DSTREET

ANNUAL REPORT 2020-21

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Timeline

April 2020

Reliance - Facebook Deal

Reliance chairperson, Mukesh Ambani, had sold a 10% stake in Jio Platforms to Facebook for $5.7 billion or ₹ 43,574 crore. This transaction is among the largest FDI deals in India's technology sector.

Airbnb's Crisis

Airbnb had already lost over $100 million since the beginning of the year. The company leadership had told investors they are expecting to see a sharp decline in revenues (less than half of what they made last year) and that the plan to go public in 2020 (through an IPO) is now fully on the back-burner.

Corona Bonds and Eurozone

Battling the economic loss caused due to the COVID-19 pandemic, the euro area would raise new debt for which all 19 members of the currency union would be jointly and severally liable. But as it stands, only nine members of the euro area support corona bonds. That leaves 10 unconvinced. Germany is among them, of course. The bluntest rejection came from the Dutch.

May 2020

The MSME economic package

The Finance Minister had delivered the much-awaited economic package, bringing relief to the MSME sector, one of the worst-hit during the pandemic in the country. Some of the notable measures announced included ₹ 3 lakh crores collateral-free automatic loans, ₹ 20,000 crores subordinate debt, and revised definitions of MSMEs.

Black Lives Matter

The George Floyd incident of 25th May witnessed momentum like never before. The US saw more than 4,700 demonstrations, on an average of 140 per day, during the month following the incident.

Victoria's Secret's Deal Falls Apart

The plan to sell Victoria's Secret to a private equity firm was mutually terminated after the buyer, Sycamore Partners, tried to back out of the deal because it did not respect the steps the lingerie brand took in response to the coronavirus pandemic.

June 2020

Moody's downgraded India's ratings to Baa3

Moody's downgraded India's ratings to Baa3 from Baa2, alleging that the country's policymaking institutions will be challenged to mitigate the risks of a prolonged period of slower growth, rising debt and stress in the financial sector.

The Wirecard Scandal

Wirecard, which offered electronic payment transaction services, risk management as well as physical and virtual cards, collapsed on 25th June. It owed creditors more than €3.5 billion (almost $4 billion) after disclosing a gaping hole in its books. EY, their auditor, said that it was the result of a sophisticated global fraud.

H-1B ban

Trump issued an order to put a temporary bar on issuing of new H-1B and other foreign visas till the end of the year. He had argued that the US needs to save and protect jobs for its domestic workforce. In October, however, a US federal judge blocked the enforcement of the H-1B visa ban issued by Trump.

July 2020

Reliance - Google Deal

Joining the list of global investors, Google paid Rs, 33,737 crores for a 7.73% stake in Jio. This also marks Google's biggest-ever investment in an Indian firm. Jio raised a total of ₹ 1.52 lakh crores by selling nearly a 33% stake to 13 financial and strategic investors.

The New Education Policy 2020

New Education Policy (NEP) was launched on 29th July that aims to overhaul the country's education system. The then Union Ministers for Information and Broadcasting, Human Resource Development, and Education made the announcement on the NEP 2020.

Google's $10 billion investment in India

The American tech giant announced its plan to invest $10 billion in India over the next 5-7 years by way of equity investments, partnerships and other arrangements to "accelerate digitisation" in the country. The announcement assumes particular significance given the impending gap in the country's tech investment ecosystem following the government's clampdown on Chinese companies.

August 2020

Citibank’s $900 million Mistake!

> Citigroup, which acts as the ‘loan agent’ for Revlon, was expected to transfer the interest payments of Revlon to its lenders. However, instead of paying only the interest amount, they ended up transferring the entire outstanding amount to the lenders, and that too from the bank’s account due to a back-office blunder.

Fall in GDP : 'Technical Recession'

> The GDP recorded the steepest fall in more than 40 years in the June quarter (Q1 2020-21) due to lockdown measures. This pushed India into its first technical recession, based on records going back to the year 1996. However, a sharp recovery held out hopes for the economy to turn around.

Beirut blast

> The explosion that shook Lebanon's capital Beirut on 4th August resulted in the deaths of over 200 people. Nearly 2,750 tonnes of unsafely stored ammonium nitrate was what caused the explosion. The blast was felt in Turkey, Syria, Israel, parts of Europe, and was heard in Cyprus, more than 240 km away.

September 2020

India's ban on Chinese apps

The government had launched a series of bans against Chinese apps amidst continued tension at the border. India has so far banned 267 chinese apps in addition to getting countries such as the US to follow suit.

Farm Bill 2020

On September 27, the President of India gave assent to three farm bills passed by the Parliament a week before. Three contentious laws that will change the way India's farmers do business have sparked one of India's biggest protests and a months-long standoff with the government.

West Asia peace initiatives

Israel and some Arab states decided to keep historical tensions aside and took steps towards normalising relations. Israel had signed a peace agreement with UAE brokered by the US and followed up with similar deals with Bahrain, Sudan and Morocco. Saudi Arabia too is believed to have opened back-channel diplomacy to ease tensions with Tel Aviv.

October 2020

The 30% Play Store Tax

> Google had said that apps that sell digital goods within the Play Store have to use its billing system, which allows the tech giant to collect a percentage of in-app purchases as a fee. Play Store's billing system is not required for apps that sell physical goods, for example, ride-hailing services, or apps that don't require any transactions. Google has clarified that this policy is not new and Google Play billing has always taken a 30% commission on these transactions.

Leadership change at HDFC Bank

> Aditya Puri retired as managing director of HDFC Bank. Puri has led HDFC Bank since its inception over 25 years ago. Under Puri's leadership, HDFC Bank turned into India's largest private sector lender. Separately, the lender faced around three system outages since November 2018 which affected mobile, net banking and power-outage at its data centre. Then, the RBI ordered a halt on the launch of IT initiatives and on the issue of new credit cards until the bank fixed its IT systems.

Tokyo Stock Exchange stops trading over system failure

> Trading in Tokyo's stock markets was halted for a whole day as the system suffered one of its worst-ever glitches. A technical problem involving the delivery of market information was flagged to the operator of the Tokyo Stock Exchange and business was stopped less than half an hour before the opening bell.

November 2020

Biden over Trump

The US presidential election of 2020 will be remembered, among other things, for the ugly slugfest between the Republican and Democratic camps. Covid, economy, a divided society; Biden is sure to have his hands full when he moves into the Oval office.

Emergency Credit Line Guarantee Scheme

In November 2020, Finance Minister Nirmala Sitharaman announced the launch of ECLGS 2.0 by extending the ₹ 3 lakh crores scheme to support 26 stressed sectors identified by the KV Kamath Committee and the healthcare sector. The scheme was valid till March 31, 2021.

Lakshmi Vilas Bank’s merger with DBS India

> The Union Cabinet had approved the merger of Lakshmi Vilas Bank (LVB) with DBS India, which is a wholly-owned subsidiary of DBS Bank. "The speedy amalgamation and resolution of the stress in LVB is in line with the government's commitment to a clean banking system while protecting the interests of depositors, the public and the financial system," the then Union Minister Prakash Javadekar said in a media briefing. With the merger, there will be no further restrictions on the depositors regarding the withdrawal of their deposit, the Minister added.

December 2020

RTGS payment; Cheque Security

The RBI-made RTGS (Real-Time Gross Settlement) system round the clock from 14th December. RTGS is meant for large-value instantaneous fund transfers. RBI also introduced a 'Positive Pay' to make cheque payments safer and reduce fraud. Issuers can now send all details to their bank, and thereby ensure faster clearance of cheques above ₹ 50,000. It cross verifies all details of the cheque issued before funds are encashed by the beneficiary.

CBI books Transstroy India for Misappropriating Funds

The Central Bureau of Investigation has booked Transstroy India Ltd (TIL) Chairman and MD Sridhar Cherukuri and Directors for alleged misappropriation and diversion of ₹ 7,926.01 crores from 14 banks. Former Telugu Desam Party MP, R Sambasiva Rao, who is also the company's current additional director and a promoter, has also been booked by the CBI. He was a three-time Lok Sabha member and one-time Rajya Sabha member.

Violence at Wistron’s manufacturing facility in Bengaluru

> The Taiwanese tech giant Wistron Corporation’s iPhone manufacturing facility in Bengaluru came under attack from its employees’ over payment of their salaries. Nearly 2,000 employees, after finishing their night shift, went on a rampage destroying the company’s furniture, asset units and even attempted to set fire to vehicles.

January 2021

Deutsche Bank Slapped With $120 million Fine

The Securities and Exchange Commission (SEC) had announced charges against the German lender for violating the Foreign Corrupt Practices Act that led to approximately $7 million in bribe payments and other unauthorized remittances to foreign officials and their associates.

Nykaa Plans IPO at $3 Billion Valuation

Cosmetics e-tailer Nykaa is looking at a stock exchange listing by the end of this year or early 2022 at a valuation of over $3 billion, joining e-commerce leaders such as Flipkart, Zomato and Pepperfry preparing for the public markets.

SEBI Fines Reliance For Manipulative Trade Practices

The Securities Exchange Board of India (SEBI) imposed penalties on Reliance Industries Ltd Chairman and MD, Mukesh Ambani, as well as two other entities for their alleged involvement in the manipulative trading of the shares of Reliance Petroleum Ltd (RPL) back in November 2007.

February 2021

Union Budget 2021: Production linked incentive schemes announced for 13 sectors

As Finance Minister Nirmala Sitharaman presented the Union Budget 2021 on 1st February, she announced that the government aims to spend ₹ 1.97 lakh crores on various PLI schemes over the next 5 years, starting from this fiscal year. This will be an addition to the ₹ 40,951 crores announced for the PLI for electronic manufacturing schemes.

Jet Airways to Make a Comeback

Jet Airways is all set to be rescued as London based asset management firm Kalrock Capital and entrepreneur Murari Lal Jalan are ready to take control. If the NCLT gives the go-ahead, Jet Airways could be up and running this summer.

Citi loses the legal battle!

In a court battle that is likely to send ripples across the global banking system, Citibank unexpectedly lost the case to recover half a billion dollars that it sent to Revlon Inc.'s lenders "by mistake".

March 2021

ECLGS 3.0

In order to support the Hospitality, Travel and Tourism, Leisure, and Sporting sectors, which are among those most affected by the COVID-19 pandemic, the government on 31st March widened the scope of the ₹ 3 lakh crores scheme by announcing ECLGS 3.0. Under this, business enterprises in the aforementioned sectors would be able to avail credit under the scheme. ECLGS 1.0 and ECLGS 2.0 were extended by another 3 months, along with ECLGS 3.0 till June 30, 2021.

The Suez Canal Blockage

The Suez Canal, a critical shipping artery that connects the Mediterranean and Red Seas through Egypt, had been blocked after a large cargo ship ran aground while passing through it on Tuesday, bringing traffic on the busy trade route to a halt. Egypt, which heavily depends on revenues from the canal, is now diverting ships to an older channel to minimise disruption to global trade. The blockage has already led to a long queue of vessels waiting to cross the canal.

Collapse of Archegos Capital

> Investor Bill Hwang set off a storm in the market when his firm, Archegos Capital Management, and several banks, began liquidating huge positions in blue-chip companies. The sales sent individual stocks swooning and have left at least three banks with major damage. Credit Suisse said on 6th April that it would take a $4.7 billion hit because of the meltdown.

Galwan Valley Skirmish

In the year 2020, apart from witnessing the malignant coronavirus, India also had to face a military standoff with its neighbouring country, China. The standoff was over the long-disputed area of the Line of Actual Control (LAC). There is no clear demarcation of LAC. Both the countries have different ideas of where it should be located, leading to regular border "transgressions." The LAC is 3,488 kilometres long according to India, but just about 2,000 kilometres according to China. The standoff on 15 June, 2020 between the countries has led to the casualties of twenty Indian Army personnel, including a Commanding Officer. It is also speculated that at least 43 Chinese soldiers have been seriously injured or killed in the clash. This stand-off at Ladakh's Galwan Valley has escalated due to the infrastructure projects that India has undertaken in recent years. In the Galwan Valley, near China, India is constructing a critical route that will connect the region to an airstrip. However, China has always been on the contrary when it comes to infrastructure development on the Indian side of LAC. This violent war was triggered when the Chinese troops transgressed into the Indian side of the de-facto border in several areas including Pangong Tso. It is said that these actions were not only for territorial gain but also to dominate the resource-rich lake. The standoffs between the countries are part of China's 'nibble and negotiate policy'. China's irreconcilable stance on infrastructure projects in India is their way of attaining a political goal with military might, while seizing more territory in the process.

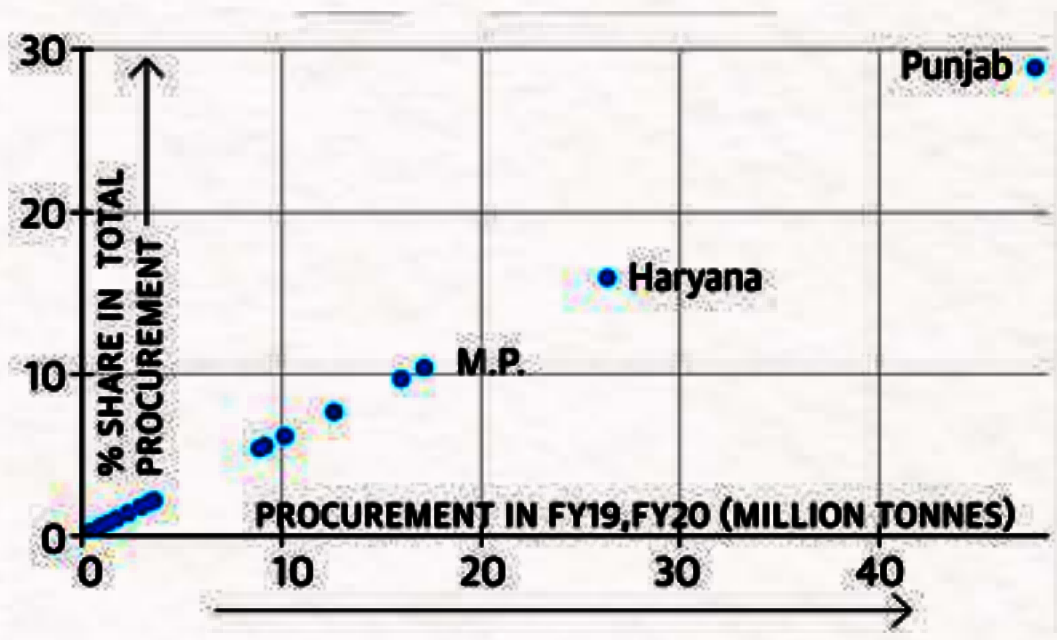
Chinese apps banned in India

In the wake of the face-off between India and China, the Indian government had resorted to banning several Chinese apps in India. Initially, on 29th June 2020, the government took its first move by banning 59 Chinese apps which include famous ones like TikTok, SHAREIt, UC Browser, CamScanner, Helo, Weibo, WeChat, and Club Factory. According to a press release from the Ministry of Electronics and Information Technology, it had received "many complaints from various sources, including several reports about the misuse of some mobile apps available on Android and iOS platforms for stealing and secretly transmitting users' data to servers located outside India." The Ministry stated that it has chosen to prohibit the 59 apps to protect India's "sovereignty and integrity." The government did not explicitly admit that this move was against China but, Ravi Shankar Prasad, the then Union Minister for Communications, Electronics and Information Technology and Law and Justice claimed that the 'digital strike' was carried out "for the safety, security, defence, sovereignty, and integrity of India, as well as to preserve the data and privacy of Indian citizens." This signalled that the ban was aimed at curbing Chinese economic interests. Later on in July 2020, 47 Chinese clone apps were banned and in August 118 apps including PUBG were banned. A total of 224 Chinese apps were banned by India in 2020.

Farmers Protest 2020

The administration approved three agricultural bills in September 2020, pledging to bring about a revolutionary change in the agriculture sector. The three laws were Farmers' Produce Trade and Commerce (Promotion and Facilitation) Act, 2020; the Farmers (Empowerment and Protection) Agreement on Price Assurance and Farm Services Act 2020 and the Essential Commodities (Amendment) Act, 2020. Nevertheless, this move had received vociferous

opposition from the farmers and political parties. Farmers from Punjab, Haryana, and Uttar Pradesh have started protests at several Delhi borders on 26 November 2020. Some Farmers' Unions believe that the new Farm Laws pave ways to eradicate the Minimum Support Price (MSPs) system, and over time it helps the big corporations to rule over the agriculture sector. The most important demand is that the three laws that deregulated the sale of their crops be repealed. Farmers' Unions might alternatively accept a legal guarantee that the MSP system will remain, ideally through legislation. To break the deadlock, the government had held 11 rounds of talks with the farmers. In the last round of talks, it was proposed that the three laws will be suspended for 1 to 1.5 years and a joint committee will be formed to find solutions, in exchange for protesting farmers returning to their homes from the Delhi boundary. However, the farmers' leaders didn't accept the proposal and cleared their stance saying they won't move until the laws are repealed. On 11th January, 2021, the Supreme Court gave a stay on the implementation of the farm laws and decided to set up a 4-member committee to resolve the impasse between the Centre and Farmers' Unions protesting on the outskirts of Delhi.



In the last two years, close to 45% of all the rice and wheat procured by government agencies came from just two States - Punjab (28.9%) and Haryana (15.9%). M.P. was a distant third at 10.4%.

Summary of the Farm Laws

Farmers' Produce Trade and Commerce Bill, 2020 aims to create an ecosystem where farmers and traders have a choice in the sale and purchase of their produce. According to the government, pricing will be set through competitive alternative trading channels, fostering efficient, transparent, and barrier-free, inter-state and intrastate commerce.

Cereals, pulses, oilseeds, edible oils, onion, and potato will be removed from the list of essential commodities under the Essential Commodities (Amendment) Bill, 2020. This will assuage private investors' concerns about excessive regulatory meddling in their activities.

The Farmers (Empowerment and Protection) Agreement of Price Assurance and Farm Services Bill, 2020 aims to establish a national framework for farming agreements that protects and empowers farmers to engage with agribusiness firms, processors, wholesalers, exporters, and large retailers for farm services and the sale of future farming produce at a mutually agreed remunerative price framework, in a fair and equitable manner.

Covid-19 Stimulus Package

The Government of India had come up with ₹ 20 Lakh crores or USD 280 Billion for enabling the economy to tackle this unprecedented pandemic. The stimulus amounts to 10% of the country's GDP and was divided into ₹ 12 lakh crores corresponding to the Fiscal Policy and ₹ 8 lakh crores corresponding to the Monetary Policy. This covid relief package stands at the heart of Prime Minister Modi's mission, Atma Nirbhar Bharat, so that any other crisis that may emerge in the future could be efficiently tackled. The sizable stimulus package was announced in five days thereby breaking it into five tranches. The major highlights of the five tranches of the policy are as follows:

First Tranche(USD 79.2 Billion)

Includes funding as well as loan guarantees for small businesses, non-bank lenders, distribution companies, and salaried workers.

- **For small businesses:** Collateral free loan of ₹ 3 lakh crores for MSMEs; subordinate debt provision of ₹ 20,000 cr for 2 lakh stressed MSMEs; global tenders had been disallowed up to ₹ 200 crores for government contracts; definition of MSMEs was revised.

Existing and Revised Definition of MSMEs

Existing MSME Classification			
Criteria : Investment in Plant & Machinery or Equipment			
Classification	Micro	Small	Medium
Mfg. Enterprises	Investment<Rs. 25 lac	Investment<Rs. 5 cr.	Investment <Rs. 10 cr.
Services Enterprise	Investment<Rs. 10 lac	Investment< Rs. 2 cr.	Investment<Rs. 5 cr.

Revised MSME Classification			
Composite Criteria : Investment And Annual Turnover			
Classification	Micro	Small	Medium
Manufacturing & Services	Investment< Rs. 1 cr. and Turnover < Rs.5 cr.	Investment< Rs. 10 cr. and Turnover < Rs.50 cr.	Investment< Rs. 20 cr. and Turnover < Rs.100 cr.

- **For non-bank lenders:** ₹ 30,000 crores special liquidity scheme for investing in investment-grade debt paper of NBFCs, HFCs, and MFIs; ₹ 45,000 crores partial credit guarantee scheme 2.0 for NBFCs; a one-time emergency liquidity infusion of ₹ 90,000 crores against all receivables for Discoms.
- **For Employees:** Liquidity relief of ₹ 2,500 crores EPF support to all EPF establishments; statutory EPF contribution for all organizations and their employees covered by EPFO to be reduced to 10% from 12% earlier.
- **For Power Distribution Companies:** Power distribution companies would get ₹ 90,000 crores liquidity against receivables from state-owned Power Finance Corp. and Rural Electrification Corp.

Second Tranche (USD 41.3 Billion)

Migrant workers, small farmers, and the lower classes are the focus.

- Migrants without NFSA cards or state cards will receive 5 Kg of wheat or rice per person and 1 kg chana per family per month via state governments.
- The government had extended ₹ 30,000 crores additional capital emergency funds through NABARD for post-harvest Rabi and Kharif-related activities for small and marginal farmers.
- Under the PM Kisan Credit Card scheme, ₹ 2 lakh crores of concessional credit was provided to boost farming activities; expecting to benefit 2.5 crores farmers.
- ₹ 6,000 crores worth of proposals had come from states under CAMPA funds.
- A credit-linked subsidy scheme for middle-income households in the income group ₹ 6-18 Lakh was extended to March 2021.

Third Tranche (USD 20 Billion)

Farmers, as well as other industries such as food processing and related activities, are aided.

- A ₹ 1 lakh crores fund to improve farm-gate infrastructure such as cold chains and post-harvest storage, among other things.
- For the promotion of marine and inland fisheries, the government will launch the Pradhan Mantri Matsya Sampada Yojana. To fill the gaps in value chains, ₹ 20,000 crores will be spent.
- ₹ 10,000 crores fund for micro food scheme; ₹ 13,343 crores for vaccination of livestock in India to eradicate foot and mouth disease; ₹ 15,000 crores would be spent on improving dairy infrastructure, while ₹ 4,000 crores will be spent on cultivating herbal and medicinal plants.
- Farmers will be able to engage with processors, aggregators, large retailers, exporters, and others through the creation of a favourable regulatory environment.
- A primary regulation will be developed to give (a) adequate options for selling agricultural goods at a competitive price, (b) barrier-free inter-state commerce, and (c) a framework for agricultural produce e-trading.

Includes funding as well as loan guarantees for small businesses, non-bank lenders, distribution companies, and salaried workers.

Fourth and Fifth Tranche (USD 6.41 Billion)

- Structural reforms in eight essential industries are included in the fourth tranche. Coal, minerals, defence production, airspace management, social infrastructure projects, power distribution firms, space sectors, and atomic energy are among these industries.

- The MNREGA scheme, educational and health reforms, and IBC reforms were all allocated USD 5.3 billion in the fifth tranche.

Item	Rs (in Cr)
First Tranche	5,94,550
Second Tranche	3,10,000
Third Tranche	1,50,000
Fourth and Fifth Tranche	48,100
Sub Total	**11,02,650**
Earlier measures including PMGKP	1,92,800
RBI Measures (Actual)	8,01,603
Sub total	**9,94,403**
Grand Total	**20,97,053**

Covid Vaccination Drive in India

The vaccination drive in India (with over 1.4 billion population) was started on a smooth foot, but later it had faced many setbacks as to the reliability of a few vaccines and vaccination bias in urban areas. There had been a persistent effort by the government to increase the number of vaccine variants available in India. The story of vaccination had begun in September 2020. India's then Health Minister, Harsh Vardhan, stated that the country planned to approve and begin distribution of vaccines by the first quarter of 2021. On 1st and 2nd January, 2021 the Drug Controller General of India (DCGI) approved the emergency use of the Oxford–AstraZeneca vaccine (local trade name "Covishield") and BBV152 (trade name "Covaxin"). On 16th January, 2021 India began its vaccination program with 3,006 vaccination centres on the onset. 165,714 people were vaccinated on the first day of the drive. Health personnel and frontline employees, such as police, paramilitary forces, sanitation workers, and disaster management volunteers, were involved in the first phase of the program. Only 14 million healthcare and frontline employees have been vaccinated as of March 1, 2021, coming up short of the 30 million target.

The second phase of vaccine rollout covered all residents over the age of 60, residents between the ages of 45 and 60 with one or more qualifying comorbidities, and any healthcare or front-line professional who did not get a dosage during phase one. To regulate vaccine registrations, the government launched the CoWIN website and the Aarogya Setu app on March 1, 2021. All inhabitants over the age of 45 have been eligible since April 1, 2021. Prime Minister Narendra Modi announced on April 8 that a four-day Teeka Utsav ("Vaccine Festival") will be held from April 11 to 14, to speed up the vaccination programme by inoculating as many eligible residents as possible. India had reached a total of over 111 million vaccination doses by the end of the Utsav. The DCGI approved the Sputnik V vaccine for emergency use in India on April 12, 2021. Dr Reddy's Laboratories, the local distributor of Sputnik V, stated that it planned to have the vaccine available in India by late May 2021.

The third phase of vaccine rollout started on 1st May, 2021 and eligibility was extended to all residents over the age of 18. However, in the 3rd phase, states were given the freedom to conduct their vaccination drives.

Vaccine	Status	Production Capacity	Planned Capacity	Doses ordered	Approval	Deployment
Covishield	In use	840 million	-	750 million	01 January 2021	16 January 2021
Covaxin	In use	700 million [107]	-	550 million	03 January 2021	16 January 2021
Sputnik V	In use	140 million	-	156 million	12 April 2021	14 May 2021
Moderna	In use	Import only	-	-	29 June 2021	Not yet
ZyCoV-D	Phase III trials	-	240 million	-	Awaiting	Not yet
Corbevax	Phase III trials	-	960 million	300 million	Awaiting	Not yet
Covovax	Phase III trials	-	-	200 million	Awaiting	Not yet

The Emergency Credit Line Guarantee Scheme

One of the biggest resolution plans that RBI came up with to revive the slumping Indian economy stifling through the COVID-19 Pandemic last year was the Emergency Credit Line Guarantee Scheme (ECLGS). The main objective of the Scheme is to provide an incentive to Member Lending Institutions (MLIs), i.e., Banks, Financial Institutions (FIs) and Non-Banking Financial Companies (NBFCs) to increase access to, and enable availability of additional funding facility to MSME borrowers, in view of the economic distress caused by the COVID-19 crisis, by providing them 100% guarantee for any losses suffered by them due to non-repayment of the loan funding by borrowers.

The ECLGS 1.0 offered a collateral-free credit guarantee by the government to banks for loan outstanding up to ₹ 50 crores as on February 29, 2020. It allowed to take 20% of the outstanding loan and the stressed sectors identified by K V Kamath committee were power, construction, iron & steel, roads, real estate, trading, textiles, chemicals, consumer durables, pharma, logistics, gems & jewellery, cement, auto component, mining etc. However, till November 2020 (6 months after the programme was released), the credit sanctioned (₹ 2.03 lakh crore) by banks fell short by nearly ₹ 1 lakh crores of the scheme amount remaining unutilised while it managed to disburse only ₹ 1.48 lakh crore.
There were multiple reasons for the same. Some of them were big enough for the government to bring in more additions to the whole programme:

- Interest rates under ECLGS were capped at 9.25% for banks and financial institutions and 14% for NBFCs. In essence, borrowers with low outstanding loans did not find the whole deal to be very lucrative.

- Only firms with an outlay of ₹ 50 lakhs were allowed. Hence, the overall interest in the industry was quite low

- Furthermore, the overall interest in the MSME sector was very uncertain and volatile. As per a survey titled 'Study on the Impact of ECLGS' prepared by the National Institute of Bank Management for the National Credit Guarantee Trustee Company (which provided the credit guarantee coverage), whilst most respondents believed that the Scheme would ease short-term liquidity problems (for up to 3 months), the long-term concern, that is, increase in business volumes, remains unaddressed.

All these reasons somewhat pushed the government to come out with ECLGS 3.0 and then 4.0 with more tweaks, adjustments and enhancements. Since the whole outlay was not realized, the validity of the entire scheme has now been extended till 30th September, 2021 or whenever the unutilized amount gets over, whichever is earlier. Only ₹ 2.5 lakh crores of the total outlay has been utilized to date. More sectors are now included such as hospitality, travel and luxury, and sporting goods. Under ECLGS 4.0, a 100% guarantee cover will be provided to loans up to ₹ 2 crores to hospitals, nursing homes, clinics and medical colleges for setting up on-site oxygen generation plants. The interest rates, which were quite high earlier, have now been capped at 7.5%. Also, the whole tenor will be increased to 5 years, with the first two years for interest payment, and principal payments starting after that.

The Production-Linked Incentive Scheme

The Production-Linked Incentive scheme (PLI), which was launched in April 2020 with the goal of bringing major manufacturing capacity to India, had gotten lost in the pandemic's news flow. Over the last year, the program, which is aimed at large-scale electronics production in India, has garnered a lot of traction. It provides a straightforward incentive based on increased sales, directed at boosting domestic production and attracting major investments in mobile phones and specific electronic component manufacturing. The PLI plan was expanded to eleven additional industries in November 2020, including food processing, battery storage, vehicle components, and specialty steel.

The entire scheme is designed with four objectives:

The entire scheme is designed with four objectives:

1. Target certain product areas
2. Introduce non-tariff measures to compete with low-cost imports
3. Make manufacturing competitive and sustainable

4. Combine local and export sales to make manufacturing more tenable
5. Promote manufacturing at home while promoting investment from both within and outside India.

Its popularity stems from the ease with which it may be applied, as well as the simplicity of the reward presented, which is related to particular and easy-to-calculate circumstances. With a predetermined base year, the incentive is 4-6% of the incremental revenue.

Firms including Samsung, Foxconn, Hon Hai, Rising Star, Wistron and Pegatron have availed the benefits of the scheme. Out of these, Foxconn, Hon Hai, Wistron and Pegatron are contract manufacturers for Apple iPhones. Among Indian companies, Lava, Micromax, Padget and Optiemus have been approved as beneficiaries. In the pharma sector, 130 companies have submitted expressions of interest, particularly as the incentives relate to active pharmaceutical ingredients (APIs) and medical devices. Companies like Ascent Circuits, Visicon, Neolync and Vitesco, which belong to the electronic components sector, have applied. If all these companies deliver on their projections, the incentive payments would total about ₹ 2 trillion. Automobile and auto component firms (worth ₹ 57,000 crores), electronics and components (worth ₹ 51,000 crores), and medicines and APIs (worth ₹ 15,000 crores) account for the majority of this. Only Samsung has been able to meet the program's investment and production objectives out of the companies who have been in the program the longest. Other businesses are requesting the government to change the benchmark year by labelling the epidemic as a "force majeure" event.

BUDGETARY BACKGROUND: VIEWING ECONOMIC INDICATORS

GDP Growth -
In FY 2019-20, India's GDP grew at a rate of 4%. The unprecedented crisis led to constant revisions in the growth rate by many international institutions. The Economic Survey 2020-21 projected the negative GDP growth at nearly 23.9% for Q1. Nevertheless, a negative growth rate of 7.5% points to a V-shaped recovery.

Fiscal Deficit -
The fiscal deficit (as per revised estimates for FY 2020-21) is projected at 9.5% of GDP. It registered a growth of 33.1% during April-November 2020 although the revised estimates place fiscal and revenue deficits at 9.5% of GDP and 7.5% of GDP respectively in 2020-21. However, it must be accounted that the extra expenditure incurred (such as the INR 20 trillion COVID-relief stimulus package) will likely play a crucial role in reviving economic activity.

The Index of Industrial Production (IIP) -
IIP fell sharply in contrast to previous years. The index of eight core industries makes up approximately 40% of the index. It registered a negative growth of 2.6% in November 2020 as compared to a growth of 0.7% in November 2019 and negative growth of 0.9% in October 2020. All of it is in part an outcome of organizations limiting the number of employees at the workplace to contain the virus.

Inflation -
Inflation, based on Consumer Price Index – Combined (CPIC), averaged 6.6% during April -December in FY 2020-21. Why? Food inflation and rising prices of vegetables. Talking of the Wholesale Price Index (WPI) inflation, it is estimated to be negative 0.1% for FY2020.
Why? Fluctuations in the global crude oil prices. Demand was disrupted by a slash in economic activity and supply chain disruptions added to the rise in prices

Trade -
Total exports during April-December in FY 2020-21 amounted to USD 200.8 billion. It registered a negative growth of 15.7% compared to a negative 2.4% during the past year. The only sectors to record a positive growth in exports are agriculture, drugs and pharmaceutical products, and ores and minerals. The top export destinations for April-November 2020-21 were the USA, China, and UAE. At the same time, continued focus on Atma Nirbhar Bharat aims to promote the country as a global manufacturing hub to build a strong trade ecosystem.

Foreign Investments -
During April-October 2020, net FDI inflows were registered at USD 27.5 billion. That's about 14.8% higher as compared to the first seven months of 2019-20. The government's focus on Atma Nirbhar Bharat has placed India as a global manufacturing hub. Union Budget 2021 announced the government's commitment of INR 1.97 trillion (through Production Linked Incentive Schemes) to make India a manufacturing hub for 13 identified sectors. This is estimated to result in higher FDI inflows.

POLICY BRIEFS - BUDGET 2021

No ITR for senior citizens under the following conditions

- Age >75 years
- Must have Pension Income
- May have Interest Income (from any source) but should be received/receivable in the same account as the pension income
- Bank computes and deducts TDS

TDS on goods of high value.

- An individual must now deduct TDS @0.1% on purchase of goods from any seller of an aggregate value of more than ₹ 50 Lakhs.

No Hike in Petrol & Diesel Prices

- A new cess has been levied on petrol & diesel and excise duty has been reduced equally. Net bearing by customers is NIL. The move is projected to benefit the Central Govt as the cess goes directly into the Central Government's treasury.

Removal of Double Taxation of NRIs Retirement Fund Income

- A new cess has been levied on petrol & diesel and excise duty has been reduced equally. Net bearing by customers is NIL. The move is projected to benefit the Central Govt as the cess goes directly into the Central Government's treasury.

Interest on PF to be Taxed

- Interest on an employee's contribution to EPF of over ₹ 2.5 Lakh in a year will now be taxable.

Supply to SEZ

- Supply made to an SEZ Unit/Developer can be zero-rated only if it is for authorised operations.

START-UP ARENA

- Extension of Capital Gains Exemption by a year until 31st March '22
- Extension of Tax Holiday to Startups by a year until 31st March '22
- Formation of an Alternative Investment Fund (AIF) - A person can neither sponsor nor carry on the activity of an AIF without obtaining a certificate of registration from SEBI.
- Limits on paid-up share capital of ₹ 50 Lakhs and revenue of ₹ 2.0 Crores are removed. There is ease in conversion to any other type of company and reduction in residency limit for an Indian citizen to set up an OPC from 182 days to 120 days in the immediately preceding financial year.

TARGET CHECK FOR BUDGET 2020

Forecast Mismatch

- **Forecast:** Nominal GDP growth @ 10%
- **Actuality:** Nominal GDP @ -7.5%

- **Forecast:** Gross tax revenue @ ₹ 24.2 trillion
- **Actuality:** Actual collection short by over 20%

Reason: Gap due to Covid-19 Contingency

MACRO HIGHLIGHTS

- **Expenditure:** Proposal to spend Rs 34,83,236 crores in 2021-22. Actual spend of Rs 34,50,305 crores in 2020-21. This is 13% higher than the budget estimate.
- **Receipts:** The receipts (other than borrowings) are expected to be Rs 19,76,424 crores in 2021-22. This is 23% higher than the revised estimates of 2020-21. Notably, in 2020-21, revised estimates for receipts were 29% lower than budget
- **GDP growth:** Nominal GDP is expected to grow at 14.4% (i.e., real growth plus inflation) in 2021-22.
- **Deficits:** Revenue deficit is targeted at 5.1% of GDP in 2021-22. This is lower than the revised estimate of 7.5% in 2020-21 (3.3% in 2019-20). The fiscal deficit is targeted at 6.8% of GDP in 2021-22, down from the

revised estimate of 9.5% in 2020-21 (4.6% in 2019-20). The government aims to steadily reduce the fiscal deficit to 4.5% of GDP by 2025-26.

- **Ministry allocations:** Among the top 13 ministries with the highest allocations, the following ministries have recorded the highest annual increase in allocations: Ministry of Jal Shakti (64%), Ministry of Consumer Affairs, Food and Public Distribution (48%) and the Ministry of Communications (31%).

POLICY HIGHLIGHTS ACROSS MAJOR SECTORS

1. Health Infrastructure

₹ 2,23,846 crores outlay for Health and Wellbeing in Budget Estimates (BE) 2021-22 as against ₹94,452 crores in BE 2020-21 – an increase of 137%. ₹35,000 crores for COVID-19 vaccine in BE 2021-22.

₹64,180 crores outlay over 6 years for PM Atma Nirbhar Swasth Bharat Yojana – a new centrally sponsored scheme to be launched, in addition to NHM.

Mission Poshan 2.0 to be launched: to strengthen nutritional content, delivery, outreach, and outcome and merging the Supplementary Nutrition Programme and the Poshan Abhiyan.

₹2,87,000 crores over 5 years for Jal Jeevan Mission (Urban) - to be launched with an aim to provide 2.86 crores household tap connections, universal water supply in all 4,378 urban local bodies and liquid waste management in 500 AMRUT cities.

2. Vehicle Scrapping Policy

The government proposed a voluntary vehicle scrapping policy to phase out old and unfit vehicles under which fitness tests would be conducted in automated fitness centres, after 20 years in the case of personal vehicles and after 15 years in the case of commercial vehicles.

3. Production Linked Incentive scheme (PLI)

The government proposed spending ₹1.97 lakh crores in the next 5 years for PLI schemes in 13 sectors. This was done to create and nurture manufacturing global champions for an Atma Nirbhar Bharat and help manufacturing companies become an integral part of global supply chains, develop core competence and cutting-edge technology. It would bring scale and size in key sectors and provide jobs to the youth.

4. Textiles

The government proposed a Mega Investment Textiles Parks (MITRA) scheme, in addition to PLI under which 7 Textile Parks would be established over 3 years. This was done to make the textile industry globally competitive for exports and to boost employment opportunities.

5. Infrastructure

The government proposed that the National Infrastructure Pipeline (NIP) be expanded to 7,400 projects. Of these, around 217 projects worth ₹1.10 lakh crores are completed.

Core emphasis laid on:

- **Infrastructural Development** - The primary focus is on infrastructural development through Infrastructure Financing. About ₹ 20,000 crores was proposed to set up and capitalise a Development Financial Institution (DFI). It was projected that a ₹5 lakh crores lending portfolio would be created under the proposed DFI in 3 years. Furthermore, debt financing by Foreign Portfolio Investors to be enabled by amending InvITs' and REITs' legislations.

- **Asset Monetization** - The government proposed the launch of the National Monetization Pipeline. It transferred operational toll roads worth ₹5,000 crores to the NHAIInvIT. Transmission assets worth ₹7,000 crores to be transferred to the PGCILInvIT. It said that the Dedicated Freight Corridor assets would be monetized by railways, and airports would be monetized for operations and management concessions. Under the Asset Monetization Programme, the following core infrastructure assets would be rolled:

  - Oil and Gas Pipelines of GAIL, IOCL and HPCL.
  - AAI Airports in Tier II and III cities.

- Other Railway Infrastructure Assets.
- Warehousing Assets of CPSEs such as Central Warehousing Corporation and NAFED.
- Sports Stadiums.

- **Roads and Highways Infrastructure:** The Budget proposes ₹1,18,101 crore, the highest ever outlay, for the Ministry of Road Transport and Highways. It has planned to spend on proposed economic corridors in Tamil Nadu, Kerala, West Bengal and Assam

- **Railway Infrastructure:** Speaking of the railway infrastructure, the Budget devoted ₹1,10,055 crores for Railways of which ₹1,07,100 crores is for capital expenditure. The National Rail Plan for India proposes to create a 'future ready' Railway system by 2030. It is projected that 100% electrification of broad-gauge routes would be completed by December 2023. Furthermore, the Western Dedicated Freight Corridor (DFC) and Eastern DFC are to be commissioned by June 2022, to bring down the logistic costs and enable the Make in India strategy.

- **Power Infrastructure:** About 139 giga watts of installed capacity and 1.41 lakh circuit km of transmission lines have been added, and an additional 2.8 crore households have been connected in the past 6 years. The Budget set aside ₹3,05,984 crores over 5 years for a revamped power distribution sector scheme. It further stated that a comprehensive National Hydrogen Energy Mission 2021-22 will be launched. The government proposed a capital infusion of ₹1,000 crores to Solar Energy Corporation of India and ₹1,500 crores to Indian Renewable Energy Development Agency.

- **Petroleum & Natural Gas:** Concerning the Oil and Gas sector, the Budget came up with plans for the extension of the Ujjwala Scheme to cover 1 crore more beneficiaries. Around 100 more districts would be covered under the City Gas Distribution network in the next 3 years. It also proposed a new gas pipeline project in J&K.

6. Financial Capital

Concerning financial capital, a single Securities Markets Code would now be evolved. Government also lent support for the development of a world-class Fintech hub at the GIFT-IFSC. There would be a permanent institutional framework to help in the development of the Bond market by purchasing investment-grade debt securities both in stressed and normal times. Under a system of Regulated Gold Exchanges, SEBI would be notified as a regulator and the Warehousing Development and Regulatory Authority would be strengthened.

- Increasing FDI in Insurance Sector: The government increased the permissible FDI limit from 49% to 74% to allow foreign ownership and control with safeguards.

- Recapitalization of PSBs: More than ₹ 20,000 crores reserved in 2021-22 to further consolidate the financial capacity of PSBs.

7. Agriculture:

The new budget ensures MSP at a minimum of 1.5 times the cost of production across all commodities. Rural Infrastructure Development Fund was enhanced to ₹40,000 crores from ₹30,000 crore. Furthermore, the Micro Irrigation Fund was doubled to ₹10,000 crores while the agricultural credit target was increased to ₹16.5 lakh crores in FY22. Around ₹1.14 lakh crores of trade value was carried out through e-NAMs with more than 1.68 crores farmers registered on the same. It is proposed that 1,000 more mandis be integrated with e-NAM to bring transparency and competitiveness.

8. Fisheries:

The government has proposed investments to develop modern fishing harbours and fish landing centres, both marine and inland. About 5 major fishing harbours – Kochi, Chennai, Visakhapatnam, Paradip, and Petuaghat – would be developed as hubs of economic activity. A Multipurpose Seaweed Park is being discussed with plans of promoting seaweed cultivation.

9. Education and Human Resource Development

- School Education: About 15,000 schools would be functional under all NEP components and shall act as exemplary schools in their regions for mentoring others. 100 new Sainik Schools to be set up in partnership with NGOs/private schools/states.

- Higher Education: The government proposed the creation of a formal umbrella structure to cover all government colleges, universities, research institutions in a city for greater synergy. A Central University would be set up in Leh for accessibility of higher education in Ladakh.

- Skill Development: The budget set aside ₹3,000 crores for realignment of existing National Apprenticeship Training Scheme (NATS) towards post-education apprenticeship, training of graduates and diploma holders in Engineering. Budget 2021 came up with initiatives for upskilling of the workforce like the partnership with UAE to benchmark the Indian workforce, and with Japan for a collaborative Training Inter Training Programme (TITP) to transfer skills, technique, and knowledge.

Major Allocations

Union Budget 2021-22	Budget allocation (₹crore)	Budget allocation (US$ billion)
Ministry of Defence	478,196	66.95
Ministry of Consumer Affairs, Food and Public Distribution	256,948	35.97
Ministry of Home Affairs	166,547	23.32
Ministry of Rural Development	133,690	18.72
Ministry of Agriculture and Farmers' Welfare	131,531	18.41
Ministry of Road Transport and Highways	118,101	16.53
Ministry of Railways	110,055	15.41
Ministry of Education	93,224	13.05
Ministry of Health and Family Welfare	73,932	10.35
Ministry of Housing and Urban Affairs	54,581	7.64

Source: indiabudget.gov.in website

DSTREET

Indian Macroeconomic Outlook

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Executive Summary to the Indian Economy

The pandemic's fury peaked in Q1, 2020-21, during the initial wave. GDP shrank by 24.4% (23.9% earlier) YoY, the highest among the G20 countries. The contraction began to improve in Q2, owing to aggressive attempts to restore the economy, incremental relaxation of mobility restrictions, monetary and liquidity easing, and fiscal support. India had emerged from a technical recession by the third quarter.

The growth rate of the gross domestic product (GDP) at constant market prices is expected to slow to 8.0 % in 2020-21, compared to a growth rate of 4.0 % the previous year. Private consumption contributes about 56 % of GDP, the stable bedrock of domestic demand. The growth of the gross value added (GVA) at constant basic prices has been estimated to contract by 6.5 % in 2020-21. The growth in government final consumption expenditure at constant (2011-12) prices is estimated at 2.9 % in 2020-21 as compared to 7.9 % in 2019-20. The growth in gross fixed capital formation at constant prices was 5.4 % in 2019-20) as compared to (-) 12.4 % in 2020-21.

Agriculture and allied activities emerged as the bright spot in the Indian economy in 2020-21. Crude oil and natural gas production dropped due to a lack of critical infrastructure and equipment and operational difficulties amidst the pandemic. Automobiles also posted strong growth. In the services sector, the ultra tertiary

industries such as IT displayed remarkable resilience in the face of the pandemic. Another area of strength turned out to be construction.

India also mounted a large fiscal stimulus in a calibrated rollout to mitigate the impact of COVID-19 on the economy.

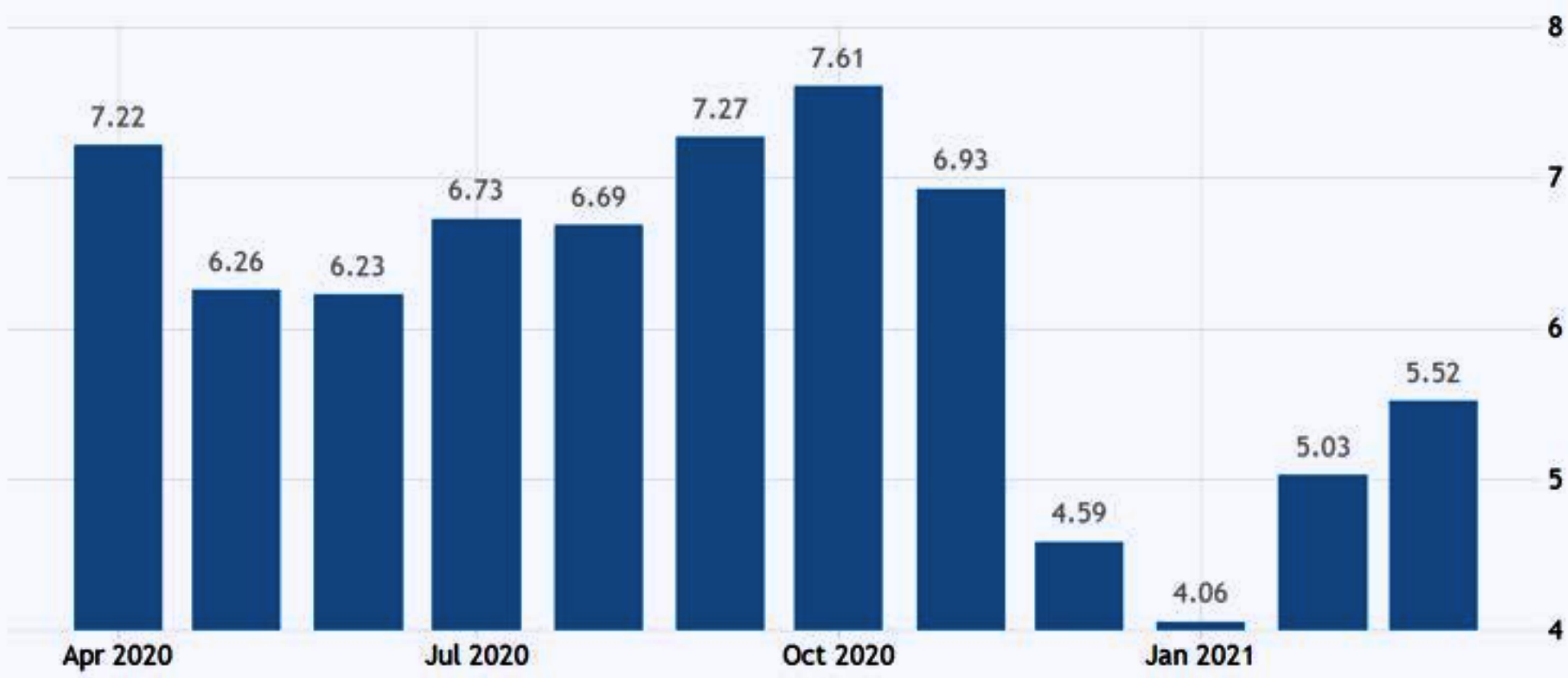
As a consequence, capital expenditure grew by a robust 104.4 % during October 2020 - February 2021, reversing the contraction of 11.6 % in H1:2020-21. A revival in exports was backed by the strong performance of drugs and pharmaceuticals and agriculture. The digital sector turned out to be a large recipient of FDI into India with a few big-ticket deals.

The gross non-performing assets (GNPA) ratio of scheduled commercial banks (SCBs) decreased to 6.8 % by end-December 2020 from 8.2 % in March 2020. The gross NPA ratio for NBFCs improved to 5.7 % in December 2020 from 6.8 % in March 2020.). In the retail segment, the Unified Payments Interface (UPI) recorded 273 crores transactions, with values crossing the `5 lakh crores mark for the first time. The total digital transaction volume in 2020-21 stood at 4,371 crores, as against 3,412 crores in 2019-20

Headline Inflation

Headline inflation breached the upper tolerance band of the inflation target during June-November 2020. It remained elevated during 2020-21 and reached a multi-year peak of 7.6 % in October 2020.

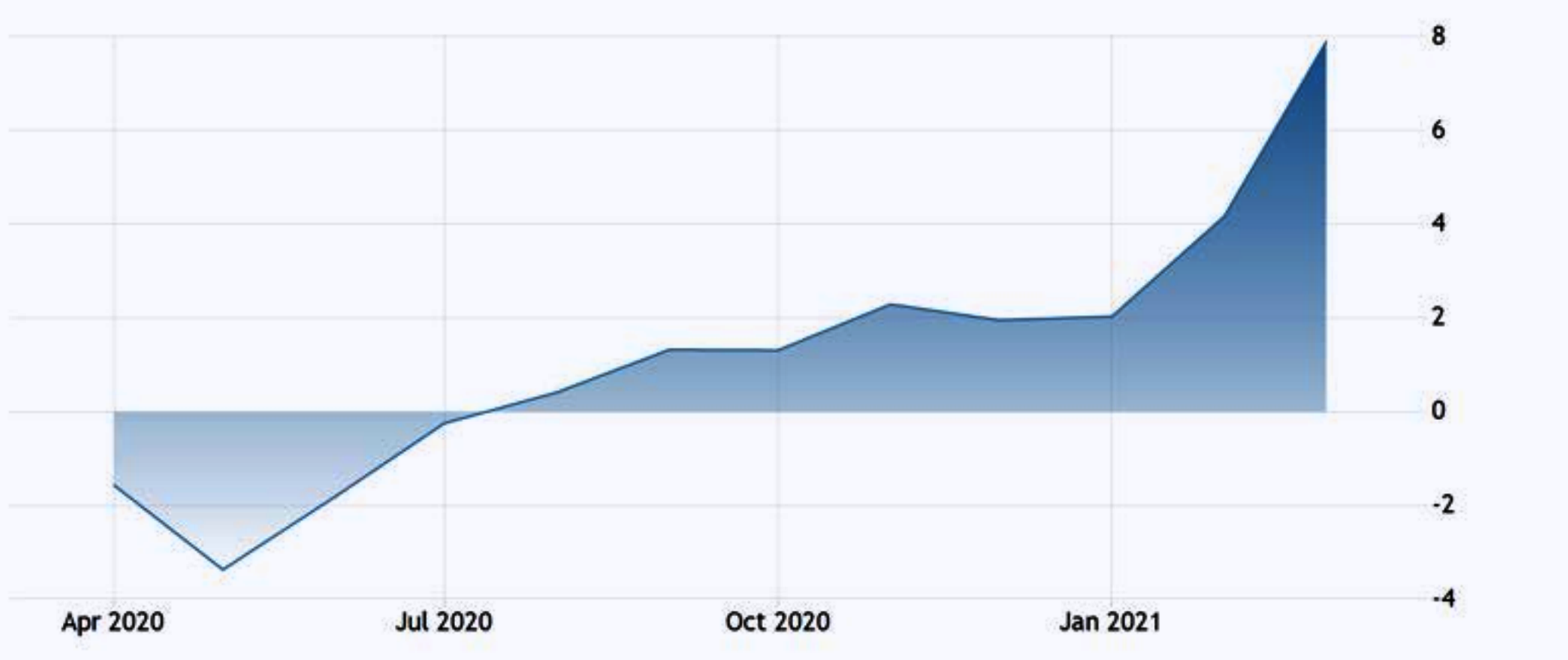
With the ebbing of supply disruptions, non-availability of labour, impediments to transportation and encouraging prospects for the rabi crop, food inflation started easing from November 2020 and reached 2.7 % in January 2021 before increasing to 5.2 % in March 2021.



Source: MOSPI

Fuel prices remained subdued during 2020-21 with prices of LPG starting to increase from December 2020 onwards. Inflation excluding food and fuel hardened during the year and reached a peak of 6.0 % in February 2021 driven by double-digit inflation in prices of transport and communication, personal care and effects, and pan, tobacco and intoxicants. Housing inflation moderated to 3.3 % in 2020-21 while recording a historic low of 2.8% in September 2020. Inflation in clothing and footwear remained moderate averaging 3.4 % in 2020-21 CPI-C inflation averaged 6.3 % in Apr-Jan., 2020-21, but the monthly price index declined in January 2021 to 4.1 %, mainly due to a decline in the food inflation to 1.9 % in January 2021 from 3.4 % in December 2020. Food inflation based on the Consumer Food Price Index (CFPI) declined from 6.4 % in 2014-15 to 0.1 % in 2018-19 but rose to 6.7 % in 2019-20.

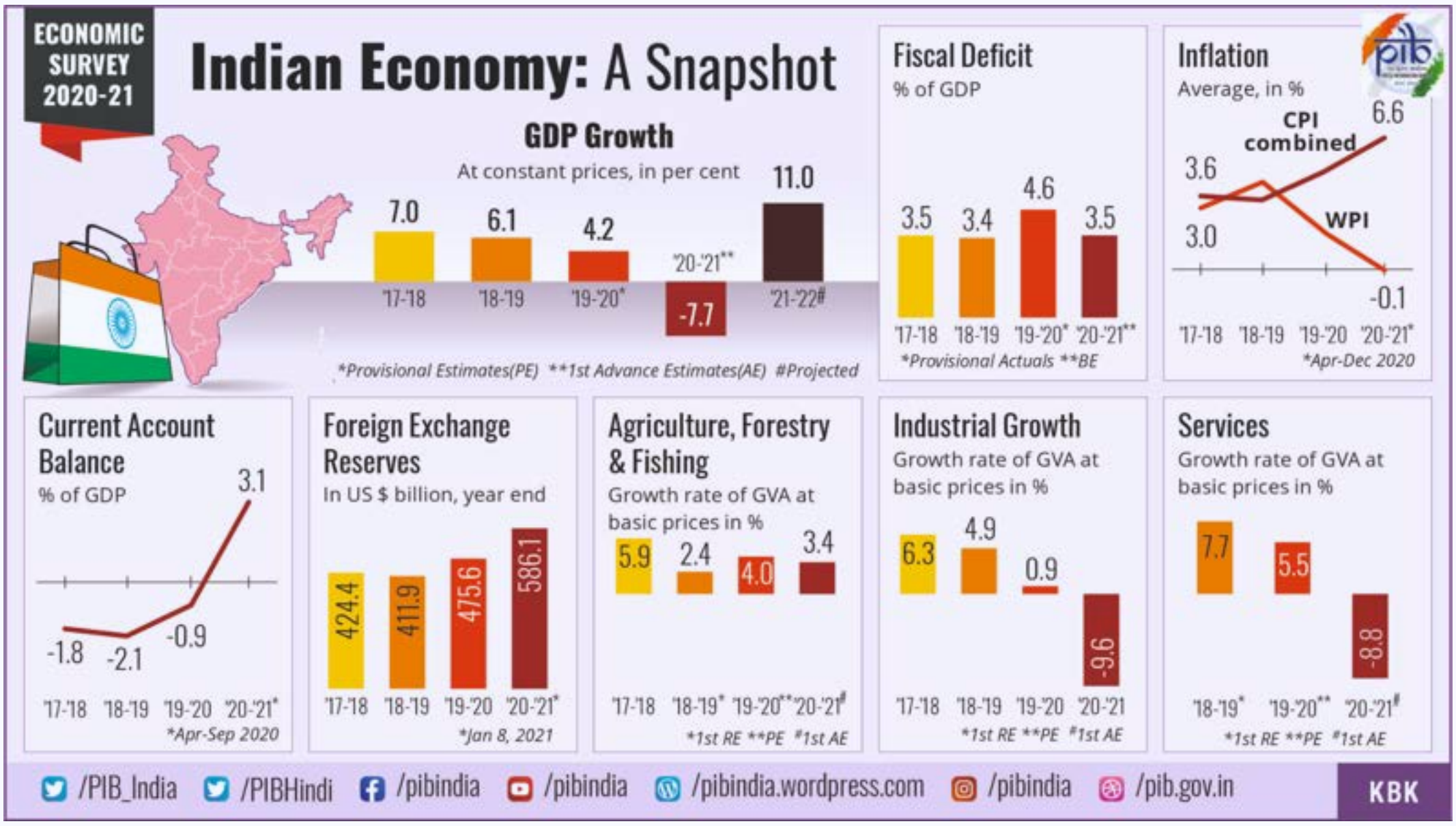
Wholesale Price Index(WPI)



Source: Office of the Economic Advisor, India

During 2020-21, inflation, as measured by the wholesale price index (WPI), barely budged. Wholesale price index (WPI) fell to 1.3 % in 2020-21, down from 1.7 % in 2019-20. However, from 3.6 % in 2019-20, GDP deflator inflation increased to 4.6 % in 2020-21. Inflation is expected to rise to 6.2 % in 2020-21, up 140 basis points from the previous year. Food inflation in 2020-21 averaged 8.4% from April through January. Inflation was down from 4.3 % in 2018-19 to 1.7 % in 2019-20, according to the Wholesale Price Index (WPI). Inflation in the WPI averaged 0.2 % from April to January in 2020-21 and was 2.0 % in January 2021.

Demand and supply



Source: Press Information Bureau(PIB)

In 2020-21, aggregate demand, as measured by real GDP, shrank by 8%. Private final consumption expenditure (PFCE) fell short of expectations, while government final consumption expenditure (GFCE) remained supportive of aggregate demand. Gross fixed capital formation (GFCF) again fell short of expectations. The pandemic had a significant impact on private consumption, and PFCE fell by 9.0 % in 2020-21. 1 From Q2 onwards, there has been a significant increase in consumption. Passenger cars and consumer durables, which had been sluggish in H1:2020-21, saw a significant rebound in H2:2020-21. Rural areas were less affected by the epidemic than metropolitan areas with high population density.

Furthermore, agriculture and allied activities were generally exempted from the lockdown measures and exhibited resilience. The acceleration in fertilizers production and tractor sales supported rural demand and brightened the outlook. The rate of gross domestic investment in the Indian economy, reduced to 32.2 % in 2019-20 from 32.7 % in the preceding year. The ratio of real gross fixed capital formation (GFCF) to GDP decreased to 30.9 % in 2020-21 from 32.5 % in 2019-20 reflecting weak investment sentiment in the country.

Household financial savings increased to 21.0 % of GDP in Q1:2020-21, but then decreased to 10.4 % of GDP in Q2:2020-21. After expanding by 4.1 % the previous year, aggregate supply contracted by 6.5 % in 2020-21. A decrease in the industrial and service sectors contributed to the slowdown in GVA growth.

Sectors of the economy

Agriculture and allied sectors

Agriculture sector turned out to be a silver lining in the economy during the pandemic. The second advance estimate (AE) for total foodgrain production in 2020-21 is 2.0 % higher than the final estimate (FE) for 2019-20. GVA generated by agriculture and related activities increased by 3.0% in 2020-21. Agriculture's proportion of overall GVA increased by 1.5 %age points to 16.3 % in 2020-21, making it the only sector that stayed in the expansion zone. Horticulture crop output in 2020-21 will be 1.8 % greater than the final estimate for 2019-20, topping foodgrain production for the seventh year in a row. This was fueled by a 2.7 % increase in area under cultivation in 2020-21, despite a 0.9 % drop in production.

Industry

GVA growth in industry contracted sharply on a y-o-y basis by 7.4 % in 2020-21. This is the fifth year of sequential deceleration, including two successive years of contraction in the industrial sector. During Q1:2020-21 industrial activity registered a contraction of 31.1 % having a severe effect on consumer durables and capital goods.

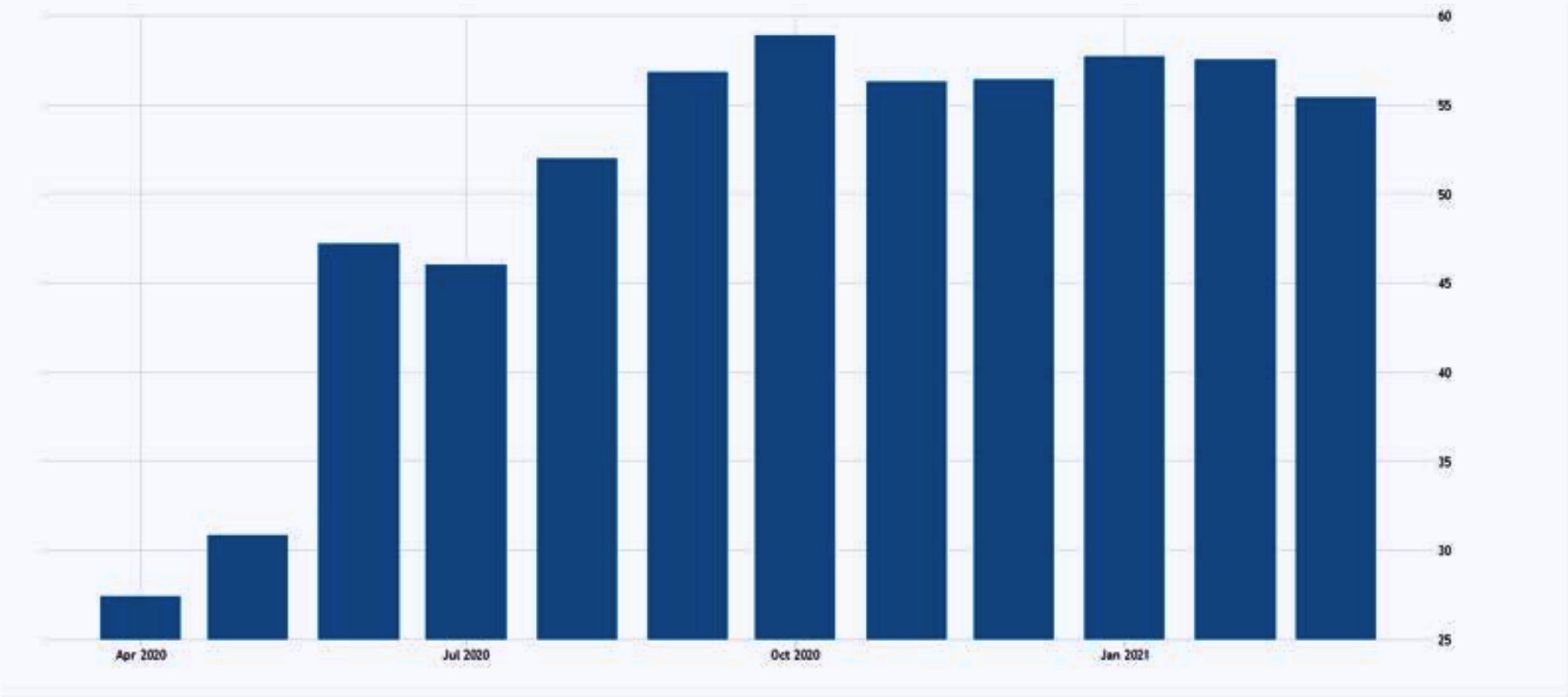
IIP declined by 8.6 % in 2020-21. utility services recorded a growth of 1.8 % in GVA.
India witnessed the severest downturn and was one of the first to revive from contraction in September 2020 with support from improvement in consumer durables and non-durables benefitting from pent-up demand. Since, September 2020 a revival was witnessed in the basic metals and motor vehicle segment. The mining sector contracted sharply in H1:2020-21 though the coal sector showed relative resilience due to being exempted from the lockdown.

Although electricity generation contracted in the first half of 2020-21, it improved in the latter half due to an increase in demand. The contraction was also seen in hydroelectricity and thermal generation although the latter grew at a rate of 12.4% in Q4.

The eight core industries comprising coal, crude oil, natural gas, refinery products, fertilizers, steel, cement and electricity recorded (-) 8.8 % growth in April-January 2020-21.

PMI Index above 50 signals expansion while a below 50 figure signals contraction. The Index was majorly below 50 till September 2020 signalling the impact of the pandemic on the manufacturing sector. October 2020 clocked the highest PMI signalling revival but beyond that period, the index has averaged out at around 50.

Purchasing Managers' Index(PMI)- Manufacturing



Index of industrial production(IIP)

The IIP declined sharply during the first and second Quarters of FY 2020-21. It started showing bleak signs of revival during the 3rd and 4th Quarters but never managed to break through completely. The sudden up move in March was due to a revival in production and a low base effect. For March 2021, the Quick Estimates of Index of Industrial Production (IIP)with base 2011-12 stands at 143.4. The Indices of Industrial Production for the Mining, Manufacturing and Electricity sectors for March 2021 stand at 139.0, 140.4 and 180.0 respectively.

Source: MOSPI

Services

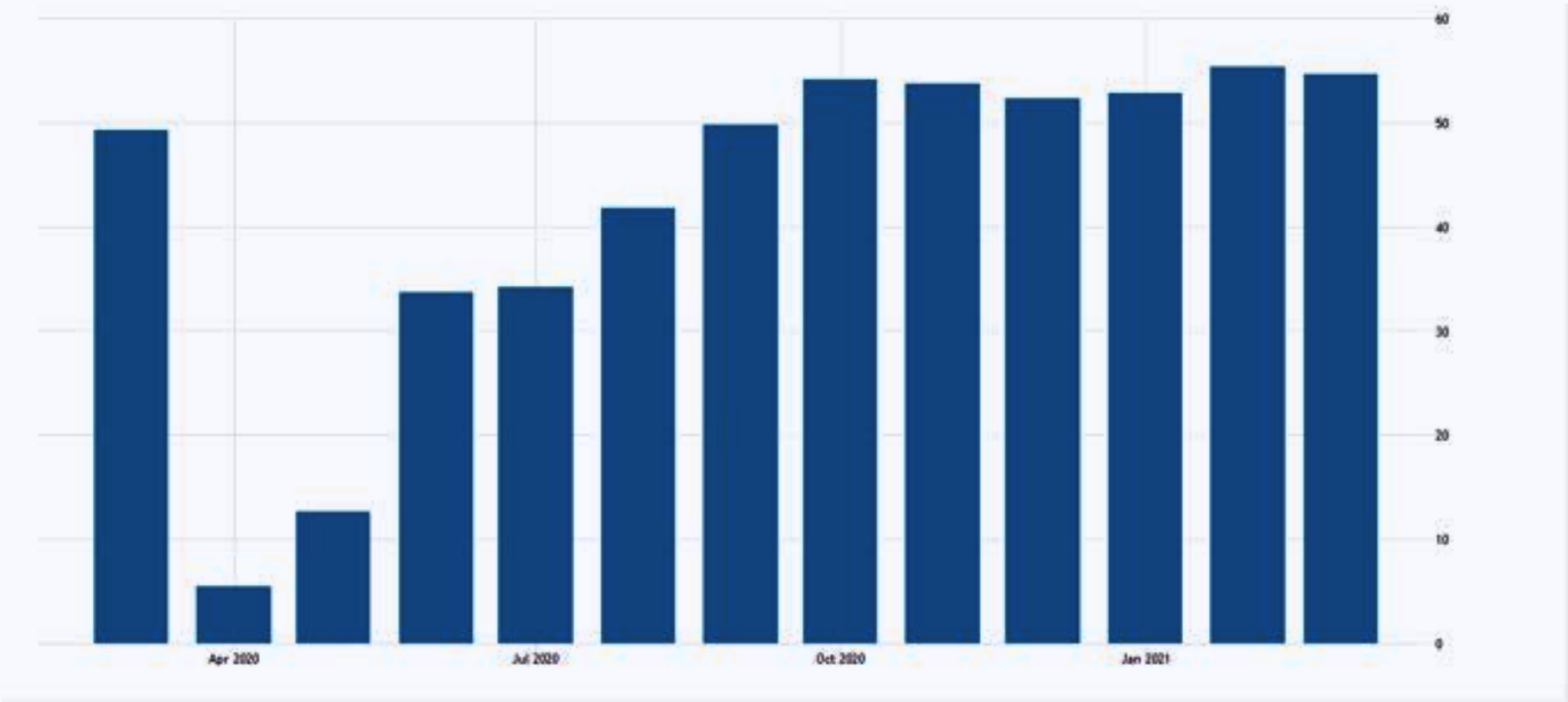
The pandemic had a significant impact on the services industry. Due to social distancing standards, the building sector experienced pressured financial conditions, which hampered new launches, inventory overhang, and a half-year decline in construction activity. Due to double-digit sales in Q3, favourable interest rates, ample liquidity, severe discounts, and a dramatic reduction in inventory overhang, it enjoyed a strong V-shaped comeback.

In contact-intensive industries, there was a significant reduction, and activity stayed well below pre-covid levels. Freight traffic has experienced a boost and the performance of IT companies has been better than hospitality and aviation segments. In 2020-21, due to Covid-19, the services sector contracted by 24.8 % in Q1:2020-21 and

10.9 % in Q2:2020-21. In Q3:2020- 21, services sector output returned broadly to its level a year ago.

Despite the global disruptions, FDI inflows into the services sector increased by 34 % YoY during April-September 2020 to reach US$ 23.61 billion. The jump in FDI equity inflows was driven by strong inflows into the 'Computer Software & Hardware' sub-sector, wherein FDI inflows increased to US$ 17.55 billion which is over 336 % higher over the corresponding period last year.

Service- PMI by IHS Markit



Employment

The Centre for Monitoring Indian Economy (CMIE) database shows that the labour force participation rate (LFPR) increased to 40.2 % in March 2021 from 35.6 % in April 2020. There has been a faster recovery in rural employment in the post lockdown phase.

In the organized sector, the average of net subscribers added to Employees' Provident Fund Organisation (EPFO) per month decreased marginally since the previous year. There was also a decrease in the new subscribers to the National Pension Scheme (NPS).
There have been initiatives taken by the government to promote industrial production and generate employment opportunities.

The Mahatma Gandhi National Rural Employment Guarantee Act (MGNREGA) wage was increased by ₹ 20 per day, implying supplementary income of around ₹ 2,000 per annum for around 13.6 crores rural families.

Provisions were also made for additional employment to returnee migrant workers for 125 days in six states facing high reverse migration.
A PLI scheme worth ₹ 1.45 lakh crores has also been launched for 10 key sectors.

DSTREET

Global Macroeconomic Outlook

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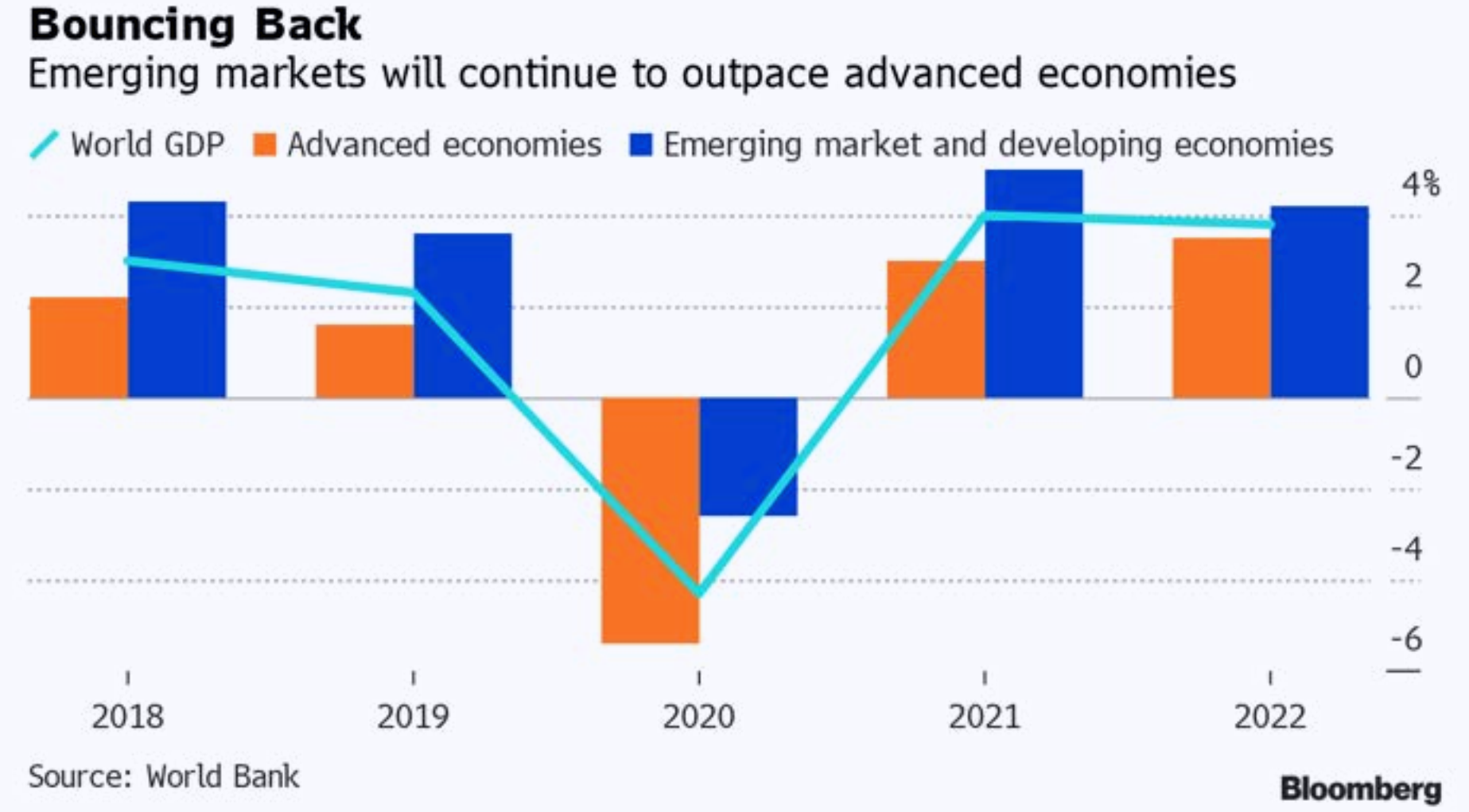
Following last year's crash, the global economy has recovered quite well, though unevenly. While industrialised economies are recovering, many of the world's poorest countries are falling behind, and much work remains to be done to reverse the pandemic's massive human and economic toll. Furthermore, recovery is not guaranteed: Additional COVID-19 waves, greater immunisation delays, increased debt levels, or rising inflationary pressures are all possible setbacks.



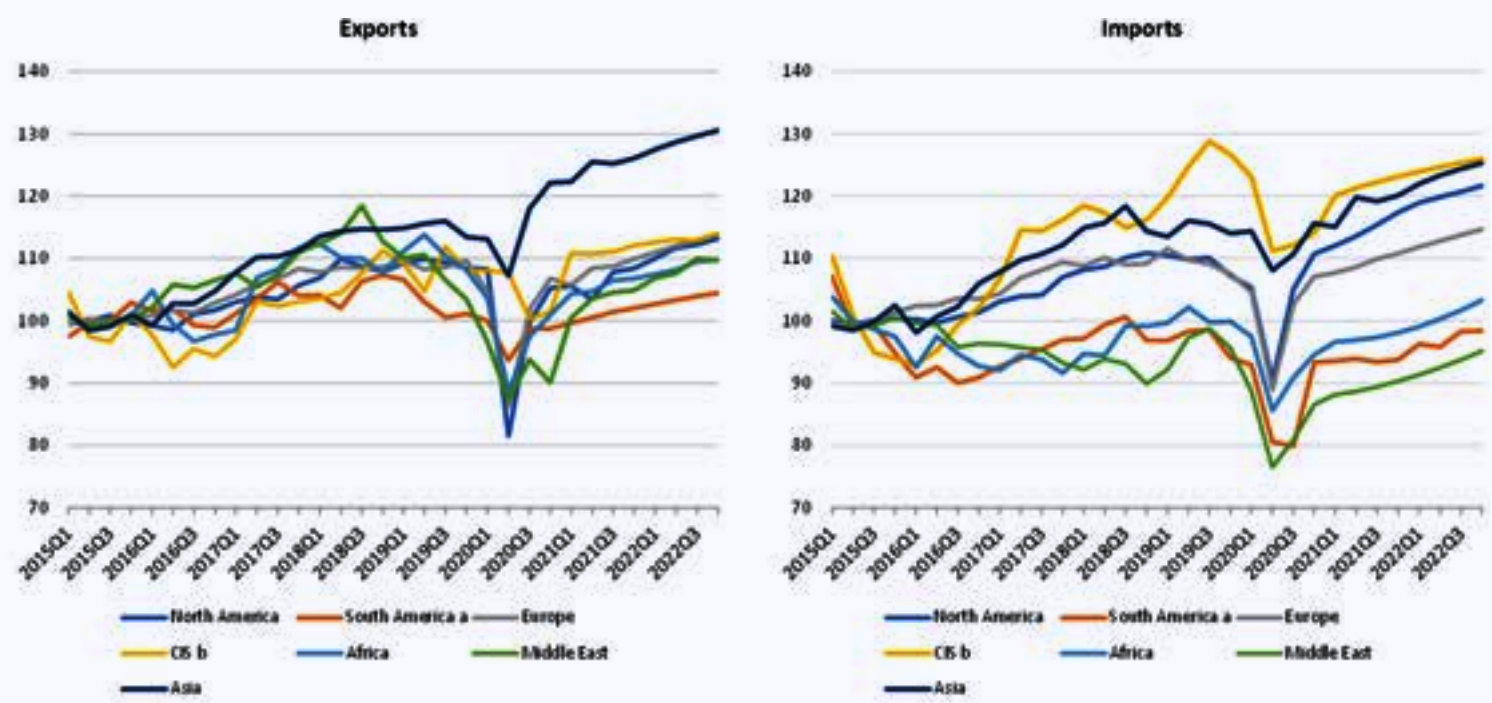
The current pandemic is continuing to affect global economic activity, with significant outbreaks weighing on growth in several nations. COVID-19's latest wave is now concentrating on select emerging markets and developing economies (EMDEs), where more transmissible and virulent strains are proliferating and vaccination access is still limited.

In 2021, the global economy is expected to grow at a rate of 5.6 percent, the fastest since the Great Depression. This recovery is uneven, and it is mostly due to strong recoveries in a few major economies, as well as widely disparate vaccine access. Increased COVID-19 caseloads, vaccine barriers, and a partial loss of macroeconomic support are offsetting some of the benefits of stronger external demand and higher commodity prices in many emerging markets and developing economies (EMDEs). Global output will be about 2% below pre-pandemic predictions by 2022, and per capita income losses from the previous year will not be fully recovered in almost two-thirds of EMDEs.

Global Trade and Manufacturing

Although world trade is benefiting from the global recovery, and trade recovery has been boosted by a rotation in demand toward trade-intensive goods; as the low-trade-intensity domestic services sector picks up and accounts for a greater share of the economic recovery, trade momentum is likely to slow, as it is being constrained by supply bottlenecks and travel restrictions. Financial conditions, while still benign, have tightened somewhat as global yields have risen due in part to higher inflation expectations. Almost all commodity prices have been boosted by the global recovery, with some prices further lifted by supply factors.

Global manufacturing contracted sharply in the spring of 2020. Unlike during the global financial crisis, however, the decline was short lived, with synchronized V-shaped recoveries across both advanced and emerging market economies in the second half of the year. While the rebound reflects in part the resumption of production following the shutdowns, other demand-related factors have also played a role, including the release of pent-up demand after lockdowns were eased and increased demand for products to facilitate work-from-home and protective equipment



Source: WTO

World merchandise trade volume is expected to increase by 8.0% in 2021 after falling 5.3% in 2020, a smaller decline than previously estimated.Trade growth will likely slow to 4.0% in 2022, with the total volume of global trade remaining below the pre-pandemic trend.World GDP at market exchange rates should increase by 5.1% in 2021 and 3.8% in 2022, after contracting by 3.8% in 2020.Merchandise trade in nominal dollar terms fell in 2020 by 8% while commercial services exports declined by 20%.Falling oil prices led to a 35% contraction in trade in fuels in 2020.Travel services were down 63% in 2020 and are not expected to fully recover until the pandemic wanes.

Financial Markets

Financial conditions have tightened but remain generally supportive. Global borrowing costs have increased as expectations of stronger future growth and higher inflation have pushed up long-term yields on government bonds. Thus far, these developments have been substantially less disruptive to global and EMDE financial conditions than the 2013 taper tantrum, when expectations of tighter U.S. monetary policy triggered volatility in global financial markets. Global corporate borrowing costs have also risen, but spreads have been stable and stock market valuations in most regions are still close to multiyear highs. Business bankruptcies, which had been limited considering the depth of the global recession, have picked up in some industries and countries but remain below pre-pandemic levels amid easy access to credit and the extension of some COVID-19 relief measures. The extent of post-pandemic credit losses may be limited by the fact that crisis-hit sectors account for a small share of total non-financial-sector debt

Advanced Economies

In advanced economies, progress in containing the pandemic, primarily through a ramping up of vaccinations, is expected to unlock significant pent-up demand, allowing a gradual narrowing of the gap between advanced-economy output and its pre-pandemic trend. The recovery is projected to strengthen first in the United States on the back of rapid vaccination and a new round of fiscal support, followed gradually by other advanced economies. The pronounced recovery in China is expected to moderate as macroeconomic policy support is withdrawn.

Growth in advanced economies is forecast to reach 5.4 percent in 2021, 2.1 percentage points higher than envisioned in January, powered by stronger than expected momentum leading into 2021, faster vaccination in several countries, additional U.S. fiscal support, and the release of sizable pent up demand. U.S. growth is expected to outperform that of other major advanced economies due to its more rapid vaccine rollout and larger fiscal support. After this year’s rebound, growth is expected to moderate but remain robust in 2022 as the removal of pandemic control measures continues.

Emerging Markets and developing Economies

In many emerging market and developing economies (EMDEs), the recovery will be constrained by elevated COVID-19 caseloads, obstacles to vaccination, and a partial withdrawal of macroeconomic support. In many EMDEs, the pandemic has slowed or reversed progress at per capita income catch-up with advanced economies. Inflation is expected to exceed targets in about half of inflation-targeting EMDEs, which could trigger monetary tightening and potentially result in financial stress.

In recent months, certain EMDEs have seen their currencies depreciate. The forecast for aggregate growth in emerging market and developing economies (EMDEs) for 2021 has been revised up to 6%; however, this is mostly due to significant upgrades to several large economies as well as considerable carryover from late-2020 growth. External demand will strengthen, and commodity prices will rise, helping to offset macroeconomic policy tightening. The rate of immunisation will have a significant impact on recovery. Subdued foreign travel will continue to restrict activity in tourism-dependent economies.

Nearly all emerging market and developing economies (EMDEs) implemented fiscal support packages to confront the pandemic. Fiscal support was mostly front-loaded in 2020, however, and many EMDEs are expected to unwind these measures and adopt a tighter fiscal stance starting this year. Strengthening domestic revenue mobilization to close tax revenue gaps, and reducing public spending inefficiencies to yield higher growth dividends, will be critical to ensure debt sustainability and rebuild fiscal space, particularly in low-income countries and energy exporters.

Most EMDE regions' recovery this year is projected to be insufficient to undo the pandemic's impact. The global pandemic has left a legacy of increased debt and scarring to potential output, both of which are projected to stymie activity's return to pre-pandemic levels. The rate of per capita income catching-up with advanced economies is expected to slow or reverse in all regions.

Low-Income Countries(LIC’s)

Following a sharp slowdown last year, growth among low-income countries (LICs) is expected to pick up to an average of 3.8 percent a year in 2021-22, still lower than its 2010-19 average pace and below January projections. Fragile and conflict-affected LICs are expected to face a particularly dire outlook, with growth of 2.5 percent in 2021-22. In about 60 percent of LICs and 75 percent of fragile and conflict-affected LICs, last year’s per capita income losses will not be fully unwound by 2022. Risks to the growth outlook are tilted to the downside and include further impediments to wide scale vaccinations, debt distress, worsening food insecurity, and a rise in violence. With tens of millions of people expected to have slipped into extreme poverty last year, the legacies of the pandemic are set to weigh on human and physical capital accumulation, income growth,

and poverty reduction for years to come.After the steepest growth slowdown in a generation last year, growth in low-income countries (LICs) is expected to pick again. The situation is particularly bleak in unstable and conflict-affected LICs, where the pandemic's negative consequences are exacerbated by a lack of administrative capacity, pervasive extreme poverty, natural catastrophes, and violence. Although per capita incomes are predicted to rise significantly in 2021-22, the COVID-related per capita income losses will only be partially reversed, leaving millions of people in extreme poverty.

Outlook

The global economy is recovering. The faster-than-expected rebound is to a large extent attributable to a few major economies, such as the United States and China. In many emerging market and developing economies, growth forecasts have been downgraded and output is projected to remain well below pre-pandemic trends, weighed down by the effects of the pandemic. Although risks to the outlook have become more balanced, downside risks are significant.

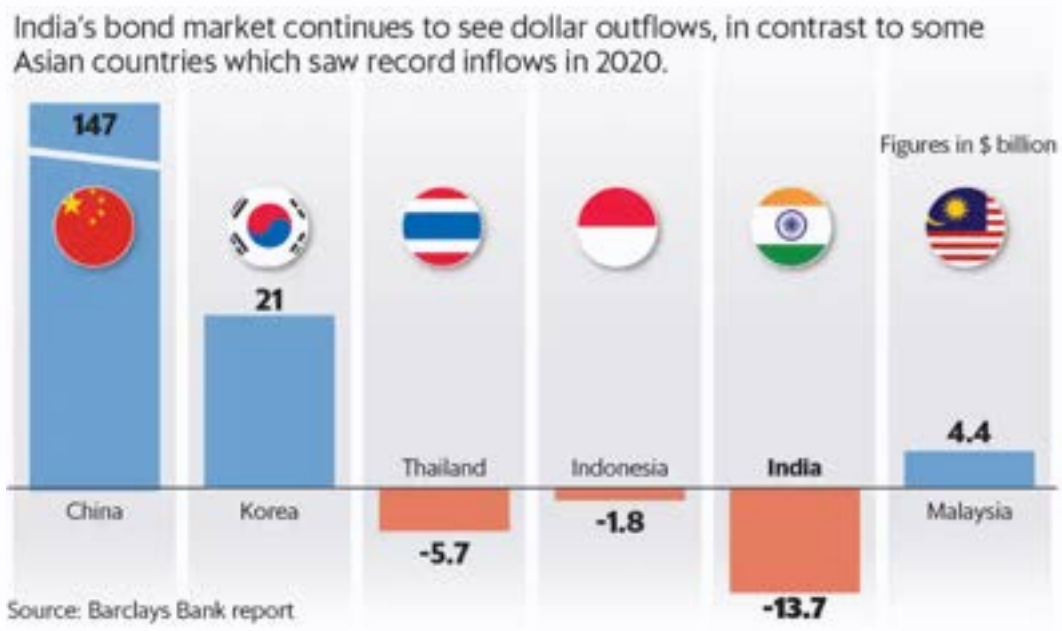
Global economic activity is experiencing an uneven acceleration. Much of the pickup reflects the strengthening of large advanced economies driven by substantial macroeconomic policy support and the nascent release of pent-up demand as pandemic control measures are relaxed. However, this pickup will do little to reverse significant debt and external vulnerabilities accumulated during the pandemic.

Global growth is expected to pick up strongly in 2021, buttressed by increased but unequal vaccination, policy support, and the release of pent-up demand. For 2022, growth outcomes will depend on the extent to which the initial rebound can catalyze a durable recovery in private sector activity and potential output growth. In a “Faltering Recovery” scenario, the global recovery may prove short-lived, as recurring local resurgences of the pandemic combined with the de-anchoring of inflation expectations in the United States lead to a sharp repricing of risk and a tightening of global and especially EMDE financial conditions. In contrast, in a “Sustained Expansion” scenario, rising global confidence amid brighter pandemic prospects, an accelerated pace of technological change, and growth-enhancing reforms in EMDEs provide a strong growth boost through 2023.

Global activity could take many courses as it rebounds from the 2020 recession, according to history. The global recovery could lose steam in the Faltering Recovery scenario, with global output following the recovery that followed the global financial crisis. In the Sustained Expansion scenario, on the other hand, the post-recession recovery may be much greater.

BONDS

The COVID-19 outbreak wreaked havoc on markets in the early months of 2020, but when central banks around the world pumped in liquidity, investors began to hunt for the best places to deposit their funds. Bonds performed well in a recessionary year, and low-risk government paper sold like hotcakes. Dollars flowed into bonds issued by Asian countries in pursuit of higher returns. In India, however, this logic was thrown on its head. According to Barclays Bank, while Asia's fixed income market received a record $152 billion in 2020, India suffered a $13.7 billion outflow.



A variety of reasons are at blame, but the most crucial one is the concern over supply. Market borrowings from states and the central government have more than doubled in FY21, with the centre planning to borrow $12 trillion. Since India's domestic bond market carries the full burden of financing the deficit, bond yields are thought to have bottomed out. With operation twists and open market operations determining yields, India's bond market has been heavily influenced by the Central Bank. This means that punting on the yield curve is severely limited. The RBI has previously stated that it is unwilling to see the benchmark 10-year bond rate move above 6%, even though constant supply has kept yields from falling any lower.

What's in for FY22

Low long interest rates remain and abundant liquidity will be the key determinants. These factors contribute to the fact that government bond yields are not rising. However, the RBI's take on the first step in withdrawing pandemic-related measures does not bode well for liquidity. Furthermore, with the Union Budget portraying increased expenditure, the international investors would see the deficit statistics for FY21 and FY22 as well as the small print on how those will be funded. For the time being, global liquidity may continue to favour equities over Indian bonds.

BHARAT BOND ETF

The second tranche of Bharat Bond ETF, India's first corporate bond ETF, was launched in July 2020 by Edelweiss Mutual Fund. It was oversubscribed by 3 times. It follows the Nifty Bharat Bond ETF Index and offers two maturities of 5 years and 11 years, maturing in April 2025 and April 2031 respectively. Unlike traditional debt-oriented schemes, these funds are traded on the exchange with a much lower cost compared to actively managed debt funds. Each bond issuer is a Government of India's Public Sector Enterprise with a credit rating of AAA. These include Power Grid Corporation of India, National Housing Bank, National Bank for Agricultural and Rural Development and IOC among others. It has been hailed as a quality investment for high-income earners as it offers liquidity, minimal credit risk and tax-efficient returns. This ETF has provided relatively more liquidity than the corporate bond market. If the demand for the Bharat Bond ETF picks up, Edelweiss plans to come out with repeated tranches twice every year. More debt securities of these state-owned firms would become liquid.

SOVEREIGN GOLD BONDS

Gold investors have shown increasing interest in SGBs since the onset of the pandemic. The Series I of 2021-22 is the second-highest subscription by value and volume since the SGB scheme was initiated in 2015. The total value stood at ₹2,541 crores and the quantity subscribed was 5.32 tonnes.

The subscription in Series I of 2021 alone is more than the value of the subscription in the entire FY20. In FY21, the subscription value stood slightly north of ₹16,000 crore. Brokerage firms such as Zerodha and HDFC Securities claimed that their platforms have witnessed rising issues of SGBs from April 2020 onwards.

- The massive surge in SGB subscriptions can be attributed to the perception of gold as a refuge from uncertainties such as the COVID-19 pandemic. Investing in gold or digital gold includes additional payments of taxes and commissions, whereas SGBs provide a return of 2.5%. Besides, purchasing SGBs through digital mode entails an ₹50 discount on the issue price, which proved to be an added incentive.

Key Developments

SEBI PERPETUAL BOND CONTROVERSY

When Yes Bank wrote off its perpetual bonds to the tune of ₹8,415 crore, investors lost all their money. In March 2021, SEBI introduced a circular to bring about much needed changes in perpetual bond norms to prevent investors from facing a similar catastrophe. However, the revised norms have the Finance Ministry worried. The circular limits the investment in these bonds at 10% of the total portfolio held by Debt Fund Houses. This seemed like a necessary measure. However, SEBI also mandated that these bonds be valued as if they were 100-year bonds. It is anticipated that perpetual bonds will see a sharp fall in value in light of this development. Upon the request of the Finance Ministry, SEBI has decided to allow Fund Houses to fall in line with the valuation rules by April 2023, as opposed to the earlier deadline of 1st April 2021.

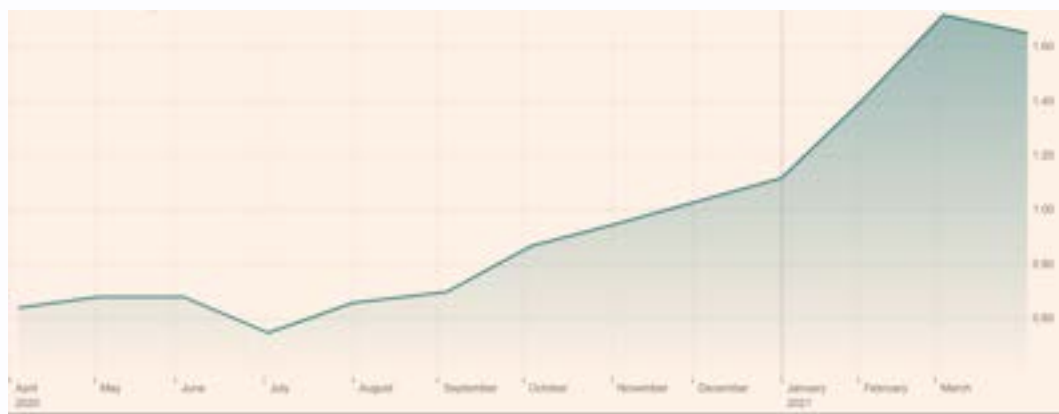
US TREASURY BOND YIELDS

The US 10-year Treasury Bond Yield hit a 14 month high of more than 1.7% in March 2021. Higher yields translate to low bond prices, which attracts more investors. With the US Treasury Bond Yield at a high, Indians feared that investments would shift to the US, causing another taper tantrum episode, consequently depreciating the INR. The RBI has been buying dollars to shield against an outflow of funds. The Forex reserves recently breached the $600 billion mark, the highest ever. Scholars remark that hoarding forex will not be enough in the current economic scenario.

How much will an investment of ₹1 lakh in gold yield? (If annual rise=5%)

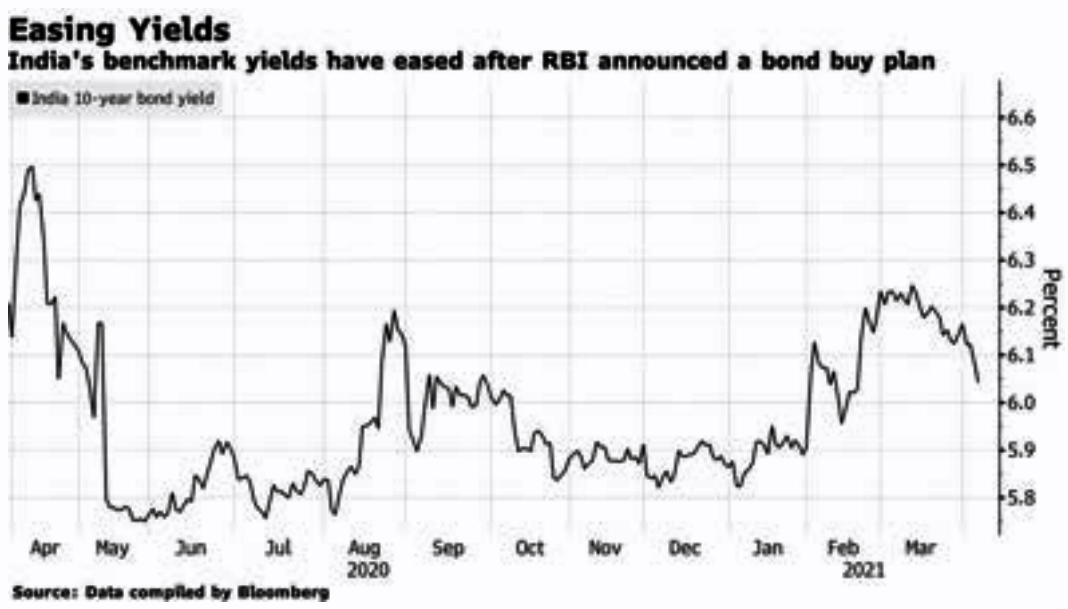
OPTION	GOLD BONDS	GOLD ETFs	GOLD DEPOSIT SCHEME	COINS AND BARS	GOLD FUNDS	ORANMENTS
Charges	Nil	Nil	1% Expense Ratio	5% Making Charge	1.75% Expense Ratio	15% Making Charge
Interest Earned	2.75%	2.25%	Nil	Nil	Nil	Nil
Value after 1 year	₹ 1.08 lakh	₹ 1.02 lakh	₹ 1.04 lakh	₹ 99,750	₹ 1.03 lakh	₹ 89,250
After 3 years	₹ 1.25 lakh	₹ 1.17 lakh	₹ 1.13 lakh	₹ 1.09 lakh	₹ 1.10 lakh	₹ 98,398
After 5 years	₹ 1.45 lakh	₹ 1.34 lakh	₹ 1.21 lakh	₹ 1.21 lakh	₹ 1.17 lakh	₹ 1.09 lakh
5-year compounded return	7.75%	6.15%	4%	3.92%	3.25%	1.64%

The US 10-year Treasury Bond rates are used to determine the risk-free rate, which in turn is employed to set a whole host of other rates and forecasts. In short, US bond yields are the ultimate indicator of risk worldwide. With inflationary pressures building up in India, the high US bond yields have become a problem.



MONETARY POLICY

RBI's continued accommodative stance on the monetary policy brought much wanted respite in the bond market. It also announced a sizable bond purchase scheme through its Targeted Long Term Repo Operations. Recently, RBI promoted the Government Securities Acquisition Program (G-SAP). RBI bought bonds worth ₹25,000 crores and ₹35,000 crores in the first and second tranche of G-SAP respectively. The third tranche will take place on June 17, 2021. The bond yields surged post the first tranche. The RBI has also announced that it would buy bonds worth ₹1.2 lakh crores in Q2FY22 under G-SAP 2.0 to maintain liquidity in the economy. This move will flatten the yield curve and curb excess volatility in the bond market. The trend shows that bond yields have dropped after the announcement of the plan.

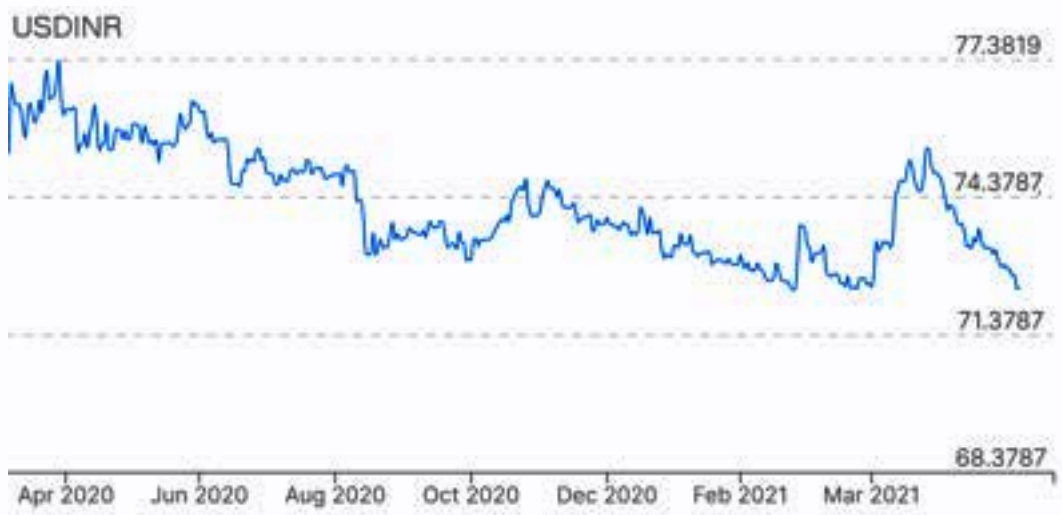


PANDEMIC BONDS

Pandemic bonds, launched in 2017 after the Ebola outbreak in South Africa, have come into the limelight owing to the COVID-19 pandemic. These bonds are essentially used to finance the Pandemic Emergency Financing Facility to the sum of $500 million with the help of private investors earning an annual return of 12-13% over 3 years. In the event of a pandemic, the investors lose the entire principal.

The second sale of these bonds scheduled for 2020 has been scrapped due to several discrepancies in the triggering system. According to the World Bank, the outbreak would need to last at least 12 weeks, and have more than 2,500 deaths for the bonds to be triggered. There must also be more than 20 deaths in a second country. These terms are highly specific and are prone to cause fraudulent activity. A country could simply manipulate figures and trick the system into laying claim to the pandemic funds.

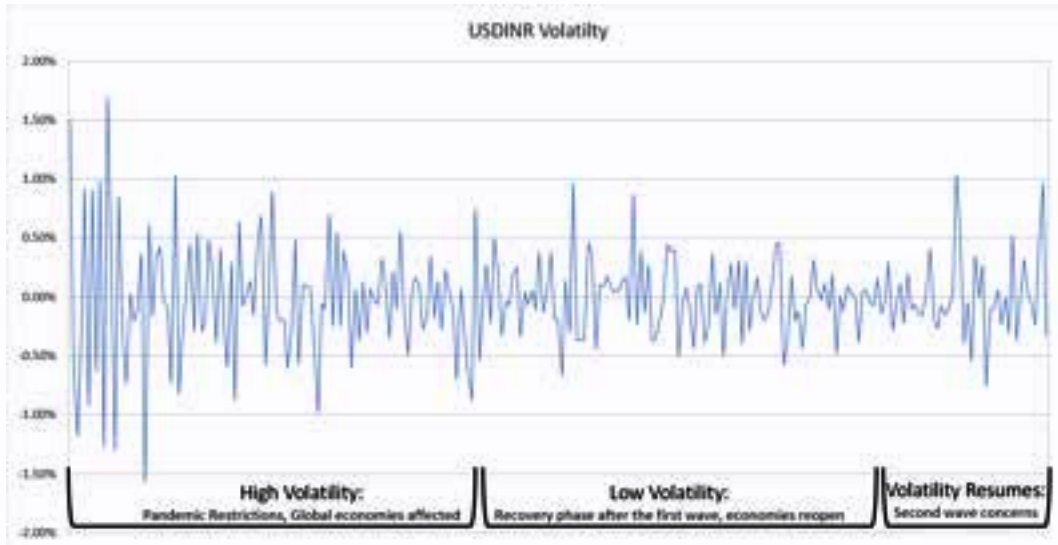
It can also be noted that the $500 million drawn from private investors to fund the Pandemic Emergency Financing Facility is a dismal sum compared to the tens of billions of dollars that the World Bank holds in liquid assets. Many say that this effort is only to mask the World Bank's unpreparedness or the lack of willingness thereof to prepare for a global catastrophe.

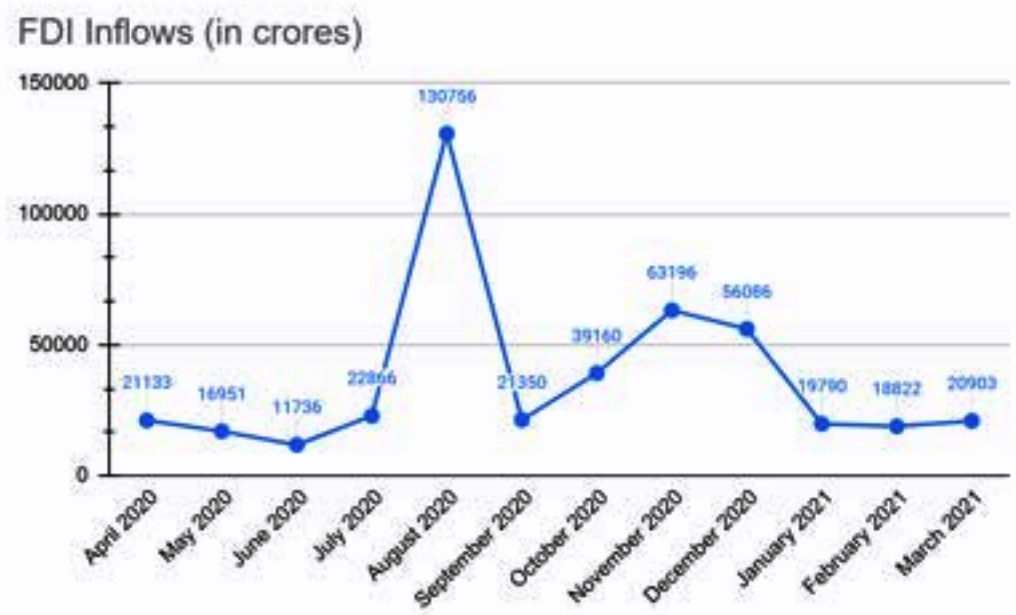


USDINR (52-w Change) -2.82%

The pandemic year 2020 has been challenging for Indian currency. Indian Rupee (INR) witnessed one of the worst phases in the past year. INR finished the calendar year 2020 as Asia's worst-performing currency, underperforming even minor South Asian currencies like the Pakistani and Sri Lankan rupees. In contrast, most Asian currencies have either strengthened or maintained their value versus the US dollar (USD) in the last year. Despite significant inflows of foreign institutional investors (FII) and foreign portfolio investors (FPI) into Indian equities, the INR remained one of the poorest performing regional currencies, touching a record low of 76.92 versus the US dollar in April 2020. Given the economic uncertainty and slowing growth rate, the collapse in the INR can be validated, as global investors rushed to the US Dollar, a renowned safe haven.

On the positive side, depreciation in the Indian rupee was a bane for Indian exporters and Information Technology (IT) companies. Moving forward, rising inflationary pressures, along with the RBI's sustained large-scale USD purchase, would further depreciate the Indian rupee. The INR will continue to be supported by broad-based dollar weakness due to weakening dollar demand in the international market, as well as sustained foreign inflows. Though the year CY20 was negative for the Indian Rupee, FY20-21 as a whole witnessed a 2.82% appreciation in the rupee versus the greenback. The last quarter of the fiscal year led to a sharp recovery in the rupee. The reduced lockdown restrictions, the opening up of the economy and improved GDP forecast led to this spike in Q4.

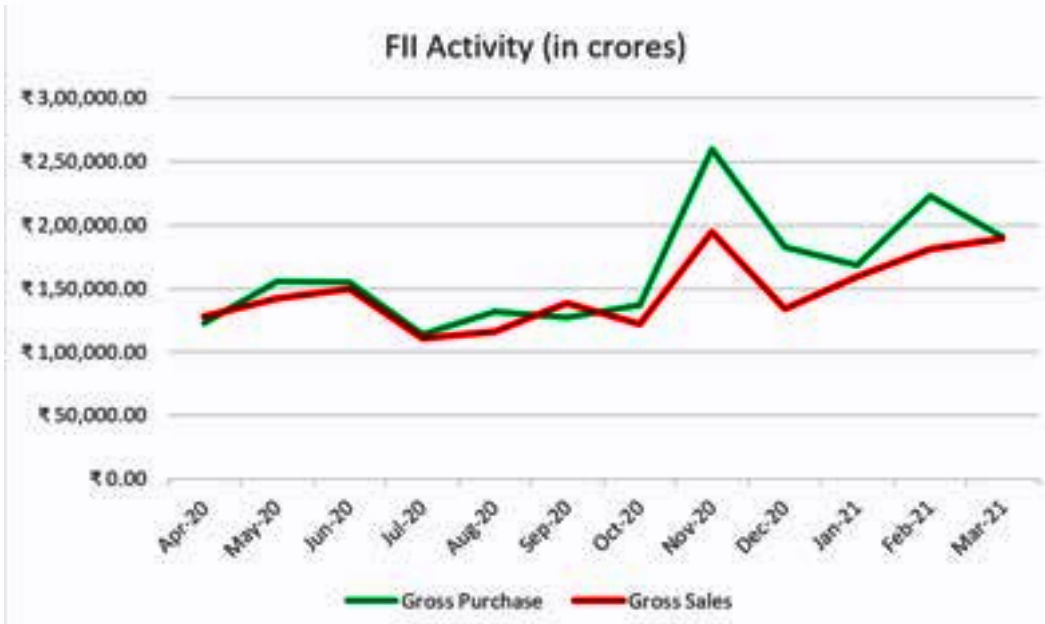




The rising coronavirus cases from mid-March 2020 has led to a severe second wave that pushed the Indian rupee to a 9-month low crossing the Rs 75 mark at the beginning of FY22. The national currency has been depreciating since the beginning of the new fiscal year and it is expected there will be no immediate respite.

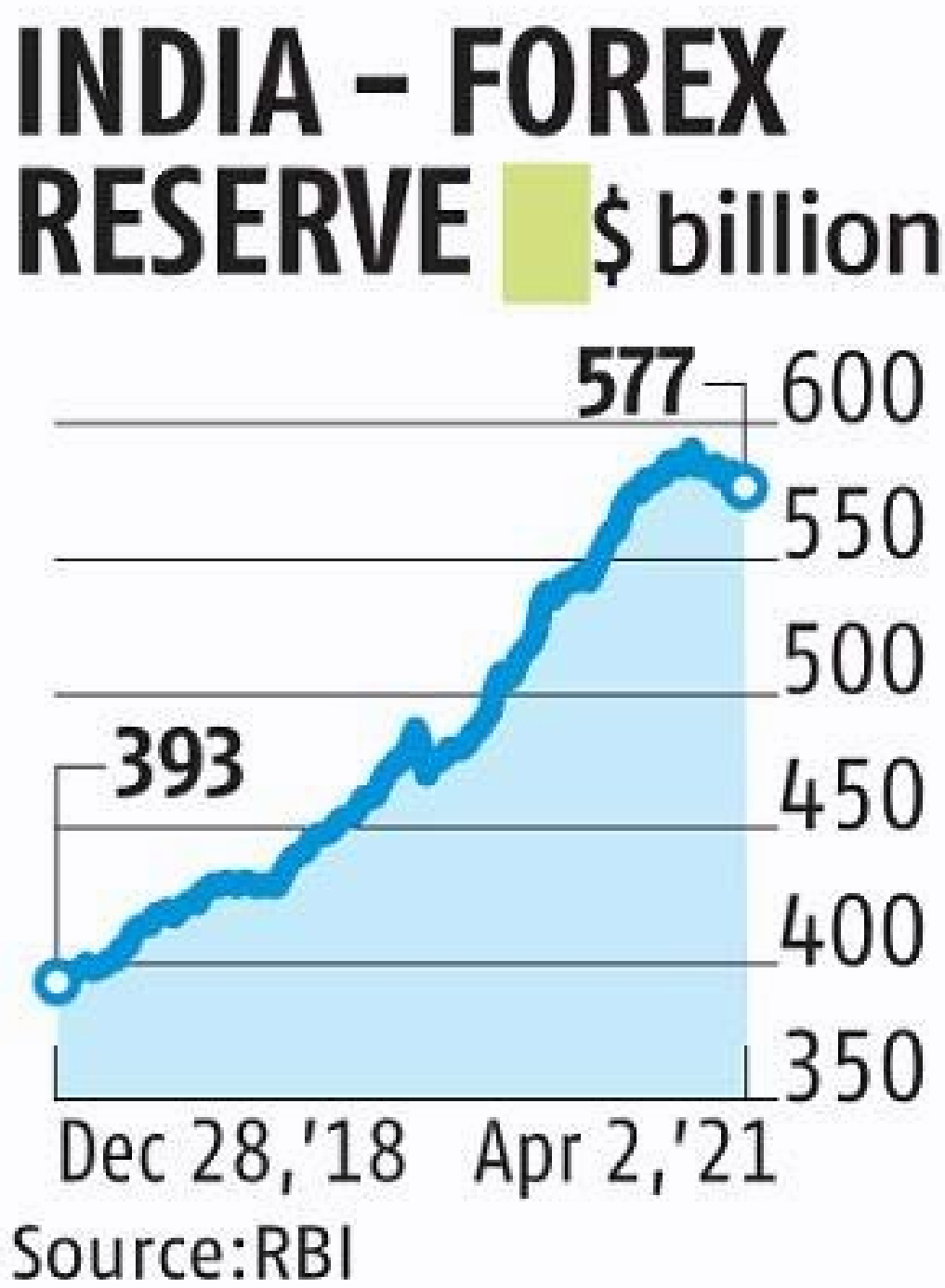
Reasons behind falling rupee-

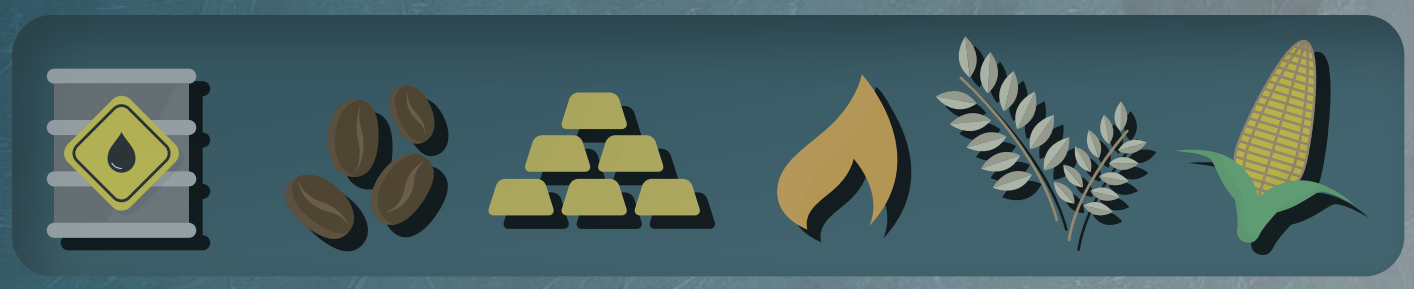
1. Rising threat of COVID- The increase in the number of daily cases leading to the country facing a deadlier second wave of the virus. Investors are sceptical about the economic recovery that was expected to revive the rupee in H1FY22.
2. Steep recovery in the US Economy- The Indian Rupee has been under pressure as the dollar has strengthened in response to predictions of stronger growth in the US economy. The US Dollar gained 1.5% versus the Euro in the last month of FY21.
3. G-SAP programme- The launch of the RBI's G-SAP scheme to inject liquidity has added pressure on the rupee. This is interpreted as akin to the global central banks' quantitative easing approach, in which the RBI will provide liquidity to fund the government's increased borrowing programme.
4. Dwindling support of FPI- The declining backing of foreign portfolio investors, who pushed massive inflows into Indian equities market between October 2020 and February 2021, adds to the pressure. While FPIs invested a net of Rs 1.94 lakh crores in Indian markets between October and February, they withdrew a net of Rs 2,263 crores in the first fortnight entering FY22.



Road Ahead

India's forex reserves crossing $600 billion for the first time puts the country's external sector in a decent position to control any severe situation that occurs to the rupee due to rising inflation pressure and steep US recovery. Moving into FY22, the Indian rupee is expected to show a slow recovery, amid broad dollar strength due to US employment data and rising inflation in the US, which might pave the path for the US Federal Reserve to withdraw stimulus sooner than expected. Simultaneously, the concerns over rising crude prices may have a detrimental impact on the country's current account deficit. On the positive side, the hope of pandemic easing with a rapid vaccine programme of the country may support the currency due to the economic bounceback expected to begin at a full pace in Q2FY22

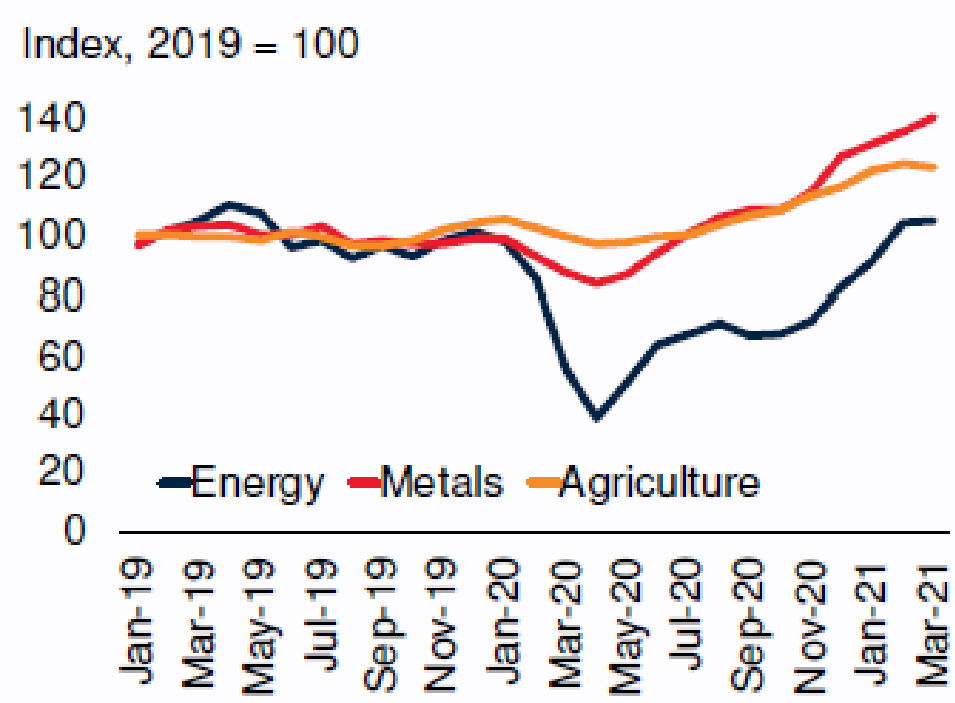




COMMODITY

In 2020, the coronavirus outbreak caused havoc on the commodities market. The extraordinary lockdowns we've witnessed this year have weighed severely on commodity demand, with investors fleeing risk assets at the height of the pandemic. It was a year of numerous firsts, including negative oil prices. However, since the peak of the shutdown, we've seen a significant resurgence as economies have reopened. In the first quarter of 2021, commodity prices continued to recover, with four-fifths of commodities now trading at or above pre-pandemic levels, in some cases significantly so. Looking ahead to 2021, the commodities complex is expected to continue to rise. A continued recovery in global economies should be beneficial, and there is the possibility of additional stimulus. Significant money supply growth, ultra-low interest rates, and fiscal stimulus have raised inflation expectations; as a result, we predict more money to flow into commodities, with speculators increasing their long positions, particularly in metals and agriculture. Oil has attracted some speculative interest as well, but there is still a possibility for greater buying in the energy sector through 2021.

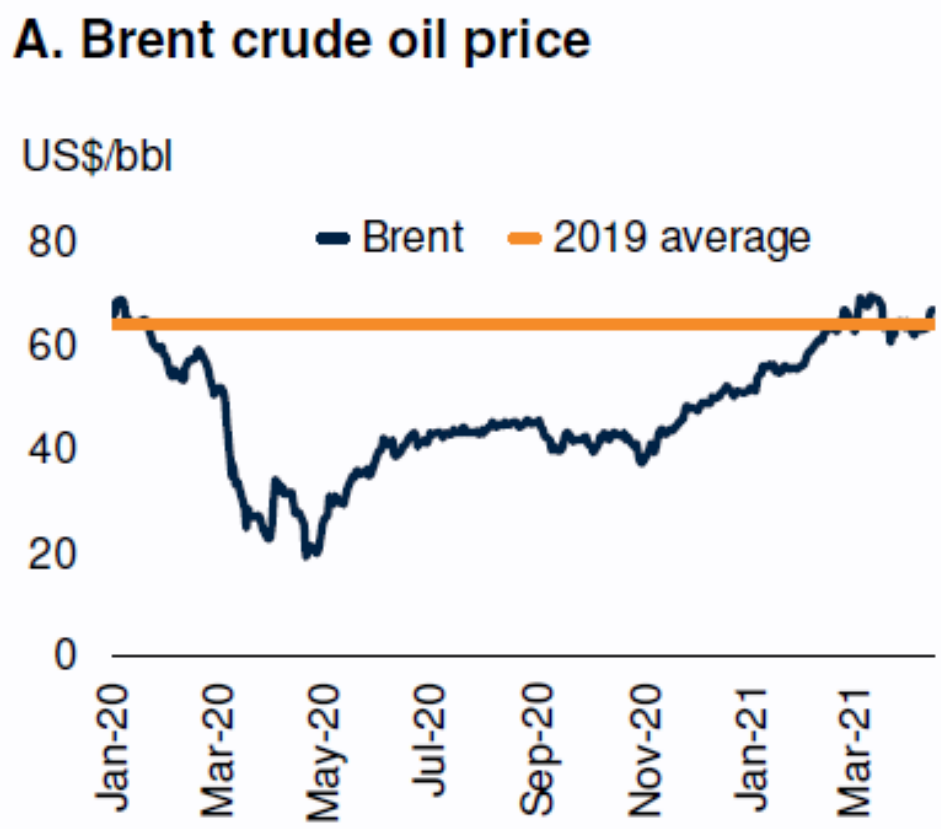
A. Commodity price indexes, monthly

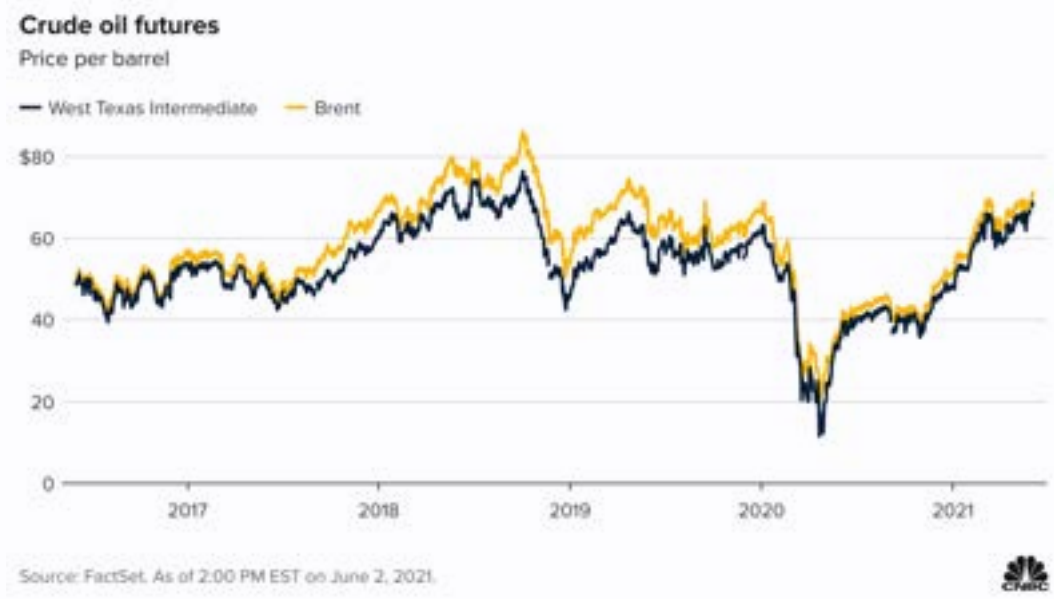


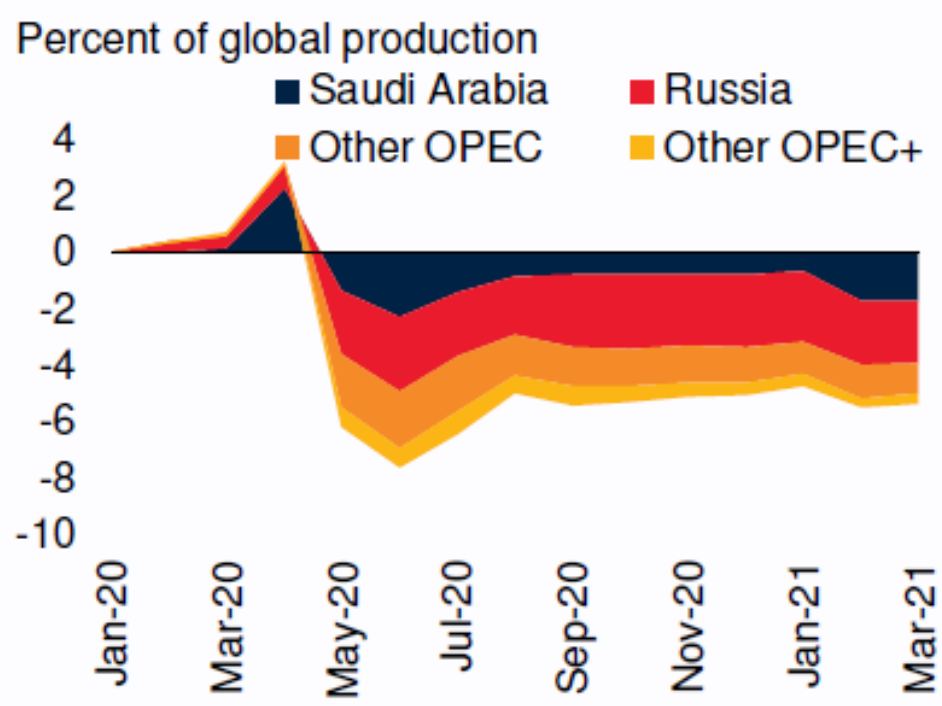
in the international market, as well as sustained foreign inflows. Though the year CY20 was negative for the Indian Rupee, FY20-21 as a whole witnessed a 2.82% appreciation in the rupee versus the greenback. The last quarter of the fiscal year led to a sharp recovery in the rupee. The reduced lockdown restrictions, the opening up of the economy and improved GDP forecast led to this spike in Q4.

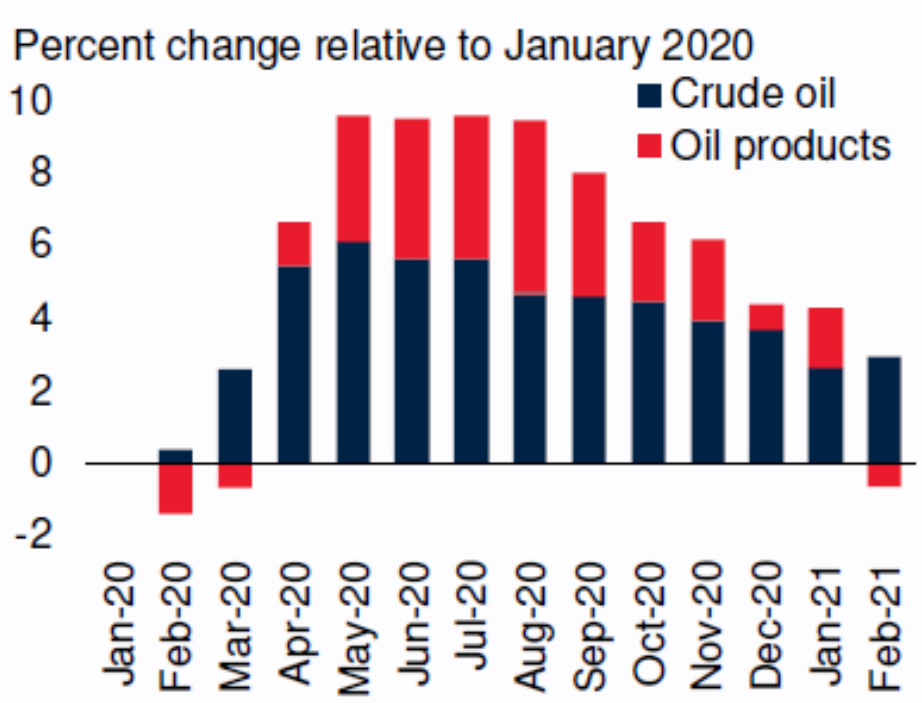
MCX CRUDE 1-Year Change 253.64%

In 2020, worldwide oil output declined by about 7% (approximately 7 million barrels per day), with OPEC+ accounting for more than four-fifths of the drop (the group accounted for just over half of global oil production in 2019). OPEC+ has increased production at a considerably slower rate than originally predicted from the start of 2021, either by extending production cuts or increasing output by less than projected. Non-OPEC production has also declined dramatically this year, and next year's growth is expected to be modest, with less than a 500Mbbls/d increase YoY, leaving non-OPEC supply in 2021 well below 2019 levels. Though OPEC+ and other oil-producing countries around the world began increasing outputs in December 2020, OPEC's cautious approach reflects uncertainty about the pandemic's ongoing impact on oil demand, as well as growing concern about new outbreaks globally and high infection rates in some emerging markets and developing economies.







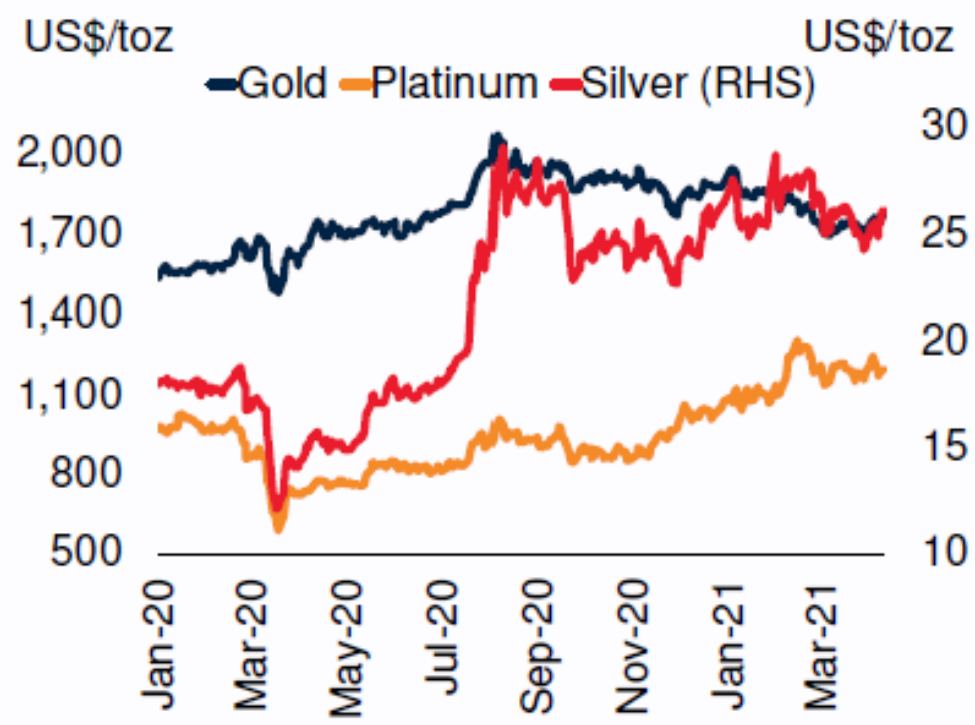


Throughout 2021, demand is likely to increase as the economy improves and immunizations become more readily available, particularly in advanced economies. The prognosis represents a considerable increase above the October 2020 estimate, owing to lower-than-expected OPEC+ production and a brighter economic outlook. Oil demand predictions have fallen since the epidemic has had a longer-lasting impact than projected, however, forecasts have recently stabilised. OPEC+ has a lot of spare capacity, which puts the oil price estimate in jeopardy. Also, oil prices are projected to remain constant at roughly $70 per barrel. The demand side risk has been caused by new varieties of the virus, which have resulted in continual waves thereby increasing uncertainty regarding global transportation demand. On the other hand, the supply-side risk is double-edged, with the two primary risks stemming from the OPEC+ production agreement and the speed with which US shale production recovers. Even after the announced increases in output, OPEC+ still holds a considerable quantity of supply off the market. The group's future production decisions will have a significant impact on the direction of oil prices. However, a further decline in oil demand, possibly as a result of a fresh breakout of COVID-19, might put significant strain on the production agreement. Oil prices would be significantly lower than projected if the coalition disintegrates, resulting in a dramatic surge in global production.

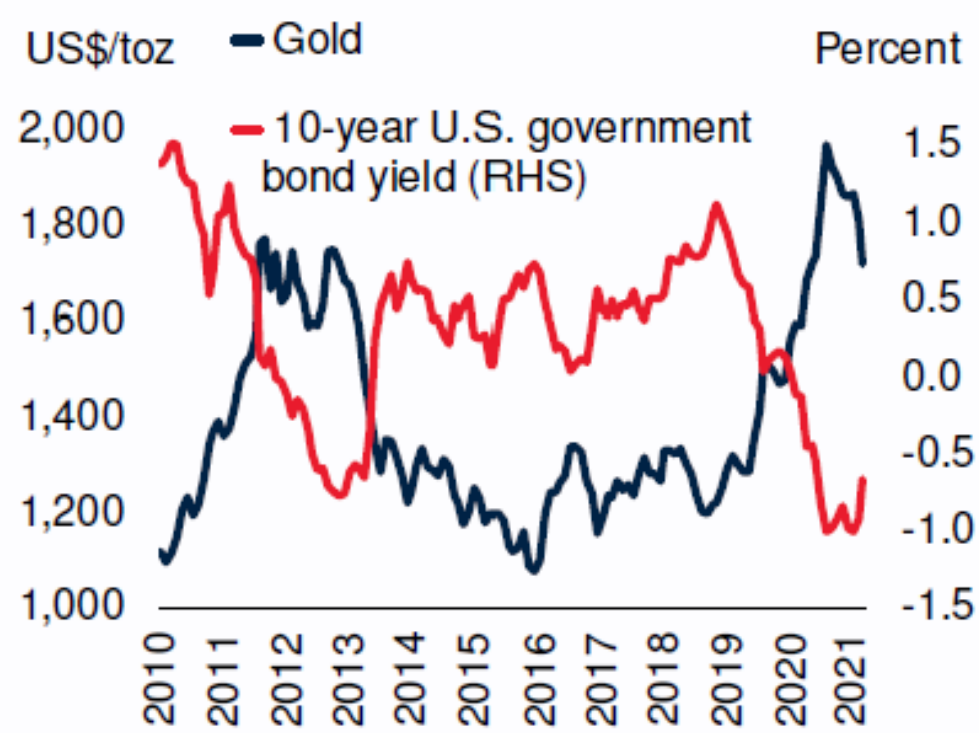
MCX GOLD 1-Year Change 4.17%

Gold has had an incredible year with spot prices at all-time highs as investors sought safe-haven assets amid the rising uncertainty of the COVID-19 pandemic. Falling rates have driven gold prices higher this year, with 10-year US Treasury yields falling to about 50 basis points, while real yields have been firmly in the negative region since late March, enhancing gold's appeal. Gold becomes less appealing to investors as real yields rise. In recent months, gold-backed exchange-traded funds' holdings have plummeted, and central banks have cut their gold purchases. Physical demand is beginning to recover after a significant drop in 2020, although it is still far below pre-pandemic levels. On the supply side, mined output is rebounding after the COVID-19 lockdowns and is likely to increase through 2022, owing to prices that are far above production costs. In 2021, gold prices are predicted to fall by 4% on average and ease further in 2022.

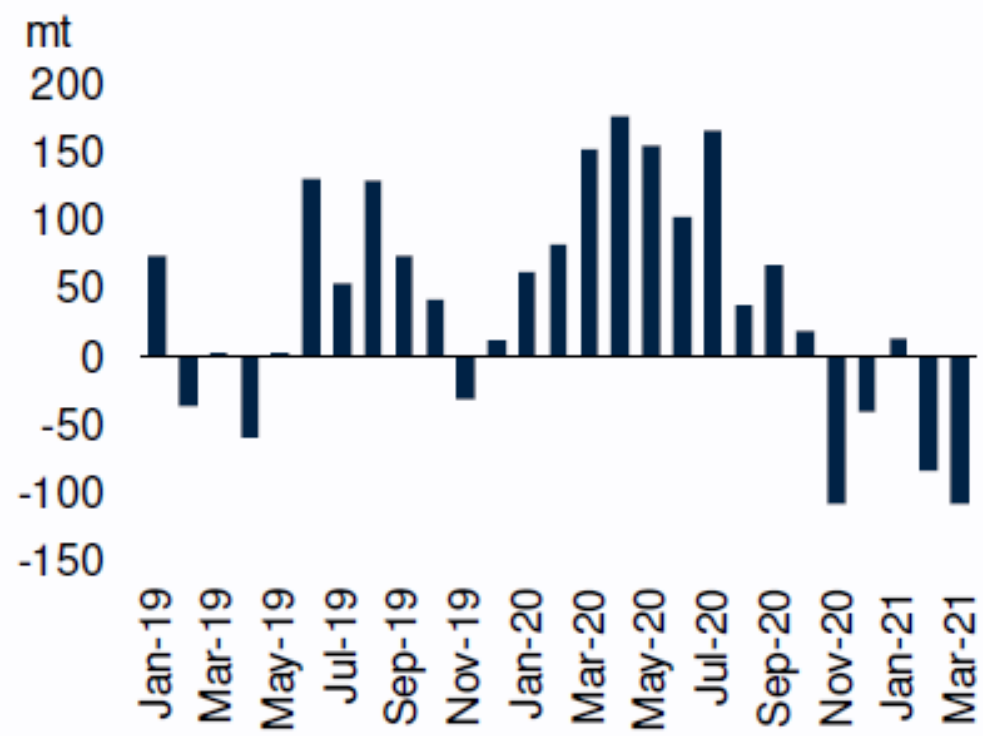
A. Precious metals prices



B. Gold prices and interest rates



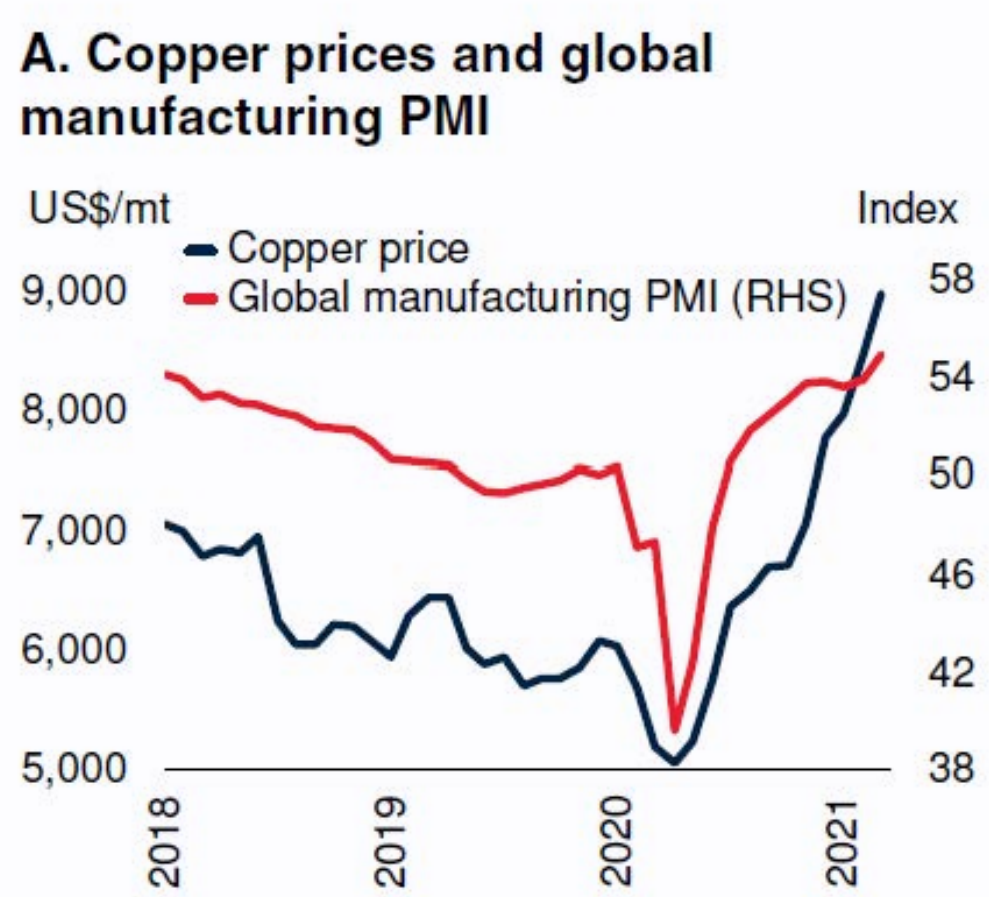
C. Net flows in gold ETFs

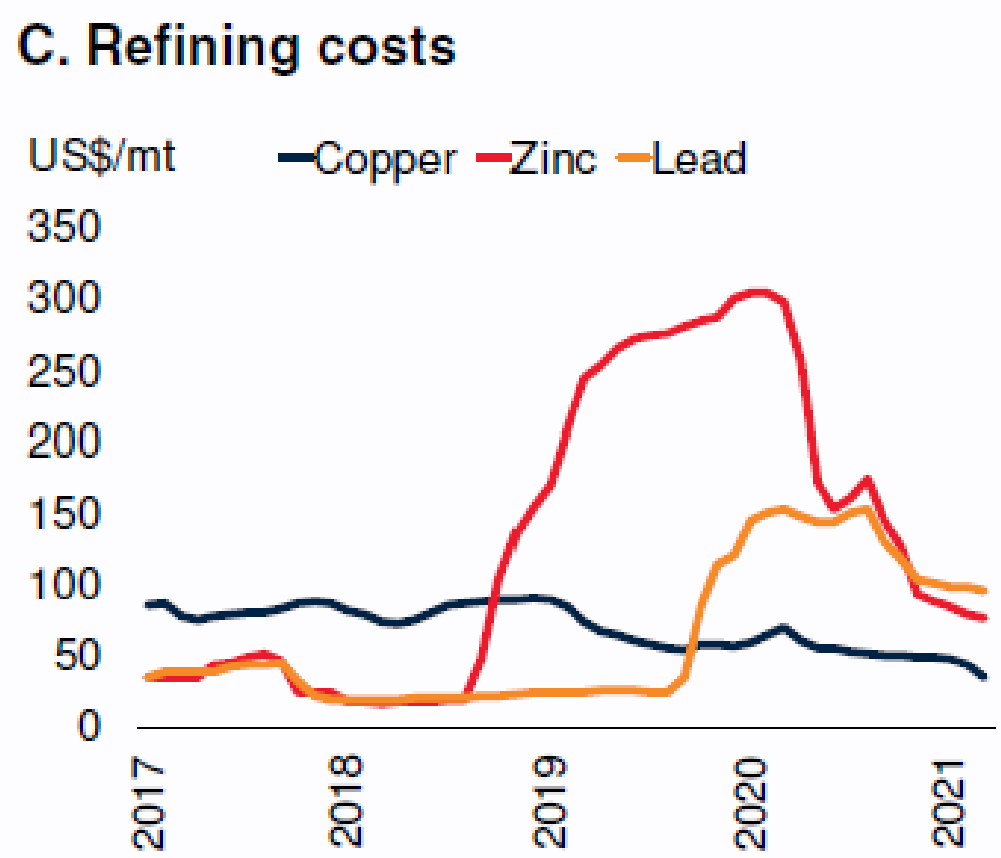


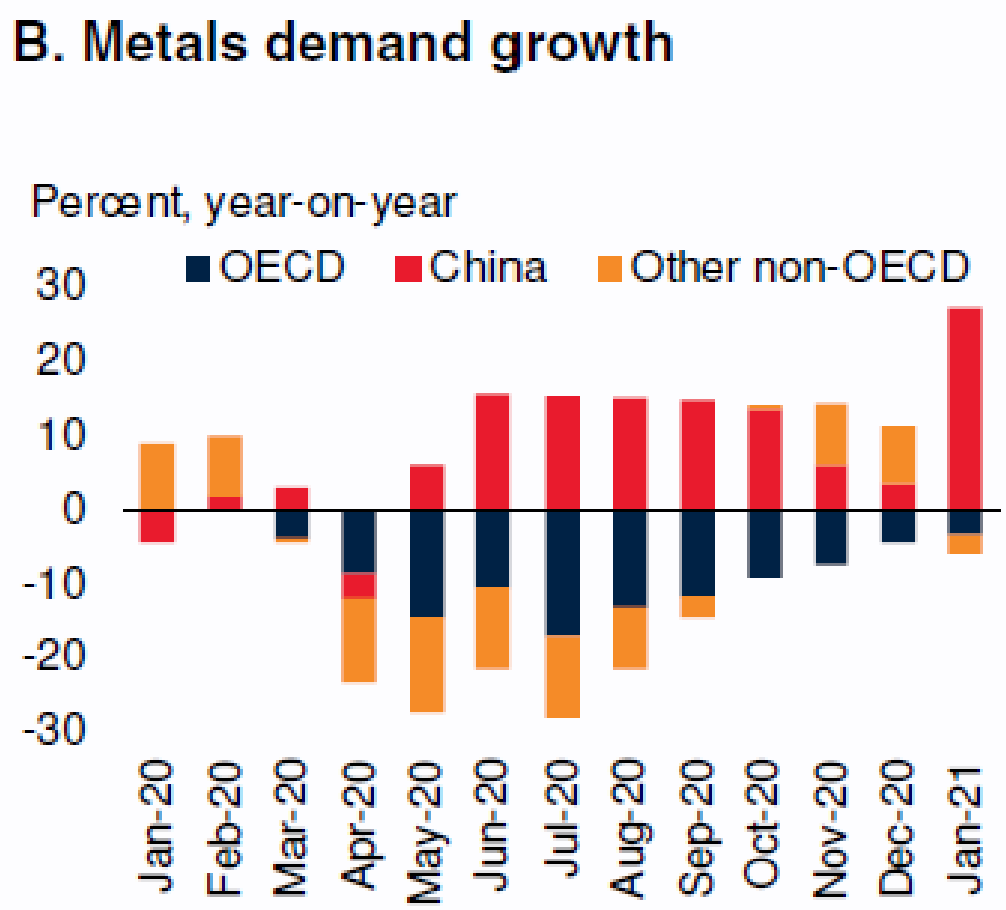
MCX SILVER 1-Year Change 64.03%

In the last 12 months, demand for precious metals has increased dramatically. The price of silver has risen to its highest level in eight years. A comeback in industrial demand (electronics, automobiles, and solar power), which accounts for more than half of silver usage, helped to boost prices. Investor demand has also been strong, with net long positions being held since mid-2019. Prices were also bolstered by mine supply problems, notably in South America, but supply is expected to expand rapidly in Canada, Mexico, and Peru. Silver prices are predicted to climb until 2021, but then fall in 2022 due to comparable challenges such as gold (increasing yields) and substitution in industrial uses. However, factors such as the change to green technology, which has sparked an increase in demand for silver utilised in solar panel production and the electric vehicle revolution, could prove to be a huge positive for the precious metal.

MCX COPPER 1-Year Change 85.55%







Copper has rebounded well following the COVID-19 blues, thanks to strong demand from China and a weaker US dollar. While COVID-19 has mostly hampered some mining operations in Latin America, the world's top copper miner, Chile, is on course to achieve small output growth this year as several mines have reopened. China's ban on scrap copper imports tightened the market even more, and COVID-19 related interruptions didn't help matters. According to Chinese customs data, copper scrap imports into China fell 50% YoY in the first ten months of 2020. As a result of the scarcity of scrap, the market shifted its focus to the cathode. Strong copper imports into China also contributed to boosting demand in apparent terms, which is expected to expand by 10% in 2020, absorbing some surplus in the offshore market. Copper consumption related to the energy transition is expected to increase as the world transitions to a "green recovery" following the pandemic. The market's risks are biased to the upside due to the bullish demand storey and favourable macros.

NCDEX Soyabean 1-Year Change 77.57%

Agricultural markets have seen a rise in 2020, with one of the main factors being a considerable increase in Chinese demand over the year. Soybeans, corn, wheat, and sugar have all witnessed a surge in Chinese purchases this year. Soybean imports have surged by about 18% YoY, corn imports have increased by 97%, sugar imports have increased by 28%, and wheat imports have increased by 163%. The Grain Price Index of the World Bank increased by more than 17% in the first quarter of 2021, and is now 25% higher than a year earlier, bringing the Food Price Index to a seven-year high. The rally was fueled by production shortages and a higher-than-expected feed demand. The 'phase-one trade pact' between China and the United States has accounted for a major portion of the buying we've seen this year, with China attempting to meet its objective under the accord. For a variety of factors, China has increased agricultural imports this year, and it appears that these robust purchases will continue into 2021, ensuring that the agriculture complex will be well supported next year.

Stock Market at a Glance

FY 2020-21 has been an unexpected shock to investors all around the world. It witnessed the unprecedented COVID-19 pandemic and the countries' struggle to recover from this large-scale economic destruction. The pandemic's effects were transmitted to stock markets through several channels. For instance, the spread of this contagious disease induced a decline in economic activity and posed a major challenge for business profitability and continuity in extreme situations such as a lockdown. Moreover, pandemic induced economic and financial shocks in one country had spread rapidly to others due to high levels of the interconnectedness of markets owing to globalization and financial integration. The investors who initially groaned over the dropping share prices, glimmered with hope when the markets climbed to new highs. Indian Share Market was no exception. Nifty 50, a benchmark index, had ripped to the lows of 7,500 in March, and soared back to the 15,000 level, recording its all-time high.

Superficially, the crash looks like an inevitable result of the novel COVID-19 pandemic, but there's more to it. This crash in both Global and Domestic Markets is also a gruelling result of implicit reasons.

Anxious Oil Markets:

An oil price war was broken just a few days before the crash. Partially related to the virus, there has been a fall in demand for oil lately, which reduced its price. Factories have been idle and thousands of flights cancelled since the virus outbreak has become a global pandemic. Moreover, a clash between Saudi Arabia and Russia over oil production cuts caused a "perfect storm" in oil prices, making the situation much worse. The Saudis have decided to ramp up production of oil to more than 10 million barrels a day, even in the face of lower prices, and to consolidate their position in the global industry. Oil prices suffered the biggest fall since 1991. On March 9, 2020, Brent crude futures went down 22%, trading at $35.45 per barrel. According to the International Energy Agency, the oil demand will contract this year for the first time since the recession of 2009, which followed the global financial crisis.

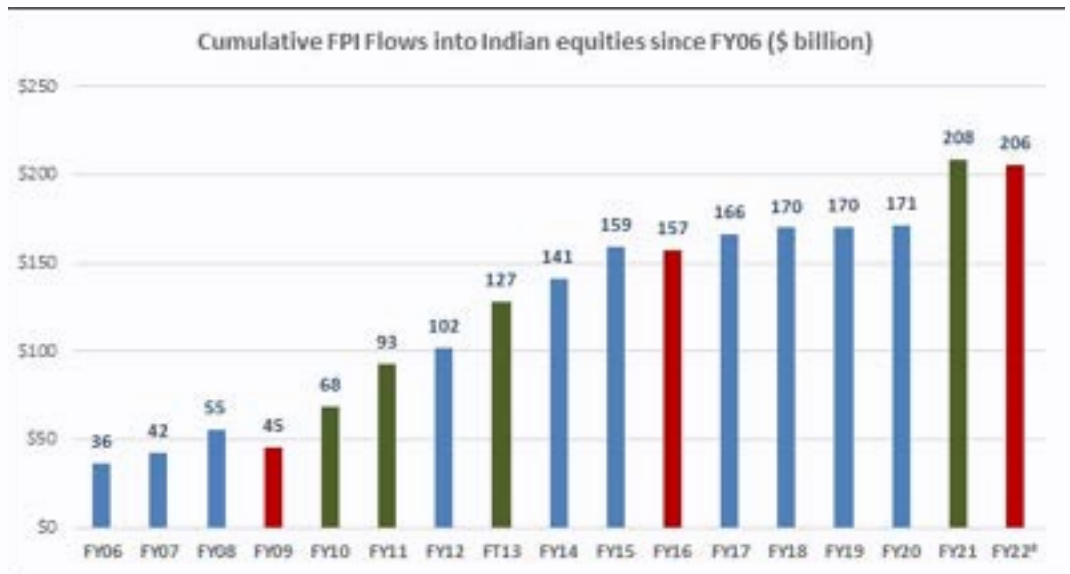
Trade wars between China and the US:

The trade tensions between two of the biggest superpowers of the world didn't move ahead without affecting the people of other nations. The markets had been volatile since trade wars had started. The fallout included the US stock futures dipping 0.7% and the Asian markets going down. The Dow had seen a decline of 10% by the end of February from its historic high.

Above were the reasons which triggered the global economic slowdown, but in India, the Budget 2020-21 was the main reason that provoked this fall. Domestic equity benchmarks Sensex and Nifty 50 crashed over 2.5% each, as the Union Budget disappointed investors. Barring the Nifty IT index, all the sectoral indices ended in red. The combination of disappointing Budget for the Investors and the gradual rise in COVID-19 cases all around the world was nothing short of a lighted match to a train of gunpowder, for stock markets.

This has been only the downhill phase of the year. The markets have proved resilient as they trace back to new heights. Nifty 50 and Sensex reached their all-time highs and stocks crossed pre-pandemic prices. However, the road to recovery wasn't simple and it cannot be attributed to a single reason. A few of the reasons for this rebound were:

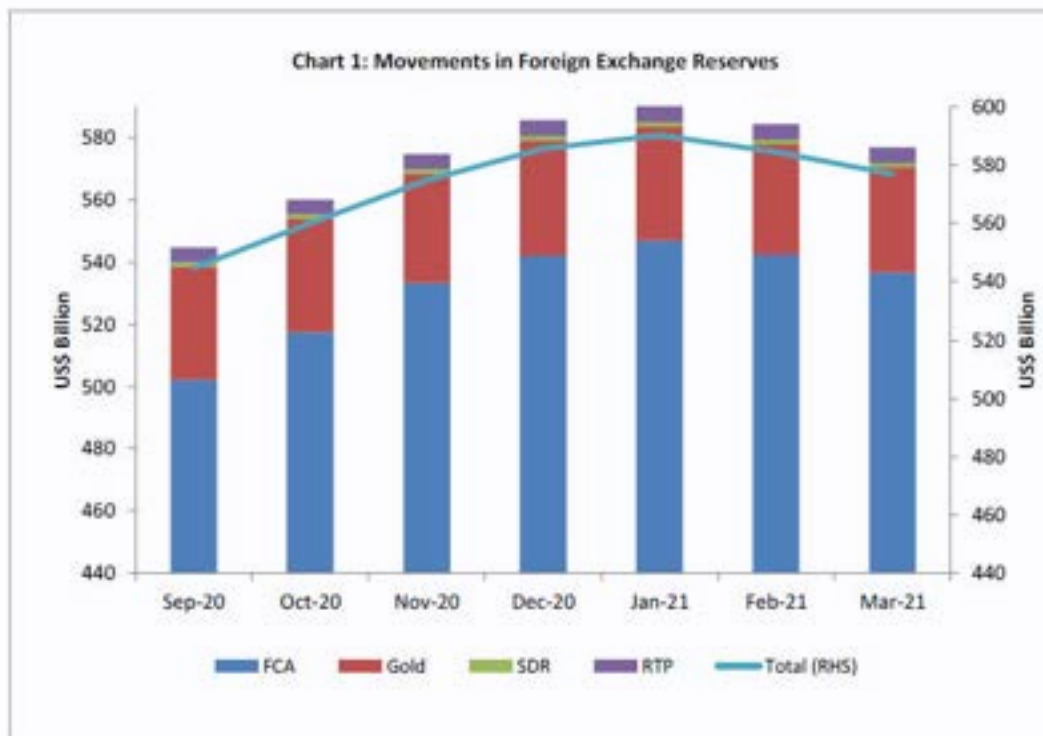
1. FPI/FII inflows:



The total cumulative FPI investment in India in FY21 was around Rs 2.75 lakh crores which is one of the major reasons that fuelled the markets to new heights and created the virtual disconnect between the real economy and the financial markets. There were a lot of reasons for the colossal investment in Indian equities this year. The reasons ranged from future growth trajectories of Indian companies, various policy stimulus packages and vaccine progress. The robust FPI flows came on the back of faster than expected economic recovery supported by multiple tranches of innovatively designed stimulus packages. The Government and regulators had also undertaken major policy initiatives directed at improving ease of access and investment climate for FPIs in the recent past.

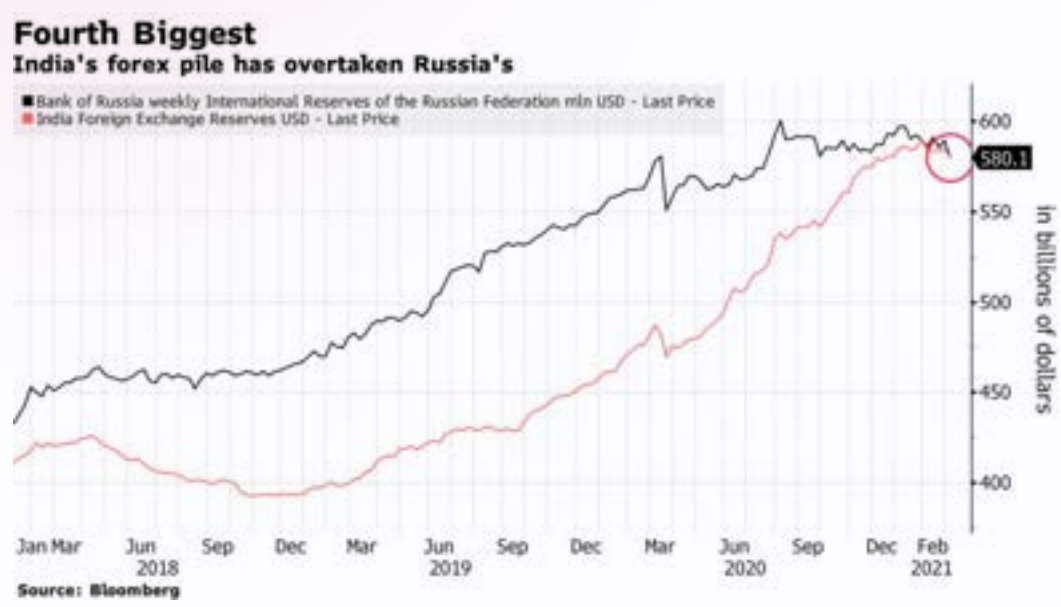
These include simplification and rationalisation of the FPI regulatory regime, operationalisation of the online Common Application Form (CAF) for registration with SEBI, allotment of PAN and opening of bank and demat accounts, among others. The increase in aggregate FPI investment limit in Indian companies from 24% to the sectoral cap has been a catalyst for an increase in the weightage of Indian securities in major equity indices, thus mobilising massive equity inflows, both passive and active, into Indian capital markets. With consistent FII inflows, benchmark indices BSE Sensex and Nifty 50 gained more than 70% in FY 2020-21. The broader markets also participated in the run and outperformed frontline indices, with the Nifty Midcap and Smallcap indices climbing 101.73% and 124.87% respectively this fiscal year.

2. RBI forex reserves

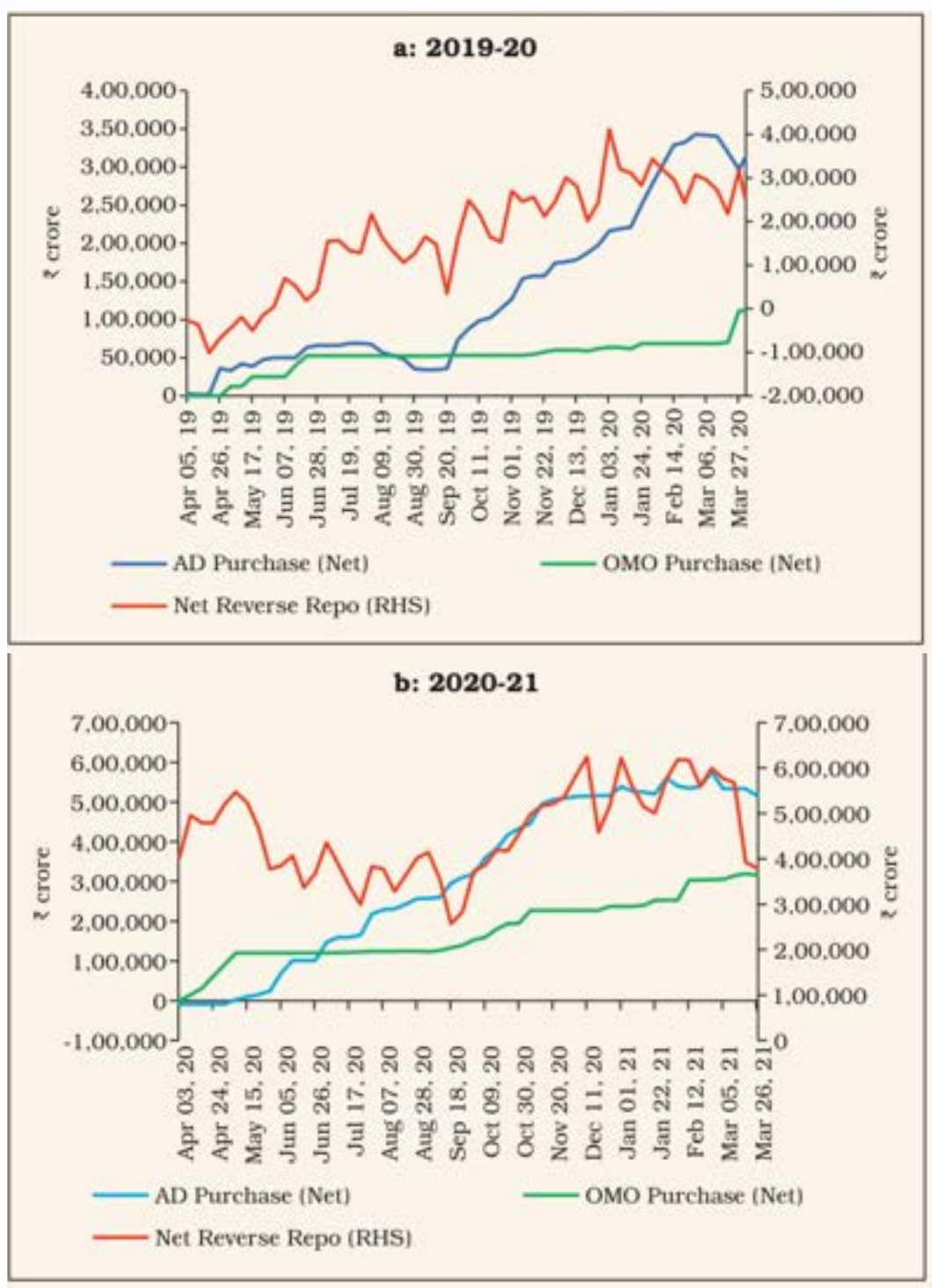


The strong inflow of FDI and FPI ensured that the forex reserves jumped significantly. In the financial year ended March 2021, forex reserves jumped by over $100 billion and amounted to $576.8 billion as of the week-ended April 2, 2021. On the external front, the sizeable contraction in imports relative to exports, under deep recessionary conditions, led to a current account surplus; along with robust net capital inflows, this led to a large build-up of forex reserves. Besides, it limits external vulnerability by maintaining foreign currency liquidity to absorb shocks during crises like the 2013 taper tantrum event and provides confidence to markets, especially credit rating agencies as external obligations can easily be met. This is critical as it helps reduce costs and more importantly, emboldens the sovereign

towards overseas borrowing. India is now at the 4th position, surpassing Russia, in the list of highest forex reserves in the world.

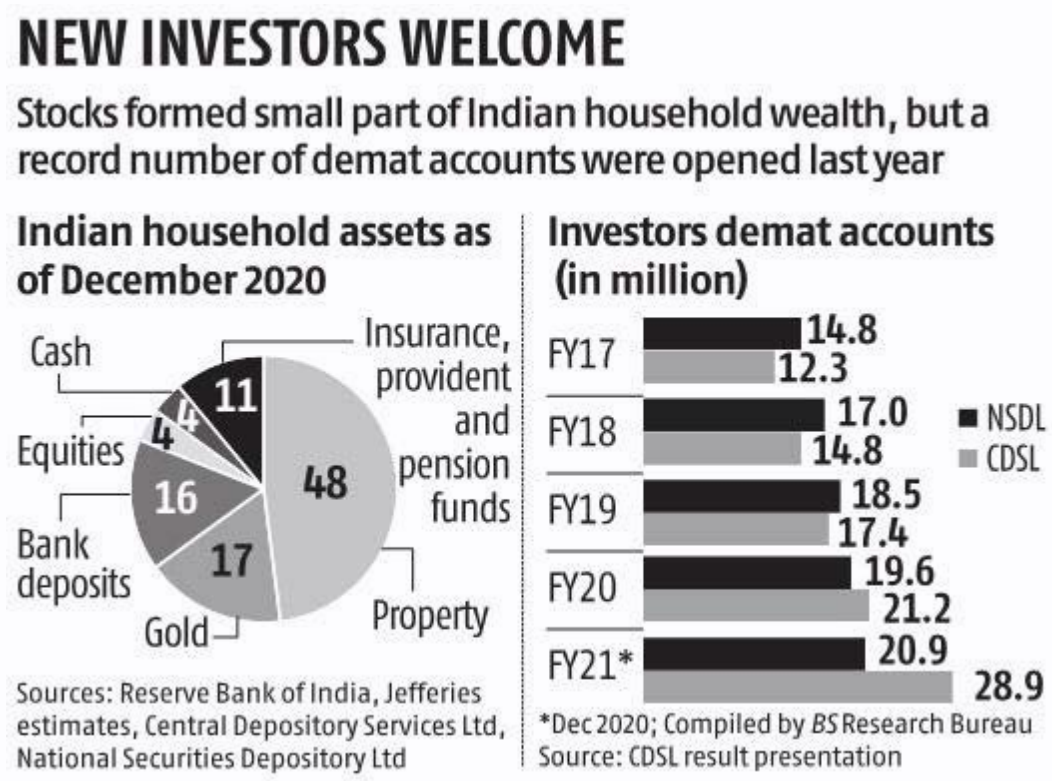


3. Ample liquidity



The RBI and the government kept the taps open to liquidity with their constant policy initiatives throughout the pandemic year. These details have already been discussed deeply before in the report. The policy rates have been kept at a constant low with an accommodative stance being continued in the economy. The volumes in the stock markets were through the roof during the fiscal year. RBI made sure that the markets were flush with liquidity with its Government Securities Acquisition Programme (G-SAP) and open market operations (OMO). The unconventional methods such as Quantitative Easing (QE) and operation twist were also used widely to revive and sustain demand.

4. Retail investor participation



The relentless stock market rally since March 2020 has drawn in more investors. India's markets are now dominated by individual investors, who form 45% of the trading turnover on the stock exchange. At an industry level, the number of demat accounts opened in the last year is more than the accounts opened in the previous 3 years collectively. As in other parts of the world, India's retail trading boom has been fueled by pandemic-driven restrictions and job losses that left millions of people at home with little to do.

Golden Mark of 50K

This year was a roller coaster ride for the world economy. The Sensex reached an all-time high of 42,273 in January 2020 before dropping 40% to a three-year low of 25,639 in March 2020 when the COVID-19 pandemic overtook the world, posing a danger to economies around the world. Though the coronavirus pandemic wreaked havoc on the indices all across the globe, the comeback was as strong as ever. It was the first time in history when we saw the Indian indices doubling in 10 months. Sensex jumped from the 45,000 mark to 50,000 in a short span of just over a month.

The index took 35 sessions to scale this feat. This historic run can be attributed to a number of factors including the FII inflows and the retail market participation that turned in huge numbers to play the undervalued stocks during the lockdown period. Along with the rapid increase in the number of new retail investors, existing ones have migrated heavily away from mutual funds and toward direct stock participation in the months since April 2020. This is also reflected in the increased share of non-institution cash volumes in total cash volumes, which reached a high of more than 70% in mid-CY20. Corporate India's strong emphasis on balance sheets, cash flows, and cost management aided in getting through this challenging period, as large companies gained market share. In this bull run of Sensex along with the blue chips, the mid-cap and small-cap stocks have emerged as the front runners. With the S&P BSE Small-Cap and Mid-Cap Index rising 119% and 102.3% respectively, the contribution has been huge. Also, the major reason for FII/FPI inflow has been India's external account which is in excellent shape. The current account surplus (3.1% of GDP in 1HFY21) and strong capital flows have contributed to an increase in forex reserves to $585 billion (up from $396 billion in January 2019). The currency is under pressure to appreciate as a result of this. The prospect of currency appreciation boosts foreign inflows, which helps the equities advance even more. Be it vaccines, FIIs or low-interest rates, everything had worked in favour of the markets in the post-lockdown period.

Sensex levels	No. of sessions
42,000-43,000	1
43,000-44,000	6
44,000-45,000	11
45,000-46,000	3
46,000-47,000	7
47,000-48,000	11
48,000-49,000	5
49000-50000	9

SENSEX'S

ROAD TO 50,000

NOVEMBER 09,2020 — 42000
Pfizer announces high efficacy of its vaccine. Lifting the market sentiments from the coronavirus pandemic distress.
CLOSING PRICE: 42,597.00

NOVEMBER 10,2020 — 43000
Vaccine hopes continue to lift markets. Heavy retail participation following an optimistic market atmosphere.
CLOSING PRICE: 43,277.00

NOVEMBER 18,2020 — 44000
Strong FPI inflows and more vaccines coming to the fray. AstraZeneca and J&J announce success in trials.
CLOSING PRICE: 44,180.00

DECEMBER 04,2020 — 45000
RBI said that GDP will contract by 7.5% for against its previous projection of a 9.5% drop in the GDP.
CLOSING PRICE: 45,097.00

DECEMBER 09,2020 — 46000
Hope of vaccine rollout in India, financial stimulus package and heavy FPI inflows lift the bourses.
CLOSING PRICE: 46,103.00

DECEMBER 28,2020 — 47000
UK and European Union announced Brexit Deal and Donald Trump gives a nod to COVID-relief package.
CLOSING PRICE: 47,353.70

JANUARY 04,2020 — 48000
SEC gave approval to two vaccines between Jan 1 and Jan 2 lifting investor sentiment.
CLOSING PRICE: 48,176.80

JANUARY 04,2020 — 49000
Hope of mega stimulus by Biden administration as he called for spending spree in trillions of dollars.
CLOSING PRICE: 49,269.30

JANUARY 21,2020 — 50000
Joe Biden takes oath as the 46th President of the United States of America. Dow Jones hits all time high, lifting all global indices.

The index took 35 sessions to scale this feat. This historic run can be attributed to a number of factors including the FII inflows and the retail market participation that turned in huge numbers to play the undervalued stocks during the lockdown period. Along with the rapid increase in the number of new retail investors, existing ones have migrated heavily away from mutual funds and toward direct stock participation in the months since April 2020. This is also reflected in the increased share of non-institution cash volumes in total cash volumes, which reached a high of more than 70% in mid-CY20. Corporate India's strong emphasis on balance sheets, cash flows, and cost management aided in getting through this challenging period, as large companies gained market share. In this bull run of Sensex along with the blue chips, the mid-cap and small-cap stocks have emerged as the front runners. With the S&P BSE Small-Cap and Mid-Cap Index rising 119% and 102.3% respectively, the contribution has been huge. Also, the major reason for FII/FPI inflow has been India's external account which is in excellent shape. The current account surplus (3.1% of GDP in 1HFY21) and strong capital flows have contributed to an increase in forex reserves to $585 billion (up from $396 billion in January 2019). The currency is under pressure to appreciate as a result of this. The prospect of currency appreciation boosts foreign inflows, which helps the equities advance even more. Be it vaccines, FIIs or low-interest rates, everything had worked in favour of the markets in the post-lockdown period.

IPO:

India records 43 IPOs raising $4095.99 million in FY 2020-21, standing at 9th position globally in terms of number of IPOs. The 43 IPOs comprise 16 Main market IPOs and 27 SME ones. The IPO activity in India had remained largely silent in the first two quarters due to an unprecedented pandemic. The December quarter has witnessed a whooping 19 IPOs, raising $1836.22 million. During Q4 2020, the Gland Pharma Limited IPO from the life sciences sector was the largest, with an issue size of $869 million.

In the main markets (BSE and NSE), there were 10 IPOs in Q4 2020 versus five IPOs in Q4 2019 and four IPOs in Q3 2020, representing an increase of 100% compared to Q4 2019 and an increase of 150% compared to Q3 2020. The most active industries (in terms of the number of IPOs) were real estate, hotels and construction, and diversified industrial products, each with three IPOs.

In the SME markets, there were nine IPOs in Q4 2020 versus six and four IPOs in Q4 2019 and Q3 2020, respectively, representing an increase of 50% as compared to Q4 2019 and an increase of 125% as compared to Q3 2020.

Popular IPOs in 2020-21

Issuer Company	Issue Price	Issue Size (in Cr)	Listing Day Gains	Price as of 31st Mar 2021
Mrs. Bectors Food Specialities Limited	288	540.54	106.79%	336.60
Burger King India Limited	60	810	130.67%	128.55
Gland Pharma Limited	1500	6479.55	21.36%	2,478.30
UTI Asset Management Company Ltd	554	2159.88	-13.97%	583.00
Angel Broking Ltd	306	600	-9.85%	291.20
Computer Age Management Services Ltd	1230	2244.33	13.95%	1,846.40
Happiest Minds Technologies Ltd	166	702.02	123.49%	540.05
Mindspace Business Parks	275	4500	10.5%	294.69
Rossari Biotech Ltd	425	496.49	74.67%	1,035.55
Route Mobile Ltd	350	600	86.03%	1,409.80

Global IPO Outlook:

Despite the uncertainties of 2020, IPO investors had a good year, as IPO activity remained resilient to the COVID-19 pandemic, aided by low-interest rates and expansionary monetary policy. Global IPO volumes grew 19% to 1,363, with proceeds up 29% YoY to $268 billion. This robust IPO result demonstrates that global equity markets continue to provide a platform for companies seeking public funding.

Resilient American IPO market:

America's IPO momentum remained positive in Q4 2020, finishing the year with 282 IPOs raising $97.9 billion, a respective increase of 30% and 78% YoY. The healthcare sector remained strong in 2020, with 114 IPOs raising $27.9 billion, accounting for 40% of all deals. The technology sector followed with 77 IPOs raising $40.4 billion and industrials, which saw 19 IPOs raise $8 billion. In 2020, US markets accounted for 79% (224) of the IPOs in the Western world and 88% ($86.2 billion) of the proceeds. Low-interest rates drew investors to the market, and 2020 was the most active year for Brazil in terms of deal numbers (28) and proceeds ($8.5 billion) since 2007.

Asia-Pacific markets remain strong in face of the COVID-19 pandemic

Despite a tough year, Asia-Pacific activity in 2020 outperformed that of 2019 by 20% (822) in volume and 45% ($136.2 billion) in revenues. The region saw the highest proceeds since 2010. Industrials were the most popular sector, with 181 IPOs raising $20.8 billion, followed by technology (180 IPOs raising $38.7 billion) and materials (95 IPOs raising $7.4 billion).

With investor confidence staying positive in Q42020, Greater China saw a surge in IPO volumes and proceeds, raising $119.1 billion from 536 IPOs.

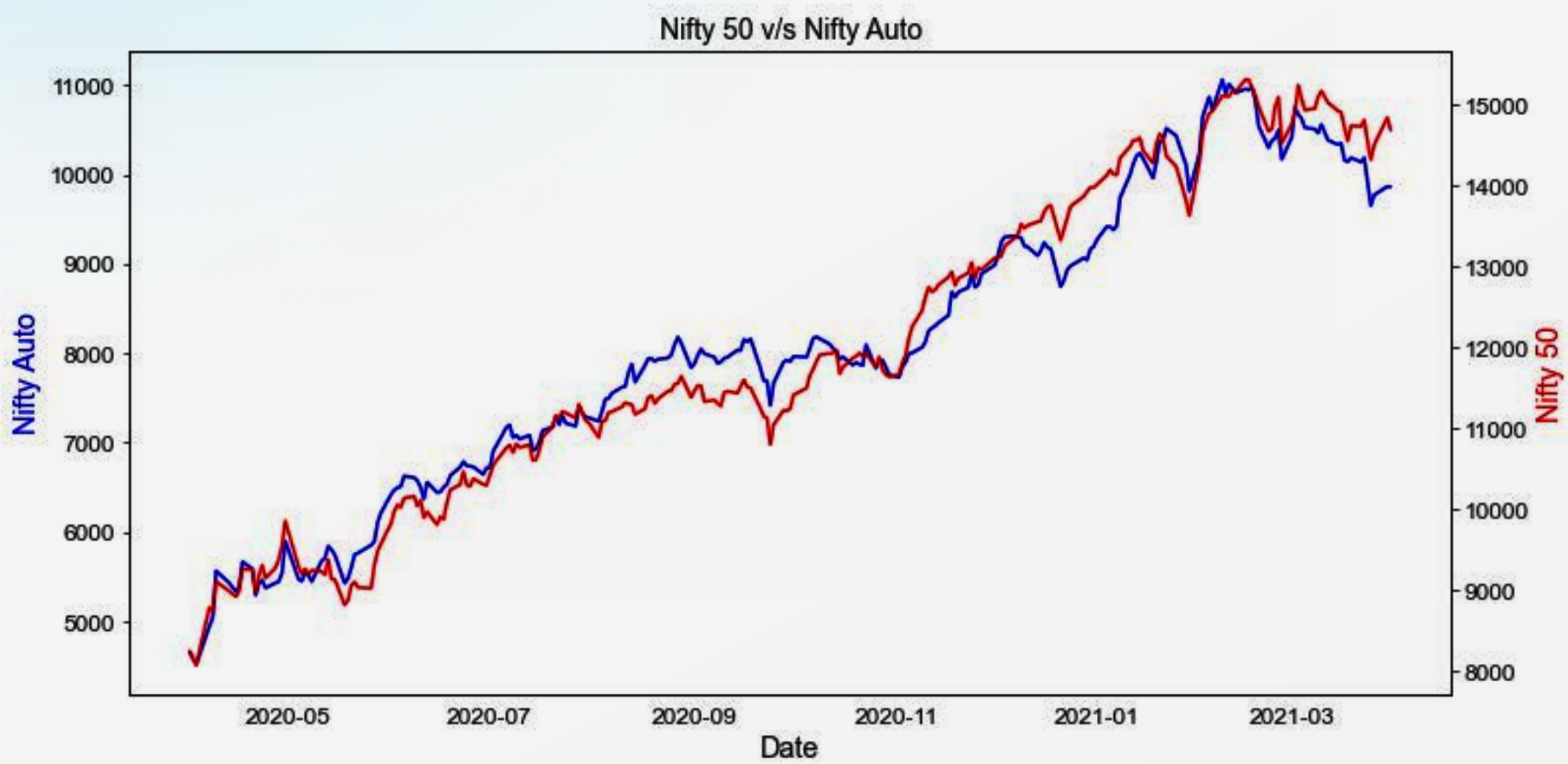
Japan’s startup ecosystem continued to drive growth in Q4 2020, seeing a modest 4% (93) increase in IPOs and 13% ($3.3 billion) decline in proceeds through 2020.

DSTREET

Sector Watch

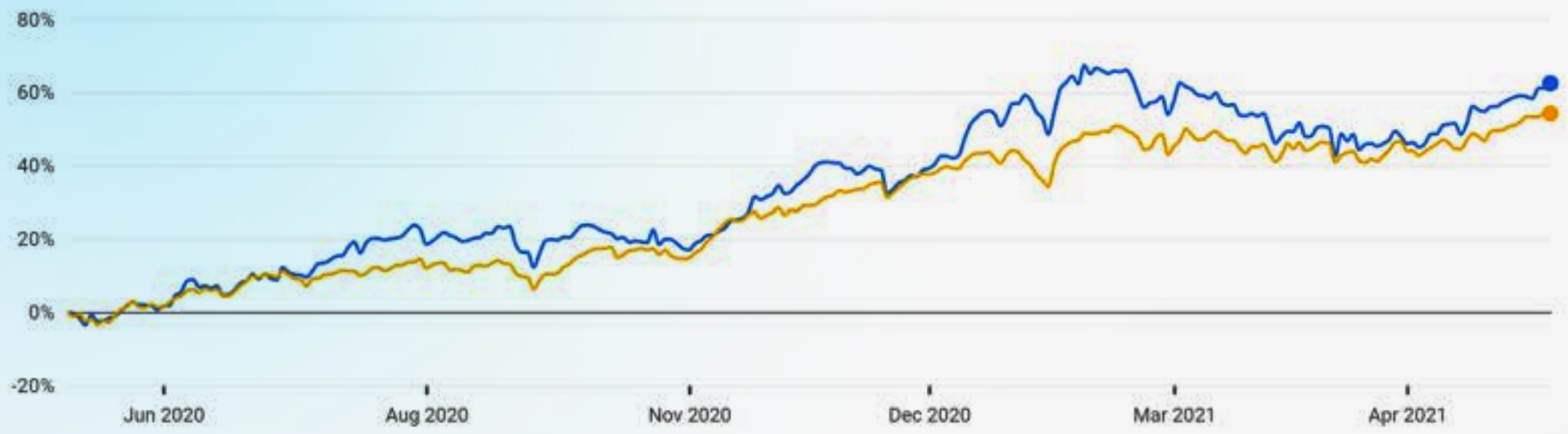
Auto

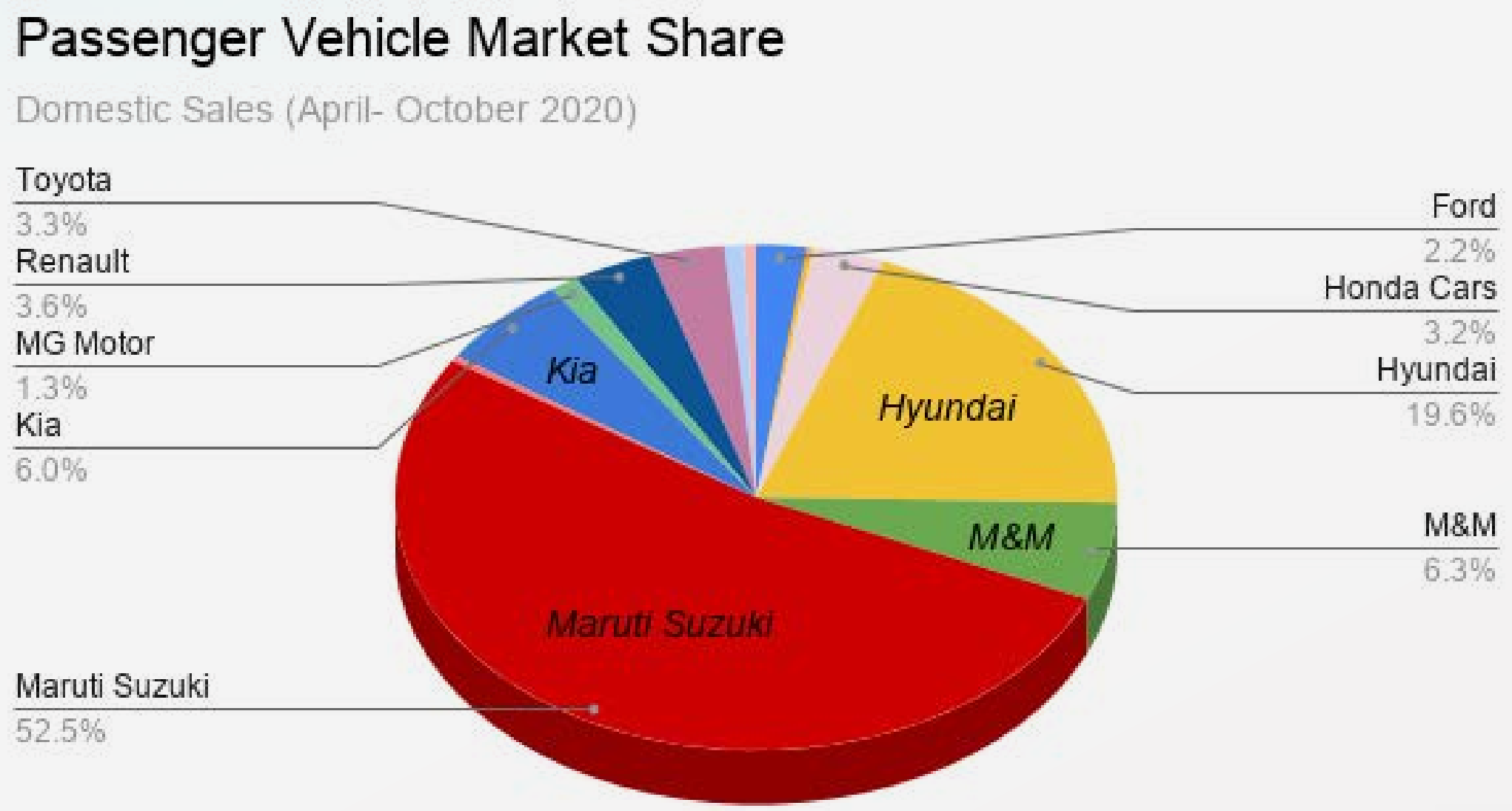
- NIFTY AUTO 1-Year Change 109.44%
- 52-Week High 10912.25
- 52-Week Low 4517.75



Top 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
Tata Motors	307.75	335.29%	111,213	-36.99
Motherson Sumi	210.45	233.25%	79,595	3.29
M&M	807.60	174.23%	98,435	16.33
Ashok Leyland	118.15	172.86%	37,692	1.15
Bharat Forge	613.35	132.24%	34,961	-2.71

Bottom 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
Exide Ind	185.80	42.27%	12,957	9.53
Bosch	14178.90	42.77%	16,451	163.50
MRF	83133.10	47.47%	217,941	3011.14
Maruti Suzuki	6923.90	49.03%	60,903	145.30
Hero Motocorp	2956.10	77.95%	36,015	146.07



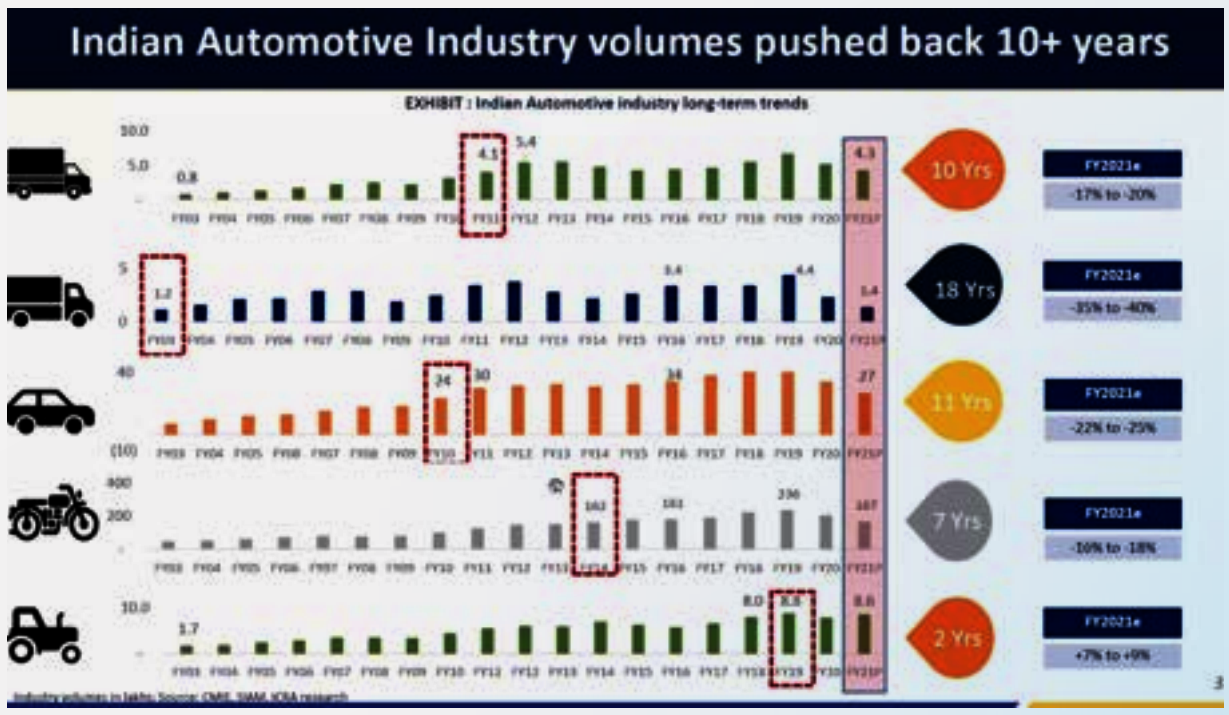


The automobile sector suffered a disastrous consequence owing to the pandemic in FY21, as sales volumes were pushed back by multiple years. Sales volumes for passenger cars were the lowest since FY16, two-wheelers were the lowest since FY15, commercial vehicles were the lowest since FY11, and three-wheelers were the lowest since FY03. FY21 was a terrible year for the automobile industry and its ancillaries. Glass, metals, rubber, paints, electronics, and other industries that rely heavily on autos were also damaged. India is the world's largest tractor producer, the world's second-largest bus manufacturer, and the world's third-largest heavy truck manufacturer, giving it a significant position in

the international heavy vehicle industry. According to the Society of Indian Automobile Manufacturers, overall volume in the domestic market, which was dragged down by two-wheelers, drove the industry back by six years. When compared to prior years, sales in all segments decreased in the fiscal year FY 20-21. -2.24% for passenger vehicles, -13.19% for two-wheelers, -20.77% for commercial vehicles and -66.06 % for three-wheelers. Lockdown led to a per day loss of Rs 2,300 crores to the industry. Exports deteriorated as a result of international border closures with several countries limiting imports of vital commodities.

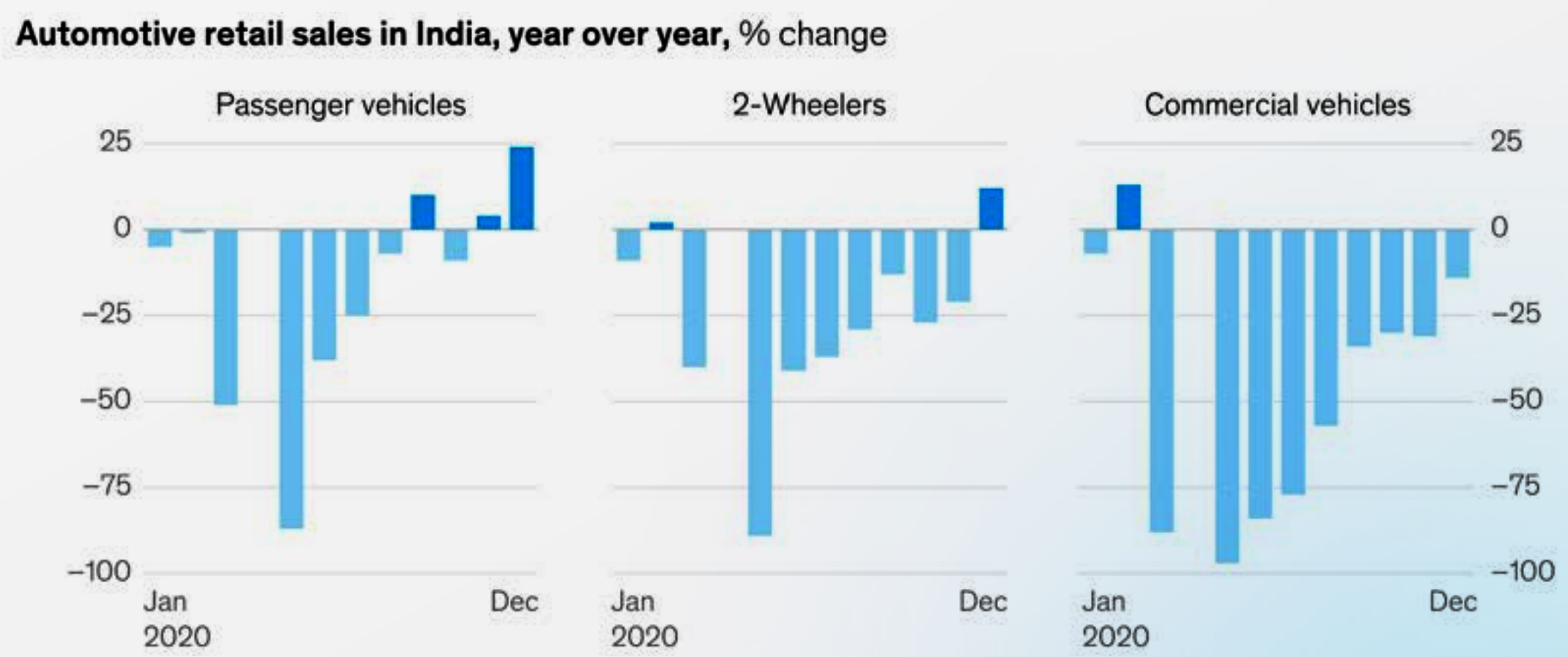
Passenger vehicle exports plummeted 38.9% YoY, while two-wheeler exports declined 6.9%. Within the medium and heavy commercial vehicle segment, exports of trucks and buses decreased by 6.7% and 48.6% YoY respectively. Within the light commercial vehicle segment, exports of goods carriers fell 7.7%, while passenger carriers nosedived by 61.8% YoY. Tractors' sales were unaffected through the year and in fact, FY21 was one of the best years for this segment. India's passenger vehicle industry is expected to post a 22% - 25% growth in FY22. But with the rapid surge in COVID-19 cases across the country, Q1-FY22 sales volumes for all segments are expected to be on the lower side.

However, sales volume will experience a surge due to the low base effect. Demand for medium and commercial vehicles increased in states where government infrastructure spending increased, while the e-commerce business benefited the light commercial vehicle market. The bus industry continued to suffer as a result of social distancing practices and the closure of schools and offices.



Road to recovery

The passenger vehicle (PV) market is predicted to see a 22% -25% decrease in volumes in FY21, owing to the negative economic outlook, which is at an all-time low. However, passenger car and two-wheeler companies began operating at pre-COVID capacity utilisation levels in September 2020, mostly anticipating a successful holiday season. Despite a low base this year, we anticipate a robust double-digit increase in passenger car volume in FY22. This follows two years of negative growth, with -17.9% in FY20 and -22% to -25% in FY21. The decline in demand is also reflected in capacity utilisation, which is expected to fall below 45% in FY21, down from 50%-55% in FY20. It is also expected that carmakers will reduce capital expenditure by 35-40% during FY21-FY22 because there will be no capacity increase soon. The industry's long-term drivers remain intact on the plus side, though the local market is recovering at a slower pace than China and other key global markets. The reason for the slow recovery is that private vehicle ownership is still considered a luxury rather than a necessity in Indian households. Though, with the fall of this pandemic and people being cautious of using crowded public transport, it is expected that the automobile demand will return with two-wheelers and small-mid range four-wheelers taking the lead shortly.



Corporate Developments

- TVS Motor announced the takeover of the century-old bike brand Norton in April 2020 from Great Britain. The iconic motorcycle brand has been acquired in an all-cash deal for GBP 16 million, about INR 153 crore.

- Harley Davidson entered into a distribution and licensing agreement with Hero MotoCorp as part of its “Rewire” strategy in late October 2020. With a distressed industry on its path to revival, this news proved to be a positive for Hero MotoCorp with the share prices soaring 4% in a day following the announcement.

Policy Developments

- The Union Government chalked out a structured plan for the new scrappage policy. Now, private vehicles will be de-registered after 20 years if found unfit or in case of failure to renew registration. Enhanced re-registration will be applicable on private vehicles from the 15th year of original registration.

- Following the pollution-free move, the centre has proposed a new tax that implies transport vehicles older than eight years could be charged the Green Tax at the time of renewal of fitness certificate at the rate of 10% - 25% % of the road tax, and personal vehicles are to be charged Green Tax at the time of renewal of Registration Certification after 15 years.

Key Trends

1. **Electrification (Positive Trend)-**

- Electric Vehicles (EVs) have caught the fancy of automakers and policymakers alike in India and around the world. With the government's push to make India a 100% EV nation by the year 2030, automotive companies are carefully treading into the EV space to expand their portfolio.

- The National Electric Mobility Mission Plan (NEMMP) 2020 and Faster Adoption and Manufacturing of Hybrid and Electric Vehicles (FAME) scheme were both announced in aspiration of an electric-only future for automobiles by 2030. In addition, a lower GST rate (12%) has been levied on EVs compared to other categories.

- The EV market is expected to grow at a CAGR of 44% between 2020-2027 and is expected to hit 6.34 million-unit annual sales by 2027. The industry will create five crores direct and indirect jobs by 2030.

- The market size of $50 billion for the financing of EVs in 2030 has been identified—about 80% of the current size of India's retail vehicle finance industry, worth $60 billion today

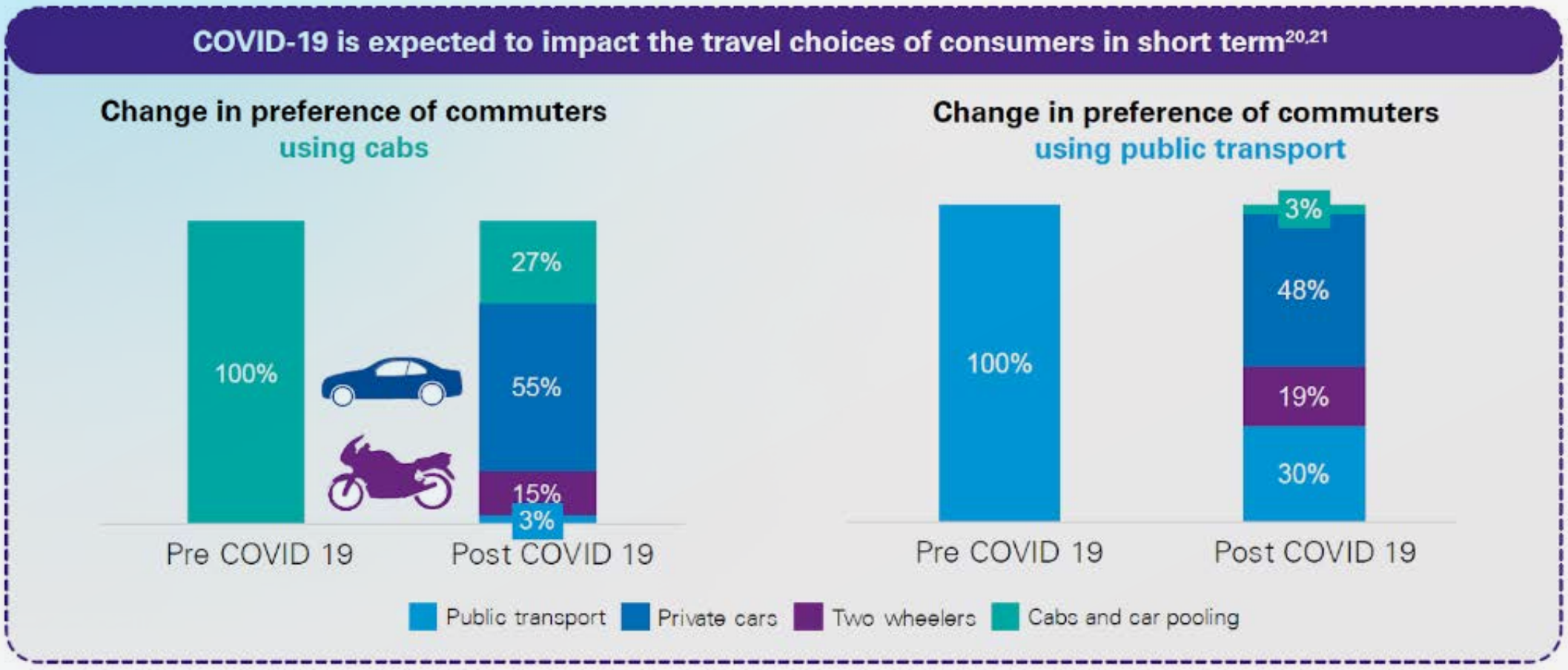
2. **Scrappage Policy (Positive trend)-**

- The scrappage policy, announced in budget 2021, is crucial to support the recovery of the automobile sector in the post-COVID world, which bottomed out in April

.

- Under this policy, customers are entitled to get incentives to purchase new vehicles in exchange for scrapping their old cars. It is expected to be a growth driver for the auto industry by boosting new vehicle demand in the replacement market. This policy also supports India's

"Green India" mission as it creates space for a cleaner fleet of vehicles



3. Need for Personal Vehicle (Positive Trend)

- Though the economic recession caused by the COVID-19 pandemic had seen substantial degrowth in the automobile industry. The sector as a whole had witnessed at ₹2,300 crores loss per day during the lockdown period.

- The COVID-19 recovery era has proved to be a blessing in disguise for auto companies. Consumers have not only felt the need for personal mobility but have started investing in the same.

4. Shared Mobility (Neutral Trend)

- Rapid urbanization and congestion have paved the way for the growth of shared mobility in India.

- The market is expected to further grow at a CAGR of 9.7% between 2019 and 2025 to reach 4.7 million. Total revenue from ride-hailing services is valued at $22.40 billion and is expected to grow at a CAGR of 13.7% over the 2019- 2025 period.

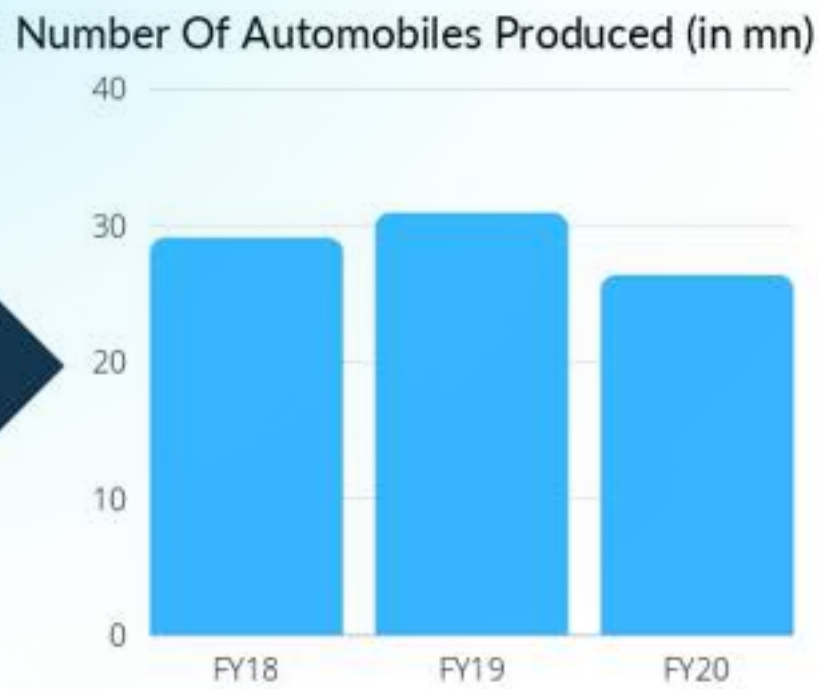
5. Vehicle connectivity (Latest Tech Trend)

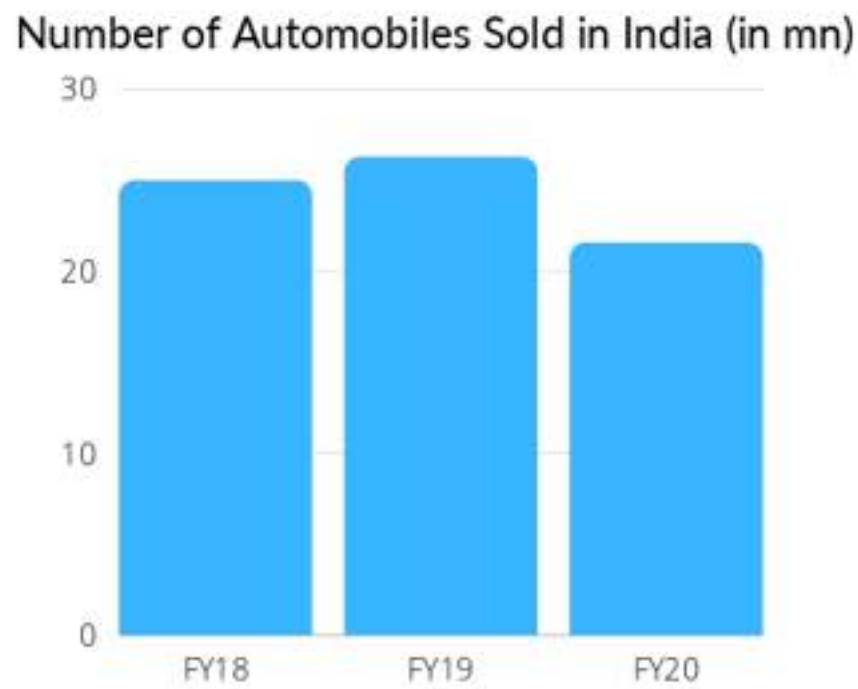
- One major trend emerging in the global automotive sector in the 21st century is vehicle connectivity. With more than 100 million lines of code on average likely in each vehicle by 2023, software and data are likely to become the next “oil”.

- While the connectivity of vehicles poses a bright future in the Indian automobile sector with internet cars becoming the future, the success of newly established brands like MG and KIA indicate the same.

AUTOMOBILES

MARKET SIZE





MAJOR DEVELOPMENTS

- Robust demand: Rise in middle-class income and a young population will result in strong growth.
- Rising Investment FDI inflow in the automobile sector stood at US$ 25.40 billion between April 2000-December 2020.
- Policy support: In Union Budget 2021-22, the government announced the voluntary vehicle scrappage policy to phase out old and unfit vehicles. Automotive Mission Plan 2016-26 is a mutual initiative by the Government of India and the Indian Automotive Industry to lay down the roadmap for the development of the industry.
- Opportunities: India could be a leader in shared mobility by 2030, providing opportunities for electric and autonomous vehicles.The electric vehicles industry is likely to create five crore jobs by 2030.

COMPARATIVE ANALYSIS

GOVERNMENT INITIATIVES

National Mission for Electic Mobility

National Automotive Testing & R&D Infrastructure Project

PLI Schemes under Make in India

BANKING

- NIFTY BANK 1-Year Change 74.16%
- 52-Week High 36108.90
- 52-Week Low 17249.30

Top 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
IndusInd Bank	993.30	217.35%	78,382	38.75
IDFC First Bank	57.05	185.25%	36,126	0.82
AU Small Finance Bank	1267.90	148.12%	32,396	38.19
ICICI Bank	594.40	107.36%	4,49,409	27.26
SBI	370.65	105.92%	3,82,687	25.11

Bottom 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
PNB	38.20	28.84%	46,577	2.64
Kotak Mahindra Bank	1804.65	58.30%	3,43,944	50.53
Federal Bank	78.85	77.39%	17,118	8.34
RBL Bank	216.20	80.17%	12,701	9.75
HDFC Bank	1486.00	81.44%	8,36,951	57.90

Indian Stock market benchmarks NIFTY50 AND BANKNIFTY delivered a stellar performance in 2020, mirroring the global equity markets. The charts show that from April 2020 to March 2021, NIFTY50 and BANKNIFTY have shown a remarkable increase in their respective levels even amidst the pandemic. Following a fall of nearly 40 % during February-March 2020, the headline indices recouped all losses and are now at record-high levels. NIFTY50 scaled a record high of 15,880, rallying more than double from the COVID low of 7,511 in March. NIFTY50 took 26 trading sessions to climb to 14,000 from 13,000 points; earlier, it took 32 sessions to reach 13,000 from 12,000 points.

Policy Developments

- RBI decided to leave the benchmark interest rate unchanged at 4% during FY20-21 but maintained an accommodative stance, implying rate cuts in the future if the need arises to support the economy hit by the COVID-19 pandemic. Consequently, the reverse repo rate will also continue to earn 3.35% for banks for their deposits kept with RBI. This is the fourth time in a row that MPC has decided to keep the policy rate unchanged.

- In the Budget 2021, the Finance Minister announced the establishment of the Development Finance Institution with a capital of ₹20,000 crores for promoting long-term infrastructure financing.

- The Budget 2021 also proposed an Asset Reconstruction Company to “clean-up the bank books” by acquiring, managing and turning around bad loans.

- As of February 27, 2021, the number of bank accounts opened under the government’s flagship financial inclusion drive ‘Pradhan Mantri Jan Dhan Yojana (PMJDY)’ reached 41.93 crores and deposits in Jan Dhan bank accounts stood at more than ₹1.70 lakh crores (US $23.07 billion).

PSB MERGERS: Customer Outlook

The RBI conducted a telephonic customer satisfaction survey with 20,000 people regarding the impact the PSB mergers have had on the public. The response received was disturbing as customers have had to face several administrative issues.

First, customer IDs had been changed along with the IFSC/MICR codes which forced people to visit bank branches amidst the pandemic to get their cheque books reissued with updated credentials. There have been several instances where bank customer care executives could not be reached for extended periods. Second, the post-merger institution lacked structure and technology to instil confidence in the PSB's ability to provide a certain standard of customer satisfaction. Third, a number of demat accounts were impacted in the implementation phase, which could have been avoided with the appropriate measures. Even dividend transfers became a hassle because of the change in the customers' credentials.

The customers are clearly unsatisfied with the implementation of the mergers. However, it is important to note that mergers of this magnitude are difficult to manage and there are bound to be a few glitches here and there. The RBI has surely taken note and will conceive better implementation strategies for the future. The big picture however is quite exemplary. The mergers were a stepping stone to making India a $5 trillion economy. Despite a few obstacles, the PSB mergers have put India on the right path.

Road Ahead

Banks now need to focus on enhancing the digital payments system with the help of Artificial Intelligence, Machine Learning and Internet of Things among other cutting edge technologies. Moving forward, it will be critical for banks to move away from traditional methods and have a robust

digital system in place across the country, in urban and rural areas, providing speed and efficiency in financial services.

COVID-19 has played a major role in accelerating the digital transformation process. People have come to realise the terrific benefits and convenience of using digital methods of payments. The growth trajectory of digitisation is on an upward path. The scope for development is pretty large since it is unlikely that banks will settle for less in providing a wholesome consumer experience. A congenial ecosystem, with cooperation from the government and RBI, committed to digital transformation will help open up banking and payment services to all.

NPA Crisis

Reserve Bank of India defines Non Performing Assets (NPA) as any advance or loan that is overdue for more than 90 days. “An asset becomes non-performing when it ceases to generate income for the bank,” said RBI in a circular form 2007. To be more attuned to international practises, RBI implemented the 90 days overdue norm for identifying NPAs and has been made applicable from the year ended March 31, 2004.

In challenging times like economic growth slowdown, the non-performing asset (NPA) levels tend to move up. GDP growth plunged to negative 23.9% in the April-June 2020 quarter and was negative 7.5% in the July-September quarter. Remarkably, banks’ NPA levels showed improvement in this phase. However, the Supreme Court of India in a public interest litigation case, had directed that the accounts which were not declared as NPA till 31 August 2020 shall not be declared as such till further orders.

With the order in place, the NPAs during July-September quarter would have been more or less the same. But in the October-December quarter fresh NPAs will not be declared. The assumption was that as and when the Supreme Court would allow the recognition of the NPAs, the data

would show a spike in the same. The Apex Court allowed the classification of NPAs on 23rd March 2021. The latent impacts of the NPA freeze are yet to be seen.

RBI conducts stress tests that show how bank asset quality will be affected under the baseline scenario and three adverse scenarios of medium, severe and very severe

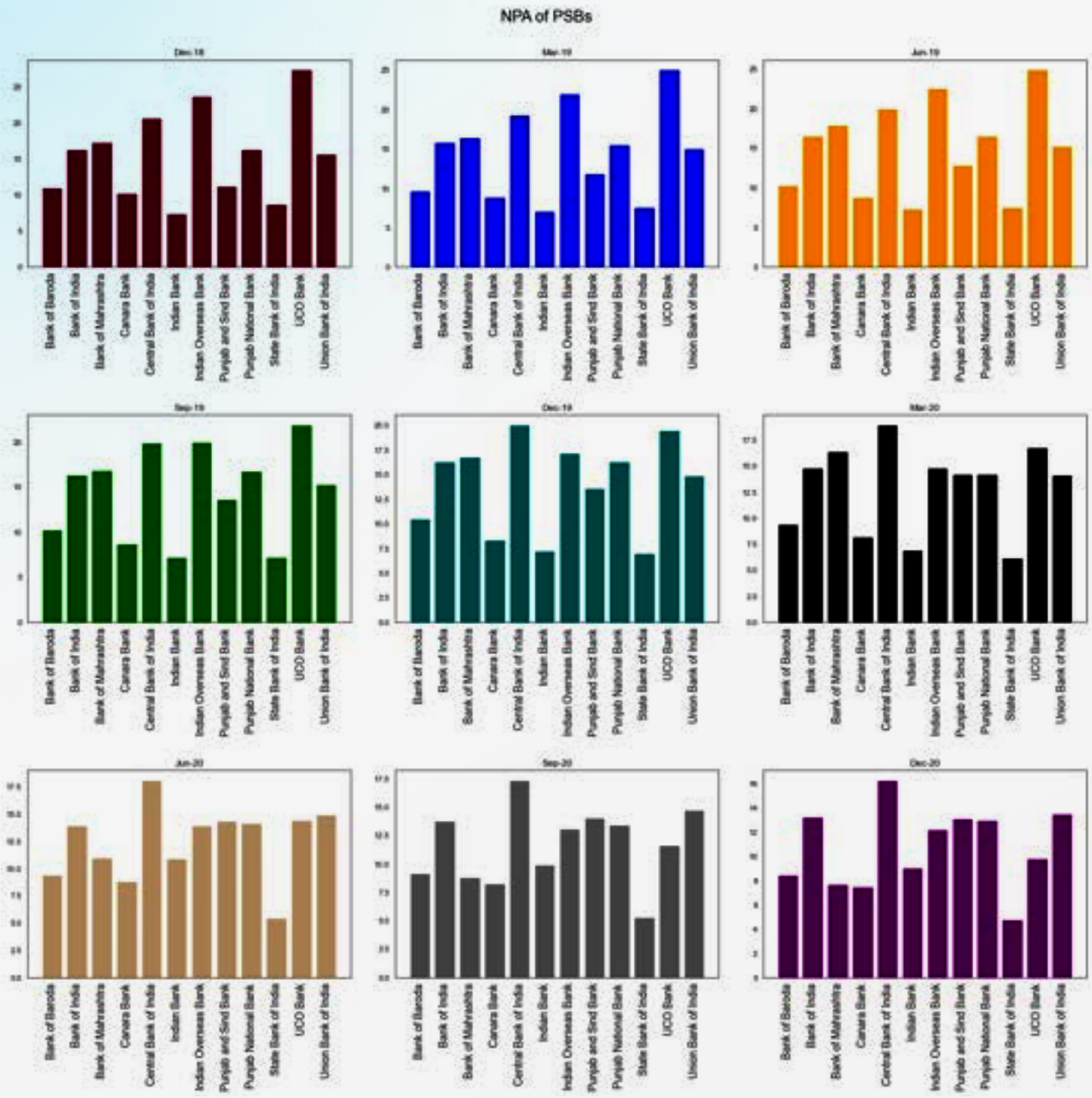
The bad loan ratio of banks in India could rise 600 basis points (bps) to 13.5% under the baseline stress scenario or nearly double to 14.8% by September this year, under a severe stress scenario, taking it to a 25-year-high.

Under the baseline scenario, it would be a 23-year-high. The gross bad loan ratio of banks stood at 7.5% as on 30 September 2020. The last time banks witnessed such NPA numbers was in 1996-97 at 15.7%, showed data from RBI. As the COVID-19 pandemic wreaked havoc on the economy, leading to job losses, borrowers delayed repayments or failed to repay altogether.

The Finance Minister, in the 2021 Budget, announced the setting up of a bad bank to do away with these bad loans. National Asset Reconstruction Company Ltd. (NARCL) is the name coined for the bad bank, and is ready to be operational from June 2021. The entity is established in collaboration with both public and private sector banks.

The NARCL will take over identified bad loans of banks. The lead bank along with NARCL will undertake a Swiss Challenge, where other asset reconstruction players will be invited to better the offer made by a chosen bidder for finding higher valuation of an NPA on sale. NARCL will pay up to 15 % of the agreed value for the loans in cash and the remaining 85 % would be government-guaranteed security receipts.The government guarantee would be invoked if there is loss against the threshold value. NARCL is expected to buy large stressed assets of at least ₹ 1.40 - 1.50 lakh crores from banks. These assets are largely legacy loans and banks have already provided at least 50 % or more for

these assets. This forms less than 20 % of the banking sector's gross non-performing assets, which stood at Rs 8.99 lakh crores as of March 2020.



KEY TRENDS

Blockchain

Blockchain has been adopted recently in the banking space. Fifteen banks have formed a new company with a focus on using blockchain technology to process letters of credit for domestic transactions in India. 10 private-sector banks, four public-sector banks and a foreign bank have forged the Indian Banks' Blockchain Infrastructure Company (IBBIC). The company's new system will verify the data for invoices on goods and services tax and "e-way bills," eliminating paperwork and significantly reducing transaction times. A blockchain-based letter-of-credit system can eliminate fraud because of encryption and because no two letters of credits would be able to be issued for the same invoice, which is a common error.

The State Bank of India (SBI) has tied up with JP Morgan for using the latter's blockchain technology to speed up overseas transactions. SBI is using the global bank's blockchain technology called Liink, meant for a peer-to-peer (P2P) network with financial institutions, corporates and fintech companies subscribing to it internationally. Through Liink, time taken to resolve cross-border payments-related inquiries can be reduced to a few hours from up to a fortnight, sources said.

OCEN

Open Credit Enablement Network (OCEN) was launched in July 2020 as an open protocol system that will mediate interactions between loan service providers such as Fintechs and e-commerce players and mainstream lenders such as banks and NBFCs. OCEN provides a standard set of tools representing the various components of a typical lending value chain, allowing apps, marketplaces, and aggregators, among others, to plug in lending into their current operations. It will act as a common language connecting lenders and marketplaces to use and create innovative financial credit products at scale. OCEN pilot projects are in the works with the likes of SBI, HDFC and ICICI on board. Once OCEN is approved and launched, it is expected to ease MSME credit.

Banking as a Service (BaaS)

BaaS is an end-to-end process that enables third parties to directly connect with banks' systems so they can build products on top of the banks' regulated infrastructure. It is a cloud computing service model that serves as the middleware that provides developers with ways to connect their Web and mobile applications to cloud services via application programming interfaces and software developers' kits. Compared to other service models in the cloud computing environment, BaaS is rather new and there is a limited number of available providers. BaaS will likely see a surge in the future.

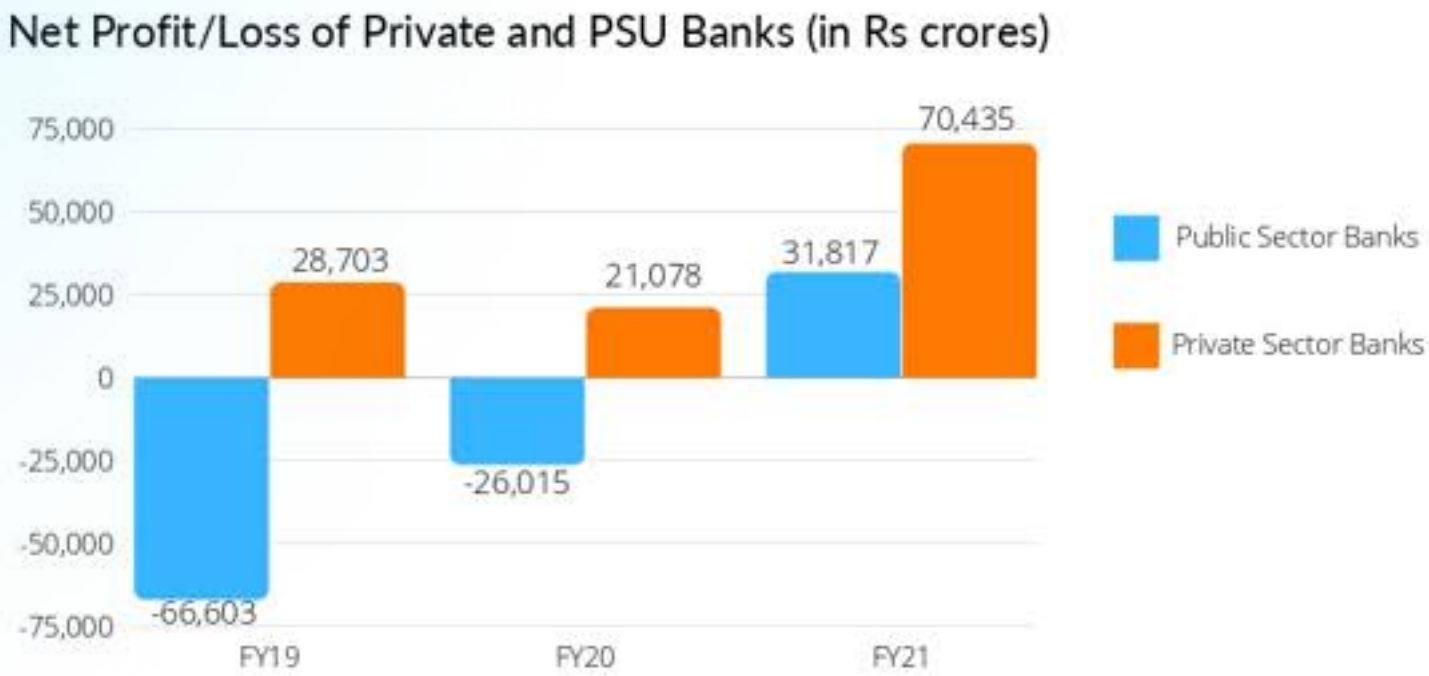
Neo Banking

Neobanks are financial institutions that offer internet-only financial services and lack physical branches. Neobanks appeal to tech-savvy consumers who don't mind doing most of their money management through a mobile app.

Neobanks don’t have a bank license of their own but count on bank partners to provide bank licensed services. Unlike a traditional banking system, neobanks have a completely different business model altogether. Since there aren't any physical branches, the customer fees are slashed by a significant amount and banking costs are nullified. Because Neobanks are customer-centric, they provide personalized services to their customers via technology. Data-driven decisions drive the decision-making process of a neobank. Moreover, their platforms are quite modernized. Hence, it becomes easier for them to collect and analyze data and understand how their customers behave in the neobanking ecosystem.

BANKING

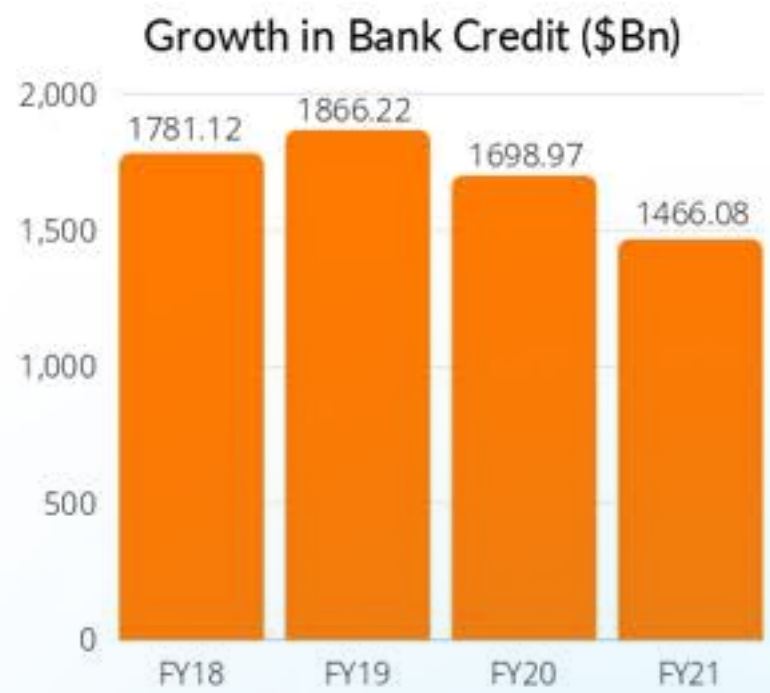
MARKET SITUATION



MAJOR DEVELOPMENTS

- Robust demand: Increase in the working population and growing disposable income will raise the demand for banking and related services. Rural banking is expected to increase in the future.
- Innovation in Services: Mobile, internet banking and extension of facilities at ATMs will improve operational efficiency.
- Business Fundamentals: Rising fee incomes are improving the revenue mix of banks. High net interest margins along with low NPA levels will ensure healthy business fundamentals.
- Policy Support: Healthy regulatory oversight and credible monetary policy by the Reserve Bank of India (RBI) have lent strength and stability to the country's banking sector. RBI allowed retail investors access to the government securities (G-sec) market.

KEY TRENDS



GOVERNMENT INITIATIVES

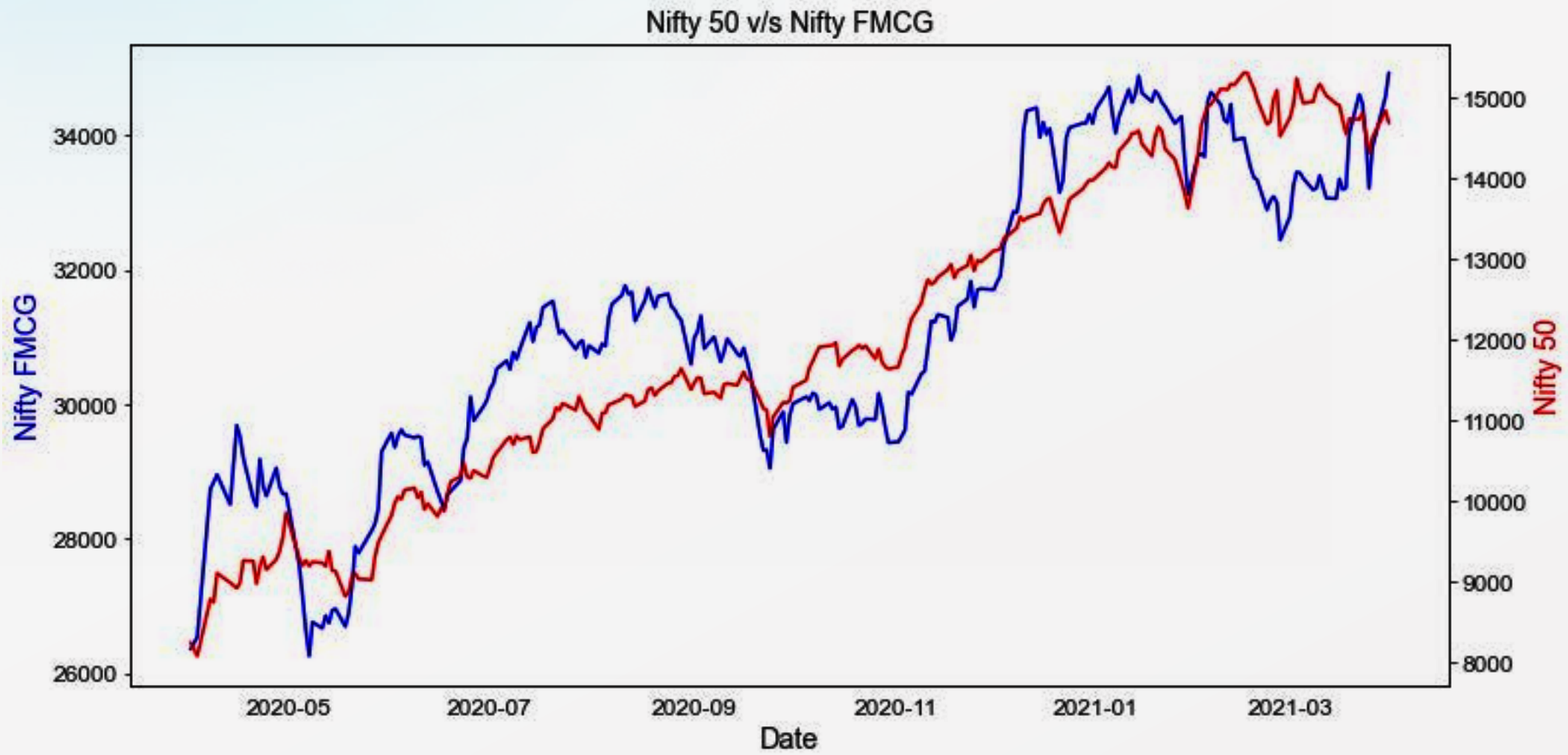
Pradhan Mantri Jan Dhan Yojna

Pradhan Mantri Jeevan Jyoti Bima Yojna

Atal Pension Yojna

FMCG

- NIFTY FMCG 1-Year Change 27.74%
- 52-Week High 34644.50
- 52-Week Low 26160.30

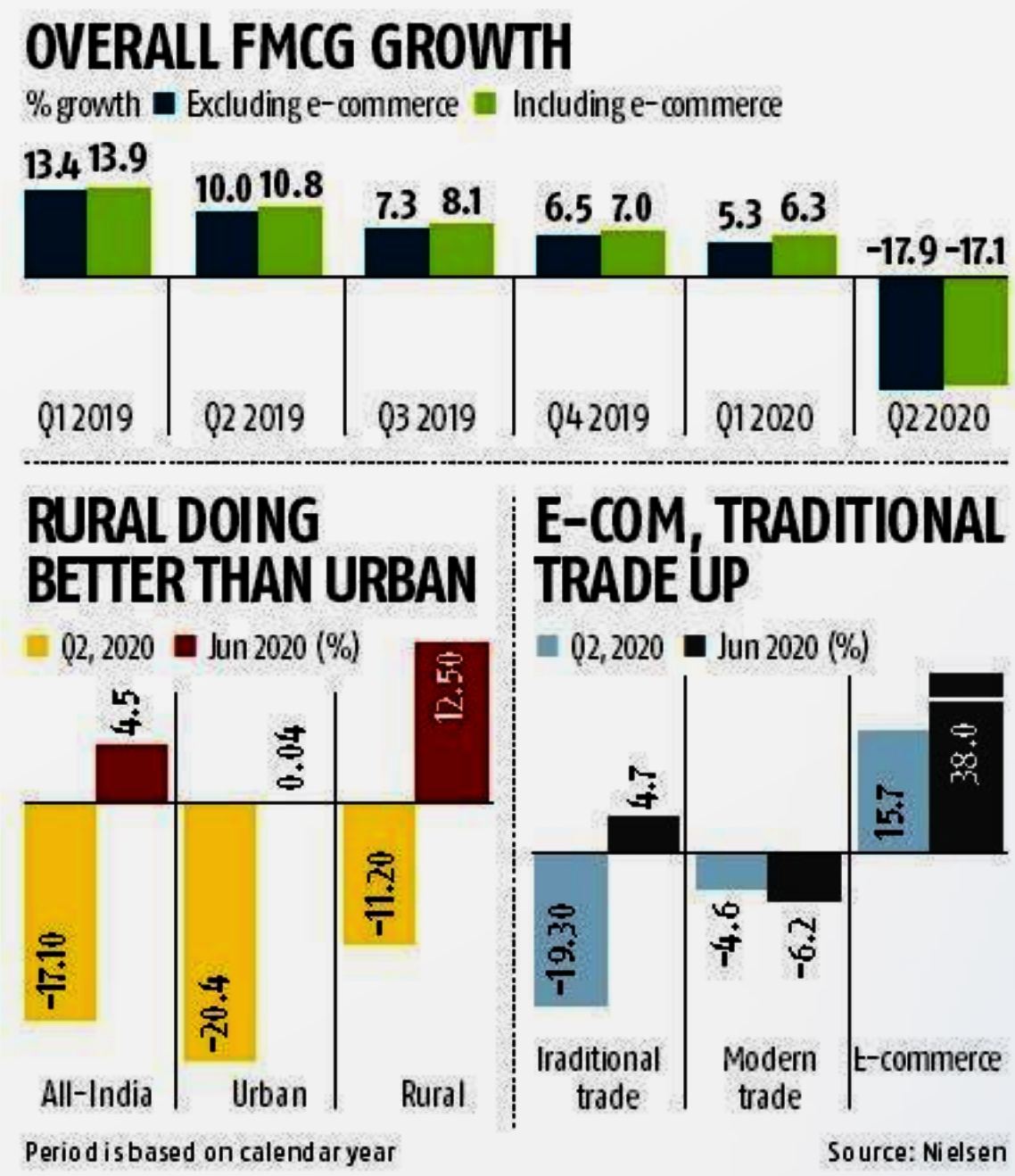


Top 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
Emami	488.05	187.09%	24,001	10.83
ATA Consumer Products	650.15	140.80%	69,817	9.30
Jubilant Foodworks	2950.75	126.98%	41,146	17.55
Varun Beverages	672.67	84.29%	31,024	11.40
Marico	407.25	58.46%	66,073	9.08

Bottom 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
Hindustan Unilever	2399.10	11.59%	5,75,332	34.03
Nestle	17083.15	13.13%	1,68,792	215.98
United Spirits	558.30	18.79%	48,263	5.41
Procter & Gamble	12567.55	25.68%	44,835	133.42
Dabur India	538.65	26.74%	99,786	9.58

The FMCG sector, India's fourth-largest segment, employs about three million people. Household and personal care items account for over half of FMCG sales. While the urban segment accounts for around 55% of overall FMCG revenues, the rural market is likely to develop faster. As semi-urban and rural India continues to grow at a rapid rate, FMCG products already account for half of total rural spending. Rural markets fared better than urban markets following the coronavirus outbreak. Nielsen said that in June 2020, there was a substantial rebound in FMCG sales throughout rural and semi-urban regions, with an opposite performance in larger cities.

Food products, health, hygiene, in rural areas drove 7.1 % growth in the FMCG market from October 2020 to December 2020. The FMCG market will be driven by an increase in rural consumption. It accounts for around 36% of total FMCG spending. In the third quarter of FY20 in rural India, FMCG witnessed a double-digit growth recovery of 10.6% due to various government initiatives (such as packaged staples and hygiene categories); high agricultural produce, reverse migration and a lower unemployment rate.



Impact of Covid:

For the most part, there has been a surge in the demand of personal hygiene products in both workplaces, and at homes. New launches in this space contributed to 37 % (in value) of all new launches in the COVID period.

There has also been a short-term increase in demand caused by the pandemic as most of the migrant labourers were forced to move back to their homes. These labourers, although belonging to the lower income groups, received employment under the various government schemes, causing the rural demand to grow at a rate of 14.6%.

Short-term impacts:

- Shortage of staff has had a big impact on the supply chain.
- Shortage of certain imported materials that could not be procured in India.
- Severe mismatch between demand and supply.
- Drop in consumption as people are deeply concerned about their financial security.

Long-term:

Consumption may take a long time to grow again due to falling incomes and loss of jobs.
Stronger players likely to emerge even stronger from this situation in the long-run.

Corporate Developments

Tata Consumer sells Map Coffee to Buccheri Group

Earth Rules Pty Ltd, a step-down subsidiary of Tata Consumer Products, entered into an asset sale and purchase agreement on December 5, 2020, for the sale of MAP Coffee Business to Buccheri Group Pty Ltd. The total consideration amounted to AUD 1.25 million (Rs 6.74 crore).

Tata Consumer Products Acquires Kottaram Agro Foods

Tata Consumer Products Ltd (TCPL) has acquired 100% of the issued and paid-up equity share capital of Kottaram Agro Foods for consideration of ₹ 155.8 crore. The said acquisition is in line with the company's strategic intent of entering into new adjacent categories in the food space. This acquisition will allow TCPL to expand its product portfolio into the fast-growing ‘on-the-table’ and ‘on-the-go’ categories and to participate in newer consumption occasions.

Policy Developments:

Some of the major initiatives taken by the Government to promote the FMCG sector in India are as follows:

- On November 11, 2020, the Union Cabinet approved the Production-Linked Incentive (PLI) scheme in 10 key sectors (including the processed food sector) to boost India’s manufacturing capabilities, exports and promote the Atmanirbhar Bharat initiative. The scheme will make Indian manufacturers globally competitive, attract investment and enhance exports.

- Developments in the packaged food sector will contribute to

increased prices for farmers and reduce the high levels of waste. In order to provide support through the PLI scheme, unique product lines with high-growth potential and capabilities to generate medium- to-large scale jobs have been established.

Key Trends

E - commerce:

Online sales predicted to double in the next 5 years
Businesses need to adopt omnichannel approach

Health

Consumers are health conscious. They prefer sugar free, low fat, low calorie products. They also look for ‘clean’ products and companies that follow proper hygiene standards especially during the pandemic.
Health and hygiene products were in high demand.
Also, consumers are becoming environmentally aware. Words like ‘organically produced’ products and ‘local’ are more appealing to the consumer. They also try to avoid goods packaged in plastic.

Increased Rural Consumption

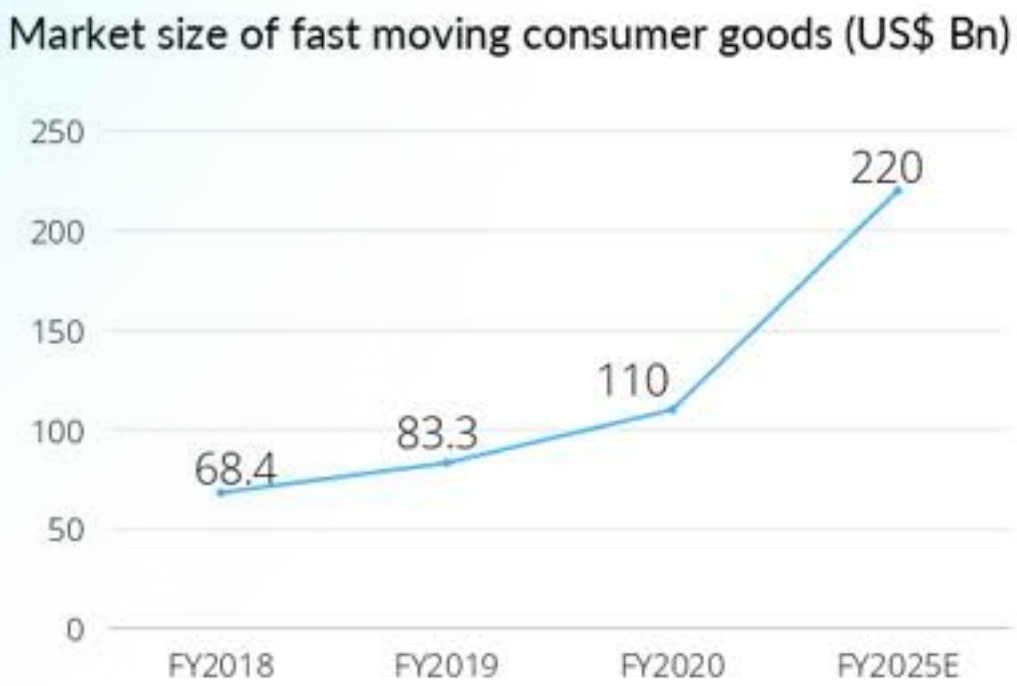
There has been a huge increase in rural consumption due to the shift in migrant population from urban to rural areas.

Millennials want the experience more than the product

FMCG companies have started launching more products that grab attention like, coca cola cans with names on them, more variety of flavours, etc.
Rising youth population is a key growth driver of the FMCG sector.
Millennials tend to choose aesthetics over functionality.

FMCG

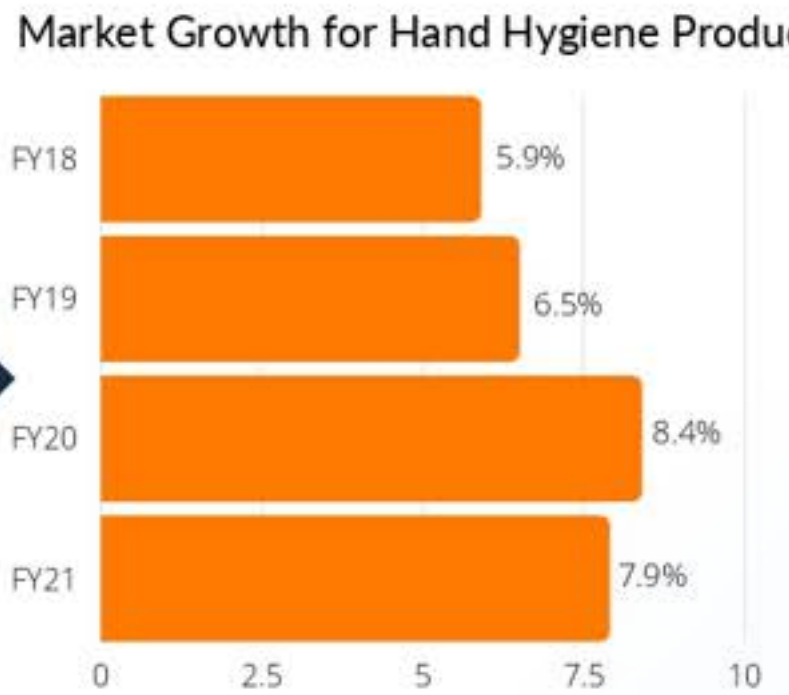
MARKET SIZE



MAJOR DEVELOPMENTS

- Robust demand: Packaged food market in India is expected to double to US$ 70 billion by 2025. The rural FMCG market is expected to expand to US$ 220 billion by 2025.
- Attractive Opportunities: Increase in disposable income in rural India and low penetration levels in the rural market offers room for growth.
- Policy support: Investment approval of up to 100% foreign equity in single-brand retail and 51 % in multi-brand retail.
- Higher Investments: In January 2021, Reckitt Benckiser announced its Rs. 45 crore (US$ 6.2million) strategic investment in Bombay Shaving Company, a grooming products venture.

KEY TRENDS

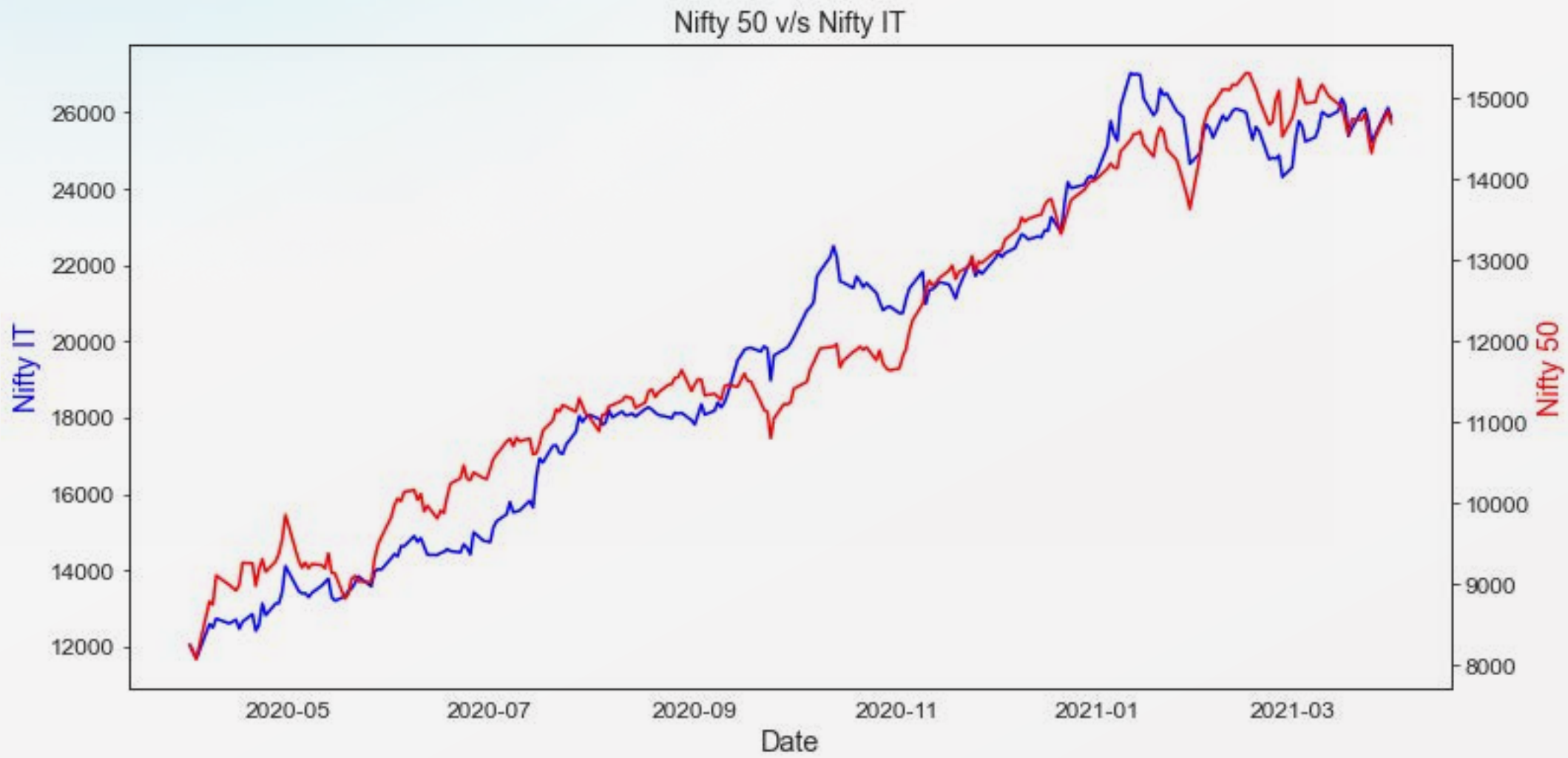


GOVERNMENT INITIATIVES

- The union government's production-linked incentive (PLI) scheme gives companies a major opportunity to boost exports.
- The government approved a production-linked incentive (PLI) scheme for the food processing sector, entailing an outlay of Rs 10,900 crore.
- The PLI Scheme approved will be a game-changer in boosting food processing investments, agri-exports, farmer incomes and in building Indian brands for the global market
- The Union Cabinet approved the PLI scheme for the food processing industry to boost investments

IT

- NIFTY IT 1-Year Change 103.90%
- 52-Week High 26489.75
- 52-Week Low 11680.05



Top 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
L&T Infotech	4112.80	200.20%	73,683	110.98
Mindtree	2071.95	195.94%	42,052	67.44
Coforge Ltd.	2937.75	174.56%	24,828	74.68
Mphasis	1747.80	158.93%	38,740	65.18
HCL Tech	1002.60	143.45%	2,70,186	41.07

Bottom 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
TCS	2399.10	91.82%	12,50,575	86.71
Tech Mahindra	17083.15	94.54%	1,05,571	50.64
Info Edge	558.30	110.52%	63,802	111.51
Infosys	12567.55	130.87%	6,70,809	45.61
Wipro	538.65	131.33%	2,99,987	16.67

India is the world's largest outsourcing destination with the largest qualified talent pool of technical graduates in the world. The sector is the largest employer within the private sector. India's IT industry contributed around 7.7% to the country's GDP and is expected to contribute 10% by 2025. The IT industry contributes more than half of service exports and 50% of the foreign direct investment. As of FY20, the IT industry employed 4.3 million people. This sector is set to grow 2.7% to $99 billion, according to the latest numbers. Growth was driven by the e-commerce sector that grew 4.8% to $57 billion, followed by a 4.1% growth in the hardware segment that touched a revenue of $16 billion on a year-on-year basis. Exports from the Indian IT industry are expected to increase by 1.9% to reach $150 billion in FY21. In 2020, the IT industry recorded 138,000 new hires. The IT & BPM industry's revenue is estimated at $194 billion in FY21, an increase of 2.3% YoY. Domestic IT demand also saw a 3.4 % uptick in demand led by hardware due to the growing work from home culture pertaining to the pandemic restrictions. The National Association of Software & Services Companies (Nasscom) has projected a 2.3 % revenue growth in FY21 for the country's information technology industry despite the pandemic.

The COVID Impact

IT was one of the least affected sectors as a result of the pandemic, and in some ways, the pandemic was a blessing in disguise. The rising demand for software and social media platforms like Google Hangouts, WhatsApp Video Call, Zoom, and Microsoft Teams is the primary driver for this industry's economic growth. Throughout the crisis, people realised the importance of the internet and technology in keeping us safe and facilitating communication. Because of the coronavirus, many opportunities in the IT industry have arisen, such as the increased demand for 5th generation (5G) technology. This will help increase connections that support the primed remote interactions. Telehealth and Fintech are the two sectors that have emerged from the crisis. The e-commerce industry spanning from groceries to textile and electronics

to jewellery has always been a major segment in the IT Industry, and the pandemic has led to a massive boost in the same.

Corporate Developments

- Infosys has bought Kaleidoscope Innovation in an apparent move to capitalise on the digital expansion in the American healthcare sector. Analysts believe the India-based IT consultancy spent $42 million for the acquisition, which is largely targeted at acquiring easy access to deep-pocketed clients in the pharmaceutical and healthcare sectors.

- Bharti Infratel and Indus Towers underwent a major telecom merger becoming the largest tower company of the world outside China, with a pan-India tower reach comprising 163,000 towers across 22 telecom service areas.

- Enate has announced a strategic relationship with Tech Mahindra, a prominent provider of digital transformation, consultancy, and business re-engineering services and solutions. The two firms will collaborate to help multinational organisations scale up their automation journey more efficiently by leveraging Enate's unique Robotic Process Orchestration (RPO) technology.

- Byju’s, the ed-tech unicorn startup, acquired Mumbai-based WhiteHat Jr in a $300 million all-cash transaction in the mid of last fiscal year.

Policy Developments

- In the Union Budget 2021, the government has allocated ₹53,108 crores ($7.31 billion) to the IT and Telecom sector. India’s Ministry of Home Affairs and the National Critical Information Infrastructure

- The Department of Telecom, Government of India and Ministry of Communications, Government of Japan signed an MoU to enhance cooperation in areas of 5G technologies, telecom security and submarine optical fibre cable system.

- In 2020, the government released “Simplified Other Service Provider” (OSP) guidelines to improve the ease of doing business in the IT Industry, Business Process Outsourcing (BPO) and IT-enabled Services.

Key Trends:

- Lucrative Sector for Investment: The computer software and hardware sector in India attracted cumulative FDI inflows worth $62.47 billion between April 2000 and September 2020, according to the data released by the Department for Promotion of Industry and Internal Trade (DPIIT).

- Cloud Technology: With digital transformation accelerating across sectors, the pandemic has driven demand for cloud services worldwide, and the Internet has become a lifeline for people both for work and entertainment. This move towards cloud services has accelerated hyper-scale data centre investments, with global investments estimated to exceed around $200 billion per year by 2025. The cumulative investments in data centres in India are estimated to reach $28 billion between 2019 and 2025, at a CAGR of 5% between 2019 and 2025, 2 times faster than the global average.

- Growth Ahead: As per a survey by Amazon Web Services (2021), India is expected to have nine times more digitally skilled workers by 2025. This indicates that a total of 3.9 billion digital skill trainings will be expected by 2025. As of 2021, digitally trained employees constitute 12% of the country's workforce.

- Artificial Intelligence: AI is expected to boost India's annual growth rate by 1.3% by 2035, says NITI AAYOG.

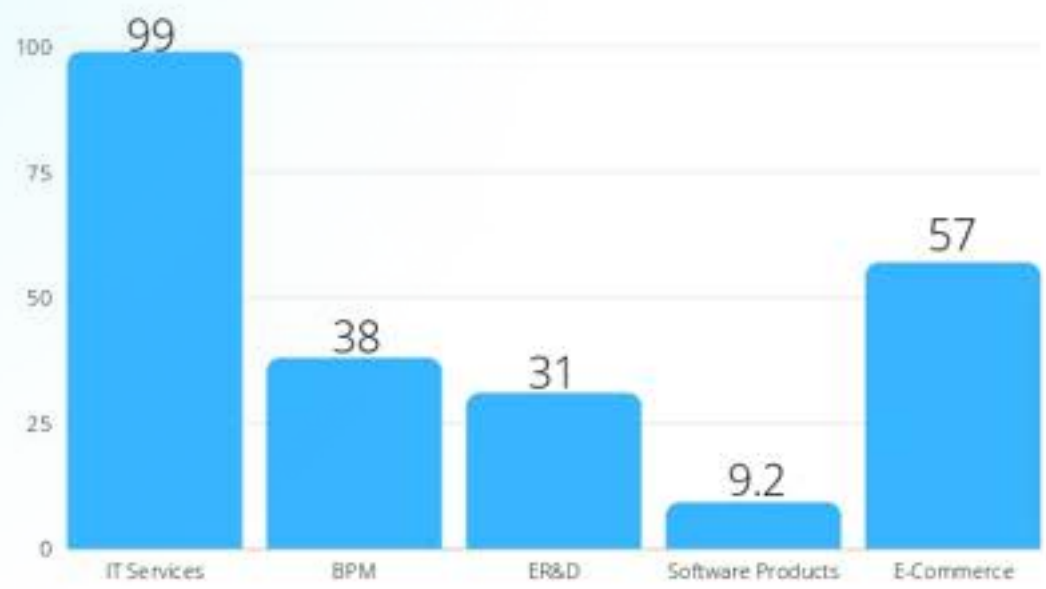
- Growing demand: According to Gartner estimates, IT spending in India is estimated to reach $93 billion in 2021 (7.3% YoY growth) and further increase to $98.5 billion in 2022.

- Competitive Advantage: A preferred destination for IT & BPM in the world, India continues to be a leader in the global sourcing industry with 52% market share (as of FY20) in services exports from the country. .

IT & BPM

MARKET SIZE

Indian Pharmaceutical Market (US$ billion-estimates)



MAJOR DEVELOPMENTS

- Growing demand: According to Gartner estimates, IT spending in India is estimated to reach US$ 93 billion in 2021 (7.3%YoY growth) and further increase to US$ 98.5 billion in 2022.
- Global Footprint: Indian IT firms have delivery centres across the world and are well diversified across verticals such as BFSI, telecom and retail.
- Policy Support: In Union Budget 2021, the allocation for IT and telecom sector stood at Rs. 53,108 crore (US$ 7.31 billion). India's Ministry of Home Affairs and the National Critical Information Infrastructure Protection Centre are working on a new national strategy to strengthen the country's cybersecurity.
- Competitive Advantage: A preferred destination for IT & BPM in the world, it continues to be a leader in the global sourcing industry with 52% market share (as of FY20) in services exports from the country.

KEY TRENDS

Indian Startups That Entered The Unicorn Club In 2021

Chargebee, CRED, digit, Groww, gupshup, INFRA.MARKET, innovaccer, meesho, PharmEasy, ShareChat, Urban Company, moglix, zeta, BrowserStack

GOVERNMENT INITIATIVES

Digital India Power To Empower

Digital India

#startupindia

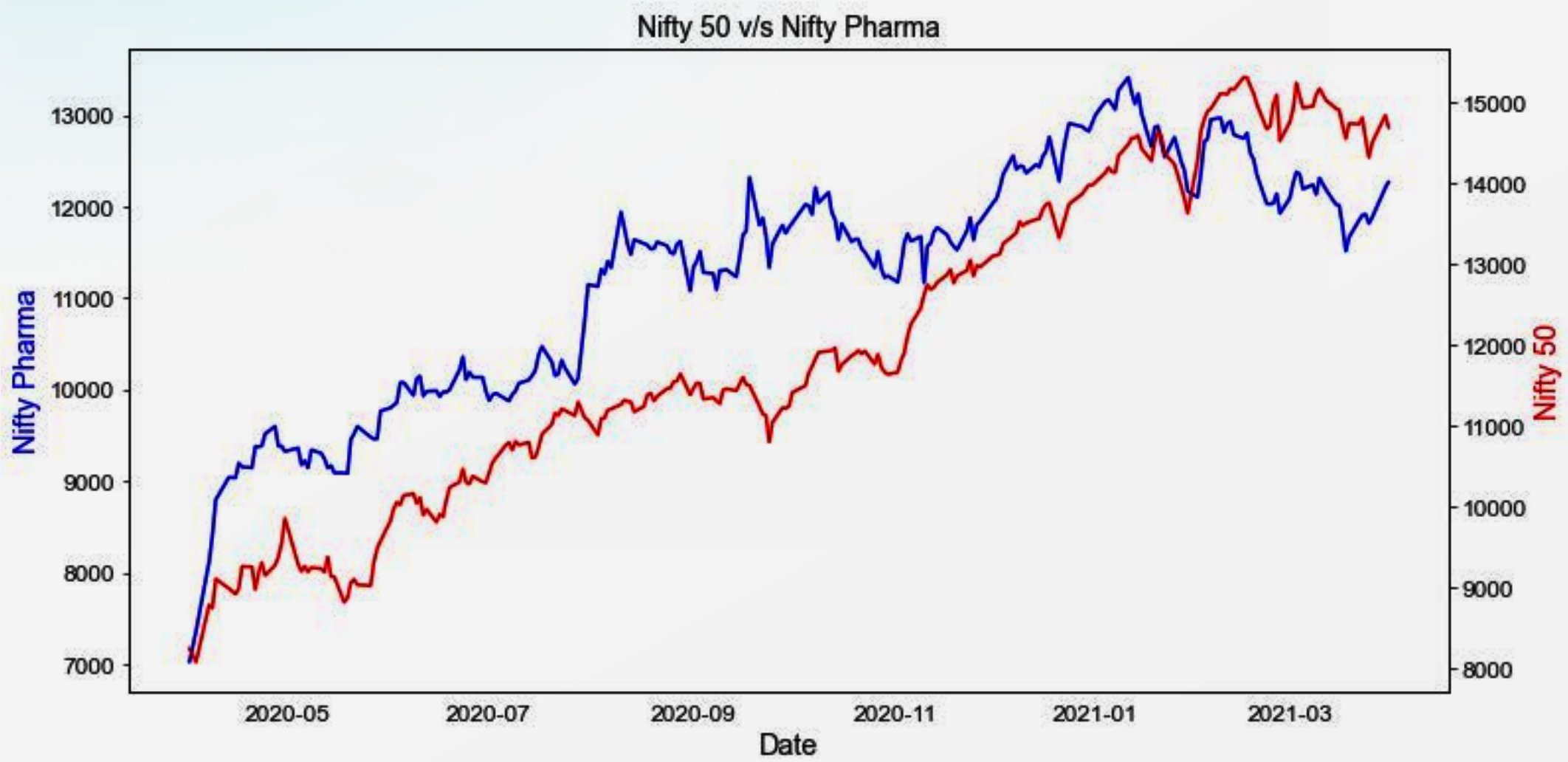
Startup India Scheme by DPIIT

MAKE IN INDIA

PLI Schemes under Make in India

Pharma

- **NIFTY PHARMA 1-Year Change 70.31%**
- 52-Week High 13271.55
- 52-Week Low 7249.30



Top 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
Aurobindo Pharma	881.30	131.92%	55,684	91.04
Cipla	818.30	99.59%	77,199	29.82
Divis Labs	3616.10	91.33%	1,12,791	74.75
Lupin	1027.00	81.13%	52,305	27.09
Sun Pharma	610.75	80.56%	1,61,295	12.10

Bottom 5 (FY20)	CMP (1-4-2021)	% Change	Market Capitalisation(in Cr.)	EPS
Alkem Lab	2775.45	20.62%	37,567	132.57
Torrent Pharma	2548.25	34.12%	48,842	74.10
Biocon	410.55	46.63%	47,658	6.24
Dr Reddys Lab	4587.65	52.92%	88,317	117.67
Cadila Health	441.80	69.92%	63,881	20.84

The Indian pharmaceutical industry supplies more than half of global demand for vaccines, 40% of generic demand in the United States, and 25% of all pharmaceuticals in the United Kingdom. In 2021, India's domestic pharmaceutical market was expected to be worth $41 billion, rising to $65 billion by 2024 and $120-130 billion by 2030. India is the world's third-largest producer of pharmaceuticals by volume and the fourteenth-largest producer by value and has the world's second-largest workforce employed in this sector. India's pharmaceutical exports, which included bulk drugs, intermediates, drug formulations, biologicals, Ayush & herbal products, and surgicals, totaled $16.28 billion in FY20 and $22.15 billion in FY21 (until February 2021). The medical device industry in India has been growing at a rate of 15.2% per year and is expected to reach $8.16 billion by 2020 and $25 billion by 2025.

IMPACT OF COVID 19

-SHORT TERM IMPACTS

Demand Change :
Due to the COVID-19 pandemic, people started hoarding drugs that were useful in the treatment of the virus. This led to a shoot in the demand for drugs like Paracetamol, Favipiravir, Remdesivir, etc. Black marketing of these drugs was rampant.

Shift to remote interactions:
At both global and local level, due to the social distancing, people have started using online platforms for consultation with doctors.
90% of the COVID-19 patients don't need hospitalisation and have to remain in home isolation for 10 days. For such patients, telecommunication is the best way to consult doctors.
Patients suffering from diseases other than COVID-19 are allowed to visit the hospitals or clinics but still, they are given an option for online consultation in case they wish to consult the doctors remotely

Research and development changes:
It is the first time in world history that we have 113 medicine candidates and 53 vaccine candidates of COVID-19 which are under different stages of research or developments or active clinical trials. Also, some candidates have been granted emergency use authorization.

LONG TERM IMPACTS

Delayed approvals for non-COVID-related pharmaceutical products:
The government and pharma giants have shifted their focus majorly on drugs and vaccines that will help us fight COVID-19. Currently, the government of India has given emergency use authorization to 3 vaccine candidates and the government is only focusing on getting more vaccines so that they can speed up their vaccination rate and meet their target to inoculate India by the end of 2021. Non-COVID related drugs have been put on hold, thereby causing delays. The latent effect of this will be seen in the coming years.

Moving towards self-sufficiency in the pharma industry:
Due to export bans in India and China, other countries are trying to establish self-sufficiency in products like vaccines, API and other pharmaceutical drugs to meet their needs.

VACCINES AND THE PHARMA INDUSTRY

1. **Currently used vaccines in the country**

Government of India has currently given emergency use authorisation to 3 vaccines candidates in India. These 3 vaccines include:

1. Astra-Zeneca- Oxford vaccine(manufactured by SII by the name of Covishield)
2. Bharat Biotech- Covaxin
3. Sputnik V (imported from Russia)

2. **Vaccine under final stage trials**

There are several other vaccine candidates under different phases of trial and development and some of them are in the 3rd stage of human trials. Once completed, they will get emergency use authorization. Vaccines in the final stage of trials are :

1. Biological-E (Corbevax)
2. Zydus Cadila (ZyCoV-D)

The Indian government is in talks with the US government on cooperation over the corona vaccine. The Central Government is in direct contact with State Governments to ensure that vaccines can be imported.

ROAD AHEAD

Medicine spending in India is projected to grow 9-12% over the next five years, which will place India in the top 10 countries in terms of medical spending.
Going forward, better growth in domestic sales would also depend on the ability of companies to align production towards cures for diseases such as cardiovascular issues, anti-diabetes, antidepressants and anti-cancers, which are on the rise.

The Indian Government has taken many steps to reduce costs and bring down healthcare expenses. Speedy introduction of generic drugs into the market has been on the radar and is expected to benefit the Indian pharmaceutical companies. Additionally, the thrust on rural health programmes, lifesaving drugs and preventive vaccines also augurs well for the pharmaceutical companies.

Policy Developments

- Some of the initiatives taken by the Government to promote the pharmaceutical sector in India are as follows:

- The Department of Pharmaceuticals launched a PLI scheme to promote domestic manufacturing by establishing greenfield plants with minimal domestic value addition in four distinct "Target Segments" with a total investment of ₹6,940 crores ($951.27 million) from FY21 to FY30.

- Under Union Budget 2021-22, the Ministry of Health and Family Welfare has been allocated ₹73,932 crores ($10.35 billion) and the Department of Health Research has been allocated ₹2,663 crores ($365.68 billion).

- The government also allocated ₹37,130 crores (US$ 5.10 billion) to the 'National Health Mission' and ₹64,180 crores ($8.80 billion) to the PM Atma Nirbhar Swasth Bharat Yojana. The Ministry of AYUSH was allocated ₹2,970 crores ($407.84 million), up from ₹2,122 crores ($291.39 million).

- By 2023, India plans to create a fund worth about ₹1 lakh crores ($1.3 billion) to aid enterprises developing pharmaceutical ingredients in India.

Key Trends

- Chronic disease prevalence is rising, putting additional strain on already overburdened healthcare expenditures.

- As clinical improvements make formerly lethal diseases benign and the self-medication sector grows, the lines between different types of healthcare are blurring.

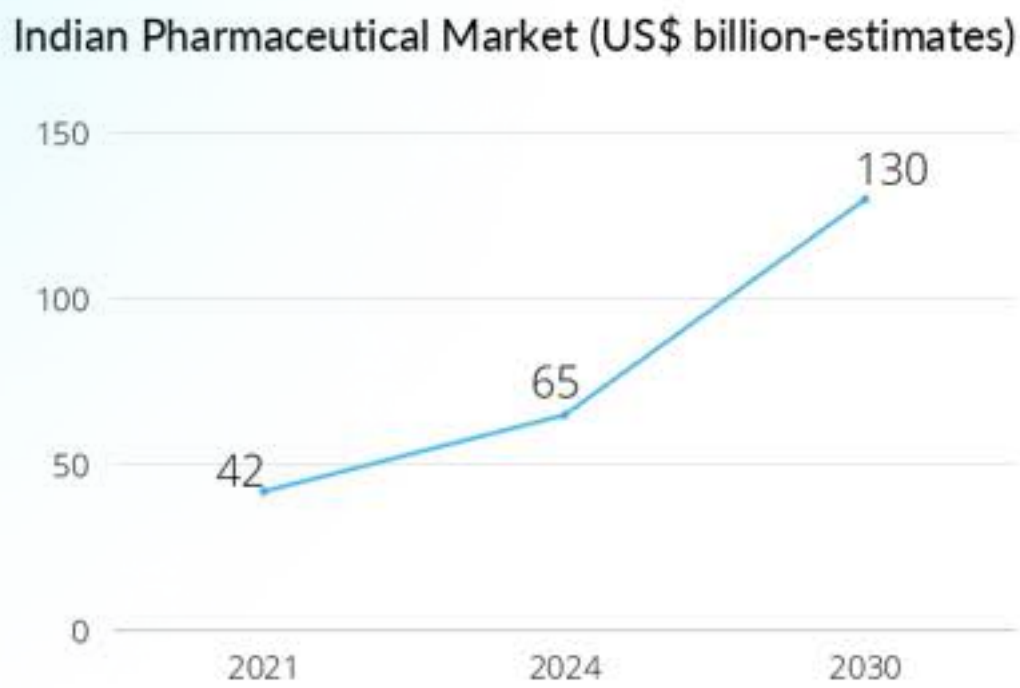
- The demand for pharmaceuticals in emerging nations is expanding faster than in developed countries.

- Governments are beginning to prioritise prevention over treatment, albeit they have not spent heavily in preventive measures; and regulators are growing more hesitant about authorising truly novel drugs.

- The use of technologies in the pharmaceutical industry is inevitable and will include Artificial Intelligence, NanoTechnology, 3D Printing, body sensors and more.

PHARMACEUTICAL

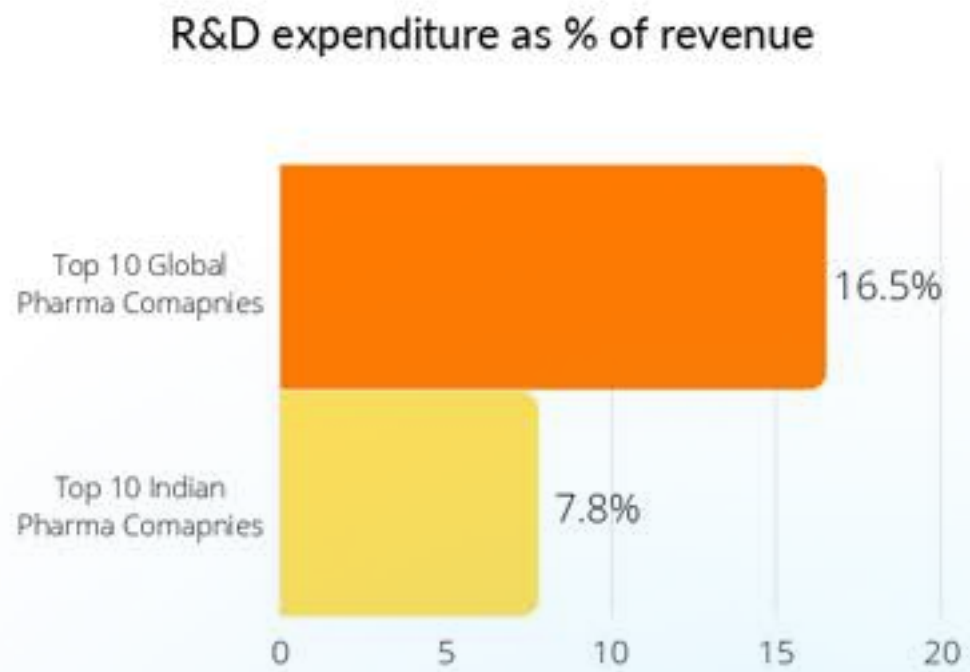
MARKET SIZE



MAJOR DEVELOPMENTS

- Cost Efficiency: Low cost of production and R&D boost efficiency of Indian pharma companies, leading to competitive export.
- Economic Drivers: High economic growth along with increasing penetration of health insurance to push expenditure on healthcare and medicine in India.
- Policy support: In February 2021, the government approved a production-linked incentive (PLI) scheme for the pharmaceuticals sector from FY21 to FY29. The scheme is expected to attract investments of Rs. 15,000 crore (US $2.07 billion) into the sector.
- Increasing Investments: The foreign direct investment (FDI) inflows in the Indian drugs and pharmaceuticals sector stood at US$ 17.75 billion between April 2000 and December 2020.

KEY TRENDS



GOVERNMENT INITIATIVES

Ayushman Bharat Yojna (PM-JAY)

Pradhan Mantri Jan Aushadhi Pariyojna

PLI Schemes under Make in India

Oil and Gas

Overview

The oil and gas sector is among the most strategic industries in India and influences the decision making across all other sectors as India is the world's fourth-largest energy consumer with oil and gas accounting for 37.3% of total energy consumption. India's economic growth is strongly correlated with its energy demand. Oil and gas play a vital role in shaping its future.

Presently, India has 0.5% of the oil and gas resources of the world and 15% of the world's population. This makes crude oil and natural gas import-dependent sectors. India's crude oil production has not shown significant growth in the past 10 years. Its refining capacity, however, has grown by more than 20% over the past 5 years. Oil consumption is growing at a CAGR of 4.1% per year and natural gas consumption at a CAGR of 68%.

The country has 5.6 billion barrels of proven oil reserves and 1,330 bcm of gas reserves. Not pleasingly though it produced only 47.6 bcm of gas in 2012. The high economic growth in the past few years and increasing industrialization coupled with a burgeoning population have added pressure to the existing reserves.

Impact of Covid-19:

In March 2020, the COVID-19 pandemic forced countries to seal their borders. Transportation was restricted and so were industrial activities, prompting a decline in demand for crude oil and natural gas. Major

producers trimmed down the production owing to the demand-supply gap. The decline in the sale of crude oil impacted the cash flows of E&P companies and forced them to cut budgets and investments planned for 2020-21.

As the transportation sector came to a halt, the combined demand and supply shock led to the sharpest oil price fall since the Gulf War in 1991. However, demand fell for the first time since 2009 going down by around 25%. Demand shocks are elastic and short term. Demand for crude oil made a quick recovery with countries opening up.

Forced lockdowns also affected the sectors that consume natural gas. Halt to transportation and closing of key industries like fertilizer, ceramics, metals, etc. led to a decline in demand for natural gas by 3-4% globally. This too experienced revival post the opening up of countries.

Surplus oil in the market had triggered low oil prices. To stabilise the same, OPEC and other major oil producers arrived at a deal to cut production by 9.7 mbpd of crude oil per day from 1st May 2020 for an initial period of two months, followed by an adjustment of 7.7 mbpd until the year-end and 5.8 mbpd until 30th April 2022.

Before the oil price crashed, E&P investment stood at USD 234 billion. Forced production cuts and lower oil prices trimmed the budget to USD 178 billion. This is likely to impact all the new oil and gas exploration projects.

Corporate Developments

Date announced	Acquirer name	Target name	Value of deal (US$ million)
Mar 2021	Oil India Ltd. (54.16%), Engineers India (4.4%) and Government of Assam (3.2%)	Bharat Petroleum Corporation (Numaligarh Refinery 61.5% stake)	1,361
Jan 2021	Total	Adani Green Energy (20% minority stake)	2,500
Dec 2020	Bharat Petroleum Corporation	Bharat Oman Refineries (BORL) (36.62% stake)	Not disclosed

Policy Developments

- LPG Subsidy: The LPG subsidy is directly credited to the bank accounts of the beneficiaries. In 2020-21, the Ministry is estimated to spend Rs 37,256 crores on LPG subsidies. This is 9.3% higher than the revised estimates of 2019-20.

- The Government has allowed 100% foreign direct investment (FDI) in upstream and private sector refining projects. The FDI limit for public sector refining projects has been raised to 49% without any disinvestment or dilution of domestic equity in existing PSUs.

- In February 2021, Prime Minister Mr Narendra Modi announced that the Government of India plans to invest ~₹7.5 trillion ($102.49 billion) on oil and gas infrastructure in the next five years. The industry is expected to attract a $25 billion investment in exploration and production by 2022.

- In November 2020, the Indian government urged OPEC to remove pricing anomalies for different regions to help the Corona-battered global oil industry get back to normalcy.

- Open Acreage Licensing Policy (OALP), which allows an explorer to study the data available and bid for blocks of his choice, has been initiated to increase foreign participation by global E&P companies like Shell, BP, ConocoPhillips etc.

THE ROAD AHEAD

The energy demand of India is anticipated to grow faster than that of all major economies on the back of continued robust economic growth. India's energy demand is expected to double to 1,516 Mtoe by 2035 from 753.7 Mtoe in 2017. Moreover, the country's share in global primary energy consumption is projected to increase two-fold by 2035.
Crude oil consumption is expected to grow at a CAGR of 3.60% to 500 million tonnes by 2040 from 221.56 million tonnes in 2017. India's oil demand is projected to rise at the fastest pace in the world to reach 10 million barrels per day by 2030, from 5.05 million barrels per day in 2020. Natural Gas consumption is forecasted to increase at a CAGR of 4.18% to 143.08 million tonnes by 2040 from 58.10 million tonnes in 2018. Diesel demand is expected to double to 163 million tonnes by 2029-30. India is set to expand its natural gas grid to 34,500 km by adding another 17,000 km gas pipeline. The regasification capacity of the existing 42 MMT per annum will be expanded to 61 MMT per year by the year 2022.

Metals

The metals segment has seen rising demand over the past year. With a rebound in global economic activities after a period of lockdown, there has been a large requirement for metals, especially copper. With supply-side constraints in place, metal prices have been soaring. India has a fairly decent advantage in production and conversion costs in steel and alumina. Its strategic location enables export opportunities to develop. Rise in infrastructure development, automotive production and the shift towards renewable energy production are driving growth in this sector. Demand for iron and steel is set to continue given the strong growth expectations for the residential and commercial building industry.

Iron ore production in the country stood at 112 million tonnes in FY21 (up to November 2020). In FY20, India had a total number of 914 steel plants producing crude steel. In January 2021, India's crude steel production increased by 7.4% YoY to reach 10 million tonnes.
Production of aluminium stood at 3.65 MT in FY20. In value terms, aluminium export from the country stood at $20.18 million in FY20.

The Global Base Metals Market is projected to register a CAGR of around 5% during the forecast period (2021-2026)

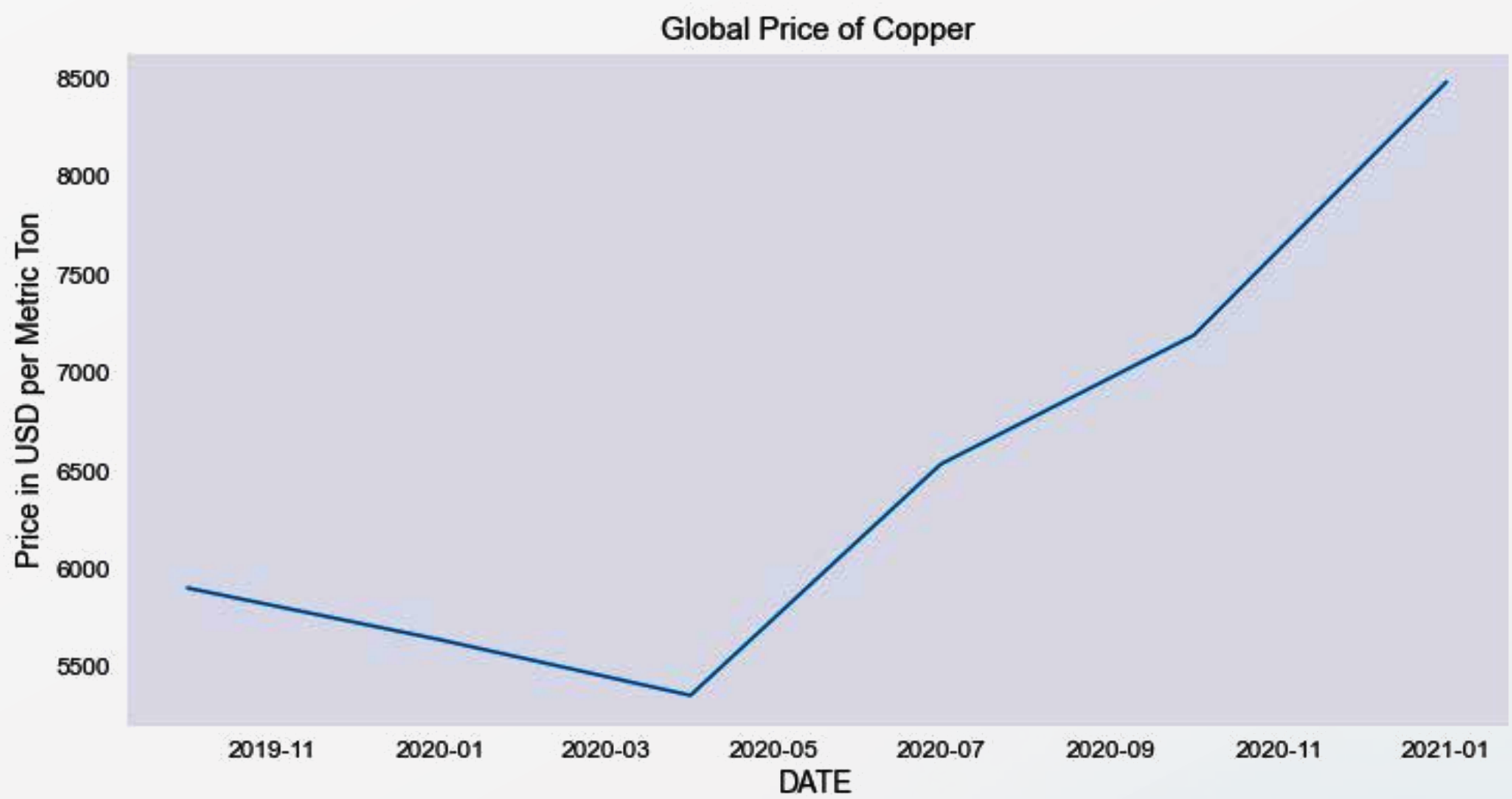
RISE OF COPPER

Copper prices saw a massive surge, attaining multi-year highs during the pandemic. The reason for this is that countries are becoming environmentally conscious. Renewable energy production is gaining traction. India has set a target of producing 175GW of renewable energy by 2022. The primary material required here is copper. Equipment such as solar panels and wind turbines need copper in large amounts.

Moreover, the shift to Electric Vehicles (EV) will boost the demand for copper even further. Reportedly, EVs use 83kg of copper on average and the charging stations for these EVs use 10kg each.

The COVID-19 pandemic has disrupted the supply chain, leading to a rise in copper prices. However, that is only one part of the problem. Copper is being used at a very fast pace and its reserves are limited. Only 16 deposits have been discovered in the past 10 years. Analysts believe that the lack of initiative on the part of countries and companies to mine for minerals will eventually choke the supply.

The global price of copper has increased drastically between April 2020 and January 2021.



Policy Developments

- Efforts are being undertaken by the Indian government to make India self-reliant and a global hub for metals in the coming years.

- In Union Budget 2021, the government reduced customs duty to 7.5% on semis, flat and long products of non-alloy, alloy and stainless steels to provide relief to MSMEs.

- To boost the recycling of copper in India, the government announced a reduction of import duty on copper scrap from 5% to 2.5% in the Union Budget 2021.
- The National Steel Policy aims to boost per capita steel consumption to 160 kgs by 2030-31. The government has a fixed objective of increasing rural consumption of steel from the current 19.6 kgs per capita to 38 kgs per capita by 2030-31.

KEY TRENDS

Growing demand from the construction industry

Copper, being malleable and ductile, can be used for making wires and pipes. It is often used in HVAC systems and refrigerating lines.

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  - Aluminium is commonly used in the construction industry because it is resistant to corrosion, highly conductive, and ductile. The metal is processed into sheets, tubes, and castings. HVAC ducts, roofs, walling, and handles are made of aluminium.

  - China, the largest copper consuming nation, is in the midst of a construction boom. The country has the largest building market in the world, making up 20% of all construction investment globally. The country alone is expected to spend nearly USD 13 trillion on buildings by 2030.

Asia-Pacific Region to Dominate the Market

- With China's emergence as the largest construction market in the world, demand is expected to grow faster.

- India is also picking up on infrastructure development. Construction of roads, bridges, dams and railways will lead to a major boost in demand for metals.

Shift to Sustainable Energy

- Countries have been shifting towards renewable energy production such as solar and wind. The equipment required for these processes are largely dependent on metals

- The production of electric vehicles (EV) is gaining momentum in recent times. With climate concerns, EVs are going to eventually replace traditionally fueled vehicles. The metal requirements for EVs and charging stations are quite high.

Chemicals Sector

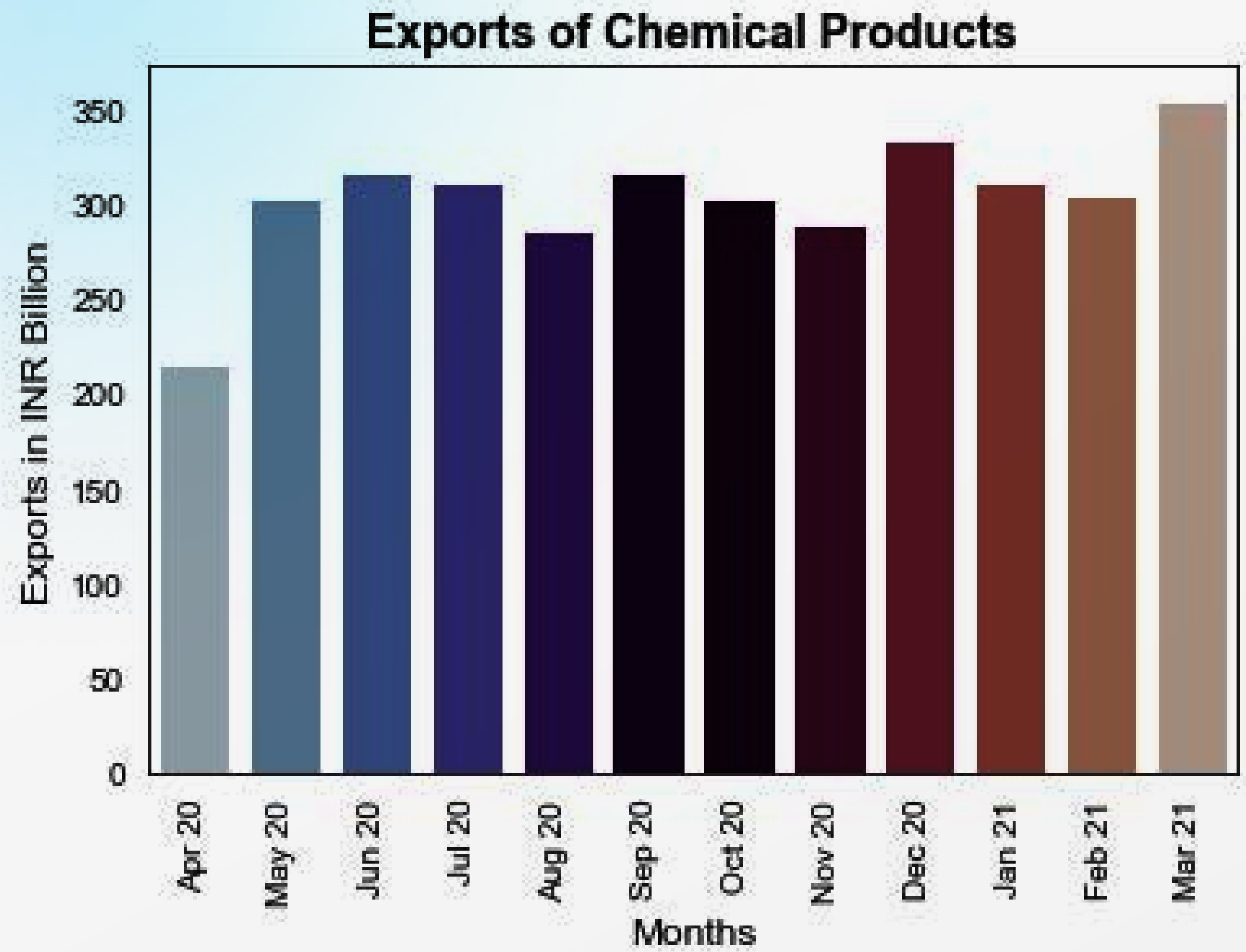
Covering more than 80,000 commercial products, India's chemical industry is extremely diversified and can be broadly classified into bulk chemicals, speciality chemicals, agrochemicals, petrochemicals, polymers and fertilisers.

The Indian chemicals industry stood at $178 billion in 2019 and is expected to reach $304 billion by 2025, registering a CAGR of 9.3%. The demand for chemicals is expected to expand by 9% per annum by 2025. The industry is expected to contribute $300 billion to India's GDP by 2025.

In October 2020, the production of key chemicals was 880,569 MT and petrochemicals was 1,808,997 MT. The Indian agrochemicals market is expected to register an 8% CAGR to reach $3.7 billion by FY22 and $4.7 billion by FY25. In January 2020, exports of organic and inorganic chemicals grew 2.55% YoY.

The production of Total Major Chemicals and Petrochemicals in 2020-21 (up to September 2020) was 12,502 thousand MT. CAGR in production of Total Chemicals and Petrochemicals during the period 2015-16 to 2019-20 stood at 5.74%.

The petrochemical demand is expected to grow at 7.5% CAGR from FY 2019-23, with polymer demand growing at 8%. The agrochemicals market in India is expected to grow at 8% CAGR reaching $3.7 billion by FY22 and $4.7 billion by FY25. The speciality chemicals constitute 18% of the total chemicals and petrochemicals market in India. As of FY19, the total market size is around $32 billion. The demand for speciality chemicals is expected to grow at 12% CAGR between FY19-22.



Exports of Chemical Products in India crossed INR 350 Billion in March 2021 from INR 303 Billion in February 2021. India turned into a net exporter of chemicals and related products for the first time in at least a decade. While these are still early days to forecast a trend, the data comes as a relief at a time when the country is battling the COVID-19 pandemic. The data lends some credence to the claim that with the right policy interventions, India's chemicals sector can be a sustained driver of its merchandise exports.

Policy Developments

- The Department of Chemicals and Petrochemicals is implementing the following schemes under the National Policy on Petrochemicals:-

National Awards for Technology Innovation in the Petrochemical and Plastic Processing Industry :

The Department is implementing an award scheme to provide incentives for meritorious innovations & inventions in various fields of petrochemicals and downstream plastics processing industry. The National Awards for Technology Innovation are given in various categories for innovation in areas such as Polymeric Materials, Polymeric Products, Polymer Waste Management and Recycling Technology and related areas.

Setting up of Centres of Excellence in Polymer Technology :

The scheme aims at improving the existing petrochemicals technology and research in the country and to promote the development of new applications of polymers and plastics. In phase-I of the Scheme implemented up to 2017, the Government of India provided financial support to the extent of a maximum of 50% of the total cost of the project subject to an upper limit of ₹6 crores over 3 years.

Setting up of Plastic Parks :

This scheme aims at setting up need-based plastic parks, an ecosystem with state-of-the-art infrastructure and enabling common facilities through a cluster development approach, to consolidate and synergize the capacities of the domestic downstream Plastic Processing Industry. Under the scheme, the Government of India

- Under the Union Budget 2021-22, the government allocated ₹233.14 crores ($32.2 million) to the Department of Chemicals and Petrochemicals. The Government of India is considering launching a production linked incentive (PLI) scheme in the chemical sector to boost domestic manufacturing and exports.

- 100% FDI is allowed under the automatic route in the chemicals sector with few exceptions that include hazardous chemicals.

- The government has proposed several incentives for setting up a sourcing or manufacturing platform within an Indian SEZ including tax exemptions for 5 years, single window clearance for approvals and duty free imports.

KEY TRENDS

- Focus on health and safety: Consumers are demanding safety and precautionary measures from both brands and governments. Hazardous leaks have caused massive damage to human lives in the past. The growing awareness and concern in this regard have made executives more conscious on this front. Proper training and equipment will be the norm, given that health has been a sensitive subject in these uncertain times.

- Preference for remote or digital sales channels: More B2B and B2C interactions are taking place through remote or digital channels and experiences due to social distancing and restrictions.

- Demand for biocidal and functional materials: The COVID-19 pandemic has created new growth opportunities for biocidal paints, coatings, and surfaces in public spaces such as hospitals and schools in light of health concerns.

- Virtualization of the workforce: Organizations have already adjusted to working remotely and have begun to adopt new business models

- especially after the advent of the COVID-19 pandemic. Adoption of contactless technologies has increased, driven by social distancing.

- Societal concern for environmental issues: Reducing carbon emissions is one of the top drivers behind the industry's transition toward a sustainable, low-carbon future. Incentives such as carbon credits have proved quite beneficial to companies, thereby resulting in less carbon footprint.

Mutual Funds

Timeline

Franklin Templeton Committed To Return Investors Money At The Earliest (April 2020)

Sanjay Sapre, who is the President of Franklin Templeton Asset Management (India), said in a note to its investors that closing of the fund doesn't mean that investors will be losing all their money and instead, are committed towards returning as much money as they can to regain the trust in their brand.

Inflows Into Equity MFs Fall By Nearly Half In April (April 2020)

Net inflows into equity and equity-linked schemes declined 47 percent over the previous month to Rs 6,213 crore in April, according to data released by the Association of Mutual Funds in India. That snapped a three-month gaining streak.

Top Mutual Funds CEOs Saw A Hike In Their Salaries (May 2020)

Salaries of the country's top mutual fund CEOs increased during 2019-20 on robust business growth, with HDFC Mutual Fund's Milind Barve being the highest paid executive. Based on the data that has been made public by mutual funds, the CEO salary given by the top 12 fund houses in terms of assets under management increased in the range of 2-132 percent in 2019-20 from the previous financial year.

Inflows Into Equity MFs Fall By Nearly Half In May (May 2020)

Net inflows into equity and equity-linked schemes declined 15% over the previous month to Rs 5,256.52 crore in May, according to data released by the Association of Mutual Funds in India. Net equity inflows had fallen by half in April on lower distributors' activity amid the lockdown to contain the coronavirus pandemic.

Gujarat High Court Stays Franklin Templeton's Notice On Asset Monetisation (June 2020)

The move came when Rasna India's founder Areez Khambatta, along with an investor and a trust promoted by them, moved the court seeking a stay on the notice. They had collectively invested an amount exceeding Rs 6.5 crore in mutual fund schemes floated by the asset manager.

For Large Debt Funds, RBI Paper Suggests Higher Government Bond Holdings (June 2020)

Larger debt mutual funds should be required to invest a predetermined amount in government bonds, according to a report produced by Reserve Bank of India personnel, to help avoid a liquidity squeeze caused by bunched up redemptions.

Franklin Templeton Wound-Up Schemes Receive Rs 3,275 Crore Since Closure (July 2020)

The six wound-up debt schemes of Franklin Templeton Mutual Fund have received Rs 3,275

crore from maturities, prepayments and coupon payments since shutdown in April, which also includes Rs 1,252.44 crore paid by Vodafone Idea Ltd.

Equity Mutual Funds Face First Monthly Withdrawals Since 2016 (July 2020)

Investors continue to cash out to tide over the pandemic-related credit crisis, while others hold off investing more in a rising stock market, and equity mutual funds in India may see their first monthly net withdrawals in more than four years. According to experts, net withdrawals from stock plans could reach 10 billion rupees ($134 million) in July.

Kishore Biyani Entity Defaults On NCD Payment To Franklin Templeton (August 2020)

A privately held Future Group entity has defaulted on its scheduled debt obligation due to Franklin Templeton Mutual Fund on Aug. 31, two days after the Kishore Biyani-founded group sealed a deal with Reliance Industries Ltd.

Equity Mutual Funds Witness Outflow For Second Straight Month (August 2020)

Equity and equity-linked schemes witnessed an outflow of Rs 4,000 crore in August compared with an outflow of Rs 2,480 crore in July, according to data released by the Association of Mutual Funds in India.

SEBI Mulls 'Backstop Facility' To Ease Stress For Debt Mutual Funds (September 2020)

India's apex market regulator is considering setting up a "backstop facility" to help purchase relatively illiquid investment-grade corporate bonds from mutual funds to ease stress in debt schemes.

Equity Mutual Funds Witness Outflow For Third Straight Month in September (September 2020)

Equity MFs in India suffered an outflow for the third straight month as investors continue to sell in a market that has erased the bulk of its losses triggered by the pandemic despite a record contraction in the economy. Equity and equity-linked schemes witnessed a net outflow of Rs 734 crore in September compared with an outflow of Rs 4,000 crore in August, according to data released by the AMFI

Equity MFs See Outflow For Fourth Straight Month (October 2020)

Equity mutual funds witnessed outflows for the fourth straight month as investors continued to take money off the table at a time the benchmarks recovered the bulk of their pandemic-fuelled losses. Equity and equity-linked mutual fund schemes witnessed a net outflow of Rs 2,724.95 crore in October compared with an outflow of Rs 734 crore in September, according to AMFI.

Equity MFs Witness Outflows For Fifth Straight Month As Selling Intensifies (November 2020)

Net outflow from equity and equity-linked mutual fund schemes stood at Rs 12,917.36 crore in November compared with an outflow of Rs 2,724.95 crore in October, according to data released by the Association of Mutual Funds in India. That's the biggest outflow since April 2018, when the AMFI began compiling data in the current manner.

SIP Inflows Fall To 31-Month Low In November (November 2020)

Investment in mutual funds through SIPs dropped to a 31-month low of Rs 7,302 crore in November amid a challenging economic environment. However, investment through the SIPs route had risen in October after six months of continuous decline.

Mutual Funds Attracted New Investors And Added To Their Wealth In 2020 (December 2020)

After a pandemic-ravaged year, the stock market finally appears to end with unusually high gains, which coupled with robust inflows in fixed income schemes helped mutual funds add a staggering Rs 3.5 lakh crore to their asset base in 2020.

Even As Benchmark Hits Record Highs, Equity MFs See Outflows For Sixth Straight Month (December 2020)

Investors pulled out a net Rs 10,147.12 crore from equity and equity-linked mutual fund schemes in December compared with an outflow of Rs 12,917.36 crore in the preceding month, according to data released by the AMFI.

Franklin Templeton Seeks Unitholder Nod To Wind Up Six Fixed Income Schemes (December 2020)

The fund house, through a notice, informed unitholders that voting on the issue would take place electronically between Dec. 26 and Dec. 28. That'll be followed by a meeting of the unitholders of the relevant schemes through video conferencing on Dec. 29, according to its media statement released on December 7.

Mutual Fund Investment In REITs Jumps Sixfold To Rs 3,972 Crore In 2020 (January 2021)

Emerging investment instrument REIT seems to have finally gained popularity among investors, with mutual funds investing a staggering Rs 3,972 crore in such units in 2020, a sixfold jump from the preceding year.

Mutual Funds Withdraw Rs 12,980 Crore From Equities In January On Profit-Booking (January 2021)

Continuing the selling spree for the eighth consecutive month, mutual funds pulled out Rs 12,980 crore from equities in January as surge in markets provided an opportunity to book profits. This has taken the outflow to more than Rs 94,800 crore since June. Overall, mutual funds withdrew a net of over Rs 56,400 crore in 2020, data available with the SEBI showed.

Equity MFs Again Witness Outflows For Eighth Straight Month (February 2021)

Equity mutual funds witnessed outflows even as benchmark indices scaled new records after the Union Budget. Investors pulled out a net Rs 4,534.3 crore from equity and equity-linked mutual fund schemes in February, according to AMFI.

SEBI Tightens Debt Investment Rules For Mutual Funds (March 2021)

India's markets regulator unveiled new rules that will limit investments by mutual funds in some debt instruments, after investors suffered losses from writedowns on riskier bonds last year. The regulations, which take effect April 1, relate to debt such as some securities sold by banks which have features that allow losses to be imposed on creditors before equity holders, according to a circular from SEBI.

Finance Ministry Asks SEBI To Withdraw Valuation Guidelines For Perpetual Bonds (March 2021)

The Finance Ministry has written to SEBI, asking it to withdraw recently issued guidelines on valuing perpetual bonds, such as additional tier-1 securities issued by banks. On 10th April, SEBI had asked that these be valued as 100-year bonds. The directive, due to kick-in from Apr.1, 2021, was part of a wider circular on prudential limits for mutual fund investments in AT-1 bonds.

Equity Mutual Funds See First Inflow In Nine Months In March (March 2021)

Equity mutual funds witnessed their first net inflow in nine months in March even as benchmark indices remain flat after scaling record peaks in February. Investors pumped in a net Rs 9,115.1 crore into equity and equity-linked schemes in March compared with an outflow of Rs 4,534.3 crore in February, according to AMFI.

SEBI rule for Multi Cap Funds

The new rules for asset allocations for multi cap funds was released by SEBI in September, 2020. It was an attempt to change the current allocation of multi cap funds which are heavy on large cap stocks and not truly "multicap". According to the Sebi Directive, Minimum investment in equity & equity related instruments : 75% of total assets in the following manner :

1. Minimum investment in equity & equity related instruments of Large Cap companies – 25% of total assets
2. Minimum investment in equity & equity related instruments of Mid-Cap companies – 25% of total assets
3. Minimum investment in equity & equity related instruments of Small-Cap companies – 25% of total assets.
4. The fund managers are now free to choose whatever they want to do with the rest 25% of the assets.

Earlier : Oct-2017 SEBI Circular	Now : Sept 11, 2020 SEBI Circular
Minimum Investment in Equity & Equity-related instrument : 65%	Minimum Investment in Equity & Equity-related instrument : 75%
No Restrictions on Allocating corpus of scheme across Large Cap, Mid Cap & Small Cap	1. Minimum 25% in Large Cap 2. Minimum 25% in Midcap 3. Minimum 25% in Small Cap

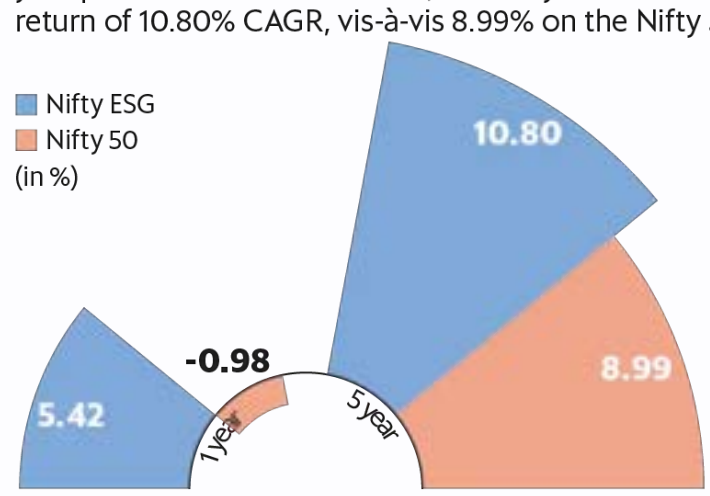
Data shows that few of the schemes have near nil allocation to small-cap companies and 9 out of the 35 multi-cap schemes invested less than 5 per cent into small-cap companies. The whole compliance around this rule was made in January 2021. Multi-cap schemes have total assets under AUM of roughly Rs 1.45 lakh crore, with around 1.05 lakh crore (72 percent) invested in large-cap stocks, according to data from the mutual fund industry. Mid-cap and small-cap stocks account for 16.4% and 6.25 percent of the portfolio, respectively. To fulfil the minimum 25% allocation to mid- and small-cap equities, fund houses will have to shift an aggregate investment of Rs 12,600 crore into mid-cap stocks and Rs 27,000 crore into small-cap stocks. As a result, cash of Rs 40,000 crore will be directed to mid-cap and small-cap enterprises.

Growth of ESG Investing funds

According to a recent MSCI 2021 Global Institutional Investor survey, 79 percent of Asian investors considerably raised their investments in ESG funds in the fourth quarter of 2020, allocating more than $5 billion to them. Since the founding of the PRI (Principles of Responsible Investing) network in 2006, ESG assets have increased at a rate of roughly 22% each year. And, with Indian business behemoths such as Reliance, Adani, and Tata committing to become green, ESG investing is gaining traction. Recent pronouncements from Reliance Industries, which intends to be a net carbon free company by 2035 and has set aside Rs 75,000 crore for new energy capital investment, have fueled ESG optimism in the country.

Outpacing benchmark

The ESG Index has outperformed the Nifty 50 over the past one and five year-periods. As of 30 October, the Nifty ESG Index delivered a five-year return of 10.80% CAGR, vis-à-vis 8.99% on the Nifty 50.



Recent ESG fund launches

- Mirae Asset ESG Sector Leaders ETF **Oct 2020**
- ICICI Prudential ESG Fund **Oct 2020**
- Axis ESG Equity **Feb 2020**

Data as of 30 October

Source: Nifty Factsheets

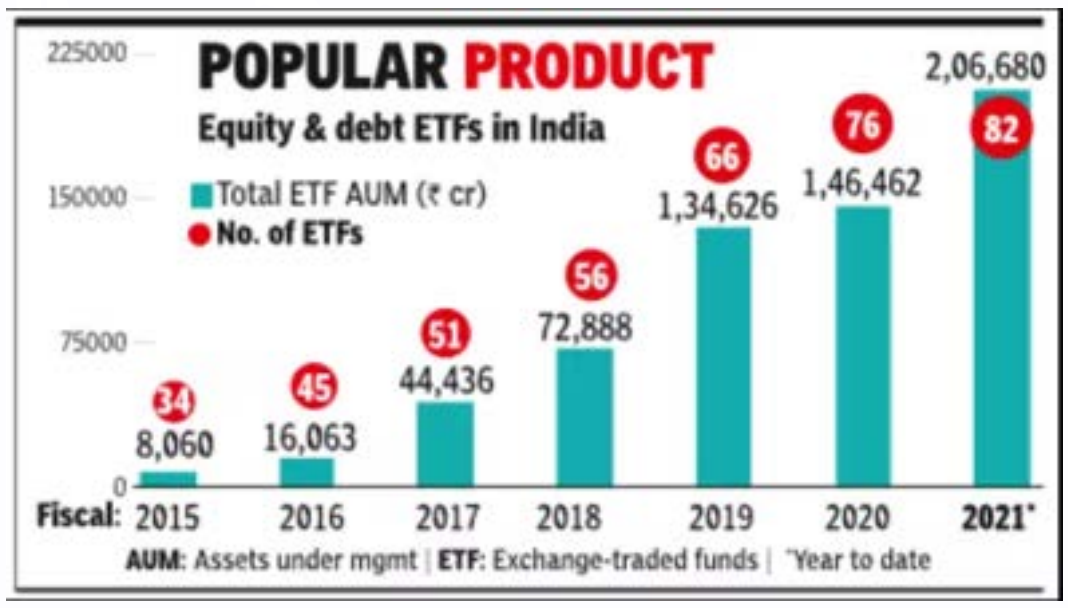
Growth of ETF funds

Institutional and high-net-worth investors are increasingly interested in passive funds. According to data from the Association of Mutual Funds in India, funds with no active manager, such as index and exchange-traded funds (ETFs), accounted for 47 percent of total equity fund inflow in the 12 months to June 2020, up from 15.2 percent two years before (Amfi).

This tendency has two major causes:

- One is the growing amount of money coming in from Employees' Provident Fund Organizations (EPFO). EPFO has been able to invest up to 15% of its incremental flows in stocks through ETFs since 2015. According to some distributors, the SBI Nifty 50 and SBI ETF Sensex schemes' assets under management (AUM) increased mostly due to EPFO inflows.

- Another reason for ETFs' appeal is their lower expense ratio. Given their reduced expenses, the top-10 passive funds did better than the top-10 large-cap funds, with an 11.5 percent decline in AUM over the past 12 months compared to a 13 percent drop in AUM for the top-10 large-cap funds.



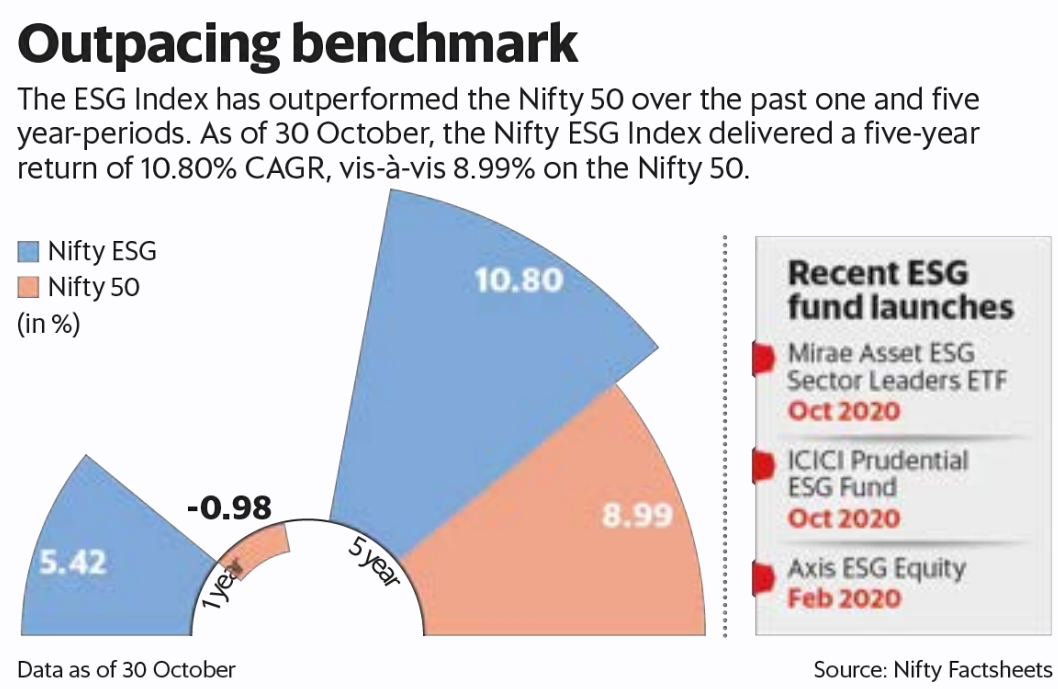
Source: TOI

ELSS Corner

ELSS mutual funds are an ideal investment medium to save on your taxes as well as to get an exposure to the capital markets. Also, as they are having a lock-in period, it prevents people from selling on impulses. For most investors, ELSS investments are to save taxes as these funds have a lock-in period of only three years. By investing Rs 1.5 lakhs each year, one can save taxes up to Rs 46,800. After a period of three years, gain from ELSS funds will be treated as long-term gains and taxed at 10 per cent for the gains above Rs 1 Lakh.

Talking about investing in ELSS mutual funds in India, it's worth noting that they come with a lock-in period of three years. However, this period is less than most of the other investment options available under Section 80C of the Income Tax Act. You can either make a lump sum investment or start an SIP to invest in these funds. The minimum amount required for a Systematic Investment Plan (SIP) in the ELSS mutual fund is Rs 500 and no maximum limit for the same.

Let's look into some of the top performing ELSS mutual funds in India.



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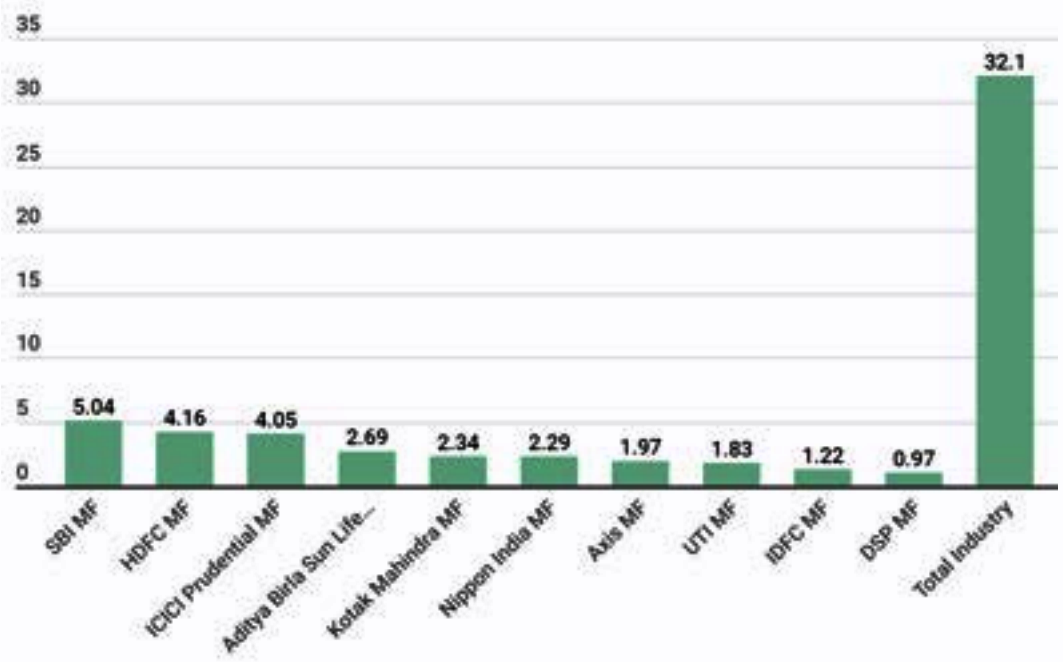
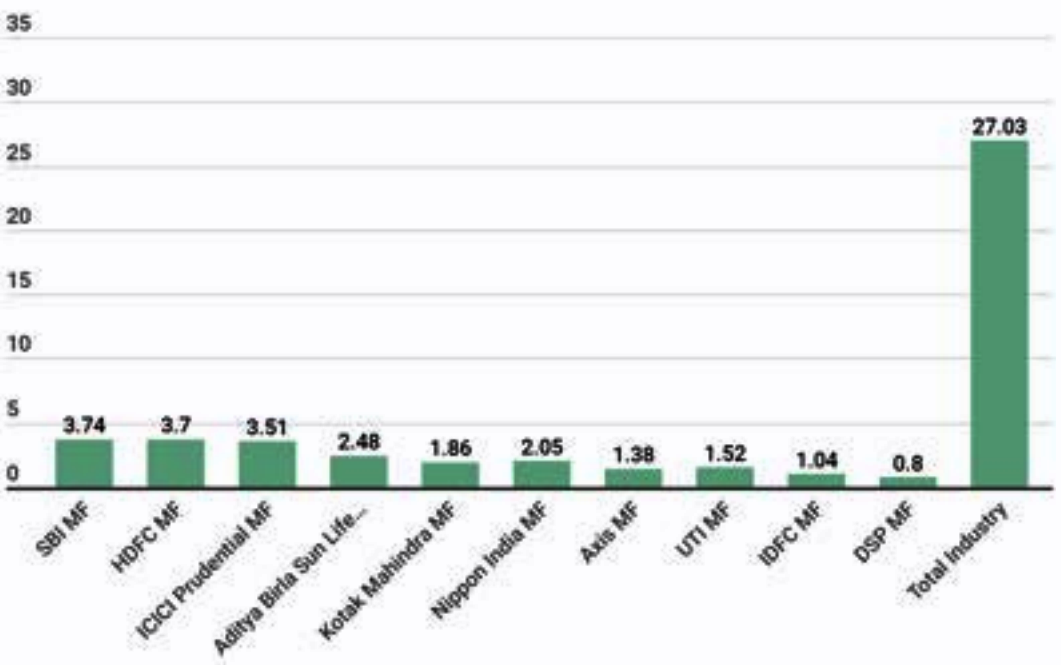
Fund Name	1-Year Returns	Fund Size (in Crores)
Quant Tax Plan Fund	117.2%	₹204
Mirae Asset Tax Saver Fund	64.9%	₹7,940
Canara Robeco Equity Tax Saver	64.3%	₹2,227
BOI AXA Tax Advantage Fund	74.6%	₹453
DSP Tax Saver Fund	62.7%	₹8,747
Kotak Tax Saver Fund	57.0%	₹1,988
UTI Long-Term Equity Fund	58.3%	₹1,907
JM Tax Gain Fund	56.5%	₹56
Axis Long-Term Equity Fund	53.4%	₹29,575

Growth of AUM

Going by the assets under management, the mutual fund industry has experienced tremendous growth during the last decade. According to the Association of Mutual Funds in India (AMFI), industry assets increased by 41% in

the previous fiscal year, reaching a new high of Rs 31.4 lakh crore. An increase in the AUM of equities funds (Rs 4.09 lakh crore), income funds (Rs 2.39 lakh crore), and other ETFs had driven the growth (Rs 1.29 lakh crore). Equity AUM of domestic mutual funds, including ELSS and index funds, achieved new highs of Rs 10.2 lakh crore (up 67 percent YoY) in FY21, according to the Fund Folio report from Motilal Oswal Financial Services.





CRYPTOCURRENCY

Timeline

2008: Registration of the domain name bitcoin.org. The digital currency came into existence back in 2008 by pseudonymous Satoshi Nakamoto through a paper under the title 'Bitcoin: A Peer-to-Peer Electronic Cash System'.

2009: Nakamoto created the very first cryptocurrency, Bitcoin and the software was made available to the public with the beginning of Mining.

2010: Bitcoin used against a commercial transaction, swapping ฿10,000 for two pizzas.
2011: Emergence of alternative Cryptocurrencies with Litecoin, Namecoin and Swiftcoin making their debut.
Controversy erupts claiming the use of Bitcoin on the dark web.

2012-13: Introduction of the new measurement system called milliBitcoins (mBTC), microBitcoins (uBTC) and Satoshis.
In 2013, Bitcoin reached $1,000 for the first time followed by the price crash.

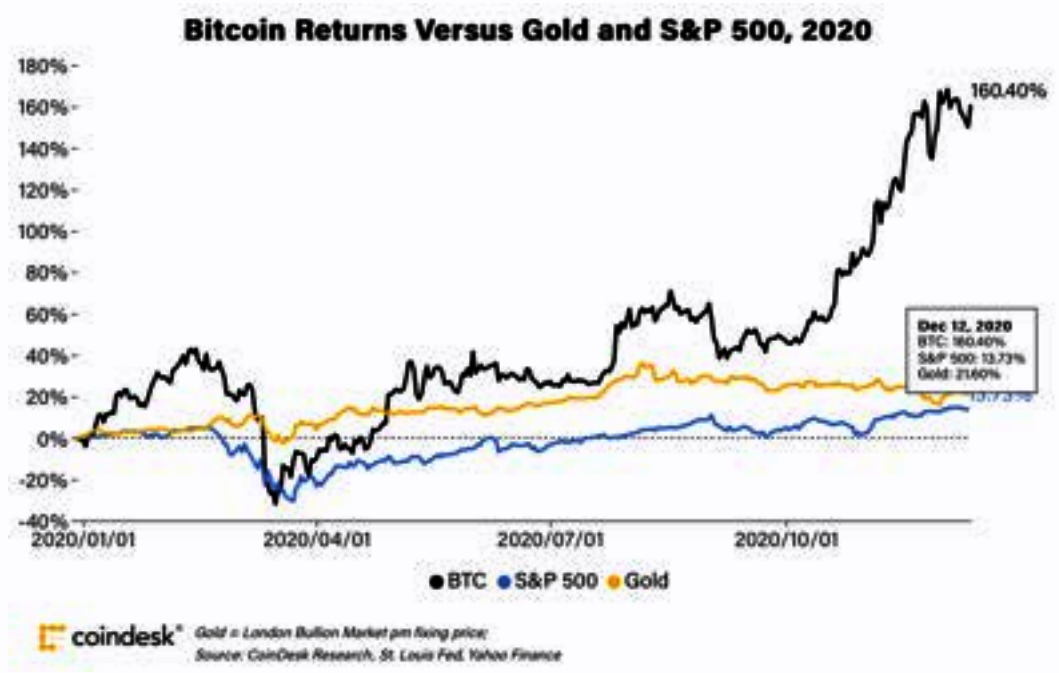
2014: Mt.Gox, one of the first prominent Tokyo-based exchanges, collapsed. It filed for bankruptcy after hundreds of thousands of bitcoins, worth millions of dollars, went missing, apparently in a hack.

2015: New cryptocurrencies including Ethereum and Coinbase came into the picture. Ethereum's arrival was signified by the advent of Initial Coin Offerings (ICOs). This brought smart contracts to the cryptocurrency world

2017: Bitcoin's value surpassed $10,000, adding to a steady rise in its popularity.
The long-awaited "Bitcoin cash hard fork" happens, dividing bitcoin into two derivative cryptocurrencies: BTC and bitcoin cash. Japan made Bitcoin a legitimate payment mechanism.

2019: Bitcoin's value increased again after Facebook and other corporations hinted at introducing their cryptocurrency. Facebook announced to launch "Libra" in 2020, a cryptocurrency supported by The Libra Association, an autonomous organization formed of member firms from diverse industries.

2021: This year was the best in cryptocurrencies' history. Bitcoin reached a high of $40,000 in January. There was no turning back once Tesla committed $1.5 billion on Bitcoin in February causing it to surpass $50,000, followed by an announcement by Elon Musk that anybody might buy a Tesla automobile with Bitcoin. Prices skyrocketed reaching an all-time high of $64,829.14 on April 14.
Later, Bitcoin crashed by roughly 50% as Elon Musk tweeted that Tesla will no longer accept Bitcoin payments for its vehicles owing to environmental issues around cryptocurrency mining.



The price of bitcoin continues to slump and has slided below $30,000, therefore wiping out almost all the cryptocurrency gains for 2021. The price of bitcoin had soared to above $64,000 in April this year but the recent market crash has brought gloom to the supporters of the currency. These sharp swings have again underlined the volatile and speculative nature of this digital currency. Factors such as regulatory crackdown in China and various tweets by Elon Musk cause

heavy fluctuations in the prices. The Chinese Banking Association ordered the country's financial institutions to stop providing cryptocurrency services on May 18 due to high volatility, putting downward pressure on bitcoin prices. The move sent digital currency prices soaring, with some currencies losing more than 20% of their value in a single day. Tesla had previously revealed that it had invested $1.5 billion on Bitcoin. Elon eventually stated that Tesla will also accept Bitcoin payments for their vehicles. The news elicited a roar of approval from the crypto community, and many new investors poured into the market. But later, Elon Musk broke the hearts of many investors with tweets that seemed to question the environmental impact of the asset and announced that Tesla would no longer be accepting payments in Bitcoin owing to the high energy consumption of Bitcoin in the mining process. This decision sent cryptocurrencies into a downward spiral.

Key Developments

El Salvador creates history

El Salvador became the first country in the world to adopt Bitcoin as legal tender after Congress approved President Nayib Bukele's proposal to embrace the cryptocurrency, a move that pleased supporters of the currency. Bukele has touted the use of bitcoin for its potential to help Salvadorans living abroad to send remittances back home while saying the U.S. dollar will also continue as legal tender. In practice, El Salvador does not have its own currency for individuals and would not bring risks to users, with the government guaranteeing convertibility to dollars at the time of transaction through a $150 million trust created at the country's development bank BANDESAL. Meanwhile, the World Bank has rejected El Salvador's request to help it in the implementation of Bitcoin due to concerns regarding environmental and transparency issues. However, the country is planning to mine bitcoins through the use of Geothermal energy. But how much geothermal energy El Salvador will be able to add in is a question that needs to be pondered upon.

Biggest Bitcoin conference hosted by Miami

Bitcoin 2021 Convention, a crypto-currency conference was held at the Mana Convention Center in Wynwood on June 04, 2021 in Miami, Florida. It was the world's largest Bitcoin gathering and the first major in-person crypto conference since the outbreak began. The city was a blazing fire of finance, technology, and happy chaos for a few days, of unimaginable prosperity and frantic striving. It was just another indicator that the often bizarre world of digital currencies was edging closer to mainstream acceptance, or at the very least, public intrigue. Even a precipitous drop in value from a high of $64,000 in April to $36,000 presently hasn't dampened spirits. County leaders have also created a task force to look into how residents

could use cryptocurrency as a form of payment for taxes, fees and services. One of the most anticipated events of the conference was a demo by skateboarding icon Tony Hawk, who gave one of the keynotes on Bitcoin and skateboarding as countercultures that have gone mainstream. Many crypto-related announcements were made throughout the two day conference, including how Bitcoin will be going to the moon later this year by robotics technology company Astrobotic.Bitcoiners from far and wide came to learn and network within the Bitcoin community and many believe the hype is real.

The Colonial pipeline ransomware cyberattack

Ambiguous marketplace regulations, the anonymity of identities, monetary transactions, and a rallying, hastily increasing cryptocurrency marketplace- it all makes for a heady concoction for new as well as skilled traders to take part in the crypto market. But what is tough to overlook is that this place is teeming with fraudsters as well, trying to make profits by exploiting the unaware and inexperienced crypto enthusiasts. Countries like the USA and Australia have seen a steady spiral in the number of crypto-related scams. Unfortunately, thanks to the inherent security standards built into the system, Crypto is widely used for illicit transactions, one of which was used to hold Colonial Pipeline ransom. On May 7, 2021 the pipeline system suffered a ransomware attack which was traced to an Eastern European hacking group known as DarkSide. With the assistance of the FBI, Colonial Pipeline decided to pay the ransom to resume operations. The Blockchain in itself may be secure but is not infallible. Every transaction information on a block is secured with a cryptographic key and is accessible by the person who has that key. The FBI managed to track down one of these keys that belonged to someone within the hacking group. How they got hold of the key remains a mystery but with the help of the key they were able to track the transactions back to a secure bitcoin wallet.

Indian Government's stance on crypto

After dithering over whether to legalise or prohibit cryptocurrencies, the Indian government has made a positive step toward regulating digital currencies in the country. Companies must now declare their crypto trading/investments during the financial year, according to the Ministry of Corporate Affairs (MCA). Experts consider it as a positive step forward and anticipate that the taxation regulations will be followed.This is seen as the first step in India's efforts to regulate cryptocurrencies.

Crypto asset accounting aims to prevent criminal activity and the circulation of black money using cryptos. More public disclosures can also help to strengthen corporate governance. The Centre has informed crypto enthusiasts that there would be no blanket ban on digital currencies and that it is still forming its final opinion on the subject.

While the RBI is plainly opposed to bitcoin as a medium of exchange, the government's position on the subject is unclear. Shaktikanta Das, the Governor of the Reserve Bank of India, stated that the central bank has raised some serious concerns with the government concerning crypto currencies.

The Reserve Bank of India (RBI) recently stated its opinion on cryptocurrencies, emphasizing that it has serious concerns about such assets and reiterating its long-held position on their use. “The RBI's position has not changed,” RBI Governor Shaktikanta Das stated. We have expressed our serious worries about cryptocurrency to the government. In terms of investors, it is up to each individual investor to conduct due diligence and make a very thoughtful and smart decision.” This comes after the RBI released a circular earlier this week emphasising that banks can no longer cite its cryptocurrencies circular as a reason for not marketing such products to customers, but must instead follow local norms, which are highly restrictive. Many private lenders have sent out emails to consumers warning them not to trade with virtual currencies, citing the RBI's circular from 2018. In a circular issued on April 6, 2018, the central bank forbade banks from dealing in cryptocurrencies or providing any services to consumers using them.

The Supreme Court overturned the guidelines on March 4, 2020, after the circular was challenged in court.

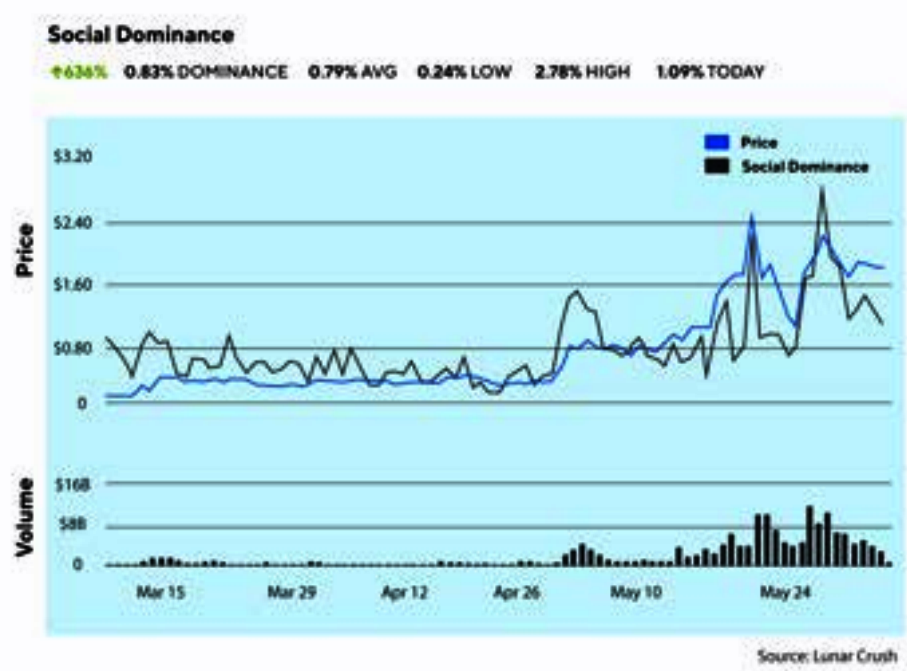
A peek into the working of Polygon

"Ethereum's Internet of Blockchains" is a name given to Polygon (formerly MATIC), an Indian blockchain scaling platform. It addresses several of Ethereum's current issues, including excessive fees, poor user experience, and low transactions per second (TPS). It also seeks to create an Ethereum-compatible multi-chain environment. Its creators have high intentions to make it the third-largest crypto project after Bitcoin and Ethereum, despite the fact that it is already among the top 15 cryptocurrencies.

The price of this coin is Rs 143 at the time of writing. Over the last year, the coin has increased by over 10,000 percent, and by over 125 percent in just one month. Polygon's amazingly low fees are gaining traction amid increased congestion on the Ethereum Network and escalating charges. Polygon may be able to take on additional projects as the demand for scaling networks grows.

Polygon's domination on all social media platforms has increased by 636% in the last three months, according to LunarCrush. This indicates that investors are more interested in the currency than they have ever been.

Additionally, billionaire investor Mark Cuban backed this Indian Blockchain startup. He announced that he had invested in Polygon, which can be seen on the portfolio section of his company's website. Cuban is well-known for his support for cryptocurrency.



Polygon, a cryptocurrency with Indian roots, has exploded in popularity. It has also partnered with a number of government-backed blockchain projects to help scale COVID-19 data. Over 400 apps, 76 million transactions, and approximately 790,000 unique users have used its scalability solutions. Its token, $MATIC, is traded on a number of major cryptocurrency exchanges.

China averse stance on crypto:

China has always been staunchly opposed to cryptocurrency. When the price of Bitcoin surged from $100 to $1,000 in a matter of months in 2013, China's central bank banned financial institutions from conducting Bitcoin transactions. In 2017, it also outlawed initial coin offerings (ICOs) and shut down domestic Bitcoin exchanges. However, in recent months, the government has stepped up its attack on cryptocurrencies, aiming to outlaw even their mining and trade.

Recently, Chinese Vice Premier Liu He and the State Council issued a warning, stating that “cracking down on Bitcoin mining and trading conduct, and resolutely preventing the transmission of individual dangers to the social field” was important.

This came after three Chinese state-backed financial groups expressed concerns about the risks posed by cryptocurrency volatility and advised their members, including banks and online payment companies, to refrain from providing any cryptocurrency-related services.

Last month, several cryptocurrency miners, including HashCow and BTC.TOP, ceased all or part of their operations in China following the government's warning. This had far-reaching implications, as Chinese miners are said to account for up to 70% of global crypto mining.

The People's Bank of China (PBOC)- China's Central Bank also met with a number of domestic banks and payment companies, including Alipay, to urge them to tighten cryptocurrency trading rules and to stop assisting cryptocurrency transactions. Several miners have been compelled to close or sell their machines in despair as a result of the crackdown. According to a Reuters storey, some of them are also going overseas to nations such as Kazakhstan.

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