Brokerages upbeat on India for 2025

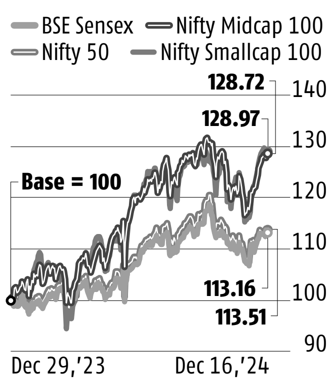
Recommend equities as preferred asset class

PUNEET WADHWA
New Delhi, 16 December

From the outcome of the general elections and then Union Budget to tepid corporate earnings in the September 2024 quarter (Q2FY25), sticky inflation and Reserve Bank of India's stance on interest rates, extreme weather conditions, Indian stock markets have braved it all in calendar year 2024. At the global level, too, uncertainty surrounding the US presidential elections, geopolitical conflicts in West Asia, China's stimulus to prop up its economy and the yen carry trade, the Indian markets were mostly resilient to these headwinds.

As they prepare to step into the calendar year 2025, what are the key risks and opportunities that investors need to be mindful of? Here's what leading brokerages said

UPWARD TREND



Source: Bloomberg, exchanges
Compiled by BS Research Bureau

JP Morgan

Global equity markets should face a fluid backdrop with many cross-currents at the forefront. The central equity theme for next year is one of higher dispersion across stocks, styles, sectors, countries, and themes. 2025 is set to be another year that calls for theme-driven opportunistic allocation to EM as opposed to benchmark investing.

Emerging market (EM) equities are likely to post small gains in 2025 amid global policy uncertainties, a stronger dollar, and less room for easing in EM. Macroeconomic uncertainties, evolving geopolitical dynamics, and persistently high interest rates will test global stability. We use our risk budget to focus on idiosyncratic investment cases with overweight rating (OW) on India and South Africa), beta to US exceptionalism (OW Mexico), gain exposure to the AI trade (OW Taiwan) and buy USD defensiveness (OW UAE).

Ashmore

Growth is likely to soften in 2025 towards 6.5 per cent, as sticky inflation and election-related delays in public spending led to softening urban consumption, with tight financing conditions also weighing in. Because of softening growth and urban demand, Indian equities, after a four-year bull run have begun to de-rate in the past three months. Rate cuts in 2025 would provide some support, which should be possible soon if food inflation moderates, which it normally does in winter as the weather stabilises.

Morgan Stanley

We are more confident in the outlook for earnings in India, ASEAN (Malaysia, Singapore and Indonesia) and South Africa versus Latam overall. For 2025, emerging market (EM) equities are facing the triple challenge of an ongoing debt-deflationary challenge in China (with a hesitant policy response), the likely escalation of tariffs by a Republican administration and the negative impacts of this on global growth and EM FX rates.

We lowered our base-case price target for MSCI EM from 1,160 to 1,100, implying essentially zero returns. In our Asia/EM Major 15 market allocation model, we retain our overweight stance on India — our most preferred market, Singapore, Japan, Australia, South Africa and Malaysia.

Julius Baer

In a multipolar world characterised by opportunistic manoeuvring on the geopolitical stage that keeps macroeconomic and financial market volatility high, it is better for investors to focus on capital markets where the playing field is familiar, and where the rules of the game are stable and known. In this sense, even though we do not see a full-blown deglobalisation with unconditional reshoring activities coming into play, we reiterate our view that store-of-value equity markets should profit.

We use this as an umbrella term for markets in countries where shareholder value and property rights are well protected and there is a strong institutional framework, sound governance, and efficient allocation of capital. Our preferred examples are the US, Sweden, and Switzerland, all of which have an exceptional track record of shareholder value creation.

We have reintroduced a strategic allocation to gold in portfolios because of the structural demand from non-Western investors for liquid assets that diversify their portfolios away from those assets that are potentially at risk of Western government sanctions.

YOUR MONEY

LARGECAP FUNDS

Invest for segment's fair valuations, ability to stabilise portfolio

HIMALI PATEL

The market cap of largecap stocks (the top 50 or top 10) vis-à-vis the total market cap is at its lowest level ever, according to the December edition of the DSP Netra report.

While mid and smallcap funds have outperformed, experts recommend maintaining a substantial allocation to largecap funds. "As we navigate uncertain waters, a conservative approach to largecap investing could provide a strategic advantage," says Sahil Kapoor, head of products and market strategist, DSP Mutual Fund.

Stability amid volatility

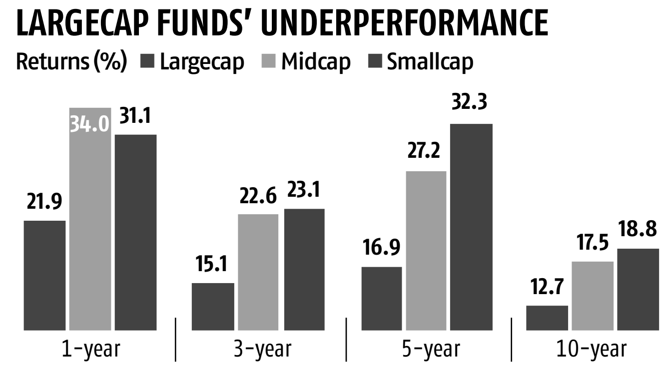
Largecap funds offer stability in volatile markets. A study dated December 12, 2024 by Upwisery of 4,524 stocks listed on the National Stock Exchange found that 53.4 per cent had corrected more than 30 per cent from their 52-week highs. In contrast, only 13 per cent of largecaps had fallen by the same margin. "This highlights the relative stability of largecap stocks during corrections," says Prashant Joshi, co-founder and partner, head of family office and private wealth, Upwisery.

Largecaps' market cap to GDP ratio and profit share to GDP have broadly tracked each other. "Valuations for this category are in line with long-period averages, while other cohorts have seen disproportionate growth in market cap relative to earnings," says Gaurav Misra, head of equity, Mirae Asset Investment Managers (India).

While India's macroeconomic indicators are strong, equity valuations remain elevated. This could result in bouts of volatility. "Amid the current market dynamics, we are more comfortable with the largecap space due to its relative stability," says Anish Tawakley, co-chief investment officer–equity at ICICI Prudential Asset Management Company (AMC).

He warns about overvaluation in the small and midcap space, where companies with weak business models are being valued as gems. Misra adds that key sectors like banking, led by larger private and public sector banks, are concentrated in the largecap category. These sectors have underperformed recently and could do well over the medium term, he says.

LARGECAP FUNDS' UNDERPERFORMANCE



Returns are for active funds. Above one-year returns are compound annualised.
Source: Navigation RA

Challenges for largecap funds

Largecap funds are more sensitive to macroeconomic factors like interest rates, geopolitical events, and economic slowdowns, which tend to impact their performance.

Joshi says that largecap funds often operate in mature markets, which limits their potential to offer exceptional growth. Moreover, during market recoveries, they tend to lag behind mid and smallcaps.

"The relative stability of largecap stocks during market downturns often comes at the cost of limited upside potential during recovery phases, making it difficult for these funds to outperform," adds Joshi.

Active vs passive investing

Multiple S&P Indices versus Active Funds (SPIVA) India reports have shown that active largecap funds often struggle to outperform their benchmarks.

"The latest SPIVA India report shows that for five years ended June 2024, only 13 per cent of largecap funds could beat the index" says Avinash Luthria, Sebi-registered investment adviser and founder, Fiduciaries.

Financial advisers increasingly favour index funds and exchange-traded funds (ETFs) for largecap exposure.

Finally, new and conservative investors seeking stability should have a higher exposure to largecap funds. Seasoned investors may go for a balanced exposure across market caps. Misra suggests staying invested in these funds for the long term to maximise the benefit of compounding.

SC outlines factors that determine fair alimony in divorce

The Supreme Court's recent ruling in the Rajnesh vs Neha case (2021) outlines eight key factors that determine alimony, focusing on financial capacity, standard of living, and the welfare of children. These include:

- The status of the parties — social and financial — determine the alimony, to ensure the wife maintains a similar standard of living as the husband.
- Standard of life enjoyed by the wife in the matrimonial home.
- Reasonable needs of the wife and the dependent children.
- Parties' individual qualifications and employment statuses.
- Any employment sacrifices made for the family responsibilities.
- Independent income or assets owned by the applicant.
- Courts grant ad hoc litigation costs to the wife in family matters. A non-working wife is also entitled to full reimbursement of her case expenses.
- Financial capacity of the husband, his income, maintenance obligations, and liabilities

Read the full report here: mybs.in/2dbH2IJ

COMPILED BY SUNAINAA CHADHA

— TENDER CARE —

— Advertorial

REC SIGNS MOA WITH THDC, COMMITS RS. 3.97 CR UNDER CSR FOR DEVELOPMENT OF OLYMPIC-SIZE SWIMMING POOL IN TEHRI

REC Limited, a Maharatna CPSE under the Ministry of Power and a leading NBFC, has signed a Memorandum of Agreement (MOA) with THDC India Limited (THDCIL) under its Corporate Social Responsibility (CSR) initiative. REC has committed financial assistance of Rs. 3.97 crore for the development of an Olympic-size swimming pool at the THDCIL Water Sports High Performance Academy of Canoeing & Kayaking in Koteshwar, Tehri (Uttarakhand).

The agreement was signed on 13 December, 2024 between Shri Pradeep Fellows, Executive Director, CSR, REC, and Shri Amardeep, General Manager, THDCIL and President, SEWA THDC. The ceremony took place in the presence of Shri Vivek Kumar Dewangan, Chairman and Managing Director, REC Limited; Shri Harsh Baweja, Director (Finance), REC, and Shri Shallinder Singh, Director (Personnel), THDCIL.

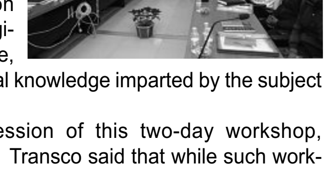
The upcoming swimming pool facility aims to nurture and train national-level athletes for international competitions in canoeing and kayaking, contributing to India's recognition in water sports globally. This initiative aligns with REC's commitment to fostering sports development in India and empowering athletes to achieve excellence on international platforms.

NAINITAL BANK UPDATES ITS RTGS/ NEFT AND NET BANKING SYSTEM

Nainital Bank has updated its RTGS/NEFT and Net Banking system under the guidelines of RBI and IFTAS, using the latest technologies and state-of-the-art standards to provide its customers with secure RTGS (Real Time Gross Settlement), NEFT (National Electronic Fund Transfer) and Net Banking facilities with modern technology. Today, the MD & CEO of the bank, Mr. Nikhil Mohan launched this latest technological service through virtual medium. Nainital Bank management informed that with this latest technology and customers will be able to get fast, secure and seamless banking as well as customers will be able to transfer funds more securely and instantly anytime, anywhere across the country.

QUALITATIVE CHANGE IN M.P. TRANSCO THROUGH KNOWLEDGE SHARING WORKSHOPS

The work shop is being organized with the aim of simplifying the day-to-day technical work of the field engineers of the state, at the headquarters of MP.Transco (M.P. Power Transmission Company), Jabalpur. In last session around 30 young field engineers from across the state, benefited from the technical knowledge imparted by the subject matter experts.



Addressing the initial session of this two-day workshop, Managing Director of M.P. Transco said that while such workshops have proved to be very useful for the skill development of field engineers, these workshops have also brought about a qualitative change in MP Transco. He expressed hope that Young field engineers of M.P. Transco will now work proactively in a better way and with full confidence amidst adverse conditions, limited resources and shortage of manpower.

HPCL EXPANDS FREE HEART CARE INITIATIVE WITH NEW PARTNERSHIP

Hindustan Petroleum Corporation Limited (HPCL) has taken a significant step to bring life-saving heart care closer to those in need. The company has signed an MoU with Prashanti Medical Services & Foundation to support Sri Sathya Sai Hospitals, strengthening its flagship "Dil Without Bill" initiative. This program provides free heart surgeries, angioplasty, and heart devices to underprivileged patients, ensuring that no one is denied critical cardiac care due to financial constraints.

Since its launch in 2011-12, the initiative has transformed the lives of over 5,575 people, focusing especially on women and children from economically disadvantaged backgrounds. In the current fiscal year, 500 more patients are set to benefit from this life-saving support.

As part of this collaboration, senior HPCL officials, including the Executive Director of CSR & PRCC and the Company Secretary, visited Sri Sathya Sai Hospitals in Ahmedabad. During their visit, they met patients, families, and hospital staff, witnessing the program's profound impact first-hand.

"At HPCL, we believe that everyone deserves a chance at a healthier life, regardless of their financial circumstances," said Shri Rajeev Goel, ED-CSR & PRCC. "The Dil Without Bill initiative embodies our commitment to ensuring that life-saving cardiac care reaches those who need it the most."

CIVIL AVIATION MINISTER SHRI RAM MOHAN NAIDU KINJARAPU UNVEILS CENTENARY CELEBRATIONS LOGO OF NETAJI SUBHAS CHANDRA BOSE INTERNATIONAL AIRPORT, KOLKATA

The Hon'ble Minister of Civil Aviation, Shri Ram Mohan Naidu Kinjarapu, unveiled on 13 December, 2024 the Centenary Celebrations Logo of Netaji Subhas Chandra Bose International Airport, Kolkata. This marks a momentous milestone in Indian aviation history as the Netaji Subhas Chandra Bose International Airport, Kolkata celebrates its 100 years of service.

The event witnessed the presence of Shri Vumlunmang Vualnam, Secretary, Ministry of Civil Aviation, Shri Vipin Kumar, Chairman AAI, Dr. Sharad Kumar, Member (Operations), Sh. Pankaj Malhotra, Member (Finance), Dr. H. Srinivas, Member (HR), Smt. Rubina Ali, Joint Secretary, Ministry of Civil Aviation. Additionally, Dr. Pravat Ranjan Beuria, Kolkata Airport Director, Smt. Nivedita Dubey, Regional Executive Director, Eastern Region, and HoDs joined through video conferencing.

Speaking at the launch event, Shri Ram Mohan Naidu said, "This is a proud moment for all of us, where we are continuing the legacy built by our nation and drawing inspiration from it for future achievements. The airport has catered to crores of passengers and stood as a vital gateway for Bengal and the country through significant historical milestones. Our Hon'ble Prime Minister always says very dearly, 'Vikas bhi, Virasat bhi,' so this is a proud moment for us."