



Capital
—SPROUT—

NEWSLETTER

SEPTEMBER 2022



The Chairman's Message



Dear Readers,

Greetings from Capital Sprout!

I am delighted to present September 2022 issue of the Capital Sprout's Wealth Bulletin curated to help you understand Markets, Performance of different Asset Classes and Industry Trends.

Over the years, the sectoral representation in Nifty-50 has undergone a sea change, inconsonance with the changes in the underlying economy – new dominant sectors have evolved, while some of the erstwhile dominant sectors of the economy have lost relative importance in the new India.

Undoubtedly, it can be said that banking sector is one of the rapidly rising sectors among all the sectors in an economy with respect to today's era. Therefore, in this edition, we take a deep dive to understand how the weights of banking sectors/companies in Nifty-50 have changed in the last 3-5 years. The relationship between some Banks and Stock Market is analyzed with respect to India. The study attempts to answer how the development in banks and stock markets are related in India and what is the cause-and-effect relationship between both, For the purpose of analysis, Nifty 50 is taken as the measure of stock market indices and Bank Nifty index is taken as a measure of the performance of banking sector.

Based on the findings, various investors can learn the behavior and impact of Banking sector with the index returns which can further enhance your investment strategies for the year ahead, read to understand how the significant relation between the two suggests that Finance/Banking sector are vital to the growth and development of the stock market.

CA DR Rajesh Khandol

HISTORY OF INDIAN BANKING SECTOR



National Asset reconstruction company (NARCL) will take over, 15 nonperforming loans (NPLs) worth Rs. 50,000 crores (US\$6.70billion) from the banks.

2020 onwards

As per Union Budget 2021-22, the government will disinvest IDBI Bank and privatise two public sector banks.

According to the RBI, India's foreign exchange reserves reached US\$ 601.36 billion as of June 3, 2022.

2000 onwards

In 2003, Kotak Mahindra Finance Ltd received a banking license from RBI and became the first NBFC to be converted into a bank.

In 2009, the Government removed the Banking Cash Transaction Tax which was introduced in 2005.

1956 to 2000

Nationalization of 14 large commercial banks in 1969 & six more banks in 1980.

Entry of private players such as ICICI intensifying the competition.

Gradual technology upgradation in PSU banks.

Imperial Bank expanded its network to 480 branches.

1936 to 1955

RBI was established as the central bank of country.

Quasi central banking role of Imperial Bank came to an end.

In order to increase penetration in rural areas, Imperial Bank was converted into State Bank of India.

1935

1921

Closed market.

State-owned Imperial Bank of India was the only bank existing.

Economic and Demographic drivers

Favorable demographics and rising income levels.

India ranks among the top 6 economies with a GDP of US\$ 2.73 trillion in 2018.

Infrastructure Financing

India currently spends 6% of GDP on infrastructure; NITI Aayog expects this fraction to grow going ahead.

Open banking eco-system

The open banking eco-system in India has now grown to include Non-Banking Financial Company (NBFC) and other fintech players that have created partnerships within the banking system.

Cross-border payments

Visa Inc. has sought RBI's permission to offer a new cross-border payments system to process trade flows to and from India. It will be offering a potentially cheaper, quicker and block chain based solution now on trial.

Government initiatives

Government has smoothly carried out consolidation, reducing the number of public sector banks by eight.

The Government of India will invest Rs. 48,239 crore (US\$ 6.78 billion) in 12 public sector banks in FY20 to help maintain regulatory capital requirements and financial growth in India.

The Government of India will invest Rs. 5,042 crore (US\$ 730.88 million) in Bank of Baroda post its merger with two other public sector lenders, Dena Bank and Vijaya Bank.

Innovation In Services

Mobile, internet banking and extension of facilities at ATM stations to improve operational efficiency.

RBI announced the launch of its first globalhackathon 'HARBINGER 2021 – Innovation for Transformation' with the theme 'Smarter Digital Payments'.

In the Union budget of 2022-23 India has announced plans for a central bank digital currency (CBDC) which will be possibly know as Digital Rupee.

Wide usability of RTGS, NEFT and IMPS

Real Time Gross Settlement (RTGS) and National Electronic Funds Transfer (NEFT) are being implemented by Indian banks for fund transaction.

Securities Exchange Board of India (SEBI) has included NEFT & RTGS payment system to the existing list of methods that a company can use for payment of dividend or other cash benefits to their shareholders & investors.

The number of transactions through immediate payment service (IMPS) reached 430.67 million and amounted to Rs.3.70 trillion (US\$49.75billion) in October 2021.

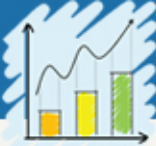
Insurance

Insurance reach is still low in India, overall insurance penetration (premium as a percentage of GDP) is increased from 3 percent in F.Y. 15 to 4.2 percent in F.Y. 21

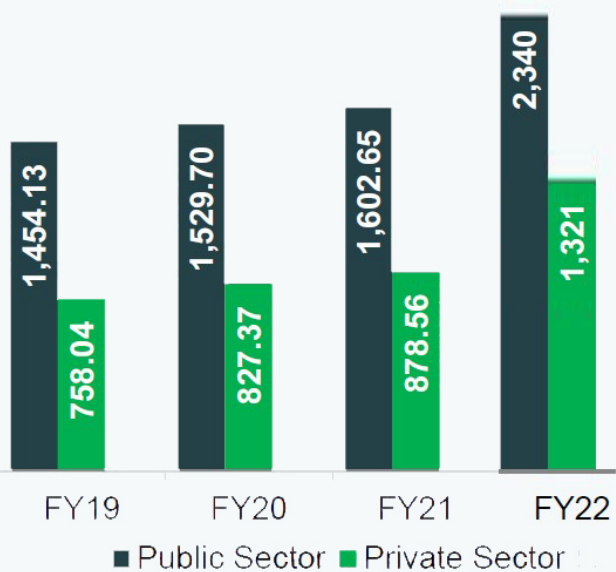
Non life insurance penetration is only 1 percent of GDP which is very low as compare to developed countries

Despite being hit by the coronavirus pandemic, ICICI Prudential life is confident of meeting the FY 2023 target of doubling the value of new business premium and has set an annual growth rate of 30 percent.

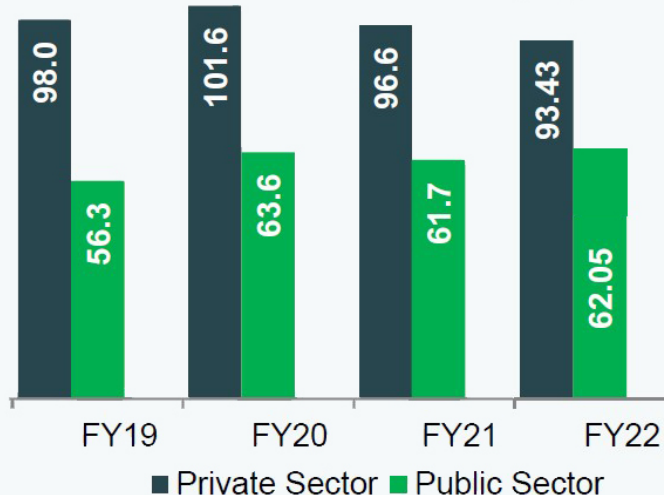
KEY BANKING STATISTICS



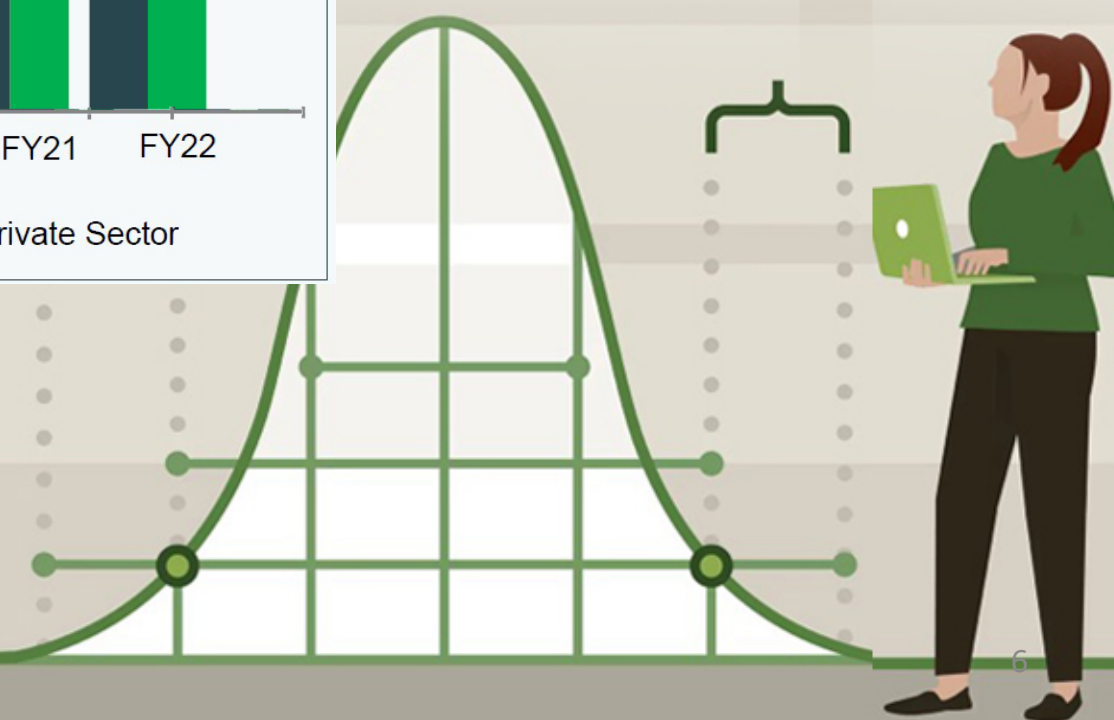
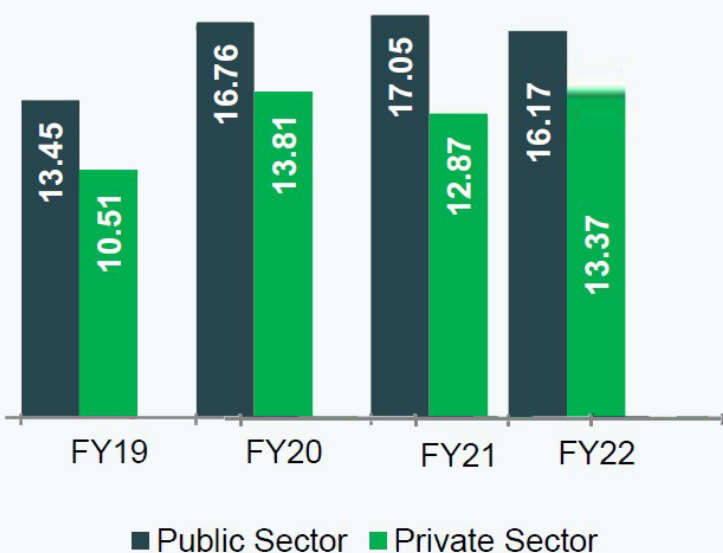
Total Banking sector assets (US\$ billion)



Interest income growth in Indian banking sector (US\$ billion)



'Other income' growth in Indian banking sector (US\$ billion)



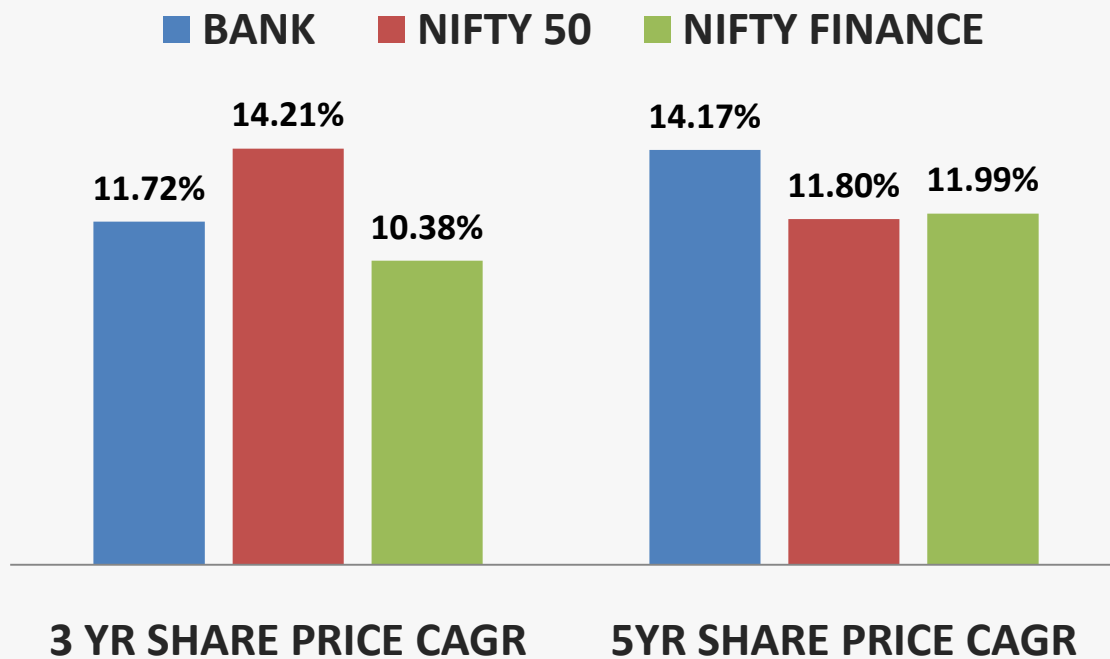
PERSPECTIVE OF BANKING & FINANCE SECTOR WITH INDIAN STOCK MARKET

Below is the list of Banks that are included in Nifty 50 along with weightage of each banking & financial stocks in Nifty 50 as on 30-09-2022. HDFC Bank has the highest weightage having 8.87% weightage in Nifty 50, whereas ICICI Bank has second highest weightage having 6.72% weightage & HDFC is on third position having 6.55% in Nifty 50 Weightage List.

Sr. No.	Symbol	Weightage in NIFTY
1	HDFCBANK	8.87%
2	ICICIBANK	6.72%
3	HDFC	6.55%
4	KOTAKBANK	3.91%
5	BAJFINANCE	2.52%
6	SBIN	2.40%
7	AXISBANK	2.29%
8	BAJAJFINSV	1.42%
9	HDFCLIFE	0.86%
10	INDUSINDBK	0.70%
11	SBILIFE	0.69%
Total Weightage		37%

NIFTY 50

COMPARISON OF NIFTY 50 STOCKS VS BANKING & FINANCE SECTOR STOCKS IN NIFTY 50



Historically, the dominant sector in Nifty 50 is financial services, with 25 to 37 percent weight. Within the segment, banking is the major constituent. The 11 largest banks on Nifty 50 Index has delivered **11.72 percent** CAGR on price terms of 3 Years between September 30, 2019 and September 30, 2022, over the same period of 3 years, the Nifty 50 delivered **14.21 percent** CAGR and Bank Nifty delivered **10.38 percent** CAGR. During the period of 5 Years from September 30, 2017 and September 30, 2022 11 Largest banks on Nifty 50 Index delivered **14.17 percent** where in Nifty 50 delivered **11.80 percent** CAGR and Bank Nifty Index has delivered **11.99 percent**. Banks has outperformed the Nifty 50 in 5 years, from 2017 to 2022 but underperformed Nifty 50 in 3 year period of September 2019 to September 2022. The outperformance shows the relative importance and future potential attached by the market to the banking component of the Nifty index, which has contributed to the high weightage of the financial services sector. The Banking sector captures around 37 percent of the share in Nifty 50.

Considering the CAGR return of 3 Years as compare to 5 Year and future prospects & growth of Indian economy, stocks of banking and financial sector has good potential of growth.

Performances



Equity Market

Indices	01 st Sept 2022	30 th Sept,2022	High	Low
BSE S&P SENSEX	59,537	57,426	60,571	56,409
NIFTY 50	17,759	17,094	18,070	16,818

Mutual Fund

AUM Data of Mutual Fund for the Month of Sept - 2022

(INR. In Lakh Crore)

Particulars	AUM As On 31-08-2022	Fresh Fund Mobilize During Sep-22	Redemption During Sep-22	AUM As On 30-09-2022
Total AUM of all mutual funds scheme	38.84	9.78	10.19	38.43
AUM of equity oriented (growth) schemes	14.50	0.36	0.22	14.64

Source: Association of Mutual Fund of India (AMFI)

Performances

SIP Contribution

(INR. In Crore)

Year	SIP Contribution	SIP AUM
Sept-22	12,796	6,35,286
Weightage of SIP AUM in total AUM		16.52%

FII & DII Inflow/Outflow Position

FII's selling has again started in the month of Sep 22., FII'S Net outflow in Cash segment **Apr-22 to Sep-22** is approx **Rs. 1.56 Lakh crore**. DII's Net Inflow in Cash segment during **Apr-22 to Sep-22** is approx **Rs. 1.45 Lakh crore** which shows the positive impact in Mutual fund industry.

Inflow/Outflow position in the month of Sep - 2022

(INR. In Crore)

For The Month Of August	Gross Purchase	Gross Sale	Net
FII	1.91 Lakh	2.09 Lakh	- 0.18 Lakh
DII	1.61 Lakh	1.47 Lakh	+0.14 Lakh

