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CONTENTS

INSURE TO SECURE

Insurance has often been treated as an added financial burden by a majority of Indians. Making people understand the importance of being adequately covered through life and non-life insurance products is an uphill battle for authorities and advocates of this crucial safety net. Of late the regulatory body for insurance and re-insurance - the Insurance Regulatory and Development Authority of India (IRDAI) - has been doing its bit by raising awareness about insurance products while easing ways of doing business and popularizing it among masses. Our cover story delves deeper into the insurance sector and the measures announced by IRDAI.

Tushita Nigam
Editor

In this issue, you will also find articles on the performance of the Indian economy vis-à-vis the global economies that are besieged with a number of headwinds, the reasons as to why merchant discount rates are a worrisome topic for payments companies and ways to deal with this irritant, the introduction of positive policy changes in India's space industry and their impact on the sector, the traction in the tyre industry owing to the fall in raw material prices, and Reliance Retail's massive growth plans through aggressive acquisitions of companies in this space.

Apart from these, there are also articles on data privacy and the norms needed to safeguard users from likely misuse of data, the jump in retail leasing spaces across the country, the ways by which various companies are averting losses, including resorting to shrikflation, and how brands are employing social media for increased user engagement and business growth.

We urge you not to miss the article on the book The 4-Hour Work Week by Tim Ferris in the Beyond Learning section as it emphasizes on the importance of having a work-life balance and how readers can achieve it without losing their mindS.

> In the coming fortnight, the Indian stock markets are likely to remain range-bound with Nifty Futures between the levels of 16,750 and 17,550.

The Federal Reserve raised its interest rate recently by three-quarters of a point, taking the target range to between 3% and 3.25%. It further signaled that it was willing to undertake more aggressive rate hikes in the future in a bid to tame inflation even though doing so could lead to greater economic slowdown and recession.

Emerging market currencies, including the Indian rupee, have depreciated sharply as the US dollar strengthened on its growing appeal as a safe-haven. The rupee hit an all-time record low earlier this week against the US dollar.

Crude oil and various other commodities are seen cooling off. This can, however, have a positive impact on inflation.

In the coming fortnight, the Indian stock markets are likely to remain range-bound with Nifty Futures between the levels of 16,750 and 17,550.

Traders and investors should look out for the probable rate hike by the RBI and its commentary on further rate hikes. In addition to this, they must keep a close watch on the quarterly earnings results of India Inc, which are expected to be a mixed ba**G.**

Sensex: 57,107.52
Nifty: 17,007.40
(As on 27th Sept '22)

MORE RESILIENT THAN OTHERS

The Indian economy is better placed than its global counterparts who are faring poorly

With the war in Europe showing no signs of abating and with China ratcheting up its aggression against Taiwan, the world is in for a period of instability for some time to come. The global economy is likely to remain dormant for at least one more year because of the geopolitical tensions. Another source of worry is Iran with the nuclear deal still far from being signed.

Oil prices are likely to remain at elevated levels. So are prices of several commodities. Together these have the potential to push up inflation, which is already on the higher side in many countries.

Besides, with geopolitical tensions on the boil, transport and supply of commodities and other products globally, especially on sea routes, could get problematic, which could further contribute to rising inflation and exacerbating political tensions.

All this does not augur well for the global economy at least for one more year, if not longer. Adding to the gloomy scenario is the possibility of recession hitting some European countries as also the United States later this year or early next year, caution some economists. All in all, it is not a very happy scenario for the global economy.

The question now is how does the Indian economy stack up? In a globalized world, India will certainly be impacted - it is just a question of how severe the impact will be and whether the consequences will be very adverse or whether India would be able to weather the storm and move on.

India's economic fundamentals are strong and its economy has exhibited a lot of resilience so far. This bodes well for India's economy, going forward. It must, however, be admitted that a rapid and high growth is unlikely this fiscal (FY23), and most probably even in the next.

The GDP growth rate for this fiscal, estimated at around 8% close to a year ago, has now been scaled down to 7% or just south of this figure.

India is also afflicted by inflation, which has compelled the country's apex bank, the Reserve Bank of India (RBI) to up interest rates. This, in turn, has the potential to affect economic growth. The RBI now has the unenviable task of attempting to balance growth while simultaneously combating inflation.

India's GDP growth in the April-June quarter (Q1 FY23) was lower than expected at just 13.5% as against the Reserve Bank's expectation of around 16.2%. In the first quarter of the last fiscal (April-June '21), the GDP growth rate was 20.1%.

According to the National Statistical Office (NSO) data, real GDP in Q1 FY23 is estimated to attain the level of ₹36.85 lakh crore as against ₹32.46 lakh crore in the year-ago period (Q1 FY22).

Renowned international firm Fitch, in fact, has lowered India's FY23 GDP growth figure to 7% from 7.8%. For the next fiscal though, it has cut its growth rate figure to 6.7% from 7.4%. A point that requires highlighting here is that Fitch's latest estimate for FY23 is lower than the Reserve Bank's number of 7.2%.

The number is also lower than Fitch's own expectation of 18.5% growth in the April-June quarter of this fiscal. Here it must be pointed out that a favourable base effect helped propel the country's GDP growth to 13.5% in Q1 FY23. While 13.5% appears to be a healthy number. It is lower than both the RBI's and Fitch's own estimates for the period.

For the global economy too, Fitch does not paint a rosy picture. The firm estimates the global economy to grow by just 2.4% in 2022, as against the earlier figure of 2.9%. For the next year (2023) as well, growth has been scaled down significantly from 2.7% to just 1.7%.

Fitch expects the Eurozone economy to contract by 0.1% in 2023, down from a growth of 2.1% estimated earlier while the United States is seen growing at 1.7% in 2022 and at 0.5% in 2023, following downward revisions of 120 basis points (bps) and 100 bps, respectively.

Another aspect to be kept in mind as far as the Indian economy is concerned presently is inflation, which has been moving northwards, in the last few months. Retail inflation, measured by the Consumer Price Index (CPI), climbed up to 7% in August, increasing from 6.71% in July.

This increase in August also reversed a three-month downward movement in inflation. An important point that needs highlighting here is that this is for the eighth consecutive month that inflation has continued to remain above the Reserve Bank's upper margin of 6%.

Inflation in the food basket or the Consumer Food Price Index (CFPI) clocked a month-on-month (m-o-m) increase to 7.62% in August from 6.69% in July with vegetable prices registering an increase of 13.23% on-year in August.

Both spices and cereals and products registered a significant rise; the former moved up 14.90% while the latter gained 9.57%. Milk and products also clocked a 6.39% increase.

Fruits moved northward towards 7.39% while egg prices declined (-) 4.57%. Three other segments - fuel and light, clothing and footwear and housing - all moved northwards — at 10.78%, 9.91% and 4.06%, respectively.

Inflation, though on the higher side, has still not been allowed to climb steeply and credit should be given to the Central Government led by Mr Narendra Modi for keeping inflation under manageable proportions.

The Reserve Bank too is playing its part and though inflation is expected to remain on the higher side for a few more months, economists and financial sector experts feel that there is no danger of runaway inflation plaguing India, and that things can be effectively managed over the next few months.

One bright spot for India amidst all this gloom globally is the collection figures of Goods and Services Tax (GST) over the last several months, which reveal that the country's economy is resilient and ploughing forward, albeit slowly and with several roadblocks to overcome.

The GST revenue breached the ₹1.4 lakh crore-mark for the sixth month in a row in August at ₹1,43,612 crore, a 28% increase over the year-ago period. The collections have risen 33% till August this year as compared to the same period of 2021-22 and are "continuing to display very high buoyancy," the Finance Ministry said.

On a sequential basis, however, August's GST collection based on transactions carried out in July was 3.6% lower than July's collection of ₹1,48,995 crore and marks a three-month low.

According to the Finance Ministry, 7.6 crore e-way bills were generated in July, marginally higher than 7.4 crore in June and 19% higher than 6.4 crore in July '21.

The increase in the GST mop up is because of measures taken to ensure better compliance, the Finance Ministry said, adding that better reporting coupled with economic recovery has been having a positive impact on GST revenues on a consistent basis.

Gross GST revenue collected in August includes ₹24,710 crore of Central GST (CGST), ₹30,951 crore collected as State GST (SGST) and Integrated GST (IGST) of ₹77, 782 crore, which comprises ₹42,067 crore collected on import of goods.

GST Compensation Cess collections were ₹10,168 crore and includes ₹1,018 crore collected on import of goods.

Despite some hiccups, India's economy is picking up and GST revenues over the last few months are a clear indication of this.

The global (and the Indian) economy has not had it normal in the past three years following the covid-19 pandemic, which resulted in lockdowns across the world and economies virtually coming to a standstill.

As if this was not enough, just when things appeared to be returning to normal, the war in Europe began early this year followed by tensions in the Pacific between China and Taiwan. All these factors have combined to severely disrupt the global economy.

However, unlike some other countries in its neighbourhood, India is in no danger of sinking economically and present indications are that it is better poised than even some European countries to ride out any difficult period that may arise in the future.

The Indian economy, though beset by problems just like other economies globally, seems to be doing better than many. If India manages to conquer the challenges and build a strong platform for growth over the next two years, then its economy could clock robust growth in the latter part of this decade, catapulting the country to a leadership position in the global economic ordeR.

WHO PICKS THE TAB?

While the government subsidizes lower-ticket UPI payments, banks and intermediaries need to be incentivized to invest in infrastructure for the growth of digital payments in India

Ever thought why your vegetable vendor is so enthusiastic about accepting payments via UPI? Because the amount gets transferred to him in a flash of a second and there is no hassle of tendering exact change, which means more time for business.

All he needs is a phone, an account and a QR code. And with no need to carry much cash and fewer trips to the ATM, you too are happy QR scanning.

But not many realize that there is a cost attached to these payments.

According to RBI calculations, different stakeholders collectively incur a cost of ₹2 to process a UPI person-to-merchant transaction with an average value of ₹800.

THE PAYMENTS BILL

It's the government as of now, which in a bid to popularize UPI payments and make a transition towards a cashless economy, subsidizes the payments to some extent while the other stakeholders in order to acquire customers with hopes of selling other services, foot a part of the bill.

No wonder then that when the Reserve Bank of India suggested levying a charge on UPI payments, it stirred the proverbial hornet's nest.

In August, an RBI discussion paper sought views for fees and charges on payments, not just UPI, but other modes such as NEFT and RTGS.

However, it was the proposed charge on UPI payments that created a stir and got all industry stakeholders excited. For a long time, they have been grousing that there was no money to be made in payments and many had shifted their focus to credit.

But a bigger reaction came from the finance ministry, which working overtime on Sunday unleashed a barrage of tweets. UPI, it said, was a digital public good and there was no proposal to levy a charge on it. It said the concerns of the service providers for cost recovery have to be met through other means. "UPI is a digital public good with immense convenience for the public and productivity gains for the economy. There is no consideration in Govt to levy any charges for UPI services," it tweeted.

It's true that along with the digitization push during the pandemic, free payments for both merchants and customers have created a huge digital payments ecosystem.

There were 628.8 crore UPI transactions in July, representing a value of ₹10.63 lakh crore.

Since 2020, the number of UPI transactions has been doubling year on year, clocking 1,455 crore transactions in Q1 of 2022 with UPI Peer to Merchant (P2M) transactions having a market share of 64% by volume and 50% by value.

SO WHAT'S THE FURORE ABOUT?

The whole issue revolves around the merchant discount rate (MDR), a charge levied on merchants for processing transactions by banks. While the MDR rate is highest on credit card transactions, at around 2%, it tapers down for debit cards and is zero for UPI transactions.

This fee is capped at 0.9% of the transaction value for payment methods other than credit cards.

"UPI as a fund transfer system enables real-time movement of funds. UPI as a merchant payment system also facilitates real-time settlement, as against the T+n settlement cycle for card settlements. However, the settlement among participant banks in UPI is on a deferred net basis. Facilitating this settlement requires the PSO and banks to put in place adequate systems and processes to address the settlement risk. This involves additional costs to the system," the RBI paper said.

WHAT DID RBI SUGGEST

The RBI paper proposed a tiered charge in UPI similar to charges in IMPS for fund transfer transactions. A tiered charge could be imposed based on different amount bands, it said.

The RBI has sought public views on 40 specific questions with regard to charges and levies in payment systems.

It stressed that charges for payment services should be reasonable and competitively determined for users and also provide an optimal revenue stream for intermediaries.

HOW DO PAYMENT CHARGES WORK?

In a funds transfer payment system, the charges are generally recovered from the originator of the payment instruction and levied as an add-on to the amount earmarked for remittance.

In the case of a merchant payment system, the charges are generally recovered from the final recipient of the money (merchant).

Entities involved in providing digital payment services incur costs, which are generally recovered from the merchant or the customer or are borne by one or more of the participants.

The various participants in UPI include the remitter and beneficiary banks, payer and the receiver's UPI app providers, their PSP banks, and the NPCI.

The value of all UPI transactions in 2021-22 was estimated at ₹84 lakh crore. Even if we assume the overall cost percentage for all UPI transactions to be as less as 0.1% of transaction value, the total cost will still be ₹8,400 crore.

Against this, the allocated government incentives of ₹1,300 crore for 2021-22 fall way too short. The government only offers incentives on UPI P2M transactions of ticket size less than ₹2,000. In July '22, these transactions constituted about 7% of the total UPI transactions by value.

The Payment Council of India, the association for digital payment aggregators, expects a loss of ₹5,500 crore due to zero MDR. But in the absence of public visibility of NPCI's circulars on the structure of switching, PSP and interchange fees levied on banks and UPI apps for transactions, the exact losses suffered by UPI apps and banks on UPI transactions cannot be estimated.

THE ROBUST SYSTEM

With the system being free, merchants have adopted UPI so enthusiastically that there are five crore merchants on the UPI platform and 26 crore unique users, as against just over 60 lakh PoS terminals in use. It also helps that UPI requires just QR codes while the PoS machines have a relatively higher cost.

UPI ON CREDIT CARDS

Recently, the RBI allowed UPI on credit cards as well, starting with NPCI's RuPay cards. Visa and Mastercard are not allowed yet. According to reports, NPCI and banks have agreed on a 2% MDR on the Rupay-UPI credit facility. Of this 1.5% will go to the issuing bank, with the rest being shared with RuPay and the acquiring entity.

Though RBI will have the final word on the charge, it is also possible that the interchange will be applicable only for transactions above a certain value (for example ₹2,000 or ₹5,000), thereby attracting more merchants to accept RuPay credit card-linked UPI transactions.

Discussions are also underway between banks and the NPCI about exempting smaller merchants with annual turnovers of up to ₹20 lakh from paying the MDR.

Experts say merchants with PoS machines can be easily signed on to credit card UPI payments.

Expanding adoption to smaller merchants will require protecting them from MDR. They will also wait to see how consumers are accepting the new mechanism and the reception at larger merchants.

The move of extending UPI on credit cards may expand the credit card market in a big way as the penetration of card PoS machines is acutely low in the case of merchants with a turnover of less than ₹20 lakh. Goldman Sachs had said that the capping of MDR at a lower rate on RuPay-UPI credit cards, especially for lower ticket-sized transactions, could potentially allow credit cards to be accepted by nearly 30 million merchants, as opposed to 3 million to 4 million at present, improving their market depth.

According to Goldman Sachs, every 5% of incremental credit card transaction volume due to UPI integration will equate to $38 billion in additional annual credit card volumes, or $760 million in additional MDR pool (if MDR is in line with the current credit card MDR).

Nearly 55% of all credit-card transactions happened online and these platforms could afford to shell out the MDR. The bulk of the rest happen in-store, of which only about 5% happen at outlets with an annual turnover of up to ₹20 lakh.

Experts say forgoing the MDR by participants - issuers and acquirers - will be more than made up for by the annual charges on credit cards that issuers earn, and earnings on rollovers after the 45-day interest-free window.

WHAT THE INDUSTRY SAYS

Payment industry honchos say charges can be introduced in a gradual manner for the merchant, while the fee should be a percentage of the transaction value, with a cap for large value payments.

While implementing the pricing structure, smaller merchants should be protected and small-ticket transactions should be encouraged.

Though there has been a considerable adoption of UPI, it still has a long way to go for universal adoption and the pricing structure should be decided keeping that in mind, experts say.

Experts say banks have less incentive in investing in UPI infrastructure as payment systems do not fetch enough revenues for both banks and payment service providers.

The top five UPI remitter banks in terms of volumes in July were SBI, HDFC Bank, Bank of Baroda, Union Bank and ICICI Bank. For example, SBI's approval rate of UPI transactions was at 92.1% in July. The bank's business decline rate stood at 7.26% as compared to 6.96% in June.

The technical decline rate fell to 0.68% in July from over 5% in June. A fluctuating rate of technical declines by banks can erode consumers' trust. At a time when consumers are showing complete reliance on UPI over cash, a lack of seamless transaction experience can hurt the growing digital adoptio**N.**

CELESTIAL HOPES

INDIA'S SPACE INDUSTRY LOOKS PROMISING OWING TO POSITIVE POLICY CHANGES AND NEW LAUNCHES IN THE NEAR FUTURE

Unlike in the past, the space equipment industry is opening up to private players. Domestic companies now have a larger role to play with increased participation.

Improving R&D capabilities, precision engineering, foreign direct investment (FDI) in critical equipment industries and other initiatives have empowered domestic companies, which are looking for big opportunities in this space particularly in the light of India's increasing aspiration and government budget for the space programme.

Some of them like MTAR Technologies, MIDHANI, Paras Defence and others are already listed and looking for great opportunities.

It's a very niche space from an investment perspective having very few players particularly listed players.

But the good thing is that it's a growing segment, offering extremely long-term predictable growth considering that India will continue to spend or gradually invest more and more capital towards its space programmes.

Moreover, apart from long-term opportunities and constancy, the important quality that these companies offer is that their businesses are far more predictable. Setting shops, undertaking R&D and trials, and then getting approvals for the technologies and systems take a very long time.

And companies that have gone through this tiring process become examples for others. Their management and team are perceived differently and they enjoy higher competitive advantages because of very high entry barriers. They also enjoy higher margins and return ratios because of limited competition.

GLOBAL SPACE INDUSTRY AND DEMAND

The global space industry is estimated to be around $423 billion and US holds the leader's spot as it houses 56.4% of all companies in the space-tech ecosystem. Other major players include UK (6.5%), Canada (5.3%), China (4.7%) and Germany (4.1%).

Globally it's a big market and growing. It was estimated that 23,329 satellites are to be launched between 2020 and 2030. The availability of affordable launch capabilities has enabled new small-satellite operators without specific satellite engineering experience to enter the space industry, especially in downstream value-added services.

The entry of multiple commercial small-satellite operators has created new requirements, which are enabling entirely new market segments, technologies, products and services. The trend indicates that the small satellites market is growing, with existing participants approaching replacement phases, and new participants planning their initial installations.

INDIA: A GROWING PRESENCE IN SPACE

India accounts for merely 2% to 3% of the global space industry. However, with growing needs and improving ecosystems its own aspirations and future targets are set high. As a proportion to GDP, India's public spending on the space sector is much better than many of the developing and developed countries of the world.

In the year 2019, India spent 0.06% of its GDP for the space sector. The government recently approved the transfer of 10 in-orbit communication satellites to a private player. The approval is expected to trigger domestic economic activity in the space sector with increasing role of private players.

Over 40 proposals from start-ups, Micro, Small & Medium Enterprises (MSMEs) and private enterprises have been received by IN-SPACe for space activities. This will help in developing a large ecosystem that is important to support India's growing need in the space for important reasons like security, communication, defence, networking, logistics, weather and many other crucial tasks.

Recent policy changes such as the introduction of draft SPACECOM policy and the Cabinet's nod for private sector involvement in end-to-end development of launch vehicles and satellites are expected to drive the growth of the domestic industry.

GOVERNMENT REFORMS

• Promoting and enabling private enterprises to carry out independent space activities
• Increasing the participation of private enterprises in the Indian space sector
• Revising the Foreign Direct Investment (FDI) policy to open investment opportunities for foreign

companies. Increasing the FDI limit from 49% to 74% under automatic route for items with 50% indigenous production
• Earmarking ₹13,700 crore for the Department of Space (DoS) in the Union Budget 2022-23 as Indian Space Research Organisation (ISRO) gears up for Gaganyaan - India's first human spaceflight mission

These allocations will translate into a few launches a year. And this trend will continue for the next 10 years.

INDIA'S LAUNCHING PAD

The present government has consistently increased the budget for the Indian space, growing at around 14% annually over the last decade. Moreover, a large part of this budget is allocated towards capital expenditure to augment present capacity, invest in new technologies and build supportive infrastructures.

Since 1975, ISRO has launched 129 satellites of Indian origin. The notable thing is that given its experience, technology, cost-effectiveness and other factors like successfully conducting many space programmes in the past, ISRO has gained a strong credibility.

Over the years, ISRO has launched another 342 satellites of foreign origin belonging to 36 countries. Many countries are looking for joint operations or independent operations with India in order to fulfil their needs. This makes India's space market even more vibrant and bigger.

India currently has 53 operational satellites. Of these, 21 are communication satellites, 21 for earth observation, 8 for navigation and 3 for R&D and other purposes. Moreover, this is nothing compared to the US, which has 3,433 operational satellites. Even China and Russia have 541 and 172 operational satellites.
Comparatively, given its size, population and other factors, India has lesser number of satellites but is growing nevertheless. ISRO has a strong pipeline of projects and satellites to be launched in the coming years. And the good thing is that these are very long-term projects.

ISRO is planning for 31 satellite missions and 32 launch missions over the next 2 years. These include earth observation, communication and navigation satellites.
Interestingly, ISRO will gradually take a back seat and focus more on R&D instead of commercial operations.

India's space organization has indicated that over the next 5 years, the private sector should be able to receive the mandate for close to 70% of all upcoming space missions, which is an important growth trigger for Indian companies that are operating in this sector.

UPCOMING MISSIONS

• Small Satellite Launch Vehicle Aditya Ll spacecraft, XpoSat and Indian Regional Navigation Satellite System are in the pipeline
• For the much-awaited Gaganyaan mission, ISRO will be conducting at least two tests on crew abort and escape systems before proceeding on its first uncrewed mission early next year
• North Eastern Space Applications Centre (NESAC), Shillong will execute 110 projects in 8 north eastern states by 2024 in the domains of agriculture, water resources, forestry & ecology, planning & development, UAV remote sensing and disaster management support.

DOMESTIC MARKET

OPPORTUNITIES

India's space programme, which was initiated with the launch of Aryabhatta in 1975, has grown consistently. The Department of Space has increased its budget consistently between FY16 and FY21; it has compounded at 14%.

India's budget for space programmes has grown from merely $9.5 billion in fiscal 2014 to $19 billion towards the end of fiscal 2021.

The country's space equipment market is expected to touch ₹35.5 billion – ₹36.5 billion this year. Of these, satellites should make up 86% to 88%, and the remaining 13% to 15% will be made by launch systems.

According to Crisil's estimates between FY21 and FY25, the Indian space equipment market should grow 7% to 8% to reach ₹4,600 crore to ₹4,800 crore by the end of fiscal 2025.

The other important thing is that because of covid-19, India's space mission was delayed. For instance, India had earlier planned to complete its Gaganyaan Mission in 2022 before India's 75th independence celebrations.

In fiscal year 2020-21, India actually spent ₹947 crore as against ₹13,020 crore in fiscal year 2019-20. This was lower by 27% because of covid-led issues, which prompted the government to spend less.

But now many of the delayed projects are on the cards and about to be achieved in the coming years with the government's budgetary support. Government spending is back in full swing. India has planned to spend ₹13,950 crore in fiscal 2022, up by 47.3% on a year-on-year basi**S.**

REGAINING THE GRIP

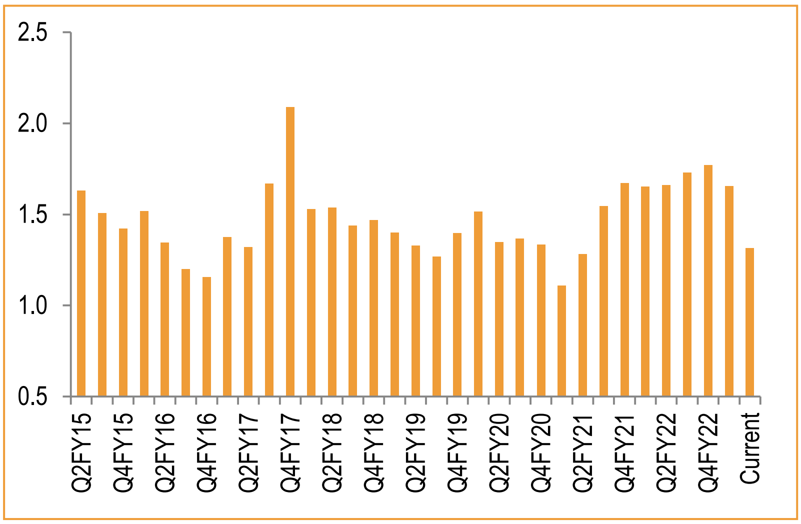
THE FALL IN PRICES OF NATURAL RUBBER AND CRUDE DERIVATIVES IN RECENT WEEKS WILL ACT AS TAILWINDS TO MARGINS FOR TYRE COMPANIES IN THE COMING QUARTERS

Share prices of tyre majors like MRF, Apollo Tyres and CEAT have surged recently. The industry has seen a moderation in raw material prices. Even demand for the sector is improving, aided by higher exports.

This is good news for the sector. The last two years were tough. A weak economy, slowdown in new vehicle sales and the pandemic took a toll on the demand for tyres. A steep rise in raw material costs led to lower margins for the industry.

Even as the industry was showing good pricing discipline and adjusting to higher input costs by taking periodic price hikes for their products, lower input costs, now, will translate into margin expansion for tyre companies, although with a definite lag.

Quarterly TSR20 Index ($/ton)



Source: Company Data, Nirmal Bang

RAW MATERIAL CORRECTION

After around 15 months, raw material costs have started falling. The tyre industry uses over 200 raw materials - mostly natural rubber or crude oil derivatives. Raw material costs account for 55% to 65% of the tyre company's revenue.

Here is a break-up of the raw material basket: 35% natural rubber; crude derivatives like synthetic rubber at 18% and carbon black 16%, nylon tyre cord fabric 18%, and other raw materials 13%.

The sector has now seen around 20% correction in the TSR20 (a composite index of all raw materials used in tyre-making) since the April-June quarter of FY23, a 15% correction in Indian Kottayam Rubber and a 35% drop in the Thai rubber index over average prices of April-June quarter.

With crude falling below $90 per barrel, a correction in synthetic rubber prices, which have already declined by around 15% from the April-June quarter of FY23, is expected, and prices are likely to fall further. This augurs well for margin recovery for tyre companies from the second half of FY23.

INDUSTRY OVERVIEW

The Indian tyre industry is around $10 billion in size. It primarily caters to tyres for new vehicles fitted at factory gates of original equipment manufacturers (OEMs) and replacement demand by old vehicles.

Around 60% of demand is for the replacement of old tyres, while 28% is consumed by OEMs, usually the auto sector, and the rest 13% to 14% is export demand.

According to industry body Automotive Tyre Manufacturers' Association, the Indian tyre industry has around 41 companies and 66 manufacturing plants across India.

In terms of demand, 48% of the tyre demand comes from trucks & buses, 16% from personal vehicles, 12% from two- and three-wheelers, 6% from light commercial vehicles while farm vehicles account for 9%.

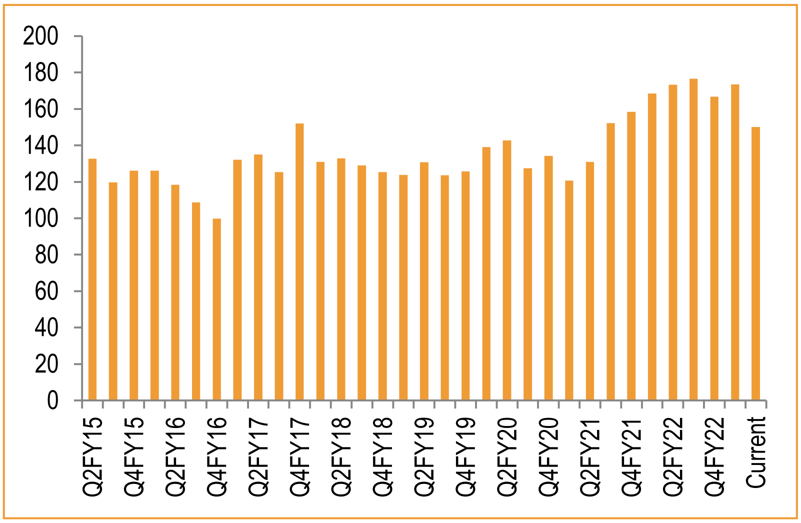
In India, the industry is dominated by the top four tyre companies - MRF, Apollo Tyre, JK Tyre and CEAT, commanding ~65% market share.

Global players like Bridgestone, Michelin, Goodyear, Continental and Yokohama have been trying to gain market share in India in the recent past. Also there are a few regional players that cater to the local market.

Production volumes have risen consistently every year from 123 million units in the FY12-13 to 192 million units in FY19. But volumes fell to 175 million units in FY20 and further to 169 million units in FY21. In FY22, the volumes achieved are the same as those that were in FY19.

FY22 was mixed for the tyre

Quarterly Kottayam Rubber Prices (₹/ton)



Source: Company Data, Nirmal Bang

industry. While volumes grew by around 14%, a sharp rise in rubber and crude oil hurt margins. On an aggregate level, the tyre industry's margin compressed by around 700 basis points in this financial year.

All tyre-makers saw a fall in earnings in FY22. However, the industry showed good pricing discipline by passing on any jump in raw material costs to customers periodically.

PRICING DISCIPLINE

In FY21-22, all tyre companies took a price hike of at least 3% to 4% every quarter. Price hikes are important as it tells a lot about changing trends in an industry.

The tyre industry has witnessed sustained growth over the last two decades. But average price realization (sales value divided by quantity sold in units) for companies remained flattish since FY12.

This was because costs in the form of raw materials, capacity expansion, and research & development remained higher. Further, competition forbade them from taking sustained price hikes all these years.

Now, companies are taking regular price hikes, signalling their focus on margins and profitability. Also, spending on capacity expansion was already on in the last five years.

According to one analysis, industry capex spend per year at ₹3,000 crore has averaged 9% of revenue in the past 10-12 years, with most spending done in FY19 and FY20. Companies have also worked on reduction in debt over the last few years. This translates into lower spending and a surge in cash flows. So, investors are favouring tyre companies on the bourses.

DEMAND SCENARIO

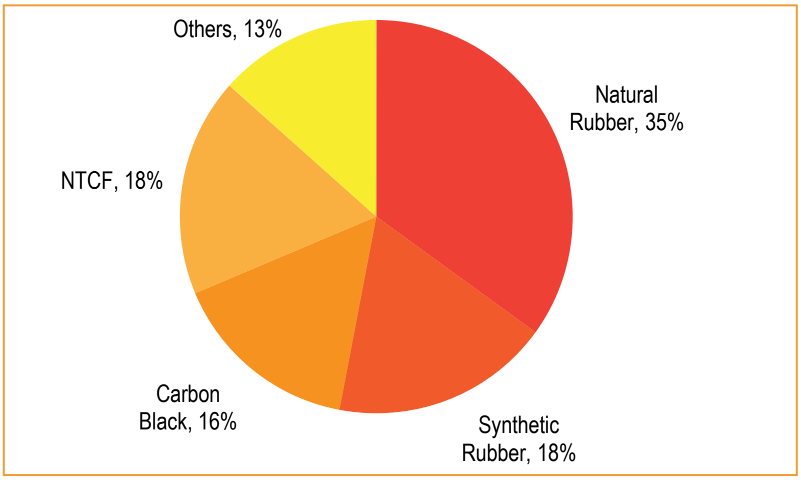
With commodity prices turning benign and price hikes sustained, margins of tyre companies may improve significantly from the second half of FY23. Research by Nirmal Bang expects double-digit volume growth in FY23 and FY24 on the back of traction in domestic OEM and replacement segments.

A strong pick-up in exports due to the depreciation of the Indian rupee against the US dollar and euro will further support the growth trajectory.

After two years of pain in a high inflationary environment, the tyre industry has shown greater resilience. It has focused on sweating assets by running its plants at a higher capacity utilization of 80% to 90% across players. They also have been controlling capex.

As per analysts, there are no major ongoing greenfield or brownfield expansions in the industry. This will limit the supply of tyres over the next one to two years. This would have a positive impact on the industrY.

RM Basket Break-up By Value



Source: Company Data, Nirmal Bang

GROWING DOMINANCE

Reliance Retail is on an aggressive acquisition and expansion spree

Reliance Retail is on an aggressive expansion mode of its retail business. Mukesh Ambani-led Reliance Retail plans to open more than 2,000 brick-and-mortar stores annually with focus on smaller markets while hoping to launch its Fast-Moving Consumer Goods (FMCG) business this year and seeking both organic and inorganic growth.

The $214 billion Reliance Industries (by market cap), which has presence in everything from telecom (Reliance Jio) to retail, petrochemicals to oil and gas, entertainment and financial services, will soon foray into the FMCG business.

The over $110 billion FMCG market is already dominated by the likes of Hindustan Unilever, ITC, Nestle, and Britannia, among others. Reliance Retail's immediate holding company is Reliance Retail Ventures Ltd, which is a majority-owned subsidiary of Reliance Industries Ltd.

RECENT ACQUISITIONS IN FMCG

Reliance Industries recently acquired soft drink brands Campa and Sosyo from Pure Drink group to scale up its FMCG business for ₹22 crore, surprising the market. With this acquisition, the company will pit against Pepsi, and Coca-Cola in the beverages market. A successful cola brand in the eighties, especially in North India, Campa Cola thrived when Coke exited India in the late seventies.

This acquisition was announced by the company after Isha Ambani, Director of Reliance Retail Ventures, announced on 29th August that the retail arm of the company was set to foray into the FMCG segment.

"I am excited to announce that this year we will launch our fast-moving consumer goods business. The objective of this business is to develop and deliver high quality, affordable products which solve every Indian's daily needs," said Ambani at the company's annual general meeting.

According to senior officials from the company declining to be identified, Reliance Industries is also in talks to acquire brands such as Garden Namkeens from CavinKare, besides other brands such as Lahori Zeera and Bindu Beverages in a bid to strengthen its FMCG play.

Reliance Retail already operates in the retail market through its private labels, which are sold in the company's grocery chain stores such as Reliance Smart, Reliance Mart, and its online grocery platform JioMart.

RETAIL ACQUISITION

Not only FMCG, Reliance is equally aggressive about retail acquisitions. According to a recent media report, Reliance Retail is acquiring the India franchise business of Sephora from Arvind Fashions. This is the third time that the LVMH-owned Sephora would be changing hands in India. Sephora is again changing its partner in India seven years after the French luxury giant broke its franchise agreement with Genesis Colors to partner with Arvind.

With this acquisition, Reliance Retail will now inherit a Sephora-branded beauty and cosmetics chain in India that sells multi-branded products.

Reliance Retail has already informed various malls about its acquisition of Sephora and asked the shopping centres to change the lease agreements accordingly in favour of Reliance Retail, aas per the report.

Earlier this month, Reliance Retail Ventures Ltd (RRVL) bought a controlling stake in make-up and personal care brand Insight Cosmetics, marking the entry of the company into the cosmetic business.

Insight Cosmetics was launched by Mumbai-based entrepreneur Dinesh Jain in 2001. The brand claims to have distribution presence across 20 states and its products are sold at more than 12,000 retail and novelty stores across the country.

Reliance Petroleum Retail Ltd (under name change to 'Reliance Polyester Ltd'), a wholly-owned subsidiary of the company, executed definitive documents to acquire the polyester business of Shubhalakshmi Polyesters Ltd and Shubhlaxmi Polytex Ltd for cash consideration of ₹1,522 crore and ₹70 crore, respectively, aggregating to ₹1,592 crore by way of slump sale on a going concern basis, the company said in a filing on BSE.

FUND RAISING

Reliance Retail has sought shareholder approval to double its borrowing limit from ₹50,000 crore to ₹1 lakh crore, for future growth and expansion. The company's borrowings as on 31st Mar '22 stood at ₹40,000 crore and the increase in the borrowing limit will give it the headway needed to raise up to ₹60,000 crore debt. As per its annual report, Reliance Retail's borrowings in 2020-21 were ₹14,745.88 crore, and were entirely short-term loans. Reliance Retail is accelerating expansions and plans to open more than 2,000 brick-and-mortar stores annually with focus on smaller markets. At the same time, Reliance wants a larger share of the e-commerce pie with JioMart, Ajio Reliance Digital and a new platform dedicated to third-party sellers.

The latest Reliance Retail annual report said its borrowings as on 31st Mar '22, were ₹40,756.44 crore of which ₹12,021 crore were long-term borrowings and ₹28,735.44 crore were short-term loans.

Of the short-term loans, ₹28,733.7 crore have been unsecured loans and advances from related parties. This is in the form of inter corporate deposits from the holding company. As per recent disclosures, Reliance Retail had invested ₹30,000 crore in 2021-22 to expand its store presence, on acquisitions and strategic partnerships.

Industry experts said considering that the bulk of the existing debt is short-term, which needs to be repaid within a year, it is possible that Reliance Retail may be looking to refinance short-term loans to ease cash flow. The substantial increase in borrowing limit shows that the company is looking at borrowing further for expansion and operational expenses.

Reliance Retail's standalone revenue from operation for 2021-22 grew 29% year-on-year at ₹1,93,456 crore, while the net profit was ₹4,934 crore. The business crossed a milestone of ₹10,000 crore EBITDA in a year for the first time in FY22 and posted an all-time high EBITDA of ₹10,365 crore, a growth of 24%.

The company in its annual report said that during the last fiscal it opened over 2,000 new stores, taking the total count to 14,385 stores with a total area of 39 million square feet. It said it more than doubled its warehousing and fulfilment capabilities, and also doubled daily orders across all its e-commerce channels.

The registered customer base increased by 24% year-on-year (y-o-y) to 193 million in FY22. Reliance Retail further said in new commerce (B2B sales digitally), the merchant partner base grew by over three times last year.

RELIANCE RETAIL ACQUISTION OF FUTURE RETAIL

In August '20, Reliance Retail announced a ₹24,713 crore deal to acquire 19 Future group companies operating in retail, wholesale, logistics and warehousing segments. FCL was among the companies that were supposed to be transferred to Reliance Retail as part of the deal.

However, the deal was called off by billionaire Mukesh Ambani-led Reliance Industries Ltd in April after Future group companies failed to secure lenders' approval.

Surprisingly, in FY22 Reliance Retail was the largest customer of Future Consumer Ltd (FCL), contributing 63.06% of its sales, according to the annual report of the Kishore Biyani-led Future group's FMCG arm. FCL is engaged in the business of sourcing, manufacturing, branding, marketing and distributing food and processed food items and health and personal care (HPC) products.

In the annual report, the list of top customers who individually contribute more than 10% of FCL's total revenue mentions only two companies - Reliance Retail and FRL - which together contributed ₹854.22 crore of its total revenue of ₹970.08 crore, or nearly 88%.

Reliance Retail contributed ₹611.75 crore, said the report, adding that the failure of the ₹24,713 crore deal with Reliance Group in April this year had a significant impact on its business.

Future Group had said its business failed after several rounds of lockdowns during covid and customers avoided visiting physical stores. Future group's flagship company Future Retail (FRL) is now facing insolvency proceedings, contributing ₹242.47 crore, which is around 25%.

A year before that, Reliance Retail had accounted for 26.81% of the total sales of ₹587 crore for the financial year ended 31st Mar '21. FRL had contributed around 55%. According to the company's report, its current liabilities exceeded its current assets by ₹306.47 crore.

FCL had defaulted in repayment of its debentures of ₹26.66 crore as on 31st Mar '22, which has been subsequently paid.

"During the current financial year 2022-23, the company is aggressively working on a debt reduction plan by monetising few of the assets and investments / brands," the report said.

It has plans to establish business through general or modern trade channels and franchisee operations of Aadhaar and Nilgiris.

Additionally, it will rationalize manpower, and capacity utilization with third-party manufacturers to shape its business in the current fiscal, it said.

According to FCL, in FY22 it primarily focused on portfolio expansion and gaining market share. Its business operations "with Reliance group by way of supplying goods to Reliance stores and Seven

Eleven stores provided the potential for higher sales and capacity utilisation."

"However, during the end of the fiscal period under review, the failure of Scheme of Arrangement with Reliance and the consequential impact on Future Retail stores had a significant impact on the business and overview on future performance," it added.

To overcome this, FCL plans to change gears by focusing on building a strong distribution network outside of Future Retail on the front end, along with optimising costs at the back end, driving synergies and conserving cash, the annual report said.

The company added that it "strongly" believes the medium-to- long-term consumption opportunity in India remains intact. It also plans to continue growth of its food, home and personal care products.

"Key brands including Golden Harvest, Tasty Treat, Karmiq, Desi Atta Company, Mother Earth, Voom, Cleanmate and Caremate are expected to drive company's volume and value growth," the annual report said.

While the future of Future Retail, once considered the biggest retailer of the country, remains uncertain, Reliance Retail is going aggressive to seal its position as the number one retailer in the countr**Y.**

PRYING EYES

Disagreements over the provisions of the Personal Data Protection Bill 2019 led to its withdrawal with critics highlighting probable misuse by the government

India's internet user base is set to explode to 900 million by 2025 and almost 96% of the country's population would have access to a smartphone by year 2040. That is a lot of data!

The data explosion brings with it the threat of data breaches. In fact, India ranked second among countries worldwide with most number of data breaches in the first half of 2022, according to a report by the Netherlands-based cybersecurity firm, Surfshark VPN.

In 2018, India reportedly had a massive data breach of its Aadhaar database, exposing over a billion IDs of Indian citizens. The World Economic Forum's Global Risks in 2019 found it to be the largest such data breach that year.

In January '19, around 3 million text messages sent to customers of India's largest public sector bank, the State Bank of India, were leaked, and in October '20, 20 million user accounts from the online grocery platform, BigBasket was sold in an online cybercrime market.

India is one data breach away from the leak of sensitive information that can do irrevocable harm to the country. According to an IBM report titled "Cost of a Data Breach Report 2022", India ranked 14th globally in terms of the average cost of a data breach.

In India, the average cost of a data breach grew to $2.32 million in 2022, up from $2.21 million last year. The country's consumer digital economy is expected to grow 10-fold in the current decade to $800 billion. In order to avail a loan from a private sector bank or to get subsidy from the government, citizens are forced to part with a lot of personal data.

There are private lending apps that ask for access to a consumer's list of phone contacts, before granting loans. Digitisation is happening on a large scale without the presence of a strong data protection framework, which leaves the public vulnerable to exploitation and attacks.

India's current data privacy regime is limited to obtaining a consumer's consent before taking data. The country does not have an independent data protection regulator. Undoubtedly, there is an urgent need for a strong data protection law that can protect consumers and businesses from such data breaches.

It was with this intent that the government had floated the Personal Data Protection Bill 2019, which was withdrawn in August this year, because of disagreements over its provisions.

The Joint Committee of Parliament (JCP) identified many issues in the Bill that were beyond the scope of the modern digital privacy law. The Bill had proposed to create three categories of data: personal data, sensitive personal data and critical personal data, with each having separate regulations and compliances.

As per the Bill, companies would have to inform users of their data collection practices and take the consent of consumers for storing and removing data. Government agencies were, however, exempt from the provisions of the Bill.

The Bill is now back at the drawing table. It was withdrawn because the JCP panel suggested 81 amendments and 12 major recommendations towards a comprehensive legal framework on the digital ecosystem. Based on the JCP report, a comprehensive legal framework is now being prepared.

Start-ups had a problem with the Bill because they saw it as being compliance-intensive. The Bill also faced push back by big tech companies such as Facebook and Google.

A data protection law is not just for protecting a consumer's rights. It is essential to ensure ease of doing business as well. Cross-border data flows have become an important part of international trade. The absence of a framework can affect trade transactions.

In the case of European Union and APAC countries, trade between countries requires an adequate data protection law. United Arab Emirates has also added a chapter on digital trade in India's latest Free Trade Agreement.

India's exports could be affected by the absence of a strong law. In 2020-21, India's export of software services was estimated at $133.7 billion and almost 54.8% of this was bound for the US and 30% for Europe.

There are many data protection laws that India could take inspiration from. The China model, Russia model, and the EU model are a few of the examples.

In Europe, data protection regulation holds natural persons to be the owners of their names, email addresses, location, ethnicity, gender, religious beliefs, biometric markers and political opinion. India, however, chose to give the government privileges over individuals and private sector.

Multi-national companies such as Alphabet Inc., Meta Platforms Inc., and Amazon.com Inc., have expressed their dismay over the now discarded Bill's provision of storing critical personal data only in India for national security reasons.

Data localization comes in the way of efficient cross-border data storage and it can be weaponized by governments as China has done. This provision worried tech companies, who were concerned that the proposed legislation would increase their compliance burden and data storage requirements.

Twitter Inc. and WhatsApp have ongoing legal cases against the Indian government. Twitter had filed a case against the government's directions to block handles and take down content, and WhatsApp against demands to make encrypted messages traceable.

The Indian government had given itself a lot of control over such private companies in the Bill. It had the right to impose fines of up to 4% of the global revenue, something that was mentioned in the now junked data protection law, to make tech firms fall in line.

The government had sought to control individuals as well. One of the government demands was to exempt any government department from privacy regulations, if the government agencies followed fair, reasonable and proportionate procedures. The government wanted a carte blanche over individuals, which can be potentially dangerous.

As per the discarded Bill, the government wanted to allow voluntary verification of social media users to check fake news. This would have left individuals at the risk of surveillance.

While India can take inspiration from data protection legislations in other countries it would be ideal to have a law that reflects India's realities. Data protection legislation should allow market access to companies while protecting a consumer's rights.

The new Bill must focus on obtaining data adequacy, strengthening domestic institutions that enforce privacy laws, and protecting citizens. It should cover both personal and non-personal data and acknowledge the significance of data as an asset.

The provisions regulating non-personal data in the Bill should be directed at striking a balance between economic development and data protection in alignment with internationally accepted regulatory design concerning non-personal data. Individuals must have access to grievance redress options.

The JPC committee had recommended that individuals should be alerted to a data breach of any entity collecting their data. The process should be automatic to help victims take precautions such as changing passwords, in the case of a breach.

The Indian government is now working on a new version of the Bill, one that is both modern and comprehensive. Hopefully, the new Bill will take into account all the concerns that were raised by the committee and other stakeholders. Considering the imminent data explosion, India could do with a strong data privacy la**W.**

BEYOND WORDS

Gita Gopinath

Indian-American economist Gita Gopinath is the first Deputy Managing Director of the International Monetary Fund (IMF) since 21st January, 2022. Prior to this, she served as Chief Economist of the IMF between 2019 and 2022. India-born Gita Gopinath is the first woman and second Indian to feature on the 'Wall Of Former Chief Economists' of the International Monetary Fund.

She helmed 13 releases of the World Economic Outlook, including forecasts of the impact of the Covid-19 pandemic on the global economy. She is co-editor at the American Economic Review, co-editor of the 2019 edition of the Handbook of International Economics, and was previously the managing editor of the Review of Economic Studies. She has authored several books and research articles on emerging market, trade and investment, stock market and international financial crises.

FAR & WIDE

RETAIL SPACE IS LIKELY TO WITNESS STRONG DEMAND IN THE NEAR TERM

Retail leasing activity saw a whopping recovery in the first half of calendar year 2022 and was led by Delhi-NCR and Pune, followed by Bengaluru and Hyderabad, accounting for more than 70% of the total retail space take-up during this period.

The leasing momentum is expected to pick up in the remaining half of the year too, according to estimates by real estate consultancy firm CBRE South Asia.

The retail sector leasing in India jumped about 166% year-on-year (y-o-y) crossing 1.5 million square feet (sq ft) in the first half of 2022. During the period, the total investment grade mall stock crossed over 77 million sq ft, the CBRE report said.

The report said that among cities, Delhi-NCR and Pune, followed by Bengaluru and Hyderabad, led the leasing activity, together accounting for more than 70% of the overall retail space take-up.

As per the report, pent-up supply is likely to enter the market during H2 2022, and the total supply for the year is anticipated to surpass pre-pandemic levels.

"Fashion and apparel retailers continued to drive leasing activity with a share of 32% in H1 2022. Other prominent categories that led the leasing activity during H1 2022 included supermarkets (12%) along with homeware and department stores (12%)," said Anshuman Magazine, Chairman and CEO (India, South-East Asia, Middle East & Africa) of CBRE.

"The entertainment category, which was impacted the most during the pandemic, has also emerged as one of the top demand drivers during H1 2022, with an 11% share in the overall demand. Leasing momentum is expected to pick up in H2 2022 owing to the anticipated space take-up in newly completed malls," added Magazine.

As per the report, due to strong demand from retailers across investment grade malls and notable high streets, rental values increased on a half-yearly basis in select micro-markets across most cities.

Among high streets, rents rose about 5% to 12% across select locations in Delhi-NCR, Bengaluru, Hyderabad, and Pune, and about 1% to 3% in Mumbai. While prominent mall clusters in Pune and Delhi-NCR witnessed rental growth of 5% to 11% on a half-yearly basis, a marginal increase of 1% to 3% was reported across one mall cluster in Mumbai, it added.

Magazine said, "It is evident that retailers have regained confidence and are set for expansion mode. We anticipate that going forward, domestic brands will remain proactive in relocations/expansions, and a strong appetite from foreign retailers will continue. We foresee retail leasing to touch 6 million sq ft to 6.5 million sq ft in 2022, twice the 2021 quantum. Also, owing to the tremendous growth potential, we expect many international brands to launch stores in Tier-II and -III markets."

Going forward, the strong momentum in leasing activity is expected to continue as demand from both brick-and-mortar stores and e-commerce companies is expected to revive to per-pandemic levels.

Ram Chandnani, Managing Director (Advisory & Transactions Services) of CBRE India, elaborated, "We expect nearly 5.5 million sq ft to 6 million sq ft of new investment-grade malls to become operational during the year, an annual growth of nearly 40%. Accounting for nearly an 85% share in the overall investment-grade mall completions, Hyderabad, Delhi-NCR, and Bengaluru are expected to dominate retail supply addition in H2 (second half)."

Chandnani added that Mumbai and Chennai can anticipate supply additions. In the consumer segment, fashion and apparel retailers will continue to expand their physical sales networks and pay particular attention to enhancing flagship stores.

RETAIL RECOVERY

Not only retail, the covid-19 pandemic caused most industries to buckle under the threat of an economic slowdown and India's retail sector story was no different. Despite the adverse impact of covid-19 on FY21, India's organized retail sales are expected to grow manifold in the next six years.

After facing a long lull, due to a series of lockdowns and disruptions in consumption caused by the covid-19 pandemic, India's retail industry seems to be back on track with consumption crossing or about to reach pre-pandemic levels.

The share of organized retail in India has comparatively increased in the past few years and is expected to grow even further in the coming years, according to a Knight Frank India survey.

In March '22, all categories except accessories had nearly touched pre-covid level sales. Electronics performed exceptionally well over the last four years.

According to industry experts, in the last four years, electronics outperformed sales growth even during covid-19 hit periods, primarily driven by the work-from-home trend and consumers opting for premium products for the ease of working.

The food and beverages (F&B), apparels and department store categories showed healthy recovery after the third wave of the covid pandemic as consumers got back to the 'old normal' way of shopping.

The growth is driven by consumption across regions and categories as normalcy returned, bringing huge relief to retailers. Retailers were struggling to pay rentals to mall owners as sales dipped drastically with several rounds of lockdowns. The revival in demand will help retailers to meet their contractual obligations with mall operators.

Experts said with economic growth, organized retail sales will also see tremendous growth and move up the growth curve at a CAGR of 17% in the FY22-28 period. Evolving consumer spending patterns and increasing disposable income levels are redefining India's retail landscape. The retail industry will continue to account for 10% of India's GDP for the next five years.

The share of organized retail sales is derived from the size of the retail industry. Organized retail sales grew at a CAGR of 24% between FY17 and FY22. Growth drivers such as healthy economic growth, improved retailer confidence, sentiments towards mall development, and increasing disposable income of Indian consumers are expected to accelerate the volume to greater heights in FY23.

However, the threat of restrictions from covid-19 waves and geopolitical tensions may continue to persist in FY23. Organized retail sales volume is estimated to grow at a CAGR of 17%, from $52 billion in FY22 to $136 billion by FY28, according to the Knight Frank report.

Shopping malls were at the receiving end of a major setback due to the sudden closure during lockdowns.

Potential consumption in malls across the top 8 cities is estimated to grow at a CAGR of 29% in the FY22-28 period reaching $39 billion by FY28. This high growth of revenue in shopping malls is largely projected on the basis of increasing mall supply in the next six years coupled with the sustenance of rising consumption demand.

Entry of new brands in the market, changing demographic profiles and evolving consumer tastes and preferences are expected to sustain this growth in consumption, the Knight Frank report reiterated.

The long-term outlook of the mall business in India continues to remain promising for the next few years as retail consumption is expected to increase in metros and other cities.

E-COMMERCE GROWTH

Retail growth will be driven by both demand in malls as well as online purchases. E-commerce sales witnessed growth even during lockdowns as customers avoided venturing out for shopping.

The Indian e-commerce market is one of the fastest growing sectors in the country. It is expected to reach $400 billion by 2030 with growing adoption across the length and breadth of the country.

The rise of D2C (direct-to-consumer) and social commerce are other factors driving this growth. Not only e-commerce companies, but several e-commerce-enabling companies have also come up to support the ecosystem. No wonder, the sector has emerged as one of the major job creators in the start-up ecosystem.

However, industry experts raised concerns despite the sector seeing exponential sales growth, as e-commerce players are yet making huge losses. The major concern of the industry is that very few players are growing profitably.

Though the top line is growing at an accelerated pace, most firms are burning cash to grab market share. Amazon Seller Services, which runs the Amazon India marketplace, posted a loss of ₹4,748 crore in FY21, down from ₹5,849 crore in FY20.

Similarly, Amazon Wholesale (India's) revenue fell 7% y-o-y to ₹3,131 crore. Walmart-owned Flipkart's India business - Flipkart India and Flipkart Internet - reported a growth of 25% and 32%, respectively in revenues from operations in FY21. However, Flipkart India incurred losses at ₹2,445 crore during this period.

Another major player Meesho also posted a loss of around ₹500 crore in fiscal year 2021, according to the data released by the Ministry of Corporate Affairs. Most major players are making losses, and the start-ups supporting these e-commerce players are also not highly profitable.

Experts opined that all future projections about Indian e-commerce must be evaluated in the perspective of profitability at least in the medium - term. Attracting customers by offering discounts and winning them is not a viable solution for the long-term, as heavy discounts are resulting in huge losses for online retailers. Investors pumping in money into these units must look at valuations objectively, while the boards should make founders accountable.

The foreign parent entities too should make their Indian operations profitable as this is the only path for survival in the industry. There is no doubt that the Indian e-commerce sector has created a lot of jobs both in urban and rural areas of the country and technological innovations have led to more pricing power to producers than middlemen. The country, therefore, requires a healthy and steady growth of the sector to make all stakeholders prosperous.

"Given the growth potential of the sector, the government should also incentivize growth. Not only big e-commerce players, even small retailers are also going digital now. It shows the sector is at the cusp of significant growth. And more responsible business practices can help in realizing this potential," Kumar Rajagopalan, CEO, Retailers Association of India said. Despite healthy demand, growth is expected in the sector. But huge losses of e-commerce players continue to remain a cause of concern for the industr**Y.**

THE INVISIBLE INFLATION

Several manufacturers are shrinking package sizes without lowering prices to combat high inflation and rising business costs

Consumer Price Inflation (CPI) for the month of August ’22 in the US came in at 8.3% year-on-year (y-o-y).

This figure was much higher than anticipated, even though fuel prices fell, signalling that price increases are getting more broad-based.

Inflation is a global problem and it has been stubbornly high over the past few months first due to the disruptions caused by covid and then by the geopolitical issues brought forth by the Russia-Ukraine war that has disrupted supply chains globally.

India’s CPI for the month of August ’22 surged to 7% y-o-y as compared to 6.71% y-o-y in July ’22, which is much above the RBI’s comfort zone of 2% to 6% for the eighth consecutive month in a row.

This has caused retail consumers especially those belonging to middle and lower incomes to become more cost conscious as their purchasing power has declined. To add to the woes, the interest rates are also rising in a bid to tackle inflation, which is further adding pressure on borrowers.

While consumers are facing the brunt of inflation, manufactures have also had to deal with this daunting problem, which is showing no sign of abating as it is the 16th month in a row when the Wholesale Price Index (WPI) has been above 10%.

WPI for the month of July showed some signs of moderation when it came in at 13.93% y-o-y, a five-month low. But it still remains far above the comfort level.

Prices of vegetable oil, including palm oil and sunflower oil, which are key commodities for FMCG companies, are up almost 50%, over the last 12 months. What this means for manufacturers is that increasing input costs will cause a compression in margins.

To deal with the problem of rising input costs, manufacturers have to either raise prices or absorb costs. Increasing product prices at a time when the consumer wallet is shrinking due to high food inflation may drive consumers away.

Thus, manufacturers have a delicate rope to tread as they have to stem the impact of rising input costs on margins and at the same time ensure that they retain customers in a highly competitive environment.

Hence, companies are now resorting to 'shrinkflation'- a strategy that is adopted globally to combat high inflation especially for products where the competitive intensity is high.

Currently, we are witnessing a tidal wave of inflation. And, hence, shrinkflation is being embraced by more and more companies.

WHAT IS SHRINKFLATION?

A combination of words 'shrink' and 'inflation', shrinkflation is a word that was first coined by US Economist Dr. Pippa Malmgren in 2009. It refers to the practice of concealing or disguising price increases by decreasing the product quantity while leaving the headline product price unchanged.

Adopting this practice would lead to an increase in per unit cost for the buyer and, in turn, help the manufacturer to stem the impact of rising costs on margins. The key to note here is that this subtle per unit cost increase is less noticeable to the consumer than a direct price increase. For the manufacturer, the gain is two-fold - customer retention and reduction of the impact of rising input costs on margins.

Simply put, shrinkflation is manufacturers passing on inflationary effects of rising input costs to consumers in an indirect manner (sizing down product quantity), which is not as obvious as a straightforward price increase.

Research shows that shrinkflation is advantageous to manufacturers as consumers do not regularly look at quantity of products they regularly purchase so long as prices remain constant. This way, reducing the quantity will not have the same effect as price increase. The consumer is buying everything expensive (per unit price has increased) but it is only not apparent.

The reasons why the customer may not even notice the change in quantity despite the disclosure on the packet is because the manufacturer in some cases may smartly leave the product packaging as it is - in a packet of chips, the weight of chips will reduce and more air will be filled under the pretext of keeping the product fresh. At times, the packaging may become more attractive with unchanged prices camouflaging the reduction in quantity.

WHERE IS SHRINKFLATION MORE WIDELY USED AND HOW IS SHRINKFLATION INCORPORATED

Shrinkflation is a strategy that is adopted by manufacturers of toiletries, detergents, as well as in the food and beverages industry globally. The product price remains intact while the quantity becomes smaller. Some of the commonly adopted practices include

• Reducing the number of tissue sheets in a tissue roll
• Reducing the grammage of the chocolate bar, biscuit packet and chips packet, among others
• Cutting the number of days on mobile plans while keeping the cost intact
• Reducing the quantity of juice or the drink that is being sold
• Reduced serving sizes in hotels

Companies in India have also been resorting to shrinkflation to combat inflation and some of the few noteworthy examples are
• Vim dishwashing bar has become smaller. The size has been reduced to 135 gms from 155 gms earlier with prices remaining unchanged
• The portion size of Maggie noodles has shrunk. The net weight of a packet of Maggie noodles has reduced to 55 gms from 80 gms earlier
• Lesser number of chips. Lays chips, which is priced at ₹30, has seen its weight reduce to 180 gms from 200 gms
• Reduction in snack quantity. Haldiram's Aloo Bhujia packet size has seen a reduction in weight to 42 gms from 55 gms.
• Lesser number of biscuits. A ₹10 packet of Parle-G biscuits weighs 100 gms as against 140 gms earlier.

SHRINKFLATION AT LOW UNIT PRICE (LUP) POINTS

LUPs are significant drivers of sales volume for FMCG companies and it is in this segment that price sensitivity is very high and so is competitive intensity. For Britannia, 55% of its sales come from small packages.

Similarly, for Parle products, Parle-G biscuits derive 70% of its revenue from products priced at ₹10 and below. For products priced ₹20 and above, the manufacturer can resort to price increases as the customer has the ability to absorb the price increase without driving them away.

However, for LUP products, price sensitivity is high. Hence, the only way to stem the impact of rising input costs on profitability margins is to adopt shrinkflation as price increases could drive customers away.

On the flipside, there is an extent to which shrinkflation can be imbibed in single-use small size packs, which are already quite small, thus restricting the extent of reduction in quantity.

Does shrinkflation reverse once inflation abates and pricing power returns back to companies?

In order to take on competition, there is a possibility that manufacturers reduce the product price or increase the quantity. But, generally upsizing is a rare phenomenon. Once a product has shrunk, it normally stays that way.

IN A NUTSHELL

Legally, there is nothing wrong with companies embracing shrinkflation to tackle inflation because the manufacturers are not concealing facts with regards to the weight of the product, which is clearly displayed on the product package.

No doubt, it is a passive option that is relatively less obvious to the consumer which is why another school of thought believes that this creates distrust. Therefore, direct price increases are more ethical in that sense.

For consumers, given that shrinkflation is being used by companies, it boils down to the clique, 'Buyer Beware' as companies have to do a balancing act in order to add shareholder valuE.

HARNESSING SOCIAL MEDIA

Through sharp consumer engagement, social media is giving companies more bang for their buck

Today, social media platforms have become an integral part of our lives. Not a day passes by when one has not read, shared or posted content on Facebook, Instagram, WhatsApp or Twitter. Brands from every major industry too post engagements on Facebook, Instagram and Twitter.

A social analytics company, Rival IQ recently released a research report called 2022 Social Media Industry Benchmark on broad trends in digital posts across key sectors.

Let's dig into this research to find out how brands are tapping consumers through social media.

BROAD TRENDS

Rival IQ researched broad trends in posts and preferences across sectors such as alcohol, fashion, financial services, food & beverages, health & beauty, higher education, home decor, hotels & resorts, influencers, media, non-profits, retail, sports teams and tech & software.

For the sake of simplicity, we have chosen a few important sectors to understand how many posts a user posts on a particular sector on social media platforms.

FASHION

It has been observed that users post higher number of posts on Instagram than Facebook or Twitter. But in terms of engagement, most fashion brands are unable to achieve much. Research points out that fashion brands are unable to translate regular posts into high and noticeable sales. Research states that "Carousels" on Instagram are a big hit. Carousels are consumed more than photos and videos.

Rival IQ Data About Posts On Fashion

Facebook Posts Per Week: 5.32
Instagram Posts Per Week: 6.5
Tweets Per Week: 1.8

FINANCIAL SERVICES

Among the various social media platforms, 'Twitter' is a gold mine for financial services brands points out Rival IQ research. The engagement value on Twitter is higher than it is on Facebook and Instagram. Researchers found that financial services brands were further improving their presence on Twitter through high-engagement videos.

Rival IQ Data About Posts On Financial Services

Facebook Post Per Week: 5
Instagram Posts Per Week: 3.5
Tweets Per Week: 5.7

FOOD & BEVERAGES

Posts about food & beverage brands are higher and more popular than posts from other sectors on Twitter. Even the frequency of posts about food & beverage brands is quite high, according to research.

Analysts point out that contests and giveaways are a few reasons for the popularity of food & beverage brands. Research also states that photos of food & beverage brands are more popular than videos.

Rival IQ Data About Posts On Food & Beverages

Facebook Posts Per Week: 2.91
Instagram Posts Per Week: 3.09
Tweets Per Week: 2.18

HEALTH & BEAUTY

According to Rival IQ's research, health and beauty brands are more popular on Twitter than on Instagram and Facebook. This is largely due to high and continuous investments by companies in promoting their brands. In the case of health and beauty brands, it has been observed that high engagement videos and photos to a great extent have helped in the promotion and sales of health and beauty brands. Interestingly, health and beauty brands are a top-performing segment when promoted in the form of contests and giveaways.

Rival IQ Data About Posts On Health & Beauty

Facebook Posts Per Week: 6.19
Instagram Posts Per Week: 6.31
Tweets Per Week: 1.83

HOME DÉCOR

Posts about home decor brands have high engagement value on Instagram. On Facebook, and Twitter, the engagement value of posts related to home décor brands has been increasing steadily. On Instagram, Carousels are quite a hit among companies when it comes to popularizing home décor brands.

Rival IQ Data About Posts On Home Décor

Facebook Posts Per Week: 4.37
Instagram Posts Per Week: 4.72
Tweets Per Week: 2.28

HIGHER EDUCATION

Posts about higher education have high engagement value on Twitter and Facebook. After Instagram, higher education posts find high relevance on Instagram. It has been observed that many educators have found the tools of carousels on

Instagram and Facebook Live more popular in promoting their brands on higher education.

Rival IQ Data About Posts On Higher Education
Facebook Posts Per Week: 6.91
Instagram Posts Per Week: 3.46
Tweets Per Week: 9.74

HOTELS & RESORTS

Posts about hotels & resorts are two times more popular on Facebook than they are on Instagram and Twitter. Researchers estimate that if companies from the hotels and resorts space increase their posts, it will increase the engagement value of followers with their brands. This, in turn, can easily translate into sales.

Rival IQ Data About Posts On Hotels & Resorts
Facebook Posts Per Week: 3.36
Instagram Posts Per Week: 2.96
Tweets Per Week: 2.66

MEDIA

Media companies have a stronger hold on Facebook than on Instagram and Twitter. It has been observed that during coronavirus-induced lockdowns, engagement with content produced by media companies increased considerably. Besides, visual posts like photos and videos performed way better than pure textual content.

Rival IQ Data About Posts On Media
Facebook Posts Per Week: 87.15
Instagram Posts Per Week: 8.12
Tweets Per Week: 75.89

SPORTS TEAMS

Sports teams is a niche sector. But posts about sports teams are a huge hit among users on Facebook and Twitter. In fact, it has been observed that higher the frequency of posts about sports teams higher the probability of engagement with followers. Also, posting early is a huge advantage as users are pretty active about knowing updates about their favourite teams.

Rival IQ Data About Posts On Sports Teams
Facebook Posts Per Week: 21.41
Instagram Posts Per Week: 13.64
Tweets Per Week: 41.65

INSIGHTS

Over the years, the universe of social media platforms has been expanding as more and more users sign up and higher transactions happen digitally. Social media has emerged as the top source of news for Indians, in a survey.

According to the Digital News Report 2022 from UK-based Reuters Institute for the Study of Journalism, 63% of Indian respondents used social media to access news in the week before the survey. The figure was 59% for TV, and 49% for print media. As many as 53% of the respondents used YouTube to access news, while 51 % used WhatsApp, noted the report.

Given such high usage of social media platforms, researchers foresee a few trends, which are likely to boost interactions between users and product manufacturers.

Let us understand a few important trends:

Live Media
Increasingly, brands and/or companies have been using live videos to interact and connect with users who are also prospective consumers of their products. Nearly 82% users prefer live videos on social media platforms such as Twitter, Facebook, YouTube, Instagram, and Tumblr.

Even celebrities or influencers use live chats as a means to make important announcements and connect with their fans and followers.

Personalized Stories
The personal always sells. This is one of the reasons why brands, influencers and celebrities share personal stories, which ensure higher and deeper engagements with consumers. These stories are told using polls, quizzes, banters, workplace tours, and anecdotes, which incidentally reveal a lot about them.

Augmented And Virtual Reality
Brands are using Augmented Reality and Virtual Reality to provide users exciting experiences about the products they may be interested in buying. Platforms like Snapchat, Instagram, and Facebook use images and videos to provide a concrete idea to consumers about a product they wish to buy.

Local Targeting
Local targeting is one of the most important trends of 2022. Experts believe that it will continue to be a trend in the future too. Brands have been able to target their customers well in recent years.

Social media platforms such as Instagram and Facebook target people with posts and stories, which are transpiring around them. This helps local brands reach out to their nearby consumers well. So, these social media platforms are able to target audiences in a particular locality through IP addresses.

Given these facts, it is clear that social media platforms will continue to be a key contributor to both our mental and physical worlds.

SWEEPING CHANGES

By introducing reforms, IRDAI hopes to streamline services and make insurance accessible to a larger population

The Insurance Regulatory and Development Authority of India (IRDAI) has been hyperactive in the last few months. Several steps have been taken by the insurance regulator to further strengthen the insurance sector in India.

Even though insurance penetration has improved over the past few years, India remains vastly underinsured, both in terms of penetration and density. Insurance penetration improved from 2.1% in FY02 to 3.2% in FY21. However, if we look at other Asian countries, the penetration is much higher in Hong Kong, Taiwan and Singapore, among others.

IRDAI has taken a few steps like dematerialization of insurance policies, announcement of use and file products, ease of doing business for insurers and affordable health cover.

In this article we will try and explain the new announcements made by the insurance regulator and what they mean to the policyholder.

DEMATERIALISATION OF INSURANCE POLICIES

Though the announcement of dematerialization of the insurance policy has not yet been made by the insurance regulator, it is likely to start from December this year. This would ensure that policyholders will be able to view all their policies in a single statement.

The conversion from physical copy to demat would be done by the insurance companies on behalf of their customers. It is likely that costs with regards to converting a policy into demat and maintaining the account would be borne by insurers.

From investors' point of view, this move will do away with the need of maintaining paper documents. Right now we keep the original document at a safe place as they would be asked by the insurance companies at the time of the claims or during maturity.

Even now, if policyholders have three different policies from different insurance companies, they need to pay premiums and renewal premiums at different places. Following the dematerialization of insurance policies, they will be able to do all services in one place.

EASE OF DOING BUSINESS FOR INSURERS

As part of helping improve the ease of business for insurance companies, IRDAI has been continuously trying to reduce the compliance burden of all regulated entities. Towards this end, health insurance returns being filed by insurance companies have significantly reduced.

Now, general and health insurers will have to file eight returns and life insurers will be filing three returns in place of 17 returns that are being filed currently. This step will further help insurers focus on their businesses rather than the overabundance of compliances, thus helping increase insurance penetration across the country. These guidelines will be implemented with immediate effect from 13th Sept '22.

With a view to improve the ease of business for its policyholders as well as insurers, a series of efficiency reforms are being carried out. These reform measures include the formation of working groups to make a comprehensive review of the existing regulations under the aegis of Life Insurance Council and General Insurance Council, respectively.

The regulator has put in place new mechanisms to process applications for registration of new insurance companies and to grant certificate of registrations for the commencement of new insurance businesses in India.

Solvency capital requirements have been relaxed to promote Pradhan Mantri Jeevan Jyoti Bima Yojana, the flagship government scheme to spread life insurance coverage to the poor and under-privileged people of the country.

NEW REGULATIONS ON COMMISSION STRUCTURE

One of the biggest drawbacks or the disadvantages of life insurance is that policyholders are unaware of the charges made by insurance companies. Even policyholders are unaware of the commission structures of traditional life insurance policies.

On the other hand, investors in Mutual Funds (MFs) know how much expenses are charged on their investments and know how much commission their distributors get.

IRDAI in its circular has stated: "Every insurer shall have an explicitly written policy for payment of commission or remuneration or reward to insurance agents and insurance intermediary, which shall be approved by the Board of the company."

The regulator has proposed to link commissions with expenses of management (EoM) for life insurance, wherein if the actual EoM in the previous financial year was not over 70% of the allowable EoM limits, the life insurer can adopt commission limits as approved by its board.

But if the EoM exceeds 70% of allowable limits, the insurer must adhere to caps on commission proposed by the regulator.

IRDAI has proposed a 20% commission cap on first-year premium and 10% on renewal premium as compared to 30% to 35% and 5% to 7.5%, respectively.

The maximum commission or remuneration or reward payable under general insurance products including health insurance products offered by general insurers shall not exceed 20% of the gross premium written in India in that financial year.

While the maximum commission or remuneration payable under health insurance products offered by standalone health insurers shall not exceed 20% of the gross premium written in India in that financial year.

All these announcements will lead to a further improvement in the efficiency of the insurance company. It could also encourage distributors to ensure that policies remain in force for a longer duration, which will improve the penetration of insurance in India.

USE AND FILE PRODUCTS

To further empower insurance companies to emerge victorious in a tight competitive market, IRDAI extended the "Use and File" procedure to all health insurance products and most general insurance products under fire, motor, marine, and engineering.

Currently, insurance firms must obtain prior approval from the insurance regulator to launch new products.

In its circular, the IRDAI allowed all categories of products and add-ons or riders that are being introduced or modified under health insurance business and offered by general and health insurance companies. They can be launched through the "Use and File" procedure if insurers have in place a board-approved policy of products that are to be offered or modified or revised.

IRDAI has stated that insurers shall ensure that the product pricing is viable, self-sustainable and affordable to the targeted market. The revision in the price, if any, shall be effected only based on the underlying claims experience (Incurred Claims Ratio) and to make the product viable and self-sustainable.

Insurers shall disclose the rationale for revision in prices along with the underlying claim experience (Incurred Claims Ratio) of the product that led to the revision in the price in their website.

In another circular, it permitted general insurers to file all products under Fire, Marine, Motor and Engineering lines of business under "Use and File" procedure for both retail and commercial categories.

However, retail products of miscellaneous lines of businesses having an initial sum insured up to ₹5 crore would continue to be filed with the regulator under the "File and Use" procedure.

IN A NUTSHELL

Though all these are small steps, they are in the right direction to improve efficiency and penetration of insurance in India.

As compared to other developed economies, India remains vastly underinsured, both in terms of penetration and density.

Macroeconomic factors like growth in GDP and rise in per capita income, coupled with rising awareness about the need for life insurance, higher financial savings as a percentage of GDP, increasing urbanization and increase in digitalization would continue to aid the growth of the Indian life insurance sector in IndiA.

BEYOND WORDS

Eugen Ritter von Böhm-Bawerk

Eugen Ritter von Böhm-Bawerk was a renowned Austrian economist who made huge contributions to the development of the Austrian School of Economics and neoclassical economics. He was of the view that capitalists do not exploit workers; on the contrary, they accommodate workers – by providing them with income well in advance of the revenue from the output they helped to produce. His views laid the foundation for the theory of capital, wages, prices, and interest in terms of compensation for the use of capital.

TECHNICAL OUTLOOK

The rally in September was a tug of war between Bulls and Bears. Nifty witnessed profit-booking in the month of September. The sentiment on D-Street was cautious.

The euphoria in the market is likely to continue for the coming trading sessions. However, volatility is likely to witness an uptick.

In the last couple of sessions, the Nifty has been facing strong resistance at the 18,000 - 18,100 psychological mark. The Nifty is struggling near 200-DMA, that is, 16,990, which will act as an immediate support level.

Any move below the 16,990 level on closing basis will cause selling pressure, dragging the Nifty to 16,700-16,400 levels. Meanwhile, 16,990-16,900 will act as an important support range for the Nifty.

Technically, after a sharp fall from 18,000 to 16,940, a pullback rally towards 17,370-17,400 is likely, with resistance provided by 50-DMA. Any move above the 17,100-mark on closing basis for at least 1-2 trading sessions, may result in a positive rally, taking the Nifty to 17,370 to 17,400 levels.

Going ahead, a pullback rally towards 17,400 could be utilized to book profits at higher levels.

The overall trend on the Nifty will remain cautious and market participants should utilize the pullback rally to book profits at higher levels.

Overall, the view is cautious; market participants are advised to be stock-specific and follow the trend till it reverses.

The Bank Nifty rallied in the positive in the early days of September by hitting a high of 41,855.

However, after quoting a high of 41,855, the Bank Nifty witnessed profit-booking towards 38,400 in the September series.

Technically, the Bank Nifty has an immediate support at 38,000. Any move below 38,600 on closing basis may extend its fall towards 37,200-36,500.

On the flip side, resistance is placed at 39,500. And then, the Bank Nifty may extend its leg towards 40,200-41,000.

On the Nifty Options front for the October series, the highest Open Interest (OI) build up is witnessed near 17500 and 18000 Call strikes. On the Put side, it is observed at 17000 and 16500 strikes.

September has been highly volatile with the market coming down after testing the 18,100 level.

A lot of broad-based buying was seen after the short covering of the previous month and equally broad-based selling was seen after hitting the resistance.

All sectors witnessed selling. For October series, stocks from Banking and Technology sectors are likely to witness further buying while select stocks from Capital Goods and Automobile sectors may see selling.

India VIX, which measures the immediate 30-day volatility in the market, traded below 20 for most part of the month before breaching the level and staying above the same. Going forward, VIX is likely to remain elevated in the early part of October before coming down in the second half.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 0.7-1.4 in the month of September. Going forward, it is expected to remain in the range of 0.7-1.5 in October.

The markets are believed to remain range-bound with supports placed at 17,000 and 16,500; while the markets will continue to witness important resistances at 17,500 and 18,000 levels.

OPTIONS STRATEGY

Long Straddle

It can be initiated by 'Buying 1 lot 06OCT 17000 CE (₹270) and Buying 1 lot 06OCT 17000 PE (₹220).' The premium outflow comes to around 490 points, which is also the maximum loss.

One should, however, place a stoploss at 350 points (140 point loss). Maximum gain is unlimited and one should place Target at 770 points (280 point gain).

With some important events approaching in the next fortnight, the index is likely to move more than 500 points in either direction, which would result in decent gains for the strategY. (As on 27th Sept '22)

MUTUAL FUND BLACKBOARD

Performance Of Mutual Fund Schemes From Different Categories

Flexicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Flexi Cap Fund - Reg - Growth	16.2	-0.4	14.0	--	--	--	2,260
Canara Robeco Flexi Cap Fund - Growth	225.4	-1.1	18.4	13.9	13.8	14.2	8,340
PGIM India Flexi Cap Fund - Reg - Growth	25.6	-2.7	24.3	14.9	14.5	--	5,081
UTI Flexi Cap Fund - Growth	244.2	-8.4	19.0	14.6	13.7	15.3	26,503
Union Flexi Cap Fund - Growth	33.8	-0.1	19.6	13.3	12.4	12.7	1,290
S&P BSE 500 TRI	**30,310.2**	**4.0**	**19.1**	**13.5**	**14.5**	**14.6**	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mahindra Manulife Multi Cap Badhat Yojana - Reg	21.1	4.7	23.8	15.0	--	--	1,388
HDFC Multi Cap Fund - Reg - Growth	10.8	--	--	--	--	--	5,502
Kotak Multicap Fund - Reg - Growth	10.5	--	--	--	--	--	4,240
S&P BSE 500 TRI	**30,310.2**	**4.0**	**19.1**	**13.5**	**14.5**	**14.6**	--

Large Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Invesco India Largecap Fund - Growth	44.0	-1.2	15.5	11.3	11.8	13.5	732
UTI Mastershare Unit Scheme - Growth	194.3	-0.9	16.3	12.4	12.1	13.3	10,570
Canara Robeco Bluechip Equity Fund - Growth	41.5	-1.1	17.3	13.8	13.8	13.8	8,062
Nifty 50 TRI	**25,598.6**	**1.9**	**16.4**	**13.5**	**13.7**	**13.3**	--

Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Mid Cap Growth Fund - Reg - Growth	252.4	5.2	21.9	13.5	13.9	18.6	1,721
Mahindra Manulife Mid Cap Unnati Yojana - Reg -	18.1	7.2	23.7	--	--	--	1,034
Edelweiss Mid Cap Fund - Growth	54.1	10.0	26.6	15.9	16.1	20.9	2,256
Axis Midcap Fund - Growth	70.0	0.6	22.3	17.6	15.5	19.6	19,504
Nippon India Growth Fund - Reg - Growth	2,214.8	8.6	25.8	15.7	15.9	17.2	13,225
Kotak Emerging Equity Fund - Reg - Growth	78.1	11.3	26.2	15.8	17.2	20.5	21,935
Nifty Midcap 150 TRI	**15,072.2**	**8.6**	**26.6**	**14.9**	**17.4**	**19.1**	--

Large & Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Axis Growth Opportunities Fund - Reg - Growth	20.5	-1.5	21.6	--	--	--	8,476
Canara Robeco Emerging Equities - Growth	165.7	1.9	21.6	13.4	15.9	21.0	14,949
Edelweiss Large & Mid Cap Fund - Growth	54.6	5.3	19.5	14.1	13.9	15.0	1,526
Kotak Equity Opportunities Fund - Reg - Growth	208.0	6.7	19.9	13.2	14.5	16.1	10,842
Mahindra Manulife Top 250 Nivesh Yojana - Reg	17.5	6.5	--	--	--	--	981
NIFTY Large Midcap 250 TRI	**12,842.7**	**5.6**	**21.7**	**14.2**	**15.7**	**16.6**	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	129.1	21.7	18.9	10.9	12.2	13.2	2,093
Nippon India Focused Equity Fund - Reg - Growth	82.1	7.6	21.3	13.0	14.2	17.9	6,193
ICICI Prudential Focused Equity Fund - Ret - Growth	50.6	3.7	20.3	13.1	13.0	13.4	3,657
SBI Focused Equity Fund - Growth	236.4	-1.3	17.7	14.3	15.0	16.4	27,451
S&P BSE 500 TRI	**30,310.2**	**4.0**	**19.1**	**13.5**	**14.5**	**14.6**	--

Small Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Axis Small Cap Fund - Reg - Growth	64.4	9.7	28.2	20.1	18.9	--	10,436
Edelweiss Small Cap Fund - Reg - Growth	25.8	12.0	32.9	--	--	--	1,299
Nippon India Small Cap Fund - Reg - Growth	92.7	15.1	34.1	18.8	21.1	24.9	21,655
ICICI Prudential Smallcap Fund - Growth	54.7	10.8	29.6	15.8	15.9	17.0	4,138
Union Small Cap Fund - Reg - Growth	31.6	12.0	33.5	16.2	15.0	--	981
Nifty Smallcap 250 TRI	**11,843.6**	**4.0**	**26.6**	**10.1**	**13.7**	**15.9**	--

ELSS Funds (Tax Saving u/s 80-C)

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
UTI Long Term Equity Fund (Tax Saving) - Growth	145.2	0.5	18.7	12.6	12.7	13.7	2,997
Canara Robeco Equity Tax Saver Fund - Growth	118.0	2.0	21.6	16.1	15.0	15.6	4,198
Kotak Tax Saver Fund - Reg - Growth	75.3	7.2	18.8	13.3	13.9	14.8	2,936
Mahindra Manulife ELSS Kar Bachat Yojana - Reg	19.0	1.7	17.4	10.0	--	--	507
Mirae Asset Tax Saver Fund - Reg - Growth	30.9	-0.4	19.7	15.0	--	--	13,148
Tata India Tax Savings Fund - Reg - Growth	29.1	5.9	16.1	11.7	13.9	--	3,119
S&P BSE 200	**9,672.4**	**4.0**	**18.5**	**13.7**	**14.5**	**14.5**	--

Value/Contra Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
IDFC Sterling Value Fund - Reg - Growth	92.5	10.5	24.7	12.0	15.3	16.6	4,906
SBI Contra Fund - Growth	222.8	15.2	29.1	15.2	14.9	15.2	5,827
Nippon India Value Fund - Reg - Growth	126.9	5.6	19.7	12.6	13.5	15.3	4,714
S&P BSE 500 TRI	**30,310.2**	**4.0**	**19.1**	**13.5**	**14.5**	**14.6**	--

Dividend Yield Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
ICICI Prudential Dividend Yield Equity Fund - Reg	27.9	9.7	20.7	10.4	13.0	--	1,072
Sundaram Dividend Yield Fund - Growth	86.1	-0.6	18.1	12.0	14.2	13.8	322
UTI Dividend Yield Fund - Growth	102.4	-6.5	16.5	11.9	12.2	11.9	2,895
S&P BSE 500 TRI	**30,310.2**	**4.0**	**19.1**	**13.5**	**14.5**	**14.6**	--

Sector/Thematic Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mirae Asset Great Consumer Fund - Growth	61.0	10.6	19.1	15.2	16.5	17.5	1,945
ICICI Prudential Technology Fund - Growth	126.7	-21.7	30.2	25.5	17.2	20.4	8,712
Nippon India Pharma Fund - Reg - Growth	275.6	-12.0	24.3	15.8	8.9	15.7	4,588
Nippon India Banking & Financial Services Fund - Reg	393.0	11.4	12.2	8.6	12.8	14.2	3,663
S&P BSE 500 TRI	**30,310.2**	**4.0**	**19.1**	**13.5**	**14.5**	**14.6**	--

Dynamic Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
PGIM India Balanced Advantage Fund - Reg - Growth	11.8	4.2	--	--	--	--	1,542
Nippon India Balanced Advantage Fund - Reg	126.1	3.8	11.0	8.6	10.0	11.9	6,519
Tata Balanced Advantage Fund - Reg - Growth	15.1	4.6	12.7	--	--	--	5,712
Edelweiss Balanced Advantage Fund - Growth	36.4	1.5	14.7	11.0	10.2	11.3	8,733
Union Balanced Advantage Fund - Reg - Growth	15.2	1.6	11.6	--	--	--	1,920
NIFTY 50 Hybrid Composite Debt 65:35 Index	**14,894.6**	**1.9**	**14.3**	**11.6**	**12.0**	**11.8**	--

Hybrid Aggressive Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Equity Hybrid Fund - Growth	248.4	0.7	15.4	11.8	12.4	14.0	8,307
SBI Equity Hybrid Fund - Growth	207.1	1.9	13.9	11.7	12.0	15.0	55,268
Mirae Asset Hybrid - Equity Fund - Reg - Growth	22.3	1.4	14.2	11.2	12.8	--	7,053
NIFTY 50 Hybrid Composite Debt 65:35 Index	**14,894.6**	**1.9**	**14.3**	**11.6**	**12.0**	**11.8**	--

Equity Savings Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Year	5 Years	7 Years	10 Years	
ICICI Prudential Equity Savings Fund - Reg - Growth	17.6	5.3	7.3	7.1	8.2	--	5,146
PGIM India Equity Savings Fund - Growth	40.3	2.6	7.3	7.0	7.1	8.1	169
NIFTY 50 Hybrid Composite Debt 65:35 Index	**14,894.6**	**1.9**	**14.3**	**11.6**	**12.0**	**11.8**	--

Multi Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Year	5 Years	7 Years	10 Years	
HDFC Multi - Asset Fund - Growth	48.7	3.9	14.4	10.1	10.0	10.1	1,595
Nippon India Multi Asset Fund - Reg - Growth	13.2	2.3	--	--	--	--	1,147
Tata Multi Asset Opportunities Fund - Reg - Growth	16.0	5.7	--	--	--	--	1,459
NIFTY 50 Hybrid Composite Debt 65:35 Index	**14,894.6**	**1.9**	**14.3**	**11.6**	**12.0**	**11.8**	--

Gold Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Year	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	15.7	5.7	8.8	9.5	8.1	3.2	1,359
Kotak Gold Fund - Reg - Growth	20.3	5.2	8.8	10.1	8.5	3.2	1,318
Nippon India Gold Savings Fund - Reg - Growth	20.0	5.4	8.7	9.5	8.2	2.9	1,427
Prices of Gold	**49,745.0**	**6.7**	**9.6**	**11.0**	**9.6**	**4.6**	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
IDFC Arbitrage Fund - Reg - Growth	26.8	3.1	3.4	3.3	3.5	3.7	4,196
Kotak Equity Arbitrage Fund - Reg - Growth	30.8	3.3	3.9	3.8	3.9	4.1	23,310
Tata Arbitrage Fund - Reg - Growth	11.9	3.2	3.5	3.2	3.6	4.2	7,385
Nippon India Arbitrage Fund - Reg - Growth	22.0	3.0	3.5	3.6	3.7	4.0	9,332
Edelweiss Arbitrage Fund - Reg - Growth	16.0	3.2	3.7	3.7	3.7	4.1	5,841

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year		
Aditya Birla Sun Life Overnight Fund - Reg	1,169.1	5.2	5.1	4.9	3.8	5.38	11,825
IDFC Overnight Fund - Reg - Growth	1,153.5	5.2	5.1	4.9	3.8	5.43	2,580
Mahindra Manulife Overnight Fund - Reg - Growth	1,120.7	5.3	5.1	4.9	3.9	5.36	369
Tata Overnight Fund - Reg - Growth	1,141.5	5.2	5.1	4.9	3.8	5.30	3,038
Nippon India Overnight Fund - Reg - Growth	116.2	5.2	5.2	4.9	3.9	5.52	10,604

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year		
Aditya Birla Sun Life Liquid Fund - Reg - Growth	347.7	4.4	5.0	5.0	4.0	5.83	42,493
ICICI Prudential Liquid Fund - Reg - Growth	319.8	4.4	4.9	4.9	3.9	5.69	45,874
Kotak Liquid Fund - Reg - Growth	4,369.2	4.4	4.9	4.9	3.9	5.76	31,212
Nippon India Liquid Fund - Reg - Growth	5,273.3	4.4	4.9	5.0	3.9	5.76	27,189
Mahindra Manulife Liquid Fund - Reg - Growth	1,404.5	4.7	5.1	5.1	4.0	5.82	674

Ultra Short Term Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
HDFC Ultra Short Term Fund - Reg - Growth	12.5	5.0	3.9	3.7	4.8	6.26	13,462
ICICI Prudential Ultra Short Term Fund - Growth	22.8	4.9	4.0	3.8	5.2	6.28	14,808
UTI Ultra Short Term Fund - Growth	3,519.6	4.7	3.7	5.0	5.4	6.23	2,287
Aditya Birla Sun Life Savings Fund - Reg - Growth	448.7	5.1	4.1	4.0	5.3	6.63	14,508

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Aditya Birla Sun Life Money Manager Fund - Reg	302.0	5.3	4.2	4.0	5.1	6.34	14,500
SBI Savings Fund - Growth	34.3	4.8	3.7	3.5	4.5	6.16	20,469
HDFC Money Market Fund - Growth	4,678.5	5.1	4.1	3.9	5.0	6.27	13,662
Nippon India Money Market Fund - Reg - Growth	3,390.3	5.4	4.4	4.2	4.9	6.23	10,728
Tata Money Market Fund - Reg - Growth	3,858.3	5.3	4.2	4.0	5.0	6.34	8,310

Short Term Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Aditya Birla Sun Life Short Term Fund - Reg	38.9	7.3	3.7	3.2	6.3	7.11	5,763
HDFC Short Term Debt Fund - Growth	25.9	5.9	2.3	2.4	6.4	6.83	13,619
Nippon India Short Term Fund - Reg - Growth	43.0	5.4	1.3	2.2	5.9	7.09	6,622
ICICI Prudential Short Term Fund - Growth	48.8	8.9	4.8	3.4	6.6	6.83	15,615
Kotak Bond Short Term Fund - Reg - Growth	42.8	6.0	1.6	1.7	5.6	7.00	12,683

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
HDFC Low Duration Fund - Growth	47.6	6.3	3.6	3.3	5.4	6.40	16,075
ICICI Prudential Savings Fund - Reg - Growth	442.0	9.0	4.7	3.4	5.8	6.27	23,245
Nippon India Low Duration Fund - Reg - Growth	3,092.6	5.0	3.3	3.4	5.4	6.71	7,771
Mirae Asset Savings Fund - Regular Savings Plan	1,871.0	5.3	3.4	3.1	4.5	6.48	697
Kotak Low Duration Fund - Std - Growth	2,766.3	6.0	3.2	3.0	5.3	6.91	6,960

Banking & PSU Bond Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
HDFC Banking and PSU Debt Fund - Reg - Growth	18.8	5.7	2.1	2.4	6.2	6.51	5,380
Tata Banking & PSU Debt Fund - Reg - Growth	11.8	5.6	1.2	1.9	--	6.50	309
Kotak Banking and PSU Debt Fund - Reg - Growth	53.3	7.1	2.5	2.5	6.3	6.88	6,968
Nippon India Banking & PSU Debt Fund - Reg	17.0	5.7	1.5	2.1	6.2	6.88	4,242
Edelweiss Banking & PSU Debt Fund - Reg	20.1	10.7	0.9	1.4	7.1	7.26	379

Corporate Bond Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential Corporate Bond Fund - Reg - Growth	24.1	8.6	4.6	3.4	6.6	6.87	15,495
IDFC Corporate Bond Fund - Reg - Growth	15.7	5.0	0.4	1.4	5.9	6.74	16,708
HDFC Corporate Bond Fund - Growth	26.3	8.0	1.9	2.2	6.4	6.73	21,578
Kotak Corporate Bond Fund - Std - Growth	3,064.3	6.2	2.4	2.6	5.9	6.92	8,723

Credit Risk Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential Credit Risk Fund - Growth	25.6	8.2	3.9	4.5	7.5	8.08	8,014
HDFC Credit Risk Debt Fund - Reg - Growth	19.7	7.4	2.3	3.1	7.5	8.07	8,700
SBI Credit Risk Fund - Growth	36.7	6.2	3.2	3.4	6.4	7.57	2,952

Floater Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Aditya Birla Sun Life Floating Rate Fund - Reg	283.0	6.1	4.5	3.7	5.8	6.73	12,404
Nippon India Floating Rate Fund - Reg - Growth	36.6	4.7	2.4	2.6	6.4	6.57	9,944

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential All Seasons Bond Fund - Growth	29.8	11.8	4.9	3.1	7.3	6.97	5,817
Nippon India Dynamic Bond Fund - Reg - Growth	30.1	11.5	1.7	1.1	5.3	7.47	3,565
Kotak Dynamic Bond Fund - Reg - Growth	30.4	8.6	1.1	1.2	6.0	7.23	2,039

Medium Duration Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential Medium Term Bond Fund - Growth	36.3	8.4	3.6	3.1	7.2	7.66	6,341
HDFC Medium Term Debt Fund - Growth	45.9	7.3	1.1	1.8	6.2	7.63	3,814
SBI Magnum Medium Duration Fund - Growth	41.5	6.5	1.8	2.2	6.9	7.44	9,245

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Nippon India Gilt Securities Fund - Reg - Growth	31.1	8.5	1.4	0.3	5.1	7.11	1,154
Kotak Gilt Fund - Growth	79.0	10.4	2.3	0.7	5.8	7.12	1,687
IDFC G Sec Fund - Invt Plan - Reg - Growth	28.4	3.6	-2.6	-0.2	5.8	6.95	1,404

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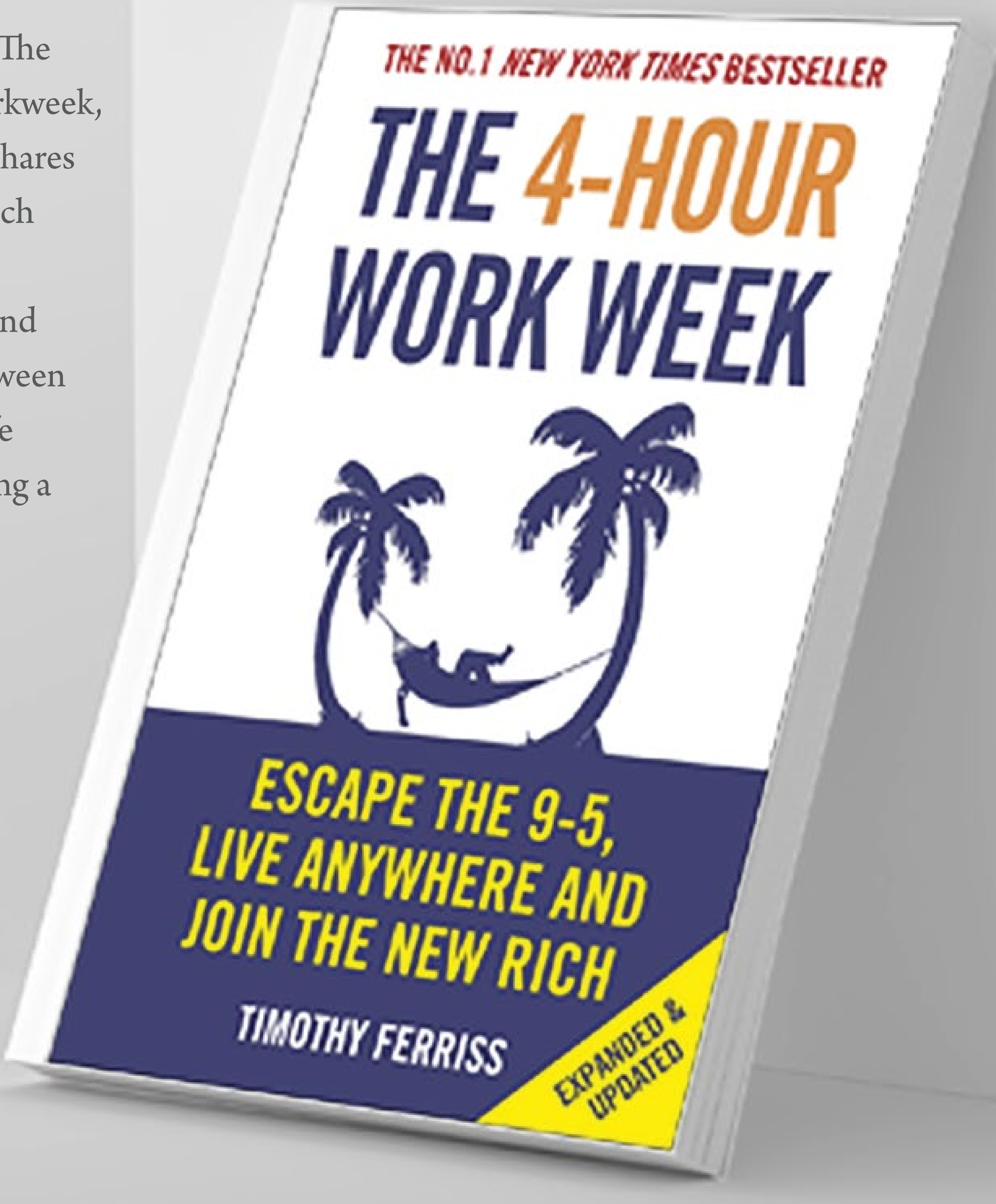
BREAKING THE NORM

In his book The 4-Hour Workweek, Tim Ferris shares ways by which readers can effectively find balance between work and life without being a wage slave



Most of us are caught in the rat race of the proverbial 9 to 5 job irrespective of whether it is satisfying or not. The daily melancholic and monotonous tasks often leave us wondering if this is what we want in life. However, the majority of us either fail to answer this question or end up concluding that owning a business is the only possible and practical solution.

Well, this is where Timothy Ferris' (an award-winning self-help guru's) book 'The 4-Hour Workweek' comes to our rescue. The book talks about escaping the 9 to 5 cycle, not working for long hours, and finding the freedom to work anytime, anywhere, and yet be successful.

KEY TAKEAWAYS

What Excites You The Most?

The author explains that most of us avoid the concept of fear disguising it with optimism. We avoid missing our hellish jobs by staying optimistic and hoping that things will change for the better in the coming times. However, the same is not true.

This step talks about asking oneself the hard question: "What is it that excites you in your day-to-day life and can you create a real bliss for your work life?"

The author quotes: "Excitement is the more practical synonym for happiness, and it is precisely what you should strive to chase. It is cure-all."

The work that excites you will ultimately bring you happiness. Hence, following your "passion" or something that brings you "bliss" will excite you and make you happy at the same time. Thus, instead of getting trapped in answering questions like "What do I want in life?" or "What are my life's goal?" ask yourself the simple question of "What excites me the most?"

DEAL - FERRIS' 4-STEP PROCESS TO TIME AND FINANCIAL FREEDOM

While growing up we were taught and believed that life is hard, whereas the fact is the opposite. The author with many accolades to his name talks about the New Rich - the ones who have given up their usual life plan and created a luxurious lifestyle using the new currency of time and mobility.

Ferris says, "People don't want to be millionaires — they want to experience what they believe only millions can buy."

He further quotes "Money is multiplied in practical values depending on the number of W's you control in your life: what you do, when you do it, where you do it, and with whom you do it."

The author summarizes the entire journey in a four-step process known as the DEAL, where
D (Definition) talks about defining what you are going to do
E (Elimination) talks about eliminating what's not necessary
A (Automation) talks about automating and outsourcing
L (Liberation) talks about getting out and living

The author outlines ten rules that we can and should keep in mind.
● Retirement is only the worst-case scenario insurance. The focus should be on creating an enjoyable and achievable work life
● Plan out mini-retirements throughout life. Follow an alternative cycle of working and taking a rest
● Working less does not mean laziness. You can work less and still be successful
● Don't wait for the right time to start as it may never come
● Do the task, don't seek permission, rather apologize if you fail at what you started
● Your strengths are more powerful. Instead of driving your energy towards fixing your minor weaknesses, draw it towards improving your strengths
● Excess of everything is bad
● Too much money can lead to problems rather than solutions
● Your relative income, that is, your time and dollars are more important
● Find people who are positive and help you grow. People criticizing you will only bring distress, which is bad

1. Strive For Effectiveness And Efficiency

Tim in his book explains the difference between efficiency and effectiveness. Being effective means acting in ways that help you achieve your goals. Being efficient is acting on a task in the most productive way. The common problem in the approach, however, is that people pay attention towards being efficient, while failing to work on being effective at the same time.

He says that being efficient and effective at the same time increases your value and makes it difficult for an organization to replace you. In his book, Ferris emphasizes on the two main laws: the 80/20 law and the Parkinson's Law.

The 80/20 rule talks about 20% of inputs resulting in 80% of outputs.

The Parkinson's Law on the other hand, talks about shortening the time to limit tasks to the ones that are important. He further states that being selectively ignorant can actually be blissful.

Tim States…
"Doing the important and ignoring the trivial is hard because so much of the world seems to conspire to force crap upon you. Fortunately, a few simple routine changes make bothering you much more painful than leaving you in peace."

2. Automate And Delegate

The next important thing that the author helps us to learn through this book is to master the skills of automation and delegation. The smartness, however, lies in eliminating before delegating. By this the author means that one should eliminate tasks that are altogether of no use. The rest can then be delegated, outsourced, or automated.

The author is quoted as saying, "Becoming a member of the NR is not just about working smarter. It's about building a system to replace yourself."

Tim further explains that most entrepreneurs don't start with the idea of automating as a goal, which further leads them to a world of confusion. The idea to be focused on should be to replace the human element. Automation helps you in freeing up your time, allowing you the freedom to be creative and innovating further instead of being caught up in your daily tasks.

3. Find Your Own Market

As per Tim, most people who start with the idea of artificially creating demand are heading in a completely wrong direction. He states that a product, which is either shippable or downloadable, is required for selling and removing the limitation of per-hour-based model.

Tim suggests three simple steps to find that product. They are:
● Pick an affordably reachable niche market
● Brainstorm products and not invest in them right away
● Micro test your products

Ferris says, "Creating demand is hard. Filling demand is much easier. Don't create a product, then seek someone to sell it to. Find a market - define your customers - then find or develop a product for them."

He elaborates, "Once you have a product that sells, it's time to design a self-correcting business architecture that runs itself."

4. Take Mini Retirements

Most of us have a mindset that it's only after retirement that we can have the freedom we seek in life. However, through his book, Tim shatters this myth. He tells us that a large number of people can have the freedom of time and finance. Yet, they can end up feeling stressful and money-obsessed. Through his book he tries to break the common stereotype of waiting till the end of one's career to embrace freedom.

Instead of waiting for retirement, he suggests people to take mini retirements throughout their life. Focusing on self-love and enjoyment is not a selfish act and, hence, one should not be hesitant about it.

He recommends relocating to somewhere new for a month or 6 and continue one's life in a new environment.

He states: "True freedom is much more than having enough income and time to do what you want. It is quite possible - actually the rule rather than the exception - to have financial and time freedom but still be caught in the throes of the rat race."

Slip Ups You Can And Are Allowed To Make

Making mistakes is normal and the best way to learn. Here are some slip ups we are likely to make once we start our journey to financial and time freedom as per the author.

● Losing sight of one's dreams and falling into work of work's space
● Emailing and micromanaging things just to kill time
● Taking up and solving problems you can delegate or automate
● Outsourcing tasks and problems more than once. This eliminates the objective of outsourcing
● Chasing unqualified or global prospects when you have sufficient cash flows
● Answering non-sales, non-converting emails that can be answered through an auto-responder or an FAQ list
● Working in the area where you live, sleep, or relax
● Not following the 80/20 rule thoroughly in your personal and professional life
● Striving for perfection both in your personal and professional life
● Blowing minutiae problems
● Viewing a single product, job, or project as the end of all of your existence
● Ignoring life's social rewards

The book emphasizes on the art of letting small bad things happen to experience life-changing big things. Letting small bad things happen will help appreciate the good things that take place in life, he beautifully argues in his boo**K.**

IMPORTANT JARGON

CPI INFLATION SPIKES AGAIN

Data for inflation measured by Consumer Price Index (CPI) for August threw in a surprise. It increased to 7% (with the base of last year) from 6.7% in July. This was mostly due to higher food and fuel price inflation.

CPI inflation has stayed above 6% for 8 months in a row, worrying the government and the country's apex bank, the Reserve Bank of India (RBI).

Q. What Is CPI Inflation?

Generally, inflation means a change in price levels. It tells how expensive or cheaper an item is over a period of time. The inflation index is constructed by attaching weights to various components (similar to how Sensex or Nifty is calculated).

Components in the CPI index include items that impact laymen like food, clothing, healthcare, education, fuel, housing, etc. Another popular index is WPI inflation, which tracks wholesale prices.

Q. What Is Core CPI Inflation?

The various components of the index move differently at different points in time. Generally, food and fuel are extremely volatile.

And if these items are included all the time while calculating CPI inflation, then it could distort the entire picture and lead to bad policy decisions by the government and the RBI. Thus, what remains after excluding food & beverages and fuel is termed as core inflation.

Apart from tracking the entire basket, analysts also keep a hawk's eye on core inflation to predict any policy moves. Currently, core CPI inflation has a weightage of 47.3% in the entire CPI index.

Q. What Caused August CPI Inflation To Spike?

The food basket with a weightage of 39.1% in the CPI index rose to 7.6% in August from 6.7% in July. Apart from food and beverages, the fuel and light segment rose 10.78%, clothing and footwear gained 9.91% and the housing segment jumped up 4.06%.

Q. What Does High CPI Inflation Signal Currently?

After trending higher early this year, global commodity prices have corrected from their peaks. However, inflation in India is still high. This could be because firms that deal with goods and services are passing on higher costs to customers.

This is a positive for companies as it eases margin pressures. High inflation also signifies that domestic demand has stayed steadfast.

Q. What Is Headline CPI Inflation?

The CPI inflation measured from the combined data of all components is headline inflation. Therefore, headline CPI minus food and fuel will give core CPI inflation. RBI's MPC targets this headline CPI inflation for policy formulation.

Q. What Is The Significance Of CPI Inflation Staying Above 6%?

RBI's six-member Monetary Policy Committee (MPC) has a legal target of keeping CPI inflation under 6% for a five-year period ending March '26.

To achieve this target, MPC has various policy tools like tweaking repo rate and Cash Reserve Ratio (CRR), among others.

If the MPC is unable to keep CPI inflation below the 6% target for three quarters in a row, then it will have to explain to the government the reasons for its failure to achieve the target. It, thus, becomes a legal document.

The RBI will also have to propose remedial actions to bring CPI inflation down and provide a timeline for the same.

Q. What Are The Chances Of Such An Event Happening?

CPI inflation in January-March '22 and April-June '22 was 6.34% and 7.28%, respectively. In July this year, it stood at 6.7%. The data for August has come in at 7%. Data for September will be released on 12th October.

If for the July-September period, the CPI inflation stays above 6%, then in eight years (since the regime of MPC started), the Reserve Bank will have missed the inflation target for three quarters in a row for the first time. Thus, triggering the need to submit a report to the government. The Indian government may or may not make the report public.

Q. What Is The RBI's Outlook On Inflation?

MPC members are of the view that inflation may have peaked in India. The RBI expects CPI inflation to be at 6.7% in FY22-23 (lower than what markets are expecting) and slide to 5% in the first quarter of FY23-24.

There are near-term risks to inflation stemming from rupee depreciation, rise in GST rates, and uneven distribution of southwest monsoon.

Q. When Is MPC's Next Meeting?

MPC's next meeting is slated for 30th September. Given the high print on CPI inflation, the MPC is expected to hike the repo rate by 50 basis points. The repo rate is the interest rate at which banks borrow from the RBI during times of tight liquidity.

It influences all the other interest rates in the system like banks' lending and borrowing rates. It also influences yields on government and corporate bonds.

The repo rate now stands at 5.40%, moving above the pre-pandemic level of 5.15% (in February '20). The MPC has raised the key interest rate by 140 basis points so far in this financial year in a bid to check raging inflation, which has been a cause of concern for the Reserve Bank since some time now .

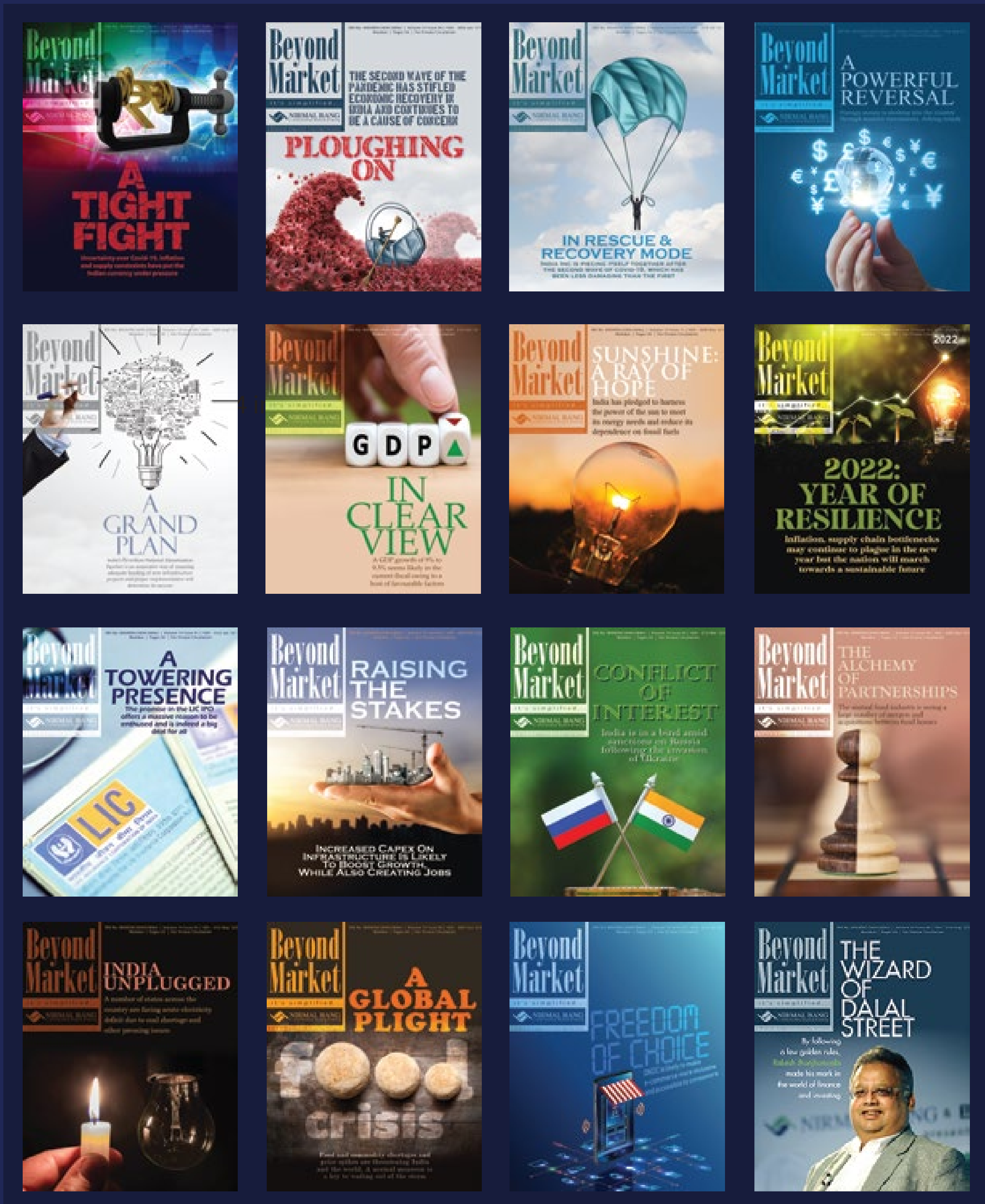
However, despite their move, retail inflation continues to remain above the upper tolerance level. Economists and industry analysts expect the MPC to keep hiking the repo rate till it reaches 6% to 6.5%, before taking a pause to change rates.

Q. What Will Be Worth Tracking In MPC's Next Meeting?

While domestic macro fundamentals are strong, risks from continued elevated commodity prices need to be tracked. Any changes to growth or inflation forecast, comments around comfort on the external balance sheet and overall tone of the policy statement would be worth tracking.

The arrival of the kharif season harvest in October-November in agri-markets could help pacify food inflation. This will start reflecting in the inflation print later in the year.

Given higher-than-expected CPI inflation for the month of August, the Monetary Policy Committee of the Reserve Bank is expected to hike repo rate by 35 bps to 50 bp**S.**



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