

MONTHLY NEWSLETTER

JUNE 2024



Sunil Gupta

MD & CEO

Yotta (Hiranandani Group)

Till now we have only been talking about humans consuming and creating data. Once machines start creating data through emerging tech such as IoT, AI and ML, the growth of data will be humongous. **The demand for data centre capability is going to be practically unlimited.**



Venkat Chalasani

Chief Executive, AMFI

The mutual fund industry continued to benefit from sustained flows into equity-oriented mutual funds, hybrid funds and passive funds. This expansion reflects the industry's unwavering commitment to investors education, strong distribution, and digital innovation."

WHAT'S INSIDE

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WHAT'S TRENDING

DATA CENTRE'S IN INDIA-THE NEXT BIG GROWTH STORY

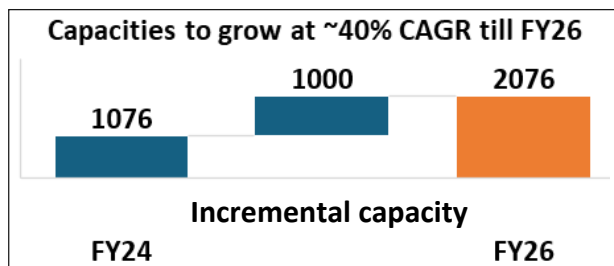
As per CBRE (Coldwell Banker Richard Ellis) – a global leader in commercial real estate, India's Data Centre industry is projected to grow at 40% CAGR over the next two years. Technological advancements, including Artificial Intelligence, Machine Learning, and a sharp surge in internet usage are fuelling this growth. Despite being one of the largest internet users globally, India has one of the lowest data centre capacities. However, things are changing on ground and India is becoming one of the fastest expanding data centre markets in the Asia-Pacific region. This shift is opening a door of opportunities for the entire domestic data centre supply chain ecosystem.

The Opportunity

India's data centre capacities are set to double in the coming two years. As per CBRE, India is set to install an incremental 1,000+ MW of capacities by 2026. According to Care Edge, the cost of setting up 1 MW of capacity in India is ~Rs 60-70 crores. Hence the total opportunity size could be around ~Rs 60,000-70,000 crores for ~1000 MW in the medium term.

As per the NASSCOM Report, India has the cheapest internet compared to developed nations, enhanced connectivity and affordable smartphones, data centres in Indian are expected to receive an investment of around USD 200 billion per annum by 2025. The value of the India data centre market is expected to increase from \$4.35 bn in 2021 to \$10.09 bn by 2027 at a CAGR of ~15.07% throughout 2022-2027.

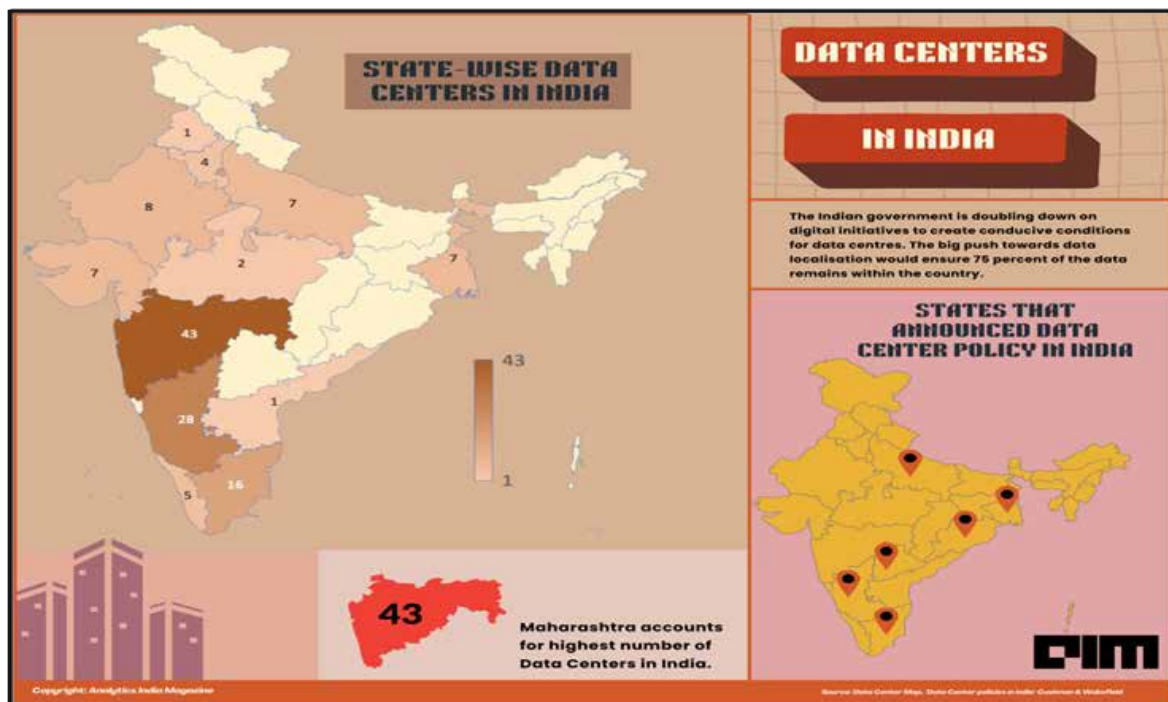
Industry	Segment	Opportunity Size (in Rs Cr)
HVAC Systems	Cooling	7,700-9,750
Switchgear makers	Electrical	7,700-9,800
Motor Makers	Electrical	7,300-9,200
Transformers & Substations	Electrical	2,100-2,700
Servers & Racks	Hardware	2300-3300



*Capacities in MW
Source: CBRE

The Present

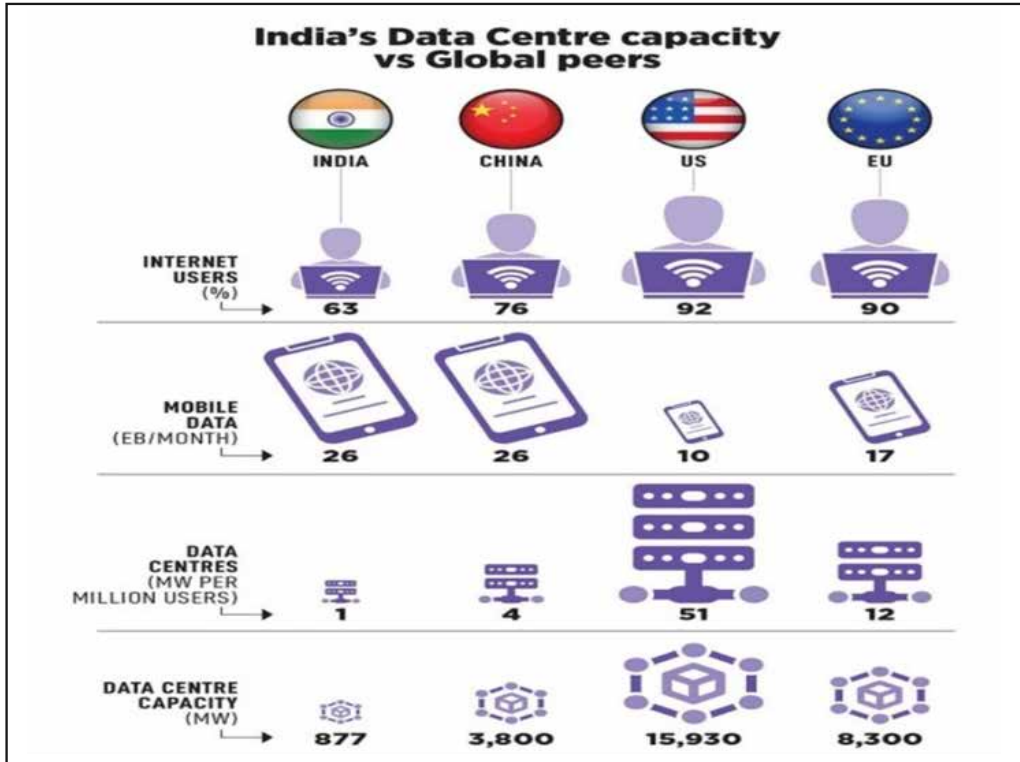
As per CBRE, India has 152 data centres with ~1.1 GW capacity as of Mar'24, all the data centres in the country are currently present across the top 7 cities, namely, Mumbai, Delhi-NCR, Bengaluru, Chennai, Pune, Hyderabad, and Kolkata. Of this ~49% of the data centres are in and around Mumbai. In terms of installed capacity, India is the 4th largest market in APAC region.



Source: Analytics India Magazine

The huge demand-supply gap: A cause of worry

According to Care Edge, despite having a significant share of 20% of the global data generated, India merely accounts for a ~3% share in the global data centre capacity market, implying that a significant chunk of Indians' data is stored overseas. India has more than double the internet user base of the USA, but the USA still has over 10 times the data centres than India. Bridging this gap would require our share in global data centre capacities to surge near our data generation levels.




Source: CareEdge report

Government Initiatives

The government of India has taken several initiatives to boost India's data centre capacities. Out of the several policies and measures adopted, some significant steps include the Digital Personal Protection Act of 2023. Data draft data centre policy and RBI's guidelines for Payments. Previously,

Data Centres were considered part of the IT sector from a policy standpoint. Through the Union budget of FY23, the Gol granted infrastructure status to data centres, which helps in availing credit and attracting foreign investments for the data centre developers. The government's efforts to digitize archives, land records, judicial data, and Aadhaar significantly boost the digital ecosystem. The India AI Mission is another initiative that promotes innovation and collaboration across various sectors. These moves come amidst the narrative of data sovereignty, which several governments worldwide are concerned about.

The state governments have also taken initiative for example, the Maharashtra Government has given all data centre makers a stamp duty exemption and refund on VAT.. Both, Karnataka and Uttar Pradesh governments have provided land and capital subsidies for data centre manufacturers.



"All payment system providers to ensure that the entire data relating to their payment systems including complete transaction data should be stored in systems located only in India" – Reserve Bank Of India

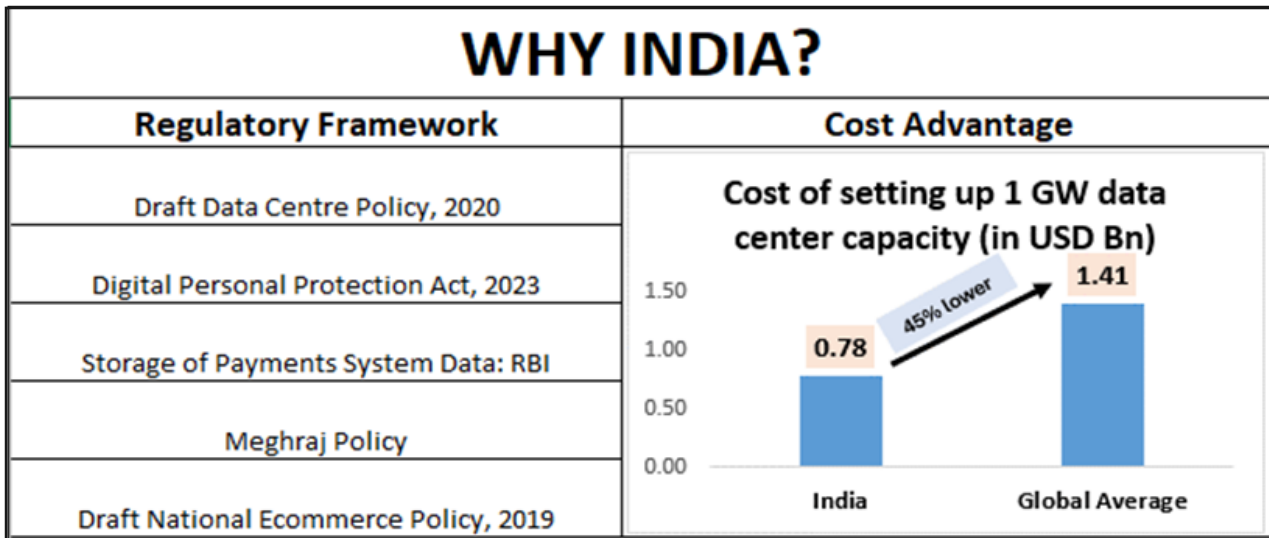
INFO SENT ABROAD TO BE DELETED

- > Payment system providers must ensure that all data relating to payment systems operated by them are **stored in a system only in India**
- > System providers had to comply by Oct 15, 2018. But **several extensions were given** repeatedly
- > One key requirement was a **System Audit Report (SAR)** by certified auditors
- > RBI later relented and **allowed data to be sent abroad intraday** for processing
- > Some providers **not in a position to submit audit report** as they have to certify that data that has gone overseas has been deleted

Source: Article from Times of India

Why would players prefer India?

India is witnessing a digital revolution with a surge in internet consumption, making it one of the world's largest internet consumer markets. The regulatory tailwinds and government support are further driving investor confidence. Apart from this, the capex required for setting up data centres in India is 45% lower than the global average, making these investments extremely cost, returns, and profitability lucrative. India has one of the lowest power tariffs in world, accounting for ~80% of the data centres operational costs.



Source: Care Edge

Conclusion:

As per the Ericsson Mobility Report, Indians will consume the most data globally by 2028 at 62GB per user per month, ahead of developed markets. Further, the adoption of digital services in India is evidenced by the fact that the country had more than 900 million internet users as on FY24, almost double that in the USA. This makes India a top market for the data centre industry across the globe.

The future of data centres in India looks promising. The country's digital revolution, along with the government's supportive policies and the availability of sufficient resources, makes it an attractive destination for global players to establish their data centre capacities. As India continues to embrace digital transformation and advanced technologies, the demand for data centres is set to rise exponentially.

KEY BUSINESS UPDATES FOR Q1FY25

Bajaj Finance	AUM grew by 31% YoY to Rs. 3,541 bn. Customer franchise stood at 88.11 mn v/s 72.98 mn, a growth of 21% YoY. New loans grew by 10% YoY to 10.97 mn, compared to 9.94 mn in Q1FY24.
APL Apollo Tubes	APL Apollo Tubes reported a volume growth of 9% YoY to 7,21,064 tons. The Value-Added Products (VAP) share has increased to 60% in Q1FY25 from 57% last year.
CSB Bank	Advances increased by 24% YoY and 6% QoQ to Rs. 125 bn. Deposits grew by 22% YoY and 1% QoQ, reaching Rs. 299 bn.
Avenue Supermarts	Standalone revenue increased by 18% YoY. During the quarter, the company expanded its network by adding 6 stores (net) , bringing the total number of stores to 371.
HDFC Bank	Merged gross advances increased by 53% YoY and declined by 1% QoQ. Deposits grew by 24% YoY while on QoQ, it stood at similar levels. Excluding the merger impact, gross advances grew by 15% YoY while deposits increased by 17% YoY.
AU Small Finance Bank	Gross advances increased by 43% YoY and 5% QoQ while deposits declined by 0.4% QoQ. CASA ratio stood at 33% vis-à-vis 35% YoY and 32% QoQ.
Nykaa	As per the management, Nykaa has witnessed consistent growth across all three business verticals. The management expects revenue growth to be around 22-23% YoY and GMV to be in mid-twenties on a YoY basis.
Dabur	As per the management, revenue growth is expected to be mid-to-high single digit growth range, with gross margins likely to expand, led by rollover price increases and cost-saving initiatives.
Titan	Titan reported revenue growth of 9% YoY. The jewellery domestic business expanded by 8% YoY, led by Akshaya Tritiya. However, high gold prices and their continued firmness had an impact on consumer demand. The watches and wearables domestic business rose by 14% YoY. During the quarter, the company increased its footprint by adding 61 stores, bringing the total number of stores to 3,096.
Senco Gold	Senco Gold reported total sales growth of 9% and same store sales growth (SSSG) of 4%. The company expects to grow at 18%-20% this year. Average gold price has risen by 20% YoY in Q1 and 13% QoQ. During the quarter, the company added 6 new showrooms taking the total showroom portfolio to 165.
Tata Steel	Tata Steel reported domestic deliveries of 4.94 million tons, up 3% YoY on the back of continued strength in India's steel demand. Europe deliveries grew 4% each YoY and QoQ.

Bank of Baroda	Global advances grew by 8% YoY but de-grew 2% QoQ, while global deposits increased by 9% YoY.
Utkarsh Small Finance Bank	Gross loan portfolio rose by 31% YoY and 3% QoQ while total deposits increased by 30% YoY and 4% QoQ. CASA ratio stood at 19% vis-à-vis 21% QoQ. Collection efficiency stood at 96% v/s 98% QoQ.
Macrotech Developers	Pre-sales came in at Rs. 40.3 bn during Q1FY25, up 20% YoY and collections increased by 12% YoY to Rs 26.9 bn. Macrotech added three new projects with cumulative GDV of Rs. 111 bn which is >50% of full year guidance of Rs 210 bn across MMR and Pune.
Sula Vineyards	Sula reported revenue at Rs 1.3 bn, up 10% YoY. There was a decline in wine consumption and tourism due to dry days during the Lok Sabha elections and the heatwave. Wine tourism declined by 3% YoY.
Marico	Consolidated revenue grew in high single-digits and is expected to trend upwards during the year. Management expects quarterly gross margin expansion YoY. International business reverted to double-digit constant currency growth driven by resilient and broad-based growth across markets.
Ujjivan Small Finance Bank	Gross loan book and total deposits grew by 19% YoY and 3% QoQ each. CASA ratio stood at 26% vis- à-vis 27% QoQ. Collection efficiency stood at 98%, similar to QoQ.
REC	Loan sanctioned and loan disbursements grew by 24% YoY and 28% YoY respectively. Of which, renewable energy sanctions and renewable energy disbursements increased by 59% YoY and 249% YoY each.
JTL Industries	Sales volume growth increased by 11% YoY to 85,674 MT. VAP share was 25% in Q1FY25 v/s 42% last year. Exports contributed 7% to the total sales volume. Going ahead, management expects robust demand for structural pipes in the export market.

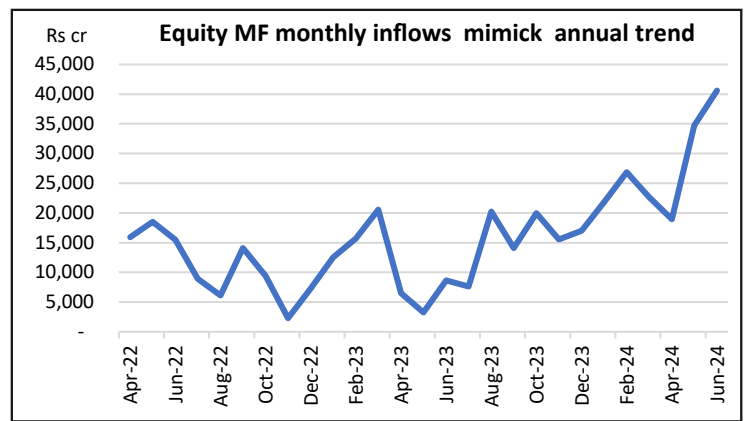
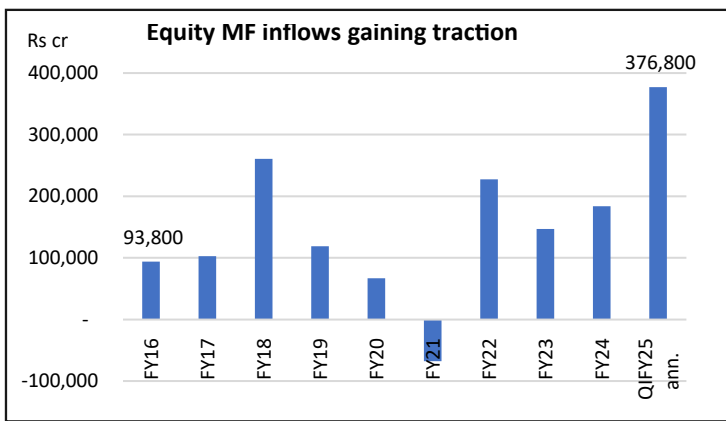
Source: Company Reports

EQUITY MF INFLOWS ON A RISING PATH

MF AUM crossed Rs. 60 trn last month and stood at Rs. 61.3 trn as on June '24. We have seen the MF AUM double from Rs. 30trn in Nov '20. What role have Equity MF funds played in delivering this rise and are they backed by fresh inflows? Let's dive in to find out...

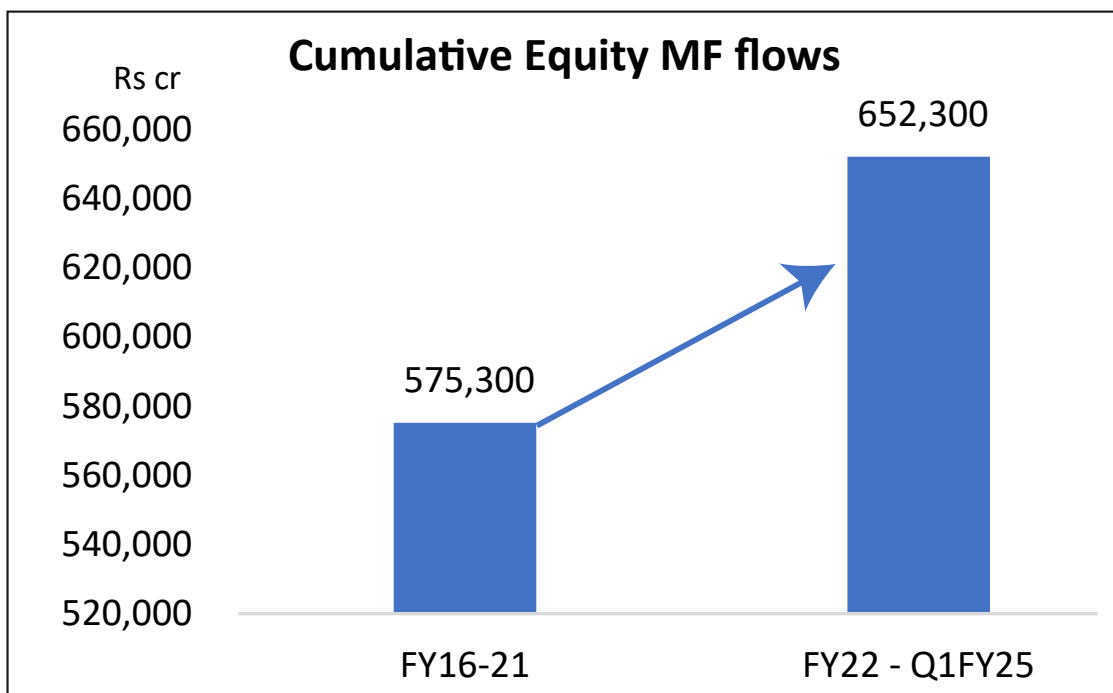
Equity MF inflows gaining traction

We have witnessed healthy traction in Equity MF inflows since the start of FY22. This was a complete reversal of the declining inflows from FY18. Overall improved health of the Indian economy coupled with a strong economic outlook has resulted in positive sentiment for Equity markets, which has attracted investors. The monthly trend also reinforces this rising trend, with Equity MF inflows hitting a high of Rs. 40,000cr in June'24. This is significantly higher than the Rs. 15,000cr monthly average in FY24 and Rs. 12,000cr monthly average in FY23.



Source: AMFI, Research

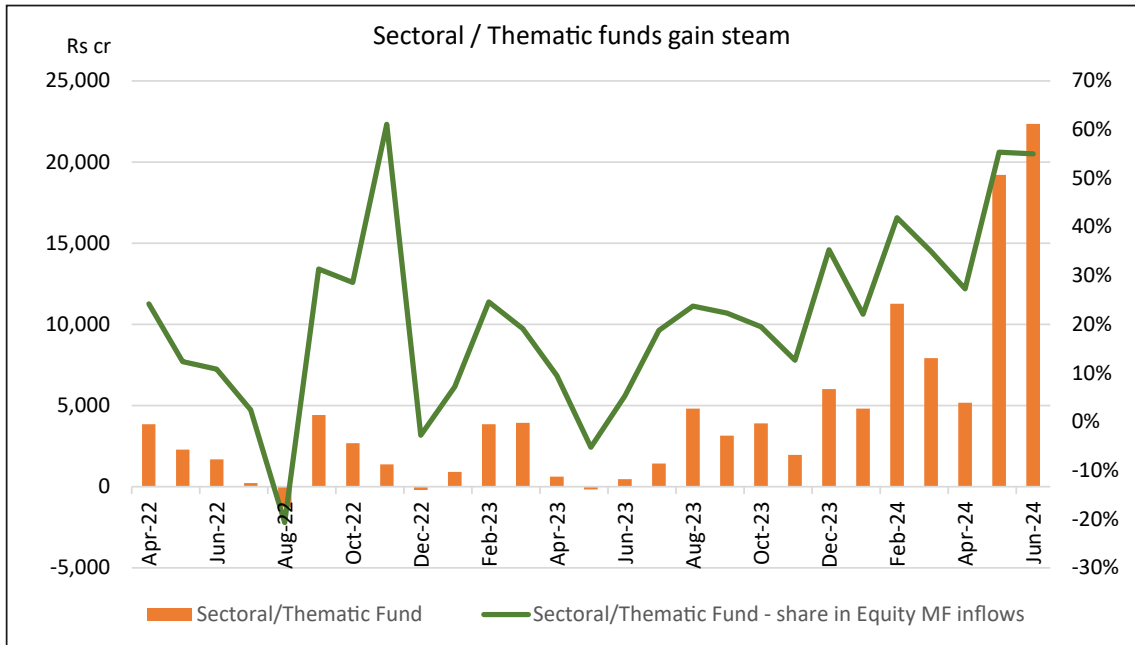
A zoomed-out version of the snapshot also reveals that Cumulative Equity MF inflows of Rs. 6.5 trn garnered over FY22-Q1FY25 (13 quarters) has well surpassed the cumulative inflows of Rs. 5.75 trn garnered over FY16-21 (24 quarters) in half the time. This gives us a good idea that MF industry is seeing a healthy uptick backed by strong inflows.



Sectoral / thematic fund - the focus area

Recent trends indicate that the sectoral / thematic fund category has attracted majority of the inflows. The share of sectoral / thematic fund inflows in total Equity MF inflows has increased consistently and sharply from 5% in Jun-23 to 55% in Jun-24.

Mutual Fund Houses have also tilted their New Fund Offers (NFOs) towards sectoral / thematic funds, gauging investor interest in this category. This is reflected in 72% of the incremental equity schemes added in the last year (Jun-23 to Jun-24) coming from this category, which is materially higher than their average representation of 38% in total equity schemes.



Source: AMFI, Research

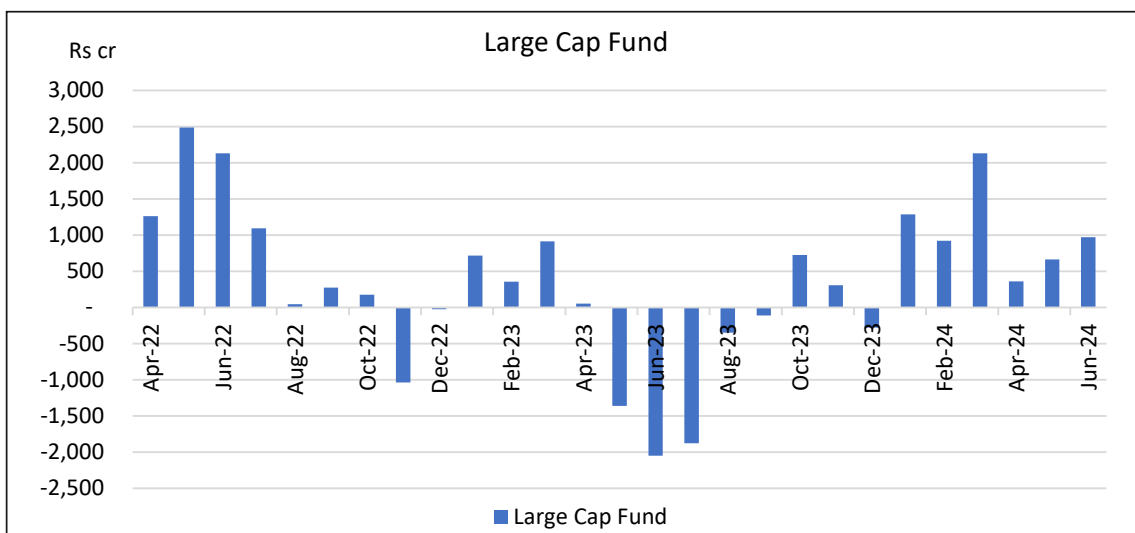
No. of schemes	Jun-23	Jun-24	Incremental (Jun-23 to Jun-24)	% in incremental schemes	% in total schemes
Sectoral/Thematic Fund	130	172	42	72%	38%
Equity fund	397	455	58		

Source: AMFI, Research

Other Categories

Inflows coming back into large cap funds, but not to a large extent

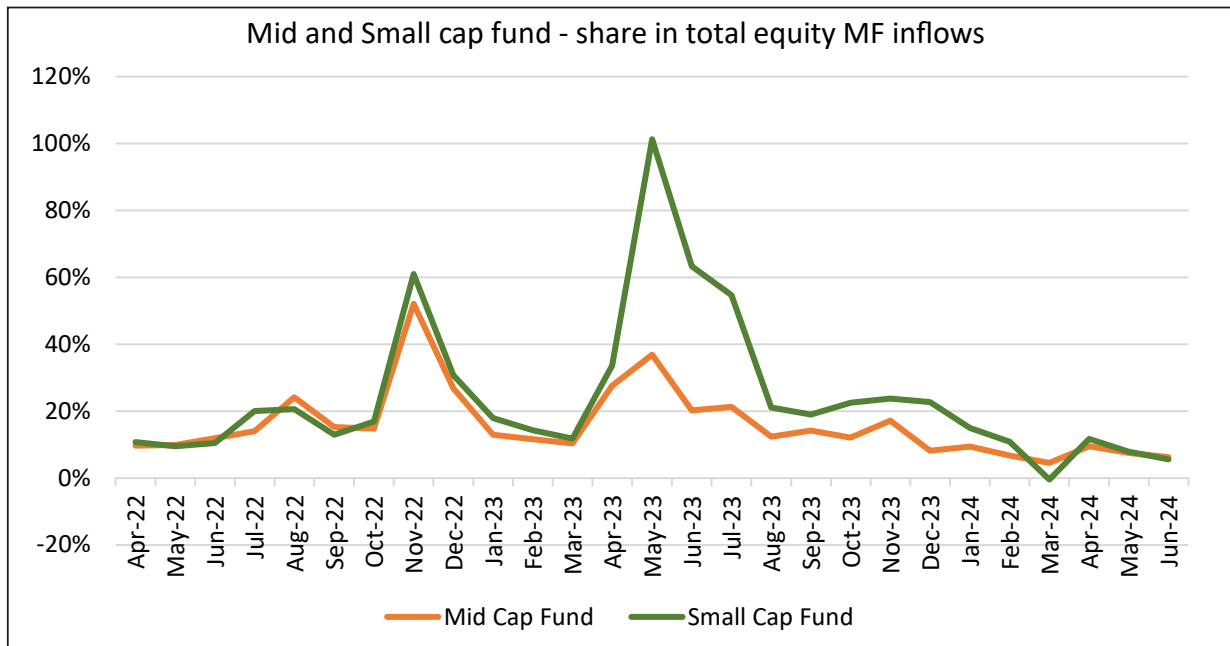
Large cap funds have made a small comeback with steady inflows starting Jan-24, after being subdued for multiple quarters before that. However, the large cap fund inflows are still miniscule, contributing just 2% of Equity MF inflows in Jun-24.



Source: AMFI, Research

Mid cap and Small cap fund takes a back seat

Mid and Small cap fund category had seen robust inflows over most parts of FY23 and for early part of FY24 as well. However, we have seen a declining trajectory in the past few months and its share in total equity MF inflows is approaching more normalized levels.



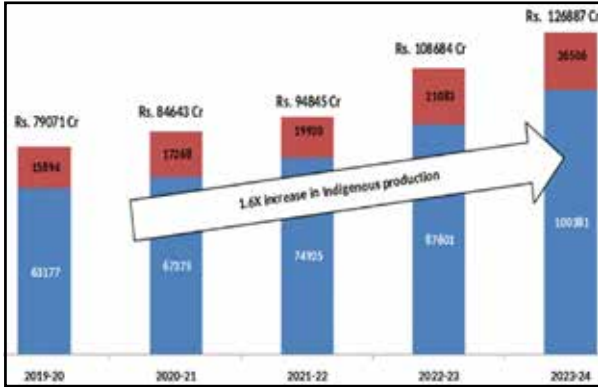
Source: AMFI, Research

Conclusion:

Equity MF inflows have seen a strong rising trend, which has only been strengthened in the past few months. While the overall trend is bullish, there is a lot happening under the hood and reveals interesting insights. Changing investing trends from 'small and midcap fund' category in earlier periods to 'sectoral/thematic fund' category in recent months reflects nimble footedness and dynamic investor interest.

Mutual Fund houses are also responding to these dynamic trends, visible in the NFOs being tilted towards demand. Investors have become savvier and are no longer satisfied with plain vanilla schemes (reflected in large-cap fund struggling to garner meaningful inflows) and are willing to bet on focus segments.

WHAT CAUGHT OUR ATTENTION THIS MONTH!



Source: Defence Watch.

Defence production hits record high of Rs 1.27 lakh cr in 2023-24: MoD

Defence Minister Rajnath Singh announced that India achieved its highest-ever growth in defence production reaching nearly Rs 1.27 lakh crore in 2023-24, a 16.7% increase from approx. Rs 1.09 lakh crore in 2022-23.

Over the past five years, the value of defence production has grown by more than 60% since 2019-2020.

The ministry attributed this achievement to policy reforms, ease of doing business, and various government initiatives focused on "aatmanirbharta" (self-reliance) and "Make in India" over the past decade.

SEBI mandates uniform fees for stock exchanges

SEBI has mandated that infrastructure institutions such as stock exchanges, clearing corporations, and depositories to implement a uniform charge structure all their members rather than varying charges based on their volume activity. This will be effective October 1.

This directive is a part of broader measures aimed at curbing frenzy in India's derivative markets.

The move is seen as a significant setback for discount brokerage firms whose revenues are expected to be impacted, since a substantial portion of their income is from paybacks provided by exchanges for the volumes they generate.



10K-POINT RALLY IN 7 MONTHS	
SENSEX LEVEL	DATE
80,000	July 3, 2024
70,000	Dec 11, 2023
60,000	Sept 24, 2021
50,000	Jan 21, 2021
40,000	May 23, 2019
30,000	March 04, 2015
20,000	Oct 29, 2007
10,000	Feb 06, 2006

Source: The Tribune

Sensex breaches 80,000 for the 1st time, Nifty at record high

Benchmark BSE Sensex breached the historic 80,000 level intraday for the first time, while the Nifty surged more than 162 points to a new lifetime high on July 3rd, driven by strong buying in banking and FMCG shares amid positive global market trends.

When India's benchmark index, Sensex, hit the new milestone of 80,000 it was marked as the fastest 10,000-point rally from 70,000 in mid-December. Among BSE500 stocks, this 139-day rally resulted in 20 stocks becoming multibaggers.

Telecom players announce massive tariff hikes

India's leading telecom service providers have announced significant tariff hikes for their customers for prepaid and postpaid plans.

The three private telecom companies raised mobile tariffs by 11-25%, effective from July 3 and 4, 2024. This marks the first major telecom tariff increase in two and a half years.

As per ICRA, "The latest telecom tariff hikes announced by Telcos will provide the traction in ARPU and can yield additional operating profits of around Rs 20,000 crore for the industry once they are fully absorbed."

Source: The Economic Times



Source: Deccan Herald

Indian economy, financial system remain robust despite global economy facing heightened risks: Financial Stability Report

The Indian economy and financial system remain resilient, supported by macroeconomic and financial stability. With improved balance sheets, banks and financial institutions are fostering economic activity through sustained credit expansion. The Gross Non-Performing Assets (GNPA) ratio of SCBs has dropped to a multi-year low of 2.8%.

As per the FSR, the global economy faces increased risks from prolonged geopolitical tensions, elevated public debt, and slow progress in the final stages of disinflation.

India sees 43% decline in FDI inflows in 2023, drops to the 15th spot

Foreign Direct Investment (FDI) flows to India dropped by 43% in 2023 to \$28 billion, causing the country to slip to 15th place in the World Investment Ranking, according to a report by the United Nations Conference on Trade and Development (UNCTAD).

Economic slowdown and rising geopolitical tensions have led to drop in global FDI by 2%, to \$1.3 trillion in 2023.

Although India fell to the 15th place in 2023 from 8th in 2022, in terms of FDI inflows, it remained in the Top 5 for both greenfield projects and international project finance deals.



Source: The Indian Express

India-Russia Agreements

- Cooperation in trade, economic and investment spheres in Russian Far East (from 2024 to 2029) and the Arctic zone
- MoU on climate change & low-carbon development
- MoU for cooperation in research and logistics in polar regions
- MoU for cooperation in broadcasting
- MoU for cooperation in pharmacy and medicine
- MoU for cooperation in arbitration
- Joint Investment Promotion Framework Agreement
- MoU between Survey of India and the Federal Service for State Registration, Cadastre and Cartography
- MoU between Trade Promotion Council of India and All Russia Public Organization 'Business Russia'

Source: The Economic Times

India, Russia target \$100 billion bilateral trade by 2030, FTA with EAEU

India and Russia have agreed to boost bilateral trade to over USD 100 billion by 2030, address the trade imbalance, eliminate non-tariff trade barriers, and explore the possibility of a Free Trade Area between the Eurasian Economic Union (EAEU) and India.

The two nations signed nine MoUs across various sectors, including one aimed at increasing trade and joint investment projects between Russia's Far East and India

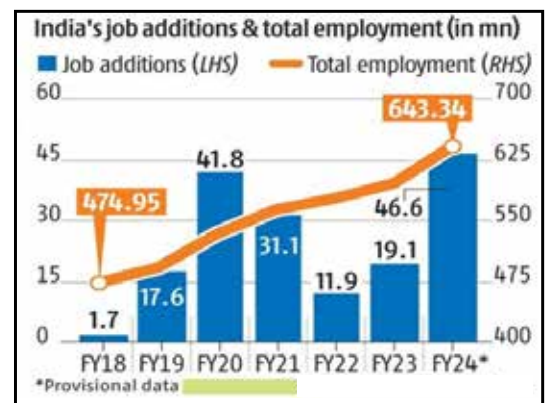
The joint statement following the summit emphasized revitalizing investments, using national currencies for trade, and enhancing cooperation in sectors such as energy, agriculture, and infrastructure.

India employment provisionally grew at 6% in FY24 vs 3.2% in FY23: RBI data

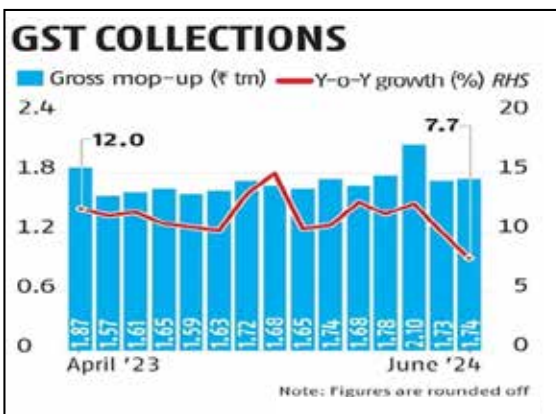
According to a recent RBI report, India provisionally created 46.7 million jobs in the FY2024, bringing the country's total employment to 643.3 million.

The employment growth rate rising to 6% in FY24 from 3.2% in FY23, represents significant growth.

The unemployment rate decreased to 1.4% in FY24 from 2.2% in FY18. The services sector, excluding construction, is now absorbing most of the workforce moving out of agriculture, a marked shift from the 2000-2011 decade when construction was the primary absorber.



Source: Business Standard



Source: Business Standard

GST Collections at Rs 1.74 trillion in June, but growth slows to 7.7% compared to the previous months

The gross Goods and Services Tax (GST) collection for June 2024 was Rs. 1.74 trillion, up 7.7% on YoY basis.

This growth rate is significantly lower than 12.4% and 10% rise recorded in April and May respectively. While the June collection was slightly higher than the previous month, it was lower than the peak of Rs 2.1 lakh crore in April.

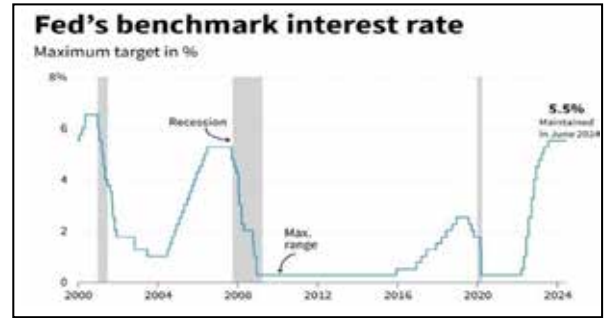
Data indicates that the pace of GST growth fell below double digits for the first time since the pandemic.

Global News Of This Month

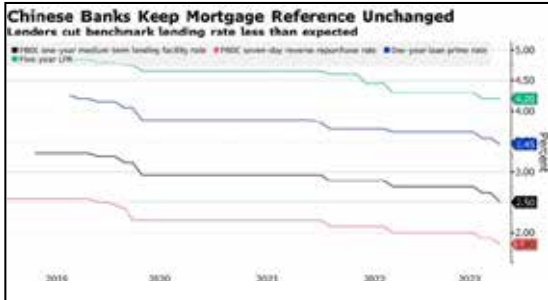
US Fed holds interest rates and pencils at just one cut this year

The US Federal Reserve kept the key interest rate unchanged at 5.25-5.50%, marking the seventh consecutive time, and now anticipates just one rate cut this year, down from the three expected in March.

Fed Chair Jerome Powell acknowledged the recent inflation data but noted that it has not yet provided the confidence needed to achieve their goals.



Source: Yahoo News



Source: Bloomberg

China keeps lending rate unchanged as housing market still struggling

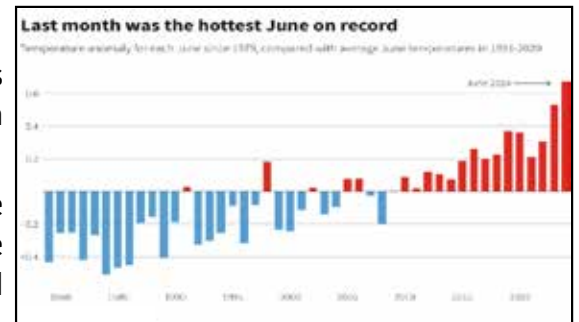
China's central bank maintained the lending rate unchanged at 2.5% opting against loosening credit as data showed signs of continuous weakness in the economy's manufacturing and real estate sectors.

This decision was in-line to the expectation, reflecting Beijing's strategy of directing spending towards high-priority areas such as high-tech industries, rather than reducing already low interest rates.

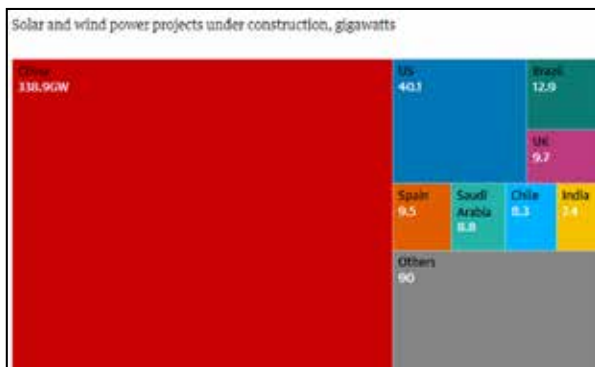
2024 could be the world's hottest year as June breaks records

According to the EU's climate change monitoring service, June of this year was the hottest on record. This ongoing trend, starting from June 2023, has seen each subsequent month become the hottest recorded for that time of year.

Recent data indicates that 2024 has the potential to surpass 2023 as the hottest year on record, driven by human-induced climate change and the natural weather phenomenon El Niño, which have collectively elevated temperatures to unprecedented levels this year, according to some scientists.



Source: Reuters



Source: The Guardian

China building two-thirds of world's wind and solar projects

China is constructing nearly double the amount of wind and solar energy capacity compared to all other countries combined, as per research report.

Currently, China has a total of 339 gigawatts (GW) of capacity under construction, comprising 159 GW of wind and 180 GW of solar energy. As per study by Global Energy Monitor, a US-based NGO, this amount exceeds the combined construction efforts of the rest of the world.

China has committed to bring carbon emissions to a peak by 2030 and to net zero by 2060.

India, US agree to step up cooperation on semiconductors, critical minerals

During a recent India-US initiative on Critical and Emerging Technology, it was agreed that India will soon embark on developing semiconductor design and manufacturing processes, for precision-guided ammunition. The two countries will also work on securing a dependable supply chain of critical minerals.

Semiconductors, essential for defence, automotive, and telecommunications industries, have gained significance in the geopolitical landscape. Nations such as the US, Japan, and China are making substantial investments in enhancing their domestic capabilities in this space.



THANK YOU

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