



Industry Notes.....Aug 2018

Dear friends

Predicting the future and the trends has probably never been so challenging as in current times. The mixed situation of economy in India and also in the rest of the world presents itself with difficult inputs to build an algorithm. The standard benchmarks of measuring economy are in contradiction and the changes at the grassroots level can be classified both as disruptive and progressive.

Certain industry sectors in India are seeing great upswing in demand which can be ascribed to changing mix of income generation in the country, change in regulations/ laws and influence of technology. The income levels at tier-2 and 3 towns of India are buoyant, driven by increasing prices of agricultural products, outsourcing or back offices being set up by larger companies to reduce establishment costs leading to job creation and complete overhaul of the transportation hubs due to introduction of GST. As a result, there is a sudden increase in earnings for companies in consumer sector including FMCG and durables, commercial & utility vehicles, apparels, budget hotels and steel products. The capacity addition activity in these sectors has also kicked off and that's a small respite to an otherwise ailing capital goods industry. The public sector banking system remains in dismal state and the private financing through NBFCs is on exponential growth. There is a visible shift in financing mix for MSME and small/mid size corporates, it could lead to formation of some large NBFCs which may

eventually lead to formation of some more private sector banks to address the liability side challenges of a large size NBFC business. We have diversified our portfolio in our PMS scheme to capture some of these trends and the first quarter results testify the thesis.

Our business in structured finance solutions is mainly to help our corporate clients address the problem of asset-liability mismatch, unsustainable debt, divestments to restore financial prudence and continued problems in using conventional non-fund limits form banking system to meet the working capital requirements. Unlike the situation of the period 2005-08, there are still no signs or requirements for equity to meet growth or capex and a larger section of corporates in India continue to deal with the problems of disruption, pricing power and demand stagnation of the period 2011-15 which has had cascading effect on the financial sustainability.

The digital economy is continuing to make inroads across the sectors and its market share in respective sectors is sizable to be counted as competition or disruption. Like online travel booking, verticals like entertainment and financial intermediation have already claimed a dominant market share. Our survey of companies in online gaming business bears testimony to this fact and it can be a very large industry in India in a short period with consumer pull within India and rest of the globe.

We appreciate your continued support and encouragement to the team at IMAP India.

Ashutosh Maheshwari

Chairman
ashutosh@imapindia.in