

## SINGLE COUNTRIES

### INDIA (3.5 STARS — ATTRACTIVE)

- Exports grew by 27.6% y-o-y to USD 29.23 billion in Mar 17 while Imports were higher by 45.2% to USD 39.67 billion during the same month last year.
- The Index of Industrial Production (IIP) de-grew by -1.2% in Feb 17, as against Bloomberg's estimate of 1.3%.
- Consumer Price Index (CPI) grew 3.8% y-o-y in Mar 2017, as against 3.6% y-o-y in Feb 17.
- WPI Inflation was at 5.7% y-o-y for Mar 2017, as against the Bloomberg's estimate of 6.0%
- Consensus estimated earnings growth for FY18 and FY19 are 19.98% and 18.09% respectively.

## MARKET OUTLOOK

During the month of March 2017, India's exports recorded a growth of 27.6% year-on-year to USD 29.23 billion. Imports grew by 45.2% to USD 39.67 billion. Overall the trade balance has improved. Overall trade deficit for March 2017 is estimated at USD -10.44 billion. Taking merchandise and services together, overall trade deficit for April-March 2016-17 is estimated at USD 46.42 billion which is 14.5% lower in USD terms than the level of USD 54.29 billion during April-March 2015-16.

The index of industrial production (IIP) declined by -1.2% year-on-year in February. Growth rate in major sectors like Mining, Manufacturing and Electricity sectors for the month of February stood at 3.3%, -2.0% and 0.3% as compared to February 2016. As per Use-based classification, the growth rates in February 2017 for Basic goods, Capital goods, intermediate goods, Consumer durables and Consumer non-durables were 2.4%, -3.4%, -0.2%, -0.9% and -8.6% with the overall growth in Consumer goods being -5.6%.

India's Consumer Price Index (CPI) for March 2017 increased marginally by 3.81% year-on-year as against 3.65% in the previous month. The marginal rise in inflation was on account of an increase in food inflation which increased by 2.54% in March 2017 as against 2.46% in February and fuel inflation which increased by 5.56% in March as against 3.90% in February.

India's Wholesale price Index (WPI) declined to 5.70% year-on-year for the month of March 2017 as compared to 6.65% in the previous month and -0.45% during the corresponding period month of the previous year. A look into the numbers revealed that all major heads saw minor decline in the month of March 2017. The index for primary articles group declined by -0.2% mainly due to decline in nonfood articles which declined by -1.8% in March 2017. Fuel and power index declined by -0.1% in March 2017 mainly due to lower prices of bitumen and furnace oil. The manufactured products index also declined by -0.1% led by decline of -1.2% in the index for food products.

As on April 21, 2017, the benchmark Index (Sensex) stood at 29,365.30. The earnings estimates for HDFC bank, the highest weighted stock in the index stood at 18.86% and 15.48% for FY18 and FY19. Housing Development Finance Corp Ltd, the next stock with the highest weightage, has an earnings estimate of 14.15% and 11.28% for FY18 and FY19 respectively. The top performers in the index during the month were Reliance Industries(11%), Larsen & Toubro (9%) and GAIL (8%) while the top losers included Infosys (-10%)Tata Steel (-9%) and Sun Pharma (-8%).

According to consensus estimates, as on April 21, 2017, the estimated PE ratio for India's stock market (Sensex) are 21.01X, 17.51X and 14.83X for FY17, FY18 and FY19 respectively. Estimated earnings growth is 1.69%, 19.98% and 18.09% for FY17, FY18 and FY19 respectively. We maintain an "Attractive" rating of 3.5 stars for the Indian market.

## RECOMMENDED FUND: FIRST STATE REGIONAL INDIA FUND