



Service



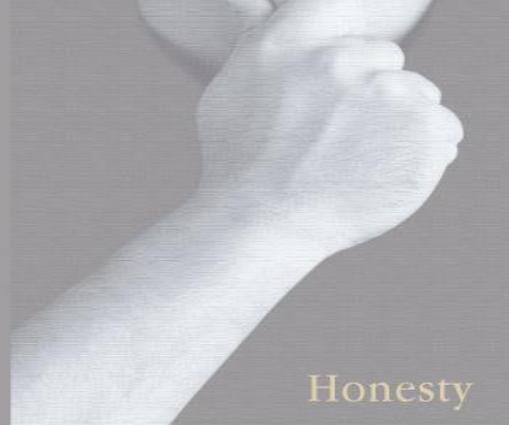
Discipline



Prudence



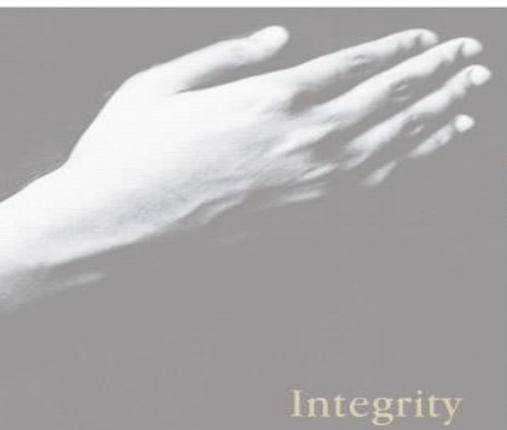
Fair play



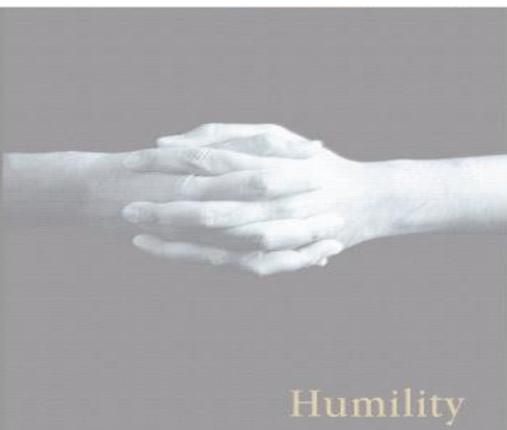
Honesty

Sundaram Asset Management

May 2024



Integrity



Humility



Openness



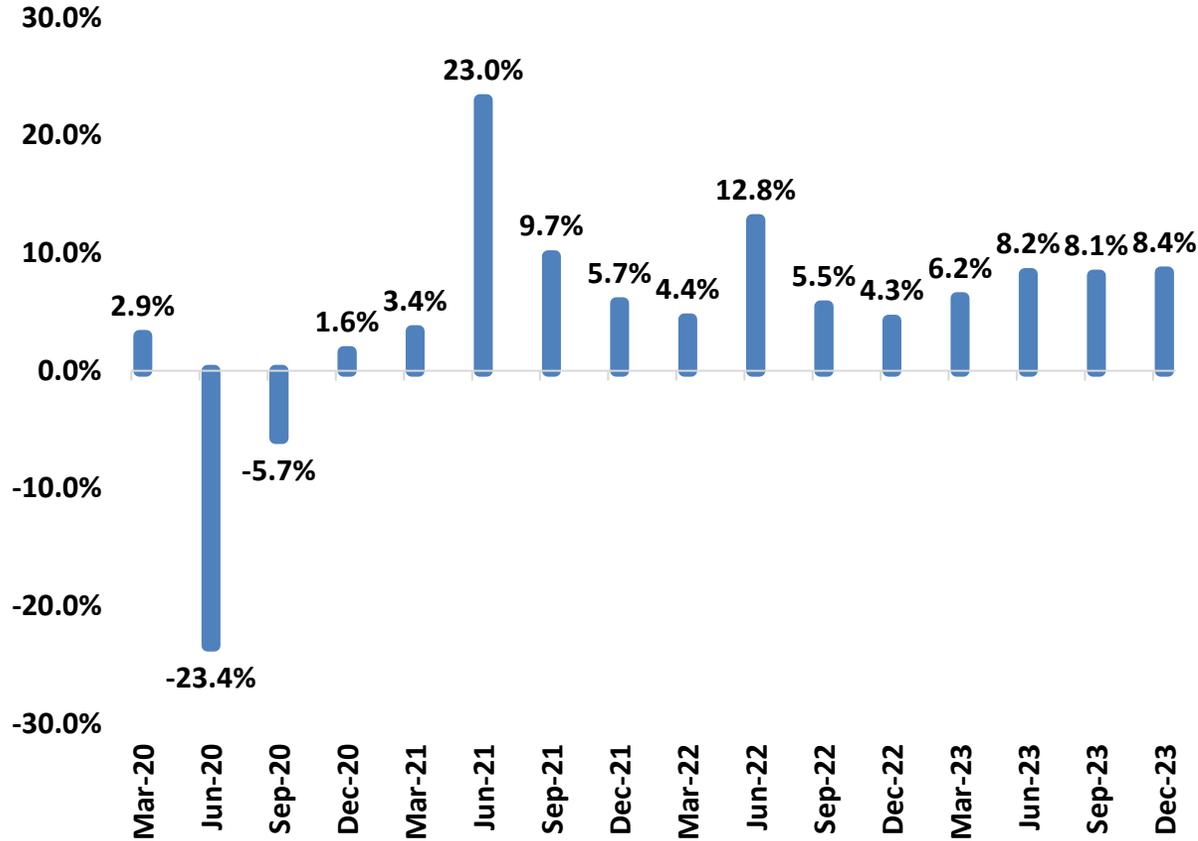
Relationships

India Economy and Market Review

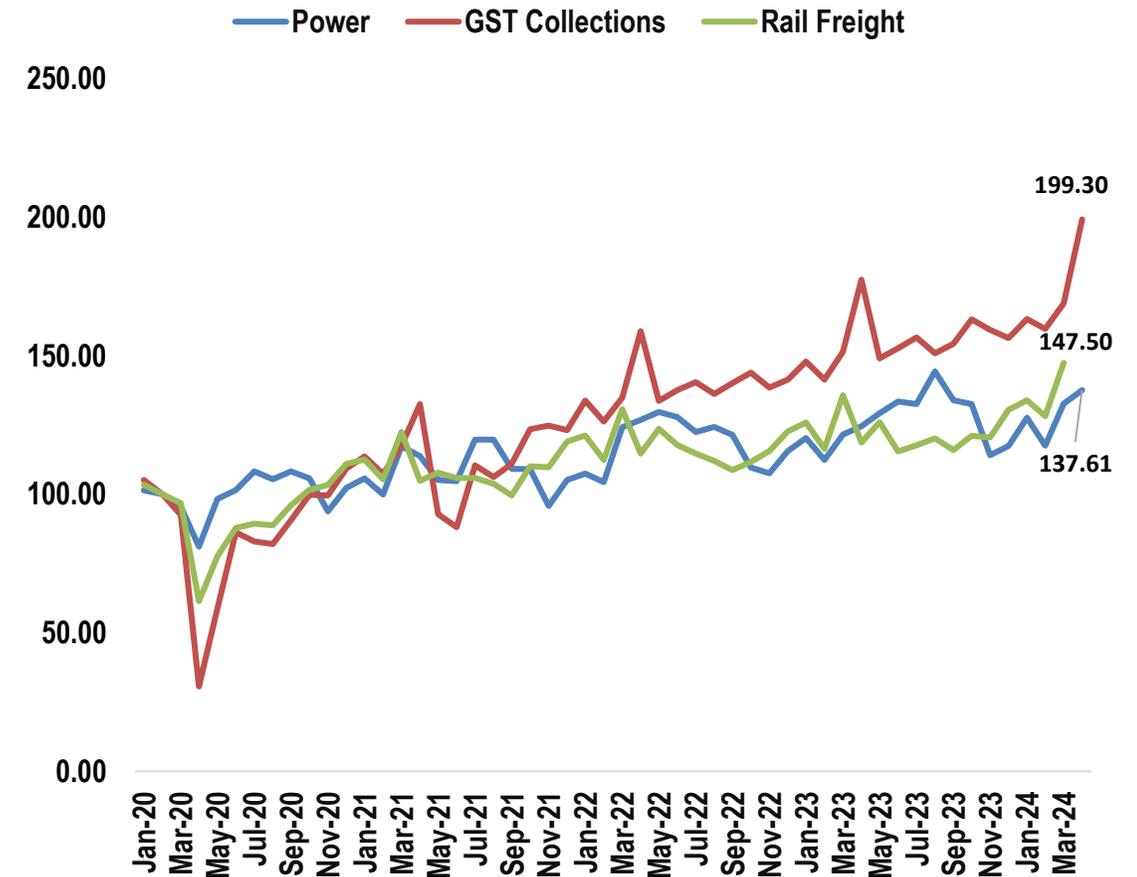
India, an economic powerhouse in the making

Indian economy chugging along fine

GDP, YoY (%)

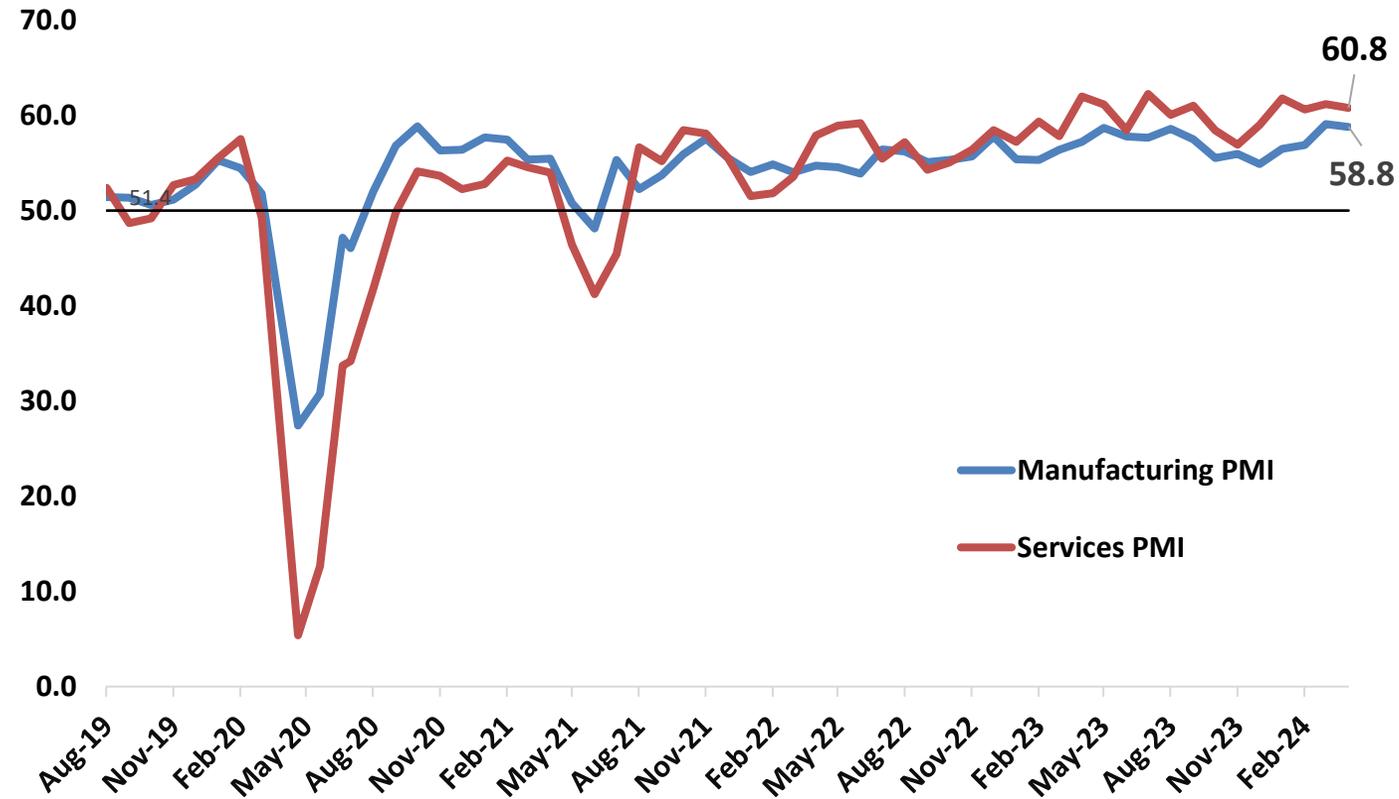


High-Frequency Indicators



Source : Morgan Stanley, Sundaram Asset Management

PMIs remain firmly on an expansionary zone

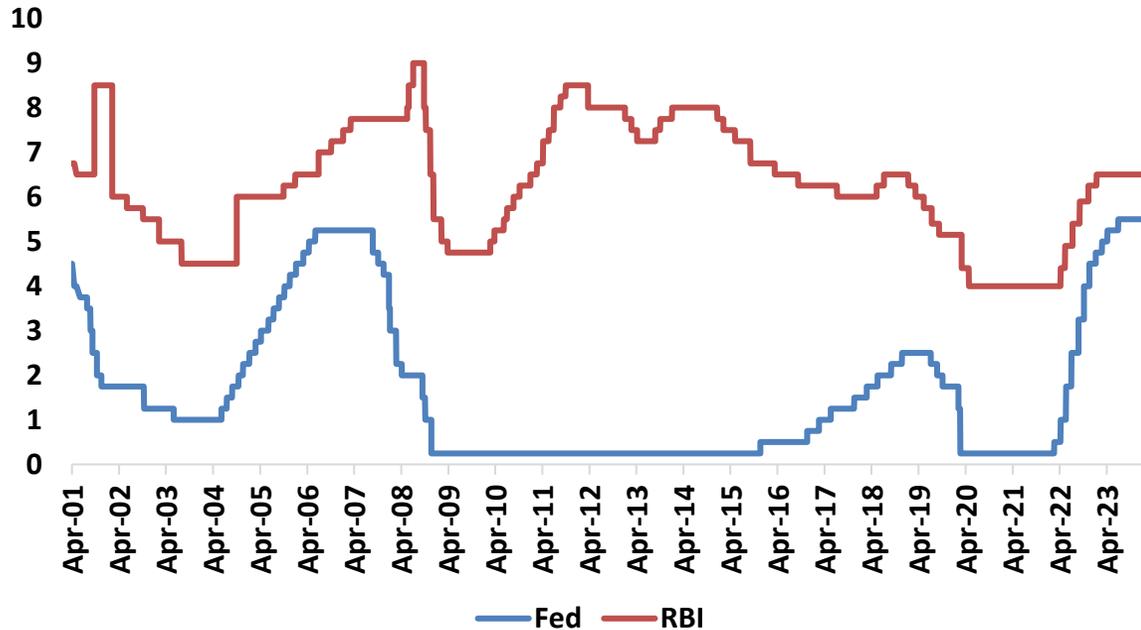


Source : Morgan Stanley, Sundaram Asset Management

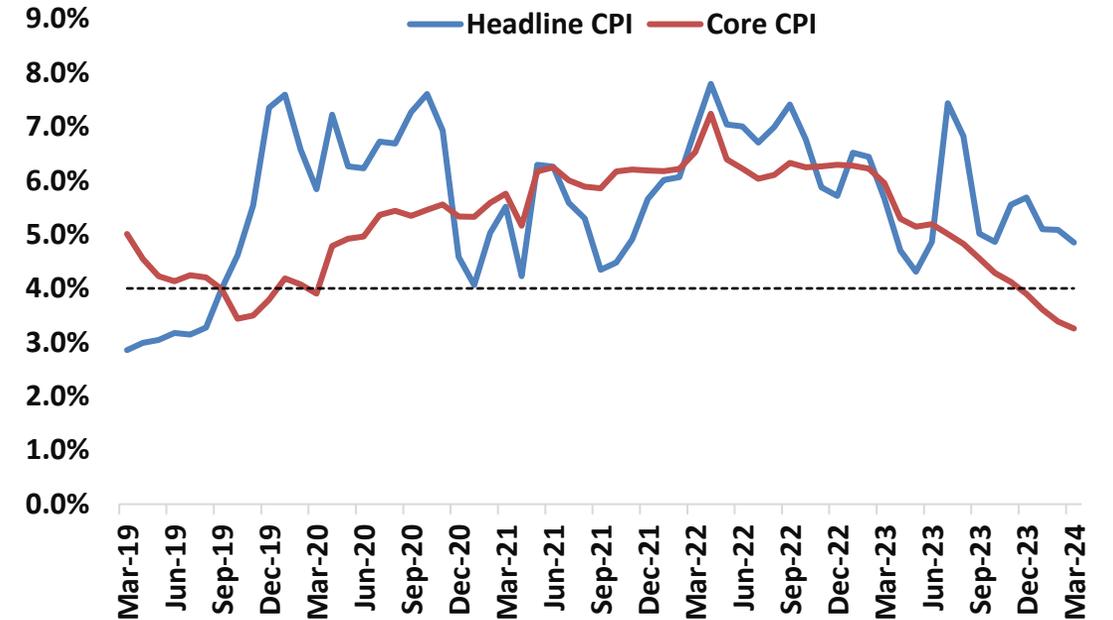


RBI currently on a pause, inflation moving lower

RBI and Fed policy rates over the years (%)



Inflation over the years (%)



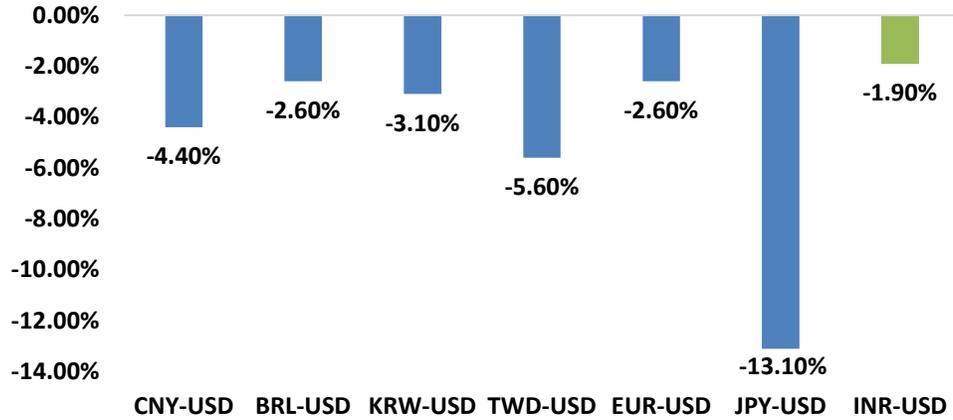
- Recent Monetary Policy Meeting witnessed a pause in rate hike for the seventh consecutive time.
- RBI has raised rates by 250bps since May 2022, 50% of the 500bps delivered by the Fed.

- Inflation eases to 4.9% in March post a brief rise in previous months.
- Headline inflation tracking lower recently due to fuel price cuts and slowing food prices.

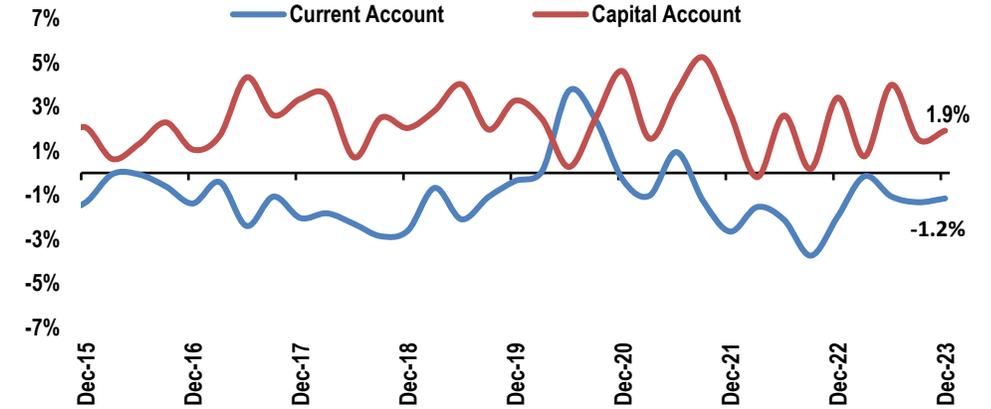
Source : Bloomberg, Morgan Stanley, UBS, Sundaram Asset Management

Easing trade deficit, rising services exports ease rupee pressure

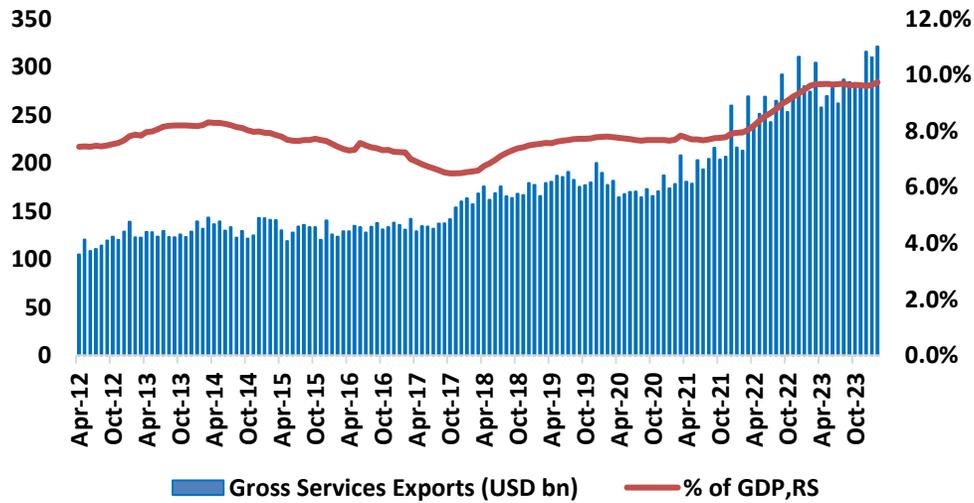
1-Year Performance of Currencies



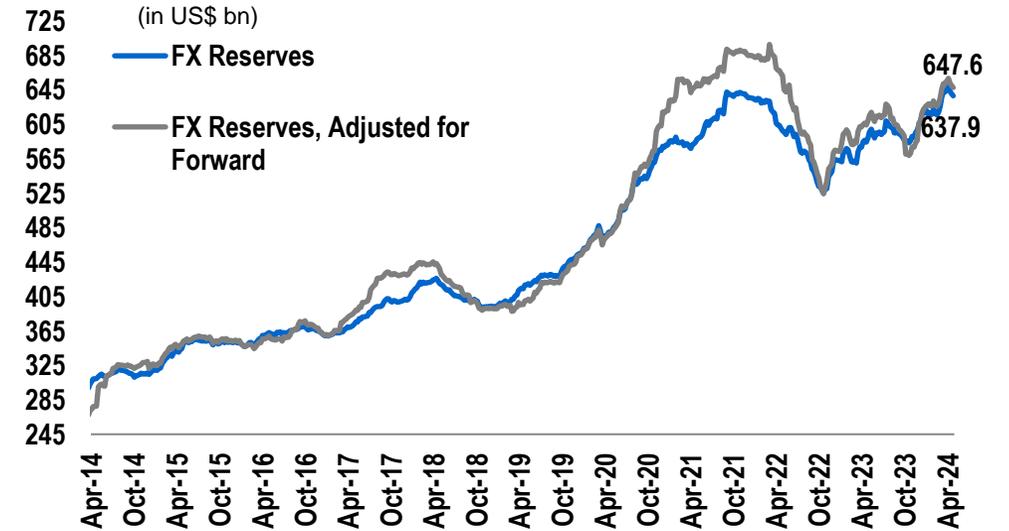
Balance of Payments (% of GDP)



Gross Service Exports, 12M trailing sum



FX Reserves of the Central Bank (RBI)



Source : UBS, Morgan Stanley, Macquarie, Bloomberg, Sundaram Asset Management

India is clearly the fastest growing economy amongst the large economies

	2023E	2024E	2025E
India	8.0	7.0	7.0
China	5.2	4.9	4.6
Brazil	2.9	2.0	2.2
Indonesia	5	4.9	5.1
Korea	1.3	2.3	2.1
Taiwan	1.3	3.8	3.1
Thailand	1.9	2.4	3.4
Germany	0.0	0.3	0.8
UK	0.1	0.2	1.5
US	2.5	2.3	1.4
EM	4.6	4.3	4.3
DM	1.7	1.7	1.5
Global	3.3	3.1	3.1

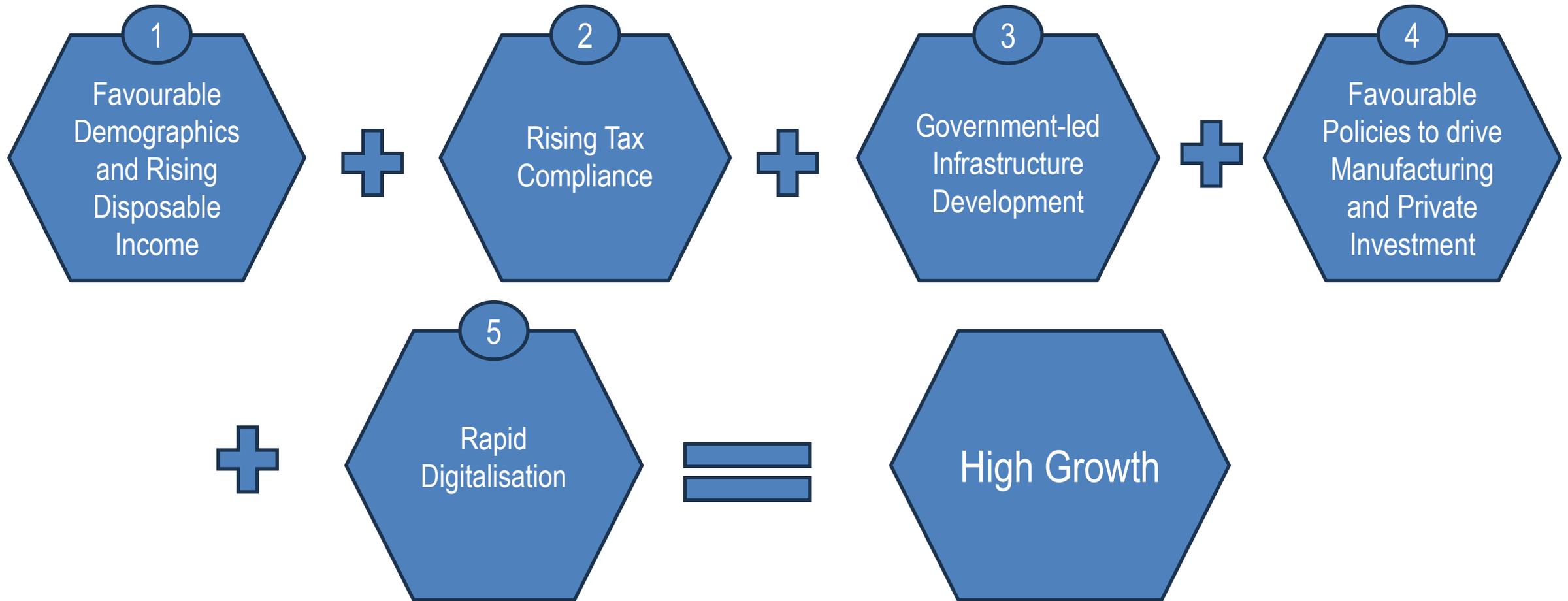
Source : UBS, Sundaram Asset Management

From 10th largest to the 3rd largest in just over 15 years

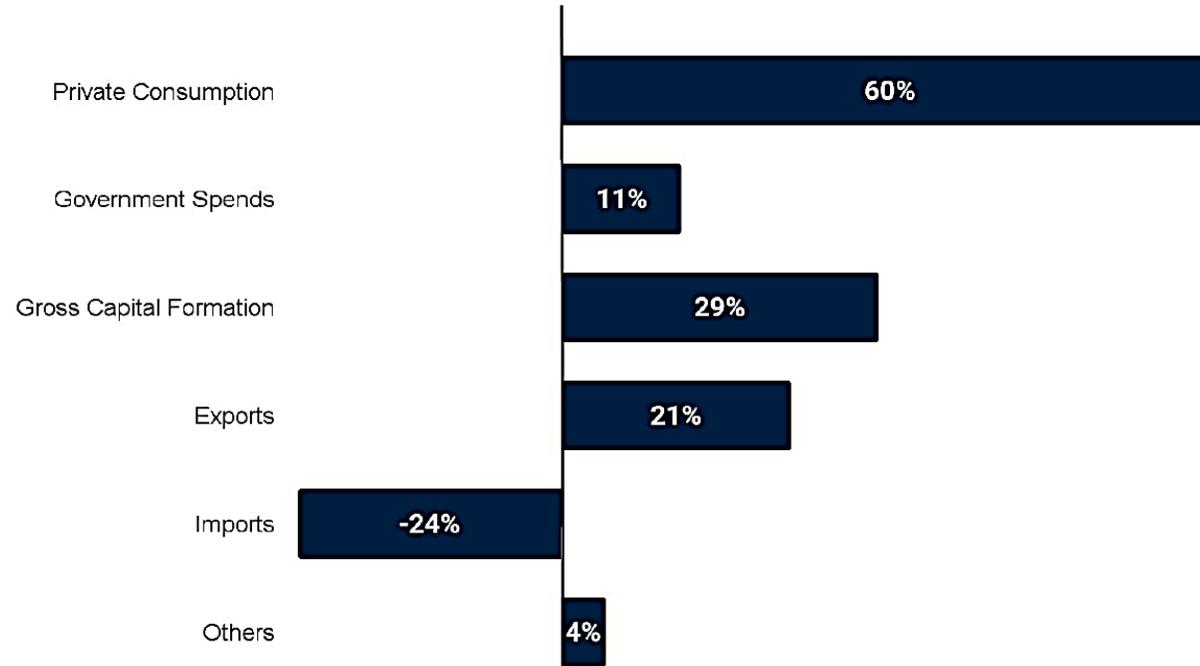
Top 10 economies in size as measured by nominal GDP in USD						
Ranking	2011	2015	2019	2022	2024*	2027*
1	US (\$15.6trn)	US (\$18.2trn)	US (\$21.4trn)	US (\$25.5trn)	US (\$27.7trn)	US (\$31.1trn)
2	China (\$7.5trn)	China (\$11.1trn)	China (\$14.3trn)	China (\$18.1trn)	China (\$20.9trn)	China (\$25.7trn)
3	Japan (\$6.2trn)	Japan (\$4.4trn)	Japan (\$5.1trn)	Japan (\$4.2trn)	Japan (\$4.5trn)	India (\$5.2trn)
4	Germany (\$3.7trn)	Germany (\$3.4trn)	Germany (\$3.9trn)	Germany (\$4.1trn)	Germany (\$4.4trn)	Japan (\$5.1trn)
5	France (\$2.9trn)	UK (\$2.9trn)	UK (\$2.9trn)	India (\$3.4trn)	India (\$4.1trn)	Germany (\$4.9trn)
6	UK (\$2.7trn)	France (\$2.4trn)	India (\$2.8trn)	UK (\$3.1trn)	UK (\$3.4trn)	UK (\$4trn)
7	Brazil (\$2.6trn)	India (\$2.1trn)	France (\$2.7trn)	France (\$2.8trn)	France (\$3trn)	France (\$3.3trn)
8	Italy (\$2.3trn)	Italy (\$1.8trn)	Italy (\$2trn)	Russia (\$2.2trn)	Italy (\$2.2trn)	Brazil (\$2.6trn)
9	Russia (\$2trn)	Brazil (\$1.8trn)	Brazil (\$1.9trn)	Canada (\$2.1trn)	Brazil (\$2.2trn)	Canada (\$2.5trn)
10	India (\$1.8trn)	Canada (\$1.6trn)	Canada (\$1.7trn)	Italy (\$2trn)	Canada (\$2.2trn)	Italy (\$2.4trn)

Source: Citi, Sundaram Asset Management Research

Structural growth drivers for India



Deconstructing India's GDP

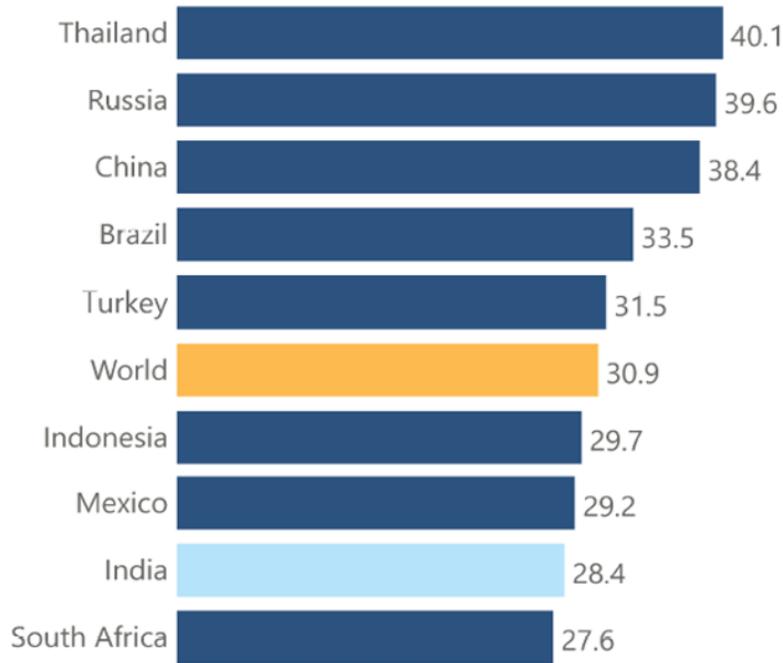


Sectors	Total GDP	Industry	Services	Debt / GDP
India	\$3.5Tn	28%	53%	1.7x

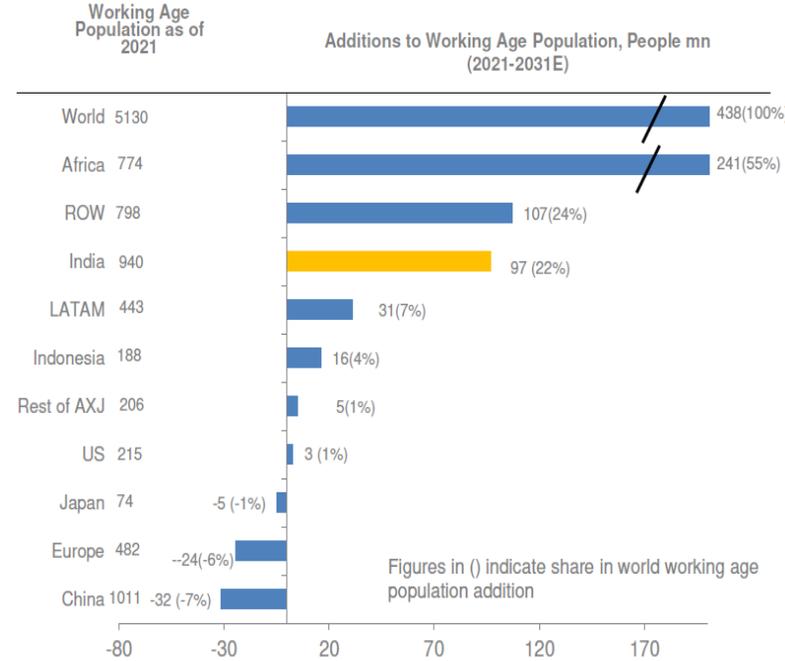
Source : RBI, IMF, Blume Ventures Indus Valley Annual Report 2023

Youngest Population, Largest addition to working-age population and qualified

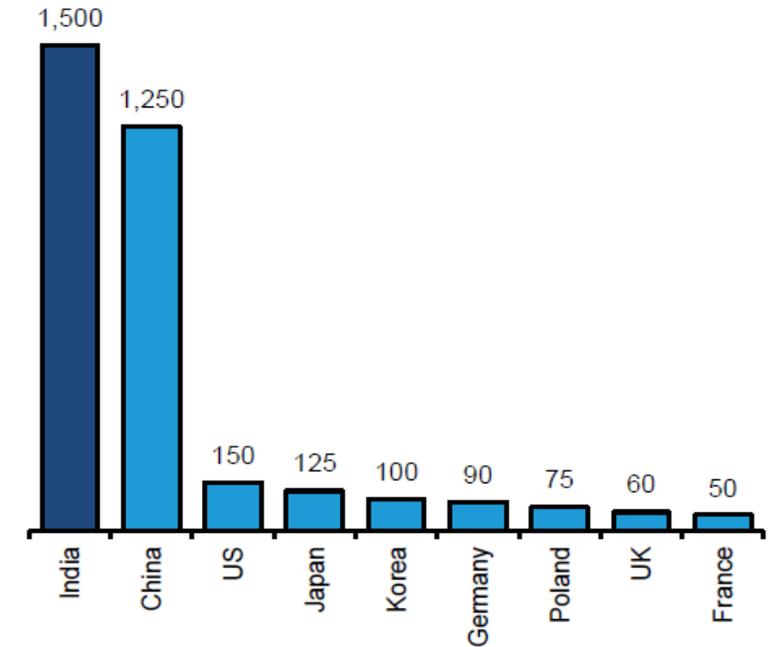
Youngest population in the world (Median age, 2020)



Largest addition to working age population

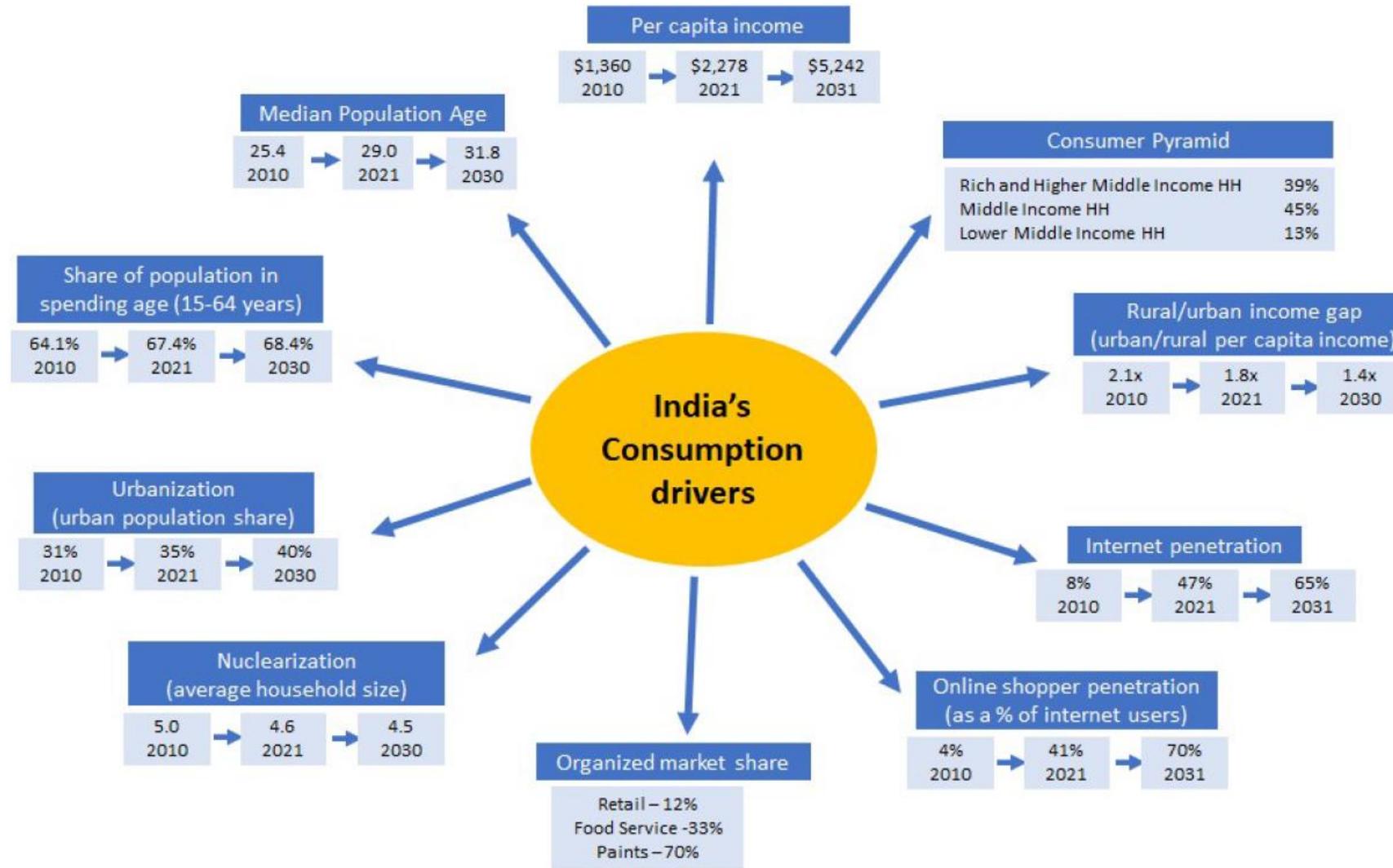


Largest number of engineers every year (in '000)



- India's population is one of the youngest in the world, set to account for 22% of the incremental working-age population delta in this decade.
- India is also the world's largest middle-class population, with rising disposable incomes – a structural positive for consumption

India's Consumption Drivers



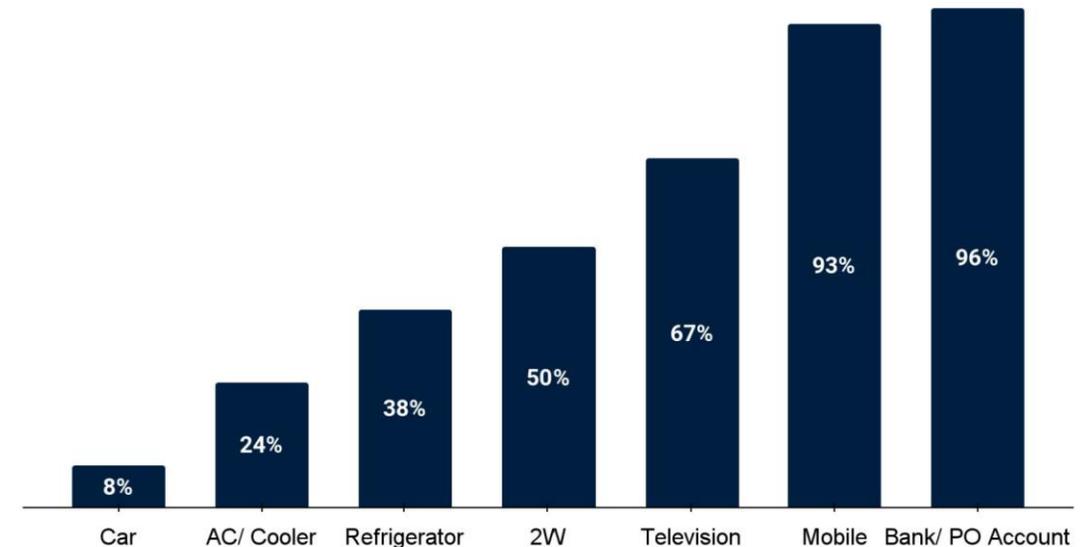
Source : Morgan Stanley, Sundaram Asset Management

Consumption – India, a hugely underpenetrated market

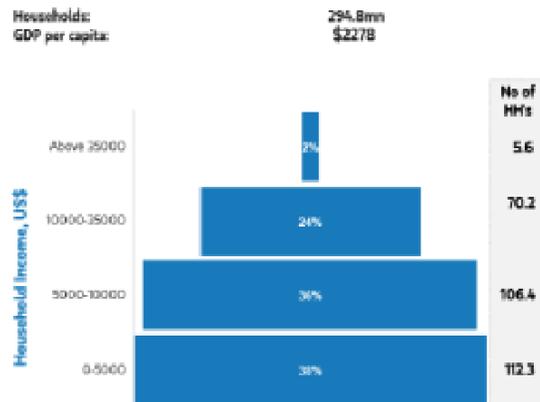
- 1% of Indians account for 45% of all flights.
- 3% of Indians make up all unique credit card holders.
- 2.6% of Indians invest in mutual funds.
- 8% of Indian households constitute 100% car ownership.
- 6.5% of Indian users account for about 44% of UPI transactions.
- 5% of Indian users account for 33% of orders placed on Zomato.

Only 16% Households in India own all three of TV, AC, Washing Machine, reflecting the low-income levels

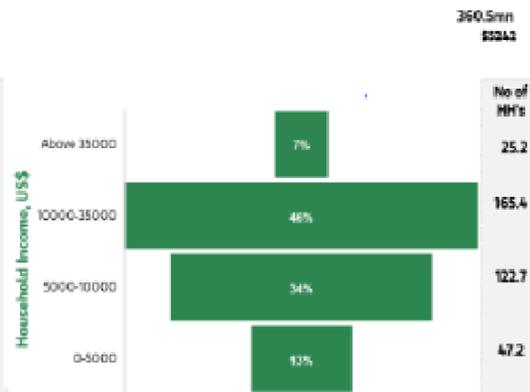
Percentage of Households by Ownership / Access



2021 Households by Income Distribution



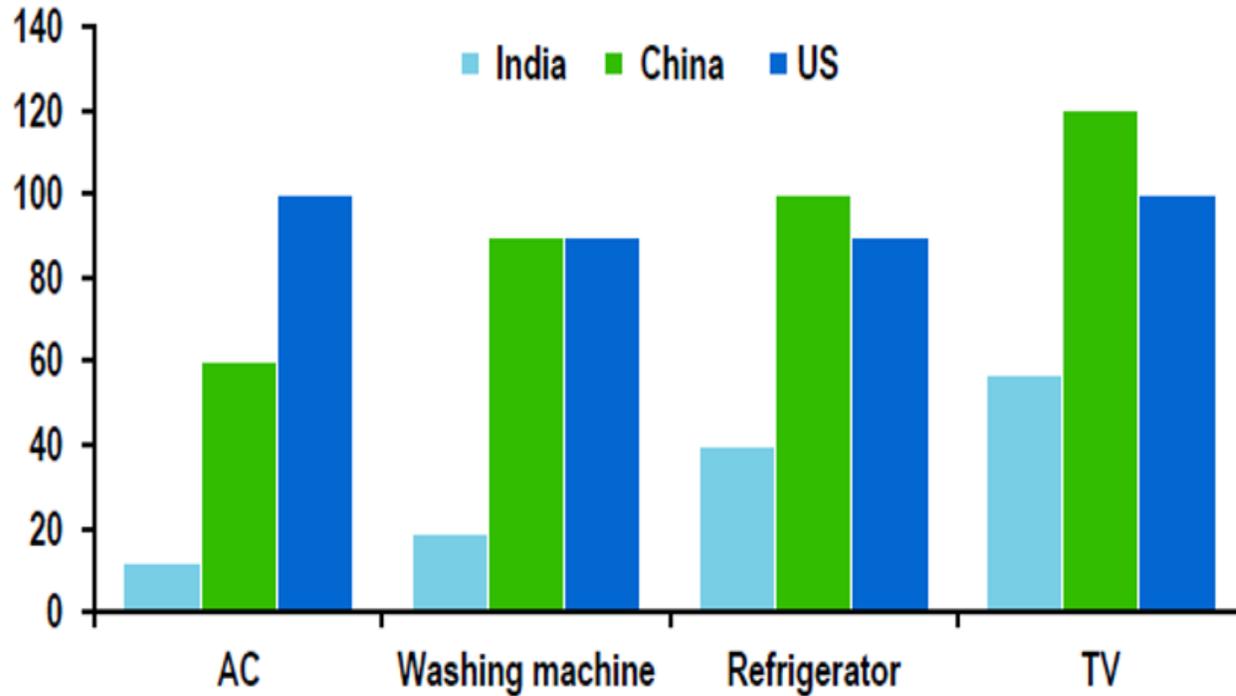
2031 Households by Income Distribution



Source : Blume Ventures Indus Valley Annual Report 2023, NRF, OECD, Morgan Stanley, National Family Health Survey 2019-21, Credit Suisse

Significant catchup opportunity in consumer durables

India's durables penetration well below that of China and the US



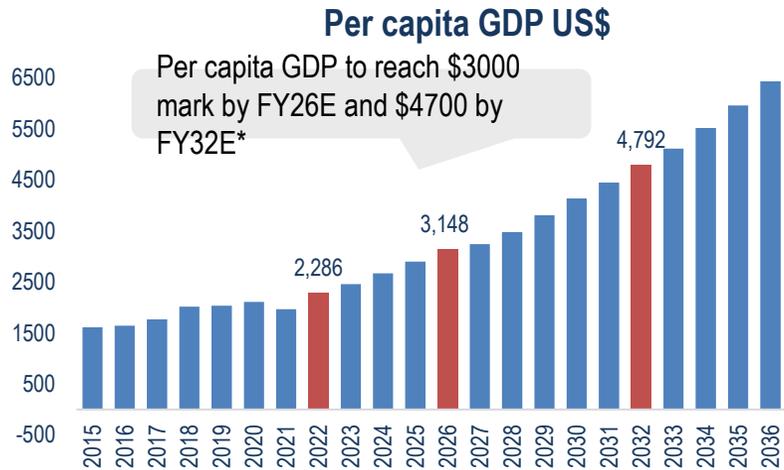
- 50% of Indian households own a 2-wheeler, around 40% own a refrigerator.
- Less than 20% own air conditioners and only 8% own passenger cars.

Source : Standard Chartered Bank, Sundaram Asset Management

Consumption set to accelerate – Demographics and Rising Disposable Income

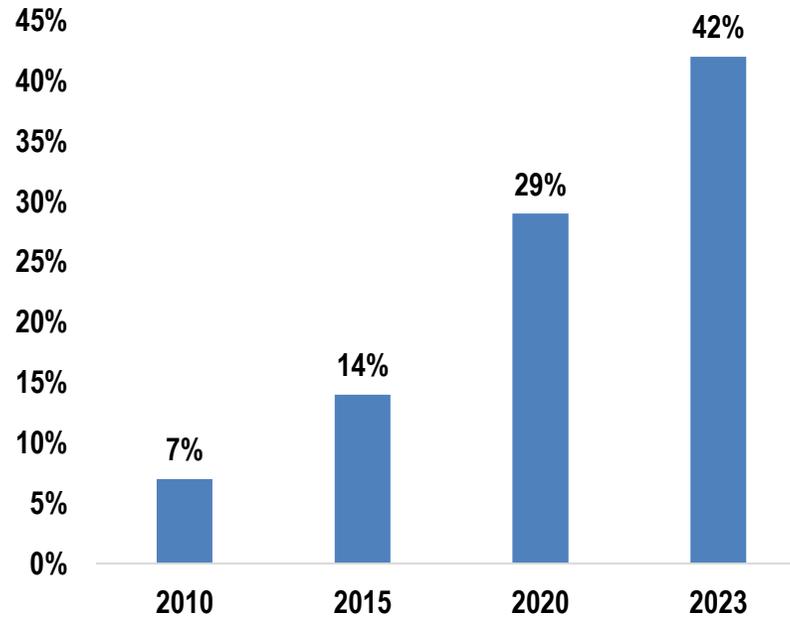
India is on a pathway to exponential growth

India has crossed the \$2k per capita income mark, seen as an inflection for a jump in discretionary spending

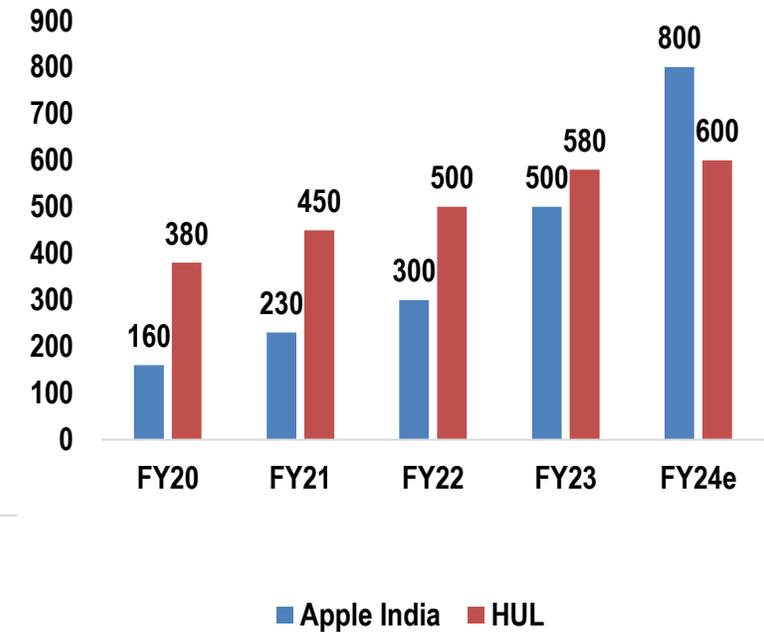


* Assumptions: 12 to 12.3% nominal GDP growth, 3% Rupee depreciation and 1% population growth

SUVs are gaining market share

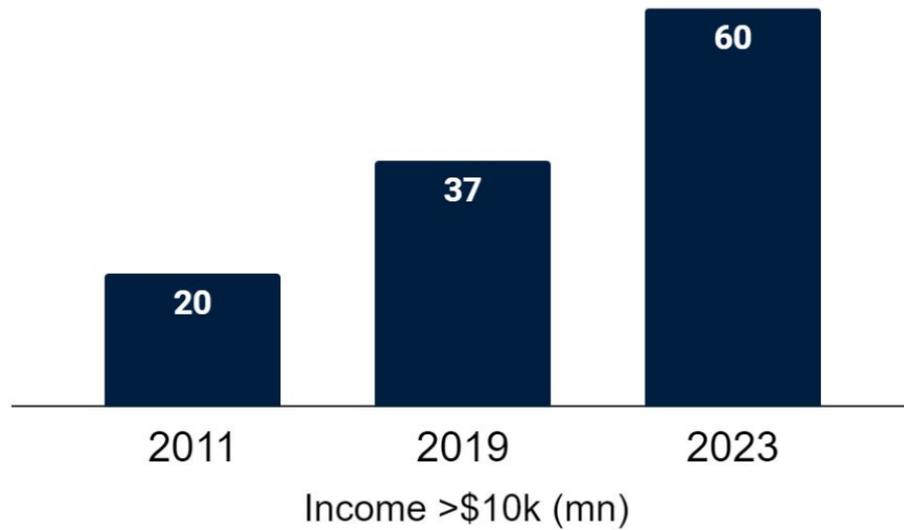


Apple India Sales set to overtake HUL sales (INR bn)

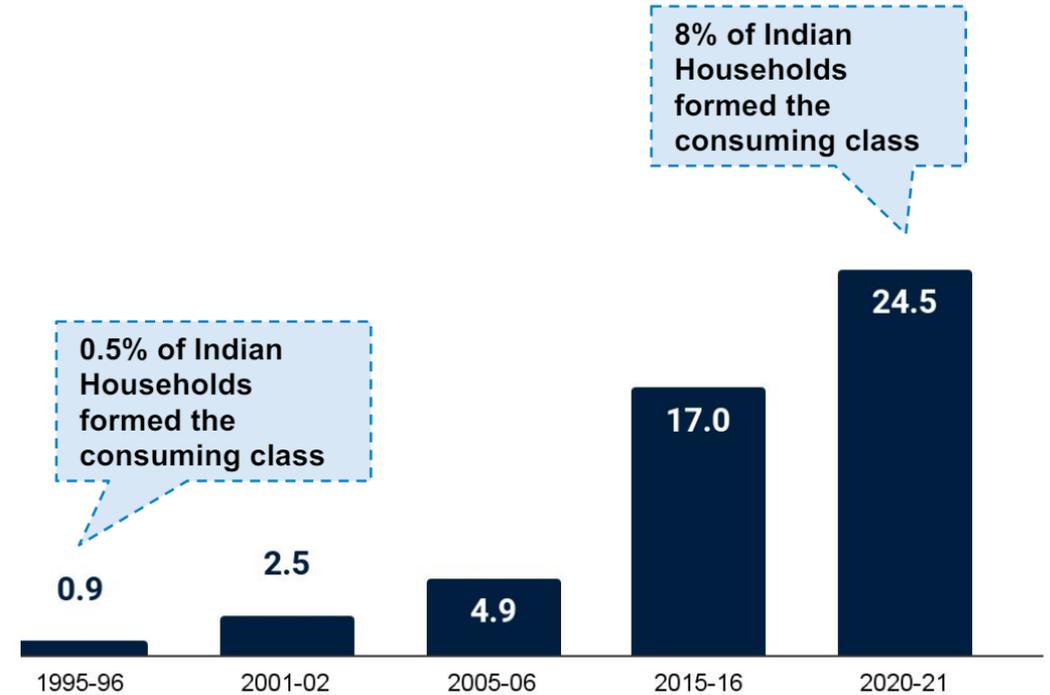


India's Consumption Story Gaining Traction

Goldman Sachs 'Affluent India' estimate



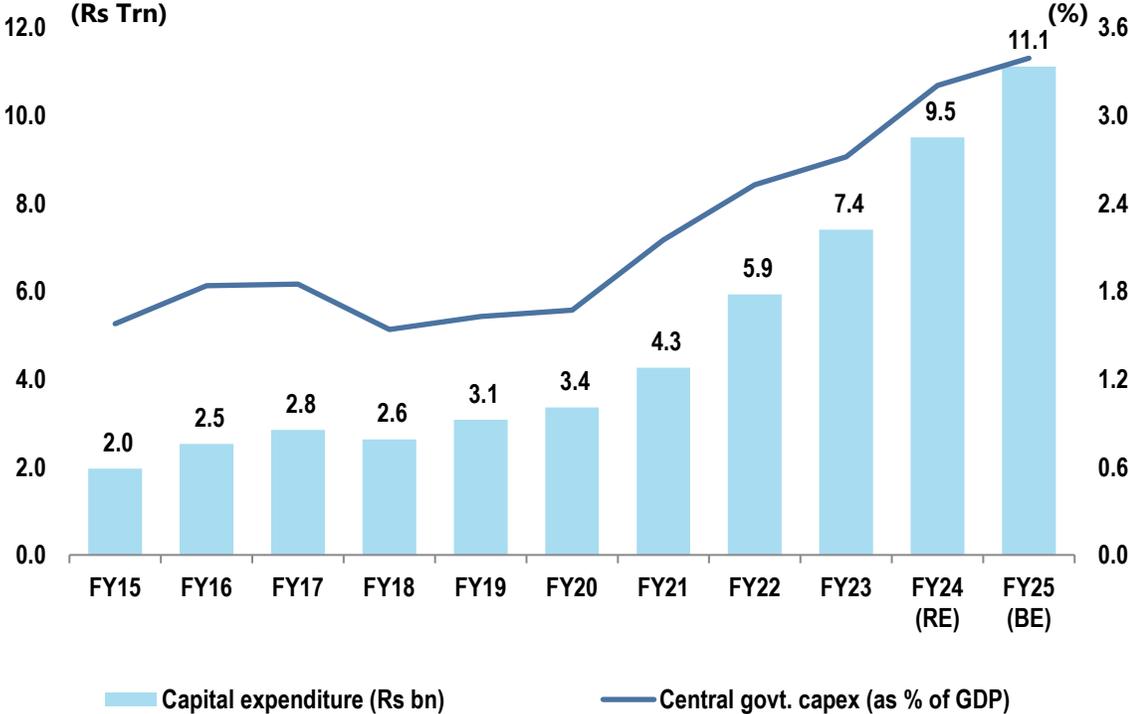
ICE360 chronicles the growth of the 'Consuming Class' in India



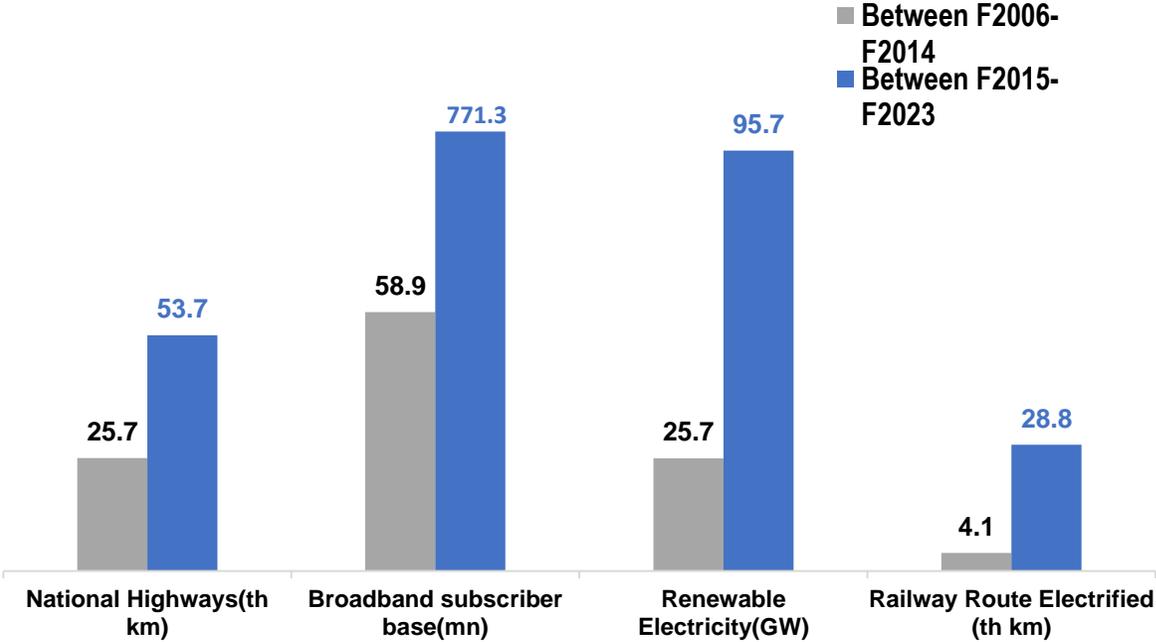
Source : Blume Ventures Indus Valley Annual Report 2024

India's Capex Cycle has turned

Currently led by Central Government



Tracking Incremental Infrastructure Progress

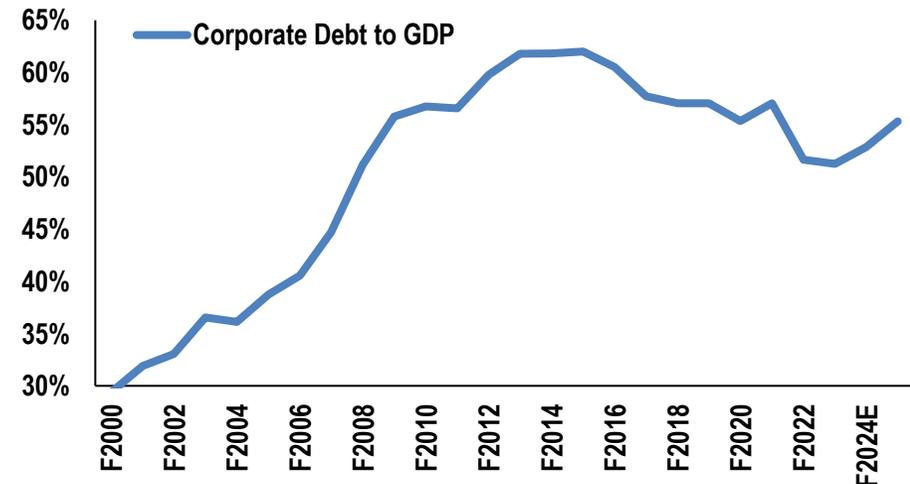
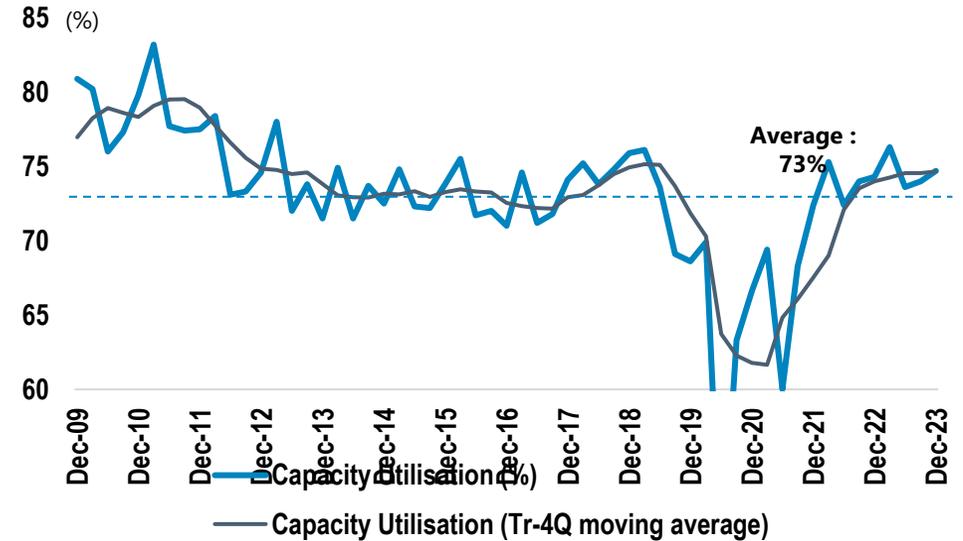


Source : Jefferies, Morgan Stanley, Sundaram Asset Management

Private Sector Capex picking up

Nine key enablers for this:

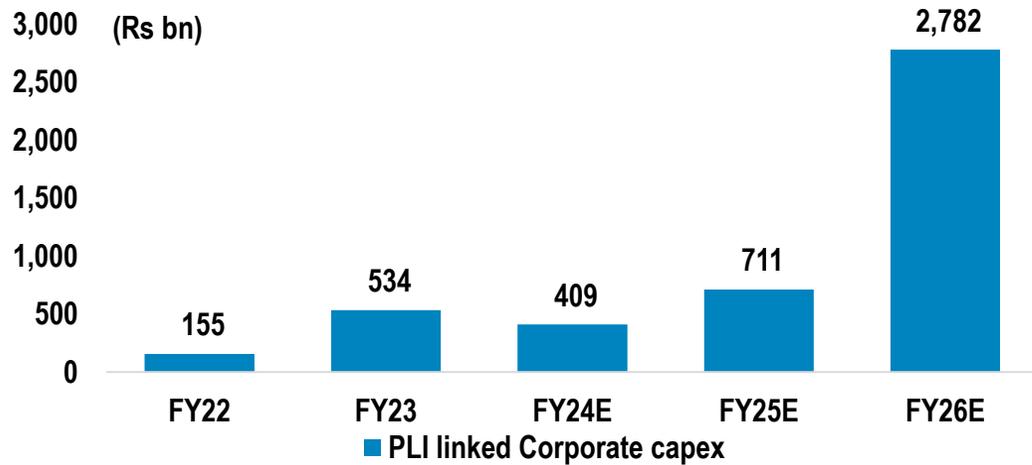
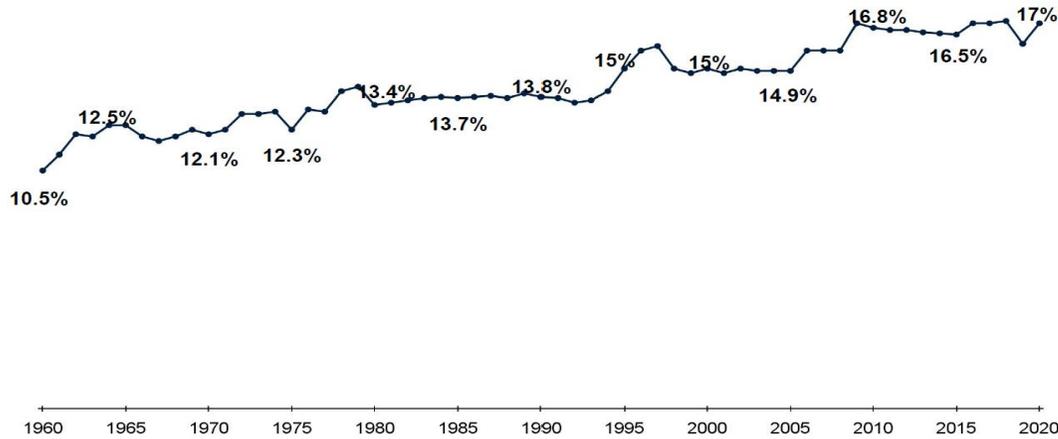
- Proactive Government policies
- Deleveraged corporate B/S
- Healthy financial sector B/S
- Low household debt
- Improved real estate performance
- Improved supply-side govt reforms
- Supply chain diversification
- Improved domestic demand and consumer confidence
- Increase in capacity utilization



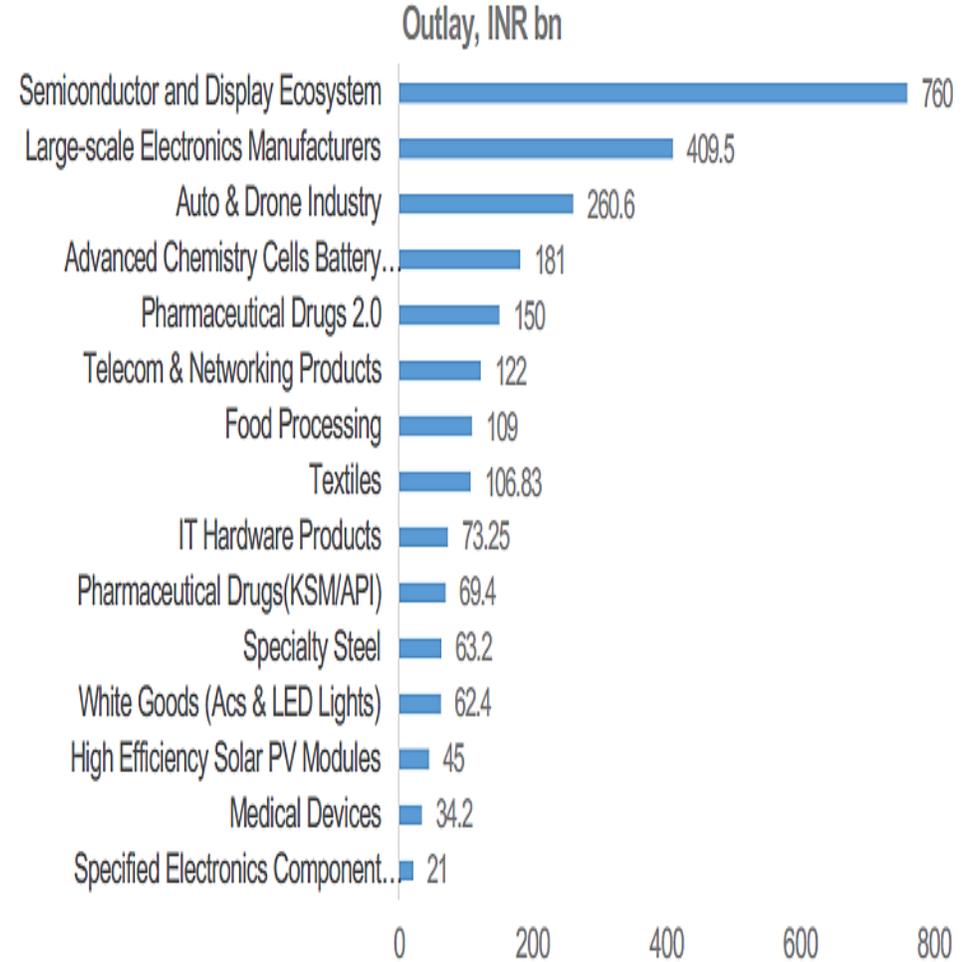
Source : Jefferies, Morgan Stanley, Sundaram Asset Management

Manufacturing starting to respond to supportive policy measures

Indian Manufacturing as % of GDP



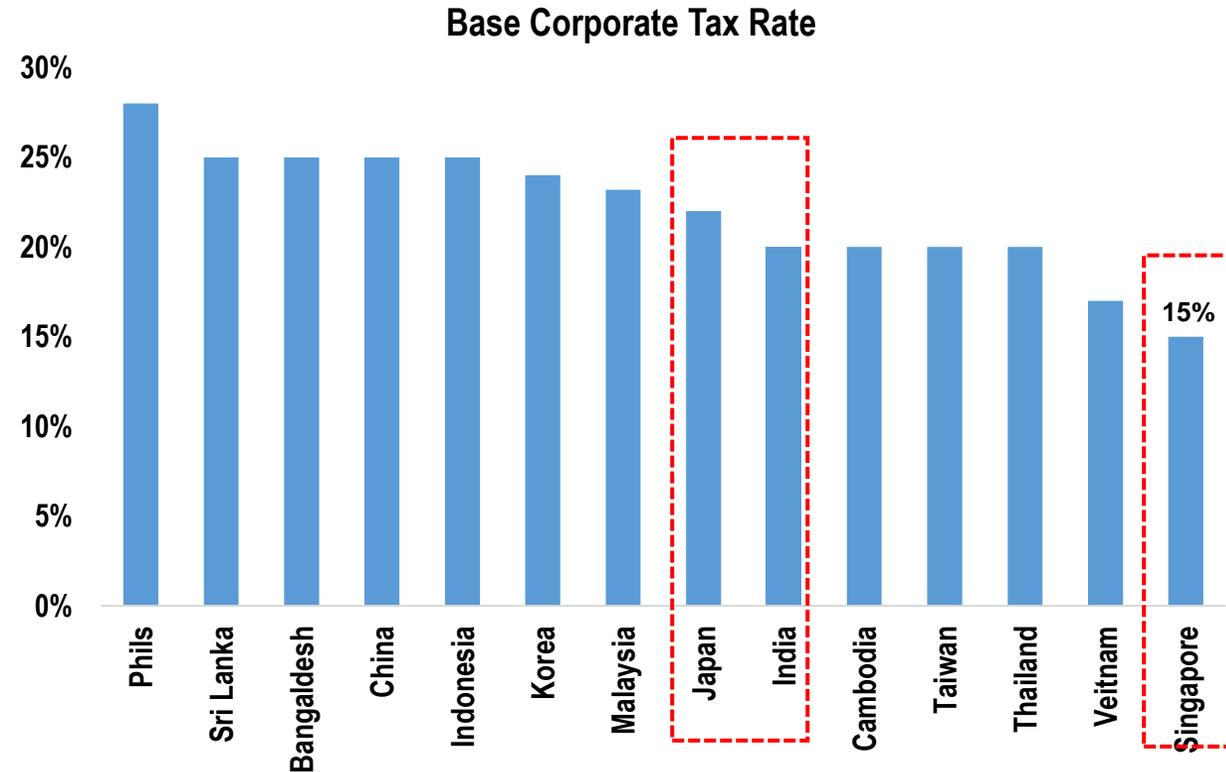
PLI outlays approved by Sector



Source : Blume Ventures Indus Valley Annual Report 2023 and 2024, Haver Analytics, Breakout Capital, IMF, UNSTD, Morgan Stanley, Sundaram Asset Management

Policy measures adding renewed thrust to manufacturing

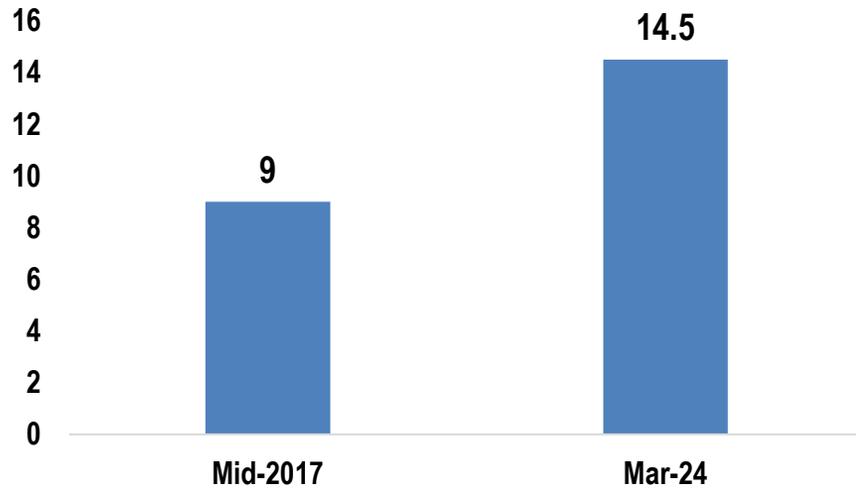
Corporate Tax Rates are also converging to lower levels



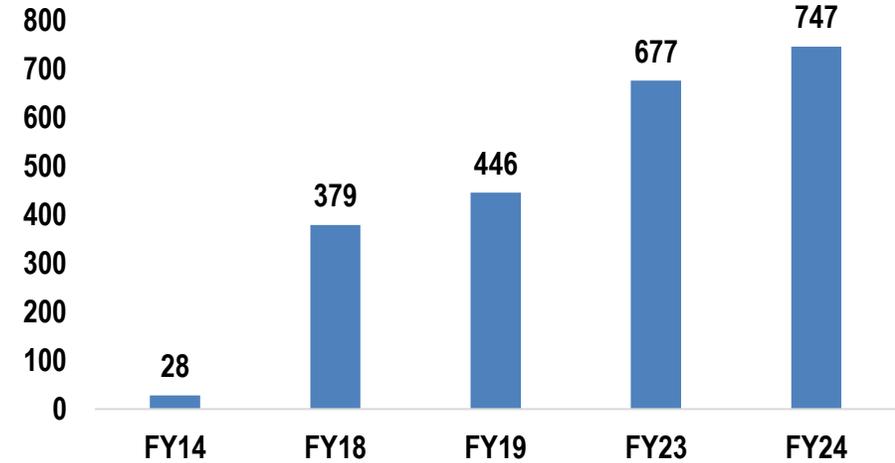
Source : Morgan Stanley, Sundaram Asset Management

Policy measures resulting in better tax compliance – GST

GST (Indirect Tax) Base (in Million)



PAN Cards Allotted (Direct Tax) (in Million)



Income Tax Filers (Million)



Source : Blume Ventures Indus Valley Annual Report 2023, CBDT, Hindu, Live Mint ET

Digitalization throwing up new areas of growth and financial inclusiveness

India's Digital Funnel (Mn)

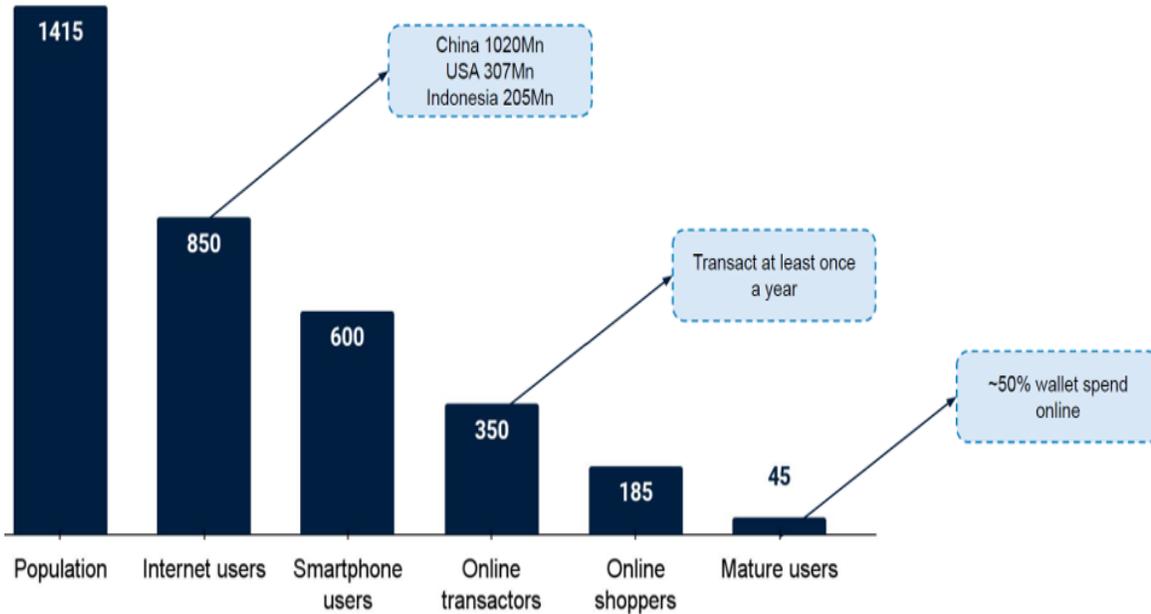
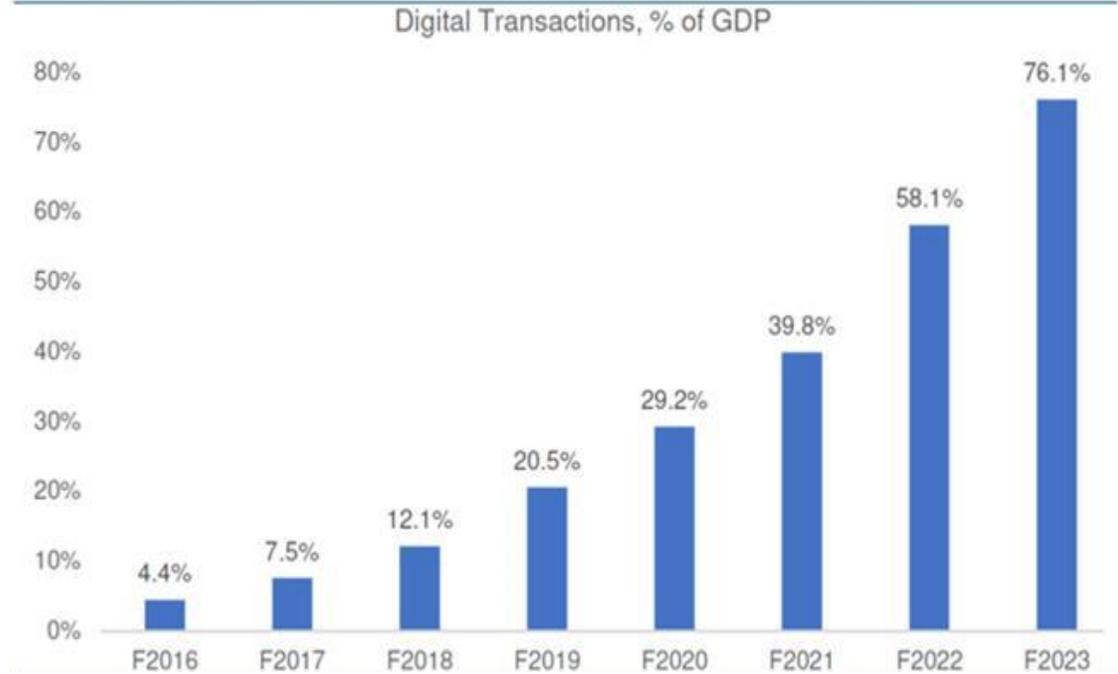


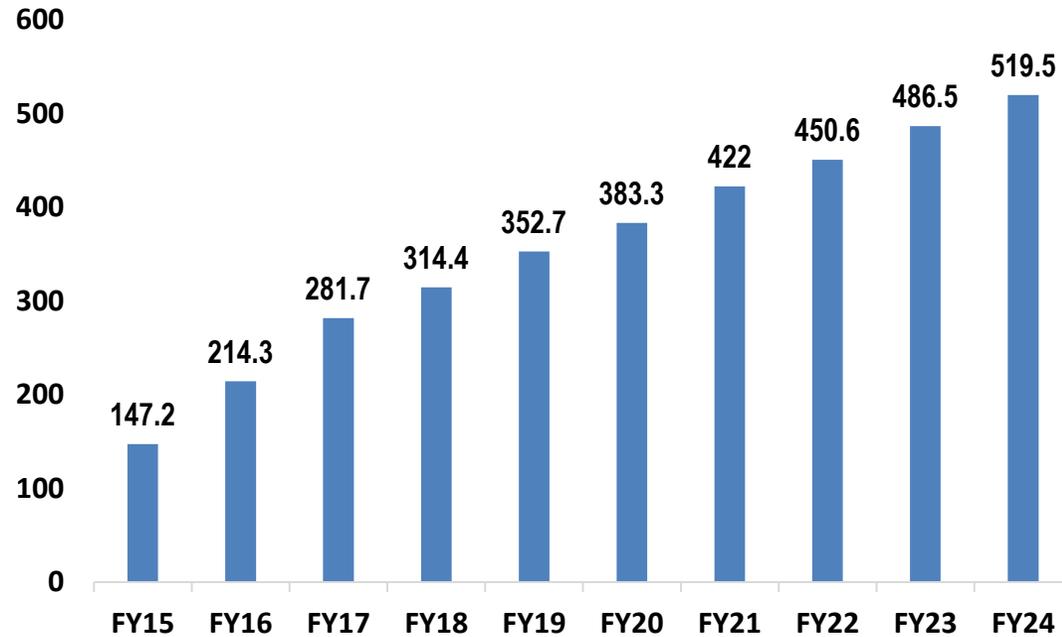
CHART FOCUS: Indian has witnessed a rapid pickup in digitisation



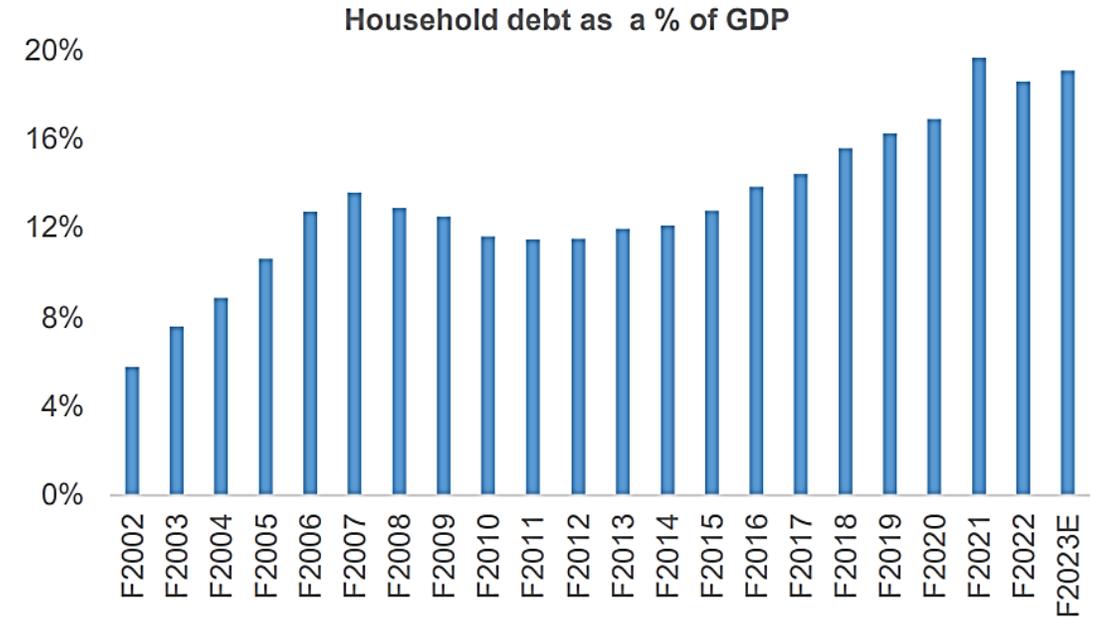
Source : Blume Ventures Indus Valley Annual Report 2023, TRAI, MIB, Redseer, Bain, NPCI, Morgan Stanley, Sundaram Asset Management

Digitalization throwing up new areas of growth and financial inclusiveness

Total PM Jan Dhan Accounts opened



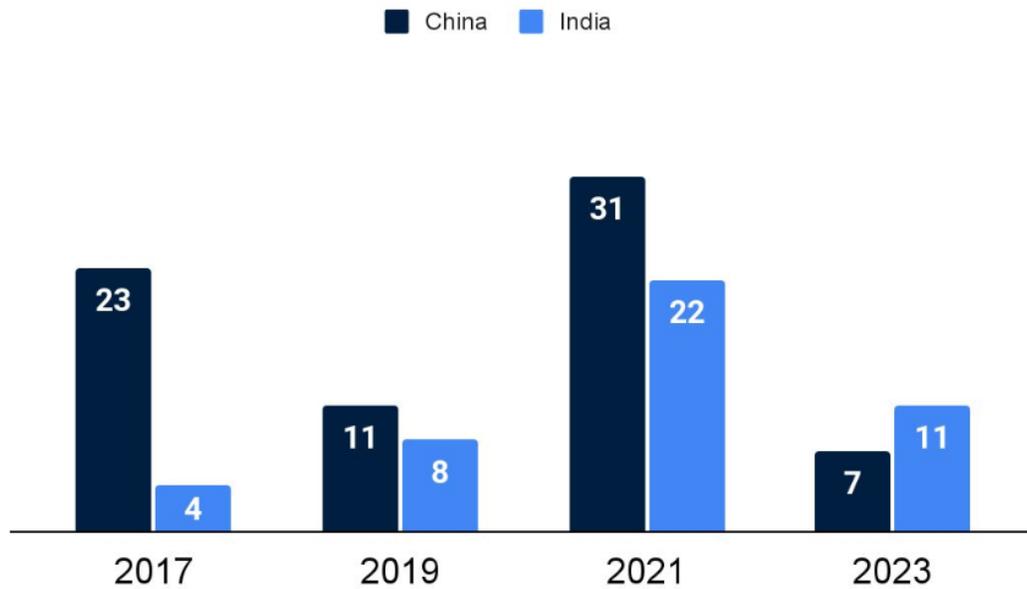
Household Debt-to-GDP ratio



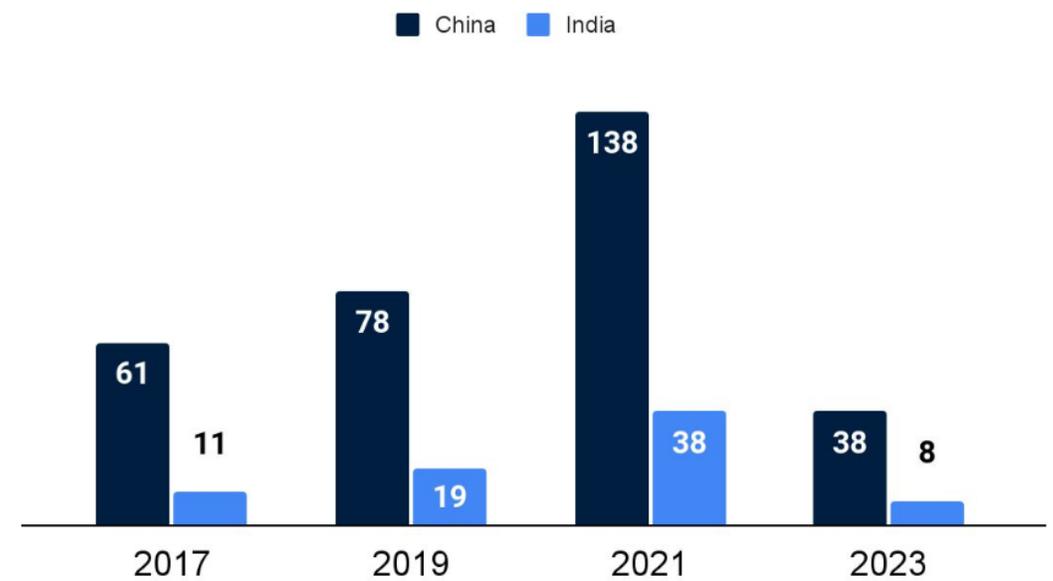
Source : PIB, Morgan Stanley

India getting more than its fair share of Private Equity investments

India's PE market is about as large as China's (\$ bn)



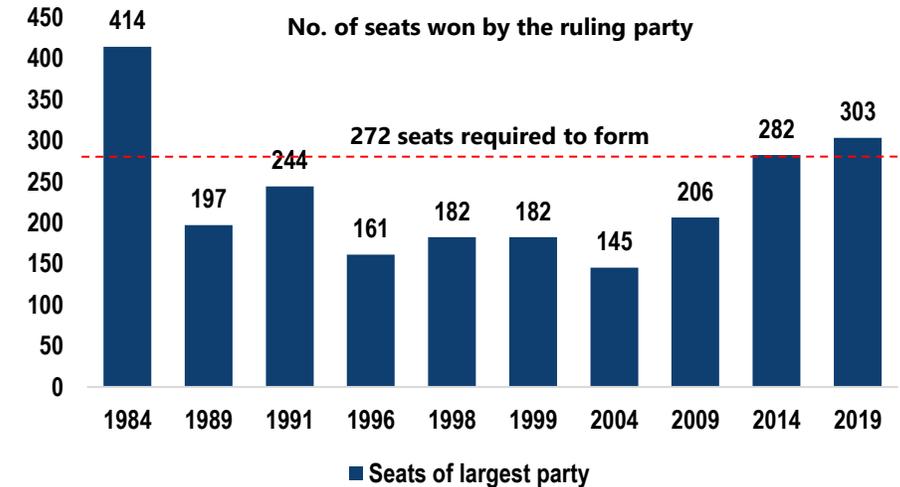
...but the venture market is far smaller than China's (\$ bn)



Source : Blume Ventures Indus Valley Report 2024

Political stability at the heart of India's vibrant economic growth

- BJP, under the leadership of the charismatic Narendra Modi, is the first party in 25 years to have secured a majority on its own in 2014 elections, putting an end to the coalition government era in the country.
- Prime Minister Modi remains popular than his party with 75% of respondents finding his performance as Outstanding/Good. He is by far the world's most popular elected leader at the moment.
- With 56% of the seats in the Lok Sabha, BJP has enough wriggle room to accommodate potential loss of seats due to the anti-incumbency factor in the 2024 General Elections and appears well set to form the next Government.

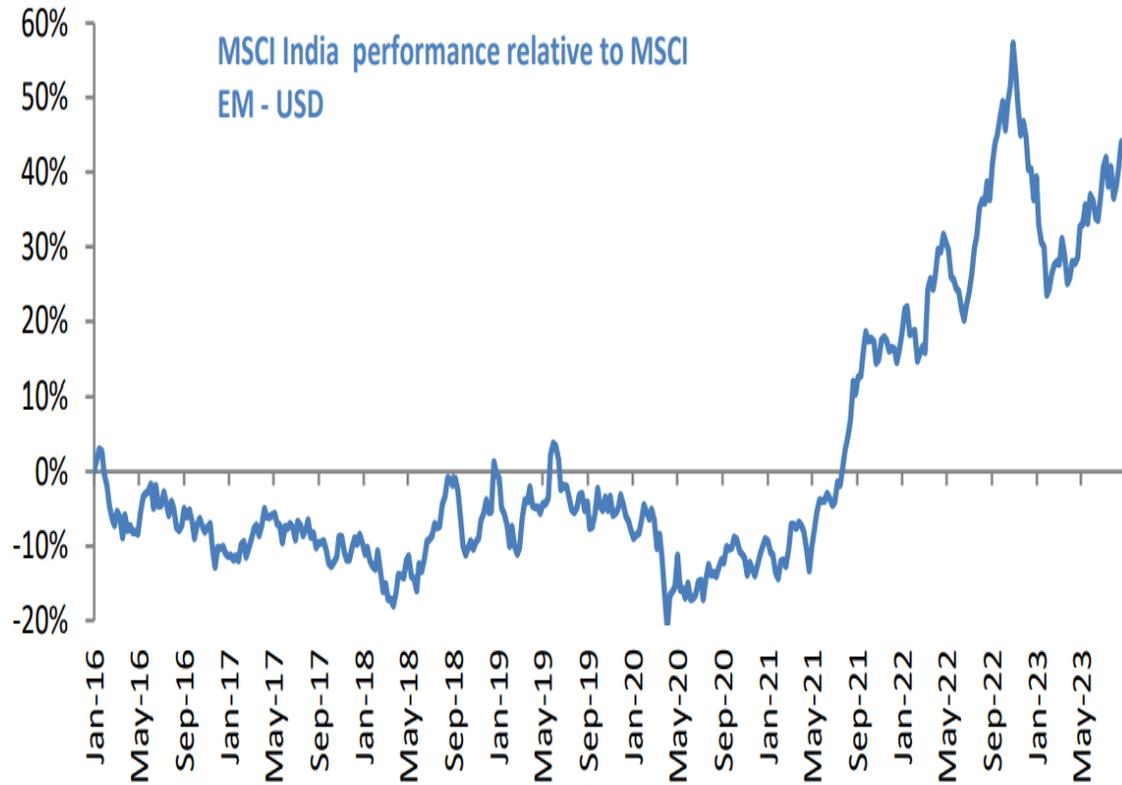


Polling agency	Date published	Margin of error	NDA	I.N.D.I.A.	Others
ABP News-CVoter	Apr-24	±3-5%	373	155	15
Times Now-ETG	Apr-24	±3%	384	118	41
India TV-CNX	Apr-24	Na	399	113	31
News18	Mar-24	±4%	411	105	27
ABP News-CVoter	Mar-24	±5%	366	156	21
India TV-CNX	Mar-24	±3%	378	98	67
Times Now-ETG	Mar-24	±3%	358-398	110-130	40-50
Mar-Apr'24 Opinion Poll Average			384	124	35
2019 Election Results			354	93	96

*Source : Bloomberg

India Equity Market Outlook

India continues to outperform

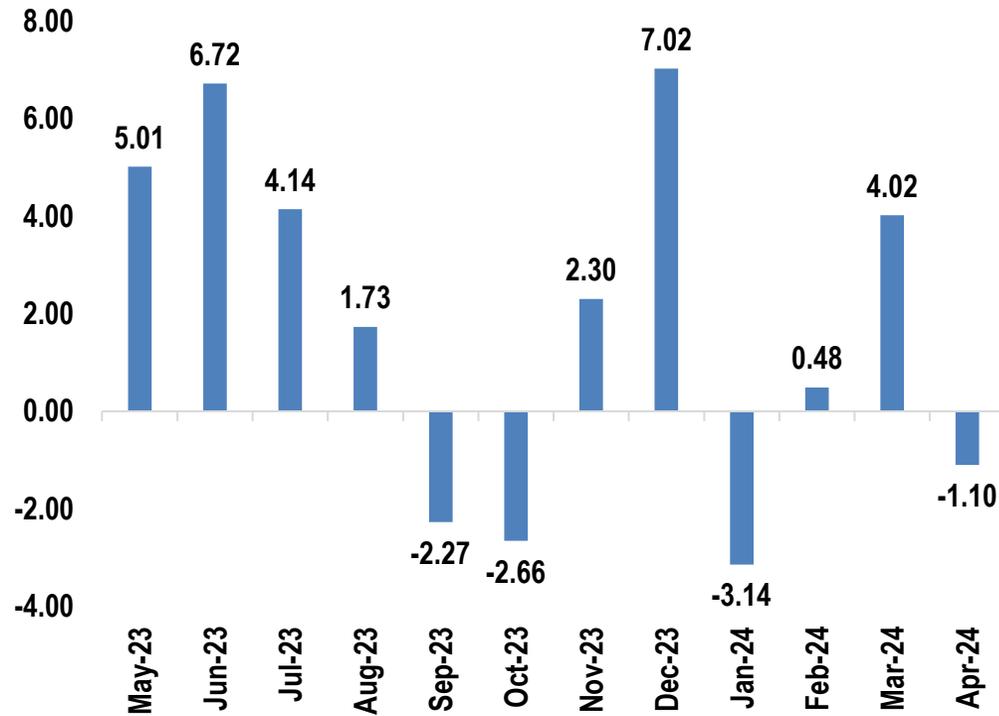


Indices (USD returns)	1 Year	3 Years	5 Years	10 Years	15 Years	20 Years
MSCI India	34%	14%	12%	10%	10%	11%
MSCI US	23%	7%	13%	12%	14%	9%
MSCI China	-7%	-18%	-6%	2%	4%	8%
MSCI ACWI ex-US	9%	0%	5%	4%	7%	6%
MSCI EM ex-China	18%	1%	6%	4%	6%	7%

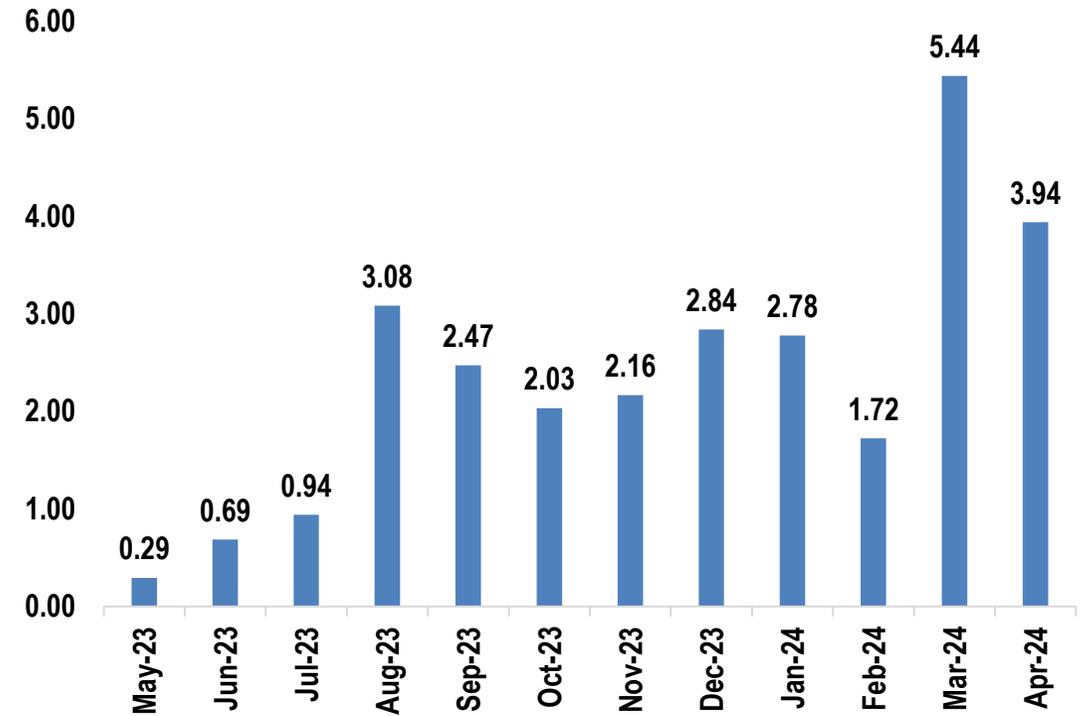
Annualized returns as of 30 April 2024

Foreign flows have returned but patchy, strong domestic flows continue

FII flows (USD bn)



Inflows into Domestic Mutual Funds (USD bn)

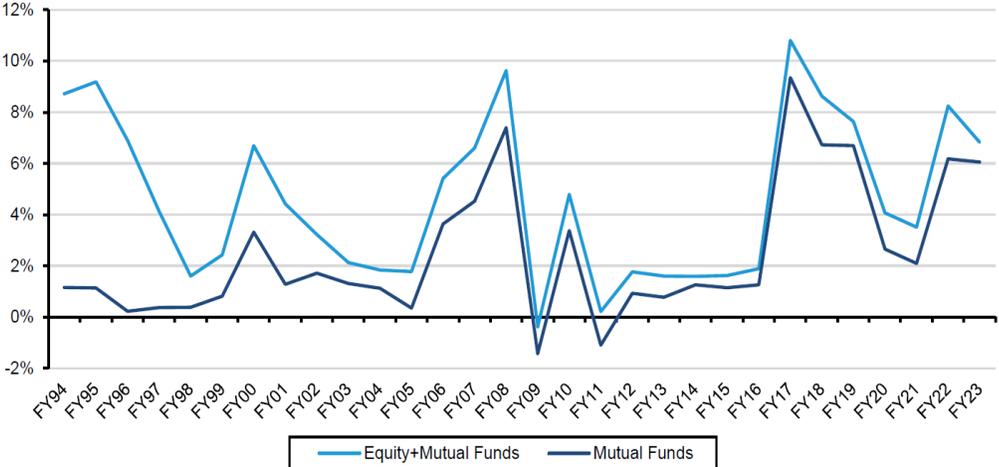


Source : Jefferies, Morgan Stanley

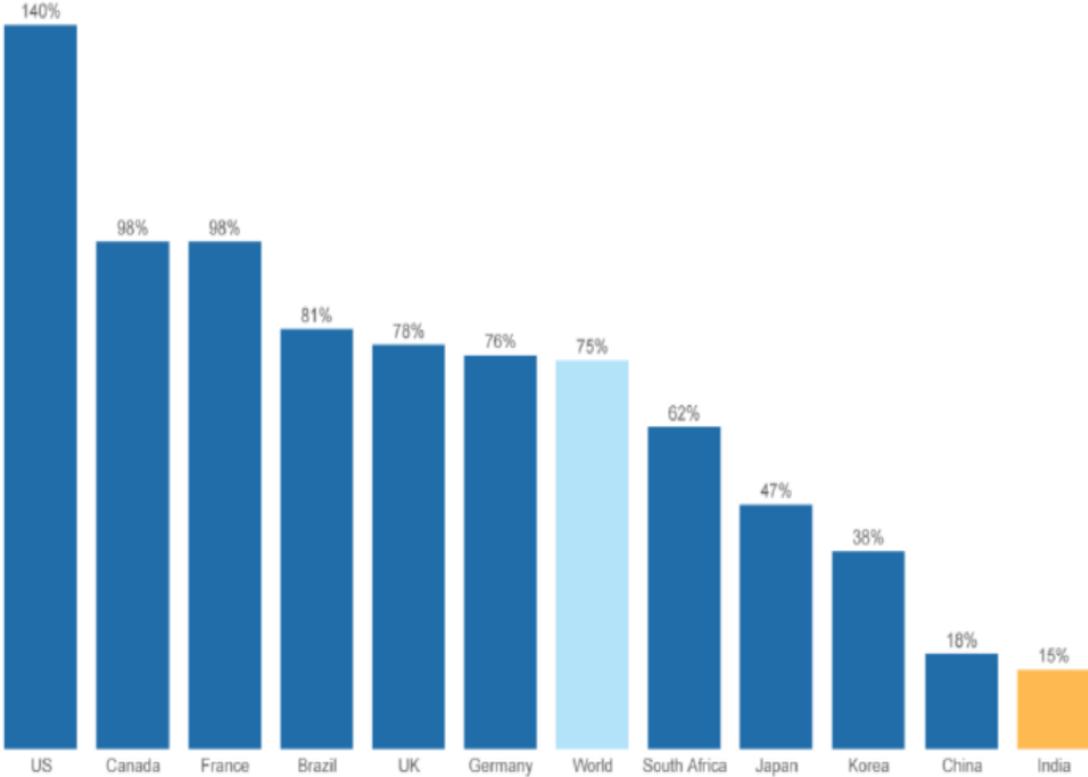


Domestic Equity Flows set to grow

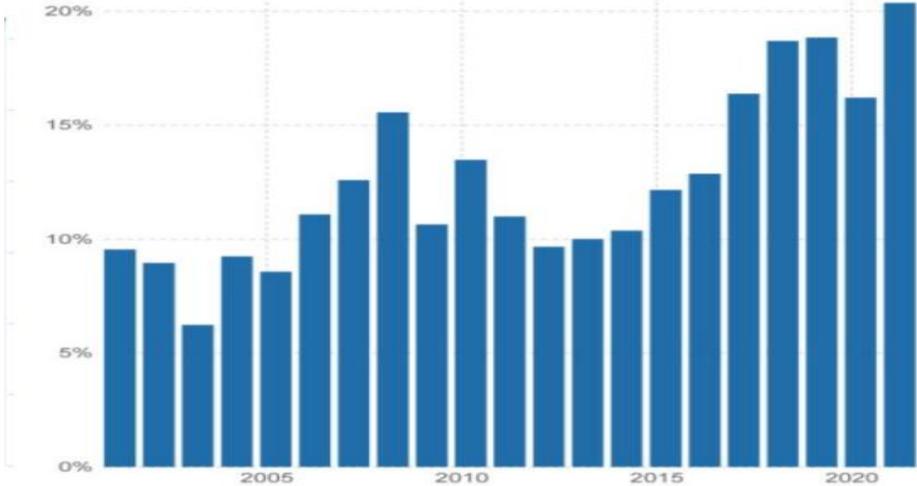
As a % of total assets, Equities are only 6%



Mutual Fund AUM as a % of GDP



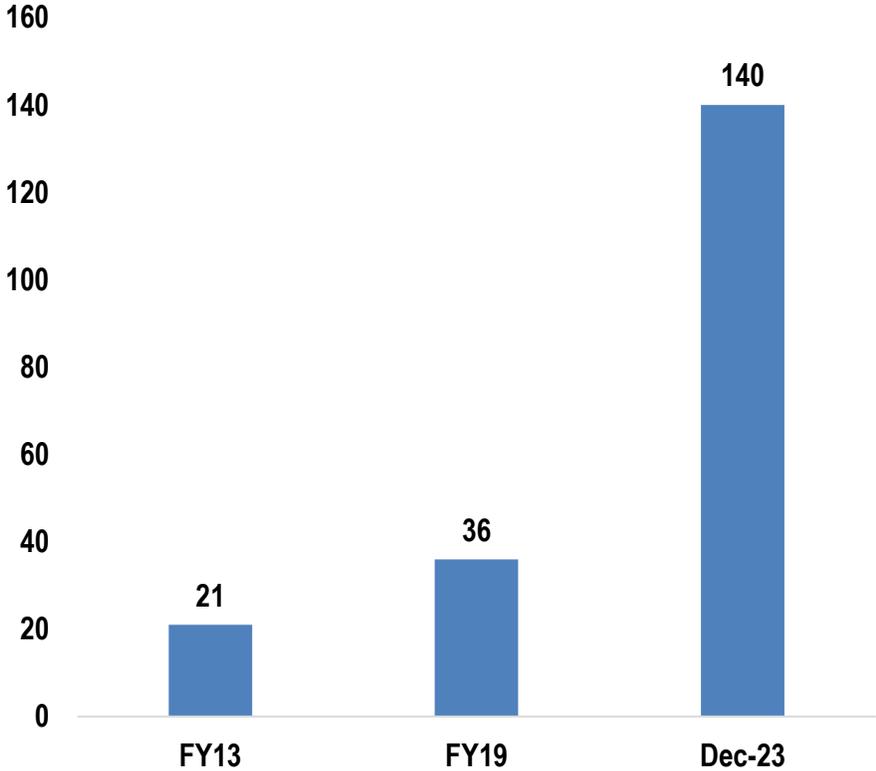
Mutual Fund AUM relative to Bank Deposits



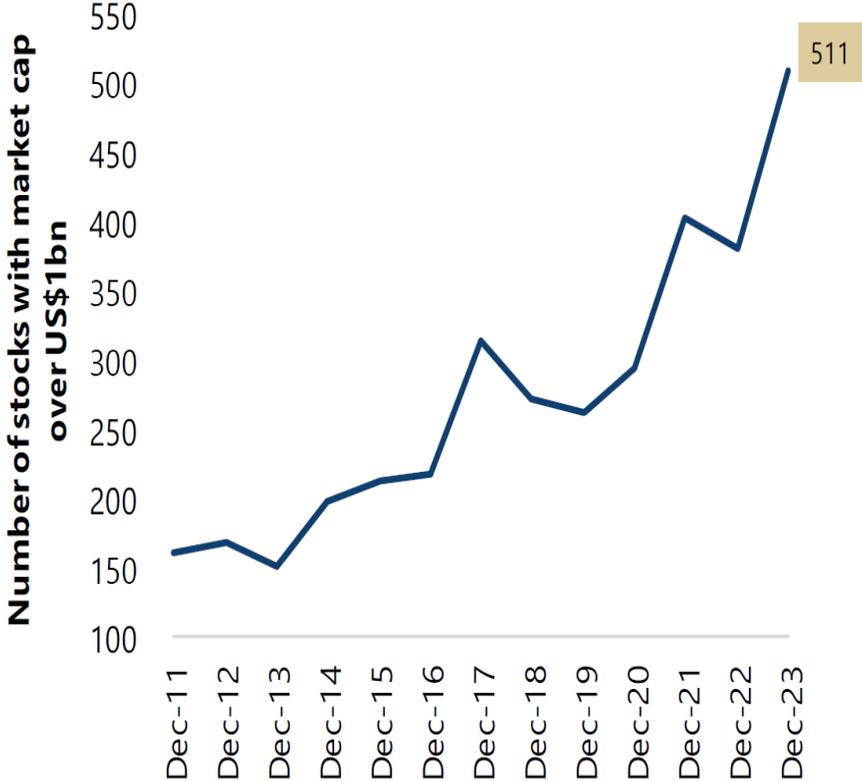
Source : Macquarie

Indian Markets - Strong Internals

Demat Accounts on the rise (in Mn)



Broader India - Market cap more than US\$1bn *

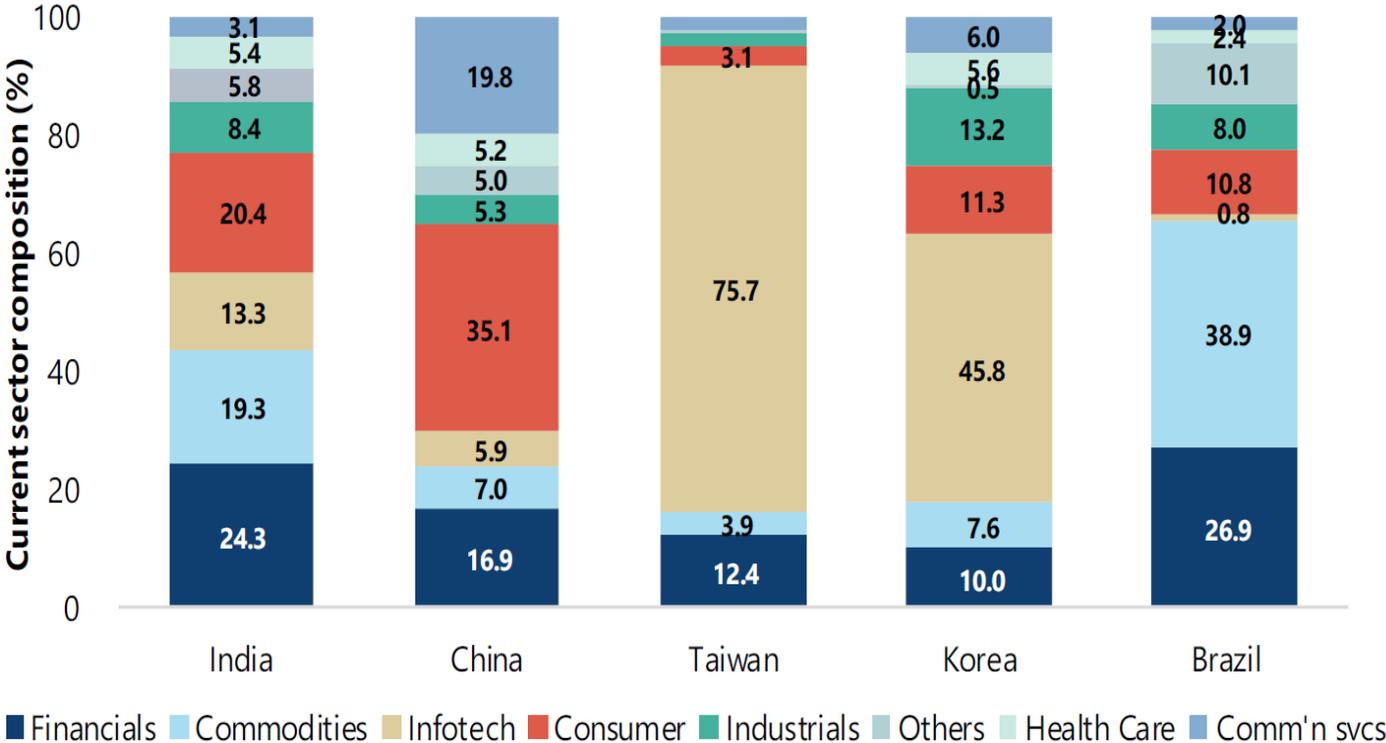


Source : Jefferies, FactSet, Blume Ventures Annual Report 2024, ICICI Securities

* - Based on companies listed in India

Indian Markets - Strong Internals

MSCI EM Markets – Current Sector Composition ^

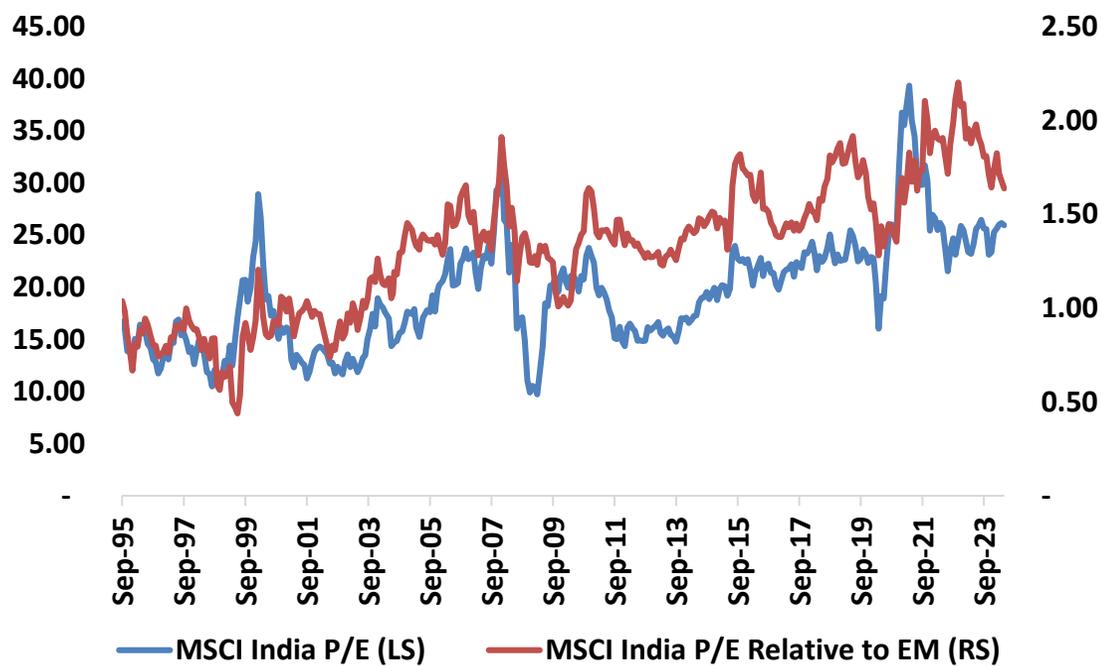


India has a balanced mix of sectors, presenting investors with the depth and breadth needed for sustained alpha generation.

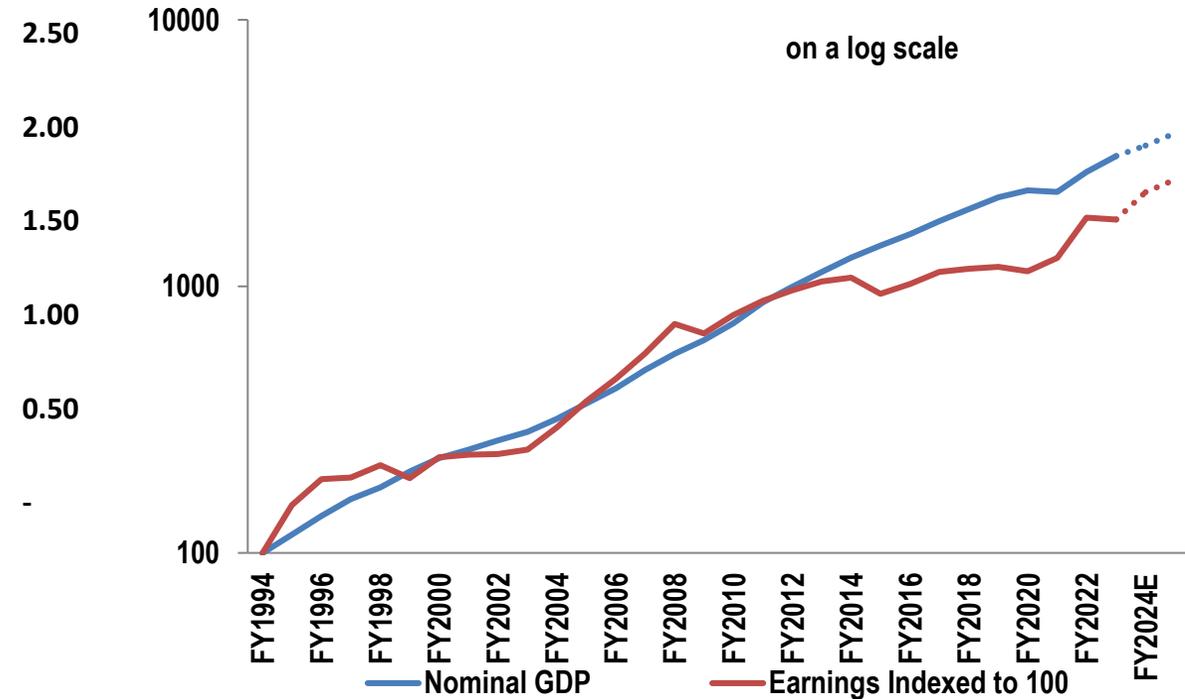
Source : Jefferies, FactSet
 ^ - Others refer to Utilities and Real Estate

India's valuation premium continues

MSCI India trades at premium over EMs against its long-term average (x)



Earnings vs Nominal GDP (log scale)

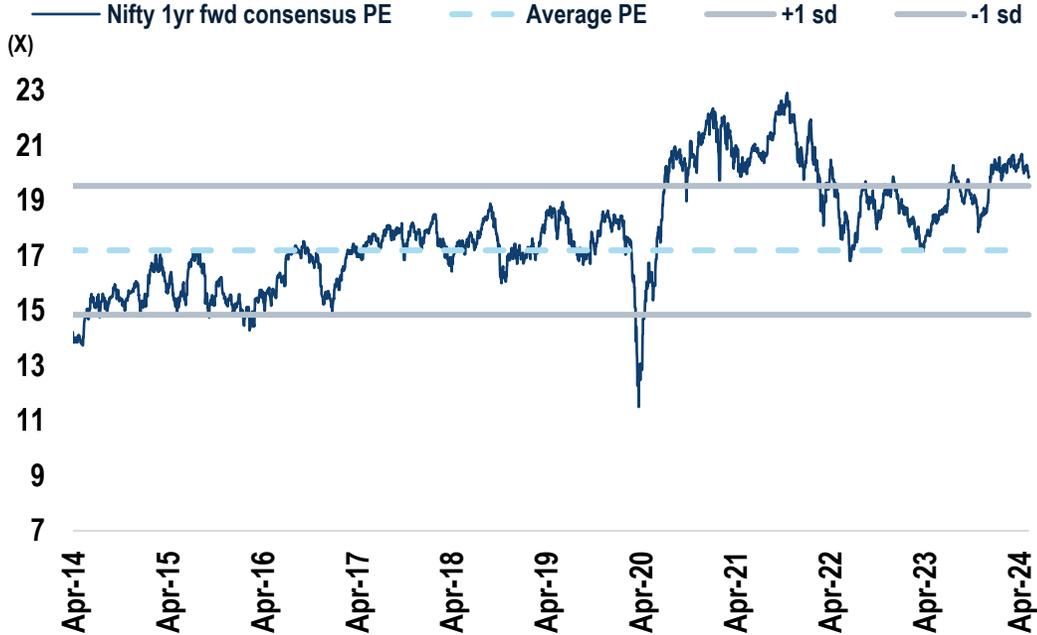


- Indian markets have always traded at a premium over EMs. With India being the fastest growing economy, with strong macros, the premium will always remain.
- While relative valuations remain rich, India offers much stronger relative earnings growth and is likely to benefit from a trough of the real rate gap with the US

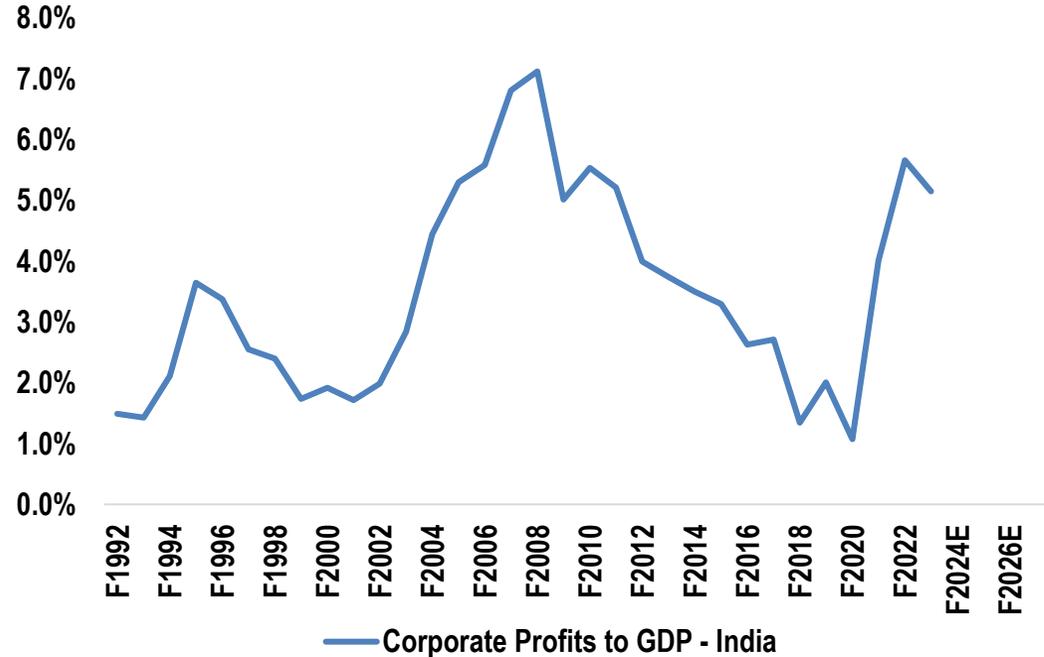
Source : Jefferies, Morgan Stanley

Earnings yet to fully close the gap with Nominal GDP

Nifty valuations ahead of its Long-term averages



Corporate Profits to GDP has picked up



Source : Jefferies, Morgan Stanley

Thank You

