

# India Politics



## ELECTION

2023

### State election outcomes 2023

State	Majority	Seats won
M.P.	BJP	166/230
Rajasthan	BJP	115/199
Chhattisgarh	BJP	56/90
Telangana	Congress	63/119

## BJP's strong show to reinforce market momentum

### Expectations for political continuity in 2024 to bolster sentiment

As per the state election results and trends available so far, the BJP has comfortably won in three out of four states that went under the polls, beating the exit polls. The BJP has retained Madhya Pradesh (MP) with a strong two-thirds majority, and regained Rajasthan and Chhattisgarh from the Congress with a comfortable majority. Vote share difference between the BJP and the Congress in MP, Rajasthan and Chhattisgarh stands at 8.2%, 2.2% and 4.2%, respectively (details in Exhibit 1-8). In Telangana, the Congress has defeated the BRS by a thin majority. Thus, the verdict is clear for all four states. These four states together account for 75 Lok Sabha seats (out of 544).

### Market impact: Possibility of political continuity post 2024 general elections augurs well

- These results, branded as a semi-final to the forthcoming May'24 Lok Sabha elections, will provide comfort to the markets as far as political stability is concerned. The incumbent BJP's performance in avoiding anti-incumbency and retaining a big state like MP (5<sup>th</sup> consecutive term) while managing to regain Rajasthan and Chhattisgarh should provide them with a good tailwind for the 2024 general elections.
- While state elections have shown no correlation with Lok Sabha elections in the past (BJP had lost these three states in Dec'18 but won the 2019 Lok Sabha elections with a better majority than 2014), it nonetheless removes a key overhang of political uncertainty for the markets for the next five months.
- Equity markets were justifiably anxious about the outcome of state polls and what it portends for the 2024 general elections. With the outcome overwhelmingly in favor of the incumbent BJP, the confidence of the market in the current dispensation and political continuity post 2024 Lok Sabha elections will get a boost. This augurs well for macro and policy momentum for India, which, at the moment, is seeing the highest growth among major economies (both GDP as well as corporate earnings).
- We expect market sentiment to strengthen further and the prospect of a pre-election rally is quite strong now, in our view. We also note that Nifty has given positive returns (9%-36%) six months into the announcement of general election results (Nov to May) on five previous such occasions (1999-2019) (see Exhibit 9).

### Market fundamentals remain supportive

India's macro and micro fundamentals remain quite strong as indicated by the following factors: (1) 7.7% real GDP growth in 1HFY24 led by a robust print in manufacturing and investment sectors. (2) Solid corporate earnings: Nifty has delivered 1HFY24 earnings growth of 30% and is poised for a healthy 20% FY24 earnings growth. (3) The earnings momentum continues post 2QFY24 as well with Oct-Nov'23 seeing good high-frequency data points (GST collections, auto monthly numbers, power demand, PMI data). (4) Supportive global macros with rates peaking out, Brent crude in a benign range of USD80 per barrel and stable bond yields; and 5) last but not least, attractive valuations with Nifty trading at 17.8x FY25E EPS, below its long-period average of 20x.

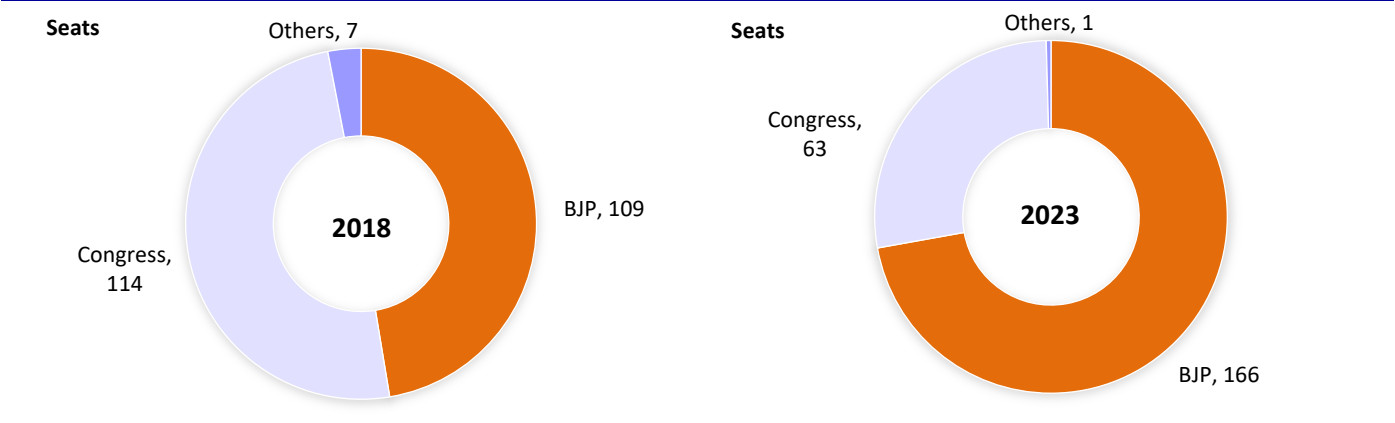
#### Preferred Sectors and Ideas:

- We like BFSI, Industrials, Real Estate, Auto and Consumer Discretionary.

#### Preferred Ideas:

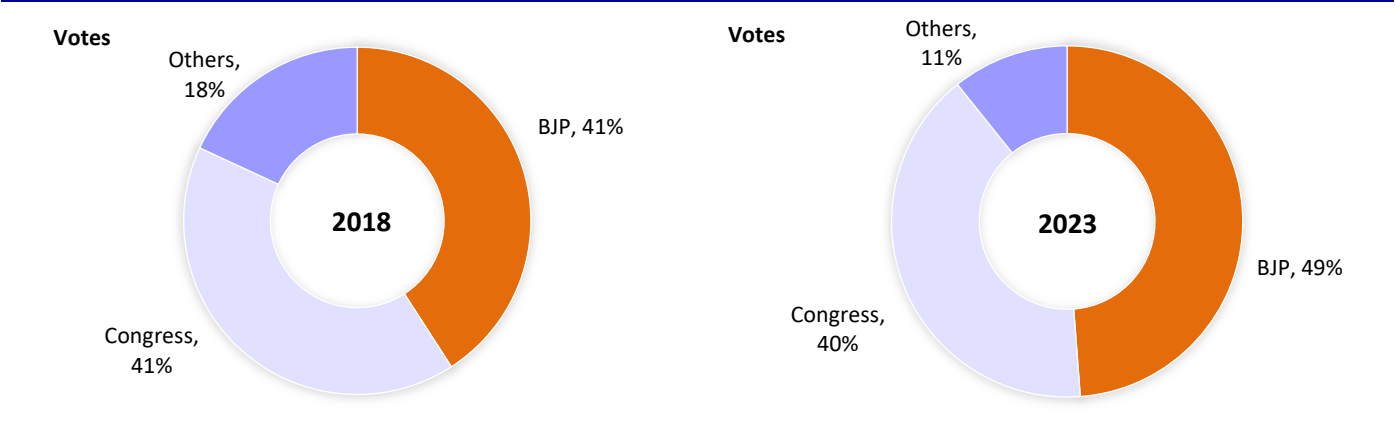
- **Large-Caps:** SBI, Axis Bank, M&M, HERO HONDA, L&T, ULTRATECH, TITAN, Indian Hotels.
- **Mid-Caps:** Godrej Prop, Indian Hotels, LemonTree, Sunteck Realty, PNB Housing, Angel One, Global Health.

Exhibit 1: Landslide victory of BJP in Madhya Pradesh with a comfortable two-thirds majority



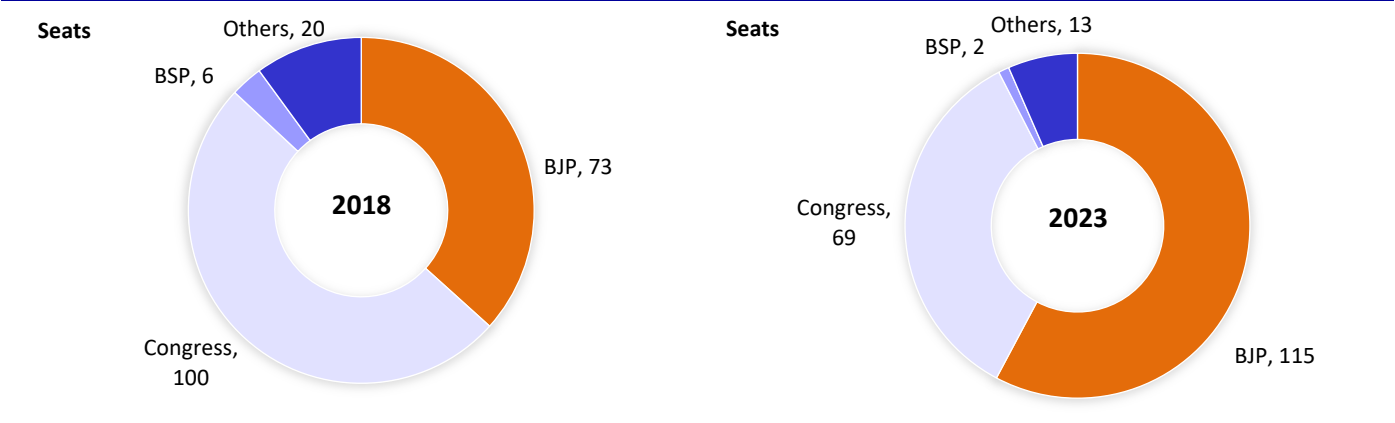
Source: Election Commission, Media, MOFSL

Exhibit 2: BJP gained a massive vote share mainly at the cost of smaller parties of Madhya Pradesh



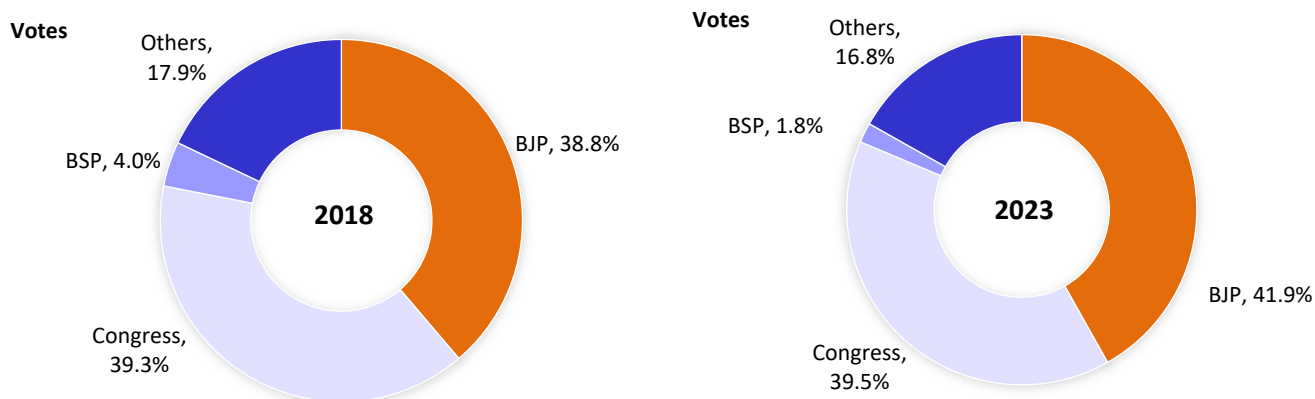
Source: Election Commission, MOFSL

Exhibit 3: BJP makes a comeback in Rajasthan with comfortable majority



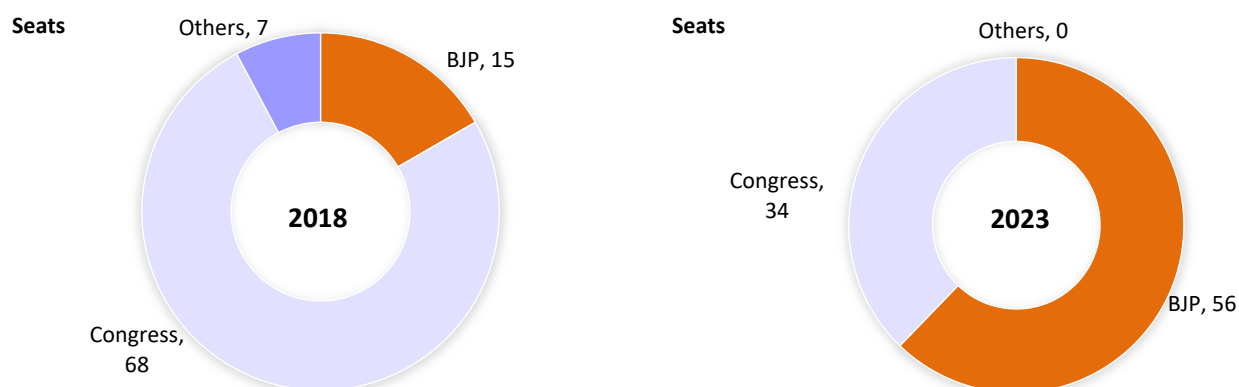
Source: Election Commission, Media, MOFSL

**Exhibit 4: Majority of vote share gains for BJP came in from smaller parties, while Congress maintained its vote share in Rajasthan**

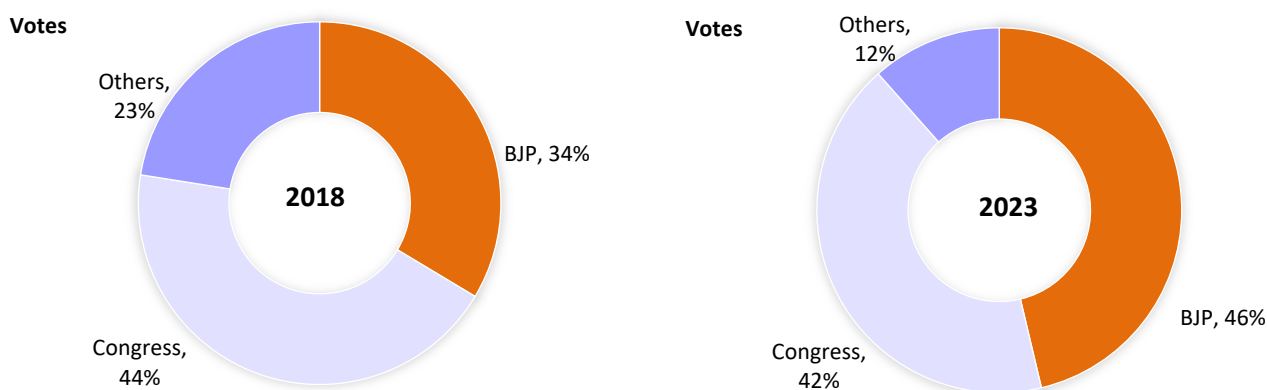


Source: Election Commission, Media, MOFSL

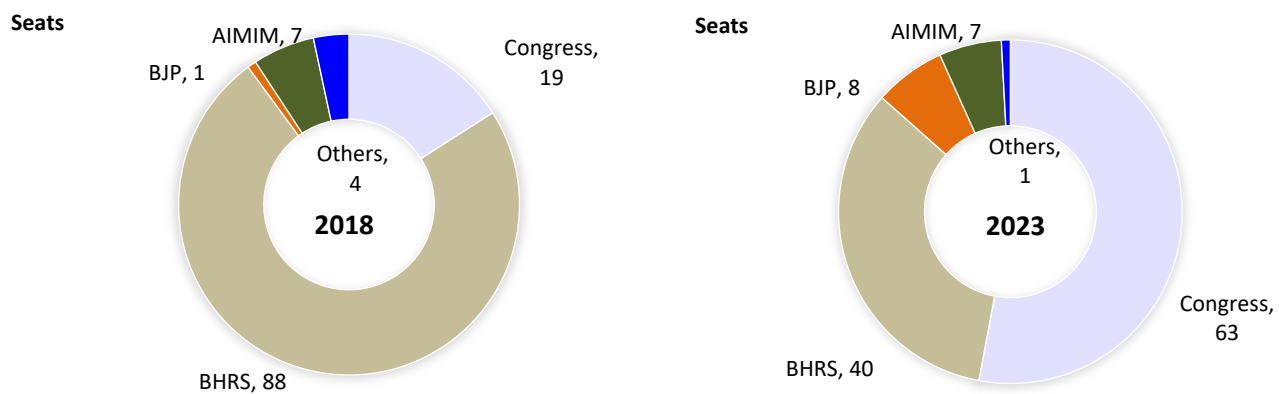
**Exhibit 5: BJP wrests Chhattisgarh back from Congress**



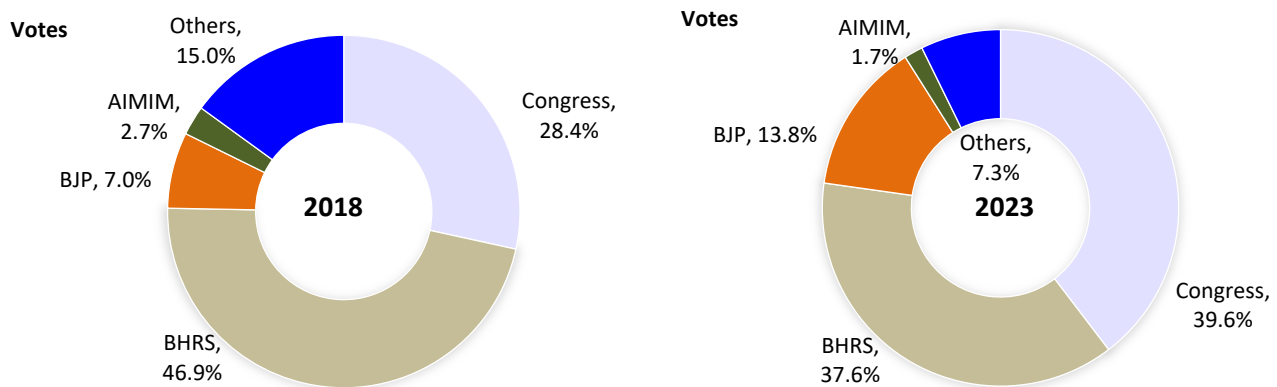
**Exhibit 6: BJP's vote share swings from 34% to 46% in Chhattisgarh, while Congress sheds 2% share**



Source: Election Commission, Media, MOFSL

**Exhibit 7: Congress wins a slender majority in Telangana to oust BRS, BJP makes a small in-road**

Source: Election Commission, Media, MOFSL

**Exhibit 8: Congress saw double-digit vote share gains, BJP vote share jumped mainly at the cost of other parties**

Source: Election Commission, Media, MOFSL

**Exhibit 9: Market behavior into and post LS Elections**

General Election	Year	Political party	Nifty Closing						Nifty performance				
			6 months before Result date	Result Date	On Result day	1 months after Result date	3 months after Result date	6 months after Result date	6 months before result date	1 month after results	3 month after results	6 month after results	Election results period change
10th	1991	Congress	382	15-Jun-91	398	429	549	541	4%	8%	38%	36%	12%
11th	1996	BJP	953	9-May-96	1,091	1,133	1038	885	14%	4%	-5%	-19%	19%
12th	1998	BJP	1,117	2-Mar-98	1,098	1,157	1020	843	-2%	5%	-7%	-23%	4%
13th	1999	BJP led NDA	1,024	6-Oct-99	1,393	1,365	1618	1,453	36%	-2%	16%	4%	33%
14th	2004	Congress led UPA	1,580	13-May-04	1,718	1,508	1598	1,873	9%	-12%	-7%	9%	-5%
15th	2009	Congress led UPA	2,810	16-May-09	3,672	4,518	4580	5,058	31%	23%	25%	38%	61%
16th	2014	BJP led NDA	6,056	16-May-14	7,203	7,534	7792	8,390	19%	5%	8%	16%	24%
17th	2019	BJP led NDA	10,527	23-May-19	11,657	11,724	10829	11,914	11%	1%	-7%	2%	11%

Source: MOFSL, NSE

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