KPMG

IPOs in India

January 2025

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Foreword

Welcome to the semi-annual edition of our analysis of the Initial Public Offerings in the Indian capital market. Please check out our previous publication - IPOs in India

H1 FY25 continued the momentum of FY24 in terms of primary market activity. The uncertainties surrounding the general election outcome, in the first couple of months, soon faded away with the continuity of Government reassuring India Inc. of policy continuance as well. India's GDP growth rate outpaced that of the other emerging economies in H1 FY25, re-emphasising India's position as an economic powerhouse. Leading global automotive and tech companies continue to expand their manufacturing footprint in India, with the country serving as an export hub, as companies globally continue to evaluate their supply chain and associated dependencies.

H1 FY25 witnessed a consistent streak of IPOs, both on the main board and the SME exchanges. Growth in AUMs of fund houses facilitated by steady growth in retail SIP inflow, has enabled domestic funds to take positions in IPOs as anchor investors. Direct interest of retail investors in IPOs has also been evident, with the consistent oversubscription in retail category of IPOs, shedding light on this trend.

The Ministry of Corporate Affairs (MCA) amended the applicable rule in H1 FY25, to streamline the process of merging foreign holding companies with their Indian subsidiaries. Some fintech companies have successfully completed this 'reverse flipping' process and other companies from the payments and e-commerce domains are evaluating similar possibilities.

The Department of Economic Affairs, MoF, also amended the Securities Contracts Regulation Rules (SCRR), 1956, to reduce the minimum public offer and continuous listing requirement to 10 percent, to streamline the process and making it easier for companies to list on the international exchanges at the GIFT IFSC.

At the time of writing this report, in the months of October and November 2024 combined, the equity segment has witnessed net FPI outflow of around INR 1,100 Bn. This can partially be attributed to the outcome of US election along with another round of rate cuts by the US FED, uncertainties surrounding ongoing regional conflicts, and valuation concerns in the Indian market due to muted quarterly earnings.

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Economy – Global and Indian

Global economies tackled internal challenges while adapting to the constantly changing geopolitical situations, supply related headwinds, and volatility in the financial and commodity markets. The implications of these global events on the Indian economy have been evident, but not a major deterrent for economic growth in India.

Global economy[1]

According to IMF, the world economy is expected to grow by 3.2 percent in 2025. This estimate is a downward revision by 10bps, compared to the 2025 GDP growth estimate published in July 2024 World Economic Outlook report. While the advanced economies are slated to grow by 1.8 percent, a growth of 4.2 percent is expected in emerging markets and developing economies, in 2025. China's GDP growth in 2025 is expected to be 4.5 percent.

On inflation, there has been a global moderation in inflation rate barring a few economies which continue to witness pricing pressures. The current projection for inflation rate by the end of 2025, is 3.5 percent, which is interestingly, below the 3.6 percent average for the period between 2000 and 2019. Extended periods of tightened monetary policies have enabled this outcome, although this scenario is unlikely to persist at this juncture. Some advanced economies have initiated a trend reversal by way of policy rate cuts, June 2024 onwards, with a view to support economic activities. While we are seeing early reversal signs, close monitoring of inflation rates is key as services' sector inflation continues to remain above an acceptable level.

Geopolitical tensions continued to play a role in the volatility in commodity prices. Global trade witnessed changes in its characteristics as economies continued to, on one hand, devise policies to enhance internal sourcing to reduce global dependency, and on the other hand, look for alternate relatively stable suppliers to meet import requirements.

Indian economy[2]

India is at the top of the table with respect to the expected GDP growth rate in 2025, with a figure of 6.5 percent. While this is promising, it lags the 2024 projection of 7 percent and the actual growth of 8.2 percent in 2023. This is primarily attributable to the flattening of pent-up demand associated with the pandemic recovery phase.

Despite the challenges associated with geopolitical issues and volatility in capital markets, the Indian economy has remained resilient in H1 FY25. Core policy rate has remained unchanged for an extended period in India, as headline inflation is not in an ideal range yet for the central bank to consider a trend pivot, and this also highlights India's policy divergence compared to certain advanced economies. India's currency traded with a depreciating bias but was one of the least volatile currencies among emerging market economies, during H1 FY25.

Rural demand supported GDP growth in H1 FY25 and demand is expected to further improve on the back of favourable monsoon, and incremental sowing. Investments continued at a stable rate, and industries witnessed higher capacity utilisation. Execution of Government's infrastructure capex plans, and strong fundamentals of Indian banking and corporate sectors, are expected to continue driving growth.

1. IMF Word Economic Outlook (WEO), October 2024
2. RBI Monletary Policy, October 2024

Capital market performance – Global and Indian

Global capital markets

Global primary market activity was at its lowest level in H1 FY25, compared to the levels witnessed in H1 FY24, H1 FY23, and H1 FY22. While 648 companies globally tapped the primary markets for their IPOs in H1 FY25, the corresponding figures for H1 FY24, H1 FY23, and H1 FY22 were 718, 819, and 1,501, respectively[3]. The steady decline over the past four corresponding fiscal periods can be partially attributed to two major ongoing regional conflicts: one commencing just before H1 FY23 and the other commencing at the beginning of H2 FY24. These conflicts partially dampened market sentiments in the following time periods, as can be inferred from the data.

The US Federal Open Market Committee (FOMC) maintained the range for the federal funds rate at 5.25 to 5.50 percent, in the first three out of the four scheduled meetings during H1 FY25. During the fourth FOMC meeting held in September 2024, the Committee decided to bring down the range by 50bps to 4.75 to 5.00 percent, and one of the key reasons cited by the FOMC behind their decision was the sustainable progress made towards their inflation target of 2 percent. The European Central Bank (ECB) deposit facility rate also witnessed a similar downward movement of 25bps from 3.75 percent in June 2024 to 3.50 percent in September 2024, given that the inflation data aligned with their broader expectation[4]. These two key regional rates influenced the movement of funds amongst global capital markets and between asset classes, in H1 FY25.

Indian capital markets

In India, there was divergence from the monetary policy decisions taken by the US and European central banks. The Reserve Bank of India (RBI) decided not to react immediately to the rate cuts by its global counterparts, by keeping the rate steady.

India witnessed 39 mainboard IPOs in H1 FY25, as compared to 71 in the US and 68 in Europe, during the same time period[5]. Of the 39 IPOs, 13 were in Q1 FY25 and 26 in Q2 FY25. Heightened participation from retail investors was a common theme across majority of the IPOs. With movement in retail savings from deposits to mutual funds, the RBI governor urged banks to formulate new strategies to garner fresh deposits and moderate outflow of deposit savings[6]. Mumbai became the preferred centre for Asian IPOs in H1 FY25, over Hong Kong, accounting for ~25 percent of proceeds from Asian IPOs[7].

On the Debt market's front, India's inclusion in a leading USA bank's reference index for global government bonds, on 28 June 2024, was one of the key developments during H1 FY25. India's weight in the index is expected to reach 10 percent by March 2025. Net bond purchases by Foreign Portfolio Investors (FPIs) amounting to ~USD 11.5 billion have been made since India's inclusion in the index[8].

3. Global IPO activity picking up but continues to lag other post-COVID years, S&P Global Market Intelligence, article dated 15 Oct 2024
4. Federal Reserve Board (FRB), European Central Bank (ECB)
5. National Stock Exchange of India (NSE), Bombay Stock Exchange (BSE), S&P Global Market Intelligence
6. Shaktikanta Das flags concerns on low deposit growth, says household savings moving from banks to MFs, CNBC TV18, article dated 19 Jul 2024; 7. Finding value in India's IPO boom, Fidelity International, article dated 11 Jun 2024
8. India forward – Emerging perspectives, S&P Global, report dated 19 Sep 2024; 9. Indian startups attract $4 Bn in funding during September quarter, Entrackr, article dated 3 Oct 2024

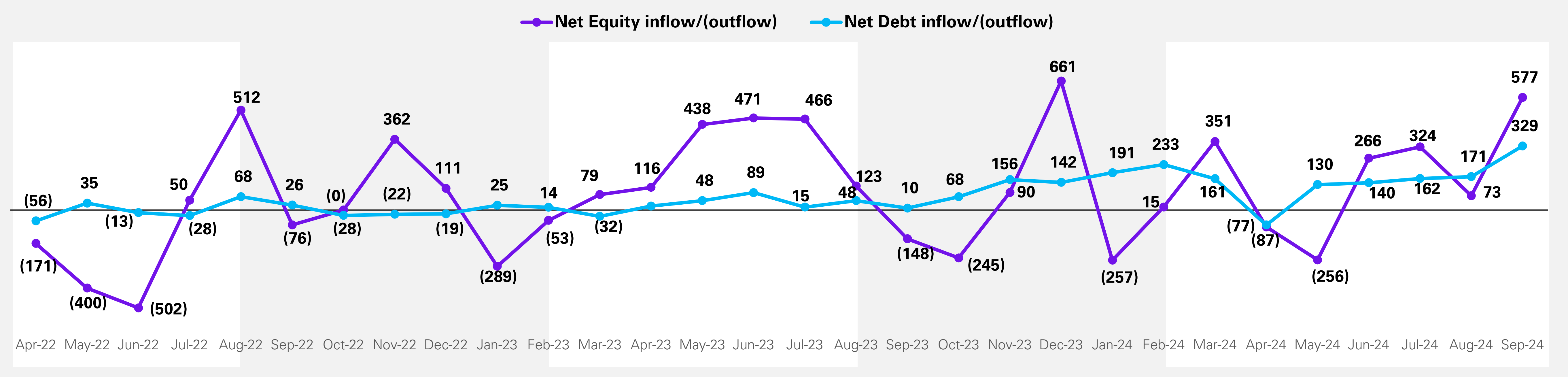
Swing in capital markets indicators (1/2)

In the first two months of H1 FY25, the foreign portfolio investors (FPIs) had a cautious approach towards the Indian markets given the unpredictability associated with general election across the nation. While in April 2024, the net FPI sell-off was similar across equity and debt segments, May witnessed equity sell-off to the tune of ~INR 256 billion, partially offset by a healthy net inflow in the debt segment[10]. June and July witnessed similar amount of net FPI inflows, with both the equity and debt asset classes contributing proportionately.

While the equity segment usually accounts for bulk of the movement in FPI investments, the month of August witnessed net debt inflow amounting to more than 2x of net equity inflow in the same month. This can partially be attributed to India's inclusion in a leading USA bank's reference index for global government bonds, on 28 June 2024, mentioned in the preceding section on Indian capital markets.

The months of July-September 2024, following the inclusion in the index, witnessed cumulative net debt inflows of ~INR 661 billion[10]. This sheds light on the significance of India's inclusion in the index, and the faith global investors have placed in this asset class. India's inclusions in other major global bond indices are being considered, and if those come to fruition, we can expect consistency in net FPI inflow.

RBI's monetary policy in H1 FY25 has been stable with no change in repo rate. This diverges from the approach of some of the advanced economies, but India's approach remains grounded in domestic fundamentals and acting according to the developments. Regional uncertainties, geopolitical issues, and stretched valuation concerns with respect to Indian equities will most likely impact future flow of investments, to varying degrees, but despite these short-to-medium term headwinds, the long-term growth story of India remains intact.



Source: NSDL FPI Monitor, in INR billion

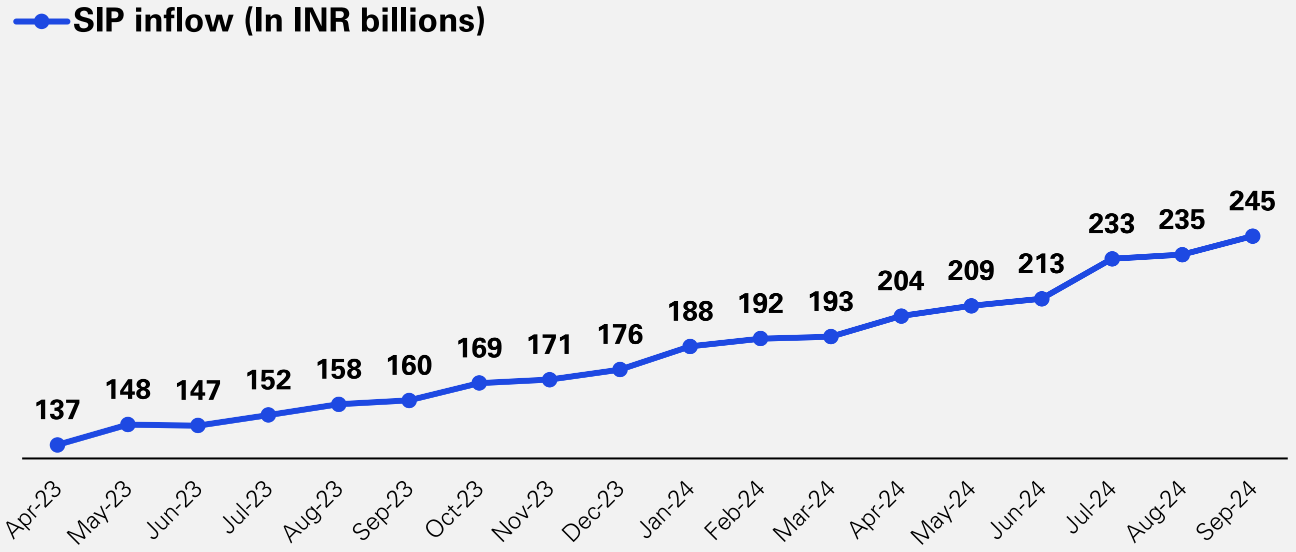
10. NSDL FPI Monitor

Swing in capital markets indicators (2/2)

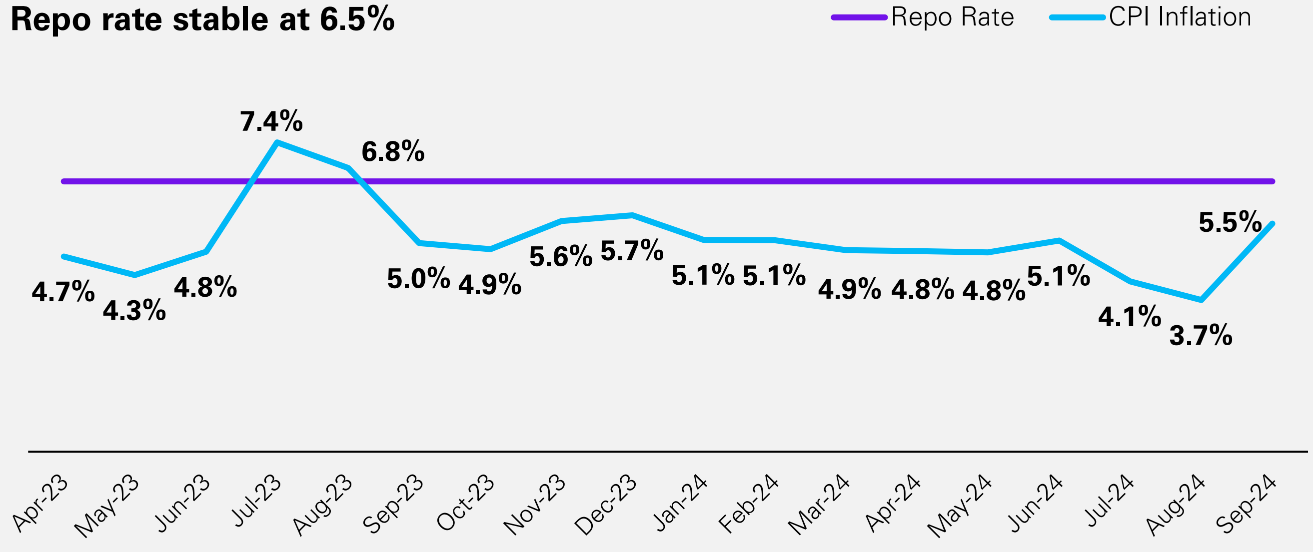
The first half of FY25 was promising for Systematic Investment Plans (SIPs). For the first time, SIP inflows have averaged over INR 200 billion each month since April 2024, despite global uncertainties and market volatility. Since June 2023, SIP flows have shown consistent growth for 15 consecutive months. The total number of mutual fund folios as on 30 September 2024 was ~21cr., an addition of ~3.27cr. folios compared to the count as on 31 March 2024. This addition of folios aligns with the increase in SIP inflow from INR 193 billion in March 2024, to INR 245 billion in September 2024[11].

Within the broad categories of funds that garnered higher level of net funds inflow, we have debt-oriented funds led by liquid and money market funds that amassed ~INR 1,266 billion, combined, followed by thematic funds under equity category that amassed ~INR 965 billion, with the arbitrage and multi-asset allocation funds cumulatively attracting a net inflow of ~INR 603 billion, under the hybrid category[11].

Higher inflows in the debt category schemes highlighted here indicate the increased preference of investors for using mutual funds as an alternate to bank deposits, for parking short-term accessible funds. The fact that the net inflow in a single scheme under equity (thematic funds) was more than 1.5x of the combined net inflow in two leading hybrid schemes (arbitrage and multi-asset allocation funds), indicates higher proportion of net inflows from a category of investors with comparatively greater risk appetite. Cumulatively, the five schemes mentioned in the preceding paragraph, accounted for ~53 percent of the total net inflow across categories and schemes, of ~INR 5,322 billion, between April and September 2024[11].



Source: Association of Mutual Funds in India (AMFI)



Source: Department of Economic Affairs, Government of India; Database of Indian Economy, Reserve Bank of India

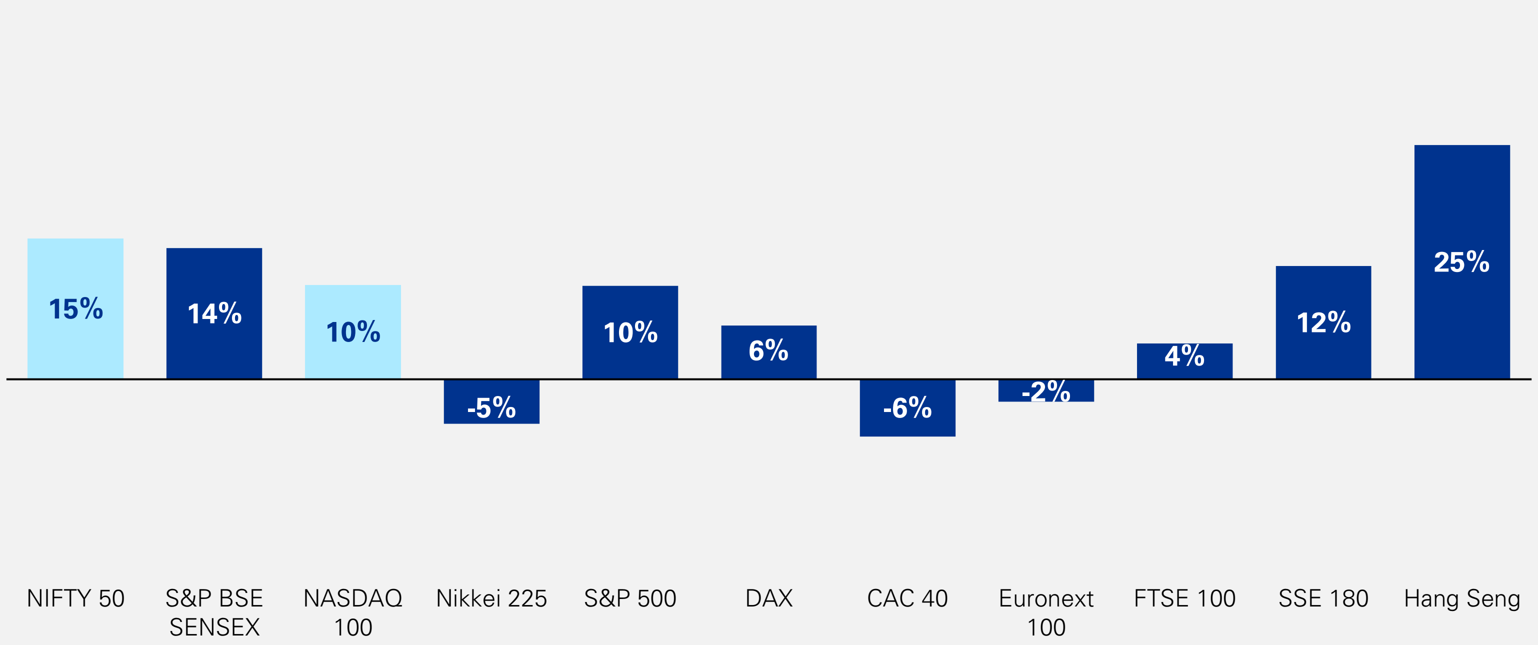
11. Association of Mutual Funds in India (AMFI); 12. Department of Economic Affairs, Government of India; Database of Indian Economy, Reserve Bank of India

How global markets performed

H1 FY25 witnessed mixed performance by key global indices. Of the similar composition indices, that of Hang Seng with 82 constituents and NASDAQ, Euronext, and FTSE with 100 constituents each, Hang Seng outperformed its comparable peer indices by a comfortable margin with Euronext clocking a drop of 2 percent, and NASDAQ with 10 percent return, a distant second[13].

Pre-dominant upward movement in Hang Seng was in the month of September when an economic stimulus was announced by China's central bank, consequently boosting sentiments towards Chinese equities. German DAX and French CAC, with 40 constituents each, witnessed opposing performances with 6 percent positive and negative returns, respectively. Leading Indian indices, Nifty 50 and BSE Sensex, delivered similar returns of ~15 percent. Nifty 50 returned a meagre 2 percent in September 2024, during which month the Hang Seng and SSE indices returned 19 percent and 20 percent returns, respectively. The broader S&P 500 index's return aligned with that of NASDAQ 100 while the broader Japanese index delivered negative return of 5 percent[13].

Index Returns (Absolute % Returns)*



Source: Capital IQ Platform; * Change in index values as on 1 Apr 2024 as compared to 30 Sep 2024

13. Capital IQ

Key regulatory developments in capital markets

The Securities and Exchange Board of India (SEBI) continued to closely monitor the developments in and activities of the capital markets with the primary objectives of safeguarding the interests of retail investors and ironing out the creases in terms of business operations for market participants. Given the heightened interest in the capital markets from participants across the spectrum, SEBI's emphasis is on ensuring that unscrupulous activities do not adversely impact the fundamentals of the markets, including advising a cautious approach in the SME segment, which has a garnered a fair degree of attention from investors[14].

Ease of doing business – Fund manager for Mutual fund schemes investing in commodities and overseas securities[15]

- SEBI constituted a working group to review the regulatory framework under SEBI (Mutual Funds) Regulation, 1996 and recommend measures to promote ease of doing business for mutual funds.
- It has been decided that for commodity-based funds and for funds investing in overseas securities, the appointment of a dedicated fund manager, shall be optional.
- This should then lead to the exclusion of fund manager's fee from the expense ratio of the fund, thereby bringing it down. Subsequently, these funds should become more attractive and competitive compared to actively managed funds.

Investor Charter for Stock Exchanges – Modification[15]

- Considering the recent developments in the securities market, SEBI deemed it necessary to modify the Investor Charter for stock exchanges with respect to detailing the services provided to Investors, Rights of Investors, various activities of stock exchanges with timelines, DOs and DON'Ts for Investors, Responsibilities of Investors, Code of Conduct for Stock Exchanges and Grievance Redressal Mechanism.
- With the modifications, the Investor Charter will become an incrementally beneficial resource, and is expected to help investors, especially retail investors, understand the nuances of the markets and protect themselves from associated pitfalls to a greater extent.

Facility for Basic Services Demat Account (BSDA) for Financial Inclusion and Ease of Investing[15]

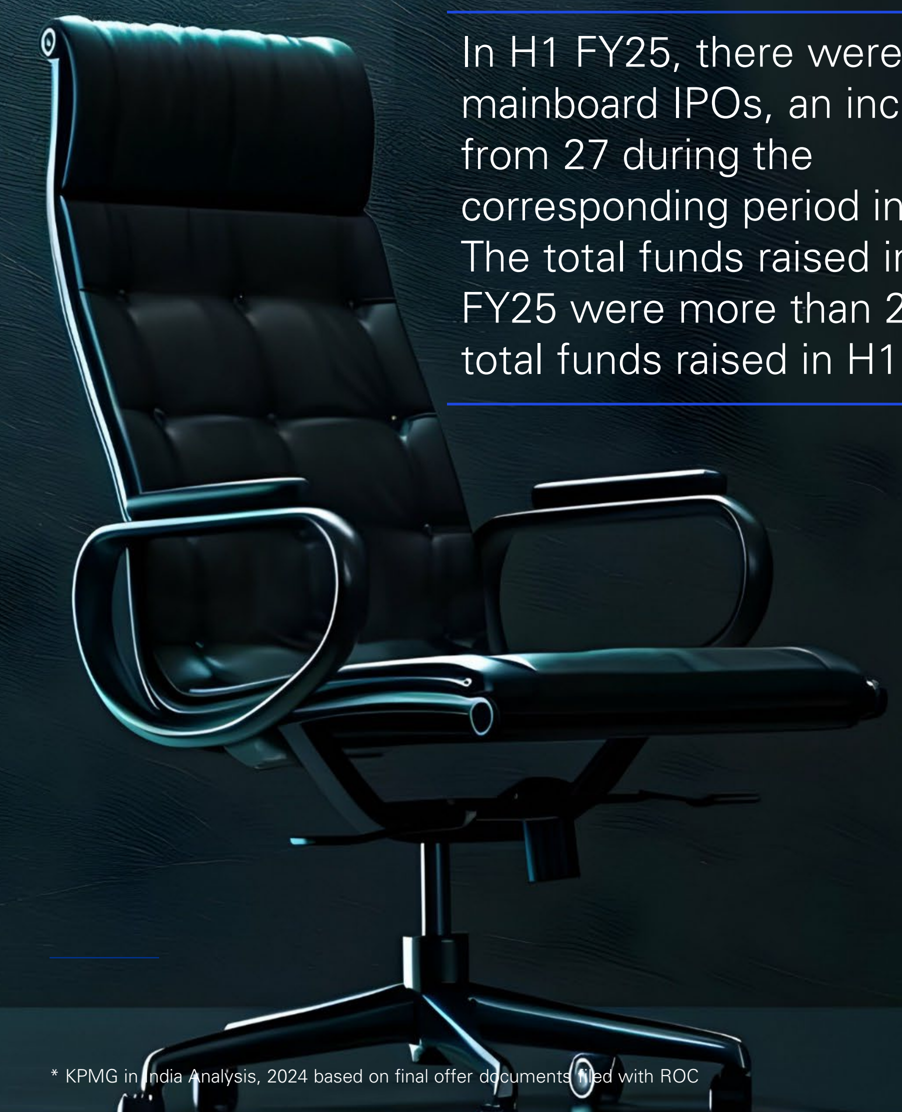
- SEBI has a BSDA facility in place to ensure financial inclusion and make it easier for retail investors to make investments in various securities.
- The BSDA facility was comprehensively reviewed, and decisions were made pertaining to the eligibility for BSDA, opening of BSDA and conversion of existing eligible demat accounts into BSDA, annual maintenance charges, and the services applicable to BSDA.
- While retail activity in the securities markets has already been witnessing an upward momentum in recent times, the amendments made to the BSDA facility should further increase accessibility of investment products to investors with relatively smaller ticket sizes.

Institutional mechanism by Asset Management Companies (AMCs) for identification and deterrence of potential market abuse[15]

- With an intent to address occurrences of front running and fraudulent transactions in securities, amendments were made to the SEBI (Mutual Fund) Regulations, 1996, to emplace a structured institutional mechanism at the end of AMCs, for identification and deterrence of potential market abuse including front-running and fraudulent transactions in securities.
- The mechanism will ensure accountability, alert-based surveillance, processing of alerts, standard operating procedures, action on flagged alerts, escalation process, whistle blower policy, and periodic review, among other things.
- This mechanism should serve as an effective deterrent to market participants considering engaging in malpractices, thereby safeguarding the interests of investors, and embedding ethics and transparency in the security market transactions.

14. KPMG in India analysis;
15. Securities and Exchange Board of India (SEBI)

IPO performance snapshot



In H1 FY25, there were 39 mainboard IPOs, an increase from 27 during the corresponding period in FY24. The total funds raised in H1 FY25 were more than 2x of the total funds raised in H1 FY24.

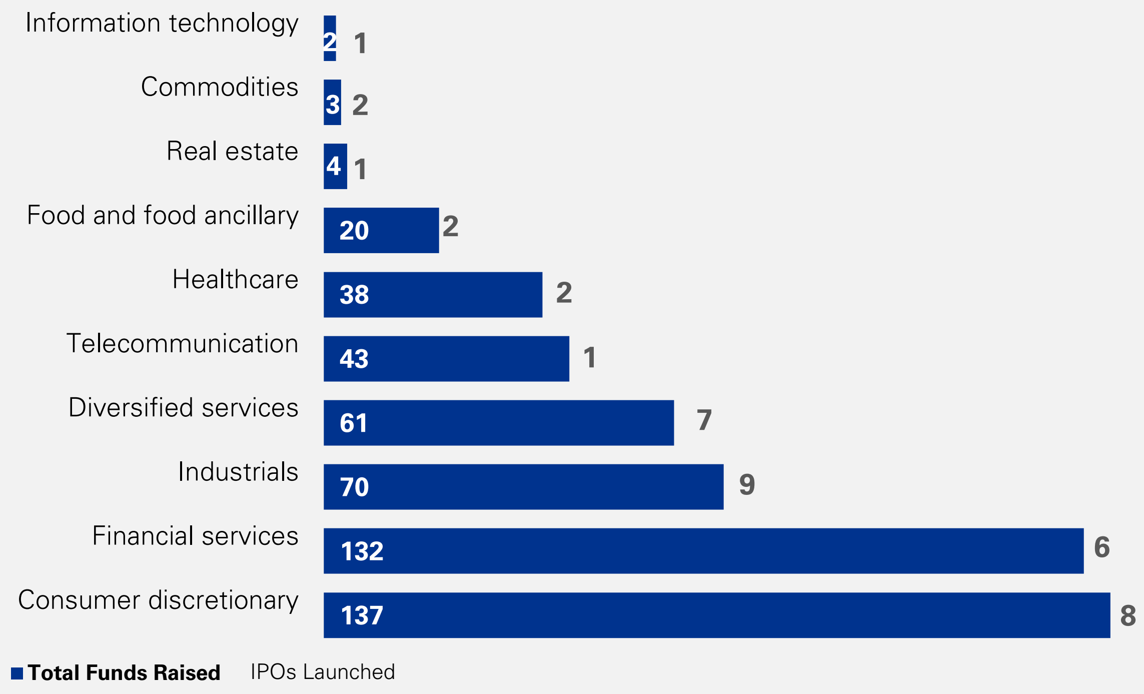
**All figures are in INR Billions*

	H1 FY25*	H1 FY24*
No. of IPOs	39	27
Total funds raised*	510	224
Average issue size*	13	8
Total Subscription*	24,298	7,369
Average Subscription*	623	273
Money raised by PE backed IPOs	289 billion raised by 14 companies	105 billion raised by 6 companies
Total funds raised through OFS (Offer for Sale)	**305 billion** was raised through OFS constituting (60%) of the total funds	**131 billion** was raised through OFS constituting (53%) of the total funds

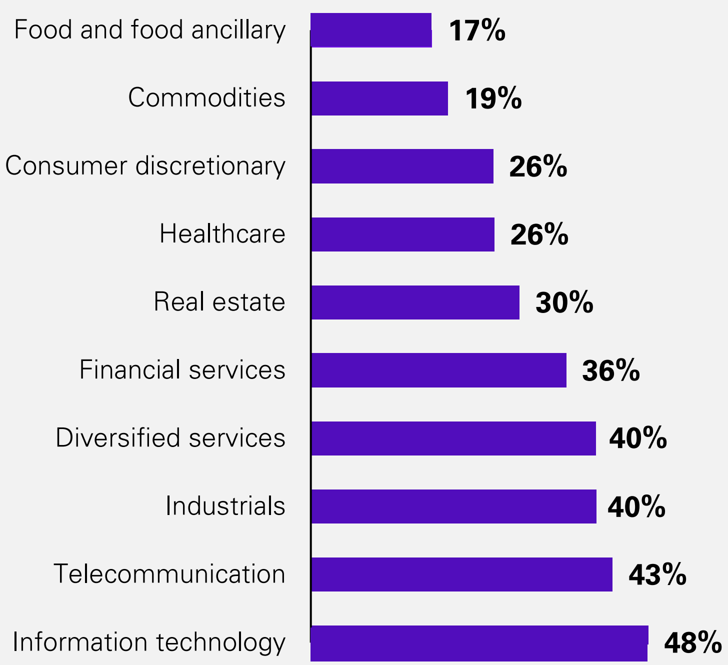
* KPMG in India Analysis, 2024 based on final offer documents filed with ROC

Sector watch – H1 FY25

Total Funds Raised and IPOs launched by each sector



Sector-wise average listing-day gains



Source: KPMG in India analysis, 2024 based on final offer documents filed with ROC, Bombay Stock Exchange (BSE)

In the first half of FY25, maximum funds were raised by 8 companies belonging to the consumer discretionary sector. Of these 8, 3 IPOs were from the auto components sub-sector raising ~INR 69 bn. 6 companies from the financial services sector raised more funds on an average and cumulatively, the funds raised by those companies slotted a close second behind consumer discretionary sector. The industrials and diversified services sectors raised lower funds on an average, with 9 IPOs raising ~INR 70 bn and 7 IPOs raising ~INR 61 bn, respectively. The healthcare, food and food ancillary, and commodities sectors witnessed 2 IPOs each, with 3 sectors witnessing single IPOs[16].

Of the 4 sectors that witnessed 5+ IPOs i.e., Industrials (9), Consumer discretionary (8), Diversified services (7), and Financial services (6), companies belonging to these 4 sectors witnessed an average listing day gain of 40 percent, 26 percent, 40 percent, and 36 percent, respectively[16].

16. KPMG in India Analysis 2024; National Stock Exchange (NSE), Bombay Stock Exchange (BSE)

Listing performance and subscription details

Continuing our discussion on the 4 sectors that witnessed 5+ IPOs each, the average total oversubscription of consumer discretionary sector IPOs was 45x, financial services at 81x, industrials at 87x, and diversified services at 90x. 3 out of these 4 sectors witnessed higher oversubscription compared to the average of all 39 IPOs in H1 FY25, of 78x[17].

While at one end, a financial services sector company witnessed total oversubscription of 224x, at the other end was a consumer discretionary company with a total oversubscription of 4x[17].

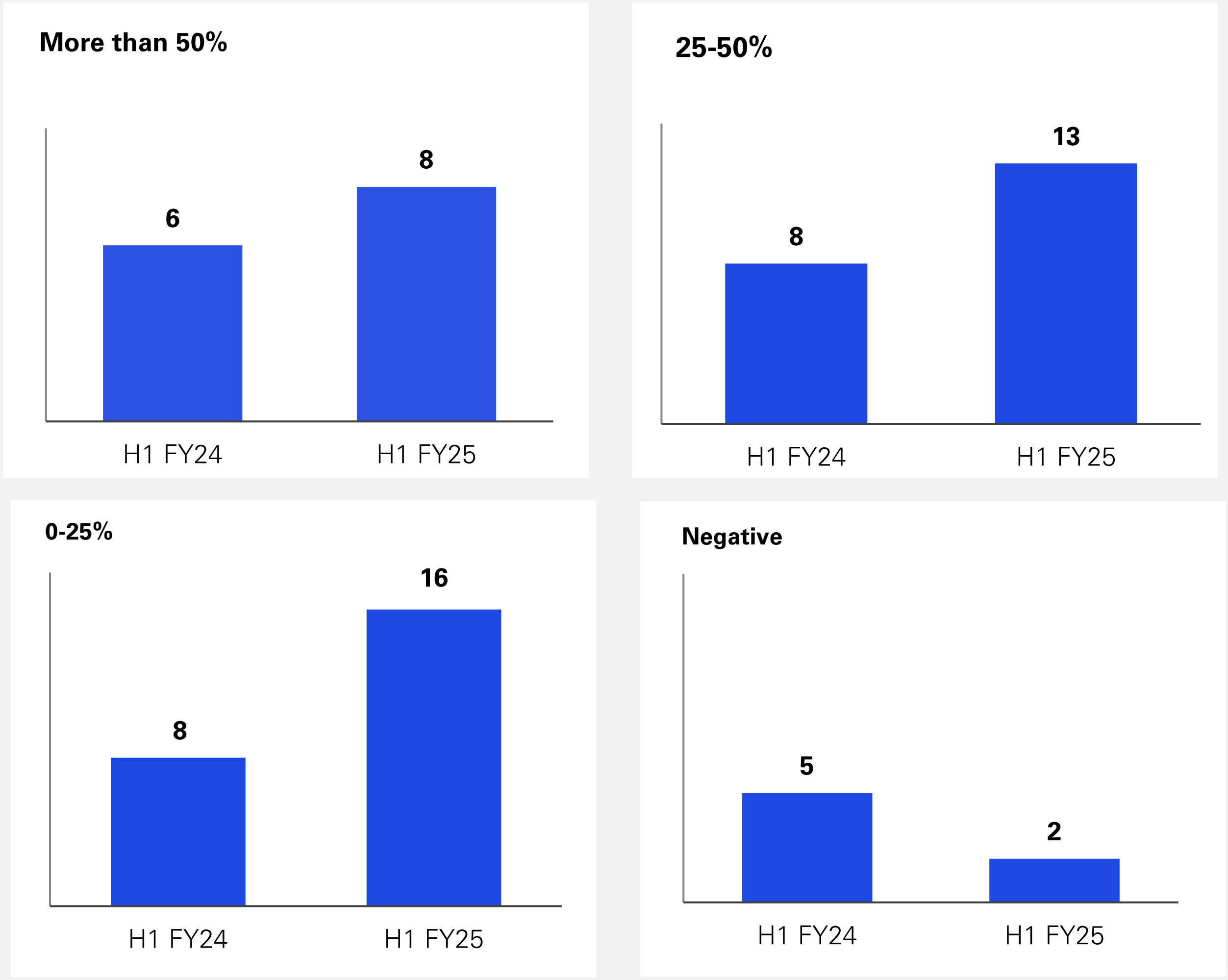
There was evident difference in the listing gains witnessed by companies with more than 50x over-subscription, and the ones witnessing less than 50x. While the former list of companies (27 IPOs) witnessed average listing day gain of ~41 percent, the same figure for the latter list of companies (12 IPOs) was ~18 percent[17].

Category wise bid details[17]

- Qualified Institutional Buyers' (QIBs) participation in IPOs increased significantly, with an average oversubscription of 118x in H1 FY25, compared to 88x in H1 FY24.
- Retail investor participation also witnessed decent improvement with an average of 33x in H1 FY25, compared to 19x in H1 FY24.
- While a financial services sector company witnessed the highest total oversubscription of 224x, the lowest was for a consumer discretionary sector company, at 4x.
- 2 companies that delivered negative listing day returns, witnessed an average total oversubscription of 22x.

Of the 4 sectors mentioned above, the diversified services sector witnessed maximum average oversubscription from the retail category, of 46x

Listing day gains w.r.t issue price (No. of IPOs)



Source: KPMG in India Analysis, 2024 based on final offer documents filed with ROC; National Stock Exchange (NSE), March 2024

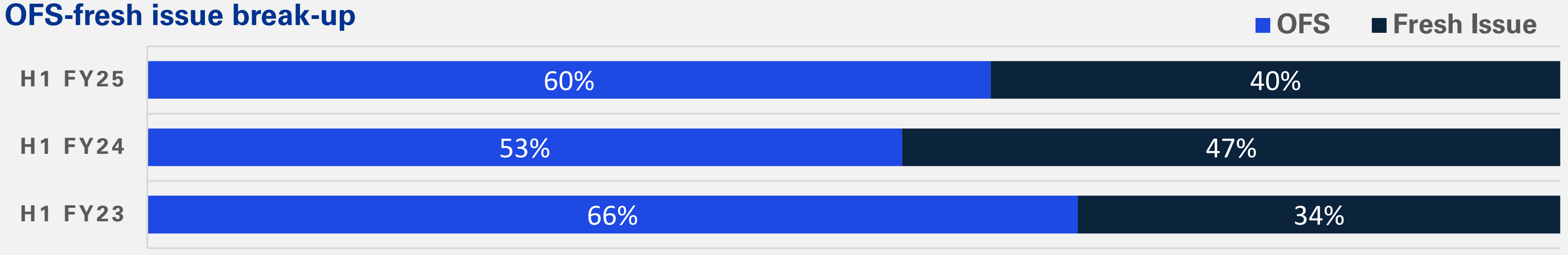
17. KPMG in India Analysis, 2024 based on final offer documents filed with ROC; National Stock Exchange (NSE); Bombay Stock Exchange (BSE)

Types of funds raised

Fund Raise Type*	H1 FY25		H1 FY24		H1 FY23	
	No. of companies	Average listing gains (%)	No. of companies	Average listing gains (%)	No. of companies	Average listing gains (%)
Offer for Sale	5	44%	2	29%	4	53%
Fresh Issue	5	22%	4	48%	3	21%
Both	**29**	**34%**	**21**	**25%**	**8**	**13%**

The 5 ‘OFS only’ offerings witnessed a healthy average listing day gain of 43 percent, indicating the conducive nature of the capital market environment wherein investors believed that despite funds not flowing into the company, the companies’ businesses have desired growth potential. The number of companies entering the primary market solely for corporate purposes was marginally higher in H1 FY25, compared to H1 FY24, but the fresh issue proceeds as a proportion of the total funds raised in H1 FY24, was comparatively higher to that of H1 FY25[18].

OFS-fresh issue break-up



Source: KPMG in India analysis, 2024 based on final offer documents filed with ROC

The proportion of funds raised through offer for sale (OFS) by promoters and promoter groups increased in H1 FY25 as compared to H1 FY24. Increase in share of OFS as a percent of total IPO proceeds tends to indicate the promoter and promoter groups’, along with other selling shareholders’ belief that the market conditions are optimal for them to monetise/exit/partially exit at their desired valuation, determined jointly with market participants. **INR 305 billion (60%)** were raised through the OFS route in H1 FY25 as compared with **INR 206 billion (40%)** worth of fresh issuances[18].

18. KPMG in India Analysis, 2024 based on final offer documents filed with ROC; National Stock Exchange (NSE); Bombay Stock Exchange (BSE)

Performance and use of funds

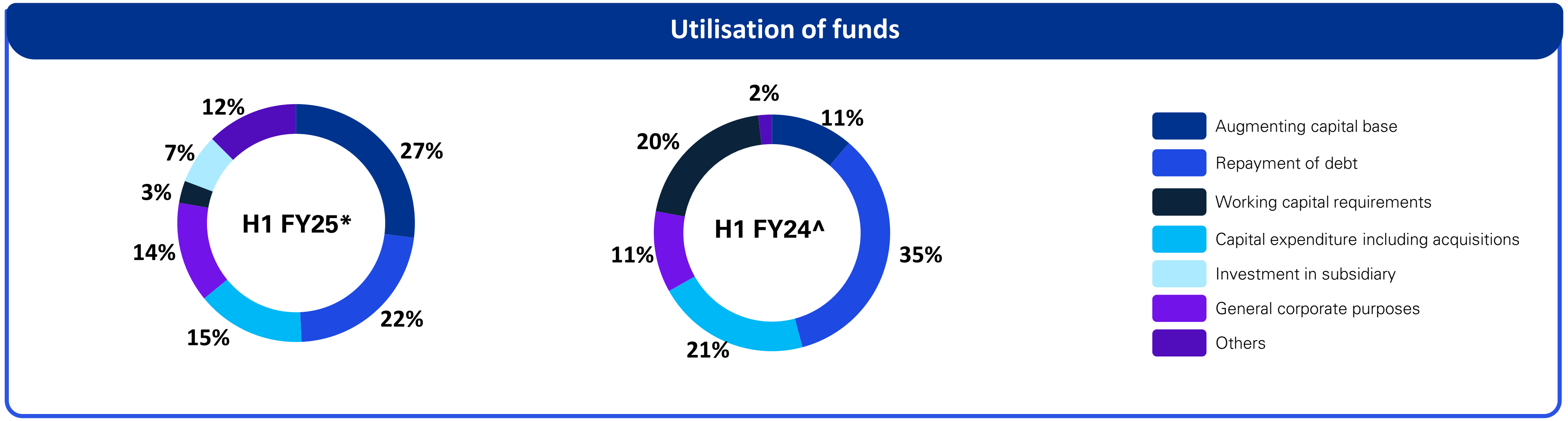
Issue size (INR billion)^	H1FY25			H1FY24			H1FY23		
	No. of Companies	Average listing gains	Average issue expense*	No. of Companies	Average listing gains	Average issue expense	Number of Companies	Average listing gains	Average issue expense
<5 (Small)	14	30%	9.6%	9	22%	7.6%	3	0%	8.8%
5-15 (Medium)	14	29%	7.5%	15	34%	6.5%	7	24%	5.6%
>15 (Large)	11	44%	4.2%	3	25%	4.6%	5	7%	3.2%
	39	**34%**	**7.2%**	**27**	**29%**	**6.7%**	**15**	**14%**	**5.5%**

Source: KPMG in India analysis, 2024 based on final offer documents filed with ROC; * Data available for 34 out of 39 IPOs
^ For the analysis, an issue size of <INR5 billion is considered small, INR5-15 billion is considered medium and >INR15 billion is considered large.

The average issue expense of IPOs across H1 FY23, H1 FY24, and H1 FY25, witnessed an expected upward trend with the H1 FY25 IPOs costing 7.2 percent of the total funds raised, on an average.

In H1 FY25, the cost of small issuances increased by ~200bps, and the medium issuances witnessed ~100bps increase in average cost, compared to H1 FY24, while the cost of large issuances remained marginally declined[19].

Utilisation of funds



Source: KPMG in India Analysis, 2024 based on final offer documents filed with ROC; National Stock Exchange (NSE); * Data available for 34 out of 39 IPOs; ^ No 'Investment in subsidiary' in H1 FY24

The funds generated from the fresh issuance are likely to stimulate a capex cycle as India Inc. presses the pedal on enhancing capacities to cater to robust demand and in turn contribute to employment and returns to all factors of production.

In H1 FY25, 'augmenting capital base' and 'repayment of debt' occupied the top two slots in terms of utilisation of funds whereas the same positions in H1 FY24 were occupied by 'repayment of debt' and 'capital expenditure' purposes[19].

19. KPMG in India Analysis, 2024 based on final offer documents filed with ROC; National Stock Exchange (NSE); Bombay Stock Exchange (BSE)

Outlook

Global Economic Outlook

40 countries had their elections lined-up in 2024 and most of these countries have witnessed a change in leadership[20], with the latest one being the US election. This change of guard at the top, in a significant number of economies, will have an impact on global trade and supply chain as agreements and policies will be reviewed and amended.

With respect to commodities, mid-to-high teens declines in the prices of natural gas and coal are expected to lower the price of fuel commodities by around 3.8 percent. Higher global grain production is expected to drive a reduction of 4.5 percent in food prices, in 2025[21].

Majority of the central banks of economies with the top 10 most traded currencies, have witnessed rate cuts with a couple of countries maintaining their rates, and Japan being the only exception in terms of witnessing a rate hike[22]. This comparison is between the latest rate decision by central banks at the time of publishing this report, compared to their respective levels in March 2024. These moves should have a positive impact on the growth rates of these economies in the coming months.

Indian Capital Markets

H2 FY25 has started on a challenging note for the Indian capital markets that have witnessed a net FPI outflow of ~INR 964 bn in October 2024, of which INR 940 bn pertains to the equity segment itself[23]. This significant outflow can be attributed to the following factors including muted Q2 FY25 earnings of a significant number of Nifty 50 index constituents[24] consequently leading to downgrades to FY25 annual earnings growth estimates, unsustainable levels of valuation of Indian equities, and the volatility associated with the US election.

With SEBI approvals in place for 26 companies to raise INR 720 bn through IPOs and over 50 companies awaiting approvals for their IPOs[25], the pipeline is robust. Going by the recent correction in the broader market, the instances of stellar listing gains could be comparatively lower, and the post-listing performance will more so depend on robust quarterly performances and earnings growth.

As reported in an earlier section of this publication, CPI inflation spiked in the month of September 2024 and further increased by ~70bps to 6.2 percent in October 2024[26]. These consecutive upward ticks in the inflation rate have proven to be a deterrent as RBI kept the repo rate steady after its December MPC meet. The appointment of a new RBI governor increases the probability of a change in approach of the central bank, over the next few months.

With respect to the performance of INR, a depreciation of 8 to10 percent is expected during the US president-elect's second term. The agriculture, manufacturing, and textiles sectors could potentially benefit from the depreciation in currency[27].

Indian Economy

With the sector-specific announcements made during the post-election budget and with the comfort of policy continuity, India should continue to remain the world's fastest growing economy.

India's Long-Term Foreign-Currency Issuer Default Rating (IDR) has been affirmed at 'BBB-' with a stable outlook, by Fitch. The rating provider has ascribed this to the probability of moderation in the level of government debt over the medium term, driven by buoyant revenues, enhanced transparency, and achievement of deficit target. While meeting the deficit target is a positive development, the level of fiscal deficit, debt, and debt service liabilities are all high compared to similar rated sovereign peers. Current governance indicators and GDP per capita are also adversely impacting the rating[28].

Adequate reservoir levels, increase in farm output driven by healthy sowing, and food grain sufficiency should keep food inflation levels in check over the next few months[29]. Modifications and developments in global trade policies need to be closely monitored, to be able to emplace necessary measures to tackle probable headwinds pertaining to trade policy changes.

20. India among few to retain the PM, as power changed hands in most countries in 2024, Moneycontrol, article dated 8 November 2024
21. IMF World Economic Outlook (WEO), October 2024
22. Big central banks are firmly in rate-cut mode, Reuters, article dated 17 October 2024; 23. NSDL FPI monitor
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