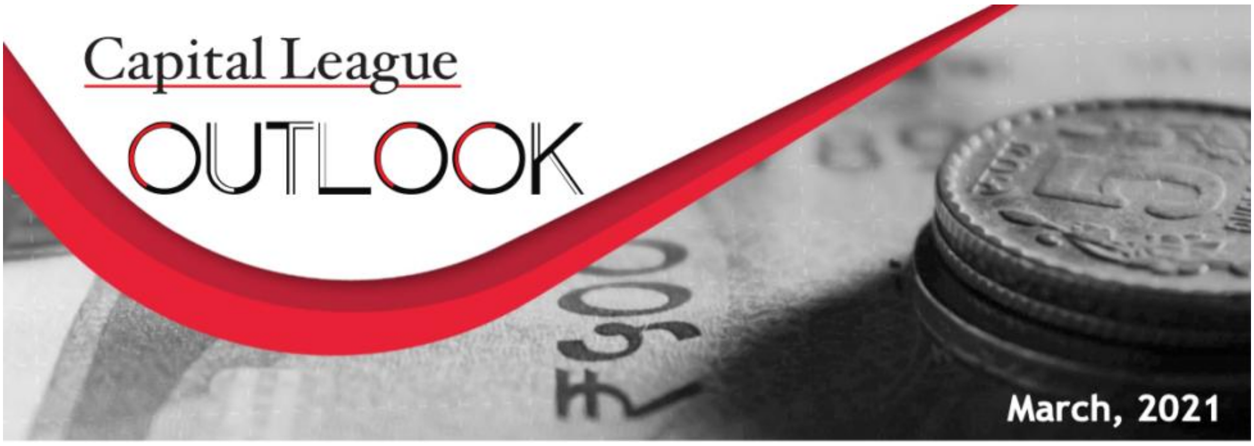
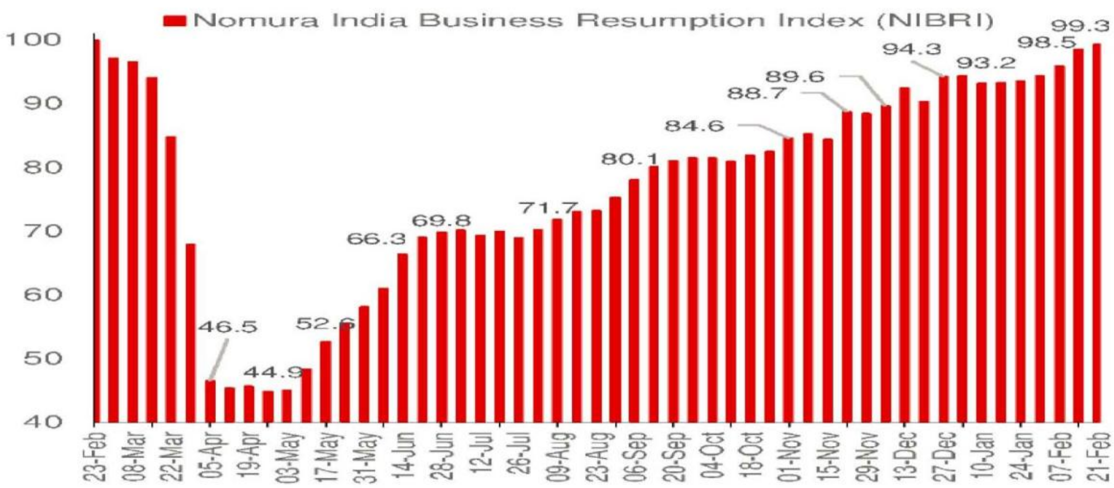


Indian Economy

- After 2 quarters of consecutive contraction, GDP rebounded and registered a 0.4% YoY growth in Q3FY21. The improvement was broad based with all sub-segments performing better than last quarter.
- Industrial sector led the recovery and performed better than consumption in 3QFY21.

Source : ICICI Securities, Nippon India Mutual Fund Research

- The high frequency indicators continue to point at steady economic revival although the pace seems to have moderated slightly.
- Nomura India Business Resumption Index Is almost at pre-pandemic levels.



Source: CMIE, Bloomberg and Nomura Global Economics

- Manufacturing PMI remained steady at 57.5 in Feb'21 while services PMI rose to 55.3 in February.
- GST collections in February at INR 1.13 Tn (+7.4% YoY) exceeded INR 1 Tn for the fifth consecutive month, supported by economic recovery and improved compliance.
- Corporate earnings in Q3FY21 were better than expected and resulted in broad based earnings upgrades. Results of Oil and gas, Banks, NBFCs, Utilities, Metals, consumer staples, Auto and consumer durables were better than expected while those of Pharma, Infrastructure and Industrials were largely in line with expectations.
- The aggregate results of 3200 companies (excluding Banking & Finance) across sectors for Q3FY21 had collectively reported a staggering 56% rise in their profit after tax (PAT) on y-o-y basis. Profits climbed even as sales fell or stagnated at the levels reported in the corresponding period of the previous year.

	Mar-20	Jun-20	Sep-20	Dec-20
Income	-9	-37.4	-10.5	0
Expenses	-4.8	-37.7	-14.2	-1.1
Net profit	-52.2	-55.9	31.4	55.6
PAT margin, %	3.1	4.5	8.1	9
Count of companies	3255	3253	3251	3221

% change,
Numbers are net of prior period and extraordinary transactions

Source:CMIE

- Cumulative FPI inflows into equity increased to USD 35.6 Bn in 11 months of FY21 as against net inflows of USD 9.6 Bn in similar period last year.

Global Economy

- Global economy continued to recover at a healthy pace in Feb'21 with data from US and Europe pointing to better than expected revival.
- Pick up in pace of roll out of vaccines in advanced economies, announcement of additional stimulus of USD 1.9 Tn by the US boosted the global equity markets but the rally was capped amidst concerns of rise in sovereign yields of major economies.
- Crude prices rose to USD 66- 70 per barrel on supply concerns. This will further feed into inflation and is expected to impact several sectors.

Outlook

- India is amongst the very few major economies like China, Taiwan, Vietnam, etc. which have registered positive growth in Q3FY21. This along with improvement in economic activity indicators highlights that economy has normalised to a large extent and growth is likely to witness sequential improvement.

- With Govt.'s focus mainly on Growth, economic environment is becoming more conducive for a Business Cycle recovery.
- As on 28 February 2021, NIFTY 50 was trading near 21.6x FY22E and 18.2x FY23E price to earnings ratio. Equity exposure (asset allocation) in portfolios should be maintained as per risk profile.
- On the fixed income side, RBI has reiterated their commitment to a dovish stance, keeping interest rates low while disregarding high inflation on account of high fuel and metal prices and supply side disruptions.
- However, inflationary expectations are high and the debt market is worried about the high borrowing program of the GOI to meet its budgetary deficit requirement. As a result, interest rates have hardened by nearly 30-40 bps in the last 2 months across maturities.
- We recommend to stay invested at the short end of the maturity profile in low duration, short term, corporate bond and banking & PSU funds. Less than 1 yr funds should be parked in Ultra short term and low duration funds only.