

## Overview:

For the month ended May 2024, Nifty 50 index ended 0.33% lower over the previous month's close. Large caps underperformed midcaps and smallcaps. NSE Midcap 100 index was up 1.65% and NSE Smallcap 100 index was up 0.50% over the previous month. Within sectors auto, metal, consumer durables, and realty outperformed Nifty 50 whereas banks, information and technology, healthcare and media lagged.

Sr No.	Index Name	May - 24
		M-o-M Change
1	NIFTY 50	-0.33%
2	NIFTY Midcap 100	1.65%
3	NIFTY Smallcap 100	0.50%
4	NIFTY Auto	4.18%
5	NIFTY Bank	-0.84%
6	NIFTY Financial Services	0.56%
7	NIFTY FMCG	-0.32%
8	NIFTY IT	-1.28%
9	NIFTY Media	-1.18%
10	NIFTY Metal	1.87%
11	NIFTY Pharma	-0.92%
12	NIFTY Private Bank	-1.27%
13	NIFTY PSU Bank	-2.89%
14	NIFTY Realty	4.74%
15	NIFTY Consumer Durables	1.44%
16	NIFTY Oil & Gas	-1.70%
17	NIFTY Healthcare Index	-1.50%

Source: National Stock Exchange of India

Foreign funds (FIIs/FPIs) were net sellers in April 2024 at USD3.36bn whereas domestic institutions were net buyers at USD6.85bn. Foreign fund outflows from Indian equities stand at USD2.6bn in CY24YTD versus inflows of USD21.4b in CY2023. Domestic institutional inflows into equities in CY24YTD continue to be strong at USD27b versus USD22.3b in CY2023.

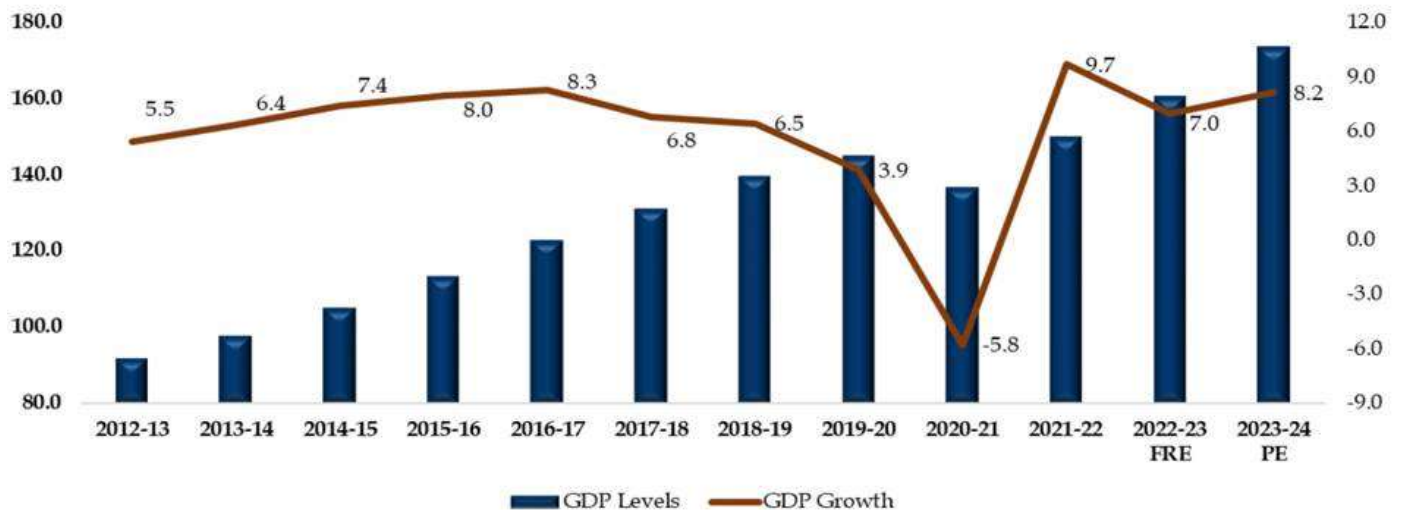
**Fig: Flows**

(USD mn)	Curr	MTD	CYTD
FII - Cash	-135	-3,362	-2,581
DII - Cash	253	6,855	26,987
FII - Debt	169	1,249	7,328

Source: Axis Capital

India's economy posted stellar growth for FY2024. Gross domestic product (GDP) increased by 8.2%, according to the Statistics Ministry, cementing India's status as the world's fastest growing major economy. India's per capita GDP has grown by 55% between 2014 and 2023. The country also went from the ninth largest economy in the world to the fifth largest within that time period, and it also experienced the largest growth in GDP compared to other major economies.

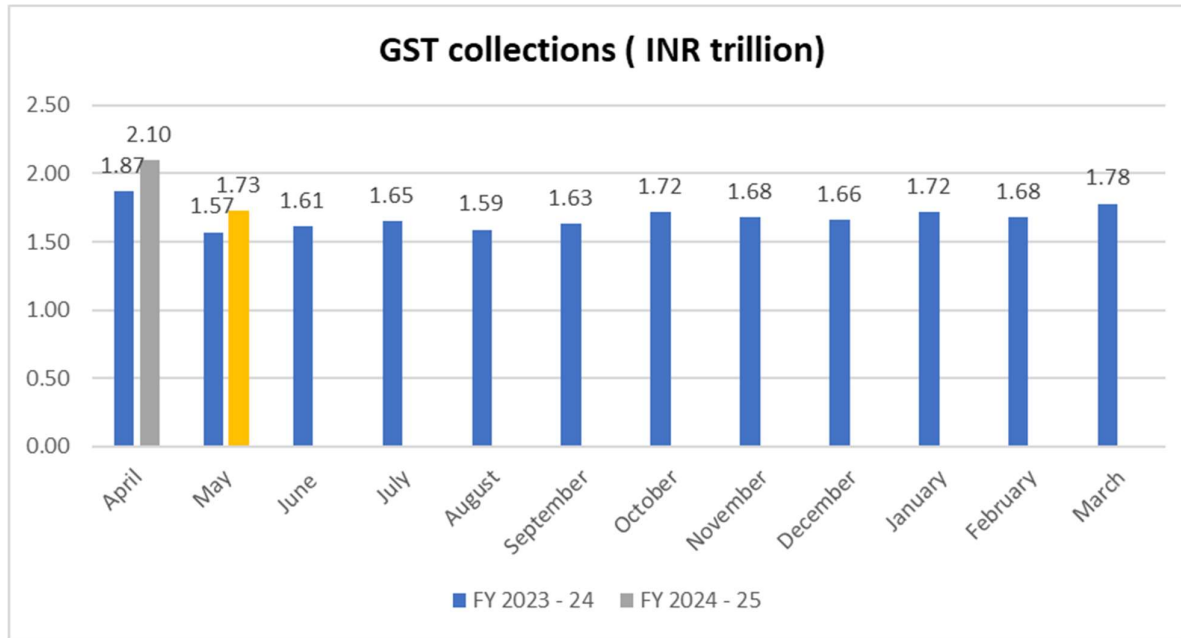
**Fig: India GDP in INR Trillion (LHS) and GDP growth % (RHS)**



Source: MoSPI, Government of India

On the macroeconomic front, Good and Services Tax (GST) revenue for May 2024 were INR1.73 trillion, with a 10% YoY growth. This increase is attributed to a robust surge in domestic transactions by 15.3%.

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



Source: Government of India, EquiPoise Capital research

Quarter four FY2024 corporate earnings ended on a strong note. Domestic cyclicals, such as financials, autos, healthcare, capital goods, and cement led the performance. Whereas global cyclicals viz metals and energy dragged down overall profitability. Nifty delivered a strong beat with a 12% YoY PAT growth. Excluding global cyclicals viz metals and energy, Nifty’s earnings grew 16% YoY.

**Our view:**

We have been cautious since the very beginning of this calendar year and been reiterating that **“the single most challenge to the Indian economy hence Indian markets is 2024 general elections result. While all indicators from the ground including recent elections to 4 states point towards continuity or pro-incumbency however, we would like to refrain from second guessing the Indian voters.”**

We also wrote that we believe markets, hereon, will likely be driven by the following factors:

- 1) Political stability and continuity
- 2) Private capital expenditure
- 3) Institutional fund flows

Results to India's general elections 2024 were announced on June 4, 2024 (while we took to writing last month's market commentary). Ruling National Democratic Alliance (NDA) led by Prime Minister Narendra Modi's BJP party has won the necessary seats/numbers (292 out of 543) to form the government for the third consecutive term. However, BJP (Bharatiya Janata Party) the leader and the largest party within NDA, itself has not received a clear mandate unlike in 2014 and 2019 (for clear mandate a party needs 272 seats out of 543). Our base case still remains BJP led NDA forming the next government, however the lack or shortfall of crucial 32 seats (BJP has 240) will mean the regional parties which are part of BJP's alliance will have an upper hand. This also means that the Prime Minister will not have the same freedom to push crucial reforms and to take tough decisions like he had from May 2014 to May 2024. Our base case scenario is continuation of past policy initiatives, fiscal consolidation, capital expenditure/infrastructure led growth, and in general maintaining focus on making India a developed nation by 2047 (Viksit Bharat or Developed India). However, the ground reality is that we are in changed times or newer times where coalition politics presents its own challenges (and uncertainties) which we have seen in India from 1996 to 2004.

India's economic growth numbers, GST collections data, corporate earnings, lead economic indicators and expected normal monsoon rains are quite encouraging. We maintain that India's long term growth story is intact, corrections present an opportunity for long term investors and all eyes, once the new government takes charge, will be on Union Finance Budget.

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**(A division of EquiPoise Capital Management Pvt. Ltd.)**

June 5, 2024.

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