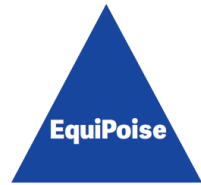


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March 31, 2023

Overview:

For the month ended March 31, 2023, Nifty 50 closed 0.32% higher over previous month's close. Large caps outperformed smallcaps and mid-caps. NSE Midcap 100 index was down by 0.27% and NSE Smallcap 100 index was down by 1.76% over the previous month. Within sectors metal, pharma, banks, oil & gas and healthcare outperformed Nifty 50 whereas auto, information & technology, media, realty underperformed.

Sr No	Index Name	Mar-23
		M-o-M Change
1	NIFTY 50	0.32%
2	NIFTY Midcap 100	-0.27%
3	NIFTY Smallcap 100	-1.76%
4	NIFTY Auto	-3.83%
5	NIFTY Bank	0.84%
6	NIFTY Financial Services	0.38%
7	NIFTY FMCG	2.15%
8	NIFTY IT	-3.25%
9	NIFTY Media	-0.28%
10	NIFTY Metal	4.33%
11	NIFTY Pharma	2.30%
12	NIFTY Private Bank	0.15%
13	NIFTY PSU Bank	1.58%
14	NIFTY Realty	-1.49%
15	NIFTY Consumer Durables	0.24%
16	NIFTY Oil & Gas	2.98%
17	NIFTY Healthcare Index	1.64%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were strong net buyers in March 2023 at INR125.8bn or ~USD1.57bn whereas domestic institutions were net buyers at INR280.6bn or ~USD3.42bn. For the financial year ended March 31, 2023, Indian markets were flattish despite continuing foreign funds selling throughout FY2023. In the last 18 months starting October 2021 to March 2023, as per NSDL data, foreign funds have been net sellers at nearly USD30bn. In FY2023 they were net sellers at USD5bn in the cash market. It is purely due to resilient and systematic monthly domestic retail investors' inflows that market have been able to absorb this heavy foreign fund selling.

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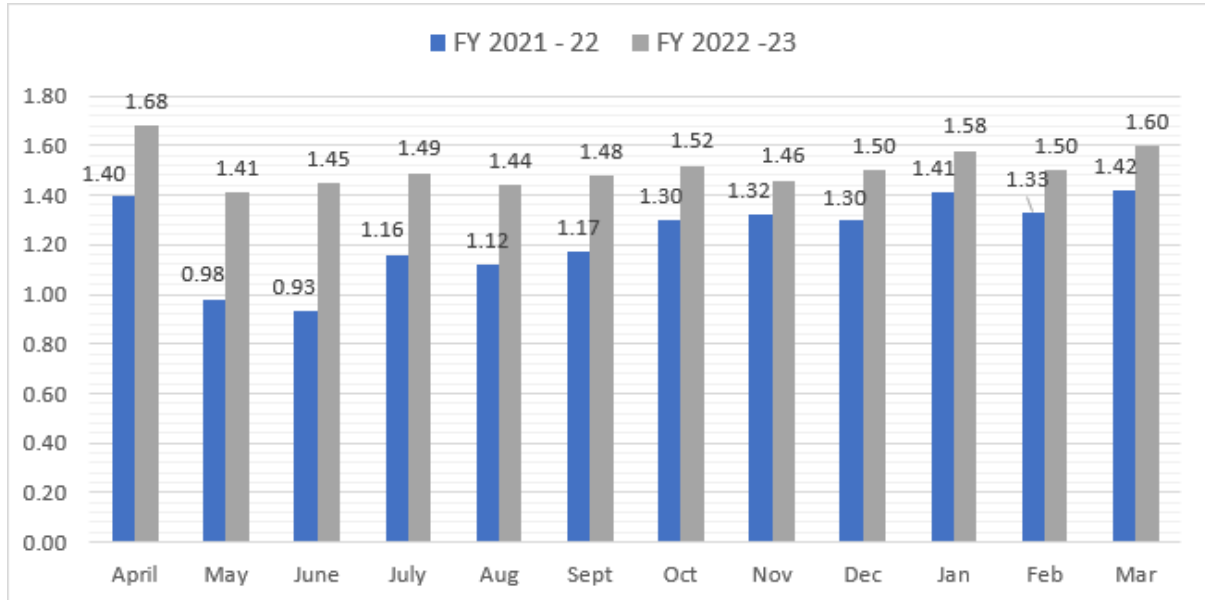
Fig: Global Indices change in FY2023 vs FY2022

Gainers	Index	% Chg in FY23
France [CAC]	7298.47	9.59
Germany [DAX]	15585.83	8.12
UK [FTSE]	7637.73	1.62
South Africa [Jalsh]	76240.64	0.98
Japan [Nikkei]	28041.48	0.79
India [Sensex]	58991.52	0.72
China [Shcomp]	3272.86	0.64
India [Nifty]	17359.75	-0.60
Losers	Index	% Chg in FY23
Malaysia [KLCI]	1422.59	-10.38
Taiwan [TWSE]	15868.06	-10.32
Korea [Kospi]	2476.86	-10.18
Phillipines [Pcomp]	6499.48	-9.77
Hong Kong [HIS]	20400.11	-7.26
Singapore	3258.90	-4.39

Fig in (Rs. Billion)		
Institutional Turnover		
Month	FPI	DII
Apr-22	-205.18	307.43
May-22	-376.63	508.36
Jun-22	-446.53	465.99
Jul-22	67.19	105.45
Aug-22	539.94	-70.69
Sep-22	-134.06	141.20
Oct-22	127.07	92.77
Nov-22	382.35	-63.01
Dec-22	-13.54	241.59
Jan-23	-299.5	334.12
Feb-23	-52.79	191.39
Mar-23	125.88	280.69

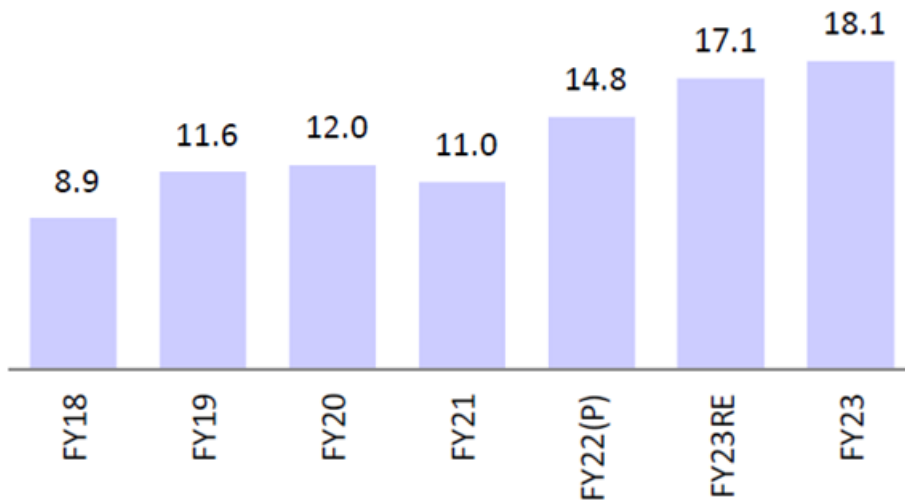
GST collections in March 2023 rose 12.7% YoY to touch Rs.1.60trillion, the second highest ever. Average monthly collections have gone up to INR1.5tn per month in FY2023 from INR1.2tn per month in FY2022. GST collections increased 21.8% in FY2023 which is further to the growth of 30.5% witnessed in FY2022. Overall, the government has collected INR18.1tn worth of GST through FY2023 compared with INR14.8tn in FY2022. FY2023 collections are ~INR1.0tn or 6% higher than FY2023 revised estimates of the Government. Thus, the government has a surplus tax collection in FY2023 which will aid its fiscal glide path.

Fig: Robust GST collections month-wise FY2023 vs FY2022 (INR trillion)



Source: Gol documents

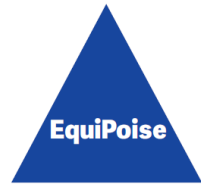
Fig: Yearly GST collections trend (INR trillion)



Source: GOI documents

Other macroeconomic indicators such as exports touching an all-time high of USD765bn in FY2023, car sales (up 27% YoY), jet fuel sales (up 26% YoY), manufacturing activity or PMI in an expansionary mode for 21 months in a row and touching a three-month high of 56.4 and net direct tax collections increased by 18% to INR16.6trillion in FY2023 point towards a strong economy. India's foreign exchange reserves rose for second straight week to touch USD579bn

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and gold reserves were up by USD1.37bn to touch USD45.48bn. India's current account deficit continued to moderate and declined to 2.2% of GDP which is another positive and points to benefits of lower commodity prices and surplus in services exports.

India unveiled a new foreign trade policy with a slew of benefits, logistics support, focus on e-commerce, internationalising Indian rupee and set a target of USD2trillion exports by 2030 (exports are at USD765bn in FY2023). Most importantly, India's logistics cost which is around 13% of GDP is targeted to be brought down to 7.5% by 2028 very close to the cost of around 8% in rest of the world.

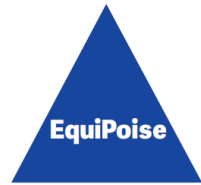
Digital payments through India's unique Unified Payment Interface (UPI) crossed a new record of Rs.14trillion (up 45% YoY) in March 2023 and the volume hit a new high of 8.65billion (up 60% YoY). This takes transparency in transactions to a different height, probably unprecedented anywhere in the world.

Our view:

While agriculture was by and large unaffected and manufacturing picked up post Covid-19 pandemic, it was the services part of economy, particularly travel and tourism which had lagged. This sector which generates huge employment and impacts the economy has picked up strongly. As per HVS Anarock, February 2023 was another strong month with hotel industry RevPAR (revenue per available room) being 13% above February 2019 (pre-Covid) levels. A key highlight for February 2023 was that pan-India hotel occupancy crossed 70%, the first time since the onset of Covid in February/March 2020. March 2023 and April 2023 are expected to see continued demand momentum driven by further recovery in leisure travel, business travel, MICE and the Men's Cricket Indian Premier League.

Anecdotal evidence also shows that travel and tourism is robust. Global luxury chain HYATT has plans to take its capacity from 8,500 currently to 10,000 rooms and target to have 50 branded hotels (43 currently) by year end 2023. Room revenue is up 125% of pre Covid levels. Despite that hotel industry is witnessing 175% growth in leisure and 80% growth in corporate business. Growth and demand is now coming from tier two and tier three cities across India. Another data point is airfares, which are up sharply and despite that there is no let-up in demand.

Going by the GST collections and direct tax collections, one thing is very clear, this Government has enough resources at its command to keep pushing capital expenditure and bring down fiscal deficit by sticking to its glide path. This Government prefers investment led growth in the economy rather than consumption boosting path which is inflationary. We remain constructive on the Indian economy, markets and sectors like infrastructure, defence manufacturing, tourism, telecom and logistics.



Risks remain in the form of aggressive monetary policy stance by global central banks, high inflation, oil production cuts by OPEC+, supply chain challenges, Ukraine war, and relentless foreign fund selling.

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