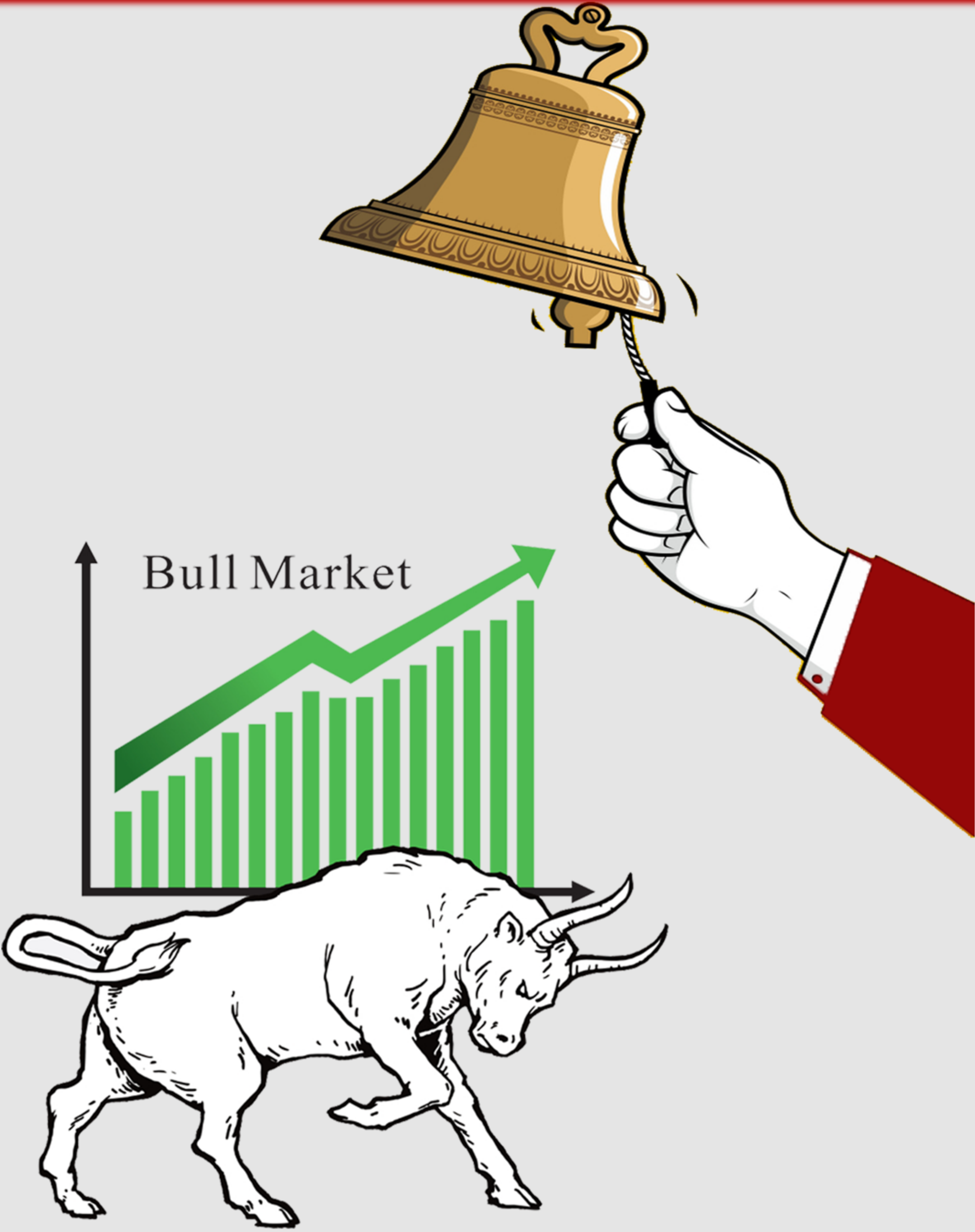
श्री LAKSHMISHREE

Gateway to your Financial Goals

Fresh All Time High...?

This May Impact Your Investments!!



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Why The Indian Market Is In A Sweet Spot

India is the top-performing market in the short-term among the top global markets, posting a return of 2.14 percent weekly and 2.91 percent monthly. However, in the calendar year 2023, its performance has been mediocre at best, a return of 10.43 percent, compared to 40.05 percent of Nasdaq.

The current rise in the Indian market coincides with the recently concluded G20 summit, where India was showcased in front of the world. Foreign investors were net sellers during the week, but domestic investors stepped in to salvage the situation.

Though foreign investors have been net sellers since August 2023, there is no denying the fact that India has now fortified its position in the emerging market basket, and it has China to thank for its dominance.

If anything, the G20 summit made it clear that India stands aligned with Western nations, which is good news for Indian markets. This positioning will help the country attract capital, which the Western nations have an excess of and are looking for investment avenues.

India has already increased its weight among the emerging markets, mainly at the cost of China. China has lost weight in emerging market equity fund portfolios over the last few years. China's weight in emerging funds' portfolios has fallen from around 35 percent to just over 25 percent. India, on the other hand, has seen its weight increase from an average of 8.5 percent in August 2020 to 13.4 percent in July 2023.

A survey done by the global fund flow tracker EPFR Global, across 57 emerging market fund managers found that the Indian market comes out on top for this group.

The MSCI Emerging Markets Index, with over $1.3 trillion chasing it, is one of the oldest and most widely tracked emerging market indices followed by passive funds. Every percentage change can result in an investment of $13 billion or roughly Rs 1 lakh crore.

The problem with the Emerging Market fund is that China is still a big component of the fund. Like an Index fund, say, Nifty Bees, that buys and sells all components of the index, any buying or selling in an Emerging Market fund results in fund movement in proportion to the country's weightage. Thus, even if a fund manager does not find China attractive but wants to invest in India, Taiwan, Indonesia and other countries, he cannot do so through the Emerging Market fund route.

The recent round of selling in India and other emerging markets is on account of US funds moving their funds out of emerging markets on fears of a hard landing in China.

According to Bank of America (BofA) investment strategist Michael Hartnett, top investors are rapidly selling off emerging market equities and shifting their focus to US stocks due to mounting fears of a potential global crisis. The latest BofA Global Fund Manager Survey revealed a significant surge in investor allocation to the US while witnessing a sharp decline in emerging market securities.

Hartnett summarized the survey, stating a dramatic shift in relative exposure, with a record increase in US investments and a corresponding decrease in emerging market equities, particularly as China's growth optimism plummets to lockdown lows.

Bank of America's survey indicated that none of the respondents anticipates a stronger Chinese economy, starkly contrasting the 78 percent who held such expectations in February. Investors participating in the Bank of America survey identified China's real estate sector as the primary source of the next global credit event.

As a result, allocation to US equities rose 29 percentage points in early September, in one of the biggest inflows recorded by Bank of America. Meanwhile, allocation into emerging market stocks fell 25 percentage points to just 9 percent overweight, the smallest overweight share since November last year, mainly reflecting outflows from China.

Thankfully, there is an important development for India and other emerging markets. Just like asset management companies (AMCs) launched Asia-ex-Japan funds and indices at the turn of the century, there is an emerging trend of launching Emerging market-ex-China funds.

On 31st August 2023, UBS Asset Management launched the UBS ETF MSCI Emerging Markets ex-China UCITS ETF (EMXCN). The fund will invest in 23 emerging economies, excluding China. UBS is not the only asset manager to do so. Lyxor MSCI Emerging Markets ex China UCITS ETF (EMXC) joins funds from Amundi and BlackRock that are giving investors a choice to invest in emerging markets other than China.

Besides this US is getting tough on funds investing in blacklisted Chinese companies. A US House of Representatives Committee recently launched an investigation into Fund managers and index providers – including MSCI – for facilitating investments in blacklisted Chinese companies. India stands to benefit from the geopolitical standoff between the West and China.

With bigger players like UBS joining the Emerging Market ex-China fund, money flow into Indian markets can increase in future. While the short-term return in the Indian market may be due to domestic investors, the long-term investors are getting ready in the West.

G20 Fails To Lift The Cloud Over Climate Course

Coming less than three months ahead of the COP28, the G20 leaders' meeting in New Delhi over the last weekend had the opportunity to build a platform for charting a concrete climate course in Dubai in late November.

Given India's leading and vocal role in the global climate crusade, there was much curiosity about whether the New Delhi declaration would be bold and ambitious in its commitment to a cleaner environment.

As is the case with most climate-related documents churned out at different global conferences, the text of the Delhi declaration captures well the intent of the G20 countries, responsible for 80 percent of global greenhouse gas emissions, to meet the Paris Agreement goals. But a lack of details on how these worthy objectives will be achieved leaves one wondering whether the commitments made in New Delhi are any better than the promises made earlier.

While discussing climate and associated issues, the Delhi declaration makes laudable mentions of renewable energy and energy efficiency targets, as well as energy transition goals. But the agenda for the forthcoming UN Climate Conference in Dubai that was released by COP28 president designate Sultan-Al-Jaber in July already includes the objectives of tripling renewable energy capacity, doubling energy efficiency, and doubling hydrogen production by 2030. These will be critical in keeping global warming under 1.5°C over pre-industrial levels, Al-Jaber said then.

So, much of the G20 Delhi document on climate change is a mere reiteration of what has already been said or planned. Perhaps the most frustrating part of the document is its stand on the phaseout of fossil fuel.

The last clause of Para 38 of the G20 New Delhi Leaders' Declaration says, "Recognise the importance to accelerate the development, deployment and dissemination of technologies, and the adoption of policies, to transition towards low-emission energy systems, including by rapidly scaling up the deployment of clean power generation, including renewable energy, as well as energy efficiency measures, including accelerating efforts towards phase-down of unabated coal power, in line with national circumstances and recognising the need for support towards just transitions."

This sounds similar, if not identical, to what was agreed upon during the Bali G20 summit last year. The Bali document on fossil fuels was somewhat of a compromise text, which endorsed "phasing down" and not "phasing out" of coal.

This was the stand taken last year at the COP27 in Glasgow too on New Delhi's demand as India is wary of jettisoning the use of coal, particularly for thermal power, because of the country's industrial development.

However, India has been insisting that the definition of fossil fuel should include hydrocarbons such as oil and gas. But the Delhi declaration proves that New Delhi's demand has fallen on deaf ears.
The current G20 stand on fossil fuel, therefore, casts a long shadow on the patent slogan of "just (energy) transitions" as frequently mouthed by the developed as well as developing nations.

According to climate experts, the G20 summit failed to acknowledge the need to phase down all fossil fuels — coal, oil, and gas. This does not bode well for COP28 as the Global Stocktake — a key UN report released last week that lists countries' efforts to reduce greenhouse gas emissions — emphasises the need for bold collective action. Tackling climate change will need a rapid transformation of the way the world lives, works, travels, and uses energy, the UN report said.

What's deepening apprehensions is that the G20 declaration does not specify steps on climate-related financing to help economically weak countries achieve the long-term goal of capping temperature rise. Poor and heavily indebted nations suffer more from climate change than the developed nations, and they urgently need money for just energy transition.

While the Delhi declaration called for a second replenishment process of the Green Climate Fund (GCF) for its upcoming 2024–2027 programming period, it was the UK that stole the show with a $2 billion contribution to the GCF. Climate funding has been a big beef between the developed and developing nations with the latter insisting on "differentiated responsibilities" of the rich. Despite the promise of big numbers, little has materialised so far by way of actual funding. Speaking at the G20 Leaders' Summit in New Delhi last Sunday, IMF chief Kristalina Georgieva said G20 members must lead by example in delivering on the promises of $100 billion per year for climate finance.

With the prevailing El Niño phenomenon that is triggering extreme weather conditions across the globe, one would have expected the New Delhi G20 summit to be more target -oriented in its climate commitment. But the Delhi declaration left the possible heavy lifting to be done at the climate conference in Dubai later this year.

Look What Our Research Analyst Has To Say...

Nifty has give a bullish breakout of a pole and a flag pattern and also has risen to fresh All time high and is trading in a steep bullish trajectory. The current rally has had 9 green days against one red day which is a sign of short term exhaustion but no sign of reversal are visible on price action apart from the indecisive candle formed on Fridays trading. Hence Fridays low of 20,129 will act as a major support and any breach below same will head to test the breakout point of 20,000 and 19,800 odd levels.

On the contrary if the index manages to sustain above 20,225 then 20,,400 is highly likely on the index. We remain bullish on the markets as long as nifty sustains above 20,000 with a view of 20,400 and 20,700 in the weeks to come.

Anshul Jain

Sr. Research Analyst

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Sector To Watch

CEMENT SECTOR

In August 2023, despite seasonal challenges, the all-India average cement price saw a slight decline of 0.6% MoM (equivalent to INR 2 per 50kg bag) and remained stable in the second quarter of FY24 (QTD). Cement manufacturers raised prices by INR 30-35 per bag in the Eastern region at the beginning of September 2023, with an additional hike of INR 30 per bag announced for certain markets. However, the sustainability of these price increases, especially during the upcoming festive season and in the highly competitive East region, warrants close monitoring.

Cement demand remained robust due to factors such as a weak monsoon, increased pre-election spending, infrastructure development, real estate demand, and industrial projects, with volumes expected to rise by approximately 7% YoY in July 2023 and even higher by 10-12% YoY in August 2023. Despite a 0.6% MoM decrease in the pan-India average cement price in August 2023, it increased by approximately 3% YoY. Regional price fluctuations included a decrease in the North, West, and South, while prices remained flat in the Central and East regions. The West saw a strong demand recovery in August 2023, particularly in Gujarat, with volume expected to jump by approximately 30% YoY in July-August 2023.

Overall, the cement industry is poised for positive dynamics in the coming years, driven by increased demand from infrastructure and housing sectors, industry consolidation, cost-efficiency measures, and a focus on product premiumization.

Stock To Watch

Grasim

Market Cap.	EPS	Net Profit	ROE	Promoter Holding
₹ 1,29,902 Cr	₹ 98.3	₹ 10,896 Cr	8.85%	42.8%

Grasim Industries Limited, the flagship company of the Aditya Birla group and one of India's largest private sector firms, reported strong financial and business performance. Consolidated revenue increased by 11% year-on-year to ₹31,065 crore, while standalone businesses' revenue reached ₹6,238 crore with an effective tax rate of 12%.

The company saw improved performance in its standalone businesses, driven by a recovery in the viscose sector, although the caustic soda business experienced a revenue decline, while specialty chemicals remained stable. Grasim is also set to enter the decorative paints market and has launched a B2B e-commerce platform called "Birla PIVOT" for the construction industry.

Sustainability efforts are a priority, with a focus on reducing water consumption, emissions, and increasing renewable energy usage. Despite a volatile global macro environment with interest rate hikes and industry slowdowns, Grasim expects to maintain its market share in the viscose business and has no immediate plans for further investments in certain sectors.

Ultra Tech Cement

Market Cap.	EPS	Net Profit	ROE	Promoter Holding
₹ 2,51,976 Cr	₹ 179	₹ 5,182 Cr	9.63%	60%

UltraTech Cement, a leading cement manufacturer primarily operating in India, boasts an impressive manufacturing capacity of 114 million metric tons per annum (mtpa) with a utilization rate of 77%. The company comprises 23 integrated plants, 27 grinding units, seven bulk terminals, two white cement and putty plants, and over 100 ready mix concrete plants. Its reach extends beyond India to the UAE, Bahrain, Bangladesh, and Sri Lanka, with no single region contributing more than 25% of its sales.

UltraTech Cement holds the title of India's largest cement company and the world's third-largest (excluding China), with over 100 MnTPA of manufacturing capacity in a single country. It markets a range of brands, including Ultratech Cement, Ultratech Concrete, and more. The company boasts an extensive distribution network, research and development initiatives, and ambitious goals related to debt reduction, sustainability, inorganic growth, and volume expansion.

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