

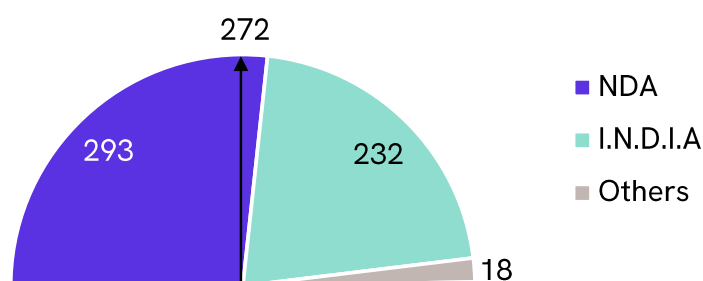
NDA's Election Win Ensures Policy Continuity, But Narrow Margin May Slow Reforms

The 2024 General Elections in India took place in seven phases from April 19 to June 1, electing 543 members to the 18th Lok Sabha. The leading contenders were the incumbent National Democratic Alliance (NDA), led by the Bharatiya Janata Party (BJP), and the Indian National Developmental Inclusive Alliance (I.N.D.I.A.), led by the Indian National Congress (INC).

The results announced on the 4th June confirm a narrow victory for the NDA (*Chart 1*), contrasting with exit poll estimates and market expectations of a comfortable victory margin. The NDA crossed the majority mark of 272 seats (50%) and secured 293 seats in the Lok Sabha, fewer than the 352 seats secured in the previous election. The BJP's seat tally decreased to 240 from 303 in the 2019 election (*Chart 2*). The BJP secured a 36.6% vote share, marginally lower than the 37.4% secured in the 2019 elections.

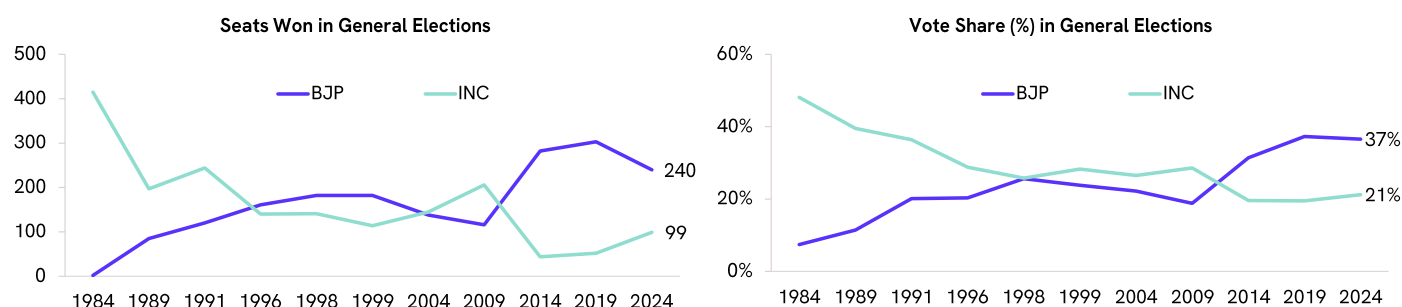
I.N.D.I.A. secured 232 seats in the 2024 General Elections. The INC increased its seat tally to 99 seats in 2024 from 52 seats in 2019, and the vote share increased to 21.2% from 19.5% in 2019.

Chart 1: 2024 General Election Results – Seats Won



Source: NDTV Note: coalition numbers are provisional

Chart 2: Seats Won and Vote Share of BJP and INC in General Elections Since 1984



Source: ECI

Table 1: Top 10 Parties in 2024 General Elections by Seats Won

Seats Won (Number)	2019	2024
Bharatiya Janata Party	303	240
Indian National Congress	52	99
Samajwadi Party	5	37
All India Trinamool Congress	22	29
Dravida Munnetra Kazhagam	23	22
Telugu Desam Party	3	16
Janata Dal (United)	16	12
Shiv Sena (Uddhav Balasaheb Thackrey)	-	9
Nationalist Congress Party – Sharadchandra Pawar	-	8
Shiv Sena	18	7

Source: ECI

What to expect from NDA 3.0?

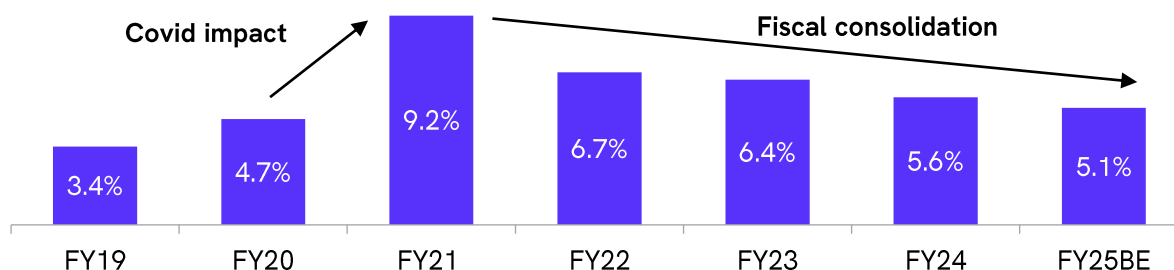
The NDA's victory secures continuity in central policies, marking the third consecutive government led by Narendra Modi. However, crucial reforms will need consensus-building, as the BJP loses its majority in the Lok Sabha, potentially slowing their implementation. Nevertheless, the BJP's election manifesto provides valuable insights into the new government's focus areas and potential agenda for the first 100 days.

1. Social Schemes

The BJP manifesto emphasises the continuation of existing social policies. It plans to extend the provision of free ration for the next five years. Additionally, it aims to expand the housing scheme to ensure every poor household has access to quality housing. The manifesto also promises free electricity to poor households (through subsidised rooftop solar installation). Furthermore, it pledges to continue providing farmers with annual financial assistance of Rs 6,000.

Outlook: The absence of significant new populist announcements is promising for fiscal consolidation. The full budget, to be presented after the government's formation, is expected to align with the interim budget presented in February 2024. The government will likely adhere to the FY25 fiscal deficit target of 5.1% of GDP (*Chart 3*). However, the setback in the elections may prompt the government to allocate additional funds, such as those available due to the larger-than-expected dividend from the RBI (Rs 2.1 trillion), towards social schemes.

Chart 3: Fiscal Deficit as Percentage of GDP



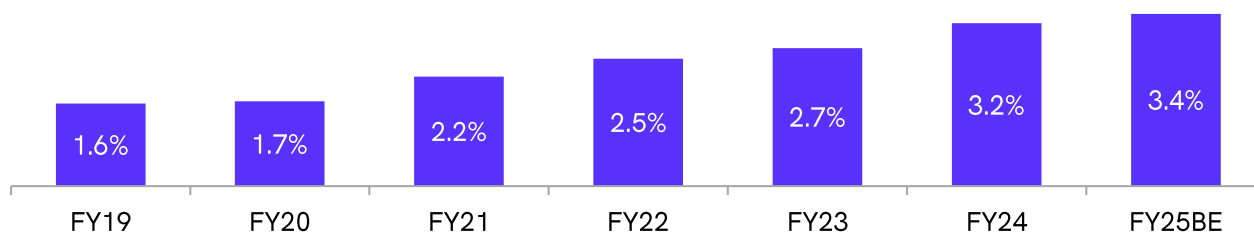
Source: Budget documents, 360 ONE Asset Research. Note: BE – Budget estimate (interim)

2. Infrastructure

The BJP manifesto commits to adding over 5,000 kilometres of railway tracks and expanding metro networks in major urban centres. It plans to establish EV charging stations and strengthen the road system to include 15,000 kilometres of access-controlled highways. Additionally, the manifesto promises to expand and modernise airports, double the share of inland water transport, and enhance the 5G network while leading the development of 6G technology. The BJP also aims to ensure energy independence by 2047 and transform India into a global manufacturing hub for renewable energy.

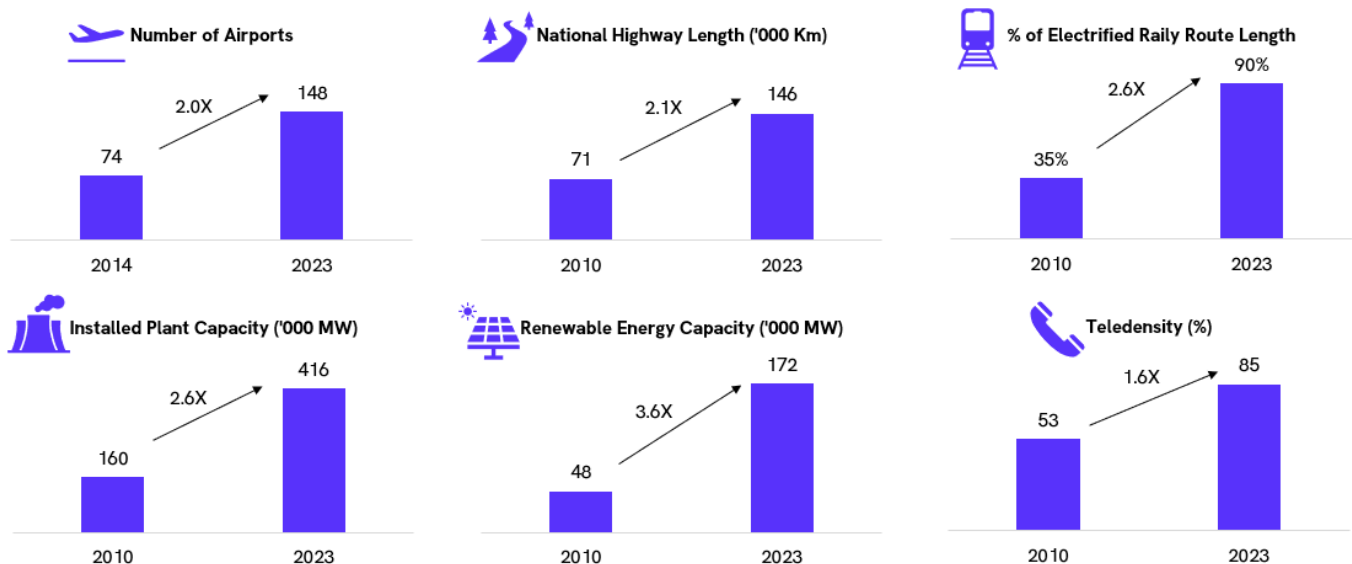
Outlook: Government capital expenditure has increased substantially over the past five years (*Chart 4*), and there has been significant infrastructure expansion over the past decade (*Chart 5*). The commitment to infrastructure development and improving the quality of government spending is expected to continue under NDA 3.0, which is promising for sectors such as roads, power, railways, logistics, cement, steel, and industrials.

Chart 4: Capital Expenditure as Percentage of GDP



Source: Budget documents, 360 ONE Asset Research. Note: BE – Budget estimate (interim), F – Forecast

Chart 5: Significant Improvement in Infrastructure



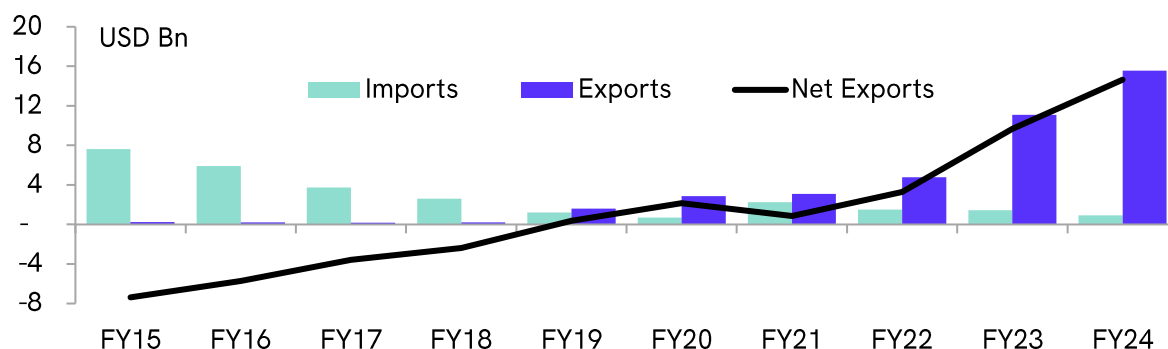
Source: CMIE, 360 ONE Asset Research. Note: All data is as of the end of the financial year. For ex., 2023 corresponds to March 2023

3. Manufacturing

The BJP manifesto pledges to support core industries like cement, steel, metals, and engineering goods in adopting greener manufacturing processes. It aims to expand domestic defence manufacturing, position India as a Global Railway Manufacturing Hub, and bring commercial aircraft manufacturing to the country. Additionally, it plans to strengthen civil aviation by encouraging maintenance, repairs, and overhaul (MRO) activities. It also focuses on promoting shipbuilding, boosting pharmaceutical manufacturing, and making India a Global Electronics Manufacturing Hub by 2030. Other goals include leadership in semiconductor manufacturing, automobile and EV production, rare earth industry development, textile manufacturing, lab-grown diamond production, and establishing Bio-Manufacturing Hubs.

Outlook: The BJP/NDA remains committed to increasing the share of manufacturing in GDP from 17% to 25%. Electronics, such as mobile phones, have benefited from the government's focus on domestic manufacturing (*Chart 6*). Defence, food processing, pharma, and auto industries are also expected to benefit. The domestic manufacturing sector is also poised to benefit from the trend of diversifying supply chains away from China, commonly referred to as China+1. The new government will continue pursuing Free Trade Agreements (FTAs) to boost exports.

Chart 6: Mobile Phone Exports and Imports



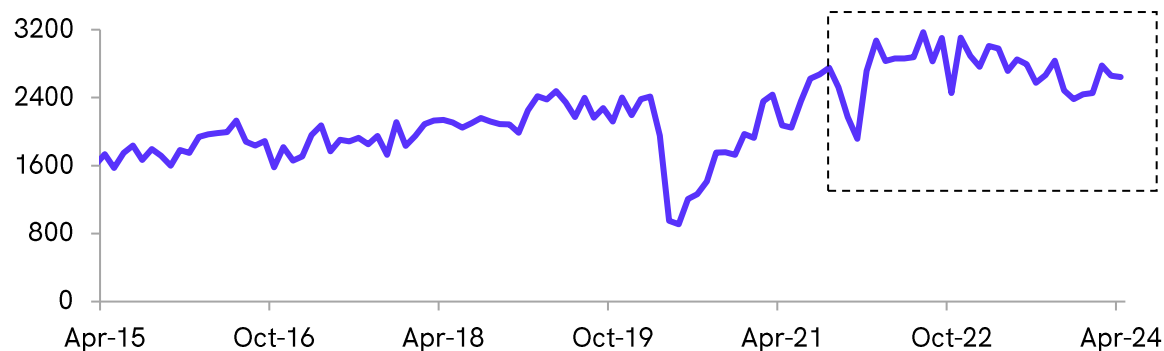
Source: Ministry of Commerce, 360 ONE Asset Research

4. Employment

The manifesto commits to transforming India into a global centre for high-quality services, including tourism, Global Capability Centers (GCCs), Global Tech Centers (GTCs), and Global Engineering Centers (GECs) to generate diverse and high-value employment opportunities. It promises to expand the existing Startup India Seed Fund Scheme and Startup Credit Guarantee Scheme to ensure adequate funds for startups throughout their entrepreneurial journeys. Additionally, it pledges to double the Mudra loan limit to Rs 20 lakh and provide it to entrepreneurs. The manifesto also pledges to create employment opportunities by making India a global manufacturing hub.

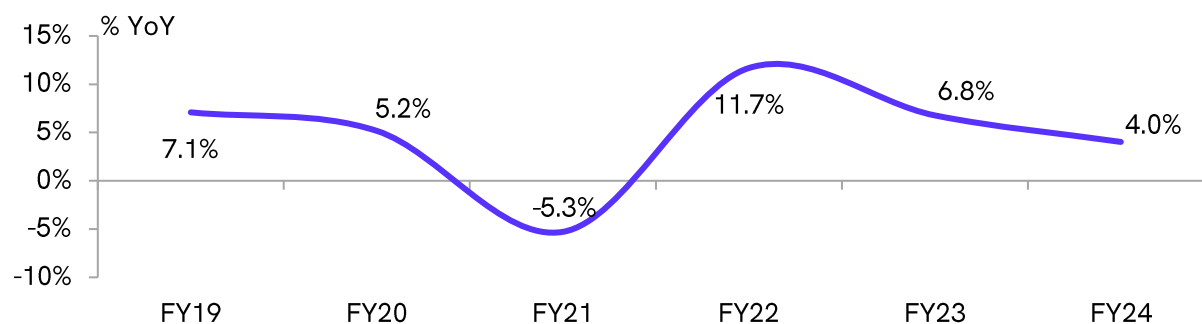
Outlook: The BJP manifesto lacks specific measures to enhance employment opportunities. However, weak employment generation (Chart 7) was one of the key issues in the General Elections. Hence, given the significant loss of seats, employment will appear prominently on the government agenda. This could boost lagging consumption (Chart 8). We anticipate that rural consumption will rebound with a normal monsoon, while the recovery of urban consumption might be sluggish.

Chart 7: Naukri JobSpeak Index (Measure of Hiring Activity)



Source: CMIE, 360 ONE Asset Research

Chart 8: Growth in Real Private Consumption



Source: MOSPI, 360 ONE Asset Research

5. Non-economic measures

The BJP reiterates its stand to enact a Uniform Civil Code and work towards implementing 'One Nation One Election'. It pledges to formulate a National Litigation Policy to expedite the resolution of all court matters and complete the digitisation of entire court records. Leading the voice of the Global South remains the cornerstone of foreign policy, along with India's demand for permanent membership of the UN Security Council.

Outlook: Judicial reforms would be a key focus area for the government. However, the government will find it difficult to enact the Uniform Civil Code and implement 'One Nation One Election,' given that the BJP has fallen short of a majority, and the NDA will form the government with a narrow majority.

Broadly, NDA 3.0 is poised to emphasise 'continuity' over 'change,' ensuring macroeconomic stability. India has made significant strides in various macroeconomic aspects. The country has achieved a stable current account balance, increased government capital expenditures, witnessed a resurgence in private investments, undergone fiscal consolidation, strengthened its banking sector, and reduced corporate leverage. These positive trends are expected to persist. Furthermore, structural factors such as a burgeoning middle class, favourable demographics, rapid digitalisation, and economic reforms contribute to a promising outlook for India.

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