

Grow with India growth story

Market Deck | July 2025

India: Rise of a new asset class

Reforms implemented in the last decade have put India on a virtuous and structural growth runway

- ◆ India is the **5th largest** equity market in the world now and it was 10th largest in 2014.
- ◆ Despite the recent slow down it has world leading GDP and Corporate Earnings **growth**.
- ◆ Leapfrogging **technology revolution** through its own unique Digital Public Infrastructure.
- ◆ **Reforms and Policy Stability** bedrock for long sustainable growth.
- ◆ From fragile five to best in class **macro** indicators.
- ◆ World leading **returns** and with low volatility and correlation

Source: HSBC Mutual Fund, Morgan Stanley, MSCI, Latest available data as on 30 June '25, The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Strategy/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).

Indian economy is estimated to add \$1tn every 1.5 years going forward

India to be third largest economy in next 5 years, after US and China

Rank	2004	2009	2014	2019	2024	GDP (\$ tn)	2029E	GDP (\$ tn)
1	United States	United States	United States	United States	United States	29.2	United States	35.7
2	Japan	Japan	China	China	China	18.7	China	24.5
3	Germany	China	Japan	Japan	Germany	4.7	India	6.1
4	United Kingdom	Germany	Germany	Germany	Japan	4.0	Germany	5.4
5	France	France	United Kingdom	United Kingdom	India	3.9	Japan	4.8
6	China	United Kingdom	France	India	United Kingdom	3.6	United Kingdom	4.7
7	Italy	Italy	Brazil	France	France	3.2	France	3.6
8	Spain	Brazil	Italy	Italy	Italy	2.4	Italy	2.7
9	Canada	Spain	Russia	Brazil	Canada	2.2	Canada	2.7
10	South Korea	Canada	India	South Korea	Brazil	2.2	Brazil	2.5
11	Mexico	India	Canada	Canada	Russia	2.2	Russia	2.3
12	India	Russia	South Korea	Russia	South Korea	1.9	Spain	2.1

Source: Forecasts by IMF, Oxford Economics, The World Bank and Reserve Bank of India, BCG Analysis. Data based on GDP at current prices. The above details provided basis on sourced information only. The sector(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. Participants should note that there is no intention to solicit any investment opportunities outside Indian jurisdiction

- Among top countries, India is the only one to witness double-digit nominal GDP growth over the next 5 years
- China moved from GDP of \$3.6tn in 2007 (similar to India's GDP currently) to \$10.5tn in 2014 (~3x in 7 years)

Source: IMF, Oxford Economics, The World Bank, RBI, BCG, Latest available data as on 30 June 2025, The above information is for illustrative purposes only. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Strategy/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

Potential drivers of India's growth

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1 Infrastructure and Realty

- ◆ Power demand with rising peak deficit
- ◆ Higher Government capital expenditure
- ◆ Better connectivity with expenditure across various industries like roads, railways, airports, telecom, etc.
- ◆ Residential affordability and low inventories
- ◆ Building materials and other real estate beneficiaries such as Tiles, Electricals, Wires and Cables, Paints, etc.
- ◆ Improvement in logistics

2 Manufacturing

- ◆ EMS (Equipment Manufacturing services)
- ◆ Railways, including metros. Eg: Vande Bharat coaches
- ◆ Indigenization in defence
- ◆ EV, its supply chain and related new age companies
- ◆ Government incentives and policies like PLIs, low corporate tax rate and tax rationalization (inverted duty structure)
- ◆ Ease of doing business
- ◆ Focus on exports

3 Consumption

- ◆ Premiumisation
- ◆ Formalization of economy (Unorganized to Organized movement)
- ◆ Improving penetration across products and services
- ◆ Urbanization
- ◆ Nuclearisation
- ◆ Digitisation
- ◆ Convenience

4 Financialisation

- ◆ Financial inclusion
- ◆ Improved financial literacy
- ◆ Investment into Digitisation ensuring ease of use, efficiency and protection
- ◆ Faster growth of Ultra High Net-worth Individuals
- ◆ High gross national savings
- ◆ Better asset quality and stronger balance sheet of financials and NBFCs

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Crucial reforms have paved the path for a structural recovery in India

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Push for Manufacturing

Production Linked Incentive Schemes (PLI) - \$34bn (around 1% of GDP) boost
Capex push by the Government as public capex increases continuously
Reduction of Corporate Income Tax to make them more competitive



One nation one tax (GST)

No. of people paying indirect tax has more than doubled since the roll-out of GST
Average distance travelled by trucks per day and logistics cost after GST has reduced



Formalization of the economy

GST facilitating greater formalization of the economy through simpler regulatory provisions
Digital India Program launched in 2015 to become a digitally empowered society



Improving housing affordability, leading to structural re-rating

Supported by a constant increase in annual income and stable prices, homes are becoming more affordable in India
Improving demand-supply and formalization of the sector helping re-rating



Bankruptcy Law

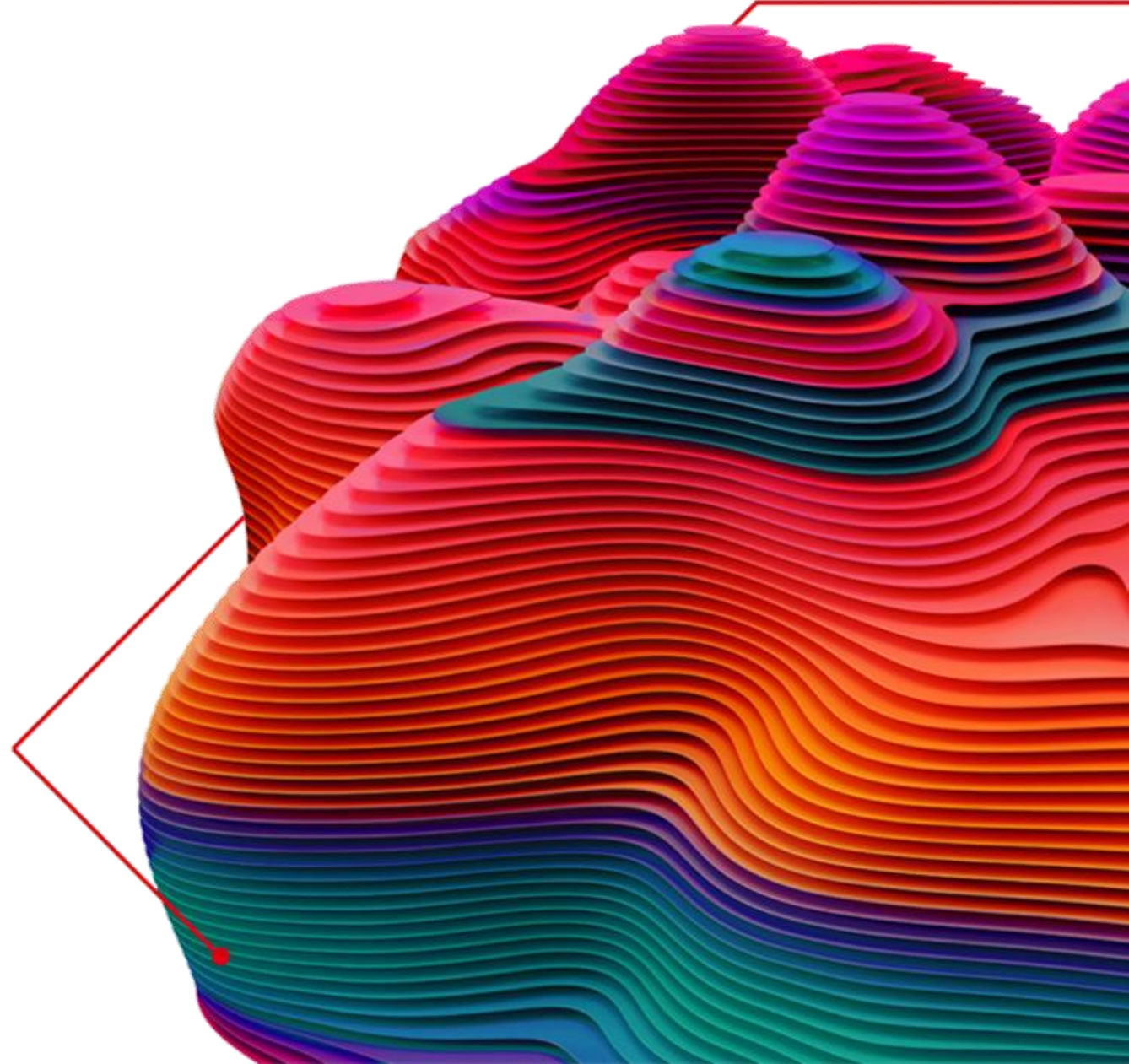
Financial sector balance sheets are strong with impaired loans at a 12-year low to fund the capex cycle
Corporate sector has repaired their balance sheets to bring down debt levels to a 15 year low



Startup Ecosystem

India - the third largest start-up ecosystem in the world
US, China and India are the countries with the maximum number of unicorns, Growing PE and VC investments in India

Market Outlook



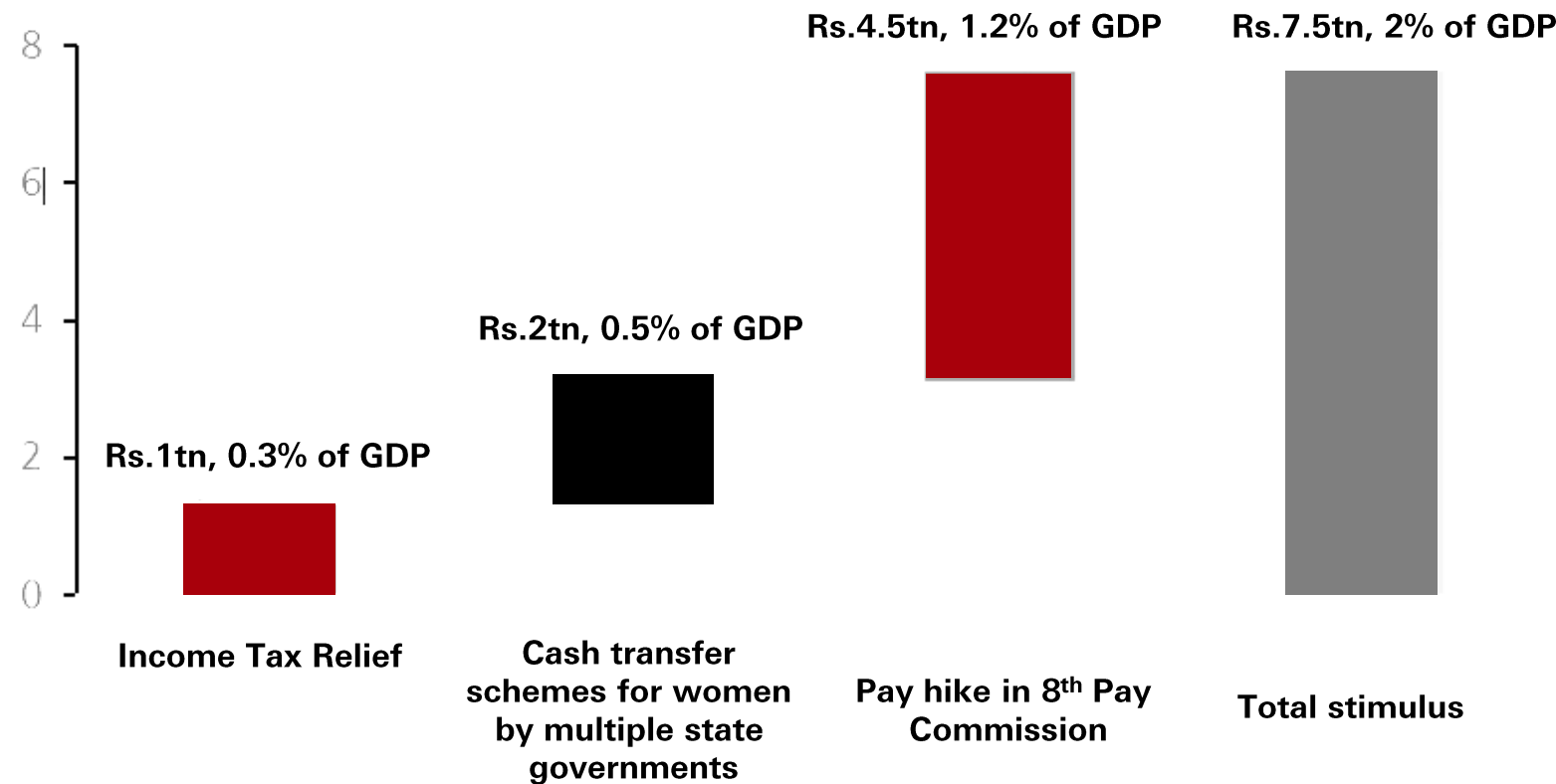
Key factors impacting Indian equity markets

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Key factors	September 2024	June 2025	Outlook
Global outlook	Strong growth outlook driven by US exceptionalism and rate cuts globally	Cut to global growth outlook driven by US and concerns on trade war. Central Banks on wait and watch mode.	Global outlook remains uncertain on both growth and inflation. Volatility to remain high.
Government capex	Significant slowdown in both central and state capex driven by elections	Resumption of central government capex, especially in defence and power. State government capex remains slow.	Central government capex should remain strong. State government capex may remain slow. Portfolio realigned accordingly
Consumption	Growth slowdown seen in urban consumption; income tax cuts announced. Rural consumption remained weak.	Social welfare schemes by state government and income tax cuts to drive consumption. 8th Pay commission set up	Discretionary Consumption to expected to see recovery
Inflation	Food inflation remains sticky. Core inflation low.	Food inflation showing fast deceleration on strong harvest, expectations of good monsoon and lower commodity costs	Inflation in FY26 likely to remain below/ around RBI expectations of 4% and likely 2-3 rate cuts
Domestic liquidity	Tight liquidity conditions	Slew of measures to boost liquidity, including rate cuts	Domestic liquidity conditions to remain positive in FY26
Flows	FII flows were strong driven by India's relative attractiveness. DII flows were also strong.	FIIs saw high outflows in past 6 months. DIIs flows saw deceleration in growth driven by record cash levels.	FII flows may remain volatile driven by global uncertainty. DII flows to remain strong.
Consensus earnings revision	Sizeable downgrade in earnings revision for FY25	Intensity of earnings downgrade revision has come down	Earnings downgrade cycle look close to bottoming-out
Valuations	Significantly above historical averages with hardly any margin of safety	Above historical averages, however, corrected from top	Specific pockets where valuation are attractive. We remain selective bottoms-up.

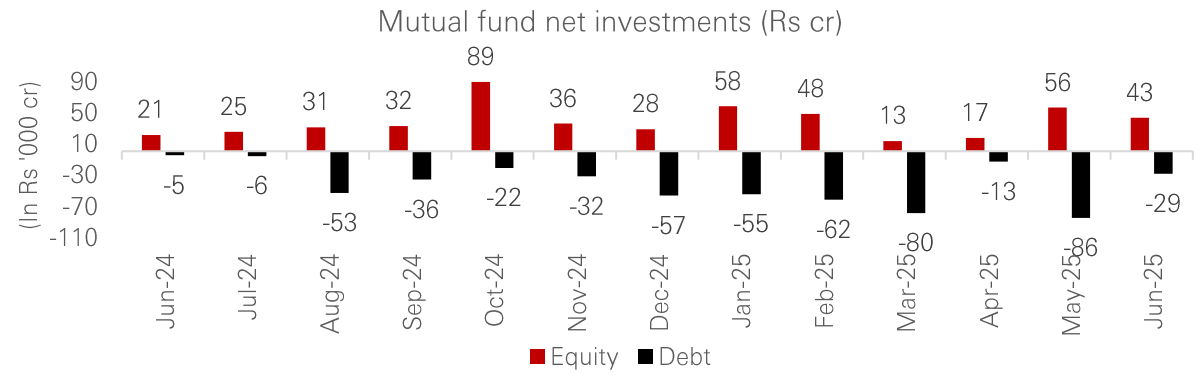
Source – HSBC Mutual Fund, Latest available data as at June '25, The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Strategy/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s). Past performance may or may not be sustained in future and is not a guarantee of any future returns, Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision.

Consumption stimulus could be huge over coming years

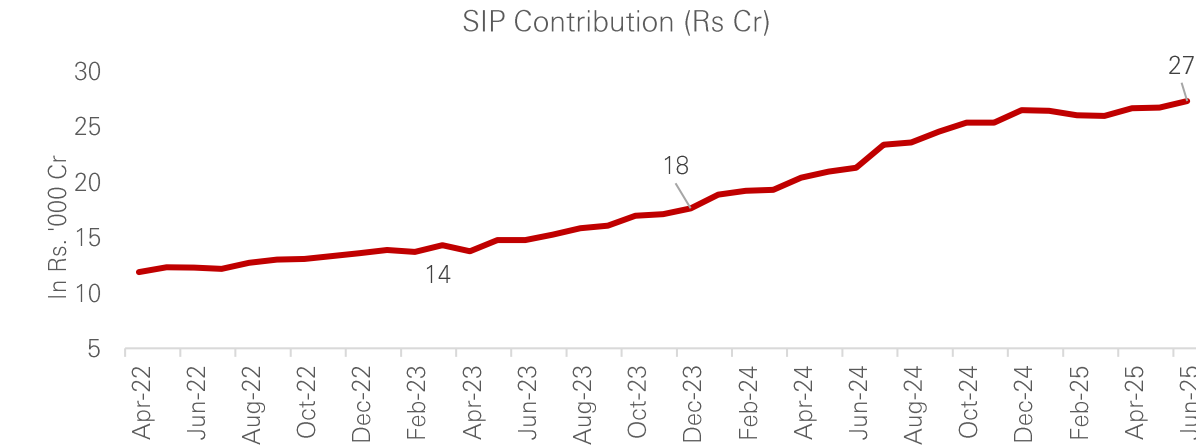


Source : UBS, HSBC Mutual Fund, Latest available data as at Jun '25, Past performance may or may not be sustained in the future and is not indicative of future results. Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s).

Mutual funds net buyers in equity and sellers in debt



Inflows through SIPs steady in June 2025

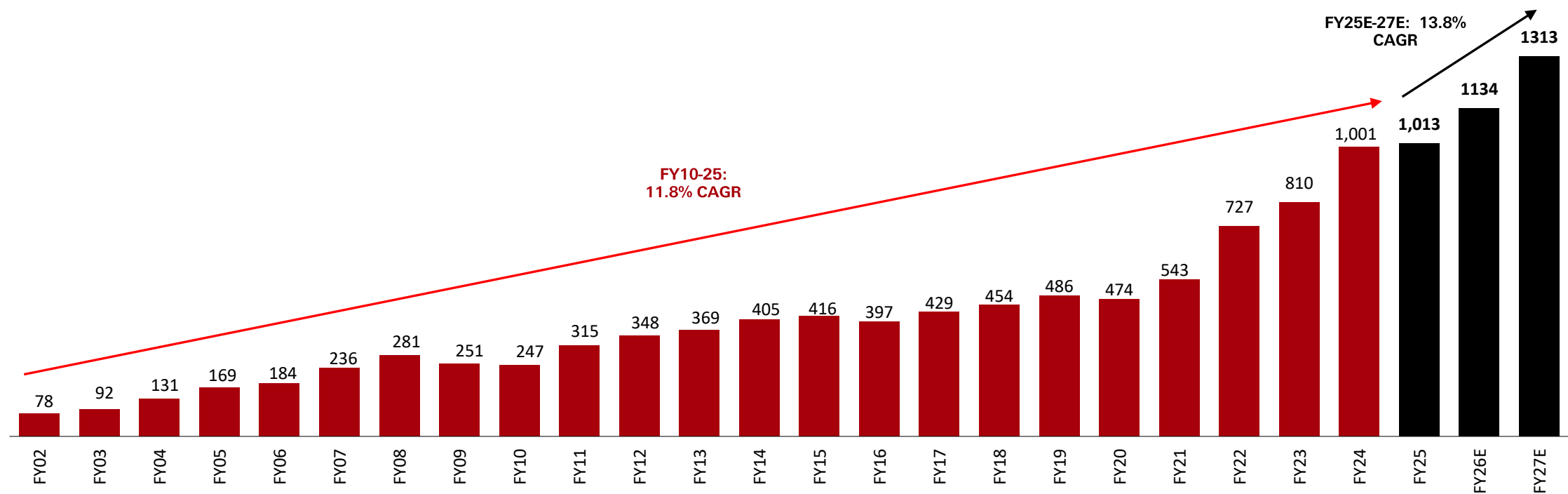


- Assets under management (AUM) of the domestic mutual fund (MF) industry rose 3.14% (or by Rs 219,773 crore) in May to ~Rs 72.20 lakh crore from Rs 69.99 lakh crore in April, driven by equity-oriented schemes.
- Assets of open-ended equity funds rose 4.8% on-month to Rs 32.05 lakh crore. The category witnessed a net inflow of Rs 19,013 crore, lower than the Rs 24,269 crore seen in April.
- Assets of hybrid funds rose 4.43% (or by Rs 40,541 crore) on-month to Rs 9.55 lakh crore in May owing to gains in the assets of balanced hybrid funds/ aggressive hybrid funds. The net inflow into the category rose to Rs 20,765 crore from Rs 14,248 crore in April.
- Collections through systematic investment plans saw an increase to Rs 27,269 crore in June '25 from Rs 26,688 crore in May. The number of SIP accounts touched 9.19 crore from 9.05 crore in May.

Source: Crisil, AMFI, Data as on 30 June 2025, Past performance may or may not be sustained in future and is not a guarantee of any future returns.
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Corporate earnings to grow mid-teens on low base

- ◆ Nifty 50 earnings delivered 11.8% CAGR over the period FY 2002-25
- ◆ Earnings growth to reaccelerate on a low base of FY25 with 13.9% growth over FY25-FY27 as per recent projections



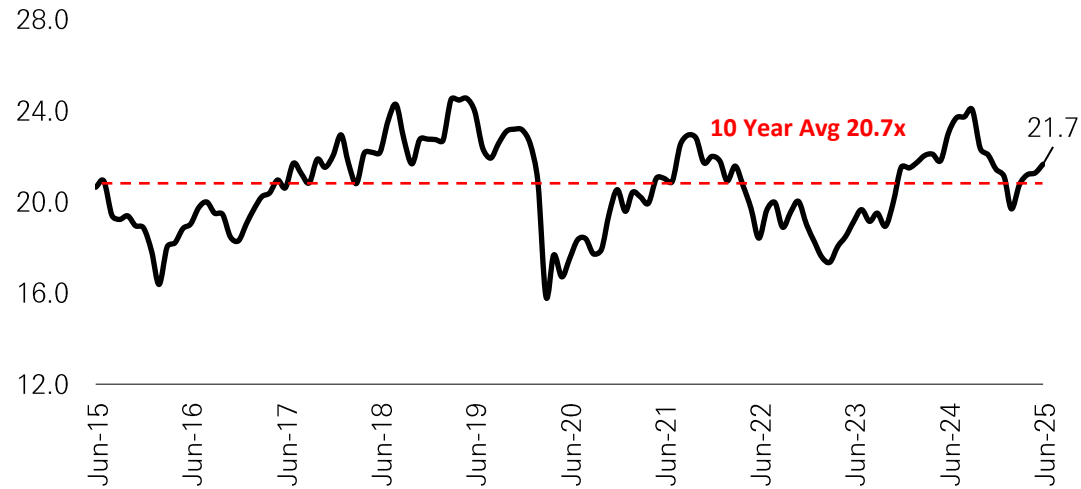
Source – MOSL, Bloomberg, Latest available data as at Jun '25, Note: Above data is based on Nifty EPS (in INR), Nifty50 Earnings and returns, EPS – Earnings Per Share, The above information is for illustrative purposes only. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. Past performance may or may not sustain and doesn't guarantee the future performance.

Large cap valuations slightly above average

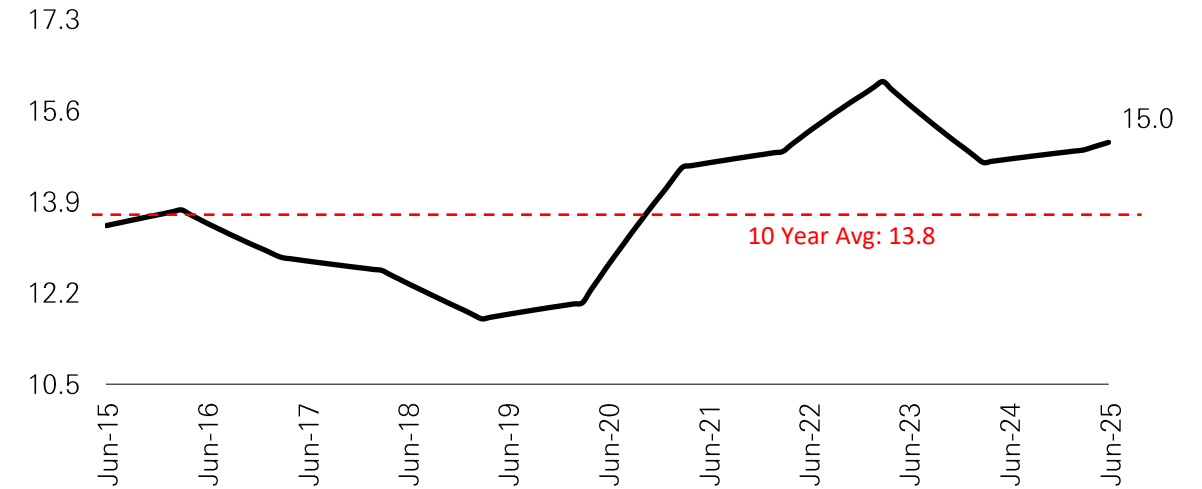
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- ◆ With the recent market recovery, **Large Caps** are currently trading **slightly above its long-term average**
- ◆ ROEs not far from decadal highs of 16%, though marginally lower now on account of moderate FY25 earnings

NIFTY 50 Forward P/E valuations



NIFTY 50 ROE (%)



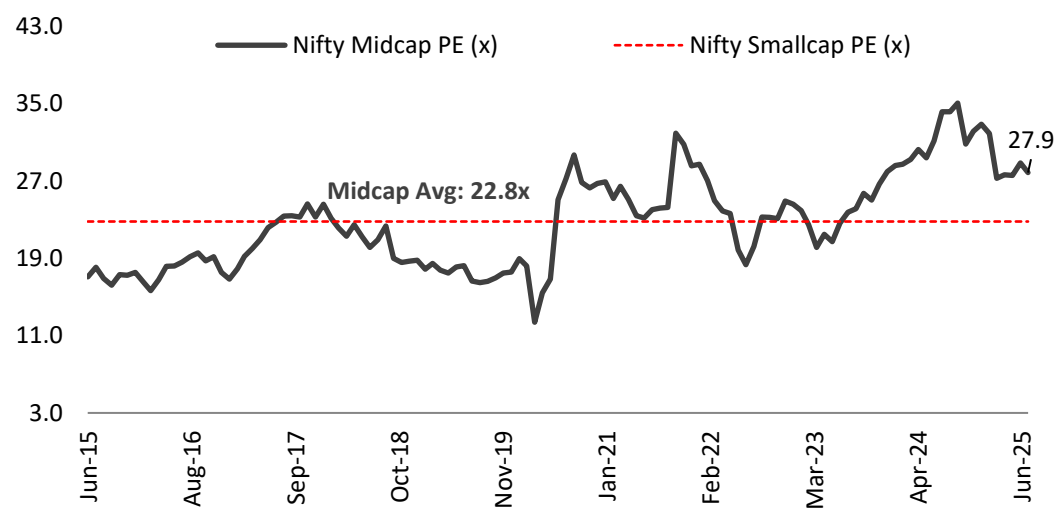
Source: MOSL, Bloomberg, Nifty50 PE/ROE. Latest available data as at June '25, Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

SMID valuations continue to remain above averages

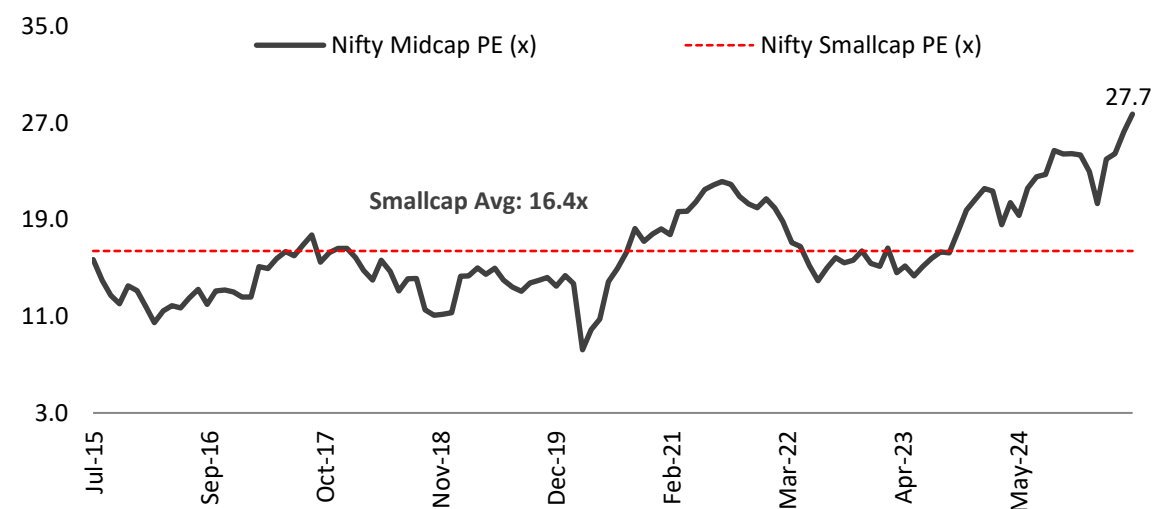
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- ◆ Mid cap valuations have corrected from peak, however, remain above average. The high valuations are backed by strong double-digit YoY earnings growth for the Index
- ◆ Small caps valuations also stay above averages

NIFTY MIDCAP 100 INDEX Forward P/E valuations



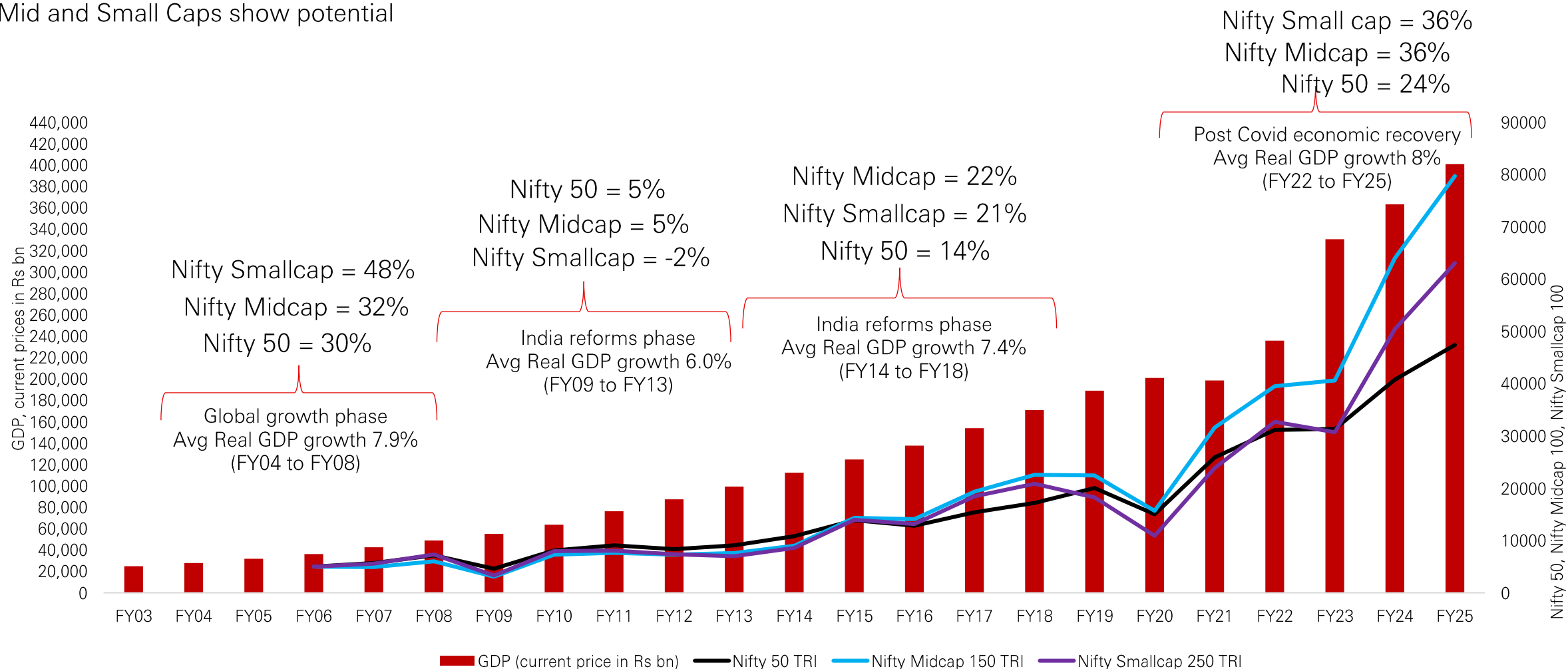
NIFTY SMALLCAP 100 INDEX Forward P/E valuations



Source: MOSL, Bloomberg. Latest available data as at June '25, Note : Views provided above are based on information available in public domain at this moment and subject to change. Investors should not consider the same as investment advice. Please consult your financial advisor for any investment decision. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Fund/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

When economic cycle gathers pace

Mid and Small Caps show potential



Source – Economic Survey of India, UBS, Data as at Jun 2025, All TRI Indices value rebased to 5000, Nifty Midcap 100, Nifty Smallcap 100, Nifty50 index CAGR for (1) 31 Mar '04 to 31 Mar '08, (2) 31 Mar '08 to 31 Mar '13, (3) 31 Mar '13 to 31 Mar '18 and (4) 31 Mar '20 to 30 Jun '25. The sector(s)/stock(s)/issuer(s) mentioned in this document do not constitute any research report nor it should be considered as an investment research, investment recommendation or advice to any reader of this content to buy or sell any stocks / investments. The Strategy/portfolio may or may not have any existing / future position in these sector(s)/stock(s)/issuer(s). Past performance may or may not be sustained in future and is not a guarantee of any future returns.

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