

## INDIA STRATEGY

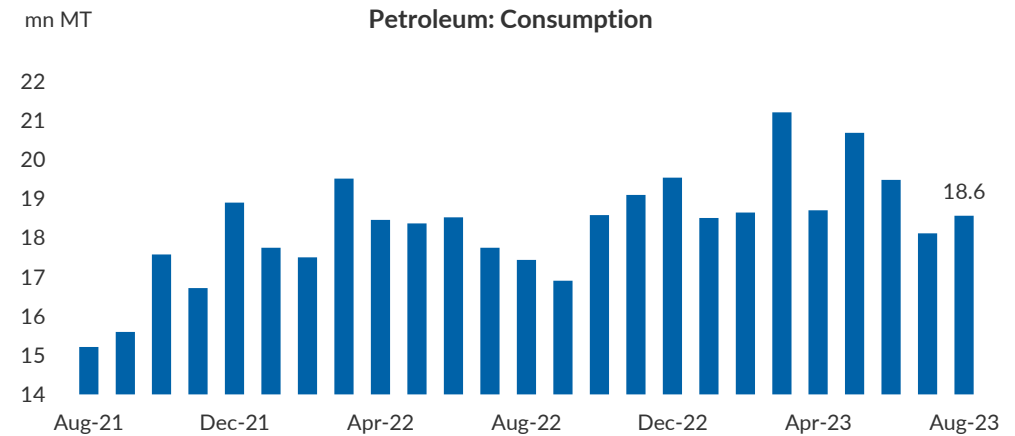
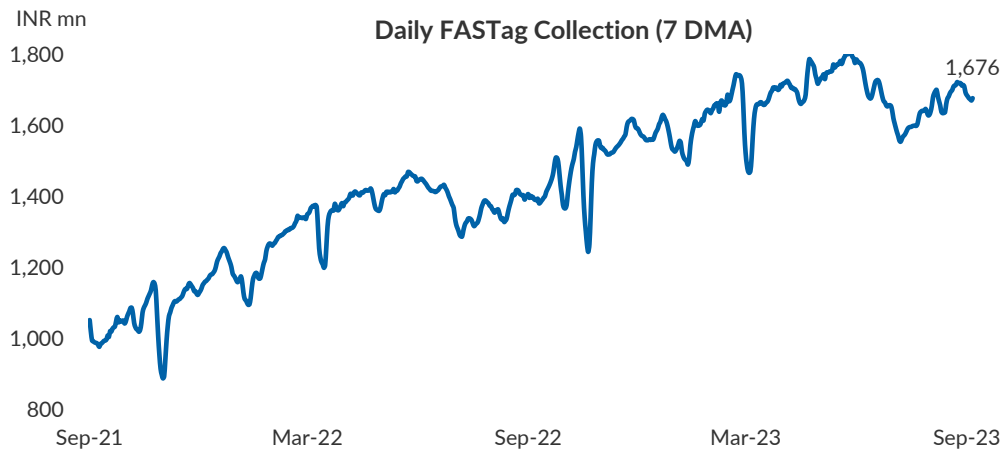
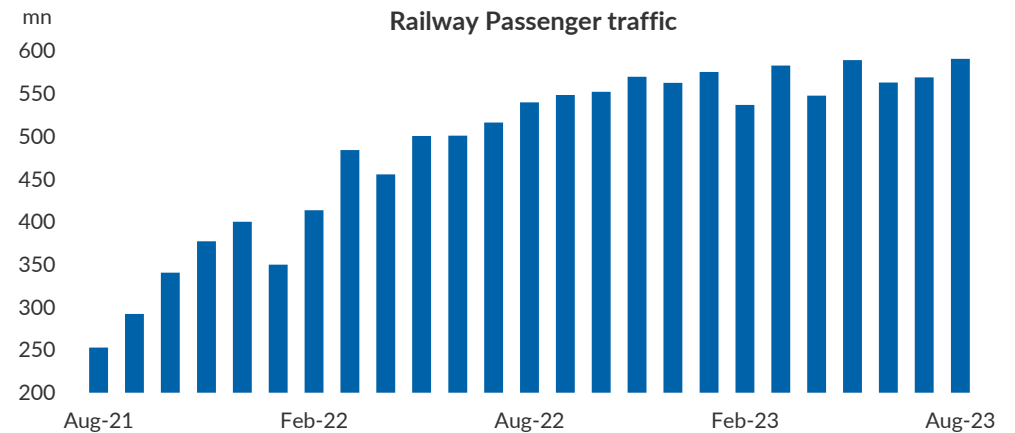
# Charting India in Perspectives

In this chartbook, we look at India's evolving macro variables to get a sense of how the economy is taking shape. 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.

- Urban Consumption remains stable, manifested by Retail spending, Air travel, and Auto Sales and Credit offtake. However, Rural consumption remains passive, when seen through the prism of weak FMCG volumes and two-wheeler Sales which are still below pre-pandemic levels.
- Electricity Consumption is making new peaks and that too during the monsoon season which is traditionally a lull period. Power demand during the monsoon period is higher than in the summer season. This is attributed to high humid weather conditions and a ramp-up in industrial activity ahead of the festival season.
- Freight and Cargo data suggests divergence in terms of stable domestic demand amid slowing weak external trade. Exports and Imports continue to contract on a y/y basis, though the pace of contraction is slowing. On a m/m basis, outbound shipments of Petroleum products, Capital Goods and electronics have picked up. Higher Non-Oil and Non-Gold imports denote resilience in domestic demand
- Real Estate Markets remain buoyant, with rising absorption of bigger houses, notwithstanding the higher interest rates
- Services activity spearheaded the economic growth in Q1 FY24 and frequency indicators suggest that the traction is sustaining. Manufacturing activity is also exhibiting strength ahead of the festive season
- The formal economy is creating jobs, depicted by the rising number of salaried employees and positive employment outlook. Rural employment is showing some improvement, which is quite a seasonal phenomenon during the monsoon given the pick-up in Agricultural activity
- Notwithstanding the occurrence of El Nino and uneven spatial distribution of rains, sowing of Kharif crops has been normal. Having said that, the sowing of crops like Pulses has been impacted, as Pulses growing regions have low irrigation levels. Water Reservoir level is well below the Seasonal trend and is an area of concern for the Rabi Crops. The government is adequately insulating the farmers from adverse weather and crop losses and is also looking at supply-side measures in terms of importing Pulses to contain price shocks
- Credit flow is strong towards Services and Consumers, while deposit growth still lags, resulting in tight Banking liquidity. This has prompted RBI to go slow on the withdrawal of liquidity.
- Notwithstanding cumulative rate hikes of 250bps, 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.
- The transient rise in prices of perishable commodities has not materially changed the inflation projections, persuading RBI to stick with a status quo on the policy rate. However, there is no visibility of an interest rate cut given the uncertainty over agricultural output and elevated interest rates in the US and Europe.
- Gross Tax revenue growth is underpinned by robust Income Tax collections, though growth in Corporate Taxes has slowed. Indirect Tax collections remain strong. Govt Expenditure remains under control, providing the Government comfort in its fiscal deficit target.
- FY24 Current Account deficit is estimated to narrow to 1.4% of GDP from 2.2% in FY23 amid slowing merchandise imports and stronger service exports. CAD for FY24 is seen at US\$51bn when compared with US\$67bn in FY23. Portfolio flows can turn the BoP balance into a positive of US\$20bn

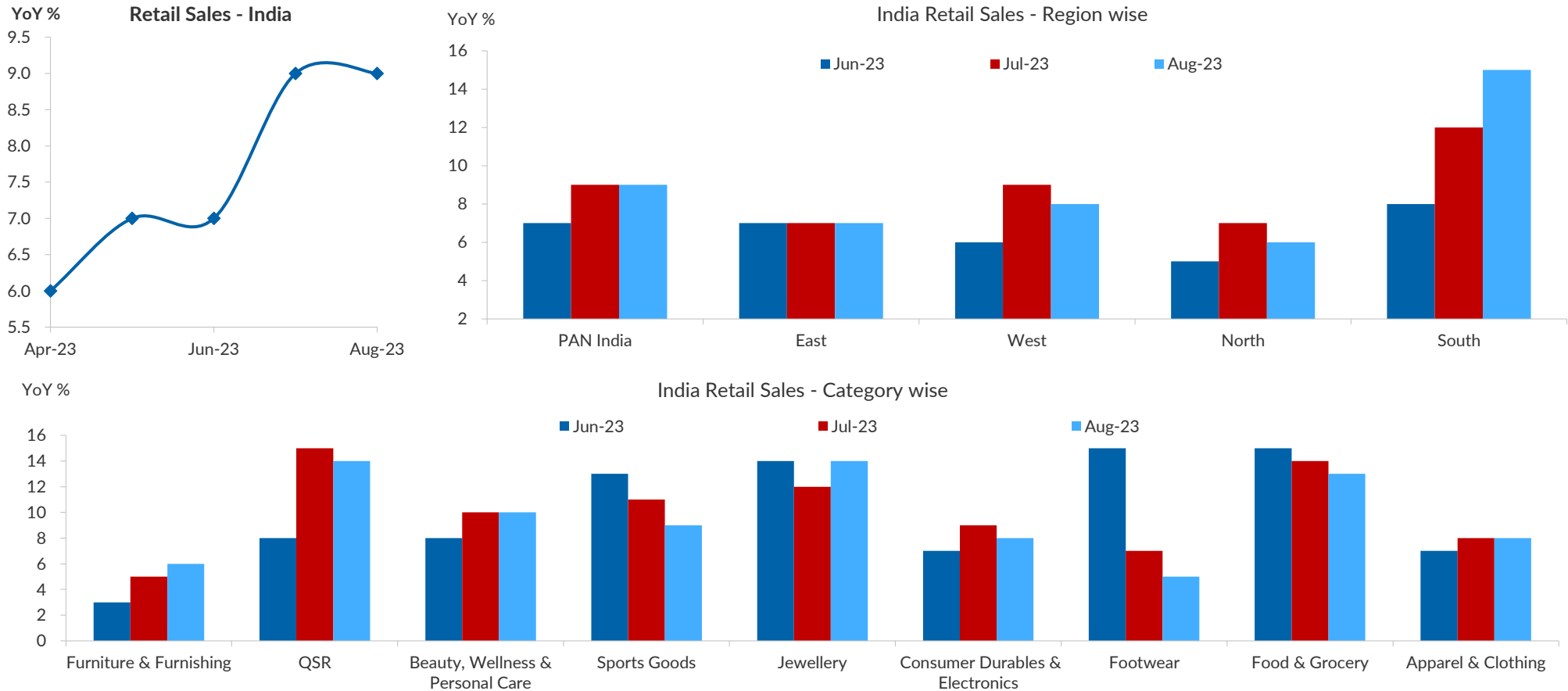
## CONSUMPTION

**Exhibit 1: Passenger Traffic through Air stays surprisingly strong during monsoon months, which is a traditionally a lull period. However, dip in Toll collection and consumption of petroleum products suggests that private mobility has been impacted by heavy rainfall and damaging landslides in North India**



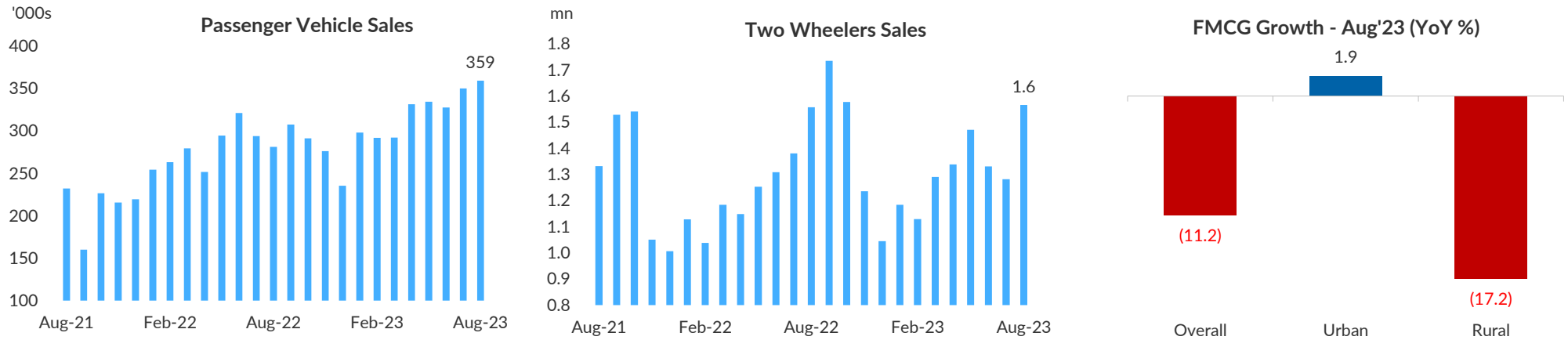
Source: CEIC, YES Sec

**Exhibit 2: Retail Sales survey indicates that Urban consumer discretionary spending has regained momentum, with spending on Dining, Wellness, White Goods and Home improvement showing traction**



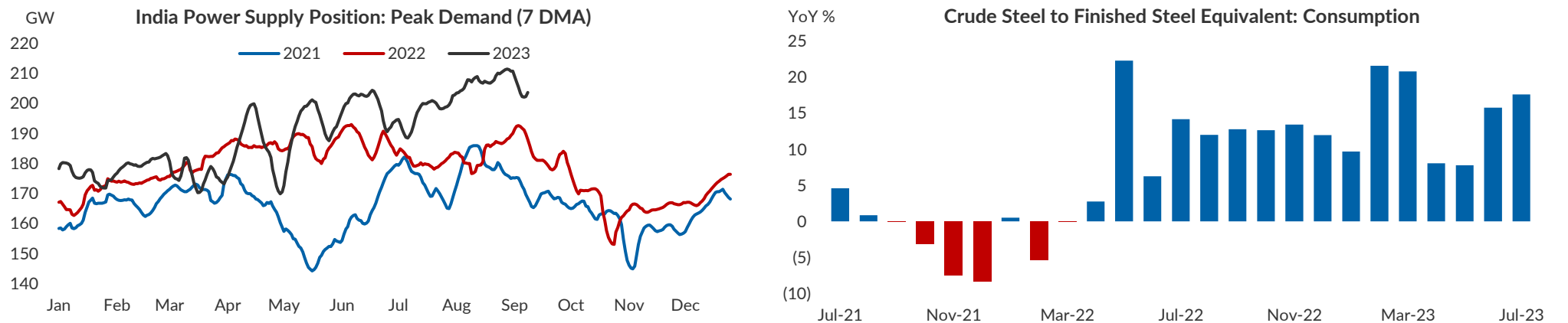
Source: RBA, YES Sec

### Exhibit 3: Car sales also denote strength in Urban discretionary spending, though Rural consumption still remains passive, manifested by FMCG volumes, Two wheeler Sales are still well below pre-pandemic levels



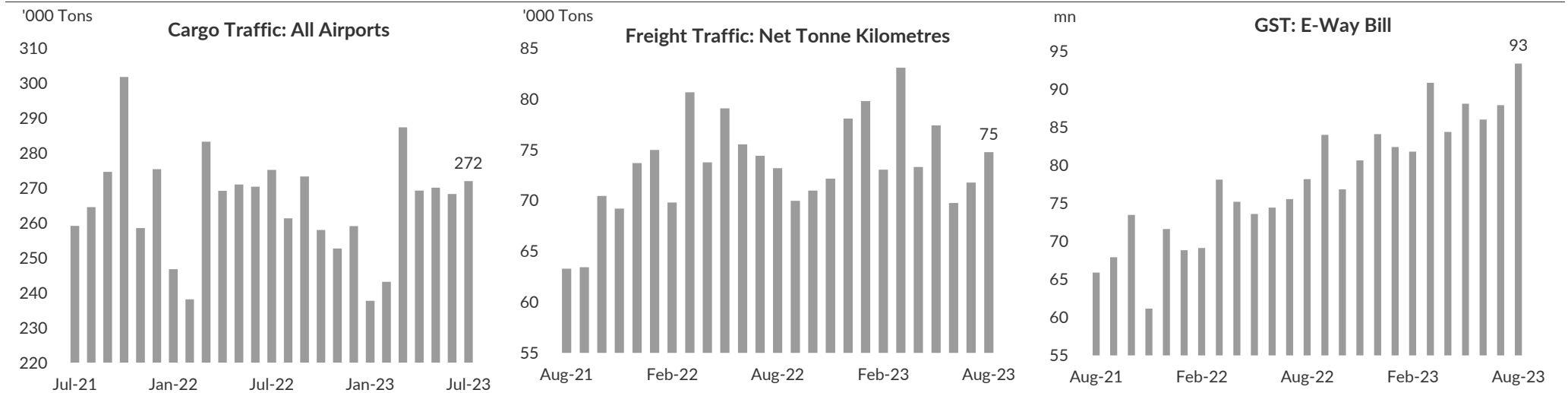
Source: CEIC, Bizom, YES Sec

### Exhibit 4: Electricity demand remains well above the seasonal trend and long-term average. Steel consumption also remains healthy



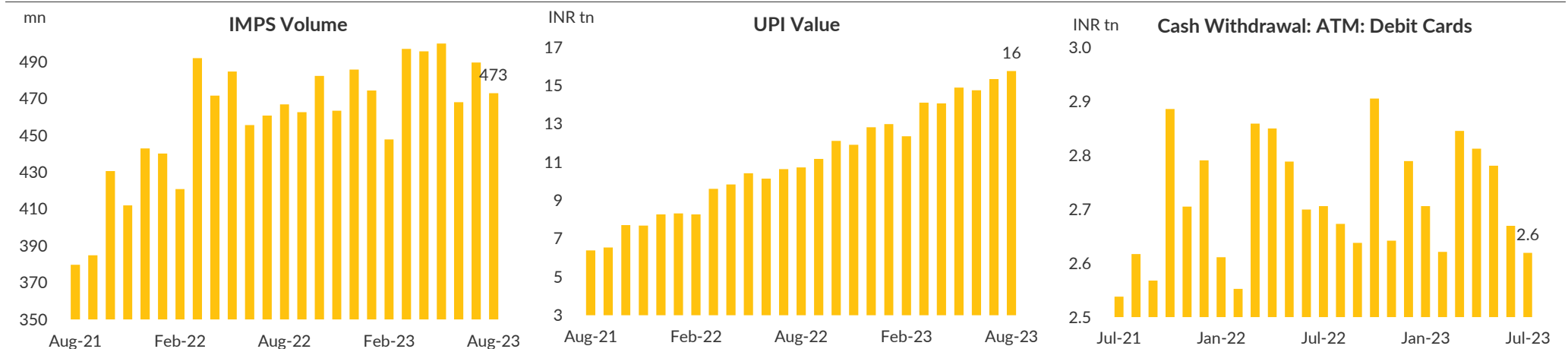
Source: CEIC, YES Sec

**Exhibit 5: Movement of Goods pertinent to External trade exhibit signs of slowdown, while domestic trade remains stable**



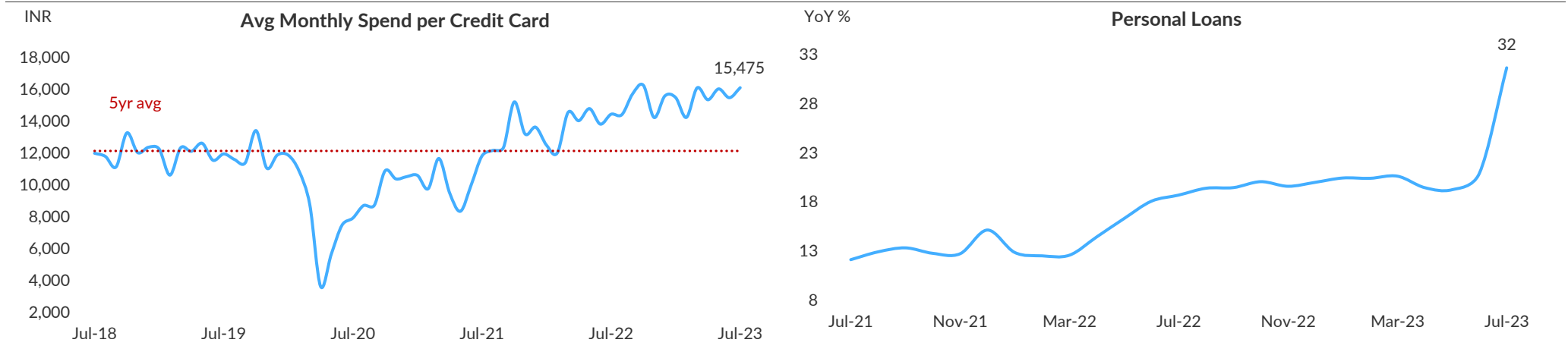
Source: CEIC, YES Sec

**Exhibit 6: Digitalisation: Surging UPI volumes cannibalize Cash withdrawals, while IMPS transactions stagnate**



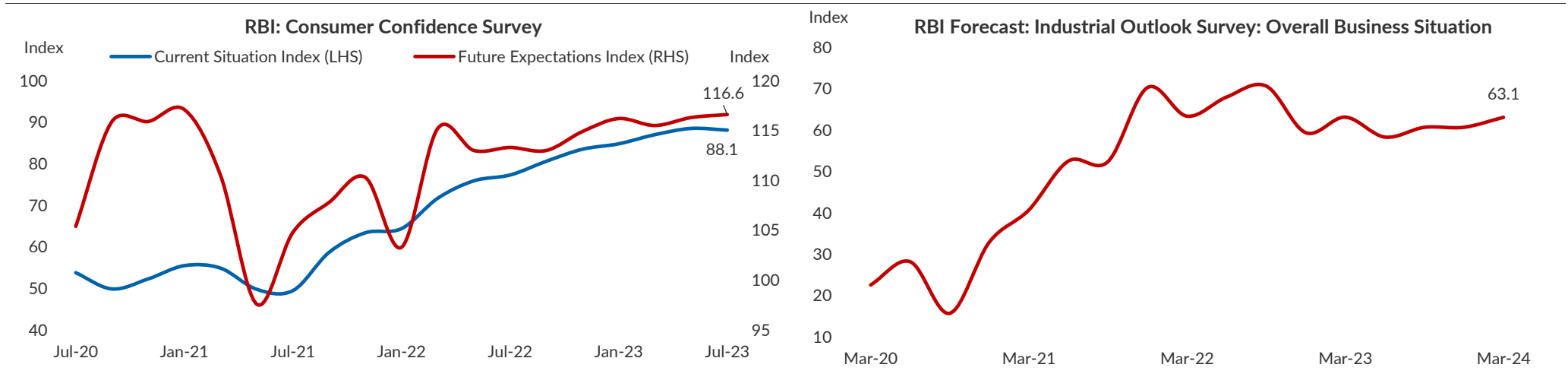
Source: CEIC, YES Sec

## Exhibit 7: Retail Credit offtake persists with its strong momentum



Source: CEIC, YES Sec

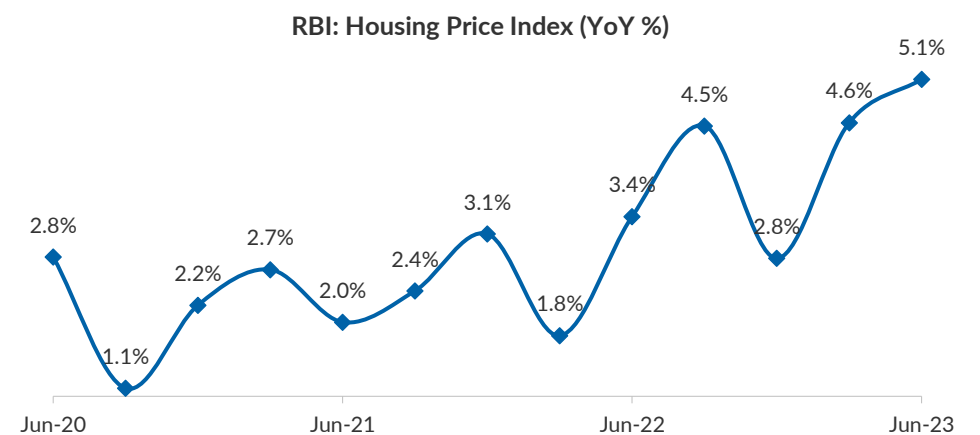
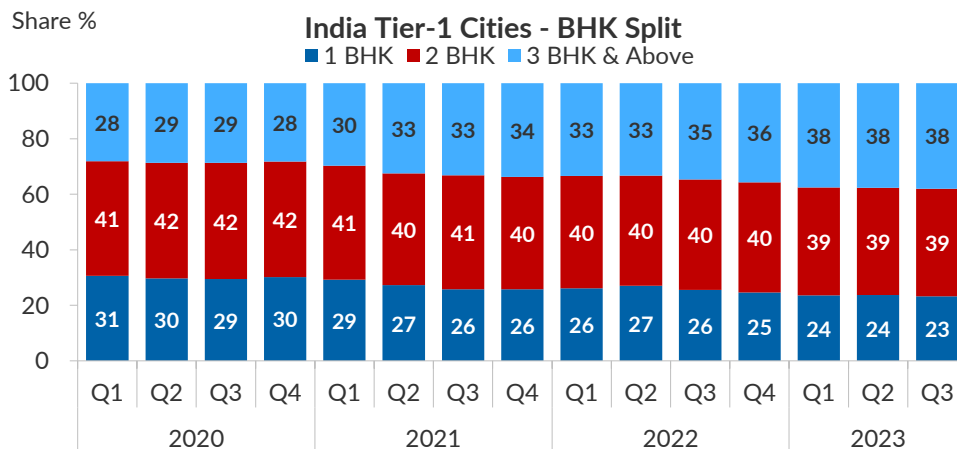
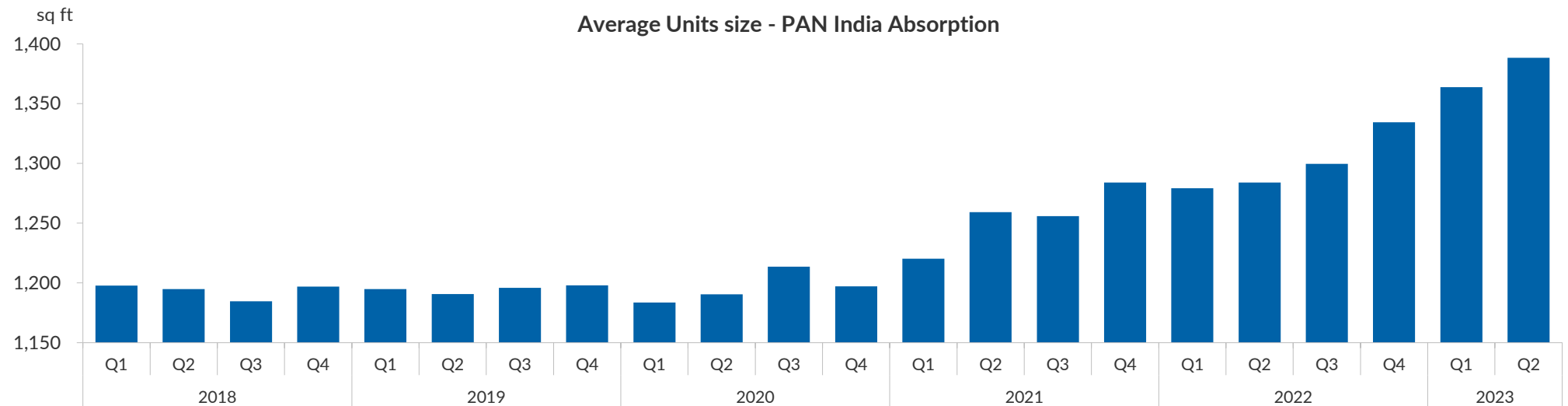
## Exhibit 8: Notwithstanding higher interest rates and global headwinds, Consumer Confidence and Business Optimism remain stable



Source: CEIC, YES Sec

## REAL ESTATE

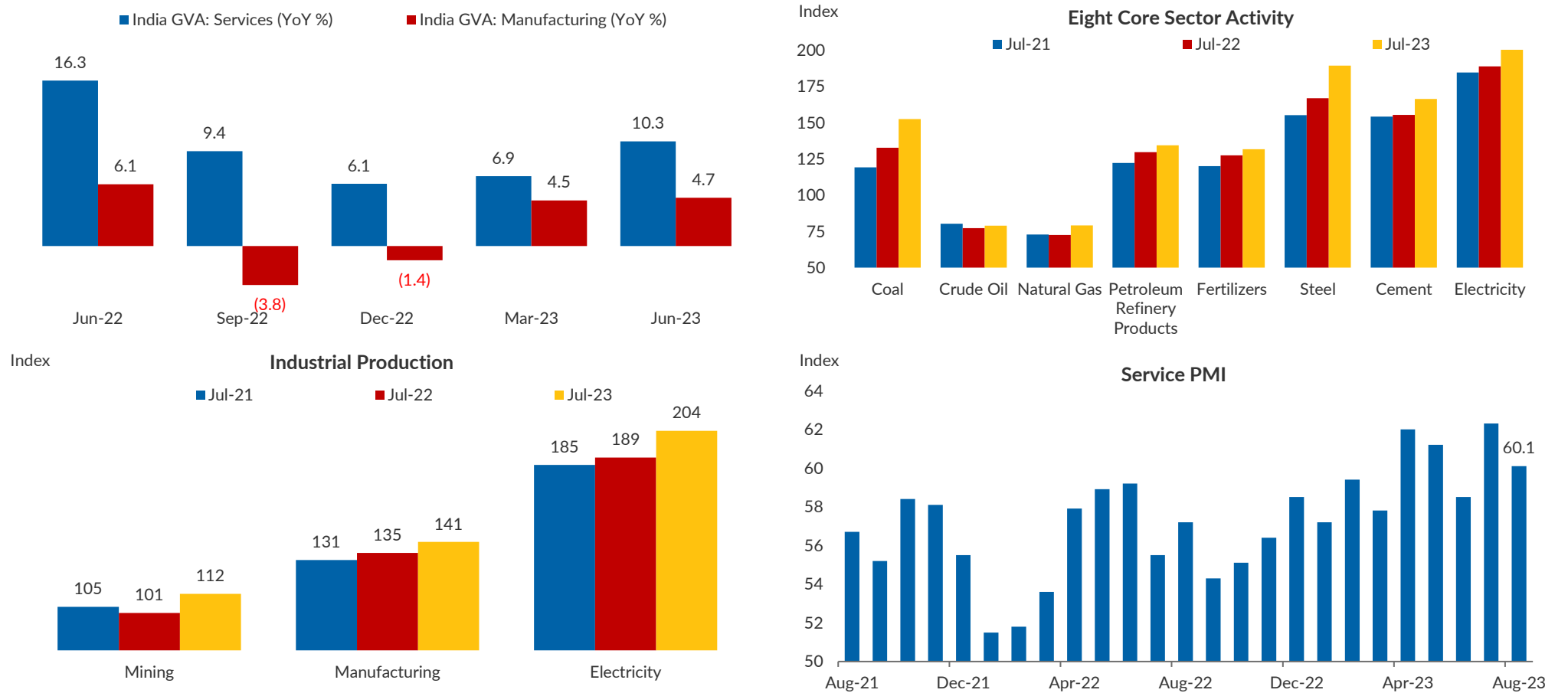
**Exhibit 9: Property markets remain buoyant, with rising demand for bigger houses, while residential prices see a steady rise, conveying strong demand from higher and middle economic strata households**



Source: PropEquity, CEIC, YES Sec

## BUSINESS ACTIVITY

**Exhibit 10: Manufacturing activity maintains traction, corroborated by frequency indicators. Services activity witnessed strong jump during Q1 FY24, spearheading the economic growth. PMI readings suggest Services to maintain traction in Q2**

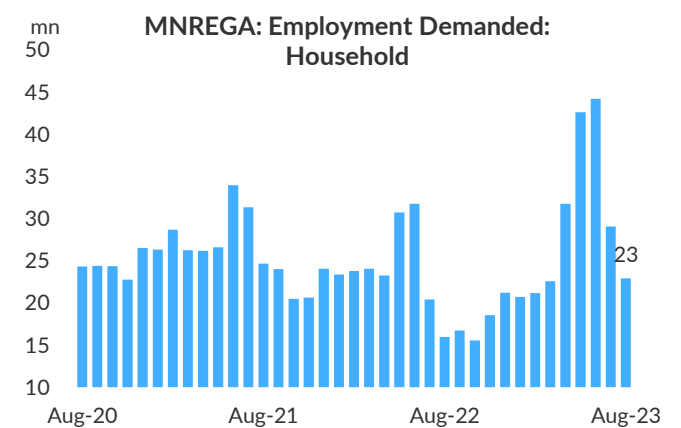
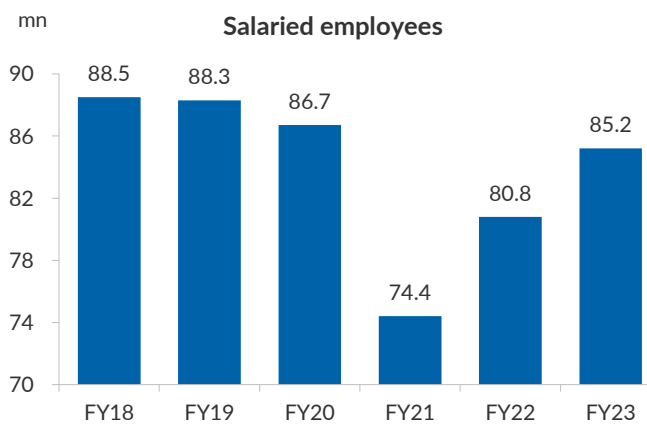
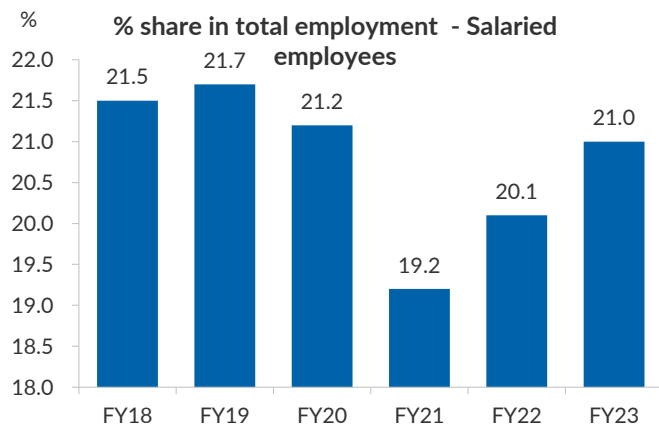
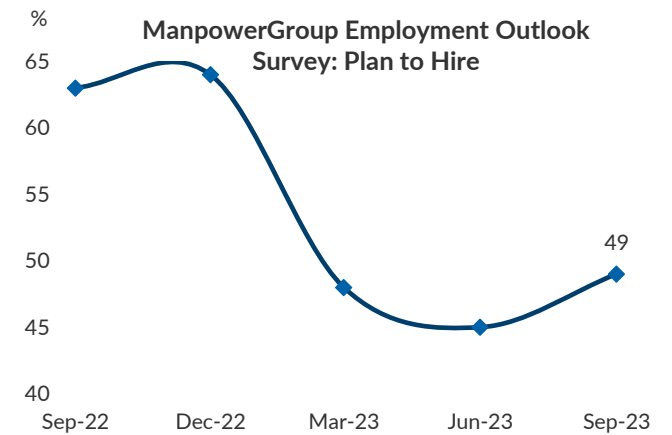
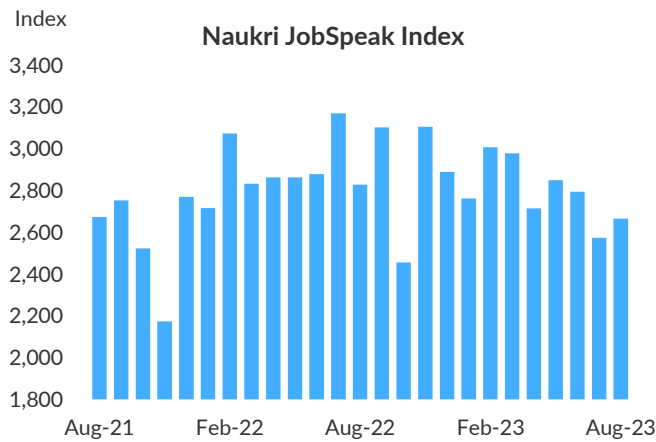
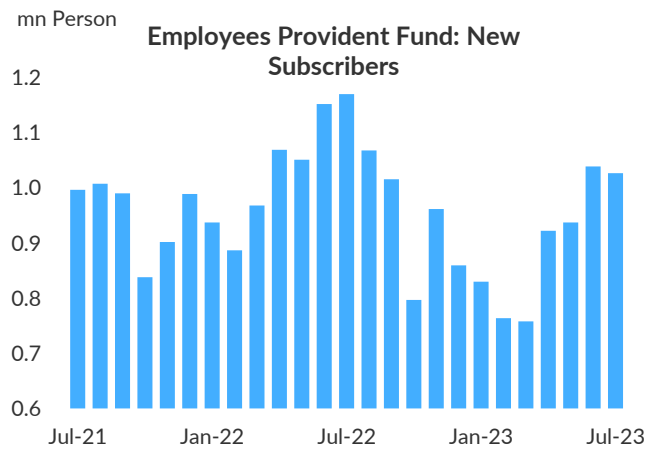


Source: CEIC, YES Sec



## EMPLOYMENT

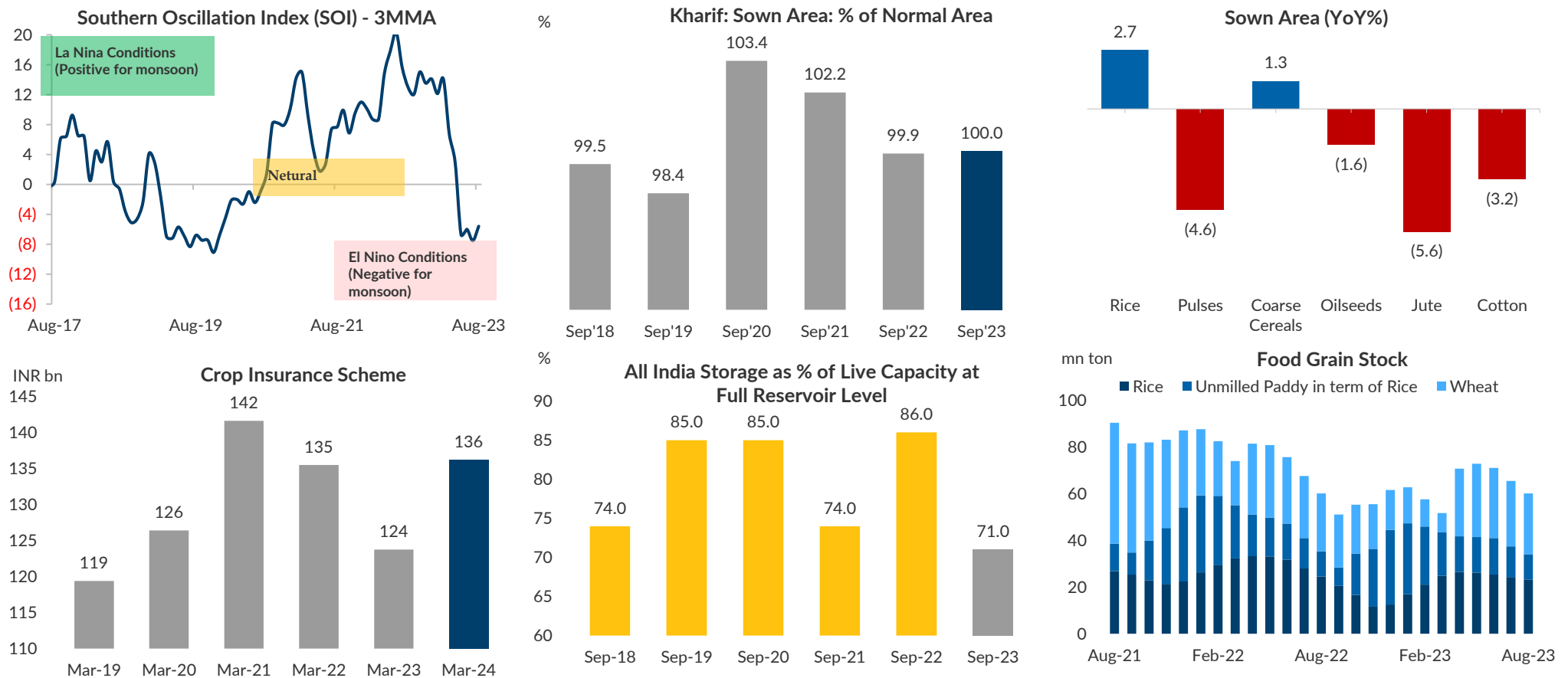
**Exhibit 11: Formal Job creation remains stable, while the rural employment situation is showing some improvement due to the seasonal Agricultural activity**



Source: CEIC, Bloomberg, YES Sec

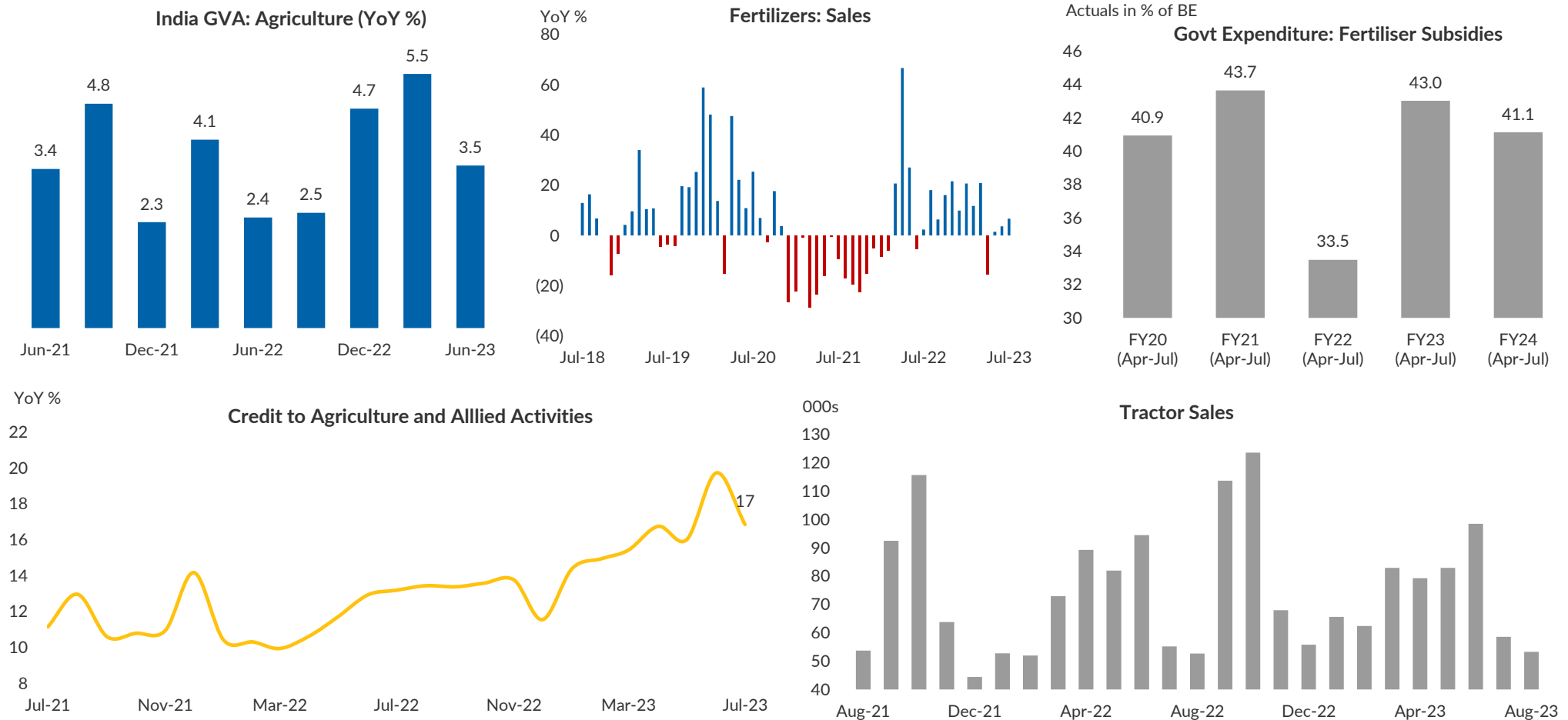
## AGRICULTURE

**Exhibit 12: El Nino and uneven spatial distribution of rainfall has not materially impacted sowing activity of Kharif crops, though Pulses remain adversely impacted due to low irrigation levels in specific growing regions. Water Reservoir levels are below the Seasonal trends, while Low Food grain inventory level is a concern. The government is adequately insuring the farmers from adverse weather and crop losses...**



Source: CEIC, YES Sec

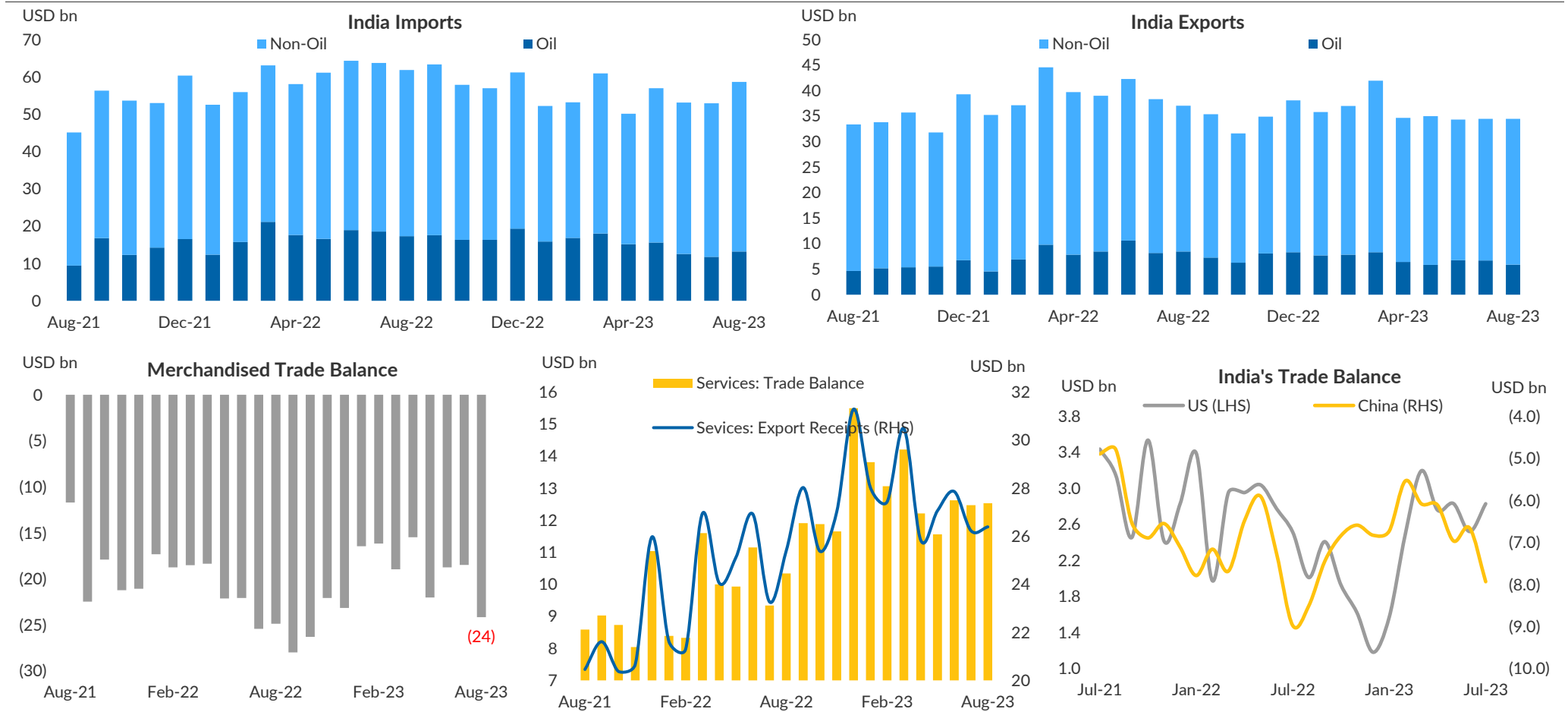
## Exhibit 13: ...and also subsidizing the agricultural inputs and promoting higher credit for the farming activity



Source: CEIC, YES Sec

## TRADE

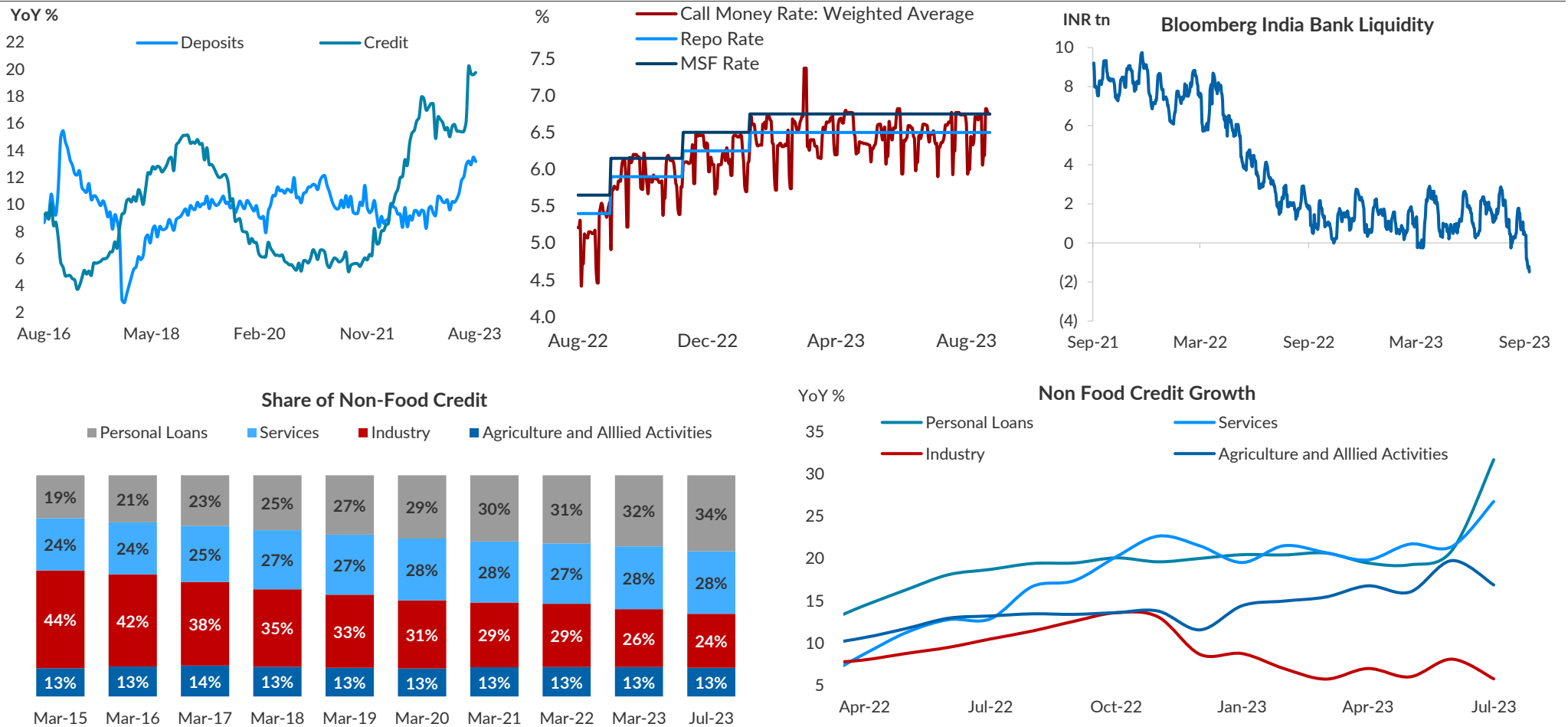
**Exhibit 14: Exports and Imports continue to contract on a y/y basis, though the pace of contraction is slowing. Exports have picked up on a m/m basis, helped by shipments of Petroleum products and Capital Goods and electronics. Higher Non-Oil and Non-Gold imports on m/m and y/y basis denote resilience in domestic demand. Notwithstanding the slowdown in Advanced Economies, Service Exports remain robust**



Source: CEIC, YES Sec

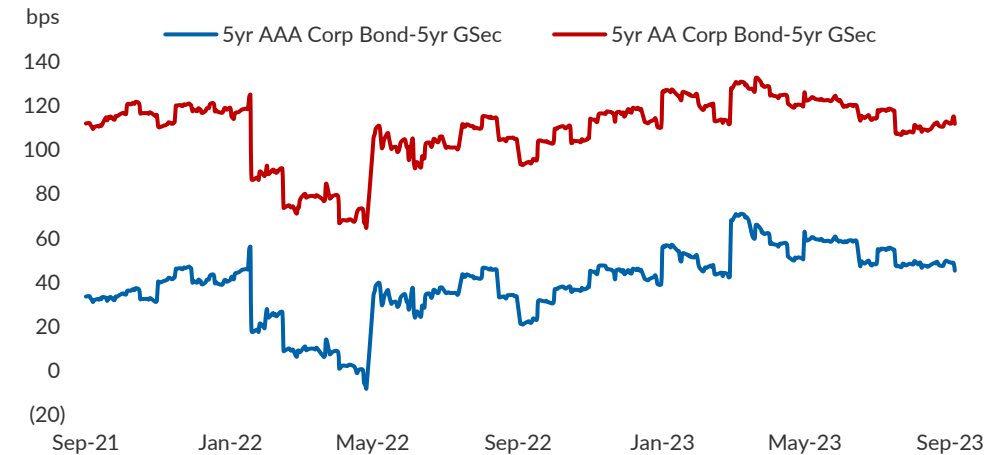
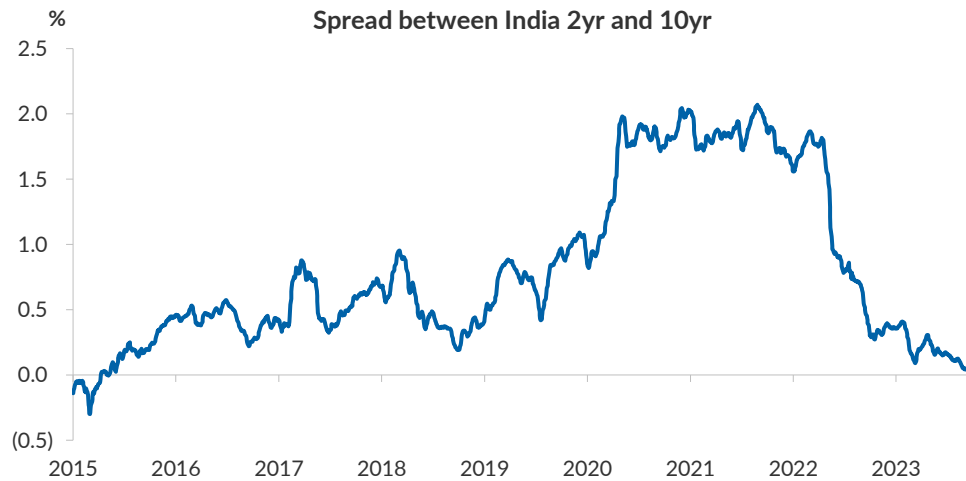
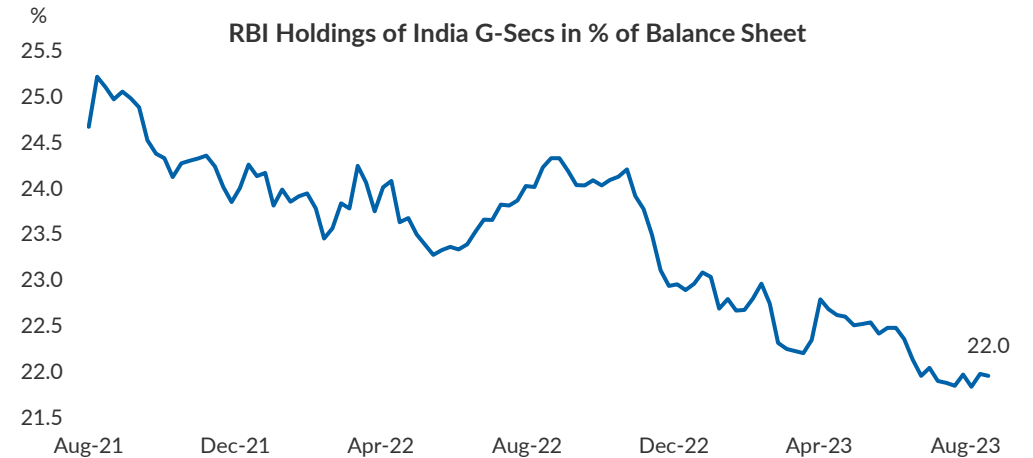
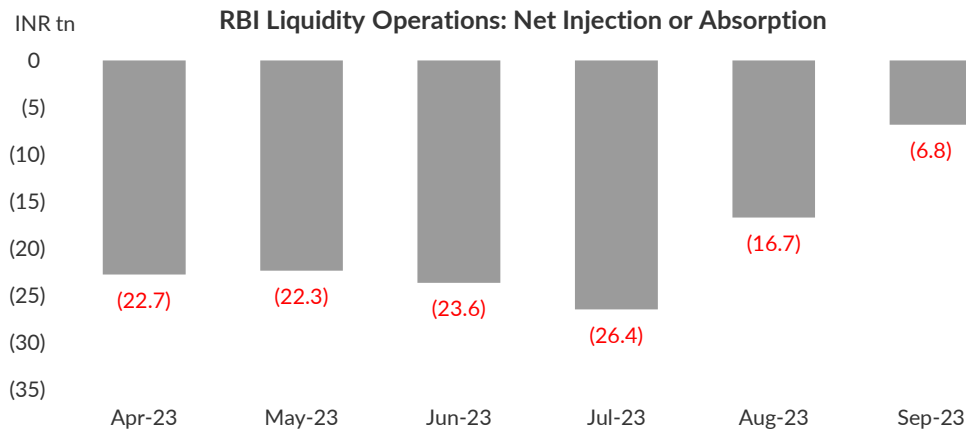
## CREDIT / MONETARY

**Exhibit 15: Credit offtake continues to grow above deposit growth, though the gap between them is narrowing. Credit flow is strong towards Services and Consumers, though demand from Industry has slowed down in the wake of rising interest rates. Banking liquidity remains tight, reflected by a Call money rate which is higher than the Repo rate and MSF rate...**



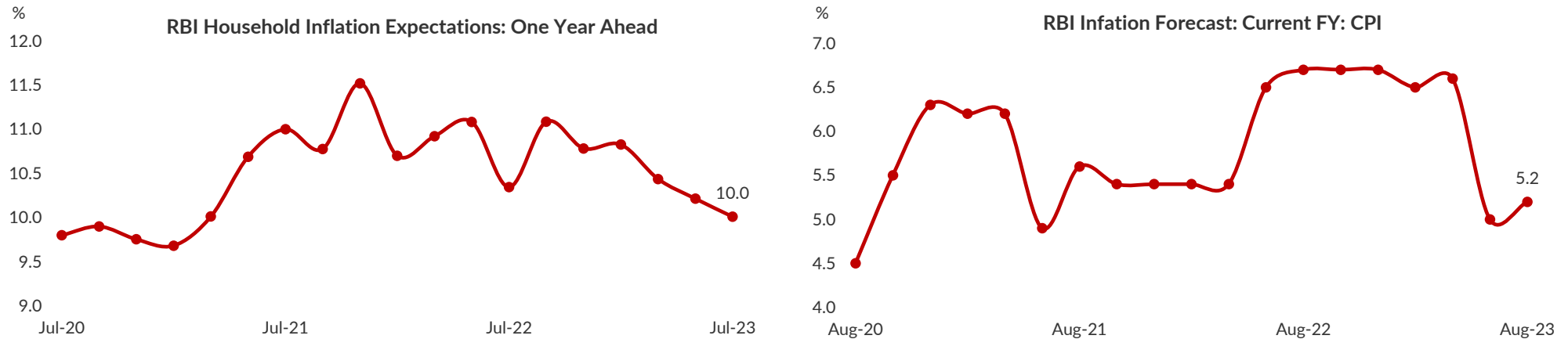
Source: CEIC, YES Sec

**Exhibit 16: ...prompting RBI to go slow on the withdrawal of liquidity. Notwithstanding cumulative rate hikes of 250bps, the longer end of the yield curve has been largely contained. 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**



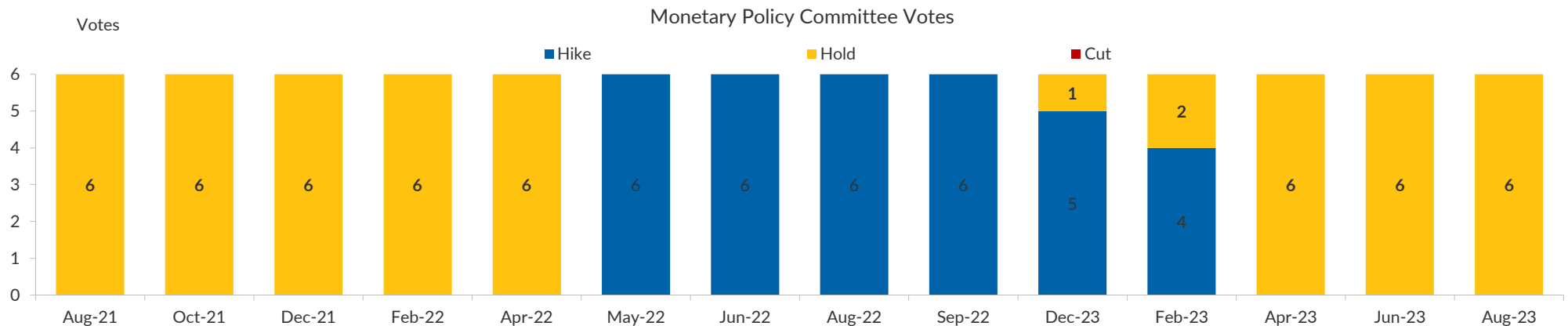
Source: CEIC, Bloomberg, YES Sec

**Exhibit 17: Rising inflation in perishable commodities has not materially changed the inflation projections, as the recent price pressure in food basket is deemed to be transient...**



Source: CEIC, YES Sec

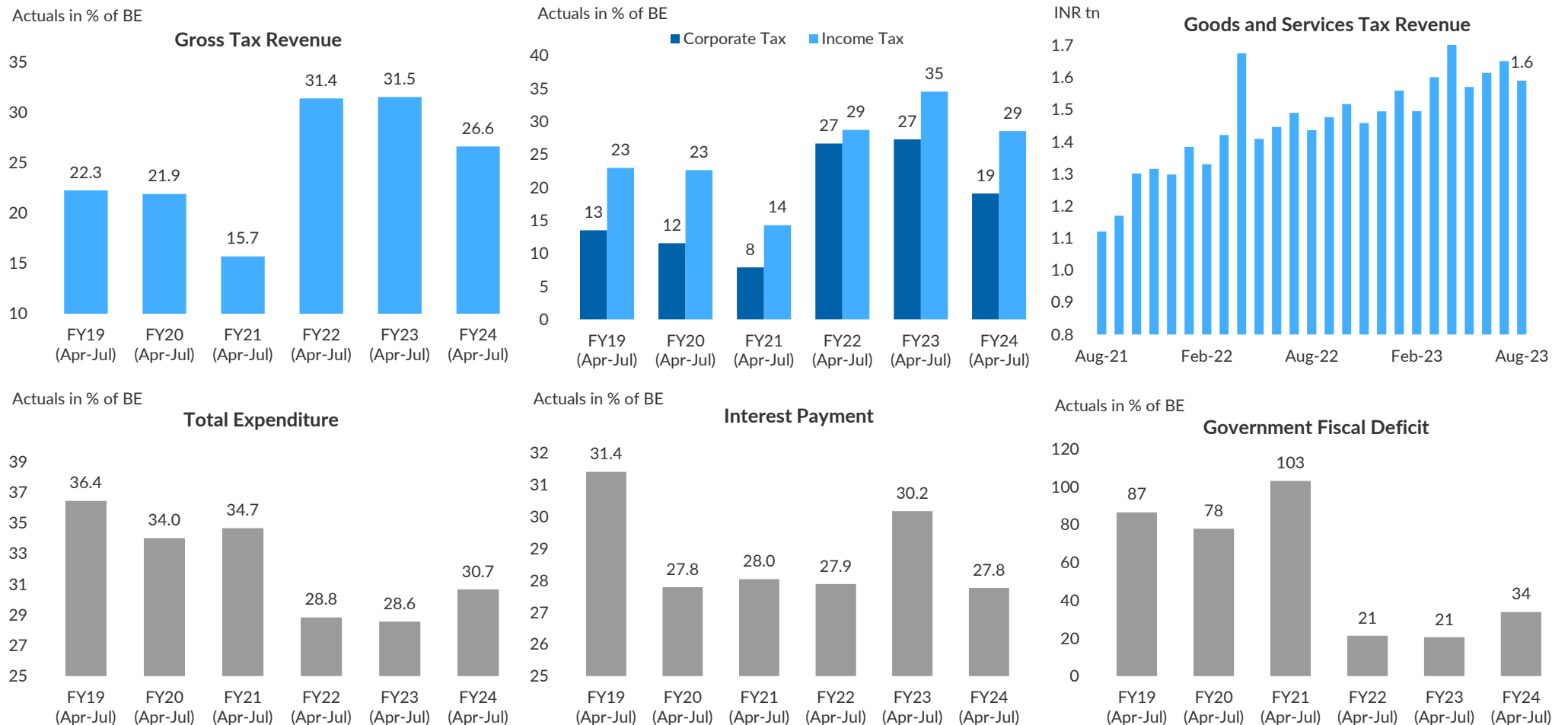
**Exhibit 18: ...persuading RBI to stick with a status quo on the policy rate. However, there is no visibility of an interest rate cut given the uncertainty over agricultural output and elevated interest rates in US and Europe**



Source: RBI, YES Sec

## FISCAL

**Exhibit 19: Gross Tax revenue growth is underpinned by robust Income Tax collections, though growth in Corporate Taxes has slowed. Indirect Tax collections remain strong. Govt Expenditure remains under control, providing Government comfort in its fiscal deficit target**

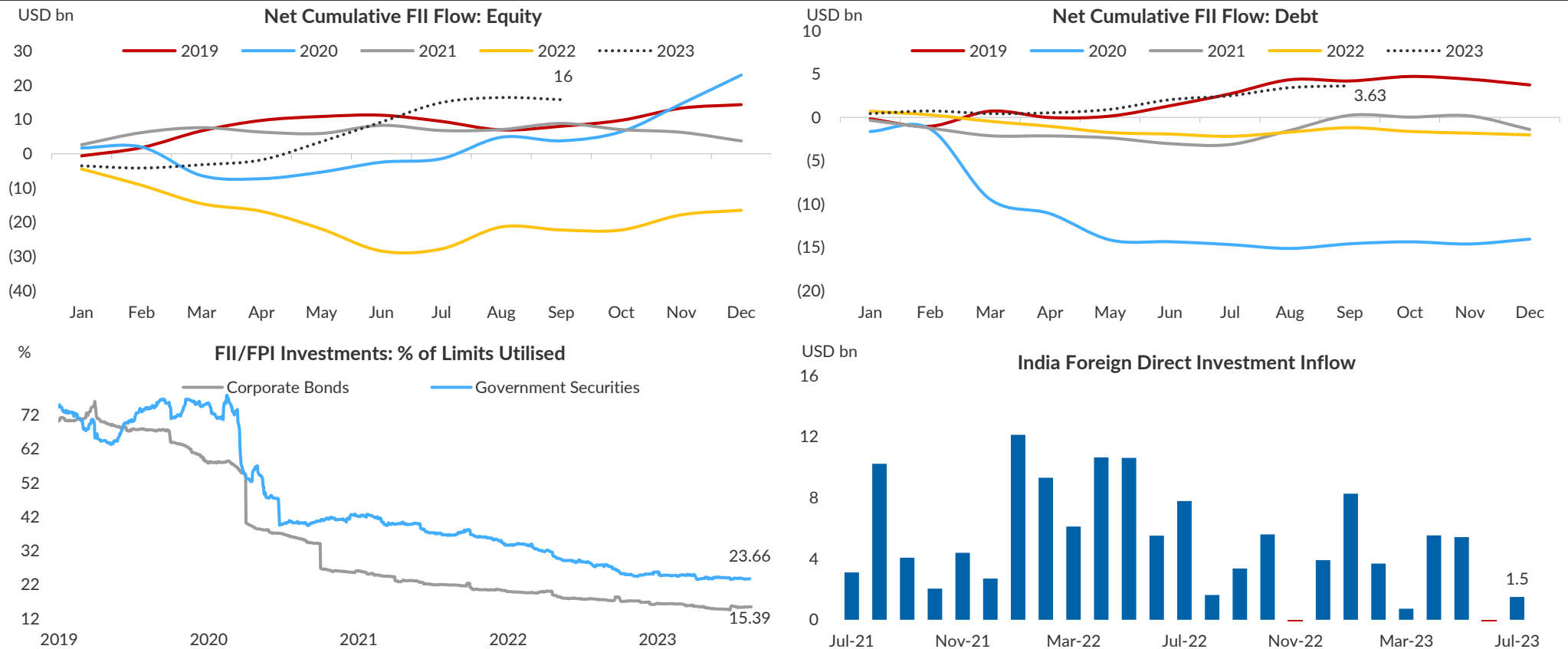


Source: CEIC, YES Sec



## FOREIGN INVESTMENTS

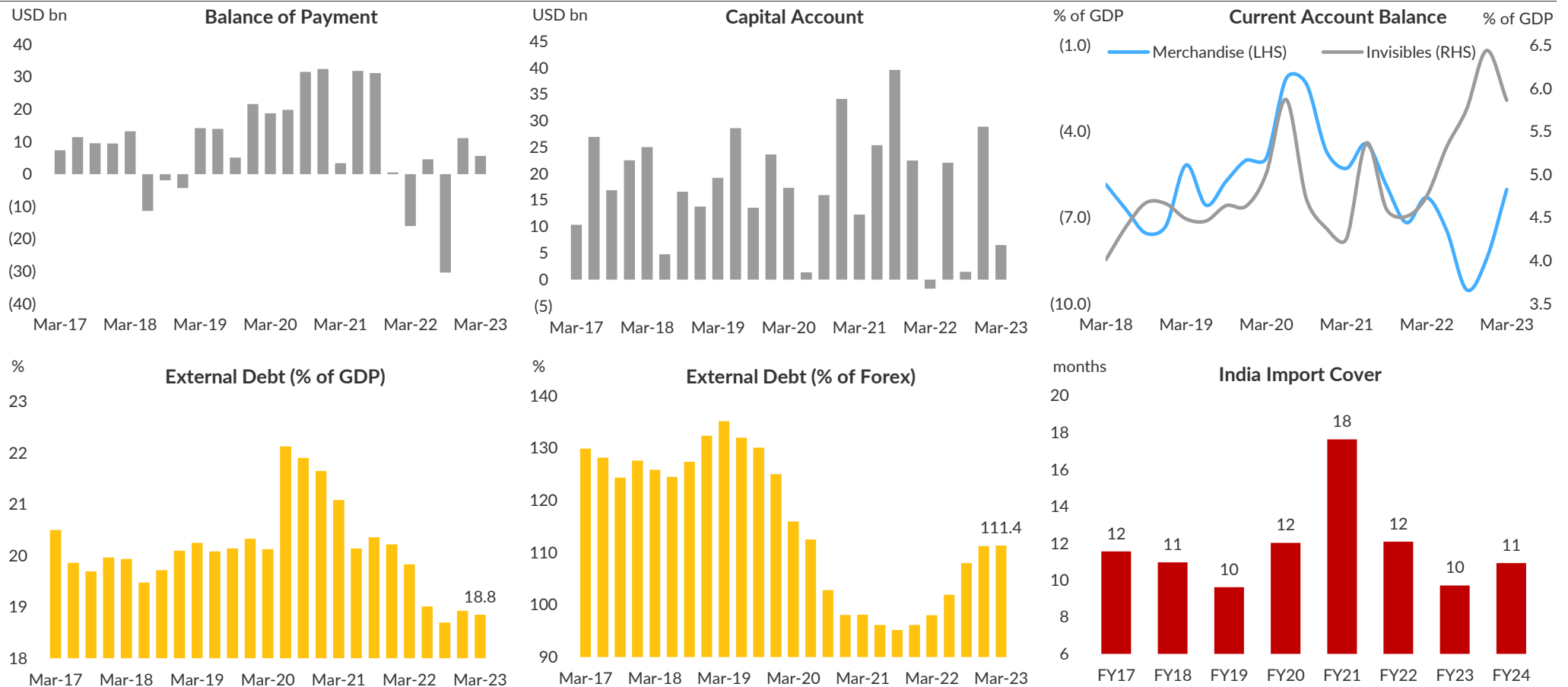
**Exhibit 20: Barring the outflows in September, FIIs have repose faith in Indian Equities, manifested by hefty cumulative inflows during 2023. FIIs are betting on India’s stable macroeconomic profile and sturdy corporate earnings outlook. Indian Debt markets are also seeing moderate inflows on the back of inclusion of Indian Bonds in Global indices during FY25. FDI flows have slowed in FY23 given the rising global interest rates. However, India’s emphasis on domestic manufacturing will attract FDI inflows in the medium-long term**



Source: CEIC, Bloomberg, YES Sec

## EXTERNAL SITUATION

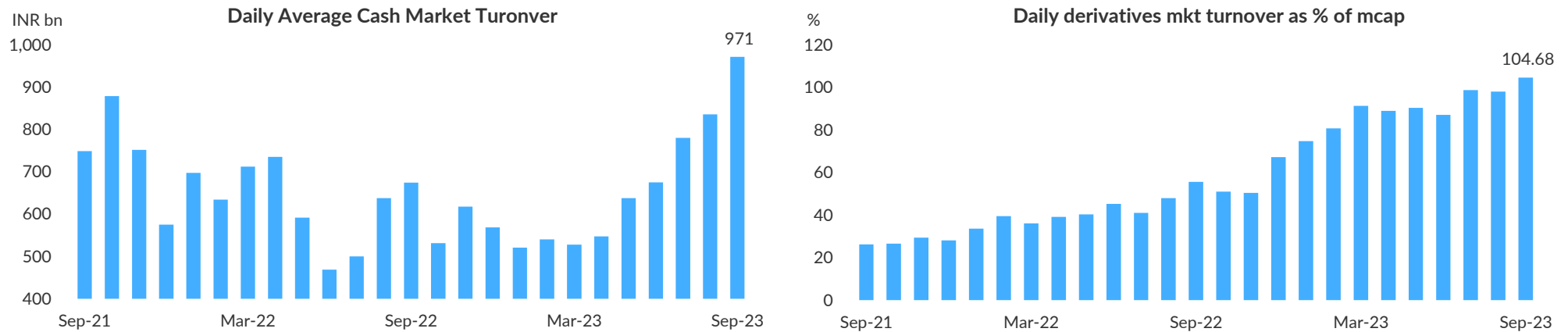
**Exhibit 21: FY24 Current Account deficit is estimated to narrow to 1.4% of GDP from 2.2% in FY23 amid slowing merchandise imports and stronger service exports. CAD for FY24 is seen at US\$51bn when compared with US\$67bn in FY23. Portfolio flows can turn the BoP balance into a positive of US\$20bn. External Debt remains under control**



Source: CEIC, YES Sec

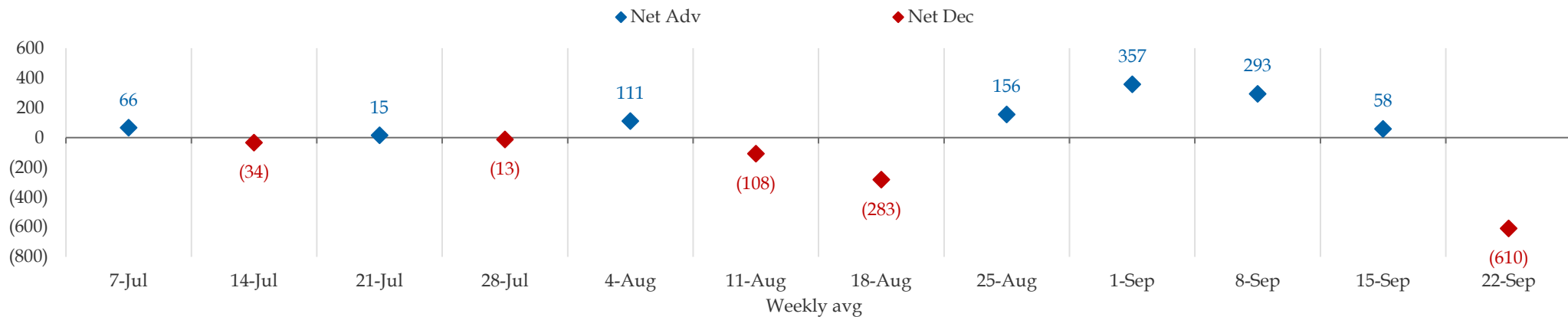
## MARKETS

**Exhibit 22: Equity Cash volumes rebound, while action in Derivatives remains elevated...**



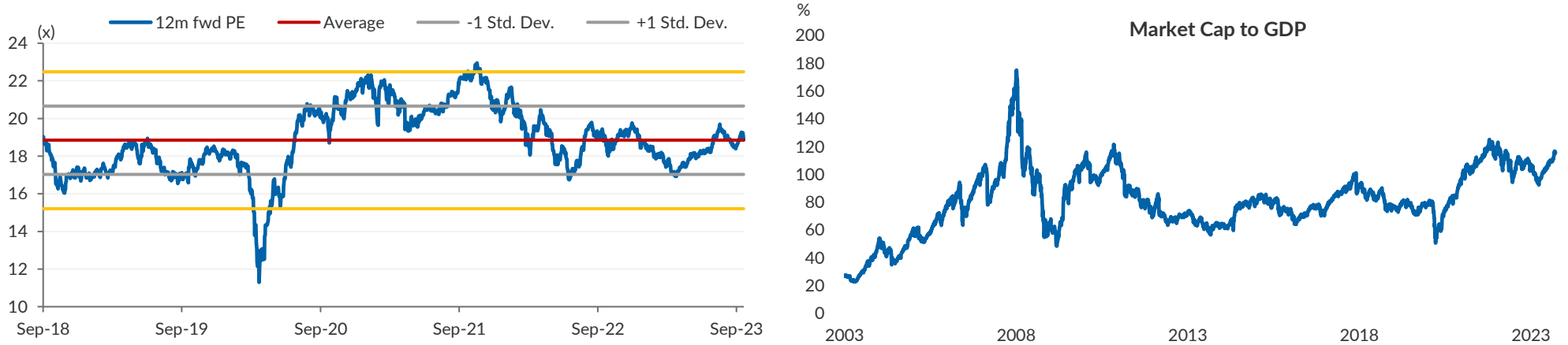
Source: Bloomberg, YES Sec

**Exhibit 23: ...amid a generally trending higher market**



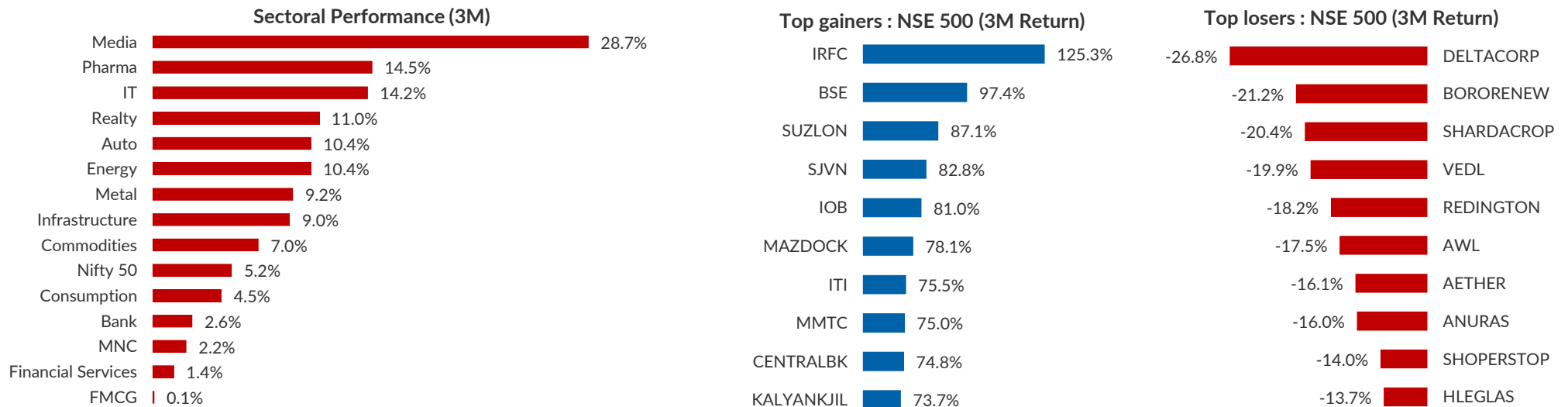
Source: Bloomberg, YES Sec

**Exhibit 24: Valuation multiples around towards the 5-year average. The Market Cap/GDP ratio expands**



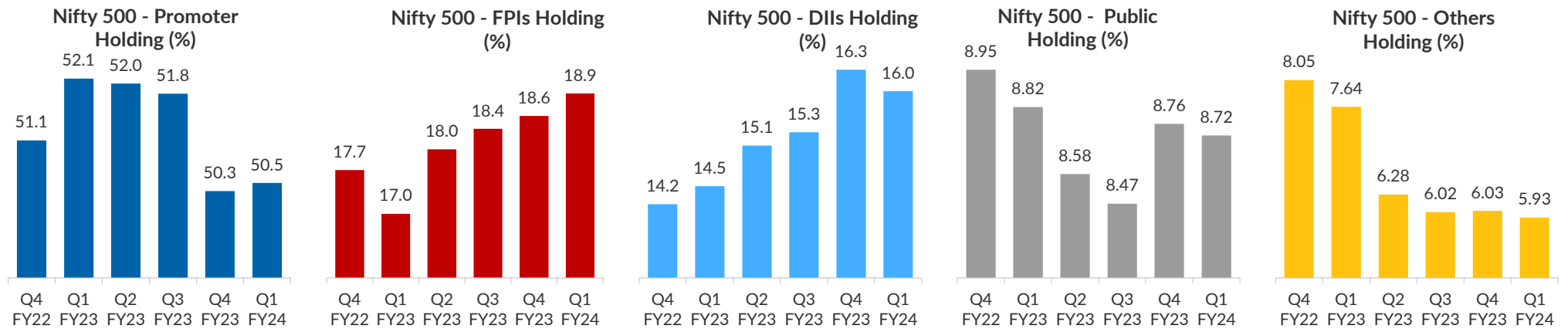
Source: Bloomberg, YES Sec

**Exhibit 25: Gains across the board, Media, Pharma, IT, Realty and Auto stocks rake in the moolah over the last 3 months**



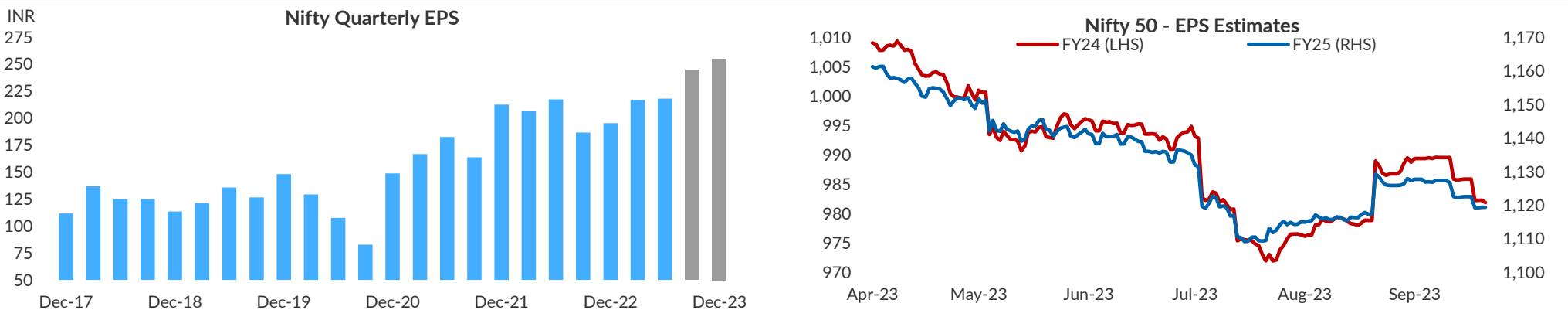
Source: Bloomberg, YES Sec

## Exhibit 26: Foreign and Domestic institutions have more skin in the game as markets sustain an upward trend



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

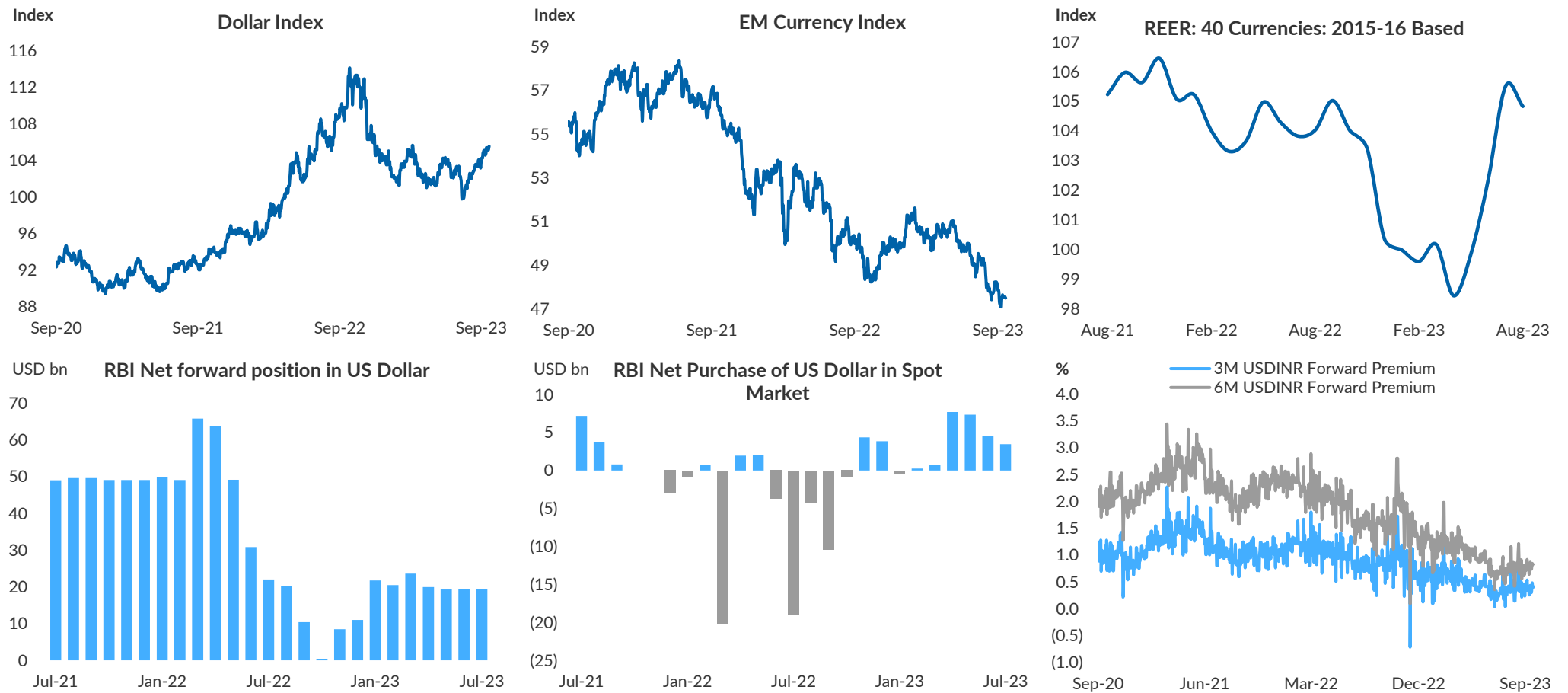
## Exhibit 27: EPS estimates for FY24 and FY25 see minor downgrades, though traction in corporate earnings is intact. Markets are pricing 18-20% growth in Nifty EPS for FY24 and 14-15% for FY25. Profitability is underpinned by the restoration of margins and stable demand



Source: Bloomberg, YES Sec

## CURRENCY

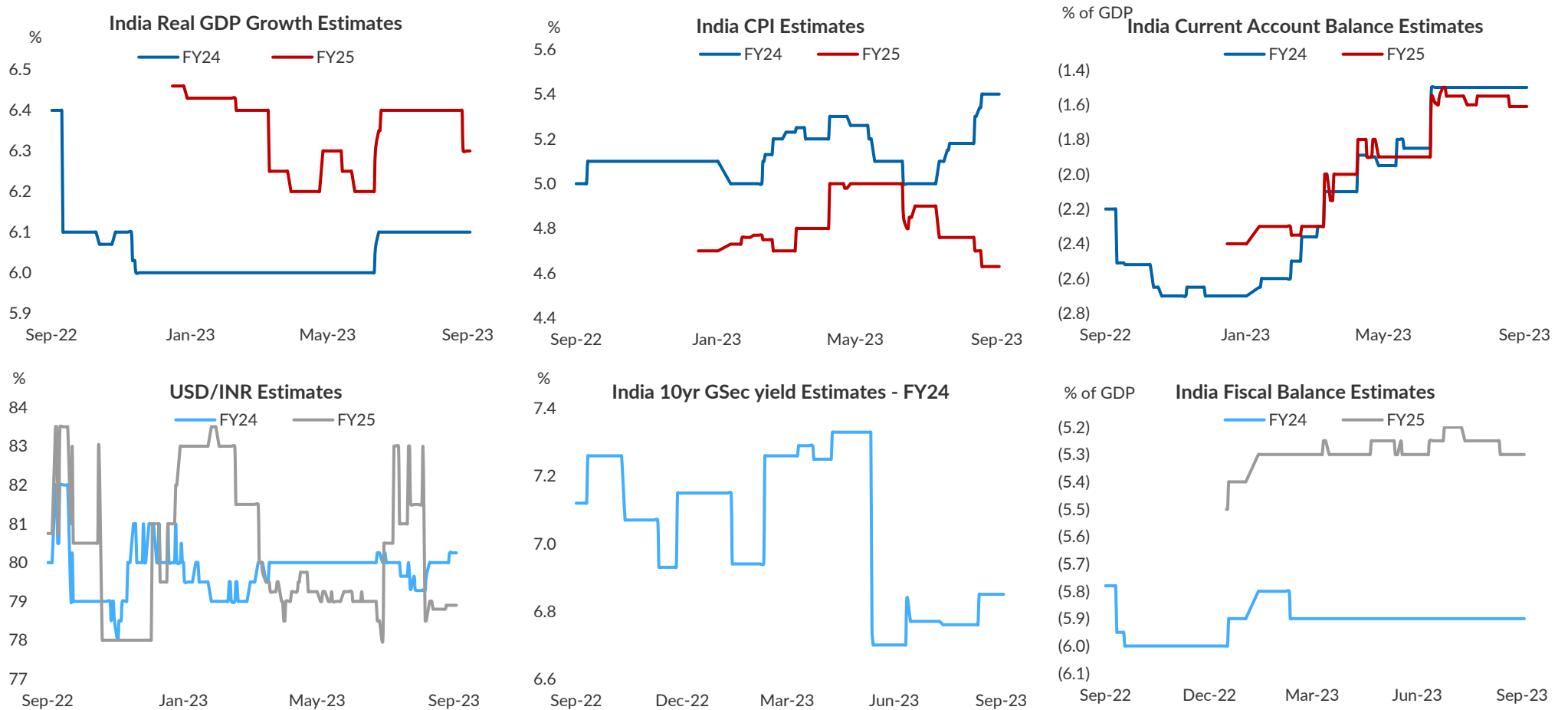
**Exhibit 28: EM currency basket remains volatile amid rising US Treasury Yields. However, Indian Rupee has proved to be resilient, thanks to RBI's intervention**



Source: CEIC, Bloomberg, YES Sec

## MACRO PROJECTIONS

**Exhibit 29: Consensus estimates project the macroeconomic situation to be stable**



Source: Bloomberg, YES Sec

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## RECOMMENDATION PARAMETERS FOR FUNDAMENTAL REPORTS

Analysts assign ratings to the stocks according to the expected upside/downside relative to the current market price and the estimated target price. Depending on the expected returns, the recommendations are categorized as mentioned below. The performance horizon is 12 to 18 months unless specified and the target price is defined as the analysts' valuation for a stock. No benchmark is applicable to the ratings mentioned in this report.

**BUY:** Upside greater than 20% over 12 months

**ADD:** Upside between 10% to 20% over 12 months

**NEUTRAL:** Upside between 0% to 10% over 12 months

**REDUCE:** Downside between 0% to -10% over 12 months

**SELL:** Downside greater than -10% over 12 months

**NOT RATED / UNDER REVIEW**

## ABOUT YES SECURITIES (INDIA) LIMITED

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.