

# THE SINDHUK

THE WORLD'S FAVOURITE TRADING MAGAZINE



India Fight  
**INDIA VS CHINA**

Target view on  
**INDIA WALKUP**

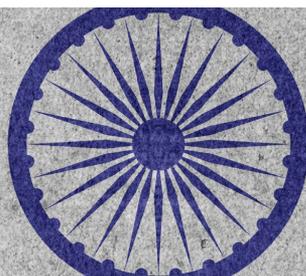
Editors  
**BISWAJIT MALAKAR**

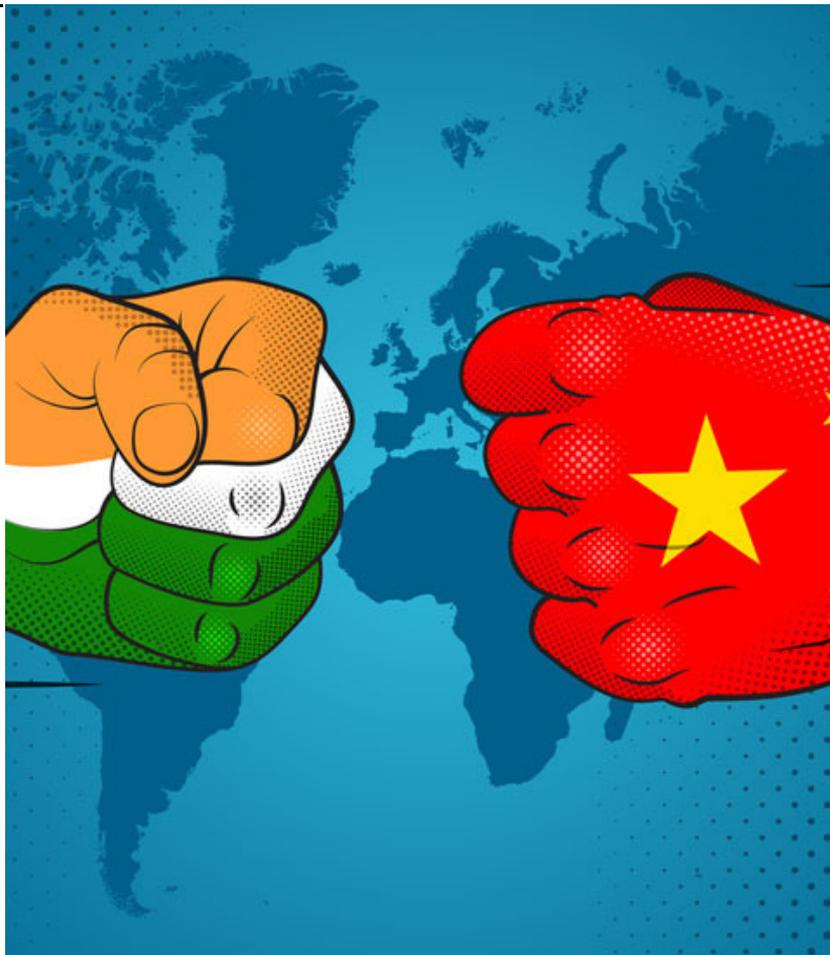
## INDIA COULD BE A WINNER IN THE US-CHINA TRADE WAR

BY SUTIRTHA MALAKAR

- "India could increase its trade footprint in (the) midst of the US-China trade conflict, particularly under categories on which US has imposed tariffs on China," an August report from Singapore's DBS Bank said.
- India could benefit by \$11 billion as some manufacturers move production to the country, the report said.
- But businesses in India face some challenges, including the need for land and labor reforms, as well as the lack of infrastructure.

**"EVERY PROBLEM IS A GIFT—  
WITHOUT PROBLEMS WE WOULD  
NOT GROW." -ANTHONY  
ROBBINS**





## ECONOMIC IMPACT OF INDIA-CHINA TRADE WAR

The news of India banning TikTok and 59 other Chinese apps recently shook the Indian internet this week. This came following the recent clashes with Chinese troops in the Galwan Valley in Ladakh on 15th June in which 20 Indian soldiers lost their lives. Since then there have been growing calls in the country to boycott goods from the neighboring country. Chinese products, services, and investments are deeply entrenched in India's supply chain and the nationalistic sentiment could potentially lead to a trade war between the nations. Though such a scenario is neither immediate nor looming, let us understand the economic implications of such a trade war. Let's start by looking at India-China economic relations.

Trade with China is India's biggest trading partner in the world and India also has the largest trade deficit with China (which means that India imports more than it exports to China). This deficit has doubled in less than a decade.

What does India trade with China? Our primary exports are organic chemicals and raw materials like iron ore, slag, cotton, natural pearls, etc. We import finished goods like machinery, power-related equipment, telecom, organic chemicals, and fertilizers which overshadow our raw material based exports.

Investment Foreign Direct Investment between the countries has not kept up pace with trade but China has entered the Indian market through venture investments in start-ups and penetrated the online ecosystem with its popular smartphones and apps. Chinese tech investors have put an estimated \$4 billion into Indian start-ups. TikTok, the video app, had 200 million subscribers and had overtaken YouTube in India. Alibaba, Tencent, and ByteDance rival the U.S. penetration of Facebook, Amazon, and Google in India. Chinese smartphones like Oppo and Xiaomi lead the Indian market with an estimated 72% share, leaving Samsung and Apple behind.

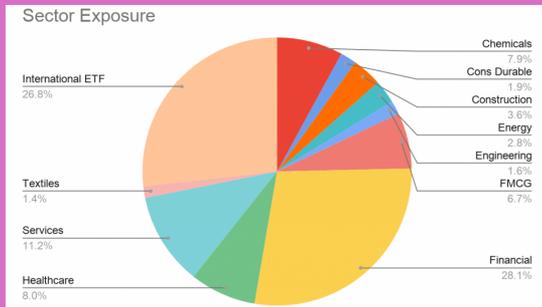




India needs to move fast, through innovative policies and clear focus on infrastructure development ...  
But lot more remains to be done and done urgently.

– KUNAL KUNDUECONOMIST, SOCIETE GENERALE

# ECONOMIC IMPACT OF INDIA-CHINA TRADE



## WAR



## BY BISWAJIT MALAKAR

- What are its implications on markets? Negative Implications Chinese products form a critical part of the supply chain for firms in many sectors in India. With the economy struggling to recover from the pandemic, any potential escalation between the two nations could escalate operational as well as supply-chain risks. India can look to find alternatives for Chinese products but such a step would be tedious and expensive.
- Key sectors affected would be :
- Pharmaceuticals: India gets 70% of active pharmaceutical ingredients or APIs used in drugs from China and a disruption in that would adversely affect the sector.
- Consumer Durables: India is heavily dependent on China for components for consumer durables.
- Auto: China is a key supplier of sub-components used in the engine, electronics, tires, etc
- Telecom: China caters to a majority of smartphone demand in India and even globally. Therefore, any disruptions will result in a spike in smartphone prices and probably lead to a delay in the adoption of new technologies such as 5G
- .Power: India imports a vast portion of its solar modules from China. Chemicals and agro
- chemicals: The Indian agrochemical industry imports a high amount of raw materials from China.

**Positive Implications** This could be a great opportunity for startups in India to rise up to the occasion and build products and services for making India more self-dependent. Key infrastructure products allotted to Chinese firms could also come to Indian firms as a result of this escalation.

Which specific stocks stand to lose or gain?

According to a report by Motilal Oswal the impact on stocks in the key sectors is:

<b>AUTOS</b>	❖ <b>Tata Motors, Motherson Sumi and Bharat Forge</b> would be the <b>least impacted</b> due to their business' diversified nature and global operations. The tyre industry has already seen multiple increases in anti-dumping duties, which has benefited tyre companies.
<b>CONSUMER DURABLES</b>	❖ <b>Havells and Crompton Greaves</b> would be the <b>least impacted</b> due to low exposure to China. <b>Voltas</b> would be the most affected in case of tariff hikes.
<b>PHARMA</b>	❖ Dependency on China is ~60-70% for key starting materials. In case of any tariff or import curbs, <b>Sun Pharma and Cipla</b> would be the <b>least impacted</b> as they are fully integrated and have considerable exposure to the branded business.
<b>TELECOM</b>	❖ <b>Vodafone and Bharti Airtel</b> would be the <b>most impacted</b> in case of tariff or import curbs on telecom network equipment providers. <b>Reliance Jio</b> would be the <b>least impacted</b> as it has no exposure to China in the network equipment space.
<b>CHEMICAL AND AGRO CHEMICAL</b>	❖ <b>Higher impact:</b> Rallis, Dhanuka, Sumitomo India, Insecticide India. ❖ <b>Lower impact:</b> PI Industries, UPL, Coromandel (at company level), Bayer India. ❖ <b>Potential beneficiaries:</b> SRF, Aarti Industries, Atul Ltd, Bharat Rasayan, Excel Industries.
<b>E-COMMERCE</b>	❖ <b>Info Edge</b> would be impacted as its investee companies – Zomato and Policy Bazaar – have exposure to investments from China. Indian tech and E-commerce start-ups like Paytm, Snapdeal, Ola, Swiggy, BigBasket and Byju have significant investments from Chinese companies.
<b>UTILITIES</b>	❖ Within our coverage universe, <b>Tata Power</b> has exposure to execution and commissioning of solar power plants.

- Implication on your portfolio
- As said before, the threat to your portfolio is in no way immediate or looming! If the situation escalates the stocks and sectors mentioned above that have direct exposure to China would get affected adversely, while some stocks would stand to gain or will be unaffected.
- The behavioral impact on the overall market could also be adverse, for which we need to keep a lookout and dynamically adjust our asset allocation for yet another extraordinary situation if it escalates!
- At Wright Research, our current allocation is expecting a favorable market for equities, but we will be cautiously watching the market and our model should adjust the allocation as it sees the risk.