

"An investment in knowledge pays the best interest." -Benjamin Franklin

Economic Insights



Your Weekly Window to Key Financial Headlines

20/01/2025, MONDAY

Nifty 50 Sensex

23,203,20-108,60 76619.33 -423.49

Dow Jones 43487.83 +334.70

Dollar 86.6100 +0.0500 Gold 79019.00 +4.00

Corporate Chronicles

Merger & Acquisition Activity PAG Acquires Majority Stake in Pravesha Industries

- Acquirer: PAG (Private Equity Firm).
- Target: Pravesha Industries (Pharmaceutical Packaging Leader).
- Deal Value: \$200 million.

Market Lens

Objective: Strengthening PAG's position in the healthcare sector, leveraging Pravesha's leadership in pharmaceutical packaging to capitalize on growing demand in this industry.

JSW Energy Acquires KSK Mahanadi Power

- Acquirer: JSW Energy.
- Target: KSK Mahanadi Power Company (Bankrupt
- Deal Value: ₹15,985 crore.
- **Process:** Acquired under the Corporate Insolvency Resolution Process (CIRP).
- Significance:
 - o This acquisition marks JSW Energy's aggressive push into power generation and capacity expansion.
 - o It underscores the success of India's insolvency framework in enabling distressed asset resolution.

India's M&A Surge in CY24

- Growth: 38% year-over-year (YoY) increase, reaching \$109 billion in total deal value.
- - Strong investor confidence in the Indian
 - Active participation by Indian conglomerates. Robust involvement of global private equity
 - investors.
- **Sectors Leading Growth:**
 - Healthcare.
 - Energy.
 - o Technology.

Corporate Earnings Updates

IT and Digital Services Sector:

• Infosys (January 13, 2025): Revenue Growth: 8% YoY increase.

Drivers: Strong performance in digital services and cost optimization strategies.

• HCL Technologies (January 13, 2025): Net Profit Growth: 6% YoY increase.

Dividend Declared: Fourth interim dividend of ₹18/share, including a special ₹6/share dividend to celebrate 25 years of public listing.

• TCS (January 14, 2025):

Net Profit Growth: 12% YoY increase.

Key Driver: Growth in banking, financial services, and insurance (BFSI) sector.

• Wipro (January 17, 2025):

Revenue Growth: Slight 0.5% YoY increase for Q3

Challenges: Seasonal breaks and currency

Insurance and Financial Services Sector:

- HDFC Life Insurance (January 15, 2025): Profit Growth: 14.63% YoY to ₹421.31 crore. Revenue Decline: 35.66% YoY to ₹17,389.85 crore, reflecting macroeconomic pressures.
- Jio Financial Services (January 17, 2025): **Net Profit:** ₹295 crore for Q3 FY25.

Revenue Growth: 6% YoY to ₹438 crore, showcasing steady financial service expansion.

Diversified Conglomerates and Retail:

• Reliance Industries Limited (RIL) (January 16,

Net Profit Growth: 7.4% YoY.

Key Drivers: Rebound in the retail segment and strong telecom earnings.

Consumer and Manufacturing Sector:

• Havells India (January 17, 2025): Net Profit Decline: 3.34% YoY.

Reasons: Higher operational costs and increased expenses, impacting margins.

Leadership Appointments

Diageo India (January 13, 2025):

Praveen Someshwar appointed as CEO-Designate, succeeding Hina Nagarajan, who will transition to a global role after four years of leadership.

Puravankara Limited (January 15, 2025):

Deepak Rastogi appointed as Group CFO, replacing Abhishek Kapoor, who now focuses on strategic initiatives after serving as CEO and CFO.

An AI Revolution in Finance: Opportunity

Artificial intelligence (AI) is transforming the finance industry, offering unprecedented opportunities to enhance operational efficiency, decision-making, and customer engagement. Once slow to adopt AI due to regulatory hurdles, legacy systems, and skill shortages, the financial sector has seen rapid advancements since the advent of large language models (LLMs) and generative AI in 2023. These technologies are reshaping risk management, fraud detection, portfolio optimization, compliance, and customer service. For example, JPMorgan Chase's COIN platform uses natural language processing to analyze loan documents in seconds, saving outperform generalized models in predicting market trends.

Reader Engagement RBI canceled license of these 10 finance companies,7 NBFCs

surrendered CoR – Details here

The Reserve Bank of India (RBI) has taken significant action in the non-banking financial company (NBFC) sector by canceling the Certificates of Registration (CoR) of 10 companies. These

Corporate News

companies, located in West Bengal, will no longer be allowed to conduct NBFC business. In addition, 7 other companies have voluntarily surrendered their CoR for various reasons, including exiting the NBFC business or fulfilling the criteria for

unregistered core investment

companies.

NBFCs Whose CoR Was Canceled: 1. East India Leasing Company Limited

- 2. Kakaraniya Trading Private Limited
- 3. Ekadant Capital Markets Private Limited
- 4. Gold Star Business Private Limited 5. Cyber Advisory Services Private Limited
- 6. Jeet Finance Private Limited
- 7. Bavisan Marketing Private Limited
- 8. Expactive Distributors Private Limited 9.J.M Textile Private Limited
- 10. Jyoti Vikas Trade Private Limited

1. Striker Finvest Private Limited (Delhi) 2. Narindra Singh & Sons Private

Global News

Limited (Delhi)

NBFCs That Surrendered Their CoR:

- 3. Montgomery Finance Company Private Limited (Delhi)
- 4. Shri Mahalaxmi Investment & Property Co. Private Limited (Delhi)
- 5. Tinna Finance Limited (New Delhi) 6. Ramcom Sales Private Limited
- (Chennai) 7.SSD Investment Private Limited
- (Kolkata)

This move by the RBI reflects its ongoing efforts to regulate and monitor the financial system by ensuring compliance with

regulatory requirements and weeding out inactive or non-compliant entities.

FICCI Lowers India's FY25 GDP Growth Projection to 6.4%

The Federation of Indian Chambers of Commerce and Industry (FICCI) has revised India's GDP growth projection for FY25 to 6.4%, down from 7%, reflecting a slowdown from the 8.2% growth recorded in FY24. Sectoral growth is expected to moderate, with agriculture, industry, and services projected to grow at 3.6%, 6.3%, and 7.3%, respectively. Inflation for FY25 is projected at 4.8%. The economic outlook faces challenges from potential disruptions under Donald Trump's presidency, which may affect exports, foreign capital flows, and input costs, particularly for India. The government aims to address these issues through a fiscal deficit target of **4.5%** of GDP with a 10-15% increase in capital expenditure, while focusing on welfare programs like MGNREGA and housing schemes. The budget will also prioritize manufacturing by providing sector-specific incentives, rationalizing tax rates, and supporting industrial clusters. Efforts to revive private consumption and refine the tax structure are crucial for boosting disposable income. Although India's economic outlook for FY25 remains cautiously optimistic, persistent external headwinds pose risks to growth.

Government Policy

India File: Clearing the Economic Data Fog

The Reserve Bank of India (RBI) has launched a comprehensive review of its economic forecasting tools to improve the accuracy of GDP and inflation predictions. This move follows concerns over discrepancies in historical economic data, including a significant \$11.7 billion revision in gold import figures for April-November 2024. India has missed its GDP growth forecasts in 10 of the last 13 quarters, and inflation projections have deviated by over 50 basis points in nine quarters. Additionally, India's GDP data quality ranks 92nd globally, with a "C" rating. To address these issues, the RBI plans to release more frequent economic updates, revise inflation calculation methods, and consult with private economists. Key reforms include updating the basket of goods used for retail inflation calculations and revising the base years for inflation and GDP data, with the new series expected to roll out by Q1 2026.

Disinvestment Target Reduction

India is set to reduce its disinvestment and asset monetization target by 40% for FY2024-25. The new target is expected to be below ₹300 billion (\$3.47 billion), down from the initial ₹500 billion, due to challenges in selling state-run firms, such as the anticipated IDBI Bank sale. For FY2025-26, the government aims to set a revised target between ₹450 billion and ₹500 billion, with a focus on completing the IDBI Bank sale and accelerating asset monetization efforts. These targets will be included in the upcoming federal

Proposed Merger of State-Owned Mining Companies

India has proposed the merger of two state-owned mining companies, KIOCL and NMDC, to address financial difficulties faced by KIOCL, a producer of iron ore pellets. The merger is considered a strategic measure to stabilize KIOCL, which has been described as being in "critical" financial condition by the federal steel minister, H. D. Kumaraswamy.

RBI to Conduct Daily Variable Rate Repo Auctions

The RBI will initiate daily Variable Rate Repo (VRR) auctions starting January 16, 2025, with an initial auction amount of ₹500 billion. These auctions are aimed at addressing liquidity challenges in the banking system. Six VRR auctions have already been held this month to support lenders. The RBI will continue to adjust auction amounts based on liquidity assessments and announce them via press releases.

Global Financial News Alpari's Global Market Outlook for 2025

Alpari, an award-winning broker, has released

its market outlook for 2025, forecasting several key trends in global financial markets. The U.S. dollar is expected to continue its upward trajectory, potentially driven by policy measures under the Trump administration, including proposed tax cuts and higher interest rates. Oil prices are projected to decline due to oversupply and lower global demand. Additionally, the report anticipates growth in Eurozone equities, with the European Central Bank (ECB) expected to cut interest rates to address economic challenges in the region.

Asian Financial Forum (AFF)

The Asian Financial Forum (AFF), part of the 2025 International Financial Week, took place from January 13 to 17, bringing together global economic indicators and geopolitical events. finance leaders to discuss emerging trends in the financial industry. Key topics included economic recovery, digital transformation, and sustainable finance. The forum set the tone for the year, highlighting the importance of these themes in driving future financial strategies and collaborations.

Market Lens

Government Policies

Global Winds Shake Indian Equities Γhe Nifty 50 fell by 1.00%, reflecting a downturn

driven by multiple external and internal factors. 1. External Economic Pressures:

- A stronger US dollar has made Indian assets less attractive to FPIs (Foreign Portfolio
- Rising global interest rates have redirected
- funds to safer markets like the US, where bond yields are offering competitive returns.
- 2. Profit Booking Trends: • After recent rallies in specific sectors,
- investors opted to book profits, adding to selling pressure. 3. Sector-Specific Weaknesses:

High exposure to global economic dynamics

in IT and other export-driven sectors exacerbated the decline. 4. FPI Activity: • Continued selling by FPIs (Foreign Portfolio

Investors) amid global economic uncertainties and higher US bond yields added to the Macroeconomic Factors Affecting Markets:

1. Brent Crude Oil: Prices climbed to

\$79.89 per barrel, increasing India's import bill and exerting inflationary pressure

A rise in oil prices typically impacts India's fiscal deficit and trade balance negatively, as India is a significant importer of crude oil.

2. Rupee Depreciation: The rupee depreciated to ₹86+ against the US dollar, marking its lowest level.

• A strong dollar index globally. · Rising crude oil prices increasing demand

This depreciation is driven by:

for USD. • Outflows of foreign capital. • The weaker rupee increases the cost of

imports, adding to inflationary concerns. <u>Upcoming IPOs</u>

1. Stallion India Fluorochemicals Limited Offer Dates: January 16 - January 20, 2025.

Offer Price Range: ₹85 - ₹90 per share. Lot Size: 165 shares per lot. Issue Size: ₹199.45 crore. Sector: Chemicals (Fluorochemicals).

2. Denta Water and Infra Solutions Limited Offer Dates: January 22 - January 24, 2025. Offer Price Range: ₹279 - ₹294 per share. Lot Size: 50 shares per lot.

Sector: Water and Infrastructure Solutions.

Global Stock Market

Issue Size: ₹220.50 crore.

Wall Street was focused on inflation data, retail sales, and earnings reports from major banks. Key indices and stock performances saw significant movements influenced by The market was particularly sensitive to the release of producer and consumer inflation reports, which impacted market sentiment and investment decisions. In addition, major companies such as Reliance Industries, Infosys, and HCL Tech were set to announce their Q3 earnings, heightening market anticipation.

Startup & Innovation

Bengaluru Faces Infrastructure Challenges Amid Tech Boom

Bengaluru, often referred to as India's "Silicon Valley," is experiencing significant infrastructure strain due to rapid urbanization and the influx of tech companies. The city's transformation from a "Garden City" to a major tech hub has led to challenges such as heavy traffic congestion, water shortages, and rising property prices. Local residents and industry insiders acknowledge these issues while appreciating the economic growth and job opportunities brought by the tech boom. Collaborative efforts in urban planning and infrastructure development are deemed essential to sustain Bengaluru's status as a global tech hub.

Indian Startups Secure \$780 Million in Funding

Between January 13 and 18, 2025, 37 Indian startups collectively raised around \$780 million in funding. This surge in investment reflects growing confidence in India's startup ecosystem, with significant contributions from both domestic and international investors. The funds are expected to fuel expansion plans, technological advancements, and market penetration strategies across various sectors.

Reader Engagement



Key benefits of AI in finance include its ability to analyze vast datasets, extract insights, and predict outcomes with remarkable thousands of hours annually, while BlackRock's tailored LLMs precision. Institutions are leveraging AI to automate processes like fraud monitoring, high-frequency trading, and customer interactions collaboration, ensuring Al's benefits are realized safely and equitably.

through intelligent chatbots such as Bank of America's Erica. This integration enhances speed, accuracy, and personalization in financial services, aligning with evolving customer expectations.

However, challenges persist. Data security and privacy are paramount concerns, given the sensitive nature of financial data. Ensuring compliance with regulations like GDPR and the AI Act adds complexity to AI adoption. Furthermore, the high cost of AI implementation and the scarcity of skilled professionals create barriers, particularly for smaller firms. The success of AI initiatives hinges on maintaining data quality, securing infrastructure, and navigating regulatory frameworks effectively.

Collaboration across the financial ecosystem is critical. Partnerships between banks, fintech firms, regulators, and tech providers can address common challenges, establish industry standards, and promote ethical AI practices. Companies must also invest in continuous learning, innovation, and robust data governance to harness Al's full potential.

While AI promises transformative growth, its implementation requires patience, adaptability, and realistic expectations. By balancing immediate applications like task automation with long-term strategies for innovation, financial institutions can build a foundation for sustained success in the Al-driven era. The journey involves not only embracing cutting-edge technology but also fostering a culture of responsibility and