



India Market Outlook and Roadmap 2024

Stories that make up India's economic landscape



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India has 115 unicorns with a cumulative valuation of over \$350 billion

Funding winter aside, India surpassed the UK to become the world's third-largest start-up economy in 2022. It minted 24 new unicorns, and attracted venture capital of \$25 billion during the year.



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Declining affordability. Rising costs hit affordable housing supply, demand in H12023

Updated - July 23, 2023 at 03:18 PM | Mumbai

Real estate developers are focusing more on higher-income segments, reducing the share of affordable housing in new launches

BY JANAKRISHNAN



Billion-dollar cos: India ahead of Germany, France & Canada with 335

By Rajesh Mascarenhas, ET Bureau - Last Updated: Mar 04, 2021, 09:08:52 AM IST

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Synopsis
Currently, India is ranked fifth and is inching towards the fourth position which is currently held by the United Kingdom with 351 companies.



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Maharashtra and Delhi produce highest number of unicorn founders: Report

Harsh Upadhyay & Rishi Khanna December 14, 2023 Report



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India targeting one lakh unicorns, 10-20 lakh startups in future: Rajeev Chandrasekhar



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India's net direct tax collection rises 22% to Rs 10.60 lakh crore so far in FY24, crosses 58% of budget target

PTI - Last Updated: Nov 11, 2023, 12:12:07 AM IST

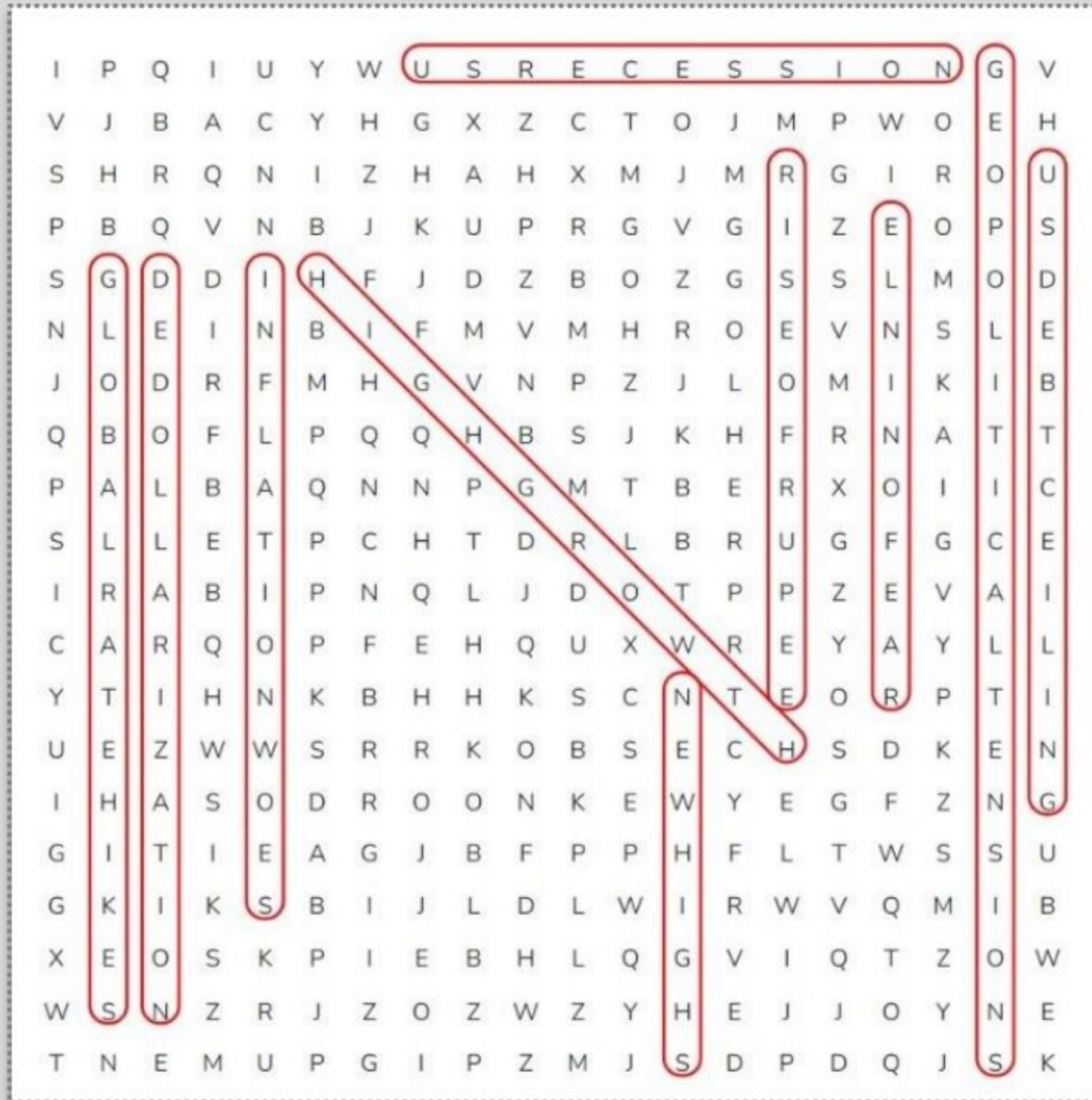
Can you spot any of the factors that has shaped the markets in the year 2023

I	P	Q	I	U	Y	W	U	S	R	E	C	E	S	S	I	O	N	G	V
V	J	B	A	C	Y	H	G	X	Z	C	T	O	J	M	P	W	O	E	H
S	H	R	Q	N	I	Z	H	A	H	X	M	J	M	R	G	I	R	O	U
P	B	Q	V	N	B	J	K	U	P	R	G	V	G	I	Z	E	O	P	S
S	G	D	D	I	H	F	J	D	Z	B	O	Z	G	S	S	L	M	O	D
N	L	E	I	N	B	I	F	M	V	M	H	R	O	E	V	N	S	L	E
J	O	D	R	F	M	H	G	V	N	P	Z	J	L	O	M	I	K	I	B
Q	B	O	F	L	P	Q	Q	H	B	S	J	K	H	F	R	N	A	T	T
P	A	L	B	A	Q	N	N	P	G	M	T	B	E	R	X	O	I	I	C
S	L	L	E	T	P	C	H	T	D	R	L	B	R	U	G	F	G	C	E
I	R	A	B	I	P	N	Q	L	J	D	O	T	P	P	Z	E	V	A	I
C	A	R	Q	O	P	F	E	H	Q	U	X	W	R	E	Y	A	Y	L	L
Y	T	I	H	N	K	B	H	H	K	S	C	N	T	E	O	R	P	T	I
U	E	Z	W	W	S	R	R	K	O	B	S	E	C	H	S	D	K	E	N
I	H	A	S	O	D	R	O	O	N	K	E	W	Y	E	G	F	Z	N	G
G	I	T	I	E	A	G	J	B	F	P	P	H	F	L	T	W	S	S	U
G	K	I	K	S	B	I	J	L	D	L	W	I	R	W	V	Q	M	I	B
X	E	O	S	K	P	I	E	B	H	L	Q	G	V	I	Q	T	Z	O	W
W	S	N	Z	R	J	Z	O	Z	W	Z	Y	H	E	J	J	O	Y	N	E
T	N	E	M	U	P	G	I	P	Z	M	J	S	D	P	D	Q	J	S	K

T	H	Q	E	A	H	P	C	T	Z
J	A	O	B	L	K	J	G	J	D
S	S	O	L	U	T	I	O	N	N
E	V	D	K	G	I	V	T	A	J
O	O	V	G	C	C	R	E	R	R
Q	F	P	H	R	E	S	J	Q	Q
B	W	Z	T	K	F	J	V	Z	Z
K	M	B	F	N	L	L	A	E	E
I	L	M	D	Y	F	V	K	A	V
Z	O	T	Z	S	Z	S	I	L	Z



Top 10 factors that shaped the markets in 2023



- DE-DOLLARIZATION
- HIGH GROWTH
- NEW HIGHS
- US RECESSION
- EL NINO FEAR
- GLOBAL RATE HIKES
- RISE OF RUPEE
- GEOPOLITICAL TENSIONS
- INFLATION WOES
- US DEBT CEILING

How many did you find?

Global Outlook Favouring India



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MACRO

Deloitte raises India's GDP growth target to 6.5%-6.8% in FY24

GDP will grow primarily due to festive spending in the coming months followed by higher government spending before the upcoming general elections mid-next year

By FORTUNEINDIA.COM, Oct 19, 2023 | 3 min read

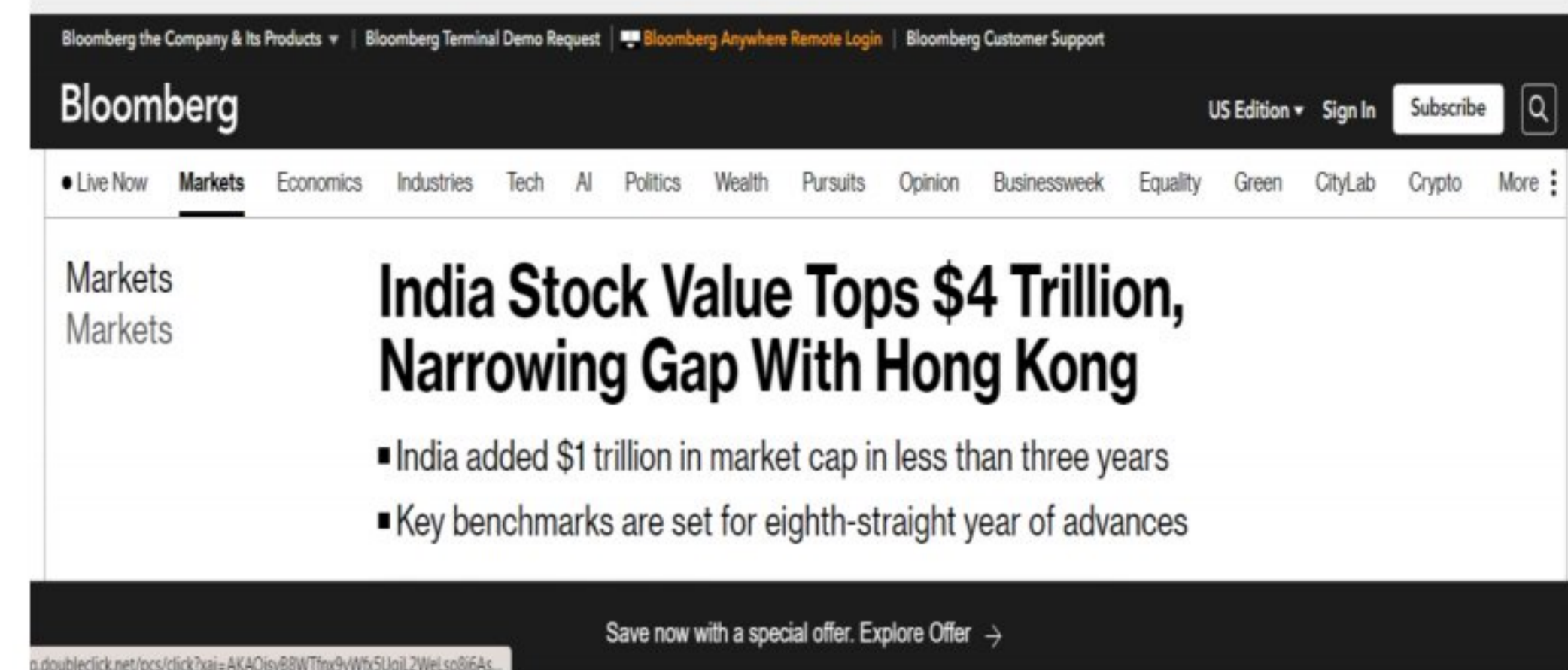
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India Stock Value Tops \$4 Trillion, Narrowing Gap With Hong Kong

- India added \$1 trillion in market cap in less than three years
- Key benchmarks are set for eighth-straight year of advances

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REUTERS

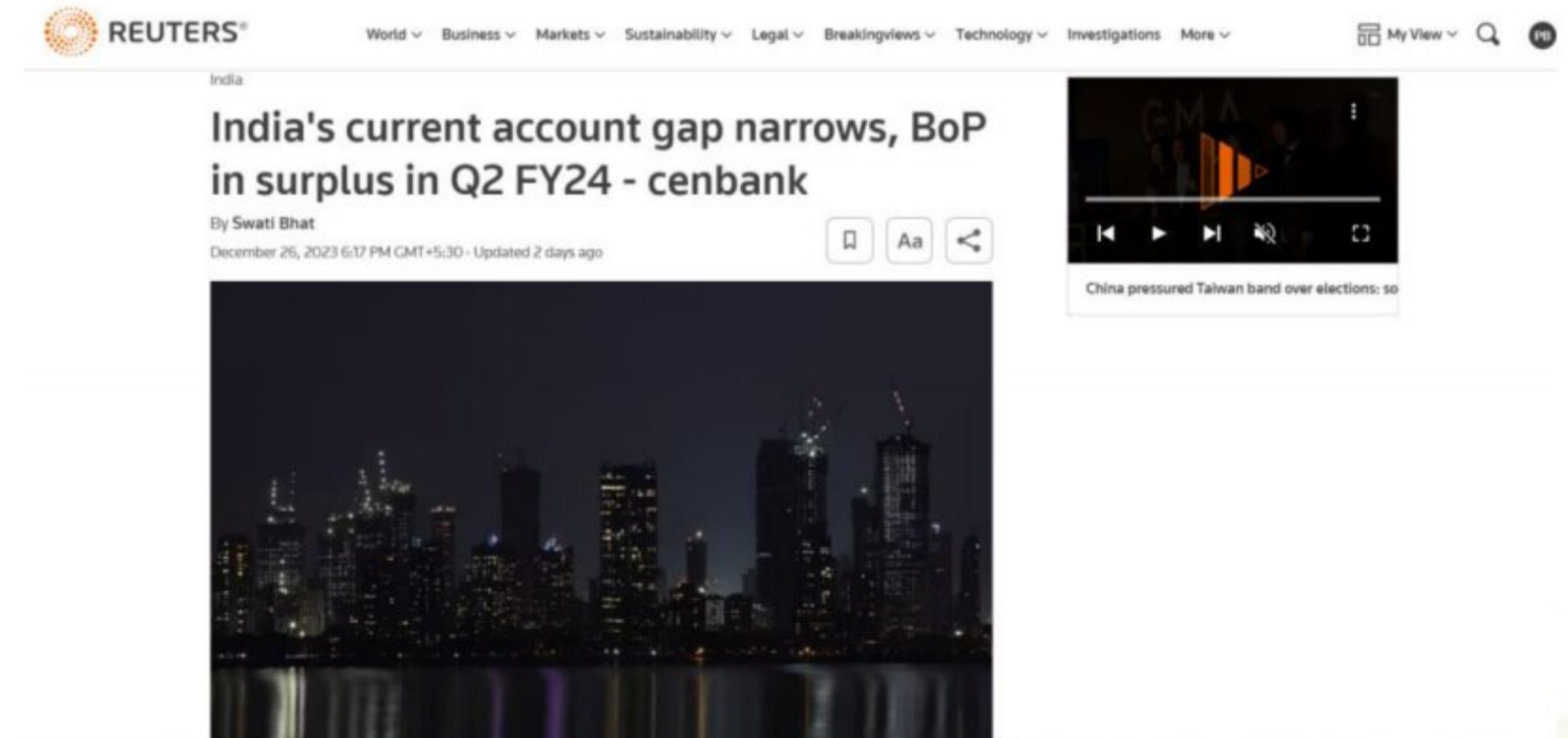
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India

India should cash in on 'China plus one' strategy - World Bank chief

Reuters

July 19, 2023 4:36 PM GMT+5:30 · Updated 5 months ago



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India

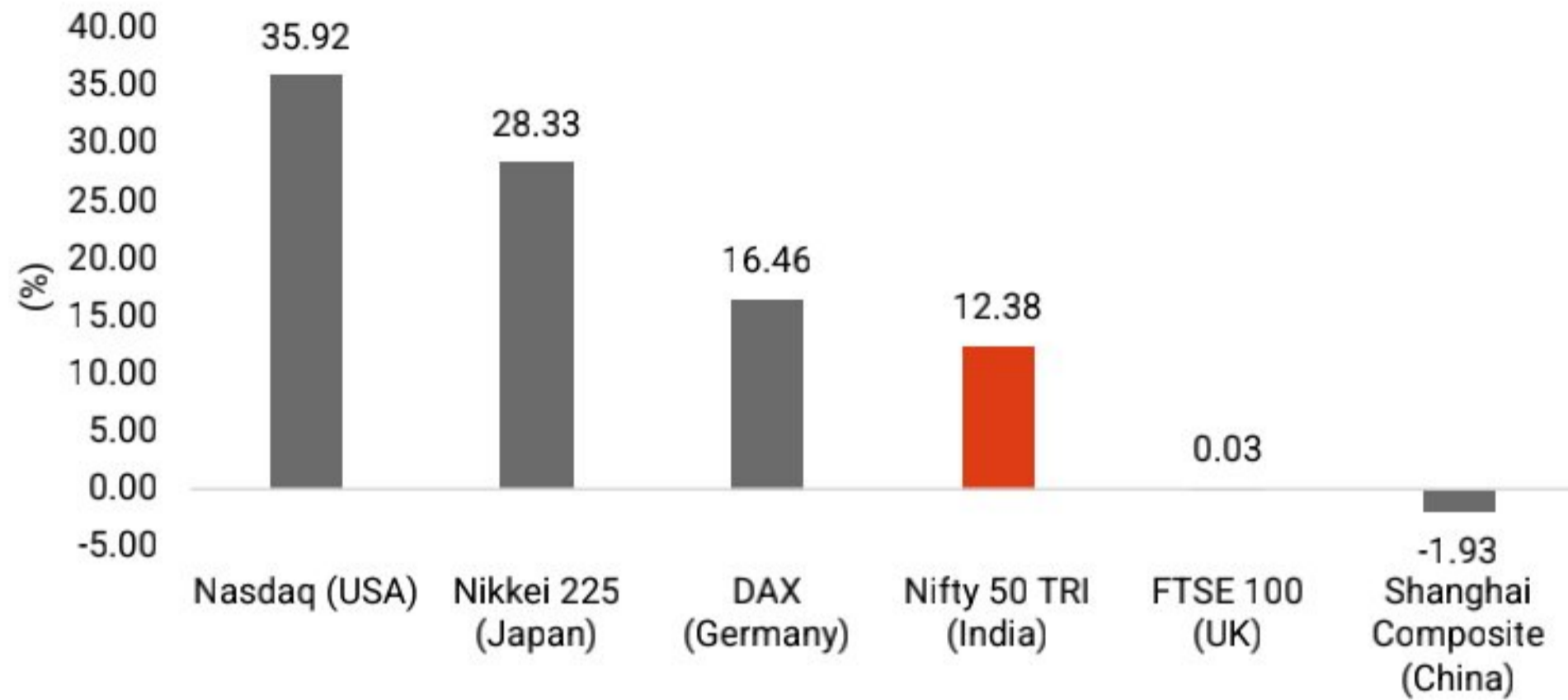
India's current account gap narrows, BoP in surplus in Q2 FY24 - cenbank

By Swati Bhat

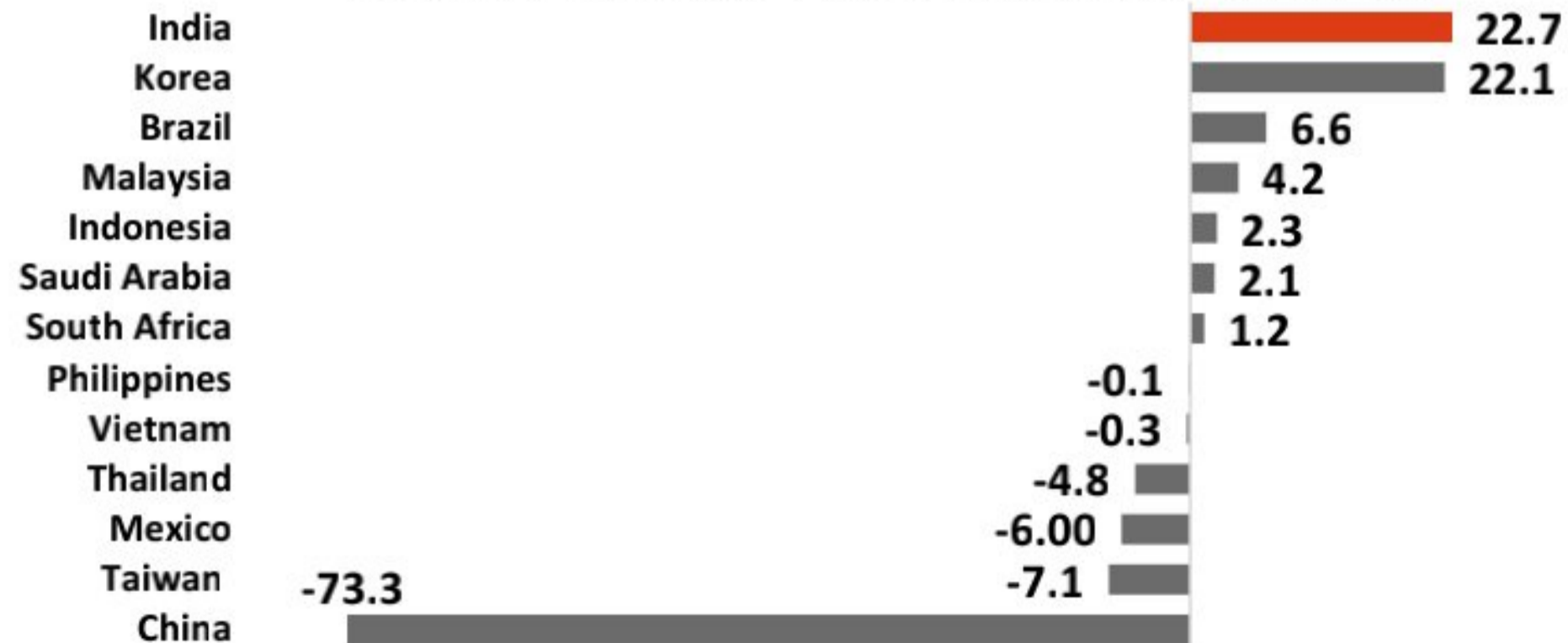
December 26, 2023 6:17 PM GMT+5:30 · Updated 2 days ago



Global Equity Market Performance



Total FPI* Flows to EM During CYTD23 (USD bn)



Central banks focused on inflation control in 2023.

Owing to central banks' efforts inflation appears to be receding.

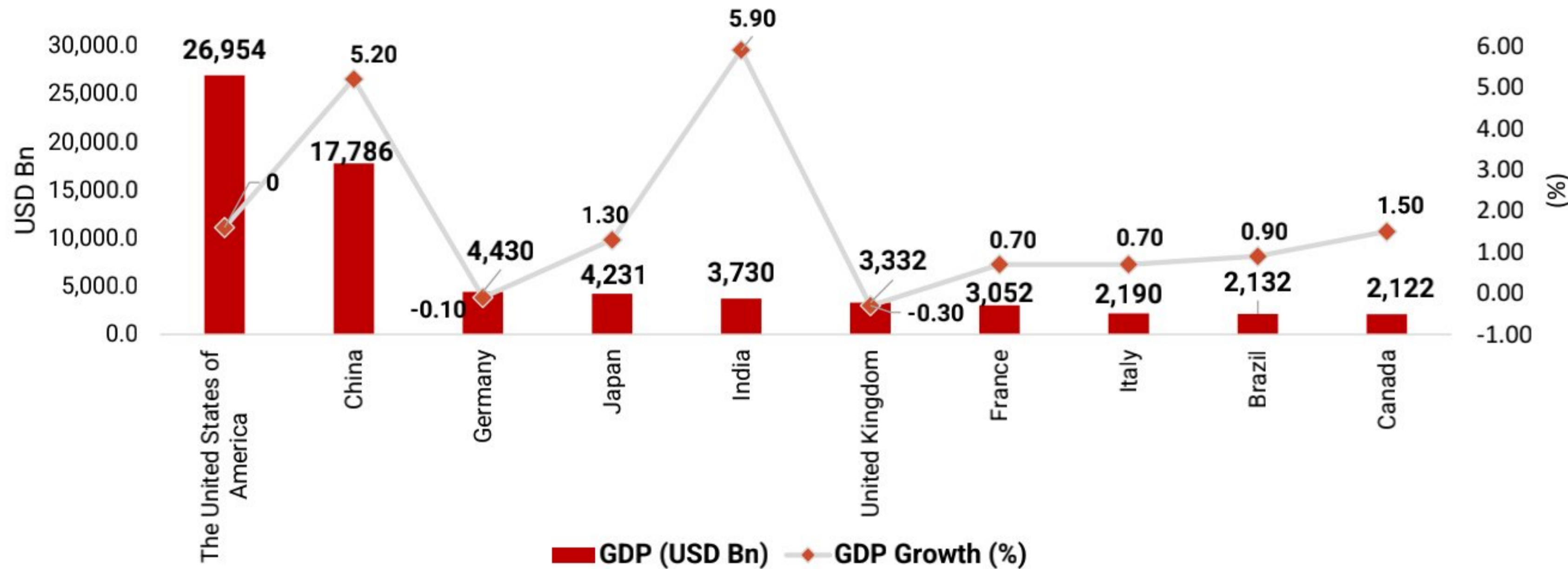
The year 2023 has turned out to be positive one for global equities with most equity markets delivering reasonable gains.

Nasdaq showcased a V shaped recovery.
Chinese economy has been struggling with slow recovery.

Indian equity markets experienced interim volatility in the first half followed by reasonable returns in the second half 2023.
India has received robust Total FPI Flows CYTD23

India - the fastest growing economy in the world

Top 10 Largest Economies in the World 2023 by GDP & Growth



Some nations want it to happen,

Some nations wish it would happen,



India
made it happen

India - 5th largest economy by GDP, continues to be one of the fastest growing economies in the world

Source: IMF data (as of October 16, 2023), Latest Available Data. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

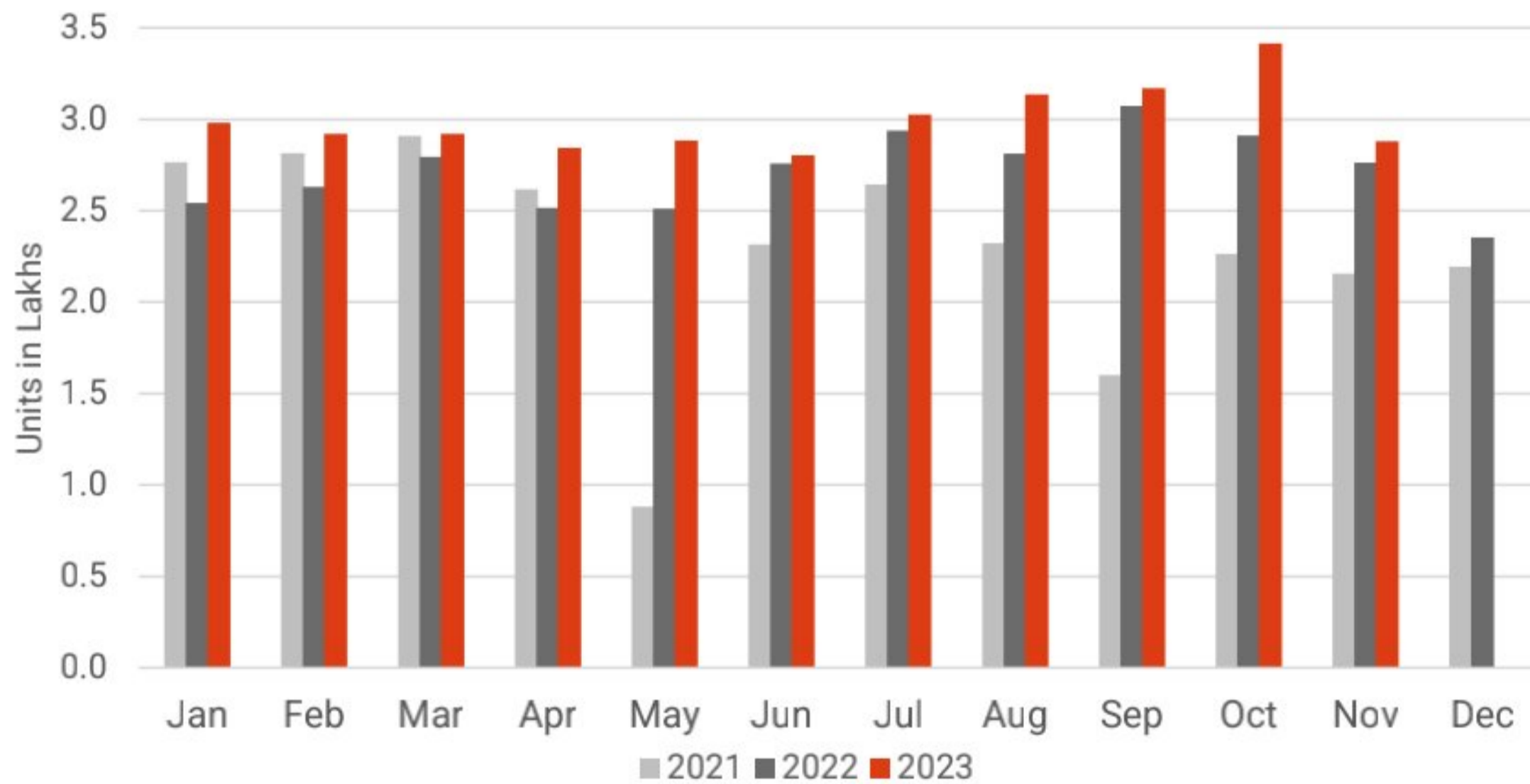
Pillars of Strength for India 2023



Robust Consumption backed by Strong Credit Growth

Strong Auto Sales

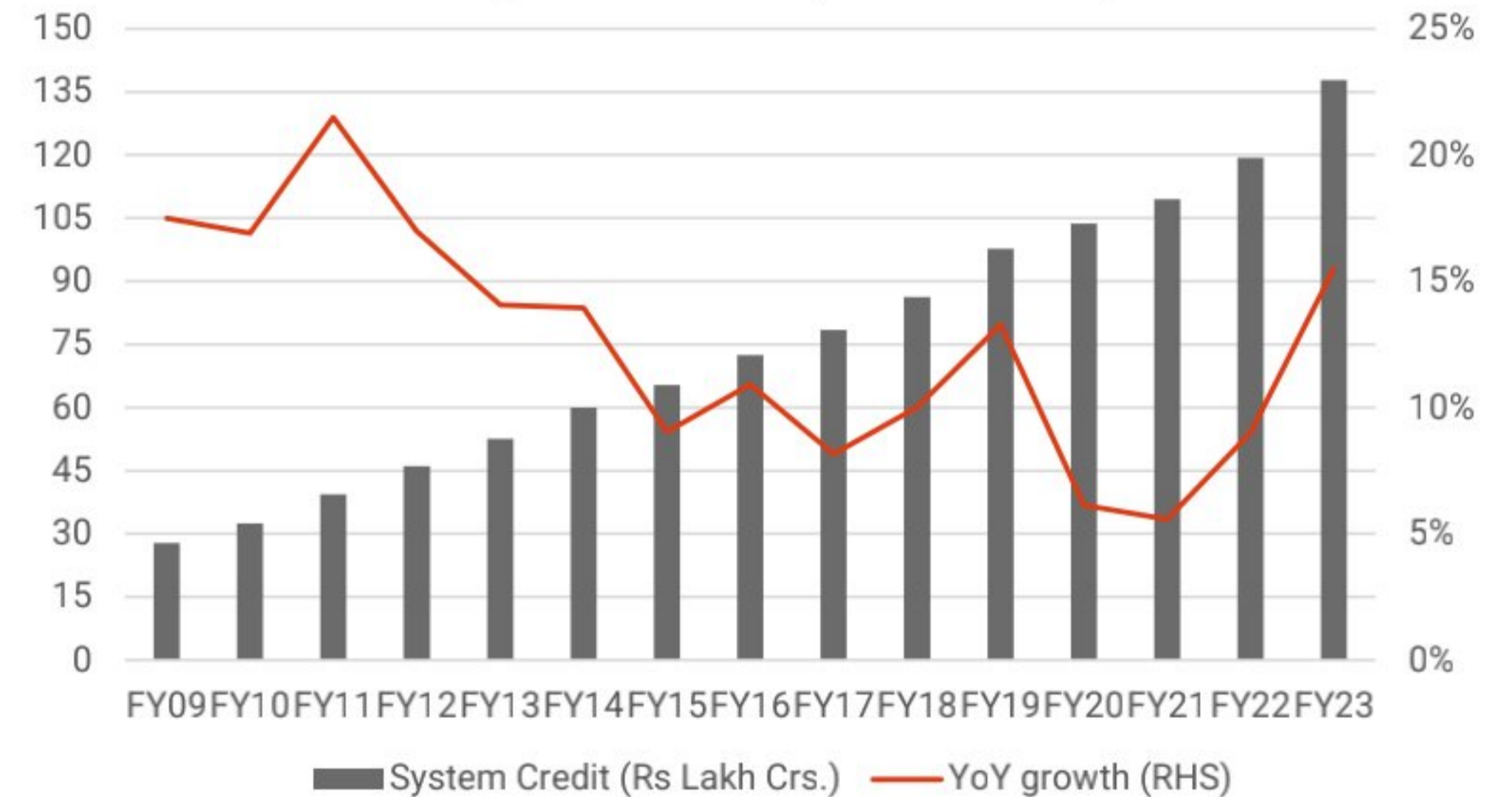
India Automotive Sales Volume, 2023



Month on month auto sales in 2023 have beaten 2021 as well as 2022

Strong Credit Growth

System Credit (Rs.Lakh Crs.)

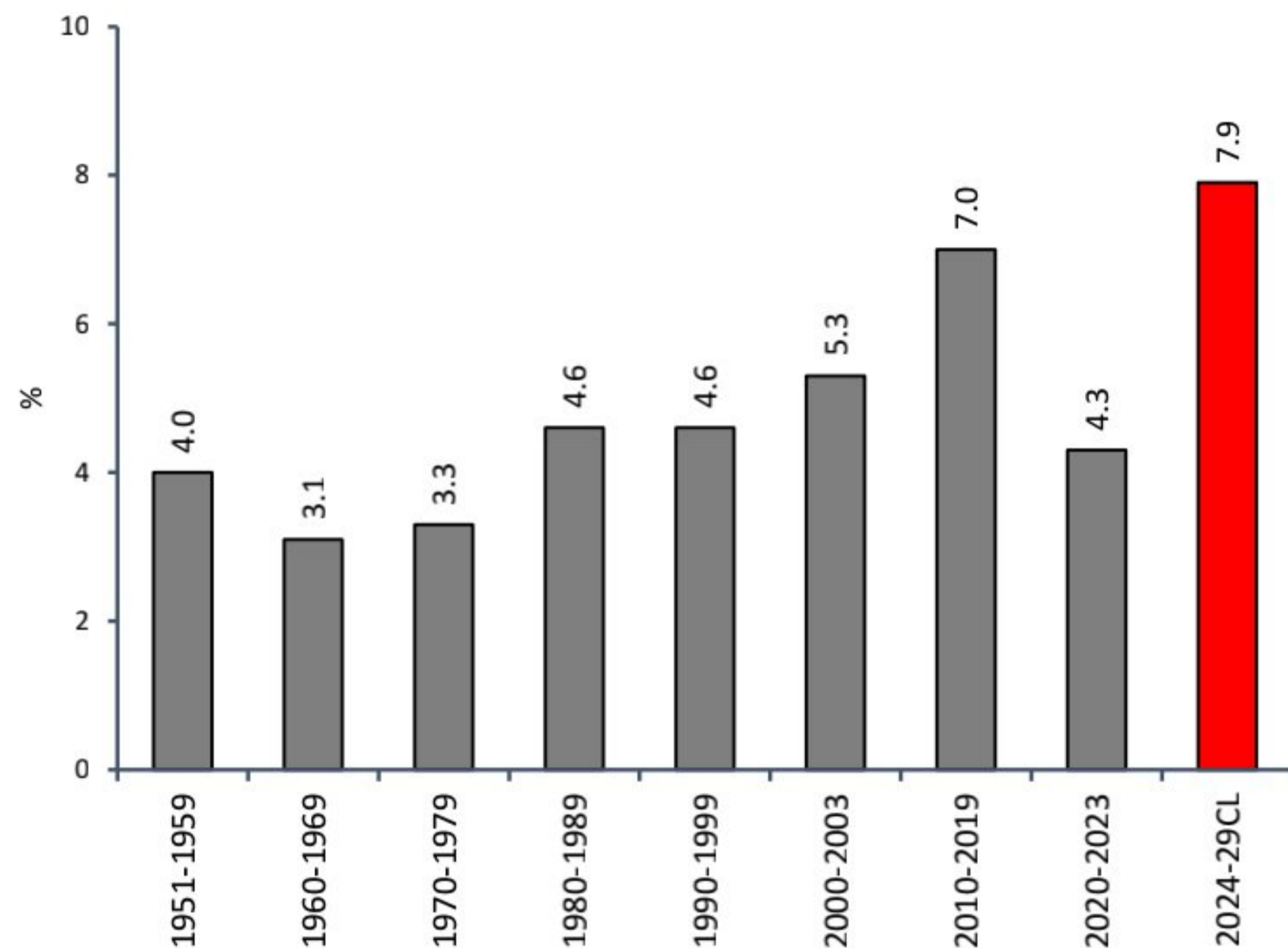


Credit growth in Nov'23 at 15.5% is highest since FY15

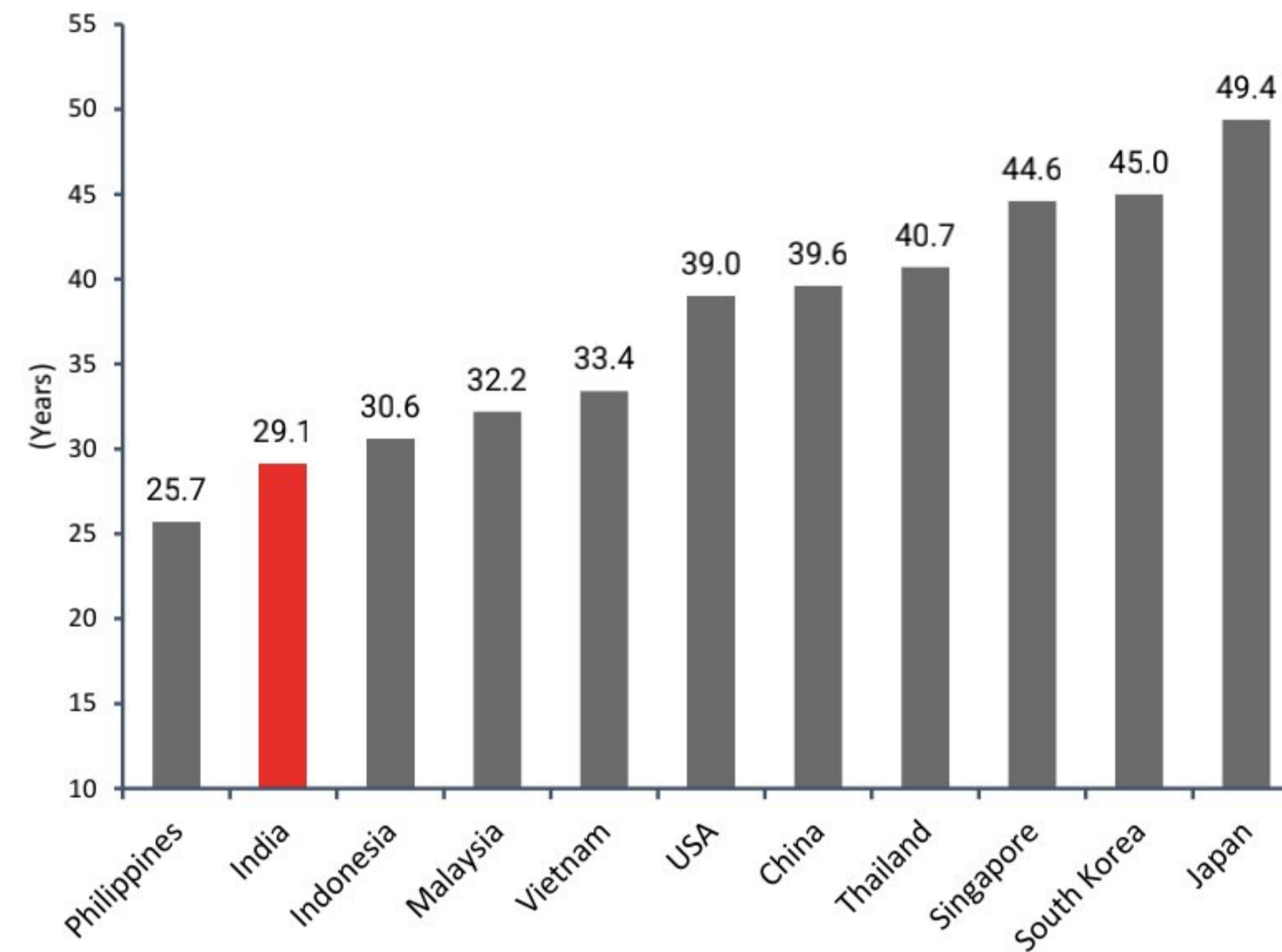
Source: Marklines & Internal Research, Latest available data(Dec 2023). Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

Demographic Dividend to drive consumption growth

Consumption Growth (%)



Median Age Across Economies



India's young & earning demography to drive the consumption growth.

Source: JMF MF research, Internal Research, UNDP CLSA Latest available data as on 30th Nov'23. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

Buoyant Government Expenditure

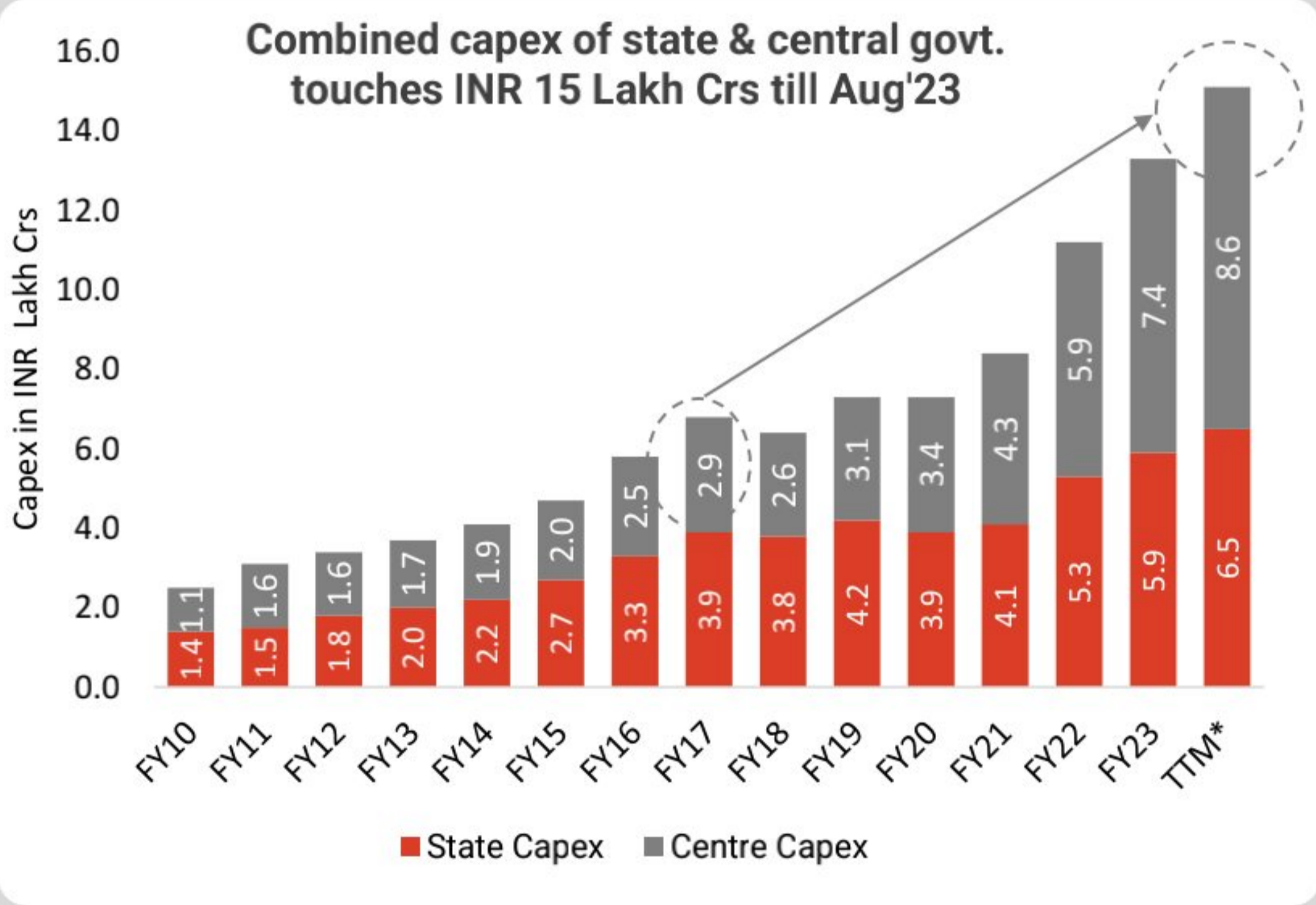
9359
Projects

2040
Projects in underdeveloped stage

Indian Infrastructure Growing Strong

Total Capital Outlay:
Rs 114.6 Trillion

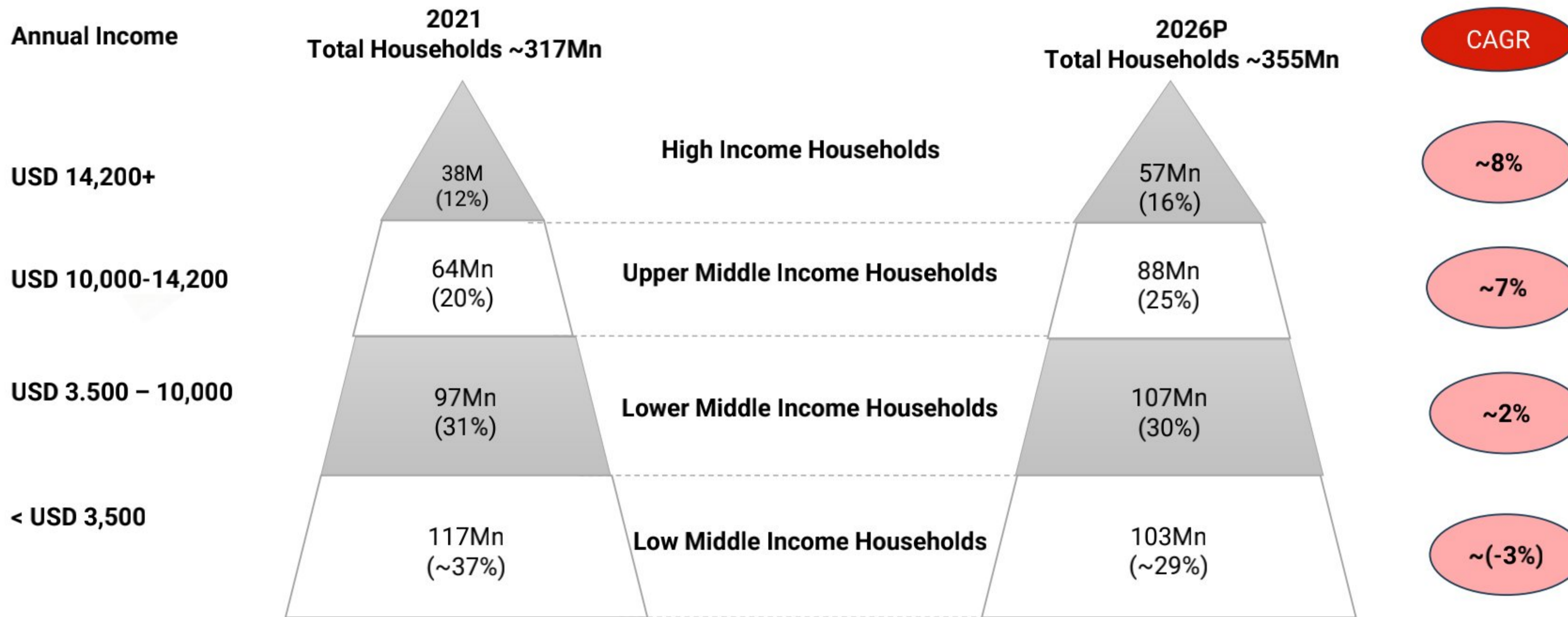
57
Sub-sectors



- **13,800 km** of highways construction is envisaged for 2023-24
- Plans of bringing down logistics cost from **~14% to ~10%**
- **21** greenfield airports received grant in June 2023 adding to 131 operational airports in India

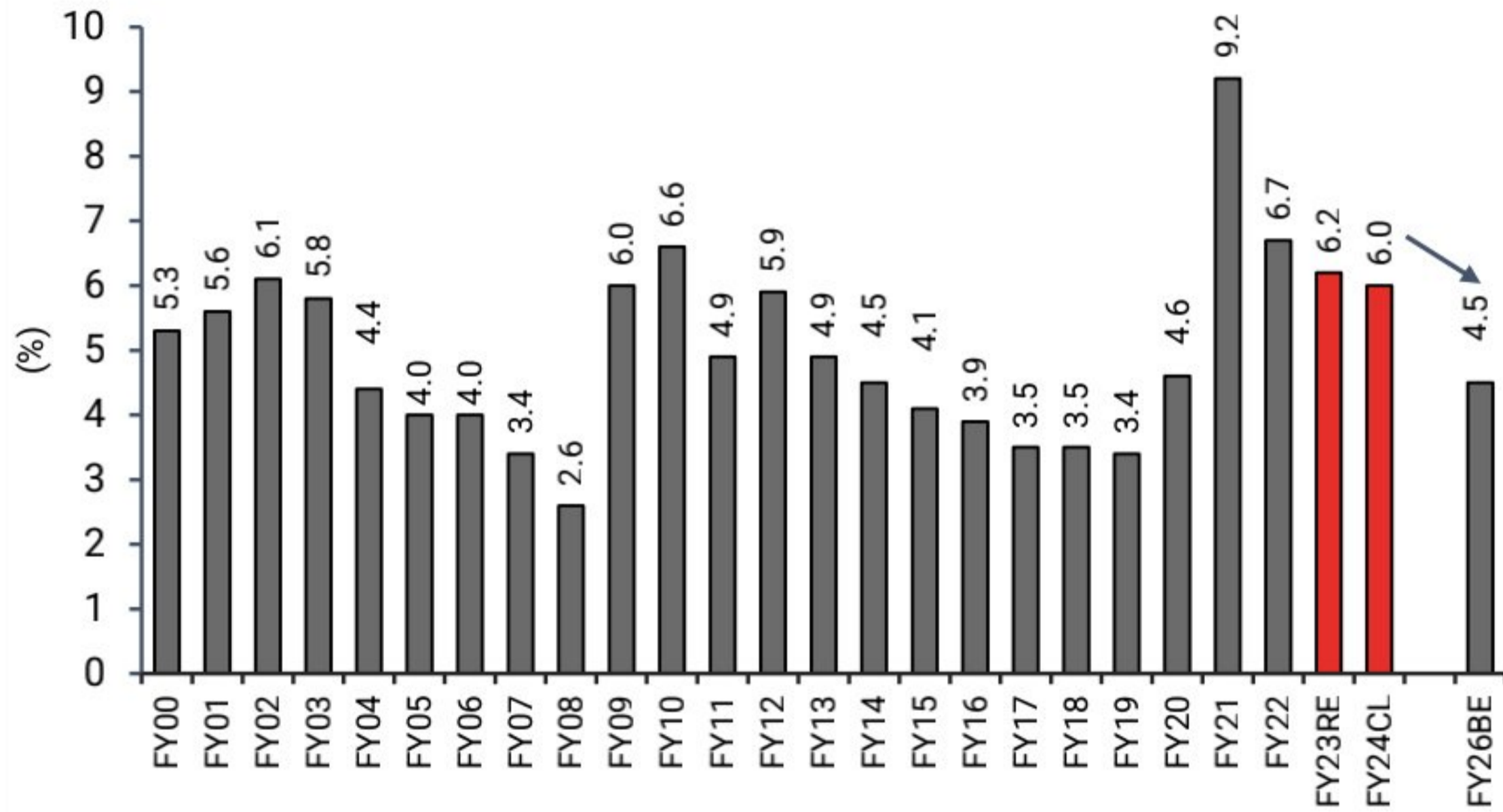
Higher public capex lead to higher economic growth by fuelling the core sectors which already seem to be growing steadily

Rise of Upper and Middle Income Class

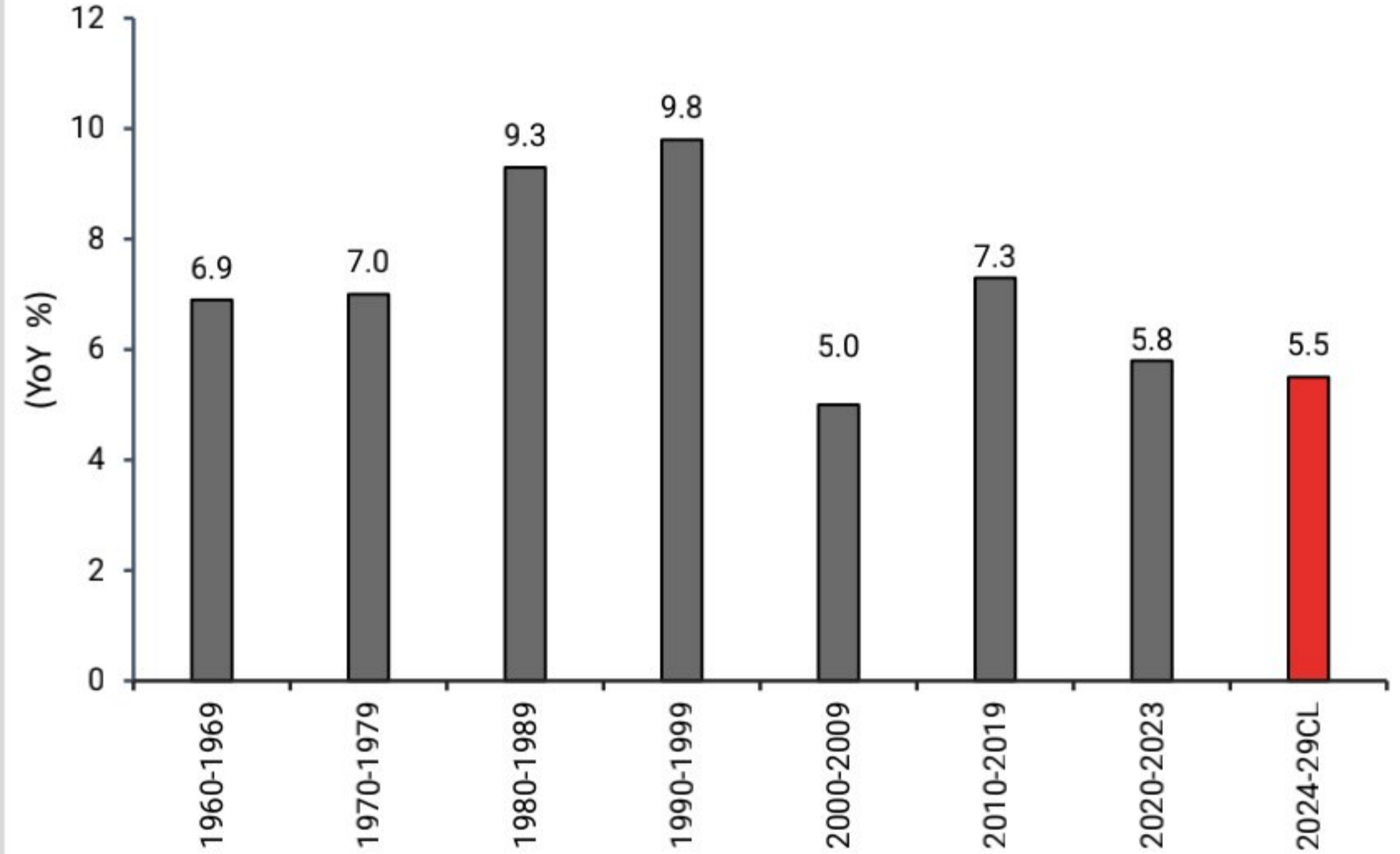


The pace of growth in high income & upper middle income group is faster indicating a shift in spending pattern in the coming years

Fiscal deficit as % GDP



CPI inflation

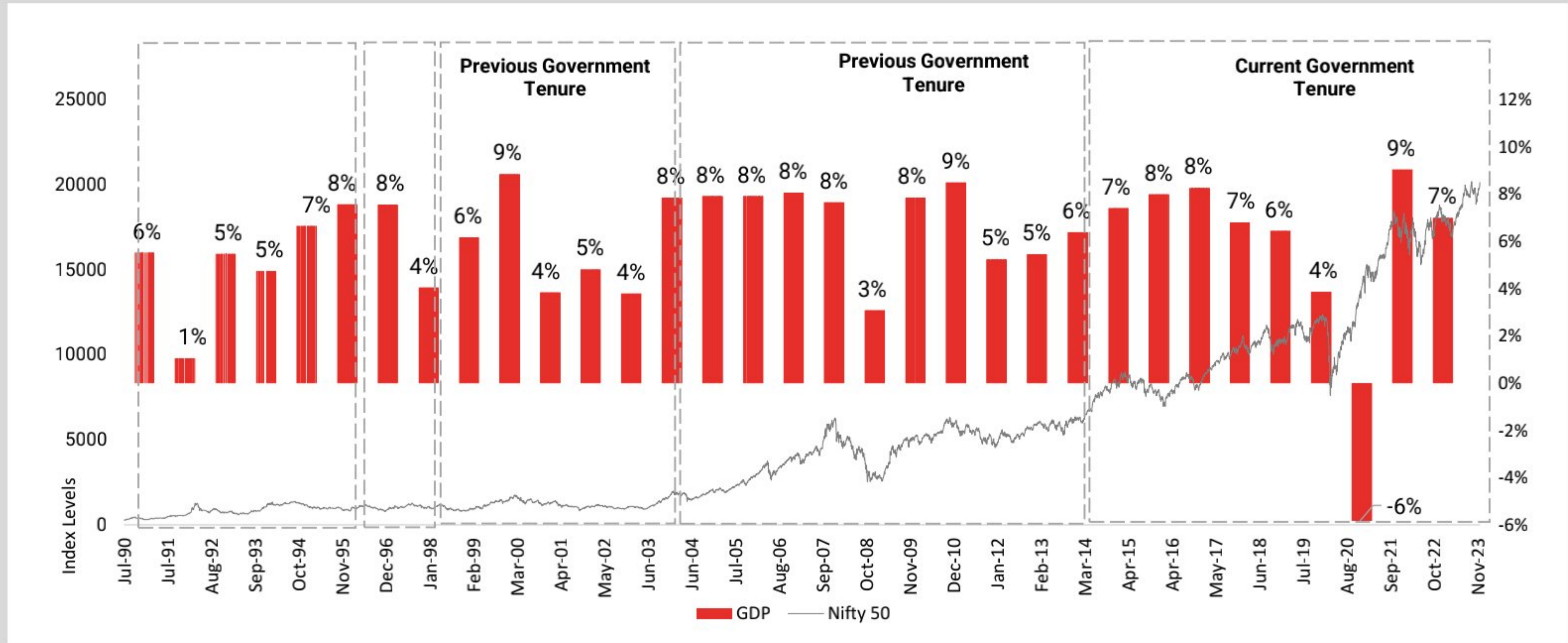


Both Fiscal Deficit and Inflation considered as Twin Towers of Worry are in check

Potential Turning Points for Indian Economy

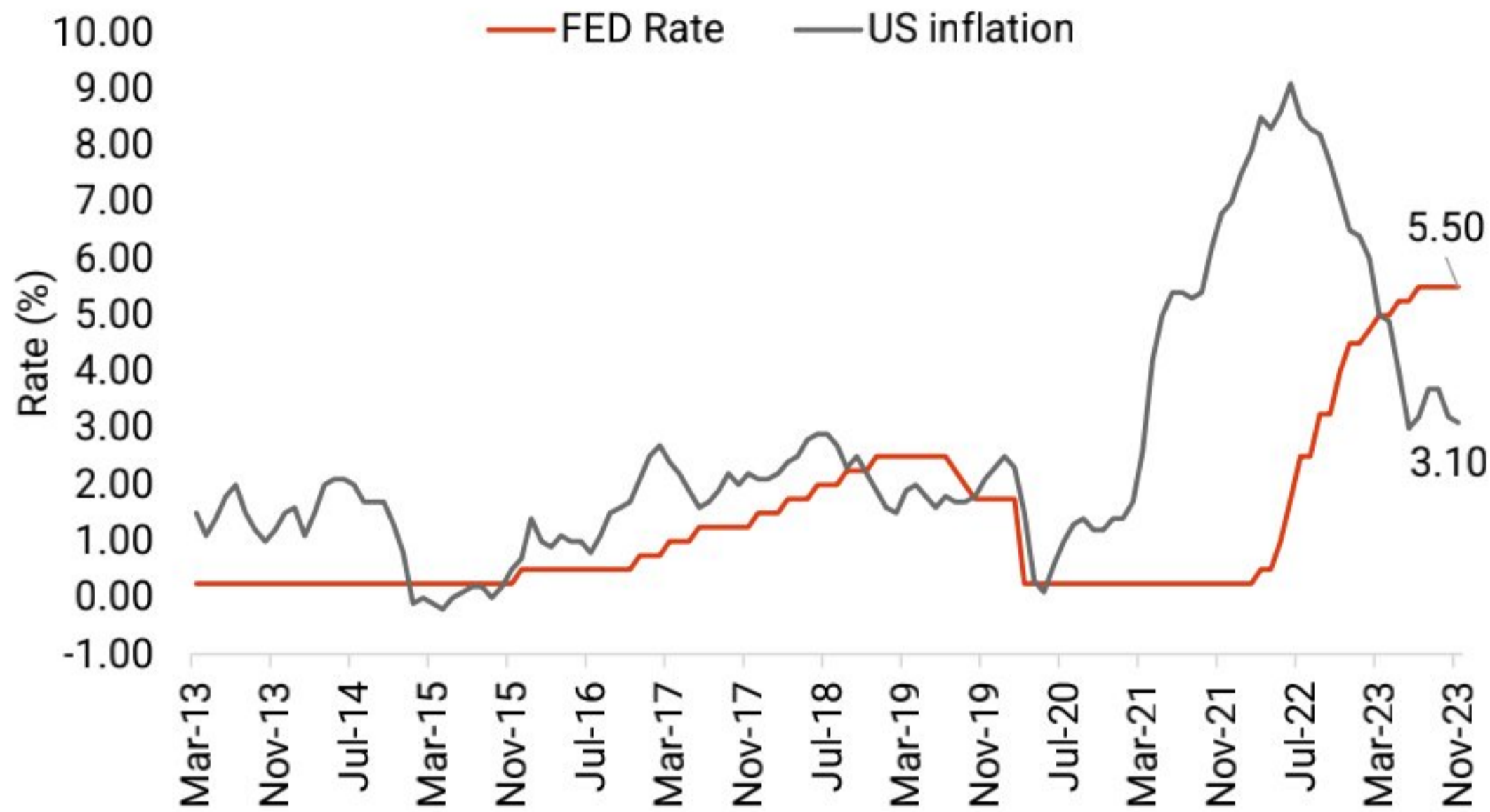


Irrespective of the Government – India's growth path has been robust

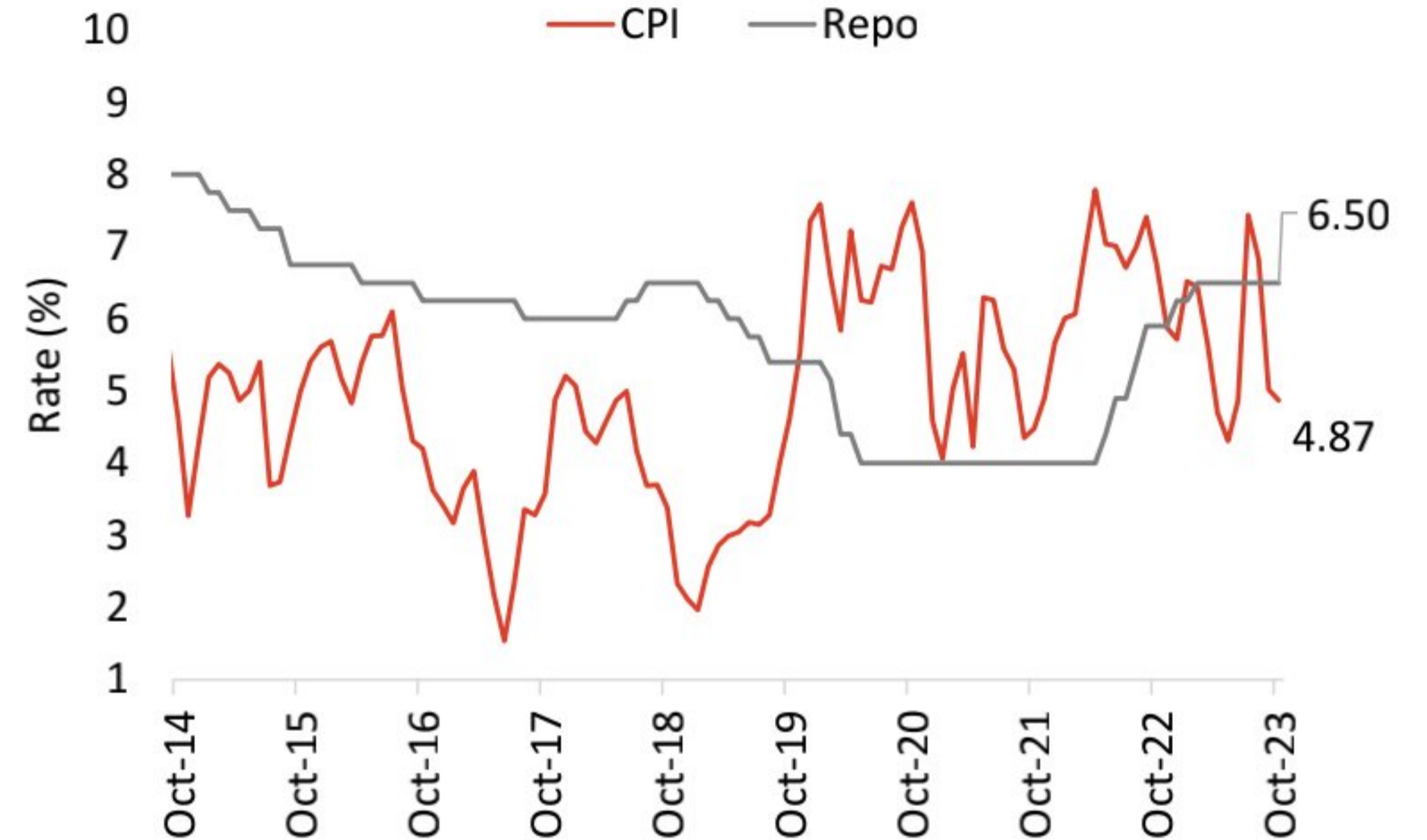


Source: Acemf Data as on 30th Nov 2023. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

Fed Rate Chart with Inflation



Repo Rate Chart with Inflation

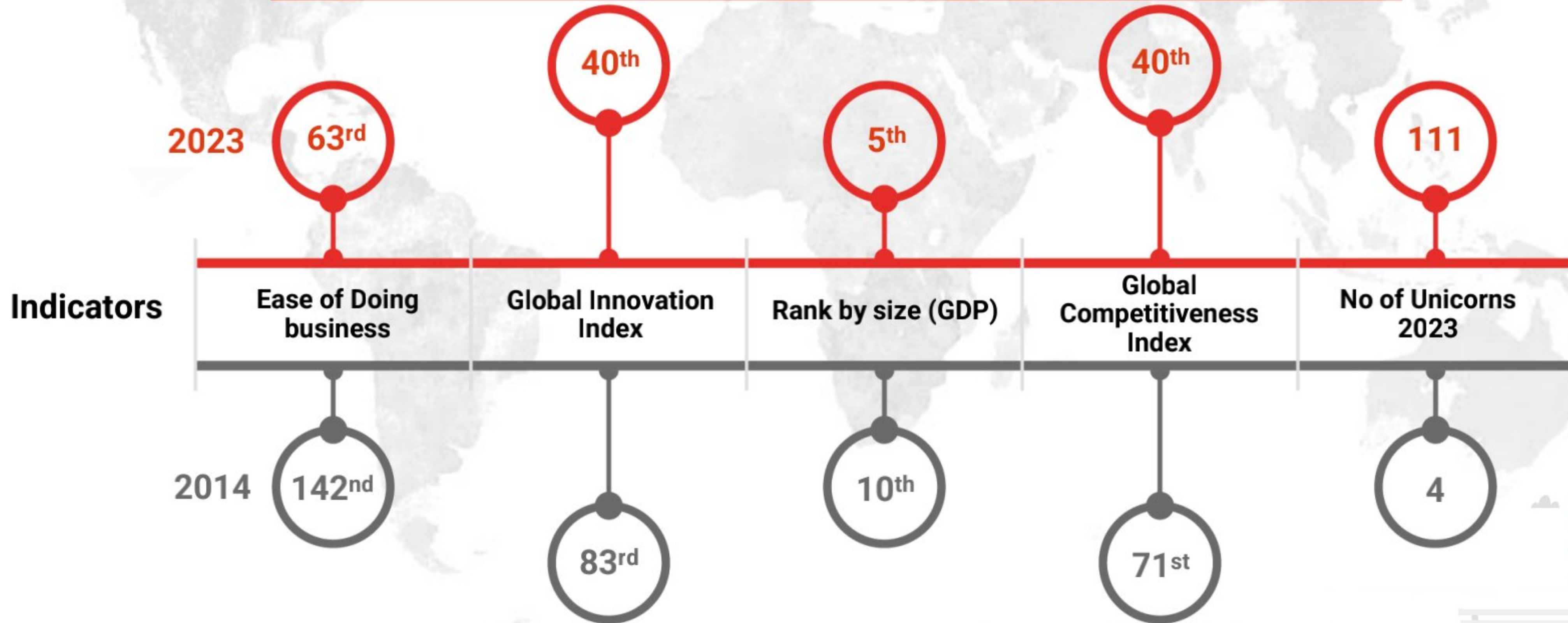


Inflation in the US has come down sharply owing to which the Fed's tone in the December policy has been dovish. Indian interest rates have also risen in tandem with US rates and domestic inflation. As the inflation cools down further, the interest rates may come down.

Source: JMF MF research, Internal Research, Latest available data as on 30th Nov'23. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

India has been witnessing perks of sound governance

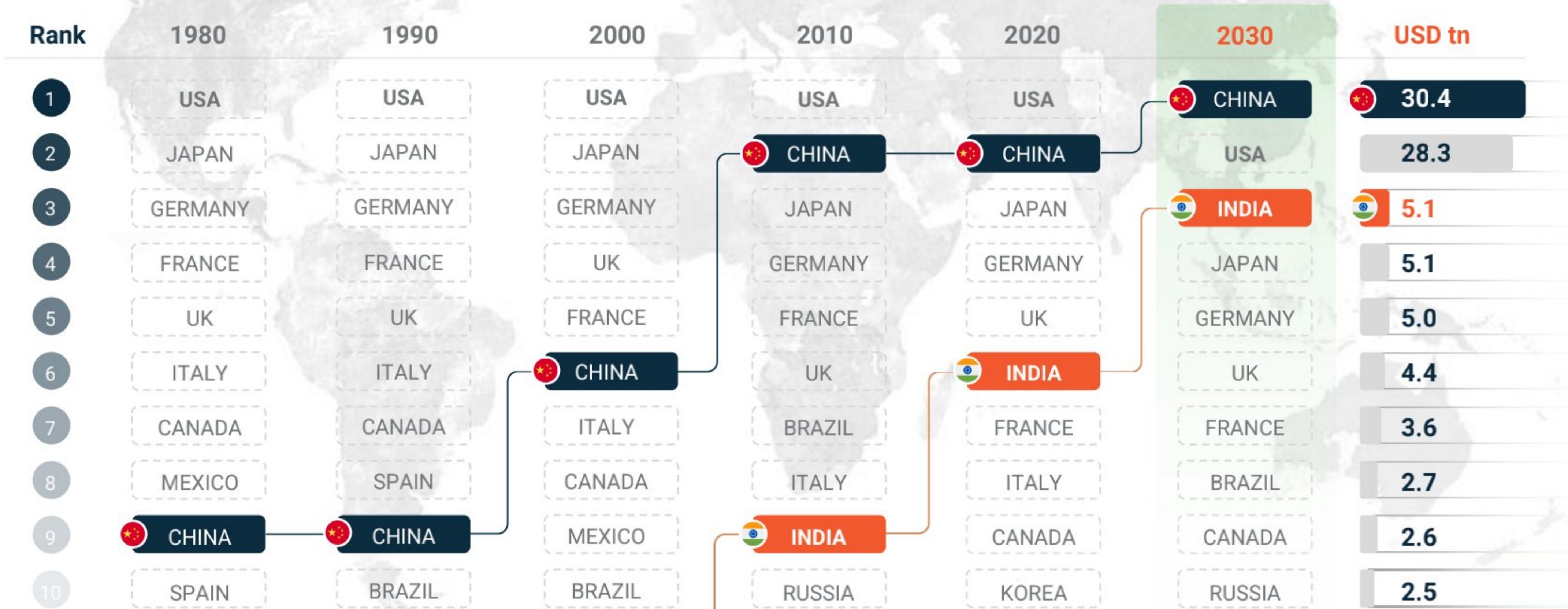
India has achieved **rapid growth and global recognition** under Current Government Regime. India's improved international standing has had a direct relation to Rupee's acceptance globally. Current Government Regime's past two terms may be called as "**Amritkaal**" of Indian economy.



Source: Internal Research, Latest available data

India Projected to be the 3rd Largest Economy by 2030

Decade wise TOP 10 Economies (USD terms)



Source: Bloomberg IMF, 2030 estimates from CEBR (The Centre for Economics and Business Research)

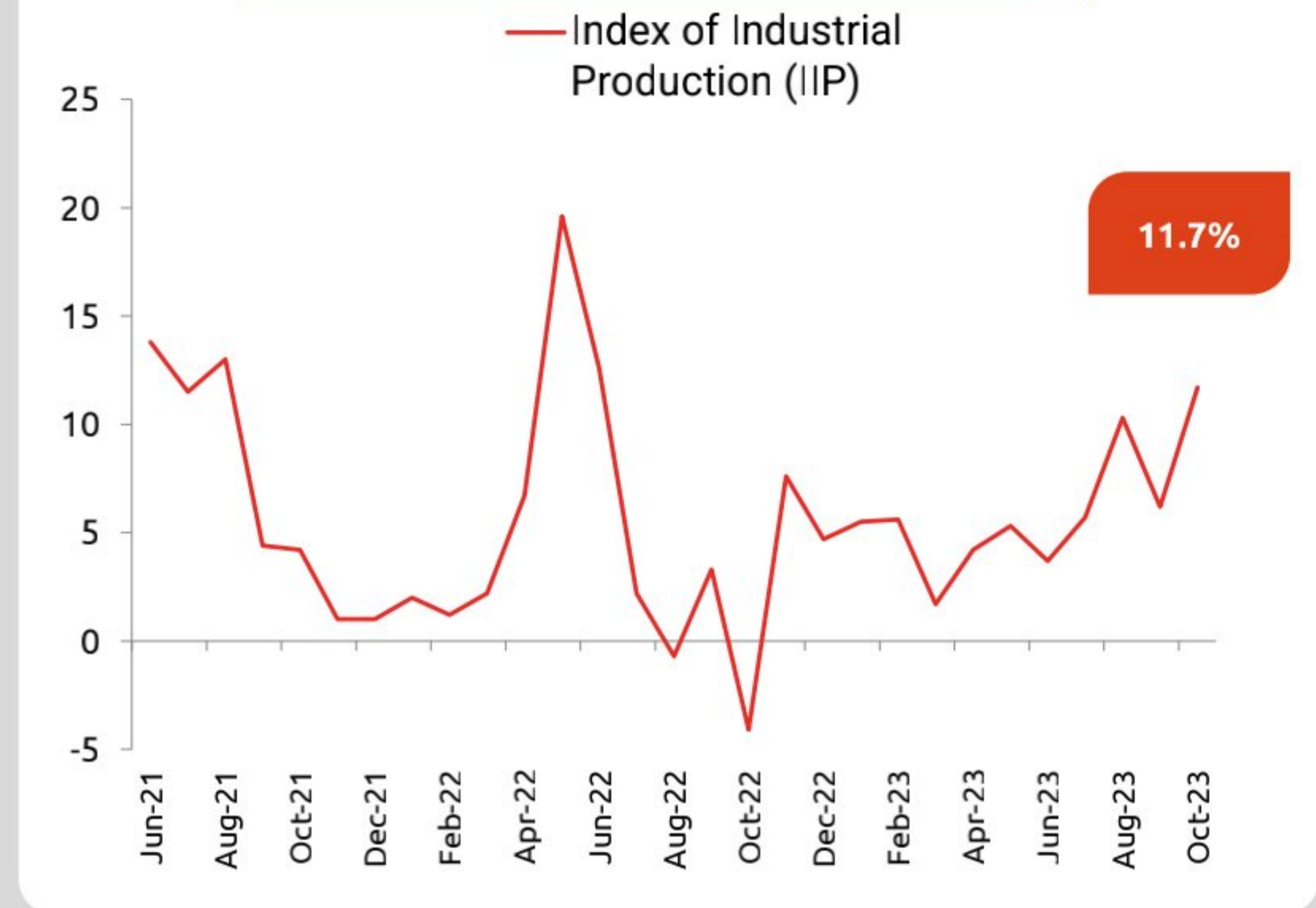
Indian Economy Stats, Valuations



Manufacturing PMI above 55 consistently for the 1st time



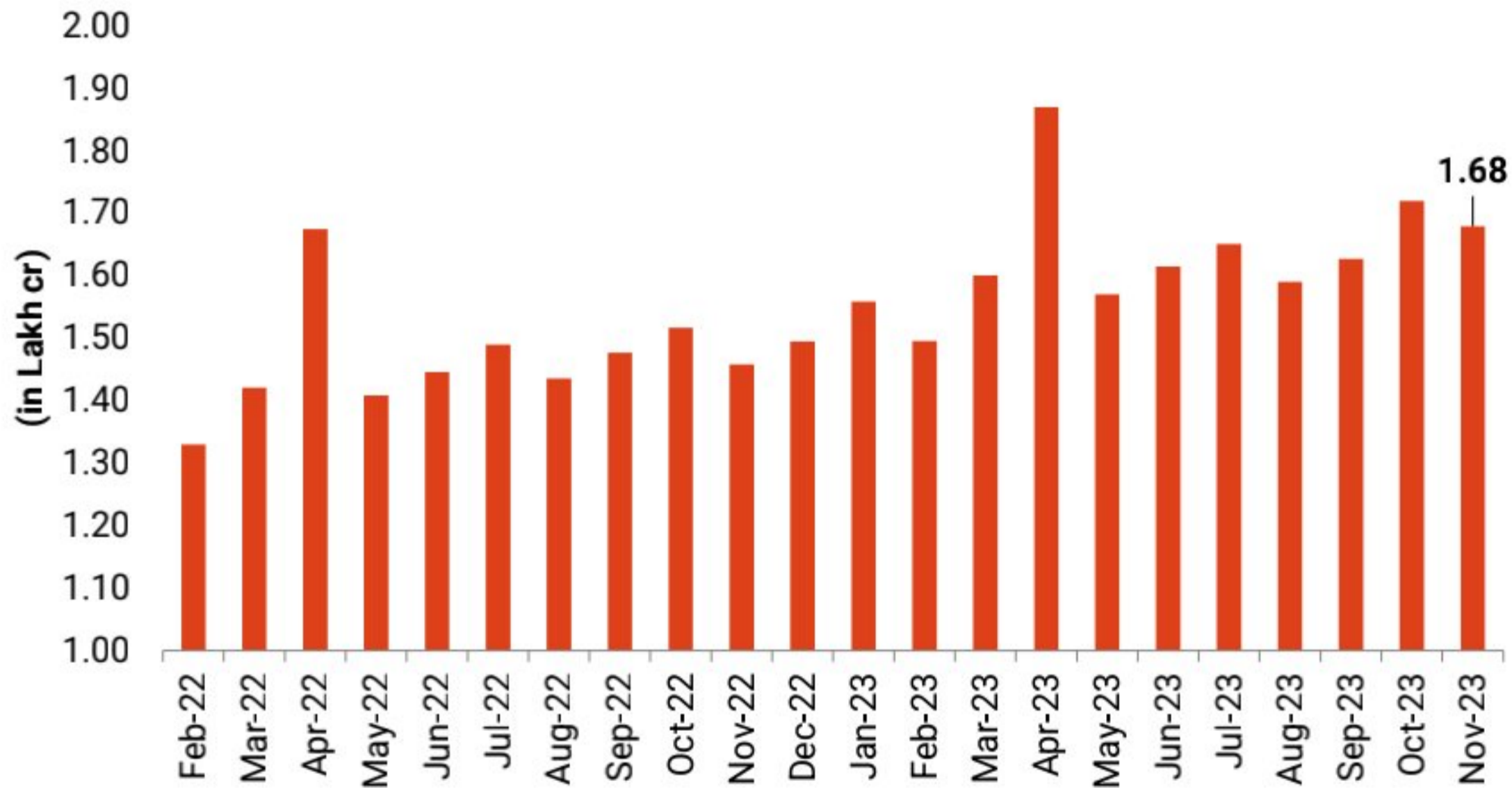
Robust Industrial Production (IIP)



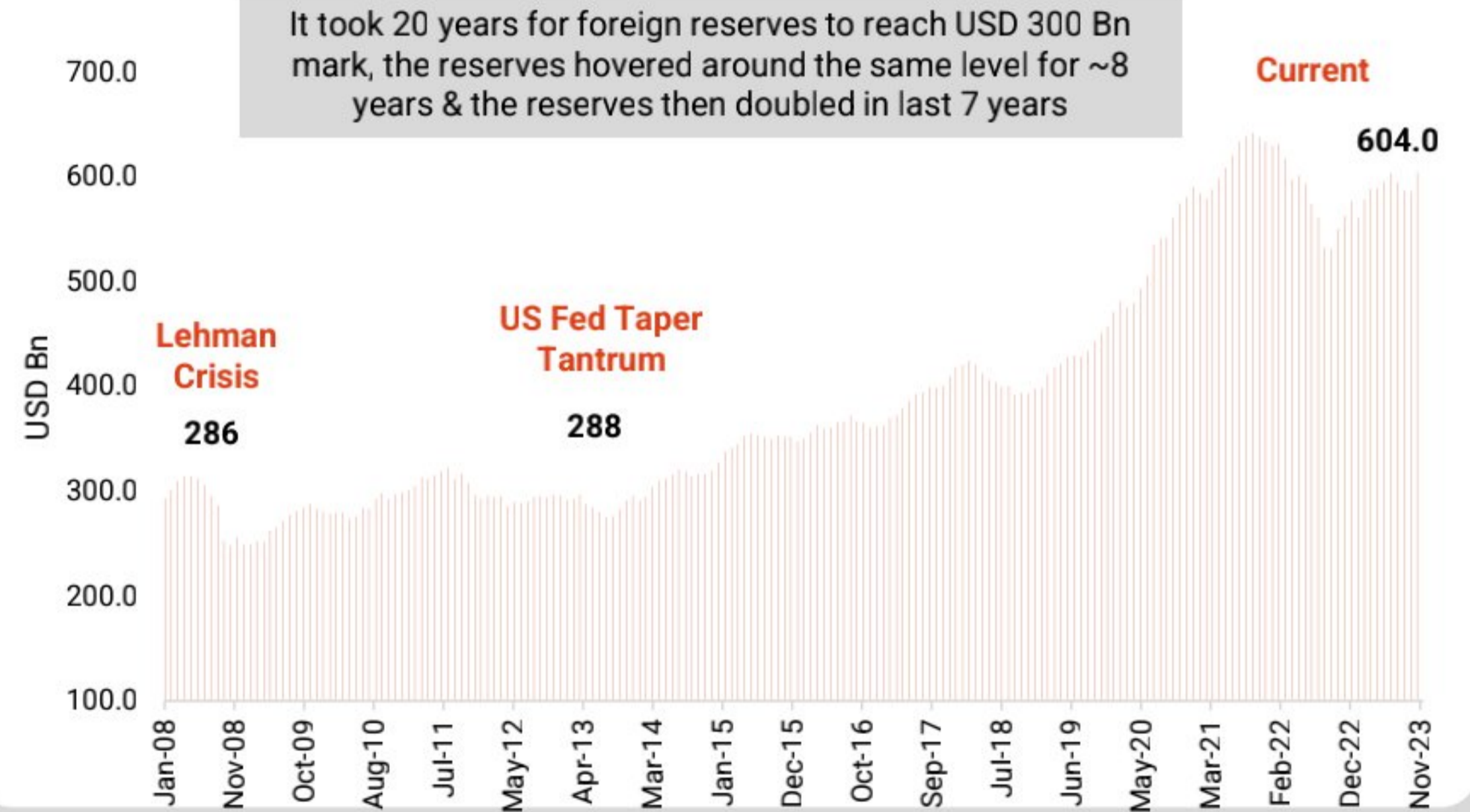
Strong manufacturing and Industrial production indicators speak volumes about underlying growth

Source: Motilal Oswal Research, RBI, Trading Economics, Internal Research, data as on 30th Nov'23; Latest available data. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

Satisfactory GST Collection



High Forex Reserve

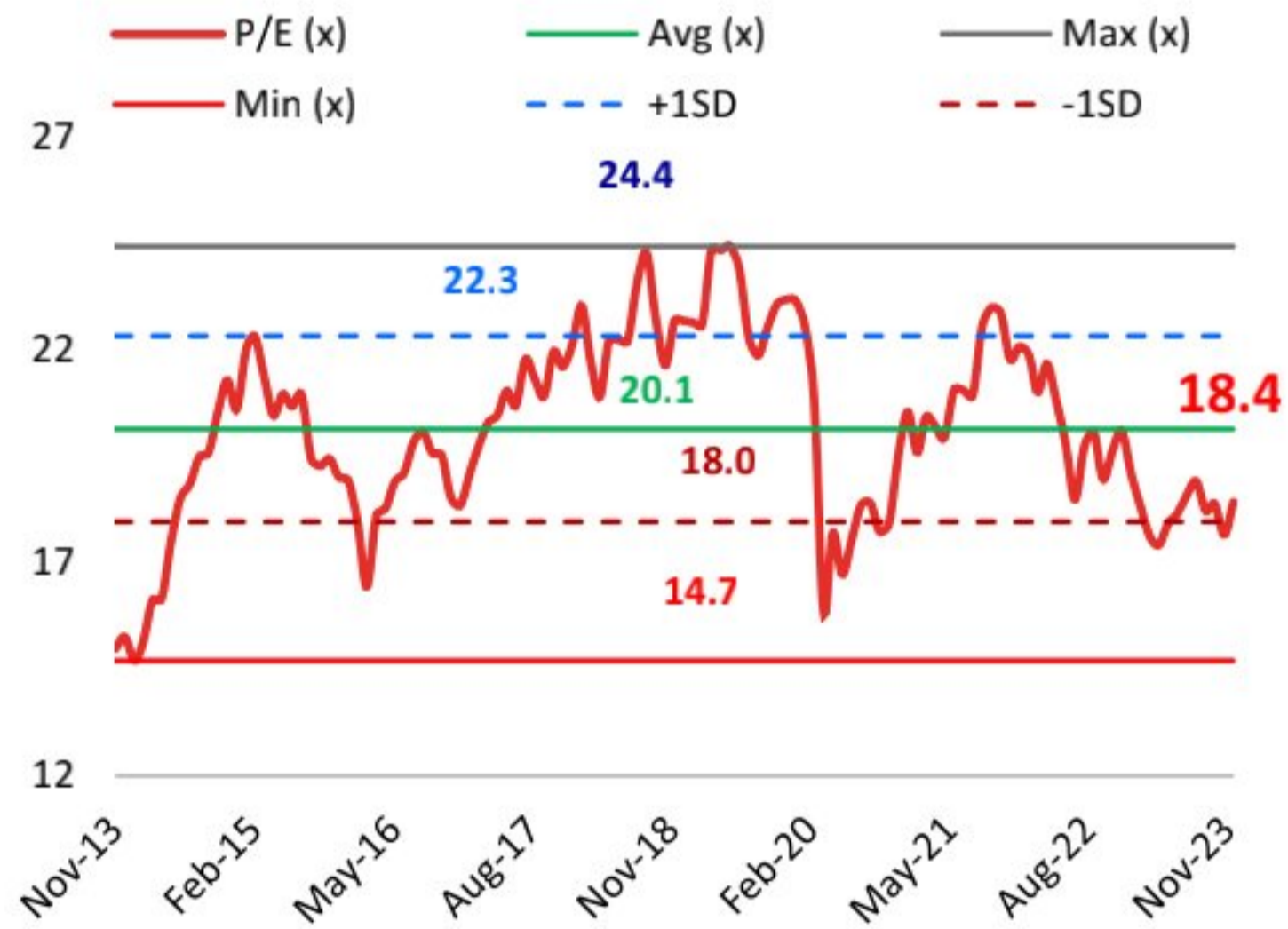


Robust GST collection and better retaining of forex reserves

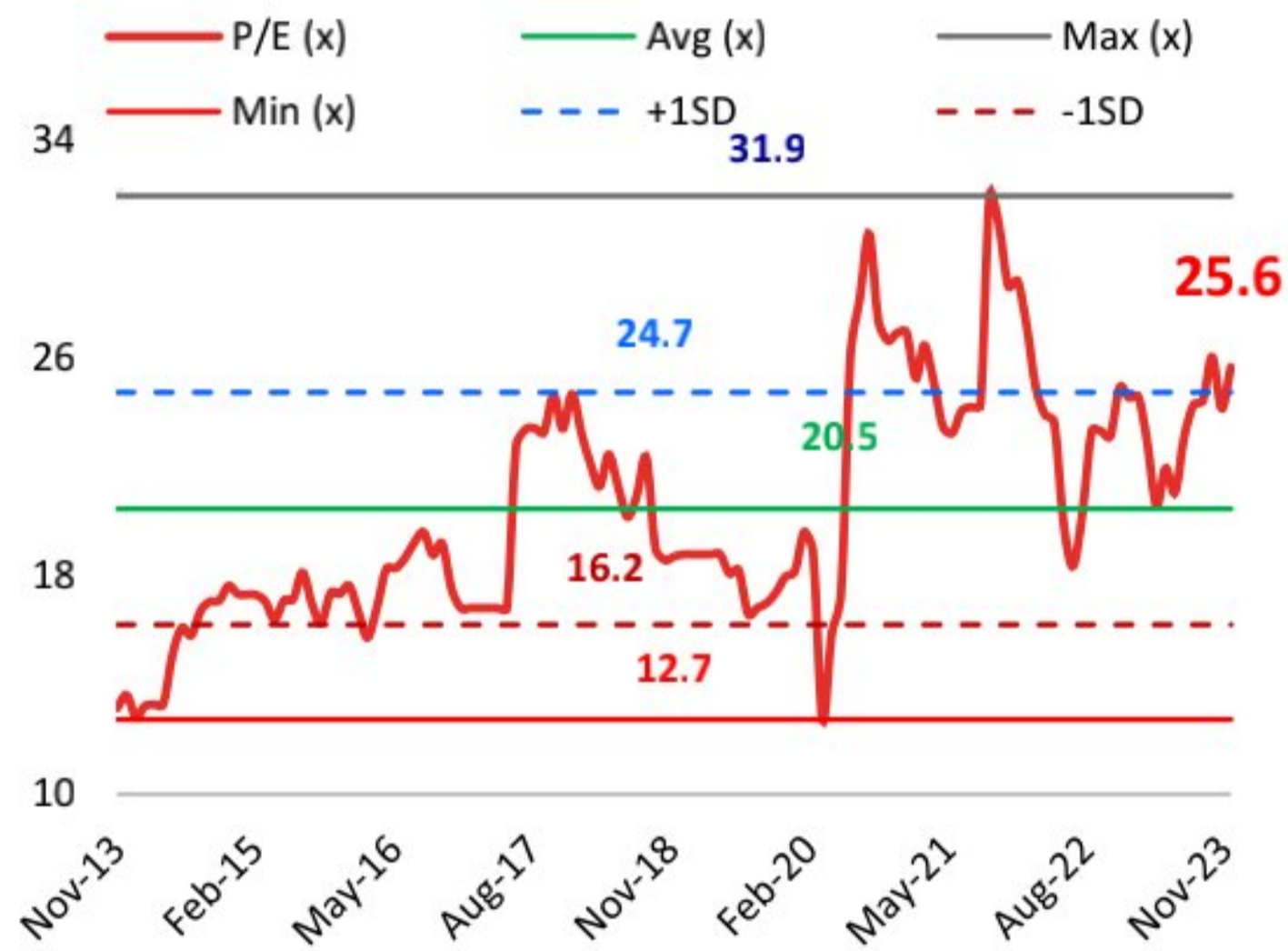
Source: GST Council ; RBI, Data as on 30th Nov'23. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

Indian Equity Valuations-November 2023

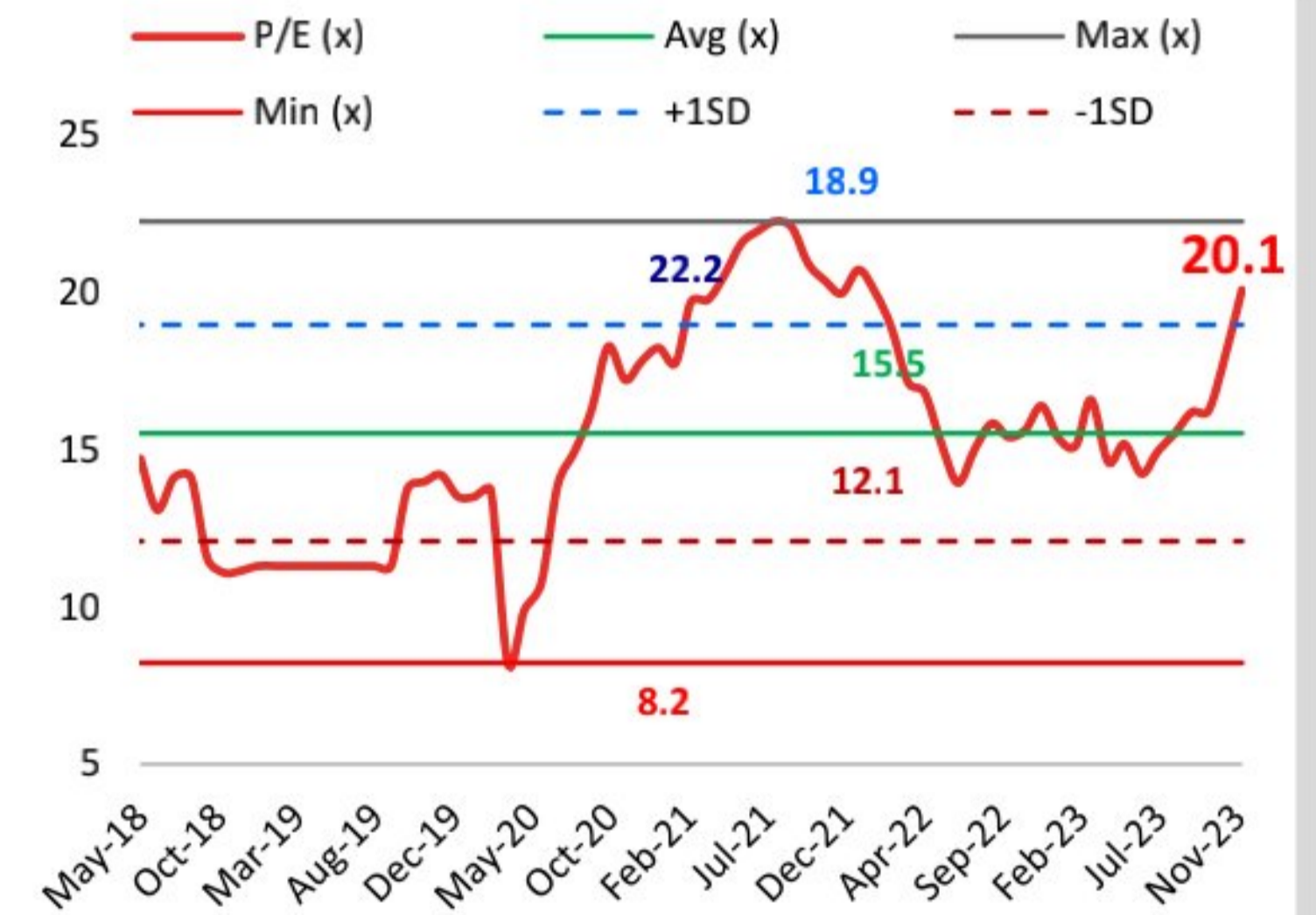
1Yr Forward Nifty - P/E



1Yr Forward Nifty Midcap - P/E



1Yr Forward Nifty Smallcap - P/E

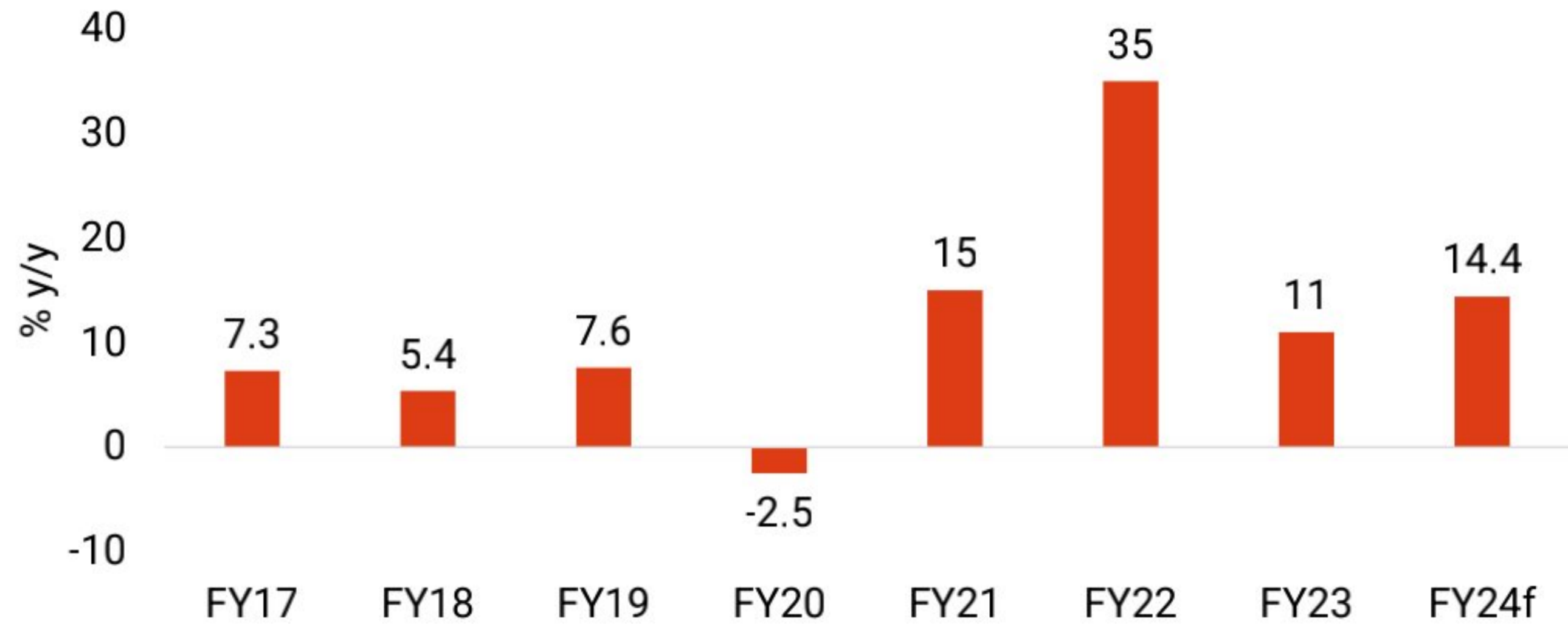


1 Yr Forward Nifty – P/E trading below 10 year Average; 1 Yr Forward of Nifty Mid Cap and Nifty Small Cap above 10 Yr Average

Indian Equity Market Earnings , Sector Stance & Returns



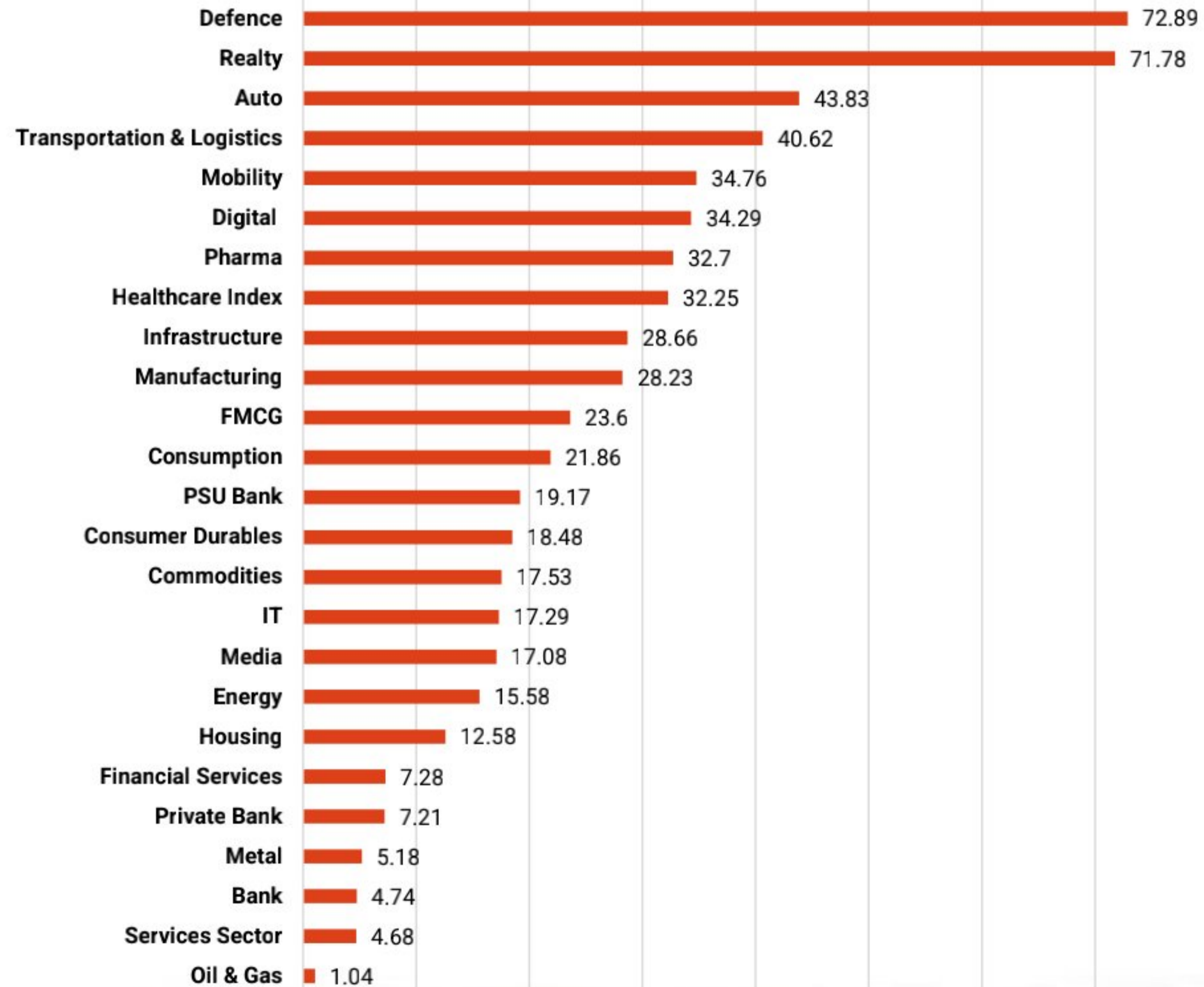
Indian Equities Earnings Growth Expectations Remain Constant



Source: Bloomberg, Standard Chartered, Data as on 30th Nov'23. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

Indian Sector Performance CYTD23 Returns (%)

CYTD23 Returns (%)



Source: Acemf, Data as on 30th Nov'23.

Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

Capital Goods - It includes sub-sectors like Electrical equipment, Plant equipment, and Earthmoving/ Mining machinery, Heavy electric equipment's etc that would be benefitting from govt's higher infra push and schemes like PLI

Textiles - The textile and clothing industry is India's second-largest source of employment with 4.5 billion workers. It accounts for 2% of India's GDP, 7% of industrial production, and 11.4% of exports.

Auto - Automobile contributes ~6% to India's GDP and 35% of the manufacturing GDP. The EV market is expected to grow at CAGR of 49% between 2022-2030 and is expected to hit 10 Mn-unit annual sales by 2030

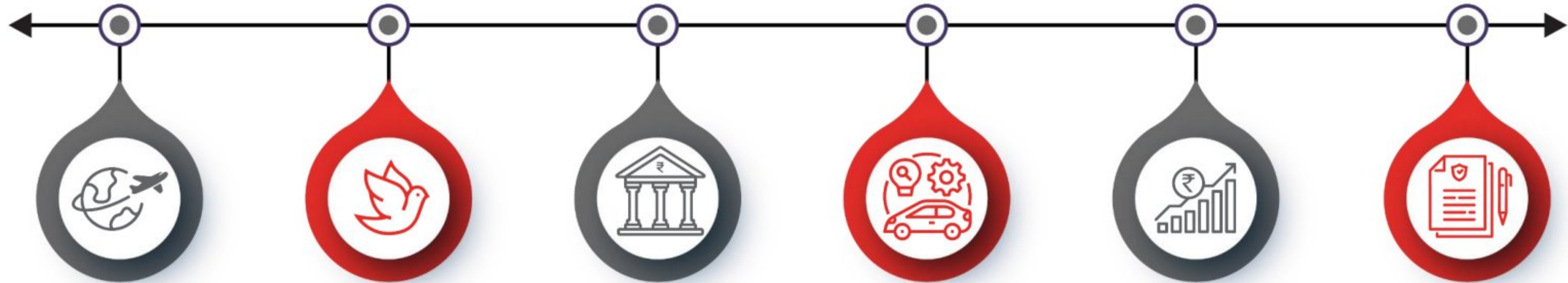
Chemicals - The Indian chemicals sector stands is among the rapidly advancing industries globally. It has attained the status of being the sixth-largest chemical producer, with a market size of \$178 billion in 2021.

Realty - According to Savills India, real estate demand for data centers is expected to increase by 15-18 million sq. ft. by 2025. PM AWAS Yojana, 100% FDI for townships and settlements development projects are impetus to this sector's growth.

Utilities - It includes companies involved in power (generation and distribution), infra development and operations, gas distribution, and capital goods in non-electrical equipment all of which are direct beneficiaries of various government schemes like green energy initiatives, electricity for all & infrastructure development

Construction & Construction Materials – Rapid road, railway & airport construction consequently contribute to the growth of construction & construction materials. Boom in realty is an added tailwind.

Source: Internal Research, Data as on 30th Nov'23. The sector mentioned herein are for general and comparison purpose only and not a complete disclosure of every material fact. It should not be construed as investment advice to any party. The above sector(s) may or may not form part of the portfolio; it may be subject to change based on market conditions and FM's view on the sector. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.



Indian G-sec inclusion in JP Morgan's Government Bond index likely to improve foreign inflows

US Fed holding back on rate hikes

Robust consumption backed by credit growth

Auto Sales to remain buoyant

Private capex pick up expected

Policy repo rate expected to end 2024 around 5.75% - 6.0% range

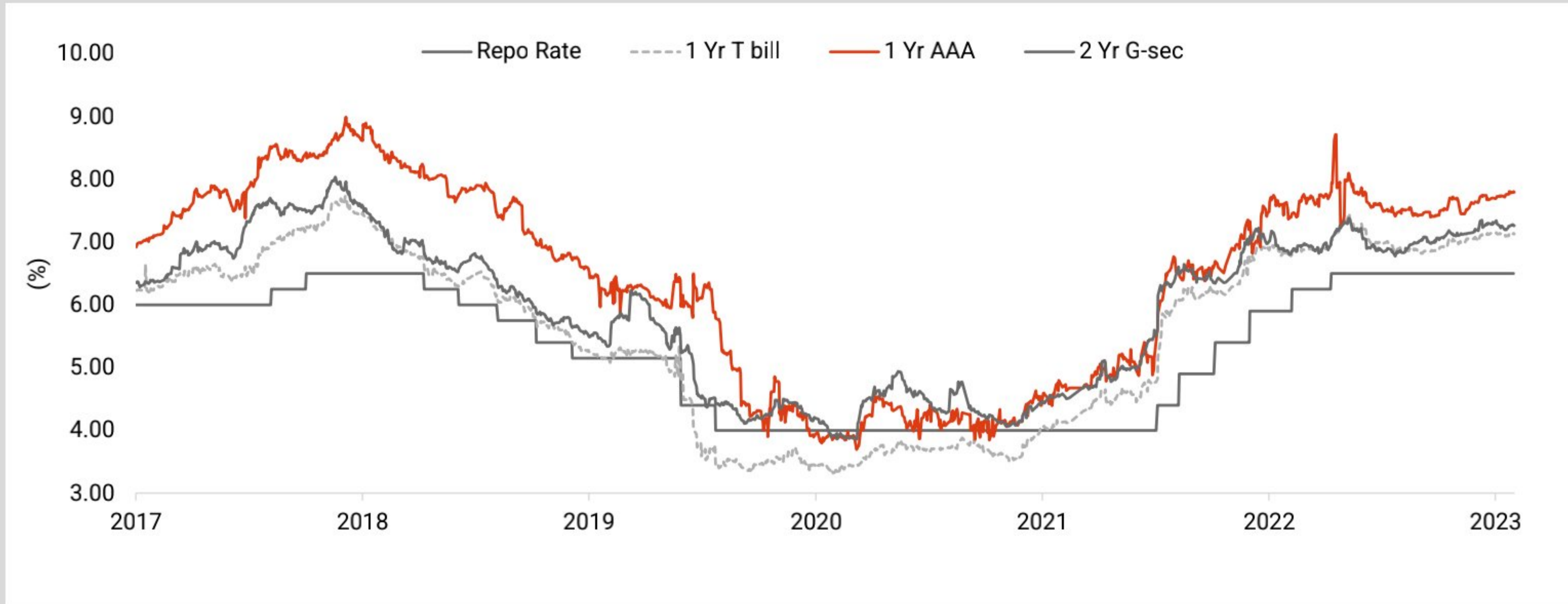
While domestic macros and corporate performance has been on the mend, the record-breaking run since April 2023 has continued unabated.

Growth-inflation dynamics are supportive of equities. Growth focused fiscal policy, improving real income levels and broadening growth momentum is likely to support corporate profitability.

Valuations have moderated. Nifty 12-month forward P/E trades at 18.4x, is below its peak of 23x, but higher than its long-term average of 17.6x. Price to book value ratio (P/B) at 3.0x and Market cap to GDP ratio at ~122%, are above long-term averages. Nifty Small-cap 12-month forward P/E trades at 20.1x, higher than its 5-year average of 15.9x

While the current rally shows little signs of slowing down, retail investors must continue investing in well-managed funds via SIPs/STPs.

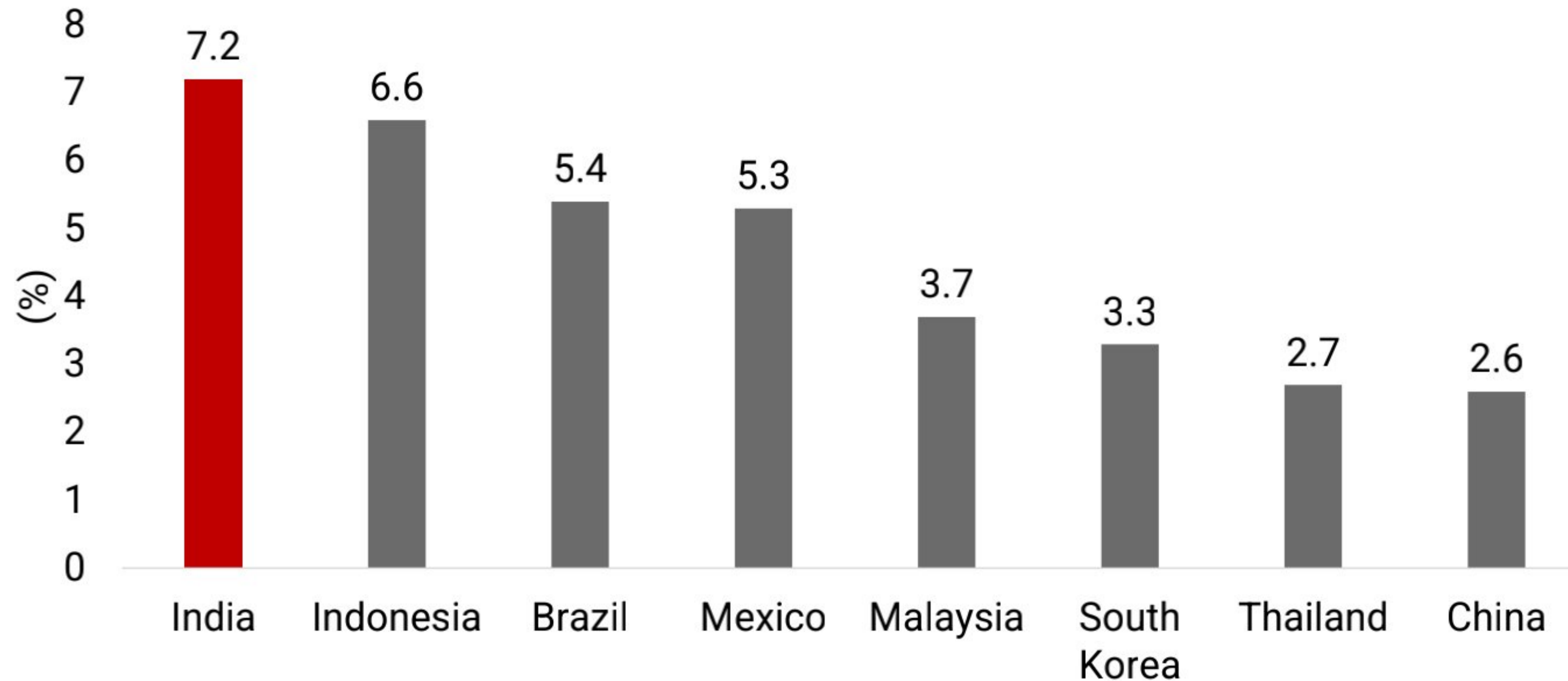
Short term yields way forward



Indian short-term yields rose sharply by 2022 owing to rate hikes and liquidity tightening by RBI. The US Fed has now become dovish, RBI too is likely to follow the similar tone, the short yields are likely to be muted hereon.

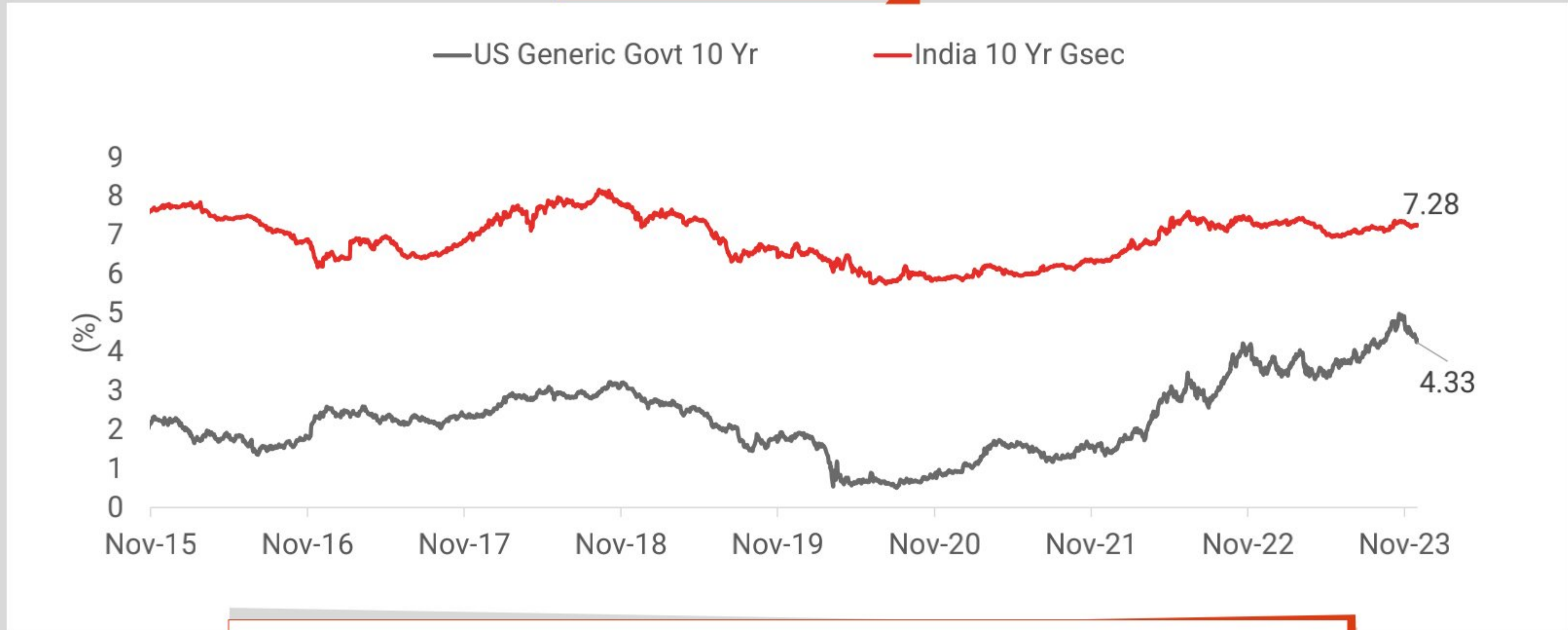
Source: Bloomberg, RBI, Data as on 30th Nov'23. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

India nominal bond yields compared with peers



India's nominal yield is better than most peers

Yield Differential



Indian government bond yields have historically shared higher spread with US yields, with expectation of Fed rate cuts in the coming year this gap is likely to widen

Interest Rates: We continue to anticipate the Central Bank to have a small window to cut the policy repo rate in April 2024. Additionally, we expect the policy repo rate to end 2024 around 5.75% - 6.0% range.

Duration: We increased duration across portfolios as global environment became less hostile over the past month.

Liquidity: The RBI's focus remains on withdrawal of excess liquidity. After remaining in surplus throughout H1 2023, the banking system liquidity has remained in a deficit since Oct'23.

Yields: We expect bonds to trade in a narrow range in the near term with a softening bias.

Fund Strategy: Given that policy rates are at peak levels and are likely headed lower (bar any geopolitical flareup) over the coming quarters, actively managed funds with higher duration can be suitable.



Hard Landing of US Economy

Budget deficit is heading towards 8 percent of GDP at a time when the country is close to full employment, in this scenario high interest rates for very long duration will affect the growth



Unfavorable Monsoon

Monsoon season still has higher impact on the agricultural output, highest contributor of GDP in India. Unfavorable monsoon directly affects rural demand, job growth and in turn has a ripple effect on stock market



Geopolitical Tension Escalation

Escalation of Israel war and involvement of the middle east remains a threat which if materialized could threaten the global trade



Global Inflation

High inflation leads to a chain reaction of lower demand-higher cost of production-prospective losses & unemployment



Commodity Prices

Hardening of commodity prices due to Chinese growth come back

Indian Equity Performance- Staying Diversified and for Long Term

Indian Equities have outperformed all other asset classes over the long run ; ~15% returns over 20 years

Nifty 50 TRI- % Instances of Negative Returns since Inception (Jun-1999)

Index	Compound Annualized Returns (%) - as on 30-Nov-2023					
	1Y	3Y	5Y	10Y	15Y	20Y
India -Equity (Nifty 50 TRI)	8.5	17.2	14.5	13.9	15.6	14.9
US -Equity (S&P 500 in INR)	19.9	13.9	16.6	15.1	17.7	13.1
Gold In (INR)	18.9	8.8	14.9	8.0	10.0	11.8
Real Estate*	3.3	5.3	5.0	4.6	6.6	9.1
Debt*	6.8	4.9	6.6	7.3	7.4	7.2



Source: Funds India, Data as on 30th Nov'23. Past performance may or may not be sustained in future and is not a guarantee of any future returns and should not be used as a basis of comparison with other investments.

*Debt - Index Calibrated based on the Debt Schemes.

*Real Estate - Returns are calculated based on NHB Residex.

“ I am incredibly excited about the future of India. I think India has more promise than any large country in the world. ”

– Elon Musk

“ India enjoys well-deserved authority on the international stage, playing an important and constructive role in international affairs. ”

– Vladimir Putin

“ Life is like a snowball. The important thing is finding wet snow and a really long hill." India is that "really long hill" with a lot of wet snow. ”

– Warren Buffet

“ I predict that 21st century is going to be the Indian century. ”

– Jeff Bezos

Any doubts?



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Thank You

