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The Finance Newsletter
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Indian Stock Market Weekly Updates

China's $142 Billion Bank Injection: A Bold Move to Support Economic Recovery

10 yrs of 'Make in India': Govt eyes $100 bn FDI inflows annually

PM-JAY extended: New proposal for central govt pensioners to offer scheme option for CGHS beneficiaries

INDIAN STOCK MARKET WEEKLY UPDATES

The Indian stock market saw a turbulent week as it dealt with global economic data, domestic policy changes, and company earnings releases. Despite concerns about inflation and geopolitical threats, market mood remained cautiously upbeat, buoyed by the country's solid economic fundamentals and supportive government policies. Here is a complete overview of significant industry trends and developments from the previous week.

Overall Market Sentiment

The Nifty 50 and Sensex indexes saw minor increases, gaining by about 1.77% and 1.99%, respectively. However, the India VIX remained at 15.22, signalling increased market volatility and investor concern. While inflationary pressures remained a worry, the Reserve Bank of India (RBI) closely monitored pricing levels to mitigate these concerns.

Sectors in the spotlight

1. Pharmaceutical Sector.

The pharmaceutical industry was one of the best performers, benefiting from worldwide patent expirations. Indian businesses are well-positioned to provide inexpensive generic copies of key medications, particularly in regulated markets such as the United States and the United Kingdom. The government's BioE3 program, which aims to advance the bio-economy and promote biotech growth, has boosted optimism in the industry.

Key companies to watch are Sun Pharmaceutical, Dr. Reddy's Laboratories, and Cipla

2.Technology sector.

The technology sector has continued to fuel market development, with firms concentrating on artificial intelligence, cloud computing, and digital transformation. Indian software behemoths TCS, Infosys, and HCL Technologies remained in the limelight as they extended their digital service offerings and attracted international investment. Several startups also raised significant funding, while potential mergers and acquisitions were discussed within the sector

Key Companies to Watch: TCS, Infosys, HCL Technologies, Wipro

3. Infrastructure Sector.

The infrastructure industry grew, fuelled by government measures to improve connectivity, housing, and energy infrastructure. This effort includes large-scale expenditures in renewable energy projects and the construction of smart cities. Companies in power production, telecommunications, and construction, such as Larsen & Toubro and Power Grid Corporation, had increased investment interest.

Key companies to watch are Larsen & Toubro, Reliance Industries, Power Grid Corporation, and Bharti Airtel.

Other Key Developments

Inflation: Rising inflation remained a worry, with the Reserve Bank of India closely watching economic developments. Global commodity price increases and supply chain disruptions contributed to inflationary pressures.

Government Policies: The government implemented a number of initiatives to promote growth, including tax breaks and infrastructure improvements. These measures have increased investor confidence, particularly in infrastructure and renewable energy.

Corporate results: Several corporations in important industries announced strong quarterly results, significantly boosting the market. Positive corporate results eased fears about inflation and the global economic downturn.

Worldwide Factors: The Indian market was influenced by worldwide events, including as interest rate decisions by major central banks and geopolitical concerns, particularly over oil prices. Crude oil prices decreased by 3%, helping industries that depend on cheaper energy expenses.

Conclusion

Despite external problems such as inflation and geopolitical uncertainties, the Indian stock market is still expected to develop. The pharmaceutical and technology sectors remain dominant, while government backing helps to strengthen infrastructure. Investors should keep an eye on global issues, particularly oil prices and central bank actions, since they may have an impact on market direction in coming weeks.

SENSEX:

NIFTY:

CHINA'S $142 BILLION BANK INJECTION: A BOLD MOVE TO SUPPORT ECONOMIC RECOVERY

In a significant move to rejuvenate its flagging economy, China is considering injecting up to 1 trillion yuan ($142 billion) into its largest state-owned banks. This unprecedented capital infusion aims to strengthen the banks ability to offer cheaper loans and bolster economic recovery, particularly in sectors like real estate, which have been hit hard by slow growth and rising bad debt.

China's largest banks, including Industrial & Commercial Bank of China Ltd. (ICBC), Bank of China Ltd., and China Construction Bank Corp., have come under increasing stress in recent years. Despite having capital far above the requirements, these lenders are experiencing shrinking profit margins and record-low interest rates as well as a rise in bad loans. By June 2024, net interest margins have fallen to a trough of 1.54 percent, and profit expansion through the first half of this year slowed to only 0.4 percent, the weakest pace since 2020.

These pressures stem largely from broader economic troubles underlying China's current crisis. Over the past couple of years, the banks have been asked to lend cheaper money to borrowers who are property developers, homebuyers, and cash-strapped local governments. That has been affecting profitability, as the government push lender to pay interim dividends to push up the country’s struggling stock market.

Special bonds would be the source of the proposed capital injection, the first in the aftermath of the 2008 global financial crisis. While details remain sketchy, the focus is to assist banks in rebuilding their core tier 1 capital ratios - and, therefore, banks being in a better position to survive further economic shocks.

Through the injection of fresh capital, Beijing hopes to enhance the capacity of banks in providing finance to troubled sectors and individuals who stimulate broader economic growth. The government has cut mortgage rates and lowered key policy rates to encourage borrowing and investment. But these measures, by themselves, have so far been inadequate for reviving the economy.

> The availability of $142 billion in much-needed capital infusion may then prove to be a welcome rescue for the Chinese banking sector

China has a long tradition of stepping in to save its banking system when it flounders. In the late 1990s, Beijing bailed out its top banks when their nonperforming loan ratio surged to as high as 40%. Policymakers sold special bonds to raise capital and established state-run "bad banks" to absorb nearly 1.4 trillion yuan of bad loans -- a move that laid the groundwork for more than a decade of rapid economic growth. Another round of capital injections followed the 2008 financial crisis, with Agricultural Bank of China enjoying a $19 billion bailout.

The availability of $142 billion in much-needed capital infusion may then prove to be a welcome rescue for the Chinese banking sector, ensuring that these institutions are well-sited for long-term economic recovery. With mounting global and domestic pressure, it now is clear that Beijing is ready to take decisive steps to protect its financial system and stimulate growth. How these efforts will conclude will also provide a close and intense watch on the part of global markets and investors during this trying time.

10 YRS OF 'MAKE IN INDIA': GOVT EYES $100 BN FDI INFLOWS ANNUALLY

As India marks the 10th years of the "Make in India" initiative, the government has set its sights on achieving an ambitious target of $100 billion in annual foreign direct investment (FDI) inflows. This vision was shared by Amardeep Singh Bhatia, Secretary of the Department for Promotion of Industry and Internal Trade (DPIIT), during a recent press conference.

"We are targeting much higher investment flows," Bhatia said. "Currently, India receives about $70-80 billion in FDI annually, and we expect this to increase to at least $100 billion a year in the coming years." The "Make in India" initiative, launched in 2014, was designed to transform India into a global manufacturing hub, attract foreign investments, enhance infrastructure, and boost indigenous production. A decade later, the program has made significant strides, particularly in manufacturing infrastructure, defence, and exports.

Bhatia highlighted that the last 10 years have witnessed a marked improvement in FDI inflows, with total foreign investments amounting to $667.4 billion – a significant jump from the $304.1 billion received in the previous decade (2004-2014). Particularly in the manufacturing sector, FDI equity inflows between 2014-2024 reached $165 billion, up 69% compared to the prior decade. Key sectors such as automobiles, telecommunications, and pharmaceuticals have attracted the highest levels of foreign investment.

In the first quarter of FY25 (April-June 2024), India recorded FDI inflows worth $22.49 billion, reflecting a 26% year-on-year increase.

In addition, the government's production-linked incentive (PLI) scheme has seen remarkable success, attracting investments across 14 sectors. By the end of June 2024, the PLI scheme had generated investments worth Rs 1.32 trillion, with production valued at Rs 10.90 trillion. This effort has created employment for approximately 850,000 individuals.

Prime Minister Narendra Modi recently lauded the impact of "Make in India" across a wide range of sectors, some of which were not previously considered manufacturing powerhouses. He highlighted the country's transformation into the second-largest mobile phone manufacturer globally. "In 2014, India had only two mobile manufacturing units, and today, we have over 200," Modi said. "Mobile exports have surged from Rs 1,556 crore in 2014 to Rs 1.2 trillion – a staggering 7,500% increase." India's semiconductor manufacturing sector is also seeing rapid growth, attracting over Rs 1.5 trillion in investments.Five new plants have been approved, with a combined capacity to produce more than 7 crore chips per day. While the "Make in India" initiative has yielded impressive results, challenges remain. Bhatia acknowledged the need for further progress in job creation and the growth of small and medium enterprises (SMEs). However, he reiterated that the initiative has bolstered India's industrial capacity and export competitiveness over the past decade. Looking ahead, the government's push for $100 billion in annual FDI inflows signals its commitment to sustaining the momentum and ensuring that India remains a key player in global manufacturing and investment. As the country continues to build on the success of "Make in India," the next decade promises even greater milestones in India's journey toward becoming a global economic powerhouse.

PM-JAY extended: New proposal for central govt pensioners to offer scheme option for CGHS beneficiaries

A new proposal for central government pensioners, under the Central Government Health Scheme (CGHS) and the Ex-Servicemen Contributory Health Scheme (ECHS), will likely offer the Pradhan Mantri Jan Arogya Yojana (PM-JAY) scheme as an additional option, reported the news portal Financial Express on Saturday, September 28.

According to the report, Shiva Gopal Mishra, secretary of the National Council (Staff Side) Joint Consultative Machinery for Central Government Employees, formally proposed this to Prime Minister Narendra Modi.

This came after the centre extended the PM-JAY benefits also to senior citizens aged 70 and above who benefitted from other public health insurance schemes like CGHS and ECHS. This move aims to benefit nearly 6 crore senior citizens, giving them a distinct card as well as additional coverage options for current beneficiaries, as per the report.

The beneficiaries have to choose between their existing benefits or the PM-JAY one. Senior citizens with private health insurance or those falling under the Employees' State Insurance Scheme (ESIS) will also be eligible for the benefits of the PM-JAY scheme, according to the news portal.

The amount of contribution based on the seventh Central Pay Commission (CPC) pay matrix is ₹30,000 for levels one to five, ₹78,000 for levels seven to 11, and ₹1,20,000 for levels 12 and above, according to the report.

Mishra's proposal letter to Prime Minister Narendra Modi also cited the financial burden that retiring employees face when they are required to make a one-time big contribution to avail of the CGHS benefits after their retirement

Mishra put forward the argument of it being unfair to make the senior citizen to choose between the CGHS and AB PM-JAY, especially as PM-JAY was created to assist the senior citizens irrespective of their financial circumstances, according to the news portal.

Mishra's letter highlights

Mishra's letter requests the Government of India to reconsider its decision. He has also urged for a meeting with the Staff Side of the National Council JCM to discuss the matter further and arrive at a favourable resolution for the senior citizens who are part of CGHS and ECHS.

GOLDEN COLLATERAL: HOW INDIA'S GOLD LOAN MARKET IS EVOLVING AND EXPANDING

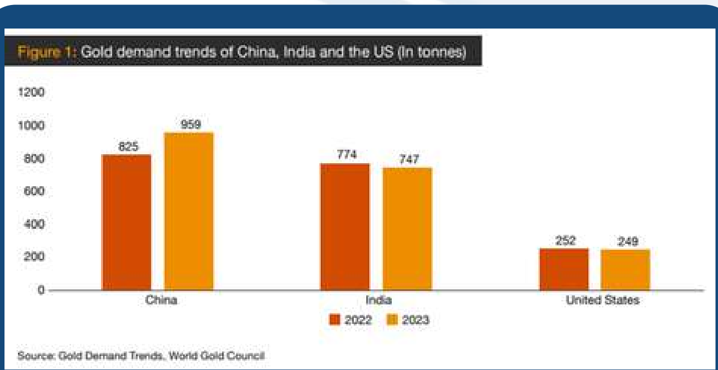
While gold is a symbol and a store of wealth and security, in addition to the financial resource base, for an Indian, it is also a part of the cultural and family heritage. People do not like selling their gold and only lend it collaterally for short-term financing needs during times of economic distress. The significant rise of gold loans has made an important contribution to the Indian credit market through formal institutions such as banks and NBFCs, as well as informal lenders. PwC's report goes into the trends, challenges, and prospects of the Indian gold loan market.

Table 1: Return on investments made in gold[6]

Year of investment	Years	Gold rate per gram during investment	Current gold rate per gram	Investment value	Holding value (in g)	Current value	Returns	Compund annual growth rate (CAGR)
2021	3	4,872.32	6,800.00	100,000	20.52	1,39,563.85	39,563.85	12%
2019	5	3,119.34	6,800.00	100,000	32.06	2,17,994.76	1,17,994.76	17%
2014	10	2,919.04	6,800.00	100,000	34.26	2,32,953.38	1,32,953.38	9%
2009	15	1,288.97	6,800.00	100,000	77.58	5,27,551.37	4,27,551.37	12%
2004	20	571.90	6,800.00	100,000	174.86	11,89,029.45	10,89,029.45	13%

1. India's Gold Consumption

India is the second largest consumer of gold globally, and total demand in 2023 was 747 tonnes, which stood 3% lower than in 2022. The jewellery sector has still been the largest driver; for 2023, it recorded 562.3 tonnes. However, with increasing gold prices to over ₹11,000 in five months from November 2023 to May 2024, or an increase from ₹55,375 to ₹66,532 per 10 grams, people picked lighter and lower-carat items. All these higher prices heralded a demand comeback during the quarter ending in March 2024. So, the price of gold is a multi-faceted variable to analyse, starting from its complex relationship with the US dollar. When the Indian rupee depreciates, its value in terms of the yellow metal goes up, and more and more people opt for gold loans instead of selling the asset.

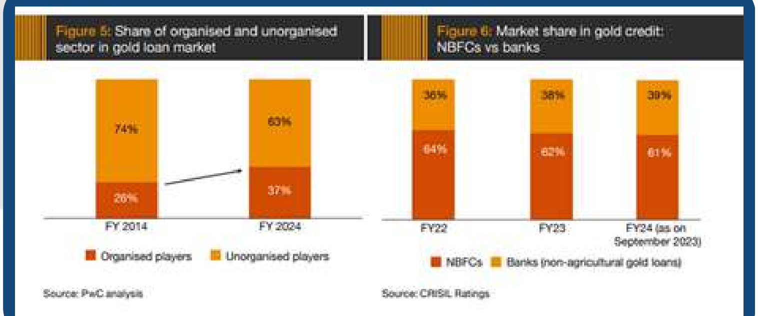


2. Gold Loan Market Dynamics

India's gold loan market is robust due to its household gold holding of about 25,000 tonnes, worth approximately ₹126 lakh crore. The current organised gold loan market stands at ₹7.1 lakh crores with penetration standing at 5.6% only. This leaves a vast market untouched, especially when one looks at the unorganised sector that still commands 63% of the gold loan market.

<u>Organized Players and Unorganized Sector:</u>

- Organized sector has captured banks and NBFCs' share to 37 percent, with the unorganized sector still holding the majority, largely in rural and semi-urban areas.
- Public and private sector banks along with NBFCs have followed strategies like expanding their respective branch networks, and digital service offerings, and partnering with FinTech companies to expand market penetration.

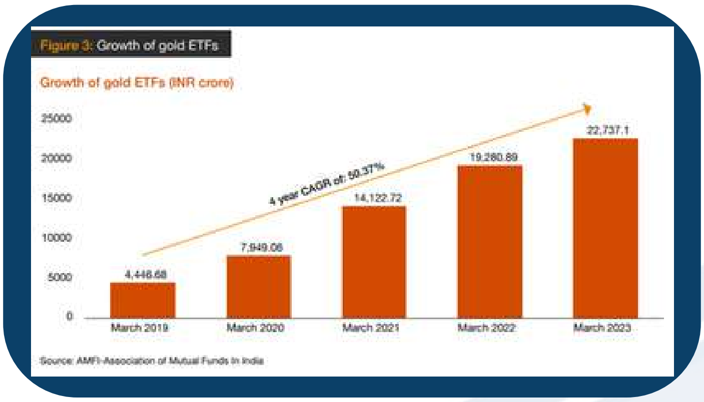


3. Market Outlook and Growth Potential

The gold loan market is supposed to grow at 14.85% CAGR. The total market size should reach ₹14.19 lakh crore in FY2029. This growth is due to an increased rate of gold prices, increased digital penetration, and higher demand in sectors like MSMEs. More and more banks reduce their focus on unsecured lending due to regulatory pressure. Thus, gold loans have emerged as an attractive alternative.

<u>Key Growth Drivers:</u>

- *Big reason:* the collateral value is enhanced due to high gold prices; hence more consumers pledge their gold against loans.
- *Digital products:* doorstep loans and online gold loan services have made things easy for borrowers.
- *Government Policies:* Financial inclusion and formal lending structures have been promoted through policies that have helped the sector grow. With lower interest rates and flexible lending norms, gold loans have been encouraged.



4. Customer Segmentation and Demographics

The customer segment of the gold loan market is transforming. Traditionally, this product was mainly targeted at older generations and rural households, but today more and more millennials and Gen Z customers have started to comprise a significant chunk of the gold loan market. The youth find gold loans attractive owing to convenience and flexibility, but interestingly enough, it emerges more as an instrument rather than some sort of final runway for borrowing.

<u>Demographic Insights:</u>

The breakdown of disbursements by age group makes the most significant share of the 31-40 age group, which holds almost 44% of total loans. The active gold loans for the 21-30 age group have doubled from FY2021 to FY 2023, with increased appeal of gold loans among the youth.

- *Branch Model:* The traditional NBFCs, through gold loan branches, have higher customer retention due to consistency. This remains the most effective model for retaining the customer base.
- *Multi-product Branches:* Banks and bigger financial institutions offer their gold loan as a part of a larger product basket thereby reaching more customers but with lower retention of customers.
- *Phygital Model (Physical + Digital):* Inhouse FinTech companies are emerging along with the traditional lender, introducing digital gold loans to improve the process in terms of efficiency as well as customer experience. The hybrid model enables online transactions with physical branches, making it efficient and dependable.

Table 4: Gold loan operating models

	Branch model		Non-branch model (FinTechs)
	Branch (only gold)	Branch (multi-product)	FinTech/phygital
Characteristics	Only gold loan branches	Gold loans are part of other products in the branch	100% focus of the sales is on gold loan
OpEx (%)	5–7%	4-6%	17–20%
Pre-tax Return on Assets (ROA)	Higher (~7–8%)	Low (~2-5%)	Negative (due to cash burn)
Customer retention	High customer stickiness (~70%)	Existing customer base high stickiness	Low
Collections team	No	Yes	Minimal
Vintage	>40 years	>40 years	4 years
Delinquency (%)	1–3%	1–3%	2–3%

5. Shift in Operating Models and Technological Innovations

Digitization platforms and FinTech partnerships are changing the gold loan space. These partnerships enhance the operational efficiency of traditional lenders, allowing the processing of customer onboarding, KYC verification, and even gold valuation to be much more streamlined. Digital solutions have also allowed a way to reduce fraud and security breaches through the use of AI surveillance tools and automated valuation systems.

<u>Technological Advances:</u>

- *Artificial Intelligence and Machine Learning:* These improve gold valuation and the proper identification of fraud more accurately, thereby increasing security operational means.
- *Digital Gold Loans:* Digital loans with online access and doorstep services have increased gold loans as accessible to a greater customer profile, especially in rural and semi-urban areas.

6. Gold Loans in Rural India

Rural India makes up an immense portion of India's gold reserve and is, hence, a very large market for gold loans. Despite the huge demand, more than 90 percent of this rural market is still untapped. The ease of gold loans, coupled with the fact that there is no need to maintain any credit history, makes it an attractive financial solution available to rural households. Rural regions still, however, rely on informal lenders.

<u>Rural Market Statistics:</u>

- Rural segments comprise 35 percent of disbursements in gold loans and 37 percent of active gold loans.
- Semi-urban leads with 42 percent of the disbursement while formal lending is increasing in these areas.

Region	Gold loan disbursements	Active gold loan
Rural	35%	37%
Semi urban	42%	44%
Urban	23%	19%

Riddles of the week

1. I keep your money safe and sound, and lend it out when interest's found. What am I?
2. I grow when you feed me, shrink when you use me, and disappear if you misuse me. What am I?
3. I am a number with a decimal, I rise and fall all day. I tell you what a company's worth, come and check me out today. What am I?
4. You can invest me or save me, but when I rise too fast, I can hurt your buying power. What am I?
5. I am a promise made for tomorrow, but you buy me today. Governments and companies use me to borrow, so their plans won't delay. What am I?
6. I track your ups and downs, your debts and loans. Lenders use me to see how trustworthy you've grown. What am I?
7. I'm a tax shelter, but I'm not a tree. I help you grow your wealth, just wait and see. What am I?
8. I get bigger the more you pay in, and if you don't pay, I may make you sin. Governments need me, and so do you, but only when I'm due. What am I?
9. I am a fee you must pay, to buy something you might not even want someday. If you don't, you may lose what's dear, but if you do, you'll have no fear. What am I?
10. I'm a common form of debt, used by students, homeowners, and more. You must repay me with interest, or I'll come knocking at your door. What am I?

DID YOU KNOW

What's your Score?

KNOW THE FACTS

(Previous riddle soulutions)

- Stock Option
- Bank
- Budget
- Share
- Debt
- Capital