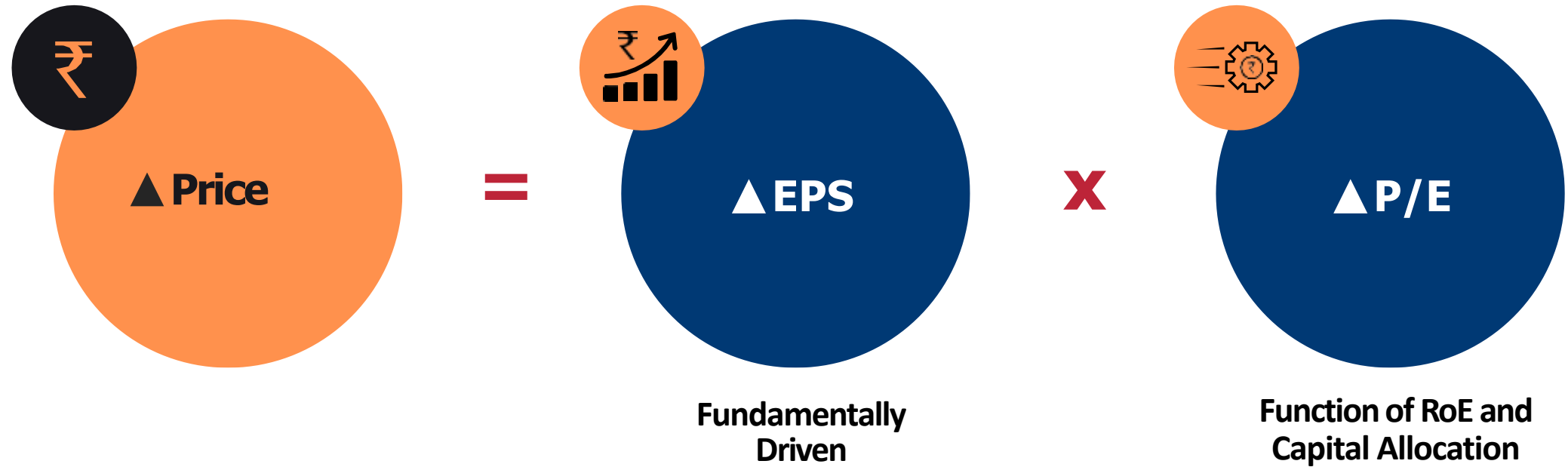


August 2024 Newsletter



Presented By:
Moneyvesta Capital

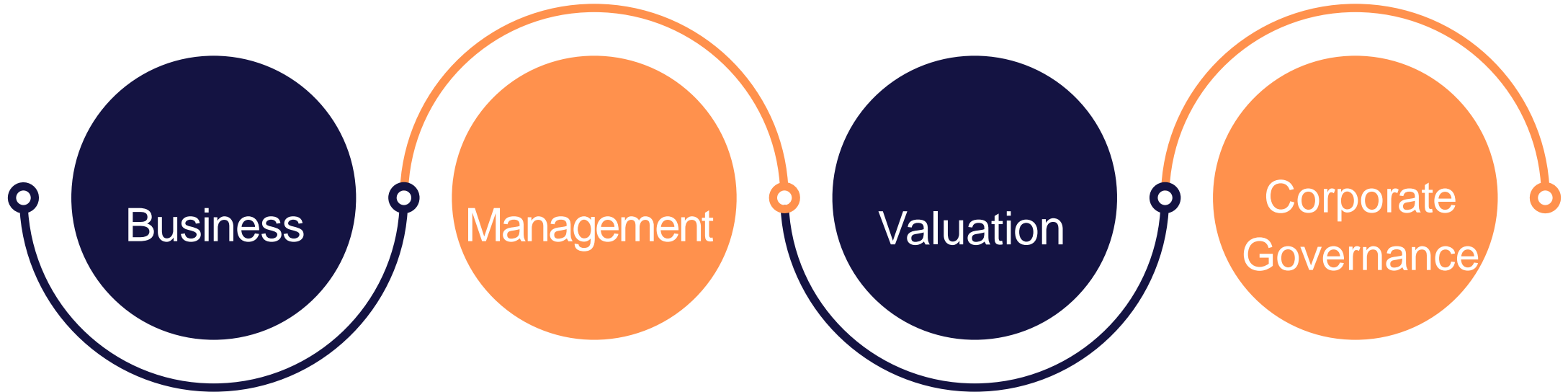
1) Drivers of Stock Price



Price Benefitting from Both Earnings growth & P/E rerating.
For earnings growth... Change in P/E is function of RoE and capital allocation.

2) Investment Framework

In search of companies with meaningful earnings growth and sustainable competitive advantage



Aims to Identify Prominent businesses, with Competent Management, at Reasonable Valuations

The strategies offered by the Investment Manager may or may not follow the above framework at all times. The framework is developed in order to select the right companies through a filtration process and endeavor the strategy to attain their investment objective. These models are based on various broad market parameters prevalent in the market and are dynamic in nature.

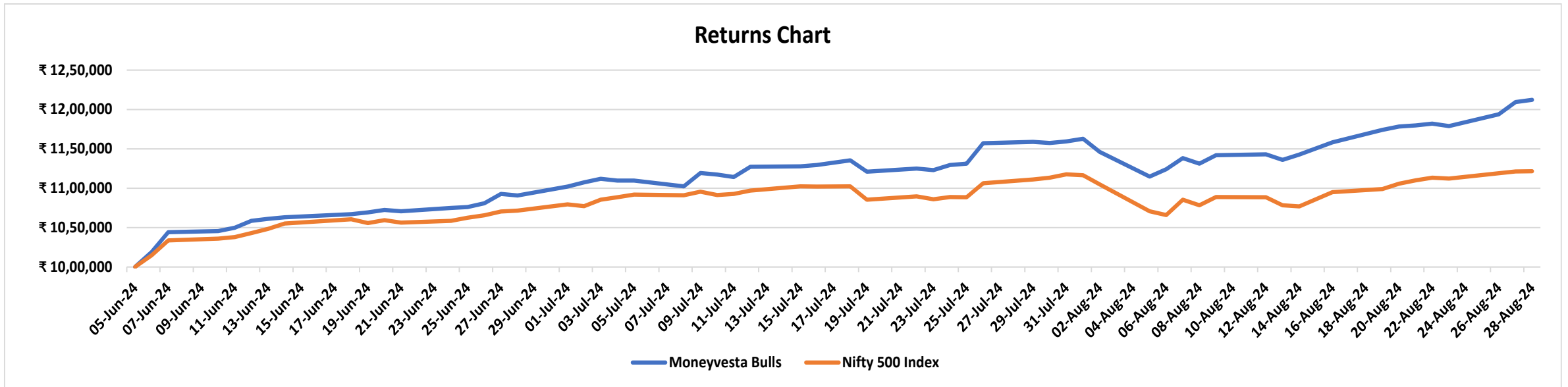
3) Risk and Return

1) Returns:

- i) Moneyvesta Bulls Portfolio 84 days Returns: **21.2%**
- ii) Nifty 500 Index Benchmark 84 days Returns: **12.2%**

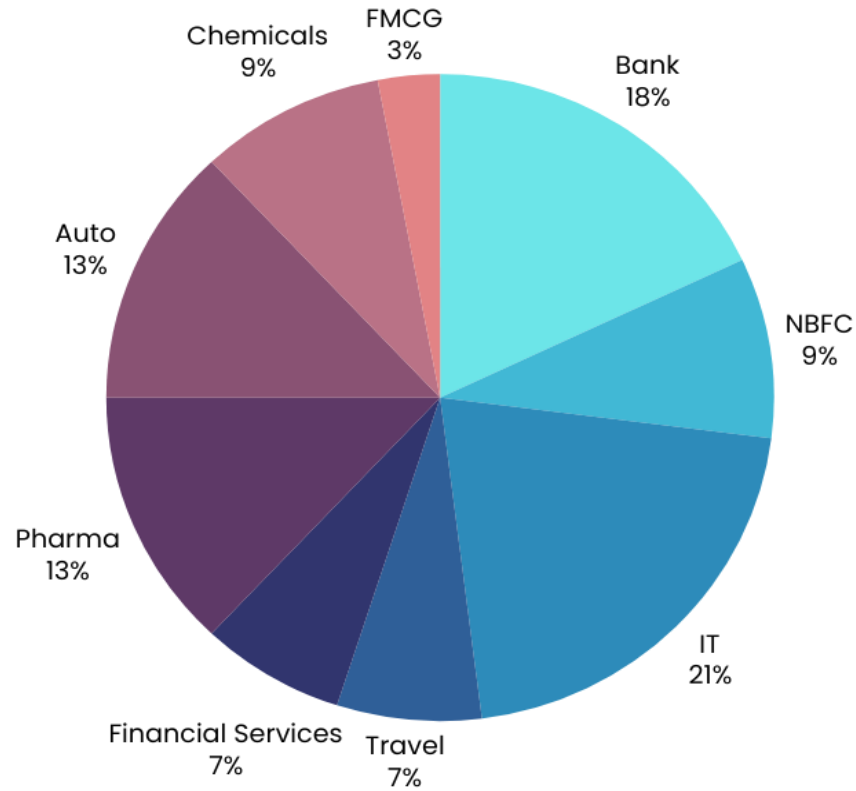
2) Risk:

- i) Moneyvesta Bulls Standard Deviation: **0.8%**
- ii) Nifty 500 Index Benchmark Standard Deviation: **0.8%**
- iii) Beta of Moneyvesta Bulls Portfolio: **0.93**

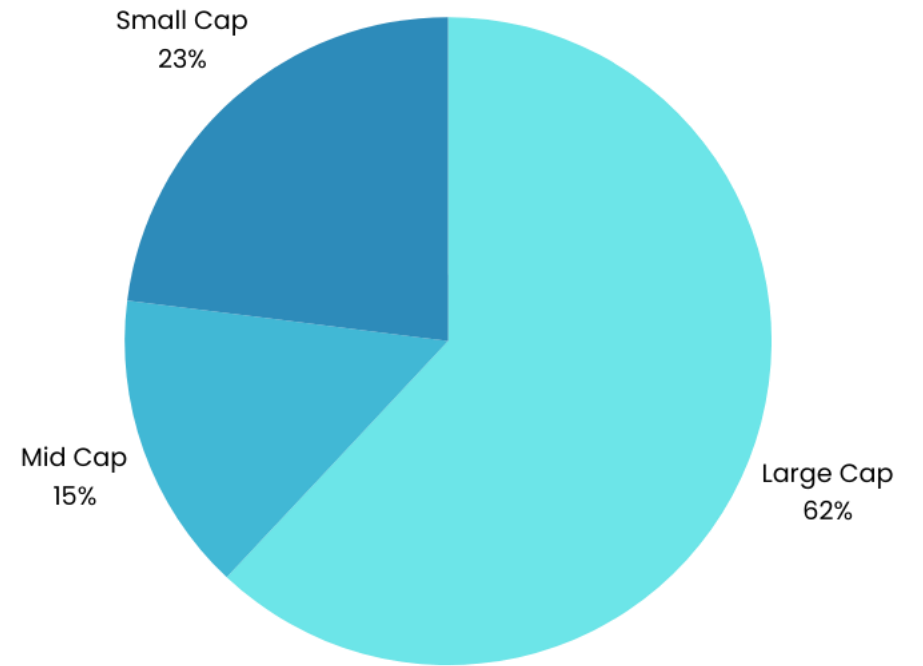


4) Allocation

Sector Allocation



Market Cap Allocation



Moneyvesta Bulls Portfolio Stocks (Strong Business at Reasonable Valuations)

S.No.	Company	10 Year Revenue CAGR (%)	10 Year PAT CAGR (%)	Debt/Equity	ROCE (%)	PEG Ratio
1)		23%	22%	#	22%	0.9
2)		11%	14%	#	21%	1.3
3)		18%	22%	#	15%	0.9
4)		29%	36%	#	22%	0.9
5)		11%	9%	0	64%	3.3
6)		12%	9%	0.1	40%	2.7
7)		23%	21%	0.1	31%	1.6
8)		15%	13%	0.2	28%	3.5
9)		16%	34%	0	31%	1.4
10)		29%	46%	0	43%	1.2
11)		12%	17%	0	24%	1.6
12)		13%	15%	0	31%	2.2
13)		17%	24%	0	24%	1.4
14)		11%	16%	0.1	38%	3.2
15)		25%	24%	0	40%	2
16)		26%	33%	0	27%	0.7
17)		8%	11%	0	27%	1.7
	Total	Median 16%	Median 21%		Median 28%	Median 1.6

Note: # represent that Debt-to-equity ratio is not relevant for banks and financial companies.

Moneyvesta Capital Services

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Table of Content

- 1) Global Macros
- 2) Indian Macros
- 3) Equity Market
- 4) Debt & Currency Market
- 5) Commodity Market

1.1) GDP

Quarterly GDP (YoY growth)	Q4 FY24	Q1 FY25
U.S.A	3.4%	1.4%
China	5.2%	5.3%
Japan	0.1%	-2.9%
India	7.8%	8.6%
U.K.	-0.2%	0.3%

Source: HSBC Mutual Fund

Global economic are always affected by powerful nations whose economic data and crisis give mixed signals to other nations worldwide.

Growth in the US economy continues to come in mixed cues, despite weakness in other major economies, and the drawdown of excess savings. Although real GDP growth slowed in the first quarter of this year, it is looking to increase as policymakers are in talks regarding interest rate cuts and also seeing inflation down closer to 2.0% target, as we show it was down from the last month to 2.9% in July 2024. (3%, Jun 2024)

Additionally, Fed chair Powell indicates a strong signal of interest rate cut next month (Sept), as he said “The time has come for the policy to adjust” which has given confidence to masses for the revival of the US economy.

Japan's central bank, the Bank of Japan, surprised markets by raising its interest rate from near-zero to 25 bps that strengthened the currency significantly. This evaporation of profits sparked a sell-off as traders looked to offload high-risk assets, which now burdened them with higher borrowing costs, low-zero profit margins and losses in asset value led to the crashing of the Japan’s NIKKIEI 225 index, dropping 12% in a day.

1.2) Inflation

Inflation (YoY)	June-2024	July-2024
U.S.A	3.0%	2.9%
China	0.2%	0.5%
Japan	2.6%	2.2%
India	5.1%	3.5%
U.K.	2.0%	2.2%

Source: HSBC Mutual Fund

USA Consumer Price Index for All Urban Consumers (CPI-U) increased 0.2% on a seasonally adjusted basis, to 2.9% which is the lowest since March 2021. This raises the hope for the interest rate cut in September.

India's inflation rate in July was 3.5%, which is the slowest growth since August 2019. It is the first time in nearly five years that India’s CPI inflation fell below RBI’s target of 4%. This was due to inflation falling and high base effect, as last year’s CPI inflation was above the 7.0% level. Additionally, the rise in food inflation was 5.4% in July which was down from 9.56% in June. Core inflation is at 3.4% in July.

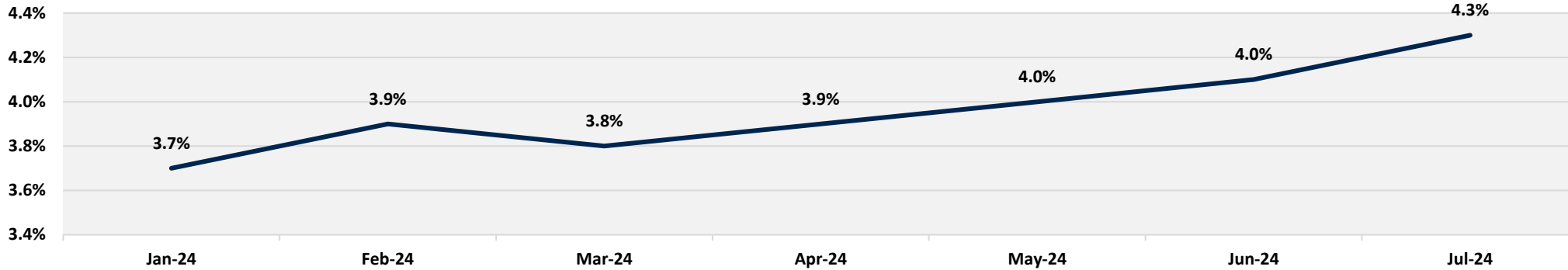
China’s consumer prices rose by a more-than-expected 0.5% in July from a year ago, boosted by a surge in pork prices according to National Bureau of Statistics. Prices of pork, a widely consumed food staple in China, surged by 20.4% year-on-year in July. That was the biggest increase since December 2022

The UK's inflation rate has risen for the first time this year to 2.2%, coming in slightly below expectations but above the Bank of England’s 2.0% target which was due to prices of gas and electricity falling by less than they did a year before.

1.3) U.S.A Economy

The Bureau of Labor Statistics (BLS) reported that the U.S. economy added total nonfarm payroll employment edged up by 114,000. The unemployment rate ticked up from 4.1% to 4.3%. Number of unemployed people, at 6.8 million in June. A year earlier, the jobless rate was 3.6%, and the number of unemployed people increased by 352,000 to 7.2 million.

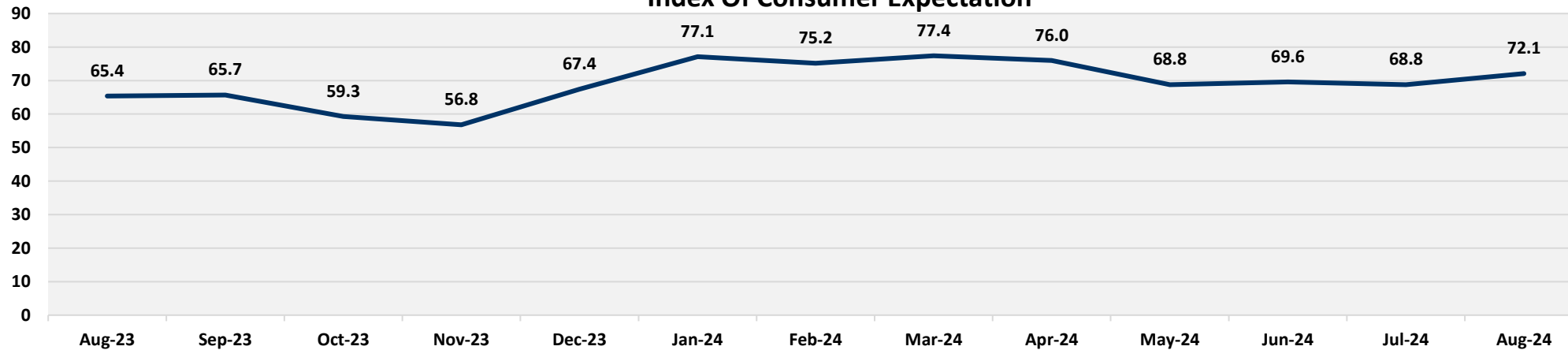
U.S.A UNEMPLOYMENT RATE



Source: Bureau of Labor Statistics

Index of consumer expectations: Index of consumer expectations rises 10.2% YoY and 4.8% MoM.

Index Of Consumer Expectation



Source: University of Michigan

INDIAN MACROS

Particulars	Jul-23	Feb -24	Mar-24	Apr-24	May-24	Jun-24	Jul-24
2.1) GST Collection (Lakh Cr.)	1.65	1.68	1.78	2.1	1.72	1.74	1.82
GST Collection (YoY growth)	10.8%	12.5%	11.5%	12.4%	10%	7.7%	10.3%
2.2) Manufacturing & Services							
Manufacturing PMI Index	57.7	56.9	59.1	58.8	57.5	58.3	58.1
Services PMI Index	62.3	60.6	61.2	60.8	60.2	60.5	60.3
2.3) Vehicle							
Two-Wheeler (YoY growth)	8.2%	-1.3%	5.4%	33.2%	2.5%	4.7%	17.2%
Passenger Vehicle (YoY growth)	4.1%	-16.4%	-6.2%	15.9%	-1.0%	-6.8%	10.2%
Light CV (YoY growth)	-3.2%	-2.5%	-4.9%	4.0%	7.9%	-6.5%	2.0%
Medium CV (YoY growth)	16.0%	18.3%	0.5%	-0.8%	-10.3%	-5.5%	9.5%
Heavy CV (YoY growth)	4.5%	-3.1%	-12.8%	-3.3%	-3.2%	-6.0%	11.8%
Tractors (YoY growth)	21.1%	-13.6%	-3.3%	1.4%	-1.1%	-28.4%	-12.0%
2.4) Unemployment %	8.0%	8.1%	7.4%	8.1%	7.0%	9.2%	7.9%

Source: Federation of Automobile Dealers Association, Trading Economics

2.1) GST Collection: The GST collections for July 2024 is approximately ₹1.82 lakh crore as reported on 1st August 2024, marking 10.3% YoY and 4.8% sequentially. The growth in GST revenue from import is more than that from domestic supplies. After accounting for refunds, the net GST revenue for July 2024 stands at Rs 1.44 lakh crore, reflecting a growth of 14.4% compared to the same period last year. With festive season coming in next months, hoping for further increase in GST collection.

2.2) Manufacturing PMI and Services PMI: Both the manufacturing and services Purchasing Managers' Index (PMIs) slightly fell from last month because of softening growth in new orders, output and job creation.

2.3) Vehicle Registration: According to the Federation of Automobile Dealers Association (FADA), passenger vehicle sales in India in July 2024 were 3,20,129 units, which is a 10.2% increase from July 2023, driven by new model launches and attractive pricing strategies. Dealers reported benefits from good product availability, attractive schemes, and a wider range of products.

2.4) Unemployment: Unemployment rate fell 7.9%, falling by 14% from the previous month. In absolute terms, the number of unemployed declined to 35.4 million in July from 41.4 million in the month before, June 2024.

YoY%	June-2024	July-2024 (Prov.)	Change in %
CPI	5.1%	3.5%	-1.6%
Food & Beverages	8.4%	5.1%	-3.3%
Fuel & Light	-3.7%	-5.5%	-1.8%
Housing	2.7%	2.7%	-
Transportation & Communication	1.0%	2.5%	1.5%
Core CPI	3.3%	3.2%	-0.1%

Source: Press Information Bureau

2.5) Inflation: In June 2024, India's inflation rate, as measured by the Consumer Price Index (CPI), increased to 5.1% on an annual basis. This is higher than the 12-month low of 4.75 per cent registered in the previous month.

Food inflation which accounts for around half the overall CPI basket, increased to 8.4% per cent in June from 7.9% per cent in May and 4.6 per cent in June 2023, almost double YoY basis due to rise in vegetables prices.

The headline inflation has remained within the Reserve Bank of India's (RBI) tolerance band of 2-6 per cent, but has steered further away from its median target of 4 per cent which is crucial to its rate cut plans this year.

As per latest report on 12th Aug, Inflation rate in July 2024 decreased to 3.5% which is the sharp decline YoY basis as per CPI, which is the lowest since 59 months. Food prices eased to bring down retail inflation sharply in July—marking the lowest in nearly five years and also the base effect which pulled the inflation lower.

India's wholesale inflation, eased to 3 month low of 2.0% YoY in July 2024.

Central Government Finances	FY 2023 (in Rs. billion)	FY 2024 (in Rs. billion)	% Change (YoY)		April-May FY24 (in Rs. billion)	April-May FY25 (in Rs. billion)	% Change (YoY)
Gross Tax Revenue	30,538	34,648	13.5%		3,970	4,596	15.8%
Direct Tax	16,341	19,220	17.6%		1,838	2,256	22.7%
Indirect Tax	14,197	15,428	8.7%		2,131	2,340	9.8%
Less: Share of States	9,564	11,383	19%		1,189	1,406	18.2%
Net Tax Revenue	20,974	23,265	10.9%		2,780	3,190	14.7%
Non Tax Revenue	2,862	4,019	40.4%		1,347	2,517	86.9%
Total Revenue Receipts	23,835	27,284	14.5%		4,127	5,708	38.3%
Total Capital Receipts	722	605	-16.2%		30	21	-30.2%
Total Receipts	24,557	27,889	13.6%		4,157	5,728	37.8%
Total Revenue Expenditures	34,525	34,940	1.2%		4,582	4,798	4.7%
Total Capital Expenditures	7,363	9,485	28.8%		1,678	1,436	-14.4%
Total Expenditures	41,888	44,425	6.1%		6,260	6,235	-0.4%
Gross Fiscal Deficit	17,331	16,537	-4.6%		-2,103	-506	-75.9%
Fiscal Deficit as % of GDP	6.4%	5.6%			-0.8%	-0.2%	15.8%

Source: CMIE

2.6) Central Government Finances

Fiscal Deficit: FY24 fiscal deficit narrowed to 5.6%. This improvement was driven by better-than-expected revenue collection from income taxes and customs duties. Non-tax revenues also exceeded expectations, primarily due to higher interest and dividend income. The government has given the estimated fiscal deficit of 4.5% by FY26.

April-May Months: The fiscal deficit as % of GDP remains low for first two months compared to last year's same months with -75.9% decrease in deficit.

Debt and Interest payment: The internal debt of the Indian government is Rs. 163 lakh crore and the external debt is Rs. 5 lakh crore, which makes total debt of Rs. 168.72 lakh crore. Government borrowing has surged to ₹15.4 lakh crore in FY 2023-24. Out of the total revenue expenditure, ₹10.6 lakh crore was for interest payments. Interest payment is likely to go up by 11-12% this year.

Subsidies: In FY 2024, Out of total revenue expenditure of Rs. 34.9 lakh crore government paid Rs. 4.1 lakh crore for major subsidies.

Capital Expenditure: On the capital expenditure front, government outlay stood at ₹9.5 lakh crore in FY2024. This was higher than the ₹7.3 lakh crore incurred in the same period a year ago. The government's capex-led growth strategy has been a and helped the country maintain the status of the fastest-growing large economy in the world.

Foreign Trade	Apr-24 (USD Billion)	May-24 (USD Billion)	Change % (USD Billion)
Net Oil Imports	9.8	13.2	33.8%
Net Gold Imports	2.7	2.6	-1.3%
Net Non Oil Non Gold Imports	6.6	8.0	20.9%
Trade Deficit	19.1	23.8	24.5%

Source: Ministry of Commerce.

Net Gold Imports includes gold, silver, and pearls precious & semiprecious stones adjusted for gems and jewellery exports.

2.7) Foreign Trade: Trade deficit rose in May 2024 by 24.5% month-on-month basis. This was due to large change in the net oil import of 33.8%.

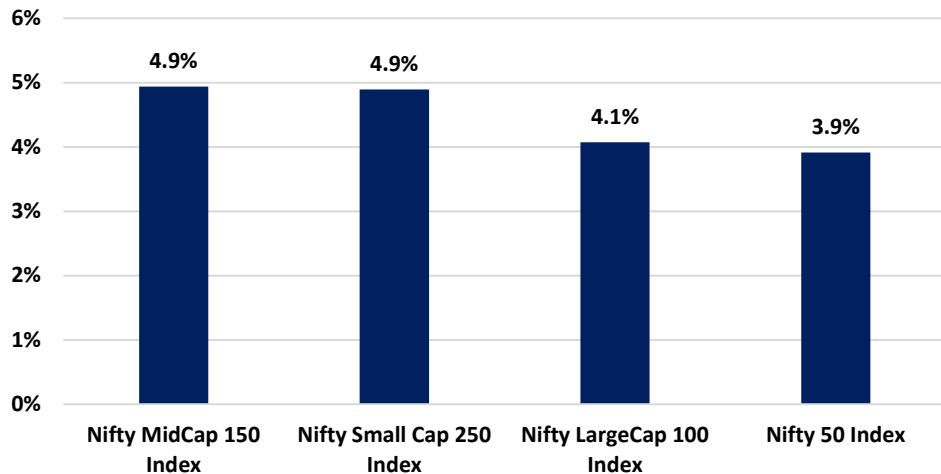
Trade deficit is likely to remain in similar range in the coming quarters as the oil prices remain range bound. Fall in commodity prices in recent months poses would narrow down the fiscal deficit. NONG imports increased driven by higher import of transport equipment, machinery and non-ferrous metals. This was partially offset by rise in exports of engineering and electronic goods.

Trade deficit is likely to remain in similar range in the coming quarters as the oil prices remain range bound. Rise in commodity prices in recent months poses a risk of deficit widening.

EQUITY MARKETS

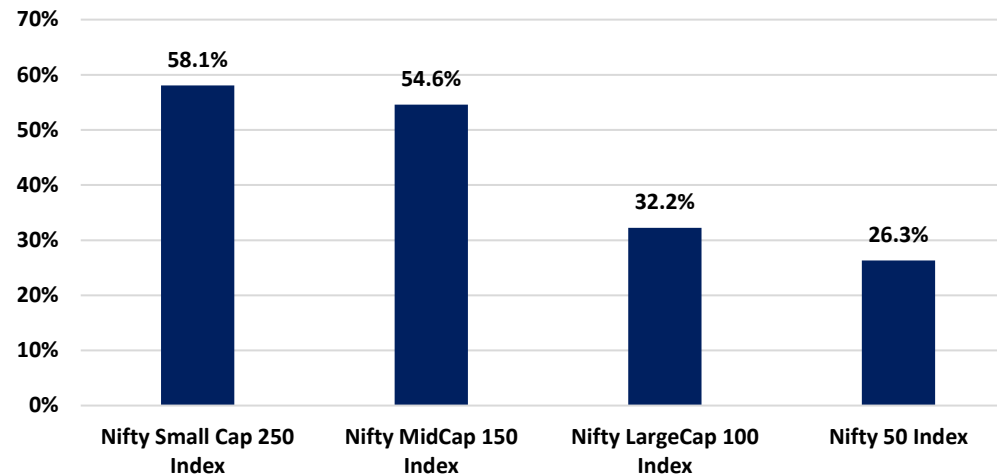
3.1) Market Capitalization based Indices

July MoM % Change



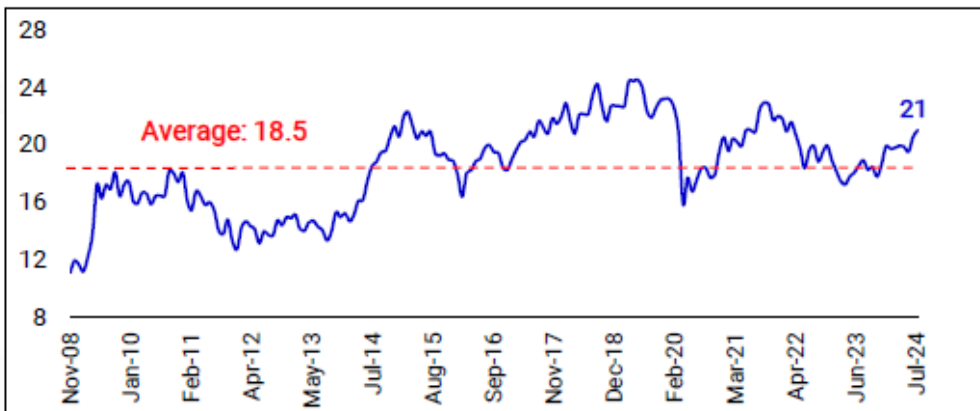
Source: Moneyvesta Capital

YoY% Change



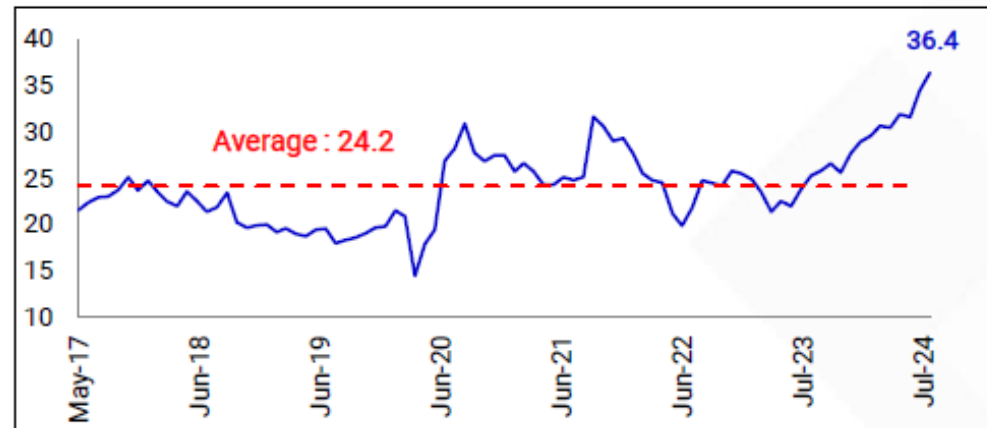
Source: Moneyvesta Capital

NIFTY P/E (x) - 1 Year Forward



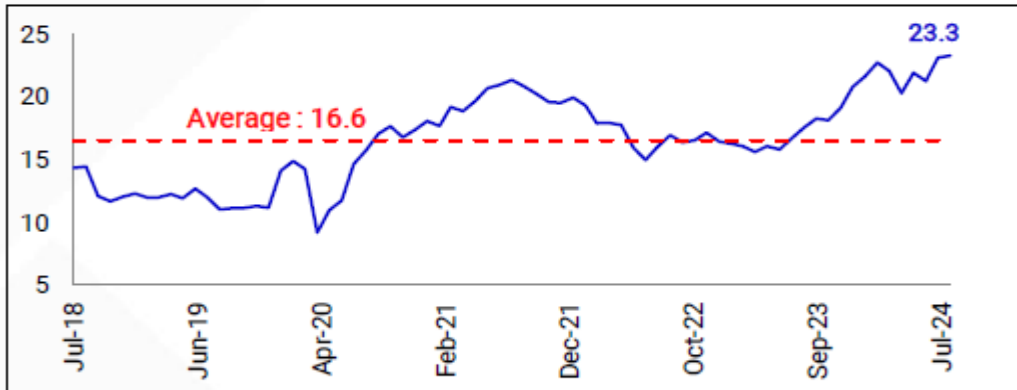
Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg.

NIFTY Midcap 150 P/E (x) - 1 Year Forward



Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg.

NIFTY Smallcap 250 P/E (x) - 1 Year Forward



Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg

Valuation	
Largecap	14% premium to historical average
Midcap	50% premium to historical average
Smallcap	40% premium to historical average

Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg

Market Capitalization based Indices

- In July, India's equity markets extended their gains for the second month in a row in July 2024 and ended at record highs. Benchmarks BSE Sensex and Nifty 50 rallied 3.4% and 3.9% on-month, respectively. India's equity markets scaled all-time highs multiple times, with BSE Sensex and Nifty 50 breaching the 81,000-mark and 25,000-mark, respectively, for the first time. The gains were driven by positive global cues and rising hopes of rate cuts by the US Federal Reserve (US Fed), increased participation from domestic institutions, and strong gains in mid- and small-cap indices.

Valuations:

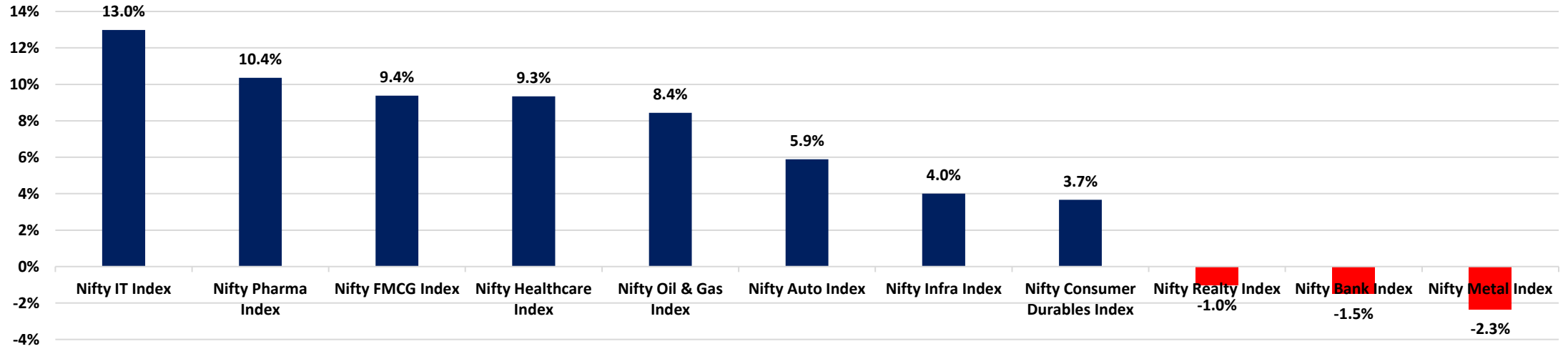
- The Nifty 50 Index in July traded at a 1-year forward P/E ratio of 21, compared to its long-term average of 18.5. This indicates that the index is trading at a 14% premium to its historical average.

FII and DII:

The markets were supported by continued buying by domestic institutional investors (DIIs) and foreign institutional investors (FIIs) in July. DIIs bought Rs 24,936.77 crore worth of Indian equities, compared with Rs 28,633.15 crore in June. FIIs bought Indian equities worth Rs 32,365 crore, compared with the sale of Rs 26,565 crore.

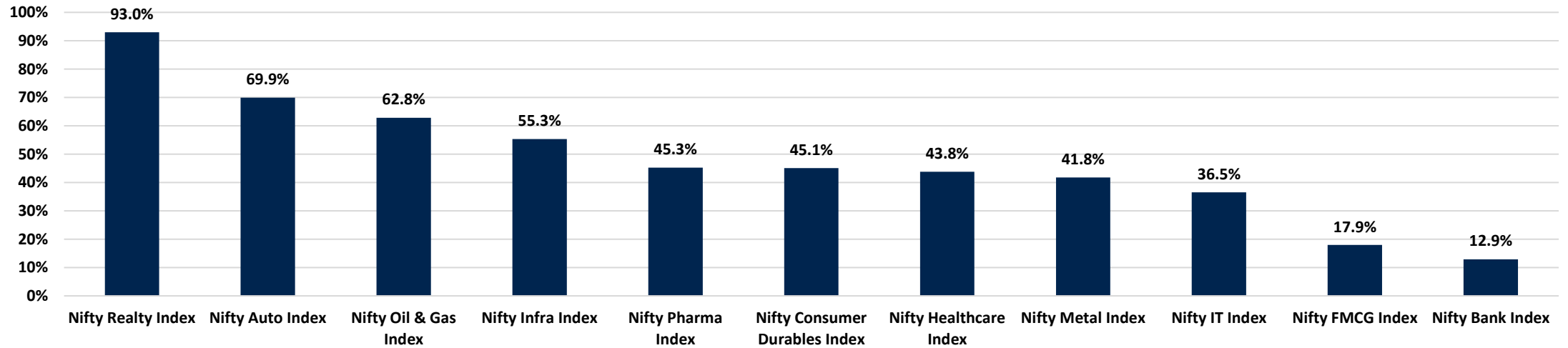
3.2) Sectoral Indices

Sector based Indices MoM% Change- July



Source: Moneyvesta Capital

YoY % Change



Source: Moneyvesta Capital

Sectoral Indices Valuation vs. Long-Term Average

Sectoral Indices	30-June-2024	Long Term Average	Discount/Premium
Electric Utilities	18.9	10.8	75.4%
PSU Banks	1.5	1.1	36.1%
Metals	13.1	10	30.3%
Oil & Gas	15.4	12.2	26.3%
Pharma	28.7	23.8	20.3%
IT Services	25.1	20.4	22.8%
Consumer Discretionary	60.6	52.9	14.6%
Auto	22.4	19.5	14.6%
Consumer staples	39.4	35.2	12%
Private Banks	2.5	2.6	-3.9%

Source: HDFC Mutual Fund

3.2.1) Metal Industry

Nifty Metal Index: The Index was down by 2% MoM, continue to be the worst performing index for 2nd consecutive month.

➤ Steel:

- India remains a bright spot in the global steel industry and the steel demand in the country is expected to show a healthy growth of 8.2% in 2024 compared to a global growth of 1.7%.
- Global steel prices continued their declining trend in July 2024 with prices coming down in major steel markets compared with the previous month, due to a combination of local and global issues.
- India imported 2.69 million metric tons of steel between April and July, and exported 1.57 million tons.
- During April-July, India's crude steel production was 48.8 million metric tons, while finished steel production was 47 million tons.

➤ Base Metals:

- The world's primary aluminum production increased in July 2024 with MoM increase of 3.5%, driven by robust output across all the major primary metal-producing regions.
- Copper was hit by the bearish flow of long liquidation, with economic-related indicators sending the red metal to a record \$1.2 billion long liquidations at the end of July, dipping the price of the copper in initial days.
- Zinc had a similar price move as copper but with a steeper downtrend, being the worst performer in the base metal complex in July.
- Indonesia accounted for just over half of global nickel production last year, a ratio that could rise to 75% by 2028

Commodity	30 June, 2024 Price USD	June % Change	FYTD25 % Change
Steel (per tonne)	525	-1.9%	2.9%
Aluminium (per tonne)	2,488	-4.6%	8.4%
Copper (per tonne)	9,477	-5.1%	8.6%
Zinc (per tonne)	2,920	-2.5%	22.1%
Lead (per tonne)	2,160	-3.8%	9.9%

Source: HDFC Mutual Fund

3.2.2) Auto Industry

Nifty Auto Index: In July 2024, the Nifty Auto Index surged by 6%, reflecting a positive market sentiment towards the Indian auto sector. Despite facing challenges such as uneven rainfall and inventory piled-up, the auto sector's focus on innovation and sustainability drove the positive performance of the Nifty Auto Index in July.

➤ July month updates

- **Monsoon Impact:** Above-normal cumulative rainfall with uneven geographical distribution, leading to varying impacts across regions.
- **Consumer Sentiment:** Low in some regions due to heavy rains and economic uncertainties.
- **High Inventory Levels:** PV segment inventory surged to historic highs of 67-72 days amounting to Rs 73,000 Crores worth of stock, thus posing risks for dealer sustainability.
- **Financial Strain:** Dealers continue to face financial pressure due to high inventory and interest costs.
- **Market Competition:** Increased competition and heavy discounting in the PV segment.

➤ Tailwinds

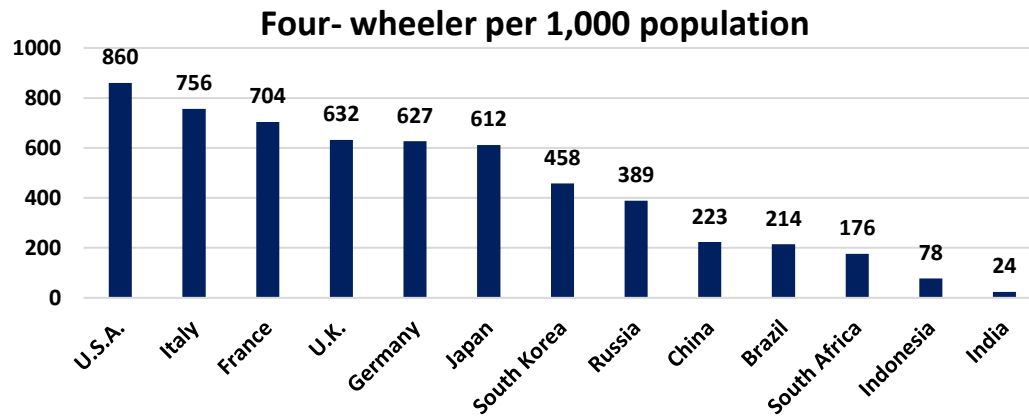
- The share of SUVs in total revenue is increasing significantly. This trend reflects a growing desire among consumers to own higher-end vehicles, driving premiumization-led value growth in the market.
- EV GST rate at 5% vs 28% for ICE
- Over the last decade, average vehicle price growth has been lower than the rise in per capita income allowing for better affordability today. The future potential of upgradation by consumers is very much possible.
- Aggressive launch of new products by existing players spanning multiple price points and powertrains.

➤ Outlook

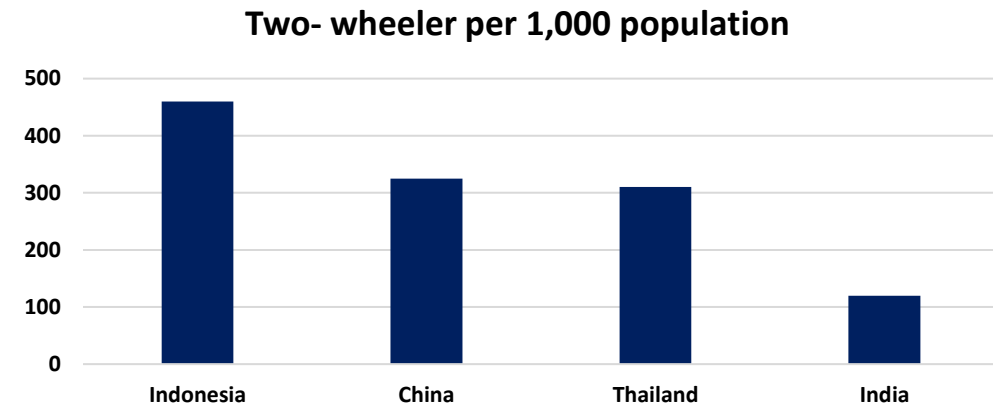
- **Agricultural Impact:** Brief monsoon break in August not expected to impact overall rainfall, crucial for Kharif sowing and standing crops.
- **Festive Season:** Festive season expected to boost auto retail sales across segments.
- **Product Launches and Promotions:** Availability of new models and ongoing sales promotions to support future growth.
- **Monsoon Forecast:** IMD predicts 'above normal' rainfall in the second half of the monsoon season due to potential La Nina conditions.

• **Low Penetration:**

i) **Two-wheelers and four-wheelers penetration:** Penetration of 2W and 4W in India per 1000 people is still significantly low as compared to other economies thereby offering huge headroom for growth in the future.

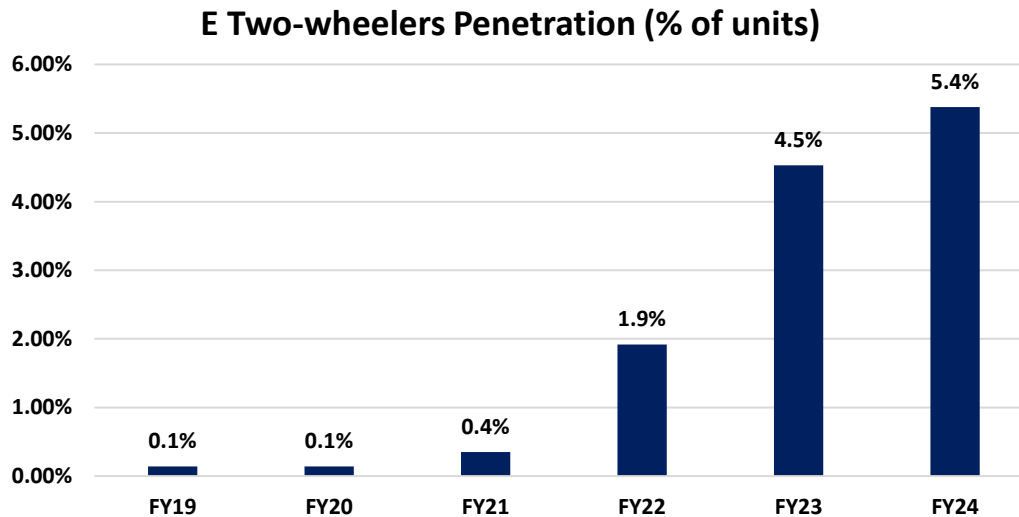


Source: SBI Mutual Fund

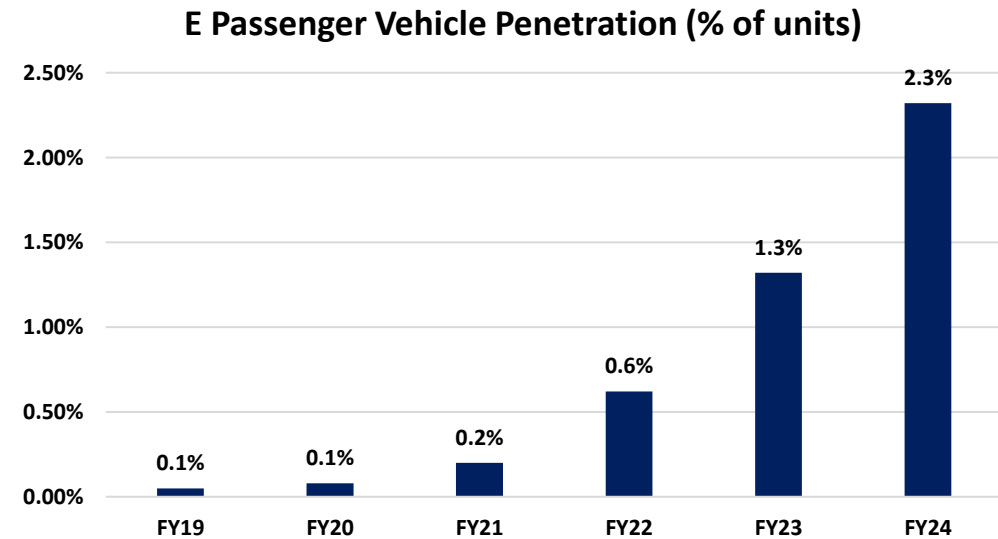


Source: SBI Mutual Fund

ii) **Electric Vehicles Penetration**



Source: SBI Mutual Fund



Source: SBI Mutual Fund

3.2.3) Realty Industry:

Total housing sales in FY24 reached 4,92,900 across the top 7 cities, a 30% increase from the previous year. Average residential property prices across the top 7 cities have seen a significant jump in the last one year – ranging between 10-32% in Q1 FY24 when compared to Q1 FY23, mainly due to an increase in the prices of construction raw materials and overall rise in demand.

Office Market: Office market continued its strong performance in Q2 CY2024, registering 15.8 million square feet of office leasing across the top six cities, marking a notable 16% rise over previous quarter.

PE Investments in Residential Sector: Residential sector experienced a staggering 209% YoY surge in PE investments, reaching USD 854 million in H1 CY2024, surpassing the annual investments received in 2022 and 2023.

AIFs Investment: The post-COVID era has seen a substantial boost in the real estate sector, and the capital-intensive nature of the industry has fueled the rise of AIFs as a viable funding mechanism. As of June 16, 2024, SEBI has close to 1,345 registered AIFs with around 49 of them specifically targeting real estate.

Institutional Investments in Realty: Institutional investments in Indian real estate reached a new high of USD 2.5 billion in Q2 CY2024, with the residential segment witnessing a 7.5x increase compared to Q2 CY2023.

City-specific Insights:

Bengaluru: Strong demand for industrial and warehousing space driven by sectors like 3PL, retail, and manufacturing.

Mumbai: Notable dip in quarterly residential launches, but improved connectivity is expected to boost capital values.

Indian Retail Sector: Rise of omnichannel strategies as brands harmonize digital and physical shopping experiences, leading to higher customer engagement and satisfaction.

Key Real Estate Trends: Technology and Engineering & Manufacturing sectors were key drivers of office demand in H1 CY2024. Flex space leasing reached 2.6 million square feet across the top six cities in Q2 CY2024, the highest in any quarter.

➤ **Tailwinds for industry:**

- Rising Urbanization
- Rising per capita income
- Benefit from the continued premiumization and formalization of the sector
- Introduction of the RERA act leads to separate escrow accounts that need to be maintained for each project where a minimum of 70% of the money from buyers will have to be deposited and proceeds can only be used for construction of the project and cost-borne towards the land, potential refunds with interest and Buyers' redressal mechanism including compensation in case of builders delaying possession

➤ **Headwinds for industry:**

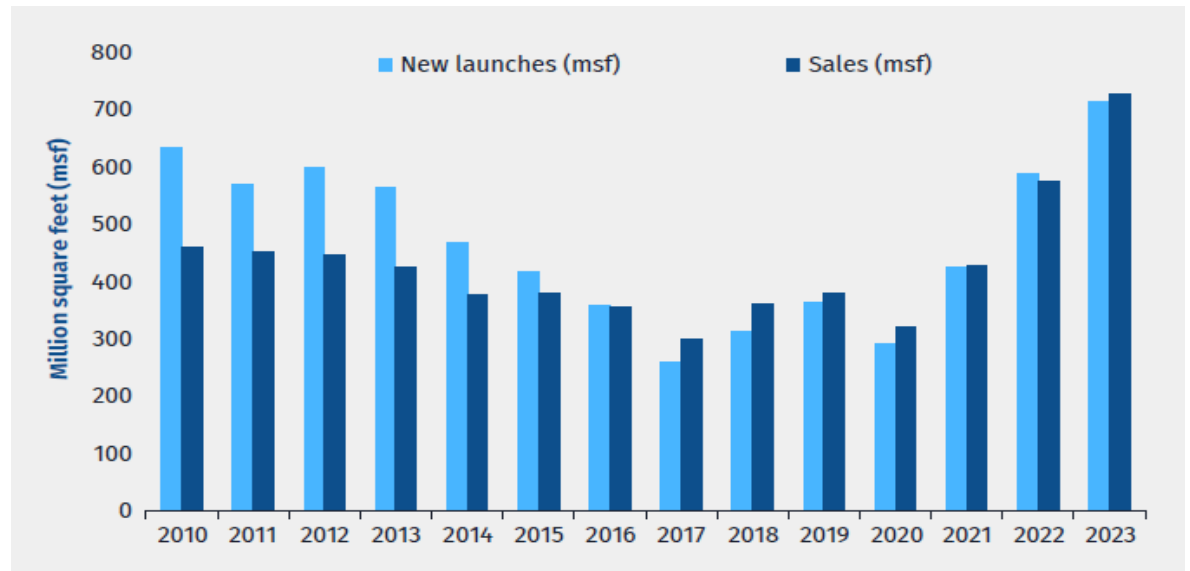
- The Real Estate sector is cyclical in nature.
- Rising inflation rates increase the cost of construction materials and labor, putting pressure on developers' margins and making housing less affordable for buyers.
- The removal of the indexation benefit has led to higher capital gains tax on real estate investments, reducing investor returns and confidence. This policy change may slow down the property market, impact liquidity, and shift investments to other asset classes. Developers could face challenges in sales and may need to offer additional incentives to attract buyers. Overall, the change introduces uncertainty and potential negative effects on the real estate sector's growth and stability.

A) Residential Property

Three main indicators for residential property:

- New launches & Sales
- Inventory levels
- Price change

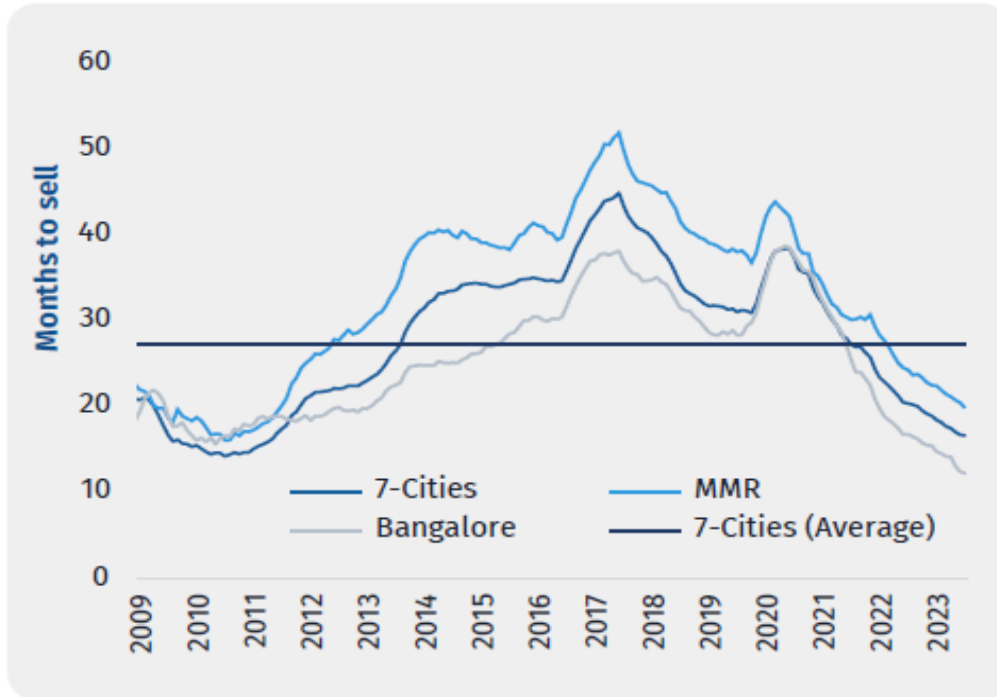
All three main indicators suggest that the realty sector made its bottom in 2017.



Source: HDFC Mutual Fund, Jefferies

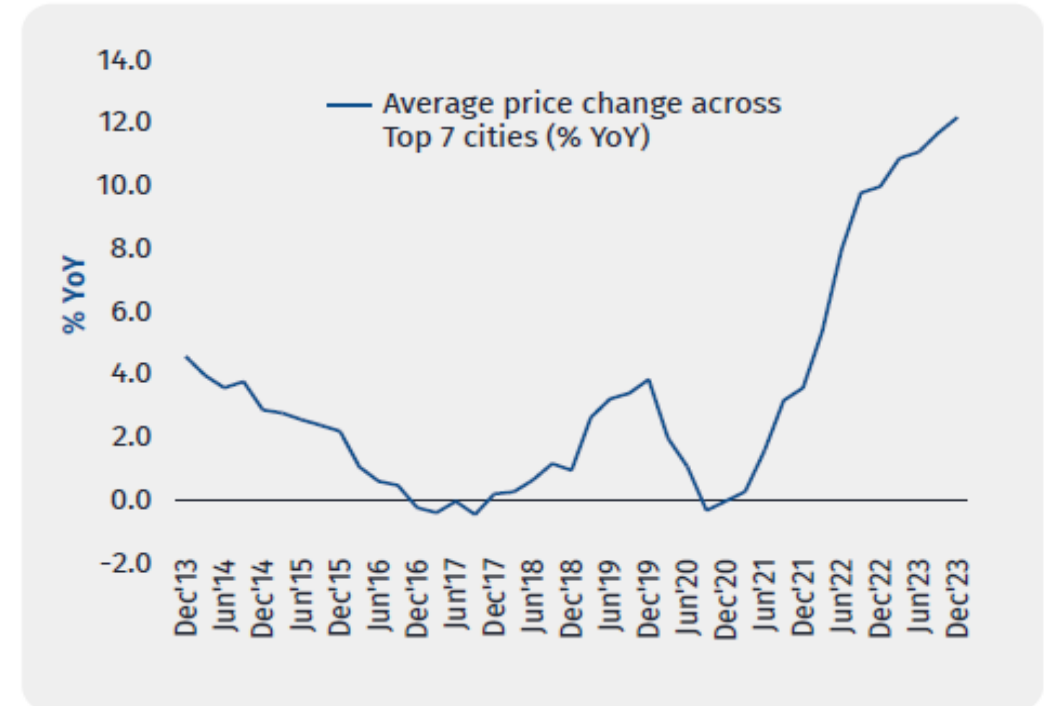
Residential Property

Inventory levels have been declining across cities



Source: HDFC Mutual Fund, Jefferies

House prices are recovering after low growth over 2013-21



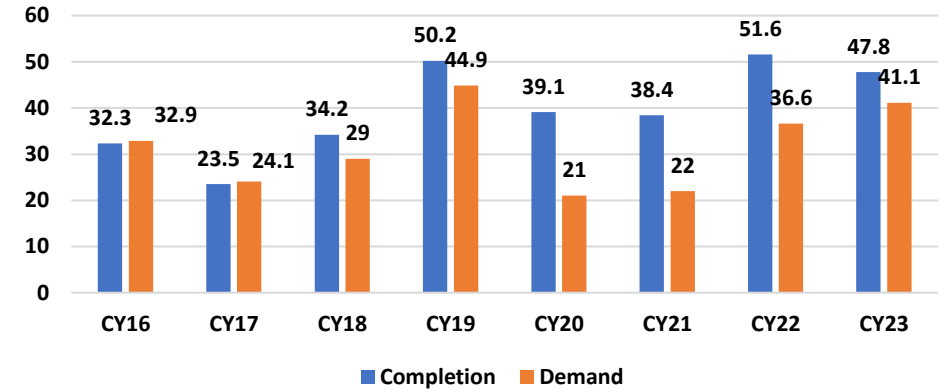
Source: HDFC Mutual Fund, Jefferies

- **Inventory levels declining:** Since 2016, there has been a notable decline in inventory levels, indicating faster sales and reduced unsold stock. This decline is consistent across all regions, reflecting a healthier demand-supply balance in the market.
- **House prices recovering:** house prices have been recovering significantly since 2021. This sharp increase suggests a resurgence in the real estate market, likely driven by various factors such as economic recovery, increased demand, and possibly supportive government policies.

B) Office Space

- After a decline in absorption during the peak of the COVID-19 pandemic (CY20) due to the work-from-home policy of offices, there has been a significant recovery.
- By CY23, both supply and demand have rebounded, with demand almost matching supply.

Office Space completion & demand(msf)

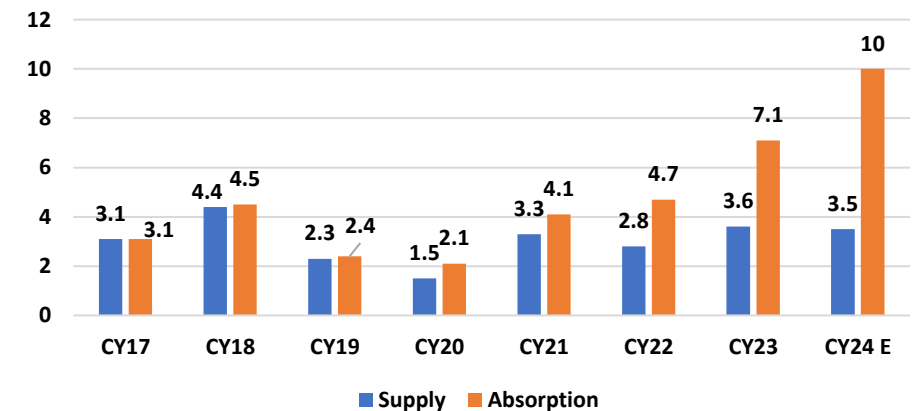


Source: HDFC Mutual Fund, IIFL

C) Retail Space

- Demand (absorption) has consistently been outpacing supply in recent years, particularly notable in CY22 and CY23, where demand nearly doubled supply.
- The forecast for CY24 further accentuates this trend, with demand projected to be nearly three times the supply. This indicates a robust consumer market and a strong preference for high-quality retail spaces, driving growth in this segment.

Grade-A mall supply and absorption(msf)



Source: HDFC Mutual Fund, IIFL

3.2.4) Infrastructure Industry

India intends to enhance its infrastructure to reach its 2025 economic growth target of US\$ 5 trillion. As per the Reserve Bank of India (RBI) in the past 4 years until March 2024, Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) have amassed US\$ 15.60 billion (Rs. 1.3 lakh crore).

The production of Coal, Electricity, Steel, Cement, Fertilizers, Refinery Products and Natural Gas increased in January 2024.

In April 2024, the overall index of eight core industries stood at 160.5* driven by the production of coal, refinery products, fertilizers, steel, electricity and cement industries.

➤ RAILWAYS

- **Dedicated freight corridors:** The average speed of goods transportation was 25kmph, but it increased to 70 kmph after a dedicated freight corridor.
- **Vande Bharat:** Ambitious target of operating 4,500 Vande Bharat trains by 2047.
- **Capex:** INR 2.6 lakh crores budget allocation for FY2025 for railways.

➤ ROADS

- Approximately 20%-25% of highway projects this year are expected to be awarded under the BOT toll model, easing the government's financial outlay for infrastructure development.
- India has about 63.73 lakh km of road network, which is the second largest in the world
- The average daily distance covered by a truck increased to 250 km in FY23 from 190 km in FY 2015
- 17 times growth in capex on roads in the last 15 years.

➤ AIRPORTS

- In March 2024, the Minister of Civil Aviation announced inaugurating 15 airport projects worth US\$ 12.1 billion by 2028.
- Delhi, Bangalore, Hyderabad, Lucknow, Mangalore, Guwahati and Ahmedabad airports have earmarked a capital expenditure of Rs.10,550 crore (US\$ 1.2 billion), Rs.13,552 crore (US\$ 1.6 billion), Rs. 6,288 crore (US\$ 759 million), Rs.1,383 crore (US\$ 167 million), Rs.567 crore (US\$ 68.4 million), Rs.1,232 crore (US\$ 148.7 million) and Rs.376 crore (US\$ 45.3 million), respectively for the period 2019-25.

➤ WATER SUPPLY AND SANITATION

The government allocated 1 trillion for FY2025 for water supply and sanitation capex.

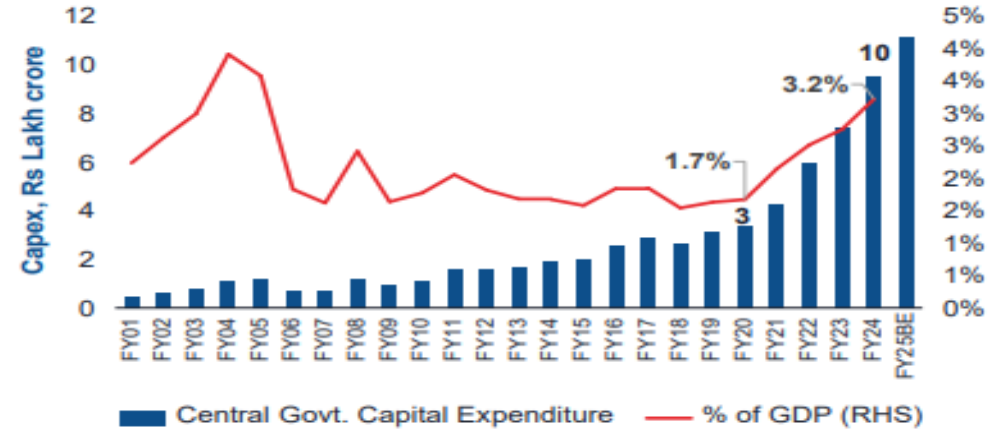
➤ ELECTRICITY

India is the third-largest producer and consumer of electricity worldwide.

The Indian national electric grid has an installed capacity of 429.96 GW as of 31 March 2024. (Source: IBEF).

India's Capex Expenditure

- Capital expenditure as a percentage of total budget increased to 22% compared with 12% in most of the last decade
- Improvement in tax collections has allowed government to spend higher on infrastructure.
- India's government debt to GDP is lower than many developed countries and developing peers

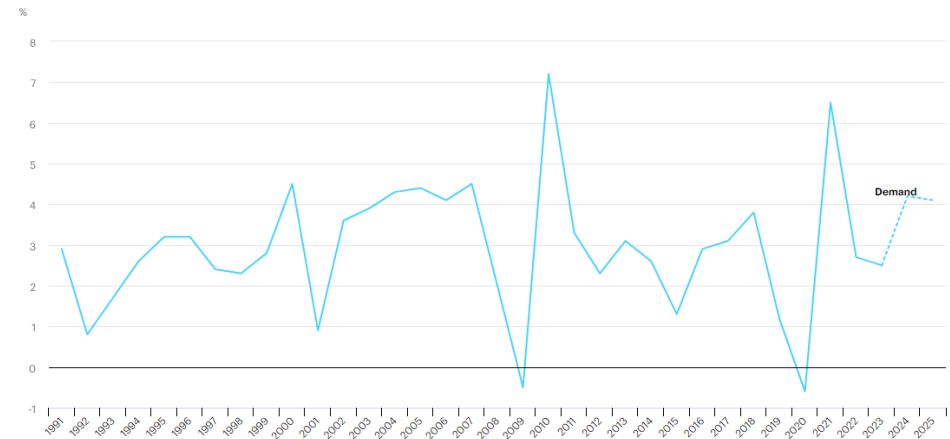


Source: Press Information Bureau

Outlook on Global Electricity Sector:

- Global electricity demand is expected to rise at a faster rate over the next three years, growing by an average of 3.4% annually through 2026.
- Electricity demand in China is forecast to increase by 6.5% in 2024, similar to its average rate between 2016 and 2019.
- India, the fastest growing major economy in the world, is forecast to post an 8% rise in electricity consumption in 2024, matching the rapid growth it saw in 2023 supported by rapid GDP growth and increased cooling demand due to long and intense heatwaves.

YoY growth rate in global electricity demand



Source: HDFC Mutual Fund

3.2.5) Pharma Industry:

India is a major exporter of Pharmaceuticals, with over 200+ countries served by Indian pharma exports. India supplies over 50% of Africa's requirement for generics, 40% of generic demand in the US, and ~25% of all medicine in the UK. The Indian pharmaceutical industry ranks third globally in pharmaceutical production by volume and 13th largest by value and is known for its generic medicines and low-cost vaccines.

July month updates:

The Indian pharmaceutical market (IPM) grew by 6.1 per cent in July this year, with major therapies showing positive value growth despite a negative volume growth of -2.1 per cent, according to market research firm Pharmarack. Among them, the anti-infective, respiratory, and gastrointestinal therapies saw nearly double-digit value growth of 12.8 per cent, 10.5 per cent, and 9.7 per cent, respectively, driving the overall IPM growth.

Growth in the moving annual turnover (MAT, which is the previous 12 months' turnover) for IPM between August 2023 and July 2024 stood at 7.6 per cent, leading to a total turnover of over Rs 2.03 trillion in IPM, while volumes in the domestic market grew by 0.2 per cent. The MAT of leading therapy areas such as anti-infectives, cardiac, and gastrointestinal, which constitute around 38 per cent of IPM, showed robust volume growth at 10.1 per cent, 9 per cent, and 8.9 per cent, respectively.

GSK's antibiotic drug Augmentin and USV's anti-diabetic drug Glycomet GP continued to be the top-selling medicine brands for the month, with sales of Rs 75 crore and Rs 68 crore, respectively.

Tailwinds

➤ Domestic spending:

- The increasing elderly population and rising life expectancy are pivotal demographic trends that significantly impact the pharmaceutical industry.
- As the population ages, the demand for healthcare services and medications tailored to chronic and age-related conditions surges.
- India's healthcare spending to GDP ratio is amongst the lowest. An increase in penetration will create an opportunity for the pharma sector.

➤ Exports opportunity:

- India has export opportunities in generics, biosimilars, and CDMO.
- ~USD 98 bn worth of small molecules will go off-patent in the next 5 years vs ~USD 38 bn in the preceding 5 years.

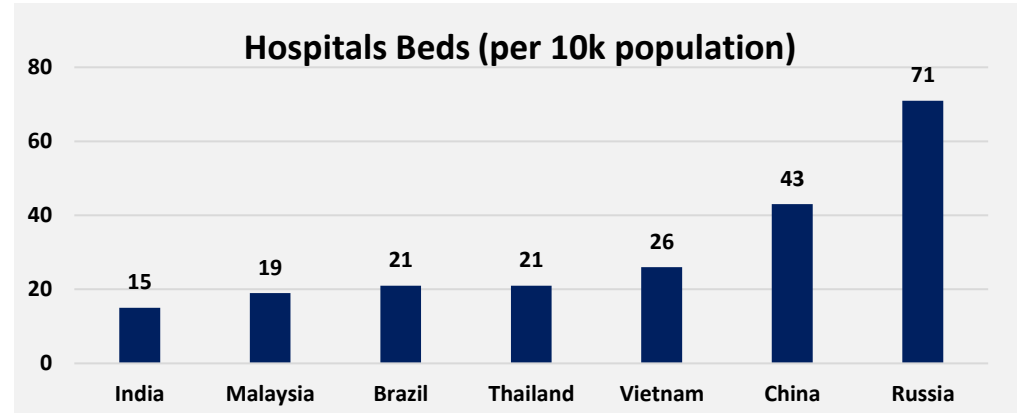
3.2.6) Healthcare Industry:

A) Hospitals

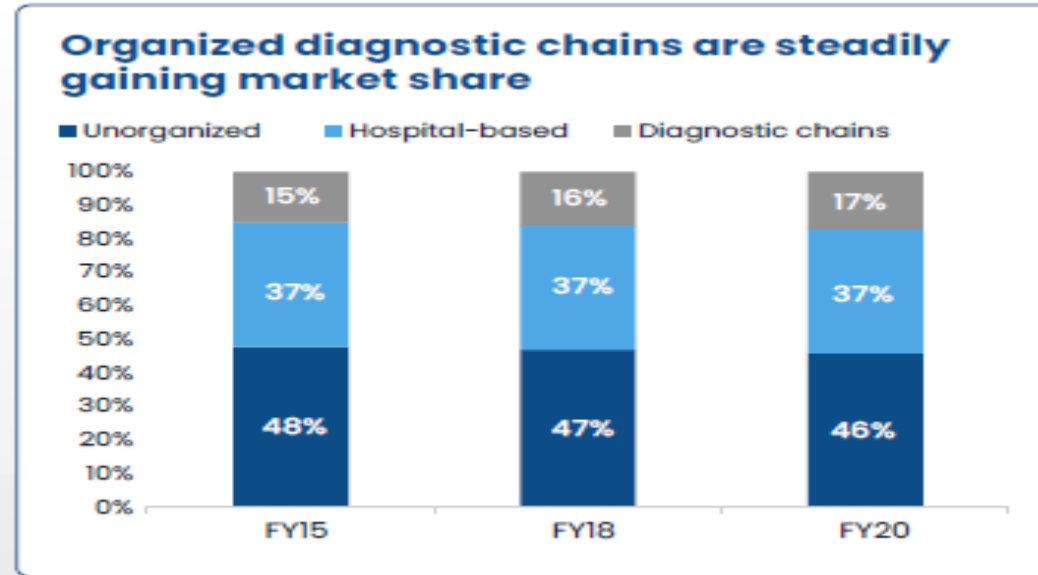
- India's hospital beds per 10,000 of the population are the lowest compared to other emerging markets, with significant under penetration.
- The hospitals segment is growing at 10-12% CAGR and has a Total Addressable Market (TAM) of ₹5.6tn as of FY23
- The hospital market in India is expected to grow at 10-12% CAGR.

B) Diagnostic:

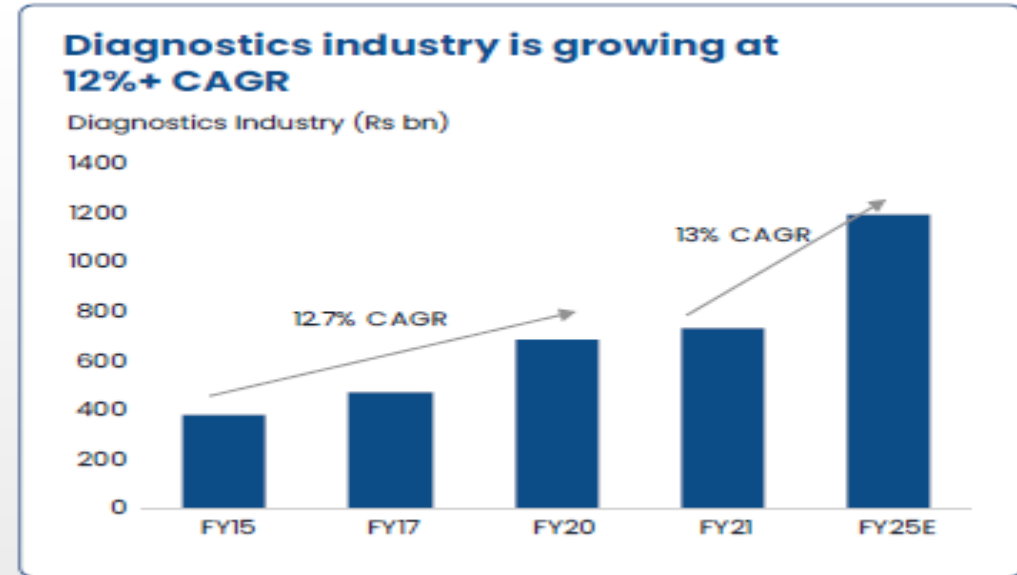
- Around 150-200K labs in the country, the diagnostics industry in India is highly fragmented.



Source: HDFC Mutual Fund



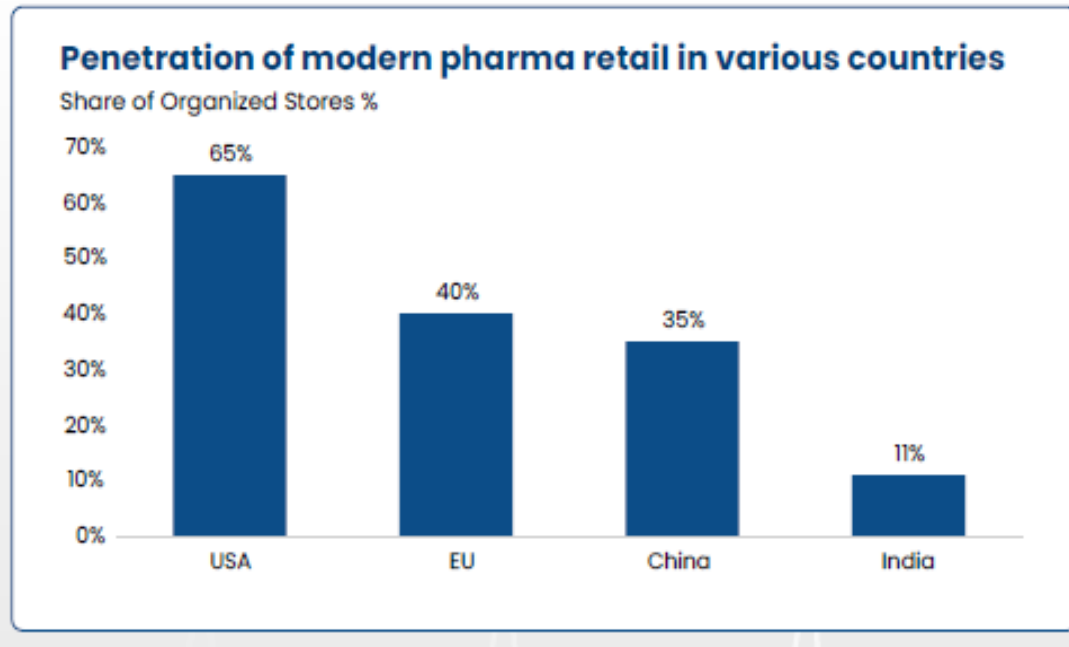
Source: HDFC Mutual Fund



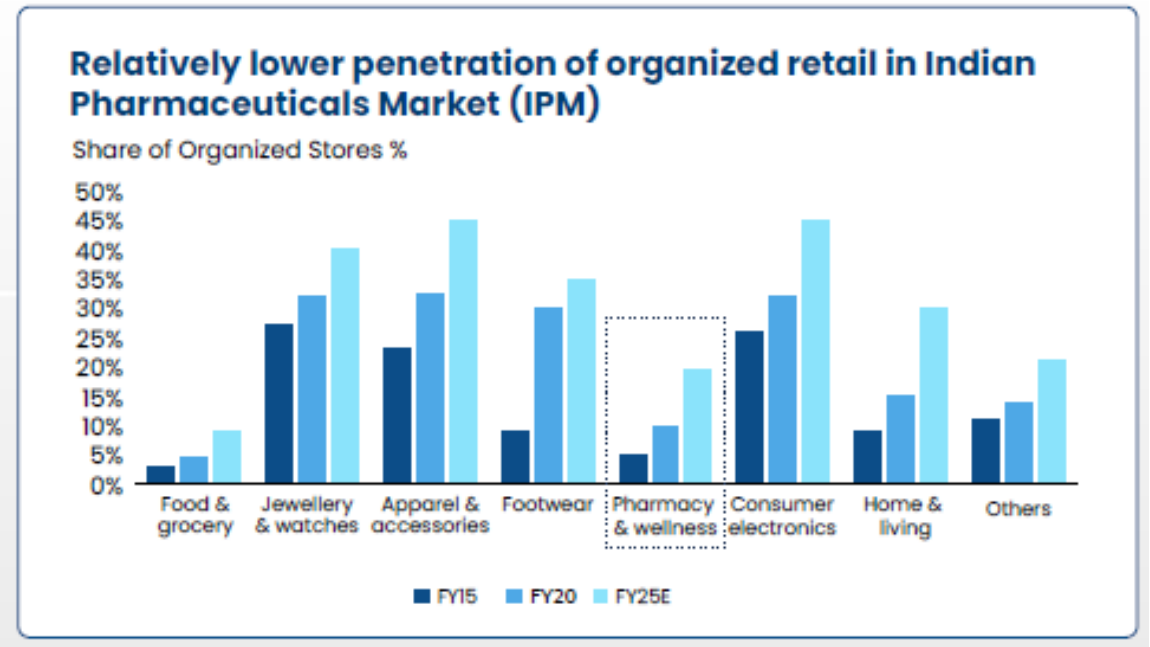
Source: HDFC Mutual Fund

C) Retail Pharmacy

- The Indian Pharma sector has one of the lowest penetration of organized retail across all sectors.
- Unorganized small players still dominate the market with ~90% share. Organized players command a 40-60% market share in other countries like China, USA, EU.
- Moving from fragmented structure to consolidated structure.



Source: HDFC Mutual Fund



Source: HDFC Mutual Fund

3.2.7) Technology Industry

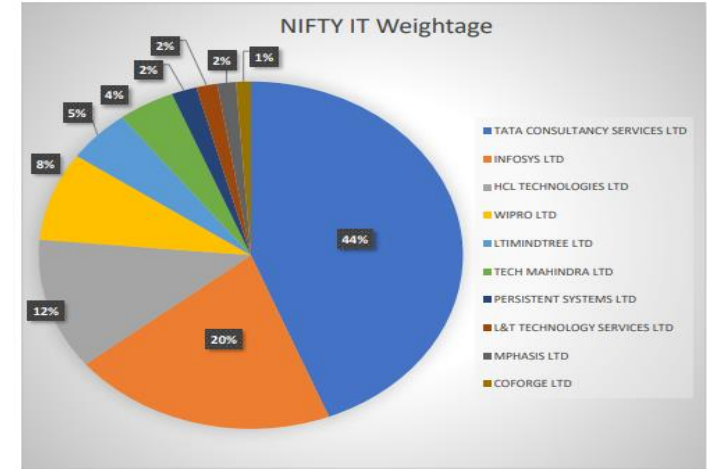
Nifty IT Index: With 13% growth, MoM Nifty IT index continues to be top performing index in July, 2024 supported by strong quarterly results, stable management outlook and revised guidance on revenues of major companies. Furthermore, the expectation of the interest rate cuts by Fed also fueled the growth.

Industry Overview: The IT & BPM sector has become one of the most significant growth catalysts for the Indian economy, contributing significantly to the country’s GDP and public welfare. **The IT industry accounted for 7.5% of India’s GDP in FY23, and it is expected to contribute 10% to India’s GDP by 2025**

Strong Q1 FY25 Earnings: TCS, India's largest IT services company, reported an 8.7% YoY profit, Infosys profit rose 7.1% YoY, also raising its revenue growth guidance for FY24-25 to 3-4%, up from market expectation of 1-2%.

Furthermore, HCL technologies also showed robust numbers, with net profit rising 20.5% YoY and Wipro beating market expectation with net profit 4.6% YoY.

The strong quarter performance and optimistic revenue guidance are likely to rerating of the Indian IT sector. Additionally, the large order wins where Infosys signed 34 large deals with contract value of \$4.1 billion, recovery in US tech spending, AI-gen models come supported the positive sentiments and expectation for the future growth



➤ Outlook

- India's IT industry revenue is likely to hit the US\$ 350 billion mark by 2026
- The IT spending in India, is estimated to reach a double-digit growth of 11.1% in FY25, totaling \$138.6 billion, as per NASSCOM.
- The data annotation market, backbone of AI-technology in India was valued at US\$ 250 million in FY20, with the US market contributing 60% to the overall value. Due to accelerated domestic demand for artificial intelligence (AI), this market is expected to grow exponentially, reaching \$7 billion by 2030.
- According to a survey by Amazon Web Services (2021), India is expected to have nine times more digitally skilled workers by 2025. This increase in digital skills will support the industry's growth and enhance its global competitiveness.

3.2.8) Oil and Gas Industry

Nifty Oil & Gas Index: With 8% MoM increase, Nifty Oil and Gas Index showed mixed of up and downward trend in the month of July.

➤ Domestic Trends:

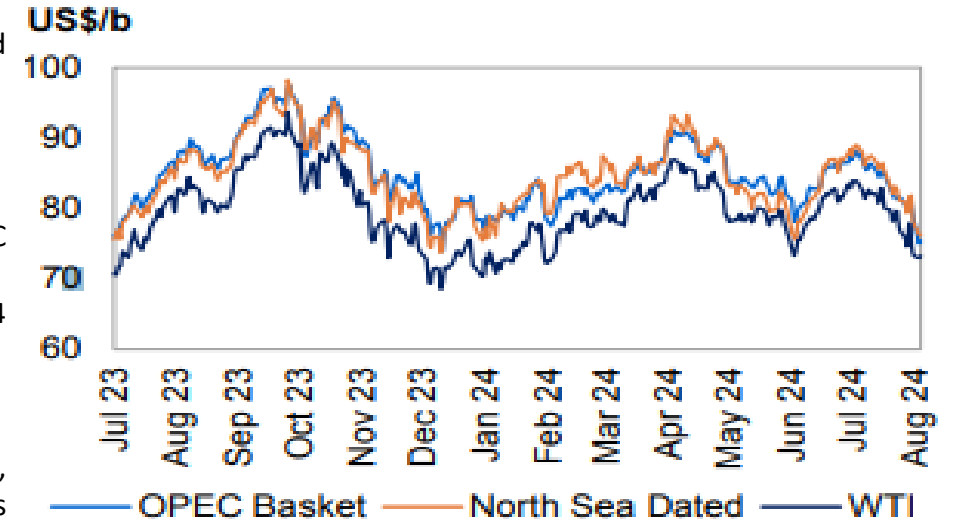
- Indigenous crude oil and condensate production during July 2024 was 2.4 MMT.
- OIL registered a production of 0.3 MMT, ONGC registered a production of 1.6 MMT whereas PSC/RSC registered production of 0.5 MMT during July 2024 as per petroleum planning and analysis cell.
- Crude oil imports decreased by 0.7% and increased by 2.5% during July 2024 and April-July 2024 respectively as compared to the corresponding period of the previous year.

➤ World Trends:

- Between May and July, oil prices declined, primarily due to sentiment driven by speculative selloffs, easing geopolitical risk premiums and mixed economic indicators. Additionally, concerns about China's economic performance and demand growth, coupled a slower-than-expected onset of the driving season, contributed to the downward pressure on prices.
- The Brent crude oil spot price averaged \$85 per barrel (b) in July, up \$3/b from the average in June.
- In July, the OPEC Reference Basket (ORB) rose by \$1.21, or 1.5%, m-o-m, to average \$84.43/b. ICE Brent front-month contract rose by 88¢, or 1.1%, m-o-m, to stand at \$83.88/b.

➤ Outlook

- The world oil demand growth forecast for 2024 is revised down slightly by 135 tb/d from the previous month's assessment. It now stands at a healthy 2.1 mb/d, well above the historical average of 1.4 mb/d seen prior to the COVID-19 pandemic.
- Although crude oil prices have fallen recently, they continue to expect crude oil prices will rise in the second half of 2024 as per US Energy Information Administration
- Indian refiners would add 56 million tonnes per annum (mtpa) by 2028 to increase domestic capacity to 310 mtpa as per IBEF.



Source: Argus, OPEC and Platts

3.2.9) FMCG Industry:

- The fast-moving consumer goods (FMCG) sector is the 4th largest sector in the Indian economy with Household and personal care products making up 50% of the industry's sales, healthcare claims 31-32%, and food & beverage products accounting for the remaining 18-19%, which makes it evident that these sectors play a pivotal role in shaping the nation's economic landscape..
- The FMCG sector plays a crucial role in the Indian economy, providing employment to around 3 million people and accounting for approximately 5% of the total factory employment in the country.
- E-commerce and Quick-Commerce have propelled the FMCG industry in India, becoming crucial to its growth. Marketing strategies now emphasize product listing optimization and digital advertising tailored for online customer

➤ Outlook

- The fast-moving consumer goods (FMCG) sector will see revenue grow 7-9% this fiscal, riding on higher volume growth, supported by an expected revival in rural demand and steady urban demand.
- India's e-commerce sector is expected to reach USD 53.08 billion in 2024, with an annual growth rate of 11.4% to reach USD 91.24 billion by 2029.

3.2.10) Consumer Durables

The consumer durable industry in India includes long-lasting products like home appliances, electronics, and kitchen gadgets. Driven by rising incomes, urbanization, and technological advancements, the sector has seen substantial growth. Consumers are increasingly drawn to energy-efficient and smart products, with e-commerce playing a growing role in distribution. Despite challenges such as price sensitivity and intense competition, the market is expected to continue expanding as technology and lifestyle changes drive demand.

➤ Outlook

- Sales of consumer durables are predicted to rebound by 14.6% in 2024, after a 9.2% decline last year. The recovery is driven by higher sales of domestic appliances and furniture (up 12% and 20% respectively).
- Consumer durables growth is forecast to continue in 2025, by 5.5%
- The long-term outlook for consumer durables remains positive due to increasing household purchasing power and a growing middle class. There is an estimation of increase spending shift towards service, including travel and leisure, rather than physical goods.

3.2.11) Banking Industry

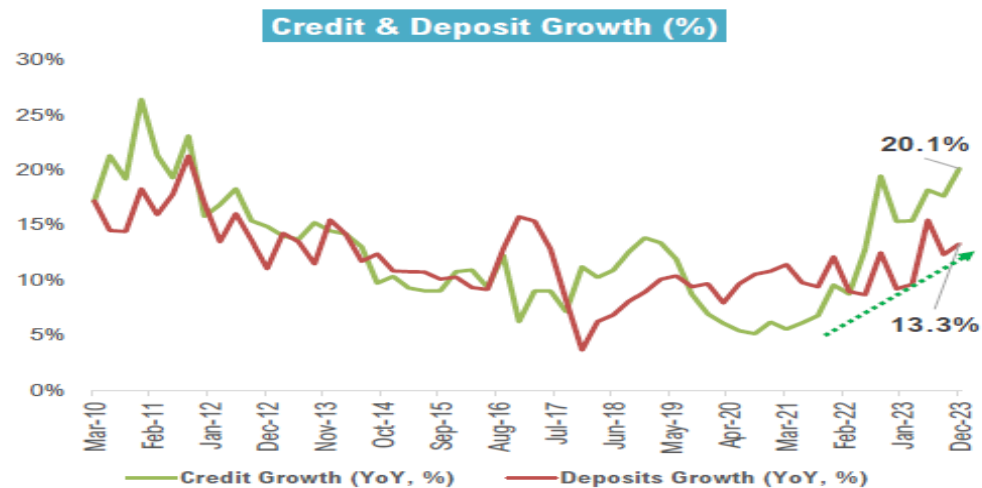
A) Risks Highlighted in Monetary Policy

i) Deposits growth less than credit growth: Alternative investment options are becoming more appealing to retail customers, causing banks to face challenges in funding as deposits are growing slower than loans. To meet the rising credit demand, banks are increasingly relying on short-term non-retail deposits and other liabilities, which could lead to structural liquidity risks. To address this, banks are encouraged to focus on mobilizing household financial savings by offering innovative products and leveraging their extensive branch networks.

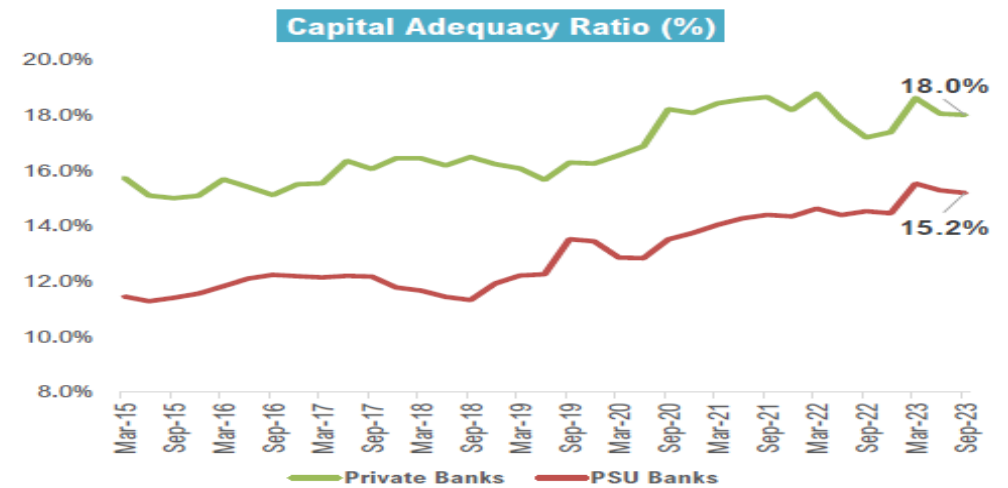
ii) Monitoring Personal Loan: Reserve Bank's pre-emptive regulatory measures implemented last November have successfully moderated credit growth in targeted sectors. However, certain personal loan segments, especially those driven by consumption, continue to see high growth. This trend highlights the need for careful monitoring to prevent excessive leverage. Financial institutions should reassess and potentially tighten their underwriting standards and ensure rigorous post-sanction monitoring to maintain financial stability.

iii) Need for Stricter Adherence to Regulations: Home equity and top-up loans are growing rapidly, with some banks and NBFCs offering them without strict adherence to regulatory guidelines on LTV ratios, risk weights, and fund usage. This could result in funds being diverted to unproductive or speculative activities. It's crucial for these institutions to review and correct such practices promptly.

B) Strong Industry Balance sheet

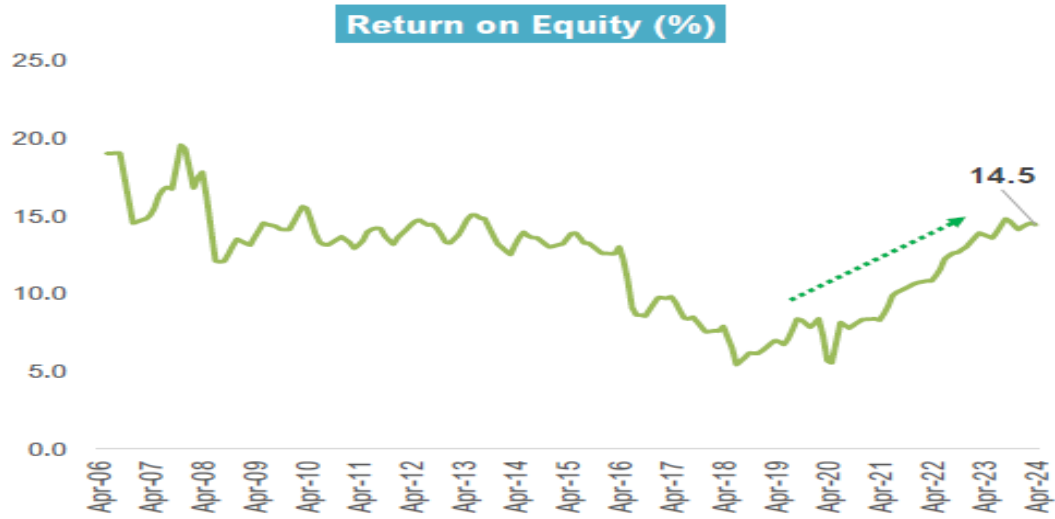


Source: DSP Mutual Fund

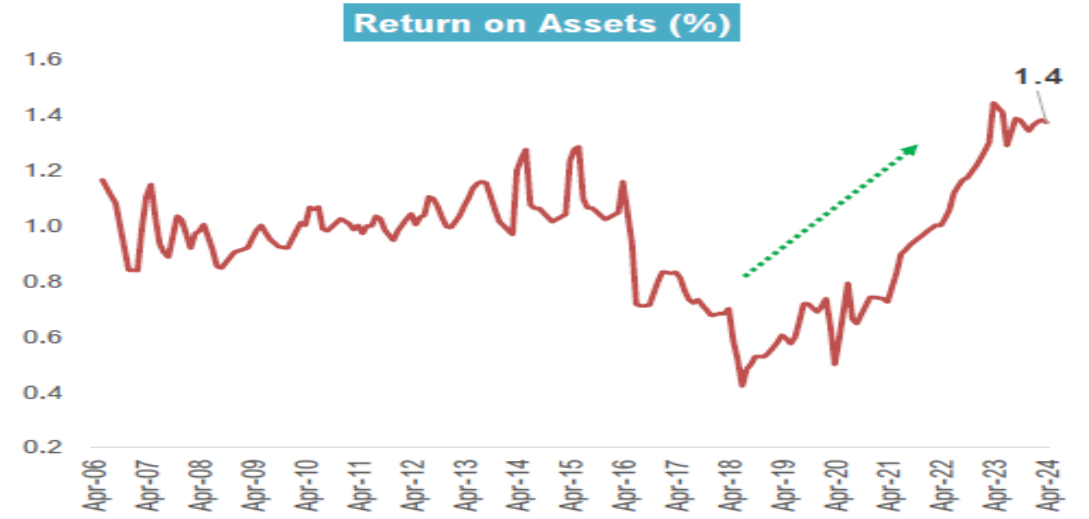


Source: DSP Mutual Fund

C) Nifty Bank Index- ROE% & ROA%

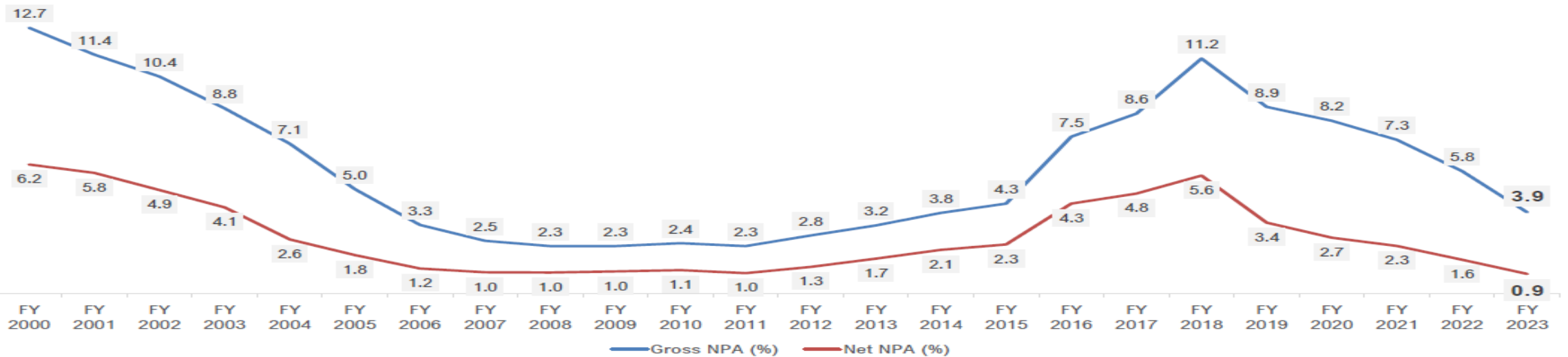


Source: DSP Mutual Fund



Source: DSP Mutual Fund

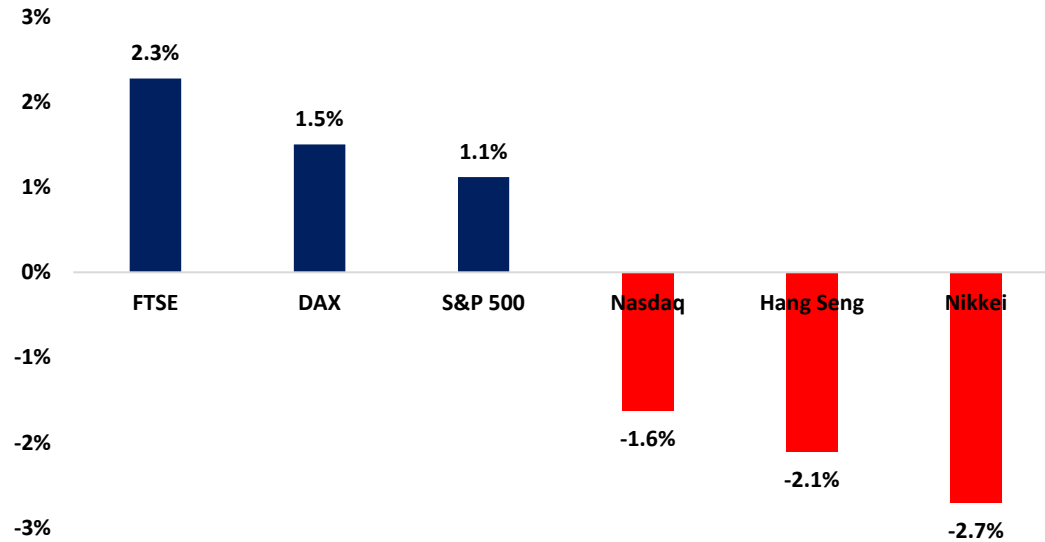
D) Gross NPA (%) & Net NPA (%)



Source: DSP Mutual Fund

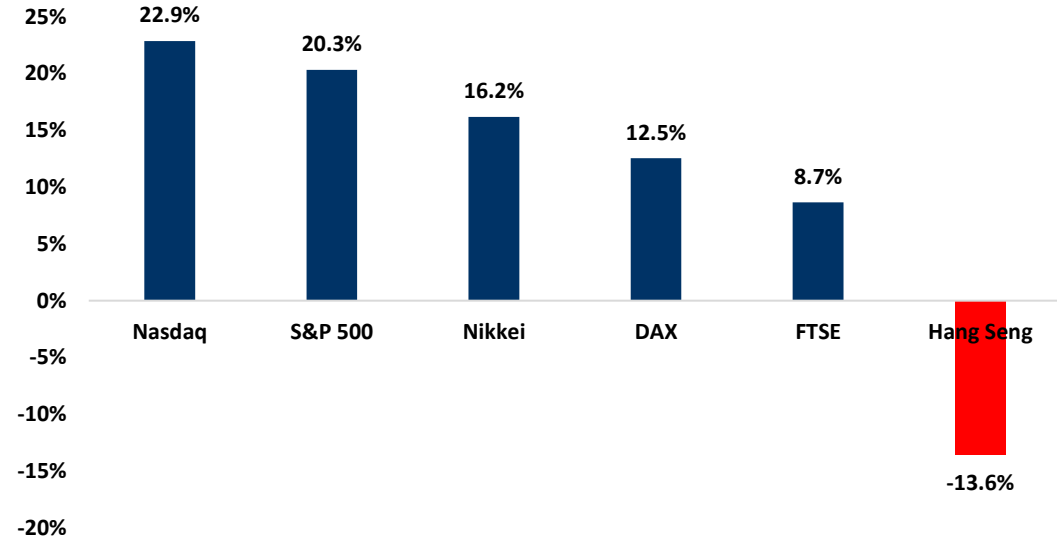
3.3) Foreign Indices

July % Change



Source: Moneyvesta Capital

YoY % Change



Source: Moneyvesta Capital

➤ US Equities:

- The S&P 500 index remained volatile in July 2024. It began the month with gains and new closing highs, but starting from July 17, 2024, the market dynamics shifted. There was a reallocation from large caps to small caps, particularly in the Information Technology sector, leading to a decline in the index.
- Donald Trump became the official Republican candidate for president at the Republican convention.

➤ Global Trend:

- In July, the J.P. Morgan Global Manufacturing PMI fell to 49.7, down 1.2 percentage points from June's reading of 50.9. This decline was attributed to a decrease in new business orders, which fell for the first time in six months. Additionally, production output growth experienced its weakest performance year-to-date.
- Monetary policy easing is forecast to become more widespread from late 2024. The forecast moderation in inflation and the start of the US Federal Reserve's easing cycle should pave the way to more accommodative global financial conditions in 2025-26, supporting economic activity.

DEBT MARKET & CURRENCY MARKET

Particulars	June-2024	July-2024	Change (bps)
10 Year Benchmark G-Sec Yield (%)	7.01%	6.93%	-8
Repo Rate	6.50%	6.50%	-

Source: HDFC Mutual Fund

4.1) The Indian banking system had surplus liquidity for the entire month of July 2024, with the surplus peaking at a three-month high of Rs 1.45 lakh crore on July 26. This was because of increased central spending after the polls, and the redemption of government securities worth around Rs 60,000 crore during the month.

4.2) Fixed income was quite favorable in medium-term due to the following:

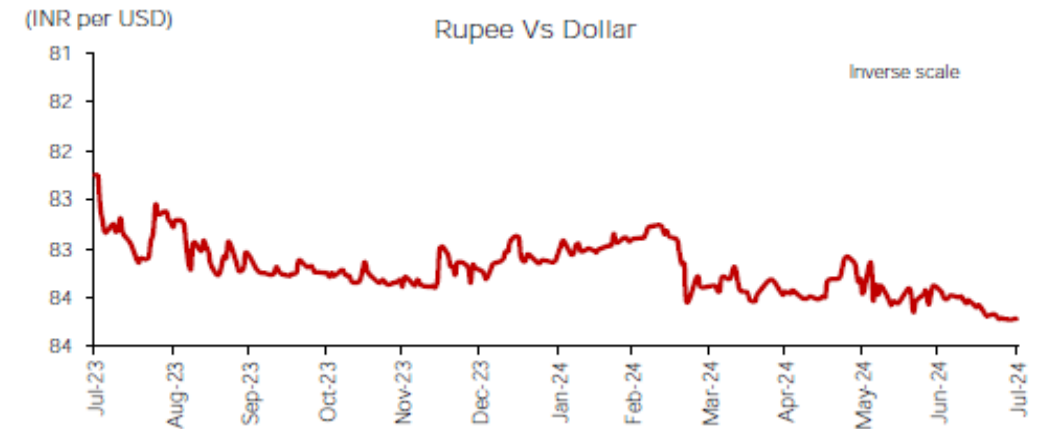
- Inclusion of Govt. Securities in J.P Morgan global bond indices.
- Core CPI momentum remains subdued on back of lower input price pressure.

4.3) In US, markets are now increasingly pricing in possibility of a 50 bps rate cut in the September, and a cumulative easing of 125-150 bps by January 2025.

4.4) RBI draft changes to the Liquidity Coverage Ratio (LCR) norms for Banks. The key impact of the proposed changes are:

- LCR could get impacted by 10%-20% depending on the retail-to-wholesale deposit mix of each bank,
- Increased pressure on deposit generation,
- Lower NIMs for Banks or slowdown in growth to conserve NIMs, and
- Increase in demand for HQLA assets, primarily G-Sec, SDLs and eligible corporate bonds.

4.5) The Indian rupee recorded a substantial month-on-month fall against the US dollar in July 2024, closing at Rs 83.72 per dollar, down 0.4% compared to June-end.



Source: HSBC Mutual Fund

COMMODITY MARKET

Precious Commodity	31 May 2024	28 June 2024	% Change
Gold (INR/10 gms)	72,356	71,835	0.72%
Silver Future-MCX (INR per kg)	91,570	87,167	-4.1%

Source: Gold-> India Bullion and Jewellers Association

Gold: Gold price ended at Rs 71,835 per 10 gram on June 28, down 0.72% from Rs 72,356 on May 31.

Prices declined following a similar trend in global metal prices, on a strong dollar index.

Fed still looking for evidence of inflation easing to enable interest cut.

Commodity	30 June 2024 Price USD	June % Change	FYTD25 % Change
Crude Oil-NYMEX (\$ per barrel)	81.54	5.91%	-1.2%
Steel (per tonne)	525	-1.9%	2.9%
Aluminium (per tonne)	2,488	-4.6%	8.4%
Copper (per tonne)	9,477	-5.1%	8.6%
Zinc (per tonne)	2,920	-2.5%	22.1%
Lead (per tonne)	2,160	-3.8%	9.9%

Source: Crude Oil-> NYMEX, Industrial Commodities-> HDFC Mutual Fund

Crude oil: Oil prices rose after ECB cut rates, raising hopes that the United States Federal Reserve (Fed) would follow them. Additional gains after the Organization of the Petroleum Exporting Countries (OPEC) and non-OPEC producers indicated that the latest oil output agreement could change depending on the market.

Industrial commodity prices: Most industrial commodity prices declined during the month as global growth momentum remained subdued. Growth remains uncertain, it is expected to remain within a range in the coming quarters. This is driven by expectations of labour market in the US to remain resilient and additional policy support by China to support growth

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