Ladderup
WEALTH MANAGEMENT

We focus on "doing the right things" than doing too many things.

Newsletter - February 2024

Interim Union Budget highlights focus areas for ruling government, markets expected to remain resilient in February

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Following the successful inauguration of the long-promised Ram Mandir in Ayodhya, the month of February began with the tabling of the Interim Union Budget for the financial year 2024-25. Since this was just an interim budget, no major changes were expected which turned out to be the case.

Key aspects of the budget included unchanged tax policies, an 8% lower provision made as subsidies, and a consistent allocation for a rural employment scheme. Additionally, Finance Minister Nirmala Sitharaman announced a significant reduction in India's budget deficit for 2024-25, targeting 5.1% of GDP, while revising the current fiscal year's deficit downward to 5.8%. **The government hailed the budget's emphasis on high capital expenditure, reaching a historic level of INR 11.11 trillion, while keeping fiscal deficit in check, hitting a sweet spot from an economic point of view.**

This calculated move has been well received by the market at large, as investors consider the benefits of embracing fiscal prudence, which extend beyond mere numbers. A lower fiscal deficit translates to reduced borrowing requirements, complemented by buoyant tax collections, placing the Indian economy in an advantageous position. This, in turn, paves the way for a reduction in interest rates, thereby fostering a conducive environment for corporate stability and investor confidence.

Sentiment remained positive at the start of this month, with Nifty scaling a new high of 22,126.80 points on February 2, owing to strength in the IT sector as there's hope for a soft landing in the US.

On the global front, the US Federal Reserve opted to maintain its benchmark interest rates within the range of 5.25%-5.50%[3]. While this decision was anticipated, market participants eagerly awaited insights into the future trajectory of rate adjustments. The Fed's cautious stance, coupled with concerns over inflation, highlighted the need for patience among investors awaiting clarity on future rate cuts. Heading towards the end of February, India's Monetary Policy Committee is expected to follow suit and maintain status quo on the repo rate.

In addition to maintaining focus on the commentary offered by the Reserve Bank of India's MPC, we will also be looking forward to third quarter result announcements from major companies to garner insights into sectoral performance and overall market sentiment. Additionally, global economic indicators, including PMI data and trade balances from key economies like the US, EU, Japan, and China, will provide insights into broader market trends and sentiment.

Source: 1 https://www.reuters.com/world/india/indias-finance-minister-unveils-budget-says-economy-going-through-profound-2024-02-01/
2https://www.thehindubusinessline.com/markets/stock-market-highlights-2-february-2024/article67800793.ece
3 https://www.indiainfoline.com/article/general-blog/market-outlook-for-this-week-february-to-february--1707096632261_1.html

Proud Portfolio

A unique approach to build a 'high quality high growth' portfolio of stocks that can deliver sustainable growth.

India oversaw a notable surge in Foreign Direct Investment (FDI) during the period of 2014-23, reaching $596 billion. This figure represents a significant advancement, being twice the FDI inflow observed during the preceding period of 2005-14. In an effort to foster sustained foreign investment, the government is actively engaged in negotiations for bilateral investment treaties with international counterparts, aligning with the principle of 'first develop India.'

The PMS seized this opportunity to secure gains and shifted to areas where the value difference still persisted.

Stocks in the news

01 HDFC Bank Ltd.

The Bank delivered a sequentially stable performance in 3QFY24, growing its net profit by 2.7% on a quarter basis. The bank is prioritizing core retail deposits, steering clear of aggressive rate competition. Looking forward, NIM is expected to gradually improve to 3.7-3.8%, driven by higher growth in retail loans and an improved CASA ratio (>40%). The anticipated market share growth is supported by synergy benefits from a merger yet to fully materialize.

02 Pidilite Industries Ltd.

Achieved a robust 10% increase in volume, with both Consumer and B2B segments experiencing strong double-digit growth. Rural and small-town markets surpassed urban markets in growth. The company maintains its dedication to increasing investments in brand and customer engagement. Core categories benefit from GDP multiplier advantages, and the strategic advantages of penetration and distribution expansion position Pidilite to sustain healthy volume growth in the medium term. The company's strong competitive positioning and execution superiority are expected to contribute to the continuation of growth trends. The topline increased by 4.42% & the profit increased by 67.83% YoY.

03 Indian Hotels Company Ltd.

The company delivered best numbers in Q3 FY24 in terms of revenue and PAT which grew by 15% and 18% on an annual basis. Company is focusing on few vectors to drive profitability and returns:
1. Shifting more towards an asset light model,
2. Revamping existing locations for better ARRs,
3. Creating sub-brands in terms of better revenue optimization: Qmin, Ginger, Vivanta by Taj.

We believe that the company will reach their guided target of 300 hotels by FY25. Looking into the macro, we believe travel as a theme is well placed in the domestic economy and Indian Hotels would be a key beneficiary of the same.

Market update

FII inflows:

In January, Indian equities experienced a net outflow of Rs 25,744 crores, while the debt market witnessed a net inflow of Rs 19,837 crores. The underwhelming corporate earnings of major Indian banks in the December quarter, combined with concerns regarding elevated valuations of domestic equities and increasing US Treasury yields, have led Foreign Institutional Investors (FIIs) to divest from Indian equities. This trend is exacerbated by diminishing expectations of a US Federal Reserve interest rate cut. However, there is a notable shift as Foreign Portfolio Investors (FPIs) have shown interest in IT stocks this month, driven by optimistic management commentary post-Q3 results, indicating a potential demand revival in the sector. Despite FPIs persistently selling in emerging markets, including India, their focus on risk-off strategies is influenced by the rise in US bond yields, with the 10-year yield increasing from 3.9% to 4.15%, triggering capital outflows from emerging markets where interest rates remain high.

Proud Portfolio Performance vs benchmark for August '23

Particulars	Proud Portfolio	NIFTY 50 TRI	Outperformance
1M	-0.02%	0.02%	-0.04%
3M	11.05%	14.00%	-2.95%
6M	8.80%	10.48%	-1.68%
1Y	25.17%	24.35%	0.83%
2Y	13.67%	13.27%	0.40%
3Y	18.35%	18.19%	0.16%
Since inception	24.42%	22.18%	2.24%

Source: 1. Pidilite Industries Q3 FY24 Results Live : profit rise by 67.83% YOY | Mint (livemint.com)
2.https://www.livemint.com/companies/news/ihcl-will-remain-india-s-no-1-hotel-company-says-ceo-11706853585117.html
3FII selling in Indian stock market may continue despite ₹27,000 crore outflow in Jan so far, say analysts; here's why | Mint (livemint.com)
FPI Net Investment Details (Calendar Year) (nsdl.co.in)