

FAITH & PATIENCE



April 30, 2023

Overview:

For the month ended April 30, 2023, Nifty 50 closed 4.06% higher over previous month's close. Small caps outperformed large caps and mid-caps. NSE Midcap 100 index was up by 5.86% and NSE Smallcap 100 index was up by 7.54% over the previous month. Within sectors auto, metal, pharma, banks, oil & gas, realty, and healthcare outperformed Nifty 50 whereas information & technology, media & consumer durables underperformed.

Sr No.	Index Name	Apr-23
		M-o-M Change
1	NIFTY 50	4.06%
2	NIFTY Midcap 100	5.86%
3	NIFTY Smallcap 100	7.54%
4	NIFTY Auto	7.72%
5	NIFTY Bank	6.46%
6	NIFTY Financial Services	6.11%
7	NIFTY FMCG	4.16%
8	NIFTY IT	-3.45%
9	NIFTY Media	0.87%
10	NIFTY Metal	5.49%
11	NIFTY Pharma	4.97%
12	NIFTY Private Bank	6.15%
13	NIFTY PSU Bank	12.15%
14	NIFTY Realty	14.91%
15	NIFTY Consumer Durable	1.00%
16	NIFTY Oil & Gas	4.80%
17	NIFTY Healthcare Index	5.14%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were strong net buyers in April 2023 at ~INR12.2bn or USD1.40bn whereas domestic institutions were net buyers at INR22bn or USD270mn. In the last 20 months, starting July 2021 to April 2023, as per NSDL data, foreign funds have been net sellers at nearly USD30bn. Despite this, the Nifty 50 index is up 15% over the same 22 months period. This is unprecedented and purely on the back of persistent and systematic monthly domestic retail investors' inflows that market have been able to absorb this heavy foreign fund selling.

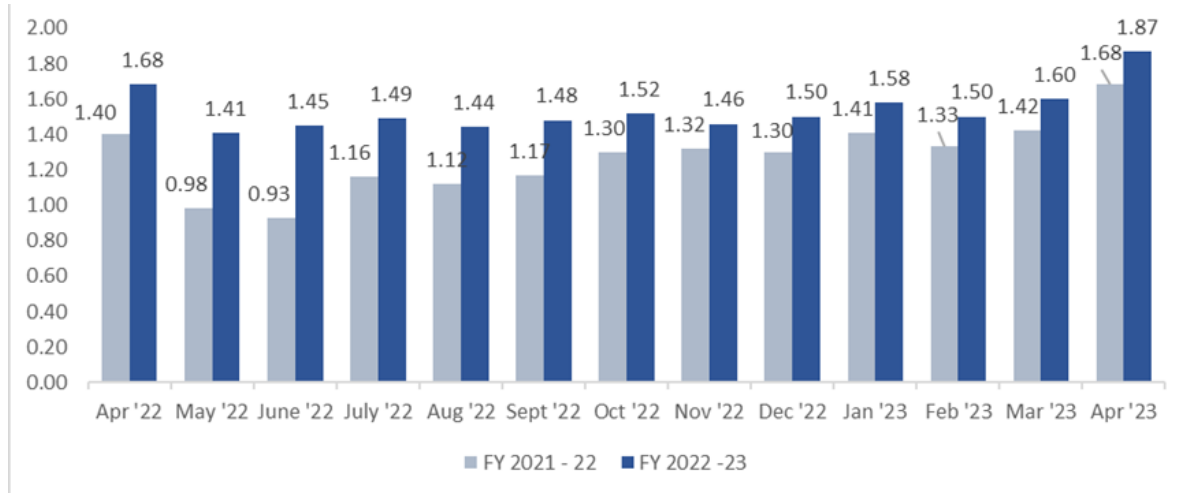
Fig: Trends in FII/FPI

	Gross Purchases(Rs Cr)	Gross Sales(Rs Cr)	Net Invt (Rs Cr)	Net Invt US(\$) M
2021	Equity	Equity		
May-21	8,75,933.95	8,47,412.05	28,521.90	3,947.09
Jun-21	1,73,403.79	1,63,796.78	9,607.01	1,327.39
Jul-21	1,25,783.51	1,43,265.53	-17,482.02	-2,342.77
Aug-21	1,64,806.21	1,70,910.84	-6,104.63	-817.98
Sep-21	2,27,327.16	2,15,468.33	11,858.83	1,616.51
Oct-21	1,93,954.54	2,08,430.22	-14,475.68	-1,931.62
Nov-21	1,70,483.40	2,04,283.06	-33,799.66	-4,535.99
Dec-21	1,86,030.02	2,18,719.57	-32,689.55	-4,333.13
2022			-	
Jan-22	1,33,562.64	1,61,805.59	-28,242.95	-3,784.65
Feb-22	1,34,016.93	1,69,608.91	-35,591.98	-4,742.25
Mar-22	2,09,501.86	2,50,625.00	-41,123.14	-5,384.94
Apr-22	1,60,545.44	1,77,689.19	-17,143.75	-2,236.23
May-22	1,58,300.29	1,98,293.51	-39,993.22	-5,178.19
Jun-22	1,57,955.38	2,08,158.19	-50,202.81	-6,429.51
Jul-22	1,56,227.74	1,51,238.95	4,988.79	618.05
Aug-22	1,96,072.45	1,44,868.03	51,204.42	6,441.95
Sep-22	1,97,488.85	2,05,112.51	-7,623.66	-903.08
Oct-22	1,82,129.53	1,82,137.82	-8.29	-0.52
Nov-22	2,03,549.91	1,67,311.25	36,238.66	4,425.66
Dec-22	1,84,173.08	1,73,054.09	11,118.99	1,355.15
2023				
Jan-23	1,49,078.28	1,77,930.30	-28,852.02	-3519.78
Feb-23	1,58,143.44	1,63,437.75	-5,294.31	-647.21
Mar-23	1,85,492.18	1,77,556.55	7,935.63	966.64
Apr-23	1,31,711.89	1,20,081.07	11,630.82	1,419.83

Source: NSDL/CDSL

On the macroeconomic front, India's GST collections in April 2023 rose 11.6% YoY to touch an all-time high of Rs.1.87trillion. The previous record high was Rs.1.68trillion. This is the fourteenth consecutive month that the GST collections have been above Rs.1.4trillion.

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

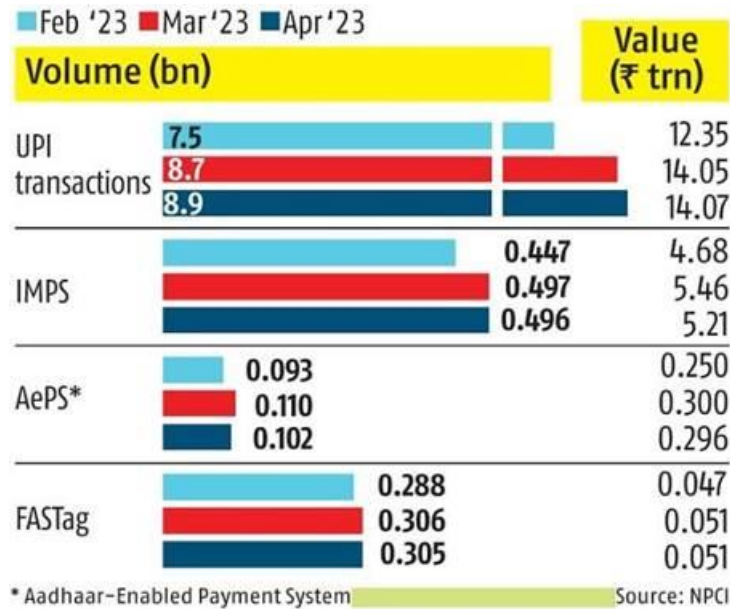


Source: Gol documents

Apart from GST collections other economic indicators and data have been quite encouraging, for example -

1. India's services sector which accounts for nearly 60% of GDP posted fastest expansion. S&P Global surveyed India's services PMI hit a **13 year high** of 62.
2. India's manufacturing PMI touched at **4 months high** of 57.2 on the back of robust demand as per S&P Global survey.
3. India's unique and home-grown digital payments interface UPI (Unified Payments Interface) based transactions touched a **record high** in April of Rs.14.07trillion in terms of value and 8.9billion transactions in volume.
4. India's diesel demand, a good indicator of goods transport, agriculture and overall economic activity, **increased by 7% YoY** in April.
5. India's organised retail sales **surged 34%** over the pre-pandemic period in FY2023 led by quick service restaurants, sporting goods and electronic items.
6. India's passenger vehicles/car sales **grew 13% YoY** in April and in absolute numbers touched 331,747 cars dispatched.
7. India's air traffic touched an **all time high** of 456,082 passengers in a single day on April 30, 2023. This is another indicator of economic growth and rising prosperity.
8. India's foreign exchange reserves rose by USD1.7bn to touch **USD586bn** marking the second consecutive week of increase.

Fig: Trends in UPI



Our view:

In recent times, news flow related to banking sector crisis in the US (and in one case in Europe) had caused volatility in the global markets and India was no exception. US Fed led rate hikes, US recession too had raised investor concerns on concurrent impact on India’s economy and domestic growth. There is some merit in the concerns as slowing growth in developed economies can impact India’s merchandise as well as software exports.

However, quarter four FY2023 earnings have expanded by ~21% YoY (ex-commodities) so far. We have seen the exhaustive list of economic indicators viz GST collections, PMI data, car sales, diesel sales, air traffic, retail sales, digital penetration etc. which clearly indicate that FY2024 too has started off on strong footing.

Despite severe production cuts by OPEC, oil prices remain subdued, thereby, improving the outlook for India’s economic growth as well as its current account. We remain watchful here.

Given the plethora of positive economic indicators and an investment led growth focused Government supported by relentless and unprecedented high tax collections, we remain upbeat on the Indian economy and maintain our positive bias towards domestic sectors viz banks, infrastructure, defence manufacturing, consumer goods, telecom and logistics.

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Risks remain in the form of unforeseen global events, actions by global central banks, oil production cuts by OPEC+, supply chain challenges, Ukraine war, and the resultant impact of these events on global and emerging market funds.

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(A division of EquiPoise Capital Management Pvt. Ltd.)

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