



Leveraged Growth

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# MONTHLY REPORT JANUARY 2022

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## What Does the New Wave of Regulation Mean for the Big Tech Companies?

So far, regulators have had little impact on the bottom line or valuation of Silicon Valley. The world's top five technology companies have garnered a market value of \$9.31trn, which is four times higher than what was 5 years ago and nearly double that of the S&P 500 index. This could change as several new laws are being enacted around the world that could significantly limit how big tech companies treat smaller competitors and their use of AI. The increased scrutiny is already making it difficult for companies to capitalize on potential growth from acquisitions. For example, the UK's Competition and Markets Authority ordered Facebook to sell Giphy, an animated image company, claiming that the acquisition would limit competition among platforms and UK advertisers. According to experts, policymakers have historically placed more emphasis on passing laws than ensuring that appropriate tools are available to implement new requirements. As a result, the most pressing question remains whether any of it will have a significant impact on technology companies?



## Why are Steel Companies in US Buying Junk Biz?

In response to rising steel demand, the two largest steel producers in the United States, Nucor Corp. and Cleveland-Cliffs Inc., is looking for a consistent supply of raw material from junked cars, old pipes, and manufacturing waste. Steel prices have risen by 20% in the last year, prompting steel companies to increase production. The new mills produce steel by melting scrap or processed iron in an electric furnace, which reduces both cost and carbon emissions when compared to iron ore melted in a coal-fired blast furnace. However, this process is putting a lot of pressure on the scrap market. In October, steelmakers' scrap purchases for 2021 increased by 17% YoY. As mills continue to use electric furnaces, prime scrap, a manufacturing by-product, will become scarce. In response, Cleveland Cliffs paid \$775mn for Ferrous Processing & Trading Co., making it the most expensive scrap processor acquisition in history.



## LG Energy Solution Vs. CATL: Who Will Dominate the Battery Industry ?

CATL



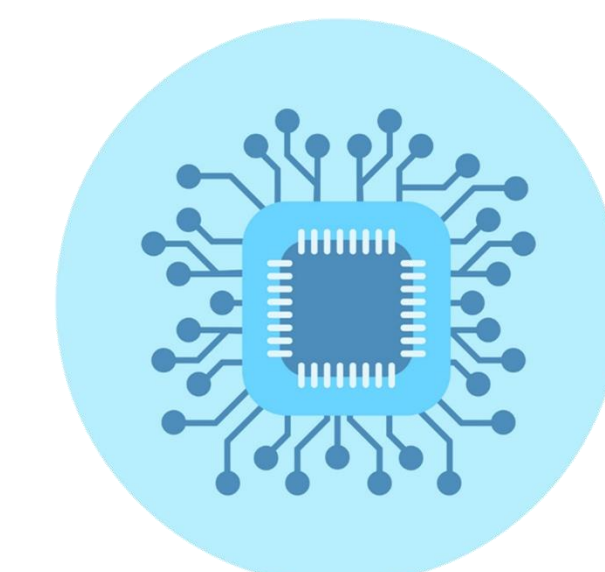
LG Energy Solution

Following a successful IPO, LGES is poised to challenge the dominance of China's \$200bn battery behemoth Contemporary Amperex Technology. LGES currently leads the industry in terms of technology but, lags behind CATL in terms of volume. CATL is one of the most profitable companies due to the availability of cheap labour in China, easier access to raw materials, and generous rate subsidies. Despite LGES's funding advantage from the IPO, increasing profitability in the face of intensifying competition will be difficult. The ongoing tech war between the US and China is expected to benefit non-Chinese battery producers among American and European customers. CATL is heavily focused on China and struggles with its global presence, whereas LGES is doing well globally. CATL margins may be squeezed as Beijing eliminates subsidies for Chinese producers next year.

The main challenge for LGES is the quality of their battery; as a result of the flaw, GM and Hyundai had to conduct some of the industry's most expensive recalls, which alarmed investors.

## Chip Makers on War for Talent

To address the global shortage of semiconductors, the world's largest chip manufacturers are competing for workers to staff billion-dollar facilities. According to industry experts, the concern has been heightened by a global labour shortage, a pandemic-fuelled demand for all things digital, and a race between governments to strengthen their local chip-manufacturing capabilities. As semiconductors become more complex, a shortage of highly-skilled engineers in Taiwan may jeopardize their efforts to remain at the forefront of advanced technology. Chip companies in the US have persuaded lawmakers to allow them to hire from abroad as the number of American graduates has shrunk and graduate enrolment has shifted toward foreign students.



# INDIA INC.

## GST Collection Tumbles in December, but the Streak to Cross the 1 Lakh Crores Mark Continues

GST collection for the month of December fell marginally as a result of high raw material prices over the past few months, which has hampered industrial production. Neither production nor demand has recovered since Diwali. As a result, overall tax collection has suffered.

According to experts, the trend may continue in January, but it may not be as severe as in the worst-hit months of May and June. With the government's various rate rationalization measures already in place to correct the inverted duty structure and anti-evasion activities, particularly action against fake billers, will the GST collection improve in the coming months?

### GST Collection (₹ Lakh Crore)



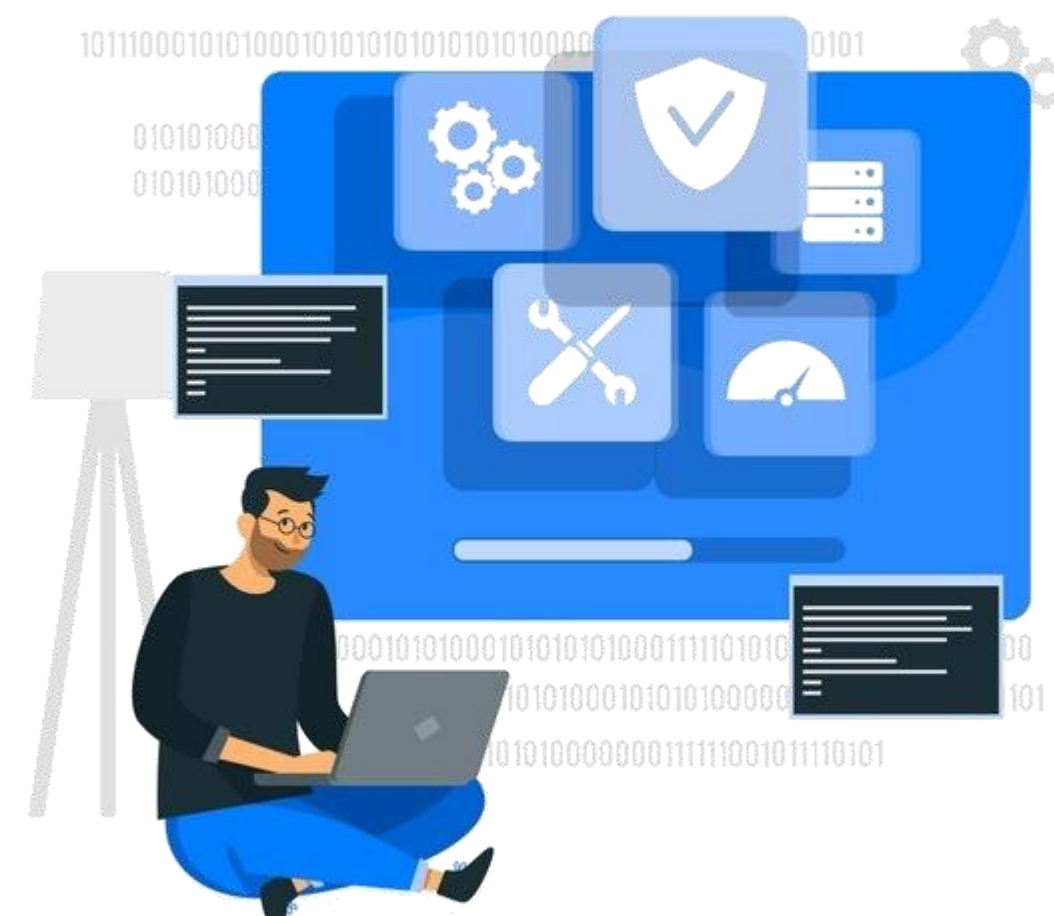
Source: GST Council

## Indian Operating System

The Ministry of State for Electronics and Information Technology is working to facilitate the development of an Indian operating system (OS). The fact that Google and Apple control the majority of the internet system has prompted the government to develop its own OS. Their control over the platform gives them access to priceless data. This control is also inherent to many antitrust cases. The government can tailor the OS to their policies and use it to mine data about the country's citizens for their own benefit.

There already exists an indigenous OS, Indus OS, which was created in 2013 by a group of IIT graduates. The Indus app Bazaar claims to have over 200mn users as of November 2021.

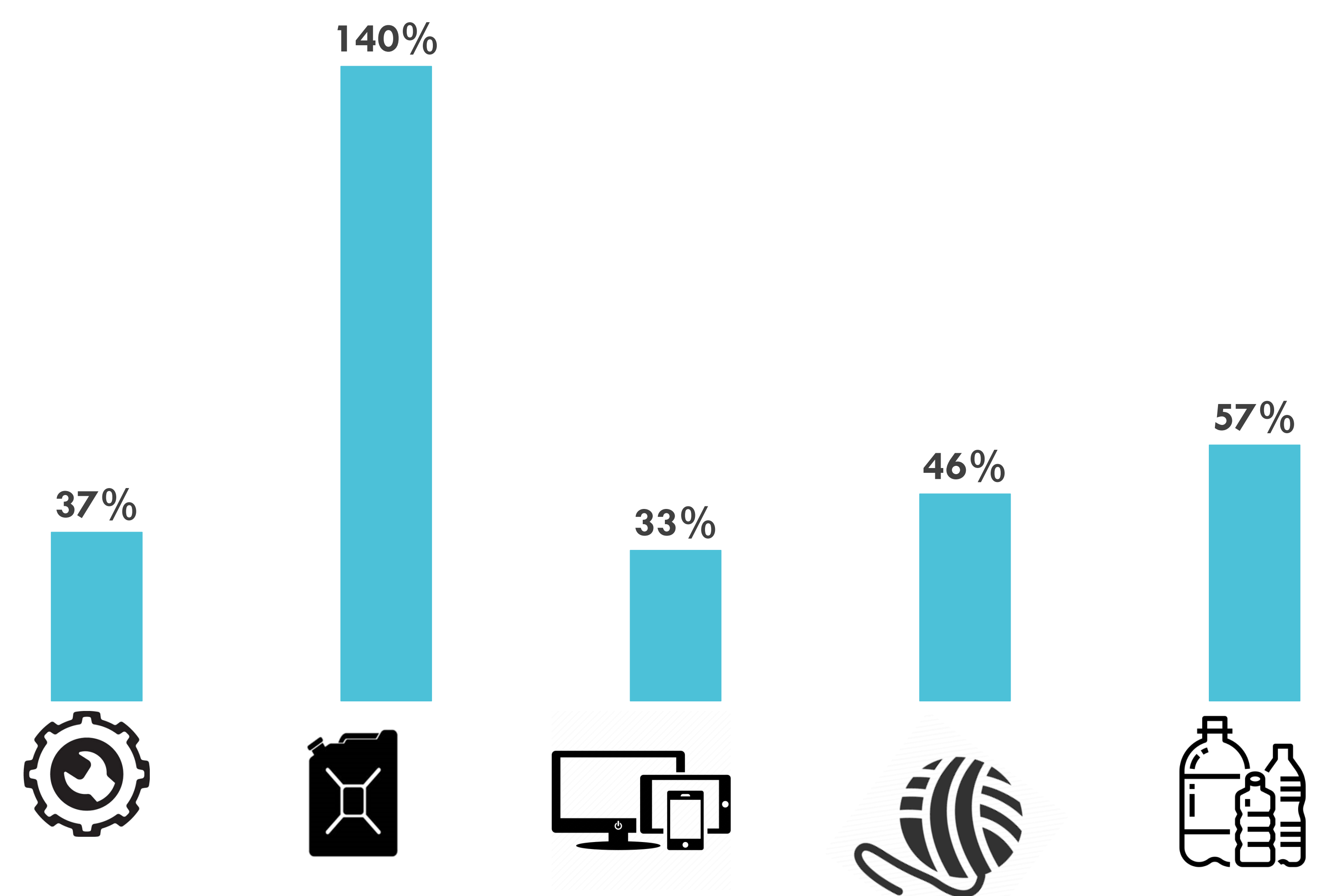
One of the most pressing questions is whether consumers will accept the new operating system because, following a US sanction, Google withdrew Huawei's access to Android in 2019, reducing the company's market share to 4% from 17%.



## December Saw the Highest Monthly Exports Ever Recorded

Exports increased by 37% YoY to \$37.3bn in December, owing to strong performance by sectors such as engineering, textiles, and chemicals, despite the trade deficit widening to \$21.68bn during the month. India's exports exceeded \$300bn in the first nine months of 2021-22, indicating that the country is on track to reach \$400bn. Moving forward, the Commerce Ministry does not anticipate any supply disruptions because the effects of this wave are minor, and the Western world has not yet restricted any movements.

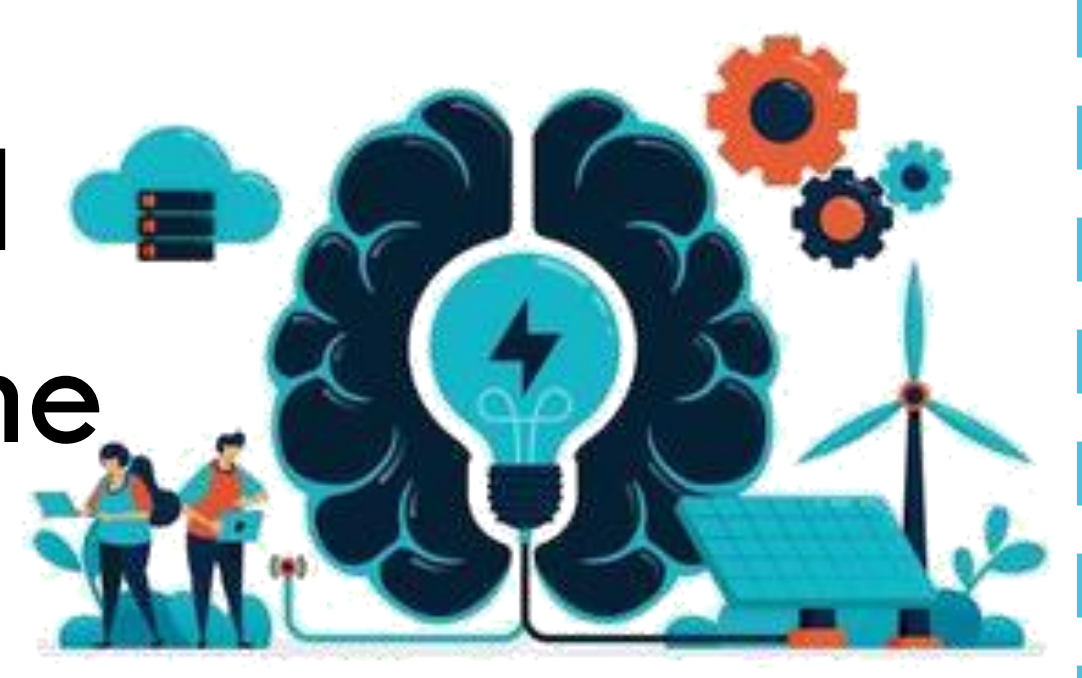
### Sector Export YoY Growth



## Is Use of 100% Green Energy to run ships Feasible?

The Ministry of Ports, Shipping, and Waterways, in collaboration with the Ministry of New and Renewable Energy, is exploring plans to power ships with 100% green energy, which will involve a combination of solar, seawater, wind, and hydrogen. The initiative will reduce not only cargo ship operating costs but also carbon emissions. India's crude oil and gas imports account for 85% and 53% of total imports, respectively, which could come down significantly.

The use of environmentally friendly fuel will also allow Indian Navy ships to stay afloat for longer periods without having to return to port or seek out additional vessels for refueling on the high seas. The government has also mandated that fertilizer plants and oil refineries purchase green hydrogen. All of these new plans come after our Prime Minister pledged at the COP26 summit to reduce carbon emissions by 1bn tonnes by 2030.



# GOVT. POLICIES

## Government Relaxes Spending Norms to Bolster Public Spending

In order to facilitate capital expenditures by central ministries and other departments, the Finance Ministry has relaxed the guidelines for public spending for the January-March quarter in an effort to boost public spending. The spending cap, on the other hand, is limited to the revised estimates.



The spending guidelines require each ministry and department to prepare a quarterly or monthly expenditure plan, and the plan cannot exceed 25% of Budget Estimates in the first three quarters (BE). It must be limited to 33% of BE in the fourth quarter and 15% of BE in March.

The relaxations are intended to encourage departments that have not spent as much as they should have to increase spending in the fourth quarter without regard for quarterly or monthly limits, thereby assisting economic activity during the third wave. This action was taken after several ministries requested an expenditure limit for Q4 because a number of them had only spent half of their BE so far.

## RBI Caps the Upper Limit of Offline Payment Transaction at ₹200

Following the huge success of UPI, the government is now focusing on remote locations to ensure the success of "Digital India." The RBI announced the framework for digital payments via offline channels. The upper limit of an offline payment transaction is set at ₹200, while the overall limit on a payment instrument is set at ₹2000. Poor or non-existent internet connectivity, particularly in remote areas, has proven to be a major impediment to the adoption of digital payments. The availability of offline payment options, such as cards, wallets, or mobile devices, without the need for Additional Factor Authentication, will inadvertently increase the adoption of digital payments in semi-urban and rural areas.



## Government Notifies New Guidelines for Capital Goods Sector

The Union Ministry of Heavy Goods announces the Scheme for enhancing competitiveness in the Indian Capital Goods Sector-Phase-II, which will provide assistance to common technology development and service infrastructure. The scheme will cost ₹207cr, with budgetary support of ₹975cr and industry contributions of ₹232cr.



Phase II of the scheme seeks to broaden and deepen the impact of Phase I, the pilot programme, allowing for the development of a strong and globally competitive capital goods sector that contributes at least 25% to the manufacturing sector.

The scheme's components include technology identification via innovation portals, the establishment of four new advanced Centers of Excellence (CoE), and the expansion of existing CoEs. The innovation platform will identify the technological solutions to the issues faced by the industry and the CoE would develop high-risk technological products.

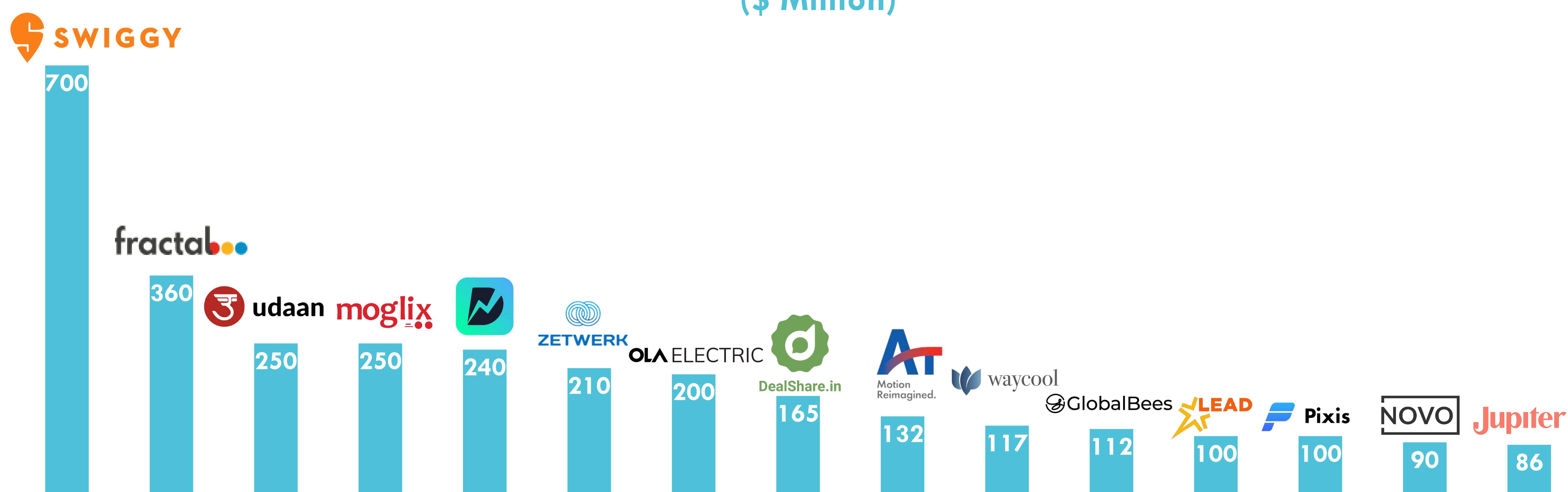
## Government Proposes to Bring Electricity under GST Regime

The Ministries of Power and Finance have proposed imposing a 5% GST on electricity. However, according to a study conducted by NTPC and CEA, a 5% GST increase would result in a ₹5780cr fiscal hole for both the states and the federal government. Several elements of the electricity supply chain, including coal, are subject to GST. The proposed GST exemption for electricity generation, transmission, and distribution will cost the power companies a fortune because they are already barred from claiming the input tax credit for their purchases. If this proposal is accepted, it will lower costs for industrial and commercial consumers while raising the per-unit tariff for domestic and agricultural consumers.



# START-UPS NEWS

Major Funding raised by Startups for the period 27<sup>th</sup> Dec'21 to 29<sup>th</sup> Jan'22  
(\$ Million)



Source: Entracker

This month 221 start-ups have approximately raised \$5206.14mn. PM Narendra Modi has announced that January 16 will be celebrated as National Startup Day to spread the culture of startups in India.

## The First Unicorn of 2022

Honasa Consumer, the parent company of the well-known brand for baby and skincare products - Mamaearth became the first Unicorn of 2022. With a “house of brands” approach, the company plans to grow its portfolio of brands on international soil. The house of brands approach has enormous benefits for the parent company as they can share the same technology, infrastructure, R&D while at the same time catering to a wider target audience through different products under different brands. Already registering a staggering success with their existing brands – Mamaearth and The Derma Co., Honasa is looking forward to utilizing the funds in expanding its portfolio of personal care D2C brands while aggressively expanding the distribution of existing brands.




## Decacorn is the “New Unicorn”

Swiggy enters the elite club of Decacorn after securing funding of \$700mn. The pandemic has opened the floodgates for online grocery shopping. With a new opportunity in the market, the company is leveraging its robust distribution channel to utilize the funds in developing its quick-commerce grocery business to give its peers a run for their money.



## Demand on Pay

Refyne has come up with a  **Refyne** unique solution to the Buy Now Pay Later (BNPL) proposition, which is only available to a prime set of customers owing to credit rating criteria. Earned Wages Access (EWA) is a first-of-its-kind service offered by the company to its subscribers. Catering to the B2B2C Segment, users of the platform can withdraw a portion of their accumulated salary ahead of their payday by simply paying a meager transaction fee to the firm. With its latest fundraise the company intends to boost awareness to reach 3 million employees, build corporate collaborations, and expand into new territories.

## AI in Agriculture

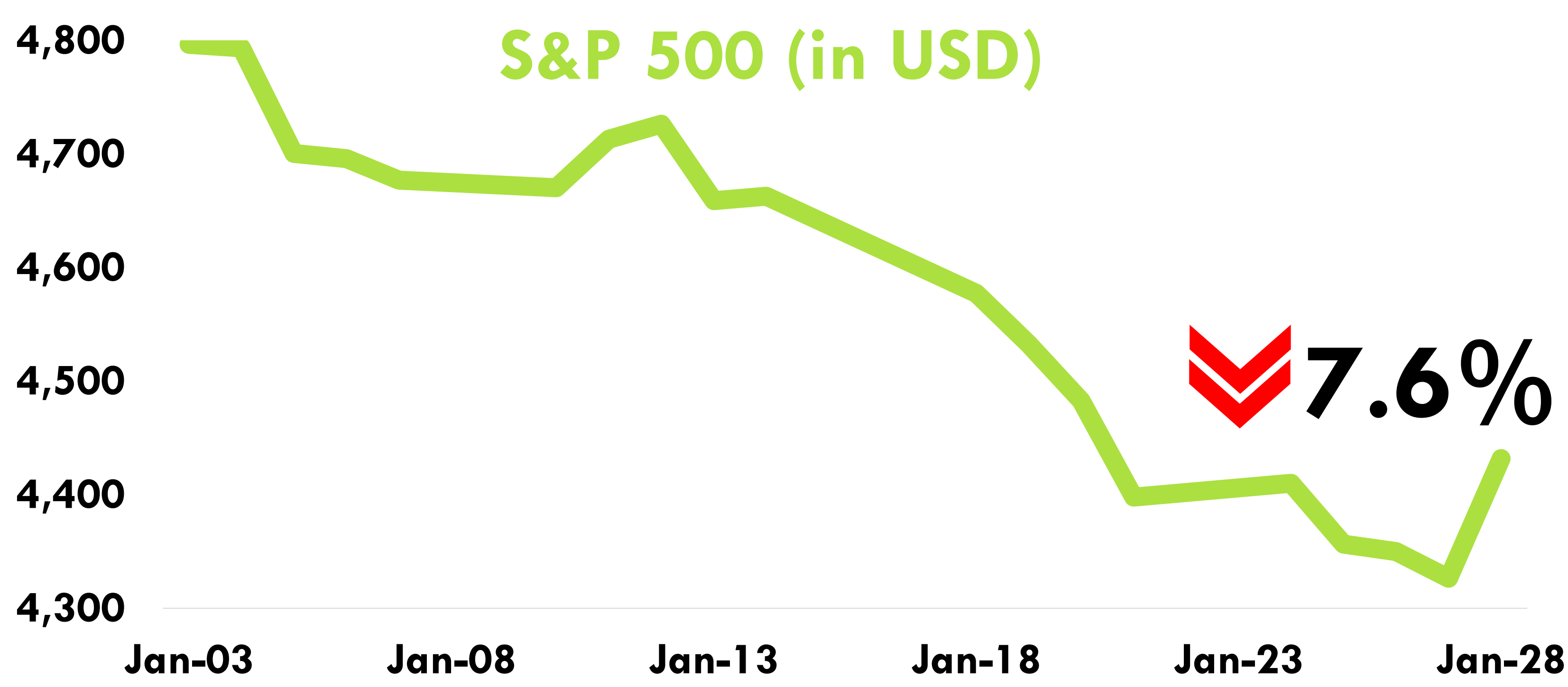
The development of road infrastructure, inexpensive internet, and digital payments has paved the way for the digitization of India’s Agricultural Sector.



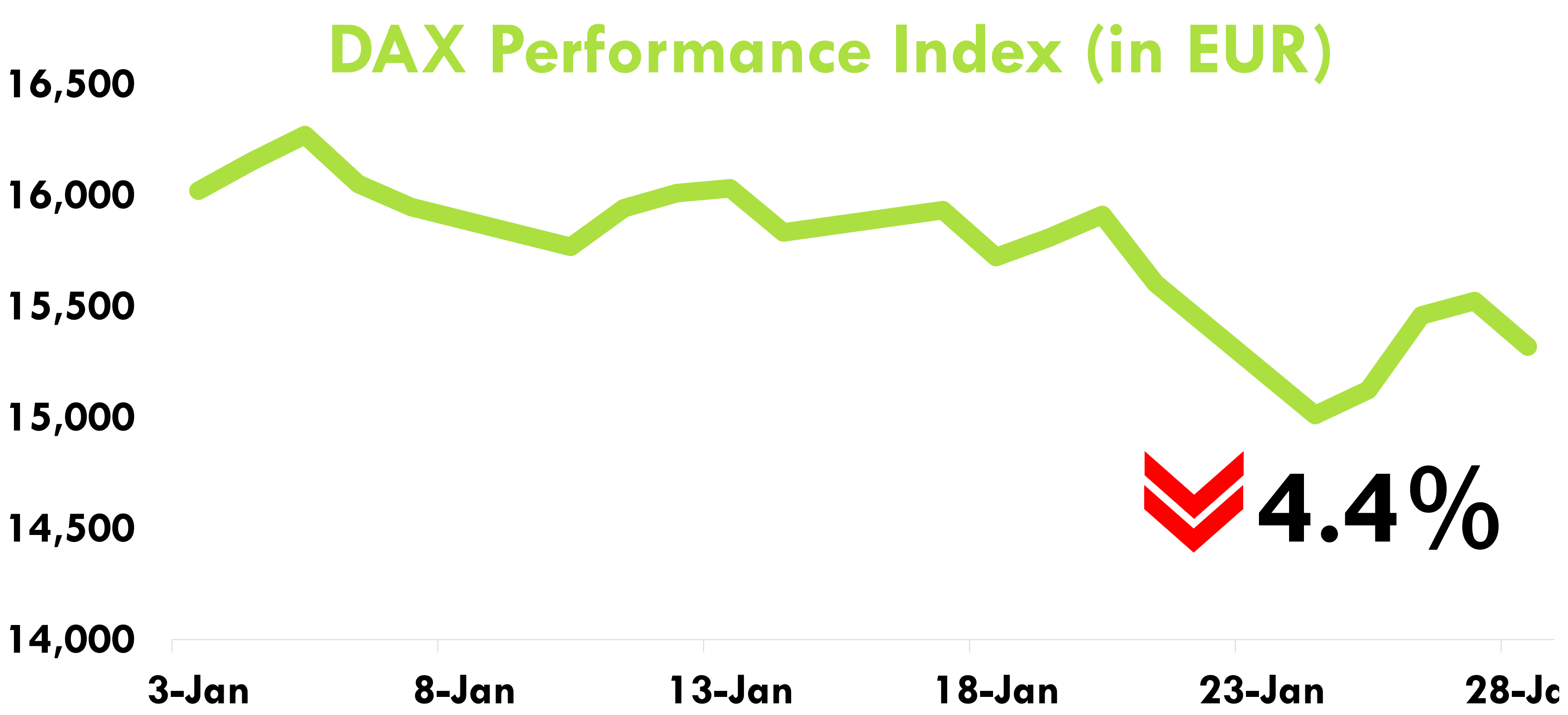
With a workforce of 85,000 farmers and delivering over 900 tons of produce per day, WayCool Foods has already become one of the fastest-growing Agritech companies in India after raking in \$117mn in its latest fundraise.

The company plans to utilize the money to infuse AI along with Robotics to make its distribution centers future-proof.

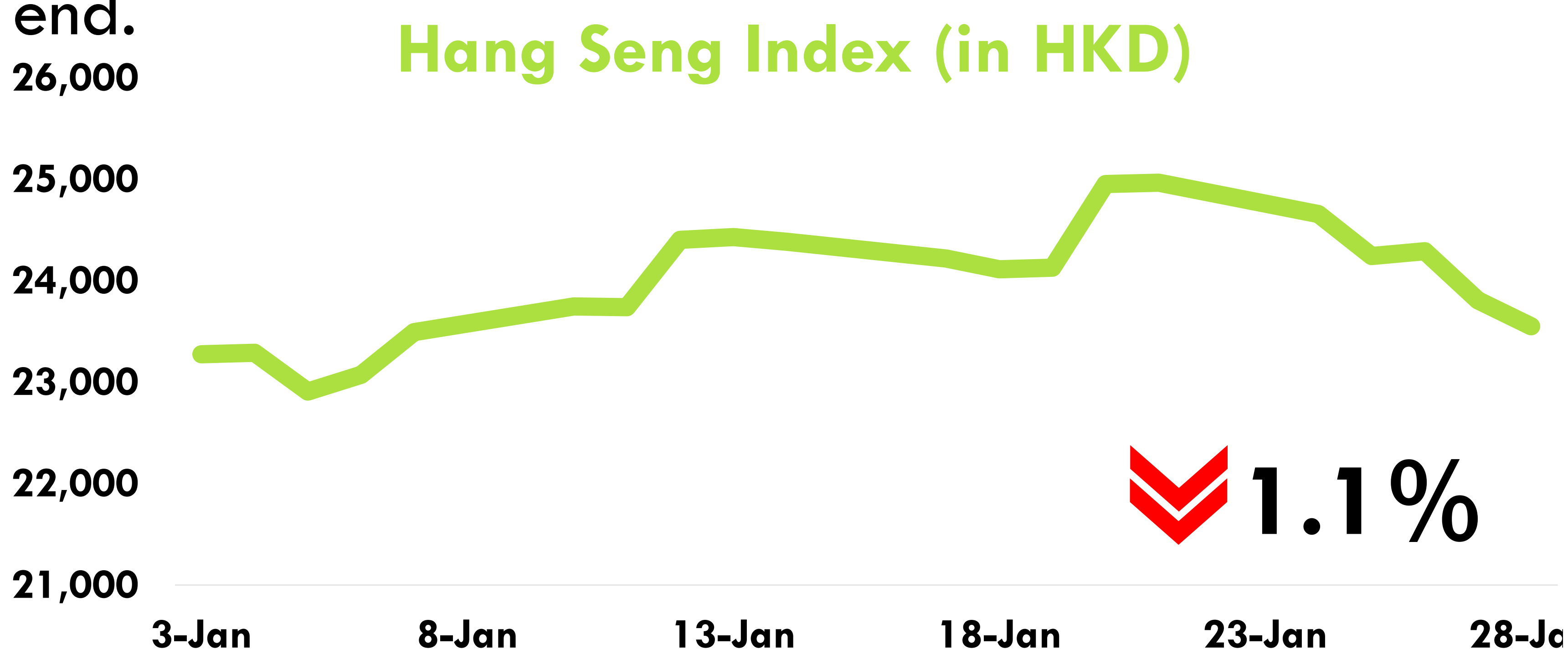
# GLOBAL INDICES



All of last month's gains were erased as investors tried to balance positive economic news with mixed corporate earnings, geopolitical unrest, and the prospect of a more hawkish Federal Reserve. The rapid rise in Treasury yields in response to concerns that the Federal Reserve will become more aggressive in controlling inflation has disproportionately impacted technology and growth stocks.

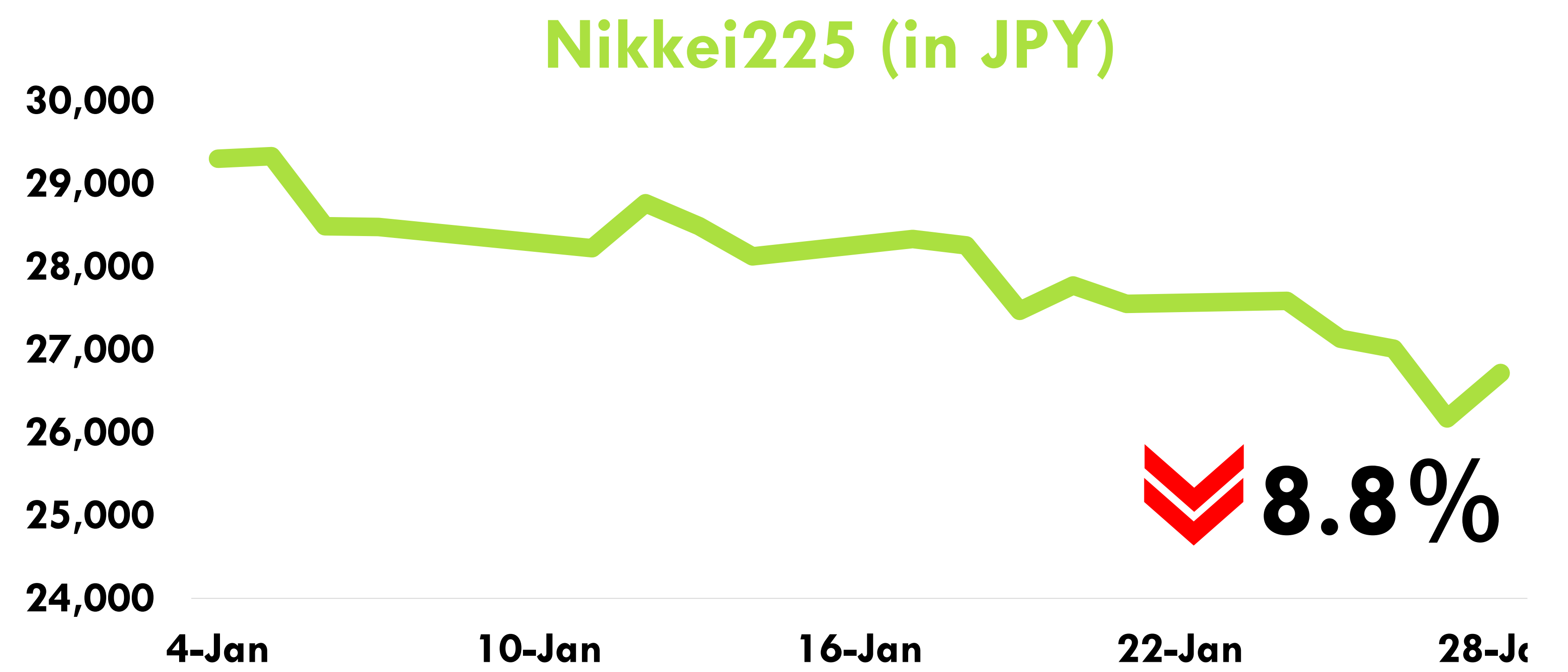


Germany's DAX fell to a three-month low as investors worried about a possible Russian attack on Ukraine after the US said it was ordering the departure of eligible family members of staff from its embassy in the country. The manufacturing sector, which had its best month in production in five months, drove the index's upward trend toward the month's end.

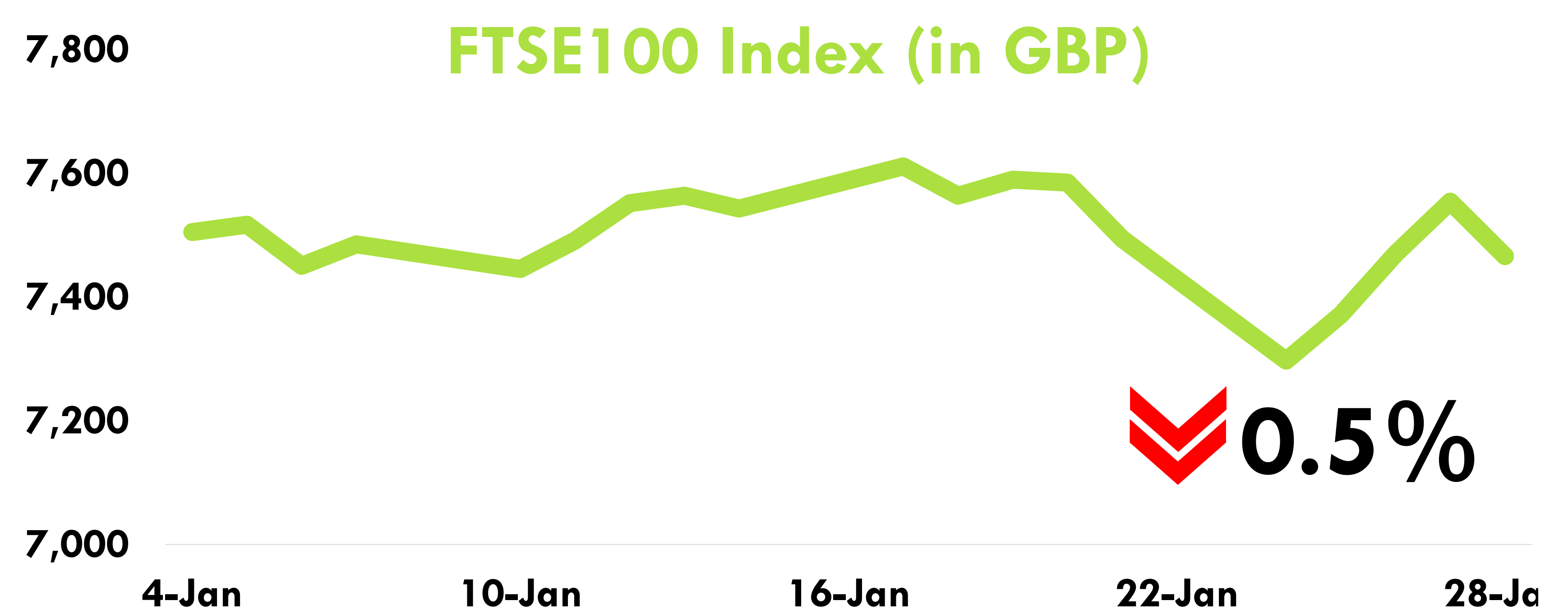


Hong Kong's Hang Seng Index rose after the PBOC unexpectedly announced a rate cut for the first time in two years on its medium-term loans in an effort to reduce borrowing costs and support housing demand. However, investor sentiment remained unstable due to concerns about Fed tightening and China's economic outlook.

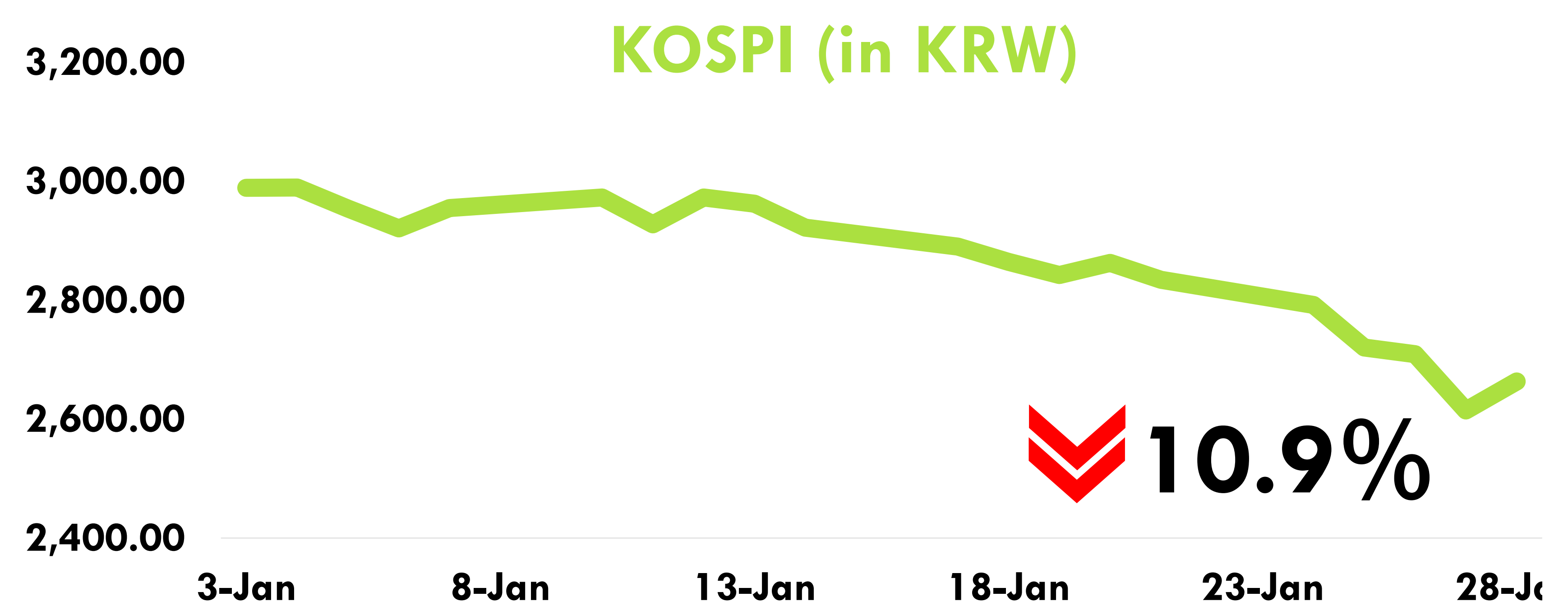
Source: Investing



Japan's Nikkei rallied during the first few days of the month as the yen fell to a three-year low against the US dollar. However, it lost all of its gains and fell to a six-month low as investors became concerned about expected rate hikes in the United States and rising Omicron cases in Tokyo.



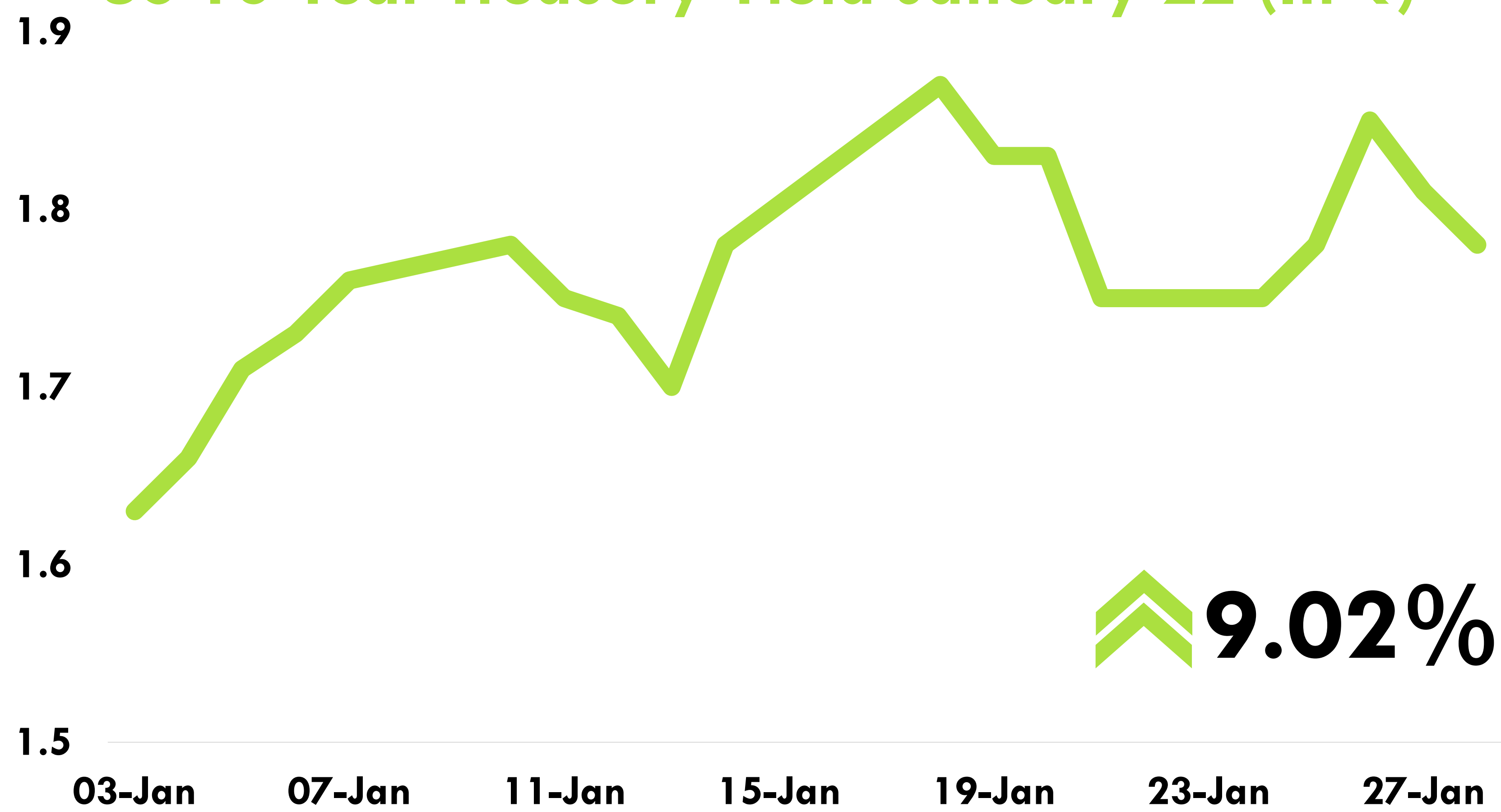
After posting its largest annual gain in five years last month, the index fell the most in almost two months due to weak economic data, an increase in COVID-19 cases, and concerns about looming interest rate hikes. However, as Brent crude oil prices soared past \$90, the index found some respite. On the positive note, Airtel Africa will be added to the index on January 31, 2022.



South Korea's Kospi was Asia's worst-performing index, as the country's largest-ever initial public offering drained liquidity from the secondary market and daily Covid-19 cases reached a new high. The index also suffered as a result of its heavy reliance on technology, which bore the brunt of the selloff as bond yields rose. Concerns about the Federal Reserve tightening its monetary policies also put pressure on the index.

# FIXED INCOME

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



Source: US Department of the Treasury

As selling waves clouded the market, the benchmark 10-year Treasury yield increased by 13.7 bp during the month. The Fed's aggressive posture, as well as uncertainty about the number and timing of rate hikes, fostered a cautious market environment. The fire was fueled by an uninspiring CPI data and omicron-influenced unemployment claims, which rose by 55,000 to 286,000 - the highest level since mid-July. Risk-averse investors dominated the markets due to tensions between Ukraine and Russia, as well as the collapse of European markets and the unpredictability of oil prices

## Liquidity Surplus

Jan started with the surplus widening by ₹0.98 lakh crores due to salaries, pension, wages, quarter-end inflows, liquidity injection through OMOs, and foreign currency purchases. Week 2 saw a slight contraction of ₹1.01 lakh crores due to outflow towards business statutory dues and bank credit. The surplus dropped suddenly on 20<sup>th</sup> Jan and shot the inter-bank overnight call rates to a 21-month high due to the high GST outflows by businesses amid increased credit demand which resulted in liquidity pressure in the system. This prompted RBI to inject liquidity via Variable Repo Rate auctions totaling ₹1.25 lakh crores.



Date (Dec'21 – Jan'22)	Net Outstanding Liquidity Surplus (₹ Lakh Crores)
27 <sup>th</sup> - 31 <sup>th</sup>	₹6.69
3 <sup>rd</sup> - 7 <sup>th</sup>	₹7.60
10 <sup>th</sup> - 14 <sup>th</sup>	₹6.60
17 <sup>th</sup> - 21 <sup>th</sup>	₹5.90

Source: RBI

## SBI Taps Taiwanese Debt Markets with Formosa Bonds



SBI raised \$300mn through the maiden issue of "Regulation S" Formosa Bonds at 2.49% Coupon via its London branch. Formosas are foreign-currency bonds issued in Taiwan. They will be listed on Taipei Exchange, Singapore Exchange Securities Trading Ltd, and India International Exchange IFSC Ltd.

The issue received an overwhelming response from the global investors that prompted SBI to revise its price from T+130 bps to T+100 bps. Such response can be accredited to the strong investor base and trust that SBI has logged for itself in the offshore capital markets.

The bank tapped in cheaper money before the Fed's rate hikes begin and use the sales proceeds for diversification and offshore credit expansion activities.

## Inflation

CPI or retail inflation rose 68 bps And stood at a 6-month high of 5.59% YoY in December. This was caused by an unfavorable base



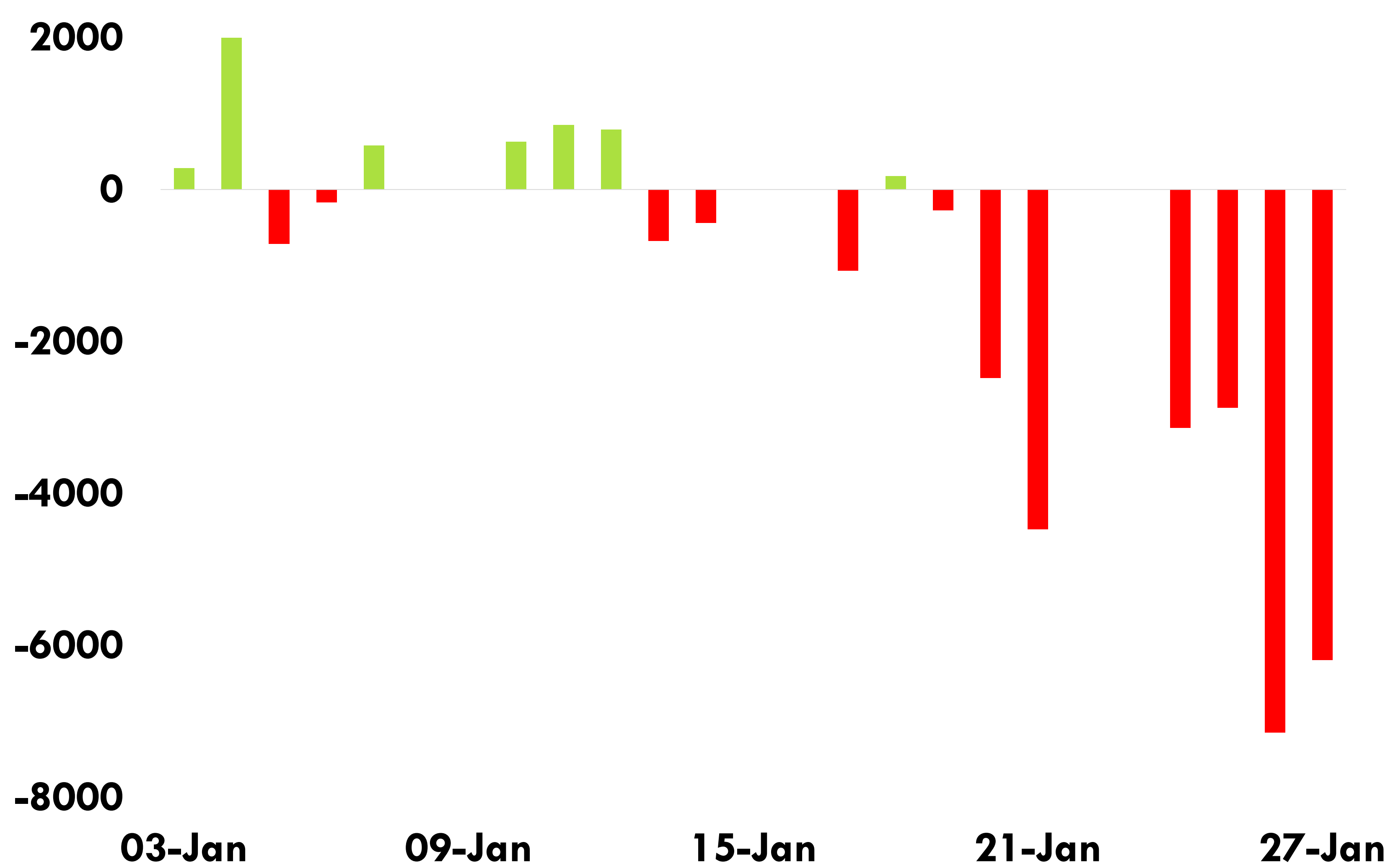
effect as the CPI index contracted by 1.2% MoM owing to a 5.4% decline in the vegetable index. Wholesale inflation (WPI) was finally down to 13.56% as the fuel and light inflation moderated to 10.95% YoY and the vegetable segment slipped - 2.99%. Manufactured products prices were lowest in eight months at 10.62%. Despite recent correction in the vegetable prices, the unfavorable base effect will map out the inflation trajectory which the RBI anticipates at 5.7%-6% for the Jan-March quarter.

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

Source: MOSPI

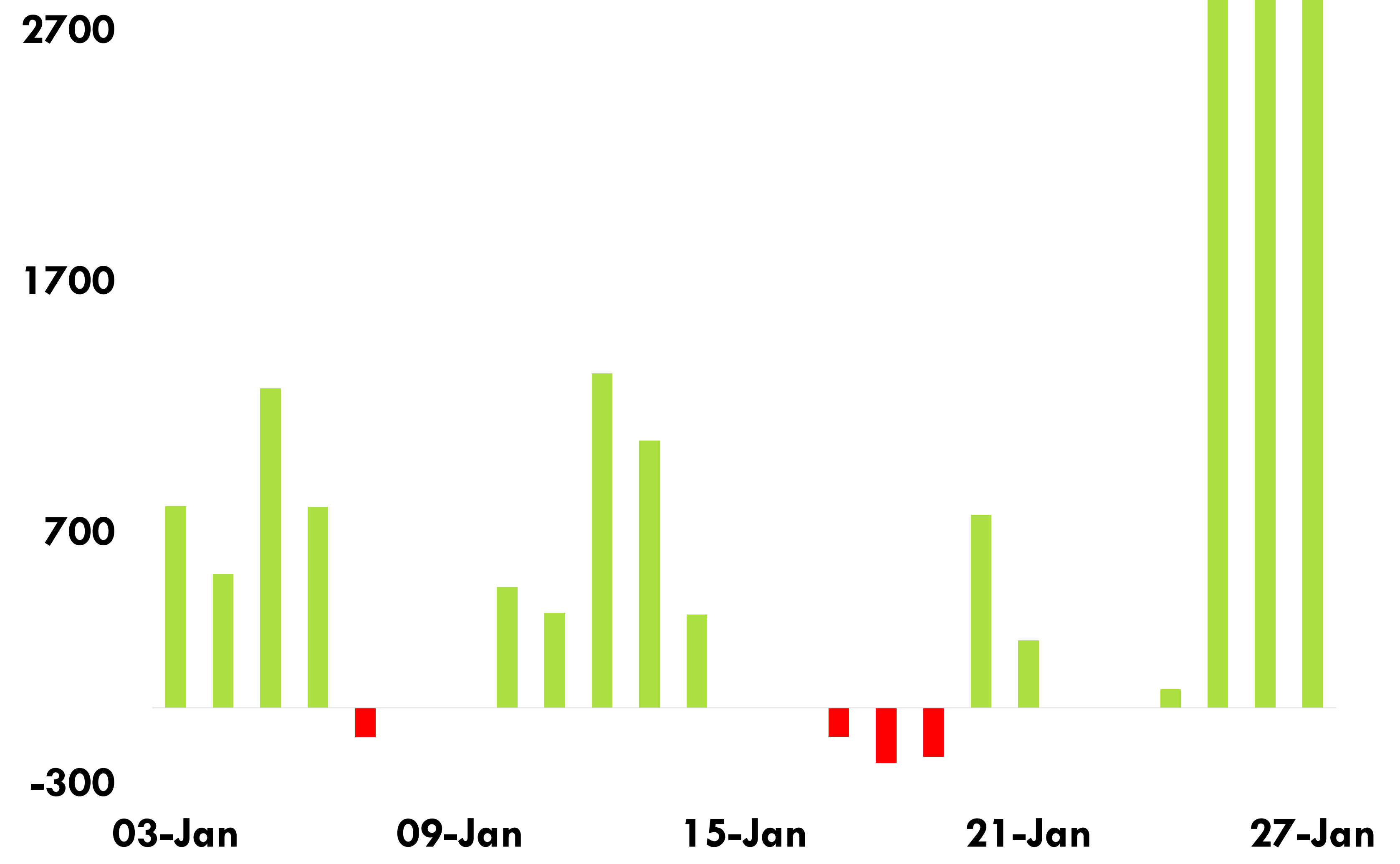
# EQUITIES

FPI Net Investment in January'22 (₹ Crores)



Source: NSDL

DII Net Investment in January'22 (₹ Crores)



Source: NSDL

During the first week of January, FPI's pumped ₹3202cr into Indian equities, becoming the market's net buyers. However, in the last three weeks of January, there was a net outflow of ₹9,000cr as the market factored in the Fed hike, because of high inflation in the US.

However, DII flows have been strong, especially the SIP numbers, whereas FPIs have been selling the stock. DIIs have contributed ₹7,200cr in net inflows. SIP inflows of approximately ₹11,000cr per month constitute a significant amount in the Indian market and the surge in retail interest in the equity markets by the country's young investors are responsible for driving liquidity among the DIIs. Therefore, the domestic investors are very much in sync with the economic growth.

## SEBI Grants Permission for an Exemption to FPIs

SEBI has now given special powers to ease compliance requirements for foreign funds. Capital market regulators will now have the authority to give overseas investors leeway in the event of inadvertent lapses when investing in the country. The law does not currently provide exemptions to FPIs. However, the new rules will allow SEBI, upon formal request made by the FPI, to excuse enforcement of breaches arising from factors beyond the FPI's control. According to SEBI, the step taken was necessary for the interest of investors and for the development of the securities markets. Therefore, this regulatory discretion is crucial to ease of doing business and investing in India.

Index	3 <sup>rd</sup> Jan'22 (In ₹)	31 <sup>st</sup> Jan'22 (In ₹)	Change (%)	Trend
NIFTY Auto	11,114.5	11,703.5	↑ 5.3	
NIFTY Bank	36,421.9	37,975.4	↑ 4.3	
NIFTY Consumer Durables	29,439.2	27,498.1	↓ -6.6	
NIFTY Financial Services	17,761.0	17,836.3	↑ 0.4	
NIFTY FMCG	37,606.3	36,467.2	↓ -3.0	
NIFTY IT	39,126.8	34,824.5	↓ -11.0	
NIFTY Media	2,251.2	2,235.3	↓ -0.7	
NIFTY Metal	5,628.1	5,437.4	↓ -3.4	
NIFTY Oil & Gas	7,432.6	7,754.6	↑ 4.3	
NIFTY Pharma	14,156.4	13,179.9	↓ -6.9	

Source: NSE

# SECTOR UPDATES

## Pharma Sector

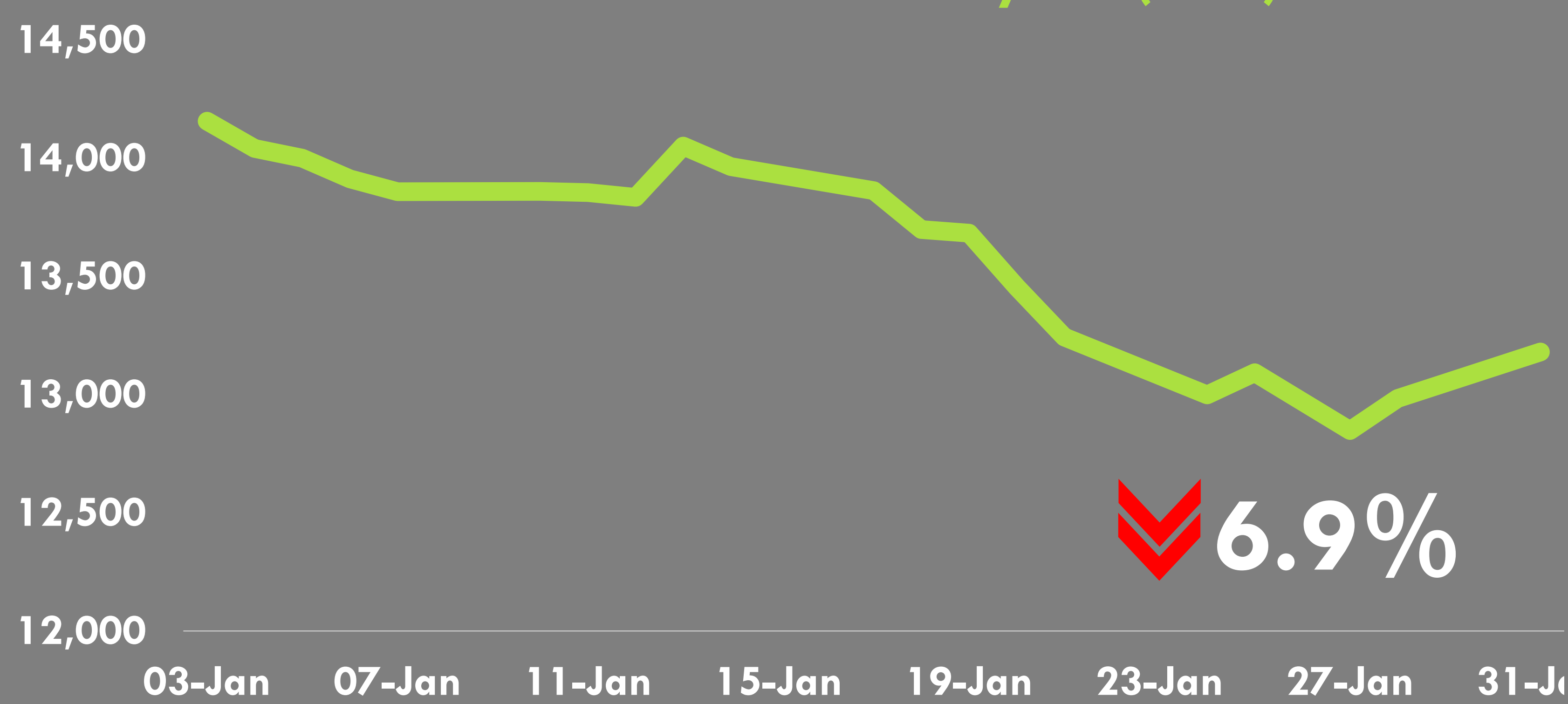
Amid the rising Omicron threat, Nifty Pharma witnessed profit



booking which created a dip and encouraged investors to buy. It remained under pressure due to rising concerns in the US Pharma sector related to an unpredictable IP environment, high tariffs and taxes on medicine, inadequate regulatory data protection, and discriminatory and non-transparent market access policies.

Torrent Pharmaceuticals was the top loser after dropping by 18.51% in January. Long delays in reinspection of US facilities because of the pandemic, along with high price pressures, resulted in lower profit figures in Q3. Biocon shares being the top gainer, moved up by 0.67%.

NIFTY Pharma January'22 (In ₹)



Source: NSE

## FMCG Sector

In Q3FY22D, urban demand was resurgent due to increased mobility.



However, the current third wave is

expected to stall momentum, resulting in the FMCG market giving a negative return. With an increase in price owing to inflationary pressure, demand in the rural sector is anticipated to take a hit.

Overall, sales for FMCG products fell by volume, with rural areas leading the way. Domestic and international businesses, on the other hand, rebounded more quickly from the lockdown. For the upcoming months, key performance indicators will include the success of product launches, distribution reach, price increases, and improvement in international business for the companies.

United Brewarier topped the charts with a rise of 2.09%, whereas Godrej Consumers booked a loss of 8.27%.

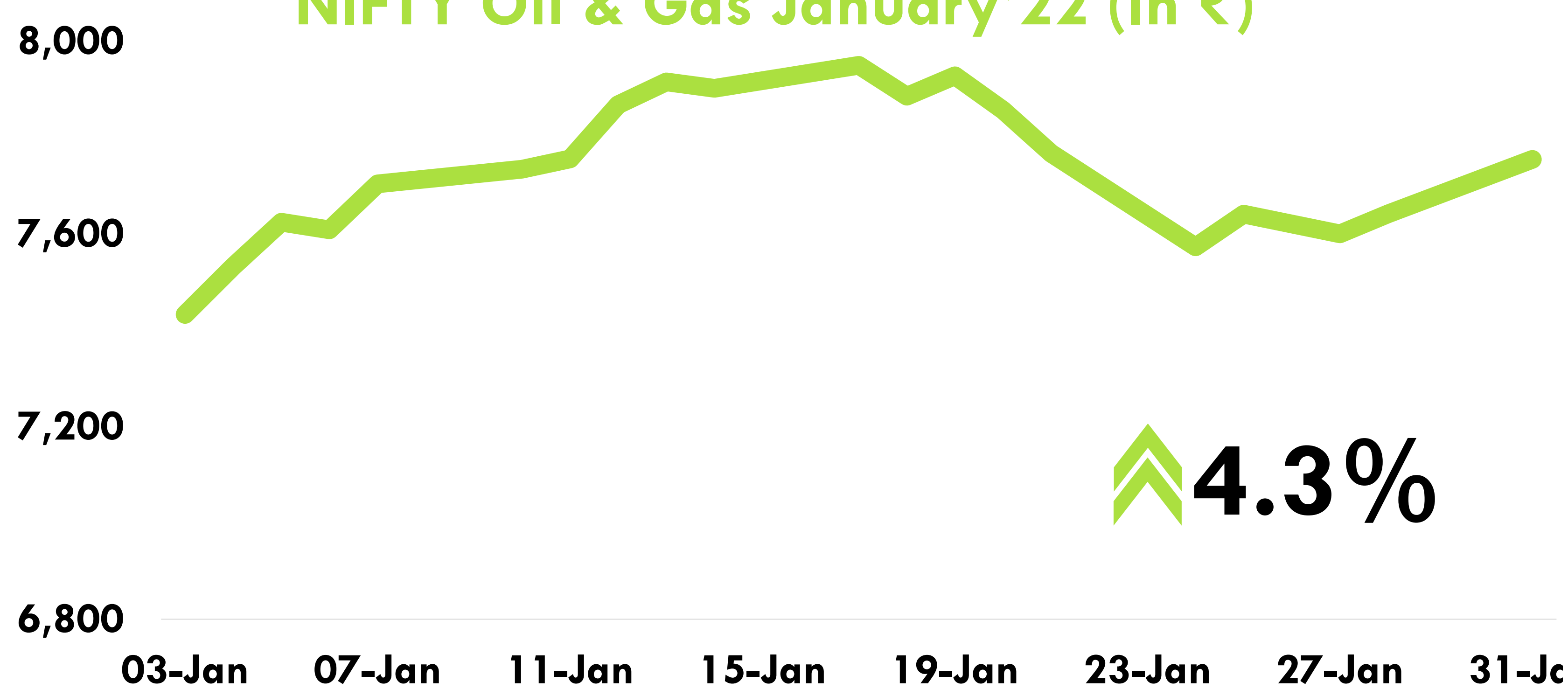
## Oil and Gas Sector

With the announcement of relaxation



to restrictions imposed due to the third wave of the pandemic last month, Nifty Oil and Gas had a positive bounce back with an increase in economic activities. The surge in demand is expected to continue through the current quarter. The stand-off between Russia and Ukraine created concerns regarding the supply leading to a rise in crude oil prices globally. However, the spike is expected to have a negative impact on the OMCs since it would raise the marketing margins and capital requirements. The primary aggregators of the index were OIL, ONGC, and IOC.

NIFTY Oil & Gas January'22 (In ₹)



Source: NSE

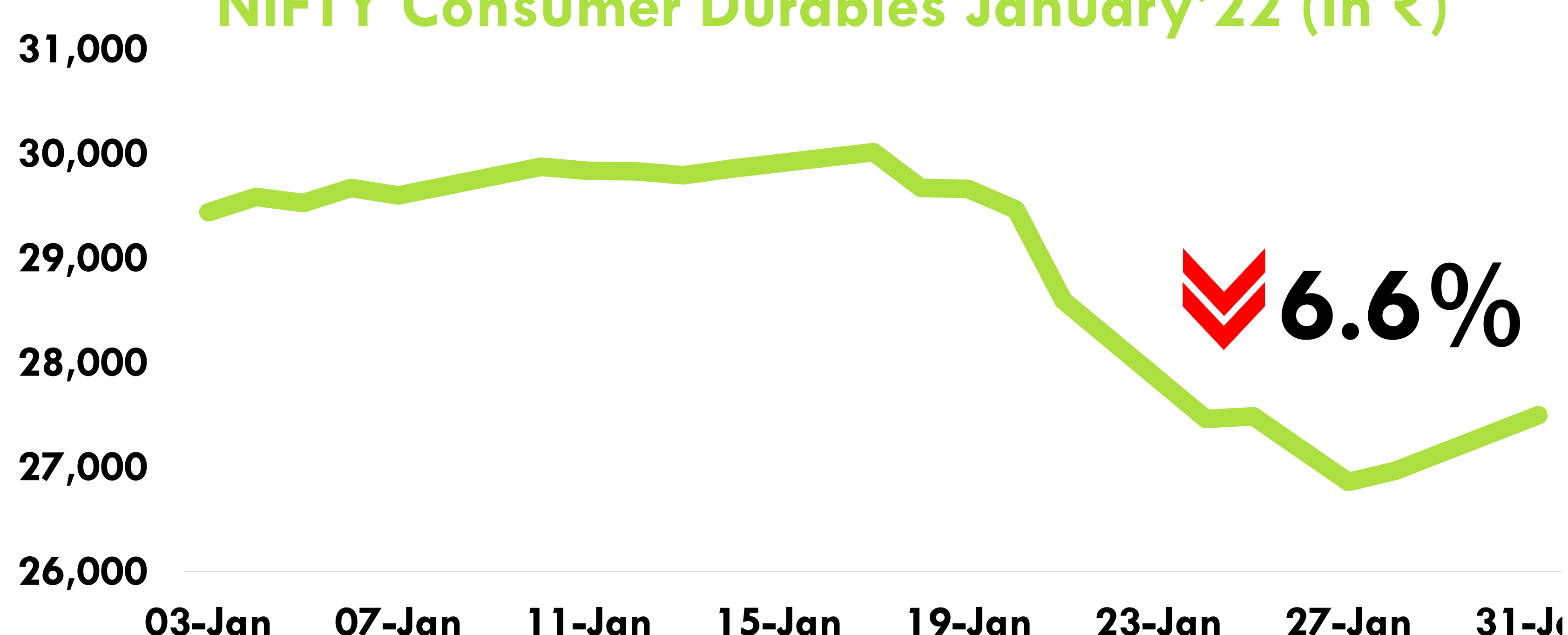
## Consumer Durables Sector

The consumer durable market grew during the Republic Day sale, as companies provided huge discounts to



liquidate inventory that had increased in recent weeks owing to mounting COVID-19 cases and regional restrictions. However, the index took a downturn in the middle of the month with announcements of corporate earnings, a pessimistic market tone, and F&O expiry. Manufacturers are expected to pass on a 5% to 10% price hike to customers in the coming months as inflationary pressure resulted in a surge in raw material and transportation costs. In addition, given the businesses' inability to raise prices without upsetting demand in the future quarters, cost optimization will play a crucial factor to strengthen profitability.

NIFTY Consumer Durables January'22 (In ₹)

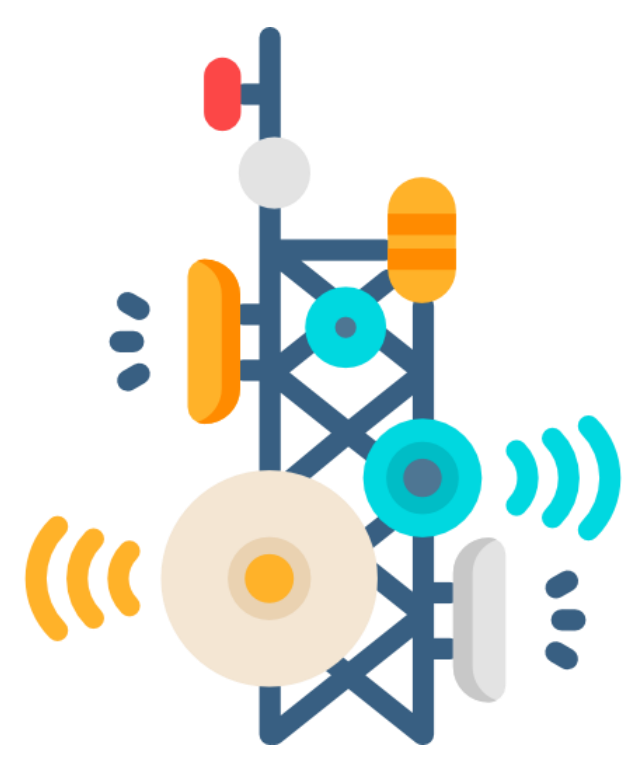


Source: NSE

# SECTOR UPDATES

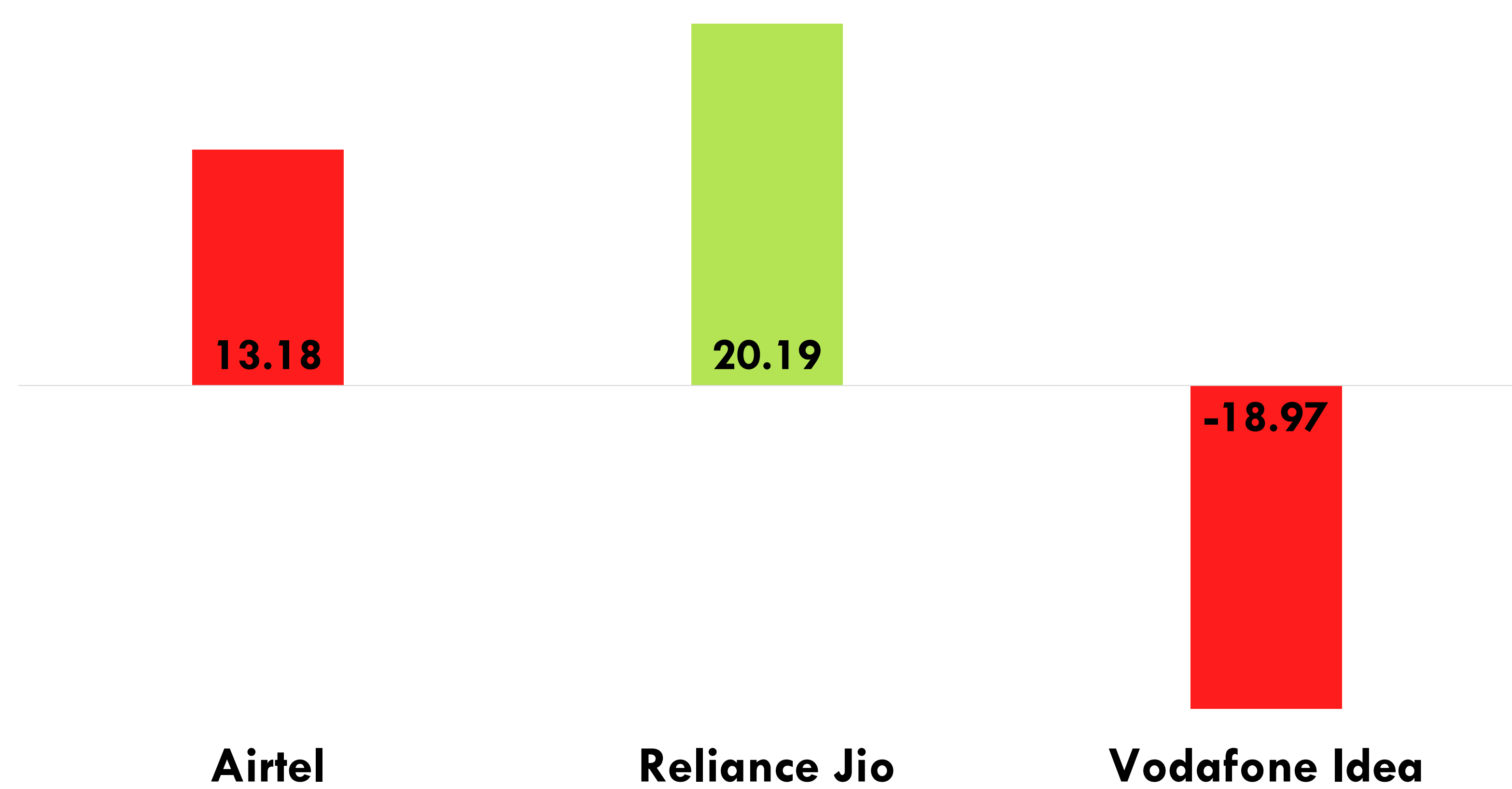
## Telecom Sector

The telecom sector saw 3 main events this month- an increase in revenue led by tariff hikes and rising 4G data adoption, the release of a mega sector relief package averting a major crisis at Vodafone Idea, and the discussion around the allocation of 5G spectrum. Recently DoT discarded its plan to push the adoption of the local 5G standard- 5Gi- after strong opposition from the telcos due to compatibility issues with 3GPP's global 5-G standard.



On the companies front, Bharti Airtel saw a 2.06% surge after news of Google's \$1bn investment in the company came forward. Google entered into a long-term multi-year agreement with Bharti airtel to accelerate the growth of India's digital ecosystem.

Addition During November'21 (Lakhs)



Source: TRAI

## Auto Sector

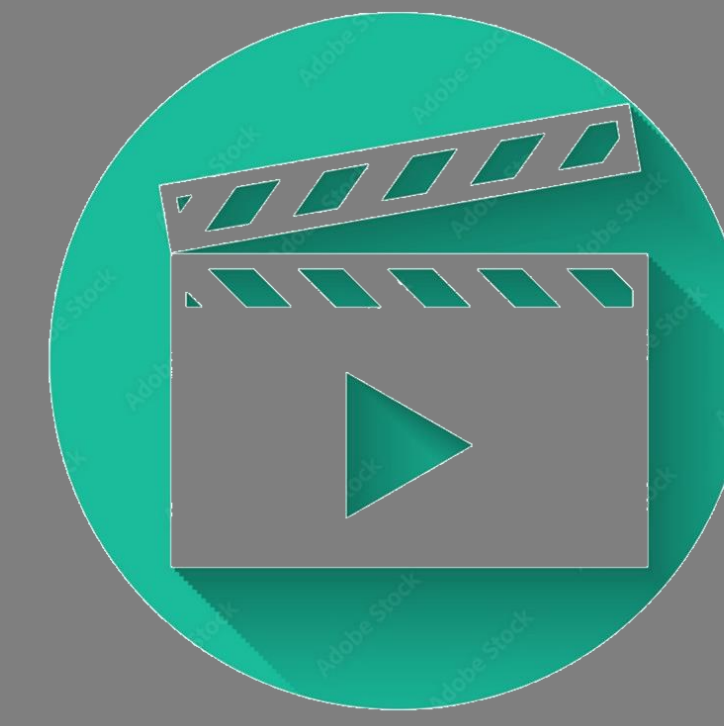
The Nifty Auto index displayed a strong resilience this month. It expected a rebound after 2 consecutive years of falls but a sudden spike in third wave derailed the recovery. The global shortage of semiconductors hampered the manufacturing process and surged input costs. This resulted in a price hike across all models and a muted demand, especially in the two-wheeler section.



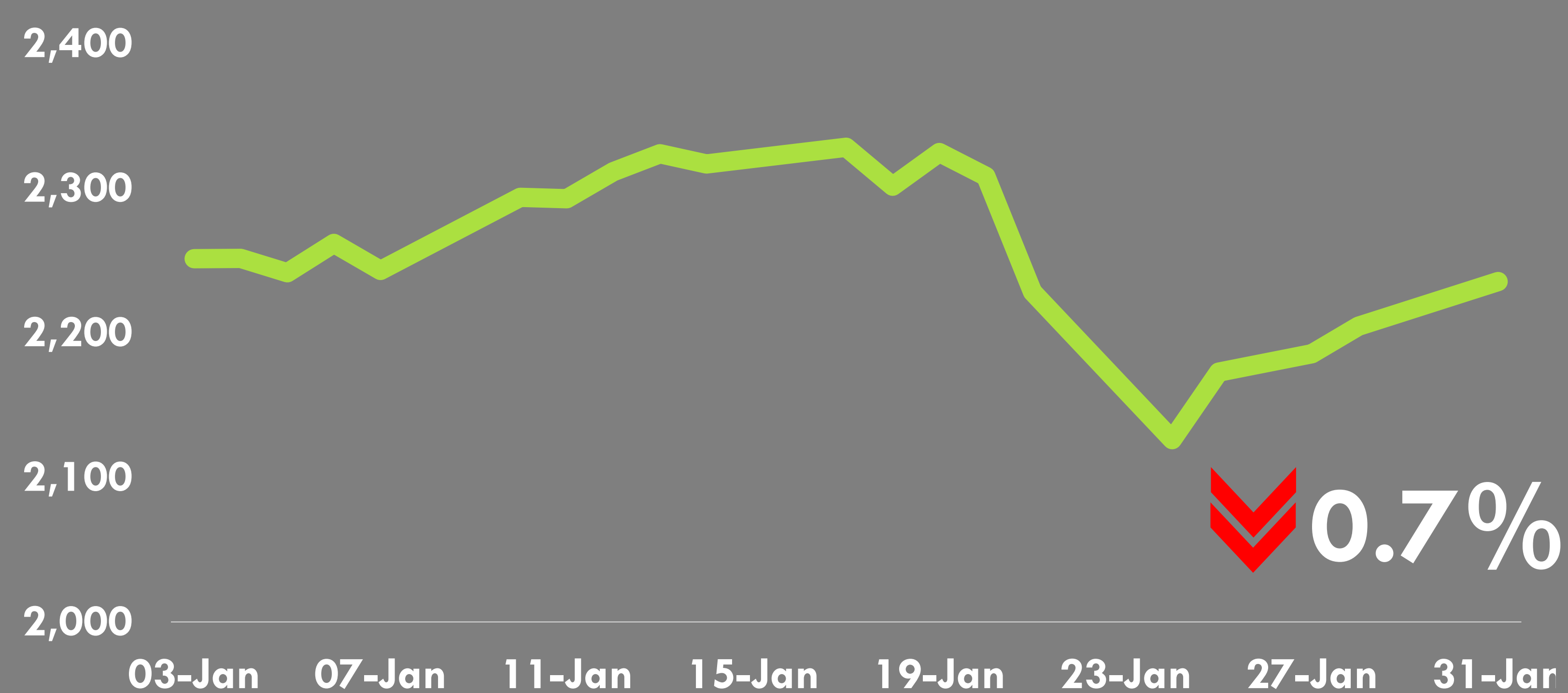
However, investors are optimistic about the sector because of the push in the EV segment. Buying sentiments formed owing to the introduction of NFOs for Auto ETF by Nippon India AMC & ICICI Prudential which will soon deploy funds. The index is expected to attract a large number of passive funds causing the rally.

## Media Sector

Nifty Media started slightly bullish due to broad-based buying. Thereafter, it saw bearish pressure on account of weakening global markets. However it traded higher on 27<sup>th</sup> lifted by TV18 Broadcast and Network18's good performance showing positive market sentiments. The gap between theatre and digital release of films have narrowed, making it hard for box-office collections to reach pre-pandemic levels even after restrictions eased owing to the shift in consumer preferences driven by lurking fear of infection.



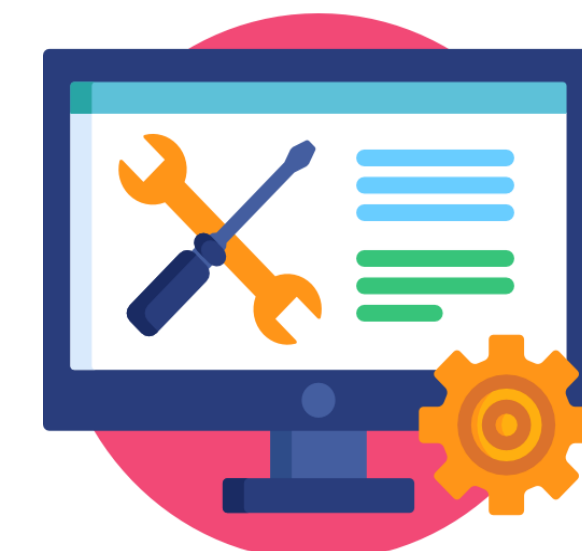
NIFTY Media January'22 (In ₹)



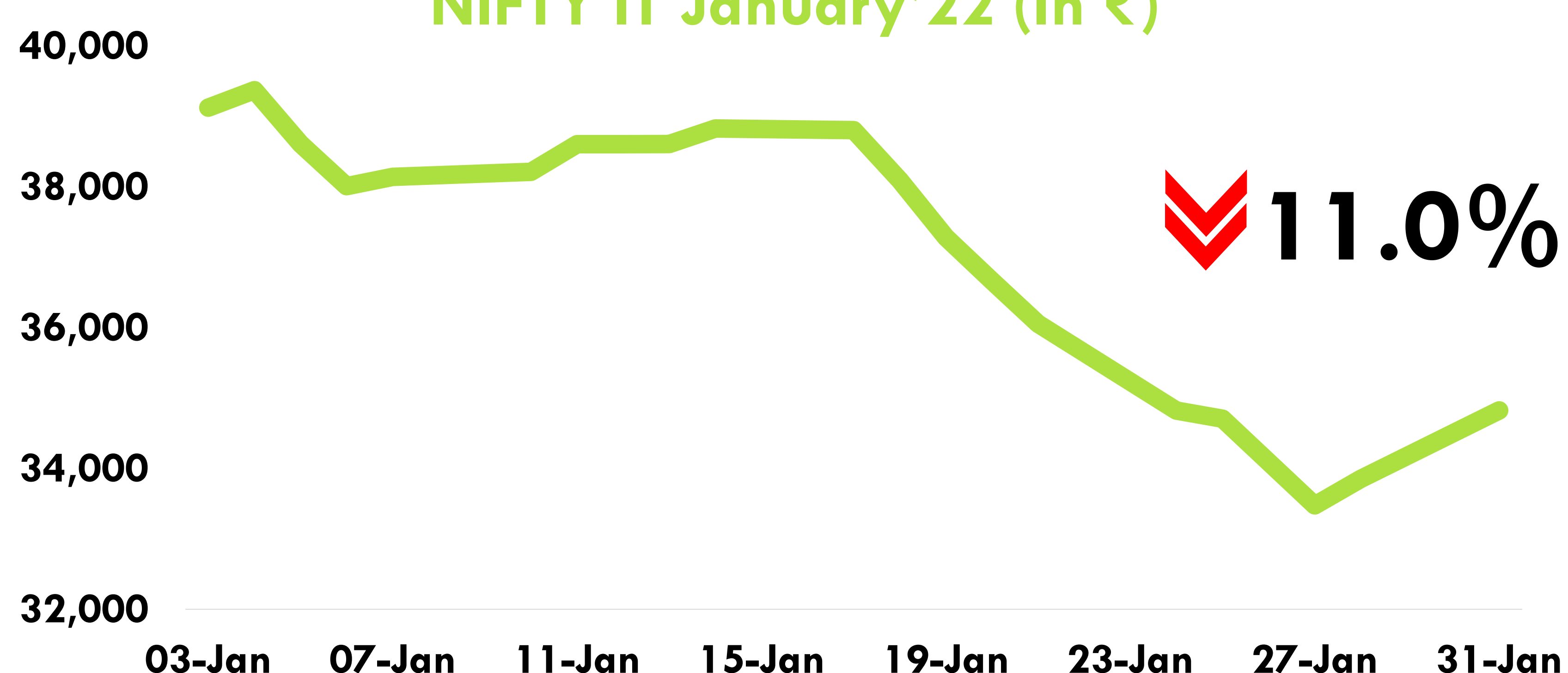
Source: NSE

## IT Sector

The Nifty IT sector witnessed some buying interest initially on the back of strong December performance expectations. However, it simmered down soon because of the weak performance of tech stocks in the global markets. The industry, later on, reversed its previous losses as Apple logged in strong earnings leading to broad-based buying among industry heavyweights. Tata Consultancy Services, Infosys, HCL Technologies, and Wipro are gearing up to foray into the \$8trn worth Metaverse market. They will now expand their offerings in AI, data analytics, and VR to unlock the huge potential of India's IT companies.



NIFTY IT January'22 (In ₹)

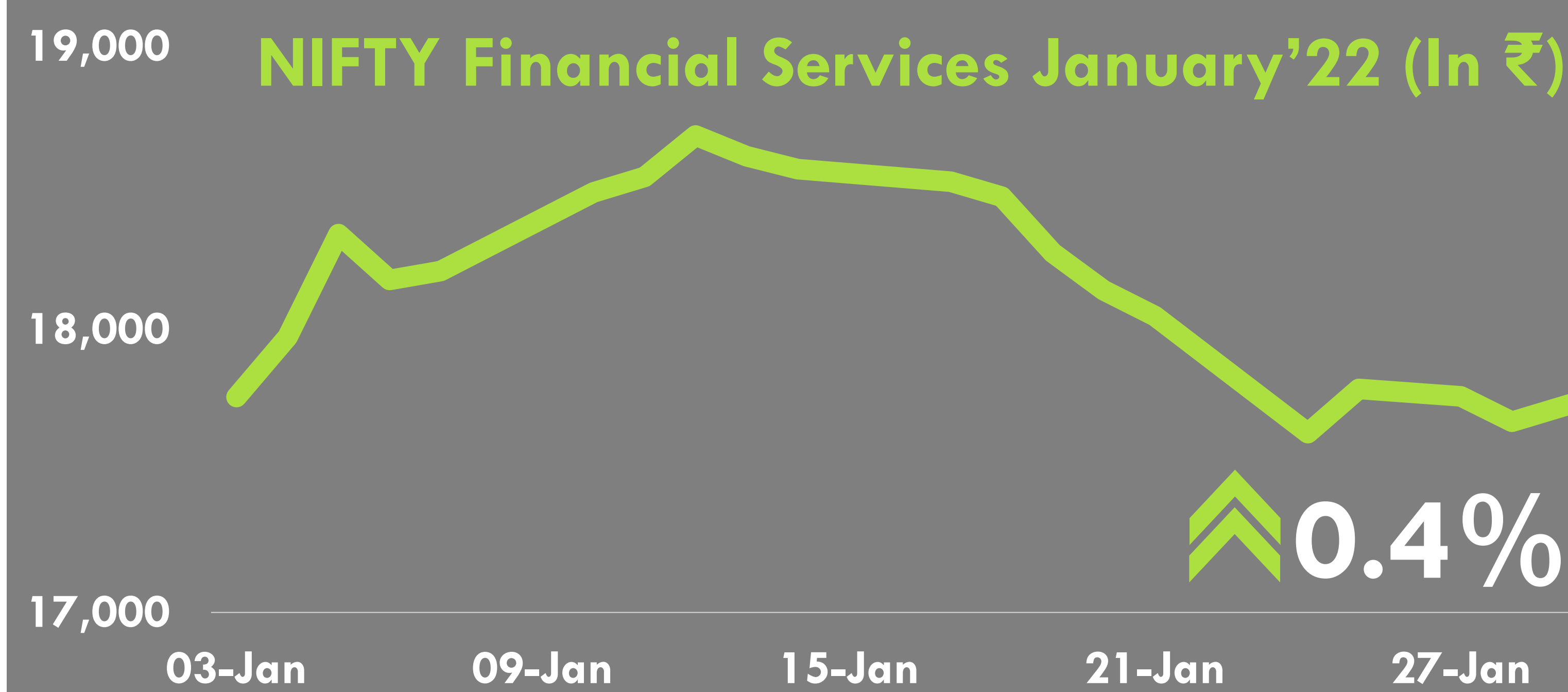


Source: NSE

# SECTOR UPDATES

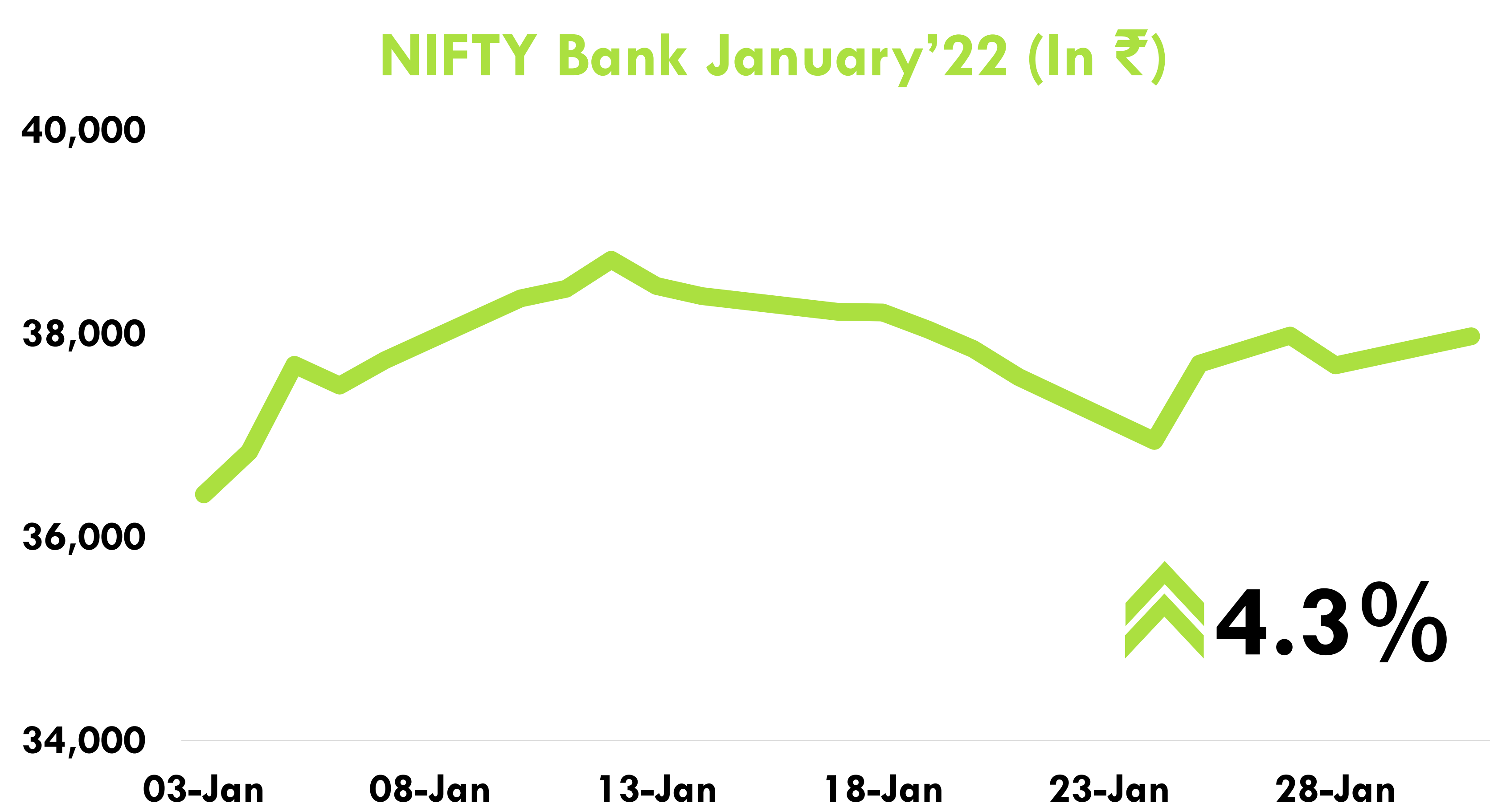
## Financial Services Sector

Nifty Financial Services sector saw a rapid expansion as the news of Indian exports crossing the \$300bn mark came forward. FIIs finally turned net buyers after a long time of selling, thus pumping optimism. Value buying was present. SBI Life Insurance Co. Ltd was up for many consecutive sessions aiding the rally. Despite the looming Omicron scare, the financial services sector managed to perform well owing to increasing credit and insurance demand. However, the index plunged in the last week due to the fragile global markets, geopolitical tension, and Union budget expectations. The FPIs continued to book profits in Indian equities.



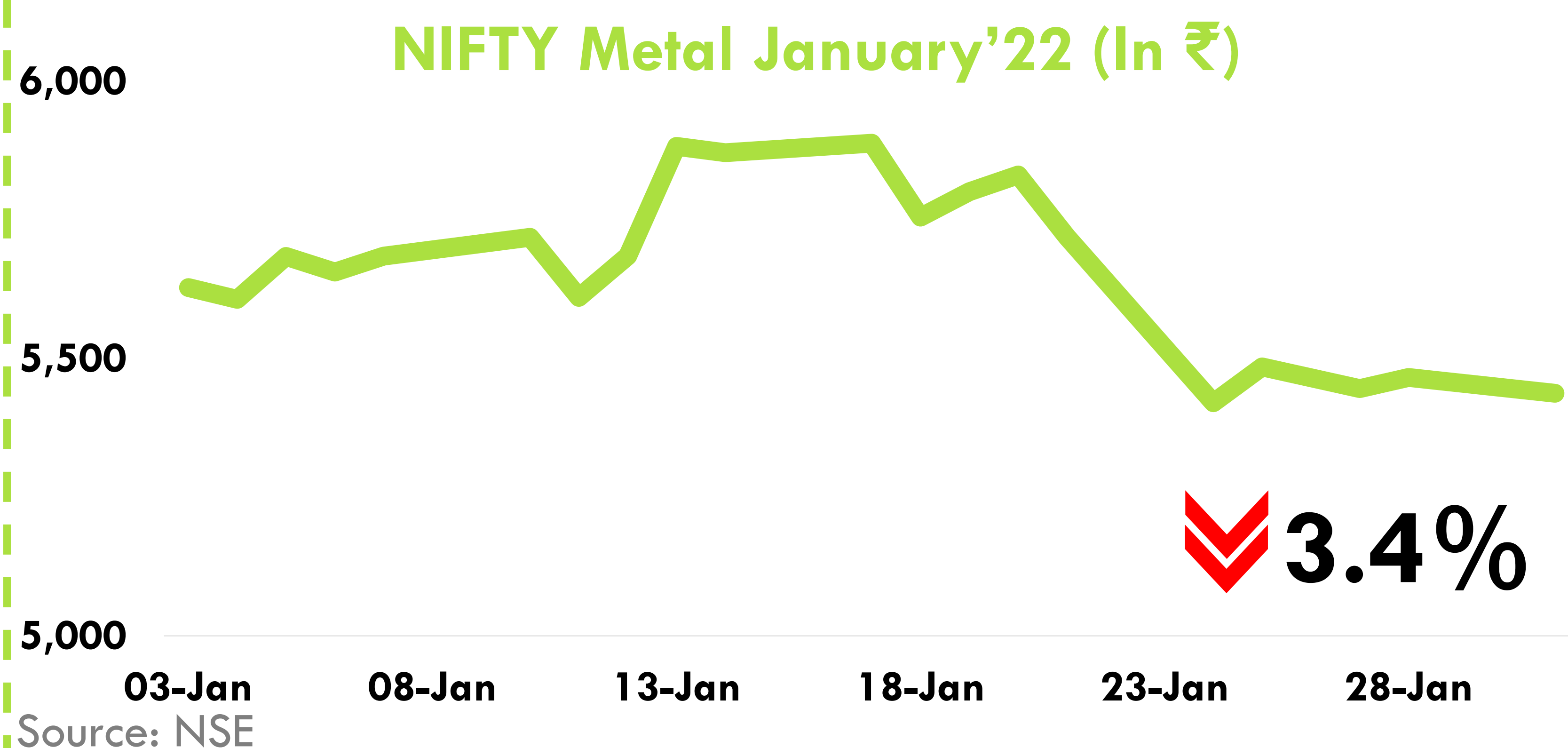
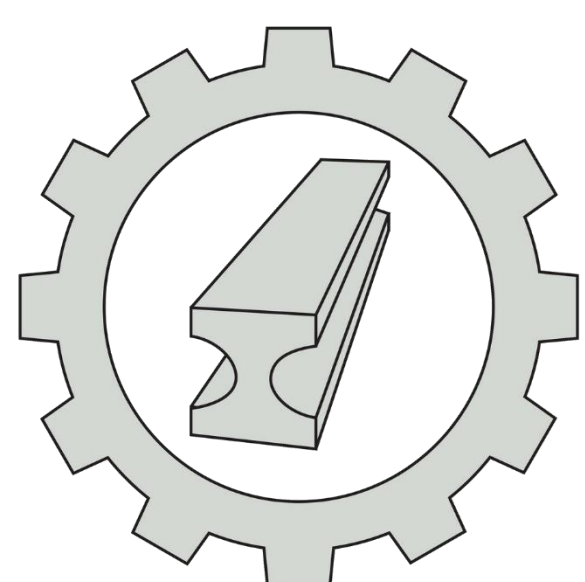
## Banking Sector

In the first 2 weeks, strong recovery in credit demand alongside higher interest rate margin, improved asset quality, and broad-based buying contributed to the rally in Nifty Bank. Heavyweights like ICICI bank, SBI, Axis Bank, Kotak Mahindra, and HDFC kept the index afloat with their strong quarterly performance. However, the banking index plunged sharply from the third week of the month as a broad-based selloff was recorded across the market owing to the Fed's hawkish stance and recent oil rally.



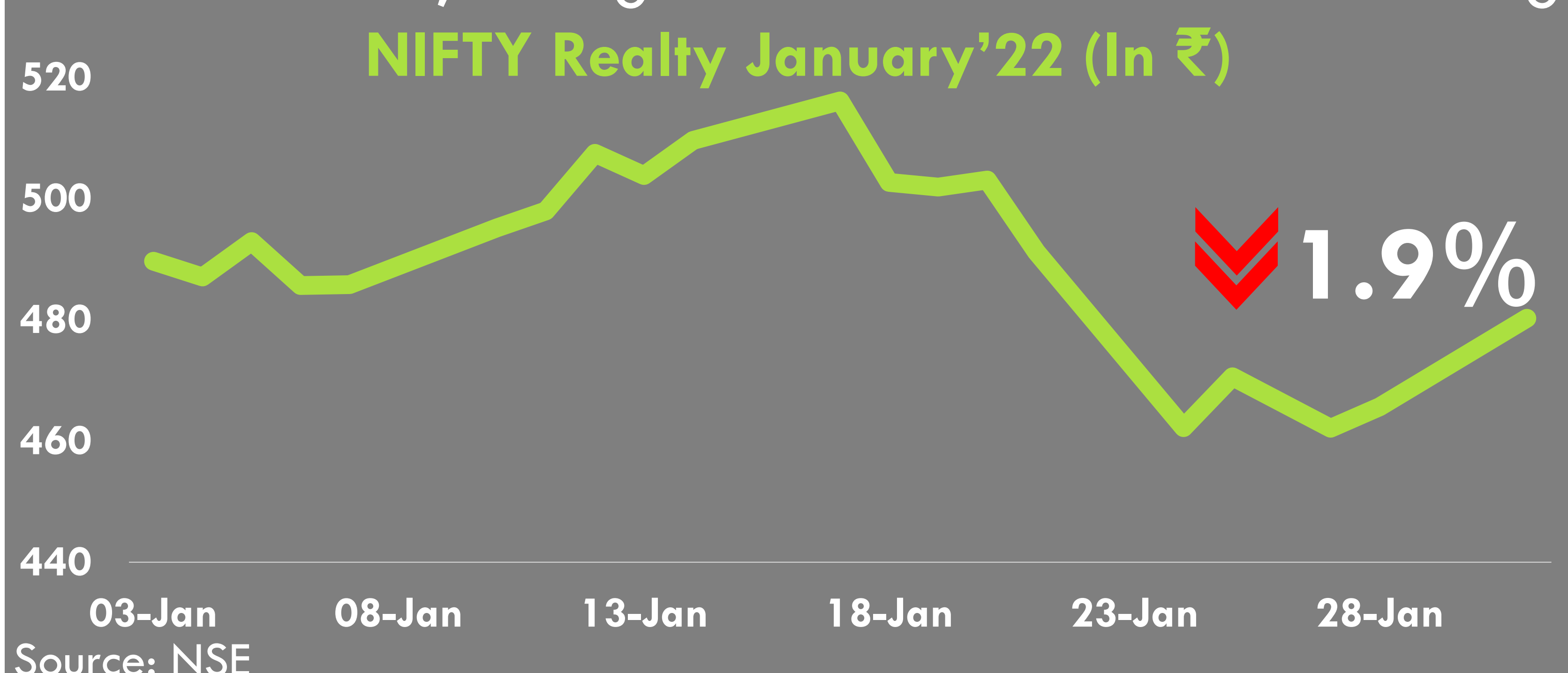
## Metal Sector

The metal index opened bullish, driven by broad-based buying in major stocks. However, the threat of omicron spread, China's production cut, reduction in the leverage, and increasing profitability weighed on the metal stocks. In Week 2, Copper, Aluminum, and Steel among others saw major price corrections amid global demand-supply dynamics. It had put most metal companies in favorable risk-reward propositions, driven by a large structural uptrend. Weakening Dollar and China's step to cut reserve requirement ratio kept the index up. However, there was a sharp sell-off on 24<sup>th</sup> Jan amid broad-based weakening.



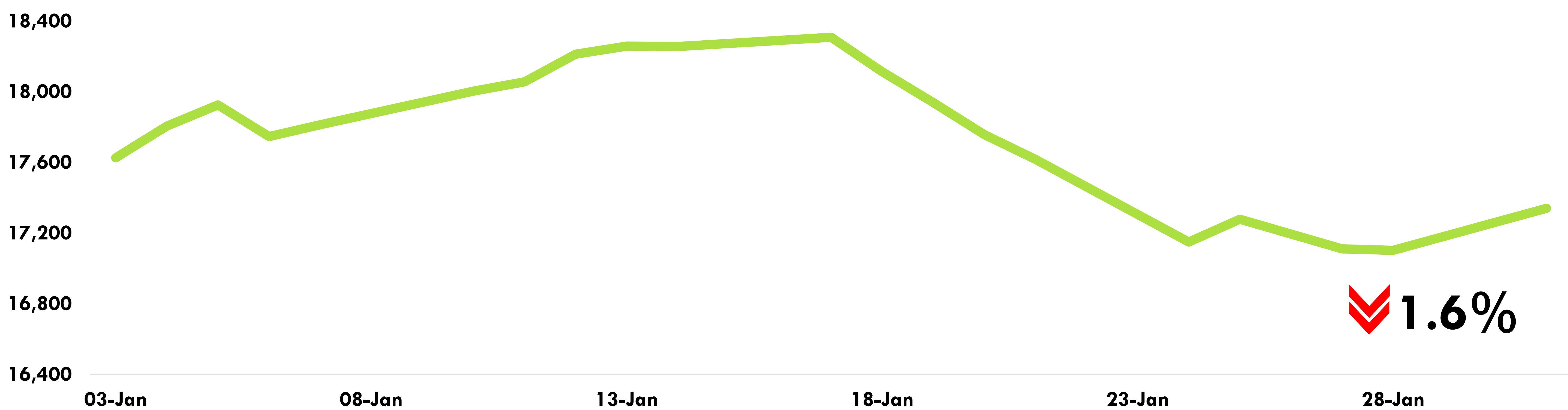
## Realty Sector

Nifty Realty continued its strong momentum from the previous month on the back of growing residential asset class on account of continued WFH trends and stable residential prices. An increase in office segment and warehouse demand owing to increased hiring by the IT sector and strong growth in the e-commerce segment added fuel to the fire. Industry leaders such as Prestige Realty, Sunteck Realty, Macrotech Ltd (Lodha), etc. announced a tremendous quarterly performance further pulling up the index. However, the Index declined sharply during the 3<sup>rd</sup> week of Jan due to uncertainty regarding rate hikes, rising Omicron cases, and global broad-based weakening.



# NIFTY 50

NIFTY50 January'22 (In ₹)



Source: NSE India

Nifty 50 had a volatile session this month in line with global risk-off market sentiments. The initial bull ride was followed by a bloodbath in the following weeks ahead of the Union budget and F&O expiry as the markets truncated on Fed's policy meeting.

## RIL Gearing Up to Take on Myntra/Nykaa

The Mumbai-based conglomerate is expected to unveil its omnichannel beauty platform which will compete against fashion and beauty platforms like Nykaa, Myntra among others. The new brand is likely to be called "Tiara". It will be integrated with Reliance's fashion website Ajo and is expected to be a part of their super app MyJio.

It will be jointly built by RIL's 2 recent buyouts-retail tech startup Fynd and e-pharmacy marketplace Netmeds. Fynd is developing frontend and customer interface whereas Netmeds is responsible for backend- warehousing and data management. It has already signed pacts with various top beauty and cosmetics brands.



**Reliance**

## Global CPG Giant Unilever to Undergo Restructuring Process

Unilever has unveiled its plans to lay off about 1500 managers globally to ramp up its business structure. The FMCG giant employs around 149,000 people globally and had 3 units - Food and Refreshments, Beauty and Personal care, and Homecare. Now, it is planning to remodel its business around 5 distinct groups - Beauty & Wellbeing, Personal Care, Home Care, Nutrition, and Ice cream. It will enable them to be more responsive to the latest consumer and channel trends and improve their accountability for delivery.

Interestingly, the move came in after the news of Unilever's unsuccessful bid to buy GlaxoSmithKline's consumer unit, and Trian Fund Management LP buying stake in the company came forward.



Unilever

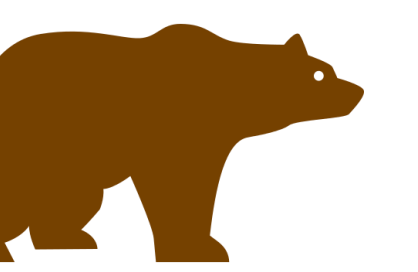
## Top Gainers in NIFTY50 for January'22



Company Name	Change (%)
ONGC	21.2
SBI	16.9
Maruti Suzuki	15.7
NTPC	14.2
Axis Bank	13.9
IOC	12.3
Hero Motocorp	10.6
Bajaj Auto	9.7
Coal India	9.5
Tata Motors	7.3

Source: NSE India

## Top Losers in NIFTY50 for January'22



Company Name	Change (%)
Wipro	-19.9
Tech Mahindra	-17.4
HCL Tech	-16.6
Divis Lab	-13.7
Dr Reddys Labs	-12.3
Shree Cements	-10.0
Infosys	-8.0
Asian Paints	-6.8
Titan Company	-6.4
Nestle	-6.0

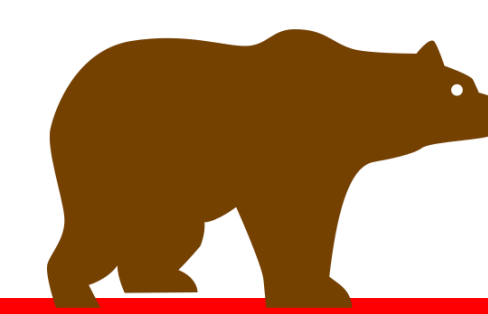
## IPO Performance for the Past 6 Months

### Top Gainers



Company Name	Listing Price	CMP	Current Gains (%)
Paras Defence	475	673	285
Latent View	530	502	154
Sigachi Ind	575	343	110
Devyani Int	141	170	89
Supriya Lifesci	425	482	76
AMI Organics	902	1002	64
FSN E-Co Nykaa	2001	1654	47
HP Adhesives	319	395	44
Rolex Rings	1249	1231	36
C. E. Info Syst	1581	1336	29
Data Patterns	864	755	29
CMS Info System	243	269	24
Metro Brands	436	615	23
Tega Industries	753	520	14

### Top Losers



Company Name	Listing Price	CMP	Current Gains (%)
CarTrade Tech	1600	663	-58
One 97 Paytm	1955	911	-57
Windlas Biotech	439	259	-43
Fino Payments	548	407	-29
ABSL AMC	697	513	-27
Krsnaa Diagnost	1025	688	-27
SJS Enterprises	514	400	-26
Nuvoco Vistas	471	449	-21
Glenmark Life	752	572	-20
PB Fintech	1444	810	-17
Shriram Prop	94	104	-11
Star Health	903	805	-10
Rategain Travel	364	380	-10
Chemplast Samna	570	519	-3

### Adani Wilmar Ltd

Adani Wilmar Limited is an FMCG company incorporated in 1999 as a joint venture between Adani Group and the Wilmar Group. Fortune, the largest edible oil selling brand in India, is the company's flagship brand with almost 20% of the market share. Recently, the company expanded in the packaged food business, becoming the fastest growing brand in its category. Adani Wilmar is issuing equity shares worth ₹3600 cr with a lot size of 65 shares and a price band of ₹218-230. The proceeds from the offering will be used for capital expenditures, debt repayments/prepayments, finance for strategic acquisitions, and investments, according to the company. The company has a great financial track record, with revenue and net profit growing at a CAGR of 19% and 39% over the last two years, respectively. Moreover, the company's product portfolio is differentiated and diversified and includes leading market brands.



### AGS Transact Technologies

AGS Transact Technologies, India's leading omnichannel payment solution and India's second-largest company in terms of revenue from ATM & Customer Relationship Management (CRM) outsourcing, went public this month. The company offers customized products and services, including ATM and customer relationship management outsourcing, cash management, and digital payment solutions. It is the largest deployer of POS terminals at petroleum outlets across the country. The company has also expanded internationally in other Asian countries including Sri Lanka, Cambodia, Singapore, Indonesia, and the Philippines. The company plans to raise ₹680cr, where ₹207cr have been raised already through an anchor investment. The price band is fixed at ₹166-175 with a lot size of 85 shares. The IPO was subscribed 7.79 times. The company is looking forward to use the proceedings to repay a long-term debt of ₹1100cr which will be reduced to ₹550cr post the IPO.



# RISK

## Fascinated by Crypto, Indians are being Duped in Fake Cryptocurrencies.

India's cryptocurrency craze doesn't seem to faze out despite the various risks involved. The latest being fake crypto platforms, which the Indians visited 9.6mn times in 2021 alone, as stated by blockchain tracking firm Chainalysis Pte Ltd. Scam websites like Coinpayu, abdtc, hackertyper, dualmine and coingain were visited 4.6 mn times. These phishing websites steal sensitive user information alongside luring them to invest in Ponzi schemes. Their modus operandi includes messaging apps like Whatsapp or Telegram and in some cases, cryptocurrency exchange employees share the database of the platform owners with cybercriminals. Chainalysis' Global Crypto Crimes report showed a 79% surge in illicit cryptocurrency holdings globally. Internet and Mobile Association of India formed Blockchain and Crypto Assets Council in 2021 to tackle these issues.



## Erosion of Social Cohesion

The World Economic Forum's (WEF) Global Risk Report 2022 identified "Social Cohesion Erosion" as the most worsened risk globally since the onset of covid 19. Social cohesion or the bond that brings us together as a society has been wearing off. It is considered a critical threat in near as well as far terms. The root causes include income disparities, socio-politic polarization, and corruption which has been exacerbated by the pandemic's lopsided recovery. Current instances of erosion include the attack on the US Capitol led by Trump Supporters, racial crimes, and the Taliban's takeover in Afghanistan among others. Research estimates 51mn more people will be living in extreme poverty by 2030 compared to pre-pandemic levels. These have serious implications ranging from the collapse of the societal, organizational, political, and economic machinery to humanitarian crisis and mental health deterioration. However, as per WEF the risk-mitigation efforts of poverty alleviation, human health crises, and basic resources security have been working out and are almost 50% effective.

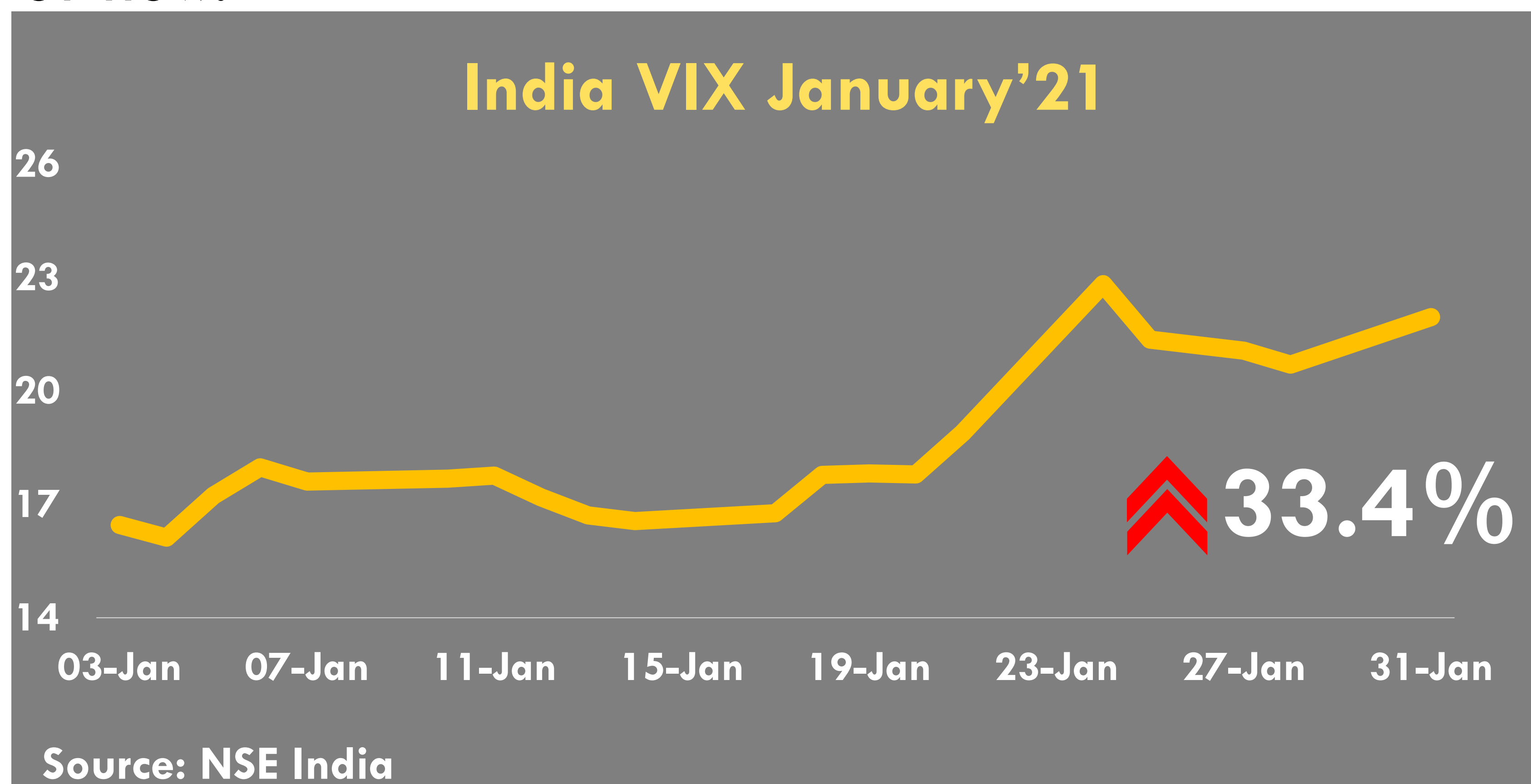


## The IMF Silently Hints El Salvador to Drop Bitcoin as its Legal Tender.

El Salvador and the IMF were in a deadlock as a conflict of interests arose when the former requested a \$1.3bn assistance. The IMF's silence implied that, in order to get loan assistance, El Salvador would have to revoke Bitcoin's status as legal tender in order to limit its extent and carefully monitor its e-wallet platform, Chivo Digital Wallet. However, this will hinder the country's ambitious plan to issue \$1bn in Bitcoin-backed bonds for a geothermal-powered Bitcoin city.



El Salvador approved Bitcoin as legal cash alongside the US dollar in September 2021 to save transaction costs on international money transfers. Using an uncontrolled money that is not under the supervision of the government as legal tender draws illegal and fraudulent activity. The value of the country's 1801 Bitcoins has dropped by 29% as of now.



During the first half of the month, the Indian VIX showed steady movements as the markets enjoyed a bull ride. Broad-based buying coupled with the good quarterly performance of the corporates kept up the market's buying sentiments. FII's also turned net buyers for a while after a long-term sell-off position. However, the markets saw a sharp correction in the week ahead of the Union Budget and various F&O expiry mirroring the global cues. Fed's hint at a rate hike in March, US-Russia tiff over Ukraine, and rallying crude oil prices soon turned the market sentiments of greed to extreme fear. ₹11.6 lakh crores of investment were wiped out of the investor's hands. The VIX rose to almost 21% in the most important trading week of the month as fear and confusion clouded the markets.

# DERIVATIVES

## Exotic Forex Derivatives Return as RBI Lifts the Ban

ICICI bank & Axis bank sold their 1<sup>st</sup> ever structured derivatives to RIL and other big corporate houses. Transactions worth \$8-10mn were concluded on a complex derivative product called Barrier Fx options to hedge their currency risk. The holder of Barrier options is entitled to receive a payoff when the underlying asset reaches a pre-determined price.



Strategically priced knock-in Barrier options, when used for import-hedging, will be a game-changer in providing better risk management at a reduced cost over plain vanilla options.

RBI banned exotic options after the 2007-09 crisis, leaving only vanilla options for hedging. The withdrawal of this ban and the introduction of swaptions is a part of RBI's attempt to bolster and map the trajectory of Indian corporates as we foray deep into global markets. If structured carefully, there is a possibility of an uptick in demand for such complex products over simple options and hence a need for stricter guidelines around them.

## Turkey Strikes Fx Swap Deal With the UAE

The central banks of Turkey and the UAE have signed a 3-year Fx swap agreement of \$5bn to boost recovery and promote bilateral trade. The deal came in ahead of the Turkish President's visit to Abu Dhabi as both the rival nations have sought to warm up their ties.



Turkey's economy is facing unprecedented inflation. Its central bank has a negative balance of \$56bn excluding swap. The current swap figures after this deal have reached \$28bn which will help refuel its depleting Fx resources in the long run. The UAE will use this swap to improve the Emirati firm's hold in Turkish markets and boost its foreign policy objectives.

The agreement will cover average annual exports to UAE, Turkey's top trading partner among the Gulf countries. It will also reduce dependency on a 3<sup>rd</sup> currency thereby lowering the exchange rate, volatility fees, and transfer cost. However, Turkey is still refraining from addressing the elephant in the room which is their nonconventional economic policy.

## India Extends \$900 Mn Financial Aid to Sri Lanka

India extended a helping hand to bolster the collapsing Sri Lankan Economy by lending \$400mn in the form of currency swaps and \$500mn deferred payment due for settlement to the Asian Clearing Union. Sri Lanka is witnessing an unprecedented economic crisis and is on the verge of default due to a severe dollar crunch which followed after a series of wrong calls made by the Sri Lankan Government.



The aid will be utilized to ramp up the food supply and boost recovery. Interestingly, the assistance came in a week after Sri Lanka signed a long-pending agreement on a strategically located Trincomalee oil tank farm along the north-eastern coast of the island. India is the world's 3<sup>rd</sup> largest oil consumer and its consumption will inch up by 50% in 2030. Hence, developing the Trincomalee facility will ensure energy security and strengthen the economic and diplomatic ties between both nations.

## Futures & Options

### NSE Gets a Nod from SEBI to Launch Derivatives on Nifty Midcap Select Index

Nifty Midcap Select Index started trading on the F&O section of NSE from 24<sup>th</sup> Jan.



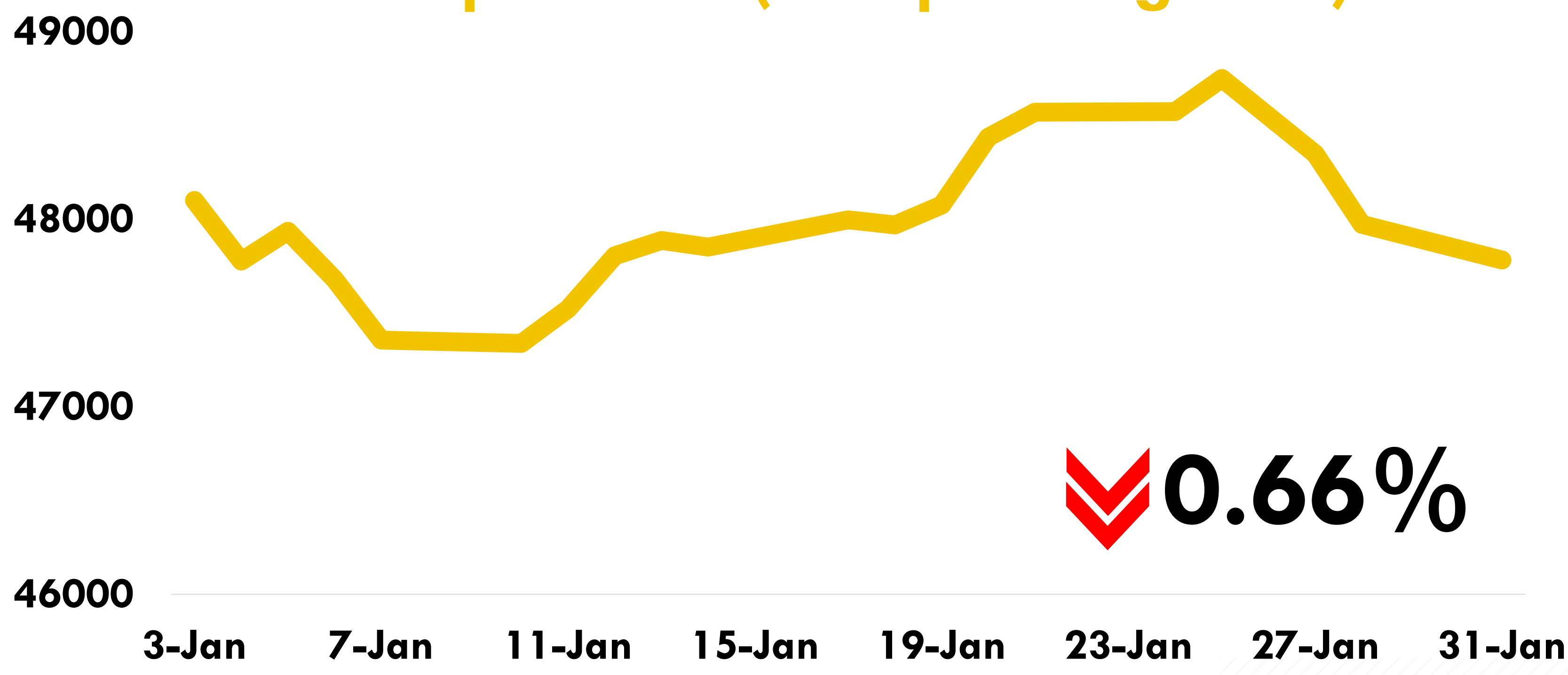
The contracts will be traded on a weekly/monthly basis in a lot size of 75 shares per contract, expiring on Tuesday, February 1.

It will track the performance of a focused portfolio of 25 stocks within the Nifty Midcap 150 index which delivered 39% returns in the last 1 year. Their weight will be based on the free-float market capitalization methodology.

The currently available derivatives on the exchange include either large-cap or sector-specific stocks. Hence, introducing it in the F&O section will provide participants with an additional hedging tool to manage their portfolio risk effectively. The midcap segment forms 17% of the market capitalization and has come into focus after a recent market rally with improved investor participation and consequent liquidity.

# COMMODITIES

Gold Spot Price (In ₹ per 10 grams)

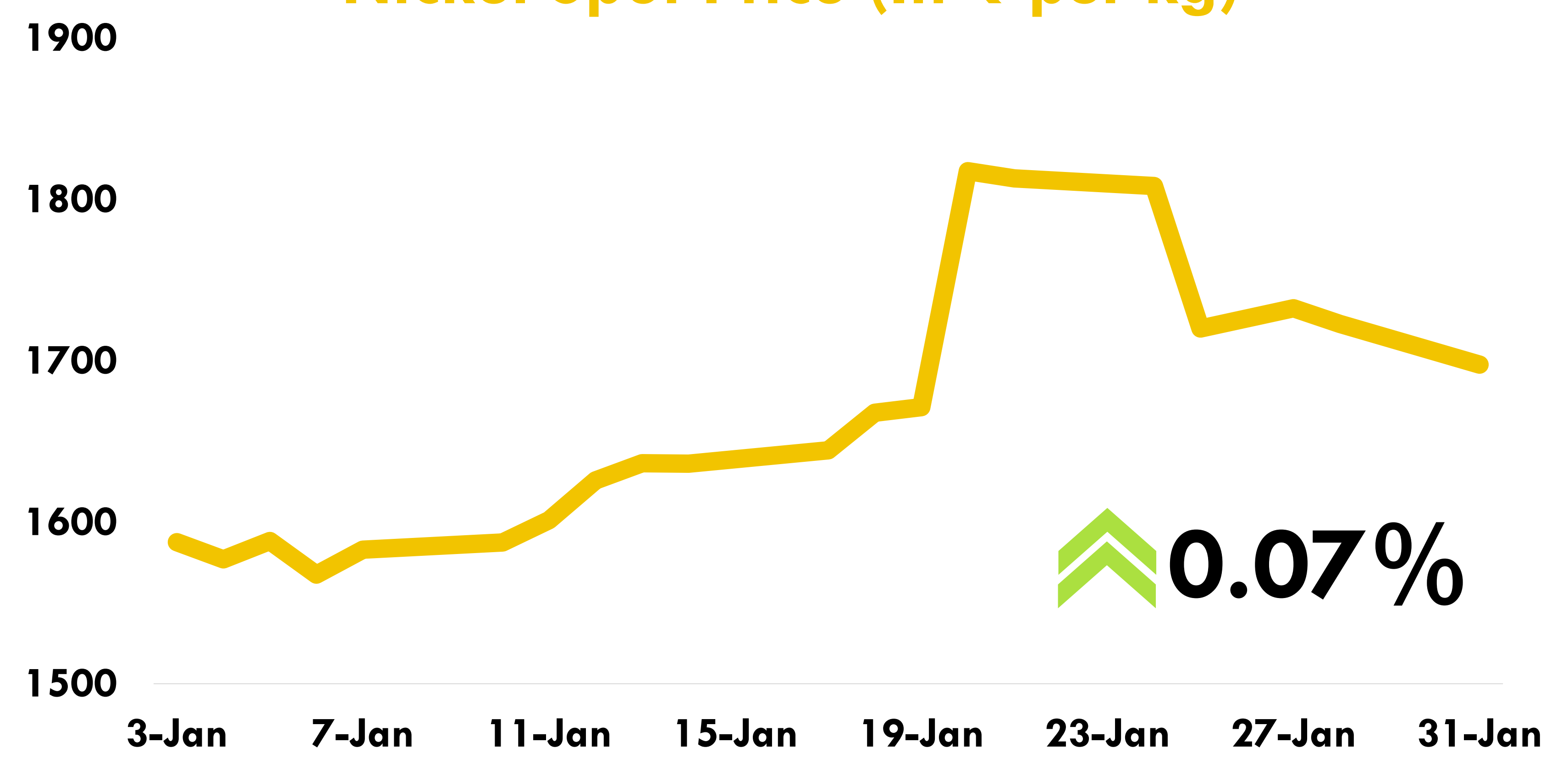


Source: MCX

This month, gold traded in a wide range due to a variety of factors in the worldwide market. The metal began with a steep drop in price due to an increase in US bond yields, which was followed by the Fed's signal of rate hikes and asset holdings reduction. Concerns about Russia-Ukraine tensions and the mounting Omicron cases, on the other hand, boosted the safe-haven bullion.



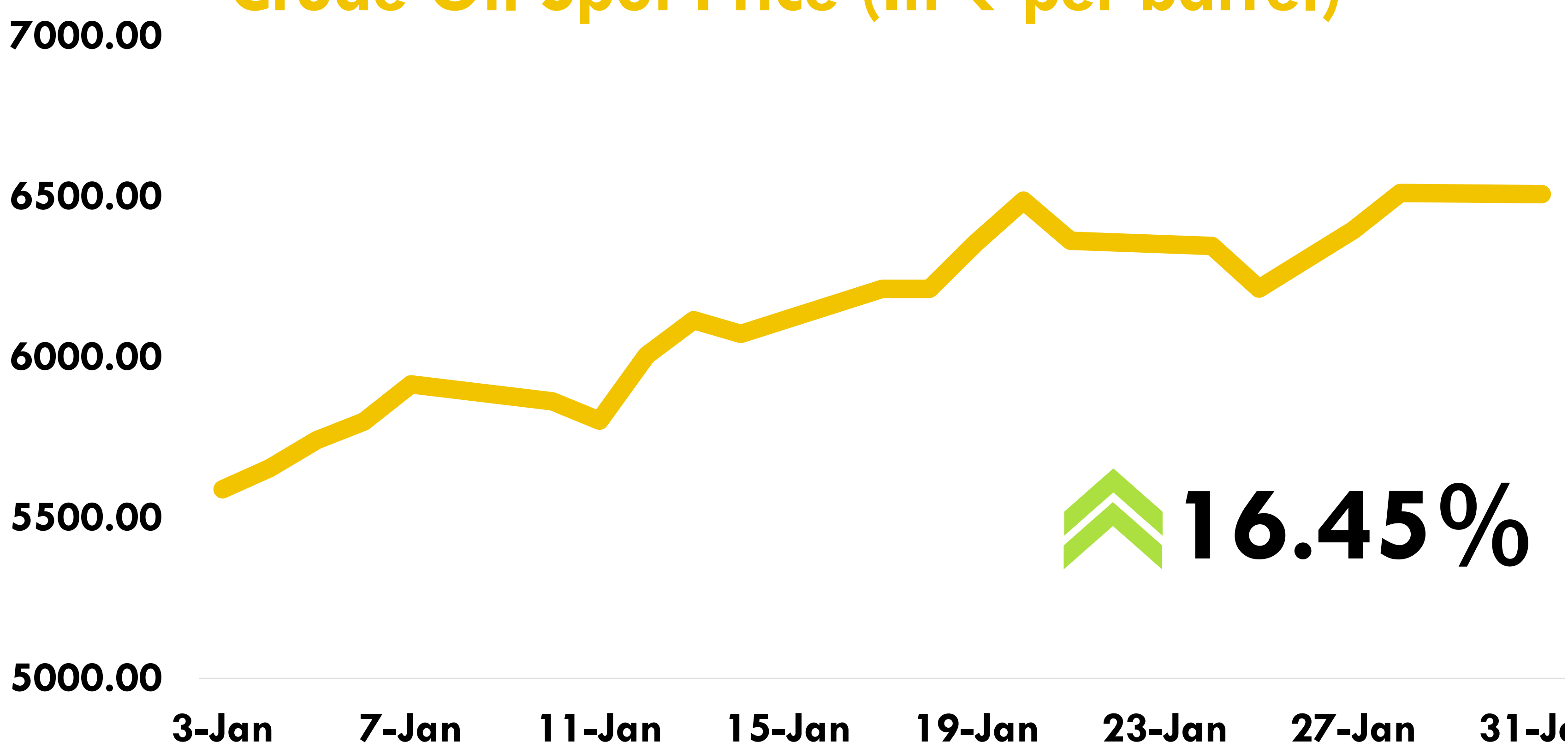
Nickel Spot Price (In ₹ per kg)



Source: MCX

Nickel prices have increased by 9% this year, owing to robust demand expectations and the launch of new nickel mining projects. Metals and nickel have benefited from Chinese stimulus as well as the lowering of interest rates. Nickel is one of the most extensively used minerals in batteries, and rising demand for lithium-ion batteries and electric vehicles (EVs) has boosted nickel demand. As per experts, nickel use in battery storage and EVs will increase as Tesla has signed a 75000-tonne nickel purchase agreement with Talon.

Crude Oil Spot Price (In ₹ per barrel)



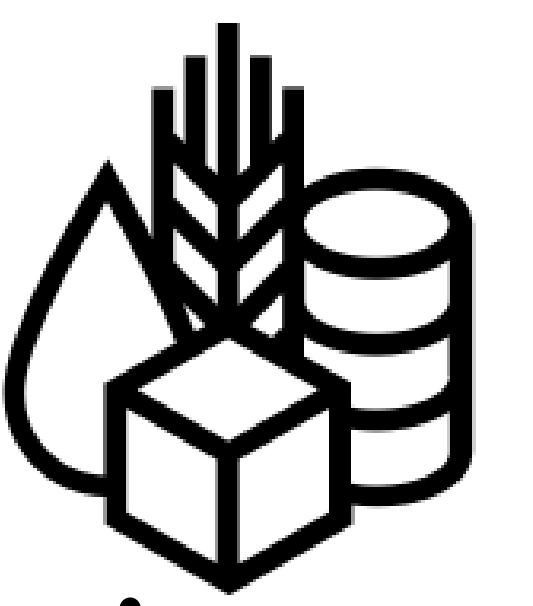
Source: MCX

Crude oil prices have registered a significant rise since the past month. Igniting the concerns of higher inflation in both the international and domestic markets, for the first time since 2014, Brent breached the \$90-a-barrel mark. Despite the third wave of the pandemic looming large, the crude oil prices have moved up around 30% due to a huge demand since November. The rise in price was sparked by the renewed tensions in the Middle East following a drone attack on three oil tankers in Abu Dhabi. West fears an annexation attempt by Russia as the massing of Russian troops was cited near the Ukraine border, leading to a "heated" oil market. This resulted in higher premiums being paid by buyers in Asia for spot cargos. The higher oil prices should have resulted in an increase in fuel prices. However, the oil companies have refrained from passing the baton to the consumers.



## Commodities Market

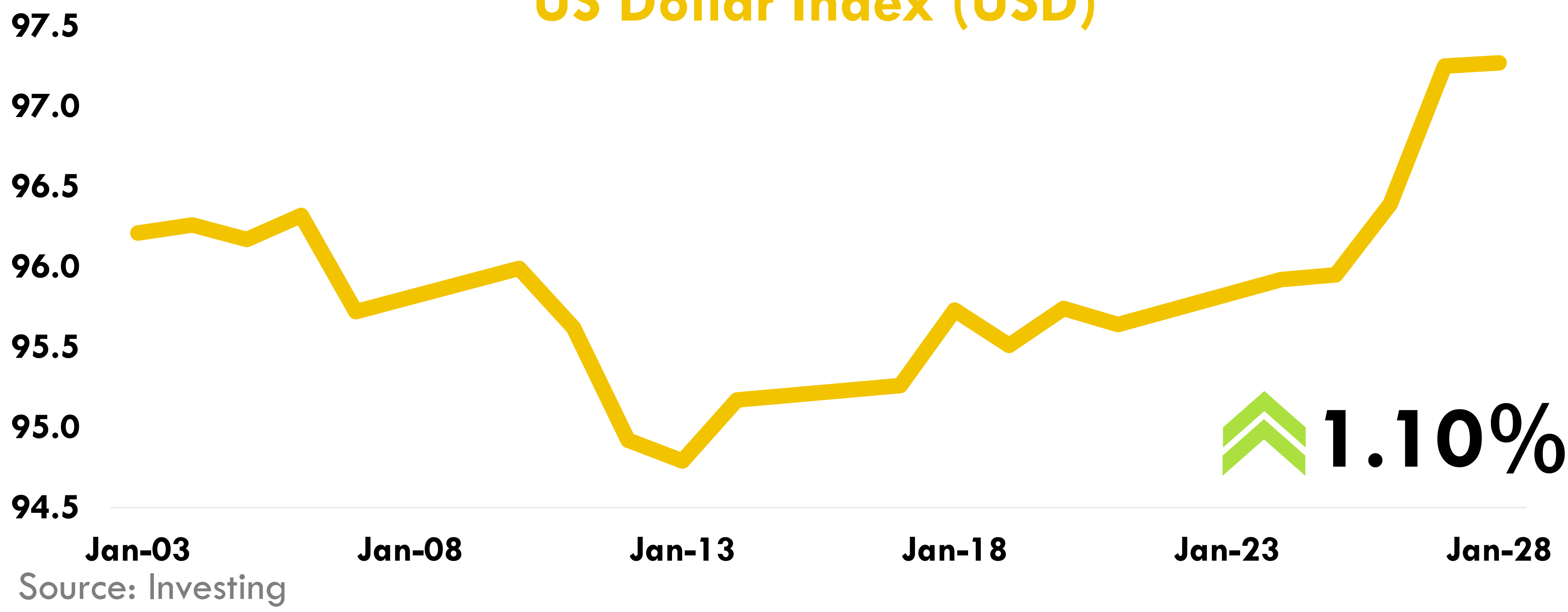
As the Russia-Ukraine standoff intensifies, the global commodities market will have to brace up for a steep rise in the prices of commodities such as energy, metal, and agriculture. Crude oil has been one of the major gainers of the Russian-Ukraine standoff as well as a host of other geopolitical risks. The energy commodities have increased more than 14% since the start of this year.



The escalation of the Russian-Ukraine conflict could potentially lead to tightening the energy, metal, and agriculture markets. On the other hand, financial sanctions could make it difficult for the trade as they would affect payments. Sanctions against Russia will also impact Russian Gas and Metals, especially Aluminum, resulting in a surge in European premium. This might have both positive and negative ramifications for India. On a more optimistic note, wheat and grain shipments to the Gulf, South Asia, and Southeast Asia will grow. On the other side, the import of edible oils would become more expensive, as Ukraine is a significant producer of sunflower oil, and India may have to pay more for these imports.

# CURRENCY

## US Dollar Index (USD)



During the first half of the month, the index fell as market participants digested disappointing results from the US docket, where Retail Sales, Industrial Production, advanced Consumer Sentiments, all fell short of predictions. However, riding on the expectation that the Fed will raise interest rates multiple times in 2022, the index later soared to reach a seven-month high.

## Afghanistan's Currency Crisis

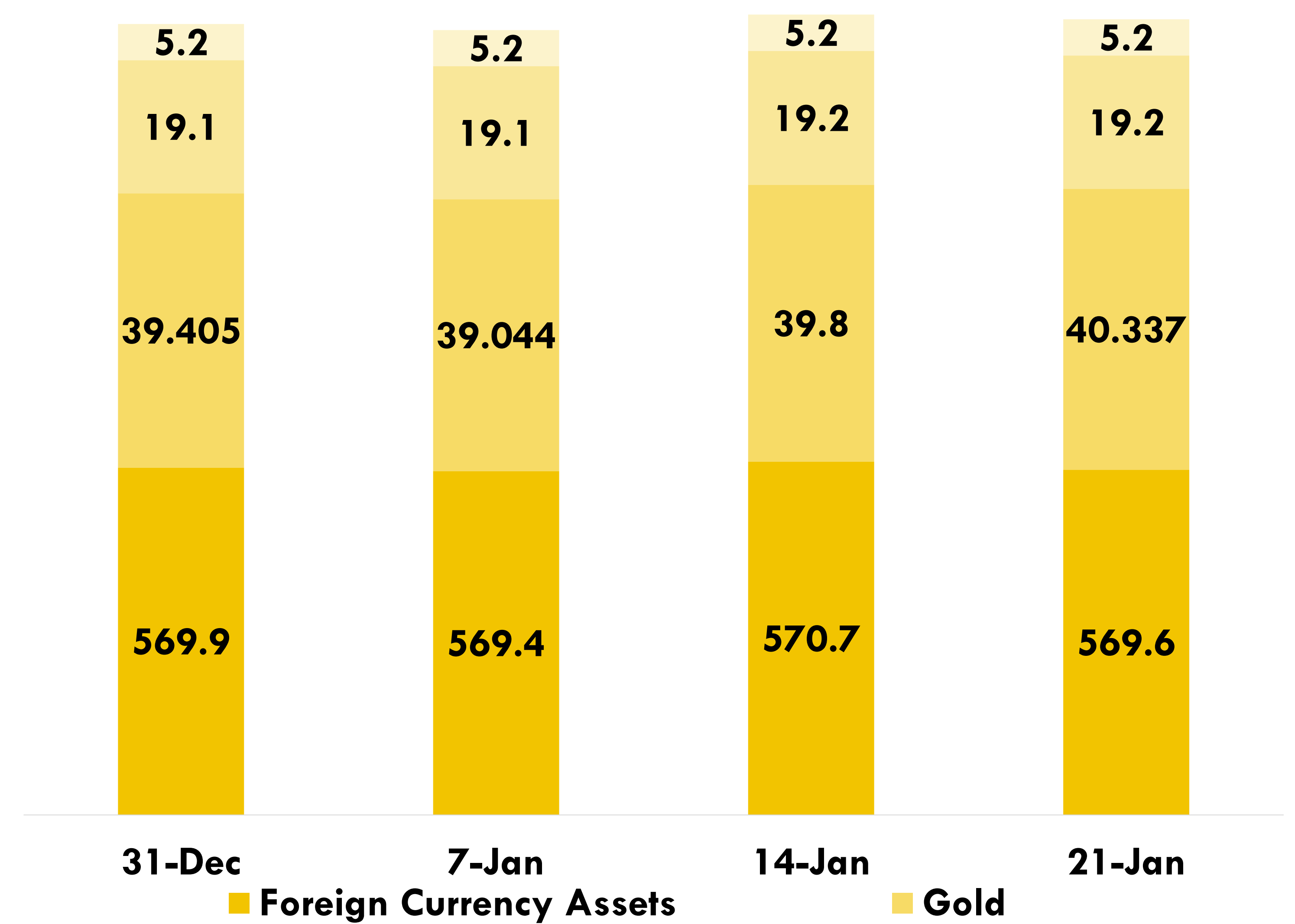
Afghanistan's currency has declined significantly since the Taliban took power, exacerbating the country's economic crisis. In the last six months, the Afghani currency has become one of the world's worst-performing currencies. Millions of people are at risk of starvation as a result of the currency crisis, with the humanitarian crisis affecting not only Afghans but also import-dependent countries. Taliban's announcement to utilize humanitarian funds to pay government officials is a clear indication of the financial crisis engulfing the country.



## Forex Reserves are Down Again

Foreign investors withdrew large amounts of dollars from the forex reserves as the rupee weakens against the dollar, explaining the decline in the reserves. The expectation of rate hikes by the Fed and other economies will most likely amplify capital outflows, putting pressure on the exchange rate, current account deficit, and prices. The reserves are expected to face the greatest challenge in the next 12 months, as \$256 bn in total overseas debt comes due for repayment amid a possible flight of capital as a result of the Federal Reserve's monetary tightening.

## FOREX Reserve (USD Bn)



Currency	1 <sup>st</sup> January '22	28 <sup>th</sup> January '22	Change (%)	Trend
INR/USD	INR 74.37	INR 75.03	↓ -0.9	
INR/EUR	INR 83.99	INR 83.61	↑ 0.5	
USD/EUR	USD 1.12	USD 1.11	↓ 1.3	
JPY/USD	JPY 115.32	JPY 115.24	↑ 0.1	
CAD/USD	CAD 1.27	CAD 1.28	↓ -0.2	
USD/GBP	USD 1.35	USD 1.34	↑ 0.5	
USD/SEK	USD 0.11	USD 0.10	↑ 3.4	
USD/CHF	USD 1.08	USD 1.07	↑ 1.2	

Source: Investing

# OTHER ASSET CLASSES

## Blackstone Sells its Stake in Mindspace REIT

### The Blackstone Group®

Blackstone, the largest owner of commercial office space in India, sold a 9.2% stake in Mindspace REIT to Abu Dhabi Investment Authority (ADIA) for \$1,740cr. In March 2017, the Blackstone Group acquired a 15% stake in K Raheja Corp's commercial real estate portfolio, which went public as Mindspace REIT in August 2020, attracting broad interest from both international and domestic investors. The global institutional investor sold the stake in a bulk deal on the stock exchange for ₹320 per unit. ADIA acquired the stake from Blackstone Group entity BREP SG Asia Pearl Holdings NQ PTE Ltd. This is ADIA's first investment in the domestic REIT sector. Given the nature of closed-ended funds, the exit focused on maximizing value for investors by looking at other investment opportunities. Blackstone has emerged as an aggressive institutional investor in India, with an estimated \$60bn in AUM across multiple sectors.

## PE & VC Shows New High

In 2021, private equity and venture capital funds invested \$77bn in Indian companies, a 62% increase YoY. The sharp increase in pure-play PE/VC investments, or investments in sectors other than real estate and infrastructure, which increased by 79% to \$67bn in 2021, was one of the main reasons for the strong performance of PE/VC investments.

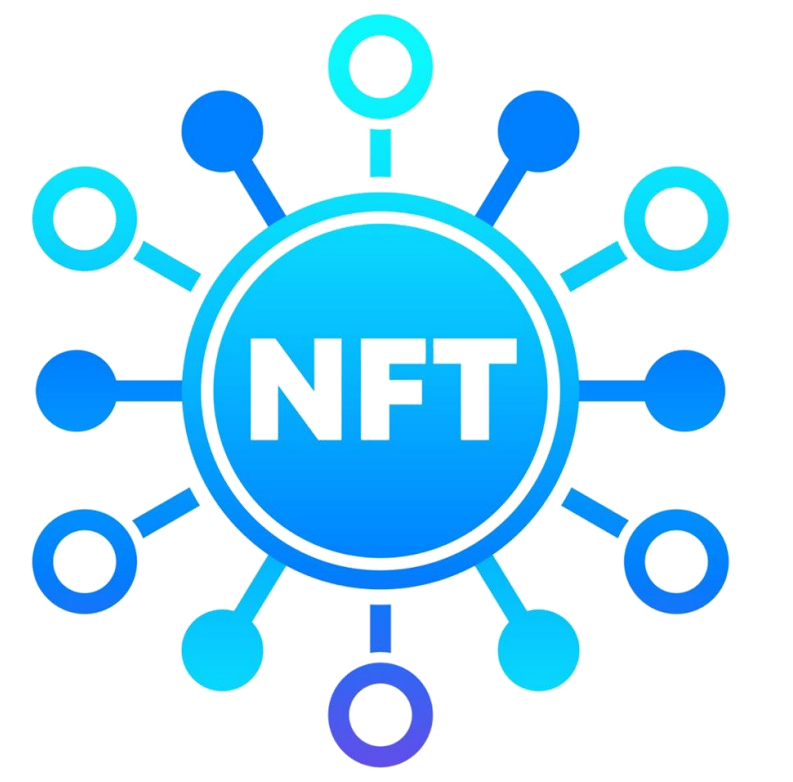
Following a significant decline during the pandemic in 2020, buyouts made a strong comeback and were the second-largest deal type, with \$22bn recorded across 63 deals, the highest ever by the quantum of value.

In 2019, infrastructure and real estate accounted for 40% of PE/VC investments, but the last two years have been slower. Experts anticipate a significant increase in activity in 2022, driven by foreign investors seeking long-term yield-generating assets.

The year saw a massive glut of liquidity across the globe as a result of the pandemic, which led to increased investments in many assets and a rise in valuations.

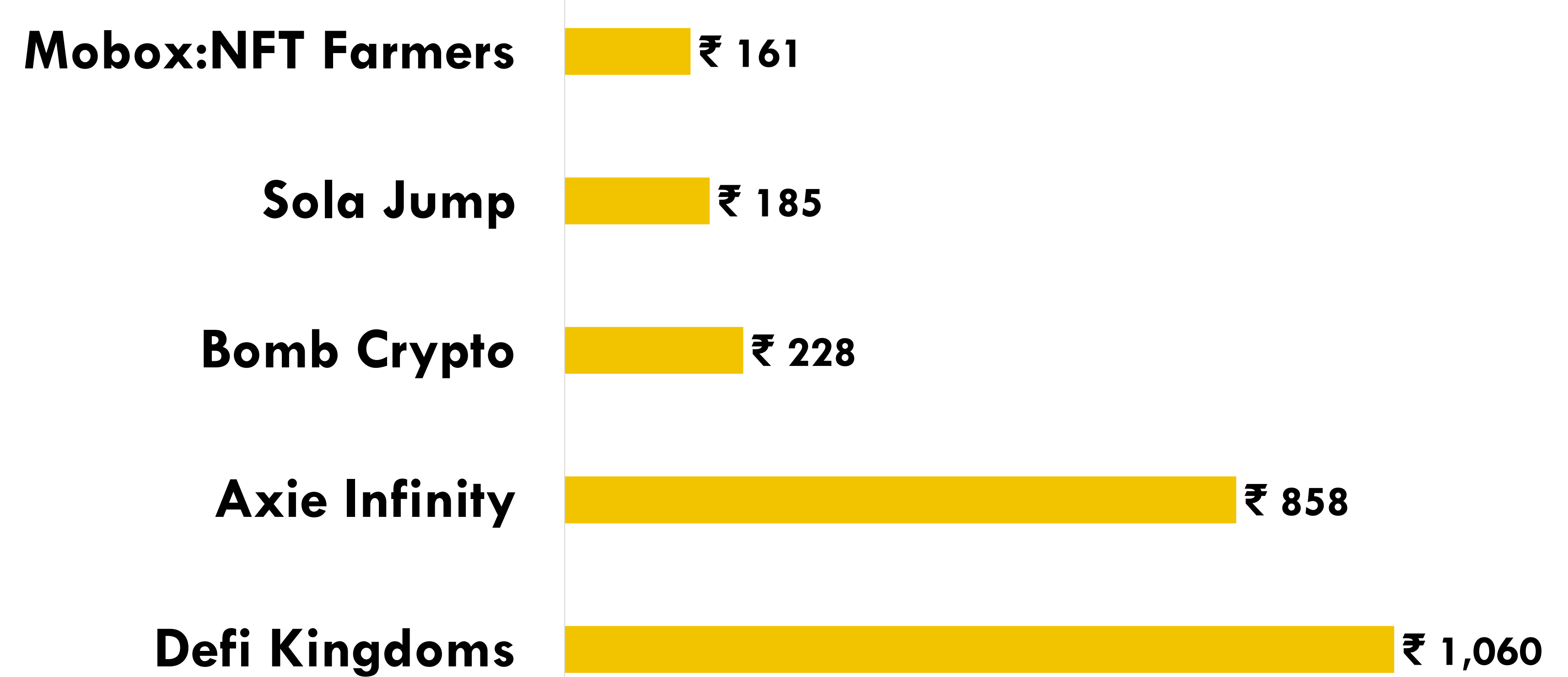
## Gaming Industry Looking Forward to NFTs

Non-fungible tokens (NFTs) have a wide range of applications in the gaming industry, as they provide in-game currency rewards and



expand monetization opportunities for gaming companies. NFTs are no longer limited to niche blockchain-based games like Axie Infinity and Decentraland. Many businesses have implemented NFTs to increase profits, while others use them for marketing. Despite the threat of a crypto ban and a lack of clarity on regulations governing future Web 3.0 technologies, NFTs have grown in popularity in India. The gaming industry in India has grown at a CAGR of 38%, which is significantly faster than the US's 10% and China's 8%.

## Popular NFT Based Games in the Last 30 Days (in Mn)



Source: DappRadar

## HDFC Capital to Invest \$2bn in an Affordable Housing Ecosystem

HDFC Capital, a wholly-owned subsidiary of India's largest mortgage lender HDFC, intends to invest approximately \$2bn in affordable housing through its third fund dedicated to this segment. Despite strong demand for low- and middle-income housing in India, developers face obstacles due to a lack of flexible, long-term capital. This new fund aims to play an important role in not only providing a platform to the entire affordable housing ecosystem, but also a support system for real estate projects through equity and mezzanine financing to the respective vendors and technology companies that help drive project efficiency.



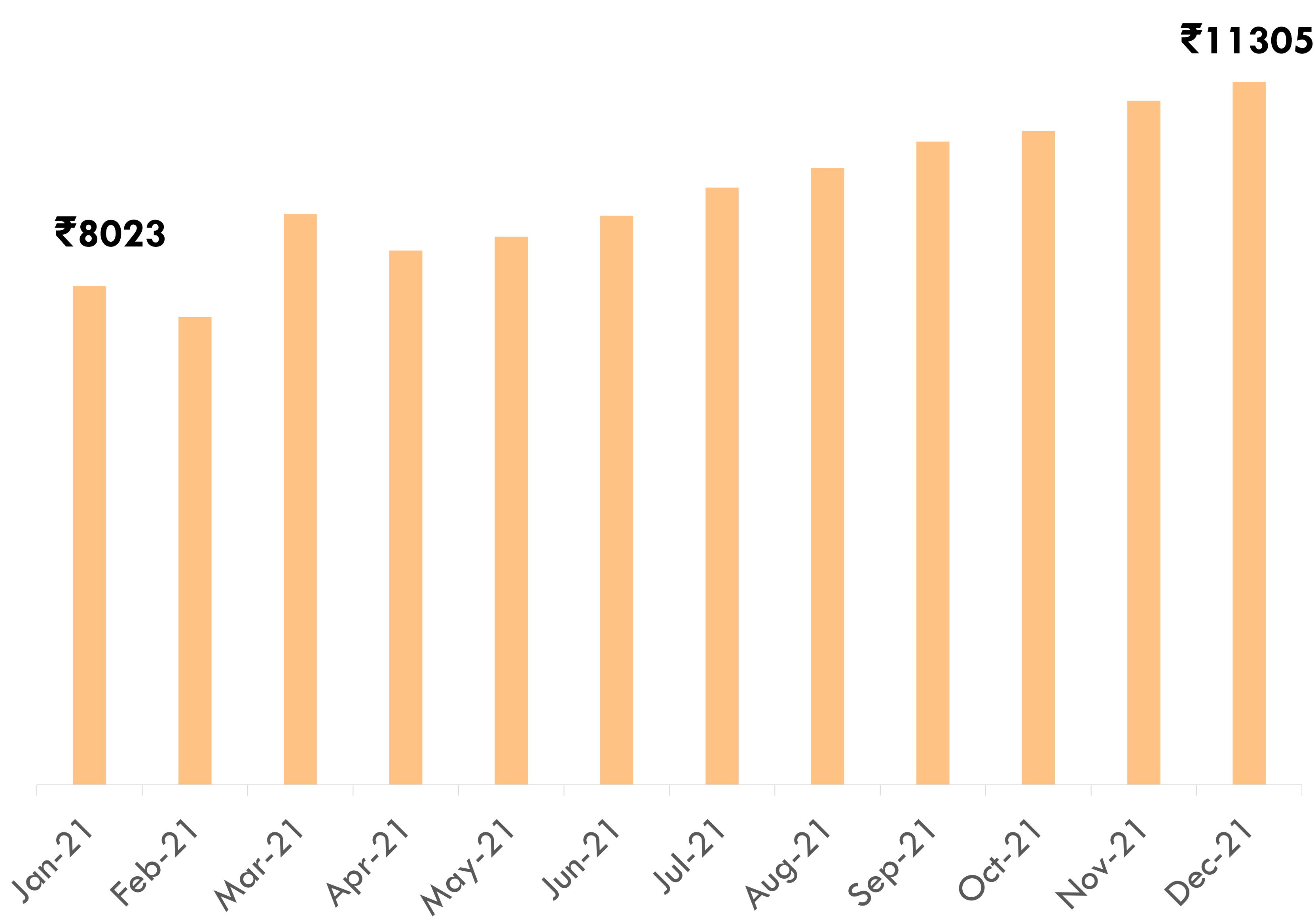
## SIPs Inflow Hits the New Target

SIP for December 2021 reached an all-time high of ₹11,305.34cr, breaking the ₹11,000cr barrier for the second month in a row.



According to experts, as a result of regular financial literacy, investors are becoming more aware of market volatility and risk adjustment, resulting in an increase in the number of SIPs. Furthermore, the recent drop provided investors with an excellent opportunity to invest.

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



Source: AMFI

## Life Insurance Companies Growth Increased by 2x

In December 2021, the first-year premium for a private life insurance company was ₹24 thousand crore, the same as in December 2020.



The LIC reported a 20.30% decrease in new business premiums, while private insurers saw a 29.83% increase. According to the reports, the demand for health insurance increased twofold between November and December 2021, compared to the same period in 2020, despite the fact that the average sum insured across products fell by 17%. This illustrates the growing awareness among people to obtain health insurance, albeit for a lower sum insured. The overall demand may settle on a higher trend, even if it may flatline once the current wave has passed.

## Equity Inflows Continue to Record High Inflows

Inflows into equity mutual funds more than doubled to ₹25,000cr in December, marking the 10th



consecutive month of net inflows, driven by strong SIP inflows and robust inflows into the multi-cap fund category. The risks posed by the rapid spread of the Omicron coronavirus variant have also prompted the investors to continue their investments. Due to the supportive RBI policy focusing on economic revival and keeping inflation under control, the mutual fund industry is expected to report good growth and deliver value to investors.

## ICICI Ties up with the First Trust

ICICI Prudential Asset Management Company is joining hands with the US-based First Trust, one of the leading managers of exchange-traded funds and mutual funds worldwide. It will be setting its foot to become India's first overseas venture in the mutual fund industry following the outbreak of the pandemic. It will lead to investing in offshore funds through the ICICI Prudential Mutual Fund feeder by Indian investors. The collaboration aims to provide several portfolios focused on international and thematic investments to Indian investors as part of First Trust's plan to present several portfolios on active and exchange-listed investments.



## DSP Mutual Fund to Launch SIPs Named DSP Global Innovation Fund of Fund

DSP Investment Manager an asset management firm,



announced the launch of a SIP named DSP Global Innovation Fund of Fund (DSP GIF). Although the scheme will accept lump-sum investments, it will also encourage investors to invest through SIPs. The company intends for innovation to be the scheme's primary driver, and it will seek out companies that have innovative thinking at their core, are likely to remain relevant, and have long-term success potential. DSP GIF invests in a combination of active and passive funds managed by experts in their respective fields. During the NFO period, the minimum investment would be \$500, followed by multiples of one.

## Microsoft to Acquire Activision in the Biggest Deal in Tech History



On Jan 18<sup>th</sup>, Microsoft announced its largest acquisition to date, which will be the largest all-cash transaction in history. Microsoft will pay \$95.00 per share, a 45% premium to Jan 14<sup>th</sup> closing price of Activision's share, in an all-cash deal worth \$68.7bn, inclusive of the net cash of Activision Blizzard.

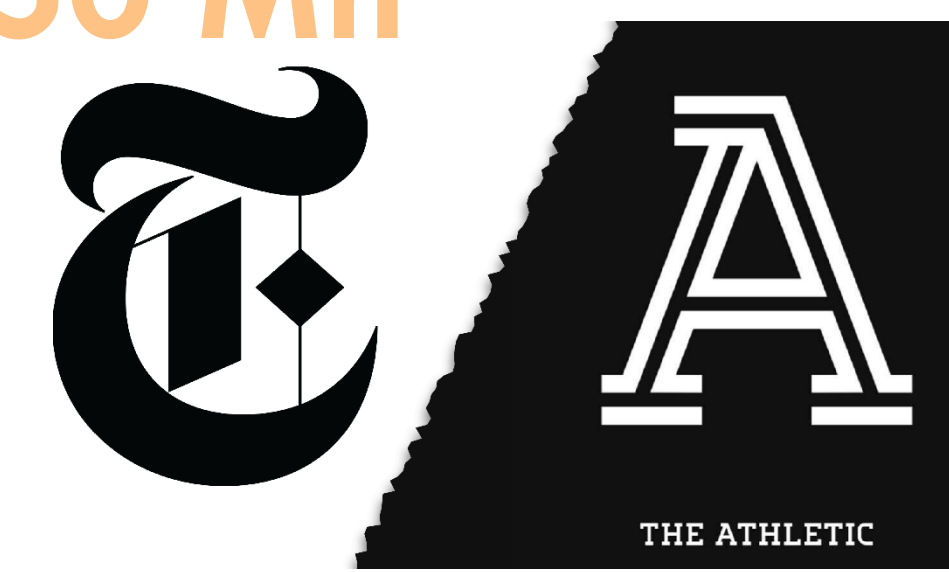
The blockbuster acquisition would propel the company into a leadership position in the \$175bn gaming industry, as well as a stronghold in mobile gaming, where it currently competes only marginally, and would gain an extremely popular studio. The acquisition will help Microsoft gain a competitive advantage over Sony in the long-running battle for gamers' attention and wallets. It also gives the company an advantage over powerful newer competitors in the gaming industry, such as Amazon and Google. Furthermore, the acquisition will add Activision Blizzard games to Microsoft's Game Pass portfolio, which has now reached a new milestone of 25mn subscribers.

## Google Strengthens its Cybersecurity

Google's cloud division has acquired Israeli cybersecurity start-up Siemplify, laying the groundwork for the company's long-term investment in cyber security. The acquisition is part of Google's commitment to invest \$10bn in cybersecurity over the next five years, with the goal of strengthening cybersecurity, improving open-source security, expanding zero-trust programmes, and helping secure the software supply chain.

Siemplify specialises in end-to-end enterprise security services, also known as security orchestration, automation, and response (SOAR). Google intends to integrate the SOAR with its Google Cloud Chronicle in order to strengthen the foundation for its CyberSecurity Service. Customers will be able to detect and respond to cyber threats more effectively as a result of this. With today's massive volume of cybersecurity threats, there has never been a better time for these companies to collaborate.

## New York Times Co. to Buy The Athletic in an All-Cash Deal for \$550 Mn



The New York Times announced an agreement to purchase The Athletic, an online sports news site, for \$550mn in cash. With this acquisition, the company is pursuing its goal of increasing subscriber numbers by adding more digital content.

The Times will become the global leader in sports journalism as a result of this agreement. The acquisition of The Athletic will provide The Times with over 8mn subscriptions and will allow them to provide their audience with more in-depth coverage of more than 200 professional teams across North America, Britain, and Europe. Initially, the company intends to sell The Athletic's subscriptions as a standalone product before gradually incorporating them into a larger bundle. However, the acquisition will result in lower profits for The Times over the next three years due to The Athletics' operating losses, before adding to the bottom line by adding new subscribers and more advertising revenue.

## Japan's Nippon Steel buys Thai Steelmakers in \$763 Mn Deal



Nippon Steel Corp, Japan's largest steelmaker, is set to reduce its reliance on blast furnaces that use coking coal and emit carbon dioxide by acquiring two electric arc furnace steelmakers in Thailand for \$763mn. With the acquisition, Nippon also hopes to secure iron-making bases in the expanding market while also expanding its overseas business to compensate for falling demand in its home market.

Nippon Steel will pay \$419mn to acquire 49.99% of G Steel and 40.45% of GJ Steel. Following that, the company will launch a tender offer to purchase the remaining stake, bringing the total acquisition cost to \$763mn. Nippon Steel's global production capacity will increase to 69mn tonnes with the acquisition of these two steel manufacturers, each with a production capacity of 3mn tonnes.

# STRATEGY

## MoU signed between Swiggy and TVS Motors

At a time when fuel prices are skyrocketing in India and with the governments rooting for a paradigm shift towards green energy for a sustainable environment, India has evolved to be the emerging market for EVs. Swiggy - primarily an online food delivery platform has entered into a strategic partnership with TVS Motor to test drive EVs in 10 major cities for its deliveries and other on-demand services. The pilot testing will enable both companies better understand the infrastructure and other resources required to effectively deploy EVs for the "last-mile delivery."



When Swiggy is up against stiff competition from companies like Zomato, Dunzo, Zepto, the onus is on the company to provide faster deliveries at a cheaper rate to retain customers. While the subscription model-assisted all the companies in securing their customers for a period, the competition has been fierce. Delivery prices have just increased following the Central Government's announcement that made delivery partners responsible for paying 5% GST for restaurant services after uncovering that hundreds of cloud kitchens and restaurants were dodging taxes. In a cut-throat competition, do you think Swiggy will be able to create a MOAT by deploying EVs to reduce its operational costs and strengthen its balance sheet?

## The "Starbucks" of India

This home-grown brand has been a household name: be it your first date, your first pay check celebration, or coffee break in between work hours- Café Coffee Day has been India's favourite *adda* and among the 1<sup>st</sup> ones to start café.



However, what didn't meet the eyes was that the brand started by VG Siddhartha in 1996 was incurring losses with over ₹7200cr of accumulated debt by 2019. Siddhartha succumbed to the shareholder pressure and committed suicide in 2019, leaving behind a grieving wife. However, Malavika Hegde decided to not give up on her husband's dream project. Before taking over as a CEO, she served as a non-board member for many years.

She took a slew of restructuring measures starting from a humble letter sent to 25,000 employees in which she assured them to reduce the company's debt to manageable levels by selling a few assets. She didn't want to increase the coffee prices. Hence, she pulled down the shutters on non-profit making outlets, withdrew hundreds of vending machines from IT parks and companies, and managed to attract new investors as well. As a result, the debt levels shrunk to ₹3,100cr by March'20 and to ₹1731cr by March'21. The business kept going even during the pandemic with over 572 outlets and 36,000 vending machines across the country.

## Mankind Pharma forays Critical Care Segment

Mankind Pharma launched a dedicated division-Saviour Mankind- to foray into the critical care space. Saviour Mankind will formulate, develop, commercialize and deliver affordable critical care products ranging from life-saving injectables, and anti-infectives to stroke and trauma care products. It will also launch certain "1st time in India" products to support doctors in tackling anti-microbial resistance in India.

Critical care medicines witnessed a huge growth spurt. CY21 saw a 25.5% growth in anti-infectives. With the growing requirement to develop the health care sector of our country with frequent stock-outs of life-saving and critical care drugs, there was a void left to be filled. With its recent announcement into a new line of business to develop the critical care segment, Mankind Pharma promises to set things right.



# MARKETING & BRANDING

## The Truth Behind Misspelled Names!

Don't be surprised if I tell you that you have done marketing for a company and never got paid! In this



digital era, everything has to go online, right? From the delicious food that we are eating to the new pair of shoes that we have bought - somehow it ends up in our social media feed, that's Marketing! We are unknowingly creating brand awareness for the companies. This is what Starbucks leverages on.

Starbucks has one ingenious marketing strategy to create brand awareness without spending a penny. At first, they misspell your name on the barista cup. While some people find it hilarious, others find it annoying – whatever may be the scenario it ends up getting posted on social media. On Instagram alone, the hashtag #StarbucksNameFail has over 27,000 entries. Assuming that each of the 27,000 persons had an average of 200 followers, 5.4mn people got exposed to the brand name "Starbucks".

That doesn't even account for the number of individuals that don't use a hashtag or use a different one. If we consider everyone, the reach of the awareness campaign may be well over 8 to 10mn. So next time your coffee cup says "Anita" instead of "Ankita", don't be astonished.

## How to Market Your Product?

Ask yourself the last time you went for a jog or played cricket or football did you care to wear different shoes



for all three purposes? If you aren't a professional in any of these fields, the answer will almost certainly be no. This is because the Indian sportswear market differs from the worldwide market, and Puma was quick to recognize this.

Puma was the last one to enter the Indian Market in 2006 churning a modest revenue of 22cr, where the likes of Nike, Adidas, and Reebok earned 99cr, 186cr, and 354cr. Fast Forward to today's date, "the big cat" has been way ahead of its competitors to be the market leaders. Indian Sportswear Industry is extremely small, too complex, and highly price sensitive. Riding on these market sentiments, Puma marketed their product as a fashion brand instead of being only a sportswear-specific brand. The benefits of being a fashion brand have endless opportunities as the company is not restricting itself to a certain niche. The bold colors, unique styling, and discounted pricing of their products have helped Puma target the millennials and Gen Z's to topple the global market leaders in India earning a whopping revenue of ₹1,439cr in 2021.

## Viral Marketing

From being a drug that is used to treat fevers to becoming a viral meme, it's been quite a journey. While this might not be the intention of the makers of Dolo 650, this kind of virality has undoubtedly ticked revenue. Amidst the third wave of the covid virus, social media was flooded with memes involving the antipyretic (fever-reducing) and analgesic (pain reducing) drug, Dolo 650.

These memes were an attempt by people to lighten the mood about the dreaded coronavirus. Since advertising medicines directly to patients are prohibited in India, the memes making rounds on social media helped Dolo being a household name. Even before the third wave the Dolo 650 had a market share of 46% as it had the first-mover advantage over the default dosage of 500mg for these pills.

While other brands are readily available in 500 mg formulation, Dolo 650 is available in a 650mg formulation. Dolo 650 with the highest quantity of paracetamol was the go-to choice for being the prescription drug as people were getting high fever during the third wave. Being a part of a viral meme campaign also ticked in the favour of the brand taking the overall growth to 57% in December 2021. When some future historians write about the pandemic years, banana bread and dalgona coffee should undoubtedly be included as pandemic fads. Dolo 650 will most likely be India's addition to that list.



MICRO LABS LIMITED

# COVID UPDATES



COVID cases across the Globe, data as of 31<sup>st</sup> Jan

**375M**- Total no. of cases  
**296M**- Recovered  
**73M**- Active cases  
 (0.1% are serious and 99.7% are in mild condition)

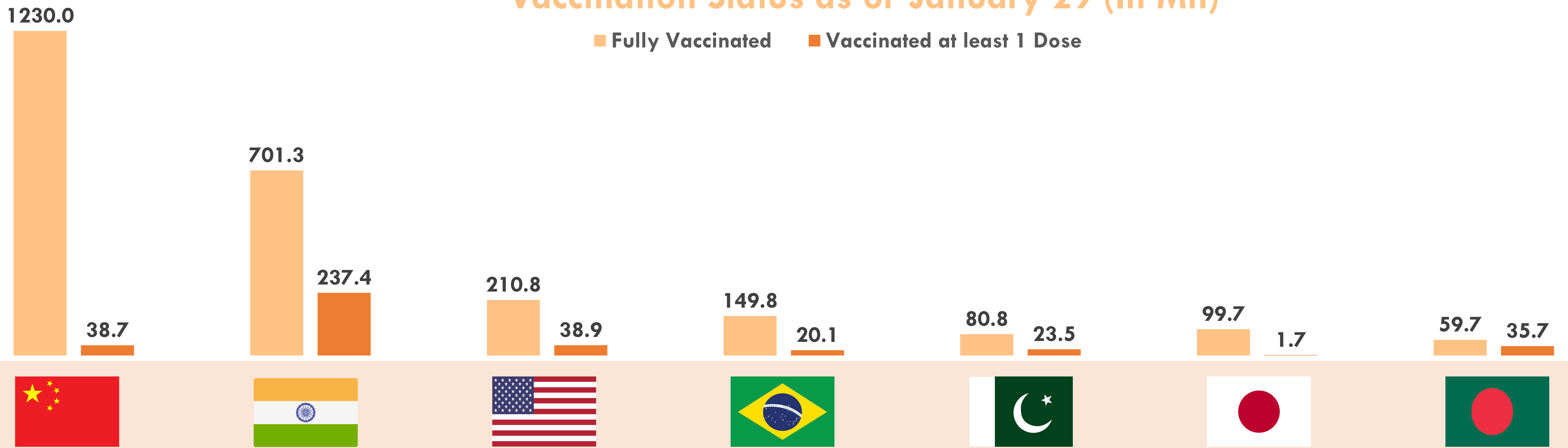


COVID cases in India, data as of 31<sup>st</sup> Jan

**41M** - Total no. of cases  
**39M** - Recovered  
**1.83M**- Active cases  
 (0.1% are serious and 99.7% are in mild condition)

## Vaccination Status as of January'29 (In Mn)

■ Fully Vaccinated ■ Vaccinated at least 1 Dose



Source: Our World In Data

## Demand for Covid Drugs Down

Drugs such as remdesivir, tocilizumab favipiravir, etc that were once driving the sales of Cipla during the second wave are no more in demand in the third wave. 4-5% of the company sales came from its Covid portfolio in FY'21. The third wave has increased the demand for OTC medication such as paracetamol and multivitamin pills. The omicron variant effect is mild but those affected are still weak as a result vitamin sales are expected to remain strong. Dolo, Crocin, and Calpol paracetamol brands are more well-known than Cipla's Paracip and Parafizz, and the company is unwilling to spend much on marketing its paracetamol brand because the margins are quite low on such products.

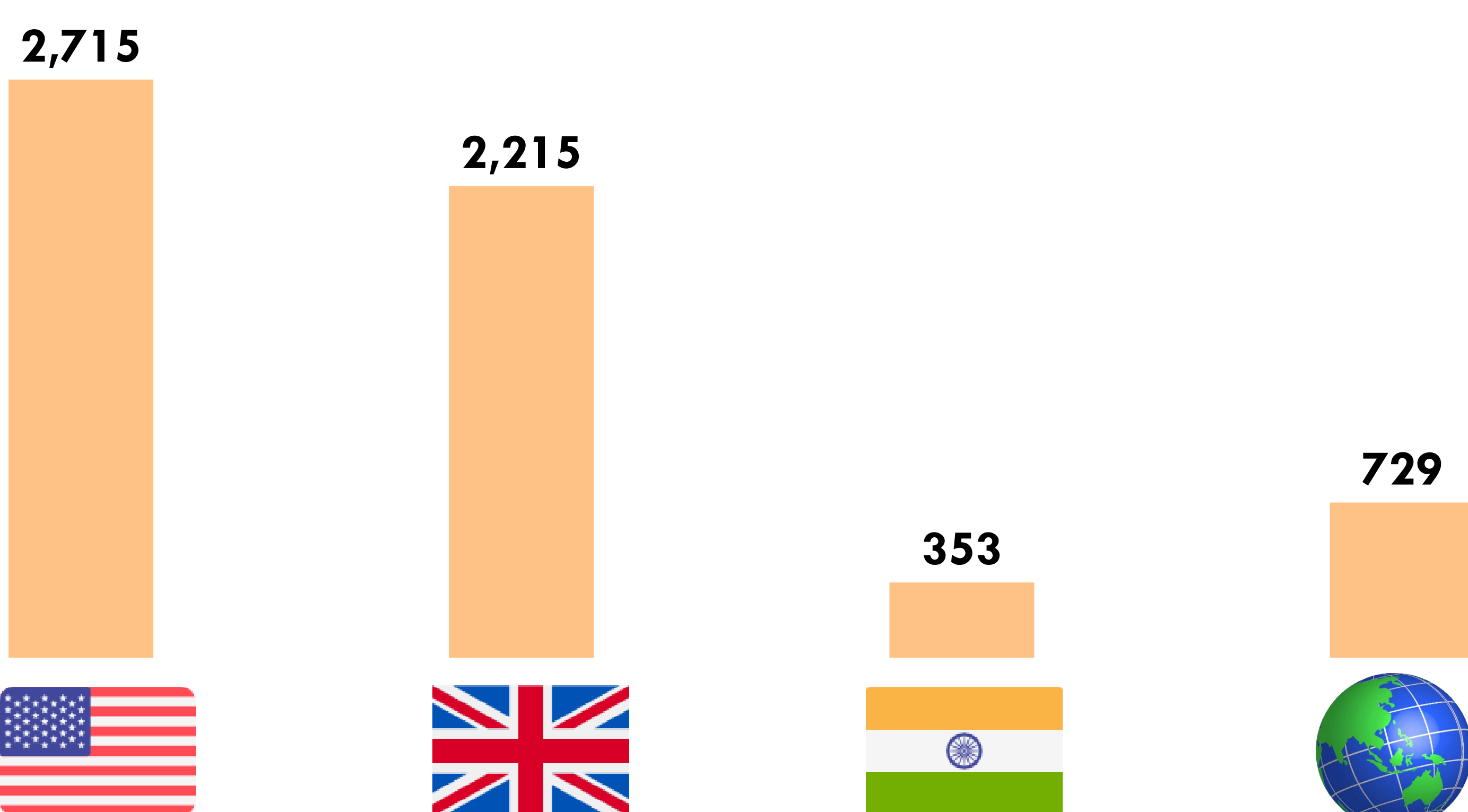
## China's Zero-COVID Strategy and Olympics

Although the country's vaccination rate exceeds 85%, China imposed one of the most severe lockdowns in the city of Xi'an, similar to Wuhan when the pandemic began. The lockdown has sparked widespread concern about food shortages on social media. However, the government assures that there are sufficient food supplies. They also promised free delivery to those who were stranded at home. But many complained online about receiving little to no supplies. Hospitals in China have also been heavily criticized for failing to provide adequate care to non-COVID patients. The city's lockdown is expected to exacerbate the global semiconductor shortage. The world's largest chip manufacturers, Samsung and Micron, have factories in Xi'an and are looking for ways to control the situation.



Weeks before the Olympics, Tianjin's health authorities confirmed cases of omicron and ordered mass testing for the city's 14mn residents. For the first time since the pandemic, China is allowing a large number of people to enter the country under very strict conditions to avoid contact with locals. With cold temperatures increasing transmissibility and countries around the world reporting increasing cases daily, China is under a lot of pressure to keep COVID-19 out.

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



Source: Worldometers

# PINION POLL

“2020 and 2021 can be coined as historic years for real estate. While the pandemic disrupted the sector globally, it also presented an opportunity to take a step back and put in place building blocks for long-term sustainable growth.”

**-Sanjay Dutt, MD & CEO, TATA Realty And Infrastructure**

“Pooling of resources between companies lowers risk and considerably raises the probability of success in the rapidly growing EV space.”

**-Anand Mahindra, Chairman, Mahindra Group**

“India is likely to have one of the highest rates of growth in the world as there are gradual moves towards normalization, even as stimulus and support for vulnerable sectors continue.”

**-Ashima Goyal, Economist And Member Of MPC**

# 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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