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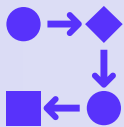
panorama

April 2024



India witnesses steady growth in exports of mobile phones, toys, defence, and pharma

- India experiences surge in mobile phone exports, emerging as the world's 2nd largest producer
- In FY22, India transitioned from a net importer of toys to a net exporter, aided by increased customs duties
- India's defence exports surged to an all-time high in FY24, driven by exports from private sector companies
- Pharma exports witness steady improvement, driven by a recovery in exports to the US market in FY24
- Auto ancillary exports are faring much better than passenger car, commercial vehicle, and 2-wheeler exports



India remains reliant on imports for key inputs – ICs, lithium-ion batteries, PV cells & modules

- India's integrated circuit imports surge due to the expansion of electronics manufacturing
- Demand for lithium-ion batteries rises alongside EV penetration and renewable energy storage demand
- India's solar industry heavily relies on China for PV cells/modules, yet exports to the US have also increased



Net FDI inflows have declined on account of weaker inflows and higher redemptions

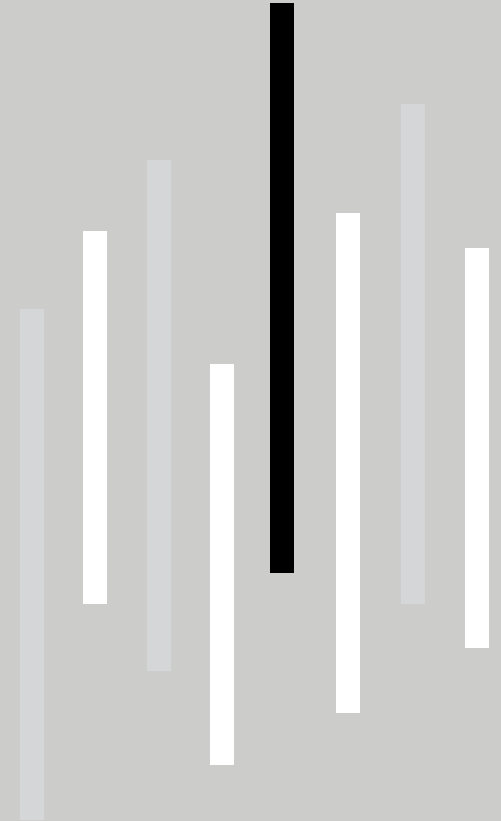
- Gross foreign direct investment (FDI) inflows have dropped since FY22
- Meanwhile, redemptions have picked up on account of rich equity valuations
- Software, BFSI and Trading witness a decline in FDI, while warehousing, energy, and hospitals see an increase



IMD forecasts 'above normal' monsoon at 106% of long period average

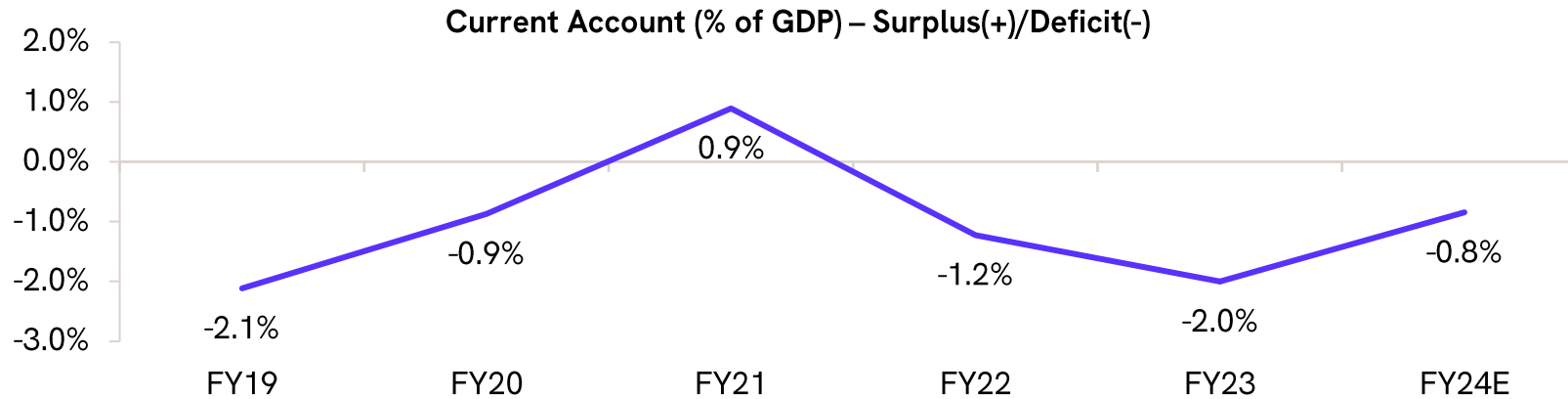
- El Niño will likely turn neutral in the early monsoon, and La Niña is expected to develop during the 2nd half
- Skymet forecasts a 'normal' monsoon at 102% of the long period average with uneven distribution

Merchandise Trade



India's current account deficit falls due to lower merchandise deficit

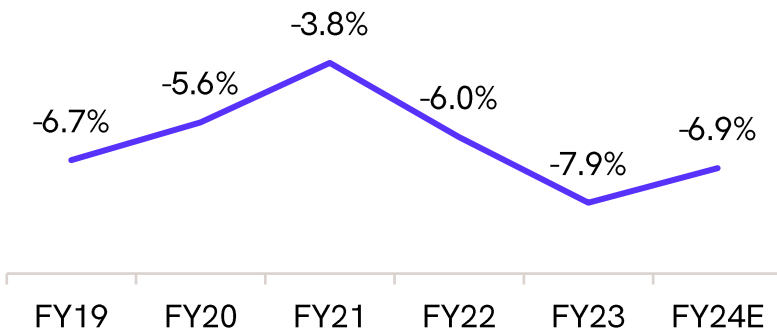
A higher services surplus also contributes to the narrower current account deficit in FY24



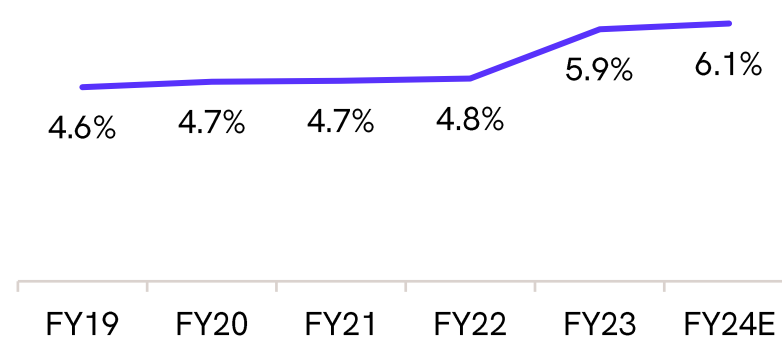
Two factors have driven the improvement in the current account deficit in FY24:

1. A fall in commodity prices (crude, coal, fertiliser, vegetable oil, etc.) has helped reduce the merchandise trade deficit
2. Higher services exports, particularly business services (Global Capability Centers)

Merchandise Trade Balance (% of GDP)



Services and Other Invisibles Trade Balance (% of GDP)

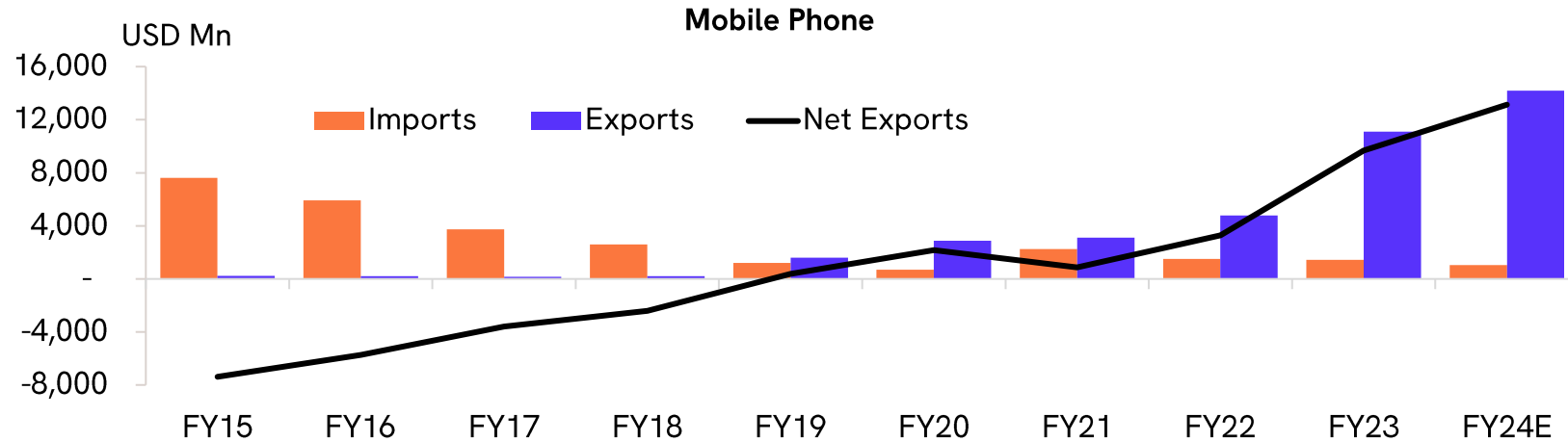


We covered the broad trends in India's current account in the [Panorama January 2024](#) edition

In the current edition, we focus on the trends in imports and exports of certain specific goods

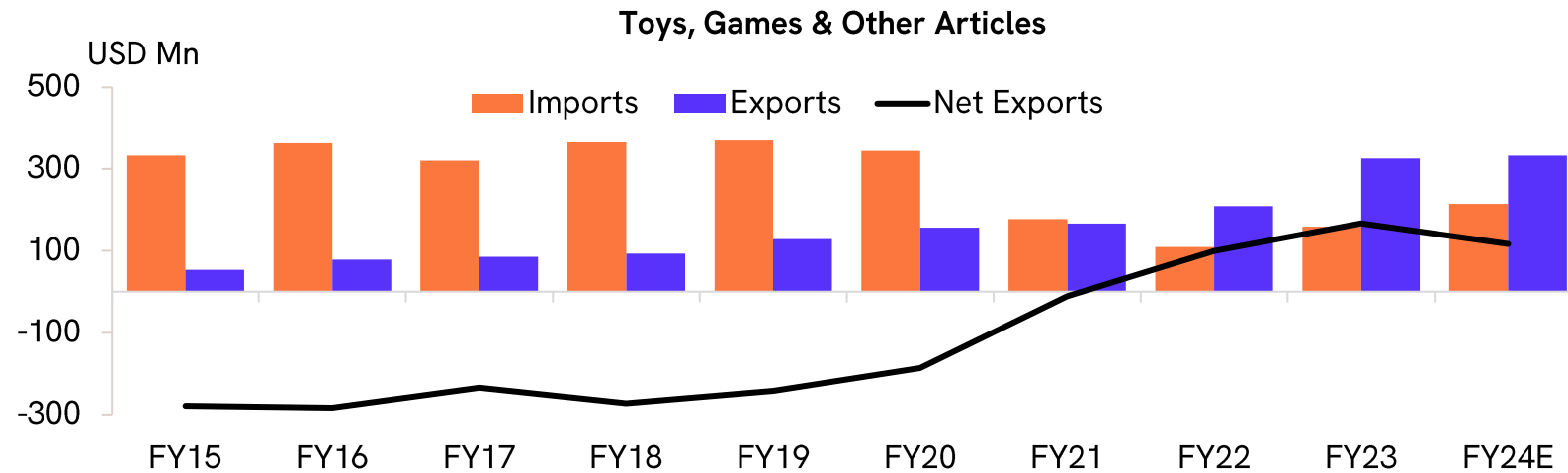
India has witnessed a surge in mobile phone manufacturing and exports **360**

There has also been a steady increase in exports of toys, games & other related articles



In FY19, India turned from being a net importer of mobile phones to a net exporter

According to the India Cellular and Electronics Association (ICEA), India has emerged as the world's second-largest manufacturer of mobile phones



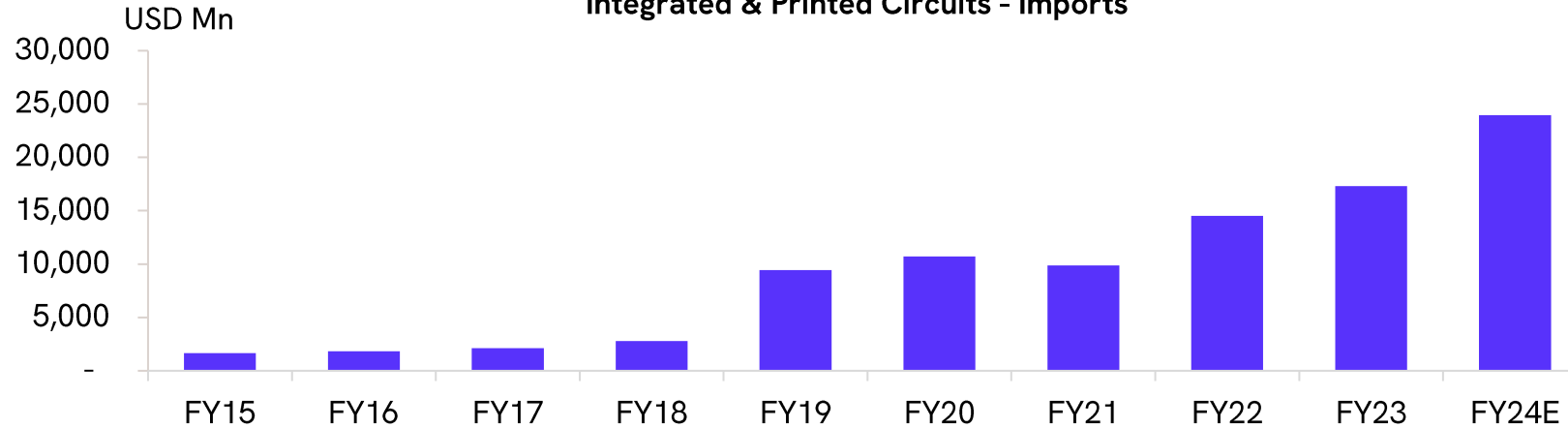
In FY22, India turned from being a net importer of toys, games and other related articles to a net exporter

To promote domestic production, the basic customs duty on toys was increased from 20% to 60% in February 2020 and subsequently to 70% in March 2023

Imports of integrated circuits surge with electronics manufacturing

Demand for lithium-ion batteries increases with the rise in EV penetration and the demand for energy storage

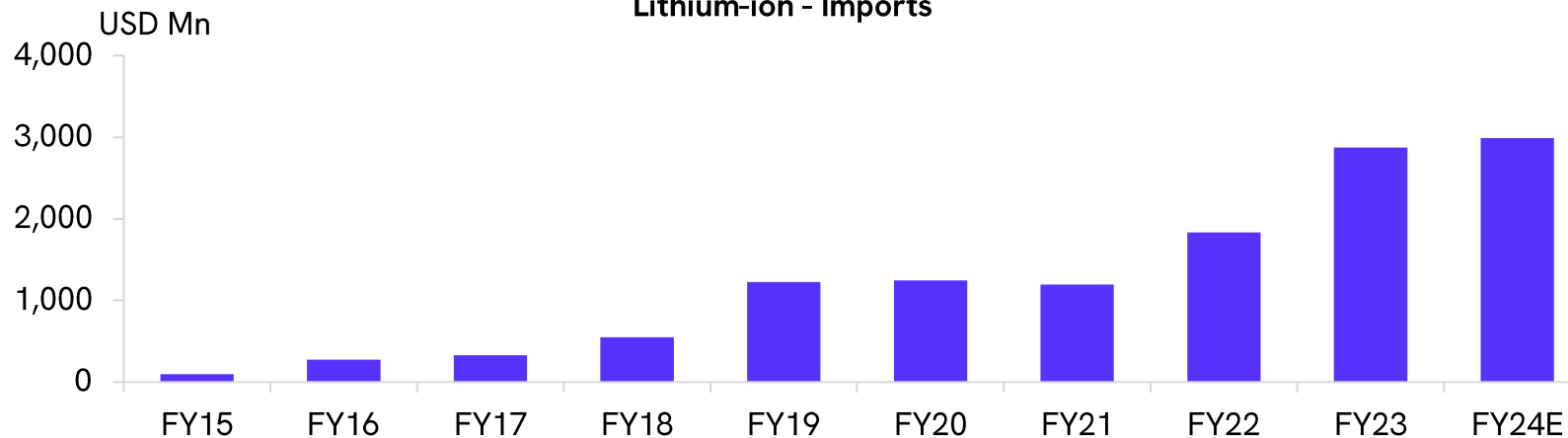
Integrated & Printed Circuits - Imports



India's imports of circuits (including monolithic ICs – digital, memories, printed circuits, and amplifiers) have more than doubled since FY21

The government has approved the construction of four semiconductor units under a \$10 bn incentive scheme for the semiconductor and display manufacturing

Lithium-ion - Imports

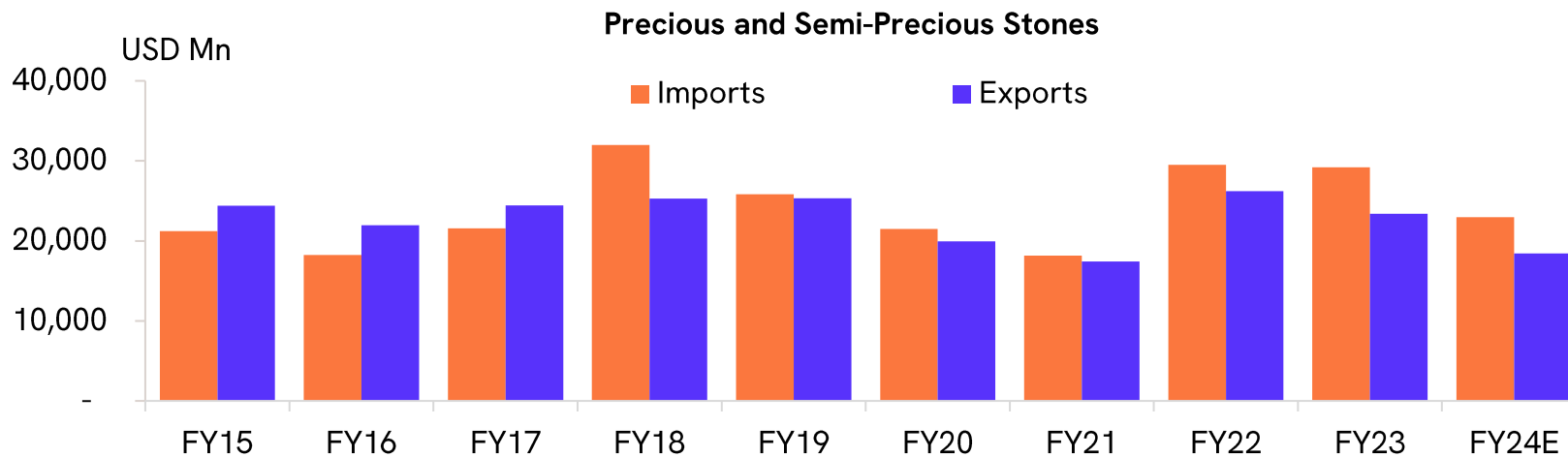
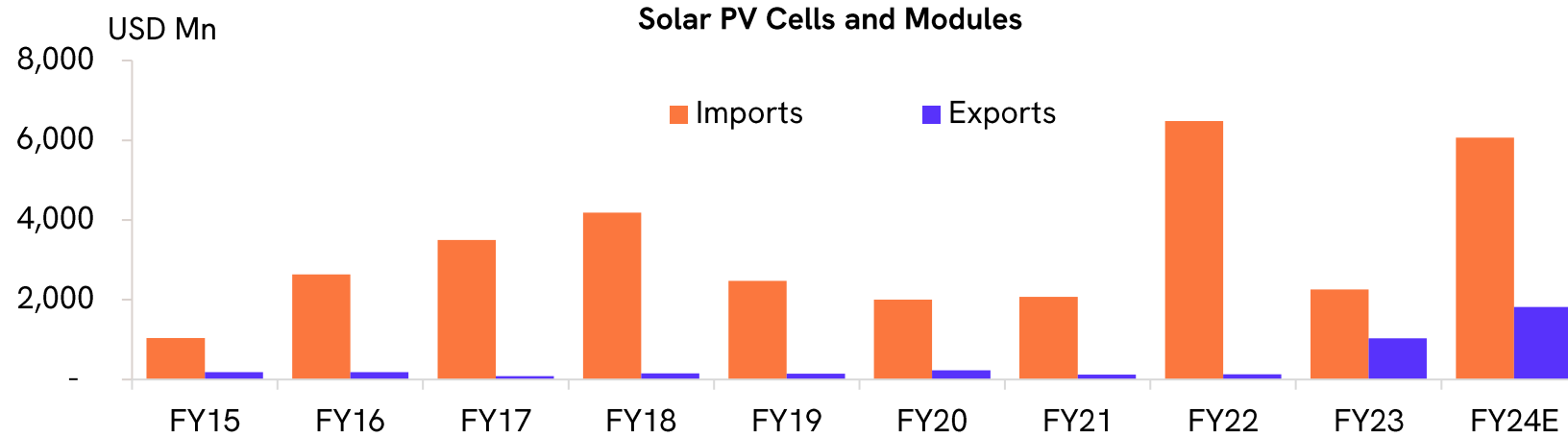


Approximately 75% of India's lithium-ion imports come from China

The demand for lithium-ion batteries is anticipated to surge exponentially due to the increased adoption of EVs and renewable energy storage needs

India's solar industry heavily reliant on China for PV cells and modules

India's precious and semi-precious stone industry is losing its luster as exports decline



China accounts for 60-65% of total solar PV cells and modules imports by India. The US market accounts for almost all of the exports

The Approved List of Models and Manufacturers (ALMM) was introduced in 2021 as a non-tariff barrier to boost domestic manufacturing. It was paused in FY24 but has been reinstated since April 1st, 2024

Additionally, the government imposed basic customs duty on solar PV cell and module imports starting April 2022

India's precious stone trade primarily involves importing unworked diamonds and exporting worked or cut diamonds

Since FY18, there has been an increase in imports of worked or cut diamonds

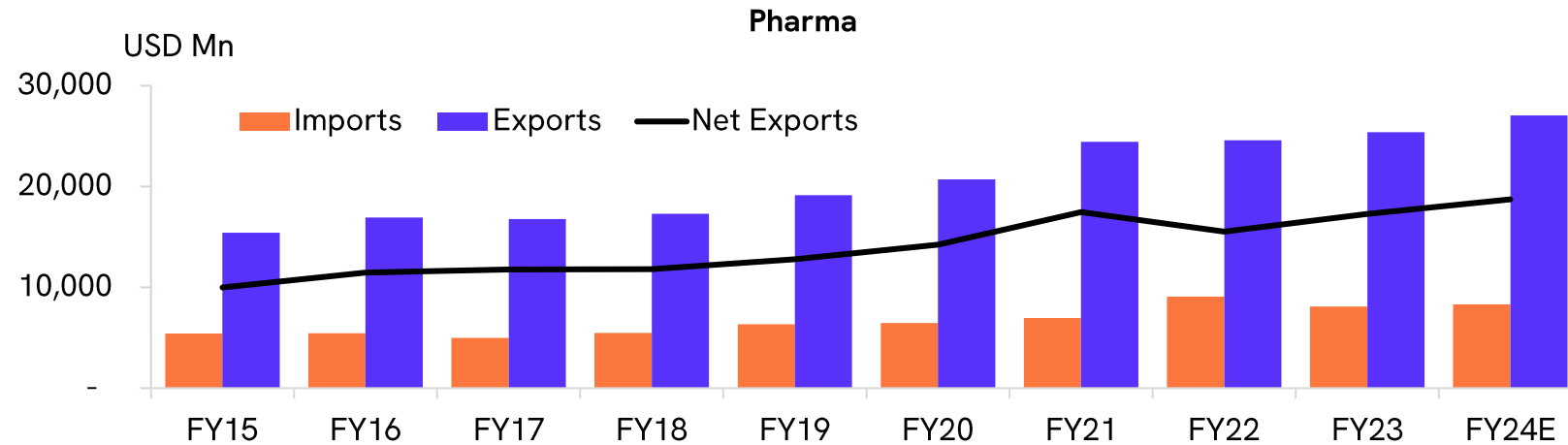
Exports have declined due to sluggish global demand

Source: Ministry of Commerce, 360 ONE Asset Research

Note- E: Estimated

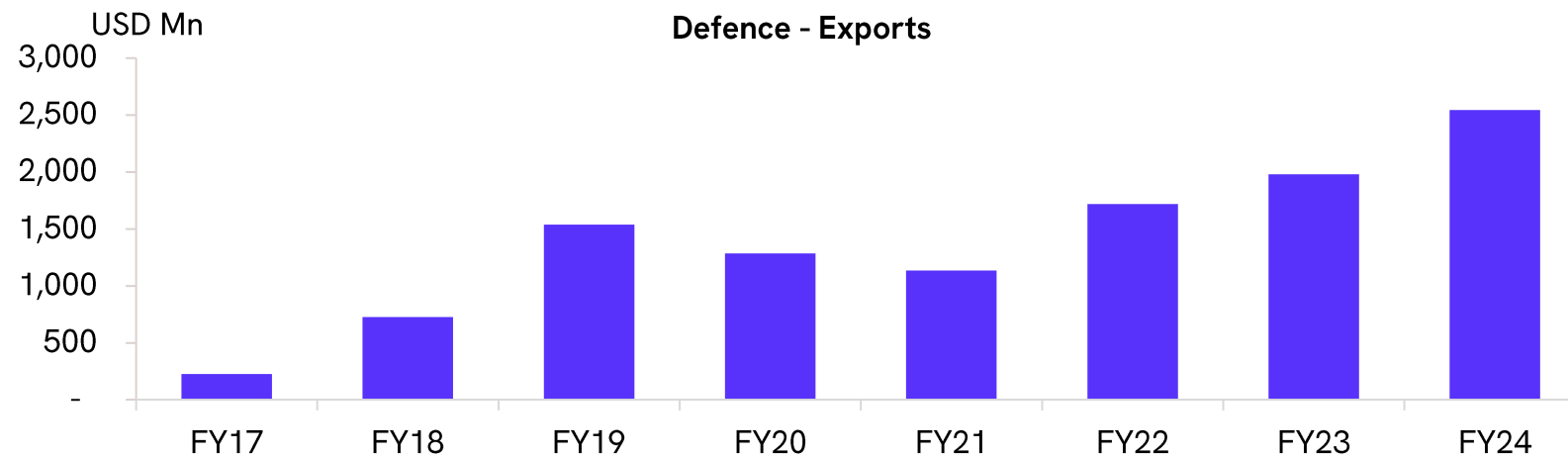
India's pharma exports continue to demonstrate steady improvement

India's defence exports surged to an all-time high in FY24, driven by exports from private sector companies



India's pharmaceutical exports to record 6-8% growth in FY24, propelled by the recovery in exports to the US market

Imports, however, remain stagnant and below the peak levels observed in FY22



In FY24, India's defence exports surged by 32% YoY to an all-time high of Rs. 211 bn (\$2.5bn), up from Rs. 159 bn (\$2.0bn) in FY23

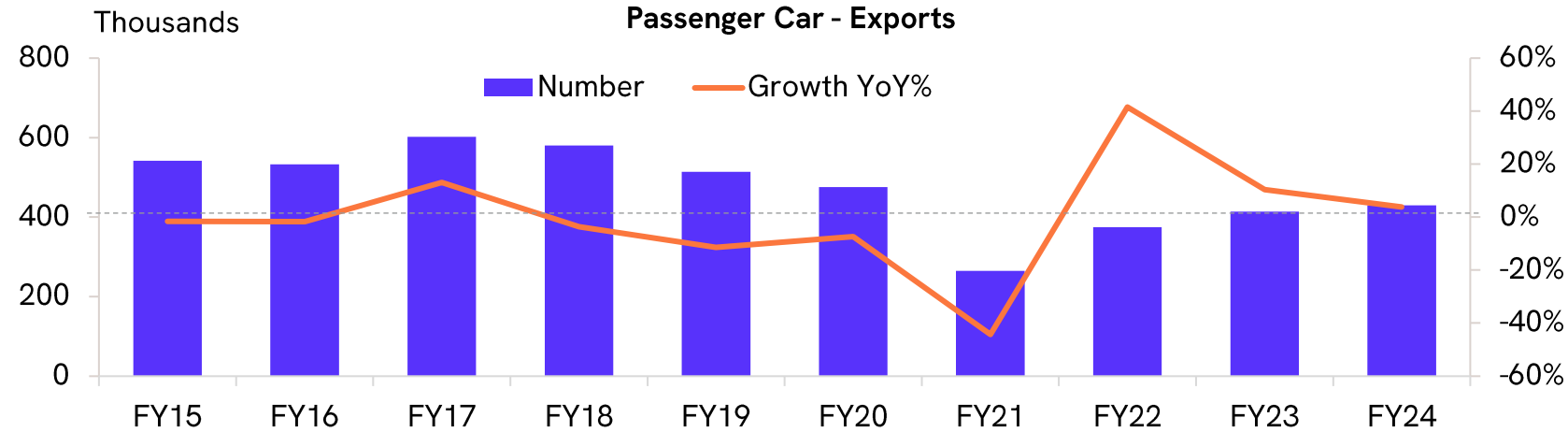
In FY24, India's private sector accounted for 62% of total defense exports, while PSUs contributed the remaining 38%

Source: Ministry of Commerce, PIB, 360 ONE Asset Research

Note- E: Estimated

Passenger car exports remain below the pre-covid level

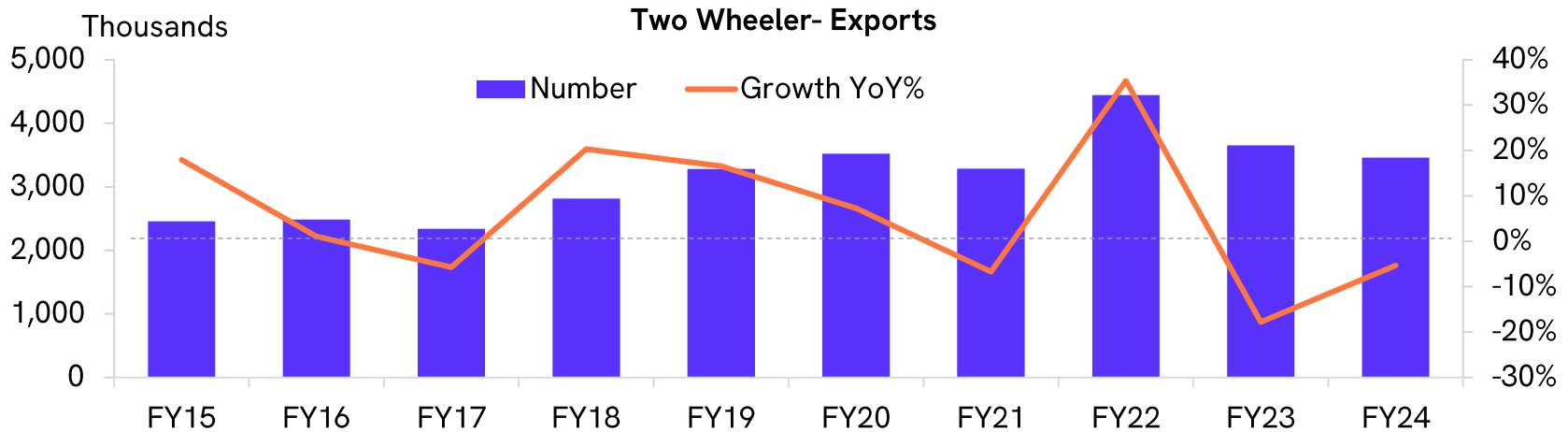
Two-wheeler exports contract for the second consecutive year



Passenger car exports have not recovered post-COVID and remain below FY20 levels

Export growth has also slowed to 4% YoY in FY24 from 10% in FY23

Passenger car exports impacted by geopolitical tensions, globally high inflation, high interest rate environment and recessionary fears



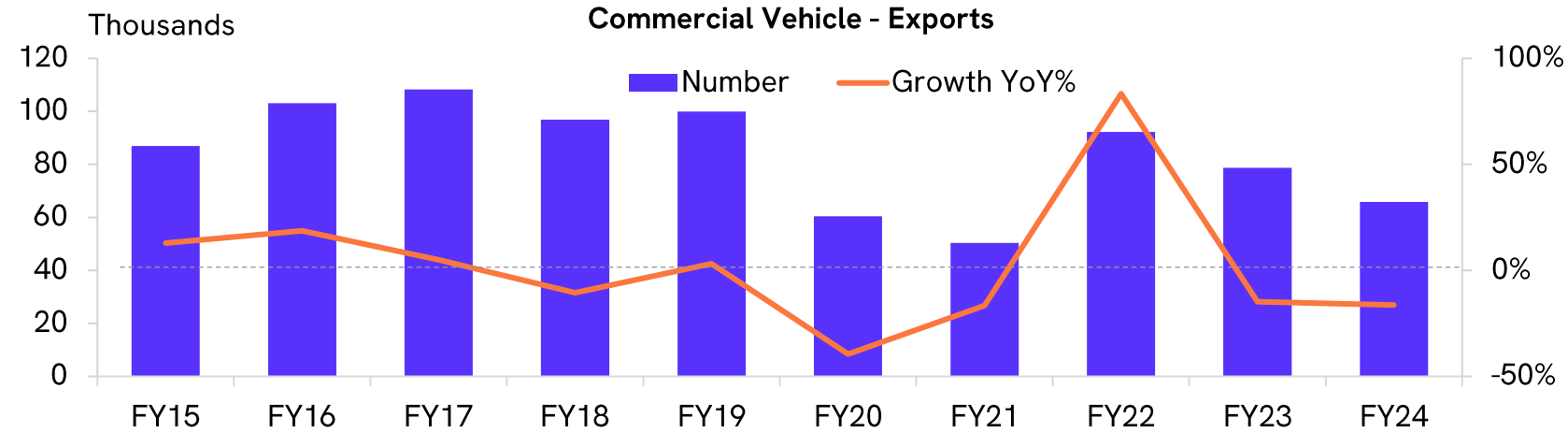
Two-wheeler exports contract for the second consecutive year in FY24

Key export markets continue to face macro-headwinds like high inflation, limited availability of foreign exchange, and weakened currencies

Source: CMIE, 360 ONE Asset Research

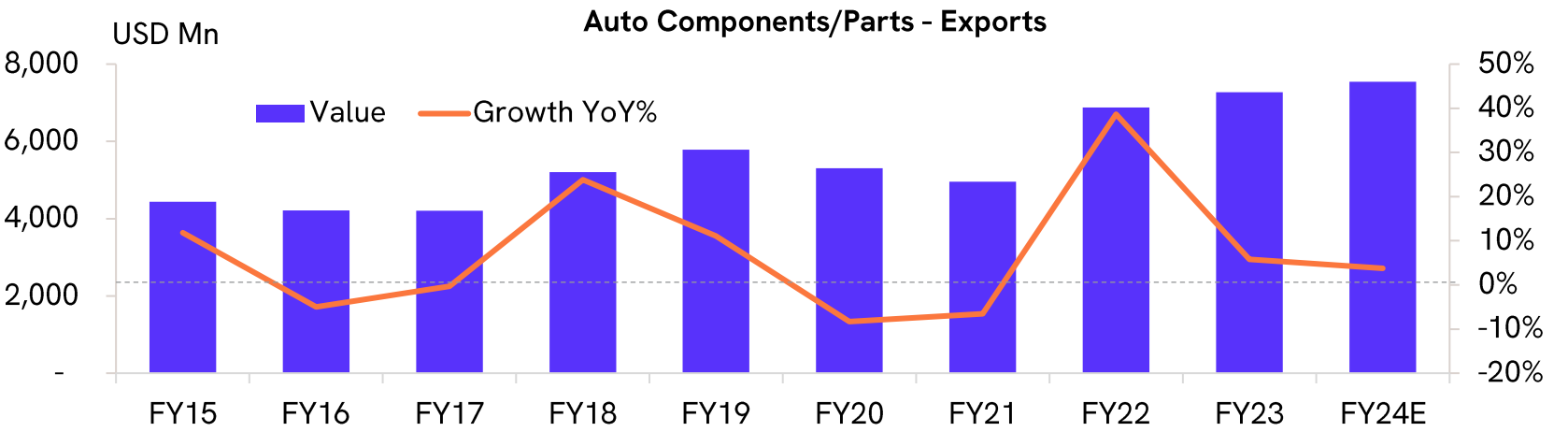
Commercial vehicle exports have declined over the past two years

Auto-ancillaries exports are performing comparatively better than auto exports



Commercial vehicle exports have remained below pre-COVID levels and have been contracting for the past two years

The decline has been observed in the exports of both Medium and Heavy Commercial Vehicles (MHCV) and Light Commercial Vehicles (LCV)



Auto ancillary exports are exhibiting a consistent upward trend and are faring much better than exports from auto companies

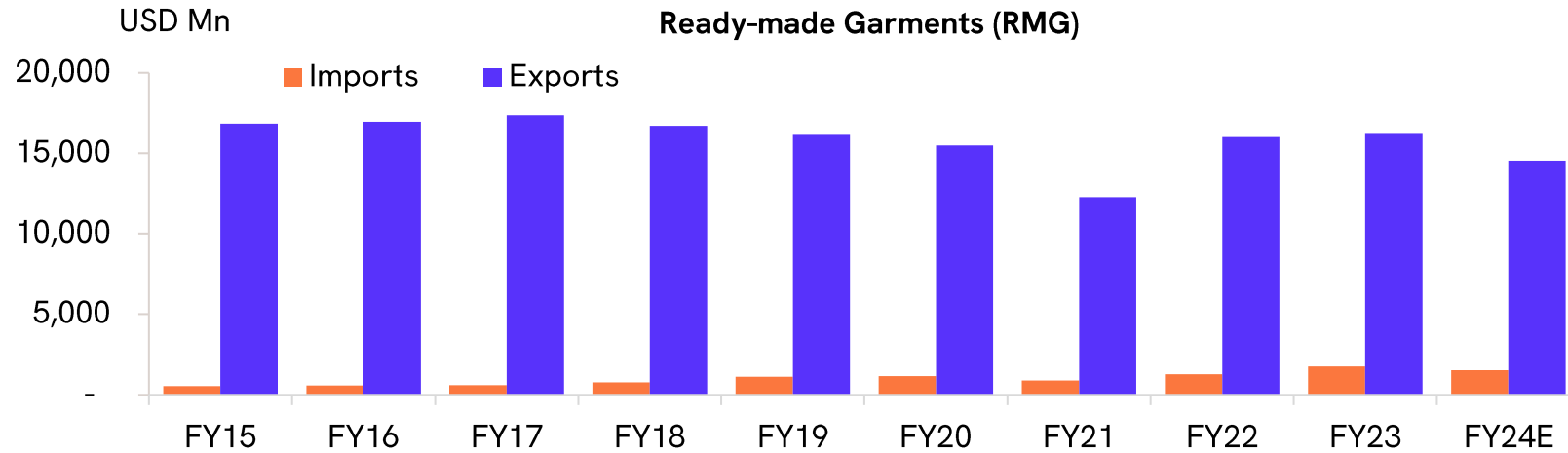
Indian auto ancillaries have a strong order book from global OEMs as they look to diversify their supply base outside of China

Source: CMIE, Ministry of Commerce, 360 ONE Asset Research

Note- E: Estimated

India's ready-made garments exports have decreased over the years

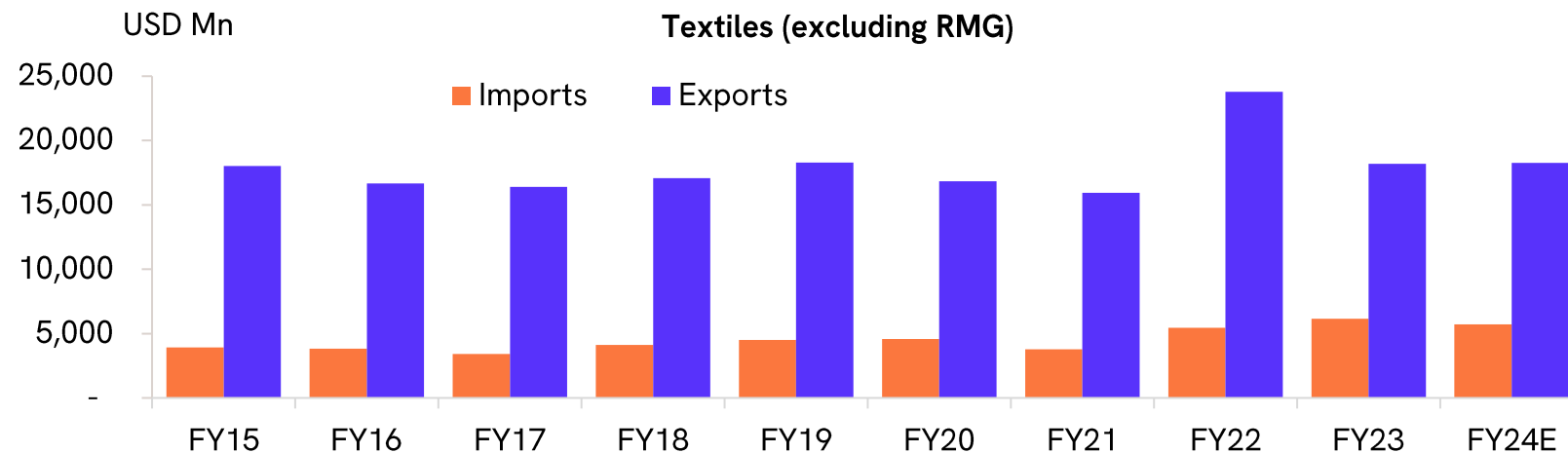
Textiles (excluding RMG) exports have remained mostly flat, while imports have picked up



India's Ready-made Garments (RMG) sector is less competitive compared to that of Vietnam and Bangladesh

Vietnam and Bangladesh enjoy zero tariffs in the EU due to free trade agreements

Bangladesh has lower labor costs, and large-scale manufacturing offers economies of scale, while Indian manufacturing is comparatively small-scale



Exports of textiles (excluding RMG), mainly consisting of yarn, fabrics, and made-ups, have remained mostly flat. However, imports have increased marginally over the years

Source: Ministry of Commerce, 360 ONE Asset Research

Note: E: Estimated

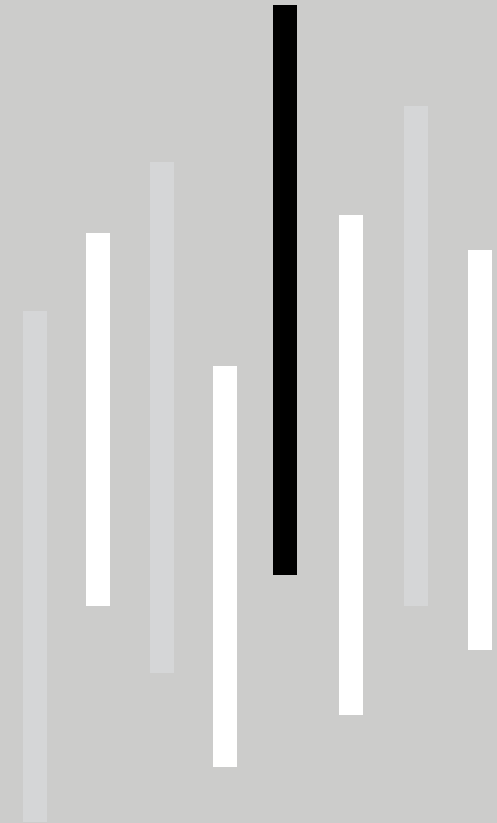
Improvement in merchandise deficit driven by lower commodity prices

The increase in electronic exports is offset by an increase in electronic component imports

USD bn	FY22	FY23	FY24	FY21/22 Δ	FY22/23 Δ	FY23/24 Δ	
Exports	422	451	430	130	29	-21	
Petroproducts	67	97	77	42	30	-20	← Petro product exports decline on account of correction in prices
Gems & Jewellery	39	38	33	13	-1	-5	
Exports ex petro & precious	315	316	320	76	0	4	
Of which, Engineering goods	112	107	110	35	-5	2	← Engineering goods include metal & metal products, machinery, transport equipment (including passenger cars, two-wheelers and auto components) etc.
Pharma	25	25	28	0	1	2	
Chemicals	29	30	29	7	1	-1	
Electronics	16	24	29	5	8	6	← Electronic exports improve due to a surge in mobile phone exports
Textiles	39	34	33	11	-5	-1	
Imports	613	716	675	220	103	-41	
Crude & Petroproducts	162	209	181	79	48	-29	← Crude and petro product imports decline due to a correction in crude prices
Gold, Silver & Other Valuables	80	71	75	26	-9	4	
Imports ex petro & precious	371	436	420	115	65	-16	
Of which, Electronics	74	77	90	19	4	12	← Electronic imports are driven by imports of electronic components such as ICs
Machinery	40	45	49	10	5	3	
Coal, Ores & Metals	76	102	94	31	26	-8	← Driven by decline in coal prices
Chemicals & Fertilizers	60	67	55	21	7	-12	← Driven by decline in fertilizer prices
Trade Surplus(+)/Deficit(-)	-191	-265	-245	-90	-74	20	

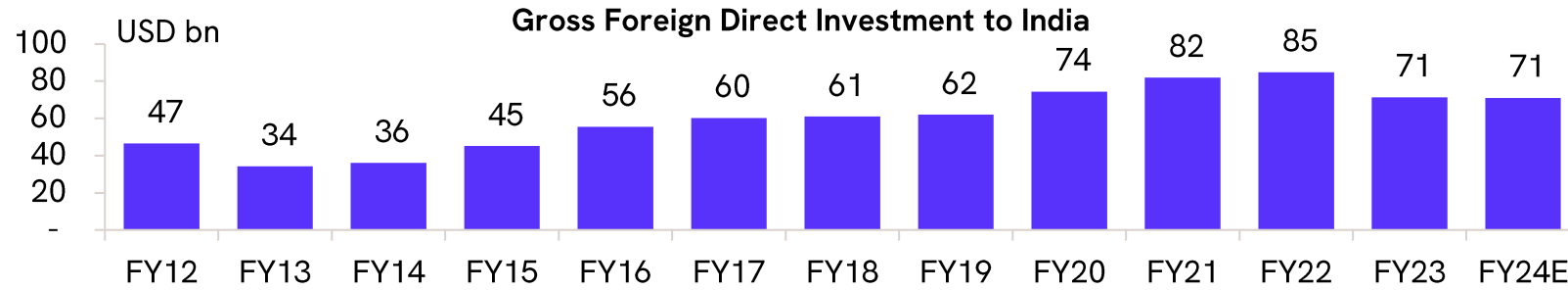
Source: Ministry of Commerce, 360 ONE Asset Research

Foreign Direct Investment

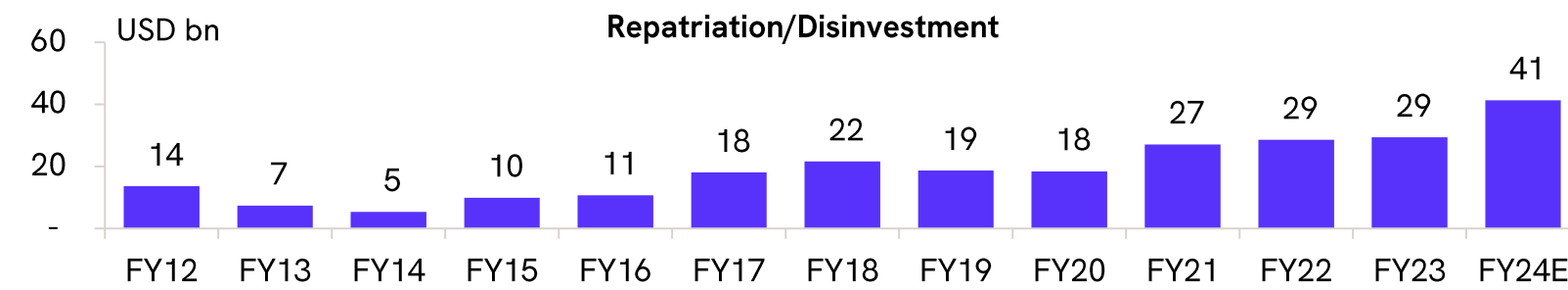


Gross FDI inflows have dropped since FY22, while redemptions increased

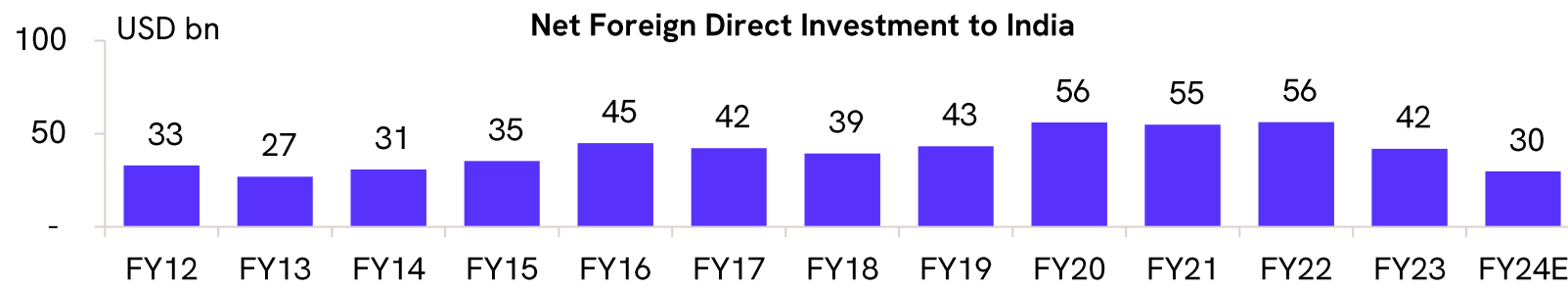
Net FDI inflows have experienced a significant decline on account of weaker inflows and higher redemptions



India's gross foreign direct investment (FDI) inflows have dropped from the peak of in FY22



Meanwhile, redemptions have picked up significantly in FY24
Higher redemptions could be due to rich equity valuations in India compared to global equities



Consequently, net foreign direct investment has experienced a significant decline, as higher redemptions have added to weaker gross inflows

Source: CMIE, 360 ONE Asset Research

Note- E: Estimated

Software, BFSI and Trading witness decline in investments in FYTD24

Warehousing, energy and hospital/diagnostics witness an increase in investments

US\$ Bn	2019	2020	2021	2022	2023	9MFY23	9MFY24	Delta
Software	6.4	7.7	26.1	14.4	9.4	8.1	3.4	-4.7
BFSI	6.8	5.4	4.0	4.3	6.5	5.0	3.1	-1.9
Trading	4.5	4.6	2.6	4.5	4.8	4.1	2.7	-1.5
Warehousing	0.1	0.2	6.5	0.1	0.4	0.3	2.1	1.7
Non-conventional Energy	1.4	1.4	0.8	1.6	2.5	1.7	2.1	0.5
Conventional Energy	1.1	0.7	0.4	0.5	0.7	0.7	1.6	0.9
Hospitals and Diagnostics	1.0	0.6	0.5	0.7	0.8	0.6	1.1	0.5
Automobiles (including Ancillaries)	2.6	2.8	1.6	7.0	1.9	1.3	0.9	-0.4
Drugs and Pharmaceuticals	0.3	0.5	1.5	1.4	2.1	1.8	0.9	-0.9
Chemicals (ex. Fertilizers)	2.0	1.1	0.8	1.0	1.9	1.5	0.8	-0.7
Cement	0.0	0.0	0.0	0.2	0.0	0.0	0.6	0.6
Electronics	0.5	0.4	0.4	0.4	0.5	0.2	0.4	0.3
Industrial Machinery	0.3	0.4	0.3	0.3	0.3	0.2	0.3	0.1
Consultancy Services	0.4	1.0	0.9	1.2	0.6	0.5	0.6	0.1
Others	16.9	23.1	13.2	21.1	13.7	10.7	11.5	0.8
Total	44.4	50.0	59.6	58.8	46.0	36.7	32.2	-4.5

Software services witness the largest FDI inflows despite experiencing the sharpest decline in 9MFY24

BFSI and Trading also witness a significant decline in FDI inflows

The warehousing sector witnesses a steep increase in investment in 9MFY24

Both conventional and non-conventional energy also observe an increase in investments

Hospital and diagnostics also witness strong growth in investments

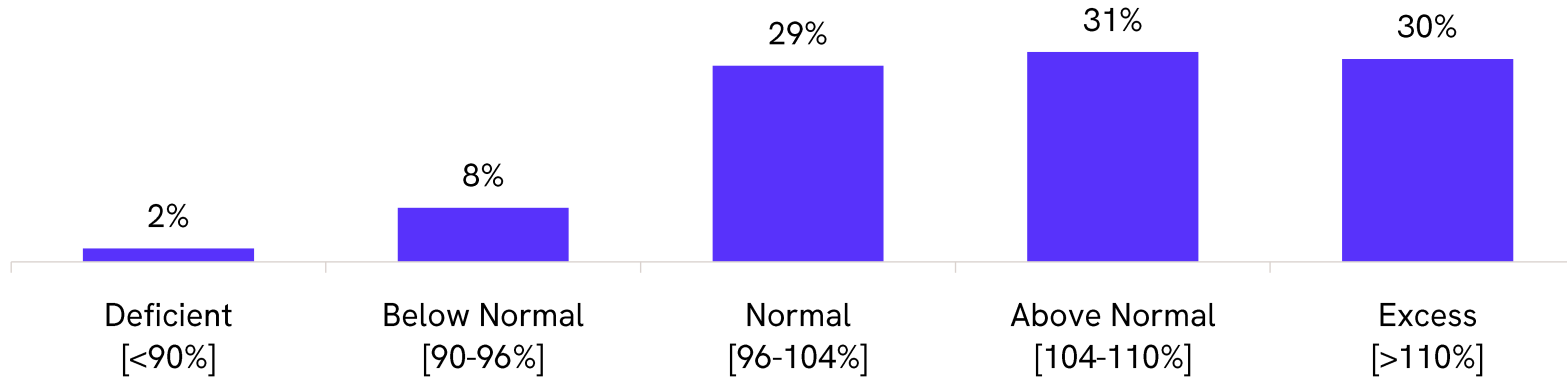
Monsoon Forecasts



IMD forecasts 'above normal' monsoon at 106% of long period average

El Niño conditions will likely turn neutral in the early monsoon, and La Niña is expected to develop during the 2nd half

IMD 1st Stage Long Range Forecasts
Probabilities for Rainfall Range (% of Long Period Average – LPA)

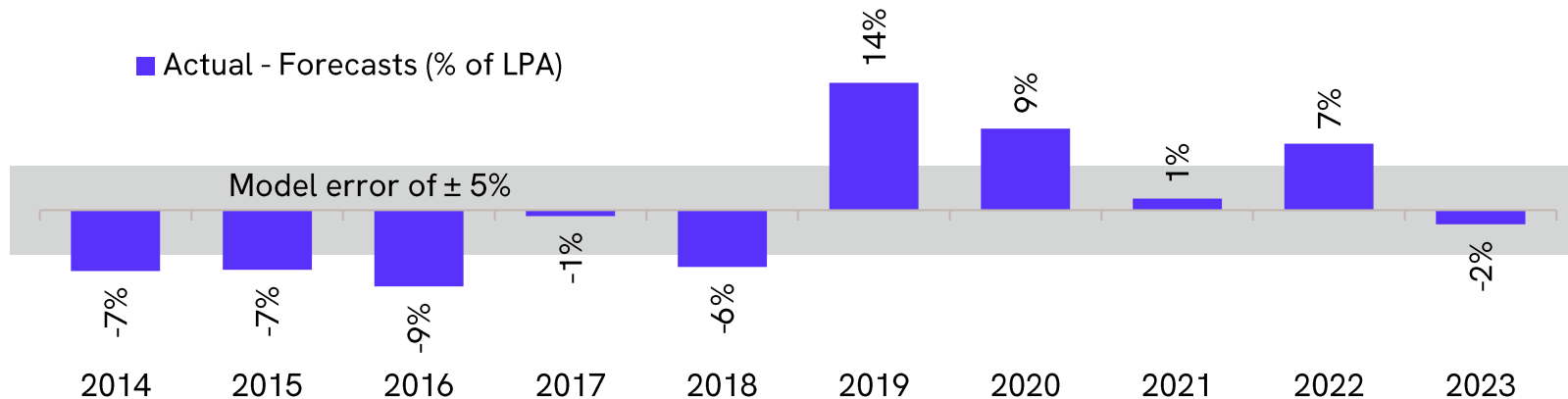


India Meteorological Department (IMD) assigns a 61% probability to above-normal or excess monsoon

El Niño conditions are likely to turn neutral in the early part of the monsoon season, and La Niña conditions are likely to develop during the second half of the monsoon season

Monsoon seasonal rainfall in 2024 is likely to be 106% of the Long Period Average (LPA) with a model error of $\pm 5\%$

Deviation of Actual from IMD 1st Stage Forecasts



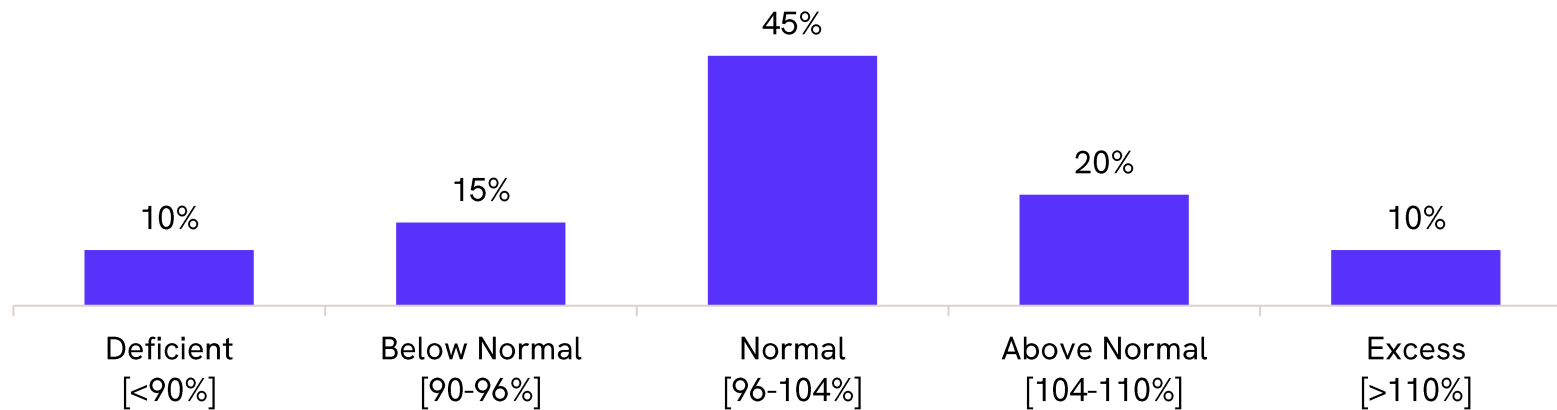
Between 2014 and 2018, IMD consistently overestimated the monsoon, while from 2019 to 2022, IMD consistently underestimated the monsoon

In 2023, the actual rainfall was 'below normal' at 94% of LPA compared to the forecast of a 'normal' monsoon at 96% of LPA

Skymet forecasts 'normal' monsoon at 102% of long period average

Monsoon season may start slow due to the remnant effects of El Niño but is expected to gather pace gradually

Skymet - Probabilities for Rainfall Range (% of LPA)

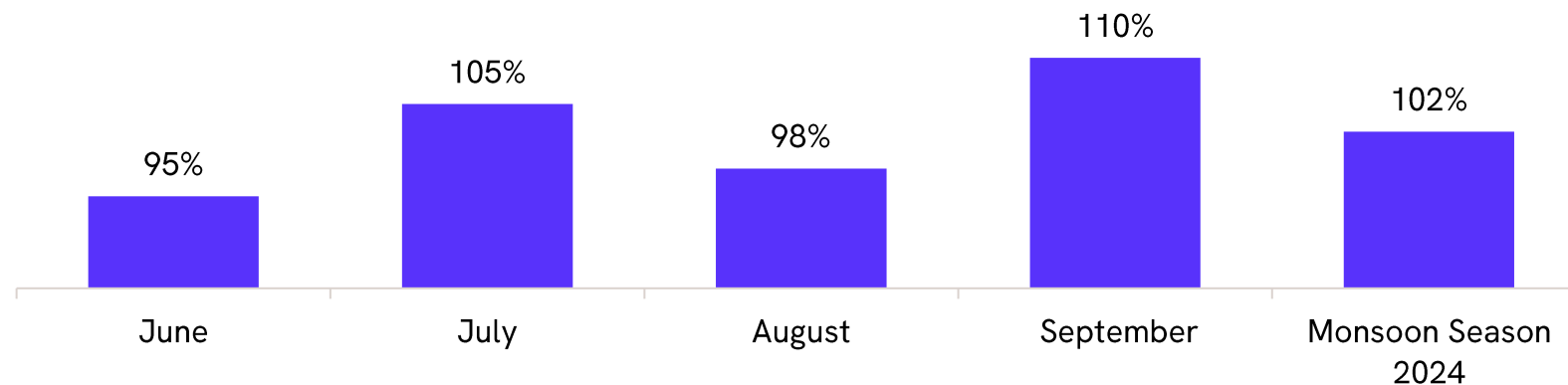


Skymet assigns a 45% probability to a 'normal' monsoon in 2024

Skymet assigns a 30% probability to an 'above normal' or 'excess monsoon', much lower than IMD's 61% probability

Skymet expects the upcoming monsoon to be 'normal' at 102% (with an error margin of $\pm 5\%$) of the long period average

Month-wise Monsoon Forecast (% of LPA)



According to Skymet - "monsoon season may start with risk of impairment, attributable to the remnant effects of El Niño. The second half of the season will have an overwhelming edge over the primal phase"

Also, the rainfall distribution is likely to be diverse and inequitable for the season as a whole

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