MONEYVESTA™
GAIN WITH US

September 2024 Newsletter

Presented By:
Moneyvesta Capital

MONEYVESTA BULLS PORTFOLIO

1) Drivers of Stock Price

▲Price = ▲EPS x ▲P/E

▲EPS: Fundamentally Driven

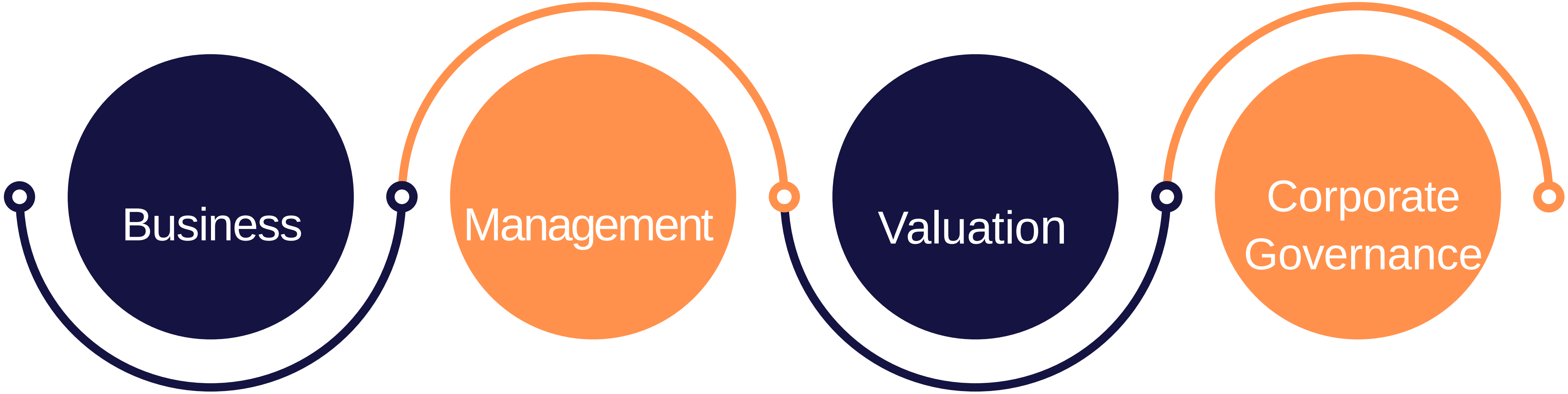
▲P/E: Function of RoE and Capital Allocation

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

MONEYVESTA™ GAIN WITH US

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

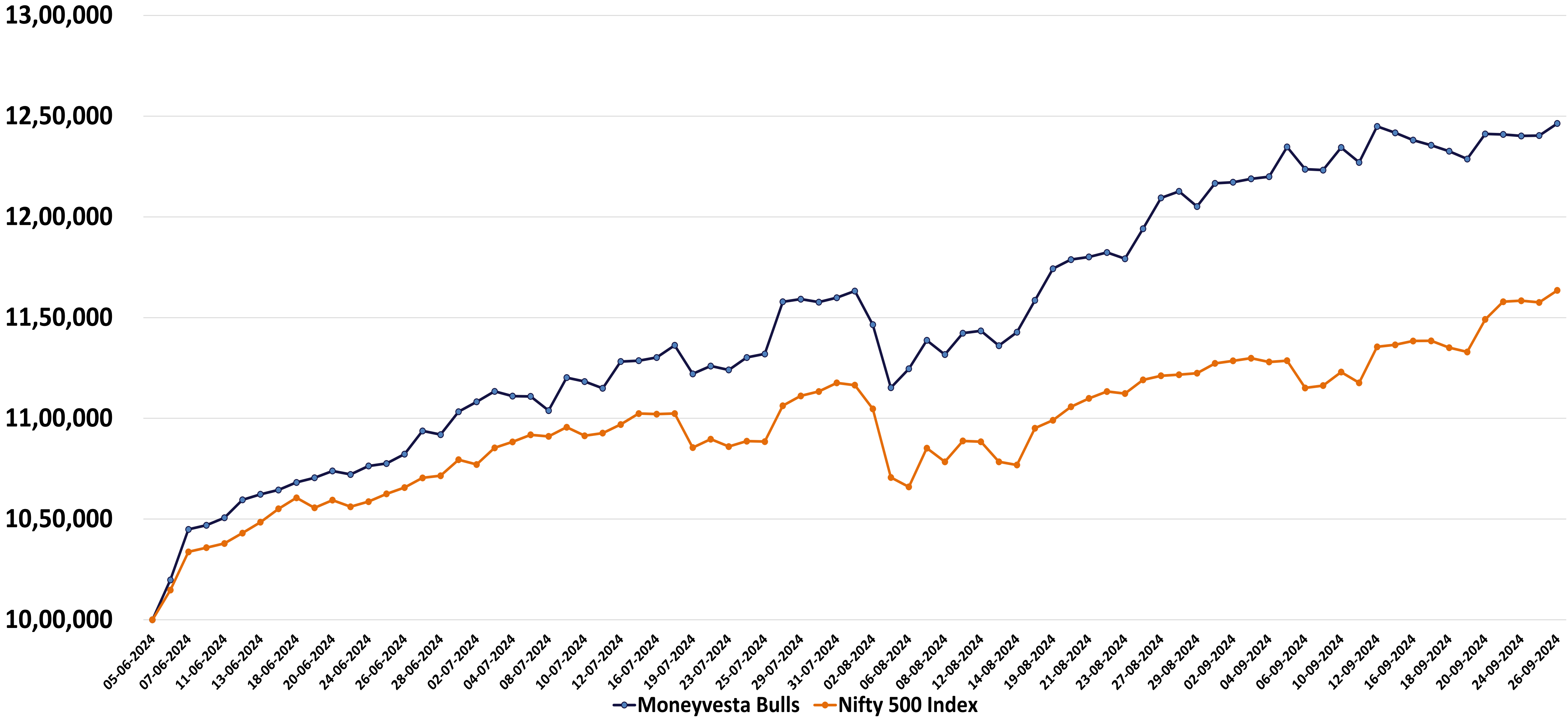


Aims to Identify Prominent businesses, with Competent Management, at Reasonable Valuations

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.

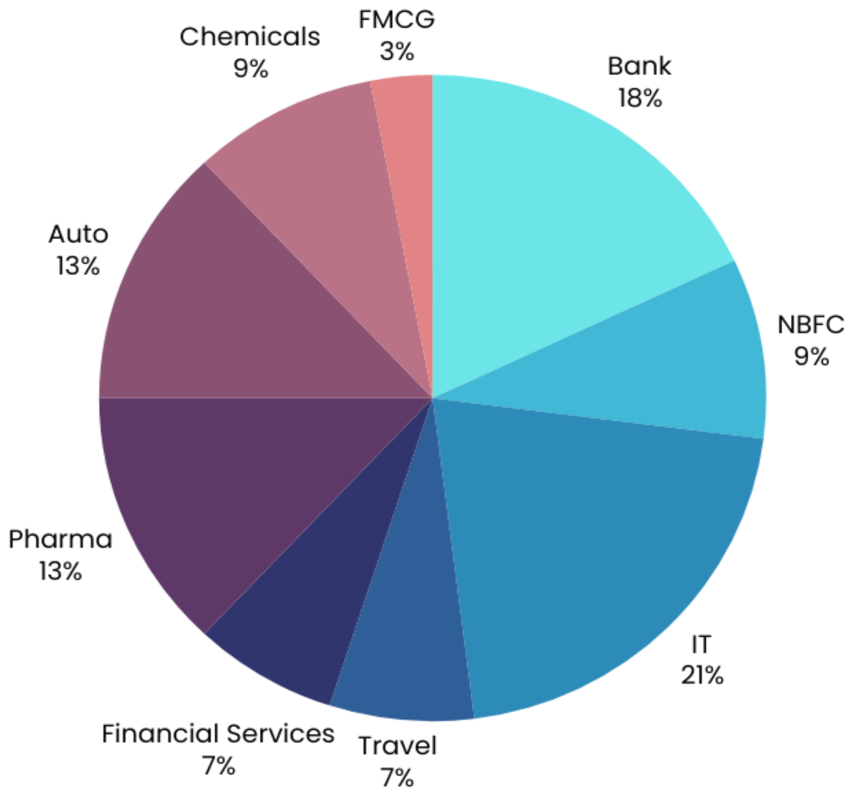
3) Return

i) Moneyvesta Bulls Portfolio 113 days Returns: **24.6%**
ii) Nifty 500 Index Benchmark 113 days Returns: **16.3%**

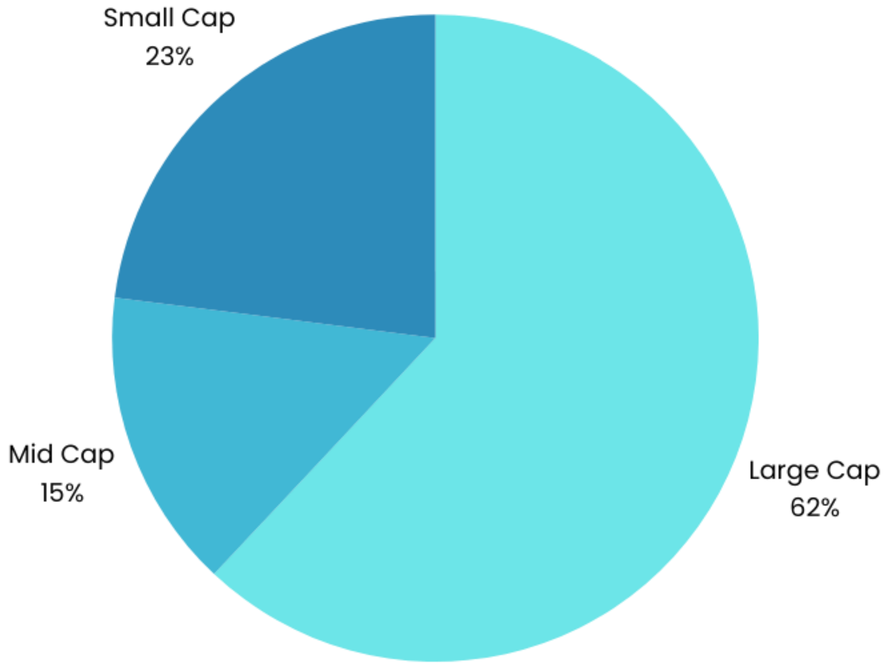


4) Allocation

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)	[illegible]	23%	22%	#	22%	0.9
2)	[illegible]	11%	14%	#	21%	1.3
3)	[illegible]	18%	22%	#	15%	0.9
4)	[illegible]	29%	36%	#	22%	0.9
5)	[illegible]	11%	9%	0	64%	3.3
6)	[illegible]	12%	9%	0.1	40%	2.7
7)	[illegible]	23%	21%	0.1	31%	1.6
8)	[illegible]	15%	13%	0.2	28%	3.5
9)	[illegible]	16%	34%	0	31%	1.4
10)	[illegible]	29%	46%	0	43%	1.2
11)	[illegible]	12%	17%	0	24%	1.6
12)	[illegible]	13%	15%	0	31%	2.2
13)	[illegible]	17%	24%	0	24%	1.4
14)	[illegible]	11%	16%	0.1	38%	3.2
15)	[illegible]	25%	24%	0	40%	2
16)	[illegible]	26%	33%	0	27%	0.7
17)	[illegible]	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

September 2024 Newsletter

Table of Content

GLOBAL MACROS

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

The economic fluctuations and data from powerful nations significantly impact global markets, often sending mixed signals that create uncertainty for countries around the world.

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 might show some sign of revival as US Fed cut interest rate by 50 bps point, now ranging from 4.8% to 5.0% and aim for another 50 bps cut in 2024 and 100 bps in 2025.

The Bank of Japan kept its benchmark interest rate steady at around 0.25% — the highest rate since 2008, pointing to a moderate recovery in the economy but warning that high uncertainties remain in the outlook for activity and prices. They believe that the consumptions and other data suggests Japan's economy is in line with the bank's forecast.

People's Bank of China cut the 14-day reverse repurchase interest rate by 10 basis points to 1.9% from 2.0%, and injected 74.5 billion yuan, equivalent to $10.6 billion, of liquidity via the policy tool.

1.2) Inflation

Inflation (YoY)	July-2024	August-2024
U.S.A	2.9%	2.5%
China	0.5%	0.4%
Japan	2.2%	2.8%
India	3.5%	3.7%
U.K.	2.2%	2.2%

Source: HSBC Mutual Fund

US inflation fell to 2.5% in August, from 2.9% in July, moving the inflation towards the Fed's 2.0% target which is welcome new for the White house. Core CPI, which excludes volatile food and energy prices, held steady at 3.2%

India's inflation up at 3.7% in August 2024, because of increase in prices of food articles, processed food products, other manufacturing, manufacture of textiles and manufacture of machinery & equipment etc. The corresponding inflation rate for rural and urban is 4.2% and 3.1%, respectively.

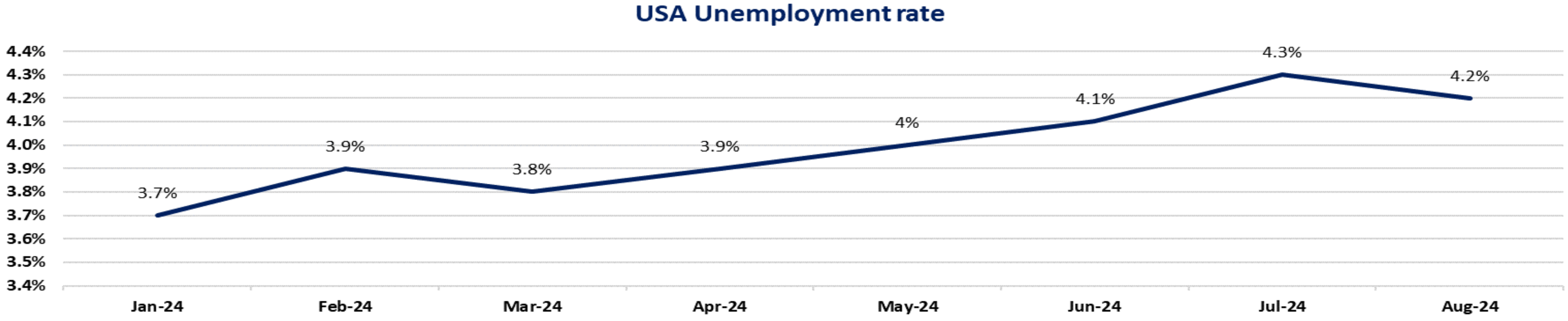
India's wholesale inflation eased to four month low at 1.3% on an annual basis in August from 2.0% in July because fuel prices turned negative and the pace of rise in food prices slowed.

China's consumer inflation gauge up 0.4% mom, compared with a 0.5% increase in July due to high temperature and rainy weather which increases the prices of vegetables which pushed the food inflation from 0% to 2.8% yoy basis.

Japan's core consumer prices rose 2.8% in August from a year earlier, increasing faster for the fourth straight month on higher rice prices and energy costs.

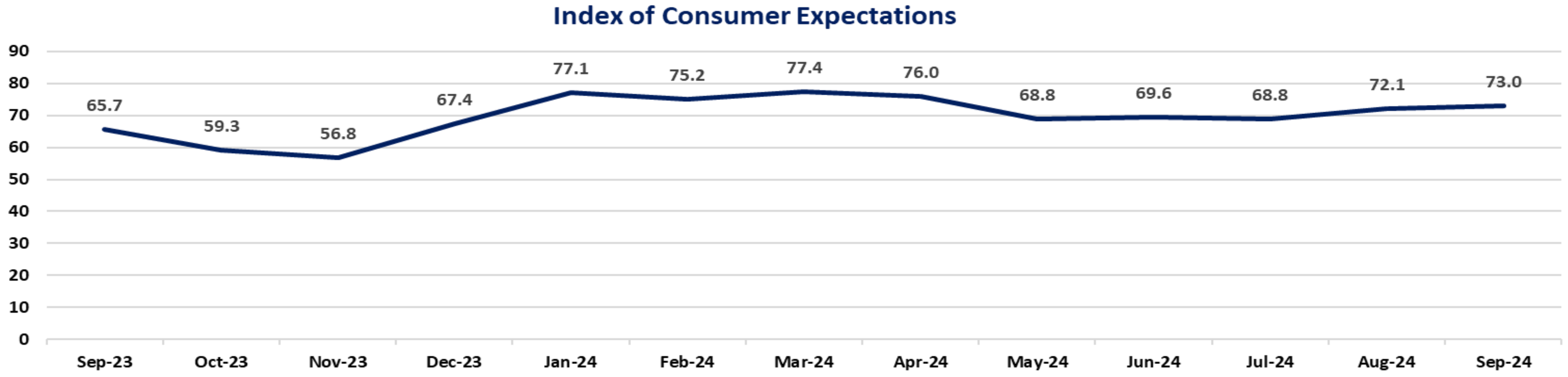
1.3) U.S.A Economy

Total nonfarm payroll employment increased by 142,000 in August, and the unemployment rate changed little at 4.2%. Job gains occurred in construction and health care.



Source: Bureau of Labor Statistics, Moneyvesta Capital

Index of consumer expectations: The index increased by 1.2% mom and 11.2% yoy.



Source: University of Michigan, Moneyvesta Capital

INDIAN MACROS

Particulars	Aug-23	Mar-24	Apr-24	May-24	Jun-24	July-24	Aug-24
2.1) GST Collection (Lakh Cr.)	1.59	1.78	2.1	1.72	1.74	1.82	1.74
GST Collection (YoY growth)	-	11.5%	12.4%	10%	7.7%	10.3%	10.0%
2.2) Manufacturing & Services							
Power (YoY growth)	16.3%	9.1%	10.5%	15.3%	8.9%	8.5%	-4.9%
Manufacturing PMI Index	58.6	59.1	58.8	57.5	58.3	58.1	57.5
Services PMI Index	60.1	61.2	60.8	60.2	60.5	60.3	60.9
2.3) Vehicle							
Two-Wheeler (YoY growth)	4.3%	5.7%	33.1%	2.4%	4.7%	17.3%	6.3%
Passenger Vehicle (YoY growth)	2.2%	-4.3%	15.7%	-0.2%	-6.5%	11.0%	-3.8%
Light Commercial Vehicle (YoY growth)	1.8%	-7.8%	-2%	1.4%	-8.3%	1.9%	-6.7%
Medium & Heavy CV (YoY growth)	10.2%	-15.7%	-5.6%	-3.9%	-5.0%	10.0%	-8.2%
Tractors (YoY growth)	17.0%	-1.8%	2.5%	-1%	-27%	-13.6%	-12.4%
2.4) Digital Spending (UPI+IMPS)	37.7%	33.5%	32.6%	31.6%	32.1%	29.9%	26.2%
2.5) Unemployment %	8.1%	7.4%	8.1%	7.3%	9.2%	7.7%	8.5%

Source: HDFC Mutual Fund

2.1) GST Collection: The GST collections for August 2024 is approximately ₹1.74 lakh crore as reported on 1st Sept 2024, marking 10.0% YoY and -3.8% sequentially. This growth is driven by a substantial increase in domestic transactions (up 11.3%) and imports (up 6.5%). Gross GST revenues from import of goods were up 12.1% to Rs 49,976 crore. After adjusting refunds, net GST revenue increase was 6.5% at Rs. 1.5 lakh crore during the month.

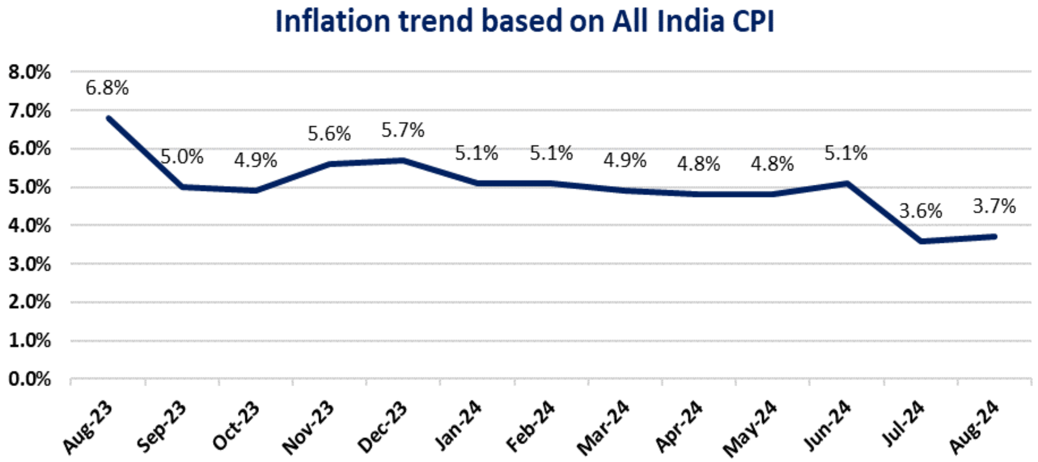
2.2) Manufacturing PMI and Services PMI: Manufacturing Index fell due to Indian manufacturer reported a softer increase in new business and productions, while service PMI index increase by 0.6. because boosted by productivity gains and positive demand trends.

2.3) Vehicle Registration: Auto sales declined in the month of August. Amid surging inventory levels at dealership outlets, Passenger Vehicle (PV) saw a drop of 3.8% last month. The sales of three-wheelers and two-wheeler rose 7.7% and 9.3% to 69,962 units and 1,711,662 units respectively.. With the expectation of the festive season in line, industry stakeholder seems confident of the revision in stock and the sales to go up.

2.4) Unemployment: Unemployment Rate in India increased to 8.5% in August from 7.7% in July of 2024

YoY%	July-24	Aug-2024 (Prov.)	Change in %
CPI	**3.6%**	***3.7%***	**0.1%**
Food & Beverages	5.1%	*5.3%*	0.2%
Fuel & Light	-5.5%	*-5.3%*	0.2%
Housing	2.7%	*2.7%*	-
Transportation & Communication	2.5%	*2.7%*	0.2%
Core CPI	**3.7%**	***3.3%***	**0.4%**

Source: Press Information Bureau



Source: Press Information Bureau, Moneyvesta Capital

2.5) Inflation: The Consumer Price Index (CPI) inflation for the month of August 2024 rose marginally to 3.7% from 3.6% in July which is well within the RBI's target range of 2-6% and lower than ideal 4% number. Meanwhile, WPI inflation eased to 1.3% in August.

Corresponding inflation rates for rural and urban are 4.16% and 3.14%, respectively.

At item level, 'tomato' has exhibited the lowest yoy inflation (-47.9%) as well as lowest MoM change in index (-28.8%). Decline in inflation is observed in the subgroups of 'spices', 'meat and fish' and 'pulses and products.

India's wholesale inflation eased to 1.3% as fuel prices negative and the pace of rise in food prices slowed.

Central Government Finances	FY 2023 (in Rs. billion)	FY 2024 (in Rs. billion)	% Change (YoY)		4MFY24	4MFY25	Change (YoY)
Gross Tax Revenue	30,538	34,648	13.5%		8,942	10,842	21.3%
Direct Tax	16,341	19,220	17.6%		4,333	5,791	33.6%
Indirect Tax	14,197	15,428	8.7%		4,609	5,052	9.6%
Less: Share of States	9,564	11,383	19%		3,116	3,690	18.4%
Net Tax Revenue	20,974	23,265	10.9%		5,826	7,152	22.8%
Non Tax Revenue	2,862	4,019	40.4%		1,788	3,018	68.8%
Total Revenue Receipts	23,835	27,284	14.5%		7,614	10,170	33.6%
Total Capital Receipts	722	605	-16.2%		137	64	-53.4%
Total Receipts	**24,557**	**27,889**	**13.6%**		**7,751**	**10,234**	**32.0%**
Total Revenue Expenditures	34,525	34,940	1.2%		10,636	10,391	-2.3%
Total Capital Expenditures	7,363	9,485	28.8%		3,171	2,613	-17.6%
Total Expenditures	**41,888**	**44,425**	**6.1%**		**13,807**	**13,004**	**-5.8%**
Gross Fiscal Deficit	**17,331**	**16,537**	**-4.6%**		**6,056**	**2,769**	**-54.3%**
Fiscal Deficit as % of GDP	**6.4%**	**5.6%**			**2.2%**	**0.9%**	

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 fiscal deficit for FY25 estimated to be 4.9% of the GDP. The government has given the estimated fiscal deficit of 4.5% by FY26.

April-July: Fiscal deficit as % of GDP declined in four months of FY25 on back of robust growth in direct tax collections primarily driven by personal income tax. Non-tax receipt also rose on back of large increase in dividend from RBI.

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. The government estimates that its debt will increase to Rs. 185 lakh crore, or 56.8% of the GDP in FY25.

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: The Union budget for FY25 allocated Rs 11.1 lakh crore for capex, indicating the government's continued emphasis on infrastructure spending. Although private sector capital expenditure remains low, there are signs of improvement.

Foreign Trade	June-24 (USD Billion)	July-24 (USD Billion)	Change % (USD Billion)
Net Oil Imports	9.5	8.6	-9.3%
Net Gold Imports	2.8	2.8	-1.8%
Net Non Oil Non Gold Imports	8.6	12.1	40.1%
Trade Deficit	**21.0**	**23.5**	**12.0%**

Source: Ministry of Commerce.
Net Gold Imports includes gold, silver, and pearls precious & semiprecious stones adjusted for gems and jewellery exports.

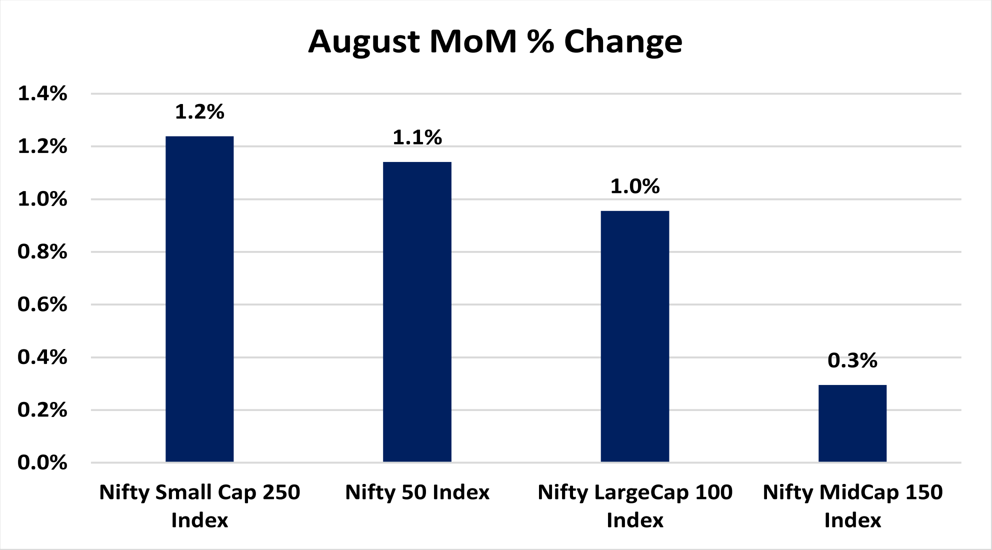
2.7) Foreign Trade: Trade deficit rose in July 2024 primarily driven by rise in NONG imports. Higher electronics, vegetable oil and machinery imports resulted in NONG imports rising. Further, NONG exports declined slightly driven by engineering goods and chemicals. This was partly offset by lower oil imports.

Amid uncertainties, India is exploring new markets such as Africa and to diversify its export goods basket to offset the weakness in western economies.

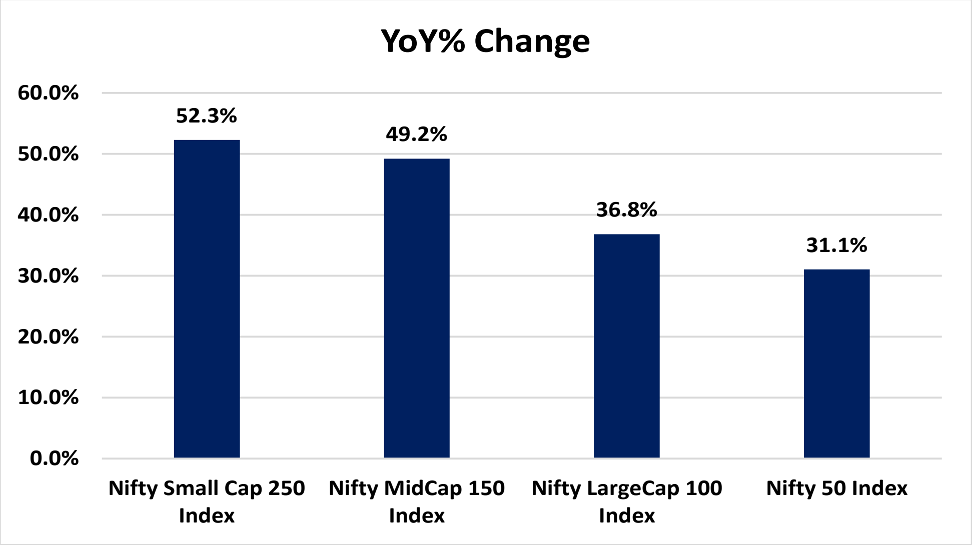
The cumulative trade deficit for the April-July 2024 period reached USD 31.17 billion, reflecting the narrow gap between exports and imports.

EQUITY MARKETS

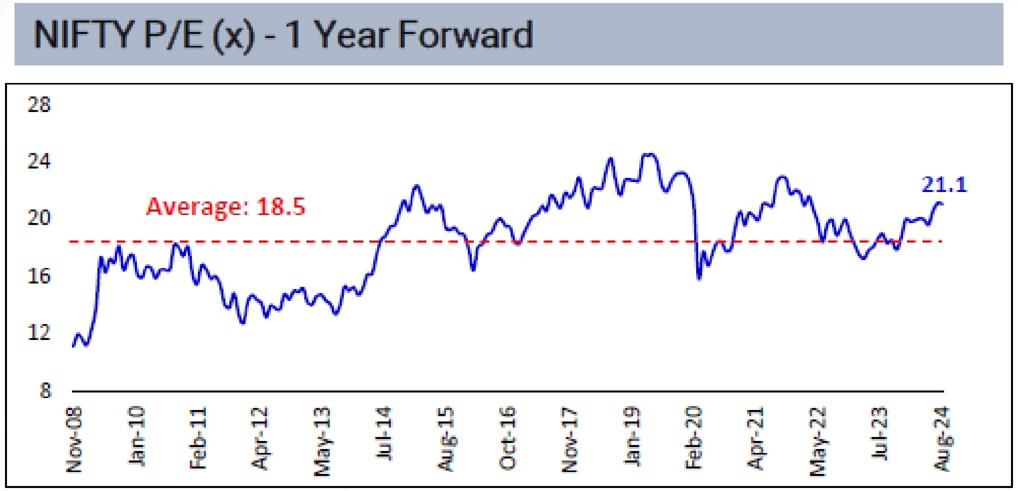
3.1) Market Capitalization based Indices



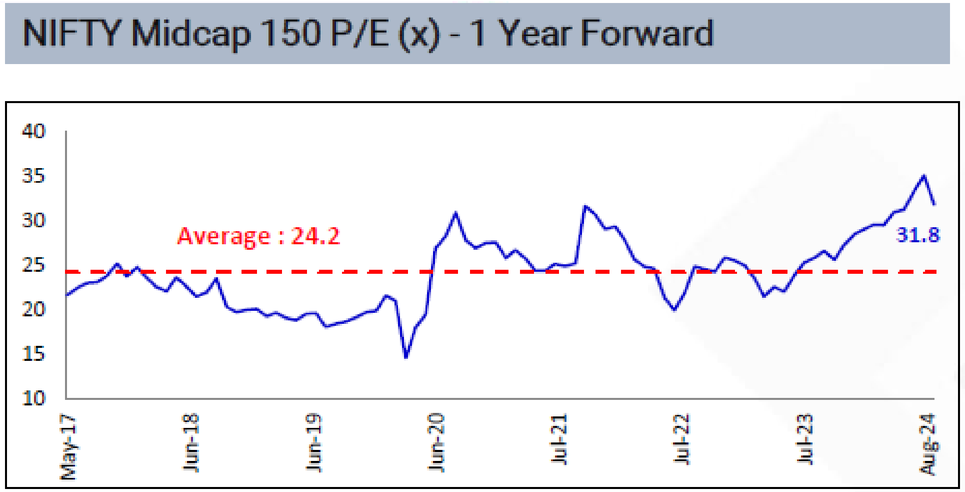
Source: Moneyvesta Capital



Source: Moneyvesta Capital

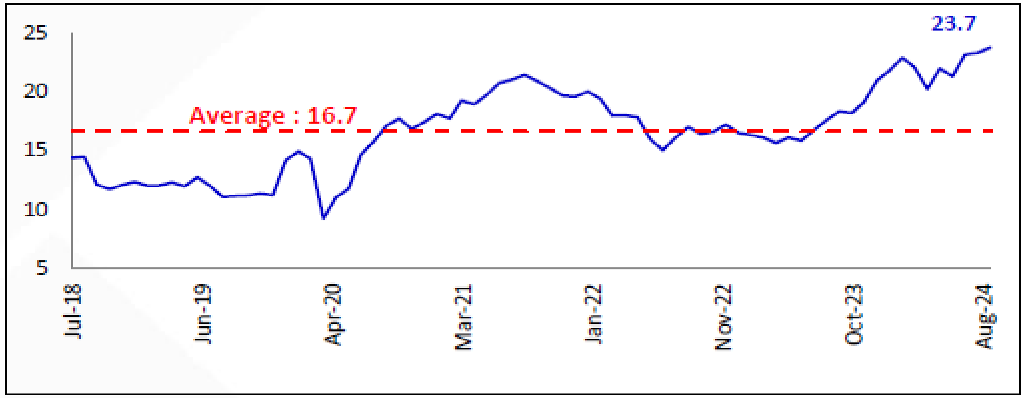


Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg.



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	31% premium to historical average
Smallcap	42% premium to historical average

Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg

Market Capitalization based Indices

- In August 2024, India's equity markets saw a more moderate performance compared to previous months, with benchmark indices showing varied gains. The Nifty 50 Index rose by 1.1% month-on-month (MoM), supported by stable global cues and strong domestic investor sentiment. Indian equity markets continued their positive momentum in August, bolstered by strong domestic institutional participation and tempered by a mixed global macroeconomic environment. Although the pace of gains slowed compared to July, optimism remained buoyed by expectations of favorable domestic economic conditions.

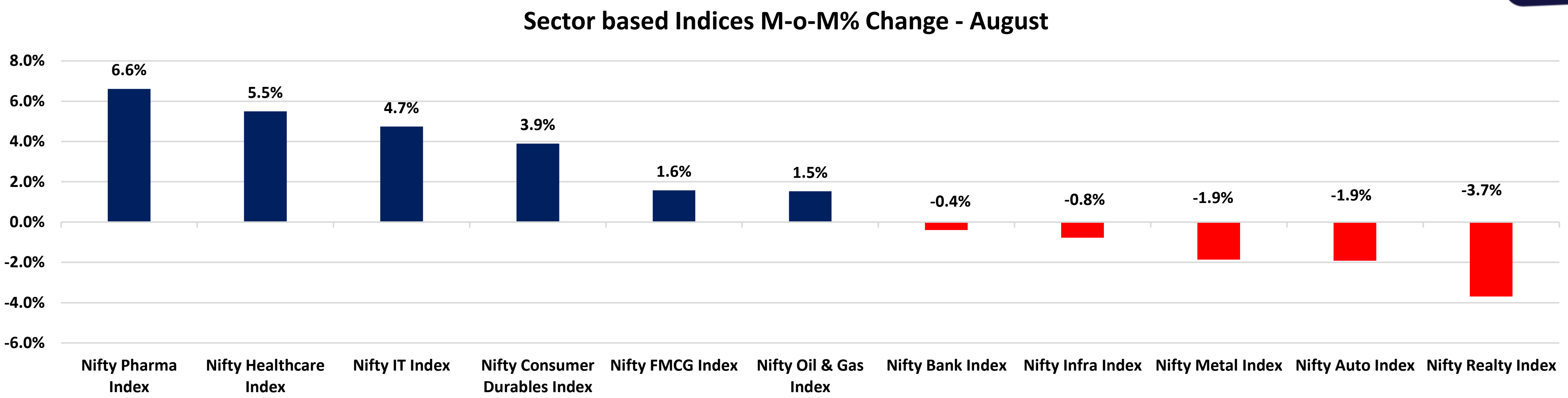
Valuations:

- The Nifty Index in August traded at a 1-year forward P/E ratio of 21.1, compared to its long-term average of 18.5. This indicates that the index is trading at a 14% premium to its historical average.

FIIs and DIIs:

- The markets were supported by continued buying by domestic institutional investors (DIIs) and foreign institutional investors (FIIs). In August, DIIs bought Rs 48,278 crores worth of Indian equities, compared with Rs 24,936 crores in July. FIIs bought Indian equities worth Rs 7,322 crores in August, compared with Rs 32,365 crores in July.

3.2) Sectoral Indices



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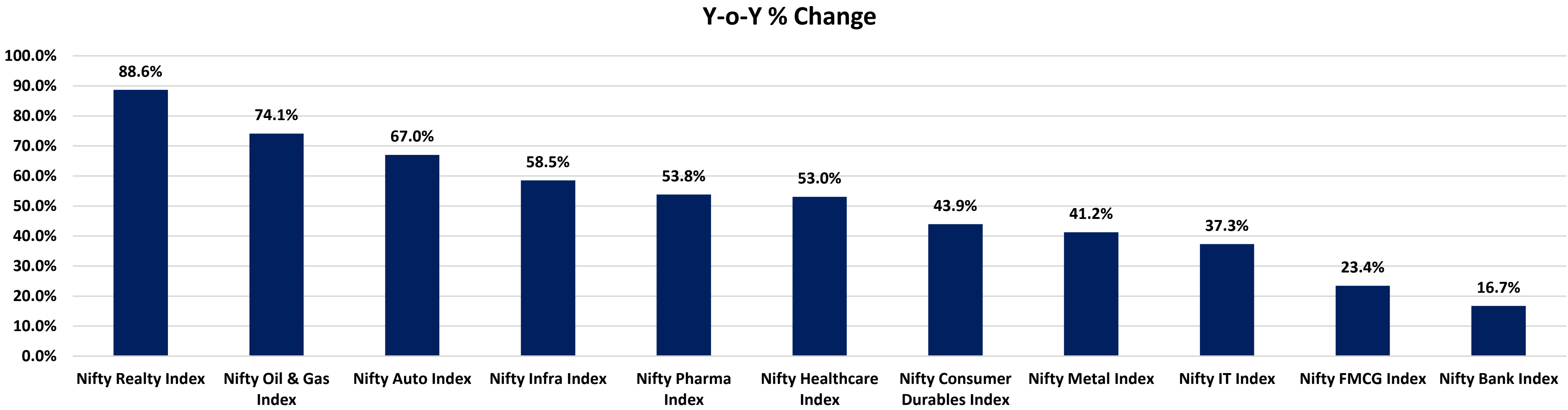


Source: Moneyvesta Capital

Sectoral Indices Valuation vs. Long-Term Average

Sectoral Indices	P/E 31st August 2024	Long Term Average	Discount/Premium
PSU Banks	1.4	1.1	**26.7%**
Metals	12.2	10	**21.2%**
Oil & Gas	15.8	12.3	**29%**
Pharma	31.5	24	**31.7%**
IT Services	28.9	20.6	**40.3%**
Consumer Discretionary	66.2	53.4	**24%**
Auto	22.8	19.7	**15.8%**
Consumer staples	43.7	35.4	**24%**
Private Banks	2.4	2.6	**-7.4%**

Source: HDFC Mutual Fund

3.2.1) Metal Industry

- **Nifty Metal Index:** Nifty Metal Index, fell by 2% m-o-m due to global steel production fell 6.5% year-on-year in August 2024, the lowest monthly rate of 2024. As China unleashes stimulus blitz to boost ailing economy, metal industries especially steel have seen some price increase.

Current Scenario

- Decline in global steel prices is driven by ongoing real estate crisis in China and weak manufacturing activity worldwide.
- World crude steel production for the 71 countries reporting to the World Steel Association was 144.8 million tonnes (Mt) in August 2024, a 6.5% decrease compared to August 2023.
- Zinc prices rally in August as lower rates are expected to boost homebuilding, construction and manufacturing in the US, before the Fed cut was announced.
- During April-July, India's overall finished steel imports also reached a six-year high at 3.7 million metric tons in the April-August period of this year.

Outlook:

- Global zinc consumption will likely rise by 2.6% in 2024 but it will be outweighed by sluggish growth in the world economy.
- India's steel demand is expected to grow at a CAGR of 7% to touch 190 Million tonnes (MT) level by 2030.

Commodity	31st August, 2024 Price USD	August % Change	FYTD25 % Change
Steel (per tonne)	470	-7.8%	-7.8%
Aluminium (per tonne)	2424	8.8%	5.6%
Copper (per tonne)	9215	2.2%	5.6%
Zinc (per tonne)	2862	8.6%	19.7%
Lead (per tonne)	2027	0.1%	3.1%

Source: Industrial Commodities-> HDFC Mutual Fund

3.2.2) Auto Industry

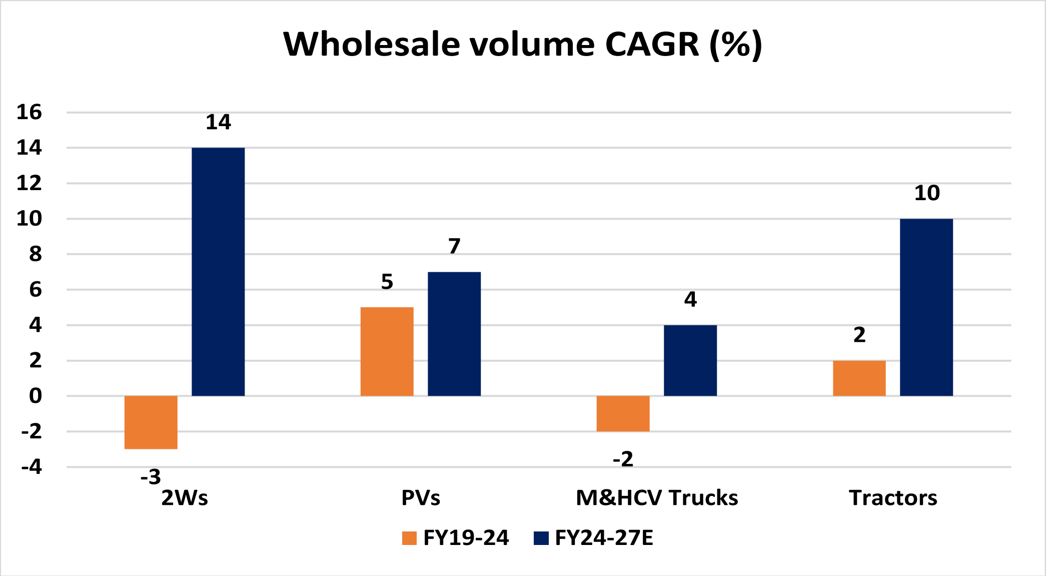
Nifty Auto Index: In August 2024, the Nifty Auto Index saw a decline of 1.9%, reflecting a broader trend of caution in the auto sector. Several factors contributed to this dip, including subdued consumer sentiment, high interest rates affecting vehicle loans, and input cost pressures impacting margins.

Current Scenario

- **PV performance**: Passenger vehicle retail sales in India witnessed a 5% year-on-year decline in August on account of delayed customer purchases, poor consumer sentiment and persistent heavy rains. The overall passenger vehicle (PV) registrations last month stood at 3,09,053 units, as compared to 3,23,720 units in August 2023.

- **Inventory levels:** Inventory levels of PV have reached alarming levels, with stock days now stretching to 70-75 days and inventory totaling 7,80,000 vehicles, valued at an alarming Rs 77,800 crore.

- **Two-wheeler Performance:** Two-wheeler sales increased 6% year-on-year to 13,38,237 units in August, as compared to 12,59,140 units in the same month last year, on the back of improved stock availability and the onset of the festive season.



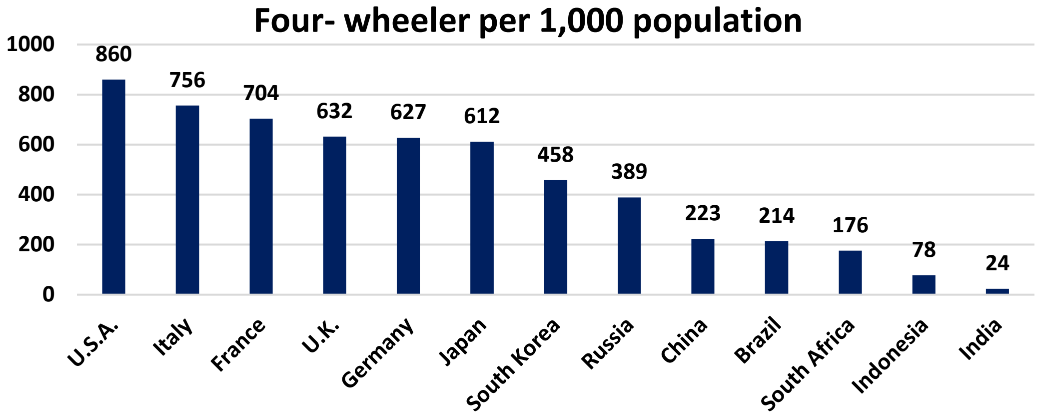
Source: CMIE, Moneyvesta Capital

Tailwinds

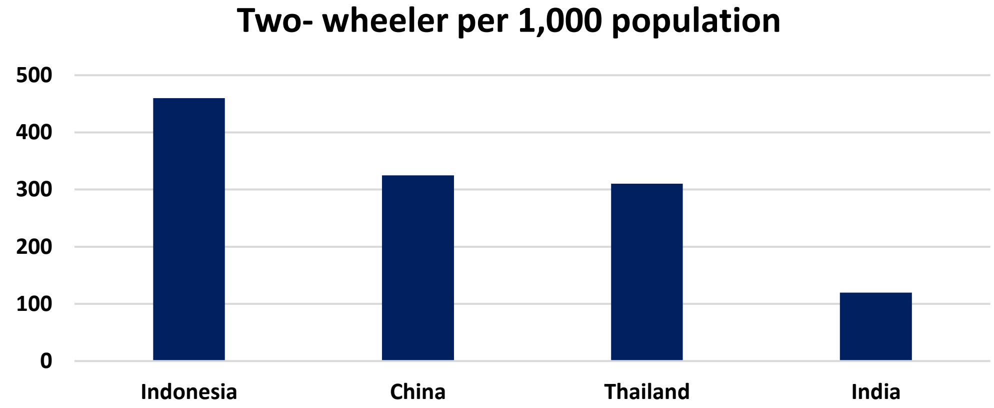
- The share of SUVs in total revenue is increasing significantly. This trend reflects a growing desire among consumers to own higher-end vehicles, driving premiumization-led value growth in the market.
- EV GST rate at 5% vs 28% for ICE
- Over the last decade, average vehicle price growth has been lower 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.

- **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.

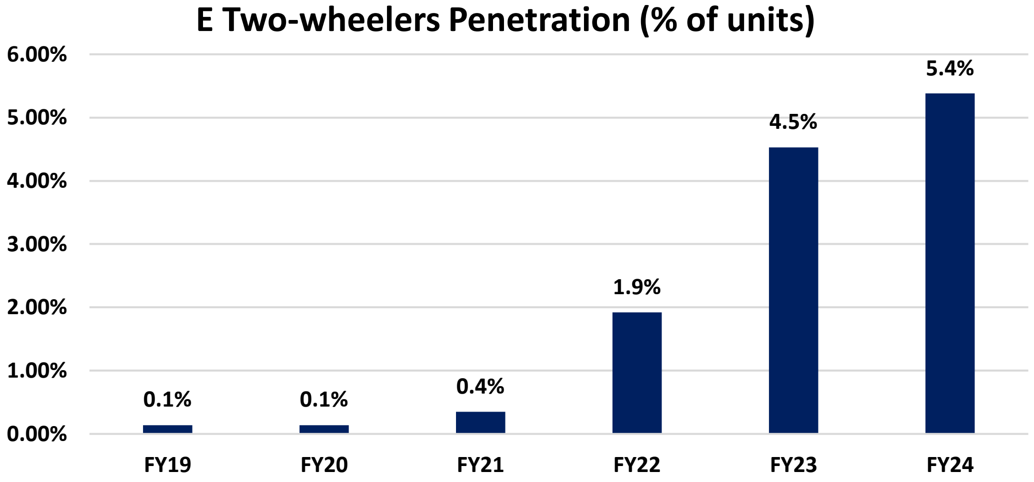


Source: SBI Mutual Fund, Moneyvesta Capital

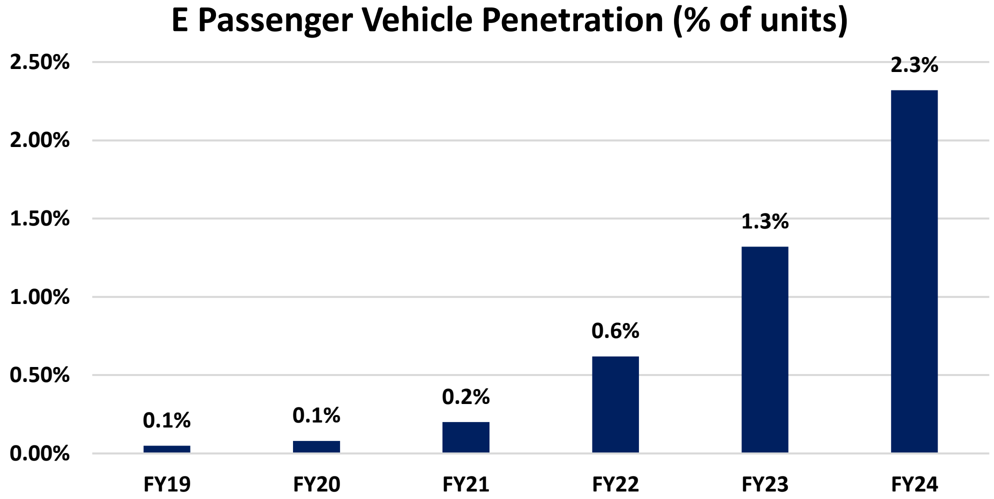


Source: SBI Mutual Fund, Moneyvesta Capital

ii) Electric Vehicles Penetration: Share of EVs in 2W sales rose from just 0.4% in FY21 to 4.5% by FY23 led by rising subsidies and new launches. However, the government has reduced E2W incentives twice since Jun'23, resulting in share of E2Ws remaining in 4-7% range for most of the last 24 months.



Source: SBI Mutual Fund, Moneyvesta Capital



Source: SBI Mutual Fund, Moneyvesta Capital

3.2.3) Realty Industry:

Total India residential housing sales in H1 CY2024 reached 1,73,241 , a 11% increase from the previous year period. Average residential property prices across the top 7 cities have seen a significant jump in the last one year – ranging between 10-32%, mainly due to an increase in the prices of construction raw materials and overall rise in demand.

Current Scenario

Nifty Realty, the top performing sectoral index over the last year, fell 3.7% in August, recording its worst month since February 2023. Volumes for listed players in the sector may not follow the strong growth trajectory that has been recorded in the past few quarters, due to a build-up of supply.

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 (Third Party Logistics), 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
- Bbenefit 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

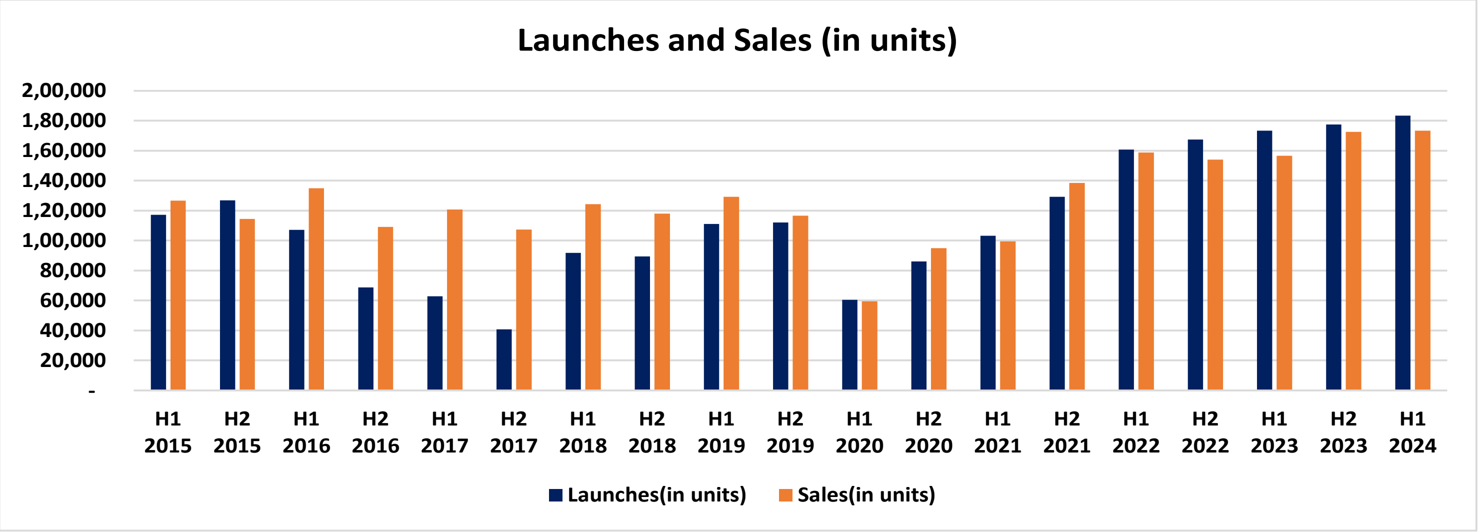
Headwinds for industry:

- 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

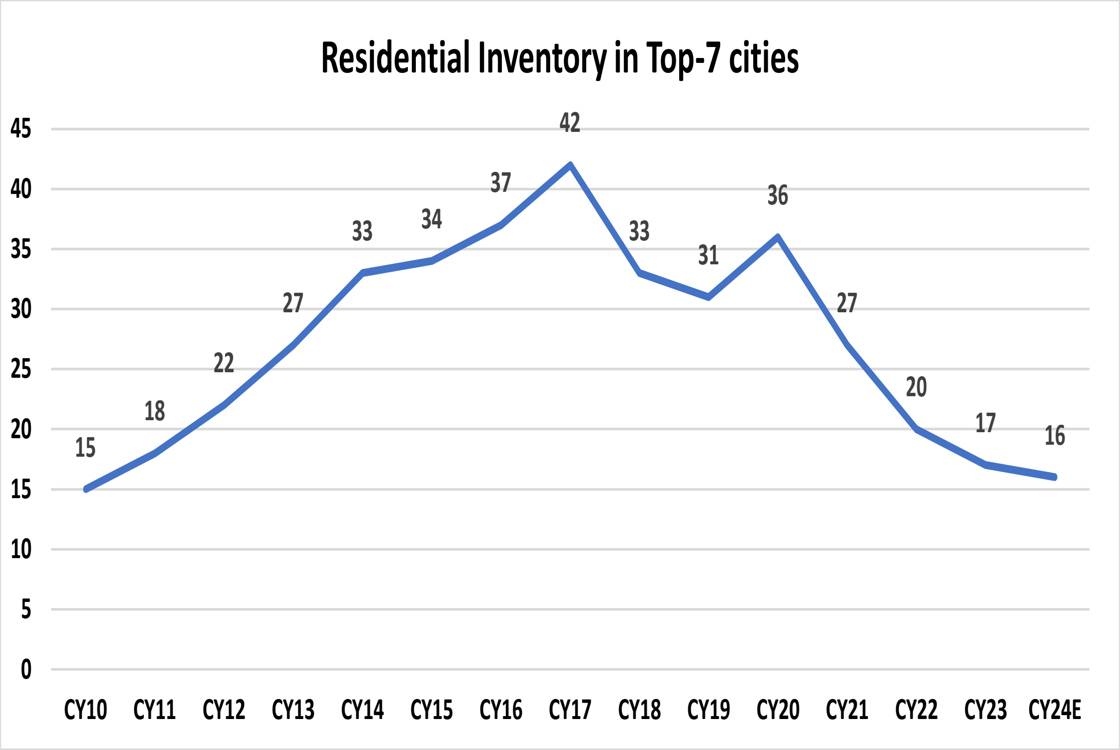
Three main indicators for residential property:
- New launches & Sales
- Inventory levels
- Price change

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



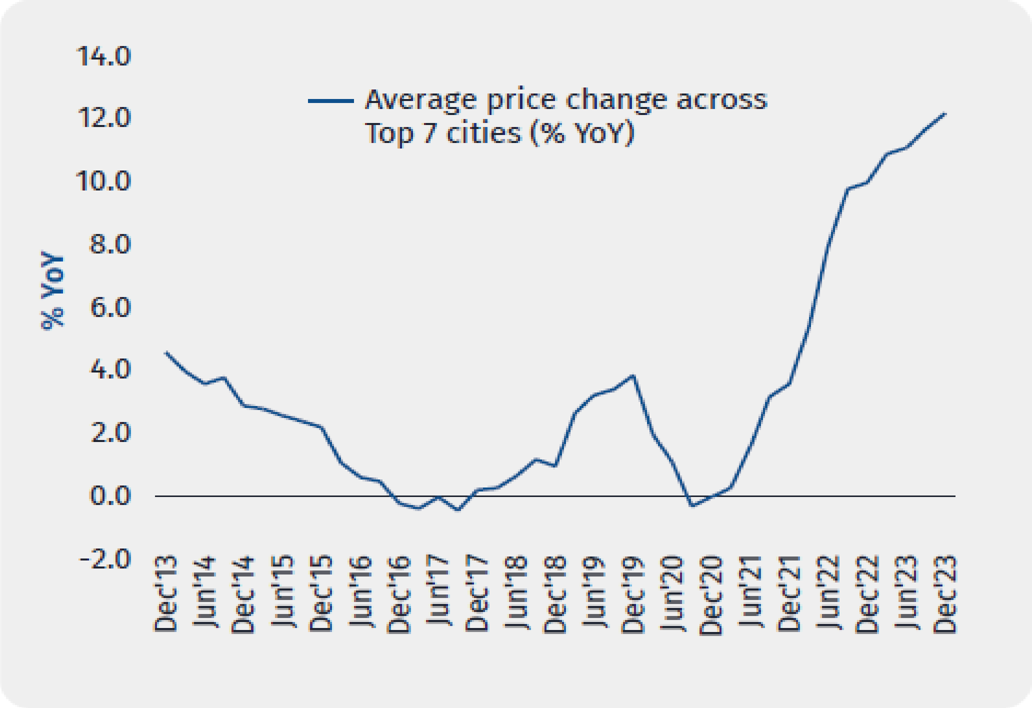
Source: Knight Frank, Moneyvesta Capital

Residential Property



Source: HDFC Mutual Fund, Moneyvesta Capital

House prices are recovering after low growth over 2013-21

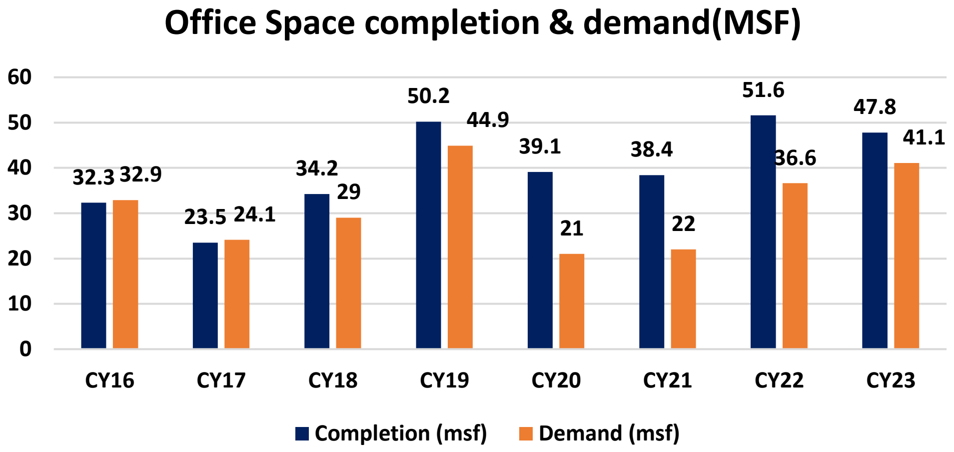


Source: HDFC Mutual Fund

- **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

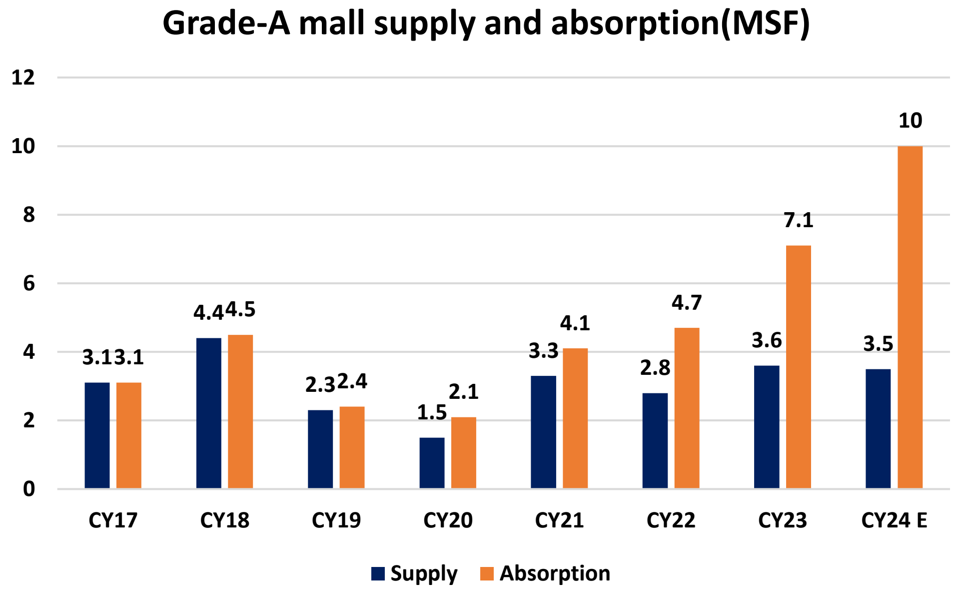
- After a decline in absorption during the peak of the COVID-19 pandemic (CY20) due to the work-from-home policy of offices, there has been a significant recovery.
- By CY23, both supply and demand have rebounded, with demand almost matching supply.



Source: HDFC Mutual Fund, IIFL, Moneyvesta Capital

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.



Source: HDFC Mutual Fund, IIFL, Moneyvesta Capital

MONEYVESTA GAIN WITH US

3.2.4) Infrastructure Industry

The government have maintained a strong fiscal support for infrastructure over the next five years, while balancing other priorities and fiscal consolidation. An allocation of ₹11.11 lakh crore for capital expenditure, which is 3.4% of GDP, has been made for FY25.

Capital expenditure as a percentage of total budget increased to 22% compared with 12% in most of the last decade. India's government debt to GDP is lower than many developed countries and developing peers.

Current Scenario

- The sector recorded a year-on-year growth of 27.3% in August 2024, driven by 20 mega projects worth Rs 70,358 crore.
- Despite a decline in the number of projects from 733 in August 2023 to 690 in August 2024, the total investment rose from Rs 1,16,297.92 crore to Rs 1,48,080.06 crore.

Railways:

- Capex allocation of Rs. 2.6 lakh crore in union budget for FY25.
- The Cabinet Committee on Economic Affairs (CCEA), chaired by Prime Minister Narendra Modi, has approved three significant railway projects under the Ministry of Railways, with a total estimated cost of approximately ₹6,456 crore on August.
- The three projects span seven districts across four states- Odisha, Jharkhand, West Bengal, and Chhattisgarh and will expand the Indian Railways network by approximately 300 kms

Roadways:

- India has about 63.73 lakh km of road network, which is the second largest in the world
- 8 national high-speed road corridor projects of length 936 km with the investment of Rs. 50,655 crore to improve logistics and connectivity across countries.
- 17 times growth in capex on roads in the last 15 years.

Airways:

- The Cabinet Committee on Economic Affairs (CCEA), approved the proposal of Airport Authority of India for the development of a new civil enclave at Bagdogra Airport, Siliguri, West Bengal with an estimated cost of Rs. 1549 crore
- Development of civil enclave at Bihar, Patna, at an estimated cost of Rs. 1413 crore, announced on August.
- 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.
- A massive water and sanitation project costing $110 million funded by India was delivered to the Maldives across 28 islands and 7% of the archipelagic nation's population.

Electricity:

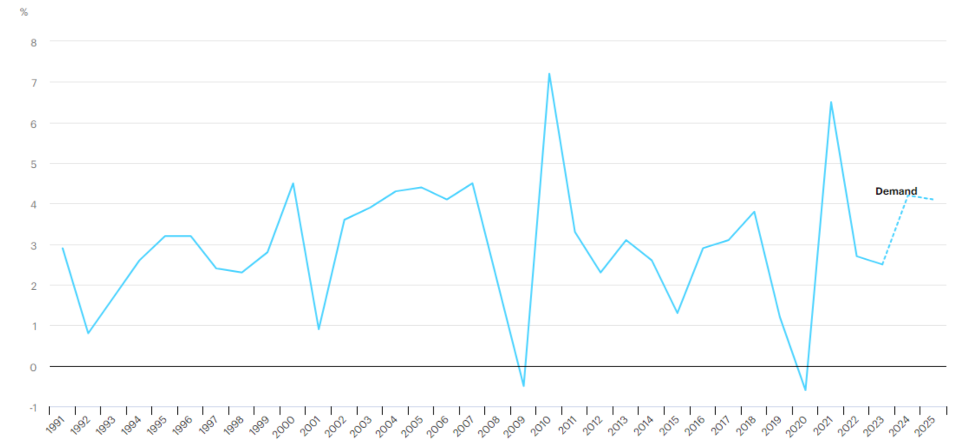
- The Indian national electric grid has an installed capacity of 442.0 GW as of FY24.
- India's power consumption dropped by 4.7% to 144.21 billion units in August compared to the previous year, due to above-normal rainfall across the country. This reduced the use of cooling appliances like air conditioners.

Outlook:

- The infrastructure sector in India is poised to grow at a CAGR of 8.2% by 2027.Despite India's significant infrastructure investments(about 35% of GDP), the government estimates that it requires $1.5 trillion in infrastructure investments over the next decade.

- 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.

Indian pharmaceutical market (IPM) grew by 6.3% in August, with major therapies such as anti-infectives, cardiac and gastrointestinal showing positive value growth.

Tailwinds

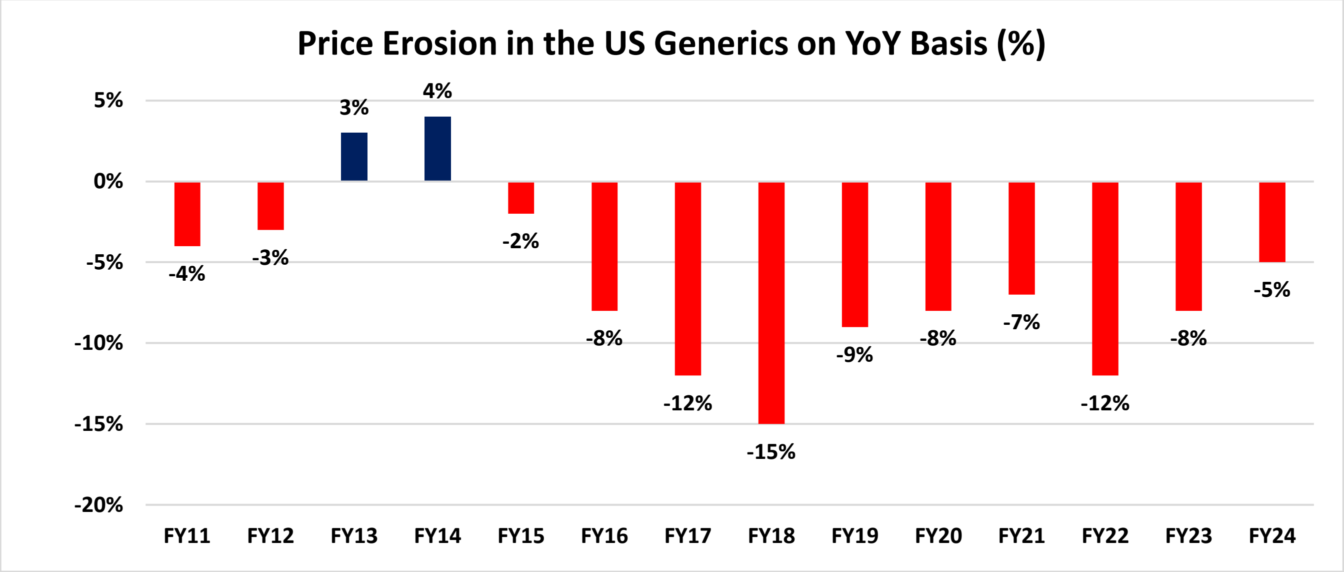
- **Domestic spending:**
  - The increasing elderly population and rising life expectancy are pivotal demographic trends that significantly impact the pharmaceutical industry.
  - India's healthcare spending to GDP ratio is amongst the lowest. An increase in penetration will create an opportunity for 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.

Price Erosion in the U.S. Generics

Price erosion in the U.S. generics market is a significant challenge for Indian pharmaceutical companies.

Simple Generics continue to face high single-digit to double-digit price erosion, driven by increased competition, customer consolidation, and regulatory measures by the U.S. government to lower drug prices.

Outlook for complex generics, such as injectables and inhalers, is slightly more favorable, with some price recovery due to factors like drug shortages and manufacturing challenges.



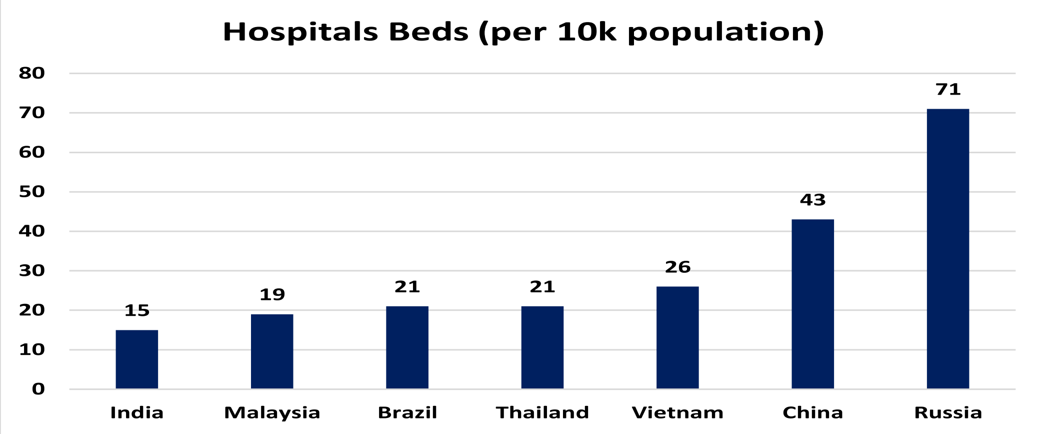
Source: Jefferies, Moneyvesta Capital

3.2.6) Healthcare Industry:

Nifty Healthcare Index: The 5.5% rise in the Nifty Healthcare Index in August 2024 was driven by increase health insurance penetration increased healthcare spending, favorable government policies.

A) Hospitals

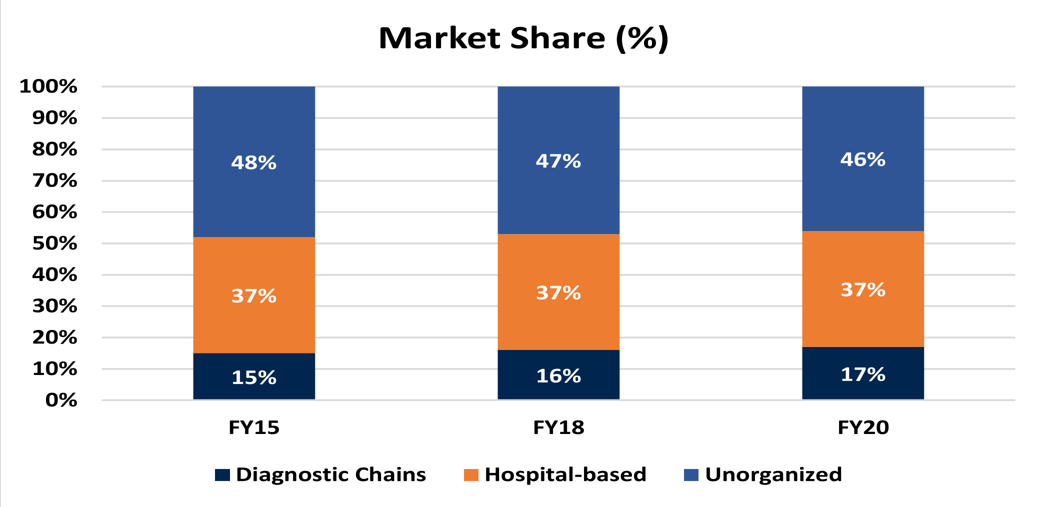
- India's hospital beds per 10,000 of the population are the lowest compared to other emerging markets, with significant under penetration.
- The hospitals segment is growing at 10-12% CAGR and has a Total Addressable Market (TAM) of ₹5.6tn as of FY23
- The hospital market in India is expected to grow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



Source: HDFC Mutual Fund, Moneyvesta Capital

B) Diagnostic:

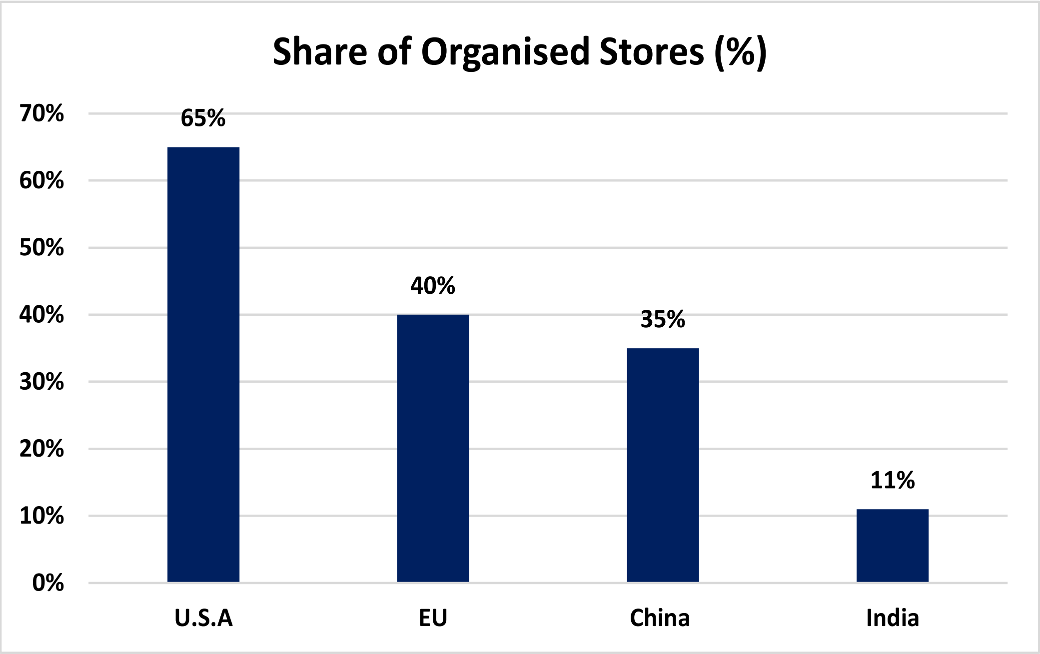
- Organized diagnostic chains are steadily gaining market share. Most organized diagnostic chains operate on hub and spoke business model, which brings economies of scale benefits.
- Diagnostic players are entering into outsourcing contracts with hospitals, whereby they would handle the entire diagnostic operations for them
- Around 150-200K labs in the country, the diagnostics industry in India is highly fragmented.



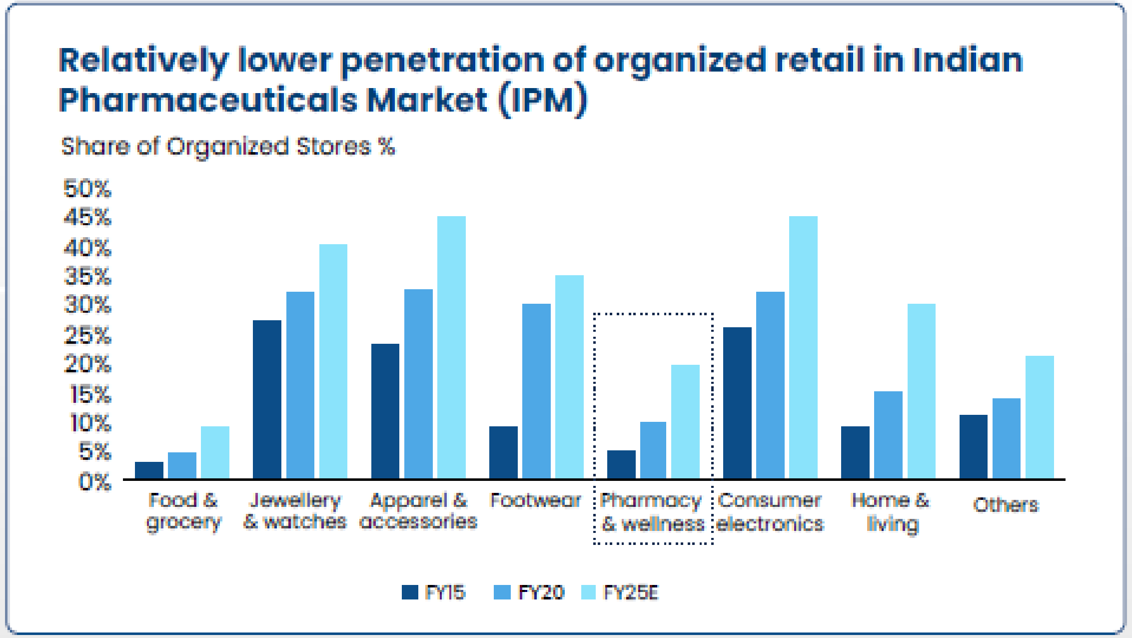
Source: HDFC Mutual Fund, Moneyvesta Capital

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, Moneyvesta Capital



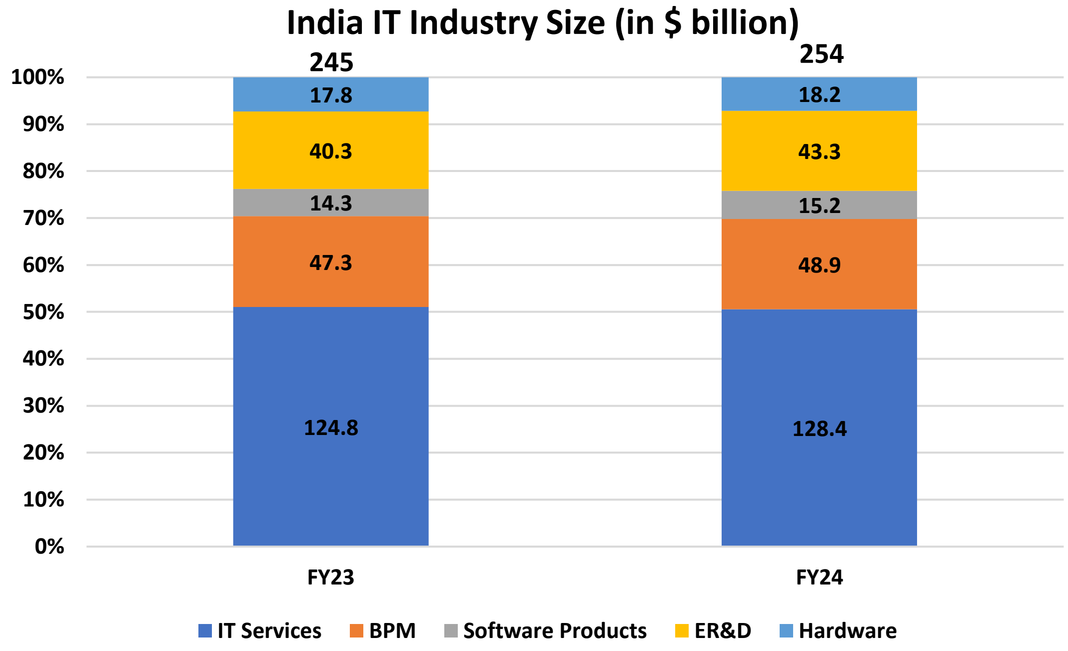
Source: HDFC Mutual Fund

3.2.7) Technology Industry

Nifty IT Index: IT index grew by 4.7% Mom in Aug 2024, being one of the top performing index of the month marked by new deals and expansion plans.

Current Scenario:

- With Fed rate cut by 50 bps, IT sectors can bloom with new investments and expansion plans as their services is majorly exported to US
- With discretionary IT spends reviving slowly, but the client focus on cost-take initiative has helped IT sector maintain the market share and win large deals over last few quarters.
- Though, rise in employee and subcontracting cost have impacted the margins, but firms are driving up utilization and controlling wages that are likely to supports margin in coming years.
- The aggregate FCF conversion for IT firms has steadily improved to 100% levels over the past decade which has boost their payout from 50% pre FY18 to 80% over the past 5 years.
- Large cap IT stocks have comparatively rich valuation with its P/E moving around its median, indicating prospect of growth in coming years.



Source: Moneyvesta Capital, NASSCOM

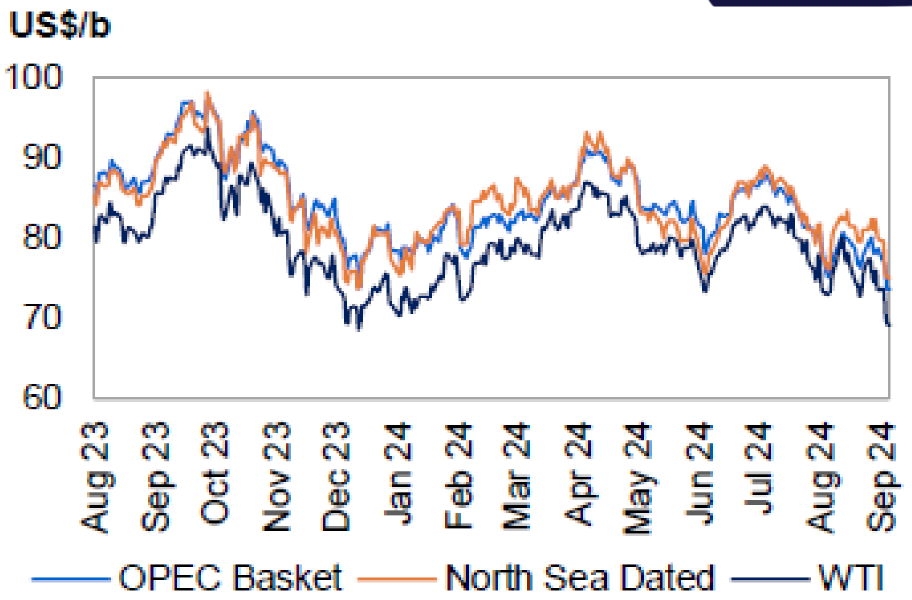
Outlook

- Increased adoption of digital technologies like cloud computing and artificial intelligence with expected share of data annotation market to reach $7 billion by 2030.
- Quantum Computing, which was used in the development of vaccine, have also finds application to manage credit risk in BFSI is expected to cross $8.6 billion by 2027.
- RPA (Robotic process automation) have helped streamlines workflows, making the company more profitable, agile and responsive, and also improving employee satisfaction, with expecting good cost efficiency projects inputs in future.
- 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.
- Spatial computing, is poised for growth as with the recent release of Apple's Vision Pro, as well as Microsoft's Hololens2 and Meta's Quest Pro, spatial computing devices are quickly gaining mainstream popularity.
- Hiring in the IT sector is set to see a growth of 8.5 per cent in the FY25, owing to demand for skilled IT talent in the country, according to data from hiring platform Indeed.

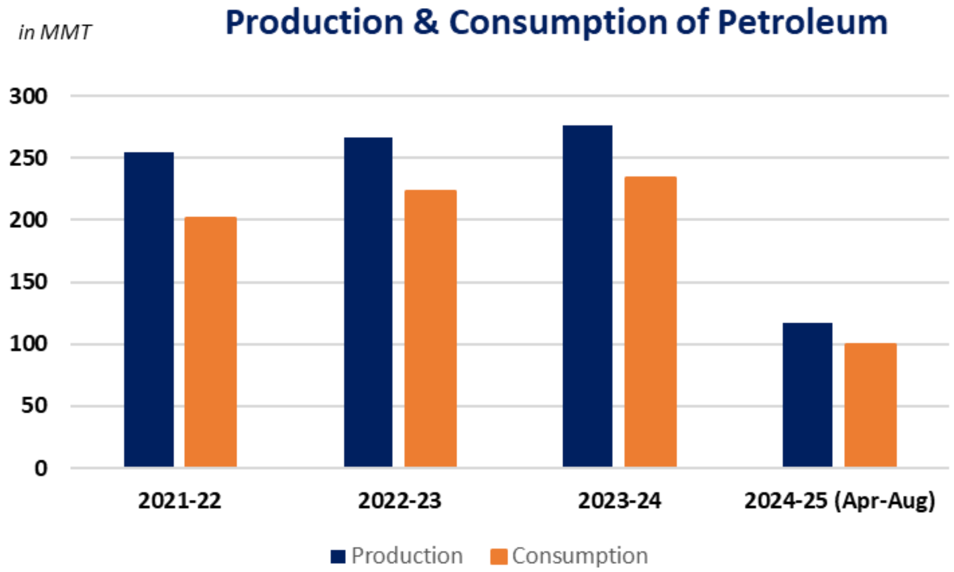
3.2.8) Oil and Gas Industry

Current Scenario

- The rapid decline in global oil demand growth in recent months, led by China, has fuelled a sharp sell-off in oil markets.
- With a recent Fed rate cut, there is an expectation of the revival of oil demand.
- Brent crude oil futures have plunged from a high of more than $82/b in early August to a near three-year low at just below $70/b on early September, despite hefty supply losses in Libya and continued crude oil inventory draws.
- In August, the North Sea Dated and WTI front-month contracts declined by $4.53 and $5.28, respectively, or 5.3% and 6.5%, to settle at $80.72/b and $75.55/b.
- India, the world's third-biggest oil importer and consumer, imported 4.7 million bpd of oil in August, down by about 1% from July, due to lower crude processing by some refiners.
- With constant decline in oil prices, India slashed its windfall tax to zero on domestically produced crude oil.



Source: Argus, OPEC and Platts



Source: Moneyvesta Capital, Ministry of Petroleum and Natural Gas

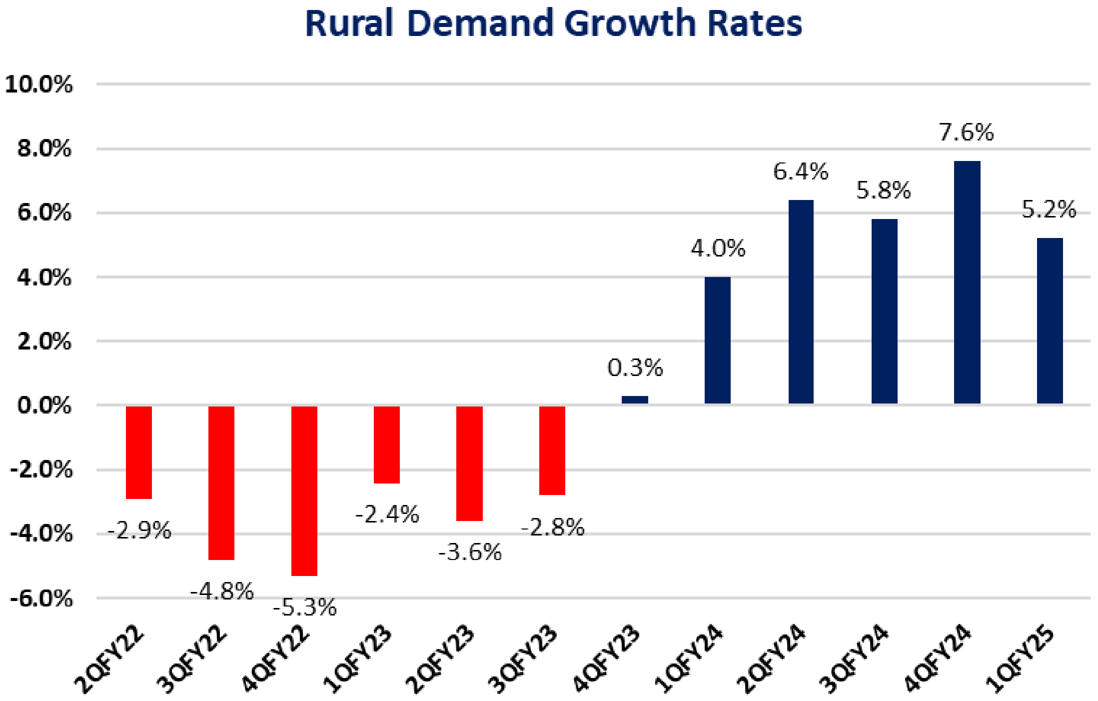
Outlook

- Short term outlook, natural gas prices will remain relatively flat in the upcoming shoulder season during October before generally rising in 2025 as per US Energy Information Administration.
- In light of the economic growth trend, oil demand in CY24 is forecast to grow by a healthy 2.0 mb/d, y-o-y, well above the pre-COVID average. It is expected to continue at a solid pace of 1.7 mb/d, y-o-y, in CY25.
- Indian refiners would add 56 million tonnes per annum (mtpa) by 2028 to increase domestic capacity to 310 mtpa as per IBEF.

3.2.9) FMCG Industry:

Current Scenario

- Demand environment appears to be improving for consumer staples, **led by a gradual recovery in rural markets from the past few quarters**.
- Despite several headwinds, the sector remains an attractive growth opportunity for medium to long term.
- Consumer staple companies have strong balance sheets and are adapting well to a changing operating environment, due to the rise of organized retail.
- Many Companies have highlighted a positive comments that the demand of rural is recovering and in the stage of improvement in their Q1 FY25 in earning calls.
- Quick-commerce has emerged as a major distribution channel for Indian FMCG majors ITC, Hindustan Unilever and Dabur India, growing faster than the overall e-commerce channel and delivering better margins, according to management commentaries in Q1 FY25 earnings.
- **The share of quick commerce sales within the e-commerce sales for the FMCG companies now stands at 33-36% against 17-18% a year ago, showing a sign of major growth for FMCG industries from the 10--minutes delivery model.**



Source: NielsenIQ, Moneyvesta Capital

Outlook

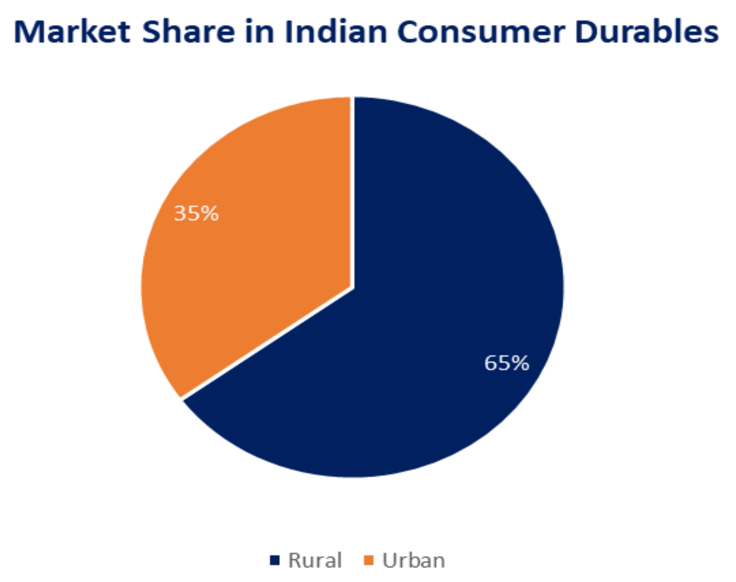
- The FMCG industry's value is increasing, up by 6%, bolstered by a 6.4% rise in volume.
- To witness a growth rate ranging between 4.5% and 6.5% in 2024, signifying a some deceleration from the robust 9.3% growth experienced in 2023, but the prospects are positive due to pick in rural demand as per market research firm Nielsen Report.
- Volume growth from urban consumers will remain steady at 7-8% during FY2025 supported by rising disposable incomes and continued focus on premium offerings by the players.
- India's quick commerce market will grow to $6 billion by 2025, a significant increase from its negligible level just three years ago.
- With growing demand of 10-minutes delivery, major players coming with Amazon taking the front seat to launch its quick commerce in India.

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

- The cables and wires Segment is poised to grow at 2 times GDP growth in FY24-FY30 due to increased capacities, robust household demand bolstered by capital expenditure in transmission and distribution.
- Healthy volume growth and better margins in RAC/Unitary Cooling Products to continue in Q1 FY25, led by strong seasonal demand.
- Personal Care Appliances (Dryers, Trimmers and Straighteners) Market in India to increase to $1.4 Bn by FY26 from $435 Mn in FY21 at a CAGR of 21%.
- With the demand recovery in rural areas, companies are increasing their distribution with Havells introducing a Rural Vistaar project to expand its reach in rural markets, while Crompton is working on growing its rural reach in FY25.



Source: Moneyvesta Capital

3.2.11) Banking Industry

A) Risks Highlighted in Monetary Policy

- **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.

- **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.

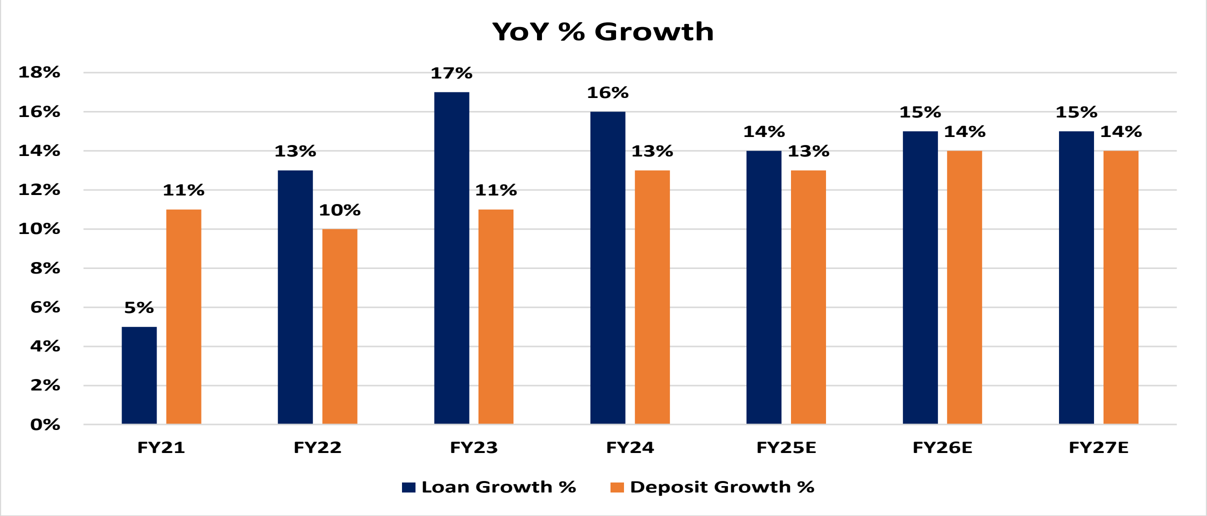
- **Need for Stricter Adherence to Regulations:** Home equity and top-up loans are growing rapidly, with some banks and NBFCs offering them without strict adherence to regulatory guidelines on LTV ratios, risk weights, and fund usage. This could result in funds being diverted to unproductive or speculative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

B) Loan Growth and Deposit Growth

Over the next three years, Indian banks are expected to continue reaping the benefits of a buoyant economic environment, driven by an uptick in capital expenditure (capex) and rising demand for consumption credit.

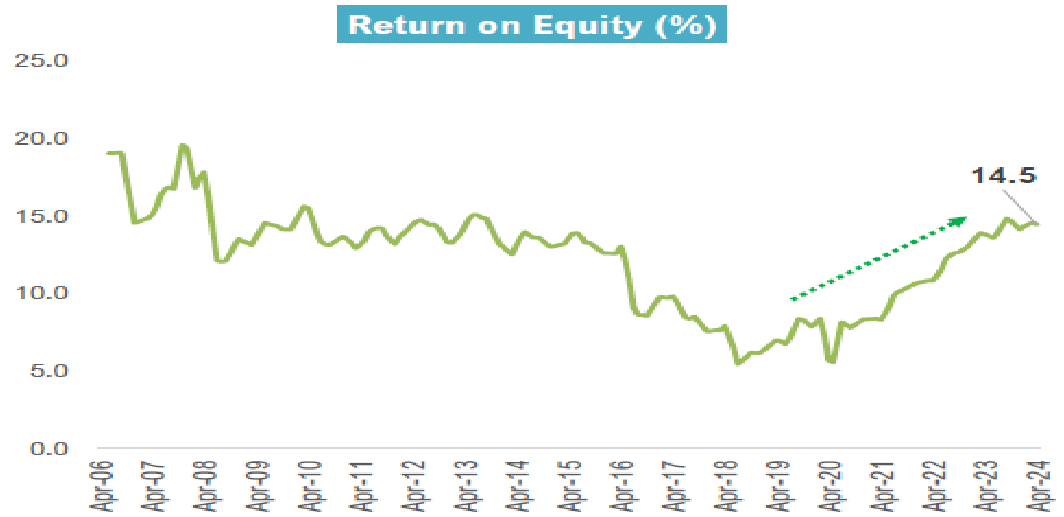
While credit growth has been strong, it is projected to moderate to around 15%, as banks are likely to adhere to the Reserve Bank of India's (RBI) guidance, aligning credit expansion more closely with the pace of deposit growth.

Additionally, improvements in asset quality, stable interest margins, and a robust focus on digital banking initiatives are likely to further strengthen the sector's performance during this period.

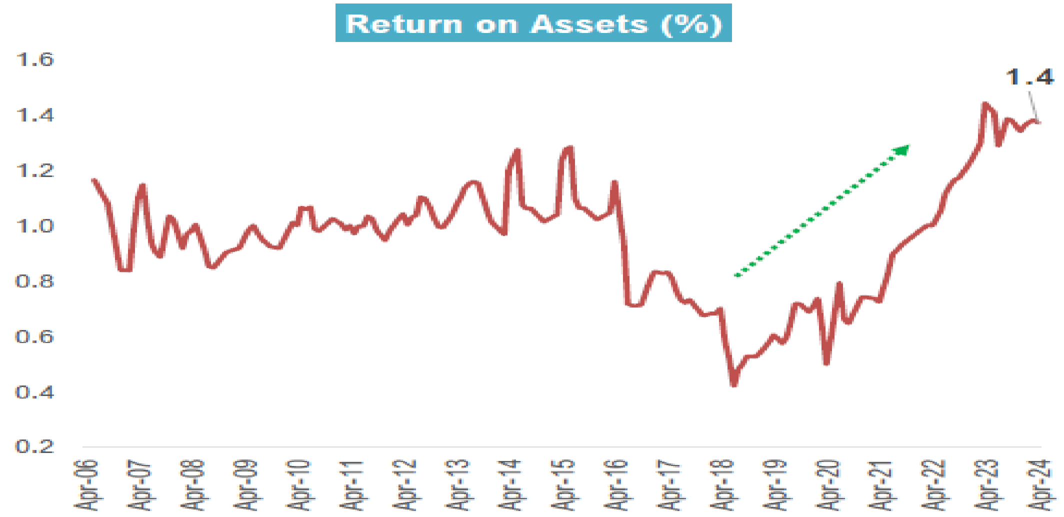


Source: Moneyvesta Capital

C) Nifty Bank Index- ROE% & ROA%

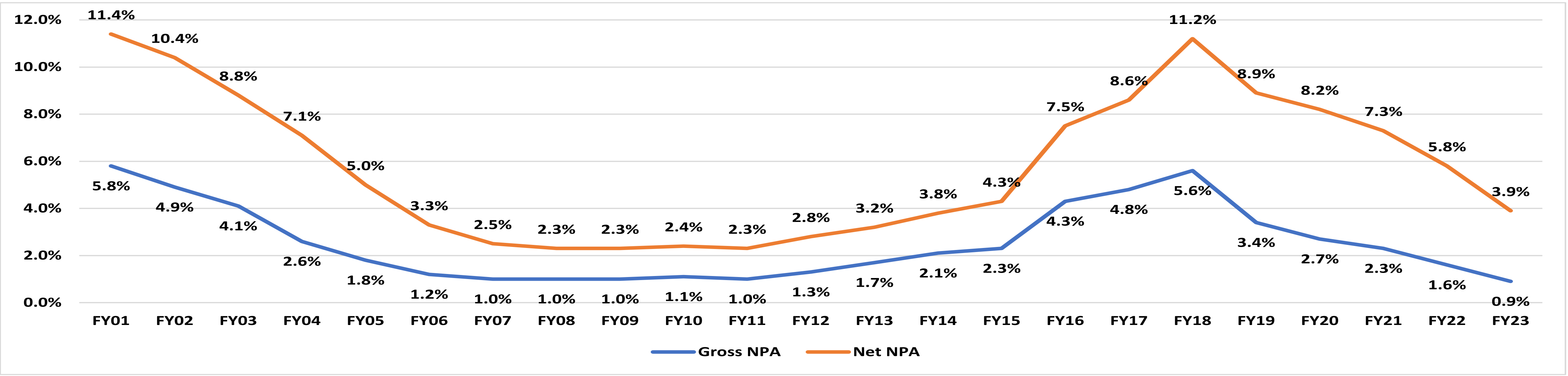


Source: DSP Mutual Fund



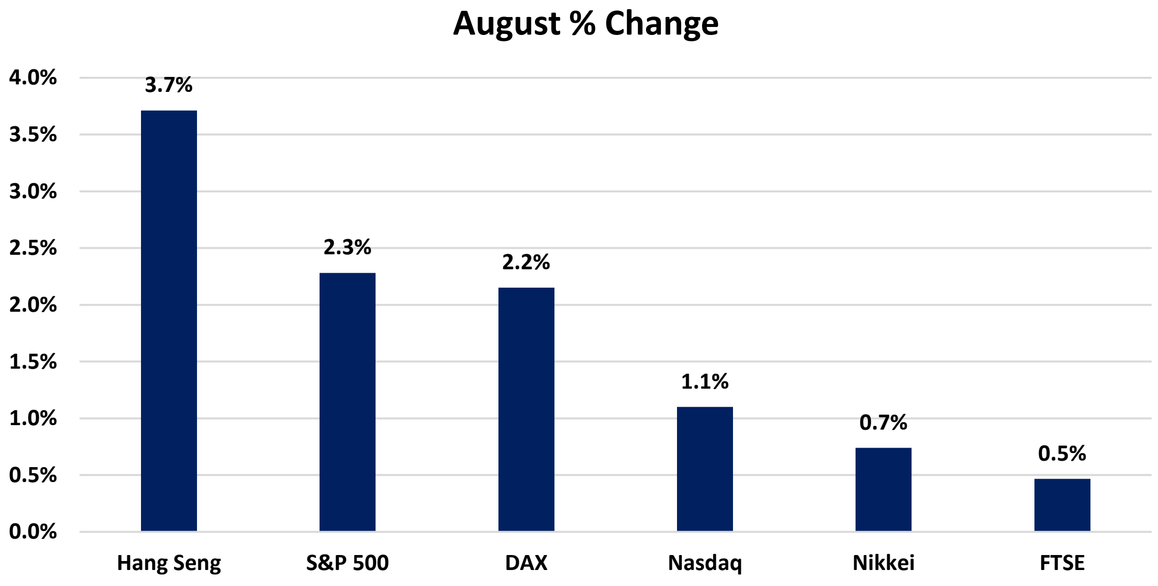
Source: DSP Mutual Fund

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

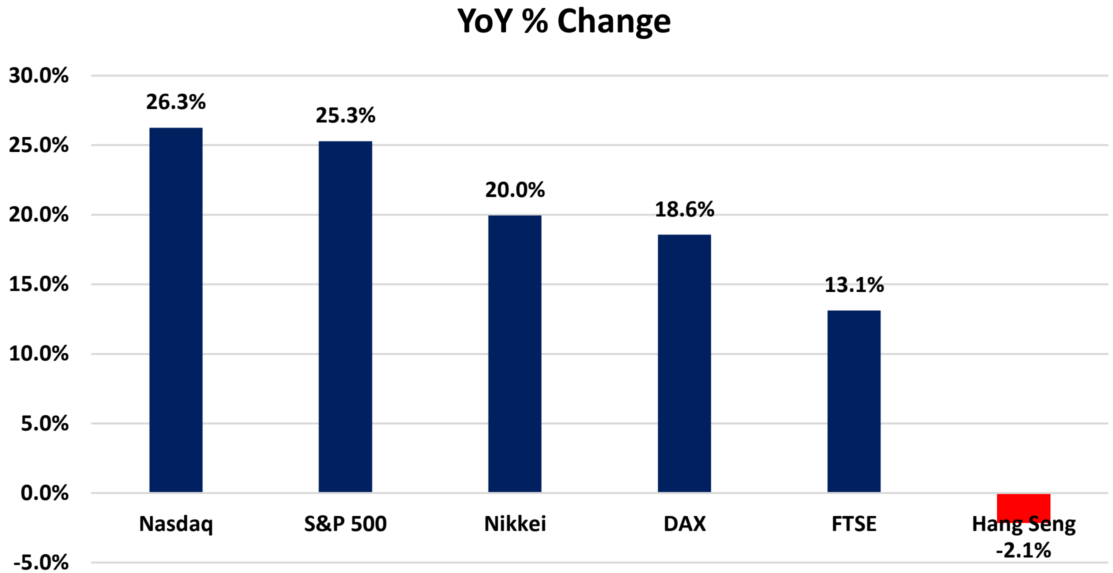


Source: Moneyvesta Capital

3.3) Foreign Indices



Source: Moneyvesta Capital



Source: Moneyvesta Capital

Equities:

- The Hang Seng Index led global markets in August 2024, rising by 3.7%. This surge was driven by renewed investor optimism following China's economic stimulus measures.
- The S&P 500 posted a solid gain of 2.3%, supported by strong earnings reports from leading U.S. companies, particularly in the technology and healthcare sectors.
- The FTSE 100 saw a slight gain of 0.5%, as U.K. markets experienced a cautious recovery. Slower economic growth and persistent inflation challenges in the U.K. weighed on investor sentiment, although gains in the energy and healthcare sectors helped support the index.

Global Trend:

- In response to ongoing economic slowdown concerns, China rolled out significant fiscal and monetary stimulus measures, including cutting interest rates and increasing government spending. These efforts aimed at reviving growth in key sectors such as real estate, infrastructure, and technology, which had been under pressure. This move was particularly well-received in Asian markets, with the Hang Seng Index seeing the most significant gains globally.
- Inflation in the U.S. continued to decelerate in August, marking a key turning point in the Federal Reserve's policy.

DEBT MARKET & CURRENCY MARKET

Particulars	July-2024	August-2024	Change
10 Year Benchmark G-Sec Yield (%)	6.93%	6.86%	-0.07 bps
AAA 10 Year Corporate Bond Yields (%)	7.49%	7.46%	-0.03 bps
Repo Rate	6.50%	6.50%	-
Average net liquidity absorbed/infused by RBI (INR billion)	1,027	1,509	46.9%

Source: HDFC Mutual Fund, Moneyvesta

4.1) Liquidity in the Indian banking system remained in surplus for the second month in a row in August. High government spending pushed it towards a one-year high during the first half of the month.

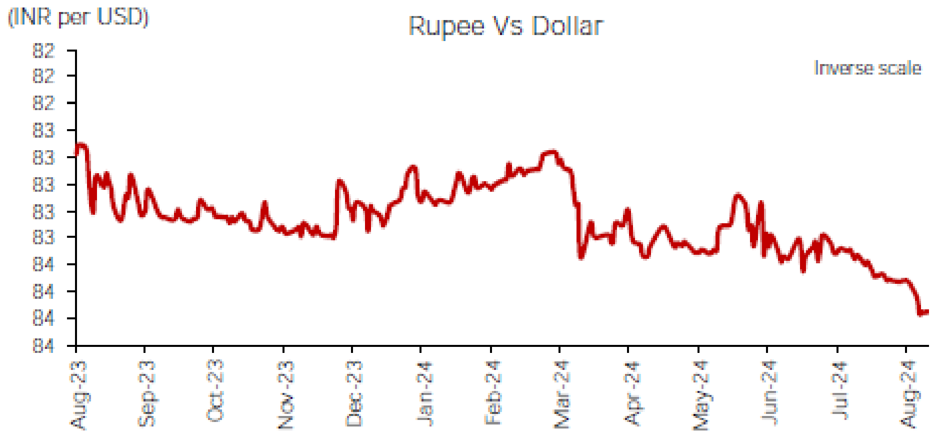
4.2) RBI Indian government bond yields consistently held below the 6.88% mark throughout the month, near the lowest levels in two years. The yield eventually settled at 6.86% on August 30, as opposed to 6.93% on July 31.

4.3) 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.

4.4) The Indian rupee declined for the second consecutive month in August 2024 against the US dollar, closing 0.2% lower at Rs 83.86 per dollar.

4.5) Massive sell-off in broader global equity markets amid rising geopolitical uncertainty and concerns about a looming US recession (following a weak jobs report) pushed the rupee to record lows during the first half of August,2024.



Source: HSBC Mutual Fund

COMMODITY MARKET

Precious Commodity	31 July 2024	30 August 2024	% Change
Gold (INR/10 gms)	69,309	71,958	3.8%
Silver Future-MCX (INR per kg)	83,596	85,210	1.9%

Source: Gold-> India Bullion and Jewellers Association

Gold: Gold prices ended at Rs 71,958 per 10 grams on Aug 30, up 3.8% from Rs 69,309 per 10 grams on July 31.

More gains will be seen on improved domestic demand ahead of key local festivals. Additionally, a 50 bps rate cut by the Fed could further support an increase in gold prices.

Several central banks, including those in emerging markets, continued to add gold to their reserves in August 2024.

Commodity	31 August 2024 Price USD	August % Change	FYTD25 % Change
Crude Oil-NYMEX ($ per barrel)	73.5	-2.4%	-5.6%
Steel (per tonne)	470	-7.8%	-7.8%
Aluminium (per tonne)	2,424	8.8%	5.6%
Copper (per tonne)	9,215	2.2%	5.6%
Zinc (per tonne)	2,862	8.6%	19.7%
Lead (per tonne)	2,027	0.1%	3.1%

Source: Industrial Commodities-> HDFC Mutual Fund

Crude oil: Oil Crude oil prices on the New York Mercantile Exchange (NYMEX) closed at $73.5 per barrel on August 30, 2024, down 5.60% from $77.9 per barrel on July 31, 2024. Oil prices declined on: a) hopes that geopolitical uncertainty is likely to have little impact on supply; b) rising global demand growth concerns; c) rising US crude oil supply; d) expectations over a rise in OPEC+ output.

Industrial commodity: Growth remains uncertain, it is expected to remain within a range in the coming quarters. This is driven by expectations of labor market in the US to remain resilient and additional policy support by China to support growth.

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