

Debt Markets, Equities and AI

The previous month has been all about AI in the US markets – the deals and numbers have been mind numbing. Trillions of dollars of investments and multi-year deals on a new technology? No problem. Only US has the deep capital markets and the risk appetite to underwrite such projects and that's why they are the host of almost all the global innovation.

Meanwhile a couple of European countries have started showing signs of struggle – the bond yields of both UK and France have spiked recently. Unlike the last time, the trouble is not at the periphery but at the center and in the larger economies. With growth deaccelerating and the countries now spending meaningfully more on defense and on their ageing populations, we need to be watchful on this front.

Back to India, we wrote last month of the high cost of debt for emerging corporates in India. It is interesting to see that we are underleveraged – the availability of the credit and cost both are an issue, as it is clear from the table below –

BRICS Nations	Private Debt To GDP Ratio	Public Debt To GDP Ratio	Total Credit	Base Year
BRAZIL	76	77	153	2024
RUSSIA	55	16	71	2021
INDIA	50	80	130	2021
CHINA	194	88	282	2024
SOUTH AFRICA	91	77	168	2023
MEDIAN	76	77	153	

Source: Latest World Bank Report, IMF Data , Trading Economics

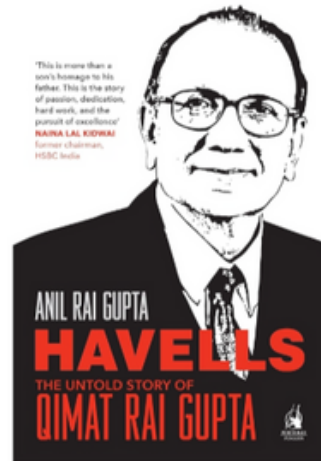
The RBI did move positively by allowing banks to finance acquisitions, but it is very clear to us that we need to open the taps for credit to flow to those who are willing and eager to use the same. Retail credit is too tight and even funding against gold remains expensive. Maybe a campaign like “mutual fund sahi hai” needs to be launched for retail borrowers, extolling them to borrow only what they can service and the need of maintaining a good credit history.

On the topic of credit, the bond markets have started disciplining the Europeans, it is only a matter of time they will turn their gaze to the US. We can't predict when, but we will be prepared.



In these markets where most stocks seem fully valued, it is difficult to come up with businesses which are growing their cash flows and are still available at reasonable valuations.

This month we look at **EID Parry (India) Ltd** from the storied Murugappa Group. The company has more than doubled its topline in the last 10 years, but the magic has been in the operating profit (2.5x to 2630 Cr) and net profit (5x to 1770 Cr) in the same period. The company throws up cash every year and has doubled its gross block in the last decade. It is transforming its traditional business with consumer products becoming a large part of the business (already 30% of total revenue). The icing on the cake is a reasonable 20 PE and the fact that the company holds shares of another Murugappa Group star Coromandel International worth 65,000 Cr.



Havells: The Untold Story of Qimat Rai Gupta is an incredible journey of a man who started as a small trader in Delhi's Bhagirath Place market and went on to build Havells into one of India's biggest consumer electrical brands. It is an inspiring story of a school dropout with nothing but ambition and a sharp business instinct who rewrote the rules of the game. The book captures how Qimat Rai Gupta bet everything on building a brand in an industry dominated by unorganized players and how his sharp instinct, fearless risk-taking and ability to spot opportunities transformed Havells into a household name.

What struck us most was how his story mirrors the struggle of countless Indian entrepreneurs—navigating scarcity, building credibility and daring to dream big when resources are limited. It's a testimony of how perseverance and courage can transform humble beginnings into an enduring legacy, proving that neither ailments nor business setbacks can hold one back.

