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Beyond Market

it's simplified...

NIRMAL BANG
a relationship beyond broking

a financial magazine crossing horizons

MANUFACTURING SUCCESS STORIES

Policy reforms and key announcements by the government have turned the tide for the manufacturing sector in India

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CONTENTS

READYING INDIA FOR THE FUTURE

Tushita Nigam
Editor

India has been steadily making great progress in all spheres if we look at it from a wide or narrow spectrum, including the manufacturing sector. On the path to becoming self-sufficient and reducing its dependency on other nations, India has achieved tremendous success in manufacturing. This has been possible due to favourable government policies and consistent support, enabling it to increase its share in the total GDP of the country. The on-going progress and the expected developments in the manufacturing sector in the coming year prompted us to give an account of this industry in our cover story. Read more on this topic to understand it better.

Other significant reads featured in this issue too will pique your interest. One article talks about the difficult task of controlling the stubborn inflation that has been worrying the Reserve Bank of India (RBI) since some time now. Another write-up gives a low down on how India is trying to outdo its global peers in terms of growth and economic stability. Similarly, another article talks about the boost the semiconductor industry has received from the government through policy announcements, and the recent developments in the cement sector, which have ensured a promising future for the sector.

Also, how the toy industry in India is growing due to government support, enabling domestic manufacturers to outshine international players; the billion dollar sales clocked by e-commerce players during the festive season, and the importance of tokenisation in safeguarding users and reining in digital miscreants are other intriguing reads.

The Beyond Basics section covers the need to maintain a margin of safety while making investments, even if it is in mutual funds, to minimize risks.

Finally, do not miss the article on moonlighting, a practice being indulged in by employees, but frowned upon by employer**S.**

In the coming fortnight, the markets look good with the Nifty Futures having support at the 17,750 and 17,650 levels.

In the US with hopes of inflation lowering, bond yields have seen a correction along with the dollar index, which is supporting the US equity market.

Q2 FY23 corporate earnings of India Inc have been in line with expectations much to the delight of traders and investors.

In the coming fortnight, the markets look good with the Nifty Futures having support at the 17,750 and 17,650 levels. If it closes around the 17,980 level, then the Nifty Futures is likely to touch 18,380 and 18,550 thereafter. Also, the cement sector can be considered from an investment perspective.

Market participants should watch out for the outcome of the upcoming Fed meeting wherein the Federal Reserve is widely expected to raise interest rates by 75 basis points. In addition to this, they should keep a tab on the remaining earnings results of India Inc that are likely to be announced in the days aheaD.

Dilip Barg

Nifty: 17,786.80
Sensex: 59,959.85
(As on 28th October '22)

Disclaimer
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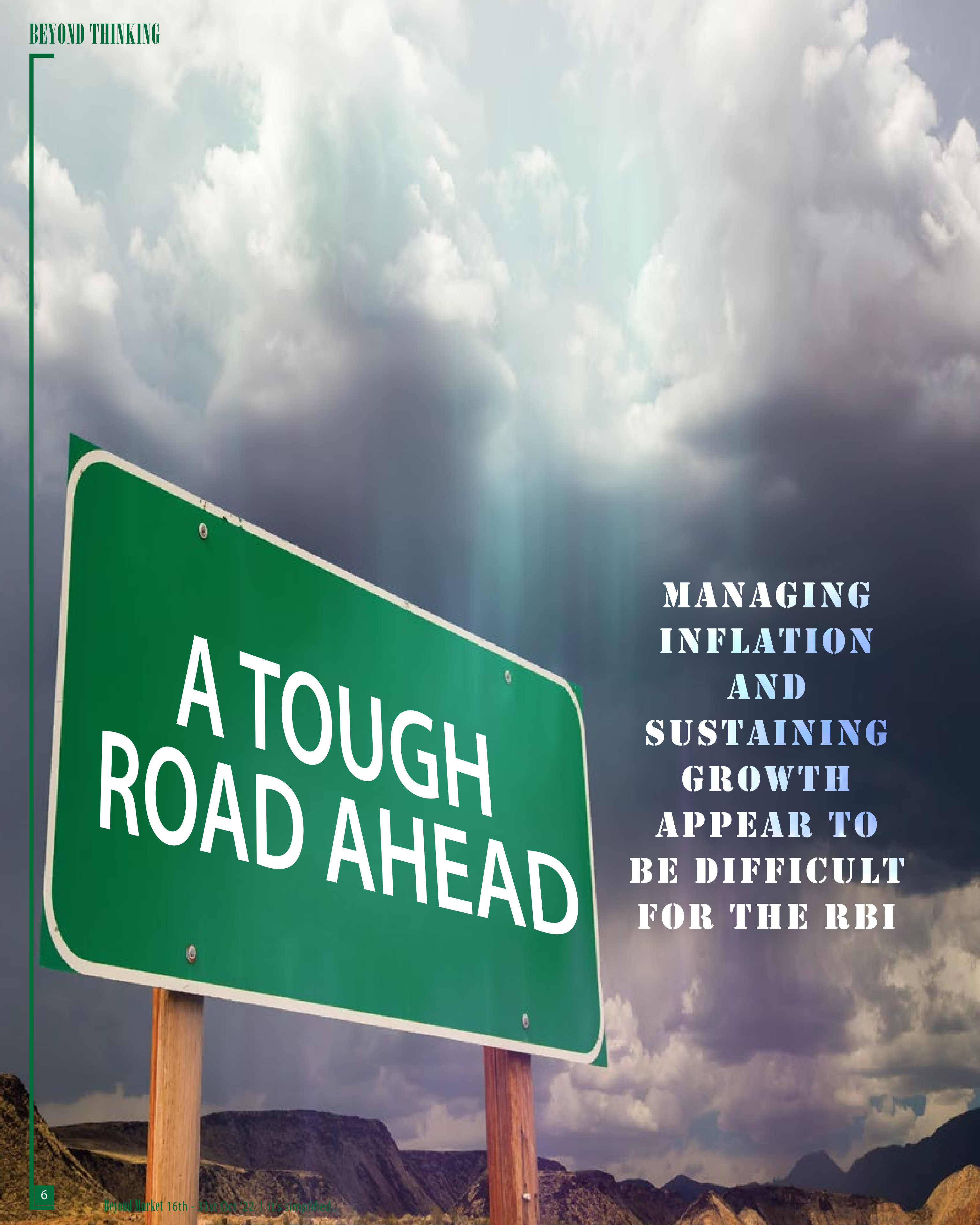


A TOUGH ROAD AHEAD

MANAGING INFLATION AND SUSTAINING GROWTH APPEAR TO BE DIFFICULT FOR THE RBI

In line with expectations, the six-member Monetary Policy Committee (MPC) - the interest rate-setting body of the Reserve Bank of India (RBI) - delivered a 50 basis points (bps) hike in the benchmark repurchase rate (repo) in its 30th September policy review.

The repo rate now stands at 5.90%, moving above the pre-pandemic level of 5.15% (in February '20) and at the highest level since May '19. The MPC has raised the key interest rate by 190 basis points so far in this financial year in a bid to check higher inflation.

Five of the six MPC members voted to raise the repo rate by 50 bps, while one member voted for a 35 bps rate hike. The central bank has retained the policy stance of 'focus on withdrawal of accommodation', reiterating its commitment to inflation control while supporting growth.

The repo rate is the interest rate at which banks borrow from the RBI during times of tight liquidity in exchange for government securities as collateral. This way liquidity is injected into the system at the repo rate.

The repo rate influences all other interest rates in the system like banks' lending and borrowing rates. It also influences yields on government and corporate bonds. With the hike in repo rate, where would the current rate hike cycle terminate? Inflation back home and the stance of the US Federal Reserve will have a major say in deciding policy rates in India.

CPI INFLATION - HAS IT PEAKED?

RBI's MPC targets CPI inflation for policy formulation. The committee has a mandate to keep inflation measured by the Consumer Price Index (CPI) below 6% for a five-year period ending March '26. The MPC has many tools to achieve this mandate. With this, the CPI inflation has stayed above 6% for nine months in a row. Despite a 190 bps hike in the repo rate, the RBI has failed to keep inflation lower.

The September CPI data, which was released on 12th October, came in at 7.4% on-year as against 7% in August. This was higher than expected due to high inflationary pressures from food and services segments.

As per law, the RBI will have to do some explaining. The RBI will now have to write a letter to the central government stating the reason for its failure to achieve the target, propose remedial action, and thereafter provide an estimate of the period within which the 6% target will be achieved.

Positively, the RBI thinks that inflation may moderate in the coming few months. According to its latest estimate, the RBI expects CPI inflation to remain above its upper tolerance band at 6.7% in FY22-23.

But for the April-June quarter, the CPI inflation is expected to drop to 5% on account of easing supply conditions, softening global commodity prices and timely government policies.

The arrival of the kharif season harvest in October-November in agri markets could help pacify food inflation. With water reservoirs at good levels, even rabi (winter sowing) crops are expected to be higher. This will ensure lower food inflation, going ahead. Any upside risks to food inflation due to bad weather conditions will be the key.

AGGRESSIVE US FED

While data for CPI inflation will have a major say in any future action by the RBI's MPC, many see actions by the US Fed to also influence the decision-making of policymakers.

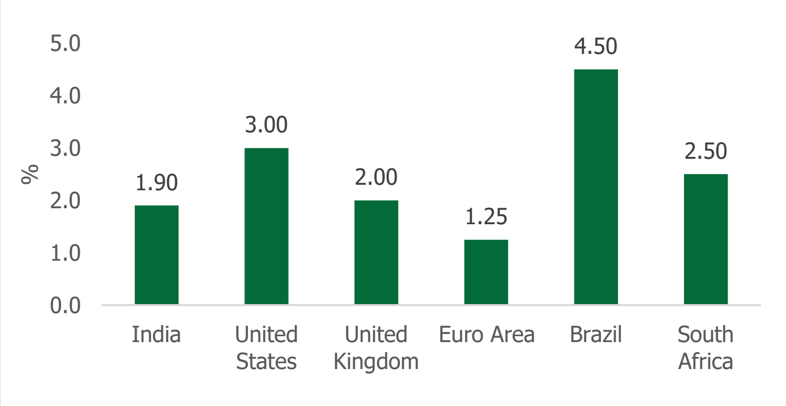
Central banks of advanced econo

Key Policy Rates

	Feb'20	Mar'20	Apr'20	May'20	Apr'22	May'22	Jun'22	Aug'22	Sep'22
Repo	5.15	4.40	4.40	4.00	4.00	4.40	4.90	5.40	5.90
Reverse Repo	4.90	4.00	3.75	3.35	3.35	3.35	3.35	3.35	3.35
MSF	5.40	4.65	4.65	4.25	4.25	4.65	5.15	5.65	6.15
SDF	-	-	-	-	3.75	4.15	4.65	5.15	5.65

Source: CARE Ratings

Changes In Policy Rates Globally Since January '22



Source: Bank For International Settlements (BFIS)

mies have turned aggressive in recent months in tightening their monetary policies. For instance, to fight very high inflation, the US Fed has raised its policy rate five times in the past six months to 3.125% from 0.125%.

Even the latest inflation data in the US has come higher-than-expected. This will force the US Fed to be even more aggressive. The US Fed is expected to hike its key interest rates to 5.25% to 5.50% by March '23.

The interest rate differential between the US and India takes significance as it directly impacts funds' flow into our markets. Higher interest rates lead to the dumping of assets by foreign investors for safer assets in developed economies.

Foreign flows into equities stood at US $37 billion in FY20-21. But net outflows in FY22 and the April-June quarter of FY22-23 stood at over US $32.2 billion, reversing the majority of inflows in FY21. This is where the US Fed has been hiking its key rates.

Since the RBI has taken an aggressive stance in hiking rates, foreign flows into equities in the July-September quarter of FY22-23 stood at US $6.2 billion. To sustain flows, it is important to keep the interest rate differential at high levels. Experts think that the RBI will strive to keep a 200 basis points differential between the US Fed rate and the RBI's repo rate.

Additionally, aggressive rate hikes by the US Fed in recent months are taking a toll on economic growth. This could mean that the US Fed could pause to tighten by the end of calendar year 2022 as growth concerns come to the fore and inflation abates.

FINALLY - OUTLOOK

A pause by the US Fed can give Indian policymakers a breather. Thus, the environment could turn positive for foreign flows into India at the end of the current fiscal year after staying volatile in the coming weeks. Many believe that the worst of foreign investors' outflows is likely over.

Back home, the MPC also has a secondary responsibility towards adding economic growth. With MPC hiking interest rates, what will be the impact on economic growth?

Economic growth is likely to be impacted as higher interest rate scenarios lower demand and as corporates postpone their expansion plans due to high cost of capital. This is reflected in RBI's projections.

The RBI has lowered its FY22-23 GDP growth projection from 7.2% to 7%, while it expects FY23-24 growth to be at 6.5%.

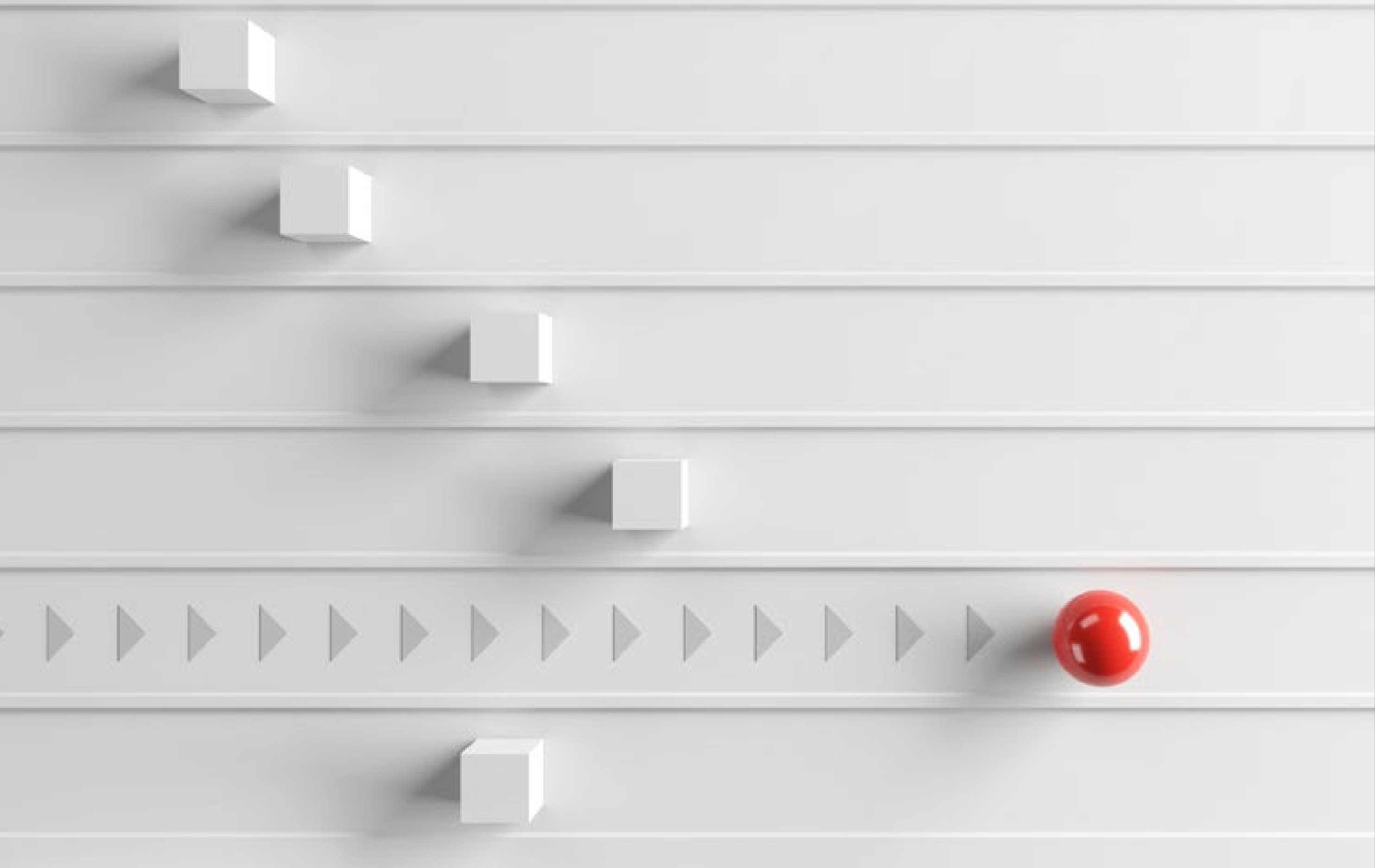
The RBI will have to walk a tightrope to balance inflation management and sustain growth impulses in the economy. Many expect another 50 bps hike in repo rate in the MPC's December policy, and a 35 bps hike in the February review.

This would mean that the repo rate could reach around 6.75% in the current rate hike cycle. This phase could be followed by a pause or cut in the repo rate and the trajectory of inflation would be the key to monito**R.**

BEYOND WORDS

Elinor Ostrom

Elinor Ostrom is a Nobel prize-winning American political economist. She was awarded the Nobel Memorial Prize in Economic Sciences in the year 2009 for her "analysis of economic governance, especially the commons," and become the first woman to have won the Nobel Prize for economics. She shared with award with Oliver E Williamson. She studied people in communities manage resources such as pastures, fishing waters, and forests sustainably managing shared resources without any central planning.



AGAINST THE TREND

Despite headwinds, India continues to be one of the better-performing economies in the world

The Indian economy is resilient, its fundamentals robust. This is what has enabled the Indian economy to chug along in the last two years without having to confront severe shocks in sharp contrast to several other countries, some of whom have either become basket cases or are on the verge of collapse.

The covid 19 pandemic and all its associated problems have undeniably contributed to the present global economic malaise.

However, there are other reasons as well, prime among them being the unexpected external developments beyond the control of national governments (including India's).

The war between Russia and Ukraine in Europe is one such while Chinese belligerence in the Far East (Pacific) is another. The third hotspot is Iran, which has been sanctioned by the United States (US) and its allies and the increasing animosity between the two. These three developments plus the pandemic-caused problems have all combined to exacerbate the global economy's woes.

Global supply routes have been disrupted because of political tensions; commodity prices have consequently spiked and oil prices have moved northwards. All this has spurred inflation and negatively impacted the global economy.

At the time of writing, Saudi Arabia and the US have locked horns over the OPEC+ decision to cut oil production - a move that can have a deleterious impact on the already moribund global economy.

India has fared relatively well in the last two years because of the inherent strengths of its economy and a nimble and proactive central government headed by Prime Minister Narendra Modi. However, this being a highly interconnected and globalized world, India too (like several others) has been unable to escape economic slowdown.

The country's GDP growth forecast for this fiscal (FY23) has been scaled down by two globally reputed organisations - the International Monetary Fund (IMF) and the World Bank (WB) - to marginally below 7%.

While a growth of more than 7% would certainly be welcome, any number only marginally below that should not be considered very disappointing either. For, in the prevailing global economic environment, any number around the 6.5% mark should be considered as creditable indeed.

"India has been doing fairly well in 2022 and is expected to continue growing fairly robustly in 2023," the IMF's Chief Economist Pierre Olivier Gourinchas said at a press briefing recently.

"The three largest economies, the United States, China and the Euro area will continue to stall….in short, the worst is yet to come and for many people 2023 will feel like a recession," Gourinchas said in a statement before the briefing.

India's apex bank, the Reserve Bank of India (RBI), has pegged India's GDP growth rate at 7% for FY23. But both the IMF and the World Bank differ. They are projecting a below 7% growth rate. The IMF's growth number is 6.8% while that of the World Bank is 6.5%. IMF has trimmed its forecast by 0.6% while the latter has drastically slashed its forecast by a 100 basis points (bps).

The IMF cited a weaker output in Q2 and subdued external demand for its projection while the World Bank said it expected India's economic growth to slow down this fiscal.

It said the spillovers from the European war, global monetary policy tightening and high inflation due to higher prices of key commodities and borrowing costs along with slowing demand for India's exports would all combine to slow down India's economic growth.

In August, the country's factory output measured through the Index of Industrial Production (IIP) registered a contraction of 0.8% on-year to 131.3 as against a 13% rise in the same month last year. The contraction was mainly because of manufacturing and mining, which declined 0.7% on-year to 131 while the mining sector slid 3.9% to 99.6.

The only sector that registered growth was the electricity sector, which grew 1.4% .

The Reserve Bank has also highlighted a few headwinds while upping the repo rate by 50 bps to 5.90% to combat rising retail inflation, which in September had climbed to a five-month high of 7.41%. This is the ninth consecutive time that CPI inflation has come above the RBI's upper margin of 6%. The RBI's forecast of 7% growth is a reduction from its earlier projection of 7.2%.

Inflation, the ongoing global geopolitical tensions, risk of recession in advanced economies, high commodity prices and the uncertainty surrounding crude oil prices will remain primary concerns this fiscal.

On the brighter side, the improving outlook for agriculture and allied activities, the strong rebound in services, the government's continued capex thrust, improvement in capacity utilization in manufacturing and pick-up in non-food credit should sustain the expansion in industrial activity that stalled in July, the RBI said.

The World Bank highlighted the ample foreign reserve buffers and said that it has afforded resilience to the country's external sector.

Crucially, India does not have a large external debt - all these are positives for India despite lower GDP growth rate projections.

The various issues with the Indian economy notwithstanding, there are certain heartening features, which augur well for the future and therefore, need highlighting. They may appear to be isolated developments but all contribute to make the overall picture brighter and exhibit the Indian economy's resilience and strong fundamentals.

The first is the creditable feat of surpassing the United Kingdom to become the world's fifth biggest economy, behind only the US, China, Japan and Germany. According to some experts, India could overtake Germany by 2029.

Secondly, as pent-up demand got released with the onset of the festival season, some business segments clocked impressive performances.

With consumption picking up in both urban and rural areas, the future holds promise for several business segments such as two- and four-wheelers, textiles, gold and jewellery, white goods, etc.

September also brought cheer to the automobile industry as it recorded its best-ever monthly sales. Riding on the back of a robust festival demand and the easing of semi-conductor supplies, domestic passenger vehicle-makers were able to produce more and also increase dispatches to dealers.

Industry volumes expanded robustly in September at 91% to 3,55,946 units. A significant highlight is that the industry breached the 10 lakh sales mark in a quarter for the first time ever in the July to September period. A healthy performance by the auto sector has spin-off benefits for the economy as ancillary units, a big employment generator come into play.

Another sector of tremendous importance - defence - clocked ₹13,000 crore in exports, the highest ever in 2021-22. This comes in the wake of a very creditable jump in exports in the 2017-21 period, from ₹1,520 crore to ₹8,435 crore. Significantly, during FY22, about 70% of the exports emanated from the private sector.

India is eyeing an export target of US $5 billion over the next three years. With the government's policies for the defence sector beginning to pay dividends, it is poised to become a big revenue-earner, going forward.

Perhaps the biggest indicator of the Indian economy slowly getting back on rails (despite downward revisions to its GDP growth rate) is the Goods and Services Tax (GST) collections in recent months.

September (₹1,47,686 crore collection) is the seventh month in a row that monthly collections have topped the ₹1.4 lakh crore mark.

This collection is up 26% in comparison with the year-ago period. September also marked the second highest single day collection of ₹49,453 crore (on 20th September) next only to the ₹57,846 crore collected on 20th Jul '22.

The icing on the cake is the praise heaped on the Indian government by the IMF, which has lauded the government's direct cash transfer scheme as a 'logistical marvel'. The IMF's Deputy Director of Fiscal Affairs Department Paulo Mauro said that "from India, there is a lot to learn."

He highlighted the "sheer size" of India and said that "it is a logistical marvel how these programmes that seek to help people who are at low income levels reach literally hundreds of millions of people."

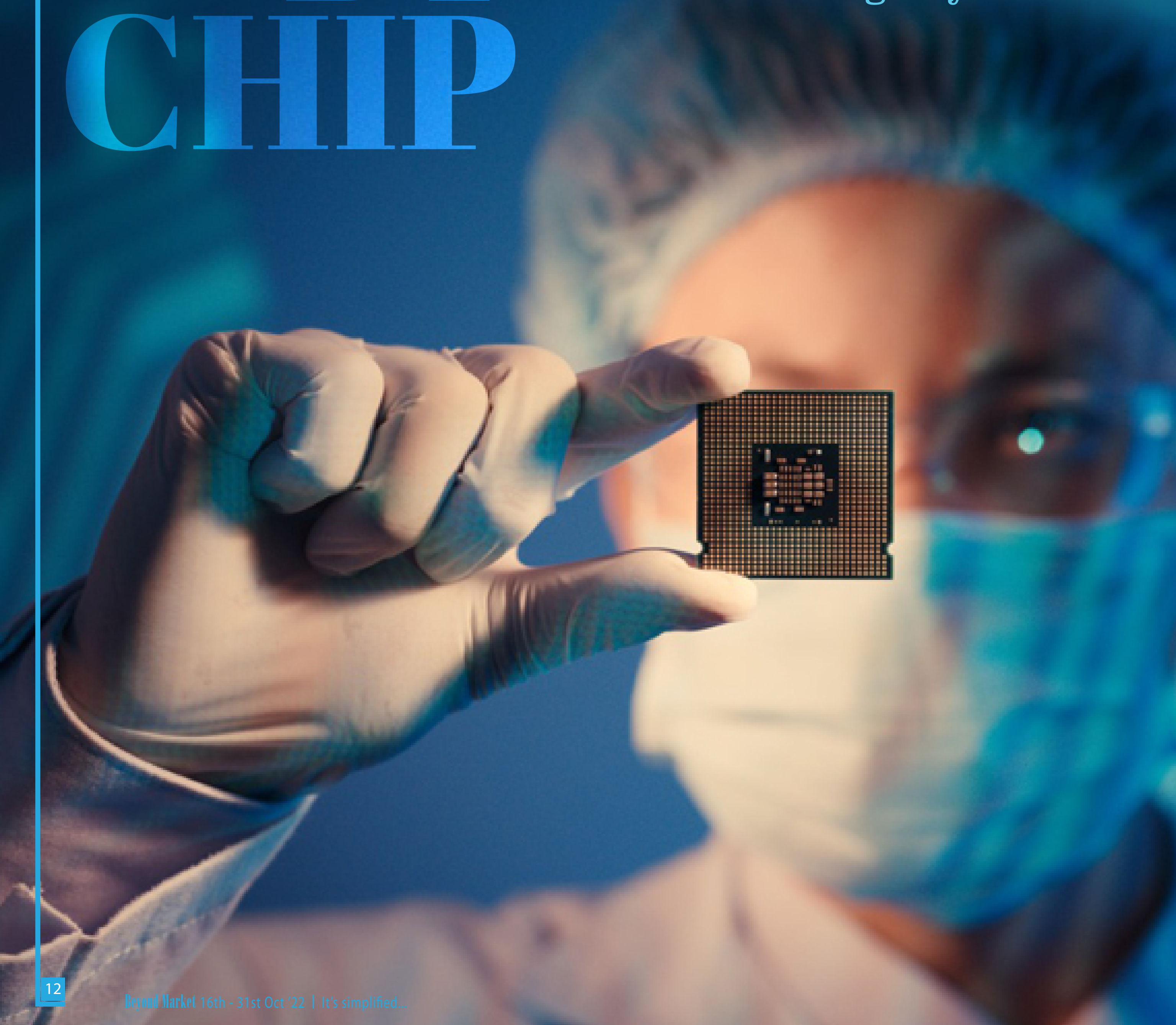
From the facts stated herein, it is clear that despite the existence of headwinds, some of which could be potentially injurious to its economic health, India in the post-pandemic period remains one of the better-performing economies.

Juxtapose India's performance with those of the super-powers such as China, the US and the UK whose economies are moribund and face the risk of recession, India's economic performance becomes all the more creditable.

If no more unexpected shocks occur and the government remains as nimble-footed and pro-active as it has been so far, then there is no reason why India cannot emerge from the present slowdown by the end of the next fiscal and forge swiftly ahead towards high growths by the end of this decad**E.**

CHIP BY CHIP

After several failed attempts, the government is looking to give a boost to the semiconductor industry in India. But reaching a global scale is still a long way



In the early 1980s when Texas Instruments passed over Morris Chang for CEO, it turned out to be a big mistake for the US semiconductor giant.

Chang returned to Taiwan at the invitation of the government there, where he established semiconductor giant TSMC and turned his country into the mothership of silicon chips globally.

Interestingly in the sixties, decades before Chang set up TSMC, Fairchild Semiconductor, a firm set up by Intel founders Bob Noyce and Gordon Moore, had considered building a fab in India, but alleged bureaucratic lethargy drove them away to Malaysia.

Since then, several attempts were made to set up a fab industry in India, including by PSUs such as Bharat Electronics and BHEL but they came to a nought, thanks to red tape, lack of infrastructure, corruption and a lack of visionary leadership.

In mid-2005, a major MNC semiconductor company started operations in South India but faced roadblocks and shifted the project to China. Seeing its fate, another multinational in the process of setting up fab here withdrew. In 2007, Intel moved a project to Vietnam citing policy delay.

In 2012-13, the UPA government allocated ₹39,000 crore to build two fabs. JP Group, along with IBM and HSMC bid for it but HSMC could not assure investors about an encouraging market in India, and the bidders withdrew.

In 2021, Tower Semiconductor threatened to walk out of an India project.

The end result of this is India, which was just two years behind the latest chip manufacturing technology in 1987, today lags 12 generations.

Amid this, the Modi government has launched a fresh gambit for setting up fab manufacturing in line with its goal to become a $5 trillion economy.

WHY THE RUSH?

With severe disruptions in chip supply due to covid-19 and the ongoing Ukraine war, countries including the US and India are throwing billions of dollars at chip manufacturing, which forms the heart of all electronics, from satellites to medical equipment to vehicles.

The US has offered incentives of $52 billion for setting up semiconductor plants while the European Union is topping up an earlier offer of $30 billion. China subsidises its chip manufacturing to the extent of $15 billion annually.

INDIA'S PLANS

India's chip-making gambit is part of a broader, incentive-based thrust into electronics manufacturing.

India imports almost all of its chips and depends on the US, Taiwan, and Southeast Asian countries to make its chips, including those used in critical areas such as defence, space, railways and finance.

The government estimates that India's semiconductor market will grow to $63 billion by 2026, from less than $20 billion in 2020.

The Union Cabinet has approved the 'Semicon India' programme with a total investment of ₹76,000 crore for growing the country's semiconductor and display manufacturing ecosystem.

Its main objective is to provide financial assistance to companies that invest in semiconductors, display production, and the design environment.

Four schemes have been introduced for the setting up of Semiconductor Fabs, Display Fabs, Compound Semiconductors/ Silicon Photonics/ Sensors Fab and Semiconductor Assembly, Testing, Marking and Packaging/ OSAT facilities in India and Design Linked Incentive scheme.

The government wants to encourage the use of secure microelectronics and the establishment of a reliable semiconductor supply chain, including raw materials, specialty chemicals, gases, and production equipment.

It also wants to promote and facilitate indigenous Intellectual Property generation, encourage, enable and incentivize the Transfer of Technologies and collaborations with national and international organizations to catalyze research, commercialization and skill development.

Under the scheme, eligible players would get only 30% if they manufacture chips above 45 nm, 40% for above 28 nm, and 50% for chips of 28 nm or less.

The lower the nanometre of a digital

chip, more the processing power and functionalities and less electricity usage. Small-node chips, therefore, command higher price tags and yield bigger profit margins.

Analogue chips range from 45 nm to 230 nm. India's semiconductor market is expected to touch $64 billion by 2026, with digital chips of 22 nm or less commanding an overwhelming $40 billion, or more than 60% of the total market.

The share of chips above 22 nm, it says, will fall to a mere 20%, pretty close to the value share of analogue chips.

INTERESTED PLAYERS

The government has received proposals from five companies for setting up electronic chip and display manufacturing plants with an investment of ₹1.53 lakh crore under the Semicon India Programme.

A joint venture between Taiwan's electronics manufacturing giant Foxconn and India's metal-mining behemoth Vedanta to build a semiconductor plant in Gujarat could start producing 12-inch wafers using the 28-nanometer process as early as 2025.

It plans to focus on consumer electronics and mobile devices and earmark 80% of its output for domestic consumption. Singapore-based IGSS Ventures will also initially concentrate on chips of 28 nm to 65 nm.

ISMC, a consortium led by Mumbai-based Next Orbit, which has signed a definitive agreement with Israel-based Tower Corporation for technology, initially plans to go with more advanced analogue chips of 65 nm and then move down to 45 nm. In the second phase, it will move to digital chips, starting from 22 nm and going down to 14 nm.

ISMC feels the analogue chip market in India, now at $6 billion - $8 billion, is expected to grow at 15% a year to touch $11 billion by 2026 and stay there for the next 30 years. Secondly, an analogue chip plant requires an investment of $3 billion, which is a lot lesser than the $7 billion to $10 billion needed for a 28 nm plant.

It does not see a future in digital 28 nm chips as the Indian plants will take two to four years to get off the ground. By that time, in the fast-changing world of chip making, the global market would have shifted to 22 nm, which is expected to have a lifecycle of four to seven years, followed by the 14 nm chip.

SMALLER CHIPS

According to a study, as much as 50% of the foundry value of the sale in India would be accounted for by chips with nodes of 14 nm and below by 2025. The demand for lower node chips is expected to explode with the launch of 5G telecom services, new use cases emerging from the auto industry as it shifts from internal combustion engines to electric, the growth of Internet of Things, and digitalisation in government and corporate sectors.

However, to make lower node chips, one big challenge is technology. The few global companies that have the technology, such as TSMC, Samsung, and Intel, are unlikely to transfer it in the 14 nm and less segment as they have invested billions of dollars to develop it and would want to recover that cost. The second challenge is the investment needed. According to Boston Consulting Group, a state-of-the-art fab plant for small nodes can cost upwards of $15 billion, which is about as much as the cost of a nuclear power plant.

The government expects chips of 28 to 45 nm to have the highest overall demand from users for the next 10 to 15 years. However, it plans to ask eligible candidates for a roadmap to make chips of 14 nm and less. The incentive scheme has the flexibility to support more investment, if needed, for lower nanometer chips.

For international collaborations, reports suggest India and Taiwan have been in talks to establish a semiconductor manufacturing hub in India.

INDIA'S STRENGTHS

Experts say while there is a debate on the full-spectrum approach versus specialization, the country has strengths in chip design, and natural advantage in the labour-intensive part of chip-making (assembly, testing and packaging). It could also do well in downstream product assembly, as with mobile handsets. Some component or sub-assembly makers might invest here to feed assembly lines. In time, an ecosystem could develop with global linkages.

First, India has a strong background and plenty of skills and experience in chip design. Second, it has a large domestic market, which is slated to grow faster after the launch of 5G services, since that will enable high-speed internet and support expansion in enterprise and consumer-related applications such as IoT, creating new demand for chips. Plus, India has a large auto industry, which has suffered from chip shortages.

Domestic semiconductor production could also provide a boost to the burgeoning aerospace and defence sectors and enable local mobile handset manufacturing to move up the value chain. The large market and the design strengths have already been enough to generate early interest with some semiconductor majors looking to tie up with domestic groups.

CHALLENGES

Some of the issues and challenges are generic, while others are specific to the semiconductor industry. Apart from ambiguous government policies, there have been endemic delays in land acquisition for all sorts of projects, and also in environmental and other statutory clearances.

The semiconductor manufacturing industry requires massive scale to make it economically sustainable - it is a highly concentrated industry with only about 15 companies possessing the skills and scale to be significant global players.

The policy commitment of $10 billion and assurances of support may not be enough as setting up these plants is fairly expensive. Chip makers require massive amounts of pure water, and a rock-steady, totally reliable power supply. India is water-deficient, and the water quality is poor in most places.

Policymakers will have to tackle these issues head-on to create a sound base for domestic semiconductor manufacturing.

The jostling for the Vedanta-Foxconn plant between Maharashtra and Gujarat shows that governments will lay the right incentives for the sector to flourish her**E.**

MANUFACTURING SUCCESS STORIES

Policy reforms and key announcements by the government have turned the tide for the manufacturing sector in India

India's manufacturing sector is witnessing secular growth. And it could get better in the coming years on the back of economic growth, supported by favourable policy decisions by the government.

In recent years, the government has been lending support to the manufacturing sector through suitable reforms. More so since India's manufacturing holds a lot of potential compared to the developed world. With India's manufacturing supposed to reach 22% - 25% of the GDP, it still offers a growth opportunity worth $1 trillion.

Owing to coronavirus-induced lockdowns and industrial stress, the share of manufacturing has gone down vis-à-vis the services industry. That being said, this offers a potential to the manufacturing sector to stage a comeback in the post-covid era.

POLICY SUPPORT

The government has launched a series of programmes such as Make in India, India 4.0, Production Linked Incentives scheme and Samarth Udyog, among others with the aim of aiding and increasing production domestically.

Never before has there been greater focus on internal development than now, especially in the backdrop of sanctions and conflict in Ukraine now, which has caused supply chain disruptions and hampered energy production, and the coronavirus pandemic and its ramifications in China and around the world.

Also, announcements are being made to reduce India's reliance on foreign countries in the area of defence, medical products, energy and other sectors that are crucial to the growth of India's national security or those that are dependent on other nations.

As far as national defence is concerned, the government is taking great pains to ensure that India is not dependent on a single country so that it can take decisions independently without worrying about supply disruptions of key equipment.

The government has taken several policy initiatives in the past few years and brought in reforms to encourage indigenous design, development and manufacture of defence equipment in the country and to minimize defence import by the Defence Public Sector Undertakings, thereby ensuring delivery of indigenous modern defence hardware to Indian Armed Forces.

In addition to these alterations, a list of 478 items considered vital to defence have been banned from import and will only be produced locally to ensure that their supply cannot be cut off and that foreign nations cannot track India's defense capability.

Various policy measures have been adopted by the government to ease the approval/certifications for Indian industries for defence production.

These policy changes are being introduced to increase the turnover of the defence sector to $25 billion, while increasing the FDI to 74% to create further capital investment.

PLI SCHEME: A BOON FOR THE INDUSTRY

Production Linked Incentive scheme is the greatest form of support extended by the government to the manufacturing sector in India. The scheme provides incentives based on the quantity of production.

The over-arching goal of the PLI scheme is to create 5 to 10 industry leaders in each sector of the manufacturing segment as a whole to create economies of scale and maximize efficiency. The core idea is to boost manufacturing and create industry leaders who can further supply them to the world.

The plan calls for incentives of ₹2 trillion over the next 13 years. With the help of the PLI scheme, the size of India's mobile manufacturing industry could witness a 15% to 30% growth in production. Many domestic and international players have already started manufacturing their brands in India.

THRUST TO GREEN ENERGY

The manufacture of green energy equipment and electronic vehicles is another area that is being pushed through the PLI scheme. Through mass production, India intends to develop an export hub to supply key components in the green energy and electronic vehicle space.

In May '21, the government approved a PLI scheme worth ₹18,000 crore for the production of Advanced Chemical Cell (ACC) batteries, which is expected to attract investments worth ₹45,000 crore and boost capacity in core component technology, thus making India a clean energy global hub.

By 2027, the PLI scheme alone is expected to boost GDP by $70 billion, increase manufacturing revenue by $144 billion, boost capex by $22 billion, add $55 billion to exports and create 5.5 million jobs.

In addition to these policy decisions, the government has set many enablers including Skill India programme, which aims to provide qualified, capable and dedicated workforce. The Skill India programme intends to create 65 million jobs for technically qualified workers who will support the growing needs of the economy across industries.

Further, the government has created a healthy business environment by introducing GST and tax reforms, abolishing license Raj and other measures to help ease the process of doing business.

Recently, India's Prime Minister Narendra Modi said that the government has repealed some 2,000 odd obsolete laws, thus helping industries to improve their functioning. India's position in the World Bank's ease of doing business ranking has improved drastically. It has gone from 142 to 63 currently under the current government.

A FAVOURABLE GROWTH STORY

Ukraine is the 7th largest producer of wheat, produces one third of the total sunflower oil and half of global exports; Russia is the second largest producer of natural gas with China being the world's largest exporter of electronics, circuitry, clothing and industrial equipment.

Keeping in mind the challenges facing these nations and their industries both economically, militarily and politically, it is likely that this could change and help countries like India to grab their share in world trade.

Importantly, with the stress in the Chinese economy, tensions over Chinese threats to Taiwan and Japan, the banning of Huawei products in a number of countries and a number of other factors both economic and political, large multinational corporations are ceasing production in China.

Covid-19 caused huge supply chain disruptions around the world. Companies and industries that relied heavily on China suffered because of supply-led issues. China's manufacturing took a beating, resulting in huge losses in the form of disruptions in the supply of key components.

A BETTER ALTERNATIVE

Due to this fiasco, India has emerged as an attractive alternative to China. With the aforementioned programmes aimed at increasing the ease of doing business in India, a growing and educated workforce and a supportive government is becoming one of the most attractive options for setting shop.

That apart, with the help of the Make in India drive, India could become a hub for hi-tech manufacturing as global giants such as GE, Siemens, Toshiba, Boeing and many others have either set up or are in the process of setting up plants in India, drawn to India's market of more than a billion consumers with a heavy purchasing power.

In 2020 alone, India received FDIs of $64 billion, making it the fifth largest receiver of investments in the entire world. What is more the government is looking to attract $100 billion FDI in the current year as against $83.6 in the last fiscal.

PLAYING THE THEME

Overall, manufacturing is set to benefit in the coming years. Investors who intend to participate in this theme could possibly look for companies that have a direct exposure to the manufacturing sector.

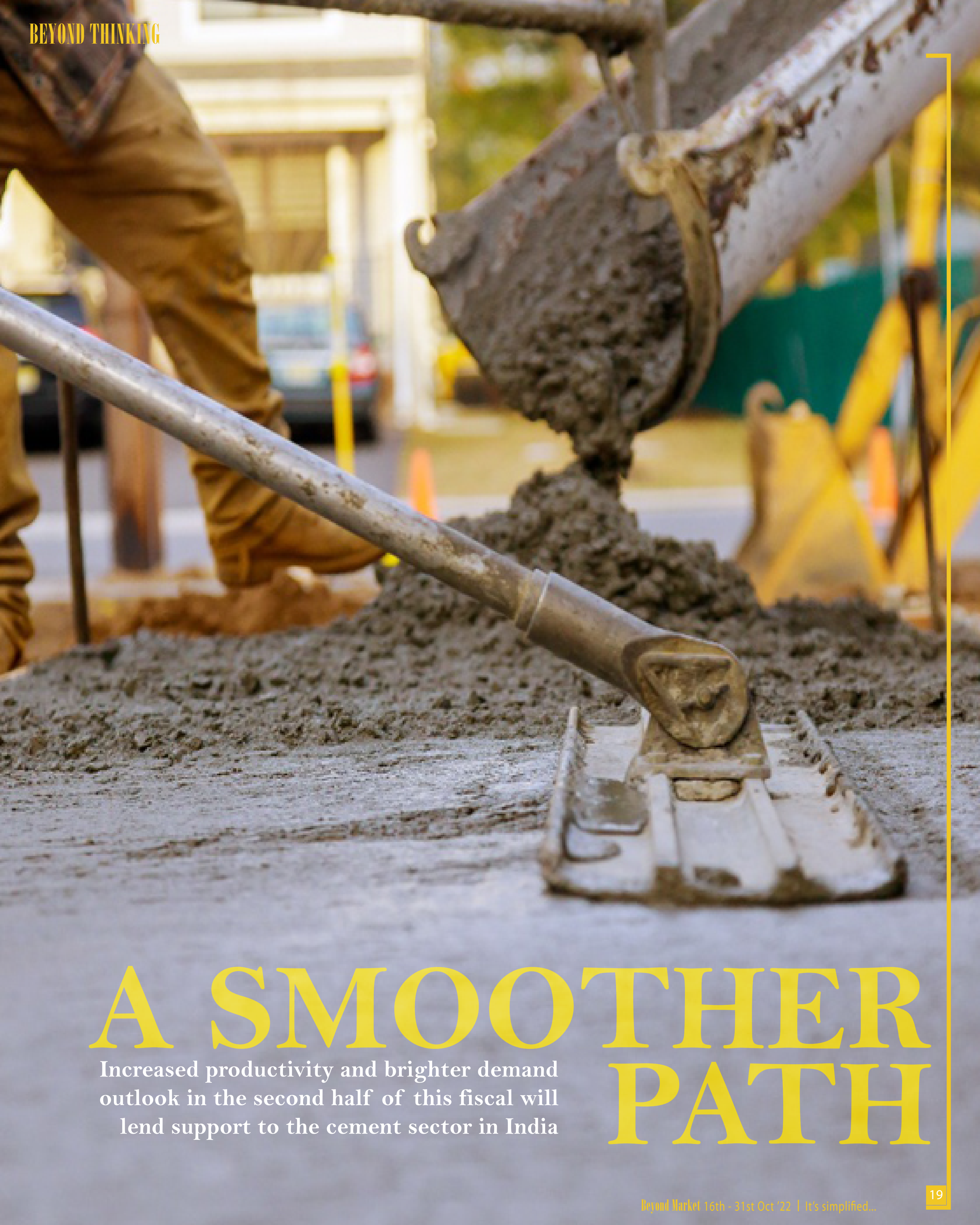
Companies will over a period of time benefit from industrialization and industry capex cycle. Sectors like engineering, mass production, logistics, capital goods, renewable energy, defence and few other niche segments in electronics and process engineering could be good baits to play this theme.

Moreover, most of these companies from the capital goods and engineering space have been trading at depressed valuations because of slow growth in India's capex cycle in the last two years. Valuations in many cases are still reasonable because the investment cycle is yet to pick up momentu**M.**

BEYOND WORDS

Thorstein Veblen

Thorstein Veblen was a Norwegian-American economist and sociologist. He developed the concept of conspicuous consumption, or excessive consumption for the sake of signaling social status. The concept of Veblen Good refers to a product whose demand increases as its price increases because consumers consider it an exclusive status symbol. He has written a well-known book called The Theory of the Leisure Class (1899).



A SMOOTHER PATH

Increased productivity and brighter demand outlook in the second half of this fiscal will lend support to the cement sector in India

Industry analysts and sector experts say the challenges that eroded the margins of cement companies may not persist in the second half of the current fiscal, enabling it to improve and grow.

Challenges such as high raw material prices and weak demand have eroded margins of cement companies in the first half of the present fiscal. But the street has changed the earnings estimates of well-placed companies in the second half of the present fiscal.

After the coronavirus pandemic, four challenges arose before cement companies. First, the pandemic impacted the demand for cement as most construction-related projects came to a grinding halt. Lack of finance, focus on conserving cash for day-to-day operations, weak demand and delayed payments impacted businesses of cement companies.

Second, competition among cement companies increased considerably. Third, prices of raw materials such as pet coke and coal hurt the margins of cement companies. Fourth, India's cement industry is dealing with overcapacity, which has further intensified competition among players.

As the first half of the present fiscal ended, a large number of analysts have turned optimistic about the business situation in the industry. In the past one-and-a-half years, fuel prices more than doubled owing to the ongoing geopolitical tensions between Russia and Ukraine.

In recent months, however, pet coke - a key ingredient in manufacturing cement - has become less costly. According to estimates, pet coke prices have fallen by 30%. Analysts feel that the benefit of this fall will be seen in the second half of this fiscal.

A growing view among analysts is that pet coke prices may not go up further, at least not in the medium term, owing to the fear of recession and the likelihood of global geopolitical issues being resolved.

An estimated 60% to 65% of demand for fuel by cement firms comes from pet coke. Analysts believe that cement firms may see cost benefit in the range of ₹300 - ₹400 on a tonne of cement.

Analysts also foresee a 2% to 3% improvement in realisations on the sale of a tonne of cement in the next one year. In addition to this, cement firms have been focusing on several cost-efficient measures such as increase in the share of Waste Heat Recovery System (WHRS), higher spilt grinding units, increase in the share of rail, higher blending ratio, and logistical efficiencies.

As a result, analysts expect cement companies' average earnings before interest, taxes, depreciation and Amortisation (EBITDA) per tonne to increase to ₹1,300 at the end of FY23 from ₹900 at the end of the June '22 quarter.

Besides, the boom in investment and sale of real estate has provided the much-needed guidance to analysts to increase the margins estimates of cement companies.

As per analysts' estimates, residential unit sales in India reached a nine-year high of 1,58,705 units in the first half of calendar year 2022 across top eight cities.

A report by Coldwell Banker Richard Ellis (CBRE), the world's largest commercial real estate services and investment firm (based on 2021 revenue), shows that office supply additions in India had reached 26.1 million sq ft in the first half of 2022. This was 26% higher than office supply additions last year. The report also noted that office and retail leasing saw three times growth on a year-on-year basis in the first half of 2022.

Even investments in real estate sector grew by 18% in the January-September period as compared to last year, says a report by Colliers, a Canadian investment management company. The inflows touched $3.6 billion in 2022 year-to-date, as per the report.

It must be noted that a large part of the demand for cement comes from the real estate sector. Due to increasing sales and investments in the real estate sector, it is clear that companies may see high to stable demand for cement in the coming months.

In addition to this, analysts are enthused about the seasonal nature of the business. The second half of the fiscal provides better earnings visibility for cement companies than the first half of the fiscal. This is because construction activities gain pace in the second half of the fiscal.

Furthermore, the industry is likely to benefit from three major demand drivers in the second half of the current fiscal.

First, the theme of consolidation is gaining momentum in the industry. After Adani Group acquired Holcim

India’s assets - ACC and Ambuja Cements - it also acquired assets of JP Associates in northern India.

Even sector leader Ultratech Cement is on an expansion mode as it plans to add close to 15MT in the second half of the present fiscal. As a result of this, analysts estimate that the odds are in favour of large-sized players.

Large-sized players will be able to control high market share in the coming quarters, offering a certain amount of premium to well-placed, large-sized cement companies such as Ultratech Cement, Ambuja Cements, Shree Cement and Dalmia Bharat.

The second factor that is likely to drive demand for cement companies in the second half of the present fiscal is rural housing demand. According to official data, the cumulative monsoon period till 20th Sept ’22 was 7% above the Long Period Average (LPA). Rural wages have grown 6% (annualised so far in FY23).

This offers hope to analysts as they expect housing demand from rural areas to be fairly good in the coming months. According to the official data, the government has allocated ₹48,000 crore in Union Budget 2022-23 for the construction of 80 lakh houses for both Pradhan Mantri Awas Yojana (PMAY)-Urban and PMAY-Gramin programme.

The number of houses completed under Pradhan Mantri Awas Yojana (PMAY)-Gramin has risen to over 20 million houses, which is lower than the Ministry of Rural Development’s target of 30 million houses.

Also, the number of houses completed under PMAY-Urban scheme has grown to over 6.3 million. This figure is lower than the government’s target of nearly 12 million houses approved under the scheme.

Lastly, the government’s sustained focus on awarding infrastructure projects has gained momentum in the past few months. According to the official data, the National Highway Authority of India (NHAI) is likely to invest ₹1,34,000 crore in FY23 compared to ₹1,30,000 crore in FY22.

In addition to the central government, even state governments are expected to pace up their investments in infrastructure projects.

According to recent management commentaries of cement firms, the industry’s volume growth in the second half of the present fiscal is expected to grow in double digits.

Analysts insist that large-sized cement firms with stronger balance sheets and pricing power than their mid-sized peers are likely to record 12% to 15% volume growth in the second half of the present fiscal. This is quite encouraging when compared to FY22, which was severely impacted by weak demand and high raw material costs.

Sector experts say that these three factors are likely to improve margins of large-sized players in the range of 5% to 7% in FY23 when compared to **FY22.**

PLAYTIME CHEER

A well-oiled government machinery is imperative for the growth of the Indian toy industry

Domestic toy manufacturers are witnessing a massive surge in sales of products after India recorded a dip in imports from China, following a tweak in rules last year. In January '21, India had banned the sale of toys that do not meet the requirements laid down by the Bureau of Indian Standards (BIS).

The ban on these products led to a 30% decline in the overall import of toys in India. Toy imports fell from $562.14 million in 2019-20 to $392.92 million in 2021-22. The decline in imports can also be attributed to the rise in basic customs duties on imported toys from 20% to 60%, according to the government website.

The Indian toy industry has emerged tremendously in the global market. It is one of the largest exporters of toys today. According to reports, India's exports of toys registered a huge growth of 636% in April-August '22 compared to the same period in 2013.

The toy industry in India has historically been import dependent. Lack of raw material, technology, design capability, etc was responsible for huge imports of toys and its components.

In 2018-19, toys worth $371 million (₹2,960 crore) were imported into the country. A large proportion of these toys were unsafe, substandard, counterfeit, and cheap. To address the import of low-quality and hazardous toys and to enhance domestic manufacturing of toys, several strategic interventions were made by the government.

Several promotional initiatives including The India Toy Fair 2021, Toycathon 2021, Toy Business League 2022 were conducted to promote indigenous toys to encourage innovation and new-age design to suit global requirements, according to information from the Ministry of Commerce and Industry.

Complemented by sincere efforts of domestic toy manufacturers, the growth of the Indian toy industry has been remarkable in less than two years despite the coronavirus pandemic.

The import of toys in FY21-22 have reduced by 70% to $110 million (₹877.8 crore). There has also been a distinct improvement in the quality of toys in the domestic market.

Simultaneously, industry efforts have led to exports of toys worth $326 million (₹2,601.5 crore) in FY21-22, which is an increase of over 61% over $202 million (₹1,612 crore) of FY18-19.

India's exports of toys registered tremendous growth of 636% in April-August '22 over the same period in 2013, according to the data available on the website.

There are several trends that mark a shift in Indian manufacturing, which includes increase in domestic value addition and local sourcing, a greater focus on R&D, innovation and sustainability measures.

With this initiative at the forefront, businesses in India are hoping to turn 'Make in India' products into 'Made for the World' while adhering to global standards of quality.

The Indian toy market is witnessing strong growth since the last five to six years and has the potential to grow to $2 billion to $3 billion by 2024 (from $1.7 billion in 2017), and for every $100 million investment in the sector, 20,000 direct jobs, and 8,000 indirect jobs can be created.

MEASURES DRIVING GROWTH

Had it not been for two key interventions by the government of India, covid-19-induced supply disruptions in 2020 would have rung the death knell for the Indian toy industry that was largely dependent on imports for its survival.

First, in February '20, the government increased the basic customs duty from 20% to 60%. A year later, in January '21, the government issued the Toys (Quality Control) order, making it mandatory for all toy manufacturers, from India and overseas, to get BIS (Bureau of Indian Standards) certification to sell toys in India. Combined, the two measures helped deter both cheap and high-quality imports, while allowing local manufacturing to flourish.

Sending the right signal to India's major markets like the United Kingdom, Germany, and the Netherlands vis-à-vis maintenance of international standards, longstanding public health concerns around Chinese toys - 67% of which had been found to be highly-toxic were also alleviated.

The new BIS rules encouraged many toy importers to get into manufacturing and turn exporters to markets in Africa and West Asia. At the same time, with the aim to boost traditional toy-making, and integrate the manufacturing and production ecosystem of toys, 19 toy clusters were approved.

CHALLENGES

The toy industry is still highly fragmented, dominated by local producers (60% of India's 4,000 toy manufacturers are unorganized), and lack innovation, and resources to invest in equipment and technology. Supply chains in the country are still highly fragmented.

To encourage competitiveness, the centre could support the industry in setting up more clusters, subsidies on exports, and production-linked incentives for their manufacture, as well as toys to be incorporated in India's Free Trade Agreements (FTAs).

The centre's support in the form of incentives, as well as inputs on technology upgrade, can go a long way in helping the domestic industry grow swiftly, said Arvind Singhal Chairman Technopak.

The government should also consider re-skilling the 7 million artisans in the country to help them meet the evolving demands of the industry while framing labour laws and regulations that protect workers' rights to help reap dividends.

RELIANCE INDUSTRIES

While unorganized players are contributing significantly to the growth of the Indian toy market, the country's richest man Mukesh Ambani has already entered the market by acquiring UK's iconic toy brand Hamleys and is focusing on encashing on the growth story of the Indian toy market.

Ambani bought Hamleys in 2019 to strengthen his retail footprint as part of the ongoing transformation of his oil and chemicals conglomerate Reliance Industries Ltd into a consumer and technology behemoth.

Reliance Brands Ltd (RBL), a subsidiary of Reliance Retail Ventures, recently announced that it had entered into a joint venture with Italian toy manufacturer Plastic Legno SPA to acquire a 40% stake in the latter's toy-making business in India.

Through the deal, Reliance Brands aims to "strengthen the toy manufacturing ecosystem in India", the company said in a stock exchange filing.

This investment by RBL serves a dual purpose, bringing in vertical integration for RBL's toy business and helping diversify the supply chain with a long-term strategic interest in building toy manufacturing in India, the company statement said.

RBL had marked its first international foray by acquiring British toy retailer Hamleys.

Plastic Legno SPA is owned by the Sunino group, a privately held group of companies founded in Italy, which has over 25 years of experience in toy production in Europe. The group had started its India business in 2009 "out of a need to develop a strong production hub that would cater to global markets", and also because India was a fast-evolving and growing market.

Commenting on the joint venture, an RBL spokesperson said: "Keeping with our honourable Prime Minister's vision of Atmanirbhar India, this collaboration with Plastic Legno's deep experience in world-class toy manufacturing, coupled with our strong footing in the global toy retail industry would open new doors and unparalleled opportunities for toys manufactured in India.

"It is imperative for RBL to build design-to-shelf capability for a strategic advantage over the competition and to be an accelerator in building a robust toy manufacturing ecosystem in India not only for domestic consumption but also for global markets."

The spokesperson further noted: "RBL has a strong play in the toy industry with its portfolio of Hamleys, the British toy retailer, and homegrown toy brand Rowan, making RBL one of the leading toy distributors. Hamleys currently has a global footprint across 15 countries with 213 doors and is India's largest chain of toy stores."

HAMLEYS

Presently, Hamleys is a subsidiary of Reliance Retail. Prior to the acquisition of the chain, Reliance had the master franchise for Hamleys in India.

The retail unit of Reliance is also the local partner for over 45 international brands including Burberry, Hugo Boss, Jimmy Choo and Tiffany & Co., according to the company's website.

Hamleys toy-store chain plans expansions across Asia and Europe, among others. India has great potential for the toy industry where about a fifth of the world's babies are born.

The British retail icon, Hamleys, that hasn't made a profit for a number of years, plans to quadruple its outlets in the former British colony to more than 500 in three years despite the pandemic, Darshan Mehta, Chief Executive Officer of Ambani's Reliance Brands Ltd had said in an interview. Besides the main growth market, the company is also adding stores from Europe to South Africa and China.

ONLINE SALES

Nailing online sales is key to avoiding the fate of other high-end toy chains, according to Reliance. As part of Ambani's e-commerce and technology pivot, his group is building Jiomart, a shopping portal, to take on giants such as Amazon and Walmart Inc.'s Flipkart in the local market. Reliance Industries has roped in Facebook Inc and Google as investors to fuel those ambitions.

India is likely to be a key market, Singhal of Technopak Advisors said, with about 26 million children born in the country each year, Hamleys is unlikely to be short of customers there even if only the top 5% of the population can afford to shop at its store, he said.

"Toys is one category where emotions sometimes overtake your financial abilities," said Singhal. "Hamleys is probably one of the best investments from Mr. Ambani's point of view in retail - the visibility the Hamleys brand has in India is unparalleleD."


BIG
DIWALI
SALE

BOOMING BUSINESS

E-commerce companies are likely to see skyrocketing sales worth $11.8 billion this festive season

Diwali, the festival of lights, is likely to bring in festive bonanza for Indian e-commerce companies with sales likely to rise 28% year-on-year (y-o-y) to $11.8 billion during the month, driven in large part by fashion and consumer electronics, according to research reports.

In Shopify Festive Season Report 2022, Canadian multinational e-commerce company Shopify has identified a noticeable shift in how consumers will shop.

According to the report, increase in online shopping is being driven by increasing awareness of festive sales, growing reach, targeted selection, and expansion of affordable products for shoppers across city types.

Sales reached $5.9 billion in the first week of the month, driven by the doubling of online shoppers during the festive season compared to 2018.

The Shopify report looks at the effects of the evolving retail landscape on the spending patterns of people in the country, especially at a time when the economy is unstable. With cashless payments, online shopping, and plenty of deals and discounts, shoppers are spoilt for choice.

The Shopify report said that as more consumers continue to rely on online shopping for convenience, Indian merchants expect to register record-breaking sales during the 2022 festive season. Nevertheless, fashion, electronics and essentials top consumer wish lists.

A huge number of online shoppers hail from Tier-II and –III cities, and their numbers continue to grow at a great pace. They have in the past spent heavily on fashion, electronics and essentials.

Festive sales, the Shopify report said, will also boost online retail GMV (Gross Merchandise Value) - the total amount of sales a company makes - from $52 billion in 2021 to $68 billion in 2022, a remarkable jump of 30%.

The report said 85.82% of consumers plan to spend more than they have spent in previous years. Nearly 40% of consumers are expected to spend more than ₹10,000.

The growing millennial consumer base is focused more on convenience, opting for online shopping over traditional shopping methods. And so 78.57% of the consumers surveyed for the report plan to shop online more than they did before covid-19.

DESI FLAVOUR

There has also been a jump in those who want to shop for Indian brands. This year, 96.04% of consumers expressed their desire to buy Indian brands this festive season as compared to last year's 57.9%.

There is also a drastic shift among consumers, and a majority (75.82%) chose discounts and loyalty schemes as top ways to retain their spending. In the past, the range and quality of products had been primary factors contributing to consumer retention.

HARBINGER OF CHANGE IN FESTIVE SALE 1

Online retail platforms clocked a sale

of ₹40,000 crore or $5.7 billion during festive sale – 1.

With the conclusion of festive sale 1, online retail platforms have seen a robust growth of 27% y-o-y, clocking a sale of $5.7 billion / ₹40,000 crore, according to a report by Redseer Strategy Consultants. While this was 97% of the $5.9 billion that Redseer had projected for Festive Sale Week 1, the growth was still higher than last year.

In the run up to its the Big Billion Days Sale 2022, Flipkart recorded 35 million app downloads. The sale brought four million first-time customers. Meesho recorded a nearly 68% jump in orders from 2021, with 3.4 crore orders being placed during its five-day Meesho Mega Blockbuster Sale event from 23rd September to 27th September.

“Flipkart Group (Flipkart, Myntra and Shopsy) continues to maintain its leadership position with 62% market share in GMV during the Festive Sale Week 1. In terms of order volumes, Meesho, with its low AOV and high penetration in Tier-II cities, emerged as the second largest player, capturing 21% of the market share while Flipkart Group leads here as well,” said Sanjay Kothari, Associate Partner, Redseer Strategy Consultants.

At the end of the first phase of e-commerce festive sales, e-commerce platforms reported 5.4x growth in their overall daily sales. E-commerce shipment volumes also grew 3x over business-as-usual days during the period of the sale.

Flipkart and its Group companies, Amazon India, Meesho, and other e-commerce platforms, which conducted sales from 22nd September to 1st October, reported significant demand from Tier-II and Tier-III cities during the period.

MOBILE COMMERCE

“Mobile as a category continued to lead GMV share, accounting 41% of the total GMV, translating to 56,000 mobiles sold per hour. On the other hand, fashion accounted 20% of the GMV, which grew 48% y-o-y from the last festive season,” Kothari of Redseer Strategy Consultants shared.

When compared to BAU, mobiles saw the highest growth at 7x while electronics and large appliances saw 5x growth, fashion at 3x growth, and other categories at 2x growth.

TIER -II AND -III CITIES: GROWTH DRIVERS

Small cities will continue to dominate festival season sales of e-commerce platforms. In the first phase, small cities have accounted for around ₹24,000 crore or around 60% of the total market share in value terms. The figures are for the recently-concluded festival sales wherein e-commerce players had offered significant discounts on various products.

As per Redseer Strategy Consultants, Tier-II and beyond cities were at par with metros and Tier-I cities with around 50% contribution in Gross Merchandise Value during festive sales by online players last year.

More than 60% customers of major e-commerce players such as Flipkart, Amazon, Meesho, and JioMart were from Tier-II and beyond cities during the festive season sale week.

“Meesho’s value proposition has enabled us to cater to growing demand in Tier-II plus markets and we saw that continue during the festive season as well. During the five-day Mega Blockbuster Sale, about 60% orders came from Tier-IV markets,” said Utkrishta Kumar, Business CXO, Meesho.

JioMart, which started the ‘Tyohaar Ready Sale’ on 23rd September, claimed to have registered 60% from Tier-II and beyond cities.

According to Redseer, there has been a 3% increase in average spending per shopper during the 1st week of festive season sales, with growth driven by new users.

To woo customers from Tier-II and beyond cities, Flipkart said that it sent out more than 150 million personalized and curated WhatsApp messages. “38% of these customers visited the app to know more,” said Flipkart.

Amazon spokesperson said that in the first two weeks of the Amazon Great Indian Festival (GIF), around 75% shopped on Amazon India.

Kothari of Redseer said the next phase of growth always comes from Tier-II and below cities.

That phase has now matured. Four to five years back, Tier II plus towns used to contribute around 40% during festive season sales.

“The advent of Jio has completely democratized the internet. With cheaper access to data, people have been able to freely use the internet and shop online. Smartphone penetration has gone through the roof and covid acted as a catalyst in the adoption of online shopping,” Kothari elaborated.

Further, he added that Tier-II and below towns jointly contributed around 40% to 45% in 2018-19 but now it has doubled in terms of actual value and is contributing around 60% on a growing basis.

DECONSTRUCTING CATEGORY CONTRIBUTION

According to Redseer, mobile as a category continued to lead the Gross Merchandise Value (GMV) share, contributing 41% of the total.

On the other hand, fashion contributed nearly 20% of GMV, which grew 48% y-o-y from the last festive season.

Software-as-a-Service firm EasyEcom, which focuses on omnichannel inventory and warehouse management and reconciliation tools, said that fresh food, organic produce in particular, and FMCG-related products saw thrice the surge in the number of orders during festival sales in Tier-II and -III cities.

The consumer electronics and home appliances segment outperformed any other category in terms of the total value (GMV). Bluetooth earphones, smart watches, and mobiles top the list in terms of GMV, clocking close to 20% y-o-y growth from Tier-II and Tier-III cities, said Punit Gupta, Founder, and CEO, EasyEcom.

FESTIVE SEASON SALES OUTLOOK

As in previous years, the festive sale season is likely to contribute a 30% increase in baseline sales from 2021, due to new buyers coming on board, industry experts said.

While the beginning of the last quarter was slow on demand, there was a good uptick in consumer sentiment and consumption in late August/ September. Redseer expects this will further lead to demand recovery building up to Diwali.

“From festive season sales in 2021 to this year, the growth in shipment volumes has been close to 55%. On business-as-usual days, the e-commerce industry was doing nine million shipments per day. On peak days of the sale this year, we have seen volumes go up by nearly 3x,” said Dipanjan Banerjee, Chief Business Officer at logistics solutions provider Ecom Express.

According to industry estimates, total annual e-commerce shipments are expected to grow from 9 billion to 11 billion by **2025.**

FORTIFYING CARD PAYMENTS

TOKENISATION IS THE FUTURE OF CARD-BASED PAYMENTS IN INDIA AS IT FACILITATES STORAGE OF SENSITIVE DATA BY SECURING IT

The importance of protecting customers from online payment frauds in the digital era cannot be overstated given the increase in financial crime in the form of cyber attacks and data breaches, which makes such users vulnerable.

If it is not contained, it will deter customers from using the digital platform, which in essence is the vision of the government, that is, to transform India into a digital economy.

Thus, with the agenda of protecting the customer and strengthening data protection policies, the apex bank of India, the RBI for the first time in March ’20 introduced Card-on-file Tokenisation (CoFT) norms for payments, preventing merchants/aggregators from storing important customer card information.

Deadline implementation has been moved forward by the RBI on multiple occasions, from 31st Dec ’21 to 30th Jun ’22, and finally to 30th Sept ’22 to ensure that the hurdles are minimized as multiple parties need to work together to ensure its success.

WHAT IS TOKENISATION

Tokenisation is the process of replacing actual credit/debit card details of a customer with a number that is randomly generated using an algorithm, which allows the concealment of sensitive card-related information that could be misused in case of cyber attacks or frauds.

The original number mapped to the token rests only with the tokenisation provider, making it impossible to crack, just leaving the token with no meaning. Cybercriminals who steal data will not be able to decipher the meaning of the token. This makes it hard to execute a fraudulent transaction, thus making it more secure than encryption.

In essence, tokenisation replaces actual card details with a unique code called as token. The token will be unique for the combination of the merchant and that particular card.

WHY WAS TOKENISATION IN PAYMENTS INTRODUCED

Prior to the implementation of tokenisation in payments, e-commerce players and other merchants used to store all sensitive information such as card number, expiry date and the CVV of the customer for the ease of carrying out transactions and to hasten recurring purchases by customers.

However, storing customer data can be detrimental in the event of a security breach as all data that is stored in it can be misused for carrying out fraudulent transactions.

Under COF tokenisation of payment, only the issuing bank or the card network can store a customer’s data with respect to the debit/ credit/ prepaid cards while merchants or payment aggregators are not legally permitted to store any customer data apart from the last four digits of the card to make it easy to identify the card that is being used.

If there is a security breach, the token makes it almost impossible to trace back the card details, protecting the customer.

SHOULD ONE OPT FOR TOKENISATION

Tokenisation is primarily used for faster checkout experience as well as for recurring payments on the debit/credit cards. Say you are a regular shopper at Flipkart or you have subscribed to a magazine on a monthly basis, then tokenisation of your card will just quicken the purchase and provide you with an additional layer of security.

Since merchants are not allowed to store customer card information, the customer would have to key in his/her card details for every transaction if he/she chooses not to opt for tokenisation. This may be inconvenient and time-consuming.

WHAT IS THE PROCEDURE OF TOKENISATION

In order to tokenise one’s card, a few simple steps need to be followed.

1. Go to the merchant/ e-commerce website and initiate the purchase transaction.

2. At the time of checkout, input debit/ credit card details.

3. There will be an option to ‘secure your card as per RBI guidelines’ or ‘tokenise your card as per RBI guidelines’. Select that option to initiate the process of tokenisation.

4. An OTP will be generated, which will be sent to the mobile or to the email address by the bank. Key in the OTP to complete the transaction.

5. The token will be generated and will be saved by the merchant to facilitate future transactions.

6. When the customer revisits the same website, the last four digits of his/her credit/debit card will have

been saved, aiding in the identification of the card, which he/she would use to make the payment for that particular transaction.

THINGS TO KNOW

• Every card will have a unique token for every merchant, that is, it is a combination. Even if the customer is using the same card at multiple merchants, the token registered with one merchant cannot be used at another merchant. The card will have to be tokenised at each merchant and each token will be unique.

• Multiple cards can be tokenised on the merchant's website.

• Tokenisation is adding an additional layer of security. Hence, it is recommended but certainly not compulsory.

• If the card has expired or you do not wish to use that card any longer, it can be deleted by going to the merchant's website and deleting the card associated with the token from payment preferences. Alternatively, the customer can deactivate the card by visiting the issuer's website.

• If a customer has a standing instruction (normally opted for regular payments at a predetermined frequency without the need for the customer to initiate it each time) on a debit or a credit card, which was processed before tokenisation came into effect, it will no longer be valid as the concerned merchant cannot store the full card details.

Hence, the customer needs to freshly register for COF tokenisation on the card and will then be given fresh consent for e-mandate of SI transactions. In the event of the customer not opting for tokenisation, the e-mandate for standing instruction cannot be enabled on the card requiring the customer to make the payment each time it is due.

• Tokenisation is not applicable on international transactions.

• If you have multiple cards tokenised on a merchant's website, you can identify the one you want to use through the last four digits of the card.

• In case the card is replaced, a fresh token will have to be created.

• There is no cost attached to tokenising a card, that is, tokenisation of cards can be done free of cost.

IN A NUTSHELL

Tokenisation is a security layer that has been created to protect customer data from being compromised should there be a cyber attack at the merchant's end. The inability to crack the actual card number and details through the token makes its foolproof and safe for the customer.

By tokenising a card, which is a one-time exercise, the customer is opting for convenience at the time of executing a transaction with heightened levels of security, making the adoption of tokenisation a win-win for the custome**R.**

GREATER OBSTACLES

Only a reversal of tighter global monetary policy and the revival of China's property market will improve the fundamentals of the global aluminium sector

T

he global aluminium market is currently depressed. Prices of the metal at the London Metal Exchange (LME) have fallen by around 40% from their peaks.

The fall in aluminium prices is led by worries about recession in developed economies, weaker Chinese demand, and hawkish monetary policy by global central banks.

However, more recently, there were reports that the US was mulling a ban on Russian aluminium in response to the conflict in Ukraine. This led to a brief rally in global aluminium prices in anticipation that the move would create scarcity for the metal globally.

Russia is the third largest aluminium producer in the world with an annual capacity of 3.9 million tonnes (MT) and around 7% of global production. The global aluminium market is around 70 MT.

What will ensure that this rally in prices sustains? Analysts are of the view that the aluminium market is currently steering away from the conventional metric of demand and supply. Many blame the global central bank-led disruption of sucking out liquidity from the financial system for the depression in aluminium prices.

THE GREAT FALL

Spot prices at the LME averaged US $2,477/tonne in 2021 and peaked at US $3,878/tonne in March. Aluminium prices averaged US $2,355/tonne during the July-September quarter, falling by 18.6% from average prices in the previous three months.

In fact, aluminium prices hit their lowest in nearly 9 months at US $2,080/tonne during September-end. Now the prices are stabilizing at around US $2,300/tonne.

There is a view that LME prices may not fall significantly from here. Analysts point to three reasons for this:
1) limited production capacity addition globally,
2) high cost of production, thereby limiting producers to lower prices
3) new demand avenues for the metal.

According to Crisil Research, global capacity addition is expected to fall from around 20 MT in the past decade to just 3-4 MT over the next five years.

Here is the list of events that could lead to a sustained jump in global aluminium prices in the future.

GLOBAL MONETARY POLICY

To fight high inflation, the US Federal Reserve has raised its policy rate five times in the past six months to 3.125% from 0.125% after nearly two years of near zero percent interest rate.

Similarly, the Bank of England (BoE) has raised rates seven times since December '21 to 2.25%, and the European Central Bank (ECB) has raised it twice to 1.25% in the same period.

Additionally, the US Fed is also trimming its balance sheet of assets in the US Treasury and mortgage-backed securities. Quantitative easing, which started in 2020 for developed central banks to tackle the coronavirus-led slowdown encouraged economic activity through more lending and investment.

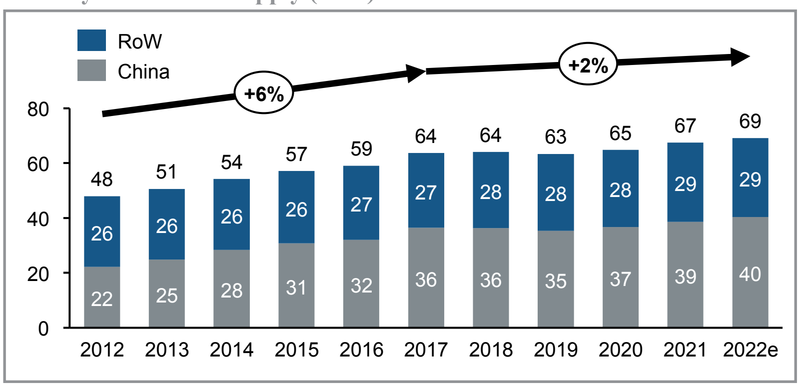
But this is now being reversed by all developed central banks, which is hurting the economy and the markets. At some time, the quantitative tightening has to stop, which will act as an impetus to the global metals market.

CHINA EFFECT

While production from Europe is likely to be lower due to high energy costs, the story has taken a complete U-turn in China.

In the early part of the year, it was expected that some of the global supply would get squeezed as China

Primary Aluminium Supply (mmt)



Sources: Alcoa

put limits on production. But what is happening now is the opposite. Currently, China's production is at a two-year high, thereby dragging aluminium prices lower.

To highlight, China is the largest producer and consumer of aluminium accounting for 57.24% share of the world production in 2021 (38.58 MT) and 58.21% share of the world consumption of Aluminium (40.14 MT).

China registered an aluminium production growth of 5.02% in 2021, while the rest of the world exhibited a 2.92% growth in production. As far as consumption is concerned, China registered a healthy growth of 6.14% in 2021, and the rest of the world registered an even bigger growth of 14.81%.

So, while China's output has increased, its real estate sector, which comprises around 25% of the economy and is a huge consumer of aluminium metal, is in a deep crisis.

This implies that China is likely to dump more aluminium in the global market, depressing the prices even more. Any move by Chinese authorities to revive its real estate sector will be hugely positive for the global aluminium market.

NEW DEMAND AVENUES

Aluminium metal is produced by smelting alumina, which is produced from bauxite ore in the refinery. It is a versatile non-ferrous metal with wide applications, especially in electrical, construction, packaging, transport, and consumer durable segments.

Apart from demand from these conventional user industries, the demand for aluminium is expected to see significant growth over the medium term from green investments such as electric vehicles, solar panels, and renewable energy grids, most of which have high aluminium intensity.

While global aluminium demand is likely to be high from unconventional sources in the next five years, it remains to be seen if it can replace conventional demand for metal.

FINALLY – THE INDIAN SCENARIO

At 4.1 MT per annum, India has the second-largest aluminium production capacity in the world. India's annual consumption is around 3.9 MT per annum. During FY21-22, the consumption of aluminium in India increased by 14.52%.

While global capacity addition for aluminium production is likely to be slower, Indian aluminium companies have expanded aggressively over the past decade, adding over 2.4 MT of capacity. Indian smelters are expected to add another 1.4 MT of aluminium capacity in the near term.

Also, while the cost of production has increased for the rest of the world in the aftermath of the Russia-Ukraine war, India enjoys a unique position.

India, besides having cheaper labour, has ample bauxite ore. With government reforms aimed at the coal sector, even domestic coal production is likely to be higher, going ahead.

India enjoys a special position in the global aluminium market due to its reasonable backward linkages to bauxite and coal. It is uniquely positioned to take advantage of the growth in the aluminium sector in the medium to long term.

However, in the near term, there are challenges emanating from depressed metal prices. Since realizations of smelters are linked to the aluminium prices at the LME, Indian aluminium companies such as Hindalco, National Aluminium Company (Nalco) and Vedanta (the aluminium vertical) are likely to report degrowth in revenue, margins, and profits on a quarterly basis in the July-September quarter.

Stock markets have already started to factor in weakness in sector fundamentals as these companies have already corrected in the range of 25% to 45% in the last one year, underperforming the benchmark Sensex, which has corrected by 4.5% (till 18th October).

In the medium- to long-term, the aluminium sector must tick many boxes to witness any material change in fortune; primarily a reversal in monetary policy tightening across central banks and the revival of the property crisis in ChinA.

Snapshot			
Description	**2021-22**	**2020-21**	**Change**
Aluminium Production ('000 MT)	4,032.6	3,629.9*	11.1%
Aluminium Domestic Sales ('000 MT)	1,568.0	1,347.3	16.4%
Aluminium Export Sales ('000 MT)	2,465.0	2,329.1*	5.8%
Aluminium Imports ('000 MT)	2,334.4	2,060.3	13.3%
Total Aluminium Consumption ('000 MT)	3,902.4	3,407.6	14.5%

* As Per Revised Figures Reported By A Primary Aluminium Producer
Source: CRU Aluminium Monitor

PREVENTING VULNERABILITIES

Margin of safety should be employed by mutual fund investors to minimize poor investment decisions

A large number of investors are oblivious to the commonly occurring accounting term – margin of safety. The term margin of safety is the key to protecting gains in the stock market and buying stocks with minimum downside risks.

It helps investors understand the gap prevailing between a stock's price and its actual value.

WHAT IS MARGIN OF SAFETY

Popularized by American investor Benjamin Graham (also known as the father of value investing), margin of safety refers to the difference between a stock's prevailing market price and its intrinsic value.

Simply put, when the market price of a stock is significantly below its intrinsic value, the difference is termed as "margin of safety".

A stock's true value is termed its intrinsic value. It is defined as the monetary benefit the investor can avail of or expect to receive from it in the future.

When it comes to margin of safety here is what top investors from around the world have said about it. American business magnate, investor and philanthropist, Warren Buffett says, "'Margin of safety': the three most important words in investing."

According to billionaire investor, hedge fund manager, and author, Seth Klarman: "A margin of safety is necessary because valuation is an imprecise art, the future is unpredictable, and investors are humans and do make mistakes. It is adherence to the concept of margin of safety that best distinguishes value investors from all others, who are not as concerned about loss."

HOW IS MARGIN OF SAFETY CALCULATED

While investing in stocks and mutual funds, margin of safety can be calculated in percentage format using the following formula:

Illustration

If a company's share is trading at ₹80 but has an intrinsic value of ₹100, then the margin of safety will be 20%, that is (100-80)/100.

APPLYING MARGIN OF SAFETY TO MUTUAL FUND INVESTING

Mutual fund is one of the most popular investing avenues these days.

A mutual fund pools funds from different investors and further invests the collected amount in equities, bonds, gold, government securities, and other assets. These funds are managed by professionals called fund managers who have the expertise in analyzing and managing investments.

Just like stocks, mutual funds too have a value at which they can be bought and sold, which is the fund's NAV (Net Asset Value). This value is declared by fund houses from time to time.

A fund's NAV moves in line with stock prices that are held in the fund. For instance, if the stocks in which mutual funds invest grow, the fund's NAV also grows and moves in the same direction. Thus, NAV in case of mutual funds represents the market price of the stock that is used in the calculation of margin of safety.

Now, since a mutual fund invests in multiple stocks, calculating its intrinsic value becomes difficult.

Thus, an investor, with the help of broader valuation techniques like PE ratio, dividend yield, and market capitalization to revenue, etc, can ascertain whether a fund is expensive or cheap.

In other words, a broader sense of market valuation could offer an idea of whether the stocks are offering enough margin of safety or not.

Historically, it has been seen that when markets are high, mainly led by higher liquidity, sentiments and a jump in earnings, the broader market valuation offers enough indications about greed.

Similarly, when markets are down, like we saw in March '20 owing to the coronavirus pandemic, Sensex valuations had tumbled from the highs of 25 times their one-year forward earnings to 8-10 times.

It has, on an average traded at around 16 times one year forward earnings. In such a scenario, it is evident that the margin of safety is high.

Individual funds' and schemes' NAVs had dropped by 40% to 60% from the highs and had the highest margin of safety.

Hence, when overall market valuations are down and a mutual fund's NAV is significantly down, investors have a higher margin of safety and a stronger reason to invest or increase their investment in a mutual fund.

HOW DOES MARGIN OF SAFETY HELP IN MUTUAL FUND INVESTING

There are a few reasons as to why using margin of safety is essential when investing in mutual funds.

Let's find out about them here:

Protection From The Unknown

The primary reason why margin of safety works so wonderfully is that it protects investors from the unknown.

We as investors do not know many unknown factors that have a bearing on markets and individual stocks.

But when we accumulate mutual funds at lower NAVs, our average cost would be much lower than the market. This provides a cushion when an unknown factor strikes.

Protection From Human Errors/ Mistakes

Humans are bound to make mistakes. This is where the margin of safety helps investors build a safety net and protect their investments from incurring losses.

Wrong assumptions, calculations, and estimations are likely to lead to incorrect investment decisions. The impact of these can be avoided by investing in a fund with enough margin of safety.

Providing A Cushion

Volatility is the permanent nature of the market. With the help of margin of safety, investors can reduce downside risks associated with their mutual fund investments.

Be it investing in stocks or mutual funds, timing the market is always a big challenge. Despite best analysis, any external factor could affect an investor's investments.

However, if bought at lower prices and with adequate margins of safety, investors can actually limit their losses. It is a cushion against systematic risks associated with equity investments as these risks cannot be controlled by investors.

During unpredicted events like the sudden outbreak of covid-19 or the current Ukraine-Russia War, margin of safety is known to have offered a safety net to many investors.

Preventing Herd Mentality

The most distinguishing aspect of value investors is that they do not follow herd mentality, and do not invest where the crowd is investing. Rather, they analyze market performance, calculate their safety margin and invest accordingly.

A wise thing to do is to remain cautious about funds in vogue, with high exuberance about a particular sector or theme and high valuations.

Margin of safety prevents investors from overpaying and following herd mentality. It helps them make wiser investment decisions, thus helping them reduce risks and optimize returns.

HOW SHOULD MARGIN OF SAFETY BE MAINTAINED

Margin of safety is a subjective term and varies from investor to investor depending on his/her risk-bearing capacity. Also, the riskiness of a mutual fund affects its margin of safety.

Value investors prefer maintaining a safety margin of up to 40% to 50%.

On the other hand, a growth investor who is ready to bear risks will be ok with a safety margin of up to 10% to 20%.

Similarly, when investing in mutual funds that invest in large-cap stocks or stocks of blue-chip companies, maintaining a low margin of safety would be sufficient.

However, if investors invest in mutual funds that further invest in small-cap stocks and are more risky, they need to maintain a higher margin of safety.

One important aspect of margin of safety while investing in mutual funds is that it not only preserves wealth but also helps maximize returns.

Margin of safety means buying when there is maximum fear and when prices are lower. This automatically results in higher returns when recovery takes place or markets enter a new upcycle.

IN A NUTSHELL

Margin of safety helps investors stay safe and patient while investing. It reduces downside risks and provides a cushion against investments even in unprecedented times.

Despite several benefits, margin of safety comes with its own set of disadvantages. As it is a subjective term, margin of safety differs from investor to investor for similar types of mutual funds.

Also, since humans are prone to making mistakes often, it is quite likely that they may make mistakes while calculating the margin of safety that is needed to be maintained while investing in products like mutual fund**S.**

TECHNICAL OUTLOOK

The October rally was a tug of war between Bulls and Bears. The Nifty witnessed a rally this month. In the month of October, the Nifty was moving in upward rising channel, suggesting a potential upmove as long as it holds the support of the channel. A pullback rally was seen from 16,760 to 17,890 levels, and is still holding strong at every support level.

The sentiment on D-Street was cautious in early October. Yet, we witnessed a pullback rally as the stock was doing really well. This helped the Nifty to move in the upward direction.

Currently, the Nifty is trading near its resistance zone of 17,800-18,000. And we may witness profit booking at higher levels. However, we may see an uptick in volatility, going forward.

In the next couple of sessions, the Nifty is likely to face strong resistance at 18,000-18,200 levels as per Fibonacci Retracement. The Nifty has shown a strong rally from its 200-DMA, that is, 17,000 level. The recent rally in Nifty was seen from its 50 DMA, that is, 17,500, which will act as a strong, immediate support level.

Any move below the 17,500 level on closing basis will witness selling pressure, dragging the Nifty towards 17,000, provided by 200- DMA.

Technically, a breakout at the 18,000 level on closing basis may result in a strong up move towards 18,300-18,570 levels. The overall trend on the Nifty appears to be range-bound.

Market participants are advised to be stock-specific and follow the trend with a major support of 17,300.

The Bank Nifty rallied in the positive in the month of October and moved towards 41,500 from 37,400. However, after quoting a high of 41,530, the Bank Nifty is seeing a sideways movement in the October series.

Technically, the Bank Nifty has an immediate resistance at 41,540. Any move above 41,540 on closing basis may extend its rise towards 42,320 - 43,370, which will also be its all-time high. On the flip side, support is placed at 39,750. And then, the Bank Nifty may extend its fall towards 38,700-37,500 levels.

On the Nifty Options front for the November series, the highest Open Interest (OI) build up is witnessed near 18,000 and 18,500 Call strikes, whereas on the Put side, it is observed at 17,500 and 17,000 strikes.

October has been highly volatile with the market coming down after testing support of 16,800. A strong pullback has been seen from supportive levels with resistance near 17,800/18,000 levels.

Broad-based buying was seen after short covering of the previous month. And equally broad-based selling was seen after hitting the resistance.

All sectors witnessed selling. Stocks from Pharma and Technology sectors are likely to witness further buying while select stocks from FMCG are likely to see selling this month.

India VIX, which measures the immediate 30-day volatility in the market, has been trading below 20 level through major part of the month. Going forward, VIX is likely to remain in the range of 16 to 20 through November.

The Put Call Ratio-Open Interest (PCR-OI) for Nifty Options has been in the range of 0.8-1.2 in the month of October. Going forward, it is expected to remain between 0.7 and 1.2 in November.

The markets are believed to remain range-bound with supports placed at 17,500 and 17,000; the markets are expected to witness important resistances at 18,000 and 18,500 levels.

OPTIONS STRATEGY

Long Strangle

It can be initiated by 'Buying 1 lot 10NOV 18000 CE (₹110) and Buying 1 lot 10NOV 17600 PE (₹115).' The premium outflow comes to around 225 points, which is also your maximum loss.

One should, however, place a stoploss at 150 points (75 point premium loss). The maximum gain is unlimited and one should place the Target at 500 points (275 point gain). The market is currently in the range of 17,500 to 18,000 strike.

However, the range is most likely to break in the coming week, leading to a strong momentum on directional basis and will gain good profits in this strategY.

MUTUAL FUND BLACKBOARD

Performance Of Mutual Fund Schemes From Different Categories

Flexicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Flexi Cap Fund - Reg - Growth	15.7	-5.7	12.8	--	--	--	2,217
Canara Robeco Flexi Cap Fund - Growth	222.0	-5.0	17.4	13.2	12.8	13.8	8,243
PGIM India Flexi Cap Fund - Reg - Growth	25.1	-7.8	23.0	14.0	13.5	--	5,085
UTI Flexi Cap Fund - Growth	239.4	-12.7	18.4	13.8	12.6	14.8	25,787
Union Flexi Cap Fund - Growth	33.4	-4.5	18.5	12.5	11.6	12.5	1,286
S&P BSE 500 TRI	29,868.6	-1.4	18.4	12.6	13.4	14.3	--

Multicap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mahindra Manulife Multi Cap Badhat Yojana - Reg	20.9	-1.9	23.2	14.2	--	--	1,426
HDFC Multi Cap Fund - Reg - Growth	10.7	--	--	--	--	--	5,540
Kotak Multicap Fund - Reg - Growth	10.4	4.1	--	--	--	--	4,167
S&P BSE 500 TRI	29,868.6	-1.4	18.4	12.6	13.4	14.3	--

Large Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Invesco India Largecap Fund - Growth	43.5	-6.6	14.9	10.6	10.9	13.2	717
UTI Mastershare Unit Scheme - Growth	192.4	-5.0	16.1	11.8	11.4	13.1	10,394
Canara Robeco Bluechip Equity Fund - Growth	41.2	-4.5	16.5	13.3	12.9	13.6	7,988
Nifty 50 TRI	25,509.1	-2.5	15.9	13.0	12.8	13.3	--

Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Tata Mid Cap Growth Fund - Reg - Growth	243.8	-2.7	21.3	12.4	12.7	17.9	1,706
Mahindra Manulife Mid Cap Unnati Yojana - Reg -	17.5	-1.8	22.3	--	--	--	1,030
Edelweiss Mid Cap Fund - Growth	52.8	2.2	26.2	14.4	15.0	20.1	2,291
Axis Midcap Fund - Growth	68.1	-4.5	20.8	16.4	14.8	18.8	19,462
Nippon India Growth Fund - Reg - Growth	2,147.4	2.1	25.4	14.3	14.7	16.4	13,241
Kotak Emerging Equity Fund - Reg - Growth	75.6	4.5	25.6	14.4	15.9	19.6	21,996
Nifty Midcap 150 TRI	14,621.0	0.8	26.1	13.5	15.8	18.3	--

Large & Mid Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Axis Growth Opportunities Fund - Reg - Growth	20.0	-7.2	20.2	--	--	--	8,334
Canara Robeco Emerging Equities - Growth	162.7	-2.7	20.7	12.5	14.7	20.3	14,869
Edelweiss Large & Mid Cap Fund - Growth	53.7	-0.3	18.9	13.1	13.0	14.7	1,543
Kotak Equity Opportunities Fund - Reg - Growth	203.8	3.1	19.4	12.3	13.5	15.7	10,759
Mahindra Manulife Top 250 Nivesh Yojana - Reg	17.1	-2.5	--	--	--	--	985
NIFTY Large Midcap 250 TRI	12,579.5	-0.6	21.1	13.1	14.4	16.1	--

Focused Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
HDFC Focused 30 Fund - Growth	128.8	9.7	19.1	10.6	11.3	12.9	2,329
Nippon India Focused Equity Fund - Reg - Growth	81.5	1.4	22.0	12.0	13.2	17.4	6,039
ICICI Prudential Focused Equity Fund - Ret - Growth	50.5	-0.7	20.4	12.4	12.2	13.4	3,620
SBI Focused Equity Fund - Growth	233.1	-5.5	16.4	13.7	14.0	15.8	27,607
S&P BSE 500 TRI	29,868.6	-1.4	18.4	12.6	13.4	14.3	--

Small Cap Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Axis Small Cap Fund - Reg - Growth	63.7	6.2	27.2	19.1	18.1	--	10,761
Edelweiss Small Cap Fund - Reg - Growth	25.4	6.0	33.0	--	--	--	1,334
Nippon India Small Cap Fund - Reg - Growth	91.7	10.5	34.8	17.2	19.3	23.7	22,158
ICICI Prudential Smallcap Fund - Growth	53.8	4.2	29.1	14.8	14.8	16.7	4,236
Union Small Cap Fund - Reg - Growth	31.3	8.2	32.2	15.1	14.1	--	1,096
Nifty Smallcap 250 TRI	11,628.5	-2.1	27.4	8.7	12.1	15.2	--

ELSS Funds (Tax Saving u/s 80-C)

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
UTI Long Term Equity Fund (Tax Saving) - Growth	142.9	-4.4	18.2	11.6	11.6	13.3	2,932
Canara Robeco Equity Tax Saver Fund - Growth	116.2	-2.8	20.4	15.4	14.0	15.2	4,176
Kotak Tax Saver Fund - Reg - Growth	74.2	3.1	18.7	12.5	13.0	14.6	2,907
Mahindra Manulife ELSS Kar Bachat Yojana - Reg	18.9	-1.5	17.4	9.7	--	--	494
Mirae Asset Tax Saver Fund - Reg - Growth	30.7	-5.2	19.6	14.1	--	--	12,925
Tata India Tax Savings Fund - Reg - Growth	29.0	0.4	16.3	11.1	13.1	--	3,037
S&P BSE 200	9,541.4	-1.2	17.8	13.0	13.4	14.3	--

Value/Contra Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
IDFC Sterling Value Fund - Reg - Growth	91.5	5.1	25.7	11.5	14.6	16.1	4,895
SBI Contra Fund - Growth	221.5	10.4	30.1	14.7	14.1	14.9	6,154
Nippon India Value Fund - Reg - Growth	125.5	-1.2	19.8	11.8	12.5	14.8	4,638
S&P BSE 500 TRI	29,868.6	-1.4	18.4	12.6	13.4	14.3	--

Dividend Yield Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
ICICI Prudential Dividend Yield Equity Fund - Reg	28.2	2.9	21.5	9.9	12.5	--	1,109
Sundaram Dividend Yield Fund - Growth	85.8	-2.2	17.4	11.1	13.5	13.3	321
UTI Dividend Yield Fund - Growth	102.0	-9.2	15.8	11.1	11.4	11.8	2,790
S&P BSE 500 TRI	29,868.6	-1.4	18.4	12.6	13.4	14.3	--

Sector/Thematic Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Mirae Asset Great Consumer Fund - Growth	59.8	6.4	18.0	14.2	15.1	16.7	2,004
ICICI Prudential Technology Fund - Growth	132.5	-20.3	31.2	25.8	17.6	21.4	8,693
Nippon India Pharma Fund - Reg - Growth	283.1	-6.3	25.6	16.2	8.9	15.8	4,656
Nippon India Banking & Financial Services Fund - Reg	387.4	3.8	13.9	8.6	11.8	13.5	3,621
S&P BSE 500 TRI	29,868.6	-1.4	18.4	12.6	13.4	14.3	--

Dynamic Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
PGIM India Balanced Advantage Fund - Reg - Growth	11.5	1.1	--	--	--	--	1,504
Nippon India Balanced Advantage Fund - Reg	125.7	1.9	11.1	8.2	9.3	11.7	6,501
Tata Balanced Advantage Fund - Reg - Growth	15.1	2.8	12.4	--	--	--	5,798
Edelweiss Balanced Advantage Fund - Growth	36.2	-0.8	14.4	10.4	9.9	11.2	8,683
Union Balanced Advantage Fund - Reg - Growth	15.2	0.1	11.2	--	--	--	1,846
NIFTY 50 Hybrid Composite Debt 65:35 Index	14,848.7	-0.9	13.2	11.3	11.3	11.7	--

Hybrid Aggressive Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Years	5 Years	7 Years	10 Years	
Canara Robeco Equity Hybrid Fund - Growth	246.3	-1.7	14.8	11.4	11.4	13.7	8,179
SBI Equity Hybrid Fund - Growth	205.6	-1.3	13.3	11.1	11.4	14.5	55,325
Mirae Asset Hybrid - Equity Fund - Reg - Growth	22.1	-2.0	14.1	10.6	11.9	--	6,933
NIFTY 50 Hybrid Composite Debt 65:35 Index	14,848.7	-0.9	13.2	11.3	11.3	11.7	--

Equity Savings Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Year	5 Years	7 Years	10 Years	
ICICI Prudential Equity Savings Fund - Reg - Growth	17.7	4.7	7.4	6.9	7.8	--	4,993
PGIM India Equity Savings Fund - Growth	40.5	2.1	7.2	7.0	7.1	8.1	170
NIFTY 50 Hybrid Composite Debt 65:35 Index	14,848.7	-0.9	13.2	11.3	11.3	11.7	--

Multi Asset Allocation Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Year	5 Years	7 Years	10 Years	
HDFC Multi - Asset Fund - Growth	48.5	1.6	14.2	9.8	9.6	10.0	1,573
Nippon India Multi Asset Fund - Reg - Growth	13.0	-2.4	--	--	--	--	1,108
Tata Multi Asset Opportunities Fund - Reg - Growth	15.9	2.6	--	--	--	--	1,385
NIFTY 50 Hybrid Composite Debt 65:35 Index	14,848.7	-0.9	13.2	11.3	11.3	11.7	--

Gold Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		1 Year	3 Year	5 Years	7 Years	10 Years	
HDFC Gold Fund - Growth	15.6	4.0	8.2	9.6	7.9	3.3	1,332
Kotak Gold Fund - Reg - Growth	20.2	3.9	7.8	9.5	8.1	3.3	1,296
Nippon India Gold Savings Fund - Reg - Growth	20.1	4.4	8.0	9.6	7.8	3.1	1,393
Prices of Gold	50,013.0	5.6	9.3	11.0	9.3	4.8	--

Arbitrage Funds

SCHEME NAME	NAV	Historic Return (%)					AUM (Cr)
		3 Months	6 Months	1 Year	2 Years	3 Years	
IDFC Arbitrage Fund - Reg - Growth	26.9	4.4	3.7	3.7	3.6	3.7	4,020
Kotak Equity Arbitrage Fund - Reg - Growth	30.9	4.7	4.2	4.2	4.0	4.2	22,408
Tata Arbitrage Fund - Reg - Growth	11.9	4.3	3.7	3.7	3.7	4.2	6,975
Nippon India Arbitrage Fund - Reg - Growth	22.1	4.3	3.8	3.9	3.8	4.0	9,182
Edelweiss Arbitrage Fund - Reg - Growth	16.1	4.5	4.0	4.1	3.9	4.1	5,586

Overnight Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year		
Aditya Birla Sun Life Overnight Fund - Reg	1,174.3	5.9	5.7	5.3	4.1	5.99	11,156
IDFC Overnight Fund - Reg - Growth	1,158.6	5.9	5.7	5.3	4.1	5.95	3,539
Mahindra Manulife Overnight Fund - Reg - Growth	1,125.6	5.9	5.7	5.3	4.1	5.86	127
Tata Overnight Fund - Reg - Growth	1,146.6	5.9	5.7	5.3	4.1	6.10	5,036
Nippon India Overnight Fund - Reg - Growth	116.7	5.9	5.7	5.3	4.1	6.05	14,139

Liquid Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		2 Weeks	1 Month	3 Months	1 Year		
Aditya Birla Sun Life Liquid Fund - Reg - Growth	349.3	5.1	5.7	5.3	4.2	6.39	32,807
ICICI Prudential Liquid Fund - Reg - Growth	321.1	4.9	5.6	5.2	4.1	6.27	39,742
Kotak Liquid Fund - Reg - Growth	4,388.0	5.0	5.5	5.2	4.1	6.20	26,084
Nippon India Liquid Fund - Reg - Growth	5,296.3	5.0	5.6	5.2	4.2	6.39	20,591
Mahindra Manulife Liquid Fund - Reg - Growth	1,410.8	5.1	5.8	5.4	4.2	6.40	478

Ultra Short Term Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
HDFC Ultra Short Term Fund - Reg - Growth	12.5	4.6	4.0	3.8	4.7	6.85	13,115
ICICI Prudential Ultra Short Term Fund - Growth	22.9	4.6	4.1	3.9	5.1	6.92	12,246
UTI Ultra Short Term Fund - Growth	3,530.9	4.3	3.7	3.5	5.2	6.87	2,060
Aditya Birla Sun Life Savings Fund - Reg - Growth	450.3	4.7	4.1	4.1	5.2	7.16	14,371

Money Market Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Aditya Birla Sun Life Money Manager Fund - Reg	303.2	4.9	4.2	4.2	5.0	7.00	12,965
SBI Savings Fund - Growth	34.4	4.4	3.7	3.6	4.4	6.95	19,299
HDFC Money Market Fund - Growth	4,695.0	4.8	4.1	4.1	4.9	6.86	12,651
Nippon India Money Market Fund - Reg - Growth	3,402.7	5.0	4.5	4.3	4.8	6.85	9,503
Tata Money Market Fund - Reg - Growth	3,872.0	4.8	4.2	4.1	4.9	6.91	6,924

Short Term Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Aditya Birla Sun Life Short Term Fund - Reg	38.9	4.5	3.7	3.4	6.1	7.55	5,813
HDFC Short Term Debt Fund - Growth	26.0	4.2	2.9	2.7	6.1	7.21	13,516
Nippon India Short Term Fund - Reg - Growth	43.1	3.3	1.9	2.3	5.6	7.53	6,552
ICICI Prudential Short Term Fund - Growth	49.0	6.9	5.1	3.7	6.4	7.35	14,686
Kotak Bond Short Term Fund - Reg - Growth	42.9	3.9	2.2	1.9	5.3	7.49	12,724

Low Duration Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
HDFC Low Duration Fund - Growth	47.7	5.2	3.7	3.3	5.3	7.07	15,292
ICICI Prudential Savings Fund - Reg - Growth	443.8	8.1	4.7	3.4	5.7	7.07	22,072
Nippon India Low Duration Fund - Reg - Growth	3,100.2	3.8	3.4	3.4	5.2	7.32	6,237
Mirae Asset Savings Fund - Regular Savings Plan	1,875.9	4.4	3.5	3.3	4.4	6.97	618.0
Kotak Low Duration Fund - Std - Growth	2,774.4	5.0	3.4	3.0	5.1	7.39	6,862

Banking & PSU Bond Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
HDFC Banking and PSU Debt Fund - Reg - Growth	18.9	4.4	2.8	2.6	5.9	6.95	5,000
Tata Banking & PSU Debt Fund - Reg - Growth	11.8	3.8	1.8	2.2	5.5	7.08	288
Kotak Banking and PSU Debt Fund - Reg - Growth	53.5	5.3	3.2	2.7	6.1	7.50	6,540
Nippon India Banking & PSU Debt Fund - Reg	17.0	3.6	2.0	2.3	5.8	7.25	4,155
Edelweiss Banking & PSU Debt Fund - Reg	20.0	3.9	2.5	1.7	6.7	7.54	361

Corporate Bond Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential Corporate Bond Fund - Reg - Growth	24.2	7.4	5.1	3.8	6.4	7.34	14,781
IDFC Corporate Bond Fund - Reg - Growth	15.8	3.1	1.3	1.7	5.8	7.15	16,518
HDFC Corporate Bond Fund - Growth	26.4	5.3	2.8	2.5	6.3	7.18	21,313
Kotak Corporate Bond Fund - Std - Growth	3,071.7	4.4	2.8	2.7	5.6	7.45	8,585

Credit Risk Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential Credit Risk Fund - Growth	25.7	4.9	4.0	4.4	7.2	8.54	7,903
HDFC Credit Risk Debt Fund - Reg - Growth	19.7	5.0	3.1	3.2	7.3	8.30	8,616
SBI Credit Risk Fund - Growth	36.8	4.9	3.6	3.5	6.2	8.00	2,917

Floater Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Aditya Birla Sun Life Floating Rate Fund - Reg	284.0	5.1	4.1	3.9	5.7	7.16	13,618
Nippon India Floating Rate Fund - Reg - Growth	36.7	3.6	2.7	2.9	6.2	7.27	9,074

Dynamic Bond Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential All Seasons Bond Fund - Growth	29.9	8.2	5.4	3.5	7.1	7.28	5,855
Nippon India Dynamic Bond Fund - Reg - Growth	30.0	6.7	1.8	1.1	4.9	7.68	3,030
Kotak Dynamic Bond Fund - Reg - Growth	30.4	3.9	1.3	1.2	5.6	7.52	2,022

Medium Duration Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
ICICI Prudential Medium Term Bond Fund - Growth	36.4	5.4	4.2	3.3	6.9	7.73	6,314
HDFC Medium Term Debt Fund - Growth	45.9	4.3	2.2	1.9	6.0	7.98	3,665
SBI Magnum Medium Duration Fund - Growth	41.5	4.3	2.5	2.3	6.5	7.55	9,055

Gilt Funds

SCHEME NAME	NAV	Historic Return (%)				YTM	AUM (Cr)
		3 Months	6 Months	1 Year	3 Years		
Nippon India Gilt Securities Fund - Reg - Growth	31.1	6.5	2.1	0.8	4.8	7.38	1,119
Kotak Gilt Fund - Growth	79.1	8.1	3.5	0.7	5.7	7.53	1,704
IDFC G Sec Fund - Invt Plan - Reg - Growth	28.4	1.8	-0.6	0.3	5.5	7.32	1,388

Disclaimer : Mutual Fund Investments are subject to market risks. Please read the offer document carefully before investing. Past performance is no guarantee of future performance. Returns are of Growth option of Regular plans. Returns which are below 1 year period are Annualized Returns. Source: - ICRA MFI, NAV as on 20th October 2022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0 Open
3 Executed
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Corporate Infidelity?

The industry is divided on employees working multiple jobs with many insisting that moonlighting is not right

Two IT majors, Wipro and Infosys, recently fired some employees that they believe had indulged in moonlighting, which refers to employees working on more than one job at a time. The phrase became well-known when Americans looked for second jobs in addition to their regular employment to supplement their income. While employees believe they are well within their rights to take up additional employment in their personal time, companies believe that this is unethical and a breach of confidentiality.

When Wipro fired 300 employees for moonlighting, Rishab Premji, Chairman, Wipro, tweeted, "There is a lot of chatter about people moonlighting in the tech industry. This is cheating - plain and simple." Infosys said dual employment or 'moonlighting' is not permitted and warned that this could even lead to termination of employment. Companies have opposed the practice, saying that employees doing multiple jobs can impact their productivity.

In India, the concept of moonlighting became popular after work from home became the new norm during the pandemic. When leading IT companies such as Infosys, Tata

Consulting Services, and Wipro said that they would either postpone or reduce the variable payout to employees for the first quarter of fiscal year 2023 because of weaker margins, many employees took up moonlighting to augment their income.

The first instance of moonlighting became news when the human resources department of a company found that an employee in Bengaluru had seven active provident fund accounts. In Mumbai, a company grew suspicious of an employee, when he refused to report to the office. On investigation, it was found that the employee was sending large files from his official email id to another company.

While IT companies have largely shown their disdain for moonlighting, food delivery app Swiggy announced an "industry first" policy that allowed moonlighting for its employees. The company said, "Any project or activity that is taken up outside office hours or on the weekend, without affecting productivity, and does not have a conflict of interest, can be picked up by the employees."

Some IT leaders such as Tech Mahindra's CEO CP Gurnani have shown a willingness to accept moonlighting. Gurnani had said, "My thoughts on the trending 'M word'... It's necessary to keep changing with the times, and as always, I welcome disruption in the ways we work." The legality of moonlighting is a bit sketchy. In the UK and the US, dual employment is allowed purely from a tax perspective. In the UK, a second job could alter a person's tax status, but it would not be reported to the employer.

In the US, since the country's tax system is built on self-assessment and voluntary reporting, it is difficult to identify dual employment.

Moonlighting, however, is not necessarily dual employment, with a formal employment contract. It could even be a side hustle or a freelancing job. Indian laws do not completely prohibit such moonlighting. In fact, dual employment is allowed under the Factories Act, but in some states, IT companies are exempt from this rule.

There is also the question of breach of contract. Employees can hold more than one job but if the jobs are similar in nature, it can give rise to concerns about violation of confidentiality. Most companies tend to include non-compete and single employment clauses in their contracts and moonlighting can amount to a violation of this clause. This can be considered cheating.

Also, when an employee indulges in moonlighting, he/she could share trade secrets, if he/she is working in a similar industry. On the other hand, IT employees' unions have argued that in the absence of overtime pay, IT employees have the right to take on extra work for additional income after the committed work hours. To be sure, moonlighting is more rampant in the IT sector than in other industries because of lack of skilled employees and low productivity levels.

A Wills Tower Watson 'Reimagining Work and Rewards Survey' says that in the last two years, 78% of corporates have found it difficult to attract talent, while 64% find it challenging to retain employees.

According to another survey by PWC called 'India Workforce Hopes and Fears Survey 2022', 54% of employees agree that India faces a shortage of skill sets and 67% believe that their job requires specialist training.

Employers are, however, addressing this skill shortage by recruiting employees at high wages and automation. There is very little focus on upskilling and reskilling. Almost 51% of employees feel their employers are not giving them relevant training.

Meanwhile, IT companies are developing a new moonlighting policy to check any conflict of interest, misuse of the company's assets, intellectual properties (IPs), etc.

Infosys sent out a stern mail to its employees saying that any employee found guilty of moonlighting would be terminated for violation of the employee code of conduct.

Another IT major Mphasis has said that it is keeping a close eye on its employees. The company is checking the provident fund data of its employees to see if they have any additional sources of income. Employees are questioned if they find anything suspicious about them.

According to Mphasis, mostly middle management employees with three to six years of experience, have been found to be guilty of moonlighting.

Identity verification platform IDfy has revealed that many IT firms have signed up with them to detect moonlighting. The company checks data from the employee provident fund office to see if employees have any extra credits from other firms.

India's IT Minister Rajeev Chandrasekhar has come out in support of moonlighting, terming it the future of work. He urged companies to get comfortable with the idea of moonlighting since this is the era of employee entrepreneurs. He added that companies should stop expecting employees to spend their entire lives working, going so far as to say that any company that expects its employees to work only for them and not work on their own entrepreneurial ventures is destined to fail.

Since building a business has many financial risks, most entrepreneurs set up their businesses while having a regular source of income. For example, Flipkart's founders Sachin Bansal and Binny Bansal built Flipkart as a side hustle. There are many such examples of employees building a business while working for a company so that they have a regular source of income.

Moonlighting could well be the future of employment. The definition of a job is changing because people want more freedom and flexibility.

While IT companies are cracking down on employees doing second jobs, this trend has been around for far too long to disappear.

There will always be employees willing to work in their free time to build a business and there is not much that employers can do to stop such employees.

While opinion about moonlighting is divided, employees can expect companies to become a lot more vigilant about moonlightinG.

IMPORTANT JARGON

INDIA IS NOW THE WORLD'S LARGEST SUGAR PRODUCER

India, with a sugar production of 35.9 million tonnes in sugar season 2021-22, has overtaken Brazil to become the largest sugar producer in the world. Brazil produced about 32 million tonnes of sugar in 2021-22.

Even other vital parameters like yield, cane payments to farmers and ethanol production have been success stories for the industry.

Q. Why Is The Sugar Industry So Vital For The Economy?

The Indian sugar industry is the second largest agro-based industry in the country, with over 50 million farmers and their families directly associated with the industry. Most sugar production takes place in Uttar Pradesh, Maharashtra, and Karnataka.

The industry saves foreign exchange for the country by exporting sugar and by substituting crude oil demand by supplying ethanol.

Sugar exports have helped the country earn foreign exchange of roughly ₹38,500 crore and ₹41,000 crore from ethanol in import savings of crude oil.

Q. Why Has Sugar Season 2021-22 Been A Blockbuster Year For The Sugar Industry?

The sugar season spans from October to September. The cane-crushing season generally starts in October-November and continues till mid-April.

Sugar season 2021-22 has been a blockbuster year for the sugar industry, with highest sugar production at around 36 million tonnes.

Ethanol production of about 370 crore litre (from the sugar industry alone) has also been the highest. Even sugar exports at over 11 million tonnes have been the highest.

Q. What Has Been The Reason For Higher Sugar Production In The Country?

Sugar production has increased by about 25% over the past 5 years. Better crop variety has led to higher sugarcane yield in the last 5 years. The yield has increased by almost 10% while sugar recovery has also increased by about 5% in the last 5 years.

Q. What Marred The Sugar Industry In The Past?

In the past, the Indian sugar industry used to follow a cycle of rising sugar prices when sugar production fell, and depressed sugar prices when production increased. The cycle used to take 2 to 3 years to turn.

The puzzling aspect of the sector cycle is that while the price of raw material (sugarcane) is fixed by the government, the price of the end product (sugar) is mostly market-determined.

The negative fallout of this is that end consumers had to bear higher prices during an upcycle; while farmers' arrears - the money that mills pay to cane growers - rose during the downcycle. Finances of sugar mills swung on extremes within the cycle.

Q. Has The Situation Changed Now?

Yes. Over the last few years, the centre, state governments, farmers and sugar mills have been collaboratively working on building a supportive ecosystem for the industry in the country.

The government has come out with timely policies to support the sector in terms of export policies, among other things. The industry, on the other hand, has successfully diversified its revenue stream by venturing into ethanol. This way surplus sugar is being successfully managed, thus supporting sugar prices.

Q. Who Has Gained The Most From The Turnaround Of The Industry?

In the past, cane prices used to soar when sugar prices fell due to a glut in the system. However, dues to farmers have been streamlined significantly over the past 5 years.

During sugar season 2021-22, sugar mills procured more than ₹1.18 lakh crore worth of sugarcane from farmers and released payment of more than ₹1.12 lakh crore with no financial assistance (subsidy) from the Centre.

Thus, cane dues at the end of the sugar season were less than ₹6,000 crore, indicating that 95% of cane dues have already been cleared. It is also noteworthy that for sugar season 2020-21, more than 99.9% of cane dues have also been cleared.

Q. What Was The Key Turning Point For The Industry?

Higher exports and diversification into ethanol have made the industry self-sufficient. While the government has been fixing the minimum price that mills have to pay to sugarcane farmers, other export subsidies have now been stopped. However, some grants are being offered to the industry to increase ethanol production. Mills now have better finances to continue their operations.

Q. What Is The Status On Ethanol?

The government's Ethanol Blending with Petrol (EBP) Programme has been a huge success. Currently, ethanol blending with petrol stands at around 10%. The government seeks to achieve a target of 20% ethanol blending with petrol by 2025-26.

Q. How Have Sugar Mills Benefitted From Ethanol Diversification?

The growth of ethanol as biofuel has supported the sugar sector over the past 5 years as the use of sugar to produce ethanol has led to better financial position for sugar mills due to faster payments, reduced working capital requirements and lesser blockage of funds owing to reduced sugar surplus with mills. In 2021-22, sugar mills / distilleries earned ₹18,000 crore as revenue from the sale of ethanol.

Q. What Is The Outlook On Ethanol Production From Sugar Mills?

Ethanol production capacity of sugar-based distilleries has increased to around 600 crore litres per annum from around 400 crore litres two years back.

In the new season, diversion of sugar to ethanol is expected to increase from 3.5 million tonnes to 5 million tonnes, generating revenue of about ₹25,000 crores for sugar mills.

As per Niti Aayog estimates, to achieve 20% ethanol blending in the country by 2025-26, about 1,016 crore litres of ethanol would be required. The sugar industry is planning to divert 10 million tonnes of sugar to produce around 1,000 crore litres of ethanol. This shows how more investments will be made to augment ethanol capacity in the country.

Q. What Is The Outlook For The New Sugar Year That Began In October?

Domestic sugar production is forecasted at 40 million tonnes this sugar year that commenced from 1st October, while consumption is seen at 27.5 million tonnes. The diversion of sugar towards ethanol production is estimated at around 4.5 million tonnes. Exports are estimated at around 8 million tonnes for the yea**R.**


Beyond Market
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THE WIZARD OF DALAL STREET
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SWEEPING CHANGES

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