

Weekly Capsule (Dec 02 – Dec 06) and Impact Analysis

News Announcement	Impact Analysis
<ul style="list-style-type: none"> ➤ December monetary policy holds repo rates at 6.5%, and stance at Neutral 	<ul style="list-style-type: none"> ➤ This also holds the linked rates; SDF rate at 6.25% and the bank rate and the marginal standing facility (MSF) at 6.75% ➤ Vote on stance was unanimous, but rate decision was 4:2; as Nagesh Kumar and Ram Singh called for a 25 bps rate cut
<ul style="list-style-type: none"> ➤ RBI cut the cash reserve ratio (CRR) by 50 bps from 4.5% of 4.0% of NDTL 	<ul style="list-style-type: none"> ➤ This is likely to release liquidity to the tune of ₹1.16 trillion into the system, well short of ₹3.70 trillion of e-Kuber impact ➤ This is likely to help bank NIMs by about 4 bps and also opens the doors for another 100 bps CRR cut by the RBI in future
<ul style="list-style-type: none"> ➤ The RBI has cut GDP growth estimates for FY25 by 60 bps from 7.2% to 6.6% 	<ul style="list-style-type: none"> ➤ This growth rate cut was largely on the back of weakness in manufacturing and Q2FY25 GDP falling sharply to just 5.4% ➤ The GDP growth has been downgraded due to a combination of weak urban consumption and lower capex investments
<ul style="list-style-type: none"> ➤ RBI has also raised inflation estimates for FY25 by 30 bps from 4.5% to 4.8% 	<ul style="list-style-type: none"> ➤ The inflation estimate still sounds very conservative in the light of the fact that October inflation had spiked to 6.21% ➤ Inflation has been triggered by food and core inflation, but the RBI expects the food inflation to sober once Kharif hits Mandis
<ul style="list-style-type: none"> ➤ LG India files DRHP with SEBI for its proposed ₹15,000 crore IPO 	<ul style="list-style-type: none"> ➤ It will be the fifth largest IPO ever in India, and will entail an offer for sale (OFS) of 101.8 million shares or 15% equity ➤ Another recent Korean IPO was Hyundai India's ₹27,870 crore IPO, which has been an underperformer post its listing
<ul style="list-style-type: none"> ➤ November saw addition of 3.2 million demat accounts, lowest since Apr-24 	<ul style="list-style-type: none"> ➤ However, 4.28 crore demat accounts have been added in 11 months of 2024, taking the total tally to 18.2 crore accounts ➤ The big spurt in demat came post COVID, as demat accounts quadrupled from 4.1 crore demat accounts in March 2020
<ul style="list-style-type: none"> ➤ MobiKwik will finally hits IPO market in India with an issue size of Rs572 crore 	<ul style="list-style-type: none"> ➤ This will be sharply lower than the Rs1,900 crore IPO that MobiKwik had planned in India in late 2021, around Paytm ➤ The entire IPO will be a fresh issue component priced in the band of ₹265 to ₹279 per share and closes on 13-December
<ul style="list-style-type: none"> ➤ After Hyundai India, Maruti and M&M also announce price hikes for cars 	<ul style="list-style-type: none"> ➤ The price hike, effective from January 2025, was inevitable considering the sharp spike in the price of inputs ➤ While M&M is expected to raise the prices of its models by around 3%, Maruti is likely to hike the prices by around 4%
<ul style="list-style-type: none"> ➤ Tata Power plans ₹1.25 trillion of capex investments between FY26 and FY30 	<ul style="list-style-type: none"> ➤ The company has already upped its capex target for FY25 to 72% above the capex target for FY24 to boost its RE capacity ➤ Between FY26 and FY30, Tata Power plans to more than double its operational capacity from 15.6 GW to 32 GW

<ul style="list-style-type: none"> ➤ SP group asks NCD holders to waive restrictive covenants on its loans 	<ul style="list-style-type: none"> ➤ This will help the Shapoorji Pallonji group to raise funds and ensure liquidity by leveraging its holding of Tata Sons shares ➤ In recent months, the group has already undertaken the monetization of ports and AFCONS to raise business liquidity
<ul style="list-style-type: none"> ➤ Ceat acquires off-highways tyres and tracks business from Michelin of France 	<ul style="list-style-type: none"> ➤ The deal is for a consideration of \$225 million and will help Ceat to widen its product base into tracks & construction tyres ➤ Ceat gets a company with revenues of \$213 million, global ownership of CAMSO brand and 2 manufacturing facilities
<ul style="list-style-type: none"> ➤ US unemployment rate for November 2024 rises by 10 bps to 4.2% 	<ul style="list-style-type: none"> ➤ The positive news is that total non-farm payroll employment for November 2024 increased by 2,27,000, led by healthcare ➤ The marginally higher unemployment still shows growth stress and would justify the Fed cutting rates by 25 bps in Dec-24
<ul style="list-style-type: none"> ➤ Finance Minister, Nirmala Sitharaman, confident that Q3 GDP will be robust 	<ul style="list-style-type: none"> ➤ The FM underlined that the weak growth in Q2 GDP was due to tepid capex investments in Q1, due to election effect ➤ However, with capex reviving, the FM expects the Q3 GDP to more than compensate for the tepid 5.4% growth in Q2FY25
<ul style="list-style-type: none"> ➤ Enhanced rate cap on FNCR deposits likely to have little impact on NRI flows 	<ul style="list-style-type: none"> ➤ While this is aimed at making up for some of the depletion in reserves, experts feel that CRR cut would have added value ➤ Unlike NRE deposits, where the currency risk is borne by the NRI, the FCNR deposits shift currency risks to the banks
<ul style="list-style-type: none"> ➤ Paytm to sell PayPay of Japan to Softbank for a sum of \$250 million 	<ul style="list-style-type: none"> ➤ This is part of the strategy of Paytm to divest such non-core businesses and just focus on its core payments business only ➤ This will give more cash power to the balance sheet of Paytm, even as the Fintech struggles to come out of RBI restrictions
<ul style="list-style-type: none"> ➤ Trump threatens 100% tariffs on BRICS nations trying to weaken the dollar 	<ul style="list-style-type: none"> ➤ BRICS currently includes Brazil, Russia, India, China, and South Africa and still settles 58% of trade in US dollars only ➤ However, Trump is sceptical that any fall in the dollar ratio below 50% will weaken the dollar; something Trump loathes
<ul style="list-style-type: none"> ➤ M&M opts to sell its EVs through its existing marketing network for ICEs 	<ul style="list-style-type: none"> ➤ According to M&M, an integrated offering will give a much wider choice to the customer and also leverage its sales reach ➤ M&M will train a set of EV sales persons within the existing set-up; unlike Tata Motors, which has separate sales teams
<ul style="list-style-type: none"> ➤ India's corporate tax collections for Q2FY25 dips to a four-year low 	<ul style="list-style-type: none"> ➤ The corporate tax collections were lower 7% yoy, largely due to lower levels of economic activity during the second quarter ➤ This raises serious question on the level of full-year corporate tax revenues and pegging fiscal deficit at 4.5% of GDP in FY25
<ul style="list-style-type: none"> ➤ Rupee weakens to ₹84.70/\$ during the week and may go as low as ₹86/\$ 	<ul style="list-style-type: none"> ➤ While RBI has been intervening to defend the rupee, it has also been simultaneously selling dollars in the NDF market ➤ Too much RBI intervention not only depletes the forex reserves but also impacts domestic liquidity conditions

<ul style="list-style-type: none">➤ SEBI may convert all ITM options into futures products, one day before expiry	<ul style="list-style-type: none">➤ This is part of the overall derivative regulations and also to reduce the speculation in F&O by retail investors➤ This makes it a lot simpler for stocks as they have to be settled via physical delivery if they are in-the-money on expiry day
<ul style="list-style-type: none">➤ OPEC plus, which includes Russia, has put off plans to hike supply at this point	<ul style="list-style-type: none">➤ Falling demand from China and rising supply from the US means that any supply hike could impact prices negatively➤ Brent currently trades at \$71.50/bbl and is now a full 20% below the peak levels of nearly \$90/bbl in July 2024

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