QUICKLY.

Over 10 lakh accident claims pending nationwide: RTI

Noida: As many as 10,46,163 motor accident claims worth ₹80,455 crore are pending across the country and their numbers have increased constantly between 2018-19 and 2022-23. The details have been provided by the IRDAI in response to the query filed by Supreme Court advocate K C Jain in April. PTI

Qatar Airways flight suffers turbulence; 12 injured

London: Twelve people were injured when a Qatar Airways plane flying from Doha to Dublin on Sunday hit turbulence, airport authorities said. Dublin Airport said in a statement that flight QR017, a Boeing 787 Dreamliner, landed safely as scheduled before 1 pm. The incident comes five days after a British man died of a suspected heart attack and dozens of people were injured when a Singapore Airlines flight from London hit severe turbulence. PTI

FPIs loading up on G-Secs ahead of global index inclusion

RIPPLE EFFECT. FPIs saw the highest q-o-q increase of 31 bps in G-Secs ownership

K Ram Kumar
Mumbai

Foreign portfolio investors (FPIs) are gradually loading up on Government Securities (G-Secs) as the date for inclusion of these securities in the JP Morgan Global Bond Index - Emerging Markets Global Diversified (GBI-EM GD) draws close.

FPIs' holding in total ownership of G-Secs (or Indian government bonds/IGBs) saw the maximum increase of 31 basis points (bps) among all categories of investors, moving up to 1.92 per cent as on December-end 2023 against 1.61 per cent as on September-end 2023. The increase in FPIs' G-Sec holding comes against the backdrop of the proposed inclusion of these securities (specified G-Secs under the fully accessible route/FAR) in JP Morgan's GBI-EM GD over a 10-month period. The inflows into these securities due to this inclusion is estimated at $22-25 billion.

After JP Morgan made the index inclusion announcement on September 21, 2023, *Bloomberg* (in early March 2024) announced inclusion of India FAR bonds in its Emerging Market (EM) Local Currency Government Index and related indices. The inclusion in the *Bloomberg* will be phases over 10 months, starting January 31, 2025 and is expected to bring in $2-3 billion inflows.

G-Sec ownership *(in %)*

	Dec-end 2023	Sept-end 2023	q-o-q change
Commercial Banks	37.55	37.96	-0.4
Co-op Banks	1.49	1.52	-0.03
Non-Bank Primary Dealers	0.67	0.66	0.01
Insurance Companies	26.16	26.05	0.11
Mutual Fund	3.03	3.02	0.01
Provident Funds	4.57	4.42	0.15
Pension Funds	4.44	4.32	0.12
Financial Institutions	0.55	0.54	0.01
Corporates	1.33	1.21	0.12
FPIs	1.92	1.61	0.31
RBI	12.54	13.06	-0.52
Others	5.74	5.64	0.10

Source: RBI

POSITIVE OUTLOOK

FPIs seem ready to make the most of the expected G-Sec yield softening, once liquidity inflows begin due to the aforementioned developments. "With almost $25-30 billion expected to be invested by FPIs in specified G-Secs due to the bond index inclusion, the active funds among them are buying securities. This will only increase. Global investors have a positive outlook on Indian bond yields as inflation, current account deficit and fiscal deficit are under control, growth gains momentum and forex reserves are at an all-time high. All macroeconomic parameters are favourable. This will attract funds into debt as well as equities," said V Rama Chandra Reddy, Head-Treasury, Karur Vysya Bank.

After FPIs, the maximum increase in holding in total ownership of G-Secs was in the case of provident funds (up 15 bps from 4.42 per cent as at September-end 2023 to 4.57 per cent as at December-end 2023), followed by pension funds and corporates, up 12 bps each, from 4.32 per cent to 4.44 per cent and from 1.21 per cent to 1.33 per cent, respectively; and insurance companies, up 11 bps, from 26.05 per cent to 26.16 per cent. During the third quarter (October-December 2023), the outstanding G-Secs rose by ₹1,55,185 crore to ₹1,05,38,792 crore as at December-end 2023.

RBI's holding in total ownership of G-Secs declined 52 bps during the third quarter from 13.06 per cent to 12.54 per cent due to open market operation (sales), secondary market sales and redemption of these securities, say market experts.

In trend reversal, FPIs turn bullish on Indian equities ahead of June 4

KR Srivats
New Delhi

CHANGING PATTERNS. FPIs became net buyers last week, investing ₹4,670 crore in a single day, following the RBI's announcement of ₹2.11-lakh crore dividend for the government

Foreign portfolio investors (FPIs) have shifted from heavy selling to increased buying of Indian equities, anticipating a clear BJP/NDA win in the general elections, analysts said.

This trend reversal is evident, as FPIs became net buyers last week, notably net investing ₹4,670 crore in a single day on May 23, following the RBI's announcement of a record ₹2.11-lakh crore dividend for the government, they said. This FPI stance is interesting, given that both the Nifty and the Sensex also touched all-time highs in the last two sessions last week, they noted.

K Vijayakumar, Chief Investment Strategist, Geojit Financial Services, said that FPIs massive selling has ceased and they have even turned buyers in recent days.

"Going forward, as clarity emerges on the election front, FPIs are likely to buy in India, since they cannot afford to miss the post-election results rally. Actually, the rally may begin even before the election results," he said.

Vijayakumar said that the situation — post a view that it won't be an easy victory for the BJP/NDA in the wake of decline in voter turnout in the first three phases of voting — is once again slowly changing in favour of the ruling dispensation.

The base case scenario appears to be a clear verdict in favour of BJP/NDA, he added.

HEAVY SELLING

Vipul Bhowar, Director, Listed Investments, Waterfield Advisors, said the bumper dividend payout of ₹2.11-lakh crore from the Reserve Bank of India to the Centre for FY24, would have caused FPIs to reconsider their strategy and temporarily halt selling.

However, it may be premature to conclude that the "sell India buy China" stance has been completely reversed. "Ultimately, it comes down to a trade-off between expected growth and current valuations. China appears inexpensive at current levels, while India may become expensive," Bhowar said.

Vijayakumar noted that FPI selling, which began as a trickle in April 2024, turned into a flood in May. As per NSDL data, FPIs net sold equity for ₹ 22,046 crore through May 24. FPI selling in the cash market was a massive ₹33,460 crore. So far this calendar year, FPIs have net sold Indian equities worth ₹19,824 crore.

The FPI heavy selling in the first fortnight of May was triggered by the massive outperformance of Chinese stocks, he said.

Vaibhav Porwal, Co-founder, Dezerv, said that up until the week ending on May 17, 2024, FPIs had withdrawn a total of ₹27,081 crore from the market. "Despite last week being shortened due to holidays, the markets experienced a shift in trend, with FPIs recording net inflows of ₹ 9,234 crore," he added. Meanwhile, India VIX — a fear gauge — hit the highest level of 21.81 this past week on May 21 and this was also the highest since April 19 when general elections commenced in the country. India VIX had hit an all time low of 10.2 on April 23.

Porwal noted that India's VIX has doubled over the past month, reaching a level of 21.0. This spike is consistent with the typical behaviour of the India VIX before major events.

However, compared with the last three election periods, the current VIX level is significantly lower than the historical trend. In the 12 days leading up to the election results, the VIX ranged between 26 and 49 during the 2009, 2014, and 2019 election years.

"As we approach the result day, we anticipate a further increase in the VIX, followed by a decline post-election, mirroring the patterns observed in previous election periods," Porwal added.

After being net sellers to the tune of ₹ 10,949 crore in April, 2024, FPIs have come back with buying interest in debt market with net inflows of ₹ 10,949 crore in May, 2024, data with depositories showed. So far this calendar year, FPIs have pumped in ₹ 46,918 crore in the Indian debt market, ahead of India's bond inclusion in J P Morgan Global Bond Index -Emerging Markets in June, 2024.

UBS flags 'buy-on-dip' opportunities on any unexpected poll outcomes

KR Srivats
New Delhi

Swiss-headquartered UBS, a global wealth management major, suggests that any significant weakness in Indian equities, post-election results on June 4, could present "buy-on-dip" opportunities for investors.

On the fixed income side, medium-to-long duration bonds are in a "sweet spot" and could become even more attractive if bond yields spike due to certain election outcomes, UBS noted in its latest India Market Outlook.

The research document, released on Friday by UBS' Global Wealth Management's Chief Investment Office, discusses 2024 election scenarios and market implications.

UBS highlighted that markets are already pricing in a scenario, based on opinion polls, where the Bharatiya Janata Party retains a single-party majority.

This anticipated political stability should ensure policy continuity, supporting market sentiment and India's valuation premium.

OUTCOMES

"If the election plays out as expected, we anticipate policy continuity, macroeconomic stability and the potential for further structural reforms, all of which could positively influence Indian financial markets," said Premal Kamdar, Analyst at UBS Securities India and author of the research note.

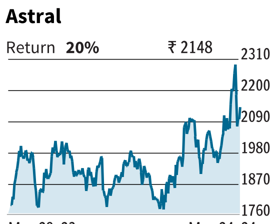
Any unexpected outcome could be perceived negatively at first due to political instability and possible policy paralysis, which might weigh on business sentiment and impact investor confidence.

Such an unexpected outcome could trigger knee-jerk reactions in financial markets in the near term, with equity valuations possibly testing pre-NDA levels, Kamdar added.

However, UBS highlighted that historically, any market underperformance triggered by election results tends to reverse in the medium to long term as markets and businesses adapt to new government policies.

Astral (₹2,148): BUY

Akhil Nallamuthu
bl research bureau



The chart shows a potential for a rally to ₹2,300

The stock of Astral hit a record high of ₹2,351.65 on May 17 before it made a U-turn. It witnessed considerable sell-off in the first half of last week. However, it found support at ₹2,060. Note that the broader trend remains bullish.

TODAY'S PICK.

That said, we cannot reject the possibility of a decline from the current level, possibly to ₹2,050.

But eventually, the stock is expected to halt the downswing and start appreciating.

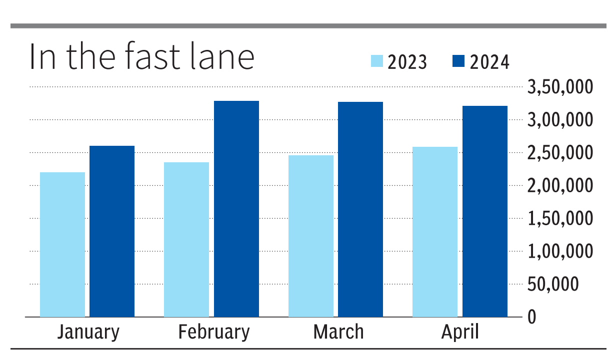
The chart shows a potential for a rally to ₹2,300. So, traders can buy shares of Astral now at around ₹2,148 and accumulate at ₹2,050. Place initial stop-loss at ₹2,000.

When the stock rises above ₹2,200, tighten the stop-loss to ₹2,120. Raise the stop-loss further up to ₹2,200 when the price touches ₹2,250. Exit at ₹2,300.

(Note: The recommendations are based on technical analysis. There is a risk of loss in trading.)

Two-wheeler exports see 30% uptick in H1

Aroosa Ahmed
Mumbai



Export of two-wheelers is witnessing a year-on-year uptick in H1 with 3,20,877 units exported in April. According to the Society of Indian Automobile Manufacturers (SIAM) data, the total two-wheeler exports reported a 30 per cent increase with 12,36,384 units between January and April compared with 9,58,951 units during the same period in 2023.

"The uptick in export demand over the last couple of months of fiscal 2024 is backed by a slight recovery and stabilisation of the environment in a few of these regions, as well as a slight moderation in oil prices. Recovery, however, appears fragile and sustainability of the same is yet to be established. Earlier, exports to these regions had been impacted by consumer price inflation, high interest rates and foreign currency-related issues in fiscal 2022 and 2023.

During this period, consumers in these markets switched to used vehicles or deferred purchases," said Anuj Sethi, Senior Directo of Crisil Ratings Ltd.

With two-wheeler exports from India largely targeted to countries including Columbia, Nigeria, Philippines, Mexico, Sri Lanka, Bangladesh, Egypt and Nepal, two-wheeler original equipment manufacturers (OEMs) are looking for new markets.

ISSUES OF CONCERN

"The macroeconomic and geopolitical issues continue to be a challenge, though the number of markets severely affected has been reducing. We have divided the overseas markets into three sets: Stressed markets — Nigeria, Bangladesh, Kenya, Egypt, and Argentina; recovering markets, which are mostly the balance markets, and new markets, which are a group of new territories and segments in existing markets where we are going to enter or have recently entered," said Rakesh Sharma, Executive Director of Bajaj Auto Ltd. The production of two-wheelers also saw an uptick with an average 20 per cent increase between January and April. 74,57,879 two-wheelers were produced between January and April as compared with 59,47,723 units produced during the same period in 2023.

"We are getting into some big markets where we are changing the distributors and there is a bit of change happening on the product portfolio. Moving forward, our international business will be building up," Niranjan Gupta, Chief Executive Officer of Hero MotoCorp Ltd said during the earnings call.

India plans equity injection into KABIL for overseas mineral buying

Abhishek Law
New Delhi

India is planning to inject additional equity into KABIL (Khanij Bidesh India Ltd) as it plans to ramp up acquisition of overseas mineral resources, especially critical minerals like lithium and copper. The plan is to take the paid-up capital in the company to ₹500 crore, up five times the existing one.

Khanij Bidesh India Ltd is a JV of three CPSEs of the Mines Ministry that include National Aluminium Company (NALCO) – 40 per cent equity, Hindustan Copper (HCL) – 30 per cent and the Mineral Exploration Corporation Ltd (MECL) – 30 per cent.

FUND REQUIREMENT

At the time of setting up the entity, it had an authorised capital of ₹500 crore and paid-up capital of ₹100 crore as equity investment by the three promoters.

According to officials in the know, KABIL would be at the forefront of overseas acquisitions, especially critical minerals. Some of these acquisitions are expected to be "costly" and would entail investments which would require further fund infusion into the company.

"For instance, in Australia, the lithium mines being looked at are costlier when compared with the five that were acquired in Argentina. So there would be some need to increase the capital, get some funds in. We have asked KABIL to prepare a report and get back to the Ministry on their requirements," the official in the know told *businessline*.

The official added that there could be additional equity investment by the promoters and current clearances allow the paid-up capital to be increased up to ₹200 crore. The authorised capital is ₹500 crore and if required, it too can be increased as overseas acquisition plans materialise.

"Other funding options will be explored if required," the official added.

OVERSEAS BUYS

India has already upped its play in the critical minerals sphere. Having identified 24 such minerals, including lithium, copper, cobalt and graphite, the Mines Ministry has already signed MoUs for possible exploration tie-ups and mine acquisition, including G2G collaborations in at least eight African nations.

It is also tapping into key lithium sourcing nations of South America like Argentina and Chile and is also in advanced discussions with Australia. In the Asian region, it plans to tap into Sri Lanka for graphite.

India predominantly depends on imports for its critical mineral supply. Its lithium imports across categories like lithium ion, oxides, etc in FY24 stood at ₹25,074 crore, up 4 per cent, and ₹24,144 crore in FY23.

CCI extends last date for submitting bids on AI market study to June 18

KR Srivats
New Delhi

The Competition Commission of India (CCI) has made it clear that applicants cannot take a consortium or joint venture route to bid as an agency to conduct market study on 'artificial intelligence (AI) and competition'.

This is part of a series of clarifications issued on Friday by the competition watchdog regarding its earlier request for proposal (RFP) on the proposed market study. The clarifications have been issued in the wake of queries/submissions put forth by the prospective bidders. A pre-bid consultation meeting on the RFP on the proposed market study was held on May 6 this year. The prospective bidders were given an opportunity to seek clarifications on the RFP till May 10, 2024.

The CCI has now clarified that a minimum annual turnover of ₹50 crore for each of the specified financial years is an essential pre-qualification/eligibility criterion. However, it has now clarified that turnover of group companies may be included to meet the eligibility criterion of ₹50 crore.

In the RFP issued in April 2024, the CCI had for the pre qualification criteria stipulated that the agency must have a minimum experience of five years and a minimum annual turnover of ₹50 crore . Also, the agency must have completed a minimum of five studies/projects (AI related/tech policy related/competition related/ sectoral studies for policy purposes) in the last three financial years.

The CCI has now extended the last date for submission of bids to June 18 from June 3.

The objective of the proposed study is to gather insights from all relevant stakeholders, to develop a comprehensive understanding of the evolving landscape of AI and application of AI in markets in India.