

Equity Market Outlook

June 2024

- Indian equities have been in momentum with Nifty gaining 12% in the last 6 months. The upmove started in November'23 post the state assembly elections where the ruling NDA government won in three of four major states. This instilled confidence in the market as far as political stability is concerned. Nifty made a new life high above the 23k mark while India's market cap crossed the \$5trillion mark.
- **Key Positives**
 - **Strong Macros:** GDP Growth expected at 7% for FY25, GST Collections above ₹2 lakh crore mark for the first time
 - **Above normal Monsoon** predicted by IMD for 2024
 - **Resilient corporate earnings:** Nifty EPS growth at 21% in FY24 and forecast of 16% growth in FY25.
 - **Valuations comfortable:** Nifty 1-year forward P/E of 20x, in-line with 10 year average.
- **Outlook**
 - India boasts of a unique combination of '**size and growth**' as India's **GDP is likely to exceed USD4t in FY25/26 and reach USD8t by FY34**. Expectations of political continuity after the Lok Sabha Elections'24 should bolster the overall economic momentum further, with a **focus on infrastructure, capex and manufacturing** occupying the centre stage.
 - The pick-up in **government capex** and the growth in **order books** continue to boost sectors such as **Railways, Defense, Capital Goods, power and Utilities**. Also, we are witnessing green shoots in private sector capex, particularly from **auto, cement, metals and PLI-led manufacturing** sectors including EMS (Electronic manufacturing).

Credit Growth

- Systemic loan growth is expected to remain healthy at 14-15% as the capex cycle should pick up pace after general elections.
- Changing narrative on interest rates in H2 may further boost earnings and growth outlook
- We estimate PSBs to sustain ongoing earnings traction and RoA at 1% thus driving rerating of the sector

Capex

- Govt is undertaking long term capex across key areas such as transmission, clean energy, railways, Make in India, PLI and defense indigenization.
- We are seeing green shoots in private sector capex, particularly from auto, cement, metals and PLI-led capex.
- Even exports have seemingly bottomed out. Higher oil prices and GCC infra spending augur well for EPC companies, which have a presence in the MENA region.

Manufacturing

- The government's various initiatives like Make in India and PLI schemes to promote domestic manufacturing provides a huge growth potential for many niche sectors.
- Efforts are being made to expand manufacturing in a number of critical areas as part of an aim to de-risking from China
- Electronics manufacturing services (EMS)
- New age fintech

Consumption

- Volume growth has bottomed out in case of staples and expects a better print in FY25. Urban markets continue to see improvement, while rural markets have started its recovery.
- Given the comfort level in valuation and earnings, we believe that select staple companies offer a better risk-reward compared to several discretionary companies over the next 12-18 months.

Sectors & Stocks in Focus

Themes	Sectors	Stocks to Look out For			
Credit	Banks / Fin	SBI	ICICI Bank	Axis Bank	Chola
Capex	Capital Goods	L&T	Siemens	ABB	BHEL
	Infra	NBCC	UltraTech	NCC	HUDCO
	Energy	NTPC	PFC	Coal India	GAIL
	Railways	RVNL	IRCON	IRFC	Titagarh
Manufacturing	Defence	BEL	HAL	Mazgon Dockyard	BDL
	PLI Manufacturing	Kaynes Tech	Dixon	Exide	Cummins
	Auto	Hero Moto	Ashok Leyland	Samvardhana	M&M
Consumption	Consumer	Godrej Consumer	Dabur	Voltas	D-Mart
	Telecom	Bharti Airtel	RailTel		

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