

## Overview:

August 2023 will be remembered till the end of time as it holds a special place in the world of science and world history as humanity made its mark on the South Pole of the moon. India became the first country to land on the South pole of the moon and the fourth country to land on moon. This feat was achieved on a frugal budget of USD70mn, indigenous vehicle and equipment and showcases the capabilities of India in the field of science, space, and engineering.

Before this great achievement of landing on south pole of moon could fully sink in, India has successfully set off on another space mission and this time towards the Sun. Both these missions open new opportunities for Indian companies in the field of space exploration.

For the month ended August 31, 2023, Nifty 50 closed 2.53% lower over previous month's close. Mid and small caps hugely outperformed large caps. NSE Midcap 100 index was up by 3.7% and NSE Smallcap 100 index was up by 4.62% over the previous month. Within sectors media, consumer durables, information technology services, and healthcare outperformed Nifty 50 whereas banks, financial services, oil & gas lagged.

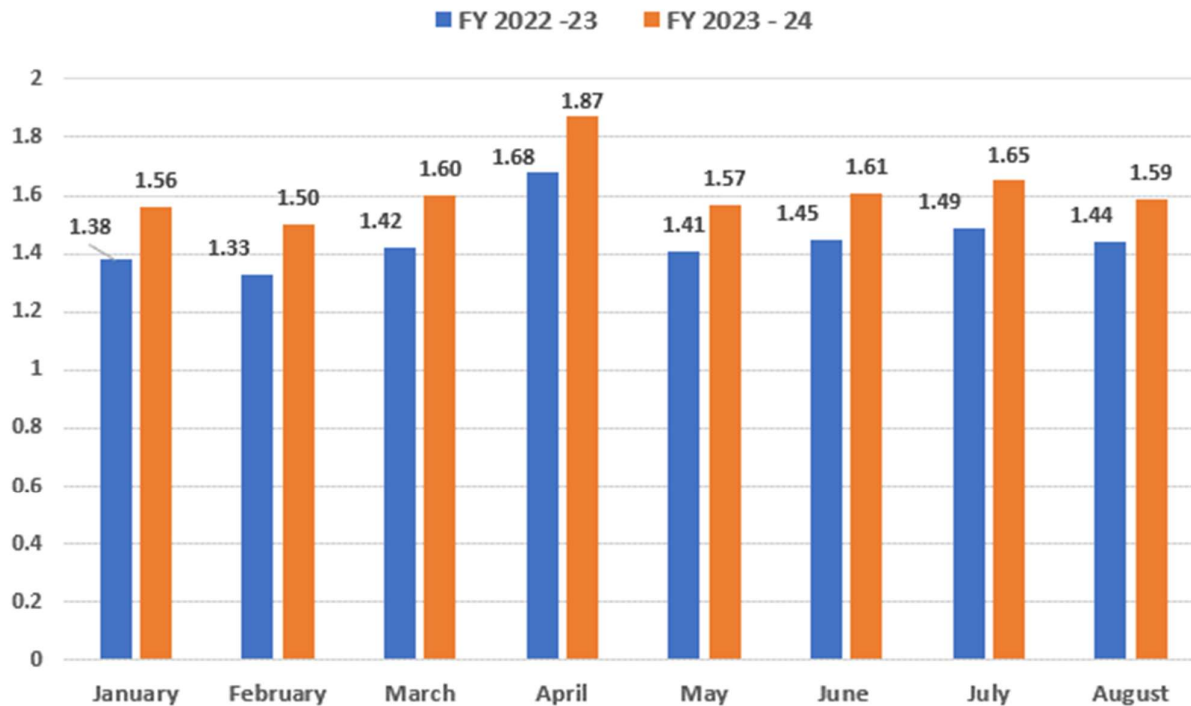
Sr. No.	Index Name	Aug-23
		M-o-M Change
1	NIFTY 50	-2.53%
2	NIFTY Midcap 100	3.70%
3	NIFTY Smallcap 100	4.62%
4	NIFTY Auto	-0.24%
5	NIFTY Bank	-3.64%
6	NIFTY Financial Services	-3.66%
7	NIFTY FMCG	-2.93%
8	NIFTY IT	4.13%
9	NIFTY Media	11.23%
10	NIFTY Metal	-1.46%
11	NIFTY Pharma	0.69%
12	NIFTY Private Bank	-2.09%
13	NIFTY PSU Bank	-3.32%
14	NIFTY Realty	-1.47%
15	NIFTY Consumer Durables	4.72%
16	NIFTY Oil & Gas	-5.06%
17	NIFTY Healthcare Index	-0.89%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were strong net buyers in August 2023 at ~INR123bn or USD1.48bn whereas domestic institutions were net buyers at USD2.5bn. For CY2023, foreign funds have been net buyers at USD16.45bn and domestic institutions at USD12.5bn.

On the macroeconomic front, India’s GST collections in August 2023 were Rs.1.59 trillion, up 11% YoY. During the month, the revenue from domestic transactions was 14% higher than the revenues from these sources during the same month last year.

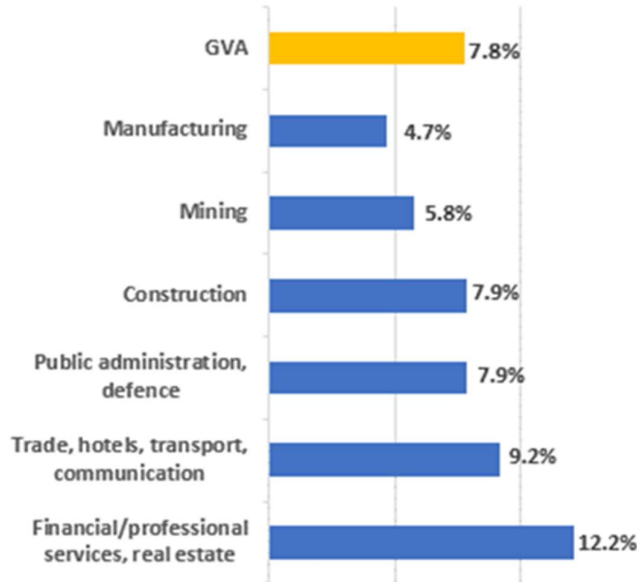
**Fig: GST Collections trend (in INR trillion)**



Source: Government of India, EquiPoise Capital research

India’s GDP expanded by 7.8% in the first quarter of FY2024 making India yet again the fastest growing large economy in the world. This growth is on the back of higher Government spending, private capital expenditure and strong services growth. The nominal GDP growth was 8%, real GDP growth was 7.8%, gross fixed capital growth was 8%, and real estate/financing growth was 12.2% signifying good set of numbers. As Indian economy recorded 7.8% growth, Moody’s too sharply raised India’s 2023 growth forecast to 6.7% from 5.5% projected earlier.

**Fig: India YoY GDP growth sectoral in Q1FY2024**



Source: Government of India, EquiPoise Capital research

India's manufacturing too remained robust in August and the S&P Global India Manufacturing Purchasing Managers' Index (PMI) posted a reading of 58.6 compared with 57.5 in July 2023. This is the second fastest manufacturing growth in the last 3 years.

Car sales continued to show healthy growth of 12.8% YoY with 369,000 vehicles sold in August. Aviation fuel sales rose 9.5% YoY. Railway freight tonnage increased to 126.9mt compared with 119.3mt a year ago. Coal production was up 12.9% YoY and reached 67.7mt. Electricity consumption reached 152bn units compared to 130bn units a year ago. Bank credit growth was 19.7% YoY.

India's indigenously developed and a shining example of digital transformation, UPI or Unified Payments Interface, the real time payment mechanism run by NPCI or National Payments Corporation of India a not-for-profit organization promoted by the Reserve Bank of India and Indian Banks' Association, has reached a new milestone: 10.5 billion monthly transactions and value of INR15.7 trillion in August 2023. This growth and size show that Indians across socioeconomic backgrounds have embraced digital payments and transactions. This will continue to have a positive impact on the overall economy through improved transparency and tax collections as cash economy takes a backseat and reported economy rises.

## Our view:

Financial year 2024 has begun on a strong note. Quarter one FY2024 corporate earnings were strong and reflect the overall economy's strength and optimism witnessed month on month through the GST data and other macroeconomic indicators. After a solid 23% earnings CAGR over FY20-23, Nifty 50 index posted 32% earnings growth in Q1FY24 which is ahead of consensus estimates. This growth was fuelled, as expected, by domestic cyclicals, such as banking and financial services and auto.

It is very important to note that Indian economy's growth is on the back of higher Government spending, private capital expenditure and strong services growth. This investment led growth approach rather than consumption based can be expected to be sustainable over long term and non-inflationary in nature. This makes us more positive on the Indian economy.

Risks remain in the form of unforeseen global events, actions by global central banks, inflation - oil as well as agricultural commodities, and Ukraine war.

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Director and Investment Adviser

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August 2023



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