

Indian Capital Markets - Global Capital Providers ?



This month the headlines have been about Jane Street, a US-based quantitative trading firm. Rightfully so. They have extracted ₹43,289 crore from Indian markets in just two years of which ₹4,844 crore was reportedly made via market manipulation within just 21 trading days, which SEBI has asked them to pay back as penalty.

While this is indeed unsettling and our regulators and stock exchanges are keeping a keen eye on the global trading giants, another issue needs to be addressed — extraction of capital from Indian markets by MNC's. Consider, for example, the Hyundai Motor India's ₹27,870 crore IPO, billed as the largest of 2024. This issue was a 100% Offer for Sale (OFS) — meaning not a single rupee went to the issuing company in India. All proceeds went directly to the South Korean parent, Hyundai Motor Company. This comes on top of ₹22,389 crore already paid out by the Indian subsidiary to the parent in the form of dividends and royalties between 2021 and 2024.

Hyundai has been present in India since 1996, having invested ₹29,741 crore as of December 2023. In essence, this IPO nearly recovers the entire lifetime investment of the company from India, in one clean sweep. At the current market cap of ₹1.77 lac crore and 82.50% shareholding, there is enough on the table for remitting many times more.

The upcoming IPO of LG Electronics India, estimated at around ₹15,000 crore, follows the same pattern. No fresh capital infusion into the Indian entity, entire proceeds will go to the offshore parent.

The story is becoming clear: This capital is not being raised for expansion or innovation — this is capital extractions from the buoyant Indian Capital Markets. With these successes, the floodgates of similar issuers will open.

This brings to light a fundamental question: Are we becoming a liquidity destination, not for funding business growth in India, but to repair global balance sheets? We are and will continue to remain big proponents of global capital, knowhow and IP coming into the country. But we also need to have some guard rails about the capital going out from these successful ventures, with some thresholds.

India remains capital starved; we are not the US, which can supply capital to the world. While India's capital markets are shining, its high time for the capital needs to start flowing to the other domestic avenues where cost of capital remains abnormally high. More on this in the next months' newsletter.

Stock PVR INOX

Remember the Amitabh Bachchan comeback from the brink? We love our underdogs. PVR INOX is written off with the pessimism about the demise of the silver screen and the rise of the small screen and OTT, leading to India's dominant multiplex company being valued at just around \$1Bn market cap.

This pessimism is unwarranted, in our view. Last year they kept the audiences engaged with re-releases, this year the fresh release slate is already solid with regional, hindi and global releases. The H1 box office collections are already 14% higher than last year. The momentum seems to be coming back.

Book

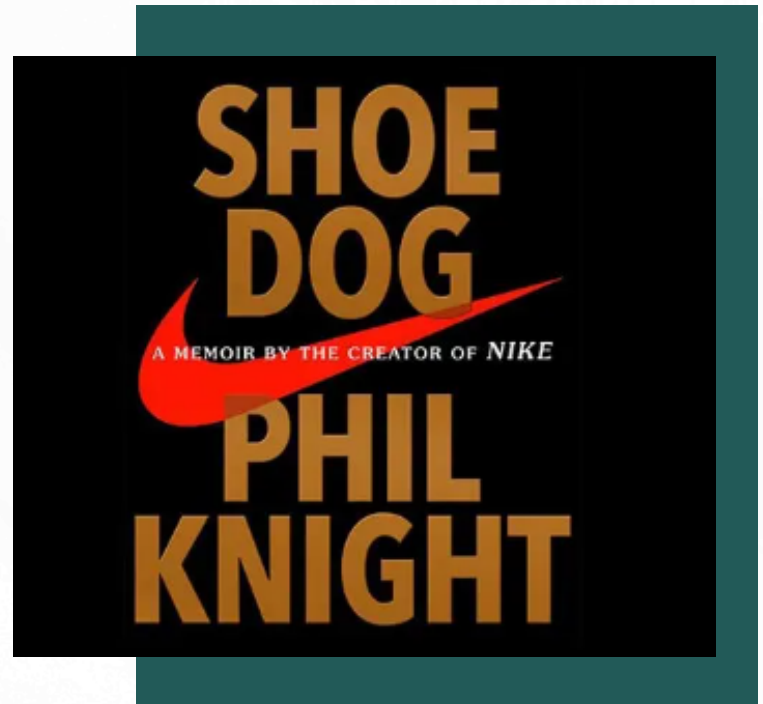
Shoe Dog is a memoir by Nike co-founder Phil Knight that takes you behind the scenes of Nike's gritty, chaotic and exhilarating rise from selling shoes out of a trunk to becoming a \$46 billion global giant. This is not just a business book—it's a raw, honest story of relentless hustle and the ragtag team of rebels who dared to believe in something bigger. The book doesn't sugarcoat the setbacks, the doubts, or the madness. It shows how purpose, passion and persistence can turn a crazy idea into a movement. For us the big revelation was that Phil Knight was as starved for capital as we see a lot of first generation boot strapped entrepreneurs in India. Life changed for them after backing of a good financial institution. It's a good lesson for many fledging Indian entrepreneurs.

The business is itself pivoting to capital light model which will gradually unlock significant more cashflows and efficiencies. With capex intensity dropping and a clear focus on deleveraging, the multiples should expand.

Its last year food business sales were ₹1827 Cr, making it the 6th largest restaurant business, if listed. In our view, this will grow to become the 4th largest this year. The India consumption story will play out very well over the next decade and PVR is a good proxy.

We believe the business is here to stay, the valuations should improve drastically as the questions around longevity of the business get answered.

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Movie



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This movie is based on the true story of Desmond Doss, a U.S. Army medic in World War II who fought without firing a single bullet, not out of fear, but conviction to save lives and not take them.

He became one of the greatest heroes in American history who saved 75 men during one of the bloodiest battles of the war. His courage redefined what it means to serve with honor.

The film delivers intense battle scenes (some scenes are gruesome) and a deep human story at its core with an inspiring message about sticking to your values, no matter the odds.

It's not just a war film—it's a story of grit, faith and unimaginable courage. Watch it on Amazon Prime Video.

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