



Leveraged Growth

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# MONTHLY REPORT DECEMBER 2022

# C CONTENTS

	<b>Topic</b>	<b>Page No.</b>
1	Global.....	1
2	India Inc.....	2
3	Govt. Policies.....	3
4	Start-Ups.....	4
5	Global Indices.....	5
6	Equities.....	6
7	Nifty50.....	7
8	Sector Updates.....	8
9	IPO.....	11
10	Fixed Income.....	12
11	Risk.....	13
12	Derivatives.....	14
13	Commodities.....	15
14	Currency.....	16
15	Other Asset Classes.....	17
16	AMC.....	18
17	Mergers and Acquisitions.....	19
18	Strategy.....	20
19	Marketing and Branding.....	21
20	Opinion Poll.....	22
21	Coverage this Month.....	23

## A Broken Business Model of Germany

A common phrase, "Putting All Your Eggs In One Basket" means that it will leave you no other alternative if that fails. In the case of Germany, there were two baskets, China and Russia, on which the economy depended. The country's export-based economy depends primarily on China and on Russia for its energy needs. In recent years, Germany and Europe have doubled their reliance on China. Now the economy needs a drastic change in its business model.



So, adding to the focus on the country's economy, Germany is starting to develop additional LNG facilities, focused on defense, and trying to become a nuclear nation. An import shift from Russia to the US to meet its energy needs is on the rise. On the trade front, German politicians are trying to establish new ties and reevaluate previous ones. The companies and businesses are attempting to diversify and protect themselves from a potentially more pronounced deterioration in economic relations with China. Furthermore, Germany had also prevented China from purchasing an indigenous chip factory. All these steps were taken to rebuild its businesses.

But a question arises: is it too little or too late?

## Concern Hovers over African Countries

Sub-Saharan countries are witnessing an increase in debt levels. The main reason for the rising debt in these countries is the change in the attitude of private creditors, which resulted from increased liquidity in the global market post-financial crisis. Due to the abundant liquidity, bondholders started looking for higher bond yields, which led to the rise in African private creditors with no public guarantee. Another reason was the rise in multilateral and private debt flows from China that resulted in higher external debt stocks. Additionally, the super cycle in commodities affected the economy. The demand for industrial inputs and resources in India and China drove the super-cycle. It, however, ended around 2015 and resulted in a debt burden on Sub-Saharan countries. Further, the import costs of fuel and food rose due to Russia's attack and the pandemic recently. Moreover, the debt-relief programs of the early 2000s failed to address structural deficiencies that make these nations vulnerable to financial stress. Any future attempts cannot ignore these structural concerns.



## Revolt Against King Dollar

Tired of dollar diplomacy and strength, countries around the globe are exploring alternatives to the USD. The US had excluded Russia from transacting in dollars and eliminated it from the SWIFT payment mechanism. This raised concerns over the politicization of the greenback among several nations. Now, countries are trying to de-dollarize and settle their debt in local currency. Russia and China are working hard to promote their currencies for international payments. India has also initiated the rupee internationalization.



Moreover, this year, the dollar showed a significant strength of 7%, which resulted in pulling other currencies, like the Indian rupee and the British pound, down to historic lows. These exponential gains in the greenback affected countries with massive debt. Some nations, like Sri Lanka, defaulted on their debt repayments and went bankrupt due to the appreciation of the dollar. Several other countries are facing similar issues as they are importing goods at higher prices, resulting in domestic inflation.

## Minimum Tax on Multinational Companies

For a long time, countries have proposed that a minimum tax should be levied on big businesses. Companies that operate in foreign countries avoid paying taxes or are paying meager taxes through tax-haven benefits. Due to this, Organisation for Economic Cooperation and Development (OECD) concluded the implementation of two pillars. Pillar One includes that the companies need to pay taxes to the government where they generate profit. Pillar two consists of implementing the global minimum tax.



Moving forward with the plan, the EU agreed to levy a minimum of 15% tax on multinational businesses, which would boost global tax revenues by \$150bn annually. The government will use the revenue generated to spend on building their domestic economy. It will also help improve the government's debt metric across the globe. However, some countries are still against this move and do not want to implement the minimum tax as they wish to continue to offer low tax rates to MNCs to lure them into investing.

# INDIA INC.

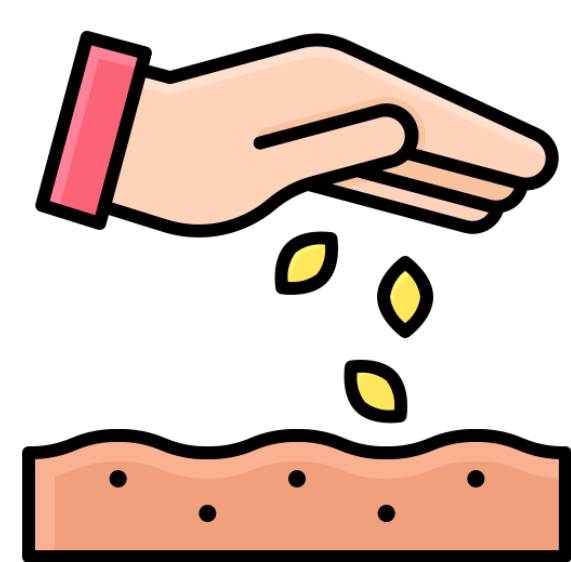
## Vedanta's Booster Shot for Semiconductor Sector

To create an ecosystem for producing semiconductors and glass displays in India, the Vedanta Group has entered into agreements with 30 Japanese technology firms. With this initiative, the Indian electronics industry, which earlier focused on technology transfer services, will become a hub for electronics manufacturing. In 2021, MEITY announced an incentive scheme for silicon fabrication plants and semiconductor manufacturing to curb domestic shortages. The Centre was set to accept at least two semiconductor fab plans, but there was no confirmation. The country's semiconductor mission seemed to be at a standstill until recently with Vedanta and Taiwan's Foxconn agreement with the Gujarat government to invest \$20bn in establishing a semiconductor manufacturing plant. It aims to provide affordable electronics for the domestic market while also attracting global players from across the value chain, including manufacturers of highly sophisticated and delicate equipment, materials (high-purity gases, chemicals, wafers, photomasks), equipment service providers, and so on.



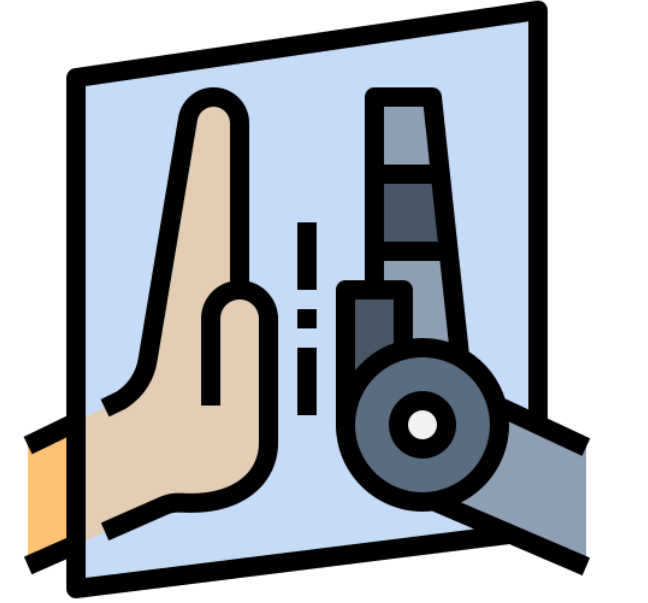
## Russia-Ukraine Conflict Fuels India's Fertilizer Crisis

The Russia-Ukraine dispute has aggravated India's fertilizer issue since imports cover the country's annual requirement of 30 lakh tons of potash sourced via Belarus and Russia. This can hurt soil health in the long run. Farmers disregarded this critical crop nutrient and used urea, diammonium phosphate, and NPKS (Sodium, Phosphorus, Potassium, and Sulphur) instead because of the high prices induced by the Ukraine-Russia conflict. Following the outbreak of warfare, the retail price of Muriate of Potash (MoP), mostly imported, soared in international markets due to acute shortage, resulting in supply problems. The price hike had to be passed on to farmers since the government subsidy on potash is low. India is actively seeking more suppliers to secure enough supply by increasing fertilizer imports from countries like Canada, the United States, and Israel. Moreover, the fertilizer sector needs to become self-sufficient to avoid the impact of significant volatility in international pricing. In this regard, five urea factories in the public sector are being resurrected.



## Digital Divide- a New Face of Inequality

India is observing a growing divide between digital haves and have-nots due to unprecedented technological and digital advancements. The increasing significance of the internet and the quick digital transformation necessitated by the pandemic has become incredibly challenging as the majority of the population needed exposure to electronics, the Internet, and technological know-how to transition to a digital world. Only 20% of Indians are adept at utilizing digital services out of 60mn users. The rise of digitization unfairly benefits mostly male, urban, higher, and upper-class groups and individuals. With an increased reliance on digital transformation, the divide affects education, healthcare, transportation, financial inclusion, and every aspect of life possible, exacerbating existing social inequalities and depriving individuals of vital resources.



Government programs such as the National Digital Literacy Mission and the Pradhan Mantri Gramin Digital Saksharta Abhiyan have been implemented to enhance digital literacy. It is also critical to strengthen the current digital infrastructure to provide physical access and incentivize people to adopt technology into their everyday lives, and digital skills must be taught to enable such a shift.

## Natural Gas - India's Strategic Fuel

Around 89% of India's energy needs are satisfied by fossil fuels emitting substantial greenhouse gases. With rising concerns, the government recognized the relevance of natural gas in the energy transition and has set an ambitious goal of increasing natural gas's share of energy to 15% by 2030.

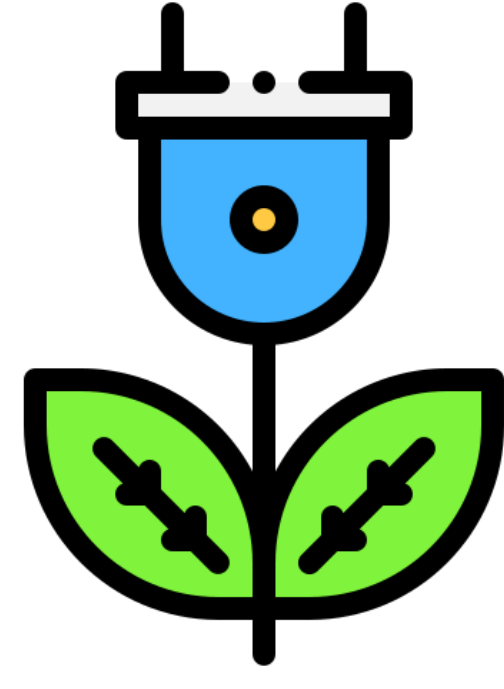


The substitution of coal for natural gas in the industrial sector lowers the price of domestically generated gas, which becomes accessible for household use, reducing the need to import LNG. Natural gas will also have a positive societal impact. Pipeline gas will provide urban households with a consistent supply of clean fuel, supporting a healthy lifestyle. Increased natural gas consumption will also result in employment opportunities in the form of LNG terminals, city gas projects, and petrochemical facilities.

# GOVT. POLICIES

## The Sustainable Energy Bill

The Rajya Sabha approved the Energy Conservation (Amendment) Bill in December, which states that



significant power consumers must mandatorily meet a part of their energy requirements with renewable energy. A carbon credit scheme has been introduced to restrict carbon emissions. The government will provide carbon credits to organizations that overachieve energy targets. They can sell and purchase credits to satisfy the carbon budget. If they fail, they will be penalized or obliged to buy credits to compensate for underperformance. The bill attempts to compel the use of non-fossil sources of energy and feedstock, such as green hydrogen, ethanol, and biomass. Energy-saving measures reduce the requirement for energy production and greenhouse gas emissions. These have favorable effects on energy stability in a nation like India, which depends on imports to meet energy demands. The proposal establishes carbon markets, brings significant residential structures within the Energy Conservation regime, extends the reach of the Energy Conservation Building Code, and modifies penalty provisions. The introduction of carbon pricing is essential to help India achieve its net-zero target.

## Equity Funds to be Immune to Taxes?

AMFI has proposed that any capital gain on equity funds be exempted if held for more than 36 months. This



is believed to boost long-term equity investments and channel more household savings into equity markets, benefiting the Indian economy.

The mutual fund industry is endorsing uniform taxation of capital gains from mutual funds and Unit-Linked Insurance Plans (ULIPs) issued by insurance companies. ULIP gains are tax-free if the sum insured is at least ten times the premium paid, the money is taken after a five-year lock-in period, and the premium paid is less than ₹2.5lakhs.

Further, AMFI has urged the government to stop classifying shifts within the same scheme, such as direct to regular and growth to dividend and vice versa, as transfers that attract capital gains tax.

## Government Metrics to Match the Trade Figures

The Indian government reported significant mismatches in India-China trade figures.

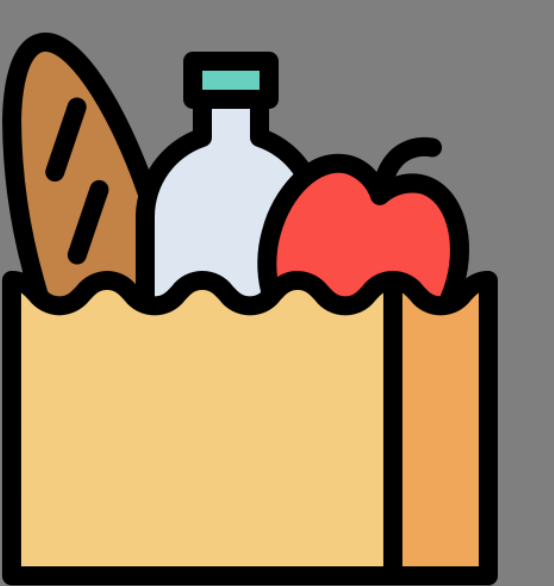


There have been widespread under-invoicing and misdeclaration of steel imports from China to avoid basic customs charges and GST on gadgets, metals, and electronic goods. Therefore, the government has developed new valuation metrics for imports. The government now intends to release a value assessment to sensitize field formations to prevent undervaluation. While China claimed that trade with India reached \$103bn in the first nine months of FY22, India's records reveal that bilateral trade was just \$91bn. The importers show minor alterations in the chemical composition of steel and degrade it to lower-grade metal to offer lower prices.

The disparity in trade numbers provided by the countries has expanded from \$5.2bn in 2018 to roughly \$12bn presently. The government would like to investigate what price commodities were exported from China as per Chinese customs data and what price goods were imported by Indian importers according to Indian customs data. If there is a difference, it is due to undervaluation, and India might levy anti-dumping taxes. However, if both are the same, China might have been dumping.

## New Year's Gift for 80cr Citizens

The union government has committed to making rations free for 81.3cr for a year instead of the subsidized rates under



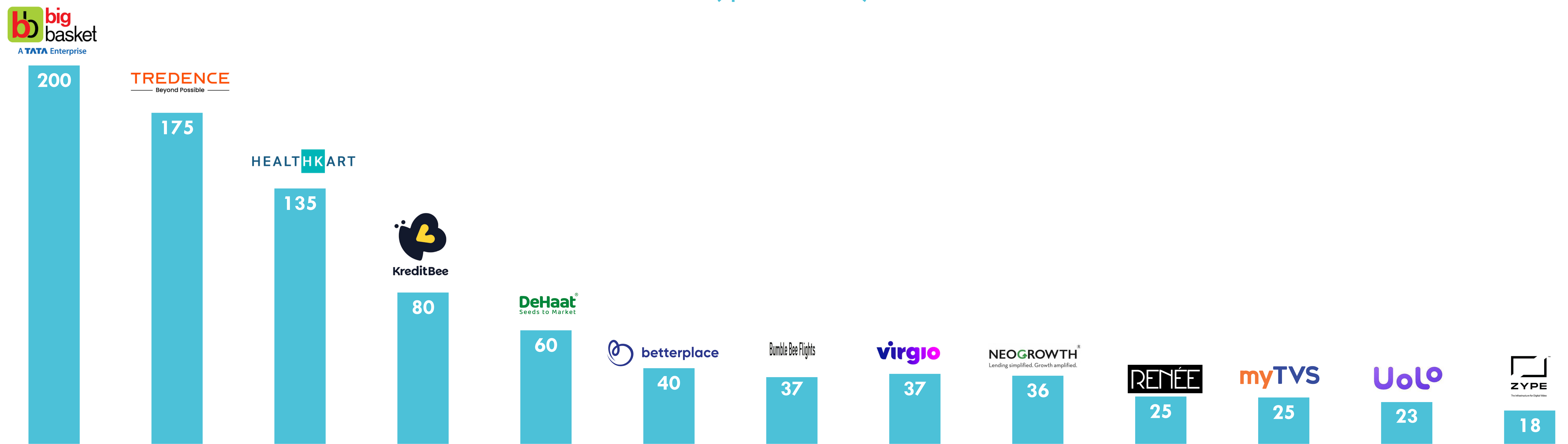
the National Food Security Act (NFSA) until December 2023.

The decision is mainly to incorporate into the Act the special free ration plan – Pradhan Mantri Garib Kalyan Ann Yojana (PMGKAY), which began in 2020 after Covid impacted livelihoods. The move to make ration free under the Act will cost the government ₹2lakh crore for a year.

The new scheme would assist the government in reducing food subsidy disbursements while also providing relief on the food stock front, which had dwindled this year owing to reduced wheat procurement, increased exports, and demand from PMGKAY.

# START-UPS

## Major Funding Raised by Start-ups for the Period 28th Nov'22 to 24th Dec'22 (\$ Million)

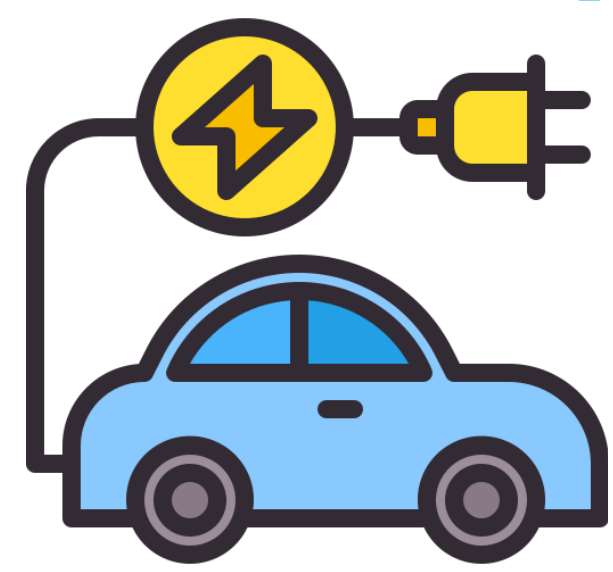


Source: Entracker

107 start-ups raised around \$1174.9mn in the month. Bengaluru-based start-ups have been the most successful in securing funds, followed by Mumbai and Delhi-NCR start-ups. Fintech, trailed by D2C, has been the most dominant sector.

### Revamping India's Heavy-Duty Vehicle Industry

In India's thriving EV ecosystem, electric 3-wheelers have gained popularity. However, the production of medium and heavy commercial vehicles are largely restricted. These vehicles haul tons of cargo on Indian highways, consume significant amounts of fuel, and add to the growth of nitrogen oxides in the atmosphere. Electron EV, located in Hyderabad, has emerged as one of the few players to address this issue. It entered the Indian market in August this year with its prototype zero-emission medium and heavy-duty commercial. It claims to be creating ground-breaking powertrain solutions to lessen the environmental impact of trucks and other heavy-duty commercial vehicles, ultimately transforming the nation's transportation ecology.



However, India has no business producing prismatic cells, which are the most effective cell configuration for heavy-duty commercial EVs. With this, it could be difficult for the firm to electrify automobiles in India without an effective supply-chain environment.

### Daily Puja Flowers Now at Your Doorstep

Wouldn't it be handy if there was a system in place for delivering fresh flowers at home, just like newspapers or milk packets? This idea struck the creators of Havoo, a startup that delivers fresh puja flowers to doorsteps. The traditional puja flower industry is largely lacking in growth. The supply chain is still highly disorganized and fragmented, and there is significant waste. After being harvested, the flowers are sent through a number of handling stages, and by the time they are delivered to the buyer, they lose their freshness. Adding a contemporary touch to the long-standing conventional flower business, two sisters established a subscription model for high-quality fresh flowers by reducing the supply chain and utilizing technology in packaging and innovation. After sourcing the flowers, they are cleansed to remove bacteria and humidity, followed by a quality packing method to keep the flowers fresher, increasing the shelf life to 15 days. Havoo generates a yearly turnover of 8crs.

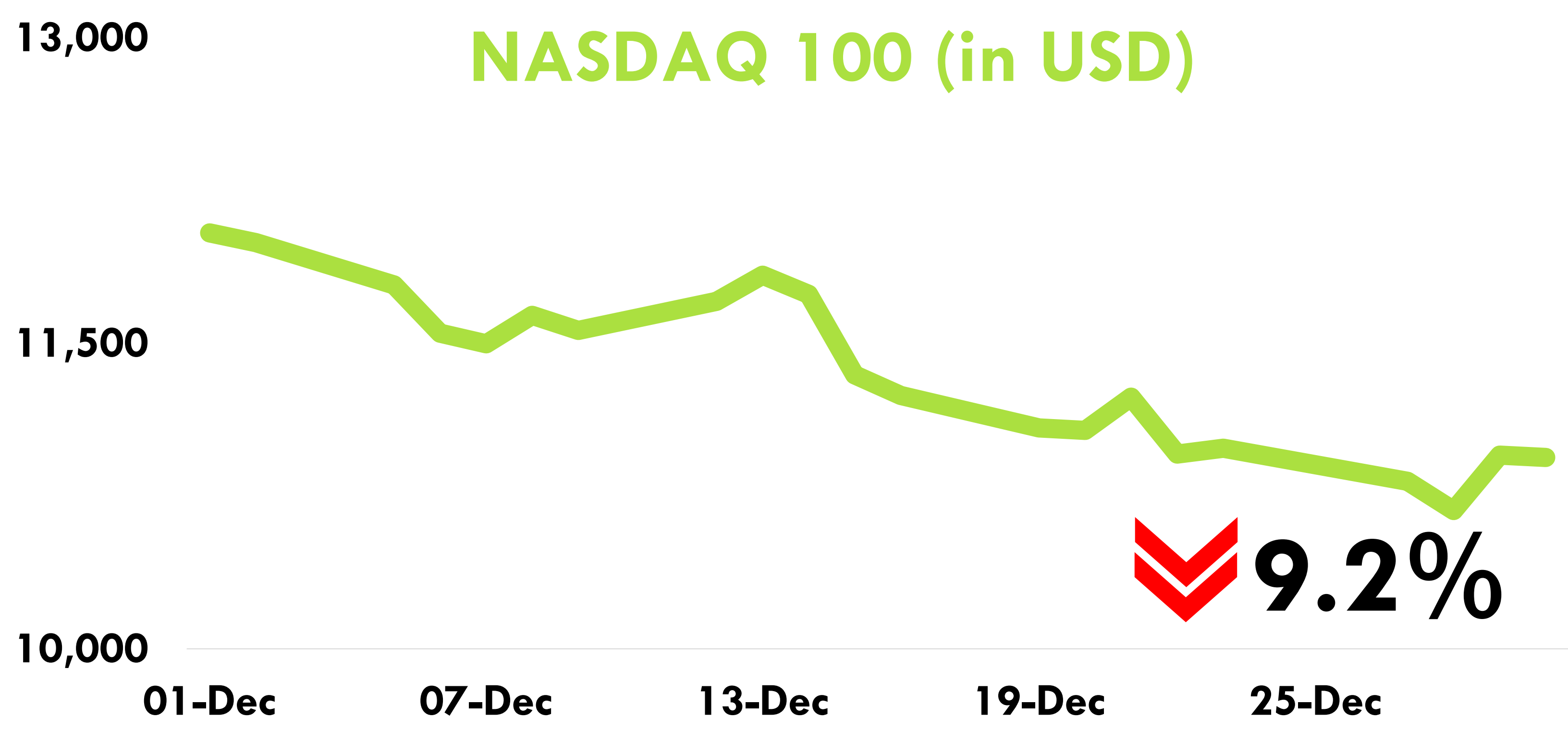


### Pataa - The New Google Maps?

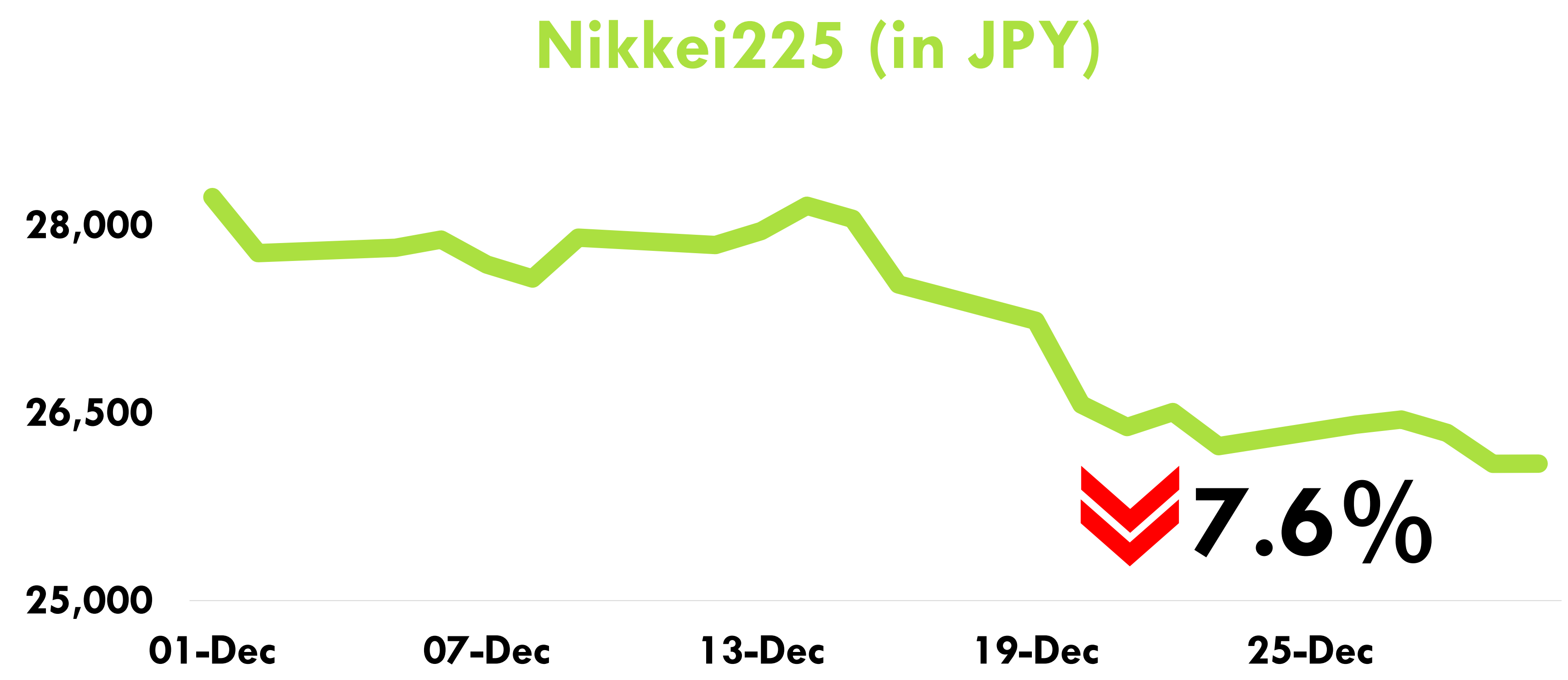
Addresses are often unstructured, particularly outside metropolitan areas. PINs overlap when dealing with a large number of delivery units. Additionally, addresses are linked to landmarks that may be hundreds of meters away, and some places have multiple spellings or names. The Pataa app helps deal with such dilemmas. It allows users to enter an address or set a pin on a digital map, which converts it into a short code of 7 to 11 alphanumeric characters of their choice. Features like complete addresses, landmark markings, audio directions, property images, and address QR codes have helped over 5mn people locate the exact building without spending additional time or effort to furnish extra details.

Such technology is a boon for delivery companies, restaurants, and healthcare services.

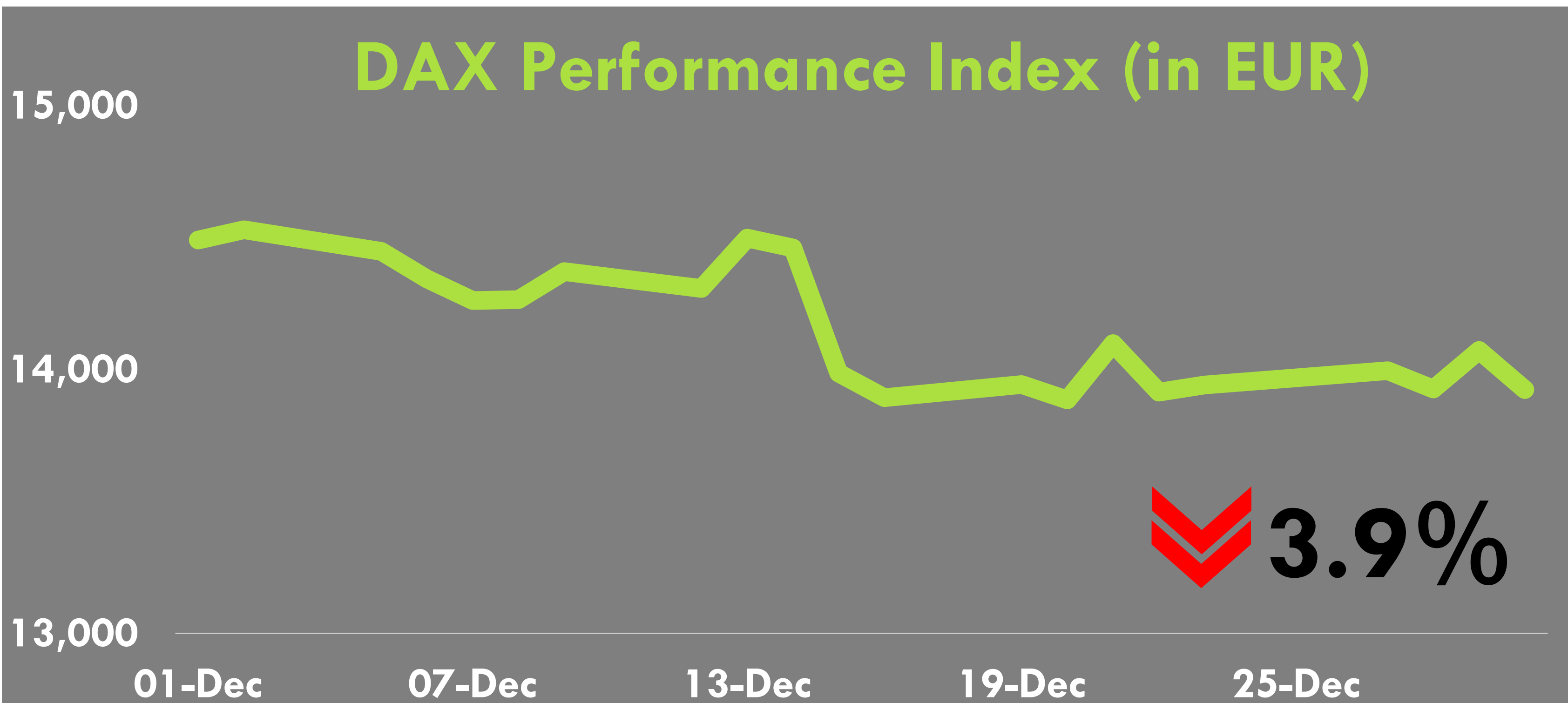
# GLOBAL INDICES



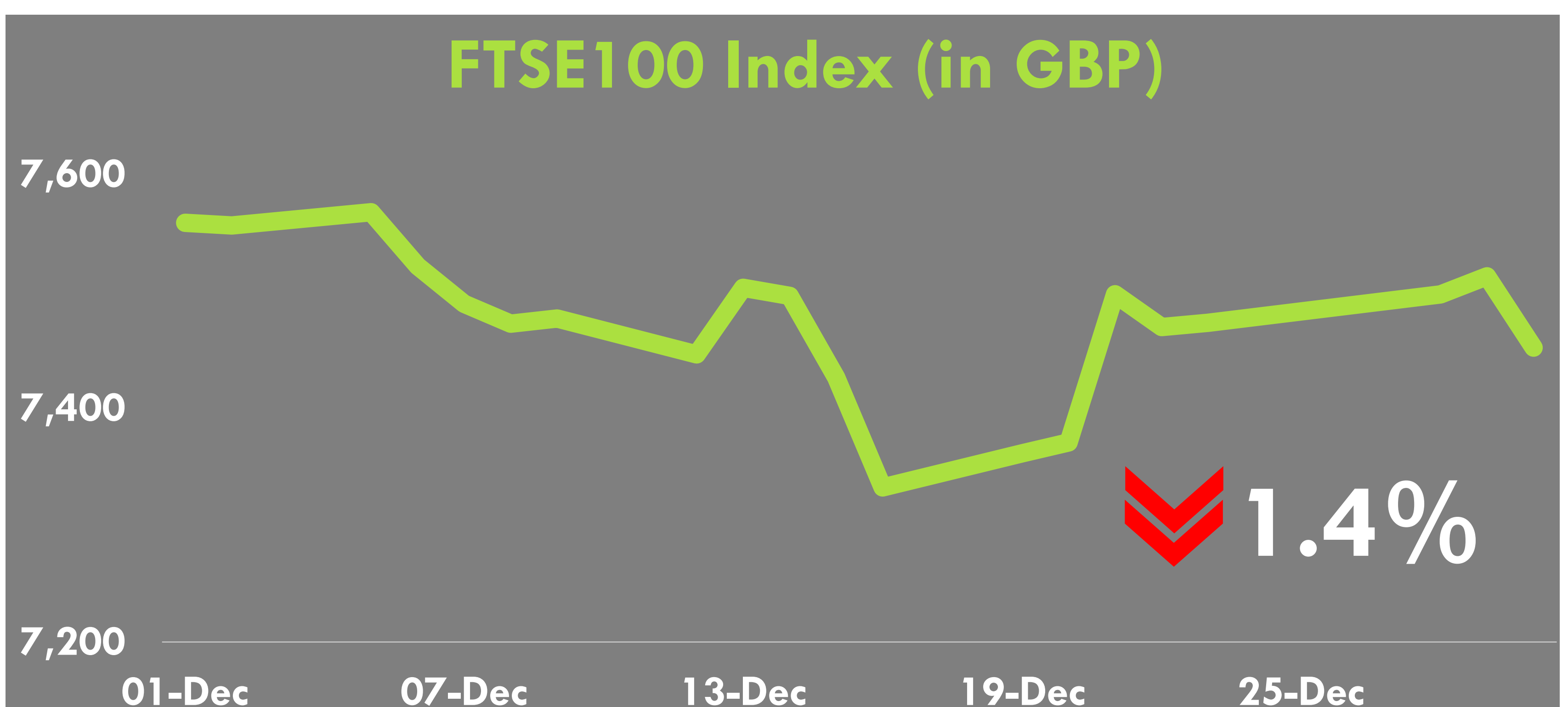
This month, the tech-heavy index witnessed a heavy selloff. The Fed's hawkish tone to get the inflation under control, and increasing unemployment claims, further raised recession concerns among investors. Moreover, the key driving factor was gloomy corporate news from heavy-weightier stocks like Netflix, Nvidia, Amazon, and Microsoft.



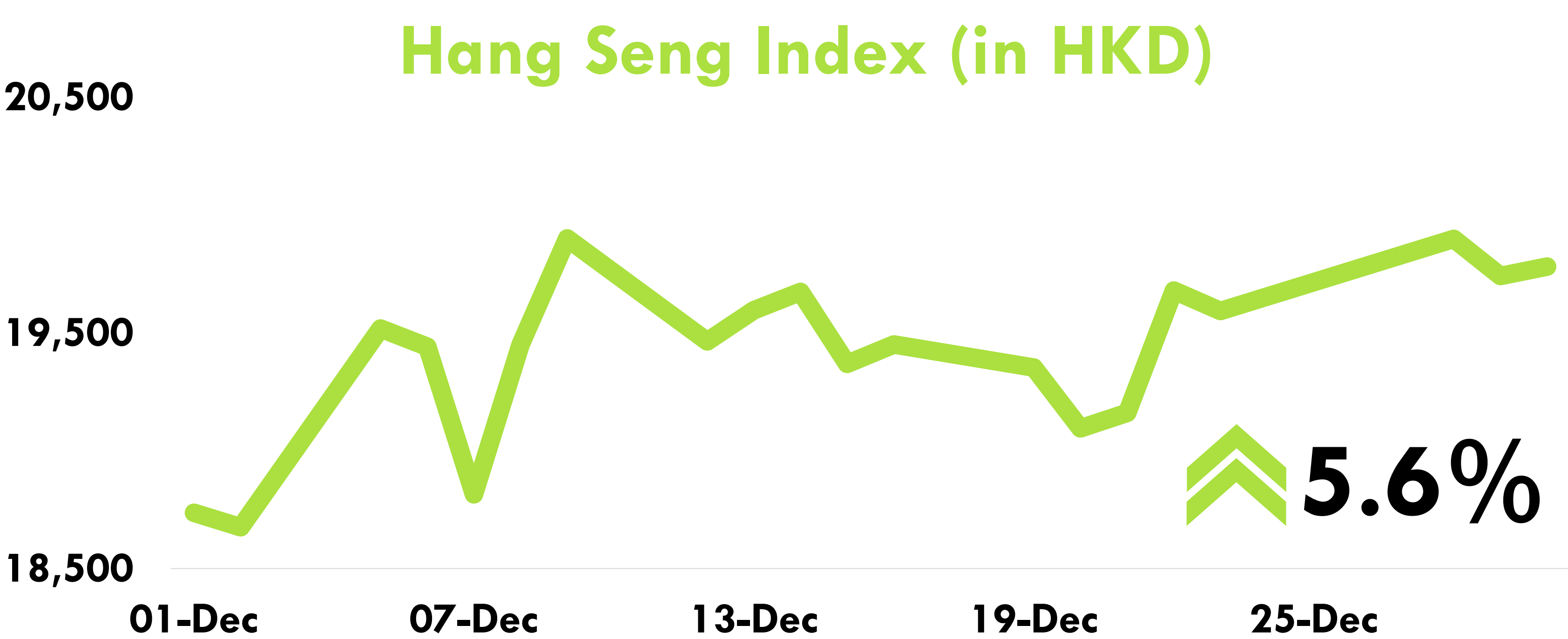
The Nikkei 225 index began the month positively but quickly fell on global recession fears and rising concerns of monetary policy tightening coupled with a selloff in risk assets. Bank of Japan's call to widen their yield target to defend the yen has led to a steep fall in the index. Moreover, amid rising COVID-19 concerns in China, the Asian markets tumbled as investors feared a weak supply chain as the central banks tried to manage inflation.



The DAX index tumbled as investors fretted over a hawkish message from the Fed. China, which is a major export market for European companies, slowed down its industrial production and retail sales due to COVID fears. The ongoing Russia-Ukraine war has left the energy crisis unresolved, and the ECB continued to raise interest rates. This dented the index further.

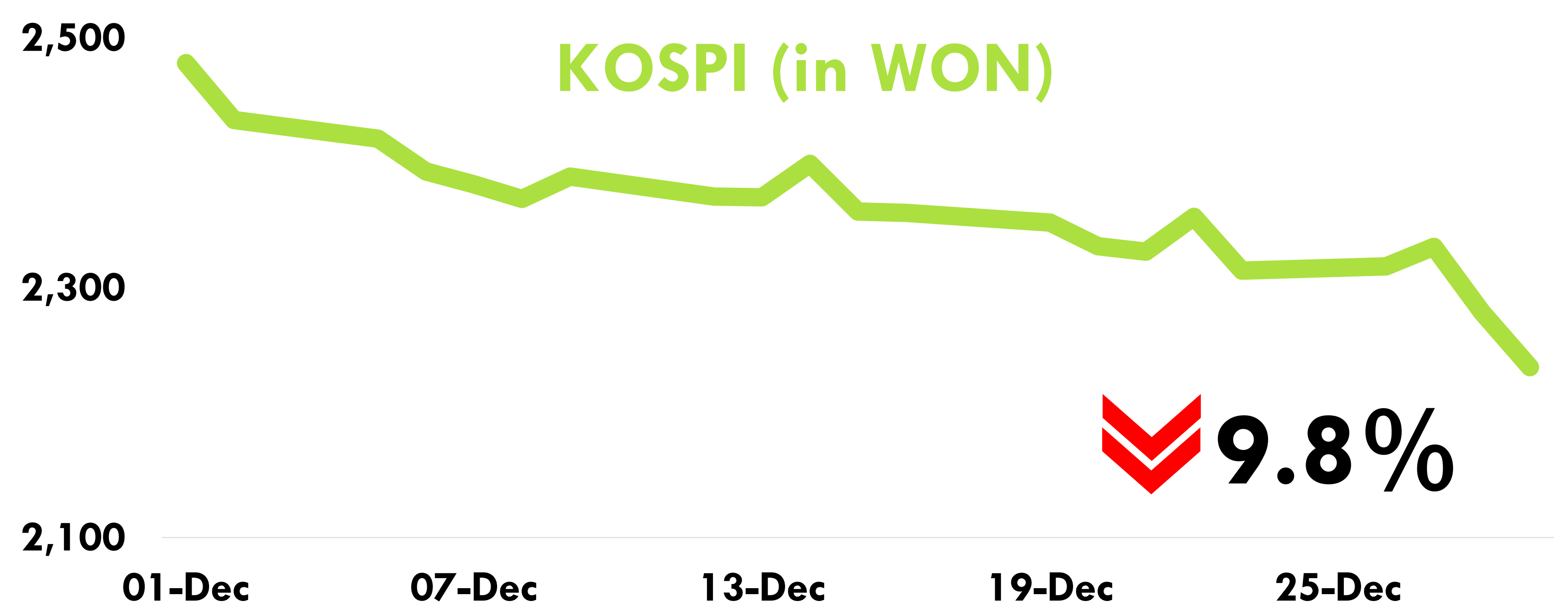


The blue-chip FTSE 100 slid consistently following the 9<sup>th</sup> consecutive rate hike from the Bank of England and a hawkish tone from the Fed. The UK retail sales and manufacturing activity declined during the month. Moreover, the big freeze in the UK has bought a surge in energy prices that undermined the equity markets. The index was also weighed slightly down by domestic and political uncertainty.



Hang Seng stocks rose amidst the announcement of COVID easing measures, contrary to equity declines across much of Asia. The property and technology stocks led to gains in the index. Alibaba and Nio stocks were the top gainers. The country's zero-covid policy that was taken up had dampened consumer sentiment, which was restored after signs of shifting away from strict policy measures.

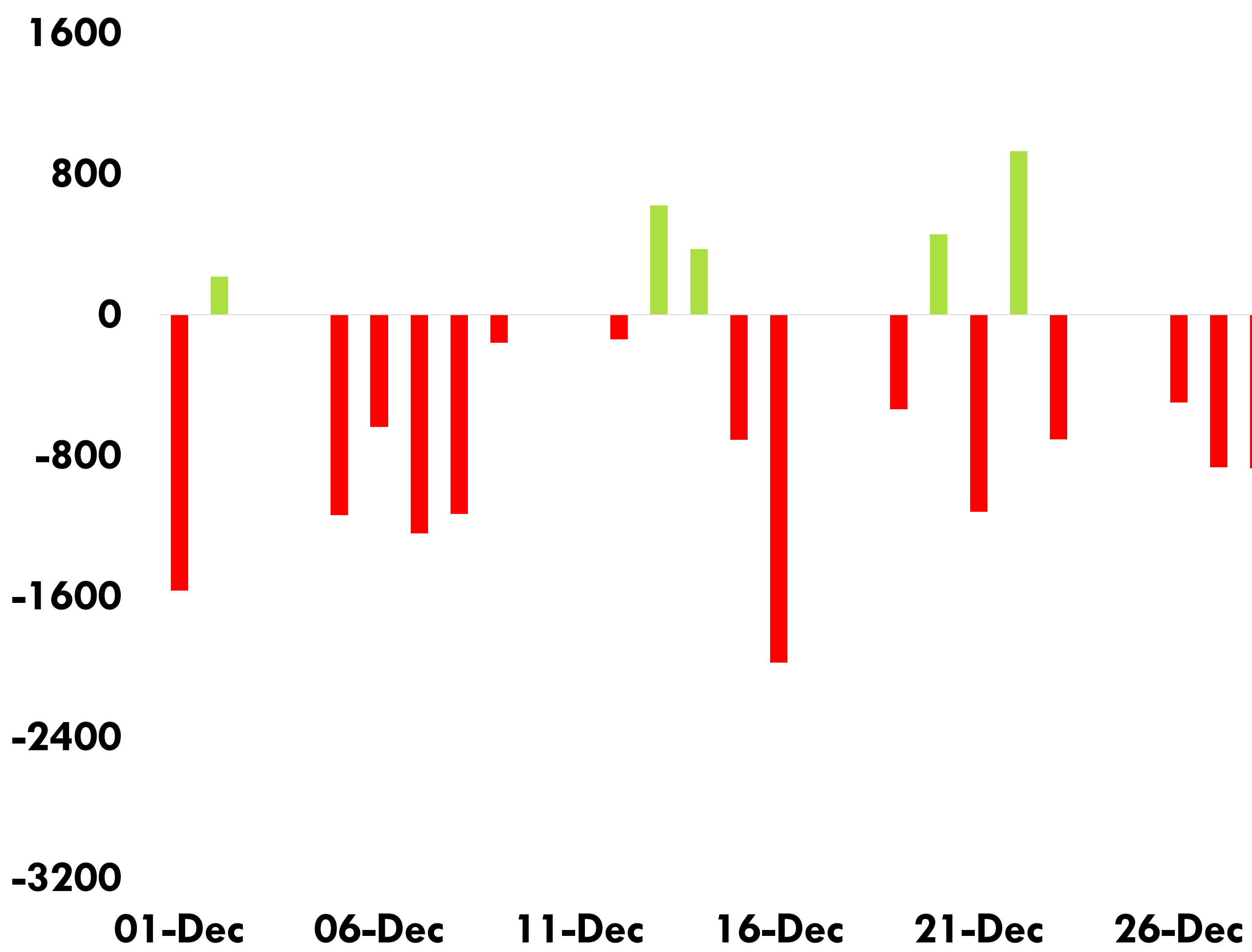
Source: Investing



Kospi remained bearish throughout the month, thanks to the mixed sentiments in the global markets. A decline in chip and internet gains have put South Korean equities on a fall. Global Unichip Corp, Vivotek Inc, Faraday Technology Corp, Central Reinsurance Co, and Lung Hwa Electronics were among the top losers. The index also saw a selloff from foreign and institutional investors.

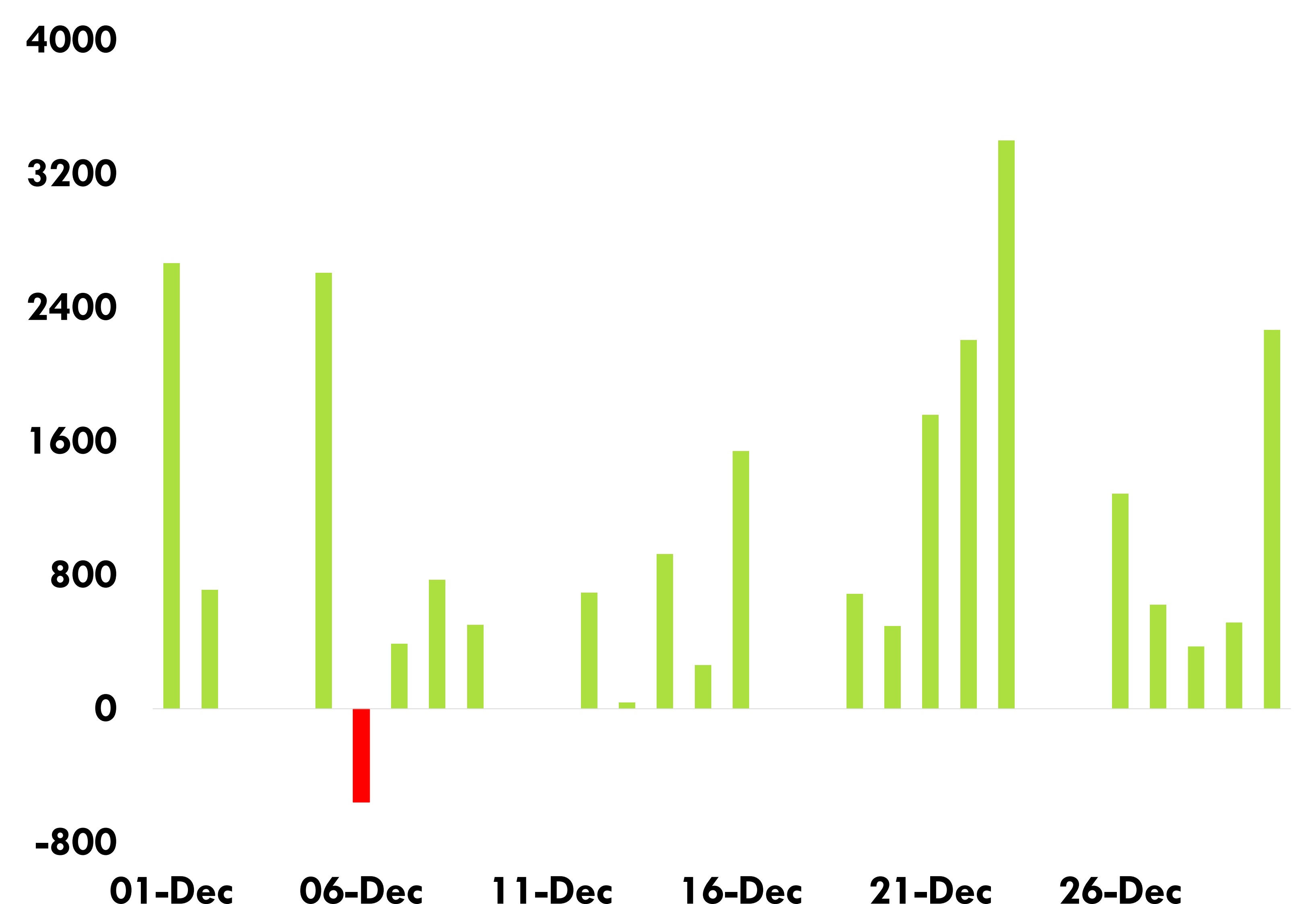
# EQUITIES

FII Net Investment in December'22 (₹ Crores)



Source: NSDL

DII Net Investment in December'22 (₹ Crores)



Source: NSDL

In December, FIIs sold equities worth ₹11,280.20cr. Worries about the tightening of monetary policy by the US Federal Reserve and other central banks and the tension in Asian markets due to new pandemic variants globally drove a significant factor in the pullback by FPIs. Heavy profit bookings were recorded this month. On the other hand, an increased buying nature was seen by DIIs amounting to ₹21,892.93cr due to escalated investor confidence in the Indian equity markets.

## PINAKA – The AI tool of SEBI

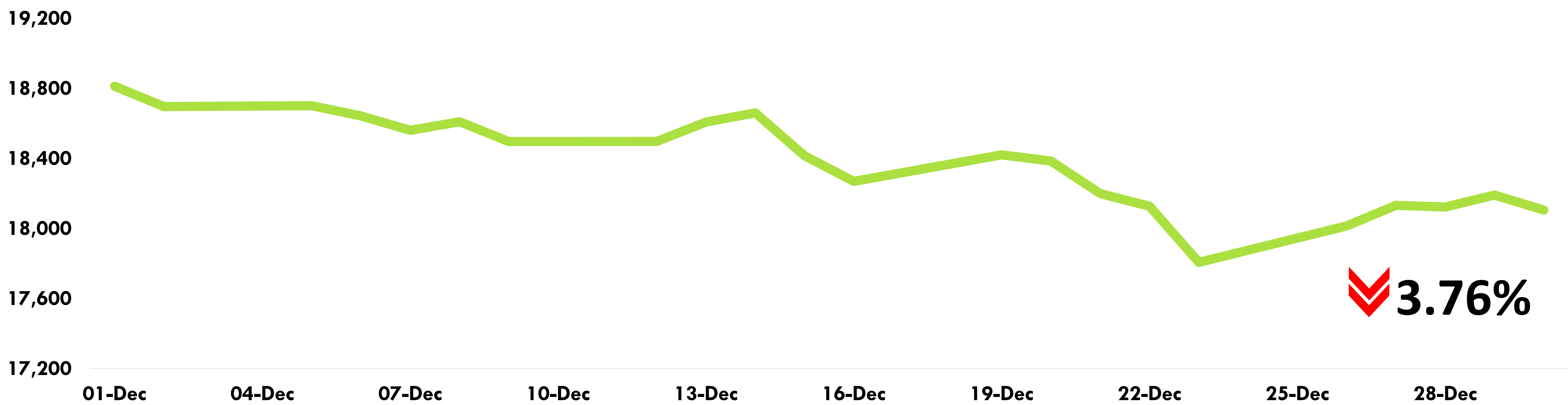
Various bourses-related television shows and recommendations significantly impact investor convictions. An escalation in these shows has led to the transmission of inaccurate and unsolicited investment information, thus misguiding investors. By introducing Picture-based Information News Accumulator and Key Information Analyser (PINAKA), an AI-based system, SEBI aims to scan and form a database of these suggestions. PINAKA plans to evaluate significant shows that present stock recommendations. It will transform unstructured data into structured data after extracting it for monitoring. This will help SEBI closely scrutinize stock recommendations made by TV shows and report any wrongdoings. With the introduction of regulations for finfluencers in the previous month, partnering with AMFI to launch new ones, and now another, it is pretty evident that SEBI is trying to regulate and strengthen the financial markets.

Index	1 <sup>st</sup> Dec'22 (In ₹)	30 <sup>th</sup> Dec'22 (In ₹)	Change (%)	Trend
NIFTY Auto	13,192	12,612	↓ 4.4	
NIFTY Bank	43,261	42,986	↓ 0.6	
NIFTY Consumer Durables	26,622	25,297	↓ 5.0	
NIFTY Financial Services	19,369	19,981	↓ 2.0	
NIFTY FMCG	45,370	44,171	↓ 2.6	
NIFTY IT	31,121	28,622	↓ 8.0	
NIFTY Media	2,161	1,992	↓ 7.8	
NIFTY Metal	6,665	6,723	↑ 0.9	
NIFTY Oil & Gas	8,562	8,438	↓ 1.4	
NIFTY Pharma	13,121	12,598	↓ 4.0	

Source: NSE

# NIFTY50

NIFTY50 December'22 (In ₹)



The movement of the dollar index, the global pandemic concerns, and the timing of the US Fed's pivot remained vital factors that negatively impacted the market. The banking, financial services, and FMCG sectors caused significant disruptions. Additionally, foreign investors witnessed major outflows in December.

## “Independence” in Gujarat

Gujarat will soon witness the launch of “Independence,” an indigenous made-for-India consumer packaged goods brand by Reliance Consumer Products, the FMCG subsidiary of Reliance Retail. The brand targets to provide a wide range of affordable products, including basics, processed foods, and other daily necessities. Reliance intends to develop Gujarat as a “go-to-market” state as the brand prepares for a national rollout to create excellence in execution for its FMCG business. “Independence” aims to solve every Indian's daily needs and stands to influence emotional attachment and inclusivity among Indians. Their products are tailored to meet the needs of Indian consumers. These products will undoubtedly find a home in Indian households because they are not only made in India but, more importantly, made for India.



## M&M Forays Into E.V. Space

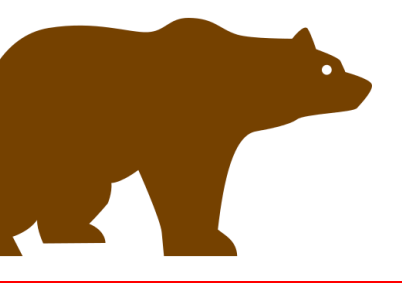
To make investments in the state that has served as Mahindra & Mahindra Ltd.'s “home” for more than 70 years, the Maharashtra Government granted its approval. The company plans to construct an EV production plant in Pune. The investment plan is to set up the manufacturing facility, development, and production of Mahindra's upcoming Born Electric Vehicles (BEVs), 4-wheelers, and e-SUVs over 7-8 years. Between FY24 and FY27, the company anticipates that the forecasted product portfolio will receive capital infusions of more than ₹8,000cr. India's EV segment has been witnessing a surge in demand and investment. With Mahindra's investment and the government's emphasis on progressive laws and “ease-of-doing business,” Maharashtra will be propelled toward becoming India's EV hub and drawing further foreign and domestic direct investments.

## Top Gainers | NIFTY50 | Dec'22



Company Name	Change (%)
Hindalco	5.03%
Tata Steel	4.64%
IndusInd Bank	4.48%
ONCG	4.0%
Axis Bank	3.61%
JSW Steel	3.32%
SBI	1.87%
HDFC Bank	1.22%
Larsen	0.53%
Divis Labs	0.25%

## Top Losers | NIFTY50 | Dec'22



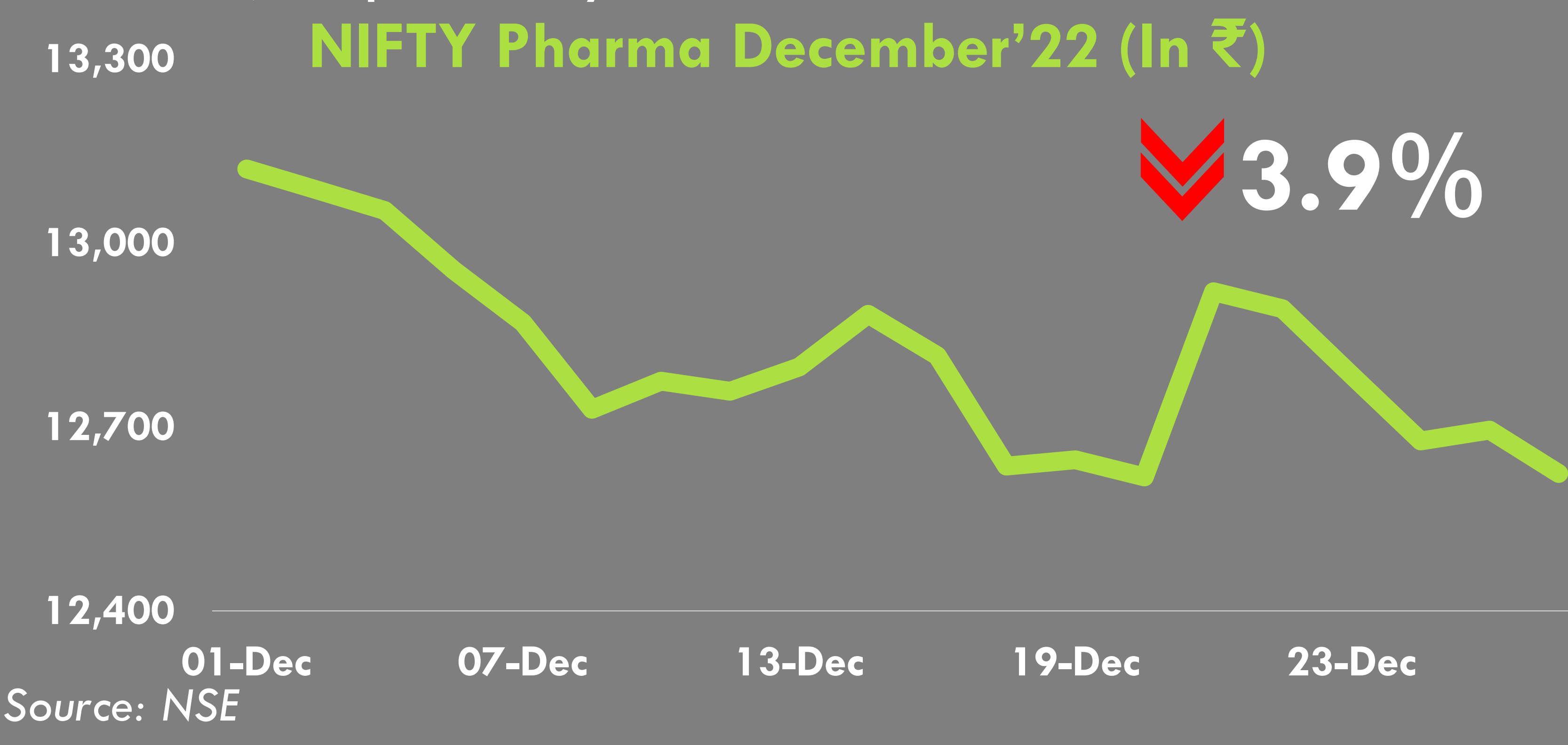
Company Name	Change (%)
Tata Motors	-11.7%
UPL	-9.3%
Infosys	-7.7%
Eicher Motors	-7.4%
HCL Tech	-7.3%
Adani Ports	-7.1%
Reliance	-6.7%
ICICI Bank	-6.5%
Maruti Suzuki	-6.5%
Tata Consumer Products	-6.3%

Source: NSE India

# SECTOR UPDATES

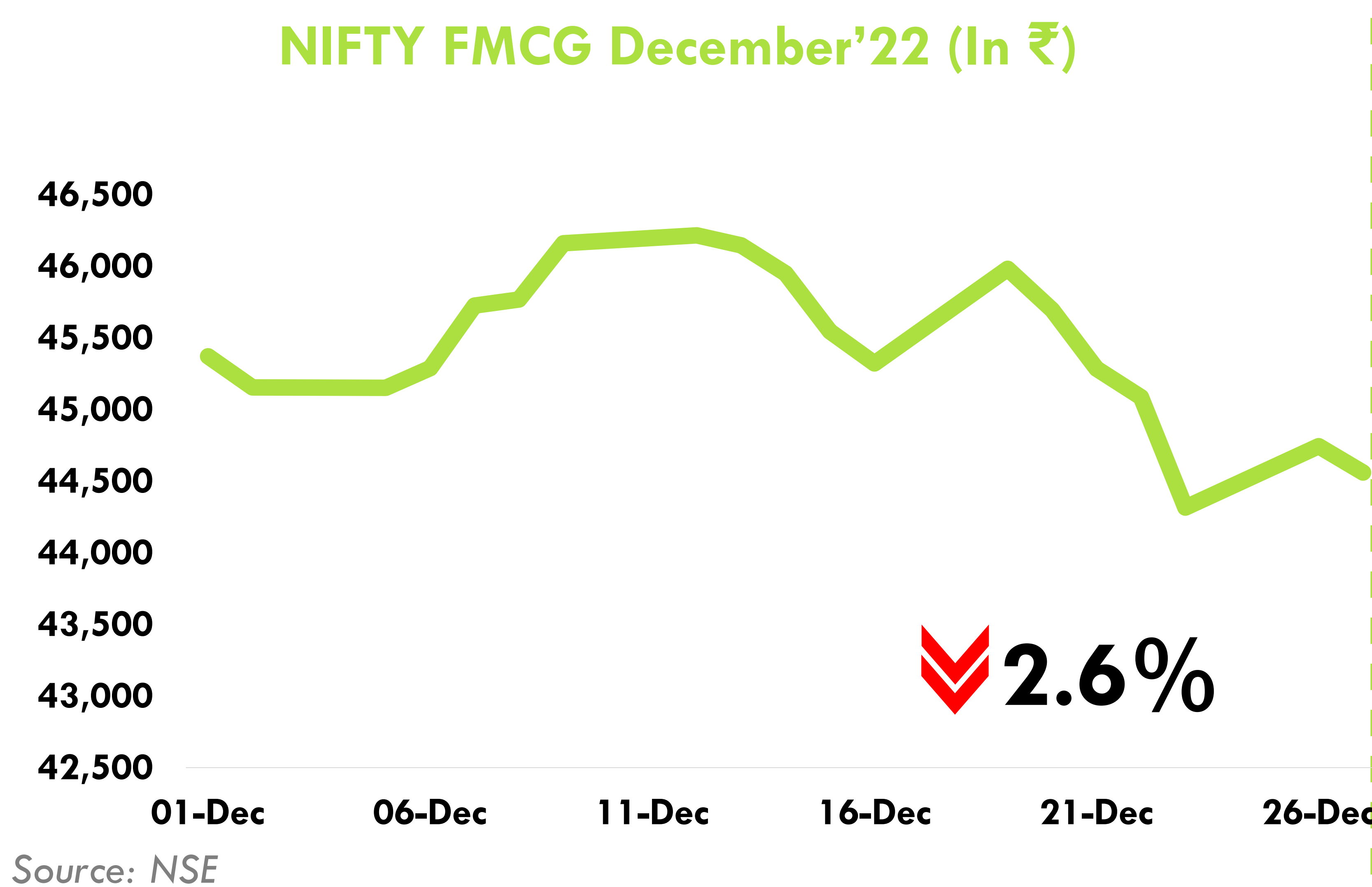
## Pharma Sector

The strengthening of the dollar against local currencies has tightened the pocket of some countries to slow down on their imports; the Indian pharma sector has also taken a hit. However, there is a ray of hope as a bunch of product launches have been lined up in the coming months, which can fuel the revenue for pharma companies. Additionally, intense competition in the US with additional cross-currency risks denting the sales growth is a cause of concern. The Index has shed 3.99%, dragged by Sun Pharma and Gland Pharma, which tumbled 4.44% and 10.27%, respectively.



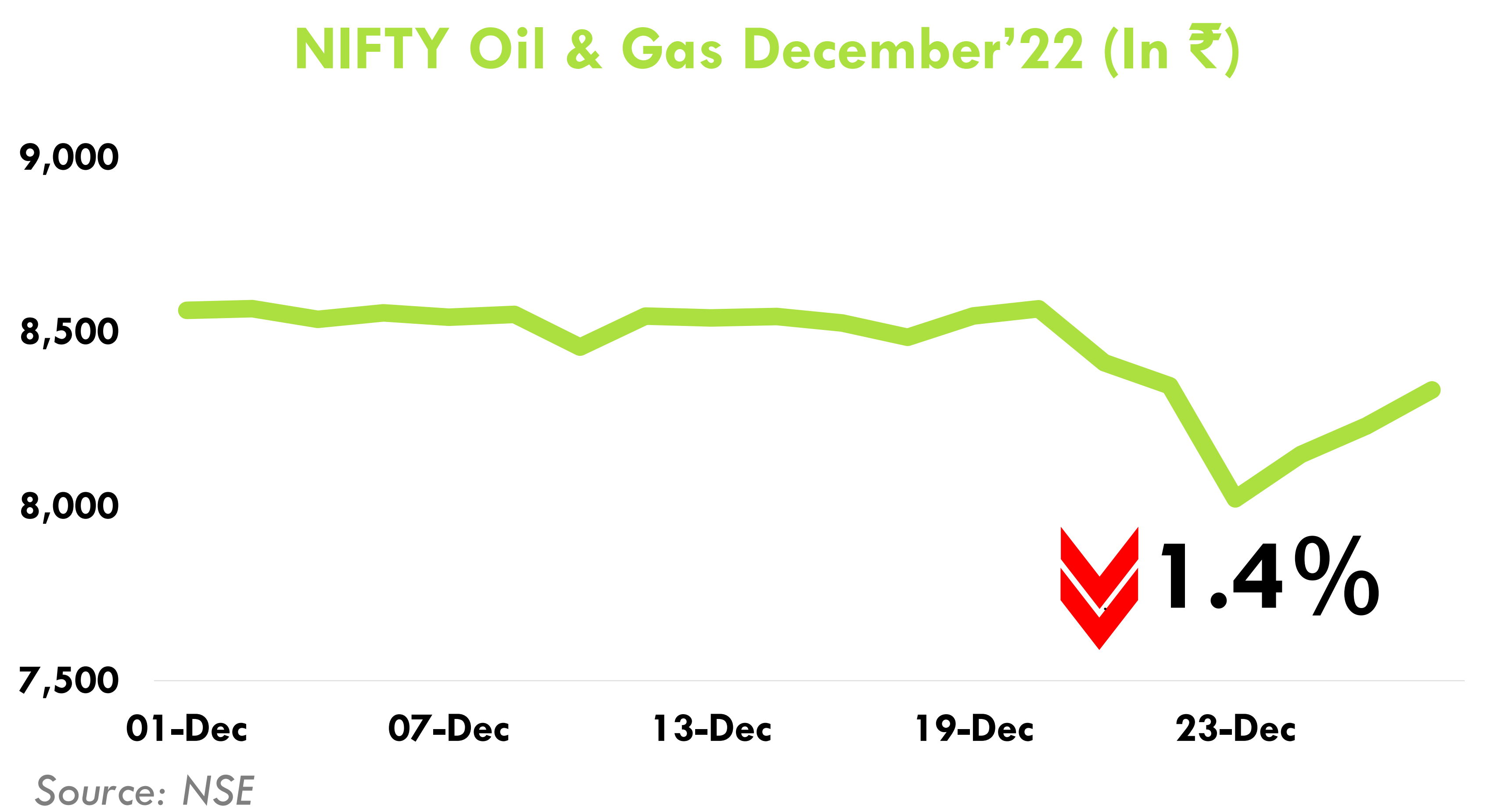
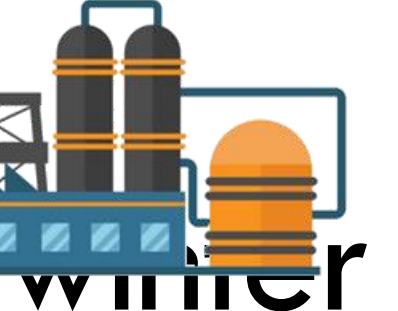
## FMCG Sector

The nosedive in crude price accompanied with additional relief coming from falling palm oil prices helped the sector to see a rise in the first half of the month. However the fuel prices rose again and raw materials, wheat, and sugar cost continued to be higher. The Index ended in red, industry giants like Nestle and ITC shed 5.79% and 2.52%, respectively, while VBL gained 4.68% during the month. A shift in the industry may be seen as Reliance entered the sector with the brand "Independence."



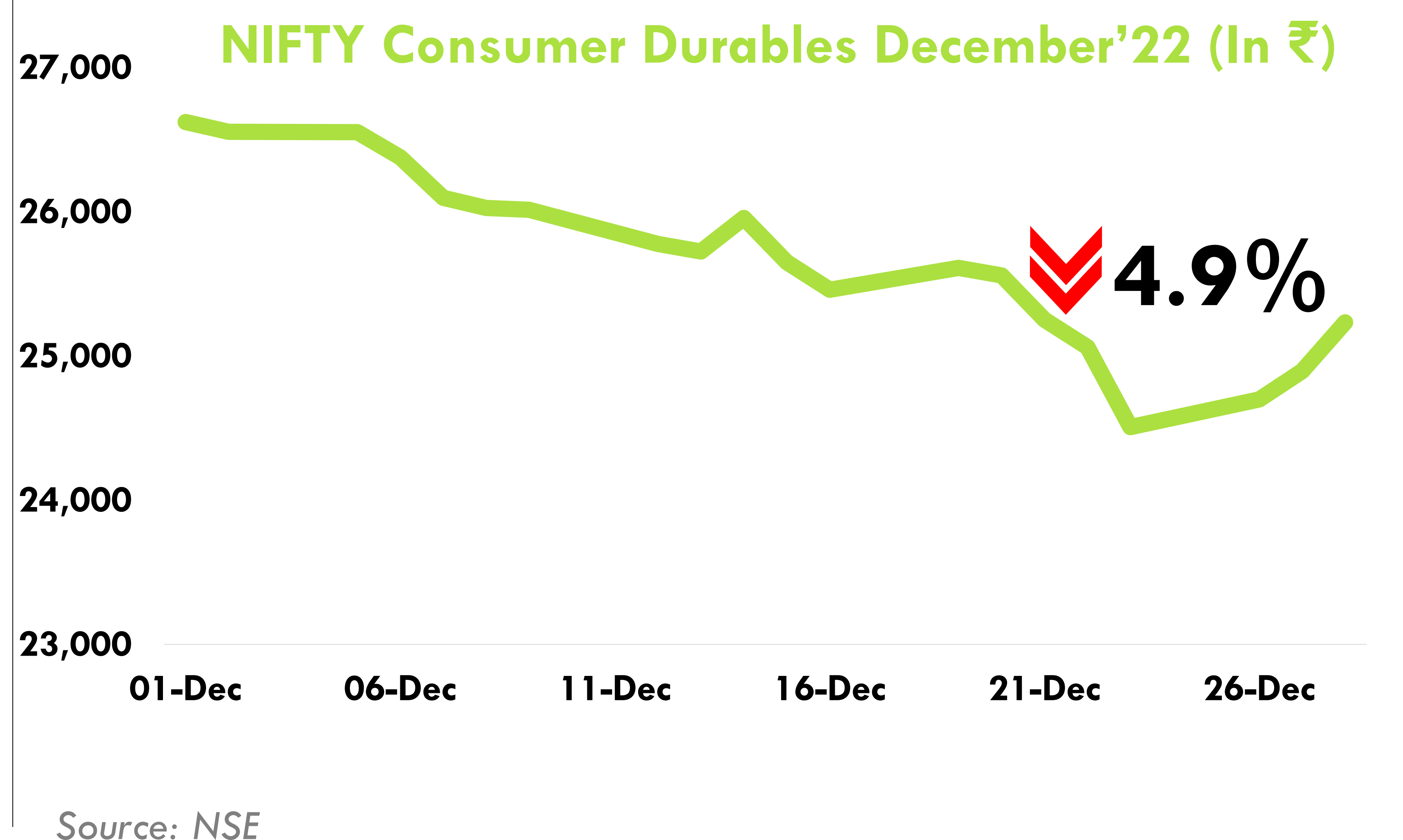
## Oil and Gas Sector

As the US is hit by one of the most destructive winter storms in history, the demand for gas has accelerated, and it's likely to tighten their exports. Moreover, the weakening of Brent Crude has allowed OMCs to refine their margins being at a ten-month high in the wake of a downtrend. China is scrapping its restrictions, while OPEC+ considering a supply cut pulled the oil and gas from its previous fall due to a surge in COVID cases. The sector ended in the red, with the giant Reliance ending 6.74% lower, while ONGC gained 4.00% during the month.



## Consumer Durables Sector

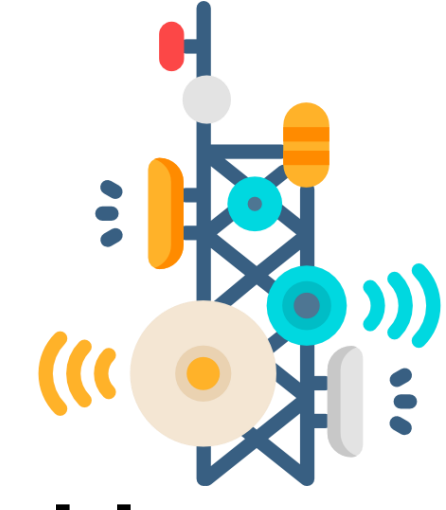
Breaching the pre-pandemic levels, a retail sales growth of 15% was observed in the prior month because of the jammed wedding season driven by the jewelry, garments, and footwear segments. The Index maintained a downtrend due to interest rate hikes, exacerbated by lower volumes and slow demand from the heavy weightier industry like electronics, which has offset the gains. Stocks like Havells and Crompton have fallen by 11.87% and 9.13%, respectively.



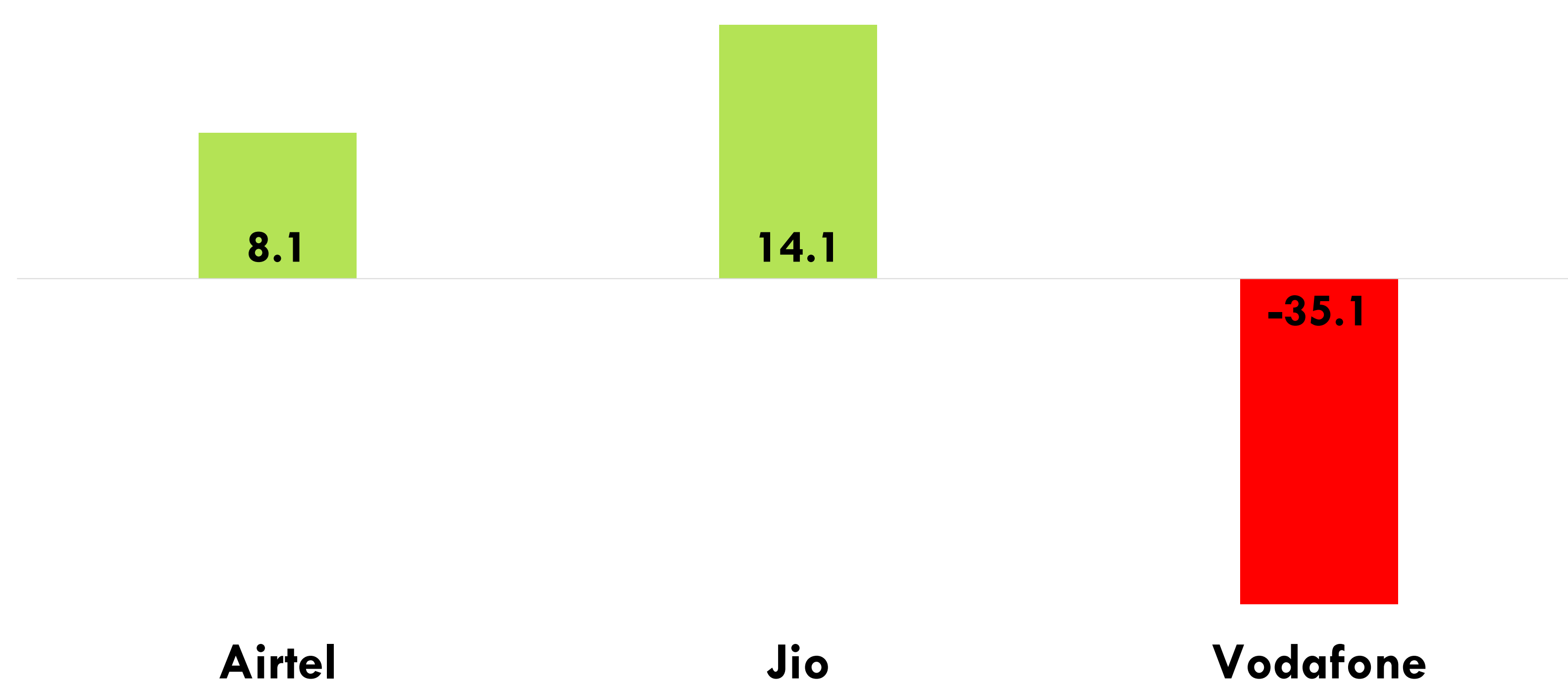
# SECTOR UPDATES

## Telecom Sector

The sector observed the highest attrition in the sixth quarter, bringing it to 12.05%, mainly consisting of tech-driven employees. However, after the launch of 5G in metro cities, companies are now penetrating wider, getting coverage of 50 cities. Leaders like Airtel and Jio have started rolling out with no cost tariff, allowing the user to experience the speed. Additionally, other operators like VI and BSNL are planning to launch 5G by next year.



Addition During December'22 (Lakhs)



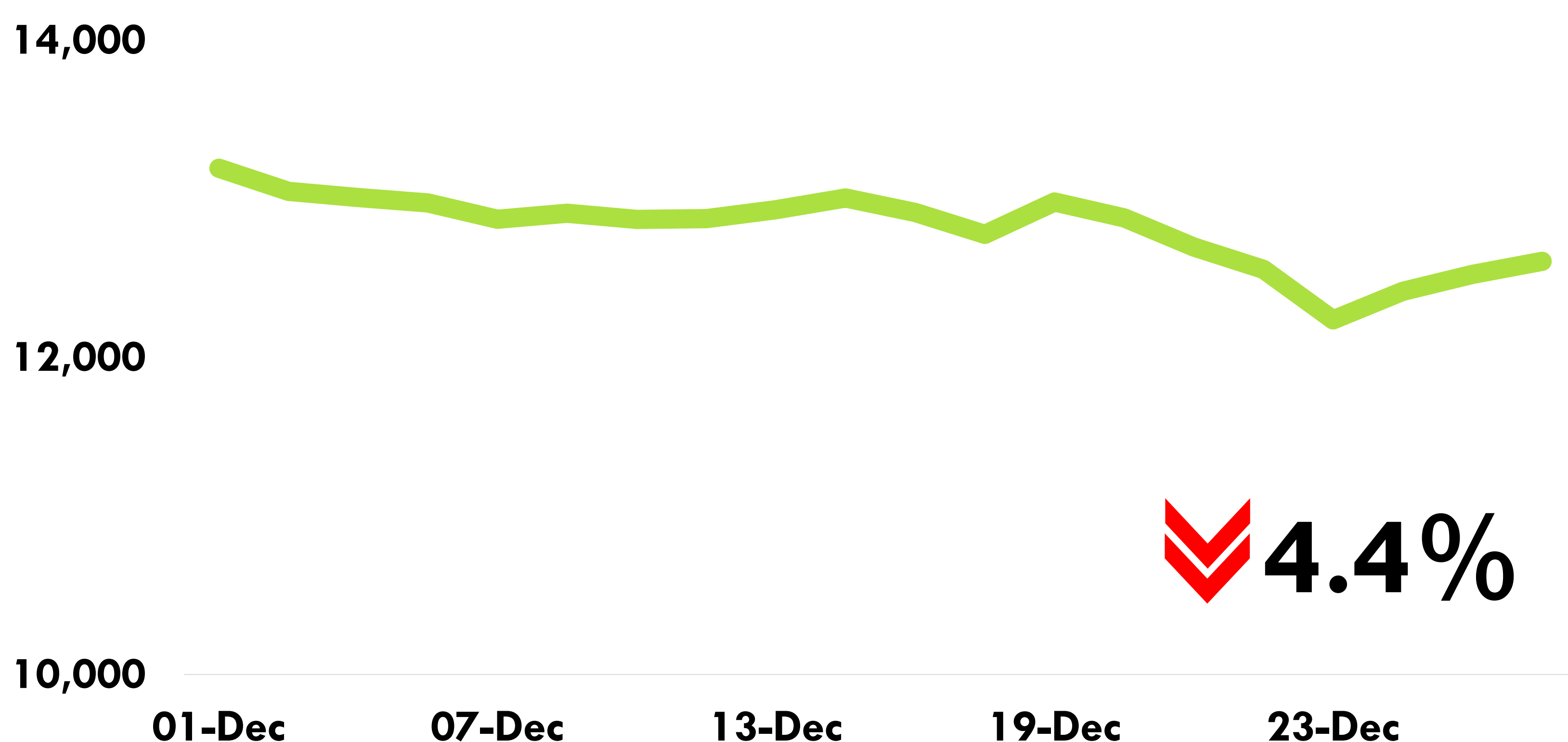
Source: TRAI

## Auto Sector

The Auto sector gained considerable push from the passenger segment, which hit nearly 38 lakh units this year despite hiccups from rate hikes and supply chain issues. The sector faced a dual blow coming from rate hikes and COVID concerns. Despite record sales growth in November the index had been on a free fall for the month. The Index has slumped by 4.4%, with a significant dent coming from Tata Motors and Maruti, which slumped by 11.70% and 6.46%, respectively.



NIFTY Auto December'22 (In ₹)

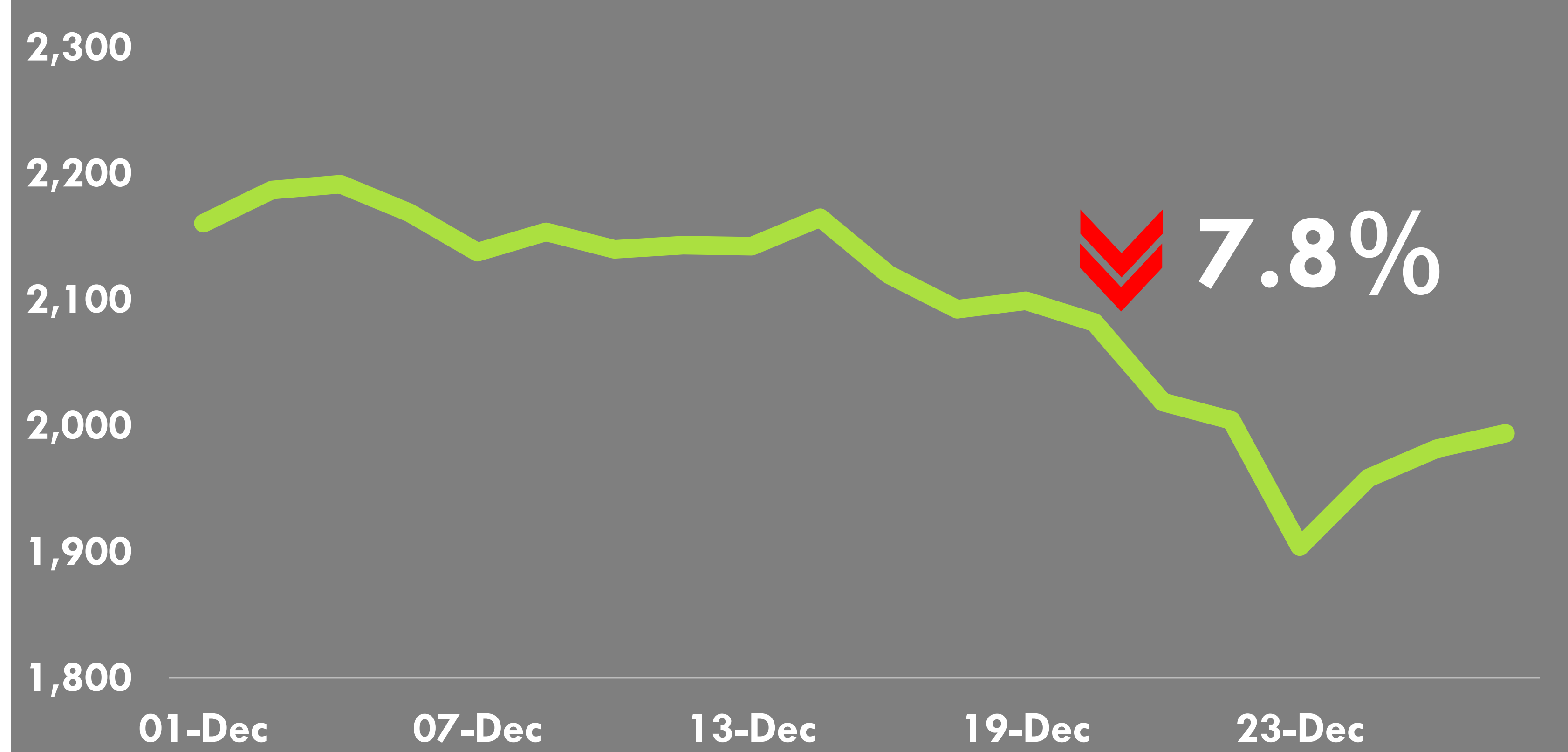


Source: NSE

## Media Sector

The media sector came into the limelight with an event jammed month, with FIFA, conclaves, and election results spiking viewership. Moreover, some much awaited movies' release had driven record footfalls for multiplexes. These factors were embraced by markets. However, as soon as the global factors kicked in, the index got into bear mode sinking nearly 8%, with major pullback coming from Dish TV and Zeel, which shredded more than 11.06% and 9.72%, respectively.

NIFTY Media December'22 (in ₹)



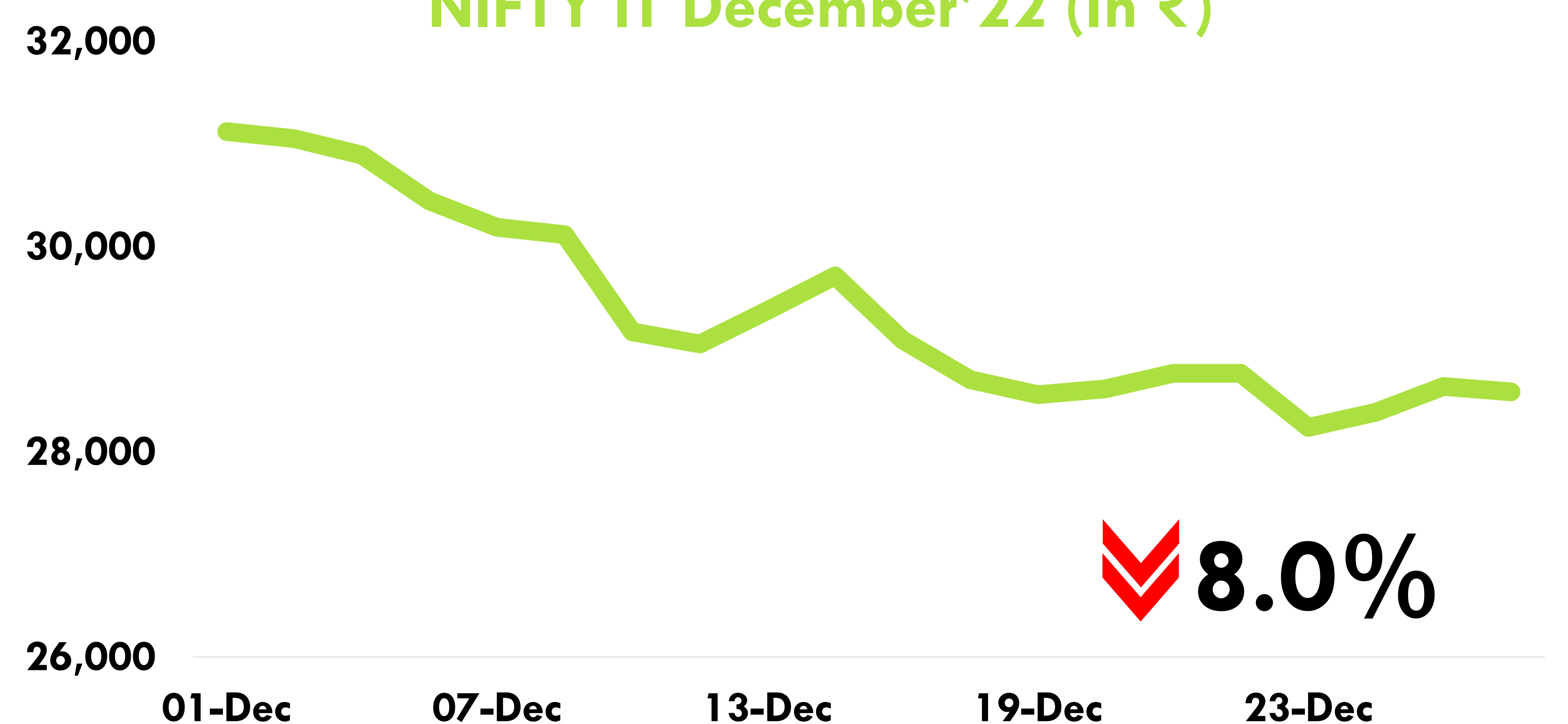
Source: NSE

## IT Sector

After a massive surge in demand during the pandemic, the sector's future prospects seem hazy in the latest COVID concerns. This has been due to recession fear in the US, and macro-risks infiltrating the world economy. India's IT sector may observe a setback as 45% to 60% of revenue accounts from the US. Moreover, the Index bled by 8% this month, with a major setback coming from HCL Tech and Infosys, which had tanked by 7.27% and 7.75%.



NIFTY IT December'22 (In ₹)



Source: NSE

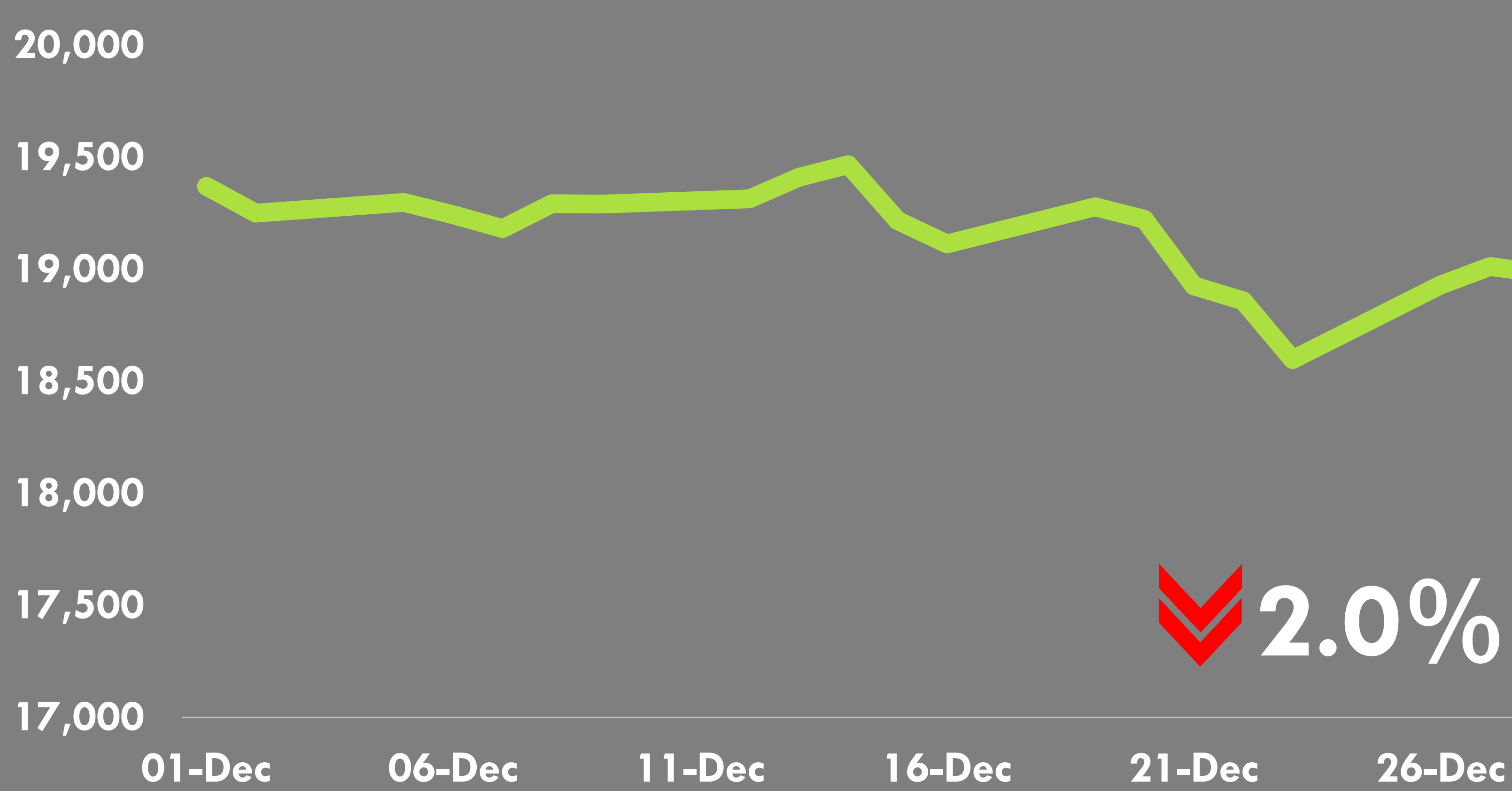
# SECTOR UPDATES

## Financial Services Sector



The financial services sector slumped for the large part of the month amidst rate hikes and global recession fears. The fall, however, was subdued due to increase in insurance demands. The sector has seen strong credit growth of 17.9%, and deposits growth of 9.8%. Additionally, a good chunk of support came from heavyweights, ICICI Lombard and Axis Bank, that surged by 2.3% and 3.73%, respectively.

NIFTY Financial Services December'22 (In ₹)



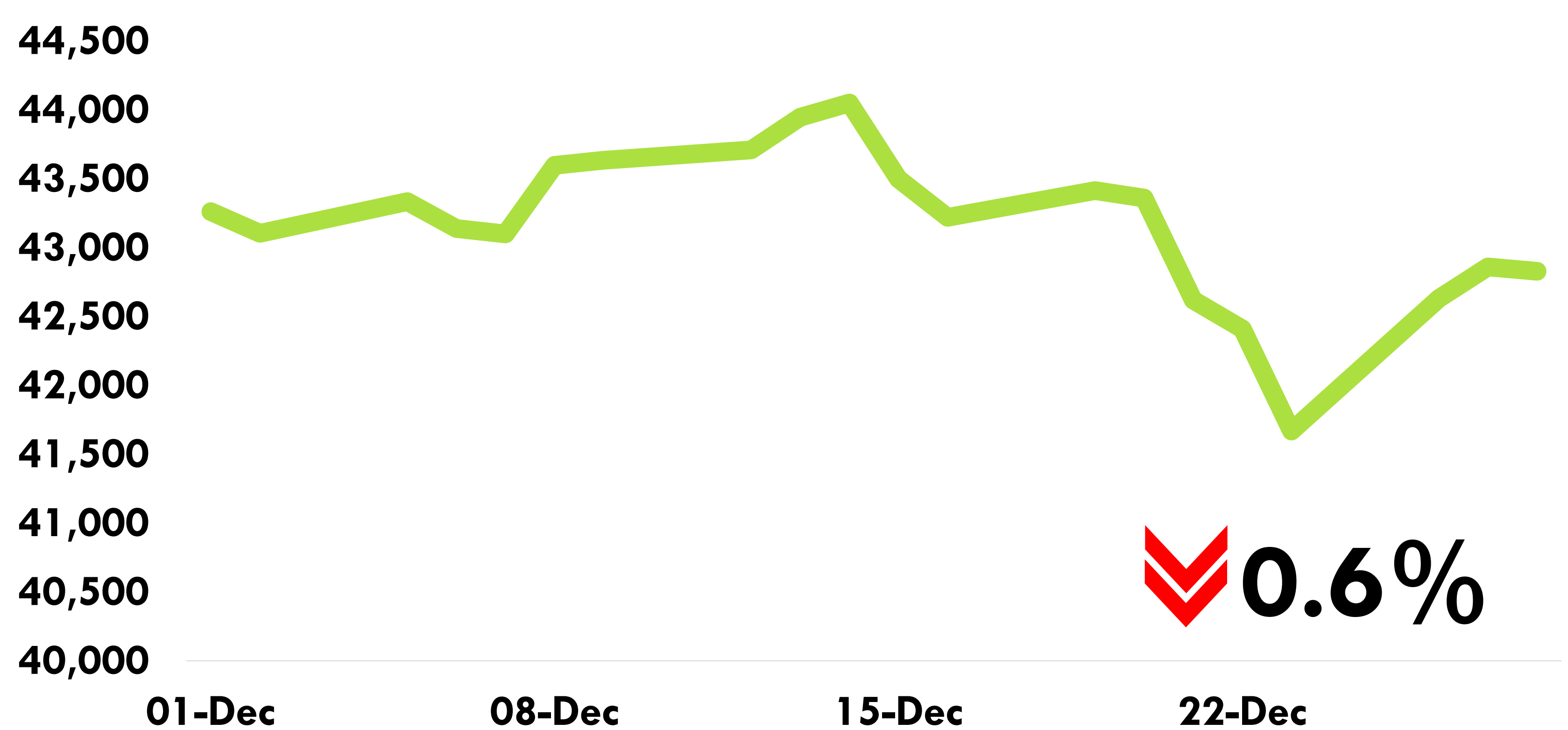
Source: NSE

## Banking Sector



The sector observed a lot of buzz this month as the RBI raised the repo rate for the 5th time this year bringing it to 6.25%. Moreover, further rate hikes can be seen on the cards to sway inflation. Overestimation of the GDP forecast and higher CPI forecast were the key driving factors. However, Indian banks are performing better than our global counterparts, and a slight downfall was observed with Kotak Bank tanking down by 6.22%. Sector leaders, HDFC Bank and SBI rose 1.22% and 1.87% respectively.

NIFTY Bank December'22 (In ₹)



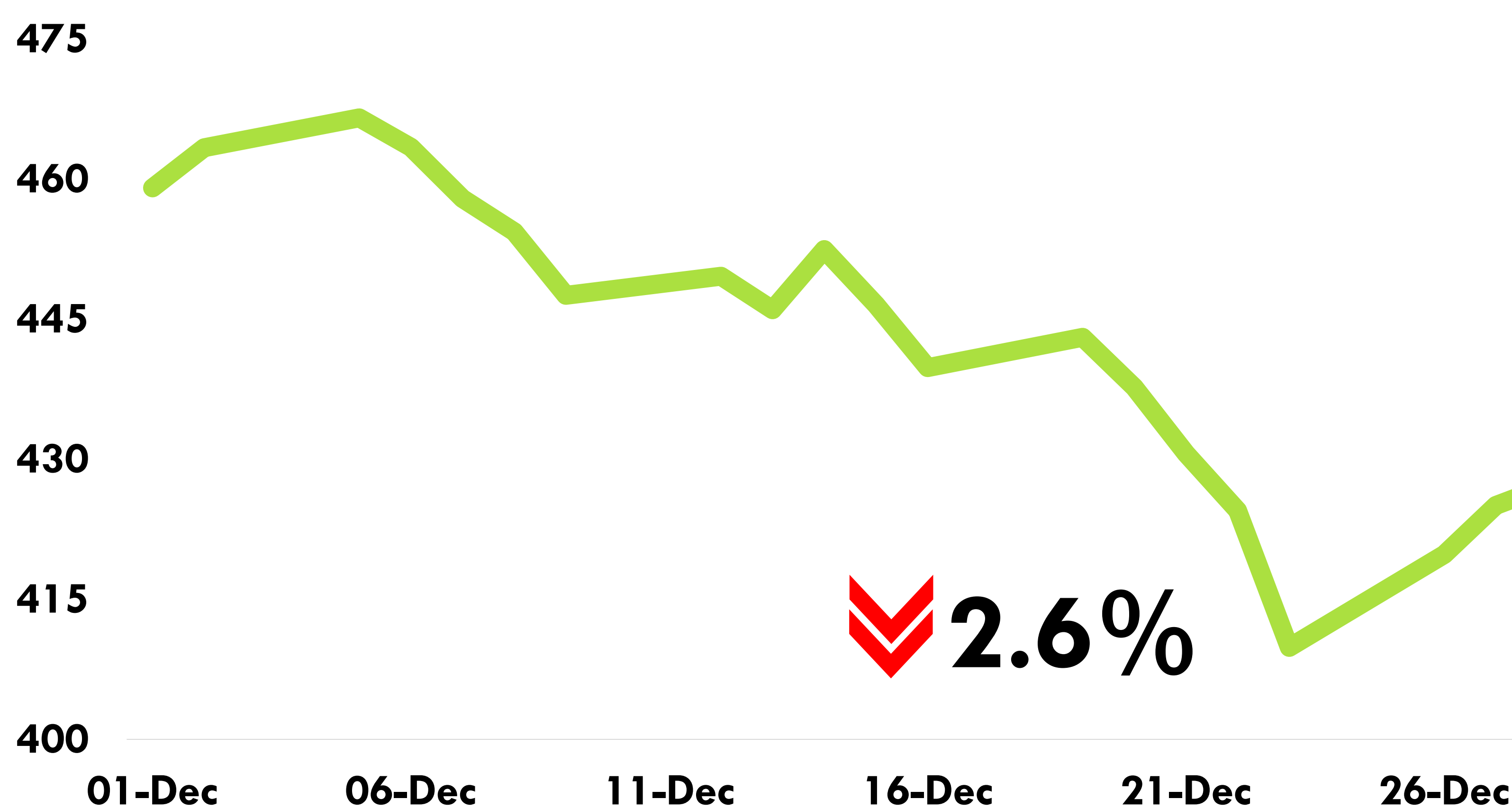
Source: NSE

## Realty Sector



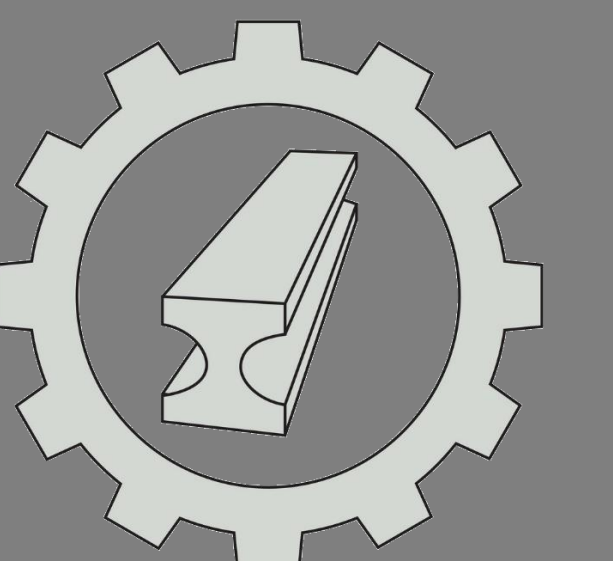
Falling home prices in China had set the pace for India, with the Housing Price Index (HPI) increasing at a stable rate. However, interest rate hikes by several Central Banks tanked the sector's growth despite strong home loans growth data. The interest sensitive sector regained some of its fall by year end. The sector saw significant pullback coming from DLF and Godrej Properties, which plunged by 6.99 and 6.37%, respectively.

NIFTY Realty December'22 (In ₹)



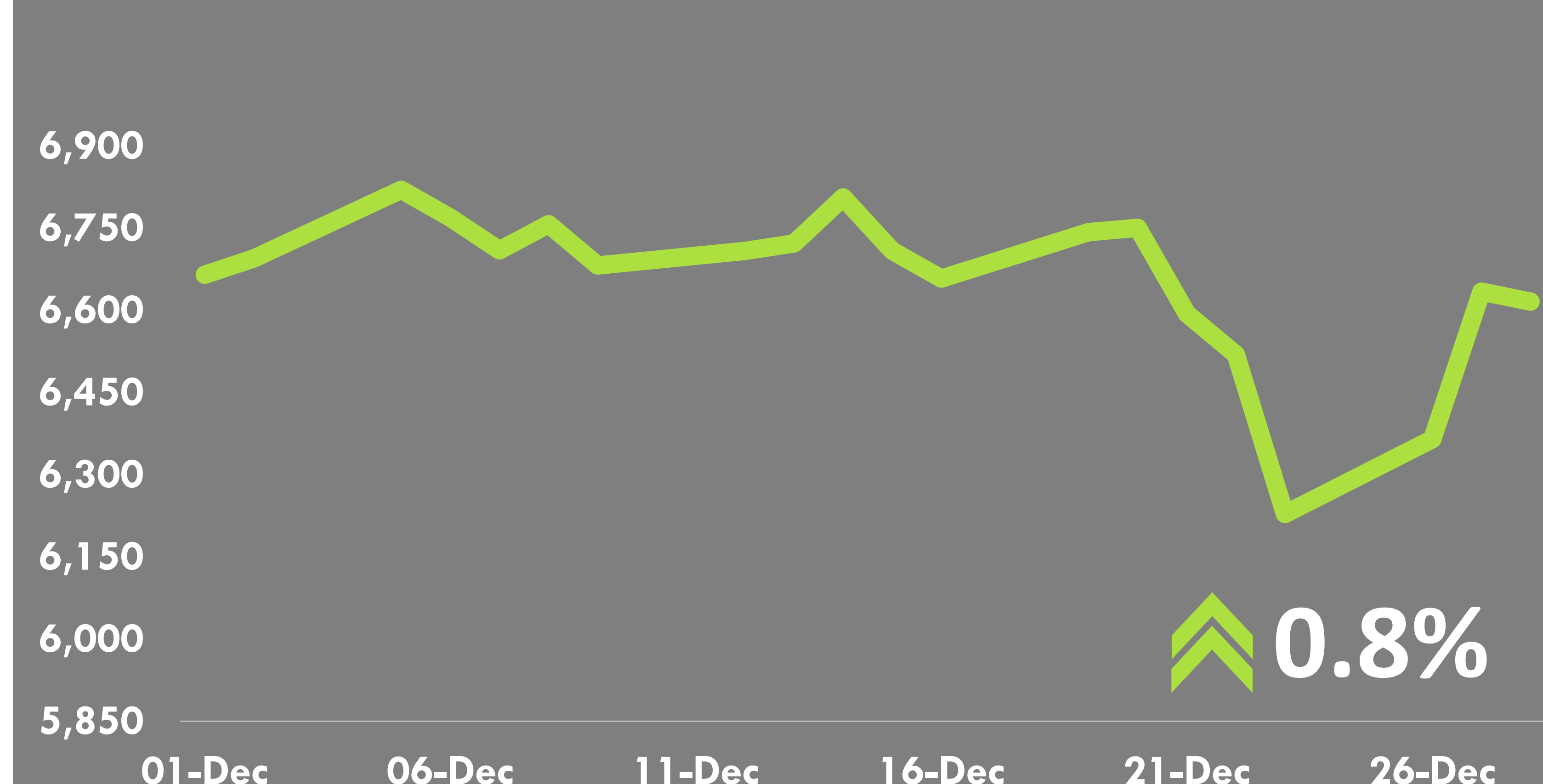
Source: NSE

## Metal Sector



After a series of underperformance for a while, the catch-up rally was expected in metals; but the surge in Covid cases in China dampened the impact. Further, concerns about destocking of metals struck the Index causing a temporary downturn. Vedanta managed to get their hands on an iron ore mine in Goa. The index ended in green with a significant contribution coming from base metal stocks, Hindalco and Tata Steel rose 5.03% and 4.64% in the month, while sector giant Adani Enterprises lost 1.73%.

NIFTY Metal December'22 (In ₹)



Source: NSE

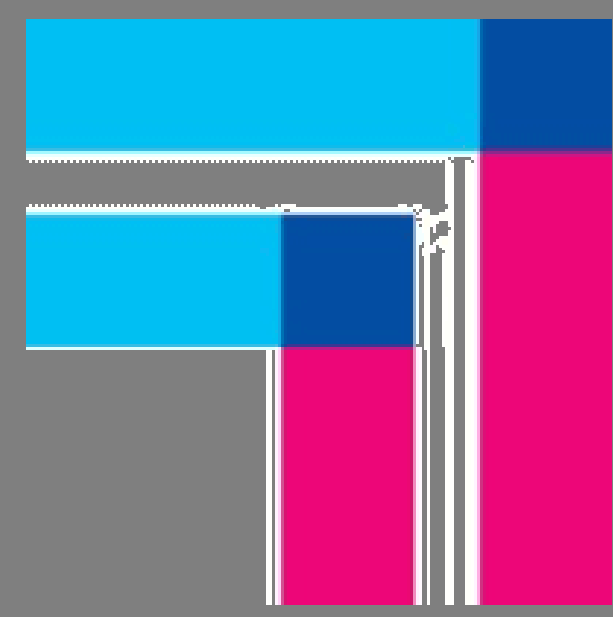
## Landmark Cars Limited Enters the Capital Market

The leading premium vehicle retailer, Landmark Cars Ltd, unveiled its IPO on December 23, 2022, worth ₹552crs. The IPO comprised a fresh issue of equity shares worth ₹150crs and had an offer-for-sale of around ₹402crs. The company plans to use its IPO proceeds to reduce debt and for general corporate purposes. It has dealerships for Mercedes-Benz, Volkswagen, Honda, and Renault and caters to the retail commercial vehicle business of Ashok Leyland. It offers services such as sales of new vehicles, pre-owned passenger vehicles, after-sales service, and repairs, and facilitation of third-party finance and insurance products. The IPO was priced between ₹481 and ₹506, and attracted mild interest from investors, subscribing more than 3 times. The stock debuted with a discount of 7% at a price of ₹471 on the NSE, against the issue price of ₹506. The company aims to capture the entire customer value chain and expand its overall business. Despite the issue listing at a discount, Goldman Sachs bought shares worth ₹18.30crs.



## Indegene Submits Draft Papers for its IPO

Indegene Ltd, a healthcare tech firm focusing on the global life sciences sector, expects to raise ₹3,200cr through its inaugural share offering. It would be the country's biggest enterprise IT services IPO since TCS in 2004. Indegene counts 19 of the 20 largest biopharmaceutical businesses in the world by revenue. The IPO consists of an OFS current investors of up to 3.63cr equity shares and a fresh issue of equity shares valued up to ₹950cr. The company's Capex needs, repayment of the debt obligations of subsidiary ILSL Holdings, and payment for the same subsidiary's purchase of more DT Associates shares will be covered by the net proceeds from the IPO, excluding funds from the OFS portion. Approximately 460lakh shares, or 20.8% of the firm, were held by CA Dawn Investments, a Carlyle subsidiary. It may sell up to 1.72cr shares as part of the sale. Kotak Mahindra Capital, Citigroup Global Markets India, J P Morgan India, and Nomura Financial Advisory and



## Sula Vineyards Makes a Firm Entry

The country's largest wine-producing company, Sula Vineyards Ltd, made its debut in the stock market on December 22. The winemaker distributes wines under a bouquet of popular brands, such as Sula (its flagship brand), RASA, and Dindori, producing 56 different labels of wine across 13 distinct brands. Sula's owned, and contracted vineyards are home to some of India's finest grapes and the site of the latest in viticulture innovation and technology. The company's core values aim at preserving and enhancing the art of winemaking. Its stock was listed at a premium of 1.12% to the issue price of ₹361 on the NSE. The ₹960.35-cr IPO was oversubscribed by 2.33 times, and 2.7cr equity shares were issued by the promoter. The IPO received a muted response from investors because it was entirely an offer for sale, and the company did not receive any funds from the issue. On the first day, the stock settled at ₹331, 7.23% down from the issue price due to weak market conditions.



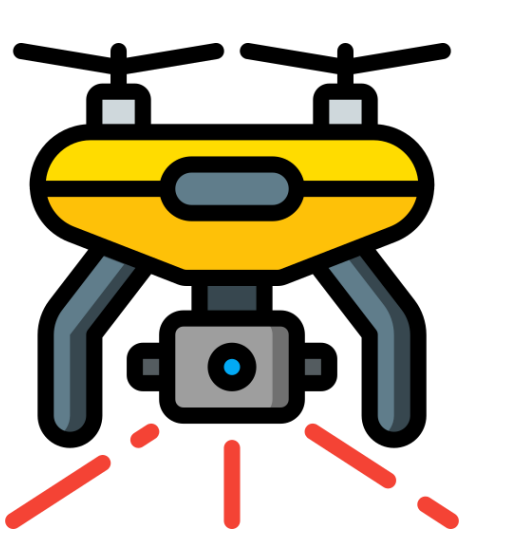
## Upcoming IPOs

## IPO Size (Approx.)

KFin Technologies Ltd	₹1,500 Cr.
Radiant CMS	₹388 Cr.
Svs Ventures	₹12 Cr.
Sah Polymers	₹66 Cr.

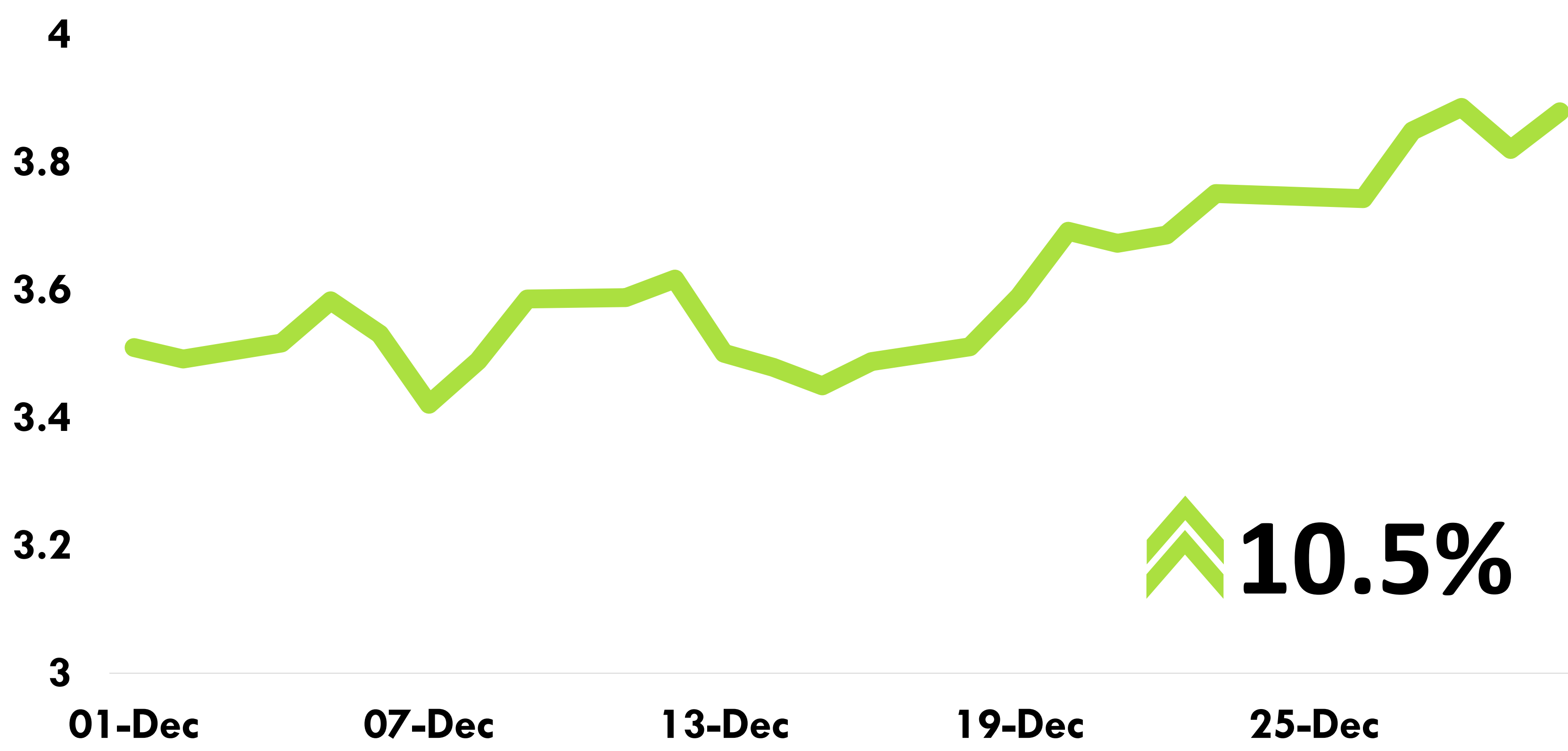
## Droneacharya Aerial Makes a Top-Notch Debut

The shares of Droneacharya Aerial Innovations Ltd was listed with the issue price of ₹54 listed with a premium of 88% at ₹102 and touched a high of ₹137. The company was one of the first private players to receive Regional Transportation Planning Organization license from the aviation watchdog DGCA and primarily stands on a business tripod of training, services, and surveillance. The company has trained more than 180 drone pilots till date. The ₹33.97cr IPO saw strong demand from HNIs and retail investors, with 267x subscriptions in the retail portion. The company reported a revenue of ₹3.59cr for FY22 as opposed to ₹1lakh in FY21.



# FIXED INCOME

## US 10 Year Treasury Yield December'22 (In %)



Source: US Department of the Treasury

The US 10-year Treasury yield hovered around 3.5% as the greenback has been volatile over the mixed expectations of reducing rate hikes, market's peaking out, and recession fears. Later, the employment data and a higher than expected inflation led the hawkish Fed to yet another rate hike. The yields embarked an upward trend by the mid of December and continued to rise as the investors were figuring whether the Fed's pace of interest rate hikes would be affected by the opening of the Chinese economy. The yield curve continue to be inverted as global scenarios fail to provide a positive outlook. The rising concerns of COVID cases and recessionary expectations keep the rates wavering below the 4% level.

## Liquidity Surplus

The increased government and consumer expenditure and higher foreign inflows have resulted in improved liquidity this month. The banking system liquidity was also enhanced due to RBI's purchase of dollars despite the pressure on the rupee. An investment of over \$4bn was infused via foreign investments in the equity markets, and bond purchases were also in focus this month. Furthermore, the RBI restored the market trading hours to pre-Covid levels. The banking sector credit growth has reached a 10-yr high, causing liquidity to trickle down from the banking sector to the corporate sector. However, a prudent RBI is watchful over the bank's withdrawal of the Standing Deposit Facility (SDF) and Variable Rate Reverse Repo (VRRR).



## Green – Blue & Yellow

The rising pollution situation is a concern for every country and government across the globe. This has increased the attention towards sustainable finance. To cater to rising interest, SEBI has come up with another initiative toward a green environment and sustainable financing. It introduced new blue bonds for marine and water management and yellow bonds for solar energy.



The move has come with a view to aligning the framework with the global Green Bond Principles. The renewed framework will specify the scope of use of funds raised via the framework, addressing greenwashing risk. Greenwashing is the practice of using funds for projects with little environmental benefits. Indian companies raised nearly \$7bn in 2021 through green bonds; with a stringent framework and increasing interest, there will be greater initiatives toward sustainable growth.

## The Inflation Scenario

The CPI inflation in November fell to 5.9%, an 11-month low, from 6.8% in October.



For the first time this calendar year, the numbers were within the RBI's target range of 2% to 6%. The fall was driven by commodity prices moderating globally coupled with the rate hikes by the RBI and other Central Banks. The rural and urban inflation numbers also fell for the second consecutive month, led by a fall in food inflation and lower prices of edible oil and vegetables. The core inflation for the month remained slightly higher than 6%. However, the concerns around prices of milk & cereals remain intact as prices continue to rise, reaching an all-time high since 2020.

Month (2022)	Inflation (%)
June	7.01
July	6.71
August	7.00
September	7.41
October	6.81
November	5.91

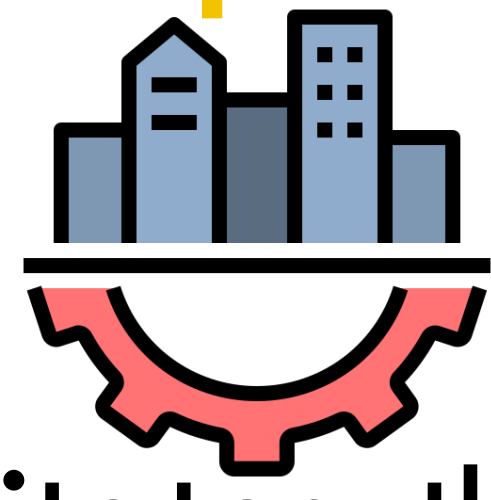
Source: MOSPI

# RISK

## A Positive Catalyst for Infrastructure Development

India aims to raise its infrastructure investments next year, with plans to spend over ₹15 lakh crores, which necessitates the participation of private sector entities. However, if these private sector entities do not have anyone backstopping the deal, the government might have to intervene to clean up if the contractor runs out of money or creates a mess. Thus, bank guarantees came into being, but these guarantees suffered a lot when loans failed to materialize. This led to the government proposing the use of surety bonds issued by the IDRAI instead of bank guarantees for government purchases. This would enable freeing the working capital stuck in bank guarantees, improving the infra businesses' liquidity status. The Ministry of Road Transport and Highways launched the first-ever surety bonds scheme on 19th December 2022.

The infrastructure sector has always seen an impediment in growth due to a low completion rate. This surety bonds scheme has been a much-needed step for revolutionizing the Indian infrastructure.



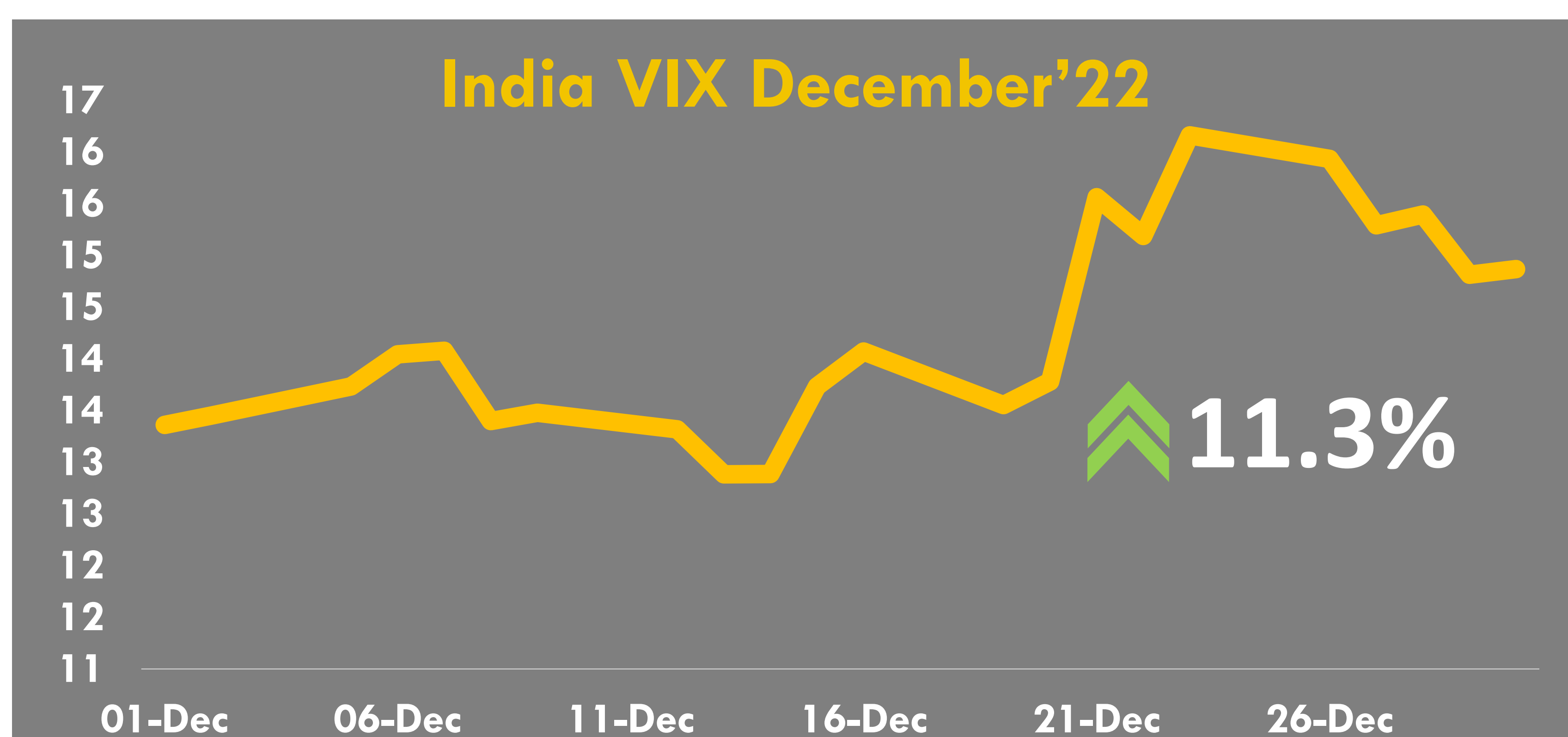
## ECB's Concern over Credit Risk

Sky-high inflation plus a severe economic downturn, an effect of the Russia-Ukraine war, has doubly punched the Euro currency bloc, leading the European Central Bank (ECB) to follow a contractionary fiscal policy. Tight financing conditions coupled with the recessionary outlook pose a threat to the debt-servicing capacity of the borrowers. ECB has decided to increase scrutiny of banks' credit risk and funding in 2023 to promote "fair and timely" acknowledgment of anticipated credit losses through increased provisions. The move has come against the backdrop of inadequacies found in the risk management procedures used by banks -- monitoring loans, categorizing distressed customers, and provisioning. Given the pricing dynamics in recent years, banks have been exposed to a rapid drop in residential and commercial real estate markets. Rising costs and decreasing risk appetite for investors are eating into banks' profitability. It would not be an easy job for regulators to ensure compliance with the markets, making it difficult for banks to maintain liquidity and funding ratios.

## RBI Approves Gold Price Hedging at IFSC

Gold is universally viewed as a safe haven and a protective asset, providing a hedge against macroeconomic events like inflation and currency devaluation. However, gold's stakeholders are exposed to the metal's price volatility. Although the domestic markets provide investors with options to hedge against the yellow metal's volatility, they are not adequate given the demand. Contemplating the need, RBI has now allowed Indian residents to hedge against the risk of gold prices in the international markets as well.

To safeguard investors' wealth, RBI has permitted Indian residents to hedge their gold holdings only on recognized exchanges in the International Financial Services Center (IFSC). The move is expected to benefit gold importers and exporters that use yellow metal as their primary raw materials and other businesses that have direct or indirect exposure to gold. This will help the players freeze the prices of gold against price fluctuations and unfavorable currency movements, thereby intensifying the price competition in the jewelry industry.



Source: NSE India

The India VIX opened this month at 13.36 and escalated to 14.87, with a sharp increase towards the end of the month. An unexpected rate hike by the Bank of Japan (BoJ) led to selling pressure which intensified as a fresh COVID surge in China created fears among investors. Weak global cues, fear of recession, and anticipation of further policy tightening by the US Federal Reserve led to the surge in VIX. This increase led to the fall in mid-cap and small-cap space indices by 5% and 8%, respectively, and thus, the NSE Nifty suffered one of the most significant declines since June, closing below 18000.

# DERIVATIVES

## Equity ETFs Gains Acceptance

Brokers can now extend their Margin Trading Facility (MTF) to equity



Exchange Traded Funds (ETFs) as well. The MTF is offered only on selected stocks under the Group-I security. In its latest initiative, SEBI included equity ETFs in the list of Group-I securities. SEBI has allowed the use of equity ETFs as collateral. ETFs have various advantages, such as lower costs, transparency, and diversification, enabling its categorization as Group-I security. Investors who used to take exposure in the market with borrowed funds or securities can now use equity ETFs as collateral. Equity ETFs will be subject to the same haircut imposed on Liquid Group-I Equity Shares under the "Other Liquid Assets" category.

However, to avoid concentration risk, the stock brokers will have to appropriately diversify the ETFs purchased on margin and the collateral kept in the form of equity ETFs. Additionally, the stocks or units of equity ETFs bought and the units from collateral should be separately shown and could not be merged when calculating the funding amount.

## Suspension Extended on Agri Commodities

Derivatives were introduced in Agri commodities to enable farmers and investors willing to hedge to reduce their price risk. However, the use of derivatives for speculative activities led to higher price volatility, discarding the purpose of derivatives. This led SEBI to ban seven Agri commodities in the first place. Due to this, the monthly turnover of MCX and NCDEX was impacted; NCDEX's turnover dropped to ₹10,053crs in October from ₹20,000crs in January.

The Commodity Participants Association of India (CPAI) had requested to lift the ban on the seven Agri commodities to allow stakeholders to hedge themselves. However, the ban has been extended by SEBI till December 20, 2023. The ban has been put in place to curb inflation and the rising speculations in Agri prices. Due to the ban, NCDEX has been barred from launching any new contract of the banned commodities and forbade any new positions but allowed the squaring off of the existing positions.

## F&O to Settle in T+1 days



SEBI has introduced a new T+1 settlement rule in the F&O derivatives segment. The exchanges had already begun implementing T+1 settlement on the select 100 stocks, gradually adding more stocks to the list since February this year. SEBI, on request from various stakeholders, has reduced the settlement cycle, meaning the shares and money will be credited within 24 hours. SEBI initiated the move due to the higher participation of retail investors in the derivatives segment. The increased efficiency and UPI-enabled faster transactions further allowed the move toward the T+1 cycle. The move is expected to boost the volumes traded in the market. Additionally, traders' margins will be blocked for one less day, reducing the default risk. However, foreign investors are against it as a shorter cycle will make it difficult to transfer the stocks in their demat, and complete custodian's processes. Adding to this, the brokers were not very pleased with the move as it will eat up their liquidity and they will also have to make changes in their back & front-end offices, which will bump up costs. Unlike FII and domestic brokers, retail investors cheered the move.

## Cash Settlement in F&O

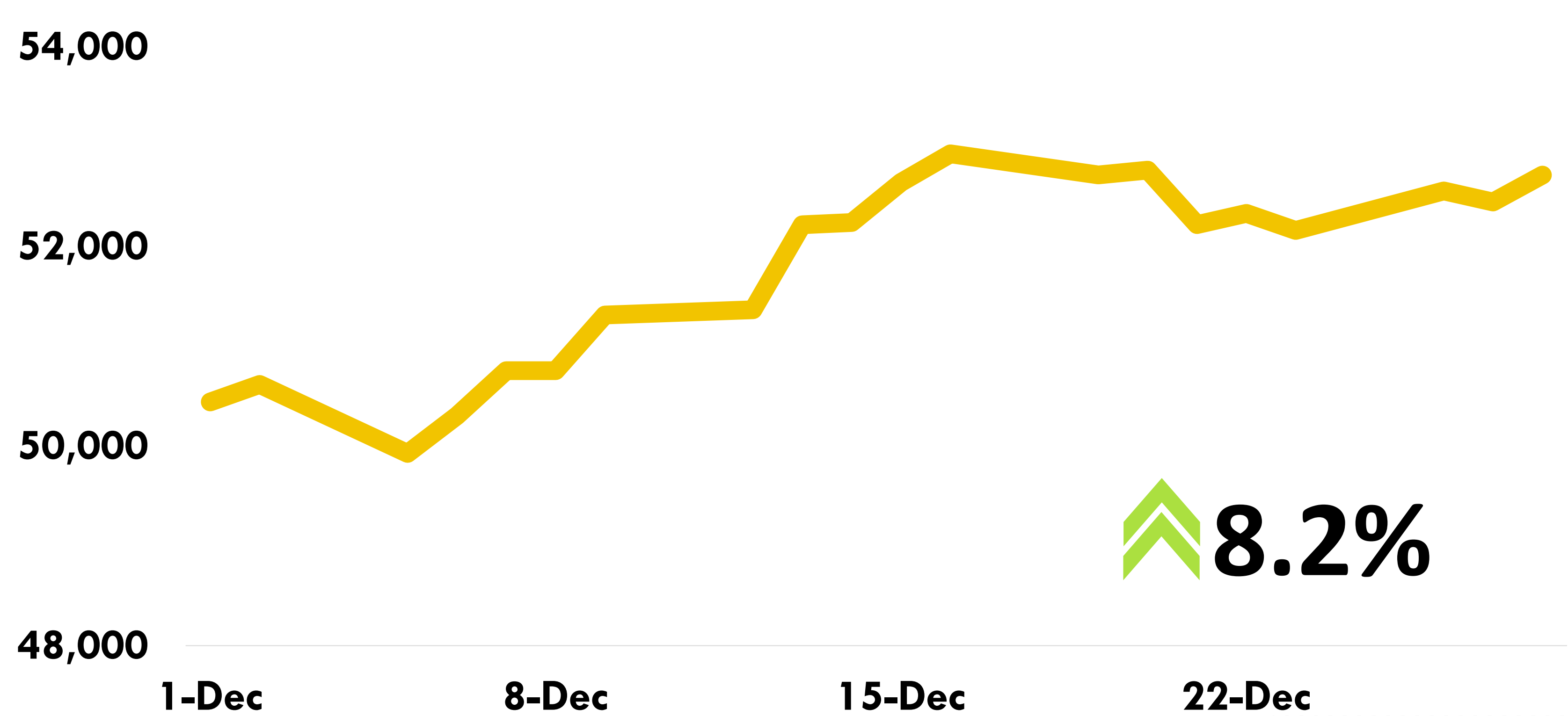
SEBI has now introduced a mechanism for cash settlement in the F&O segment upon expiration. The new method will allow netting in contracts rather than settling them separately. The merging of obligations will benefit investors in trades entered via the same Trading Member-Clearing Member (TM-CM). The new adjustment will bring alignment in the cash and derivatives segments. Further, it is expected to reduce price risk and lead to efficient hedging as the participants were required to close their positions early to avoid keeping the delivery margin. However, the institutional investors will not be able to use the above instrument as the watchdog has specified that they must back all the cash market purchases via delivery.



Although appreciated, the move raises concern about an increase in speculation activity, posing a volatility risk.

# COMMODITIES

## Gold Spot Price (In ₹ per 10 grams)

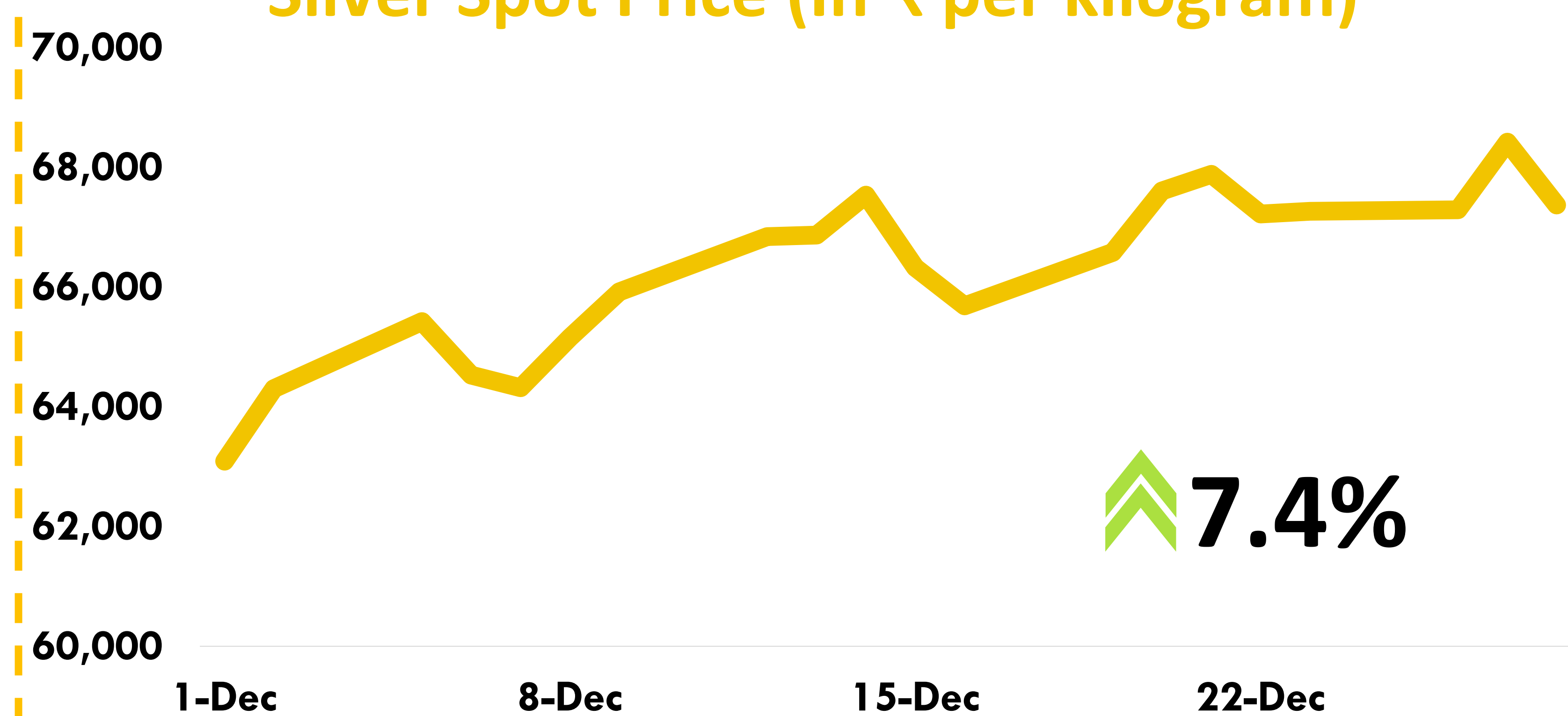


Source: MCX

Gold prices followed an upward movement in December. A decline in business activity signaling the fear of an upcoming recession led to a time that suited gold particularly well. Gold rates in India hovered near 9-month highs in mid-December. A key tailwind for the rise in prices was a subdued move in the dollar index, trading close to six-month lows. This resulted in investors preferring gold over dollars. Also, another important reason that ignited the metal's demand was a spike in COVID-19 cases globally and accentuated worries of economic slowdown. However, gains were capped by the prospect of further interest rate hikes by the US Federal Reserve next year.



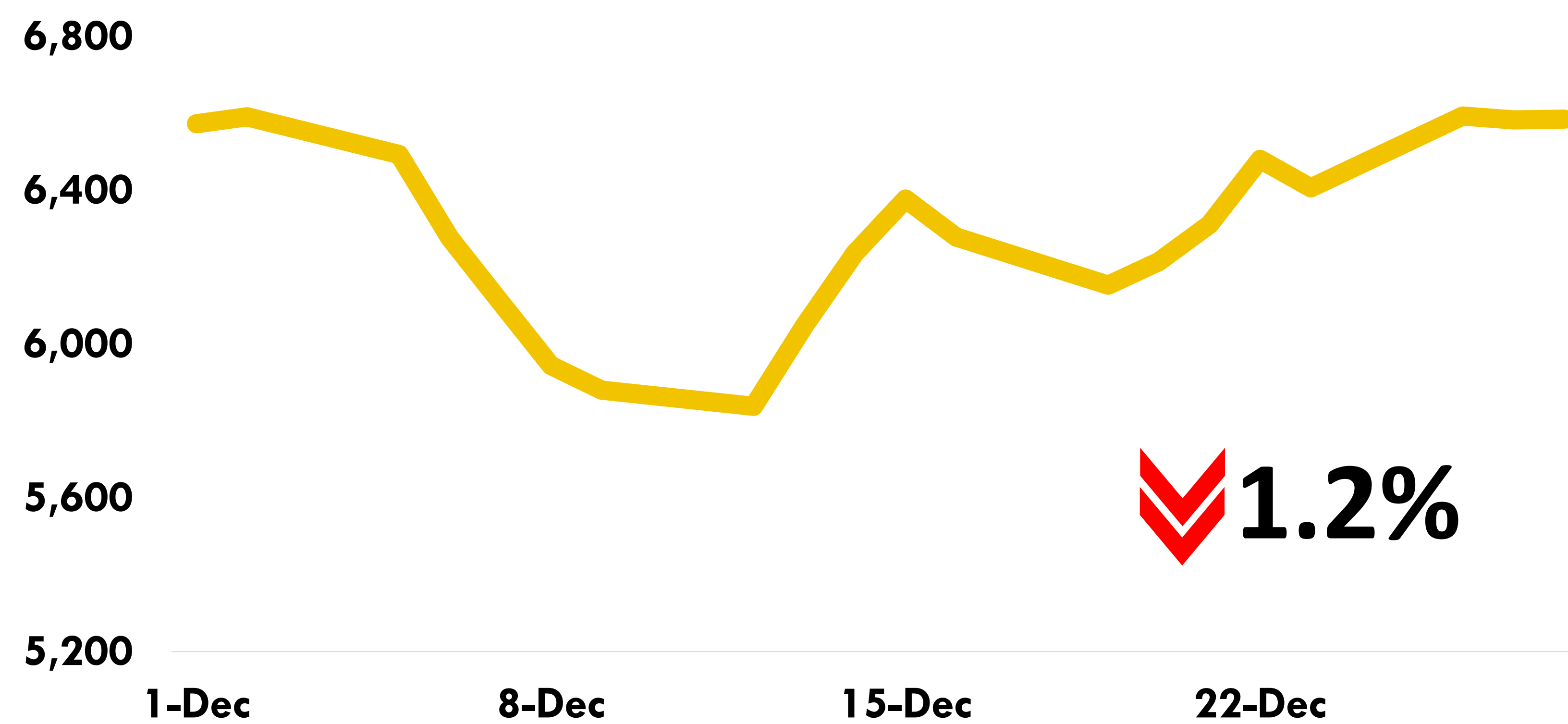
## Silver Spot Price (In ₹ per kilogram)



Source: MCX

Silver enjoys the option to be an industrial metal as well as an investment option. As an industrial metal it finds its usage in solar panels, electronic appliances, among others. On the other front, it behaves like a safe-haven, tracking gold's movement. Where, the industrial demand for the metal stayed the same in November, its role as a risk-off investment played the major role in keeping the metal on an uptrend for the month. The falling yet high inflation, coupled with increase in COVID cases, led the market into a risk-averse sentiment driving the prices higher.

## Crude Oil Spot Price (In ₹ per barrel)



Source: MCX

MCX Crude Oil prices have remained volatile throughout the month, whereas the MCX Crude Oil futures were traded with a negative bias. The oil and gas prices plunged at the start of the month, primarily due to a drop in demand amid fears of a global recession, new covid lockdowns in China, Russian sanctions, and the effects of soaring interest rates in the United States. Heading into the Christmas holidays, there was decreased participation in the oil markets, and liquidity was poor for much of the year, adding to volatility. However, the purchase of oil by the United States for its state reserves, the recovery in demand, and China's loosening of COVID-19 curbs led to crude oil prices increasing toward the end of the month. The prices rose to their initial levels as recession fears receded.

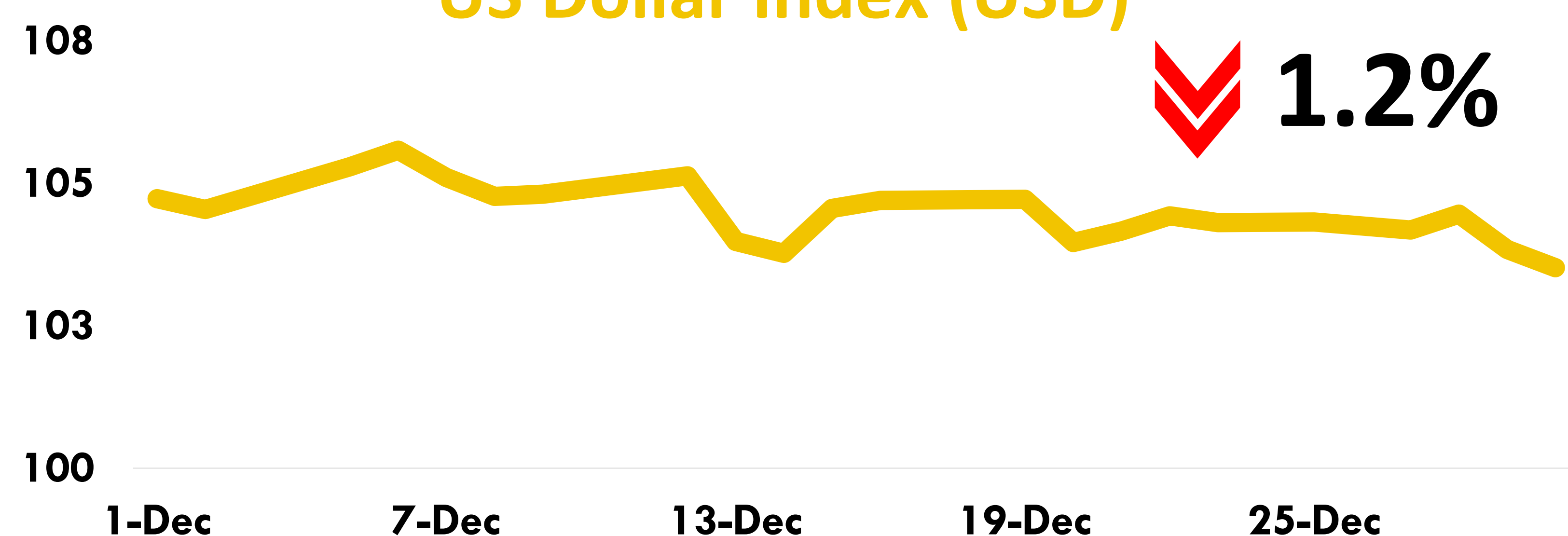


## India's First Natural Gas Index

Indian Gas Exchange (IGX), India's first automated national-level gas exchange for the physical delivery of natural gas, has seen significant volume growth over the last two years, reflecting India's gas market's vastness. To reflect benchmark natural gas prices and address the strong growth in volume, IGX announced the launch of GIXI on December 20, 2022. Its purpose is to derive a single price for the country in accordance with international benchmarks. The IGX Price Index aims to reflect the true market situation as it is calculated for various hubs and delivery points with IGX prices based on actual deliveries. This competitive price discovery is expected to fill the demand-supply gaps and stimulate investments in the country's natural gas value chain. The index is another step in the transition toward a gas-based economy.

# CURRENCY

## US Dollar Index (USD)



Source: Investing

Prior to the Christmas weekend, the US dollar declined to 103.877 as traders tried to predict the Federal Reserve's expected tightening monetary policy. Data indicates that the US job market is still tight and the economy has recovered quicker than expected in the third quarter after declining in the year's first half. This helped the dollar make significant gains. However, improving economic conditions moved investors away from the "safe haven," wiping out the gains.

## India's Stepping Stone to Become a \$1trn Digital Economy



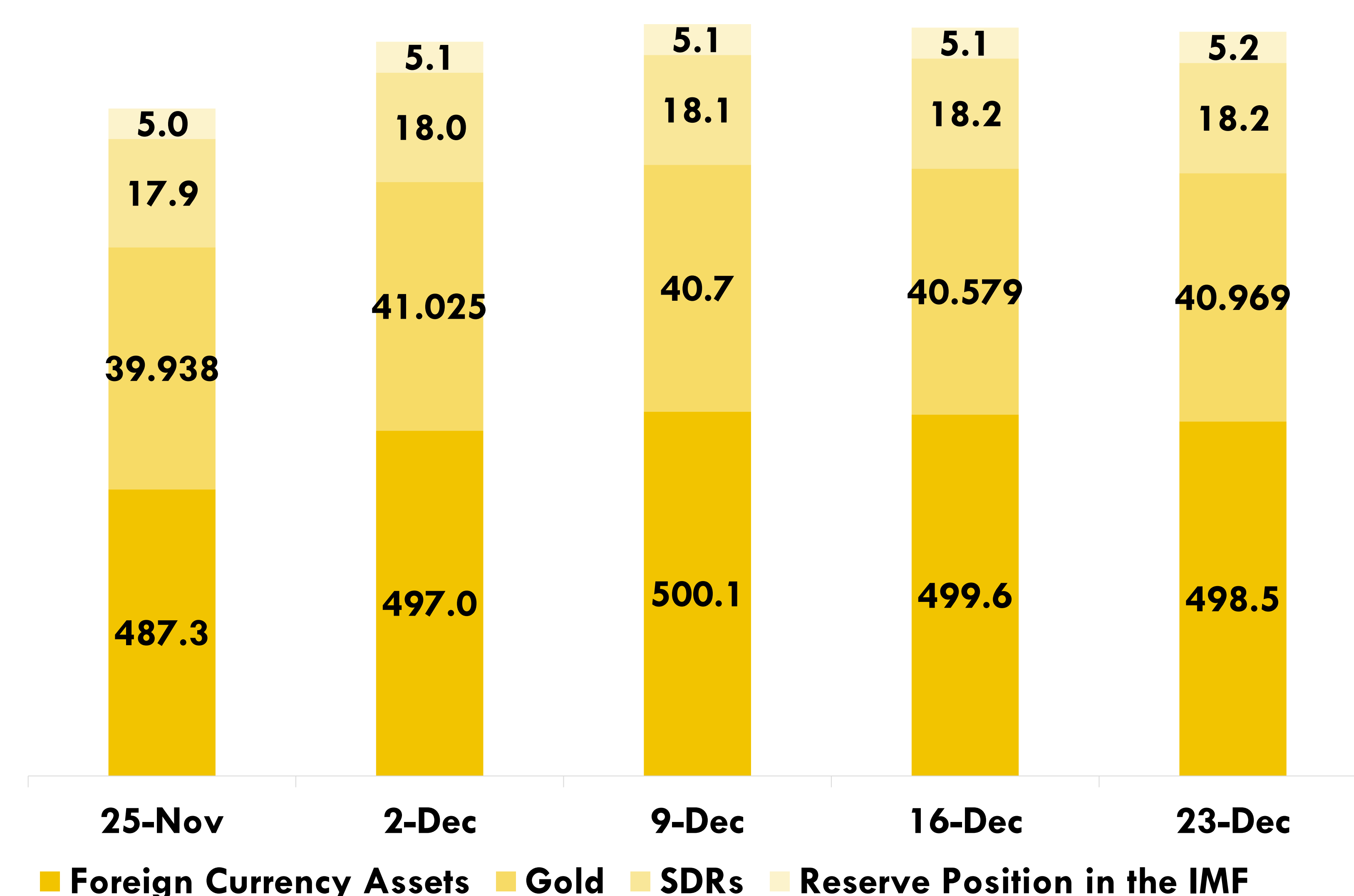
RBI launched its retail Central Bank Digital Currency (CBDC) on 1st December 2022.

e-rupee combines blockchain technology with currency's credibility as it is issued by the legal tender of RBI. Unlike cash, the e-rupee is stored electronically in a digital wallet under the RBI's supervision. UPI's success has proven how the e-rupee can significantly aid transaction efficiency. Unlike UPI, where banks act as intermediaries, e-rupee can be transferred without the involvement of any intermediary. Further, it is expected to lower operational expenses associated with banknotes. The move, however, raises data privacy and financial stability concerns, as the digital currency is expected to lower the liquidity available to banks and impact their income from transaction services.

## India's Forex Reserves Snap 5-week Rise

For the week ending December 16, India's foreign exchange reserves marginally dropped to \$563.5bn, breaking its upward trend. The reserves had increased to \$564.07bn in the previous reporting week, marking the fifth straight week of growth for the fund following a prolonged fall. The reserves have been decreasing as the central bank utilized them to protect the rupee against pressures mostly brought on by foreign events. Falling Foreign Currency Assets (FCAs) are cited as the primary cause of the downturn. FCA, a significant portion of the total reserves, dropped by \$500mn.

## FOREX Reserve (USD Bn)



Source: RBI

Currency	1 <sup>st</sup> Dec'22	30 <sup>st</sup> Dec'22	Change (%)	Trend
INR/USD	INR 81.12	INR 82.71	↑ 2.0	
INR/EUR	INR 85.34	INR 88.52	↑ 3.7	
USD/EUR	USD 1.05	USD 1.07	↑ 1.7	
JPY/USD	JPY 135.27	JPY 131.11	↓ -3.1	
CAD/USD	CAD 1.34	CAD 1.35	↑ 0.9	
USD/GBP	USD 1.23	USD 1.21	↓ -1.3	
USD/SEK	USD 0.10	USD 0.09	↓ 1.2	
USD/CHF	USD 1.07	USD 1.08	↑ 1.4	

Source: Investing

# OTHER ASSET CLASSES

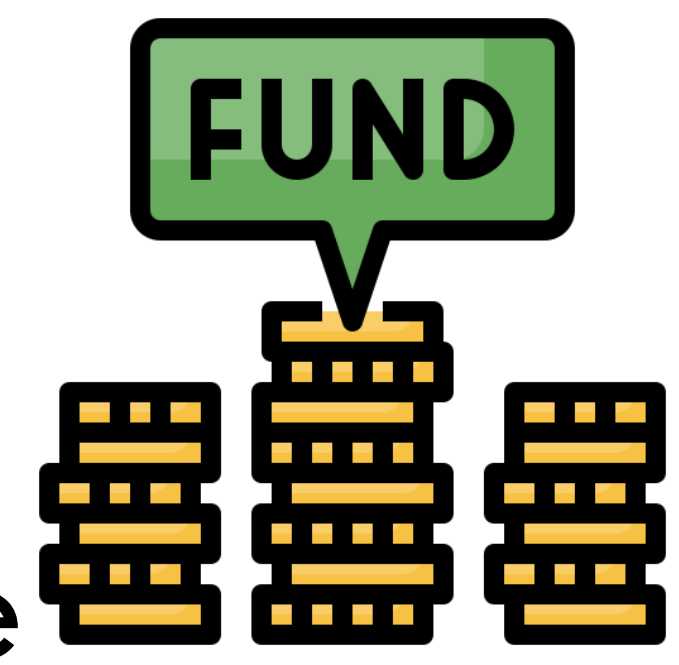
## "Micro" REITs to Stimulate a Budding Market

As India rebounds from a pandemic-induced slowdown, SEBI intends to permit "micro" real estate investment trusts (REITs) to introduce a larger range of property businesses to the nascent market. In India, REITs must have assets of at least ₹500crs. To improve supply and flexibility for investors, the regulator is considering decreasing the size of REITs and allowing them to keep either a single asset or a diverse portfolio. This coincides with an improving post-pandemic prognosis for commercial real estate in India. The introduction of single-part shampoo sachets designed to fit the budgets of low-income households significantly boosted the demand for shampoo in India. With micro-REITs, SEBI is attempting to achieve that. However, the watchdog has ensured no leniency in regulatory requirements. As sponsors would require a minimum number of assets to list publicly, given the expenses and compliances plus a compromise in quality in a sector that is just picking up, reducing the size of listed REITs may not certainly help the market flourish.



## Growth in AIFs: Boon or Bane?

Alternate Investment Funds (AIFs) have witnessed spectacular growth over 50% CAGR in the past 5 years. The rise of the AIF sector raises the question of whether it is a sign of mobilization of savings or of rising economic disparity in the nation. An AIF is a privately pooled investment vehicle that offers access to unconventional asset classes and has a minimum investment requirement of ₹1cr, accessible only to HNIs and ultra HNIs. The exclusive access to accredited investors hints at the rising income inequality. However, the suggestion that income inequality is the cause of India's booming AIF Sector would be a misinterpretation. AIFs have made it possible to participate in industries like real estate, enabling the public to access new asset classes. The growth in AIFs of India, a developing economy with nascent financial markets, shows middle-class people's augmented appetite and capabilities to participate in their country's economy by exploiting regulatory relaxations.



## Crypto in NFT Alternative Investment Marketplace

The cryptocurrency market has constantly added new initiatives with potential, appealing to investors with substantial investment returns. The latest and most innovative cryptocurrency initiative, HedgeUp, focuses on alternative asset classes for investments. HedgeUp will be the first NFT-based alternative investment platform, enabling investors to make fractional investments in alternative assets. Regardless of one's financial situation, the platform will give investors access to various products and investment opportunities. The platform can provide its users with a variety of benefits. This includes participation in the Decentralized Autonomous Organization (DOA), access to online master classes, unique access to equity NFT releases, and HedgeUp banking – all of which are expected to boost cash flow. The market for alternative investments will double in size over the next five years, from roughly \$9trn in January 2022 to more than \$18trn. By providing easier and broader access to tons of possibilities, the platform will enable investors to expand and diversify portfolios.



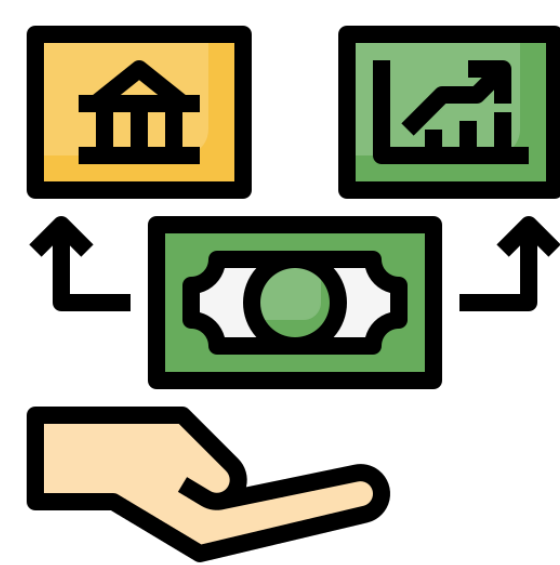
## Stronger Regulations for Centralized Players

The demise of the cryptocurrency exchange FTX in 2022 shook investors' confidence. Insights by JPMC pinpointed centralized players as the main culprit. The financial behemoth added that the recent crypto crashes were caused by centralized players rather than decentralized protocols. The Web3 sector anticipates increased cryptocurrency legislation across jurisdictions in 2023. It is also advocating for increased innovation and the implementation of decentralized infrastructure to provide more transparent and safe methods of trading and managing digital assets. For genuinely decentralized protocols, government rules appear to be impossible. This is why Indian and international Web3 stakeholders do not demand the regulation of decentralized networks. Instead, they are advocating stricter rules for centralized crypto players, who are more likely to have their cash misappropriated by those in power. More stringent regulations will drive the adoption of autonomous decentralized networks and apps, thanks to trustless, self-executing code.

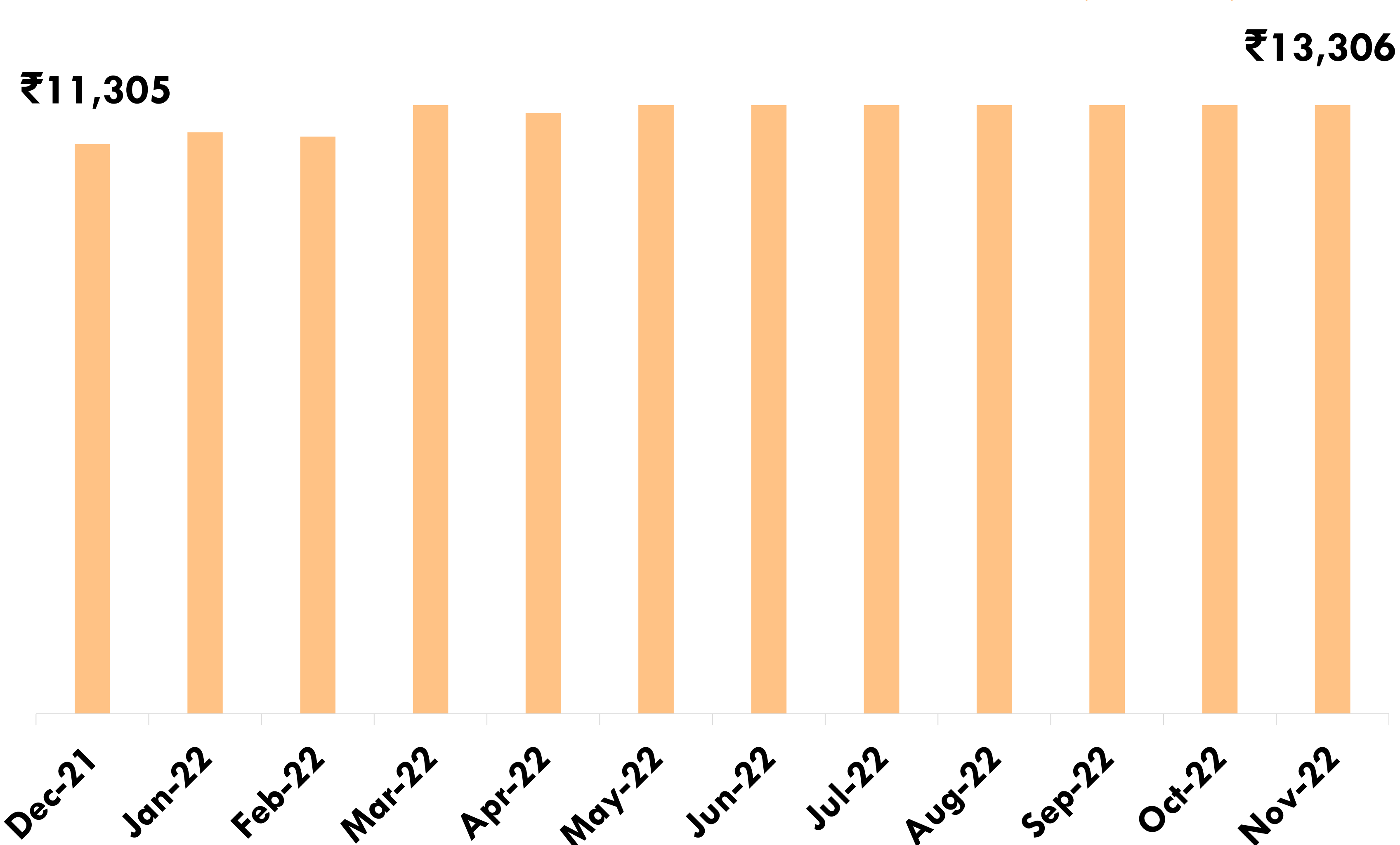


## SIPs Inflows Hit a Fresh All-Time High

In November, the SIP inflows reached an all-time high of ₹13,370crs. It was for the second straight month that the flows were above the ₹13,000-cr mark. 23 million accounts were registered in the month, highlighting growth of 6%. However, due to encashing of profits and increased consumption, the SIP closure ratio has escalated. The domestic flows through SIPs are at lifetime highs, reflecting domestic investors' increased maturity and confidence in systematic investments.



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



Source: AMFI

## SEBI Plans Regulations for Portfolio Managers

The market regulator seeks to enhance the investing procedures in order to strengthen the financial markets by making benchmarking, performance reporting, and valuations more transparent. When managing funds to meet investment goals, portfolio managers must select and disclose their investment themes from a set of broadly defined "Strategies." Further, to ensure proper benchmarking, SEBI has instructed the Association of Portfolio Managers of India (APMI) to disclose a maximum of three benchmarks for each strategy. These managers will be required to reveal rates of returns too and follow the norms prescribed by AMPI for the valuation of the debt and money market securities portfolio. These regulations, to be enforced in FY23, will undoubtedly boost information transparency. SEBI has made an excellent move to create clear, distinct product categories and improved clarity for investors to select, assess and evaluate portfolio performances.



## Equity Inflows Drop Sharply

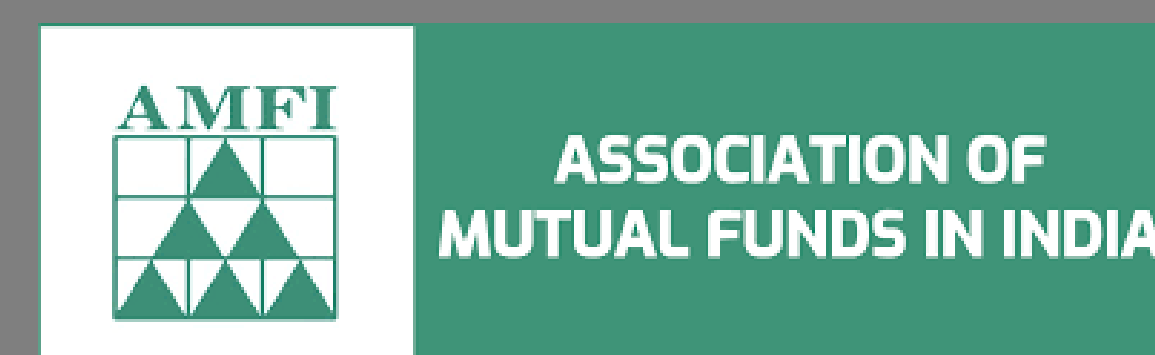
While the mutual fund industry registered net inflows in November, the inflow into equity mutual funds fell precipitously. The mutual fund industry saw an inflow of ₹13,264crs in November, 5.6% lower than last month. The investors' concerns over inflated valuations have brought about a sharp dip of 76% in equity funds, registering an inflow of ₹2,258crs.



Even though the equity markets have remained robust and hit all-time highs throughout the month, the increased outflow indicates a lack of confidence. The fall has also been a result of increased liquidity needs, also visible in rising investment in money market debt funds. Except for a few equities NFOs (New Fund Offerings), November was a subdued month for the industry in the equity segment, with redemptions witnessed in the Balance Advantage Funds (BAF) and large-cap categories due to profit bookings. Meanwhile, mid-cap and small-cap funds lured investors as recession fears recede.

## AMFI Demands an Upgrade

Focusing on the abolition of the Long-Term Capital Gains (LTCG) on equity funds if held for 3 years, AMFI has urged the Finance Ministry to create standard regulations for various funds and insurance policies by bringing tax parity across different financial sectors. For instance, gains on listed debentures attract an LTCG tax of 10% if held for more than 12 months, whereas, for debt mutual funds, it is 20% if held for more than 36 months. Despite each being debt funds, they have separate tax liabilities. Similarly, the association has demanded that the ministry bring tax parity while considering transfers from different insurance and fund schemes. The mutual fund body has asked to eliminate obscurity regarding scheme mergers and clarity on Equity Oriented Funds (EOFs). If the requests are fulfilled in the upcoming budget, it will positively impact the investors and fund houses by providing a level field for different investment schemes.



## TPG Capital Adds Poonawalla Housing to Its Kitty

After rigorous negotiations for six months, the prominent US-based private equity firm TPG Capital sealed an agreement with Poonawalla Fincorp to buy a 100% share in its home financing division for ₹3,900crs. In addition to the purchase price, TPG Capital would invest ₹1,000cr in Poonawalla Housing Finance as part of its capital infusion pledge. The transaction, one of the largest in the affordable housing market, values the purchase at around 3.5x the price to book value. While Poonawalla Housing will pursue its course as an independent company, the sale was necessary for Poonawalla Fincorp to build shareholder value in the long run. Adar Poonawalla-led company plans to continue developing consumer and tech-driven MSME financing.



PHFL is the most recent addition to TPG Capital Asia's portfolio of quickly expanding financial services firms around Asia, which includes Five Star Business, Du Xiaoman Financial, Kakao Bank, and Singlife. TPG anticipates working closely with the current management team and leveraging their specialized knowledge gained through years of experience to maximize the gain from its latest acquisition.

## JIO Clinches 100% of Reliance Infratel

Reliance Projects and Property Management Services, a division of telecom giant Jio, acquired a 100% share in Reliance Infratel for around ₹3,725crs. The primary motive behind this proposal was to purchase the tower and fiber assets of the subsidiary of the indebted Reliance Communications, led by Anil Ambani. With 43,540 mobile towers nationwide and fiber assets totaling about 1.78lakh route kilometers, RITL will be highly helpful to JIO. RITL gains by getting rid of its vast debt. Internal credit issues and delays from re-examining RITL's finances have kept the acquisition of RITL by JIO on hold for the past two years.



As directed by NCLT, Jio has deposited ₹3,720crs in an escrow account with SBI. The funds will be distributed among lenders upon dispute resolution over cash allocation. The Supreme Court is now deliberating the case being waged by SBI and a few other institutions, notably Doha Bank, Standard Chartered Bank, and Emirates Bank.

## CRED to Add CreditVidya

Fintech unicorn CRED is set to acquire CreditVidya, a SaaS company. The acquisition will be made through a combination of cash and stock for an undisclosed amount. This purchase is contingent on receiving the necessary clearances. CreditVidya, founded in 2012, uses its patented technology to provide lending-as-a-service. CreditVidya has invested in developing market-defining solutions that, through its partners, deliver financial services to Indians who lack access to credit, revolutionizing how risk is evaluated and measuring trust to promote financial inclusion. The unique technology stack of CreditVidya identifies trust signals in underserved demographics. They anticipate their assistance in enabling a diverse credit ecosystem.



The popular Fintech, backed by Tiger Global, and Sequoia India, among others, has been on an acquisition spree, acquiring liquor delivery app Hipbar and expense management platform Happay. The company plans to build an inclusive credit ecosystem with its latest expedition. This will allow the company to expand credit access, thereby driving financial progress in the economy.

## Sunflame Enterprises Gets Acquired by V-Guard

V-Guard Industries has signed an agreement to acquire Sunflame Enterprises for a consideration of ₹660crs. The company will fund the acquisition through internal accruals and loans. The deal is anticipated to be finalized by mid-January 2023, subject to closing modifications. While Sunflame Enterprises Private Limited (SEPL) is one of India's top manufacturers of kitchen appliances, V-Guard Industries is a Kochi-based company specializing in consumer electronics and electrical products. Sunflame, as a brand, is etched in the memories of Indian households; the acquisition is consistent with V-Guard's plan to dominate the market for home kitchen equipment. SEPL is a known name across India, under the Sunflame brand. The proposed acquisition is a crucial milestone in V-Guard's growth journey, helping it build a deeper engagement with its consumers by providing several levers for generating substantial synergies in geography, product range, and channels. The deal will propel the company into the league of leading Kitchen Appliance companies in the nation, allowing it to push Sunflame to greater heights.



# STRATEGY

## Zerodha's Nudge Theory

Zerodha has become one of India's most prominent brokerage platforms, making investing barrier-free and providing investors with technology-efficient and cost-effective services. Despite intense competition, how did Zerodha manage to provide these services? What worked in its favor? The answer to this is the Nudge Theory: a concept that helps improve people's thinking by identifying and modifying useless influences. Unlike the traditional approach, which enforces instruction, it avoids direct advertising and focuses on behavioral marketing. A key concept of Nudge Theory is letting consumers feel in control of their decisions while architecting the choices in their own favor. Zerodha followed the same. Instead of imposing, it provided subtle suggestions to people. This gives investors a sense of freedom of choice and control over their decisions. Instead of targeting veterans, it targeted millennials and started educating them about financial markets and investment processes. It introduced various financial literacy programs like Varsity and TradinQnA. This helped investors understand complex concepts in an easier way. In return, it gained customers for its platform as they were now familiar with it and had built a bias toward it. Zerodha used the behavioral economics concept well and capitalized on it to stand out from its competitors.



## Amazon's Flywheel

Ever wondered what the secret is behind Amazon's worldwide success? What transformed it from an online bookstore to a store that sells nearly everything? It's their magic flywheel model, which improves customer experience through lower costs. This model works on the idea of directing efforts toward a particular aspect, generally customer experience, and enhancing all the other elements as a by-product. A flywheel is difficult to spin at the start, however, with every spin it gains momentum for the wheel to accelerate. Similarly, the company derives speedy growth by eliminating friction and achieving long-term sustainable growth by leveraging economies of scale and customer loyalty. It is often said that the more you know about the customer, the greater opportunity you have to innovate and create value for that customer. Amazon has very well been an apt example of this, committed to its principle of customer-centricity, starting with customers and working toward growth. To enhance customer experience, it focused on keeping the prices low. Lower prices lead to more customers, increasing the sales volume and leading to more commission-paying third-party sellers. This cycle keeps on repeating and creates a virtuous cycle. Amazon's Prime has also been heading in the same direction as users are provided with an array of experiences from a single subscription, spinning the wheel.

## Transforming the Clothes Rental Industry

Who thought that it would be possible to get access to unlimited clothes without going through the trouble of storing and owning them? Style Theory, a Singapore-based startup, provides just the solution. Users of Style Theory receive monthly access to a limitless inventory of designer clothes at a fraction of the retail cost. Additionally, there is also an option to exchange outfits. People end up discarding many old clothes unintentionally. Overconsumption and the eventual disposal of old clothing have emerged as major global issues. What has contributed to the success of a business model that solved the problem of "Too many clothes but nothing to wear" in a sustainable way? Well, they realized that the undeveloped clothes rental business in the Asia-Pacific region was ready for disruption. Their app gathers user browsing and rental histories using machine learning algorithms to offer a quick and tailored purchasing experience. They have also built an active engagement with the community by establishing retail stores. Moreover, style theory was successful to have a good impact on the lives of women within three years of its inception. Slowly and steadily, they have redefined the future of fashion. The question is that will rental business become the new norm?

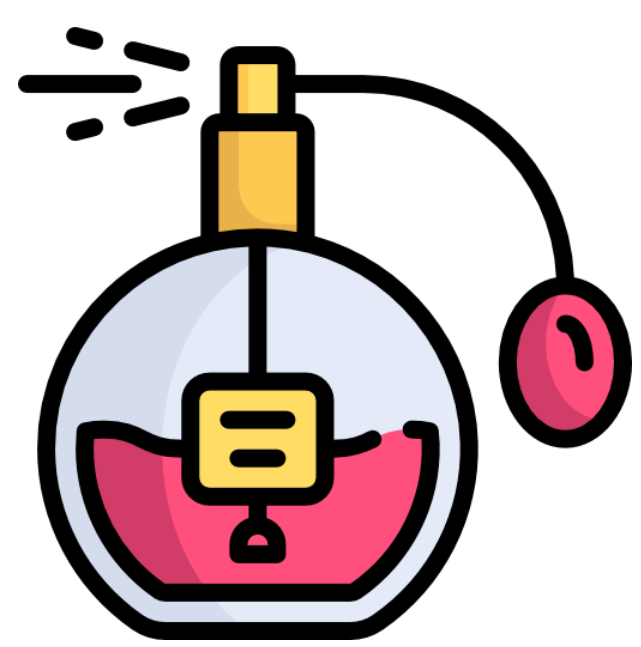
# MARKETING & BRANDING

## The Influential Odor

How many times have you caught a whiff of a pleasant fragrance while walking across a shop in a shopping mall or maybe the smell of popcorn outside a movie theatre? That's precisely what scent branding is. It is an invisible yet impressive marketing strategy, as people tend to remember the brand even without having to see the design or logo. It provides customers with a positive and powerful scent experience whenever they enter the store, helping brands develop the olfactory version of a logo.

Companies have realized the potential of scent branding and have incorporated it to create an emotional connection with customers. Companies like Dunkin Donuts and Burger King use a combination of scent branding and neuromarketing to drive footfall and sales. Dunkin Donuts ran radio ads and set up nebulizers on buses that would release an aroma of coffee every time the ad was played. This caused a large number of customers to drop into the coffee shops during the run of the campaign. Disney uses a proprietary device called Smellitizer, like the smell of popcorn near the park's gate or of vanilla along the main street, to bump up sales. Starbucks does not allow its employees to wear perfume or colognes, as it competes with the aroma of its coffee.

So, the next time you visit any shopping complex, observe how companies use scent branding to their advantage.



## Spotify Wrapped: The Musical End

We tend to be high on self-realization as we hit the last month of the year, recollecting all the sweet & not so sweet memories. To capitalize on this, Spotify released Spotify Wrapped, a musical wrap-up of what you heard throughout the year. We listen to many music, podcasts, and songs throughout the year. Like every other platform, Spotify collects this data. Unlike others, Spotify added an emotional element to this data by presenting fascinating stats like your top artists & songs and mapping it to personality traits. Thanks to social media, Wrapped spread like wildfire among Genz and millennials. It's a dazzling show of marketing where they put together your musical journey. Wrapped has enabled the company to gain a wider audience and regain its lost users. It's fascinating to see that they had made it so optimized and interactive, making it easily shareable across social media. At the same time, the intent to get access to user attention and give them a feel-good factor is what led this market strategy into becoming a massive hit.

## Nostalgia Marketing

Nostalgia marketing is about tapping into feel-good memories of the audience associated with a brand. It has become especially important after COVID since people have started looking for entertainment options that bring back sweet memories from the past. Building social connectedness through nostalgia has become an easy way for companies to take advantage of optimistic feelings that walks down the memory lane.

Cadbury and Amul launched their old marketing campaigns, reviving the "good old times." Cadbury relaunched its iconic ad, "Kuch Khaas Hai" with the added element of celebrating women's cricket. Now, new-gen companies are getting on the bandwagon. CRED, a fintech company, used the popularity of 90's popular songs and brought them into play for their ads strategy.

Similarly, Paper Boat, a beverage company, has added familiarity to the names of their beverages, like "Aam Panna" and "Jaljeera" instead of fancy ones, to lend a Hindi touch. These ads grab the attention of Genz and millennials as they resonate with them. However, they are high in the entertainment quotient and can easily catch one's attention without burning a lot of cash. However, nostalgic marketing has a downside. In essence, nostalgia marketing is a brilliant class strategy to remarket products but, it's not a win-win as what makes one feel good can also make them feel old.

# OPINION POLL

“We are likely to see inflation gradually moderate, India is well positioned, and we will continue to be the fastest growing major economy, supported by increasing consumption, consumer confidence, and investment.”

- **N Chandrasekaran,**  
**Chairman, Tata Sons**

“Cryptocurrency has certain huge inherent risks for our macroeconomic and financial stability. If cryptos grow, mark my words, the next financial crisis will come”

- **Shaktikanta Das,**  
**Governor, RBI**

“The current layoffs is part of economic cycle & an act of course correction. We see a shift towards gig economy where constant upskilling will be the only rescuer in an erratic global environment”

- **Niranjan Hiranandani,**  
**Founder, Hiranandani Group**

# COVERAGE THIS MONTH

## 20/4/10 RULE

With the ease of credit, there is a trend of buying things on EMIs. Auto purchase is no alien to the consumeristic trend. When you purchase a car on loan, you eat your future income. Ergo, it becomes necessary to make the right credit decision. 20/4/10 is a simple yet constructive thumb rule to assist in the purchase of cars.

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## 20/4/10 Rule

A thumb rule that individuals follow while planning to finance a car purchase. The rule also acts as an affordability checklist for people planning to buy a vehicle.



[Click Here to Know More](#)

## MONEY MADE MESS

Intractable economies are now at the highest level of vulnerability; most haven't fully recovered from COVID-19 and face high inflation, a weaker balance of payments, and evaporating Forex reserve cover. Countries like, Egypt, Romania, Turkey, face a high risk of currency crises. As external challenges rise, these countries might see a crisis materializing by the next year. It will be intriguing to see what the future holds for them.

## How does it Occur?

- Deficit in the balance of payments
- Inflation
- Reliance on foreign investment
- Fluctuations in the stock and forex market



[Click Here to Know More](#)

## THE DHARAVI REDEVELOPMENT PROJECT

The largest slum cluster in Asia is to be rebuilt by the Adani Group. Dharavi houses over a million workers and stretches over 2.8 sq. km making this an important project of significant commercial value. The Adani Group would have access to valuable real estate worth INR 20,000 crores and benefit greatly from the state government's decision to cross-subsidize the cost of development.

## Slum to Suburb

Dharavi is located near India's most prosperous business district. It is home to the **informal leather** and **pottery industry** that employs over **one lakh** people offering the potential to generate maximum value.



[Click Here to Know More](#)

## MAKE IN ODISHA

With the aim of placing the state on the global investment map, Odisha eyes being a trillion-dollar economy. The state shines in investors' eyes with leading mineral production numbers and an extensive port network. Passionate investment diverse industrialists applaud government's efforts to develop infrastructure. How do these investments shaping the future of Odisha seem intriguing?

## Make In Odisha

The marquee investor summit of the state government resurfaced for the 3rd time after decisive successes in previous editions. It is an opportunity to comprehend state policies, regulatory environment, and business opportunities. The honorable CM believes Odisha could make a 10-fold leap to become a **trillion-dollar** economy in the near future.



[Click Here to Know More](#)

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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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