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BUILDING A BETTER TOMORROW

India's exponential economic growth paves the way for integrated infrastructure development

Beyond Market
it's simplified...
NIRMAL BANG
a relationship beyond broking
a financial magazine crossing horizons


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Tushita Nigam
Editor

Building India's Future

Infrastructure development is the cornerstone of an economy's success. This is a well-known fact, and it is a route taken by most governments to build a strong future for their country. India is no exception. The Indian government has been substantially increasing its infrastructure budget year after year. A host of projects are currently underway and in the pipeline. This issue of Beyond Market delves into the current happenings in the infrastructure sector in India. A supporting article on InvITs tells how investors can consider these to make the most of the growth in this sector.

This issue of the magazine covers a range of themes, such as the state of the Indian economy and the Indian stock markets in the context of the upheavals across the globe, and the growing trend of AI applications and India's performance in this area.

Also included in this issue are a few sectors that caught our attention, such as the revival of the hospitality sector in India post-Covid, how companies are adapting to the change in travel trends, the fertilizer sector with nano fertilizers taking center stage, and surging sugar prices along with fears of a sugar deficit that are impacting the fundamentals of the sector.

The article in the Beyond Basics section emphasizes the importance of having adequate health insurance.

On a lighter note, we have featured investment strategies adapted from a game of poker from the best-selling book "Thinking In Bets: Making Smarter Decisions When You Don't Have All The Facts" by Annie Duke, a famed decision-making expert and professional poker player. Read on to discover if the ideas shared in the book resonate with yo**U.**

"On the upper side, Nifty Futures could cross the levels of 19,250 and 19,900 thereafter."

Nifty Futures: 18,675
(Last Traded Price As On 29th May '23)

US President Joe Biden and House Speaker Kevin McCarthy reached a deal to raise the debt ceiling, avoiding a potential default. This shows that the US government is committed to resolving these issues before the deadline.

The corporate results of FY23 Q4 are displaying margin expansion, driven by a decline in commodity prices. On an aggregate level, the companies appear to be exhibiting an improving trend.

In the coming days, markets look good with Nifty Futures having support at the 18,450 level. On the upper side, it could cross the levels of 19,250 and 19,900 thereafter.

Market participants can eagerly anticipate the upcoming Federal Reserve meeting, irrespective of the prevailing consensus that the interest rate will remain unchanged. Furthermore, it would be prudent to closely monitor the progress of monsoon rains in India as it may impact the marketS.

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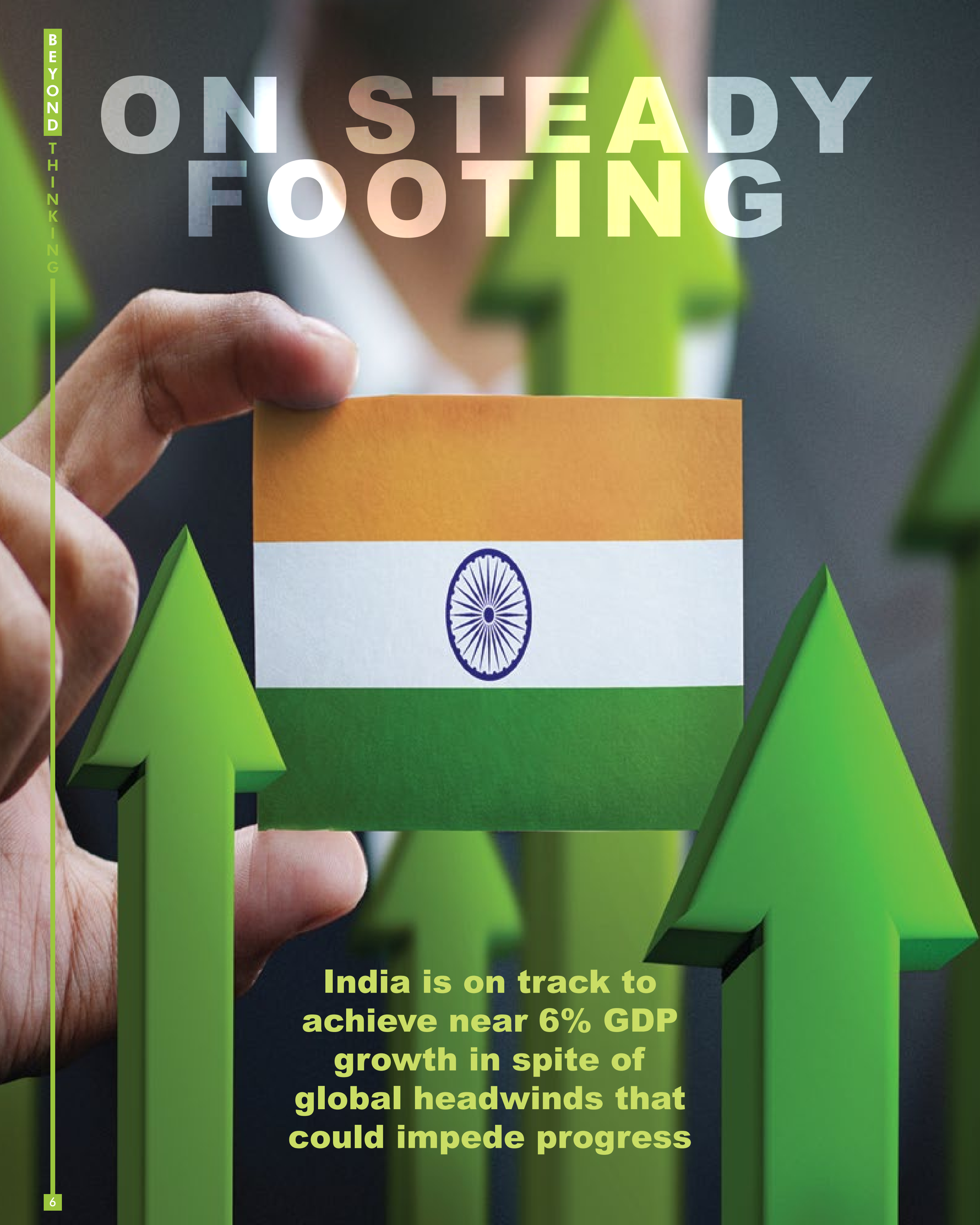
ON STEADY FOOTING



India is on track to achieve near 6% GDP growth in spite of global headwinds that could impede progress

As the first quarter of this fiscal (Q1 FY24) comes to an end on 30th June, India's economy seems to have bounced back from the ravages of the Covid-19 pandemic to emerge as one of the bright spots in the global economic landscape.

The country's economy has now stabilized and seems headed towards a healthy 6% GDP growth this fiscal year, despite some headwinds. Among the larger countries, India's economy is expected to be a top performer this fiscal year (FY24).

The beginning of this fiscal year has been heartening - India's services sector has clocked its highest growth in new business and output levels in nearly 13 years (since June '10), spurred by a strong performance in the finance and insurance segment.

This is according to the seasonally adjusted S&P Global India Services PMI Business Activity Index, which rebounded from a decline to 57.8 in March to 62 in April.

The second positive development is the record-high Goods and Services Tax (GST) collection in April, which is a good indicator of how various levels of the Indian economy are functioning.

The highest-ever collection in April (the first month of the new fiscal) indicates that the economy is now more or less back on track, and this bodes well for the economy this fiscal.

With respect to the services sector, which has emerged as one of India's top economic growth drivers in recent years, new export orders grew for the third month and at the fastest pace over this period.

Additionally, business confidence, which had sharply slid to an eight-month low in March, revived slightly in April. Another piece of good news was that around 22% of surveyed companies forecast growth over the coming year (12-month period), as opposed to a mere 2% that tilted towards a reduction.

"India's service sector posted a remarkable performance in April, with demand strength backing the strongest increases in new business and output in just under 13 years," said Pollyanna De Lima, Economics Associate Director at S&P Global Market Intelligence.

While this is heartening, one point that needs to be highlighted is that job creation was low in April. Pollyana De Lima pointed out that "one area of weakness highlighted in the latest results was the labour market….the increase in employment seen in April was negligible and failed to gain meaningful traction."

Another important point to highlight is that input cost inflation, which had fallen to a two-and-a-half year low in March, climbed back to a three-month high in April. This was due to companies registering an increase in costs on food, fuel, medicine, transportation, and wages.

Job creation, however, remains a challenge. As S&P Global said, "Despite the substantial upturn in sales, job creation across the private sector remained mild. Rates of expansion were broadly similar at manufacturing firms and their services counterparts." This is one challenge that needs to be tackled on a priority basis and with good planning.

The GST collection in April '23 surged 12% year-on-year (y-o-y) to ₹1,87,035 crore, the highest-ever monthly collection since the launch of the GST regime in July '17. This marks the first time ever that gross GST collection has breached the ₹1.75 lakh crore mark.

The month also witnessed the highest-ever single-day tax collection on 20th Apr '23, when 9.8 lakh transactions amounting to ₹68,228 were processed. The highest single-day tax collection on the same date last year was ₹57,846 crore through 9.6 lakh transactions.

The gross GST revenue for April '23 was ₹1.87 lakh crore. Of this, ₹38,440 crore was Central GST (CGST), ₹47,412 crore was State GST (SGST), and ₹89,158 crore was Integrated GST (IGST), including ₹34,972 crore collected on import of goods.

The total GST revenue for April '23 was ₹1.87 lakh crore. Of this, ₹12,025 crore was cess, including ₹901 crore collected on import of goods. The government has settled ₹45,864 crore to CGST and ₹37,959 crore to SGST from IGST. The total revenue of the Centre and States in April this year after regular settlement stood at ₹84,304 crore for CGST and ₹85,371 crore for SGST.

Additionally, revenues from domestic transactions (including import of services) were 16% higher in April '23 than in April '22. Another significant highlight was that the total number of e-way bills generated in March '23 (the last month of FY23) was 9 crore, which is 11% higher than the 8.1 crore e-way bills generated in February this year.

If the above-mentioned reasons were not enough, a third piece of good news came in the form of inflation data. Retail inflation declined to an 18-month low of 4.70% in April '23. At 4.70%, the Consumer Price Index (CPI)-based inflation in April '23 was below the upper threshold of India's central bank's medium-term target of 4% (plus/minus 2%).

A 4.70% inflation figure, which is indeed moderate, will come as a major morale booster for both the central government and the country's apex bank, the Reserve Bank of India (RBI).

Notably, India's headline inflation remained within the Reserve Bank's tolerance range for the second consecutive month. In March '23, the country's headline inflation was 5.66%.

The Consumer Food Price Index (CFPI) slid to 3.84% in April '23 from a significantly higher 4.79% in March '23. Rural inflation in the same month was 4.68%, while urban inflation was 4.85%.

The Reserve Bank of India is likely to pause its repo rate hikes, but is not expected to reduce it in the near term, even though inflation seems to have peaked and is presently on a downward trend.

The repo rate is the interest rate at which commercial banks in India borrow money from the Reserve Bank of India. To avail these loans from the central bank of the country, commercial banks are required to deposit securities such as government bonds or treasury bills as collateral.

It should be pointed out the Reserve Bank has increased its key lending rate, the repo rate, by 250 basis points (bps) or 2.50% since May '22 in an effort to control inflation, which has been rising since the last one year. The repo rate presently stands at 6.50%.

However, challenges remain. Although commodity prices have somewhat stabilized, they could become volatile in the coming months and push up prices. Geopolitical tensions are still simmering, and China's sabre-rattling with Taiwan is keeping tensions high in the Pacific.

India has managed to control inflation by importing oil from Russia at discounted prices. However, given the pressure from the United States and some European countries to boycott Russia, it remains to be seen if India can withstand the pressure and maintain its existing relations with Russia. If India, for some reason, loses access to Russian oil, then inflation in the country will skyrocket and this will have a deleterious effect on the country's economy.

Similarly, a war between China and Taiwan could have a negative impact on the global economy. The Iranian region remains volatile, and a military confrontation in the Persian Gulf could cause oil prices to spike and send the global economy into a tailspin.

Another cause for concern is India's poor industrial performance in March, which was worse than expected. According to data released by the Ministry of Statistics and Programme Implementation (MoSPI), industrial output expanded by a meagre 1.1% in March, the slowest pace in five months. This was due to the negative impact of poor manufacturing performance.

The manufacturing sector's output, which accounts for more than three-fourths of the Index of Industrial Production (IIP), increased by a meagre 0.5% on a year-on-year (y-o-y) basis in March '23, down from 5.6% climb in February '23. Electricity production also declined by 1.6% in March '23, from an increase of 8.2% in February '23.

Growth in primary goods output more than halved to 3.3% from 6.9% in February. The consumer goods segment also performed poorly, with output of both durables and non-durables contracting in March by 8.4% and 3.1%, respectively. If India's industrial production does not improve soon, then economic growth will be negatively impacted.

Despite the potential headwinds, the Indian economy is expected to move ahead and register a respectable growth rate of around 6% in the current fiscal year. A good monsoon is also expected this year, which augurs well for the agriculture sector. A healthy agriculture output will have a positive bearing on the country's economy as a whole.

The Indian economy is currently on a reasonably strong footing. While there are potential headwinds, there are also positive aspects that can help it move ahead.

This gives rise to optimism that India can achieve a 6% or close to 6% GDP growth this fiscaL.

SHINING RESILIENCE

Despite global market uncertainty, the Indian market remains better positioned than its peers and may offer stable to moderate returns in the coming year

The global investment sentiment is uncertain due to multiple simultaneous events. The Covid-19 pandemic has turned optimistic investors into unemotional bystanders. The ongoing conflict between Russia and Ukraine has far-reaching consequences, impacting crude oil prices. Macroeconomic challenges like inflation and interest rates further contribute to the uncertainty. Additionally, a banking crisis in the United States adds to the concerns. These interconnected factors create a fragmented and unpredictable investment environment.

Against the backdrop of these developments, a key question that might arise in the minds of investors is: How do the Indian markets fare when compared to global markets? Let us understand this in greater detail.

INDIA'S MACRO STORY

In recent months, Indian equities have benefited from a reallocation of funds by foreign portfolio investors (FPIs) from other Asian economies. According to data from NSDL and Bloomberg, Indian equities have attracted an inflow of $3.2 billion (₹ 26,333 crore) since the beginning of April '23, one of the highest among major economies.

A key reason for this is that foreign investors have become more optimistic about the Indian markets. They are positive about the strengths of India's domestic economy, such as its large and growing population, its young workforce, and its strong economic fundamentals.

Analysts point out that foreign investors have reduced their exposure to Asian economies whose fortunes are tightly linked to the US economic growth. Taiwan and South Korea are two such economies.

It is important to note that major global chipmakers, which have a significant weight in the stock indices of Taiwan and South Korea, have issued profit warnings. This is largely due to the slowdown in demand from the US market.

On a quarter-to-date basis, outflows from Taiwan were almost equivalent to inflows in Indian equities. The capital flow to South Korea was $868 million during the period and $6,338 million year-to-date.

FPIs bought $1.8 billion (₹ 14,702 crore) of Indian equities in the first eight days of May, taking the total inflow since March to $4.2 billion (₹ 34,269 crore). This has resulted in an FPI net inflow of $414 million (₹ 3,411 crore). In the first two months of 2023, FPIs had sold Indian equities worth $3.8 billion (₹ 30,858 crore).

With renewed FPI interest, Indian equities outperformed the MSCI Emerging Markets (EM) index by 4% in April, one of the highest among Asian peers. This brought down the total year-to-date underperformance to 5%. In contrast, the South Korean index, MSCI Korea, just eked out a marginal gain, while the MSCI Taiwan index fell 3%.

Leading brokerages have recently upgraded their stance on Indian equities. They cite that India's fundamentals are improving largely due to a strong policy backdrop, a falling current account deficit, a reviving domestic capital expenditure cycle, and robust consumption demand in both rural and urban markets.

The optimism in the Indian economy is reflected in the recent Goods and Services Tax (GST) data. GST collection grew by 12% in April '23 to ₹ 1.87 lakh crore. This is the highest monthly mop-up since the rollout of the indirect tax regime in July '17. The ministry also stated that the revenues from domestic transactions (including import of services) are 16% higher in April than the revenues from these sources during the same month last year.

Now, let us understand the changing sectoral dynamics, which indicate that India is positioned better than its global peers in terms of a strong domestic economy.

CHANGING SECTORAL DYNAMICS

Financials

Financials are well-positioned for reasonably good revenue growth. Credit growth has been higher, credit costs have peaked, and short-term rates have peaked. These factors indicate that non-bank companies are likely to perform well in the coming quarters.

Consumer Discretionary

Analysts expect a recovery in rural demand to boost overall consumption demand. Key upside risks are falling raw material costs, while downside risks include slower growth due to a combination of bad weather and poor consumer sentiment.

Industrials

The government announced that it would increase capital expenditure by 33% by renewing its focus on the development of railways, roads, ports, and digital infrastructure.

Presenting the last full Union Budget of the Narendra Modi government ahead of the 2024 general elections, Finance Minister Nirmala Sitharaman said that they had increased the infrastructure outlay to ₹ 10 lakh crore for 2023-24, which would be at 3.3% of the Gross Domestic Product (GDP). Private sector capital expenditure (capex) announcements in FY23 stood at ₹ 26 trillion, which amounts to growth of 84.9% when compared to the previous year.

Consumer Staples

Falling raw material prices and recovery in demand in rural areas have benefited consumer staples.

According to market analytics firm NielsenIQ, consumption of consumer goods in rural India returned to growth after more than a year in the March quarter and is expected to continue growing for the rest of the year as inflation and price hikes ease.

Consumption trends in urban areas have also been stable. In the first three months of the year, consumption in urban areas rose by 5.3%.

CAPITAL EXPENDITURE

A recent survey by Business Standard found that investment sentiment in corporate India is quite upbeat. The survey of 29 CEOs across India found that 86% were looking at expanding capacity in the financial year 2023-24 (FY24) as they expected better sales, which experienced a slowdown in FY21 and FY22.

The survey also revealed that majority of Indian companies are planning to increase their capital expenditure and hire more in the new financial year. Quite favourably, the survey shows that companies shared that their sales have crossed pre-pandemic levels.

Of the 29 CEOs surveyed, around 93% were planning to hire more employees in FY24. This positive sentiment among CEOs emanated from their observation of a rise in consumer spending, said the survey. Almost 41.4% of the respondents expected profit of their companies to jump by more than 20%.

The survey findings suggest that corporate India is optimistic about the future and is planning to invest and grow in FY24. This is a positive sign for the Indian economy as it indicates that businesses are confident about the growth prospects of the country.

FUTURE OUTLOOK

The future outlook of the Indian economy is optimistic. Recently, global ratings agency Fitch Ratings affirmed India's Long-Term Foreign-Currency Issuer Default Rating (IDR) at "BBB-" with a stable outlook. Fitch said the country's rating "reflects strengths from a robust growth outlook" compared with its peers and resilient external finances.

Fitch Ratings said that India's growth prospects have brightened as the private sector appears poised for stronger investment growth.

This is due to the improvement of corporate and bank balance sheets in the past few years, supported by the government's infrastructure drive. The agency added that this has supported India in navigating the large external shocks over the past year.

"India's large domestic market makes it an attractive destination for foreign firms. However, it is unclear whether India will be able to realise sufficient reforms to allow the economy to benefit substantially from opportunities offered by the deeper integration in global manufacturing supply chains, including China+1 corporate strategies that encourage diversification in investment destinations," Fitch added.

In its report, the agency mentioned a lot of other positives that could benefit the Indian economy. These include improvement in the financial sector, moderating inflation, narrowing current account deficit, resilient external liquidity buffers, ESG - Governance and modest deficit reduction.

The agency believes that India is better-positioned than most other global peers in terms of economic growth.

Given these facts, the Indian markets are relatively well-positioned to provide stable to moderate returns in the next one yeaR.

THE AI REVOLUTION

WHILE INDIAN COMPANIES ARE WAY BEHIND IN DEVELOPING MODELS LIKE CHATGPT, SEVERAL START-UPS ARE SHOWING PROMISE FOR NICHE APPLICATIONS

When the 14th-century sufi bard Amir Khusrau was thrown a challenge by four women to come up with poetry using a random word each gave him, it took the poet just a few moments to come up with a couplet that is now etched in literature. It was a marvel of the human mind which could connect the dots with random words and stitch beautiful poetry almost instantly.

Cut to now, a new technological bard can do the feat within a blink of an eyelid. Don't believe it? Just feed ChatGPT with a few random words and it comes up with a brilliant limerick. Don't like it, ask the new-age bard again and it will regenerate a brand new one almost endlessly, whether it will match the brilliance of those likes of Khusrau is debatable.

While Artificial Intelligence (AI) has been in the works for the last few years, its disruptiveness came to the fore when ChatGPT was launched late last year.

AI's capabilities have induced such awe that can only be compared to the first human flight or the first movie.

Today, AI has become ubiquitous in our daily lives, impacting areas such as search engines, credit scoring, surveillance, and medical diagnosis.

Advanced AI applications like ChatGPT, Dall-E, and GPT-4 have gained attention for their human-like abilities. By 2030, AI is projected to contribute around $15 trillion to the global economy, with India's GDP potentially benefiting by up to $500 billion by 2025.

HOW DOES AI WORK?

AI algorithms utilize large datasets to identify patterns and develop decision-making models. Through training on real-world data, these models "learn" and can make predictions for new situations. Advancements in technology have enabled AI to handle complex computations on diverse datasets, including voice, video, and text, facilitating its application in intricate decision-making processes.

However, the quality of AI outcomes heavily relies on the quality and representativeness of the underlying data. Biases can arise if the data does not accurately reflect the real world. For example, if a loan database predominantly consists of male applicants, an AI-based credit scoring system trained on this data may wrongly perceive gender as a crucial factor for loan approval, leading to the exclusion of female applicants. Such scenarios are dangerous in sectors such as healthcare and law.

INDIA POTENTIAL

Generative AI is experiencing significant growth globally, with the market expected to reach $51.8 billion by 2028. However, in India, there has been limited innovation in the generative AI space compared to global leaders like OpenAI and Google.

Over the past four years, the number of AI start-ups has been on the rise, with 1,517 new ventures emerging by 15th Oct '21. These start-ups have collectively raised a total of $5.25 billion in funding. This year 110 new ventures have already raised over $2 billion.

AI will expand from $3.1 billion in 2020 to $7.8 billion by 2025 in India, a CAGR of 20.2%, according to IDC.

INDUSTRY APPLICATIONS

The potential for growth in this field is vast, driven by the increasing demand for smart applications, which is leading to advancements such as improved home speakers, enhanced facial recognition technology, chatbots capable of human-like conversations, and e-commerce firms utilizing AI to provide a simulated real shopping experience.

For instance, ICICI Prudential Life, a life insurance company, has employed a virtual assistant chatbot named LiGo to interact with policyholders, address their queries, and provide account-specific information.

The company has also implemented an e-mail automation solution using IBM Watson, which utilizes AI to classify user requirements and generate appropriate responses.

Flipkart, Razorpay, and Vedantu are notable examples that use machine learning and AI to improve the customer shopping experience, combat payment fraud, and make education more accessible, respectively.

Indian consultancy giants like Infosys and TCS are already working on generative AI projects and cross-industry solutions, respectively, to cater to client needs.

THE START-UPS

Young start-ups in India are stepping up in the generative AI race. Start-ups like Gan, TrueFoundry, and Cube are leading the way with innovative solutions in video repurposing, ChatGPT development, and AI-powered customer support.

This surge of interest has prompted almost all venture funds in India to develop investment strategies in generative AI.

Sequoia India and SEA have been early adopters, partnering with multiple AI companies, and are evaluating at least five firms per week. Accel, another prominent venture firm, has also prioritized AI in its early-stage venture programme. However, concerns exist regarding limited funding and investor conviction for creating large language models, and some caution against hasty investments without a deep understanding of AI technology.

Generative AI start-ups are more common in the business-to-business (B2B) space, focusing on industry-specific problems, automation, decision-making, and generating insights. Business-to-consumer (B2C) start-ups focus on creating content like images, videos, and music but may encounter accuracy issues due to broader use cases. Some start-ups add generative AI to existing products or services, aiming to differentiate themselves in the market.

The distribution and sale of generative AI works created by artists and designers are facilitated by a few start-ups. Sectors such as content creation, healthcare, music and art, finance, advertising and marketing, gaming and entertainment, education, and retail have seen notable applications of generative AI.

Collaboration between start-ups and larger companies, including mergers and acquisitions, is expected to drive innovation and adoption of generative AI in various industries.

Start-ups play a significant role in making generative AI more accessible, user-friendly, and specialized for specific use cases. Collaborations with larger companies can accelerate the adoption and application of generative AI across industries in India.

GOVERNMENT INITIATIVES

The Indian government is considering the introduction of a regulatory framework for tech platforms like ChatGPT. The regulations aim to address issues such as algorithmic bias, copyright infringement, and other related concerns.

The government is examining regulatory approaches taken by other countries and may engage in discussions with international entities to finalize a framework. This is viewed as an international issue that requires a global perspective, and ideas from various countries may be exchanged to draft the rules.

The aim is to address concerns about misleading information, misinformation, and potential copyright violations associated with the increasing popularity and use of AI tools like ChatGPT.

IMPACT ON JOBS

Analysts warn that the emergence of generative AI could displace service jobs, particularly in market research, content production, legal and financial analysis, and IT services.

AI has the potential to automate mundane and repetitive tasks that are currently performed by humans, and this impact is already being felt in various industries, including capital markets.

In the future, industries such as manufacturing, transportation, and finance could also experience key changes due to AI adoption. The transition to this new job market may pose challenges for workers who lose their jobs to AI-powered systems.

On the other hand, Nasscom predicts over 2,90,000 jobs will be created this year in tech in India, of which 36% will be generated in AI and ML.

According to Goldman Sachs, only 11% to 12% of full-time equivalent employment in India can be automated, the lowest among many countries. In contrast, the global average for work that could be automated is around 18%. The impact of AI automation, including generative AI like ChatGPT, is expected to be lowest in India compared to other countries.

India's estimated impact ranges from 13% to 16% of work that could be automated, while countries like Hong Kong, Israel, Japan, Sweden, the US, and the UK face higher potential job automation ranging from 25% to 30%.

The overall impact on employment will depend on factors like technological advancements, societal adaptations, and policies supporting the reskilling and upskilling of the workforce.

LOCAL DATASETS

In India, AI developers face challenges due to limited access to high-performance computing infrastructure and datasets. Currently, GPUs are typically available within individual academic institutes, hindering their availability to smaller developers. Combining and leveraging these computing resources through cloud-based solutions can enable a broader pool of developers to train large AI models.

To enhance AI development, it is crucial to tap into government and public organization datasets after appropriate anonymization. This would provide researchers and start-ups in India with access to valuable data, fostering innovation and ensuring the inclusion of the Indian context in global language models.

CAN INDIA MATCH UP?

India's technology ecosystem faces challenges in catching up to global leaders in generative AI. Despite having a large start-up ecosystem, Indian contenders have yet to rival the dominance of language model titans like OpenAI's ChatGPT, Google Ventures-backed Anthropic, or Google's Bard.

Generative AI requires significant computing power, advanced algorithms, and extensive training data, areas where global leaders have invested heavily.

However, India's technology ecosystem is evolving, with active work in AI domains like natural language processing and computer vision. While standout generative AI models are lacking, progress is being made in other AI areas, contributing to overall advancements in the field.

The success of generative AI businesses in India depends on the market's size, maturity, and specific customer demands. The country has over 4,200 AI start-ups, and there is a growing demand for generative AI solutions as businesses seek innovative ways to reach their target audience.

Experts say to establish a thriving AI ecosystem in India, partnerships and investments are essential, particularly to bridge the digital divide and democratize access to AI capabilities. Computing power is crucial for AI development, and while India has launched the National Supercomputing Mission, it currently lags in global rankings. Encouraging private sector involvement in supercomputing development can drive investment and technological advancements in this field.

While India may not be at the forefront of AI development due to current computing limitations, redirecting policy focus towards computing and fostering collaborations among academia, the private sector, and research institutions can position it for success in the long terM.

GAINING TRACTION

In India's growing investment landscape, investors seeking stable income streams may find Infrastructure Investment Trusts (InvITs) to be a viable option

Diversification of investments through different asset classes is widely considered one of the key tenets of portfolio construction, crucial for creating wealth. Common asset classes for this purpose include debt, equity, commodities, and real estate (both physical and in the form of REITs).

Financial product innovation has led to the emergence of Infrastructure Investment Trusts (InvITs), a product with inherently different features from traditional investment offerings. This provides investors with another option for diversification. Although the first InvIT was launched more than five years ago, it has only become more visible in the past year. Understanding a product thoroughly before investing is another tenet of wealth creation.

Therefore, this article aims to demystify InvITs and help readers determine if they are the right choice for investing their hard-earned money.

WHAT ARE INVITs?

The InvITs are trusts that own, operate, and invest in infrastructure-related projects that are completed and/or are under construction, such as roads, highways, power transmission networks, and other similar projects. These projects generate a regular stream of cashflow.

There are three types of InvITs: public InvITs, private listed InvITs and private unlisted InvITs.

Public InvITs are listed on the stock exchange and available to all classes of investors. Private listed InvITs are also listed on the stock exchange but can only be offered to institutional investors and body corporates. Private unlisted InvITs are not listed and are offered to institutional investors and body corporates on a private placement basis.

For the purpose of this article, we will restrict the discussion to public InvITs.

Public InvITs, which are listed, offer returns in two ways: payouts from cash flows generated by the infrastructure projects and capital appreciation, which depends on the movement of the InvIT's price on the stock exchange. As InvITs are listed on the stock exchange, investors can trade in InvITs in the secondary market.

InvITs differ from shares that are listed on the stock exchange, as the price movements of the latter are driven by profit and growth potential, while InvIT prices are influenced by the quantum of income distribution and its sustainability. The price of an InvIT on the stock exchange can be traded at a premium or discount to the NAV, which is periodically disclosed by an independent valuer appointed by the InvIT. Ideally, it should not deviate far from it.

InvITs are regulated by the SEBI (Infrastructure Investment Trusts) Regulations, 2014. According to SEBI, at least 80% of the total assets of InvITs should be in completed profit-generating infrastructure projects, and at least 90% of the profits generated should be distributed to the unit holders at least once every six months, with the debt cap being 70%. Thus, InvITs invest in specific infrastructure projects, most of which are revenue-generating as required by the regulations.

InvITs follow the three-tier structure, which includes the sponsor, investment manager and trustee. The sponsor establishes the InvIT, and there cannot be more than three sponsors in one InvIT. The sponsor must hold a minimum stake of 15% in the InvIT, have a net worth of ₹ 100 crore, and have at least 5 years of experience in infrastructure development or fund management.

The investment manager is responsible for asset management activities such as investments and divestments, while a project manager is appointed to monitor and ensure that projects are completed on time. The trustee holds the assets of the InvIT for the benefit of the unit holders and supervises the activities of the investment manager and the project manager.

MARKET DEVELOPMENTS

The first InvIT was registered in April '17, and today SEBI has registered 20 InvITs, which are a mix of both public and private sector companies. Of these, nearly seven are listed on the stock exchange. The InvITs that are currently listed and are actively traded on the exchanges are Power Grid Infrastructure Investment Trust, IRB InvIT Fund, India Grid Trust, National Highways Infra Trust, and India Infrastructure Trust.

NSE Indices Ltd, a subsidiary of the National Stock Exchange (NSE), recently launched a Nifty Reits and InvIT index to track the performance of publicly listed InvITs. The weightage will be dependent on the free-float market capitalization, with an individual security cap of 33% and a 72% cap on the weight of the top three securities. The index will be reviewed and rebalanced quarterly.

The performance evaluation of the InvITs will differ depending on the underlying assets, and, hence, each InvIT has to be evaluated based on its own merit to determine the return potential.

HOW DO INVITS DIFFER FROM MUTUAL FUNDS

There are some similarities to mutual funds in the way they are designed. Both mutual funds and InvITs pool together money from a number of investors who share a common investment objective and then invest it for them.

Both mutual funds and InvITs follow the three-tiered structure i.e. sponsor, investment manager and trustee and the funds are managed by professionally qualified fund managers.

Both these products enable investors to get exposure to an investment(s) that would be beyond their reach in an individual capacity. The similarity between mutual funds and InvITs ends here. Mutual funds can invest in asset classes such as equity, debt, gold, REITs, and InvITs but InvITs can only invest in infrastructure projects either directly or through a special purpose vehicle (SPV).

The performance of mutual funds is linked to market movements, while the performance of InvITs primarily depends on how well its underlying infrastructure holdings are performing.

Companies in which mutual funds invest are free to conserve their profits and reinvest them in the business, thus holding back dividends but InvITs have to compulsorily distribute 90% of the residual income they earn every year to their unit holders.

RATIONALE BEHIND THE LAUNCH OF InvITs

Infrastructure investments are capital-intensive and have a long gestation period. Furthermore, even after they start generating cashflows, it takes years to repay the debt that has been taken for execution, limiting the ability of the companies to undertake new investments due to cash flow constraints and high leverage. Thus, in order to monetize assets that have long income-generating life, infrastructure companies can resort to InvITs.

The government is also keen on adopting the InvIT route to monetise its assets so that it can widen its investments and deploy the money in new projects. This is a win-win for both companies that own infrastructure assets and retail investors as the former will have access to the much-required liquidity and the latter will be able to invest in projects that are not otherwise accessible because of the sheer ticket size.

OPERATING STRUCTURE

A public InvIT lists on the stock exchanges through an initial public offering (IPO) to raise money to acquire a portfolio of assets that are already generating income or under construction, such as roads. It enables individual investors to invest in large infrastructure projects and earn regular income and capital appreciation.

When an investment is made

in an InvIT, an investor becomes a part-owner of the assets. An InvIT can be bought and sold on the exchange just like stocks, without any lock-in period and without any minimum investment threshold.

STAND-OUT FEATURES OF InvITs

• Steady And Predictable Cash Flows

Markets regulator, SEBI, permits InvITs to invest less than 10% in under-construction projects. Thus, since most of the portfolio consists of income- generating assets, it is easier to predict cashflows.

It is best suited for investors looking for regular income since regulation compels the distribution of 90% of residual income.

• Diversification

InvITs are not as popular in India at the moment. This relatively new product offering provides an opportunity to diversify by investing in infrastructure projects that are beyond the reach of small-ticket individual investors.

• Debt And Equity Features

The regular stream of income for investors in the form of payouts post expenses make it akin to a debt instrument. At the same time, since it is listed on the exchange, there is an opportunity for capital appreciation.

• Liquidity

Public InvITs are listed, and, hence, if there is liquidity on the exchanges, exit is easy, thus ensuring that funds are at the disposal of investors in times of need.

TAXATION

InvITs can earn income from assets they own in three ways. Firstly, income from tolls or power transmission collections fees among other things for the assets they own on the balance sheet, which is then distributed to the unit holders after deducting expenses.

Secondly, in the case of assets held through SPVs by the InvIT, dividends will be received from SPV profits. Thirdly, InvITs can also lend to the SPV to acquire and maintain assets and in such a case it will earn income in the form of interest receipts and loan repayments.

Since the InvIT distributes its income post expenses to the unit holders as a pass-through, the income received by the unit holders can take all three forms and is taxable in the hands of the unit holder.

Interest and rental income are taxed at slab rates while dividend income is exempt in the hands of unit holders except in cases where the SPV has opted for a lower tax regime, in which case it will be taxed at the slab rate.

On the return on capital/ loan repayment, amendments have been made to the Finance Bill, 2023, which are favourable to this product as the loan repayment can be reduced from the cost of acquisition for the unit holder to determine the taxable amount, and is payable at unit sale.

If an investor bought an InvIT for ₹ 100 and sold it after 2 years for ₹ 150, and during the holding period the loan repayment was ₹ 20, then the cost of acquisition would reduce to ₹ 80 (₹ 100 – ₹ 20). And, hence, capital gains would be ₹ 70 and not ₹ 50. Short-term capital gains will be taxed at 15% while long term capital gains at 10% after 36 months and after ₹ 1 lakh.

However, if the total amount of loan repayment distributed by the trust since inception exceeds the issue price, it will be taxed as income from other sources at the slab rate.

WHO SHOULD INVEST IN InvITs?

InvITs are an option for investors looking at instruments with steady and largely predictable regular cash flows. InvITs provide an opportunity to diversify and get exposure to operational infrastructure assets, which otherwise are outside the reach of retail investors. InvITs by law are required to distribute the income they generate regularly, and, hence, if it provides yields over and above what a fixed income/ debt instrument can provide, it is an investment option that can be considered for the purpose of diversification.

Having said that, in order to shortlist the best InvIT, it is essential to study each InvIT in order to understand the sustainability of income as the return profile will totally depend on the quality of the underlying assets, which will differ from InvIT to InvIT.

The thriving Indian hospitality industry is redefining sustainable travel by seamlessly integrating work and leisure, in the post-Covid era

EMBRACING THE NEW

The Indian hospitality industry has seen a pronounced revival in business after more than three years of instability. This is not just a matter of sentiment, but there are actual developments that suggest that the momentum in the industry is likely to sustain. Here are a few crucial variables, which indicate that the business in the industry has concretely revived:

TRAVEL BOOM

One of the key factors that boost business sentiment in the hospitality industry is travel and tourism. As more and more people travel domestically, hotels see increasing bookings. This, in turn, boosts demand for rooms. As a result, hotel revenues grow, and increasing demand means that there is a high possibility of hotels raising their room rates. This is a favourable situation as it boosts hotel earnings. Fortunately, hotels have been able to increase room rates at present. This is reflected in the financial performance of India's largest hotel company, Indian Hotels, for the March '23 quarter.

The company recorded 343% jump in its net profit to ₹ 328.27 crore in the March 2023 quarter as against net profit of ₹ 74.2 crore in the corresponding period in the previous fiscal.

Puneet Chhatwal, Managing Director and CEO, Indian Hotels, said, "The company achieved a record setting year with a number of significant accomplishments including the highest ever full-year consolidated revenue, an all-time high and industry leading EBITDA margin, and net profit of over ₹ 1,000 crore. This is a historic first for the company. This performance was enabled by consecutive four quarters of sustained high demand, additionally bolstered by the company demonstrating Revenue per Available Room (RevPAR) leadership across its brandscape in all its key markets."

There are two broad aspects that must be studied in detail to understand why India's hospitality industry is in revival mode. First, India's domestic travel has been booming. This is reflected in the passenger traffic growth of domestic airlines. India's domestic airlines carried a record 13 million passengers in March '23, an 11% increase from the corresponding months of 2018 and 2019, according to Directorate General of Civil Aviation data.

Recently, Jyotiraditya Scindia, the Union minister for Civil Aviation, shared, "We had crossed pre-Covid highs of 4,20,000. Now, we are at about 4,56,000. We are in off-peak season, but are averaging daily air passengers of 3,70,000-4,40,000 in the past month. The way I look at it, in October, we will be at new highs again. So, we have got to plan for October." It must be noted here that domestic air travel demand has been growing well since December '22.

Minister for Culture and Tourism G Kishan Reddy in a written reply to a question in the Rajya Sabha said India's tourism industry is showing good signs of revival after the Covid-19 pandemic. In 2022, India recorded 6.19 million foreign tourist arrivals, a four-fold increase from 1.52 million in 2021, said the government, citing data from the Bureau of Immigration. Foreign exchange earnings through tourism in India also rose to ₹ 1.34 lakh crore in 2022 from ₹ 65,000 crore in 2021, according to the provisional estimates shared by the Tourism Ministry.

These facts indicate that hotels in most segments of the industry are seeing high bookings.

THE FUTURE OUTLOOK

In the past few years, the nature of travelers has changed. A few game-changing travel trends have emerged, prompting hotels to change and tweak their offerings to travellers. As a result, hotels are adapting and staying relevant. These travel trends indicate that hotels that offer diverse experiences around under-explored or little-known destinations stand to gain more business than those that are merely present in well-known destinations. Here are a few important travel trends:

Staycation

Staycations, a word formed by combining two other words stay and vacation, are vacations that people take near their homes for a longer period of time than a regular holiday. They became popular during the pandemic and continue to be a favourite among travellers, said travel experts.

There are a few reasons for this. Staycations offer travellers the chance to enjoy greenery and nature, fresh air, pleasant weather, which is responsible for immunity-boosting experiences. Additionally, staycation destinations typically follow high hygiene standards and offer healthy experiences in terms of both cuisine and services.

Workation

Workation is yet another confluence of two words - work and vacation. It is a new trend that allows people to work and vacation at the same time. The idea is that if you cannot go on a vacation, you can take your work with you and try to achieve both goals of pleasure and productivity. As companies adapt hybrid work models, more and more employees are following this type of travel.

Workation destinations typically offer a sanitized environment, high-speed internet, and a variety of recreational activities, such as jungle walks, river walks, short hikes, bonfire nights, movie nights, and games. These activities help to keep travellers engaged and productive.

In a workation, a traveller typically works for five days and then enjoys two days of leisure activities in and around the destination. This allows them to get work done while also enjoying a break from their usual routine.

Bleisure

Workation and bleisure are two travel trends that are becoming increasingly popular. Workation is a leisure trip in which work is an add-on, while bleisure is a business trip that gets extended to include leisure activities.

According to travel experts, India is ranked second in the world for bleisure travelers. Recent studies show that 59% of workers say that bleisure traveling fuels workplace productivity. This shows the wide acceptance of this type of vacationing.

The outlook for air travel, especially leisure travel, is quite optimistic. The International Air Transport Association's latest market analysis report shows that India is in the process of becoming a key global aviation market, outpacing other thriving markets like the US, China, and Japan in passenger load factor at 81.6% in February '23. India's air passenger traffic is estimated to reach 395 million in 2023-24, making India the world's third largest aviation market. Even credit ratings agency ICRA recently revised its outlook on the Indian aviation industry to stable from negative due to the fast-paced recovery in domestic passenger traffic.

IN A NUTSHELL

The aforementioned travel trends are likely to create more demand for hotel rooms in the coming quarters. It is estimated that the demand for hotel rooms will exceed the supply of rooms in the next few years. This is because hotels have been cautiously expanding.

The recent report by hospitality research firm HVS-Anarock believes that the outlook for the Indian hospitality industry remains positive. There are a few reasons for this optimism.

Domestic travel demand is expected to continue to remain strong, and foreign tourist arrivals are expected to increase further. Events such as the G20 presidency of India, the ICC Cricket World Cup, and the Dior global event in Mumbai are likely to increase demand for hotels in the cities where these events will take place.

The HVS-Anarock report observes, "We expect India-wide occupancy to improve to 66% in 2023. This, coupled with a 16% to 17% increase in average room revenue (ARR), will push revenue per available room (RevPAR) to ₹ 4,690 during the year, almost 18% higher than the pre-pandemic RevPAR recorded in 2019."

Given these factors, India's hotels are expected to see increased business in the next two years. HVS-Anarock estimates that the occupancy rate of India's hotels industry may rise to 70% in 2025 from 66% in 2023. Also, the industry's revenue per available room is expected to improve to ₹ 5,588 in 2025 from ₹ 4,690 in 2023.

In conclusion, the Indian hospitality industry is on the path to recovery from the Covid-19 pandemic and is expected to continue to grow in the coming years.

BUILDING A BETTER TOMORROW

India's exponential economic growth paves the way for integrated infrastructure development

India is poised to become one of the world's largest economies by 2047, with a projected GDP of $35 trillion to $40 trillion, according to estimates by the Confederation of Indian Industry (CII). This tremendous growth is fuelled by a significant increase in GDP, which has more than doubled since 2010, reaching approximately $3.5 trillion in 2022.

The country's industrial output has also surged by 56% during the same period, contributing to the accelerating pace of urbanization expected by 2047. Such exponential economic expansion calls for robust infrastructure development to meet the growing demands and support the nation's progress. With the election year fast approaching, the government is investing heavily in infrastructure development.

According to a recent World Bank report titled "Financing India's Urban Infrastructure Needs: Constraints to Commercial Financing and Prospects for Policy Action," it is estimated that India must invest $840 billion in urban infrastructure over the next 15 years. This amounts to an average annual investment of $55 billion. The report highlights the pressing need to attract more private and commercial investments to bridge the emerging financial gaps.

By 2036, India is expected to have a population of 600 million living in urban areas, accounting for 40% of the total population. This rapid urbanization will exert additional strain on the already overburdened urban infrastructure and services, including the demand for clean drinking water, reliable power supply, and efficient and safe road transport, among others. Currently, the central and state governments finance more than 75% of urban infrastructure, while urban local bodies contribute 15% through their own revenues.

Private sources currently finance only 5% of the infrastructure requirements in Indian cities. To address this gap, the government aims to attract more private investments and has increased the infrastructure budget by about 75% after the Covid-19 pandemic. The government has also implemented policy reforms to encourage private sector participation in infrastructure projects.

Integrated infrastructure development is crucial to maximize the value of capital investment. The PM GatiShakti National Master Plan, an innovative initiative, establishes a foundation for inter-ministerial projects to complement each other seamlessly. This integrated approach ensures efficient connectivity and is supported by various schemes, including the National Infrastructure Pipeline (NIP) launched in 2019.

The NIP prioritizes social and infrastructure projects in energy, roads, railways, and urban development, with a planned investment of ₹ 102 lakh crores. The funding for NIP is shared almost equally between the central and state governments (39% and 40%, respectively), while the private sector contributes 21%.

Complementing the NIP is the PM GatiShakti Master Plan, which focuses on enhancing India's logistics network. The government has emphasized increased spending in the infrastructure sector in the Union Budget 2023-24, with infrastructure spending reaching 3.3% of GDP, nearly triple the 2019-20 expenditure. The budget has allocated ₹ 75,000 crores to 100 critical projects aimed at improving overall multimodal logistics infrastructure.

To facilitate better coordination between the central and state governments, the central government has extended 50-year interest-free loans to state governments, enabling them to undertake infrastructure investments and incentivizing complementary policy actions in infrastructure development. The government has also announced the establishment of an Urban Infrastructure Development Fund (UIDF) that utilizes the priority sector lending shortfall to create urban infrastructure in Tier 2 and Tier 3 cities, with an annual outlay of ₹ 10,000 crore. State governments are encouraged to utilize resources from the 15th Finance Commission and existing schemes while accessing the UIDF by adopting appropriate user charges.

Infrastructure development requires the involvement of multiple stakeholders for overall societal growth. India primarily utilizes the Public-Private Partnership (PPP) approach in the infrastructure sector. India's PPP program, known for delivering high-priority public utilities and infrastructure, comprises nearly 2,000 projects at various stages of implementation, making it one of the largest PPP programs globally according to the World Bank.

Under PPP, infrastructure is developed under the “Build-Operate- Transfer (BOT)” model, incentivizing the private sector to build and maintain infrastructure effectively, with revenue generation through increased usage.

The government has also advised and provided financial resources to over 16 different ministries for infrastructure development under PPP. The goal is to create a seamless supply chain for the movement of goods and services. The National Logistics Policy (NLP), introduced in 2022, formalizes this approach and aims to reduce logistics costs in India to under 10% and rank among the top 25 countries in the Logistics Performance Index. The government launched the Unified Logistics Interface Platform (ULIP) under the NLP, providing a single portal for all digital services related to the transportation sector.

India’s railway sector plays a crucial role in the overall development of the country’s infrastructure. To enhance connectivity and enable high-speed travel, the government has allocated ₹ 2.4 lakh crores (~$30 billion) for the development of new semi-high-speed Vande Bharat trains and the upgrade and maintenance of railway tracks. This allocation is almost nine times higher than a decade ago.

Additionally, the Ministry of Railways is working on two dedicated freight corridors, the Eastern Dedicated Freight Corridor (EDFC) and the Western Dedicated Freight Corridor (WDFC). These corridors, spanning over 1,724 kilometers (1,072 miles) and costing over ₹ 97,000 crores (approximately $12 billion), will connect important manufacturing hubs and ports, facilitating efficient freight transportation while easing congestion on passenger train networks.

Transport infrastructure has received prioritized funding from the government. The Ministry of Transport and Highways, alongside the railways, has seen a 36% increase in budget allocation compared to the previous year, enabling the development of new expressways. Several expressways, including the Delhi-Mumbai Expressway, Bengaluru-Mysuru Expressway, and Agra-Lucknow Expressway, have been constructed under the Road Connectivity scheme, connecting cities and reducing travel times.

Recognizing the importance of interconnected infrastructure, various departments have collaborated to launch convergence schemes. One such scheme is KRISHI-UDAN, designed to assist farmers in transporting perishable goods.

The Airports Authority of India (AAI) provides waivers for landing, parking, and navigational charges to Indian freighters and Passenger-to-Cargo (P2C) aircraft. Complementing this scheme is RCS-UDAN, which incentivizes airlines to provide air connectivity to previously underserved low-traffic routes.

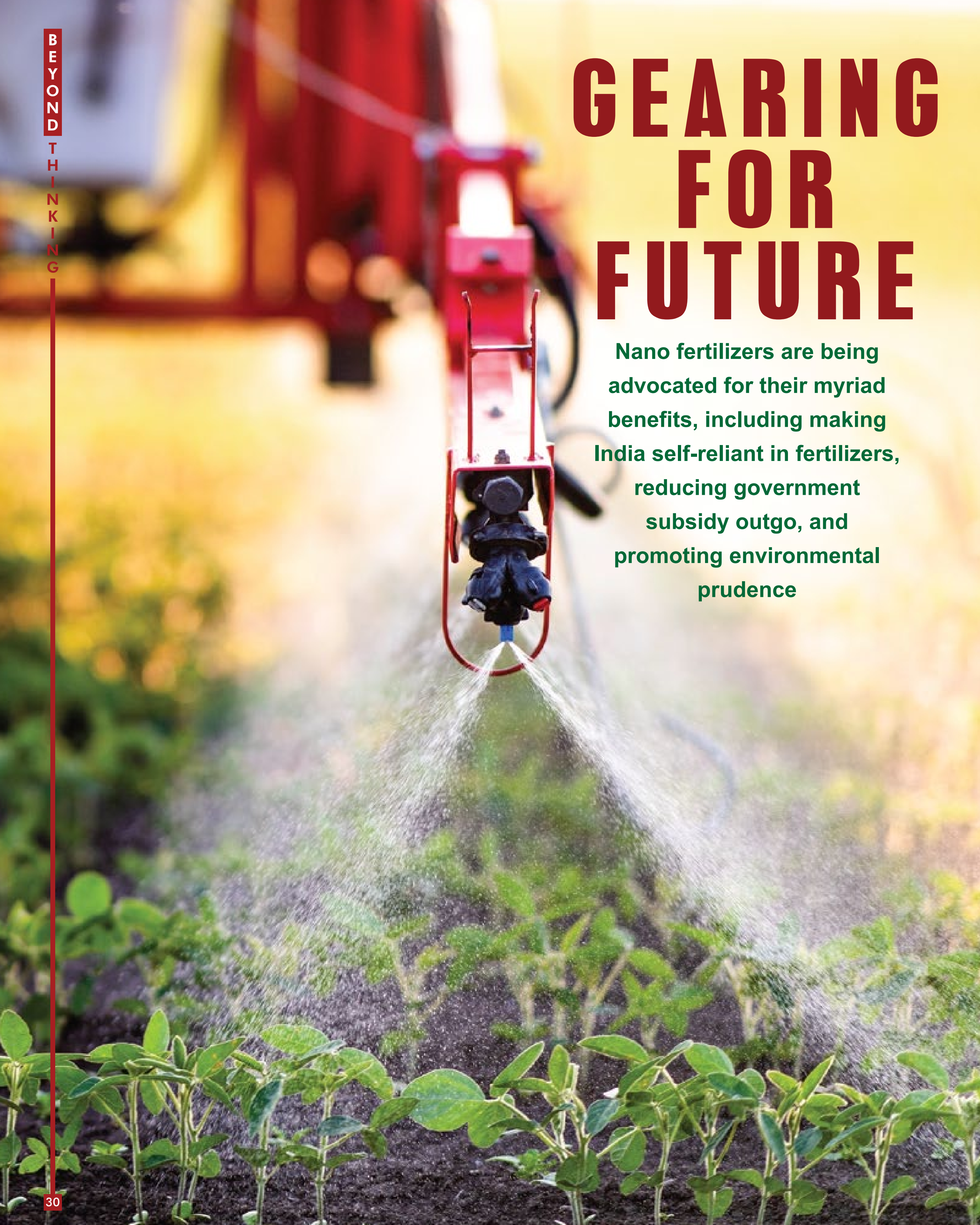
Through public-private partnerships (PPPs), the government and private sector have partnered to construct and operate new airports, with a projected total of 200 airports by the end of 2024. These airports serve emerging commercial centers, enhance air cargo transport, and empower farmers under KRISHI-UDAN.

Similarly, the Ministry of Shipping, under the Sagarmala scheme, is developing an inland waterways network throughout the country through PPP models to promote shipping and facilitate trade. Progress reports indicate the completion of 56 port connectivity projects, with 69 projects under implementation, and the completion of 33 port-led industrialization projects.

Significant progress has also been made in digital infrastructure through initiatives like the Digital India scheme and the Telecom Technology Development Fund. Rural internet subscriptions have seen a 200% increase between 2015 and 2021, surpassing urban areas' growth rate of 158%. This indicates a narrowing gap in rural and urban connectivity. Furthermore, between 2019 and 2021, rural areas saw the addition of 95.76 million internet subscribers, slightly surpassing the 92.81 million subscribers added in urban areas.

Collectively, the development of India's infrastructure drives economic growth by increasing demand for labour, goods, and capital expenditure. Studies from the Reserve Bank of India and the National Institute of Public Finance and Policy estimate that every rupee spent on infrastructure yields a 2.5 to 3.5 rupee gain in GDP.

With a strategic vision and coordinated efforts, India is well-positioned to transform its infrastructure landscape and achieve remarkable progress in the coming yearS.



GEARING FOR FUTURE

Nano fertilizers are being advocated for their myriad benefits, including making India self-reliant in fertilizers, reducing government subsidy outgo, and promoting environmental prudence

In a game-changing move for India's agriculture, nano di-ammonium phosphate (DAP) has been commercially launched, following the successful introduction of nano urea last year.

These revolutionary nano fertilizers hold immense promise, leveraging advanced technology and innovative formulations to enhance crop productivity and sustainability. This significant stride in agricultural science is set to transform India's food security and uplift the well-being of farmers.

Nano fertilizers, based on nanotechnology, offer a more efficient approach to delivering nutrients to crops compared to conventional fertilizers. Their ultra-small particle size enables easier nutrient penetration into the crops.

Unlike conventional fertilizers, which are primarily in powder or granular form, nano fertilizers are used in liquid form. This distinction in form and size enhances their effectiveness in nourishing plants and maximizing agricultural output.

The adoption of nano fertilizers in agriculture has the potential to revolutionize the fertilizer sector. While it may take time for the larger farming community to fully embrace nano fertilizers, their utilization could significantly reduce the reliance on imports and lower the government's fertilizer subsidy expenditure.

Crucially, due to their enhanced efficiency, nano fertilizers can boost crop yields and improve the resilience of crops against adverse weather conditions. However, the most notable advantage of transitioning to nano fertilizers lies in their positive impact on soil health.

SOIL HEALTH BENEFIT

For beginners, chemical fertilizers are artificially manufactured and play a huge role in the life cycle of a crop. It is unthinkable today to feed the rising population of the world without the use of chemical fertilizers.

Fertilizers are like food for crops. The primary soil nutrients are nitrogen (N), phosphorus (P), and potassium (K). Crops also require micronutrients like zinc, iron, copper, boron, manganese, and molybdenum, and secondary nutrients like sulphur, calcium, and magnesium.

Fertilizers can be made from a single nutrient, such as urea (46%N) or MOP (60%K), or a combination of nutrients, such as DAP (18%N + 46%P). There are 22 grades of fertilizers, but urea, DAP, and MOP are the most widely used in India.

Farmers have taken up the habit of using chemical fertilizers over the years for several reasons, such as their ease of handling, availability, and cost-effectiveness.

However, overuse of urea and DAP has altered the health of the soil. The desired N:P:K ratio in soil is 4:2:1, but the current ratio is 6.7:2.4:1.

Overuse of nitrogen (N) and phosphorus (P) has led to a decline in crop yield, deterioration of soil health, and adverse impacts on the environment, including air, water, and soil pollution.

The cost structure of conventional fertilizers encourages farmers to overuse them. For example, the cost of urea, which is controlled by the government, has been kept artificially low for decades.

This means that farmers can buy a 45 kg bag of urea for just ₹ 270, even though the cost of production for manufacturers is around ₹ 1,500. Even the prices of DAP and MOP are kept artificially low at ₹ 27,000 and ₹ 34,000 per tonne, respectively.

SUBSIDY BENEFIT

The government provides subsidies to cover the difference between the cost of production and the selling price of fertilizers. The subsidy for the fiscal year 2022-23 was ₹ 2.26 trillion, and the budgeted provision for the fiscal year 2023-24 is ₹ 1.75 trillion. The fall in subsidy as compared to the previous year is due to expectations of lower international prices of fertilizers and raw materials.

Nano fertilizers are expected to help farmers use less fertilizer without sacrificing efficiency or crop output. For example, a 500-millilitre bottle of liquid DAP costs around ₹ 600, but it can easily replace a 50 kg bag of traditional DAP, which costs farmers ₹ 1,350. Similarly, a 500-millilitre bottle of nano liquid urea costs ₹ 235, but it is a sufficient replacement for a 45 kg bag of urea, which costs ₹ 270.

To highlight, the government has not been able to reset the price of urea because it is a politically sensitive issue. However, as farmers replace conventional fertilizers with nano fertilizers, the government stands to benefit in the form of lower subsidy outgo.

The government is expected to promote the use of nano fertilizers in a meaningful way in the future. Some state governments have already announced incentives for farmers to use nano fertilizers.

TOWARDS SELF-RELIANCE

Higher use of nano fertilizers will help India become self-reliant on fertilizers.

Currently, India consumes around 64 million tonnes of fertilizers every year, including 35 million tonnes of urea, 9 million tonnes to 10 million tonnes each of DAP and NPKS complexes, and 4.5 million tonnes to 5 million tonnes of MOP. Urea accounts for over half of overall fertilizer consumption in the country.

India imports around 33% of urea and 90% of phosphatic fertilizers every year. All potassic fertilizers are also imported. Additionally, 50% of gas is imported every year for fertilizer manufacturing. In the case of phosphatic fertilizers, India is dependent on imports for both rock phosphate and phosphoric acid.

Currently, there are 34 large-sized urea manufacturing units, 21 DAP and complex fertilizer units, and 105 small and medium enterprises (SMEs) for SSP production.

With the use of nano fertilizers, India can become self-sufficient in fertilizers as the requirement for traditional fertilizers falls. On the urea front, the government is also planning to revive old plants to increase production. It aims to make India self-reliant in urea by fiscal year 2024-25. With the increased use of liquid nano DAP, it is expected that India will become self-sufficient in DAP by fiscal year 2024-25.

FINALLY – GOOD OVERALL

The use of urea over the years has impacted the quality and quantity of crops. Today, when farmers apply 100 kg of nitrogen, only 35 kg is utilized by the crop. The remaining 65 kg seeps into groundwater or becomes unsuitable for crop consumption, causing pollution.

Nano fertilizers can help farmers reduce their dependence on chemical fertilizers while increasing the quality and quantity of their crops. They can also save farmers money.

Will nano fertilizers completely replace conventional fertilizers? Not yet.

This is because there are limitations. Nano fertilizers are in liquid form and can only be used after the formation of leaves on the plant, while conventional fertilizers can be used in the soil even during the sowing period. Farmers are advised to use both, but not at the same time.

While this is a huge limitation of nano fertilizers, it is equally challenging for the sector to educate farmers, increase awareness, and change the mindset of farmers.

Although the adoption of nano fertilizers is likely to be slow in the near term, exponential growth is expected in the medium term.

To complete the bouquet of nano fertilizers available to farmers, one should also keep an eye on the launch of nano-potash as well as other micronutrients such as nano-zinc and nano-boron, which are already in the pipelin**E.**

BITTER REALITY

POLICY UNCERTAINTIES LOOM AS GOVERNMENT STRIVES TO TAME INFLATION AMIDST SURGING SUGAR PRICES

India's sugar production is expected to be lower by around 8% in the ongoing marketing year 2022-23, as compared to the previous year. Production in the ongoing sugar season, which began in October '22 and will end in September '23, is marred by bad weather conditions and pest infestation in key cane-growing regions of the country. These factors have led to lower sugarcane production and a fall in crop yield.

Industry body Indian Sugar Mills Association (ISMA) has trimmed its sugar production estimates twice for the current year. The trade body lowered its initial estimate of 36 million tonnes to 34 million tonnes, and then again to 32.8 million tonnes for the sugar season 2022-2023. These estimates are net of diversion of sugar for ethanol production, which is expected to be around 4 million tonnes.

Just a few months ago, everyone was expecting sugar production to outstrip demand in India and globally. However, there are now fears that production may lag demand, causing a deficit in the market.

Lower sugar production and higher demand during the summer season are expected to drive sugar prices up. In some wholesale markets, prices are already approaching ₹ 40 per kilogram, up from around ₹ 35 per kilogram earlier in the season. Retail prices are also rising, and are now approaching ₹ 43 per kilogram.

While surging sugar prices boost realizations of sugar mills, there are fears that the government may step in to keep inflation in sugar prices lower to safeguard end consumers. The sugar industry is a highly regulated industry, with the government controlling cane prices, stocks that mills can hold and disburse every month, and exports.

In the run-up to the Lok Sabha elections next year (around May), the government would not want to risk any inflationary pressures in the country. There are a few policy tweaks that the government could make that could impact the sugar industry.

ON EXPORTS

The government may restrict sugar mills from exporting more sugar to ensure adequate inventory back home. For the ongoing sugar season 2022-23, the government has already capped exports at 6.1 million tonnes. The industry has already dispatched 6 million tonnes of sugar for exports. So, even if there is an export ban, it will not impact the sugar inventory back home as most of the sugar exports have already happened.

Having said this, no incremental exports can hurt sentiment. The industry exported around 11 million tonnes of sugar in the previous year. If exports are banned, the industry will stand to lose as currently international prices are at high levels.

Barring Brazil, which is a major player in the global sugar and ethanol market, sugar supplies from many geographies including India, Thailand, Europe, and China are likely to be lower than industry expectations in 2023.

Consequently, international sugar prices hit a decadal high in April '23. Raw sugar prices have jumped to around US $550 per metric tonne, up by around 25% as compared to the previous year. Credit ratings agency India Ratings and Research (Ind-Ra) expects global sugar prices to remain strong in 2023 till Brazil's new crop hits the market in the next few months.

ON STOCKS

Media reports have said that the government is closely monitoring the sugar stock situation in India. The government wants mills to strictly comply with the timely filing of stock data to ensure transparency. The government would only allot monthly release quotas to mills based on proper compliance. Stock holding limits on mills regulate the supply of sugar in the domestic market, which, in turn, provides stability to the domestic prices. The government is likely to remain vigilant in allocating stock holding limits in the near term.

ON ETHANOL

Until a few years ago, India's sugar sector used to follow a cycle that either led to a high deficit or high sugar surplus situation in the country. And at every turn of the cycle, there were victims either in the form of farmers, the industry, or end consumers. But thanks to the growing ethanol market and proactive government policies towards the sector, the infamous sugar cycle no longer prevails.

The industry has been increasingly sacrificing sugar production for ethanol production in recent years. From around 0.8 million tonnes of sugar sacrifice in the sugar season 2018-19 to around 4 million tonnes expected in the ongoing sugar season, ethanol is becoming a key pillar for the industry.

The government is targeting to achieve a 20% ethanol blending with petrol as vehicle fuel by financial year 2024-2025. For FY 2022-23, the blending target is 12%.

India's current ethanol production capacity is around 697 crore litres (both from sugar cane and grains). It is estimated that by 2025, for a 20% ethanol blend, about 1,016 crore litres of ethanol would be required. While the task is daunting, the sugar industry has set itself a goal of diverting 10 million tonnes of sugar per year for achieving production of 1,000 crore litres.

Can the government put limitations on ethanol production to ensure adequate sugar stock in the country? While the scenario has a low probability, any change in policies towards ethanol blending would affect the sector and impact sugar mills' profitability as many have invested heavily to meet the daunting blending target.

FINALLY – WAITING FOR NOVEMBER

With production of 32.8 million tonnes, consumption of around 28 million tonnes, exports of 6.1 million tonnes, and previous year's opening stock of 7 million tonnes, it is expected that the opening stock for the next sugar season starting 1st October would stand at 5.7 million tonnes. According to analysts, this closing stock would be the lowest in the last five years.

Despite this, the current inventory is adequate to meet domestic requirements, but bad weather and stock mismanagement can create issues for the industry. Indeed, the next few months are crucial for the industry. Till cane crushing starts from November onwards for the new sugar season, it is worth keeping an eye on any measures by the government as fears of sugar deficit are pushing inflation higheR.

SECURE YOUR WEALTH & YOUR WELLNESS

Investing in health insurance can protect both your physical and financial well-being

April 7th marks World Health Day, a time to bring attention to the vital role of healthcare and the need for accessible, affordable, and high-quality healthcare services for all. As healthcare costs continue to rise, one way to safeguard yourself and your loved ones against financial burden is by investing in a health insurance policy.

Health insurance is an essential tool for managing the financial burden of healthcare expenses, including medical treatments, hospitalization, and other healthcare services. It can also help to avoid delays in seeking medical attention due to financial constraints, providing peace of mind and timely medical care. Moreover, health insurance enables individuals to manage their health proactively by accessing preventative care services such as regular check-ups, vaccinations, and screenings, potentially preventing serious health problems. Therefore, it's crucial to consider purchasing health insurance for yourself and your family.

However, selecting the right health insurance policy requires careful research and comparison of different options to ensure it meets your healthcare needs and budget.

Health insurance is a policy that covers the medical expenses of the insured person and can be purchased individually or as part of a group plan through an employer. Due to the increasing costs of healthcare, health insurance has become a necessity for most individuals to avoid financial burden.

In this article, we will explore the importance of health insurance, its benefits, and how to choose the right plan that suits your needs.

WHY IS IT IMPORTANT TO BUY HEALTH INSURANCE?

To Protect Your Finances: The cost of healthcare can be exorbitant, especially in cases of major illnesses or injuries. Without a health insurance policy, you would be responsible for paying for these expenses out of your own pocket, which could burden you financially and lead to potential bankruptcy or other financial difficulties. Health insurance can help you protect your finances by covering the cost of medical expenses, enabling you to concentrate on your recovery rather than fretting about bills.

Access to Healthcare: Health insurance provides individuals with access to healthcare services that may otherwise be unaffordable. This includes regular check-ups, preventive care, and treatment for illnesses and injuries. Having a health insurance policy enables individuals to seek medical attention from doctors, specialists, and hospitals and clinics without worrying about the associated costs.

Encourages Preventive Care: Many health insurance policies include preventive care services, such as check-ups, screenings, and immunizations, at no extra cost to the insured. These services can assist in maintaining good health and avoiding serious health issues. Regular check-ups aid in the early detection of health concerns, making them easier to manage and less expensive.

Protects Your Loved Ones: For families, having a health insurance policy becomes imperative. It helps to safeguard against financial difficulties that may arise due to illness or injury. Furthermore, health insurance offers the assurance that your family can receive the necessary medical care when required, providing peace of mind.

WHAT TO LOOK FOR WHILE PURCHASING HEALTH INSURANCE?

Coverage: When selecting health insurance, it is critical to seek a policy that offers extensive coverage. This should include coverage for hospitalization, surgery, outpatient care, preventive care, prescription drugs, and mental health services. It is essential to read the policy documents carefully to understand the scope of the coverage and any exclusions.

Cost: The cost of health insurance is a critical factor to consider when selecting a policy. It is necessary to find coverage that is affordable and fits within your budget. However, it is essential to keep in mind that lower premiums may result in higher deductibles or co-payments. This implies that you will need to pay more out of pocket when receiving medical care.

Network: Health insurance policies often have a network of healthcare providers that are included in the plan. When selecting a plan, it is vital to verify if your preferred doctors, hospitals, and clinics are in the network. Visiting healthcare providers outside the network may result in increased out-of-pocket costs.

Deductibles & Co-payments: The deductible is the amount an individual must pay out of pocket before the insurance begins to cover medical expenses. Co-payments, on the other hand, are fixed amounts paid each time medical care is received. When choosing a health insurance plan, it is important to consider the deductible and co-payment amounts, as well as any limitations on out-of-pocket expenses.

Customer Service: When queries or concerns arise regarding your health insurance policy, it is important to have access to excellent customer service. It is recommended to search for a health insurance provider that provides 24/7 customer service and offers online tools and resources to assist with managing your policy.

Investing in health insurance is crucial for your overall health and well-being. Therefore, when purchasing health insurance, it is essential to carefully consider factors such as coverage, cost, network providers, deductibles, and customer service.

COVID-19

With Covid cases once again rising, it is crucial for every individual to get covered under health insurance. What are the key points the customers seeking health insurance consider while buying/ renewing their health coverage? These are as under:

Coverage For Covid-19: It is essential to confirm whether the health insurance policy covers Covid-19-related medical expenses, hospitalization, and other related expenses. One should carefully read the fine print and review the policy documents to check for any exclusions for pandemics. Some policies may not cover pandemics, making it necessary to consider this factor before making a decision.

Premiums And Deductibles: When seeking health insurance coverage, it is of prime importance to consider the cost of the policy and the deductible amount. It is common to find lower premiums associated with higher deductibles, which can result in a higher out-of-pocket expense before insurance coverage begins.

Network Of Providers: Ensure that the policy you choose covers the healthcare providers and facilities that you prefer, especially those equipped to handle Covid-19 cases.

Pre-Existing Conditions: If you have any pre-existing medical conditions, check if they are covered under the policy. Covid-19 may be considered a pre-existing condition for future insurance policies, so it's important to check the fine print.

Waiting Periods: Some insurance policies may have waiting periods before coverage kicks in. This means that you may have to wait a certain amount of time before you can make a claim for Covid-19-related medical expenses.

Renewal Policy: Check if the policy has the option to be renewed, especially after the pandemic is over. Some policies may have a clause that excludes coverage for pandemics, so it's important to ensure that the policy can be renewed after the pandemic. The terms and conditions of an insurance policy should be carefully considered before making a decision, especially during Covid-19 or any other unforeseen medical emergencies.

Raghavendra Rao, Chief

Distribution Officer, Future Generali India Insurance Company, said, in terms of his experience at FGII, the key trends emerging in the country in terms of opting for health coverage were – personalization of Health Insurance, Focus on Prevention, Telehealth, Integration of Technology, Increased Transparency, Rise of Value Based Care and Behavioural Health.

Personalization Of Health Insurance: Insurers may offer personalized insurance policies based on individual health needs and preferences. This could include coverage for certain types of medical treatments or access to specific healthcare providers.

Focus On Prevention: There may be a greater emphasis on preventative care and wellness programmes, which could help reduce the overall cost of healthcare and improve the health outcomes of individuals.

Telehealth: The use of telehealth services, such as virtual consultations and remote monitoring, may become more widespread, allowing for greater access to healthcare services and increased convenience for patients.

Integration Of Technology: The integration of technology, such as wearables and mobile apps, could enable insurers to monitor the health of their members more closely and provide personalized health recommendations.

Increased Transparency: Insurers may be required to provide more transparency around their pricing and coverage options, making it easier for consumers to compare and choose the right insurance plan for their needs.

Rise Of Value-Based Care: There may be a shift towards value-based care, which focuses on improving the quality of care and patient outcomes, rather than the quantity of services provided. This could lead to greater collaboration between insurers and healthcare providers.

Behavioural Health: There may be increased focus on mental health and behavioural health services, with insurers offering more comprehensive coverage for these types of services.

It's important to note that these are just potential trends, and the healthcare industry is constantly evolving.

Rao says that in Tier-II cities a person must have minimum health insurance coverage of ₹5 lakh. The higher the coverage, the better it is!

However, a lot depends on the financial goals of an individual, affordability and the kind of coverage a person is looking for.

As a rule of thumb, your sum assured should be around 10 times your annual income. For younger individuals below the age of 30, a sum assured of 14-15 times their annual income may be more suitable.

For individuals who are older than 50 years of age, a sum assured of 7-8 times their annual income may be more appropriate.

According to industry experts, any time is a good time to purchase health insurance, especially considering the current high gold prices and the ongoing Covid-19 pandemic. It is a wise decision to secure your health by investing in health insurancE.

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	45.0	11.9	23.3	10.8	12.1	12.7	752
UTI Mastershare Unit Scheme - Growth	195.6	10.5	24.5	11.2	12.7	12.7	10,557
Canara Robeco Bluechip Equity Fund - Growth	43.0	14.0	23.7	13.4	14.7	13.5	9,278
Kotak Bluechip Fund - Reg - Growth	389.8	13.7	26.5	12.2	12.9	13.1	5,633
Nifty 100 TRI	24,283.8	12.2	26.8	12.2	14.2	13.1	--

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	259.2	17.3	31.4	14.3	15.2	18.8	1,882
Edelweiss Mid Cap Fund - Growth	54.8	18.8	35.8	13.9	16.7	20.1	2,787
Mirae Asset Midcap Fund - Reg - Growth	21.6	12.8	35.8	--	--	--	9,270
Nippon India Growth Fund - Reg - Growth	2,256.6	19.8	37.2	15.6	16.8	17.1	14,143
Kotak Emerging Equity Fund - Reg - Growth	78.2	16.4	35.6	14.8	16.7	20.1	25,972
Nifty Midcap 150 TRI	15,347.7	18.7	37.4	14.3	17.2	18.5	--

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	170.9	12.1	46.3	16.8	18.1	20.0	9,230
Edelweiss Small Cap Fund - Reg - Growth	26.8	20.0	43.3	--	--	--	1,616
Nippon India Small Cap Fund - Reg - Growth	99.9	26.8	50.5	17.9	21.6	26.3	26,294
ICICI Prudential Smallcap Fund - Growth	56.9	16.7	47.6	15.7	17.0	16.6	5,036
Union Small Cap Fund - Reg - Growth	30.7	14.6	39.3	14.4	14.8	--	760
Nifty Smallcap 250 TRI	12,143.3	14.1	43.1	10.5	13.9	16.6	--

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	368.0	21.7	29.5	14.2	14.3	15.2	4,043
Canara Robeco Emerging Equities - Growth	165.4	12.8	28.0	12.3	15.9	20.7	16,058
Edelweiss Large & Mid Cap Fund - Growth	54.9	15.1	28.2	12.6	14.3	14.5	1,823
Kotak Equity Opportunities Fund - Reg - Growth	214.6	17.5	28.6	13.9	15.4	15.8	12,514
Mahindra Manulife Large & Mid Cap Fund -	17.4	8.8	29.4	--	--	--	1,130
NIFTY Large Midcap 250 TRI	13,046.1	15.4	32.1	13.3	15.8	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	21.4	11.7	31.9	15.2	--	--	1,633
HDFC Multi Cap Fund - Reg - Growth	11.6	25.0	--	--	--	--	6,232
Kotak Multicap Fund - Reg - Growth	10.8	20.7	--	--	--	--	4,137
Nippon India Multi Cap Fund - Reg - Growth	175.7	25.6	40.8	14.2	15.1	15.2	15,088
S&P BSE 500 TRI	30,765.8	13.5	29.6	12.6	14.8	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	230.3	13.1	24.9	13.2	15.2	13.8	9,096
Mirae Asset Flexi Cap Fund - Reg - Growth	10.5	--	--	--	--	--	757
UTI Flexi Cap Fund - Growth	235.0	7.2	24.2	11.6	13.2	13.9	24,237
Union Flexi Cap Fund - Growth	34.4	13.2	27.8	13.3	13.5	12.1	1,405
Parag Parikh Flexi Cap Fund - Reg - Growth	53.1	17.7	30.0	17.6	17.8	--	33,616
S&P BSE 500 TRI	30,765.8	13.5	29.6	12.6	14.8	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	137.8	21.9	36.0	12.4	13.6	14.0	4,380
Nippon India Focused Equity Fund - Reg - Growth	81.5	12.4	32.6	12.2	14.1	17.9	6,112
ICICI Prudential Focused Equity Fund - Ret - Growth	53.2	16.6	26.8	13.7	13.7	13.4	4,172
Mahindra Manulife Focused Fund - Reg - Growth	16.4	15.9	--	--	--	--	708
S&P BSE 500 TRI	30,765.8	13.5	29.6	12.6	14.8	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	30.5	18.6	36.0	12.0	14.9	--	1,359
Sundaram Dividend Yield Fund - Growth	89.9	12.5	25.5	11.4	15.7	14.0	420
UTI Dividend Yield Fund - Growth	107.6	11.0	25.4	11.3	13.4	12.2	2,810
S&P BSE 500 TRI	30,765.8	13.5	29.6	12.6	14.8	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	97.8	17.1	45.3	12.2	16.3	16.8	5,430
SBI Contra Fund - Growth	240.0	22.7	44.7	16.7	16.4	15.0	9,720
Nippon India Value Fund - Reg - Growth	129.8	15.5	32.6	12.4	15.0	15.1	4,833
S&P BSE 500 TRI	30,765.8	13.5	29.6	12.6	14.8	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	142.6	10.9	25.6	11.0	12.6	12.8	2,883
Canara Robeco Equity Tax Saver Fund - Growth	119.5	14.5	27.6	15.0	15.7	15.0	5,207
Kotak Tax Saver Fund - Reg - Growth	77.7	16.7	29.2	14.0	15.2	15.0	3,560
Mahindra Manulife ELSS Fund - Reg - Growth	19.8	15.9	29.6	11.6	--	--	567
Parag Parikh Tax Saver Fund - Reg - Growth	20.8	15.8	31.4	--	--	--	1,527
Tata India Tax Savings Fund - Reg - Growth	29.6	14.2	27.3	11.5	13.8	--	3,174
S&P BSE 200 TRI	9,811.8	13.3	28.7	12.9	14.8	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	61.9	19.1	29.1	13.5	16.8	16.5	2,144
ICICI Prudential Banking and Financial Services Fund	93.5	23.0	34.5	9.6	15.0	15.2	6,313
Nippon India Pharma Fund - Reg - Growth	280.2	4.3	15.0	15.8	11.6	14.6	4,511
Quant Quantamental Fund - Reg - Growth	14.3	24.5	--	--	--	--	580
Tata Digital India Fund - Reg - Growth	32.2	2.8	34.4	18.5	18	--	6765
S&P BSE 500 TRI	30,765.8	13.5	29.6	12.6	14.8	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	28.0	7.0	7.2	5.5	4.6	4.0	2,927
Kotak Equity Arbitrage Fund - Reg - Growth	32.2	7.0	7.4	5.7	4.9	4.4	20,587
Tata Arbitrage Fund - Reg - Growth	12.4	6.8	7.1	5.5	4.5	4.2	5,762
Invesco India Arbitrage Fund - Growth	27.5	6.9	7.5	6.1	5.1	4.4	3,507
Edelweiss Arbitrage Fund - Reg - Growth	16.7	6.7	7.1	5.5	4.8	4.2	4,688

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	19.4	8.2	11.4	8.0	8.6	--	254
HDFC Equity Savings Fund - Growth	51.7	9.5	15.3	8.3	10.0	9.3	2,569
Kotak Equity Savings Fund - Reg - Growth	20.1	9.2	13.3	8.4	8.8	--	2,172
NIFTY 50 Hybrid Composite Debt 65:35 Index	15640.1	12.3	19.9	11.8	12.5	11.4	--

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	15.5	11.1	16.9	--	--	--	14,422
Nippon India Balanced Advantage Fund - Reg	129.2	10.0	16.9	8.7	11.2	11.2	6,712
Tata Balanced Advantage Fund - Reg - Growth	15.8	10.8	16.9	--	--	--	6,705
Edelweiss Balanced Advantage Fund - Growth	37.6	10.5	18.0	10.9	11.0	11.0	8,907
Union Balanced Advantage Fund - Reg - Growth	15.7	8.9	16.1	9.6	--	--	1,656
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,640.1	12.3	19.9	11.8	12.5	11.4	--

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	255.7	12.1	19.6	11.6	12.9	13.7	8,445
Kotak Equity Hybrid Fund - Growth	42.7	12.4	26.4	12.2	12.8	--	3,468
Mirae Asset Hybrid - Equity Fund - Reg - Growth	23.0	11.8	21.4	11.5	12.8	--	7,188
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,640.1	12.3	19.9	11.8	12.5	11.4	--

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	51.5	12.0	21.1	10.6	10.2	10.3	1,735
Nippon India Multi Asset Fund - Reg - Growth	14.1	12.0	--	--	--	--	1,185
Tata Multi Asset Opportunities Fund - Reg - Growth	16.6	11.7	21.0	--	--	--	1,551
NIFTY 50 Hybrid Composite Debt 65:35 Index	15,640.1	12.3	19.9	11.8	12.5	11.4	--

Gold Funds Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	18.8	17.2	7.2	13.0	9.4	7.2	1,542
Kotak Gold Fund - Reg - Growth	24.3	16.5	7.3	13.2	9.5	7.2	1,534
Nippon India Gold Savings Fund - Reg - Growth	24.2	17.1	7.3	12.9	9.4	7.1	1,556
Prices of Gold	60,630.0	18.6	13.9	14.3	10.8	8.7	--

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year	YTM	
Bandhan Overnight Fund - Reg - Growth	1,200.9	6.4	6.5	6.4	5.8	6.76	1,375
Tata Overnight Fund - Reg - Growth	1,188.3	6.4	6.5	6.4	5.8	6.79	1,598
Nippon India Overnight Fund - Reg - Growth	121.0	6.5	6.6	6.5	5.8	6.81	7,774

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	363.4	7.4	6.9	7.4	6.2	7.32	39,131
Mirae Asset Cash Management Fund - Growth	2,365.2	7.5	7.0	7.2	6.2	7.14	4,955
Kotak Liquid Fund - Reg - Growth	4,562.3	7.5	6.9	7.2	6.1	7.09	29,684
Nippon India Liquid Fund - Reg - Growth	5,507.2	7.3	6.9	7.2	6.2	7.09	22,983
Mahindra Manulife Liquid Fund - Reg - Growth	1,467.3	7.4	7.0	7.2	6.2	7.23	446

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	13.1	7.8	7.1	6.2	4.7	7.40	13,098
ICICI Prudential Ultra Short Term Fund - Growth	23.9	7.7	7.1	6.2	5.1	7.57	12,645
Kotak Savings Fund - Reg - Growth	37.1	7.8	7.1	6.1	4.5	7.54	10,606

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Money Market Fund - Growth	4,901.5	8.4	7.6	6.6	4.9	7.41	15,509
Tata Money Market Fund - Reg - Growth	4,044.0	8.5	7.7	6.7	5.0	7.44	9,633

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
HDFC Low Duration Fund - Growth	49.7	8.3	7.1	6.2	5.3	7.84	14,141
ICICI Prudential Savings Fund - Reg - Growth	463.1	8.6	7.4	6.8	5.6	7.93	17,911
Kotak Low Duration Fund - Std - Growth	2,888.9	8.1	7.0	6.1	5.0	7.76	8,228

Floater Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Floating Rate Fund - Reg - Growth	1,282.5	9.0	7.1	6.4	5.9	7.76	4,869
Tata Floating Rate Fund - Reg - Growth	10.9	8.6	6.9	6.3	--	7.91	216

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	27.2	10.3	7.9	6.8	5.7	7.74	12,127
HSBC Short Duration Fund - Reg - Growth	22.7	10.0	7.4	6.1	4.4	7.37	3,577
ICICI Prudential Short Term Fund - Growth	51.3	10.0	7.7	7.6	6.0	7.98	16,489

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	25.3	9.7	7.7	7.3	5.9	7.91	20,812
HDFC Corporate Bond Fund - Growth	27.6	10.7	7.9	7.1	5.6	7.71	26,612
Kotak Corporate Bond Fund - Std - Growth	3,214.1	10.6	7.5	6.6	5.5	7.69	10,245

BEYOND NUMBERS

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	31.4	11.0	8.2	8.5	6.0	7.94	10,215
Nippon India Dynamic Bond Fund - Reg - Growth	31.8	14.3	10.4	8.3	4.5	7.49	4,477
Kotak Dynamic Bond Fund - Reg - Growth	31.9	13.5	7.0	6.6	5.0	7.69	2,575

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	38.2	10.9	8.0	7.7	6.8	8.16	6,580
HDFC Medium Term Debt Fund - Growth	48.3	11.5	8.1	7.2	6.3	8.00	4,111
SBI Magnum Medium Duration Fund - Growth	43.8	12.4	8.8	7.7	6.0	7.77	7,222

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	15.3	19.3	13.6	12.2	4.9	7.36	6164

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	3 Years	YTM	
Kotak Gilt Fund - Growth	83.2	13.4	8.4	7.6	4.2	7.54	2,698

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	20.9	18.7	11.1	9.6	4.4	7.25	2,394

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	26.8	9.6	7.3	6.8	7.0	8.54	7,828
HDFC Credit Risk Debt Fund - Reg - Growth	20.6	9.9	7.6	6.9	7.6	8.43	8,573
SBI Credit Risk Fund - Growth	38.9	15.1	10.1	8.1	6.9	8.03	2,819

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	21.2	14.1	8.8	8.4	5.5	7.29	364
HSBC Banking and PSU Debt Fund - Growth	21	11.1	7.6	6.5	4.2	7.3	4783

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 22nd May 2023

TECHNICAL OUTLOOK

In May, the Bulls led the rally, but they may face strong resistance at the 18,450-18,500 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 18,200/18,100 support level. Although the sentiment on D-Street was cautious to positive, 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 18,450 and 18,500 on a closing basis. Any move above the 18,500 mark would signal a positive rally towards the 18,800/19,000 levels.

On the other hand, the Nifty has strong support at the 18,000 level. If it fails to hold this support level on a closing basis, we may witness a further sell-off, potentially taking the Nifty towards the 17,800/17,500 levels.

The daily momentum indicator has a negative crossover, which indicates that the index may consolidate but the structure is turning in favour of bulls. The overall outlook for the market is positive, but there is still some volatility to be expected. Traders should take profits on rallies and look for opportunities to buy on dips.

The bulls will be more active as soon as the Nifty breaks and maintains a positive closing above the 18,500 level for at least two trading sessions. This will help the Nifty gain its strength and move further upside towards the 19,000 mark. Market participants are advised to be stock-specific.

Technically, the Bank Nifty has immediate support at 43,200/43,000. A close below 43,000 may extend the fall to 42,600/42,000. On the flip side, resistance is placed at 44,000–44,200 levels. From there onwards, the Bank Nifty may experience a strong positive rally to 44,800–45,400 levels.

On the Nifty Options front for the June series, the highest Open Interest (OI) build-up is seen near the 18,500 and 19,000 call strikes, while on the put side, it is observed at the 18,000 and 17,500 strikes.

In the May series, India VIX, which measures the immediate 30-day volatility in the market, remained in the range of 10.5 to 13.5. As a result, VIX is currently at a supportive level. However, if it rises above 13.5, then there is a likelihood of increased volatility in the market during the June series.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 1 to 1.4 for most of the May series. Going forward, it is expected to remain between 0.9 and 1.6 in June.

The markets are believed to remain between 18,200 and 18,500 for the first half of June, with supports at 18,200 and 18,000 levels. The markets will also continue to witness some important resistances at 18,500 and 18,800 levels.

OPTIONS STRATEGY

Long Strangle

It can be initiated by 'Buying 1 lot 08JUN 18500 CE (₹110) and Buying 1 lot 08JUN 18400 PE (₹110).' The premium outflow is approximately 220 points, which is also the maximum loss. However, it is recommended to place a Stop Loss at 170 points (for a 50-point loss). The maximum gain is unlimited, and it is recommended to place the Target at 400 points (for a 180-point gain). While the index is trading in the range of 17,850-17,500, a big move is expected once it breaks out or breaks down of these levels, which will lead to decent profits for the strategY.

THE ART OF THE GAME

By Applying Poker Strategies To Investing, Investors Can Learn To Maximize Investment Gains

A

nnie Duke, a well-known decision-making expert and professional poker player, has honed her skills in probabilistic thinking, risk management, and emotional control for over two decades. In her best-selling book “Thinking in Bets: Making Smarter Decisions When You Don't Have All the Facts,” she shares 18 strategies and tools that can be applied to make informed decisions in investing and the stock market.

• **Acknowledge Uncertainty:** Investors should acknowledge the inherent uncertainty in the investing process, despite the amount of research conducted. Unexpected events can always occur, and relying too heavily on any one particular piece of information can be detrimental. It is essential to embrace uncertainty and make investment decisions based on probabilities.

• **Embrace The Probabilities:** In investing, probabilities play a critical role. When evaluating a stock, investors should consider the likelihood of the company’s earnings growth and the market’s positive response to its news. By thinking in terms of probabilities, investors can make more informed decisions and avoid relying solely on gut instincts.

• **Avoid Binary Thinking:** Binary thinking occurs when investors think in terms of absolute outcomes, such as whether a stock will go up or down. However, the future is uncertain, and the most likely outcome is rarely a 100% certainty. Investors should instead think in probabilities and adjust their investment strategy accordingly. This approach can help investors avoid making overly simplistic investment decisions that fail to take into account the complex reality of the investing world.

• **Focus On The Process, Not The Outcome:** Investors can become fixated on the outcome of their investments, whether it results in a profit or a loss. However, it’s important to remember that the outcome is not always indicative of the quality of the decision-making process. A good decision-making process involves analyzing all available information, considering various potential outcomes, and making informed decisions based on probabilities. By focusing on the process, investors can make better decisions that ultimately lead to better investment outcomes.

• **Use Decision Journals:** Keeping a journal of investment decisions and the reasoning behind them can be valuable for investors. It allows them to reflect on their decision-making process, identify areas for improvement, and recognize patterns that may be hindering their success. By keeping a decision journal, investors can learn from their mistakes and make better decisions in the future.

• **Challenge Your Assumptions:** Investors tend to make assumptions about the future performance of a stock or the overall market, which may not always be accurate. It’s crucial to be willing to question your beliefs and assumptions and consider alternative perspectives. By challenging assumptions, investors can gain a more comprehensive understanding of the investment landscape and make better-informed decisions.

• **Consider Alternative Explanations:** In investing, considering all potential explanations for a stock’s performance is essential, even if they don’t align with your initial assumptions. For instance, if a stock performs well despite a negative news announcement, there may be other factors contributing to its success. By exploring alternative explanations, investors can gain a more nuanced understanding of the investment landscape and make informed investment decisions.

• **Think About The Future:** Considering the potential long-term consequences is crucial when making investment decisions. For instance, investing in a company that is likely to be disrupted by technology in the near future may not be a wise long-term investment. By thinking ahead, investors can make informed decisions that account for potential long-term risks and opportunities.

• **Use Pre-mortems:** Investors can benefit from imagining potential outcomes and evaluating the likelihood of success or failure. This approach can help identify potential pitfalls and adjust strategies accordingly. Conducting pre-mortems can also help investors be better prepared for a range of potential outcomes and make informed decisions.

To think about potential scenarios, investors may conduct scenario analyses or stress test their investments under different market conditions. By considering the future, investors can make informed decisions and be better prepared for unexpected events that may impact their investments. Moreover, by focusing on the long-term future, investors can avoid making short-sighted decisions that may harm their overall investment portfolio.

• **Understand The Difference Between Luck And Skill:** In investing, luck can play a significant role in short-term outcomes. However, over the long-term, skill is a much more significant factor. Investors should be able to distinguish between lucky outcomes and those that are the result of sound investment decisions. By understanding the difference between luck and skill, investors can avoid making irrational investment decisions based on short-term outcomes.

• **Consider The Impact Of Emotions On Decision-Making:** Emotions can play a significant role in investment decision-making. Fear, greed, and other emotions can cause investors to make irrational decisions that ultimately harm their investment portfolios. By managing emotions effectively, investors can make more rational decisions and achieve better long-term investment outcomes. This can involve developing a set of rules or guidelines for decision-making that are based on logic and probabilities rather than emotions.

• **Use Decision-Making Frameworks:** Decision-making frameworks can be helpful in guiding investment decisions. These frameworks provide a structured approach to decision-making that can help investors evaluate potential outcomes and make informed decisions based on probabilities. Some popular decision-making frameworks include the SWOT analysis, the PEST analysis, and the Porter's Five Forces analysis.

• **Use A Decision Coach:** A decision coach is an expert who can provide guidance and support in making informed investment decisions. With their help, investors can evaluate information, consider probabilities, and make sound investment decisions. This type of coaching can be particularly valuable, especially for novice investors who are just starting to build their investment portfolios.

• **Keep Learning:** Investing is a continuously evolving field, and staying up-to-date with the latest trends and developments is important. This may involve reading about new investment strategies, attending seminars and webinars, or even taking online courses. By continually learning and growing as investors, individuals can make more informed investment decisions and navigate the ever-changing investment landscape more effectively.

• **Use Backcasting:** Backcasting is a decision-making tool that involves starting with a desired future outcome and working backward to identify the steps needed to achieve that outcome. This approach can be particularly useful in investing, as it allows investors to identify the key factors that will contribute to their desired investment outcomes. By using backcasting, investors can focus on the most important factors that will impact their investment success and develop a plan to achieve those outcomes.

• **Use Decision Trees:** Decision trees are a visual representation of decision-making that can help investors evaluate potential outcomes and make informed decisions. Decision trees involve starting with a specific decision or goal and then branching out to consider the different possible outcomes of that decision. This approach can help investors evaluate the potential risks and rewards of different investment options and make informed decisions based on probabilities.

• **Use Reference Class Forecasting:** Reference class forecasting involves analyzing historical data and information from similar situations in the past to predict potential outcomes. By identifying patterns and trends, investors can make more informed investment decisions, especially in specific industries or sectors, by assessing potential risks and opportunities.

• **Use A Red Team:** A red team is a group of individuals who are tasked with identifying potential weaknesses or blind spots in a particular investment strategy or decision.

By seeking out and listening to opinions that contradict their own, investors can ensure that they are not overlooking important information or making decisions based on biases or incomplete information. This approach can be particularly helpful in identifying potential risks or threats to an investment portfolio.

Successful investing, much like playing poker, requires a solid strategy and the ability to control emotions. Just as a skilled poker player can evaluate risks and rewards and make calculated decisions, a savvy investor can assess market conditions and make informed investment decisions. Emotions such as fear and greed can cloud judgment, so it's key to be disciplined and stick to a well-thought-out investment plaN.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SENSEX
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INFLATION EASES TO MULTI-MONTH LOWS

Inflation for April measured by the Consumer Price Index (CPI) and Wholesale Price Index (WPI) were at multi-month lows. The sharp fall in inflation could push the Monetary Policy Committee (MPC) to extend its pause in its next policy meeting.

Q. What Is Consumer Price Index (CPI) Inflation?

Generally, inflation refers to a change in price levels, indicating whether an item has become more expensive or cheaper over a specific period of time. The inflation index is constructed by assigning weights to various components, similar to how the Sensex or Nifty indices are calculated. The components of CPI include items that have a direct impact on the general public, such as food, clothing, healthcare, education, fuel, housing, and more. Another widely used index is WPI, which tracks wholesale prices. The CPI inflation is released by the Central Statistics Office (CSO) under the Ministry of Statistics and Programme Implementation (MoSPI).

Q. What Is Wholesale Price Index (WPI)?

WPI measures the changes in prices of goods sold and traded in bulk or in wholesale. Wholesale goods are divided into primary articles, fuel & power, and manufactured products. WPI data is published by the Office of Economic Adviser, Ministry of Commerce and Industry.

Q. What Is The Latest CPI And WPI Print?

The CPI inflation rate eased sharply to an 18-month low of 4.7% in April '23, compared to 5.66% in March. In contrast, the WPI entered negative territory at (-) 0.9% in April – first time in thirty-three months, down from 1.3% in March.

Q. Why Has Inflation Eased?

A favourable base effect and fall in imported inflation were the primary drivers for pulling inflation lower.

Q. What Does Fall In WPI Inflation Signify?

Global prices surged following the Russia-Ukraine situation. However, the recent decline in global commodity prices over the last few months has contributed largely to the disinflation observed in the WPI. A lower WPI indicates deflation, although it is important to note that deflation can signal an approaching recession despite initially seeming advantageous. Experts argue that the current slide in WPI is more flattish than in the negative zone. Thus, concerns about deflationary pressures are deemed exaggerated. For corporates, the decrease in WPI inflation is favourable for their profit margins and overall profitability.

Q. Why Is CPI Inflation Important?
In addition to its impact on ordinary people, CPI inflation is also important for policy makers. The RBI considers levels of CPI inflation in its decisions. The MPC has a medium-term goal of keeping CPI below 4%. In the near term, the MPC is using all the policy tools at its disposal to keep CPI inflation below 6%.

Q. What Is The Outlook On CPI Inflation?
Recently, food prices have eased around the world, and India has benefited from this trend. However, for India the monsoon and kharif sowing will be closely watched for their impact on CPI inflation. A deficiency in monsoon rainfall due to El Nino conditions, as predicted by global weather agencies, could weigh on the future course of CPI inflation. The trajectory of crude oil will also be a key factor. Further, the base effect will wane in a few months, making the CPI print more reflective of actual inflation at the ground level.

Q. What Is The Outlook On MPC's Policy?
Inflation has been above RBI's upper tolerance limit of 6% since January '22. This led the MPC to adopt an aggressive rate tightening cycle from May '22 to February '23, before pausing in March. With CPI inflation easing in April, the RBI's MPC can take a breather and extend its pause stance in the upcoming policy meeting in June. Some also expect the MPC to cut key interest rates in the June policy.

BJP'S KARNATAKA LOSS: MARKETS FEAR POPULIST POLICIES

The incumbent Bharatiya Janata Party (BJP) lost power in the Karnataka assembly elections to Indian National Congress (INC). While politics in individual states does not directly affect equity markets, it can create uncertainty in policy making, especially with elections scheduled in a few states ahead of the 2024 general elections.

Q. What Is The Breakup Of The Election Results?
The INC won the 2023 Karnataka assembly elections by securing 135 seats out of a total of 224 seats. The INC's vote share increased from 38.1% in 2018 to 42.9% in 2023. The BJP won 66 seats, with a vote share of 36%, unchanged from the previous elections in 2018. The shift in vote share indicates that the BJP has not lost its base, while the INC has increased its vote share by attracting voters from other small regional parties. This suggests that the INC has been more successful in appealing to a range of voters.

Q. Why Were Karnataka Elections Important For BJP And INC?
Winning elections is important for staying in power and implementing reforms. The Karnataka elections were a chance for the BJP to establish that their policies were widely accepted by the masses. This was even more vital as important states like MP, Chhattisgarh, Rajasthan and Telangana are going to polls ahead of the 2024 general elections. The BJP is not in power in Rajasthan, Chhattisgarh and Telangana, except in MP.

Q. What Will Be The Impact On 2024 General Elections?
Karnataka accounts for 28 of the 543 seats in the Lok Sabha. In the 2019 general elections, the BJP won 25 seats. However, after the Karnataka elections, the BJP is likely to lose some seats if the current mood of voters is any indication. This is because voters in India often vote differently in state elections that they do in national elections. However, the consensus base case for the 2024 general elections is that the BJP will continue to be in power, as PM Narendra Modi continues to enjoy high approval ratings.

Q. What Will Be The Impact On Equity Markets?
While markets rarely factor in state-level policies, BJP's loss in Karnataka is negative for sentiments. The results of the Karnataka elections suggest that the BJP will have to work harder to convince voters in other states, despite its high approval ratings. The greatest fear for the market is that the government will turn populist to curry favour with voters. This would mean less fiscal prudence and more wasteful expenditure. While this has historically been good news for rural consumption, investors may worry that resources will be reallocated away from asset-generating capital spendinG.

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