

Leveraged Growth

MONTHLY SNAPSHOT

JULY 2020

INDIA INC.



India's trade with Mainland China and Hong Kong indicates the prevailing Anti-China sentiment in the country.

FY18

22.0%

FY19

3.2%

FY20

7.0%

JSW Group to Stop Imports from China in 2 Years

Joining the 'Boycott China' chorus, JSW Group, which has a net import of \$400 million annually (majorly 'clinker', a form of cement), from China, decides to bring it down to zero in the next 24 months.

HUL Aims to Shift Supply from China

Chinese goods constitute around half of HUL's total imports at nearly ₹900 crore in FY20. HUL has initiated discussions on possible alternatives of raw materials, which are imported from China, in its effort to help the country become self-reliant.

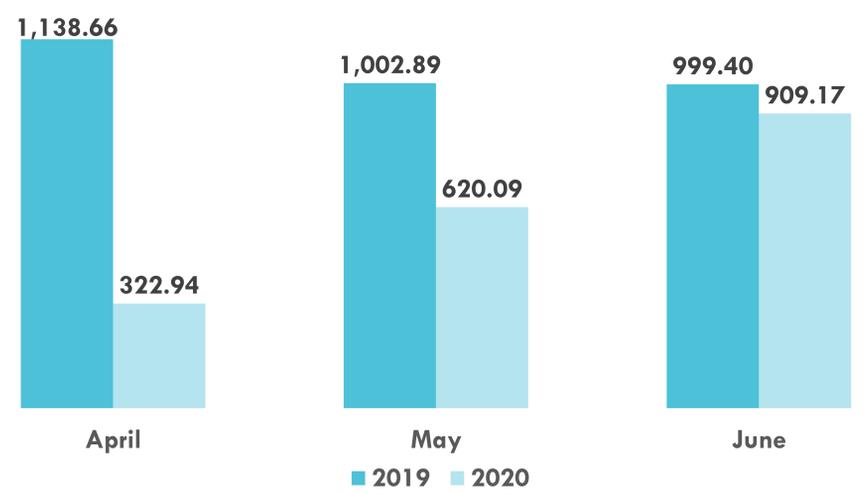
Electronics Commission - On the Way

The Government recently announced a ₹40,000 crore Production-Linked Incentive Scheme for electronics. It is working upon setting up an Electronics Commission to push electronics' manufacturing and reducing its import dependence on China.

Google plans to invest around **₹75,000 crore** in India over a period of 5-7 years, through equity investments and tie-ups. This is a reflection of the confidence in the future of India and its digital economy. The focus of the investments will be on four key areas:

- Digitization i.e. enabling affordable access and information to every Indian in their own language
- Manufacturing new products and services
- Empowering businesses and providing technology
- Artificial Intelligence for social good in areas like healthcare, education and agriculture.

GST Collection (In ₹ billion)



Source: GST Council

The revenues show a steep decline YoY due to -

- The economic impact of the pandemic
- The relaxations given by the Government in filing of returns and payment of taxes.

However, figures of past three months show recovery in GST revenues indicating economic activities being back to Pre-COVID levels.

NATIONAL EDUCATION POLICY (NEP) 2020

On 29th July, the Union Cabinet approved the NEP. Long-awaited reforms in the policy came after a massive wait time of 34 years. The NEP proposes a variety of changes in the Indian Education System for both public and private institutions, from the school to college level.

Major Reforms at School Level

- Universalization of Education from pre-school to secondary level with **100% Gross Enrollment Rate (GER)** in school education by 2030.
- Board Exams to test only core competencies, and will be offered twice a year.
- Mother tongue as medium of instruction till grade 5.
- 10+2 structure to be replaced by a **5+3+3+4 curriculum structure**.
- Vocational courses** to start from the 6th grade, and will include internships.
- Flexibility to choose subjects across streams (**Multi-Stream**)

Major Reforms in Higher Education

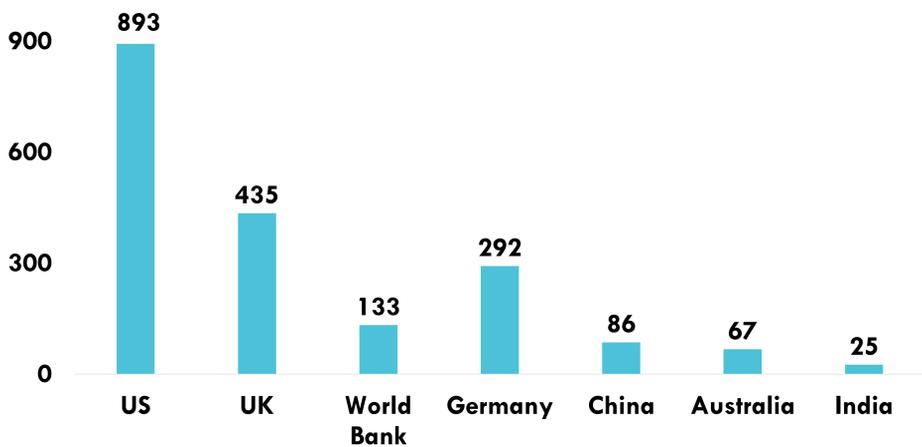
- GER to be raised to 50%** by 2035; 3.5 crore seats to be added in higher education.
- National Testing Agency will conduct common college entrance exams twice a year.
- Multiple entry/exit** option for under graduates and post graduates programmes.
- Global universities with top ratings to be facilitated to come to India.
- A **fee-cap** to be implemented on private institutions.
- Affiliation system will be phased out in the next 15 years and colleges will be given graded autonomy to distribute degrees.



The US Cuts Ties with the World Health Organization (WHO)

Donald Trump terminates all relations with WHO on the grounds that it is being driven by China's control in the wake of the coronavirus pandemic. However the withdrawal will be effective from 6th July, 2021 as under U.S. law, the Country must give the WHO a year's notice, and must meet its financial obligations for the current year, which amounts to \$60 million.

Total Contributions during 2018-19 Funding Cycle (In \$ million)



Source: WHO

US contributed 15% of the entire budget and more than twice as much as any other country.

Worst Quarter for US Economy

Q2FY21 GDP shrunk by **32.9%** vs. the expected 34.7% according to Dow Jones.

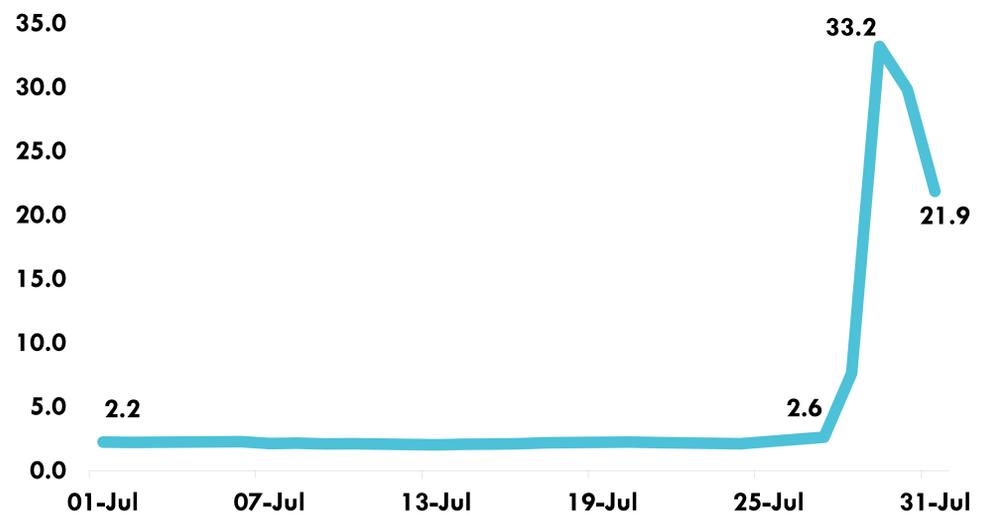
The economy began to recover in mid-May after a severe contraction at the beginning of the quarter. However, there are still millions of people who are out of work, thousands of businesses have closed and many of those that remain open have had to scale back operations because of low demand or ongoing government restrictions.

World Bank grants India \$750 million emergency funding to help small businesses

The emergency lending will ensure liquidity for 1.5 million micro, Small and Medium Enterprises (MSME) and protect millions of jobs.

The Bank had lent \$5.13 billion to India in FY2020

Kodak (In \$)



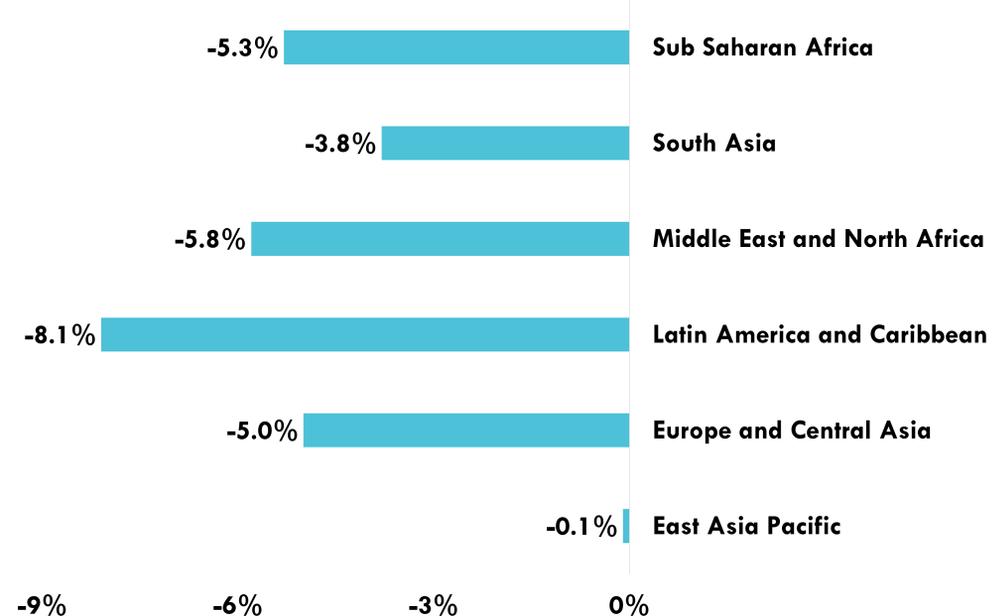
Source: Nasdaq

Camera Company Surges 1900% in Two Days

On 28th July, the Government granted Kodak, a **\$765 million** loan to launch Kodak Pharmaceuticals, which will produce generic active pharmaceutical ingredients to reduce America's dependency on foreign drug makers. The company already had plans of launching a pharmaceuticals division to make essential drug components in the wake of chronic national shortage.

Donald Trump described the Kodak agreement as "One of the most important deals in the history of US Pharmaceutical Industries".

Per Capita GDP Growth(E) in 2020, by Region



Source: World Bank

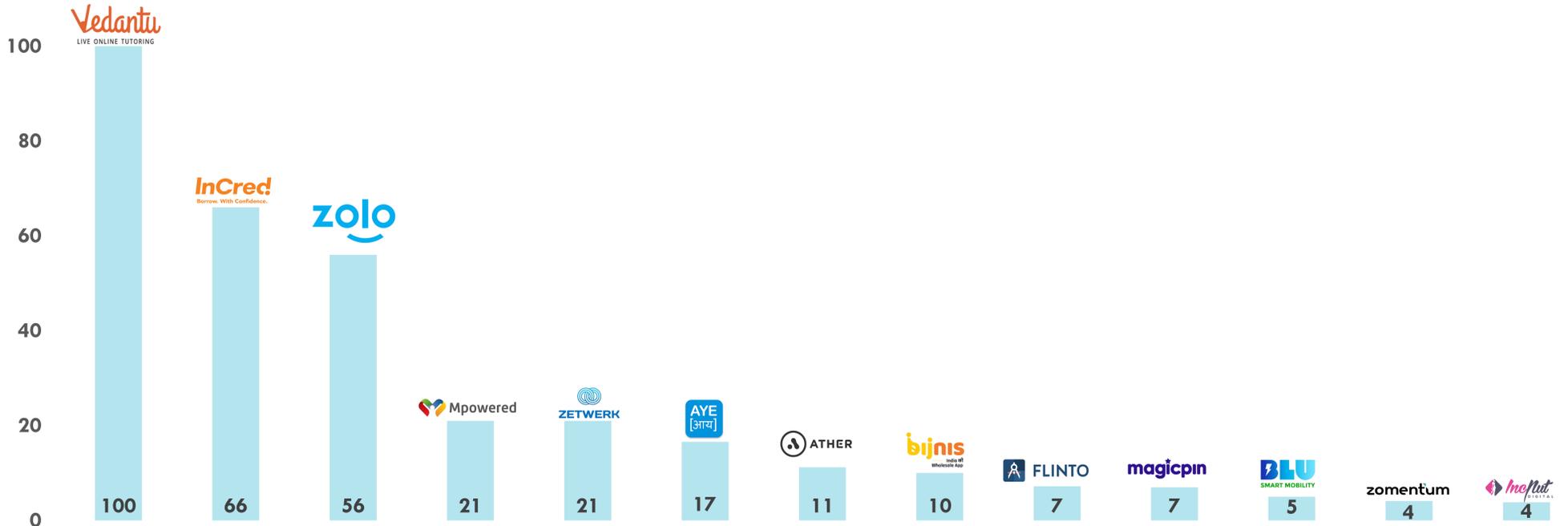
Worst global recession since World War II

The global economy has experienced 14 global recessions since 1870.

According to World Bank, current forecasts suggest that the COVID-19 recession will be the deepest since 1945-46, with the largest fraction of economies experiencing declines in per capita output since 1870.

START-UP NEWS

Major Fundings raised by startups for the period of 29th June to 25th July' 2020 (\$ million)



Source: Entracker

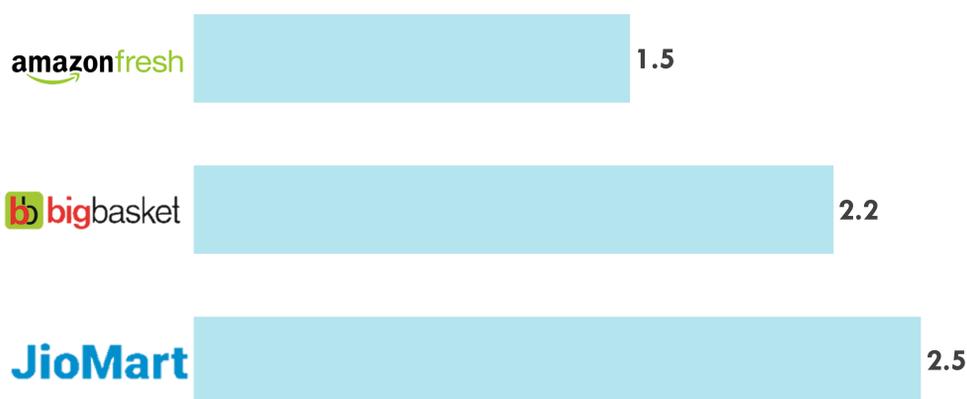
More than 46 Indian startups have been leveraging the shortcomings of the pandemic and have ended up raising around than \$385.1 million, vs. \$322.0 and \$215.0 million in June and May 2020 respectively.

Apple recently acquired Mobeewave, a payment technology startup for **\$100 million**. Mobeewave has developed a method by which smartphones like iPhone can be used as mobile payments terminals.

Flipkart has seen a **125%** increase in new sellers signing up on the platform, for April-June quarter. Flipkart partnered with its network of sellers, Micro, Small and Medium Enterprises (MSMEs), and artisans so as to deliver products to consumers at their doorstep safely.

Two Months Old, E-Commerce Venture of Reliance Industries Shakes up Online Grocery Market.

No. of Orders Per Day (In lakh)



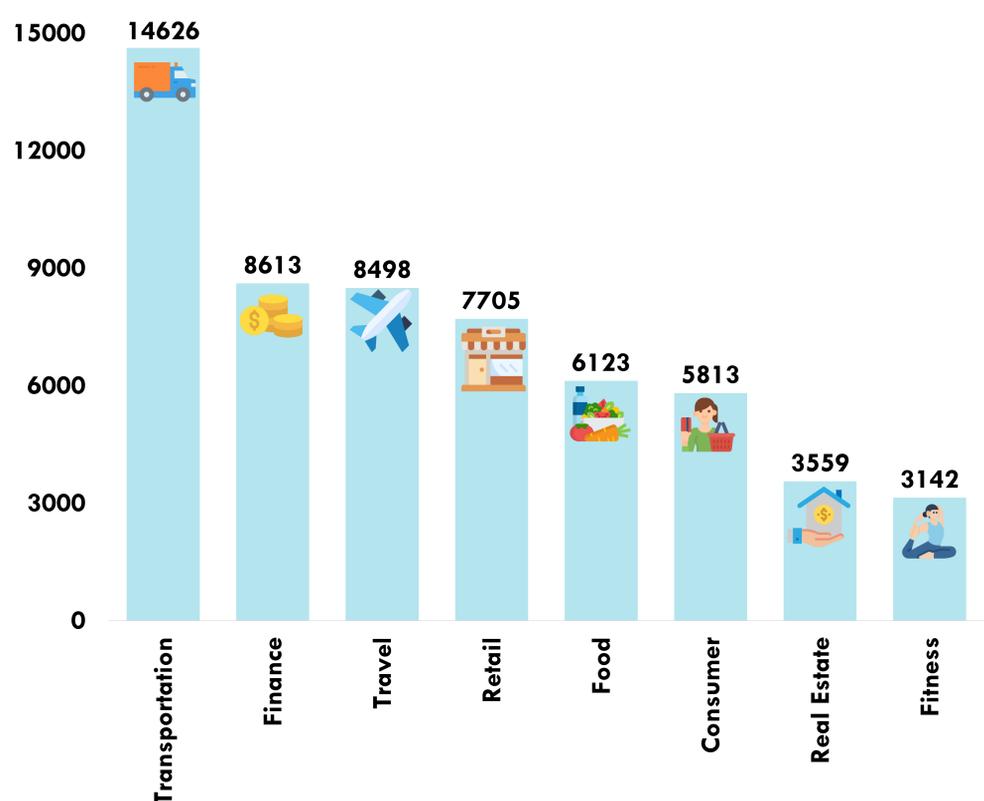
Source: Economic Times

Despite being late, JioMart is ahead of its rivals BigBasket and Amazon, as it promises a minimum 5% discount on MRP, according to its website. JioMart is available in more than 200 towns across the Country, which makes its presence much higher than its peers.

Oyo Hotels & Homes employees are now co-owners and shareholders of the company, as it has granted them deeply discounted ESOPs (Employee Stock Ownership Plans).

This is a kind of long term reward for the employees who had sacrificed their salaries to support the Company during difficult times.

No. of known Layoffs in Start-ups Worldwide (7th March to 31st July 2020)

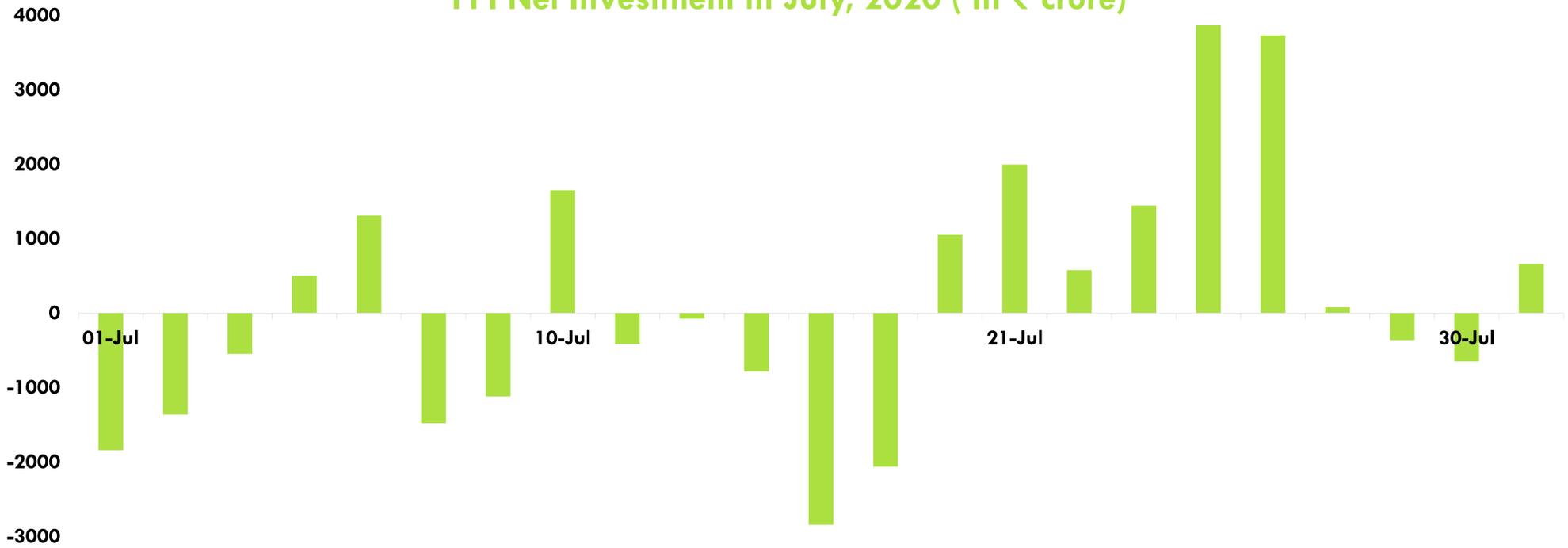


Source: Layoffs.fyi

LinkedIn has laid off 960 employees (6% of the total workforce) across its Global Sales and Talent Acquisition teams, as its recruitment business has been hurt due to a slowdown in hiring during the pandemic.

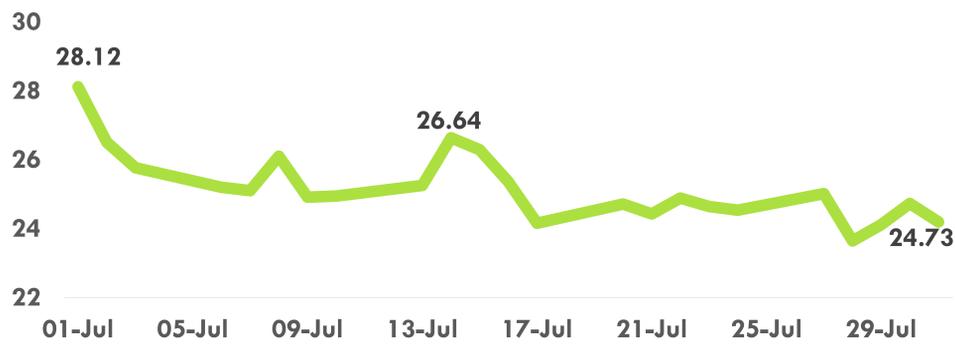
EQUITIES

FPI Net Investment in July, 2020 (In ₹ crore)



Source: NSDL

India VIX



Source: NSE India

The Indian Volatility Index (VIX) continued with its southward journey for the 4th consecutive month in July, depicting declining risk perception of the investors.

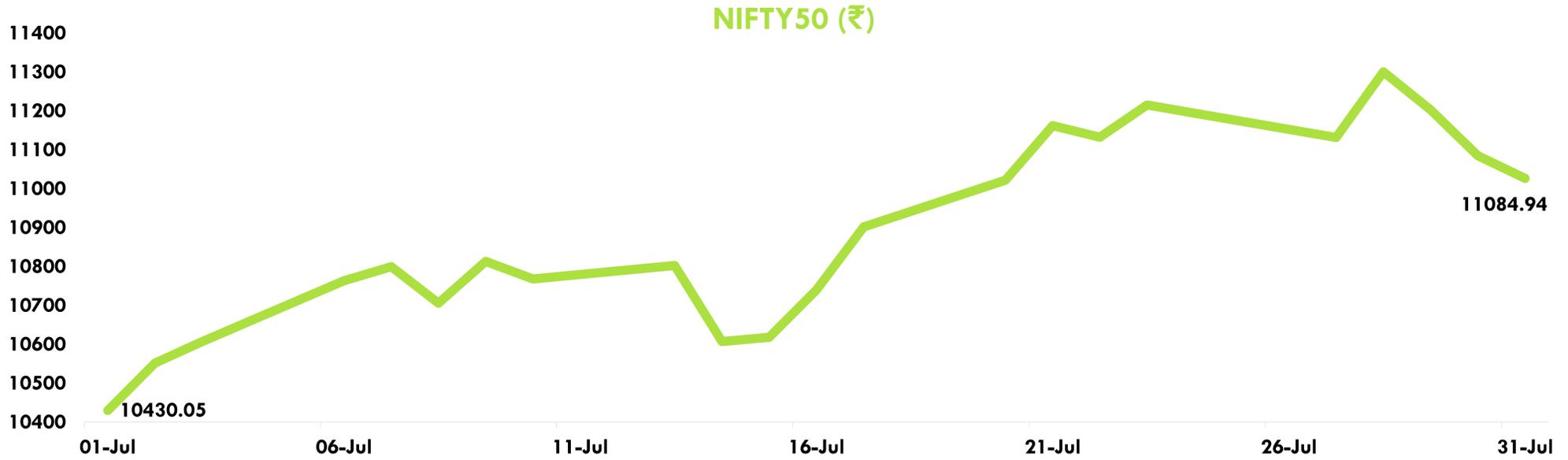
The large drop in FDIs was mainly due to large sell-offs in the Indian equity market, pertaining to investors exiting the market after booking profits in June, increasing tensions between the US & China, and rising coronavirus cases. The FPIs have continued to be net sellers in the Indian debt market since March. Even though the equity market saw a hike in FPIs in June, the ultra-loose monetary policy by the Government and the RBI led to an oversupply in bonds and extremely low bond-yields, that have made the Indian debt market an unattractive choice for the foreign investors.

Index	1 st July, 2020 (In ₹)	31 st July, 2020 (In ₹)	Change (%)	Trend
NIFTY Auto	6,718.6	7,279.6	↑ 8.35	
Nifty Bank	21,977.6	21,640.1	-1.54	
Nifty Consumer Durables	13,198.5	13,888.3	↑ 5.23	
Nifty Financial Services	10,843.3	10,728.9	-1.06	
Nifty FMCG	30,232.5	30,872.5	↑ 2.12	
Nifty IT	14,732.1	18,071.9	↑ 22.67	
Nifty Media	1,367.7	1,285.1	-6.04	
Nifty Metal	1,997.4	2,147.3	↑ 7.51	
Nifty Oil & Gas	4,834.2	5,083.3	↑ 5.15	
Nifty Pharma	9,882.9	11,148.9	↑ 12.81	

Source: NSE India

Nifty IT index, the best sectoral gainer in July, increased over 20% in July, recovering around 60% from March lows. Infosys being the top gainer, followed by Wipro, HCL Tech, Tech Mahindra. This indicates a healthy demand outlook especially on the digital front and new-age technologies.

NIFTY50



Source: NSE India

The Nifty 50's price-earnings (P/E) multiple based on FY21 earnings have hit a 15-year high of 20.6. It is 34% higher than the long-term average of 15.2, even though Nifty earnings are expected to fall by 10% for the year. The major reason for the upbeat valuation being the analysts accounting for the FY22 earnings, which may show a growth of double digits, which makes Indian equities the most expensive after the US and Japan.

HDFC Life Insurance to Replace Vedanta in Nifty 50

This is on account of the voluntary delisting proposed by Vedanta. The change will be effective from July 31. According to Edelweiss Research, HDFC Life Insurance is likely to see an inflow of nearly **\$100 million** with a weight of 99 basis points because of the rebalancing of index funds. Vedanta, with a 47-basis point weight, is expected to see an outflow of \$47.0 million after the rejig.

In the past one month, HDFC Life has outperformed the market by surging **19%**, as compared to an 8% rise in the index. The same trend was witnessed in the past three months also where it has rallied 32% vs. a 19% gain in the benchmark index.

The Reliance Industries Ltd. (RIL) Show !

Intel joins the Investors' League

Intel invested ₹1,894.5 crore in RIL's Jio Platform in exchange of 0.39% stake, making it the 12th high-profile investment in the firm in less than 3 months.

The Intel deal values Jio Platforms at an equity value of ₹4.91 lakh crore and an enterprise value of ₹5.16 lakh crore.

Mukesh Ambani targets to make RIL a net carbon-zero company by 2035

After China and the United States, India is the world's third-largest carbon emitter. Ambani wants to make the change by making carbon a recyclable resource, instead of treating it as emitted waste.



Top Gainers at NIFTY 50 for July, 2020

Company Name	Change (%)
Infosys	31.3%
Wipro	27.9%
HCL Tech	26.6%
Tech Mahindra	25.4%
Reliance Industries	21.3%
Mahindra & Mahindra	18.8%
JSW Steel	16.3%
Bajaj Finance	14.9%
Dr.Reddy Lab	14.6%
Eicher Motors	12.6%

Source: NSE India



Top Losers at NIFTY 50 for July, 2020

Company Name	Change (%)
Yes Bank	-53.3%
Zee Entertainment	-18.9%
Bharti Infratel	-13.3%
NTPC	-9.2%
Adani Ports & Special	-8.4%
Indiabulls Housing	-8.3%
GAIL India	-5.4%
ONGC	-3.8%
Larsen & Toubro	-3.2%
HDFC Bank	-3.1%

COMMODITIES

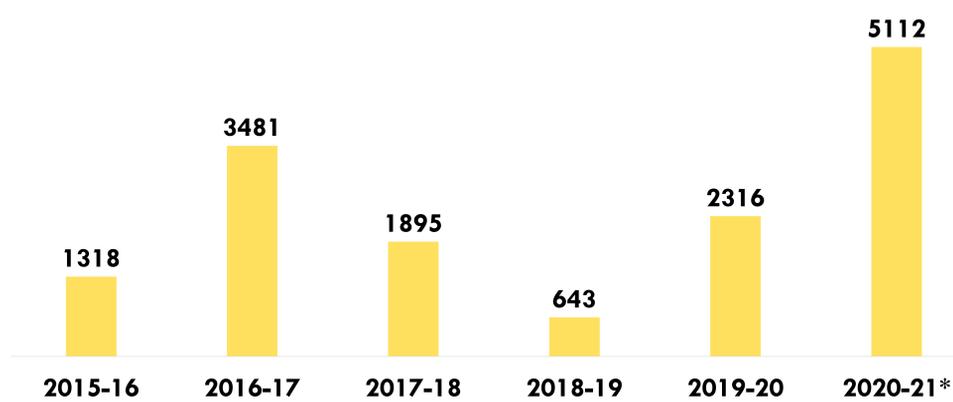
Sovereign Gold Bonds (SGBs) in FY21 till 14th July

Series	Date	Issue price/10g	No. of units (kg)	Amount (₹ crore)
Series I	28 th Apr	46,390	1,773	822
Series II	19 th May	45,900	2,544	1,168
Series III	16 th Jun	46,770	2,388	1,117
Series IV	14 th Jul	48,520	4,131	2,004
Total			10,836	5,112

Since the launch of SGBs in November 2015, this has been the best month in terms of the quantity of gold sold, and the amount raised in the issue.

The major reason for the same being the high volatility and the rising uncertainty about the future, prevailing in the markets on the backdrop of the pandemic.

Annual Collection From SGBs (In ₹ Crore)



*Weighted Average till July 14, 2020

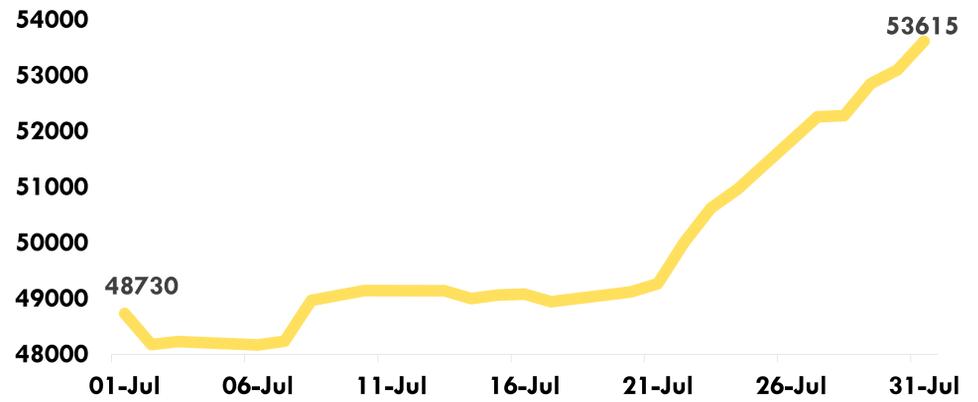
Source: RBI

Options in Goods, First Time in Indian Agri Market

The National Commodity and Derivatives Exchange (NCDEX) has become the first exchange in the Country to launch options in goods contracts in Agri derivatives. The contracts of rapeseed, wheat and maize, expiring in October and November 2020, would be available for trading from 27th July onwards.

It would especially be convenient and beneficial for farmers and farmer groups who want to buy options to lock their price to hedge against any adverse movement of prices. This will play a major role in bringing the buyers and sellers together on the same electronic trading platform.

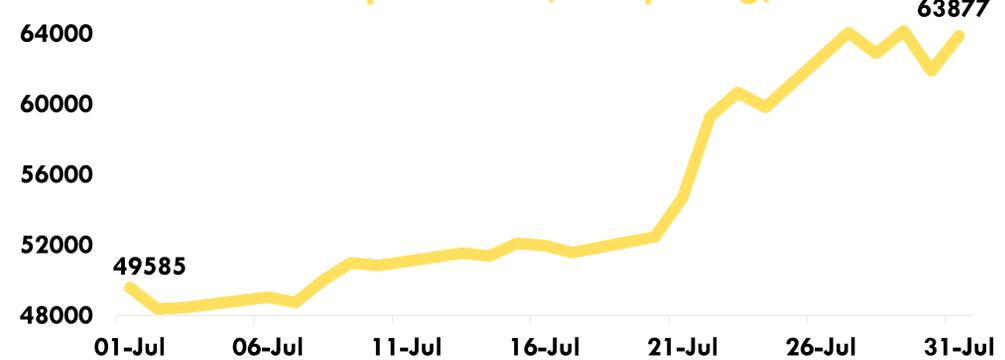
Gold Spot Price (In ₹ per 10 grams)



Source: MCX India

Globally gold and silver are the top performers in the Commodity Index. The increase in the value of precious metals has been as high as 45% this year, as investors look for safe-havens against further economic fallout. The low-interest rates due to the ease in monetary policies and weaker US dollar have also strengthened the appeal of the non-interest-bearing assets.

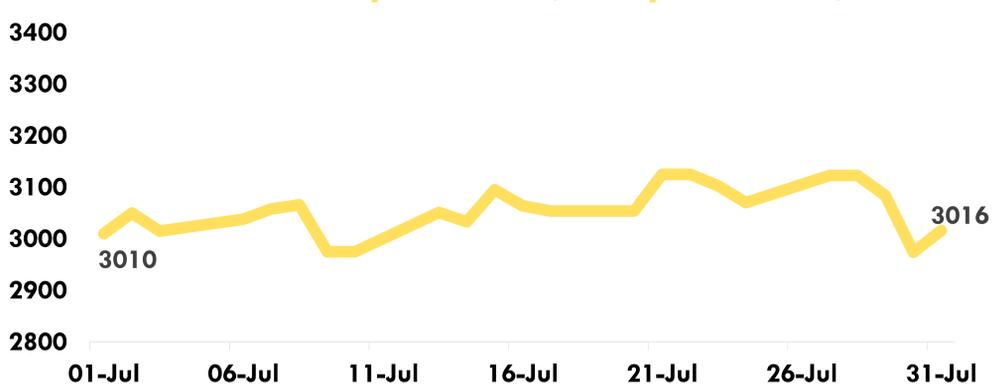
Silver Spot Price (In ₹ per kg)



Source: MCX India

Silver has benefited from persistent gains in gold price on the back of weaker US dollar and hopes of continuing stimulus measures. Silver tends to perform very strongly when the desire for wealth protection, or fears of inflation-induced wealth destruction are high and when global economic activity is improving.

Crude Oil Spot Price (In ₹ per barrel)



Source: MCX India

The crude oil prices have increased by around 15% from June to July. Diesel is still selling at its highest rate ever in some parts of the country. More than 200% of taxes on the base price of petrol and diesel are being collected by the Government.

OTHER ASSET CLASSES

Mindspace Business Parks REIT, launched its IPO to raise ₹4,500 crore. The offer was oversubscribed by 13 times and was open for subscription from 27th July to 29th July. It was backed by strong investor interest despite disruptions caused by COVID-19 in the commercial real estate market with increasing prevalence of remote working.

The launch of a REIT IPO will thereby help widen investor base considerably, prove healthy for overall REIT space and set the foundation for the creation of more REITs.

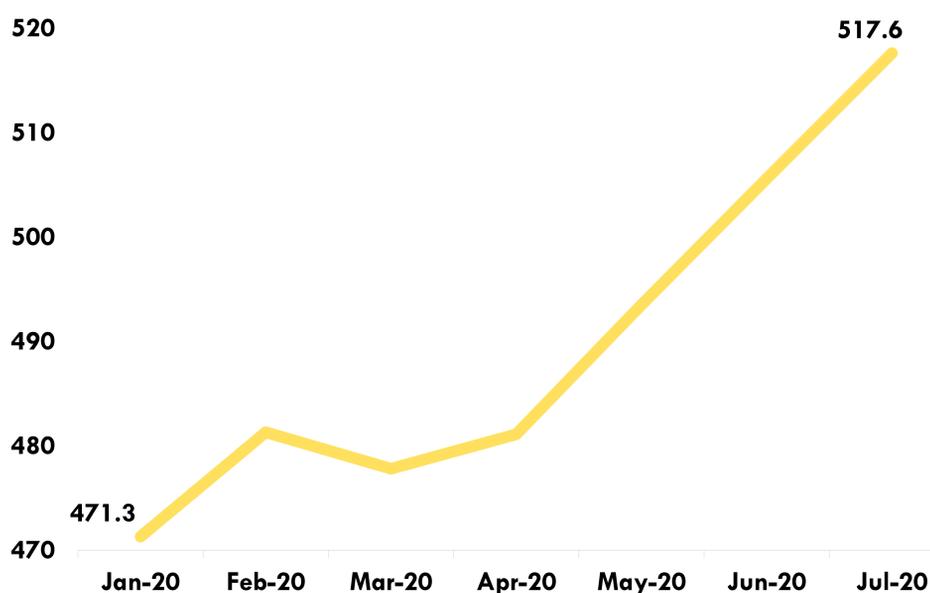
India's Forex Reserve hit an all-time high of \$517.6 billion

The reserves ↑ \$59.5 billion in the last fiscal against ↓ \$3.3 billion in the year before.

The reasons being:

- **Large inflow through FDI** - The Net inflow of FDI in FY20 was much higher at \$43 billion vs. \$30.7 billion in FY19. This can be considered as an expression of confidence of foreign investors in the long-term prospects of the Indian economy.
- **Favorable external account** - The current account deficit declined by more than 50.0% last financial year compared to the year before as the trade deficit shrank to \$157.5 billion from \$180.3 billion.

Total Forex Reserves (In \$ Billion)

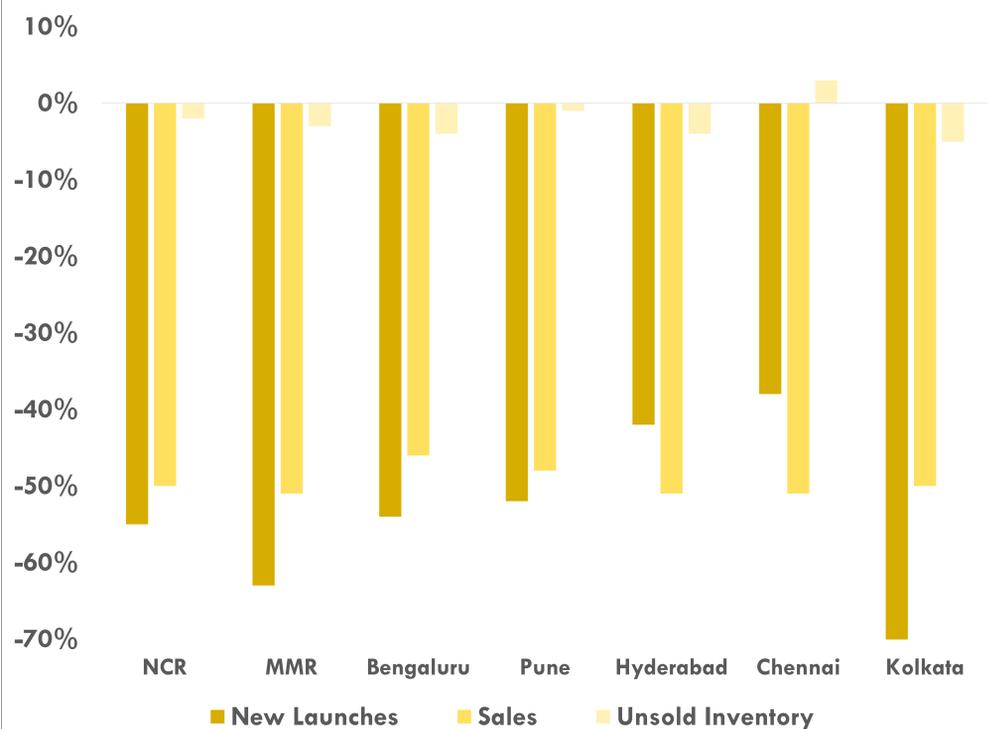


Source: RBI

Residential Markets Overview

As economic activities halted, the real estate sector witnessed a disturbance in the raw material supply chain leading to limited availability and rising input cost. Lack of availability of labour was another challenge which severely impacted the construction activities. Fear of economic slowdown and higher probability of job losses led to weakening of consumer sentiments. Also, the homebuyers were apprehensive about the future of real estate projects considering the imminent delays which played on their minds and was thus reflected in their purchase decisions.

Residential Market during H1 2020



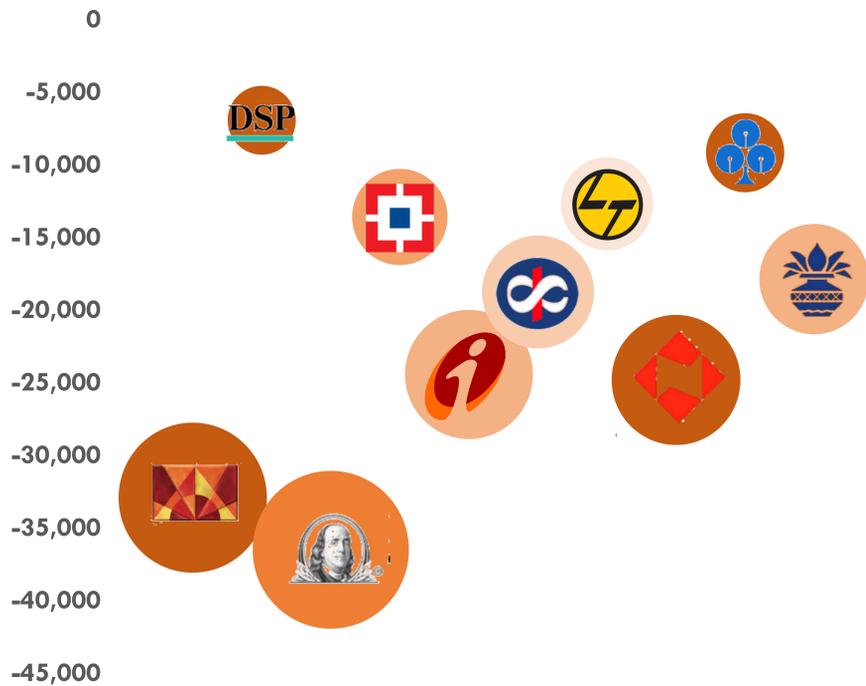
Source: Anarock

India has recorded its worst decline in real estate in a decade

In the office-space market, merely 17.2 million sq. ft. worth of transactions could be completed between January and June across eight top property markets. Knight Frank's report states that there has been a 37% drop in comparison to transactions last year. A bulk of transactions and sales in office and residential sectors took place before the pandemic in Q1CY20. Real estate transactions, sales and completions were almost negligible during April, May and June.

Keeping in mind the current scenario, it is expected that the office space take-up will stay cautious. Most occupiers are expected to hesitate in committing to expansion in the current market scenario and may possibly delay their leasing decisions.

The average Assets Under Management (AUM) of the entire mutual fund (MF) industry declined by 8.9% in the April-June quarter which was majorly due to the recent market crash due to the pandemic. The following fund houses accounted for more than 80% of this decline.



Source: AMFI India

On the other hand, Parag Parikh Long Term Equity Fund saw its average AUM rise 15% from ₹3,137 crore to ₹3,601 crore. Newcomers ITI Mutual Fund and the Government-owned IIFCL Mutual Fund also saw their assets increase during the April-Jun quarter.

Stamp duty of 0.005% on MFs to apply from 1st July, 2020

The duty will be applicable on all kinds of MF purchases, including lump sum, Systematic Investment Plan (SIP), Systematic Transfer Plan and dividend reinvestments.

The shorter the holding period, the higher will be the impact on returns. Liquid MF schemes will be effected the most as shorter periods will end up squeezing returns further.

Passive funds are fast gaining popularity among institutional and High Net Worth Individual (HNI) investors. Funds with no active role of a manager such as index and Exchange-Traded Funds formed 47% of the total inflow in equity funds during July 2019 to June 2020 as compared to 15.2% two years ago, according to a data released by AMFI.

MFs net investments in the markets stood at ₹39,500 crore in H1CY20, an increase of 4x YoY, as volatility and corrections in the broader market provided a good investment opportunity for institutions.

SIP Registrations ↑ but SIP Contribution ↓

- Investors with unaffected income have seen a decline in their expenses, leading to additional savings being channelized into MFs and direct stock trading. Thus, a rise in SIP registrations.
- On the other hand, investors witnessing a dip in their incomes are discontinuing their SIPs and redeeming them due to lack of funds.
- HNI investors are shifting from MF SIP investments to direct equity investments to take advantage of the market conditions. Since the ticket size of such SIPs is quite large, their stoppage resulted into a decline in overall average ticket size for the industry.
- The SIPs from new investors is of lower ticket size, leading to a decline in overall average ticket size for the industry.

Month	New Registrations (In lakh)	Contributions (In ₹ crore)	Average Ticket Size (In ₹)
Mar-20	8.49	8641	2770
Apr-20	7.50	8376	2667
May-20	8.08	8123	2535
Jun-20	9.13	7917	2447

Source: AMFI India



Tranches	Oversubscription	Amount Raised
1 st Tranche- Dec'19	1.7 times	₹12,000 crore
2 nd Tranche- July'20	3 times	₹10,992 crore

Bharat Bond's subscription was oversubscribed 3x vs. 1.7x in its 2nd tranche. The increased subscription indicates investors' uncertainty about the future who are thus parking their money in bonds, which are considered to be less riskier than equities.

COVID UPDATES

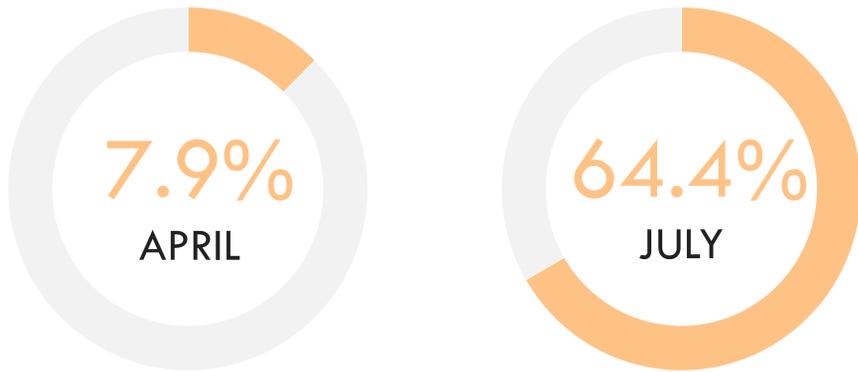


COVID cases across the Globe, data as of 31st July
17.77 million - Total no. of cases
11.17 million - Recovered
 Out of 5.92 million active cases, 1.1% are serious and 98.9% are in mild condition.



COVID cases in India, data as of 31st July
1.70 million - Total no. of cases
1.10 million - Recovered
 Out of 0.57 million active cases, 1.6% are serious and 98.4% are in mild condition.

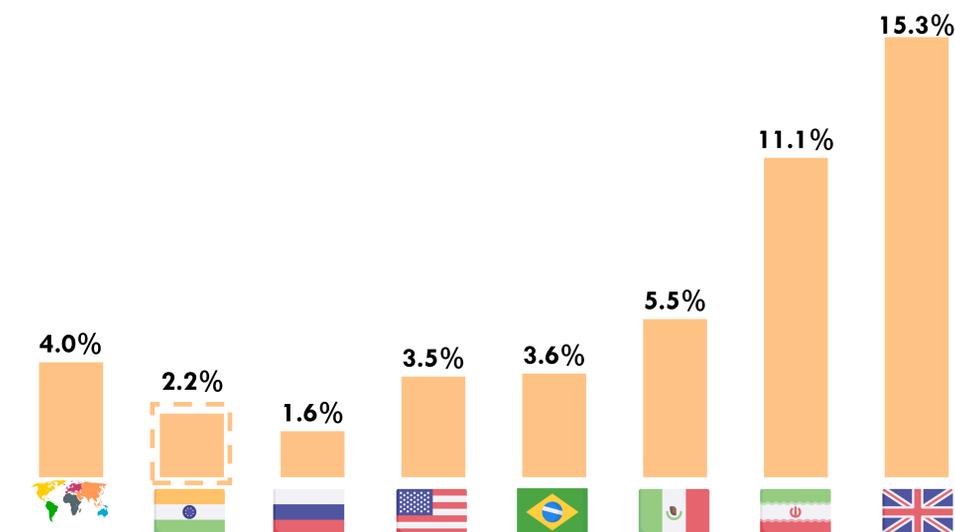
INDIA'S RECOVERY RATE



India's Fatality Rate amongst the Lowest in the World

Case Fatality Rate is the proportion of deaths from a certain disease compared to the total number of people diagnosed with the disease.

COVID-19 Fatality Rate

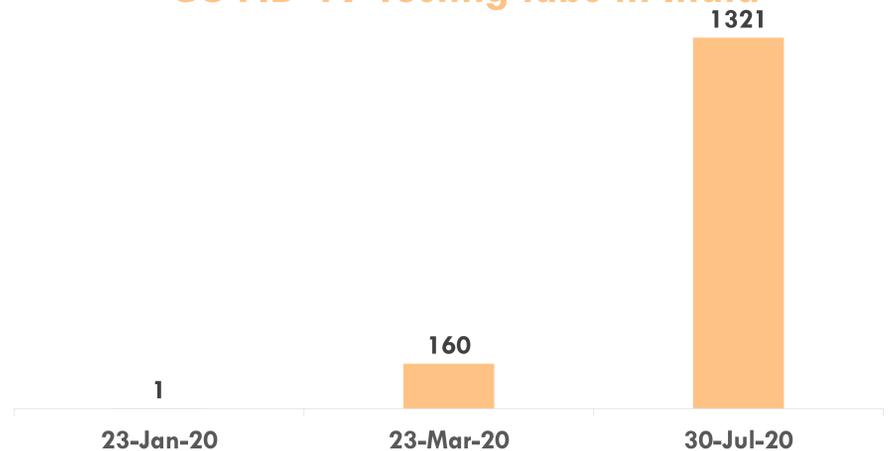


Source: WHO

CORONAVIRUS VACCINE

The novel vaccine developed by Moderna Therapeutics, Oxford University and AstraZeneca is in its final level of testing. It was able to prevent the Coronavirus infection in monkeys. Now the vaccine makers have begun phase-III human trials, one of the biggest and the most crucial testing stage. The phase-III trials could take a few months. Researchers are hoping that one of the leading contenders would be able to finalize the vaccine by the end of this year itself.

COVID-19 Testing labs in India



Source: ICMR

According to the Ministry of Health and Family Welfare, the enhanced testing infrastructure has led to a sharp increase in the cumulative testing from 88 lakh total tests on 1st July to nearly **1.82 crore** by 30th July.

New Guidelines as a Part of COVID-19 Unlock 3.0

On July 29th, the Ministry of Home Affairs issued the following guidelines :

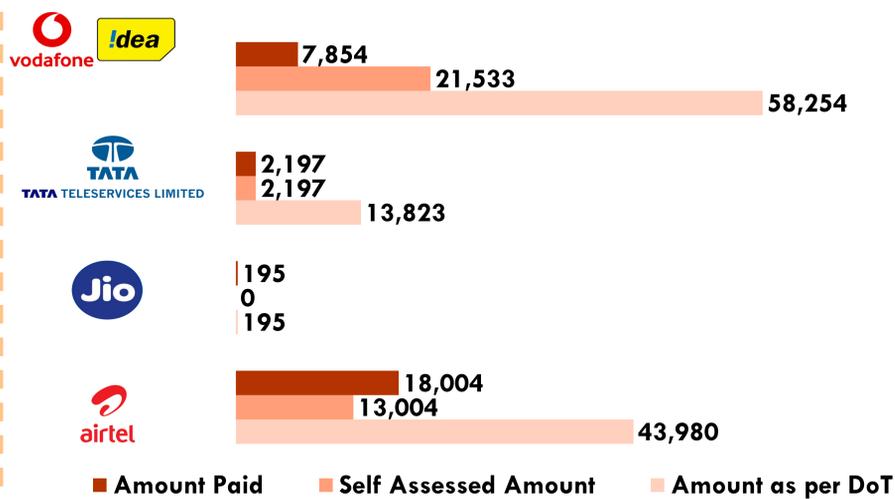
- ✔ Yoga institutes and gymnasium will open from 5th August and, a Standard Operating Procedure (SOP) will be issued by the Health Ministry and Family Welfare.
- ✔ Independence Day functions will be allowed with social distancing.
- ✔ International air travel of passengers has been permitted in a limited manner under the Vande Bharat Mission.
- ✔ No night curfew
- ✘ Schools, colleges, and coaching institutions will remain closed until 31st August.
- ✘ Metro rail services
- ✘ Cinema halls, swimming pools, entertainment parks, theatres, bars, auditoriums, assembly hall and similar places will not re-open till further assessment date.
- ✘ Cultural, political, religious, sports, academic, entertainment, social functions and other large congregations are also not allowed.

COVERAGE FOR THIS MONTH

The Stressed Telecom Sector

A move of relief turned to a 14-year long dispute, In July, SC dismissed arguments related to re-assessment and reserved judgement on the 20-year staggered payment timeline for telecoms.

AGR Dues as on 20th July, 2020



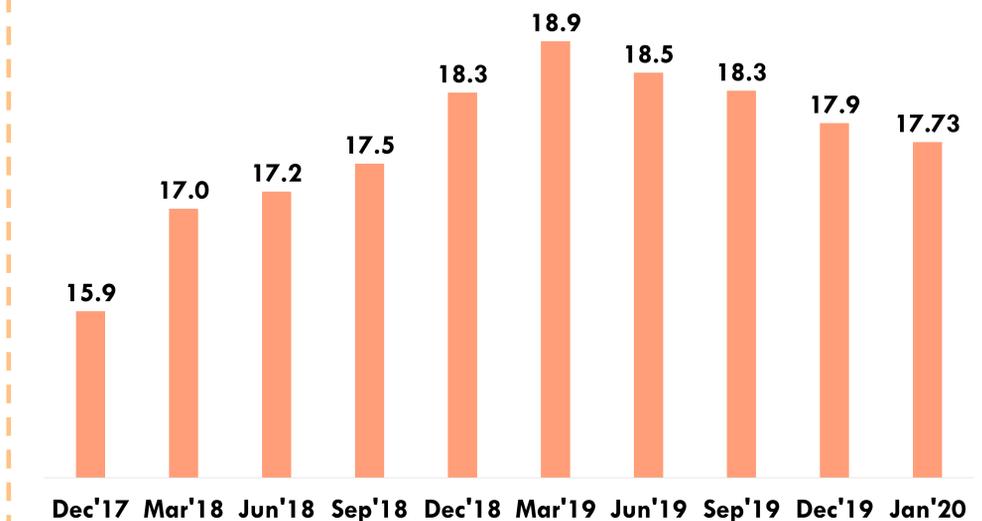
Source: Department of Telecommunications and media reports

[Click Here to Know More](#)

MSME: Backbone of the Indian Economy

MSME has created almost 110 million employment opportunities. Nitin Gadkari in an interview stated that the Central and State government (including PSUs) together owe approximately ₹5.5 lakh

India's MSME Credit Exposure (In ₹ lakh crore)



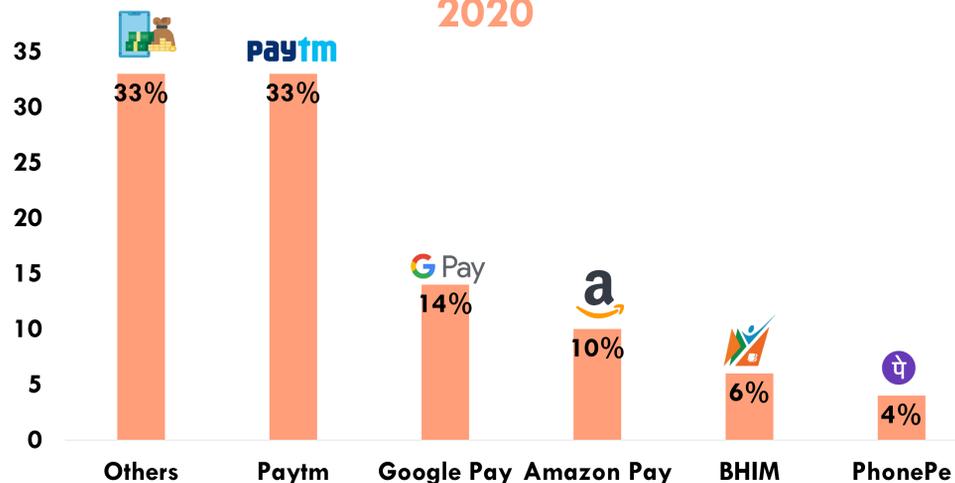
Source: TransUnion CIBIL

[Click Here to Know More](#)

Lifestyle Transformation from Offline to Online due to COVID-19

COVID-19 has disrupted our lifestyles to a great extent. The pandemic has led to the starting of a whole new digital era. From office meetings to school classes, from ordering groceries to making payments, everything is happening over the internet.

Impact on Digital Payment App Usage in India 2020



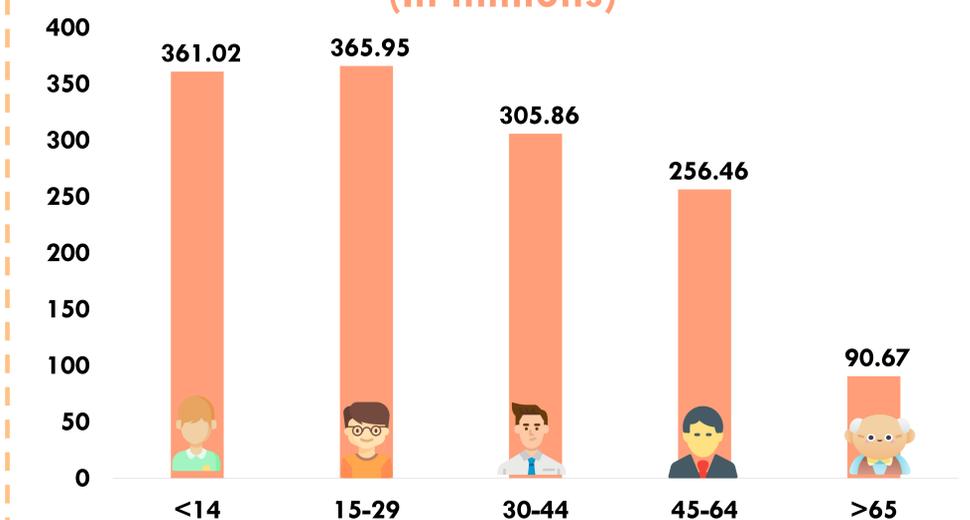
Source: Statista

[Click Here to Know More](#)

World Population Day 2020

Highlighting the problem of overpopulation, World Population Day aims to develop awareness about the impact of overpopulation on the environment. China and India are the only two countries housing over a billion people and together account for 36.28% of the total world population.

India's Population Demographics by Age (In millions)



Source: StatisticsTimes

[Click Here to Know More](#)

OPINION POLL

“This is a deeply sobering outlook, with the crisis likely to leave long-lasting scars and pose major global challenges. Our first order of business is to address the global health and economic emergency. Beyond that, the global community must unite to find ways to rebuild as robust a recovery as possible to prevent more people from falling into poverty and unemployment.”

-Ceyla Pazarbasioglu, World Bank Group Vice President for Equitable Growth, Finance and Institutions.

“More than 1 million people have recovered from Covid-19 in the country. This landmark recovery has been achieved because of the selfless work and dedication of our doctors, nurses and frontline workers”

-Rajesh Bhushan, Secretary of Health Ministry

“There's no question we are facing a difficult moment today, in India and around the World. The dual challenges to our health and to our economies have forced us to rethink how we work and how we live. But times of challenge can lead to incredible moments of innovation”

-Sundar Pichai, CEO of Alphabet

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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