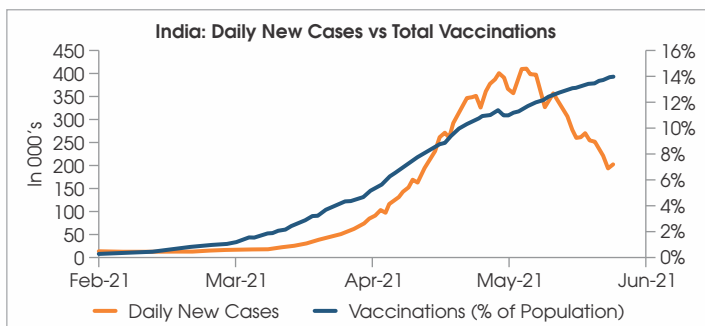


It was an emotionally stressful month for India with record Covid cases totalling almost 400k daily. Shortage of oxygen, ventilators, medicines, and hospital beds led to distress and panic. Amidst negative press on rising Indian cases, concerns on this second wave of the pandemic led to a nervous equity markets during the first half of May. However, with the government pulling its socks, help from private sector, international aid and support from all quarters; the situation started to come under control. Falling cases from the peak numbers helped pick up the sentiments. Experience of US, UK and other countries of sharply dropping cases post mass scale vaccinations and strong international equity markets also helped positiveness. The sharp revival in the second half of the month helped Nifty 50 close up 6%, while the BSE Midcap and BSE Small cap 250 index ended up 7% and 9% respectively. Strong earnings reported by Indian corporates for Q4 FY 21 also helped keep interest levels high.

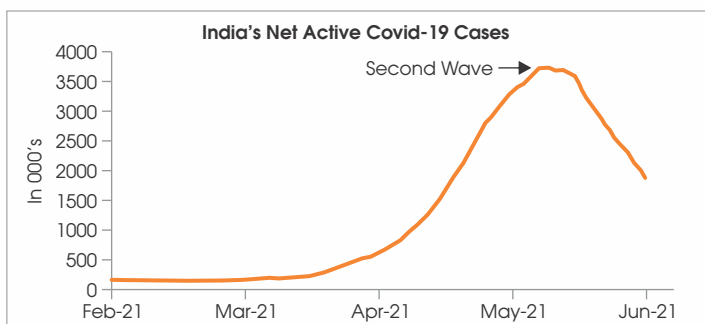
On the economy front, The United Nations raised India's growth forecast to 7.5% for calendar year 2021, CPI for April 2021 eased to 4.29% from 5.52% in March 2021-the lowest reading in three months. However, WPI jumped 10.49% in April 2021, highest rate since May 2010 due to surge in cost of fuel and power. IIP surged 22.4% in March 2021. It is the largest increase in industrial activity on record mainly boosted by manufacturing output. However, fresh lockdowns in April and May will surely impact these numbers in the near term forward.

Covid Update

On the covid front, the number of cases has come down drastically in the country, especially in major cities like Mumbai and Delhi. From a peak of 400k cases a day, India has seen a sharp fall to 200k cases a day by end of May. The US has hit a big vaccine milestone, with half the adult population fully vaccinated, according to CDC records. In India, vaccination numbers are expected to hit 4mn a day in June, almost double of the current run rate and then rise further to 5mn in July and even higher thereon. This has given rise to optimism of a very high percentage of Indian population being vaccinated by the end of 2021. The Indian government expects fresh supply of over 2bn vaccines doses by December 2021, enough to have the entire country vaccinated.



Source: Worldometer



Source: Worldometer

Source*: NSDL, PTI, ANI, Bloomberg, BSE

Vaccine supply between now and December 2021 in India:

Vaccines	Production / Availability August-December
Covishield	75.0 Cr
Covaxin	55.0 Cr
Bio E Sub Unit Vaccine	30.0 Cr
Zydus Cadila DNA Vaccine	05.0 Cr
SII - Novavax	20.0 Cr
B B Nasal Vaccine	10.0 Cr
Gennova mRNA Vaccine	06.0 Cr
Sputnik Vaccine	15.6 Cr
Total	216.0 Cr

Source: scroll.in, Government of India

Note: Additionally, other foreign vaccines may also become available.

What we have learnt

The experience of US and UK post lifting of lockdown restrictions have been an eye opener. Product after product is flying off the shelf, as people generally try to come back to normalcy in their lifestyle. A few snippets:

- LVMB:** French fashion tycoon Bernard Arnault is the world's richest person with an estimated net worth of \$186.3 billion - putting him \$300 million above Jeff Bezos, who is worth \$186 billion. Arnault's fortune has jumped from \$76 billion in March 2020 to \$186.3 billion in May 2021, a massive rise of over \$110 billion in the past 14 months, thanks to the surge in demand for luxury goods as cities globally open up.
- American Eagle:** American Eagle says it is seeing 'more than our fair share of pent-up demand' as stores re-open. Management of the company indicated rapid pace of demand as well as the fact that consumers appear more willing to pay close to full price for their purchases.
- Disney:** Seems like people are desperately waiting to travel after being stuck in lockdown for more than a year! Florida's famous Walt Disney World is all sold out for spring break.
- London Beer:** Pubs are facing a shortage of draught beer after a considerable surge in demand as lockdown eases once again. It has been reported that Heineken UK is now limiting pubs to ordering no more than three kegs a week of certain beers, after a huge uptick in demand for beers.

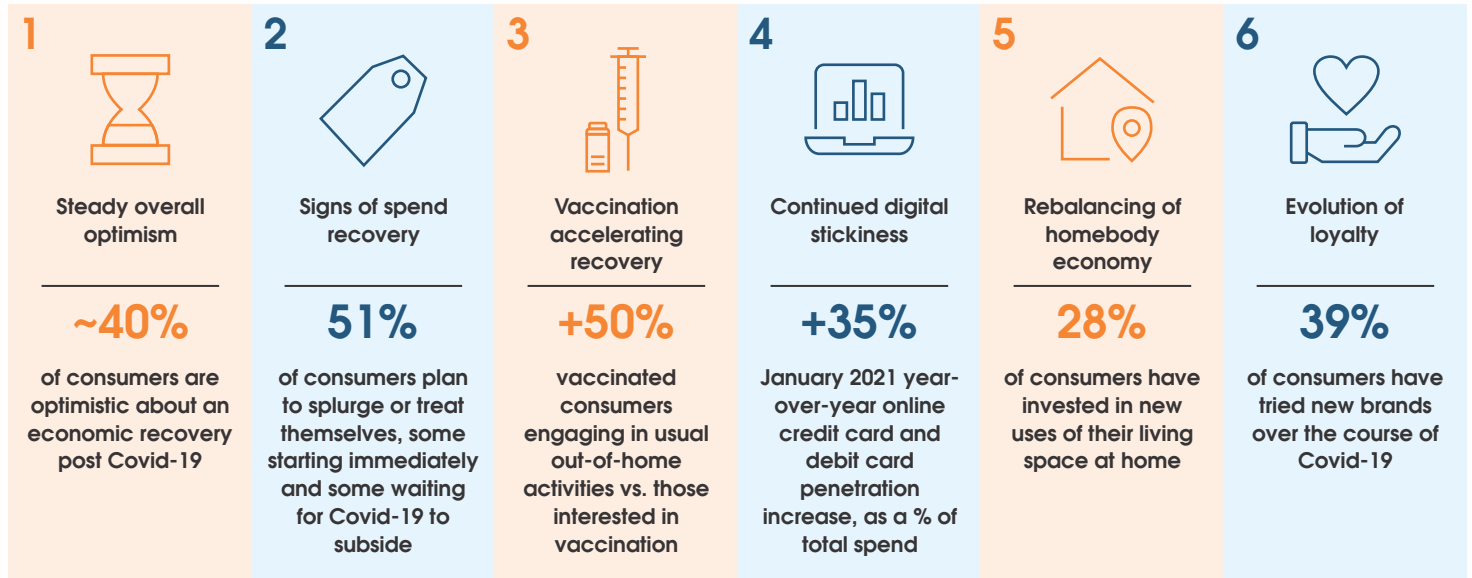
This has given optimism on two fronts for India. One, there will be a huge export boom for Indian companies catering to the US and European markets on demand jump post opening-up of these regions. Second, a similar surge in domestic demand for products is likely once India also starts to open-up.

Source: Forbes, CNBC, TOI, Thedrinksbusiness

June 2021

The extract from a McKinsey report reproduced below also presents some interesting insights:

We have seen six fundamental shifts to consumer behavior, some of which will have a lasting impact



Source: McKinsey

Market Outlook

Markets have been very strong over the past few months. Interest from retail investors has only increased and has provided lot of strength to the markets during the Wave 2 of Covid in India. Foreign flows into India have lagged emerging markets on concerns about the impact on Indian economy due to Covid Wave 2. With news flow regarding the pandemic ebbing, we expect the focus shifting back to growth rebounding as well as earnings. Institutional flows also look like returning with zest.

Q4 FY21 earnings have been encouraging and broad based. Companies across sectors have reported very strong financial numbers. The partial lockdowns in Q1 FY22 will surely have some

impact. However, a quick opening from June onwards may offset the slowdown, as the underlying demand continues to be very strong. Some risks are also emerging on the inflation front, given the sharp jump in commodity prices. Here also, we expect additional supply to mitigate any further sharp increase in commodity prices.

All in all, we continue to be optimistic on the markets, from a medium to long term perspective. News flow related volatility in markets are a part of life now and should not be a deterrent for long-term investors. Lot of interest is emerging in broader markets and in small and unknown companies. We would advise caution and investments only based on sustainable fundamentals.

June 2021

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