Capital League
PRIVATE WEALTH MANAGEMENT

Celebrating 15 YEARS 2003 - 2018

Wealth Wisdom

Season's Greetings!

January 2019

Wealth Wisdom was initiated in 2011 as our attempt to help affluent individuals understand some of the common blunders made in managing wealth. Our previous issues have covered several topics such as 'Investment Myths', 'Philanthropy – The Giving Pledge'. etc.

2018 was the year of extreme volatility and we are still facing global uncertainty. During such periods, we as investors often make decisions that undermine our ability to build long term wealth. We at Capital League realize that during such phases it can be very valuable to look back in history and study the long term growth that has materialized in India through both good and bad markets.

With this goal in mind, we are presenting India's growth story over the last 15 years. It is prudent to remember that we are invested in the Indian markets to create wealth over the long term and volatility is the nature of markets. Time and time again it has been proven that it is the 'time' in the market rather than 'timing' which generates rewards in the long run.

Why do successful families need 'Family CFOs'?

For exactly the same reasons that successful businesses need good CFOs.

Successful Indian families are finding it counter-productive to individually deal with multiple investment advisors, tax consultants, accountants, insurance agents, stock brokers and lawyers for managing their personal wealth. They are increasingly recognizing the value of a 'Family CFO' – an experienced guide, a financial coordinator and an advocate who offers unbiased advice within the unique context of that family's circumstances and goals.

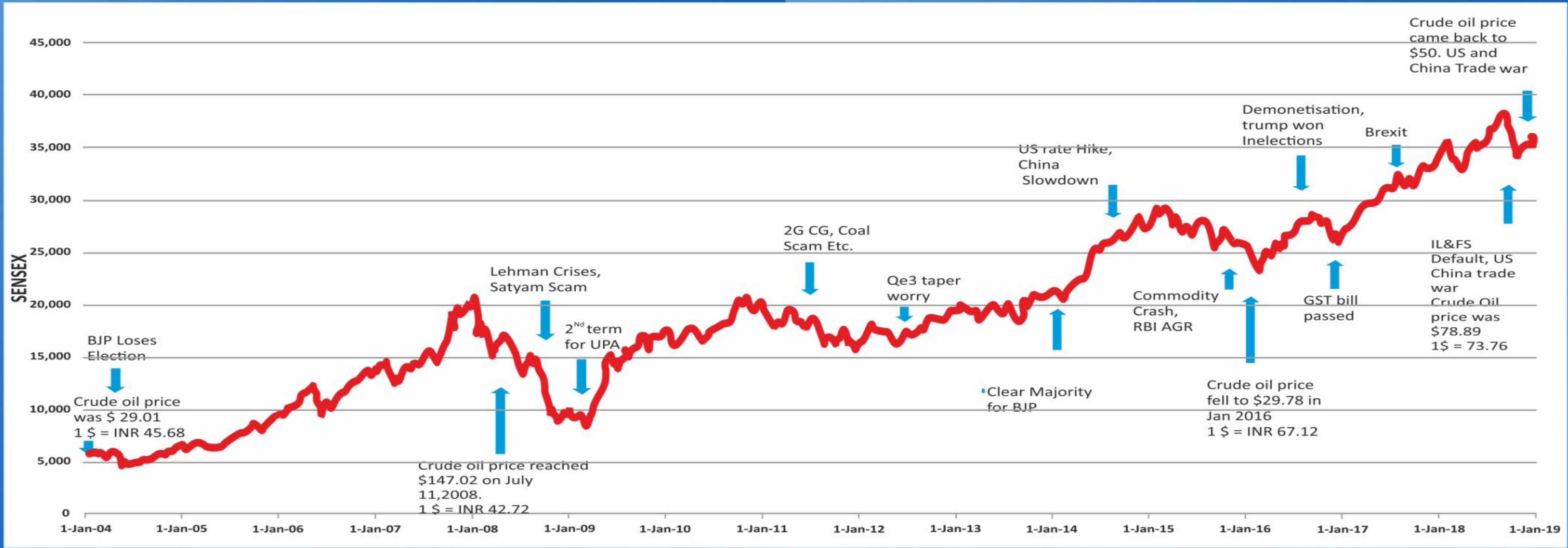
As the 'Family CFO', Capital League allows its clients the opportunity to continue doing what they do best: building wealth, pursuing hopes and living the life of their dreams.

At Capital League, we have a singular passion – to be client centric – and that guides everything we do. We believe that our combined 77 years of wealth management experience gives us the necessary expertise to help our clients achieve their wealth protection and wealth creation objectives.

Happy reading!

Wealth Wisdom is an educational platform with multiple formats which currently include a periodic newsletter and short presentations that we make for corporations and associations. Wealth Wisdom is part of Capital League's CSR (corporate social responsibility) initiative.

THE INDIA GROWTH STORY



- **At USD 2.6 Trillion, India is now the 5th largest economy in the world.**
- **India remains along term growth story driven by :**
  - Excellent demographics and rich natural resources
  - Low penetration of consumer goods, large demand for infrastructure still being met
  - Digitization and mobile penetration speeding up reforms and awareness
  - Financial inclusion due to massive drive with Jan-Dhan Accounts
- **World Bank has recognized India as one of the top improvers for 2018*. Key reforms :**
  - Introduction of Goods & Service Tax (GST)
  - Introduction of Indian Bankruptcy Code (IBC)& strengthening of Insolvency Law
  - Reduction in procedures for starting a new business.
  - Introduction of RERA and Housing for all
  - Liberalisation of FDI – Railways, Defense, Coal mining, Aviation, Pharma, etc.
  - Direct Benefit Transfer (DBT), UJJWALA – LPG forpoor households

**Source : World Bank, Economic Times article dtd 1st Nov '18*

- In the last 15 years the Sensex has grown from sub 6,000 to over 36,000 at a CAGR of 13.78%.
- Indian market's dependence on FIIs have reduced significantly due to steady domestic inflows.
- Strong earnings growth projected. NIFTY EPS growth of 17% CAGR expected between FY19 and FY21 vs CAGR of 3.5% from FY13 – FY18.

NIFTY	FY13	FY14	FY15	FY16	FY17	FY18	EPS CAGR 13-18	FY19	FY20	FY21	EPS CAGR 19-21E
EPS	377	410	398	384	439	448		513	629	722	
Growth %		8.8	-2.9	-3.5	14.4	2.0	3.5	14.2	22.7	14.8	17.2

Source: Kotak Institutional Equities

- Markets are trading at CY20E P/E of ~14X.
- Marketcap to GDP ratio at 62% for CY20E is attractive. Given current depressed earnings, Marketcap to GDP is a better valuation parameter.
- Global growth is softening but India stands out with more than 7% GDP growth.
- Strong earnings revival, rising domestic flows, supporting macro-economic conditions and reasonable valuations lead to a positive outlook for Indian equity markets.