MONTHLY NEWSLETTER

MARCH 2024

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Jamie Dimon
Chairman & CEO of JP Morgan Chase

"Number of listed U.S. public companies is shrinking. This trend is serious and may very well increase with more regulation and litigation coming. Taking a wider view, I fear we may be driving companies from the public markets."

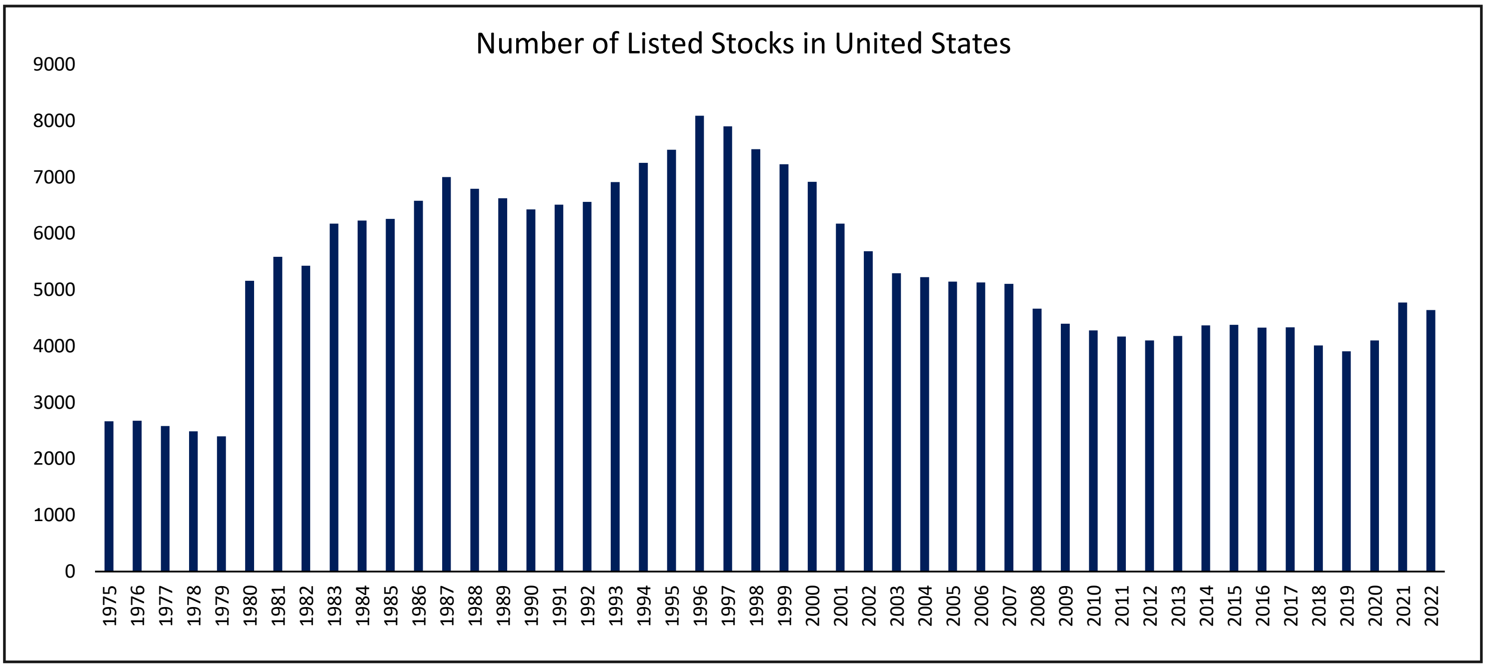
Vinod Aggarwal
President of SIAM and MD & CEO of VECV

"On the backdrop of a robust economic growth of 7.6% based on conducive policies of Government of India, the Indian Automobile Industry has posted a satisfactory performance with domestic industry growing by 12.5% during the last Financial year."

WHAT'S INSIDE

NO DEARTH OF PUBLICLY LISTED COMPANIES IN INDIA

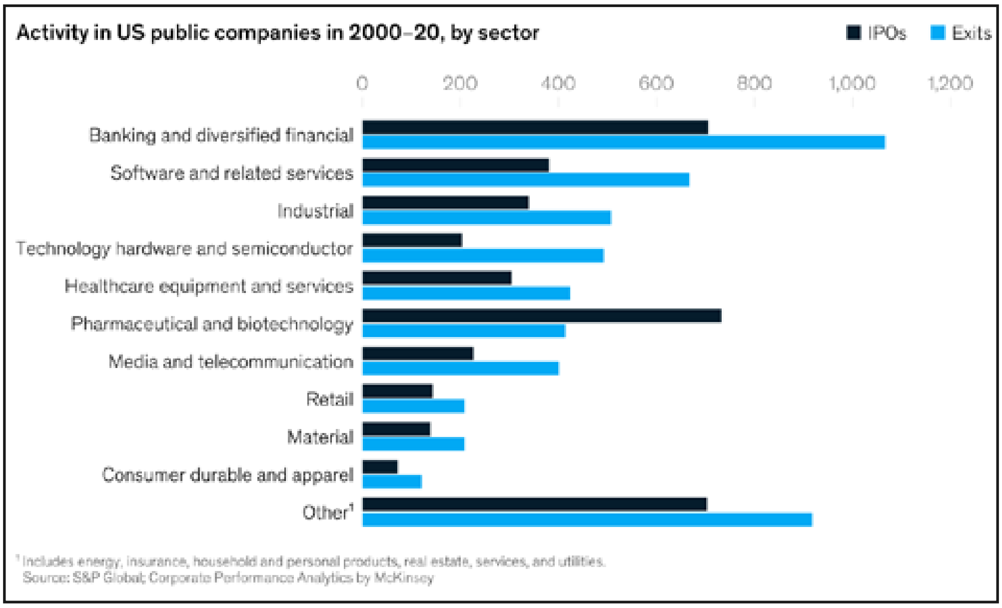
The withering western stock market again caught attention after a recent shareholder letter from Jamie Dimon, the CEO of JP Morgan Chase, where he highlights the reduction in the number of listed stocks in the US market. He mentions that there were 7300 listed stocks at peak in the US market in 1996, but the number has now shrunk to 4300 in 2024. He argues that while the reasons are complex, some factors include increased reporting standards, higher litigation expenses, costly regulations, shareholder activism, relentless pressure on quarterly earnings, etc.



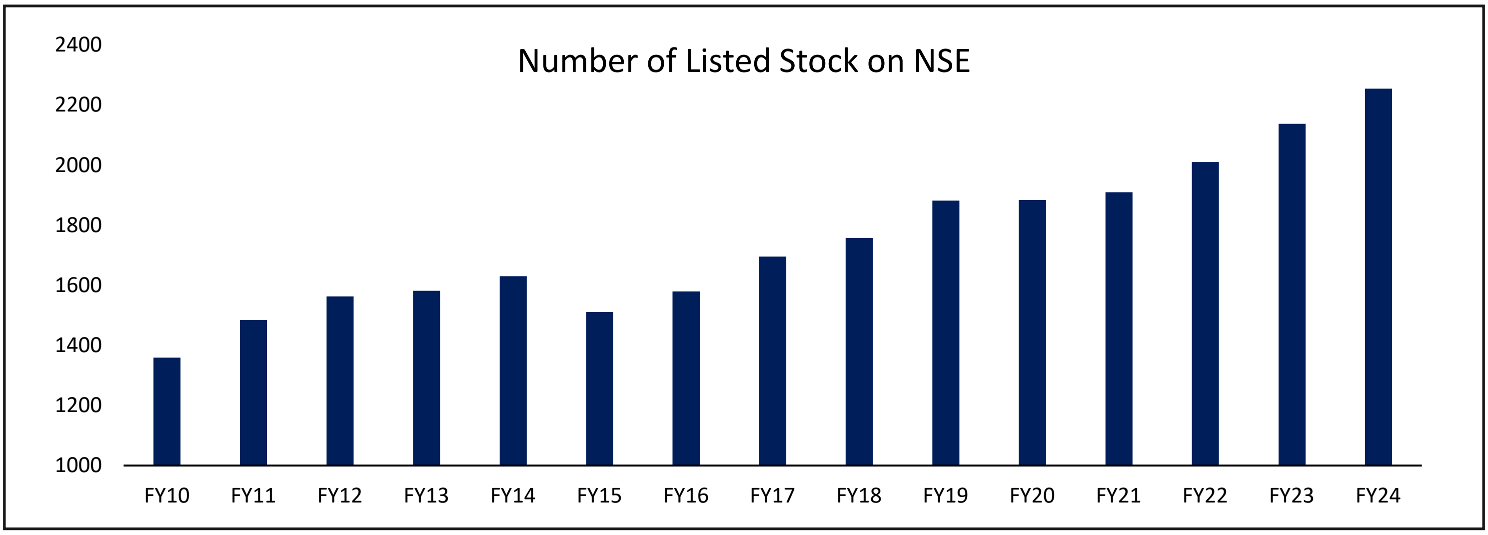
Source: Worldbank.org, Equentis Research

Public companies are open to scrutiny through regulatory oversight and disclosure requirements. With fewer companies being listed, overall transparency and trust in the market decrease. Also, according to the Harvard Law Forum on Corporate Governance, 23% of the Russell 3000 companies have mentioned shareholder activism as a risk in their annual reporting.

Over the past two decades, the number of US companies owned by private equity (PE) has grown from 1900 to 11,200. This trend is decremental for the larger investor base, as they are limited only to the public markets and lose out on the upside seen in the private companies. This decline in public companies can also be attributed to the changing dynamics of several key sectors. Banks, industrial companies, and hardware and semiconductors accounted for most exits.



Source: McKinsey



Source:NSE Annual Reports, NSEIndia.com, Equentis Research

In such a scenario, there is a bigger trend at play. Global investors are flocking to the East, especially to countries like India. In India, the number of listed stocks is seeing an uptrend. Since Mar'10, the number of listed companies on NSE has increased from 1,359 to 2,255 as of March'24. In 2023, 57 companies raised Rs. 49,400 Cr. In the year before that, in 2022, 40 IPOs raised Rs. 59,300 Cr. In 2021, 63 IPOs raised Rs. 1,18,700 Cr.

Many companies have been hitting the bourses to raise fresh capital. Banks and NBFCs have been able to raise capital to improve their capital adequacy requirements. Others, have raised capital for capacity expansion, product portfolio expansion, tapping newer geographies, inorganic growth through acquisition, etc. Some have seen offers for sale as part of the IPO and are seeing the PE funds and promoters liquidate some of their holdings.

PE provides growth capital to companies when the business model is not zeroed down on, and the sustenance of profitability remains a question. The funds they provide help the founders scale the business by adding new business verticals and expanding to newer geographies. Typically, the PE funds have a fund life of 8-10 years, and hence, most of them look to exit the companies either through an IPO or by selling to other strategic investors.

Many PE funds have invested in Indian companies in the past decade when capital was not abundantly available, and public markets didn't have enough depth/appetite to accommodate the capital requirements of many companies. Shareholding and liquidity were majorly concentrated in the Top 100-250 companies. But the same has changed in the last five years with increased retail participation through direct equity or mutual funds. At a broad level, savings are moving from fixed-income instruments to equity markets.

In 2012, NSE and BSE launched their SME (Small and Medium Enterprises) exchange for SME and startup companies to raise capital from investors. These companies enjoy minimum cost and compliance compared to the regular IPO and, at the same time provide liquidity through the exchange to the investors. To date, 491 companies have been listed on the BSE SME exchange. Out of these 183 have migrated to the BSE mainboard; this shows the growth these smaller companies can showcase. The current market cap of all BSE SME listed companies is Rs. 43,000 Cr.

Conclusion:

While the number of listed companies is dwindling in the US, investors are looking at the markets in the East. In countries such as India, there is a massive expansion in the market, helping foreign investors to deploy their capital gainfully in innovative companies. On the other, with the increasing retail participation in the Indian market, companies must choose to list on the Indian exchange so that the investors at large can gain from the growth of their businesses. Initiatives such as SME exchange make it possible for smaller companies to raise capital at a much cheaper cost instead of Venture capital and private equity investors for growth capital. More companies in the public markets create an investment universe that is more representative of the real economy, creating a win-win for all the stakeholders.

ANNUAL AUTO TRENDS

Particulars	FY23	FY24	YoY (%)
Two-Wheeler	**15,862,771**	**17,974,365**	**13%**
Hero Moto Corp	5,328,546	5,621,455	5%
Bajaj Auto 2W	3,442,839	3,727,923	8%
Three-Wheeler	**783,257**	**1,165,699**	**49%**
Bajaj Auto 3W	485,018	623,010	28%
M&M	58,520	77,589	33%
Passenger Vehicles	**3,890,114**	**4,218,746**	**8%**
Maruti Suzuki India	1,966,164	2,118,647	8%
Tata Motors	541,087	573,495	6%
M&M (PV)	359,253	459,877	28%
Tractors	**829,639**	**892,313**	**8%**
Escorts Kubota	103,290	95,858	-7%
M&M (Tractors)	407,545	378,386	-7%
Commercial Vehicle Sales	**962,468**	**967,878**	**1%**
Tata Motors	413,539	395,845	-4%
Ashok Leyland	192,205	194,683	1%
Volvo Eicher	79,623	85,560	7%

Source: Company Data, Vahaan, FADA, and Equentis Research.

Key takeaways

- According to Federation of Automobile Dealers Association of India (FADA) which is an apex body of automobile retail industry in India, FY24 was a strong show across segments and the auto retail sector achieved a notable 10% YoY growth. The 3-wheeler segment outgrew the industry registering a 49% YoY growth while the rest of the segments grew at high single digits barring CV (5% YoY).
- Although the 2-wheeler segment demonstrated YoY growth, it remains significantly below the pre-pandemic levels, indicating that rural India is still bearing the burden of high inflationary costs.
- As per the SMEV, EV sales for FY24 have increased by ~42% YoY to ~1.6 mn units. 2-wheeler EV's have grown slower than the overall industry at 30% YoY, while 4W EV volumes have outgrown the industry (90% YoY) due to a decent line-up of launches by major OEMs. The overall EV industry had the slowest growth in the last 3 years due to the higher base effect.
- The 3-wheeler segment witnessed a massive 49% YoY growth due to the introduction of cost-effective CNG fuel options and launches of new EV models.
- PV's grew by ~8% in FY24 and volumes were at a record high. Demand within SUV segment continues to remain robust, and industry is transiting from small cars to mid-size SUVs.
- After posting double digit growth for two consecutive years, volumes remained flat in the CV segment for FY24.

- Tractors showed a modest 8% growth and the segment clocked an all-time high volume of ~8.92 lakh units in FY24. Looking at the high base, the tractor segment could witness tapered growth in FY25 due to subdued demand and muted outlook by major OEMs.

- The 3W EV penetration rose by 295 bps to ~54.3%, while 2W and 4W EV penetrations witnessed moderate increases of 85 bps and 79 bps respectively.

- The overall EV market has grown at a 63% CAGR over the past 5 years (FY19-24).

OEM Wise Market share trends: According to the FADA's March-24 press release for FY24, 1) In PV segment, market share losses for Maruti Suzuki continued (26bps YoY to ~40.66%), while M&M (up ~179bps YoY to ~10.75%) and Tata Motors (up 11bps YoY to ~13.63%) were the beneficiaries led by their new product successes. 2) In 2W space, Hero Motocorp continues to lose market share for the fourth consecutive time to a decadal low of 30.8% in overall domestic 2Ws, while Bajaj Auto gained ~140bps to reach ~12% market share owing to new launches. 3) In EVs, Tata Motors' share stood at 69% in PVs with MG Motors at ~13% share and M&M gaining ~3% market share and ending up with a market share of ~6%; Ola Electric continuous to lead the 2W EV space with market share at ~35% followed by TVS Motors at ~19%, Bajaj auto's market share stood at ~11% taking the 3rd position and market share from Ampere and Hero Electric at ~6% & 1% respectively. 4) tractor segment witnessed TAFE gaining share (up 95bps YoY to ~12.11%) at the expense of other small OEMs (down 602bps YoY to ~2.89%) with M&M still maintaining its ~40% share YoY and Escorts Kubota at ~12%.

New launches in H2FY24: As the domestic Automobile industry witnessed strong recovery, OEMS are back in the market with the new launches. In H2FY24 we saw multiple new launches from the OEMs in order to capture the market share and meet the consumer demands. We would like to highlight some of the new launches by the OEMs.

PVs

Tata Motor's Punch EV

Toyota's Taisor

2Ws

Suzuki's V-Strom 800DE

Hero Mavrick 440

Conclusion:

Domestic 2W segment has witnessed a robust recovery in FY24. 2W volumes have witnessed resurgence and volumes were up ~13% in FY24, also EV sales witnessed strong growth momentum and the penetration at the end of FY24 was ~9% vis-à-vis 5% in FY23. The PV segment witnessed high single digit growth in FY24, and volumes were at an all-time high. Enhanced supply dynamics, strategic marketing efforts, ever expanding quality road infrastructure and strong demand in the SUV segment, now holding a 50% market share, significantly contributed to this success. The EV segment is gaining a lot of popularity and has also become quite attractive for commercial businesses engaged in last-mile delivery and ride sharing. The Indian Auto Industry is poised for growth amidst a mix of optimism and challenges. The excitement around new product launches, particularly electric vehicles, sets a forward-looking tone. Manufacturers are gearing up with better supply chains and an array of models to meet diverse consumer demands.

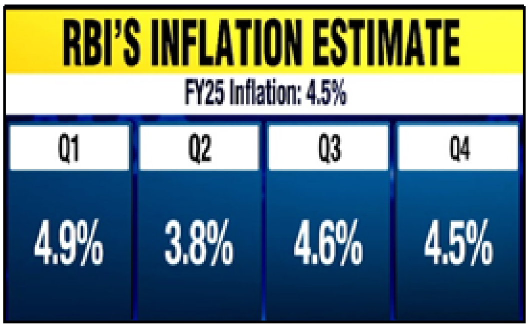
KEY BUSINESS UPDATES FOR Q4FY24

Bajaj Finance	**AUM grew by 34% YoY** to Rs 3,304 bn. Customer franchise stood at 83.64 mn v/s 69.14 mn, a growth of 21% YoY. New loans grew by 4% YoY to 7.87 mn compared to 7.56 mn QoQ.
APL Apollo Tubes	APL Apollo reported a volume growth of 4% to 6,78,556 tons. The **Value-Added Products (VAP) share has increased to 58%** in FY24 from 56% last year.
CSB Bank	**Advances increased by 22% YoY** and 9% QoQ to Rs 118 bn. Deposits grew by 21% YoY and 9% QoQ, reaching Rs 297 bn.
Avenue Supermarts	**Standalone revenue increased by 20% YoY.** During the quarter, **the company expanded its network by adding 24 stores (net),** bringing the total number of stores to 365.
HDFC Bank	**Merged gross advances increased by 55% YoY and 2% QoQ** while deposits grew by 26% YoY and 8% QoQ. The YoY numbers are not comparable as this does not include HDFC Ltd's numbers in the base quarter.
AU Small Finance Bank	Gross advances increased by 25% YoY and 9% QoQ while **deposits grew by 26% YoY** and 9% QoQ. CASA ratio stood at 33% vis-à-vis 38% YoY and 33% QoQ.
Nykaa	As per the management, Nykaa has witnessed consistent growth across all three business verticals. The **management expects Net Sales Value (NSV) growth and revenue growth in the high twenties on a YoY basis.**
Dabur	As per the management, **revenue growth is expected to be mid-single digit growth range, with gross margins likely to expand,** led by deflation in input costs and cost-saving initiatives.
Titan	Titan reported **revenue growth of 17% YoY. The Jewellery business expanded by 18% YoY, led by double-digit buyer and same store sales growth,** while the **watches and wearables segment rose by 7% YoY.** During the quarter, the company increased its footprint by adding 86 stores, bringing the total number of stores to 3,035.
Tata Steel	Tata Steel **reported record-high domestic deliveries of 5.41 million tons, up 5% YoY** on the back of continued strength in India's steel demand. Europe deliveries grew 8% YoY and de-grew 7% QoQ.
Bank of Baroda	**Global advances grew by 12% YoY** and 4% QoQ, while global deposits increased by 10% YoY.
Utkarsh Small Finance Bank	Gross loan portfolio rose by 31% and 12% QoQ while total deposits increased by 27% YoY and 16% QoQ. CASA ratio stood at 21% vis-à-vis 20% QoQ. **Collection efficiency stood at 98% v/s 96% QoQ.**

Godrej Properties	**Booking value during the quarter grew by 135% YoY** to Rs 95 bn by selling 5,331 homes. Sales growth was on the back of an improving project mix and annual volume growth of 31%.
Macrotech Developers	**Pre-sales reported a record-high of Rs 42.3 bn during Q4, up 40% YoY and collections increased by 20% YoY to Rs 35.1 bn.** Lodha added new projects with cumulative GDV of Rs 203 bn exceeding the guidance of Rs 175 bn across MMR, Pune and Bengaluru.
Sula Vineyards	Sula reported **revenue at Rs 1.3 bn, up 10% YoY driven by double-digit growth in Elite and Premium Own brands.** Wine tourism grew by 31% YoY.
Marico	Consolidated **revenue grew in low single-digits** but is expected to trend upwards in the coming quarters. **Management expects strong quarterly gross margin expansion YoY and a healthy operating margin expansion.** International business reverted to double-digit constant currency growth as Bangladesh and the rest of the markets are improving.
Ujjivan Small Finance Bank	Gross loan book and total deposits grew by 24% YoY and 7% QoQ each. CASA ratio stood at 26.3% vis- à-vis 25.5% QoQ. **Collection efficiency stood at 98%-99%, similar to QoQ.**

Source: Company Reports

WHAT CAUGHT OUR ATTENTION THIS MONTH!



Source: ET Now

Repo rate unchanged for the seventh time in a row

RBI has kept its repo rate unchanged at 6.5%, in line with expectations of the market watchers and economists.

This marks the seventh consecutive instance of unchanged policy rates left by India's central bank.

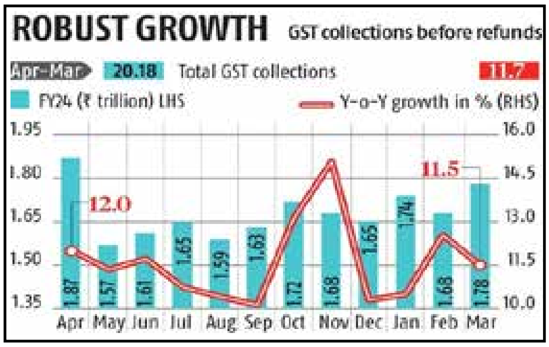
The RBI has maintained India's fiscal year 2025 GDP growth target at 7%. The governor highlighted the need to monitor the impact of above-normal temperatures on the same.

GST collections hit Rs.1.78 lakh cr in March, the second highest ever

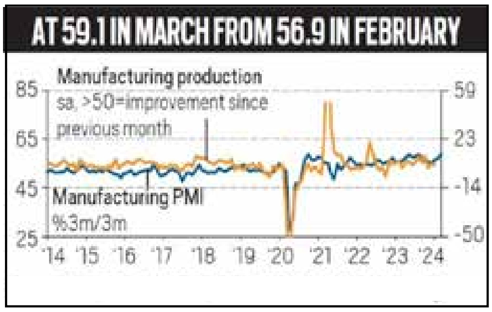
In Mar'24, Goods and Service Tax collection grew 11.5% on annual basis, reaching Rs 1.78lakh, the second highest since its inception in July 2017.

The rise can be attributed to a significant rise in GST collection from domestic transactions at 17.6%.

FY 2023-24 marks a milestone with total gross GST collection of Rs.20.14 lakh cr, surpassing Rs.20 lakh cr, marking a 11.7% increase over the previous year. The average monthly collection for this fiscal year stands at Rs.1.68 lakh cr, exceeding the previous year's monthly average of Rs.1.5 lakh cr.



Source: Business Standard



Source: The Indian Express

Manufacturing PMI rises to 16-year high in March

In March, India's manufacturing sector achieved its highest level in 16 years, propelled by substantial increases in output and new orders since Oct 2020.

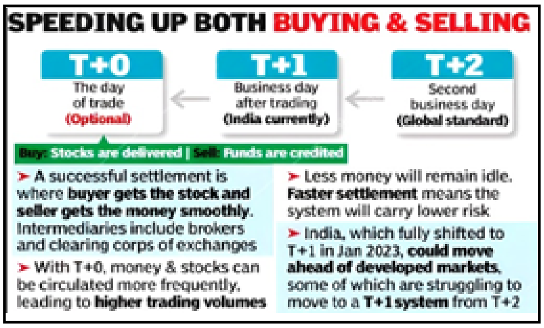
HSBC India Manufacturing PMI surged to 59.1 in March, up from 56.9 in February. Manufacturing output continued its upward trend for the 33rd straight month, with growth accelerating across consumer, intermediate, and investment goods sectors.

However, the survey noted a slight uptick in cost pressures during March, reaching the highest level in five months.

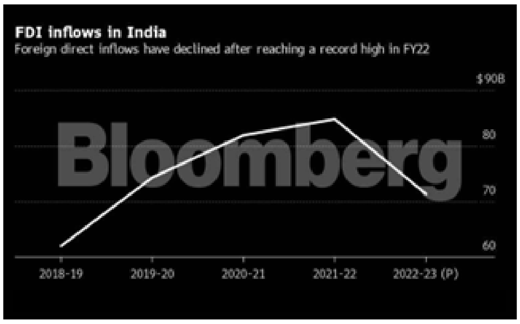
SEBI introduces optional T+0 settlement from March 28

SEBI, has announced the launch of an optional same-day (T+0) settlement cycle for a select group of 25 stocks and with restricted no. of brokers commencing March 28, enabling some investors to experience same-day equity cash trade settlement.

The T+0 settlement cycle will now coexist as an option alongside the T+1 cycle. The Board will assess progress at the end of 3 and 6 months from the implementation date to determine further steps.



Source: Drishti IAS



Source: Economic Times

India plans to attract $100 bn a year in gross foreign direct investment: Industry secretary

Rajesh Kumar Singh, secretary in the Department for Promotion of Industry and Internal Trade, said, "India aims to attract at least $100 billion a year in gross foreign direct investment (FD) as many investors, multinational companies are looking to diversify away from China".

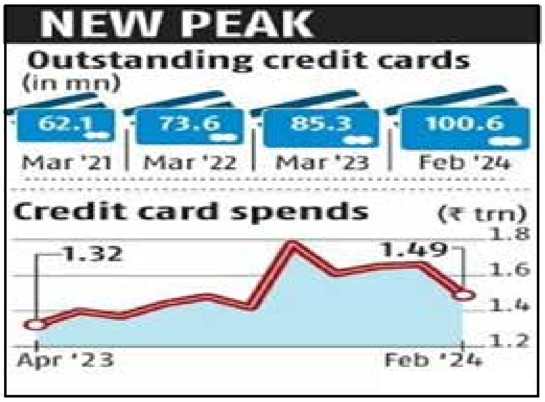
The target is way up from the annual average of more than $70 billion in FDI in the last 5 years through March 2023.Despite experiencing a decline in FDI last year due to global uncertainties and other factors, Mr. Singh said that the figure for current fiscal year's will come closer to the $100 billion target.

Consumer confidence in India surges to highest level since mid-2019: RBI survey

As per a recent bi-monthly survey conducted by RBI, the consumer confidence in India has soared to its highest level since mid-2019.

The survey revealed that respondents perceived improvement across all survey parameters, resulting in a 3.4-point rise in the Current Situation Index (CSI) to 98.5 – its highest level since mid-2019.

RBI governor emphasized optimistic prospects for investment activity, pointing out factors such as the upswing in the private capex cycle, strong government capital expenditure, healthy balance sheets of banks and corporates, and increasing capacity utilization.



Source: Business Standard

Credit cards breach the 100 million mark in India, shows RBI data

In February 2024, the total number of credit cards issued by banks in India exceeded 100 million, with an addition of 1.1 million cards compared to the previous month.

As per the latest data by RBI as of February, the outstanding number of credit cards in the circulation stood at 100.60 million, while in February 2023, the total cards in system stood at 99.5 million.

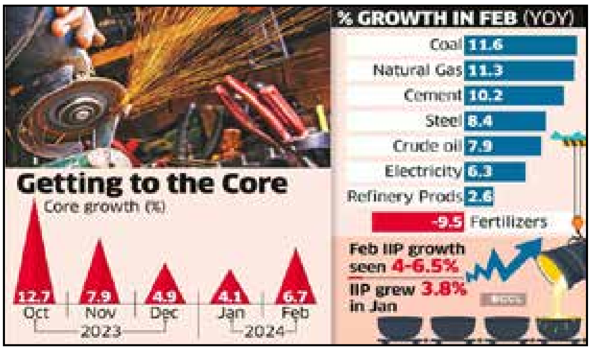
Analysts predict a rise in credit card usage due to structural factors stimulating consumer demand, and enhanced systems implemented by lenders.

PLI schemes attract over Rs 1.06 lakh crore investment till Dec; pharma & solar modules are top beneficiaries

As per the govt data, PLI schemes across 14 sectors garnered investments exceeding Rs 1.06 lakh crore till December 2023, with pharma and solar module segments contributed nearly half of this total.

Response to the schemes was subdued in sectors such as IT hardware, automotive, textiles, and ACC battery storage till Dec of last year.

Pharma sector attracted investments of Rs.25,813 cr, surpassing the expected investments of Rs.17,275 cr. While for the highly efficient solar PV modules, the total investment was only Rs.22,904 crore as against the expected investment of Rs 1.10 lakh cr.



Source: Economic Times

India's core sector growth rises to 6.7% in Feb vs 4.1% in Jan

In February 2024, the growth rate of India's eight core sectors grew by 6.7% compared to the previous year.

The index had increased by 4.1% in January 2024 and 4.9% in December 2023, while in February 2023 the growth stood at 7.4%.

Sectors including coal, natural gas, cement, steel, crude oil, electricity, fertilizers, natural gas, refinery products, and steel witnessed positive growth.

Global News Of This Month

US Federal Reserve leaves key lending rate unchanged; foresees rate cuts in 2024

The US Federal Reserve has maintained the benchmark interest rates within the range of 5.25 - 5.50%, marking the fifth consecutive instance of no change.

Despite slight inflationary pressures and a robust job market, the Fed has not altered its course regarding potential rate cuts, signaling a possibility of three rate cuts within the year.

China's factory activity expands at fastest clip in 13 months, Caixin PMI shows

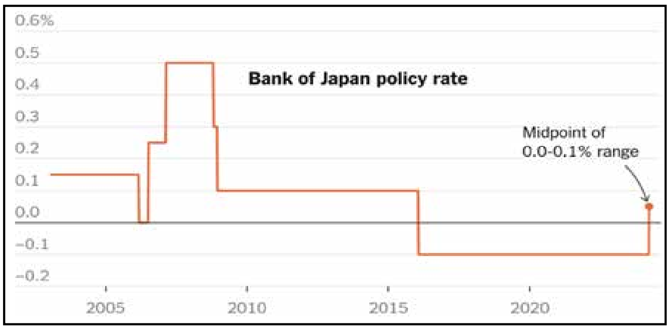
In March, China's manufacturing activity surged to its highest level in 13 months, with business confidence hitting a 11-month high, propelled by increasing new orders both domestically and internationally.

The Caixin/S&P Global manufacturing PMI climbed to 51.1, surpassing analysts' projections of 51.0 and marking an expansion for the fifth straight month.

Bank of Japan raises interest rates for the first time in 17 years

For the first time in 17 years, Japan's central bank increased its benchmark interest rate, discontinuing a prolonged policy of negative rates meant to boost the economy.

The short-term rate was raised to a range of 0 to 0.1% from minus 0.1 during a policy meeting, aligning with anticipated steps away from ultra-lax monetary policies.



Source: The New York Times

OPEC+ keeps output policy steady as oil nears $90 a barrel

A meeting of top OPEC+ ministers kept oil supply policy unchanged and pressed some countries to increase compliance with output cuts, a decision that spurred international crude prices to their highest in five months at nearly $90 a barrel.

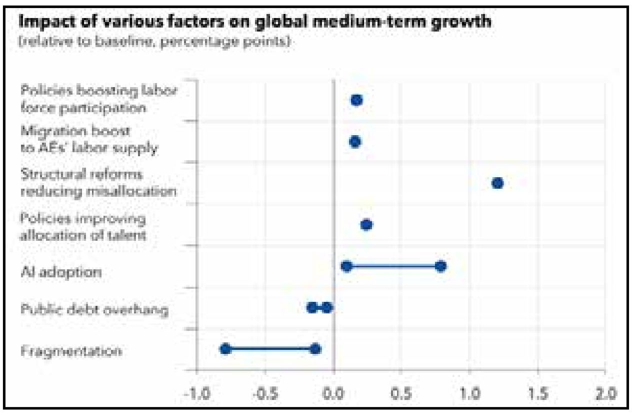
The rally in oil prices this year has been fueled by factors such as reduced supply, attacks on Russian energy infrastructure, and conflicts in the Middle East.

In the previous month, OPEC+ members, led by Saudi Arabia and Russia, agreed to extend voluntary production cuts of 2.2 mn barrels per day (bpd) until the end of June to support to the market.

World faces persistent low growth in absence of productivity reforms

The IMF said that global economic growth will only reach 2.8% by 2030, which is a full percentage point below the historical average, unless substantial efforts are taken to enhance productivity and leverage technologies like artificial intelligence.

One year ago, the IMF anticipated medium-term growth to hover around 3%. However, the latest forecast indicates downward revisions for medium-term growth across all income brackets and regions, most significantly emerging market economies.



Source: International Monetary Fund

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