

Higher & higher: India mcap reaches \$4 trn

Smaller companies, newly listed firms propel valuation growth

SAMIE MODAK &
SAMEER MULGAONKAR

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Scenarios when mcap of BSE-listed companies reached key milestones

Date	@\$	Mcap (\$ trn)	Mcap (₹ trn)	TTM GDP date	GDP at market price (₹ trn)	Mcap-to-GDP ratio (%)
Sep 12, '05	43.8	0.50	22	Jun 30, '05	32.43	68.1
May 28, '07	40.5	1.00	41	Mar 31, '07	41.63	97.3
Jul 10, '17	64.5	2.01	130	Jun 30, '17	157.6	82.2
May 24, '21	73.0	3.00	219	Mar 31, '21	198.29	110.4
Nov 28, '23	83.3	4.00	333	Jun 30, '23	277.65	120.0

TTM is trailing 12 months

Sources: Bloomberg, BSE, MoSPI; Compiled by BS Research Bureau

India joined an exclusive group of countries that includes the likes of the United States, China, and Japan after its market capitalisation (mcap) hit the \$4 trillion mark on Wednesday.

Total market value of all companies listed on the BSE during the day increased by ₹2.24 trillion, or 0.7 per cent, to ₹333.3 trillion (or \$4 trillion at a conversion rate of 83.31). The 30-share Sensex jumped 727.71 points or 1.10 per cent to settle at 66,901.91; the broader Nifty50 climbed 206.90 points or 1.04 per cent to reclaim the 20,000 mark after a gap of over two months and end at 20,096.60.

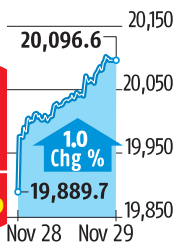
Among the top 10 countries in terms of market cap, India has recorded the second-fastest growth in dollar terms, after the United States, in 2023. The key drivers of the Indian markets are robust earnings, macroeconomic stability, domestic flows, and a sharp rally in the smallcap and midcap space.

Stocks outside the top 100 universe have made a

INDICES: THE LEADERBOARD

Index	May 24, '21	Nov 29, '23	% change
S&P BSE SmallCap	23,291.87	39,989.57	71.69
S&P BSE MidCap	21,669.64	33,975.56	56.79
S&P BSE AllCap	5,904.22	8,244.32	39.63
S&P BSE 500	20,637.8	28,305.34	37.15
S&P BSE 200 Index	6,589.12	8,869.34	34.61
S&P BSE Sensex	50,651.9	66,901.91	32.08
S&P BSE Capital Goods	22,385.71	49,302.73	120.24
S&P BSE Realty	2,588.28	5,572.22	115.29
S&P BSE PSU	7,556.05	13,397.2	77.30
S&P BSE Auto	23,182.28	39,858.2	71.93
S&P BSE India Infrastructure	238.91	408.96	71.18

Nifty50



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significant contribution to the mcap growth this year. While India's overall mcap has grown 18 per cent this

year, firms outside the top 100 have seen their market value increase nearly 50 per cent. As a result, their share

in India's total market cap has risen to over 40 per cent from 35 per cent earlier this year. Turn to Page 6 ▶

Mcap...

Several relatively newly listed companies have also contributed to India's market cap in recent years. These include state-owned Life Insurance Corporation (mcap of ₹4.3 trillion), Zomato (₹1 trillion), Paytm (₹0.56 trillion), and Nykaa (₹0.5 trillion).

The sectors that witnessed the fastest growth in percentage terms since May 2021 (India's mcap had first hit the \$3 trillion mark on May 24, 2021) are capital goods (index up 2.2 times), and realty (2.1 times). Meanwhile, BSE's public sector undertakings, auto, infra, and power indices have gained over 70 per cent each.

Road to \$5 trillion mcap

India's market cap has moved from \$3 trillion to \$4 trillion in about 31 months. During this period, the growth in the market was faster than the growth in gross domestic product (GDP) in dollar terms. As a result, India's mcap-to-GDP ratio (on a trailing 12-month GDP basis) has risen from 110 per cent on May 24, 2021 to 120 per cent now.

When India hit the milestones of \$500 million, \$1 trillion, and \$2 trillion mcap, the mcap-to-GDP ratio was less than 100 — which is considered as fair value.

Experts predict that India

could reach the \$5 trillion market cap mark by 2027 if its GDP grows at 8 per cent in US dollar terms and the mcap-to-GDP ratio remains around current levels. Some believe the feat could be achieved faster as there is scope for an expansion in the ratio given India's growth prospects. The US, for instance, has a mcap-to-GDP ratio of more than 2x.

“India now is one of the few countries which has a market cap in excess of its GDP at \$4 trillion. Normally, such high valuation should be a cause of concern. This time, however, there is a confluence of three factors -- growth, governance, and green transformation of the economy, backed by the investors looking to buy into every correction. While there would be ups and downs in the market, the Indian economy and markets, both, are poised well in the long term as long as we deliver on the 3Gs” said Nilesh Shah, managing director, Kotak Mahindra AMC.

Free grain...

The Centre has already spent around ₹95,000 crore on the food subsidy during the first half of the current financial year, which constitutes 48 per cent of the budgeted amount of nearly ₹1.97 trillion for the entire year. The same period of the last financial year, the