Leveraged Growth

MONTHLY REPORT

APRIL 2022

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GLOBAL

Sri Lanka's Economic Crisis

Sri Lanka is called a "Frontier Economy" - an economy that is neither underdeveloped nor large enough to be classified as an emerging market. Such economies are typically reliant on a few industries. For the Sri Lankan economy- tourism, tea, and a few other agricultural products were a major contributor. With the onset of the pandemic the inevitable happened and the country's economy took a nosedive. As tourism stopped Sri Lanka slumped into the FEX crisis, with its foreign reserve plummeting by 70% in 2 years to $2bn and foreign debt soaring to $4bn. The seeds of the crisis were sown decades back, but the pandemic and the government's mismanagement only aggravated the mess. While the tourism industry was affected by the pandemic, the government's overnight decision to ban chemical fertilizer further impacted the economy. This had an impact on the tea plantations, and since tea was a key export commodity, the forex suffered even more. Additionally, the chemical ban resulted in a drop in domestic food production followed by a shortage of forex which impacted the import of necessary commodities, pushing up the food prices. Furthermore, because the country took out foreign loans to fund its infrastructure initiative, the repayment requirements have added to the forex market's stress.

Nepal Bans Import on Nonessential Items

Nepal has imposed a ban on imports of nonessential commodities like bicycles, rice, and gold, among other items amidst depleting foreign reserves. The step was taken to conserve foreign currency, as their gross reserves decreased by 16.3% to ₹1.17trn in March'22. The tourism sector and remittances bring a huge influx of foreign currency to the nation. The pandemic took a toll on the tourism industry and there was a decrease in the inflow of remittances. The rising prices for oil in the international market due to the Russia-Ukraine war and lack of export have exerted extra pressure on the foreign currency reserves of the country. Witnessing the current Sri Lankan economy, Nepal government's precautionary measures to avert such a crisis will hit India's export goal. Nepal is India's ninth-largest export destination accounting for over $9bn in exports in FY21 alone.

Indonesia Bans Export of Palm Oils

Because of its omnipresence and use in multiple products from cakes, and biscuits to beauty products and cleaning agents, Indonesia's abrupt ban on palm oil exports primarily to put a stop to the soaring inflationary pressure in the country will further aggravate the global food inflation. Palm oil is one of the most widely used cooking oils in the world, and India's reliance on Indonesia is poised to result in a supply-side shock. With its heavy import dependency on palm oil, the export prohibition can cause serious inflationary pressure in India. Sunflower and soyabean oil were already under strain due to the current Russia-Ukraine conflict, with imports nearly cut in half.

However, the situation was managed with other variants of oil. But the Indonesian oil ban might leave "serious repercussions" if not handled properly. If the government doesn't step in to find an alternate source to manage its imports, cooking oil is set to surge as high as 200% leaving the common people to feel the pinch.

Canada Bans Foreigners from Buying Homes

Who thought that companies getting shut down, and the employees getting laid off, will witness a boom in Canada's real estate sector?

As the housing prices soared more than 50% over the last two years, the government slapped a two-year ban on foreigners from buying houses in Canada to tame one of the most expensive real estate markets. As the global pandemic started, people began capitalizing on the low mortgage rates. The rising demand followed by a short supply caused the market prices to accelerate. Furthermore, the practice of blind bidding, in which bids are kept secret and purchasers wind up overpaying, has also caused the prices to skyrocket. However, the foreign buyer ban won't apply to students, foreign workers, or foreign citizens who are permanent residents of Canada. The government will also pump billions of dollars to boost the housing supply. Will the restriction bring down the meteoric price and the market to normalcy?

INDIA INC.

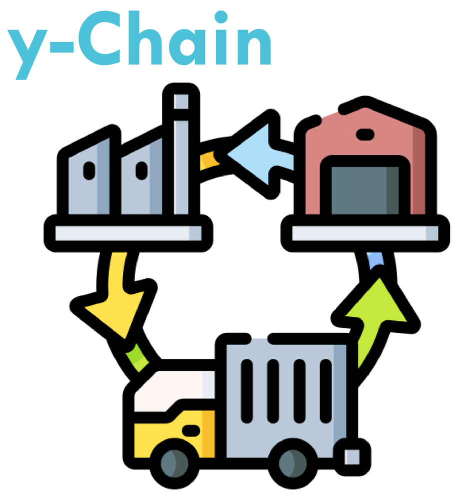
Rating Upgrades Show Improved Financial Health

Indian companies have experienced their best financial health in nearly a decade, which has been evident from the credit rating upgrades.

The industry credit ratio, which evaluates financial health as a proportion of upgrades versus downgrades, gained 172 basis points YoY to 2.81, marking the gauge's highest point in almost a decade. Despite some bouts of the pandemic, the aggregate credit ratios for FY22 rose significantly, indicating growth in the domestic economy. While consumer morale and demands are expected to increase this year, geopolitical instability in Russia and Ukraine and US Fed policies might sabotage the recovery. The China + 1 strategy had a significant effect on the recovery as many global companies sought alternatives to China to prevent the recurrence of supply disruptions.

Capex is expected from renewable energy, steel, infrastructure, oil, and gas as credit growth picks up. However, the quantum of Capex-related borrowing might be restricted due to the surging inflation and its possible impact on growth.

Indian Companies Rejigs their Supply-Chain



Following inflationary pressures triggered by Russia's invasion of Ukraine and widespread Chinese lockdowns that have disrupted supply chains, particularly automobiles, and changed the corporate environment, India Inc is rewiring organizational risk models. Companies have been obliged to explore sourcing alternatives in Indonesia, Thailand, Bangladesh, and Vietnam to reduce their reliance on China for raw materials and to counter the severe effect of commodity and input costs which they believe would erode operating margins.

It is difficult for companies to import and export products for the next two years because of a disrupted supply chain. Automobile component manufacturers have already begun manufacturing additional parts in the country, maintaining inventories, generating buffer supplies, and entering into long-term contracts.

Entry-level Salaries for the Software Services Firms Expected to Rise

After nearly a decade of stagnation, entry-level pay in Indian software services firms expected to climb up, owing to a covid-induced surge in demand that has resulted in high turnover and a hunt for new talent. Companies are willing to shred at least anywhere from 15% to 60% for new recruits. As part of their new hiring tactics, tech companies are modifying compensation to retain talent and reduce turnover, which has been at record levels for the previous two quarters. Despite non-compete restrictions between organizations to prevent applicants from joining a competing firm for employment when the project and customer specifics are comparable, employing and training freshers has appeared to be the only sustainable approach to satisfy demand. For the Indian IT industry, talent continues to be a massive competitive advantage. Companies are broadening the talent acquisition spectrum by putting more emphasis on equipping university graduates with today's in-demand new tech courses, expanding on-campus fresher hiring, offering financial incentives, and ramping up talent initiatives to enhance digital capabilities.

India to Launch its own E-commerce Network

The duopoly created by Amazon and Flipkart in the e-commerce sector has stymied the growth of small and medium sellers in the market. Indian retailers form the backbone of the economy. The preferential treatment provided by the behemoths to a handful of few big players through predatory pricing has wiped out a major chunk of small-scale retailers as they fail to keep up with heavily discounted pricing.

To end the dominance of the behemoths who are currently controlling over 50% of e-commerce trade, India will be launching its open network for digital commerce(ONDC) platform. The platform is aimed at creating an e-marketplace to support more than 30mn sellers and 10mn merchants online. It would concentrate on apps for buyers and sellers in local languages, focusing mainly on small businesses and rural consumers.

GOVT. POLICIES

UGC Consents to Dual Degree Programs

Apart from Ph.D. programs, the University Grant Commission has provided directives permitting undergraduates and postgraduates to undertake specializations in two degrees simultaneously. Global companies have broadened their recruitment focus to prefer students with multi-disciplinary exposure. It is the future Indian students who are to prosper.

As per the policy, students can pursue both academic programs in the physical mode provided that the class timings for the programs do not overlap. They also have the option to pursue one program in physical mode and another through online or distance learning.

The commission had first deliberated the issue in 2012, however, the idea was debunked. To be effective, this time the policy needs to address major issues faced by the previous commission - to attend two degrees simultaneously the universities first need to address that examinations are not held at the same time, students are not overburdened with the syllabus while maintaining the quality of learning and the timings of the classes do not clash. These issues if not addressed properly are set to defeat the purpose of the policy in the first place.

"Heal in India"

The government has provided a "booster shot" to the herbal medicine industry in India which is already an $18bn market today. In a bid to encourage health tourism in herbal medicine India is willing to give unique visas to anyone visiting the nation for AYUSH treatment. AYUSH's importance has been growing owing to the increased demand among people in traditional medicine. To help the exports the government has planned on introducing a unique identifier - "AYUSH Mark" on herbal products to regulate and authenticate high-quality AYUSH items for the global customers. Additionally, the government plans to establish a chain of AYUSH Parks to promote the study and native manufacture of long-established medical goods.

Battery Swapping Policy

Two-wheelers have remained a favorite option for Indian commuters. With fuel prices soaring, people are looking for alternatives to resort to EVs. However, rushing into production without proper quality checks has backfired for the companies big time. Social media was flooded with news of EV dealerships and transport containers catching fire. Most companies resort to importing batteries from China and assembling in India as it is the cheapest route for a price-sensitive market like India.

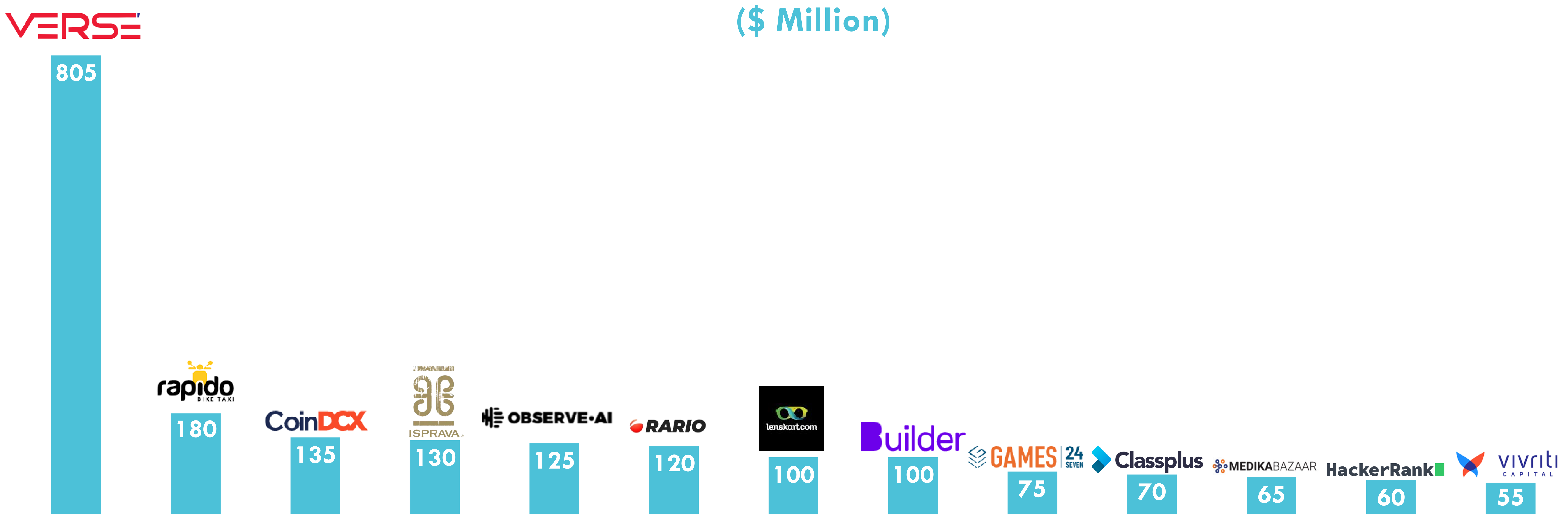
To combat the issue with cheap quality batteries, NITI-Aayog recently released the much-awaited policy draft for swappable batteries. The draft mandates swappable batteries to be configured with Smart Battery Management System (BMS) which will ensure cheap quality batteries from China are "kicked out" from production. The regulation also requires battery manufacturers to provide a unique identifying number for each battery they produce in order to facilitate identification.

MSME Credit Card

To become a $3trn economy, "Atmanirbharta" is the key. While the startup sector booming with fundraises is helping the cause, the growth of the MSME sector plays a pivotal role in achieving the target. The MSME industry's data is scattered, and the absence of current data on the country's overall MSMEs and their profiles has hampered the sector's development. As a result India's official banking system now serves less than 40% of MSMEs. Credit is the backbone of small businesses. To make sure the sector has adequate liquidity the 'Parliamentary Standing Committee on Finance' has proposed a credit card for the MSME entrepreneurs. Initially, the government intends to create a single data repository for the whole MSME sector by connecting numerous databases, so that lenders can access the information needed to grant loans. Borrowers can utilise the credit card to avail financing at a lower interest rate from the formal banking sector. While lenders may be hesitant to make large-ticket loans to MSMEs without collateral over a longer period, short-term loans of up to 90 days can be beneficial for them – a win-win for both.

START-UPs

Major Funding raised by Startups for the period 28th March'22 to 23rd April'22 ($ Million)



Source: Entrackr

This month 115 start-ups raised approximately $3014mn. From a funding boom to witnessing mass layoffs the last quarter was a "roller-coaster" for the startup industry.

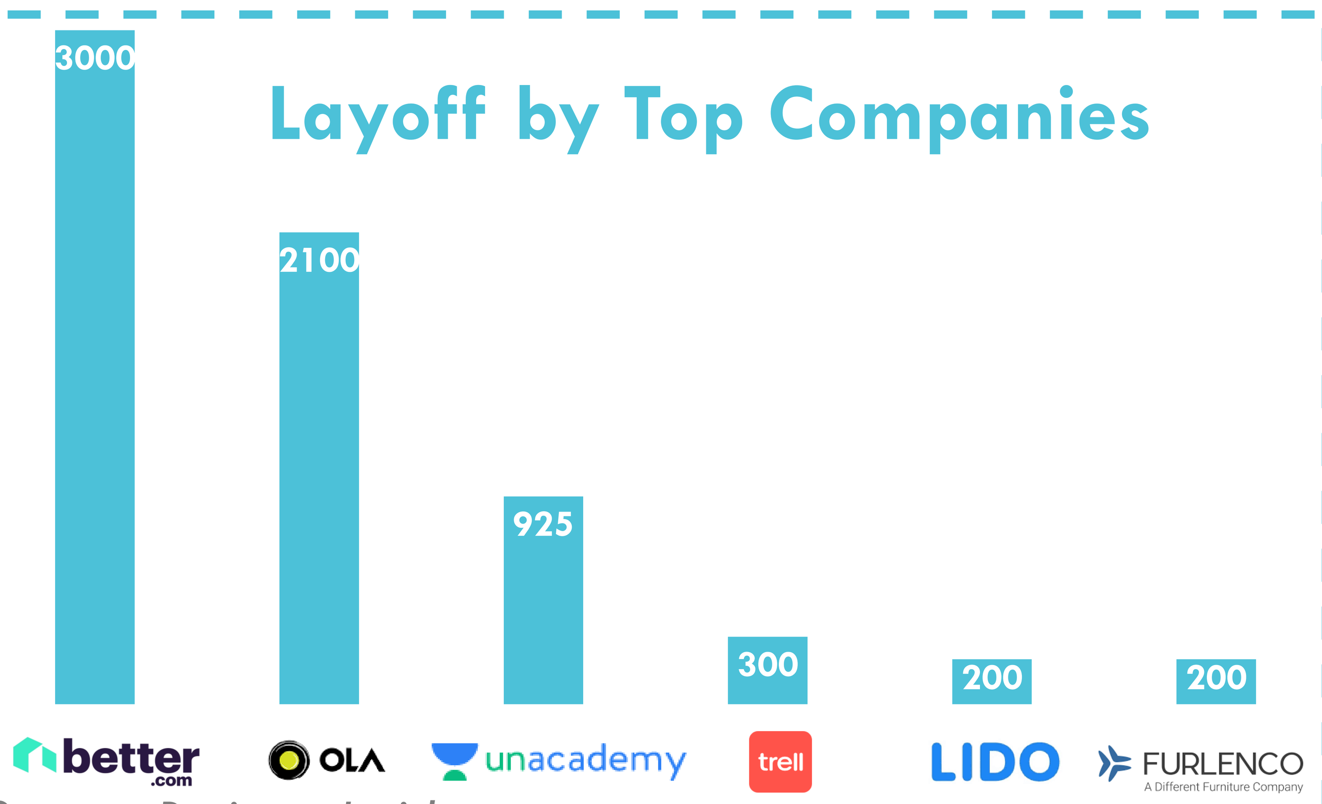
Phool Co.

Every year about 800mn tonnes of flowers from temples and mosques are discarded and dumped into water bodies causing various environmental problems. Phool Co, the first biomaterial startup has presented the solution to this problem. It is a direct-to-consumer brand that uses floral waste from temples in Uttar Pradesh to make organic fertilizer, bio-leather, and charcoal-free premium incense products via its 'flower cycling' technology. Moreover, the company employs women from self-help groups in turn empowering them. With its latest fundraise Phool Co intends to expand its operations, discover untapped domestic and worldwide growth potential, and create India's largest fragrance brand with its novel funding.

MediSage

It is often difficult to connect and interact with professionals from one's own vocation. MediSage, a global community platform that provides individuals from medical backgrounds to interact with each other is bridging the gap. Through its website, the company is offering an opportunity to the brightest medical minds to come together to share information and collaborate on medical issues. The website offers medical professionals to communicate, discuss case studies from subject matter experts, read the latest medical news, and host webinars. It is trying to fill the gap between patient and doctor readiness to deal with newly discovered diseases.

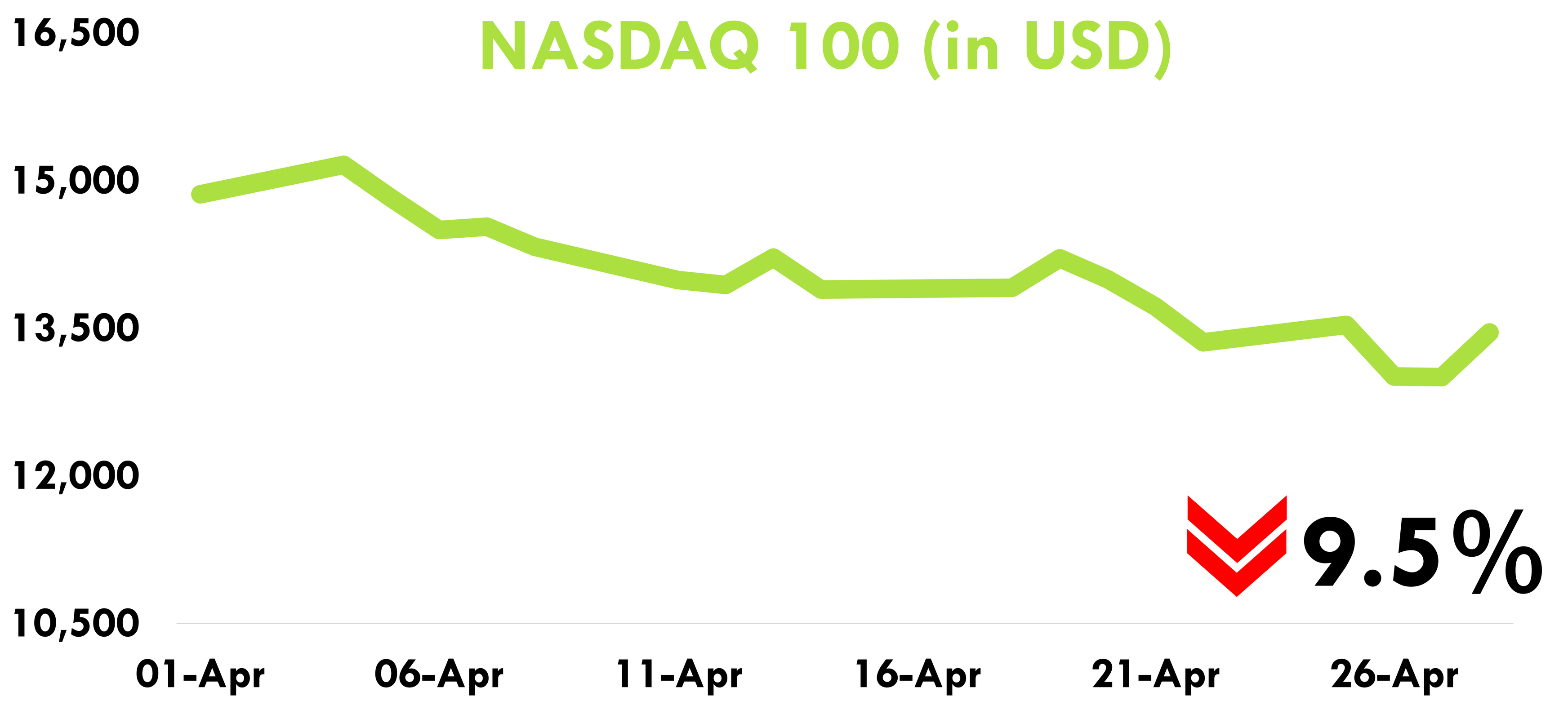
In the last four months, Indian start-ups have laid off more than 5,700 employees. Albeit news of start-ups downsizing or restructuring has become an accepted norm, further analysis makes it evident that cost-cutting measures is the primary motivation behind such actions. Having said that, these are the same start-ups that have mopped up over $10bn in funding during the Q1 of 2022. One might be wondering why this is happening to most start-ups even when they have a lot of funds with them?



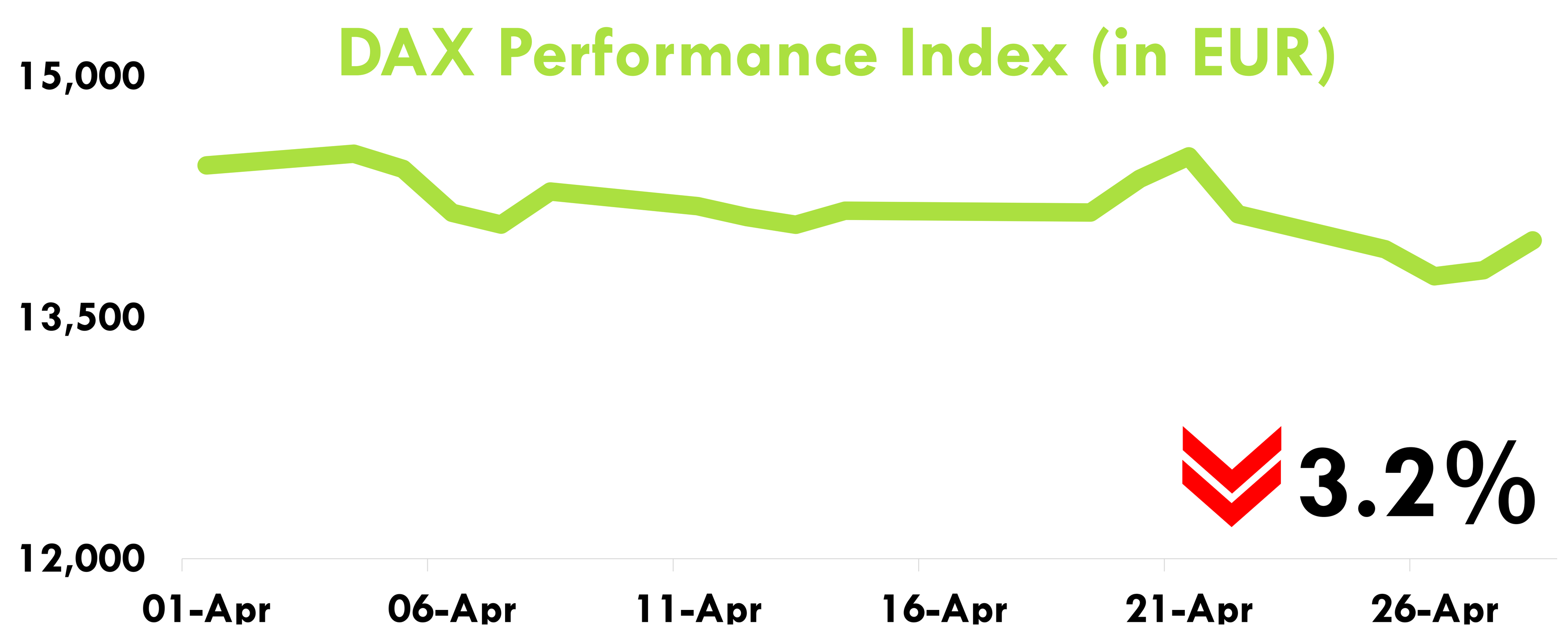
Source: Business Insider

Firstly, it is the bullish behavior of founders who want to try every avenue for growth. Entrepreneurs bet big but crash often. They use the funds for new verticals but may not be able to unlock growth, thereby putting pressure on the overheads. Secondly, overambitious planning and strategizing by start-ups makes them hire staff thinking that it will lead to expansion and growth. Lastly, all start-ups are using the "shrink to grow" outlook to attract venture capitalists and investors who demand a plan of action from these start-ups.

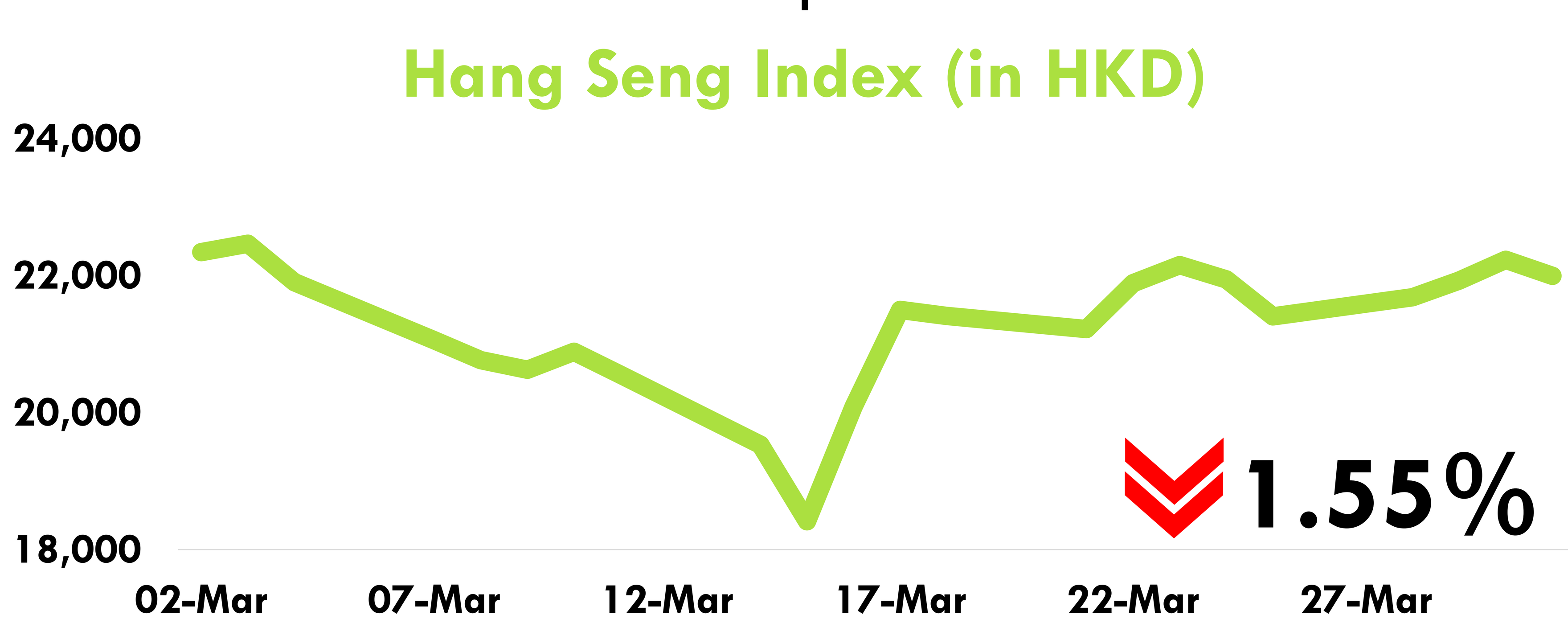
GLOBAL INDICES



After a brief increase in the first few trading days, the index has been on a negative trend for the whole month. This occurred against the backdrop of major corporations such as Google and Boeing missing earnings projections for the January-March quarter. Investors are still waiting for more companies to release their earnings before taking market positions.

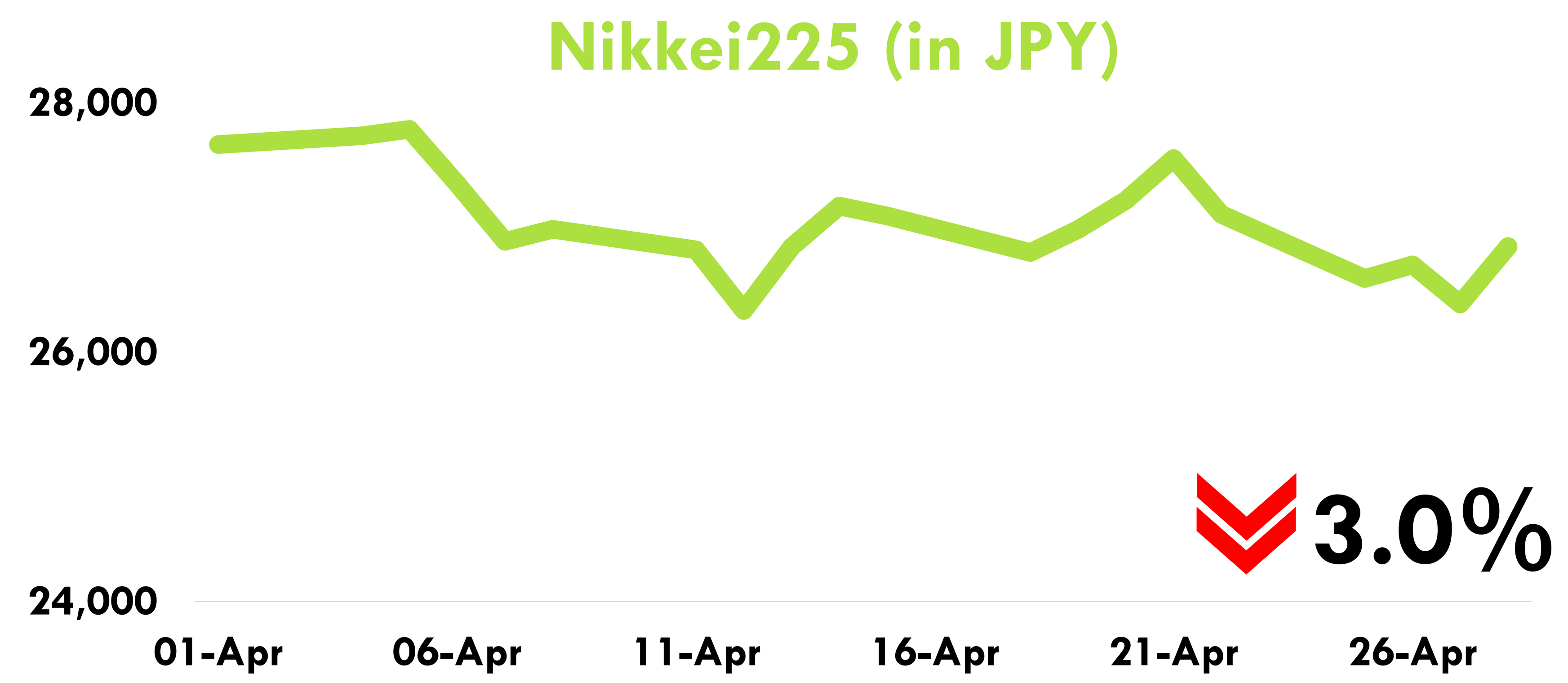


DAX plunged 4.78% within the first three weeks of April due to heavy headwinds from continued Chinese lockdowns and a predicted aggressive tightening cycle by the US Fed. Riding on the gains of the technology stocks which reported good earnings, the index recovered in the final week of the month to minimize its dip.

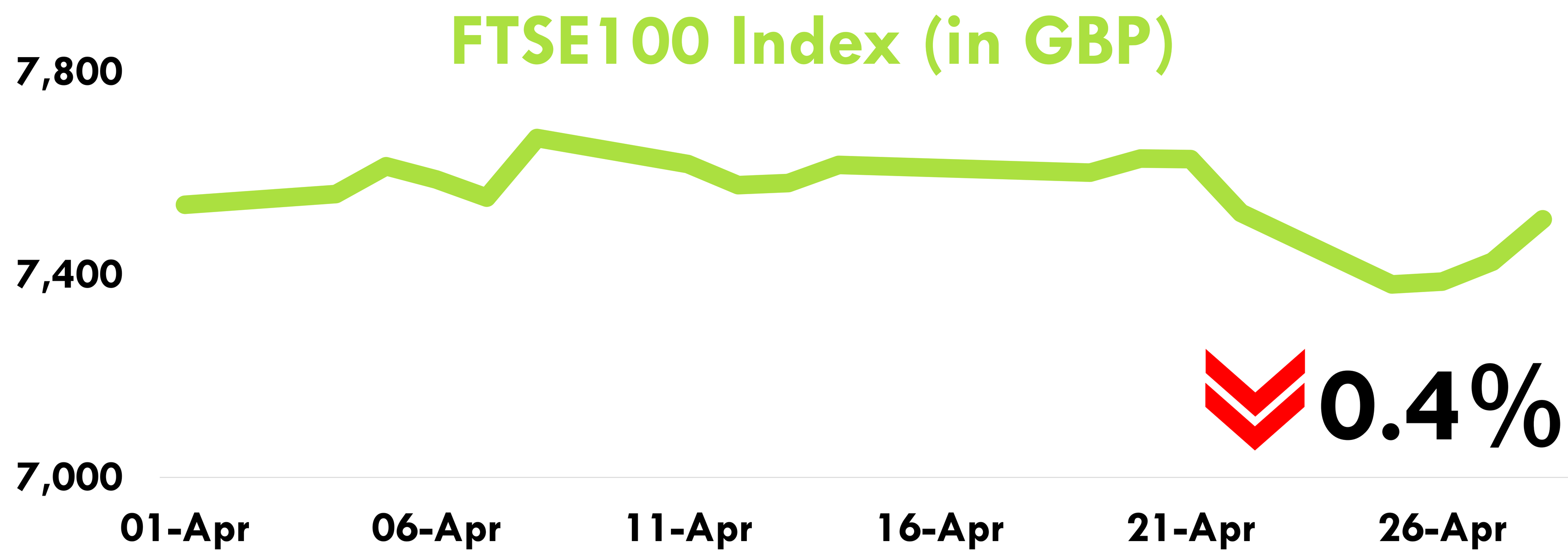


After a whopping 8.95% downward movement in the first three weeks of the month owing to lockdown fears amidst rising covid cases in Mainland China, the index recovered significantly on the last trading day to minimize its dip throughout the month. The promise of policy support to meet the country's growth target faster while adhering to the "zero-covid" strategy brought in positive sentiments from the investors.

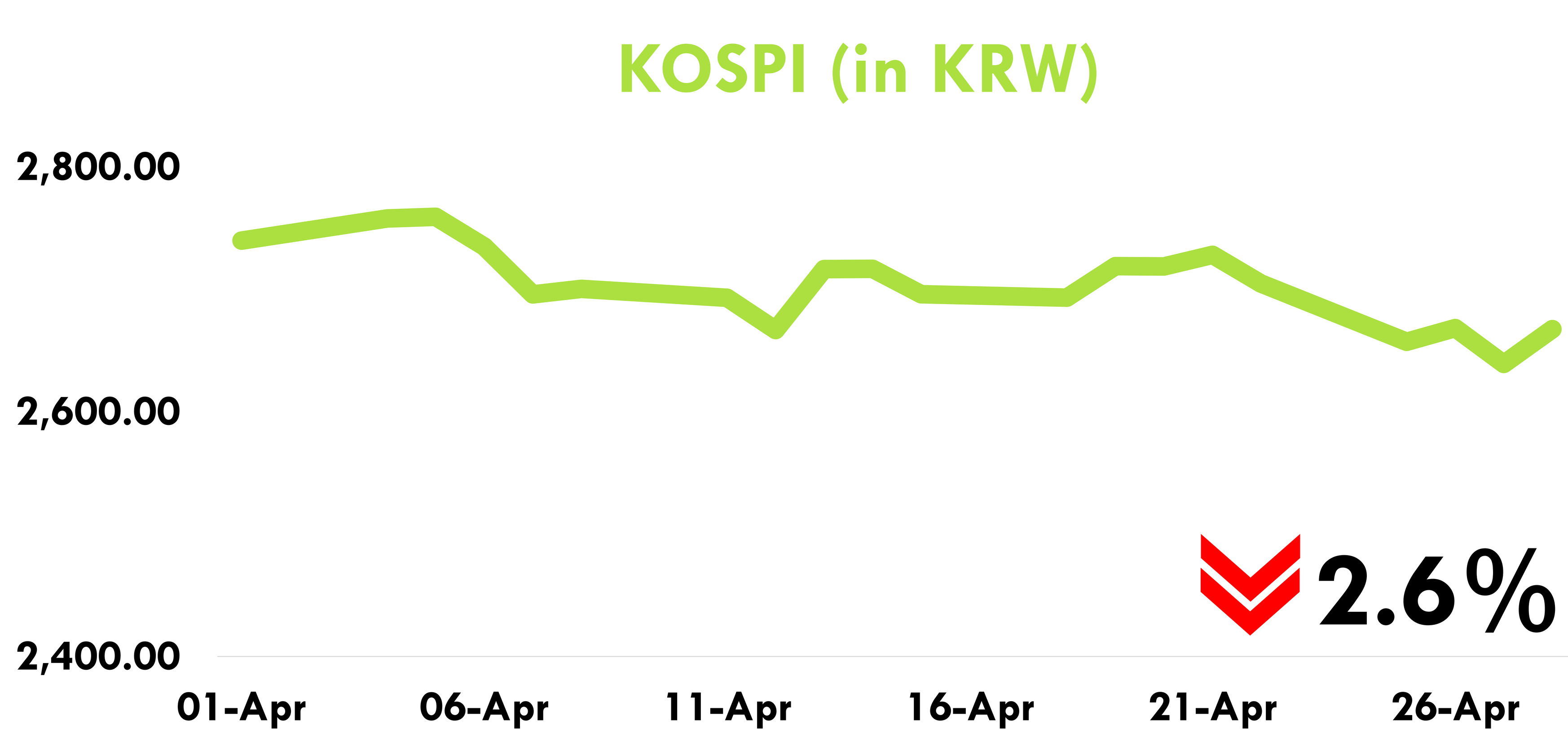
Source: Investing



The Index was on a downward movement owing to shutdowns in major Chinese cities due to coronavirus outbreaks and the war in Ukraine weighing the sentiments. However, after the announcement of the Bank of Japan's stimulus program which pledged to maintain interest rates ultra-low to help the fragile economy, the market recovered from the previous session's severe losses.



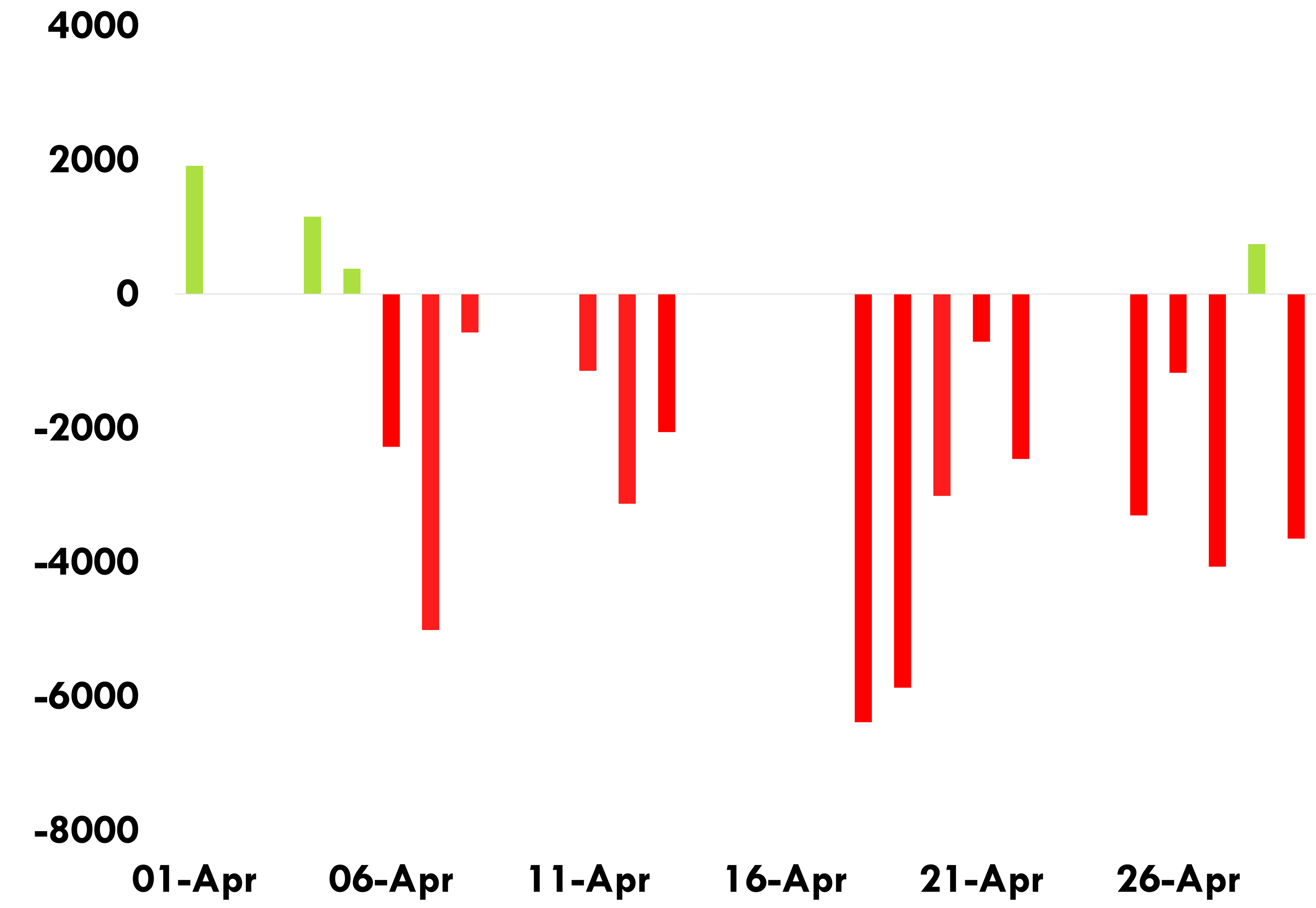
FTSE 100 plunged 2.09% in the first three weeks of April. However, following an encouraging morning in Asia and Wall Street, the index traded marginally higher in the final session of the month. NatWest's pre-tax earnings increment by 41%, aided the index to recover from its monthly low. Also, positive Q1 results from index composites like AstraZeneca, Reckitt Benckiser and Unilever helped FTSE recover.



For a straight fourth week, the index was on a downward slump, as investors poured in more money in ETFs connected to US and China as loss in domestic equities have pushed them to go abroad for a better return. However, the index is up for a correction in the upcoming months as the worldwide outlook for Asian markets is positive.

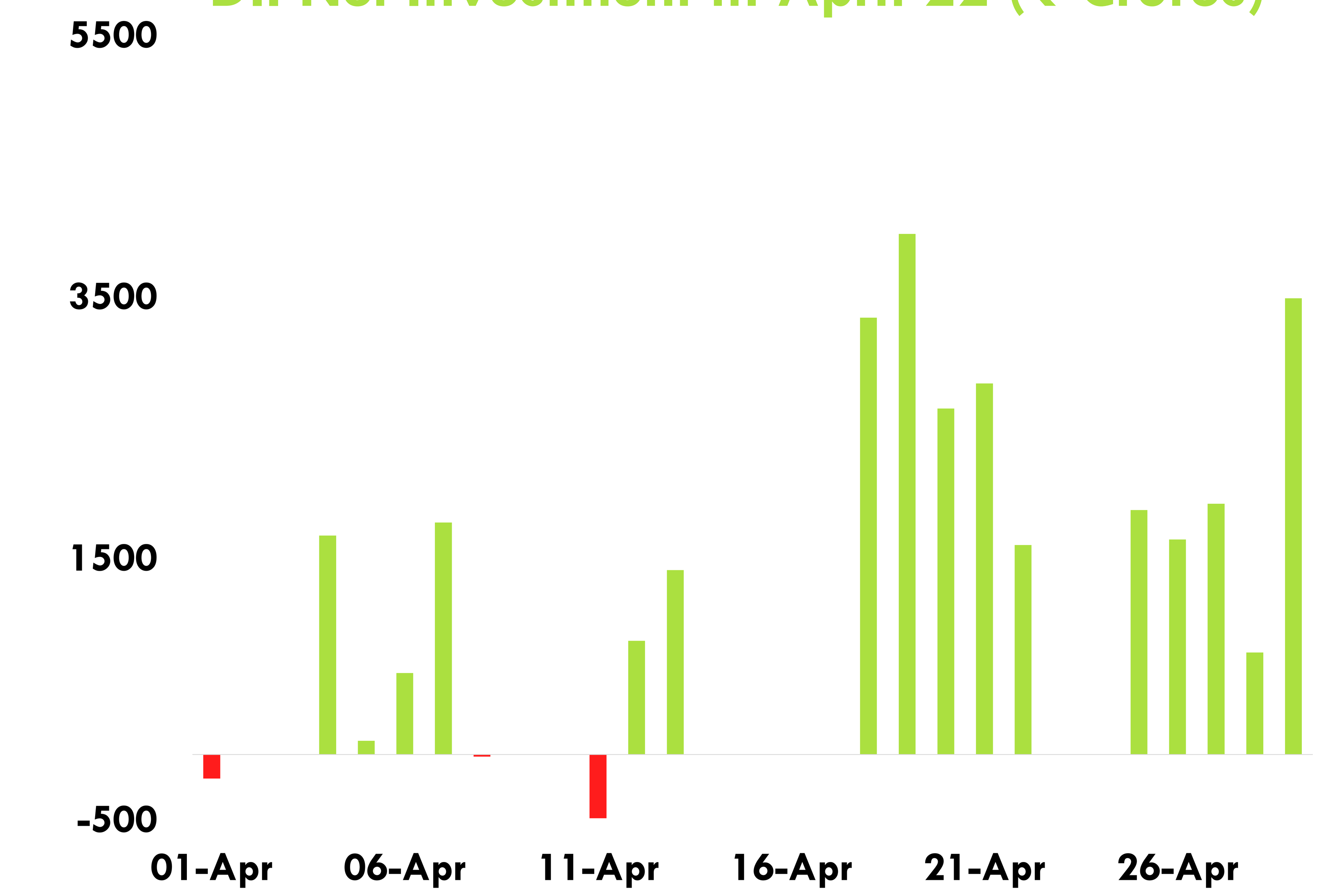
EQUITIES

FPI Net Investment in April'22 (₹ Crores)



Source: NSDL

DII Net Investment in April'22 (₹ Crores)



Source: NSDL

Foreign investors turned out to be net sellers once again as they have extracted over ₹4,500cr from the Indian equity market due to the aggressive rate hike by the US Federal Reserve. After a six-month selling spree, foreign investors invested ₹7,707cr at the beginning of the month as a result of a correction in the Indian equity market. Unfortunately, due to rising geographical tensions and the US interest rate hike, along with the RBI planning to take an action to control the rising inflation in India, FFIs were prompted to pull out their money from the Indian stocks. On the contrary, the domestic institutional investors came to the rescue and infused funds into the market.

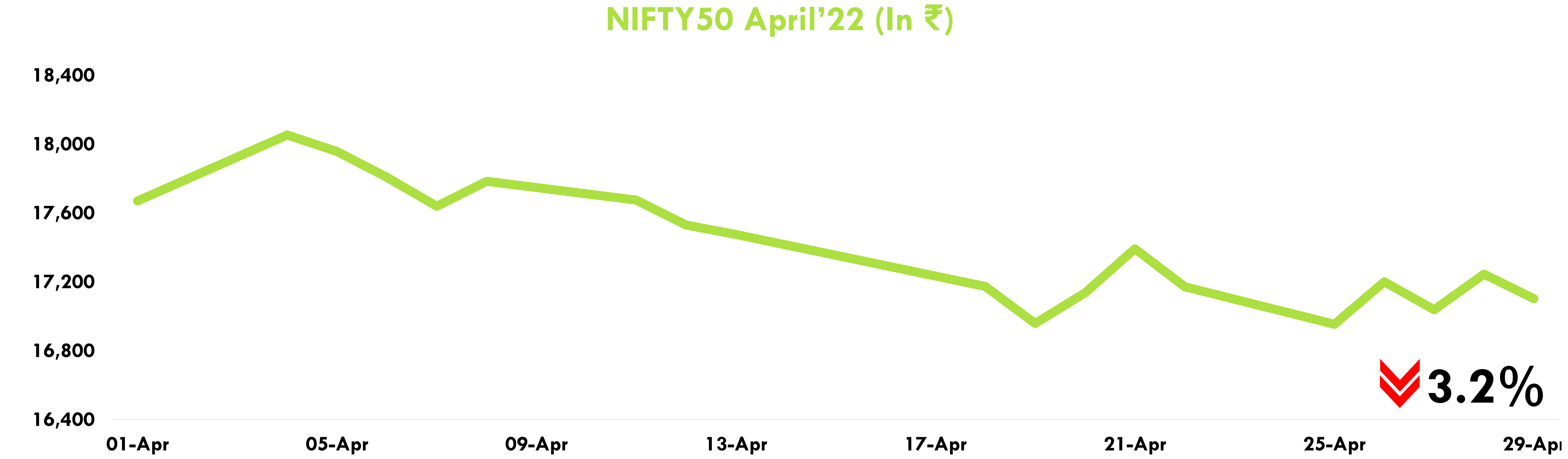
Implementations of Stricter Norms Won't be Delayed by SEBI

The Securities and Exchange Board of India (SEBI) is firm on its statement of not further delaying the enforcement of the tighter norms for anchor investors for IPOs involving large issues. The regulator has relaxed the rules for all IPOs valued at more than ₹10,000cr until 1st July'22. Earlier the duration of the share allotment to the investors was subject to a 30-day lock-in period, now it has been changed to a 90-day lock-in by the regulator. The impact of these norms is yet to be noticed. However, there is a high possibility of preventing the anchor investors from participating in the upcoming IPOs, especially those of the large issuers. Investment bankers handling the forthcoming LIC IPO have already approached SEBI regarding relaxation of these norms as it might result in a lesser number of subscriptions.

Index	1st April'22 (In ₹)	29th April'22 (In ₹)	Change (%)	Trend
NIFTY Auto	10,676.9	11,078.1	⬆ 3.8	
NIFTY Bank	37,148.5	36,088.2	⬇ -2.9	
NIFTY Consumer Durables	27,286.6	27,520.5	⬆ 0.9	
NIFTY Financial Services	17,467.2	16,636.6	⬇ -4.8	
NIFTY FMCG	36,712.3	38,204.3	⬆ 4.1	
NIFTY IT	36,343.4	31,622.4	⬇ -13.0	
NIFTY Media	2,420.6	2,149.7	⬇ -11.2	
NIFTY Metal	6,477.2	6,327.3	⬇ -2.3	
NIFTY Oil & Gas	8,047.9	8,149.9	⬆ 1.8	
NIFTY Pharma	13,579.9	13,462.9	⬇ -0.9	

Source: NSE

NIFTY50



Source: NSE India

The index remained highly volatile throughout the month due to the geo-political tensions and supply chain issues. The index showed sharp uptrends in the initial weeks as the news of the merger of HDFC-HDFC Bank poured in positive sentiments. However, it took a nosedive after Indonesia imposed a ban on export of palm oil resulting in concerns over food and fuel inflation in both the domestic and global markets.

The Synergy of Jio-BP and TVS Motor

Reliance BP Mobility Limited (RBML) and TVS Motor Company joined hands to step into the construction of an elaborate public electric vehicle charging infrastructure. The partnership would bring to the table, access to the extensive Jio-bp charging network by RBML.

It is in the process of creating a charging ecosystem to revolutionize the EV value chain and open new prospects for the stakeholders. On the other hand, TVS has taken leaps in producing new electric mobility products. As a part of the partnership, RBML would benefit from the growing electric two & three-wheeler sales of TVS providing them with a steady revenue stream, whereas TVS will benefit from access to RBML's charging infrastructure.

Another addition to the Adani Group

Adani Ports and Special Economic Zone Ltd. (APSEZ), through its subsidiary, The Adani Harbour Services Ltd. has acquired a 100% stake in Ocean Sparkle Limited (OSL) for ₹1530cr. Founded in 1995 by a group of marine technocrats OSL is India's largest third-party marine services provider.

OSL has an asset base of over 100 vessels with its key activities being towing, piloting, and dredging. The company has a presence in all the major ports, 15 minor ports, and all 3 LNG terminals in India, along with significant operations in countries like Saudi Arabia, Oman, Qatar, Sri Lanka, etc. Given the synergies of OSL and Adani Harbour Services, the consolidated business is likely to double in five years while providing a platform for APSEZ to build its presence in other countries.

Top Gainers in NIFTY50 for April'22

Company Name	Change (%)
M&M	19.2
NTPC	16.3
Hero Motocorp	13.4
HUL	12.5
Adani Ports	12.4
HDFC Life	11.4
TATA Cons. Prod	10.8
Shree Cements	9.6
Nestle	8.3
Power Grid Corp	7.8

Top Losers in NIFTY50 for April'22

Company Name	Change (%)
Hindalco	-23.6
Tech Mahindra	-17.3
Infosys	-16.9
Wipro	-15.6
Bajaj Finserv	-9.6
HCL Tech	-7.6
ONGC	-6.2
Cipla	-5.6
Bajaj Finance	-5.2
Tata Steel	-4.8

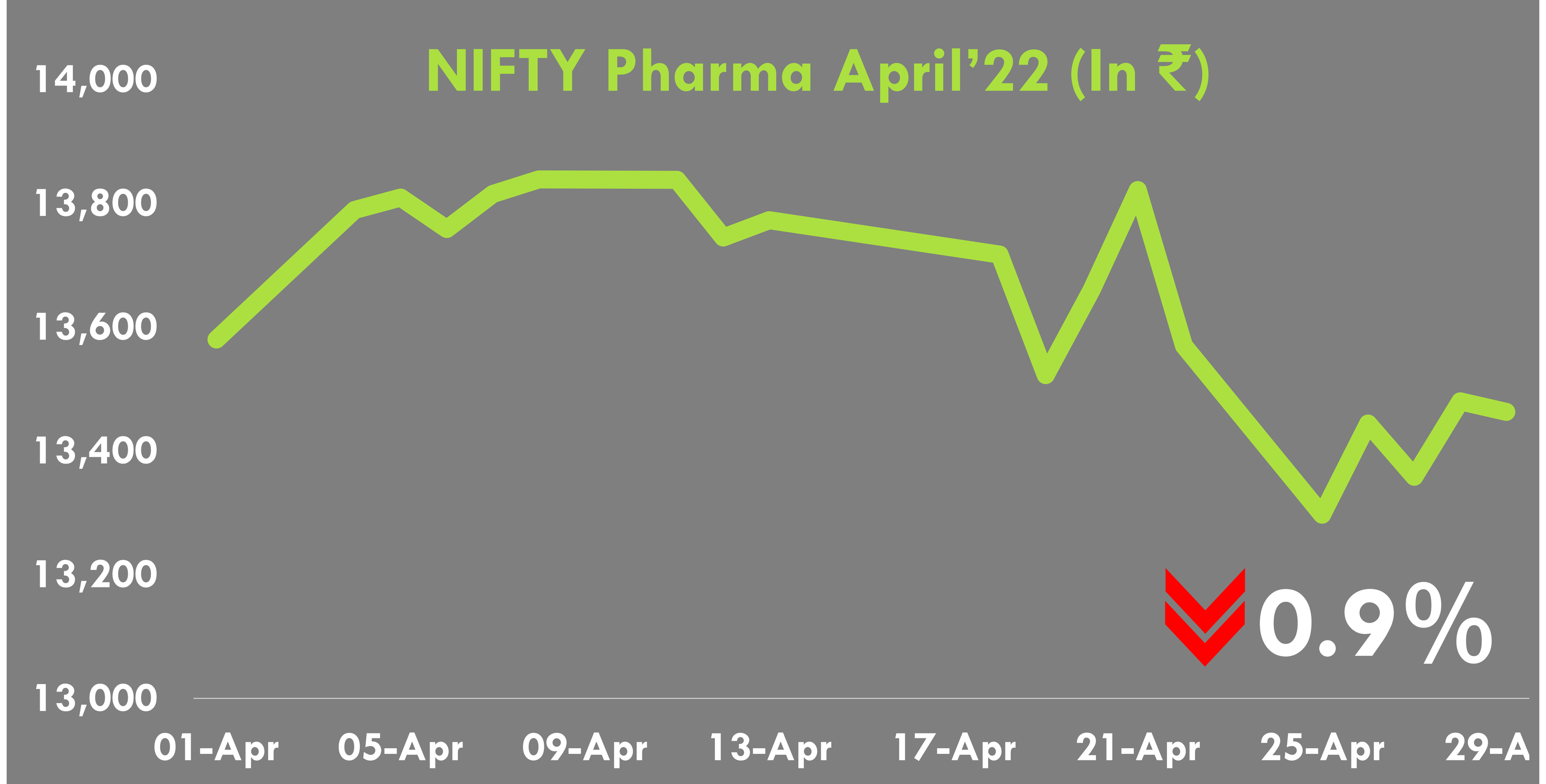
Source: NSE India

SECTOR UPDATES

Pharma Sector

The index fell to its monthly lows after a reasonable first half, only to recover in the later sessions. The downward trend was aided by supply chain disruptions caused by weak global cues and a prolonged Shanghai lockdown to minimize the Covid spread. The steep spike in the cost of critical ingredients such as APIs and packaging materials, which are largely imported from China, added to the mix.

Biocon turned out to be the best performer for the month, jumping more than 8% on good Q4 earnings, while Alkem Laboratories Ltd performed the worst.



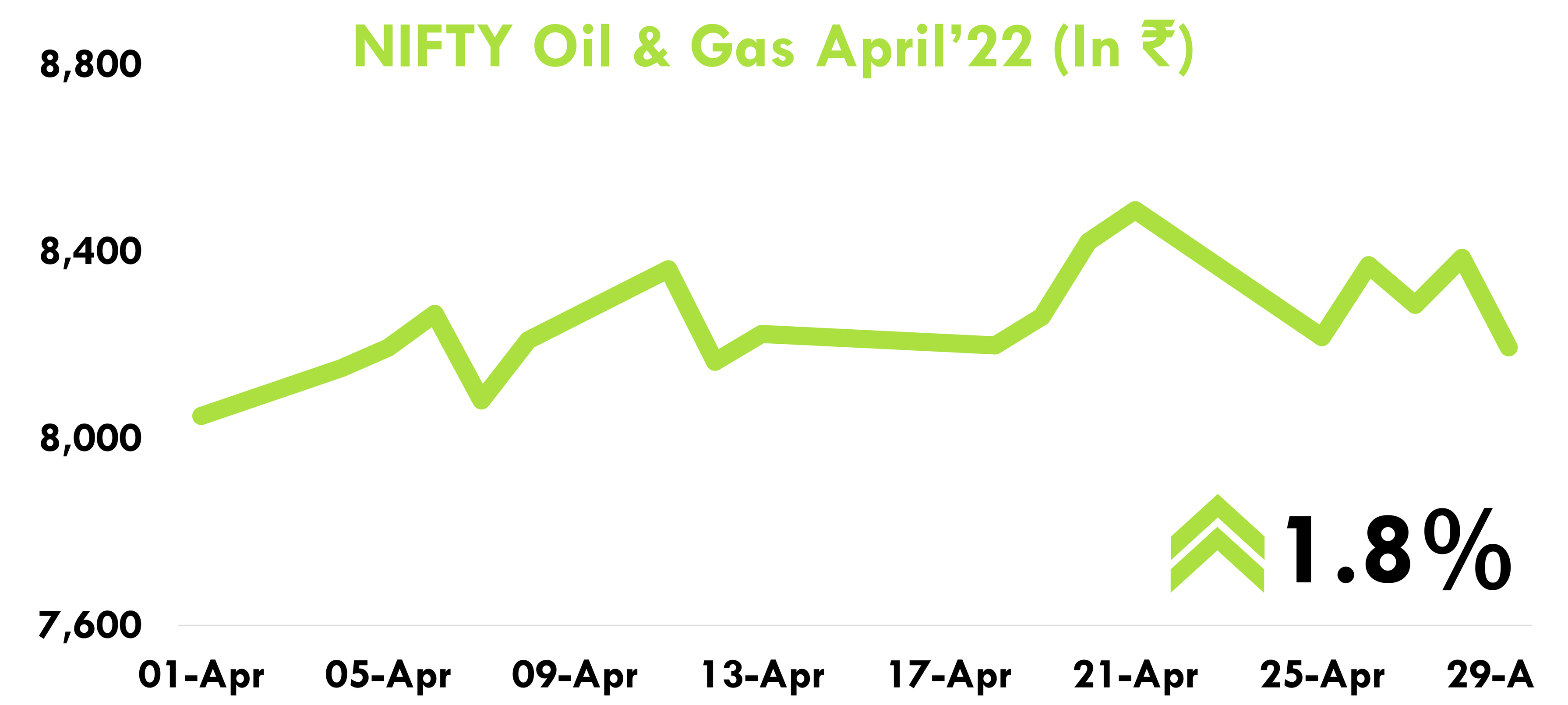
Source: NSE

FMCG Sector

Although the overall outlook of the FMCG index showed positive movement, it remained volatile throughout the month. Crude oil prices coming down, government's attempt to source oil at much lower prices, as well as recording an all-time high exports, resulted in the uptrend. However consumer goods companies are expected to report single-digit revenue growth and negative or negligible volume growth in the March quarter, due by continuous price hikes. Profit margins will remain under pressure owing to a higher input cost due to the geopolitical crisis. Also, Indonesia's ban on palm oil exports shocked global edible oils markets that reached a record high prices this year, which may have a cascading effect on India's edible oil prices. Varun Beverages topped the charts with a MoM change of 16.01% as it announced a 1:2 bonus share issue.

Oil and Gas Sector

The month began with the index rising over the previous month, but it quickly became volatile, maintaining within a small range for the remainder of the month. With crude prices currently hovering around $100/barrel, fuel retailers have begun to pass on the higher costs to their customers, resulting in a drop in demand. Oil refineries, on the other hand, are likely to have higher profits this quarter due to the discounted Russian oil they are importing. Adani Gas was the best performer for the month with a MoM change of more than 12%. The development of piped city gas distribution network ticked in its favor.

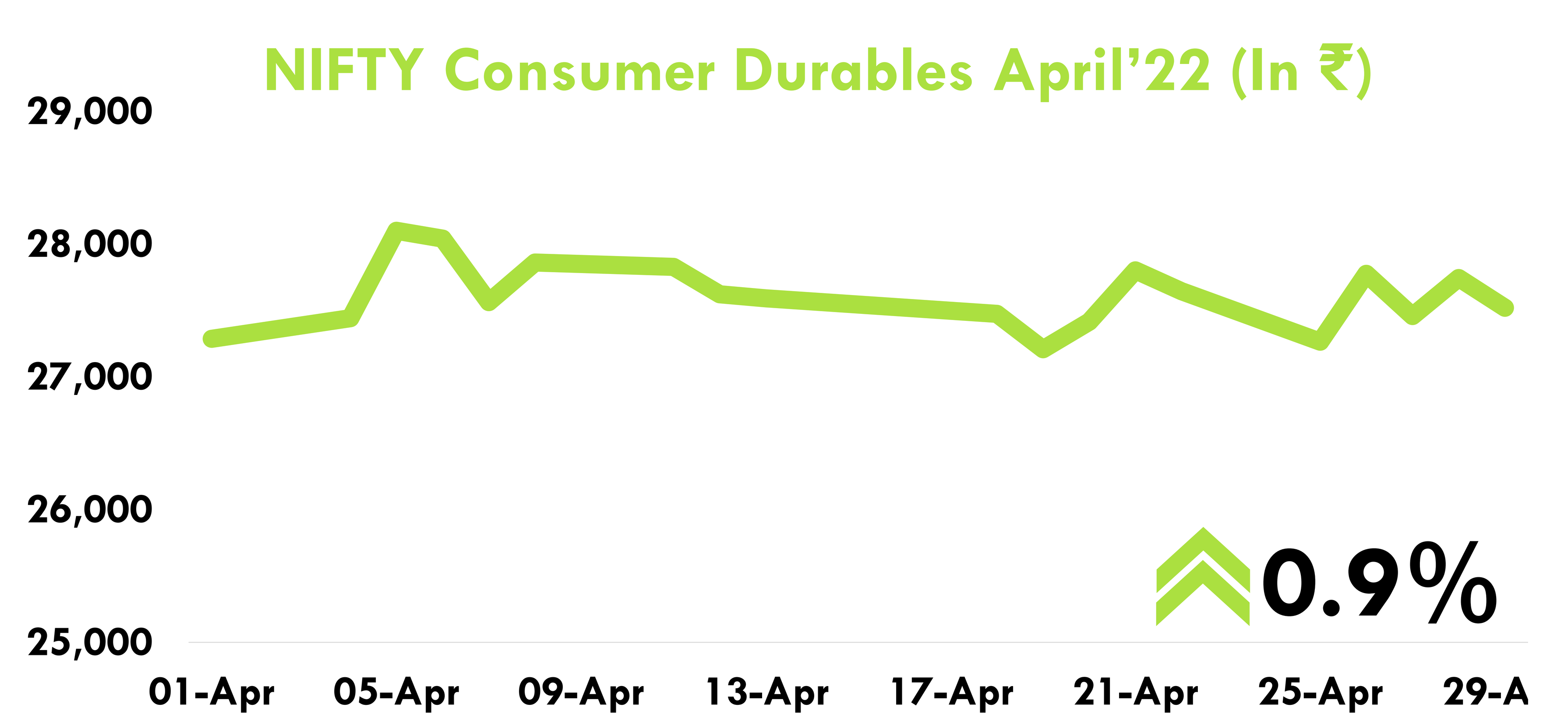


Source: NSE

Consumer Durables Sector

The index remained highly volatile throughout the month. The high demand for seasonal products like AC, coolers, fans, and refrigerators due to the early onset of summer resulted in an upward movement during the first week. However, due to supply chain disruptions, profit margins remain under pressure due to high overhead costs and rising commodity prices like aluminum, copper, and PVC. Also, sharp increases and volatility in gold prices and uncertainty due to a fragile geopolitical situation caused unsteady movement of the index.

Havells India became the top gainer with a 13.71% rise on expectations of demand recovery and attractive valuations.



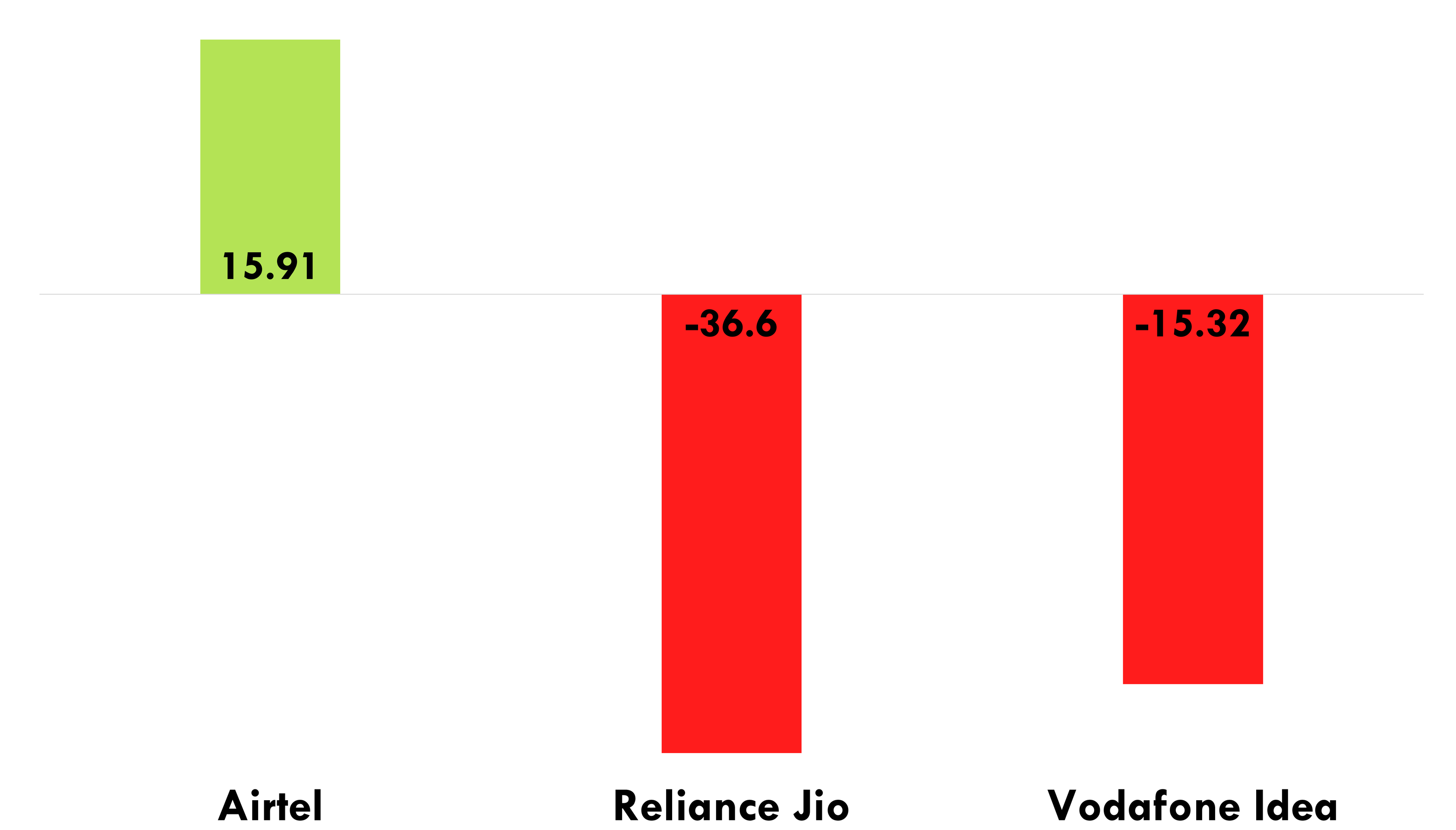
Source: NSE

SECTOR UPDATES

Telecom Sector

Vodafone Idea, Airtel, and Reliance Jio are expected to report a sturdy average revenue per user and sequential revenue growth in the fourth fiscal quarter, due to the sharp tariff hikes that took place last November. But subscriber additions will remain muted post-the hike, and Jio will continue to clean up low-paying users to improve its VLR subscription rate. Vi expects its India mobile revenues to increase by around 5.5% in March, while Airtel and Jio are expected to report 10% sequential growth. Also, the Telecom industry body Cellular Operators Association of India (COAI) recommended cutting down the spectrum prices of 5g by 35% to 40% as the suggested price by TRAI is too high.

Addition During Feb'22 (Lakhs)



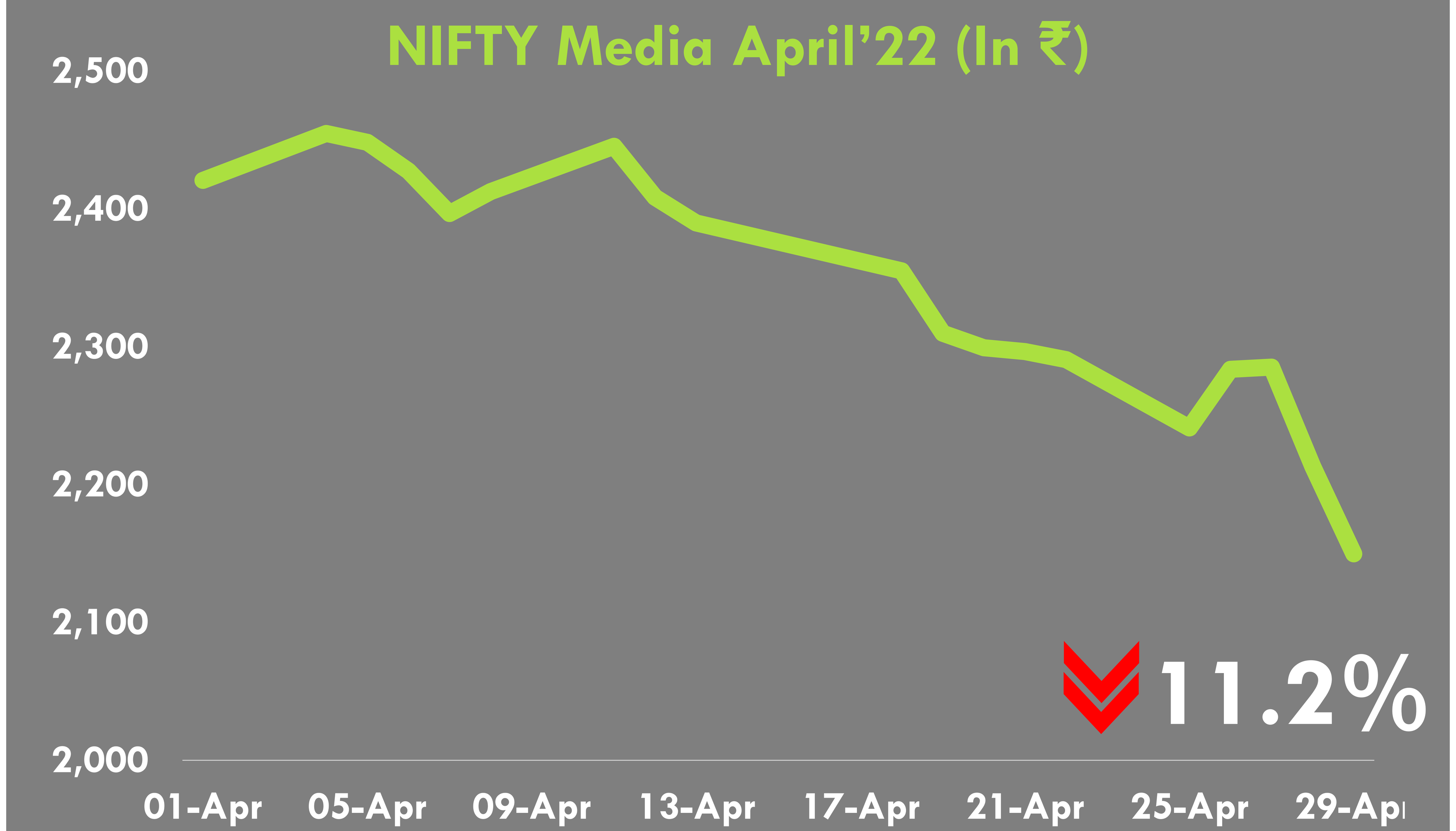
Source: TRAI

Auto Sector

Since Covid, the auto sector has been pressed by supply-side woes, low uptake in consumer demand, and narrowing margins due to the inflation in raw material prices. The rural demand for the two wheelers weakened with the rise in ownership cost and fuel prices as well as due to the higher penetration of the EVs. However, the index is expected to gain momentum in the upcoming sessions as the consumption in the low-to-middle income groups and rural areas improves on account of a gradual uptick in the economic activities. Hence, excess liquidity in the market aided by the sell-off in the IT companies and merger of HDFC twins brought buying sentiments in this sector. The auto stock's cheap valuation and favorable risk-reward profiles were the contributing factors.

Media Sector

Nifty Media sustained a bearish pressure throughout the month, mirroring the weak global market cues as the investors looked for safe havens securities. Profit booking was present in the TV 18 and Network 18 as RIL-owned Viacom 18 announced a strategic partnership with Bodhi tree systems to form one of the largest streaming and TV companies. Viacom 18 is also set to head against Disney, Amazon, and the Sony group for the IPL media rights.

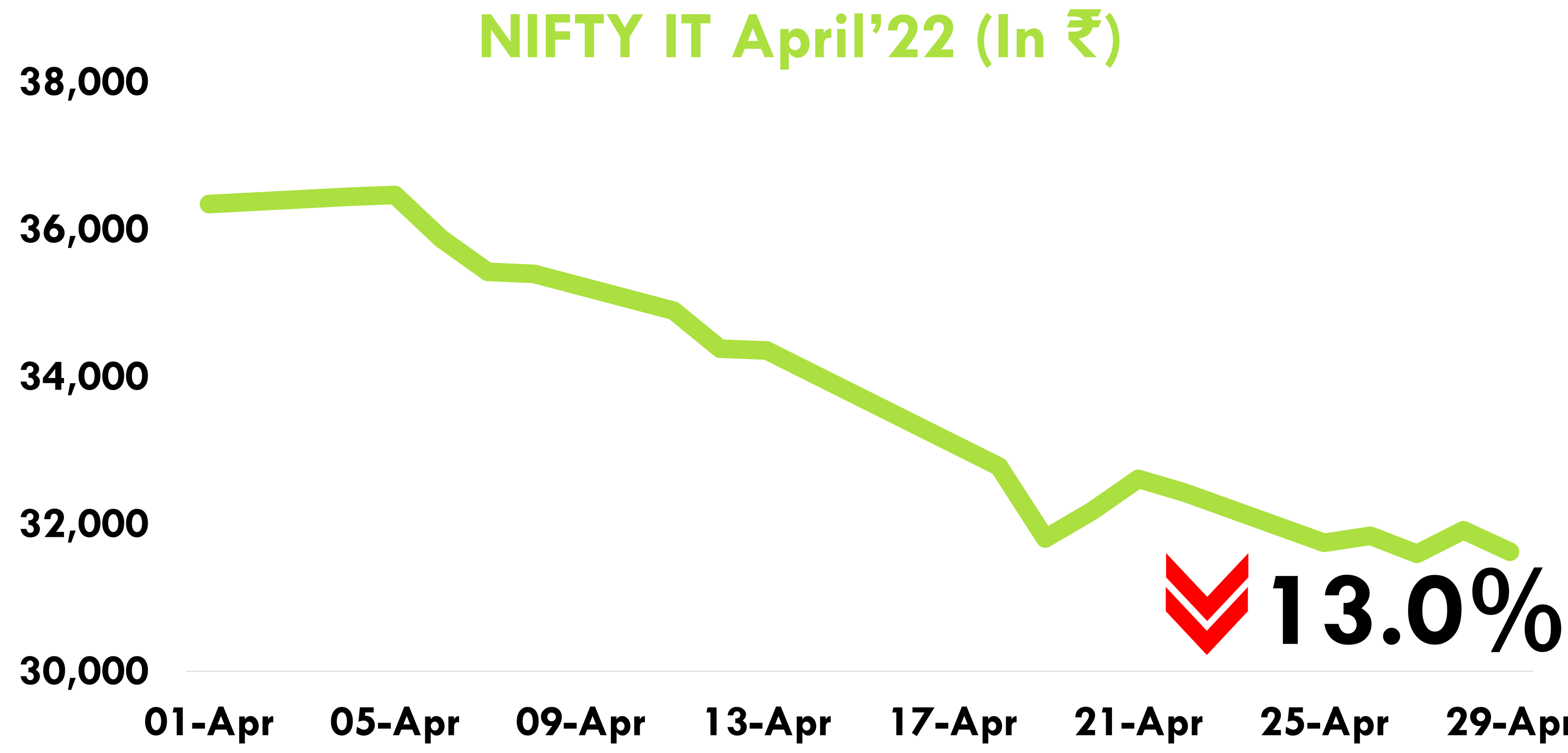


Source: NSE

IT Sector

The index lost its sheen in April amid intense selling pressure at the fag end of trade as a fresh assault by Russia against Ukraine dragged down European stocks. The markets became volatile ahead of the Q4 results of the tech companies. However, the index heavyweights like Infosys, TCS, and Wipro witnessed a sell-off. The selling pressure was due to the IT company's high valuation compared to the broader index, never seen levels of employee attrition (19%), margin deterioration, and subdued earnings growth in the Q4FY22. The sector is expected to underperform in the near term but continues to gain from the appreciating Dollar.

NIFTY IT April'22 (In ₹)

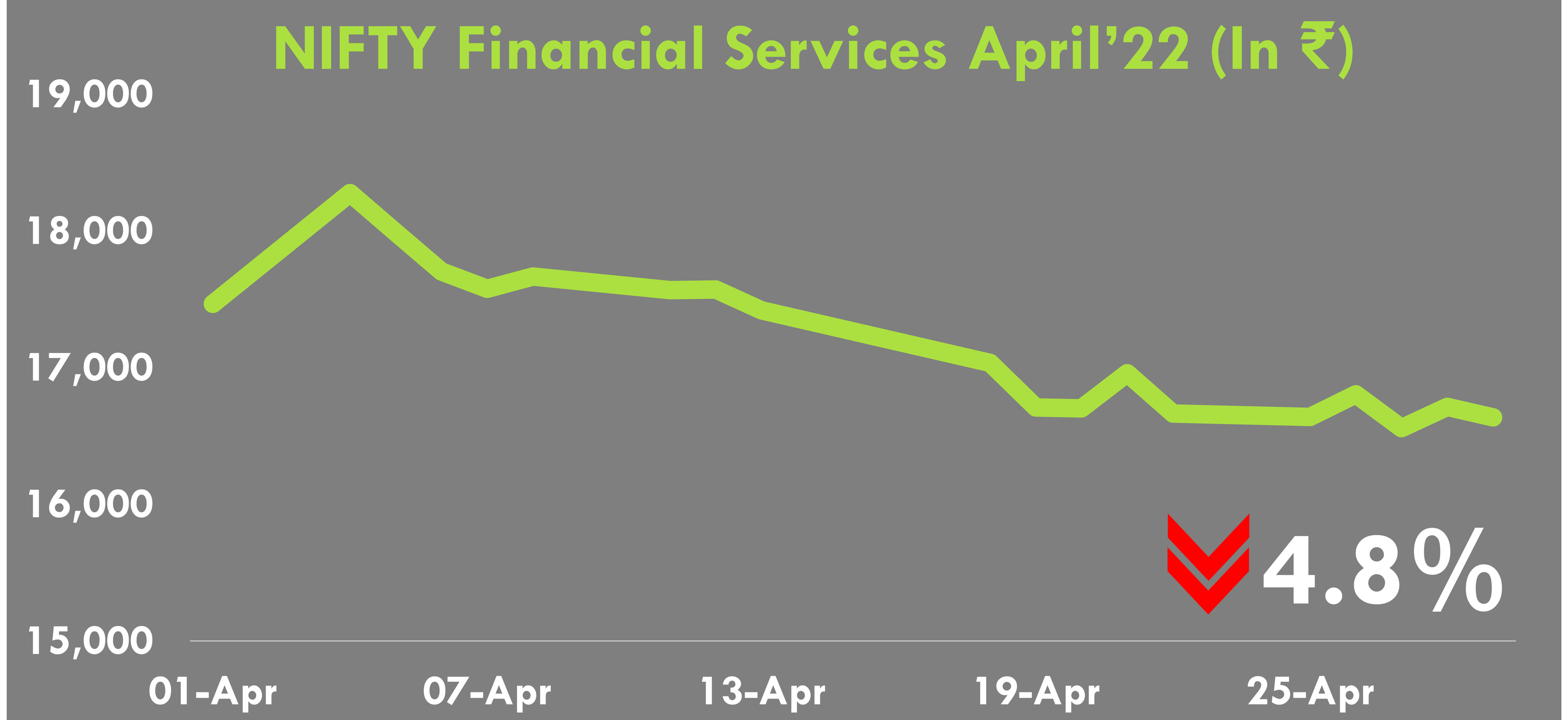


Source: NSE

Financial Services Sector

The Nifty Financial Services index commenced the month with a positive momentum of 4.64%, with HDFC bank reaching a 52-week high on the surprise news of the merger. However, the index was unable to sustain the price levels and plunged 7.6% from the monthly high; owing to the market pressure and global geopolitical tension.

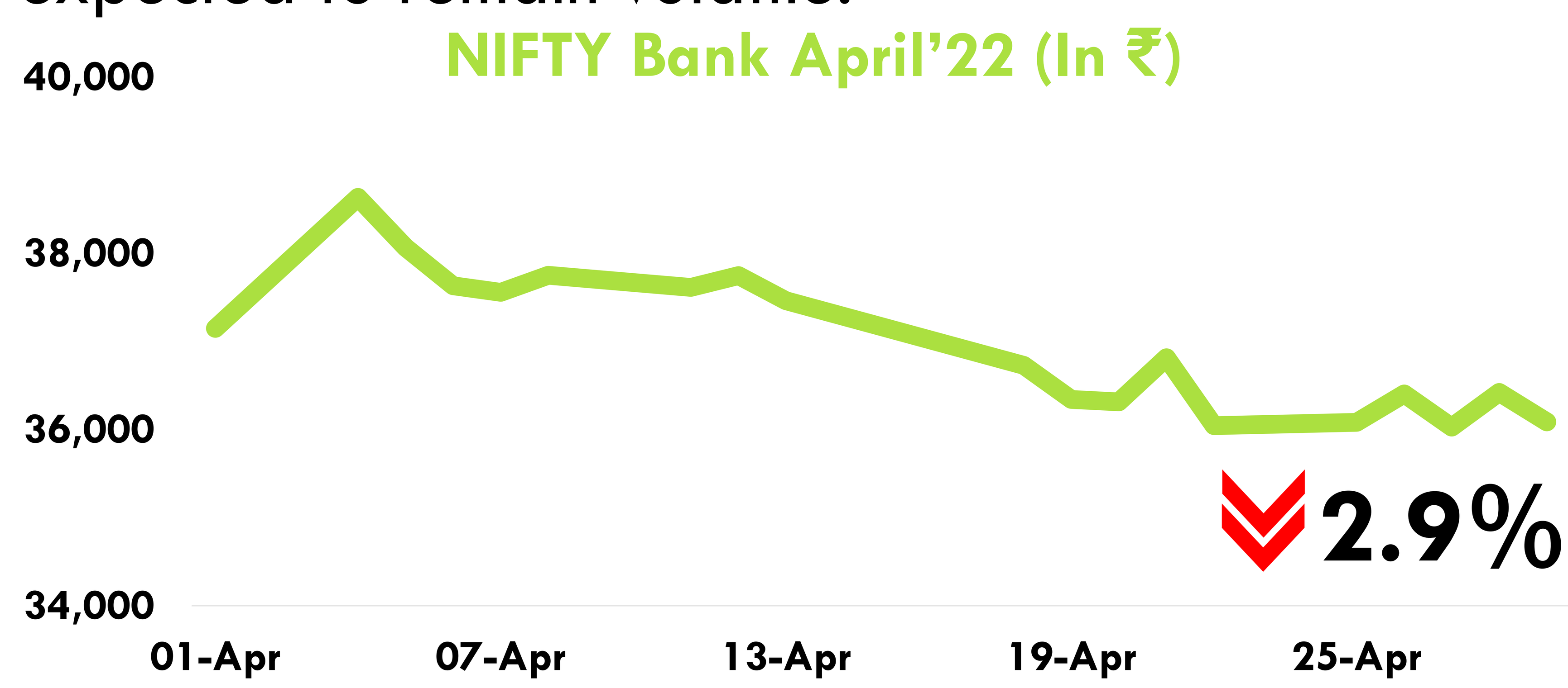
HDFC Life topped the charts with a change of over 11% MoM after it reported an improvement of 23.91% in its consolidated total income for the fourth quarter.



Source: NSE

Banking Sector

The Banking sector initiated the month with a fierce uptick owing to the HDFC-HDFC Bank merger. After a 7% rally in the first week, the sector plunged around 8.23% in the next couple of weeks due to profit booking in banking stocks, especially HDFC Bank. Interest Rates hikes, lockdown in China, and Sri Lanka's default on international debts have all accelerated the downfall in the banking sector. Despite the dip in the banking sector, individual banks like AU Small Finance Bank, and Bandhan Bank ascended over 15% this month. With the possibility of an increment in the repo rate in June, the banking sector is expected to remain volatile.

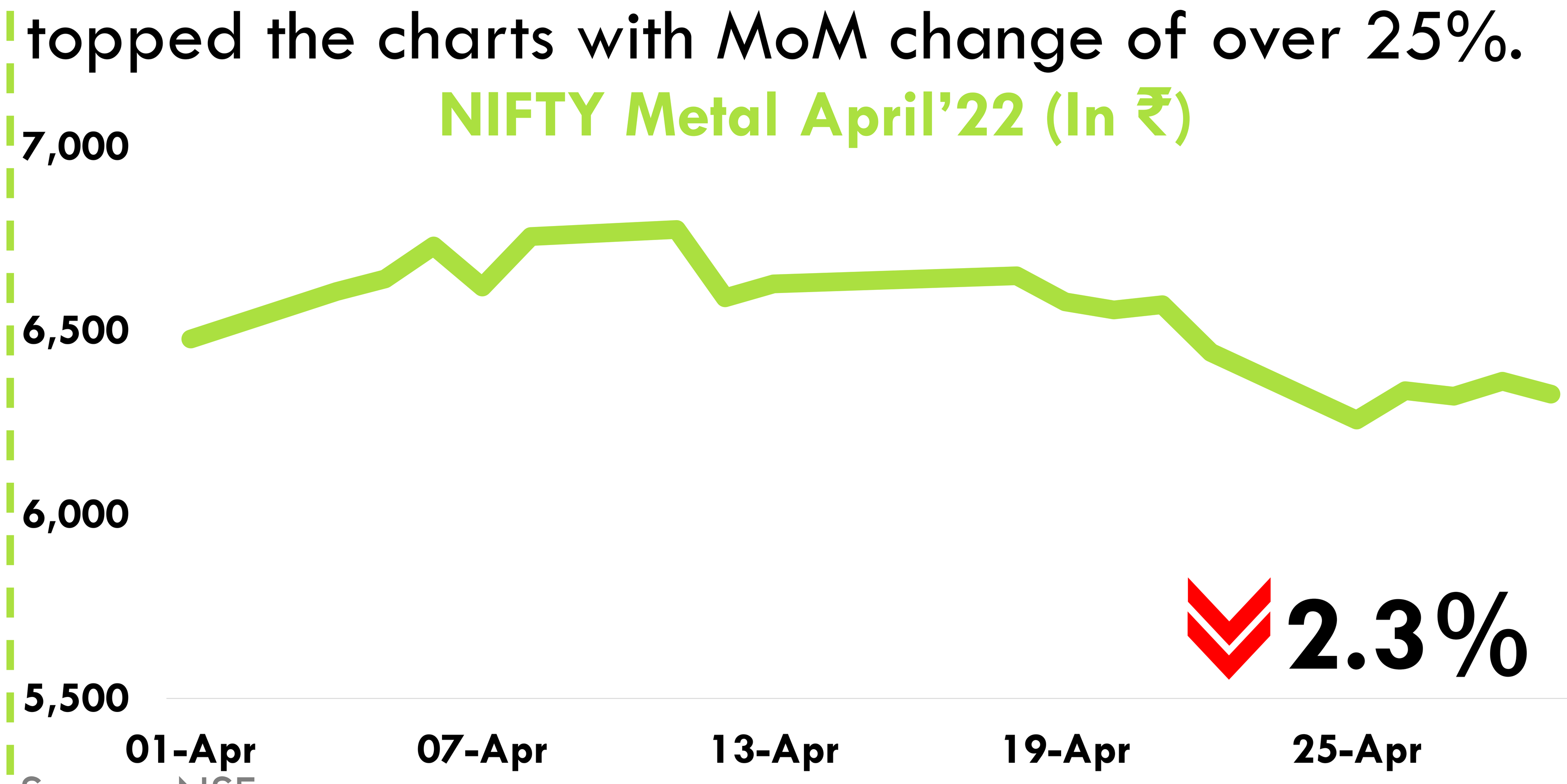


Source: NSE

Metal Sector

After a solid start to the month with a 4.6% gain, the index was unable to maintain its momentum. As per the market sentiments Steel prices are projected to stay high in the upcoming months. Steelmakers are facing output losses and margin deficiencies due to coal shortages whose spot prices have doubled over the last year.

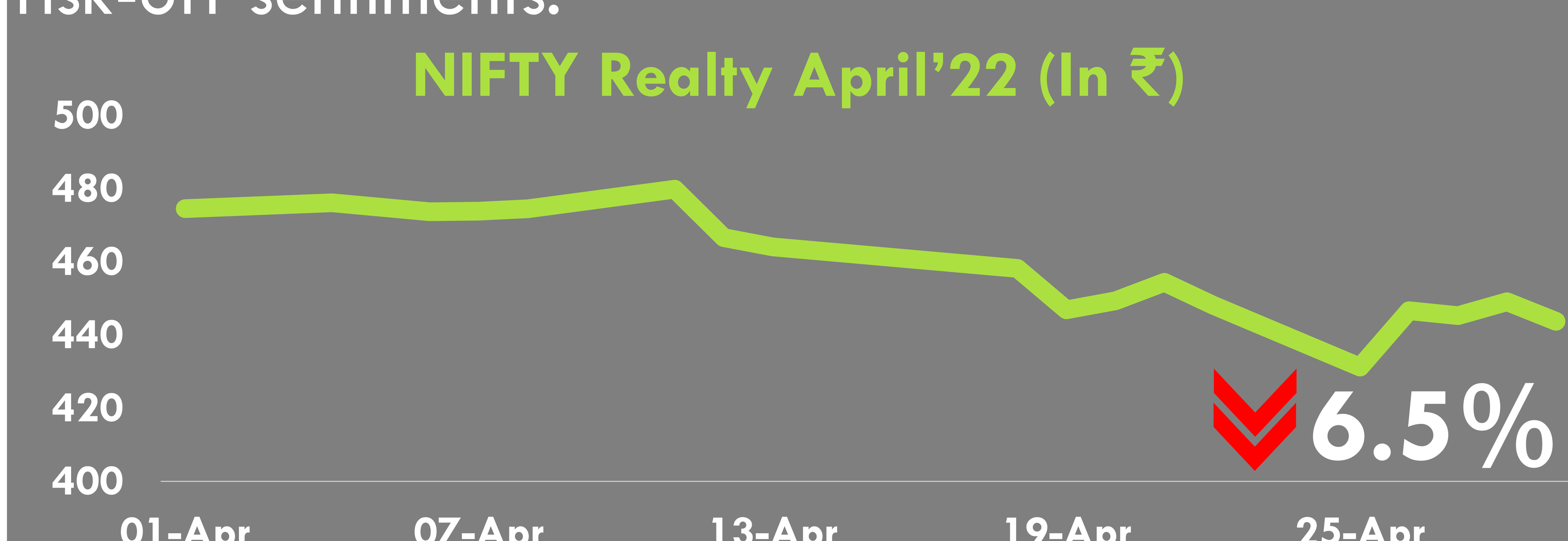
Hindalco remained the worst performer of the month by plummeting over 23%, extending the previous month's losses as investors were disappointed with its CAPEX plan. Welspun Corp. topped the charts with MoM change of over 25%.



Source: NSE

Realty Sector

Nifty Realty experienced a volatile month. The index advanced due to the robust housing demand, increased CAPEX, and the highest ever stamp duty collection as the property registration hit new highs in Mumbai. However, being rate-sensitive, the index came under pressure ahead of the RBI's MPC decisions in second week. The margin constraints caused by the hike in cement & steel prices and the subdued demand for commercial real estate dragged the index further. The stocks traded low in a weak market on the possibility of the US economy going into recession in 2023 due to aggressive rate hikes. It prompted the investors to pull back from risky assets. IMF's lowering of the growth estimate also added to the risk-off sentiments.



Source: NSE

Senco Gold to go Public

Jewelry retailer Senco Gold Ltd has filed preliminary papers with Sebi to raise ₹525cr via an initial public offering. Senco Gold's IPO will include a fresh issue of ₹325cr and an offer for sale worth up to ₹200cr. The business intends to use ₹240cr of the net proceeds from the new issue to meet working capital requirements and the rest for general corporate purposes. Senco Gold specializes in selling gold and diamond jewelry, as well as silver, platinum, precious and semi-precious stones, and other metals. The company has emerged as the largest organized jewelry retail operator in the eastern region of India based on the number of stores and among eastern India-based retailers. The firm intends to gain a strong foothold in the market through a robust and diversified distribution channel which would include different showroom formats to cater to different target audiences. Earlier this month, the company signed a share purchase agreement with Oman India Joint Investment Fund Trustee Company for the issue and subscription of around 26.6 lakh equity shares.

Kaynes Technologies

Kaynes Technology India Limited, an integrated electronics manufacturing business with end-to-end and IoT solutions has filed preliminary paperwork with SEBI to acquire funds through an initial public offering. According to DRHP, the IPO will include a fresh issue of equity shares worth ₹650cr and an offer for sale of up to 7.2cr equity shares by a promoter and an existing shareholder.

The proceeds from the new issue would be used to settle debt, and fund capital expenditure for the company's manufacturing plants in Mysore and Manesar. In addition, the business intends to invest in its subsidiary Kaynes Electronics Manufacturing Pvt Ltd to build a new facility in Chamarajanagar, Karnataka. Kaynes Technology has experience in providing conceptual design, process engineering, integrated manufacturing, and life-cycle support for major players in the automotive, industrial, aerospace and defense, outer-space, nuclear, medical, railways, and Internet of Things.

Sah Polymers Files for IPO

Sah Polymers, based in Rajasthan, has filed preliminary paperwork for an initial public offering with the financial market regulator, SEBI. The IPO would issue 1.02cr new equity shares with a face value of ₹10 each. The funds will be used to establish a plant to produce a new variant of flexible intermediate bulk containers. The proceeds from the IPO will also be used to pay off debts, meet working capital needs, and for other general corporate objectives. Sah Polymers specializes in producing and distributing FIBC bags, woven sacks, HDPE/PP woven fabrics, and woven polymer-based goods made of polypropylene and high-density polyethylene. Business-to-business manufacturers in industries such as agro pesticides, basic drugs, cement, chemical, fertilizer, food goods, textile, ceramic, and steel can benefit from the company's unique bulk packaging solutions.

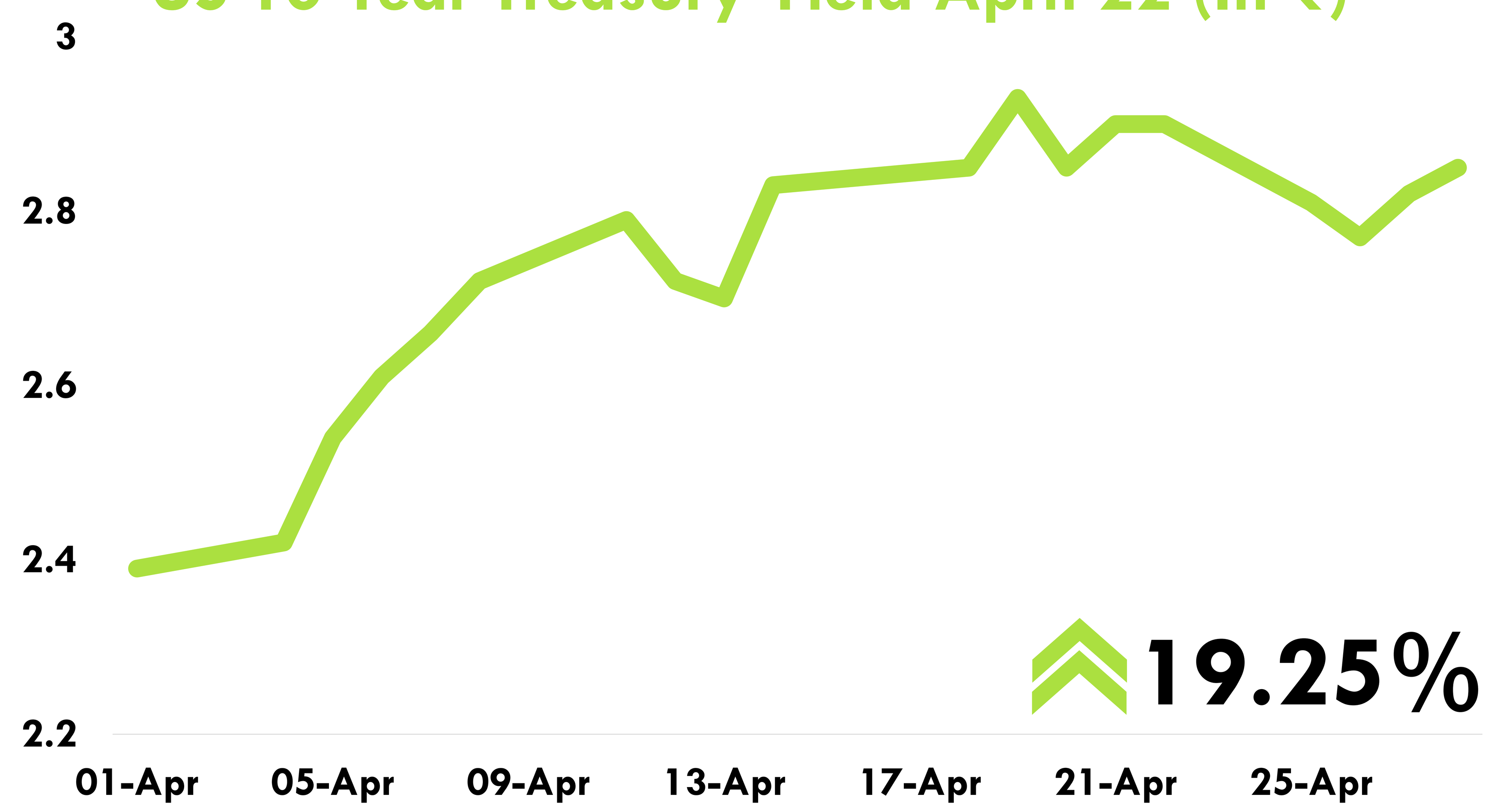
Upcoming IPOs	IPO Size (Approx.)
Bharat FIH	₹5,000 Cr.
Ethos Ltd.	₹600 Cr.
Hexagon Nutrition	₹600 Cr.
Venus Pipes and Tubes	₹225 Cr.

Campus Activewear

For nearly three decades, Campus Activewear Limited has been in the footwear business. As of fiscal year 20-21, it was India's largest sports and athleisure footwear brand in terms of volume and value. The public offering is valued at ₹1400cr. The price range for the public offering has been set at ₹278 to ₹292 per equity share. The company is focusing on the domestic market as part of its strategy, and it believes it has ample room to expand. With over two decades of expertise in the Indian market, the firm plans to expand its direct-to-consumer channel to promote premiumization and incorporate stylish and diversified product offerings to appeal to a variety of target audiences.

FIXED INCOME

US 10 Year Treasury Yield April'22 (In ₹)



Source: US Department of the Treasury

As of 28th April, the US 10 years Treasury note and 30 years treasury bond rates traded at 2.74% and 2.84%. Soaring inflation, worsened by the Russia-Ukraine conflict, has raised fears that it may harm consumer demand and slow economic development. So, what does it mean for your money if that rate rises to 3%? Rising yields result in greater borrowing costs on the debt, such as consumer loans and mortgages. Better interest rates on government debt would imply higher returns on investments in fixed-income assets.

The higher yield would also affect the equities market; companies incorporate the treasury yield in their discount rate; an increase in the yield would increase the discount rate, thereby impacting the intrinsic value of the company.

Liquidity Surplus

March ended with a net outstanding surplus of ₹6.27 lakh crores for the week 28th March - 1st April; ₹1.1 lakh crores higher than the previous week. The RBI executed a 2-day VRR auction amounting to ₹2.19 lakh crore. The liquidity surplus continued to rise for the period 4th April-8th April and stood at ₹7.76 lakh crore, 23.9% higher than the previous week.

Date (Mar'22 – Apr'22)	Net Outstanding Liquidity Surplus (₹ Lakh Crore)
28th – 1st	6.27
4th – 8th	7.76

Source: RBI

Sri Lanka Suspends Bond Payments

Amid an escalating economic and financial crisis, Sri Lanka's finance ministry has announced pre-emptive default on the payments of government bonds and foreign loans as a "last resort" – ultimately breaking its flawless service of external debt since 1948.

The government is now stumbling to pay for basic imports due to more than $50bn in external debt and a lack of foreign exchange reserves. International Sovereign Bonds account for approximately half of the total owed external debt in the country. China has roughly 10% of Sri Lanka's total foreign debt, whereas the Asian Development Bank, Japan and the World Bank hold 10% and 9% of Sri Lanka's foreign debt, respectively. India controls roughly 3% of the market. The Central Bank of Sri Lanka did raise interest rates by 7%, but the economy has already mourned significant damage, and it will take years to recuperate from this tragedy. However, the reduction in indirect consumption taxations, such as VAT, might aid regular citizens in "surviving the storm".

Inflation

The Wholesale Price Index surged to 14.55% in March from 13.11%. The The government stated that the rise in the inflation rate was largely due to the increase in the price of crude and natural gas, basic metals, and other commodities as a result of the global supply chain disruption caused by the Russia-Ukraine confrontation.

Retail inflation in March rose to 6.95%, a 17-month high, as food prices rose. Though vegetable inflation fell to 19.88% in March, from 26.93% in February, the price of individual items like potatoes rose a whopping 24.62%.

Month	Inflation (%)
Oct-21	4.48
Nov-21	4.91
Dec-21	5.59
Jan-22	6.01
Feb-22	6.07
Mar-22	6.95

Source: MOSPI

The Financial Debt Trap

Buy Now, Pay Later (BNPL) is a type of short-term financing for relatively small amounts. Customers find it attractive because it is interest-free and conveniently blended with the checkout process. With millennials and GenZs accounting for 70% of the Indian population and growing demand for E-commerce, "Buy Now Pay Later" has evolved as a comforting option for many.

BNPL arrives with counter-party risk, i.e., customer risk and merchant risk. The customers that presently consist of predominantly students; may not be able to pay due to an absence of a sustainable source of income, and the incapability to pay makes them a victim of outrageous late fees and interest rates and paves way for the "financial debt trap". A multi-pronged approach to risk management is vital for BNPL providers. When a consumer tries to utilize the BNPL option, lenders must assess the risk portfolio of the user and accordingly allocate the credit limit. As users are getting BNPL approvals effortlessly, untimely payments, can push them towards financial debt. Lastly, with a steep rise in BNPL usage, there is a growing awareness of educating the customers on the risks pertaining to it.

Cyber Attacks on Indian Oil Companies

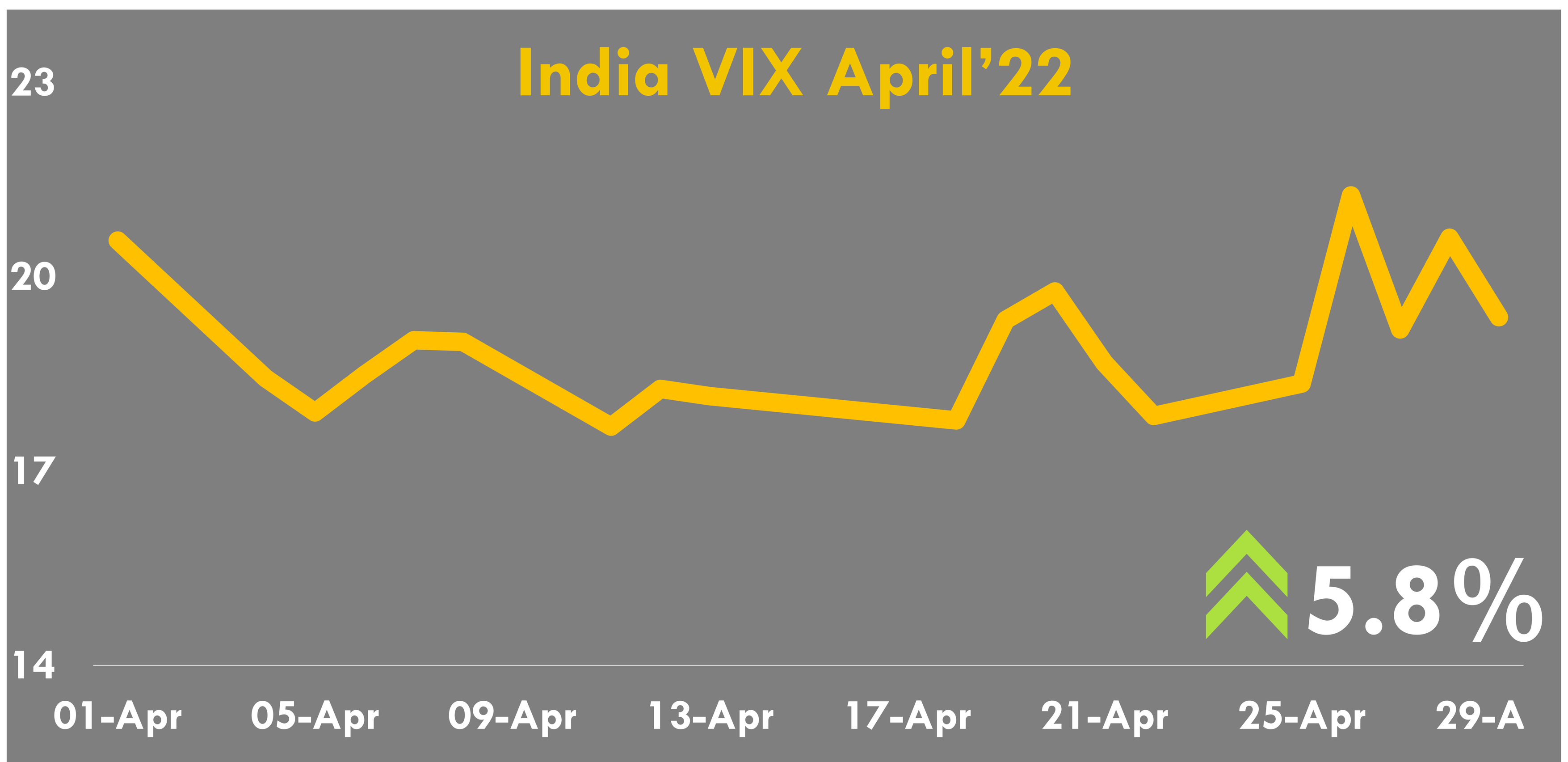
Indian oil companies were subjected to 3.6 lakh cyberattacks in the last six months. The most recent attack was recorded on April 12 on Oil India Limited's Assam headquarters. The analysis highlights the alarming state of an increasing number of cyberattacks against Indian companies' vital infrastructure. Such assaults have disrupted day-to-day operations and resulted in financial losses due to downtime, recovery fees, and other unplanned expenses. A UK-based cybersecurity firm, Recorded Future issued a warning about a Chinese state-backed malware operation targeting Indian power providers. Aside from affecting power grid assets, it also presents a menace to the national emergency response system.

The Social Media Stock Tips and Their Danger

SEBI released a press statement last week outlining its assault on social media-based market manipulation techniques. A telegram channel named "Bullrun2017" described itself as an educational channel providing stock tips, particularly on small-cap scrips. The owner of the channel Himanshu Patel along with other administrators bought shares of certain companies and then recommended them in their telegram channel, later they sold the stocks for profit thereby running the classic pump-and-dump scheme.

With SEBI cracking the whips, similar telegram channels were alarmed and have shifted to other social media platforms like Twitter, Instagram, etc.,

With ever-increasing equity investors in the country, the "new-to-stock market" is easy prey for these tipsters. Keeping this in mind SEBI has introduced several education materials for new investors in the recent past.



Source: NSE India

Volatility barometer India VIX surged 5.32% due to strong sell-offs on Wall Street as investors fretted about rapid interest rate hikes, China's COVID-19 lockdowns, and the escalating Russia-Ukraine confrontation.

Major indices like Nifty 50, and BSE Sensex plunged by 3.21% and 3.74% respectively this month, aiding the sharp up move of India VIX. The decision by Indonesia to limit palm oil exports is having a significant impact on India, which is the world's top importer of edible oils. This will exacerbate food inflation and volatility, which are already high. Selling from foreign investors has also largely contributed to the volatility.

OIS is Signaling an Aggressive Increase in the Interest Rates for the Next Two Years

OIS being a key indicator for the rates in the future is signaling up to 2% increase in the benchmark repo rates starting from this fiscal year and continuing till the next. This took place right after the Reserve Bank of India announced its latest monetary review and decided to restrain the rapidly increasing inflation in the country. The rising rates would dampen and sedate the growth of India's economy and make the loans unaffordable, especially those associated with the repo. A good chunk of loans that are directly linked to the external benchmark poses a great threat to India's growth trajectory. An unprecedented surge was seen in the number of linked loans from 28.5% in March to 40% this month. The transition of the future rate hikes will be at lightning speed. Conforming with the swap curves, participants anticipate a rate spike in every policy for the remaining year.

A Whopping 2 Lakh Crore Trade - Faces Scrutiny

The banking regulator is closely investigating the sudden hype around the lucrative bond trade between the insurance companies and the banks in recent months despite being in a suspicious regulatory zone. Lenders comprising Citigroup Inc, Standard Chartered Plc, and JP Morgan & Co have been executing a strategy of buying long-term Government bonds and then selling to the insurers at predetermined prices in a forward contract after 5 years. The bond buyers have been generating profits worth a billion dollars by borrowing funds from the Tri-Party Repo window and using it in their trades and then pining a fee for the insurance firms. Taking advantage of such trades and avoiding mark to market risks, the banks have boosted their earnings. The traders are suspecting about ₹2trn of debt associated with such popular trades. RBI is planning to rigidify the rules to secure the structure and has indicated other lenders to pause their deals whilst they look over others' books.

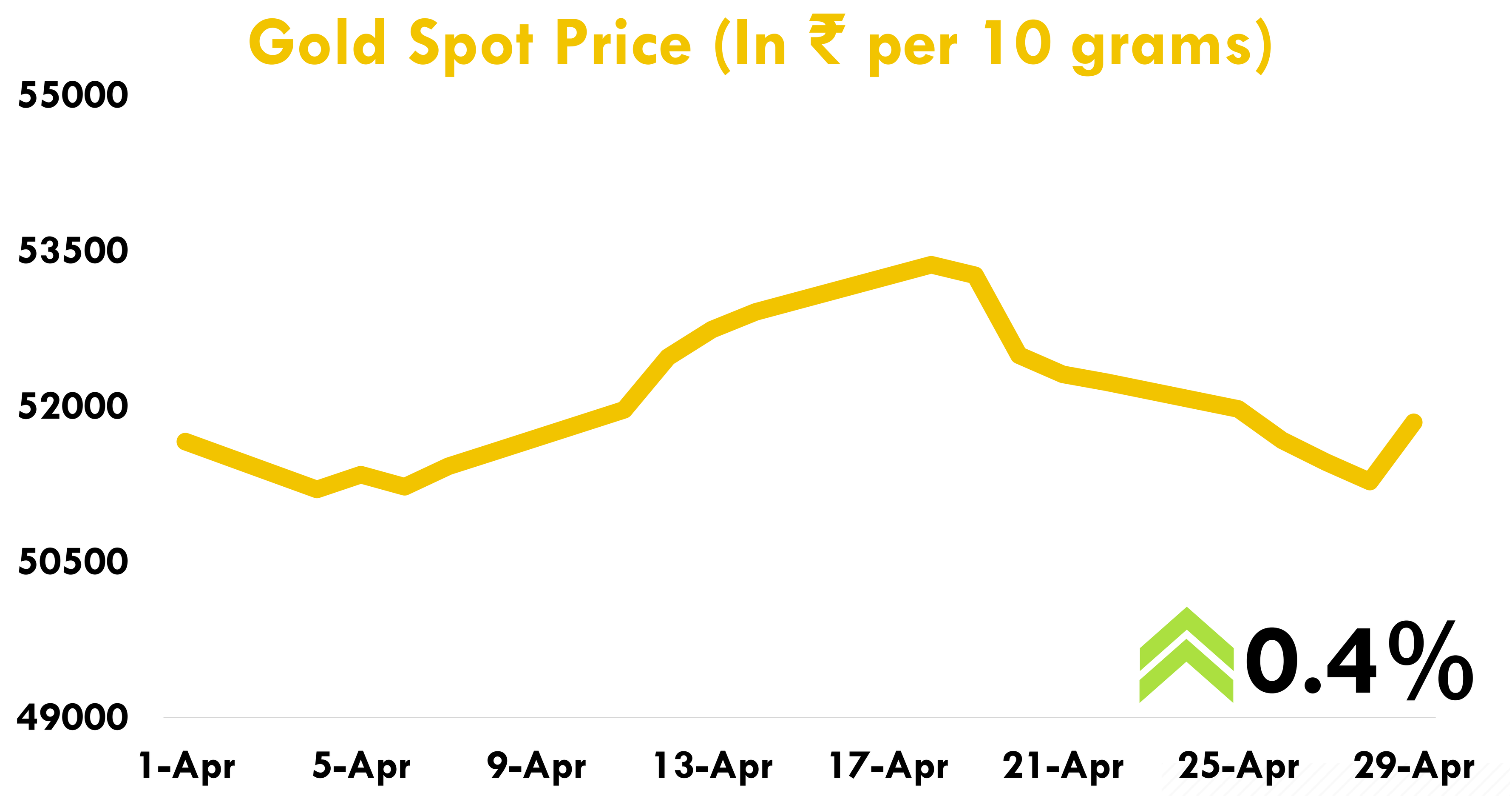
Why is SEC Desperate to Regulate this Dubious Derivative Product Named Swap Execution Facility (SEF)?

There has been a unanimous decision passed by the Securities and Exchange Commission to come up with a rule for the registration and regulation of security-based derivatives known as swap execution facilities. A swap is referred to a contract that allows two parties to exchange future cash flows or liabilities from different financial instruments and can be used to mitigate risk. SEF allows its participants to buy and sell swaps through its electronic trading platform. Swaps possess a vast part of the derivatives market, especially interest rate swaps. Earlier, it was difficult to operate such huge size trades which raised concerns about systemic risk or the domino effect. On account of the risk associated with it, these swap execution facilities are being set up to monitor and supervise the swaps being traded by the participants in the market and would require other trading platforms to register with the regulatory agency to increase transparency.

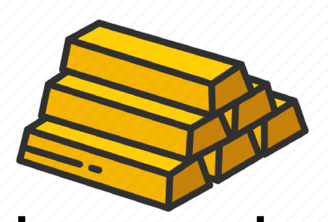
India to Commence its Own Uniform Carbon Trading Market

India being a massive exporter of carbon credit intends to commence a uniform carbon market of its own in one year as a great source of income for energy transition projects and an aim to reduce the emission of carbon dioxide. If India recognizes the possibility to export decarbonization to the world it could easily earn $11trn dollars over 50 years. The Centre is acknowledging a change in the current trading scheme that will incorporate tradeable certificates with a closed market to restrict the export of these certificates in the international carbon markets. The market is very limited but once it starts functioning and there are certificates to justify how much CO_2 has been evaded, it will be humungous. The green plants and energy-efficient units will anticipate earnings through the carbon trade, it will help accelerate and fund more such projects. The trade of ESCerts is at a standstill due to weak demand. The scheme extends to 11 industries and half of it is consumed by industrial energy.

COMMODITIES



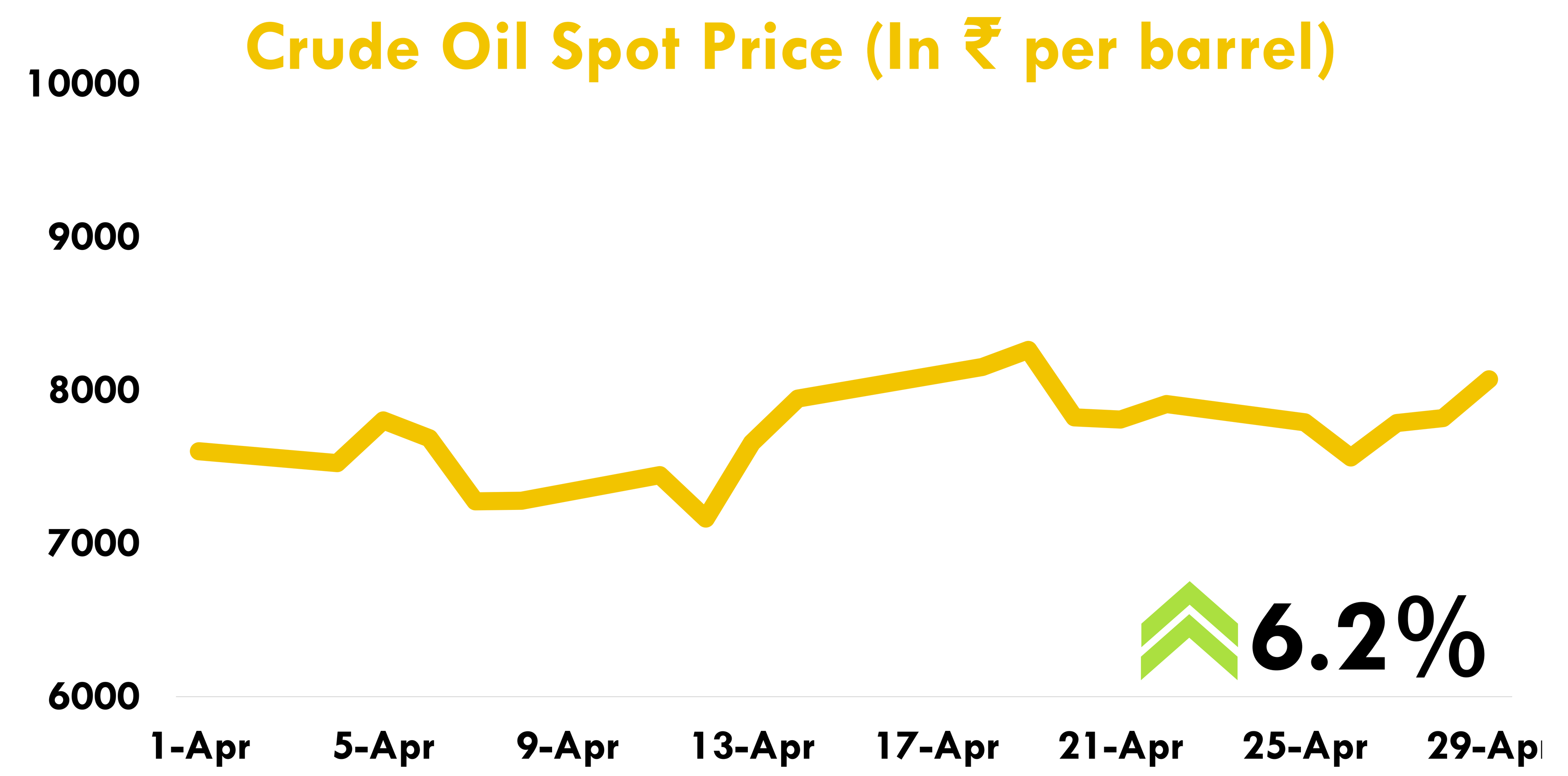
Source: MCX



The yellow metal plummeted owing to a stronger USD and higher bond yield, as the market expected the Fed to act aggressively to control rising inflation. Soon enough, a fresh round of sanctions on Russian banks and rising COVID cases lent some support to the gold prices. Halfway through the month, the precious metal continued to surge as investors sought protection from inflation. By the end of the month, gold prices fell as investors preferred the growing dollar index and bond yield over the safe-haven metal. However, the gold prices recovered due to the small correction in the above factors. By the end of the month, Gold lost its shine and fell below ₹51,000.

Positive Impact on Growing Commodities Price

The surge in commodity prices increased the cost of production, making the company utilize more of the working capital than expected. The hike in global crude oil and base metal prices contributes to an increase in raw material costs for manufacturers across different sectors, such as steel, textile, infrastructure, fertilizers, and many more. These factors accelerated the demand for more credits. According to the RBI data, growth in credit to industry climbed to 6.5% in February 2022 as compared to 1% in the previous year. In addition to the ongoing war between Russia and Ukraine, a global rise in the price of fertilizers and electricity made a significant impact on both industry and farm inputs. Is providing excessive credit a red flag for future unrealizable losses or a green flag for the expansion?



Source: MCX

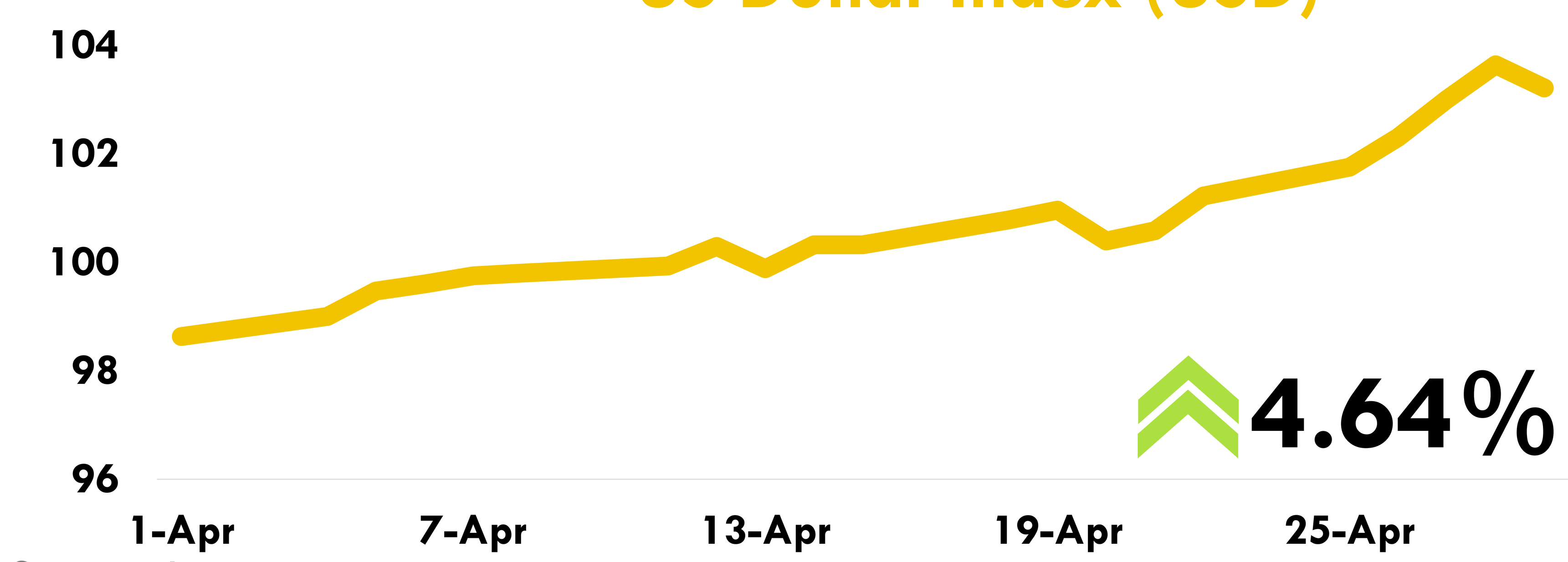
Crude oil prices trembled during the first week of the month as the volatility increased due to concerns over the outcome of a meeting held by oil-consuming nations to release oil and bring down the supply pressure. The oil prices bounced back as the market tension decreased due to the release of strategic government oil reserves to reduce market tension on the supply of the commodity after the US and UK imposed heavy sanctions on Russia. After rallying for a while, the price became steady due to the market's expectations of new sanctions on Russia and concerns over the shortage of the supply. The oil prices gained after Libya shut down its export due to political tension and declared force majeure at a port, which would bring down the oil production at a time when the global oil marketing is facing supply pressure because of the ongoing geopolitical conflict between Russia and Ukraine. Raising Covid cases, weaker demand and stymied growth projections across the globe resulted in a fall in the commodity prices by the end of the month.

Rising Concern for the Textile Industry

The cotton prices doubled in less than one year, from ₹48,000 per candy to ₹98,000. An overall increase in demand for cotton, shortage of supply, and expectations of lower production were the reasons behind the extreme price movement. The central government erased the 11% duty on cotton imports to boost the imports. However, the textile mills could not benefit from this move as the cotton prices were too high to afford. The mills have to purchase at the current rate or wait for the next six months for the fresh arrival.

CURRENCY

US Dollar Index (USD)



Source: Investing

The US Dollar index was bullish throughout the month. For the first time in two years, the index breached the barrier of 100. Higher US bond yields attracted investors to the dollar index over other instruments as investors continued to expect a hike in the interest rate. Investors gained confidence in the index after the Fed appeared aggressive in tightening the growing inflation. The feud between Russia and Ukraine continues to pull risk-averse investors toward the greenback.

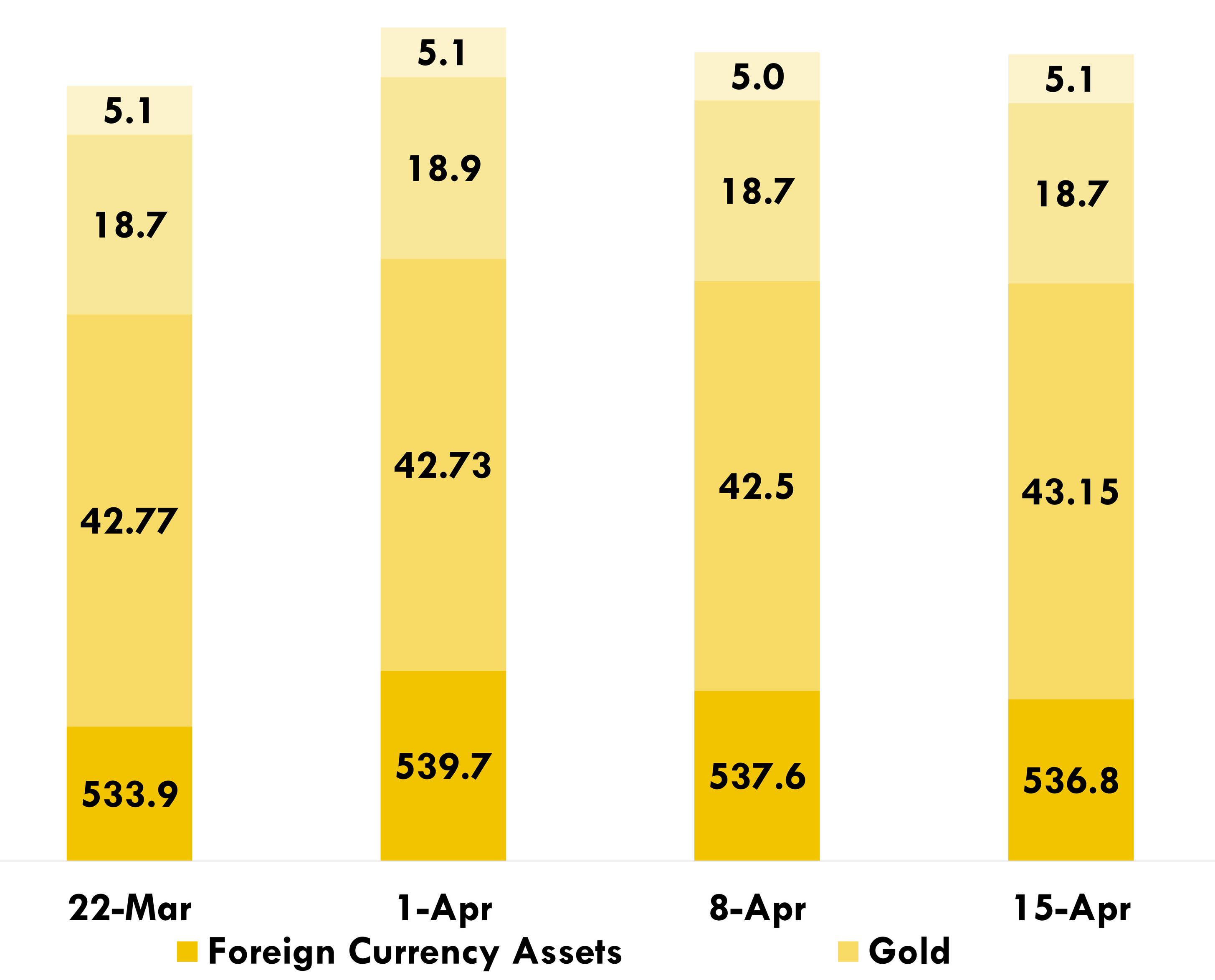
Euro hits a 5-year Low Against USD

For the first time in the last five years, the Euro fell below $1.05 against the strong US dollar after Russia suspended the gas supplies to distributors in Bulgaria and Poland. The supply was revoked because these European countries rejected the demand of making payments in the ruble. Further weaponizing of the gas supply can cause serious damage to the economy as Europe is highly energy-dependent on Russia. Europe sources around 40% of its gas supplies from Russia. The investors continue to seek protection by buying dollars and shorting euros. Soaring commodity prices and Covid lockdown measures in China have exacerbated the downfall. The currency suffered from its worst monthly loss in more than seven years.

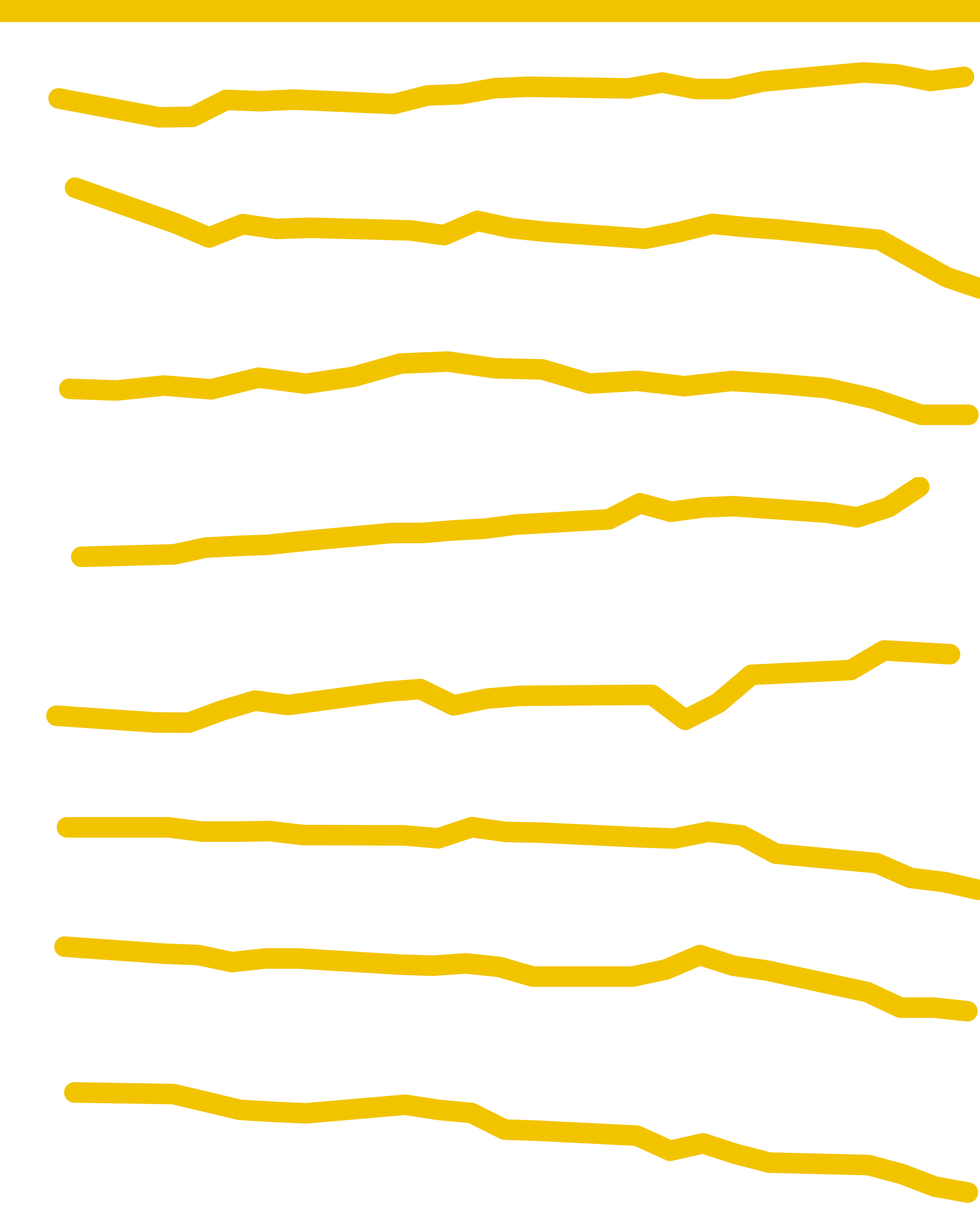
Forex Reserves Suffered from the Steepest Weekly Fall Ever

India's Forex reserves fell by $2.03bn as of March 25 when RBI sold dollars to protect the rupee from depreciating, given the Russian-Ukraine conflict. Next week, the reserve shrunk by $ 11.17bn. It was the steepest weekly drop ever due to a sharp plunge in the Foreign Currency Assets. The reserve declined by $2.47bn as the rupee continues to be under the pressure of the rising dollar and expectations of hawkish Fed policy. The reserve dipped by $3.27bn in the week ended April 22, registering the sixth straight week of fall, as the FCA dropped by $2.84bn.

FOREX Reserve (USD Bn)



Source: RBI

Currency	1st April'22	28th April'22	Change (%)	Trend
INR/USD	INR 75.97	INR 76.51	⬇ -0.81	
INR/EUR	INR 83.97	INR 80.49	⬆ 4.14	
USD/EUR	USD 1.11	USD 1.05	⬆ 5.01	
JPY/USD	JPY 122.49	JPY 130.87	⬇ -6.84	
CAD/USD	CAD 1.25	CAD 1.28	⬇ -2.31	
USD/GBP	USD 1.31	USD 1.24	⬆ 4.99	
USD/SEK	USD 0.11	USD 0.10	⬆ 5.06	
USD/CHF	USD 1.08	USD 1.03	⬆ 4.71	

Source: Investing

OTHER ASSET CLASSES

MYRE Capital Intends to Raise an Alternative Investment Fund

MYRE Capital, a technology-enabled fractional ownership platform, intends to raise up to ₹500cr through an Alternative Investment Fund (AIF) by July 2022. The fund will invest in Grade A commercial real estate structures with long-term leases from blue-chip tenants, as well as provide a good mix of under-construction projects.

The pent-up demand that has accumulated in the last two years has sparked a significant increase in commercial real estate activity. Furthermore, the business has been able to obtain institutional-grade assets at attractive prices for our investors as a result of the residual post-pandemic stress.

It is the first of its kind, launched to meet the increased demand for commercial real estate investment HNIs, family offices, and institutional and retail investors.

Grip Partnered With VRO Hospitality for a Lease Financing Deal

Grip, an alternative investing platform, has teamed up with VRO Hospitality for a ₹5cr lease finance agreement. Grip aims to provide its retail investors the ability to participate in the hospitality industry by leasing assets such as cooking equipment, furnishings and fixtures, and IT equipment.

With investment starting at ₹10,000, Grip lets retail investors invest in non-market-linked alternative investment choices. Asset-backed leasing, inventory finance, pre-leased commercial buildings, start-up equity, and subscription-based financing are all part of the company's product suite.

With the Food and Beverage Industry predicted to grow at a rate of 14.2% annually, leasing financing plays a significant part in addressing various forms of capital requirements. Grip claims to have secured over ₹206cr in funding for over 80 businesses, with an average IRR of 21% on the opportunities placed on its platform.

Why are Airlines Entering into the Metaverse?

As the global pandemic wreaked havoc on businesses, the aviation industry suffered $168bn in damages in 2020 alone! To stay afloat, several of the carriers required a cash injection or a bailout. However, it wasn't only about getting out of the current situation. With more people resorting to virtual meetings, airlines were confronting an existential dilemma. They weren't flying nearly as often as they used to, hence the aviation sector had to reinvent itself.

Frequent flyer programs have been a cash cow for the airline business since they not only keep retain the customers for company but also provide an avenue to sell these points to credit card companies who are always on the lookout.

However, as customers cut back on flying, the industry's major revenue stream, the frequent flyer program, is drying up. This is where metaverse will help! Airlines are venturing into the metaverse in the hopes of providing passengers with similar experiences to those they would have in an airport or on a flight, but on a digital level.

Qatar Airways, for example, has lately entered the Metaverse introducing QVerse, a virtual reality technology that allows passengers to view the inside of the plane from the comfort of their own homes. Some airlines such as Airbaltic have launched their NFT providing benefits to their customers.

Do you think this will entice customers and travellers and prove to be a alternate revenue source for the airlines?

Art of the Box – India Art Scenario

The Indian Market for art has picked up a record rate of growth driven by domestic demand. Due to increased openness, expanding online sales on multiple platforms, and joint efforts by galleries, the surge in passion for art can be witnessed far beyond the traditional centers of Delhi and Mumbai.

NFT has also played a significant role in extending the conversation and audience for art in India, particularly among younger millennials who are increasingly viewing art as an investment.

Various galleries are also developing Metaverse simulations to allow customers to view their artwork from the comfort of their own homes.

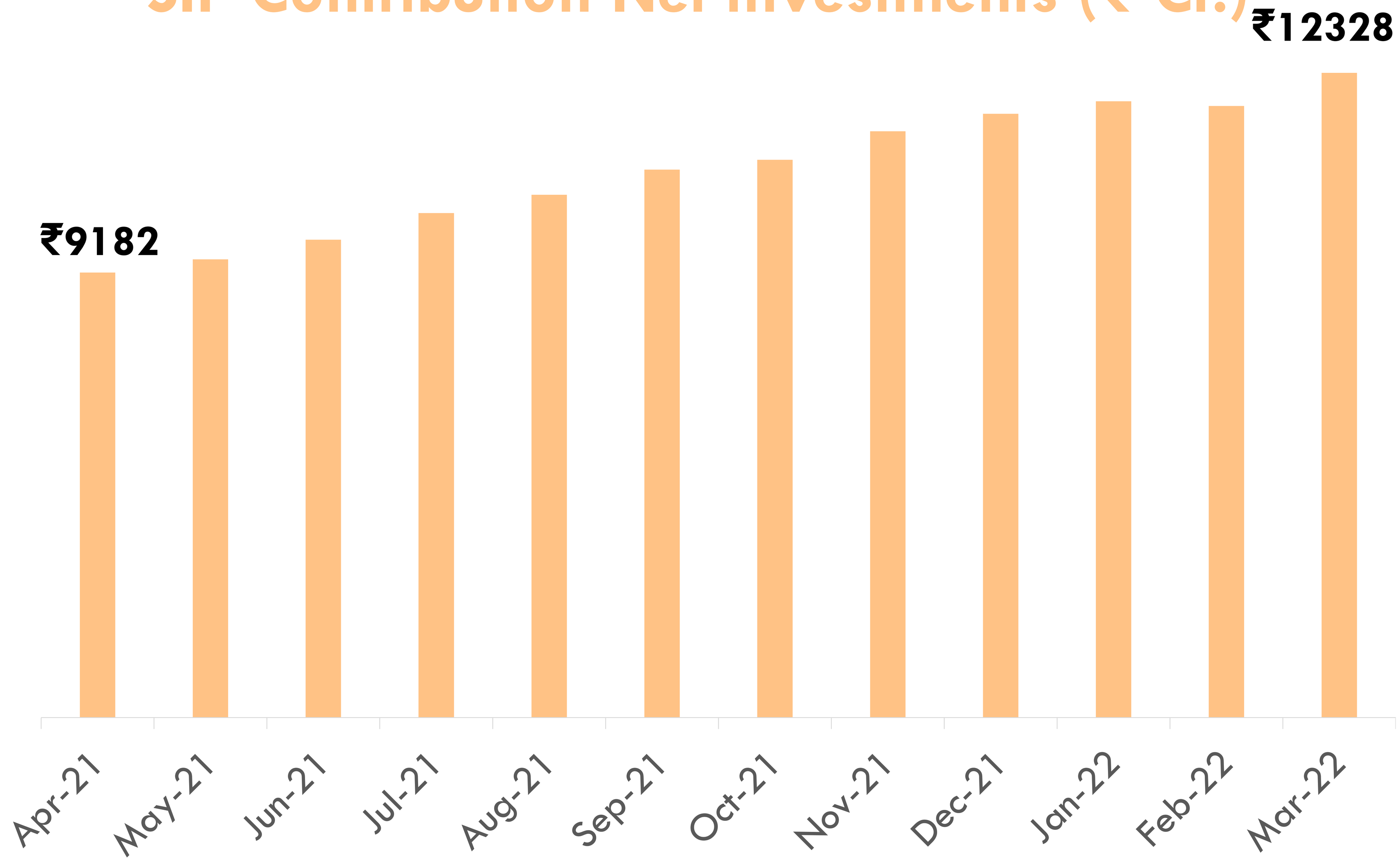
AMC

SIP Accounts Reached an All-time High

In March 2022, the number of SIP accounts reached a new high of over 52mn, increasing by 2.01% compared to the previous month.

SIP collection for the current month reached ₹12,328cr, which was up by 7.22% compared to ₹ 11,438cr in February. Despite the unpredictable situations around the globe, retail investors maintained their trust in India's economic narrative, and SIPs remained their preferred vehicle of investment.

SIP Contribution Net investments (₹ Cr.)



Source: AMFI

The Life Insurance Company's New Business Premium Increased By 13%

The combined new business premium revenue for life insurance firms increased by 12.93% YoY to reach ₹314,263cr in the last fiscal year. The surge is driven by higher group single premiums and group yearly renewal premiums. Total premiums grew by 37% a year in March-end 2022.

As per records, March has proven to be the best month for life insurance companies, as individuals are looking to purchase more of tax-saving policies to lighten their tax burdens. In the current year, business increased rapidly as consumer awareness and risk perceptions grew due to the epidemic.

IPO-bound LIC's premium increased by 7.92% YoY, while new business premiums for over 23 private sector firms have increased by 22.74% YoY. As for private insurers, HDFC Standard Life saw a 20% increase YoY in new premiums, while ICICI Prudential Life Insurance saw a 15% increase.

Equity Mutual Fund Inflows Surges to a All Time High in March

Following a brief drop, equity-oriented mutual fund schemes recorded a record-high net inflow of ₹28,252cr in March 2022, a 44% rise compared to the previous month. Geopolitical tensions resulting from the blazing conflict between Russia and Ukraine and fears about rising petroleum costs prompted a sharp market correction in early March. It provided a great opportunity for investors to invest in the equities market. Despite the uncertainties, investors remain optimistic since the long-term economic outlook remains favorable.

SEBI Puts Ban on NFOs

Mutual fund companies are barred from launching new NFOs, restricting new inflows into an Industry, and providing the industry time to comply with the new norms issued by the regulator.

SEBI issued the circular stating that no mutual fund distributor or stockbroker should use pool accounts and then transfers them to a fund house for the purpose of purchasing units of schemes for the investors. This was intended to address the risk of brokers misusing this pool of funds and ultimately defaulting. Further, SEBI also mandated that the sector uses two-factor authentication for redemption and for source account verification. After the Karvy stock broking scandal, SEBI tightened the mutual fund rules, thereby issuing such norms to avoid potential fraud and minimize the operational risk.

Tata AIA Life Insurance and partners with CSC

With citizens becoming more sensitive while selecting their insurance provider, Tata AIA Life Insurance and Common Services Centers (CSCs) both under the Ministry of Electronics and Information Technology, have teamed up to distribute life insurance products to rural homes. Residents in urban, semi-urban, and rural regions may now get these insurance services at their local CSC and safeguard their own and their families' futures through their network of over 4 lakh Village Level Entrepreneurs. The transaction is part of Tata AIA's business expansion plan to expand its distribution network throughout smaller towns and rural India, as well as to support industry efforts to increase life insurance coverage in the nation.

The Creation of a Financial Behemoth in India

It's official: HDFC, the mortgage lender, has announced the merger with India's largest private sector bank, HDFC Bank. The long-awaited speculation has now turned into reality.

According to the terms, HDFC Bank will acquire a 100% stake in HDFC in an all-stock deal valued at $40bn, making it the largest M&A in India. HDFC's shareholders will receive 42 shares of HDFC Bank for every 25 shares held. The deal will make HDFC Bank the 2nd largest bank in India with a market share of 15% and a loan book size of ₹17.87trn, more than double the size of its nearest competitor, ICICI Bank. Further, the merger will make HDFC Bank the second largest company in India with a market cap of $190bn. However, this is subject to approval by the regulatory authorities.

HDFC BANK

We understand your world

But why now?

Do you remember the IL&FS crisis from 2018? Earlier, NBFCs were given more leeway and didn't have to deal with as many restrictions, giving them an undue advantage over the Banks. However, after the IL&FS blew up, the landscape changed. RBI tightened the norms for NBFCs which provided a major nudge to this deal.

There are, however, other motivations for this deal to take place. HDFC's borrowing costs have remained high since, as an NBFC, it does not have access to the low-cost funds that a bank does. The merger will solve this problem by providing greater access to low-cost bank deposits to HDFC. Additionally, HDFC will gain access to a larger pool of HDFC Bank's customers for cross-selling purposes. HDFC Bank, on the other hand, will get access to a huge housing portfolio and a more diverse loan book.

Overall, the merger will make HDFC Bank more competitive, allowing it to focus on building its home lending portfolio while also allowing it to leverage its larger balance sheet and capital base to issue wholesale loans for infrastructure and other purposes.

The Elon-Twitter Deal

On 4th April the world woke up with the news that Elon Musk had acquired a 9.1% stake in Twitter, making him the company's largest shareholder. Musk announced his intention to join the company's board of directors shortly after the news broke. However, to everyone's surprise, Musk had different plans. He declined the position on the Board and, shortly after, issued a hostile takeover bid of $54.20 per share, a 38% premium over the company's closing price on April 3rd, valuing it at $44bn.

Musk's primary motivation for buying Twitter was to improve the free-speech platform by introducing new features, making the algorithms open source to increase confidence, combatting spambots, and authenticating all humans.

TESLA

However, in order to prevent Musk, Twitter implemented the so-called "poison pill" strategy, where the company would issue new shares at a discount to existing shareholders if any shareholder owning more than 15% of the firm. This excellent strategy prompted Musk to engage directly with the Board rather than proceeding to a tender bid. This compelled Musk to identify his financial sources, kicking off a round of negotiations between the Board and Musk, which led to the board accepting the original offer however including two additional terms: a $1bn breakup fee – to protect shareholders if Musk backs out of the agreement and a cash pay-out for all employee stock options grants to the employees who would otherwise be stuck with the illiquid stocks of a company whose owner might not make profitability a priority.

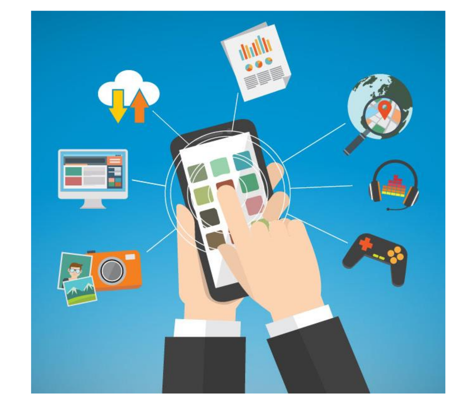
In key moments for a public firm, the Board of Directors plays a critical role. Poison pills can be employed by the board to thwart a hostile takeover that is in the best interests of the shareholders. Similarly, Twitter's board could have easily justified rejecting Musk's offer, however, they demonstrated that they were not adamantly opposed to change.

Generating Revenue from Piracy

Microsoft's Windows and Office are the most pirated software on the market. But how come a behemoth like Microsoft is powerless to prevent it? However, the question is posed incorrectly. Microsoft is not interested in preventing piracy. Bill Gates once said, “As long as they are going to steal it, we want them to steal ours”.

The strategy behind this was to enable their potential customers to get habituated with their products from early on. So that, in the future, they have difficulty shifting to their competitors. Consider how much time you spent learning Windows shortcuts and then having to relearn them when you switch to another OS. Microsoft was smart enough to allow users from developing countries, mostly students, to use the pirated version since these kids will continue to use the same PCs in schools, universities, and ultimately their professional lives. While individuals have the liberty to use the pirated version, corporates are bound to purchase it legally. With the habituation of employees in using Microsoft’s products from an early stage, corporates lean towards Microsoft to maintain the efficiency of their employees, and thereby helping Microsoft ultimately earn some revenue – A Long Shot!

The Rush for Super Apps



Super App is an online one-stop-shop solution for all customer needs. The talk of the town and the new business of all the existing giants in the industry is to fabricate an app to offer a range of diverse services from fashion shopping, food delivery, and financial services, to groceries and medicines.

The new business model is relying on delivering all products required by a consumer under a single app. But to strengthen the revenue side of the balance sheet the companies need to retain customers. The behemoths have gone back to the traditional model- the rewards system. Upon purchasing a product, a customer earns certain cashback or rewards that they can spend on their next purchase. The benefit of a ‘Super App’ is that one can purchase every requirement of theirs under one roof. So when one avails services for food delivery, he can use the cashback earned on that purchase on grocery shopping. This will help the companies maintain a high conversion rate and prevent their consumers to roll over to other alternatives. With a spree of acquisition, Tata with its app “Tata Neu” has emerged to be the frontrunner.

OLA Electric’s Ambitious Failure

Bhavish Agarwal, the founder of Ola, twitted- “India is committing to EVs and rejecting petrol! We sold 4 scooters/sec”. This was the time when Ola had started to take pre-bookings for its electric scooters which were strongly believed to disrupt the two-wheeler market in India. Ola Electric was successful in creating considerable buzz about the EV in one year with around 1 lakh plus pre-bookings on its opening day.

However, it seems that Ola made a tall claim to supply the scooters in October as it was able to execute the deliveries in December only. The number of scooters delivered was as low as 275 in December,1100 in Jan’22 and 7,000 in Feb’22. Why did Ola fail to meet the demand so badly? The answer is mismanagement of the supply chain, failure to forecast the right demand, shortage in supply of semiconductors, and its import dependency on China. Ola soon decided to prioritize the production of their premium model and gave an ultimatum to the customers of the base model to wait or switch to the premium model which would cost them an extra ₹30,000. This agitated the price-sensitive Indian consumers. To compensate for delayed deliveries Ola rushed the production of its vehicles. This resulted in poor-quality products with significant manufacturing defects. Creating a loyal client base in a price-sensitive industry is incredibly challenging. Ola got over that hurdle by professing to offer "a great product" but only delivering substandard vehicles, putting their own promises to the test. Do you believe Ola will be able to resurrect its business in the long term now that it has announced the recall of over 1,140 vehicles?

'No Marketing Plan" of Arizona Beverages

In a world where companies are hustling to market their products through online campaigns, hiring brand ambassadors, creating experience centers, paying for ads on social media, there is one company that has given its competitor a run for their money with their "No Marketing Plan".

The company we are speaking about is Arizona Beverages and their reliance on the good old organic marketing strategy – a quality product with word-of-mouth publicity. They priced their product at only 99 cents in the United States. At the price point, their Iced Tea was a bargain for money and had the potential to shake the giants in the beverage industry. But the question that persisted was how to present the product to the consumers and make them understand that they are getting a comparatively better product for a much lesser price than its alternatives? This is where the company excelled. Not wishing to spend an extra penny on customer awareness, what they did was create "funky cans" and placed them in supermarkets. The packaging attracted the customers and the stellar price made them curious to try it out. Once they tried it, given the price point, the success of their product was a no-brainer. Soon people recommended the Iced Tea to their friends and families, making the product a "household name". Marketing expenditures result in a cyclical phenomenon. The more a company spends on marketing the higher the selling price is. In turn, the higher selling price churns out a lower potential clientele. This is where Arizona made a difference. They stuck to their lower price point and leveraged their brand packaging to raise brand awareness.

Noise is Making the Perfect Uproar in the Market

Anything that Apple introduces becomes a sensation and the talk of the town. Back in 2015, when Apple introduced its new product line – a smartwatch, everyone was curious to find out about it. But Apple being Apple, the price at which was launched was way beyond the budget of average Indian consumers.

A smartwatch is simply an extension of one's smartphone. At that time Xiaomi and Huawei were fiercely battling it out to offer value for money Android mobiles in the Indian Market. In a price-sensitive and youth-dominated market like India, Android was the go-to choice. 'Noise' started as a smartphone accessories company that saw the gap and decided to jump in to gain a fast-mover advantage. It changed its business model and introduced smartwatches and fitness bands to its portfolio at an affordable price. Noise introduced its range of smartwatches from a throwaway price of ₹2,000 only.

From being an accessories company to registering a growth of 278% YoY growth for the FY21 and having the largest market share of 27% in the smart-wearables is a no mean feat for a bootstrapped company. Understanding the needs of a youth-centric target audience vast majority of whom uses an Android device, and pricing their products to meet the budget, played a massive role for Noise in re-shaping the company's future.

Anand Mahindra's Masterstroke?

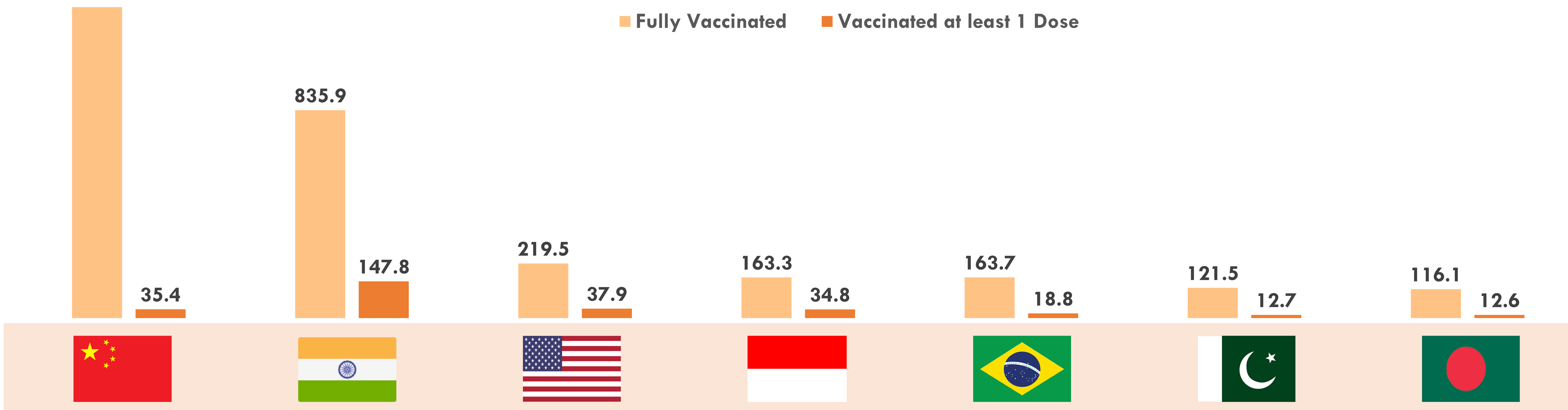
It is a frequent phenomenon for Anand Mahindra to gift cars of his company to the people who achieve a remarkable feat. When Neeraj Chopra won the gold medal in Olympics, Anand Mahindra gifted him a car. The same thing happened with a few Indian Cricketers who won a series in Australia. All of these athletes have used social media to share photos of themselves with their vehicles and thanking Anand Mahindra. India is a nation with emotion. In India, we cherish each other's accomplishments. So, when an individual achieves something, social media is overwhelmed with praises. So, when the individual shares his pic on social media with the gift, it creates a positive sentiment around the brand for the digital audience. This generates a huge buzz on social media. So much so that newspapers line up to cover the story of Anand Mahindra gifting a car in detail. Companies pay in lakhs to rope in these celebrities as brand ambassadors. A first-page advertisement runs into lakhs. So, is this Anand Mahindra's way to disguise his unique marketing strategy, or is this just a simple gesture of appreciation? What do you think?

COVID UPDATES

COVID cases across the Globe, data as of 28th April
512M- Total no. of cases
465M- Recovered
3.99M- Active cases
(0.1% are serious and 99.7% are in mild condition)

COVID cases in India, data as of 28th April
43M - Total no. of cases
42M - Recovered
0.01M- Active cases
(0.1% are serious and 99.7% are in mild condition)

Vaccination Status as of 28th April'22 (In Mn)

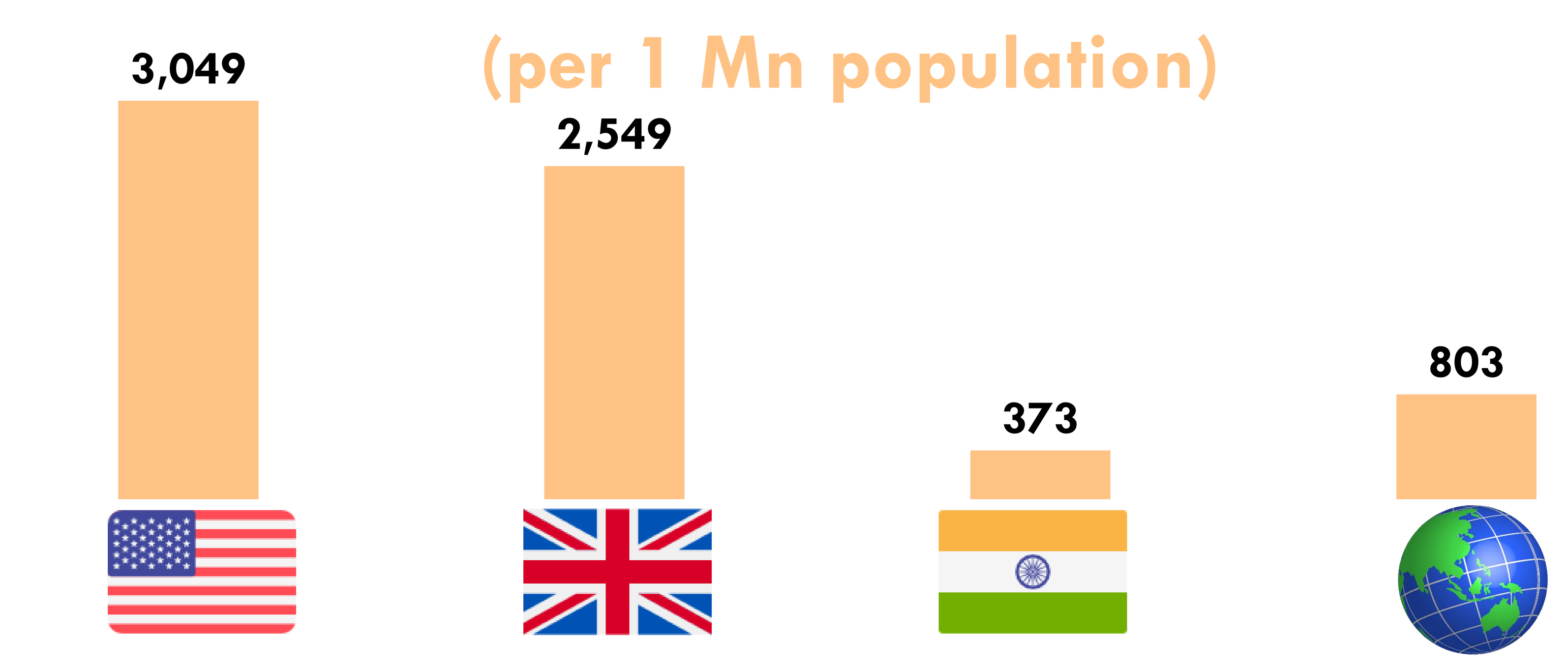


Source: Our World In Data

Covaxin and Corbevax Obtain EUA

Bharat Biotech's Covaxin (age category of 6-12 years) and Biological E's Corbevax (5-12 years age bracket) have been conferred Emergency Use Approval by the Drug Controller General of India. Zydus Lifesciences has also obtained the same for its ZyCoV-D vaccination catering to individuals aged 12 years and above. ZyCoV-D is a plasmid DNA vaccination delivered intradermally in three doses utilizing a needle-free technique. Despite the EUA, the government's expert panel will make the final choice on vaccination distribution. The authorization will boost vaccine adherence and minimize the overall time necessary for vaccination to develop viral resistance. It will also make it easier to dispense the vaccine to a significant number of individuals in a shorter amount of time, which is always preferable in the event of an outbreak.

Total Number of Deaths (per 1 Mn population)

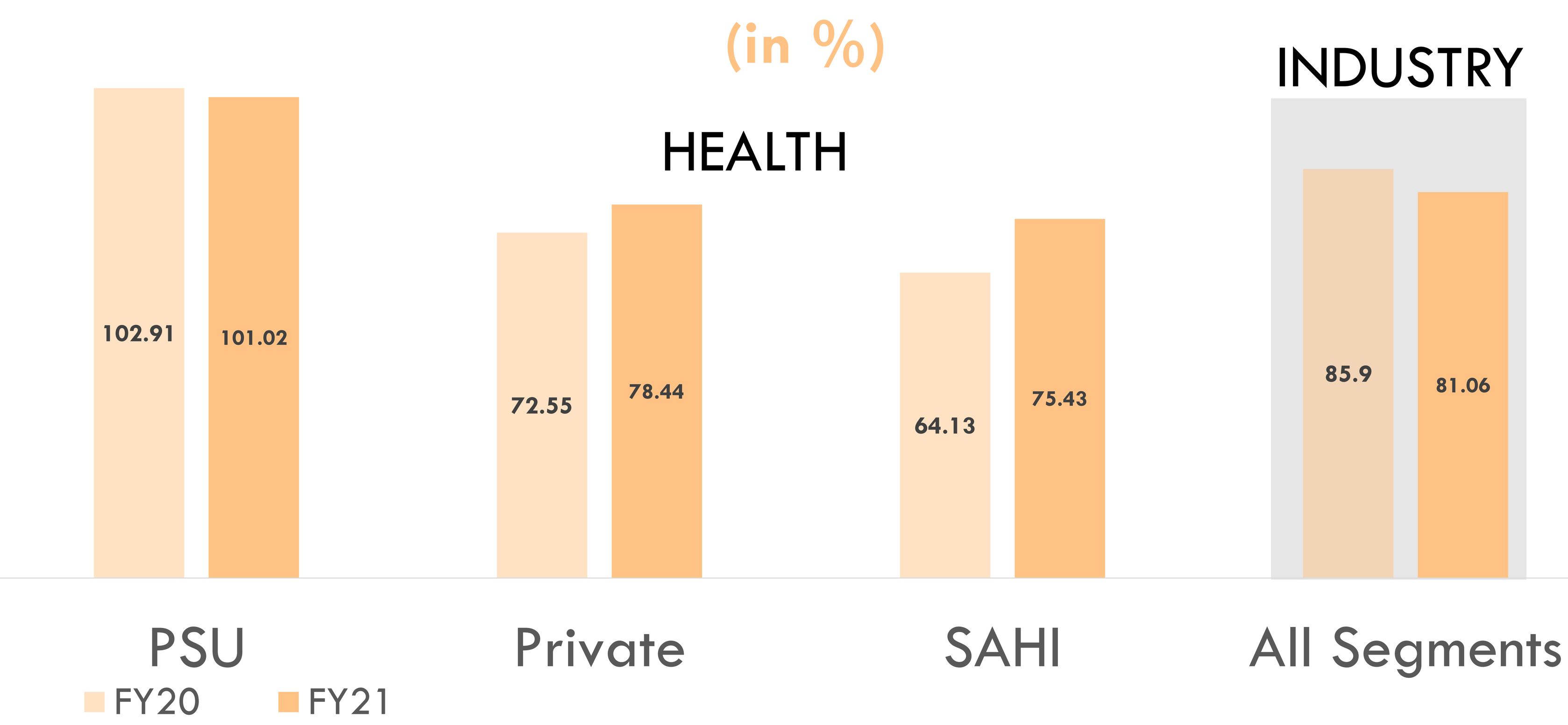


Source: Worldometers

Health Insurance Premium at a Rise

With the resurgence of the Covid-19 epidemic, healthcare insurance premiums have shot up. Given the situation, a majority of the population found it safer to opt for healthcare insurance which could potentially act as a cushion, in case of failing times. However, from the company's point of view, large pay-out during the first two years of the pandemic played a hand. Presently, the premiums of new policies, as well as policies up for renewal, have increased by 10-15%. Insurers chose to advance the charge in order to reduce the loss ratios of their products that kept on growing due to the recurring claims. Moreover, many products have also attained the stage wherein a price review is essential. When it comes to health overheads, India has been amidst the bottom ranks, with an overloaded health structure. This contagion has effectively thrown light on the severe requirement for an improved health arrangement.

Incurred Claims Ratio of General and Health Insurers (in %)



Source: Business Standard

Leveraged Growth

OPINION POLL

"India is not a part of the greenhouse gas emissions problem but it will be a big part of the solution to climate change."
-Bhupender Yadav, Union Environment Minister, India

"Rapid increases in debt + the pandemic + rising fuel & food prices due to war in Ukraine are increasing risk of debt distress."
-Anshula Kant, MD & Chief Financial Officer, World Bank Group

"We printed too much money and are acting like 8 year olds chasing the ball!"
-Uday Kotak, CEO, Kotak Mahindra Bank

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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