5th April 2023

FUND MANAGERS COMMUNICATIONS

Before starting with our commentary on Markets would like to **Wish You A Very Happy Financial New Year FY2024!** - May this new year bring new hopes, success, health, and pleasure in your life.

Coming Back to our Market updates Cocktail of Inflation, Interest Rate hike, Recession Fears, Collapse of some banking names in US and Europe gave some shocks of volatality to investors globally. On Domestic front some positive data like strong GST Collection, Narrowing Fiscal Deficit, Normal Monsoon, Strong PMI numbers helped Nifty to defend itself from global challenges. India was the 2nd best performer among the emerging markets with Nifty losing merely -0.5% in FY23, while the Sensex gained about a 1%. The resilience in Indian equities was thanks to the flows from DII's worth Rs 2.52 lakh crore when FII's sold Indian shares worth Rs 28,222 crore in FY23.

Indian Markets: in the month of March ended flat. Nifty was up by +0.32%, NIFTY500 Index +0.27%, Nifty 100 -0.27%. Among the sectoral indices Nifty Bank was up by 0.84% and NIFTY IT -3.25%. Indian IT companies having good order book from US and Europe banking sector. Collapse in some big US and Europe banks worried investors about future growth for Indian IT which led to sell of in sector. Foreign Central banks came for resuce of these banks by Providing ample liquidity and restructuring of these banks. Situation was addresed quickly so from here on we dont see any such events which can dampen order book of this IT stocks and post such big correction they seems at attractive valuation

Fund Flow: FII turned slightly positive and bought shares worth **Rs 1,997.70cr** in the month of March 2023. DII continued their inflow with purchase of **30,548.77cr** during the same period.

Global Market : US data showed mix bag of results, Labour market showed some signs of cooling Job data rose by 145000 in March Vs 261000 in Feb. While PMI data for March was at 52.6 Vs 50.6 in Feb showing strong demand. Eurozone Manufacturing PMI came in at 47.3 in March 2023 Vs 48.5 in Feb on track as rising interest cost has faded new demand in manufacturing activity. China's PMI was down to 51.6 in March Vs 54.2 Feb. Domestic demand in China (services activity and home sales) got a boost from festive demand and reopening of the economy in Feb thus slight cooling off pent up demand of previous month.

Central Banks: Following rate hikes by major central banks in March'23 US fed increased rate by 0.25bps. While ECB and Bank of England raised rates by 0.50bps and 0.25bps respectively, On other hand Bank of Japan maintained their stance of unchanged rate. On surprise not People Bank of China announce rate cut by 0.25bps to boost banking liquidity and the economy growth. Domestic markets are showing mixed trends. Going ahead, it will be critical to monitor the factors determining monsoon and its impact on food prices. Food prices have been inching up and will remain a key concern for RBI. Sudden supply cut in Crude oil by some OPEC countries led to surge in crude prices. Although, RBI has paused the interest rate hike in the latest MPC meet, they sounded cautious looking at global market.

Consumer price Inflation (CPI): CPI data for Feb 2023 came in at 6.44% v/s expectation of 6.35% and 6.52% in Jan 2023. The inflation is still above the RBI's tolerance band 2%-6% for the 2nd consecutive month due to the rupee depreciation as well as passing of increase in input prices to consumers. Food inflation remain unchanged MoM with prices of Spices (20%), cereals (17%) and Milk (10%) rising the most.

GST Collection: The GST collection for March 2023 was Rs. 1.6L crore which is the 2nd highest collections ever, a growth of 13% Y-o-Y. The GST collections for the entire FY23 was Rs. 18.1L crore, a growth of 22% Y-o-Y.

PMI: India's purchasing managers' index (PMI) for manufacturing in March increased to a three month high of 56.4, from 55.3 in February, as input costs declined and output expanded. March data highlighted a further upturn in new business placed with Indian manufacturers. Moreover, the rate of expansion was sharp and the quickest in three months. India's services PMI slows to 57.8 in March after a 12-year high in February. India's service sector built on to the momentum gained in February with further increases in new business intakes and output at the end of the 2022/23 fiscal quarter. However, manufacturing has retaken the mantle as the main driver of growth

Trade Deficit: India's merchandise trade deficit narrowed to $17.43 billion in February amidst a decline in imports and exports. Exports dipped in Feb for the 3rd consecutive month by 8.8% to $33.88bn Vs $37.15bn in the same month last year. Imports also dipped by 8.21% to $51.31bn Vs $55.9bn recorded in the corresponding month last year.

Monthly Auto Sales Data: Auto sales volume for March'23 were driven by festive demand and pre-buying ahead of 'BS VI-2' emission norms which is effective from April'23. CV volume were impressive as consumers rushed to buy in order to take depreciation benefit at year end. PV volume saw healthy traction led by launches of new model. 2W sales were supported by consumer offers & festive demand. Export continued to struggle due challenging global environment. EV space continues to witness strong volume growth. Going ahead for FY-24 Budget focused on 33% increase in Capex which will turn positive for CV demand, Govt focus on clean energy will lead to growth on EV space and we can soon hear out on Vehicle scrappage policy which can turn positive for overall auto sector. Though sector seems smooth ride ahead but some key concerns like Rising interest cost, Slowdown in overall growth, Supply side crises and below Normal Monsoon cannot be ignored.

Outlook: Although there are early signs of inflation has started to moderate, global challenges with respect to inflation and rising interest rates have stretched for longer than expected. Strong PMI numbers, opening of economy in China, Good growth in Labour market has eased the chances of slowdown in demand and recessionary trend from global market. The benefit of fall in both hard and soft commodity and fuel cost over last 6 months will now help corporate margins to improve in Q4 and provide cushion to earnings and thereby making valuation look attractive. Also, with the time correction of more than one and half year and looking at FY24 and FY25 earnings makes Indian Equity valuation reasonable based on forward multiple. We believe it's time to get aggressive in the market as the consolidation period seems to get ended. The only risk to the view, further escalation in geopolitical issues, financial Institution failure having cascading effect and any disturbance related to political environment with respect to election due next year.

Regards,
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