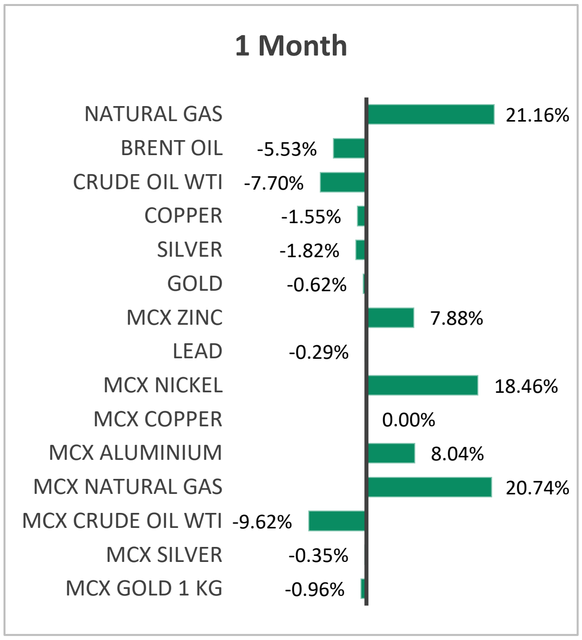
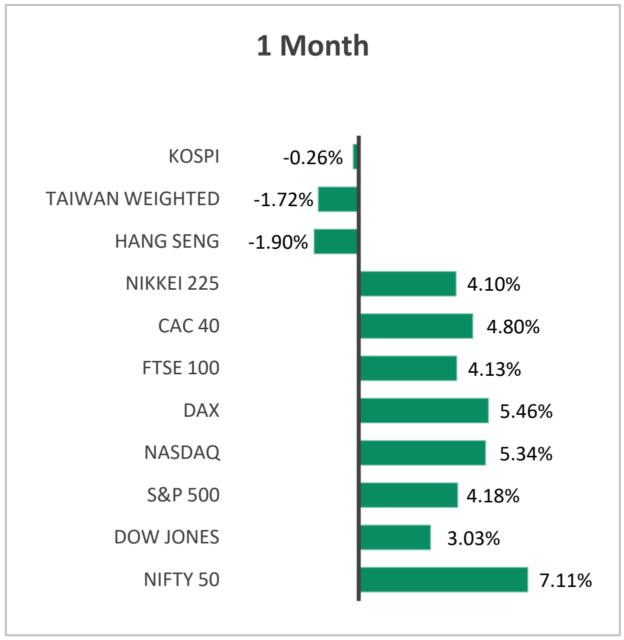
SMIFS Optimiser

PCG

April 06, 2022

The markets have seen a strong rebound as the shock from the sudden Ukraine – Russia tensions gave way to a risk- off sentiment in markets globally, though short-lived, while the impact of which is being felt across the globe, more pronounced in the smaller and weaker economies. Post COVID this is another major inflation trigger for the global commodities this time not limited to oil and metals and spreading into grains as well.



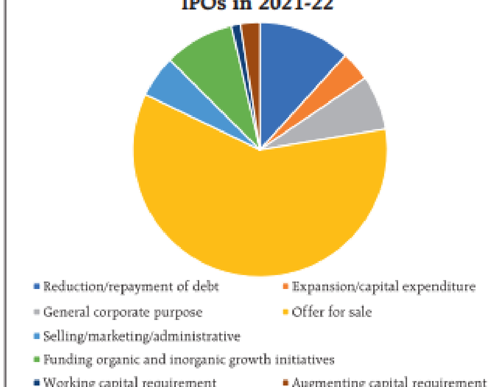


Indian equity markets have seen the best recovery among global markets during the month piling up gains of more than 7% for the month vis-a-vis the global average of 3-5%. While some Asian markets logged negative returns for the month.

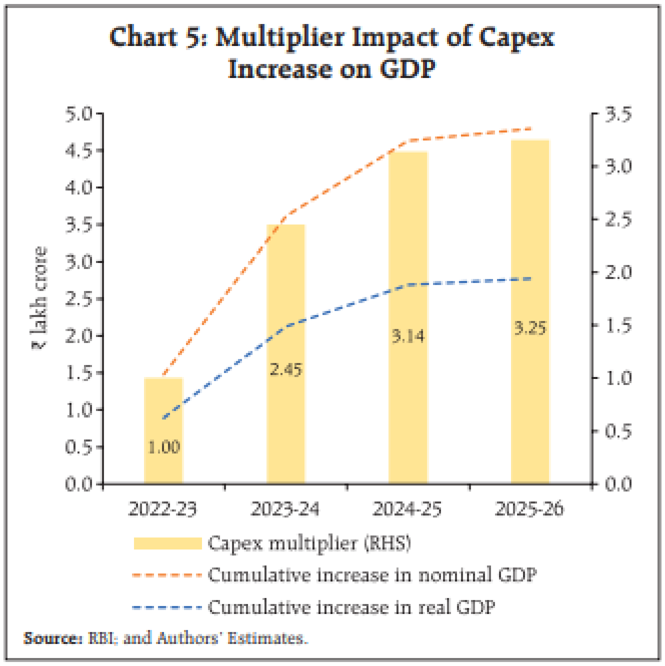
On a year-on-year (y-o-y) basis, non-food bank credit registered a growth of 8.0% in February 2022 as compared to 6.6% a year ago. Credit growth to industry accelerated to 6.5% in February 2022 from 1.0% in February 2021. Size-wise, credit to medium industries registered high growth of 71.4% in February 2022 as compared to 30.6% last year. Personal loans segment continued to expand at a robust rate and grew by 12.3% in February 2022 from 9.6% in February 2021, driven primarily by housing loans and vehicle loans.

In the primary markets, companies raised INR 1.38 lakh crore through 148 public/rights issues so far (up to February 2022). An analysis of mainboard initial during the public offerings (IPOs) that raised funds in this financial year reveals that while a substantial portion of the amount raised has been via Offer for Sale (OFS), primary mobilisation enabled companies to reduce debt and finance growth requirements.

Chart 40: Utilisation of Amount raised through IPOs in 2021-22



Note: Including PowerGrid InvIT IPO.
Sources: Offer documents; and RBI staff estimates.



The budgeted outlay for capital expenditure will release an additional investment of INR 1.48 lakh crore in 2022-23 (BE) vis-a-vis 2021-22 (RE). With a dynamic capital expenditure multiplier cumulating to 2.45 in 2023-24, 3.14 in 2024-25 and peaking in 2025-26 at 3.25, GDP growth will be pushed up by an additional 1.4 - 1.9% from 2023-24 to 2025-26. In other words, the additional investment of INR 1.48 lakh crore will produce additional GDP of INR 2.8 lakh crore in real terms or in constant prices over the four-year period that it takes for the capital expenditure multiplier to peak. At current prices, the additional GDP produced will be INR 4.8 lakh crore over the next four years (Chart 5).

Key indicators of debt sustainability have started improving after taking a hit during 2019-21. Going forward, Union government debt is projected to stabilise below 60% of GDP in the medium-term, but it is large at around 85%. Fiscal policy exits from crisis modes are much more difficult than going in; in the case of pandemics, it is excruciatingly so. Exiting policy makers have to contend with the razor's edge trade-off between cliffs and ramps. Globally all central banks have to grace this tight rope situation coupled now with the after effects of the Ukraine –Russia tensions and occasional COVID outburst in some country or the other furthering the pressure on the global supply chains. We expect gradual cooling off of oil and gas prices as we see lower demand post winter and additional supplies are poured into the market out of the reserves coupled with lowering of the geopolitical tensions. Earnings for the quarter may not look as rosy on YOY comparison as the base effect kicks in, which was favourable last quarter. The markets after having seen a time correction of nearly 7 months now, seem to have balanced for the exorbitant valuations that we were commanding as valuations now seem reasonable as India is relatively well placed vis-a-vis many other countries to comfortably wade through these uncertain times and is sitting on the cusp of a capex led economic recovery cycle.

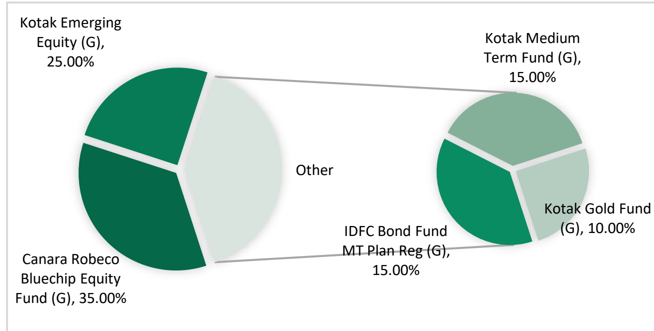
"Most people are too fretful, they worry too much. Success means being very patient, but aggressive when it's time." - Charlie Munger

Sharad Avasthi
Vice President – PCG, SMIFS Ltd.

MF Select

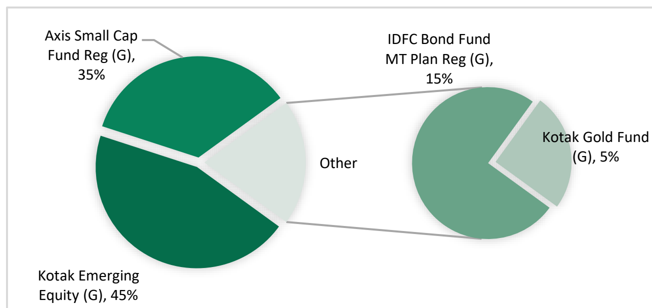
Profile: Conservative

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
Canara Robeco Bluechip Equity Fund (G)	17.81	19.41	16.00
Kotak Emerging Equity (G)	25.76	23.50	15.57
IDFC Bond Fund MT Plan Reg (G)	4.10	6.79	6.51
Kotak Medium Term Fund (G)	6.04	6.31	6.29
Kotak Gold Fund (G)	14.04	16.03	11.23



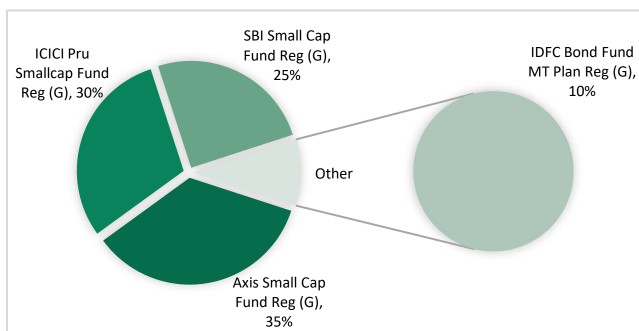
Profile: Moderate

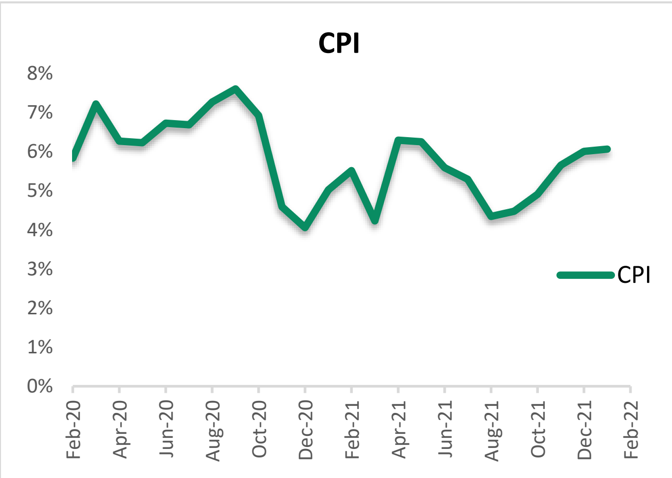
Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
Kotak Emerging Equity (G)	25.76	23.50	15.57
Axis Small Cap Fund Reg (G)	40.89	30.87	20.80
IDFC Bond Fund MT Plan Reg (G)	4.10	6.79	6.51
Kotak Gold Fund (G)	14.04	16.03	11.23

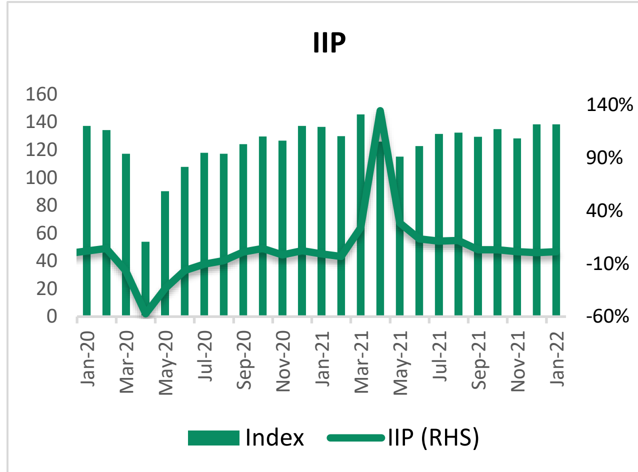


Profile: Aggressive

Scheme	1 Yr Return(%)	3 Year Return(%)	5 Year Return(%)
Axis Small Cap Fund Reg (G)	40.89	30.87	20.80
ICICI Pru Smallcap Fund Reg (G)	40.68	27.74	15.58
SBI Small Cap Fund Reg (G)	29.89	26.35	20.43
IDFC Bond Fund MT Plan Reg (G)	4.10	6.79	6.51




CPI
8%
7%
6%
5%
4%
3%
2%
1%
0%
CPI
Feb-20
Apr-20
Jun-20
Aug-20
Oct-20
Dec-20
Feb-21
Apr-21
Jun-21
Aug-21
Oct-21
Dec-21
Feb-22


IIP
160
140
120
100
80
60
40
20
0
140%
90%
40%
-10%
-60%
Jan-20
Mar-20
May-20
Jul-20
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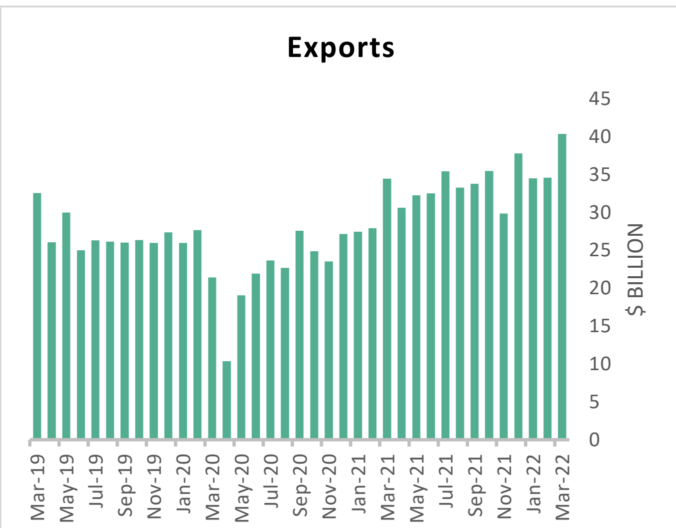
Jan-21
Mar-21
May-21
Jul-21
Sep-21
Nov-21
Jan-22
Index
IIP (RHS)


Exports
45
40
35
30
25
20
15
10
5
0
$ BILLION
Mar-19
May-19
Jul-19
Sep-19
Nov-19
Jan-20
Mar-20
May-20
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Nov-20
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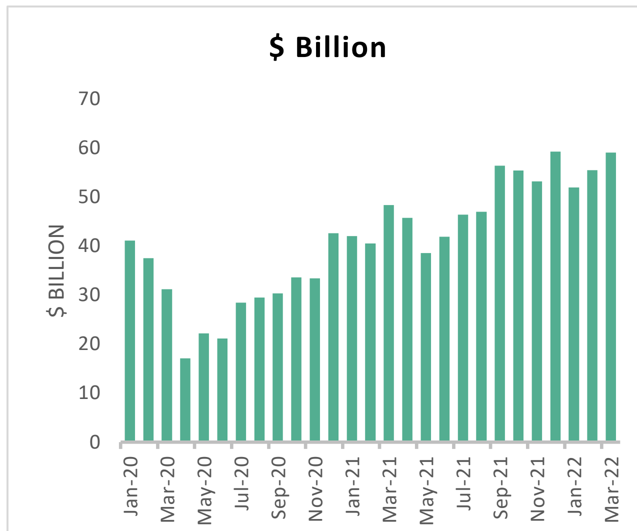
Nov-21
Jan-22
Mar-22


$ Billion
70
60
50
40
30
20
10
0
$ BILLION
Jan-20
Mar-20
May-20
Jul-20
Sep-20
Nov-20
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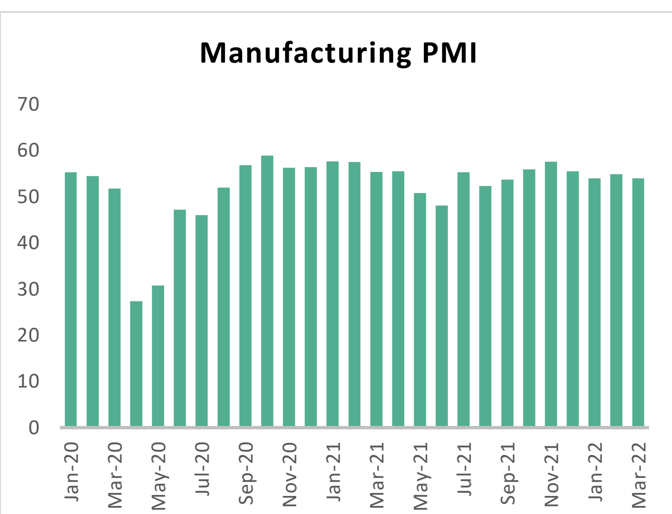
Nov-21
Jan-22
Mar-22


Manufacturing PMI
70
60
50
40
30
20
10
0
Jan-20
Mar-20
May-20
Jul-20
Sep-20
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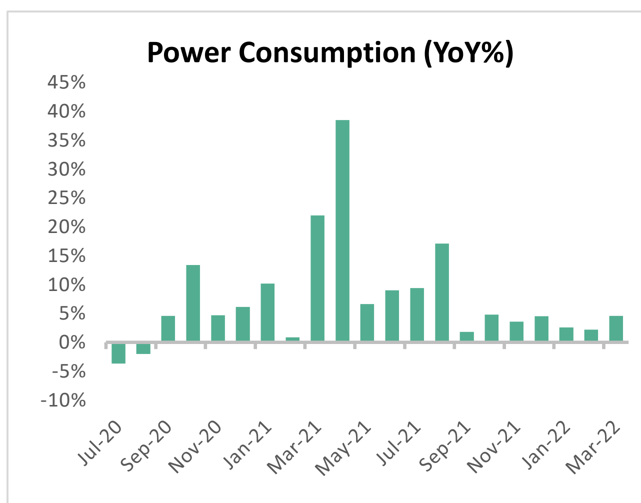
Nov-21
Jan-22
Mar-22


Power Consumption (YoY%)
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
Jul-20
Sep-20
Nov-20
Jan-21
Mar-21
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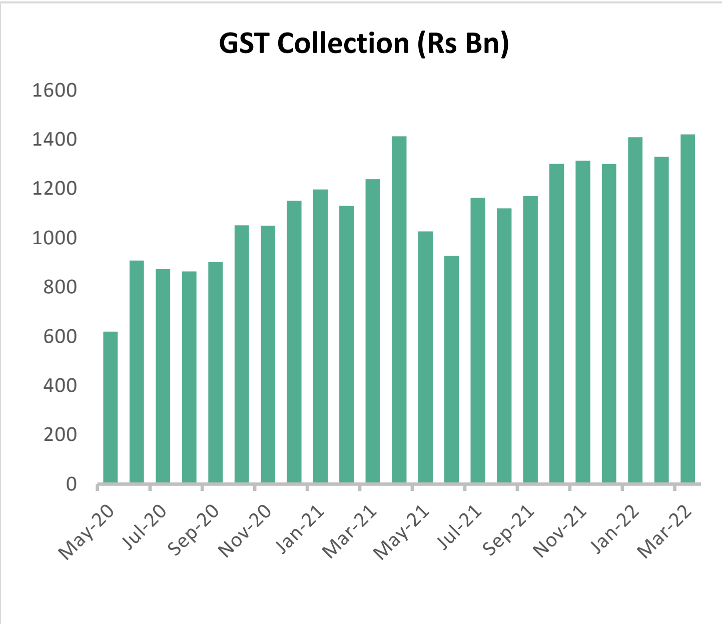
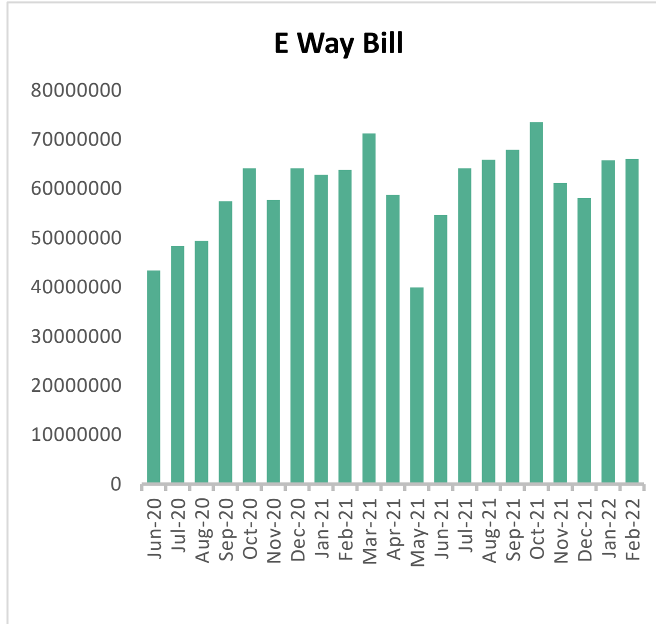
Jul-21
Sep-21
Nov-21
Jan-22
Mar-22


GST Collection (Rs Bn)
1600
1400
1200
1000
800
600
400
200
0
May-20
Jul-20
Sep-20
Nov-20
Jan-21
Mar-21
May-21
Jul-21
Sep-21
Nov-21
Jan-22
Mar-22


E Way Bill
80000000
70000000
60000000
50000000
40000000
30000000
20000000
10000000
0
Jun-20
Jul-20
Aug-20
Sep-20
Oct-20
Nov-20
Dec-20
Jan-21
Feb-21
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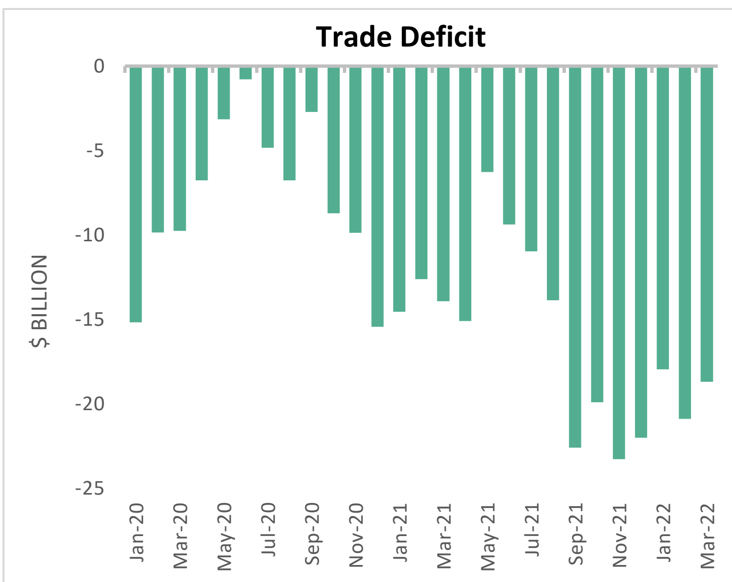
Dec-21
Jan-22
Feb-22


Trade Deficit
0
-5
-10
-15
-20
-25
$ BILLION
Jan-20
Mar-20
May-20
Jul-20
Sep-20
Nov-20
Jan-21
Mar-21
May-21
Jul-21
Sep-21
Nov-21
Jan-22
Mar-22

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