

## RESEARCH

### BOB ECONOMICS RESEARCH | INFLATION IMPACT

Does inflation have any association with sales?

### BOB ECONOMICS RESEARCH | IPO STUDY

Update on performance of IPO market

## SUMMARY

### INDIA ECONOMICS: INFLATION IMPACT

Global economy has been witnessing upheavals due to uncertainty posed by factors such as the Russia-Ukraine conflict which resulted in supply constraints thus hampering global value chains. These have in turn pushed global prices to a new high in CY22. India has not been unaffected to these waves. Some products faced the brunt of high inflation with people restricting the purchase. However for others, the pent up demand phenomenon helped to retain growth in production. The study attempts to understand if inflation has any association with lower consumption (production as proxy where data no available) levels or it insulated from it completely.

[Click here for the full report.](#)

### INDIA ECONOMICS: IPO STUDY

While the size of the IPO market remains small in CYTD22 so far at ~Rs 55,000 crore versus Rs 1.2 lakh crore. In the current year, while Sensex has risen by 7.6% on an average, the returns on IPOs have averaged 17.7%. Overall, IPOs issued have been concentrated in 3 major sectors (contributing to 56% of the total issuance)-edible oil, insurance and hospital & healthcare services. While edible oil industry has performed very well on the stock market, insurance industry (LIC) has taken a hit, while returns in healthcare services industry are modest at best.

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### Daily macro indicators

Indicator	19-Dec	20-Dec	Chg (%)
US 10Y yield (%)	3.58	3.68	10bps
India 10Y yield (%)	7.30	7.30	0bps
USD/INR	82.70	82.76	(0.1)
Brent Crude (US\$/bbl)	79.8	80.0	0.2
Dow	32,758	32,850	0.3
Hang Seng	19,353	19,095	(1.3)
Sensex	61,806	61,702	(0.2)
India FII (US\$ mn)	16-Dec	19-Dec	Chg (\$ mn)
FII-D	18.2	(71.5)	(89.7)
FII-E	(89.0)	(16.6)	72.4

Source: Bank of Baroda Economics Research

**BOBCAPS Research**

research@bobcaps.in



## INFLATION IMPACT

21 December 2022

### Does inflation have any association with sales?

Global economy has been witnessing upheavals due to uncertainty posed by factors such as the Russia-Ukraine conflict which resulted in supply constraints thus hampering global value chains. These have in turn pushed global prices to a new high in CY22. India has not been unaffected to these waves. Some products faced the brunt of high inflation with people restricting the purchase. However for others, the pent up demand phenomenon helped to retain growth in production. The study attempts to understand if inflation has any association with lower consumption (production as proxy where data no available) levels or it insulated from it completely.

**Jahnvi Prabhakar**  
Economist

IMF defines inflation as a sustained increase in the price level; it measures how expensive a set of goods and services have turned over a period of time (usually a year). One of the concerns of inflation is its power to render a declining standard of living for consumers. Since the onset of the Covid-19 pandemic, the inflation levels dipped sharply in CY20. Post the Russia-Ukraine conflict and other challenges, inflation has turned the other way. Different demand and supply factors have contributed in elevated inflation in CY22 pushing the global prices on an upswing. The implications of the same has been seen with global central banks on a rate hike spree in order to tame inflation. This study aims to analyse the impact of rising inflation on both the consumption and production side and understand if there is an association between the two.

#### India Story: Consumption side

The impact of global inflation was seen on the domestic front too with WPI print accelerating to as high as 16.6% in May'22 (all time high in the current series). It has moderated since then to 8.4% in Oct'22 (5.8% in Nov'22) led by factors such as RBI's rate hike cycle, dip in vegetable inflation amongst others. Different categories of products have been used to see if their growth was evenly impacted during the Apr-Oct'22 period vis- a- vis inflation.

#### Consumption/Production story

To study the impact of inflation on durable and non-durable goods, a proxy indicator for consumption i.e. production is used. It is observed that some products do respond with higher or lower production level in response to uptick or moderation in inflation. However, a blanket response across categories cannot be suggested. IIP growth for consumer durables is down by 6.6% for Apr-Oct'22 period compared with a growth of 30.4% last year. For consumer non-durables the growth has contracted down to (-) 4.2% for the same period against an increase of 7.2% in Apr-Oct'21.

#### Higher Inflation effects growth (Table1)

- Under consumption, higher inflation for fertilizer did have an impact on sales. Elevated global prices pushed fertilizer prices higher.



## IPO STUDY

21 December 2022

## Update on performance of IPO market

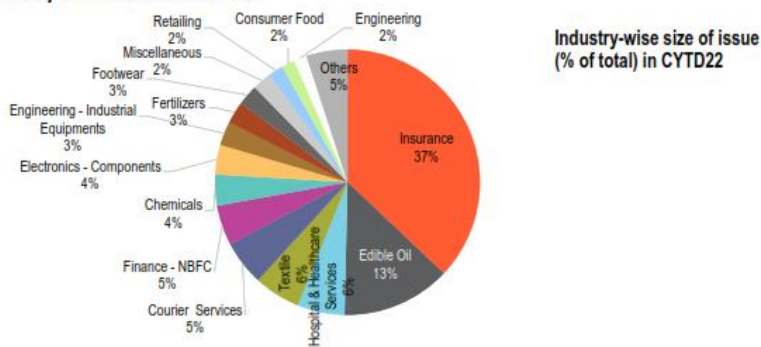
While the size of the IPO market remains small in CYTD22 so far at ~Rs 55,000 crore versus Rs 1.2 lakh crore. In the current year, while Sensex has risen by 7.6% on an average, the returns on IPOs have averaged 17.7%. Overall, IPOs issued have been concentrated in 3 major sectors (contributing to 56% of the total issuance)-edible oil, insurance and hospital & healthcare services. While edible oil industry has performed very well on the stock market, insurance industry (LIC) has taken a hit, while returns in healthcare services industry are modest at best..

Sonal Badhan  
Economist

## Performance of IPO market in CY22:

- Taking a stock of the IPO market in CYTD22 (till mid-Dec'22) it emerges that total issuances this year still remain considerably lower at Rs 55,472 crore, compared with Rs 1.22 lakh crore issued in CY21.
- While in CY21, the dominant industries remained e-commerce, auto, chemicals, insurance and finance (investment), in CYTD22, industries such edible oil, hospital & healthcare services, and insurance have dominated the IPO space. These 3 alone contributed to 56% of the total issuances in CYTD22.

Figure 1: Industry-wise issuances of IPOs



Source: Ace equity, Bank of Baroda Research

- In the current year, 12 industries witnessed big ticket (>1,000 crore) IPOs, of which insurance sector (LIC) was the biggest with an issue size of ~Rs 21,000 crore. This was followed by industries such edible oil (~Rs 7,000 crore), hospital & healthcare services (~Rs 3,200 crore), textile (~Rs 3,100 crore) and courier services (~Rs 3,000 crore), amongst others.
- Amongst 12 big ticket issuances, 5 were listed at a discounted price, averaging - 5.3%. LIC (-8.6%) and Rainbow children's Medicare (-6.6%) were listed at a discount of even more than average. On the other hand, 7 companies were listed at a premium, averaging 13.5%. Amongst these, Patanjali foods (30.8%), global health (18.5%), and campus activewear (21.6%) recorded a premium above average.



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**BUY** – Expected return >+15%

**HOLD** – Expected return from -6% to +15%

**SELL** – Expected return <-6%

**Note:** Recommendation structure changed with effect from 21 June 2021

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