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is poised for significant
growth despite recent
challenges

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Beyond Market

it's simplified...



a financial magazine crossing horizons

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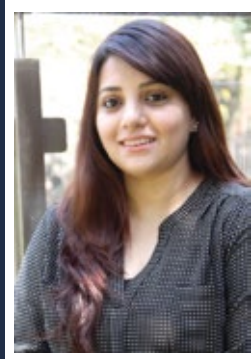
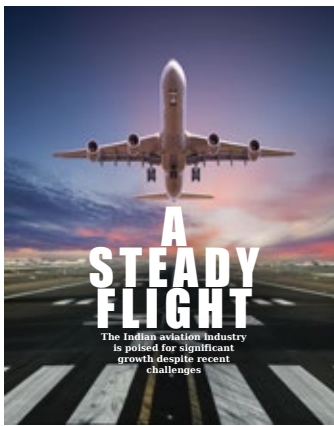
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Tushita Nigam
Editor

Flying High

The Indian aviation industry has been facing its share of cataclysms for a while now, including the impact of the pandemic. However, with time and various changes in the industry, the sector seems to be gaining stability, and there is a positive outlook for the future. With its promising potential, it is the right time to stay updated about this dynamic sector.

This issue of Beyond Market features a plethora of articles for you to read, including the current state of the Indian economy and what to expect in the coming times, an understanding of the banking crisis that hit the US earlier this year and what it means for global economies, India's defence sector that's growing with adequate assistance from the government, and the outcome of the recent MPC meeting, where the rate-setting body of the Reserve Bank adopted a hawkish stance and left interest rates unchanged.

You will also find articles on the Indian rupee's standing in the global currency order, as a host of countries are contemplating de-dollarization. Also, there are pieces on the various ways by which investors can calculate returns on investments, and how inflation is reducing consumption among the masses.

The SEBI has announced new reforms in favour of the mutual fund industry. You can read about them in the Beyond Basics section.

Don't miss Warren Buffett's annual letter to stakeholders of Berkshire Hathaway. It's a valuable source of lessons on investing, business, and life, including insights into the heart-warming friendship and partnership between Buffett and Charlie Munger, spanning decades.

“The Indian stock markets look good with the Nifty Futures having support at 17,600 and 17,700 levels.”

Nifty Futures: 17,823
(Last Traded Price as on 26th Apr '23)



The outflow of deposits from smaller banks to larger institutions, driven by concerns over the stability of regional lenders, appears to have temporarily slowed down, suggesting that the crisis involving small banks in the US is stabilizing.

Corporate earnings of India Inc have been mixed, with some large corporations reporting results below expectations.

At the recent Monetary Policy Committee (MPC) meeting, the Reserve Bank of India (RBI) decided to maintain stable interest rates due to initial signs of softening inflation.

In this backdrop, the Indian stock markets look good with Nifty Futures having support at 17,600 and 17,700 levels. On the upper side, it could touch 18,350 and 18,800 levels, thereafter. Market participants could consider companies from the sugar sector from trading and investment purposes.

Traders and investors should keep an eye on the outcome of the Fed meeting in May, as it is expected to announce a 0.25% rate increase. Additionally, they should closely monitor the earnings reports of Indian companies that are slated to be released in the coming days.

D. N. Singh

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PROMISING PROSPECTS

FY24 augurs well for the Indian economy



The new financial year began on 1st April of this year, and the economic outlook for India this fiscal year (FY24) is cause for optimism. The Indian economy appears to have recovered from the Covid-19-induced shocks, as well as the general economic downside that followed. India seems to be on course to emerge as the one bright spot in an otherwise troubled global economic environment.

India's GDP growth in the current fiscal year (FY24), which runs from 1st Apr '23 to 31st Mar '24, is projected to be over 6%, according to India's central bank, the Reserve Bank of India (RBI), and the World Bank (WB). This suggests a healthy growth rate for the Indian economy.

Data from the last two months of the previous fiscal year (February and March '23), regarding inflation and the Index of Industrial Production (IIP) figures, is also encouraging. If this trend continues over the next few months, then India could clock healthy economic growth this fiscal year.

Inflation, especially retail inflation, which is highly critical for India, moved southwards, in March. It fell below the 6% mark for the first time this calendar year, to 5.66%. This was only the third time in the last 15 months that retail inflation had fallen below 6%.

The last time India clocked this level of inflation was in December '21. After that, inflation stood above the Reserve Bank's upper tolerance level of 6% for ten consecutive months. Indian consumers faced an average inflation of 6.66% throughout 2022-23. However, in March, inflation dipped and is likely to recede further over the next few months.

The Reserve Bank has paused its interest rate hikes to rein in inflation this month - the repo rate presently stands at 6.50%. The apex bank has projected inflation in the country to moderate to around 5.2% this year.

In the April to June quarter, inflation is expected to average around 5.1%. It is worth highlighting that in the same quarter last year, there was an average price rise of 7.28%.

According to the National Statistical Office (NSO), food price

inflation, which was at a high of 7.7% in March last year and 6% in February this year, has considerably eased to below 5% at 4.8% last month.

An interesting highlight here is that there was a sharper reduction in rural inflation, which slid from 6.72% in February to 5.51% in March. However, urban consumers only received marginal relief, with a minor decline from 6.1% to 5.88% during the same period.

Significantly, a decline in oil prices was witnessed for the second consecutive month. Meanwhile, within food items, vegetables remained in a deflationary mode, and meat and fish prices also moved southward last month.

However, fruit prices climbed 7.6% in March compared to 6.4% in February. Meanwhile, inflation for cereals, milk, and spices continued to remain significantly high.

In its monetary policy statement earlier this month, the Reserve Bank pointed to some upward risks to inflation. Unseasonal rainfall and hailstorms could affect the agriculture sector, even though a record rabi food grain production is expected. The outlook for crude oil prices is highly uncertain due to geopolitical developments, and global financial market volatility has increased, with a potential upside for imported inflation.

The Reserve Bank also stated that the lagged pass-through of input costs could keep core inflation at elevated levels.

Taking into account the above factors and assuming an annual average crude oil price (Indian basket) of US \$85/barrel and a normal monsoon, it projects CPI inflation at 5.2% for this fiscal year, with Q1 at 5.1%, Q2 at 5.4%, Q3 at 5.4%, and Q4 at 5.2%, with risks evenly balanced.

In terms of GDP growth, a strong rural demand on the back of a healthy rabi crop, coupled with sustained buoyancy in contact-intensive services is expected to support urban demand and benefit the economy as a whole.

Moreover, the double-digit credit growth, above-trend capacity utilization in manufacturing, the government's focus on capital expenditure, and the moderation in commodity prices are expected to boost manufacturing and investment activity. Accordingly, the RBI pegs GDP growth for FY24 at 6.5%.

The World Bank pegs it at just a tad less, at 6.3%, which is lower than its December estimate of 6.6%.

The main reasons for lowering its GDP growth forecast are cited as a slowdown in consumption, challenging external conditions, rising borrowing costs, and slower income growth. Moreover, the withdrawal of pandemic-related fiscal measures is expected to lead to a slowdown in government consumption.

Both private and government consumption are expected to

register slower growths this fiscal year. Private consumption is projected to grow at a much lower pace of 6.9%, compared to a reasonable 8.3% growth in FY23.

Additionally, government consumption is expected to decline by double digits, specifically by 11%.

Furthermore, exports of goods and services are also expected to be lower this year, at 9.2%, as against a growth rate of 11.5% in the previous fiscal year.

The growth of domestic demand may also face challenges due to the upward risks associated with food prices and the stickiness in core inflation. Moreover, increased volatility and reduced risk appetite for emerging market assets could lead to another round of portfolio capital outflows, potentially putting depreciation pressure on the Indian rupee and further impacting growth.

On the positive side, the World Bank's Country Director in India, Auguste Tano Kouame said: "The Indian economy continues to show strong resilience to external shocks, compared to some other countries that are still struggling to recover from the shocks."

Highlighting the upside potential, the Washington-headquartered organization said that the global growth slowdown may not be as severe as projected earlier and that there could be a

stronger-than-expected pick-up in investment by private corporations.

These could be underpinned by increased profitability, especially in the services sector and improved corporate and bank balance sheets, the World Bank said.

A big indication that India's economic activities have returned to normalcy can be gauged from the fact that the Goods and Services Tax (GST) collection in March expanded 13% to clock the second highest ever monthly mop up at ₹1.6 lakh crore.

The gross GST collection for FY23 was 22% higher than that of FY22, amounting to ₹18.1 lakh crore, reflecting an average gross monthly collection of ₹1.51 lakh crore.

Additionally, the growth rate for March was the fastest this year, marking the 12th consecutive month in which inflows were over ₹1.4 lakh crore, and the fourth month in FY23 in which inflows exceeded the ₹1.5 lakh crore mark.

The FY23 figure and March's GST collection, in particular, clearly show that India's economic fundamentals remain as strong as ever, and its economy, unlike several other major global economies, is beginning to pick-up pace.

An important highlight during the month was that the returns filed by the tax payers was the highest ever, which, according to the Finance Ministry, indicated an uptick in compliance levels.

Till March, 93.2% of statement of invoices (in GSTR-1) and 91.4% of returns (in GSTR-3B) of February were filed as compared to 83.1% and 84.7%, respectively, in the same month a year ago.

Integrated GST (IGST) collections clocked a record high of ₹82,907 crore in March, which included ₹42,503 crore on import of goods. The revenue share between the Centre and states, after settling IGST collections is ₹62,954 crore for Central GST (CGST) and ₹65,501 crore for the State GST (SGST), the Finance Ministry said.

Indicating that the economic climate in India is getting increasingly comfortable, 16 states and the Union Territory of J&K reported higher growth from domestic transactions in March as compared to the national average of 14.4%.

This includes both Bihar and J&K, at 29.4% each, Karnataka (18.4%), Uttar Pradesh, Rajasthan, Odisha and Tamil Nadu, all at around 15%. Andhra Pradesh, Maharashtra, Kerala, Telangana and West Bengal also clocked higher growth. Himachal Pradesh and Gujarat registered the lowest growth, at 8.1% and 8.3%, respectively.

India's economy appears to have got back on rails and if there are no unexpected shocks, especially external ones such as the Covid-19 pandemic or wars in global hotspots, then the Indian economy could make rapid progress over the next four to five years.

FY23 has ended reasonably well, and FY24 promises to be even better. It could be the breakout year that the Indian economy needs for a big leap forward. Achieving a GDP of over 6% this fiscal year could provide the platform for achieving an over 8% growth rate by the late-2020s.

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IS A GLOBAL CRISIS BREWING?

BANK

The US seems to have averted a banking crisis that started with the collapse of SVB and Signature Bank, but many fault lines may emerge in the year ahead

W

hen Tim Cook was inaugurating an Apple store and gorging on vada pav in Mumbai, the iPhone maker was silently ushering in a revolution back in the US.

The company, along with Goldman Sachs, was launching a savings account product offering a yield of 4.15%, ten times the average 0.37% returns saving deposits rate offered by US banks. Apple was quick in sensing an opportunity as its product launch also coincided with some top US banks reporting a deposit outflow of \$60 billion in their first quarter results.

The start of this year has been pretty scary for the US banking system, which battled its biggest crisis since the 2008 financial crisis when two banks - Silicon Valley Bank (SVB) and Signature Bank - went belly up, triggering a crisis at a few other banks and leading to massive stock price falls. The US crisis also caused the spectacular bust of Switzerland's storied financial institution Credit Suisse, which was already tottering due to its bad investment bets.

The scare of a repeat of the global financial crisis of 2008, which was triggered after the fall of Lehman Brothers, led the US and European regulators to scurry and take big rescue measures such as extending credit lifelines, standing to insure all deposits at SVB and swift sale of Credit Suisse to UBS.

WHAT LED TO THE CURRENT CRISIS?

The SVB episode, which sparked the current crisis and exposed chinks in the US banking system, was not a typical banking failure like the 2008 crisis, which was due to the excesses of lending.

Rather SVB had made fewer loans, which were sound assets. However, with few takers of its loans, the bank was sitting on a pile of deposits, which it invested in long-term securities, mostly bonds that were held to maturity. However, the bank was caught off guard due to the sharp rise in interest rates. To contain inflation, the US Fed raised rates to 4.75% in the last one year from below 1%.

The sudden rise in rates eroded the value of SVB's long-term bonds, which was due to an inverse relationship between

interest rates and bond prices - as rates rose bond prices fell, leading to huge mark-to-market losses on its portfolio.

At the same time, SVB's deposit franchise had a high mix of non-interest bearing liabilities, akin to current account deposits in India. When depositors got a hint of huge investment losses by SVB, it led to a panic and run on its deposits. The withdrawals were exacerbated as withdrawals are now possible at the click of a mouse. The bank did not have a diverse set of depositors - it mostly catered to start-ups, which also made matters worse.

So, when a meaty chunk of these deposits suddenly got pulled out of the bank, SVB had to liquidate its investments at a big loss, further pushing it into a crisis and triggering a contagion at other troubled US banks.

HOW BIG IS THE BANKING CRISIS IN THE US?

The SVB episode has brought to the fore the risks of a sudden spike in interest rates. The US Fed raising rates to 4.75% from below 1% has led to asset-liability mismatches at regional banks.

At the beginning of 2022, American banks held \$24 trillion in assets, including cash on hand to repay depositors, securities such as Treasuries or mortgage-backed bonds, and loans.

These assets were funded by a deposit base of \$19 trillion, of which roughly half was insured by the FDIC and half was not.

The value of banks' long-term bond portfolios fell when interest rates leapt to 4.5%, resulting in \$620 billion in unrealized mark-to-market losses across America's financial institutions.

The problem with marking these losses on balance sheets is that it would suggest a significant hit to the capitalization of the American banking system. A 10% hit to bond portfolios, for example, would wipe out more than a quarter of banks' equity.

If other assets are adjusted for higher rates, bank assets would be worth \$2 trillion less than reported - enough to wipe out all equity in the American banking system. Although some of this risk could be hedged, doing so is expensive and banks may not have done much of it.

If half of the uninsured cash deposits were to be withdrawn, the remaining assets and equity of 190 American banks would not be enough to cover the rest of their deposits. These banks currently hold \$300 billion in insured deposits.

THE DEPOSIT BASE

The problem was compounded as higher rates elsewhere, such as in money markets and treasuries, led to the flight of the counterbalancing deposit base.

Financial institutions typically pay nothing at all on deposits, which are also pretty sticky as depositors park money in checking accounts for years on end.

However, with many banks not passing on higher Fed rates to depositors and other avenues, deposits had been flowing out of the banking system even before the SVB and Signature Bank crisis.

American savers have been yanking cash out of low-yielding bank accounts and ploughing it into alternative products such as Treasury bills that pay better returns, allowing them to take advantage of the Fed's sharp interest rate rises. So, while higher interest rates boosted profit margins from lending, withdrawals put pressure on banks.

If rates remain high, banks will either have to make do with lower levels of deposits or begin offering customers higher rates. Analysts predict that depositors seeking higher returns have pulled almost \$100 billion in aggregate from JPMorgan, Bank of America, Citigroup and Wells Fargo in the first quarter of 2023.

This is despite the collapse of Silicon Valley Bank, which spurred customers to move deposits from smaller regional banks into bigger ones.

Customers have pulled around \$800 billion in deposits from US commercial banks since March last year when the Fed first started to lift rates after lenders kept deposit rates relatively low while charging more for loans.

THE LESSONS LEARNT

The SVB collapse has upended some of the assumptions that investors and regulators made

in the post-2008 era. For example, investors had believed that deposits were safe while market funding was risky and that Treasuries were safe while loans were risky. However, the events have shown that these assumptions may no longer hold true, as problems in the financial system can emerge from unexpected quarters.

COMPETITION FOR DEPOSITS RISING

In a further sign of the threat to traditional banks' deposit base, tech giant Apple and Goldman Sachs have announced the launch of a new savings account in the US that will pay a market-leading 4.15% interest a year. It also outstrips rivals such as American Express, which is offering 3.75%. The bond market and US treasuries are offering way too higher rates, luring depositors.

THE INDIA SITUATION

Experts believe that the Indian banking sector is well insulated from global banking crises and is not as vulnerable to market shocks as some regional US banks. The Reserve Bank of India (RBI) has hiked policy rates steeply since May '22 but Indian banks are not as susceptible to interest rate changes due to their deployment of assets mainly in loans, with investments comprising only a quarter of their assets.

Moreover, most of their investments are in government securities, unlike US banks, which have other exposures. Additionally, domestic interest

rates have risen at a much slower pace in India than in the US, providing Indian banks with an adequate cushion to absorb interest rate changes.

Private sector banks, especially the larger ones, are less likely to be affected by interest rate hikes due to high capitalization levels while public sector banks may experience moderate impacts as they hold a higher proportion of investments held till maturity compared to their net worth. Most Indian banks have a balanced deposit base, which is not the case for some regional US banks.

Asset-liability management is regarded as a critical pillar of Indian banking, and the RBI takes it seriously, closely monitoring banks across various parameters, including the cash reserve ratio, credit allocation, and assets held by banks.

Indian banks are better placed than global peers to fend off

liquidity risks, given their granular retail deposits, better asset liability management, and close monitoring by the RBI or its support.

The RBI's Financial Stability Report of December '22 stated that Indian commercial banks are well-capitalized and capable of absorbing macroeconomic shocks, even without additional capital infusion from stakeholders. The leverage ratio for Indian banks remains in control since they have not overextended in lending, unlike many global banks flush with liquidity.

CAN THERE BE A GLOBAL CONTAGION?

While it is not possible to predict the future with certainty, it is unlikely that the current banking crisis in the US will lead to global contagion.

It is pertinent to note that the GFC of 2008 started with the fall of two Bear Stearns hedge

funds in July '07 and became full-blown only after a year when Lehman Brothers collapsed in September '08.

Inflation is still on the upswing in the US, which is likely to see a recession this year. The IMF too has made gloomy forecasts about the economy.

Banking crisis in the US is not over, warned 'Nouriel Roubini, who had predicted the 2008 crisis, saying that more banks and financial institutions are expected to go bankrupt in the current condition, leading to a recession-like situation.

However, any financial crisis in a major economy like the US could have spillover effects on the global economy. The interconnectedness of the global financial system means that a crisis in one country can affect others through trade, investment, and financial linkages. Therefore, while the likelihood of global contagion is relatively low, it is not impossible.

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A DEFENCE POWERHOUSE

**India's defence sector is
gaining global attention for
its indigenous production and
export of weapons,
demonstrating remarkable
advancement**

In the past six to seven years, India's defence sector has undergone considerable changes. The recent order of over ₹ 44,420 crore in defence orders given by the government speaks volumes about the changing dynamics of India's defence sector. Today, India's defence sector has grown so much that it is exporting defence products, rather than merely importing them. This is a testament to India's growth story. Let us take a closer look at India's journey from being an importer of defence products to an exporter.

THE CHANGING STORY

Globally, India has the second-largest defence force and is the third-largest military spender (\$76.6 billion in 2021) after the US (\$801 billion) and China (\$293 billion). Among the top five arms importers, India was the biggest importer between 2017 and 2021.

The changing story of India's defence sector from being an importer of defence products to an exporter can be largely attributed to prompt and consistent policy initiatives of the government.

According to official figures shared by the Press Information Bureau (PIB), India's exports of defence products grew to ₹ 15,920 crore in FY23 from ₹ 1,521 crore in FY17. This amounts to growth of more than ten times in the value of exports of defence products done by India.

Today, India, which was known to be an importer of defence products, also exports major platforms like Dornier-228, 155 mm Advanced Towed Artillery Guns (ATAGs), Brahmos Missiles, Akash Missile System, Radars, Simulators, and Mine Protected Vehicles, among others. India exports to over 85 countries.

A tweet from India's Defence Ministry said, "Indian industry has shown its capability of design and development to the world, with 100 firms exporting defence products at present. The rising defence exports and participation of 104 countries in Aero India 2023 are proof of India's growing defence manufacturing capabilities."

In the past five to six years, there have been various reforms. Let

us understand a few of the many important reforms:

- One such measure is the implementation of an end-to-end online export authorization process, which reduces delays and promotes ease of doing business. Export leads received from various countries are immediately disseminated to registered Indian defence exporters through an online portal, enabling them to promptly respond to export opportunities.
- There is no requirement to obtain a production license for most equipment related to the defence sector.
- The government has announced a ban on the import of 411 key products. These products include various categories of tanks, helicopters, artillery guns, and aircraft. This means that these items must now be manufactured in India. Defence Public Sector Undertakings will manufacture 3,738 defence items in India. This announcement provides clarity to domestic manufacturers about the scope of business in which they can participate.
- The government has also taken steps to enhance the defence testing infrastructure. It launched the Innovations for Defence Excellence (iDEX) scheme, which involves Start-ups & Micro, Small, and Medium Enterprises (MSMEs). In addition to this, it has launched an indigenization portal called SRIJAN to facilitate the supply of indigenously manufactured

items.

- The government has planned Defence Capital Acquisitions worth ₹ 15 lakh crore over the next decade. It seeks to increase defence indigenization from the current levels of 35%-40% to 70%-75%. In 2023-24, 75% of the capital procurement budget - close to ₹ 1 lakh crore - will be earmarked for the domestic industry. This is higher than 68% when compared to 2022-23.

- Foreign Direct Investment has been allowed through the automatic route. The government has raised it to 74% from 49% earlier.

- The Ministry of Defence will fund up to 70% prototype development costs up to ₹ 250 crore.

Experts point that these reforms are a reflection of India's 'Make in India' campaign, which aims to turn India into a defence production hub.

THE ORDER BOOK

At the end of FY23, the Ministry of Defence (MoD) placed orders worth ₹ 44,240 crore. It has a clear focus on manufacturing of defence items indigenously. This will benefit the entire domestic supply chain in India.

These orders will benefit Public Sector Undertakings (PSUs) such as Bharat Electronics Ltd (BEL), Bharat Dynamics Ltd (BDL), Garden Reach Shipbuilders & Engineers (GRSE), Cochin Shipyard and Goa Shipyard.

FY23 was a good year for the defence sector, with the government emphasizing on the importance of indigenisation and producing a long list of products to be procured from India. This gave a boost to all domestic defence players even though the defence outlay was not high in the Union Budget of 2023. However, analysts and economists are expecting big orders for defence companies in FY24.

Due to the upcoming general elections next year, there is a high likelihood of strong orders being placed with defence companies by the government, which may exceed those of FY23. This, in turn, is likely to improve the sector's earnings.

According to experts, India has created a strong presence in the world's defence market by manufacturing high-end products such as tanks, armoured vehicles, fighter aircraft, helicopters, warships, submarines, missiles, electronic equipment, special alloys, special purpose steels, and a range of ammunition.

According to various official reports, India has inked a few important export orders in recent years. These are:

- In January-end 2023, the Philippines signed a \$374.96-million deal with BrahMos Aerospace for shore-based anti-ship variant of BrahMos supersonic cruise missile. This is the first export order for the missile, developed by India and Russia.

- In November, Bharat Forge's

subsidiary, Kalyani Strategic Systems, grabbed an export order worth \$155 million for 155-mm artillery guns.

- L&T has been awarded a contract to supply Teevra 40-mm guns to the Indonesian Navy.

- Armenia has signed a \$250 million contract for Pinaka missiles, which are made by the domestic public sector undertaking Bharat Dynamics and private players such as Tata Advanced Systems and L&T.

- The biggest private sector collaboration in India's defence sector has been between Tata Advanced Systems and Airbus DS for the manufacturing and assembly of the C-295 medium-lift tactical transport aircraft. The contract is valued at ₹ 21,935 crore, and Tata Advanced Systems will produce 40 fly-away C-295 aircraft while also providing maintenance, repair, and operations (MRO) support and service for the Indian Air Force's 56 aircraft.

- Garden Reach Shipbuilders & Engineers and partner L&T are constructing eight anti-submarine shallow-water craft as part of the ₹ 6,311 crore order.

- Hindustan Aeronautics Limited (HAL) is currently manufacturing 83 Mk1A fighter jets as part of a ₹ 48,000 crore order from the Ministry of Defence. Also, it has been contracted to manufacture 12 light utility helicopters for ₹ 1,500 crore.

India has ample opportunities

in the global defence market, which is estimated to grow at a compound annual growth rate of 8.2% from \$474.69 billion in 2021 to \$513.57 billion in 2022, reaching \$581.84 billion in 2026, according to a report by Business Research Company.

India competes with the world's biggest arms exporters, including the US (39% of global exports), Russia (19%), France (11%), China

(4.6%), and Germany (4.5%), as cited by the Stockholm International Peace Research Institute, a global defence data specialist.

Experts point out that India has a bright future in manufacturing niche defence items such as helmets, suits, night vision cameras, and modern sleeping bags. Even defence electronics is a big opportunity for India's mid- and small-sized defence-

focused companies.

Lastly, government spending in the defence sector is likely to create strong business opportunities for Micro, Small & Medium Enterprises (MSMEs) in India.

Around 12,000 MSMEs are operating in India's defence sector, and the government funds these MSMEs through iDEX, a defence start-up for funding projects.

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The MPC threw a surprise by keeping repo rate unchanged in its April review. Does this pause signify the end of the rate hike cycle in India?



A HAWKISH PAUSE



The six-member monetary policy committee (MPC) - the interest rate-setting body of the Reserve Bank of India (RBI) - left the policy rate unchanged in its April review. All six members voted in favour of keeping the policy repurchase rate (repo) unchanged at 6.5%. On the contrary, the markets were expecting the repo rate to be hiked by a minimum of 25 basis points.

The repo rate is the interest rate at which banks borrow from the RBI during times of tight liquidity in exchange for government securities as collateral. This way liquidity is injected into the system at the repo rate. The repo rate influences all other interest rates in the system like banks' lending and borrowing rates. It also influences yields on government and corporate bonds.

In the current interest rate tightening cycle, the MPC hiked the repo rate, which stood at 4% in May '22 to 6.5% (250 basis points hike) now. While the quantum of rate hikes had begun to taper in the recent policy reviews, a pause in April was unexpected.

To point out, the MPC has the mandate to tame inflation at the 4% level with a band of 2% on either side. The MPC must also support economic growth, but targeting inflation remains the priority. A pause in repo rate hike signifies that the inflation is in a comfortable zone, while economic growth needs some monetary policy support.

Why has the MPC pressed the pause button? And what is the monetary policy outlook in the near-to-medium term?

IMPACT ASSESSMENT

After continuous repo rate hikes since May '22, the time was right for the MPC to assess the outcome of the previous actions. Even though the repo rate was hiked by 250 basis points, bond markets, over the period, had factored in even larger policy rate hikes.

To give some background to the current rate hike cycle, post-Covid inflation measured by the consumer price index (CPI) had stayed above the 6% level for several quarters, forcing the

MPC to undertake continuous rate hikes.

As a result of the rate hikes, commercial banks have increased their lending rates. They have also raised their borrowing rates by offering good returns to savers. With CPI inflation trending lower than the repo rate of 6.5%, savers are now enjoying a positive real interest rate.

Now, with inflation trending lower, the RBI wants to wait and evaluate the impact of the previous repo rate hikes.

INFLATION VS GROWTH

Even the inflation trajectory is supporting the pause by the MPC. CPI inflation is expected to be lower in the near term on the back of past rate hikes by the MPC, demand normalization and base effect. Even estimates of good food grain production could help relieve food inflation. For fiscal year 2023-24, the RBI expects CPI inflation to moderate at 5.2%, below the inflation target of 6%.

At the same time, even as the Indian economy outpaces the global economy, some challenges still persist. Turmoil in the banking system in some advanced economies, tight financial conditions and lingering geopolitical hostilities could have a spill over effect on India, warranting policy support.

The Reserve Bank's economic growth forecast for FY23-24 stands at 6.5%. This is against World Bank's and IMF's forecast of 6.3% and 6.1%, respectively.

WHY NOT A REVERSAL?

So, if inflation is likely to trend lower than 6% and the spillovers of global demand slowdown are visible in India, why did the MPC not start reversing the rate hikes?

One, the RBI wants to be sure that it has won the inflation battle. It wants to ensure that inflation expectations are lower in the economy.

Do keep in mind that a low and stable inflationary regime is necessary for the resilience in domestic economic activity to be sustained.

Two, when the MPC started cutting the repo rate (even before Covid struck India) to boost economic growth, inflation was around 2% while the repo rate was around 6.5%.

Currently, even though the repo rate is at 6.5%, the CPI inflation is around 6%, which is comparatively higher. This also explains why the policy stance of 'withdrawal of accommodation' was retained

RBI's Inflation & Growth Outlook For FY24					
Growth (%)					
	Q1 FY24	Q2FY24	Q3 FY24	Q4 FY24	FY24
Apr-23	7.8	6.2	6.1	5.9	6.5
Earlier (Feb 2023)	7.8	6.2	6	5.8	6.4
Inflation (%)					
	Q1 FY24	Q2FY24	Q3 FY24	Q4 FY24	FY24
Apr-23	5.1	5.4	5.4	5.2	5.2
Earlier (Feb 2023)	5	5.4	5.4	5.6	5.3

Source: Care Ratings

by the MPC.

The stance of the policy - an indicator that the MPC discloses along with policy action itself - has been maintained at 'withdrawal of accommodation'.

Five members voted to retain the stance on 'withdrawal of accommodation' from the previous policy review, while one voted against the resolution. The policy stance keeps the window open for further monetary policy tightening, if required.

FINALLY – A HAWKISH TONE

While the policy stance signifies that we may not see a

rate reversal cycle any time soon, weather-related uncertainties could offer challenges to the inflation trajectory in India. This also explains the hawkish tone of the policy.

For instance, consider this line in the policy statement: "there can be no room for letting down the guard on price stability... (there is RBI's) readiness to act, should the situation so warrant."

Clearly the job on inflation is not yet finished. Also, although the near-term inflation target is 6%, eventually the MPC will look at taming inflation at 4% for the medium term.

This indicates that we may be away from any repo rate cut in the near term.

A pause would not signify the end of the rate hike cycle in India. Further action by the RBI will be data-dependent. It will also be influenced by incremental action by global central banks, particularly the US Federal Reserve.

The next meeting of the MPC is scheduled during 6th to 8th June '23, and all eyes will be on this mega event.

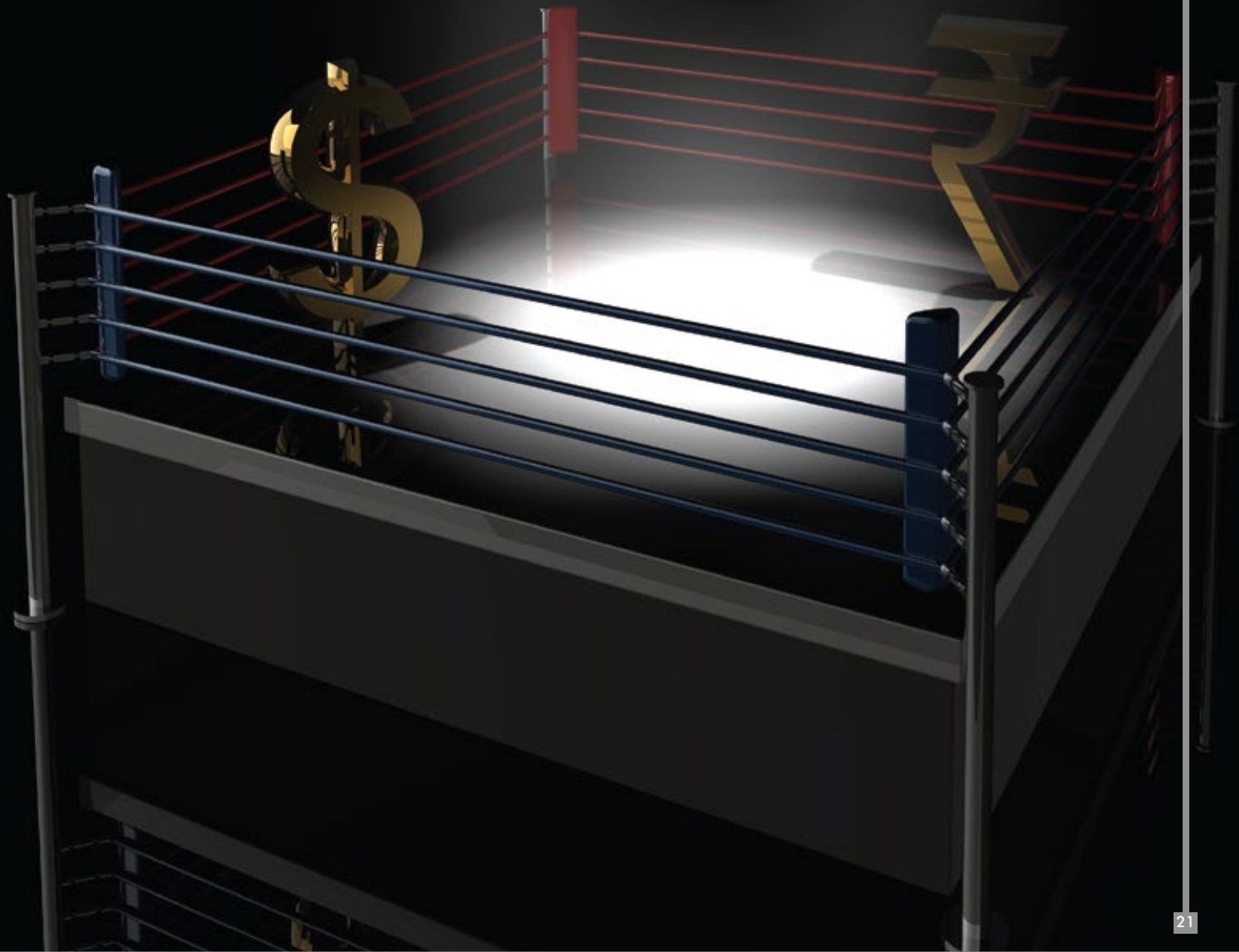
Rate Hike Cycle & Voting Pattern Of MPC Members

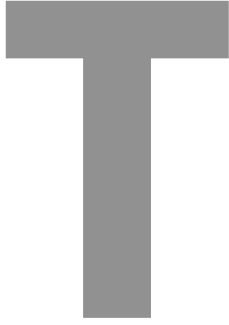
	Hike (in bps)	Majority	Stance
May'22	40	6:0	3WoA (Unanimous)
Jun'22	50	6:0	WoA (Unanimous)
Aug'22	50	6:0	WoA (Unanimous)
Sep'22	50	5:1*	WoA (5:1)
Dec'22	35	5:1	WoA (4:2)
Feb'23	25	4:2	WoA (4:2)
Apr'23	No hike	Unanimous	WoA (5:1)

*One Member In Favour Of 35 bps Hike; WoA – Withdrawal Of Accommodation
Source: Care Ratings

CURRENCY CLASH

In the quest for global control,
the battle between currencies has
taken center stage





The Indian government recently announced that its new foreign trade policy, which took effect on 1st April, will include measures to support international trade using the Indian rupee. The move aims to boost exports amid the global economic slowdown.

Commerce Secretary Sunil Barthwal has stated that India is prepared to trade in rupees with countries experiencing a shortage of US dollars. This move aims to make these countries “disaster-proof” and boost Indian exports.

The Indian rupee is gaining global recognition as 18 countries have agreed to trade using it, furthering the world’s efforts to de-dollarize the international market. This offers an opportunity for India to leverage the growing acceptance of its currency.

Under the new rules, traders will now be able to pay for imported goods in rupees. The Reserve Bank of India (RBI) has authorized 18 countries, including Germany, Kenya, Sri Lanka, Singapore, and the UK, to transact in the Indian currency. These countries can now invest in Indian companies and purchase goods and services from India, which will reduce trade-related transaction costs and boost commerce.

As India is a crucial trading partner to several countries, using the rupee as a settlement and invoicing currency will reduce exchange rate risks for these traders in the international market. The move will help reduce India’s trade deficit, which stood at \$233 billion from April ‘22 to January ‘23, by enabling it to export more, as more countries are willing to trade in rupees.

The use of the Indian rupee for international trade settlements with other countries is a step towards reducing the dominance of the US dollar in global transactions, which is known as “de-dollarization.”

Traditionally, most international trade transactions have been settled in US dollars, giving the US currency a dominant position in global trade. However, the global economic slowdown and geopolitical tensions have led to countries seeking alternatives to the US dollar to reduce their dependence on it. By allowing international trade settlements in the Indian rupee, India is providing an alternative to the dollar, which could contribute to the de-dollarization of the international market.

Also, the initiative is expected to increase trade with South Asian countries, such as Nepal and Bhutan, and promote the development of financial markets. The BRICS countries have already attempted to de-dollarize the international market in response to sanctions imposed on Russia by the West. This has allowed China to emerge as a potential alternative to the US.

The decision for India to trade in rupees with other countries may yield both favourable and unfavorable outcomes depending on different variables. Opting for the rupee as a trade currency can streamline and expedite payments for Indian exporters who can receive payments in their native currency. This can cut down transaction costs and eliminate the need for currency conversion, making Indian products more competitive in the international market.

Moreover, the surge in demand for the rupee could influence its exchange rate, bolstering its value against other currencies and potentially leading to further economic benefits.

However, a rise in the demand for the rupee could also have its downside. The appreciation of the currency could lead to higher import costs and reduced export competitiveness, causing a trade imbalance. Additionally, an inflow of foreign currency could trigger inflation and adversely impact the economy.

On the other hand, an

increase in foreign investments resulting from easier trading in rupees could boost the economy, propelling Indian stock markets and the overall financial landscape. However, shifting towards more rupee-based trading could create a trade deficit if imports outweigh exports, which could harm the economy.

Overall, the impact of trading in the rupee would hinge on a myriad of factors, such as the quantity of trade, demand for the rupee in the global market, and the balance of payments. Although the ramifications of India's decision remain uncertain, the use of the rupee for international trade settlements would reduce the dollar's influence, encouraging the utilization of other currencies.

The degree of success of India's attempt to de-dollarize will depend on several factors, including the adoption of the Indian rupee by other countries, the soundness and reliability of India's financial system, and global economic and political conditions.

De-dollarization is happening globally due to apprehensions over the stability of the US dollar, a desire to diminish the dependence on the US economy and financial system, and geopolitical tensions between US and other nations.

The US dollar's predominance in the global market has been cemented since the end of World War II when the US emerged as the dominant military and economic power.

The US dollar's position as the

world's reserve currency has enabled the US to enjoy substantial economic advantages, such as lower borrowing costs and the capacity to finance its deficits by selling US Treasury Bonds to foreign investors.

But there is a growing concern among several countries that the US is exploiting its economic supremacy to exert undue influence over the global economy and financial system. The utilization of sanctions and other economic instruments by the US to pursue its foreign policy objectives has also generated uncertainty and instability in the global market.

The members of the BRICS (Brazil, Russia, India, China, and South Africa) bloc have taken significant steps to distance themselves from the US-dominated international trade and financial system. The transition to settlements in national currencies is just the beginning, as the bloc aims to introduce a fundamentally new currency, which could take a digital or another form.

While details of this landmark project are yet to be revealed, its scope is expected to be significant. The current BRICS countries already represent a huge portion of the global population and GDP.

Iran and Saudi Arabia have initiated the formal process to join the alliance, which is set to expand further. Also, over 10 other countries, including Egypt, Algeria, the UAE, Mexico, Argentina, and Nigeria, have expressed their interest in joining.

The new currency is expected to be based on a strategy that does not defend the dollar or euro, and it may be pegged to the value of not just gold, but also other groups of products, rare-earth minerals, or soil.

The first step in this process - trade in national currencies - is already underway. Some countries are seeking to reduce their reliance on the US dollar by promoting alternative currencies, such as the euro, yuan, and rupee.

The US dollar remains the primary global reserve currency, but the yuan has seen a rise in usage over the past few years, accounting for 7% of global foreign exchange trades, making it the fifth largest payment and reserve currency, and the third largest in trade settlements.

In addition to this, oil-producing countries such as Saudi Arabia and Iran have started to consider selling oil in currencies other than the dollar, which has challenged US's dominance in the international financial system.

By mitigating the predominance of the US dollar in the global market, these countries hope to foster greater stability and lessen the US's capacity to employ economic tools to pursue its foreign policy objectives.

As countries continue to explore ways to reduce their reliance on the US dollar, the possibility of a more diversified global financial system has emerged, and the use of alternative currencies may increase in the near future.



A STEADY FLIGHT

**The Indian aviation industry
is poised for significant
growth despite recent
challenges**

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any people had hoped that consumer discretionary and non-essential sectors would do well after the coronavirus pandemic, as any improvement in these segments would signal that the economy was out of the woods.

Of the sectors that fall under the umbrella of 'consumer discretionary,' the aviation industry has experienced a marked improvement in demand. Today, the anxiety and uncertainty surrounding travel are not as high and palpable as they were two to three years ago.

In this context, an important question on investors' minds is whether the future outlook for India's aviation sector is stable. To gain a holistic understanding of the industry's prospects in the coming months, let us consider various factors.

THE CHANGING INDUSTRY LANDSCAPE

In the past three years, India's aviation industry's landscape has changed for the better. Among the various variables that are important for recovery, almost all are favourable for the industry.

First, passenger traffic in the aviation industry has been on the rise. According to official data, domestic passenger traffic increased by 60% to over 13.6 crore in FY23, compared to the previous year. Although this is still lower than pre-pandemic levels, where passenger traffic reached 14.15 crore in FY20, industry experts and analysts believe that the momentum in passenger traffic will continue and bridge this gap in the coming months.

Even India's international passenger traffic has also grown over the past 11 months of FY23 and is now almost at par with pre-pandemic levels. Official data shows that in the 11 months of FY23, India's international passenger traffic remained stable at 2.16 crore. In the same period of FY20, which was the pre-pandemic benchmark, India's international passenger traffic was close to 2.17 crore.

The second variable that plays a crucial role in the aviation industry's earnings is fares. In the past one year, there has been a marked increase in fares across crucial geographies. As per media reports, travel costs during this summer are considerably

higher than before, to the extent that a round trip from India to Europe costs ₹ 80,000 - ₹ 90,000 compared to ₹ 50,000 - ₹ 60,000 last year.

In fact, during a speech in Lok Sabha on the issue of exorbitant airfares, Ladakh MP Jamyang Tsering Namgyal stated that fares in the aviation sector had reached ₹ 80,000 when he checked online. This shows that airlines have gained a certain amount of pricing power in the sector as passenger traffic has increased over the past year.

The third variable in the aviation industry is inventory or capacity. Optimistic statistics indicate that capacity in the industry is growing.

As per official information shared by airlines, there are more than 1,100 planes ordered by various domestic carriers. After more than 17 years, Air India has placed an order for a total of 470 planes with Airbus and Boeing. This order, which includes both wide-body and narrow-body aircraft, is the largest to date by an Indian carrier and is also one of the largest single aircraft orders in the world.

India's largest airline by market share, IndiGo, has ordered around 500 planes. Additionally, Akasa Air has placed an order for 72 Boeing narrow-body aircraft, out of which 16 planes have been delivered, bringing Akasa Air's total aircraft count to 56.

Even Go First, known as Go Air earlier, has 72 planes on order, while Vistara is set to receive 17 more Boeing

planes. Together, Air India, IndiGo, Akasa Air, Go First, and Vistara have at least 1,115 planes on order. At present, there are around 700 commercial aircraft in India.

Plane manufacturers also share this optimism for expanding capacity. Boeing said, India will require ~2,210 new planes over the next two decades. It also predicts that India's annual domestic air traffic growth will be nearly 7% through 2041.

The fourth variable is the availability and expansion of airport infrastructure. The number of airports in the industry has grown from 74 in 2014 to 147 in 2022. An official statement from the government said the aviation industry is expected to have close to 220 airports by the end of FY25.

In the context of these facts, it is evident that India's aviation industry is experiencing growth in the most important variables that play a crucial role in earnings' growth.

THE OUTLOOK

According to a recent research report by ratings agency ICRA, the outlook for India's aviation industry remains stable. In its report, ICRA states, "The Stable outlook was revised from Negative in the recent past on the back of fast-paced recovery in domestic passenger traffic in FY23 and expected continuation of the same in FY24."

It further observes, "Moreover, the industry witnessed improved pricing power, as

reflected in the improved yields and thus the RASK-CASK spread of the airlines. The same is expected to continue as the industry will regain some pricing discipline, coupled with the sequential decline in aviation turbine fuel (ATF) prices for last few months and relatively stable Forex rates."

In the coming months, the two perennial challenges of the industry - high crude oil prices and the dollar - may impact the growth and recovery of earnings for airlines. However, analysts and experts point out that despite high crude oil prices and a high dollar rate, the net loss for the industry will be lower than what it incurred in FY22.

According to a study by ICRA, the industry is estimated to report a net loss of close to ₹ 11,000 - ₹ 13,000 crore in FY23 due to elevated ATF prices and depreciation of the rupee with respect to the US dollar. This will be much lower than the industry's net loss of close to ₹ 23,500 crore in FY22. In fact, ICRA's previous estimates of the airline industry's losses for FY23 were ₹ 15,000 - ₹ 17,000 crore. A key reason for the stable outlook for India's aviation industry is the optimistic forecast for its passenger traffic in the coming years.

At the recent CAPA India Aviation Summit, Civil Aviation Minister Jyotiraditya Scindia stated that India's aviation sector is now at an inflection point between infancy and entering the growth phase, and it has immense potential in the years to come. This

optimism is validated by the predictions of aviation consultancy firm CAPA. According to CAPA, India's domestic passenger traffic is likely to rise to 16 crore in FY24 from an estimated 13.75 crore for the current fiscal year. By 2029-30, India's domestic passenger traffic is likely to touch 35 crore.

At the same event, Civil Aviation Secretary Rajiv Bansal said that passenger handling capacity at airports in six major metropolitan cities is likely to expand to 320 million per year in the near future and to 500 million per year over the next few years. This will be the result of airport expansion projects in the coming years.

Bansal also said that expansion projects at existing airports in Delhi, Bengaluru, Chennai, and Kolkata, as well as the upcoming greenfield airports - Noida International Airport in the National Capital Region and the Navi Mumbai International Airport - are likely to be completed by the end of next year. Additionally, the government wants all six metros - Delhi, Mumbai, Bengaluru, Hyderabad, Chennai, and Kolkata - to become major international hubs for air travel.

Given these facts, analysts believe that the industry has entered a phase of recovery. They estimate that at least in the next one year, the industry is likely to see a marked improvement in earnings. For well-placed airlines such as InterGlobe Aviation, analysts estimate growth of at least 60% in FY24 compared with FY23.



DIVERSE PERSPECTIVES

There are several methods for calculating returns, and selecting the optimal approach depends on various factors

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eturns on investment is a key criteria used by investors when choosing between asset classes or products within the same asset class. Simply put, return on investment refers to the excess money earned over and above the principal invested. For a fixed deposit product, the returns would be the interest rate offered by

the product. However, this rate can vary depending on whether the investor wants the interest to be reinvested or paid out periodically, such as quarterly, half-yearly, or annually. The time of maturity for the investment, that is, the principal amount remains fixed and unchanged.

For a mutual fund product, which is open-ended like in the case of equity mutual funds, the returns are not fixed. Therefore, to calculate

the returns, the duration of the investment or the time spent staying invested in the product, plays an important role. The duration for which an investment is held can vary from investor to investor, and this can impact the calculated returns.

Moreover, the complexity increases when the investor has opted for a Systematic Investment Plan (SIP) or made irregular investments, as the duration or the time spent staying invested for each installment will vary. This variation needs to be considered to accurately calculate returns.

There are different methods available to calculate returns on investment, which take into consideration the variations mentioned above. These methods include absolute return, compound annual growth rate (CAGR), or extended internal rate of return (XIRR). While the calculation itself is straightforward and can be done on an Excel spreadsheet or on various websites, selecting the appropriate calculation method is critical to ensure the accuracy of the return on investment.

It is imperative to have a good understanding of each available option for calculating return on investments, as it plays a vital role in financial planning and making investment decisions.

Absolute Returns

Absolute return on investment refers to the calculation of return on investment by taking

into consideration only the beginning and end values, without factoring in the time period. In other words, it is a point-to-point return on an investment expressed as a percentage and shows how much an investment has appreciated or depreciated in value. It does not tell how much the investment has earned annually.

The formula for calculating absolute return on investment is $((\text{current value of the investment} / \text{original investment}) - 1) * 100$.

For example, if an investor had invested ₹1 lakh three years ago and the current value is ₹2 lakh, then the absolute return would be 100%.

Absolute returns do not provide information on the annual returns earned by the investor during the investment period. As a result, it does not indicate the speed at which the investment has grown annually, making it unsuitable for comparing with other investments.

Without knowing the period over which the returns have been realized, it becomes challenging to make an informed investment decision. While it can be used to assess the appreciation or depreciation of an investment, it is not ideal for investment decision-making, particularly if the investment period is longer than a year.

Compound Annual Growth Rate (CAGR)

CAGR is the absolute

annualized rate of return on an investment calculated by taking into consideration the time period for which the investment is held, assuming that all returns along the way are reinvested. CAGR provides an accurate calculation of returns for investments that do not have periodic inflows and outflows.

CAGR is useful for comparing the returns of two investments as it shows the percentage by which an investment has grown each year to reach the end value. Using CAGR to analyze two investments can provide a clear indication of which one has performed better each year.

The formula used for calculating CAGR is $((\text{current value of the investment} / \text{original investment})^{(1/\text{tenure of the investment})}) - 1$.

To calculate CAGR, only three data points are required: the initial investment, the final value of the investment, and the time period for which the investment was held.

For example, if an investment of ₹25,000 made in January '20 appreciated to ₹39,000 in January '23, then the absolute returns would be 56%, and the CAGR, which signifies the annual growth rate of the investment, would be 16%.

CAGR helps to even out the returns and provides an overall picture of the investment's growth. Therefore, in the above illustration, it is possible that the investment may have lost value in 2021 but regained

strength in the following year. CAGR provides an overall picture of the annual returns earned over the entire period for which the investment was held. It accurately calculates the return on a lump sum investment, taking into consideration the investment period.

However, if there are irregular or sporadic inflows, CAGR may not be the best option. In such cases, the XIRR calculation is more appropriate as it provides accurate data on the returns earned from the investment.

Extended Internal Rate of Return (XIRR)

XIRR is the average annual rate of return that takes into consideration the inflows and outflows of an investment over the investment period. It is best suited for investments with periodic or sporadic inflows, where the duration of each investment may vary, such as in the case of Systematic Investment Plans (SIPs). XIRR provides an

accurate calculation of returns in such cases.

In an SIP, the XIRR would be the CAGR of the 1st investment, which has been invested for the longest tenure plus the CAGR of the next SIP installment calculated for the time period for which it is invested and so on. The XIRR calculates the aggregated CAGR of each installment of the investment, thus providing accurate returns.

For example, if an investor invests ₹1 lakh each year through an SIP for four years, and at the end of the fifth year, the investment value is ₹6 lakh, the first ₹1 lakh was invested for five years, the second for four years, the third for three, to grow and so on.

Calculating the return for each tranche of investment can be tedious. But the XIRR formula can be used on a spreadsheet, which requires data on each investment made, the time it was made, and its end value. For the example above, the XIRR would be 16.9%.

In practice, especially with mutual funds, investors tend to invest and redeem in parts at irregular intervals. Thus, there may be cash inflows and outflows at different periods in time. In such situations, XIRR is the best parameter to use as it takes into consideration all inflows and outflows while calculating the ultimate return.

When evaluating the performance of investments in your portfolio, the choice between using absolute return, CAGR, and XIRR will depend on how the investments have been made.



If it is a lump sum investment that has been held for a few years, CAGR would provide an accurate return on the investment. If there were periodic inflows and outflows, then XIRR would be the best option as it takes into consideration all these factors.

The right choice is important because it will depend on your decision to either stay invested or exit an investment for a better opportunity.



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TIGHTER WALLETS, TOUGHER CHOICES



**Rising inflation is taking the bite
out of consumers' purchasing power**

India's domestic demand-driven economy has been a crucial factor in the country's post-Covid rebound, making it stand out as a rare beacon of hope amidst a global economic slowdown caused by central banks tightening rates to curb inflation. Indian consumers played a vital role in this turnaround by supporting the country's growth story.

However, recent data has raised questions about whether this growth engine is starting to lose steam. The non-discretionary staples sector, which is the largest consumer goods sector in India and includes fast-moving consumer goods (FMCG) companies, reported a significant gap between volume and value growth in the last quarter.

While inflation is squeezing consumers, it is boosting headline growth figures. It seems that FMCG growth in India is mostly price-driven, with gross margin recovery supported by cost-cutting measures such as reduced advertising and publicity expenses.

Despite the apparent enthusiasm of Indian consumers, there is a growing sense that the consumption story may be approaching a rough patch. This development calls for a closer look at the factors that drive India's economy and a re-evaluation of the country's growth prospects in the face of inflationary pressures and changing consumer behaviour.

In a recent report, the World Bank lowered India's 2023-24 GDP growth estimates to 6.3% as against 6.6% earlier. It stated that "rising borrowing costs and slower income growth will weigh on private consumption growth, and government consumption is projected to grow at a slower pace due to the withdrawal of pandemic-related fiscal support measures."

As a result, the lower and middle-income groups could be the hardest hit, with inflation and increased interest rates impacting both urban and rural consumption in the coming months.

INFLATION PINCHING THE CONSUMER'S POCKET

Inflation is a double-edged sword that affects both consumers and businesses in different ways. In India, inflation has persistently been higher than the RBI's comfort levels. In

December '22, India's consumer price index (CPI), which measures the country's retail inflation, decreased to 6.52%, and in January '23, it fell marginally to 6.44%.

In the case of the FMCG sector, inflation is both pinching consumers and bumping up headline growth numbers. While higher prices are helping companies recover gross margins, flattish-to-negative volume growth indicates that consumers are feeling the pinch.

Moreover, persistent inflation has led many rural consumers to shift to smaller regional or local brands to reduce overall expenditure.

Inflation, fueled by both international and domestic supply constraints, has wreaked havoc. International commodity and energy prices, including crude oil prices, have surged due to the Russia-Ukraine war and other factors.

Inflation has caught fire globally, largely due to the spike in energy prices, and it is also hurting growth and consumption in India.

In March '23, India's petrol sales grew by only 2% year-on-year (y-o-y), much lower than the 11.9% growth in February and 17.6% growth in January '23.

While most people expect inflation to ease, the reduction could be marginal and longer in duration, given the persistent pricing pressure and supply-side issues.

HIGHER INTEREST RATES ARE

IMPACTING CONSUMER SPENDING

To combat inflationary pressure and rate hikes by the US and other countries, the Reserve Bank of India (RBI) has been consistently increasing interest rates over the last few months. It has raised the repo rate six times by a total of 250 basis points thus far to tackle inflation. However, this decision has raised questions, particularly in light of recent global events.

There are concerns that additional rate hikes could impede economic growth more than alleviate inflation.

Higher interest rates are already impacting consumer spending as they result in higher borrowing costs for individuals and businesses, which could lead to reduced spending and investment. This reduction in consumption is particularly evident in big-ticket items like automobiles and housing.

For instance, Maruti Suzuki, the largest maker of passenger vehicles, reported lower sales figures for March '23 at 1,32,763 units on a y-o-y basis as compared with the same month last year when it sold 1,33,861 units.

Additionally, data from the RBI's consumer confidence survey indicates that consumer confidence in India has weakened in recent months.

The survey found that households are becoming more pessimistic about the overall economic situation, with concerns about rising

prices and unemployment. The higher interest rates are likely to be a contributing factor to this decline in consumer confidence. Many large companies, including tech giants like BYJUS, have announced layoffs.

The impact of job cuts and employment uncertainty is reflected in consumer confidence levels, as households become more cautious about their spending. This caution is likely to further impact consumption in the near term, particularly for non-essential items.

Furthermore, a study of nine urban indicators that track urban consumption in India showed a 6.6% growth in the third quarter of fiscal year 2023, which was the lowest compared to 10.9% in the second quarter and 18% in the first quarter of the fiscal year.

This downward trajectory, combined with higher inflation, increased interest rates, and the impact on salaries and income, is expected to keep urban consumption under check.

RURAL INDIA - CATCHING THE HEAT

The demand landscape in India is displaying a stark contrast between rural and urban markets, with the former facing a more challenging situation.

Despite hopes for a much-needed recovery in the rural sector, the Union Budget has been cautious in offering any significant incentives. Furthermore, the outlook for

this monsoon season appears bleak.

The signs of a slowdown in rural consumption are already visible. According to industry experts, the composition of 12 indicators that track the mood of rural India recorded a 4.6% year-on-year growth in the third quarter of fiscal year 2023 compared to 5.6% in the second quarter and 6.5% in the first quarter of FY23.

The growth in consumption is sliding in the rural market, and this trend is likely to continue due to emerging risks.

Several factors are contributing to this decline, including a drop in agricultural activity, falling non-agricultural wages, lower farm credit, decreasing sales of two-wheelers, and worsening trade terms in the rural market.

It is crucial to address these issues to stimulate rural consumption and support the overall economic growth of the country.

WEAK MONSOON - AN ADDED RISK

According to the India Meteorological Department (IMD), there is a 60% probability of below-normal monsoon rainfall in 2023 due to the possibility of a La Nina weather event. This could have significant consequences on the Indian economy, particularly on rural consumption, as rural demand accounts for a significant portion of overall consumption in India.

A weak monsoon in 2023

could lead to lower agricultural production, reduced farm incomes, and lower rural demand. Consequently, this could have a cascading effect on other sectors of the economy, especially those that are heavily dependent on agriculture-based incomes, such as fast-moving consumer goods (FMCG).

A weak monsoon can also lead to higher food prices, further reducing the disposable incomes of rural

consumers. Given that a large proportion of the Indian population depends on agriculture for their livelihoods, the impact of a weak monsoon on food prices can be particularly significant.

Several instances in the past have shown that weak monsoons have led to a decline in rural consumption in India. For instance, during the drought of 2015-16, rural consumption growth in India declined sharply to 0.2% compared to 5.7% in the

previous year. Therefore, the impact of a weak monsoon on rural consumption cannot be underestimated.

Overall, certain pockets of the markets and leading indicators in both rural and urban areas suggest that there could be a slow and gradual build-up of stress due to inflation and other factors. This could reduce the purchasing power and capacity of consumers, ultimately impacting India's consumption in the coming months.

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CONSTRUCTIVE REFORMS

A slew of measures were announced by SEBI recently to help improve the mutual fund industry





The last board meeting of the Securities and Exchange Board of India (SEBI) in March this year was indeed an important one from the standpoint of the mutual fund industry. The market regulator had announced a range of measures, from allowing new players to enter the mutual fund industry to setting up a fund house with a sponsor.

All these steps will go a long way in improving investor confidence in mutual funds. In this article, we explain key announcements made by the regulator for mutual funds and their impact on investors.

NEW ESG FRAMEWORK

In the last three years, Indian fund houses have launched thematic funds based on environmental, social, and governance (ESG). However, the concept of ESG investments and standardized disclosures for ESG funds is still evolving.

There is an urgent need for consistent and useful scheme disclosures that can enable people to make informed decisions and prevent greenwashing.

SEBI has announced various measures to address the risks of greenwashing and enhance stewardship reporting requirements. Greenwashing is a tactic used by companies to deceive customers into believing that their products and services are environmentally friendly.

The regulator has now mandated ESG schemes to invest at least 65% of their assets in entities for which business responsibility and sustainability reports (BRSR) have been compiled. It has also said that there should be enhanced disclosures on voting decisions with a specific focus on ESG factors. Furthermore, the regulator has introduced a new scheme category that will enable the launch of multiple schemes based on ESG-related factors.

Currently, fund houses can launch only one scheme in the ESG category. However, after the announcement from the regulator, there will be five ESG sub-categories for mutual funds, including ESG impact investing schemes and ESG sustainable objectives schemes, among others.

While disclosures in ESG funds are likely to improve further going forward, the market will also be flooded with new fund offers (NFOs) of various ESG themes. It is essential for investors not to get fascinated by such marketing tactics of fund houses and continue investing through diversified equity funds.

CORPORATE DEBT MARKET DEVELOPMENT FUND

The market regulator announced the establishment of an alternative investment fund (AIF) in the form of a corporate debt market development fund (CDMDF). This fund will act as a safety net for mutual funds that want to buy investment-grade securities when the market is unstable.

Over the past 15 years, investors have rushed to withdraw their money from Indian mutual funds, causing liquidity crises. In times of emergency, the Reserve Bank of India (RBI) has provided special liquidity facilities for mutual funds.

The Indian central bank announced such facilities during the global financial crisis (GFC) in 2008, the taper tantrum in 2013, and again in 2020 when one fund house closed six schemes.

With this new fund, the Indian mutual fund industry will no longer require external support, as this fund will buy debt papers during liquidity crises.

With a guarantee from the National Credit Guarantee

Trust Company (NCGTC), CDMDf may be able to raise money to buy corporate debt securities when the market is in trouble.

SEBI also changed the rules so that fund houses and debt schemes can help build up the fund's initial capital.

"Access to the fund for selling securities during market dislocation shall be to specified mutual fund schemes in proportion to the contribution made to the fund at a mutual fund level," said SEBI in its release.

This move will make sure that if there are a lot of withdrawals because of a liquidity crisis, mutual funds will be able to sell securities to service those redemptions. But that doesn't mean that fund managers will take unnecessary risks and invest in risky debt instruments.

The errant fund managers will be penalised if they invest, thinking that the CDMDf will bail them out in times of crises.

SELF-SPONSORED AMCs AND ALLOWING PE PLAYERS TO START MUTUAL FUND OPERATIONS

Private equity (PE) players who were actively looking to become part of the mutual fund industry as sponsors have received a boost from market regulator SEBI. It has allowed PE players to set up shop and own mutual fund companies.

However, to safeguard the interests of investors, PE firms or their managers should have

a minimum of five years of experience in investing in the financial sector and managing committed and drawn-down capital of ₹5,000 crore. These points were stated in SEBI's consultation paper on the review of the regulatory framework for sponsors of mutual funds.

SEBI has also proposed that if the PE firm holds more than a 10% stake in an investee company, then the mutual fund sponsored by the PE firm should not participate as an anchor investor in the investee company's public offering.

This move paves the way for new players to enter the mutual fund industry or for PE firms to buy out existing mutual fund players.

Alternatively, the regulator also announced changes that allow "self-sponsored AMCs" to continue running mutual funds. This gives the original sponsor the freedom to exit the mutual fund without having to find a new eligible sponsor.

Going forward, it is possible that we may see a situation where there is no sponsor for the asset management company (AMC).

With this announcement, the ₹40 trillion Indian mutual fund industry, is likely to attract more new players. However, this will be just a stepping stone, as once private equity (PE) players enter the industry, they will have to demonstrate their performance.

In the asset management business, investors prefer

funds with a solid track record of performance.

STRENGTHENING INVESTOR GRIEVANCES THROUGH THE ODR MECHANISM

SEBI has also approved proposals to strengthen the investor grievance redressal mechanism in the securities market, which includes leveraging online dispute resolution (ODR) mechanisms for investors across registered intermediaries and regulated entities.

Market infrastructure institutions, such as stock and commodities exchanges and depositories, currently have an effective three-step time-bound process in place to resolve disputes raised by investors.

This process includes mediation conducted by the Investor Grievance Redress Committee (IGRC), and if necessary, arbitration. If the dispute remains unresolved, it can be followed by appellate arbitration

Other intermediaries typically have their own distinct grievance redressal processes separate from those administered by Market Infrastructure Institution (MII).

However, MII will now be extending its conciliation and arbitration mechanisms to include registered intermediaries and regulated entities, as well as their investors.

Currently, when an investor faces a problem, he/she approaches the appropriate

intermediary to seek resolution. If the investor remains dissatisfied with the outcome, he/she has the option to file a complaint with the SCORES portal.

Even after this, if the investors are unsatisfied, they may opt for MII-based mediation or arbitration for resolution of their complaints.

So, now a proposal has been made to cover securities market intermediaries, including AIFs, mutual funds, InvITs, REITs, and collective investment management companies (CIS).

For example, currently, mutual fund investors can first approach the concerned intermediary for resolution of

their complaints.

If investors are not satisfied with the resolution provided, they can lodge a complaint with the SCORES portal. Additionally, a third layer is now available for those who remain unsatisfied; they may opt for MII-based mediation or arbitration to seek resolution for their complaint.



A COMPASS TO YOUR INVESTMENT JOURNEY

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MUTUAL FUND BLACKBOARD

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	42.5	-2.0	22.1	9.1	11.2	12.6	723
UTI Mastershare Unit Scheme - Growth	187.0	-2.6	22.7	9.9	11.6	12.6	10,263
Canara Robeco Bluechip Equity Fund - Growth	41.0	1.3	22.0	12.3	13.6	13.4	8,860
Kotak Bluechip Fund - Reg - Growth	375.0	1.9	25.1	11.0	12.0	13.0	5,376
Nifty 100 TRI	23,266.9	-0.6	25.2	11.0	13.1	13.2	--

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	244.4	0.7	28.9	11.6	14.0	18.7	1,781
Edelweiss Mid Cap Fund - Growth	51.5	2.0	33.7	11.4	15.4	19.8	2,614
Mirae Asset Midcap Fund - Reg - Growth	20.8	-0.9	33.8	--	--	--	8,852
Nippon India Growth Fund - Reg - Growth	2,138.8	4.0	33.7	13.4	15.9	16.9	13,420
Kotak Emerging Equity Fund - Reg - Growth	75.7	3.1	33.9	13.0	16.1	20.1	24,407
Nifty Midcap 150 TRI	14,649.2	3.1	35.2	12.0	16.2	18.3	--

Small Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Kotak Small Cap Fund - Reg - Growth	162.1	-1.9	42.6	14.9	17.0	19.8	8,672
Edelweiss Small Cap Fund - Reg - Growth	25.2	2.5	40.2	--	--	--	1,500
Nippon India Small Cap Fund - Reg - Growth	94.0	6.7	46.5	15.2	20.4	25.6	24,491
ICICI Prudential Smallcap Fund - Growth	53.7	4.6	41.8	13.4	15.7	16.4	4,762
Union Small Cap Fund - Reg - Growth	29.2	-1.2	36.0	11.8	13.9	--	708
Nifty Smallcap 250 TRI	11,411.7	-5.4	38.7	7.6	12.5	16.0	--

Large & Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Large & Mid Cap Fund - Reg - Growth	350.9	8.8	27.5	12.2	13.2	15.1	3,798
Canara Robeco Emerging Equities - Growth	157.3	-1.7	26.0	10.7	15.0	20.4	15,417
Edelweiss Large & Mid Cap Fund - Growth	52.1	0.3	25.8	10.7	13.1	14.3	1,740
Kotak Equity Opportunities Fund - Reg - Growth	205.9	3.2	26.9	12.2	14.4	15.8	11,893
Mahindra Manulife Large & Mid Cap Fund - Reg	16.4	-5.7	27.1	--	--	--	1,077
NIFTY Large Midcap 250 TRI	12,475.9	1.3	30.2	11.6	14.7	15.9	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mahindra Manulife Multi Cap Fund - Reg - Growth	20.2	-4.8	29.3	13.1	--	--	1,575
HDFC Multi Cap Fund - Reg - Growth	11.0	9.0	--	--	--	--	5,886
Kotak Multicap Fund - Reg - Growth	10.4	6.2	--	--	--	--	3,914
Nippon India Multi Cap Fund - Reg - Growth	165.3	8.7	34.5	12.0	13.5	14.6	14,342
S&P BSE 500 TRI	29,413.2	-0.1	27.8	11.1	13.7	14.0	--

FlexiCap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Flexi Cap Fund - Growth	219.8	-0.7	23.0	12.1	14.0	13.7	8,713
Mirae Asset Flexi Cap Fund - Reg - Growth	10.1	--	--	--	--	--	678
UTI Flexi Cap Fund - Growth	222.3	-8.6	22.3	10.3	12.2	13.8	23,551
Union Flexi Cap Fund - Growth	32.7	-0.8	25.7	11.6	12.5	11.9	1,340
Parag Parikh Flexi Cap Fund - Reg - Growth	51.0	4.6	30.6	17.0	16.8	--	31,290
S&P BSE 500 TRI	29,413.2	-0.1	27.8	11.1	13.7	14.0	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	132.8	11.0	32.7	10.6	12.7	13.7	3,988
Nippon India Focused Equity Fund - Reg - Growth	78.2	-0.7	30.5	10.6	13.7	17.7	5,895
ICICI Prudential Focused Equity Fund - Ret - Growth	51.0	5.0	27.5	12.2	12.7	13.3	4,033
Mahindra Manulife Focused Fund - Reg - Growth	15.8	3.2	--	--	--	--	664
S&P BSE 500 TRI	29,413.2	-0.1	27.8	11.1	13.7	14.0	--

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 -	29.4	6.2	34.6	10.4	13.9	--	1,303
Sundaram Dividend Yield Fund - Growth	86.7	0.9	24.7	10.4	14.4	13.7	396
UTI Dividend Yield Fund - Growth	102.0	-3.1	23.9	9.9	12.1	12.0	2,767
S&P BSE 500 TRI	29,413.2	-0.1	27.8	11.1	13.7	14.0	--

Contra/Value Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Bandhan Sterling Value Fund - Reg - Growth	93.1	1.7	41.3	10.2	15.5	16.6	5,220
SBI Contra Fund - Growth	232.0	11.5	42.8	14.5	15.5	15.0	8,979
Nippon India Value Fund - Reg - Growth	123.5	-0.5	29.6	10.5	13.6	15.0	4,634
S&P BSE 500 TRI	29,413.2	-0.1	27.8	11.1	13.7	14.0	--

ELSS Funds

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	136.0	-3.4	23.5	9.3	11.5	12.7	2,787
Canara Robeco Equity Tax Saver Fund - Growth	114.3	1.4	25.3	13.5	14.4	14.9	4,924
Kotak Tax Saver Fund - Reg - Growth	74.9	3.3	27.0	12.7	14.2	14.9	3,400
Mahindra Manulife ELSS Fund - Reg - Growth	18.9	1.0	27.3	9.8	--	--	543
Parag Parikh Tax Saver Fund - Reg - Growth	20.1	7.3	32.1	--	--	--	1,356
Tata India Tax Savings Fund - Reg - Growth	28.4	1.3	25.0	9.9	12.9	--	3,073
S&P BSE 200 TRI	9,389.9	0.2	27.1	11.5	13.7	13.9	--

Thematic / Sector Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mirae Asset Great Consumer Fund - Growth	58.2	6.0	25.6	11.9	15.6	16.4	2,030
ICICI Prudential Banking and Financial Services Fund	88.3	6.8	27.8	8.6	14.4	14.8	6,167
Nippon India Pharma Fund - Reg - Growth	281.6	-4.5	15.9	14.6	11.1	15.2	4,305
Quant Quantamental Fund - Reg - Growth	13.6	7.9	--	--	--	--	504
Tata Digital India Fund - Reg - Growth	29.7	-15.3	34.9	17.1	16.1	--	6,781
S&P BSE 500 TRI	29,413.2	-0.1	27.8	11.1	13.7	14.0	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
Bandhan Arbitrage Fund - Reg - Growth	27.8	6.7	6.5	5.2	4.3	4.0	2,856
Kotak Equity Arbitrage Fund - Reg - Growth	31.9	6.7	6.6	5.5	4.7	4.4	19,522
Tata Arbitrage Fund - Reg - Growth	12.3	6.7	6.5	5.2	4.3	4.2	5,187
Invesco India Arbitrage Fund - Growth	27.3	6.9	6.9	5.9	4.8	4.4	2,690
Edelweiss Arbitrage Fund - Reg - Growth	16.6	6.6	6.5	5.3	4.5	4.2	4,317

Equity Savings Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Edelweiss Equity Savings Fund - Reg - Growth	19.0	3.4	10.4	7.5	8.2	--	253
HDFC Equity Savings Fund - Growth	50.7	4.2	14.4	7.7	9.5	9.2	2,515
Kotak Equity Savings Fund - Reg - Growth	19.7	5.7	12.8	8.0	8.6	--	2,100
NIFTY 50 Hybrid Composite Debt 65:35 Index	15155.2	3.9	19.3	11.1	11.8	11.6	--

Dynamic Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Kotak Balanced Advantage Fund - Reg - Growth	15.1	5.1	16.2	--	--	--	14,190
Nippon India Balanced Advantage Fund - Reg -	126.1	4.0	15.6	8.1	10.3	11.2	6,608
Tata Balanced Advantage Fund - Reg - Growth	15.4	4.4	16.1	--	--	--	6,473
Edelweiss Balanced Advantage Fund - Growth	36.4	1.9	16.6	10.0	10.3	11.1	8,756
Union Balanced Advantage Fund - Reg - Growth	15.4	3.2	15.5	8.7	--	--	1,655
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,155.2	3.9	19.3	11.1	11.8	11.6	--

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	246.1	1.3	18.2	10.6	12.0	13.6	8,247
Kotak Equity Hybrid Fund - Growth	41.4	3.2	24.8	11.2	12.1	--	3,327
Mirae Asset Hybrid - Equity Fund - Reg - Growth	22.2	1.5	19.5	10.4	12.1	--	6,949
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,155.2	3.9	19.3	11.1	11.8	11.6	--

Multi Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Multi - Asset Fund - Growth	50.5	5.6	20.3	10.0	9.9	10.2	1,690
Nippon India Multi Asset Fund - Reg - Growth	13.7	3.8	--	--	--	--	1,155
Tata Multi Asset Opportunities Fund - Reg - Growth	16.2	3.8	20.3	--	--	--	1,501
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,155.2	3.9	19.3	11.1	11.8	11.6	--

Gold Funds Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	18.7	13.3	6.2	12.6	9.4	6.7	1,517
Kotak Gold Fund - Reg - Growth	24.0	11.8	6.0	12.6	9.6	7.0	1,529
Nippon India Gold Savings Fund - Reg - Growth	23.9	13.0	6.5	12.4	9.2	6.9	1,550
Prices of Gold	59,980.0	14.7	13.5	13.9	10.7	8.5	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1,194.3	6.3	6.4	6.3	5.5	6.95	1,105
Tata Overnight Fund - Reg - Growth	1,181.8	6.2	6.4	6.3	5.5	7.00	3,178
Nippon India Overnight Fund - Reg - Growth	120.3	6.3	6.5	6.4	5.6	7.48	6,960

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Aditya Birla Sun Life Liquid Fund - Reg - Growth	361.3	6.9	7.7	7.1	5.9	7.41	28,810
Mirae Asset Cash Management Fund - Growth	2,351.2	6.6	7.5	6.9	5.9	7.21	4,108
Kotak Liquid Fund - Reg - Growth	4,535.8	6.6	7.5	6.9	5.8	7.07	26,796
Nippon India Liquid Fund - Reg - Growth	5,475.4	6.6	7.5	7.0	5.8	7.24	21,820
Mahindra Manulife Liquid Fund - Reg - Growth	1,458.6	6.7	7.4	7.0	5.9	7.36	370

Ultra Short Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Ultra Short Term Fund - Reg - Growth	13.0	7.4	7.0	5.5	4.9	7.65	11,347
ICICI Prudential Ultra Short Term Fund - Growth	23.7	7.3	7.0	5.6	5.1	7.83	10,735
Kotak Savings Fund - Reg - Growth	36.9	7.5	6.9	5.5	4.6	7.53	9,660

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	4,869.1	7.8	7.4	5.8	5.0	7.60	12,835
Tata Money Market Fund - Reg - Growth	4,017.4	7.9	7.5	5.9	5.1	7.64	7,964

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	49.4	7.5	7.0	5.4	5.4	8.13	13,355
ICICI Prudential Savings Fund - Reg - Growth	459.7	7.8	7.2	6.0	5.8	7.99	17,662
Kotak Low Duration Fund - Std - Growth	2,870.0	7.4	6.9	5.2	5.1	8.02	7,907

Floater Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Floating Rate Fund - Reg - Growth	1,273.0	7.7	7.0	5.0	6.3	8.04	4,257
Tata Floating Rate Fund - Reg - Growth	10.8	8.0	6.4	5.6	--	8.12	207

Short Term Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Short Term Debt Fund - Growth	27.0	8.0	7.8	5.4	6.0	7.91	11,491
HSBC Short Duration Fund - Reg - Growth	22.6	7.4	7.3	4.5	4.7	7.57	3,609
ICICI Prudential Short Term Fund - Growth	50.8	7.9	7.6	6.5	6.3	8.15	14,797

Corporate Bond Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Corporate Bond Fund - Reg - Growth	25.1	7.9	7.3	6.3	6.2	7.98	19,377
HDFC Corporate Bond Fund - Growth	27.4	7.9	7.7	5.3	5.9	7.93	25,404
Kotak Corporate Bond Fund - Std - Growth	3,183.6	7.6	7.3	5.1	5.6	7.91	9,911

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential All Seasons Bond Fund - Growth	31.1	8.3	8.0	6.8	6.4	8.11	8,998
Nippon India Dynamic Bond Fund - Reg - Growth	31.3	8.2	9.2	5.5	4.5	7.64	3,923
Kotak Dynamic Bond Fund - Reg - Growth	31.5	7.0	7.7	4.5	5.4	7.90	2,545

Medium Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Medium Term Bond Fund - Growth	37.8	8.0	8.0	6.1	6.7	8.36	6,415
HDFC Medium Term Debt Fund - Growth	47.8	7.5	8.0	5.1	5.9	8.21	3,811
SBI Magnum Medium Duration Fund - Growth	43.3	8.8	9.0	5.8	6.1	8.01	7,110

Long duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Nippon India Nivesh Lakshya Fund - Reg - Growth	14.9	8.2	12.2	7.5	4.9	7.41	5120

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Gilt Fund - Growth	82.3	8.9	8.2	5.9	4.6	7.80	2,274

Gilt Fund with 10 year constant duration

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Constant Maturity Gilt Fund - Reg -	20.6	11.8	11.6	6.4	5.0	7.47	1,487

Credit Risk Fund

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
ICICI Prudential Credit Risk Fund - Growth	26.7	8.4	7.8	6.0	7.0	8.72	7,767
HDFC Credit Risk Debt Fund - Reg - Growth	20.4	7.1	7.3	5.2	7.3	8.65	8,482
SBI Credit Risk Fund - Growth	38.6	13.2	10.2	6.9	6.8	8.14	2,782

Banking & PSU Bond Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Edelweiss Banking & PSU Debt Fund - Reg - Growth	20.9	8.6	9.2	5.9	5.9	7.5	353
HSBC Banking and PSU Debt Fund - Growth	20.8	7.3	8.1	4.1	4.7	7.48	4703

Disclaimer : Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing. Past performance is no guarantee of future performance. Returns are of Growth option of Regular plans. Returns which are below 1 year period are Annualized Returns. Source: - ICRA MFI, NAV as on 21st April 2023

TECHNICAL OUTLOOK

In April, the Bulls led the rally, but they are now facing strong resistance at the 17,800 mark on a closing basis. As long as the Nifty sustains below this level, we are likely to witness a volatile trading session in the coming days.

During this time, there may be some minor downfalls towards the 17,620 support level, which is provided by the 200-DMA, providing an opportunity to initiate long positions at lower levels. Although the sentiment on D-Street was cautious, the stocks were performing well, and a pullback rally was observed, driving the Nifty upwards.

The weekly chart indicates that the Nifty is currently facing strong resistance levels between 17,800 and 17,870 on a closing basis. Any move above the 17,870 mark would signal a positive rally towards 18,000/18,200 levels.

On the other hand, the Nifty has strong support at the 17,620 mark. If it fails to hold this support level on a closing basis, we may witness a further sell-off, potentially taking the Nifty towards

17,400/17,000 levels.

The overall view is cautious as long as the Nifty remains below 17,800. Market participants are advised to take advantage of any pullback rallies to book profits. As long as the Nifty fails to surpass this level, the bearish trend is likely to persist, and the market may continue its downward spiral.

Market participants are advised to be stock-specific and stay light with major long positions.

Technically, the Bank Nifty has immediate Support at 42,400/42,000. A close below 42,000 may extend the fall towards 41,600/41,300. On the flip side, resistance is placed at 43,000-43,200 levels. There onwards, the Bank Nifty may experience a pullback rally towards 43,600-43,800 levels.

On the Nifty Options front for the May series, the highest Open Interest (OI) build up is witnessed near 18,000 and 18,500 Call strikes, whereas on the Put side, it is observed at 17,500 and 17,000 strikes.

In the first half of the April series, India VIX, which measures the immediate 30-day volatility in the market, experienced a significant down tick. In the second half, it remained in the range of 11.5-12.5.

As a result, VIX is currently at a supportive level, but if it rises

above 13.5, then there is a likelihood of increased volatility in the market during the May series.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 0.9-1.3 for most of the April series. Going forward, it is expected to remain between 0.7 and 1.5 in May.

The markets are believed to remain in the range of 17,850-17,500 for the first half of May with supports placed at 17,500 and 17,000 levels. Also, the markets will continue to witness some important resistances at 18,000 and 18,200 levels.

OPTIONS STRATEGY

Long Strangle

It can be initiated by 'Buying 1 lot 11MAY 17900 CE (₹100) and Buying 1 lot 11MAY 17700 PE (₹90).' The premium outflow approximates 190 points, which is also the maximum loss.

However, it is recommended to place a Stop Loss at 120 points (for a 70 point loss). The maximum gain is unlimited, and it is recommended to place the Target at 390 points (for a 200 point gain).

If the index goes above or below the range of 17,850-17,500 at which it is trading currently, there could be a big market movement, which may result in profitable outcomes for the strategy.

THE DYNAMIC DUO

Warren Buffett's latest
shareholder letter
offers investment
insights, while
embodying the
wisdom of his
enduring partnership
with Charlie Munger



W

arren Buffett's recent shareholder letter has sparked discussion around the investment genius of his long-time partner, Charlie Munger. As Munger recently turned 99, Buffett took the opportunity to reflect on their successful partnership and the invaluable lessons he has learned from Munger over the years. Given that Buffett himself wrote the letter, it is particularly important to pay attention to his observations about Munger's investment strategies and philosophy.

In his recent shareholder letter, Buffett writes, "Nothing beats having a great partner. Charlie and I think pretty much alike. But what it takes me a page to explain, he sums up in a sentence. His version, moreover, is always more clearly reasoned and also more artfully – some might add bluntly – stated."

Here are several notable takeaways from the shareholder letter.

"The World Is Full Of Foolish Gamblers, And They Will Not Do As Well As The Patient Investor."

Investing demands discipline, patience, and a long-term perspective, as opposed to the recklessness and short-sightedness of a foolish gambler who is driven by greed and emotions. On the other hand, the patient investor recognizes the value of long-term growth and is willing to wait for his/her investments to pay off.

Investing is not a get-rich quick scheme. To succeed, investors must exercise discipline, patience, and a long-term perspective. Those who approach investing as a form of gambling are often driven by their emotions and greed, resulting in short-sightedness and poor decision-making. Alternatively, patient investors understand that wealth accumulation is a gradual process and are willing to bide their time for their investments to payout. Through a steadfast commitment to long-term growth and a disciplined investment strategy, investors can avoid the pitfalls of impulsive decision-making and achieve their financial goals.

"If You Don't See The World The Way It Is, It's Like Judging Something Through A Distorted Lens."

Our perceptions and biases can cloud our judgement and

prevent us from perceiving reality accurately, leading to flawed judgment and decision-making. Hence, acknowledging our biases and taking conscious steps to overcome them is imperative if we aspire to make better decisions.

The way we perceive and interpret the world is heavily influenced by our biases, and this can impact the quality of the decisions we make. Without a conscious effort to recognize and mitigate our biases, we may unknowingly make decisions that are based on incomplete or inaccurate information. Therefore, it is important to proactively work towards overcoming our biases and developing a more accurate understanding of reality. This can involve seeking out diverse perspectives, challenging our assumptions, and being open to new information.

"All I Want To Know Is Where I'm Going To Die, So I'll Never Go There. And A Related Thought: Early On, Write Your Desired Obituary – And Then Behave Accordingly."

This is a powerful reminder to focus on our goals and to make decisions that align with our values. By visualizing the result, we can better understand what we need to do in order to achieve our goals and avoid making decisions that would lead us away from them.

"If You Don't Care Whether You Are Rational Or Not, You Won't Work On It. Then, You Will Stay Irrational And Get

Lousy Results.”

Rationality is an important skill for investors to cultivate. It allows them to make more informed decisions and to avoid making costly mistakes.

“Patience Can Be Learned. Having A Long Attention Span And The Ability To Concentrate On One Thing For A Long Time Is A Huge Advantage.”

Patience is a virtue, and it’s a key attribute of successful investors. By developing the ability to focus on long-term goals, we can avoid being distracted by short-term fluctuations in the market and make more rational decisions.

“You Can Learn A Lot From Dead People. Read Of The Deceased You Admire And Detest.”

History is full of valuable lessons for investors. By studying the successes and failures of those who have come before us, we can gain insights into what works and what doesn’t in the world of investing.

“Don’t Bail Away In A Sinking Boat If You Can Swim To One That Is Seaworthy”

This is a reminder to stay and be willing to change the course as and when necessary. In the event of a bad investment, it is important to cut our losses and move on to something better.

“A Great Company Keeps Working After You Are Not; A Mediocre Company Won’t Do That.”

Investing in great companies is a key strategy for long-term success. These companies are able to thrive even after their founders or key executives have left. Mediocre companies, on the other hand, often struggle to survive.

“Warren And I Don’t Focus On The Froth Of The Market. We Seek Out Good Long-Term Investments And Stubbornly Hold Them For A Long Time.”

This quote underscores the importance of focusing on long-term value creation rather than short-term market fluctuations.

“There Is No Such Thing As A 100% Sure Thing When Investing. Thus, The Use Of Leverage Is Dangerous. A String Of Wonderful Numbers Times Zero Will Always Equal Zero. Don’t Count On Getting Rich Twice.”

Investing in the stock market can be risky, even for experienced investors. Therefore, it’s essential to avoid leveraging your investments, which can lead to greater losses and financial ruin. One must not count on getting rich twice and avoid taking unnecessary risks in hopes of quick and easy gains. Instead, focus on making smart, long-term investments that have the potential to grow steadily over time.

“You Don’t, However, Need To Own A Lot Of Things In Order To Get Rich.”

Contrary to popular belief, owning numerous assets is not

necessarily the key to becoming wealthy. Instead, the key is to invest in high-quality assets that have the potential to appreciate over time. In fact, owning too many assets can be counterproductive and dilute your resources. To maximize your returns, focus on a few quality investments that have the potential to generate significant returns over time.

“You Have To Keep Learning If You Want To Become A Great Investor. When The World Changes, You Must Change.”

Investing is a dynamic and constantly evolving field, and to succeed as an investor, one must keep learning and be adaptable to new trends and technologies. Staying up-to-date with the latest market news and developments is essential, and being open to changing course when necessary is extremely important. Great investors never stop learning and are always looking for ways to improve their strategies to achieve greater success.

“Warren And I Hated Railroad Stocks For Decades, But The World Changed And Finally The Country Had Four Huge Railroads Of Vital Importance To The American Economy. We Were Slow To Recognize The Change, But Better Late Than Never.”

Warren Buffett and Charlie Munger have long been considered investment legends. But even they have made mistakes. One such mistake was their aversion to railroad stocks, which they

held on to for decades before finally recognizing the change in the industry.

The lesson here is that even the best investors can be wrong, and it is essential to be open-minded and willing to admit when you are wrong. Being flexible and adaptable to changing circumstances is critical to long-term success in investing.

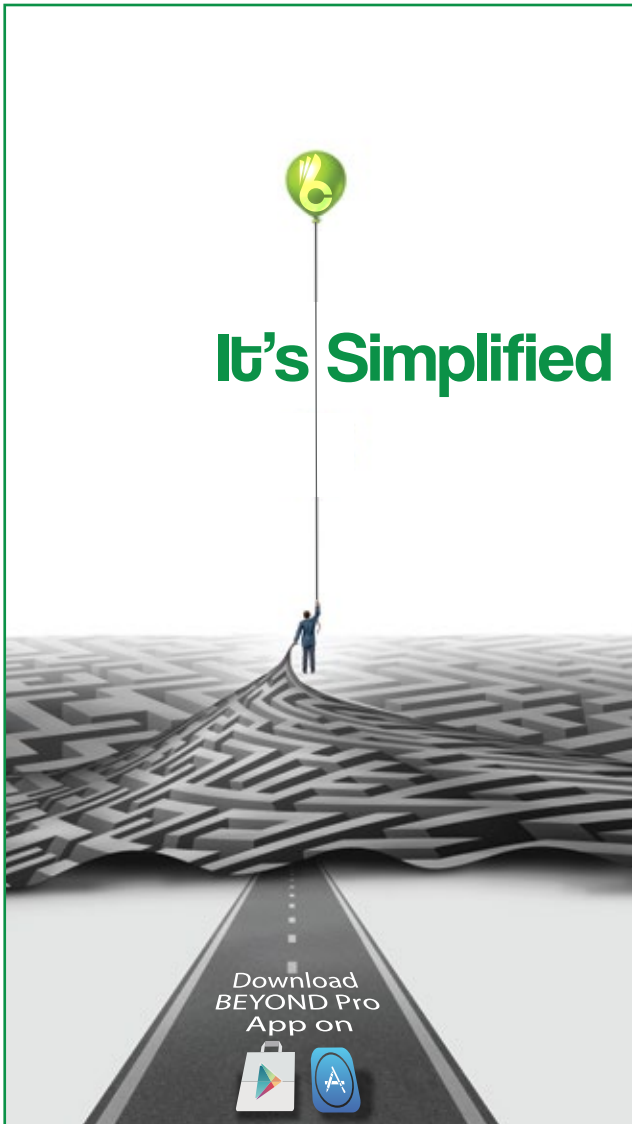
“Finally, I Will Add Two Short Sentences By Charlie That

Have Been His Decision-Clinchers For Decades: “Warren, Think More About It. You’re Smart And I’m Right.” And So It Goes. I Never Have A Phone Call With Charlie Without Learning Something. And, While He Makes Me Think, He Also Makes Me Laugh.”

Charlie Munger’s wit and wisdom are well-known in the investment community, and his pithy sayings often provide valuable insights into the

world of investing. One such saying is his decision-clincher, “Warren, think more about it. You’re smart and I’m right.”

This statement highlights the importance of careful consideration and the value of seeking the counsel of others, even when you think you are right. Munger’s ability to make Buffett think critically while also providing humour and levity is a testament to their long-lasting friendship and partnership.



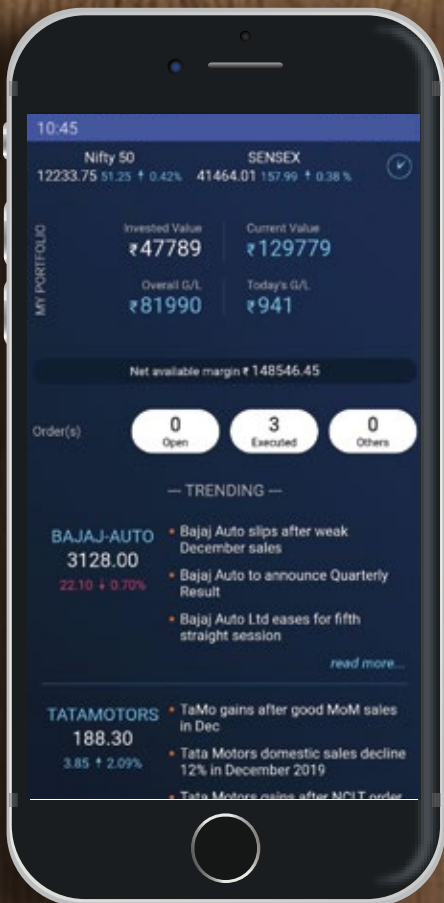
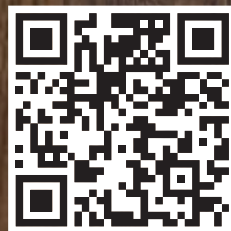
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IMPORTANT JARGON

NEW FOREIGN TRADE POLICY SETS EXPORT TARGET OF US \$2 TRILLION BY 2030

India has announced a new Foreign Trade Policy, which came into effect from 1st Apr '23. The previous policy was applicable from 2015 to 2020, but the Covid-19 pandemic caused a three-year delay in the announcement of the new policy. The new FTP wants to make India a significant player in the global supply chain.

Q. What Is A Foreign Trade Policy?

A Trade Policy is a set of rules, regulations, standards, and guidelines that govern the import and export of goods and services from a country. The goal of any FTP is to provide broader support to improve international trade.

Any FTP must abide by the global norms set by the World Trade Organization. The government of India, Ministry of Commerce and Industry announces India's FTP.

Q. What Is The History Of Foreign Trade Policy In India?

Before 2004, India's trade policy was known as the EXIM policy. After 2004, the government began releasing a foreign trade policy every five years. Each trade policy had set targets, but the underlying theme was always to facilitate and increase India's share in international trade.

Q. For What Period Is The FTP 2023 Applicable?

The new FTP differs from the previous approach in the sense that earlier FTPs were applicable for a period of five years, whereas

the new FTP does not have a sunset clause. This approach eliminates much of the uncertainty associated with the previous five-year period approach, as importers and exporters feared changes in policy every five years.

The new FTP has been made dynamic, and revisions will be made as needed by incorporating feedback from trade and industry players.

As a result, the policy will be streamlined and updated from time to time based on the global environment.

Q. What Is The Most Important Aspect Of The FTP 2023?

FTP 2023 aims to facilitate international trade settlements in Indian rupees, marking a significant step towards the internationalization of the Indian currency.

Q. What Are Some Of The

Other Aspects Of FTP 2023?

FTP 2023 rests on four main pillars: Incentivizing remission (rather than incentivizing exports), promoting exports through wider engagement with states and districts to facilitate grassroots export activity, enhancing ease of doing business by promoting online approval and automation, and focusing on emerging areas such as e-commerce exports.

Q. What Are The Targets Set Under The New FTP?

The new FTP seeks to boost India's exports of goods and services to \$2 trillion by 2030, with an equal share for both goods and services.

This is a marked increase from the target of \$900 billion in exports set by the previous foreign trade policy for the period of 2015-2020, which aimed to achieve this target by 2020.

Q. What Is India's Position In International Trade Now?

India is expected to end the fiscal year 2022-23 with total exports of goods and services between \$760 billion and \$770 billion as against \$676 billion in 2021-22.

However, this falls short of the target set by FTP 2015-2020. Now, India has a vision to take its share of global exports to 10% by 2047 from around 2% now.

INTEREST RATE ON SMALL SAVINGS HIKE FOR Q1 FY24

The government has raised interest rates for most small savings schemes by up to 70

basis points for the first quarter of the financial year 2023-24 starting 1st April.

The Finance Ministry notifies interest rates on small savings schemes every quarter. Interest rates on savings deposits and Public Provident Fund (PPF) have been left unchanged at 4% and 7.1%, respectively.

Q. What Are Small Savings Schemes?

SSSs are savings instruments managed by the government of India through the Department of Post.

These instruments intend to encourage retail investors to save regularly regardless of their age and social class.

Q. How Are SSSs Categorized?

Broadly, SSSs are categorized under three heads (in brackets are the annual returns as set for Q1 FY24 by the government.):

- (1) Deposit schemes: postal deposits, comprising savings accounts (4%), recurring deposits (five-year maturity, 6.2%), time deposits of varying maturities (e.g., five years, 7.5%) and monthly income scheme (MIS) (five years, 7.4%);
- (2) Certificate schemes: Savings certificates, including National Savings Certificate (NSC) (five years, 7.7%) and Kisan Vikas Patra (KVP) (7.5%);
- (3) Social security schemes such as the Public Provident Fund (PPF) (7.1%) and Senior Citizens' Savings Scheme (SCSS) (8.2%) and Sukanya Samridhi Scheme (8%).

Q. How Are The Interest Rates On Small Savings

Schemes Fixed?

Interest rates on SSSs are set every quarter and are linked to Government Securities (G-Secs) of similar maturities.

Q. What Are The Benefits Of SSSs To Savers?

SSSs have sovereign guarantee and tax benefits. SSS provide an alternative avenue to savings in banks. They offer returns that are higher than bank fixed deposits.

These schemes are immensely popular with savers and investors having a low-risk appetite. Investors looking for debt exposure in their portfolios generally opt for these traditional tools. The new rates are above the rate of inflation, which is around 6%.

Q. How Does The Government Benefit From SSSs?

The government plugs the fiscal deficit gap by borrowing from the market and SSSs offer a lucrative avenue for the government. For the year 2023-24, the Indian government has budgeted ₹ 6.48 lakh crore as receipts from small savings.

After deducting the repayments, the net securities against small savings have been earmarked at ₹4.74 lakh crore.

With the new rates, it is estimated that the government's borrowings from the markets through the issuance of bonds would come at an interest rate of around 7.3% while borrowings through SSSs would cost around 6.5%.



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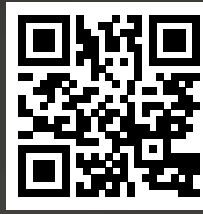
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