श्री LAKSHMISHREE

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From Managing Director's Desk To Readers

SEBI clears way for launch of silver exchange-traded funds in India

Capital market regulator Securities and Exchange Board of India (SEBI) in its board meeting on September 28 approved the idea of launching silver exchange-traded funds (ETFs) in India.

At present, Indian mutual funds are allowed to launch ETFs tracking only one commodity - gold. Gold ETFs together manage assets worth Rs 16,349 crore as on August 31, 2021, as per data released by the Association of Mutual Funds in India. This is in addition to the money invested in sovereign gold bonds that track gold prices and are issued by the Reserve Bank of India on behalf of the Government of India. Precious metals, especially gold and silver, are an important asset class for many Indians.

The launch of ETFs tracking prices of silver and crude oil has been a long-standing demand of investors and the mutual fund industry. Silver has been an integral part of investors' commodity portfolio globally. As per etfdb.com, five silver ETFs account for assets worth USD 13.7 billion. iShares Silver Trust is the largest ETF tracking silver prices, managing assets worth USD 12.4 billion. The ETF has lost 1.69 percent over the last one year. The expense ratio of these ETFs tracking silver ranges between 30 and 95 basis points.

Meanwhile, gold ETFs too have benefitted from the gold price rise in recent years; barring recent volatility where it has lost 8.69 over the last one year. Overall though, smart investors have benefited by gold price movements, but in a paperless way that gold ETFs and sovereign gold bonds offer, without the botheration of holding and storing physical gold.

Silver ETF Details

The fund manager or custodian of a silver exchange-traded fund (ETF) invests primarily in physical silver assets held in trust. Silver ETFs, which are normally set up as grantor trusts, provide each share represented by the ETF a precise right to a certain amount of silver. Silver has long been the focus of commodities portfolios around the world. These silver-tracking ETFs have cost ratios ranging from 30 to 95 basis points.

When compared to gold, silver has a higher volatility. For the gold ETFs they administer in India, mutual funds must purchase actual gold. The regulator is expected to stick to its policy of requiring fund houses to own physical silver bars in order to participate in silver ETFs. A gold ETF unit, according to the Association of Mutual Funds in India (Amfi), represents actual gold in paper or dematerialized form.

One gram of gold is equal to one Gold ETF unit, which is backed by actual gold of extremely high purity. Silver is used in a variety of industries in addition to being a precious metal. Electronic items and electric vehicles are also made with it. For astute investors, silver can serve as a stand-in for such emergent themes.

How do silver ETFs work?

In the developed markets, the asset management companies launch exchange-traded funds that track silver prices in two ways. While some schemes replicate the returns in silver by use of derivatives (investing in futures), others prefer to buy physical silver bars for the same. Some ETFs also offer leveraged exposure to the underlying metal. These schemes offer two times the returns offered by the underlying on either long or short side as defined by the scheme objective. The leveraged ETFs charge on the higher side of the expense ratio mentioned earlier.

Silver is more volatile in nature compared to gold. In India, mutual funds have to buy physical gold for the gold ETF they manage. The regulator is expected to continue with the same practice of making fund houses own physical silver bars for silver ETF.

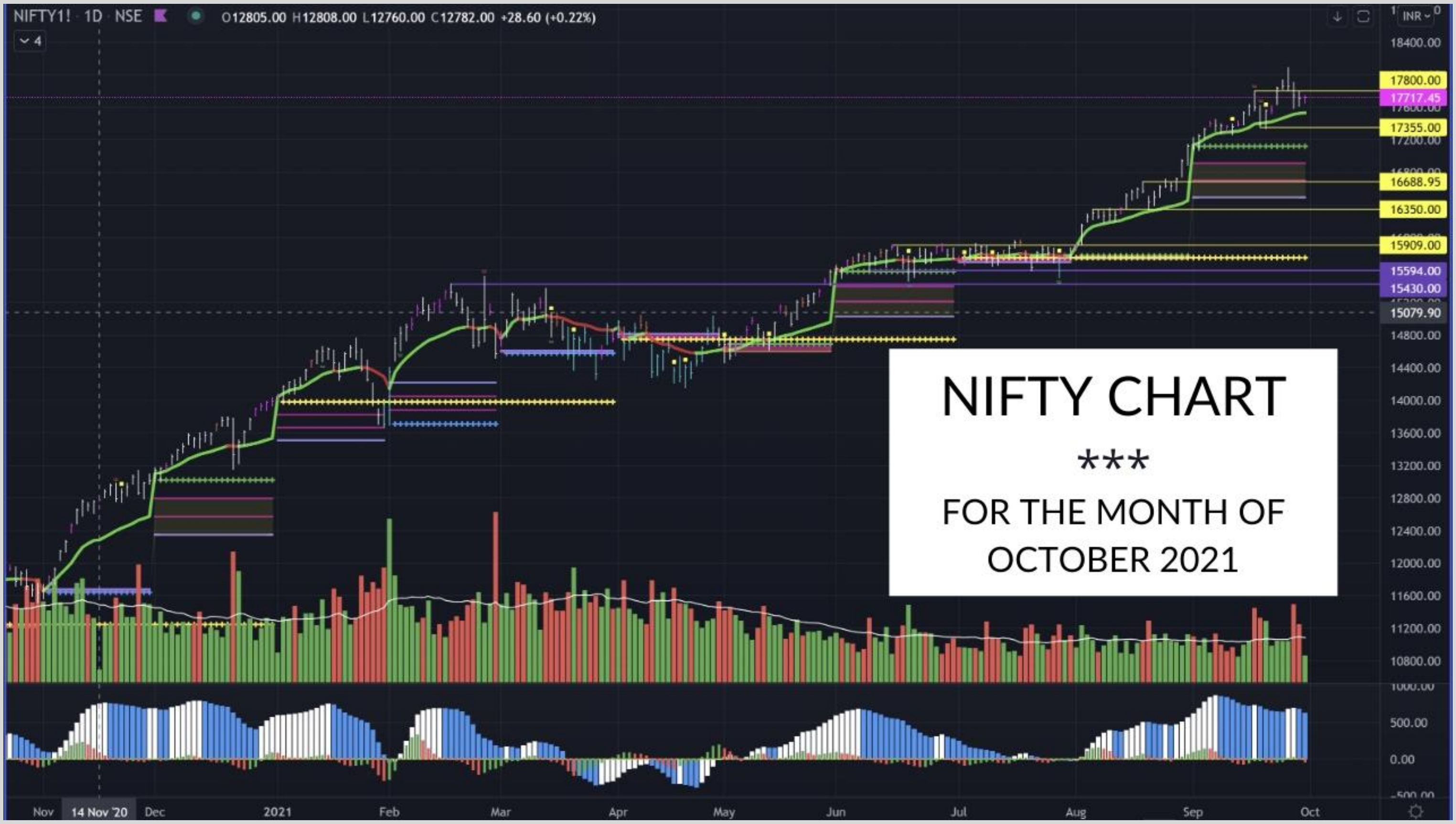
Silver not only acts as a precious metal but also has many industrial uses. It is also used in the manufacturing of electronic goods and electric vehicles. Silver can be a proxy play on such emerging themes for savvy investors.

As of now, buying physical bars and trading in commodity futures on commodity exchanges are the way to take exposure to silver. Some savvy investors can tap the silver ETF using the overseas investment route. However, an Indian mutual fund launching a dedicated silver ETF will make investing in silver truly accessible.

Salil Shah

Managing Director
Lakshmishree Investments & Securities Pvt Ltd

Look What Our Research Analyst Has To Say...



September was a full trending month on the index with a major catchup by the Banknifty that is a major contributor in terms of percentage on NIFTY. The banking index will hold the key for the month of October and only if there is a sustain move above 38200 on the banknifty, Nifty will lead a rally towards 20000. The other 2 heavy weight index Metals and IT are looking tiring and are due for a profit booking and a corrective down wave which will exert downward pressure on NIFTY. Hence for the month of October we expect a range bund action and energy building for the next leg of up move. On the price chart 17950-18150 will be a major supply zone and only a strong heavy volume close above the same will trigger fresh breakout. Incase of the anticipated breakout the index will head to test 20000. The continues funds flow for domestic investors has been the back bone of the current bull market as all the big selling figures of FII's were absorbed by the domestic funds. Ading to the liquidity is the positive measures from the government like the Asset monetization and bad back which will cleanup many balance sheet and provide the liquidity to the system. This overall cleanup exercise will be a major booster for the overall sentiment and a big positive for banking. On the downside the line in the sand is now placed at 17355 and a close below the said level will trigger in the much awaited correction which will pump in fresh liquidity waiting on the sidelines to enter the current bull run.

Anshul Jain

Research Analyst

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Stocks To Watch

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1. Steel Strips Wheels Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Chemicals	Rs. 725.7	Buy at LTP & add more on dips at Rs. 650	Rs. 795	Rs. 844	2 Quarters

Shree Varahi Scrip Code	JUBLINGREA
BSE Code	543271
NSE Code	JUBLINGREA
Bloomberg	JUBLINGR IN
CMP Sept 29, 2021 (Rs)	725.7
Equity Capital (Rs cr)	15.9
Face Value (Rs)	1
Equity Share O/S (cr)	15.9
Market Cap (Rs cr)	11559
Book Value (Rs)	121
Avg. 52 Wk Volumes	1529080
52 Week High	803
52 Week Low	244

Share Holding Pattern % (Jun, 2021)	
Promoters	50.9
Institutions	20.1
Non Institutions	29.0
Total	100.0

Our Take…

Jubilant Ingrevia has presence across mainly three segments Speciality Chemicals (33% of revenue), Nutrition and Health Solutions (18%) and Life Science Chemicals (49%), with strong backward integration and a leading market position. About 25% of Life Science Chemicals (LSC) volumes and 45% of pyridine and picolines (speciality chemicals) are consumed in house, leading to retaining of higher profit across the value chain. During FY21, the company derived about 54% of its revenue through exports and deemed exports. Company has a diversified customer base with the top 10 customers accounting 20-25% of total revenue. Jubilant has 60+ products in pipeline across its business segment. It includes 32 in Speciality Chemicals, 24 in Nutrition & Health Solutions and 7 in Life Science Chemicals. Company is the largest producer of Niacinamide. It has 19% global market share in Vitamin B3 and 60% domestic share in Vitamin B4 market. In Speciality chemicals, the company serves 15 of top-20 global pharma and 7 of top-10 global agrochemical companies. It is a 'Partner of Choice' in CDMO services with a strong pipeline catering to 420 clients globally and has a strong track record of building diversified scale and capacities across niche categories. The company enjoys a strong moat of being a lowest cost producer of Pyridine –Beta & all value added products globally.

Jubilant has five manufacturing facilities across India and a diversified end-consumer base (pharma: 35%, Nutrition: 21%, Agro: 18%, Industrial: 23%). Company manufactures over 100 products and sells to 1,400 customers globally. Speciality Chemicals and Life Science Chemicals business tend to induce volatility in operating margin, given the cost-plus structure, however, the company is looking to invest in niche segments like Diketene products, which would lower volatility and improve margin in the segment. Currently, in India Diketene derivatives are imported however post the commissioning of the facility (i.e. from Q4FY22), the import dependence would reduce. Company has a strong research and development pipeline of over 60 molecules, which would ensure launch of new molecules over the next three-to-four years, aiding revenue growth. Jubilant has planned a capex outlay of around Rs 900cr over the next three years and out of that Rs 360cr to be spent in FY22. Company guides to double its revenue by FY26 led by scale up in the existing products and new products launches across its products segments.

Valuations…

Specialty Chemicals has high entry barriers on account of extensive R&D focus and long gestation period before getting approvals from customers. Life Science Chemicals business witnessed strong margin expansion over the past two quarters, which is expected to moderate in H2FY22. We estimate 14.5% CAGR in revenue led by double digit growth across all verticals. We project EBITDA/PAT CAGR of 20.5%/28% over FY21-23E led by strong margin and lower finance cost. Management has guided for strong growth in FY22 along with margin improvement. The low leverage, despite capex, would be driven by a healthy EBITDA generation and cash flow from operations as benefits of capex incurred in the past begin to show from Q4FY22. The fluctuations in the margin would remain depending on the prices of key inputs and outputs given the cost-plus structure, particularly in the LSI segment.

We are positive on the company on the back of strong demand environment, healthy market share, strong capex programme in the medium term and new additions of products, healthy B/S, and China+1 policy adopted by the companies worldwide.

Jubilant will benefit from robust growth in specialty chemicals business and its focused initiatives to diversify from their animal feed (nutrition) business and move towards higher value added areas i.e. pharma and cosmetic-grade vitamins. As the proportion of sales of speciality products rises over the next two years, the stock could get rerated further. We feel investors can buy the stock at LTP and add more on dips to Rs 650 for base case target of Rs 795 (24.5x FY23E EPS) and bull case target of Rs 844 (26x FY23E EPS) over the next two quarters.

Financial Summary...

Particulars (RsCr)	Q1FY22	Q1FY21	QoQ-%	FY21	FY22E	FY23E
Total Revenues	1145	684	67.3	3491	3990	4581
EBITDA	281	117	140.2	612	786	888
Depreciation	22	32	-30.4	125	137	158
Other Income	6	3	130.8	15	18	25
Interest Cost	13	7	75.3	71	47	39
Tax	75	23	225.2	102	179	201
APAT	168	54	209.4	316	438	517
EPS (Rs)				19.8	27.5	32.4
RoE (%)				18.2	20.5	20.0
P/E (x)				36.3	26.2	22.2
EV/EBITDA (x)				19.5	15.2	13.5

Income Statement...

(Rs Cr)	FY21	FY22E	FY23E
Total Income	**3491**	**3990**	**4581**
Growth (%)	**9.8**	**14.3**	**14.8**
Operating Expenses	2879	3204	3692
EBITDA	**612**	**786**	**888**
Growth (%)	**53**	**28.4**	**13**
EBITDA Margin (%)	**17.5**	**19.7**	**19.4**
Depreciation	125	137	158
Other Income	487	649	730
EBIT	**15**	**18**	**25**
Interest expenses	71	47	39
PBT	**418**	**617**	**718**
Tax	102	179	201
PAT	**316**	**438**	**517**
Share of Asso./Minority Int.	43.6	38.7	17.9
Adj. PAT	**19.8**	**27.5**	**32.4**
Growth (%)	**2879**	**3204**	**3692**
EPS	612	786	888

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Balance Sheet...

As at March	FY21	FY22E	FY23E
SOURCES OF FUNDS			
Share Capital	15.9	15.9	15.9
Reserves	1907	2326	2811
Shareholders' Funds	**1923**	**2342**	**2827**
Long Term Debt	464	329	280
Net Deferred Taxes	12	11	10
Long Term Provisions & Others	69	77	82
Total Source of Funds	**2468**	**2759**	**3199**
APPLICATION OF FUNDS			
Net Block (incl. CWIP)	1857	2094	2216
Intangible Assets	13	13	13
Long Term Loans & Advances	69	86	118
Total Non-Current Assets	**1939**	**2193**	**2347**
Inventories	609	798	929
Trade Receivables	471	585	718
Short term Loans & Advances	3	3	6
Cash & Equivalents	117	25	129
Other Current Assets	224	236	257
Total Current Assets	**1423**	**1653**	**2042**
Short-Term Borrowings	2	111	69
Trade Payables	694	767	894
Other Current Liab & Provisions	186	196	213
Short-Term Provisions	12	13	15
Total Current Liabilities	894	1087	1191
Net Current Assets	529	566	851
Total Application of Funds	**2468**	**2759**	**3199**

2. Steel Strips Wheels Ltd.

Industry	LTP	Recommendation	Base Case Fair Value	Bull Case Fair Value	Time Horizon
Auto Ancillaries	Rs. 1720	Buy in Rs 1710-1740 band & add more on dips to Rs 1510-1530 band	Rs. 1877	Rs. 2056	2 Quarters

Shree Varahi Scrip Code	SSWL
BSE Code	513262
NSE Code	SSWL
Bloomberg	SSW IN
CMP Sept 24, 2021	1719.5
Equity Capital (Rs cr)	15.6
Face Value (Rs)	10
Equity Share O/S (cr)	1.6
Market Cap (Rs cr)	2622.0
Book Value (Rs)	480.0
Avg. 52 Wk Volumes	73700
52 Week High (Rs)	1958.4
52 Week Low (Rs)	413.0

Share Holding Pattern % (June, 2021)	
Promoters	62.8
Institutions	1.3
Non Institutions	36.0
Total	100.0

Our Take…

Steel Strips Wheels Ltd (SSWL) commands a leadership position in the steel wheels segment with an overall market share of ~50-55% and ~20% in the alloy wheels segment. The company has witnessed strong demand over the past few quarters and it is expanding its steel as well as alloy wheels capacity to meet the increasing demand. It is concentrating more on alloy wheels and export segment both of which are higher margin segment and expects these segments to contribute ~50% of revenue in 3-4 years from 35% in FY21. Globally the alloy wheel market is of ~35cr wheels p.a. and SSWL is eligible to participate in global RFQ. Furthermore, the company could also explore inorganic expansion for steel wheel rim capacity in the near term. It has already announced resolution plan for acquisition of AMW Autocomponent (AACL) under corporate insolvency resolution process that has been approved by the committee of creditors of AACL as on 21Sep-2021. As per the management, any inorganic growth opportunity would be largely funded by internal accruals. Healthy offtake of the enhanced capacities will remain key to the elevation in profitability and return on capital employed, as well as deleveraging.

India's passenger vehicle industry is showing strong signs of growth driven by changing demographic profile of buyers, higher per capita income and easy availability of finance. Share of alloy wheels is on the rise due to increasing premiumisation. Recovery in CV industry and strong growth in export orders should drive the company's growth. SSWL has strong growth visibility from the export market which has resulted in increased order inflows thereby reducing its dependence on domestic OEM demand. Exports contributed to around 26% of the revenue in Q1FY22 (FY21: 15%; FY20: 14%). Despite firm raw material prices, ramp-up of exports business has led to EBITDA margin of 14.4% in Q1FY22 v/s Q4FY21: 12.3%; Q3FY21: 12.5%. SSWL has invested heavily in recent years to stay ahead of the competitors especially in the alloy wheels segment. The long-standing relationships with OEM manufacturers would benefit the company to keep facing competition.

Valuations…

We expect SSWL's revenue/EBITDA/PAT to grow at 48/59/138% CAGR over FY21-FY23, led by the increased demand from the domestic automobile industry and higher contribution from alloy wheels and export segment. Upgrade in credit rating and repayment of debt would aid in increasing profitability. We expect RoE to improve from 6.8% in FY21 to 26.3% in FY23. The Board has approved split in the face value of the stock from Rs 10 to Rs 5 and the record date for this may be announced shortly. We believe investors can buy the stock in the band of Rs 1710-1740 and add on dips to Rs 1510-1530 band (8.5x FY23E EPS) for a base case fair value of Rs 1877 (10.5x FY23E EPS) and bull case fair value of Rs 2056 (11.5x FY23E EPS) over the next 2 quarters.

Financial Summary...

Particulars (Rs Cr)	Q1FY22	Q1FY21	YoY-%	Q4FY21	QoQ-%	FY20	FY21	FY22E	FY23E
Operating Income	678	120	463.8	700	-3.1	1563	1749	3041	3849
EBITDA	98	2	4077.8	86	13.6	171	204	395	512
APAT	51	-38	-234.1	45	14.6	23	49	189	279
Diluted EPS (Rs)	32.7	-24.4	-233.9	28.5	14.6	15.0	31.6	121.3	178.8
RoE-%						3.4	6.8	22.5	26.3
P/E (x)						114.4	54.5	14.2	9.6
EV/EBITDA						20.4	16.7	8.7	6.4

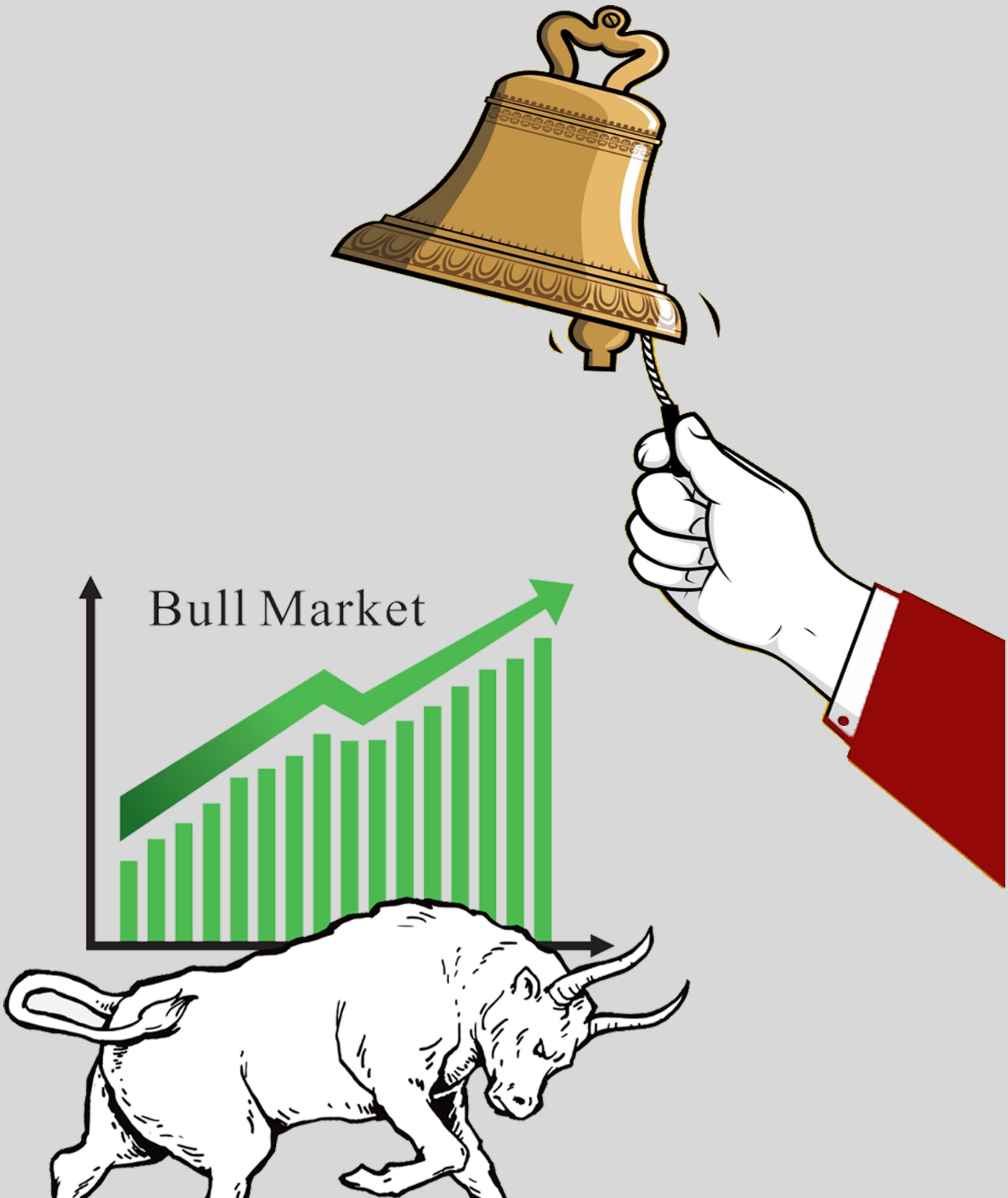
Income Statement...

(Rs Cr)	FY19	FY20	FY21	FY22E	FY23E
Net Revenues	**2041**	**1563**	**1749**	**3041**	**3849**
Growth (%)	34.4	-23.4	11.9	73.8	26.6
Operating Expenses	1795	1392	1546	2646	3337
EBITDA	**246**	**171**	**204**	**395**	**512**
Growth (%)	**22.8**	**-30.4**	**19.0**	**94.0**	**29.5**
EBITDA Margin (%)	**12.1**	**11.0**	**11.6**	**13.0**	**13.3**
Depreciation	62	72	72	77	82
Other Income	17	22	16	17	19
EBIT	**201**	**121**	**148**	**335**	**449**
Interest expenses	93	89	84	83	77
PBT	**109**	**33**	**64**	**253**	**372**
Tax	27	9	15	63	93
Adj. PAT	**82**	**23**	**49**	**189**	**279**
Growth (%)	9.7	-71.5	110.2	284.5	47.4
EPS	52.8	15.0	31.6	121.3	178.8

Balance Sheet…

As at March	FY19	FY20	FY21	FY22E	FY23E
SOURCE OF FUNDS					
Share Capital	16	16	16	16	16
Reserves	666	682	734	915	1179
Shareholders' Funds	**682**	**698**	**749**	**931**	**1194**
Minority Interest	0	0	0	0	0
Borrowings	851	898	769	774	649
Net Deferred Taxes	126	154	164	164	164
Total Source of Funds	**1658**	**1750**	**1682**	**1868**	**2007**
APPLICATION OF FUNDS					
Net Block & Goodwill	1329	1307	1259	1378	1369
CWIP	53	85	109	44	35
Investments	0	0	0	0	0
Other Non-Curr. Assets	19	21	57	97	115
Total Non-Current Assets	**1401**	**1413**	**1426**	**1519**	**1520**
Inventories	338	329	496	792	896
Trade Receivables	194	210	257	458	538
Cash & Equivalents	121	92	53	34	64
Other Current Assets	100	135	144	183	232
Total Current Assets	**753**	**766**	**951**	**1467**	**1730**
Trade Payables	257	214	412	667	685
Other Current Liab & Provisions	238	216	283	452	558
Total Current Liabilities	**495**	**429**	**695**	**1118**	**1243**
Net Current Assets	258	337	256	349	487
Total Application of Funds	**1658**	**1750**	**1682**	**1868**	**2007**

This Might Impact Your Investments !!



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Crypto’s future is murky but its legacy has lasting value

Bitcoin’s timing could not have been better. This original cryptocurrency came into being in early 2009, a period, right after the global financial crisis got underway, when trust in national governments and commercial banks was at its nadir in the US and other western economies. The notion of being able to conduct transactions without the use of central bank money and without the intervention of a financial institution had immediate appeal.

Bitcoin, a medium of exchange that could facilitate transactions using only digital identities of the transacting parties (referred to as pseudonymity), initially fuelled the dark web, where illicit commerce such as drug and sex trafficking was conducted. As it gained in popularity, it became apparent that its users’ anonymity could not be guaranteed. An extensive set of transactions using Bitcoin or the purchase (and delivery) of real goods and services using the cryptocurrency make it possible to unravel users’ real identities. Hackers who get ransomware payments in Bitcoin have to be quite sophisticated to hide their digital trails. Moreover, Bitcoin is unstable and transactions using it are slow and expensive. The network also cannot process large transaction volumes in a timely manner.

While it has failed in its stated objective as a pseudonymous medium of exchange, Bitcoin has somewhat paradoxically turned into a financial asset. Since Bitcoin lacks intrinsic value, its adherents seem to believe that its scarcity is the basis for its high price. The algorithm that governs the process of creating the cryptocurrency posits a hard cap of 21 million Bitcoins (about 18.5 million have been created so far). But scarcity by itself can hardly be a durable source of value, and at this stage, the sky-high prices of Bitcoin and similar cryptocurrencies seem to reflect pure speculative plays, with their value dependent entirely on investors’ faith.

Over the years, various cryptocurrencies have emerged that attempt to overcome Bitcoin’s flaws. Cryptocurrencies such as Monero and Zcash have sophisticated encryption algorithms that more effectively mask users’ identities but they are cumbersome to use. A new breed of cryptocurrencies called stablecoins attempts to fix the problem of unstable value but they do require designated intermediaries to validate transactions. Somewhat ironically, stablecoins derive their stable value — a key desideratum for an effective medium of exchange — from their backing by stores of fiat currencies or government bonds. The business case for stablecoins is that they provide low-cost and easily accessible digital payments within and across national borders. Sensing an opportunity, even Facebook has proposed its own stablecoin, Diem, which would initially be backed by reserves of hard currencies such as US dollars and by US government bonds. Given the wide reach and financial clout of corporations such as Facebook and Amazon, it is not hard to conceive of their cryptocurrencies gaining wide acceptance. However, the prospect of such corporations someday issuing unbacked digital currencies of their own is an unsettling one as it would infringe on the monetary sovereignty of national central banks. That these unregulated cryptocurrencies could be misused to fuel illicit activities such as money laundering and terrorism financing across borders is troubling as well.

China’s ban on Bitcoin and other cryptocurrencies highlights how some governments see them as a threat. Other governments too are pressing hard to regulate cryptocurrencies and related speculative financial products. They also pose financial risks, especially to naïve retail investors who might not understand the risks of investing in crypto assets.

This is not to say that cryptocurrencies have not generated any real benefits. The technology that underpins Bitcoin, referred to as blockchain, is finding uses in other areas of finance. It will soon be possible to conduct a broad range of transactions, even purchasing a house or car, without traditional intermediaries such as lawyers and real estate brokers. Of course, even if ownership transfers of various financial and physical assets can be conducted on public digital ledgers using the blockchain technology, governments will still be needed to enforce property and contractual rights.

Equally importantly, central banks have started designing their own digital versions. Countries such as Japan and Sweden have initiated trials and many others, including India, have plans to do so. Thus, cryptocurrencies are indirectly hastening the demise of physical currency. While the future of cryptocurrencies as financial assets is murky, they have clearly set off a revolution that will make low-cost digital payments broadly accessible. These new technologies will also help democratise finance by making a range of basic financial products and services easily and widely available to the masses. This might well be the true legacy of Bitcoin, one we should be thankful for.

Towards the next normal in business: Reset, recovery and redesign

In face of disruptions, adopting resilience remains a relentless practice followed by innovating ways for making operations smoother, safer, smarter, and swiftly accessible. What entails the next normal is hidden in the disruptions created by the pandemic.

Volatility across global markets is high at this point. One may assume, in light of increasing trades and rising PMIs (Purchasing Managers Indices) in both service and manufacturing industries that recovery is around the corner. But just when market seems to be adapting positively, a disruption brings down hopes and with it, market's growth trajectory. It is likely for businesses to take these unexpected disruptions to heart and panic, thereby derailing operations. This is where resilient leadership can change the game, from shifting mindsets to building trust.

The next normal may appear surprisingly different from what we are accustomed to, yet not in the least unadaptable. What we are facing in business markets is a build-up to all that is due to come. Consistent adaptation of digital platforms across professional and consumer clusters, and their growing reliance on these platforms suggest the immediate future of work is 'phygital'. This is preceded by adaptable organizations who are redefining resilience with innovative technologies, bringing predictability to adaptability with artificial intelligence (AI), machine learning (ML), and virtual and augmented reality (VR/AR).

The path to next normal is a three-tier architecture. At the base rests the scope to reset old mindsets, operational abilities, and technology among other things. At the middle is the reformed capacity to recover from unpredictable disruptions. And at the top comes the innovative and futuristic site to redesign with scope for revision.

Reset

It starts with a focused approach towards business continuity. Remaining consistent to the goal of continuing operations in spite of disruptions and leading the change from top is the first step. Identifying potential threats wrought by disruptions, analysing their impacts, resetting the strategies, and equipping organizations to adapt to prospective changes in due time shall strengthen the foundation of sustenance and re-establish stakeholders trust in the business.

Disruptions demand change. Updated techniques and practises would be required to stay in the race. This stage is likely going to create capability gaps at various touchpoints. The key is to adopt a top-down approach where leaders at the top, including that of the departments, recognize the gaps in ability and fill them swiftly by upskilling team members. At the high-ability areas, leaders should add by building critical functional capabilities that will enhance the goal of reset stage and accelerate achievement of targets.

Recovery

Recovery and digital transformation are two things most critical to business' sustenance and growth today. In a survey by PwC, 93% of CEOs in India are keen on investing in digital transformation, while 42% are focusing on automated productivity to enhance their organization's competitiveness. Together, recovery and its respective speed followed by the stage of digital transformation will define whether the organization is ready with strong financial holding and pool of talent to innovate, implement and execute required strategies.

Redesign

Picking from where we left in 2019 shall not cut anymore as the rate of advancements and pace of their developments are already accelerated. Pre-pandemic, automation and new technologies were slowly but consistently reshaping a range of industries and their intricate operations. During pandemic the race gained momentum. Today, it is with amplified velocity that we are redesigning technology to our best advantage, be it for business, retail, leisure, or travel.

In the next normal, we will be well on our way to normalizing the way we access, automate, and visualize processes on grounds of industrial Internet of Things (IoT), robotic aids and 3D/4D printing, respectively. Future of connectivity is also undergoing a renewal with 5G and IoT. A low to mid band 5G is expected to reach up to 80% of global population by 2030. This will pave way for enhancing the way consumers experience travel by bringing VR to travel landscape. Travel agencies, backed by tourism associations of respective countries, may offer an ad-hoc VR experience to travellers, and help them create their itinerary.

In conclusion, the next normal shall be a galore of opportunities for organizations who are focused enough to reset, adaptable enough to recover and innovative enough to redesign.

NARCL a game-changer for India's bad debt resolution

The banking sector in India has played a pivotal role in the growth and development of the economy. By mobilising deposits and facilitating seamless credit flows, the banking sector is also a crucial lifeline for many small and big businesses.

However, the financial health of several Indian banks has come under severe stress over the years as they are dealing with the exponentially growing NPA crisis. This has impacted the profitability and credibility of the banking sector in India and heightened the risk of capital erosion.

In order to restore the health of banks back to normal, Finance Minister Nirmala Sitharaman had proposed the setting up of a national bad bank in Budget 2021. The idea has come to fruition with the setting up of the National Asset Reconstruction Company Ltd (NARCL) after the central government approved Rs 30,600 crore guarantee. This is an important policy support measure which has the potential to emerge as a game-changer for the resolution of bad loans in the country.

By acting as an aggregator of bad loans by purchasing them at a discounted price from banks, the NARCL will accelerate the pace of bad debt resolution, and expedite the asset recovery process in the economy. The transfer of stressed assets to the NARCL will significantly improve the balance sheet quality of banks, and restore investor confidence in India's banking system.

Plugging the long-standing gap between policy intent and action, the government has displayed a firm resolve to expedite the recovery process of the banking sector. The NARCL initiative will also go a long way in creating a healthy competitive environment for other ARCs and distressed funds leading to better price realisation and value addition.

PSU banks will be in a much better position to revamp their liquidity positions and ensure improved credit access and availability for businesses. By facilitating better credit delivery mechanisms, the bad bank initiative rolled out by the government holds the key to positioning India as a $5 trillion economy.

Securing a recovery is tougher than handling the crisis

Calibrating policies to safeguard recoveries is proving harder than crisis-time responses to the pandemic last year. Then, the sole challenge was to counter the severe economic fallout of lockdowns imposed for a health emergency. The direction was unequivocal and clear, i.e., easing fiscal and monetary policies, there weren't any trade-offs, and even where present, e.g., countries with no fiscal room to spare, debt sustainability issues were postponed to worry about later.

Cut to the recovery phase this year and drafting right policies is a downright challenge. Data readings tend to be more obscure than clear, unexpected developments constantly upset policy matrices, while unperceived risks seem to snowball in no time. Feeling the way through is a bit like blindfolded marksmanship, increasing the scope for policy errors. Securing economic recoveries is not easy in any part of the world, howsoever resounding the bounce-backs from the pandemic troughs may be.

The travails of discerning inflation, transitory or otherwise, are by now familiar and well understood across countries. Besides the global divisions on the United States Federal Reserve's interpretation and the riskiness of its non-reaction, India's own case is testament to similar perplexities. It has taken much heel-digging by the Reserve Bank of India (RBI) and perseverant communication from its Governor to resolve the discordance between the market and the central bank's views.

The August retail inflation data released this week, which showed a three-month successive decline to 5.3 percent versus a 5.6 percent consensus expectation, appears to have been a clincher — in this week, most analysts have shifted ahead their expectations of the timing of monetary policy normalisation by at least one quarter.

While more data is more convincing, the certainty that increases the odds of getting policy right is almost non-existent. Consider the unexpected and forceful eruption of supply disruptions, along with spread of the COVID-19 Delta variant in many economies, large and small. This has ignited fresh doubts over the extent to which price pressures are driven by demand spurt due to near-simultaneous reopening in the large economies, or if these mainly reflect a range of supply factors that extend from breakages of supply chains, elevated transportation costs, container scarcities, port congestions, labour shortages, to cite some.

Prices are not the only source of confusion. Labour market reading is no less of a challenge — many countries are challenged by pockets of shortages that are forcing firms to raise wages and raised unemployment rates in some other segments. Then there is vaccination, where leaders have started to lag — this has nothing to do with vaccine access, which was the key perceived holdback to pandemic recovery not so long ago.

Unexpected turns in growth outlooks are another feature. For instance, the strong economic restorations of the US, China and Europe in the last quarter generated optimism about its maintenance ahead. But this suddenly stands shaken by the signs of abating momentum in the US and China, to which supply disruptions and Delta variant have added; growth anxieties have extended to Europe. Slowdown risks are now on the rise, confidence on recoveries wavered.

The challenge of confirming demand impulses, the key ingredient of policy response functions, is anyone's guess. The heterogeneity of views worldwide, and their discordance, is at least one reflection of the heightened uncertainties.

The ball of course returns to the courts of policymakers, with whom the buck stops. When the revival is marked with oscillations and bumps, and its path is less of a smooth and continuous affair, securing it firmly is easier in theory than in practice.

Demand is back, but rising costs could spoil the revival party

As COVID-19's deadly second wave wanes, hopes have again sprung anew among businesses about a sustained rebound. Employees are slowly returning to work, purchase enquiries of goods are trickling in, and unsold stocks are beginning to move out of warehouses. The goal now is to accelerate this, and push the pace to higher levels.

But here's a catch. The path profitability is a function of both earnings and the costs. The latest gross domestic product (GDP) data for the first quarter show that private consumption expenditure was gathering pace.

Expanding private consumption expenditure would imply that goods are moving out of shop shelves to homes with greater rapidity. This should stand as a happy augury for businesses. Higher demand for goods should translate into higher sales for businesses, resulting in better top lines, the fuel that keeps the companies' engines chugging.

To describe the last 18 months as a period of momentous change in the way enterprises carry out their businesses could perhaps, eventually, turn out to be an understatement.

Cash burn is the pace at which a company spends the money that is available to it, when it is not making more money than it spends. In a pandemic-hit world, containing this rate was critical to stay afloat. The easier way to deal with this would have been to shut down operations. But the challenge was to keep the company's wheels running, albeit at a slower place, but at lower costs.

This is particularly true of India's estimated 60 million micro, small and medium businesses (or MSMEs) that have revealed extraordinary ability in embracing new technologies and hastening the process towards digitisation.

As the pandemic struck, the first response for most MSMEs had been to apply the handbrakes to reduce cash burn, and reset the cost structure, including renegotiation of rents and contracts, rebalancing of senior team salary costs, and plugging all discretionary spends.

A large number of MSMEs let go of their offices or at least reduced the size of their office premises as they adapted to the work-from-home model. This increased their nimbleness, widened access to talent pools, and opened up new business models in the post-pandemic era.

Companies cut down on non-essential expenses. More importantly, however, they looked towards, and adopted, newer ways to lower expenses by seeking to solve the same problem by cheaper tech-driven solutions.

While such cost cuts helped companies tide over the devastating phase, the expense graph has begun rising again, threatening to erode their price competitiveness.

A recent survey by trade body Federation of Indian Chambers of Commerce and Industry (FICCI) has flagged these aptly.

"(The) Cost of doing business remains a cause for concern for the sector. High raw material prices, high cost of finance, uncertainty of demand, shortage of skilled labour and working capital, high logistics cost, low domestic and global demand due to imposition of lockdown across all countries to contain spread of coronavirus, excess capacities due to high volume of cheap imports into India, unstable market, high power tariff, are some of the major constraints which are affecting expansion plans of the respondents", said the FICCI quarterly survey on Indian manufacturing sector.

These rising cost is also showing up in the official price data. During the first five months of the current fiscal (April to August), India's wholesale price index (WPI)-based inflation has remained persistently higher than 10 percent.

During these five months, the monthly WPI stood at an average of 11.69 percent, underlining the worry line on the inflation numbers. Wholesale inflation, which is a kind of the Indian version of a producers' price index, stood at 11.39 percent in August, a sign that doing business has got sharply costlier for a variety of reasons over the last year.

PLI Scheme | India to become a key player in the automobile sector

The Indian automobile industry is one of the key sectors stimulating India's economic growth. The industry is known for extending significant support to various other sectors such as logistics, passenger transportation, agriculture, etc. Being a major driver of manufacturing Gross Domestic Product (GDP), exports and employment, the industry has exhibited that India can be a prime destination for expansion.

In recent times, the automobile sector has been closely identified with increasing air pollution levels, causing serious environmental, and health impacts. Governments across the globe, India included, are under pressure to monitor pollution levels, and they have also sworn to bring down emissions by 2030. In addition to these, the sector has been severely impacted due to COVID-19-related restrictions and economic constraints.

In order to make India a hub for green vehicles, and new advanced automotive technologies, with an aim to also reduce its carbon footprint, on September 15th the government has rolled out the Production Linked Incentive (PLI) scheme focusing on incentivising the electric and hydrogen fuel cell vehicles.

The PLI scheme, having a financial outlay of Rs 25,938 crore (earmarked for five years) for the auto sector, comprises of two sub-schemes namely: First, the Champion OEM Incentive Scheme (COEM) for original equipment manufacturers (OEMs) engaged in manufacturing of Battery Electric Vehicles (BEV) and Hydrogen Fuel Cell Vehicle (HFCV), and; second the Component Champion Incentive Scheme (CCIS) for advanced automotive technology components used in two-wheelers, three-wheelers, passenger vehicles, commercial vehicles, tractors etc.

To maximise investments in the PLI scheme from existing and new non-automotive investors, the participation has been subjected to fulfilment of certain eligibility criteria related to fresh investments, global group revenue, global group investment, and global net worth. Also, to ensure that the investors seek maximum benefits from the scheme, the turnover-based incentives would be provided, which will vary between 13-to-16 percent under the COEM, and 8-to-11 percent under the CCIS. This is along an additional 5 percent incentive for domestic manufacturing of components of the BEVs and the HFCVs.

The framework of the scheme suggests that the government is inclined towards promoting new age technologies that pave the way for sustainable environment; and it signals to the world that India intends to be a key player in the automobile sector. This scheme is being announced at an apt time for India as the auto industry realigns its supply chain globally, and thus India can benefit from this changing scenario, to become an integral global manufacturing base.

Though the scheme thrusts on incentivising new-age technologies, the traditional market players engaged in manufacturing petrol- or diesel-based vehicles are a little disappointed with it; as the scheme fails to compensate the loss of benefit (due to gap in rate of export incentives under the Remission of Duties and Taxes on Exported Products (RoDTEP) as compared to the Merchandise Exports from India Scheme (MEIS)), especially for products such as internal combustion engines.

Nevertheless, with the introduction of this scheme, the government expects that the auto sector would attract fresh investments of over Rs 42,500 crores in five years which would enable additional production of up to Rs 2.3 lakh-crore, and eventually, with a multi-fold increase in production, it is anticipated that the scheme will assist in generating up to 750,000 new job opportunities.

Historically it has been observed that all the major economies in the world have focused on manufacturing, and eventually they've became a critical part of the global value chain in several sectors. India, which was more focused on agriculture and services, needed some push to match peer countries' scale of manufacturing and employment. With reforms such as the PLI scheme, investment in the manufacturing sector is going to intensify multi-fold. This would contribute to the GDP growth, and give a promising boost to India's aim of becoming a $5 trillion economy by 2025.

Global Innovation Index 2021 | India needs a big push in infrastructure

Innovation is a key factor in shaping the growth and the development trajectory of an economy. From the first industrial revolution to the COVID-19-pandemic-induced digital revolution, all highlight the significance of innovation.

Given its importance, investment, and expansion of innovative activities are key objectives of all economies. With the onset of the pandemic, most governments have prioritised their resources for combating COVID-19. It was expected that the level of investment in innovation would plummet.

However, the Global Innovation Index 2021 (GII) report, released on September 20, highlights that investment in innovation was resilient during the COVID-19 pandemic. Prior to the pandemic, investment reached an all-time high with R&D experiencing a growth of 8.5 percent in 2019. Despite the pandemic, the innovation performance has been resilient with IP filling, R&D, and venture capital deals still growing, highlighting innovation as a key driver in the battle against the pandemic.

The 2021 GII report highlights the performance of 132 economies, documenting the changing landscape of innovation across economies and regions. India is ranked 46th in this report, marginally improving by two positions from 2020. Within the income group of lower-middle income economies, India is ranked second after Vietnam.

The GII report also highlights that India has been successful in developing sophisticated tradable services. Further, India continue its dominance in ICT exports, and performs exceptionally well in domestic industry diversification (ranked 12th), and producing science and engineering graduates (ranked 12th). India also tops the region's ranking in the knowledge and technology output pillar (29th).

Despite India's impressive progress in the GII 2021 rankings, the picture is far from being perfect. For instance, five Asian economies — the Republic of Korea (5th), Singapore (8th), China (12th), Japan (13th) and Hong Kong (14th) — maintain their top position. India is quite away from these economies.

Further, the GII highlights that besides China, economies such as Turkey, Vietnam, India and the Philippines are catching up. A close inspection of the ranking components reveals that India's catching up needs a big push. For instance, Turkey jumped 24 positions during the past decade to reach the 41st position. Similarly, Vietnam jumped 32 positions and the Philippines improved by 40 positions to reach 44th and 51st position respectively. During the same time, India improved by 16 ranks, which shows that the catch-up process is a slower rate compared to other economies.

Therefore, it is important to understand the hurdles and bottlenecks restricting the pace of India's catch-up process. Drawing inference from the GII 2021 report, India's innovation performance was commendable, and above the average for the upper middle-income in most pillars of innovation.

However, India performs below average in the case of infrastructure, which unambiguously point towards the need for push towards infrastructure improvements. In this regard, with the onset of pandemic, the focus of investment has been on recovery. Given the high fiscal requirements for infrastructure associated projects, particularly for large-scale infrastructure development projects, dependence on public investment alone for meeting the financial needs will not suffice.

This brings us to the widely voiced recommendation of encouraging private-public partnerships. In this regard, India can take cues from other emerging economies such as Brazil, where it formed a group — the Entrepreneurial Mobilization for Innovation (MEI) — which provides a space of public-private dialogue, and encompasses of the top 300 business leaders in that country. Such a space could help provide an ecosystem to present, discuss, deliberate, and implement projects, and in turn improve the innovation ecosystem of a country.

An ecosystem of this nature will help reduce the academia-industry disconnect. It will also promote interdisciplinary, and international collaborations, which could help India improve its performance on the creative innovation pillar — another pillar in which India performed below average.

Moreover, the need for finance is not confined to the public-private partnership sphere. In this regard, India's expenditure on research and development (R&D), though it has increased in absolute terms, it has remained stagnant at 0.7 percent of its GDP, much lower compared to BRICS and other East Asian economies.

This highlights the need for finding sources of finance to push India's innovation ecosystem forward. In this regard, the digital revolution can help advance the adoption of fintech and Internet-based crowd-funding for start-ups. Microcredit is another important source of entrepreneurial finance, which when combined with digital finance can help overcome its major limitation of high transaction cost, and allow such sources to achieve scale. In terms of opportunity, to make the economy more resilient to future shocks, and the challenges posed by the climate change, we need to promote green innovation. Green innovation will also help in meeting the sustainable development goals.

Inclusion of retail and wholesale trade under MSMEs: A boost to the sector

The Micro, Small and Medium Enterprises (MSME) sector in India has emerged as a highly vibrant and dynamic sector of the Indian economy over the last five decades. It not only plays a crucial role in providing large scale employment opportunities at comparatively lower capital cost than large industries but also help in industrialization of rural & backward areas and in reducing regional imbalances, assuring more equitable distribution of national income and wealth.

The MSME sector is critical for India's economic growth. In addition to providing employment opportunities to a large population, it also promotes development and industrialization in many underdeveloped regions of India. The MSME sector has acted as a catalyst in uplifting India's socio-economic status over all these years.

MSMEs have been adversely impacted by the COVID-19 pandemic, and this has a huge impact on the Indian economy as the MSME sector is its backbone.

The recent amendment proposed by RBI to include retail and wholesale trade under the MSME category comes as a much needed relief to many and this will help in increasing the scope and constituents of the MSME Sector, and thereby lead to the betterment of entities engaged in the wholesale and retail trade. Particularly, this change will allow such entities to benefit from Priority Sector Lending, and it will also enable them to avail loans and advances from banks and financial institutions on preferential and privileged basis.

Enterprises engaged in wholesale or retail trade will now also be able to register on Udyam Registration Portal as an MSME, and this will allow them to access and enjoy benefits of various schemes offered to the MSME sector, including those launched as part of the Atmanirbhar Bharat initiatives. Further, any enterprise having Udyog Aadhar Memorandum (which is now covered by the revised scope of MSME) can either migrate to the Udyam Registration Portal or obtain a fresh registration altogether.

Given the havoc caused to wholesale and retail traders due to the pandemic, this expansion of the ambit of MSME should help many players return to balance by restoring their businesses. It is estimated that this inclusion will benefit close to 2.5 crore retail and wholesale traders. This assistance will enable MSMEs tend to some of the most prevalent concerns such as restoring the supply chain, employing or re-employing labour that would have been laid off or retrenched owing to the financial crunch, and expansion of business thereby promoting financial and socio-economic growth. In addition to aiding existing players in the retail and wholesale trade sector, this change will also attract new participants and ultimately lead to strengthening the economy.

Per expert predictions, India may experience more COVID-19 waves and this can be a detriment to various stakeholders. However, with guaranteed financial assistance and support, new as well as existing players may look to expand and structure their businesses in a manner to survive any future turmoil or adverse impact. This may eventually help in building sustainable businesses.

In a nut shell, the subject amendment is a welcome change that will benefit many and, particularly help smaller players in the market. This structured revival of the MSME sector may lead to an increased demand for goods and services and expedite the process of economic revival.

Investing isn’t about reacting to every news and event.

Playing with your portfolio is not advisable and is harmful for financial health!

Indian markets are scaling all-time highs! Nifty 50 has breached 17,400 and BSE Sensex is approaching 60,000 levels. Few of my friends in a B-school WhatsApp group ask this question every time Nifty rises by 1000 points. It was asked when Nifty crossed 15,000 levels, then at 16,000 and it got repeated at 17000. What should I do? Should I book profits?

My answer has always been the same: why do you need to do anything? And that doesn’t fly well. A no action advice is not a good advice apparently. When he seemed unconvinced, I told him not to seek excitement in his long-term portfolio. I further advised him to have a separate trading portfolio where he can seek all his thrills or may be join me for a game of poker and get his dose of dopamine!

The advice to all retail investors (HNIs included) is to follow just a few boring principles consistently over a long period of time. That’s the tough part – consistently.

Here are these seemingly boring but simple and effective principles:

1. Goal Setting: This is first but the most important step in an investment plan. Be it creating an emergency corpus or buying a home or planning for retirement, all goals should be included while planning. If your advisor isn’t asking you what your goals are then change your advisor.

Not having goals in your plan is the same as planning to fail.

2. Risk Profile: Risk profile is both willingness and ability of an investor to take risks. Ignore these two at your own peril. Risk capacity or ability is easy to determine. The willingness to take risks or risk aversion matters equally if not more. Many investors panic and sell equity when markets see large downward movements – like in March 2020 along with the first covid wave. As unpredictable the markets are, they do bounce back but most of these investors remain in side-lines hoping for the markets to give them an entry level again. Even geniuses can’t time the market regularly and consistently with success. An advisor’s role becomes significant here – to ensure that the investor ignores the short-term volatilities in achieving their long-term goals. Else, investors remain under allocated to equities for a long time.

3. Asset Allocation: How much to be allocated to equity, fixed income, gold? It depends on the risk profile and the duration of the goal. For less than 5 years goal, allocation to fixed income and gold should be higher vis-à-vis long tenure goals. Maintaining asset allocation is key and the advisor should also adjust asset allocation as the goal nears. Regular rebalancing ensures that over and under allocation to any one asset class is corrected. Tactical asset allocation (if any) should be exercised with due caution.

4. Underlying Investments: Have more allocation to passive index funds than actively managed ones. Predicting which strategy and manager would do well from is like predicting the markets – very hard to be right. The savings in terms of lower fees are significant too. Our estimate suggests that the average returns in equity portfolios could be 14 to 22% higher in absolute terms over long periods (20 years) by being in a passive portfolio. So, Rs. 1 cr portfolio may be Rs. 14 to 22 lacs higher in value by simply moving to lower cost index funds. Fixed income allocation can be devoid of credit risk fully except for situations when credit spreads are really attractive. Sovereign gold bonds are the best way to invest in gold.

Most advisors would stop here leaving out a very important principle.

5. Ignore the noise: Everyone is inundated with too much information too frequently on that pocket devil (of a mobile phone). Global Financial Crisis of 2008. Emerging markets meltdown in 2013. Trump won. Trump lost. No to Brexit. Yes to Brexit. Covid 1 st wave, 2 nd wave, etc. Investors should be aware of what’s happening but not necessarily take action in their portfolios. Equity markets are volatile but they eventually recoup.

Investing as they say is 90% emotions and 10% skill and hence, I will take a leaf out of well-known Economist and Nobel Laureate Daniel Kahneman's bestseller "Thinking Fast and Slow". As per Dr. Kahneman a part of our brain reacts spontaneously (System 1) to any event and gets activated automatically without any effort. When we receive a juicy tip offering attractive returns from a friend or broker, System 1 pounces on it and prompts the individual to act on it without thinking deeply of its pros and cons. What we need to do is work on System 2, that part of the brain that processes more information and gives a more nuanced view of the situation and the decision at hand. It is difficult to activate and hence used lesser. May be focusing on the 5 principles mentioned above will help one to be less reactive and use System 2 more often.

My question to the readers is – could you predict the March 2020 market levels (Nifty 50 at ~8000) or could you predict the market would bounce back so fast from its lows. The thrill of going right is high but the chances of being right are really low. For that thrill, one could create a small trading portfolio (although not advisable) to an extent it doesn't impact any of your goals. However, I would suggest taking up adventure sports for the thrill. Unnecessary fidgeting with the portfolio is injurious to financial health. It causes heartache in the long run. Akin to a pack of cigarettes, may be this can be a mandatory warning when investors purchase a pack of equities.

Prioritizing E-commerce exports in FTP will spearhead PM's 5 trillion USD economy mission

E-commerce in India has been growing rapidly. It has become the gateway towards adopting digitalization. A chunk of Indian population drifted towards e-commerce for the first time during the pandemic. The fear of Covid 19 made people use e-commerce to get their essentials delivered from the safety of their homes. Further, it has also provided industry wide employment at a time when unemployment is at an all-time high and the need for survival jobs is skyrocketing.

The industry is constantly innovating, has led to the growth of ancillary industries and has helped consumers with convenience, cost-effectiveness and access to a very large marketplace that has no borders. With India's foreign trade policy undergoing review, the need for e-commerce exports to have a separate chapter in it is more pertinent than ever. The pandemic lead to restructuring of global supply chain, progressed consumer behavior in favor of e-commerce and, lead to growth of cross border commerce. At this time the ease of e-commerce needs to be leveraged at an international scale to grow Indian exports and give sellers easy access to international markets.

E-commerce has given small businesses a path to growing at an exponential pace by simply connecting them to a larger marketplace as compared to traditional retail. There have been sellers on these platforms who started off small and by understanding the reach and nuances of e-commerce, were able to scale up quickly, and serve on a pan-India level. MSMEs will greatly benefit from scale and reach offered by e-commerce exports. Additionally, it will be easier serviced by e-commerce over traditional mediums since infrastructural inputs will be significantly lesser. A lower barrier to entry for exports via e-commerce will need an enabling policy framework, which the upcoming FTP should inculcate.

PM Modi's vision of a 5 trillion USD economy by 2024 will not be possible without scaling up the quantum of exports exponentially and that can only happen when Indian sellers get easy access to global marketplace through emerging channels of exports such as e-commerce exports. Accordingly, emphasis needs to be put on e-commerce since it is the simplest and most cost-effective way to export.

While foreign trade policy has always promoted exports, the time right now is unnaturally opportune.

We stand at a juncture where the Indian e-commerce industry is mature, the workforce is actively looking for opportunities and there is anticipation of post-pandemic boom, due to availability of cheap labour, increased spending capacity of entrepreneurs and the government wanting to boost business. With the term global economy being used freely in conversation, the need to include more participants from India into this spectrum is of utmost importance. The existing policies on export have primarily catered to traditional offline retail. However, with e-commerce percolating to tier 3 and 4 cities and even a lot of rural areas, it has the potential to transform not only exports but also the lives of everyone who work in this sector.

With MSME empowerment being one of the major themes of the day, formulating trade policies keeping in mind e-commerce as a means to maximize exports will help MSMEs lead the charge of taking India forward globally, in the digital era.

The foreign trade policy needs to specifically target a few areas in order to elevate the reach of e-commerce beyond our borders. Sellers need to be educated on how to maximize exports via e-commerce. It should be mandatory for Export Promotion Councils (EPC) to promote e-commerce amongst its members and each EPC should be a given a specific target for e-commerce exports.

Logistics is a huge part of e-commerce and would require both technological and governmental support in order to do it on a global scale in a cost-effective manner.

Developing a low cost, end to end trackable, cost effective, dedicated logistics solution for e-commerce exports will help Indian MSME exporters become more competitive when selling in international markets. If India is truly looking to become an export superpower, digitization and adoption of digitization in India has to further accelerate in order to build industry grade capacity at a rapid pace.

Ensuring end to end digitization in customs clearances as well as in closure of shipping bills in EDPMS would go a long way in enhancing operational ease in exporting. A provision for facilitating a smooth reimport of returned goods also needs to be institutionalized in the FTP. These are some examples of decisive policy measures that need to be taken to promote ease of doing business and promote ecommerce exports from India. Further, the government will need to setup strict guidelines for quality control especially when it comes to exports. India has for very long had a reputation of selling two qualities of goods namely export quality and domestic quality.

Producing products of the highest quality needs to be prioritized. That can only happen if the government educates potential e-commerce sellers about the expectations of customers from overseas markets – about how high-quality goods translates to increased sales and leads to less returns. Exporters in e-commerce will need a lot of handholding and government support at the initial stages and will also need to be incentivized. MSMEs who sell via e-commerce will also need to be educated on how to export their products and the compliances for the same and also why they should actively look at e-commerce exports. Sellers would also need to be educated on how to protect the intellectual property (IP) of their products as well as ensure that their products aren't violating the IP of a foreign country.

If Indian MSMEs can facilitate exports via e-commerce, we are looking at a market that is more than USD 300 billion annually according to Prof. Viswanath Pingali of IIM-A and Prof. D. Daniel Sokol of University of Florida. The foreign exchange that will come via these trades will accelerate India's target of being a 5 trillion USD economy. The upcoming FTP should look at all avenues that will aid exports via e-commerce. Creating more awareness for e-commerce exports through right channels, getting market insights, finding right product fits etc. are all critical in enabling MSMEs to export.

Thank

You ☺

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