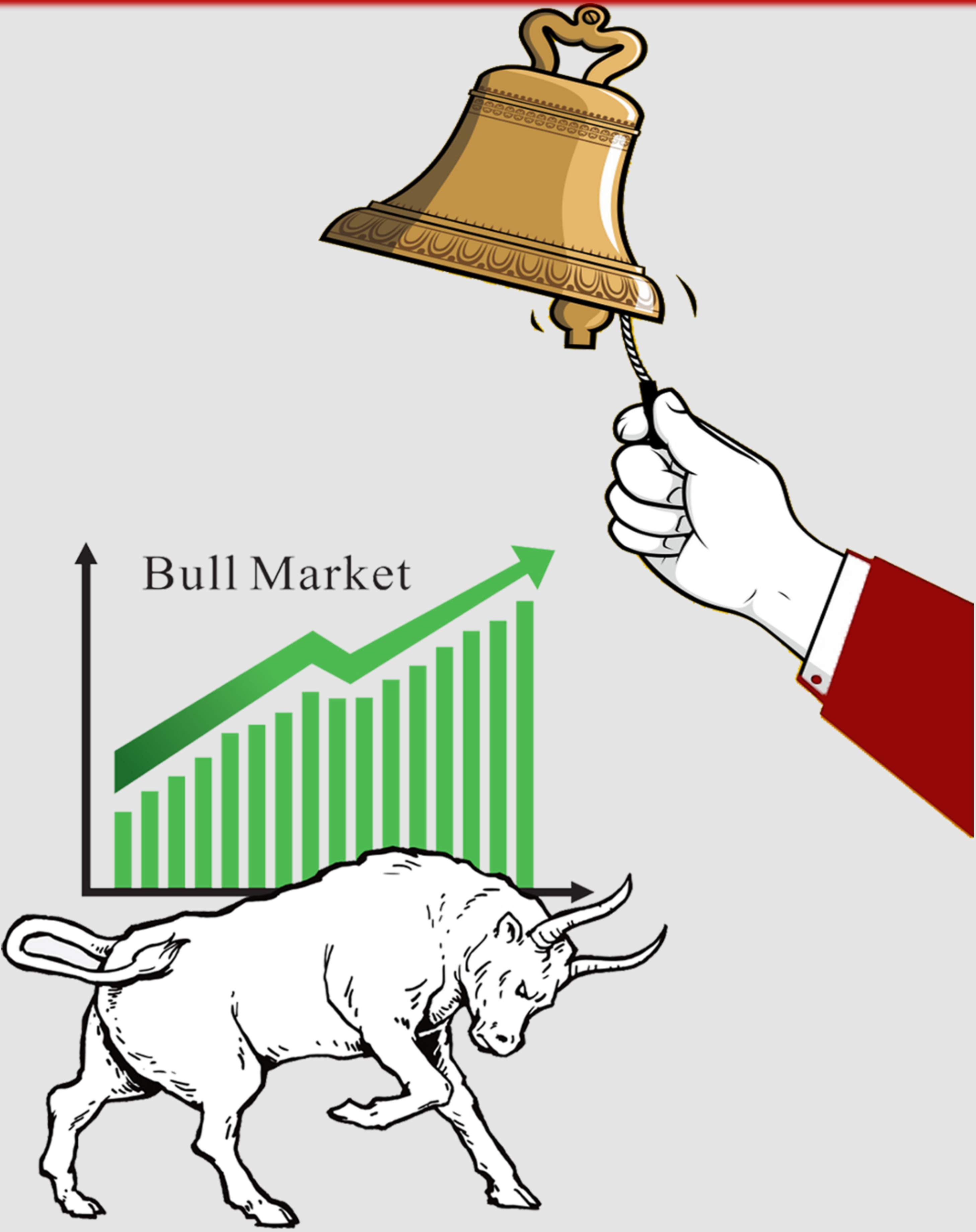
श्री LAKSHMISHREE

Gateway to your Financial Goals

Make Or Break?

This May Impact Your Investments!!



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AI And The Road Ahead For India's Startups

Artificial intelligence (AI) is touted as one of the most promising, disruptive and conceivably dangerous technologies of our time. AI is the ability of machines to demonstrate human-like intelligence. Apart from transforming businesses industries such as healthcare, education, finance, agriculture, manufacturing, media, entertainment and more, it is threatening to challenge established business models, their revenue and profit streams

Key trends

One of the key trends in AI globally has been the democratisation of AI tools and platforms. Thanks to cloud computing, open-source frameworks, and low-code/no-code platforms, anyone can access and use AI without requiring deep technical expertise or huge investments. This has lowered entry barriers and led to a surge of innovation in various domains and industries. For example, Lobe.ai is a platform that allows users to create custom machine learning models using a simple drag-and-drop interface. Users can train and deploy their models on the cloud or on the edge devices, and use them for various applications such as image recognition, sentiment analysis, or gesture control.

Likewise, GPT-3, a powerful natural language processing system developed by OpenAI, can generate coherent and diverse texts on any topic, given a few words or sentences as input. GPT-3 has been used to create chatbots, content generators, summarizers, translators, and more.

Another key trend in AI globally is its convergence with other emerging technologies such as blockchain, quantum computing, and biotechnology. These technologies can complement and enhance each other, creating mutually beneficial synergies and opportunities. For example, blockchain can provide transparency, security, and decentralisation for AI applications, while AI can optimise blockchain performance and scalability.

Quantum computing can offer exponential speedup and computational power for AI algorithms, while AI can help design and control quantum systems. Biotechnology can leverage AI for drug discovery, diagnosis, and personalised medicine, while AI can learn from biological systems and principles.

But the flipside is that AI can be dangerous. Deepfakes, digitally forged images or videos, are already making headlines and wreaking havoc in society. Just recently, there was a deep fake of a well-known south Indian actress Rashmika Mandanna, which immediately raised calls for regulation and criminal action. There is also the potential for an increase in criminal or terrorist activities, highly damaging cybersecurity attacks on individuals, governments or businesses, that can have a deleterious impact.

Rapid growth in India

In India, AI is also witnessing rapid growth and adoption across various sectors and domains. Factors driving this growth are a pool of talent and skills in India, increasing availability of data and digital infrastructure and the rising demand for AI solutions globally. Take Generative AI as a case in point. As of May 2023, it had more than 60 startups across various industry verticals. It has received over US $590 million in funding, and unlike other sectors which witnessed a decline, 2022 saw the highest inflow.

A recent report by Inc42's India's Generative AI Startup Landscape, 2023 says India's GenAI market is projected to grow at a CAGR of 48 per cent from US$1.1 billion in 2023, to over US$17 billion by 2030. The number of startups in India, which dabble in AI is around 5000 versus 18000+ in the USA per Tracxn. However, other sources like Visual Capitalist, which count only the startups that received US$1.5million + in investment, put the US number at 4643 vs 1337 for China, 630 UK, 402 Israel and India with 296 (ranking No.7).

Startups in India are working across sectors such as agriculture (e.g., Cropin, Fasal, Intello), healthcare (e.g., Niramai, Qure.ai, Tricog), education (e.g., Embibe, Miko, iNurture), fintech (e.g., Credgenics, Yubi, Cognext), seeking to create innovative solutions.

Challenges for startups

Developing AI products is not easy task. Hence, start-ups in AI face many challenges.

The first challenge is finding and retaining the technology and talent in this fast-moving and complex field. Hiring and retaining talented engineers, researchers, and data scientists who can design, build, and test innovative solutions isn't easy. Also, the investment needed in hardware and software infrastructure that can support large-scale data processing and machine learning models is quite high.

Second, there is the challenge of data availability and access. Data is the fuel of AI that enables training, testing, and improving machine learning models. AI startups may face issues arising out of data ownership, data scarcity and privacy and, quality. There are often media reports highlighting the challenges faced by writers, stand-up comedians, artists, actors and others.

A third challenge for AI startups is legal and regulatory. AI is a novel and emerging technology that poses many ethical, social, and legal challenges. Issues are swirling around liability, accountability, intellectual property, ethics, individual rights etc. Regulations lag innovation and technology, but it is a matter of time before it catches up.

The fourth is the threat from the tech biggies -- Alphabet, Microsoft and others. Incidentally, even large companies face risks but they have the money, manpower and muscle to get things done. These companies also have the money to lobby for favourable regulations and to stifle emerging competition. Already, there are portents that the large players may end up cornering the lion's share, leaving only crumbs for the rest.

As AI continues to evolve and mature, we can expect to see more innovation and disruption in India and beyond. There are enough opportunities for startups to exploit; at the same time, it isn't going to be a bed of roses given the myriad issues that revolve around its rapid evolution.

A Recovery In China's Economy Will See Industrial Metals Benefit

There seems a thaw in the hitherto chilly outlook for China's economy. On November 7, the IMF revised its outlook for China's GDP growth, after concluding a consultation. It now expects China's GDP to grow by 5.4 percent in 2023 and then by 4.6 percent in 2024, an upward revision by 40 basis points in each year's growth forecast over the ones presented in the October edition of the World Economic Outlook. What's prompting this change in such a short interval? A stronger than expected performance in Q3 and recent policy announcements are driving this upgrade, says the IMF statement. However, there has been scepticism that China's economy will revive as the policy measures taken so far have been deemed insufficient by the markets.

What does the IMF want or expect to see? The release says, "A comprehensive policy package should include measures to accelerate exit of nonviable property developers, remove impediments to housing price adjustment, allocate additional central government funding for housing completion, and assist viable developers to repair balance sheets and adapt to a smaller property market."

As if on cue, Reuters carried a news report today on the proceedings of a meeting of fund managers held in Hong Kong. One fund manager said this: "Long term, (China) has to be part of a global investment portfolio." Another fund manager said the opportunity in China was from people moving away from real estate and term deposits (to equities and bonds, presumably). The country seems to be on a mission to makeover its image among the international investing community too.

While there may be issues with the economy, the fact that it's too large to ignore, is putting policies in place to revive the economy and for fund managers, the valuation looks attractive especially if growth picks up.

If China is climbing its way back up on the growth ladder, then it could mean a shift in the outlook for industrial metals. While nobody expects the property market to roar back to life, even a decent limp back to higher growth rates may be enough to spur demand for metals. And, whether it's consumption or investment-led growth or a mix that China will eventually present us with, it will lead to higher demand for commodities.

Among commodities, iron ore and steel prices have been holding fairly firm. However, non-ferrous metals have been taking a licking and are down or flat compared to their year-ago levels. That's now inviting a supply-side response, with capacity being curtailed to support prices at higher levels and also because at some locations production turns unviable below a certain price.

Western economies are facing the likelihood of a slowdown as tighter monetary policy and geopolitics hurt growth. That puts the onus on China to re-emerge as a source of demand for metals. While there is ample scepticism surrounding upbeat forecasts, if there are more signs in the real economy that China is indeed getting back on its feet, then it will mean good times will return to producers of industrial metals.

Look What Our Research Analyst Has To Say...

Nifty in the past week has rallied to test the neckline of the Head & Shoulder breakdown and is trading at a very crucial location on the daily charts. The 3 days high at 19480 is a very important resistance and any breakout above the same will head to test the 6 months vwap placed at 19550. On the downside immediate support is placed at 19320 odd levels and a breach below 19300 will plunge the index to close the run away gaps at 19276 and 19185.

Anshul Jain

Sr. Research Analyst

Wealth Bagger Stock Picks For The Week

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Zee Entertainment

About The Company

ZEEL stands as one of the foremost vertically integrated Media and Entertainment (M&E) companies in India. Its core focus lies in broadcasting, content development, and digital business, making it a major player with an extensive language range. ZEEL boasts a diverse portfolio encompassing movies and music production, live events, and content aggregation. Globally, it is recognized as one of the largest producers and aggregators of entertainment content, holding an impressive library of over 250,000 hours of television content. Notably, ZEEL possesses the world's largest Hindi film library, securing rights to more than 4,200 movie titles from leading studios and iconic film stars. With a robust global presence, ZEEL reaches audiences in over 170 countries, connecting with a vast viewer base exceeding 1.3 billion.

Particulars

Market Cap.	EPS	Net Profit	Promoter Holding	52 Week H / L
₹ 23,912 Cr	₹ -1.06	₹ -102 Cr	3.98%	291 / 170

Outlook & Valuation

ZEEL, a prominent M&E company in India, is deeply involved in broadcasting, movie and music production, and digital business. With a strong presence in the GEC segment and a strategic expansion into the movie genre through new channel launches, ZEEL aims to strengthen its position in the hyper-competitive market, particularly with the aggressive content catalogue development on ZEE5. The merger with Sony is anticipated to enhance ZEEL's portfolio with sports, kids, and English movie content. The management's focus on advertising, subscription, and international business is expected to maximize revenue, leveraging the combined entity's reach potential and investments in the digital and sports sectors. In Q2FY2024, ZEEL demonstrated a 17.9% all India TV Network Share, a 90 basis points increase from the previous quarter. The subscription revenue saw an 8.0% year-on-year growth, driven by increased linear subscription revenue post NTO 3.0 and a rise in ZEE5 subscriptions. Other sales and services revenue surged by 195% year-on-year, supported by higher syndication and robust theatrical performance of movies.

GRANULES INDIA

About The Company

Granules, based in Hyderabad, India, operates as a vertically integrated pharmaceutical company. The company specializes in the production of Active Pharmaceutical Ingredients (APIs), contributing to 29.7% of its sales, Pharmaceutical Formulation Intermediates (PFIs) at 20.2% of sales, and Finished Dosages (FDs) making up 50.1% of sales. Granules serves both regulated and semi-regulated markets, with regulated markets comprising approximately 73% of its revenue. Latin America (LATAM) contributes 11% of the revenue, while markets in the Rest of the World (RoW) constitute around 16% of the total revenue.

Particulars

Market Cap.	EPS	Net Profit	Promoter Holding	52 Week H / L
₹ 8,872 Cr	₹ 16.3	₹ 394 Cr	42%	375 / 268

Outlook & Valuation

In Q2FY2024, Granules India Limited demonstrated robust sequential sales growth, primarily fueled by a substantial 27% year-on-year increase in formulations, offsetting a 9% decline in API sales and a 38% year-on-year decrease in pharmaceutical formulation intermediates (PFIs) sales. Granules anticipates launching delayed approved products in the upcoming quarters, contributing to higher revenue and profitability. The company has outlined an ambitious Rs. 2,000 crore investment plan over the next five years to establish a green chemistry plant in Kakinada, AP, aiming to achieve carbon neutrality in API manufacturing.

Despite challenges, including raw material costs and a changing product mix, Granules remains optimistic about future growth, supported by the commissioning of the MUPS block, a robust product pipeline, and strategic measures to reduce dependence on China. The company's focus on productivity, coupled with strong sales growth, is expected to offset some profitability concerns in the short to medium term. Granules foresees signs of recovery in H2, driven by new product launches and volume growth, particularly in regulated markets, contributing to decent earnings growth in the short to medium term.

THANK YOU

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