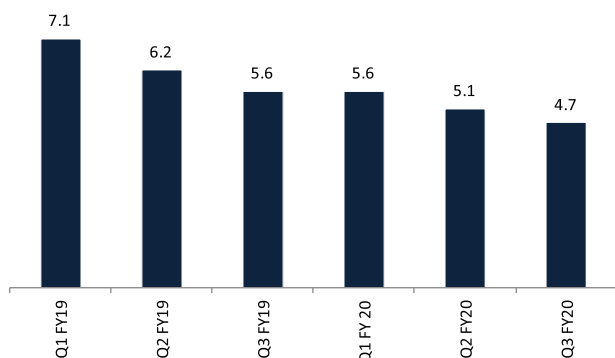


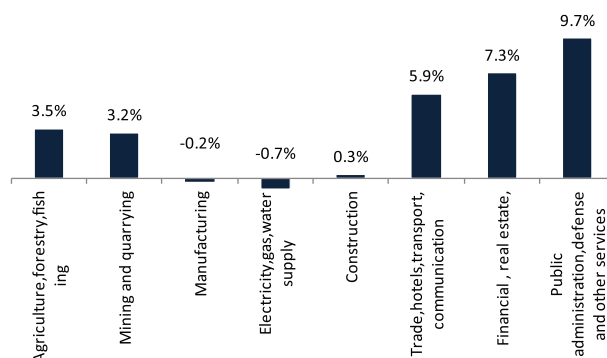
The Good, Bad & Ugly of the Indian Economy

Exhibit 1: Quarterly GDP Growth



Source: MOSPI

Exhibit 2: Growth in GDP components in Q2



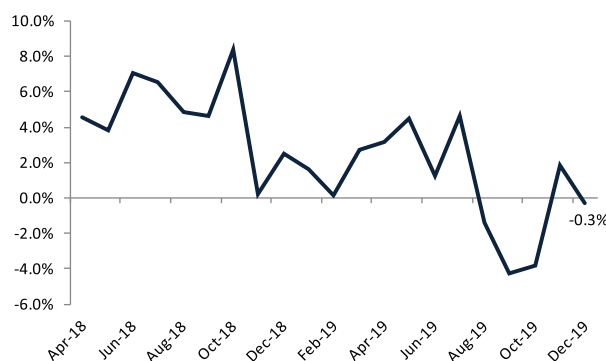
Source: MOSPI

India's quarterly GDP growth further fell in the 3rd quarter of 2020 to 4.7% as opposed to a revised estimate of 5.1% in Q2 2020. The charts show us that the 4.7% growth was primarily fuelled by government expenditure in public administration and defense. Manufacturing saw negative growth of -0.2%, propelled by low investment and consumption in the economy. Electricity, Gas & Water Supply turned towards the negative territory and saw contraction by 0.7%. Mining & Quarrying saw a 3.2% growth. Agriculture and forestry saw a marginal rise of 3.5%. The investment rate, measured by GFCF as a percentage of GDP also declined to 29.2% in Q3FY20 compared to 32.3% in Q3FY19.

The Index of Industrial Production for the month of December 2019 was weighed down by a contraction in manufacturing activity. The growth during the month came at -0.3% as compared to 1.8% in November 2019. The IIP for the April-December period stood at 0.5% as opposed to 4.7% in the same period previous year. The main positives from the IIP data could be seen in the increase in mining activity with a growth of 5.4% which is a 14 month high figure.

Positives in Primary Goods and Intermediate Goods at 2.2% and 12.50% signal an increase in the capex activity.

Exhibit 3: Index of Industrial Production



Source: MOSPI

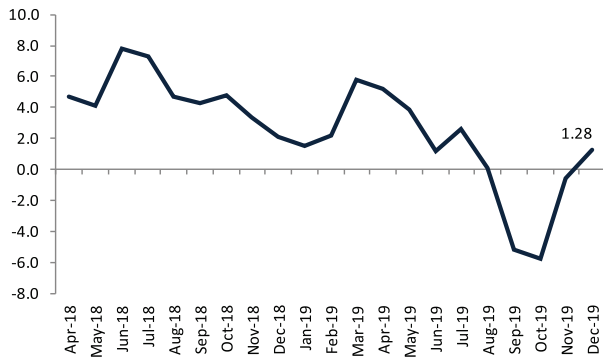
Research Analyst

Deepak Kumar
deepak.kumar@narnolia.com

Dhwanik Shah
Dhwanik.Shah@narnolia.com

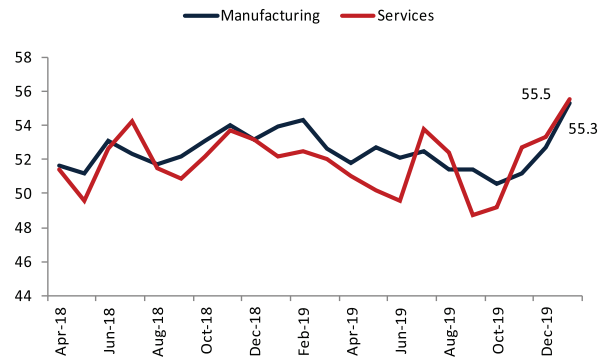
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Exhibit 4: Growth of Core Industries



Source: EA

Exhibit 5: Purchasing Managers index

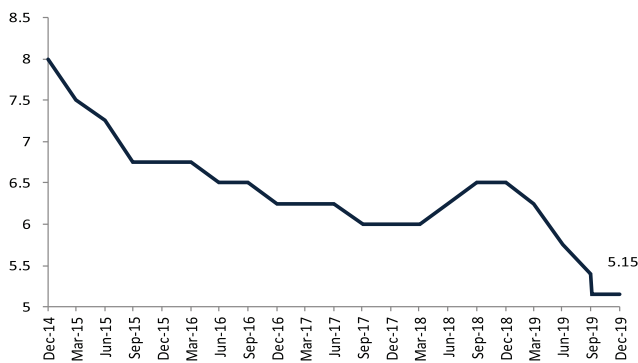


Source: EA

In October 2019, the core sector contracted sharply by 5.8% to its lowest level since the construction of the index with the base year 2011-12. Out of the 8 constituents, 6 witnessed negative growth with double-digit contraction registered in coal (17.6%) and electricity (12.4%). The double-digit positive growth in fertilizers owing to restocking activities ahead of the rabi season limited the decline.

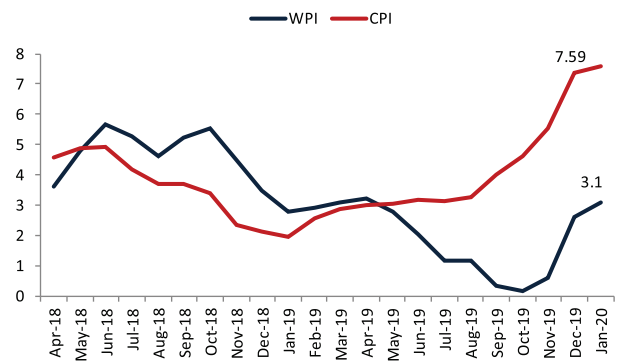
Services PMI contracted for second consecutive month to 49.2 in October 2019 owing to muted demand and low business optimism. Although the index rose from 48.7 in September 2019, it remained below the 50-mark threshold, separating contraction from growth. The manufacturing PMI for October 2019 declined to a 2-year low of 50.6 from 51.4 in September 2019. Slowest pace of growth in production and new factory orders in the last 2 years along with moderation in sales weighed on manufacturing activity during the month.

Exhibit 6: Interest Rates



Source: RBI

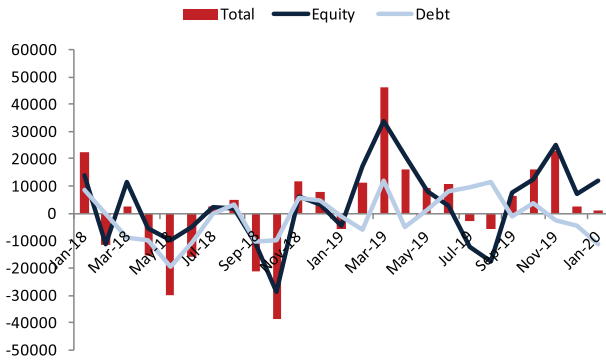
Exhibit 7: Inflation trajectory



Source: RBI

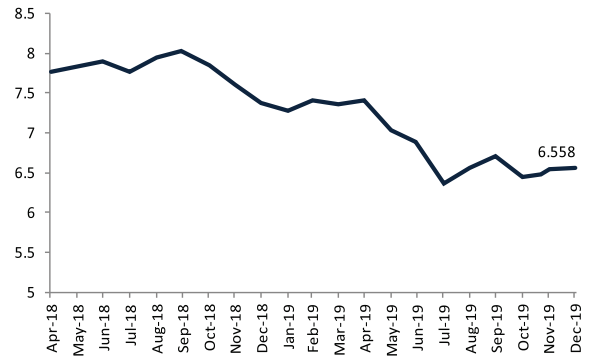
Consumer Price Index for the month of January 2020 remained elevated at 7.59% as opposed to 7.35% a month ago. Food inflation has been the key driver of the heightened CPI in January. The inflation in food and beverages was up by 11.79%. Key inflationary trends in the food index could be seen in Vegetables (50.19%), Pulses & Products (16.71%) and Meat & Fish (10.50%). The Consumer Price Index pained by the food index though higher on account of food prices, and telecom & communication charge. We expect the inflation to take a back seat in the coming months with crude easing downwards and moderation in vegetable prices. The higher inflationary trend has discouraged RBI from cutting down on interest rates. We believe the same trend to continue in the April monetary policy as the RBI will closely monitor the inflation scenario.

Exhibit 8: FII Flows



Source: NSDL

Exhibit 9: 10 Year G-Sec Yield



Source: RBI

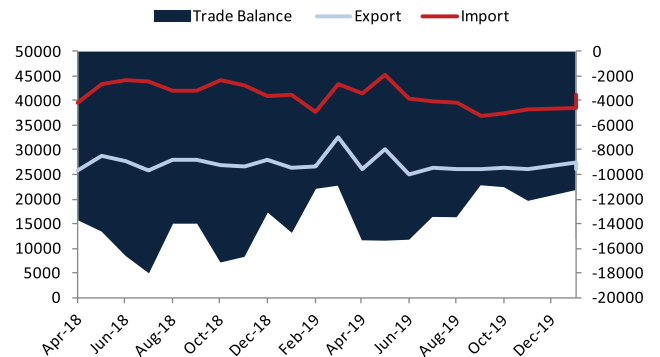
FII flows towards the country have increased significantly since the month of September when the government announced a key policy reform of cutting down on the corporate tax rate. The FII inflows into Indian Equity has been robust while inflows towards the Indian debt papers have remained benign.

The Government 10 year bond yield has fallen to 6.558 in January'20 after a series of 5 rate cuts till October'19 when the Repo Rate stood at 5.15, lowest since 2010. To further ease the bond yields in the country the RBI also took part in unconventional methods like Operation Twist and Long Term Repo Operations.

Exports and imports in the month of January 2020 have both contracted in the country. Exports growth contracted by 1.6% in January 2020 compared to a 2.04% contraction in the previous month. The negative growth in exports for the previous 3 months can be attributed to global economic slowdown and trade tensions. Imports contracted by 0.75% on account of Coronavirus disruptions which is yet to exaggerate in the coming months.

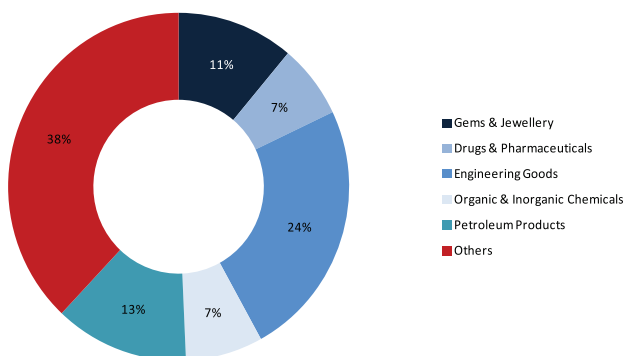
Trade deficit widened in January 2020 to US \$15.7 billion (US \$) gh figure.

Exhibit 10: Trade Balance



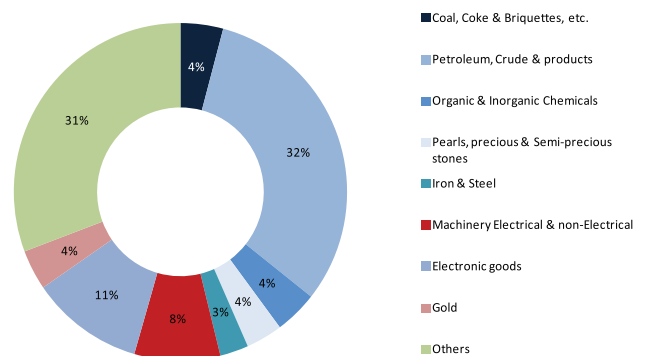
Source: Ministry of Commerce

Exhibit 11 : Exports in January'20



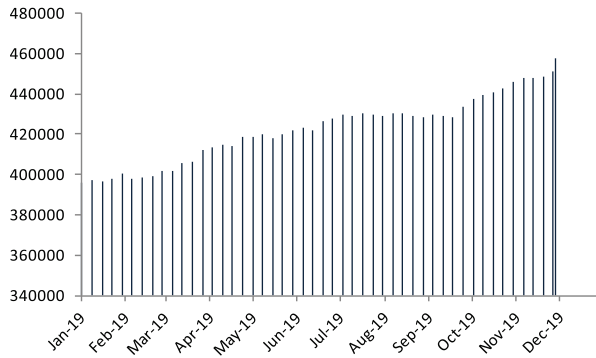
Source: Ministry of Commerce

Exhibit 12: Imports in January'20



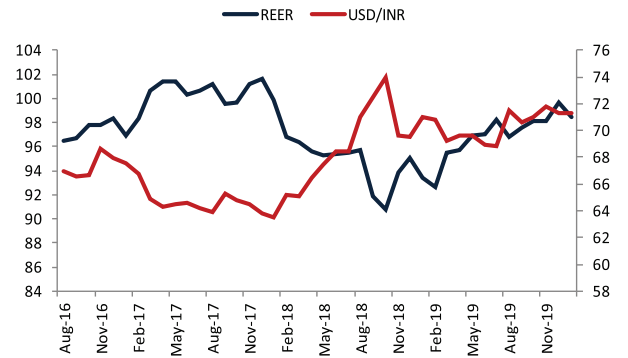
Source: Ministry of Commerce

Exhibit 13: Forex Reserves



Source: RBI

Exhibit 14: USD/INR in relation with REER



Source: RBI

India's foreign exchange reserves rose to a lifetime high in February at 4760000 million dollars . Foreign currency assets a major part of reserves rose to 4410000 million dollars. The new highs achieved are on the back of inflows through portfolio flows and external borrowings.

The rupee also depreciate going forward in January 2020 to 71.32 with the REER falling down at 98.47.

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Disclosure of Interest Statement-

Analyst's ownership of the stocks mentioned in the Report	NIL
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Correspondence Office Address: Arch Waterfront, 5th Floor, Block GP, Saltlake, Sector 5, Kolkata 700 091; Tel No.: 033-40541700; www.narnolia.com.

Registered Office Address: Marble Arch, Office 201, 2nd Floor, 236B, AJC Bose Road, Kolkata 700 020; Tel No.: 033-4050 1500; www.narnolia.com

Compliance Officer: Manish Kr Agarwal, Email Id: mkagarwal@narnolia.com, Contact No.:033-40541700.

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