

July 2024 Newsletter



Presented By:
Moneyvesta Capital

MONEYVESTA BULLS PORTFOLIO

Moneyvesta Bulls is a well diversified portfolio and follows the time-tested strategy of **Value Investing**- investing in companies with strong fundamentals which are also available at reasonable valuations. We focus on two primary criteria:

- 1. Strong Fundamentals:** Companies with strong fundamentals and sustainable competitive moats make a great case for investing as they compound their earnings and cash generation over time, thereby compounding the wealth of their shareholders.
- 2. Valuation:** We prefer to invest in stocks which are available at reasonable valuations. It helps us to contain the risks during deep market corrections as history have shown us repeatedly that high valuation stocks are the ones which suffer the most during periods of correction.

By combining the above two criteria, our methodology aims to construct a balanced portfolio that not only captures the benefits of the upside potential of strong companies while also containing the valuation risk.

As Price is a function of earnings and valuation ratios, our portfolio stands to benefit from growth in both the factors.

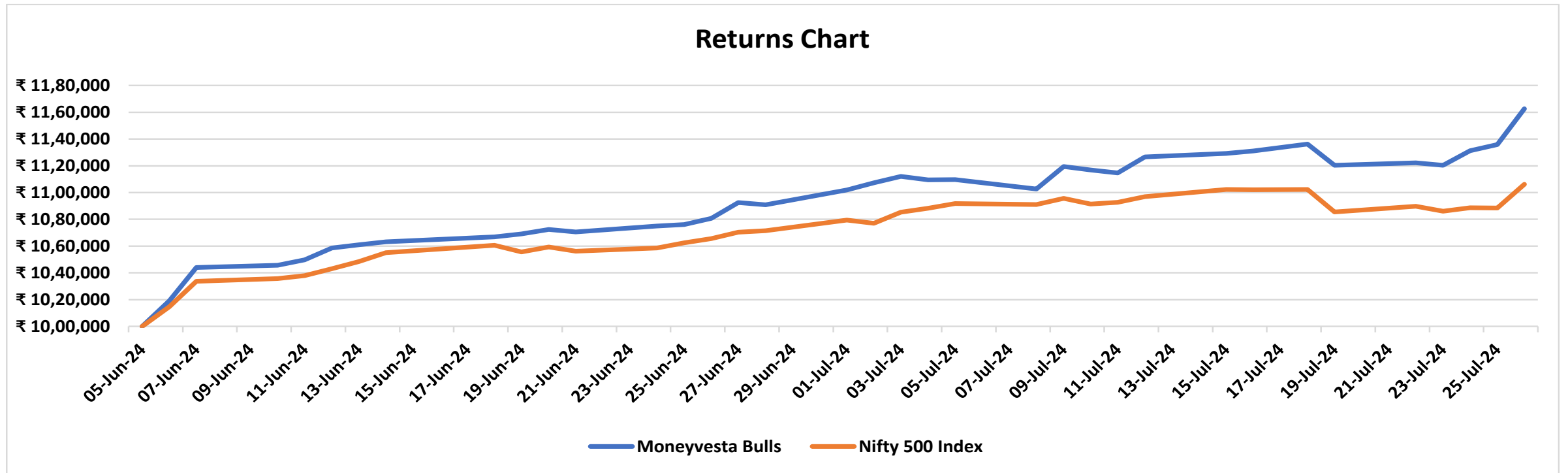
Risk and Return

1) Returns:

- i) Moneyvesta Bulls Portfolio 51 days Returns: **16.3%**
- ii) Nifty 500 Index Benchmark 51 days Returns: **10.6%**

2) Risk:

- i) Moneyvesta Bulls Standard Deviation: **0.8%**
- ii) Nifty 500 Index Benchmark Standard Deviation: **0.6%**
- iii) Beta of Moneyvesta Bulls Portfolio: **1.07**



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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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 which seems have to be a slower than expected growth.

The US economy is expected to continue to lose momentum near-term as high prices and elevated interest rates sap domestic demand. While spending was robust in 2023, it slowed down in 2024 as pandemic savings ran dry, high prices, and interest rates drained wallet. GDP growth should pick up later in 2024 as inflation subsides and the Fed first signals and then actually cuts interest rates.

China's economy grew at 5.3 per cent in the first quarter, making a stronger-than-expected start to the year even as the downturn of its property market continued while the domestic demand remained subdued. The high-quality development has made new achievements in the first quarter with rising productions, stable employment and prices, and growing market confidence.

India's GDP growth was recorded at 8.6%, as per Q1 2024 and continued to be the fastest growing economy and is poised to maintain growth trajectory ahead. As per Asian Development Bank, India GDP's growth forecast at 7 per cent for the current financial year, citing that a rebound in agriculture is expected given above-normal monsoon projection

1.2) Inflation

Inflation (YoY)	May-2024	June-2024
U.S.A	3.3%	3.0%
China	0.3%	0.2%
Japan	2.5%	2.6%
India	4.7%	5.1%
U.K.	2.0%	2.0%

Source: HSBC Mutual Fund

The U.S.A Consumer Price Index fell to 3.0% in June, continuous pressure to Federal Reserve to cut the interest rate with possible cut rates in September.

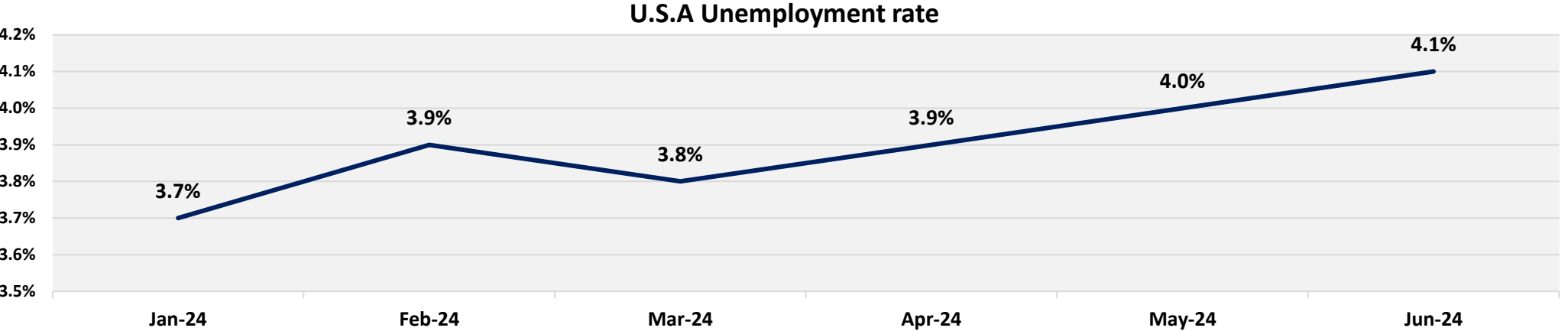
India's retail inflation, measured by the Consumer Price Index (CPI), increase to 5.1% in June from 4.7% in May 2024, according to the latest Ministry of Statistics and Programme Implementation data. WPI, Wholesale Price Index, in June increased to a 16-month high at 3.4%, from 2.6% in May, 1.3% in April, and 0.5% in March this year.

Core inflation, measured by excluding food and energy items from CPI headline inflation has witnessed a four year low in FY24. CPI to a four year low of 5.4% in 2024.

Talking about UK inflation, the largest upward contribution to the annualized inflation rate came from restaurants and hotels. Anticipating whether Bank of England will reduce its main interest rate from 5.3 per cent on August 1.

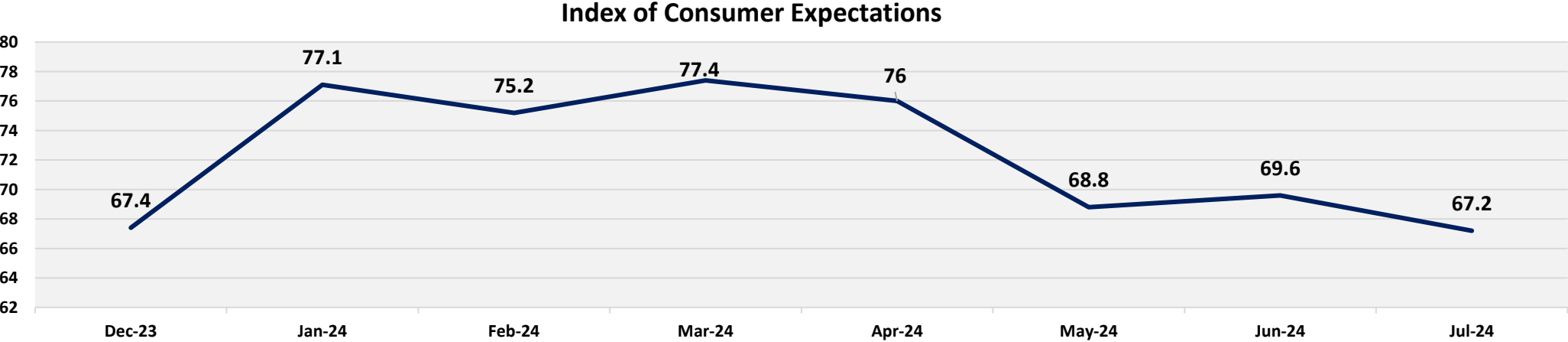
1.3) U.S.A Economy

The Bureau of Labor Statistics (BLS) reported that the U.S. economy added total nonfarm payroll employment 2,06,000 in June 2024. The unemployment rate ticked up from 4.0% to 4.1%. 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 was 6 million.



Source: Bureau of Labor Statistics

Index of consumer expectations: Index of consumer expectations fell -1.6% YoY and -3.4% MoM.



Source: University of Michigan

INDIAN MACROS

Particulars	Jun-23	Jan -24	Feb-24	Mar-24	Apr-24	May-24	Jun-24
2.1) GST Collection (Lakh Cr.)	1.61	1.72	1.68	1.78	2.1	1.72	1.74
GST Collection (YoY growth)	11.7%	11.7%	12.5%	11.5%	12.4%	10%	7.7%
2.2) Manufacturing & Services							
Power (YoY growth)	4.3%	6.1%	4.7%	9.1%	10.5%	15.3%	8.9%
Manufacturing PMI Index	57.8	56.5	56.9	59.1	58.8	57.5	58.3
Services PMI Index	58.5	61.8	60.6	61.2	60.8	60.2	60.5
2.3) Vehicle							
Two-Wheeler (YoY growth)	6.8%	15.4%	13.6%	5.7%	33.1%	2.4%	4.7%
Passenger Vehicle (YoY growth)	0.7%	16%	14.8%	-4.3%	15.7%	-0.2%	-6.5%
Light Commercial Vehicle (YoY growth)	-3.5%	-4%	-1.4%	-7.8%	-2%	1.4%	-8.3%
Medium & Heavy CV (YoY growth)	1%	2.3%	-3.4%	-15.7%	-5.6%	-3.9%	-5.0%
Tractors (YoY growth)	42.7%	23.9%	12.8%	-1.8%	2.5%	-1%	-27%
2.4) Digital Spending (UPI+IMPS)	35.5%	35.5%	40.6%	33.5%	32.6%	31.6%	32.1%
2.5) Unemployment %	8.5%	7.4%	8.1%	7.4%	8.1%	7%	9.2%

Source: HDFC mutual fund

2.1) GST Collection: The GST collections for June 2024 is approximately ₹1.74 lakh crore as reported on 1st July 2024 but growth slows to 7.7%. Approximately Rs 39,600 crore went into the central GST account from the Integrated GST (IGST) collection, and states got Rs 33,548 crore from the IGST collection. Reduction in the tax rates on household goods have also supported the growth. This robust performance reflects a buoyant economy with businesses demonstrating commendable self-compliance.

2.2) Manufacturing PMI and Services PMI: Both the manufacturing and services Purchasing Managers' Index (PMIs) indicates a slight growth because of increased new orders, hiring activity and outputs.

2.3) Vehicle Registration: Despite the heatwave and elections, two-wheeler sales still saw a slight increase in June 2024. Passenger Vehicle Industry and recorded subdued volumes due to the lack of fresh demand and last year's high base. Tata Punch has revived its top selling car model position surpassing Maruti Swift. Talking about Q1 results as a whole, Passenger Vehicles and Commercial Vehicles have witnessed moderate growth, the Two Wheelers and Three Wheelers have posted very handsome growth in double digits. Within Two-Wheelers, Scooters have posted even higher growth based on some green shoots of recovery in entry level two-wheelers.

2.4) Digital Spending: In June 2024, digital spending in India through Unified Payments Interface (UPI) and Immediate Payment Service (IMPS) experienced a continuous growth of 32.1% with UPI transaction count has witnessed a surge of 49% on a YoY basis reaching a total of 13.9 billion in June 2024, as per the data provided by the National Payments Corporation of India (NPCI). This continue rise show a steady transformation of the consumer expectation towards digital and technological advancement.

2.5) Unemployment: Unemployment rate rises 9.2%, which is the highest since Nov, 2023. With female unemployment reached 18.5 percent, exceeding the national average and male unemployment stood at 7.8 %

YoY %	April-2024	May-2024	Change in %
CPI	4.8	4.7	-0.1
Food & Beverages	7.9	7.9	-
Fuel & Light	-4.0	-3.8	0.2
Housing	2.7	2.6	-0.1
Transportation & Communication	1.1	1.0	-0.1
Core CPI	3.9	3.7	-0.2

Source: Press Information Bureau

2.6) Inflation: In May 2024, India's inflation rate, as measured by the Consumer Price Index (CPI), eased to 4.7% on an annual basis. This marked a slight decrease from the previous month's rate of 4.8% in April 2024. Inflation rate for rural and urban is 5.66% and 4.39%, respectively. Retail inflation in the food and beverages basket remains the same. Food inflation continued to remain the primary contributor of CPI led by elevated prices of vegetables, pulses, cereals, spices, and sugar.

The Consumer Price Index (CPI) rose by 2.2% between June 2023 and June 2024, down from an annual increase of 2.6% in the 12 months to May 2024. In June 2024, the most significant monthly price changes were increases in Recreation & Culture (+2.5%) and Transport (+0.8%). Recreation & Culture rose due to an increase in the cost of package holidays. Assessing the emerging patterns of price pressures, the RBI increased the repo rate gradually by 250 basis points since May 2022 to curtail inflationary pressures, leading to reduction of around 4 percentage points in core inflation between April 2022 and June 2024.

The wholesale Price Index (WPI), which calculates the overall prices of goods before selling them at retail prices stood 0.5% MoM (up 2.6% YoY) to 187.7 in May 2024, up from 186.7 in April 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

2.7) 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.

RBI Dividend: RBI dividend of INR 2.1 trillion (~0.7% of GDP) can provide the government with some flexibility to increase spending.

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.

2.8) 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%.

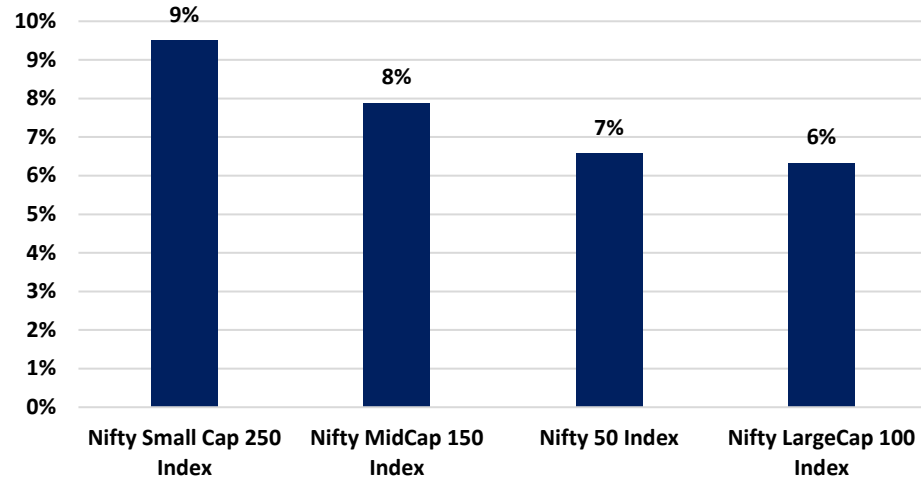
Trade deficit is likely to remain in similar range in the coming quarters as the oil prices remain range bound. Fall in commodity prices in recent months poses would narrow down the fiscal deficit. NONG imports increased driven by higher import of transport equipment, machinery and non-ferrous metals.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

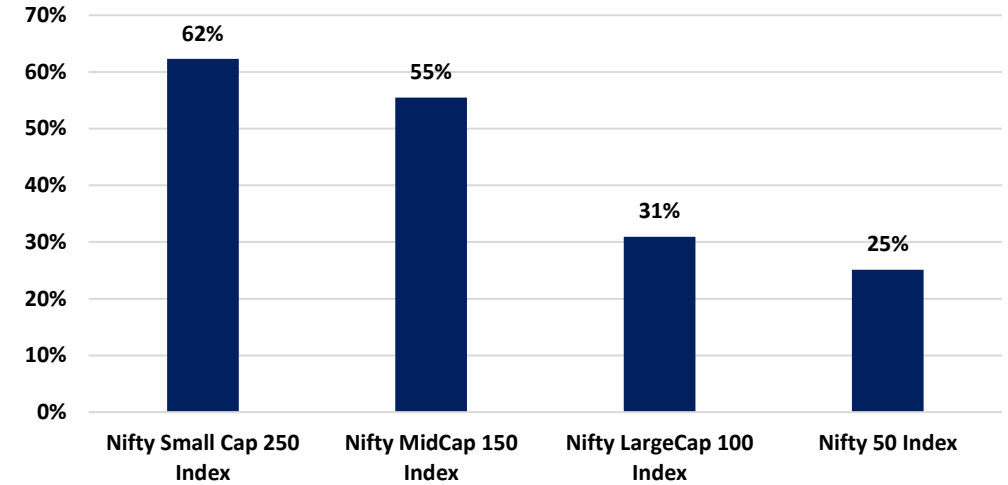
3.1) Market Capitalization based Indices

June MoM % Change



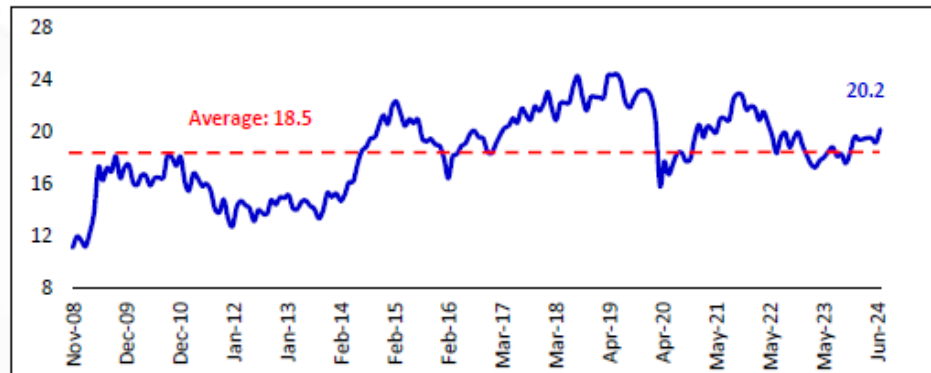
Source: Moneyvesta Capital

YoY% Change



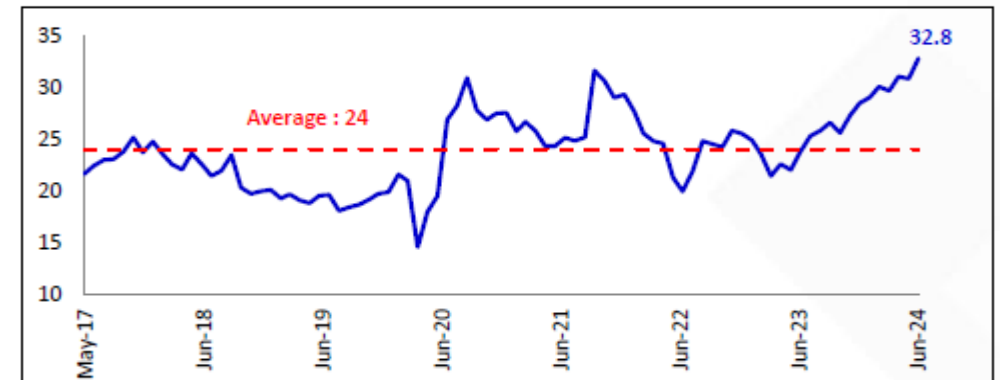
Source: Moneyvesta Capital

NIFTY P/E (x) - 1 Year Forward



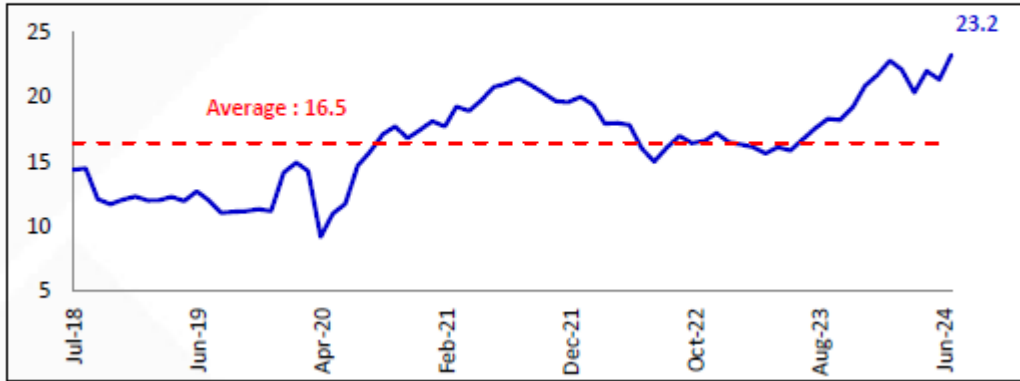
Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg.

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	9% premium to historical average
Midcap	37% premium to historical average
Smallcap	41% premium to historical average

Source: Kotak Mutual Fund, Motilal Oswal, Bloomberg

Market Capitalization based Indices

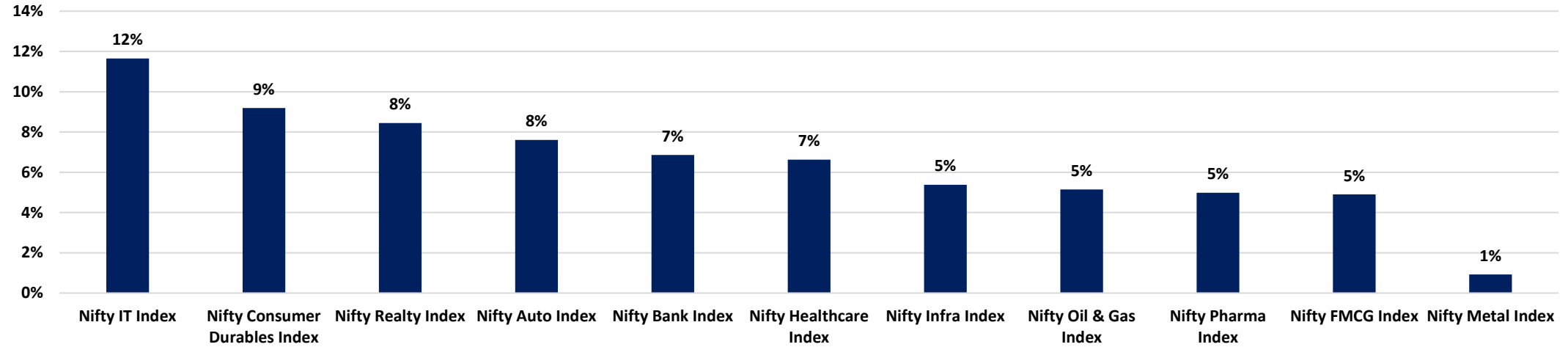
- In June, certain sectors, such as real estate and defense, which have a higher representation of midcap and smallcap companies, have performed exceptionally well. This sectoral strength has contributed to the outperformance of mid and smallcap indices. The recent upside in mid and smallcap stocks have been on the back of the prevalent positive sentiment in overall markets surrounding the return of Modi 3.0 regime. Markets seem to factor in the continuation of policy initiatives, with little impact on the decision-making due to the coalition government at the centre.

Valuations:

- The Nifty 50 Index in June traded at a 1-year forward P/E ratio of 20.2, compared to its long-term average of 18.5. This indicates that the index is trading at a 9% premium to its historical average.

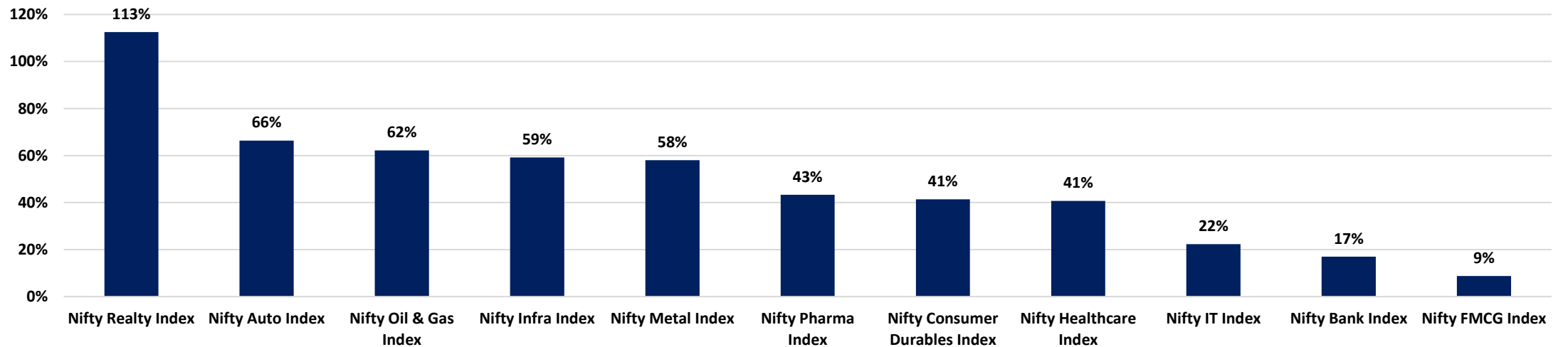
3.2) Sectoral Indices

Sector based Indices MoM% Change- June



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 Nifty Metal index has gained over 58% in YoY. While the Metal index has been volatile in June, rose only 1 percent amid volatility concerning the 2024 Lok Sabha Election results.

➤ Steel:

- The Indian credit rating agency ICRA has revised its forecast for domestic steel consumption growth in India to 9-10% for FY25. Previously, this estimate was 7-8%.
- India produced 12.3 MMT in June, 6% increase YoY and total of 74.2 MMT from Jan-June, with 7.4% YoY.
- From January to June 2024, India was the 2nd largest producer of Crude Steel in the world after China (Source: World Steel Association)
- Finished steel production of 121.29 MT in FY23. India's finished steel production is estimated to grow 4-7% to 123-127 MT in FY24. (Source: IBEF)

➤ Aluminum:

- As per the data from the National Bureau of Statistics (NBS), in June, China churned out a staggering 3.67 million tonnes of aluminum, marking a 6.2 per cent surge Y-o-Y.
- In June 2024, the global aluminum industry saw slight price positivity at the beginning of the month. However, these gains were short-lived, and prices soon declined again.

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 June 2024, the Nifty Auto Index surged by 8%, reflecting a positive market sentiment towards the Indian auto sector. Despite facing challenges such as supply chain issues and fluctuating fuel prices, the auto sector's focus on innovation and sustainability drove the positive performance of the Nifty Auto Index in June.

➤ June month updates:

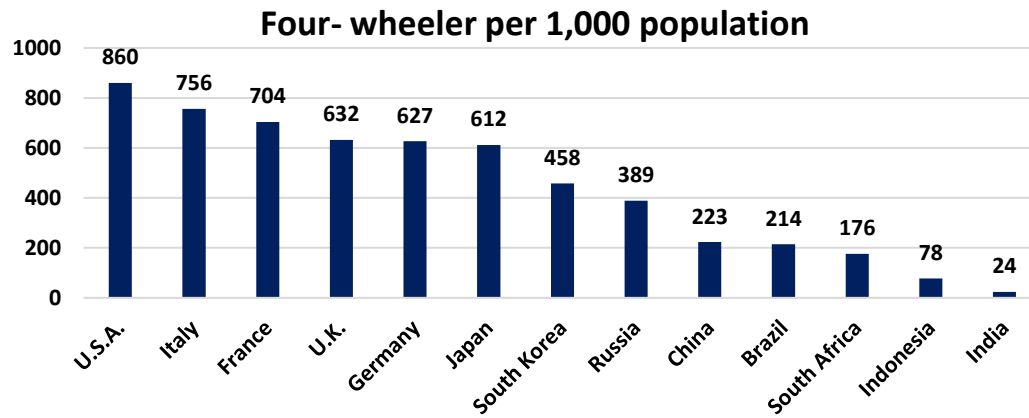
- Uttar Pradesh (UP) government's announcement of a waiver of registration tax on strong hybrid electric cars (HEVs) and plug-in hybrid electric vehicles (PHEVs).
- Passenger vehicle sales experienced a decline of 6.5% in June 2024 compared to the same month last year. Factors contributing to this decline include rising interest rates, higher fuel prices, and subdued consumer sentiment. Passenger vehicle sales in June dropped to 281,566 units, their lowest since September 2022, according to data from the Federation of Automobile Dealers Association.
- India's auto industry forms 7% of the country's GDP, as per government data.
- Several new models and facelifts were introduced in June, aiming to attract consumers and boost sales amid the challenging market conditions.
- There was a notable increase in the adoption of electric vehicles, with several manufacturers reporting higher sales of their EV models. Tata Motors, in particular, saw strong demand for its electric offerings.

➤ Tailwinds

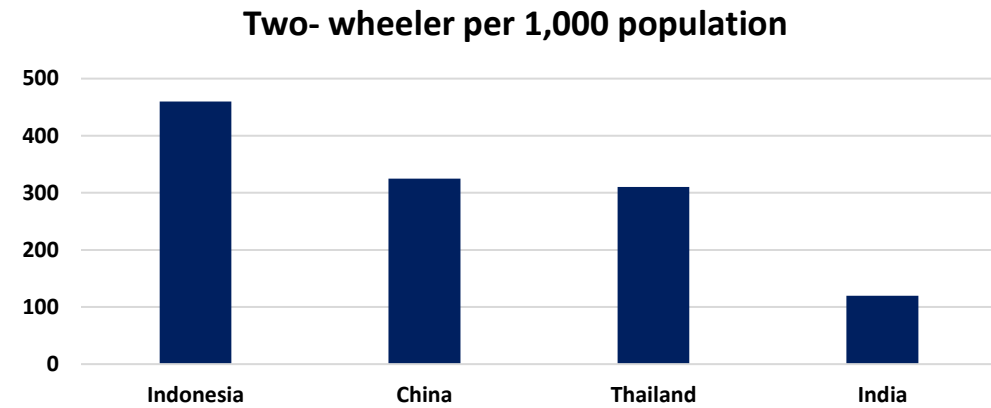
- The share of SUVs in total revenue is increasing significantly. This trend reflects a growing desire among consumers to own higher-end vehicles, driving premiumization-led value growth in the market.
- EV GST rate at 5% vs 28% for ICE
- Over the last decade, average vehicle price growth has been lower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

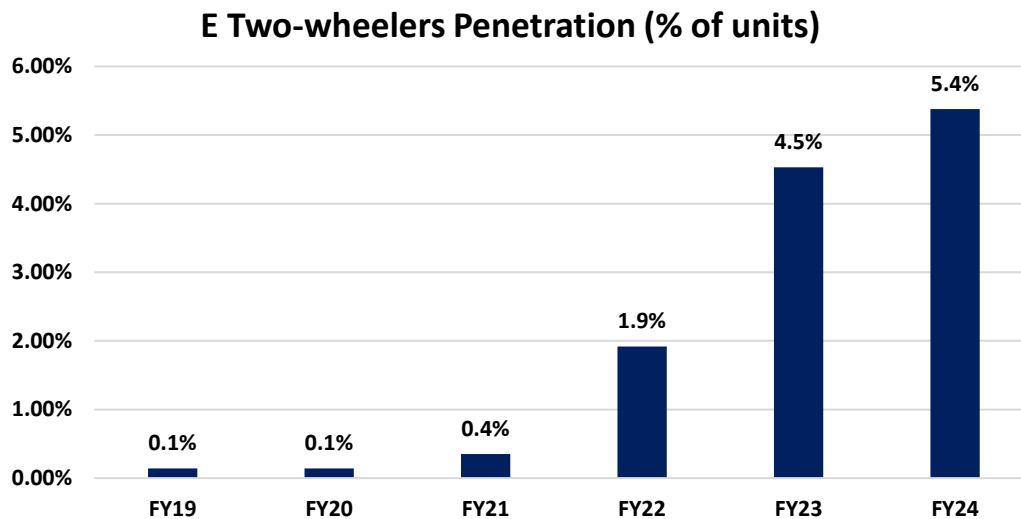


Source: SBI Mutual Fund

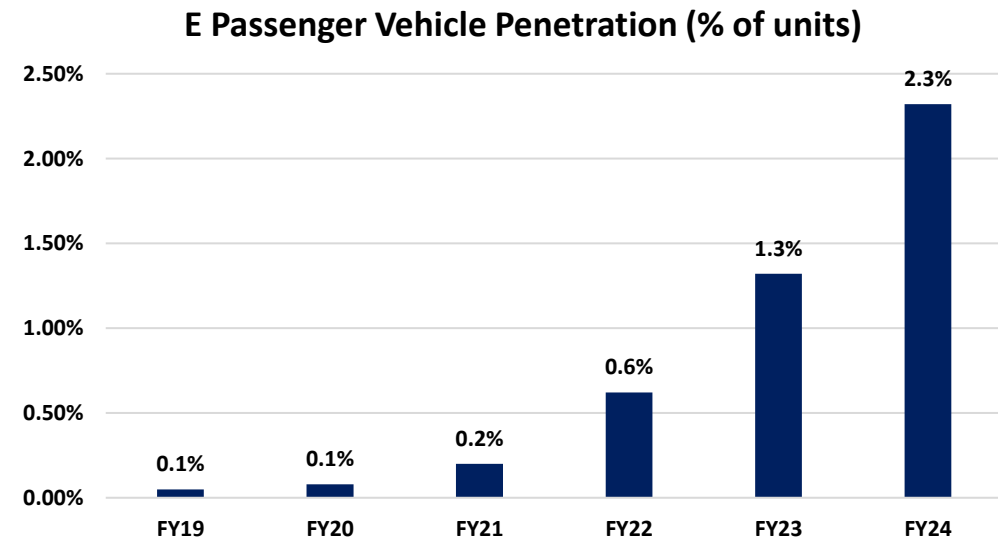


Source: SBI Mutual Fund

ii) **Electric Vehicles Penetration**



Source: SBI Mutual Fund



Source: SBI Mutual Fund

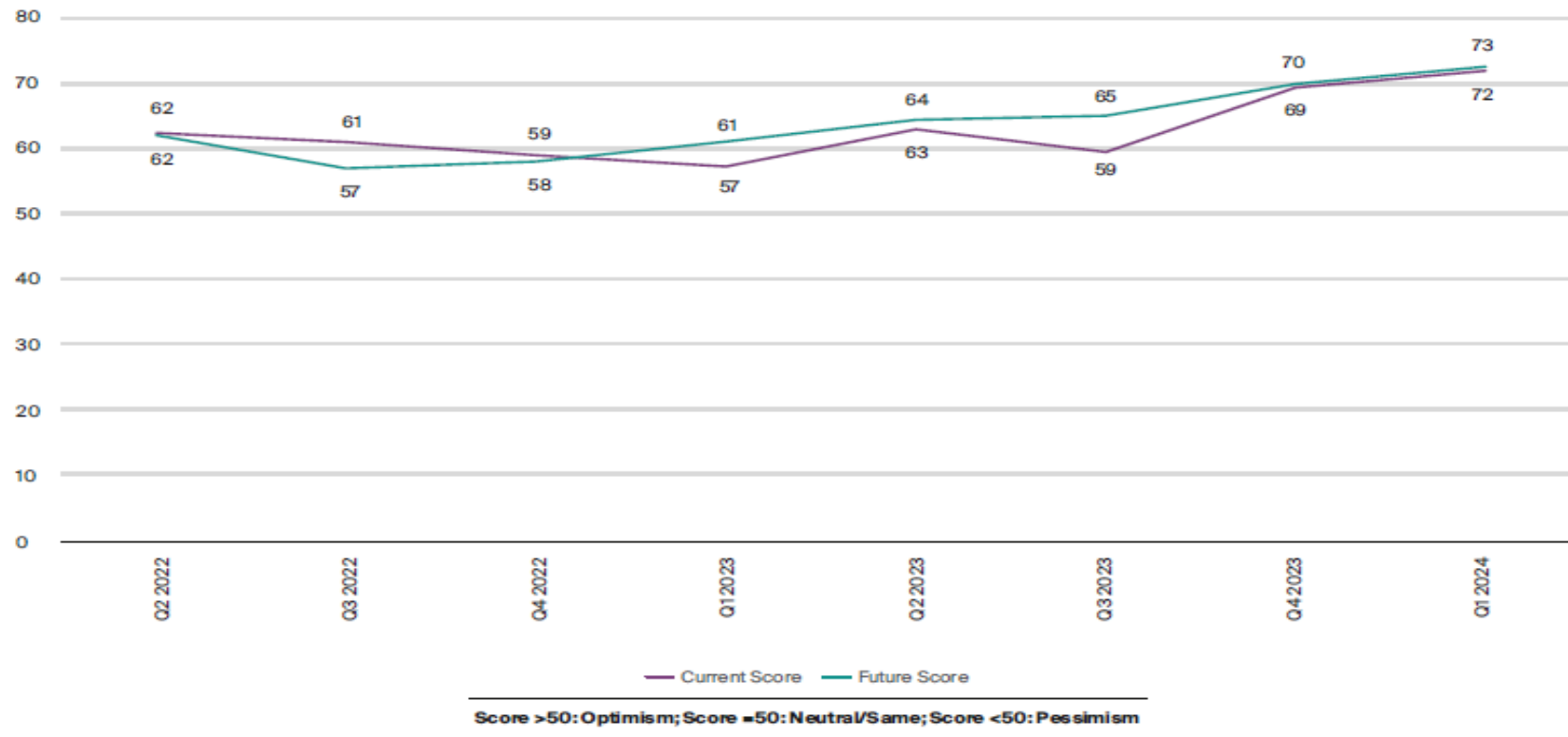
3.2.3) Realty Industry:

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.

Real Estate Sentiment Index

Current Sentiment Score: In Q1 FY24, the Current Sentiment Score increased from the previous quarter's score of 69 to 72, which is well within the optimistic zone.

Future Sentiment Score: The Future Sentiment Score has improved from 70 in Q4 FY23 to 73 in Q1 FY24, due to the stakeholders' optimism about the Indian economy and the sustained demand in the real estate sector that is likely to continue for the next six months.



Source: Knight Frank Research

➤ **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:**

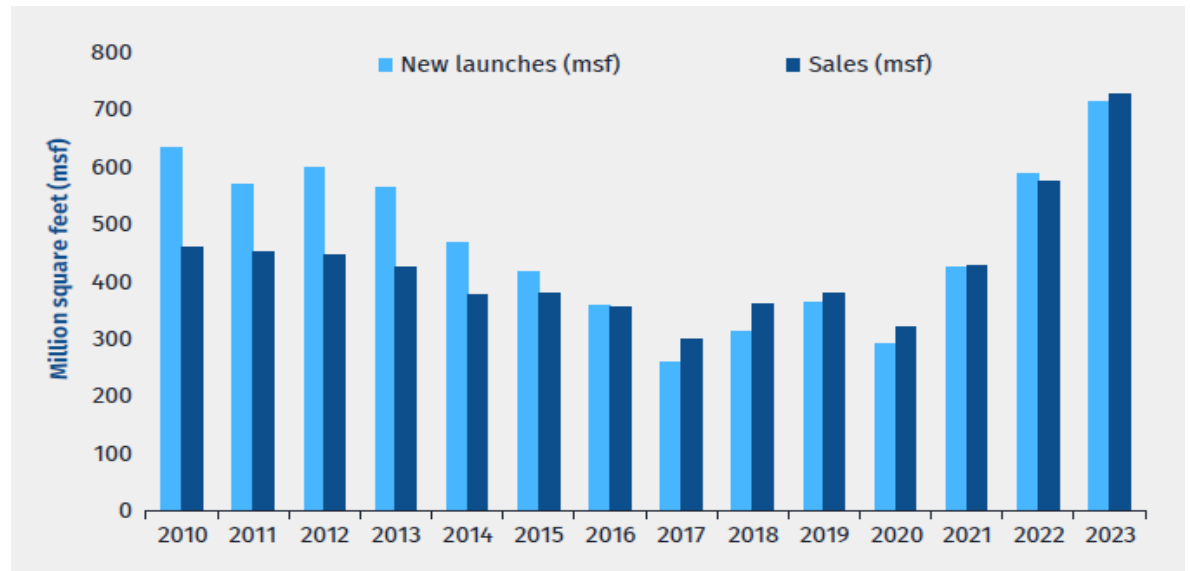
- The Real Estate sector is cyclical in nature.
- Rising inflation rates increase the cost of construction materials and labor, putting pressure on developers' margins and making housing less affordable for buyers.
- The removal of the indexation benefit has led to higher capital gains tax on real estate 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

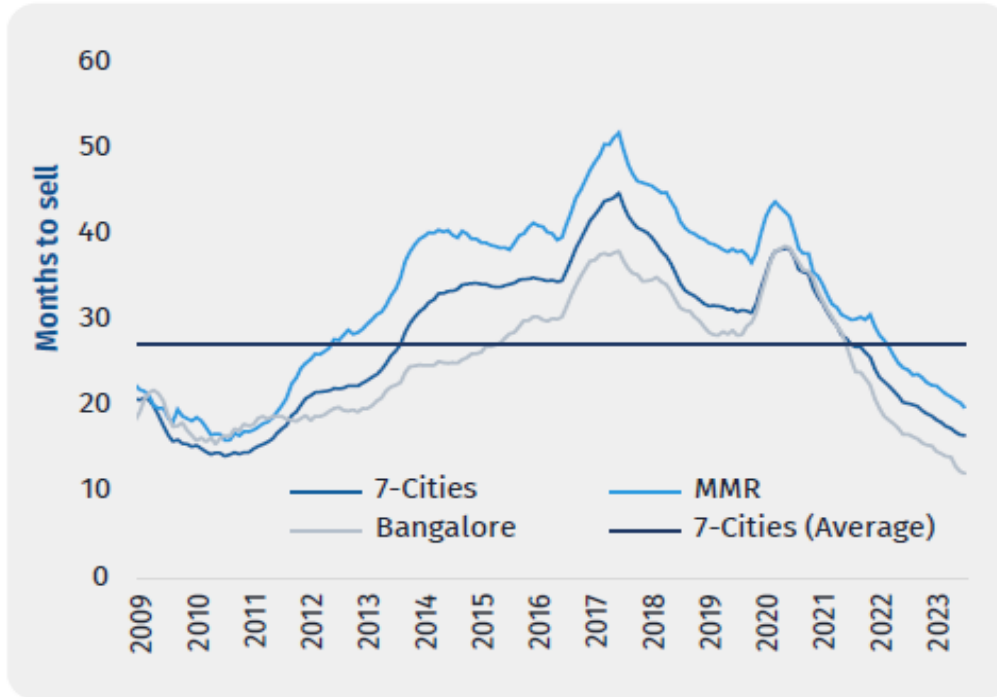
All three main indicators suggest that the realty sector made its bottom in 2017.



Source: HDFC Mutual Fund, Jefferies

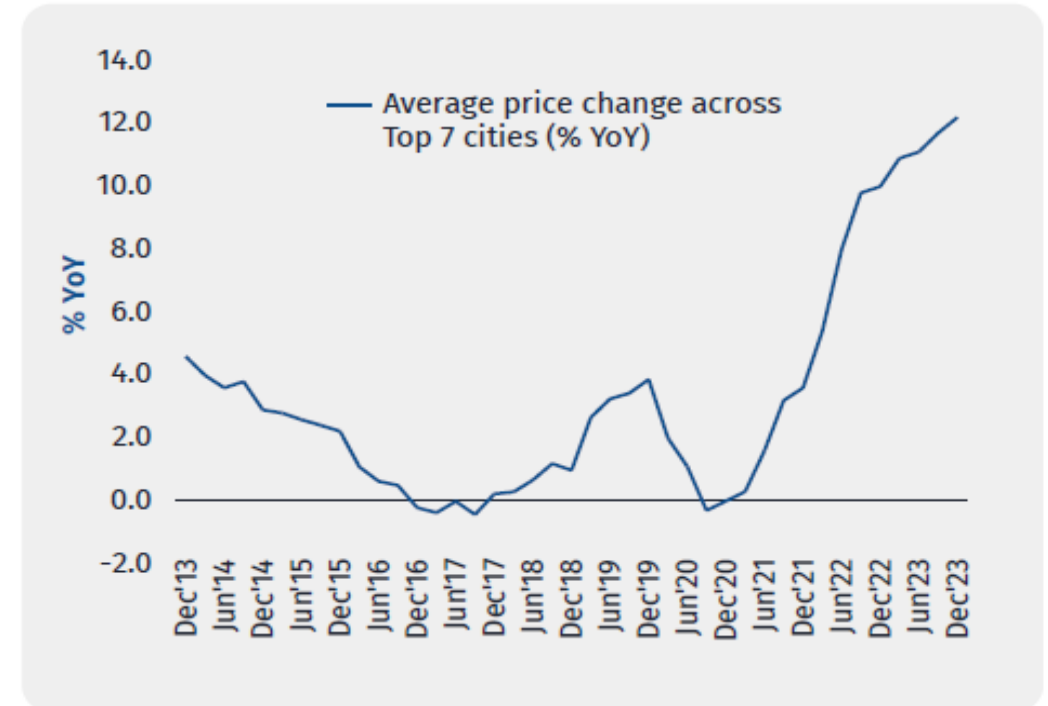
Residential Property

Inventory levels have been declining across cities



Source: HDFC Mutual Fund, Jefferies

House prices are recovering after low growth over 2013-21



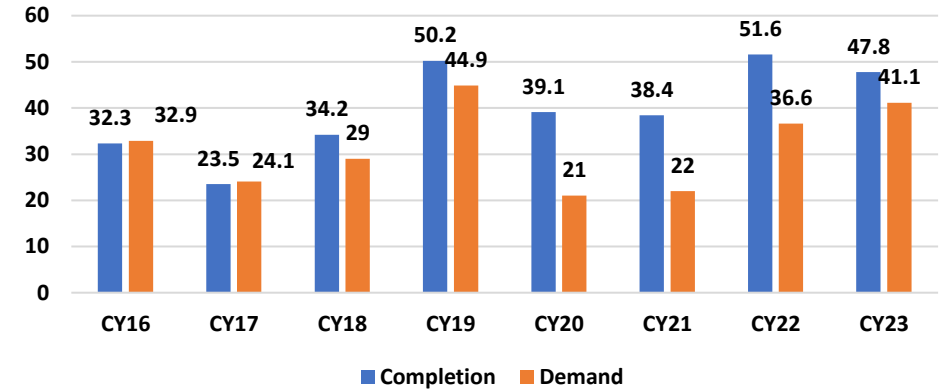
Source: HDFC Mutual Fund, Jefferies

- **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)

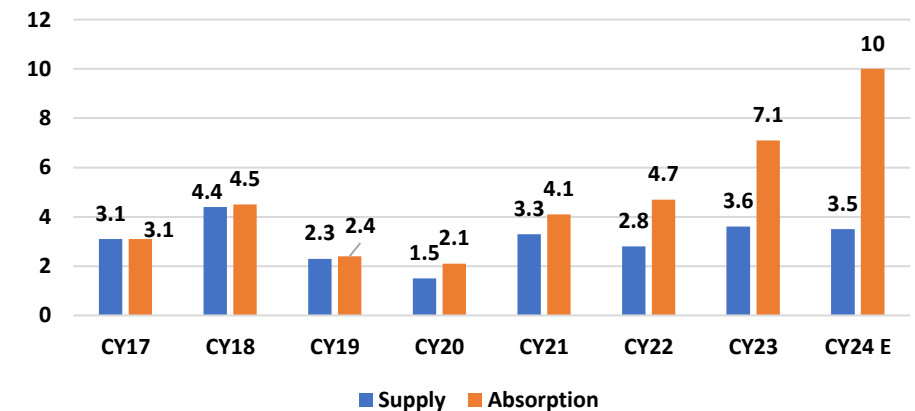


Source: HDFC Mutual Fund, IIFL

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

As per Indian Railways report of FY22-23, net revenue receipt was **Rs. 2517.38**.

- **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 and Steel 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.

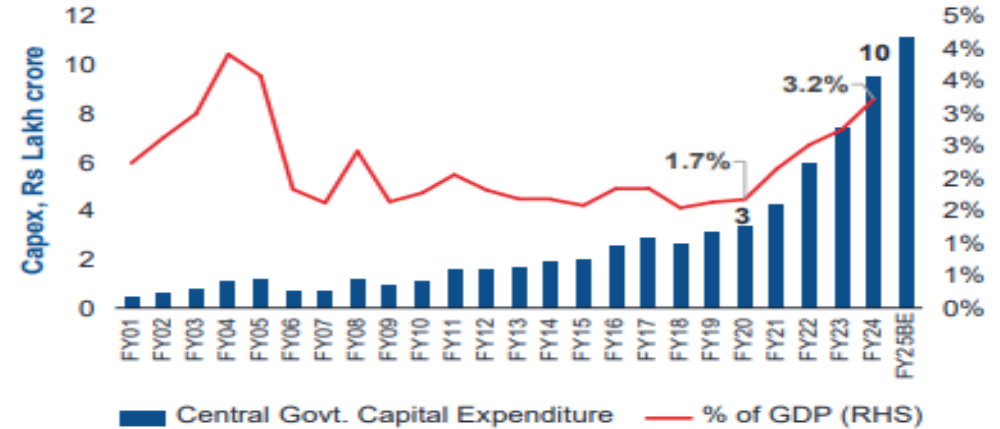
➤ ELECTRICITY

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

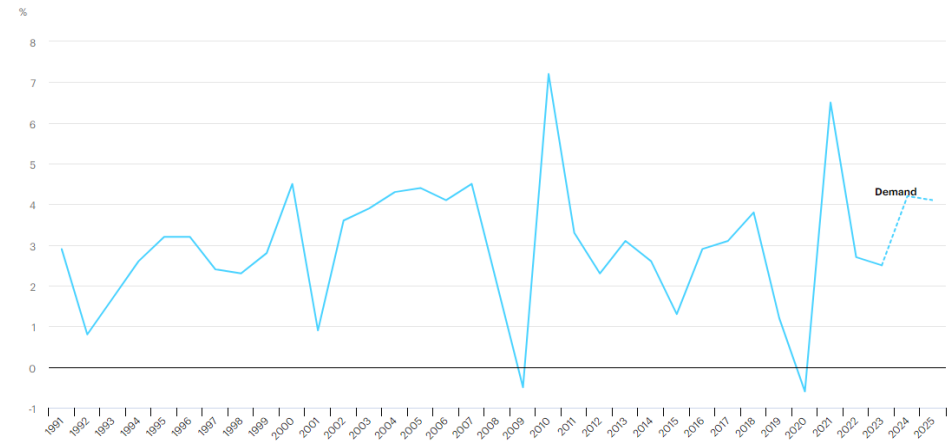


Source: Press Information Bureau

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

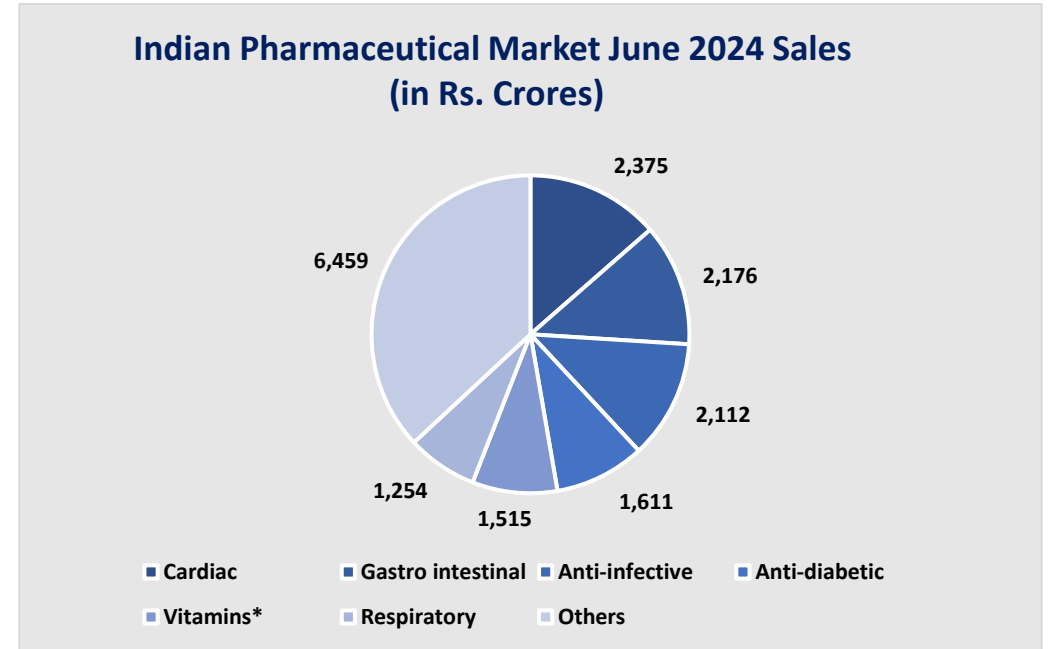
3.2.5) Pharma Industry:

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.

June month updates:

The Indian pharmaceutical market (IPM) grew by 8.8 per cent in June this year with all major therapies showing a positive value growth, according to market research firm Pharmarack.

The IPM has also seen positive growth drivers across all the three key categories - new introductions, price-based growth, and volume growth



Source: Pharmarack Research

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.

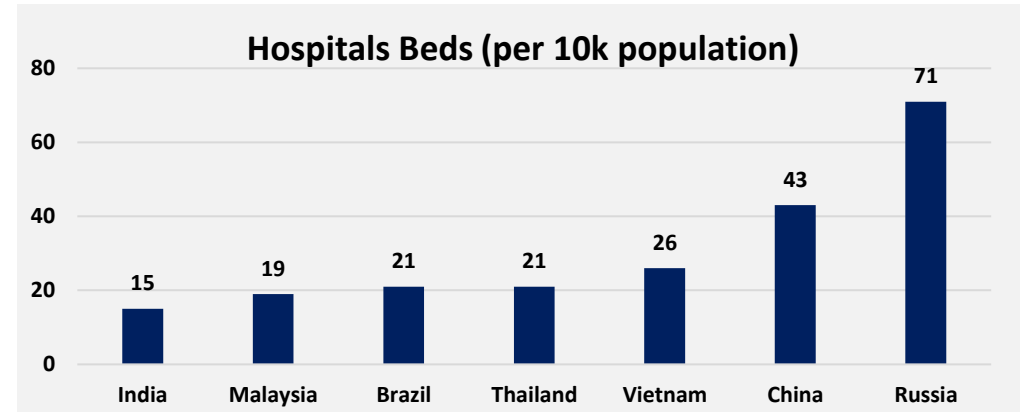
3.2.6) Healthcare Industry:

A) Hospitals

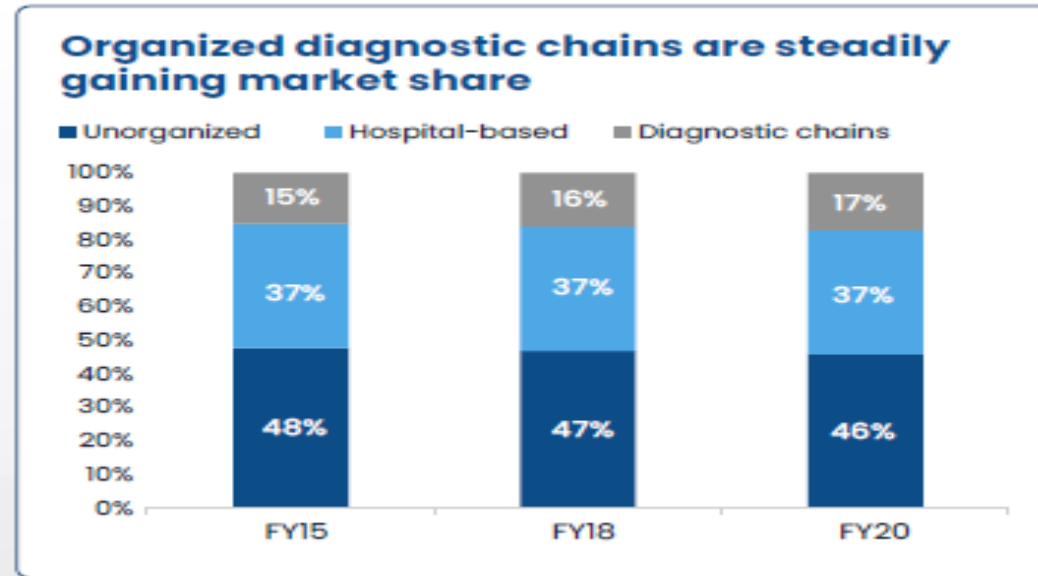
- India's hospital beds per 10,000 of the population are the lowest compared to other emerging markets, with significant under penetration.
- The hospitals segment is growing at 10-12% CAGR and has a Total Addressable Market (TAM) of ₹5.6tn as of FY23
- The hospital market in India is expected to grow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

B) Diagnostic:

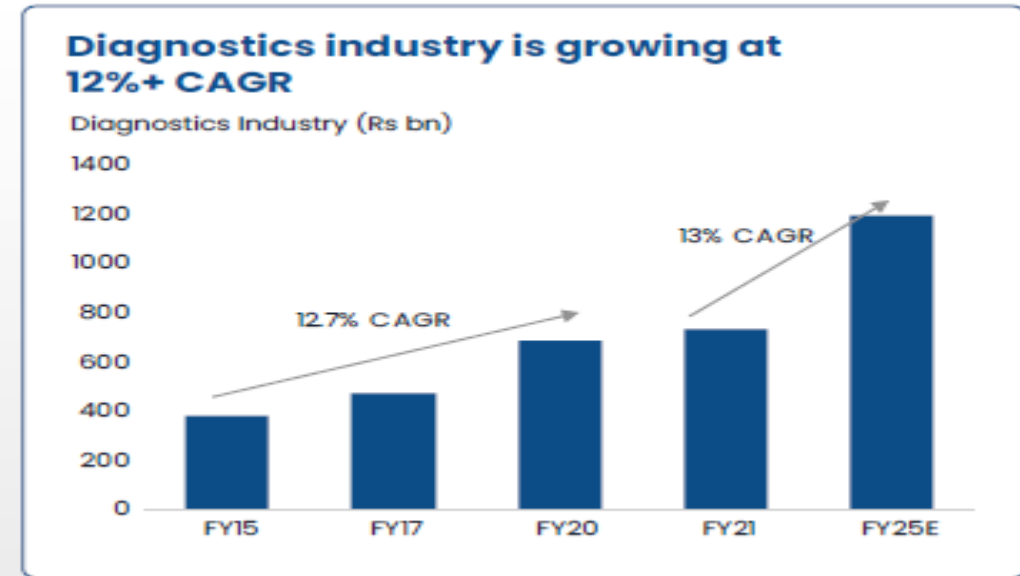
- Around 150-200K labs in the country, the diagnostics industry in India is highly fragmented.



Source: HDFC Mutual Fund



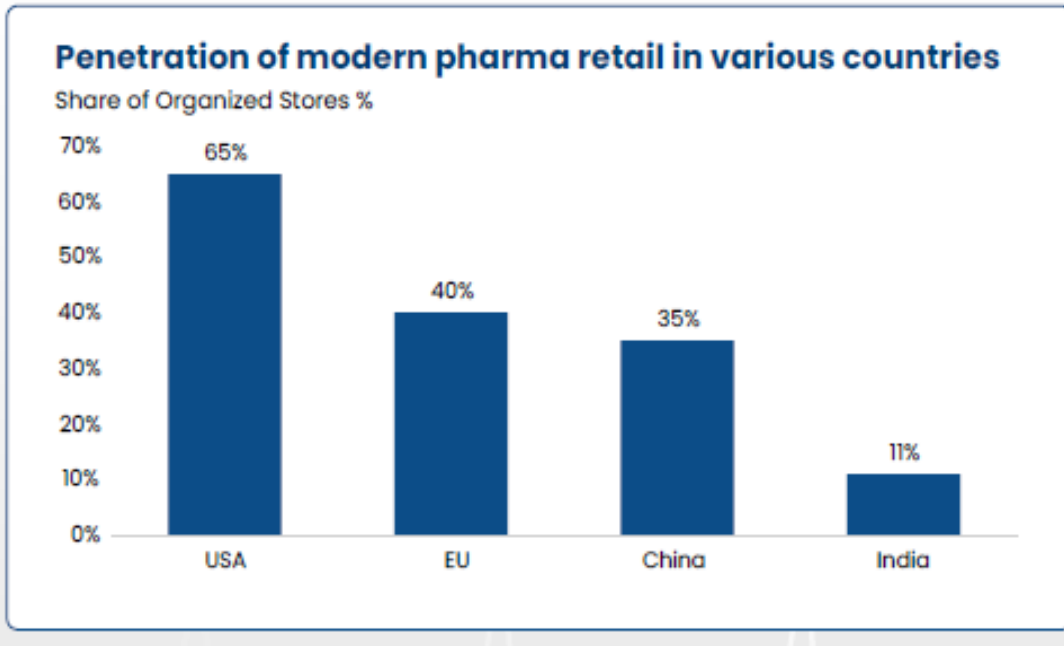
Source: HDFC Mutual Fund



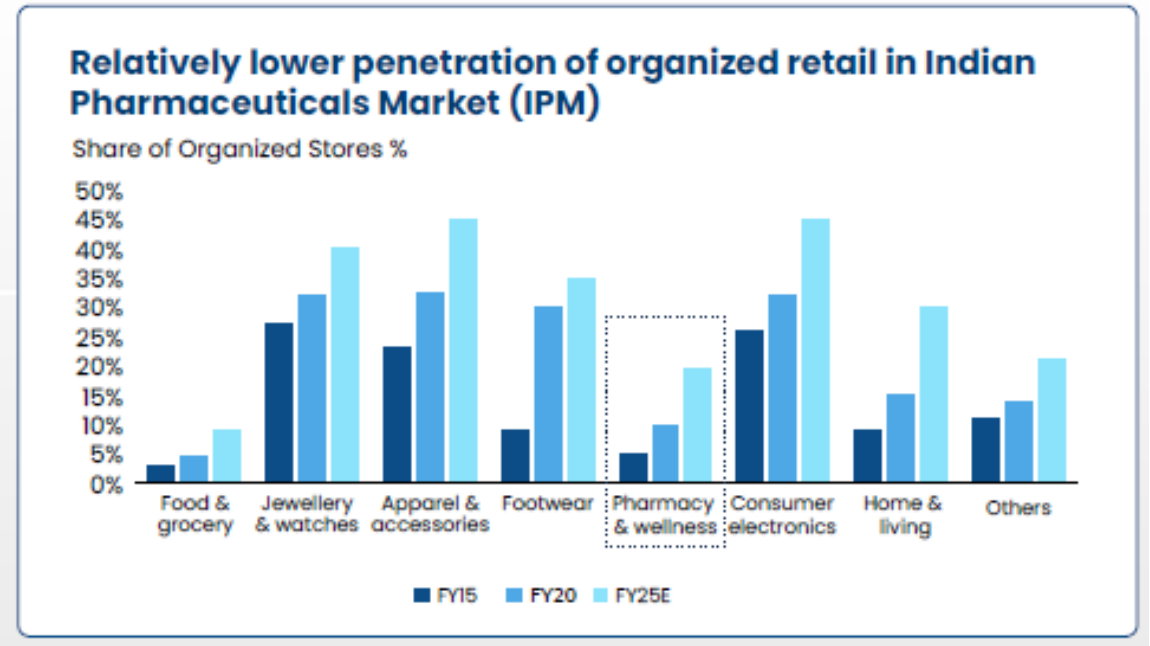
Source: HDFC Mutual Fund

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: In first quarter of FY25 ended on 30th June, 2024, Nifty IT was the top performing index with double-digit gain of 11.6% with sharpest rise after two decades.

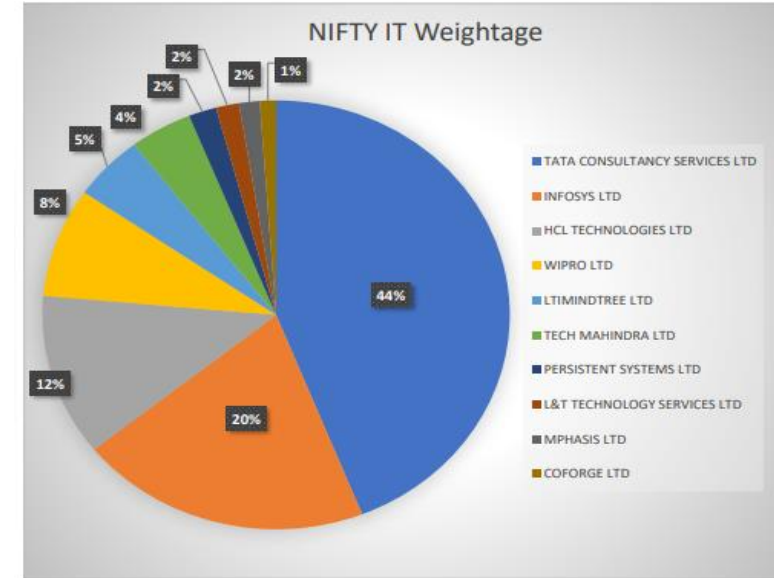
Industry Revenue India’s technology industry is on track to double its revenue to US\$ 500 billion by 2030. Seeing the growing demand of technology sector in India with integration of AI, its market is expected to reach US \$ 19.93 billion by 2025.

➤ **Tech Trends in June:**

- **Cybersecurity innovation:** AI-driven cyber security are analyzing vast amount of data and enhancing threat detection to protect data and system.
- **Rise of Edge Computing:** Edge computing is enhancing speed and reducing latency which is driven by the need for real-time data processing in application like autonomous vehicles and smart cities where minimizing latency is crucial.
- **Quantum Computing Breakthrough:** Using the algorithms in sectors such as pharma and financial modelling which could revolutionize problem-solving and optimization task.
- **Green Tech:** Advances in renewable energy technologies, such as more efficient solar panels and wind turbines, are crucial for meeting global sustainability goals.

➤ **Outlook**

- 54% of Indian firms expected to implement AI, analytics for business functions.
- Generative AI could boost India's economy by \$1.2-1.5 trillion in the next seven years.
- Indian software product industry is expected to reach US\$ 100 billion by 2025. Indian companies are focusing on investing internationally to expand their global footprint and enhance their global delivery centers.
- IT services spending is now projected to grow 7.1% in 2024, down from 9.7% within the last forecast, due in part to slower spending across subsegments that include consulting and business process services, as per Gartner.
- The average Spend per Employee in the IT Services market is projected to reach US\$49.02 per day in 2024. In global comparison, most revenue will be generated in the United States.



Source: NSE

3.2.8) Oil and Gas Industry

Nifty Oil & Gas Index: India's indigenous crude oil and production decreased by 2.7% to 2.4 million metric tonne in June 2024 compared to the same month previous year as per the report by the Petroleum Planning and Analysis Cell.

The Indian Basket Crude Oil price averaged \$82.55/bbl during June 2024 compared to \$83.62/bbl during May 2024

In June, OPEC reference basket value fell slightly decreasing by 0.4% MoM to stand at \$83.22/b, amid mixed performance of ORB component related crude benchmarks.

The petroleum products consumption growth of 3.4% and Natural gas consumption growth by 7.1%

where both of them were higher compared to last year same month.

Crude oil imports decreased by 5.1% in June compared last year same month.

➤ World Trend:

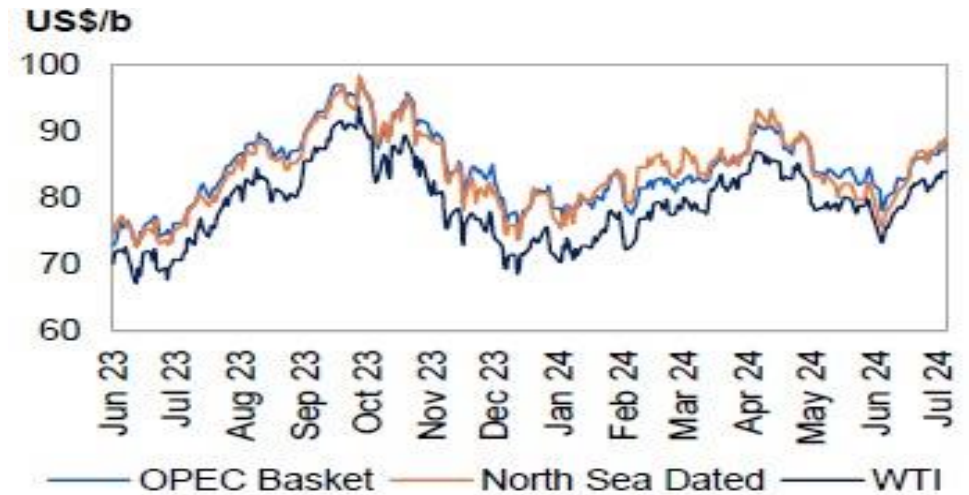
- A rise in US crude stocks in two out of the first three weeks of June, combined with a drop in refining margins, particularly gasoline margins, limited the upward momentum of light sweet spot benchmarks.
- North Sea Dated and WTI values showed a recovery in the second half of June. This upward movement was primarily linked to strong purchasing activities, including from physical trading houses, and improved market sentiment

Crude Oil Future : Total futures and options open interest volumes on the two exchanges (ICE Brent and NYMEX WTI) fell between the weeks of 28 May and 25 June, decreasing by 2.4%, or 126,293 contracts, m-o-m, to stand at 5.1 million contracts in the week ending 25 June.

➤ Different divisions

• Exploration and Production:

- In February 2022, the government of India announced to double its exploration area of oil and gas to 0.5 million sq. km. by 2025 and to 1 million sq. km. by 2030 to increase domestic output.
- One of the major factors that has led to the requirement of high refining capacity is the increasing number of fields in the country, especially in the Krishna-Godavari Basin and Barmer Region of Rajasthan State. The high natural gas production from these fields has led to an expansion in the capacity of refineries and petrochemical complexes in the country. .



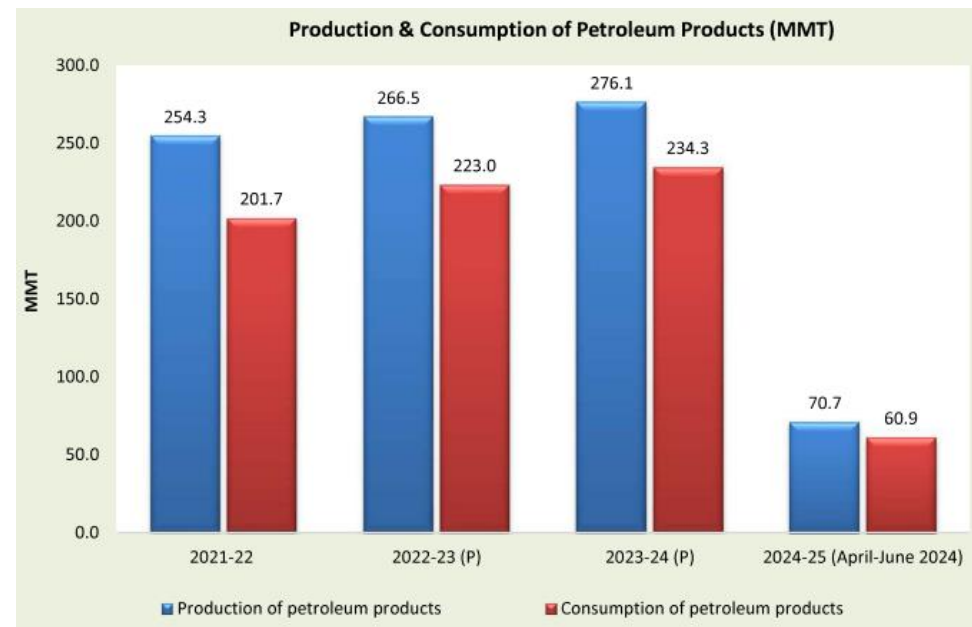
Source: Argus, OPEC and Platts

- **Refinery Division:**

- The pipeline is the most economical way of transporting natural gas, crude oil, and petroleum products over a long distance due to increasing investments in upcoming pipelines in the country. The midstream segment is expected to contribute a decent share of the Indian oil and gas market in the coming years

- **Marketing Division**

- **Crude oil pipelines network:** As of March 2022, the country had around 10,419 km of crude oil pipelines (onshore: 9,825 km and offshore: 594 km)
- **Natural gas pipeline network:** As of March 2022, the country had around 17,389 km of natural gas pipelines (onshore: 17,365 km and offshore: 24 km)
- **Refined products pipelines network:** As of March 2022, the country had around 14,729 km of refined products pipelines, being operated by IOCL, BORL, Cairn India, OIL, HMEL, and ONGC.



Source: Petroleum Planning and Analysis Cell

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.
- 60% of India's Domestic GDP driven by Domestic demand.
- Indian food processing market size reached \$ 307.2 bn in 2022 and is expected to reach \$ 547.3 bn by 2028, exhibiting a growth rate (CAGR) of 9.5% during 2023-2028.
- The food & beverage and home care segments are likely to grow at 8-9% in FY25, while personal care will grow at 6-7%, as per Crisil Ratings director.

➤ Recent News on Sector:

- Fast-moving consumer goods companies expect single-digit volume growth along with expansion in margins during the April-June quarter of this fiscal, helped by a revival in rural demand and a stable urban market.
- The fast-moving consumer goods (FMCG) sector will see revenue grow 7-9% this fiscal year due to the demand revival from rural and steady urban demand.
- With AI-integration strategy, FMCG sector is also facing challenge to keep up with their demand and move ahead in the market.

3.2.10) Consumer Durables

The consumer durables industry consists of air conditioners, refrigerators, washing machines dryers, dishwashers, LED Lights, personal care, kitchen appliances etc. Forecasts by the India Meteorological Department (IMD) indicate above-normal maximum temperatures from April to June, coupled with heightened heatwave days in various regions across the country can lead to a significant surge in demand of consumer durables.

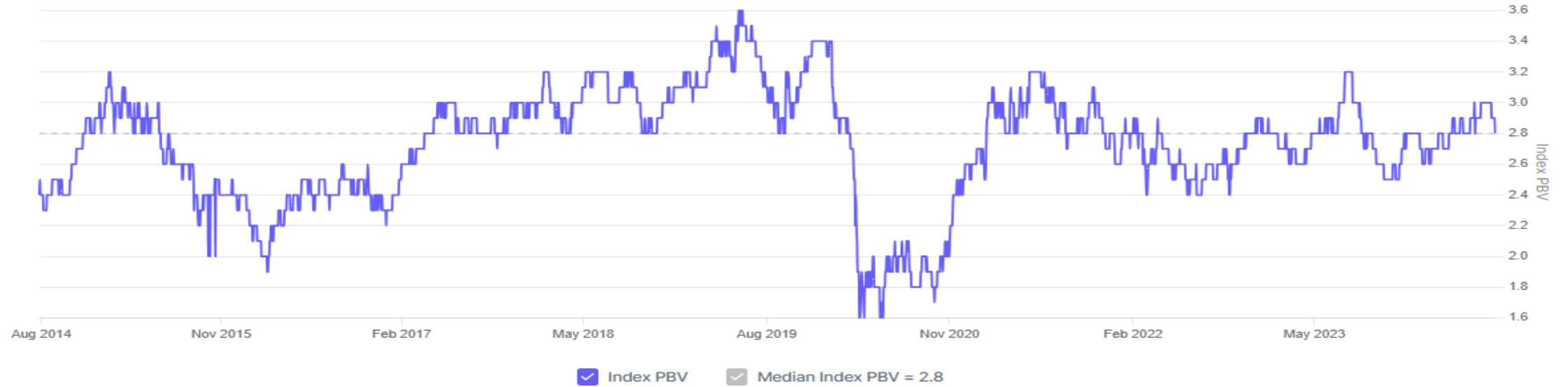
For FY23, the revenue of the consumer durables sector in India has reached Rs. 1.15 lakh crores. It was a significant increase in comparison with the previous year at 18 percent year-on-year growth

Tech players such as Play (a tech brand) are focusing on tapping the Indian consumer electronics market, developing an electronic components manufacturing base in India, and encouraging export.

As of 2021, the refrigerator, washing machines and air conditioner market in India were estimated around \$3.82 billion, \$8.43 billion and \$3.84 billion, respectively

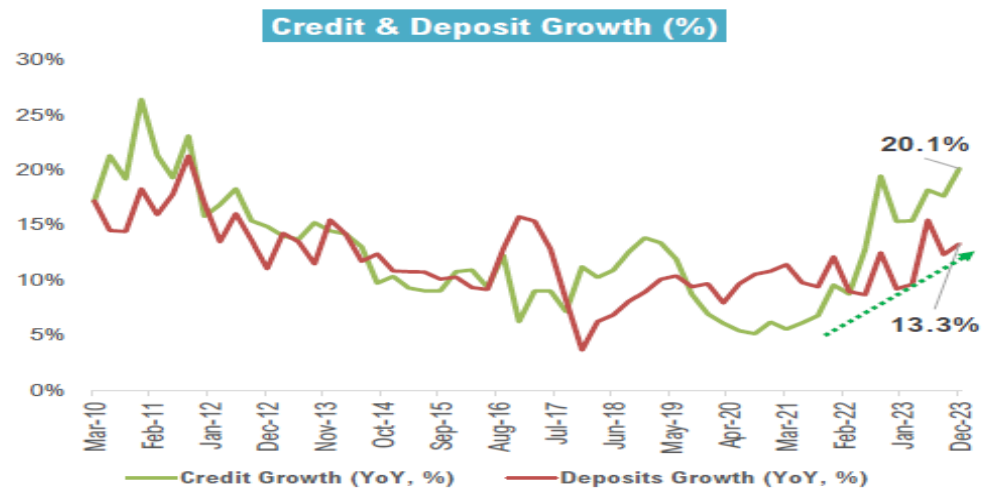
3.2.11) Banking Industry

A) Nifty Bank Index: Price-to-Book Ratio

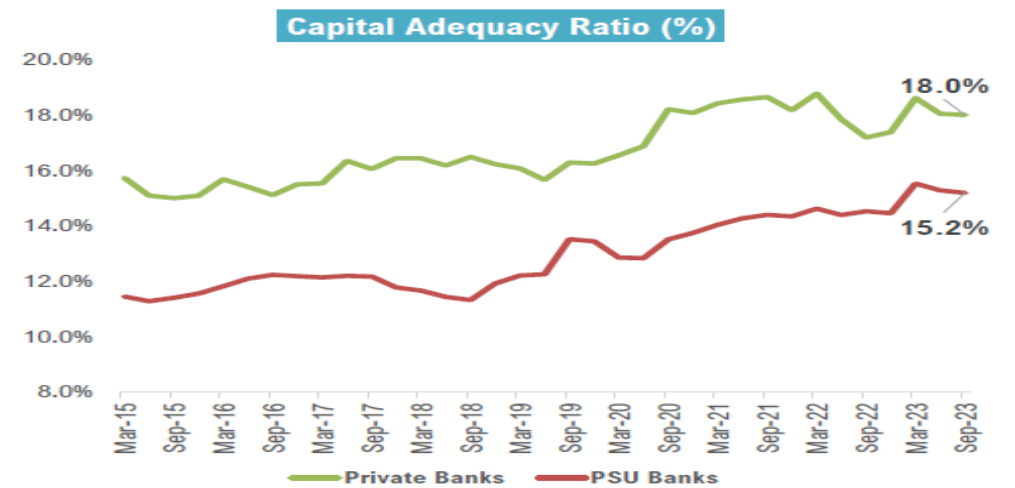


Source: Screener

B) Strong Industry Balance sheet

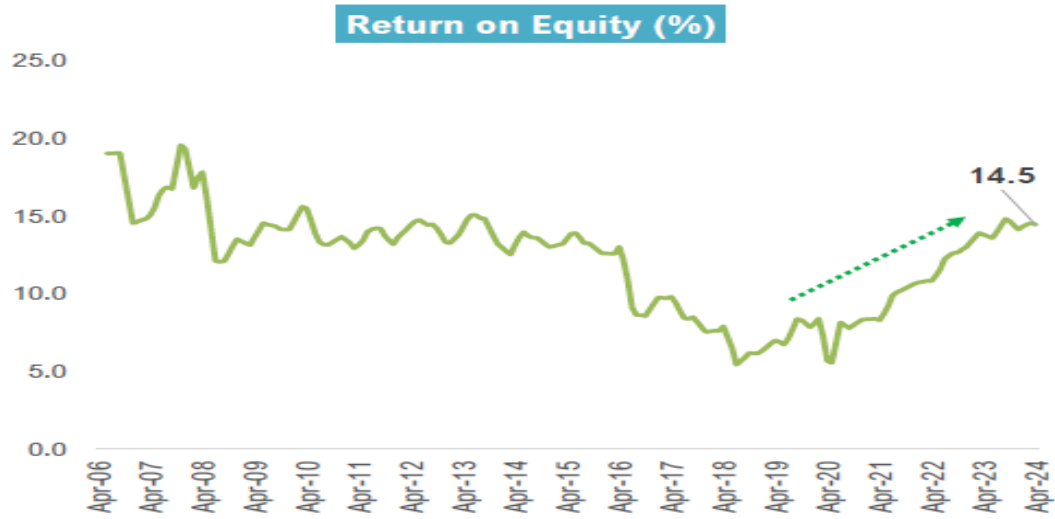


Source: DSP Mutual Fund

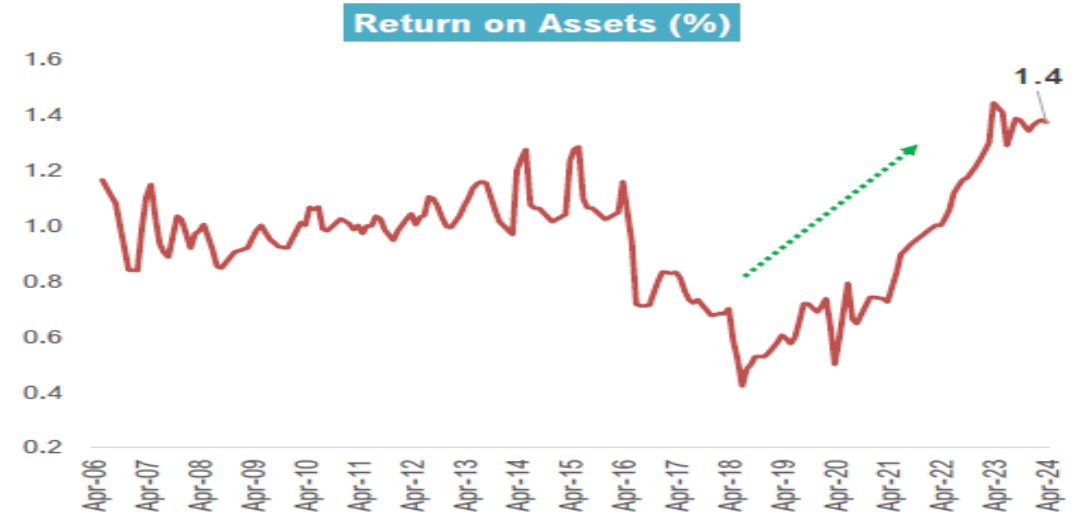


Source: DSP Mutual Fund

C) Nifty Bank Index- ROE% & ROA%

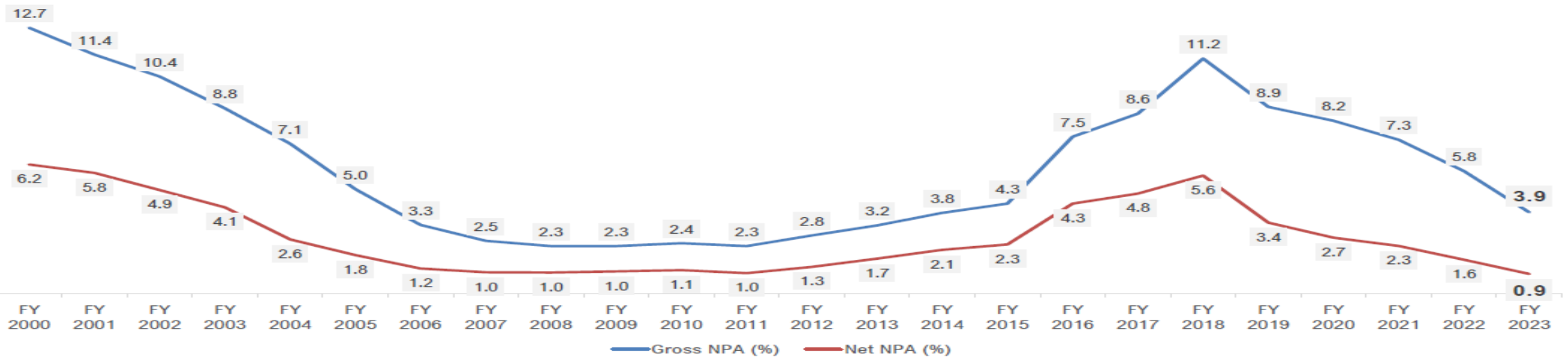


Source: DSP Mutual Fund



Source: DSP Mutual Fund

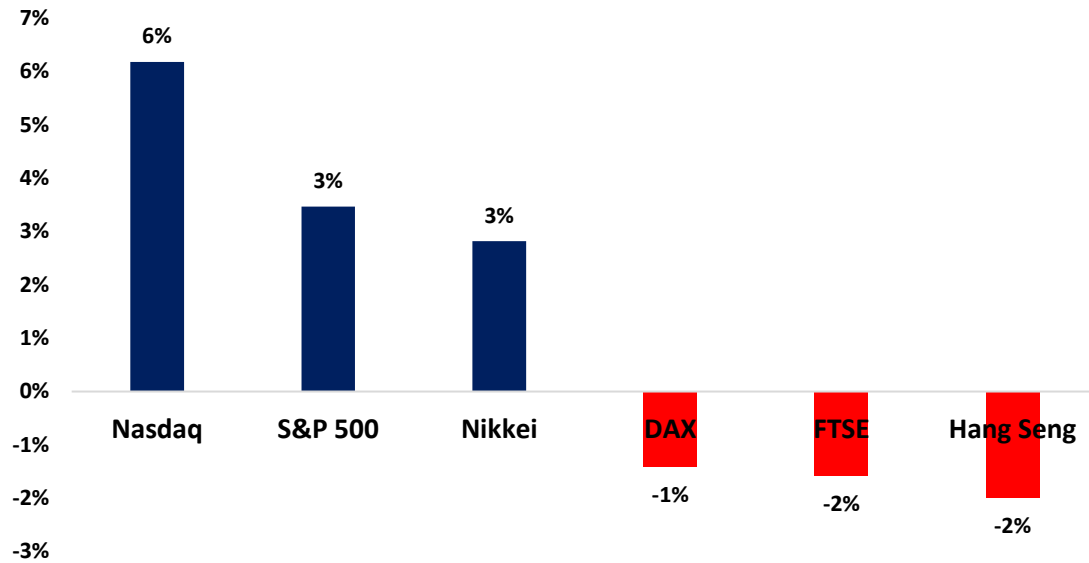
D) Gross NPA (%) & Net NPA (%)



Source: DSP Mutual Fund

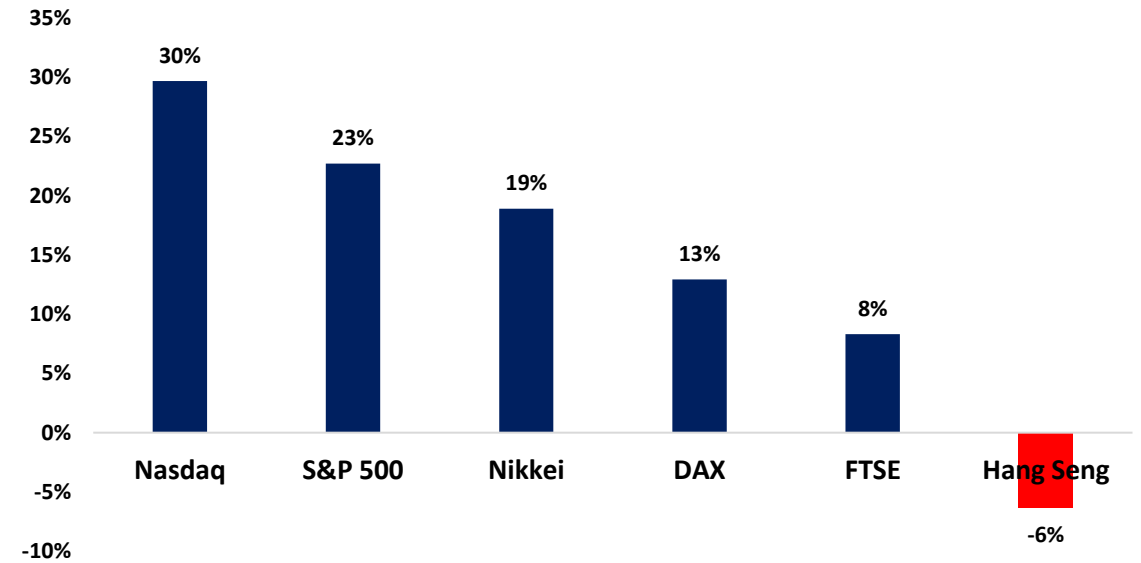
3.3) Foreign Indices

June MoM % Change



Source: Moneyvesta Capital

YoY % Change



Source: Moneyvesta Capital

➤ US Equities:

- The strong performance in large caps continued to be driven by a small number of the largest U.S. technology-oriented stocks.
- The top six positions in the S&P 500 (NVIDIA, Microsoft, Apple, Amazon, Meta, and Alphabet) comprise 31% of the index weight and were responsible for most of the index return in June as the S&P 500 (+3.6%) outperformed the S&P 500 Equal Weighted Index.
- The performance gap between large cap and small cap stocks widened meaningfully in June.

➤ Global Trend:

- Global growth is being supported by moderating inflation, more accommodative financial conditions and a pickup in global trade.
- June's global Purchasing Managers' Index (PMI) data showed a mixed picture. The composite global output index lost ground for the first time in eight months. Global manufacturing and services output indexes both weakened, as did the composite aggregates for advanced and emerging economies.
- Global consumer price inflation is forecast to continue its gradual decline. From an estimated 4.5% in May, inflation is forecast to decline below 4% in the final quarter of 2024 before settling at around 3% from the second half of 2025.
- 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	May-2024	June-2024	Change (bps)
10 Year Benchmark G-Sec Yield (%)	6.98%	7.01%	3
AAA 10 Year Corporate Bond Yields (%)	7.49%	7.49%	-
Repo Rate	6.50%	6.50%	-

Source: HDFC Mutual Fund

During the June month, Government securities (G-sec) yields reversed some of its gains of last month and ended the month at 7.01%, up 3 bps from the previous month.

4.1) The key factors and events that influenced the fixed-income markets included:

- The election of incumbent government with narrower margin possibly resulted in yields rising as the uncertainty with regard to fiscal consolidation path rose.
- Sharp rise in RBI dividend (INR 2.1 trillion, additional 0.4% of GDP over FY25BE) provides certain degree of freedom to government to increase spending.
- US fiscal deficit, scaling back of rate cut expectations by US FOMC, rise in US yields towards the end of the month, benign domestic core CPI.

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) INR/USD rate was Rs. 83.33 as on last trading of June 28, 2024 which was low compared to 83.43 in the prior month.

4.4) The U.S. dollar has strengthened since early June, buoyed by a robust economy and delayed rate cuts from the Federal Reserve. The Federal Open Market Committee (FOMC) signaled there might be only one rate cut this year, down from an earlier forecast of three. This suggests the USD will remain strong for a while.

4.5) The ECB has cut rates by 25 basis points (bp) to 3.75% but raised its inflation forecast due to concerns over wage pressures. Political developments in France have increased the risk premium on French bonds, putting downward pressure on the euro.

4.6) The Japanese yen is weak due to the wide interest rate gap with the U.S. However, if the Fed cuts rates and the Bank of Japan stops monthly bond purchases, we could see USD/JPY drop to 145.00 by year-end

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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