



Leveraged Growth

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# MONTHLY REPORT FEBRUARY 2022

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# SPECIAL FEATURE

## The History of War

1991

### Ukraine Becomes Independent:

Ukraine voted for independence promptly after the Soviet Union fell apart. The people of Ukraine supported becoming a sovereign state. As per the terms, they would respect the independence and sovereignty of Ukraine.

1994

### The Budapest Memorandum is Signed:

The Agreement was signed by Ukraine, US, UK, and Russia. Ukraine would surrender its nuclear infrastructure to the Russian Federation. Prior to this Ukraine was in the possession of the world's third largest nuclear stockpile.

2014

**Russia Seizes Crimea:** After the Euromaidan protests, Russia seized Crimea, a Ukrainian peninsula with a primarily ethnic Russian population. The annexation garnered international resentment and was condemned (apparently that's all they do) by the UN and the EU.

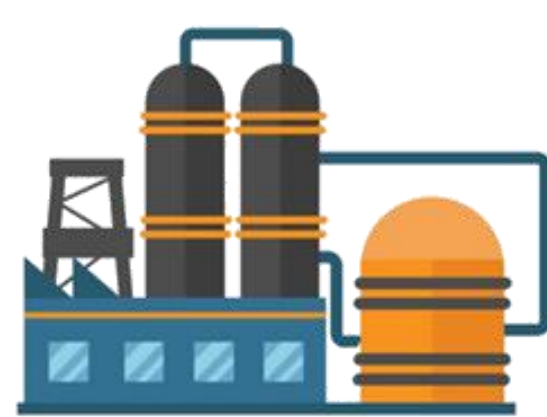
2022

**Russia Launches Full-Scale Invasion of Ukraine:** After relations with NATO and the West deteriorated in late February, Russia realized the breakaway territories and launched a full scale invasion of Ukraine. The invasion began in eastern Ukrainian territory of Donbas.

## Global Impact

### Energy

Russia produces 10% of the world's oil and supplies over 40% of Europe's gas.



Without Russian gas, Germany and other countries may be obliged to restart coal and oil power plants and restrict gas for commercial use as they prioritize power generation and heating.

### Food

Russia and Ukraine account for more than a quarter of the world's wheat exports, while Ukraine accounts for over half of sunflower oil exports. Both are important commodities that are utilized in a variety of culinary items. Importers will undoubtedly struggle to replace supplies, since harvesting and processing may be impeded in a war-torn Ukraine.



### Banks

Russia is barred from using a widely utilized payment system – SWIFT messaging system. This might lead to a catastrophic collapse of the region's financial institutions. Banks of Italy, France, and Austria banks are the world's most vulnerable international lenders to Russia.



### Metals

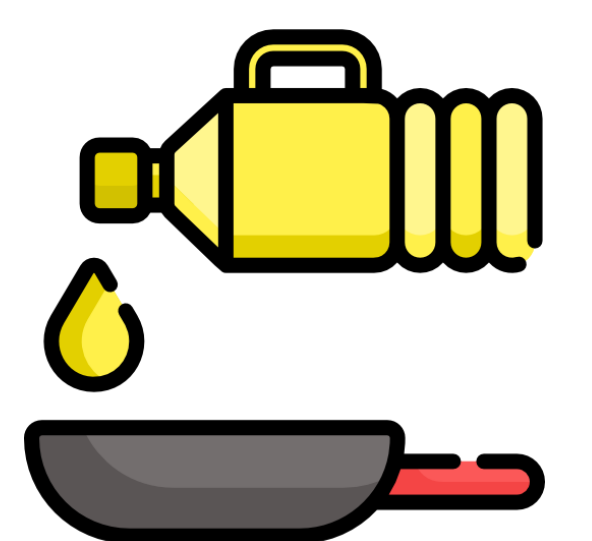
Both countries are the world's largest producers of essential raw metals such as nickel, copper, iron, neon, palladium and platinum. These basic materials are widely used in a variety of industries, ranging from mobile phones to dental fillings to the aerospace industry. Amidst the war, this could result in widening the demand-supply gap, thereby increasing the price of the final product.



## Impact on India

### Edible Oil

Both countries account for India's 90% demand for sunflower oil. The ongoing war has disrupted the Black-sea trading route, leading to soaring prices of cooking oil and a larger import bill. The Govt. is likely to reduce Import duties to control inflation in edible oils, which had worsened even before the war. On the flip side, mustard farmers will get a better price for their produce.



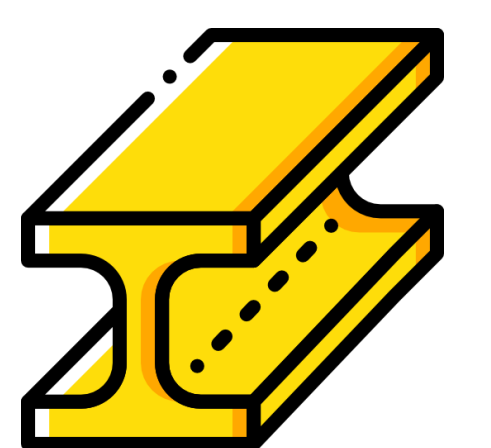
### Pharmaceuticals

Indian Pharma units import chemicals and aluminum foils from Russia and the Commonwealth of Independent States (CIS). Now that the oil prices have surged, imports will become expensive and increase the cost of production. War can disrupt the operations and affect the revenue of Pharma giants like Dr Reddy's, Glenmark, etc., having a strong presence in these nations.



### Steel

The sanctions on Russia, 2<sup>nd</sup> largest steel-exporter, will disrupt the supply chain. Ukraine, which supplies 15.26MT of steel is in no position to export. As such, India might become the natural choice for these markets. But the opportunity depends on the industry's ability to scale production as domestic demand is also picking up. India might need to ramp its production by 10% as it may see increased demand from the pipe and automotive industries.



### Gas

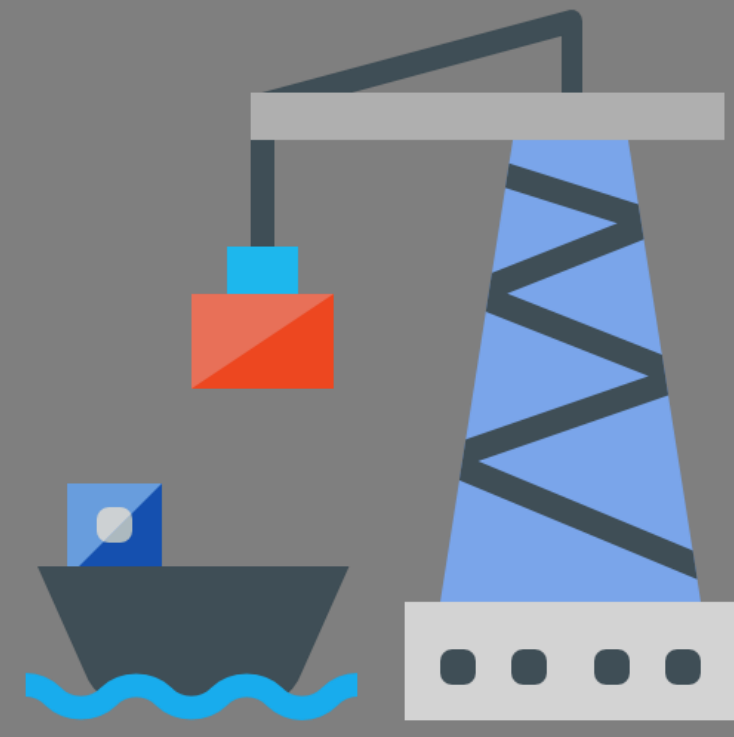
India meets almost 45% of its gas requirements through imports. Although imports from Russia are relatively low, rising fuel prices is a cause of concern. With a higher import expense for gas prices, the Govt. will be bound to increase its LPG subsidies to keep the inflation in check.



## Delayed Shipments At China Ports

Hong Kong and parts of China are facing one of the most challenging Covid-19 outbreaks in its history. The Omicron virus is ravaging cargo shipments owing to rising fears that an escalation in cases coupled with China's tighter requirements for quarantine could delay supply chain stabilization for the shipping industry. Congestion at China's ports has caused companies to rely more on stockpiled inventories of goods due to delayed delivery of everything from iron ore to electronics. Shipments are delayed just as China steps up its sweeping plan to cool rising iron ore prices. Steel-making raw material prices have fallen 15%.

A shortage of workers and drivers is adding to the problems in ports from Shenzhen to Rotterdam due to long lines of cargo ships. In addition to an uncertain demand outlook, authorities have urged traders to let go of "excessively high stockpiles." The news could add some volatility to iron ore prices.



## EU's Data Act

A new set of rules has been proposed by the EU Commission on who can access and use the data generated in Europe across all economic sectors. Through the Data Act, fairness will be ensured in the digital environment, competitive data markets will be stimulated, and opportunities for data-driven innovation will be fostered.

By 2028, it is expected that the new rules will open up more data and contribute €270bn to GDP. In a race to profit from the vast amount of non-personal data created by connected products, ranging from smart appliances to automobiles, the bill aims to help small businesses stay competitive. The data of devices will also be accessible to consumers and businesses for aftermarket and value-added services, such as predictive maintenance.

As part of the act, the EU will also impose new obligations on so-called gatekeepers, a term used to refer to the world's largest tech companies, which the EU is still in the process of defining in the proposed law designed to restrain their dominance.



## New Era in India's Bilateral Economic Relations

India and UAE signed the historic Comprehensive Economic Partnership Agreement with the aim to more than double their bilateral trade from \$44bn to \$100bn within the next five years.

The FTA is expected to benefit domestic goods worth \$26bn that are currently subject to 5% tariffs. The deal will eliminate all tariffs for 90% of the traded goods between the countries starting from April 1. As a result, smaller nations like Bangladesh and Vietnam will lose their tariff advantage on items like footwear, garments, gems, and jewellery.

Various labor-intensive sectors like textiles, leather, agriculture and food products, etc. would receive a fresh boost as a result of the trade pact. Under the deal's safeguard mechanism, merchants are likely to be protected against any unreasonable rise in the volume of any product. Additionally, the increased trade is likely to create 10 lakh jobs in India across various sectors.

### India-UAE Trade (in Billion)



## Biggest Currency Crash in Russian History

Russia's attack on Ukraine turned out to be fatal for itself. To stop the Russia-Ukraine war, nations around the globe blocked Russian banks from the SWIFT international payment system, restricting Russia's access to its massive foreign currency reserves. This action led to the Russian currency ruble plummeting over 30% against the US dollar, coming to its record low of less than 1 U.S. cent. This move will impact "hundreds of millions of dollars" worth of Russia's funding. In response to the crash Russian central bank doubled the interest rates by more than 20%. The ordinary Russians have rushed to banks after suffering the outbreak of Vladimir Putin's action. Was the invasion worth it?

# INDIA INC.

## India's Green Hydrogen Policy

The green hydrogen policy announced by India will give renewable energy, used for the creation of green hydrogen, open access without a central surcharge, and no inter-state transmission charges for 25 years for projects commissioned before 2025.

For hydrogen producers, the plan provides significant flexibility and a variety of incentives for renewable electricity sourcing and development. Based on India's current progress in the renewable energy sector, it is clear that green hydrogen will make a large impact on India's overall energy sector. It provides a link between growing and sustainable renewable electricity generation and the hard-to-electrify sectors, which will provide a sustainable solution for decarbonizing the Indian transport sector.

The Energy and Research Institute of India has forecasted that the demand for green hydrogen is set to increase from 6Mt to 28Mt by 2050 and the cost of hydrogen from renewables will fall by 50% by 2030. With India's low renewable energy cost advantage, the country is likely to produce green hydrogen at about one-fourth the cost of global levels potentially making India - the world's lowest-cost producer.

## Textile and Apparel Industry Revs Up

After being outrun in recent years by neighboring countries and then hammered by the COVID-19 pandemic, India's garment factories are now purring near more than their capacity.

In recent years, India's exports have fallen behind those of its nearest rival, Bangladesh, particularly in the garment sector, due to higher labor costs that make Indian clothing around 20% more expensive. India is becoming an increasingly popular destination for Textile and Apparels(T&A) as foreign buyers seek to diversify their supply chain. India is the only country, apart from China, having an enormous supply chain of various products ranging from cotton to garments. The alleged human rights violations in China's key cotton-growing province have contributed to a boom in sales of the Indian T&A sector.

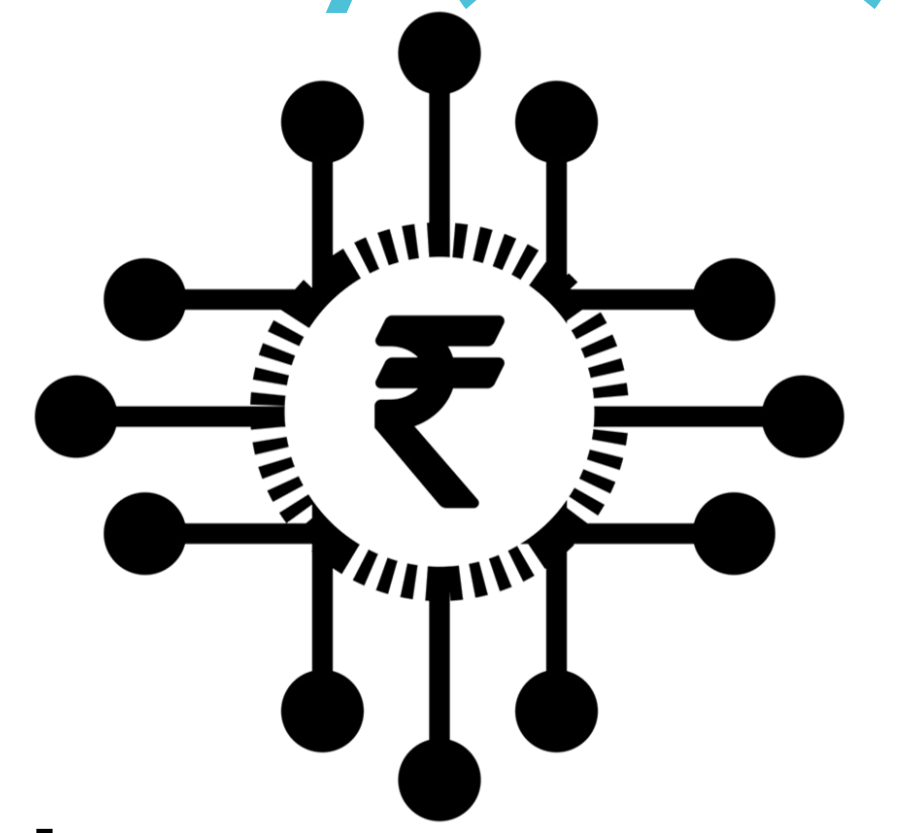


## India Announced the Launch of its Digital Currency - Central Bank Digital Currency (CBDC)

RBI will be the one to introduce digital currency in the economy. The quick adoption of digital currency was spurred by the considerable threat posed by crypto's decentralized operating structure, which permitted a significant capital outflow from the country.

In contrast to the existing blockchain structure, the Digital Rupee will be under the supervision of RBI - "centralized" and "controlled". It will give RBI the flexibility to track transactions, unlike the present arrangements offered by private exchanges. CBDC has the potential to improve fiscal and monetary policy coordination. Furthermore, it is expected to reduce the settlement risk of the financial system considerably. Interbank settlement will cease to be effective as the new system will transact through digital currencies instead of bank balances, much like cash.

The high currency-to-GDP ratio in India necessitates the use of CBDCs. It is poised to serve as a perfect alternative to cash in a country where untraceable cash accounts for 15% of the entire money supply.



## Indian Railways' "New Parcel"

Indian Railways will shortly launch yet another ingenious passenger-friendly "amenity".

The national transporter is conducting test runs of a door-to-door delivery service for both individual and bulk customers. The first such service will begin in the Delhi-NCR area by end of July, 2022.

The idea is to create an app and to provide users with receipts with a QR code that will enable them to track their parcels, similar to the other courier and e-commerce companies. In addition, the app or the website will show the estimated charge and the time needed to make one delivery.

Besides being a transporter, Indian Railways is also trying to persuade India Post to improve the delivery service to regain their supremacy in logistics, where the "government-owned transporter" has lost ground to private companies. The goal is to provide services for transportation of consignments by road at a reduced cost, giving private players a run for their money.



# GOVT. POLICIES

## Relief for NBFCs

The RBI extended the timeline for NBFCs to adhere to the new Non-Performing Borrower Account recognition norms. This decision will give relief to the NBFCs, particularly those lending to MSMEs. Switching to new rules immediately after the third wave of the pandemic would have most certainly put a burden on the balance sheets of several MSME-focused NBFCs. The 6-month extension would help NBFCs to comply with the new rule and improve their NPA profiles in a big way. The pace of the economic recovery is expected to pick up in 2022, and NBFCs will have more time to improve their MSME portfolio. Following the deferment of the deadline, some NBFCs' stocks skyrocketed.

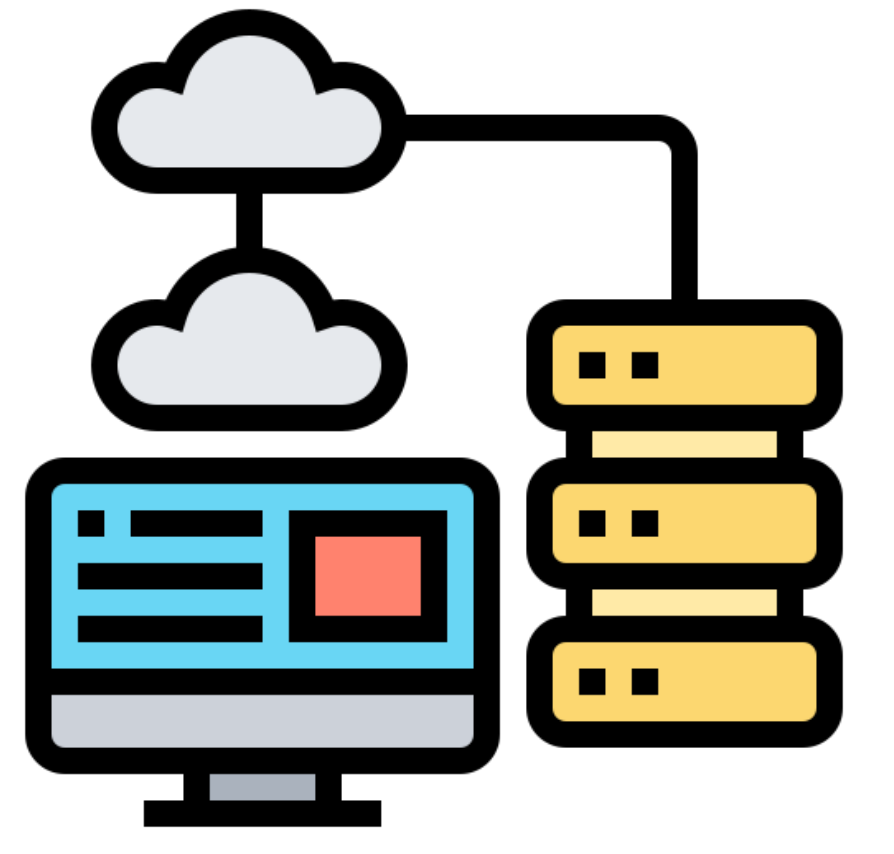
In 2023, NBFCs are expected to have sufficient capital buffers, stable margins, large on-balance sheet provisioning, and adequate system liquidity that will assist funding.



## A Common "Searchable Database"

The Ministry of Electronics and Information Technology (MeitY) has devised to set up an India Data Office (IDO) to improve and consolidate access to public data repositories across government departments and other stakeholders. To create a common "searchable database", all central and state government agencies will be required to compulsorily share their data.

Private companies have been exempted from mandatory data sharing with the government. The common pool of data will be available to startups and enterprises alike. According to the policy draft, unless designated as a negative list of data sets, all government data will be open and shareable. It aims to improve access to the quality, and the use of data, using current and emerging technologies. In addition to developing data standards and metadata standards, the council will review the policy's implementation and define frameworks for high-value data sets.



## Increased Opportunities for Foreign Portfolio Investors

To assist Foreign Portfolio Investors (FPIs) in investing in Indian debt markets, RBI introduced the Voluntary Retention Route (VRR). Unlike the FPI investments in debt markets, these investments are not subject to macro-prudential and other regulatory constraints.

Recently, RBI increased the limit from ₹1trn to ₹2.5trn, given the positive response by the FPIs. With the increase in the limit, additional funds will be attracted amid an increase in government borrowing. The VRR scheme is designed to provide FPIs with investment opportunities in corporate debt and government securities with a higher yield than other developed countries.

Limits are being raised at a time when interest rates are expected to rise in markets such as the US, making the flow of money from India more likely.

Increasing the VRR limit helps minimize abrupt shocks in the form of substantial withdrawals in two ways: it provides greater operational flexibility in exchange for a minimum holding term commitment and serves to minimize the risk of rupee volatility.



## One India One Health

'One India, one health' is the government's vision for creating a holistic health infrastructure that reaches beyond the big cities to villages at the district level. The initiative will focus on the following areas to make India a global leader in Healthcare - modern infrastructure, human resource expansion, research, and the use of cutting-edge technologies.

The private sector will play a pivotal role in the upgrading and maintenance of healthcare facilities. The PM called for private healthcare providers to expand into Tier 2 and Tier 3 cities. Furthermore, it was proposed that state governments formulate policies for land allocation for medical schools.

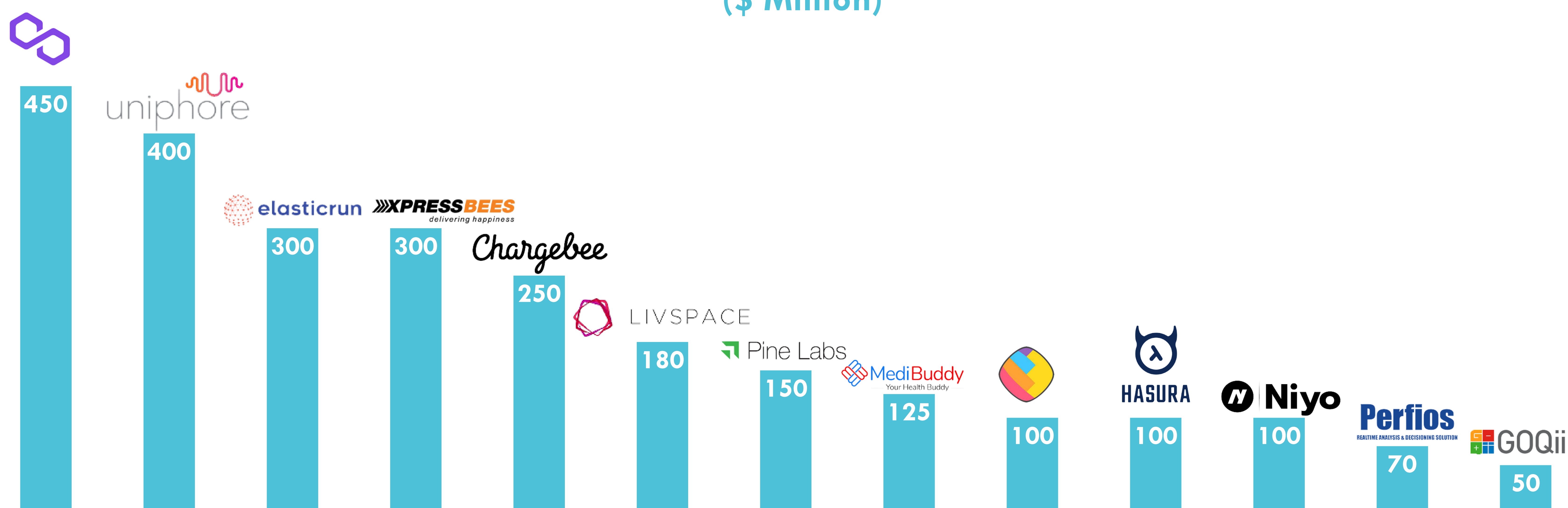
The policy is intended at producing enough doctors and paramedics to meet even global demand in the coming years. The aim is to restrict Indian students from flocking to smaller countries to study medicine.

The government is also focusing on ways to link rural dispensaries, healthcare centers, and Ayush units with private and public hospitals



# START-UPS NEWS

Major Funding raised by Startups for the period 31<sup>st</sup> Jan'22 to 26<sup>th</sup> Feb'22  
(\$ Million)



Source: Entracker

166 startups raised approximately \$3560mn in the month of February. These tech-drive start-ups are disrupting the traditional industry to bring a new wave of technological evolution.

## The New Wave of Waste Management



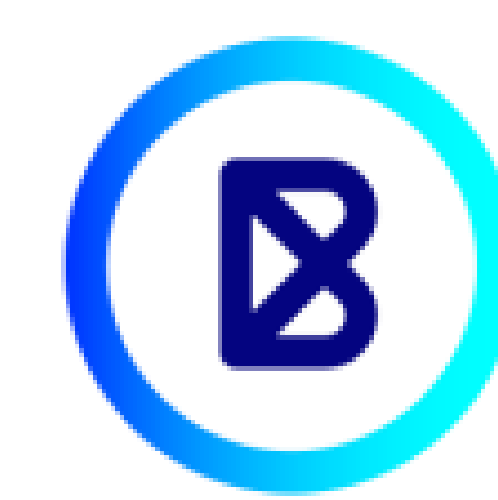
Cercle X, a waste management startup, is establishing an integrated B2B marketplace to connect various players at different stages of the waste value chain. Their goal is to build a cohesive ecosystem for waste management and transformation of solid wastes into useful goods, allowing for the development of a circular economy. It has proposed unconventional ways to handle waste recycling, transparency, and traceability. Be it seed-embedded stationery made from waste paper and textiles or plantable newspapers, it has channelized 500+ metric tonnes of recyclables each month. With its latest fundraise the company is focussing on its growth plan and expansion to Tier I cities.

### Bee turns Unicorn



Pune-based logistic start-up, XpressBees is the eighth company to enter the Unicorn club in 2022. Having a presence in 3000+ cities and towns, it provides logistics solutions to commercial giants like Paytm, Xiaomi, LensKart, etc., and processes 3mn orders per day. The start-up raised \$300mn at a valuation of \$1.2 bn to become a "full-service logistics" firm.

## Path to Clean Energy



**BRIGHTBLU**

Mumbai-based start-up

BrightBlu provides EV charging solutions, cloud services and mobile interface. It is working with a vision to decarbonize the entire transport industry. As more companies transition to clean energy, Brightblu has proven to be the perfect supplier due to its effortless and competitive technology.

BrightBlu has roped in \$1.6mn funding. The funds will escalate the company's international expansion, in-house R&D, and create new charging technology at its new high-tech R&D center in Pune.

## Disrupting the Chemical Industry



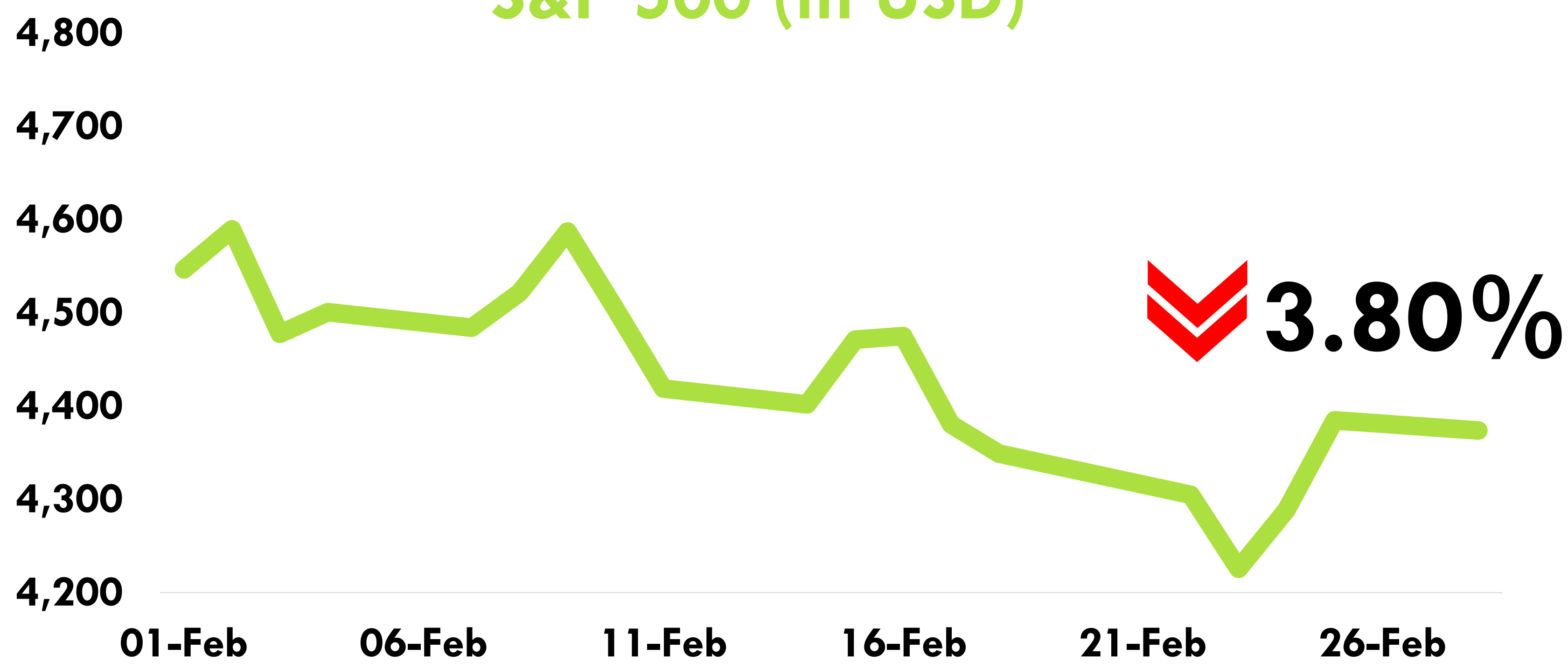
Carbanio, India's leading

online B2B marketplace for chemicals, is attempting to disrupt the chemical industry on a national and global scale. It has digitized 178 chemical clusters across the nation using AI and ML. With over 9mn products sold by 40,000 vendors, the option lies with the buyer to select the best alternative.

It raised \$1.3mn in its last fundraise. Carbanio plans to utilize the funds for business development and marketing, chemical manufacturers' onboarding, deploying innovative technologies and optimizing operational processes.

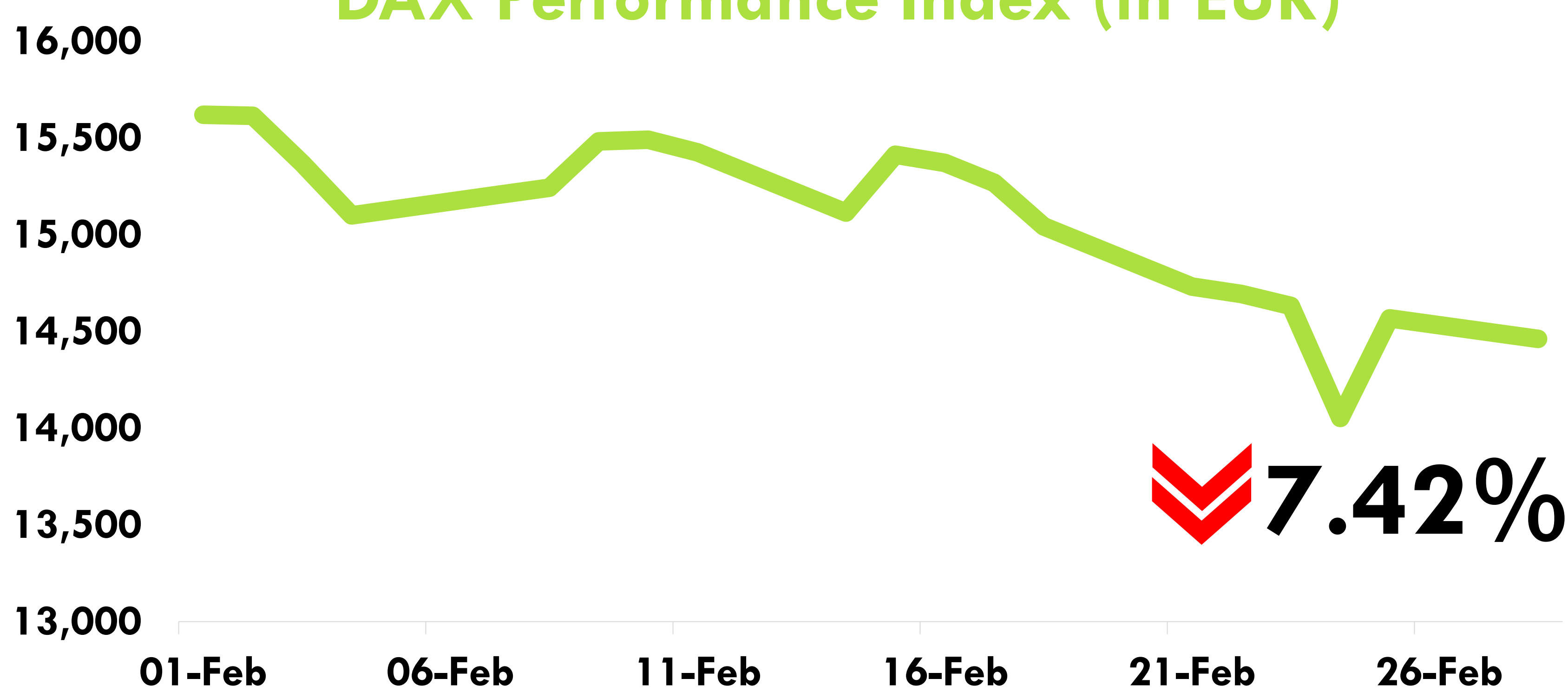
# GLOBAL INDICES

S&P 500 (in USD)



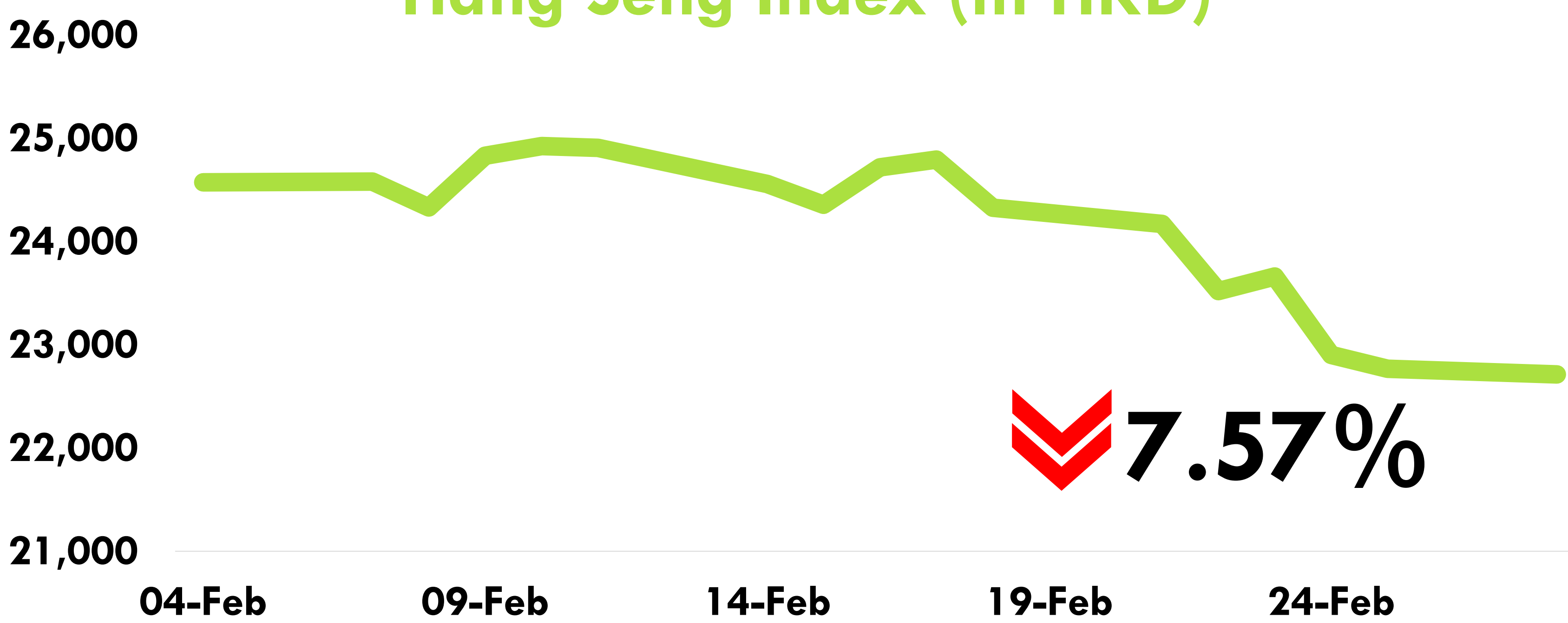
Week 1 started with an upside jump boosted by an increase in the share price of large-tech companies during off-hours sell-off. Amazon surged 14% while Snap surged more than 50% during off-hours. Investors continue to monitor the situation in Ukraine and the possible impact of U.S.-led sanctions against Russia. The benchmark index declined about 7.3% since the beginning of the year, as investors' fears span from interest rate hikes to Ukraine tensions.

DAX Performance Index (in EUR)



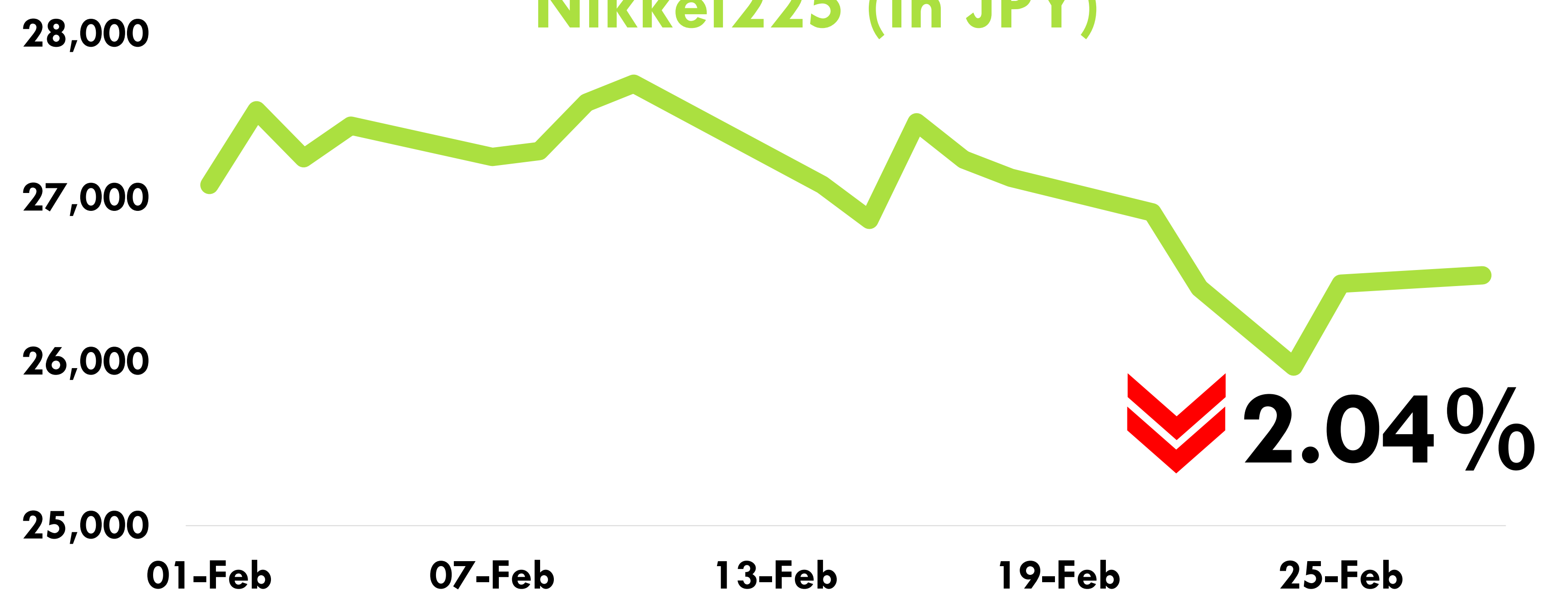
Feb started with a downfall as the US investment banks interpreted a rise in risk premia of 20 points. The index continued to decline during the month as Germany is more reliant on Russian supply than any other country. Furthermore, the index crashed to a 12-month low due to a shortage of gas supply from Russia as the war intensifies.

Hang Seng Index (in HKD)



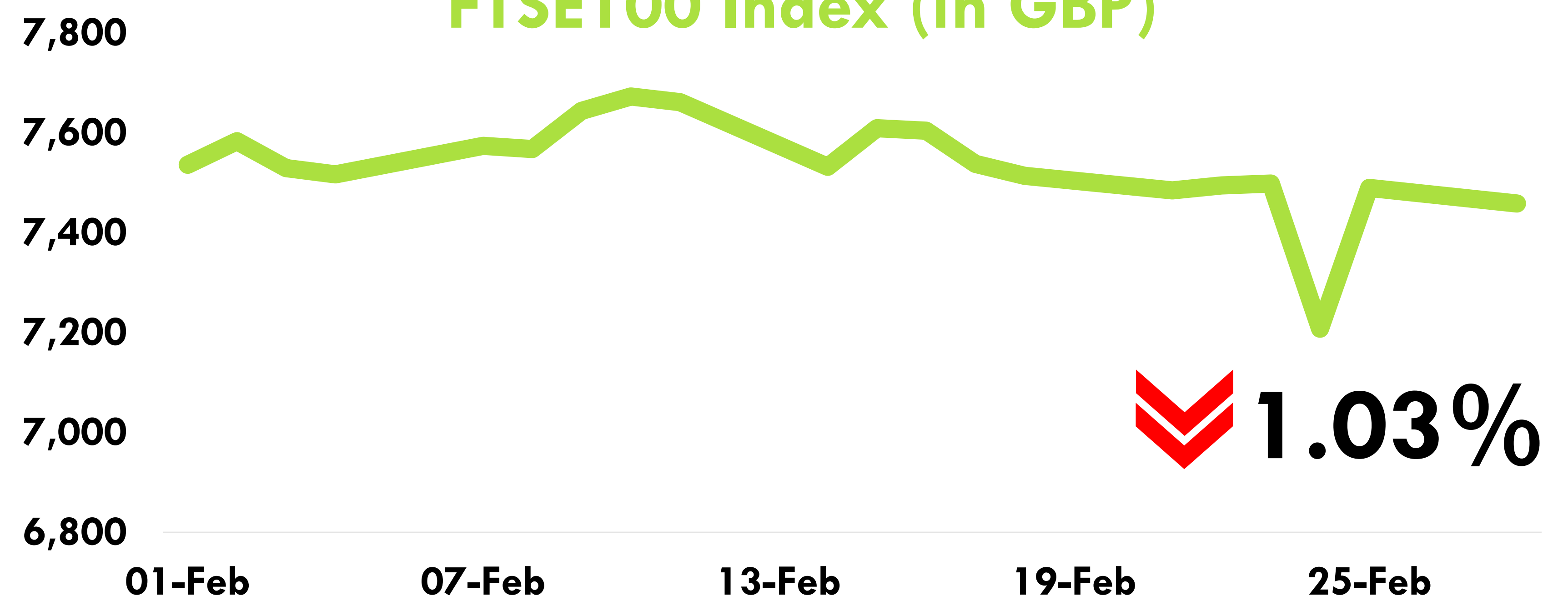
After investors returned from a 3-day Lunar New Year break, the Hong Kong share market closed higher on the first trading day of the "Year of the Tiger", - 4<sup>th</sup> Feb. With index heavyweight Alibaba leading a surge in tech firms, the index rallied higher during the second week. However, the index fell deeply by the end of the month along with all other indexes due to the escalating war crisis.

Nikkei225 (in JPY)



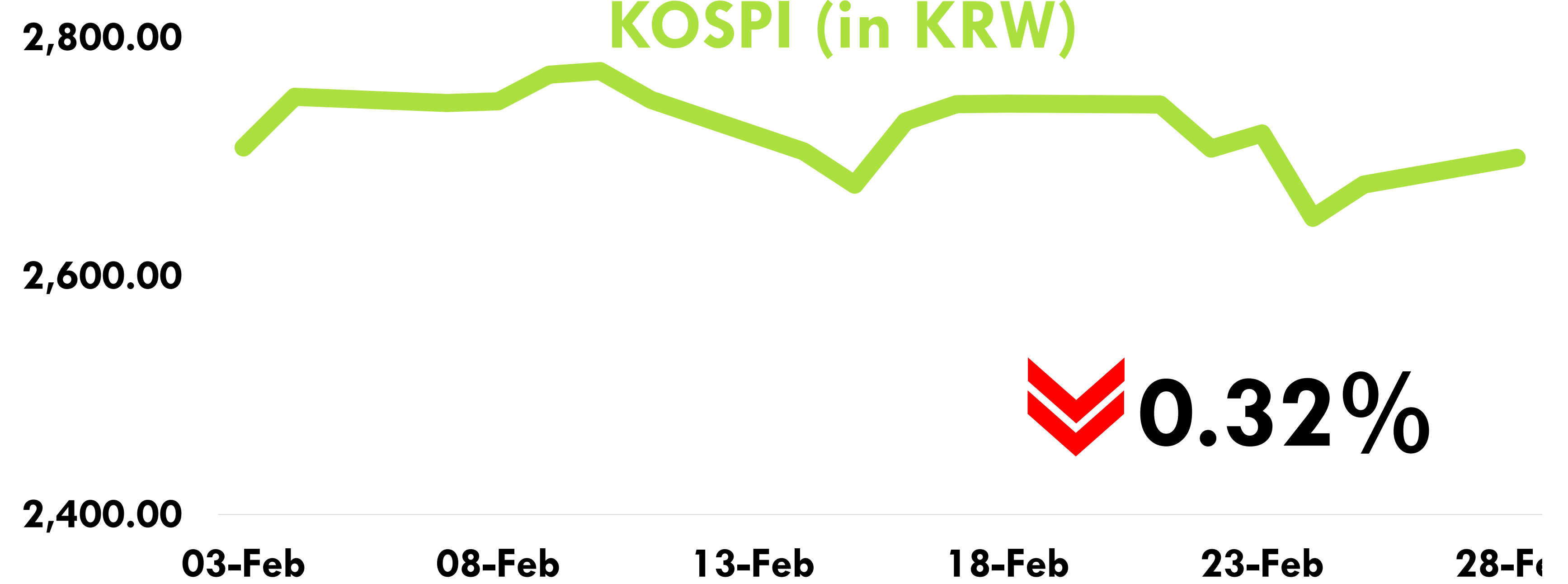
Japan's Nikkei rallied during the first few days of the month due to gains in the Paper & Pulp, Railway & Bus, and Real Estate sectors. However, Nikkei touches a 13-month low as investors lose confidence due to the increasing oil prices and escalating Russia-Ukraine crisis. As Fed announced that they are leaning toward more aggressive action against inflation, Asian stock markets increased slightly.

FTSE100 Index (in GBP)



The month started marginally higher due to gains in energy and mining shares. However, the FTSE fell as BoE raised the bank rate by 25 bps. The index though traded higher on 21<sup>st</sup> Feb boosted by fresh hopes for a diplomatic solution to the tense situation on the Ukraine border but came crawling down steeply as Russia attacked Ukraine. During month-end, the index wiped out all the losses as investors focused on the long-term impact of the war.

KOSPI (in KRW)

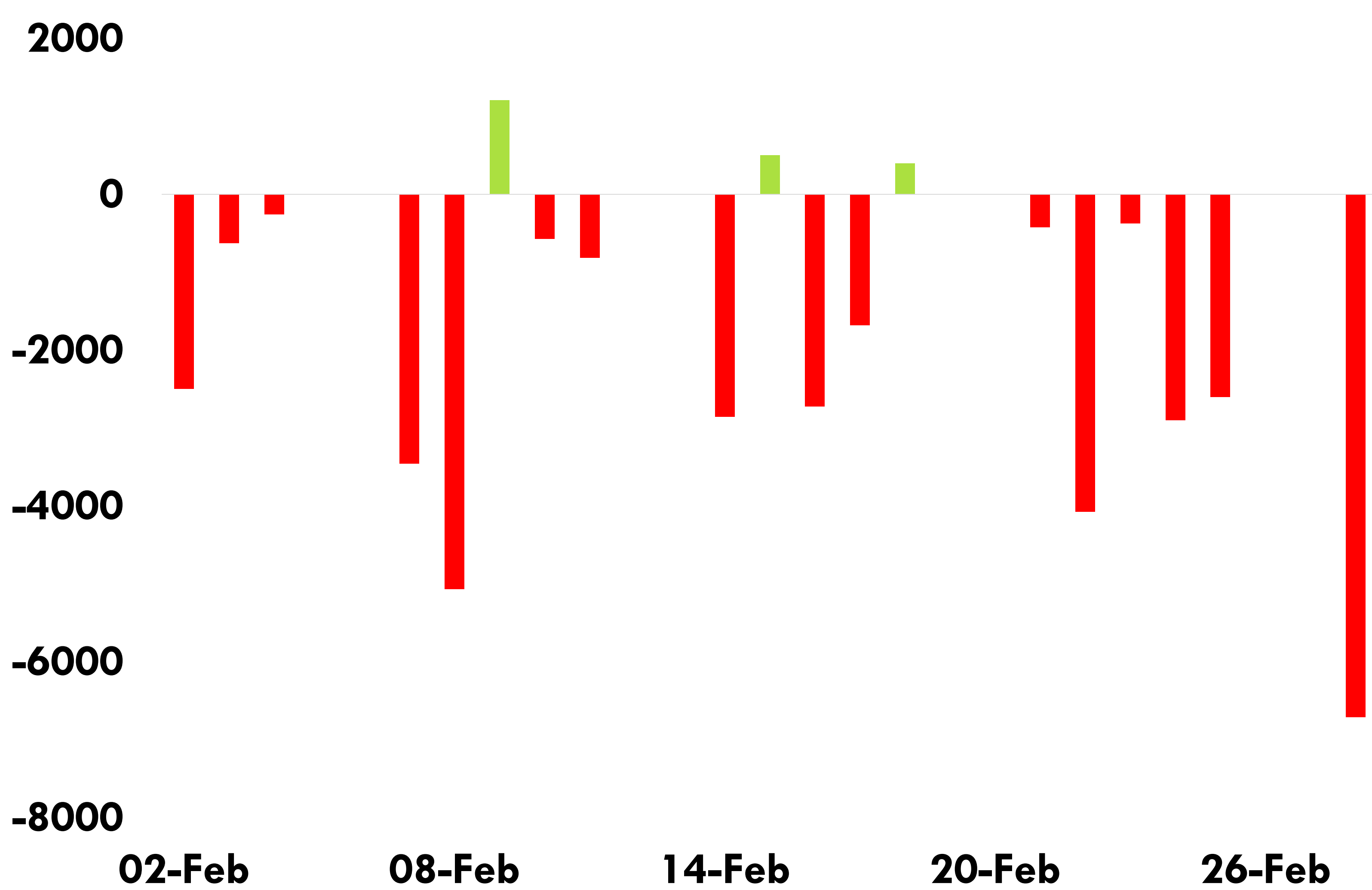


Feb started with an increase in the index as credit-backed loans for stock investment decreased to \$17.5bn. Due to stronger than expected US inflation data, KOSPI fell steeply from its month's high. The South Korean stock fell further as the tension between US-Russia rose over Moscow's potential invasion of Ukraine. Month-end noticed a downfall as Russia attacked Ukraine.

Source: Investing

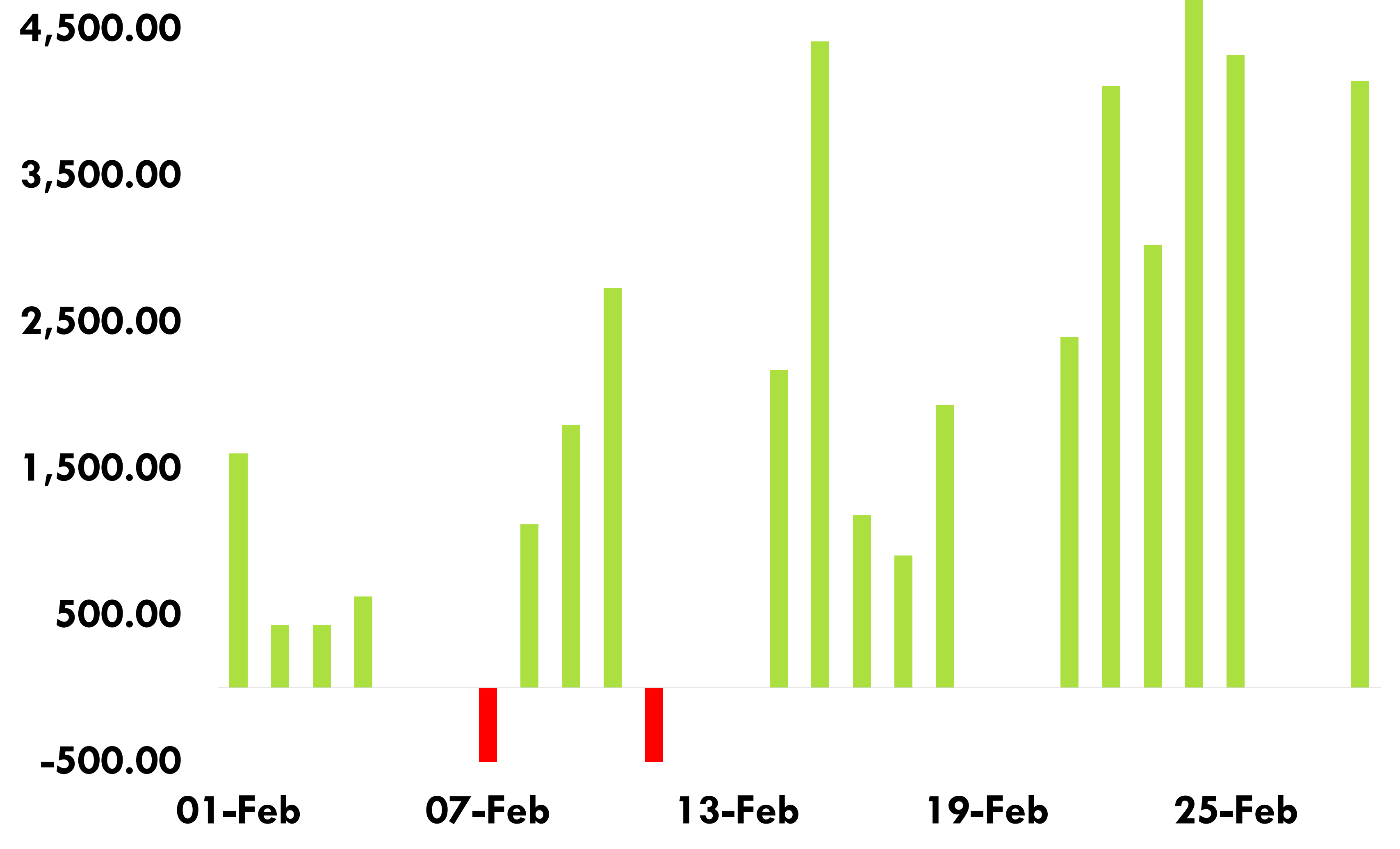
# EQUITIES

FPI Net Investment in February'22 (₹ Crores)



Source: NSDL

DII Net Investment in February'22 (₹ Crores)



Source: NSDL

FPIs remained net sellers and pulled out ₹35,506cr from the Indian equities for the fifth consecutive month. FPIs have been pulling out since October'21. In February, they shelved out ₹1,18,203cr, the highest since March'20. However, they remained bullish on sectors like metals & mining, pharmaceuticals, and textiles during the first half of February. IT sector witnessed maximum outflows. Fed's rate hike and the looming threat of Russia-Ukraine war created an atmosphere of risk aversion. DIIs on the other hand, again pulled up the market sentiments. As the markets entered price correction territory, it gave them much-needed impetus to buy big stocks at a cheaper rate and book profits when the price increased.

## SEBI Tightens the Norms for New Age IPOs

SEBI has urged to strengthen the disclosure requirements for new-age companies that plan to float IPOs. Only those companies not meeting the profitability track record for three years will be required to disclose more details pertaining to the pricing of their IPOs, pre-IPO share sales, and all pre-IPO investor presentations and KPIs. The development comes after the stock values of several newly-listed businesses like Zomato, Paytm plummeted in recent months, which prompted criticisms from investors about the overpricing of the IPOs.



New-age businesses are typically loss-making and distinct from traditional businesses. As a result, traditional metrics such as ROE, EPS, and P/E cannot be applied to these companies, necessitating additional disclosures from them.

	1 <sup>st</sup> Feb'22 (In ₹)	28 <sup>th</sup> Feb'22 (In ₹)	Change (%)	Trend
NIFTY Auto	11,616.1	10,820.5	↓ -6.8	
NIFTY Bank	38,505.5	36,205.3	↓ -6.0	
NIFTY Consumer Durables	27,697.5	27,753.3	↑ 0.2	
NIFTY Financial Services	18,060.2	16,936.3	↓ -6.2	
NIFTY FMCG	37,183.8	35,515.4	↓ -4.5	
NIFTY IT	35,371.6	33,847.8	↓ -4.3	
NIFTY Media	2,247.2	2010.6	↓ -10.5	
NIFTY Metal	5,719.4	5,896.8	↑ 3.1	
NIFTY Oil & Gas	7,698.8	7,268.3	↓ -5.6	
NIFTY Pharma	13,477.5	12,927.6	↓ -4.1	

# SECTOR UPDATES

## Pharma Sector

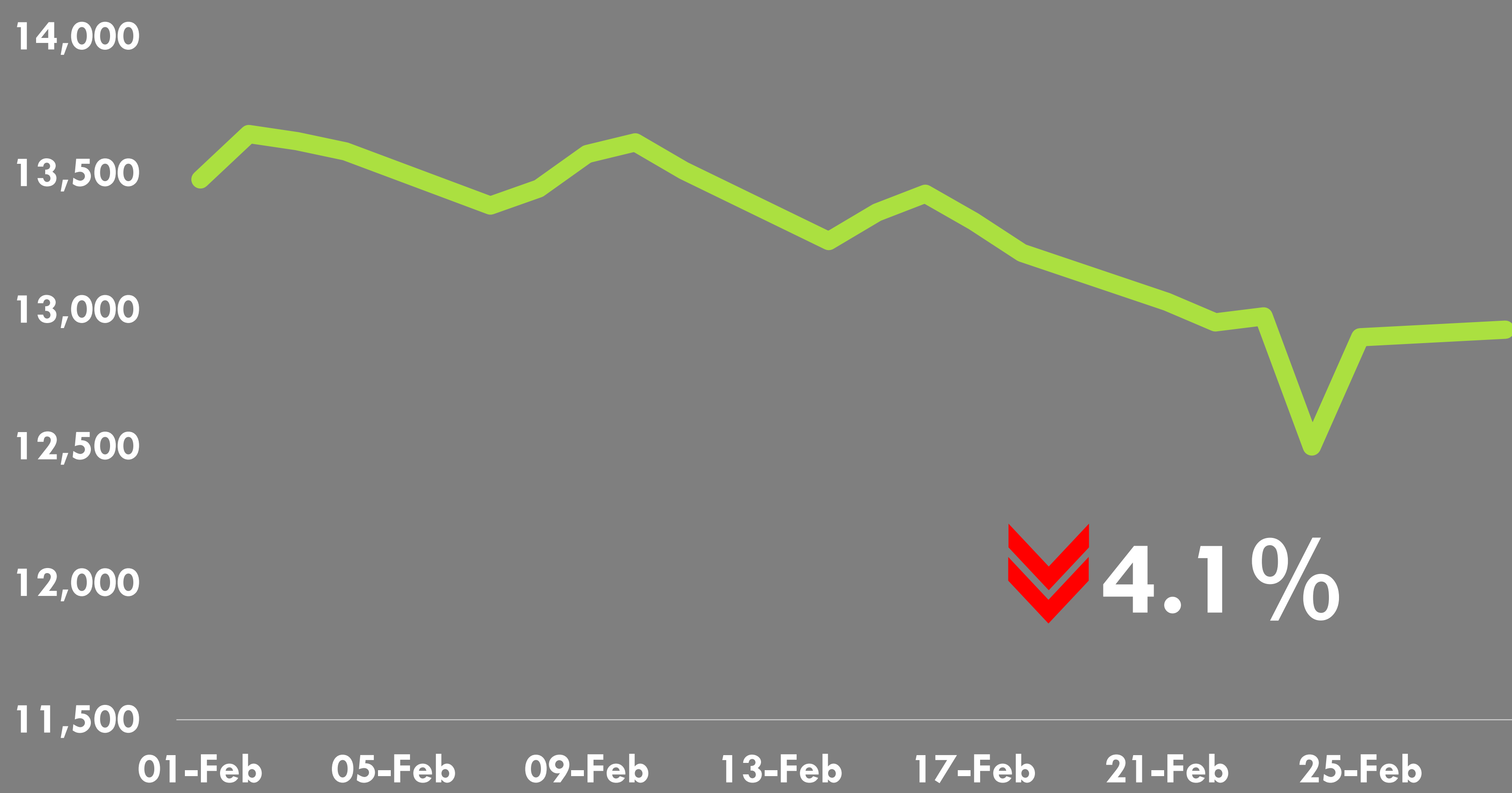
In response to Budget 2022-23, the pharma sector showed a resilient performance in the first half



of the month amid sustained price erosion in the US market and cost and supply chain inflation. The reduction of custom duties on some of the chemicals and raw materials used for producing drugs was one of the primary reasons for the growth.

However, the heating conflict between Russia and Ukraine dragged down the index towards the end as the majority of domestic players like Sun Pharma and Dr Reddy have a strong presence in both countries.

NIFTY Pharma February'22 (In ₹)



## FMCG Sector

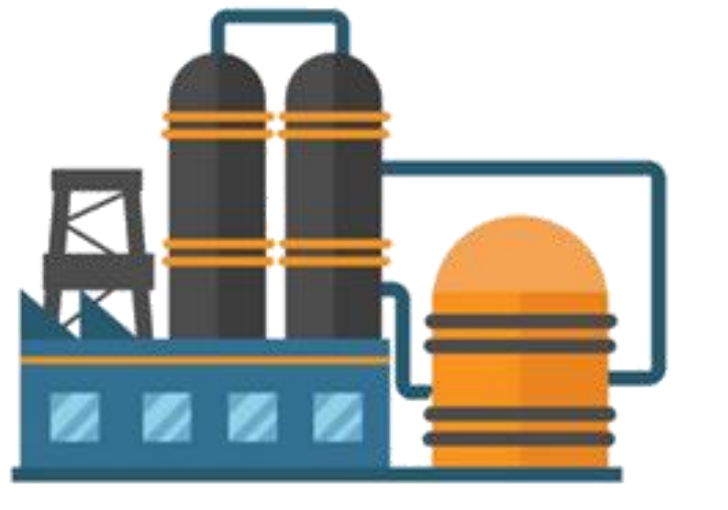
Rural sales, which account for over 36% of total sector sales, contracted by 2.9% in December quarter, undermining the overall growth trajectory for the sector. With the prevailing geopolitical tension between Russia and Ukraine, a price hike in the coming months is imminent as the cost of raw materials and commodities is flaring up due to the rise in crude oil prices. Since FMCG products are price-sensitive, the companies expressed concern over mounting inflationary pressures, which maintained at a seven-month high of 6.01% in January, impacting the companies' margins. Such reasons are causing the underperformance in the FMCG sector.



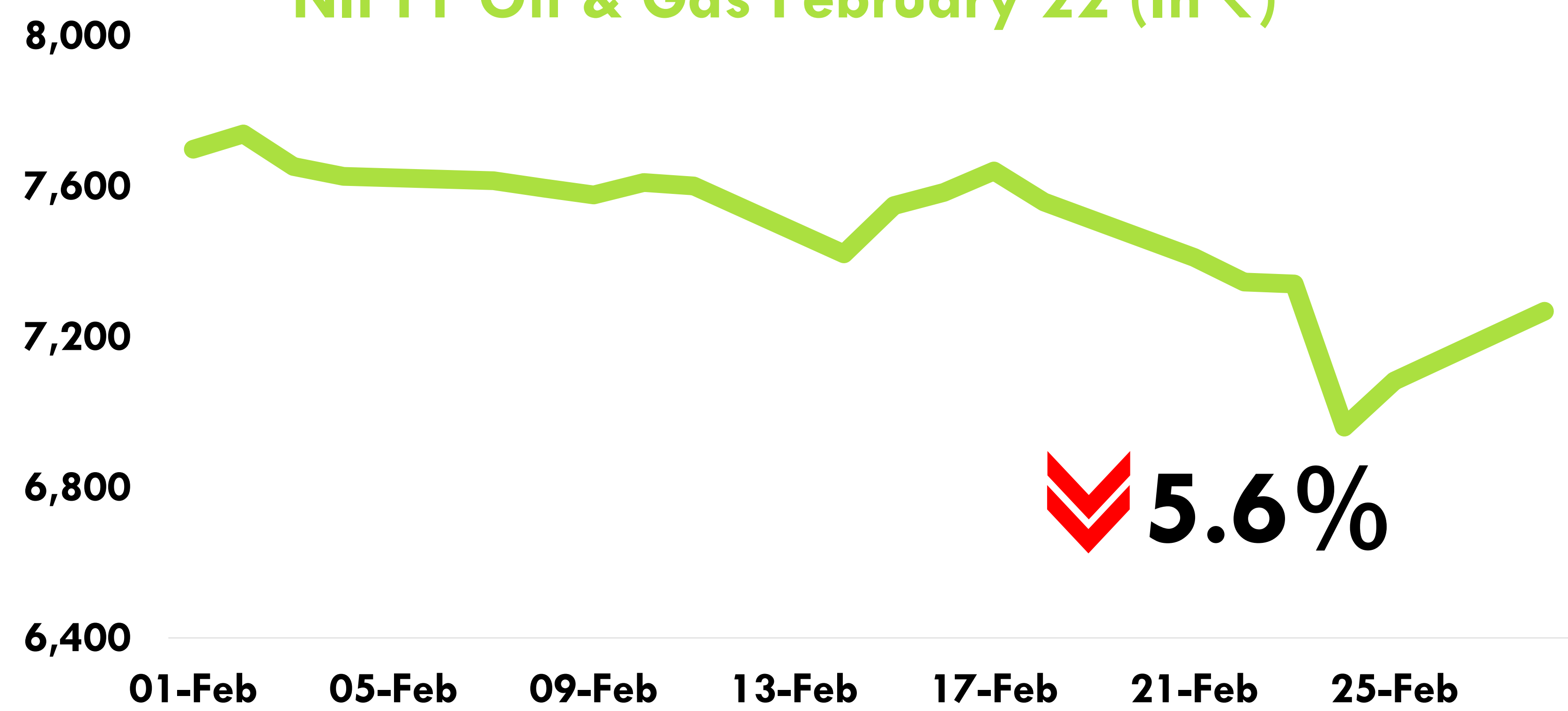
Marico was the top performer of the month by gaining 9.16%, while Godrej consumer plunged by 12.83% due to its weak business performance and margin pressure

## Oil and Gas Sector

The oil and gas index was subsequently down since the investors booked huge profits amid a global sell-off influenced by the conflict between Russia and Ukraine, affecting the index tremendously. The crude oil prices increased to \$100 per barrel, the highest since August'14. Even though India imports only 2% of its oil from Russia, making it less exposed to supply disruptions, the skepticism about the global price hike cannot be dismissed. Gas prices are anticipated to rise in India as it relies on Russia to meet its LNG requirements. The market recovered a little on the last trading day of the month despite the sanctions imposed by the USA on Russia.



NIFTY Oil & Gas February'22 (In ₹)



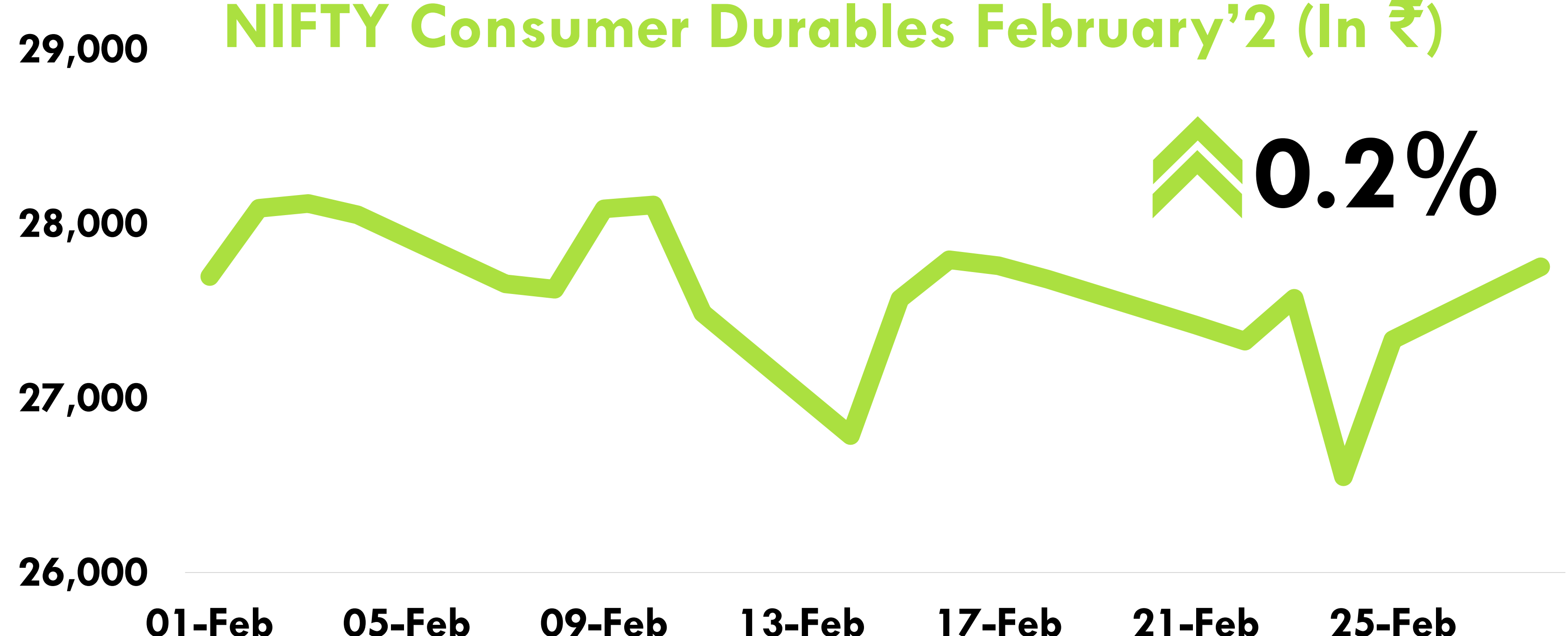
## Consumer Durables Sector

The sector remained volatile throughout the month because of rising inflationary pressure and price hikes. In the first week, the index outperformed other sectors, driven by broad-based buying in heavyweight stocks after a breakdown in the last week of Jan. The index witnessed a downtrend in the middle of the month due to rising tensions between Russia and Ukraine, and the F&O expiry. However, the companies remain optimistic about increasing their operating margins in the coming quarters with a growth in demand.



Blue Star topped the charts with 22.98%. Kajaria Ceramic was the worst performer of the month.

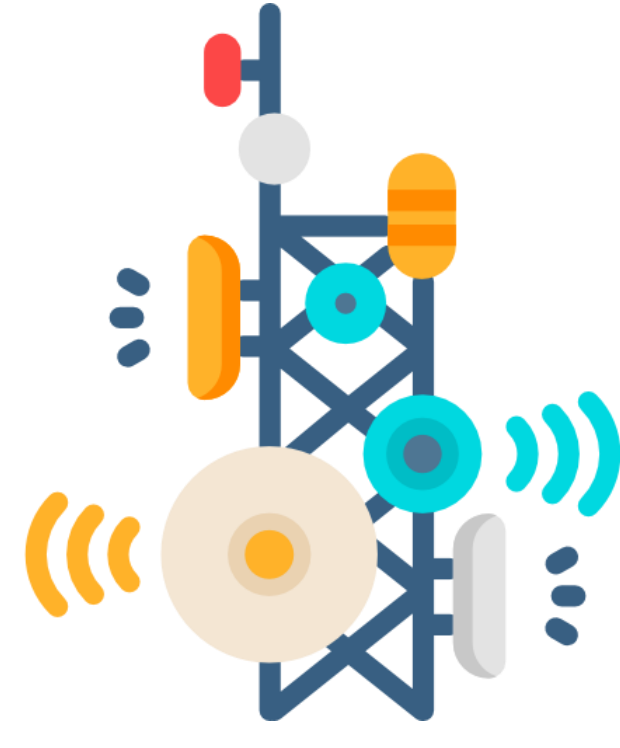
NIFTY Consumer Durables February'22 (In ₹)



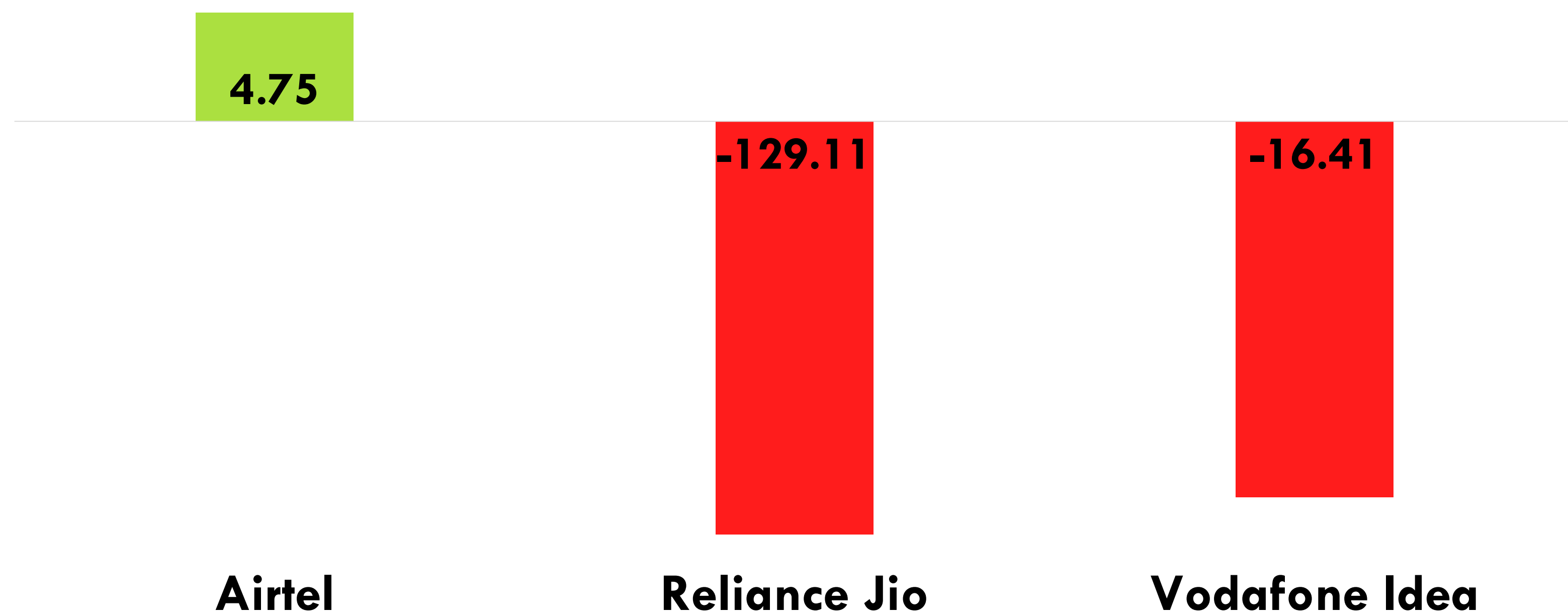
# SECTOR UPDATES

## Telecom Sector

The telecom sector witnessed several changes like the government's PLI scheme to deploy 5G networks, improved broadband services in rural areas, and India's big leap towards 6g development. By the end of the March quarter revenues from the telecom sector are likely to be more than double owing to the last price hike in November which increased the minimum cost of mobile services to ₹99. This helped the companies improve their Visitor Location Register (VLR), an indicator of active mobile net users to a staggering 87.6%. With a target of increasing the ARPU to ₹200 and ultimately to ₹300, consumers are likely to face multiple "recharge hikes" in the upcoming months.



### Addition During December'21 (Lakhs)



Source: TRAI

## Auto Sector

Auto Sector exhibited positive moves in the first weeks after the budget lifted the battery swapping policy for electric vehicles, creating interoperability standards and making EVs more accessible and affordable. Besides, auto component manufacturers are set to benefit as the proposal will attract new investments to indigenous battery makers.



However, the market took a hit after the first week due to the shortage of semiconductor chips impacting demand for passenger vehicles. The poor performance of the Auto Retail sector is a clear indication that India is still recuperating from the pandemic.

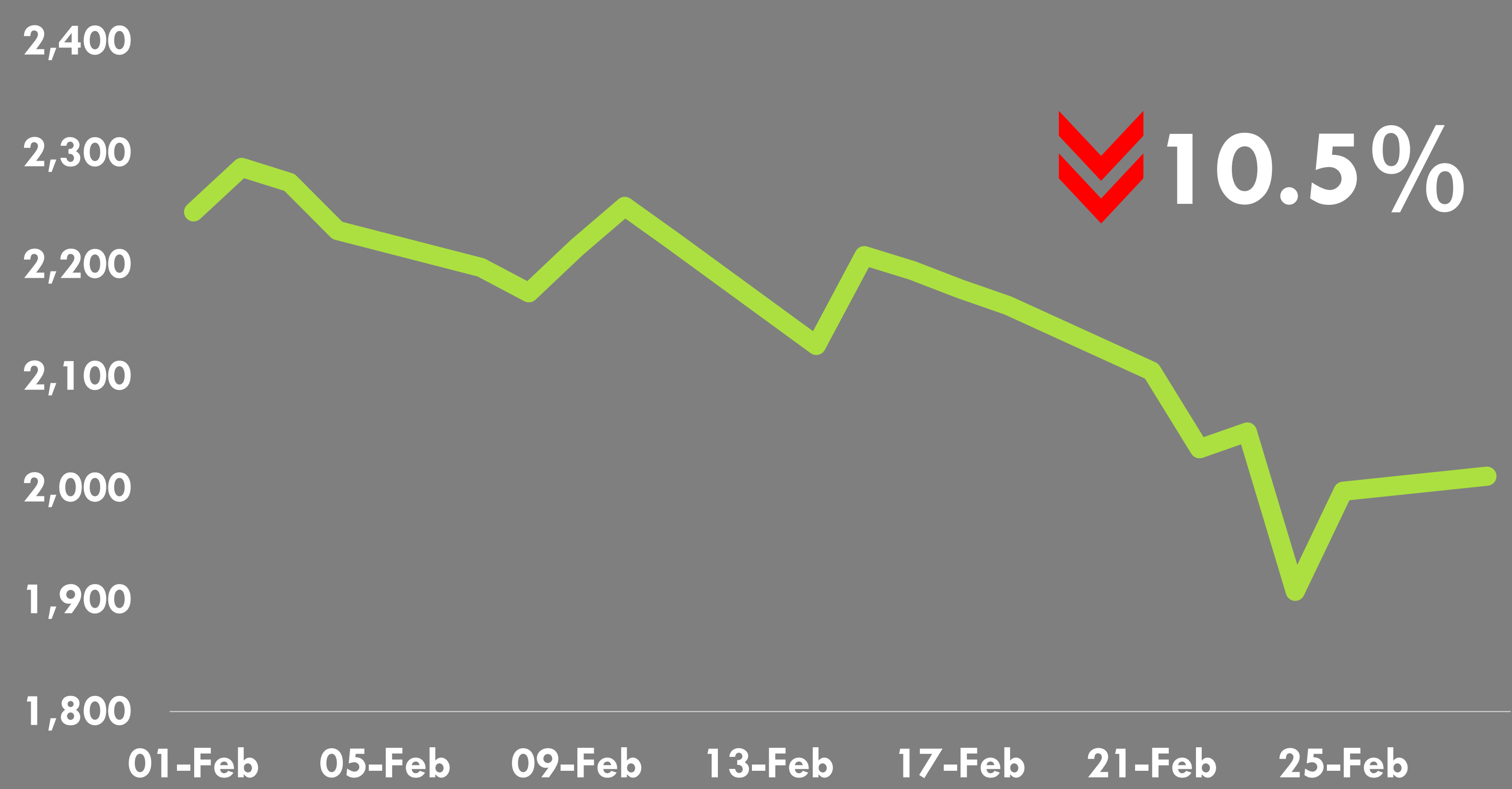
Balkrishna Ind became the top loser of the index with a negative return of 19.19%.

## Media Sector

NIFTY Media index moved upward in the opening sessions of the week and continued its uptrend making fresh highs. However, the index retreated mid-month and wiped most of the gain back of selling in index heavyweight. The index continued its decline with the news of the war. However, investors remain bullish on the sector. PVR topped the chart by 5.28%.



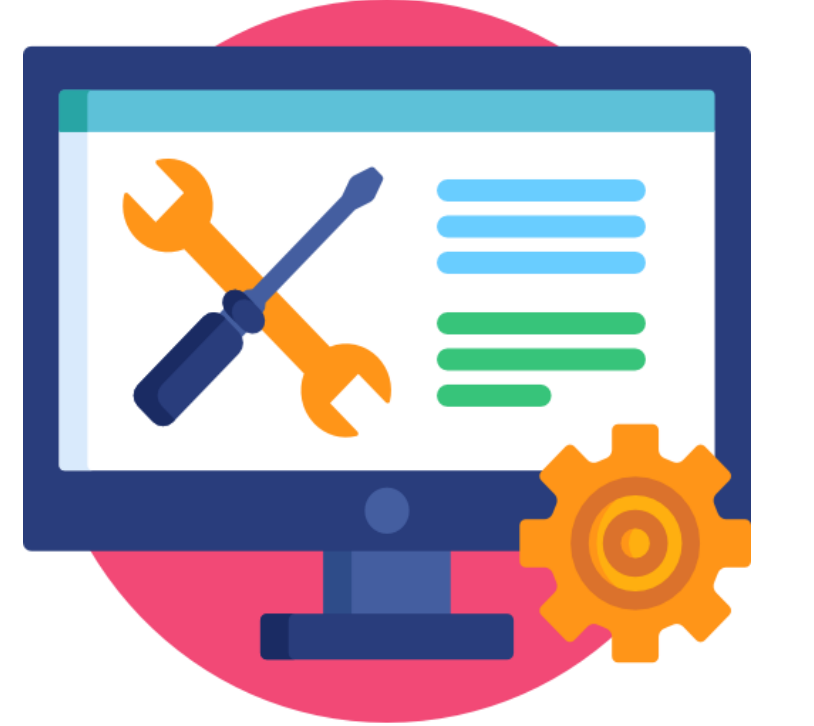
### NIFTY Media February'22 (In ₹)



Source: NSE

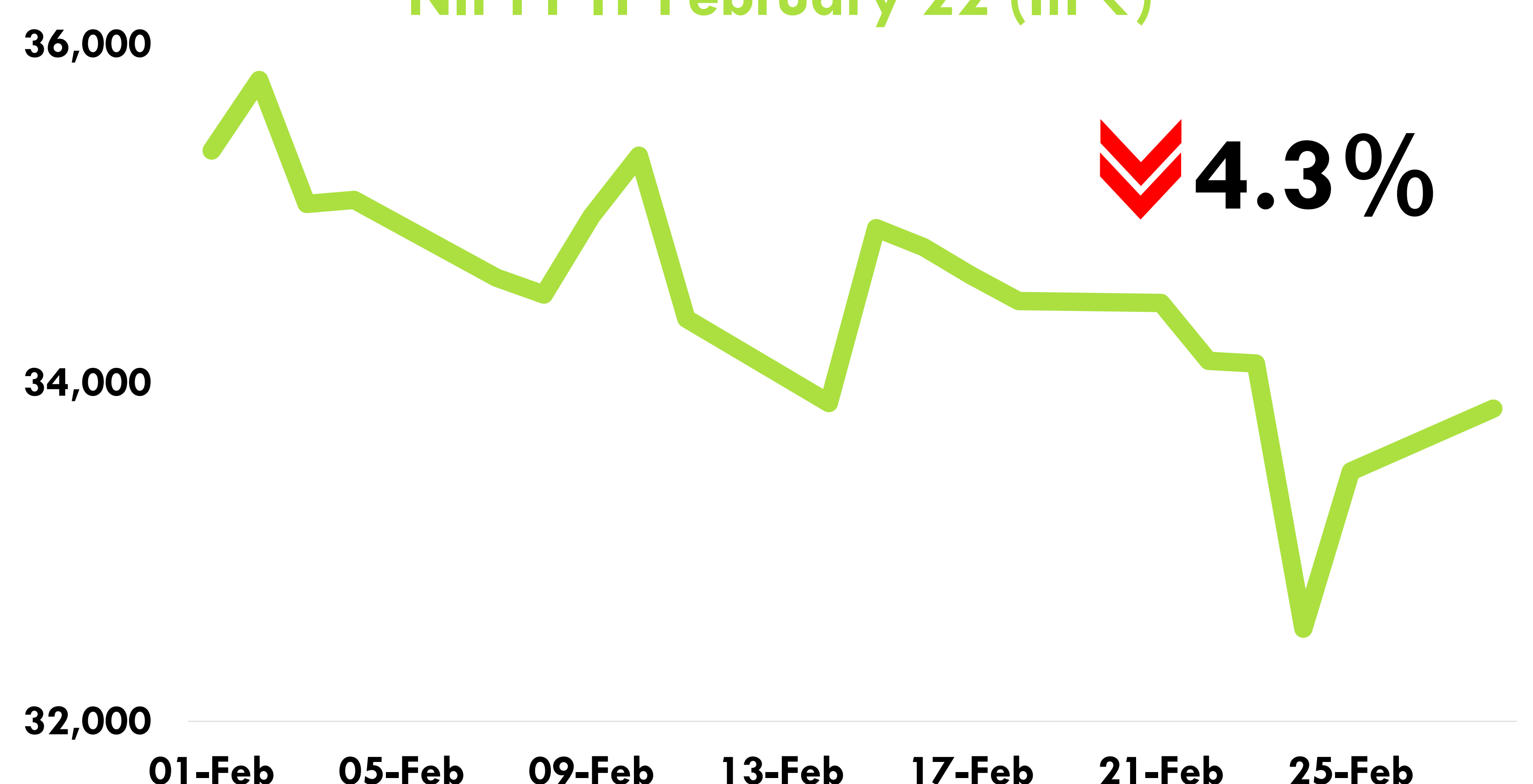
## IT Sector

The index remained bearish and volatile throughout the month as technology stocks on a global level contributed to falling equity markets. As a result, investors made a frenzy selloff globally, which contributed to decline in tech stocks in India. The index plunged further as high inflationary pressure, F&O expiry and geopolitical concerns over Russia and Ukraine continued to plague the market sentiments.



Coforge Ltd. was the top bear, dropping by 3.77%, followed by a 3.68% decline in TCS, resulting in the overall bearish index.

### NIFTY IT February'22 (In ₹)



Source: NSE

# SECTOR UPDATES

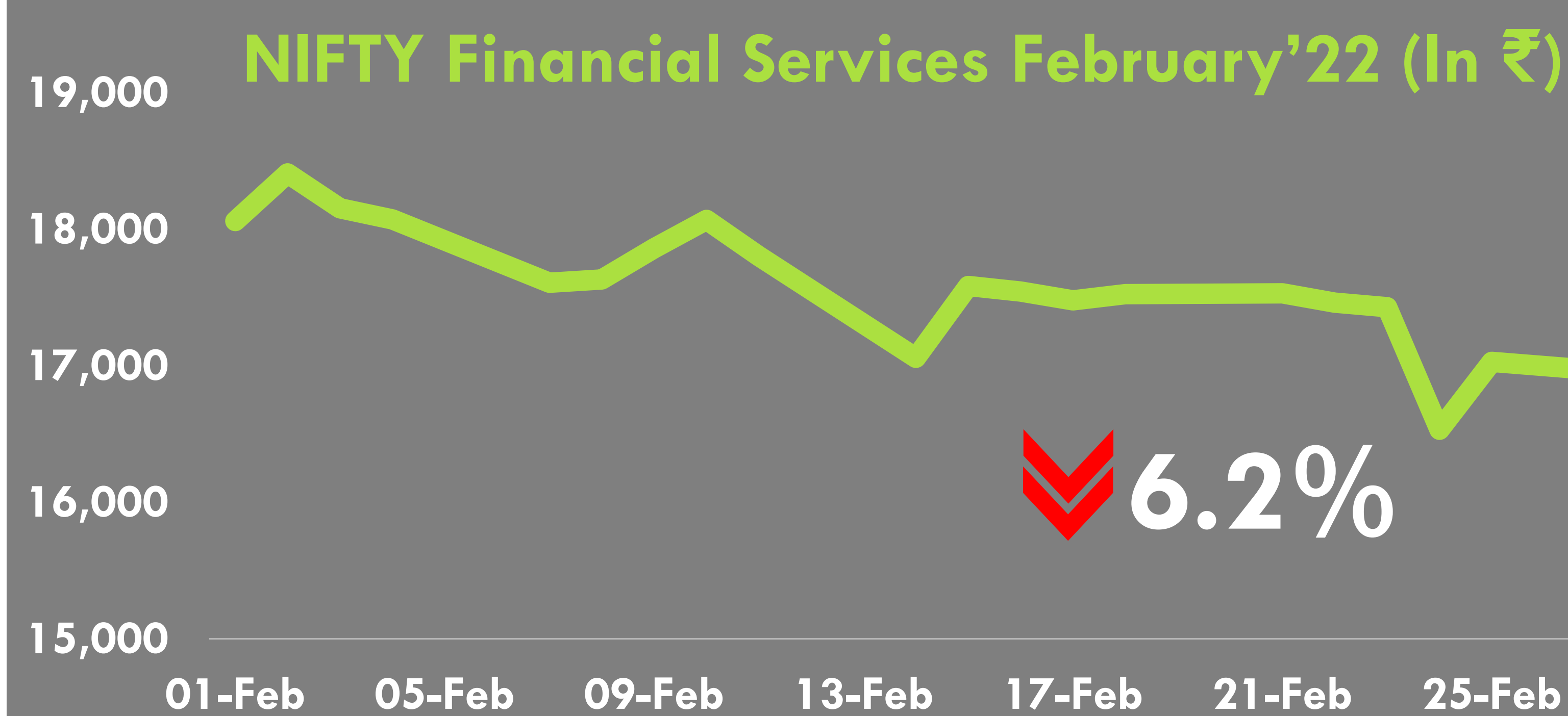
## Financial Services Sector



The index has shown a bearish trend continuing its freefall from the last week of January. With the likely actions of the US Fed Reserve, rates are expected to increase aggressively, causing FIs to unwind their position in Indian equities. Nifty Financial Services stocks were the top sufferers in a bloodbath, tracking weak global cues amid the mounting Russia-Ukraine crisis. All the stocks were trading in the deep red.

The Index has soared 3% over the last year compared to the 15.3% increase in the benchmark Nifty 50 index.

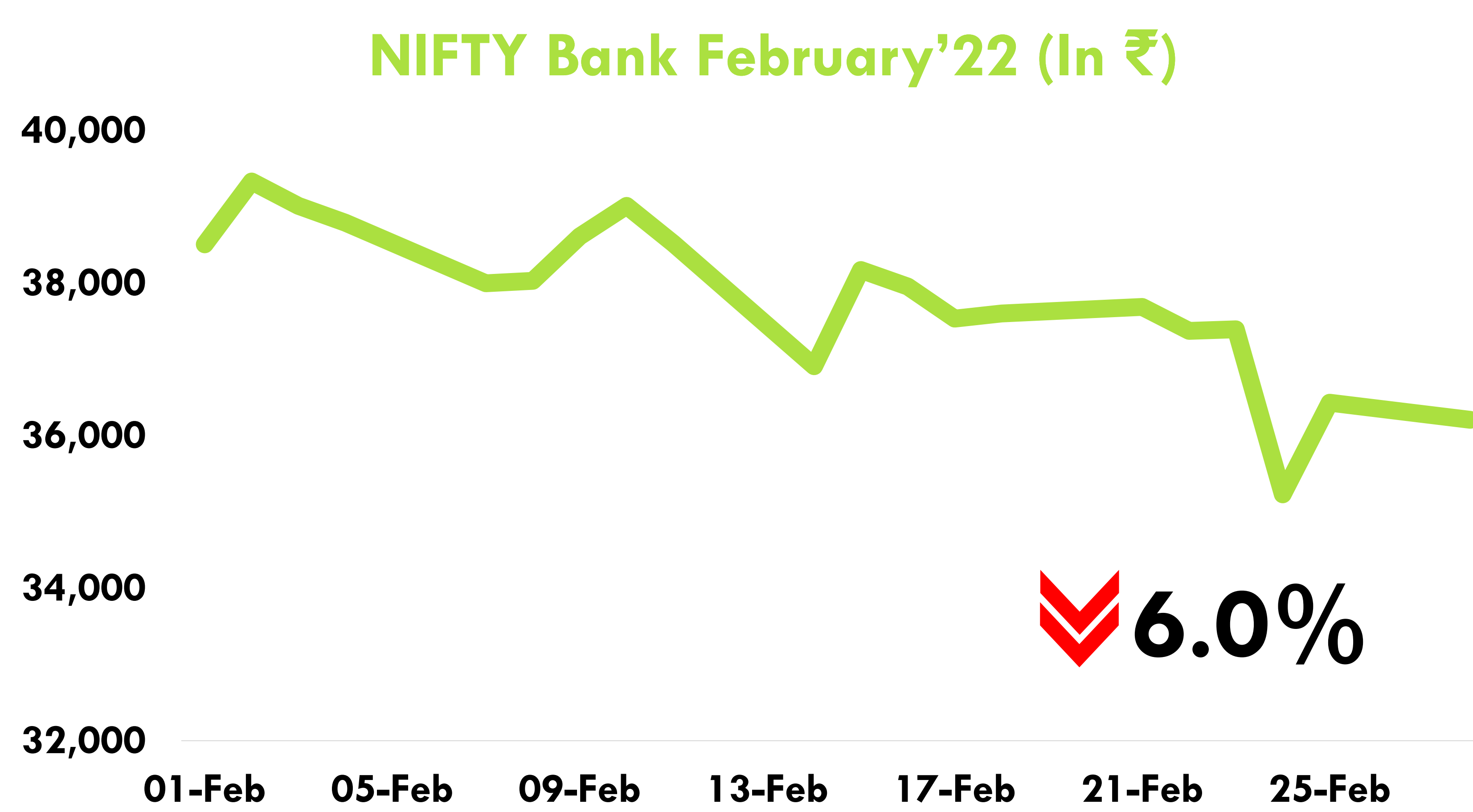
Among the top losers in the index, HDFC Life declined the most by 15.67% MoM followed by Piramal by 12.55% MoM.



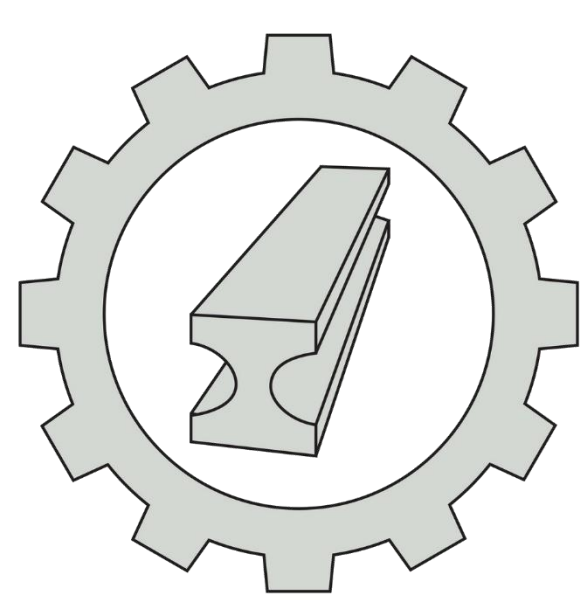
## Banking Sector



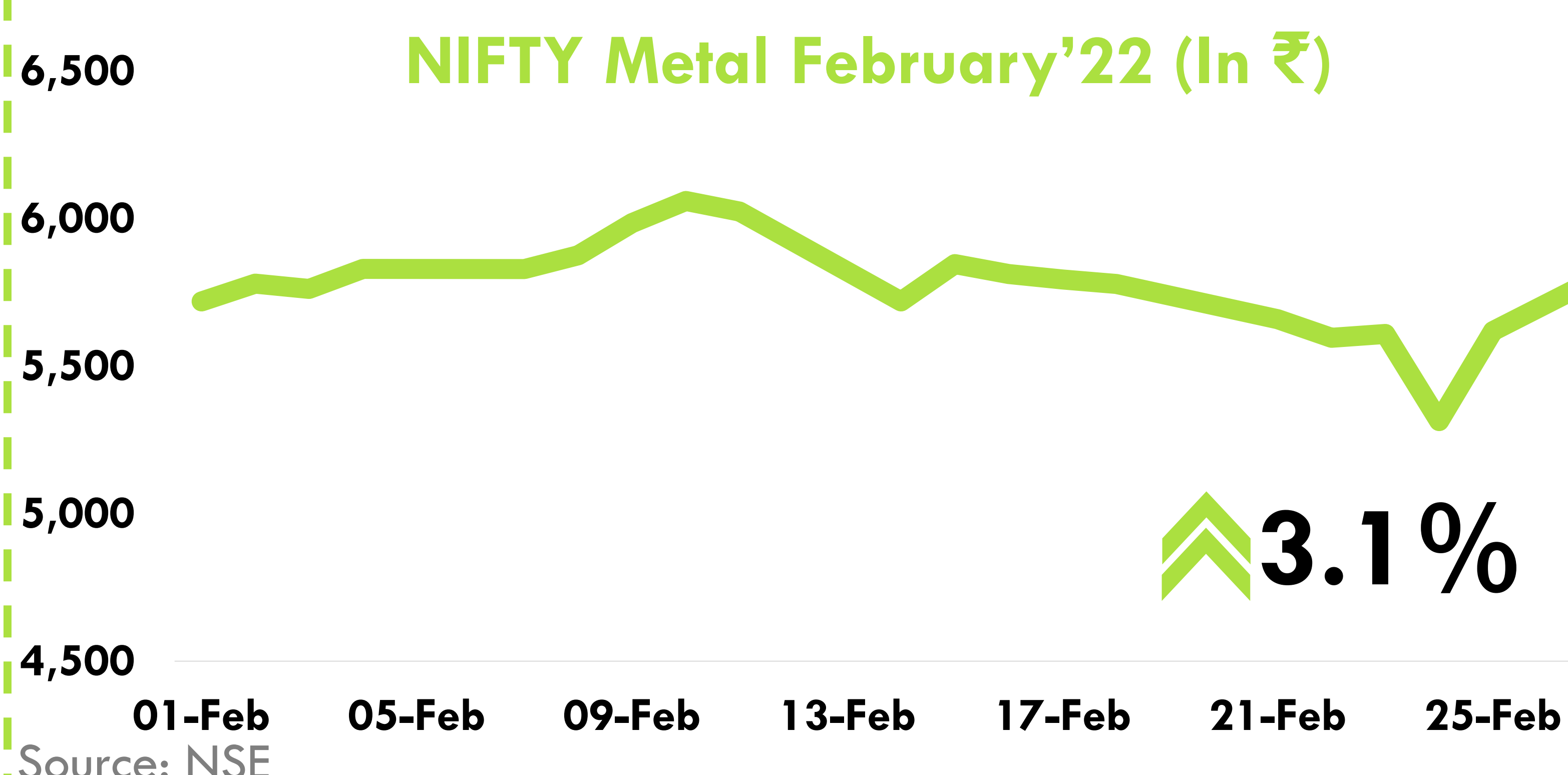
Post budget announcement the banking stocks witnessed a bullish trend. The proposal of the introduction of Digital Rupee, emphasis on the importance of digital payments, and bringing over 1.5lakh post offices under the Centralized Banking System was welcomed by the investors. However, the rally took a nosedive from mid-month due to the rising geopolitical concerns and looming threats of sanctions. The index plunged by 3% - the worst in the last two months. PNB, ICICI Bank, and AU Small Finance Bank dragged the index down.



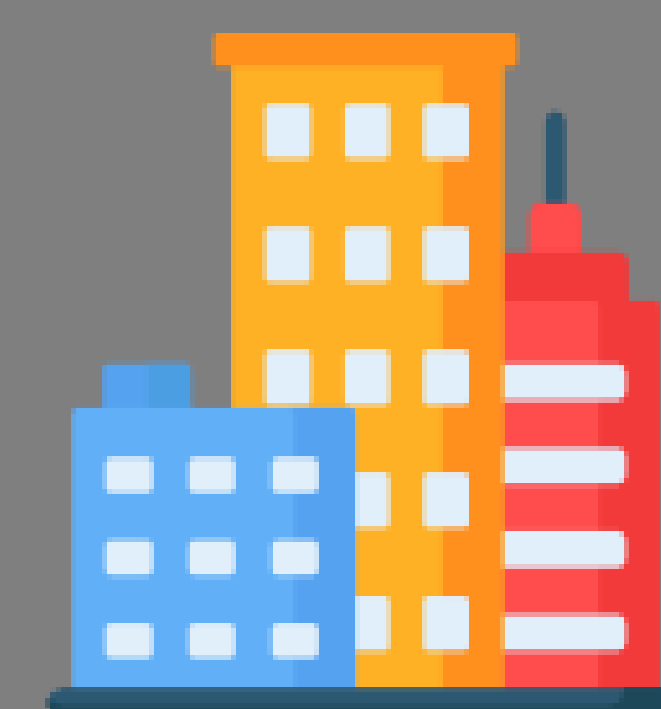
## Metal Sector



The Union Budget had a positive impact on the index as it surged to a staggering 4.5% post announcement. The rally continued for the first two weeks as the government proposed extending customs duty exemption on steel scrap by one year to relieve the secondary steel producers in the MSME sector. The index then had a retreat midway through the month as a result of the aggravated conflict between Ukraine and Russia. However, it bounced back in the end due to a positive outlook for India's steel and aluminium export, with sanctions imposed on Russian industries. Hindalco topped the charts by gaining 17.01%.

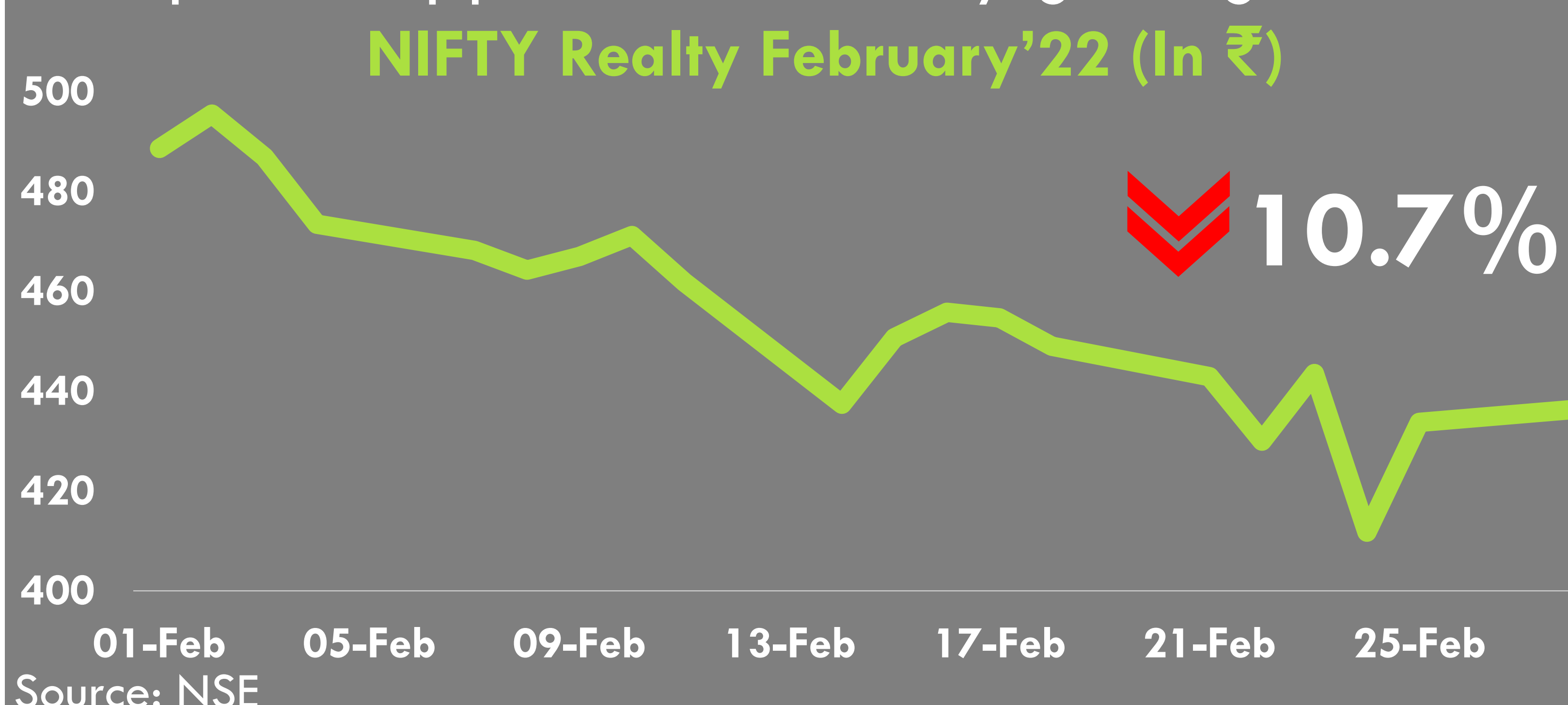


## Realty Sector



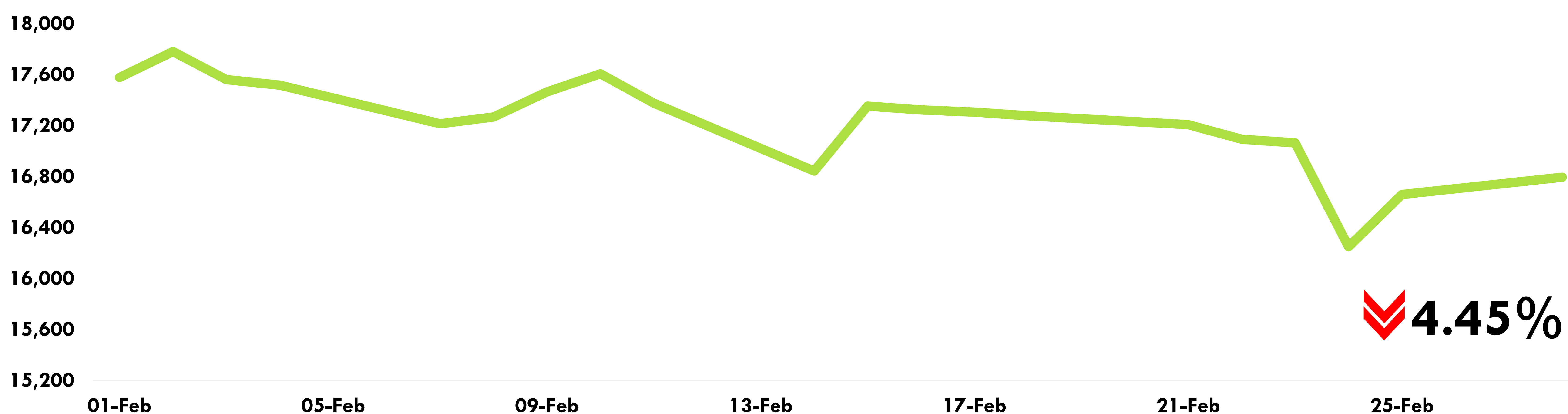
The index started with an uptrend as FM announced ₹48,000cr towards the Affordable Housing Scheme (PMAY). Besides, the allocation of ₹60,000cr. under the Har Ghar Nal program to cover northern border villages and boost affordable housing acted as a positive stimulus. Companies like Sobha, Oberoi Realty are likely to be benefitted from this move. However, concerns about rising crude oil costs, which may eventually lead to significant price hikes in construction materials, such as cement, triggered the index to plummet.

The top loser in the index was Indiabulls Real Estate, which dropped by 24.68% MoM, whereas Brigade Enterprises topped the charts by gaining 4.78%.



# NIFTY 50

NIFTY50 February'22 (In ₹)



▼ 4.45%

Source: NSE India

The Nifty50 index remained a little bearish throughout the month due to the ongoing geopolitical tension. However, the Russian attack on Ukraine triggered the market into a bloodbath towards the end, creating a short panic situation among the investors, thus, pulling the index down.

## RIL Focused on Becoming the World's Top Blue Hydrogen Maker



Reliance is preparing itself to become the largest producer of blue hydrogen - processed from natural gases by eliminating carbon dioxide, at a competitive price. Following their ambitious green-energy plan and the goal of becoming net carbon-free by 2035, the company intends to repurpose its \$4bn plant. It will be utilized to convert petroleum coke to synthesise gas into blue hydrogen for as low as \$1-\$1.5 a kg. Reliance is preparing itself to reap the benefits of first-mover advantage in the industry by leveraging its oil and gas expertise to establish a balance between increasing clean energy production while maintaining its focus on traditional fossil fuel production. The conversion to blue hydrogen is considered temporary until the cost of green hydrogen becomes competitive.

**Reliance**

## Kotak Join Hands with Ezetap



Kotak Mahindra Bank Ltd. ties up with Ezetap to provide integrated Point of Sale (PoS) solutions across 4,000 locations in India. The market for digital payment solutions has been quickly expanding due to the restrictions on social distancing. The synergy will benefit PoS customers for Kotak and help them bag scores of merchants in the retail arena. The partnership will allow the bank to expand its PoS product base across merchant segments, including retail enterprises and government customers. Kotak's merchants will be able to use Ezetap's integrated solutions to access a variety of value-added services and provide retail consumers with card and contactless payment options across all touchpoints. Furthermore, with the consolidated and enhanced solutions, merchants will be equipped with all the necessary tools to be successful.

## Top Gainers in NIFTY50 for February'22



Company Name	Change (%)
Hindalco	17.0
Tata Steel	12.5
Titan Company	10.0
Divis Labs	8.2
Bajaj Finserv	5.3
Coal India Ltd	4.9
HCL Tech	4.3
Asian Paints	2.0
Sun Pharma	2.0
Bajaj Finance	1.9

## Top Losers in NIFTY50 for February'22



Company Name	Change (%)
UPL	15.8
HDFC Life	15.7
SBI Life	12.0
M&M	9.1
Tata Motors	8.7
BPCL	8.5
SBI	7.7
UltraTech Cem	7.6
Indian Oil Corp	7.3
HDFC	6.0

# IPO

## Macleods Pharma Files DRHP for its ₹5000cr IPO

Mumbai-based Macleods Pharmaceuticals will offer its 10% stake (6.05cr shares) of ₹5,000cr for sale, making it the second largest IPO in this sector after Gland Pharma. Macleods is amongst the top 10 drug firms in India. Its revenue is growing at a CAGR of 15.3% from FY11 to FY21. It is present in 170+ countries and has the highest number of WHO prequalified anti-TB drugs globally.

It avails generic therapy medicines like anti-infectives, cardiovascular, dermatology, and anti-diabetic drugs prescribed by general physicians in non-metro cities. As a result, it substantially outperformed its peers that focused on specialist doctor-driven branded products and reduced its R&D expenditure. Macleods's 80% revenue comes from non-metro cities, higher than the industry average of 71%. The company places purchase orders regularly instead of on a contractual basis. Hence, it is susceptible to fluctuating input prices and supply chain disruptions.

## LIC IPO

India's largest and world's fifth-largest insurance company Life Insurance Corporation of India (LIC), is all geared up for its mega IPO to be launched in the next couple of months. The "Insurance Giant" sells three insurance policies out of every four sold in India. Having a market stake of 64% in terms of premium, it also manages assets amounting to ₹39 lakh crores, making it a gold mine for investments. The central government plans to raise ₹65000cr for its 5% stake, selling a total of 31.6cr shares. The company has reserved a 10% stake in the IPO issue for policyholders. Even though the company has a significant position, it has been losing its market share to private companies - 5% since January'22. LIC's CAGR and VNB are also low in comparison to the private players. A company or financial institution facing bankruptcy due to financial distress is bailed out with the LIC - an added risk to an investor's portfolio.



## Love bhujia? Watch Out for Bikaji IPO

Bikaji Foods International Ltd has filed DRHP with SEBI for IPO worth ₹1,000cr to offload 2.94cr shares via the Offer for Sale (OFS) route. Bikaji is one of India's largest FMCG brands, with a global presence in 35 countries. A pioneer in the ethnic snacks market, it sells 250+ products under the brand. The firm is the largest manufacturer of Bikaneri bhujia, packaged rasgulla, soan papdi, and gulab jamun and second largest manufacturer of handmade papads. Net profit for the FY21 was ₹90.34cr, up from FY20's ₹56.37cr. It currently has five depots, 43 super stockists, 438 direct, and 1,644 indirect distributors that work with its super stockists across 22 states and 3 union territories in India.



Upcoming IPOs	IPO Size (Approx.)
Oyo Hotels and Homes	₹8,430 Cr.
Delhivery	₹7,460 Cr.
Ola	₹7,300 Cr.
Boat	₹2000 Cr.

## Federal Bank Subsidiary FedBank Financial Services (FedFina) Files DRHP

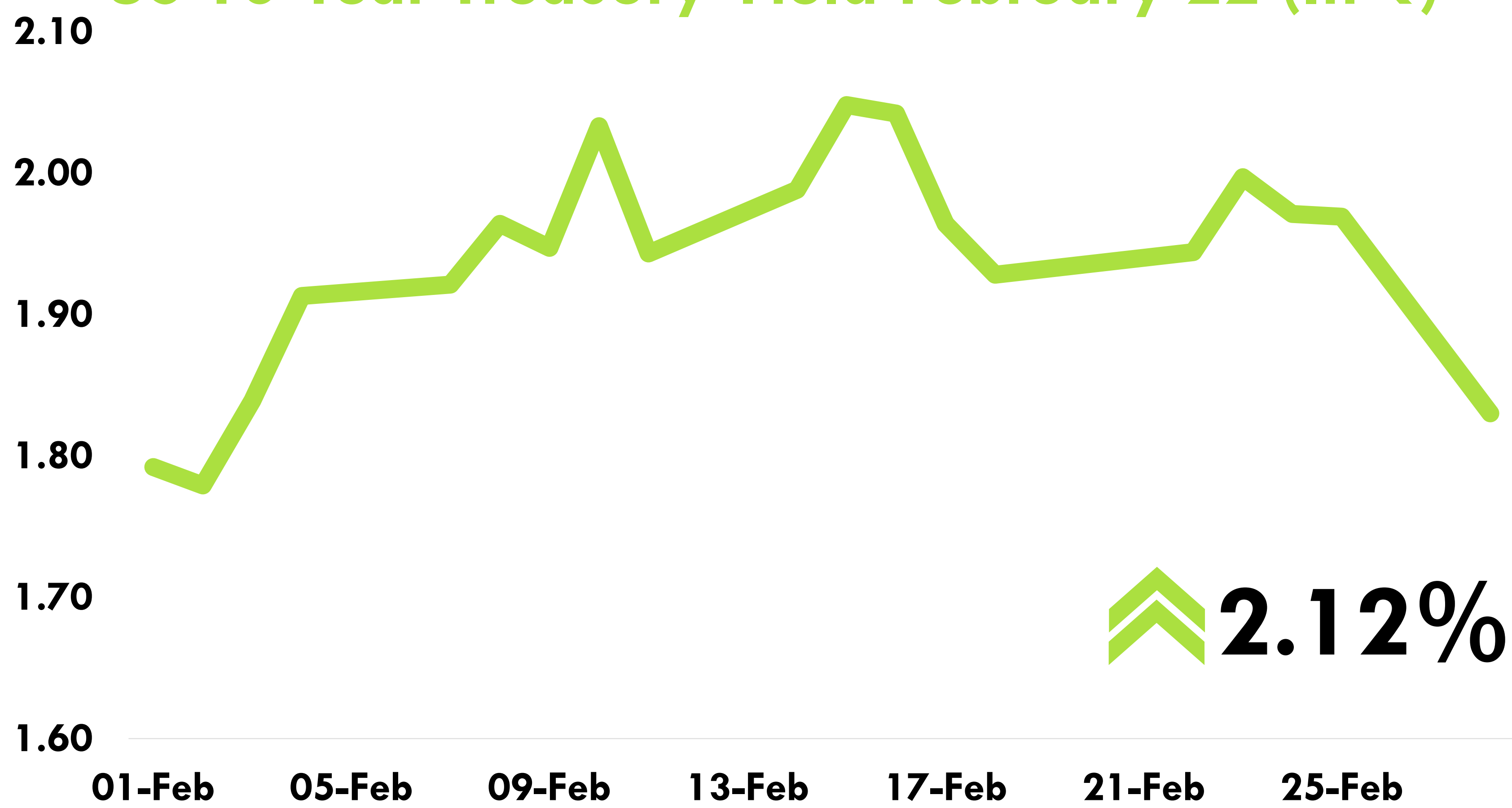
FedFina files preliminary papers for a fresh issue of equity shares worth ₹900cr and 4.57cr promoters' equity on offer for sale. The proceeds will fuel its Tier-I capital requirements for expansion activities. As of September'21, its Capital to Risk Asset Ratio stood at 25.63%, with Tier-I capital accounting for 20.25%.

FedFina is the fastest growing gold loan NBFC in India, with a strong presence in Southern and Western regions. 86.25% of its total loan assets are secured against gold or customer property. Its gross and net NPAs stood at 2.2% and 1.6% by September'21, from FY21's 1.01% and 0.71% respectively. Its net interest income was at ₹216.40cr, and its net profit was at ₹33.57cr. Long operating history, excellent track record, management expertise, and the Federal Bank backing have logged trust among its stakeholders.



# FIXED INCOME

## US 10 Year Treasury Yield February'22 (In ₹)



Source: US Department of the Treasury

The US 10Y Treasury Yield advanced to its highest level since August'19 to 2.05% after key inflation data showed "hotter-than-expected" price pressures. Traders priced in a faster pace of Fed rate hikes due to rapidly rising inflation. During the first half of the month, the yield increased by 24.7 bps. Due to the escalating tensions between Russia-Ukraine, a steady movement was noticed in the second half of the month. The US Treasury market rallied strongly on February 22, driven by an initial bid for safe-haven assets after Russia sent troops into the breakaway parts of eastern Ukraine.

### Liquidity Surplus

January ended with a contraction by ₹0.63 lakh crores due to larger-than-expected GST and credit outflows from the banking system. However, February started with an increase in surplus by ₹1.38 lakh crores due to month-end flows towards salaries and pension. Week 2 saw a slight contraction of ₹0.19 lakh crores due to VRRR (variable reverse rate repo) auctions of 2 days and 14 days tenure conducted by the RBI amounting to ₹5.59 lakh crores. Then again the surplus widened during the last 2 weeks of the month due to RBI's liquidity infusion measures via Open Market Operation followed by the high growth of bank deposits.



Date (Jan'22 – Feb'22)	Net Outstanding Liquidity Surplus (₹ Lakh Crores)
24 <sup>th</sup> - 28 <sup>th</sup>	₹5.29
31 <sup>st</sup> - 4 <sup>th</sup>	₹6.67
8 <sup>th</sup> - 11 <sup>th</sup>	₹6.48
14 <sup>th</sup> - 18 <sup>th</sup>	₹6.97
21 <sup>st</sup> - 25 <sup>th</sup>	₹7.02

Source: RBI

## RBI Releases Master Directions for Credit Derivatives Market



Earlier this month, the Reserve Bank announced its master directions for credit derivative transactions, which will take effect from May 9. These directions will apply to credit derivatives transactions conducted on OTC markets and recognized stock exchanges in India. Both resident and non-resident investors who are eligible to invest in corporate bonds and debentures under the Foreign Exchange Management Regulations will be able to participate.

To offer credit derivative contracts, market-makers will classify users as either retail or non-retail, with the non-retail categories including non-market-maker NBFCs, insurance companies, mutual funds, alternate investment funds, and resident companies with over ₹500cr in net worth and SEBI-registered foreign portfolio investors. The guidelines are aimed to build a liquid market for corporate bonds, particularly those issued by lower-rated issuers.

### Inflation

The Wholesale inflation (WPI) fell to a four-month low of 12.96% from 13.56% in January'22. However, with the retail inflation rising to a 7-month high of 6.01% in January, the RBI has breached its medium-term inflation target of 4+/-2 percent. The increase is primarily attributed to wholesale food inflation, hitting a 24-month high of 9.60%. In January'22, apparel and footwear inflation were at a 97-month high (8.84%) thanks to higher cotton prices. Household goods and services inflation stood at a 94-month high at 7.10%. As a result of an unfavorable base effect in January, vegetables went from a disinflation of 3% in December'21 to an inflation rate of 5.20%, a 14-month high.



Month	Inflation (%)
Aug-21	5.30
Sept-21	4.35
Oct-21	4.48
Nov-21	4.91
Dec-21	5.59
Jan-22	6.01

Source: MOSPI

# RISK

## Digitizing the Healthcare Industry to Tackle Counterfeiting Issues



The healthcare industry is grappling with the perils of counterfeit drugs that can be hazardous for its users. The United States Trade Representative reported that almost 20% of all pharmaceutical goods sold in the Indian market are fake. COVID-19 outbreak exacerbated the situation when the demand for nasal sprays, masks, and personal hygiene products surged. The agencies busted many rackets conducting unauthorized vaccine drives across the country. WHO has flagged the threat of bogus COVID-19 vaccines circulation across markets.

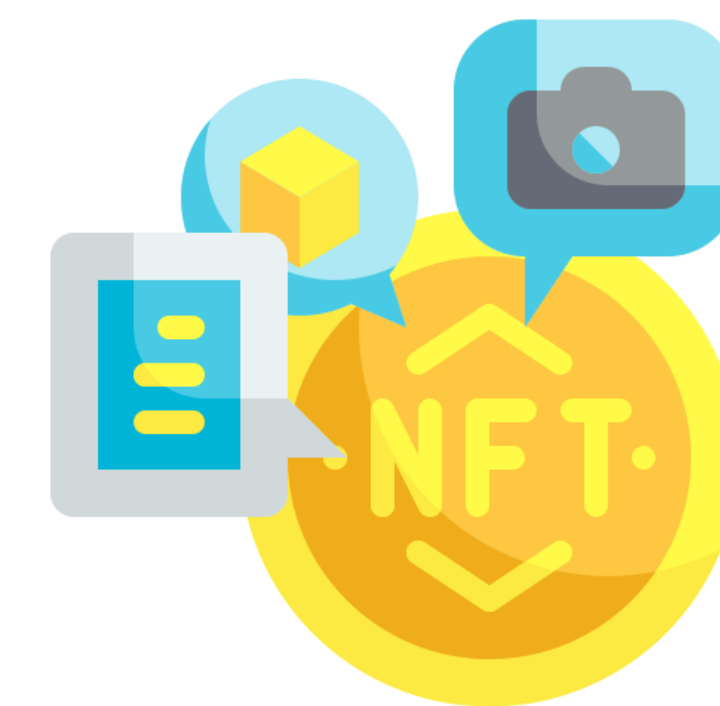
Supply chain vulnerability and lack of the right tools to differentiate between fake and original products aggravated the situation. Overt security features such as holograms and tampers aren't working anymore. Advanced technology like AI, blockchain, big data needs to be implemented to improve operational efficiency and transparency. India is currently working to adopt the "serialization" method that assigns unique identifier codes to every product, authenticated by scanning codes at any stage of the retail chain.

## The Lurking Threat



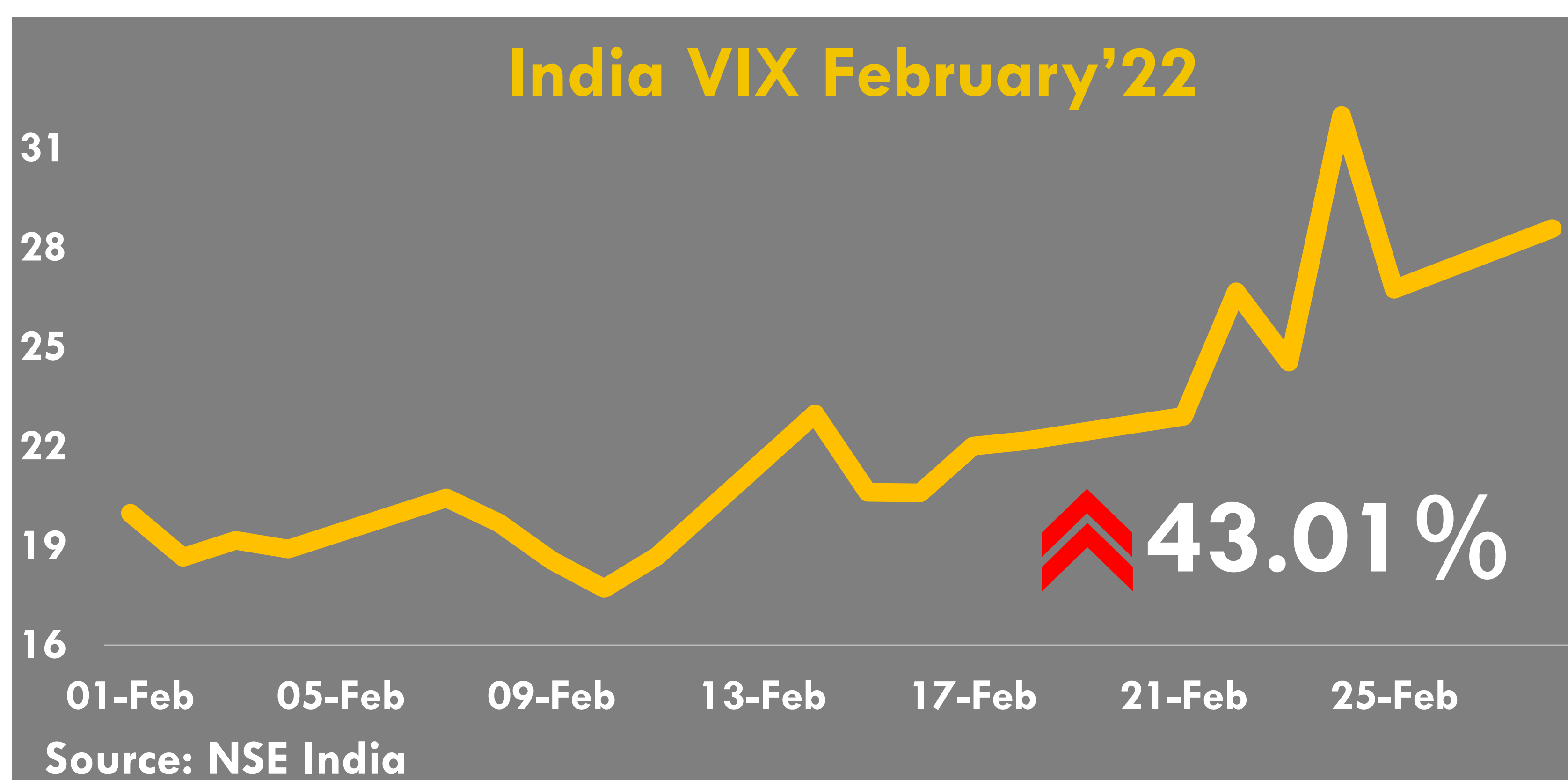
Booming online sales pose a significant cyber risk as the transactions need to pass the banking network at some point. Whilst banks are working to mitigate the potential external attacks, insider breach turned out to be a bigger threat. Traditional financial institutions undergoing digital transformation are the perfect target for these dubious activities as their systems are relatively new and vulnerable. Adapting to new technology takes time in a complex organizational structure. Hence, it provides ample opportunity to access the unprotected data containing sensitive information to be misdirected. Remote working culture has further aggravated the situation. Experts predicted that cybercrimes will cost \$10.5trn annually by 2025. Breaches arising from improper internal control are unforgivable and cause reputational damage. Hence, the banks need to stay alert on any external anomaly without compromising on their internal process.

## NFTs and The Copyright Dilemma



Crypto Decentralized Autonomous Organisation was recently caught up in a fiasco. They bought a copy of the unpublished manuscript of the movie "Dune" for \$3mn to make an "original animated series" out of it and then sell it to a streaming website. Sounds good, but here is the catch: owning the copy of the manuscript does not imply the ownership right of the underlying work. The failure to realize this cost them \$3mn. Now juxtapose this situation to the NFTs.

NFTs are cryptographic tools used to maintain the authenticity and ownership of a physical asset. However, it does not extend the copyright of the entire underlying asset to the buyer of the token. People hopping on the trend without proper due diligence are falling prey to those producing and selling NFTs of copyrighted items.



India's "fear index" saw sharp turns reflecting market volatility. VIX plunged 9% as the market sentiments turned positive post-budget and RBI's easing stance on rate changes. FIs bought equities worth \$67.70mn(net) after a massive outflow of \$4.81bn. Soon the budget-euphoria evaporated over rising inflation, interest rates, crude oil prices, and persistent supply chain concerns. 14<sup>th</sup> February onwards markets witnessed bloodbath amid possibilities of war, and the VIX reached 22.53% levels. Risk aversion persisted as the FIs shied away from risky equities to safe-havens. The geopolitical tension reached its prime with Russia declaring war on Ukraine on the 24<sup>th</sup> February. Anxiety and nervousness shrouded the markets. The VIX hit a 52-week high to touch 33.9% before settling down to 28.57% levels supported by buying sentiments among domestic investors due to price corrections and a strong long-term outlook.

# DERIVATIVES

## RBI Intends to Kill Two Birds via \$5 bn Forex Swap

RBI intends to tighten liquidity and stabilize the exchange rates by conducting a \$5bn forex swap for a tenure of 2 years. Under the swap auctions, RBI will sell dollars in the spot market and simultaneously enter into a 2-year forward contract to buy dollars.

The sell will suck ₹38,000cr liquidity from the system having a surplus of ₹7 lakh crores. Liquidity tightening will let the central bank buy bonds to support government treasuries and handle dollar flow ahead of LIC IPO. The exchange rate which has flunked around 1% since January, cannot afford more pressure. RBI holds roughly \$50bn of forward dollar contracts that will mature soon, pulling down the Rupee. The Ukraine-Russia conflict and the Fed's rate hike will further weaken the emerging market currencies. Therefore, the forex swap will diffuse some pressure by selling dollars. On the flip side, buying dollars in the future will increase the premium on it by 12-15bps, making it expensive for importers.



## Banks in India offer Foreign Currency Settled-Overnight Indexed Swap (FCS-OIS)

RBI has allowed Indian banks to offer foreign currency settled rupee derivatives based on the benchmark Overnight Mumbai Interbank Outright Rate. Banks can now transact in the offshore FCS-OIS market with non-residents and market makers through their Indian or offshore branches. It will allow RBI to participate in the Non-Deliverable Forward markets, earlier dominated by offshore traders in the Indian foreign exchange. NDFs are foreign exchange derivative products that allow investors to trade in non-convertible currencies and settle in convertible currencies.

The move is an attempt to consolidate the Indian derivatives market. Having a domestic Credit Default Swap will improve price discovery, add liquidity to the domestic OIS market and remove segmentation between onshore and offshore markets. It will make banks a one-stop solution for both currency and interest rate hedge, especially for Foreign Portfolio Investors.



## Greater Economic Integration is seen among ASEAN +3 countries

Intra-Asia Bilateral Swap Agreements (BSA) are on the rise among the 10 South-East Asian nations plus the regions of China, Japan, and Korea. Swaps in these regions amount to \$381.6bn, a 15% growth since 2020, reflecting an increasing trend of economic integration.

Cross-currency swaps facilitate the holders to exchange currencies at a fixed rate. 90% of the BSAs are in their local currencies.

BSAs promotes bilateral trade by reducing their exchange rate volatility. The swaps coupled with the Chiang Mai Multilateralization agreements will enhance short-term liquidity in the participant countries and strengthen IMF coordination. BSAs ease pressure on currency markets, mitigate balance of payments and promote currency internationalization. China has the most number of BSAs followed by Japan.



## Futures & Options

### SEBI Proposes FPIs in the Commodity Derivatives Market

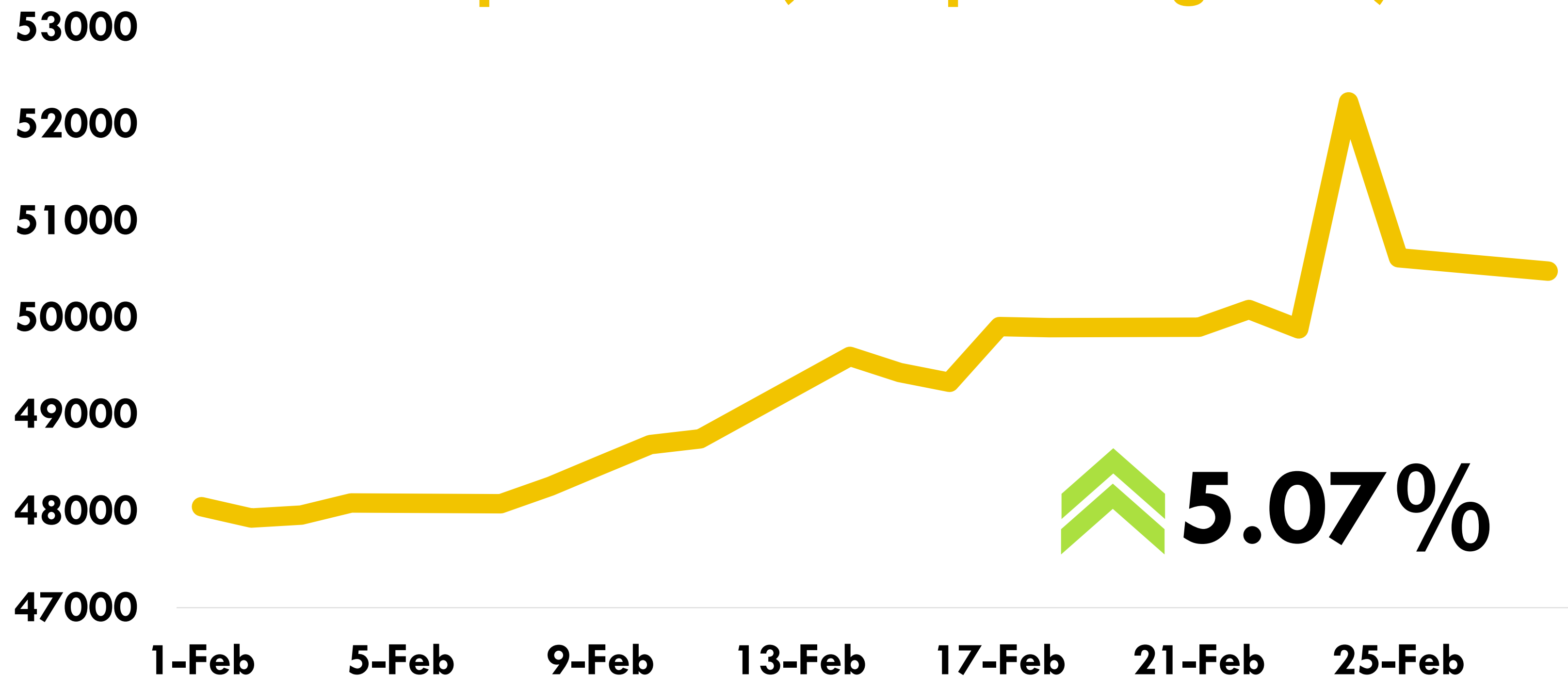
SEBI proposes to allow FPIs in the Exchange-Traded Commodity Derivatives (ETCD) market. Till now, only those FPIs with actual exposure to the Indian commodities, known as Eligible Foreign Entities (EFEs), could trade in ETCD for hedging purposes. EFEs are subjected to various restrictions and regulatory norms. It resulted in subdued demand among FPIs who are financial investors with high purchasing power rather than hedgers.

Hence the move will bring foreign participation in non-agricultural commodities and a few selected broader Agri-commodities via FPI routes. There are currently 10,000 registered FPIs in India. Even a 10% participation will bring economies of scale and liquidity in the derivatives market, significantly reducing the transaction cost. Enhanced liquidity will set the trajectory of Indian ETCD markets to serve as a global benchmark, from price-takers to price-setters.



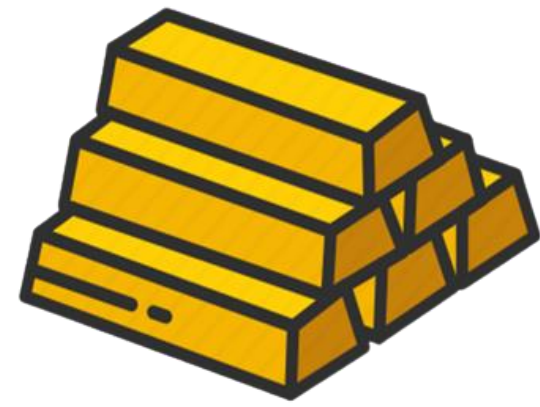
# COMMODITIES

Gold Spot Price (In ₹ per 10 grams)

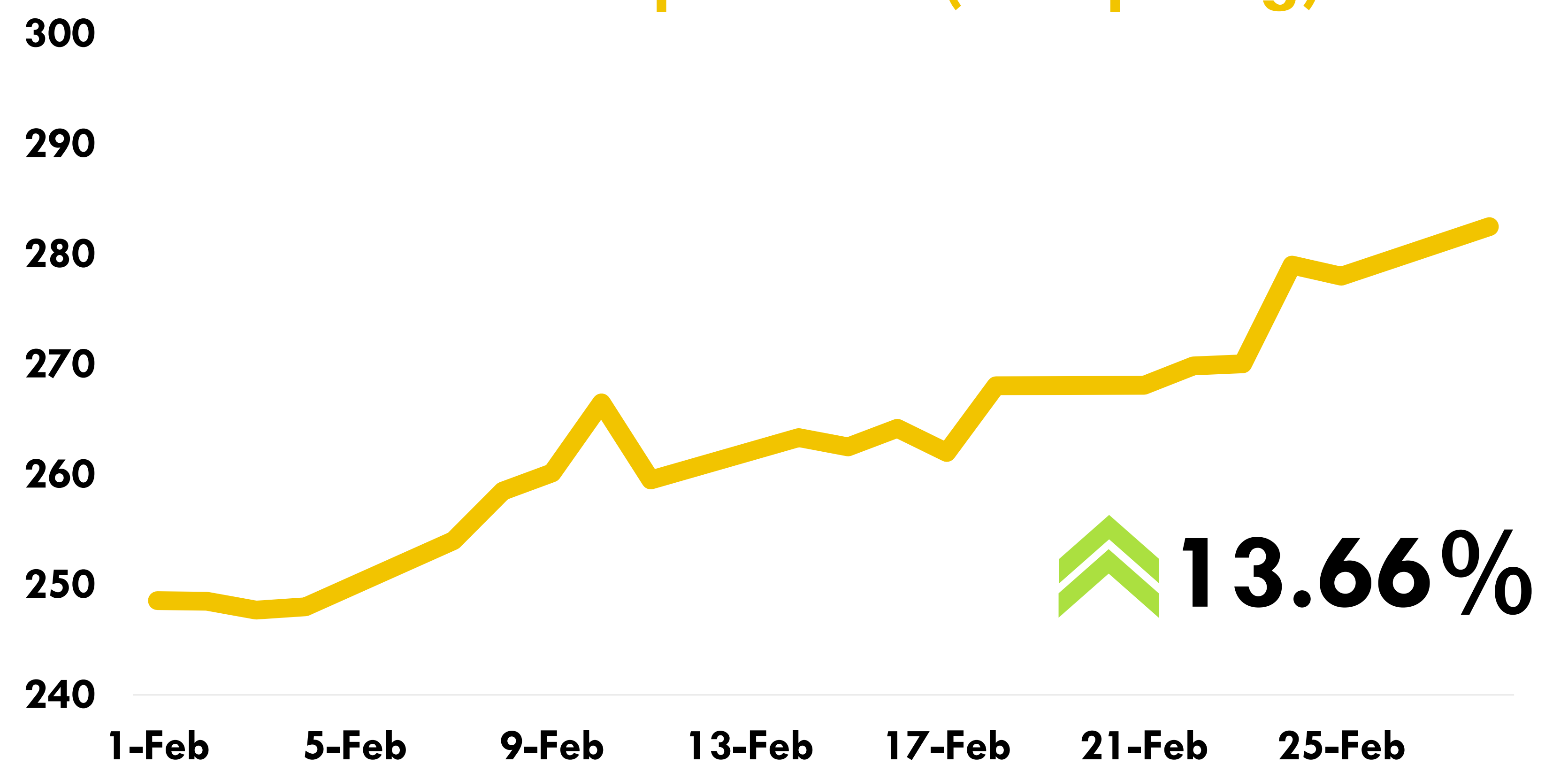


Source: MCX

This month, gold traded in a wide range due to a variety of factors in the worldwide market. The metal began with an almost flat movement but touched a nearly two-month high at the end of the second week due to increasing inflation. Inflation boosted yellow metal's appeal amid a weaker dollar. Further, the gold appreciated to a 13-month high due to high speculation of Russia-Ukraine crisis. Gold prices had the best monthly gains since 9 months in the international market.



Aluminium Spot Price (In ₹ per kg)



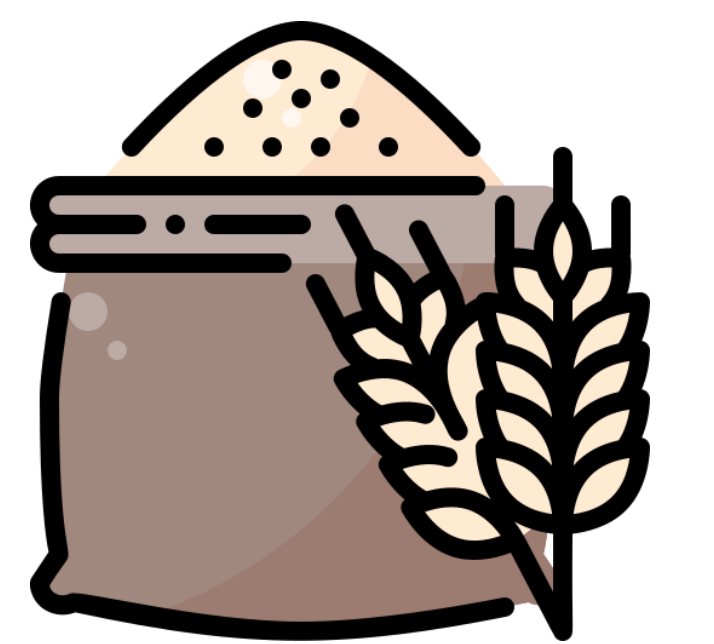
Source: MCX

Like its global peers, aluminium prices in India rose almost 8% MoM in February, owing to production cuts and energy crises. COVID-related curb in China's production units has already led to a global supply shortage of 1mn tonnes. Russia and Europe account for 10% of the global aluminium supply. The production in Europe is under pressure due to surging energy prices, Russia is in the midst of a war which will further disrupt the supply chain. However, this could have a positive impact on low-cost domestic aluminium manufacturers. India exports 55% of its production, mainly to East Asian Markets. The sanctions on Russia can permanently shift the global demand from these countries to India in the near term.

The adoption of EVs, demand for beer cans and the aerospace industry will drive the demand in the longer term.

## India's Wheat Exports to Benefit From the War

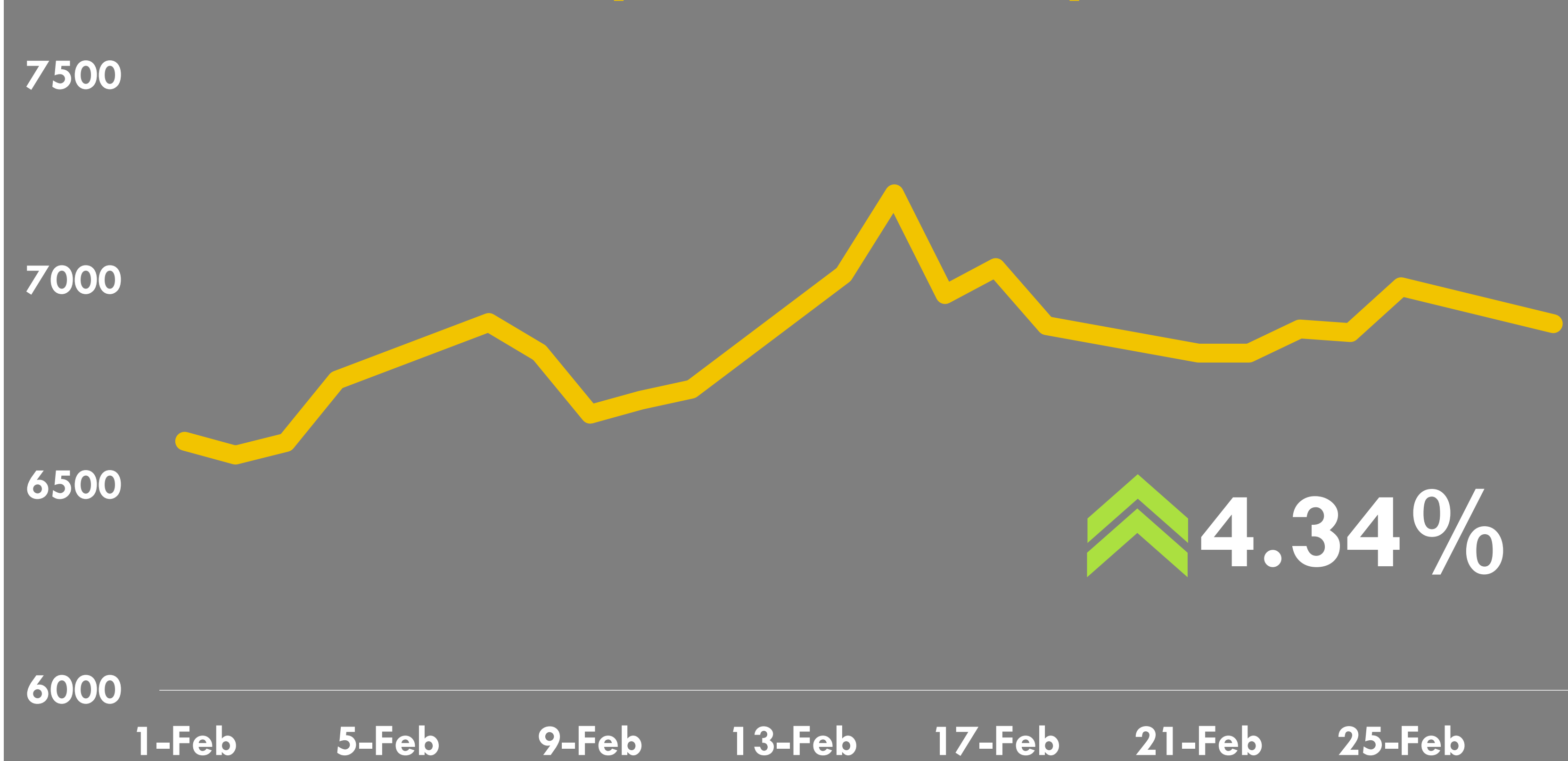
Russia is the world's top wheat exporter, whereas Ukraine ranks fourth. Both the nations account for one-fourth of the global wheat supply.



If the war continues for a prolonged period, there can be an interruption in the supply chain from the Black sea region.

This would mean importing nations will have to buy wheat from elsewhere. Indonesia, one of Ukraine's top importers, is already eyeing countries like India for its future supply. India is one of the biggest producers of wheat globally, but has a minimal overseas presence. Its robust supply and competitive pricing in the Asian markets puts it in a favourable position.

Crude Oil Spot Price (In ₹ per barrel)

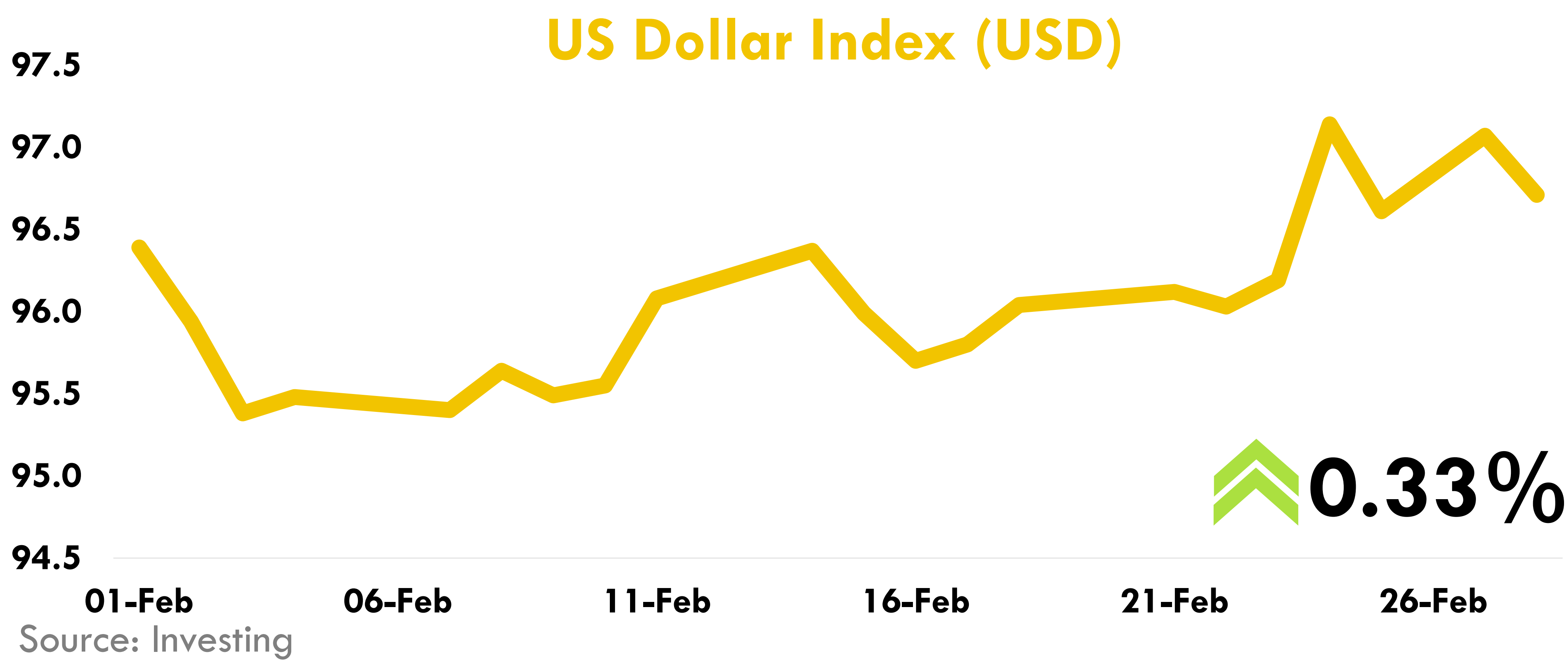


Source: MCX

The month started with a rise in the spot prices, just before the OPEC meeting due to positive investor sentiments. Week 2 witnessed a fall due to rising concerns over supply disruption and production being affected due to winter storms in the US. Global crude oil markets have been influenced by the possibility of revival of the nuclear agreement between the United States and Iran. Following the announcement of inflation data, the likelihood of interest rate rises in the US influenced the crude oil market. Crude oil reached a 7-year high as economies opened up, driving up demand for the commodity through the roof. The oil prices breached the \$100 per barrel mark, the first time since 2014, due to the Russia-Ukraine war as Russia is a major supplier of crude oil.



# CURRENCY



During the first week, the index fell as U.S. private sector lost 301K jobs. After remaining steady for a few days, the index bolstered on the back of a strong rebound in US yields as the 2y note climbed to the vicinity of 1.65% level on the back of higher than expected US inflation. This upside flow gained support from the sustained break of 200-SMA and 100-SMA. On 24<sup>th</sup> February, the dollar recorded its biggest one-day percentage gain since June'20, to reach 97.74% on the back of the Russia Ukraine crisis.

### China's Yuan Becomes Unlikely Haven

Despite the decline in major stock markets all over the world, as well as the loss of currencies from the euro to the Korean won, the Yuan remains near four-year highs. The correlation between the Yuan and global volatility has declined to a three-year low, reflecting its safe-haven status against the geopolitical conflict. This was mainly due to China's stable economic fundamentals, resilient export growth, and the prospect of attractive returns on Chinese financial assets.

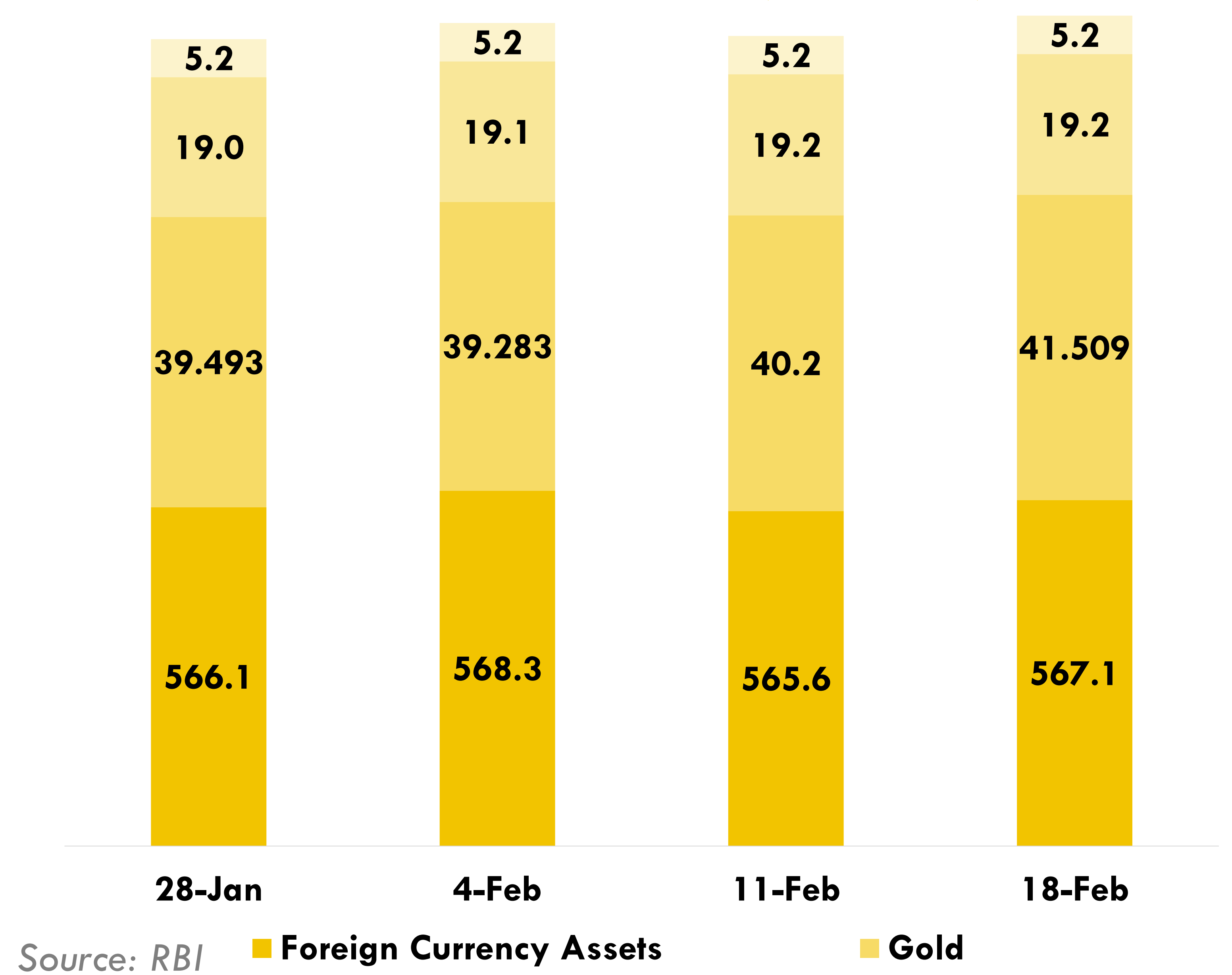
However, the currency could face pressure from capital outflow monetary easing and interest rate hike by the People's Bank of China.



### Forex Reserves Continues to Fall

The country's forex reserve fell significantly by \$4.5bn for the week ended 28<sup>th</sup> January, the steepest drop since February'21 mainly due to revaluation in foreign currency assets. Brent crude oil prices soared above \$100 per barrel, raising the geopolitical stakes and upsetting the fiscal calculations of many developing countries, including India. Volatility in the equity and commodity markets continued to rise due to escalating tensions between Russia and Ukraine. The Forex reserve is expected to fall to \$600bn in the next few months. Though the rupee is on a good footing compared with emerging market peers, any market shocks would be stemmed by the RBI.

### FOREX Reserve (USD Bn)



Currency	1 <sup>st</sup> February'22	28 <sup>th</sup> February'22	Change (%)	Trend
INR/USD	INR 74.75	INR 75.49	↓ -1.0	
INR/EUR	INR 84.21	INR 84.69	↓ -0.6	
USD/EUR	USD 1.27	USD 1.12	↑ 0.4	
JPY/USD	JPY 114.71	JPY 114.99	↓ -0.2	
CAD/USD	CAD 1.278	CAD 1.26	↑ 0.1	
USD/GBP	USD 1.35	USD 1.34	↑ 0.7	
USD/SEK	USD 0.11	USD 0.10	↑ 2.3	
USD/CHF	USD 1.08	USD 1.09	↓ -0.5	

Source: Investing

# OTHER ASSET CLASSES

## Digital Real Estate in the Metaverse

Fuelled by cryptocurrency, the metaverse - a digital world with no boundaries, has undoubtedly become alluring for investors seeking to purchase real estate.



The pricing of the plots, similar to the real world, depends on the location, population, and the relationship between demand and supply.

The questions might arise why should we buy land in the metaverse if it costs the same as in the real world? A simple answer to this is high ROI compared to real-world plots. Furthermore, blockchain technology aids in preventing any land scams.

Corporations are certainly capitalizing on the metaverse's limitless potential. The potential of digital lands is enormous, but only if it is properly channelized.

## InvIT: Gamechanger For the Indian Infrastructure

While Infrastructure Investment Trusts (INVITs) have been around since 2014, their popularity has grown as a result of the Governments' National Monetization Plan and increased investor protection. INVITs allow capital to be recycled for funding infrastructure construction, having the potential to channel long-term capital into the infrastructure sector, help sponsors take up expansion projects, or help deleverage their balance sheet.

With INVITs, investors can own operating infrastructure assets without taking on any development risks while receiving 90% of their cash flow. The company also has a mandated upper limit on leverage, a majority independent board, and measures designed to protect investors from governance risks.

The Indian government intends to lease out assets worth more than ₹6trn under the National Monetization Plan, increasing the appeal of these trusts amid favorable regulations and better investor protections. As of January'22, India had 15 registered INVITs in various sectors such as electricity transmission, road, and renewable energy projects. However, one-third of these INVITs were completed in FY21.

## Tax benefits Crypto Exchange

When rumours hit the floor that cryptos might be prohibited in India, it created restlessness in the market. Digital exchanges even resorted to new business models that include additional investment alternatives for their users to stay afloat.



The sheer acknowledgment and the decision to levy a 30% tax on profits from crypto trading has turned out to be a blessing for the digital asset exchanges. Platforms like WazirX and Coinswitch reported a 30% and 35% increase in user sign-ups post-budget declaration. However, it is not yet legal in India till the Crypto Bill passes.

The 30% tax, without the opportunity of offsetting losses against other tokens or deductions, might orchestrate a significant decline in turnover. Losses are bound to escalate when costs are barred from being shown as an expense. Cryptos are currently considered as a "digital asset," thereby forsaking their original premise of "the next big advantage."

With the announcement of a digital currency by RBI and India's fierce propaganda against capital outflow, do you think the growth reported by the platforms will be short-lived and people will shift back to the traditional options?

## AIFs are Expected to Drive Investment

### Opportunities for HNIs

Investing across different asset classes has gained popularity among Indian investors, particularly HNIs, who are eager to pursue more sophisticated investing avenues to grow their wealth and add a layer of diversification to their portfolios.

AIFs emerged as a powerful investment tool for wealth creation due to standardization and detailed information about their structures.

Foreseeing the current situation, the investors are expanding more towards AIFs as it doesn't correlate with the stock market, thus, eliminating the volatility. Total assets of AIFs have gone up to ₹6.09trn in Q3 FY22 compared to Q3 FY21 at ₹4.4trn, indicating 38% YoY growth. Due to robust diversification and inflation hedging, the return rate is higher than other traditional investment avenues.

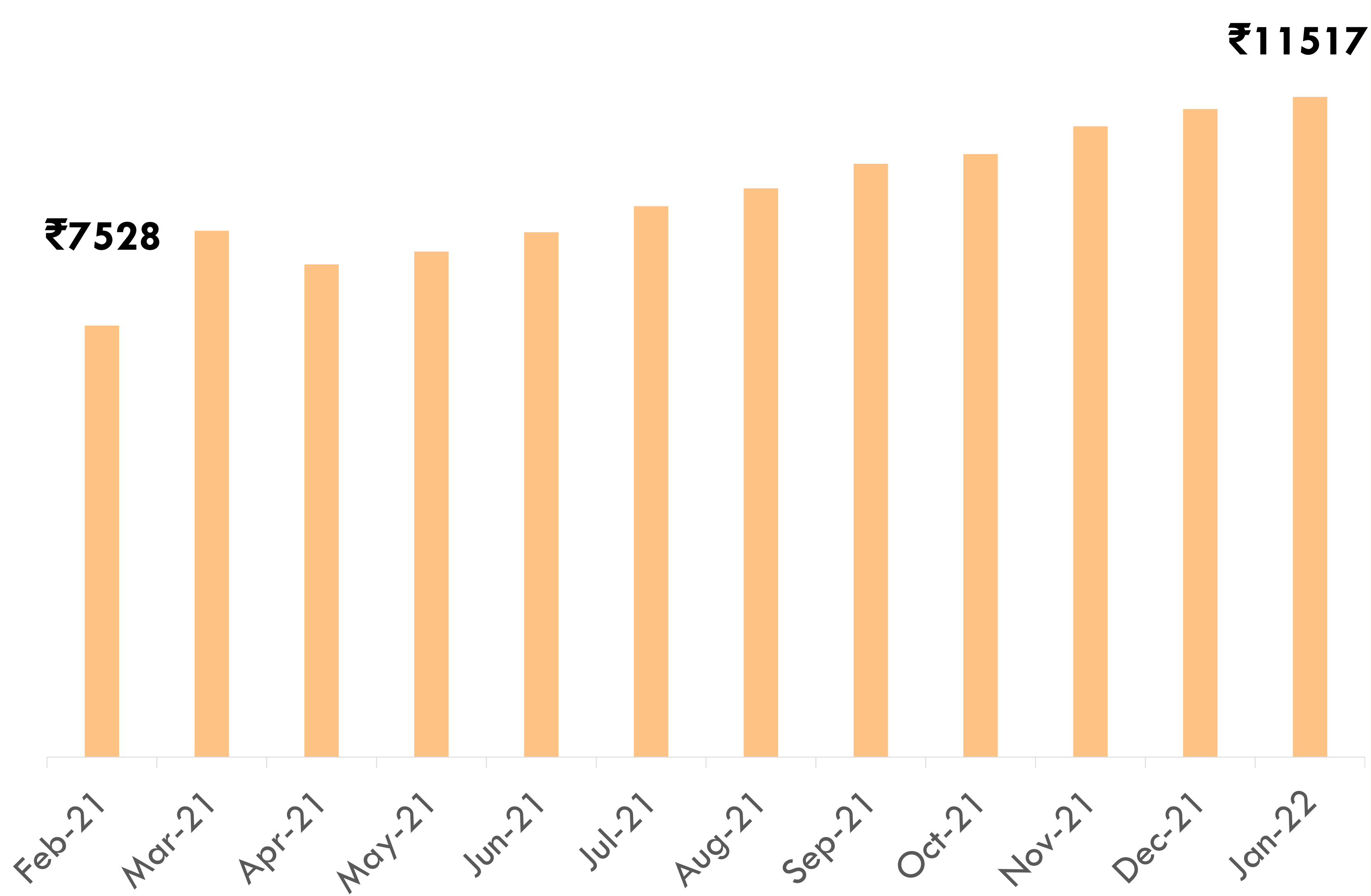
The fact that such investments are guided by an experienced investment committee further enhances traction among HNI investors.

## SIPs Inflow Continues to Touches New Peaks

By the end of January'22, SIP contributions reached ₹11,517cr, an all-time high figure compared to ₹11,305cr recorded in the previous month. Annual SIP assets grew by 33% over the last five years, while monthly SIP books increased by 23%. With the Indian economy expected to grow at 9.2%, it has overshadowed uncertainties arising from external factors, including rate hikes by the Fed, resulting in a continuous increase in inflows.



### SIP Contribution Net investments (₹ Cr.)



Source: AMFI

## Growth of Life Insurance Companies Stalls

Life insurance companies witnessed a sharp slowdown in the growth by nearly 9% to ₹21,957cr in January after a burst of activity in December'21.



The rising concern of the Omicron variant leading to slower business activities resulted in the decline. However, the growth likely to pace up in the coming two months as the current wave passes.

LIC, the largest insurer, reported a loss of 1.58% in new premium income while HDFC Life performed comparatively well among the four top private players, followed by SBI Life which continued to perform better than the private companies giving a growth of 8% YoY. The slowdown in Insurance stock continued as the companies experienced pressure on profitability due to high claim ratios for both genuine and fraudulent claims.

## Equity Inflows Decline

Inflows from equity mutual funds in January stood at ₹14,888cr, a 40% decline compared to the ₹25,000cr recorded the previous month. It marked the 11th consecutive month of inflows into equity-linked schemes. However, volatility in the equity markets as a result of weak global cues, concerns over the rise of a new covid variant, and high inflation hampered the growth. Retail investors, however, have been resilient and used sharp drawdowns as an opportunity to buy equity mutual funds.



## Discussion to Raise the Overseas Investment Limit

The SEBI and the RBI are in discussion to raise the overseas investment limit cap by 25%, as the Indian mutual funds have reached the current limit of \$7bn in overseas assets. In addition to the outstanding limit of \$7bn, ETFs have an upper curb of \$1bn, which leaves ample room for investment. The rise in the offshore investment limit will allow Indian investors to diversify their portfolios beyond domestic assets. The stronger appetite for global investments is driving the current buying spree in offshore securities like Google-owned Alphabet, Starbucks, Amazon, and Apple.



## BSE Ebix Partners with LIC

BSE Ebix Insurance Broking Private Limited, signed an Insurance Broker Agreement to distribute LIC products to its clients using its omnichannel digital presence. These two companies will work together to provide clients with customer-centric solutions supported by cutting-edge technology and best-in-class services.



BSE Ebix strategizes to create an unmatched 'Phygital' pan-India reach through the combination of physical presence at tens of thousands of POSPs, allowing it to receive extensive real-time quotes from insurance companies and complete the entire transaction online for their customers.

The company's goal is to not only revolutionize insurance purchasing from a consumer standpoint but also to enable insurers to distribute insurance products in a highly efficient manner.

# M&A

## AMD Expands Its Market Scope

AMD completed the largest acquisition in the semiconductor industry with the purchase of Xilinx for a \$49bn all-stock deal. Acquiring Xilinx will help AMD capture new market opportunities and expand its Total Addressable Market to \$135bn from the current \$80bn.



With this acquisition, AMD will be able to grow its presence in key markets such as data centers, where Xilinx has a significant network and AI presence, as well as in 5G communications, automotive, industrial, aerospace, and defense. The deal will intensify AMD's battle with Intel Corp and Nvidia in the data center chip market.

With the support of Xilinx's industry-leading FPGAs, AMD will be able to provide the industry's most comprehensive portfolio of high-performance and adaptive computing solutions.

Further, the company is expected to achieve \$300mn in cost savings from the deal.

## Axis Bank to Acquire Citibank's Consumer Banking Business

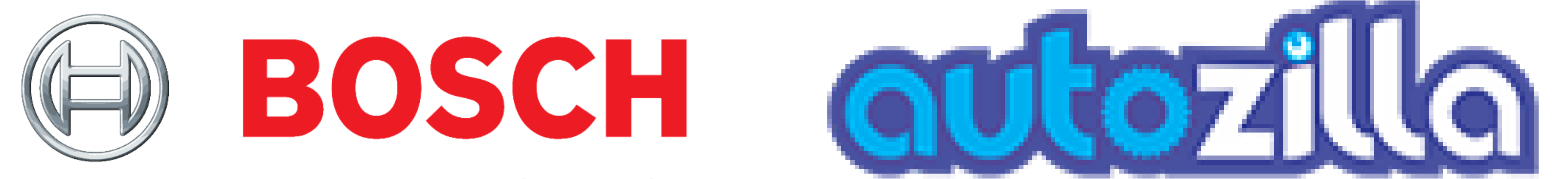


As Citibank wraps up its consumer franchises in 13 markets across Asia and Europe, Axis Bank has emerged as the frontrunner to acquire Citigroup's retail banking business in India, in a deal worth around \$2.5bn. The transaction, however, is subject to RBI's approval.

Acquiring Citibank's assets would strengthen Axis Bank's credit card and mortgage operations. Axis Bank is currently the fourth largest player in the credit card market with HDFC bank leading the charts. Even though Axis Bank has thrice the number of credit card users, the acquisition will help Axis Bank exploit Citibank's "rich" clientele that spends 30% more than the industry average.

The acquisition will ratchet up Axis Bank's competition with ICICI Bank for the third-largest card issuer. Axis Bank's average card spend is estimated to increase by 23% post-acquisition.

## Bosch Acquires Autozilla Solutions



Invented for life

To expand into the country's digital B2B auto parts, the German engineering and technology giant, Bosch, acquired a minority stake of 26% in the B2B eCommerce auto solution company Autozilla Solutions.

At present, the independent garages procure auto spare parts offline via phone or in-person pickups, which are highly error-prone and inefficient. Autozilla's platform employs AI and data analytics to establish a common platform for procurement, supply chain, and product tracking.

By integrating this e-commerce platform with its existing digital systems, Bosch will have the ability to streamline procurement of spare parts, increase catalogue search quality, and address product availability with a much shorter lead time.

The collaboration will help Bosch solve the key problems of discoverability, availability, and hassle-free procurement of spare parts.

## Blackstone's REIT Shopping Spree Continues

The world's biggest alternate asset manager, Blackstone Inc, announced the acquisition of Preferred Apartment Communities Inc for an all-cash deal of \$5.8bn. Blackstone REIT will pay \$25 per share, a 40% premium over the closing price on Feb 9, for their purchase of the Atlanta-based Apartment owner.



The deal comes at a time when robust economic recovery and ultra-low loan rates are increasing investor demand for bigger houses in the United States. The acquisition will give Blackstone the ownership of a high-quality apartments portfolio in the fast-growing Sun Belt region.

Blackstone's shopping spree includes the acquisition of two more REITs in recent months with a premium of 63% and 124% over their market value. The company is paying a hefty premium to expand its exposure in the Sun Belt areas as it believes that strong growth in jobs and population coupled with the migration trend will fuel up the demand for property and inadvertently scale up the rental prices.

# STRATEGY

## The Battle of the Billionaires

BCCI is all set to e-auction the media rights of their biggest



“cash cow” – the IPL. For a two-month series of matches, the cost for digital broadcasting rights could run to a record ₹50,000cr. However, based only on the profit and loss statement, the value could not exceed ₹32,000cr. Then why are these companies willing to pay something that would cost them money from their own pockets? The companies are vying for the incremental or strategic foothold that they will be gaining from the media rights of IPL.

The addition of two new teams this year will result in more matches and, by extension, more spectators or, to put it another way, "paid subscribers." With only 20mn Prime Users in India, Amazon could probably double that number in no time. For Zee Entertainment, the rights will result in a strong foothold in the Sports Industry.

In the end, companies might lose money over the rights period. But they are not sought only for profits, it is for the meager existence or gaining a strong foothold in the market.

## Dream 11: Game of Luck Vs Skill

Dream 11 introduced a fantasy sports platform in 2008 that allows participants to create a team of real players. Each



participant pools in a small amount of money which is then transferred to the winners. The winning depends on the performance of their selected players in real matches. Does it sound like betting to you? But gambling is banned in India. So how did Dream11 bypass the laws?

Public Gambling Act 1867 defines betting as putting money and getting rewards solely based on happening or non-happening of an event, without any application of skills. Dream11 sneaked through this law by being classified as a "game of skill" by court rulings. This is because the creators let the participants create their team of real players which requires analysis and knowledge of the game.

"Copying others increases the number of familiar things in the world from one to n. When you accomplish something new, on the other hand, you move from zero to one." Taking a page from Peter Theil's book, Dream 11 followed the same suit to create a whole "new" billion-dollar industry which is slated to be worth \$3.7bn by 2024 growing at a CAGR of 32%.

## The Psychological Game – Nestle's GTM Strategy



When Sheldon conditioned Penny's behavior around him by using chocolate as positive reinforcement, it all seemed surreal. However, what if we told you that brands have been using this strategy for years, conditioning our minds to imprint their products in the memory?

A page from the Nestle marketing book is a classic example of a GTM Strategy. Post-WWII, Nestle introduced coffee in Japan - a predominantly tea-drinking nation. The product failed. Intensive surveys concluded that Japanese people held no nostalgic value or fondness for the taste of coffee. The only way to make them drink coffee was to condition them to the taste and imprint the flavor of coffee in their minds from an early age. Hence, Nestle flooded the Japanese market with their coffee-flavored candies which immediately became extremely popular with Japanese youth. Out of curiosity, their parents tried the candy and discovered that they liked them as well.

Nestle re-entered the Japanese markets a decade later, with a new wave of coffee offerings. Nestle's instant baristas for home and workspaces were a huge success. Today, Nestle is the undisputed market leader in that region. Japan buys 500,000 tonnes of coffee per year. This was the same market where Nestle barely sold a cup 60 years ago!

Did it feel like a Déjà vu? Nestle used the same strategy with Maggie in India!

# MARKETING & BRANDING

## When Dreams Came Crashing

We generally celebrate extraordinary stories of marketing geniuses achieving great feats. But how often do we talk about the blunders? While success stories are a great tale to tell, it's the mistakes that will teach the most valuable lessons.



Yes, we are talking about Sir Ratan Tata and his "Nano" dream. Tata Nano was set to compete against two-wheelers in providing comfortable and affordable commuting to the Indians going to work in the harsh climate. However, it could not beat the convenience of two-wheelers on busy Indian roads and failed many benchmark safety tests. They assumed that a reduced price would be enough to attract customers. However, they mistakenly positioned the car as a "cheap" alternative. This for Indians meant "poor quality" and no one wanted a cheap and poorly built car when owning a car is a status symbol in India. People considered a second-hand hatchback or a sedan as a better alternative to Nano. The unrelatable advertisement, non-existent PR, and poor after-sales services added to the mess. Ultimately, Nano failed to develop an "intimate bond" with its audience.

What could have been a great legacy, will be remembered as a car that was too expensive for its target market, yet too cheap for those who could afford it.

## Sigma Marketing Rule: Your Competitors are your Best Publicists

Sun Tzu, a Chinese military strategist in his book "The Art of War" mentioned that "Appear at places where he must rush to defend, and rush to places where he expects less".

Heroes advertise their brand to cut competition but legends leverage their competitors' activities to highlight themselves. Marc Benioff led Salesforce placed a team of temps on bicycle rickshaws outside all the conventions and meetings of its competitor – Seibel to hand out freebies and marketing materials to all the attendees. The team also got a chance to speak with some of the investors to pitch their ideas and garnered media attention as well. When the news of Seibel hosting a huge convention in Paris came out, Salesforce knew it was their chance to shine. The participants needed to take cabs from the airport to reach the venue. Hence, the Salesforce team rented all the cabs at the airport and offered free rides to the attendees to pitch their ideas over a forty-minute ride. Further, it leveraged the announcement of Siebel's quarterly earnings and released its new features on the same day. People had to come across Salesforce while looking for Seibel news. They successfully used Seibel's position to imprint themselves on their consumers. Hanging on the gnat of the elephant, they made the elephant dance.

## The Marketing Value of a Football Player

Have you ever questioned the rationale behind the extravagant money spent by the football clubs to sign marquee players? Players like Neymar, Messi, Pele, Ronaldo, have made headlines for receiving the highest all-time transfer fees.



So, is it just their skills on the ground that attract such high fees? The answer is not quite in the affirmative. The sheer marketing value and the popularity that a celebrity player brings into a club bolsters their transfer fee.

There are numerous ways clubs stand to make millions of pounds each year. From jersey deals to a sell-out stadium to simply selling memorabilia - acquiring a celebrity player has been a proven method to change the "status quo" of a football club.

Following the announcement of the signing of the Barcelona legend Messi, PSG garnered a massive income of €23.7mn in the first few minutes by selling more than 150K shirts. Considering the cheapest shirt among those is priced at €158, the cumulative income had already touched Messi's yearly salary at PSG within minutes. So next time you go crazy by seeing the price tag, rest assured, the clubs have already taken care of the revenue stream!

# COVID UPDATES

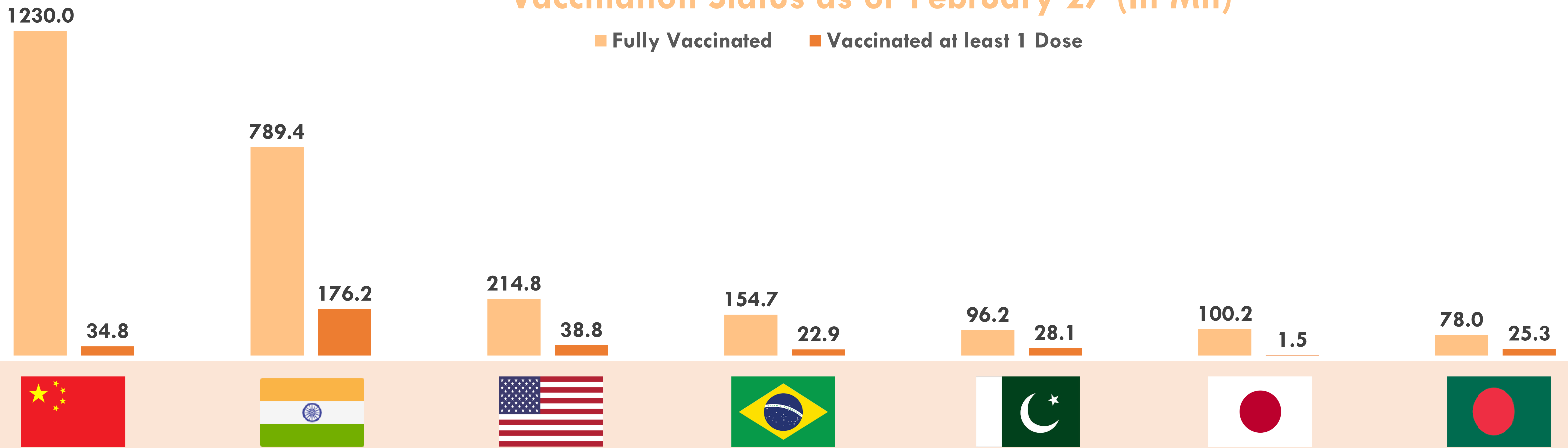


COVID cases across the Globe, data as of 27<sup>th</sup> Feb  
**437M**- Total no. of cases  
**369M**- Recovered  
**62M**- Active cases  
 (0.1% are serious and 99.7% are in mild condition)



COVID cases in India, data as of 27<sup>th</sup> Feb  
**42.93M** - Total no. of cases  
**42.32M** - Recovered  
**0.09M**- Active cases  
 (0.1% are serious and 99.7% are in mild condition)

## Vaccination Status as of February'27 (In Mn)



Source: Our World In Data

## First-Ever Nasal Spray to Combat Covid-19

Indian Pharma Major Glenmark Drugs launched the first-ever nasal spray, called FabiSpray, to treat adult COVID patients. FabiSpray intends to kill the COVID virus in the upper airways using Nitric Oxide. The spray serves as a physical and chemical barrier to the virus, which prevents it from incubating and spreading to the lungs.

The Mumbai-based pharmaceutical company gained manufacturing and marketing permission from the Drugs Controller General of India as part of the fast clearing procedure. Phase 3 clinical study of the spray showed a 94% decrease in viral load in 24 hours and a 99.9% decrease within 48 hours. The nasal spray can suppress viral transmission, thereby restricting the spread and reducing hospitalization. The stock price of the company rose by 2% after this announcement.

## Work of a Decade in a Year

Throughout history, crises have promoted the adoption of new processes and tools that had implications outside their initial intended purpose. Similarly,



COVID has accelerated the development of novel medicines and procedures that are poised to revolutionize medical practice for the future generation.

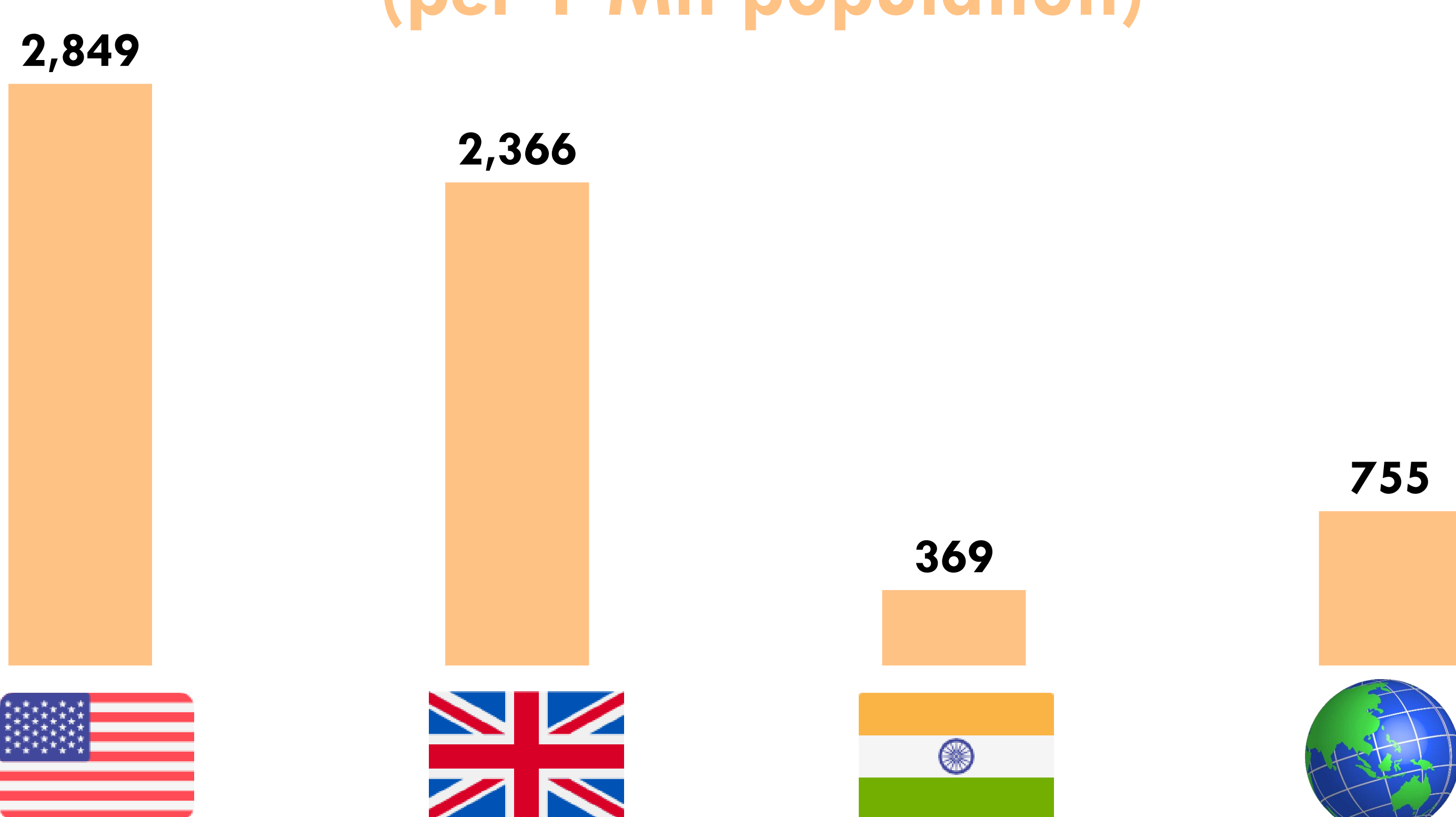
The world is currently on the verge of several significant breakthroughs due to growing interest in hi-tech vaccines, that are being developed to treat a whole raft of infectious diseases.

Historically, vaccines and drugs took a decade or more to go through all development and regulatory stages. However, COVID has provided a more streamlined and easier regulatory environment with fast-tracked trials, resulting in faster translation and application of scientific discoveries.

Previously no product based on mRNA technology had ever got acceptance. But within two years, the rapid development of Pfizer and Moderna's jabs against COVID proved to be a gamechanger.

Following the success of COVID vaccinations, RNA and mRNA are currently being researched for therapies for Malaria, HIV, Rabies, Zika, and Cancer.

## Total Number of Deaths (per 1 Mn population)



Source: Worldometers

# PINION POLL

“This is probably the first time our markets are less volatile than the US markets, something to be proud of. I think this is mainly due to much lesser leverage, both for intraday & margin funding for delivery in the system.”

**- Nithin Kamath, Founder & CEO, Zerodha**

“We have seen a spate of advertising for virtual digital assets which could compromise consumer interest in the absence of some guardrails.”

**- Manisha Kapoor, Secretary General, ASCI**

“I would argue that venture capital is throwing too much money too fast, and there's a considerable wretched excess in venture capital and other forms of private equity.”

**- Charlie Munger, Investor**

# 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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