



Leveraged Growth

MONTHLY REPORT

February 2023

C CONTENTS

	Topic	Page No.
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

Debt-Mageddon: America's Financial Tightrope

The national debt of the USA has increased around 35% since January 2020, totaling over \$31tn. Extraordinary procedures to keep paying the government's bills may perhaps run out by July, according to data from the Congressional Budget Office. The USA covers the budget deficit by selling Treasury bonds when government spending exceeds revenue. As a result of the multi-trillion dollar fiscal response to the COVID-19 pandemic, followed by a sharp drop in economic output, the federal debt of the public reached 99.8% of GDP in 2020. Economic downturns frequently increase the deficit on two fronts: first, the government spends more on social programs and financial stabilization, and second, a cooling economy reduces tax collection. In reaction to COVID-19, the government spent approximately \$3.6tn on financial stabilization and social safety programs. Tax revenue increased, buoyed by a robust stock market. Yet, costs outweighed such gains. With only roughly one-third of federal spending classified as discretionary, there are few opportunities to reduce spending. The remainder is spent on entitlement programs. The rising national debt of the USA and the potential exhaustion of extraordinary measures to pay bills have significant implications for the country's economic future.



G20 Mulls Over Complete Ban on Cryptocurrencies

The G20's top financial authorities have come to a consensus on the regulation of cryptocurrency assets, with a complete ban on the table. At a closed-door meeting held prior to the first-ever gathering of G20 finance ministers and central bank governors, representatives from finance ministries and central banks expressed shared views on the need to regulate cryptocurrencies. India is leading the charge for a worldwide agreement on regulating these assets, citing their cross-border scale, scope, and difficulties. IMF Managing Director, Kristalina Georgieva, has stated that cryptocurrencies are not legal tender and cannot be considered money. The authorities may also prevent the listing of certain types of crypto assets that use technology to conceal user identification.



It seems that most people today agree that regulation is necessary, and the G20's potential ban on cryptocurrencies shows that they are taking this issue seriously.

China Won't Save the World Economy

The world is banking on China's economic recovery to stave off recession and drive global growth. However, economists caution that China's recovery from COVID-19 lockdowns may differ significantly from prior ones and may not be as effective in the rest of the world as governments and corporations anticipate. China has always relied on government stimulus programs and significant investment to pull itself out of economic slumps. This time, China's property market is struggling, the country is heavily indebted, and much of the necessary infrastructure has already been constructed. Hence, since the government abruptly abandoned its zero-tolerance attitude regarding COVID-19, its most recent resurrection will be driven by customers letting go of nearly three years of public-health restrictions and travel bans. Early signs indicate that China's recovery will have a lesser impact internationally than domestically. Per official data, the largest increase is predicted to come from service businesses. As the United States and Europe are expected to decline, an accelerating China is excellent news for the weakening global economy. Yet, the direct benefits of its resurgence will probably be less noticeable elsewhere than in the previous stimulus-driven expansions.



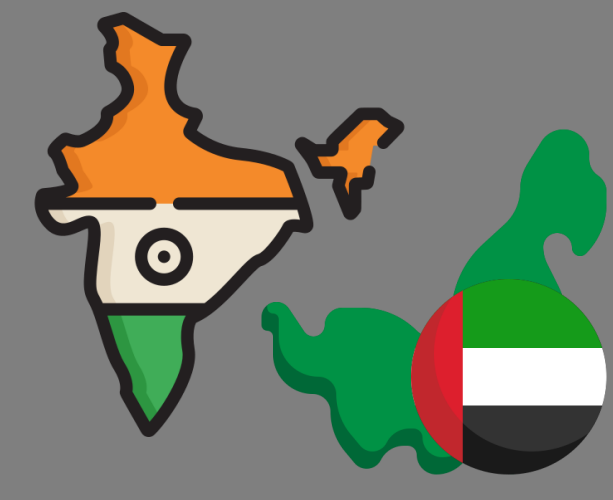
China and Iran to the Rescue

With foreign exchange reserves at their lowest level in ten years, Pakistan is facing its worst economic crisis in decades. Prices have reached sky-high making it difficult for the average person to meet their necessities. To secure funds, the nation has changed its policies in line with the IMF's requirements, proposing removal of subsidies and increasing tax revenue and to distribute scarce resources more equitably. Although the International Monetary Fund (IMF) delayed releasing the next tranche of a \$6.5bn loan, China and Iran stepped in to help Pakistan emerge from its financial woes. Iran is increasing trade with Pakistan, while China has given the country a new loan of \$700 million amid these unsteady economic circumstances. The credit facility, provided by the publicly traded China Development Bank, will increase Pakistan's foreign exchange reserves by roughly 20%. Despite these efforts, Pakistan's economic situation remains unstable, and the country is seeking breakthroughs in high-level trade talks with the United States.

INDIA INC.

Abu Dhabi and India Shake Hands

UAE's leading defense group EDGE signed a Memorandum of Understanding (MoU) with India's Hindustan Aeronautics Ltd (HAL) at the UAE's Defense Expo. This MoU aims to establish a strategic partnership between the two entities, including shared designing and development of missile systems and drones. The entities will cooperate on mission computers, training programs, and additive manufacturing of metallic parts. The agreement reflects the increasing collaboration between the UAE and India, especially in defense. Both countries have been working to improve their bilateral ties in recent years. The UAE has been investing heavily in the Indian defense sector and has become a significant market for Indian defense products. The Indian government has been pushing for increased indigenization in the defense sector, aiming to lessen the country's dependence on foreign imports. Indian firms will gain access to advanced technology, strengthening the domestic industry's capabilities. Additionally, this partnership will help boost the export of Indian defense products, further lifting the economy.



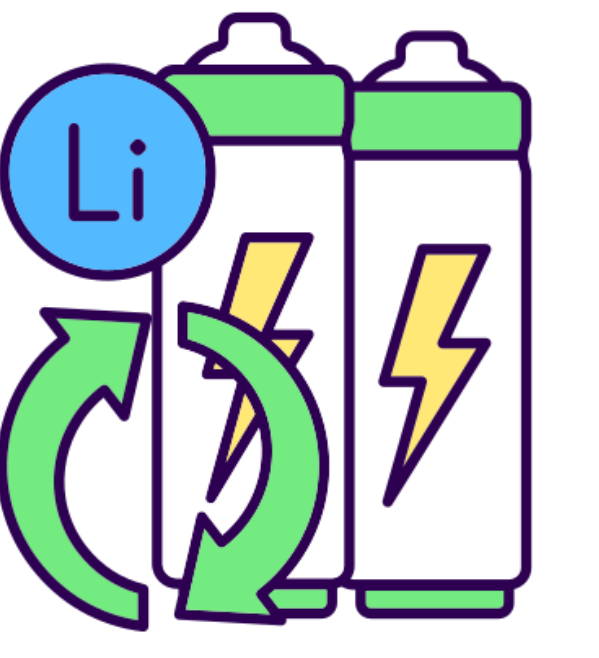
FMCGs are Rooting for Rural Income Rise

Indian consumer goods companies expect growth in the coming years as consumers increase their spending on branded oils, tea, snacks, and soaps, thanks to better income and credit availability. Over the last five quarters, FMCG companies' quarterly sales volumes have decreased by up to 4.1% due to weak rural demand, resulting in top-line losses. This is because around two-thirds of sales for consumer products companies come from rural consumers. Cash-strapped rural consumers substituted expensive brands for locally produced snacks and personal care products sold at mom-and-pop shops, if not avoiding some purchases entirely. The trend is expected to reverse soon, driven by an improvement in the economy, reflected in an increase in critical rural demand. Analysts predict consumers in small towns and villages have already started switching to higher-margin branded products, driven by increased rural income. While it may take time for rural demand to recover fully, the growth in the FMCG sector is expected to sustain over the coming years, with rural consumers shifting to higher-margin branded products.



Lithium Reserves for Sale

The Geological Survey of India has reported the discovery of substantial lithium reserves in the Jammu and Kashmir district, totaling 5.9mn tonnes. With this, India is now the seventh-largest holder of lithium reserves in the world. The government plans to accept bids for auctioning these reserves as early as the June quarter, which will provide India with access to the crucial mineral used to power everything -- from mobile phones to electric vehicles. The government has specified that the lithium found must be refined only in India and not transferred elsewhere for processing, as there are currently no lithium refineries in the country. This stipulation will help India build the requisite infrastructure to support the growth of its EV sector, as the nation aims to have 80% of two- and three-wheeled vehicles, 70% of commercial vehicles, and 30% of private cars powered by EVs by 2030. Meeting this ambitious goal requires lithium, and these reserves are expected to improve India's access to this vital resource.



Aviation Sector on a Fly

With over 1,100 planes ordered by several domestic airlines, the country's airline industry is poised for growth. Tata Sons, which acquired Air India, recently confirmed the largest-ever aircraft order in the history of the Indian aviation sector, with 470 planes from Boeing and Airbus. This historic deal is expected to support over one million American jobs, demonstrating the strength of the economic ties between the United States and India. The owners of Air India have entered into contracts with GE Aerospace, CFM International, and Rolls-Royce, in addition to a large order for long-term maintenance of engines. Most incumbent carriers' order books could be considered conservative compared to the market's budding growth. Therefore, almost every airline in India is expected to place additional aircraft orders in the coming years for both fleet replacement and expansion. This significant leap was the result of a fiscal focus on infrastructure development, making the Indian aviation sector the fastest-growing globally and contributing approximately 2% to the country's GDP.



GOVT. POLICIES

J&K Schools: Hard and Soft

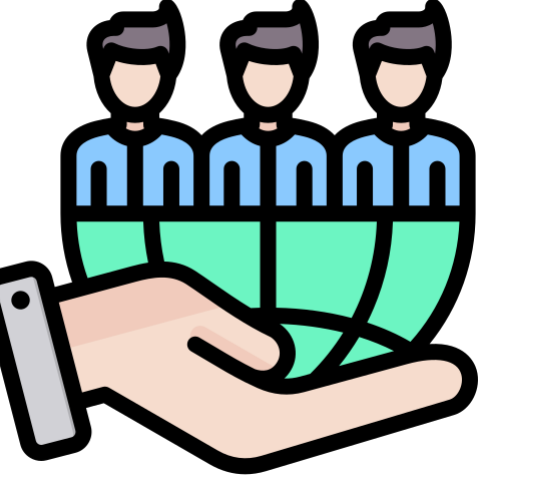
The government of Jammu and Kashmir has requested the school education department to develop a comprehensive policy that would categorize government schools into "soft zones" and "hard zones" and ensure that teachers are assigned to both zones. The policy also proposes sending teachers for education and training to implement the National Education Policy (NEP) fully. It suggests that teachers work in rural areas for a set amount of time in order to offer them exposure to the Union Territory's rural socio-economic system. This will lead to an improvement in the quality of education provided in rural areas, thereby promoting human capital development. Furthermore, the policy can help bridge the education gap between urban and rural areas. This can also give rise to inclusive growth, and contribute to the overall development of Jammu and Kashmir. The proposed policy has the potential to bring about significantly positive changes in the education sector of Jammu and Kashmir, contributing to the region's growth and development.

India's New Data Policy Sparks Innovation Boom

The Ministry of Electronics and Information Technology (MeitY) in India has proposed a National Data Governance Policy, which will enable access to anonymized data for start-ups to unlock innovation and research. The policy proposal seeks to establish the India Data Management Office (IDMO) under the Digital India Corporation and sets forth some rules for private entities' sharing of non-personal data. The proposal outlines high-level principles on which the non-personal data-sharing rule would later be based rather than mandating data-sharing. Before executing the Non-Personal Data policy, the government desired the passage of a Personal Data Protection law, which is now in place. The policy would only apply to datasets owned by the government, which is probably a relief for major tech firms concerned about being forced to share their data with potential rivals. The non-personal data that the government has access to is covered by the National Data Governance framework policy. This move is expected to boost the Indian start-up ecosystem and encourage more data-driven innovation in the country.

A Civil Reform

Mission Karmayogi is an ambitious initiative envisioned as one of the most significant capacity-building programs for government institutions worldwide. The program aims to cultivate a capable civil service that is deeply rooted in Indian culture, shares a common understanding of the nation's priorities, and collaborates to deliver efficient and effective public services. By enabling the civil service to function effectively in difficult circumstances, the mission aims to keep them at the center of all change. Additionally, Mission Karmayogi will equip public servants with the skills and knowledge needed to adapt to changing circumstances and emerging challenges. This can help promote innovation and enable the government to respond more effectively to the evolving needs of the society.



To reform civil service, Mission Karmayogi adopts a citizen-centric approach, leading to greater transparency, accountability, and participation in governance. This can help build a more inclusive and equitable society and contribute to India's overall development. Overall, Mission Karmayogi has the potential to transform Indian civil service into a more capable, responsive, and accountable institution, which can play a vital role in driving India's growth and development.

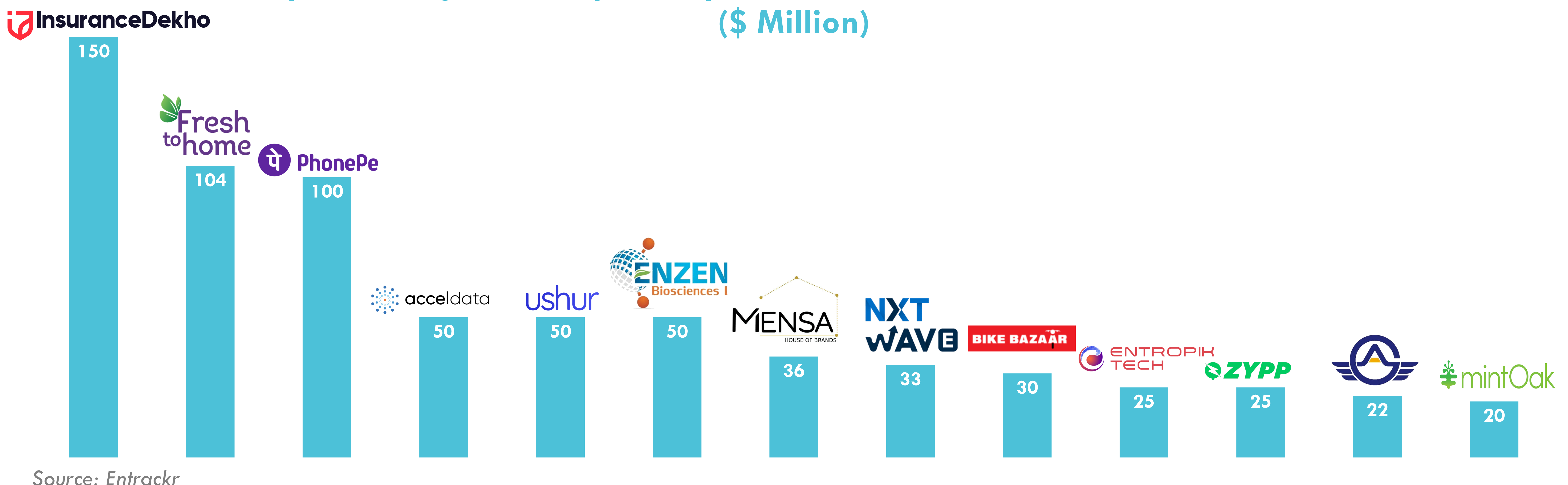
Nivesh in Awas

The Pradhan Mantri Awas Yojana (PMAY) is a housing program run by the Union Government that aims to offer urban and rural poor people access to affordable housing. A rural housing program run by the Ministry of Rural Development is called PMAY (Gramin). The Ministry of Housing and Urban Affairs oversees PMAY (Urban). In the Budget 2023, the Finance Minister proposed raising the amount allotted to PMAY in the Union Budget 2023–24 by 66% to Rs.79,000. This budgeted sum is anticipated to cover more than 55% of the estimated funding shortfall for projects included in the program, giving housing assistance to those in need and closing the gap between those with access to decent housing and those without. With the help of this improved subsidy, it will be possible to guarantee that both urban and rural homes are built on time and to the required standards.




START-UPS

Major Funding Raised by Startups for the Period 30th Jan'23 to 25th Feb'23 (\$ Million)




This month 70 startups raised funding of about \$907mn. Bengaluru-based start-ups bagged the highest number of deals and funding raised. SaaS and E-commerce were the most dominant sectors in terms of the number of deals as start-ups.

Transforming E-commerce Logistics

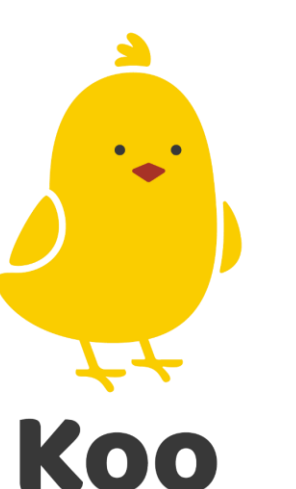
Pickrr, an e-commerce logistics start-up,  **Pickrr** is revolutionizing the way Indian businesses manage logistics operations. Since its launch, the company has provided logistics services to more than 15,000 businesses. Pickrr has developed a unique way to address the cash-on-delivery (COD) challenge in India's e-commerce sector. With its "Instant COD" solution, Pickrr is enabling e-commerce companies to receive COD payments on the same day as delivery, instead of the traditional 7-14 day wait period. This solution is particularly beneficial for D2C brands that often struggle with cash flow due to delayed COD payments, thereby helping D2C brands grow their businesses more efficiently. What sets Pickrr apart is its approach to logistics management based on AI and machine learning algorithms to optimize logistics operations, allowing shipment tracking in real-time, managing inventory, and automating logistics operations. Pickrr is well-positioned to capitalize on the growing e-commerce market in India.

Assisting India's Goal to make EV sector self-sustaining

Log9 Materials, a cleantech battery  **LOG9** company based in Bengaluru, invests in and manufactures lithium-titanium oxide batteries for electric vehicles. The start-up believes that material science can help India become self-sufficient in energy and has made significant strides in achieving that goal. Its big breakthrough came when it decided to use its RapidX line of batteries to enter the EV market. Log9 believes RapidX will reshape the Indian EV sector in the country. RapidX batteries are more durable, charge quickly, and have a longer lifespan than competitors. Under the trade name ZappUp, Log9 also provides stationary energy storage systems. The business has launched the BaaS (battery-as-a-service) and MaaS (mobility-as-a-service) models to make it easier for people to use EVs without making a large upfront investment. In doing so, it helps to make EVs more accessible and affordable for people in India.

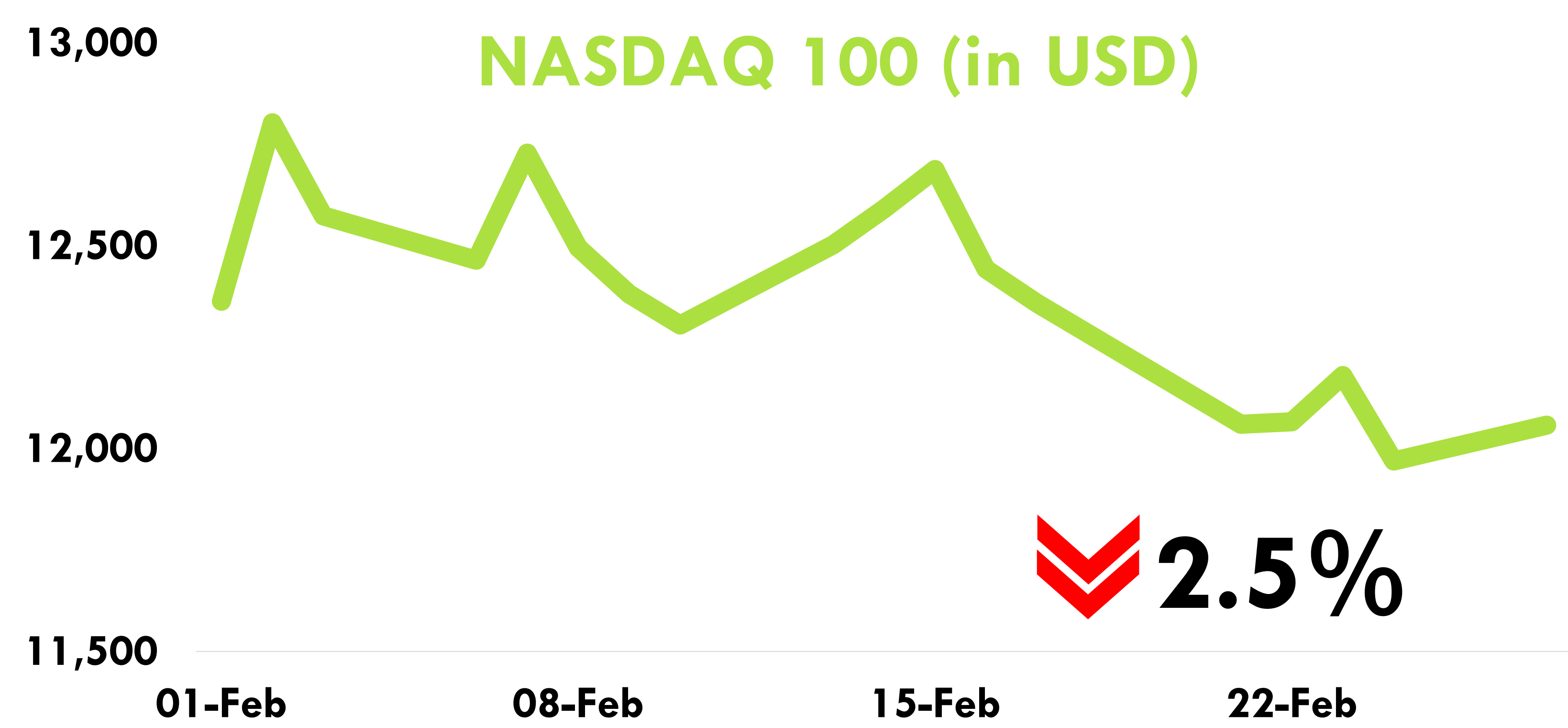
The Indian Tweet Bird

Koo is a microblogging social media platform designed to cater to the needs of Indian users and provide them with an environment to express themselves in their native language. The platform supports more than 10 Indian languages, allowing users to communicate with each other in their native language. Its focus on regional languages, user privacy, and free speech has helped it gain a large following in a short period of time. Koo's business model is based on providing a free-to-use social media platform that generates revenue through advertising. It has also partnered with government agencies to gain credibility and legitimacy. Koo plans to capitalize on the growing demand for regional language social media platforms in India.

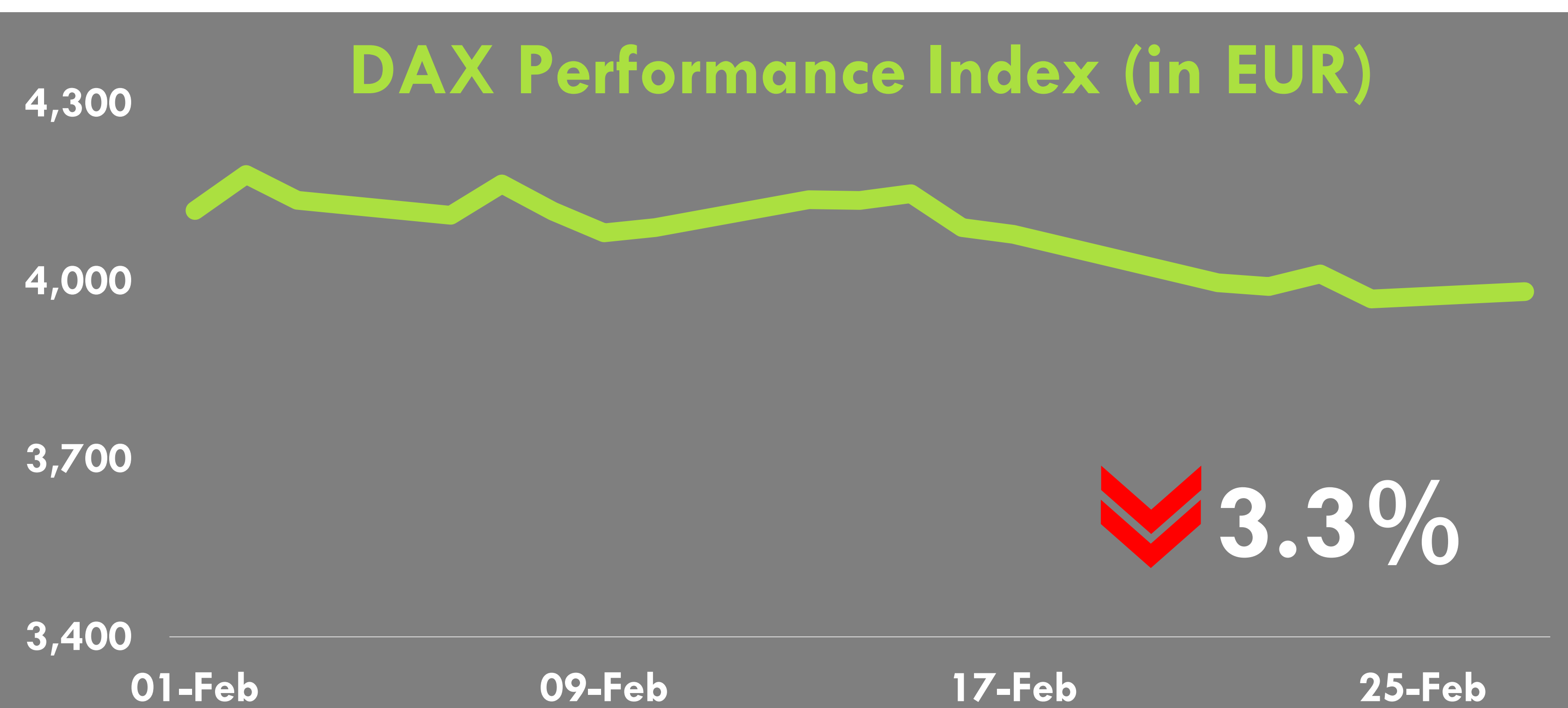


Koo

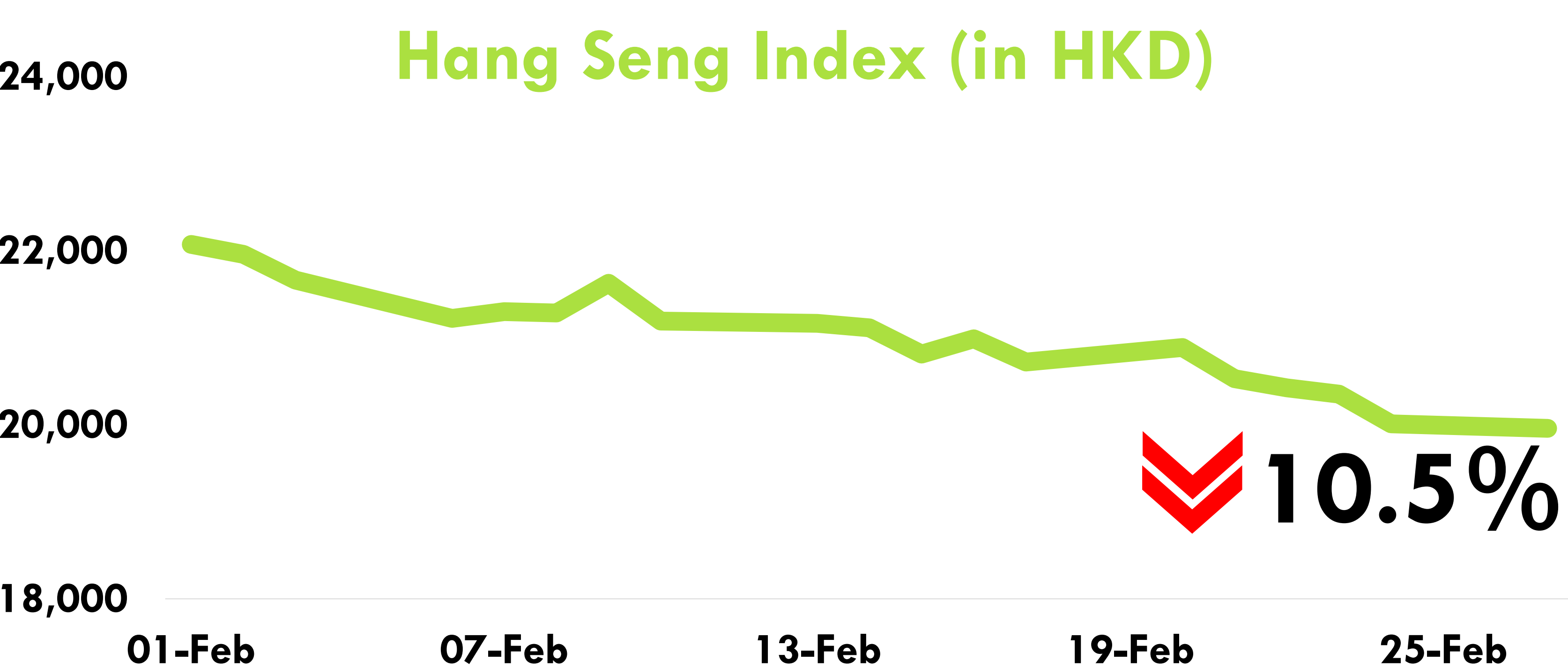
GLOBAL INDICES



The tech-heavy index had a good start to the month but then lost its momentum due to concerns about rising interest rates fueled by inflated CPI and PPI. Additionally, durable goods orders fell significantly, marking the biggest drop since the lockdown. However, Align and ANSYS stocks saw significant gains of 9.20% and 9.04%, respectively.

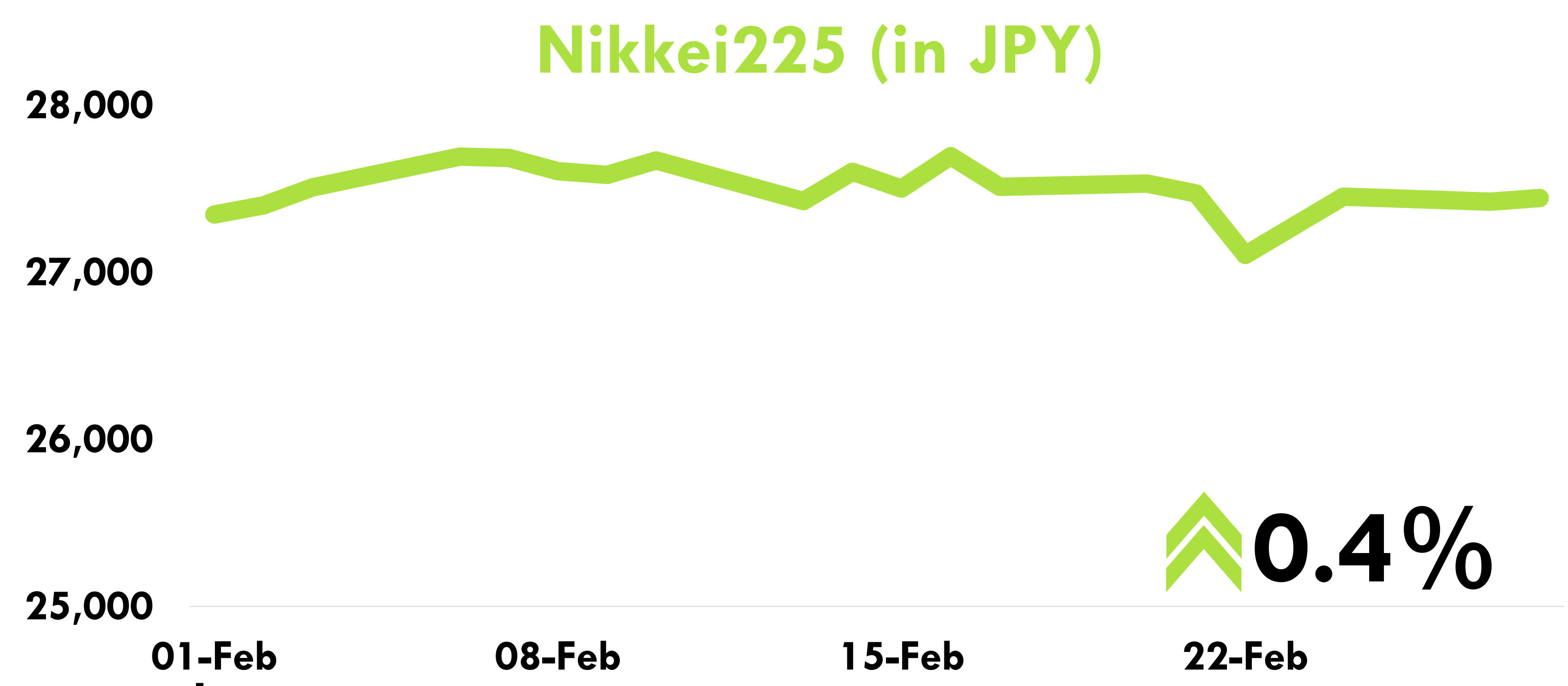


Global economic growth slowdown and rising interest rates have led investors to favor fixed-income assets, causing a decline in the index. While some investors await the outcome of the fed meeting, the Eurozone's consumer confidence has increased due to the easing of the energy crisis, resulting in a surge of positive sentiment. Consequently, Commerzbank and Airbus stocks have surged by 6.9% and 5.4%, respectively.

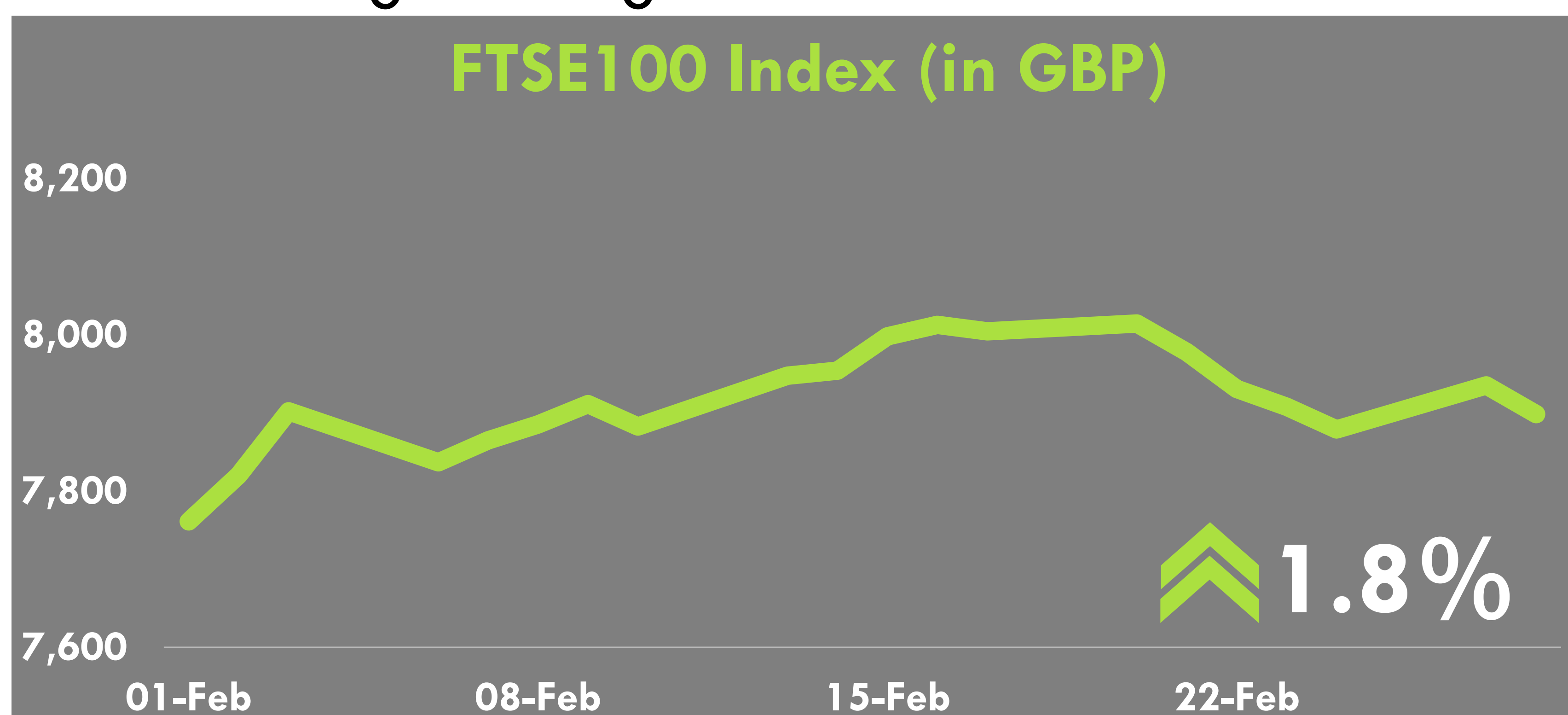


Despite the lifting of Covid restrictions, the index witnessed a significant decline of 10.5%. This can be attributed to the ongoing conflict between China and the US over the Chinese balloon controversy, which has caused unnecessary market volatility. Stocks such as WuXi Biologics and China Merchants Bank H have been adversely affected, with declines of 14.32% and 16.26%, respectively.

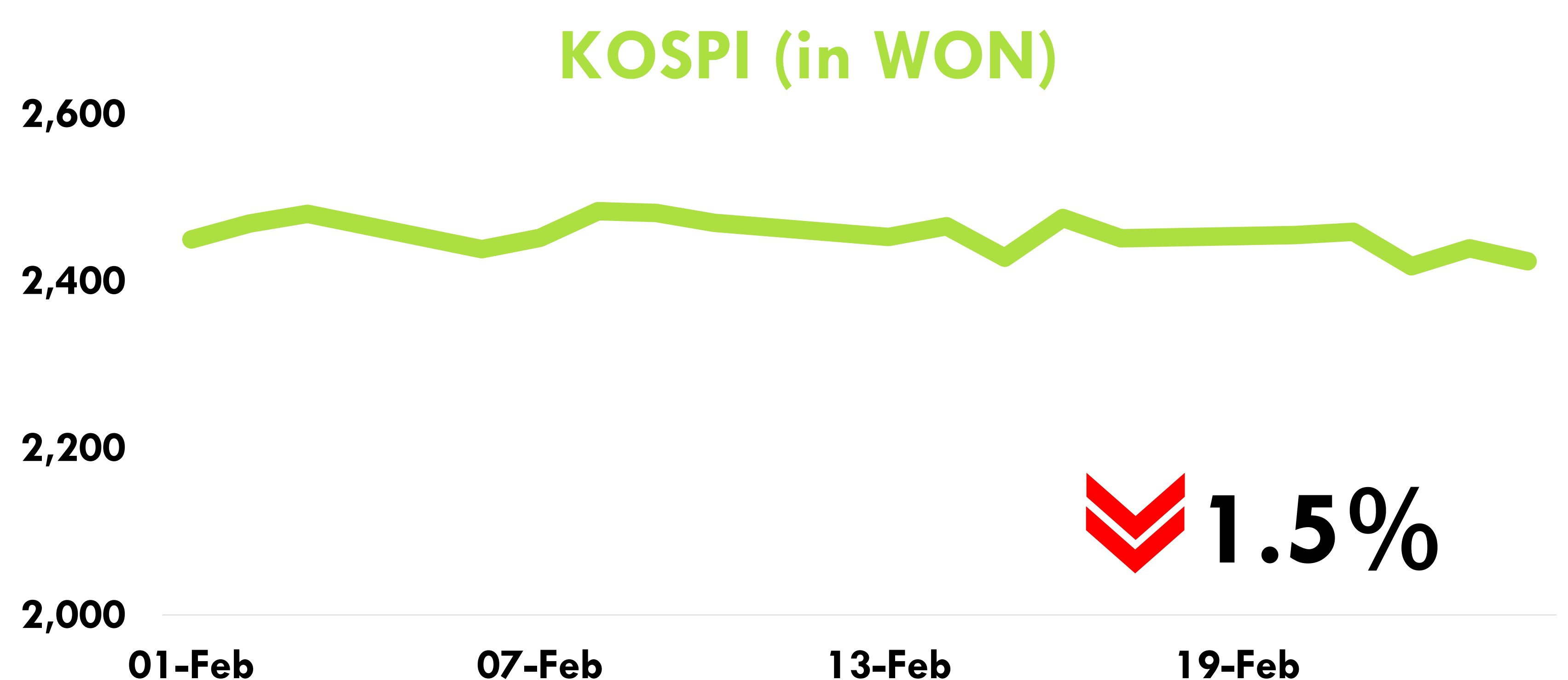
Source: Investing



Japan's stocks are uncertain as the Federal Reserve considers raising interest rates to control inflation. The appointment of a new governor for Japan's central bank has caused mixed reactions from the markets. Unfortunately, Japan's manufacturing index declined the fastest in 30 months in February. However, Advantest Corporation, a notable index heavyweight, has seen a significant gain of 15.67%.



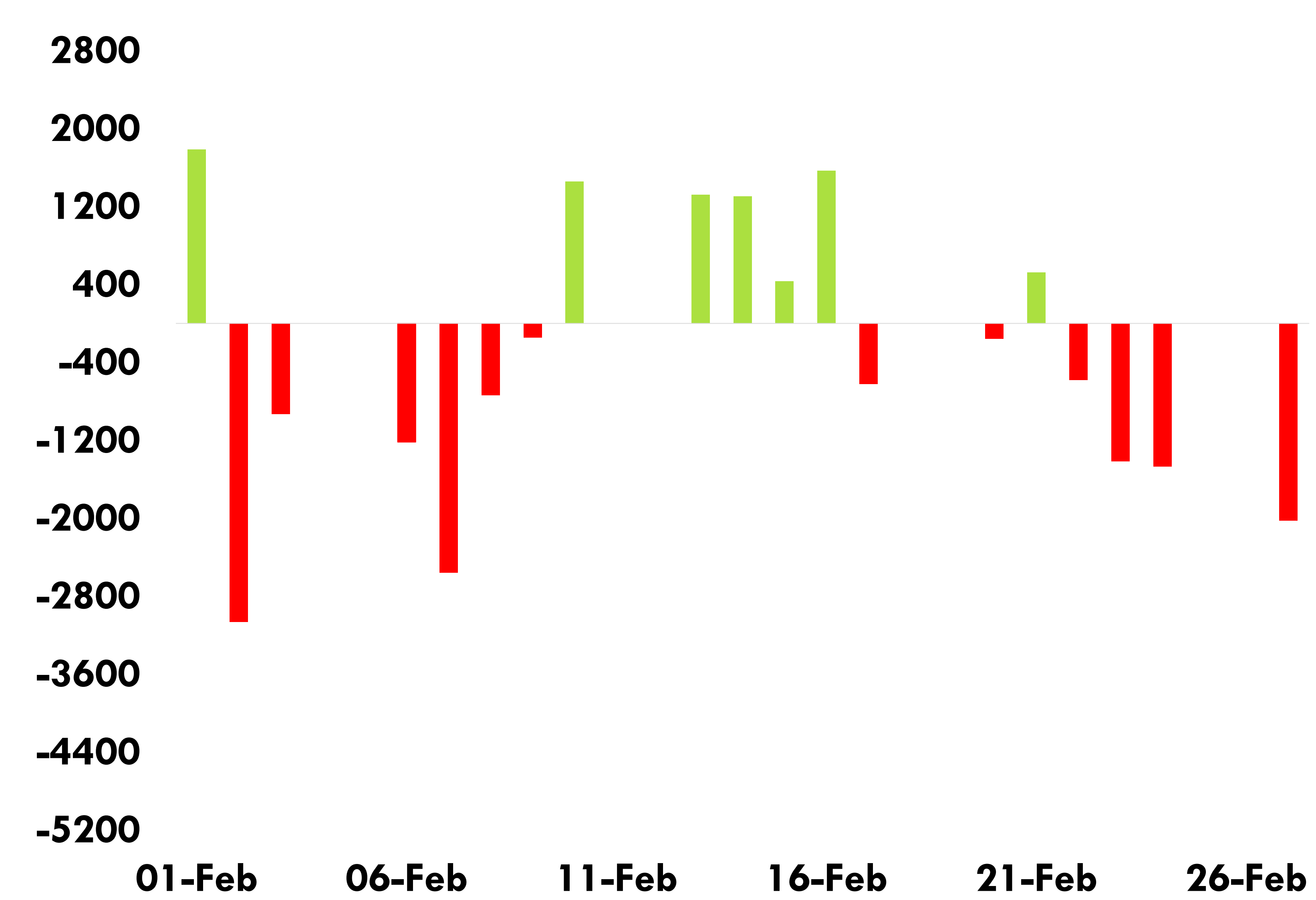
The index has risen 4.78% this year, with a 1.98% increase this month, due to solid earnings growth and gains in the materials and energy sectors. The UK government's energy price cap and a new Brexit deal with Ireland have also had a positive impact. However, geopolitical tensions between Ukraine and Russia have intensified oil and gas stocks, driving the index higher.



The local currency's depreciation to a two-month low has raised market concerns amidst the anticipation of a potential interest rate hike by the Federal Reserve. Despite rising treasury bond yields since early January, foreign investors are selling due to unstable domestic and international macroeconomic factors, leading to increased market volatility and the need for cautious investment strategies.

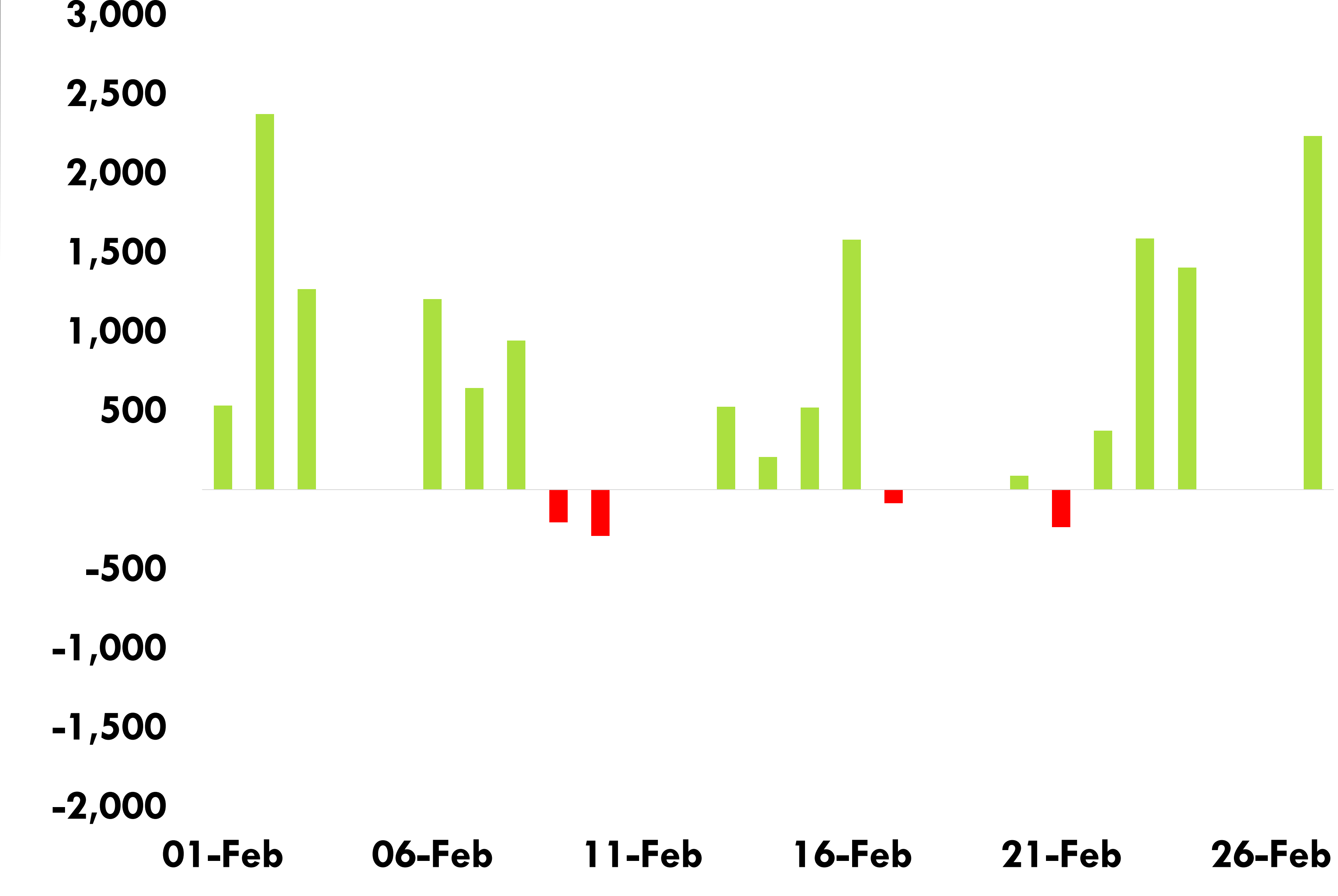
EQUITIES

FII Net Investment in February'23 (₹ Crores)



Source: NSDL

DII Net Investment in February'23 (₹ Crores)



Source: NSDL

In February, DII bought equities worth ₹19,239cr; meanwhile, FII sold equities worth ₹11,091cr. The flow of FII was inconsistent this month, with inflows in the beginning week. The primary reason for the outflow includes the underperformance of the Indian market against the global markets and rising interest regimes, and the Adani effect, especially in the banking space. On the other hand, investors' confidence in the budget bought a positive flow of funds to the Indian market.

SEBI Introduces Strict AML regulations for Intermediaries

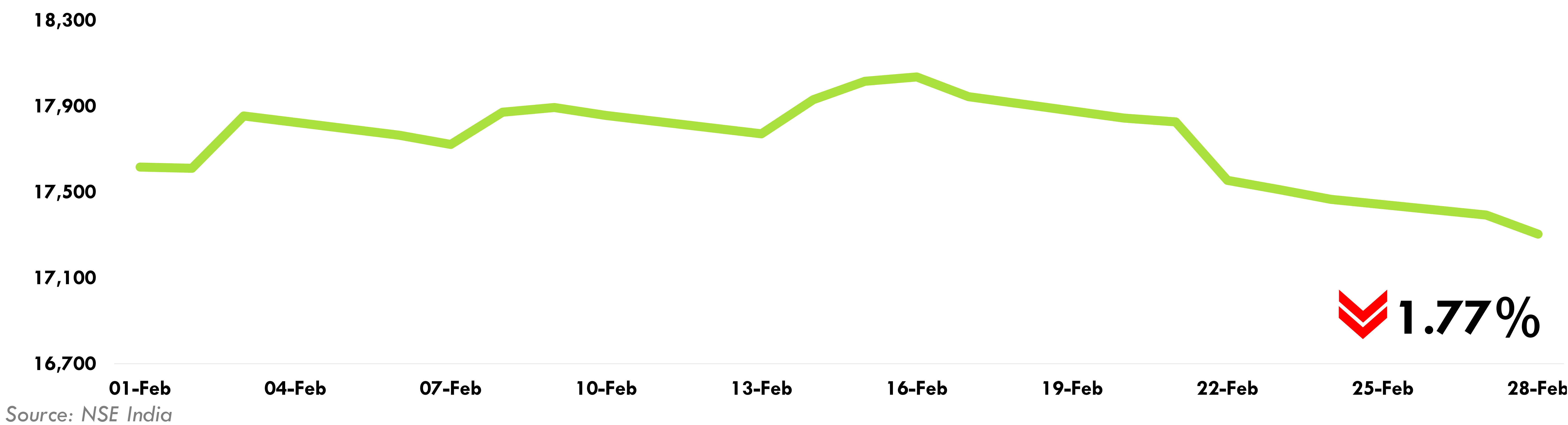
Despite the existing guidelines for anti-money laundering, the situation has worsened with the rise of serious financial crimes. To combat this issue, SEBI has introduced stringent regulations that redefine anti-money laundering activities. The new guidelines require SEBI-registered intermediaries to comply with comprehensive and detailed requirements, including proper KYC measures, due diligence on clients, transactions, and the source of funds, and monitoring of suspicious transactions. Additionally, a senior director-level individual will be held accountable along with the compliance officer. Also, third-party intermediaries cannot be located in any country deemed "high risk" by the Financial Action Task Force. However, implementing such detailed guidelines could bump up compliance costs and efforts for intermediaries. It remains to be seen if these measures will prove effective in combating financial crimes while being practical for registered intermediaries.

Index	1 st Feb'23 (In ₹)	28 th Feb'23 (In ₹)	Change (%)	Trend
NIFTY Auto	12,441	13,381	↓ -3.6	
NIFTY Bank	38,030	41,307	↓ -0.6	
NIFTY Consumer Durables	26,841	27,024	↓ -0.4	
NIFTY Financial Services	17,270	18,538	↓ -0.5	
NIFTY FMCG	43,477	44,296	↓ -0.04	
NIFTY IT	26,729	28,727	↓ -1.2	
NIFTY Media	2,039	2,062	↓ -7.7	
NIFTY Metal	5,594	5,896	↓ -14.7	
NIFTY Oil & Gas	7,543	8,076	↓ -6.6	
NIFTY Pharma	13,119	13,212	↓ -4.9	

Source: NSE

NIFTY50

NIFTY50 February'23 (In ₹)



February has not been a great month for the index due to various reasons like the Adani episode, insurance companies' downfall, RBI's policy decision, and rate hikes. The benchmark fell below a crucial long-term average for the first time in more than four months, dragged down by I.T. companies after U.S. data confirmed worries about an extended period of high-interest rates by month's end.

Has Hindenburg Shattered India's Energy Plans?

Early in February, the market was adjusting to the immediate fallout caused by Hindenburg's lengthy report alleging Adani Group of many irregularities. Adani Group is a significant Renewable Energy developer in the nation and one of the three companies selected for the PLI scheme to produce solar modules. The company is a pioneer in fields like pumped storage and hydrogen. The cabinet minister for New and Renewable Energy dismissed worries that the current crisis at the Adani Group might jeopardize India's ambitious clean energy plans. The group is facing financial constraints due to its inability to raise money, but it must immediately reduce debt. Prospects look decent, but India might suffer if the group is unable to add 45 GW of renewable energy by 2030.

adani

Coal India Goes Green

Intending to increase green cover and give inhabitants a source of income, Coal India Limited (CIL) has converted 30 former mining sites into eco-parks. Other eco-parks and eco-restoration sites are being planned for CIL's mining districts, which already draws regular visitors. In its numerous mines, CIL is utilizing cutting-edge methods like seed ball planting, seed casting using drones, and Miyawaki plantation. When mined-out regions, overburden dumps, do not serve as active mining zones, and are simultaneously recovered into eco-spots. Different species for biological reclamation are chosen in consultation with central and state-supported specialist agencies. Remote sensing is being used to monitor land reclamation and restoration, and as of now, 33% of the area is covered in vegetation.

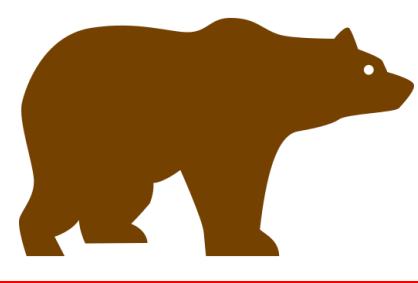


Top Gainers | NIFTY50 | Feb'23



Company Name	Change (%)
Adani Ports	19.7%
Tech Mahindra	7.5%
ONGC	5.4%
Bajaj Finserv	5.3%
Bajaj Finance	5.1%
ITC	4.2%
IndusInd Bank	3.4%
Apollo Hospital	3.3%
Asian Paint	3.1%
Power Grid	2.6%

Top Losers | NIFTY50 | Feb'23



Company Name	Change (%)
Adani Enterprise	-36.1%
Divis Lab	-15.8%
Tata Steel	-14.8%
Hindalco	-14.7%
Cipla	-12.2%
Hero Motorcop	-11.3%
JSW Steel	-8.6%
UPL	-6.5%
M&M	-6.1%
Eicher Motor	-6.0%

Source: NSE India

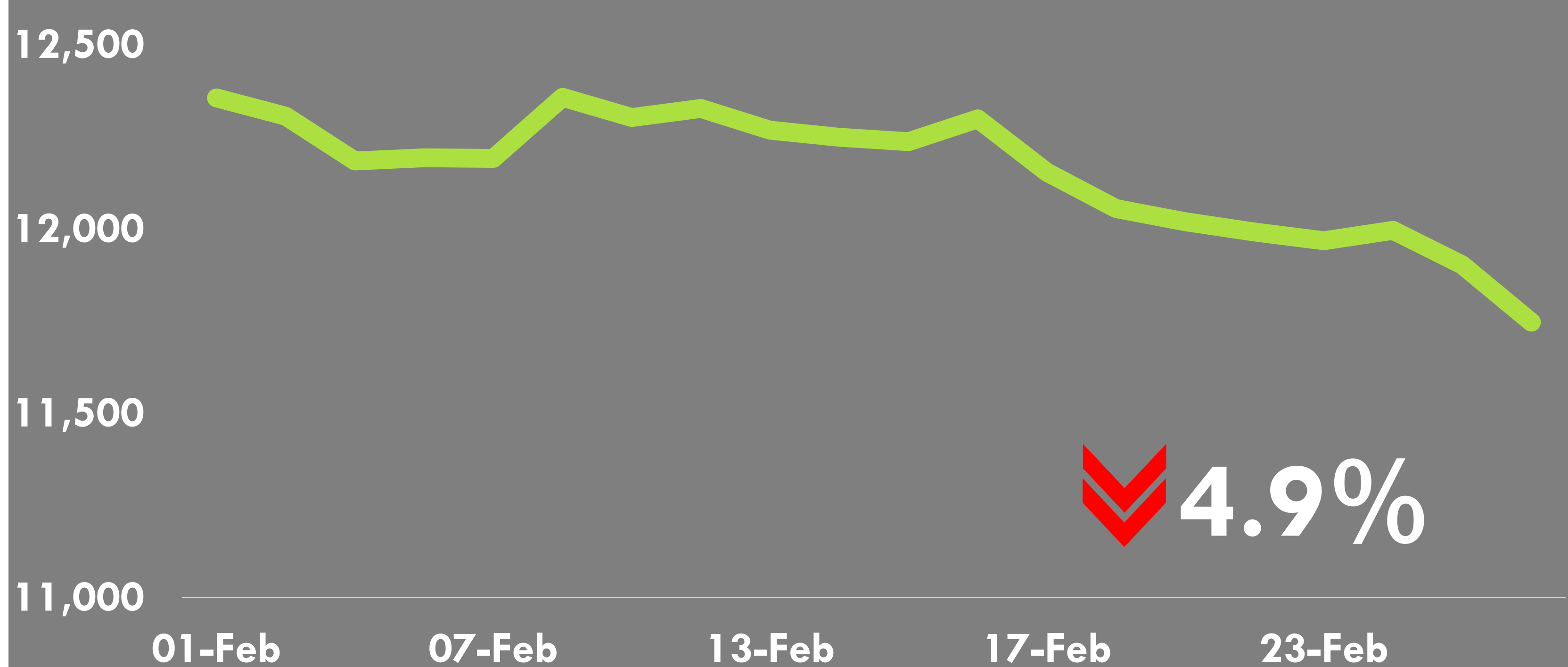
SECTOR UPDATES

Pharma Sector



India is gearing up to compete on a global scale and transform its pharmaceutical industries from high-volume to high-value products. This vision can become reality with the budget's aim of concerted and coordinated efforts on R&D. However, the Index bled due to a major pullback from Index heavyweights like Sun Pharmaceutical and Cipla of 7.5% and 10.9%. The shares of Cipla plunged and hit their lowest value in 7 months after inspectional observations from the United States Food and Drug Administration.

NIFTY Pharma February'23 (In ₹)



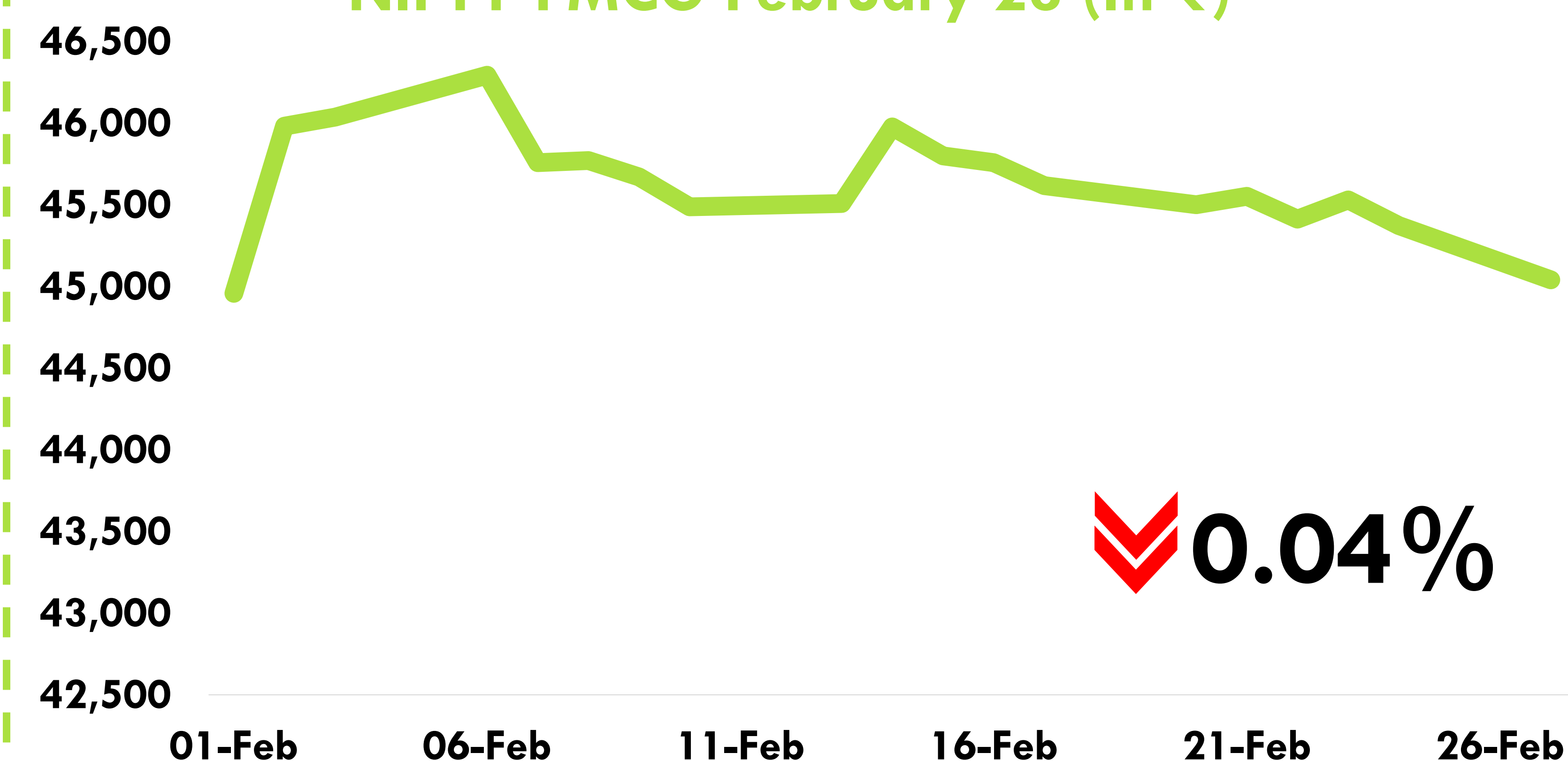
Source: NSE

FMCG Sector



The FMCG sector previously haunted by rising inflation hails the budget and expects the revival of demand and propel long-term economic growth. The government's emphasis on agriculture, as outlined in the budget, alongside expanding middle-class disposable income and enhanced capital expenditure, saw a boost in investments and a revival of volume growth. However, The FMCG index remained flat as major players balanced out their positions. ITC gained about 7% on the other hand Hindustan Unilever shredded 4.5%.

NIFTY FMCG February'23 (In ₹)



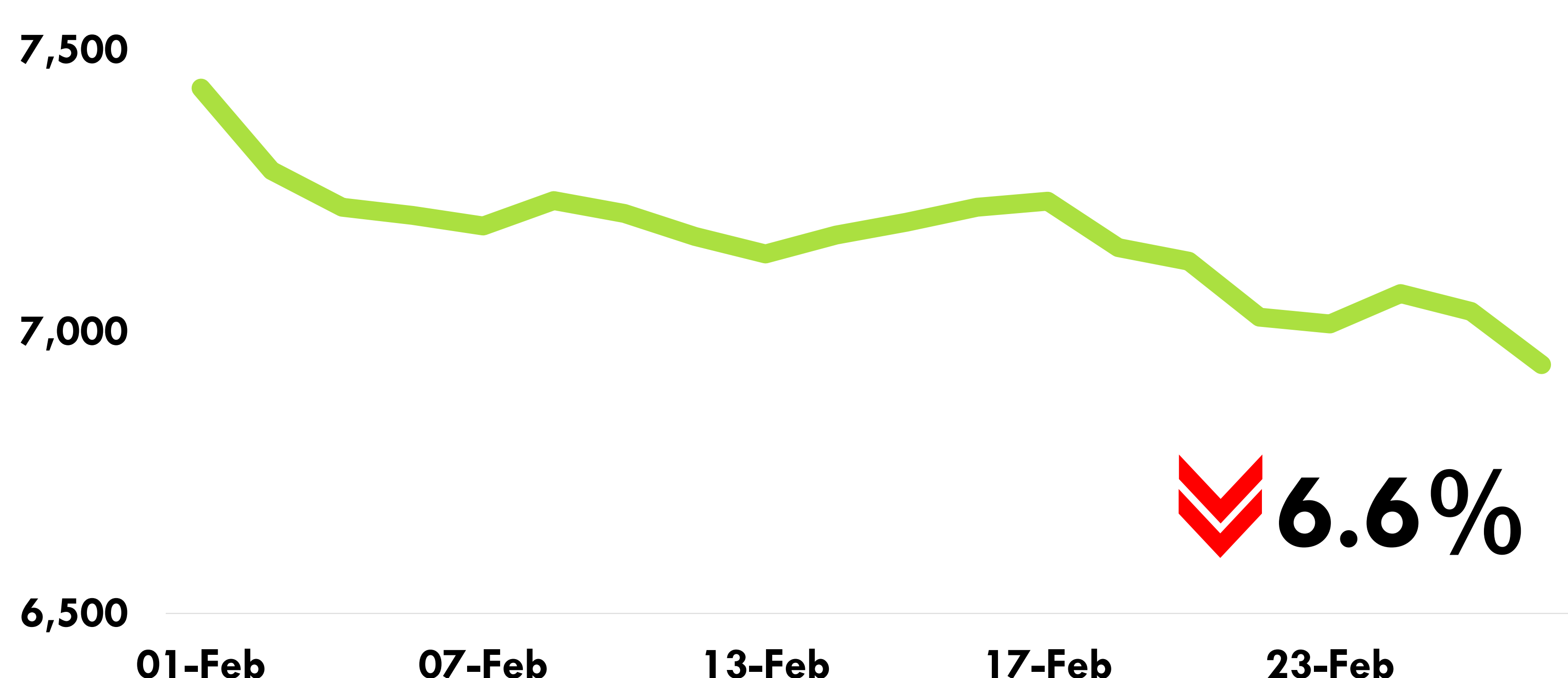
Source: NSE

Oil and Gas Sector



The Oil and Gas index plummeted this month. The primary cause of the drop was two Adani stocks, Adani transmission, and Adani green that crashed by more than 60% each in the month. However, government initiatives to raise the total crude oil refining capacity and the newly inaugurated 1mn square km area for domestic exploration and production had a positive impact on the sector. Efforts made by India and Guyana towards signing a Memorandum of Understanding to boost cooperation in the sector is likely to provide the much needed push.

NIFTY Oil & Gas February'23 (In ₹)



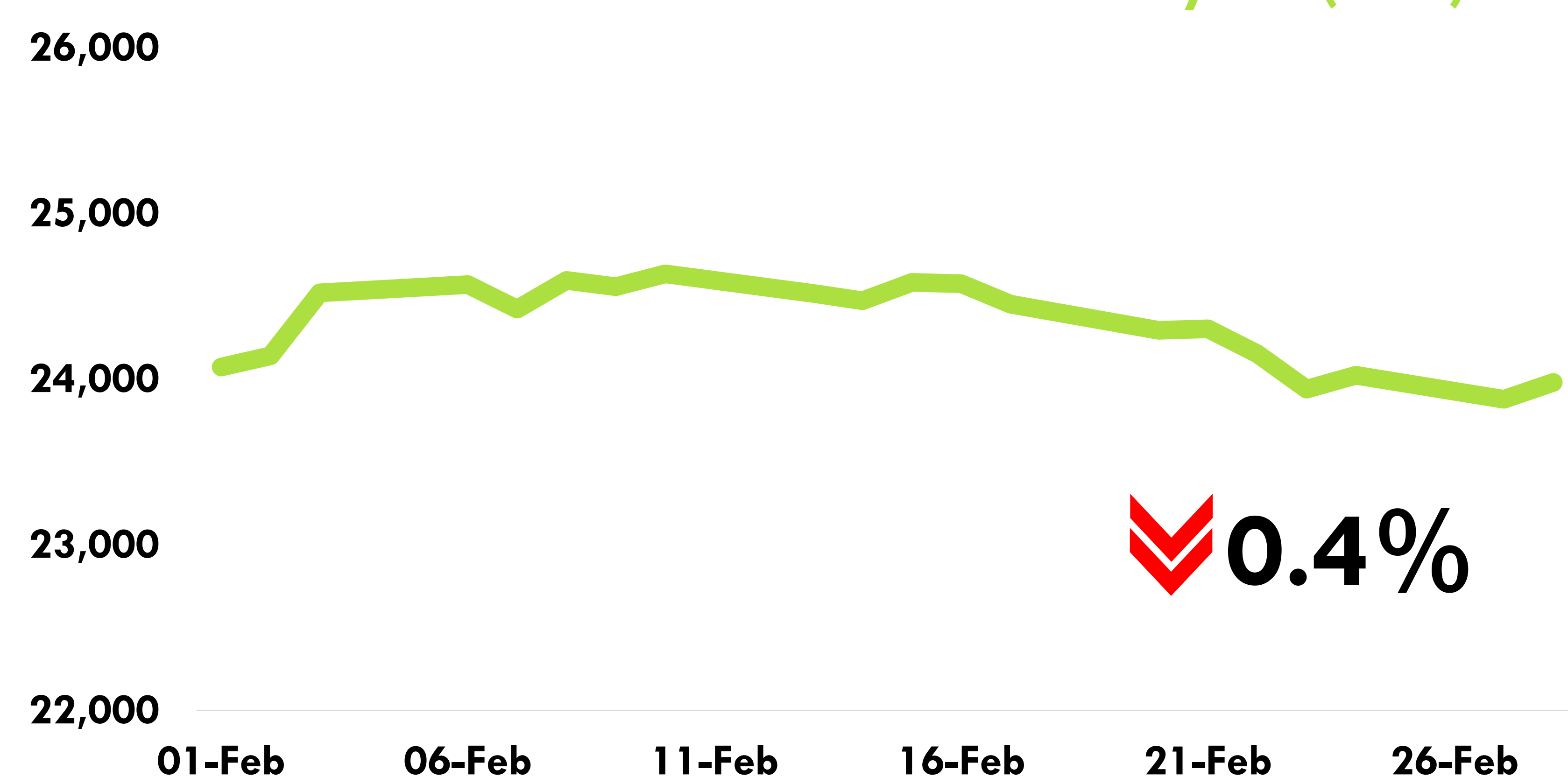
Source: NSE

Consumer Durables Sector



With the early arrival of summer, consumer durable firms experienced a high demand for goods like ACs and refrigerators. Also, with the relaxation in income tax slabs and increasing disposable income, the sector underwent robust growth in discretionary spending. Furthermore, due to the increase in PLI, the housing upturn, higher government capex and significant export possibilities manufacturers of consumer durables have been on a rise. Sector giant Titan remained flat while Voltas made a positive contribution to the index of 11%.

NIFTY Consumer Durables February'23 (In ₹)

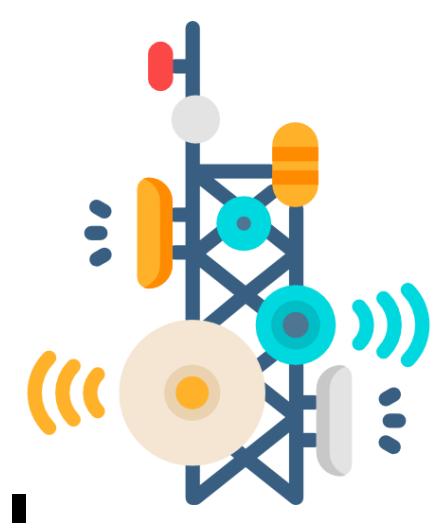


Source: NSE

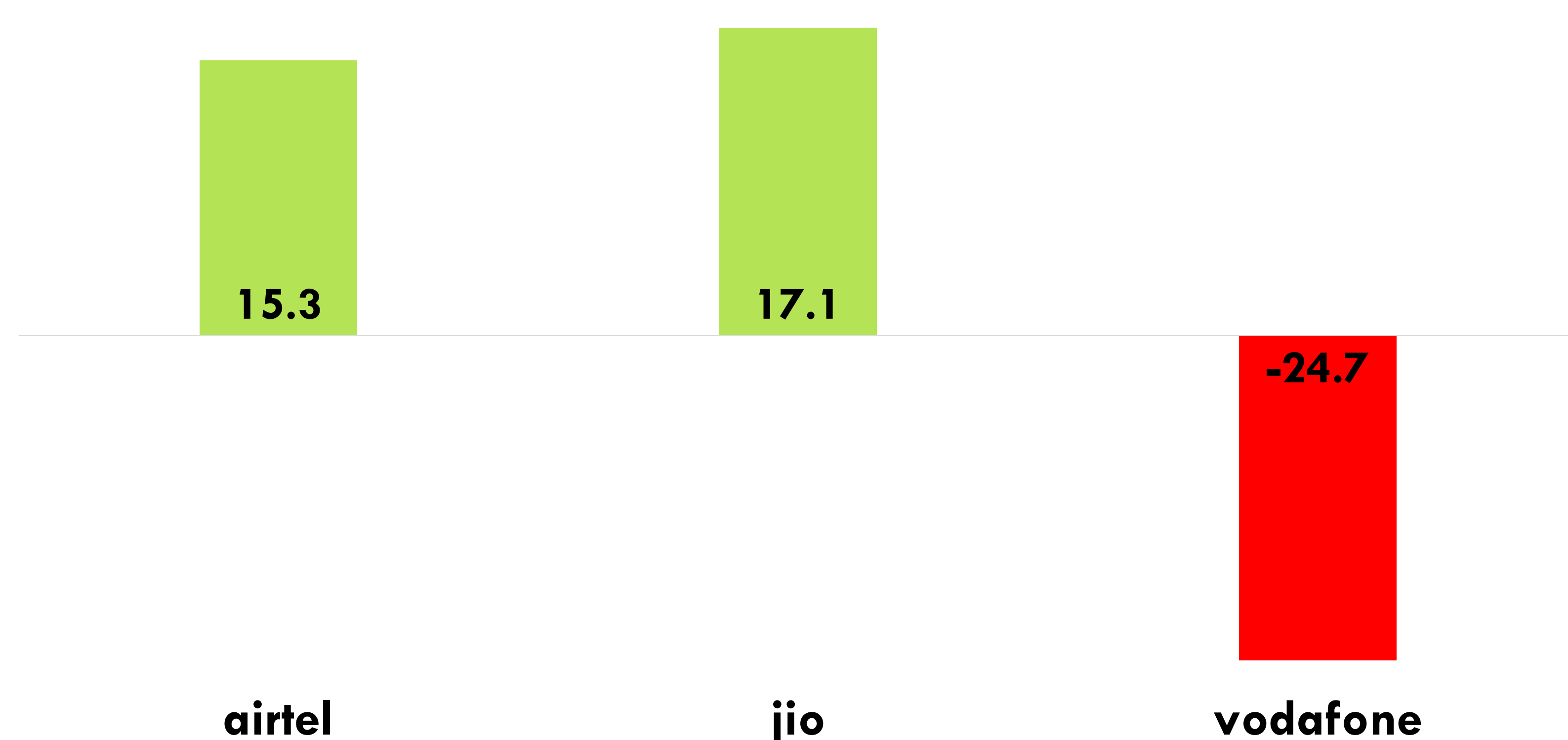
SECTOR UPDATES

Telecom Sector

The telecom sector is at a turning point with major players paving the way to aggressively expanding their 5G reach, inviting large investments in capex. In order to increase the number of subscribers, Reliance has curated plans to air IPL matches in 4K resolution on the Jio Cinema platform free of cost. With Airtel crossing 10mn 5G users mark on its network and Vodafone's debt conversion to equity, the sector is set to bring in more investments. While Vodafone gained about 2% in the month, Airtel fell by an equal proportion.



Addition During December'22 (Lakhs)



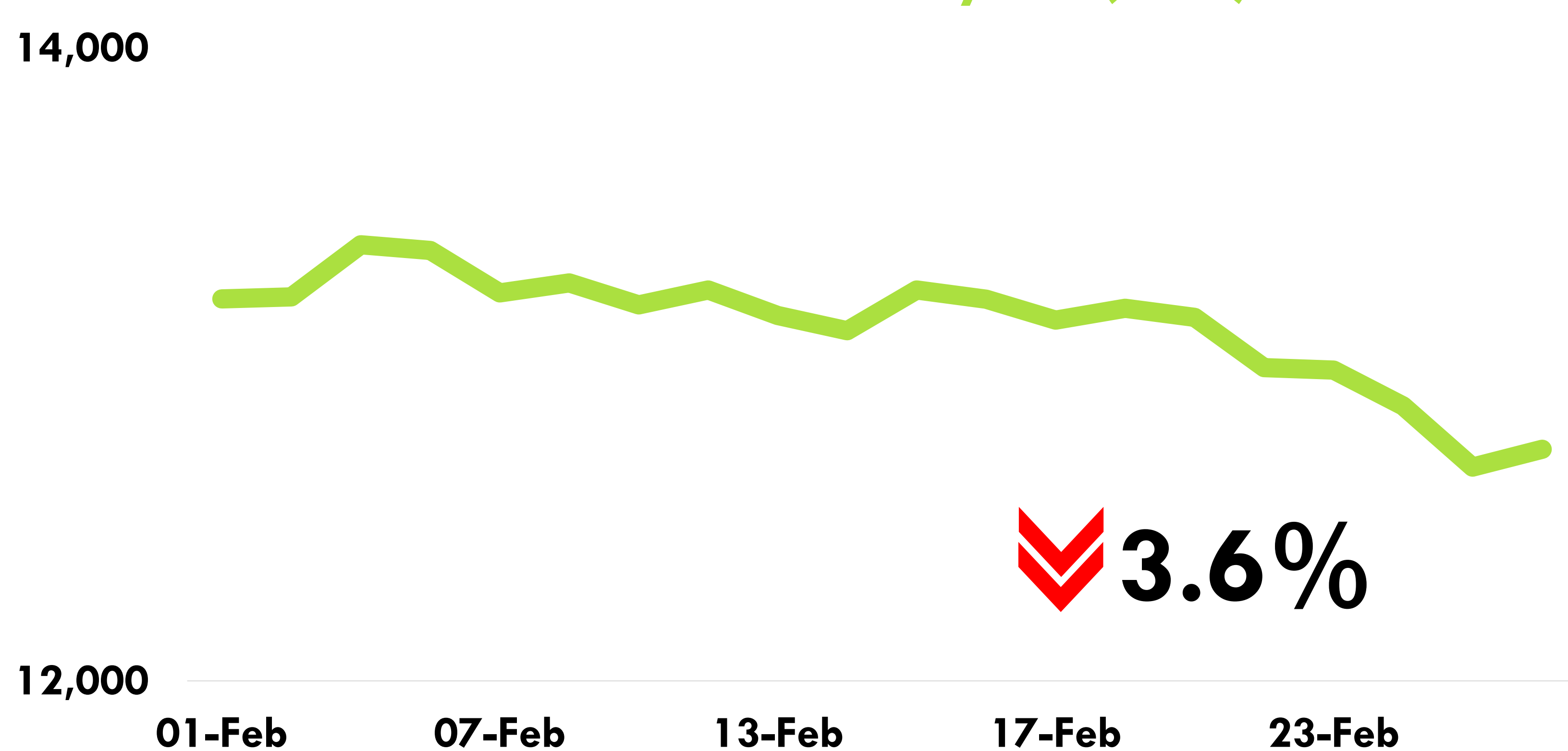
Source: TRAI

Auto Sector

The industry is optimistic about a sustained rise in vehicle demand attributable to the Union Budget's emphasis on exports, manufacturing, local value addition, and promoting green energy. Moreover, the demand for entry-level two-wheelers and entry-level passenger vehicles is anticipated to accelerate due to enhanced income tax rebates. The industry saw an increase in the tractor sector owing to positive customer sentiments led by ample finance availability, better Rabi sowing, and the early festive season. However, further rate hikes kept the overall sector to remain flat. TVS Motor gained about 4.5%, while Tata Motors shed a percent.



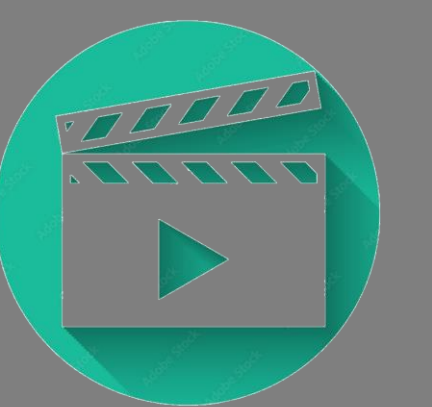
NIFTY Auto February'23 (In ₹)



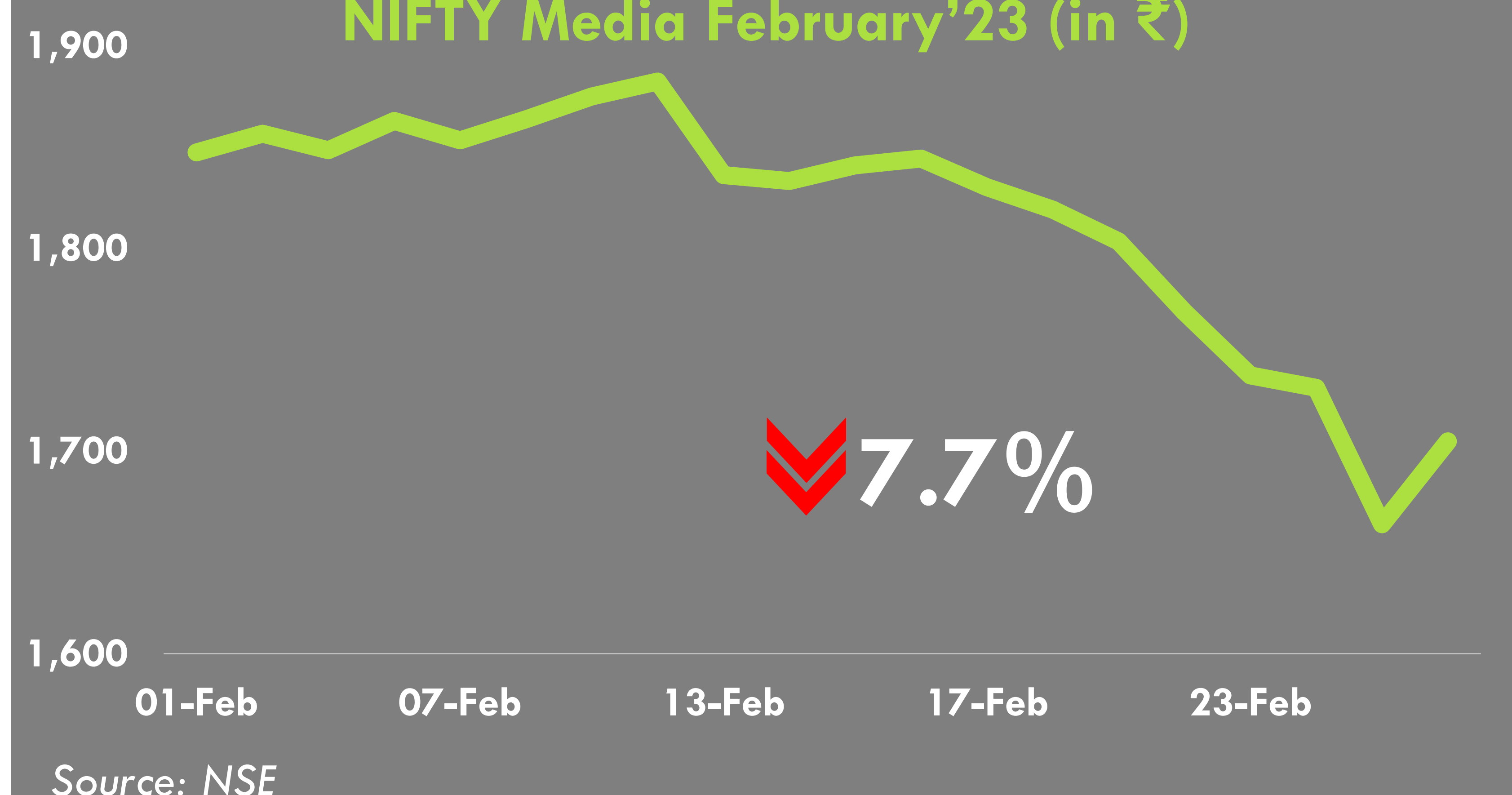
Source: NSE

Media Sector

The public's propensity to spend on media products has unavoidably been impacted by growing inflation and cost of living, contributing to a decline in discretionary spending. The media industry relies heavily on advertising revenues which experienced a decline due to cautious spending exerting downward pressure on the stocks. The industry still struggles to witness a positive trend. Furthermore, the insolvency crisis of ZEEL, which holds almost 30% weightage, bled by 13.8%, dragging the index.



NIFTY Media February'23 (in ₹)



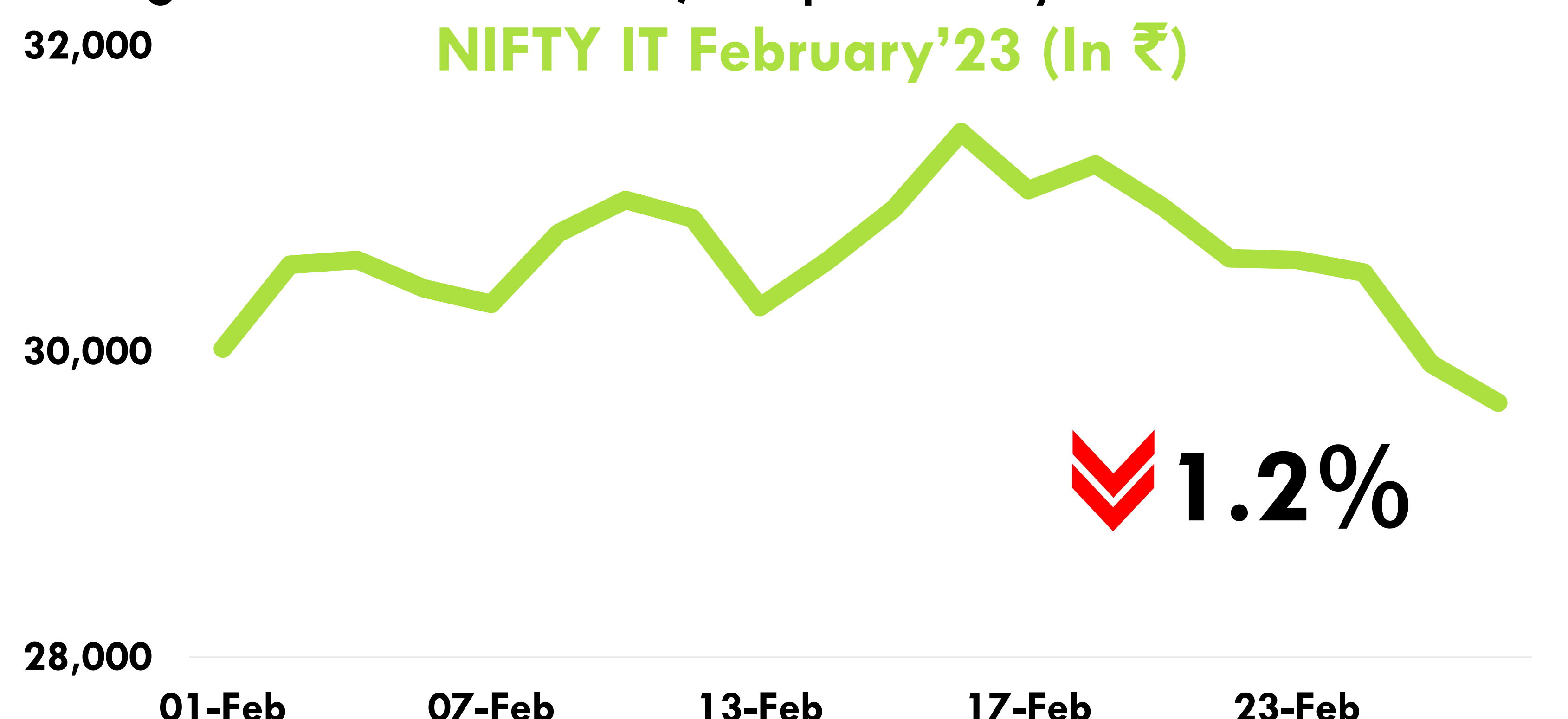
Source: NSE

IT Sector

IT funds surged on the budget day and have been showing signs of revival since then. Even when the broad market remained volatile, IT witnessed an up move. This was due to temporary sector rotation. Investors are switching out of banks and reinvesting in technology. The technology sector has underperformed by 25-30% in CY22, while banking has outperformed, hence the rotation. Furthermore, the sector has witnessed a rally in recent weeks, driven by the robust earnings reports of major tech companies and optimism around the global economic recovery. The index fell marginally, with L&T Technology and Persistent Systems emerging as top gainers for the month rising 9.5% and 2.3%, respectively.



NIFTY IT February'23 (In ₹)



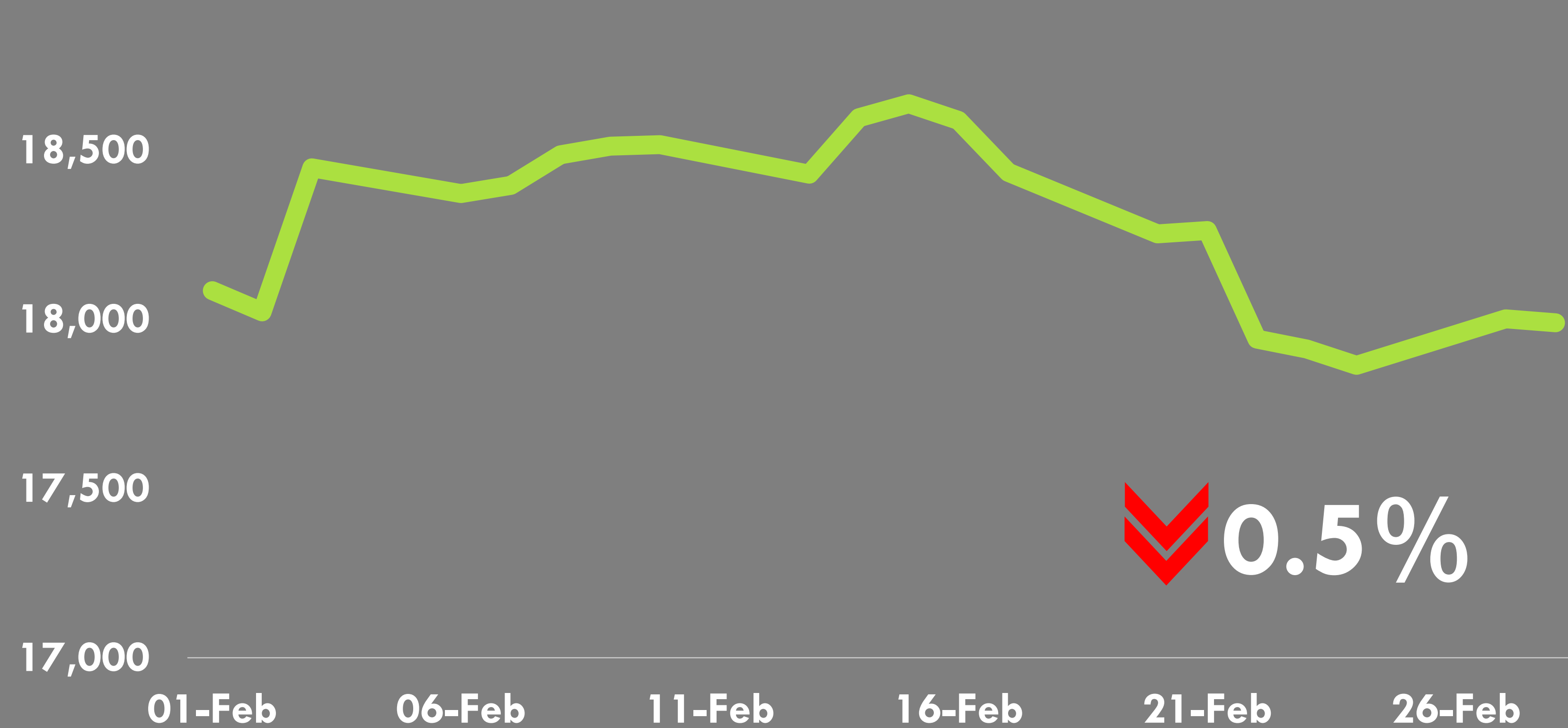
Source: NSE

SECTOR UPDATES

Financial Services Sector

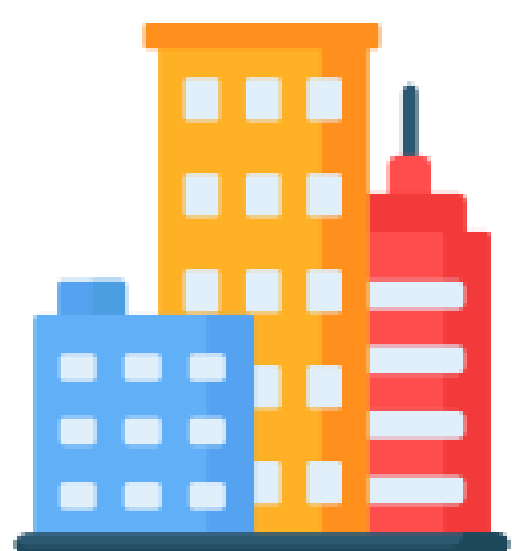
The insurance sector is sailing over a storm as the new tax regime which prohibits tax benefits has emerged as a turbulence for the sector. Banks, NBFCs, and Insurance companies are all trapped either from the streak of rate hikes or by the new regime. However, micro finance continues to strengthen as the AUM growth has witnessed a rebound, with an added advantage of penetration in more states. Additionally exposure to Adani Group didn't dwell well with the investors sentiments. Stocks like HDFC Life and ICICIPRU have descended by over 15.6% and 9.6%, respectively.

NIFTY Financial Services February'23 (In ₹)

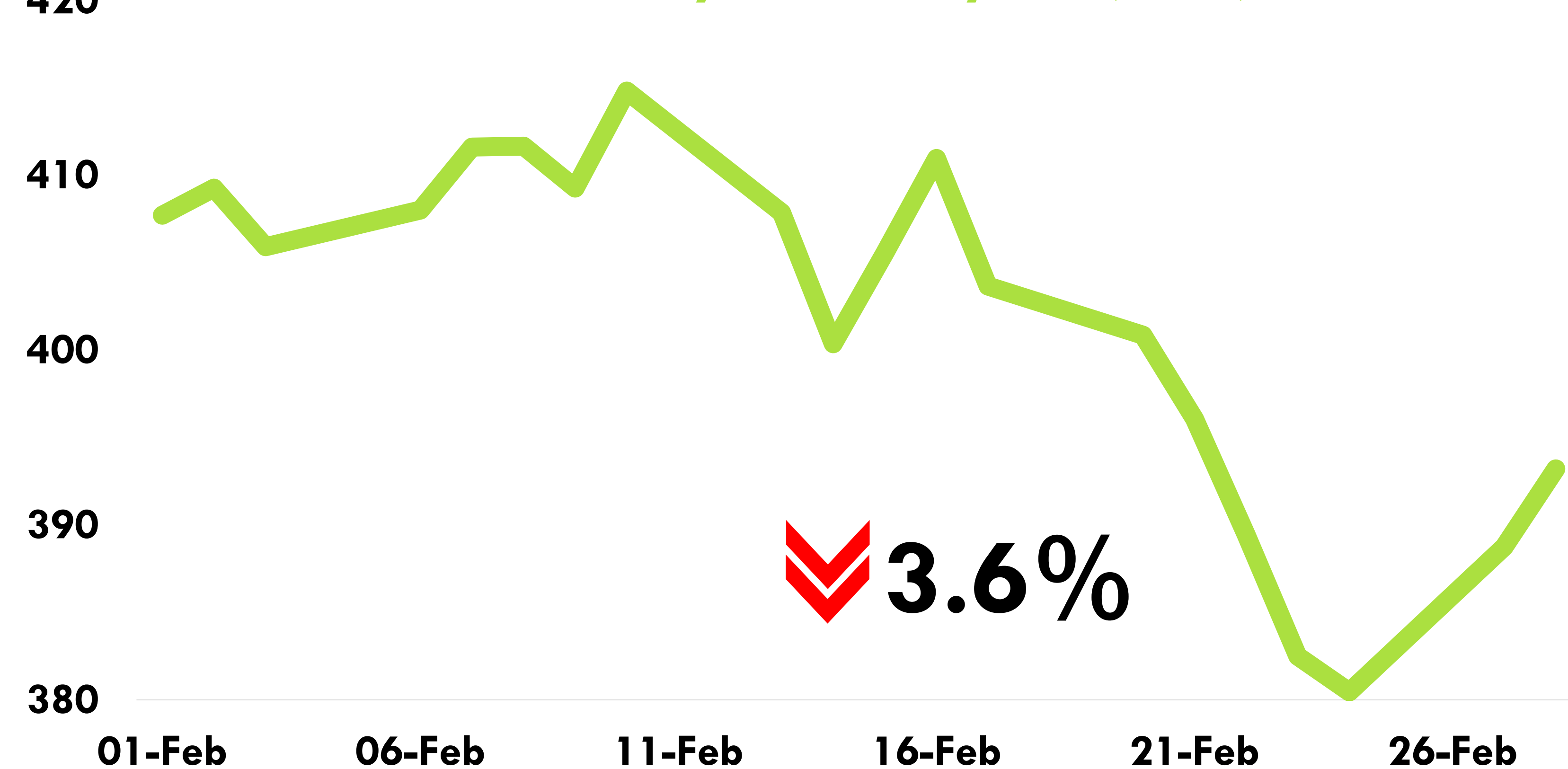


Realty Sector

The sector impacted by surged interest rates And inflated construction costs, got a little Support with capital influx proposed in the Union Budget. However, the new tax regime will repel people as tax benefits are no more in the picture. Further, a series of layoffs and weak global factors are squeezing the demand. Amid all this, stocks like India Bulls Real Estate are struggling with their own factor as the loss had widened up with additional downward pressure coming from Macrotech Developers; the duo fell down by 20% each, putting pressure on the index.



NIFTY Realty February'23 (In ₹)

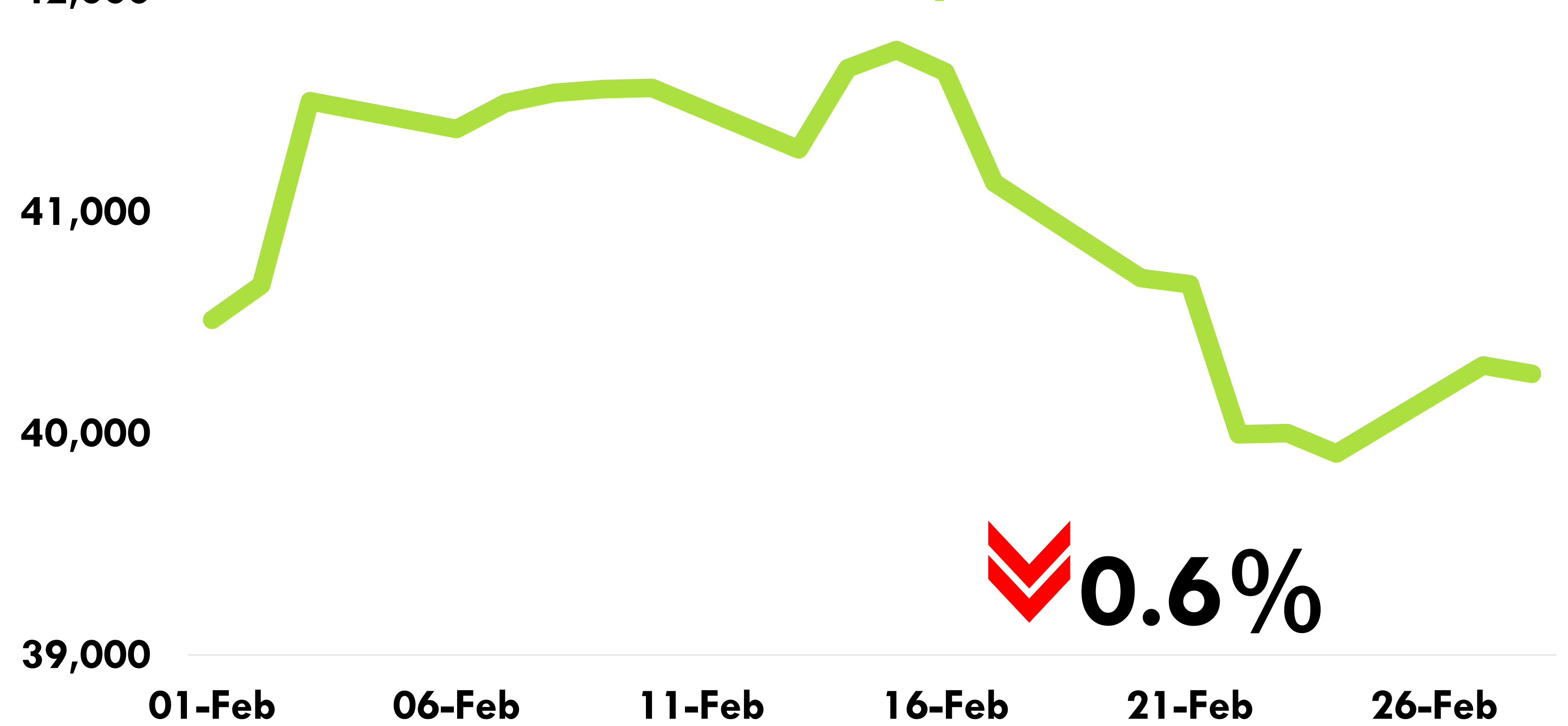


Banking Sector

The banking sector has remained bullish throughout the month, gaining 8.62%, owing to Fed's interest rate hike. Moreover, better-than-expected US GDP data, positive earnings, FII support, and an appreciating rupee further contributed to the uptrend. A pick-up in credit growth and improvement in asset quality are other key drivers of the run-ups in the banking stocks. Index heavyweight Axis Bank led from the front, gaining 25.4%, followed by PNB surging 21% after reporting a stellar earning result.

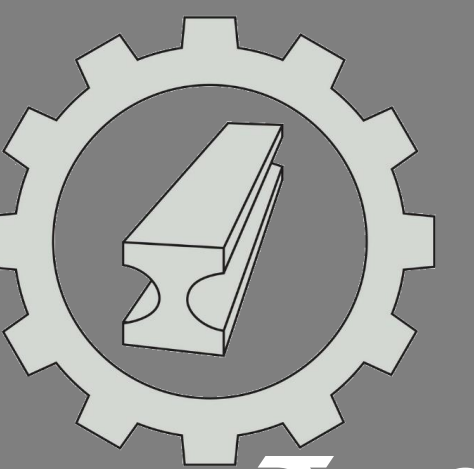


NIFTY Bank February'23 (In ₹)

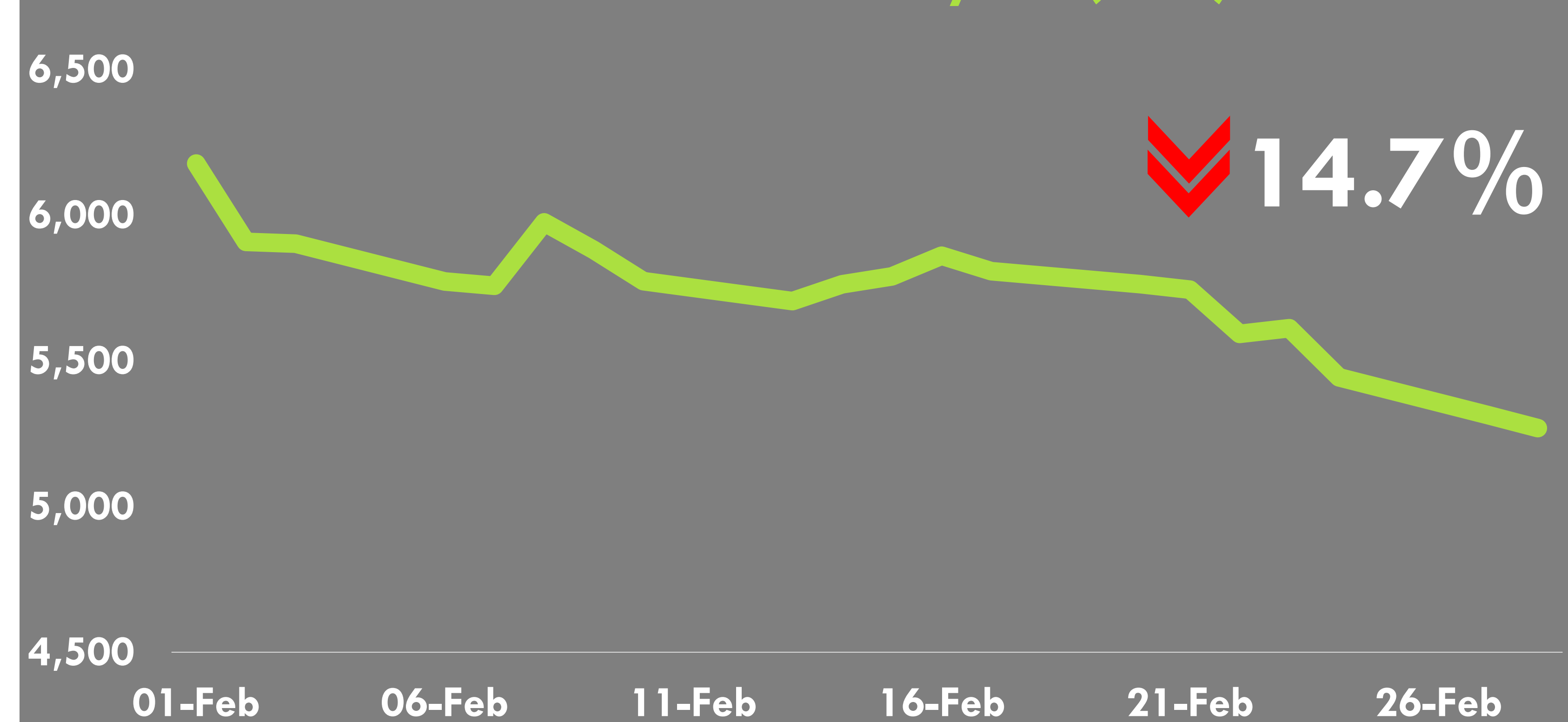


Metal Sector

The month commenced on a positive note with the news of an increase in Capex of a whopping ₹10 lakh crore in the Union Budget. After a gloomy quarter, this was as a much-needed booster for the metal sector; however, soaring coal price, which is an essential raw material for the steel sector, remains a cause of concern standing at 7 months high. The sector fell apart by slashing 21% within a month, with a significant setback coming from Adani Enterprises, which slumped over 54% in the wake Hindenburg fiasco, with additional drag coming from Hindustan Copper, which has descended over 21% during the month.



NIFTY Metal February'23 (In ₹)



IPO

Aakash IPO on Cards

BYJU's co-founder Divya Gokulnath has vouched for the upcoming IPO of the newly-acquired Akash



Educational Services. In 2021, BYJU's spent over \$1 bn to take over Akash, and there is speculation that the IPO could be a mega one worth around ₹8,000crs, slated for launch this year. Gokulnath has also quashed rumors of overseas and domestic listings, stating that the company will be listing in India. She revealed that BYJU's is currently focused on "group-level profitability" and that all acquisitions except for WhiteHatJr are stepping stones toward this vision. However, there have been reports that the parent company is seeking capital infusion to address potential debt issues. As we observe that new-age businesses are commanding exorbitant valuations, the question arises whether Akash will be an exception.

SEBI Not So Hard on IPOs

SEBI has proposed hard underwriting for IPOs, which means that if an IPO fails to impress investors and is not fully subscribed, the remaining part can be taken care of by merchant bankers. Currently, SEBI only allows soft underwriting--shortfall due to technical rejection of bids. SEBI plans to amend some of its regulations to clear the air between hard and soft underwriting. This is a significant move, given the dry state of the primary markets. This measure is expected to boost issuers' confidence as they will be insured of the subscription aspect. From investors' perspective, this is a positive move as well since merchant bankers will have more skin in the game, and we can expect more rational IPO pricing. IPO underwriting is quite common in developed markets, demonstrating investor confidence and merchant banker accountability. However, issuers will now have to shed more money for underwriting due to the insurance aspect coming into play.



The move undoubtedly helps over the long haul; however, it will be interesting to see how effective it will be in the short run.

Park Hotels Revisits IPO route

The parent company of The Park and Zone, Apeejay Surrendra Park Hotels Ltd. (ASPHL), has



brought to life its fundraising plan, aiming to raise ₹1500crs by September this year through an IPO. The chain had filed its prospectus in 2020 but did not proceed with the same due to COVID-19 and travel restrictions. The proceeds from the equity sale will be used toward fueling the expansion plan. The company currently operates 22 hotels with 2,000 rooms and aims to add another 2,000 in the near future, raising the number of hotels to 40. Its hotels are located in top metro cities, such as Chennai, Hyderabad, and Kolkata. In addition, the chain owns the renowned brand Flurys, with 65 outlets at present. The company, valued at ₹5,000crs, plans to sell 30% of its stake through a blend of primary and secondary equity sales.

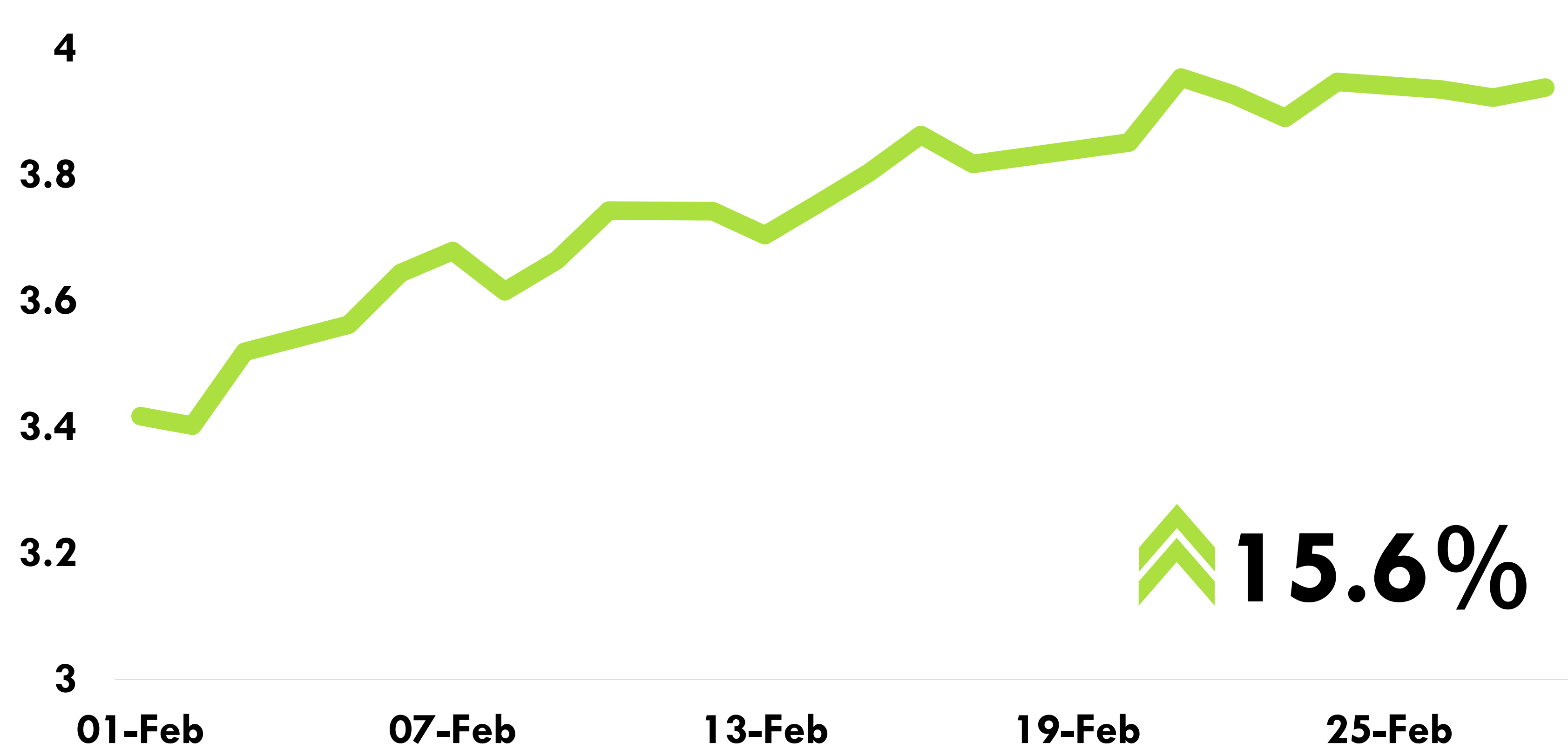
Upcoming IPOs	IPO Size (Approx.)
Drool Technology	₹3,000 Cr.
OYO Rooms	₹8,430 Cr.
Aadhar Housing Finance	₹7,300 Cr.
Signatureglobal Limited	₹1,000 Cr.

First IPO of 2023

The IPO market drought has finally ended with Divgi Torqtransfer becoming the first IPO to hit the markets this year. The company is engaged in the business of automotive components offering system-level transfer cases, torque couplers, and dual-clutch automatic transmission solutions used in automobiles. However, the issue size has been shed from ₹200cr. to ₹180cr. asking a valuation of ₹1,624cr. As the IPO is purely OFS, existing shareholders will sell around 3.93mn shares. As far as financials are concerned, the company reported a revenue of ₹233.78cr last year with a net profit of ₹46.15cr. The IPO was introduced in the wake of improving the Infrastructure, consequently slashing manufacturing costs. Nowadays, when the market is observing a lot of volatility and is in a downturn, coming up with an IPO requires high caliber; however, the market's response to it is a cause of concern.

FIXED INCOME

US 10 Year Treasury Yield February'23 (In %)



Source: US Department of the Treasury

The US 10-year Treasury yield has been on an unimpeded rise this month after labor data and prices showed that the U.S. economy is still resilient. The higher-than-expected January inflation data combined with the lower-than-expected unemployment data has rung alarm bells across Wall Street. U.S. business activity rebounded unexpectedly in February, reaching its highest level in eight months. The yields made three-month highs while staying in an inverted curve. The Fed's hawkish stance and commitment to curb inflation at any cost has led investors to believe that rates might stay high for longer than expected due to the Fed's ongoing battle against record inflation.

Historical Inversion

The Indian bond markets created history on 21st February when the recently retired gilt and the ones maturing in 2052 closed at 7.39%. Conventional wisdom says that securities bearing longer maturities provide higher yields. Still, sometimes a phenomenon known as the “inverted yield curve” occurs whereby the yields on shorter-dated bonds become higher than longer-dated ones. This phenomenon happens when investors expect short-term volatility and uncertainty, leading them to park their money in longer-dated securities, thus lowering the yields of those securities. Economists usually consider it to be an indicator of a future recession. Higher-than-expected inflation data in the United States and India has caused some panic among investors which can be the reason behind the yields becoming equal for the 10Y and 30Y G-Sec bonds. Can India's bond markets go into an inverted yield?



The \$4bn Fund

The Government of India along with a unit of the nation's largest state-owned bank, SBI Mutual Fund, is joining forces to create a \$4-bn fund. The fund is intended to provide liquidity to India's underdeveloped corporate debt market during times of stress by helping cushion panic selling and ease redemption pressures for debt funds. The government will provide 90% of the funds, with the rest coming from other asset managers. SEBI first proposed the creation of such a backstop fund in 2020 after the domestic debt market was struck with high-profile defaults and the shutdown of many debt mutual funds, leaving investors in disarray. Even investment-grade bonds lacked liquidity. Hence, buyer/seller of last resort was required due to the illiquid nature of India's corporate bond market, as highlighted by the events that occurred in 2020.



Inflation Woes Confronting India

India recorded a retail inflation rate of 6.5% in January, breaking RBI's tolerance limit just after two months of staying within the limit. The surge was much higher than expected by market participants. Rising food prices, which account for ~40% of the CPI basket, have also contributed to the unexpected rise, with cereal prices increasing 16.1% compared to 13.8% in December 2022. The RBI's commitment to keeping inflation within its tolerance band has led it to hike the repo rate by another 25 bps to 6.5%. India's core inflation has been high for nearly three years now, which is a constant factor contributing to inflation and agony for the RBI.



Month	Inflation (%)
July	6.71
August	7.00
September	7.41
October	6.81
November	5.91
December	5.72
January	6.50

Source: MOSPI

RISK

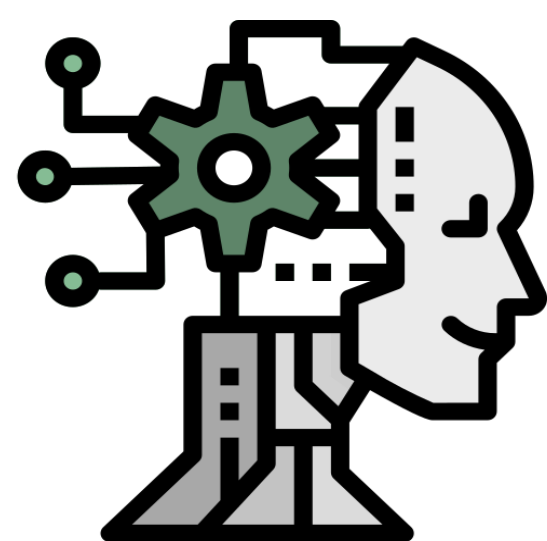
Risk Squared?

The recent cyberattack on ION Cleared Derivatives has highlighted the importance of operational and cyber resilience in the financial system. On 31st January, the ION Group revealed that its division, ION Cleared Derivatives, had experienced a cyberattack by LockBit ransomware. ION Group is a UK-based software company that provides derivatives order management, order execution, trade processing, and clearing services to major financial institutions in the Americas and Europe. The attack has caused much havoc among institutions involved in derivatives trading, resulting in reporting delays to exchanges and regulators like the Commodity Futures Trading Commission. The disruption shook the global futures markets, leaving market regulators fumbling for workarounds to log their daily activity and compile weekly reports. The event has highlighted the risks that the financial system can face from a single point of failure, making the whole system much more fragile. The disruption has made it clear that cyber resilience is essential in today's digital age. A breach in one organization's systems can have a far-reaching impact on the wider financial system.



AI Models: Boon or Bane?

The sudden rise to fame of language-generating AI models, like ChatGPT, has made it the internet's latest darling. Hailing of its revolutionary nature and market-disrupting capabilities have overtaken the media, with every big company trying to jump on the bandwagon. However, a cautionary note must be kept in mind regarding the serious cybersecurity threats that such applications can give rise to. Potential risks can involve using such models to generate malicious code by threat actors, leading to more cyberattacks and breaches. These models have also made it much easier to impersonate an individual or organization since they can produce credible-looking phishing content used in social engineering attacks. Another cause for concern is that it is not uncommon for such models to provide incorrect information to users. This phenomenon is known as "hallucination," which can add to the already present cascade of misinformation available online. We must tread carefully.



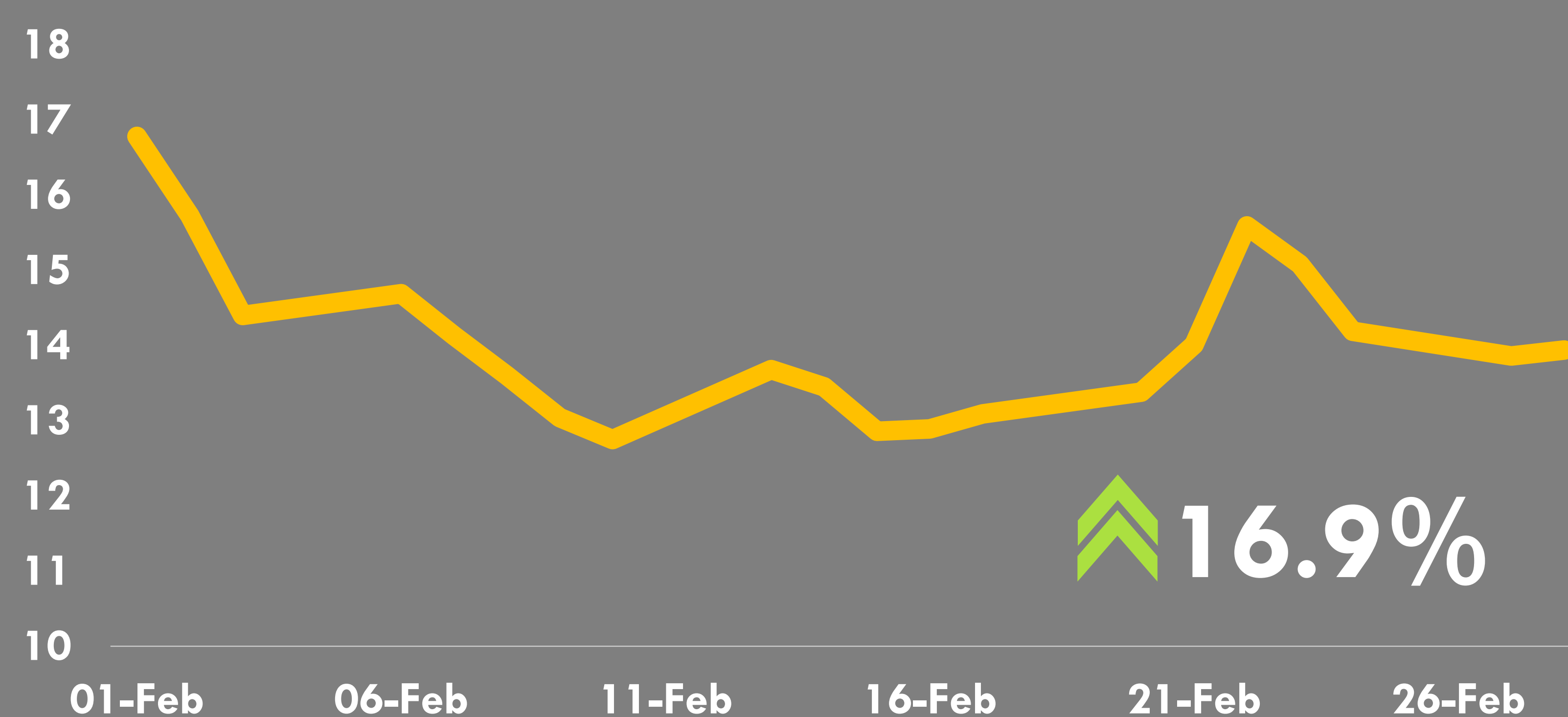
Nature Strikes Again

Nature has recently wreaked havoc in various parts of the world. In Turkey, a 7.8-magnitude earthquake hit on 6th February, causing a massive loss of lives and infrastructure. The earthquake has made things even more precarious for Turkey's already teetering economy, which was dealing with extreme inflation and a collapsing lira. Financial loss estimates are reaching up to \$84bn, close to 10% of Turkey's entire GDP. The country now has to pour billions into reconstruction efforts and provide relief to the victims.



Meanwhile, risks of climate change have become apparent in Venice, whose picturesque canals have dried up to dangerous levels. This has made navigation through the famous canals via gondolas, water taxis, and even ambulances impossible. A city that is used to facing floods is now grappling with the opposite. The drying canals are also affecting Venice's economy, which relies heavily on tourism. The city's officials have started addressing the situation, however, the future looks uncertain for this iconic Italian city.

India VIX February'23



Source: NSE India

India's market fear barometer India VIX followed a downward trend after the spike experienced during late January-early February due to the Adani Group and Hindenburg saga, which increased volatility waned off, signaling that investors have priced in all the information. The index started rising in mid-February when concerns over rising inflation and monetary tightening began surfacing upon the release of inflation and unemployment data in the United States. Investor sentiment dampened upon the release of RBI's MPC meeting, which has led investors to believe that further rate hikes are more probable now.

DERIVATIVES

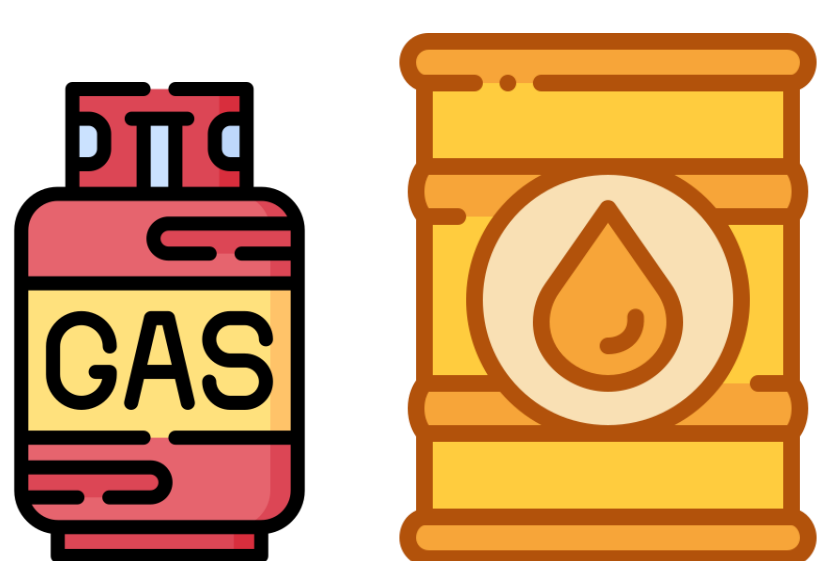
The Gift of P-notes

The 2023 Budget has cleared the path for the issuance of participatory notes (p-notes) from the International Finance Services Centre (IFSC), GIFT City, Gandhinagar. Before the announcement, several entities, including international banking units based in GIFT City, could not issue these securities since they were not recognized under the Securities Contract (Regulation) Act (SCRA). The Budget's announcement said that p-notes would be recognized under SCRA. P-notes are offshore derivative instruments used by foreign investors who wish to invest in the Indian stock market without disclosing their identity or registering with SEBI. P-notes derive their value from underlying assets, such as stocks, bonds, or commodities, but are traded outside the country where those assets are issued or located. Allowing the issuance of p-notes and other synthetic investments in GIFT City could help it compete with popular jurisdictions, enabling investors to deal in a broader range of products like Singapore.



WTI Crude and Natural Gas Enroute India

NSE and the Chicago Mercantile Exchange (CME) Group have inked a pact for allowing the trading of rupee-denominated derivatives contracts of crude oil and natural gas. The data licensing agreement will enable NSE to list, trade, and settle rupee-denominated derivatives contracts of NYMEX WTI Crude Oil and Natural Gas (Henry Hub), some of the most traded commodity derivatives contracts in the world. The agreement will enable NSE to expand its product offerings in the commodities segment after it gets SEBI's approval. Listing of these derivative contracts is expected to help India's market participants meet its price risk management and trading activities. This move will create direct competition for MCX, which already offers MCX Crude Oil and MCX Natural Gas derivatives on its platform. It will be interesting to see if traders will switch exchanges to trade in these new derivatives.



More Trading in the Cards?

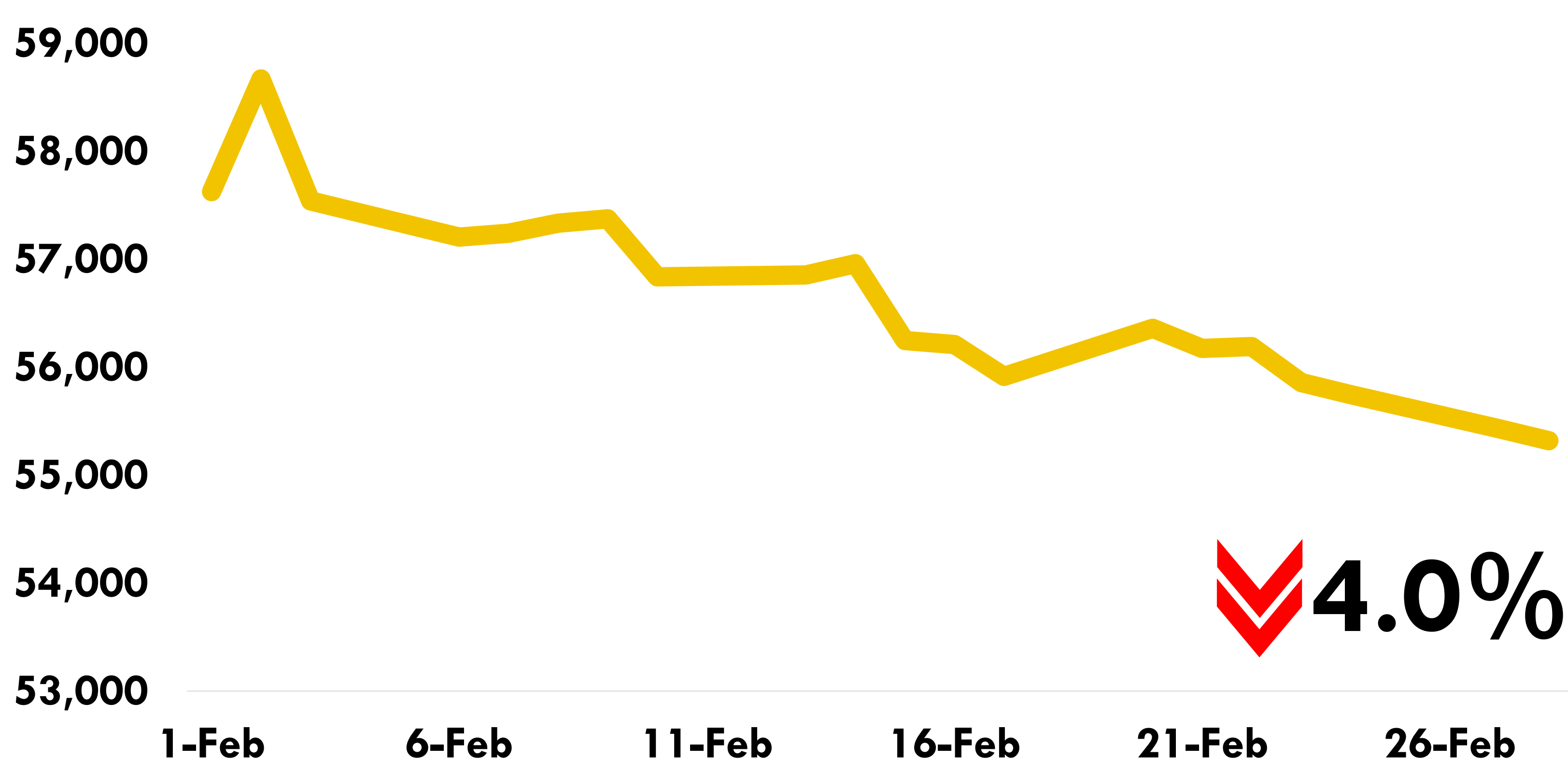
The National Stock Exchange (NSE) has begun preliminary discussions about extending equity trading hours for equity derivative contracts. From February 23rd, NSE also extended the trading time for interest rate derivatives to 5 pm. We live in a globalized world with interconnected economies. The Indian markets are affected by events happening in the United States and Europe, which is why the Exchange believes that extending the trading hours could allow investors to react to global events promptly. Another significant benefit of extending trading hours would be reduced overnight market risk for traders. But before any such move is made, many technological, settlement, and other issues will have to be resolved. The exchanges haven't kept a deadline and intend to implement all changes gradually, so that market participants have enough time to adjust. Further, investors who currently prefer SGX NIFTY against trading in Indian markets would also be considering switching and therefore reducing their basis risk.

SEBI Demands Hedge Funds Transparency

India's market regulator, SEBI, has asked local hedge funds, also known as category-3 Alternative Investment Funds (AIFs), to disclose their F&O trades, the timing and rationale behind the transactions, and the underlying stocks on which such equity derivative positions were held. This move is speculated to be a result of the massive short-selling witnessed in Adani stocks in the wake of the Adani Group incident. SEBI may check if some funds overstepped their short position limits while shorting Adani Group shares. Additionally, these AIFs have been asked to share their "private placement memorandum" (PPM), which may indicate SEBI's examination of whether these funds are following the derivative strategies outlined in their PPM. As of June 2022, 160 category-3 AIFs were managing over ₹65,000crs. These AIFs can invest all their assets in listed stocks with a 10% cap on each stock and use diverse trading strategies with a leverage of up to 2 times their NAV. The regulatory move aims to bring more transparency and accountability to hedge funds and prevent potential market manipulation.

COMMODITIES

Gold Spot Price (In ₹ per 10 grams)



Source: MCX

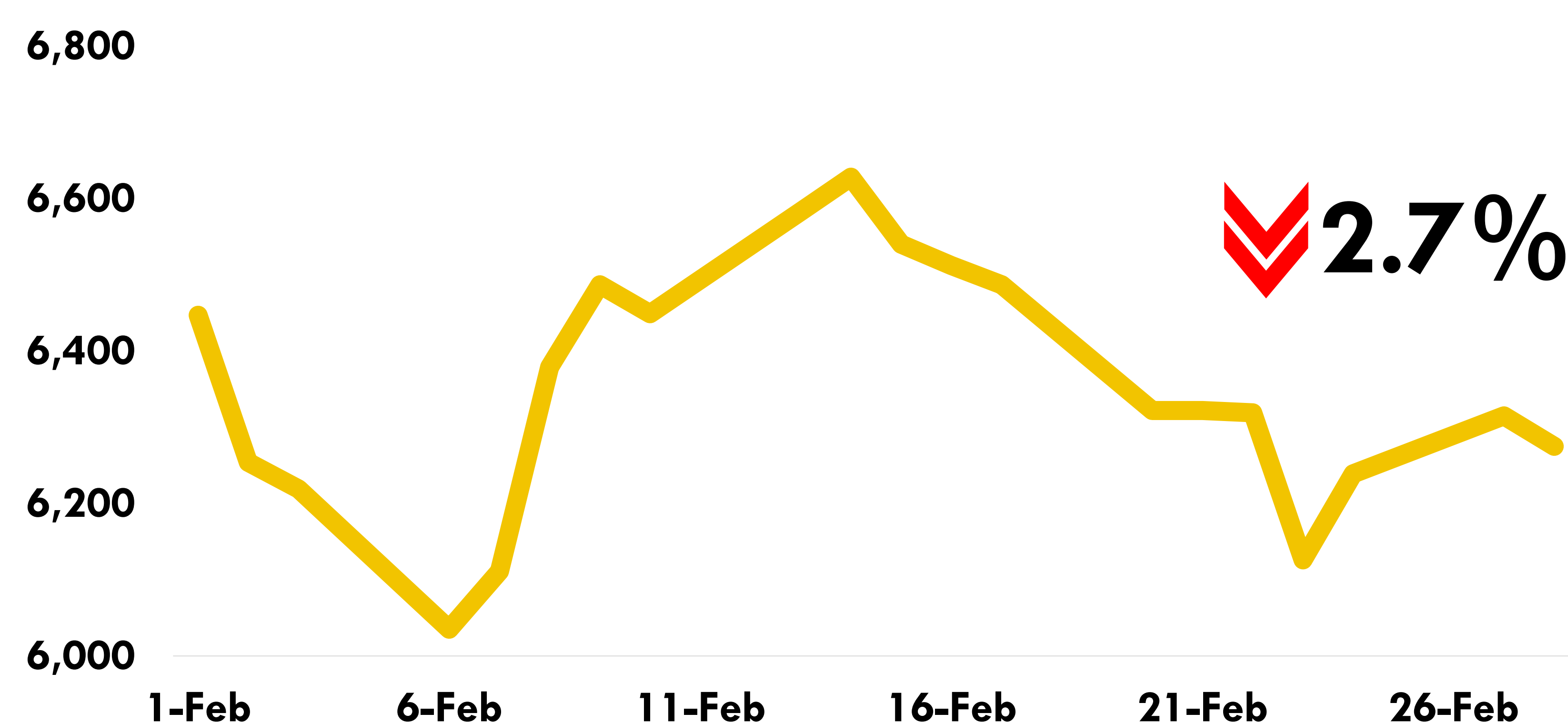
Gold prices have followed a downward trajectory this month due to a strong dollar and rising bond yields. Unexpected US inflation and unemployment data signaled more future interest rate hikes and the possibility that rates might stay high for longer than expected. A higher USD and rising rates make gold a less attractive investment, so the precious metal's prices have fallen in recent weeks. A possible tailwind for gold could come from China's reopening after the Chinese government's relaxing COVID-19 restrictions. China comprises a major chunk of global jewelry demand and can cushion gold prices.



Diamonds Lose their Shine

Surat, the diamond capital of India, cuts and polishes more than 9 of every 10 diamonds the world produces. However, the Ukraine-Russia war and China's COVID-19 situation wiped out nearly 35% of the global demand for diamonds. Around 90% of all the exports from Surat go to the United States and China -- the countries facing major recessionary fears in recent months. With US-China tensions rising again in recent weeks and muted global diamond sales over the past three months, Indian diamond exporters have reduced capacity utilization of their cutting and polishing units by 40%, resulting in significant layoffs. The gross export of cut and polished diamonds from India was \$1.27bn in December 2022, down 28.25% from \$1.77bn in December 2021. Amid this, the industry hopes for government support by allowing the sale of rough diamonds through a special notified zone to facilitate trade between SMEs and diamond mining companies. They believe it can help Surat brave this storm.

Crude Oil Spot Price (In ₹ per barrel)



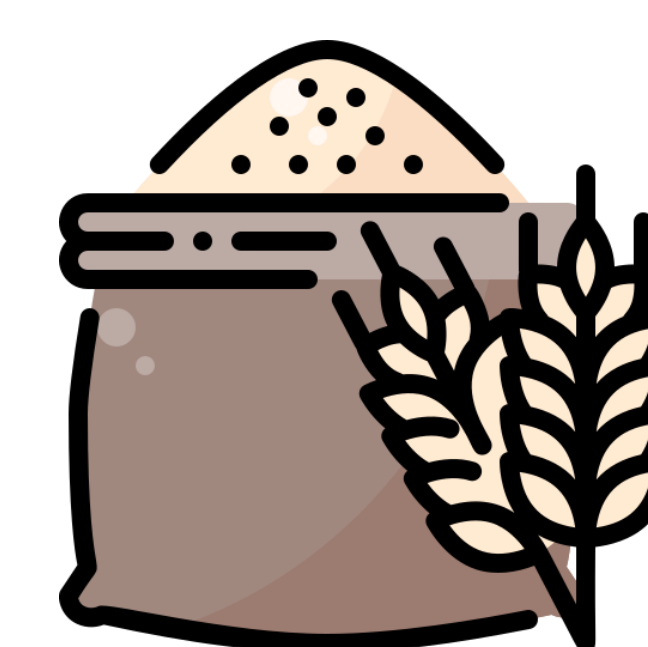
Source: MCX

Oil prices surged in the second week of Feb following the news that Russia, a major oil producing nation will reduce oil production from next month by 500,000 barrels per day, following the West imposing a price cap on the country's crude and fuel. This was followed by the US economic data release which subverted the market's expectations with both the PPI and CPI numbers rising, making investors more cautious in anticipation of further rate hikes by the Fed to curb inflation. This led oil prices to fall because further interest rate hikes can cause recessions which lead to a reduction in the demand for oil. Rate hike expectations also boosted the USD, making oil more expensive for holders of other currencies.

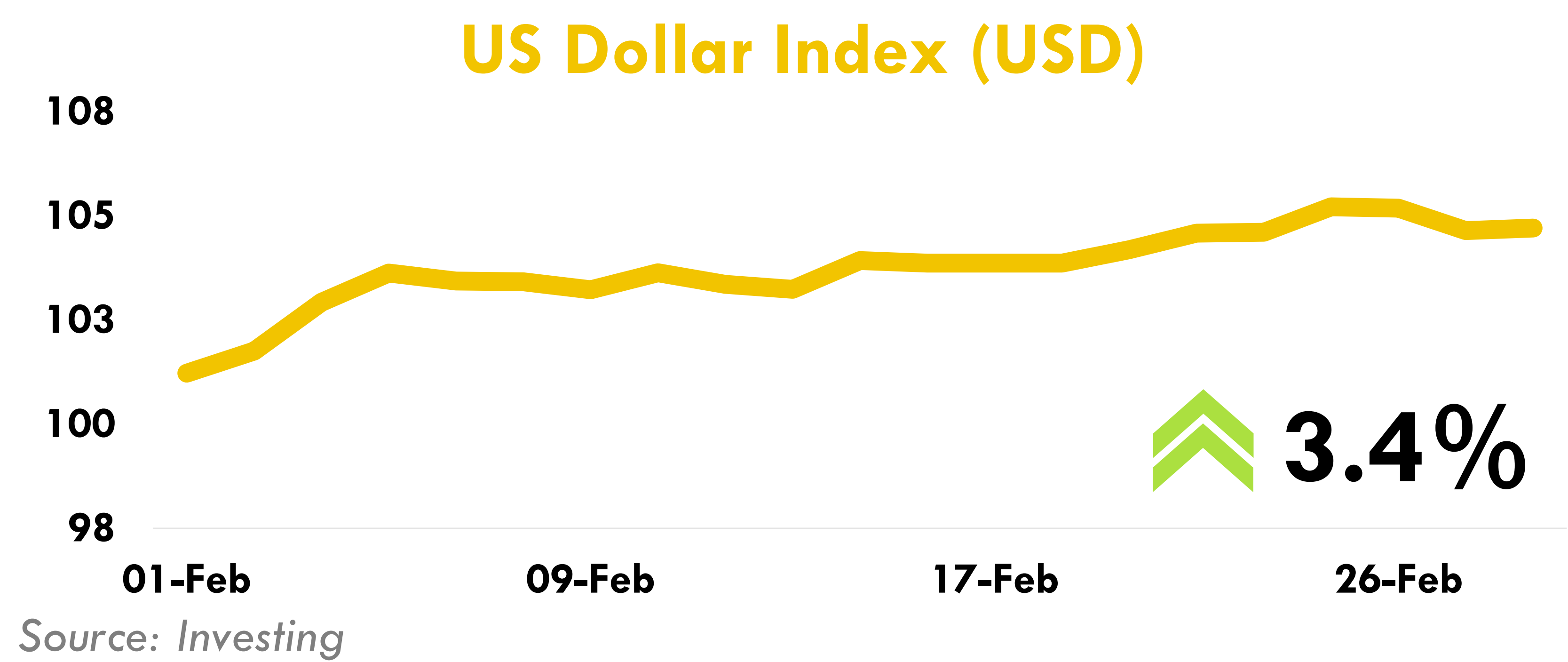


Ragi to Riches?

The Government of India has relaunched a campaign to promote millet as a global brand. The United Nations accepted India's proposal and declared 2023 to be the International Year of Millets. The campaign aims to boost the production and consumption of millet globally, with a target to export \$100mn worth of millet by FY25. Their primary strategy is to promote millet as a superfood high in iron and calcium. The grain is also environmentally-friendly since it consumes very little water by growing in arid regions and has a low carbon footprint. Subsidies and grants are also being given to entrepreneurs and producers of millet, with the central theme of this campaign being – it's good for you and the planet.



CURRENCY



In February, the USD Index climbed to its highest level since January's start, hitting 105.3. This rise was due to the optimism among traders, who anticipated the Federal Reserve to increase interest rates by 50 basis points in March, following a steady stream of positive economic indicators. However, investors remain cautious and await further market cues before making any significant investment decisions

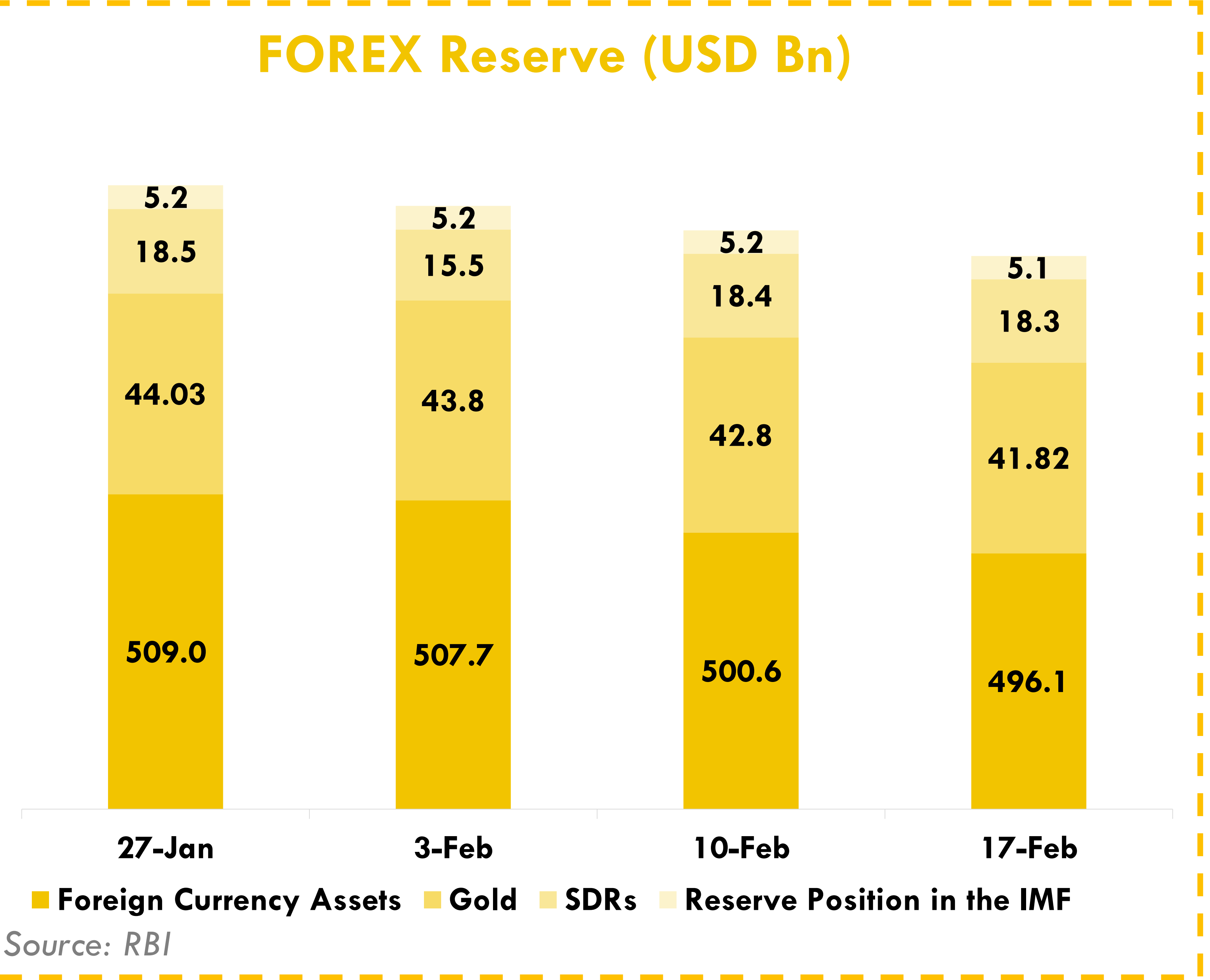
Singapore Added to the List

Singapore and India linked the Unified Payments Interface (UPI) and PayNow to facilitate quick payments between citizens of the two countries. Initially, the UPI-PayNow link will support only one-to-one transactions and involve a small number of banks. The move will benefit tourists, migrant workers, and businesses, laying a strong foundation for cross-border payments between India and ASEAN nations. The UPI-PayNow link will significantly impact the relationship between India and Singapore, strengthening their economic ties and promoting bilateral trade. Moreover, India's reduced reliance on the US dollar and SWIFT network will provide more autonomy to the Indian economy and its trade relations with other countries.



Forex Reserves Take a Dip

The RBI's statistical supplement revealed that India's foreign exchange reserves dropped by \$5.68bn to \$561.27bn in the week ending February 17th, marking the largest drop in more than 11 months. The reserves have been dropping as the Central Bank uses its funds to defend the rupee against pressures primarily brought on by international events. To stabilize the rupee's high volatility and support the currency in international markets, the Indian Central Bank sold dollars. Further, the devaluation of foreign currencies held in the RBI's reserves added to the decline in reserves.



Currency	1 st Feb'23	28 th Feb'23	Change (%)	Trend
INR/USD	INR 81.73	INR 82.63	↑ 1.1	<div></div>
INR/EUR	INR 89.81	INR 87.68	↓ -2.4	<div></div>
USD/EUR	USD 1.10	USD 1.06	↓ -3.4	<div></div>
JPY/USD	JPY 128.9	JPY 136.7	↑ 6.1	<div></div>
CAD/USD	CAD 1.33	CAD 1.36	↑ 2.2	<div></div>
USD/GBP	USD 1.24	USD 1.21	↓ -2.3	<div></div>
USD/SEK	USD 0.097	USD 0.096	↓ -1.0	<div></div>
USD/CHF	USD 1.10	USD 1.07	↓ -3.1	<div></div>

Source: Investing

OTHER ASSET CLASSES

A Toy Worth More Than Gold

Researchers have discovered that Lego, as an investment asset, has outperformed stocks, bonds, and even gold. People often think of items like jewelry, antiques, or art when discussing investments. However, alternative choices, such as collectible toys, represent a sizable market that conventional investors are unaware of. People frequently think of articles like jewelry, antiques, or art when discussing investments. Additionally, there may be different choices, such as collectible toys. This is a sizable market that conventional investors have no clue about. There are a few reasons why this investment opportunity has a high ROI. Nostalgia and rarity are two significant factors that make people willing to pay such high prices for these toys. In the Adult Fans of Lego (AFOL) community, the "collecting factor" is crucial. Another critical component from an investment standpoint is the minifigures included in Lego sets. AFOLs enjoy spending a few extra euros to finish their missing sets. Investors in Lego are also attracted to officially sanctioned theme parks and the initial releases of set series, which can cost collectors money



Introducing Fund City

On the eve of the upcoming NAREDCO Finance Conclave, the National Real Estate Development Council (NAREDCO) announced the unveiling of "Fund City." It is a group of banks, specialized funds, fund houses, and other financial institutions that will collaborate with NAREDCO to address the financial needs of the Indian real estate market. Investment bankers and consultants working for Fund City will also analyze and support processing stalled or new project funding. Fund City's main goal is to meet the funding needs of the nation's ongoing and new real estate projects. Recognizing the particular difficulties faced by the real estate industry, it would provide tailored solutions to address the unique needs of each project, drawing on their expertise to make it happen. The launch of Fund City is expected to impact the Indian economy significantly, the job market, and the organization of the unorganized market. It will also reduce the cost of project financing, resulting in higher profits or lower prices for consumers.

A Potential Wealth-Unlocking Cryptocurrency

The GameFi narrative has not yet gained momentum in 2023, despite the hype surrounding AI and China. However, RobotEra is about to revolutionize the industry, upending the play-2-earn (P2E) status quo with one of the most thrilling immersive SciFi titles ever released in the GameFi sector. The project's guiding philosophy aims to counter the proliferation of GameFi products that prioritize forced in-game transactional economics over genuinely enjoyable gameplay. Indeed, for P2E to catch on, it requires something straightforward but all too frequently disregarded: entertaining fun. The player experience is centered on personalization and uniqueness. By focusing on increasing user stickiness, RobotEra aims to make P2E popular among gamers. RobotEra is poised to revolutionize the GameFi industry and emerge as a pioneer in a new investment class in 2023. As RobotEra gains traction in the gaming industry, it has the potential to become a profitable investment option.

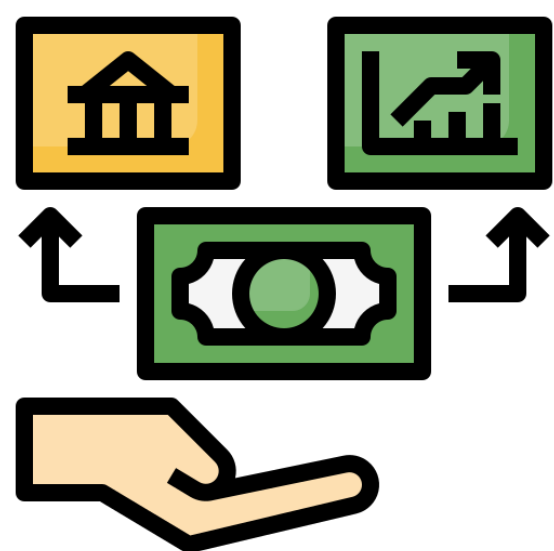
Cashing in on Rhythm

Music as an investment asset is gaining attention with the rise of music-related ETFs. Like mutual funds, music ETFs provide investors with a selection of stocks from the music industry, including stocks related to music, media, and entertainment. For investors who enjoy music, there is currently \$3.2mn worth of ETFs linked to KPOP and Korean entertainment. Tidal ETF Trust recently launched the Clouty Tune ETF (TUNE), which tracks the Clouty Tune index consisting of 50 global companies engaged in the music industry. Retail investors prefer industry-specific ETFs because they often offer higher returns despite higher risks. The popularity of music and trends in music consumption drive the prices of the stocks in the index. The music industry's growth potential makes music ETFs an interesting option for investors looking for unique investment opportunities. However, investors should be mindful of the risks associated with investing in niche ETFs, such as volatility and liquidity concerns.

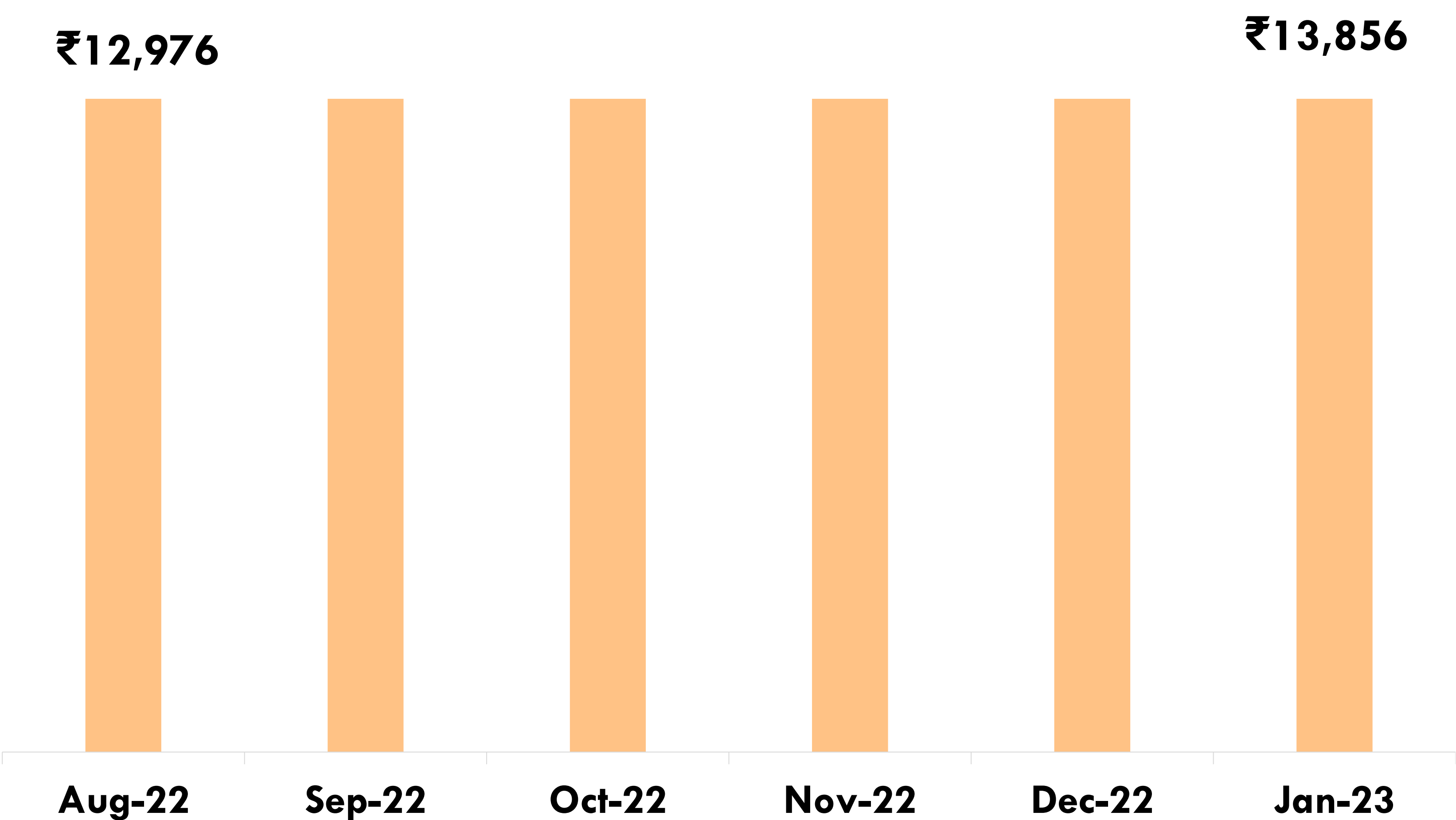


SIP Inflows Hit a New High

SIP inflows in January hit a record high of ₹13,856crs, making it the fourth month in a row with consistent inflows of more than ₹13,000crs. This has been due to retail investors showing confidence in the MF industry and the need to invest in a diversified pool of assets during the volatile markets. The Assets Under Management from SIPs jumped to ₹3.25 lakh crores, up from ₹3.17 lakh crores in December. The total number of SIP folios crossed the ₹3-cr mark, signaling increased participation. Hybrid funds and ETF schemes recorded a net inflow of ₹4,492crs and ₹3,955crs, respectively. Meanwhile, debt schemes recorded outflows, with liquid funds registering outflows of ₹5,041.6crs over interest rate concerns.



SIP Contribution Net Investments (₹ Cr.)



Source: AMFI

Equity Inflow

Equity mutual funds witnessed a total inflow of ₹12,546.51crs in January, soaring nearly 72% against a ₹7,303-cr inflow recorded last month. In spite of volatile markets, all segments of equity schemes recorded positive inflows, reflecting the optimistic long-term outlook of investors. Small-cap funds lead the inflow chart with total inflows of ₹2,255.85crs, highlighting investors' preference toward investing in dips. SEBI's constant efforts to improve transparency and protect investors' interests have led to greater investments in equity schemes. Further, positive expectations from the Budget 2023 added to the spike in inflows.



SEBI Revisits Trustees' Role After 27 Years



The Indian MF industry, with a current worth of ₹39.89 lakh crores and continuous expansion, makes it crucial for regulators to protect the interest of unit holders and stricture misconduct by AMCs. SEBI is thus concerned and wishes to install sufficient checks and balances to ensure investors' safety. The market regulator stepped in to do so by revising the role and accountability of trustees of mutual funds. But the question arises, why is this tightening of responsibilities of trustees now?

AMC is a for-profit organization and includes most retail financial products. Hence, there is a need for regulations to protect investors. While conventions exist to resolve a few conflicts of interest, trustees must be careful in others. Some potential disputes include investing in public offerings or fundraising efforts by related companies, and proxy voting.

Trustees' responsibility regarding the protection of unitholders bears even greater significance due to the mutual fund industry's expanding size and reach. Realizing this, SEBI plans to give greater authority and responsibility to trustees. It requires trustees to review the fund manager's performance, investment strategy, and risk management systems. Trustees must also evaluate the fund's compliance and ensure the mutual fund's investments align with the stated investment objective and mandate.

The new rules for mutual fund trustees are part of SEBI's broader efforts to improve the regulation and oversight of the mutual fund industry in India. This isn't the only way SEBI plans to promote investors' interest; it has proposed to constitute a committee to protect investors' interests, address grievances and advance investor education and awareness. Further, it has also suggested a common platform to disseminate all notices and addenda issued by all MFs. The platform could significantly boost transparency and ease navigation for investors. In another official release earlier, SEBI announced slabs for expense rates seeking to reduce the pinch borne by investors.

All these efforts suggest the regulator is ready to go every mile to protect and encourage retail participants in the mutual fund industry.

BSNL-MTNL Merger: Will it Sink or Swim?

As the saying goes, "A delayed game is eventually good; a bad game is bad forever." The most anticipated merger of BSNL-MTNL is again in the limelight; this time, the developments look more promising. Both entities have been struggling for profitability for years despite receiving a mega booster of ₹1.64trn from the GOI. In the last financial year, BSNL's losses amounted to ₹6,982crs. The problem is not just limited to financial losses but also their technological adoption. While private players are moving forward with 5G, BSNL is struggling even to roll out 4G. The talks of a merger have been like the ebb and flow of rainfall after every season. However, the current developments appear to be far-reaching. It remains to be seen whether this merger will be a successful turnaround or if the government is betting on a sinking ship.

The stakes are high, and the expectations are immense. If successful, the merger could help India's telecommunication industry compete globally, but if it fails, it could lead to irreparable damage. It's time to wait and watch how this game-changing move pans out.

Amazonic Healing: One Medical Merger

Amazon makes a healthy investment with the One Medical Acquisition. In a bold move that is sure to shake up the healthcare industry, e-commerce giant Amazon has acquired San Francisco-based company One Medical for a whopping \$3.9bn. One Medical is a major player in the U.S. healthcare market, with over 150 primary care clinics and more than 800,000 subscribers on its telemedicine platform. The buyout is a strategic move for Amazon, which has been steadily expanding its presence in the healthcare sector through its Amazon Pharmacy division. With the addition of One Medical's resources and expertise, Amazon is poised to make even greater strides in the industry.

However, the merger is still awaiting clearance from the Federal Trade Commission. If approved, this acquisition could be a game-changer for healthcare in the United States and beyond, as Amazon continues to leverage technology to make healthcare more accessible and affordable for all.

Sonata Scores Big Acquisition Deal!

Sonata Software's North American subsidiary has made a major move in the IT services industry by acquiring Quant Systems, a Texas-based company that offers a range of services, including data analytics and cloud modernization. Quant Systems has built a reputation for excellence in industries, such as banking, financial services, and healthcare, with a client roster that includes Fortune 500 companies.

The deal is valued at \$65mn in upfront cash, with the potential for an additional \$30mn depending on future achievements. The acquisition is expected to be finalized within a month and will significantly enhance Sonata's capabilities in cyber analytics, data privacy, and enterprise solutions.

This acquisition is part of Sonata's vision to expand in the cloud modernization sector. It will undoubtedly have a positive impact on the company's ability to offer digital and mobile app solutions to its clients. This exciting move positions Sonata as a key player in the IT services industry and opens up exciting possibilities for the future.

Motherson's Subsidiary Snaps Up Faurecia's SAS Stake

Indian auto component maker, Samvardhna Motherson, has announced a significant deal with French company Faurecia to take over its entire stake in Germany's SAS Autosystemechnik GmbH for a whopping ₹4,790crs. SAS is known for its cockpit assembly and logistics services, and the acquisition is expected to help Motherson expand its economies of scale and strategically position itself among its customers. With a gross revenue of ₹38,667crs and an order book of ₹26,364crs, SAS has a valuation of ₹4,745crs.

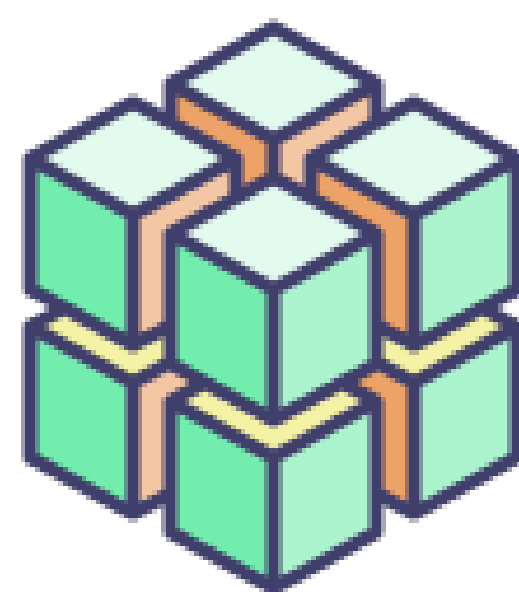
While the acquisition will be funded by a combination of debt and internal accruals, the deal will require several regulatory approvals before it can be completed by Q4 of FY24. Despite these hurdles, Motherson's management is optimistic about the acquisition and believes it will strengthen the company's focus on the EV segment. This exciting development will surely create ripples in the global auto component market.



STRATEGY

Apple's Craze Among Gen Z

Apple has successfully caught the attention of Gen Z to the point where younger consumers fear social exclusion if they don't own an iPhone. This trend enabled the tech giant to increase its market dominance by becoming an essential part of their social circles and serving as a status symbol. By expanding its overall market, iPhone allowed Apple to boost revenues even while the whole market remained flat. The changing tastes went far beyond smartphones, as iPhone owners were more likely to buy MacBooks, Apple Watches, and AirPods. It is incredibly challenging to alter the trajectory because of the power of the Apple ecosystem, which forms an essentially impenetrable moat. One oft-mentioned problem is that Android phones cannot transmit texts using Apple's iMessage system; this helped the company build peer pressure over getting an iPhone. It also focused on marketing to the young audience through social media platforms like Instagram and Snapchat. Overall, Apple's strategy in capturing Gen Z has been to create products that resonate with this demographic's values and sense of identity while strongly relying on the FOMO factor. The Veblen effect has worked for the company such that it has become a key player in users' social lives, cementing their status as cultural icons.



Why Are Cricket Fans Thanking Mukesh Ambani?

With its exclusive rights to one of the most popular sporting events in the world, Mukesh Ambani's company will stream Indian Premier League (IPL) cricket matches for free. The IPL streaming rights were licensed to Viacom18 Media, a subsidiary of Reliance Industries, last year for \$2.7bn, beating rivals Disney and Sony Group. Earlier, Disney held those rights and used them to attract users to its Disney+ Hotstar OTT platform. Viacom18 is adopting a different strategy by making the sport available for free to earn from advertising owing to the vast audience. Further, the strategy will ramp up revenues for Reliance's telecom segment.

The weeks-long IPL games are expected to draw an audience of more than 550mn viewers in the upcoming season versus 229mn in 2022, boosting the conglomerate's internet and technology ambition. Jio Cinema has had little success as a streaming platform. Hosting the festival for cricket fans could be the company's strategy to give a leg up to the platform. This follows a well-versed strategy for Reliance, providing service at significantly lower pricing to penetrate the market and attract hundreds of millions of consumers. The five-year IPL contract lends it a unique opportunity to gain market share, just like it did in the telecommunications market with JIO.

Why Do Competitors Cluster Their Outlets?

At some point in our lives, we have all thought about the logic behind clustering similar businesses in particular areas across cities worldwide. Whenever we travel to any city, we discover an area with stores selling a similar type of product. It's not uncommon to witness a conglomeration of restaurants, banks, petrol stations, and other establishments close to each other. But why?

This clustering of similar businesses, called spatial agglomeration, results from businesses' strategic decisions to set up in areas with high-potential customer traffic. Given that the existing players have studied the market and customer data, it becomes a favorable spot to open newer shops. Being in an already prominent city area where potential customers may be easily located is a major plus. This clustering occurrence, known as "Hotelling's Model of Spatial Competition," is based on the premise that businesses aim to operate in areas with high customer pull, creating a critical mass of customers. This leads to shared benefits, as companies profit from serving the crowd and ensure that each company has an equal opportunity to compete for clients. It enables businesses to pool resources and reduce costs, allowing for greater profitability, and facilitates the exchange of ideas and best practices, leading to innovation and improved products and services.

MARKETING & BRANDING

Fast Food Frenemies Unite for Cancer Charity

Burger King and McDonald's are two fast food brands that are often seen trolling each other with memes and posts. That's a ubiquitous scenario, but surprisingly, the fast food brands came together for the first time for a common cause. This became the talk of the town as soon as it was announced.

McDonald's pledged to donate all of its sales for a day to a cancer fund. Burger King, one of its biggest rivals, stepped in and did its bit to ensure the initiative was a success. The fast food chain chose not to sell its best-selling burger, the Whopper, for an entire day. This move was aimed at redirecting customers who were craving burgers to McDonald's, allowing the latter to raise more money for children battling cancer.

Although Burger King's strategy was risky, it turned out to be a king-sized win in terms of marketing. It takes courage for a brand to piggyback on its competition's initiative. Such a "moment marketing" strategy has a long-term impact on winning hearts, wallets, and smiles. Though this happened in Argentina, social media was flooded with tweets, likes, comments, and shares worldwide for Burger King. Despite losing a day's revenue, the positive impact on its brand reputation was worth it. While the real winner of the initiative was charity, in the PR battle, Burger King definitely overshadowed McDonald's initial idea.



Red Bull's Risky Marketing Tastes Huge Success

Red Bull's marketing strategy has taken risks to new highs, quite literally. Its famous tagline, "Red Bull gives you wings," was put to the test when it sponsored Austrian skydiver Felix Baumgartner's free fall from the highest point ever attempted by a human. The stratospheric jump showcased Red Bull's commitment to inspiring its audience to push their limits and break boundaries, which has been a recurring theme in its marketing campaigns. Despite the risks involved, Red Bull knew that the potential rewards were worth it. Its sponsorship of high-risk athletes has been a significant factor in its notable advancements in marketing, sponsorship, science, and social media. During Baumgartner's jump, over 8mn people watched Red Bull's live YouTube feed, making him the first skydiver to break the sound barrier and provide maximum exposure for the company's tagline. This historical moment also set a record for live online viewership, which had a positive impact on Red Bull's global sales. Red Bull's space skydive has boosted its brand and helped it stand out in a pretty crowded market. This innovative marketing strategy is just one of many examples of how Red Bull has established itself as a leader in the industry, constantly pushing boundaries and taking calculated risks.

KFC's Clever Response to Copycats

KFC has faced a long-standing challenge of local brands copying its logo and brand name and using its delectable food images to promote their products. While spotting duplicates like QFC, WFC, and HFC may seem easy, they can still negatively impact the original brand's image. However, KFC chose to take a different approach to the situation, and it's nothing short of genius. Instead of filing lawsuits or protecting their images, KFC launched a website with high-quality product images for copycats to use. They even put up billboards with a humorous message right in front of the copycat's stores, calling them out. The message was clear: while the imitators may have copied KFC's aesthetic, they could never replicate the iconic taste that sets KFC apart. Taking the route of wit, KFC subtly slammed all the copycats and showcased its ability to think outside the box and add humor to its image. The brand's social media presence further showcased its creativity and ability to engage with its audience. KFC's innovative approach to addressing copycats sets an example for how other brands can handle similar situations.

It's not just KFC's tasty chicken that sets it apart; its response to copycats proves it is a brand that can handle anything with a touch of grace and humor. While local brands may continue replicating KFC's branding, the iconic taste remains unmatched, making KFC the true king of fried chicken.

PINION POLL

“India’s pioneering digital public infrastructure has impressed the world and provides important lessons for other countries. The challenge is to ensure everyone benefits: overcoming the digital divide is a priority.”

- **Kristalina Georgieva,**
Managing Director, IMF

“The priority is to keep the growth momentum as it is and also to make sure of further support measures for sustaining growth... and be conscious of the challenges which are extraneous to India.”

- **Nirmala Sitharaman,**
Union Finance Minister

“Affordable energy is a vital ingredient to achieving inclusive economic growth and energy justice.”

- **Hardeep Singh Puri,**
Minister of Petroleum and Natural Gas

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