



VIVRITI
C A P I T A L



Vivriti Asset
Management

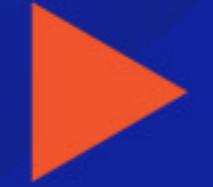
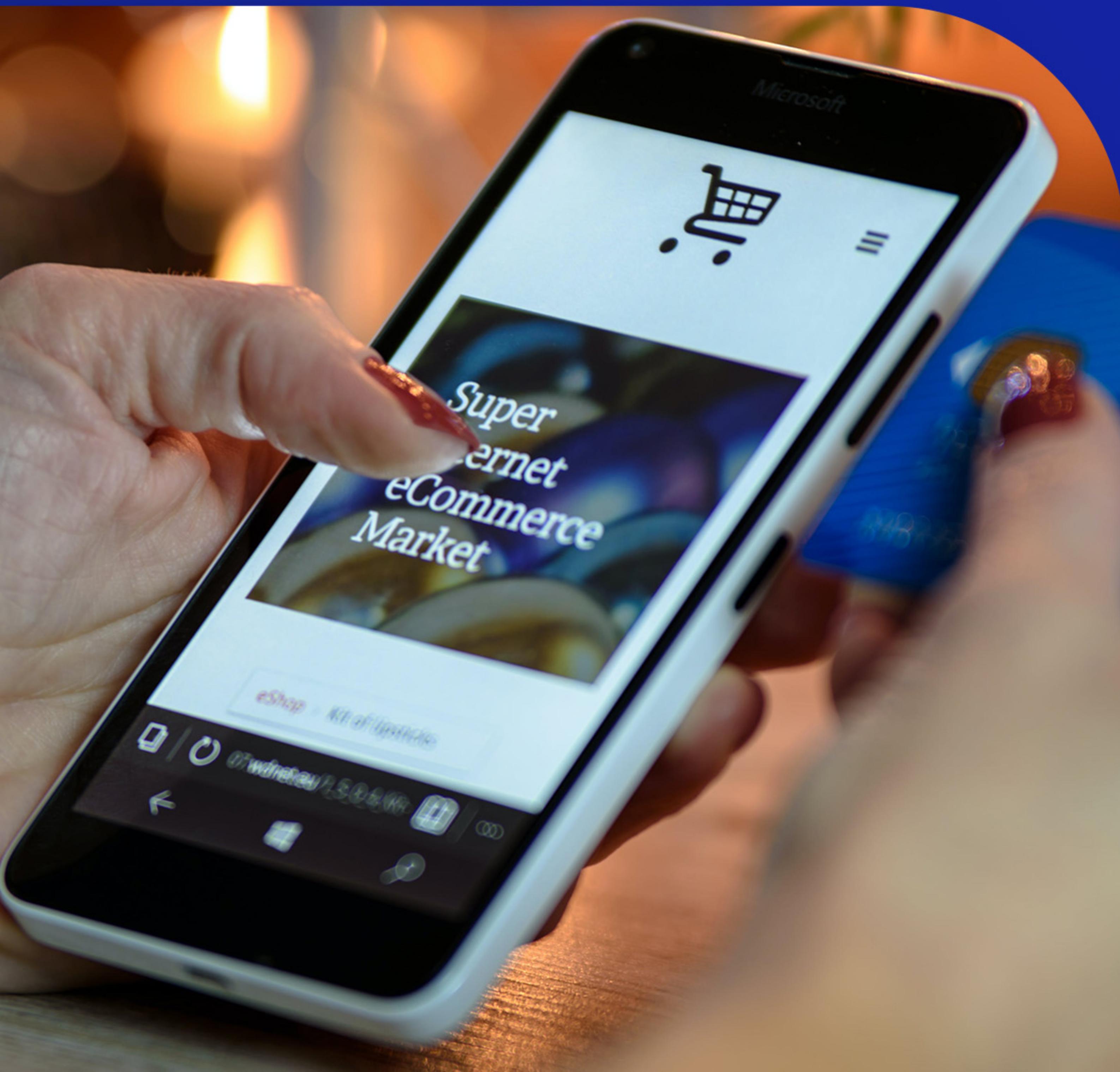


Roundup of Indian sectors

November 2023



E-commerce

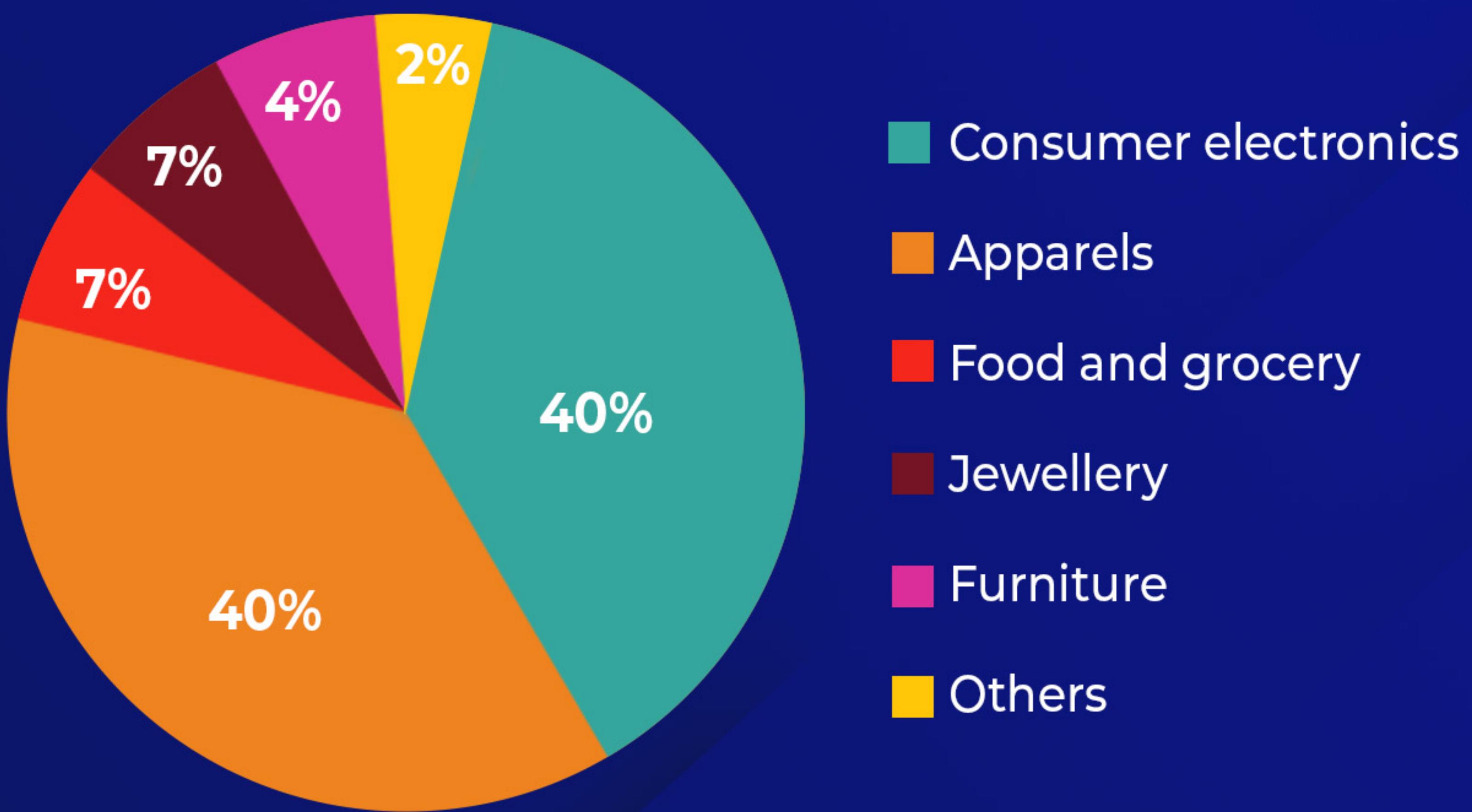


Overview

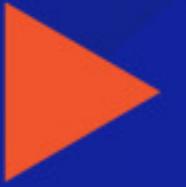
- The e-commerce industry in India is growing at a fast pace on the back of increased penetration of smartphones, rising affluence, and low-data prices providing an impetus to the growth in e-retail. India is the 2nd largest internet market in the world with nearly 90 crore internet users.

SECTOR COMPOSITION

Shares of various segments in e-commerce retail by values (2020)

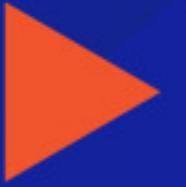


- Nearly 100% of pin codes in India has witnessed e-commerce adoption. The trend is expanding beyond metro cities, with over 60% of transactions originating from tier two cities and smaller towns, covering diverse categories.
- Electronics and apparel account for ~70% of the e-commerce market by the transaction value. Emerging categories in the sector include hyperlocal and food-tech.
- The government's Open Network for Digital Commerce (ONDC) initiative, launched in 2022, aims to democratize e-commerce, providing equal opportunities to Micro, Small & Medium Enterprises (MSMEs). In 2022, Indian e-commerce and consumer internet companies raised US\$15.4 billion in Private Equity/Venture Capital (PE/VC) funding, nearly doubling from US\$8.2 billion in 2020. The rise in digital literacy led to the influx of investment in e-commerce firms.



Current Outlook

- The landscape of commerce in India has undergone a significant shift with the evolution of the e-commerce sector, revolutionizing various business models including business-to-business (B2B), direct-to-consumer (D2C), consumer-to-consumer (C2C) and consumer-to-business (C2B).
- The e-commerce market is projected to achieve a valuation of over US\$350 billion by 2030 with the D2C market reaching US\$60 billion by FY27 and the B2B online marketplace presenting a US\$200 billion opportunity by 2030. The country is expected to add ~8 crore online shoppers by 2025

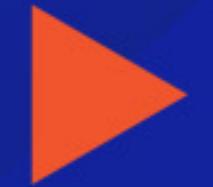


E-COMMERCE MARKET SIZE (US\$ BN)

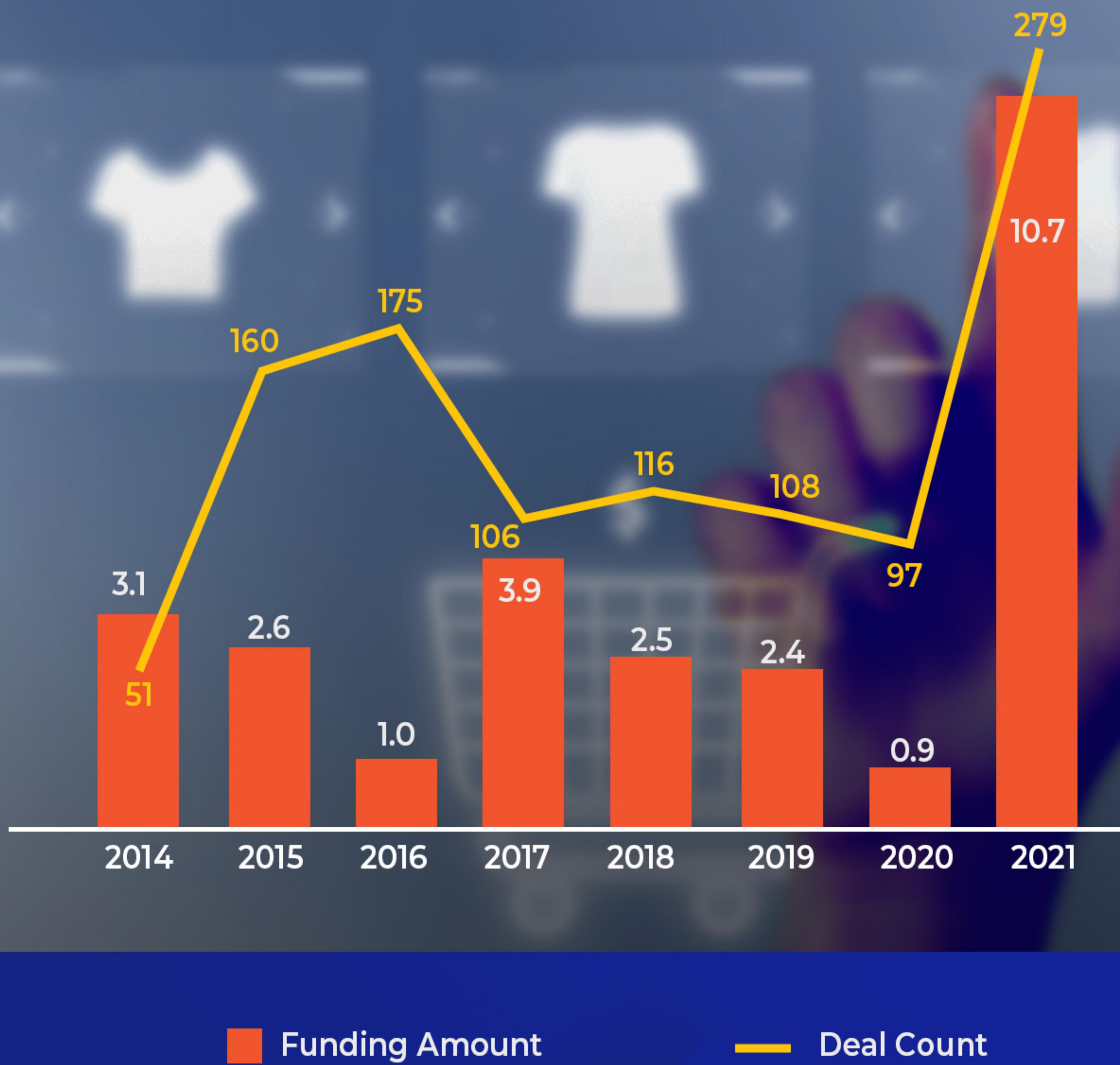


Source: Inc42

- To encourage involvement of international entities in the e-commerce sector, the Indian government allowed 100% Foreign Direct Investment (FDI) in the e-commerce marketplace model (B2B only) via the automatic route.



E-COMMERCE FUDING IN INDIA (US\$ BN)



Source: Inc42

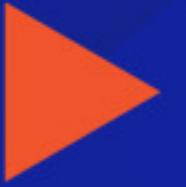


Latest News

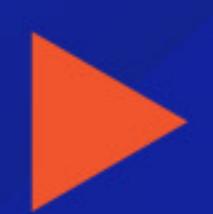
- Recent Reuters data revealed that Walmart is reducing its reliance on China and increasing its imports from India in an effort to save costs and enhance supply chain resilience. As per Andrea Albright, Walmart's executive vice president of sourcing, India has emerged as a key component in Walmart's efforts to build manufacturing capabilities.
- Zepto, an Indian e-commerce platform, has successfully raised an additional US\$31.25 million in a Series E funding round. This funding is expected to contribute to Zepto's expansion and development initiatives in the competitive e-commerce sector in India. The capital infusion highlights investor confidence in Zepto's business model and its potential to grow in the e-tailing market.



- Procurement of services from the Government e-Marketplace (GeM) in FY24 is expected to reach INR 1.5 lakh crores in India. This projection indicates a significant scale-up in government procurement through GeM, reflecting its growing importance in streamlining and facilitating services procurement. The platform's role in centralizing government procurement is likely to contribute substantially to the economy.

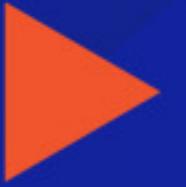


Agricultural Commodities Trading



Overview

- India holds a significant position in the global agriculture landscape holding the second-largest agricultural land and serving as the primary livelihood source for ~55% of its population. The country has the world's largest cattle herd, particularly buffaloes, and leads in terms of the largest cultivation area for crops like wheat, rice, and cotton. Additionally, India stands as the top global producer of essential commodities such as milk, pulses, and spices. In FY23, the share of gross value added (GVA) of agriculture and allied sectors in total economy stood at ~18% (at current prices).
- In FY23, India's exports of agricultural and processed food products reached a total of ~US\$53 billion.
- The industry has witnessed a significant surge in investments, with a cumulative Foreign Direct Investment (FDI) inflow reaching ~US\$ 2.7 billion in December 2022.



- The market is experiencing increased momentum due to rising adoption of advanced technologies such as blockchain, artificial intelligence (AI), geographic information systems (GIS), drones, and remote sensing technologies. Additionally, the introduction of various e-farming applications is contributing to this surge.

Current Outlook

- Although the wholesale price inflation (WPI) stayed in the deflationary zone for the seventh consecutive month in October (-0.52% versus -0.26% in September), delay in monsoon, erratic rainfall, and El Nino-induced vagaries of the south-west monsoon are expected to affect the production of crops in the Kharif season this crop year (July 2023-June 2024) posing upside price risks. The gross production of foodgrains has been estimated at 148.57 million tonnes (mt) in the first kharif estimates, which is 4.6% lower than the final estimates in the last season's kharif (155.71 mt).



- Among the crops that are vulnerable due to the erratic monsoon are oilseeds and pulses. The production of pulses has been estimated to fall by 6.6% to 7.12 mt compared with the last season while that of oilseeds has been estimated to decline by 17.7% to 21.53 mt due to a severe shortfall in soyabean output following drought-like conditions in key growing states of Madhya Pradesh and Maharashtra. Given their relatively high reliance on imports, any decrease in domestic production could potentially expose domestic consumers to fluctuations in the global prices of agricultural products.
- Given these factors, the margins of companies involved in agri-processing and agri-trading are expected to take a hit as their margins are generally <5% and very less value addition takes place in the transactions. The overall profitability of such companies is expected to moderate in FY24.



CREDIT FLOW IN INDIA'S AGRICULTURAL SECTOR (INR LAKH CRORES)



Latest News

- A NITI Aayog report emphasizes the need to promote the "ease of doing farming" to transform Indian agriculture. The report outlines various measures to enhance farmer income, including promoting agri-entrepreneurship, creating a conducive policy environment, and integrating technology for precision farming. It underscores the significance of farmer-producer organizations, encouraging private sector participation, and strengthening market linkages.
- Erratic rainfall has affected the potato and rice cultivation in India, causing their prices to increase by up to 12% MoM in November. Insufficient rains in Karnataka have reduced Kharif rice production while unpredictable rains in October have affected the sowing of the new potato crop, leading to a rise in the prices of old potato stock.



- The government is planning to increase the procurement of tur dal to ~8-10 lakh metric tonnes to as a measure to control price escalation and stabilize the market. This strategic move is aimed at ensuring an adequate supply, particularly during the upcoming festive season, with a focus on maintaining food affordability and addressing potential inflation impacts on essential commodities like pulses. At the all-India level, retail prices of tur dal surged >40% YoY to INR 158 per kg this year.
- India may extend its ban on rice exports until 2024, to curb domestic price rises of the staple grain. India is the world's top rice exporter accounting for ~40% of global exports due to its lower prices and sufficient stockpiles.



Nylon Yarn



Overview

- Nylon does not exist in nature. It's made from organic chemicals found in natural resources such as coal or petroleum. Nylon filament yarn, which is a long continuous lustrous fibre, is made by melting nylon chips and drawing them through a spinneret, which is a wheel or plate with many tiny holes in it. It is widely used to produce a comprehensive range of textile fabrics such as sarees, draperies, furnishings and upholstery, sportswear, mosquito nets, and for embroidery.
- The raw materials required for nylon yarn are nylon chips and fish oil. The prices of nylon yarn move in line with the prices of nylon chips as the latter contribute over 90% to its production. Nylon chips are mainly imported from China and Taiwan while fish oil is imported mainly from Japan.



HOW NYLON CHIPS TURN INTO NYLON YARN



- China is the largest consumer and manufacturer of nylon fibre. The burgeoning textile market in India, Japan, and Taiwan is expected to enhance the size of the overall nylon fibre market.
- In India, nylon yarns are mostly used in making sarees where it has a market share of ~55%. The overall growth of the nylon farm industry is dependent on the growth of the textile industry — which is a function of disposable income and consumers' preferences — and the automobile industry, which is expected to be the next biggest consumer.
- Movement in crude oil prices affects the profitability of the nylon yarn industry as it directly impacts its production cost.



Current Outlook

- The demand in the nylon filament market in India is expected to grow at a CAGR of ~5% to 1.2 mt over FY21-30. The growth is expected to come from the production of sarees, fishing nets, etc., and higher consumption of yarn in the automobile industry. Despite a majority of nylon yarn being sourced from domestic production to meet demand, cheaper imports from China and Taiwan are adversely impacting the domestic producers of yarn.
- As on FY22, India imported ~1,300 metric tonnes of nylon yarn per month on average primarily from China, Taiwan, and Korea. The import quantum from China has increased by 80% in FY23, which brings the total volume to 2,210 metric tonnes per month.
- However, the anti-dumping duty imposed in 2018 on imports of nylon filament yarn originated in or exported from Vietnam and the European Union helped domestic producers to gain a competitive advantage to some extent.

Disclaimer:

The details mentioned above are for information purposes only. The information provided is the basis of our understanding of the applicable laws and is not a legal, tax, financial advice, or opinion and the same subject to change from time to time without intimation to the reader. The reader should independently seek advice from their lawyers/tax advisors in this regard. All liability with respect to actions taken or not taken based on the contents of this site are hereby expressly disclaimed.