

FAITH & PATIENCE

November 30, 2022

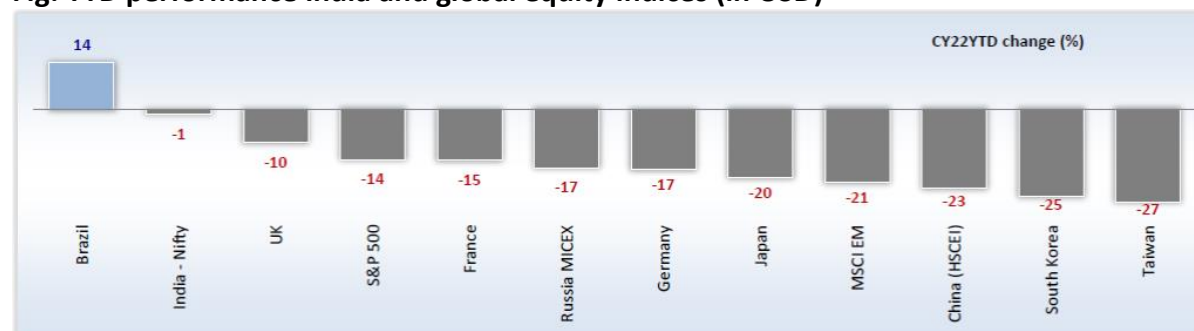
Overview:

For the month ended November 30, 2022, Nifty 50 index closed 4.14% higher over previous month's close. Mid and smallcaps underperformed large caps. NSE Midcap 100 index was up 1.93% and NSE Smallcap 100 index was up 2.99% over the previous month. Within sectors banks, financial services, oil & gas and information technology outperformed Nifty 50 whereas consumer goods, media, realty and pharma underperformed.

Sr No	Index Name	Nov-22
		M-o-M Change
1	NIFTY 50	4.14%
2	NIFTY Midcap 100	1.93%
3	NIFTY Smallcap 100	2.99%
4	NIFTY Auto	-1.12%
5	NIFTY Bank	4.66%
6	NIFTY Financial Services	4.43%
7	NIFTY FMCG	2.80%
8	NIFTY IT	5.79%
9	NIFTY Media	2.63%
10	NIFTY Metal	11.33%
11	NIFTY Pharma	-0.52%
12	NIFTY Private Bank	3.89%
13	NIFTY PSU Bank	15.59%
14	NIFTY Realty	2.62%
15	NIFTY Consumer Durables	-1.89%
16	NIFTY Oil & Gas	6.60%
17	NIFTY Healthcare Index	-0.26%

Source: National Stock Exchange of India

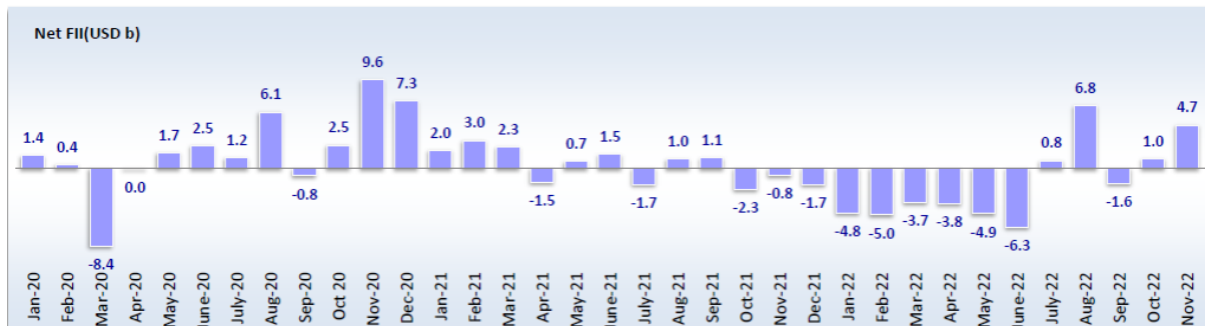
Fig: YTD performance India and global equity indices (in USD)



Source: Motilal Oswal Institutional Research

Foreign funds (FIIs/FPIs) were net buyers in November 2022 at 4.7bn with their net flows for calendar year 2022 now at negative USD16.8bn. Domestic funds while were net sellers in November but are strong net buyers on CYTD basis at USD33bn. SIP or systematic investment plans of Indian mutual funds, which are collections from retail or individual investors, are now garnering ~Rs.130bn or ~USD1.60bn per month.

Fig: Foreign fund flow trend (in USD bn)



Source: Motilal Oswal Institutional Research

Goods and Services Tax (GST) collections for November 2022 was up 11% at Rs.1.46trillion. This also the ninth month in a row where GST collections have remained above Rs.1.4 trillion. Strong GST collections indicates strength of India’s economy, little impact of global headwinds and more domestic nature of the economy.

Another indicator, widely used, for gauging the economy is consumption of diesel. Diesel sales were up 28% YoY in November 2022, while petrol sales were up 12%. Sequential growth in diesel sales also stood at 17% MoM basis. Diesel is mainly used as goods transportation fuel, also by farm equipment such as harvesters, tractors, trashers, for irrigation purposes and passenger vehicles.

Manufacturing activity in India rose at its fastest pace in 3 months with the S&P Global India Manufacturing Purchasing Managers’ index (PMI) rising to 55.7 in November up from 55.3 in October 2022.

Automobile registrations remained strong across ALL segments in November. Sales have picked-up on the back of improving supply chain, much improved semiconductor availability and large pending orders. Passenger vehicles registrations for YTFY2023 grew 30% YoY and 21% YoY in November 2022. Tractors continue to rise 62% YoY in November 2022 despite high base which is encouraging. Commercial vehicles registrations were up 47% YoY for YTFY2023.

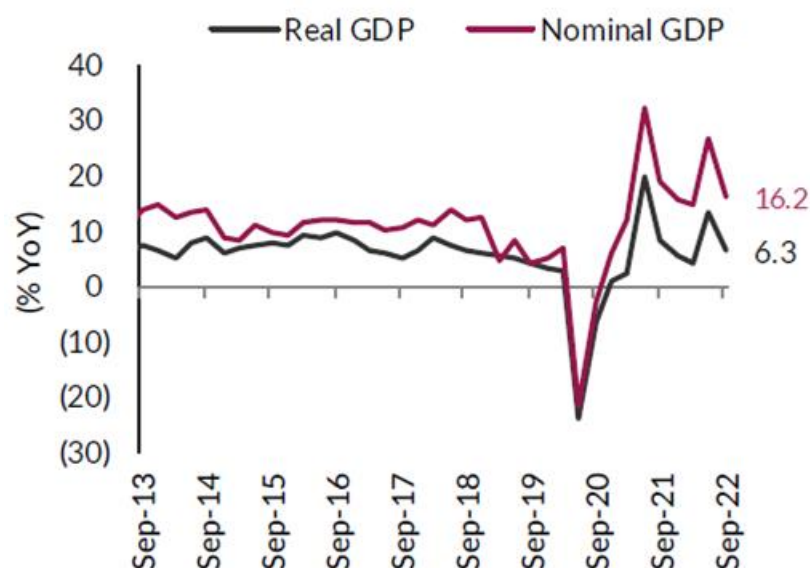
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Fig: Domestic retail registration trends

Particulars	Nov-22	Nov-21	YoY	YTDFY22	YTDFY23	YoY
PVs	2,96,883	2,46,225	20.6%	17,41,639	22,71,257	30.4%
2-Ws	18,45,815	14,88,616	24.0%	80,20,357	1,04,90,360	30.8%
Total -3W	74,446	41,280	80.3%	2,21,044	4,45,711	101.6%
3W-ICE	38,661	24,282	59.2%	1,33,152	2,19,395	64.8%
e-Rickshaw	35,785	16,998	110.5%	87,892	2,26,316	157.5%
CV	78,596	59,653	31.8%	3,92,885	5,78,032	47.1%
Tractor	78,001	48,233	61.7%	4,18,576	4,69,603	12.2%
Total	23,83,412	18,91,015	26.0%	1,08,49,946	1,42,55,721	31.4%

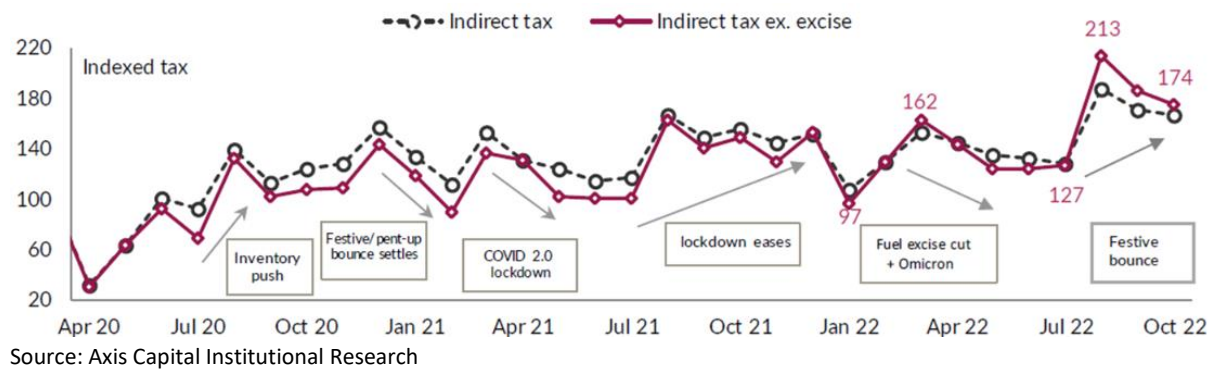
Source: ICICI Securities Institutional Research

Our view:



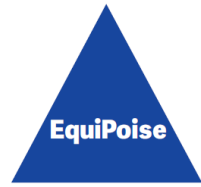
Notwithstanding global challenges, Indian economy, as per the quarter two numbers released by Government on November 30, is clearly on a strong trajectory which was set out by the Government post pandemic thanks to the policy measures taken during the pandemic and on an on-going basis. Tax collection - direct and indirect, has been encouraging thereby leaving enough room for Government to push capital expenditure. Domestic demand is strong and large thereby lowering India's dependence on global demand. Domestic investors rising shift towards financial savings, best seen through USD1.6bn monthly SIP book, is large, steady, and now provides the much-needed cushion in times of global volatility and foreign fund sell-offs due to global uncertainties.

Fig: Indirect tax collection buoyant over sustained domestic demand



Given this backdrop, we remain positive on Indian markets. With falling commodity prices (read as oil) and given India's high dependence on commodity imports, we expect a positive impact on demand and hence on corporate earnings.

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