.



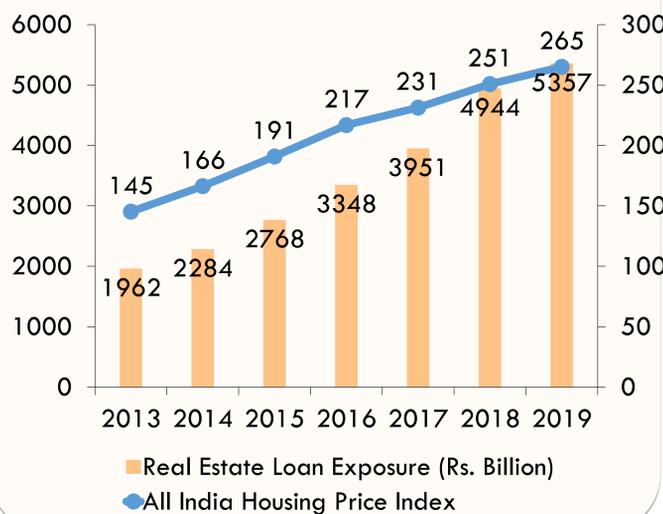
India's low LFPR was already a matter of concern in 2011-12. The further fall since then comes mainly from rural areas where female LFPR crashed by 7%, while male LFPR remained roughly the same.



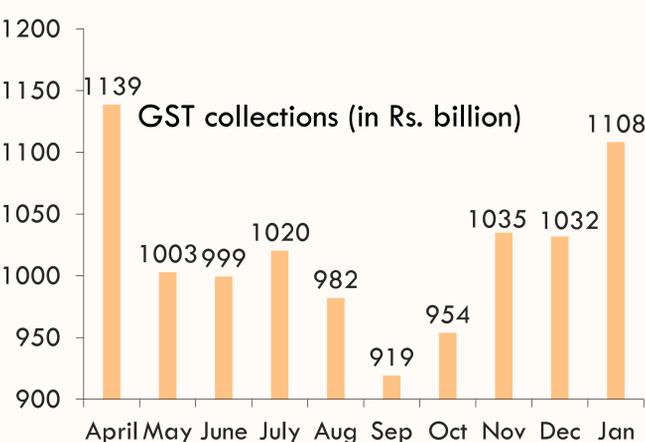
The government still has one more arrow in its quiver - infrastructure spending. It is planning to spend Rs. 100 lakh crore on infrastructure projects in the next five years to boost rural employment.



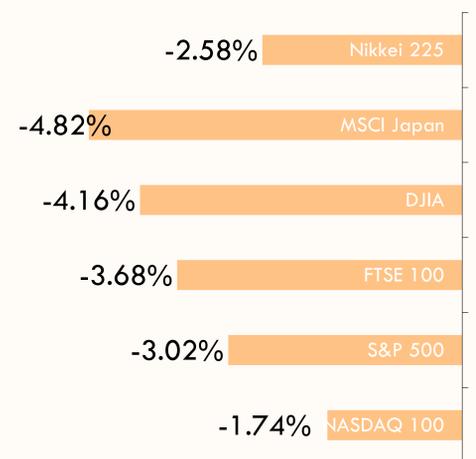
Increasing Real Estate exposure and rising prices suggest an asset bubble forming.



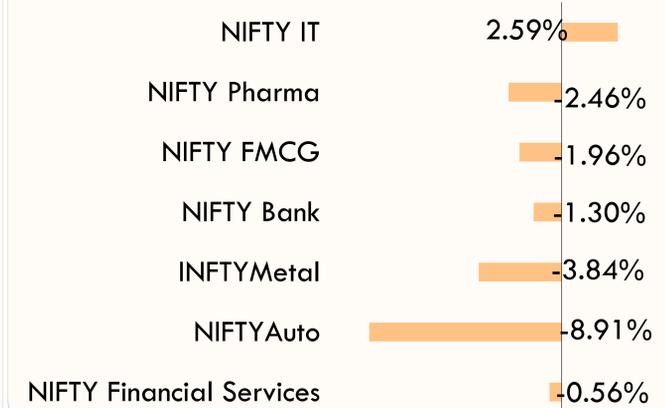
GST collections crossed the Rs. 1 lakh crore mark after 3 months on grounds of festive sales. GST collection on domestic transactions grew by 12%. Improved collections indicate signs of economic revival.



Market across the world bled as fears of a global pandemic seemed confirmed. However if the authorities manage to contain the virus soon then it will be a major positive development for the markets.



Sectoral benchmark indices ended the week in deep red on Friday as investors and traders fretted over the fast-spreading coronavirus and its impact on global economic growth. India VIX, the barometer of fear in the markets, spiked 28.75% to 22.87.



Source:  
 1. OECD  
 2. World Bank  
 3. pppinindia.gov.in  
 4. RBI, Economic Times  
 5. pib.gov.in  
 6. Investing.com  
 7. nseindia.com

“There is some support to growth, but not enough to give a material impetus in the short term.”

-Ashu Suyash, Managing Director and CEO, Crisil

“At present a 7 per cent GDP growth number looks quite distant and may take us about 24 months to scale provided there are no shocks and the government responds with proactive policies.”

- Nimesh Shah, Managing Director and CEO, ICICI Prudential Mutual Fund

“I have met a few customers who are saying that because this supply chain is getting disturbed both for internal consumption and for external exports, they would have to take shut downs of their plants. Economy is all about circulation and if the circulation stops, it will have an impact.”

- Mr. CP Gurnani, MD & CEO of Tech Mahindra

“India will be 6.5%, ahead of China's 5.8%, which will make us once again the fastest-growing economy in the world, I guess it's one of those cases of is the glass half-full or half-empty, everybody's looking at the bad news, and I think that's become a default thing.”

- Anand Mahindra, CEO of Mahindra Group

“Auto makers are dependent on China for certain auto components. These shipments have not been coming to India because of Coronavirus. This is the situation with white goods category as well. So, the domestic supply chain has also gotten affected.”

- Nikunj Turakhia, President, Steel Users Federation of India (SUFI)

# FASTEST GROWING COMPANIES IN INDIA

## Leading the "Soon-icorn" Race

Ranks	Company Name	Revenue CAGR (2015-18)	Revenue 2018 (Rs. Cr.)
1	One 97 / Paytm	311%	3,232
2	GoBOLT	257%	54
3	Saankhya Labs	254%	73
4	Razorpay	243%	197
5	OfBusiness	242%	645
6	LogiNext	152%	17
7	JetSetGo	147%	107
8	Siyaram Impex	127%	65
9	BYJU'S	127%	1281
10	Videonetics	127%	52

Source: Statista

## ECONOMIC CALENDAR

March 2020						
Mon	Tues	Wed	Thurs	Fri	Sat	Sun
1	2	3	4		6 <b>US</b> Balance of Trade (Jan)	7
8	9	10 <b>CN</b> Inflation Rate YoY (Feb)	11 <b>US</b> Inflation Rate YoY (Feb)	12	13	14
15	16	17 <b>US</b> Retail Sales MoM (Feb)	18 <b>US</b> Fed Interest Rate Decision	19	20 <b>CN</b> Loan Prime Rate 1Y	21
22	23	24	25 <b>GB</b> Inflation Rate YoY (Feb)	26 <b>US</b> GDP Growth Rate QoQ Final Q4	27 <b>US</b> Personal Income & Spending MoM (Feb)	28
29	30	31 <b>GB</b> GDP Growth Rate YoY Final Q4				

Source: Investing.com

# About Us

Leveraged Growth is a niche finance-based Business Consultancy firm. We are built around four business verticals – Consulting, Research Advisory, Corporate Training and Learning and Development. We provide customized solutions to leading businesses worldwide. Our team consists of experienced professionals having diverse skill-sets and a passion to excel



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