



## **Indian election victory for UPA could be a ‘game-changer’, says F&C’s Mahtani**

The Bombay Stock Exchange Sensex Index soared by 17% yesterday following the Congress-led United Progressive Alliance party’s strong showing in the Indian parliamentary election.

According to Sam Mahtani, Director of Emerging Equities at F&C, investors’ perception of India has been clouded by concerns about the outcome of these national elections and the UPA victory should allay a lot of the fears.

“I anticipate that the UPA will focus on introducing fiscal consolidation and policy continuity, with an emphasis on strengthening the domestic economy” he commented. “The strong showing in the polls for the UPA, led by Prime Minister Singh, could be a game changer for India and could unlock higher levels of growth for the country in the medium to long-term. India must take this opportunity to push ahead on key reforms, such as reducing the fiscal deficit and further privatisations”.

Mahtani believes that further fiscal consolidation measures and interest rate cuts look likely with infrastructure and banks the key beneficiaries. He expects that companies such as BHEL and L&T, two key players in the infrastructure space, and HDFC, the largest mortgage lender in the country, are well-placed to benefit from potential policy stimulus.

The budget announcement next month should give more indication on policy direction. Whilst the UPA has a long road ahead of them, on a longer term basis Mahtani believes that India still looks attractive and the opportunities for investors are potentially substantial.

“We continue to expect a further easing of monetary policy going forward and strong domestic demand to drive growth. Domestic demand continues to be the main theme in India going forward and, with an estimated 5.5% GDP growth, will be the second fastest growing economy in the world after China”, Mahtani concluded.