

NRI INVESTMENT DECK

CURRENCY IMPACT & INDIA GROWTH STORY

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NRI Investment Deck – Currency Impact and India Growth Story



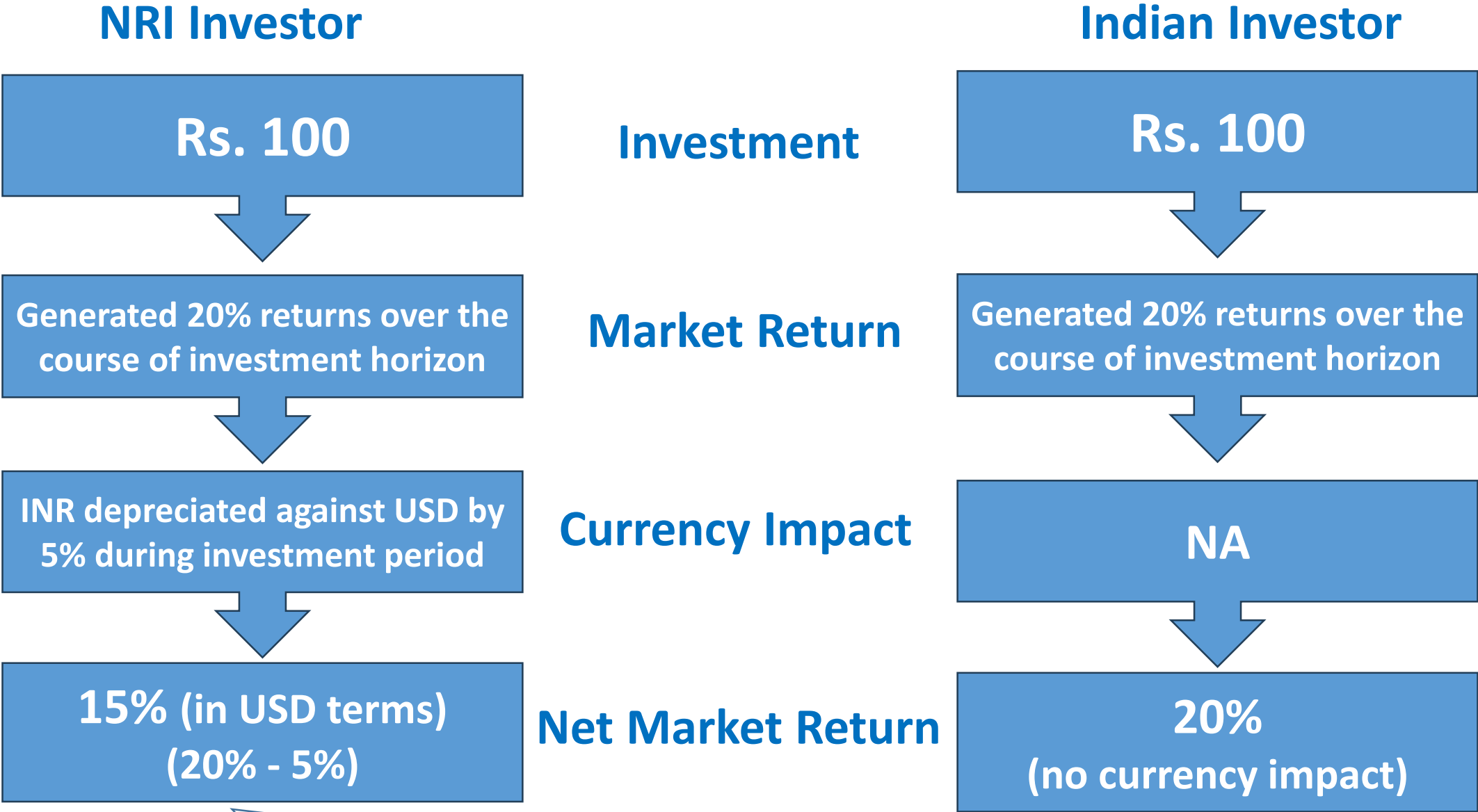
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Currency Impact, De-dollarization & India Market Performance (USD denominated)

Example - INR depreciation (against USD) impact on returns



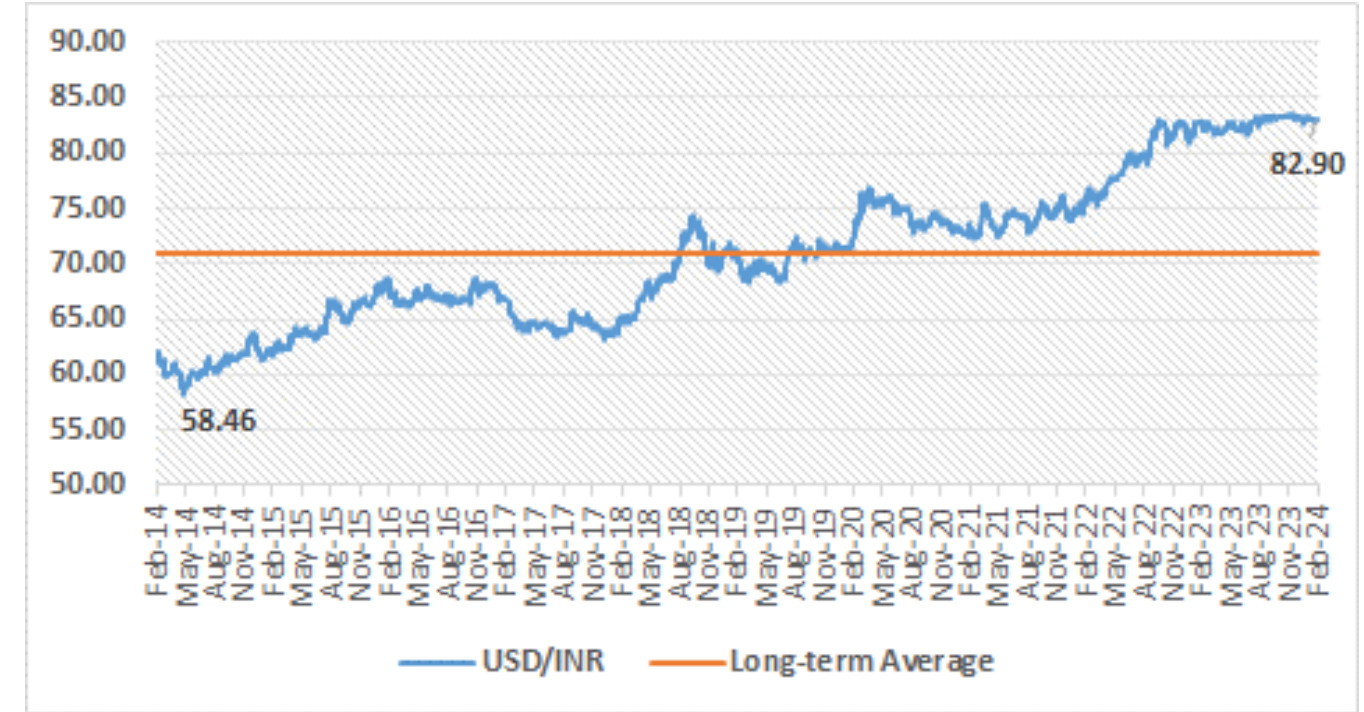
If NRI investor is converting back to USD or other home currency, then there is negative currency impact on returns due to rupee depreciation

Rupee has depreciated by ~3% CAGR over long term; but also fared better than some other EM currencies

Performance of Various Currencies Vs US Dollar (ended Feb 2024)				
Name	1 Yr	3 Yrs	5 Yrs	10 Yrs
Swiss Franc	6.4	0.9	2.5	0.1
Taiwan Dollar	-3.6	-4.1	-0.5	-0.4
Singapore Dollar	0.1	-0.4	0.1	-0.6
Thai Baht	-1.5	-5.6	-2.6	-0.9
Yuan Renminbi	-3.5	-3.5	-1.5	-1.6
Philippine Peso	-1.5	-4.8	-1.7	-2.3
Euro	2.0	-3.8	-1.0	-2.4
Pound Sterling	4.5	-3.3	-1.0	-2.8
Indian Rupee	-0.3	-3.9	-3.0	-2.9
Indonesian Rupiah	-3.0	-3.2	-2.2	-3.0
Australian Dollar	-3.4	-5.6	-1.8	-3.1
Malaysian Ringgit	-5.4	-5.2	-3.0	-3.6
Japanese Yen	-9.0	-10.7	-5.7	-3.8
South African Rand	-4.3	-7.6	-6.0	-5.6
Brazilian Real	5.1	3.9	-5.5	-7.2
Sri Lanka Rupee	16.9	-14.4	-10.3	-8.3
Russian Ruble	-17.6	-6.5	-6.3	-8.9
Pakistan Rupee	-7.2	-17.4	-13.1	-9.4
Turkish Lira	-39.5	-38.1	-29.8	-23.3

Source: Morningstar Direct. Sorted on the basis of 10 Yr returns.
Returns greater than 1 yr are CAGR

USD/ INR trend over 10 year period



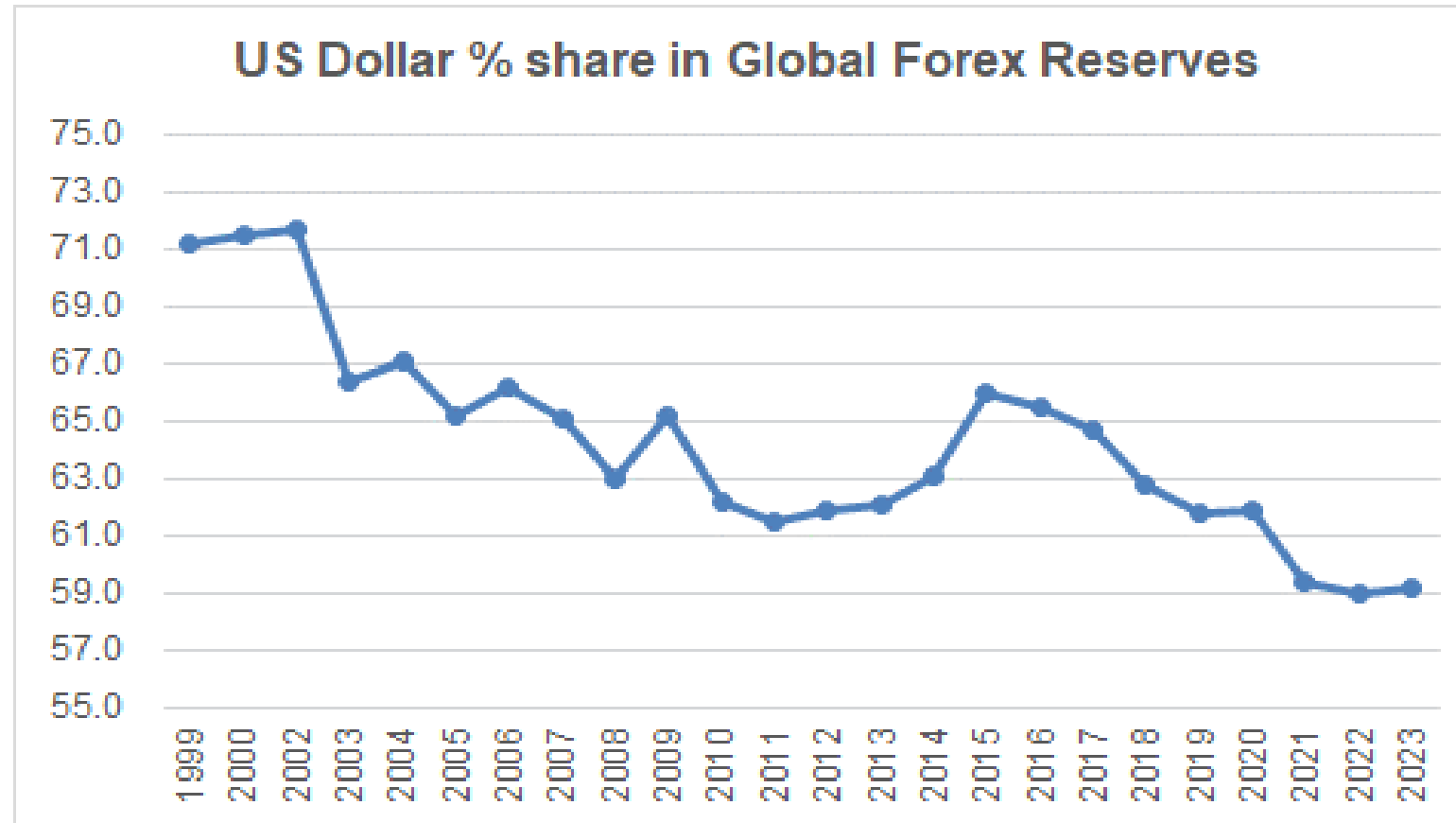
- The India Rupee has depreciated by ~3% CAGR (vs USD) over the long term (5 yrs and 10 yrs)
 - This drags down return of NRI investor by 3% on average per year
- The rupee has outperformed a number of emerging market (EM) currencies over the long term.

Despite rupee depreciation, Indian market is among the top performers

Dollar Returns of International Indices (ended Feb 2024, in %)					
Index Name	Country / Region	1 Yr.	3 Yrs.	5 Yrs.	10 Yrs.
S&P 500	United States	28.4	10.2	12.8	10.6
Nifty 50	India	26.7	10.3	11.8	10.1
TSEC TAIEX	Taiwan	17.9	1.6	12.2	7.7
MSCI World	World	22.9	7.0	9.9	7.1
Nikkei 225 Average	Japan	29.9	-1.3	6.4	6.1
FSE DAX TR	Germany	17.4	4.6	7.8	3.6
CAC 40	France	11.3	7.4	7.5	3.5
BOVESPA TR	Brazil	29.2	9.6	0.4	2.6
Shanghai Composite	China	-11.3	-8.3	-1.0	2.3
MSCI AC Asia Ex Japan	Asia Ex Japan	2.5	-10.3	-0.4	1.7
JSX Composite	Indonesia	3.7	2.0	0.3	1.6
KOSPI	South Korea	8.8	-9.6	0.3	0.7
MSCI EM	Emerging Markets	5.9	-8.6	-0.6	0.6
S&P/ASX 200	Australia	2.4	-1.0	2.7	0.4
FTSE/SGX STI	Singapore	-3.6	1.8	-0.3	-0.5
FTSE SET All Share	Thailand	-15.0	-8.2	-6.8	-1.1
FTSE 100	United Kingdom	1.2	2.1	0.5	-1.7
Hang Seng	Hong Kong	-16.3	-17.4	-10.4	-3.3
FTSE Bursa Malaysia KLCI	Malaysia	0.9	-5.7	-4.9	-5.2
Source : Morningstar Direct. Returns are in USD, and returns greater than 1 year are CAGR. Data sorted on the basis of 10 Year return in descending order					

- Indian market has been among the top performing markets over most time periods, even after adjusting for rupee depreciation (in USD terms).
- Outperformance has been substantial over the medium to long term (3 yrs, 5 yrs and 10 yrs)
- US has been the top performing market over the long term. (US market returns are denominated in USD)

De-Dollarization – US Dollar's share in global forex reserves has come down over the years



Source: IMF database, BALIC Research

- US dollar is the primary reserve currency globally and is widely used for international transactions & trade.
- However, the US dollar's share in global forex reserves has reduced from 71% in year 2000 to 59% presently. This indicates some reduction in dominance of the US dollar (known as de-dollarization).
- If de-dollarization continues, then the pace of rupee depreciation vs dollar may reduce in the future. This will be beneficial for NRI / foreign investors into India (less currency depreciation impact on returns)

India Growth Story:

Why India stands relatively better placed from an investment perspective?

India's global GDP ranking has been rising over the years

GDP at current prices (in USD Billions)								
2005			2023			2027 P		
Rank	Country	GDP	Rank	Country	GDP	Rank	Country	GDP
1	United States	13039	1	United States	26950	1	United States	31429
2	Japan	4831	2	China	17701	2	China	22291
3	Germany	2848	3	Germany	4430	3	India	5427
4	United Kingdom	2548	4	Japan	4231	4	Germany	5328
5	China	2290	5	India	3732	5	Japan	4873
6	France	2198	6	United Kingdom	3332	6	United Kingdom	4334
7	Italy	1859	7	France	3049	7	France	3537
8	Canada	1174	8	Italy	2186	8	Brazil	2632
9	Spain	1154	9	Brazil	2127	9	Canada	2584
10	Korea	935	10	Canada	2118	10	Italy	2509
11	Mexico	918	11	Russia	1862	11	Mexico	2260
12	Brazil	892	12	Mexico	1811	12	Korea	2043
13	India	834	13	Korea	1709	13	Russia	1970
14	Russia	818	14	Australia	1688	14	Australia	1961
15	Australia	736	15	Spain	1582	15	Indonesia	1950

Source: IMF (International Monetary Fund)

India has grown from the 13th largest economy in 2005 to the 5th largest economy in 2023

- IMF projects that India's GDP will cross Germany & Japan in 2027 (to become the third largest economy)

India among the fastest growing major economies globally

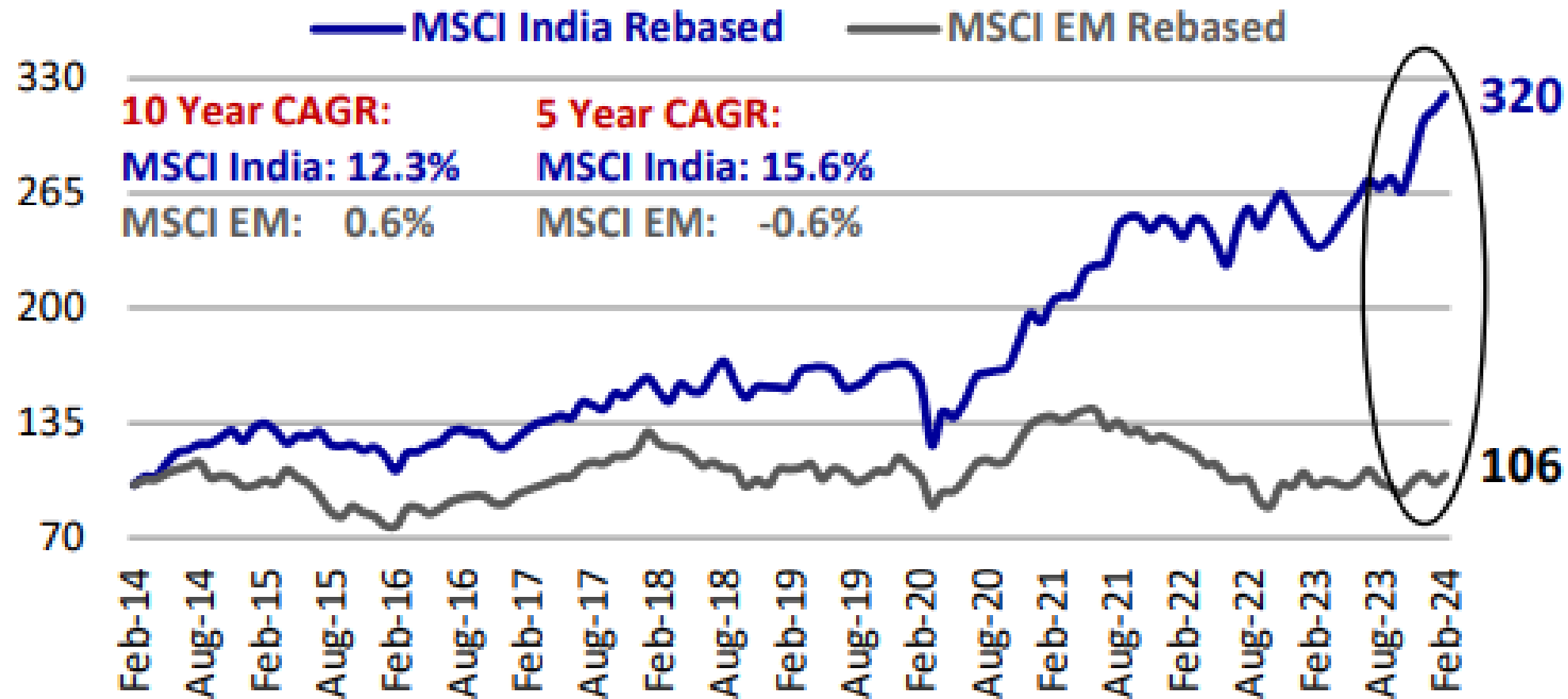
IMF GDP Growth Forecast Trend (% YoY)

(Real GDP, annual percent change)	ESTIMATE	PROJECTIONS	
	2023	2024	2025
World Output	3.1	3.1	3.2
Advanced Economies	1.6	1.5	1.8
United States	2.5	2.1	1.7
Euro Area	0.5	0.9	1.7
Germany	-0.3	0.5	1.6
France	0.8	1.0	1.7
Italy	0.7	0.7	1.1
Spain	2.4	1.5	2.1
Japan	1.9	0.9	0.8
United Kingdom	0.5	0.6	1.6
Canada	1.1	1.4	2.3
Other Advanced Economies	1.7	2.1	2.5
Emerging Market and Developing Economies	4.1	4.1	4.2
Emerging and Developing Asia	5.4	5.2	4.8
China	5.2	4.6	4.1
India	6.7	6.5	6.5
Emerging and Developing Europe	2.7	2.8	2.5
Russia	3.0	2.6	1.1
Latin America and the Caribbean	2.5	1.9	2.5
Brazil	3.1	1.7	1.9
Mexico	3.4	2.7	1.5
Middle East and Central Asia	2.0	2.9	4.2
Saudi Arabia	-1.1	2.7	5.5
Sub-Saharan Africa	3.3	3.8	4.1
Nigeria	2.8	3.0	3.1
South Africa	0.6	1.0	1.3

- World economic growth slowdown not as substantial as expected earlier.
- US growth was upgraded for 2023.
- Europe (esp. Germany) registers sharper slowdown.
- China growth at 5.2% in 2023 and 4.6% in 2024.
- India to see healthy growth of 6.5% in FY24 & FY25, as per IMF and remain one of the fastest growing major economies.
- India's official statistical body projects a stronger GDP growth of 7.6% in FY24. RBI expects 7% GDP growth in FY25.

Indian market has outperformed emerging markets (EM) by a huge margin over the past 10 years

MSCI India Vs MSCI EM Indexed Performance over 10 yrs

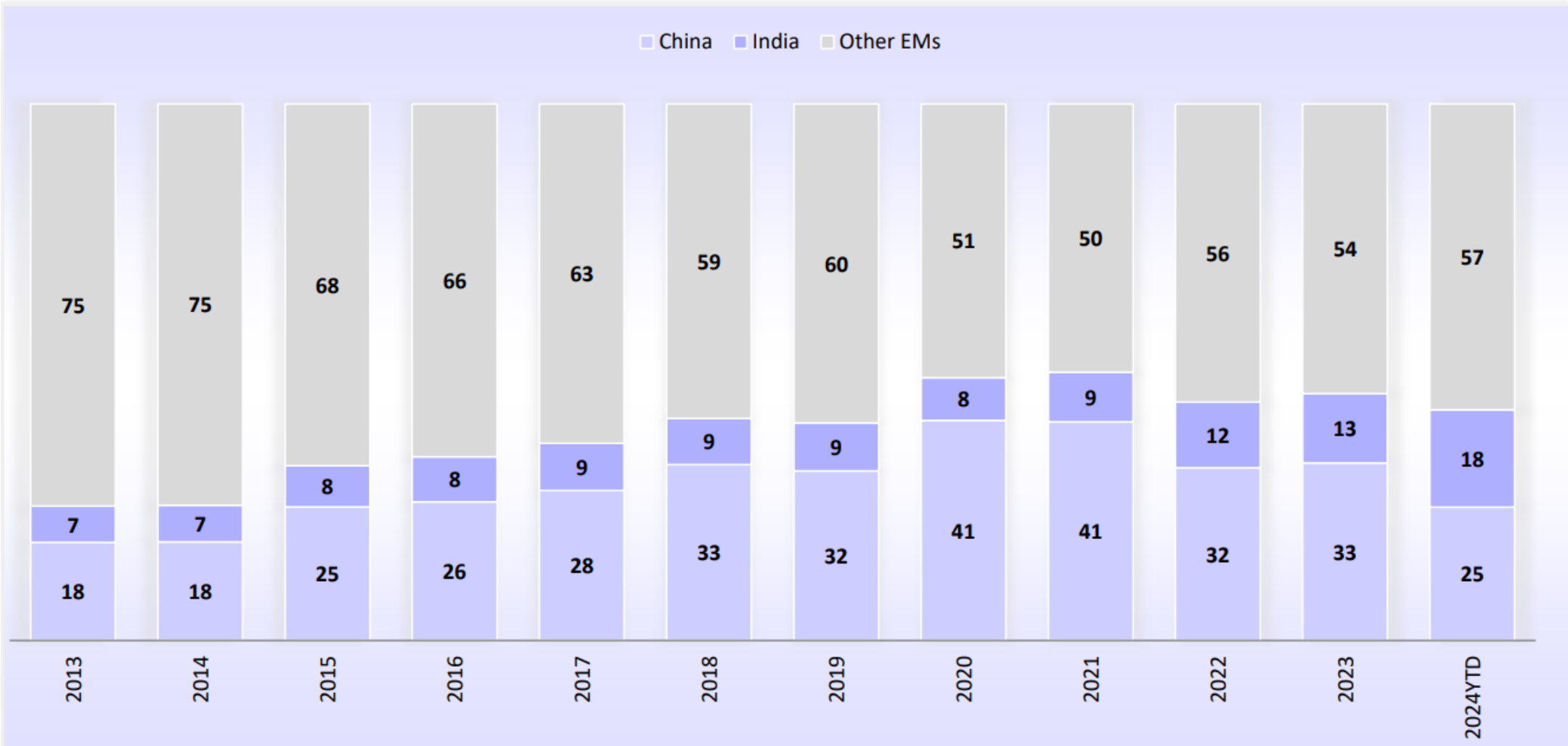


Source: Bloomberg, Motilal Oswal. Returns in local currency terms

- MSCI Emerging Markets (EM) index has delivered flat return over the past 10 yrs, while MSCI India index has risen ~3x over the same period.

India has seen highest weight gain in MSCI Emerging Market index due to its outperformance

MSCI EM Index weights (%)



Source: Bloomberg, Motilal Oswal, Data as of Feb'24

- India’s weight in the MSCI EM index increased significantly over the past three years, while China’s weight continued to drop.
- India gained 9% weight during the last three years to reach 18%, while China lost 16% weight and stood at 25%.

India has seen the highest FII equity flows within emerging markets in 2023 & some other years as well

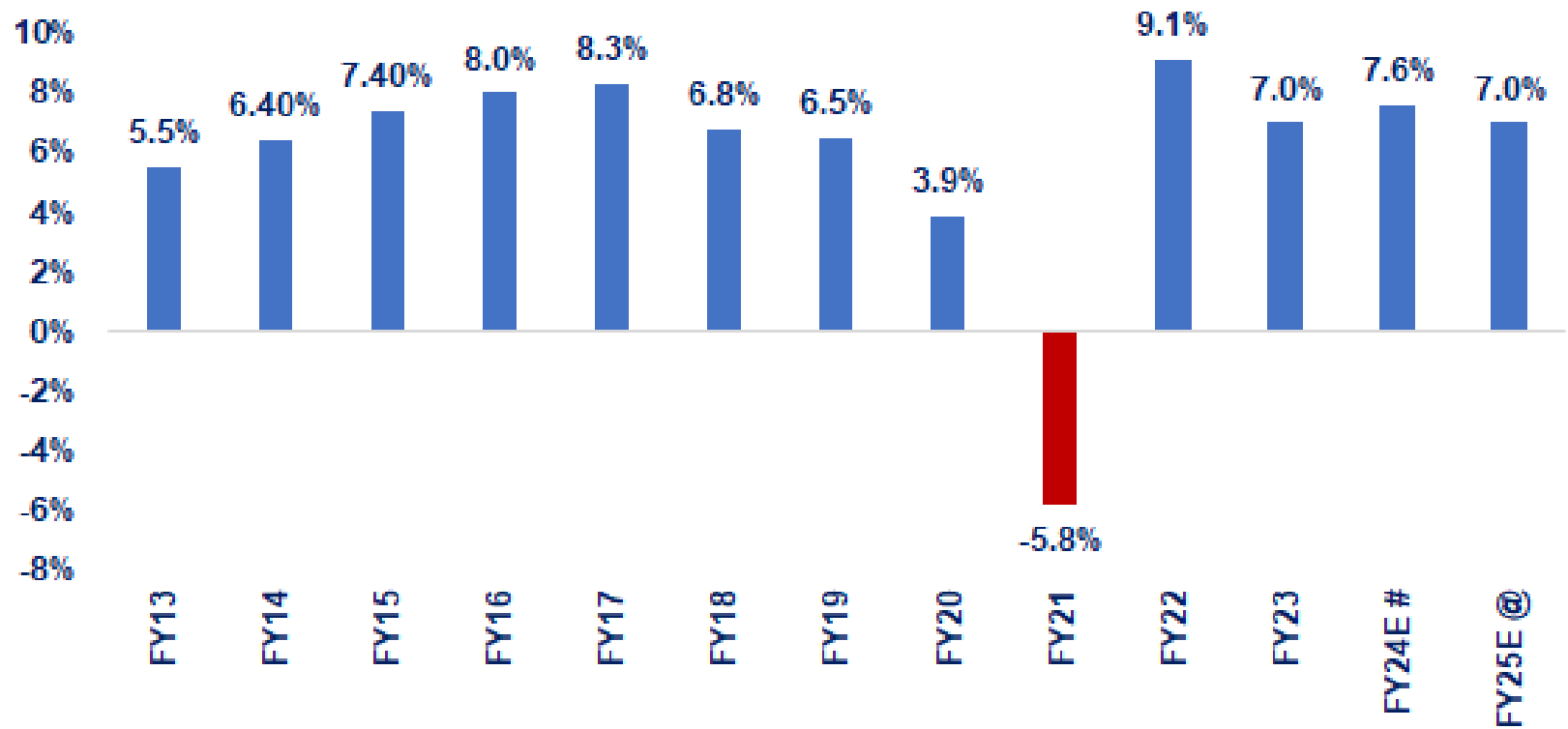
FII Equity Flows into various EMs (\$ in bln)

FII Flows (US\$ bn)				
Market	2020	2021	2022	2023
India	23.4	3.8	(17.0)	21.4
Korea	(20.1)	(22.8)	(9.7)	10.1
Taiwan	(16.0)	(15.3)	(44.0)	6.5
Philippines	(2.5)	(0.0)	(1.0)	(0.9)
Indonesia	(3.2)	2.7	4.3	(0.3)
Thailand	(8.3)	(1.6)	6.0	(5.5)
Malaysia	(5.8)	(0.8)	1.1	(0.5)
ASEAN	(19.8)	0.3	10.3	(7.3)
Emerging Asia	-\$33	-\$34	-\$60	\$31

Source: Bloomberg, EPFR, Goldman Sachs
EM = Emerging Markets

India GDP expected to register robust growth of 7.6% in FY24 & 7% in FY25

India Fiscal Year-Wise GDP Growth (% YoY)



Source: NSO, RBI . # NSO estimate, @ RBI estimate

- India’s GDP expanded at a robust pace of 8.4% in Q3FY24, exceeding market expectations.
- NSO upgraded its GDP growth forecast for FY24 to 7.6% (from 7.3% earlier).
- RBI forecasts India’s FY25 GDP growth at 7%, which is quite healthy.
- Despite the global headwinds, India is amongst the fastest growing major economies.

Thank You

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