

INDIA STRATEGY

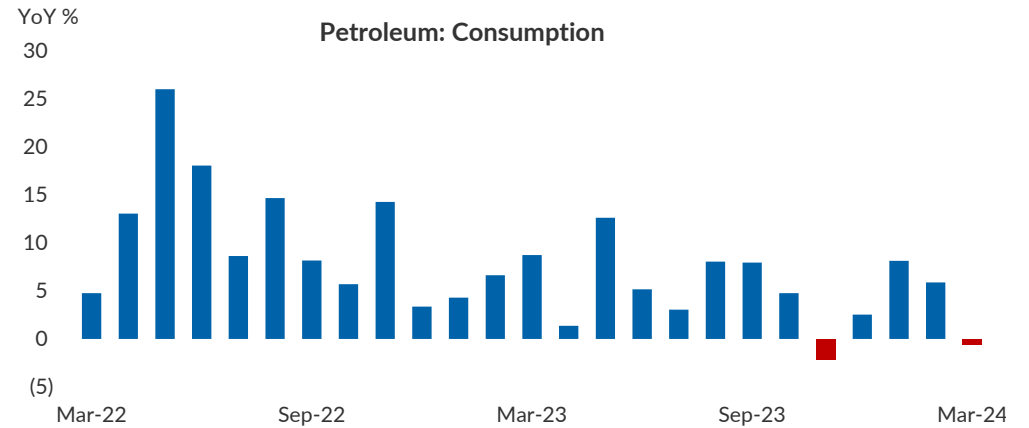
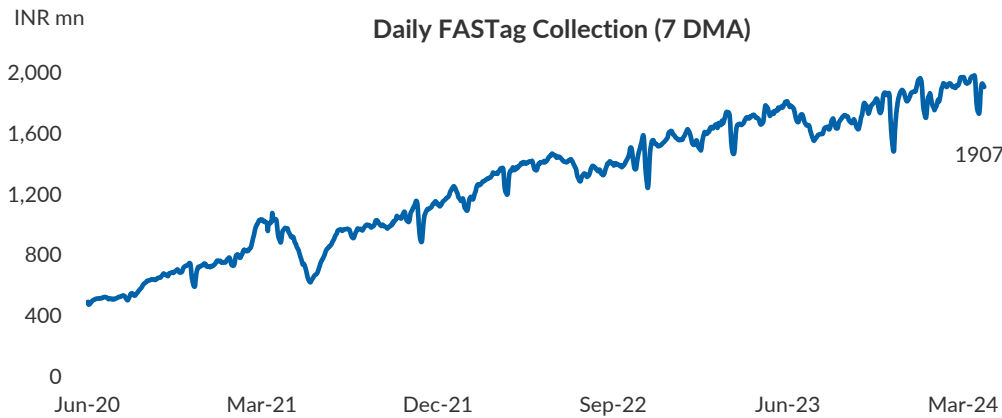
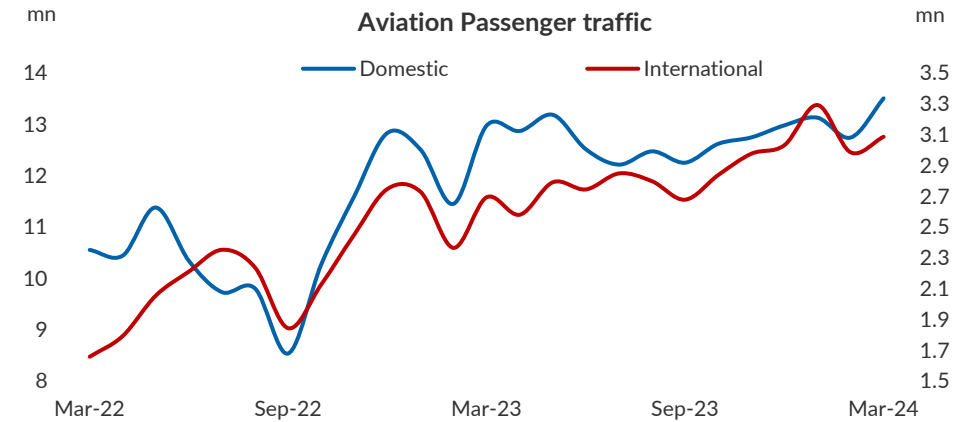
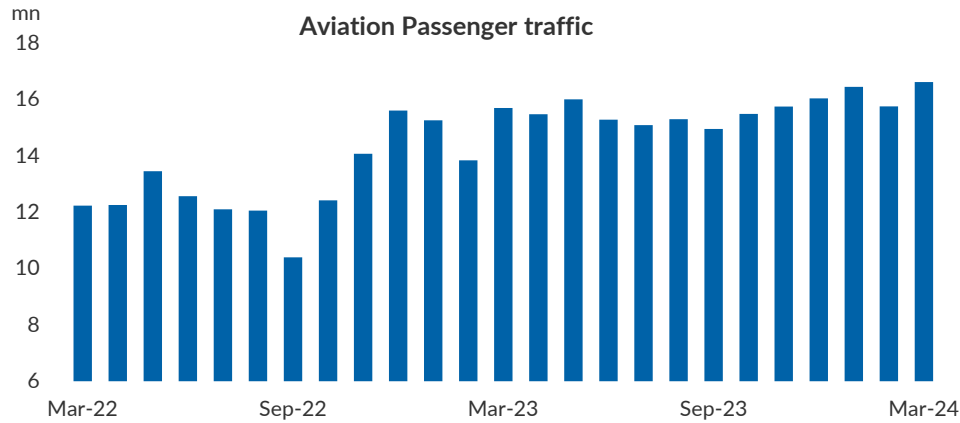
Charting India in Perspectives

In this chartbook, we assess various high-frequency indicators spanning mobility, retail spending, agricultural output, monetary and fiscal conditions to assess the prevalent health of the aggregate demand. **India's economy exhibits resilience amid challenges, with stable consumer spending, robust industrial activity, and favourable external trade dynamics. Effective monetary and fiscal policies, coupled with foreign investments, are contributing to economic stability and growth prospects. However, attention to agricultural challenges, liquidity management, and global economic trends remains crucial for sustaining momentum in the coming quarters.**

- Consumer Behavior:** Air travel and private mobility are witnessing robust growth, indicating increased consumer confidence and mobility. Aggregate retail sales have rebounded from the festive season but lack significant strength. Consumers are recalibrating purchases due to increased spending on travel and capital expenditures like automobiles and housing. However, easy access to credit is enabling consumers to stretch their budgets. The property market remains buoyant, with rising demand for larger houses and steady increases in residential prices, indicating strong demand from higher and middle economic strata households.
- Urban-Rural Consumption Patterns:** Urban consumption of food and groceries is showing signs of slowing, while rural markets are experiencing recovery, albeit from a low base. Strong retail credit offtake persists despite RBI measures on unsecured lending.
- Manufacturing and Industrial Activity:** Manufacturing and industrial activity are driving economic growth, as evidenced by above-average electricity consumption and healthy movement of goods indicated by cargo traffic and e-way bills.
- Employment Situation:** Formal job creation is stable, and rural employment is improving, as shown by reduced dependency on employee guarantee schemes. Projections of a favourable monsoon and rising construction activity are expected to absorb the rural workforce.
- Agriculture:** While the sowing of Rabi crops has been strong, concerns over low water reservoir levels may impact yields. However, government initiatives such as crop insurance and higher agricultural credit aim to mitigate losses. Lower fertilizer and subdued tractor sales hint at sluggish agricultural activity.
- External Trade:** Merchandise exports remain resilient, supported by rising shipments of engineering goods and electronics. Stable non-oil and non-gold imports indicate domestic demand resilience. Service exports remain robust, driven by global capability centres.
- Monetary Policy and Banking:** Credit flow towards services and consumers is strong, while early signals of recovery are seen in the industry as private enterprises plan higher capital expenditure. RBI is managing liquidity through various measures, and despite volatility in global bond markets, longer-end yields remain contained.
- Fiscal Policy:** Gross tax revenue growth is supported by robust income tax and GST collections. Government expenditure remains under control, providing comfort in fiscal deficit targets.
- Balance of Payments:** The current account deficit (CAD) for FY24 is estimated at 0.7% of GDP, significantly lower than FY23, attributed to falling merchandise trade deficit and stronger service exports. Portfolio flows have turned the balance of payments positive. Foreign institutional investments (FIIs) in Indian equities and debt markets are significant, reflecting anticipation ahead of the inclusion of Indian bonds in global indices. Foreign direct investment (FDI) flows are seen picking up, driven by incentives for domestic manufacturing.

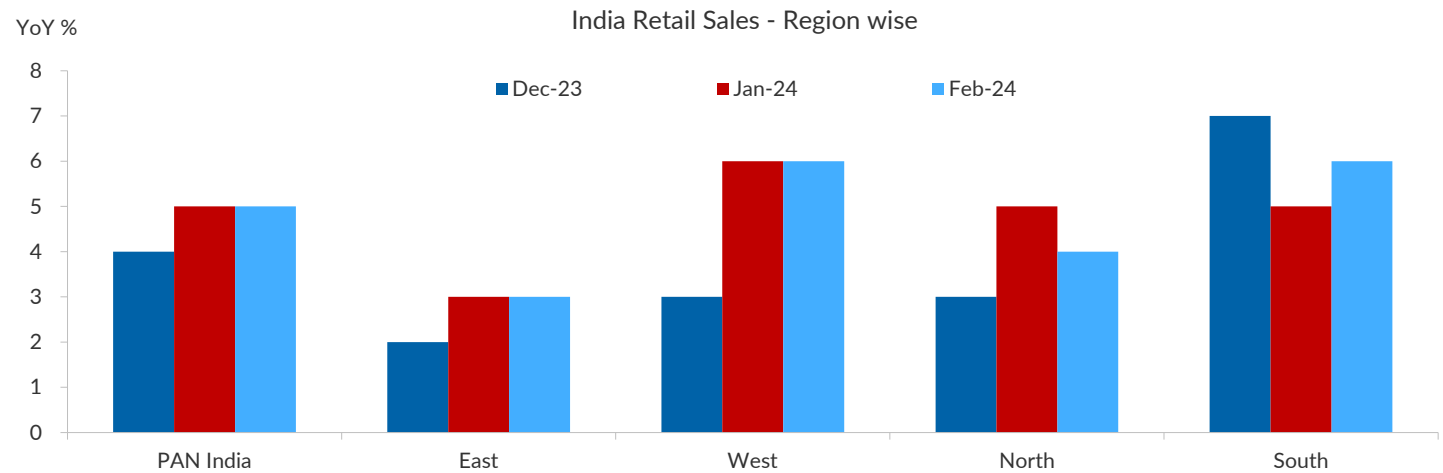
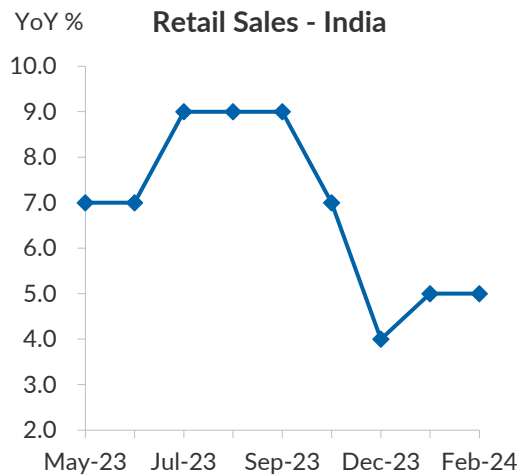
CONSUMPTION

Exhibit 1: Strong momentum in Air Travel, while private mobility also exhibits strength



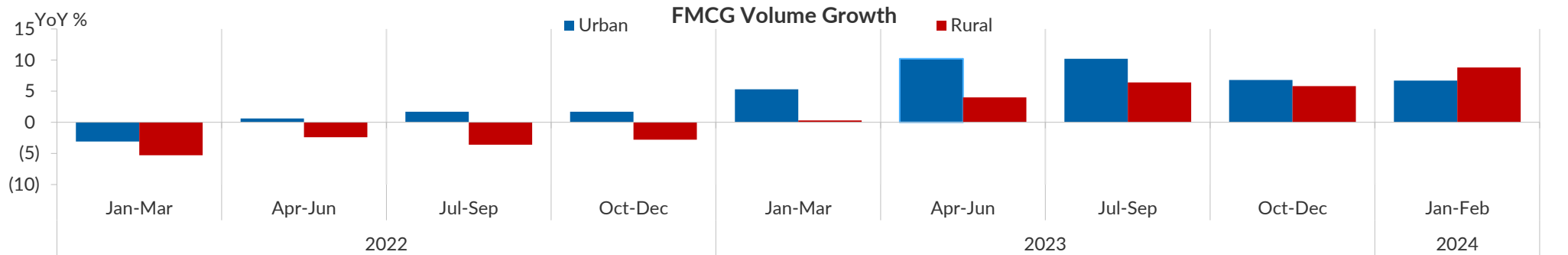
Source: CEIC, YES Sec

Exhibit 2: Aggregate Retail Sales show some rebound from the Oct-Nov festive season, though the trajectory lacks meaningful strength. Consumers are recalibrating purchases on various categories given that they are frequently spending on travel, while committed to capital expenditures like automobiles and Housing. Nevertheless, consumers have easy access to credit and are seen stretching their budgets to spend on summer products like consumer durables during the next few months



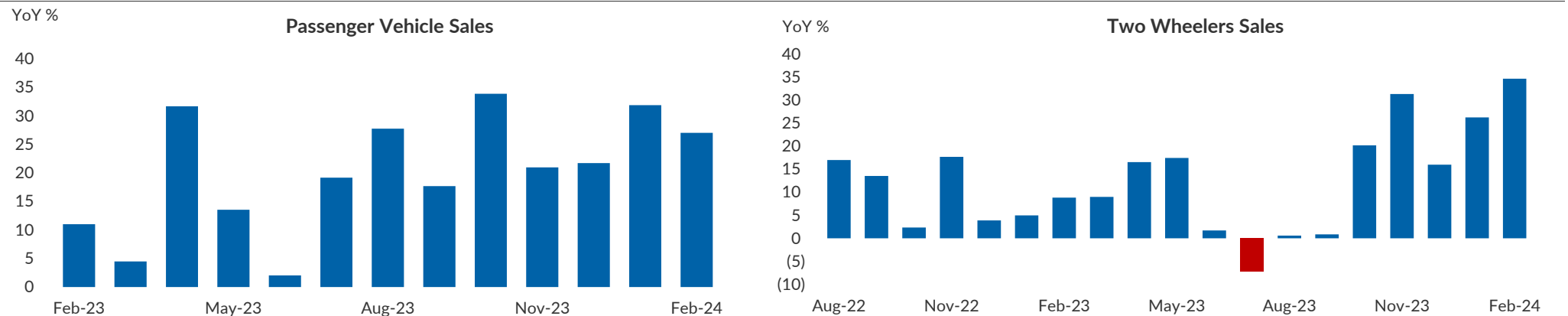
Source: RAI, YES Sec

Exhibit 3: On staples, Urban India is showing signs of slowing consumption of Food and Groceries, conversely, Rural markets are showing signs of recovery, albeit on a low base



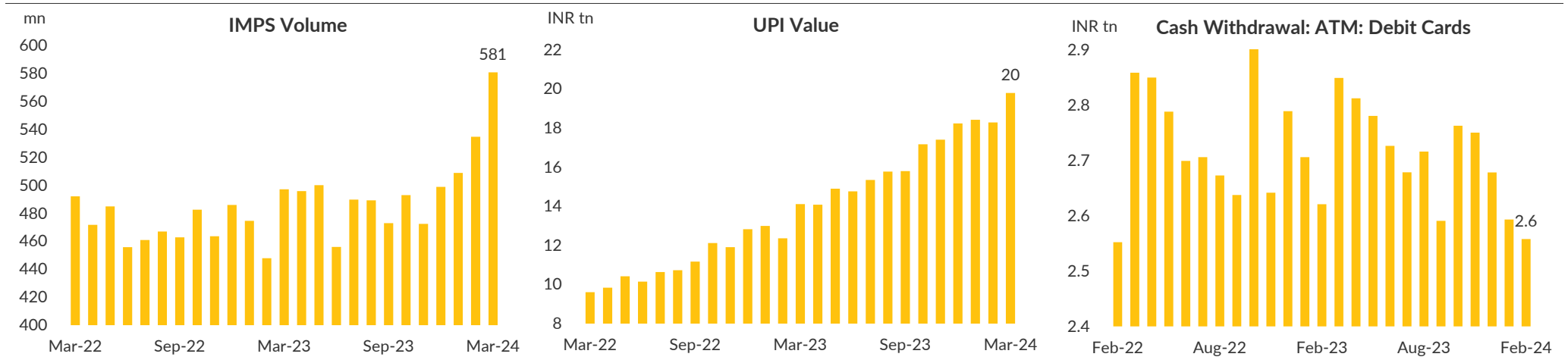
Source: NielsenIQ, YES Sec

Exhibit 4: Higher Car and Two-wheeler sales denote strength in Urban and Rural discretionary spending, quite a contrast when compared with the overall trend in non-discretionary spending. This signifies a falling share of Food and staples in India's Consumer Basket



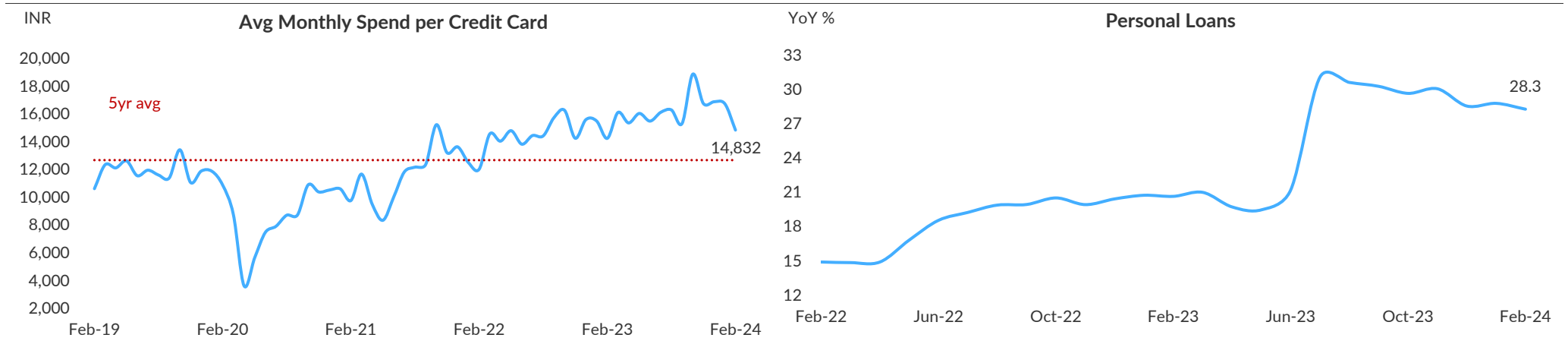
Source: CEIC, Bizom, YES Sec

Exhibit 5: Digitalisation: Surging UPI volumes stagnate Cash withdrawals



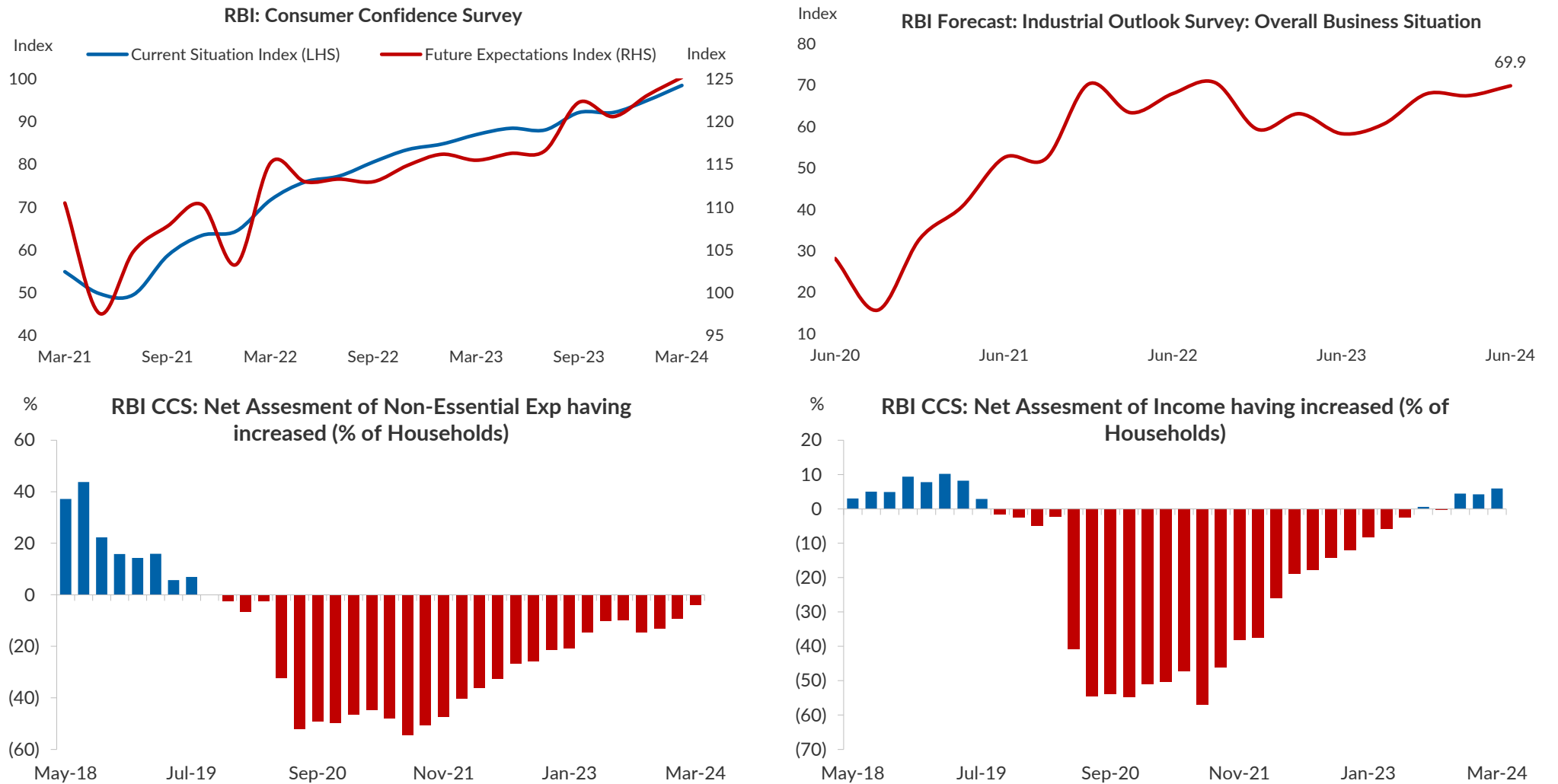
Source: CEIC, YES Sec

Exhibit 6: Strong Retail Credit offtake persists despite stringent measures by the RBI on unsecured lending



Source: CEIC, YES Sec

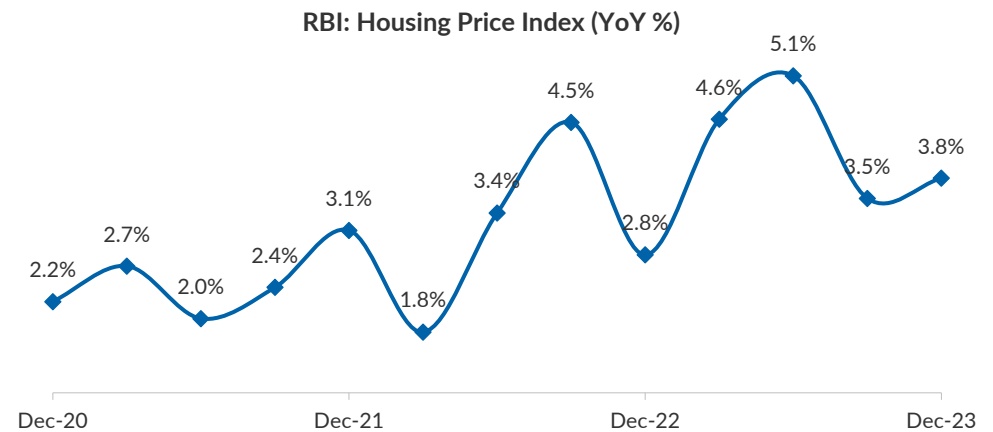
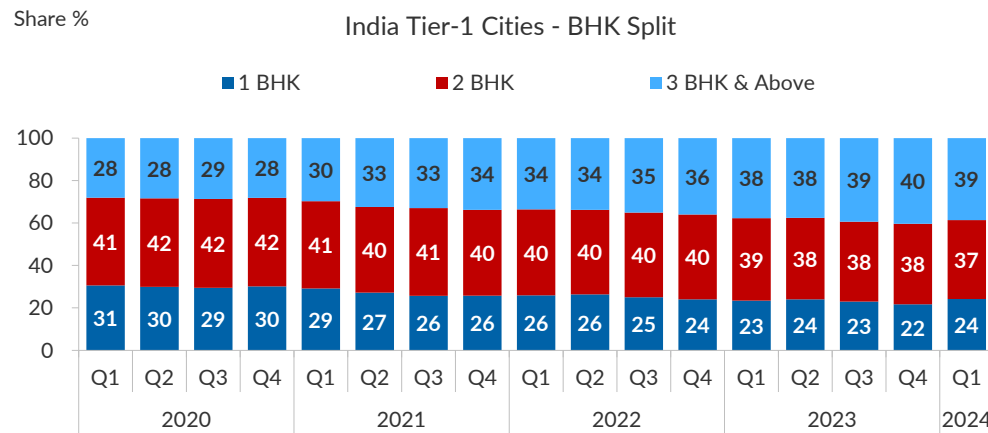
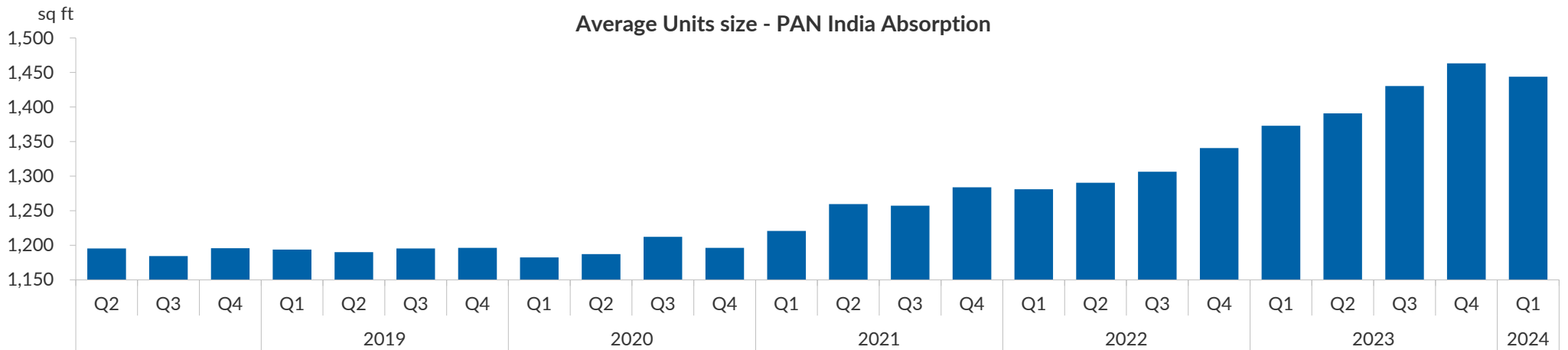
Exhibit 7: Notwithstanding higher interest rates, Consumer Confidence and Business Optimism remain stable



Source: CEIC, YES Sec

REAL ESTATE

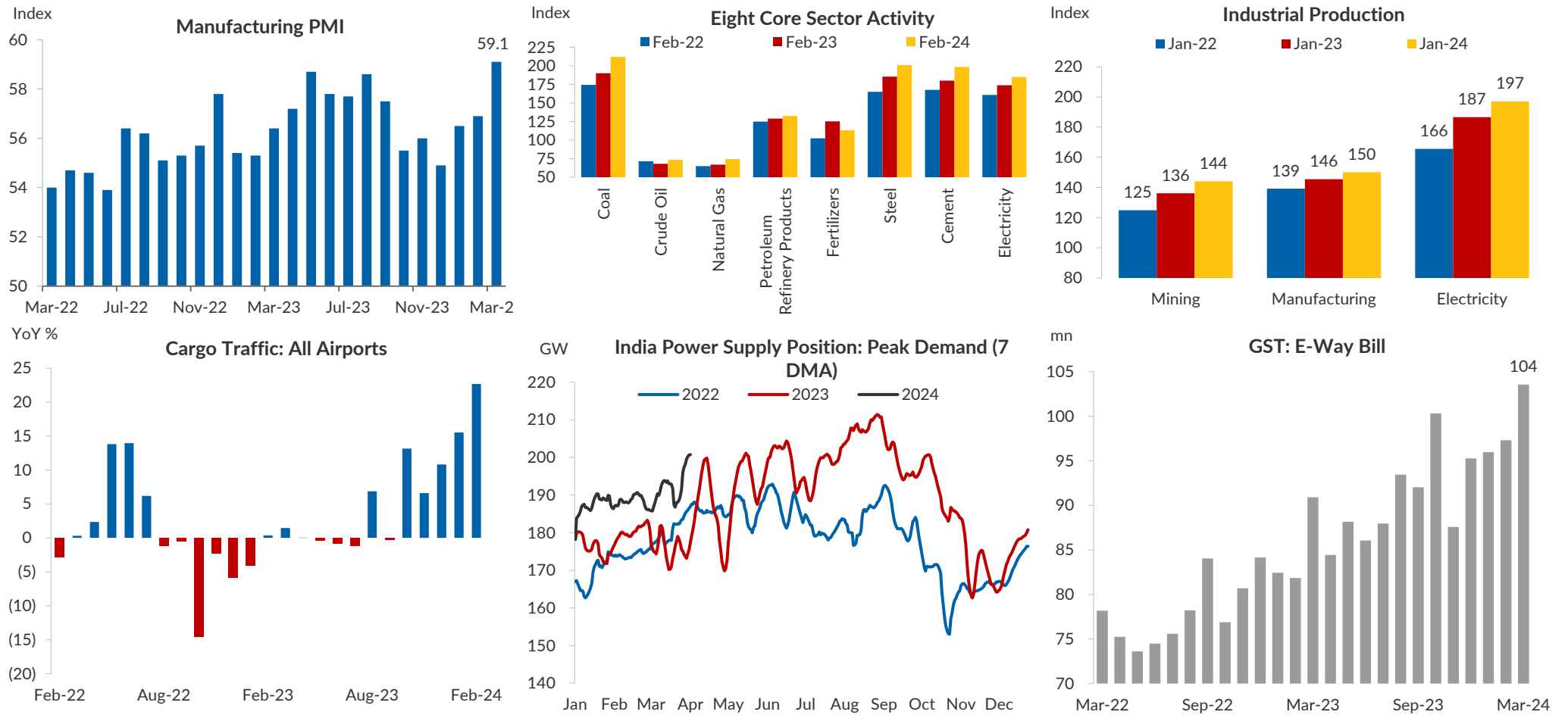
Exhibit 8: Property markets remain buoyant, with rising demand for bigger houses, while residential prices see a steady rise, conveying strong demand from higher and middle economic strata households



Source: PropEquity, CEIC, YES Sec

BUSINESS ACTIVITY

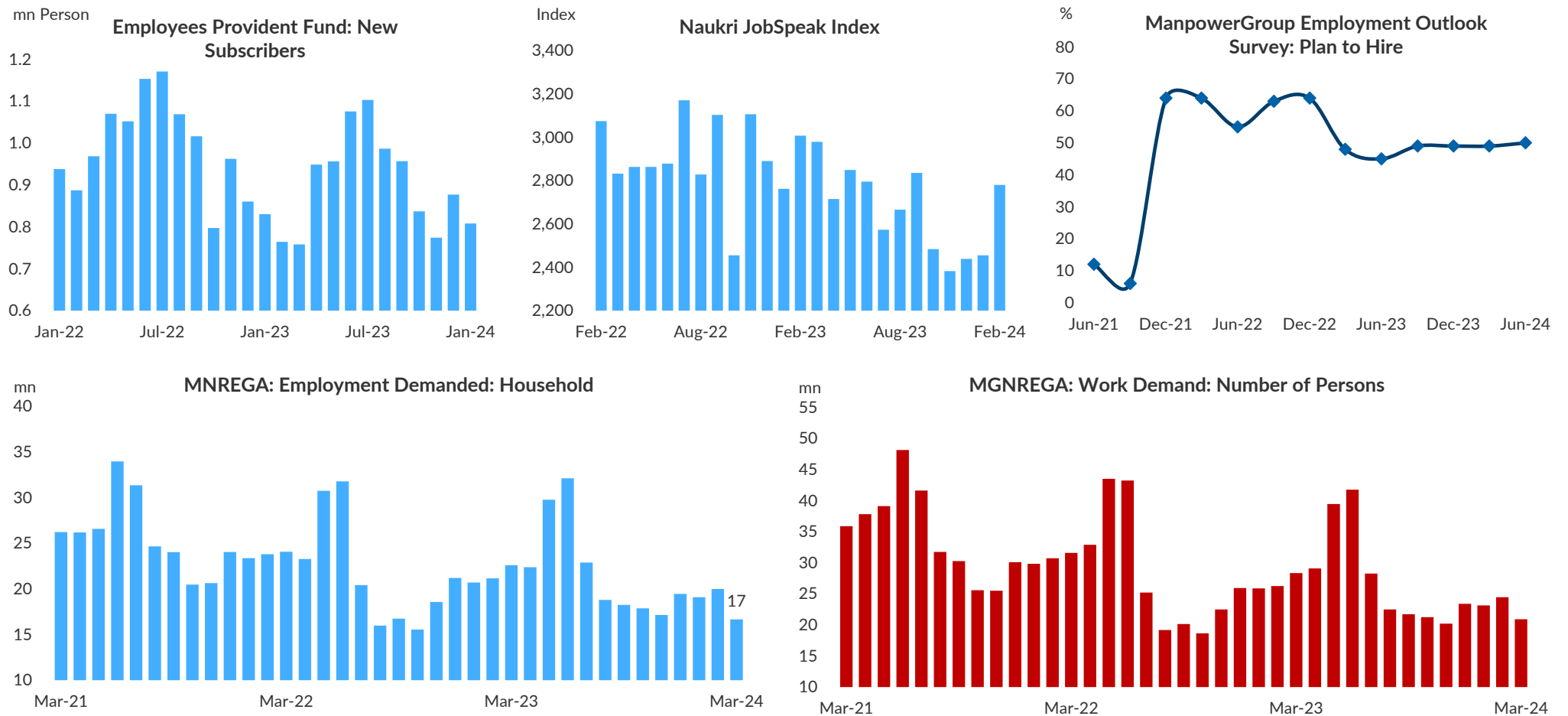
Exhibit 9: Manufacturing and Industrial activity are underpinning economic growth. Electricity consumption continues to remain above seasonal averages, signifying strong demand from Households and Industrial units. Cargo Traffic and E-Way Bills reckon healthy movement of Goods. Frequency indicators for Q4 FY24 suggest traction to sustain



Source: CEIC, YES Sec

EMPLOYMENT

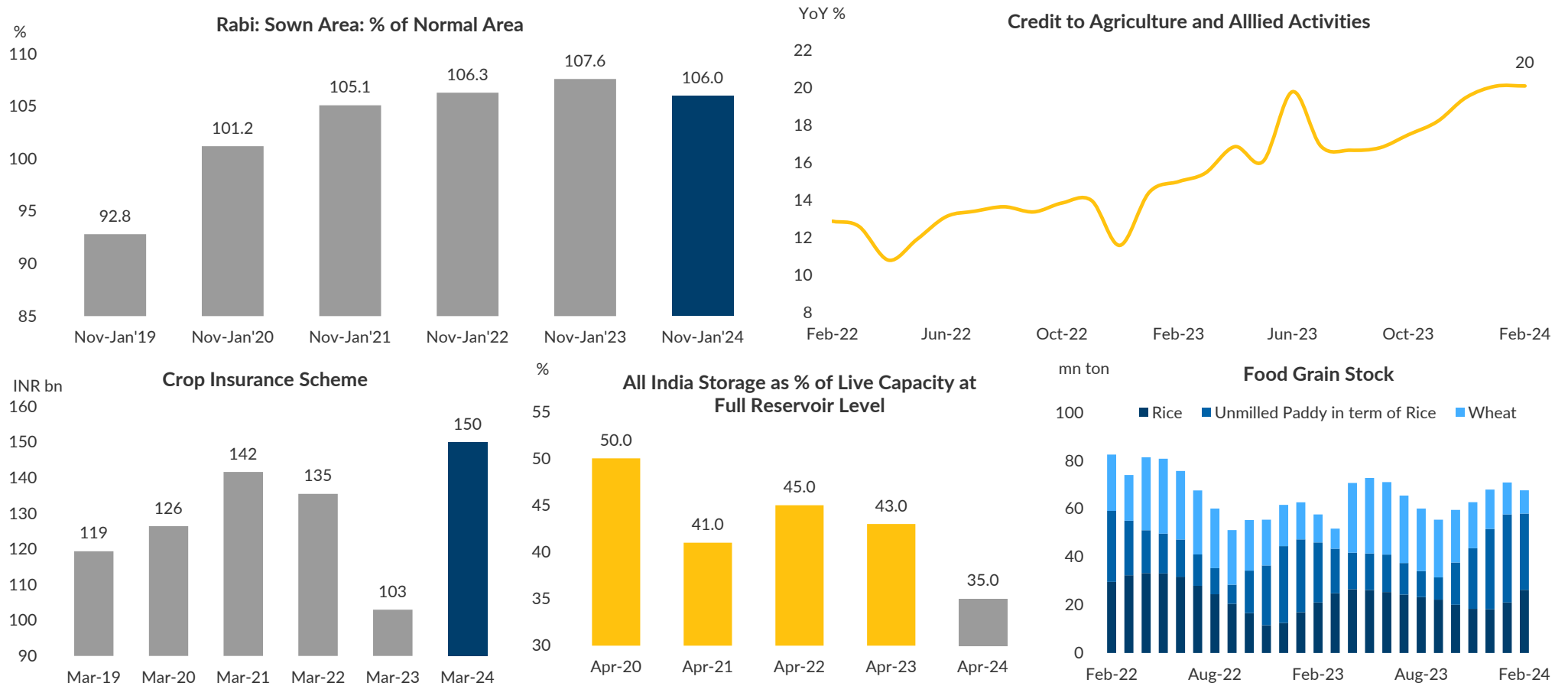
Exhibit 10: Formal Job creation remains stable, while the rural employment situation is showing improvement, manifested by falling dependency on Employee Guarantee Schemes. Projections of a favourable monsoon this year and rising construction activity will likely absorb the rural workforce



Source: CEIC, Bloomberg, YES Sec

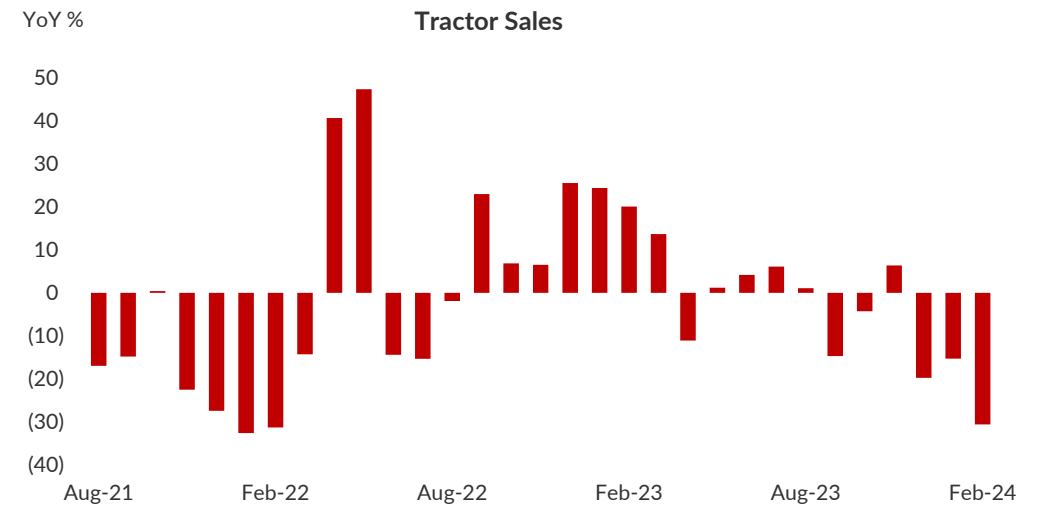
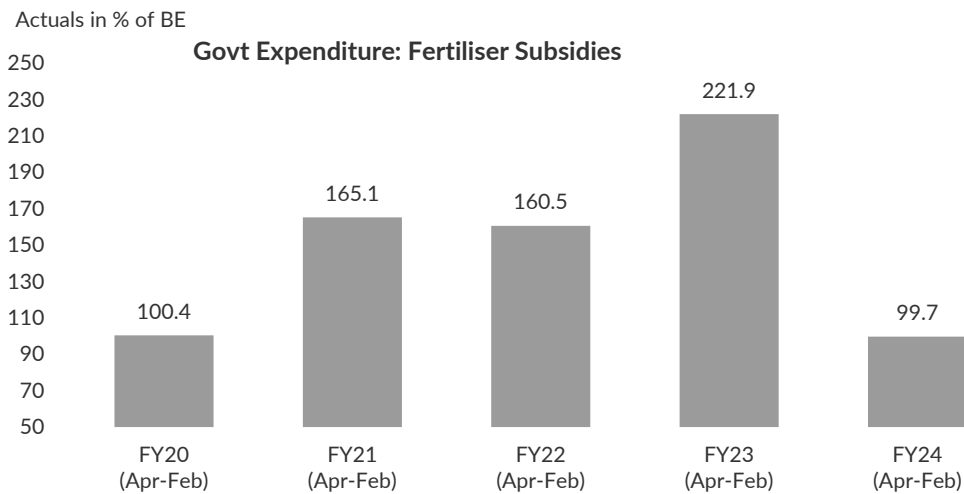
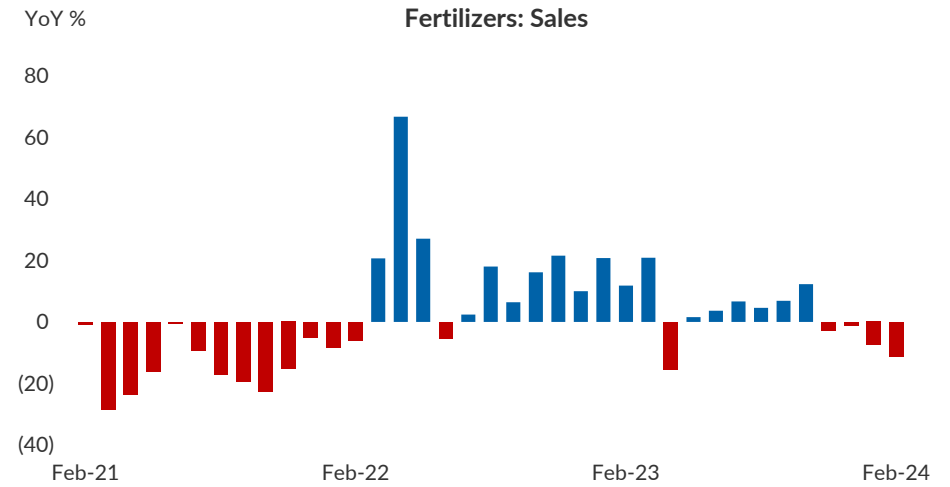
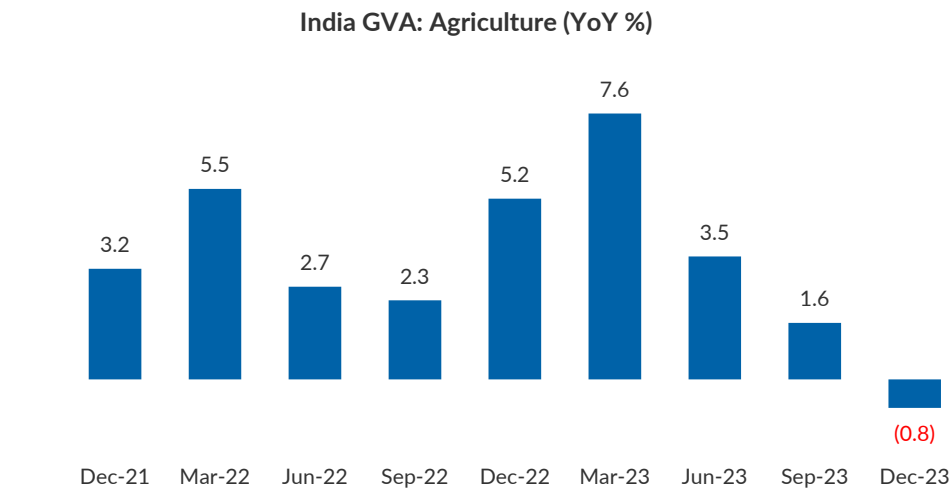
AGRICULTURE

Exhibit 11: Although the sowing of Rabi crops has been strong, very low Water Reservoir levels have been a concern and can impact the yield of the Rabi crop. Nevertheless, the government is adequately insuring the farmers from crop losses and providing higher agricultural credit



Source: CEIC, YES Sec

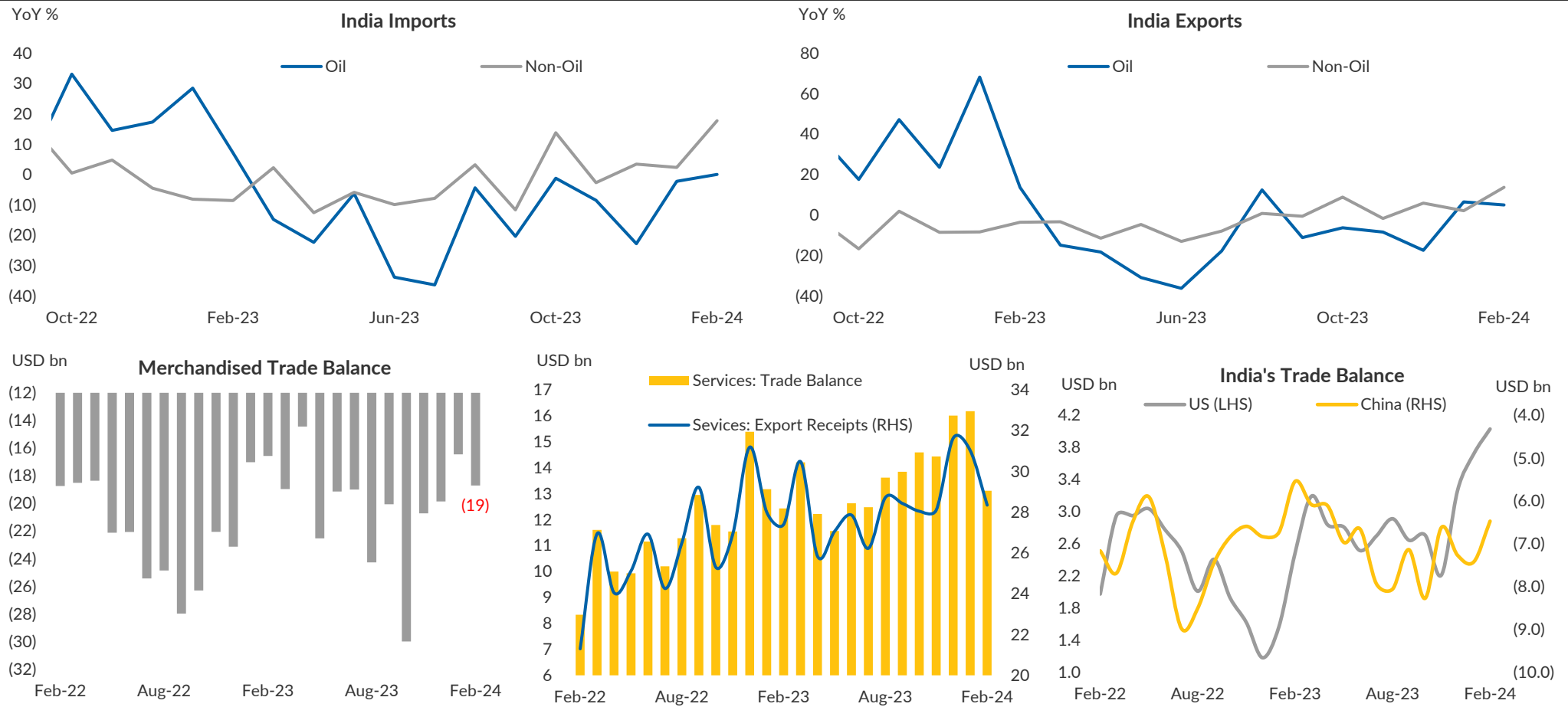
Exhibit 12: Lower Fertilizer sales and subdued Tractor sales portend sluggish agricultural activity



Source: CEIC, YES Sec

TRADE

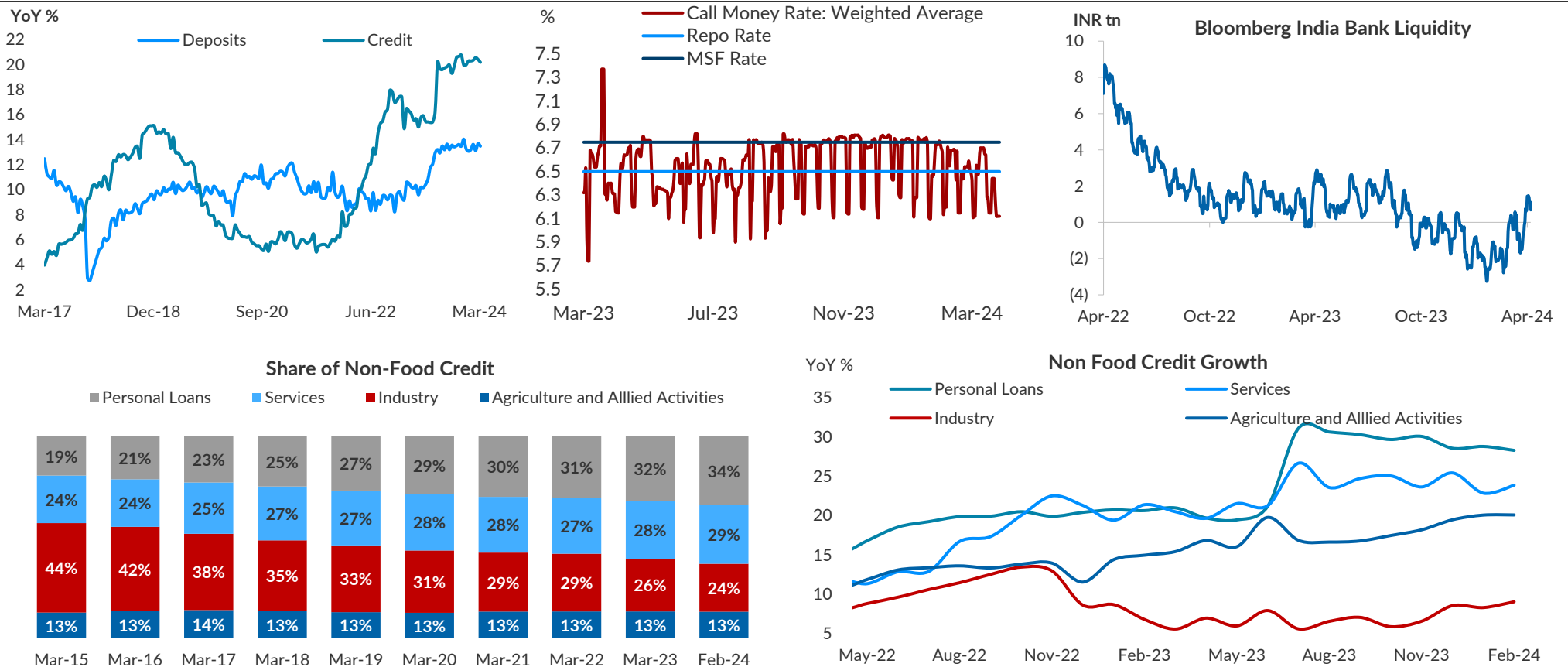
Exhibit 13: Notwithstanding the slowdown in global trade, FY24 Merchandise Exports have been resilient, underpinned by rising shipments of Engineering goods and Electronics. Stable Non-Oil and Non-Gold imports denote resilience in domestic demand. Despite the slowdown in Advanced Economies, Service Exports remain robust, thanks to the contribution of Global Capability Centers



Source: CEIC, YES Sec

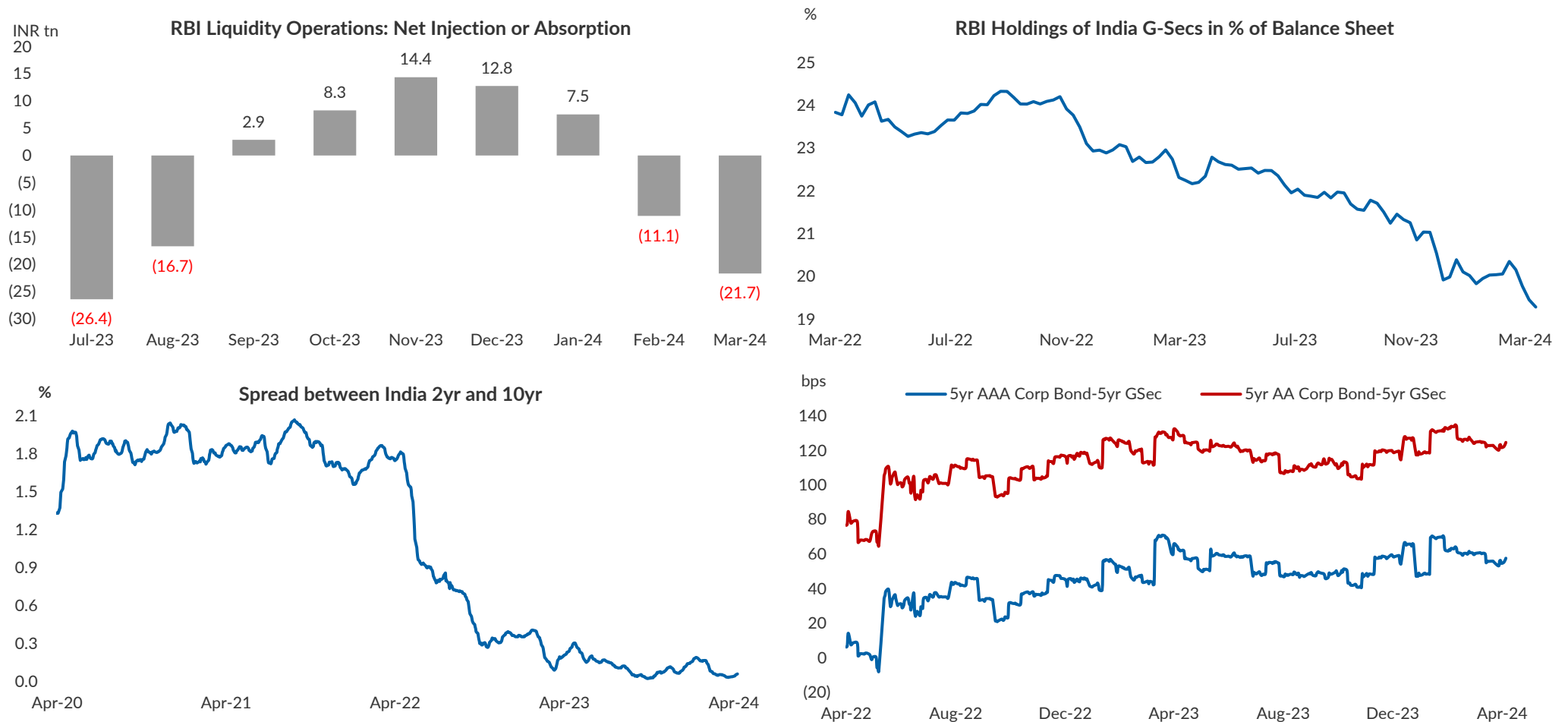
CREDIT / MONETARY

Exhibit 14: Credit flow is strong towards Services and Consumers, while demand from Industry is showing early signals of recovery as private enterprises contemplate higher capital expenditure. Tightness in Banking liquidity has been mitigated, thanks to higher government spending at the end of FY24 and the maturity of the RBI's US\$5 billion sell-buy swaps. RBI is managing liquidity in a calibrated manner, manifested by a mix of Variable Repo and Reverse Repo auctions. The Call money rate is now lower than the SDF rate, quite a contrast when compared with it consistently trading above the MSF rate over the past 12 months



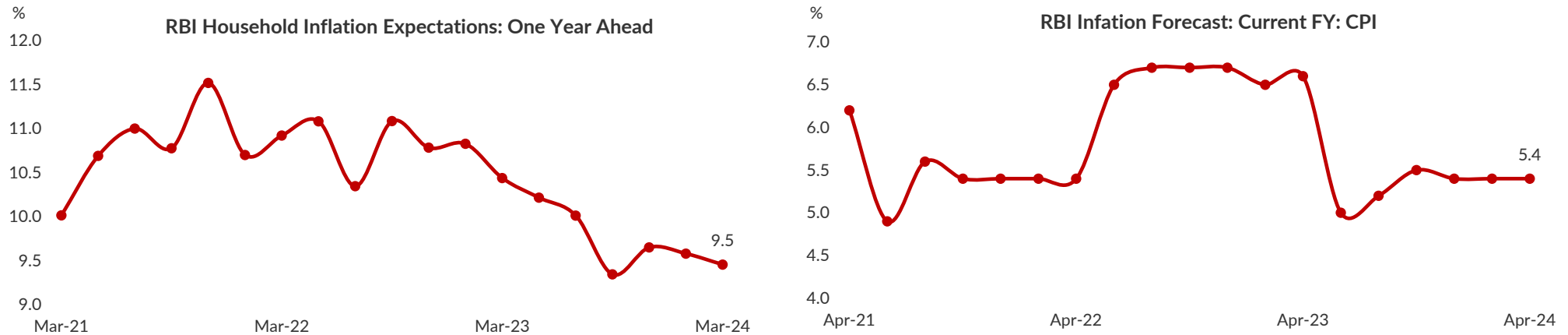
Source: CEIC, YES Sec

Exhibit 15: RBI has withdrawn liquidity on a net basis from the banking system over the past 3 months as liquidity conditions have eased. Despite the volatility in global bond markets, the longer end of the yield curve has been largely contained. The inclusion of India's Bonds in Global Indices is also keeping the yields lower. However, yields have surged on the short end of the curve, resulting in a flat yield curve. Nevertheless, credit spreads remain capped



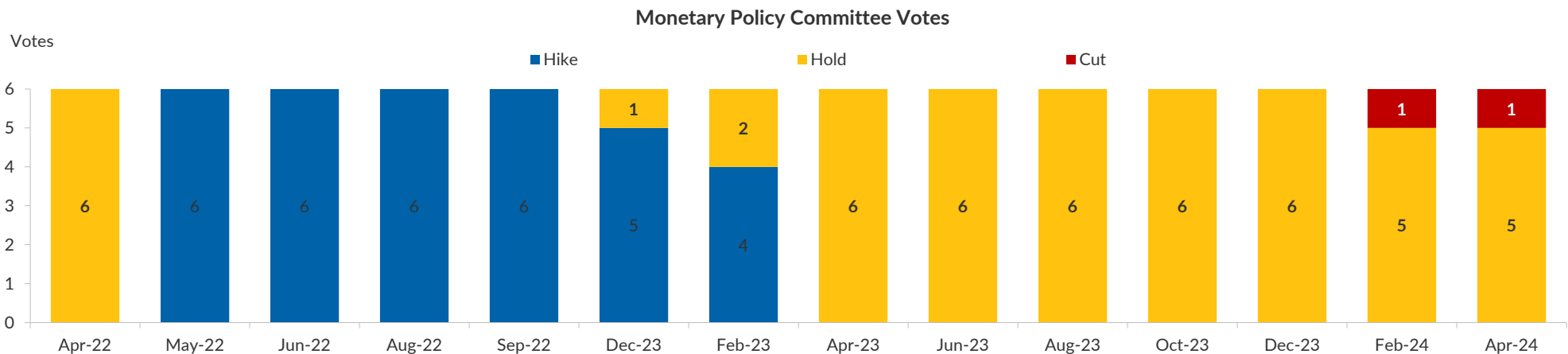
Source: CEIC, Bloomberg, YES Sec

Exhibit 16: Stubborn inflation in perishable commodities has not materially changed the inflation projections, as the recent price pressure in the food basket is deemed to be transient...



Source: CEIC, YES Sec

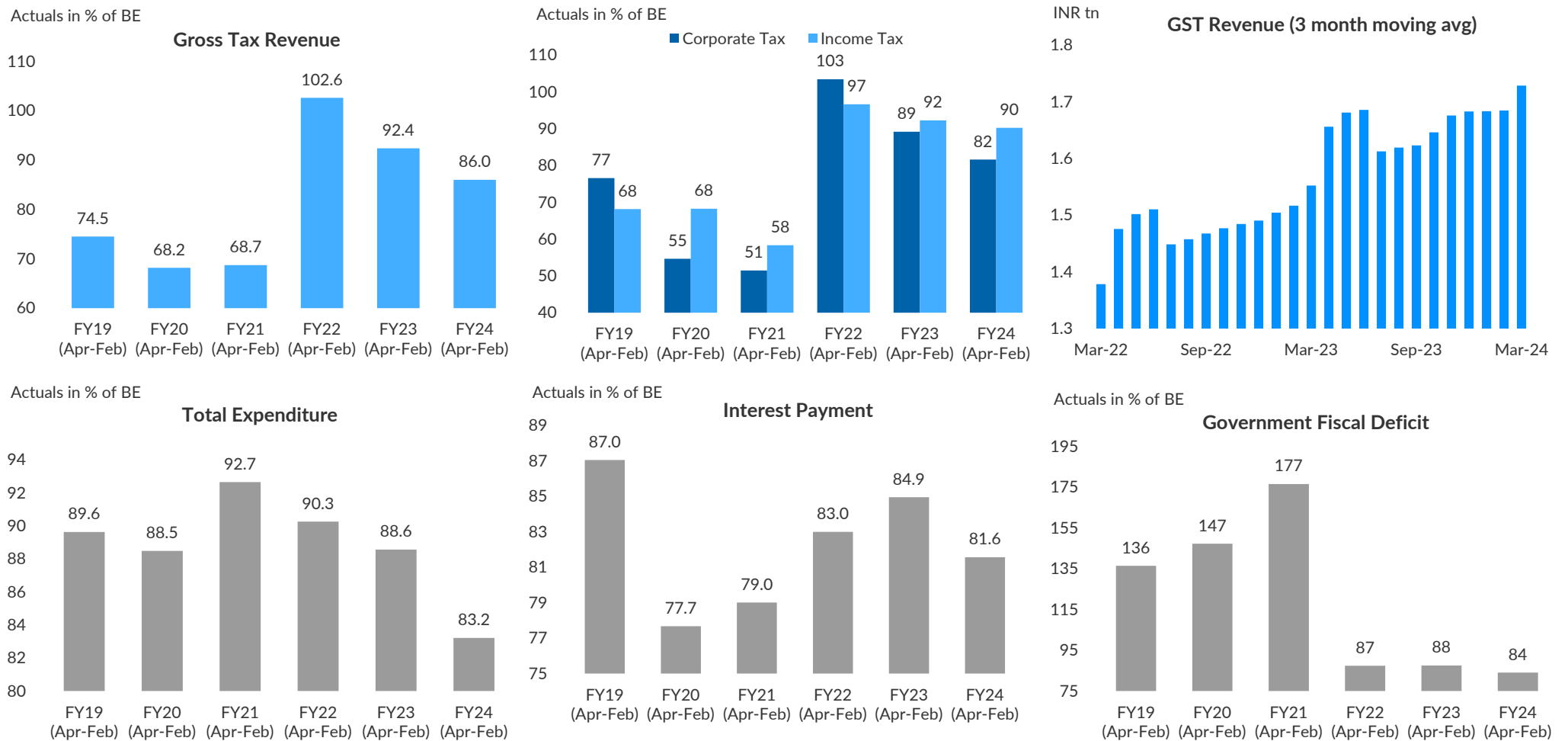
Exhibit 17: ...however, RBI is sticking with a status quo on the policy rate. RBI is seen delivering a rate cut in Q2FY25 given that domestic inflation is seen moving closer to 4%, while global central banks are seen reversing the rate hikes



Source: RBI, YES Sec

FISCAL

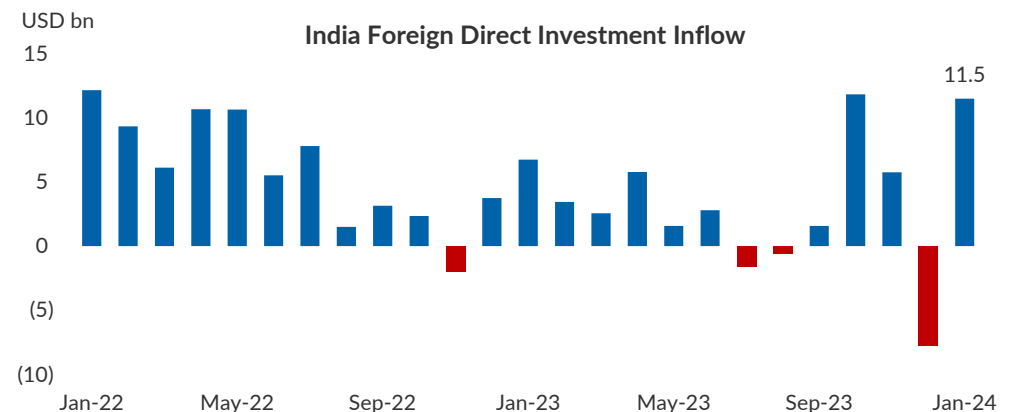
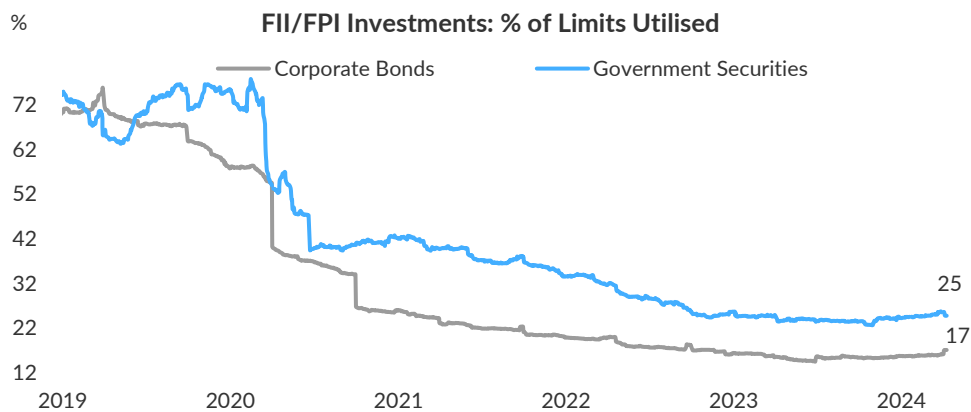
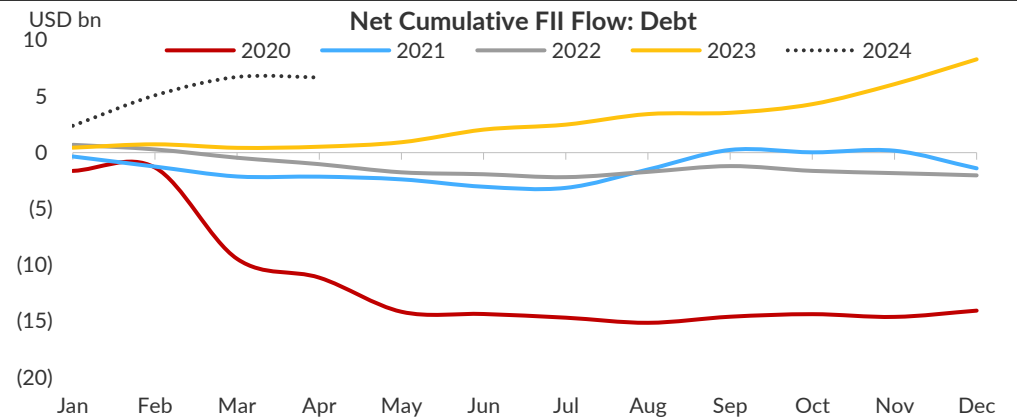
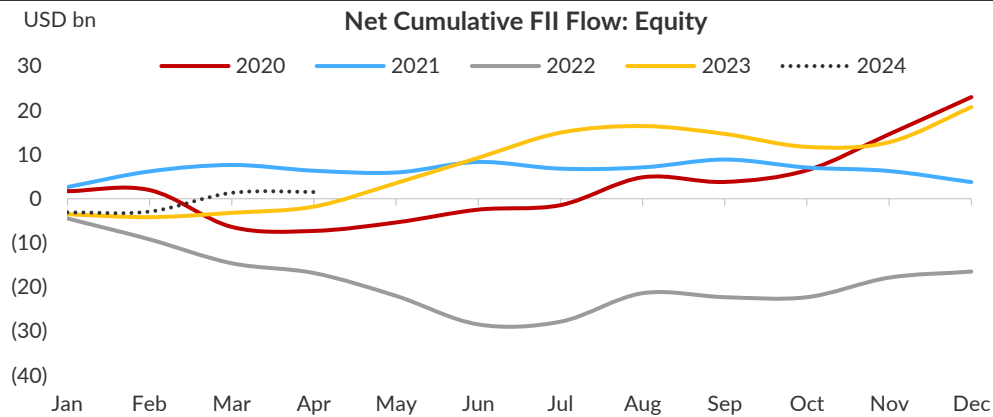
Exhibit 18: Gross Tax revenue growth is underpinned by robust Income Tax collections. GST collections also remain strong. Govt Expenditure remains under control, providing the Government comfort in its fiscal deficit target



Source: CEIC, YES Sec

FOREIGN INVESTMENTS

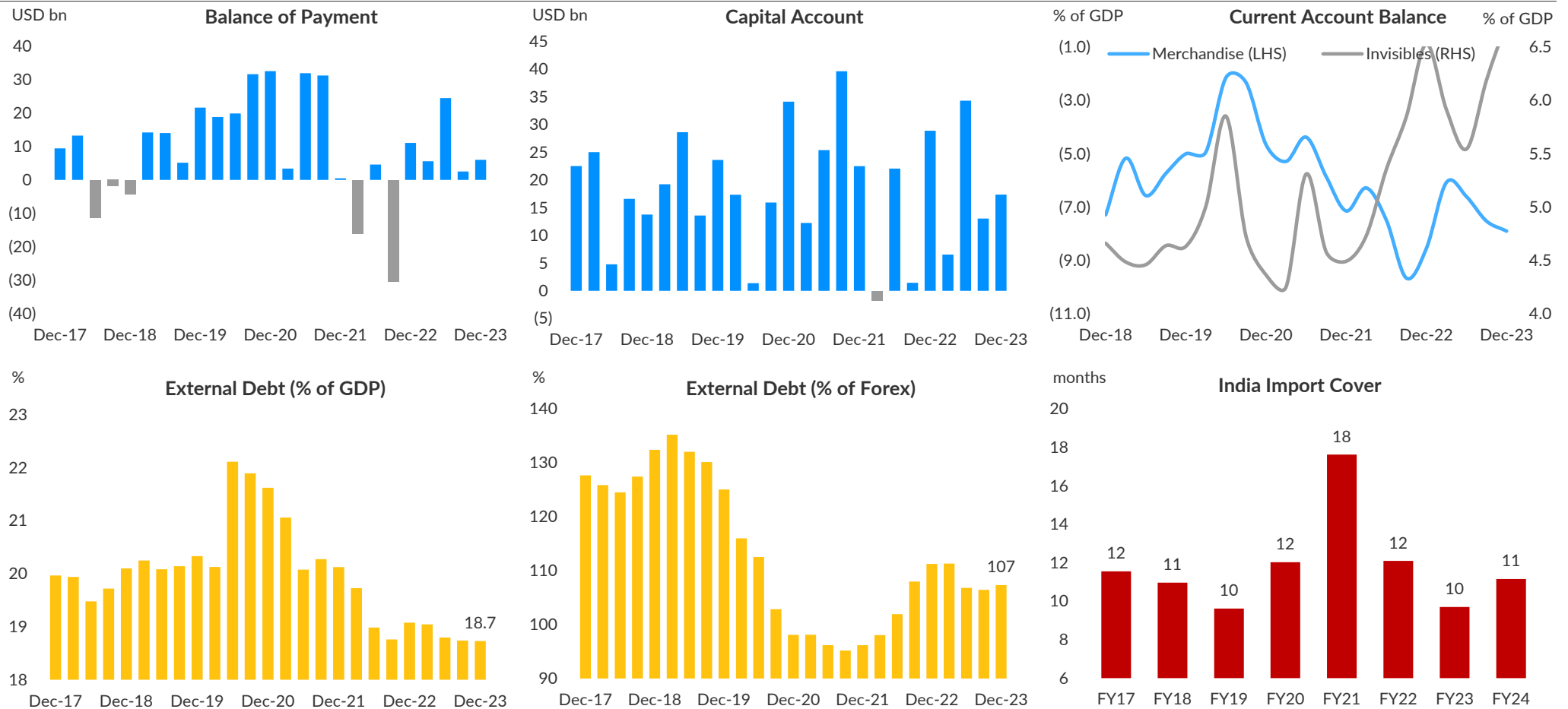
Exhibit 19: FIIs have poured around US\$2bn into Indian Equities so far this calendar year, while injecting a sizable US\$7bn in Indian Debt markets, clearly a sign of front-running ahead of the inclusion of Indian Bonds in Global indices during FY25. FDI flows are seen picking up after a sluggish 2023, as India incentivizes domestic manufacturing



Source: CEIC, Bloomberg, YES Sec

EXTERNAL SITUATION

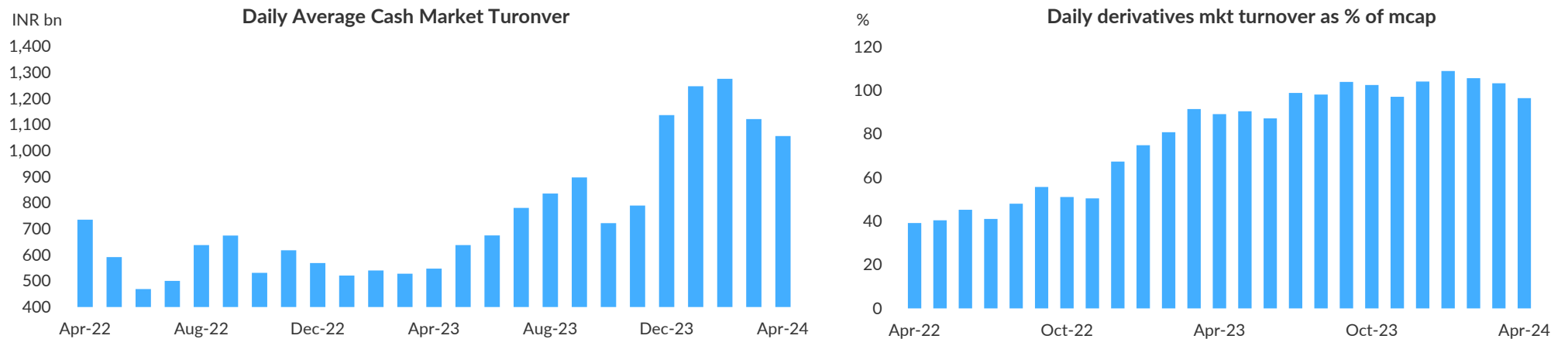
Exhibit 20: FY24 Current Account deficit is estimated at 0.7% of GDP from 2% in FY23 amid falling merchandise trade deficit and stronger service exports. CAD for FY24 is seen at US\$25bn when compared with US\$67bn in FY23. Portfolio flows have turned the BoP balance into a positive of US\$70bn. External Debt remains under control



Source: CEIC, YES Sec

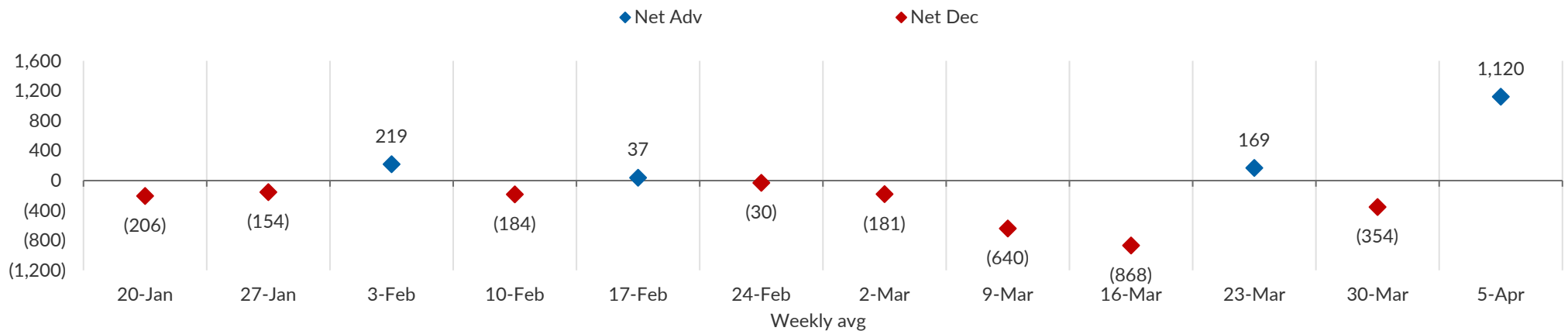
MARKETS

Exhibit 21: Equity Cash volumes rebound, while action in Derivatives remains elevated...



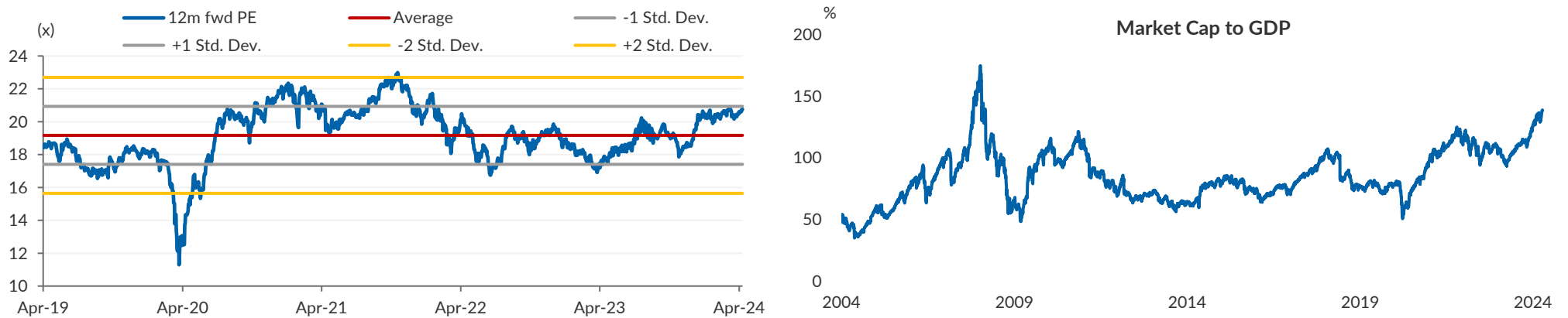
Source: Bloomberg, YES Sec

Exhibit 22: ...amid a generally trending higher market



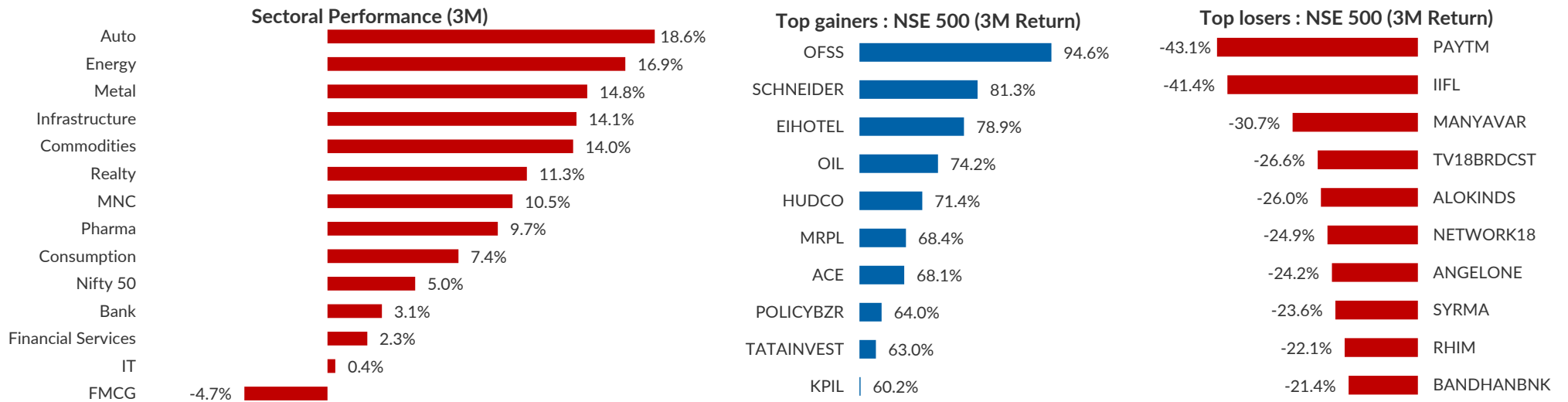
Source: Bloomberg, YES Sec

Exhibit 23: Valuation multiples remain above the 5-year average, but still below the historic peak. Ditto for the Market Cap/GDP ratio



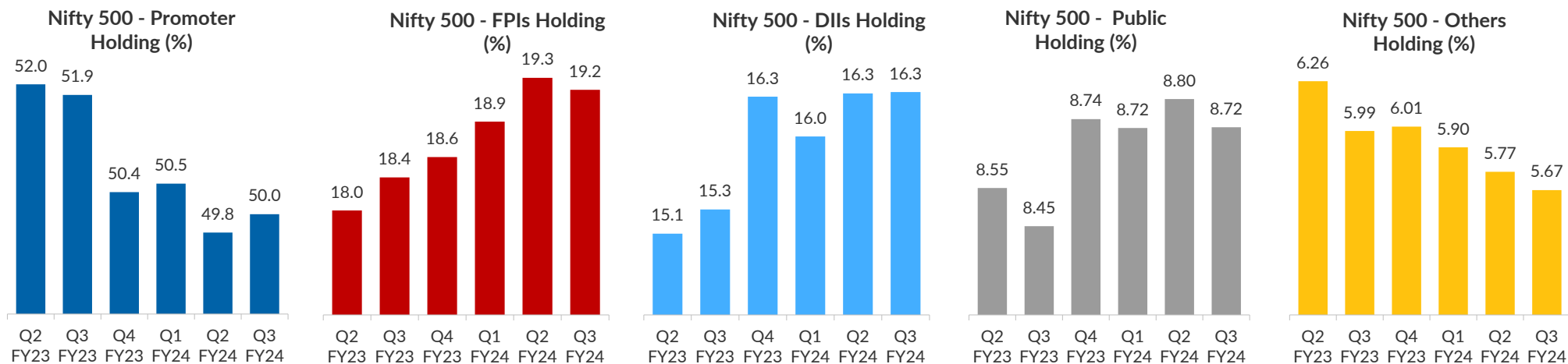
Source: Bloomberg, YES Sec

Exhibit 24: Gains across the board, Auto, Energy, Commodities and Infra stocks raked in the moolah over the last 3 months



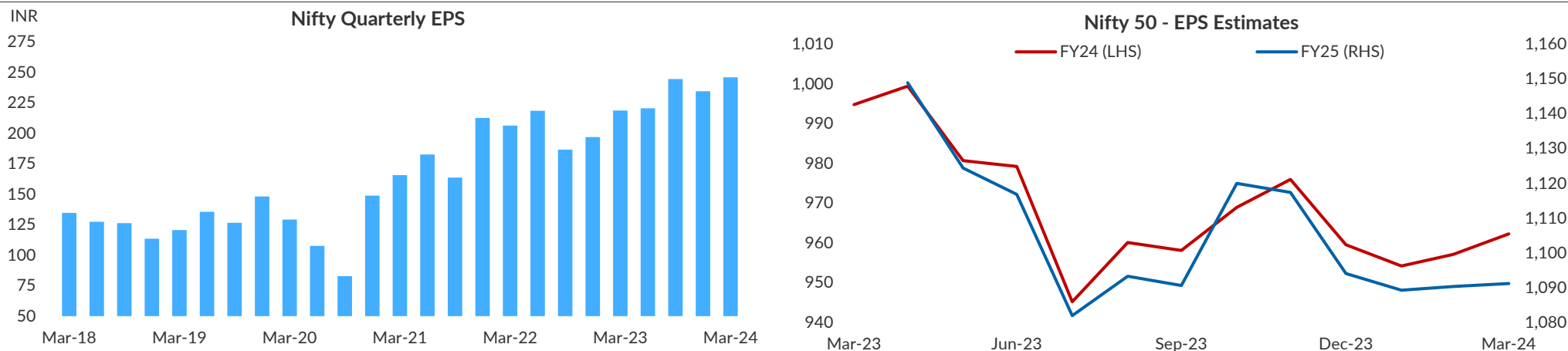
Source: Bloomberg, YES Sec

Exhibit 25: Promoters have more skin in the game



Source: Capitaline, YES Sec; Note: Ownership Pattern for NSE 500

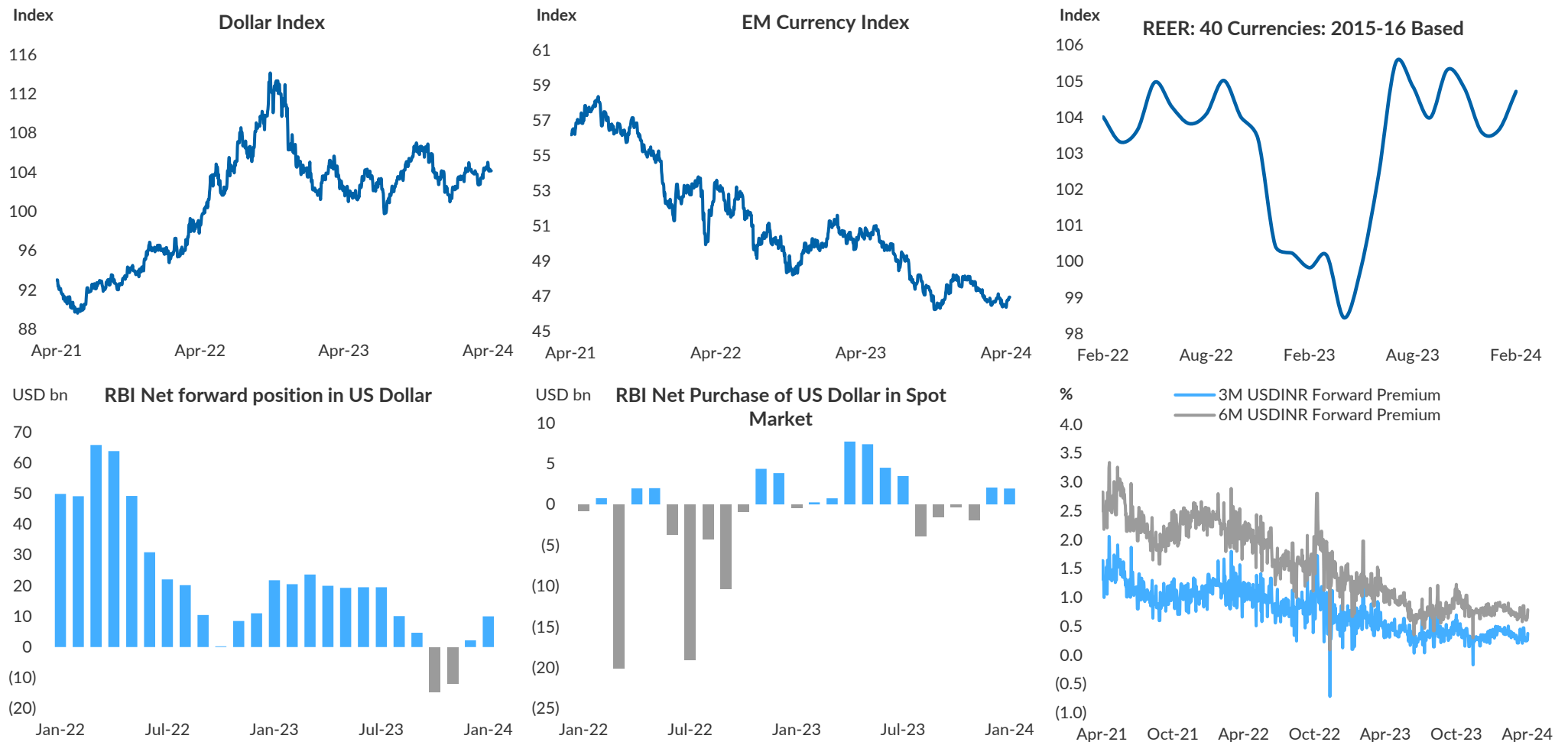
Exhibit 26: EPS estimates for FY24 and FY25 remain stable, underpinned by traction in corporate earnings. Markets are pricing 16% growth in Nifty EPS for FY24 and 14% for FY25. Profitability is underpinned by the restoration of margins and stable demand



Source: Bloomberg, YES Sec

CURRENCY

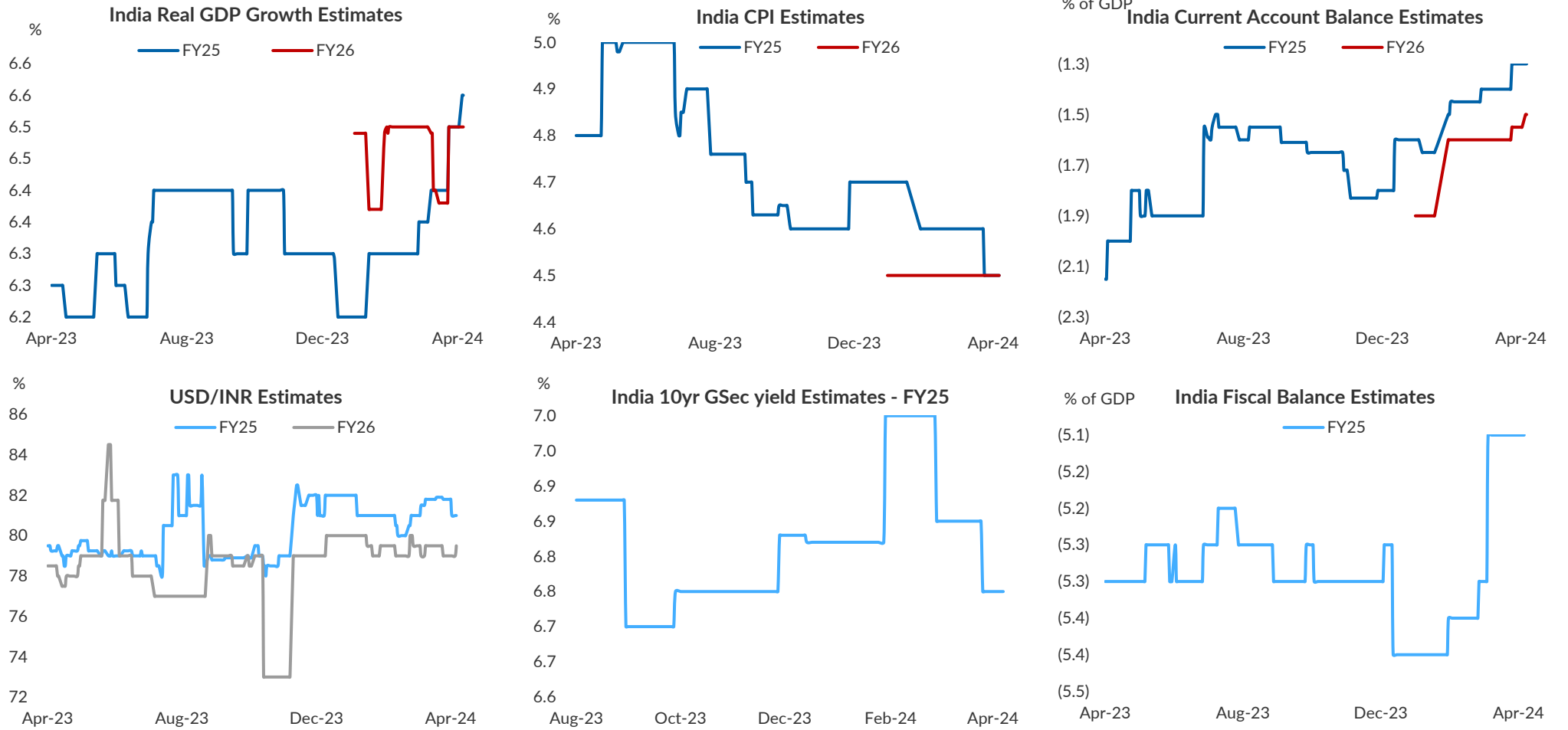
Exhibit 27: EM currency basket remains volatile amid rising US Treasury Yields. However, Indian Rupee has proved to be resilient, thanks to RBI's intervention



Source: CEIC, Bloomberg, YES Sec

MACRO PROJECTIONS

Exhibit 28: Consensus estimates project the macroeconomic situation to be stable



Source: Bloomberg, YES Sec

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✉ research@ysil.in | **Website:** www.yesinvest.in

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YES Securities (India) Limited ("YSL") is a wholly owned subsidiary of YES BANK LIMITED. YSL is a Securities and Exchange Board of India (SEBI) registered Stock broker holding membership of National Stock Exchange (NSE), Bombay Stock Exchange (BSE), Multi Commodity Exchange (MCX) & National Commodity & Derivatives Exchange (NCDEX). YSL is also a SEBI-registered Category I Merchant Banker, Investment Adviser and Research Analyst. YSL is also a Sponsor and Investment Manager of Alternate Investment Fund - Category III (YSL Alternates) and AMFI registered Mutual Fund Distributor. The Company is also a registered Depository Participant with CDSL and NSDL. YSL offers, inter alia, trading/investment in equity and other financial products along with various value added services. We hereby declare that there are no disciplinary actions taken against YSL by SEBI/Stock Exchanges.