

SINGLE COUNTRIES**INDIA (3.5 STARS — ATTRACTIVE)**

- Exports grew by 19.77% y-o-y to USD 24.64 billion in Apr 17 while imports were higher by 49.0% to USD 37.88 billion during the same month last year.
- The Index of Industrial Production (IIP) declined by -2.7% in Mar 17, as against Bloomberg's estimate of 1.9%.
- Consumer Price Index (CPI) grew by 2.99% y-o-y in April 2017, as against 3.81% y-o-y in March'17.
- WPI Inflation was at 3.85% y-o-y for March 2017, as against the Bloomberg's estimate of 4.55%
- Consensus estimated earnings growth for FY18 and FY19 are 17.87% and 18.80% respectively.

MARKET OUTLOOK

During the month of April 2017, India's exports recorded a growth of 19.77% year-on-year to USD 24.64 billion. Imports grew by 49% and to USD 37.88 billion. Overall the trade balance has improved. The overall trade deficit for April 2017 is estimated at USD -13.25 billion. Taking merchandise and services together, overall the trade balance has improved. Taking merchandise and services together, overall trade deficit for April-March 2016-17 is estimated at USD 40.98 billion which is 16.87% lower in Dollar terms than the level of USD 49.29 billion during April-March 2015-16.

The index of industrial production (IIP) grew by 2.7% year-on-year in March 2017. Growth rate in major sectors like Mining, Manufacturing and Electricity sectors for the month of February 2017 stand at 3.3%, -2.0% and 0.3% as compared to February 2016. As per Use-based classification, the annual growth rates for primary goods, capital goods, intermediate goods, infrastructure goods, consumer durables and consumer non-durables were 4.9%, 1.9%, 3%, 3.8%, 6.2% and 9%.

India's Consumer Price Index (CPI) for April 2017 declined to 2.99% year-on-year as against 3.89% in the previous month. The decline in Consumer Price index was mainly due to slow increase in food inflation to 1.21% as against 2.54% year-on-year in the previous month. Miscellaneous inflation also slowed to 4.25% as against 4.78% in the previous month. However, Fuel inflation increased to 6.13% as against 5.56% in the previous month.

India's Wholesale price Index (WPI) declined to 3.85% year-on-year for the month of April 2017 as compared to 5.29% in the previous month and -1.09% during the corresponding period month of the previous year. A look into the numbers revealed the index for primary articles group rose by 0.4% mainly due to increase in food articles which increased by 0.6% in April 2017. Fuel and power index declined by -1.9 in April 2017 mainly due to lower prices of furnace oil, Aviation Turbine Fuel, Petrol and high speed diesel. The manufactured products index remained unchanged at its previous month level.

As on May 24, 2017, the benchmark Index (Sensex) stood at 30,301.64. The earnings estimates for HDFC bank, the highest weighted stock in the index stood at 18.86% and 15.48% for FY18 and FY19. Housing Development Finance Corp Ltd, the next stock with the highest weightage, has an earnings estimate of 22.07% and 1.97% for FY18 and FY19 respectively. The top performers in the index during the month were HUL (15%), ICICI Bank (14%) and Hero Motocorp (11%) while the top losers included Lupin (-10%) Reliance Industries (-8%) and Cipla India (-6%).

According to consensus estimates, as on May 24, 2017, the estimated PE ratio for India's stock market (Sensex) are 21.6X, 18.3X and 15.4X for FY17, FY18 and FY19 respectively. Estimated earnings growth is 8.9%, 17.9% and 18.8% for FY17, FY18 and FY19 respectively. We maintain an "Attractive" rating of 3.5 stars for the Indian market.

**RECOMMENDED FUND:
MANULIFE INDIA EQUITY FUND**