

Weekly Capsule (Mar 11 – Mar 15) and Impact Analysis

News Announcement	Impact Analysis
➤ India CPI inflation for February 2024 came in absolutely flat at 5.09%	<ul style="list-style-type: none"> ➤ Despite a 30 bps fall in the core inflation, the pressure came from a 36 spike in food inflation in February to 8.66% ➤ Within food inflation, the pressure was visible in high protein foods and vegetables with cereals and pulses lower
➤ IIP growth for the month of January 2024 came in lower at 3.80%	<ul style="list-style-type: none"> ➤ The lower IIP was triggered by the partial effect and by weak growth in manufacturing output in January 2024 ➤ While domestic demand led the IIP growth story, export driven sectors were still under pressure due to Red Sea crisis
➤ India WPI inflation for February 2024 came in marginally lower at 0.20%	<ul style="list-style-type: none"> ➤ This marks the fourth consecutive month when the WPI inflation has been in positive after 7 months in the negative ➤ Fuel inflation and manufacturing inflation stayed negative but food and primary inflation were elevated at above 4% levels
➤ India Feb-24 goods trade deficit under control at \$18.71 billion	<ul style="list-style-type: none"> ➤ Exports of goods recorded yearly highs of \$41.40 billion as it was the third successive month of below \$20 billion deficit ➤ The overall deficit, including services surplus, was under \$2 billion, giving hopes of CAD below 1.5% of FY24 GDP
➤ US inflation for FY24 edges 10 bps higher to 3.2% on higher fuel inflation	<ul style="list-style-type: none"> ➤ Interestingly, the core inflation was down 10 bps while the food inflation was also down by a full 40 bps in February ➤ This could slightly delay the Fed rate cut plans and now it looks more likely to happen only in the second half of 2024
➤ SEBI has approved the launch of T+0 settlement for 25 scrips in a small set	<ul style="list-style-type: none"> ➤ This will be voluntary to begin with before moving to instant settlement by the proposed deadline of March 2025 ➤ India is already on T+1 settlement cycle and that is already among the most efficient systems in global equity markets
➤ Byju's assures funds are safe after the US Court issued a freeze order	<ul style="list-style-type: none"> ➤ This refers to the \$553 million that Byju's had raised earlier but had never disclosed the funds to the existing creditors ➤ While the court did not allow an injunction to deposit the money with the court, it barred use of these funds
➤ Stocks of oil marketing companies fell sharply on Friday after the price cut	<ul style="list-style-type: none"> ➤ IOCL, BPCL and HPCL fell sharply by up to 8% after the price of petrol and diesel were cut by Rs2/litre ahead of the elections ➤ The concern is that this could seriously hit the marketing margins of these OMCs and compress profitability of OMCs
➤ Ministry of Defence inks Rs2,890 crore deal with Hindustan Aeronautics Ltd	<ul style="list-style-type: none"> ➤ The deal pertains to the mid-life upgrade of 25 Dornier aircraft belong to the India Navy with state of art avionics and sensors ➤ The project will be implemented over 6 years and is part of government initiative to in-source most of its defence needs

<ul style="list-style-type: none"> ➤ India forex reserves expand by \$10 billion in the week to \$636.01 billion 	<ul style="list-style-type: none"> ➤ This takes the forex reserves fairly close to its all-time high forex kitty level of \$645 billion last seen in October 2021 ➤ This puts the Indian merchandise imports back at about 10 months of import cover, which is a lot more comfortable
<ul style="list-style-type: none"> ➤ Fitch has revised India's GDP growth estimate for FY25 up by 50 bps at 7% 	<ul style="list-style-type: none"> ➤ It has also simultaneously raised the FY24 forecast for GDP to 7.8%, on the back of sustained consumer demand in India ➤ This GDP upgrade was necessitated after India reported above 8% GDP growth for the first three quarters of FY24
<ul style="list-style-type: none"> ➤ Global crude prices rise to a 5-month high of \$85.21/bbl on strong demand 	<ul style="list-style-type: none"> ➤ The latest estimates by the International Energy Agency (IEA) has pegged demand to outpace supply in year 2024 ➤ The IEA expects that supplies will remain constrained and the recession signals in UK and Japan may not impact much
<ul style="list-style-type: none"> ➤ Paytm gets third party application provider license ahead of March 15 	<ul style="list-style-type: none"> ➤ This means that customers can continue to use the Paytm app for making payments, without using Paytm Payments Bank ➤ Axis Bank, HDFC Bank, SBI and Yes Bank will act as the payment service providers (PSPs) on behalf of Paytm
<ul style="list-style-type: none"> ➤ Vedanta likely to face shareholder disapproval over demerger proposal 	<ul style="list-style-type: none"> ➤ It has been planning to demerge its aluminium, steel, and oil & gas business in order to ensure better value creation ➤ Ironically, it was the same value creation logic that Vedanta had given for merging all these businesses into a single entity
<ul style="list-style-type: none"> ➤ Ministry of Finance directs Indian PSU banks to be cautious on gold loans 	<ul style="list-style-type: none"> ➤ A recent audit had revealed that many banks had not complied with gold lending regulations in terms of collateral ➤ There were also several anomalies pertaining to interest charging, payment of fees and closure of gold loan accounts
<ul style="list-style-type: none"> ➤ Tata Motors will invest Rs9,000 crore to set up a manufacturing plant in TN 	<ul style="list-style-type: none"> ➤ The deal was signed by Tata Motors with the Tamil Nadu state government with a plan to create more than 5,000 jobs ➤ The plant in Tamil Nadu will also be a vehicle manufacturing plant and will sue state of the art research and development
<ul style="list-style-type: none"> ➤ Uday Kotak has ruled out any concerns over valuations of Indian stocks 	<ul style="list-style-type: none"> ➤ Kotak emphasized that there may be froth in small quarters, but the market as a whole was still reasonably priced ➤ Indian markets have been trading at 22X P/E ratio, but that was justified due to being the fastest growing large economy
<ul style="list-style-type: none"> ➤ L&T Finance inks \$125 million financing support deal with JICA of Japan 	<ul style="list-style-type: none"> ➤ Japan International Cooperation Agency (JICA) has given this funding to support lending to rural and semi-urban customers ➤ L&T Finance has been diversifying its financing sources and had recently raised \$125 million from ADB also
<ul style="list-style-type: none"> ➤ Adani Cements expects its sales to double by the fiscal year FY27 	<ul style="list-style-type: none"> ➤ Along with the sales touching Rs85,000 crore in FY27, the EBITDA per tonne is expected to improve to Rs1,500/tonne ➤ This will coincide with the cement capacity of Adani Cements growing to 140 MTPA, nearly double of current capacity

<ul style="list-style-type: none">➤ India Ratings expects the current account deficit at 1.2% of GDP in Q3	<ul style="list-style-type: none">➤ This will be higher than the 1% in Q2, but should keep the full year FY24 current account deficit (CAD) at under 1.5%➤ Restrained CAD is essential for holding strength of the rupee and also for favourable sovereign ratings from agencies
<ul style="list-style-type: none">➤ CNG prices were cut by the CGD players in line with the global fall in CNG prices	<ul style="list-style-type: none">➤ For major CGD players like IGL and MGL, this is likely to be profit neutral since lower costs are just being passed on➤ Prices of CNG in the global market have fallen from \$15.2/MMBTU in Q3 to \$9/MMBTU in the fourth quarter

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