

The background of the entire page is a deep blue sky filled with numerous small white stars. In the upper portion, a large, detailed, grey moon is visible. A rocket is shown launching from the bottom center, moving upwards. The rocket has a white core stage and two orange solid rocket boosters. Bright orange and white flames and smoke are visible at the base of the rocket. The word "INDIA" is printed vertically on the side of each booster.

India Rising

2023 Review & **2024** Outlook

A report by
KUVERA
INSIGHTS

Disclaimer: This document is for information purposes only and should not be construed as investment, tax or insurance advice. Past performance is not indicative of future returns. Any unattributed data is sourced from publicly available sources.

As ISRO's pioneering Chandrayaan 3 mission to the Moon's south pole put India in the global spotlight, its economy also caught the world's imagination.

India was the fastest-growing major economy in 2023. A report by Centre for Economics and Business Research notes that it is on track to surpass Germany as the world's 4th largest economy by 2026, and is set to overtake Japan for the 3rd spot by 2032.

In 2023, a robust infusion of domestic mutual fund investments, a resurgence in foreign purchases, and a stable corporate profit landscape led India's main indices to rise for the 8th straight year. The Nifty 50 and BSE Sensex grew by 20% and 18% respectively. India's market capitalization crossed the \$4 trillion milestone, making it the 4th largest globally, behind the US, China, and Japan.

The NSE became the world's largest derivatives exchange by number of contracts traded, and the 3rd largest in cash equities by number of trades. Investor registration surged over 22%, and India dominated global IPOs, a sign of investor confidence.

Market depth was demonstrated by broad markets outshining the main indices. Smallcap 100 index rose 54% and the Nifty Midcap 100 climbed over 44% in 2023.

The T+1 settlement cycle, a major efficiency leap, placed India ahead globally in market operations.

The year also saw India rocketing to 40th on the Global Innovation Index from the 81st in 2015.

History would perhaps remember 2023 as the year the country started its ascent towards the status of a developed nation. Reason why we call this report **India Rising**.

Happy reading, happy investing, and a happy 2024.



Gaurav Rastogi
CEO | kuvera.in





MARKET MOOD

IN 2023



Global Markets

Fueled by consistent domestic mutual fund investments, a resurgence in foreign purchases, robust macroeconomic expansion, and stable corporate profits, India's key benchmark indices ended higher for the 8th consecutive year.

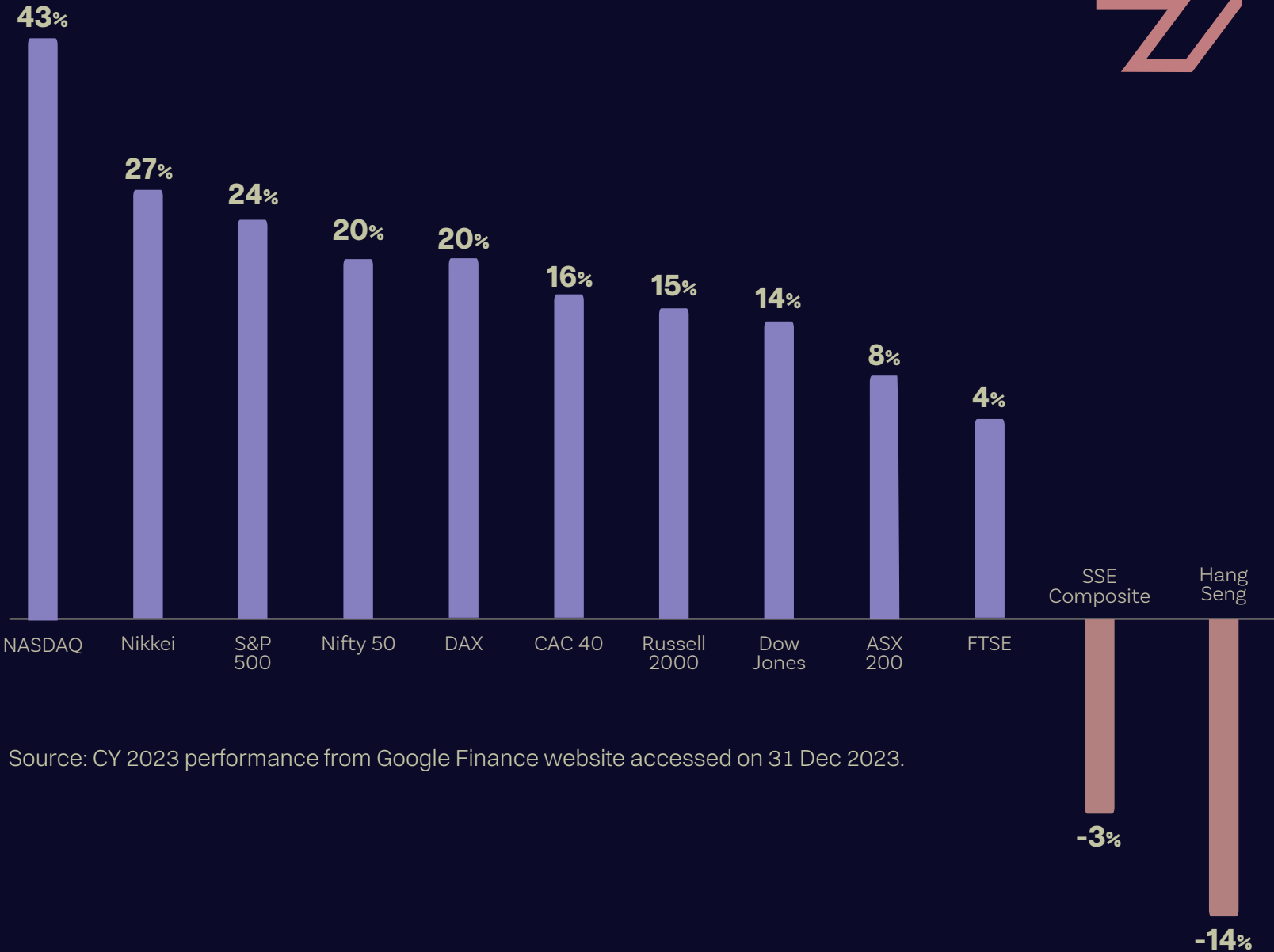
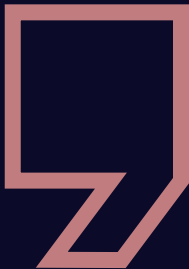
US markets surged, with gains led by the 'Magnificent 7', contributing 2/3rds to the S&P 500's ascent.

Tokyo's Nikkei marked its best performance in 10 years. However, China's economic strains led to the decline of Hong Kong's Hang Seng and Shanghai's Composite indices.

Europe was a mixed bag.



India & US on High,
China falls



Source: CY 2023 performance from Google Finance website accessed on 31 Dec 2023.

Pundits & Predictions

Punditry is not easy on Dalal Street. It can make you the next Nostradamus if a prophecy were to come true, and a laughing stock if you are far off the mark.

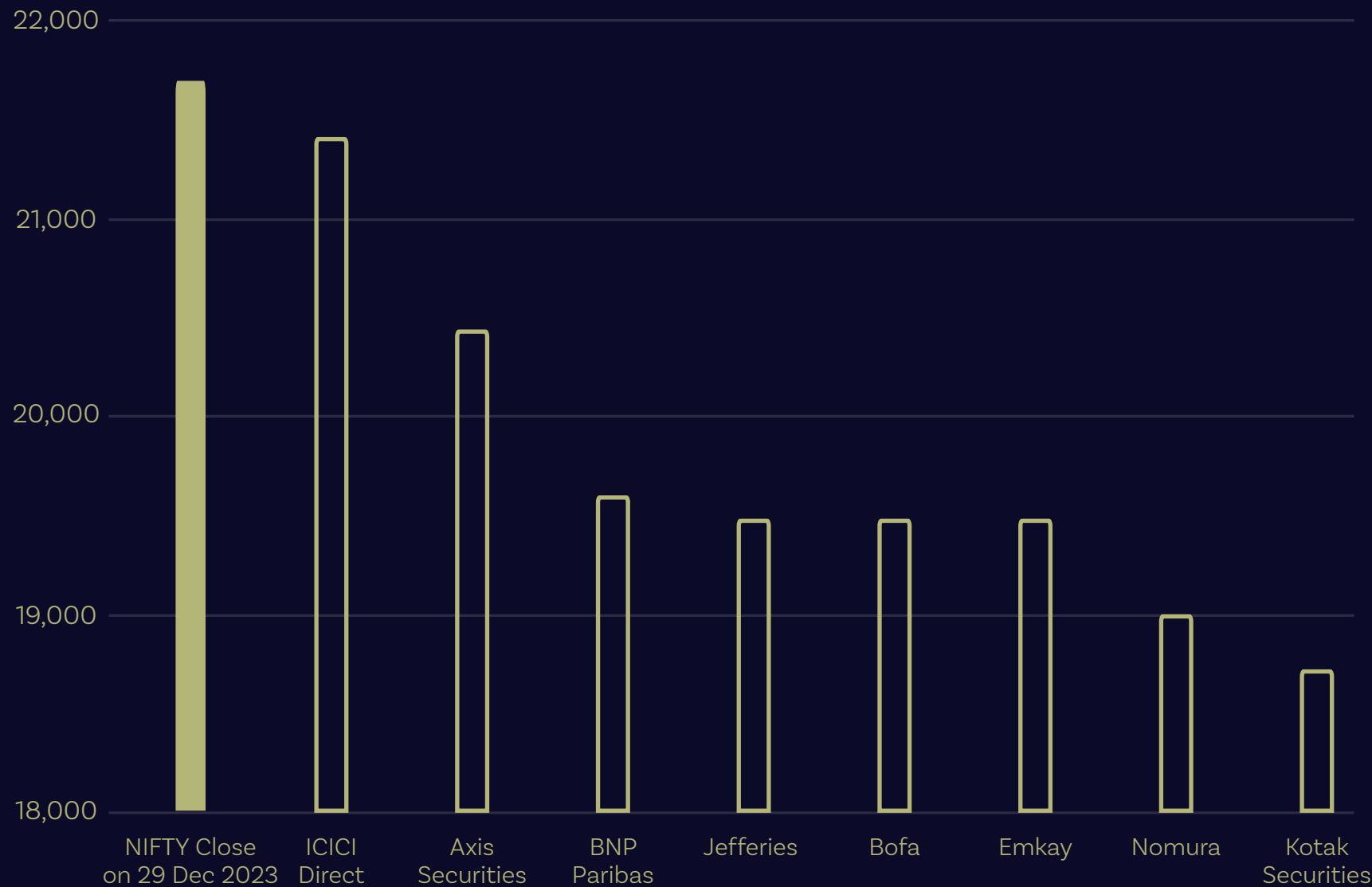
Like any other year, the beginning of 2023 also saw many of the top brokerages making predictions about where the equity markets would be headed in the next 12 months. Of course, most of them hedged the numbers with a lot of ifs and buts, and a range wide enough to accommodate both bear and bull in the same cage.

In the end, the market defied even the most optimistic of predictions.

Remember to take each prediction with a huge pinch of salt before placing bets, especially in an election year.



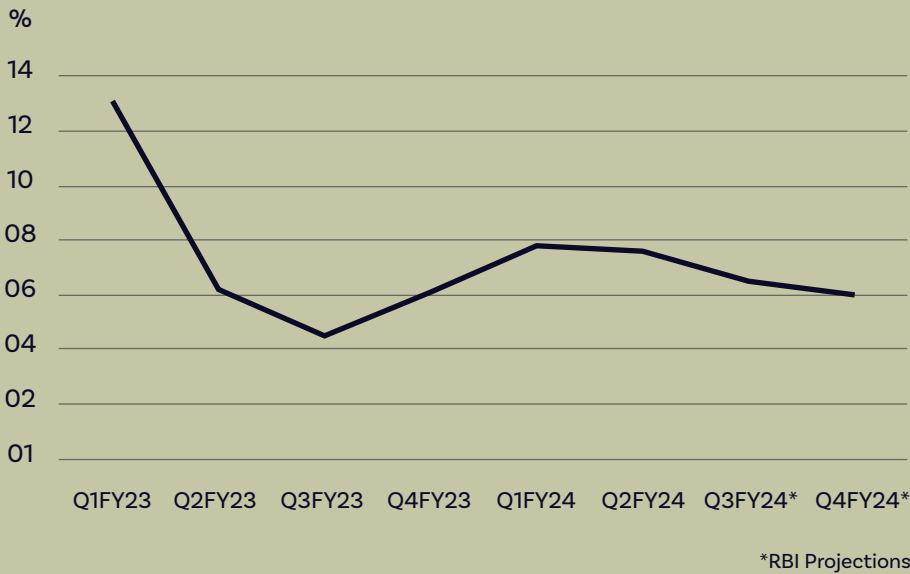
Forecasts may tell you a great deal about the forecaster; they tell you nothing about the future.
Warren Buffett



Macroeconomic Indicators

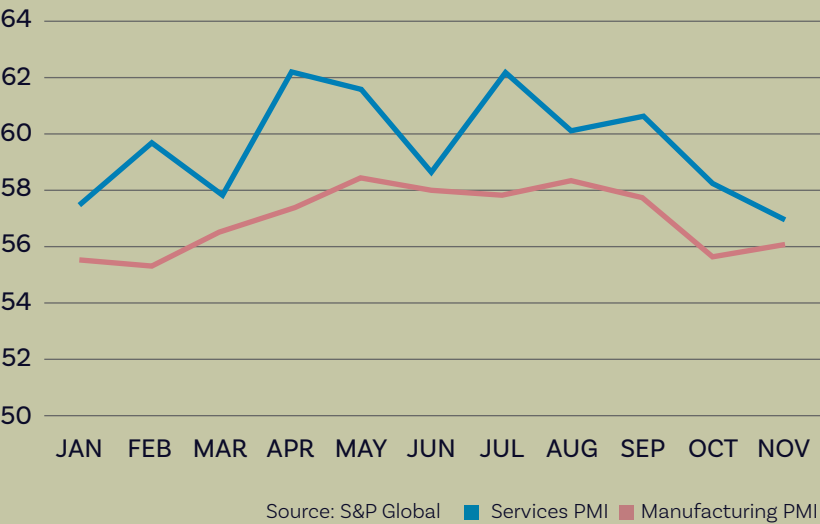
GDP growth

India's GDP grew by 7.8% and 7.6% in the first two quarters of 2023-24. While the growth rate is projected to moderate in the coming quarters, the RBI still expects GDP to expand 7.0% for the full 2023-24.



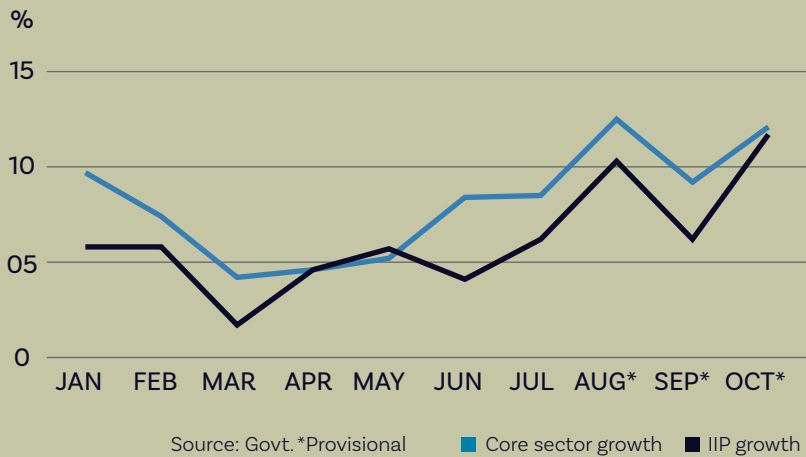
Services & Manufacturing

Both sectors recorded strong growth numbers throughout 2023. According to S&P Global's Purchasing Managers' Index data, services PMI touched a 13Y high of 62.3 in July while manufacturing PMI hit a 31M high of 58.7 in May.



Industrial Production & Core Sector

The index of industrial production and the eight core sectors of crude oil, coal, natural gas, refining, steel, cement, fertilisers and electricity recorded strong growth to surge by October.

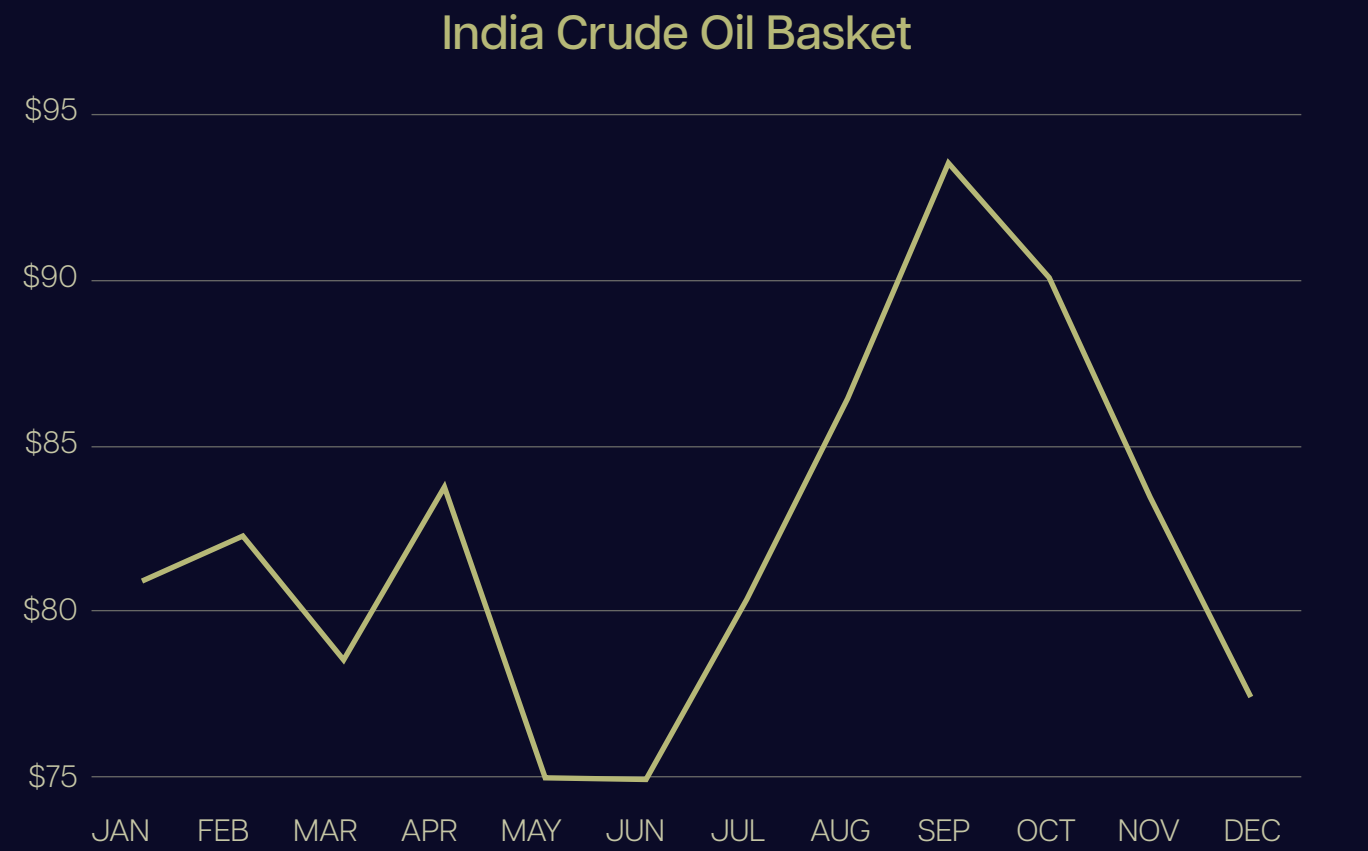


Crude Oil Prices

A big reason that has helped the Fed and the Reserve Bank of India to hold interest rates through the last few months is that crude oil prices have held steady in 2023.

In September, crude oil prices breached the \$93 per barrel mark, before coming back to sub-\$80 levels again

Crude prices have a direct bearing on the Indian stock market due to its impact on retail inflation, the key metric for the RBI's interest rate decision.

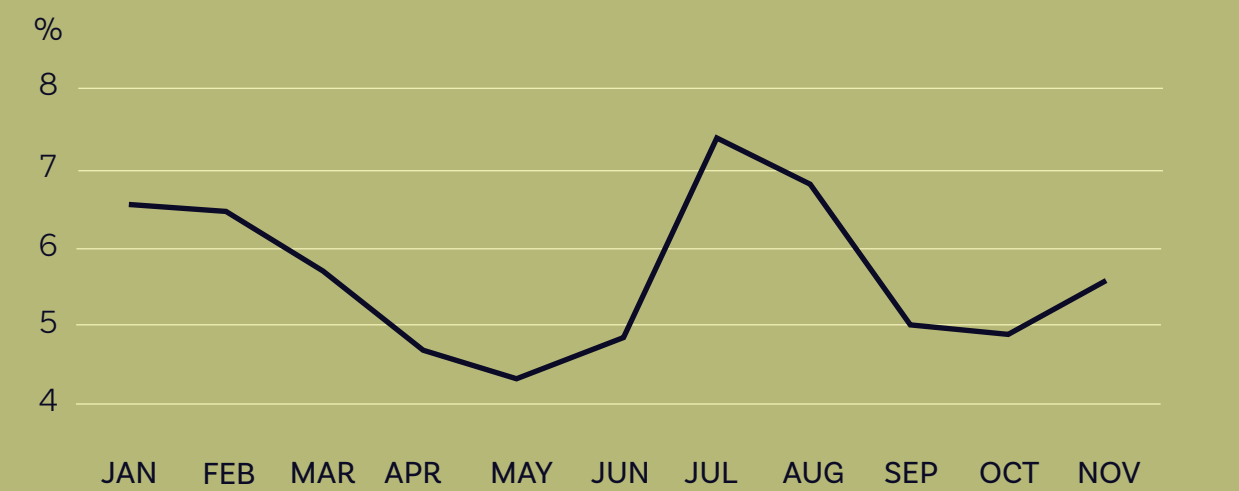


Source: PPAC

Inflation

The RBI's 2.5% hike in the repo rate helped cool down inflation.

The consumer price index came within the RBI's comfort zone of 4-6% during April-June, before accelerating during the monsoon months. But inflation has since eased again below 6%.

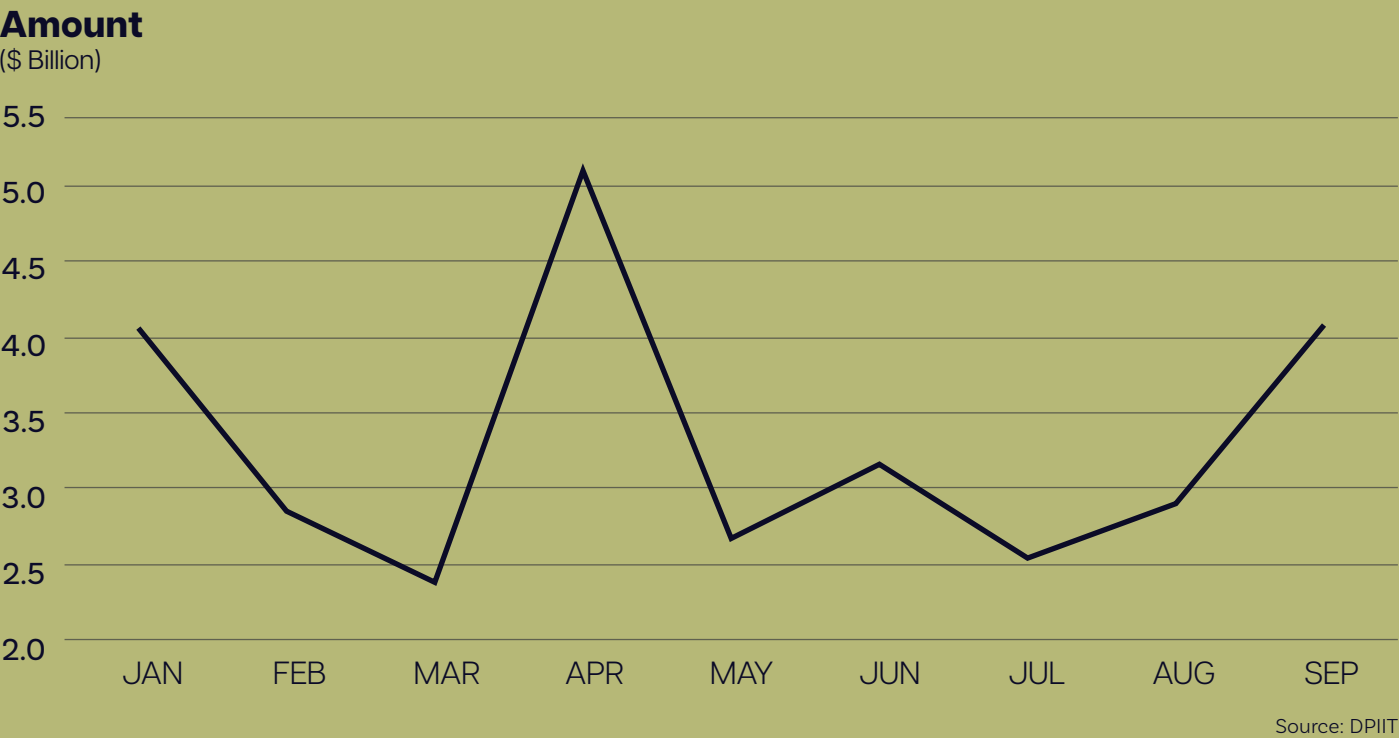


Source: MoSPI

FDI Inflows

FDI inflows in 2023 were muted on account of rising global uncertainty and the cost of finance going up.

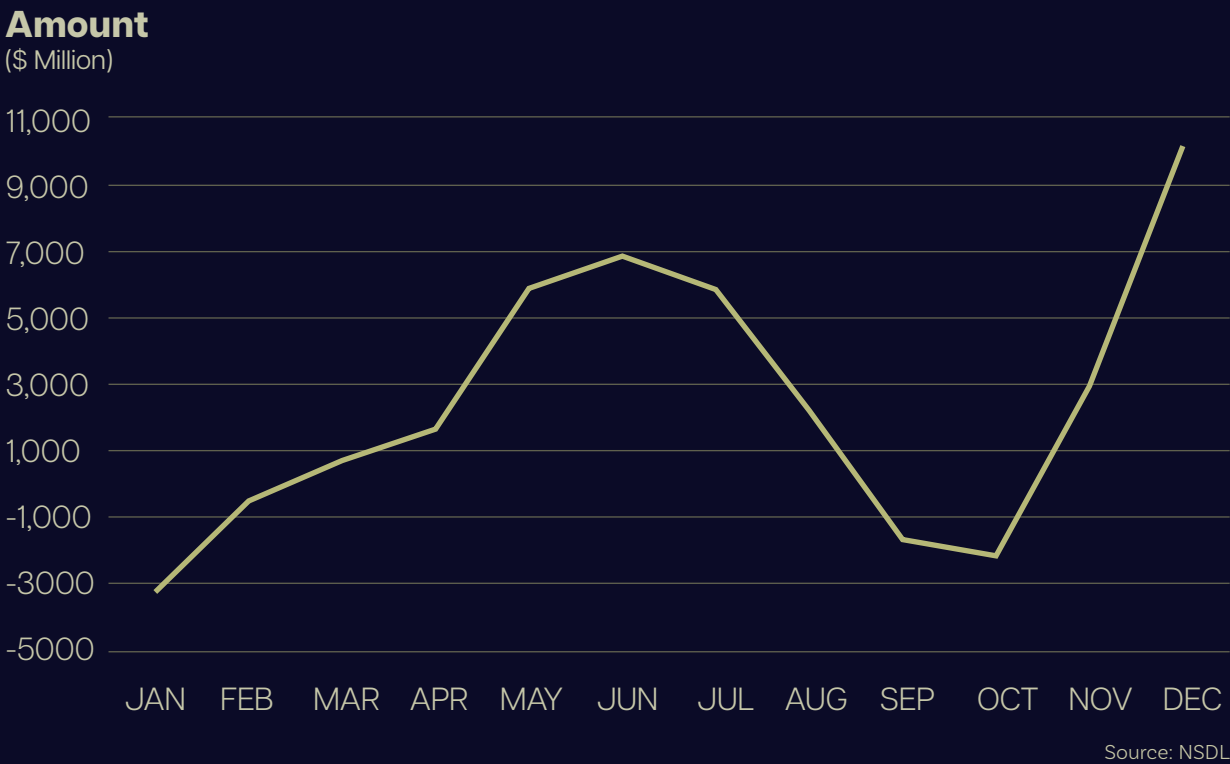
In April, India attracted more than \$5 billion in FDI, but the inflows fell in the following months.



FPI Inflows

Investments from foreign portfolio investors remained strong for most of the year.

FPIs were net buyers of Indian securities in eight of the 12 months this year, with robust inflows during May-July and again in December, pushing stock markets to record highs.



Fed Action, Nifty 50 Reaction



One of the key factors that impacts emerging markets such as India is the US Federal Reserve's monetary policy. High interest rates in the US affect the flow of funds to riskier assets.

In 2023, the Fed raised its interest rates four times - in February, March, May and July - taking the total hike since early 2022 to 525 basis points. And, every time it sneezed, Indian markets caught a fever.

Since July, the US central bank has held its interest rates steady, with a firm indication that in early 2024 it could shift to rate cuts. This could lead to higher foreign investment in India.

FOMC Meeting Date	Rate Change (bps)	FOMC Commentary	Nifty Change*
Dec 13, 2023	No change	Dovish	▲ 1.23%
Nov 01, 2023	No change	Less-than-hawkish	▲ 0.08%
Sep 20, 2023	No change	Hawkish	▼ 0.08%
Jul 26, 2023	25	Hawkish	▼ 0.06%
Jun 14, 2023	No change	Pauses but hints at more hikes	▼ 0.36%
May 3, 2023	25	Signals end of hikes	▲ 0.92%
Mar 22, 2023	25	Hawkish	▼ 0.44%
Feb 01, 2023	25	Hawkish	▼ 0.03%

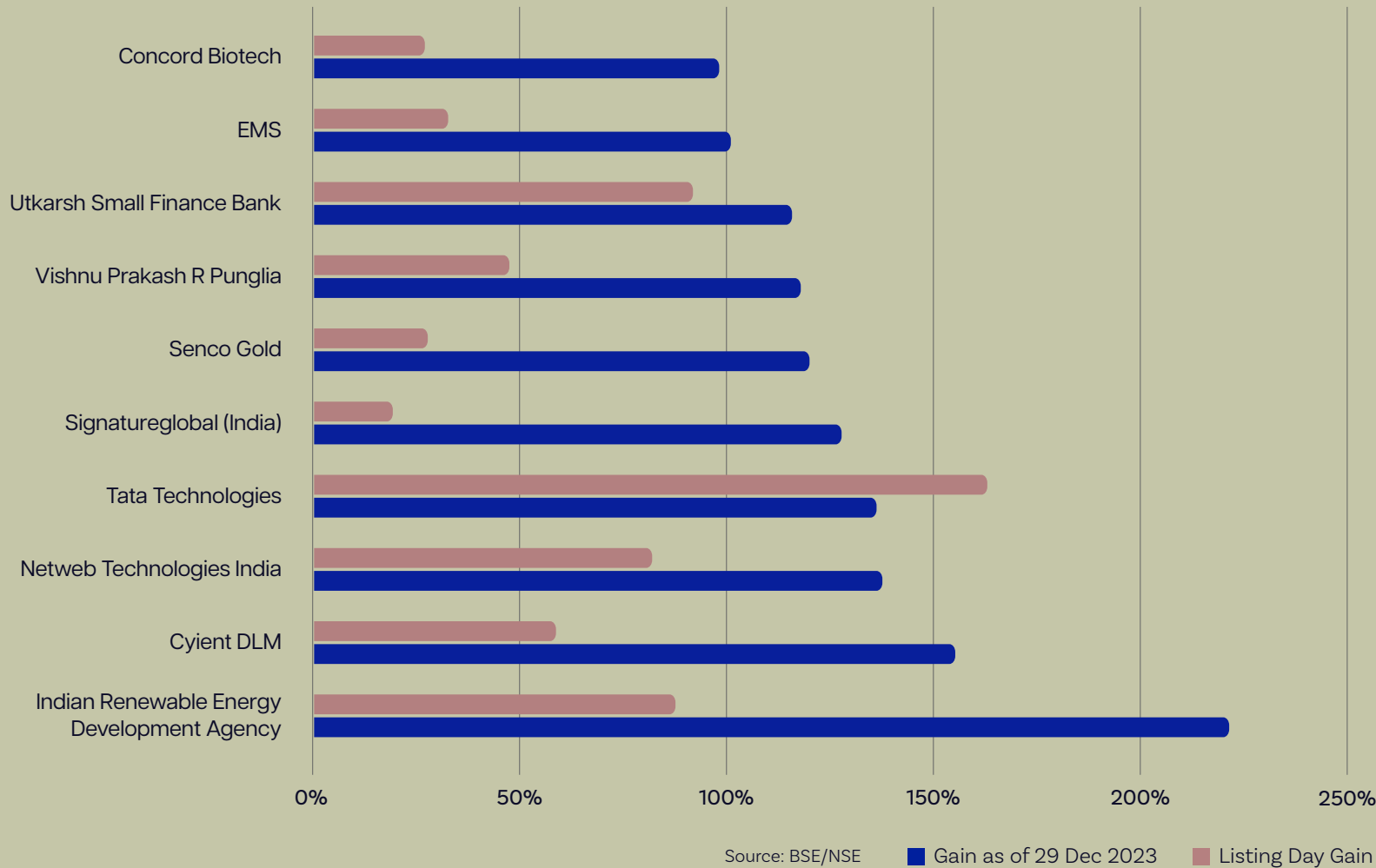
*Nifty change in the session following the Fed commentaries

IPO Rush

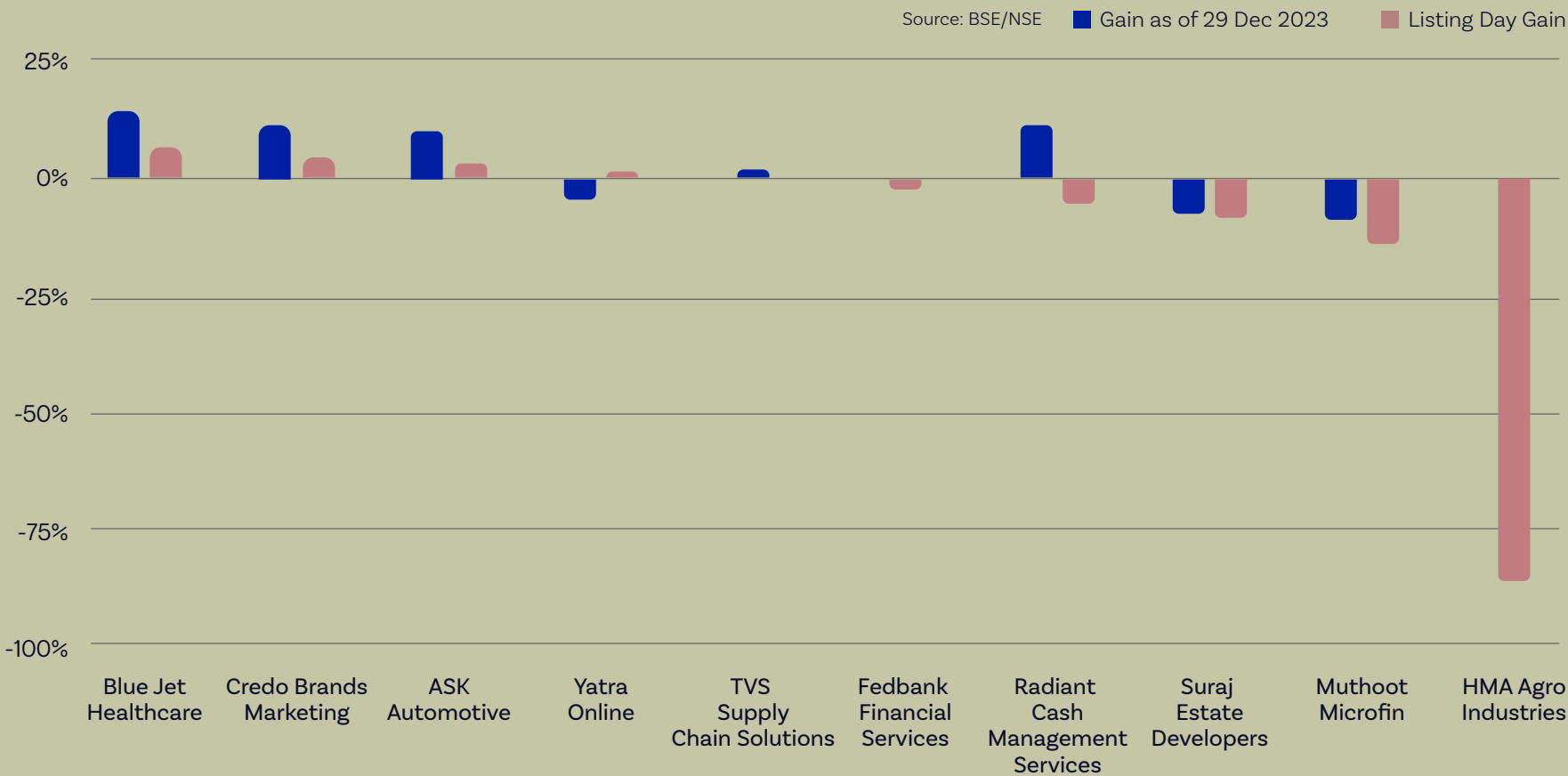
The number of initial public offerings (IPOs) by Indian companies jumped to a record in 2023. But a lack of big-ticket offerings meant the total amount raised by India Inc. was way behind the peak.

Action on the main boards was relatively muted. The total amount raised in 2023 declined from 2022 and the total number of companies going public fell short of the mark touched in 2021.

The SME exchanges, however, hit a new peak both in terms of the number of IPOs and the amount raised.



Biggest Laggards



High Risk, High Reward

As a retail investor, should you invest in an SME IPO or a main board IPO?

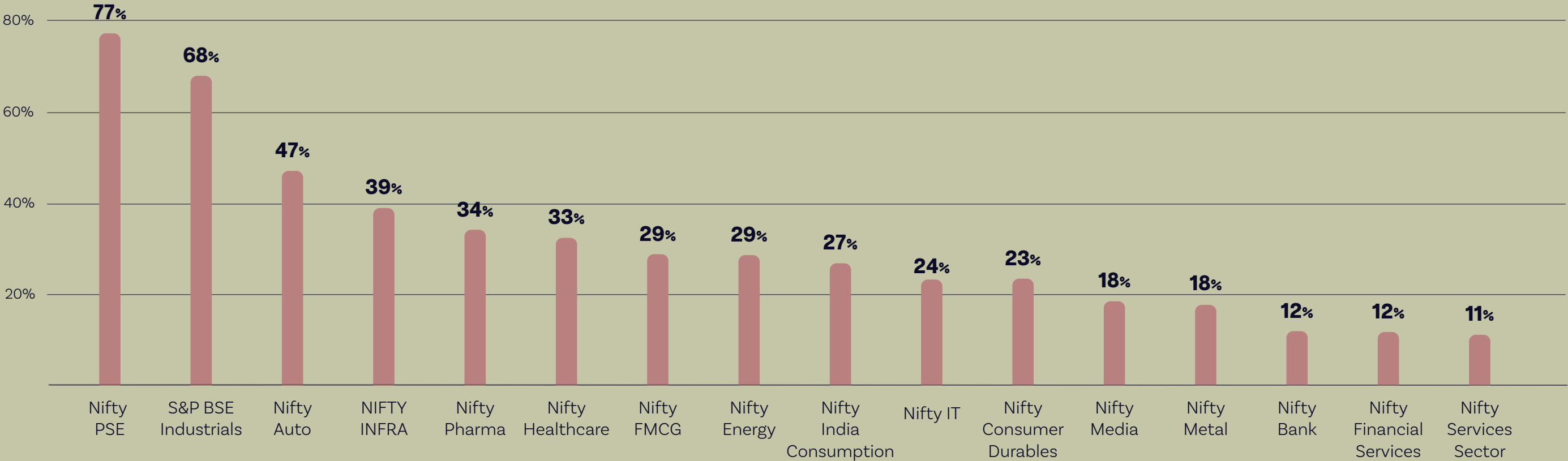
Data from 2023 shows that about a fourth of SME IPOs turned flops eventually. In comparison, investors lost money in just one in 12 IPOs on the main board. Also, the average listing day gain on the SME exchanges was a tad lower than the main board.

Nevertheless, the returns generated on the SME exchanges have been much higher. The median return after listing to date on the junior exchanges of the NSE and the BSE has been 47% for investors. This is a full 1500 basis points more than that on the main board (32%).



Sector Performance

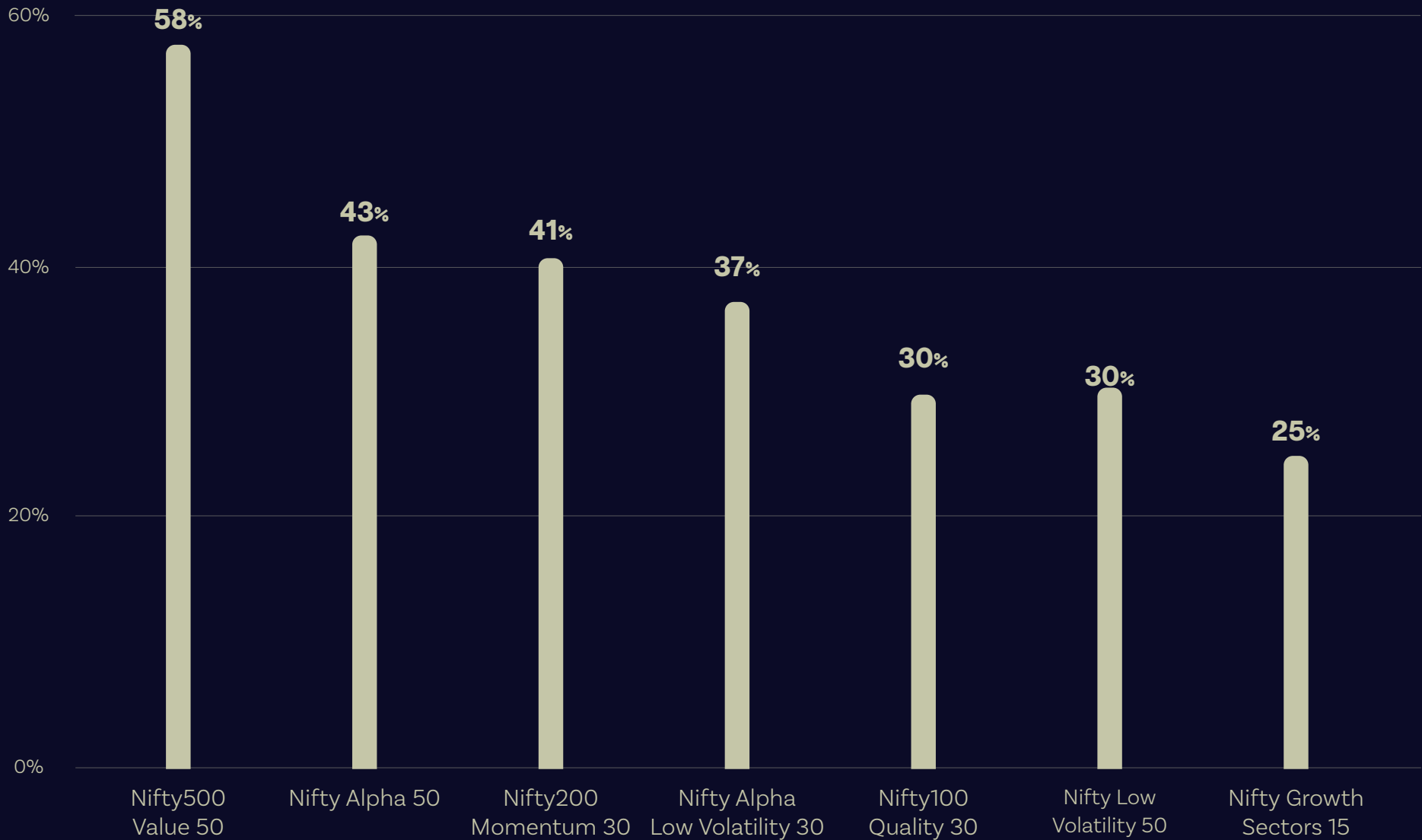
Public Sector, Auto & Industrials led the winners.
Banks, Services & Financial Services lagged.

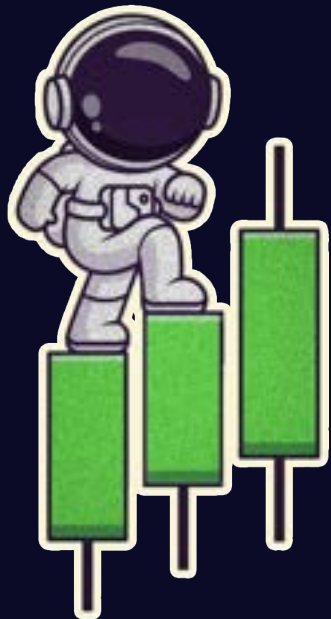
Source: 2023 performance from niftyindices.com and bseindia.com

Factor Performance

Value won big in 2023, while Growth was a laggard



Source: 2023 performance from niftyindices.com



MF Category Performers

Category	1Y	5Y	Category	1Y	5Y	Category	1Y	5Y
Equity: Mid Cap Fund	39.40%	20.70%	Others: Index Funds/ETFs	19.70%	3.20%	Debt: Money Market Fund	6.50%	5.60%
Equity: Dividend Yield Fund	36.80%	18.60%	Hybrid: Aggressive Hybrid Fund	18.00%	12.80%	Debt: Low Duration Fund	6.40%	4.60%
Equity: Contra Fund	34.60%	21.10%	Hybrid: Dynamic Asset Allocationor Balanced Advantage	16.00%	10.10%	Debt: Ultra Short Duration Fund	6.00%	5.80%
Equity: Sectoral/Thematic	31.30%	17.40%	Hybrid: Equity Savings	13.00%	9.40%	Hybrid: Capital Protection Funds	5.60%	5.70%
Equity: Small Cap Fund	31.10%	23.00%	Hybrid: Conservative Hybrid Fund	9.00%	8.30%	Debt: Fixed Maturity Plans - Debt	5.50%	6.60%
Equity: ELSS	27.50%	16.10%	Hybrid: Fixed Maturity Plans - Hybrid	8.00%	8.30%	Debt: Long Duration Fund	5.30%	6.10%
Equity: Value Fund	27.10%	18.20%	Debt: Credit Risk Fund	7.70%	5.30%	Debt: Corporate Bond Fund	3.40%	6.80%
Equity: Multi Cap Fund	26.30%	14.90%	Debt: Dynamic Bond Fund	7.40%	6.60%	Debt: Medium Duration Fund	3.40%	5.20%
Equity: Focused Fund	24.70%	16.90%	Debt: Medium to Long Duration Fund	6.90%	6.30%	Debt: Floater Fund	1.20%	5.40%
Equity: Large & Mid Cap Fund	24.20%	15.60%	Debt: Gilt Fund	6.80%	6.90%			
Equity: Large Cap Fund	19.90%	14.00%	Debt: Short Duration Fund	6.60%	5.80%			
Hybrid: Multi Asset Allocation	19.90%	15.40%	Hybrid: Arbitrage Fund	6.50%	4.90%			

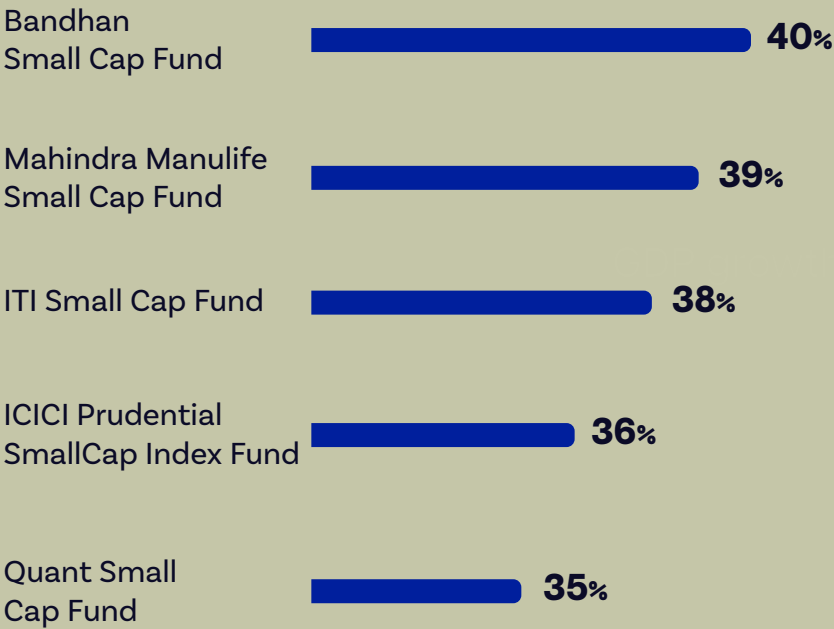
Source:1 year & 5 year performance data from moneycontrol.com

accessed on 30 Dec 2023

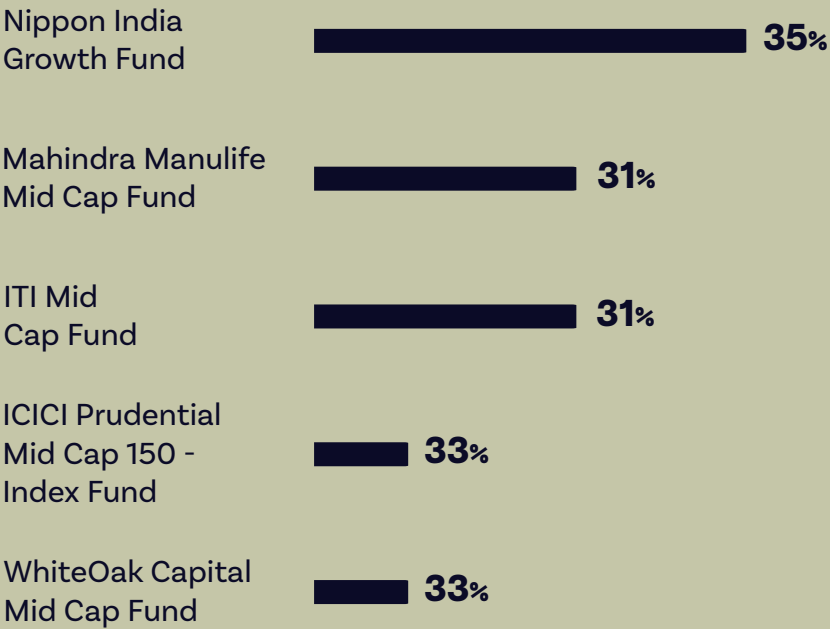
MF Top Performers

By SIP Returns

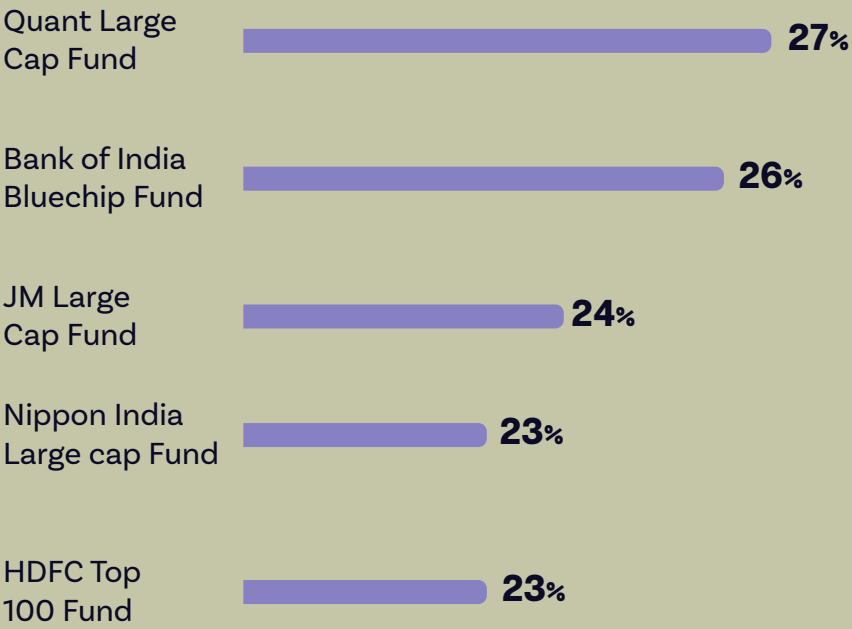
Small Cap



Mid Cap

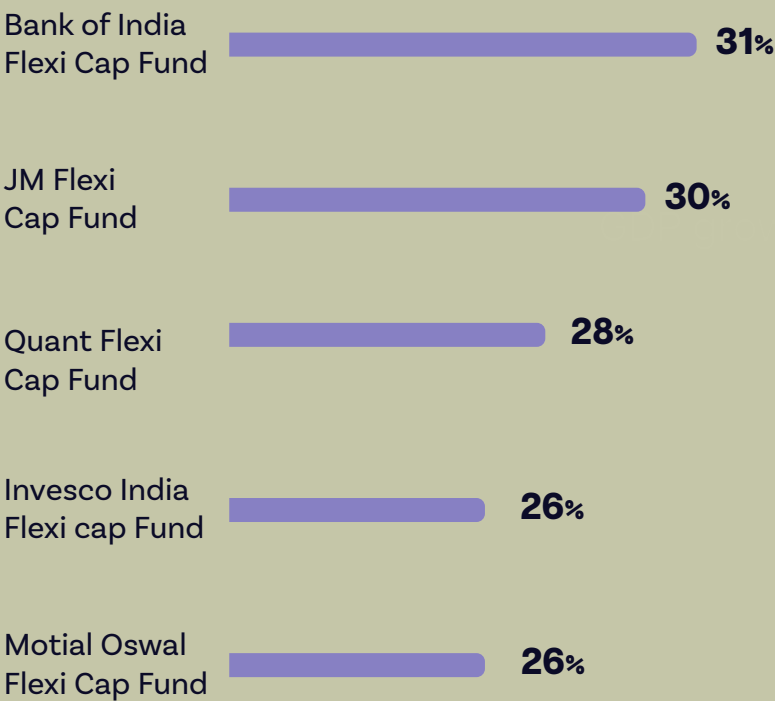


Large Cap

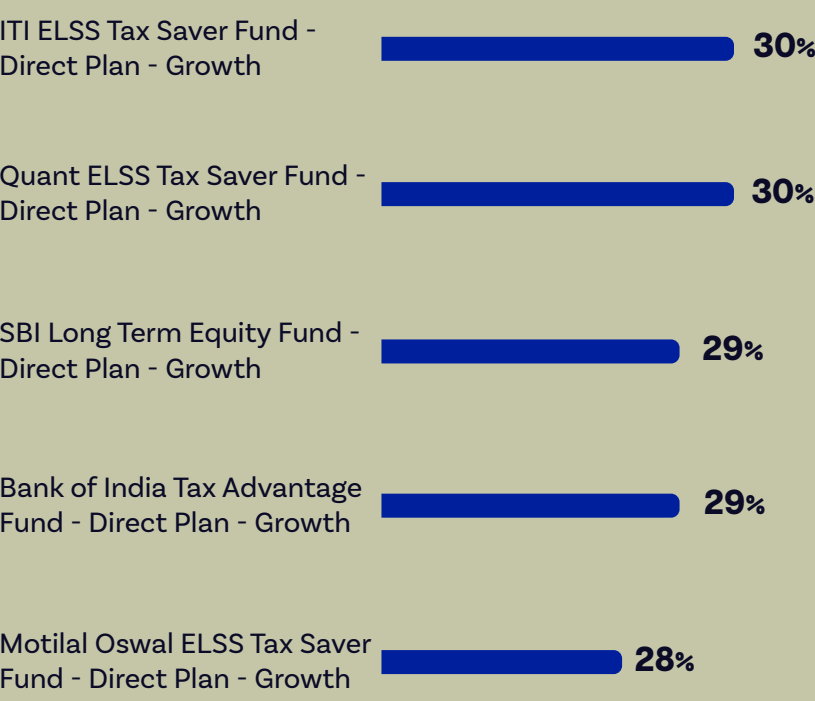


Source: 2023 performance data from moneycontrol.com, NAV & SIP Returns data as on 31-Dec-23 for Open ended Direct plans - Growth

Flexi Cap



ELSS



Source: 2023 performance data from moneycontrol.com, NAV & SIP Returns data as on 31-Dec-23 for Open ended Direct plans - Growth



Stocks: Best & Worst Performers

Large Caps

REC	254%
Indian Railway Fin. Corp.	205%
Power Fin. Corp.	171%
Trent	126%
Polycab India	114%

Varun Beverages	-7%
Vedanta	-16%
Adani Green Energy	-17%
Adani Enterprises	-26%
Adani Total Gas	-73%

Mid Caps

BSE	308%
Suzlon Energy	260%
NLC India	194%
ITI	194%
Mazagon Dock Shipbuilders	188%

JB Chemicals & Pharm.	-16%
UPL	-18%
Kansai Nerolac Paints	-24%
Adani Wilmar	-43%
IREDA	-92%

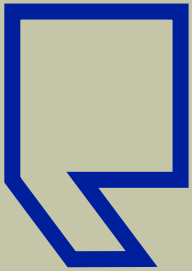
Small Caps

Spectrum Electrical Industries	1499%
Jai Balaji Industries	1293%
Network People Services Tech.	1012%
Indiabulls Housing Finance	561%
Inox Wind Energy	461%

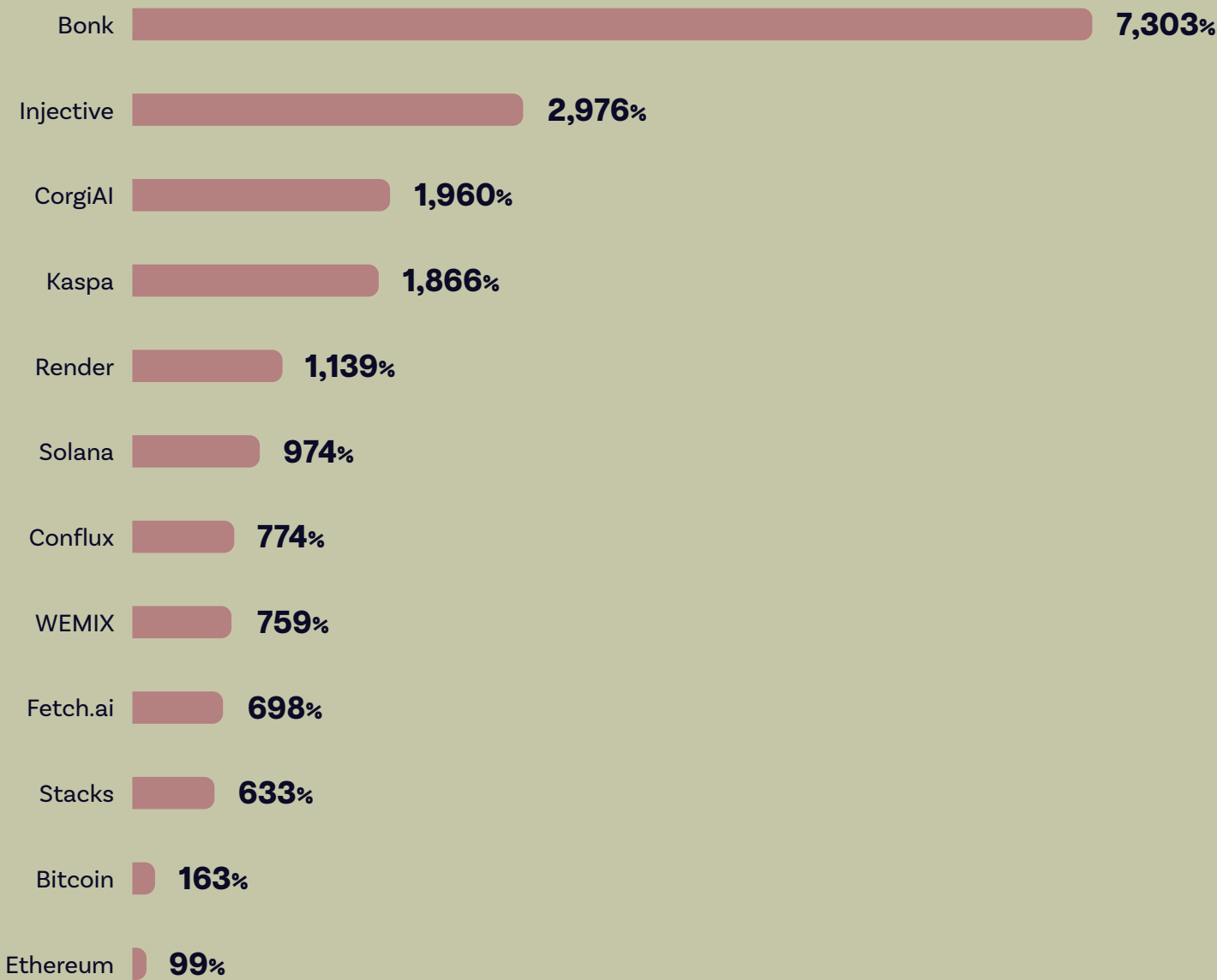
IRB Infrastructure Developers	-86%
Salasar Exteriors and Contour	-93%
Sarveshwar Foods	-94%
M K Proteins	-96%
Vinny Overseas	-97%

Source: NSE bhavcopy data, Large Cap, Mid Cap and Small Cap classifications are 1-100, 101-250 & above 251 respectively ranked by market capitalisation as on 31 Dec 2023.





Crypto Currency Performance 2023



Source: coingecko.com

Disclaimer: Kuvera does not provide any advisory services or recommendations in relation to crypto products. Further, Kuvera does not provide or facilitate trading in crypto products directly or indirectly through a third party. Any data and prices are provided only for information purposes.

Crypto

Early in 2023, the cryptocurrency industry faced turmoil caused by the Terra and Luna debacles and the FTX mismanagement saga. But it managed to rebound in the latter half of 2023, so much so, that among the top hundred, 92 recorded gains in 2023!

Bitcoin soared over 160% in the year and eclipsed the combined value of all other digital assets.

The collective market capitalization of cryptocurrencies at the end of 2023 was \$1.66 trillion.

For Bitcoin, a key milestone is on the horizon in 2024: its next halving. Inbuilt in the mining algo and designed to preserve scarcity, this could catalyze a further rise in other crypto prices as well.



Regulatory Changes

The year 2023 was historic for stock markets not only because the benchmark indices hit record highs. It was also the year when far-reaching regulatory changes were implemented.

T+1

India adopted the T+1 settlement system from January 27, 2023, enhancing the efficiency of share market transactions. It means shares are credited into demat accounts just a day after purchase, unlike the earlier system of two days.

Finfluencer Saga

SEBI took decisive action against financial influencers, imposing penalties and is considering stricter association rules between regulated and unregulated entities.

Trust in Trustees

Trustees in asset management companies are now obliged to ensure fairness in fees for unitholders.

Debt Fund

The 2023 Budget and subsequent amendment to Finance Bill 2023 removed the indexation benefit that was available to debt mutual funds.

Nomination

SEBI made it mandatory for demat and MF account holders to add their nominees.

Perpetual SIP

A maximum period of 30 years was introduced for auto-debit SIP.

Material Disclosure

SEBI implemented a quantifiable material threshold for company disclosures. Hence, companies are now required to take a closer look before deciding whether to not disclose any information.

For 2024, SEBI has its task cut out with many new regulations set to kick in:

T+0

Instantaneous settlement of shares is set to start from March.

ASBA for secondary market

Currently, ASBA facility is available only for IPOs or FPOs. Now, SEBI is set to introduce ASBA for secondary market in 2024.

All private companies will have to dematerialise their shares by September 30, 2024. Exception, however, has been provided to small private companies whose definition is set by the Ministry of Corporate Affairs.



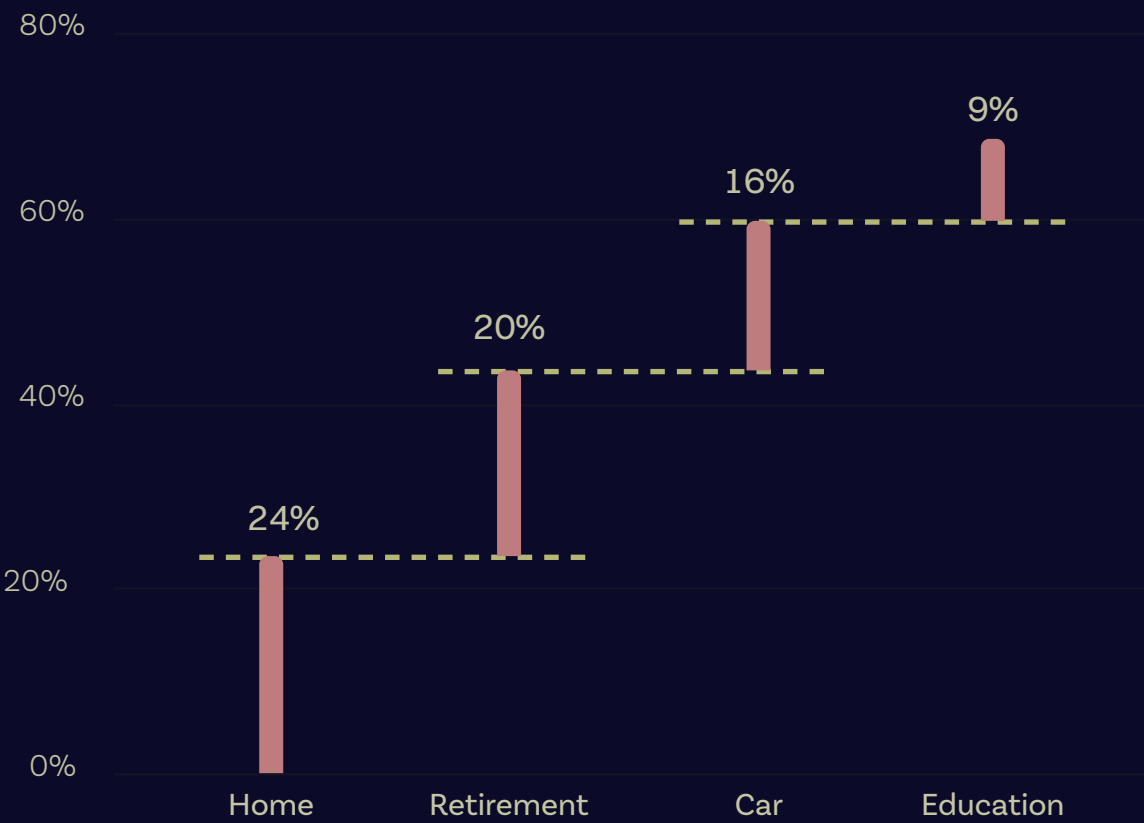
2023 FOR INVESTORS

ANALYSIS FROM KUVERA



Having a Home Beats all Other Goals

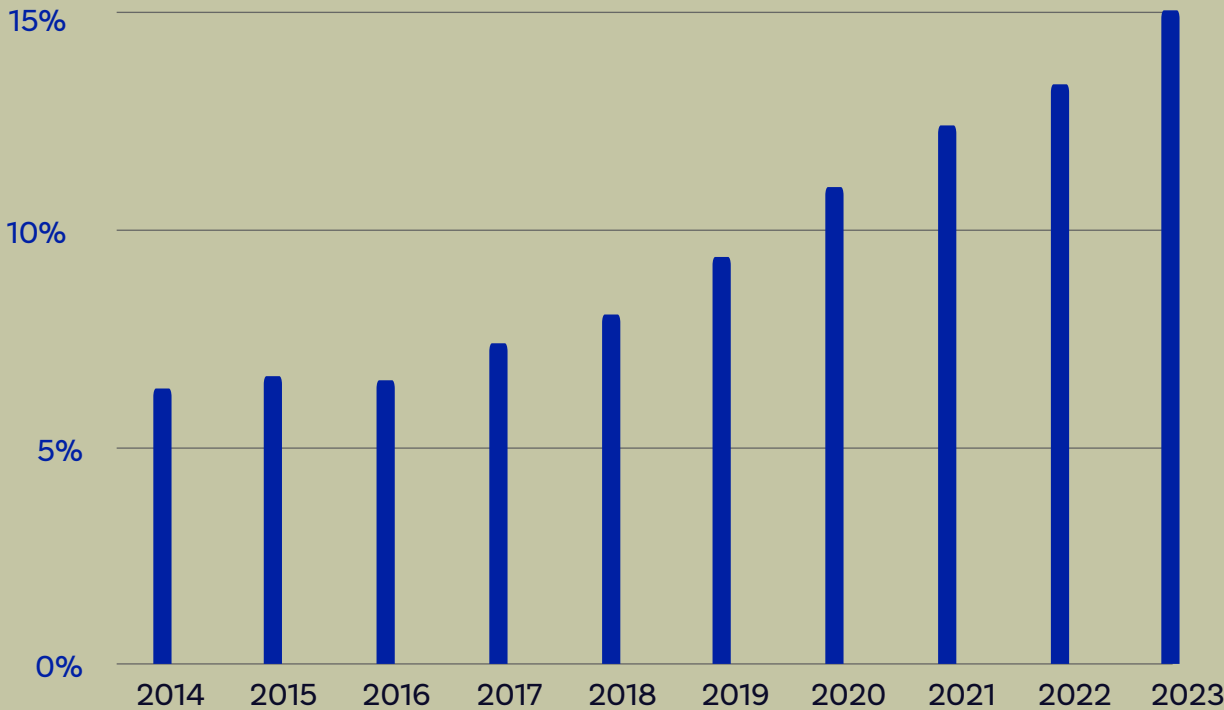
1 in 4 goals planned on Kuvera were for buying a home, and 1 in 5 for retirement.



Source: Kuvera

Index is Getting More Love

Newer investors on Kuvera show a steadily growing preference for Index funds. For those who started investing in 2023, 15% of funds in portfolio were index, highest ever.



Source: Kuvera

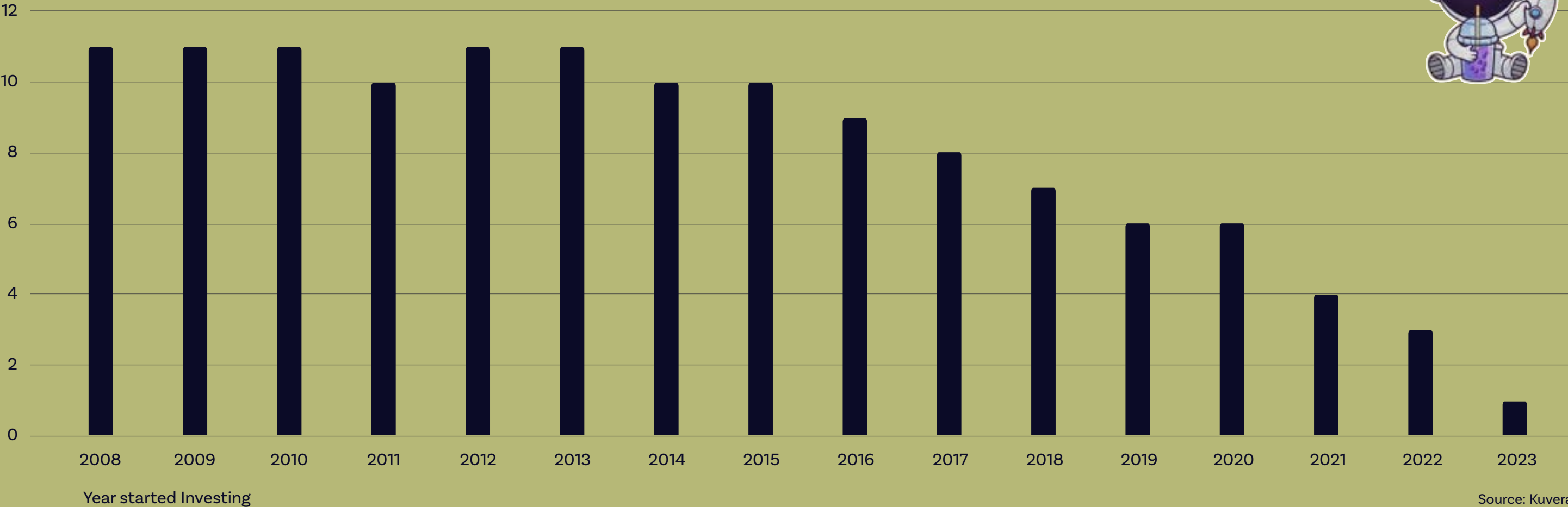
Year started investing

Portfolio Bloat

Average no. of schemes in the portfolio per investor on Kuvera is 8.

We recommend keeping the no. of schemes to 5

Adding more schemes makes tracking, rebalancing & managing the portfolio harder



Source: Kuvera

Soaring SIPs

The Mutual Fund SIP book inflow is a ~3% annual return tailwind for the market i.e all else equal the market would go up by ~3% every year on MF SIP inflows alone.

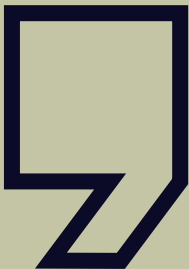
Assuming the multiplier for India is the same as a recent research on US markets*, new Rs 1 coming into the market increases market aggregate value by Rs 5.

\$2bn monthly SIP = \$24bn annual SIP
= \$120 bn increase in a ~\$4 trillion market, which means a ~3% annual return impact.

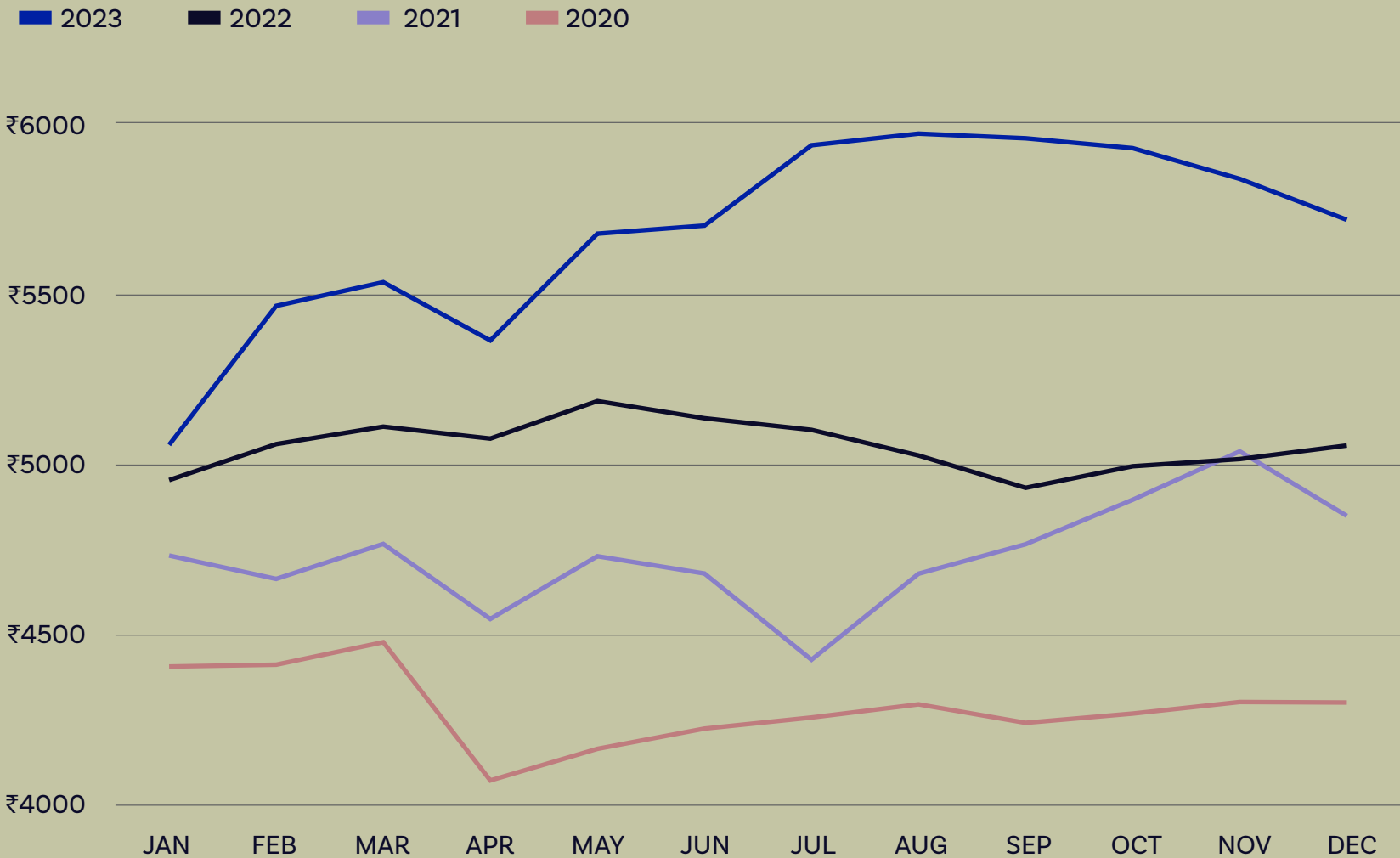
* From the paper "In Search of the Origins of Financial Fluctuations: The Inelastic Markets Hypothesis" by Xavier Gabaix and Ralph S.J. Koijen



We recommend adding 10% to your SIPs every year



Avg. Monthly SIP Size



Source: Kuvera

Top Watchlisted Funds

Name	1Y	3Y
ICICI Prudential Infrastructure Growth Direct Plan	45.29%	41.67%
Axis Small Cap Growth Direct Plan	36.41%	31.68%
HDFC Small Cap Growth Direct Plan	48.70%	37.47%
HDFC Mid Cap Opportunities Growth Direct Plan	45.71%	32.33%
Motilal Oswal Midcap Growth Direct Plan	45.63%	37.00%
Parag Parikh Flexi Cap Growth Direct Plan	37.05%	24.11%
Quant Small Cap Growth Direct Plan	52.17%	47.12%
Quant Mid Cap Growth Direct Plan	38.02%	35.86%
Nippon India Small Cap Growth Direct Plan	52.22%	42.20%
Tata Small Cap Growth Direct Plan	38.13%	38.92%

Most watchlisted funds on Kuvera in CY 2023, 1-year & 3-year performance data from Morningstar



Most Bought

Fund Name	1Y	3Y
Parag Parikh Flexi Cap Growth Direct Plan	37.05%	24.11%
UTI Nifty 50 Index Growth Direct Plan	20.43%	17.46%
Quant Small Cap Growth Direct Plan	49.78%	47.25%
Quant Mid Cap Growth Direct Plan	37.85%	34.33%
Axis Small Cap Growth Direct Plan	37.09%	29.68%

Most Sold

Fund Name	1Y	3Y
Axis Bluechip Growth Direct Plan	17.72%	11.70%
Axis Focused 25 Growth Direct Plan	21.57%	7.31%
Axis ELSS Tax Saver Growth Direct Plan	21.61%	11.46%
ICICI Prudential Technology Growth Direct Plan	28.70%	21.71%
Aditya Birla Sun Life ELSS Tax Saver Growth Direct Plan	22.20%	9.70%

Most bought and most sold funds on Kuvera in CY 2023,
1-year & 3-year performance data from Morningstar

The Avg. Kuvera MF Portfolio

Age Group	Returns/Yr	Equity MF	Regular MF	Goals	Funds
25-30	18.6%	86.7%	12%	1.05	6
31-35	18.7%	85.8%	14%	1.06	7
36-40	16.9%	83.4%	16%	1.09	9
41-45	16.0%	81.4%	17%	1.93	10
46-50	15.7%	80.5%	21%	1.09	10
51-55	15.2%	84.8%	24%	1.07	10



THROUGH THE LOOKING GLASS

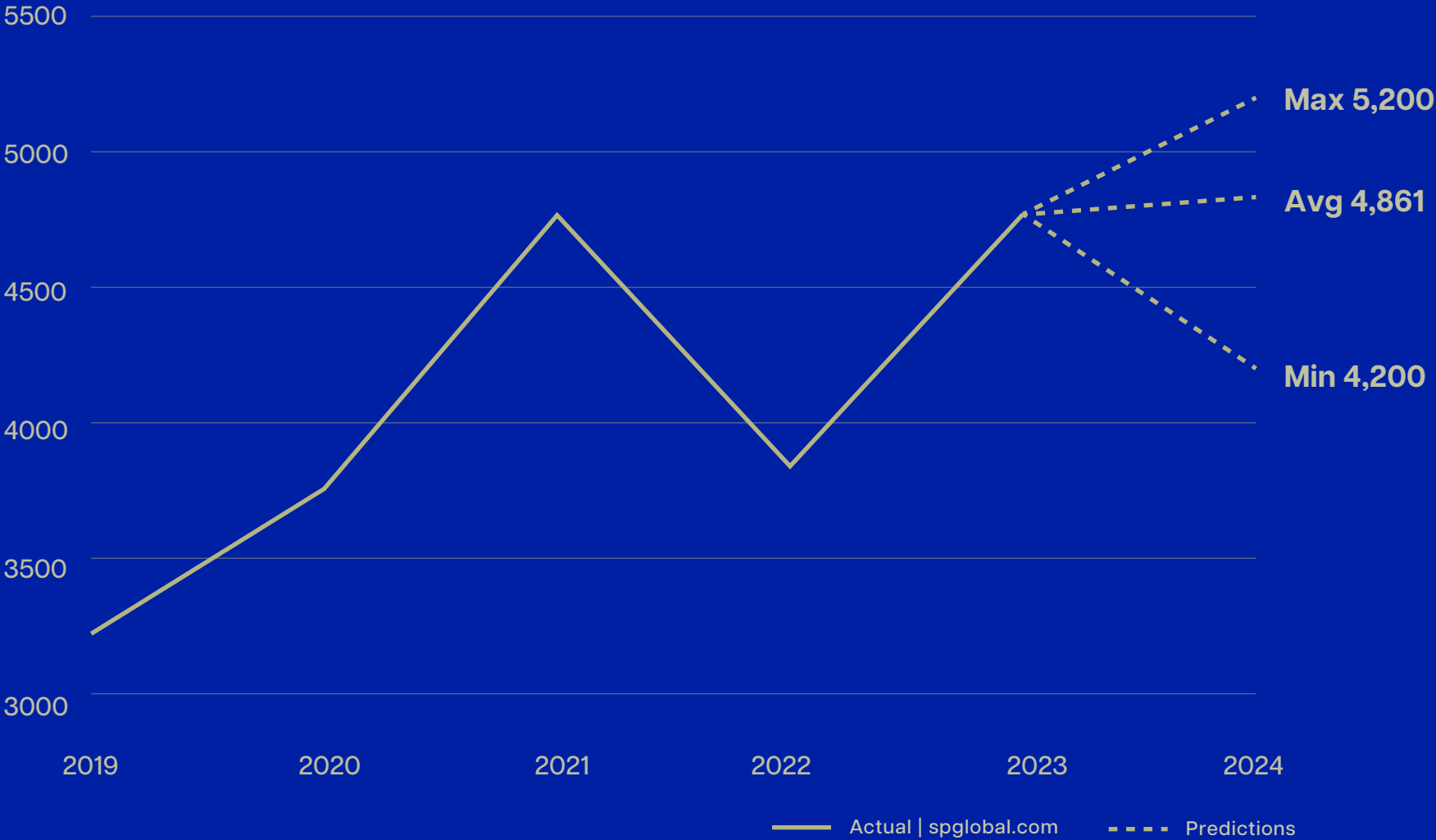
2024 OUTLOOK



Where is S&P 500 Headed?

Firm	Target
Fundstrat	5,200
Citigroup	5,100
Deutsche Bank	5,100
Goldman Sachs	5,100
Bank of America	5,000
RBC Capital Markets	5,000
UBS	4,850
Barclays	4,800
Societe Generale	4,750
Wells Fargo	4,625
Scotiabank	4,600
Morgan Stanley	4,500
JPMorgan	4,200

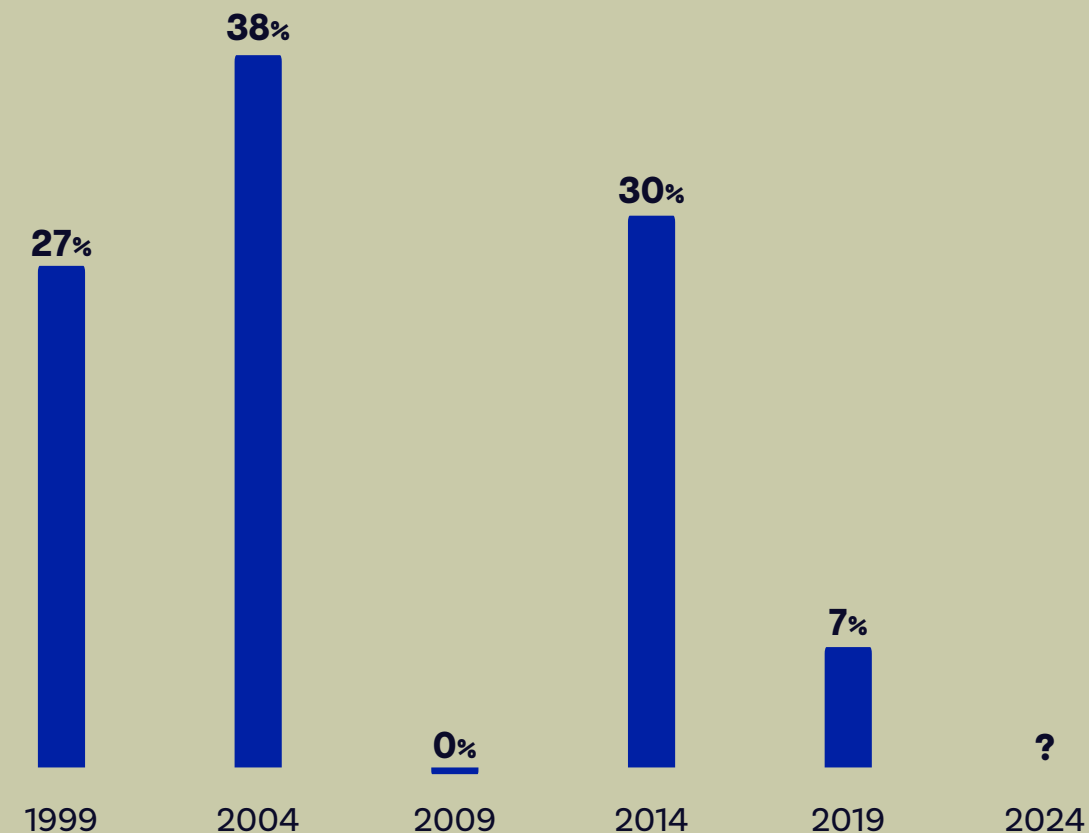
S&P 500



Source: Bloomberg’s ANR data, news stories
 Data aggregated as of 10 Dec 2023 and targets are generally for year-end 2024

Ballots & Bourses

Nifty 50 Returns in Election Years



Over 4 billion people across 76 countries will elect their governments in 2024, more than in any other year.

Stock markets don't have an ideology. Markets want elections to result in a stable and strong government, which is pro-corporate.

Then it is no surprise that benchmark Indian stock market indices gained the most in over a year on December 4, 2023, when the results of the elections to four state legislatures raised the possibility of a stable government at the Centre after the 2024 General Elections. The benchmark Nifty 50 rose 2.1% on December 4. Since then, the market rose over 4.0% to end the year.

Stock markets rising before a General Elections is nothing new, especially if there is a possibility of a stable government coming to power - see the adjoining chart.

These bull runs have also generally witnessed a sharp rise in foreign portfolio investments, as was the case in the second half of 2023.

The question is, what does 2024 have in store?

What could 2024 look like for India?

How much more steam the stock market is left with or have the valuations peaked?

Will it be another year at the top of the GDP growth chart for India or the base effect come into play? Will inflation play a spoilsport in MPC decisions or will they play according to the RBI's projections?

We go into 2024 with excitement and trepidation both, as pundits try to predict the trajectory for the stock market, caveats attached of course.

Here is a look at projections for GDP & inflation released by the RBI in the monetary policy, as well as Nifty 50 predictions by some brokerages.



GDP Growth Projections*

Jan - Mar	6.0%
Apr - Jun	6.7%
Jul - Sep	6.5%
Oct - Dec	6.4%

*Source: RBI

Inflation Projections*

Jan - Mar	5.2%
Apr - Jun	5.2%
Jul - Sep	4.0%
Oct - Dec	4.7%

Nifty50 Predictions

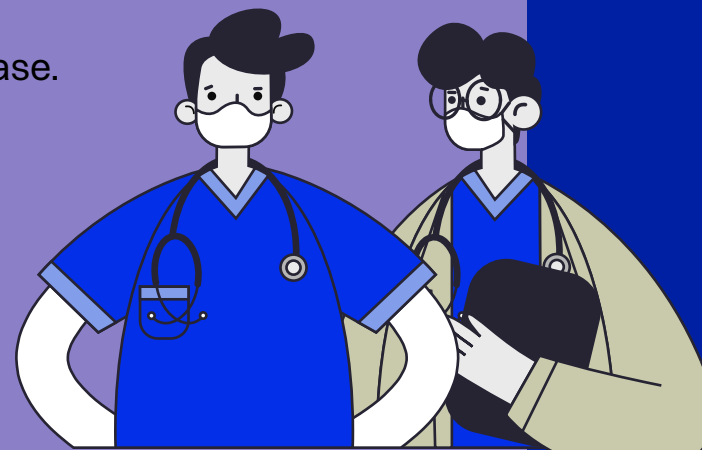
ICICI Direct	24,200
HDFC Securities	8-10% upside
Goldman Sachs	21,800
Kotak Securities	21,834

Good News from 2023

Hope for tomorrow comes from the good things that happened yesterday.
Here's some good news from 2023 that you may have missed.

Health

- Possible to end AIDS by 2030. [UNAIDS](#)
- Cheaper, more effective malaria vaccine wins WHO approval.
[The Guardian](#)
- Biggest cervical cancer drug advance can cut the risk of women dying from the disease or the cancer returning by 35%. [BBC](#)
- Child mortality rate (probably) lowest ever - Goalkeepers report by the [Gates Foundation](#)
- Major breakthroughs in the treatment of Alzheimer's disease.
[healthmatters.nyp.org](#)



Clean Energy

- The 2GW world's largest single-site solar farm activated in the UAE. [electrek.co](#)
- Demand for oil for transport will see decline after 2026, due to shift to cleaner technologies. [iea.org](#)
- Clean energy investment almost 2x more than fossil fuel investment in 2023. [iea.org](#)
- Global renewable capacity additions are soar by 107 GW, the largest absolute increase ever, to more than 440 GW in 2023. [iea.org](#)
- First fossil fuel-free flight. [The Washington Post](#)



Women

- India passes law to reserve seats for women legislators. prsindia.org
- Gender gap in science closing. phys.org
- India aligns maternity & childcare leave for female soldiers, sailors, and air warriors with officers' policies. livemint.com
- Mahila Samman Saving Certificate for deposits in the name of a woman or girl child to provide a 7.5% fixed interest rate: pib.gov.in
- Women workforce rises to 26% in Indian firms in 2023. [Great Place To Work India Report](#)



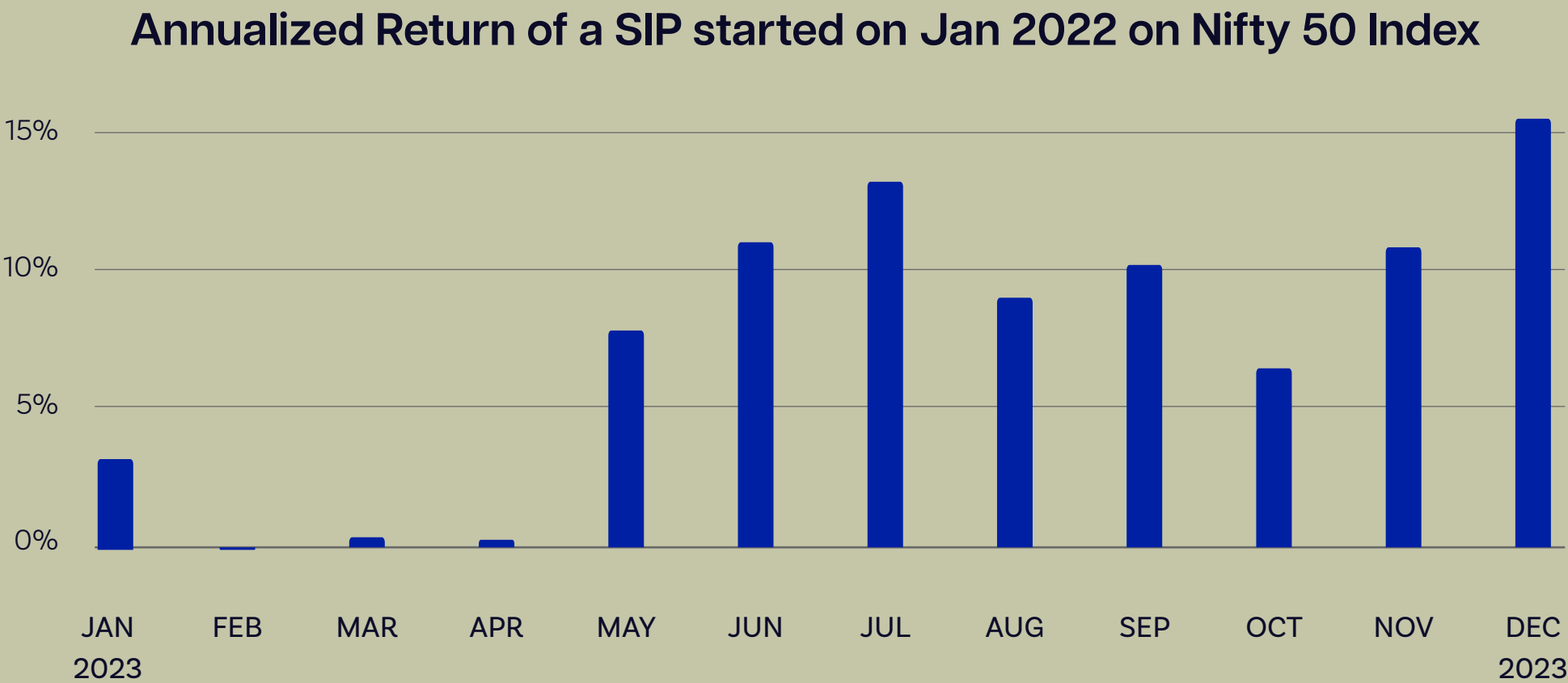
Standard of Living

- More people than ever have clean drinking water. [Wash Report](#)
- 90% of world's population lives in areas covered by at least a 4G network. [International Telecommunication Union](#)
- 7 countries progressed to a higher income group. [World Bank](#)
- More than 90% now have electricity. [The Energy Progress Report](#)

Conservation

- Scientists find plastic-eating microbes. [The Guardian](#)
- Largest ever re-introduction of an “extinct in the wild” species. [The Guardian](#)
- Plastic waste exports banned by EU. [The Guardian](#)
- The ozone layer to completely heal within two decades. [The Guardian](#)

One last thing. Don't stop your SIP.



Disclaimer

Mutual Fund investments are subject to market risks. Read all scheme related documents carefully. Investment in securities market are subject to market risks. Read all the related documents carefully before investing.

The securities quoted anywhere in this document are for illustration only and are not recommendatory.

**HAVE AN AWESOME
2024**

