

Overview:

For the month ended January 2024 Nifty 50 index was flat and closed 0.03% lower than previous month's close. Midcaps and smallcaps outperformed large caps by a huge margin. NSE Midcap 100 index was up by 5.17% and NSE Smallcap 100 index was up 5.83% over the previous month. Within sectors auto, realty, oil & gas, healthcare, and technology outperformed Nifty 50 whereas banks, consumer goods, and media lagged.

Sr No.	Index Name	January 2024
		M-o-M Change
1	NIFTY 50	-0.03%
2	NIFTY Midcap 100	5.17%
3	NIFTY Smallcap 100	5.83%
4	NIFTY Auto	3.27%
5	NIFTY Bank	-4.75%
6	NIFTY Financial Services	-4.61%
7	NIFTY FMCG	-3.36%
8	NIFTY IT	3.16%
9	NIFTY Media	-9.93%
10	NIFTY Metal	-0.06%
11	NIFTY Pharma	6.58%
12	NIFTY Private Bank	-5.15%
13	NIFTY PSU Bank	9.77%
14	NIFTY Realty	9.34%
15	NIFTY Consumer Durables	1.09%
16	NIFTY Oil & Gas	12.98%
17	NIFTY Healthcare Index	7.37%

Source: National Stock Exchange of India

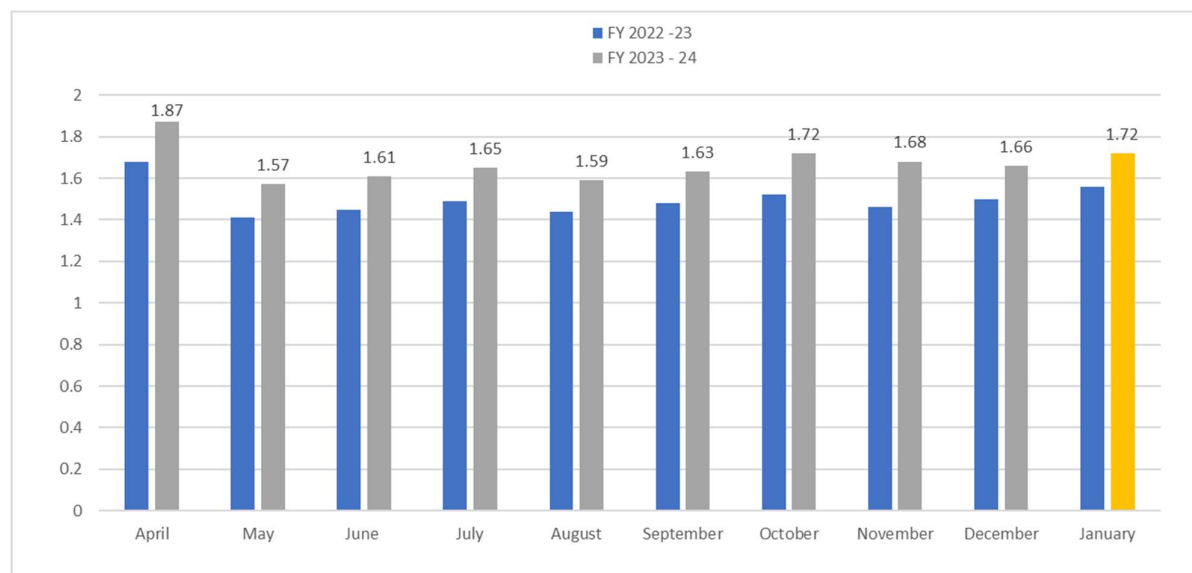
Foreign funds (FIIs/FPIs) were significantly large net sellers in January 2024 at USD3.5bn. Domestic institutional investors were net buyers at USD3.4bn.

Fig: Flows

Trends in FII / FPI Investments				
Source : NSDL/CDSL				
	Gross Purchases(Rs Cr)	Gross Sales(Rs Cr)	Net Invt (Rs Cr)	Net Invt US(\$ M)
	Equity	Equity		
2023				
Jan-23	1,49,078.28	1,77,930.30	-28,852.02	-3,519.78
Feb-23	1,58,143.44	1,63,437.75	-5,294.31	-647.21
Mar-23	1,85,492.18	1,77,556.55	7,935.63	966.64
Apr-23	1,31,711.89	1,20,081.07	11,630.82	1,419.83
May-23	1,94,974.92	1,51,136.81	43,838.11	5,334.97
Jun-23	2,90,278.52	2,43,130.18	47,148.34	5,737.19
Jul-23	2,45,088.89	1,98,471.13	46,617.76	5,678.01
Aug-23	2,38,767.27	2,26,504.99	12,262.28	1,479.84
Sep-23	2,62,096.79	2,76,864.29	-14,767.50	-1,775.57
Oct-23	2,00,844.25	2,29,143.25	-28,299.00	-3,400.59
Nov-23	1,91,113.11	1,91,481.51	-368.40	-44.68
Dec-23	3,58,280.71	2,99,908.01	58,372.70	7,006.56
2024				
Jan-24	3,15,383.05	3,44,246.94	-28,863.89	-3,472.07

On the macroeconomic front, India’s GST collections in January 2024 touched Rs.1.72 trillion and surged 10.4% YoY. GST collections crossed Rs.1.60 trillion for the eighth time and crossed Rs.1.70 trillion for the third time in the current financial year. With overall collection reaching Rs.16.69 trillion, GST collections register 11.6% YoY growth in the 10-month period.

Fig: GST Collections trend (in INR trillion)



Source: Government of India, EquiPoise Capital research

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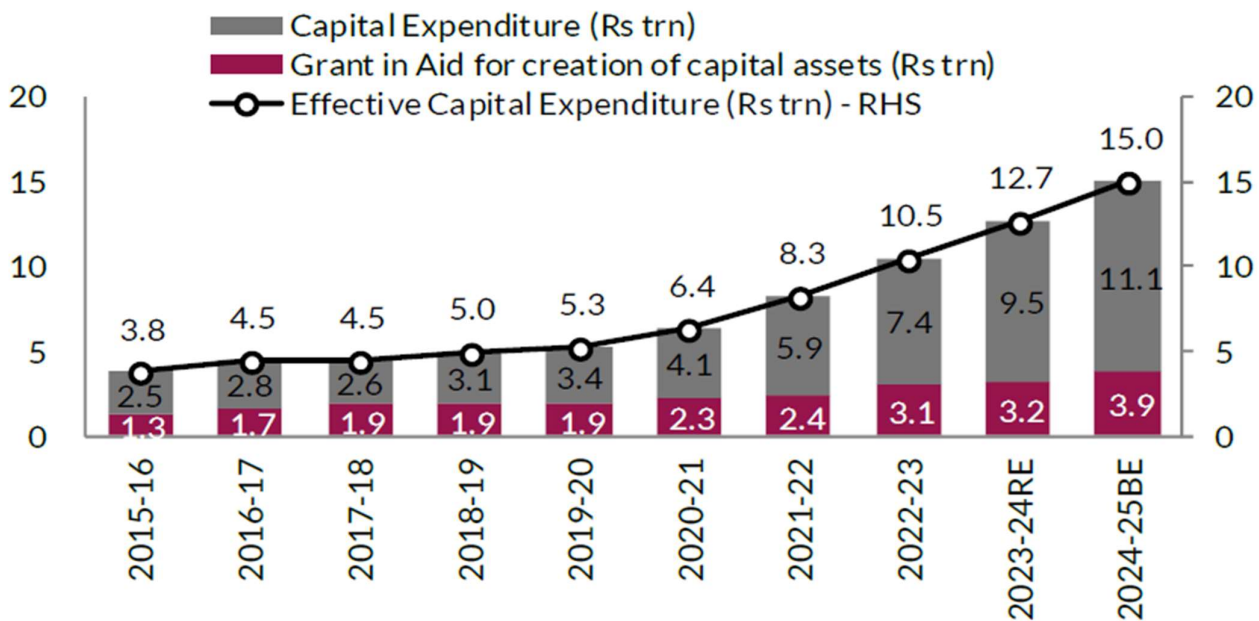
The Finance Minister, Government of India presented Union Finance Budget FY2025. The budget clearly shows Government has remained focused on India’s long-term macro stability, remained committed to achieving fiscal deficit of 4.5% of GDP by FY2026 and did not indulge in freebies or sops despite general elections barely 3 months away.

The Government had already stated that this would be a “vote on account” and an interim budget and they stuck to their words. The government did not announce any new schemes or incentives and followed the fiscal deficit consolidation path by maintaining its investment-led spending growth strategy.

Despite election year and expectations from the Government to announce measures to support the rural sector, Government kept revenue expenditure growth at just 3.2% YoY, and propelled capital expenditure (capex) strongly for the fifth consecutive year.

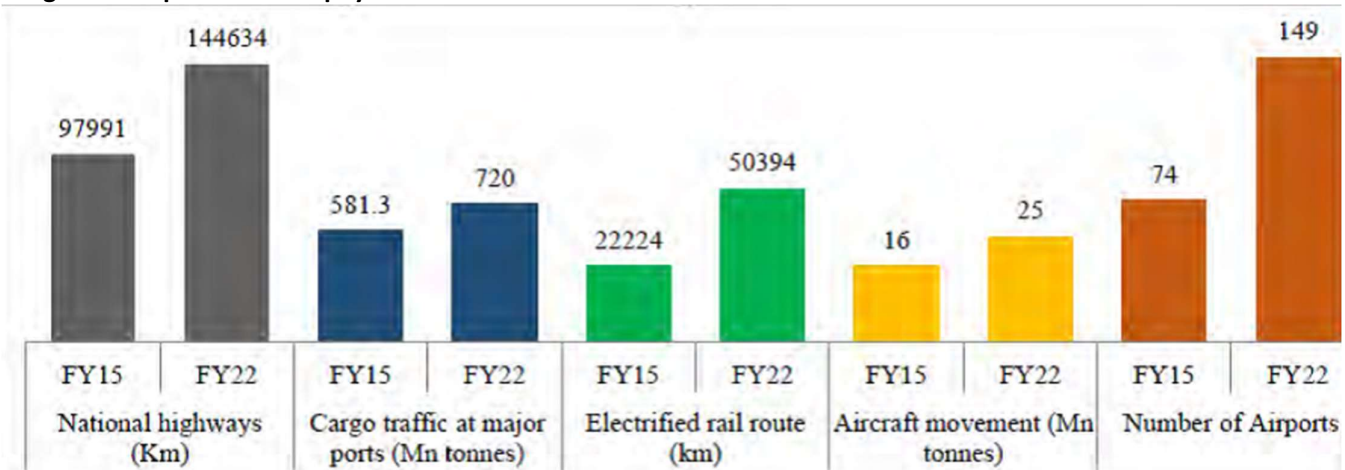
On the back of past 4 years CAGR of +25% growth in capital expenditure, Government maintained a 17% growth in capital expenditure for FY2025 at Rs.11.1trillion which is 3.5% of GDP.

Fig: Trends in capital expenditure



Source: Government of India

Fig: India improvement in physical infrastructure



Source: Union Budget documents

Our view:

CY2024 has begun on a very positive note for India. Car sales, an indicator of consumption, posted best ever monthly sales of 394,571 units in January. Government stuck to its path of fiscal consolidation and did not give pre-election sops nor increased any taxes. Quality of expenditure of the Government of India and focus on infrastructure/capital expenditure is now the mainstay for 4 years in a row. GST collections continue to rise.

Given such strong macro indicators, we maintain that now the single most challenge to the Indian markets is 2024 general elections result. We remain cautious and knowing well there would be pockets in the markets where prices would have run ahead of fundamentals, we are focused on our portfolio and on bottom-up approach. We maintain our bias towards domestic sectors viz banks, infrastructure, defence manufacturing, engineering and construction, and consumer goods. We believe India’s long term growth story is getting only better by the day and corrections present an opportunity for long term investors.

Ashish Wakankar

Director and Investment Adviser

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