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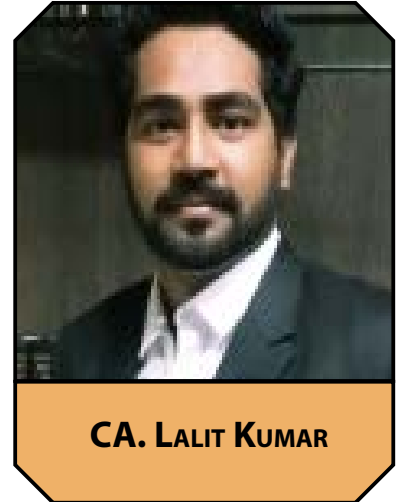
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OPPORTUNITIES & CHALLENGES FOR LONG TERM INVESTING IN INDIA

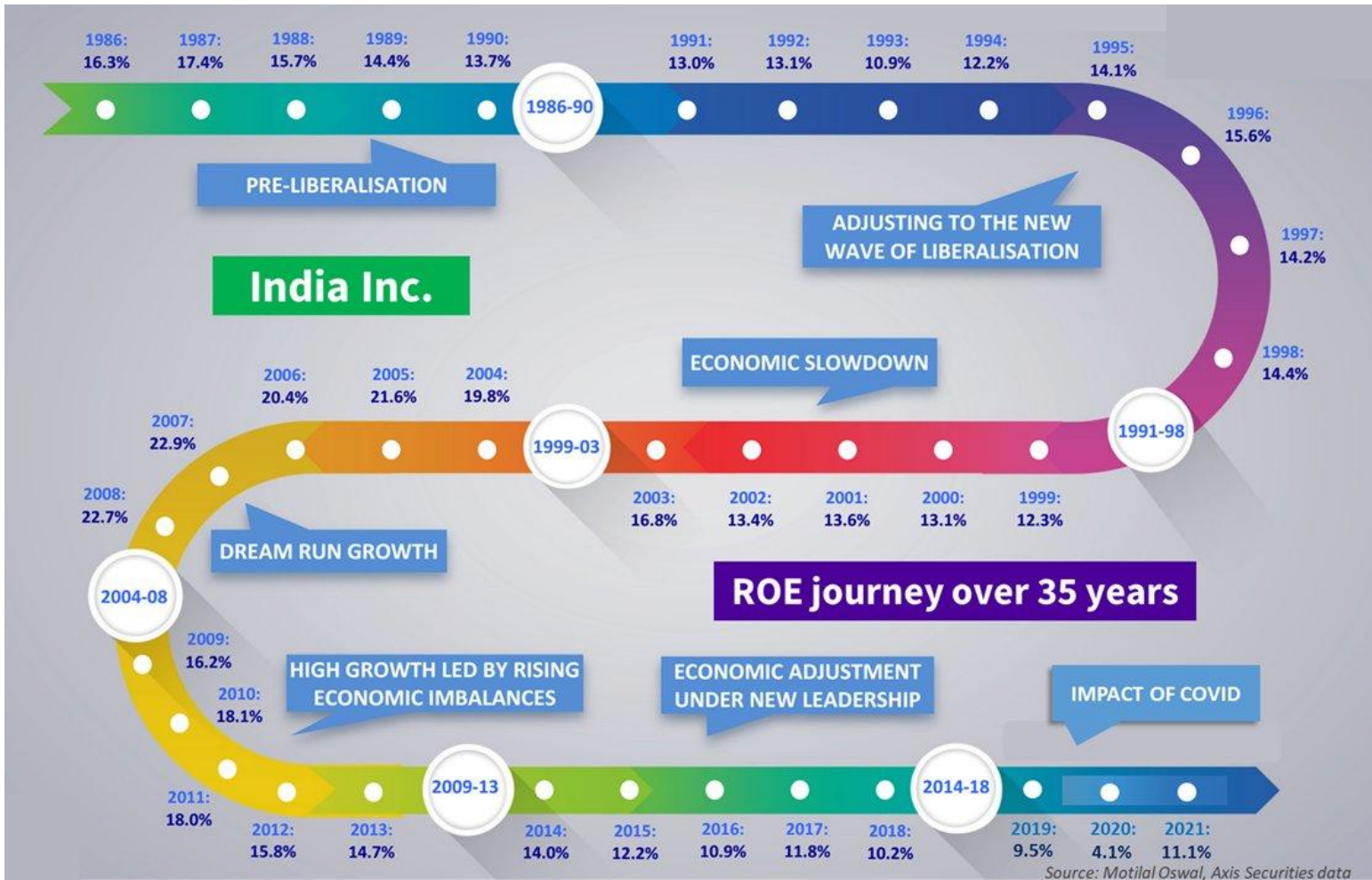
● Story of Choluteca Bridge in Honduras

1. It is a Suspension bridge originally constructed in 1930, the bridge was rebuilt in 1996.
2. The Honduras government, knowing the bridge was likely to face extreme weather conditions, commissioned some of the best architectural minds in the world to build a bridge that could withstand any hurricane.
3. In 1998, Honduras was hit by Hurricane Mitch, a category 5 storm
4. Honduras was wrecked. Roads were wiped out, there was considerable damage to buildings and every other bridge in Honduras was destroyed. However, the Choluteca Bridge stood its ground and survived in near perfect condition.
5. It was an amazing architectural achievement. Or, at least it should have been.
6. Even though the bridge stood its ground, there was one problem, the storm caused the river to carve a completely new path which no longer ran under the bridge.



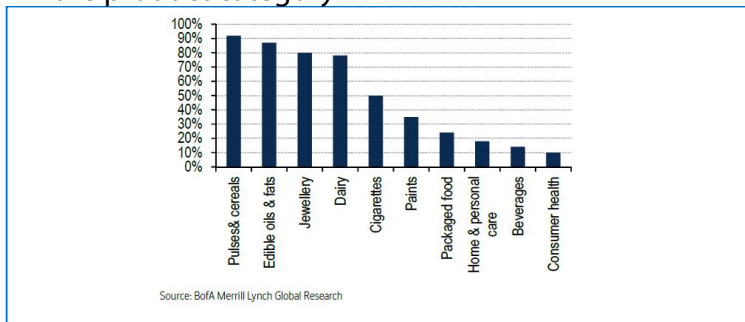
Moral of the Story :

How much ever analysis is made, there will always be events which would not be in our control. Hence always try to mitigate the risks factors than focusing on reward.

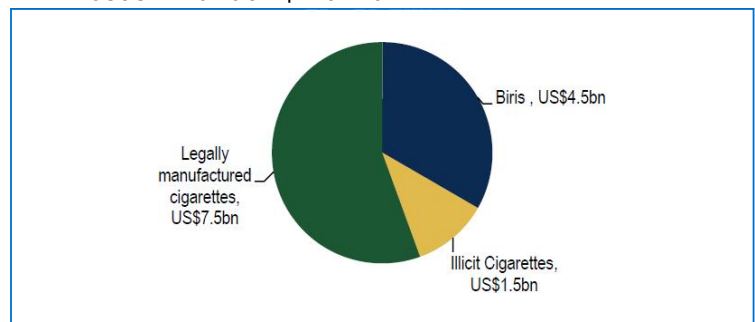


● India Consumption is Largely “Unorganised”

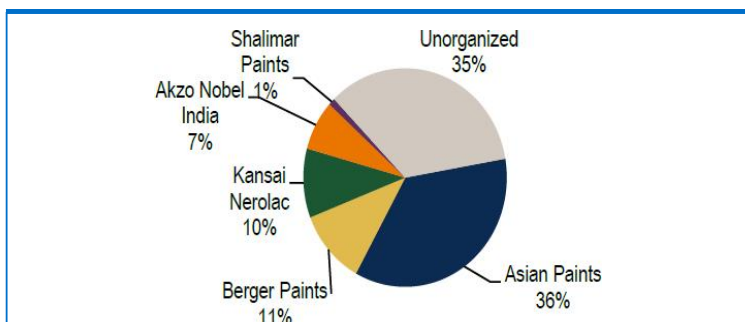
- 10-80% of Products are Unbranded – depending on the product category



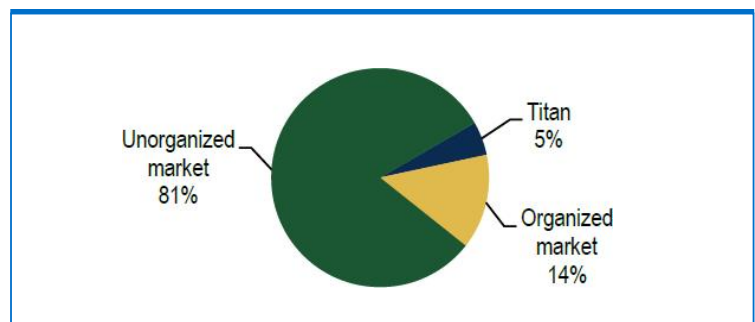
- Market size of taxed and untaxed smoking goods almost similar at ~\$7 billion



- 35% of Paints market remains Unorganized

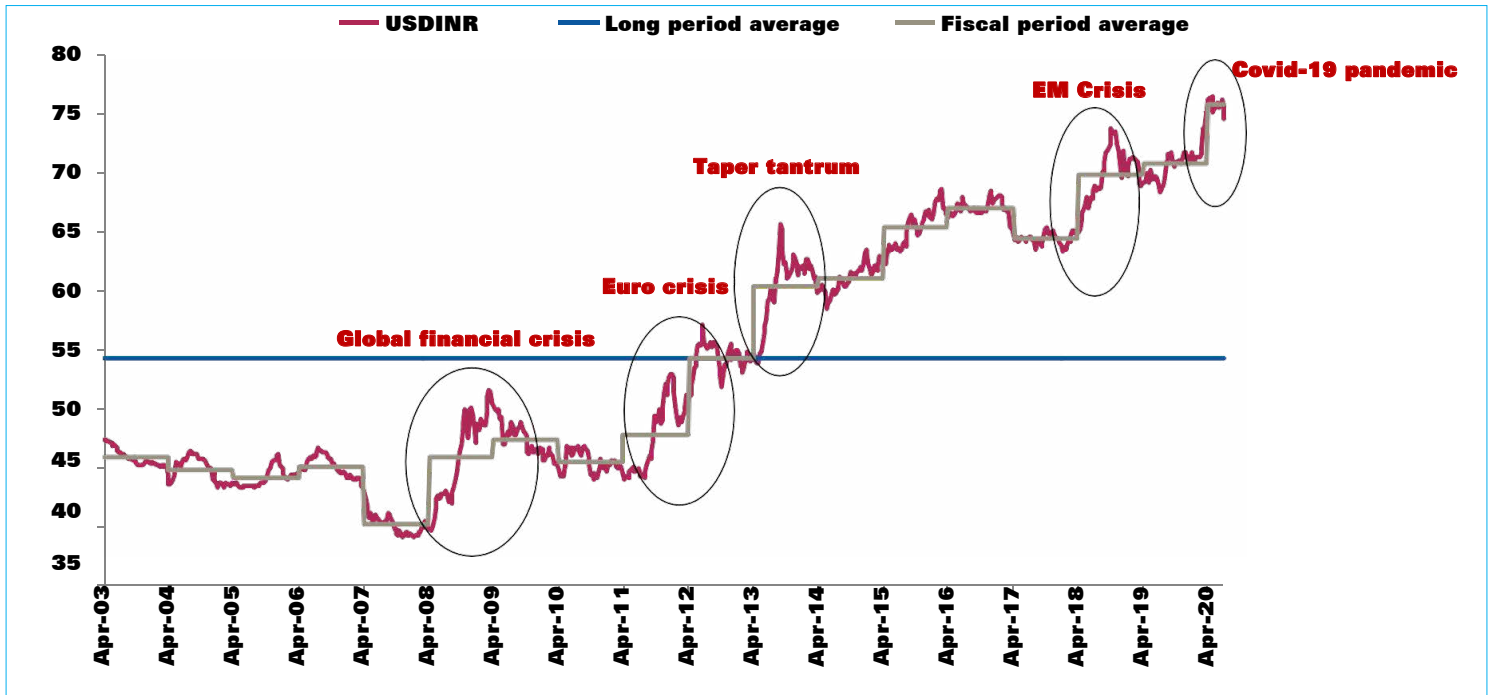


- Jewellery similarly has a large Unorganized segment





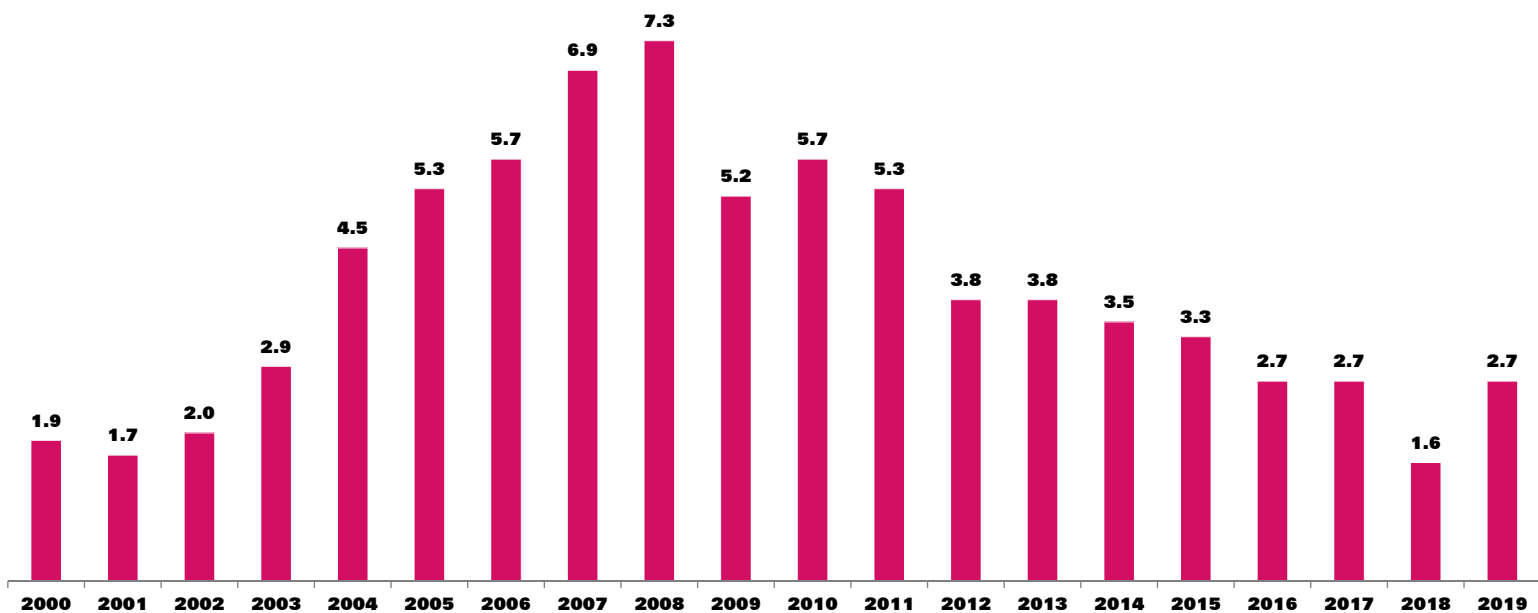
INR & Reserves Policy Reflects Weakness



- ◇ India Rupee has depreciated at 5% CAGR for the past 10 years.
- ◇ Performance has been worst during times of Global Crises despite stable fiscal performance.

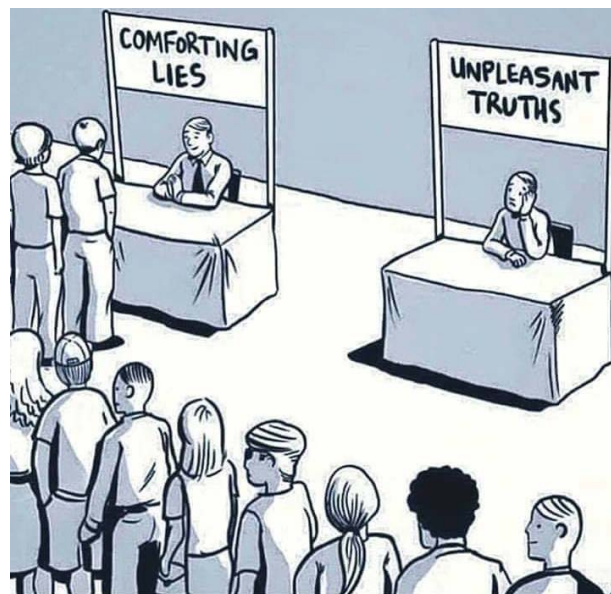
Corporate Profits % Share of GDP is at Lows

• Corporate Profit to Nominal GDP (%)










Source: CMIE PROWESS

● Different Perspectives..



- GDP at 42 yr low BUT Markets are at all time high.
- Banks flush with funds BUT banks not lending them.
- Govt increases expenditure on Agri BUT farm income doesn't grow.
- Consumption falters/improving BUT Govt can't spend as Fisc deficit worries.
- Doing business gets easier BUT fewer are investing (FDI as a % of GDP down from 1.9% to 1.6% in 6 yrs)
- Gross Fixed Capital formation as a % of GDP down from 34% to 28% in 6 yrs.
- Real Interest rising BUT household savings drop.

● Strong Agriculture Base: 1st or 2nd Globally







	 Food Grains	 Milk	 Cotton	 Horticulture	 Sugar	 Spices	 Cropland
	Production (Mn tonnes)	Production (Mn tonnes)	Production (Mn bales)	Production (Mn tonnes)	Production (Mn tonnes)	Exports (in USD Bn)	Production (Mn hectares)
India	281	176	33	315	36	3	180
(#Global Rank)	(#2)	(#1)	(#1)	(#2)	(#2)	(#1)	(#1)

Source: Mohandas Pai, Bloomberg, CapitaLine, ENAM

- Major producer of agrochemicals, tea, cashew, jute, oilseeds
- Largest exporters of cereal products, cotton, bovine meat, sugar, etc.
- All 15 major climates in the world; 46 of the 60 soil types in the world
- Largest manufacturers of farm equipment











● Large Infrastructure Base: Top 5 Globally

	 Coal	 Iron Ore	 Aviation	 Railway	 Roadway	 Electricity
	Production (Mn MT)	Production (Mn tonnes)	Passenger Traffic (Mn)	Network ('000 Kms)	Network (Mn Kms)	Production (Bn Units)
India	740	220	345	115	6	1260
(#Global Rank)	(#2)	(#4)	(#7)	(#4)	(#3)	(#3)

Source: Mohandas Pai, Bloomberg, CapitaLine, ENAM

- Ranked 35th in Logistics Performance Index (LPI) 2016 (up 19 ranks)
- Air passenger traffic is growing at 16.5%, to become 3rd largest by 2024
- Produces 95 minerals – 4 fuel-related, 10 metallic, 23 non-metallic, 3 atomic, and 55 others

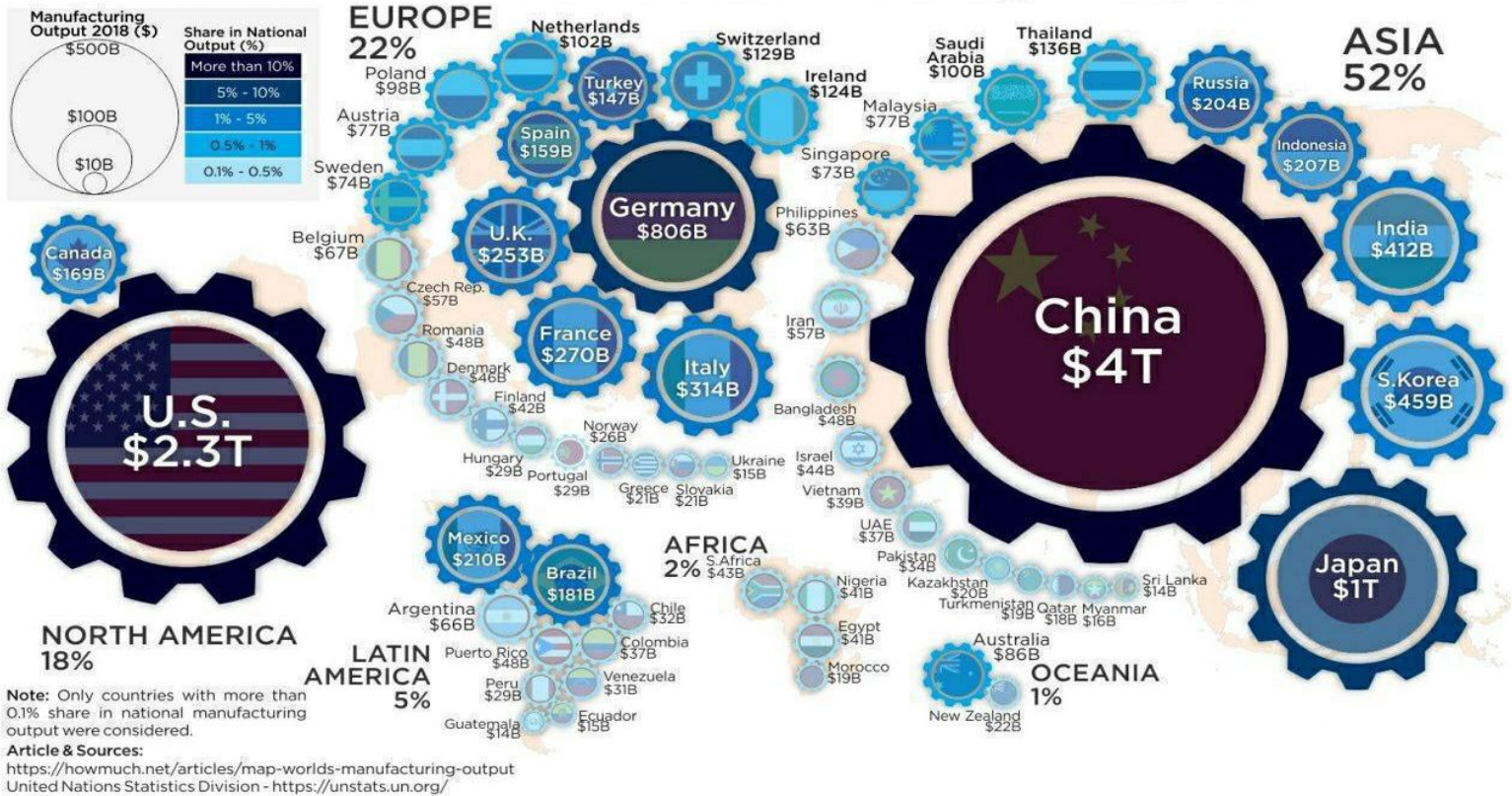
● Strong Industrial Base: Top 5 Globally

	 Steel	 Cement	 Two Wheeler	 Four Wheeler	 Construction	 ITes	 Electricity Production	 Wireless Phone
	Production in Mn tonnes	Capacity in Mn tonnes	Production in Mn Units	Production in Mn Units	Bn Sq. ft.	Revenue in USD Bn	TWh	Subscribers in Mn
India	107	502	25	4	1	181	1260	1162
(#Global Rank)	(#2)	(#2)	(#1)	(#5)	(#6)	(#4)	(#3)	(#2)
Japan	104	55	-	9.7	-	-	1020	173
USA	87	120	-	11.3	-	1,600	4280	392

Source: Mohandas Pai, Bloomberg, CapitaLine, ENAM

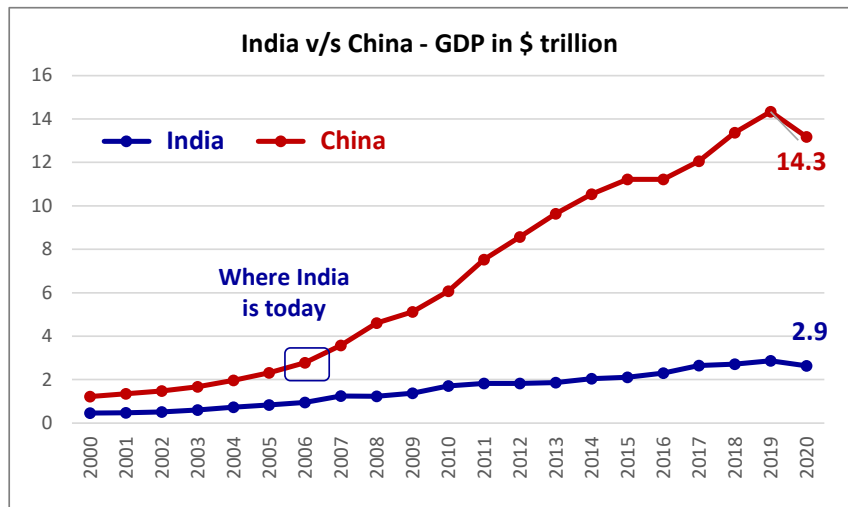


Map of the World's Manufacturing Output

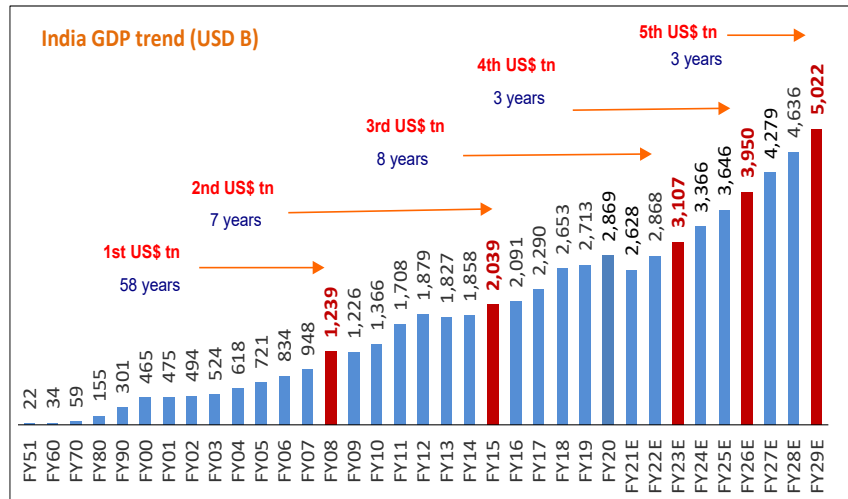


India vs. China - GDP

- India is today where China was in 2006
- From 2006 to 2020, China's GDP CAGR is a robust 12%

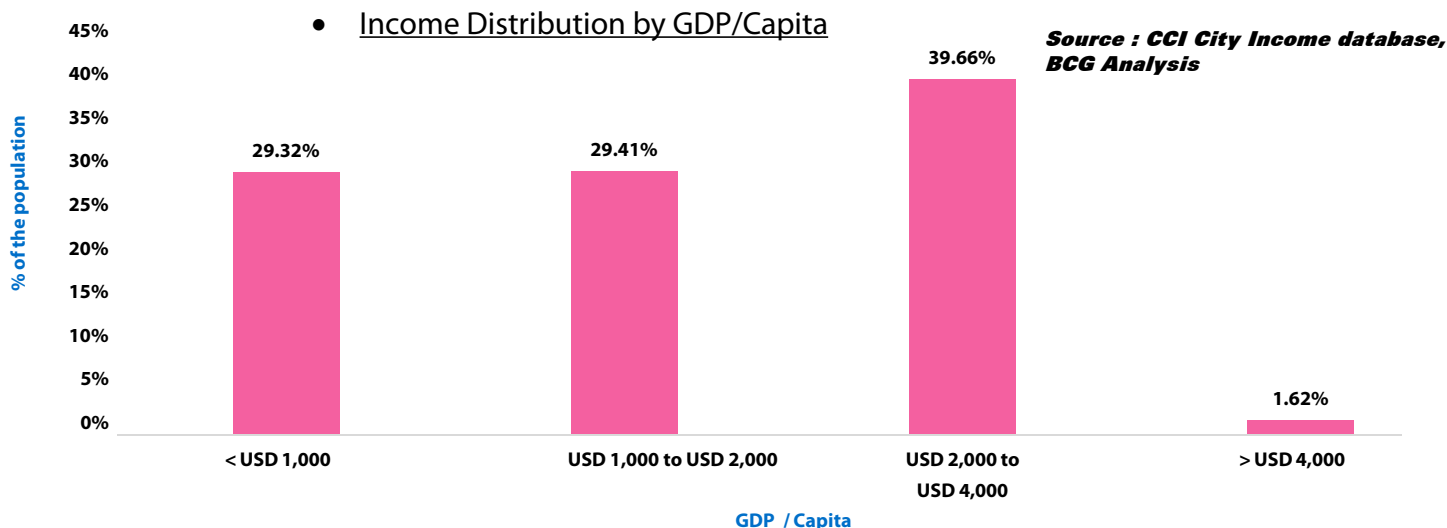


- 60 years for first trillion dollar of GDP
- Every NTD (next trillion dollar) in successively few years





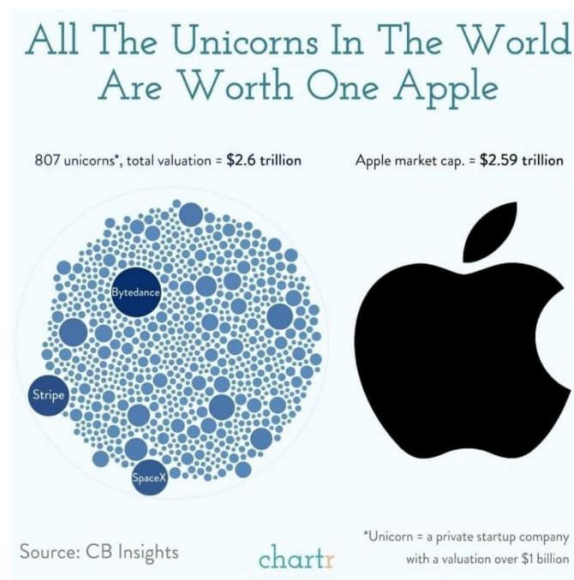
In Home Consumption – More and Better!



- About 29% of the population is making the transaction USD 1,000 to USD 2,000. They are candidates for basic consumer products.
- About 40% of the population is making the transaction from USD 2,000 to USD 4,000, where discretionary spend becomes USD 3,000. This category is likely to invest in premiumization.

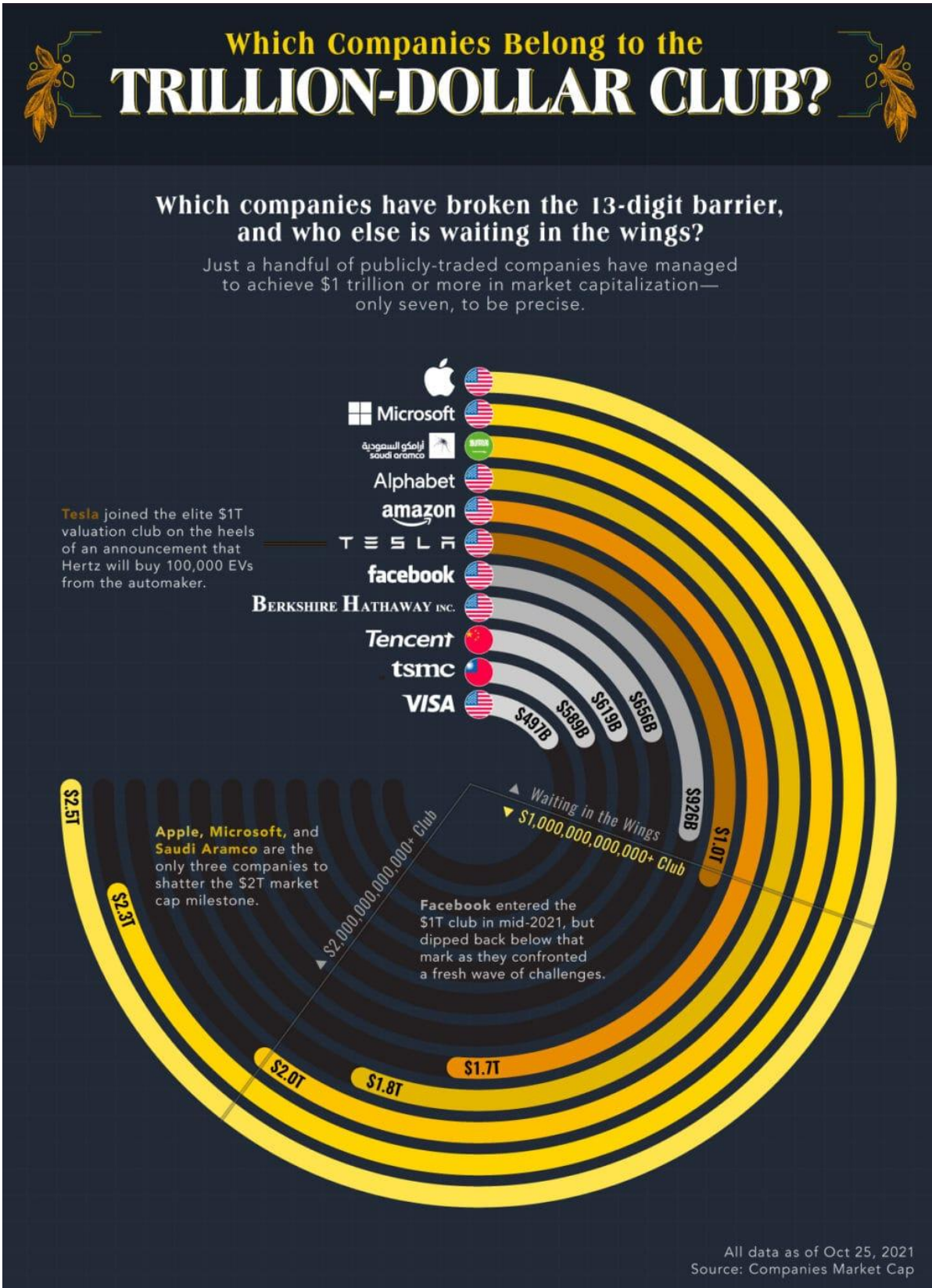
PhonePe Report – Snapshot

- 56 cr installs of Phoneapp, 30 cr+ users on its platform. 7.59 cr using Xiaomi, 5.91 cr Samsung, 5.86 crs Vivo, 3.84 crs Oppo, 81 lacs Apple.
- In Patiala, the average Mutual Funds investment size is Rs. 30,000, which is 2.5x of Mumbai!
- More than 30 cr+ Indian smartphone users now use digital payments.
- 96% of all data consumed in India has been via 4G connections.
- PhonePe has seen digital transactions from across 19,098 pin codes since last year, constituting over 99% of the country.
- 80% of transactions come from tier 2, tier 3, tier 4 cities and beyond.
- Karnataka, Maharashtra, Telangana contribute to 40% of the transaction.
- Love for gold continues.! Gold purchases from over 99% pin codes and mutual fund investments from over 95% pin codes in the country.





- Interestingly, Kerala, while being the state that buys the largest overall volume of gold in India has not taken to buying it online as yet. Maharashtra, West Bengal, Uttar Pradesh, Andhra Pradesh and Telangana are the top states when it comes to buying gold.
- 45% usage is P2P payments, 30% Merchant payments, 20% recharge and bill payments.
- 44% of Telangana’s population uses digital payments - the highest in any state!



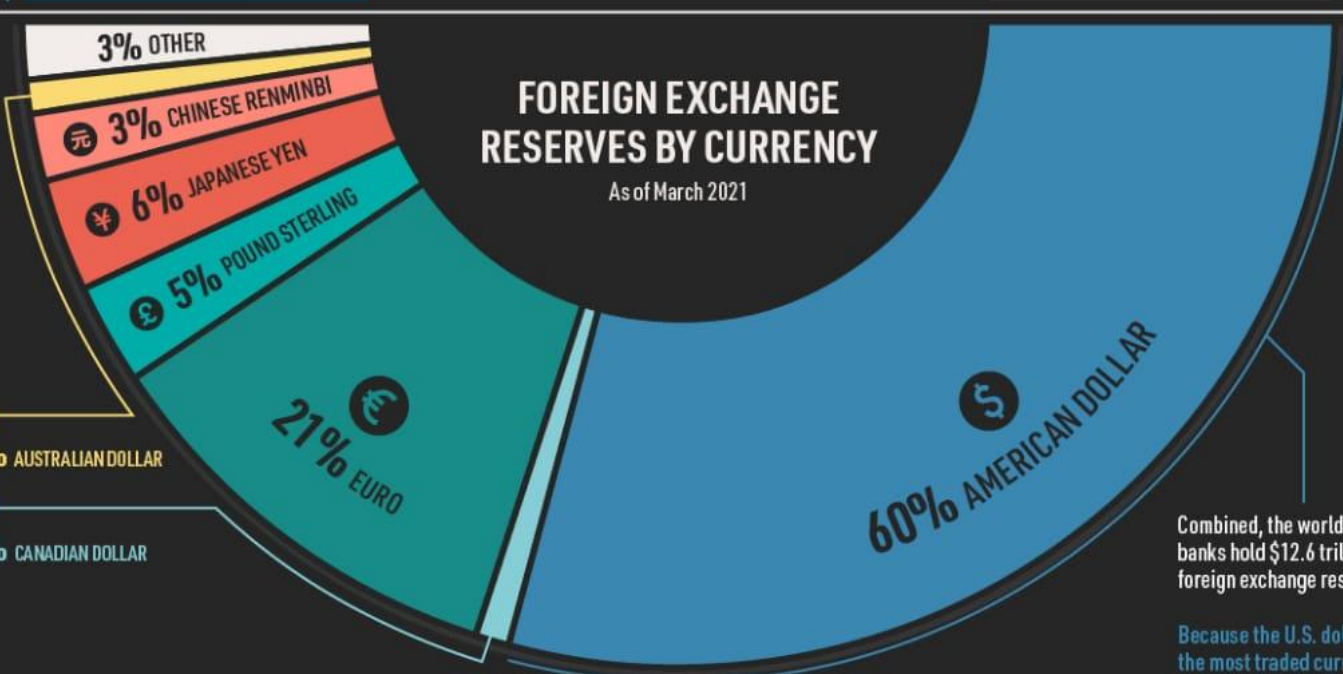
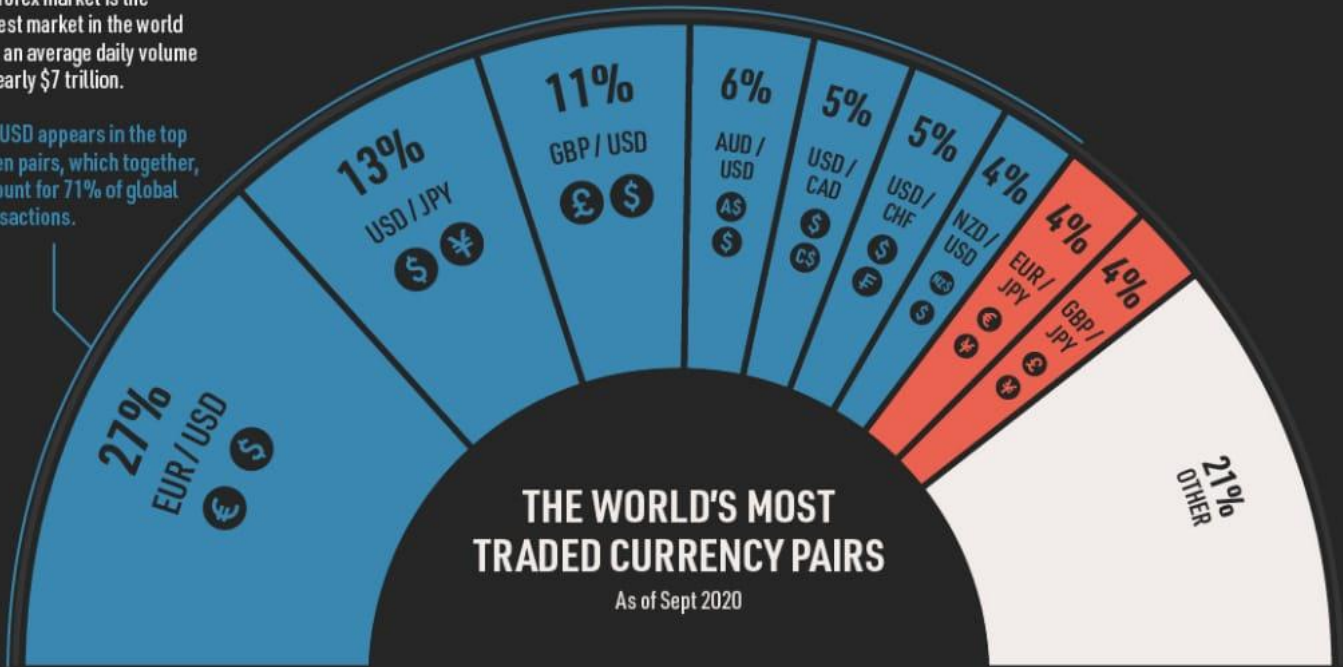


HOW DOMINANT IS THE U.S. DOLLAR?

For the past eight decades, the U.S. dollar has been the world's primary currency. These two charts provide a snapshot of what this dominance looks like.

The forex market is the largest market in the world with an average daily volume of nearly \$7 trillion.

The USD appears in the top seven pairs, which together, account for 71% of global transactions.



Combined, the world's central banks hold \$12.6 trillion in foreign exchange reserves.

Because the U.S. dollar is the most traded currency, the majority of these reserves are held in USD.

Strong demand from governments, central banks, and businesses has helped the U.S. dollar maintain its status as the world's dominant currency.

Rising U.S. inflation, however, could begin to disrupt the status quo.

SOURCES: DAILYFOREX (2020), INVESTOPEDIA (2021), IMF (2021)

● Key Reforms in Last 24 Months..

- Capital infusion of Rs. 70k crs into public sector banks
- One Nation, One Ration card policy
- End of Retrospective Taxation
- Corporate Tax reduced to 22% (15% for Mfg) from 30%
- Inflation controlled to sub 5%, interest rates lowest in decade
- Labour Reforms
- Lot of Infra reforms – Gati Shakti, Public Procurement process, National Infrastructure Pipeline

● Opportunities

- Global Semiconductor Chip
- Defence Industry
- Moving up the ladder from Backoffice to R&D in IT & Mfg.
- Divestment of PSU holdings
- Insurance Sector
- Move from Unorganised to Organised sector
- Deepen India's Bond Markets



WHEN DRIVEN BY LIQUIDITY
MARKETS DO NOT
REFLECT

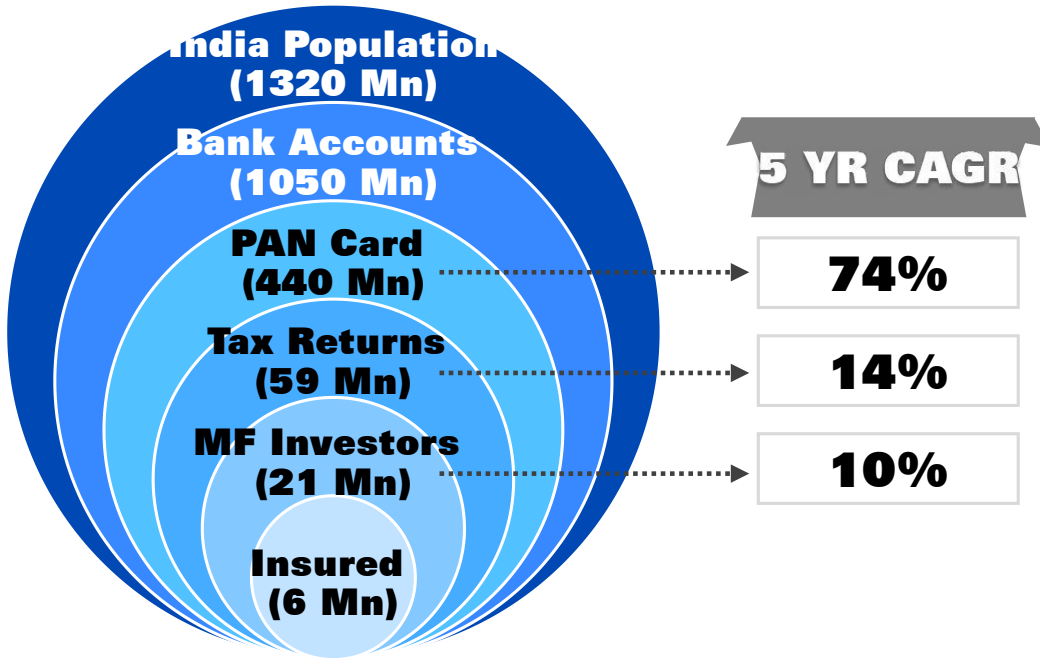
THE REAL HEALTH OF THE ECONOMY



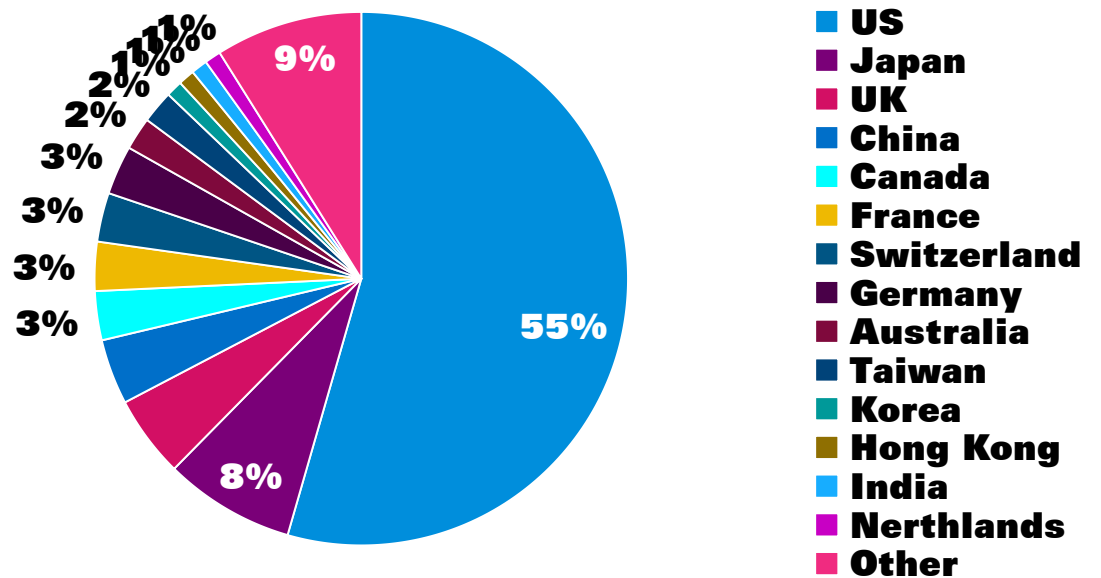
Conclude

- There are roughly 250 trading days a year, making it 2500 days for a decade. Major portion of stock's return happen in 50 to 60 days. This means what happens in 2% of the days decides your decadal returns.

Identifying Potential bets



World Equity Market Cap



Source: PhillipCapital India Research

ACTIVITIES - APRIL, 2022



Study Circle - 27.04.2022

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