

**2024**

Pre-election year:  
challenges and drivers



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## **Note:**

- **This was originally prepared and delivered in Mar 2013 (the pre-election year for 2014 loksabha election).**
- **It is subsequently updated with 2014, 2019 and 2024 election year.**
- **2013 presentation can be accessed from [here](https://goo.gl/DKUCFo):  
<https://goo.gl/DKUCFo>**

# Analysis - background

- ✓ This is a special year: it is a pre-election year...
- ✓ Analyzed last 8 Lok Sabha elections spanning over 35 years
- ✓ Size and maturity of economy changed but similar uncertainties
- ✓ What are common Challenges and major drivers v/s the performance of Sensex

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
1	1990-91	<ul style="list-style-type: none"><li>• Deep political uncertainty and crises at center</li><li>• Short-lived governments</li><li>• Polarized socio environment with 'Mandal-Mandir' issues</li><li>• India avoided Balance of Payment crises by keeping gold as security</li><li>• Gulf War and boiling crude oil</li></ul>	<ul style="list-style-type: none"><li>• One of the most challenging years: was affected by all domestic politics, worsening economy and world political crises</li></ul>

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
2	1995-96	<ul style="list-style-type: none"><li>• Backdrop of several government scandals and resignations of several cabinet members</li><li>• The then PM himself faced corruption charges</li><li>• Backdrop of tense communal environment, riots, bomb blasts (including BSE), and Ayodhya issue</li></ul>	<ul style="list-style-type: none"><li>• Economically this was not a very challenging year considering the liberalization policies</li><li>• But politically it has thrown significant uncertainties</li></ul>

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
3	1997-98	<ul style="list-style-type: none"><li>• Deep political uncertainty and crises at center</li><li>• Short-lived governments</li><li>• Rising power of left parties</li><li>• The biggest political party, Congress, in a complete disarray</li></ul>	<ul style="list-style-type: none"><li>• Economy was facing challenges due to indecisiveness of the previous two governments, Deve Gowda and Gujral</li><li>• Politically it has thrown significant uncertainties</li></ul>

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
4	1998-99	<ul style="list-style-type: none"><li>• Deep political uncertainty and crises at center</li><li>• Short-lived government</li><li>• Rising power of left parties</li><li>• The biggest political party, Congress, continues to be in disarray</li></ul>	<ul style="list-style-type: none"><li>• Election was happening within just a year and economy was not ready to face it</li><li>• Manufacturing sector was deeply underperforming and many leading companies were facing the heat of global competition</li></ul>

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
5	2003-04	<ul style="list-style-type: none"><li>• One of the best times as far as political stability is concerned</li><li>• Both the national parties were facing elections with strong pre-poll alliances</li><li>• Center had a government that lasted for 5 years</li><li>• However, the shadow of global crises on the back of dot com burst were just behind us</li></ul>	<ul style="list-style-type: none"><li>• -</li></ul>



# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
6	2008-09	<ul style="list-style-type: none"><li>• World's biggest financial crises after 1929</li><li>• US' financial market collapsed and deep impact on the world economy</li><li>• Politically: NDA was now in a disarray and UPA has become dominant force</li><li>• Several social initiatives undertaken</li><li>• High inflation just started touching our lives</li></ul>	<ul style="list-style-type: none"><li>• A special case of global crises (<b>#see slide 13 for details on year 2009</b>)</li></ul>

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
7	2013-14	<ul style="list-style-type: none"><li>• Economic crisis like situation in India: subdued growth with high inflation</li><li>• Several political agitations stalled the normal functioning of the government</li><li>• Government going through several serious corruption allegations: Coal, Telecom, Mining, Commonwealth Games</li><li>• Telecom licenses of several players canceled by the courts</li></ul>	<ul style="list-style-type: none"><li>• Coal crises looming large leading to power generation issues</li><li>• Banks, esp. PSU, started showing NPA pressure</li></ul>

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
8	2018-19	<ul style="list-style-type: none"><li>• Implementation of GST impacting the economy</li><li>• Impact of demonetization</li><li>• Many reforms in early stage hurting the growth</li><li>• Global uncertainties</li></ul>	<ul style="list-style-type: none"><li>• Banks, esp. PSU, reporting high NPAs</li></ul>

# Elections v/s challenges

#	Election Year	Major Challenges in pre-election year	Remarks
9	2023-24	<ul style="list-style-type: none"><li>• Russia-Ukraine war started in 2022 and continued</li><li>• Crises in Middle East with increasing uncertainties</li><li>• High inflation and interest rates in the western countries</li><li>• Consistent FII outflow</li></ul>	<ul style="list-style-type: none"><li>• PSUs started showing stability</li><li>• NPAs peaked during previous 5 years</li></ul>

# Drivers for the market during election year

## Drivers

- Election related spending by the political parties, candidates and election commission – unconfirmed reports take this number beyond Rs 1 lac
- Spending by the government
- Soaps by the government
- No major politically suicidal decision taken

# Pre-election year performance of equity market...

Year	% return
1991*	+ 27%

Year	% return
1996	+ 22%

Year	% return
1998	+4%

Year	% return
1999	+66%

Year	% return
2004	+86%

Year	% return
2009	- 28%#

Year	% return
2014	+22%

Year	% return
2019	+14%

Year	% return
2024	+20%

# Year 2009 performance – some high points

## Drivers

- This is the only pre-election year when market gave a negative return
- It was on the backdrop of deep global financial crises
- Sensex nosed dived from 17,000 (Apr 2008) to 9,708 (Mar 2009)
- Sensex had a 'V' shaped recovery and within next 6 months Sensex crossed 17,000 levels again.

# Fundamental factors during election year

Year	Sensex Return	PE			P/BV			Div Yield		
		Max PE	Min PE	Avg PE	Max P/BV	Min P/BV	Avg P/BV	Max Div Yield	Min Div Yield	Avg Div Yield
1991*	+ 27%	21.7	16.8	19.5	3.3	2.6	3	1.6	1.3	1.4
1996	+ 22%	28.5	15.3	19	4.1	2.8	3.4	1.5	1.0	1.3
1998	+ 4%	16.3	13	14.4	3.2	2.4	2.8	1.7	1.4	1.5
1999	+ 66%	20.4	10.3	14.6	3.5	1.7	2.6	2.3	1.2	1.7
2004	+ 86%	19.4	13.2	16.4	3.7	2.1	2.9	2.4	1.7	2.0
2009	-28%	20.7	11.9	15.6	5.2	2.5	3.3	1.9	1.0	1.5
2014	+22%	20.39	15.23	17.94	3.50	2.62	3.01	1.60	1.31	1.46
2019	+14%			23.71			3.03			1.19
2024	+20%			24.10			3.51			1.21

- Average of Averages of election year
  - PE: 16.8
  - P/BV: 3
  - Div Yield: 1.52

We need to answer now?

- Are we overvalued?
- Is market over optimistic about future?





## ***About the presenter:***

Niteen is an MBA and CFA Charterholder, CFA Institute USA. A firm believer in long-term financial planning, and a veteran of the stock market. He also conducts free investor awareness sessions.

He likes reading books/magazines/news papers on the topics as diverse as general management, technology, investment, fiction, marketing and the Gita.

He is a person who believes in "Everything else can stop but learning".

**Thank you**

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