



Celebrating 10 years of Creating Wealth

I-CAN
COMMUNIQUÉ

**FEBRUARY
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MONTHLY NEWSLETTER – FEBRUARY 2023

Sensex : Down 2.12%	
Nifty : Down 2.45%	
Best performing sector: Auto (5.7%)	Worst performing sector: Utilities (-10.9%)
Best performing Global index: MerVal (25.47%)	Worst performing Global index: KLSE Composite (-0.67%)
Indian Rupee: +1.42%	Gold (International): +6.03%

UNION BUDGET 2023 HIGHLIGHTS

Finance Minister Nirmala Sitharaman presented the Union Budget for 2023-24, which is expected to serve as the last full Budget of Prime Minister Narendra Modi's second term in office. The Budget, which Sitharaman labelled the first in "Amrit Kaal", did not vary in its essentials from the growth model that has defined Modi's second term: bulking up capital expenditure, especially on transport-related infrastructure, while maintaining macroeconomic stability through relative fiscal restraint. The Budget projected that the fiscal deficit for the coming year would indeed be below 6 per cent of GDP, at 5.9 per cent. Growth for FY24 was assumed to be 10.5 per cent in nominal terms.

The finance minister signalled that the government was maintaining its commitment to investment-first growth by increasing the capex

outlay "for the third year in a row by 33 per cent to Rs 10 lakh crore, which would be 3.3 per cent of GDP". Sitharaman used what remained of her fiscal space to announce modest relief for taxpayers.

For the "new" income tax regime introduced in 2020, the exemption limit was raised to Rs 3 lakh and the number of slabs rationalised to five. The rebate limit was raised as well to Rs 7 lakh; so those with annual income up to Rs 7 lakh would owe nothing under the new regime. At the top end, the maximum effective tax rate would go down from 42.74 per cent to 39 per cent. Together with the introduction of a standard deduction into the new tax scheme, this is being seen as an effort to switch direct tax payers from the "old", exemptions-heavy income tax system to the one introduced in 2020.

Other government priorities in the run-up to the general elections were clearly visible in those schemes that received increased allotments this year. The finance minister said in her speech that "the outlay for [the housing scheme] PM Awas Yojana is being enhanced by 66 per cent to over Rs 79,000 crore". The Jal Jeevan Mission for rural drinking water will also receive Rs 70,000 crore this year. PM-KISAN direct payments to farmers will be maintained at Rs 60,000 crore.

Thus, with the government attempting to achieve a balance between fiscal priorities, minimum populist initiatives, and capex drive, the FY24 budget has been in line with expectations.

MACRO ECONOMIC HIGHLIGHTS

India's retail inflation rate eased down edged down from the previous month, staying within the Reserve Bank of India's (RBI) comfort range of 2%-6% for a second month, data released by the Ministry of Statistics & Programme Implementation (MoSPI) showed. The Consumer Price Index (CPI)-based inflation rate eased to 5.72% in December. It was 5.88% in November, and 6.77% in October 2022. The government has mandated the RBI to maintain retail inflation at 4% with a margin of 2% on either side for a five-year period ending March 2026. Food inflation, which accounts for about 40% of the inflation basket, came in at 4.19% in December as against 4.67% in the preceding month. On the other hand, the factory output, measured in terms of the Index of Industrial Production (IIP), jumped 7.1% in November as against 4% in October, according to the government data. Producers' inflation based on Wholesale Price Index (WPI) slipped to 22-month low of 4.95 per cent in December.

With both rates of inflation going down, the Monetary Policy Committee is now expected to come under pressure for a pause in policy interest rates rise. US inflation also slowed to 6.5% in December, marking the sixth straight monthly deceleration since a mid-2022 peak and reducing pressure for aggressive rate hikes from the Federal Reserve.

Manufacturing sector ended 2022 with a strong positive note as Purchasing Managers' Index (PMI) rose to 57.8 in December. It was 55.7 in November. The good news is that fresh hiring also saw improvement. Production of eight infrastructure sectors rose at a three-month high of 7.4 per cent in December 2022 against 4.1 per cent in the same month of previous year on a better show by coal, fertiliser, steel, and

electricity segments, according to the official data released. Core sector or key infrastructure industries, which have a 40.27 per cent weight in the overall index of industrial production (IIP), also have a bearing on industrial production data.

India's goods and services tax receipts in December rose 15% year-on-year to Rs 1.49 lakh crore (\$18.07 billion), a government statement said, reflecting strong economic activity during the festive season. Goods and services taxes brought in Rs 1.46 lakh crore in November. The gross GST revenue collected during December 2022 is Rs 1,49,507 crore, of which CGST is Rs 26,711 crore, SGST is Rs 33,357 crore, IGST is Rs 78,434 crore (including Rs 40,263 crore collected on import of goods).

The Centre's direct tax collections have surpassed 86% of the budget target for 2022-23 so far, providing cushion to the government amid higher-than-estimated spending due to global economic disruptions, data released by the central board of direct taxes (CBDT) showed. At this pace, economists expect the direct tax mop-up to exceed the budget target by at least ₹2 trillion, partly absorbing the additional spending burden.

REFORMS

Leapfrogging the US and Canada, India is set to be the world's fastest stock market in terms of settlement of equity trades. Come January 27, all the blue-chip and large-cap stocks in India (constituting 80 per cent of market capitalisation) will be settled on T+1 (today plus one day) cycle. Simply put, if anybody bought a stock on Monday, it would be in their account on Tuesday. Globally, it takes at least two days to settle trades. The US and Canada, too, have plans for T+1 settlement. But, SEBI's move to get it implemented in a phased manner where few stocks would be added to the new settlement cycle each quarter gave enough time for foreign players to gear up.

Sebi has amended the rules governing Alternative Investment Funds (AIFs), Registrars to an Issue and Share Transfer Agents. Under the new rules, the Securities and Exchange Board of India (Sebi) said Category I AIFs may engage in hedging, including credit default swaps. Further, Category II and Category III AIFs may buy or sell credit default instruments. The sponsor or manager of the Category I and Category I AIF transacting in credit default swaps will have to appoint a custodian registered with the Sebi, according to a notification.

Sebi has modified certain provisions of the existing offer for sale (OFS) through stock

exchanges. Under the fresh guidelines, Sebi has now allowed non-promoter shareholders to sell their equity shares in a company through OFS. However, OFS is available to companies with a market capitalization of ₹1,000 crore and above.

Soon, you may not be required to transfer money to your broker for buying stocks. The amount, for which you intend to buy the stock, can remain blocked in your own account and debited in the favour of the clearing corporation (CC) of the stock exchange once the trade is executed. This way the role of brokers will be limited to providing a risk management platform along with trade execution. SEBI has proposed such a move saying it is to ensure there is no malpractice in handling of client money by brokers and also for the clients to keep earning interest even when their money is blocked for trading.

The Reserve Bank of India tweaked norms related to acquisition and holding of shares in banks to ensure that their ultimate ownership and control remain well diversified and the major shareholders are 'fit and proper' on a continuing basis. As per the Master Direction, any person who intends to make an acquisition which is likely to result in major shareholding in a banking company is required to seek prior approval of the Reserve Bank by submitting an application.

Can stock picking be a hobby?

Covid wave was followed by a wave of Robinhood investors with a record high opening of demat accounts in the recent past. However, the question which remains is whether this intensity of retail participation in Indian stock market is sustainable. Many investors who would have picked stocks based on momentum, tips given by friends or trade calls given by brokers would have already experienced a brunt of their poor decisions. However, many people would have also developed a keen interest in this subject and thus it has become a prominent topic of discussion not only in restaurants and bars but also at family dinner tables. Thus, let us try to understand what needs to be done in order to pursue stock picking and what challenges and limitations can be faced by a non-professional picking stocks.

Picking a stock is nothing but picking a business. Thus, one needs to have a fair understanding of the business model and the sector in which it operates. While quantitative analysis can help one to understand if the business has delivered in the past, it has limitations when it comes to predicting the future growth outlook. Thus, one may use various financial ratios and forensic accounting metrics to shortlist stocks to be added to the watchlist but it is not enough to decide whether to buy, hold or exit stocks. Since these decisions involve predicting the future prospects, it is quintessential to develop a fair understanding of the sectoral outlook and tailwinds or headwinds at play. It is also important to have a fair understanding of macro-economic as well as global and geo political factors and their possible impact on the business.

Furthermore, no matter how good a business may seem after considering all the aforementioned factors, valuations at which an investor enters would finally decide his fate. Hence one must have the prudence to judge if the valuations are rational, have patience to wait for spotting better opportunities if valuations of stocks under radar are absurd and hold courage to buy the stocks if valuations seem justified. One must also review their stock portfolio on a continuous basis. As we live in this VUCA world with business and market cycles shortening, it is extremely important to know when to exit. Thus, one must be rational enough not to fall in love with the selected stocks and exit at the right time.

After following all of this, even if one spots any multi baggers, it depends on how much money they invest with conviction in order to fructify the effort. They would inadvertently take a big concentration risk and hold high chances of losing money if their assumptions are proved wrong or things go downhill over time. Thus, if one has to build a diversified portfolio of stocks in order to avoid such a risk, they would need to do far more intense research to find such stocks which would not dilute the portfolio returns. Thus, this would substantially reduce their probability of beating the returns delivered by a professional fund manager and justify the effort of stock picking.

Hence even if one has a keen interest in stock picking, it makes a lot of sense to let a professional fund manager manage your core portfolio while you may keep learning and allocate a small portion of your savings to managing your own stocks, just as a hobby!

Did you know?

Independent India's first budget was presented by then Finance Minister RK Shanmukham Chetty on 26 November, 1947

Cartoon of the Month



Good News!

Union Minister for Commerce and Industry Piyush Goyal said that American tech giant Apple was looking at significantly increasing its manufacturing base in India for iPhones. “Apple has 5-7 per cent of their (the company’s) manufacturing in India. If I am not mistaken, they are targeting up to 25 per cent of their (iPhone) manufacturing (in India). They launched the most recent model from India, manufactured in India,” Goyal said at the inaugural session of the Inception Meeting of Business 20 (B20), the official G20 dialogue forum with the global business community, in Gandhinagar. Goyal’s comments come amid reports that Apple’s exports from India hit \$1 billion in December and its 14 Chinese suppliers have received initial approval from the Indian government to set up assembly plants in the country.

Bank loans to the services sector grew three-fold to Rs 4.87 trillion in April-December 2022 from Rs 1.55 trillion in the same period last year, matching the uptick in economic activity.

Reserve Bank of India governor Shaktikanta Das said the latest dataprints on growth, inflation and currency volatilities indicate that the worst for the financial markets and the world economy is behind us and that high interest rates for a longer period looks a distinct possibility going forward. Though the global economy is projected to contract significantly in 2023, the worst, both in terms of growth and inflation, seems to be behind us. Lately, with some ebbing of Covid-related restrictions and cooling of inflation in various countries, though still elevated, central banks have started what appears to be a pivot towards lower rate hikes or pauses, Das told the annual meeting of the Fixed Income Money Market and Derivatives Association of India (Fimmदा) and the Primary Dealers Association of India (PDAI) held in Dubai.

Rating firm Moody's Investors Service on Friday affirmed a positive rating on State Bank of India while upgrading long-term local and foreign currency bank deposit ratings of Bank of Baroda, Canara Bank and Punjab National Bank. It maintained a stable outlook on all four banks' long-term ratings.

The US labour market stayed strong last month and wage gains cooled, boosting hopes the economy will dodge a recession and giving the Federal Reserve room to slow interest-rate hikes. Non-farm payrolls increased 223,000 in December, capping a near-record year for job growth, a Labor Department report showed.

Top Personal Finance News – January 2023

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2. Your personal health expenditure is still more than the government's, shows Economic Survey 2023 [Click here](#)
3. How Aadhaar is helping individuals receive money from govt as per Economic Survey 2023 [Click here](#)
4. Economic Survey 2023: 11.3 cr farmers covered under PM Kisan, Rs 2 lakh cr disbursed; how to apply [Click here](#)
5. There is room for stock valuations to revert to mean levels: Ajay Tyagi, UTI Asset Management Company [Click here](#)
6. 10 new mutual fund offers or NFOs currently open. Should you invest? [Click here](#)
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