

Dear All,

Please find below some of the recent informative research reports / articles on the market / economy as on 1st November 2017. Hope you find the same useful

- 1. India's Digital Future – Morgan Stanley Research**
- 2. A pro-growth Stance - CLSA**
- 3. State of States – IIFL Institutional Equities**
- 4. Indian Steel Sector – Why are PE Funds getting attracted to support Buyouts – Succint by Vikas Kashyap**
- 5. How the government quietly scaled back its ambitious plans to reform fertiliser subsidies – [scroll.in](https://www.scroll.in)**

India's Digital Future – Morgan Stanley Research

India was already on a path to growth, but the country's drive toward digitization may put it on track to be the world's fastest growing economy over the next decade.

Buoyed by demographics, reforms and globalization, India was already on its way to growing at a brisk pace over the next decade. Now, a new report from Morgan Stanley Research finds that two major initiatives—digitizing its predominantly cash-based economy and reforming its archaic tax system—have the potential to amplify India's expansion, making it one of the world's fastest-growing large economies over the next 10 years. "The country was already on a strong trajectory, but digitization puts India's nominal GDP growth on track to compound annually by more than 10% in U.S. dollar terms over the coming decade," says Anil Agarwal, Head of Asian Financial Research at Morgan Stanley. "The result could be a multi-trillion-dollar opportunity."

Although the country faces near-term teething issues, investors can expect to see visible shifts in economic activity beginning in 2018. All told, India's economy is poised to leapfrog from its current seventh-place position to the third-largest economy by 2027 with \$6 trillion gross domestic product. Its equity market, now tenth in the world, could jump to fifth, with financial services and consumer discretionary stocks leading the way.

While companies in India are the most direct beneficiaries, the global implications are wide reaching. “The associated increase in e-commerce, consumption growth, financial products and investments could make India a significant market for corporations worldwide,” adds Agarwal. “Most importantly, if India succeeds, it will become the template for other emerging nations. In fact, there may be lessons for developed countries too.

Click on the below link to read the detailed report

<https://www.morganstanley.com/ideas/digital-india>

A pro-growth Stance - CLSA

The government’s renewed focus on economic growth revival was accentuated by the USD 33 bn package for the recapitalisation of PSU Banks. This should help in accelerating the NPL resolution process and improve visibility of the expected capex cycle recovery. The downside is that this will increase the central government’s debt to GDP ratio by 1% to 48% and lower the chances for a sovereign credit rating upgrade. The impact on the fiscal deficit will depend on the accounting treatment and the impact on bond yields will depend on the SLR status of the recap bonds. However this step is sentimental booster for equities.

State of States – IIFL Institutional Equities

State of the States. The states of India differ not only in geography and culture but they also display diverse economic conditions, demographic trends, and social indicators. In our chart book State of the States, we attempt to capture this diversity through more than 170 charts by contrasting the states on different aspects. In this note, we bring you an excerpt from the section of Agriculture. The key takeaways are:

- Higher yields and improving mix (away from cereals and towards horticulture) has been the key driver of increase in agriculture growth in the last decade.

- Cropping pattern continues to move towards horticulture. Acreage under fruits and vegetables has increased 40% in the last decade driven by Madhya Pradesh and Chhattisgarh.
- Barring Madhya Pradesh, increase in irrigation coverage has been relatively modest in the last decade
- Although there is wide inter-state divergence in yields across major crops, there is no across-the-board convergence underway.
- Madhya Pradesh stands out on almost all parameters in agriculture – fastest growth in Agri GDP, largest increase in acreage and irrigation, and increase in yields.

[IIFL - State of the States - Agriculture - 20171023.pdf](#)

Indian Steel Sector – Why are PE Funds getting attracted to support Buyouts – Succint by Vikas Kashyap

Few facts on Steel Sector :

1. Do you know that India has trebled its steel capacity in last 15 years? Yes, you read it right. India has increased its steel capacity 3-fold, from 27 million tons per annum (MTPA) in 2000 to 100+ mtpa in 2017.
2. Do you know that almost half (45%) of the steel capacity in India is controlled by only 3 players viz., JSW Steel, Tata Steel and SAIL? In a way, all said and done, India is an Oligopolistic market for the steel sector.
3. Do you know that India requires to add at least about 200 mn tons of steel capacity by 2030? This would mean an investment of approximately Rs 10 trillion or c. USD 200 bn.

Indian economy is having an overabundance of structural changes, having an impact on the way businesses operate, bank and non-bank entities function or the way individuals

transact. I wish to write on many of these topics. However, the topic that I have decided to write upon today is the Indian Steel sector, as this also I believe is at an inflexion point in many ways. Hence, in spite of the fact that the steel sector is (a) supposedly financially stressed (b) fraught with over capacities globally (c) susceptible to volatile profitability due to fluctuating input as well as output prices, a little deep dive into it and one finds it pretty interesting to see some massive structural changes that could be potential game changers.

How the government quietly scaled back its ambitious plans to reform fertiliser subsidies – [scroll.in](#)

The Indian government spends close to 1% of the country's gross domestic product on fertiliser subsidies every year. Only 35% of this subsidy reaches farmers, according to the Economic Survey of India 2015-'16.

To plug the leakages, the Bharatiya Janata Party-led National Democratic Alliance government has decided to carry out an ambitious and fundamental change to how the country provides subsidised fertilisers to farmers. The previous Congress-led United Progressive Alliance government had taken some steps in this direction. The BJP is hoping to take the last one, which involves the use of three government databases, including Aadhaar, the database that holds the biometric-based 12-digit identification numbers of 116 crore residents.

In 2016, the government began testing the fertiliser subsidy reforms in 19 districts. But the nationwide roll-out has been delayed by more than six months. In this four-part series, Scroll.in explains where things got stuck. This is part one.

Click on the link below to read the detailed article

<https://scroll.in/article/853258/how-the-government-quietly-scaled-back-its-ambitious-plans-to-reform-fertiliser-subsidies>

