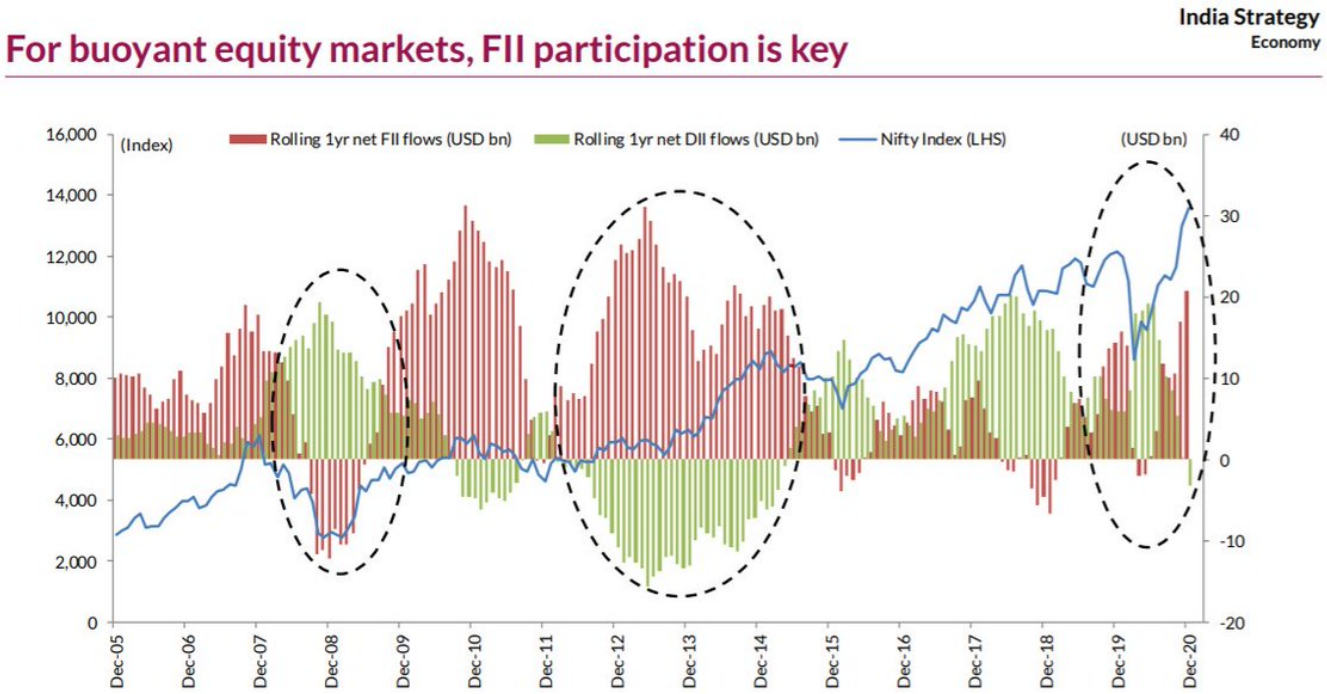
Twitter Thread by Keshav Sood, FRM®



Keshav Sood, FRM®
@Keshav_Sood101

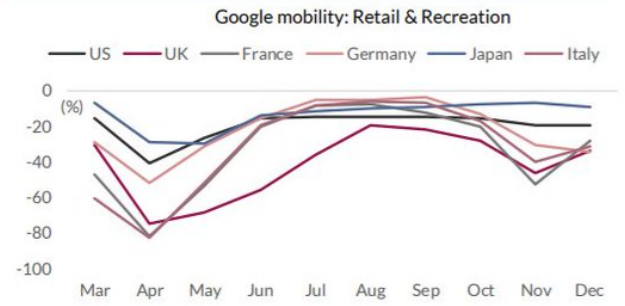
Despite DII selling since Sept 2020, markets have continued to move up due to continued FII participation.



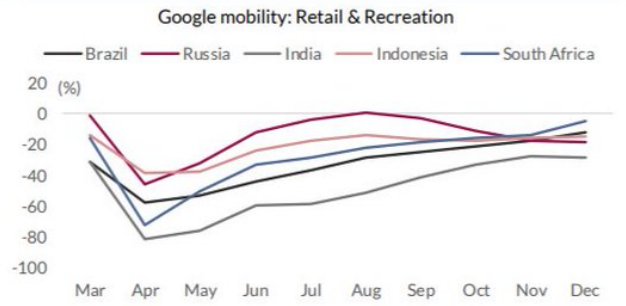
Demand recovery is still uncertain and uneven. Complete opening up of economy leads to the risk of a second wave.

… demand recovery to remain uncertain and uneven

DMs in Europe, especially Germany, is deteriorating in Dec



Among EMs (ex. China), India has been slowest to unlock



There seems to be a South-Asia advantage on COVID



Among EMs, India is still holding back; Germany slipping

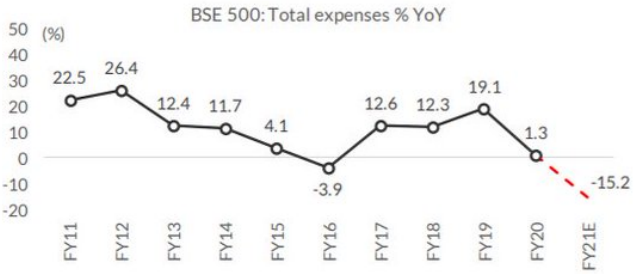


Open up too quickly and you see a second wave

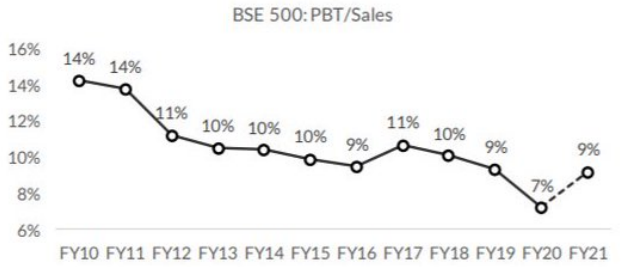
COVID- A disguise in blessing. COVID has taught many businesses how to curtail expenses and improve margins.

COVID has provided a useful pit-stop to firms for B/S repair

Businesses have cut costs…



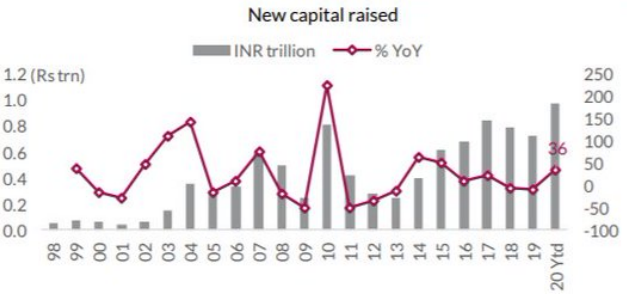
…improved margins



Cost of equity at historical lows…



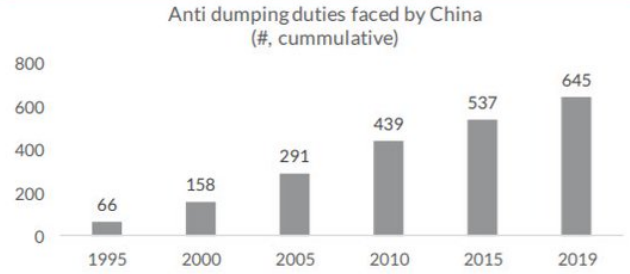
…which has prompted firms to raise equity



"China +1" Theme can be a good opportunity for India

World friction with China can play out in India's favor

China faces world's ire on trade practices



Post GFC, China saw sharp rise in anti-dumping duties imposed against it. Between 2009 & 2010, 74 fresh duties were imposed by global trade partners. Since then, we see a steady rise in trade actions against China which highlights the world's ire against China's trade practices and economic policies that build excess capacities. India has 93 anti-dumping duties imposed against China in Chemicals, petrochemicals, steel & metal products, fibers & yarns, machinery, rubber & plastic products, electric, electronic and consumer goods. In 2020, India imposed 5 new duties mainly in chemicals, plastics & rubbers, auto components and iron & steel. The world's trade actions against China is an opportunity for India to be the deflationary force for global consumers.

Trade actions against China by India in 2020

	Anti dumping duty 2020	
Sectors	**Countries**	**Products Covered**
Stone, plaster, cement, ceramic, glass	China, Malaysia	Sheet glass, float glass
Iron and Steel	China, Malaysia, South Korea, EU. South Africa, Taiwan, Thailand, US, Vietnam	Rolled flats of stainless steel, aluminium and zinc alloy coated flats
Textiles	China, Hong Kong, Thailand	Nylon tyre cord fabric, flax fabrics, acrylic fibre, fully drawn/oriented polyester yarn
Plastics and rubber products	China, Malaysia, Sri Lanka, Thailand	Medium density fibre board
Chemicals	China, South Korea, Malaysia, Taiwan, Japan, Singapore, Saudi Arabia, UAE, South Africa, Russia, EU	Sodium Nitrate, acetone, phenol, aniline,sodium citrate, phthalic anhydride, black toner powder form, diketopyrollo pyrole pigment Red (DPP Red 254), causitic soda, acrylonitrile butadiene rubber, carbon black, methylene chloride, dimethylacetamide, phosphric acid (excl. fertilizer grade), Chlorinated polyvinyl chloride (CPVC) resin, flexible slabstock poloyl, 1-phenyl-3-methyl-5-pyrazolone, fluoroelastomers (FKM), tolouene di-isocyanite (TDI)
Pharmaceuticals	China	Ciprofloxacin hydrochloride
Manufacturing: Machinery/ Electrical components	China, Malaysia, Japan, South Korea, Taiwan, Vietnam	Digital offset printing plates, electronic calculators
Auto Components	China	Front axle beam and steering knuckles for CVs
Optical instruments, Instruments: measuring, precision, medical, music	China	Steel/ Fibreglass measuring tapes

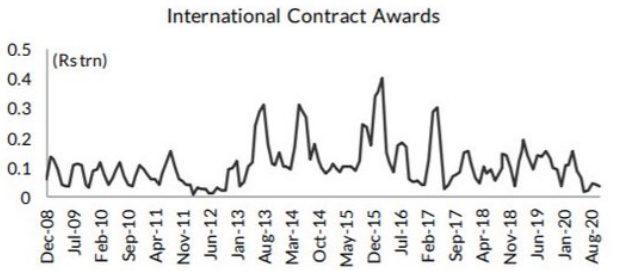
Capex Cycle Recovering

Capex cycle recovering

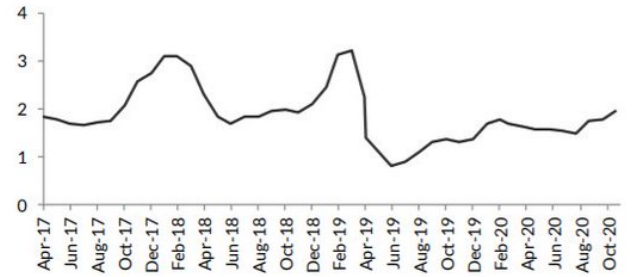
PSU capex within BSE500 posted 9% CAGR over FY17-FY20. Barring 7% dip in FY20, BSE500 private capex saw 10% CAGR over FY17-19

% YoY capex growth	FY17	FY18	FY19	FY20	FY20 - Capex (Rs bn)
Oil & Gas	34%	6%	26%	6%	1,927
Auto	-23%	54%	9%	-10%	617
Power	16%	-2%	-2%	-16%	535
Metals	-9%	7%	17%	9%	594
Infra	-7%	0%	51%	0%	189
Cement	-15%	39%	18%	28%	169
Pharmaceuticals	15%	-26%	7%	-9%	162
Consumer	31%	20%	-3%	-16%	99
Others	18%	2%	3%	-10%	913
Total Capex	**11%**	**8%**	**13%**	**-2%**	**5,205**
- PSU	11%	8%	9%	10%	1,751
- Private	12%	8%	15%	-7%	3,455

Domestic awards have recovered sharply in trailing 3m ending Nov-2020. The uptick was led by Railways, Water, Power Dist. & Pipelines (Fig in INR trn)



Project tendering plateaued around General Elections and has been rising since (on trailing 3-month basis, figures in INR trn)



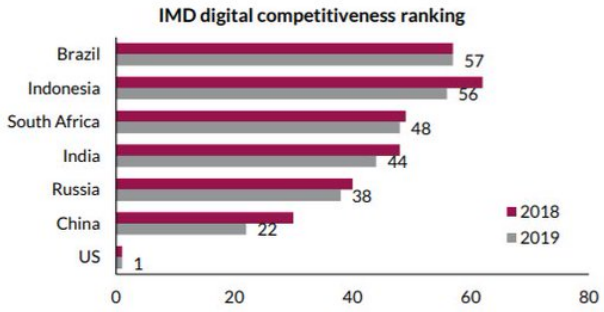
Project tenders are up 56% y/y over Apr-Nov 2021; bodes well...

Particulars	Tenders YTD FY21 (Rs trn)	% Growth YoY
Roadways	1.5	55
Community Services	0.3	52
Irrigation	0.5	24
Water Supply	0.6	122
Railways	0.4	-12
Power Distribution	0.1	11
Thermal Power	0.0	65
Hospitals	0.1	-24
Real Estate	0.3	47
Others	0.7	240
Total	**4.6**	**56**

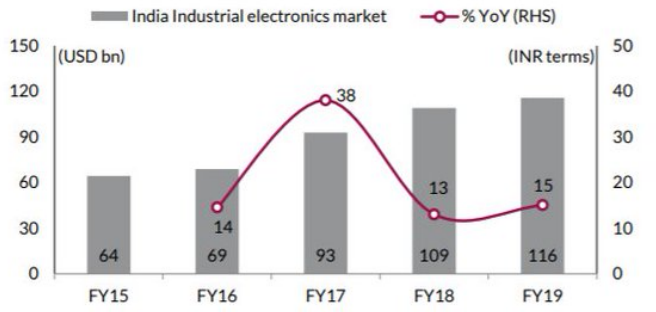
India vs China in IT Sector, Electronics, Chemicals and Pharma Sector

Trade actions against China + domestic demand to drive capex in specific sectors

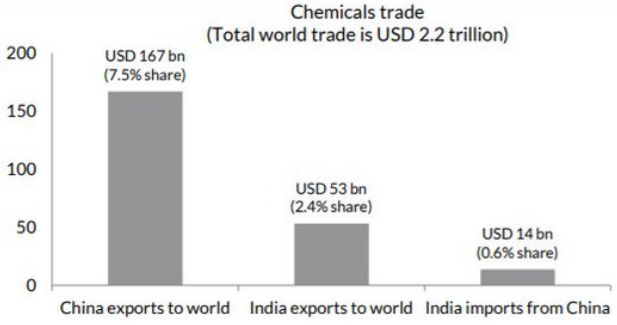
Digitization opportunity is huge due to catch up; Cloud, IoT, and AI are USD 10 bn opportunity



Atmanirbharta (self sufficiency) in electronics will feed into digitization



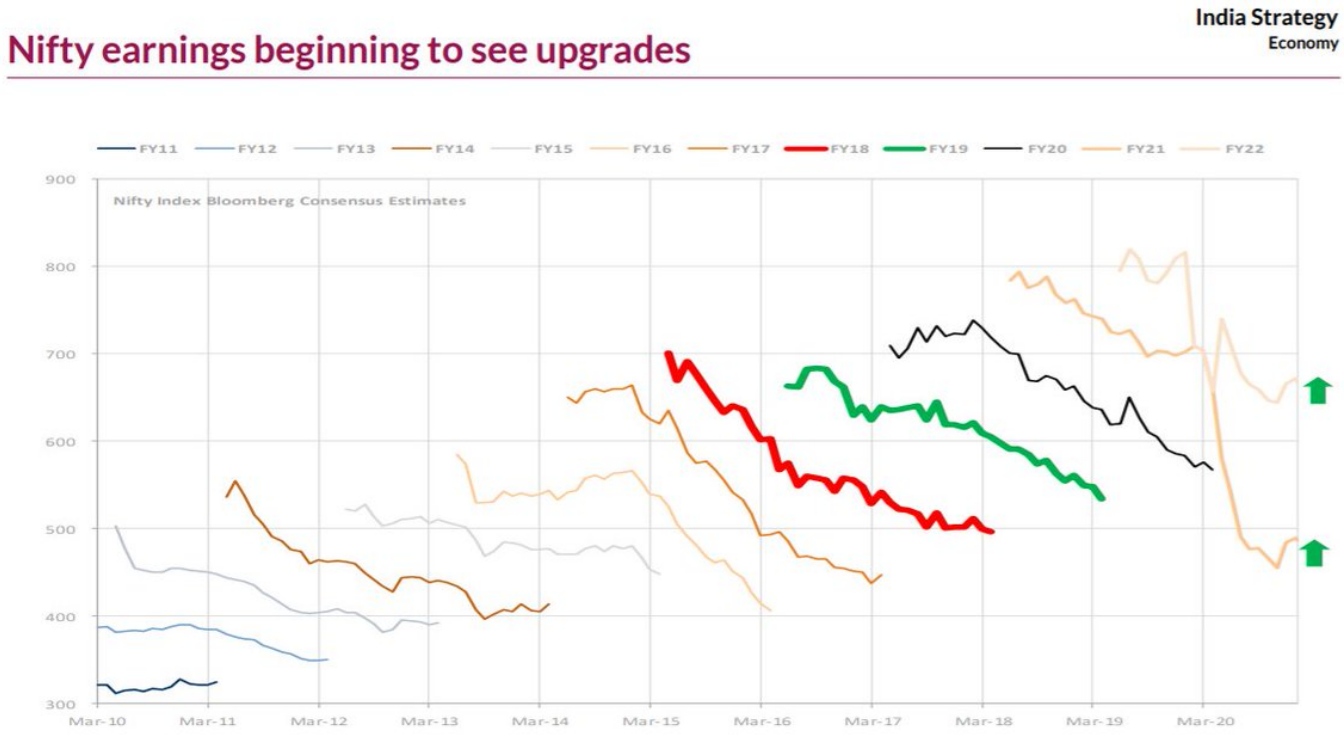
India is only a third of China's chemicals market share



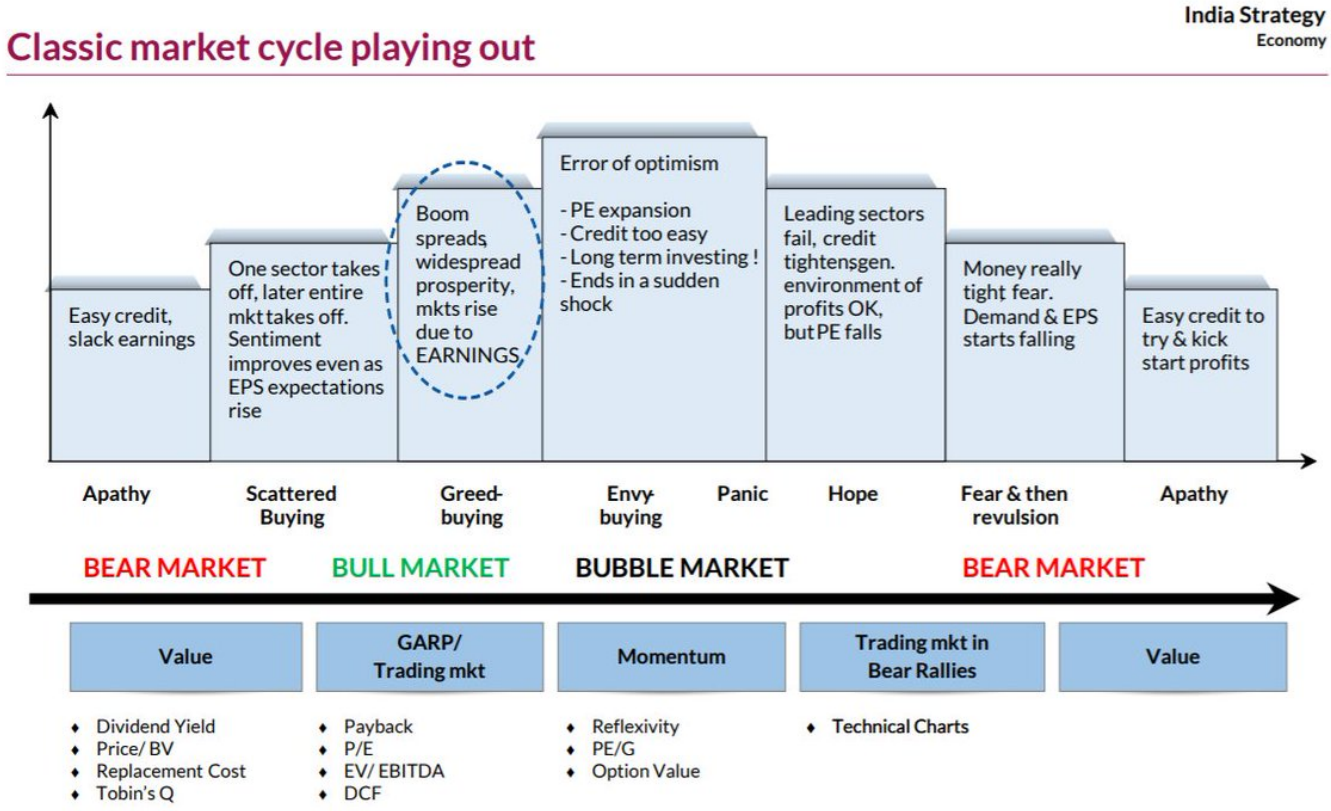
India's advantage in pharma exports to be boosted by pandemic



With Covid-19 pandemic , the street lacked clarity on the economic impact on businesses and completely wrote off corporate earnings. Surprisingly, economic recovery has been faster than expected helped by faster demand normalization and high cost efficiencies.



Where we are in the current market cycle.



@jagoinvestor_ @varinder_bansal @Prashanth_Krish @InvesysCapital @Maaachaaa69 @Atulsingh_asan @Coolfundoo @invest_mutual @nooreshtech @stepbystep888 @kirtan0810 @50Algo @gajendrakothari @TheMFGuy1 @StableInvestor