



Capital League

The India Opportunity

2023

Capital League

- ❑ Boutique Wealth Management firm led by seasoned Private Bankers (all-women team) since 2003
- ❑ Relationship Managers have an average experience of more than two decades in managing a highly discernible set of clientele comprising CXOs, Professionals, Entrepreneurs.
- ❑ **National Awards:**
 - United Nations WEP Award, 2022 - SME Champion for Workplace
 - The Asset Triple A Award, Asia, two-time winner for:
 - (1) Best Wealth Manager Experience, India, 2021 and
 - (2) Best Boutique Wealth Manager, India, 2022
 - CNBC TV18 Award, 6-time winner for Best Individual Financial Advisor at the National level
 - Think BIG Award, 2-time winner for team building at the National level

Why India?

- ❑ India is the fastest-growing major economy in the world (IMF)
- ❑ 5th largest economy; expected to be the 3rd largest by 2030
- ❑ Healthy forex reserves, fiscal stability, controlled inflation, the most stable currency in the Emerging markets, and stable reformist government
- ❑ Major reforms like Insolvency & Bankruptcy Code, GST, and RERA are streamlining the functioning of the corporate sector
- ❑ Trinity of JAM (Jan-Dhan bank accounts, AADHAR, Mobile penetration) and the Tech Stack – Financialisation of savings, Direct benefit transfer, Rural housing schemes, and massive adoption of technology are significant structural changes
- ❑ Indian corporate sector profitability coming out of a trough
- ❑ High-Frequency indicators continue to show broad strength of the economy: GST collections, Registration for Passenger Car sales, Bank credit growth, Petrol, Diesel & Power consumption, Railway freight & Port and Flight traffic, and Hotel occupancy all trending upwards

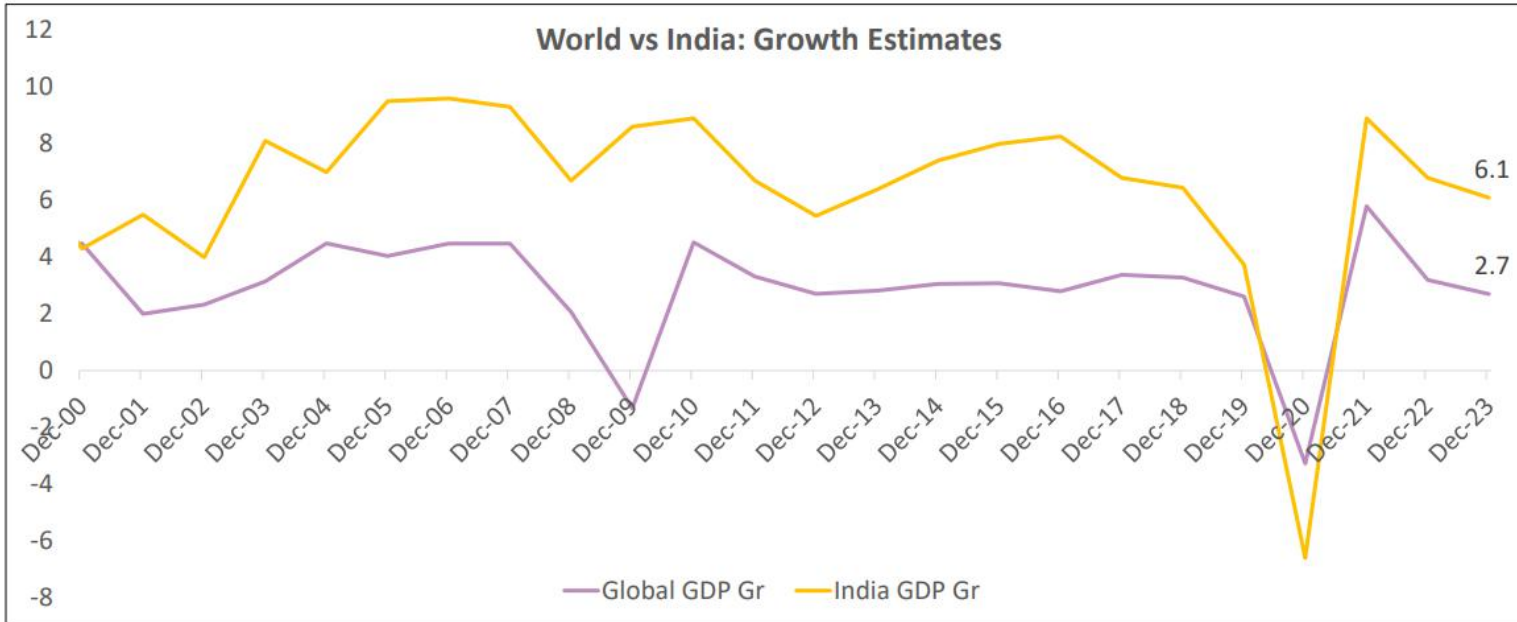
Equity Outlook: 2023



India Macro: Key factors

- ❑ GDP growth was 7.2% for FY23 and is expected to be 6.3% in FY24.
- ❑ A virtuous cycle of growth driven by Capex + PLI has begun to play out
 - Central government capex spending has been high- current budget allocation is 33% higher at INR 10 lac crores; Higher allocation to States for capex
 - PSU profitability is at record levels; government can utilize these profits to drive capex
 - Corporate and Bank Balance sheets are the cleanest in the last 10 years, giving enough scope for the revival of the private capex cycle
 - PLI schemes in various sectors can help capture the massive China+1 and Europe+1 opportunity.
- ❑ Real Estate cycle is now on the upswing leading to a multiplier effect in secondary & tertiary sectors and overall job creation.
- ❑ The recovery post-Covid
 - CY22 was characterized by Strong urban discretionary consumption and weak rural consumption
 - Agri prices still remain higher than pre-COVID; good increase in MSP for crops in pre-election year, and rural job creation through front-loading of Public & Private Capex should help drive rural incomes in CY23/24.

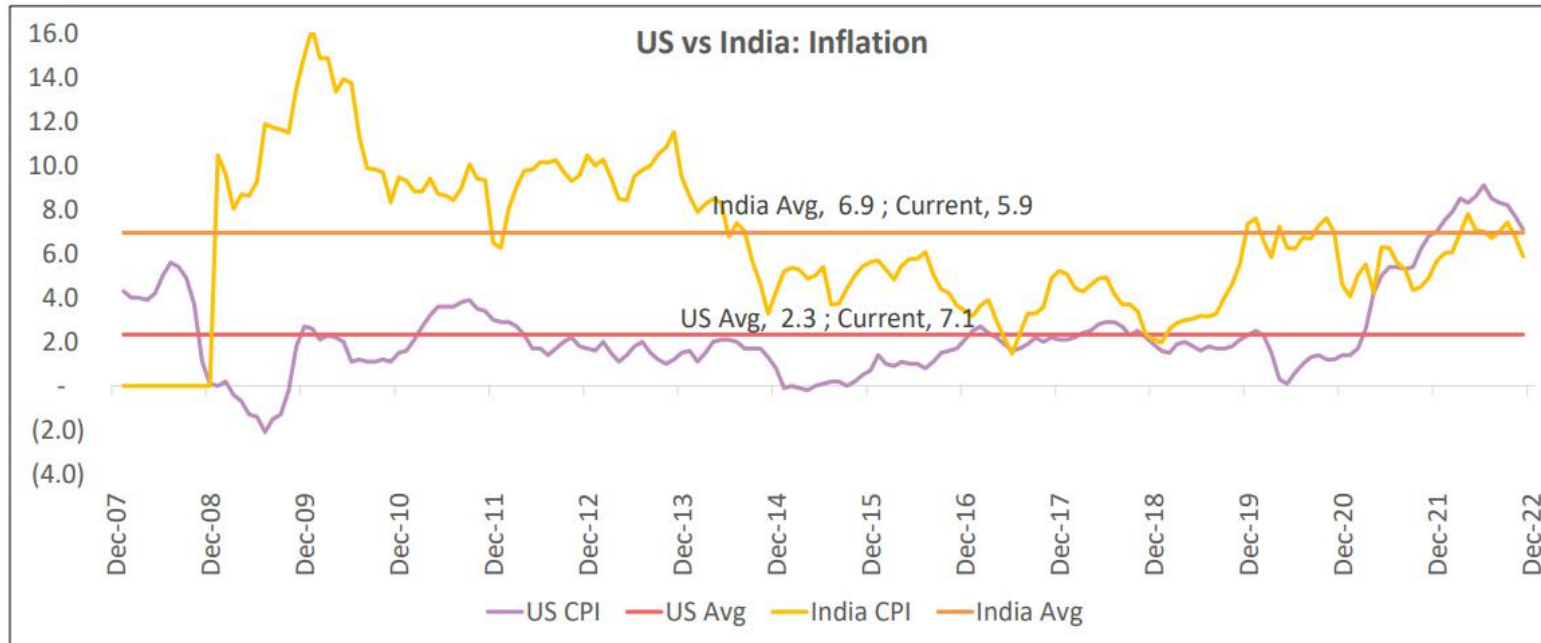
India Macro: India expected to be the fastest growing large economy in CY22 & 23



Source: Bloomberg, Data as of 31-Dec-22

- Global GDP Growth is expected to come off over the next 2 years globally
- India's growth is expected to be significantly higher than global growth; it is expected to be the fastest growing large economy in CY 23, for the second successive year

India Macro: India inflation much more benign than in Developed Markets

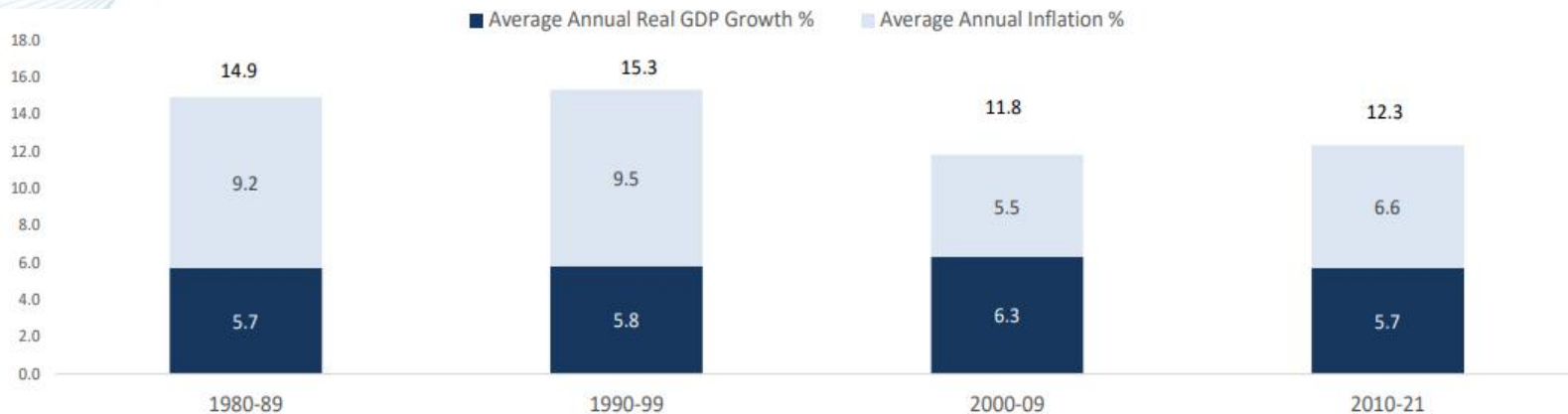


Source: Bloomberg, Data as of 31-Dec-22

- India inflation @5.9% is lower than its post-GFC average and within RBI's band of 4+/-2%
- US inflation on the other hand is at 7.1% vs post GFC-average of 2.3% and significantly above Fed's target of 2%



Indian Economy has grown steadily over the years



1980-89
Operation Blue Star
Rajiv Gandhi Government
Birth of IT Industry
Rise of BJP in Indian Politics
Advent of TV, Maruti Car

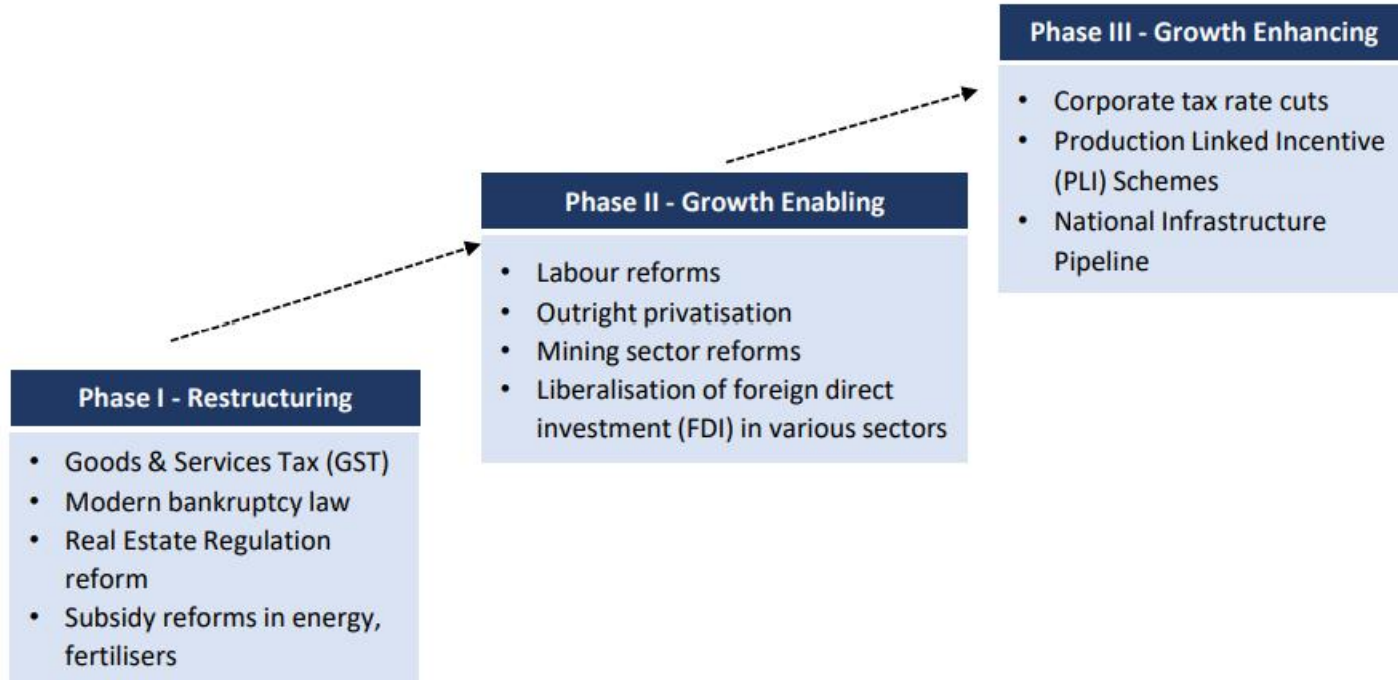
1990-99
Global Oil Crisis - Gulf War
BoP Crisis, Reforms commence
Asian Crisis, Era of coalitions
1st BJP govt., Kargil Conflict
Growth of IT, Satellite TV, Mobiles

2000-09
Violence in Gujarat post Godhra
9/11 , Dotcom Bubble bust
Growth of Indian Generics Cos.
10 year Congress rule
Lehmann Crisis, QE

2010-22
Coal, NIMO etc. scandals
QE Tapering, PIGS, Greece
High FD & CAD, high inflation
BJP Government elected twice
Demonetisation, GST, Make in India
Covid-19
Russia-Ukraine war

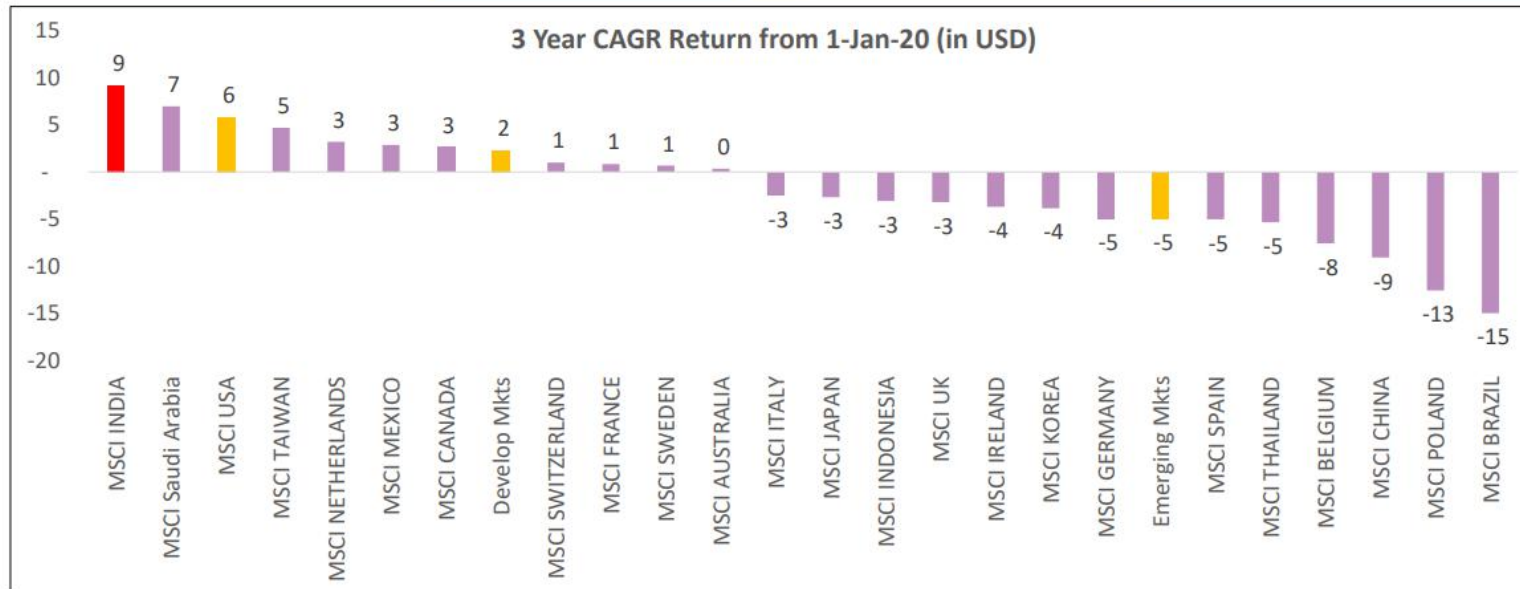
Source : IMF Data, Estimates are IMF estimates;

Reforms progressing in the right direction...





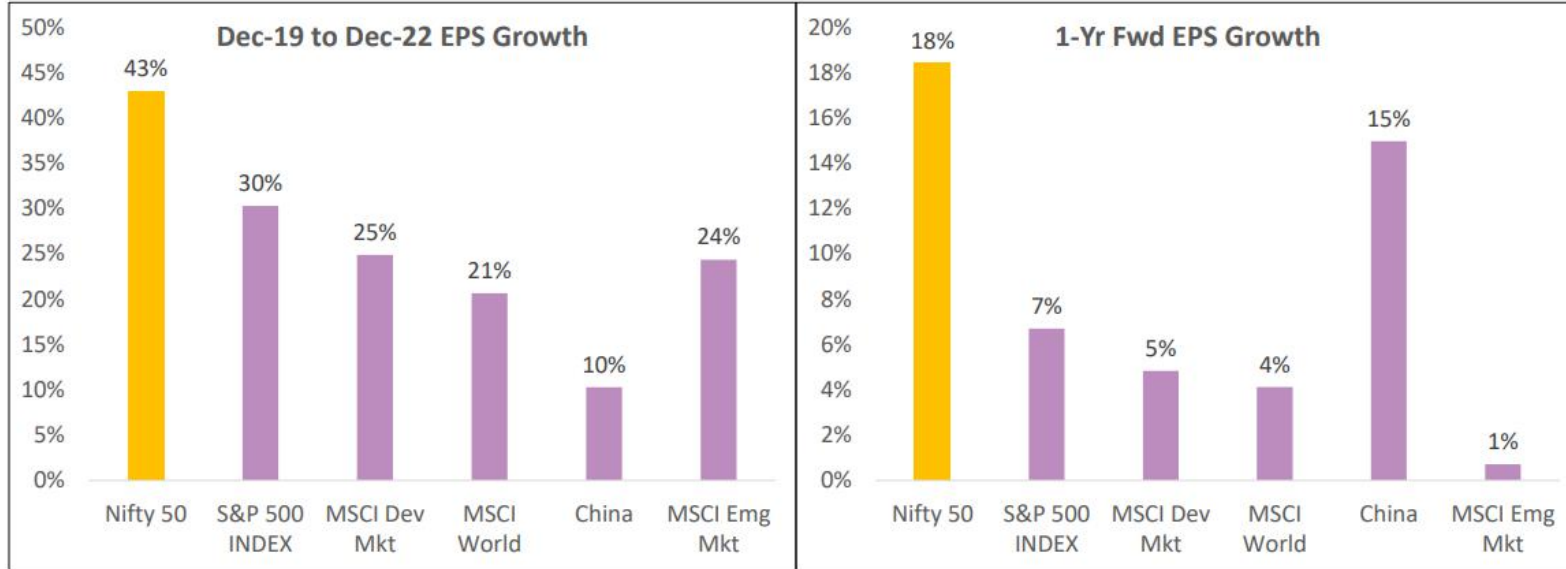
India the best performing global market from CY20-22



Source: Bloomberg, Data as of 31-Dec-22

Over the last 3-Years, despite the INR depreciation, India is the best performing equity market among prominent economies

Earnings: India stands out in terms of EPS Growth

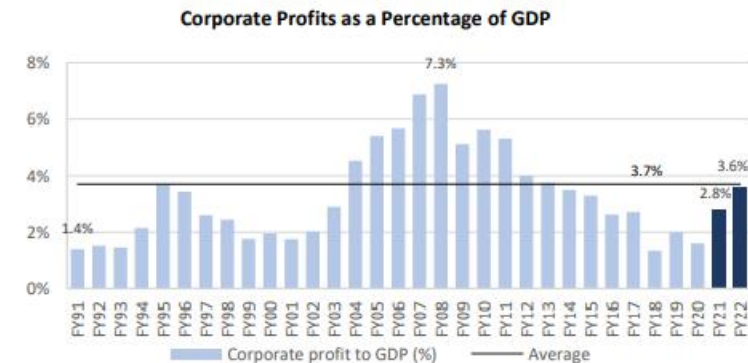
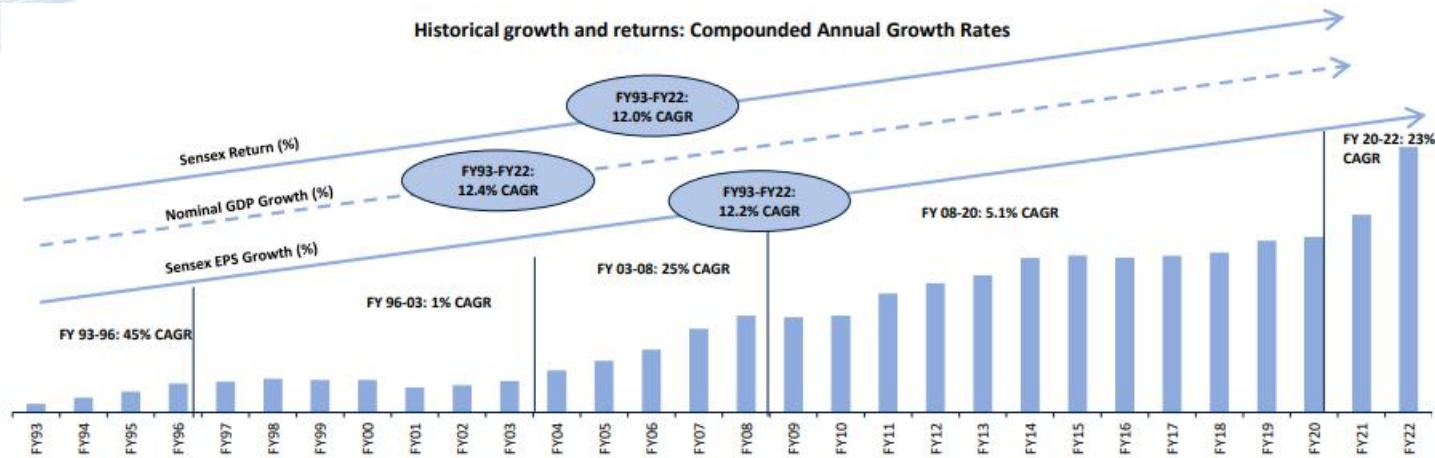


Source: Bloomberg, Data as of 31-Dec-22

- India has been a standout as far as earnings growth is considered: Over the 3-Year period from Dec-19 to Dec-22, NIFTY EPS grew 43%, significantly higher than most global markets
- Even for next year, EPS growth is estimated to be 15%, highest among most global markets



Corporate Earnings

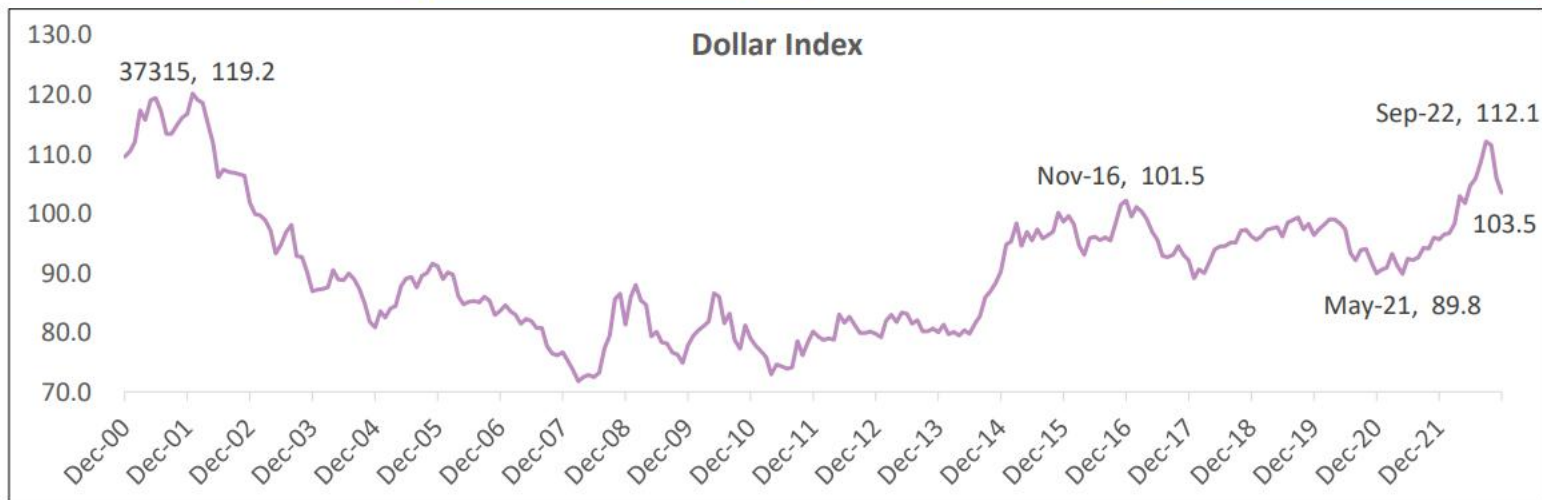


Average Return on Equity from 2002-2022

India	16.5%
Asia Pacific ex-Japan	12.0%
Emerging Markets	12.5%
World	11.2%

Source: Motilal Oswal Institutional Research, Spark, Bloomberg, White Oak Research; As of March 2022

Global Liquidity: Dollar is inversely proportional to Equity flows

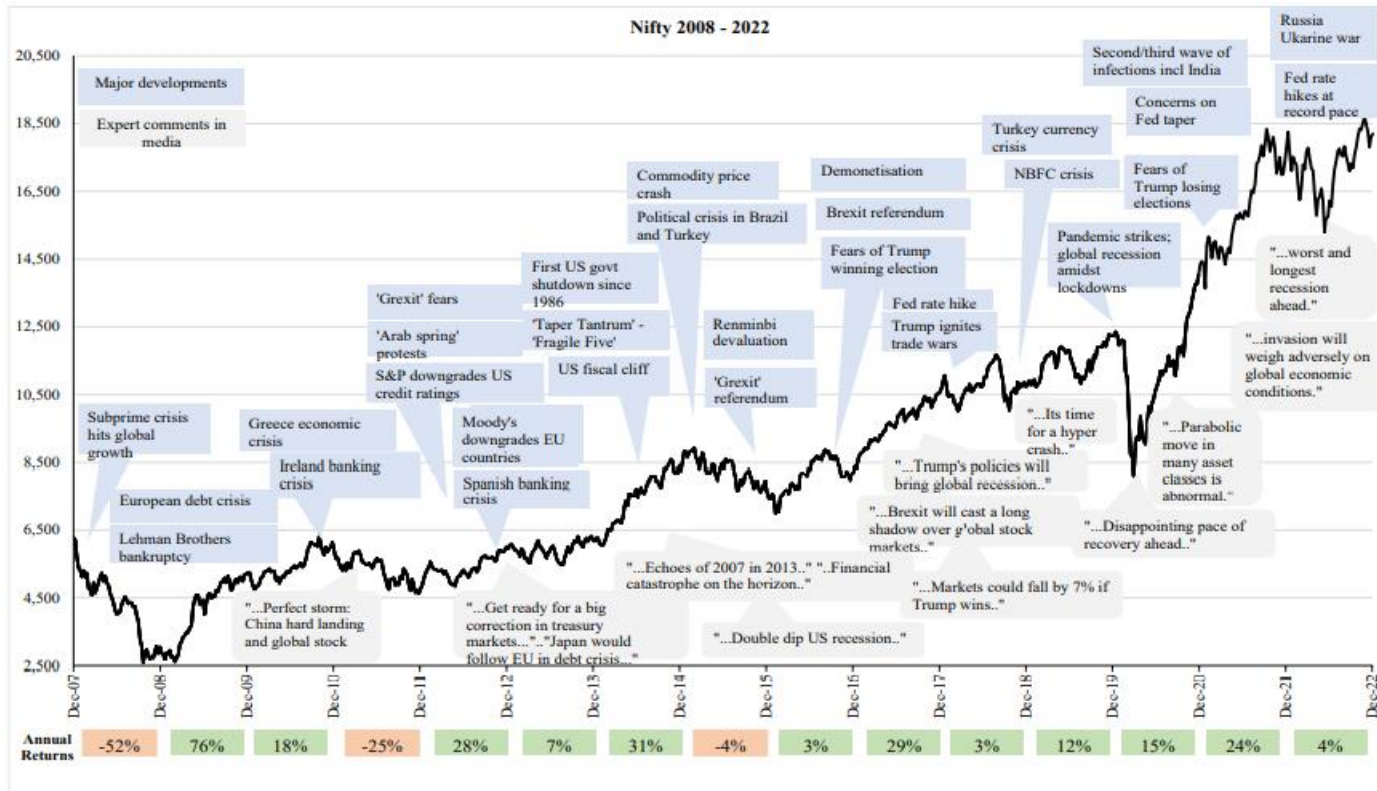


Source: Bloomberg, Data as of 31-Dec-22

- Dollar Index has corrected (101-103 levels) from its peak (114-117) in September, 2022
- Dollar strength is negatively correlated to Equity market flows; continued weakness in the Dollar should be positive for FII inflows to EMs



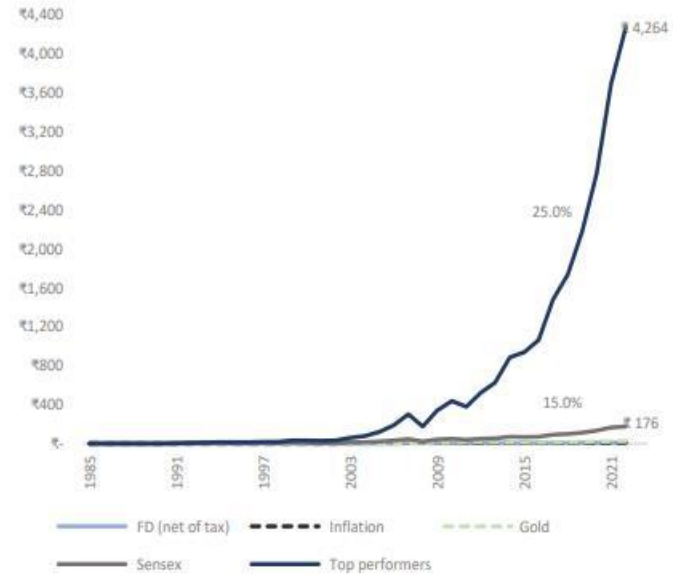
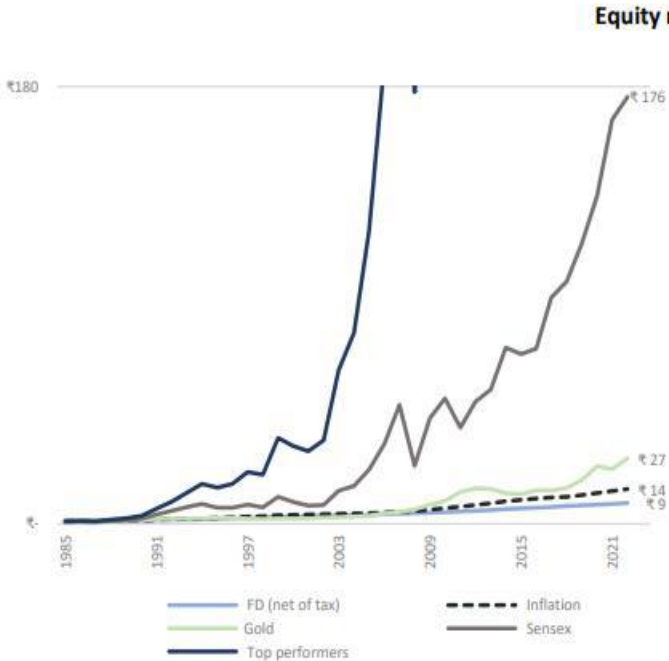
Nifty 2008-2022



Source: Bloomberg, As of Dec 2022

Relative Asset Class Returns

Fixed deposit vs Equities



Source: Bloomberg, Updated till Dec 31, 2022



The Long-term Case for Indian Equities

Economic evolution

2022 US\$3.2tn: 5th largest
2030est. US\$6tn: 3rd largest

- Once in an era transformation
- Multi-generational opportunity

Strong domestically driven growth

Consumption = 58% of GDP

- Key driver for global growth over coming years
- Attractive demographics, domestic consumption and investment

Profitable and diverse corporate universe

20-year RoE=17%

- Superior corporate profitability, superior asset mix
- Entrepreneurially driven capital allocation

Institutional infrastructure of a mature democracy

Net Democracy score 9/10*

- Independent Central Bank, Election Commission and Judiciary
- Strong property rights under a Common Law system

Source: IMF, Bloomberg, Polity Database, White Oak; 2030 estimates from CEBR (The Centre for Economics and Business Research)

Going Forward : Our Outlook for CY23/24

- ❑ Stable Macros – INR, Current account Deficit, Inflation/Interest rates have peaked
- ❑ Strong balance sheets of Banks and Corporates enablers for credit growth and capital expenditure to kick start a virtuous cycle of growth in the economy
- ❑ Capex cycle recovery visible– Housing/Real Estate, Government Infrastructure
- ❑ New growth drivers of outsourcing – Business Services & Manufacturing
- ❑ Foreign and domestic flows to the equity market are supportive
- ❑ Thus, Indian macro is far better placed w.r.t global macro on the inflation and growth front India would remain the fastest-growing “large” economy. This could be boosted by benign commodity prices and a revival in exports with China +1 playing out
- ❑ Concerns – Oil, Global volatility, Monsoons – El Nino effect
- ❑ Overall, constructive view on Indian Equities – reasonable valuations, leading to steady returns in the medium to long term

Thank You

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