Australian Standfirst

All Crossroads Pass Through India:

Biotech, Commodities, Digitalisation, Space Race & The *Great Pacific War*

Portfolio Attribution

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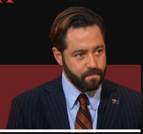


Stirling Larkin, CIO

Never a settled view surrounding India, the Hindu proverb found within Kipling's ***Indian Tales*** spoke best to the elegies for engagement and necessary stratagems for haphazard containment –surrounding today's COVID-19 ailment, for instance – when travailing the subcontinent, "***If your mirror be broken, look into still water; but have a care that you do not fall in***."

India is not an easy place to curb an infectious disease nor dictate territorial terms to an aggrieved ***Red Menace*** or nuclear Pakistan but yet it continues to prosper economically in ways Australia, pan-Europe and the Americas fail too.

Despite the horrific mismanagement of the foreseeable ***Second Wave*** within this ***Global Corona Crisis***, or ***GCC***, India's quoted NIFTY and S&P BSE SENSEX bourses remain buoyant with MSCI India trading at a sober 21.1x *Price-To-Earnings* Ratio, with foreign investors still buying US$5.6bn in direct Indian equities *Year-To-Date*, or via popular UCITS structures, which saw net inflows of US$0.4bn in April, the second consecutive monthly inflow after eight months of outflows post the North American ***Risk-On*** reflationary rallies.

Cite:- India 2019 An Emerging Markets Hedge, 13 February 2019

Cite:- Biotech & Life Sciences, 25 July 2018

With a loss of Tech-leadership usually found across the US's NASDAQ and Asia's secondary bourses throughout March, April and now May, there is a proactive argument for considering SENSEX as the rear echelon and given global concerns around Sino data security in combination with the Indian Government's ambition to digitise the economy via '***Make in India***' PE/VC funded pools, Indian Tech listed names present timely opportunities.

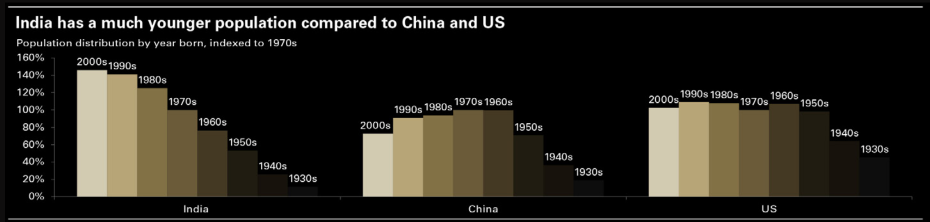
Cite:- Why Every Investor Wants To Know About India, 19 March 2016

The story of the rising Asian Consumer class is incomplete without a solid understanding of India, whom enjoys a young, tech-savvy population, improved education and rapid growth, India is creating a consumer market deeply tied into mobility and connectivity.

Where spending in neighbours like China is driven by an emerging Urban Middle class, the greater opportunities in India are found within the much larger Urban Mass.

Historically, Indian IT was primarily involved in lower-value outsourcing work, which involved less Intellectual Property and labour cost arbitrage being the key value proposition.

Nevertheless, over the last few years, Indian IT services companies along with a large number of start-ups have invested heavily in digital services, platforms and products to move up in the value chain and with collaborations of Facebook [FB:US] and institutional US conglomerates [CSCO:US, et al] are positioning themselves to rival Chinese Tech behemoths whom have continued to stumble in recent days (stumbled or pushed, a conversation for another forum).



Source: Euromonitor

India whom sells thirty million vehicles annually, is not only the third largest and fastest growing major auto market but also aiming to shift to Electric Vehicles like the rest of the world, targeting forty percent penetration by 2032; this has immediate and secondary consequences for Australian ASX listed conglomerates whom have tried to shift evermore emphasis away from Chinese exports towards the subcontinent, especially given our long history of shipping coking and thermal coals and lower grade ores to India, underpinning our commodities export complex.

Cite:- The Ups & Downs Of Investing In Plastic, 4 June 2019

Of course, India is not without her challenges beyond those witnessed throughout this ***GCC Second Wave***; the economic recovery could be weakened by a fresh surge in inflation, with the government seeking to step up the pace of reforms to support growth over the medium term and improve the business environment, the number of protests against the moves is mounting, with protestors' ire directed particularly at the privatisations that the government is counting on to cut its budget deficit.

In the banking sector, banks currently are able to deal with the expected rise in credit risk.

Cite:- Indian Real Estate On The Radar As Modi Plans Mass Housing, 18 March 2017

Nevertheless, in order to support a resumption of lending growth, a new injection of capital into state-owned banks has already been planned, alongside the creation of a defeasance structure.

But zooming out more macroeconomically, following our prescient commentaries surrounding the incumbent ***Space Race 2.0***, and the news in recent days of apparently successful Chinese rover missions on Mars, India's ***ISRO*** has not only stepped up the pace of scheduled missions, they, in conjunction with Australian QUAD participation, reviewed their commitments to aerospace defences – given these stakeholders' nuclear standing, such shifts should not be ignored commercially nor ***pro re nata Realpolitik***.

Cite:- Defence Complex Investments, 4 July 2018

In June 2020, Chinese and Indian soldiers confronted each other in the disputed area on their western border known as the Galwan River Valley and although not publicly admitted by either side, China is believed to have taken control of at least ten square kilometres of Indian controlled territory following the incident despite being asked to pull back its troops to the Line of Actual Control (LOAC) that preceded the incident, nevertheless, there has been no progress since 2020.

A similarly tense situation had been created in the region of Doklam in 2017, in an area of dispute between Bhutan and China and close to the border with India.

Similar to the Ladakh incident, but with roles reversed, India had then intervened on behalf of Bhutan by sending troops to confront Chinese road-building crews working in the area and in response, China sent troops to the disputed site and resumed its road-building programme in Doklam.

It seems that China and India took different lessons from Doklam that they have applied in Ladakh: India learnt that intervention in Doklam had no long-term effect on Chinese road construction and that it should therefore consolidate its hold on the disputed lands under its control quickly through road construction, troop placements and other means, China, in kind, that the difference in military capacity between the two countries – ever since the PRC schuffles of the early 1960's – allows it to take actions, such as taking Indian-controlled territory in Ladakh, that India cannot today recover.

When reviewing subcontinental investment forays, or Australia's fellow participation in the all-important QUAD, necessary stratagems for haphazard containment in 2021 has much more to do with ***Australia's Impossible Choice*** than it does pertaining to COVID-19.

Cite:- Wolf Warrior Statecraft, 5 May 2020

The ***Great Pacific War*** ("***GPW***") will have as much to do with technology and quantum supremacy as it will naval tonnage and India will play a pivotal role come whatever may.

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