

General Election - 2024

Abki Baar NDA Sarkar?

Indian electorate have given a fractured mandate in 2024 Lok Sabha elections after it gave BJP absolute majority in 2014 and 2019 elections which took markets by surprise resulting in ~6% cut in NIFTY. Although BJP failed to get absolute majority, NDA victory in an environment of drought (last year), higher global inflation and huge prevalence of freebies and loan waivers seems a commendable task. PM Modi is likely to be only Indian leader after Pt. Nehru to win mandate thrice. We believe portfolio allocations and future policies of NDA Govt will be a key determinant of market movements. Severe jolt to BJP in Uttar Pradesh (new PDA social engineering), Maharashtra (fractured parties) and West Bengal will keep tricky reforms regarding PSU divestment, GST, labor laws, agriculture, modern retail/ Ecom at bay.

With elections around the corner in several major global economies including USA, we would watch out for likely stand of US FED and other central banks. Incremental re-rating in PSU, Capital Goods, Infra, Defence, and Railways etc. looks unlikely given stretched valuations until policy clarity emerges. Given expected focus on rural India and normal monsoons sectors like consumer, auto, pharma, private banks, Durables etc. might come to focus, where we had recently increased weights in model portfolio.

Key Takeaways

- BJP to settle at ~240 seats, NDA might end up with ~290-300, a loss of 50-60 seats than last Lok Sabha
- Opposition INDIA alliance gains ground INC increases tally from 52 to ~100.
- BJP gets severe jolt in large states of Uttar Pradesh, Maharashtra and West Bengal
- NDA has high chances of forming Govt, however India back to Coalition rule after 10 Years
- Watch for portfolio allocations and budget next month
- Speed of policy reforms to slow down, tricky reforms might take a backseat
- Loss in Uttar Pradesh and Maharashtra unprecedented, expect increased show of freebies and social engineering in coming elections
- PSU, PSU Banks, Defence, Infra, Capital Goods re-rating to take a back seat post sharp run up of past few years
- Consumption, Private banks, Auto, Healthcare to show rising traction with expected increase in social spends and normal monsoons
- Favorable monsoon forecast and RBI rate revision in near future, drive the consumption sector.

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Exhibit 1: NDA Govt likely: Sectoral churning likely, Consumption, Private Banks, Auto to gain traction

Government Seats	NDA	
	BJP 240+, NDA 290-300	
	Sector	Companies
	Infra	L&T, Adani Port, Road & Metro EPC companies
	Capital Goods	Siemens, ABB, Carborandum, Schneider, Esab, Ingersoll Rand, Kirloskar Pneumatic
	Defence	HAL, BEL, BDL, BEML, Mazgaon Dock, Cochin Ship
	Cement	Ultratech, Ambuja Cement
	New Energy	Reliance Inds, Sterling Wilson, Waree, L&T, Praj Inds
	Metals	JSPL, JSL
	PSU Banks	SBI, BOB, Canara, Union, PNB
	PSU	Across Sectors including OMC
	Wire and Cable, EMS	Polycab, RR Kabel, Dixon, Amber, Keynes, Syrma
Near term Rerating looks unlikely	Sector	Companies
	FMCG	HUL, Britannia, GCPL, Marico, Dabur, Emami, Varun Beverages
	Auto	Eicher, Hero MotoCorp, M&M, Maruti Suzuki
	Pharma, Hospital	Sun, Max Healthcare, Lupin, Jupiter Hospitals
	Private Banks	HDFC Bank, Kotak, Axis and ICICI Bank
	Capital Goods	Siemens, ABB, Elantas Beck, Timken, Hitachi Energy, GE T&D
	Commodities	Hindalco
	Consumer Durables/ Telecom/ Others	Havells India, Bharti Airtel, Delhivery, Astral, Crompton Consumer

Source: PL

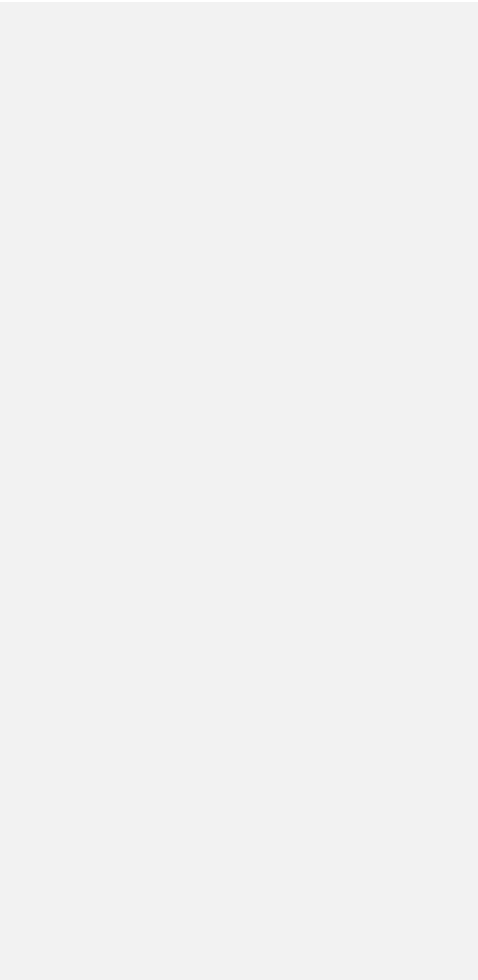


Exhibit 2: Income reforms might continue, tricky ones might take a back seat (marked in red)

India's Economic Reforms	Implementation	Remarks
Incomplete		
7 Allow companies to conduct layoffs without government permission	Sep-20	Industrial Relations Code, 2019 gave flexibility in hiring and firing for firms upto 300 employees
8 Outside restructuring process (to ease the burden on the NCLT)	2019	RBI gave Indian banks the discretion to refer defaulters to NCLT on a case by case basis.
9 Increase the number of NCLT benches, resolution deadline to 1 year	2019	Insolvency and Bankruptcy Code (Amendment) Act, 2019 increased the resolution deadline for NCLT cases to 330 days.
10 Create a bankruptcy resolution process for financial firms	2019	Insolvency and Bankruptcy Rules 2019, allowed interim framework for Financial Service Providers (excluding banks), to file for insolvency proceedings
11 Offer one-stop shopping for central government clearances	2022	National Single Window System (NSWS), created by Department for Promotion of Industry and Internal Trade (DPIIT)
Not started		
13 Deregulate Kerosene Pricing		Price cap on PDS kerosene, subsidies to compensate for the fixed price, thereby maintaining controls
14 Deregulate Natural Gas Pricing		Price ceilings on natural gas, maintaining control of pricing
15 Reduce restrictions on foreign investment in multi-brand retail		FDI in multi-brand retail is subject to minimum investment size, sourcing rules and location limitations
16 Allow more than 50 percent foreign investment in direct retail e-commerce		FDI in B2C retail e-commerce is not allowed except for single brand, local-content requirements, non inventory ownership by foreign company
17 Simplify the Goods and Services Tax rates to three rates		Currently four rates, plus a separate tax rate for gold and a 0 percent rate persists
18 Include electricity, oil & gas, real estate, and alcohol in the ambit of the GST		Electricity, oil and gas, real estate, and alcohol remain out of GST
21 Amend or replace the Land Acquisition Act, 2013		Current law which requires approval from at least 80% of residents before buying land, making it difficult to find plots for industry and infrastructure
22 Establish the already-approved Rail Development Authority		No steps to institute the Rail Development Authority despite cabinet approval
23 Establish a paperless court system to ensure speedy resolution of cases		Integrated Case MIS to digitize India's courts has been implemented only in the Supreme Court

Source: PL

Latest Leading trends in Lok Sabha

Exhibit 3: Major States - Major loss for NDA in UP and Maharashtra

	Total Seats	2019 Actual			2024 (Leads)		
		NDA	UPA	Others	NDA	INDIA	Others
Uttar Pradesh	80	64	15	1	34	45	1
Maharashtra	48	41	5	2	19	29	0
West Bengal	42	18	2	22	12	30	0
Bihar	40	39	1	0	33	6	1
Tamilnadu	39	1	32	6	2	37	0
Madhya Pradesh	29	28	1	0	29	0	0
Karnataka	28	25	2	1	19	9	0
Gujarat	26	26	0	0	25	1	0
Andhra Pradesh	25	0	0	25	21	0	4
Rajasthan	25	25	0	0	14	10	1
Total	382	267	58	53	208	167	7

Source: ECI, PL

Exhibit 4: Tier I – NDA gains in Odisha, Telangana; losses in Haryana, Opens account in Kerala

	Total Seats	2019 Actual			2024 (Leads)		
		NDA	UPA	Others	NDA	INDIA	Others
Odisha	21	8	1	12	19	1	1
Kerala	20	0	16	4	1	19	0
Telangana	17	4	3	10	8	8	1
Jharkhand	14	12	2	0	8	5	1
Punjab	13	4	8	1	1	10	2
Chhattisgarh	11	9	2	0	10	1	0
Haryana	10	10	0	0	5	5	0
Total	106	47	32	27	52	49	5

Source: ECI, PL

Exhibit 5: Tier II – status quo as NDA sweeps Hindi heartland

	Total Seats	2019 Actual			2024 (Leads)		
		NDA	UPA	Others	NDA	INDIA	Others
Delhi	7	7	0	0	7	0	0
J&K	6	3	3	0	2	2	1
Uttarakhand	5	5	0	0	5	0	0
Himachal Pradesh	4	4	0	0	4	0	0
Goa	2	1	1	0	1	1	0
Total	24	20	4	0	19	3	1

Source: ECI, PL

Exhibit 6: Tier III – INDIA makes some inroads in North East

	Total Seats	2019 Actual			2024 (Leads)		
		NDA	UPA	Others	NDA	INDIA	Others
Assam	14	9	3	2	11	3	0
Arunachal Pradesh	2	2	0	0	2	0	0
Manipur	2	1	0	1	0	2	0
Meghalaya	2	1	1	0	0	1	1
Mizoram	1	1	0	0	0	0	1
Nagaland	1	1	0	0	0	1	0
Sikkim	1	0	0	1	1	0	0
Tripura	2	2	0	0	2	0	0
Total	25	17	4	4	16	7	2

Source: ECI, PL

Exhibit 7: Union Territories – INDIA makes some gains

	Total Seats	2019 Actual			2024 (Leads)		
		NDA	UPA	Others	NDA	INDIA	Others
Chandigarh	1	1	0	0	0	1	0
Dadra & Nagar, Daman	2	1	0	1	1	0	1
Lakshadweep	1	0	1	0	0	1	0
Puddacherry	1	0	1	0	0	1	0
Andaman	1	0	1	0	1	0	0
Ladakh	0	0	0	0	0	0	1
Total	6	2	3	1	2	3	2

Source: ECI, PL



PL's Recommendation Nomenclature

Buy	: > 15%
Accumulate	: 5% to 15%
Hold	: +5% to -5%
Reduce	: -5% to -15%
Sell	: < -15%
Not Rated (NR)	: No specific call on the stock
Under Review (UR)	: Rating likely to change shortly

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