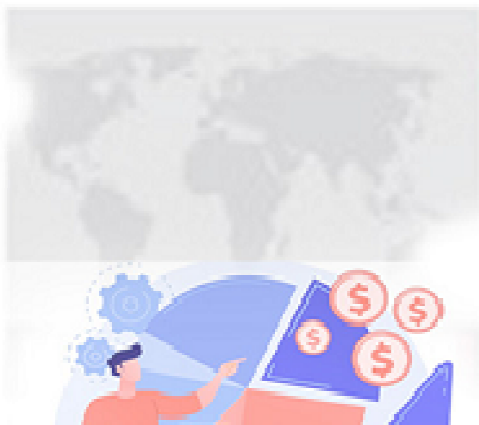




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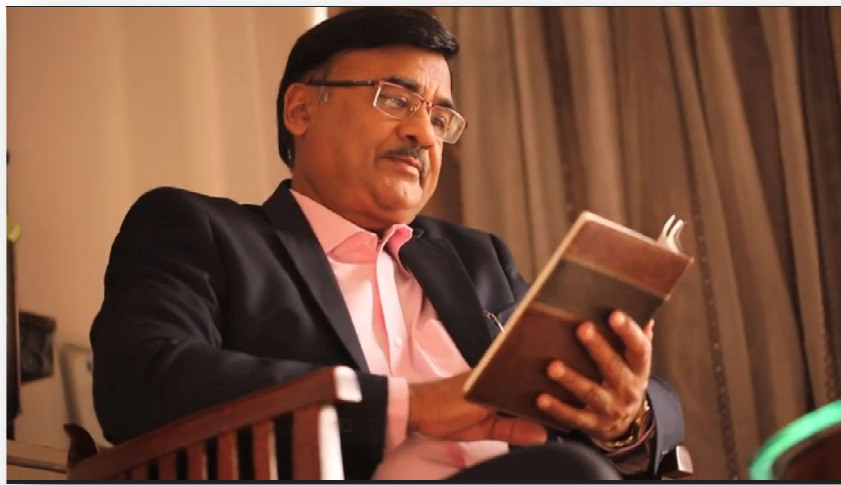
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**What Dairy industry veterans have to say?
India, the largest consumer of milk in the World shall continue
to consume even higher!**

Overview on Indian Equities - From the desk of our CMD - Dr. Ashok Ajmera, FCA



Ride the IPO boom for listing gains; advisable to look at strong midcaps and smallcaps..

Indian benchmark indices came under pressure last week led by regulatory action in China. There are concerns like rise in COVID-19 cases in various countries due to spread of new variants of COVID-19. In addition, there are inflation concerns across the globe which act as headwind. Foreign institutional investors remained net sellers in Indian equities for the fourth consecutive month in July, they sold equities worth Rs. 11,308 crore. On the other hand, domestic institutional investors bought Rs. 8,206 crore worth of shares last week, taking the total buying to Rs. 18,393.92 crore in July, the highest monthly buying since March 2020.

Bulls will remain in hunt due to factors like good start to Q1FY22 earnings season with most of the Companies reporting good performance, strong management commentary in Q1FY22 by majority of the Companies, better than expected China's economic data, positive US employment data and other positive US economic indicators, rally in commodities, economic activity picking up at fast pace after unlock in major states, by significant decline of COVID-19 cases in the second wave with recoveries surpassing new cases by a big margin on a daily basis, decent vaccination drive are supporting sentiments. In addition to liquidity provided by FPIs in equities, there is good spike in retail participation from Tier II and Tier III cities as people have become more financial literate in COVID-19 crisis.

Investors are also hopeful that vaccine shortages will be resolved in some months as vaccine manufacturers' ramp up supplies. The entry of new vaccines is also expected to ease the supply crunch. India has given the first dose covid antidote to around 45.60 crores beneficiaries in the nationwide vaccination. Structurally, Indian equities are poised to do well after major reforms like thrust on digital economy after demonetisation, implementation of GST, RERA, Insolvency and Bankruptcy Code, reforms in power, agriculture and labour laws, one of its kind Union Budget which focussed on investment led spending to drive growth with impetus on Privatisation, thrust on Aatmanirbhar Bharat resulting into Production Linked Incentive (PLI) schemes for various sectors, reforms in Direct Taxes, thrust on renewables sector Ethanol blending, scrapping policy etc. However, high inflation and unexpected spike in COVID-19 cases in future (in case of third wave) can act as headwinds.

It is advisable for investors to look out for stock specific opportunities and stay away from names which are suddenly rallying for no reason. We believe intermediate corrections will keep markets healthy. Investors will track upcoming RBI's MPC meeting, monthly auto sales numbers, Markit Manufacturing PMI numbers, Markit Services & Composite PMI, global cues especially on spread of COVID-19 variants and key developments in China, movement in crude oil prices and metals, ongoing Q1FY22 earnings season, ongoing monsoon, vaccination drive and economic activity and COVID-19 cases in India.

In the near term, markets will remain rangebound for some time with a negative bias. There is a strong line up of IPOs of next generation and one of its kind business models. It is recommended to ride the IPO boom; mainly for listing gains. We suggest looking at fundamentally strong midcaps and small caps rather than expensive large caps.

Key recent major developments..

Monthly FPI/FII Net Investments in equities

Particulars (Rs. in crores)	FII
Month	Net Purchase/Sales
July 2021	-11,308
June 2021	17,215
May 2021	-2,954
April 2021	-9,659
March 2021	10,482
February 2021	25,787
January 2021	19,473
December 2020	62,016
November 2020	60,358

Source: NSDL and CDSL

GST collections cross Rs. 1 lakh crore in July 2021..

Goods and Service Tax (GST) collections for the month of July 2021 rose to Rs. 1.16 lakh crore, triggering hopes of a recovering economy even as the country passes through the weak end of the second COVID wave. Out of the Rs 1.16 lakh crore garnered in July, central GST was Rs. 22,197 crore, State GST was Rs. 28,541 crore, Integrated GST was Rs. 57,864 crore and cess was Rs. 7,790 crore, the Finance Ministry said in its statement. "The total revenue of centre and the States after regular settlement in the month of July is Rs. 50,284 crore for central GST and Rs. 52,641 crore for state GST," it said. "With the easing out of covid restrictions, GST collection for July 2021 has again crossed Rs. 1 lakh crore, which clearly indicates that the economy is recovering at a fast pace. The robust GST revenues are likely to continue in the coming months too," Finance Minister Nirmala Sitharaman said on Twitter. Earlier in June 2021, GST collections were below Rs. 1 lakh crore mark to Rs. 92,849 crore in the previous month.

Output of eight core sectors witness good growth..

The output of eight core sectors grew 8.9 per cent in June, mainly due to a low base effect and uptick in production of natural gas, steel, coal and electricity, official data showed on Friday. The eight infrastructure sectors of coal, crude oil, natural gas, refinery products, fertilisers, steel, cement and electricity had contracted by 12.4 per cent in June 2020 due to the lockdown restrictions imposed to control the spread of coronavirus infections. According to the commerce and industry ministry data, production of coal, natural gas, refinery products, steel, cement and electricity jumped by 7.4 per cent, 20.6 per cent, 2.4 per cent, 25 per cent, 4.3 per cent and 7.2 per cent, respectively, in June 2021, as against (-) 15.5 per cent, (-) 12 per cent, (-) 8.9 per cent, (-) 23.2 per cent, (-) 6.8 per cent and (-) 10 per cent in the same month last year. Crude oil output contracted by 1.8 per cent during the month under review as against a negative growth of 6 per cent in June 2020. Fertiliser segment recorded a growth of 2 per cent in June. During April-June period this fiscal, the eight sectors grew by 25.3 per cent against a contraction of 23.8 per cent in the same period last year.

Non-food bank credit growth shows encouraging signs..

Non-food bank credit growth stood at 5.9 per cent in June compared to 6 per cent in the year-ago period, according to RBI data released on last Friday. Credit to agriculture and allied activities continued to perform well, registering an accelerated growth of 11.4 per cent in the reporting month compared to 2.4 per cent in the same month of the previous year, as per RBI data on Sectoral Deployment of Bank Credit June 2021. Growth in credit to micro and small industries accelerated to 6.4 per cent in June whereas it was a contraction of 2.9 per cent a year ago. Credit to large industries contracted 3.4 per cent in June 2021. In the year-ago period, there was a growth of 3.6 per cent. Growth in loans to the services sector decelerated to 2.9 per cent in the reporting month from 10.7 per cent in June 2020, mainly due to contraction/deceleration in credit growth to commercial real estate, NBFCs and tourism, hotels and restaurants. "However, credit to trade

segment continued to perform well, registering an accelerated growth of 11.1 per cent in June 2021 as compared to 8.1 per cent a year ago," the data showed. Personal loans registered an accelerated growth of 11.9 per cent in June 2021 as compared to 10.4 per cent a year ago, primarily due to accelerated growth in loans against gold jewellery and vehicle loans, the central bank data showed.

Strong demand outlook for steel sector..

ArcelorMittal SA boosted its guidance for global steel demand after a record-breaking price rally yielded the company's best quarter since 2008. Steel has surged over the past 12 months, joining a wider commodities boom as producers struggled to meet an unexpectedly strong rebound in demand from the construction and manufacturing industries. After a decade of plant shutdowns and job cuts in Europe's steel industry, demand from the infrastructure and renewable energy sectors is creating optimism about the future, said ArcelorMittal Chief Executive Officer Aditya Mittal. "Looking forward, we see the demand outlook further improving into the second half and have therefore upgraded our steel consumption forecasts for the year," Mittal said Thursday in a statement. The biggest steelmaker outside of China now expects 2021 steel demand -- a key barometer of economic growth -- to increase by 7.5% to 8.5% from last year. In May, the company projected demand to be at or above the upper end of its initial 4.5% to 5.5% forecast, following a contraction in 2020.

Government incentives to steel sector

The Union cabinet chaired by Prime Minister Narendra Modi on last Thursday approved the Rs. 6,322 crore production-linked Incentive (PLI) scheme for specialty steel sector. The decision is part of India's playbook of creating global manufacturing champions in India and bring the country at par with global steel making majors such as South Korea and Japan. "The duration of the scheme will be five years from 2023-24 to 2027-28. With a budgetary outlay of Rs. 6,322 crore, the scheme is expected to bring in investment of approximately Rs. 40,000 crore and capacity addition of 25 MT for specialty steel. The scheme will give employment to about 5,25,000 people of which 68,000 will be direct employment," the government said in a statement. "Speciality steel has been chosen as the target segment because out of the production of 102 million tonnes (MT) steel in India in 2020-21, only 18 MT value added steel/speciality steel was produced in the country. Apart from this out of 6.7 million tonnes of imports in the same year, approximately 4 million tonnes import was of specialty steel alone resulting in forex outgo of approximately Rs. 30,000 crore," the statement added. "It is expected that the speciality steel production will become 42 MT by the end of 2026-27. This will ensure that approximately 2.5 lakh crore worth of speciality steel will be produced and consumed in the country which would otherwise have been imported. Similarly, the export of specialty steel will become around 5.5 million tonnes as against the current 1.7 MT of specialty steel getting forex of Rs. 33,000 crore," the statement added.

IMF on India's growth projection

The International Monetary Fund (IMF) has sharply scaled down India's economic growth projection by 300 basis points to 9.5 per cent for the current financial year from 12.5 per cent estimated earlier in April. IMF said the downward revision is owing to "lack of access to vaccines" and possibility of renewed waves of coronavirus. "Growth prospects in India have been downgraded following the severe second Covid wave during March-May and expected slow recovery in confidence from that setback," IMF said in the latest edition of its flagship World Economic Outlook (WEO) report.

Rating agencies view on India

Global rating agency Standard and Poor's affirmed India's sovereign rating at "BBB-" and maintained a stable outlook on the gradual recovery in the economy. India's recovery will gain pace through the second half of fiscal 2022 and into the following year, helping stabilise the country's overall credit profile, S&P said in a statement. But it warned that the country's fiscal settings are weak, and deficits will remain elevated ahead even as the government undertakes some consolidation. The country's strong external settings help buffer the risks associated with the government's high deficits and debt stock. India's economy is gradually recovering from a deep contraction in fiscal 2021 (year ended March 31, 2021) and a subsequent severe second wave of Covid-19. "We expect real GDP growth to rebound to 9.5% in fiscal 2022 on continued normalization of activity and progressively higher vaccination rates," the rating agency said.

Country's exports witnessing good growth

The country's exports witnessed a rise of 48.34 per cent to USD 32.5 billion on account of healthy growth in shipments of petroleum products, gems and jewellery, and chemicals, leather and marine goods, according to the data released by the Commerce Ministry on Thursday. Imports in June too rose by 98.31 per cent to USD 41.87 billion, leaving a trade deficit of USD 9.37 billion as against a trade surplus of USD 0.79 billion in the same month last year. During April-June 2021, the exports increased by 85.88 per cent to USD 95.39 billion. Imports expanded to USD 126.15 billion during the first three months of the fiscal as against USD 60.44 billion in the same period last year, the data showed. Trade deficit during the quarter was aggregated at USD 30.75 billion as against USD 9.12 billion during April-June 2020.



US faces high inflation; U.S. Federal Reserve may not taper economic support

US Federal Reserve Chair Jerome Powell kept interest rates unchanged and said the US central bank wishes to see "some strong job numbers" in coming months before tapering the bond buying programme. As a result, Gold prices were on track for their biggest weekly gain in more than two months on renewed signs that the U.S. Federal Reserve may not taper economic support and hike interest rates in the near term.

Earlier, US had witnessed a big spike in inflation and registered highest spike in 13 years (since August 2008) to 5.4 percent. Earlier, US added a solid 850,000 jobs as economy extends its gains. The report from the Labor Department was the latest sign that the reopening of the economy is propelling a powerful rebound from the pandemic recession. Restaurant traffic across the country is nearly back to pre-pandemic levels, and more people are shopping, traveling and attending sports and entertainment events. The number of people flying each day has regained about 80 percent of its pre-COVID-19 levels.

What Dairy industry veterans have to say?



Mr. Shirish Upadhyay
- Head (Strategy) at Parag Milk Foods Limited

- Earlier worked with GCMMF (Amul) as well as a short stint in-between into consultancy and entrepreneurship into FMCG business



Mr. Vivek Matthai

- Experienced Food Consultant with a demonstrated history of working in the food and beverages industry

- Worked earlier with GCMMF (Amul) for more than 27 years

India, the largest consumer of milk in the World shall continue to consume even higher!

Shirish Upadhyay & Vivek Matthai

Current milk production of India at around 193 million MTs makes it the largest milk producer in the World with the second largest player less than half of the size that India is today. Further, milk production in the country is growing by 4.5% CAGR over more than 3 decades now.

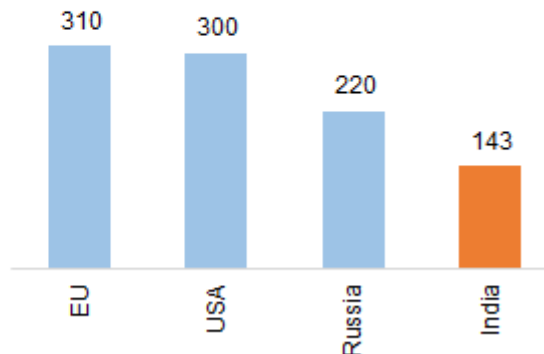
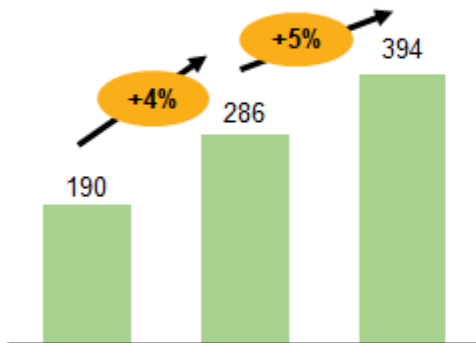
With almost negligible imports or exports, India also is the largest milk consumer in the World. Further, milk consumption has kept pace with growth in production at around 4.5%. This has led to dramatic improvement in per capita consumption from less than 200 gms per day 2 decades back to around 400 gms per day.

Obviously, with the sustained growth in milk production and projections that it shall further double over next 20 years, people are questioning the sustainability of this growth and whether enough consumption shall continue to happen within the country to justify this growth in production. We are pretty sure, milk consumption shall continue to grow aligned with growth in production because of following:

Though milk consumption is rising, per capita consumption is meagre

Per Capita Milk Consumption (gms/cap/day)

Per Capita Milk Consumption (litres/cap/annum)



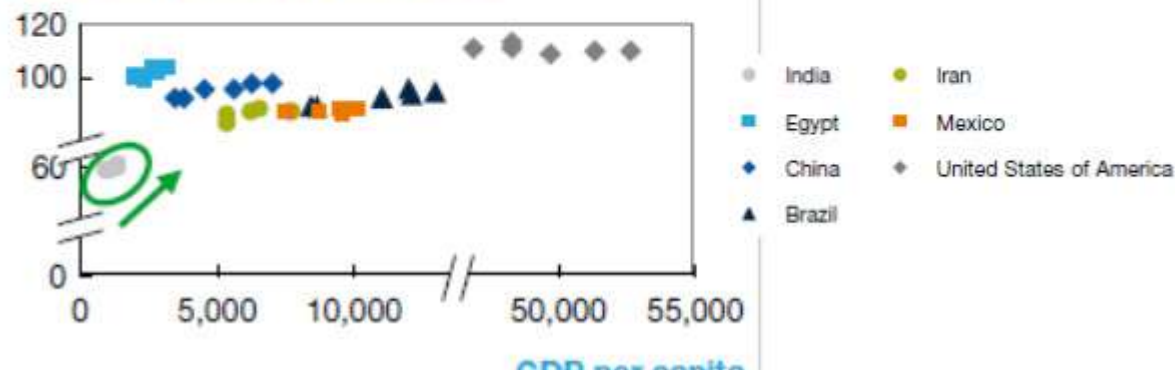
Population increase (sheer size of Indian population at 1.3 billion today), increased urbanisation, awareness and affordability shall sustain the increase in milk consumption quite comfortably. Even after that, we Indians would be consuming lesser milk as compared to people in Europe or US.

Further, large part of Indians being vegetarian, milk becomes automatic first choice for source of protein as they ascend the affluence curve as seen in countries around the World.

India lacks protein & milk is the largest source for veg society

Per capita consumption of protein in the world¹

Per capita protein consumption (g/day)

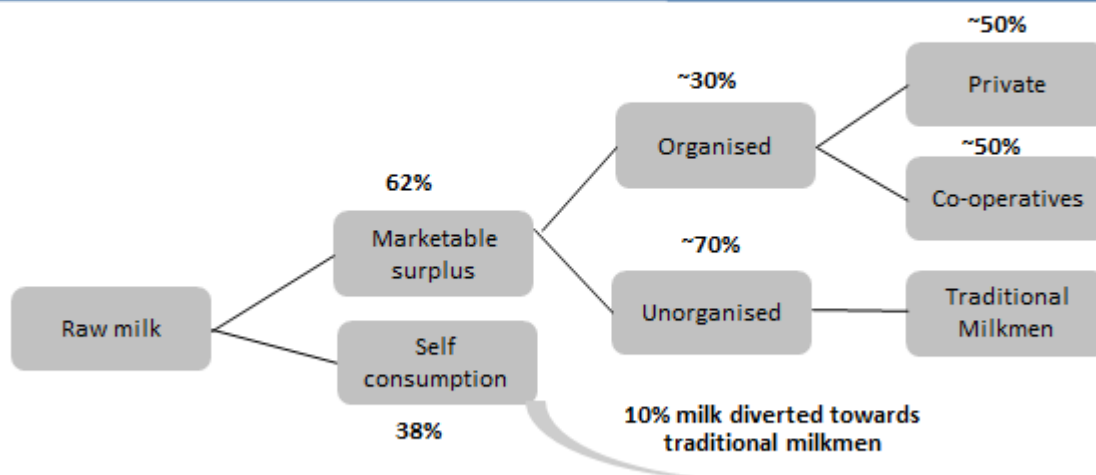


With per capita protein consumption in the country almost half of other developed countries; we still have a long way to go.

(In fact, India also has the largest latent protein market and would be growing at astonishing pace over next 20-25 years. Shall discuss that in separate post!)

Further, there's huge space for organised players to make their mark, considering highly fragmented and largely unorganised market for milk in the country:

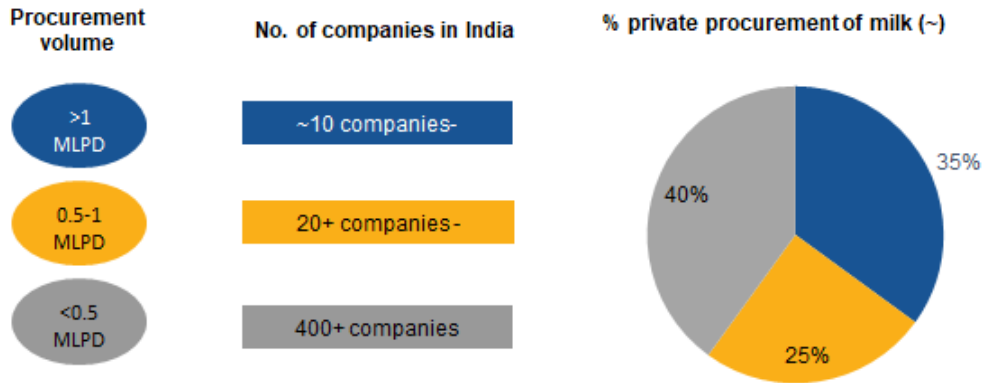
60% Marketable surplus with ~30% organized share so far, rapidly growing



Source: National Dairy Development Board, CRISIL Research, McKinsey, Parag Analysis

Even after 70 years of independence and pioneering work done by stalwarts in the country, hardly 30% of the milk market in India is organised today. Albeit, there's very rapid transition happening from unorganised to organised with changing consumer awareness & preferences.

Organized private dairy industry gaining scale



Further, with the opening up of sector since 1991, organised private players have started making their mark and now there are sizeable no. of large players filling the space. Also we have seen entry of large multinationals as well as FMCG players taking a plunge into the dairy segment in last few years.

Therefore, while the Indian dairy market is destined to reach Rs. 50 Lakh crores market size in next 20 years, it remains to be seen how the landscape changes with respect to different players! Happy hunting!

About Authors:

Shirish Upadhyay is Head (Strategy) at Parag Milk Foods and have experience in dairy business having worked with GCMMF (Amul) earlier as well as a short stint in-between into consultancy and entrepreneurship into FMCG business. He holds MBA and Bachelors in Science. Can be reached at: shirish211@gmail.com.

Vivek Matthai is independent Consultant and has vast experience of dairy as well as FMCG business having worked earlier with GCMMF (Amul) for more than 27 years and thereafter with Tata Consumer Products Ltd. He holds MEP (IIMA) and Bachelors in Arts. Can be reached at: vivek_matthai@yahoo.com.



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For research related queries contact:

Mr. Akash Jain – Vice President (Research) at research@ajcon.net,

CIN: L74140MH1986PLC041941

SEBI registration Number: INH000001170 as per SEBI (Research Analysts) Regulations, 2014.

Website: www.ajcononline.com

Registered and Corporate office

408 - (4th Floor), Express Zone, "A" Wing, Cello – Sonal Realty, Near Oberoi Mall and Patel's, Western Express Highway, Goregaon (East), Mumbai – 400063. Tel: 91-22-67160400, Fax: 022-28722062