

# Transformation of India

What ever you say about India, Opposite is also true

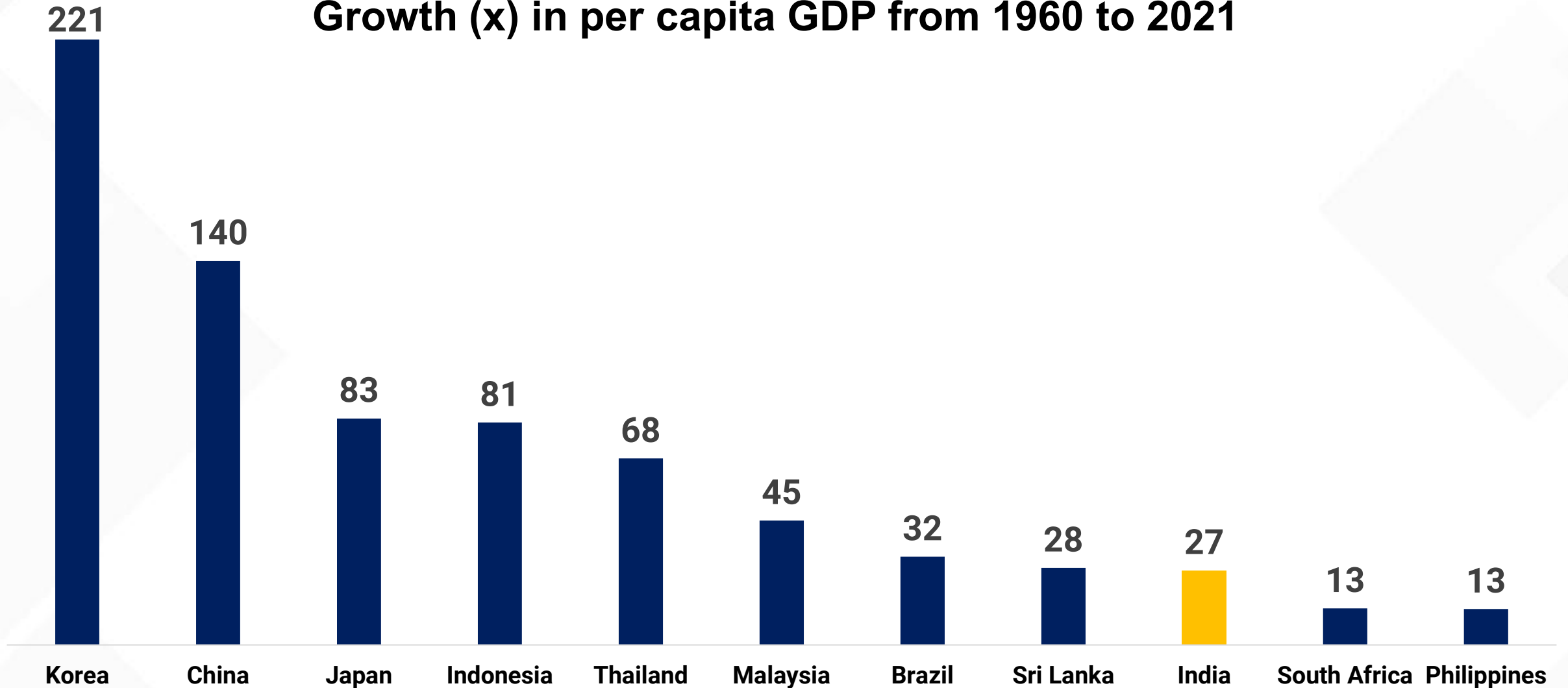
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# Transformation of India – On Ground It is Work in Progress



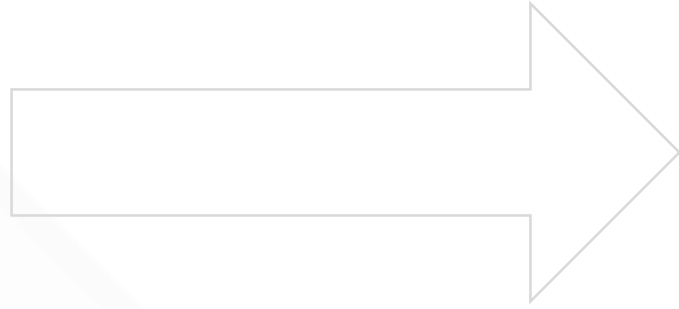
# Most Peers Outperformed India

Growth (x) in per capita GDP from 1960 to 2021



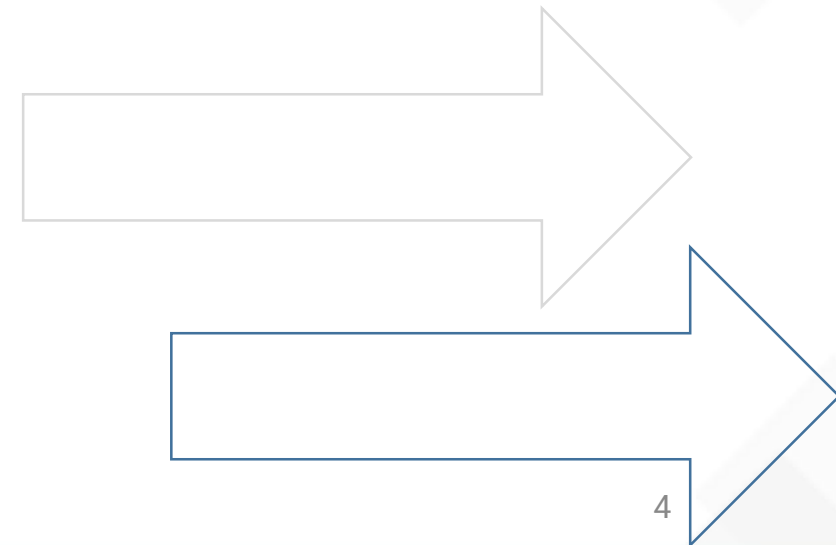
Source: World Bank



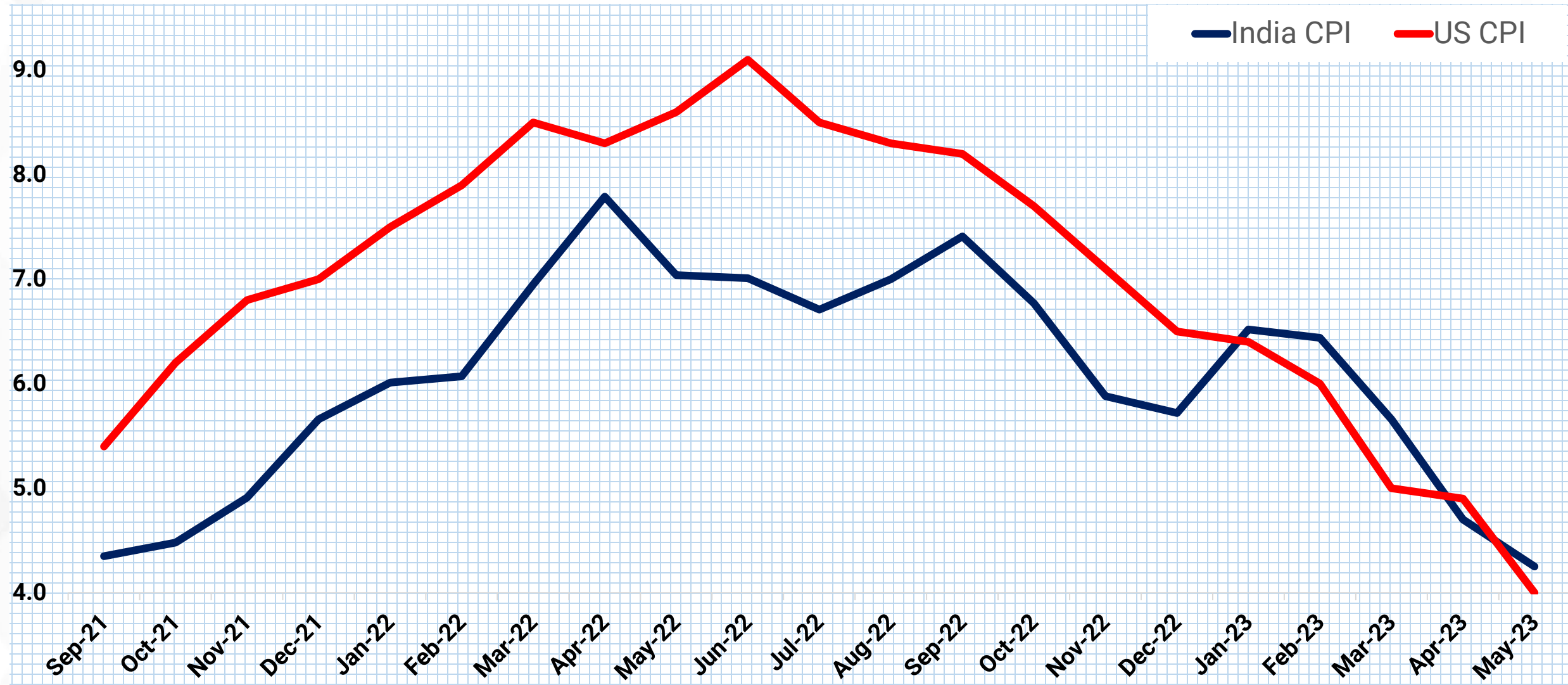


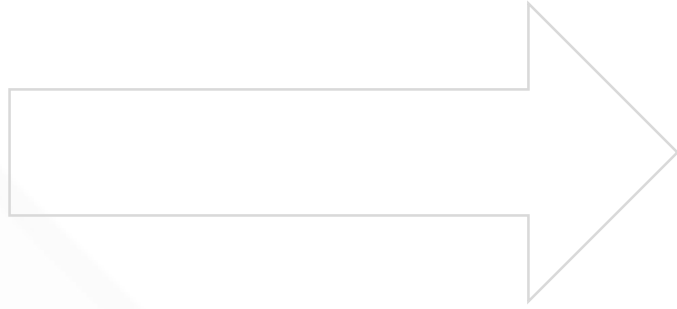
# **From High Inflation to Moderate Inflation**

## **Through Inflation Targeting /Supply Side Management**



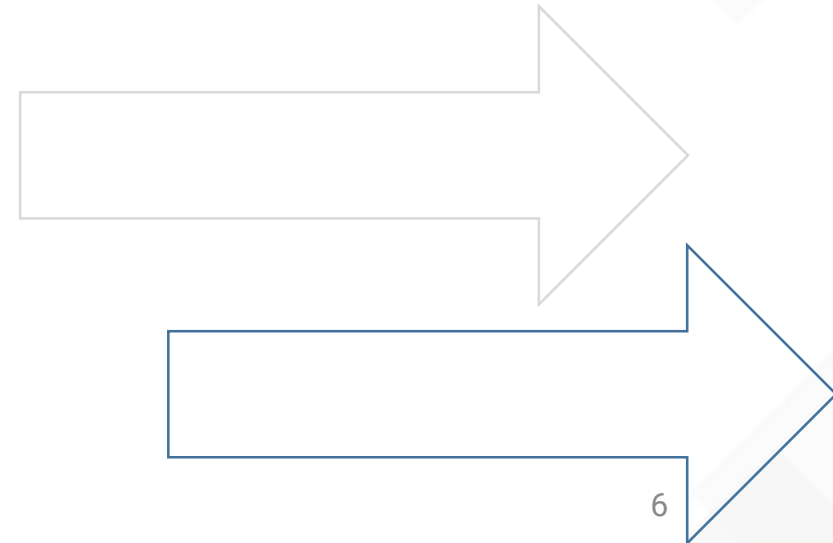
# Indian Inflation Lower than US for 18 of last 21 months





# **From FX Shortage to FX Surplus**

## **Through FDI / Remittances / Services Exports**



# We had to pledge Gold to raise FX Loan in 90s

In July 1991, the RBI pledged 46.91 tonnes of gold with the Bank of England and the Bank of Japan to raise \$400 million but the government was quick to repurchase it months later as the situation improved.

Written by [Shaji Vikraman](#)

Twenty-five years ago, in January 1991, as India struggled to finance its essential imports, especially of oil and fertilisers, and to repay official debt, senior officials managing the economy in the Chandra Shekhar government reached out to influential members of the global financial system. It was in difficult circumstances that they did so: poor economic management in the preceding years had led to a rapidly deteriorating environment, made worse by the Gulf war that led to a spike in oil prices.

# We have the 4<sup>th</sup> largest FX reserves in the world

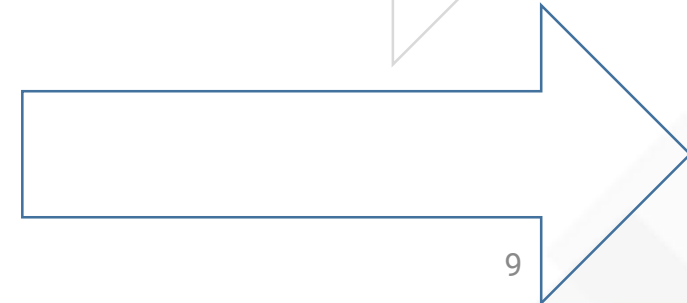
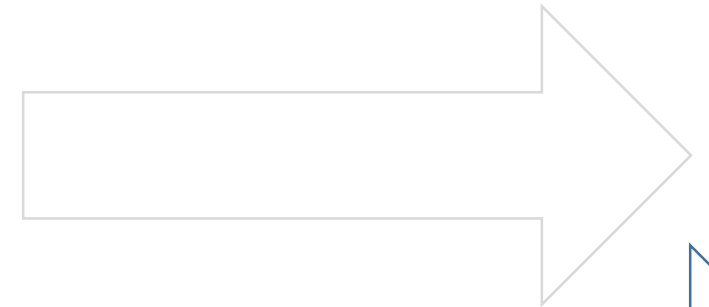
Rank	Country	Forex Reserves (in \$ bn)
1	China	3400
2	Japan	1254
3	Switzerland	912
4	India	593
5	Russia	585





# **From Infrastructure Deficit to Infrastructure Availability**

## **Increased Allocation & Better Execution**



## The Missing Piece: India's Infrastructure






By Peter Wonacott, Wall Street Journal  
Sept. 2, 2009 11:59 pm ET

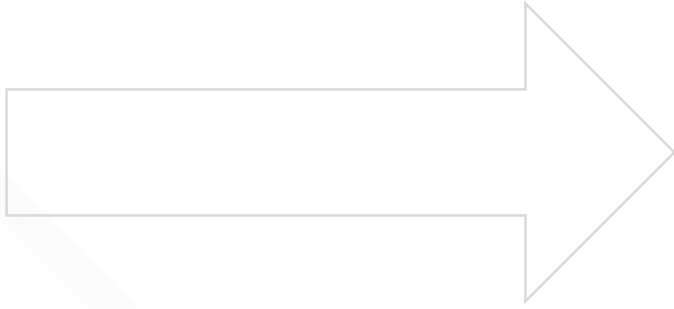
*The urgency to fix India's broken infrastructure seems absent.*

The global downturn may drag on India's economy for years to come. But if India is to rise into the ranks of global economic powers, and reduce poverty at the same time, it must grow faster. A World Bank report released last year showed the number of Indians living below the \$1.25 a day poverty line has increased to 455 million people, from 420 million in 1981.

India's neighbour China has shown how infrastructure projects can be a powerful way to put people to work and boost growth, provided great amounts of time and money aren't wasted in the process. How long can Indians afford to wait before their government puts the nation's infrastructure in order?

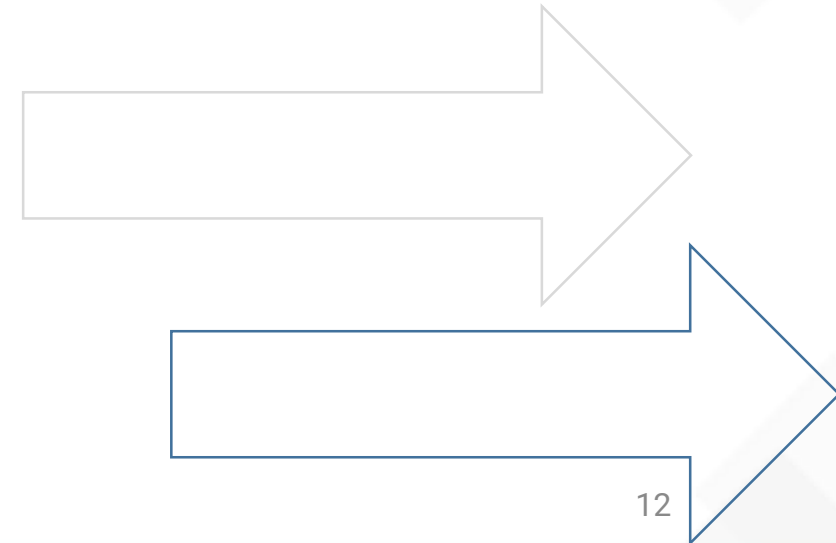
The dangers of missed opportunities are very real. Just look again at Delhi.

Sector	Items	Units	FY13	FY23	FY24	
	<b>Power</b>	<b>Coal Production</b>	million tons	610	892	1000
		<b>Total power capacity</b>	giga watt	223	412*	435
		<b>Total power generation</b>	units	970	1600	
	<b>Railways</b>	<b>Cumulative rail electrification</b>	route kms	20,884	58,812	
	<b>Highways</b>	<b>Cumulative NH length</b>	kms	81,679	1,44,634#	1,65,000
	<b>Urban</b>	<b>Airports</b>	No.s	70	141	200
		<b>Metro/Tube lines</b>	route kms	248	846	1,837
	<b>Ports</b>	<b>Ports cargo</b>	MMTPA	1,400	2,822	



# From Imports to “Make in India”

## Long way to Go



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# India receives first GE locomotive under \$2.5 billion deal

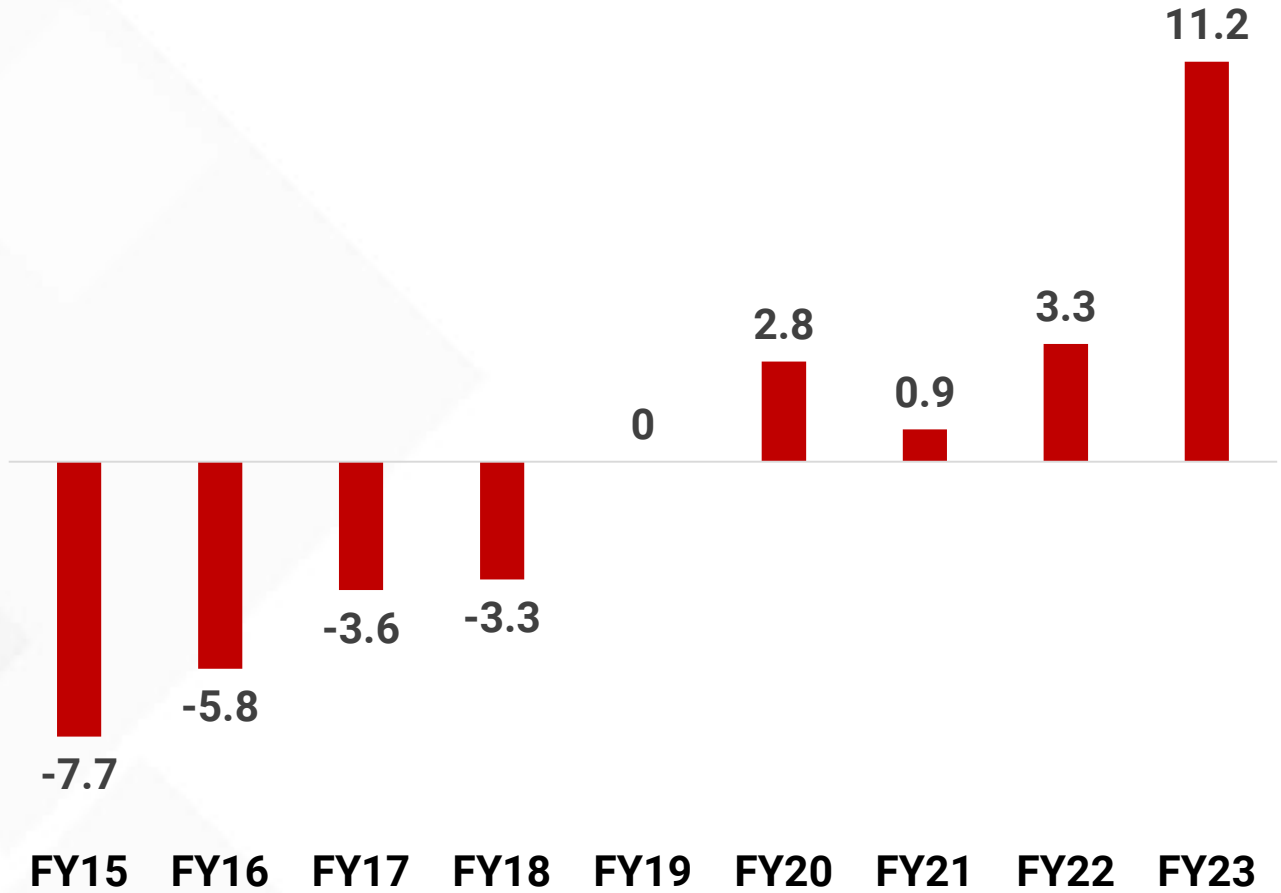
# Now We Manufacture Trains



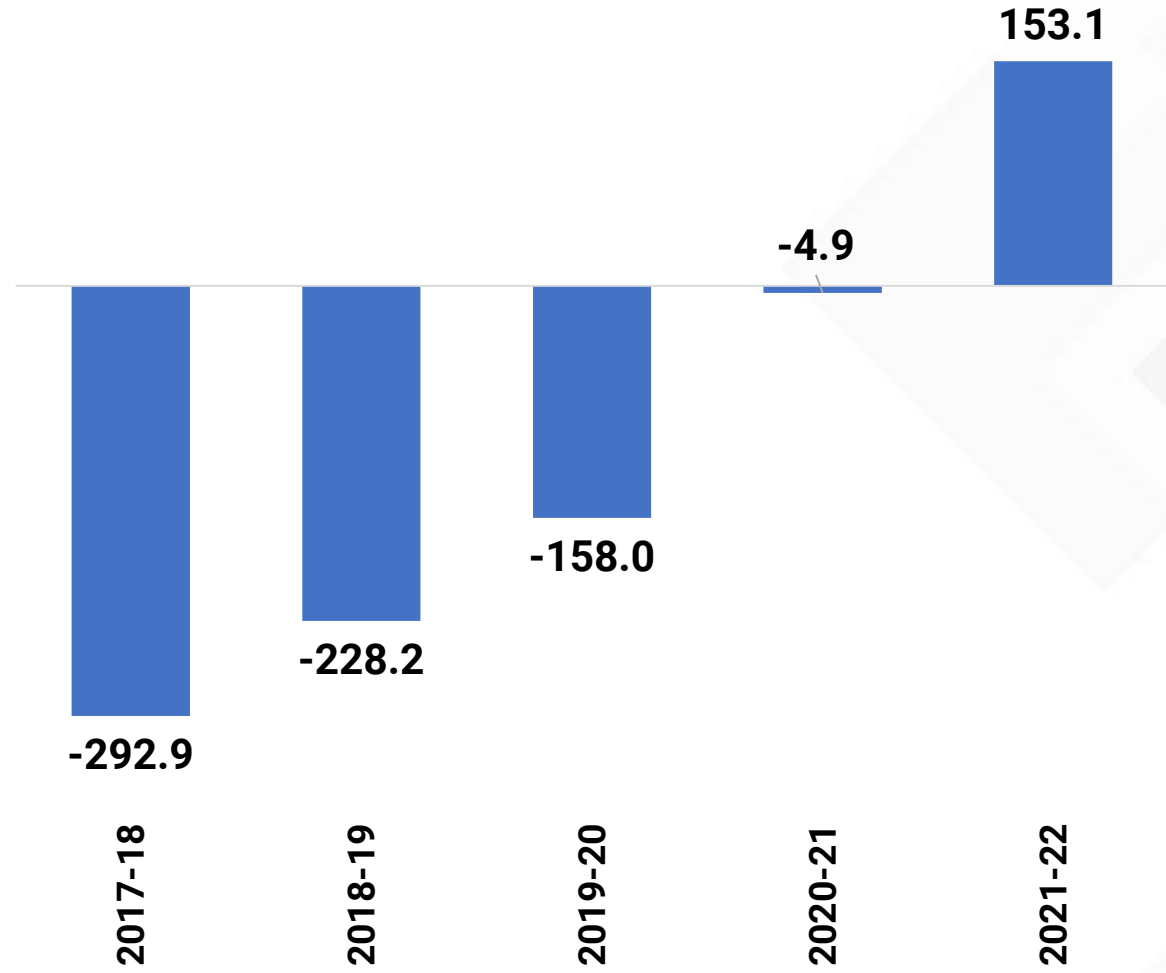


# Magic has to extend to other Industries

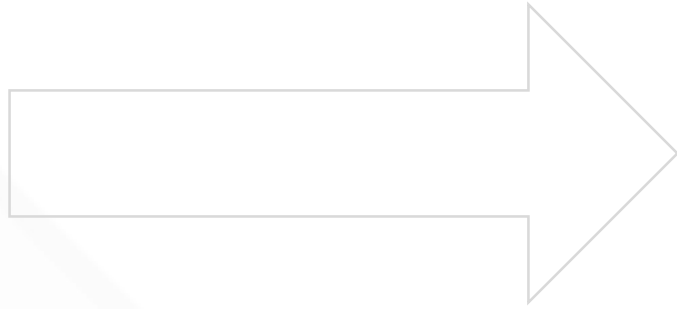
### Net Exporter Of Mobile Phone (in \$Bn)



### Net Exporter Of Toys (in \$mn)

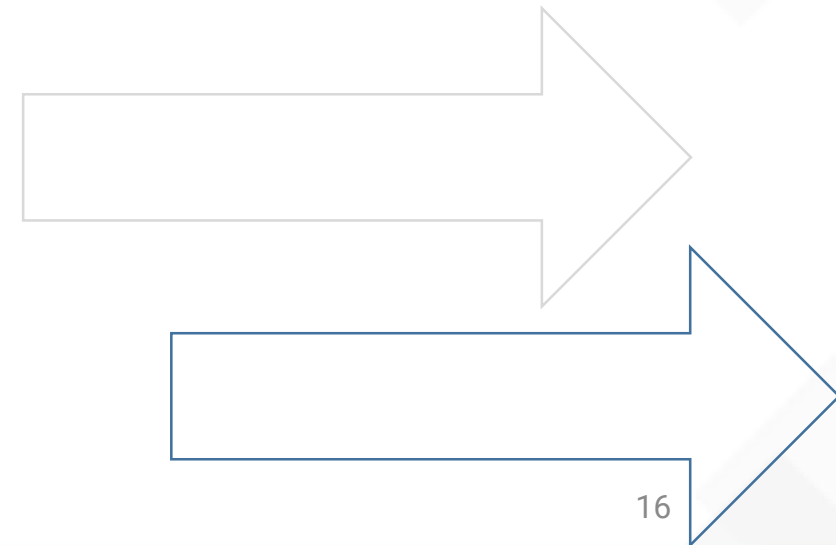


Source: Ministry of Commerce, FY denotes fiscal year which runs from April to March. FY22: Apr 2021 to March 2022



# From Hidden NPAs to Provision for NPAs

## Disclosures & Regulatory Push

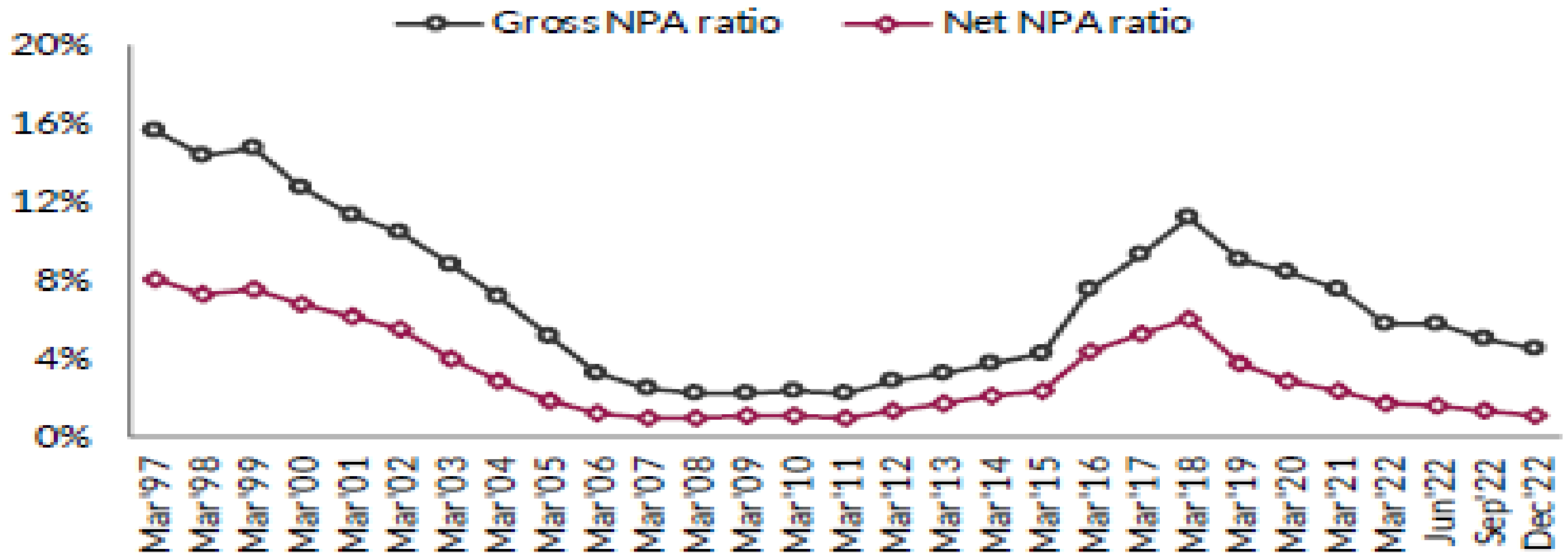


# Bank NPAs were below the Carpet



# Net NPAs at 25 year low

System gross NPA at 4.5% of loans as of Dec'22



Source: RBI, Axis Capital

# “Main Woh Nahi Hu” – SVC Bank

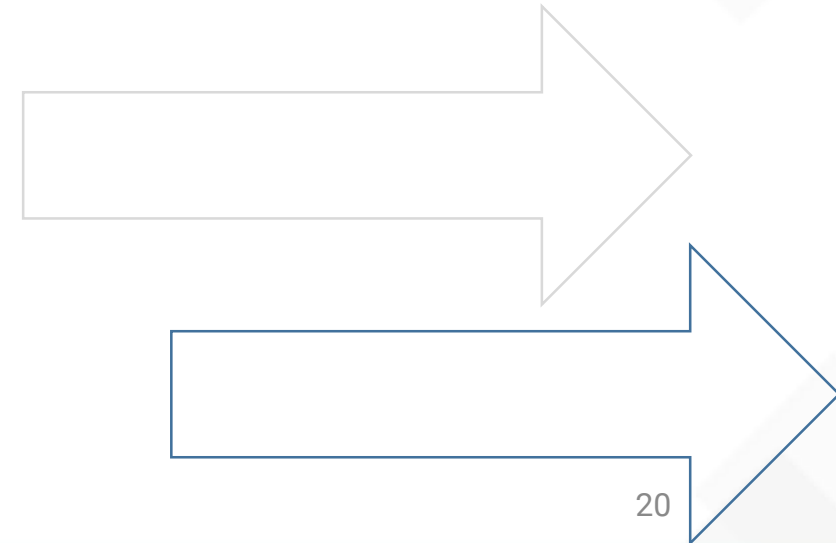


**SVC Bank is completely unrelated to Silicon Valley Bank (SVB) that was based in California.  
– Bank Statement**



# **Growth: Slow Lane to Fast Lane**

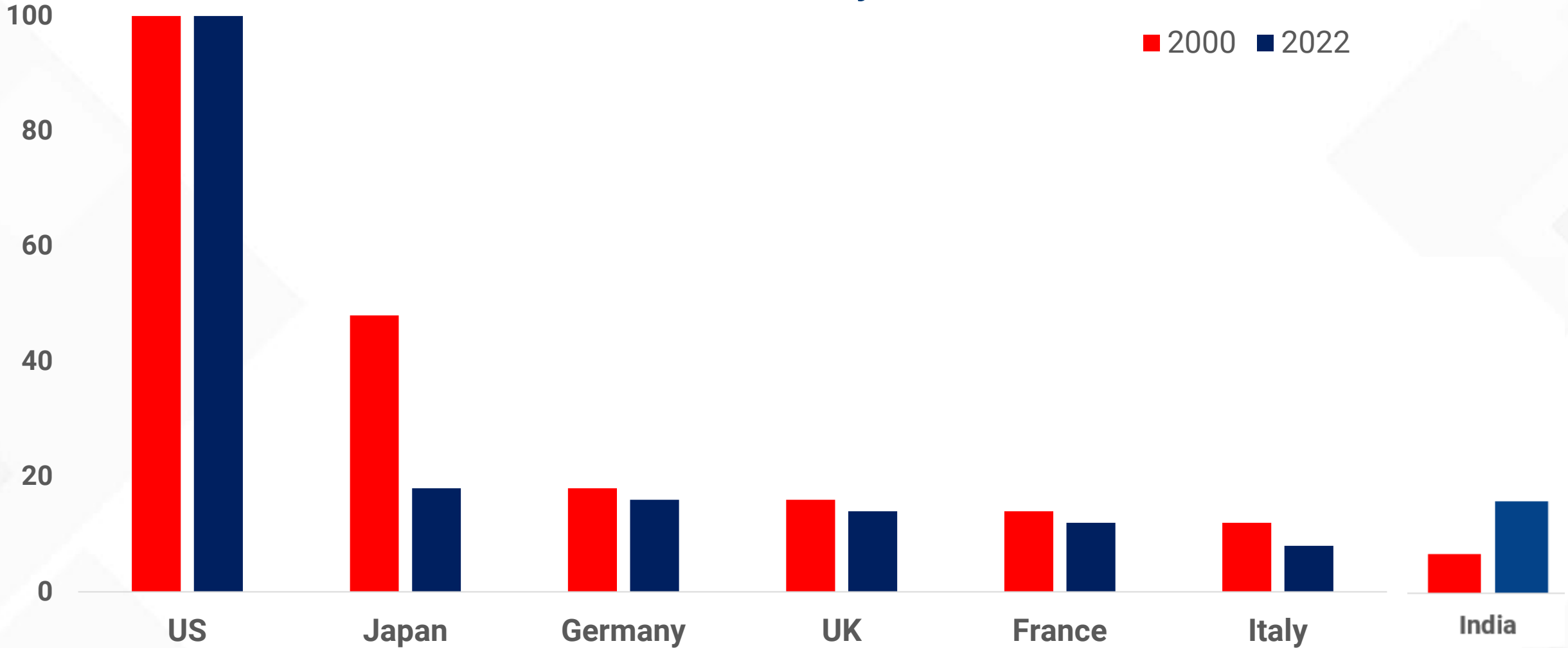
Need to sustain for a Long Distance





# G5 are De-growing relative to US, India is Growing relative to US

## Size Of Economy Relative To U.S.



# India is Growing relative to Peers

**2008**

**33% of**



**2022**

**100% of**



# Indian cities are the Fastest Growing

## Top 10 Cities With High GDP Growth in 2022

**Ho Chi Minh**

**Hyderabad**

**Bengaluru**

**Delhi**

**Jakarta**

**Mumbai**

**Kuala Lumpur**

**Bangkok**

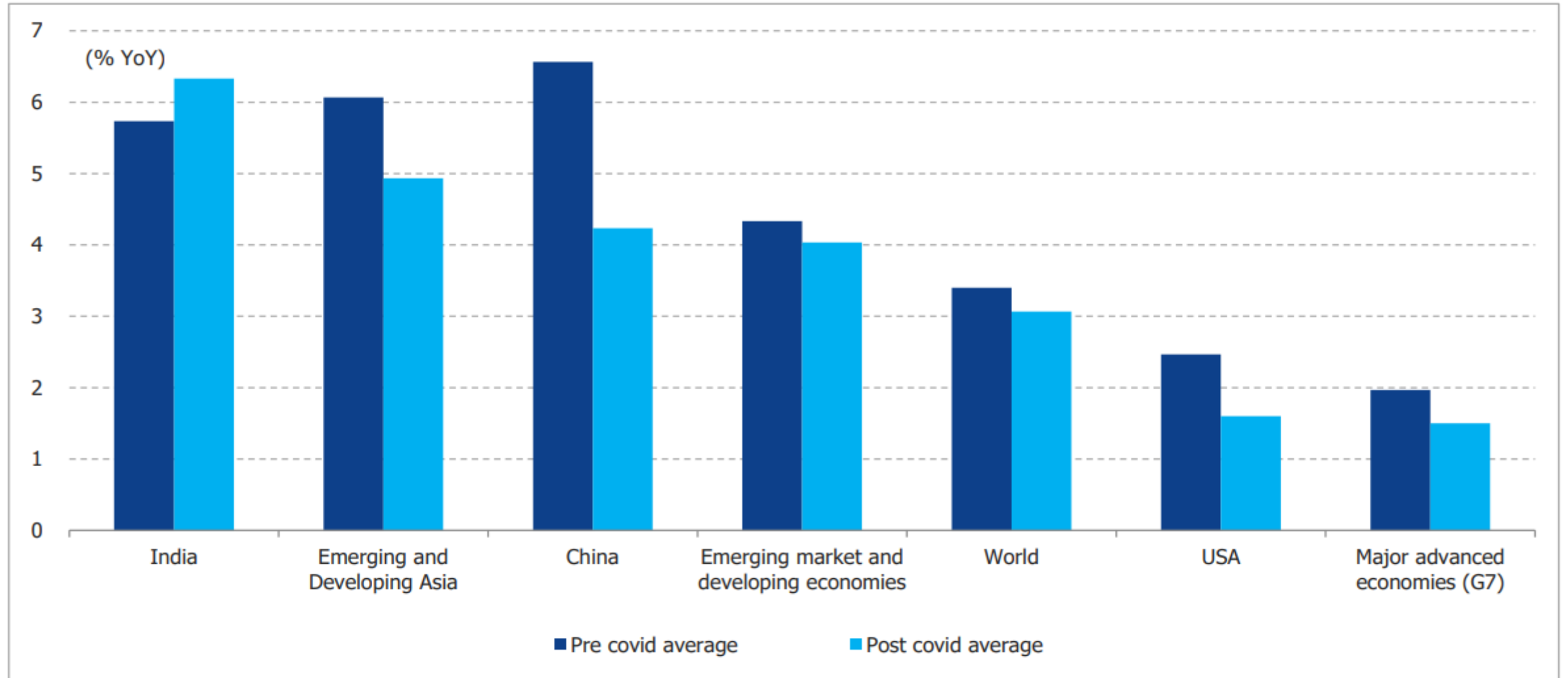
**Chennai**

**Kolkata**

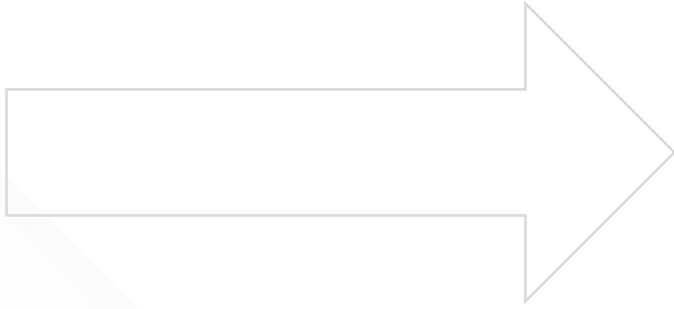
Source: Oxford Economics

# India : From Coach to Engine

## Global growth projections

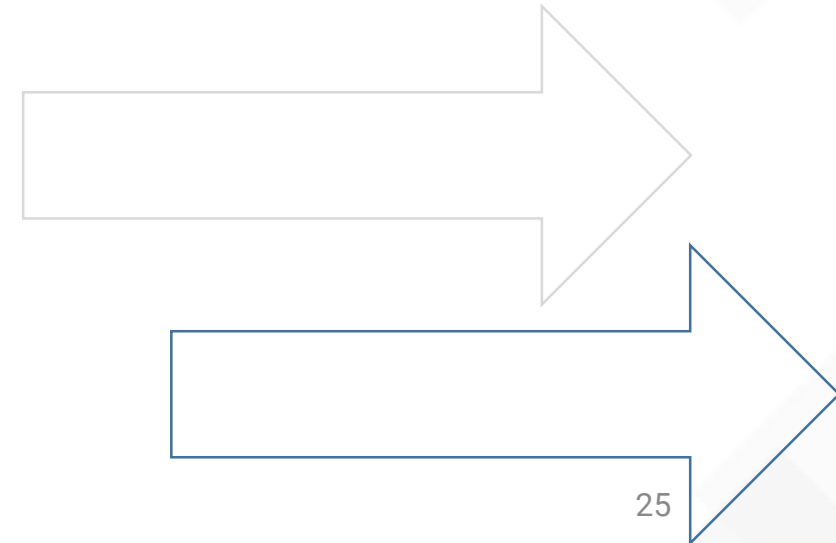


Note: Pre-Covid = 2017-19, Post Covid = 2022-24 where 2023 and 2024 are IMF estimates; Source: IMF WEO April 2023, Elara Securities Research.



# From Imprudence to Prudence

## Freebies culture

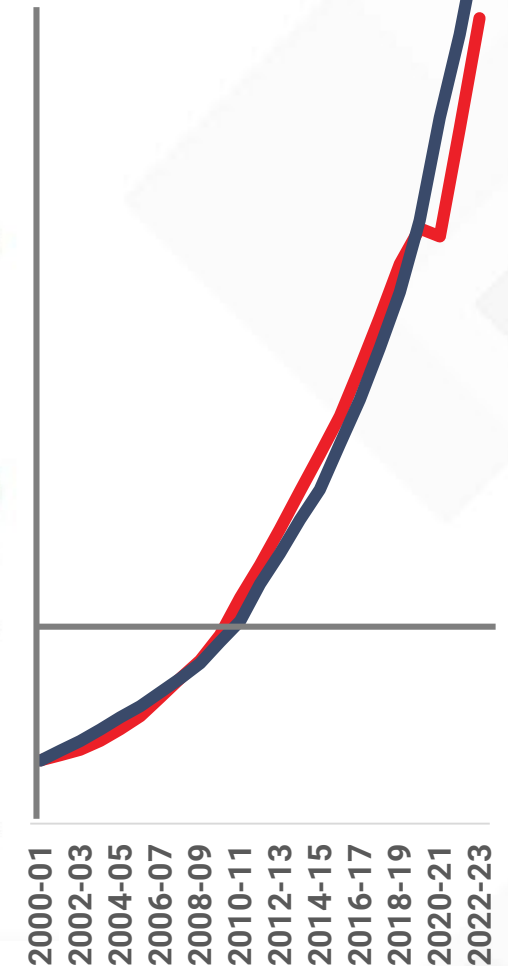
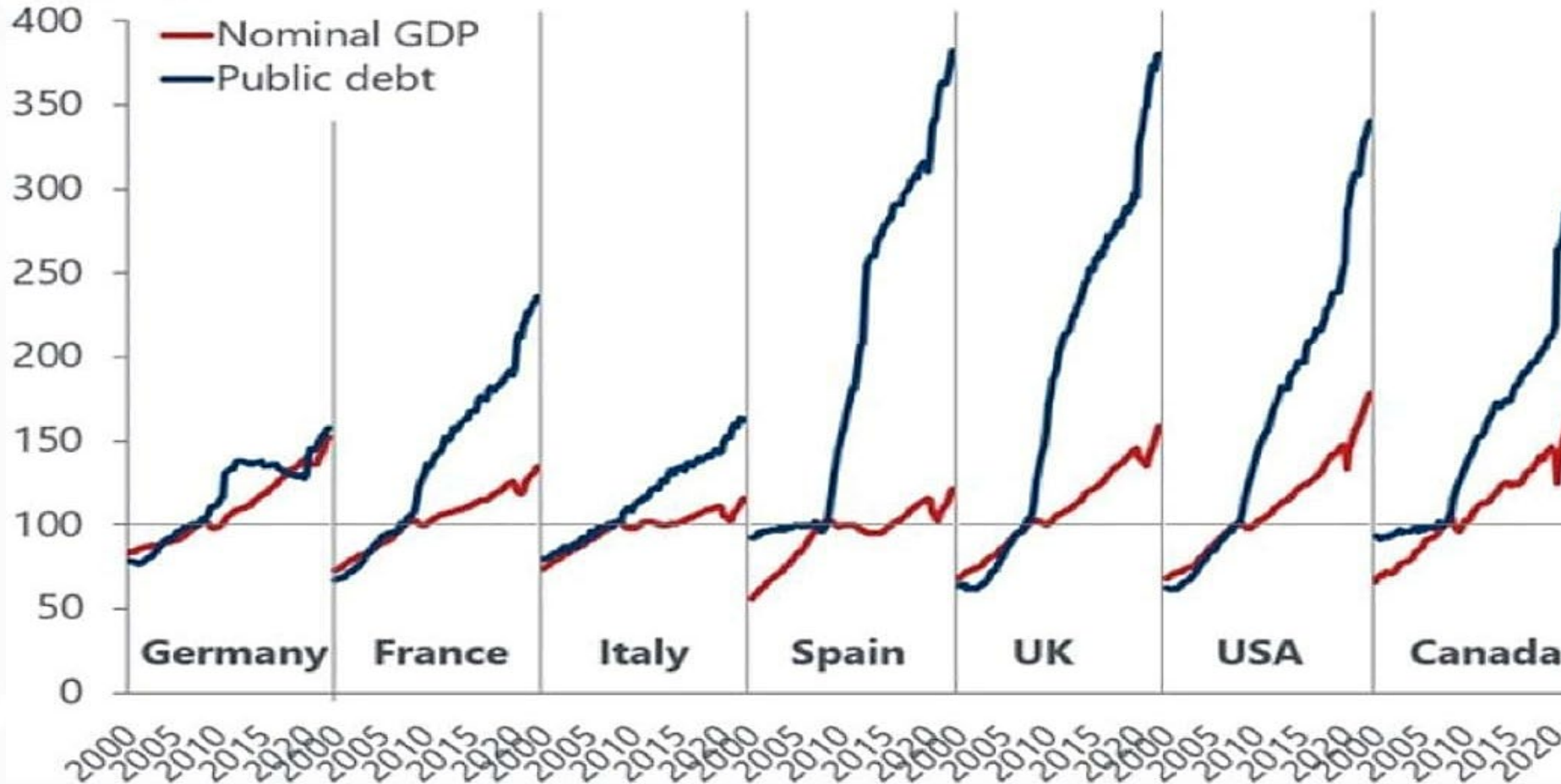


# The World is Imprudent, India is Prudent

Advanced Economies: Nominal GDP and Public Debt

2007=100

India

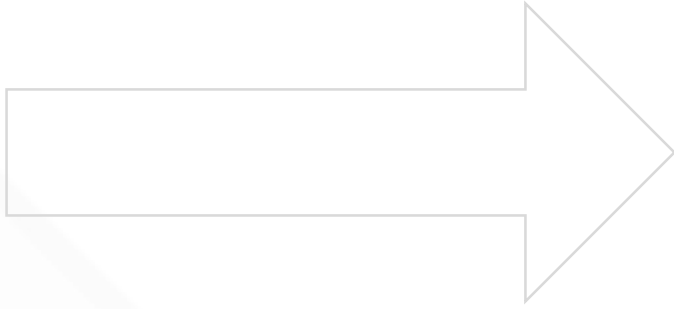




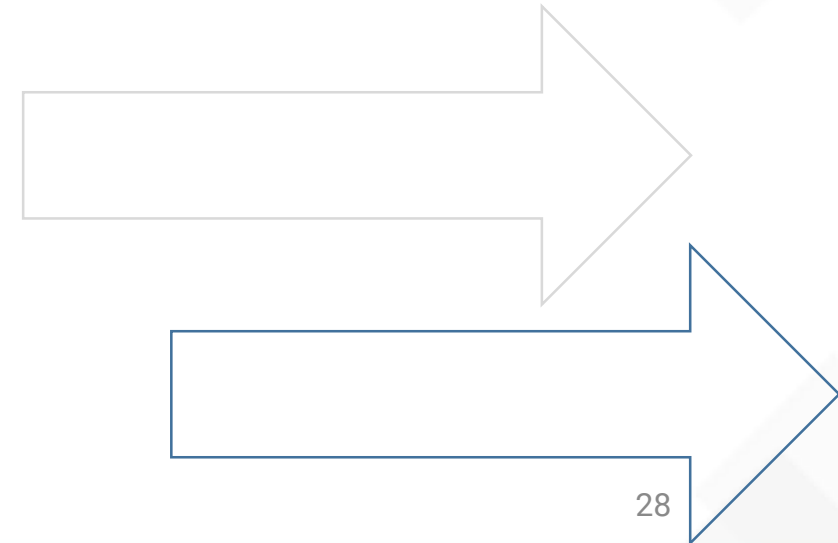
# India is Prudent Despite Crisis

## Debt levels and change since 2008 (as percentage of GDP)

Core debt of non-financial sector (Q1 2022, % OF GDP)	Core debt of non-financial sector (Q1 2022, % OF GDP)				Change since Q1 2008			
	Household	Corporate	Government	Total	Household	Corporate	Government	Total
<b>Debt/GDP (Avg %)</b>	61	84	104	<b>249</b>	4	10	48	<b>62</b>
<b>Australia</b>	118	64	57	<b>239</b>	11	-13	49	<b>47</b>
<b>Brazil</b>	38	54	88	<b>180</b>	20	23	26	<b>69</b>
<b>Mainland China</b>	62	157	70	<b>289</b>	43	62	41	<b>147</b>
<b>France</b>	65	166	129	<b>360</b>	19	61	61	<b>141</b>
<b>Germany</b>	56	73	74	<b>203</b>	-4	5	9	<b>10</b>
<b>India</b>	37	51	85	<b>173</b>	-6	-12	11	<b>-6</b>
<b>Italy</b>	43	70	154	<b>267</b>	5	-8	58	<b>55</b>
<b>Japan</b>	60	119	249	<b>428</b>	2	20	82	<b>104</b>
<b>South Korea</b>	104	117	45	<b>266</b>	34	29	23	<b>86</b>
<b>Mexico</b>	16	24	40	<b>80</b>	2	10	20	<b>32</b>
<b>South Africa</b>	34	34	69	<b>137</b>	-10	-1	44	<b>33</b>
<b>Spain</b>	57	98	154	<b>309</b>	-25	-28	114	<b>61</b>
<b>UK</b>	84	70	119	<b>273</b>	-10	-15	79	<b>54</b>
<b>US</b>	76	82	124	<b>282</b>	-23	11	61	<b>49</b>

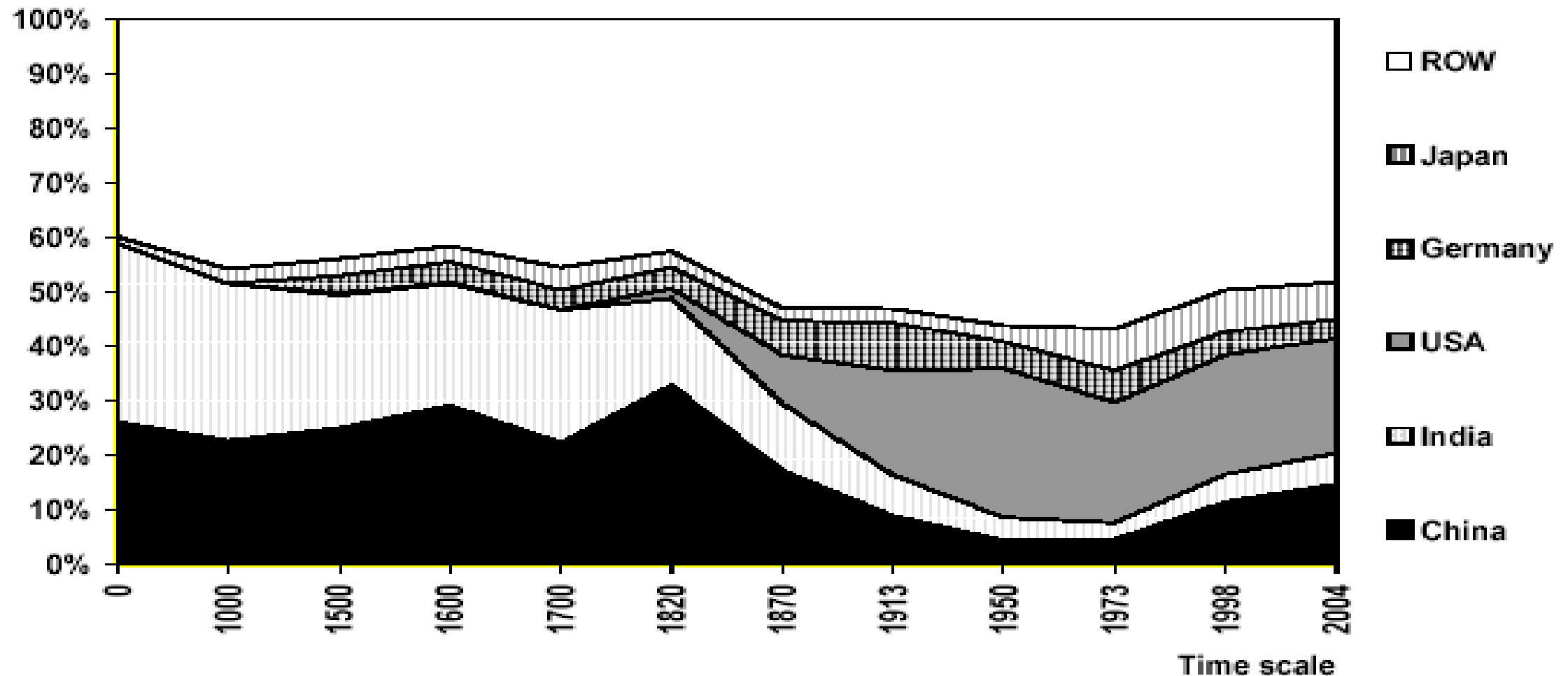


# From Kal to Aaj to Kal



# India is going back to where it belongs

Figure 7. GDP of Key Nations: 0-2004 A.D.



Source: Maddison (OECD publication); Groningen Growth & Dlpmt Cent., University of Groningen; Smith Barney estimates.

# States = India



**Maharashtra**



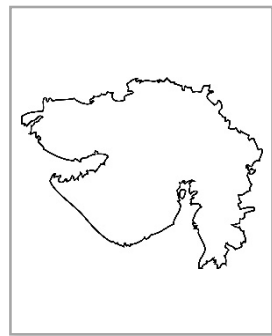
**UP + Uttarakhand**



**Karnataka**



**Tamil Nadu**

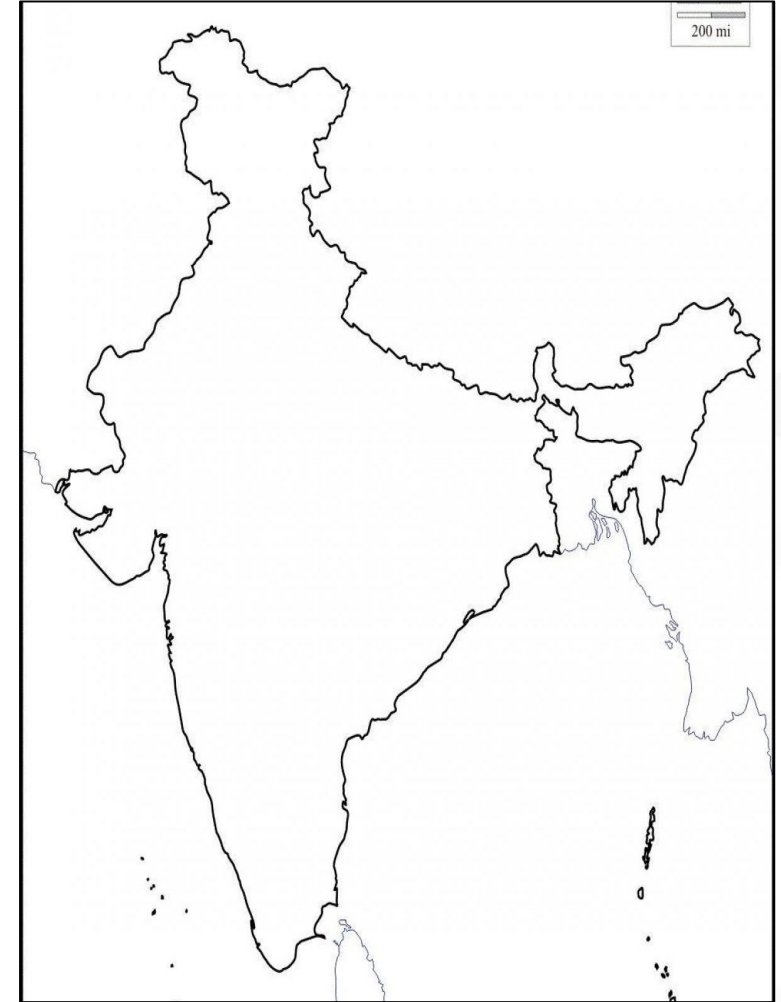


**Gujarat**

**2005**

**2001**

**2000**



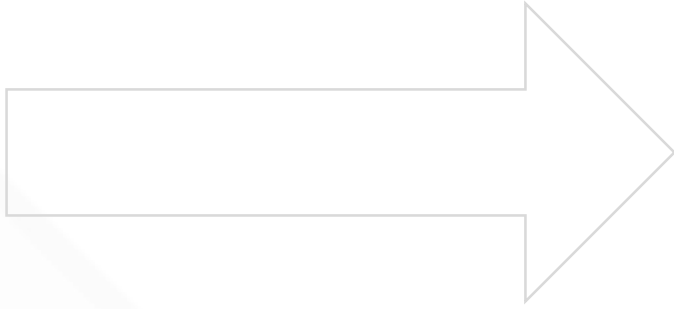
**India**

# Amul : Numero Uno, Local to Global

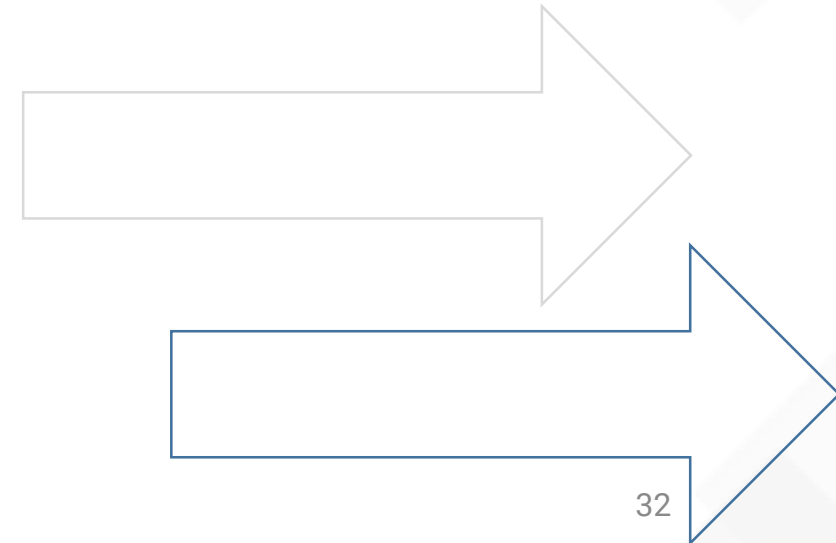


By 2047 , our centenary year, we estimate that Amul group should be able achieve a turnover of Rs 18,00,000 crore (\$220 billion), from Rs 61,000 crore (\$ 7.4 billion) recorded in the previous financial year –

**Excerpt from Amul Annual Report-FY 22**



# From Videshi to Swadeshi



# We Have Forgotten



# Trade Deficit



Nilesh Shah   
@NileshShah68

Be Indian Buy Chinese seems to be our motto.

Our trade deficit with China is ~ \$ 474 billion in last 8 years.

While many imports from China are necessary (bulk drugs/APIs), there are many which can be substituted.

Like Toys, we need to copy it across many other industries.

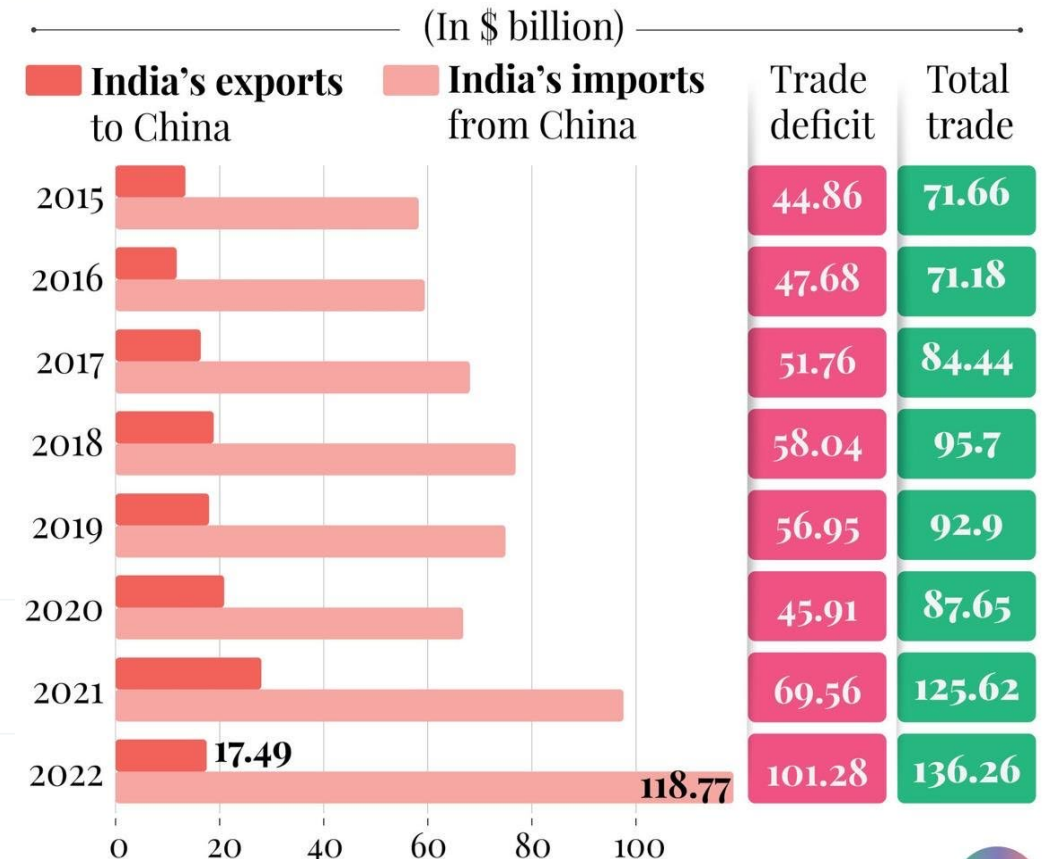
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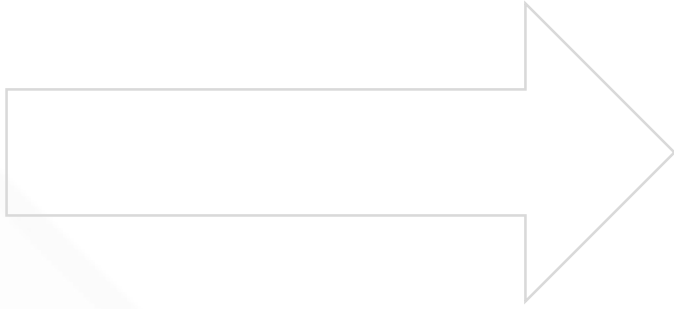
## Trade imbalance

India's trade with China has risen sharply in recent years, but the growth has been rather one-sided

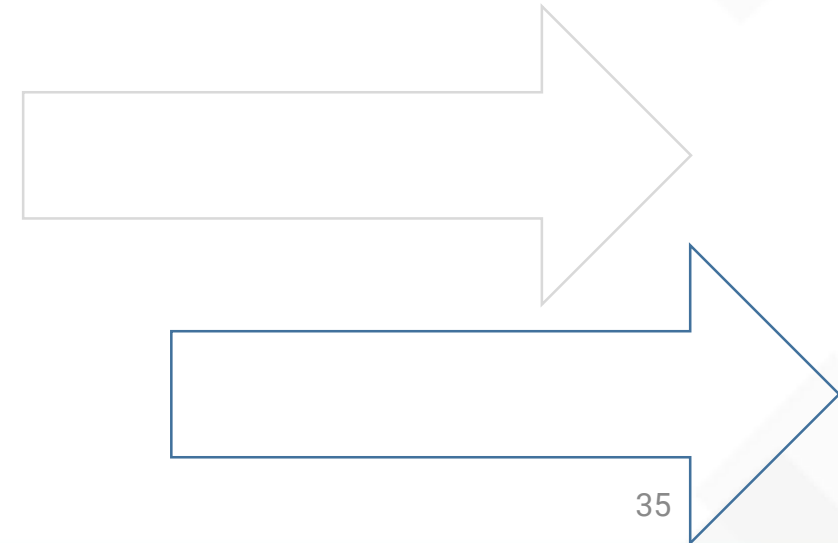


Source: Indian embassy to China

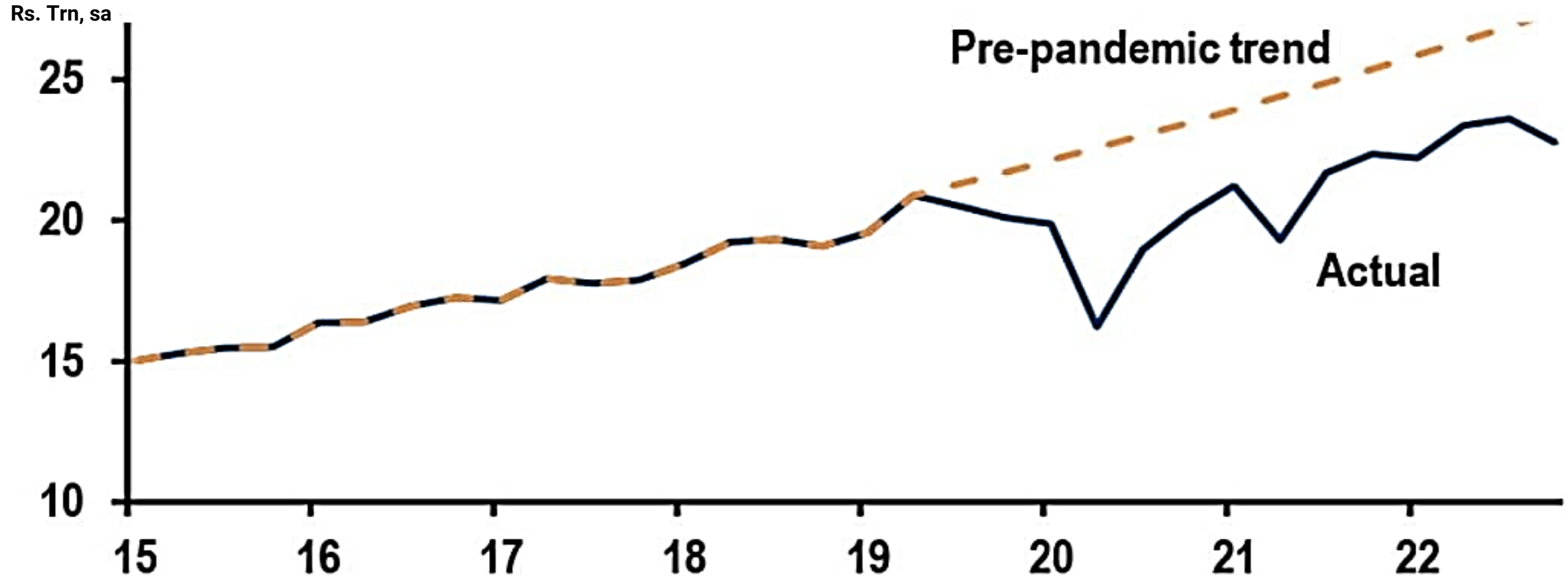




# From Inequality to Equality



# Consumption Remains Below Pre-Pandemic Level

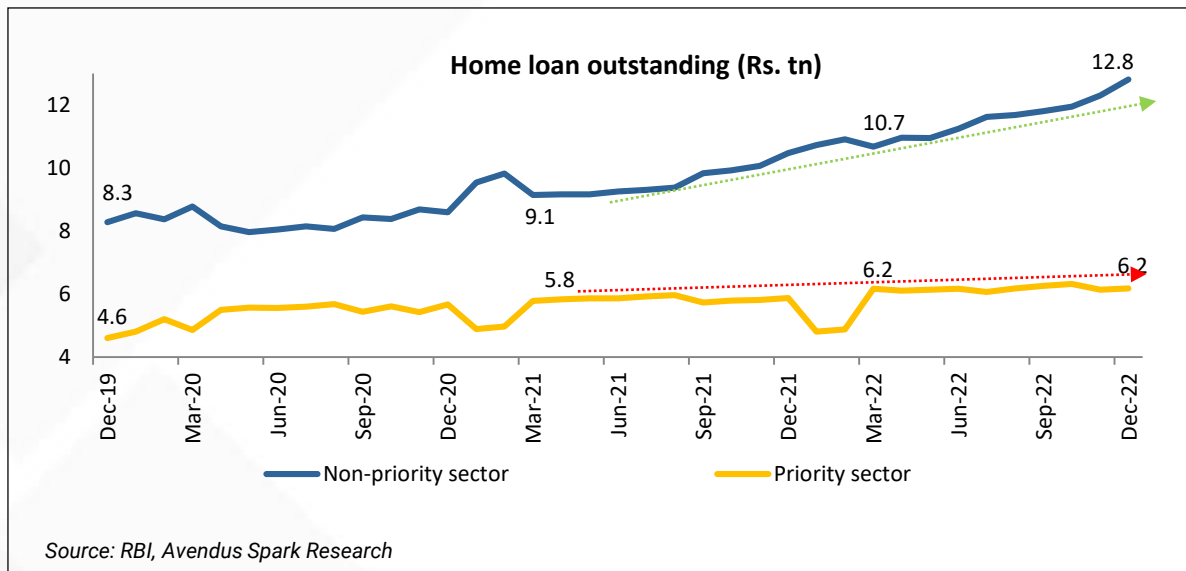
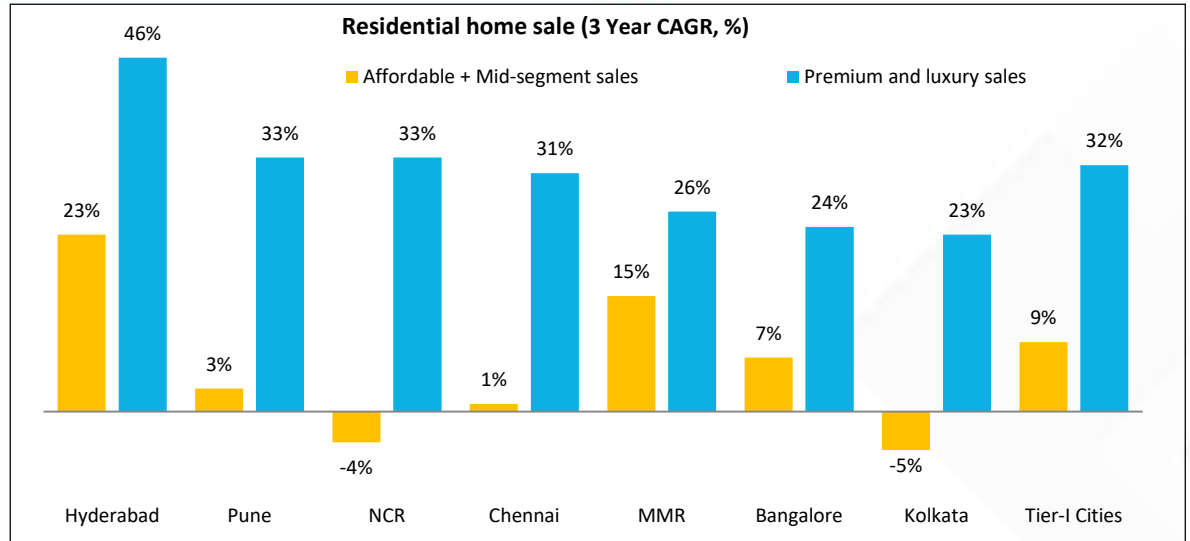


**Share of Bottom 20% of Population in consumption fell from 6% (pre Covid) to 3% during Covid and is at 4.5% in FY23E**

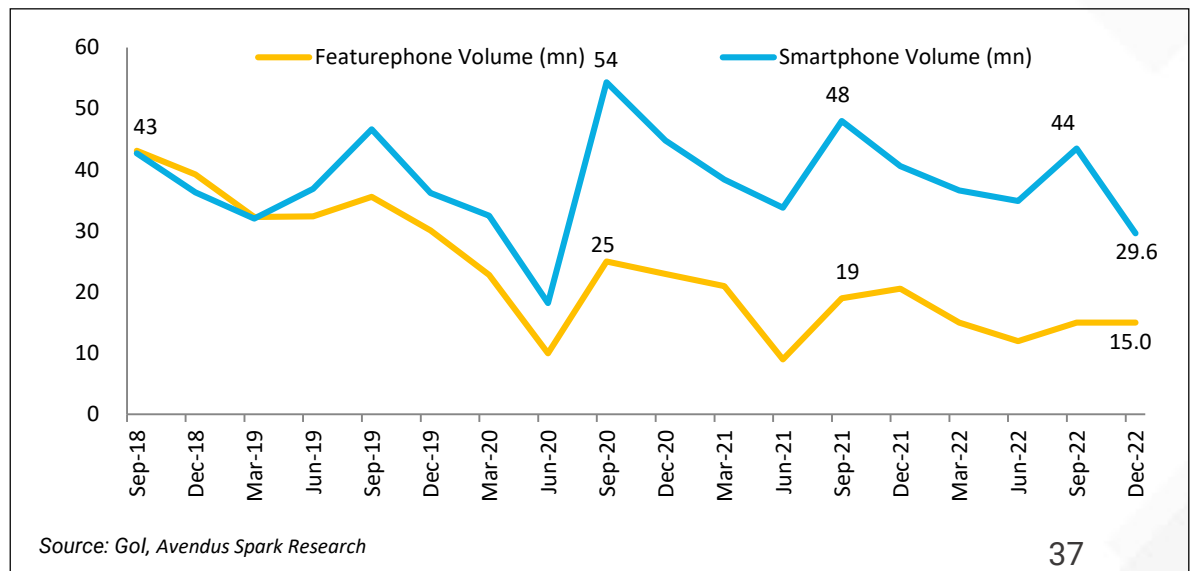
# Tale of 2 India's continues

	Pre-Covid (CY19)		Post-Covid (CY22)		% Change vs. CY19
	Volume (in '000)	Value (Rs. bn)	Volume (in '000)	Value (Rs. bn)	
< Rs. 700,000	1,022	511	978	489	-4.3%
> Rs. 700,000	1,781	2,137	2,679	3,215	50.5%
<b>Total</b>	<b>2,803</b>	<b>2,648</b>	<b>3,658</b>	<b>3,705</b>	<b>39.9%</b>

Source: SIAM, Aventus Spark Research



Source: RBI, Aventus Spark Research



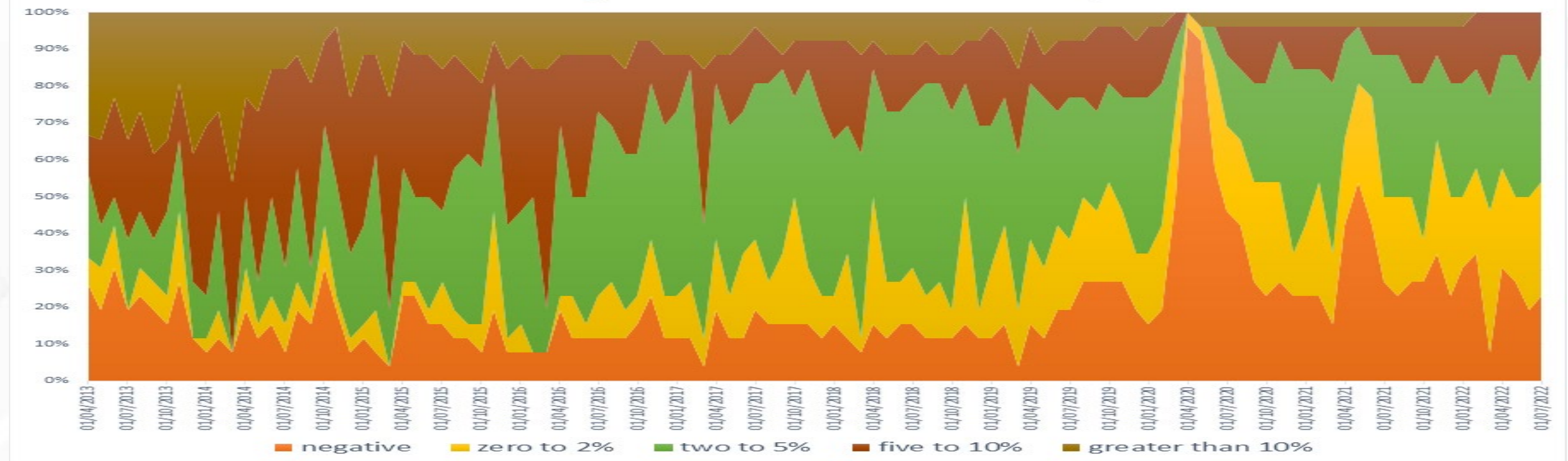
Source: Gol, Aventus Spark Research

# Consumption needs to be supported

**Railway - Non Suburban passenger booked in April-Feb(Millions)**

	2019-20	2022-23	Decline	
			Millions	%
<b>Total</b>	<b>3318</b>	<b>2360</b>	<b>-958</b>	<b>-29</b>

**% of Manufacturing IP sub-sectors from baselie of April of 2022**



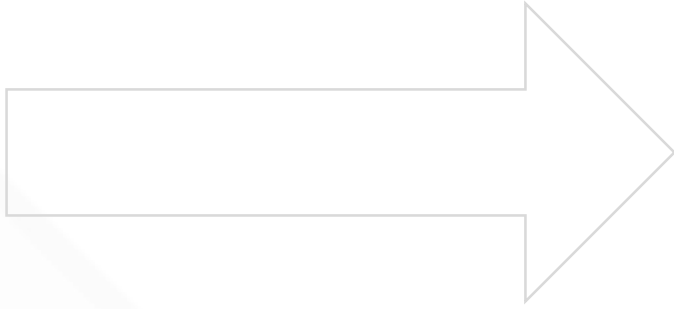
# Growth has to be Inclusive

## Over 80 crore Indians to get free ration for one year under Food Security Act

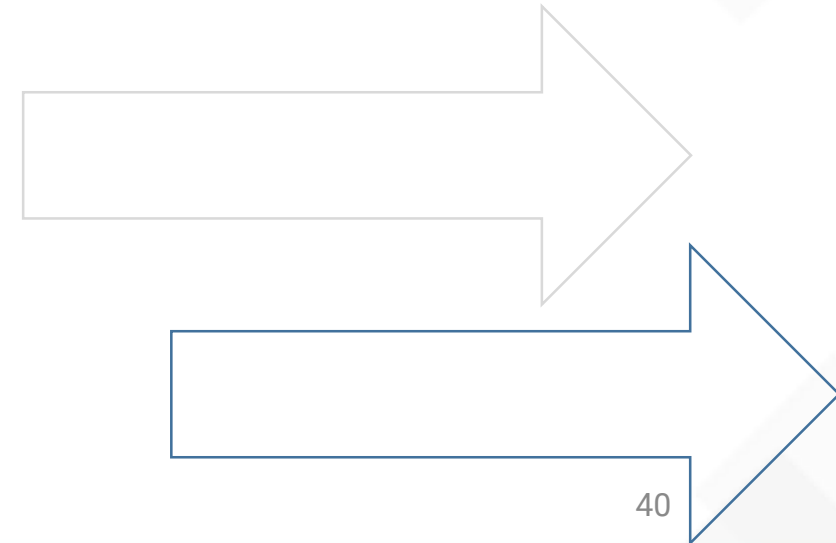
LiveMint, Updated: Dec 24, 2022, 10:26 AM IST

**mint**

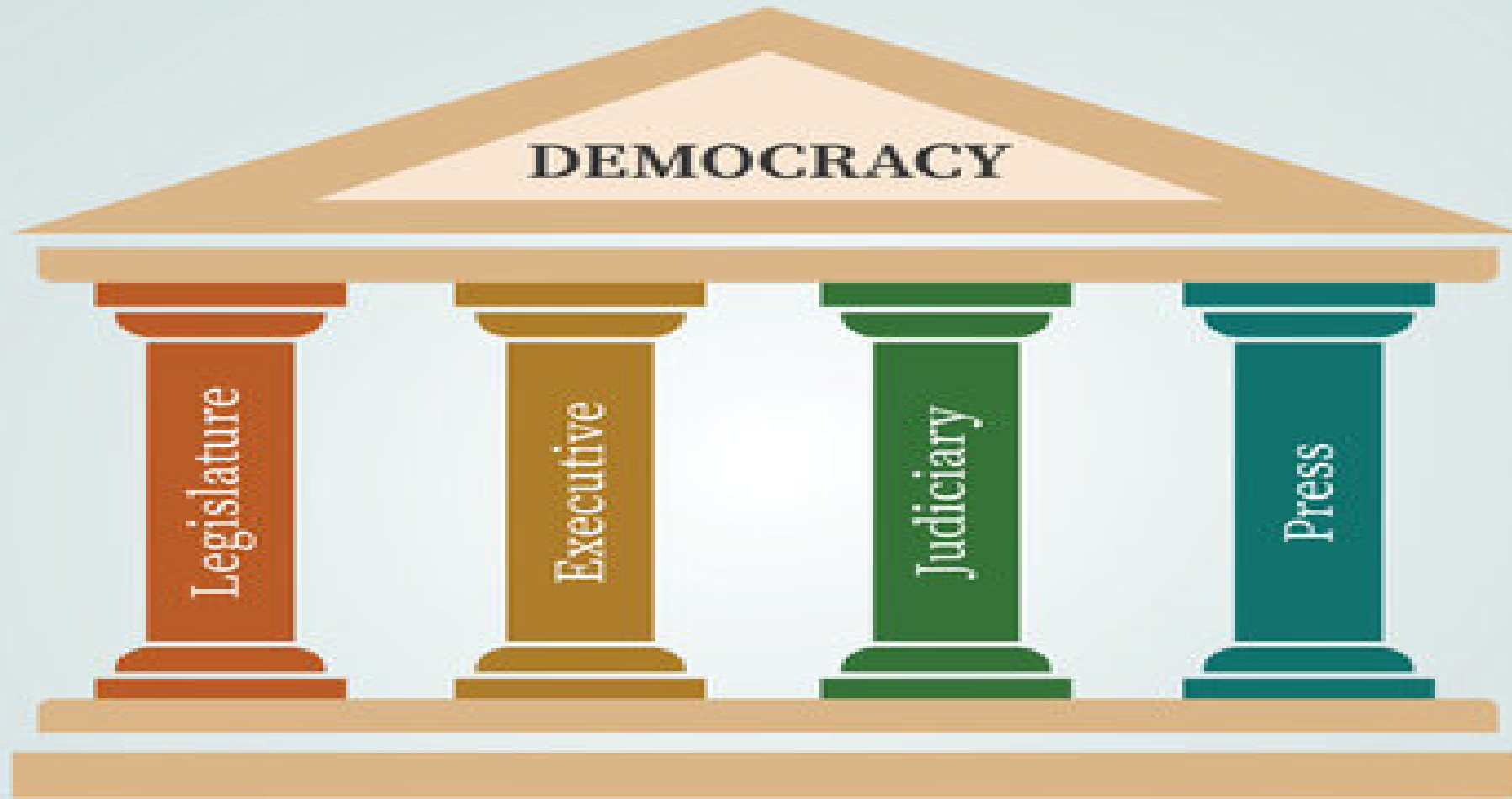




# From Individual to Institution



# Institutions Over Individuals



**Pillars of Democracy**



## **Buying Russian oil is rubble wise but rupee foolish. It bloodies India's hands**

US has no moral rectitude to deliver ethical sermons. But regardless, India must take a holistic view in purchasing oil from Russia—it's not a rosy picture.

ThePrint

NIKKEI Asia

## **How India's Modi helped save the West by buying Russian oil**

World may have faced economic crisis without India playing role of villain



**Bernie Madoff**



**Irving Picard**

**TOI**

Over 33 lakh cheque-bounce cases are clogging the legal system currently

While the finance ministry is now mulling several new punitive steps to tackle the problem, there's no easy fix in sight



**RK Rao**



**GR Khairnar**



**Venezuela**



**South Africa**

# What will be the Risk?

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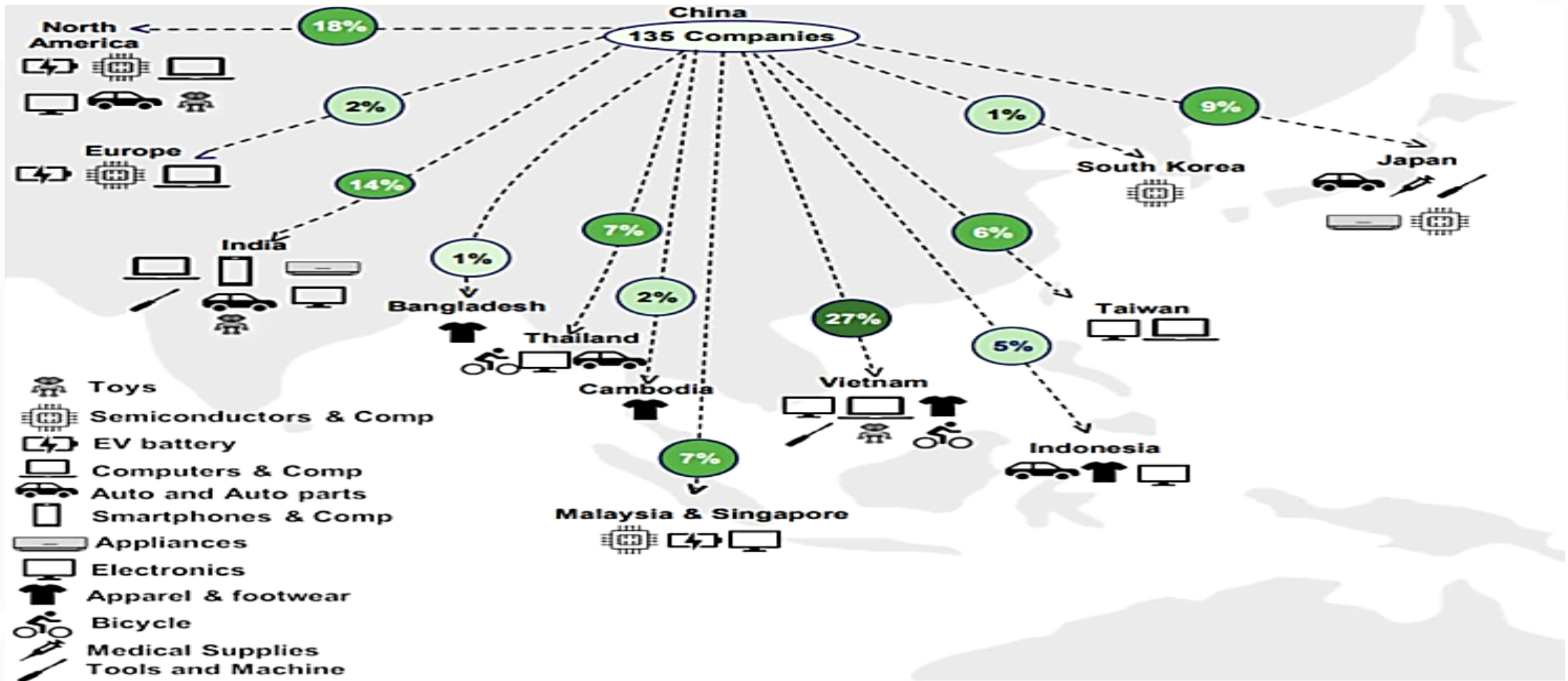




**Nano tale of two cities: Sanand rejoices, Singur rues**

# We have to capture China + 1

Shift in manufacturing for 135 companies as per our current tracker

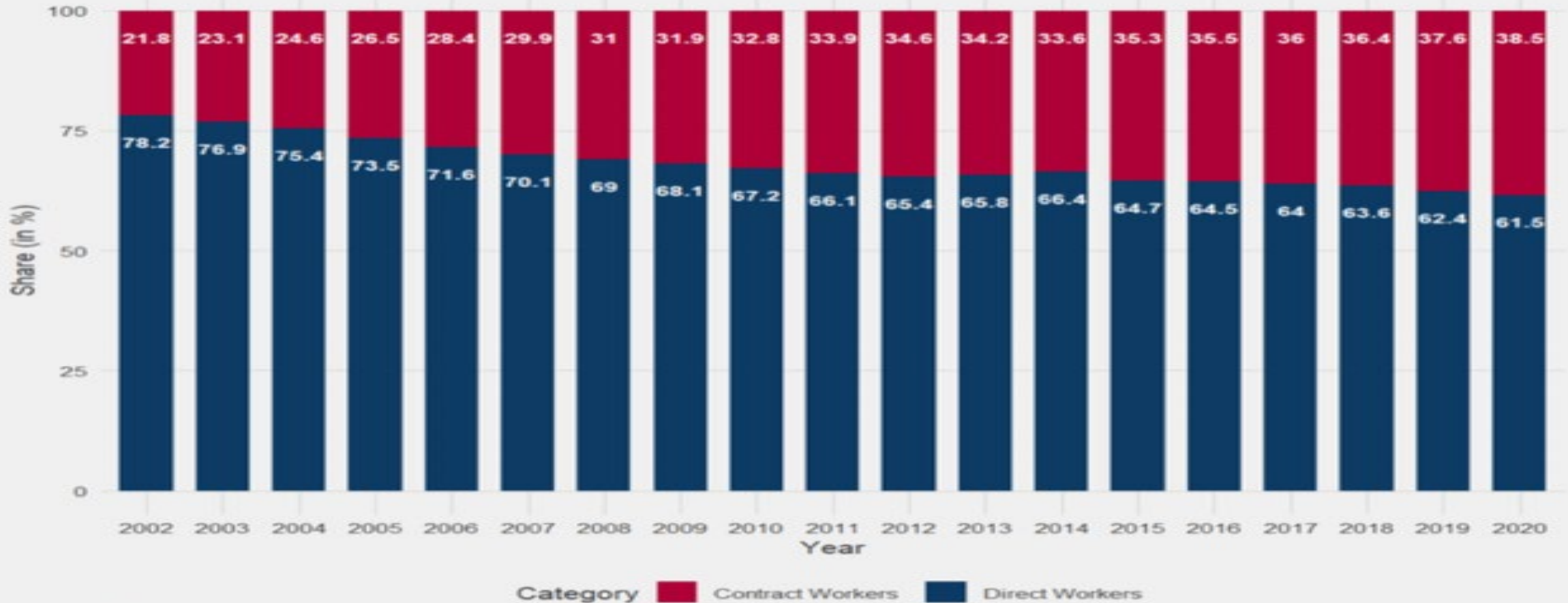




# Create well paying Jobs

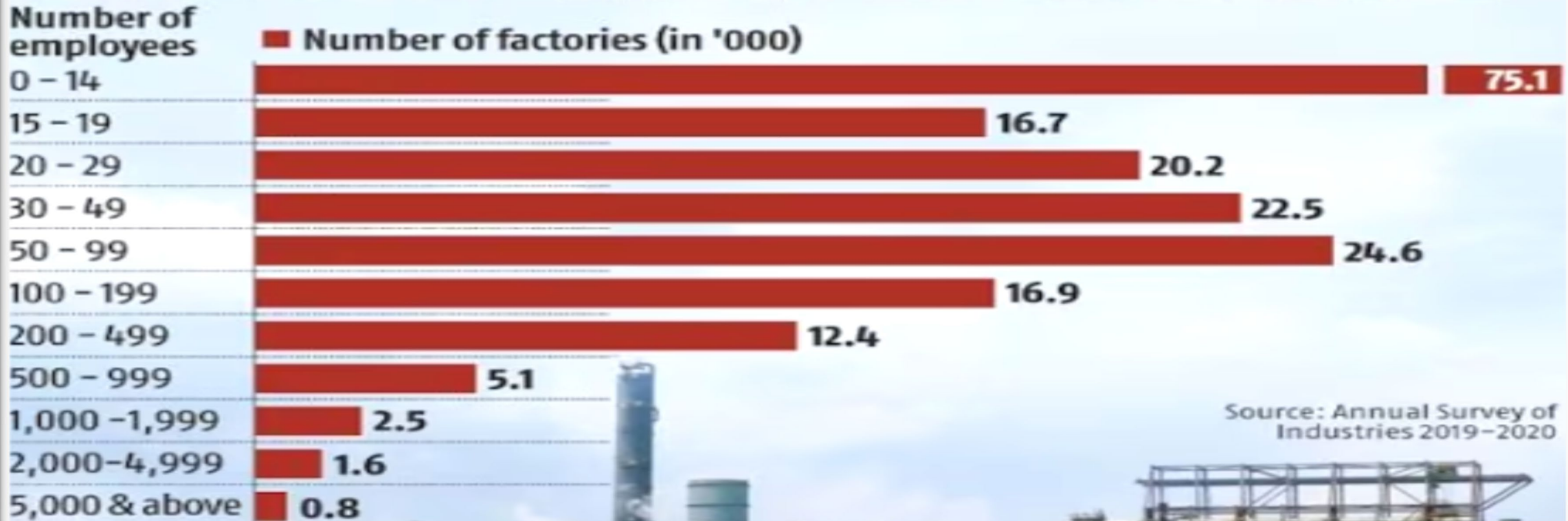
## Share of contract workers among total industrial workers

Source: Annual Survey of Industries



Workers include those who are directly involved in a manufacturing process.  
The sum of direct and contract workers make up the total industrial workforce according to ASI.

## NEARLY 20% FACTORIES HAVE OVER 100 WORKERS



Source: Annual Survey of Industries 2019-2020

# Change Investment pattern to Fund Investment



**Gross Official Gold Imports**  
**\$ 567 billion**  
**Net Official Gold Imports**  
**\$ 373 billion**



**Net FDI**  
**\$ 357 billion**



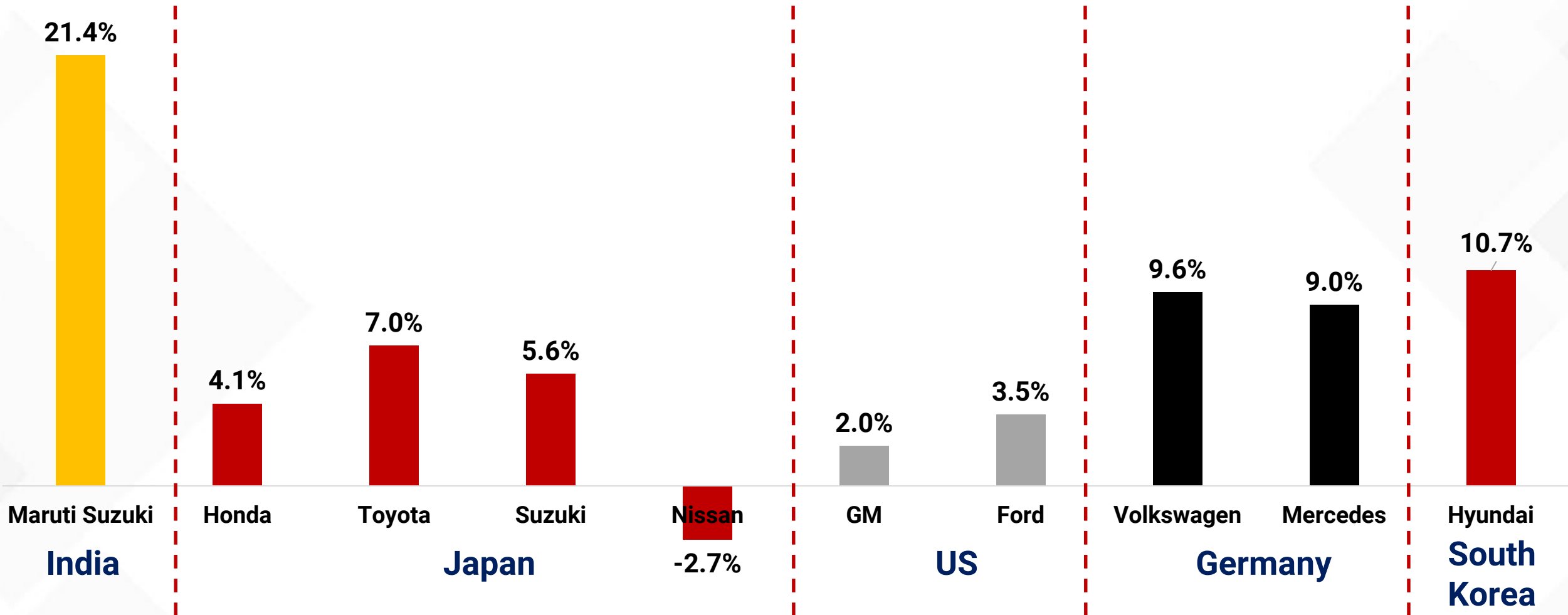
**FII Equity Flows \$ 182 billion**  
**FII Debt Flows \$ 54 billion**  
**Total FII Flows \$ 236 billion**

# What will be the Risk & Reward ?

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# India Rewards Risk Taker

Automobile Performance (CAGR returns in USD terms)

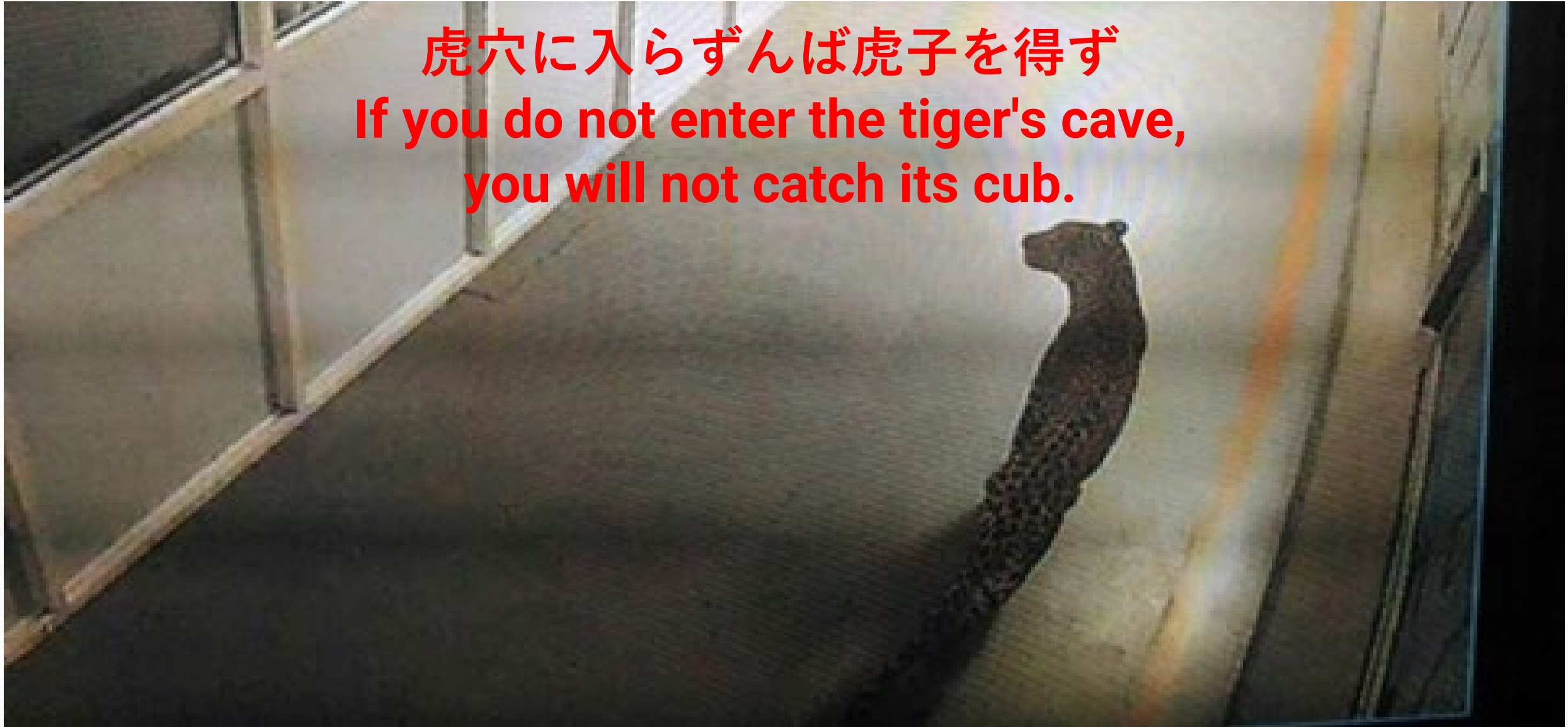


Source: Bloomberg, Data from Maruti listing date i.e. July 8, 2003 to May 31, 2023. Data for GM from November 18, 2010.



# Stay Put despite challenges

虎穴に入らずんば虎子を得ず  
If you do not enter the tiger's cave,  
you will not catch its cub.



# What leopards can visit in the near term

Events	Probability	Impact	Inflation	Rates	Rupee	Equity
Mysterious Buyer	High	High		↕	↕	
El- Nino	High	Low	↑	↔		
Freebies	High	?	↑	↑	↓	↓
MSCI Change	Medium	High		↓	↑	↑
Election 2024	?	High		↕	↕	↕



# Thank You

I haven't met any one who can predict Market

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