



Leveraged Growth

MONTHLY REPORT

JANUARY 2024

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The Sick Man of Europe

Germany continues to struggle with the aftermath of the COVID-19 slump, facing a slow recovery with GDP only marginally higher at 0.7% compared to 2019. The conflict in Europe has exacerbated these challenges, particularly with the discontinuation of the Nord Stream, a vital source providing 55% of its gas needs from Russia. This has heightened economic pressures, forcing the country to rely on pricier natural gas sources. Excluding the construction sector, the overall economic performance witnessed a significant 2.0% decline in 2023. The energy supply sector bore the brunt of this downturn, negatively impacting the economy. Concerns extended beyond sectors, with household consumption shrinking by 0.8% and government expenditure falling by 1.7%. The last quarter of 2023 saw a contraction of 0.3%, narrowly evading recession. This was attributed to persistent inflation, soaring energy prices, rising interest rates, and weakened demand both domestically and internationally. Hence, Germany faces a challenging path to economic recovery amid these multifaceted pressures.



The Vertical City's Stagnation

Hong Kong was one of the last places that relieved COVID restrictions in early 2023, and consequently, the economic recovery was soft and short-lived. The region's economic growth is influenced by cyclical factors such as increasing interest rates, a declining real estate market, and a robust local currency, resulting in Hong Kong becoming a pricey tourist destination and prompting locals to prefer cross-border shopping. The Hang Seng index dropped over 15% in 2023 in contrast to the S&P 500's 25% rise, and IPO funds hit a 20-year low. Additionally, Hong Kong's role as a medium between East and West faces an existential threat along with geopolitical tensions impacting its trade routes, as they are now rerouted through third countries like Vietnam and Mexico. Furthermore, a significant structural factor lies in the substantial wage and price gap between Hong Kong and neighboring Shenzhen, enabling Hong Kong residents to access comparable services just a brief drive away at significantly lower costs. Consequently, these factors could potentially prevent the city from reclaiming its pre-pandemic vitality.



End of Chinese Manufacturing Hegemony

Toy manufacturers facing surging costs in China are encountering challenges in identifying cost-effective alternatives for relocating production to other, more affordable centres. In 2018, Hasbro, the parent company of the renowned board game Monopoly, acknowledged the operational risk posed by its over-dependence on China. Meanwhile, Mattel, the manufacturer of Barbie dolls, began reducing its reliance on the country since 2007 due to a significant challenge faced involving the recall of 1.5mn toys tainted with lead paint. With labour costs being significantly lower in India as much compared to China, the country emerges as an appealing alternative for renowned toy brands. Additionally, the Indian government also increased toy import duties from 20% to 70% while increasing toy exports by over 239% in the past 8 years. However, India and other nations struggle to match China's efficiency, hampering companies' attempts to shift to more cost-effective bases due to their poor road and port facilities. This increases the potential for higher toy prices in the future if a majority of production, notably ~70%, continues to rely on China.



RRR Cut Injects Optimism

China is poised for a significant policy shift, with plans to announce a 0.5% reduction in the Bank Reserve Requirement Ratio (RRR) from February 5, as indicated by the People's Bank of China. This move will inject \$139bn in cash into the Chinese economy, much higher than predicted. While the immediate impact of China's RRR cut on the real estate market could be positive, longer-term effects remain shrouded in uncertainty. The shift reflects a multifaceted approach targeting both economic recovery and deleveraging of the property market. Further, as China's economy improves, the largest consumer of metals globally, may cease dumping in international markets, allowing steel companies to sell a substantial quantity locally, bolstering economic growth. Over the past months, steel prices have been lower due to weak demand and dumping by China; however, this policy change signals a potential improvement in the situation. Indian steel makers, facing challenges due to low global prices, are poised to benefit from diminished competition in the international markets.



INDIA INC.

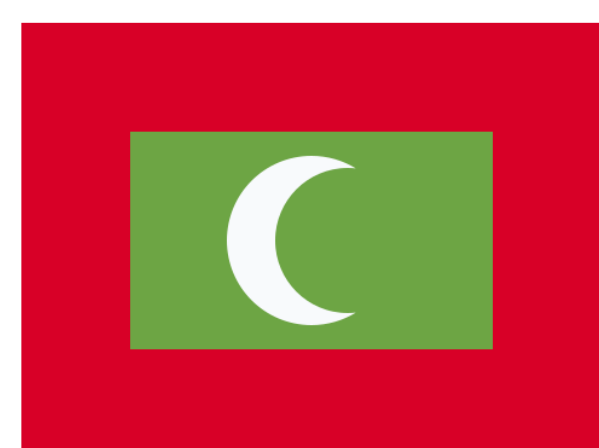
Major Investments Fuel Gujarat's Growth

Leading conglomerates such as The Adani Group, RIL headed by Mukesh Ambani, and the Tata Group are strategically diversifying their investments in Gujarat, aiming to position the state as a global leader in green growth. The Adani Group pledges the world's largest green energy park in Kutch, generating 30 GW with solar panels, wind turbines, hydrogen electrolysers and expansions in copper-cement production. This investment has the capacity to generate ~11k employment opportunities in the state. Maruti Suzuki infuses ₹35,000cr into Gujarat's automotive sector, strategically placing the company in India's automotive growth and positioning it as a global contributor to the EV market. Additionally, Mukesh Ambani's commitments, including setting up the Green Energy Giga Complex, a digital data platform, and expanding Reliance Retail, position Reliance for a substantial impact on Gujarat's socio-economic development. The influence of Gujarat, India's most industrialized state, on the national economy is unmistakable in the aftermath of these investments. The success of Gujarat is set to resonate both locally and nationally, laying the foundation for a promising future.



Maldives-India Diplomatic Dispute

In recent weeks, the tropical paradise of the Maldives has found itself in the eye of a diplomatic storm as tensions with India escalate, threatening to reshape the dynamics of their bilateral relationship. Trade disputes, social media campaigns, and celebrity endorsements calling for a boycott of Maldivian businesses have cast a shadow on their relationship. With Indian tourists contributing a significant one-third to the Maldivian economy, the repercussions are palpable as travel bookings dwindle. Digging into diplomatic archives, India's extensive contributions, including hospital funding and an \$800mn Line of Credit Agreement, underscore the depth of collaboration. Despite recent controversies, India remains the Maldives' third-largest trade partner, with grants and financial assistance continuing to flow, totaling ₹400cr for FY24. Navigating a delicate regional power balance, the Maldives faces a pivotal decision of maintaining economic ties with India, its backbone, while managing other geopolitical complexities for a stable future.



NBFC Boosts Infrastructure Financing

The government is exploring the creation of a new non-banking financial company (NBFC) to facilitate credit financing for infrastructure projects. This envisioned NBFC would function as a guarantor for low-rated infrastructure bonds, potentially elevating project ratings and improving the credit risk profiles of associated companies. The roadmap for this NBFC is anticipated to be unveiled in the upcoming budget, with detailed aspects, including its structure, expected to be finalized in the next fiscal year (FY25). This initiative responds to the pressing need for dedicated financial institutions to accommodate the substantial annual investments of ₹8-9tn in infrastructure projects, with the primary objective being enabling companies to secure funding under more favourable terms. Although the plan was originally introduced in the 2019-20 budget by Finance Minister Nirmala Sitharaman, inter-ministerial disagreements led to delays. Additionally, the government has outlined a ₹111tn infrastructure pipeline for FY20-25 and a Vision 2047 plan to generate a fresh pipeline infrastructure project.



Bridging Growth: India's Atal Setu

India inaugurated the 22-km Atal Setu, its longest sea bridge connecting Central Mumbai and Navi Mumbai in just 20 minutes. Costing ₹17,840cr., the bridge marks a significant step in India's infrastructure development. Atal Setu is the picture of developed India. A centerpiece in Mumbai's infrastructure surge is part of an estimated \$10bn project completion in the next 18 months and an additional \$60bn over the next three to seven years. This vital infrastructure enhances business, attracts industry, and creates jobs with logistic advantages. Navi Mumbai, aided by Atal Setu, is set to become a thriving IT hub, attracting major companies. Global firms will enjoy quicker airport access, tap into a broader talent pool, and leverage the thriving real estate ecosystem around the link. This infrastructure aims to transform Navi Mumbai from a "backward area" to a "premium suburb." This focus on infrastructure aligns with India's strategy to leverage global disenchantment with China, offering an opportunity to become a developed country over the next quarter-century.



GOVT. POLICIES

Bihar's IT Boost

The Bihar IT Policy 2024, spearheaded by Chief Minister Nitish Kumar aims to bolster the state's IT industry. Recognizing IT's strategic role in development, the incentives offered under the policy include a 50% subsidy on lease and rental charges, a 25% subsidy on electricity consumption, and a ₹5000 subsidy for ESI/EPF deposits made by companies for employees. For investments ranging from ₹100cr to ₹1000cr, the government may negotiate tailor-made packages. The Bihar IT Policy 2024 seeks to create numerous jobs, encouraging IT professionals to return to their home state to work. For this purpose, the government will also be offering subsidies and comprehensive facilities to investors establishing IT companies in the state. Regarded as a significant achievement, the policy offers investors in the IT sector subsidies of up to 30%, alleviating worries about office space through the availability of ample land from the Bihar Industrial Area Development Authority. Approved by the State Cabinet, the Bihar IT Policy 2024 is poised to drive IT sector development in the state.



NHAI's Fastag Optimization

To optimize the Electronic Toll Collection (ETC) system and alleviate congestion at the Toll Plazas, the National Highways Authority of India (NHAI), has launched the 'One Vehicle, One FASTag' initiative. This strategic measure targets the prevalent misuse of a single FASTag for multiple vehicles or associating multiple FASTags with one vehicle. The initiative establishes a direct connection between vehicles and FASTags, reducing the likelihood of evasion and misuse of toll charges. NHAI actively promotes the completion of 'Know Your Customer' (KYC) processes for the latest FASTags, urging users to update details under RBI guidelines. Failure to complete KYC by January may result in deactivation or blacklisting by banks, underscoring the need for timely compliance. By implementing 'One Vehicle, One FASTag,' NHAI aims to ensure the ETC system operates seamlessly with up-to-date information. Moreover, this strategic move reinforces their commitment to providing a streamlined, transparent, and accountable toll collection system for National Highway users.



Operation Amrith: Antibiotic Vigilance

The initiation of Operation Amrith by the Kerala Drug Control Department stems from a proactive approach to address the alarming issue of antibiotic overuse in the state. The operation, under the Antimicrobial Resistance Strategic Action Plan (KARSAP), aims to curb the misuse of antibiotics by conducting surprise raids on pharmacies to identify over-the-counter (OTC) sales without a valid prescription. Antimicrobial Resistance (AMR), often termed a "silent pandemic," has led to ~5mn global deaths in 2019, with 1.3mn directly attributed to it. Recognizing the pivotal role in optimizing antibiotic usage, the Drugs Control Department mandates that pharmacies maintain sales records and prominently display "antibiotics not sold without doctor's prescription" posters. The state also emphasizes proper disposal through the Programme on Removal of Unused Drugs (PROUD) and aims to phase out OTC antibiotic sales. Moreover, Operation Amrith aligns with Kerala's commitment to AMR awareness, as evidenced by its state action plan and Antibiotic Literate Kerala Campaign.



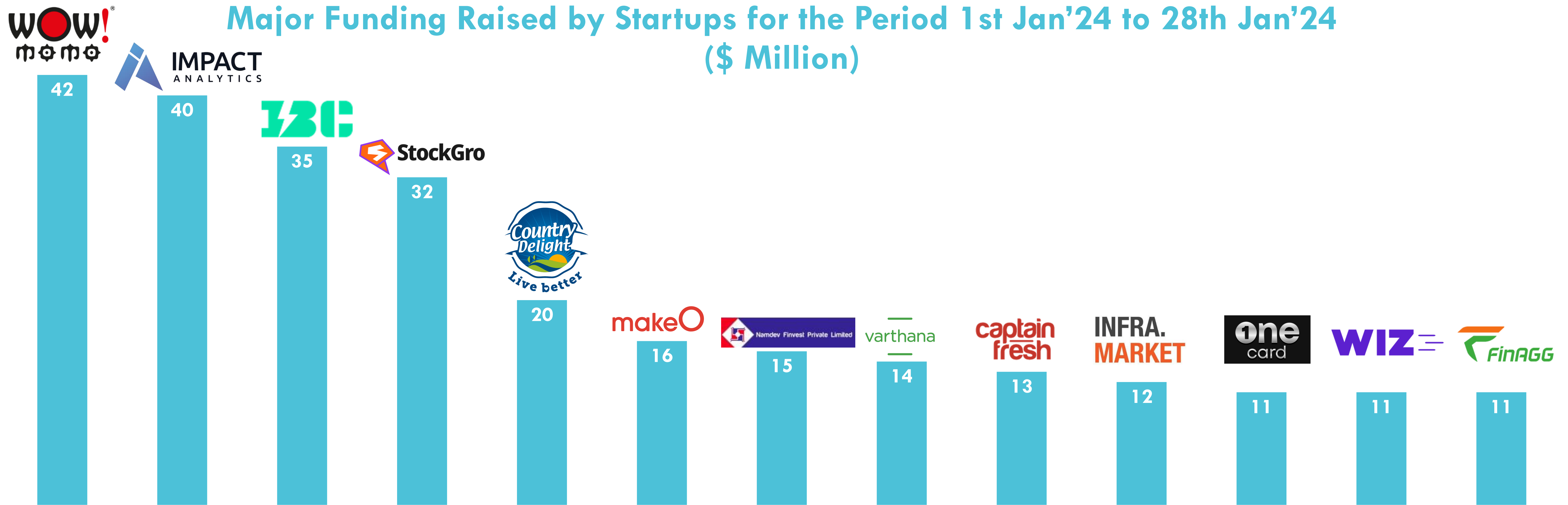
Tax Relief: Finance Ministry's Update

The Finance Ministry announced a significant advancement in Income Tax Relief, showcasing substantial progress in personal income tax benefits that align with the commitments laid out in the Finance Act 2023. A modification to Section 87A of the Income-tax Act, 1961, was disclosed, introducing a rebate that eliminates tax liability for individuals earning up to ₹7lkh. This strategic measure underscores the government's commitment to easing financial burdens for the middle-income segment. The Central Board of Direct Taxes (CBDT) actively implements budgetary promises for the fiscal year 2023-24, placing a specific emphasis on providing relief in personal income tax. Moreover, the announcement emphasizes that, under the Finance Act of 2023, the income tax exemption limit for individuals in the new tax regime has been raised from ₹5lkh to ₹7lkh. The initiative aims to provide broader financial relief, stimulate economic growth through increased disposable income, and demonstrate the government's commitment to delivering tangible financial benefits.



START-UPS

Major Funding Raised by Startups for the Period 1st Jan'24 to 28th Jan'24 (\$ Million)



Source: Inc42

In November, 91 startups, mostly based in Delhi and Bengaluru, raised \$673mn in funding, showcasing the strength of the startup ecosystem. Fintech and e-commerce-based startups dominated fundraising activities, reflecting recognition and support for innovative solutions across industries through cutting-edge technology.

Kirana 2.0: Tap & Pay Your Way



In the evolving landscape of Indian digital payments, a significant number of individuals and businesses still operate in cash. While this is not inherently problematic, the transition to digital avenues opens doors to a myriad of online services. Digi Suvidha, a new entrant in this space, introduced Digistore Pay, enabling Kirana shops to serve as a one-stop shop for various online services. It employs a B2B2C framework, utilizing these stores as pivotal touchpoints for efficient service distribution. Through a preloaded digital wallet, Kirana shops extend services such as recharges, insurance, bill payments, and ticket bookings. Furthermore, this strategy entails identifying and incorporating top-tier service providers onto the platform, thereby ensuring cost-effectiveness, quality, and exceptional customer support. This approach enables the startup to provide a diverse array of premium services, thereby elevating the overall user experience.

Uncorking Clean Air



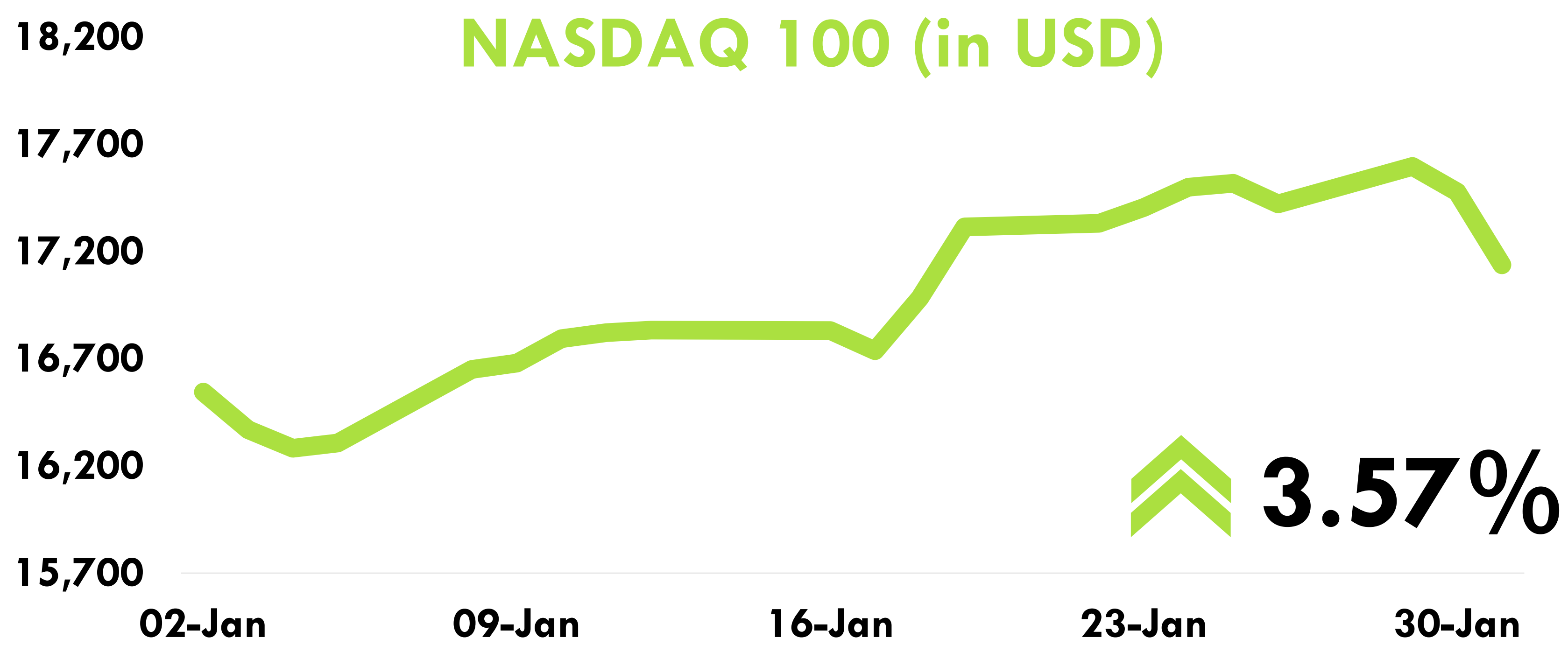
India is grappling with alarming air pollution level, which contributes to 12.5% of the nation's total deaths. This is a matter of concern for which governments and organizations are taking various steps to make the atmosphere safer and cleaner. Bengaluru-based environmental intelligence startup Ambee, established in 2017, has emerged as a proactive player. Focused on fostering an "environmentally informed society," Ambee employs cutting-edge technology to provide real-time, hyperlocal air quality data. By delivering real-time data regarding air quality within 300 milliseconds, Ambee aims to empower stakeholders to make informed decisions. For instance, by analyzing the air quality data history, users can determine factors like the best route to cycle. Thus, the company is committed to enhancing health and quality of life through the generation of trustworthy and actionable data.

The Productivity Prophecy

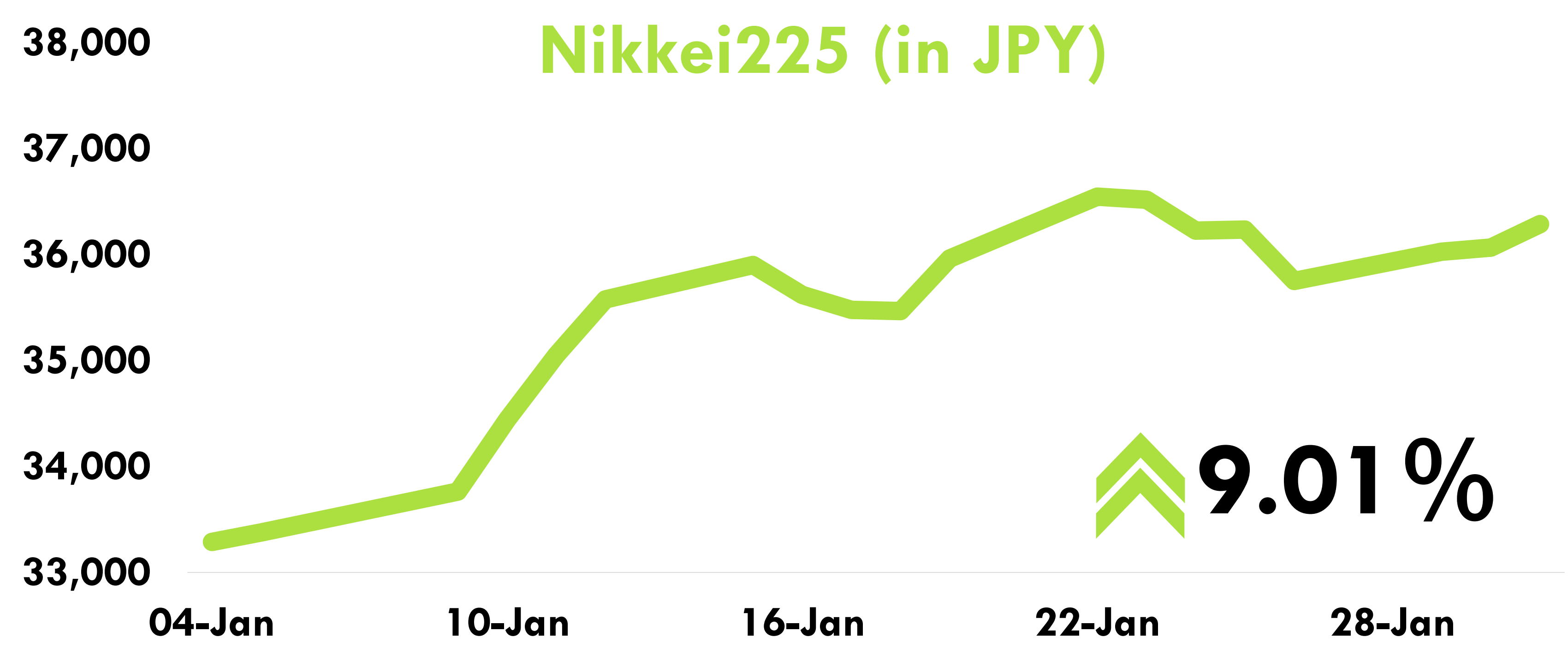


Culturro, an HR tech startup, focuses on enhancing organizational productivity through its technology platform, Agnya. Agnya not only listens to the workforce but also provides actionable insights for CXOs, HRs, and line managers. It evaluates workplace experiences, influences behavior for desired outcomes, and continually monitors progress. The platform addresses three fundamental questions for decision-makers: What is the current workplace experience, highlighting positive and negative aspects, how does it impact employee performance, and how can issues be resolved to enhance overall performance. Utilizing a Machine Learning algorithm, Agnya measures ongoing employee productivity and assesses the company's culture against benchmarks, pinpointing problem areas at a granular level. The robust recommendation engine offers actionable insights for behavioral, procedural, and policy changes, serving as a foundation for behavior modification and recommendations to optimize and sustain positive workplace experiences, ultimately increasing employee lifetime value.

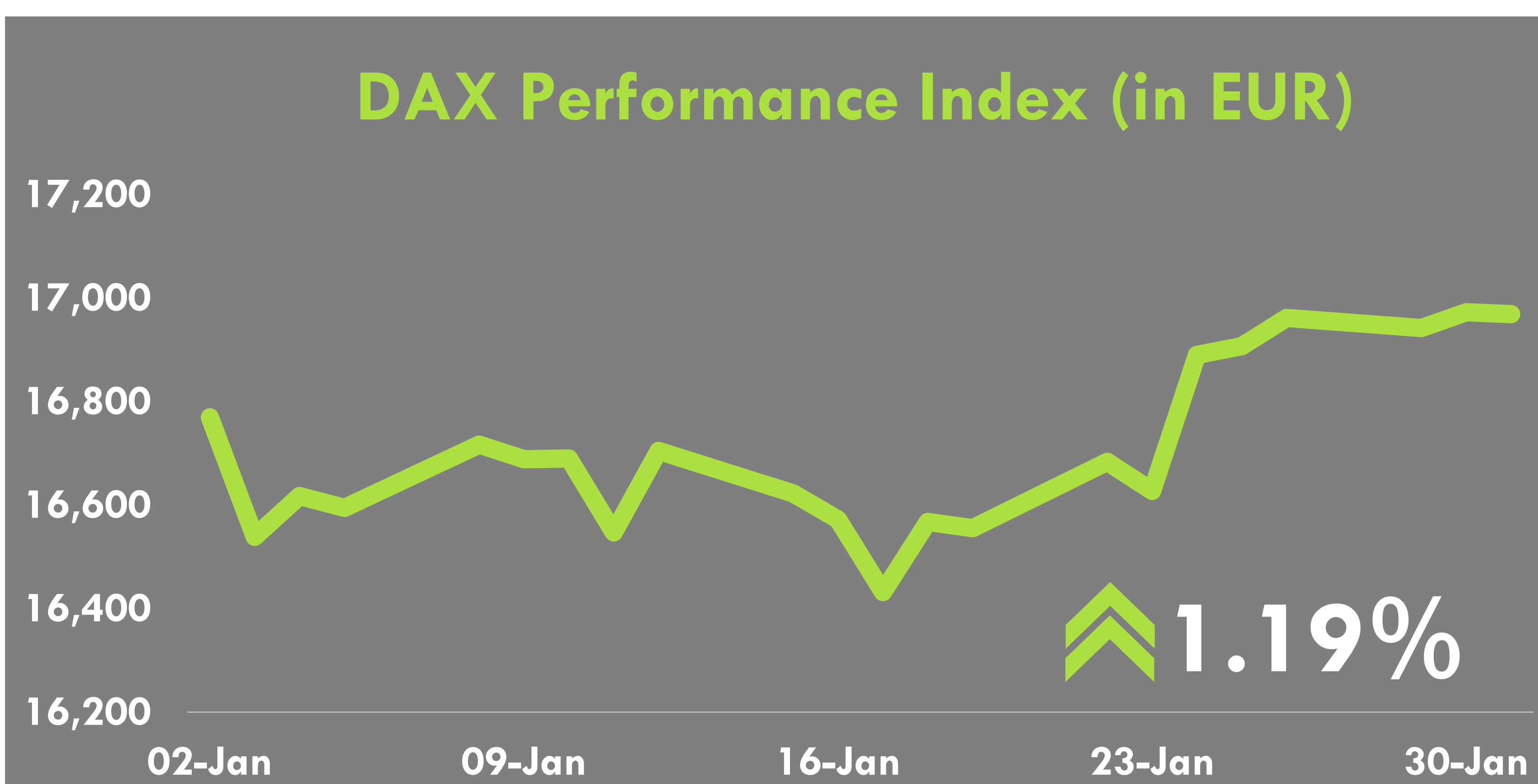
GLOBAL INDICES



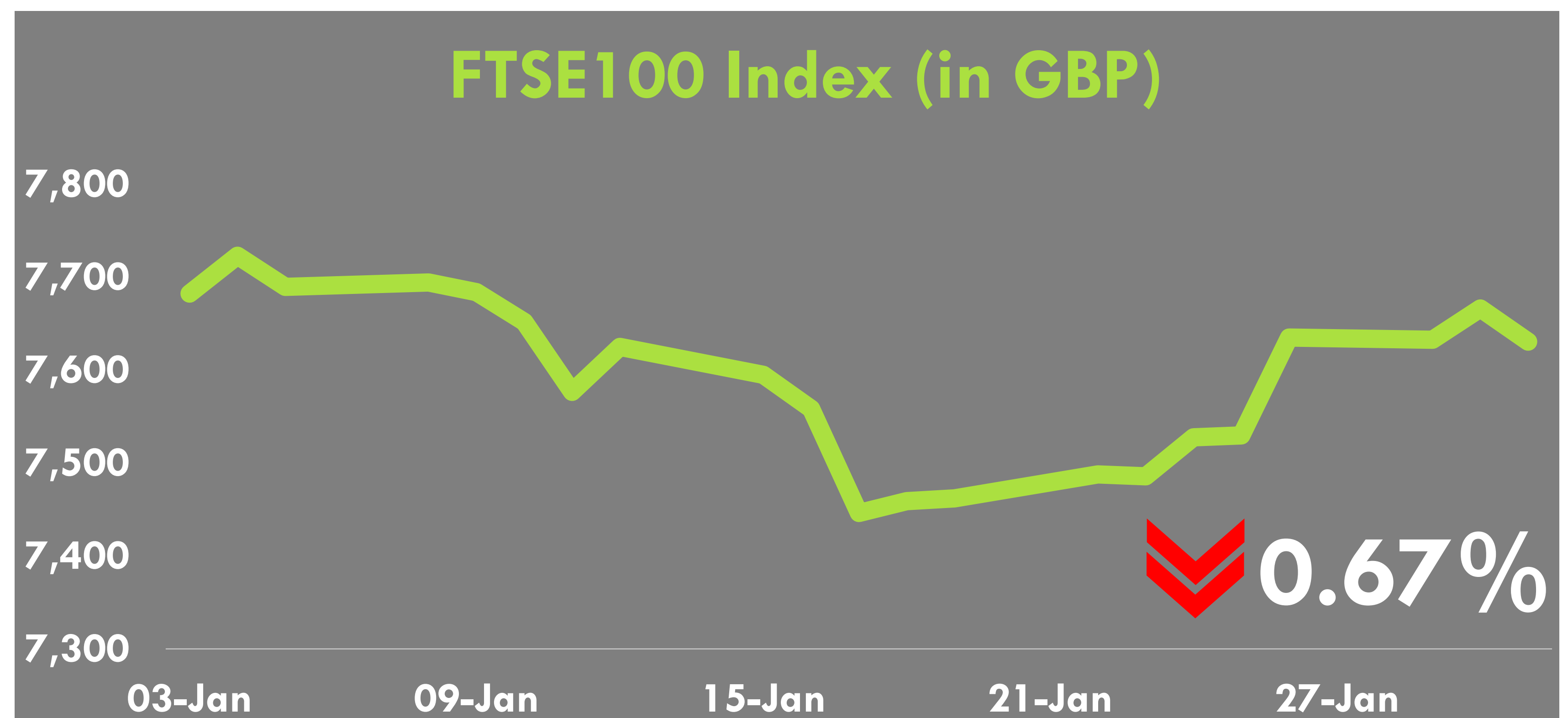
In the month of January, the technology-dominated index rose by 3.57%. Particularly noteworthy is the achievement of new record levels by both Nvidia and Microsoft Corp., propelled by a revival in the artificial intelligence sector. Leading semiconductor companies experienced significant gains, fueled by robust earnings, as investors shifted their focus back to growth opportunities.



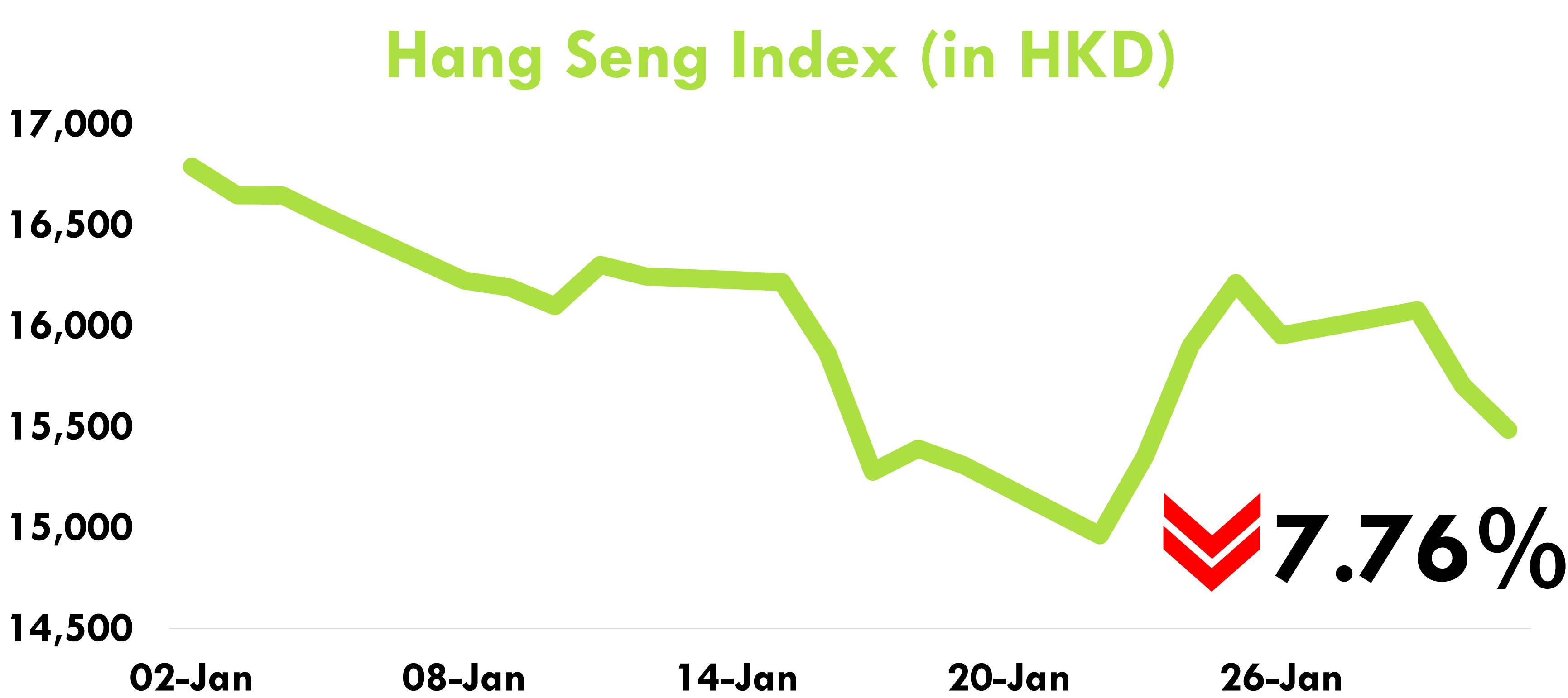
The Nikkei 225 index has experienced an upward trend this month, registering an increase of 9.01%. The increase could be attributed to subdued wage figures and a decline in household spending, providing the Bank of Japan with a path to sustain its ultra-accommodative policies for an extended period, thereby boosting the country's markets.



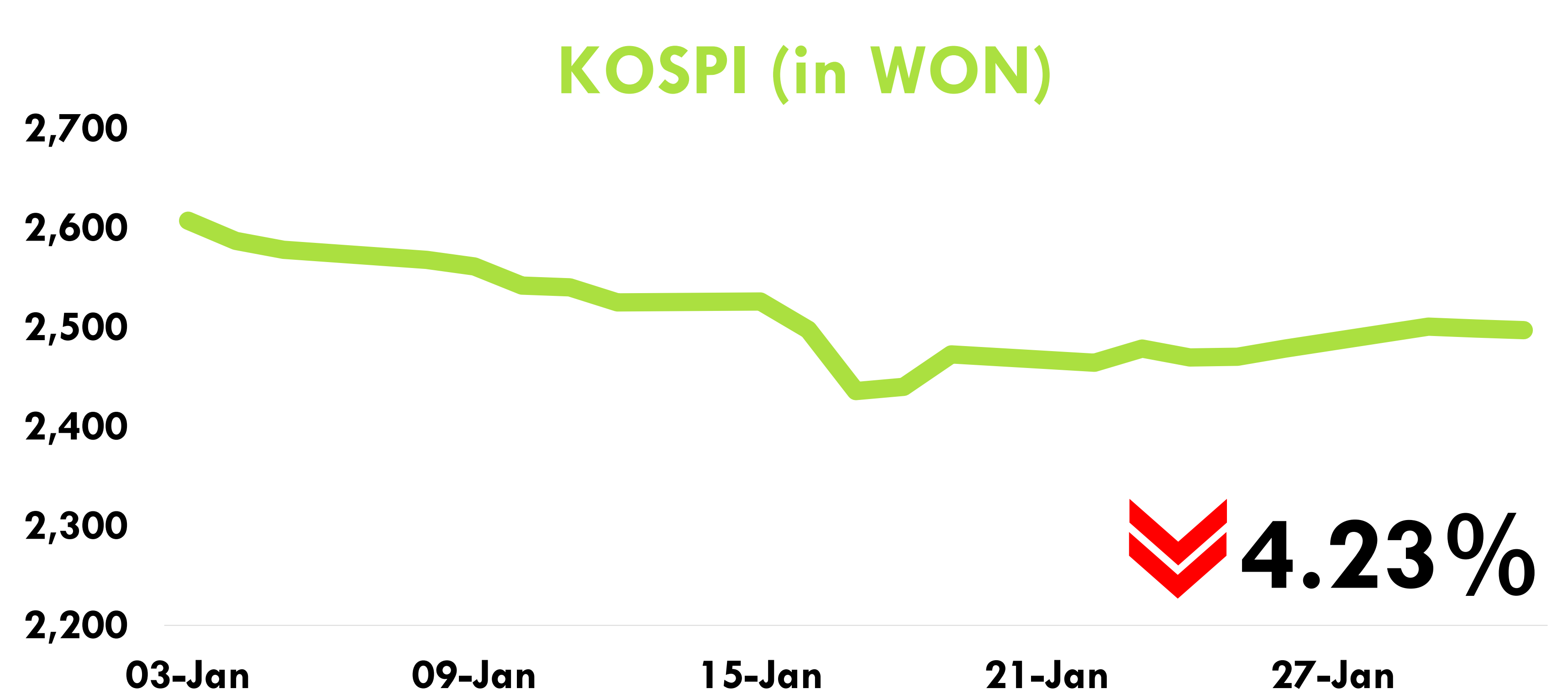
In spite of a slight decline in mid-January, the German index witnessed an overall surge of 1.19%, buoyed by increased consumer confidence, positive preliminary PMI data from the eurozone, and robust earnings reports from key technology and energy companies, who experienced brilliant financial results, signaling a strategic shift towards artificial intelligence.



The FTSE 100 concluded the month with a decline of 0.67%. Persistent weaknesses in the UK markets were observed, driven by ongoing resistance to rate cut expectations from central banks. This has resulted in a stronger US dollar and reduced confidence in higher-risk assets. Growing concerns about the economic outlook contributed to this trend, with AstraZeneca and Rightmove experiencing substantial drops.



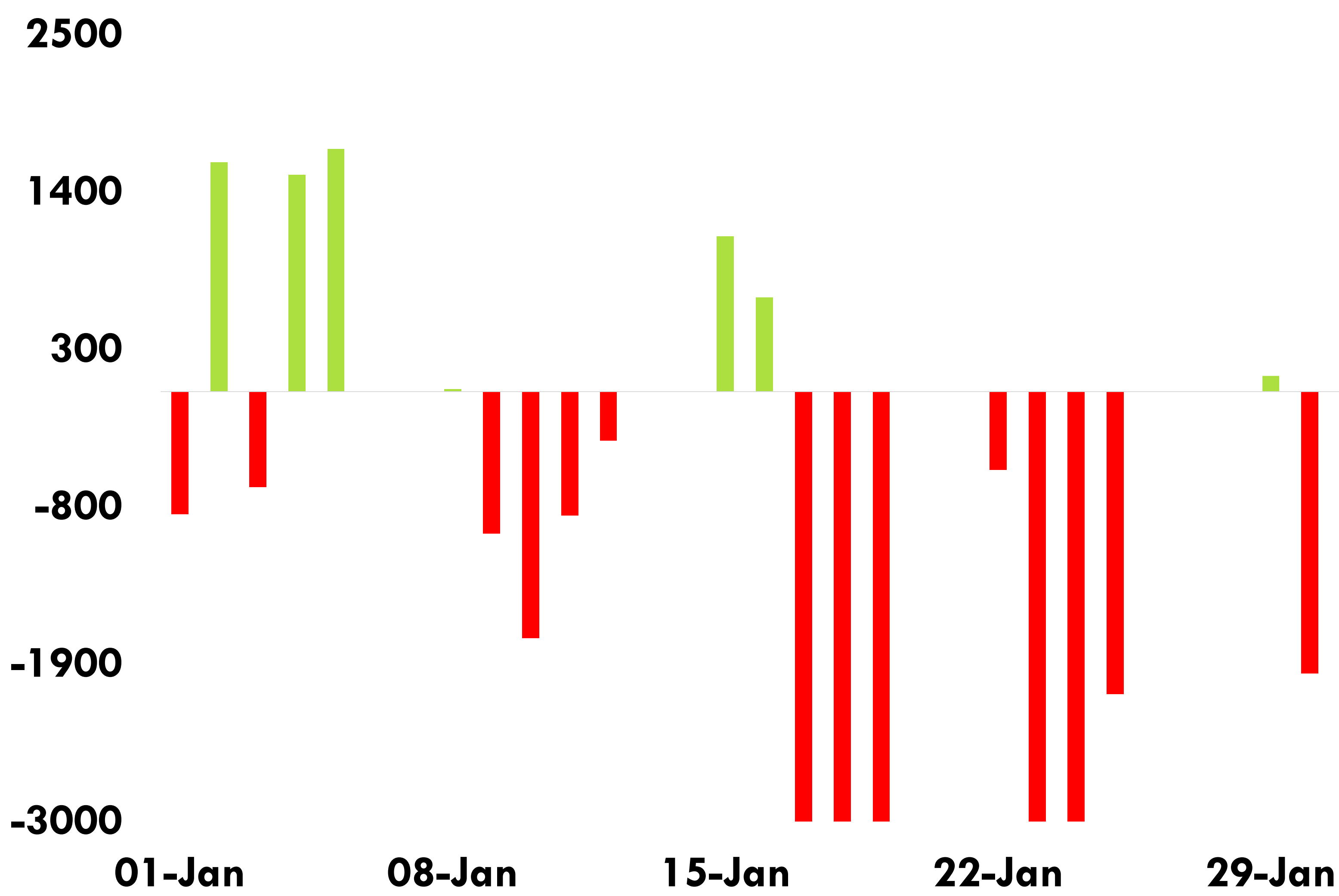
2024 began with a stock market slide for China as the stock markets started with a sharp decline this year, with the Hang Seng index falling by 7.76% this month. The fall was primarily driven by the fallout of the COVID-19 pandemic, government mismanagement, and a decades-long inflation of the property bubble.



The South Korean Index declined by 4.23% due to the downturn in heavyweight chipmakers. Investor sentiment was negatively impacted by a weaker Korean Won and increasing Treasury yields. Notably, major index contributors such as Samsung Electronics and SK Hynix witnessed significant falls. This, coupled with geopolitical tensions with North Korea, contributed to the overall downturn in financial markets.

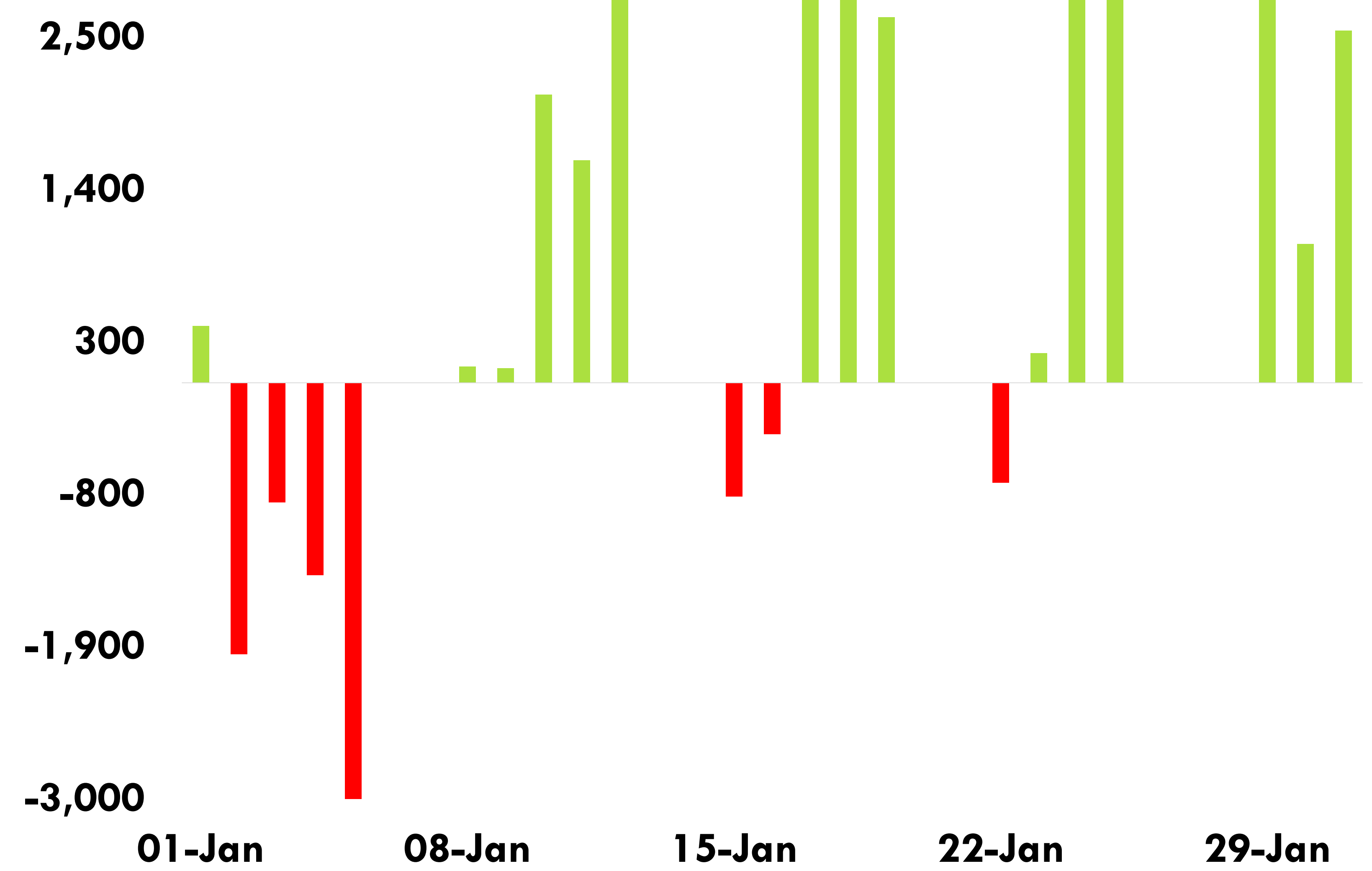
EQUITIES

FII Net Investment in January'24 (₹ Crores)



Source: NSDL

DII Net Investment in January'24 (₹ Crores)



Source: NSDL

After injecting a significant amount of funds into the Indian markets until December, FIIs ended up being net sellers in January, divesting ~₹35,948cr this month. This sell-off could be attributed to the reduction in HDFC Bank holdings due to disappointing quarterly results. FIIs adopted a cautious stance in the new year, engaging in profit-taking activities amidst high-record stock indices and uncertainties regarding interest rates. On the positive side, DIIs maintained stability by being net buyers for the 6th consecutive month, infusing ₹24,160cr into the Indian markets.

SEBI gives nod to short-selling

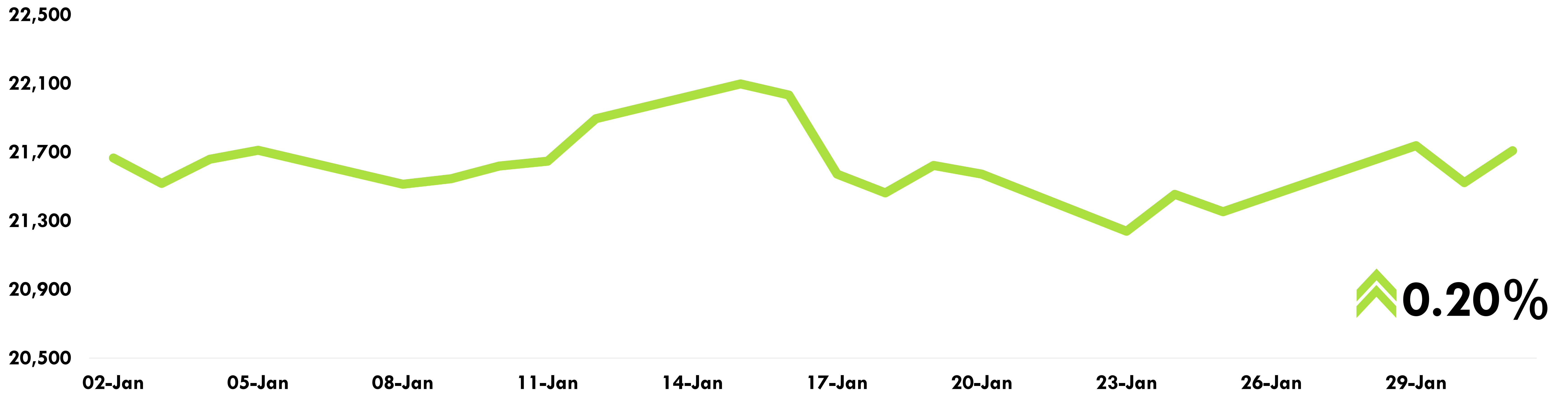
SEBI announced a significant change, permitting investors from all categories to engage in short-selling, except for naked short-selling. Further, SEBI's decision to allow short selling for all stocks in the F&O segment fosters a more equitable playing field and promotes increased participation in the Indian equity market. These rules are intended to ensure fair and transparent trading in the stock market, preventing actions that could harm investors or manipulate stock prices. Further, institutional investors are required to disclose whether a transaction is a short sale at the time of order placement, while retail investors have until the end of the trading day to make such similar disclosures. The introduction of a full-fledged securities lending and borrowing scheme shall be simultaneous with the introduction of short selling by institutional investors. Allowing for short-selling has improved market efficiency and price discovery while providing investors with an additional tool to manage and diversify their portfolios and hedge risks. This decision of SEBI could bring the Indian market closer to global best practices and attract more international investors.

Index	1 st Jan'24 (In ₹)	31 st Jan'24 (In ₹)	Change (%)	Trend
NIFTY Auto	18,339	19,232	↑ 4.9	
NIFTY Bank	47,762	44,482	↓ -3.7	
NIFTY Consumer Durables	31,117	31,448	↑ 1.1	
NIFTY Financial Services	21,346	20,490	↓ -4.0	
NIFTY FMCG	57,210	55,024	↓ -3.8	
NIFTY IT	35,283	36,534	↑ 3.5	
NIFTY Media	2,442	2,153	↓ -11.8	
NIFTY Metal	8,024	7,972	↓ -0.6	
NIFTY Oil & Gas	9,636	10,732	↑ 11.4	
NIFTY Pharma	17,274	17,908	↑ 3.7	

Source: NSE

NIFTY50

NIFTY50 January'24 (In ₹)



The Indian equity markets saw an increase of 0.2%. This could be attributed to a rally led by the IT sector that pushed the Nifty 50 to a record 22,097 points. However, a significant market downturn occurred due to HDFC Bank's poor results. Despite uncertainties, a reversed trend was observed, influenced by optimism around the interim budget. Moreover, the market's trajectory is closely tied to global factors, notably the upcoming Fed policy.

Airtel at Adani's aid

Airtel Business, the B2B segment of Bharti Airtel, announced its partnership with Adani Energy Solutions Ltd (AESL) to enable the deployment of over 20mn smart meters. Utilizing its extensive nationwide communication network, Airtel will ensure reliable and secure connectivity for AESL. Smart metering solutions of Airtel, utilizing NB-IoT (narrowband-internet of things), 4G, and 2G technologies, will aid in real-time connectivity and facilitate the seamless transfer of crucial data between headend applications and smart meters. The integrated solution will utilize the 'Airtel IoT Hub,' offering advanced analytics, diagnostic capabilities, and real-time insights to empower customers with better control over their energy consumption. Moreover, AESL has an order book of smart meters from various power utilities, including those in Assam, Andhra Pradesh, Bihar, Maharashtra, and Uttarakhand.



Natural Gas is now homemade

For a country that imports roughly half of its gas needs, discovering gas in the Mahanadi basin deepwater block in the Bay of Bengal bodes well for India's energy security plans.

Domestic production will help the country achieve its target of raising natural gas to 15% from 6.3% in its energy basket by 2030. Additionally, natural gas extracted from below ground and sea surface is used for electricity generation, fertilizers, and CNG production for households and automobiles. ONGC was able to fast-track exploration after the government freed a hundred thousand kilometres of land from restrictions due to national security interests to aid the exploration and production of oil and gas. Moreover, it is expected that the exploration successes will trigger the opening of new fronts and attract more investments.

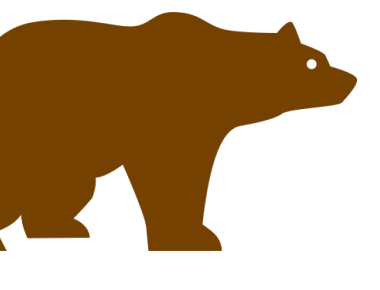


Top Gainers | NIFTY50 | Jan'24



Company Name	Change (%)
ONGC	23.0%
Adani Ports	17.9%
Bharti Airtel	13.4%
Tata Motors	13.4%
Bajaj Auto	12.8%
Sun Pharma	12.6%
Hero Motocorp	11.6%
BPCL	11.5%
Apollo Hospital	11.4%
Reliance	10.4%

Top Losers | NIFTY50 | Jan'24



Company Name	Change (%)
HDFC Bank	-14.4%
LTIMindtree	-13.5%
Asian Paints	-13.1%
HDFC Life	-10.8%
UPL	-8.4%
Eicher Motors	-7.3%
JSW Steel	-7.0%
HUL	-6.9%
Bajaj Finance	-6.3%
Divis Labs	-6.0%

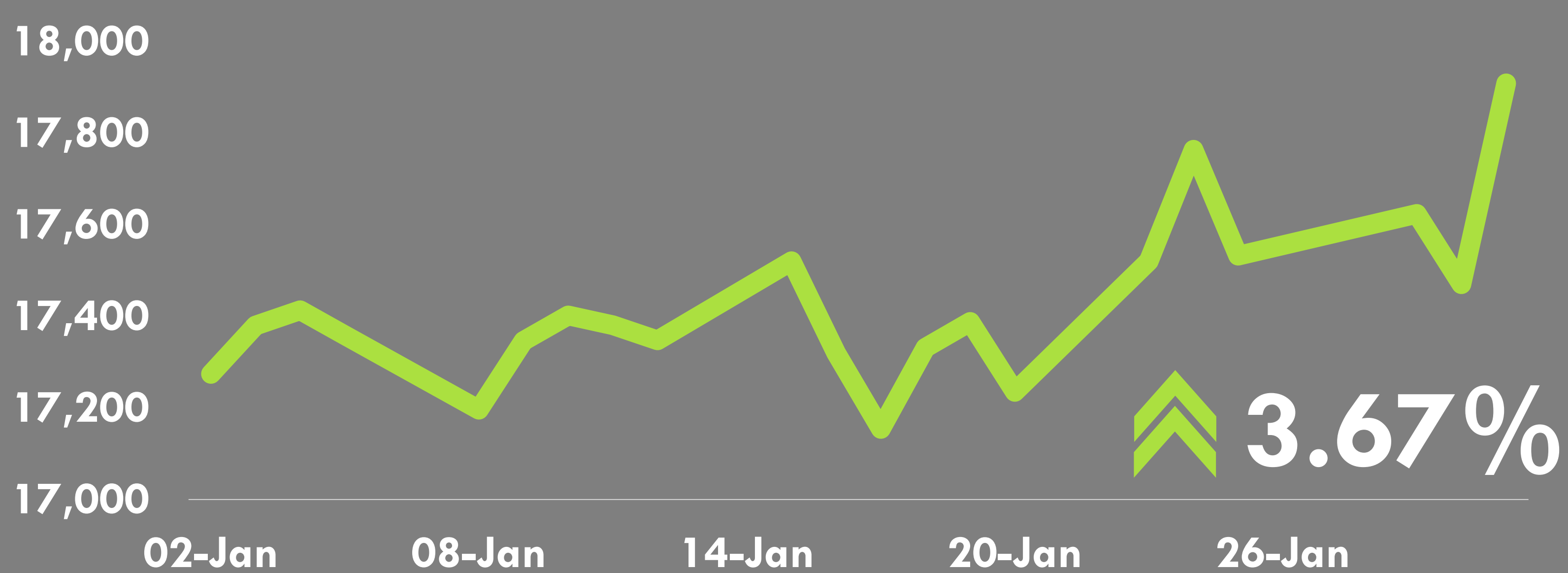
SECTOR UPDATES

Pharma Sector

The pharmaceutical sector demonstrated robust performance throughout the month, marking a substantial uptrend of ~3.67%. Glaxosmithkline Pharma Ltd. stood out with an impressive gain of ~15.29%, while Laurus Labs Ltd. experienced an 11.94% decline. Increased trading activity, introduction of new products, and stabilized prices in the US market played key roles in the sector's positive momentum. Additionally, Aurobindo Pharma's plan to launch a ₹45bn IPO has contributed positively to the overall trend.



NIFTY Pharma January'24 (In ₹)



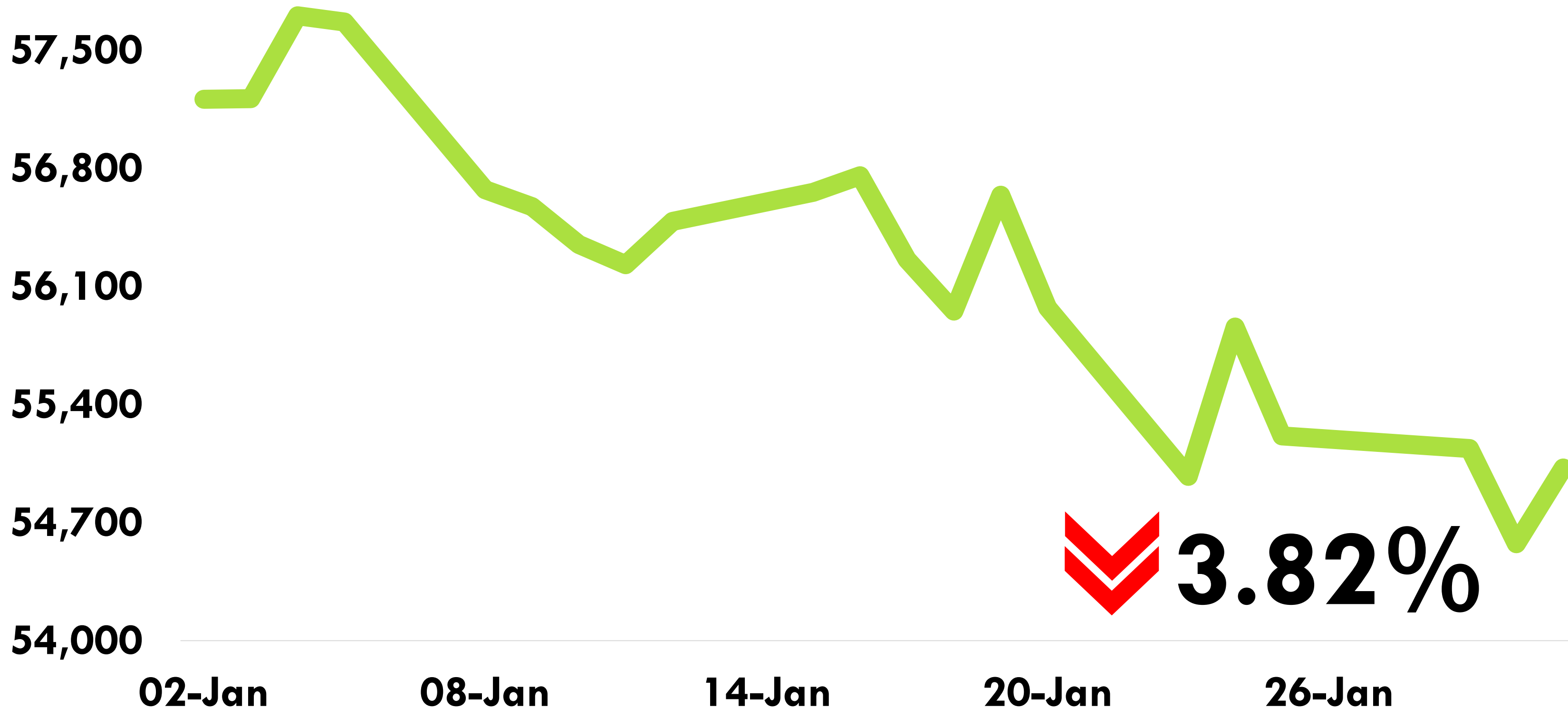
Source: NSE

FMCG Sector

The FMCG sector experienced a decline of 3.82% as business performances in the December quarter revealed sluggish private consumption. ITC Ltd.'s Q3FY24 revenue growth of 1.6% fell significantly short of the estimated 5.7%, primarily due to a 1-2% YoY decline in cigarette volume. Companies like Hindustan Unilever, Reliance Industries, and HDFC Bank reported below-expectation numbers, with factors such as delayed rural demand recovery and input costs affecting results. TCPL emerged as the top gainer with a 3.51% increase, while Emami Ltd. witnessed a notable 12.72% decline.



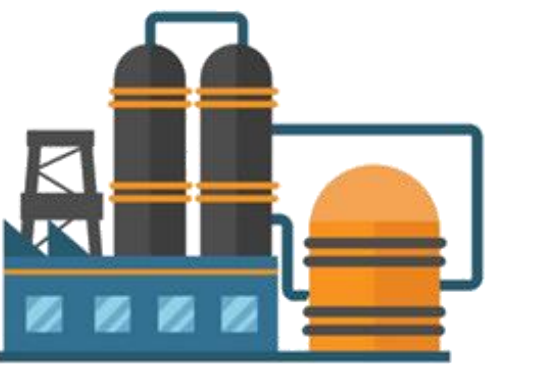
NIFTY FMCG January'24 (In ₹)



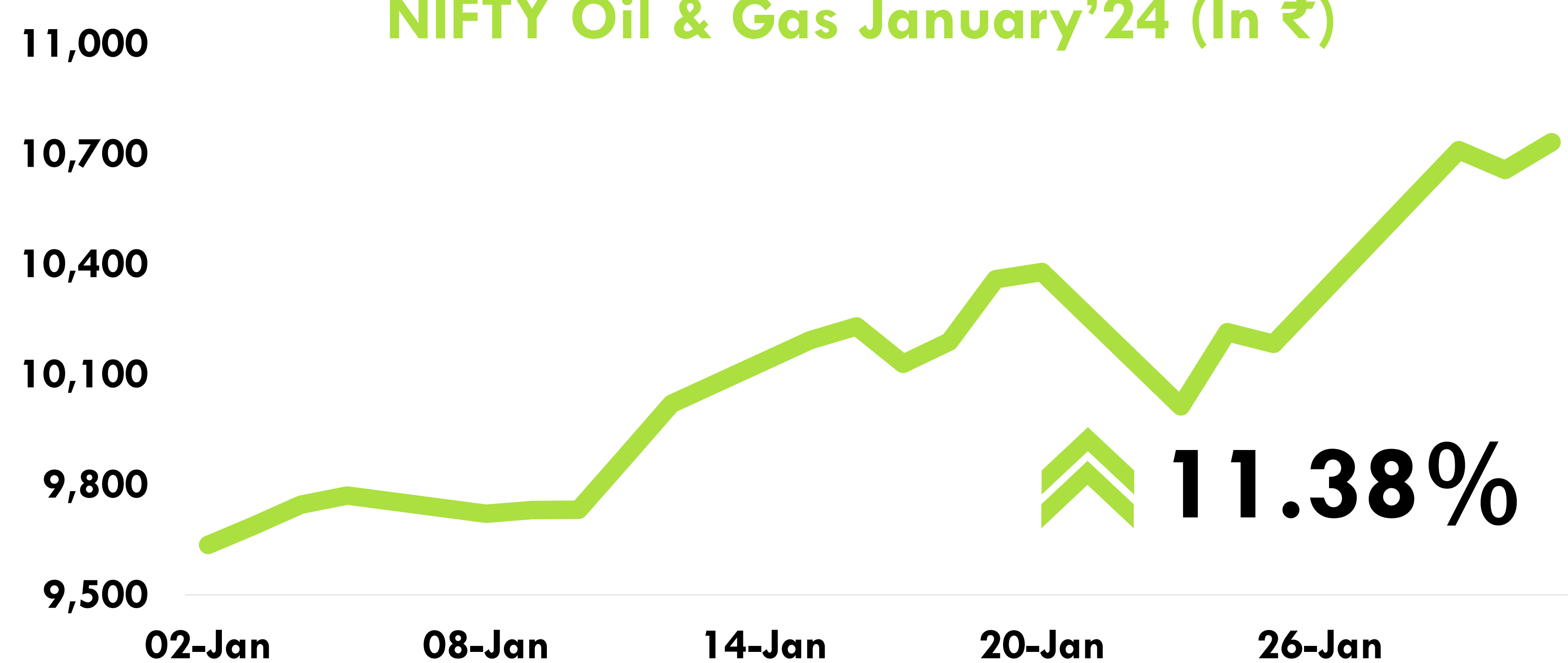
Source: NSE

Oil and Gas Sector

The Nifty Oil and Gas sector displayed a positive trajectory, witnessing a notable surge of 11.38%. The increase in crude oil prices, fueled by rising tensions in the Red Sea, contributed to the upswing in both ONGC and RIL shares. Additionally, lower gas prices domestically and globally, along with increased domestic availability, are anticipated to support demand growth. Mahanagar Gas Ltd. emerged as the top gainer in the sector, experiencing a remarkable 22.9% rise, while Adani Total Gas Ltd. faced a notable 1.14% decline, highlighting the diverse performance within the industry.



NIFTY Oil & Gas January'24 (In ₹)



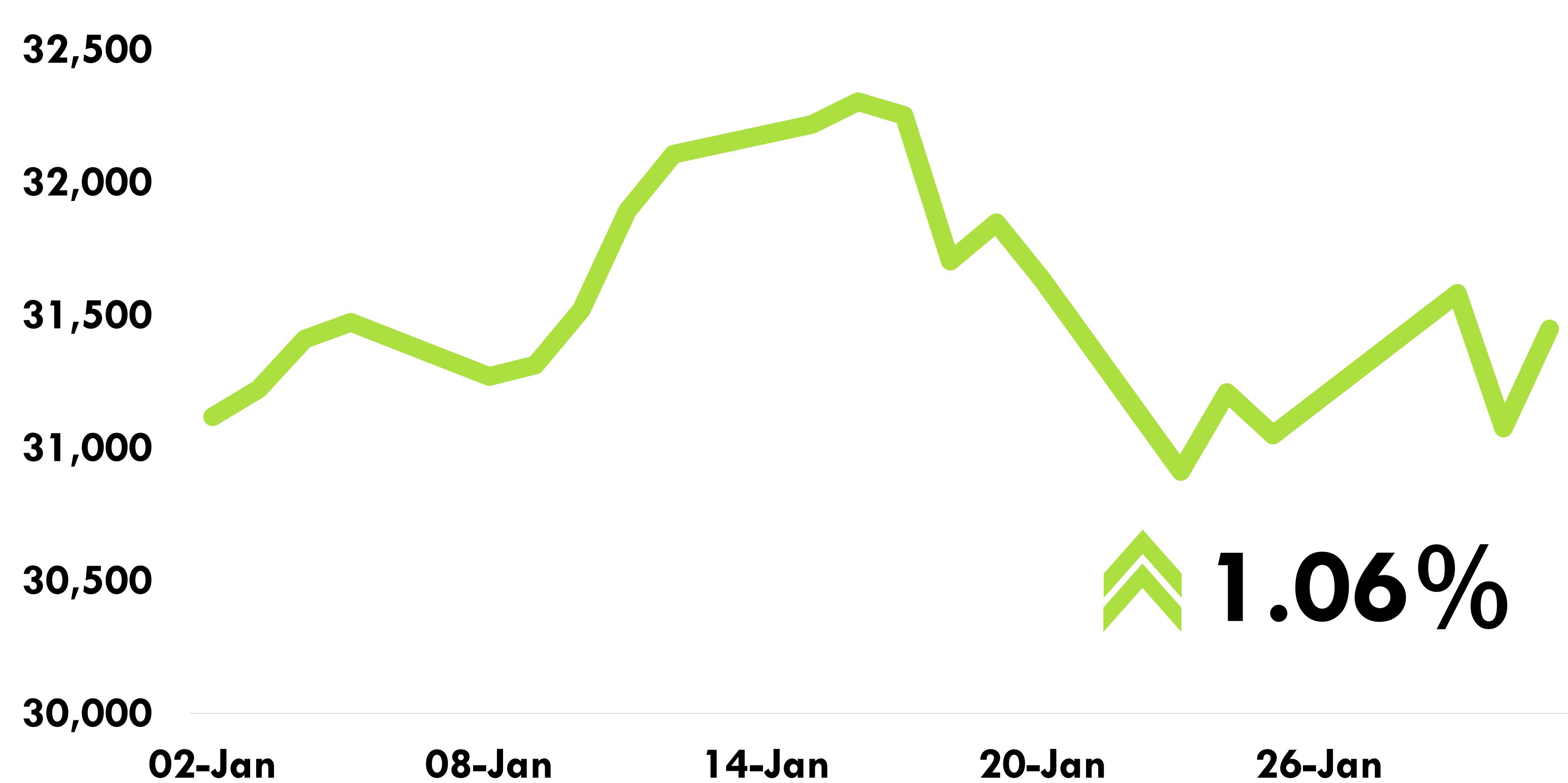
Source: NSE

Consumer Durables Sector

The Nifty consumer durable sector exhibited volatility, witnessing a marginal 1.06% increase overall. Amber Enterprises India, constituting 2.3% of the index, delivered an impressive 55.5% return over the past six months, surpassing both the Nifty and Nifty Consumer Durables' respective gains. Elevated inflation levels, coupled with rising interest rates, have curtailed consumer spending, thereby impacting this sector. Moreover, companies like Titan reported weaker earnings in January, triggering a sell-off, with Bata India Ltd. and Orient Electric emerging as the top losers in this sector.



NIFTY Consumer Durables January'24 (In ₹)



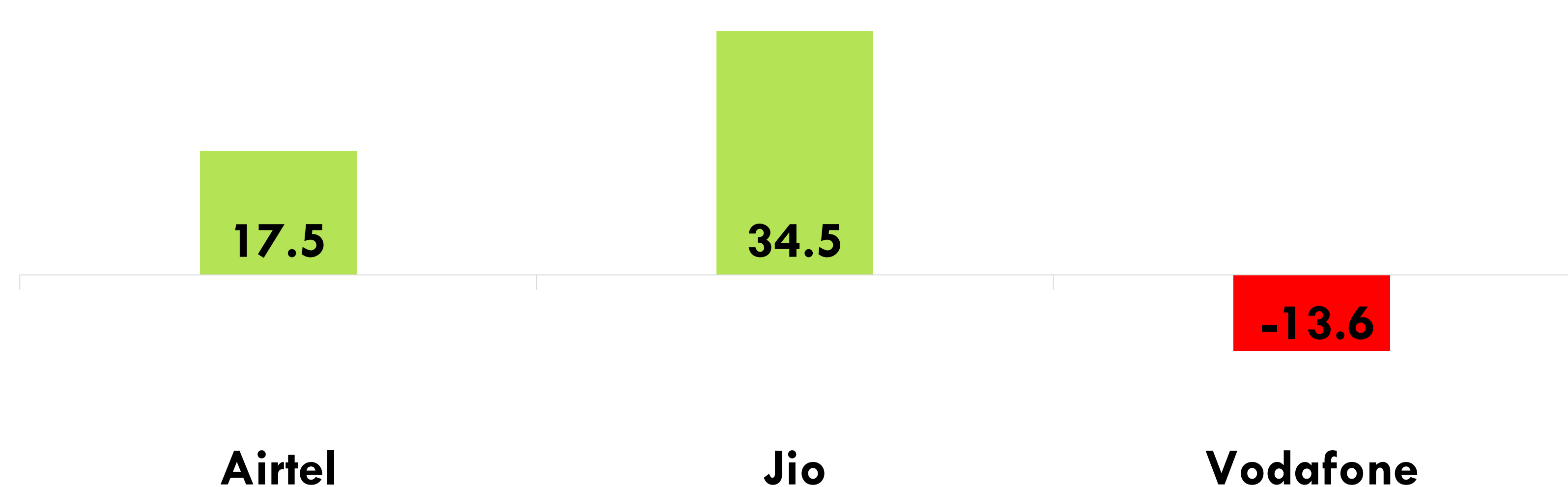
Source: NSE

SECTOR UPDATES

Telecom Sector

In January, the Telecom Industry experienced significant growth, largely propelled by Bharti Airtel Ltd.'s growth rate of 15.56%, primarily attributed to the release of favourable Q3 reports and observing a substantial surge in 4G/5G users. Anticipation of a 'meaningful tariff hike' within the next 12 months is expected to be advantageous for the telecom company. Furthermore, the Bharat 6G initiative, set to launch in collaboration with Nokia and Ericsson, will cultivate future visionaries and industry representatives. Despite this significant growth, Vodafone Idea Ltd. witnessed an 15.59% decline following Elon Musk's interest in purchasing a stake in the company to help Starlink enter India.

Addition During January'24 (Lakhs)

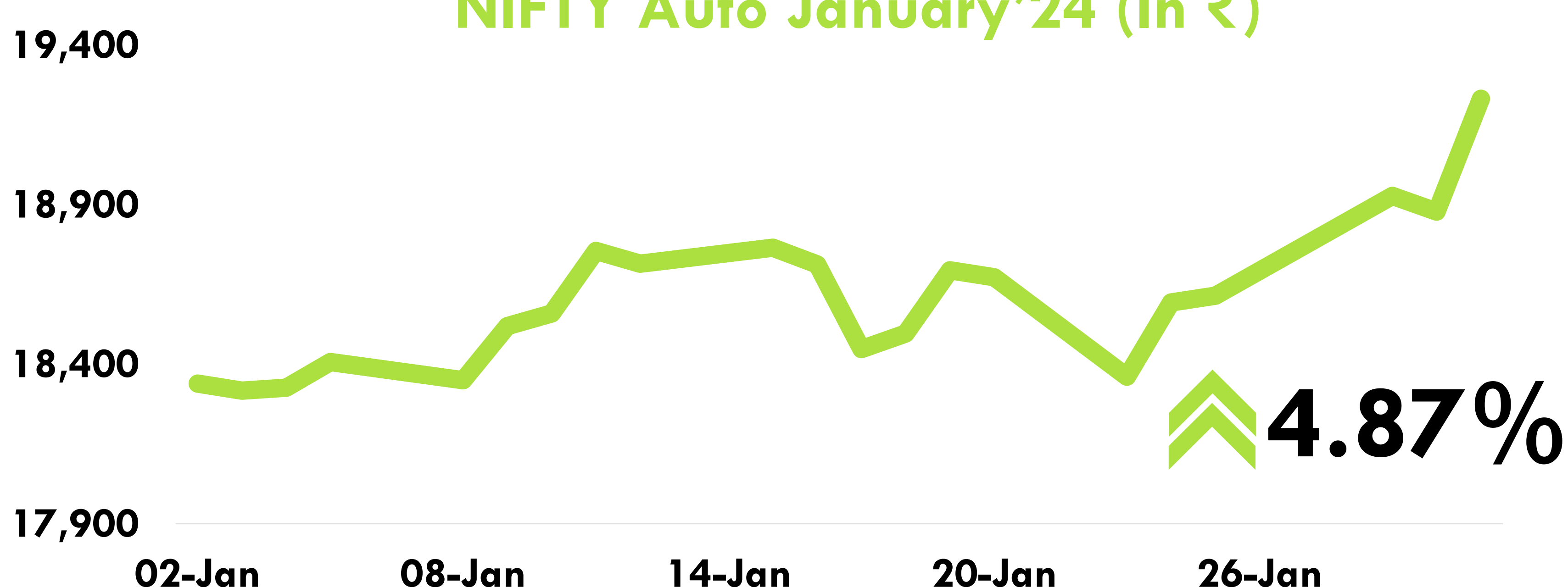


Source: TRAI

Auto Sector

Despite showing heavy fluctuations, the Nifty Auto witnessed a 4.87% growth in January. The pronounced fluctuations observed in the Nifty Auto index can be primarily attributed to the disclosure of January sales figures by automotive companies commencing from February 1st. The forthcoming listing of Ola Electric has prompted a reassessment of valuations in the EV sector, shaping market dynamics and positive investor sentiments. In this sector, MRF Ltd., and Bajaj Auto Ltd. emerged as the frontrunners, while Eicher Motors Ltd. and Ashok Leyland Ltd. experienced a downturn.

NIFTY Auto January'24 (In ₹)

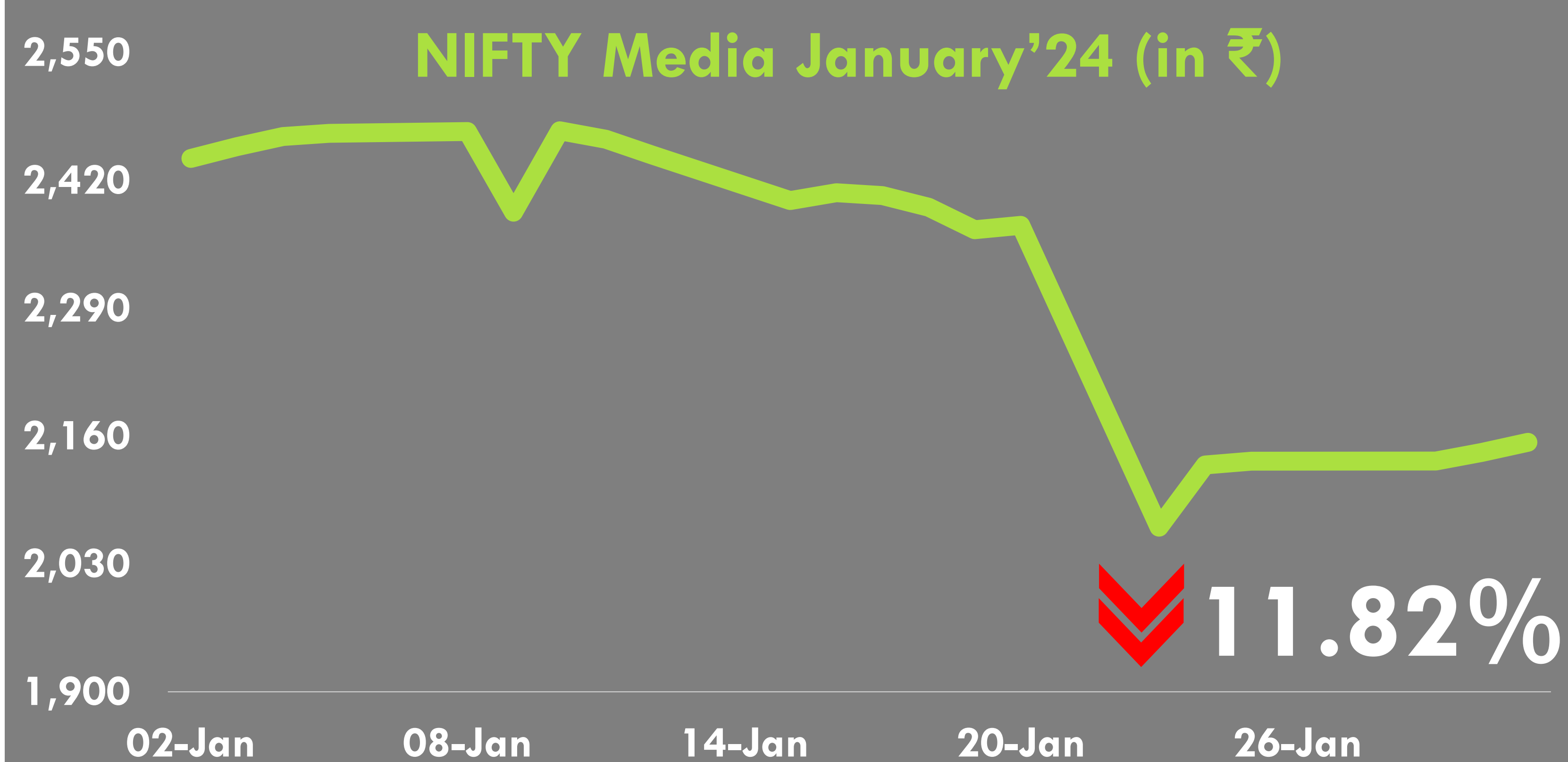


Source: NSE

Media Sector

Nifty Media fell by a notable 11.82% this month despite gains from DB Corp Ltd. and Network18 Media & Investments Ltd., which surged by 22.59% and 32.2%, respectively. These gains were primarily attributed to the favourable financial results released for Q3 FY24. Zee Entertainment Enterprises Ltd. declined a notable 39.27% following the failure of the \$10bn merger deal with Sony's India unit. Additionally, decreased movie performance, leading to reduced occupancy rates and margins, has caused a 12.37% decline in PVR INOX shares.

NIFTY Media January'24 (in ₹)

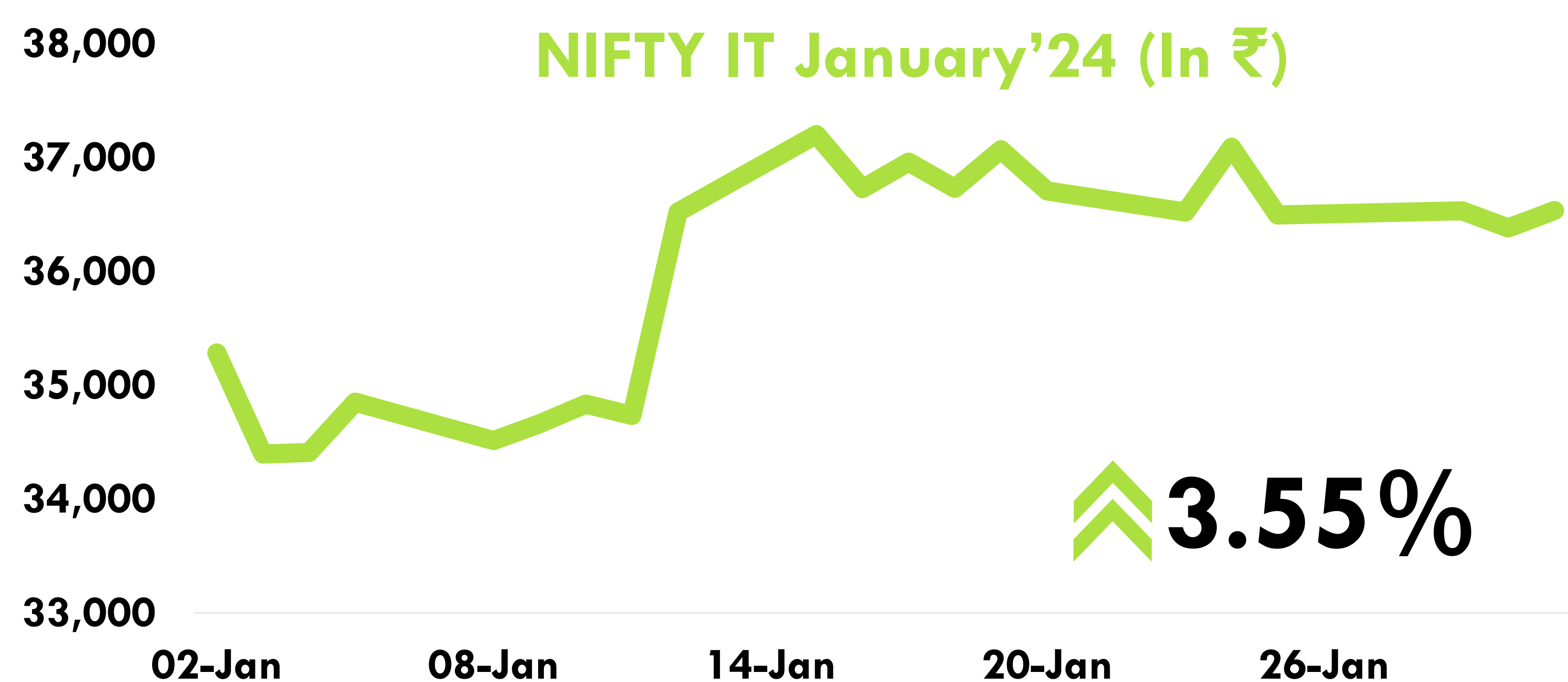


Source: NSE

IT Sector

The sector experienced a notable 3.55% increase in January. IT firms have disclosed positive results reflecting the impact of effective cost management. Furthermore, the sustained long-term growth trajectory observed in IT companies has contributed to the upward momentum of the Nifty IT index. Persistent Systems Ltd. and L&T Technology Services Ltd. lead, while LTIMindtree Ltd. declined by 12.99%, reacting to the weak Q3 earnings. Nevertheless, the IT sector experienced a rise in net purchases by foreign portfolio investors (FPIs) following the Q3 results, signalling optimism regarding the sector's demand recovery.

NIFTY IT January'24 (In ₹)

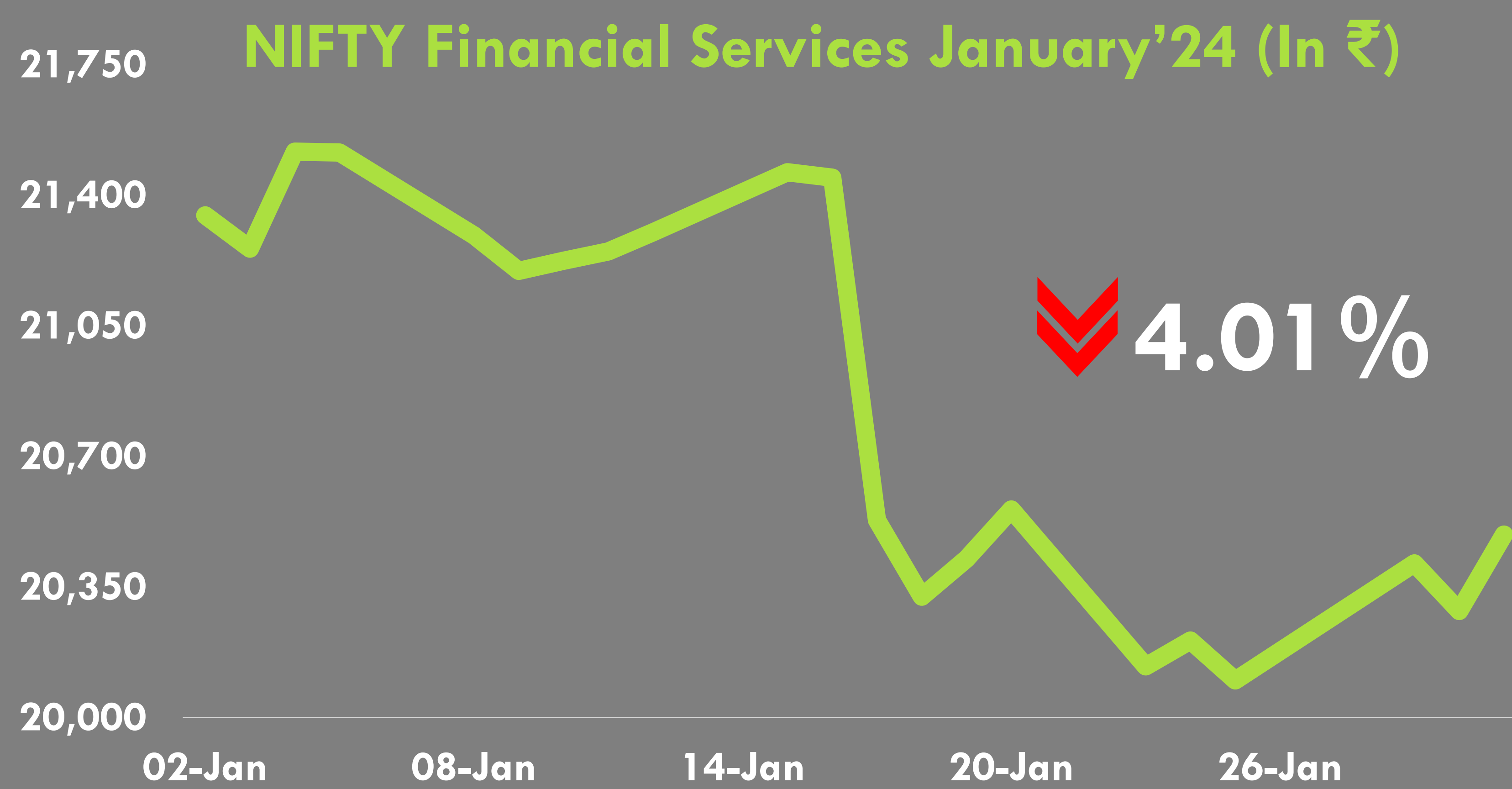


Source: NSE

SECTOR UPDATES

Financial Services Sector

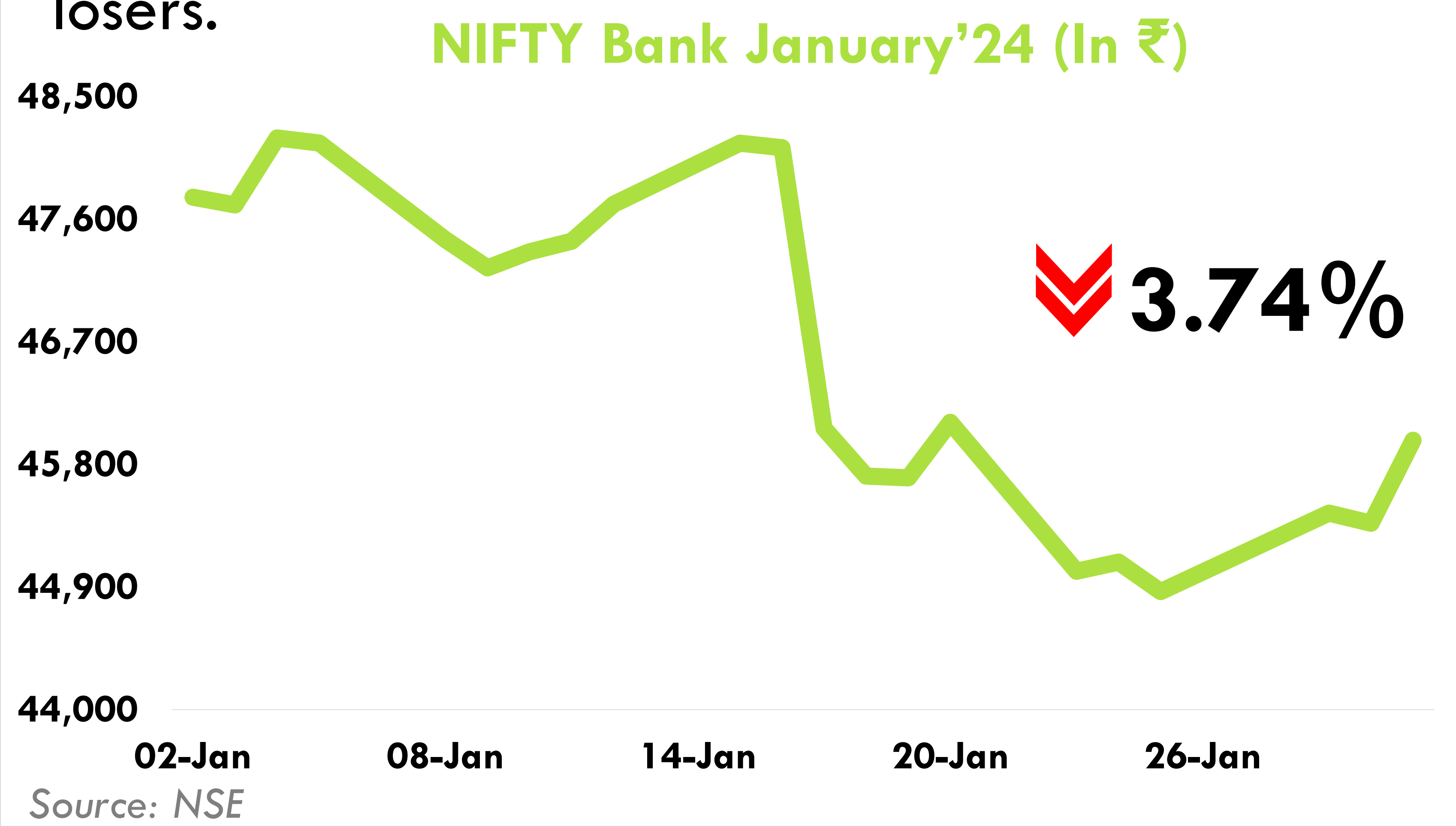
In January, the index experienced a substantial decline of ~4.01%, dipping just below the 20000 mark. The index witnessed a downward trajectory as investors reacted sharply to HDFC Bank's results, indicative of the sector's weaker performance, and the Power Minister's announcement about the impending market coupling implementation, specifically affecting IEX. The notable gainers during the month included PFC and LIC Housing Finance, whereas HDFC Bank and Shriram Finance Ltd incurred losses.



Banking Sector

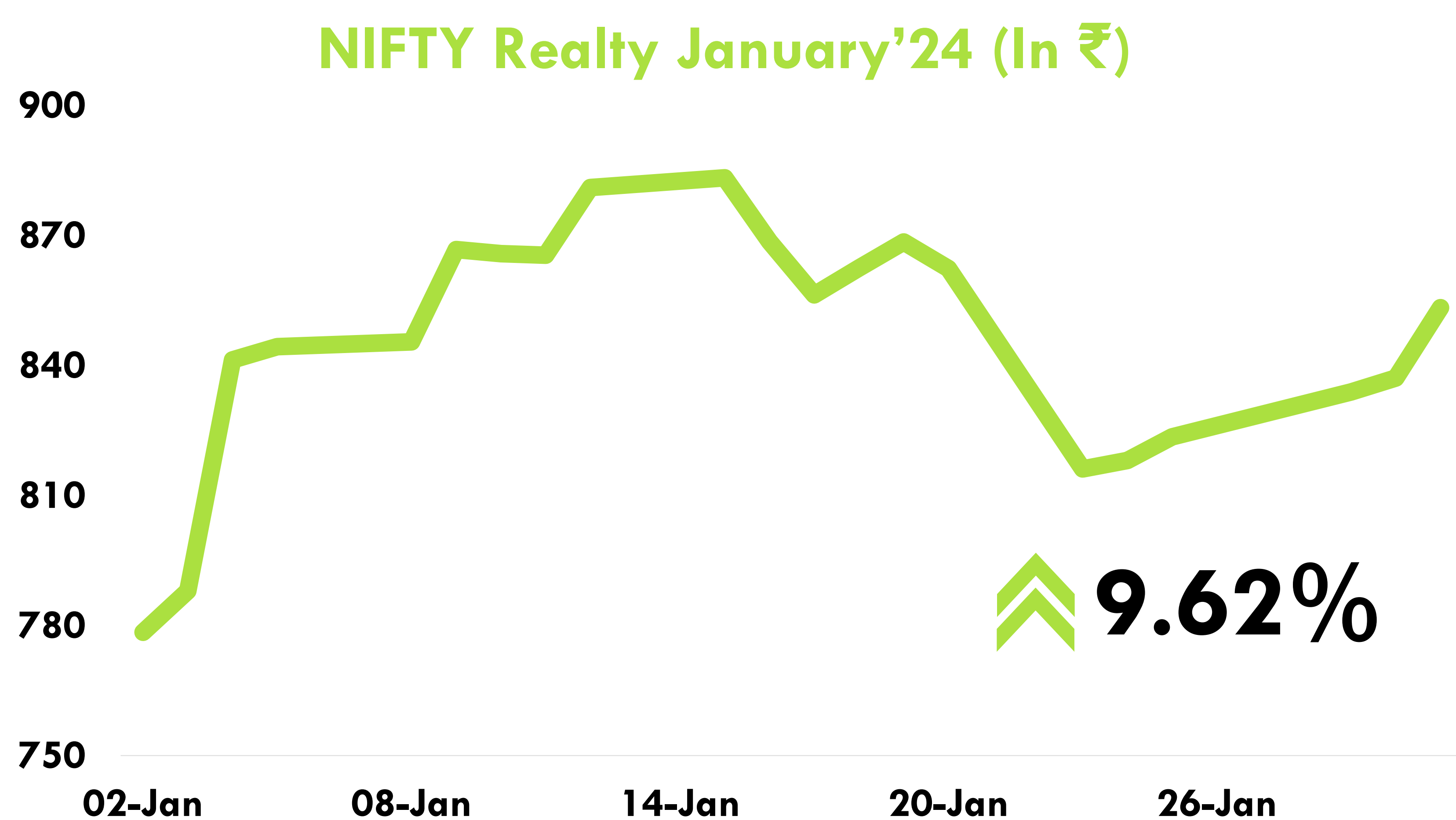
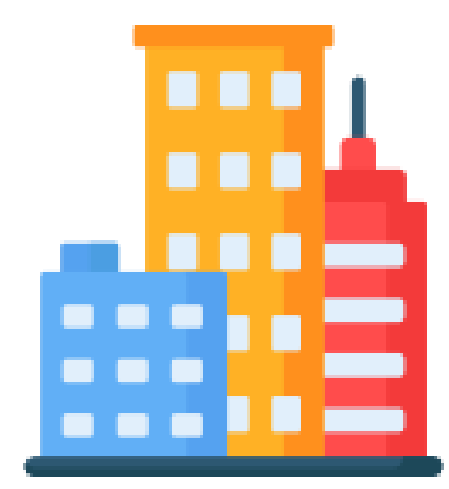


In January, Nifty Bank declined by 3.74%, with HDFC Bank witnessing a significant drop of 13.87% due to Q3 results falling below estimates. Towards month-end, the index attempted a recovery as RBI permitted LIC to increase its stake in HDFC Bank to 9.99%. Conversely, PSU bank stocks outperformed, with Punjab National Bank among the top gainers, while AU Small Finance Bank Ltd. and HDFC Bank emerged as the top losers.



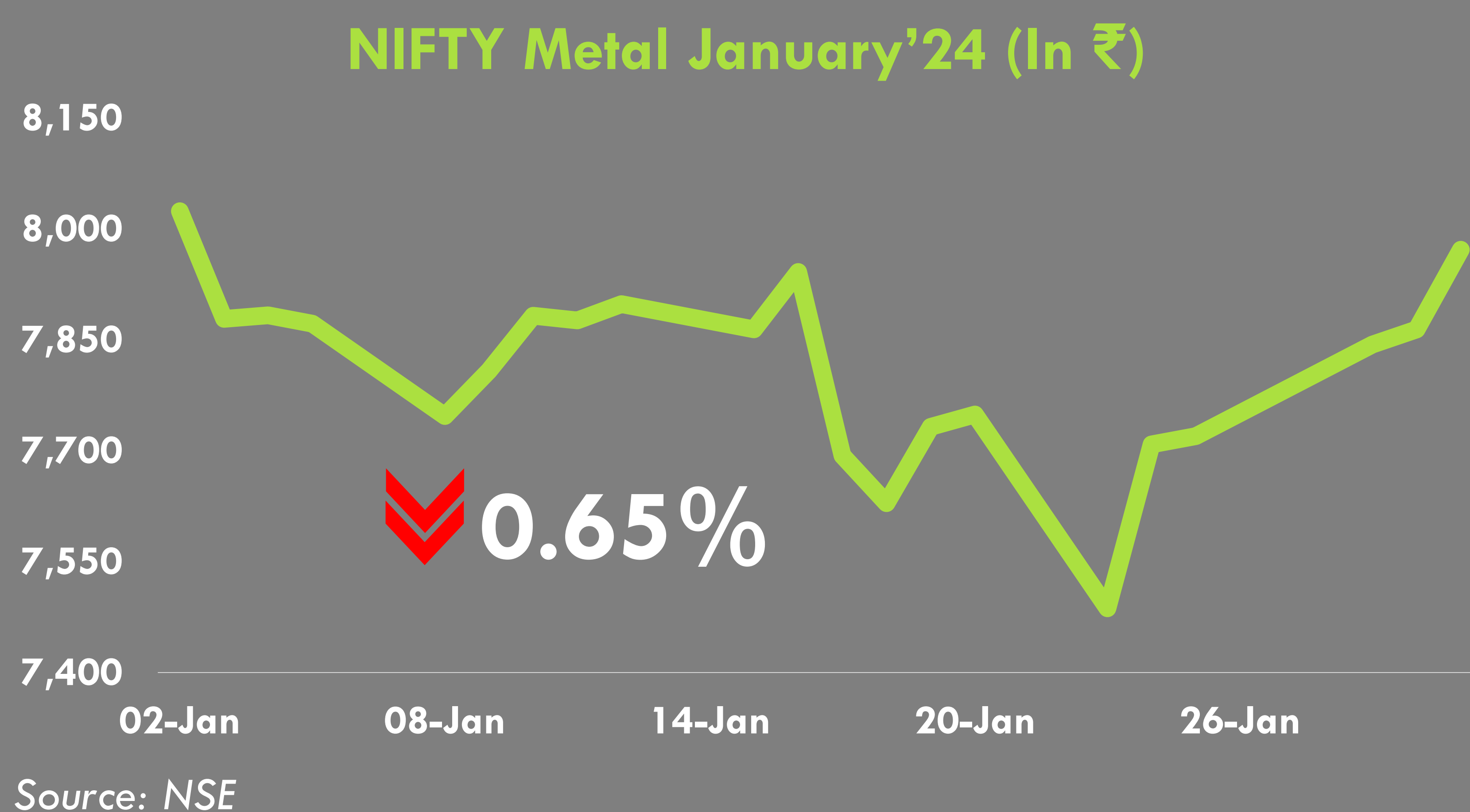
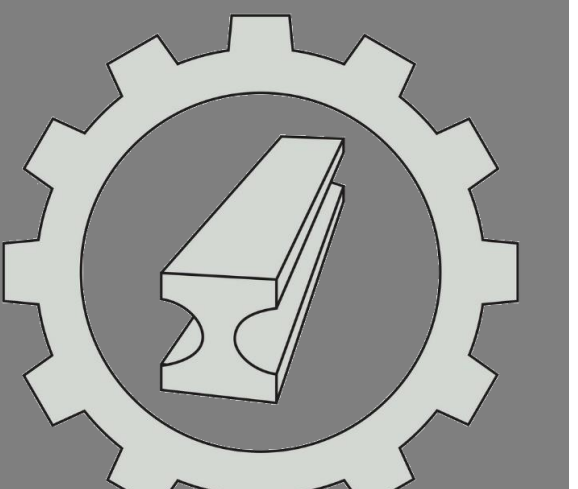
Realty Sector

The Nifty Realty index rose by 9.62% this month, primarily attributed to the expectations of robust pre-sale figures in real-estate companies. Additionally, the government is expected to set up a tax relief plan in the Union Budget 2024 to make housing more affordable and increase the maximum limit of deduction of housing loan principal repayment from ₹21kh to at least ₹51kh to boost demand. Companies such as Sobha Ltd. and Godrej Properties made significant contributions to the index's growth.



Metal Sector

The index faced a decline for most of the month, falling almost 7%, primarily influenced by an increase in the dollar index. However, in the last week, it rose substantially, erasing nearly all losses and ending the month 0.65% down. The surge was mainly driven by a Chinese government policy to cut Reserve Requirements by 50 bps, resulting in a notable increase in steel stocks. National Aluminium Co. Ltd and Adani Enterprises emerged as top gainers, while heavyweight stocks Hindalco and JSW Steel contributed to dragging the index down.



IPO

Jyoti CNC's Transformative Step

Jyoti CNC Automation Limited stands at the forefront as a premier manufacturer of computer numerical control (CNC) machines designed for precision metal cutting. Capturing the third-largest market share in India, the company commands ~10% of the market as of FY23. The company excels in the manufacture of simultaneous 5-axis CNC machines, delivering customized solutions across various sectors such as aerospace, automotive, and general engineering, as well as dies and moulds. Furthermore, as of FY23, the company reported operating revenue surpassing ₹500cr, accompanied by a substantial 17.83% increase in the company's net worth.

The IPO comprised a fresh equity issue worth ₹1000.24cr with a price band of ₹315-331. Additionally, it received a strong response, being subscribed 40.41 times. The shares were listed at ₹372 at a premium of 12.39%. The net proceeds generated from the offering are earmarked for the repayment of specific borrowings, bolstering long-term working capital needs, and addressing general corporate objectives.



E-Pack Durables rolls out IPO

Established in 2019, EPACK Durable Limited operates as an Original Design Manufacturer (ODM), with the product range segmented into three different categories: components, small household appliances, and room air conditioners. The company prioritizes continuous innovation and operational efficiency, adopting a customer-centric approach. The core principles of the company encompass upholding stringent standards and surpassing client expectations through a deep understanding of their needs. The company witnessed a remarkable surge in revenue by 66.09%, coupled with a substantial 83.39% increase in profit after tax (PAT) for FY23.

The ₹640.05cr EPACK Durable IPO consists of a ₹400cr fresh issue and a ₹240.05cr offer-for-sale, including 1.04cr equity shares from promoters and other investors. The price band for the issue was set at ₹218 to ₹230 per share, and the shares were listed at ₹221, a 3.91% discount. The net proceeds from the issue will be used to repay certain outstanding loans, fund capital expenditures for expansion, and for general corporate purposes.



Medi Assist Healthcare's Stellar Debut

Medi Assist Healthcare Services Ltd. operates as a prominent health-tech and insurance-tech entity specializing in the administration of health benefits for employers, retail members, and public health schemes. With a vast network spanning over 14K hospitals across 967 cities and towns in India, the company facilitates medical insurance and seamless cashless hospitalization services. Through strategic partnerships with ~36 insurance companies, it achieved a revenue of ₹570.29mn for the year ended in 2023. Medi Assist Healthcare IPO is a book-built issue of ₹1,171.58cr. It is entirely an offer for sale of 2.8cr shares with a face value of ₹5 per share. Furthermore, the price band for the issue is set at ₹397-418 per share, and the shares were listed at an 11.2% premium. The primary objectives of the Medi Assist IPO include boosting the company's visibility, enhancing its brand, and offering liquidity to current shareholders.



Upcoming IPOs

IPO Size (Approx.)

Aakash Education Services	₹7,100 Cr.
Paymate	₹1,500 Cr.
Snapdeal	₹1,250 Cr.
Apeejay Surrendra Park Hotels Ltd.	₹920 Cr.

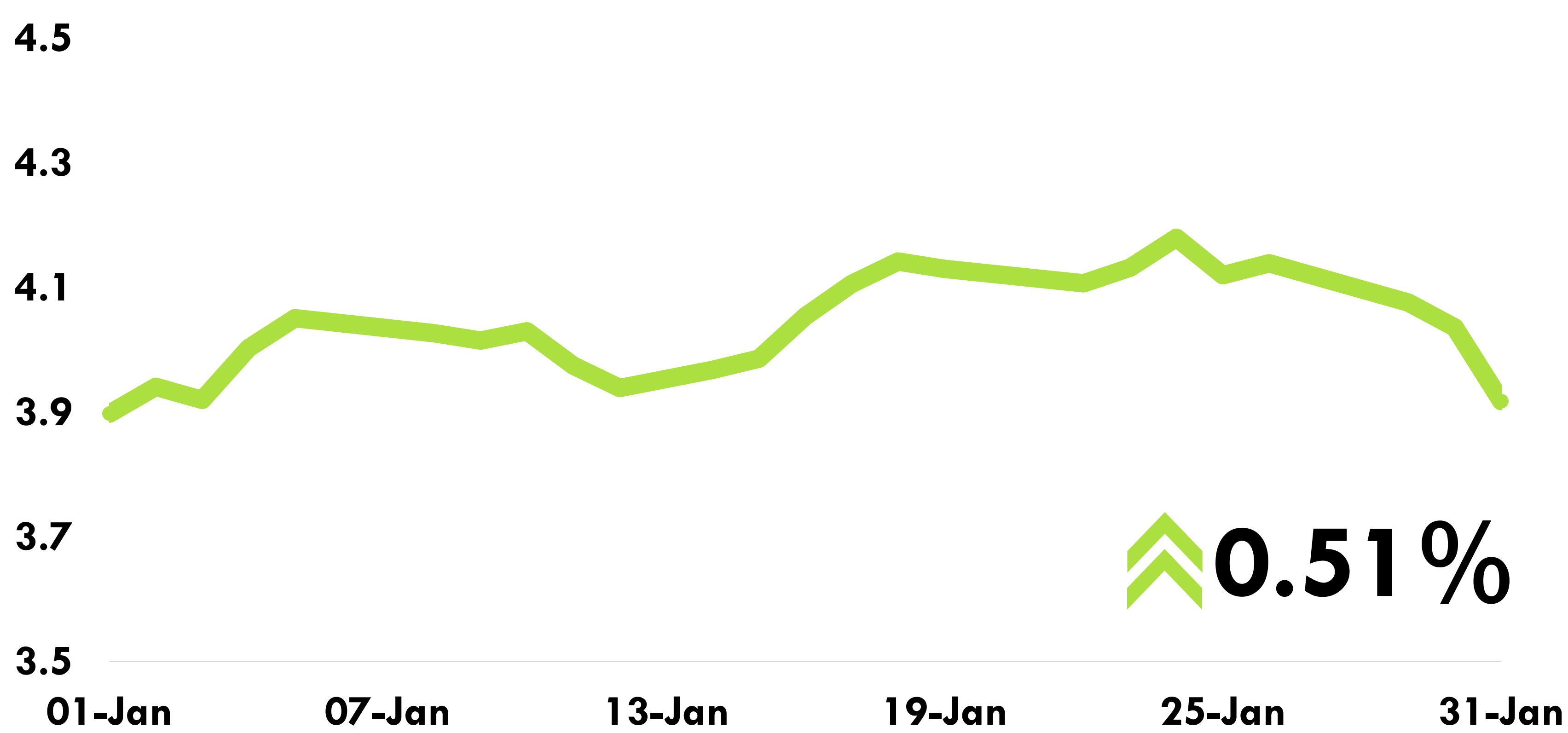
Indian IPOs: Reality Check on Returns

India has positioned itself as a thriving hub for IPO activity on the global stage, surpassing the number of IPOs in China and Japan combined. Yet, many ultimately fail in the long term. YK2 Partners, a boutique investment firm based in India, conducted an analysis of initial fundraising by Indian firms spanning two decades. The result? An average IPO in this dataset yielded a -3.5% annual return, translating a ₹100 investment into ₹70 a decade later. Indian IPOs have failed miserably at generating additional returns to investors compared to what they could have gained passively by simply owning a broad benchmark. About 77% have underperformed the NSE500 Index over a 10-year period, with an average underperformance of more than 14% per annum. SEBI should ensure that companies with promising prospects enter the public markets at prices conducive to long-term wealth creation. It should also consider mandating a one-year lock-in period for all IPO investors to prioritize fundamentals-driven subscriptions over short-term gains.



FIXED INCOME

US 10 Year Treasury Yield January'24 (In %)



Source: US Department of the Treasury

After a significant decline in December, the 10-year U.S. Treasury yield showed a slight surge of 0.51%. The benchmark 10-year Treasury note saw the highest increase to 4.142% during the month. Encouraging inflation figures were accompanied by a robust 3.3% annualized growth in the GDP, exceeding expectations. Economic indicators, including the Federal Reserve policy decision and geopolitical tensions, also impacted the 10-year US treasury yield. Moreover, U.S. Treasury yields surged after a week-long sell-off following the release of the highly anticipated nonfarm payrolls report, which indicated sustained robustness in the labour market.

Record-Breaking Debt: US Markets Soar

The US corporate bond markets are experiencing an unprecedented surge, with companies issuing a historic \$150bn in debt. It is the most active start to a year in over three decades. Leading this trend have been investment-grade companies, which have issued \$153bn in bonds denominated in dollars, the highest year-to-date amount since 1990. Borrowers are hurrying to secure reduced interest expenses, while investors are eager to acquire new bonds ahead of anticipated cuts in US interest rates later this year. Thus, investors are seeking to lock in longer-term yields. Moreover, corporate borrowing costs have significantly declined since the late 2021 financial market rally, following the Fed's indication that it had concluded its series of interest rate hikes. Even if the rates are higher than year-end levels, the current investment-grade yields, at 5.34%, are still far lower than rates that were over 6% in mid-November (2023). Moreover, the issuance has been dominated by financial institutions, especially banks, to take advantage of the lower yields.

India's Bond Milestone: 50-Year Debut



India recently marked a significant milestone with the launch of its 50-year government bond, joining sovereign issuers like France, Italy, Canada, Switzerland, and China. This is a strategic move to diversify India's sovereign debt market attracting investors from a wider spectrum willing to invest for longer terms. Insurance companies and pension funds showed particular interest as a strategic move to match their investments with long-term liabilities, which is an important consideration for them in their investment decisions. A notable aspect of India's issuance of a 50-year bond was the minimal difference in yield spreads between the 10-year and 50-year bonds, a mere 15 basis points. This narrow spread indicates a robust demand for the 50-year bond, as investors are willing to embrace increased risk and duration in exchange for the higher yield it offers. However, investors should prudently evaluate the risk and return attributes of these long-term instruments, considering their susceptibility to fluctuations in interest rates.

Inflation

The average retail inflation in December hit a 4-month high of 5.69%. Monsoon rainfall in India hit a five-year low in 2023 due to El Nino, affecting agricultural production. Hence, December saw a notable surge in India's food inflation, reaching 9.5% nationally and 10.42% in urban areas. This was primarily driven by rising food and vegetable prices due to the essentially weak kharif harvest. There was nearly a 28% rise in vegetables, a 21% surge in pulses, and a 20% increase in spices. Cereals also saw a 10% uptick, while fuel and light prices declined by 1% year-on-year, in contrast to a 0.8% dip in November.



Month (2023)	Inflation (%)
August	6.80
September	5.01
October	4.87
November	5.55
December	5.69

Source: MOSPI

RISK

Top Chinese Banks Curtail Exposure

Major Chinese banks are intensifying scrutiny of smaller counterparts to assess asset quality and tightening interbank lending standards. This move aims to mitigate credit risk amid a deepening property debt crisis affecting China's economy. Similarly, many state-owned banks have reduced interbank lending limits and have set shorter maturity periods for smaller peers, deemed highly risky. Concerns about the health of smaller banks, seen as the weak link in the financial system, have prompted larger banks to adopt a cautious approach. This may exacerbate capital challenges for smaller banks with limited fundraising options. While bigger banks rely on stable customer deposits, smaller lenders aggressively borrow from local rivals.

About half of the interbank lending market's trading volume involves China's mid-sized and smaller banks, with some facing increased default risks. China's authorities are implementing measures to support the banking system and prevent financial risks, especially among smaller banks facing a liquidity gap. The government signals a sense of urgency, standing as a guardian for smaller banks amidst the dynamic financial landscapes, shielding them from short-term risks and interbank vulnerabilities.

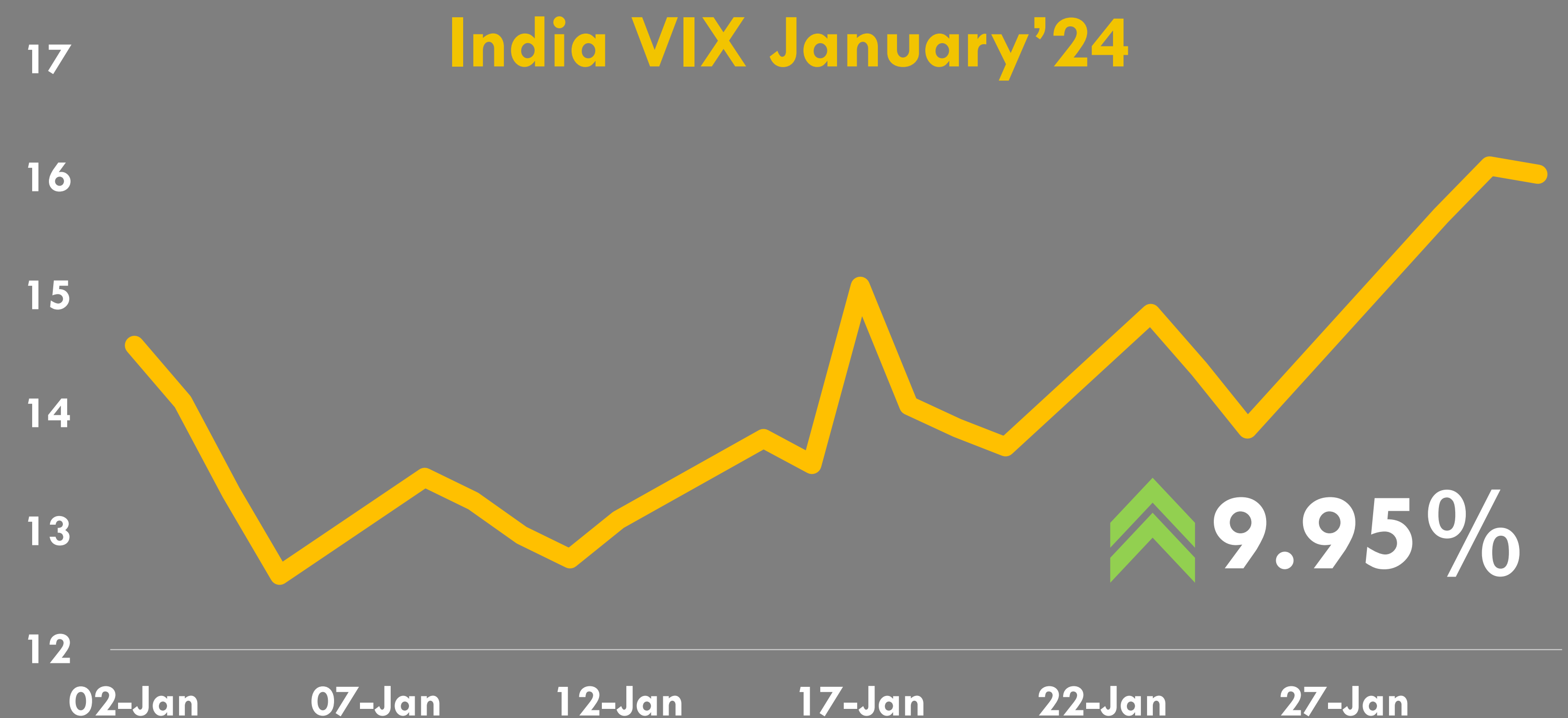
PBOC's Futuristic Financial Strategies

During a recent 2024 conference, the People's Bank of China (PBOC) underscored the imperative of continual oversight of financial risks. The emphasis was on the prudent management of institutions exposed to risk and the necessity to counter potential dangers related to speculation in virtual currency trading. Additionally, they called to intensify efforts against illicit financial activities, controlling funds related to gaming and fraud, and enhancing anti-money laundering oversight. The conference stressed the continuous improvement of fundamental financial services and the expansion of innovative applications for the digital yuan, aiming to explore new ways to integrate it into the financial system. The digital yuan effortlessly integrates with mobile payment systems, providing superior efficiency compared to physical cash. This integration enhances security, reduces transaction costs, and minimizes the risk of counterfeiting. Leveraging Near Field Communication (NFC) technology, the digital yuan's payment system allows users to make transactions seamlessly by tapping their phones together, irrespective of an internet connection.



Revitalizing Indian Banking Landscape

In a significant financial development, the RBI has heightened the minimum capital requirement for Small Finance Banks (SFBs) to a substantial ₹200cr., marking a strategic move towards reinforcing the financial stability of these institutions. This regulatory adjustment also opens an avenue for Payment Banks to upgrade to SFB status, contingent on existing SFBs surpassing the elevated net worth criterion. SFBs aim to offer essential banking services, accepting deposits and extending loans to underserved sectors such as small businesses, marginal farmers, micro-industries, and entities in the unorganized sector. Additionally, Primary (Urban) Co-operative Banks opting to transition into SFBs must initially have a net worth of ₹100cr., which is required to increase to ₹200cr. within five years from the commencement of business. This nuanced approach aims to fortify the financial foundation of transitioning banks and align them with robust regulatory norms. This financial recalibration not only underscores regulatory stringency but also enhances the resilience of SFBs, positioning them for sustained growth and stability in India's dynamic banking landscape.



Source: NSE India

The NSE VIX surged to 16.03, up from 14.5 in the preceding month. Heightened market volatility is mainly shaped by investor expectations, with a focus on uncertainties surrounding the upcoming 2024 elections and the Union Budget. The Nifty50 witnessed a decrease of 0.2% this month. This downturn is linked to apprehensions related to the forthcoming Fed policy and escalating tensions in the Red Sea, contributing to a significant rise in the India VIX. Further, companies from various sectors are unveiling their Q3 statements, contributing to a climate of uncertainties in the current business landscape.

DERIVATIVES

SEC Redefines Clearing

The Securities Exchange Commission (SEC) implemented new regulations mandating central clearing for a wide array of cash transactions and repurchase transactions involving U.S. Treasury securities. The rules compel covered clearing agencies (CCAs) to establish policies necessitating their direct participants to clear all "eligible secondary market transactions" in U.S. Treasuries. Under the new regulations, a CCA is mandated to maintain a margin for proprietary trades of its direct participants, separate from the margin allocated for customer transactions. The objective is to enhance safety, efficiency and reduce costs while mitigating the risk of a single market participant's failure to destabilize the financial system. Eligible secondary market transactions include repos collateralized by U.S. Treasury securities and cash purchases or sales between CCAs and registered broker-dealers. Notably, the SEC excluded cash transactions with hedge funds or leveraged accounts from the final definition of eligible secondary market transactions. Furthermore, the rules also impact how margins for U.S. Treasury transactions are collected, held, and accounted for, with compliance dates staggered until June 2026.



Eurex Unveils SRI Derivatives

Eurex is set to broaden its equity -index-linked product suite by introducing futures on socially responsible investing (SRI) indices. The SRI index is designed to represent the performance of companies with high Environmental, Social and Governance (ESG) ratings. The European derivatives exchange will list futures tied to SRI indices calculated by STOXX and MSCI, both strategic partners in Eurex's derivatives offerings related to ESG indices. Notably, it will track the STOXX Europe 600 SRI Index and MSCI's SRI index suite, covering Europe, the USA, and Emerging Markets. These contracts are developed in response to the increasing demand for sophisticated ESG methodologies, offering integration and best-in-class selection approaches. Eurex plans to support the product launch through a liquidity provider scheme that includes regular rebates and revenue-sharing components. The significance of this move is to strengthen their leading position in the ESG segment, catering to user groups with stringent ESG mandates, such as asset managers working for endowment funds or foundations.

EUREX



Coinbase's EU Crypto Derivatives

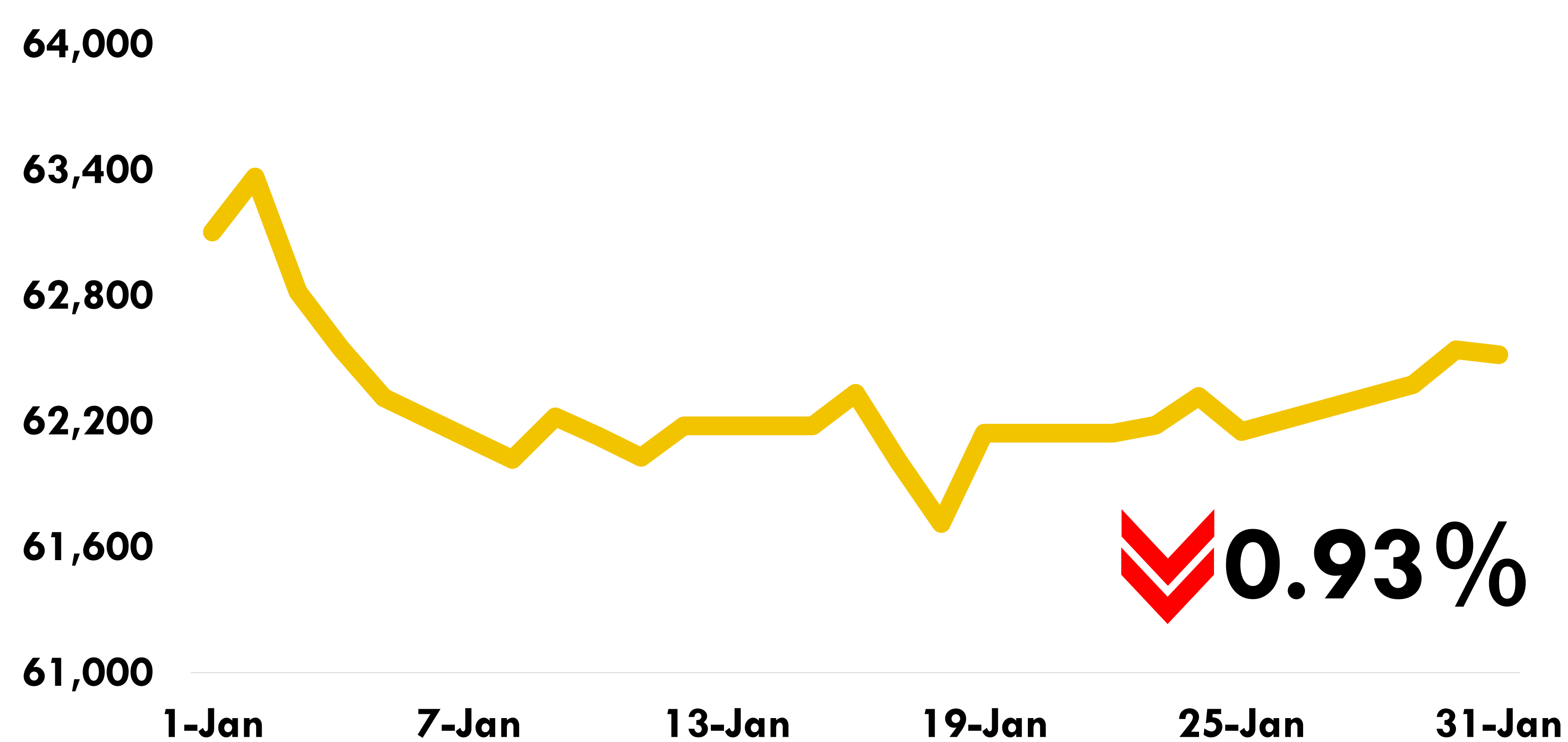
Coinbase, the largest cryptocurrency firm in the U.S. revealed plans to acquire a Cyprus-based company in order to offer cryptocurrency-linked derivatives in the European Union. This move is part of Coinbase's strategy to tap into the growing global derivatives market for cryptocurrencies, which accounts for 75% of trading volume. The acquisition aims to provide Coinbase access to a Markets in Financial Instruments Directive (MiFID) license. It is a regulation that aims to enhance transparency across the European Union's financial markets and standardizes the regulatory disclosures required for firms operating there. This license will allow it to offer derivative products to eligible European customers in select EU countries. The process is expected to undergo a thorough regulatory compliance review, and the acquisition is anticipated to be finalized this year. Coinbase has secured regulatory approval to provide derivatives to both non-U.S. and eligible U.S. customers, marking a significant step in expanding its financial offerings globally.

Bitnomial Secures Derivatives Licenses

Bitnomial, a US-regulated digital  BITNOMIAL asset derivatives exchange secured a clearinghouse license from the Commodities Futures Trading Commission (CFTC), making it the only crypto-native exchange with a complete set of US derivatives exchange, clearinghouse, and broker licenses. The license obtained will allow Bitnomial to clear margined digital asset futures and options trades. Moreover, it is the sole US exchange offering margined, physically delivered digital asset derivatives, allowing customers to receive actual ownership of digital assets on a leveraged basis rather than a cash payout at settlement. The achievement completes its set of licenses, which also includes an exchange license (DCM - Designated Contract Market) and a brokerage license (FCM - Futures Commission Merchant). Bitnomial can now focus on expanding its product offering and customer base, including its upcoming initiatives involving the launch of a globally regulated derivative trading platform that incorporates digital assets as collateral.

COMMODITIES

Gold Spot Price (In ₹ per 10 grams)



Source: MCX

During the month's initial half, gold prices declined, reaching a five-week low of ₹61712. This decline was prompted by a surge in the Dollar index and Treasury yields, driven by strong US economic data and hawkish signals from Federal Reserve officials, reducing expectations of a March rate cut. However, as the month drew to a close, geopolitical tensions in the Middle East intensified, acting as a stabilizing factor and preventing further declines in gold prices. The current price now stands at ₹62,518, reflecting a heightened preference among investors for gold as a reliable safe haven amid global uncertainties.



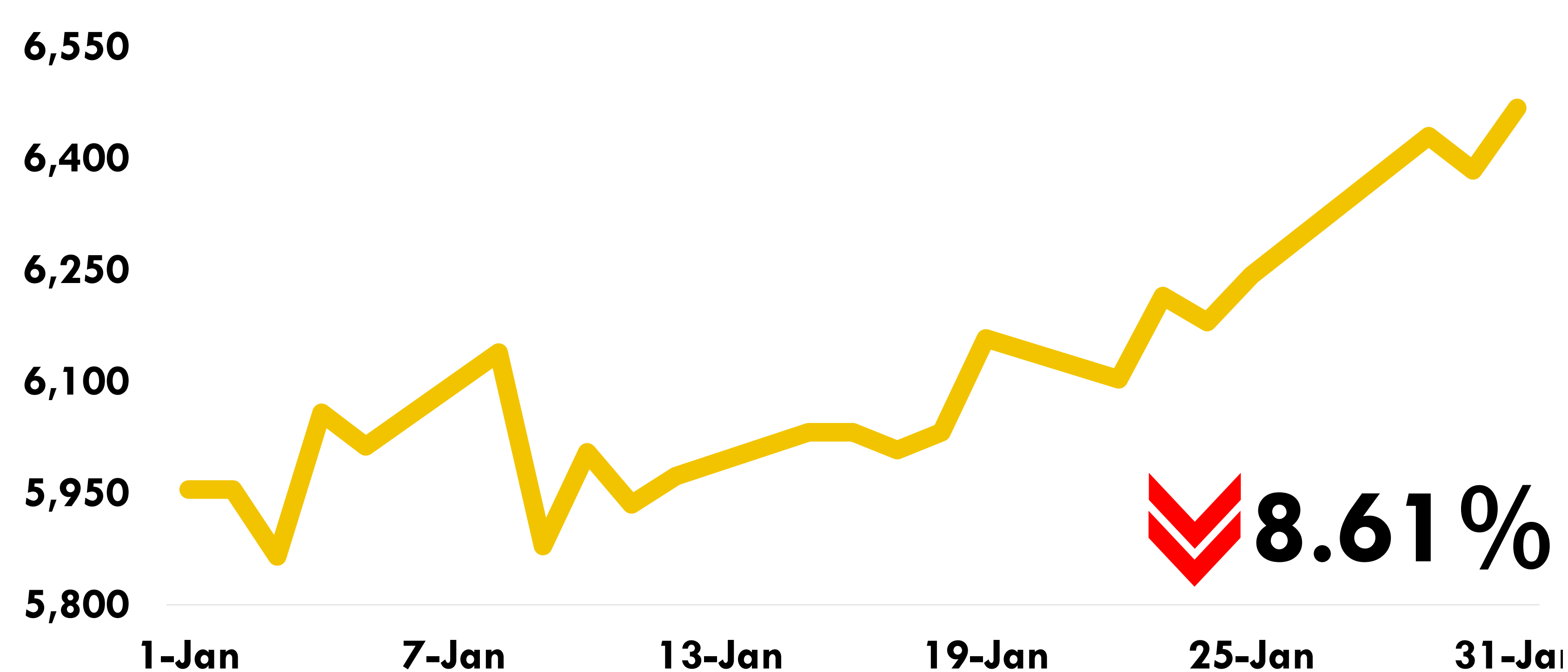
Seeds of Growth

Propelled by government incentives and growing enthusiasm among farmers, India's lentil production is poised to shatter records in the 2023-24 season, potentially elevating the nation to the top among global lentil producers. This surge holds immense significance, promising self-sufficiency for the world's second-largest lentil consumer along with potential export boon and increased farmer incomes. The substantial growth in lentil cultivation this year, marked by an average increase of 37% in cultivated land, can be attributed to various initiatives like price support schemes and seed distribution, as well as lentils' lower water requirements and competitive market prices compared to other crops.



The expected bumper crop could not only stabilize domestic prices and availability of the protein-rich lentils but also inject energy into the agricultural sector, generating employment opportunities.

Crude Oil Spot Price (In ₹ per barrel)



Source: MCX

The price of crude oil has exhibited remarkable volatility throughout this month. For most of the period, crude oil prices remained relatively stable, hovering around their December lows, buoyed by the EIA's projection of a 26% decline in global demand in 2024 compared to 2023. This decline was driven by China's decelerating GDP growth, the expansion of its electric vehicle (EV) fleet, and increased emphasis on efficiency. However, as the month concluded, geopolitical tensions in the Middle East, exemplified by the Houthis attacking an oil tanker and an attack on US soldiers in Jordan, prompted a surge in oil prices, signalling an increased risk of supply disruptions.



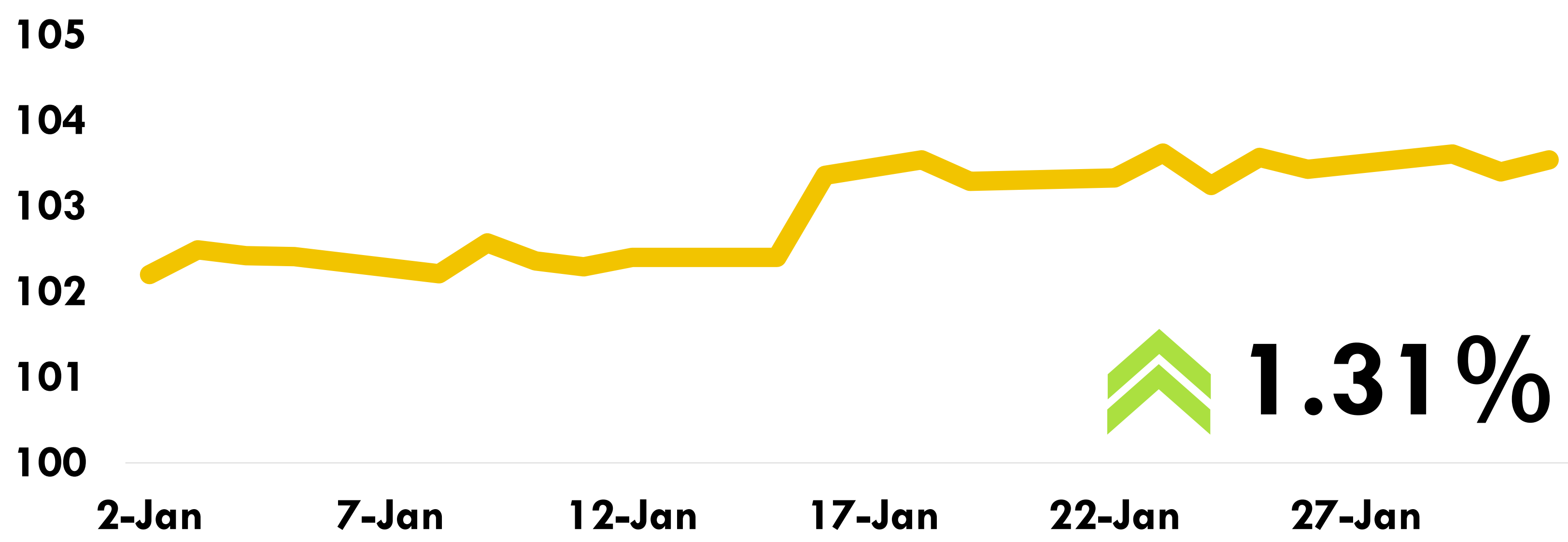
Uranium's Soaring Momentum

In the dynamic landscape of the new year, the uranium market takes centre stage, surging to unprecedented levels. January saw uranium prices reaching \$106 per pound, a milestone not seen since 2007. This surge reflects an industry grappling with both supply challenges and increasing demand. Fueled by speculative investments and heightened ETF engagement, the uranium market undergoes a notable transformation. Kazakhstan, the world's largest uranium producer, is also facing production challenges, adding to the growing scarcity of this essential resource. As uranium prices persist upward, the consequences extend beyond financial realms, impacting utilities, investors, and global geopolitical landscapes. The sustained surge prompts strategic realignments in resource distribution. This, in turn, affects industries reliant on nuclear energy and contributes to geopolitical shifts as nations navigate the quest for control over this finite commodity.



CURRENCY

US Dollar Index (USD)



Source: Investing

After falling for two months straight, the month of January saw a steady rise of the US Dollar Index by 1.31%. Despite anticipations of an early rate cut by the US Federal Reserve, the labour market in the United States continues to demonstrate strength, with unemployment data proving to be lower than expected. This has bolstered investor confidence in the US Dollar, resulting in an uptick in the US Dollar Index.

BRICS' Initiative towards De-dollarization

The prospect of a new BRICS currency challenging the dominance of the US

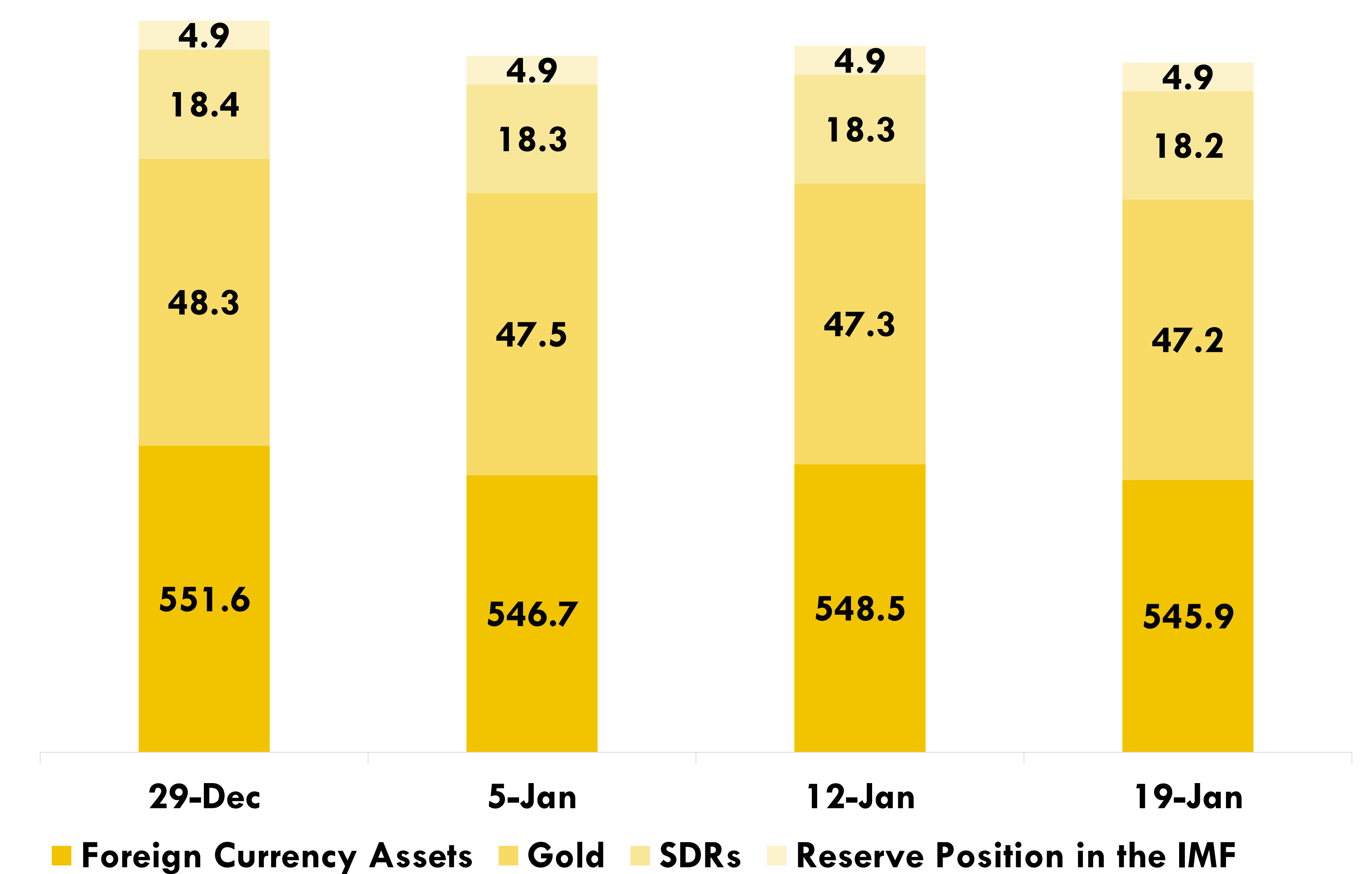


dollar is gaining momentum as three nations have committed to initiating the tender process. The alliance aims to establish a new world order, diminishing the influence of the US and its Western allies. Yet, the pending political consent from India and China remains the obstacle preventing the launch of the BRICS currency. This measure could enhance economic integration and stability, simplifying trade while reducing the influence of the US Dollar on a global stage. However, challenges may arise from differing monetary policies, potential economic disparities, and the loss of individual monetary independence. The success of such an initiative would depend on careful coordination and a shared commitment to economic convergence among the member countries.

India's Forex Reserves in Decline

Foreign exchange reserves have seen a decrease, dropping from \$623.20bn in the previous month to \$616.14bn in January. This decline in reserves can be attributed to the central bank's efforts to counteract the uneven depreciation of the rupee against the US Dollar, which has been influenced by global developments since the previous year. The foreign currency assets, the largest component of the reserves, along with gold reserves have experienced a significant decrease, reducing the overall value of the reserve.

FOREX Reserve (USD Bn)



Source: RBI

Currency	1 st Jan'24	31 st Jan'24	Change (%)	Trend
INR/USD	INR 83.270	INR 83.053	↓ -0.26	
INR/EUR	INR 91.0970	INR 89.8760	↓ -1.34	
USD/EUR	USD 1.0947	USD 1.0816	↓ -1.20	
JPY/USD	JPY 141.98	JPY 146.88	↑ 3.45	
CAD/USD	CAD 1.3322	CAD 1.3434	↑ 0.84	
USD/GBP	USD 1.2614	USD 1.2685	↑ 0.56	
USD/SEK	USD 0.0978	USD 0.0962	↓ -1.64	
USD/CHF	USD 1.1762	USD 1.1608	↓ -1.31	

Source: Investing

OTHER ASSET CLASSES

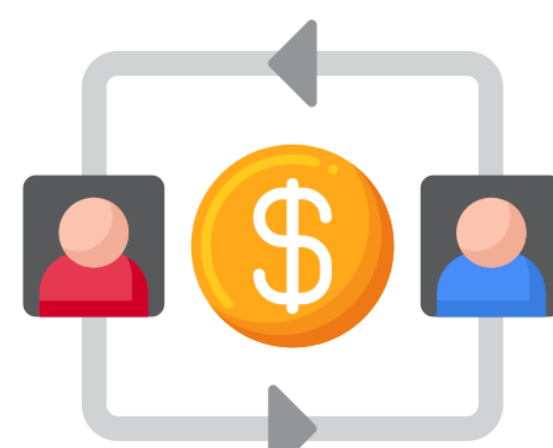
SEBI's Investment Evolution

India's capital markets regulator, SEBI, is considering the introduction of a new asset class between portfolio management services (PMS) and mutual funds. This new asset class aims to cater to investors seeking higher risk tolerance, offering a higher minimum investment and relaxed norms to generate high returns. The market regulator has expressed concerns regarding retail investors seeking unsolicited advice, often resorting to unregistered advisers who engage in illegal or quasi Portfolio Management Services (PMS). Many inexperienced investors fall prey to unregistered advice in their pursuit of higher returns, adopting risky approaches. While mutual funds require as little as ₹5,000 for investment, PMS demands a minimum of ₹50lkh, and participation in an Alternate Investment Fund (AIF) requires ₹1cr. Given the higher entry threshold for PMS and AIFs, some retail investors opt for high-risk schemes offered by unregistered advisers. Thus, bringing a new high-risk category under the regulatory oversight of SEBI within the MF framework could facilitate effective regulation similar to the existing MF segment.



P2P Empowers Rural India

Peer-to-peer (P2P) lending, a platform that facilitates direct lending and borrowing among individuals without the use of conventional financial intermediaries like banks has disrupted traditional financial models. Originating in the early 2000s, P2P lending gained momentum with platforms like Faircent, the first RBI-approved lending platform in India. Evolving with technology, this form of investment has become a transformative force in finance. Guwahati's Rang De, a P2P social investing platform, revolutionized this concept through the Xamahar initiative, which has disbursed over ₹85lkh to small, marginal, and landless farmers in Assam. Collaborating with SV Agri, Rang De addresses challenges in potato cultivation and provides financial solutions across the value chain. It aims to reach 20+ districts, prioritizing financial inclusivity and offering affordable credit with interest rates as low as 6-9%, fostering sustainable agriculture and creating a secure ecosystem. Recognizing these benefits, the P2P platform emerges as a new asset class, marking a significant shift in the way investments are done.



Wine Wealth: Vintage Investments

Fine wine is emerging as a distinctive alternative asset class for investors seeking diversification beyond conventional investments. Unlike stocks, fine wine has demonstrated a substantial 149% increase in prices over the past decade, establishing itself as one of the top-performing alternative assets. Important considerations for investors include factors like quality, rarity, provenance, and resale value. Platforms like Sotheby's Wine provide access to a curated selection of the world's best wines, available through both retail and auction. The ongoing sale of the collection "An Epicurean's Atlas" at Sotheby's, valued at an estimated \$50mn, underlines the profitability of the fine wine market. The growing interest, particularly from younger investors, and the nearly tripled value of fine wine auctions from 2013 to 2022 underscore the increasing popularity of this asset class. Furthermore, the exemption of capital gains tax enhances its attractiveness, indicating a shift in investment preferences and positioning fine wine as a rewarding experience for those exploring unique ventures in the financial landscape.



The Investment Power of Luxury

Luxury bags have evolved beyond being just fashion accessories, now standing as a distinct investment class. Designer handbags, in particular, are gaining significant attention as a valuable investment commodity. This transformation is driven by shifting consumer behaviors, the rise of resale platforms, and the rarity of coveted designs. Rebag, a New York-based platform, facilitates the buying, trading, and selling of various luxury items and offers valuable insights into the luxury resale market. Noteworthy in this market is the Telfar Shopping Bag, made from vegan leather, garnering significant attention in major fashion publications. Telfar's impressive 228% average value retention establishes it as a leading performer. Investing in luxury bags proves lucrative as their value appreciates, making them an appealing choice for investors. However, prospective investors are advised to conduct thorough research, assess brand reputation, and stay informed about market dynamics to navigate potential fluctuations in luxury bag values within the resale market.

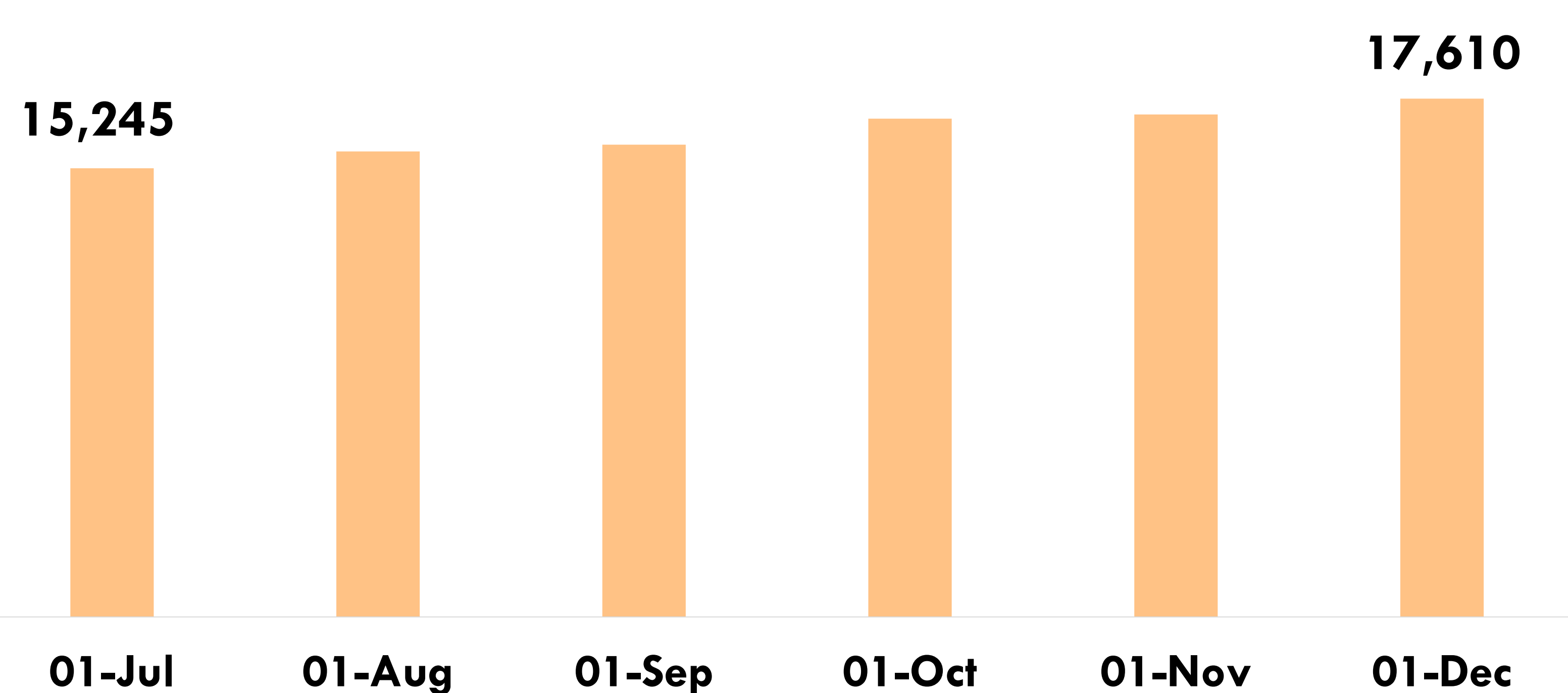


SIP Dips

December marked a record ₹17,610cr in SIP inflows, but net inflows hit a four-month low at ₹6,469cr. Furthermore, the number of new SIPs registered was ~40lkhs. This could be attributed to profit booking by investors amid market highs. Equity and growth-oriented schemes saw the highest net outflow at ₹9,473cr, contributing to a 15% YoY decline in net SIP inflows. Debt mutual funds saw outflows of ₹75,560cr, advance tax requirements needed by corporates. Expectedly, liquid funds faced the highest net outflows amid tighter liquidity conditions.



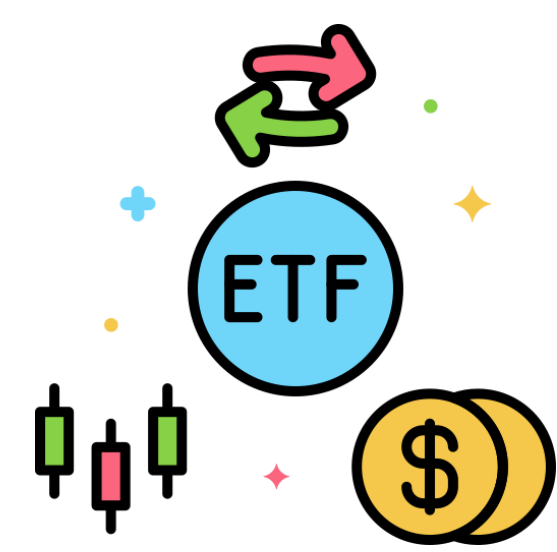
SIP Contribution Net Investments (₹ Cr.)



Source: AMFI

India Embraces Bitcoin ETFs

The recent approval of the spot Bitcoin Exchange-Traded Funds (ETFs) by the US SEC has opened a new investment vista for Indian crypto enthusiasts. This development will allow Indian residents to explore opportunities and potentially benefit from tax advantages. Under RBI's Liberalized Remittance Scheme (LRS), Indian investors can allocate up to \$250,000 for investments, including in US ETFs. However, LRS guidelines strictly prohibit remittances specifically for trading in foreign stock markets. Bitcoin ETFs offer Indian investors the chance to include crypto in their portfolios via the LRS, providing exposure through regulated entities without the necessity for cryptocurrency storage. Despite these advantages, factors like 20% Tax Collected at Source (TCS) on deposits exceeding ₹71kh and management fees warrant consideration. The approval of 11 Bitcoin ETFs in the US is expected to bring big investments from institutions. Moreover, ETFs will bring more stability to the price of Bitcoin since the liquidity risks will be reduced with time.



Equity MFs Consecutive Inflows

In December, equity mutual funds saw an inflow of ~₹17,000cr. Small-cap funds drew ~₹3,857cr, up from ₹3,699cr the previous month. Conversely, mid-cap funds experienced a dip, falling from ₹2,665cr to ₹1,393cr. Multi-cap funds registered an inflow of ₹1,851cr, while large-cap funds faced an outflow of ₹280.9cr.



Hybrid mutual funds garnered ₹15,009cr, with significant inflows in arbitrage funds, equity savings, and multi-asset allocation. Investors express growing confidence in the Indian equity market, buoyed by expectations of robust economic growth and political stability. Simultaneously, the appeal of higher spreads in arbitrage funds and considerations of equity taxation contribute to sustained inflows in this category.

BlackRock, AngelOne CBS Pact

BlackRock, the world's largest asset management company, and Angel One Limited announced a strategic partnership, establishing a dedicated institutional channel with a bond settlement fund of ₹18,000cr. Angel One, an Indian brokerage firm regulated by SEBI, offers diverse financial services and is renowned for institutional underwriting. BlackRock's partnerships with Angel One aim to capitalize on the unique channel advantages, securing priority in trade settlement and order execution. Angel One sees the partnership's significance in deepening ties with top-tier institutions under the Clearing and Settlement by Broker (CBS) model, leading to more substantial and precise commission revenues. Enabling real-time capital verification, this model facilitates accurate tracking of unusual trading behaviors. Furthermore, products employing the CBS model are exempted from paying settlement reserve funds and margins, reducing the cost of capital to some extent. Moreover, under the CBS model, Angel One evolves beyond a mere IPO channel to offer extensive services, marking a new era in collaboration between investment institutions, investors, and brokerage firms.



AI Infusion

Hewlett Packard Enterprise (HPE) plans to acquire Juniper Networks in an all-cash deal for \$14bn to bolster its artificial intelligence offerings. HPE offered \$40 per share to Juniper, which accounts for a 32% premium on the stock price before the closing of the deal. The acquisition is anticipated to double HPE's networking business, establishing a new networking leader with an extensive portfolio offering customers and partners a compelling alternative to enhance business value. Leveraging AI, the combined company will enhance user and operator experiences, benefitting customers' high-performance networks and cloud data centres. On a pro forma basis, the new networking segment will increase total HPE revenue from ~18% as of FY23 to ~31% and contribute more than 56% of HPE's total operating income. Additionally, the integration aims to realize operational efficiencies, achieving an annual cost synergy of \$450mn within 36 months after the transaction is completed. With Juniper's Apstra, HPE's ability to now provide comprehensive, up-to-date systems for enterprise data centres is crucial in meeting the diverse needs of various businesses.



Seamless Transition: Vistara's Bold Merger

Vistara, India's premier full-service carrier, is gearing up for a merger with Air India, which will be finalised by mid-2025. This strategic move is expected to receive regulatory clearances by mid-2024 and is aimed at creating an integrated full-service airline. Vistara assured over 6,000 employees that there would be no job losses, although roles may evolve within the merged entity. The merger is anticipated to bring numerous benefits, including a robust expansion of Air India's workforce and an overall improvement in the airline's operations.

Vistara's passengers can also anticipate a seamless transition, with the assurance that the airline's high standards of service and comfort will be maintained in the merged entity. Vistara's existing fleet, comprising 67 aircraft, will continue to grow with the addition of three more planes in the coming months. The merger is expected to receive antitrust clearances and regulatory approvals from various countries, solidifying its position as a significant player in the global aviation landscape.



Consular Power Play: BLS-iDATA Merger

BLS International's wholly-owned subsidiary, BLS International FZE, is set to acquire a complete 100% stake in iDATA and its subsidiaries for an enterprise value of ₹450cr. It intends to fund the acquisition mainly through internal accruals. iDATA is based in Turkey and specializes in visa and consular services, operating more than 30 visa application centres in 15+ countries and serving diplomatic missions of Germany, Italy, and the Czech Republic. Furthermore, the acquisition is anticipated to be EPS accretive, and the transaction is expected to be completed by the end of the current financial year. BLS, headquartered in Delhi, has 50,000 global centres and 60,000 employees and associates that provide consular, biometric, and citizen services. It works with more than 46 client governments, including diplomatic missions, embassies, and consulates. This acquisition will expand BLS International's operational footprint and reinforce its dedication to fostering enduring relations with governments. Moreover, the transaction is seen as a "strategic addition" to the company's expanding portfolio.



TATA and the Acquisition Marathon

TCPL is in the process of acquiring a 75% stake in Capital Foods, owner of the brands 'Ching's Secret' and 'Smith and Jones', at an enterprise value of ₹5,100cr. Through this acquisition, TCPL is poised to achieve complete operational control and a majority representation on the board of Capital Foods. Additionally, it is anticipated to substantially scale up Capital Foods' revenue, benefiting from TCPL's extensive reach, which is ten times greater. TCPL will also acquire a 100% stake in Organic India, a brand specializing in food and beverages, as well as herbal and traditional supplements, for ₹1,900cr in an all-cash transaction. Currently, it is present in 24,000 stores, whereas TCPL has a direct reach of 1.5mn, which is anticipated to significantly expand the reach of Organic Foods. These acquisitions are expected to enhance EPS and contribute to the robust scaling of TCPL's existing business. Moreover, it aligns with TCPL's strategic vision to broaden its product portfolio and expand its addressable market, particularly in high-margin categories.



STRATEGY

Finance Your Wanderlust

For many, travel carries a profound significance that goes beyond a simple vacation; it represents an opportunity to create lasting memories. Positioned as a key player, SanKash caters to the wanderlust of those restrained by financial barriers. By offering a groundbreaking "Travel Now, Pay Later" model, users can experience their dream destination today and spread the cost over 3-12 months with no-cost EMIs.

The shift towards adaptable financing options eliminates upfront costs, adding convenience for individuals to pursue their travel aspirations. The company has teamed up with over 6,000 travel agents, such as Thomas Cook and Indigo, providing a smooth and affordable travel planning experience and further strengthening the company's credibility. This commitment to transparency, free of hidden fees, amplifies the appeal of this innovative approach. Beyond being a financial facilitator, SanKash assumes the role of a dedicated travel companion by offering support in crafting itineraries and navigating potential challenges. The company is positioned to enhance the overall travel experience, embodying a holistic approach to wanderlust fulfilment.

Zudio: Affordable Revolution

In just seven years, Zudio has rocketed through the Indian fashion landscape, captivating young, budget-conscious shoppers with its savvy blend of trendy styles and affordability. The secret? Ditching traditional brands, Zudio embraces a 100% private label strategy, owning the entire product journey from design to store shelves. This empowers them to ensure top-notch quality without inflating prices, making trendy fashion accessible to everyone. Introducing new collections weekly helps to prevent unsold inventory and ensures that the collection remains trendy.

The strategy of opening shops in city outskirts and smaller towns minimizes competition and resonates with local shoppers. Zudio distinguishes itself by not depending on costly marketing campaigns, unlike its competitors. Instead, the brand relies on satisfied customers engaging in word-of-mouth marketing. This clever combination of control, convenience, and trend-conscious affordability has propelled Zudio to its current success. With over 350 stores already dotting the map and 130 more on the horizon, Zudio's rise to fashion retail dominance seems unstoppable.



Against the Odds: Emirates Takes Off

Richard Branson once joked that the easiest way to become a millionaire is to start as a billionaire and launch an airline. Then, with only four losses in the 40 years of operations, how did Emirates become a billion-dollar company? While many airlines struggle to stay afloat, Emirates has soared above the competition, consistently turning profits even in challenging economic times. So, what's the secret to their success? A carefully woven tapestry of strategic brilliance, each thread contributing to its remarkable ascent. Emirates started its operations with just \$10mn and began leasing Pakistani planes to map out the traffic and find the most profitable routes instead of buying them.

The strategic location of Dubai acted as a crossroads between continents, connecting the eastern and western parts of the world and directly benefiting the Emirates. It hired a diverse workforce from 160 nationalities and provided competitive packages to mitigate the problem of consistent strikes, as seen in other airlines. Emirates invests in young fleets of fuel-efficient aircraft, reducing maintenance costs and environmental impact. The hedging strategy used by Emirates for the oil prices helped maintain stable margins even when oil prices skyrocketed. Further, a close partnership with Dubai tourism fueled a mutually beneficial ascent. This symphony of strategies has kept Emirates soaring, proving that even in a crowded sky, there's always room for the smart and savvy.

MARKETING & BRANDING

No gains but less pain

In the era of social media, unrealistic body standards are rampant. While exercising is a positive thing, the pressure to stay fit and showcase bodily gains on social media can negatively impact physical and mental health. Inspired by this insight, sports brand Asics teamed up with creative minds at London-based agency Golin and the mental health charity Mind to launch the Dramatic Transformation campaign on World Mental Health Day. Capturing the essence of transformation, the brand photographed Alex George, Motsi Mabuse, and Jada Sezer before and after a short workout of 15 minutes and 9 seconds. The study suggested that despite the participants' physical appearances remaining unchanged, there was a clear and visible increase in happiness, showing that not all meaningful transformations are physically noticeable.

Asics strategically disseminated the photos through OOH and social media channels, targeting venues where exercise-related content is prevalent, including gyms and social media, extending its reach to Germany, France, Sweden, and the Netherlands. The outcome of this campaign was notable, with the initiative sparking an impressive 57% increase in mentions of Asics linked with mental health in the early weeks of its implementation.



Once you pop, the fun doesn't stop

With its bold creativity, playful interactivity, and strategic targeting, Pringles turned Pune, Mumbai, and Bengaluru into a giant, delicious playground with its “Once You Pop, the Fun Don't Stop!” campaign. From land to the ocean, it used different touch points to maximize visibility and recall. In a memorable way to position itself as a ‘fun’ brand, the campaign redefined outdoor advertising, leaving a delicious mark on the Indian snacking landscape.

Across several cities, 3-dimensional chips came to life, captivating cityscapes with mesmerizing visuals created using computer-generated images.

These playful visuals not only grabbed attention but also perfectly captured the addictive nature of Pringles. In a marketing move, it also transformed the conveyor belt at Bangalore Airport into its very own factory line.

Pringles did not simply engage in traditional advertising; instead, they permeated everyday spaces with interactive and eye-catching elements, transforming the mundane into moments of collective joy. This playful disruption nurtured a powerful bond with consumers, establishing brand affection through the infusion of laughter and surprise.

Fevicol's “Chipku” Activation

In India, the never-ending issue of battling for a seat has been a longstanding challenge. Whether it's a sports stadium, a music concert, a bustling food court, or an overcrowded public event, the available chairs are never sufficient to accommodate the eager crowd. Through its advertisement video, Fevicol took a unique approach to address this peculiar problem at the Ludhiana-based Kila Raipur Rural Sports Festival, where hundreds of locals gather to witness various games. While an announcement in the background introduces the different games being played in the festival, the real game unfolds outside the ground, namely the “Game of Chairs”, where everyone competes to find a comfortable spot to watch the matches. Amidst this chaos, a group of men wearing white Fevicol Pidilite T-shirts appear, each with a stool attached to their back, solving the problem. This comical sight leaves onlookers surprised, shocked, and amused. Employing a familiar language from its advertisements over the past decade, the brand manages to captivate the audience and deliver a message that sticks. With its humorous take on a mundane problem, Fevicol transforms from just a regular stationary item into something more— a reliable and trustworthy friend that can always be counted on. Overall, the “Chipku” activation perfectly embodies the playful and quirky personality of the brand, making it a memorable and effective marketing campaign.

OPINION POLL

“India is indeed a major power, and rapid changes in internal and external strategies pose challenges to both itself and the international community. It appears that a transformed, stronger, and more assertive India has become a new geopolitical factor that many countries need to consider.”

- **Zhang Jiadong**
Director of CSAS, Shanghai's Fudan University

“India not having a permanent seat on the Security Council, despite being the most populous country on Earth, is absurd.”

- **Elon Musk**
CEO of Tesla Motors

“India’s car industry will drive its manufacturing growth and play a big role in attracting investments and prosperity.... The country will become a provider of automobile technology to much of the developing world.”

- **R.C. Bhargava**
Maruti Suzuki Chairman

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