



Current Market Scenario

08 October 2022

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Indian Market Outperforms



- Weak global markets
- FII cautious
- Domestic economy doing well
- Volatile crude oil

INDEX WATCH

INDEX	8, Oct	16, Sep	% Change
Nifty	17,314	17,530	- 1.2
Sensex	58,191	58,840	- 1.1
Nifty Midcap	31,406	31,460	- 0.1
BSE Small Cap	29,182	29,199	0.0

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Hectic Domestic Festive Season



- Ground action indicates strong festive season going on with good public spending
- High public turnaround in shops
- Hotels are fully booked
- Domestic economy related companies will be benefited

Strong Corporate Balance Sheet



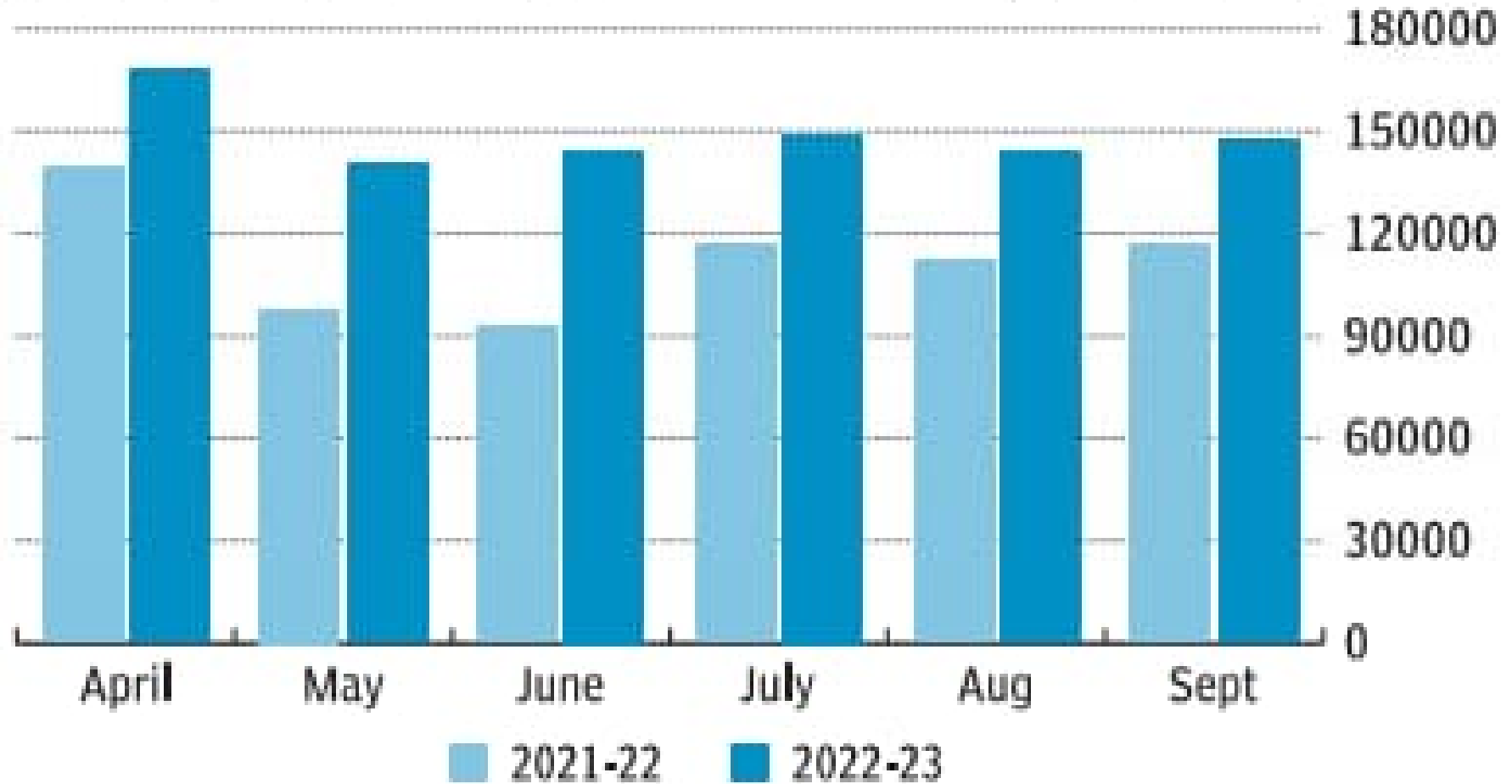
- Crisil rating says Corporate credit ratio (Upgrades Vs Downgrades) at 5.52 times during first half of FY23
- Strengthening domestic economy, debt light balance sheet, higher realisation leading to rating upgrades

Robust GST Tax Collection



GST collections

(in ₹ lakh crore)



Source: Finance Ministry

Monsoon Season Ends Above Normal

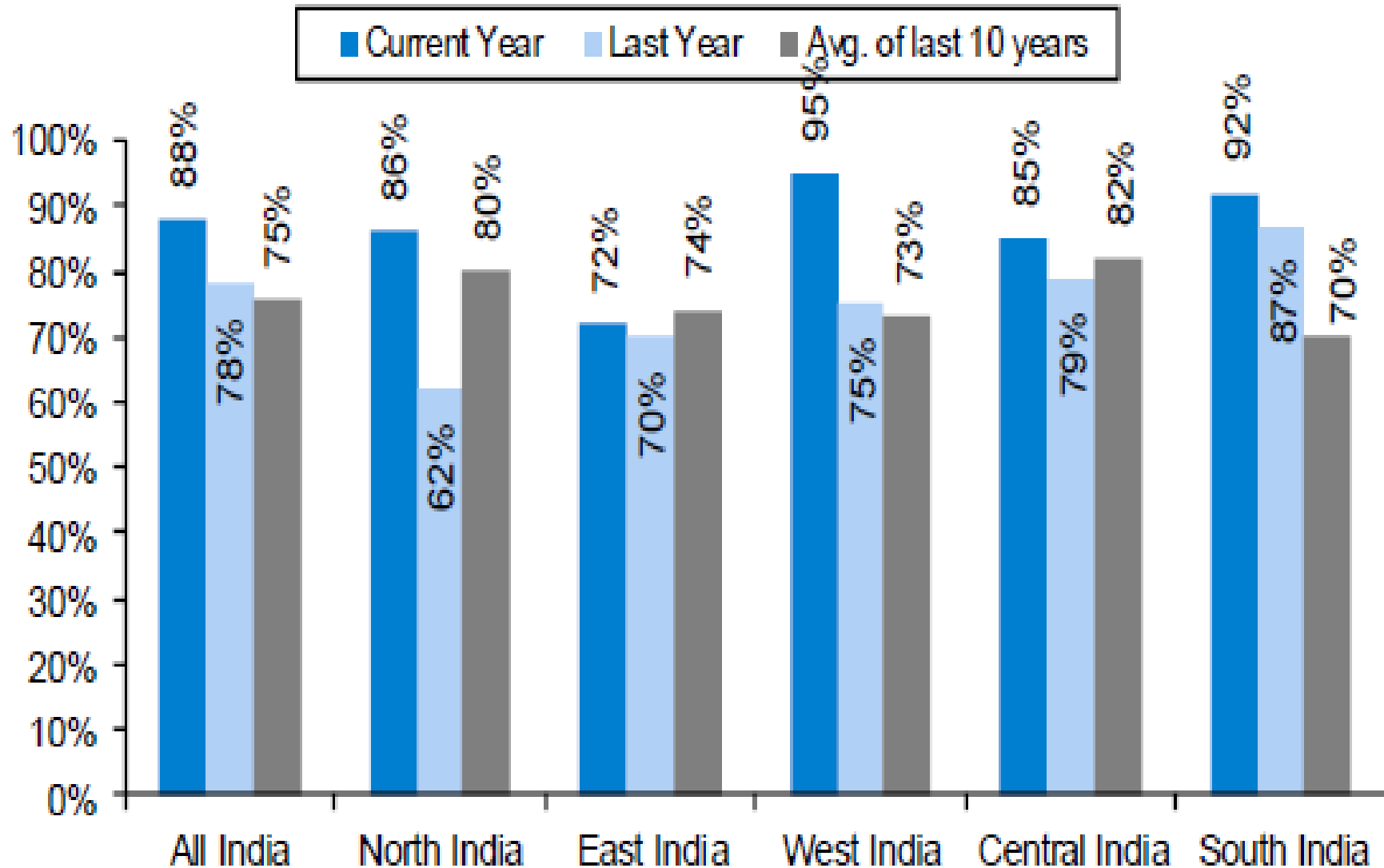


- Overall good Rainfall received
- Fourth consecutive year of good monsoon
- Distribution slightly skewed

All India Southwest Monsoon Seasonal Rainfall Departure for this year and last five years

YEAR	ACTUAL (mm)	NORMAL (mm)	% DEPARTURE FROM LONG PERIOD AVERAGE
2022	925.0	868.6	+6
2021	874.6	880.6	-1%
2020	957.6	880.6	+9%
2019	968.3	880.6	+10%
2018	804.0	887.5	-9%
2017	841.3	887.5	-5%

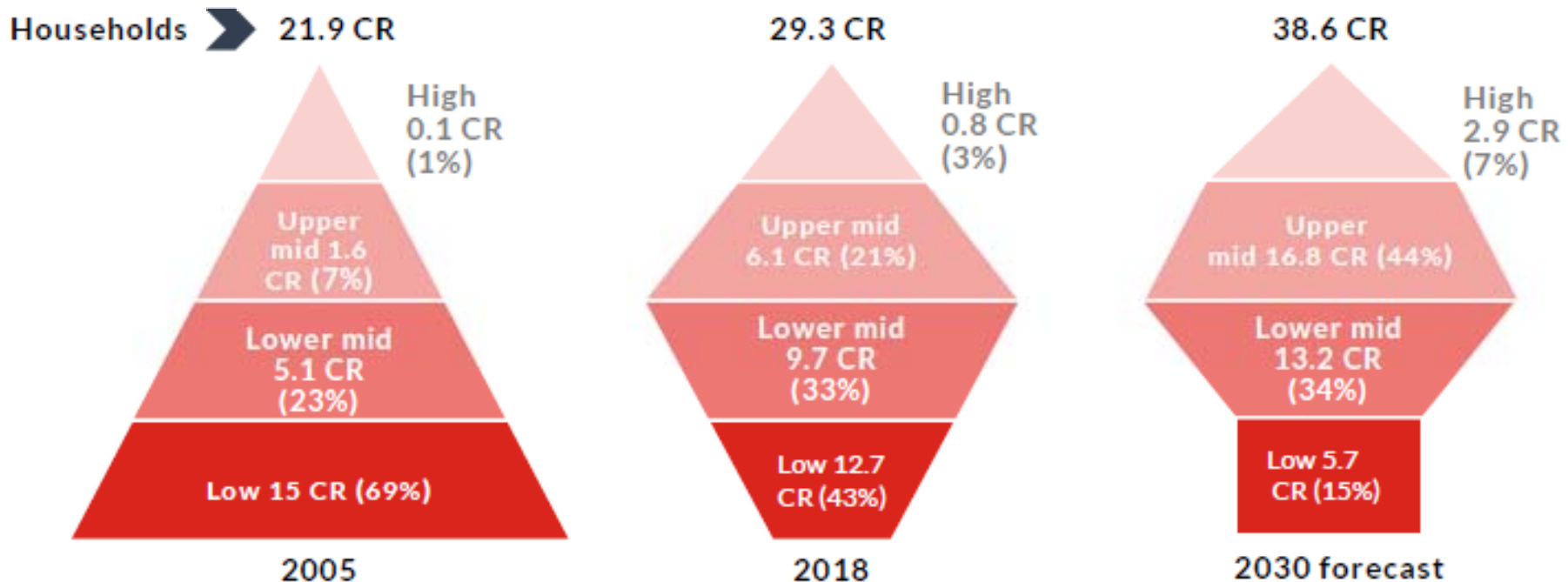
Healthy Water Reservoir Level



Volatile Crude Oil



Changing Indian Income Demographic



Note: Low: <INR 2.5 lacs, Lower mid: INR 2.5 -5.5 lacs, Upper mid: INR 5.5 - 27.5 lacs, High: >INR 27.5 lacs

Projections with annual GDP growth assumed at 7.5%

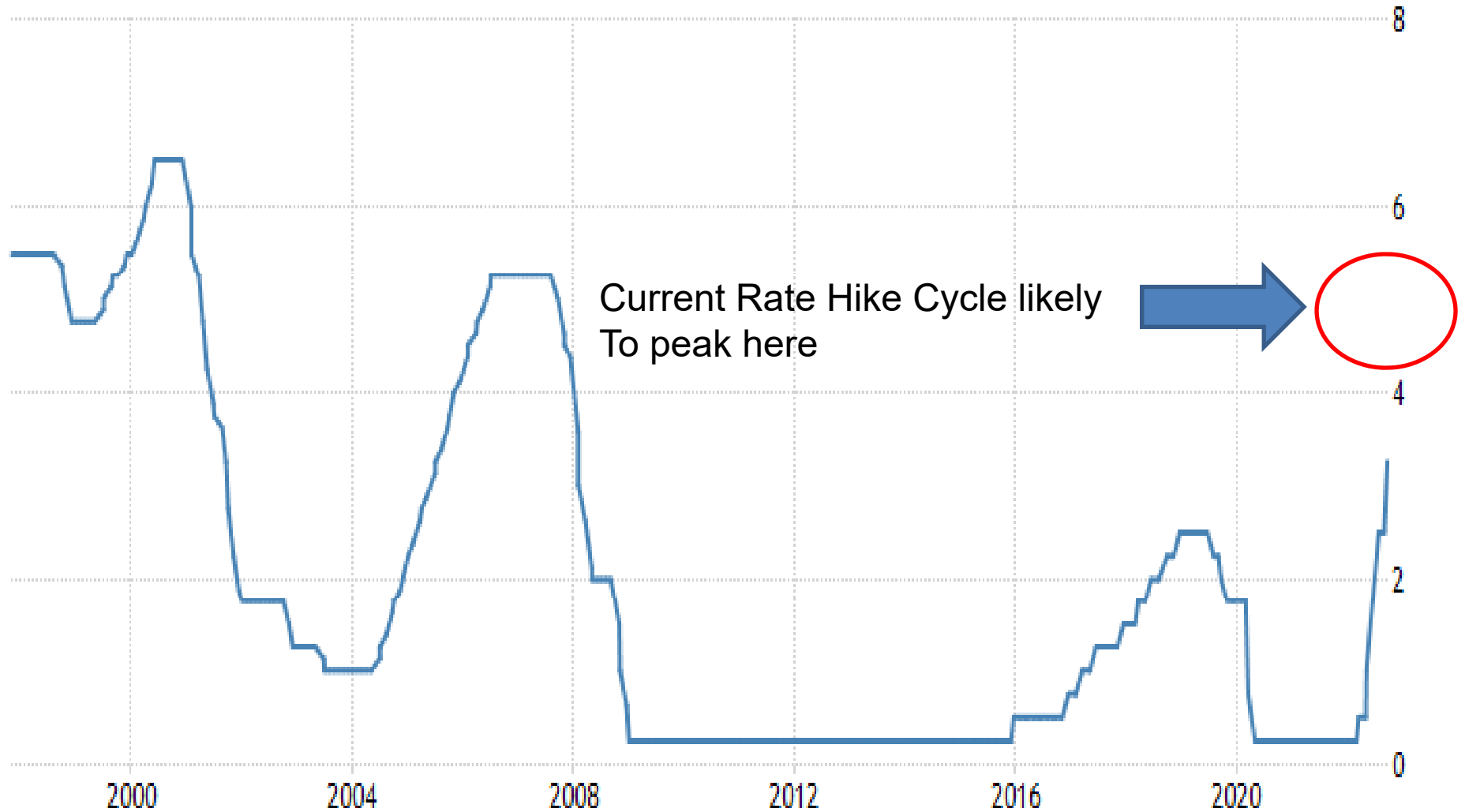
Source: PRICE projections based on ICE 360 Surveys (2014,2016,2018)

Global Economy on Weak Wicket

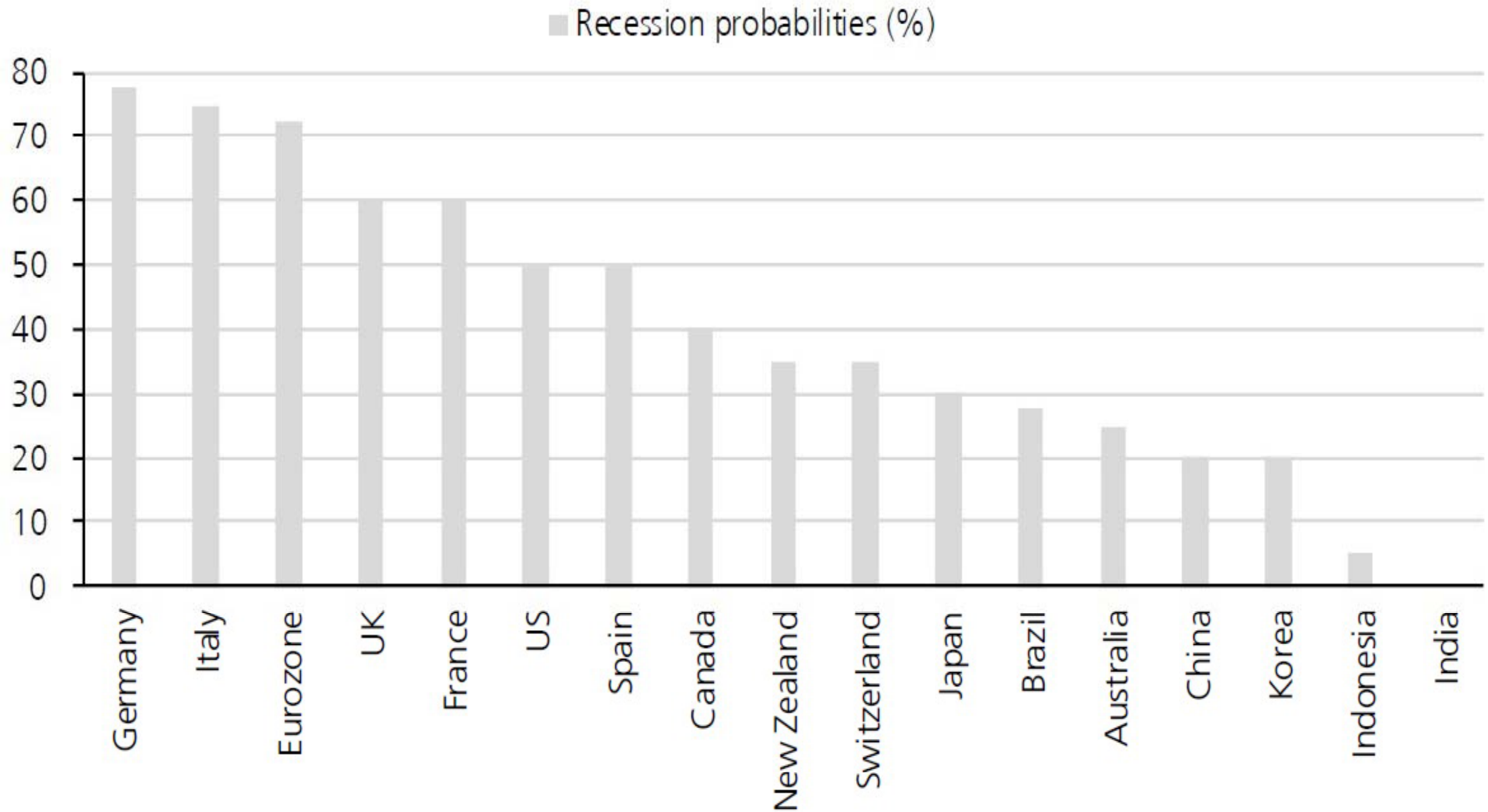


- Sharp hike in interest rate by developed economies
- High energy inflation
- Chinese lock down and real estate stress
- Russia – Ukraine war

US Fed Fund Rates



Recession Probabilities



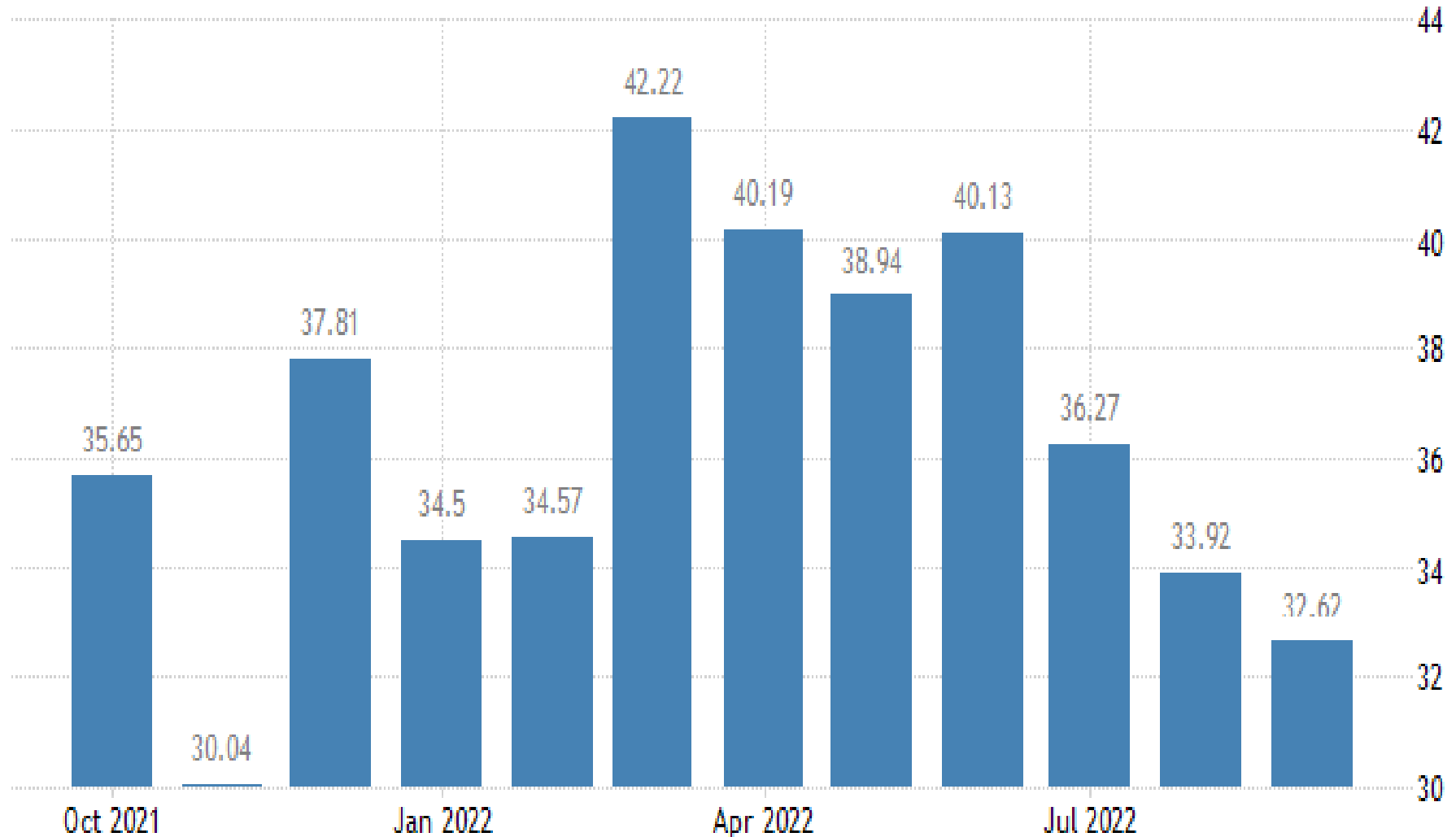
Source: Bloomberg, Kotak Economics Research

India Relatively Better Placed



Cost of Capital in India does not need to be repriced significantly vs the developed world				
	India	US	UK	Eurozone
Avg 10 Yr G Sec Yields FY 12-22	7.30%	2.10%	1.40%	0.40%
10 Yr G Secs yield 3 months ago	7.40%	3.00%	2.20%	1.30%
10 Yr G Secs yield today	7.30%	3.80%	4.00%	2.10%
Avg CPI Inflation 2012-2022	5.80%	2.10%	2.00%	1.40%
CPI inflation today	7.00%	8.30%	9.90%	9.10%
Increase in Central Bank Balance sheets (Covid to today)	16%	114%	90%	55%
Increase in Aggregate Debt/GDP 2008 - 2022	-6%	49%	54%	147%
Source: Bloomberg; Debt/GDP data sourced from Kotak MF presentation				

Exports Slips



Rupee Depreciates



US Dollar Indian Rupee 82.0900 +0.4590 (+0.56%)

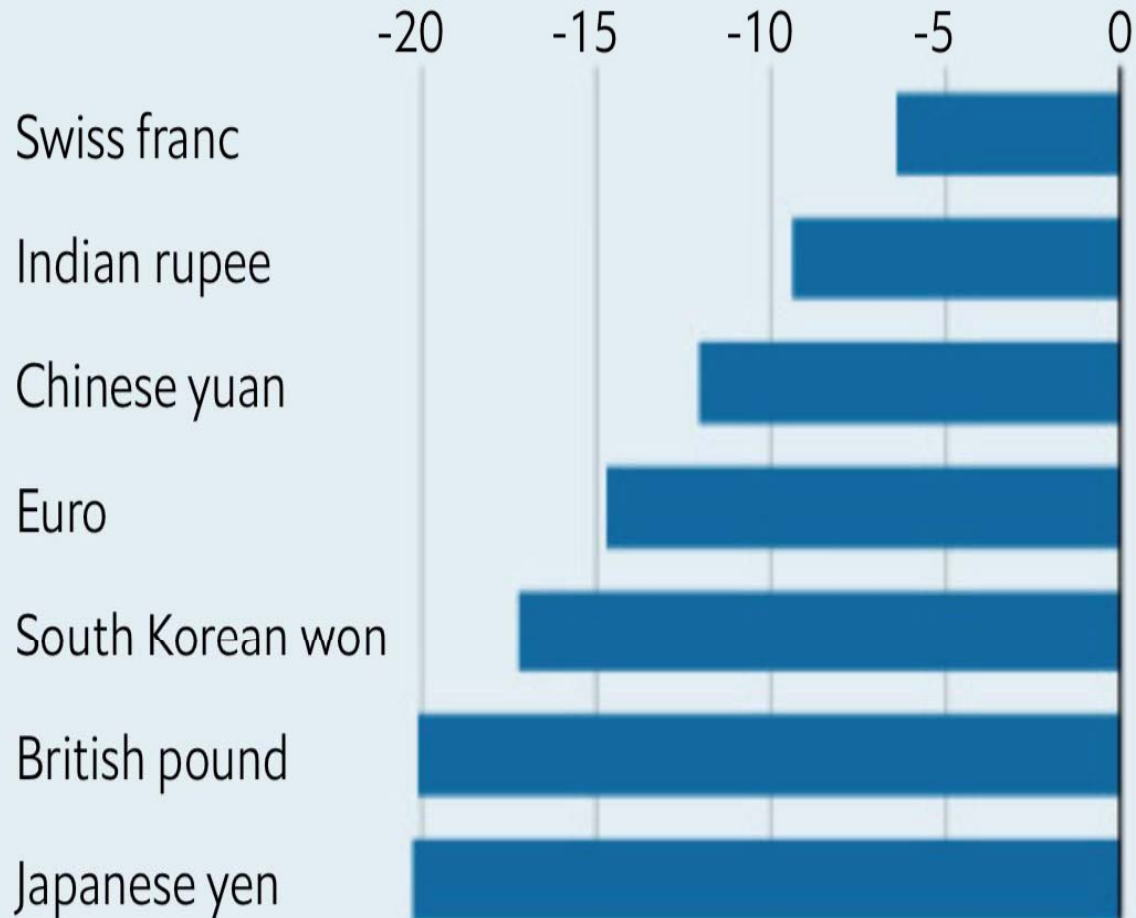


1D 1W 1M 6M 1Y 5Y 10Y 25Y All

Shared suffering

Currencies against the \$

Jan 3rd-Sep 28th 2022, % decrease

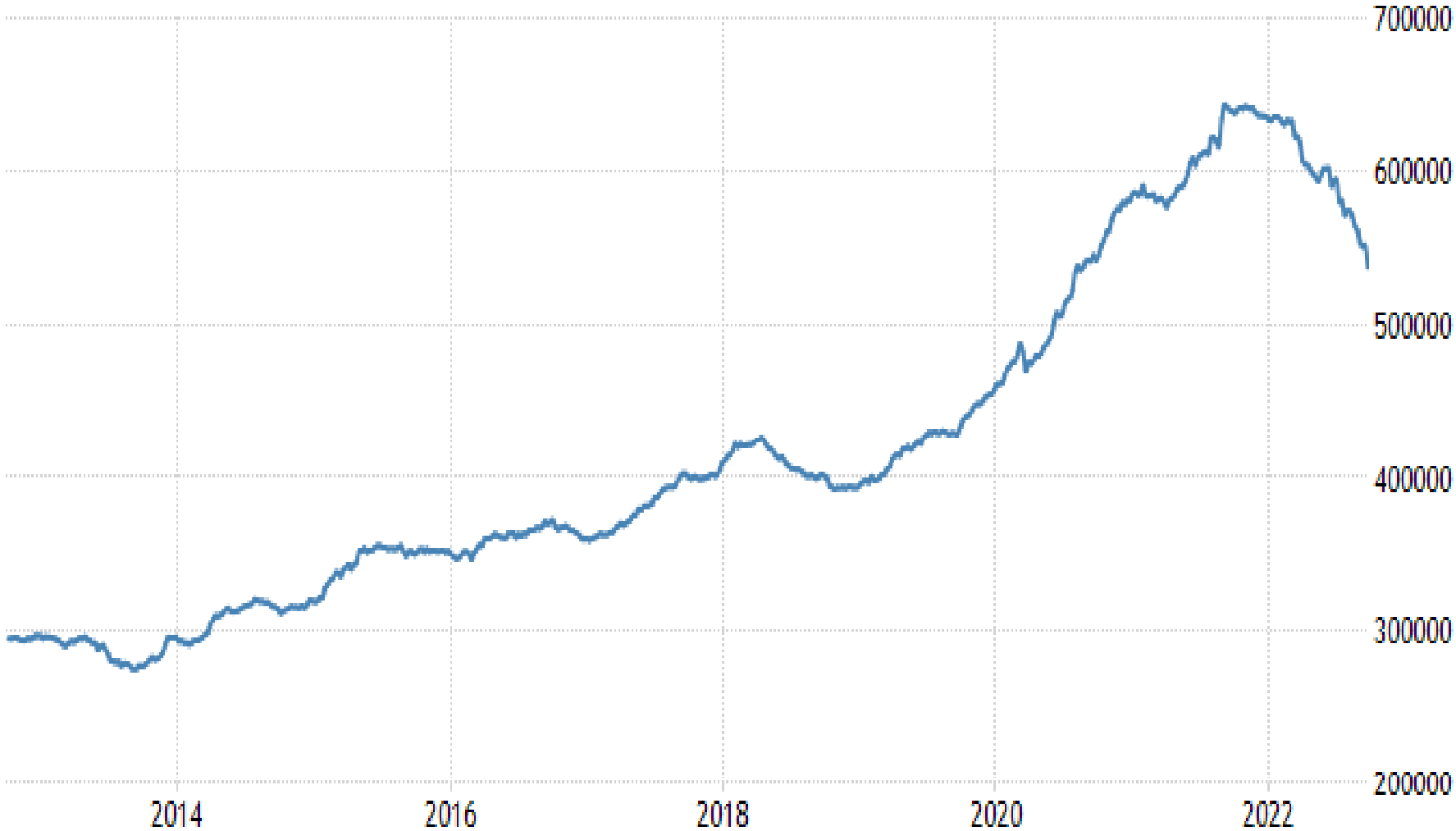
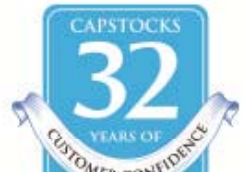


Source: Refinitiv Datastream



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Forex Reserves See Sharp Fall

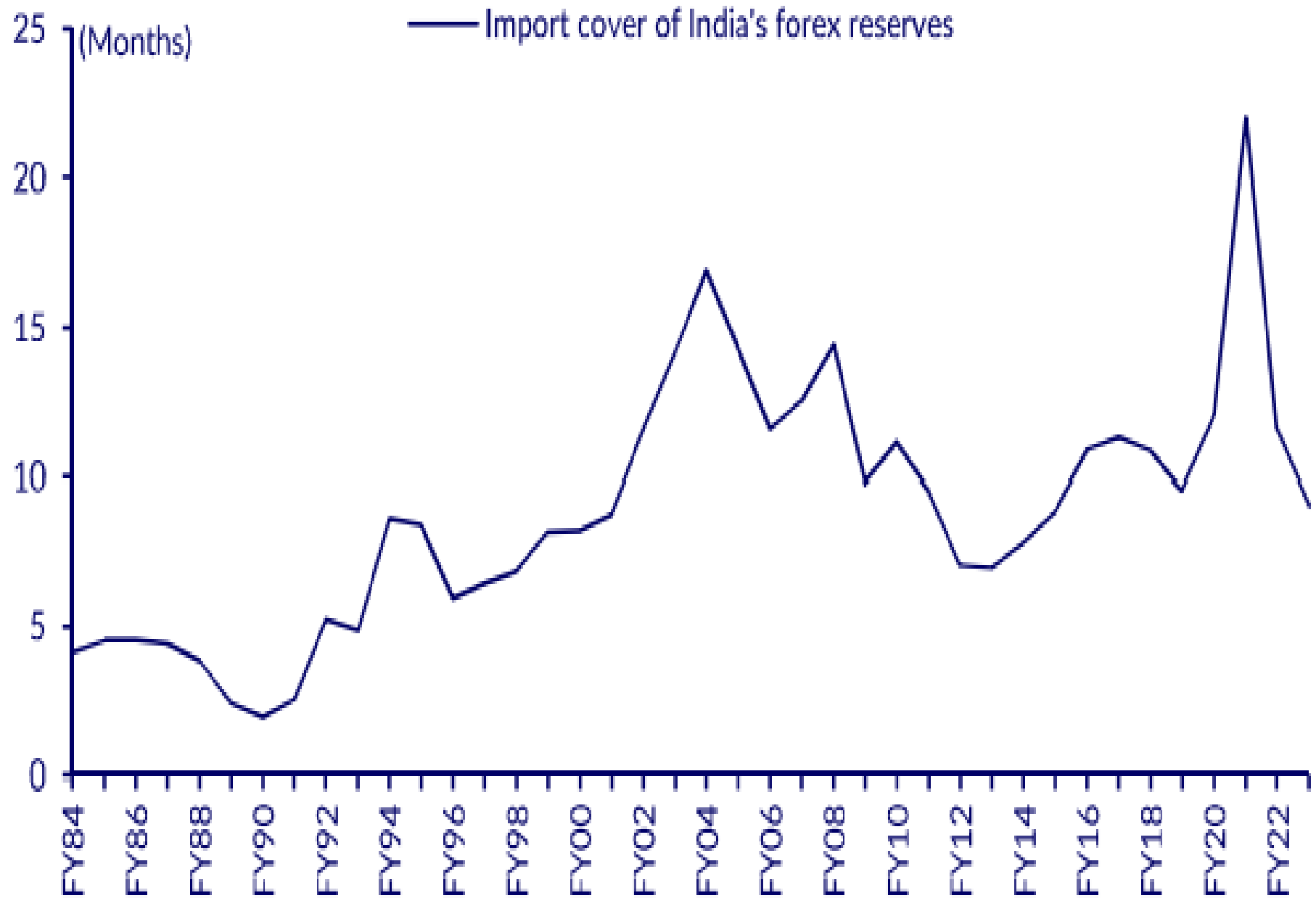


Will Exporters be benefited from Rupee Weakness ?



- Due to cross currency head winds exporters unlikely to get full benefit of Rupee depreciation against dollar
- Company specific impact will be seen

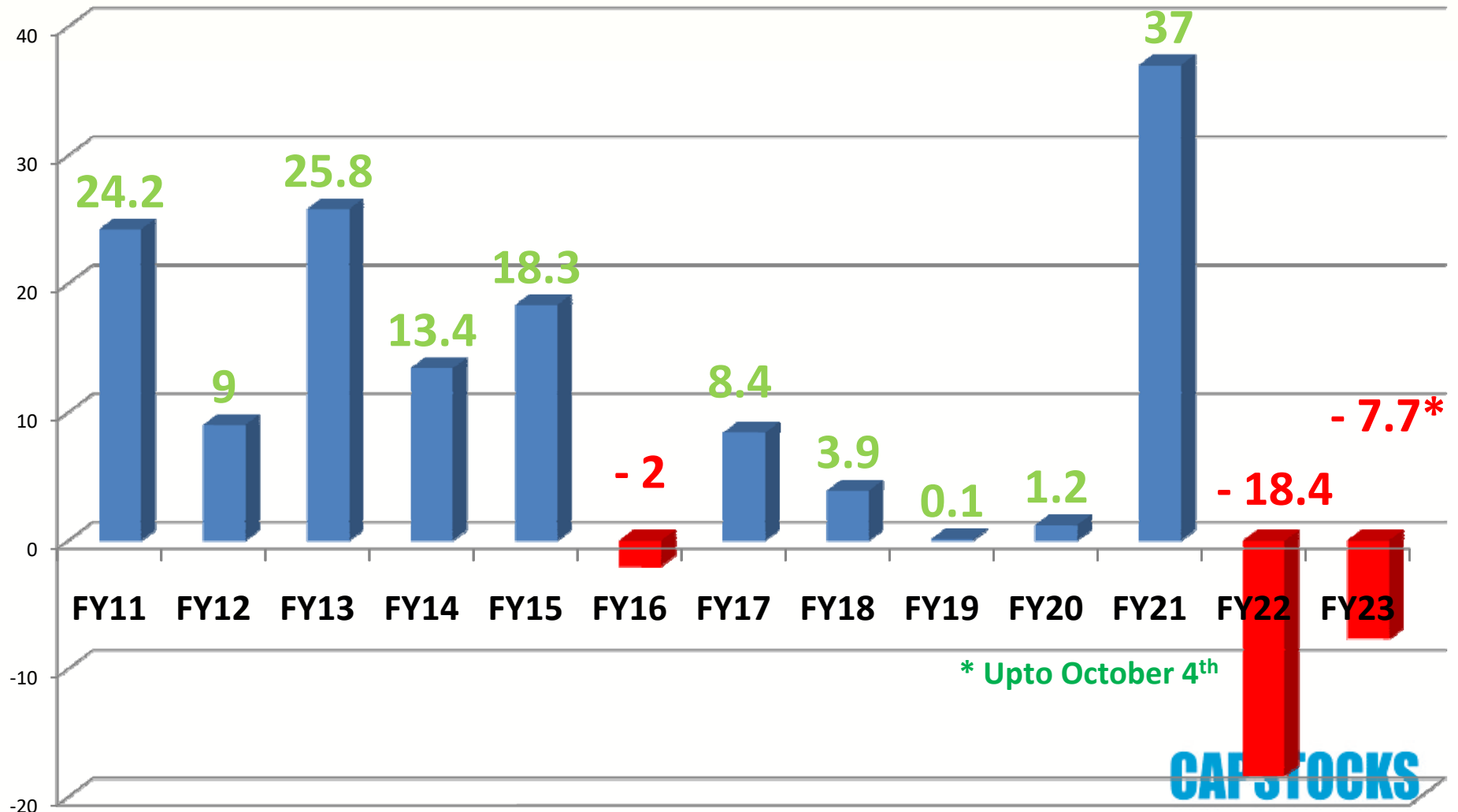
India's import cover is at its lowest since 2015



FII Activity



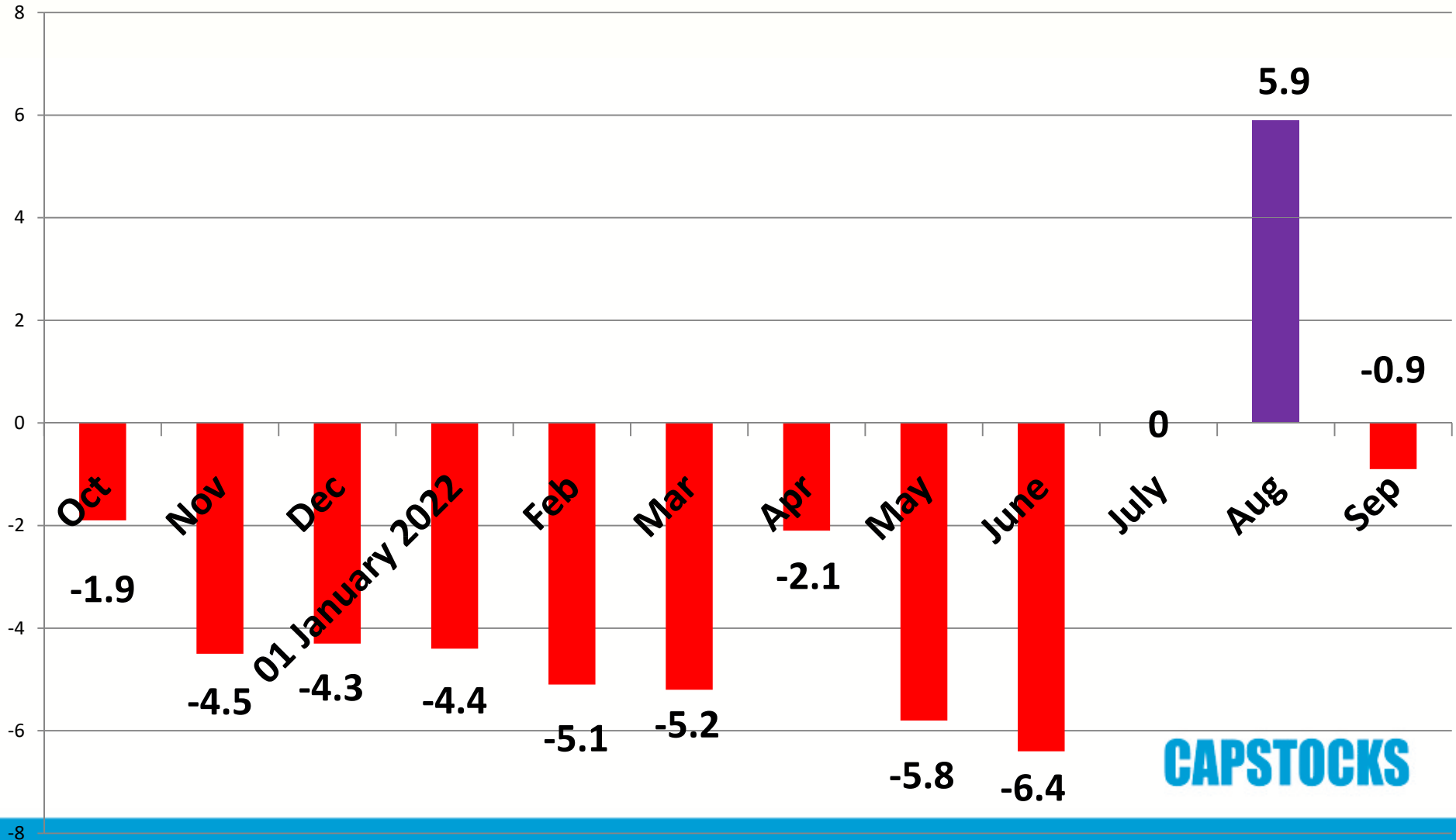
FPI Flows in US \$ Bn



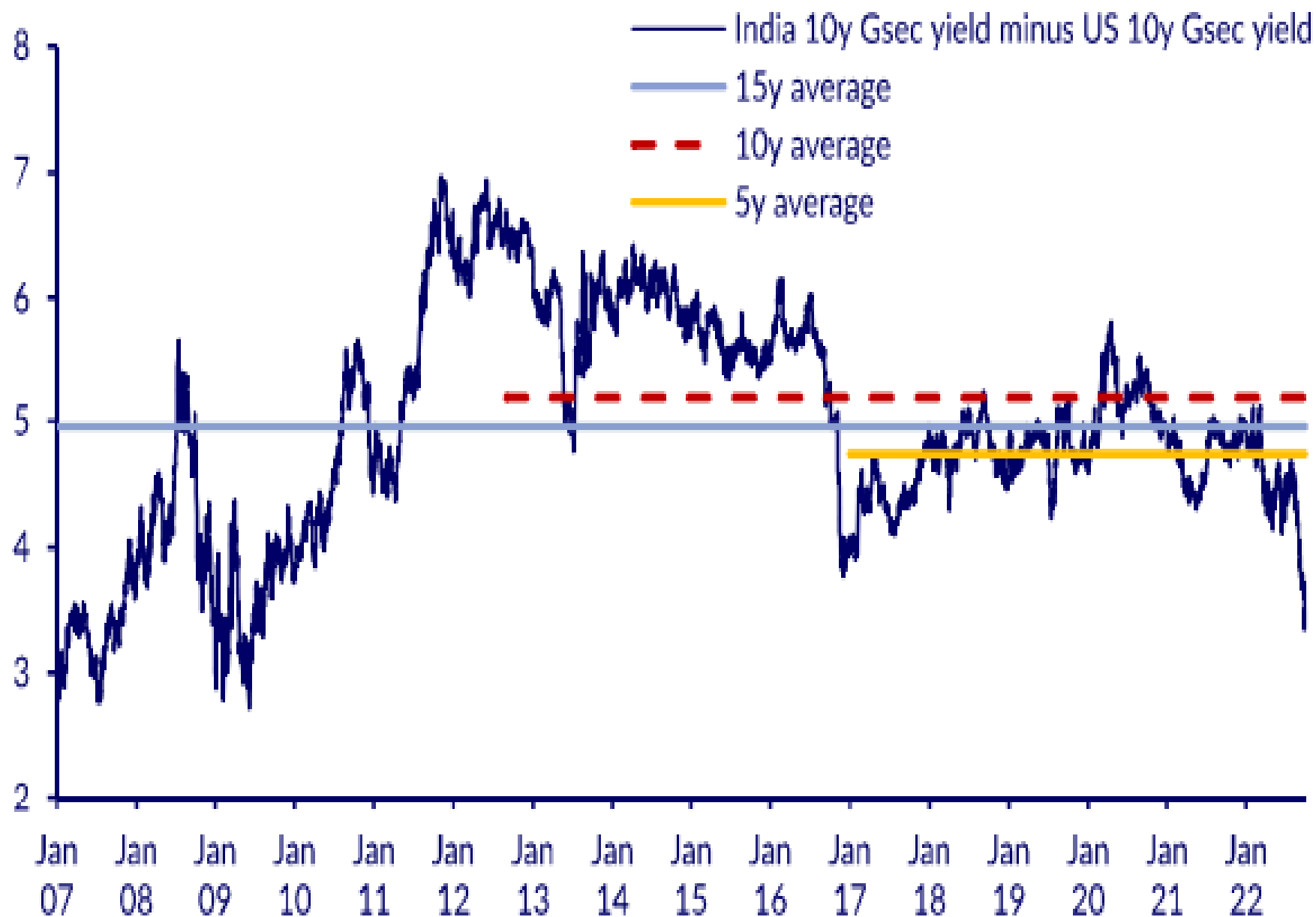
FII Very Cautious



FPI Secondary Market Selling in US \$ Billion



Differential between US and Indian 10-yr government bond yields is at a 13-yr low



Q2 Results Outlook



- Banks and NBFC to show good performance
- IT commentary will be crucial
- Pharma to show improvement
- Metals profits to skid
- Consumption based companies to show decent performance

Theme To Focus



- In current uncertain situation Pharma looks a defensive bet
- Raw material price softness may aid margin
- More US FDA inspection will led to more approvals and launches
- Pharma sector should be seen as stock specific since it is not a homogeneous sector

Events To Watch



- Geopolitical events
- FII Flows
- Q2 results



Thank You

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