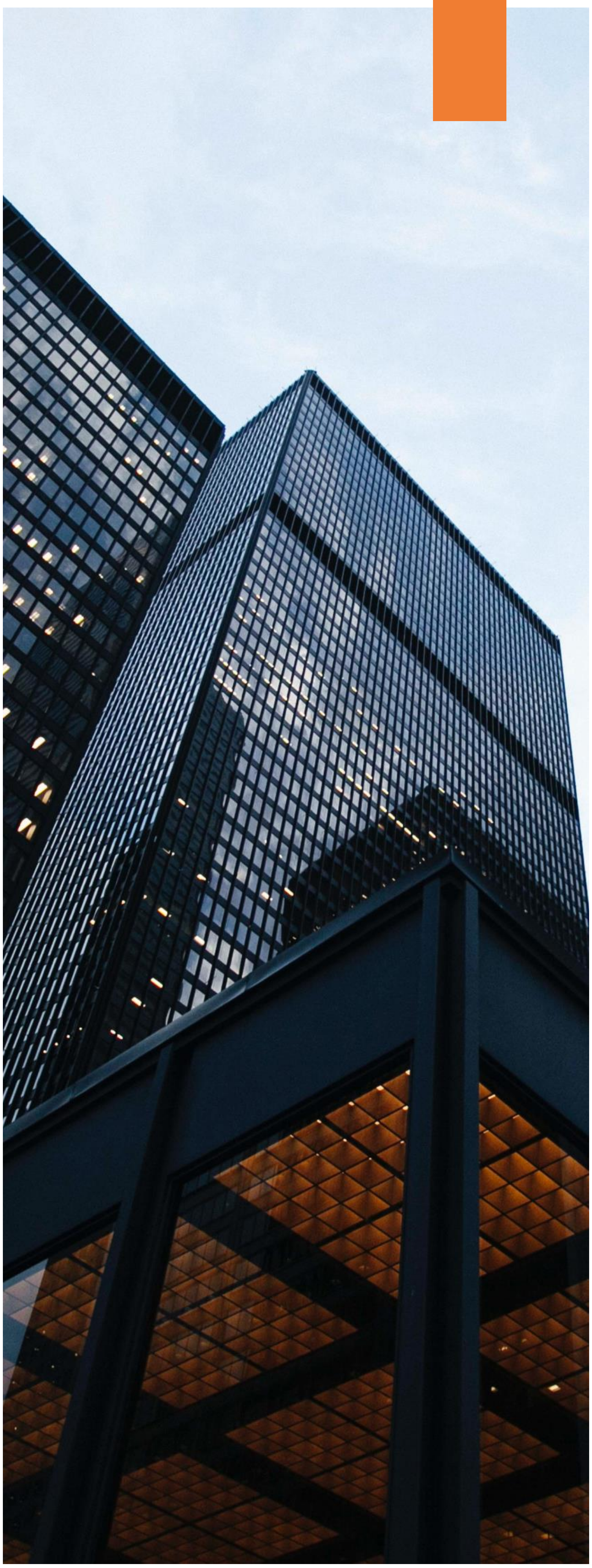


TruBoard Partners

TruQuest

MACRO WATCH

UPDATE ON DATA TRENDS

May 2022

Macro Heat Map

		Apr'21	vs Month	vs Quarter	vs Year	vs Pre Covid
Real Economy	CPI (YoY%)	7.0				
	IIP (YoY%)	1.5				
	IIP Cap Goods (YoY%)	2.0				
	IIP Core (YoY%)	5.9				
	Nifty Realty (Index)	463.6				
	PMI M (Index)	54.0				
	PMI S (Index)	53.6				
	Rating Ratio	0.2				
	Non Food Credit (YoY%)	8.2				
Consumption	2 Whlr Sales (YoY%)	-17.1				
	Grad Unemployment (YoY%)	18.3				
	Import Consumer Electronics (YoY%)	55.0				
	Personal Loan (YoY%)	12.3				
	Nifty Consumption (Index)	6,829.4				
Extnl	USDINR	76.2				
Cap Mkt	Nifty50 (Index)	17,464.8				
	Broad Money (YoY%)	0.0				
	AAA 3Y	5.6				
	AA 3Y	7.2				
	Call Money-Rev Repo (pp)	-0.1				

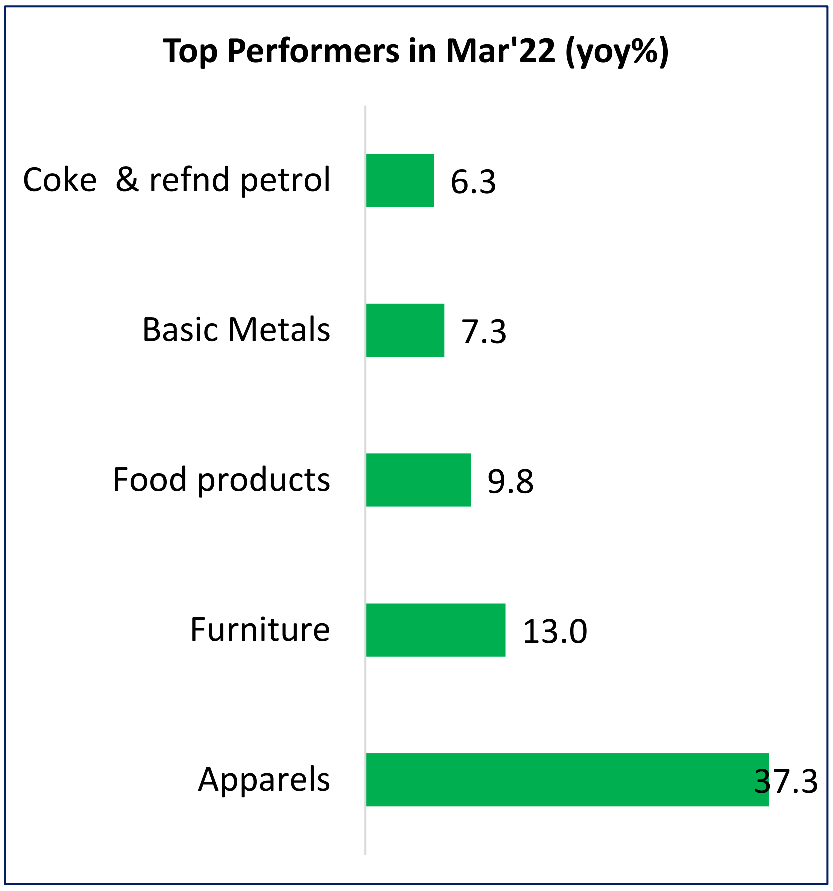
[*] Data available as on Apr'22

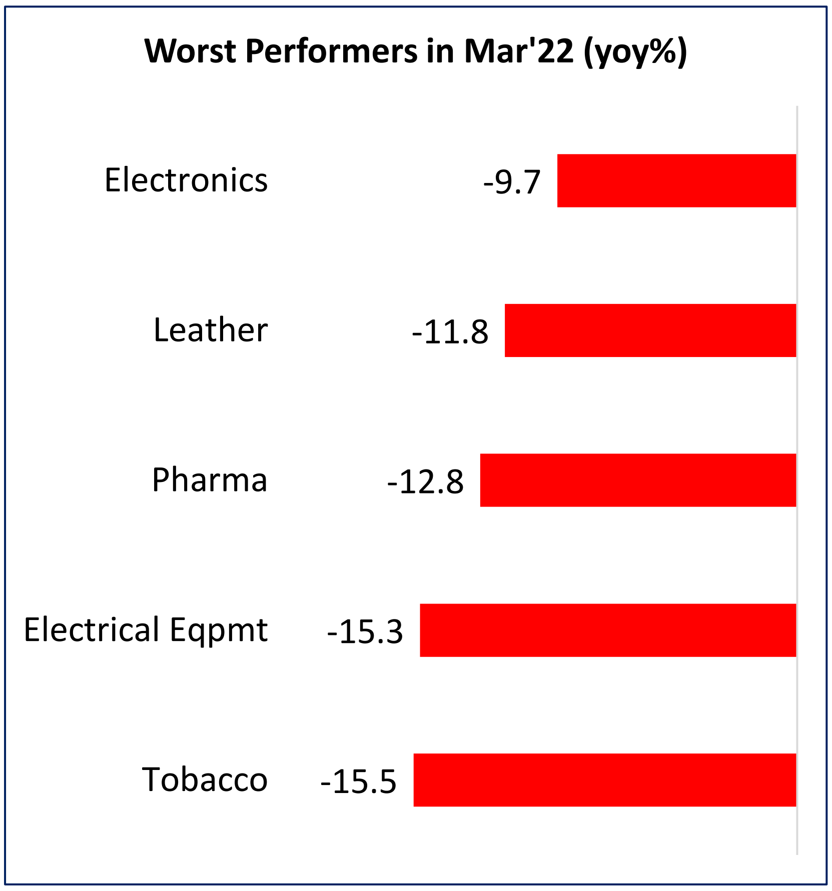
A global synchronous drying-up of excess liquidity will dent India inc's access to capital in coming months. A cyclical upshift in domestic interest rates will add to the woes.

- A sharp spike in global inflation induced major central banks to shift towards tighter monetary policies. Council on Foreign Relations (CFR), a global think tank, captures the extent of tightening and loosening in monetary policies across 54 major countries and ranks it on a scale of -10 (extremely easy) to +10 (extremely tight). The score picked up sharply between Feb'22 to Apr'22 from -9 to +4, illustrating the sudden liquidity withdrawal across the world.
- This pull back in excess liquidity manifested in rapid foreign capital flight and weakening of Emerging Market (EM) currencies, including that of India. Between Jan'22 and Apr'22, Foreign Portfolio Investors pulled out USD ~18 bn (net) from the Indian markets, compared to a net investment of USD 7 bn in 2021.
- Reserve Bank of India's attempt to stave-off inflation and support USDINR with a 40 bps hike in policy rates (May'22) proved pale in front of severe global geopolitical and macro-economic risks plaguing investors currently. Indian government bond yields and USDINR remain extremely volatile even after rate hike.
- We expect a series of rate hikes in subsequent RBI policy meetings over the next 12 months, restoring the policy Repo rate to the pre covid levels of 6.5% (Jan'19) by the peak of this current rate hike cycle.
- The weakness in USDINR, reasonably higher government borrowing costs and interest payment burden could potentially impact the FY23 budget calculations, inflating India's fiscal deficit above the targeted 6.4% (of GDP) in FY23. It could also undermine the goal of lowering it to 4.5% by FY26.
- Such slippages may not bode well for India's credit markets. Elevated interest rates, restricted capital flow and slower economic output can potentially give rise to a new wave of gross nonperforming assets (GNPAs) across retail and wholesale assets.

Source: TruBoard Research, CMIE, Council on Foreign Relations

Industrial Activity



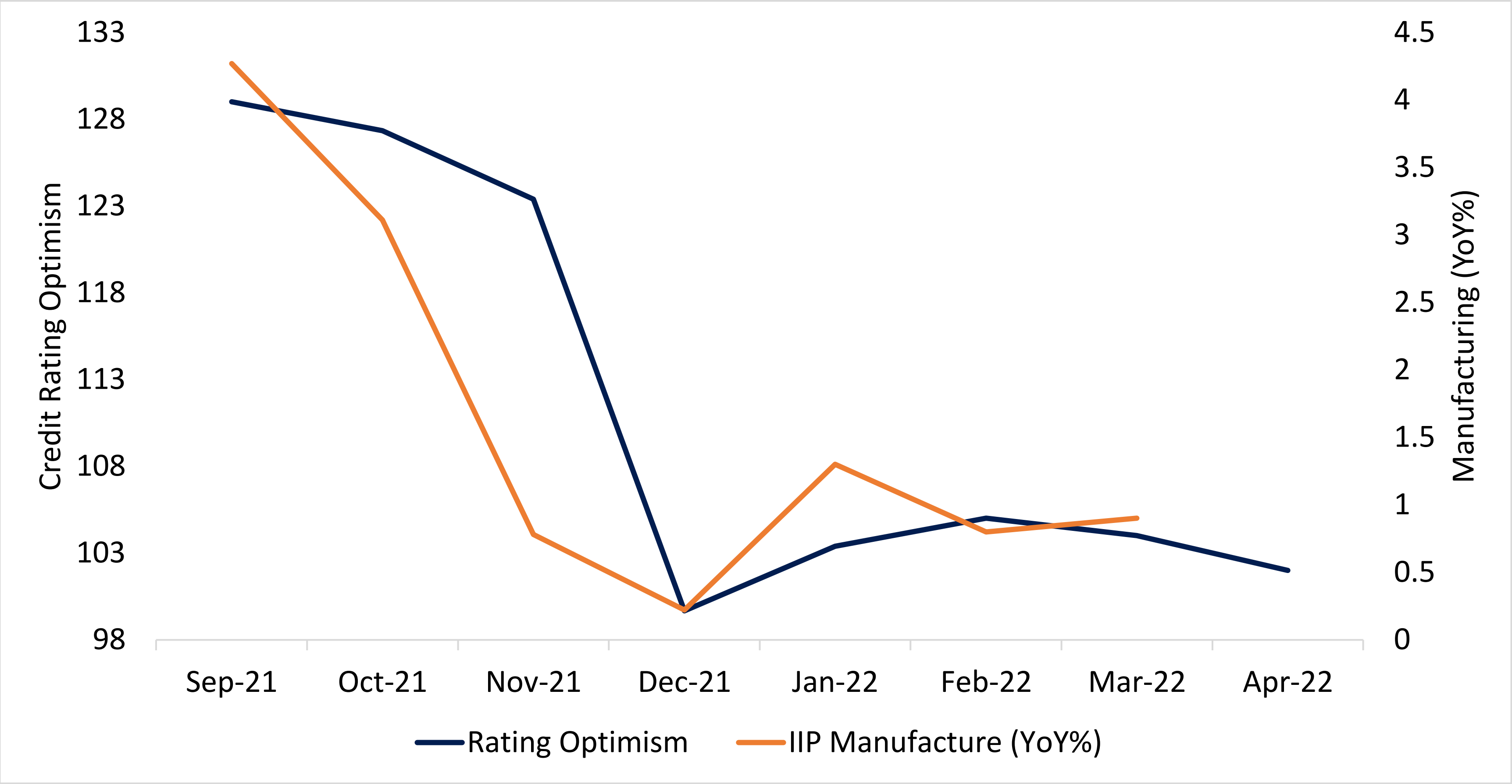


Wholesale and imported inflation is severely impacting capacity utilization across Indian manufacturing sector.

- Manufacturing production (as measured by IIP) grew less than 1% (YoY%) in Q4FY22. Apr’22 is not expected to be any different.
- Private capex remain subdued, and with rising borrowing costs, government sponsored capex investments too are expected to slow down in coming months.
- Manufacturing companies could witness the following headwinds at varying intensities over the next 2-3 quarters:
  - Low global and domestic demand as consumption wanes amidst high inflation and interest rates.
  - Liquidity tightens and capital costs rise further.
  - Energy costs including fossil fuels and electricity remain elevated
  - Likely rise in wage inflation of skilled employees.

Source: TruBoard Research, CMIE

Credit Rating Optimism Index



TruBoard Credit Rating Optimism Index's strong correlation with India's manufacturing activity makes it an effective early warning signal for manufacturing sector.

- Manufacturing activity (IIP-Manufacture) is mimicking the trend charted by the TruBoard Index. The Index have been predicting slowing manufacturing growth since Feb'22, led by a slowdown across MSME sector. The government indicator is pointing out to the same, albeit with a lag.
- The strong correlation is guided by the fact that the TruBoard Index captures sentiment of rating agencies on MSMEs, which is the driving force behind Indian manufacturing.

Source: TruBoard Research, CMIE

TruBoard Macro Forecasts

	Q2 FY23	Q3 FY23	FY23
Real GDP (%)	6.5	6.3	6.7
Retail Inflation (%)	6.1	5.8	5.2
Repo Rate (%)	4.75	5.0	6.0
10 Year Gsec (%)	7.25	7.40	7.45
USDINR	76.8	76.4	75.5

Consensus Forecasts (RBI Panel of Forecasters)

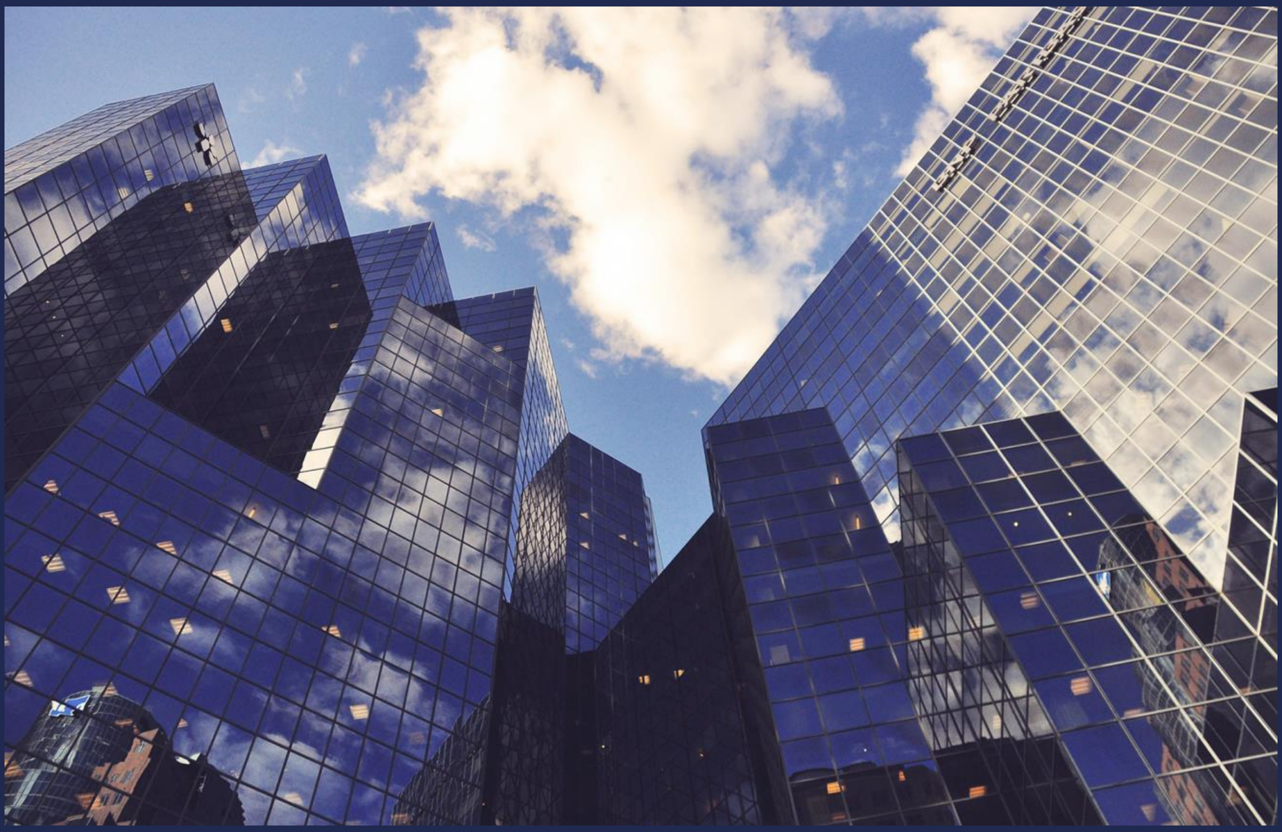
	Q2 FY23	Q3 FY23	FY23
Real GDP (%)	6.4	5.1	7.5
Retail Inflation (%)	5.9	5.4	5.5
Repo Rate (%)	4.25	4.5	4.5
USDINR	77.0	76.3	76.5

Information Product Descriptions:

Heat Map: Graphical representation of indicator trends denoted by colour code. Green depicts current reading of an economic indicator is stronger than the previous period (month/quarter/year/2 years). Red signifies the opposite. The economic indicators have been carefully curated to reflect those trends with the highest co-incidental statistical significance on India's overall economic activity.

Credit Rating Optimism Index: The index reflects the rise or fall in optimism among major credit rating agencies in India. Optimism is denoted by an Optimism score and is calculated as the ratio of Upgrades and Reaffirmations awarded to the total number of entities rated within a specified time period. The optimism score at any point of time is indexed to the score generated in the base period of June 2017 to arrive at the TruBoard Credit Rating Optimism Index. The Base period index level is fixed at 100. Hence any Index level higher than 100 suggests optimism levels in the corresponding period is higher than the base period and vice versa.

Optimism Score= (Upgrades+Reaffirmations)/(Upgrades+Reaffirmations+Downgrades)



TruQuest

TruQuest is a knowledge series launched by TruBoard Partners providing succinct updates and views on:

- Liquidity Outlook
- India's macro-economic view
- Trends within the Infrastructure, Real Estate and Renewable Energy sectors
- Impact analysis of new regulations and policies on lending and capital flow

TruBoard Partners

TruBoard provides bespoke solutions for capital providers to better manage their investments and optimise returns. TruBoard brings in a combination of domain expertise and artificial intelligence to the mainstream of financial analysis, enabling speedy and effective decision making. TruBoard's core area of operations are Credit Monitoring, Real Asset Management, Retail Loan Servicing and Collection, and Dispute Resolution and Advisory.

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