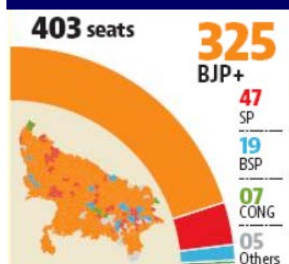
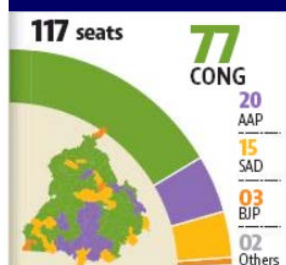


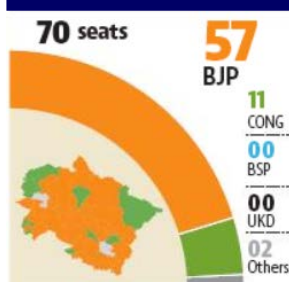
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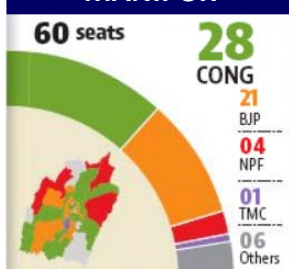
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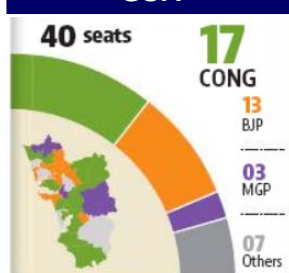
UTTARAKHAND



MANIPUR



GOA



BJP sweeps Uttar Pradesh and Uttarakhand

Reaffirms Mr. Modi's popularity at half way mark; big boost for reform agenda

- In the first major state elections post demonetization, BJP, the ruling party at the center, has swept Uttar Pradesh (UP) and Uttarakhand, with a four-fifth majority, an unprecedented victory. BJP's vote share in UP has gone up from 15% in 2012 to 39% in 2017. In Punjab, Congress has come back to power after 10 years with a two-thirds majority. In Goa and Manipur, Congress has emerged as the single largest party, tantalizingly short of the majority mark.
- Uttar Pradesh is India's largest and most populous state, sending to the Lok Sabha 80 MPs – the highest among all states, and is crucial from the perspective of Rajya Sabha arithmetic. The magnitude of BJP's victory in UP has beaten the highest exit poll predictions (285 seats predicted by Chanakya). Post demonetization, BJP has witnessed a series of electoral successes, be it in the assembly bye-elections or various local elections in Maharashtra, Orissa, Gujarat, Rajasthan, and Punjab.

Uttar Pradesh to be ruled by a national party after 15 years

Uttar Pradesh would be governed by a national political party after 15 years. Over 2002-2017, regional parties like Samajwadi Party and Bahujan Samaj Party ruled the state. Also, for the first time in 15 years, UP and the center would have the same ruling party at the helm.

State election results reinforce Mr Modi's popularity

The just-concluded elections in five states were the most important polls post the 2014 general elections and almost coincided with the half-way mark of Prime Minister, Mr Narendra Modi's term at the center. A resounding victory with four-fifth majority in India's largest and politically most crucial state reinforces Mr Modi's popularity and further weakens the opposition, in our view. Another important trend emerging is the unequivocal and decisive mandate by the electorate, be it general elections or state elections (Bihar, Delhi, Assam, Maharashtra, Haryana, and Jharkhand), bringing down curtains on coalition politics.

Reform momentum should continue; light election calendar ahead

BJP now rules the highest number of states. This should facilitate decision-making pertaining to significant reforms (land, labor, tax), going forward. It would also speed up decision making on strategic policies and enhance the transmission of economic policies in a smoother fashion, in our view. We expect the reform momentum (demonetization, GST, FDI liberalization, direct benefits transfer, financial inclusion, etc) to continue and gather more steam, as this victory should boost the confidence of BJP at the center, especially after an uncertain phase following demonetization. Additionally, the lack of credible opposition at center and in key states should help BJP. Also, the election calendar going forward is light, with the next state elections (Gujarat) almost nine months away. We believe this would ensure complete focus on economics. Implementation of GST remains a key event to watch out for in FY18.

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Focus to return to fundamentals after initial positive reaction

We expect the markets to react positively to the election results. Though the markets were expecting a BJP victory, the extent and magnitude of the victory is a surprise. However, we believe the focus would soon revert to fundamentals – valuations at ~18x FY18E EPS on anticipated ~20% growth in FY18 Sensex EPS do not provide meaningful room for upside. The earnings recovery has not panned out as anticipated and Sensex EPS has stayed flattish over FY13-17. While the markets have rallied well in the last three months and recouped all the losses post demonetization, over a two-year period, the market indices have remained largely flattish. We remain cautiously optimistic, with preference for ideas with earnings visibility. Our top picks are Tata Motors, ICICI Bank, ITC, Infosys, Hindalco, Bharti Airtel, IOCL, RBL, Ultratech Cement, and Britannia.

Key highlights from BJP's UP manifesto

- All small and marginal farmer loans will be waived off.
- Interest-free agriculture loans will be provided to all small and marginal farmers.
- Within 120 days of the formation of the BJP government, banks and sugar mills will be made to pay all dues to sugarcane farmers.
- A detailed roadmap will be prepared to double the agricultural income of UP farmers by 2022.
- Chief Minister's agricultural irrigation fund will be established, with initial allocation of INR200b.
- All prisoners/criminals out of parole will be locked again within 45 days.
- All lands under land mafia will be released.
- Free laptops and free internet (up to 1GB) to all youths taking admission in colleges.
- 7m employment and self-employment opportunities will be created over the next five years.
- 'Garib kalyan card' will be issued to all poor people, who can avail subsidies on electricity, water and sanitation. All card holders can also avail subsidized oil, salt, pulses, sugar, etc.
- Promise to provide 24-hour electricity; all poor households will be provided free power connections.
- Connecting North UP by building a road corridor between Mathura, Kashi, Jhansi and Gorakhpur
- Six IT parks will be established to push technology & services sector.
- Girl child will be encouraged by providing a 'Vikas Bond' of INR50,000 at the time of birth of a girl child and the amount will be increased as and when the girl is educated.
- The amount of 'widow pension' will be increased to INR1,000 and the age limit will be abolished.
- 25 new medical colleges and super specialty hospitals will be created and one AIIMS-level organization will be established at six places in the state.

The detailed note can be found [here](#).

A quick look at the five state election results

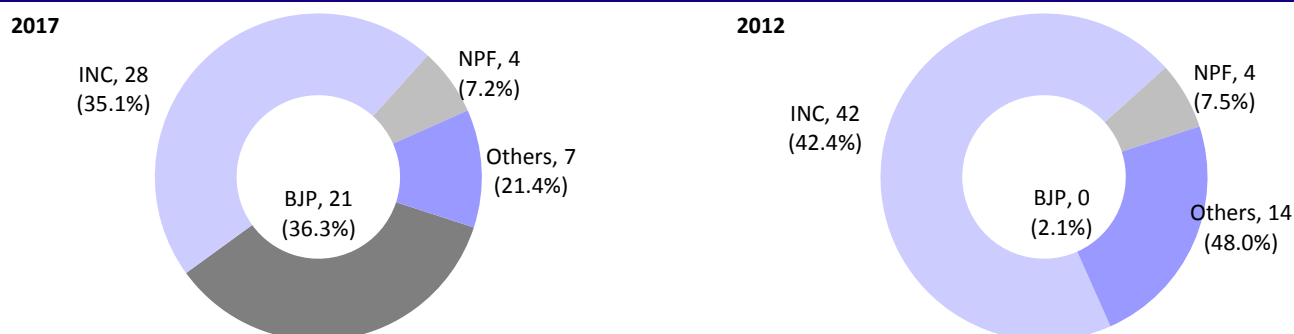
Five Indian states – Goa, Manipur, Punjab, Uttar Pradesh and Uttarakhand – had assembly elections, the results of which were announced a couple of days ago. Before the elections, Goa and Punjab were being run by BJP, Manipur and Uttarakhand by Congress, and UP by Samajwadi Party (SP). After last week's election results, BJP witnessed a landmark victory in UP and Uttarakhand, but lost Punjab to Congress. Though Congress emerged as the largest party in Goa and Manipur, it fell short of clear majority. *Exhibit 1-5* compares the 2017 results in all five states with those of last assembly elections in 2012.

Exhibit 1: Comparison of seats won (and vote share) by different parties in 2012 and 2017 in Goa (GA)



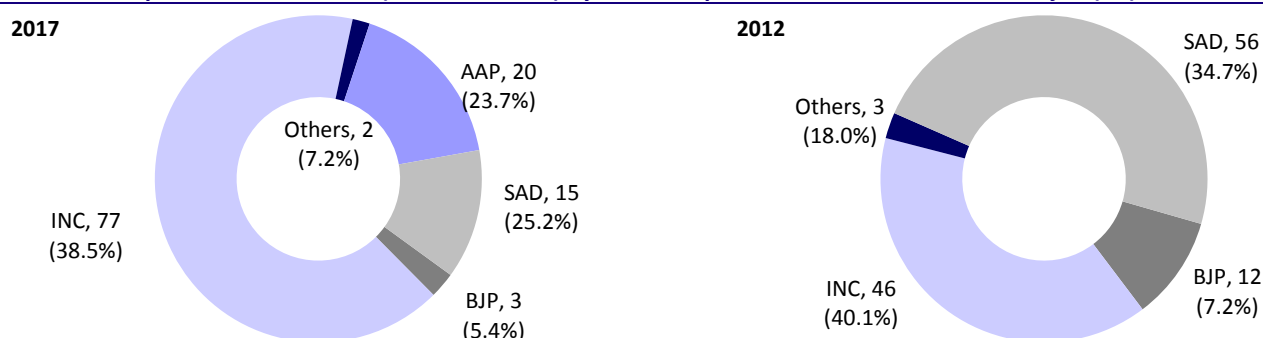
Source: MOSL

Exhibit 2: Comparison of seats won (and vote share) by different parties in 2012 and 2017 in Manipur (MN)

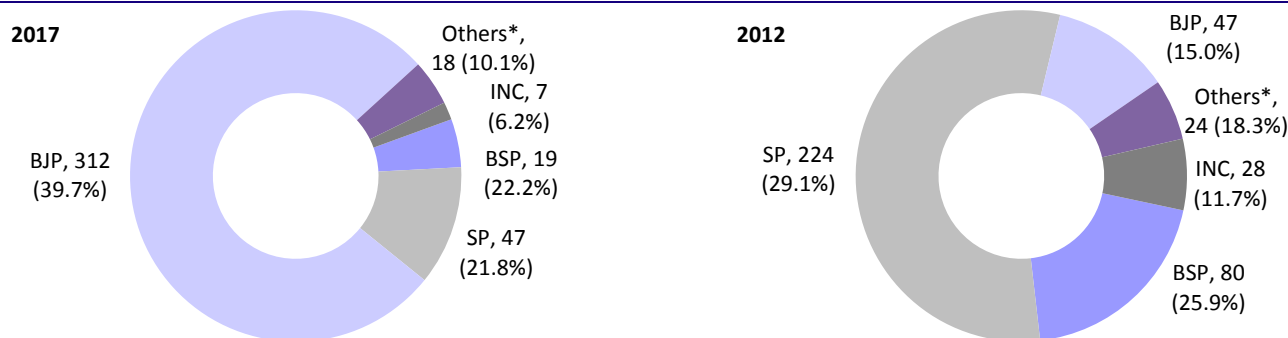


Source: MOSL

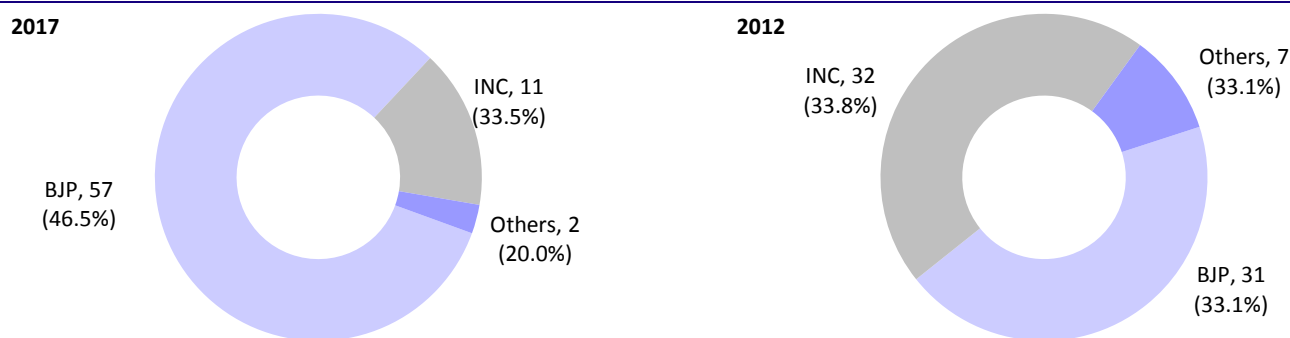
Exhibit 3: Comparison of seats won (and vote share) by different parties in 2012 and 2017 in Punjab (PB)



Source: MOSL

Exhibit 4: Comparison of seats won (and vote share) by different parties in 2012 and 2017 in Uttar Pradesh (UP)

Source: MOSL

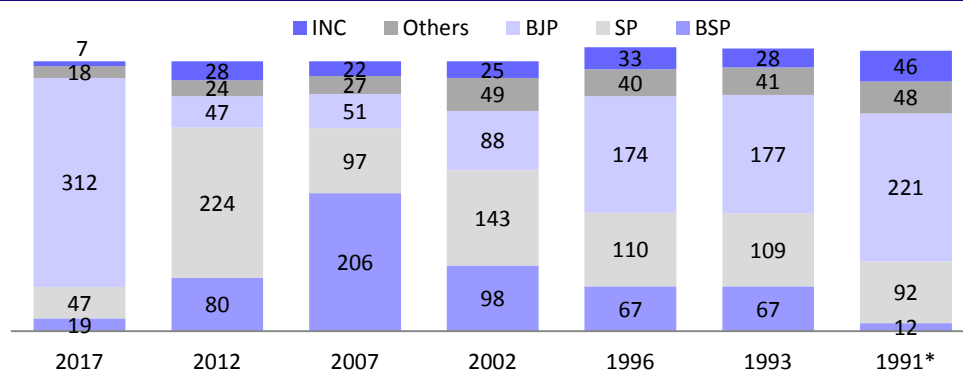
Exhibit 5: Comparison of seats won (and vote share) by different parties in 2012 and 2017 in Uttarakhand (UK)

Source: MOSL

BJP won 312 seats out of 403, marking the highest number of seats won by any single largest party in four decades

Snapshot of Uttar Pradesh (UP) assembly election results

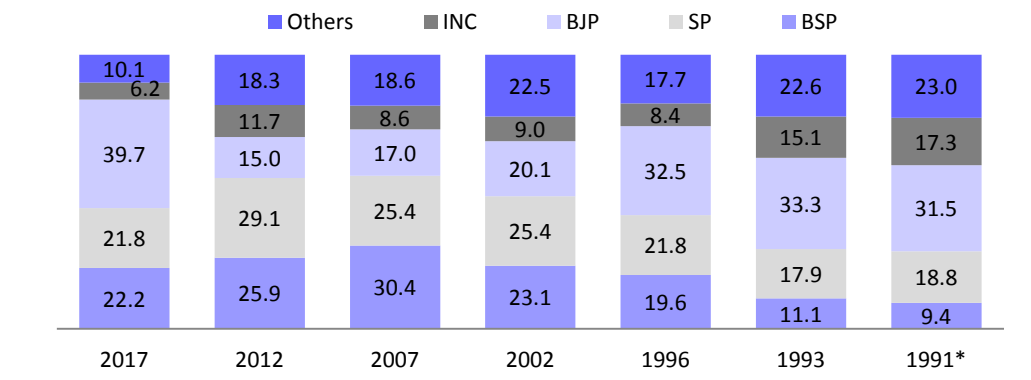
Since UP was, by far, the most important state of the five election states, it deserves special attention. *Exhibit 6* below shows the trends in seats won by different parties with their vote share since 1991. Last week's results show that BJP won 312 seats out of 403, marking the highest number of seats won by any single largest party in four decades (in 1977, Janata Party had won 352 seats out of 425 seats). BJP would be forming the government in India's largest state after 15 years.

Exhibit 6: Seats won by different parties in UP since 1991

* SP was born in 1992, Mulayam Singh Yadav was member of Janata Dal (JD) in 1991

Source: Election Commission of India, MoSL

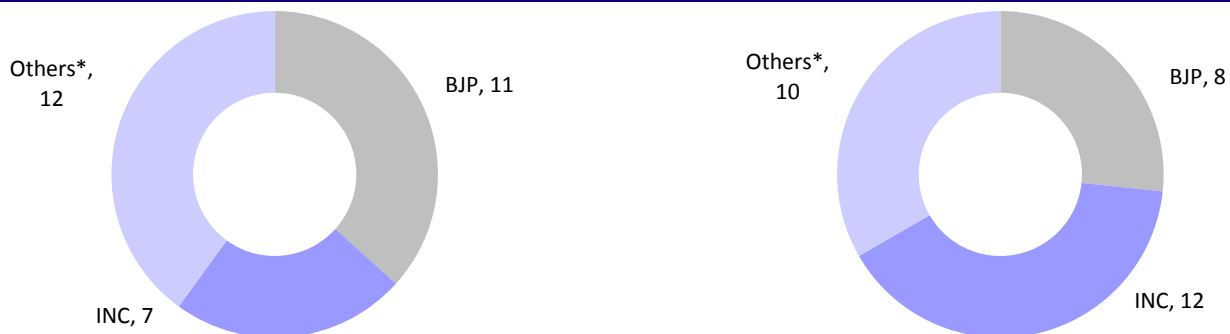
Further, BJP received 39.7% voting share, which is also the highest in four decades (*Exhibit 7*).

Exhibit 7: Voting share of different parties in UP since 1991

* SP was born in 1992, Mulayam Singh Yadav was member of Janata Dal (JD) in 1991

Source: Election Commission of India, MoSL

After last week's election results, BJP has increased its dominance in state elections. As against ruling 8 states in 2012, BJP now rules 11 states, while Congress is restricted to only 7 as against 12 in 2012. (It is still unclear as to who will form the government in Goa).

Exhibit 8: Comparison of number of states run by BJP and INC in 2012 and 2017

Source: MOSL

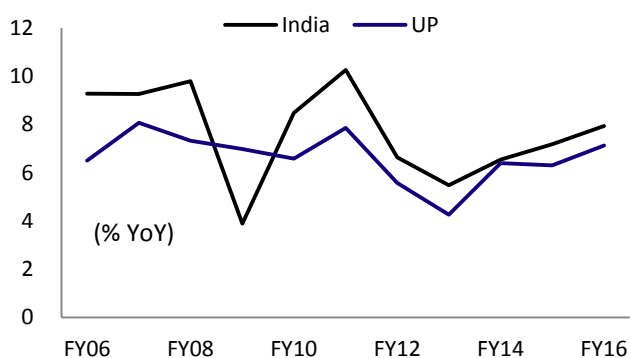
Why is Uttar Pradesh important?

A brief review of Uttar Pradesh economy

Uttar Pradesh (UP) plays an important role in India's economics and politics. With a population of over 200m, it is by far India's most populous state. In fact, UP is believed to be the largest subordinate of any country in the world. It sends 31 members (12.6% of total members) to the upper house of the Parliament (Rajya Sabha) and 80 members (14.7% of total seats) to the lower house (Lok Sabha).

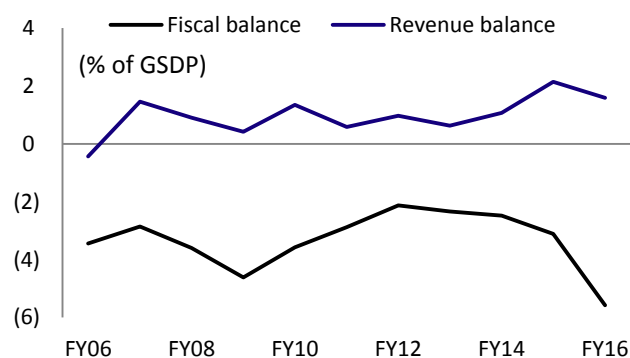
The next two pages feature a series of exhibits on the UP state economy and other vital statistics. As *exhibit 9* shows, UP, the third-largest state (after Maharashtra and Tamil Nadu) in terms of GSDP, has consistently under-performed the national average in terms of GDP growth. Further, the ruling government has been criticized for widening fiscal deficit (*exhibit 10*). Nevertheless, it is equally important to note that since UP is primarily a rural state (with more than 75% of population staying in rural areas), retail inflation has been lower than the national inflation level. In January 2017, while India's inflation was 3.2%, it was 2.7% for UP.

Exhibit 9: UP state is growing slower than the national economy...



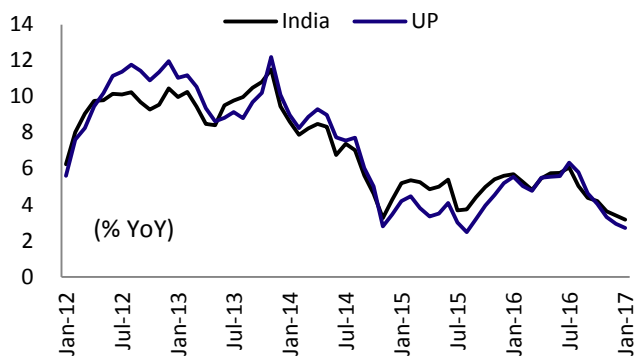
Source: Census of India 2011

Exhibit 10: ...and its fiscal deficit (as % of GDP) has worsened over the past few years



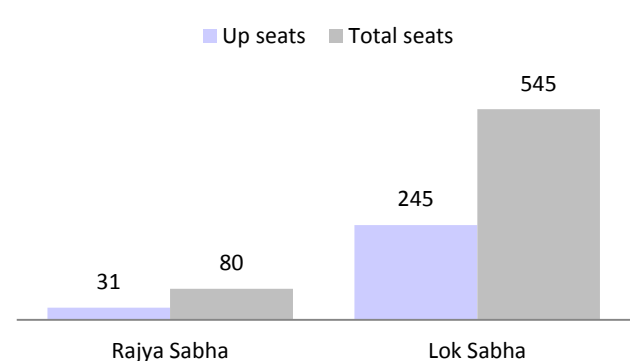
Source: Census of India 2011

Exhibit 11: However, inflation has fallen faster than national level



Source: Census of India 2011

Exhibit 12: UP state controls 12.6% of Rajya Sabha and 14.7% of Lok Sabha

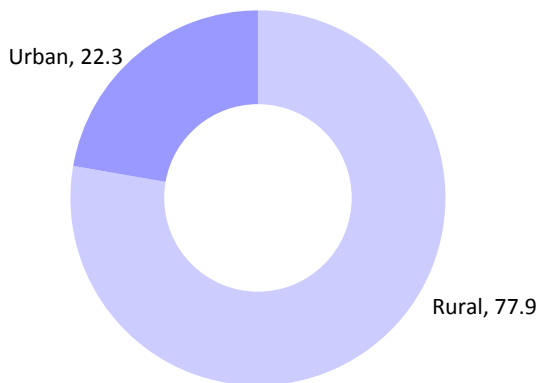


Source: Census of India 2011

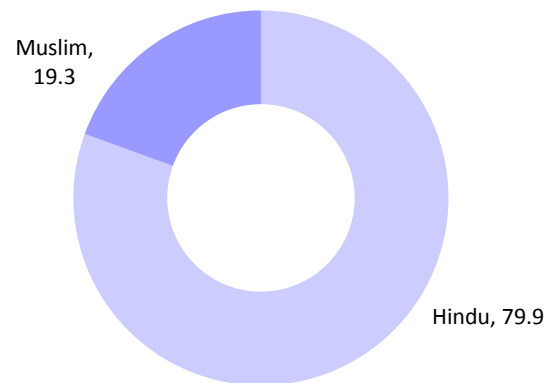
Exhibit 13: UP state economy at a glance

Variables	Unit	2011-12	2012-13	2013-14	2014-15	2015-16
Nominal GVA	INR bn	6,819	7,777	8,854	9,752	10,775
Agriculture etc	% of GDP	26.9	27.4	26.9	25.7	26.2
Industry	% of GDP	15.2	14.7	15.7	15.6	15.4
Construction	% of GDP	12.4	12	11.3	11.5	11.3
Services	% of GDP	45.5	45.9	46	47.1	47.1
Population	mn	201.6	204.7	207.8	211	211.1
Per capita GVA	INR	33,826	37,997	42,606	46,218	51,045
Real GVA	% YoY	...	4.6	5.5	5.9	6.8
Agriculture etc	% YoY	...	4.6	-0.5	-2.8	5.9
Industry	% YoY	...	4.6	14.7	5.2	6.5
Construction	% YoY	...	1	1.1	7.5	3.2
Services	% YoY	...	5.5	7.1	10.4	8.2
Fiscal deficit	% of GDP	2.1	2.3	2.5	3.1	5.6
Government debt	% of GDP	33.8	29.7	27.7	28.1	31
CPI inflation	% YoY	...	11	9.4	5.9	4.1
Seats in Rajya Sabha		31 (out of 245)				
Seats in Lok Sabha		80 (out of 545)				
Vital statistics						
Birth rate	Per 1000 persons	27.4	27.2	27	26.7	...
Death rate	Per 1000 persons	7.7	7.7	7.4	7.2	...
Natural growth rate	Per 1000 persons	19.7	19.5	19.6	19.5	...
Infant mortality rate	Per 1000 live births	53	50	48	46	...
Total fertility rate		3.3	3.1	3.2

Source: Census of India, Election Commission, CEIC, MoSL

Exhibit 14: More than three-fourth of UP's population lives in rural areas

Source: Census of India 2011, MoSL

Exhibit 15: Muslim population accounts for more than 19% of total population in UP

Source: Census of India 2011, MoSL

How do recent state elections change the Rajya Sabha composition?

NDA/BJP unlikely to gain majority until 2020 (FY21)

Notwithstanding a landmark victory in India's largest state, it is important to note that the composition of Rajya Sabha (RS) would be very slow to change. *Exhibit 16* below gives the list of retiring RS members from these five states over the next couple of years.

Only 10 members from UP state holding Rajya Sabha (RS) seats (out of 31 seats) would be retiring in April 2018. With BJP winning 312 seats in UP, it would win 8 seats of the 10 retiring members, implying a gain of 7 seats (since one retiring member would be from BJP). Further, BJP would gain one RS seat from Uttarakhand, which would also fall vacant on retirement in April 2018.

Moreover, while BJP lost in Punjab, Congress may not see any gain in its strength, since all the members would be retiring in 2022, when the next state election is due in Punjab.

Congress currently holds the only RS seats from Goa and Manipur. With Congress likely to retain power in Manipur, this would remain unchanged. However, it is still not clear as to who will form the government in Goa, and accordingly, gain the RS seat, post retirement in July 2017.

Overall, while NDA currently holds 73 seats, the recent elections would give it an advantage of a maximum of 9 seats (in case they make the government in Goa). It would, thus, take their tally to 82 by mid-2018. On the other hand, the strength of UPA (SP) would fall from 65 (18) currently to 63 (12).

Exhibit 16: Rajya Sabha facts about five election states

State	No of seats	When are RS members retiring?	Comment
Goa	1	Jul-17	It is unclear as to who will make the party
Manipur*	1	Apr-20	INC to remain until 2020
Punjab	7	5 members retiring in April 2022 Remaining two (2) retiring in July 2022	BJP to maintain four until 2022
Uttar Pradesh	31	Ten (10) members retiring in April 2018	Of the retiring in 2018, six are SP members, two are BSP members and one each from INC and BJP
		Another ten (10) retiring in November 2020	With recent elections BJP will gain 8 seats in April 2018
		Eleven (11) retiring in July 2022	
Uttarakhand	3	One (1) member each retiring in April 2018, November 2020, July 2022	All three are currently held by INC; BJP to gain one in 2018
Total	43	Only one (1) retiring in 2017 Another eleven (11) expiring in 2018 Twelve (12) retiring in 2020 Nineteen (19) retiring in 2022	BJP will gain 8-9 seats in Rajya Sabha by mid 2018

* Late Haji Abdul Salam was the current Rajya Sabha member from Manipur state, who expired on February 28, 2017. His term, which will now be taken over by another Congress-party member, will expire in April 2020.

Schedule of upcoming state elections with key details

Finally, it is important to note that two major states, Gujarat and Karnataka would be undergoing state elections next year. Given below is the list of state elections scheduled for 2018 and 2019, with key details about the current ruling party and how far the BJP is from the ruling party in non-BJP run states. The BJP already has a wide majority in Gujarat and thus, will be eyeing Karnataka.

Exhibit 17: List of upcoming state elections in 2018 and 2019 with key details

S.No.	House/State	Tenure ending on	Assembly Seats	Lok Sabha Seats	Rajya Sabha Seats	Ruling Party	Seats held by BJP
1	Gujarat	22-Jan-18	182	26	11	BJP	116
2	Nagaland	13-Mar-18	60	1	1	NPF	1 (38)
3	Karnataka	28-May-18	224	28	12	INC	40 (122)
4	Meghalaya	6-Mar-18	60	2	1	INC	N/P (29)
5	Himachal Pradesh	7-Jan-18	68	4	3	INC	26 (36)
6	Tripura	14-Mar-18	60	2	1	CPI(M)	N/P (49)
7	Mizoram	15-Dec-18	40	1	1	INC	N/P (34)
8	Arunachal Pradesh	1-Jun-19	60	2	1	BJP	
9	Rajasthan	20-Jan-19	200	25	10	BJP	163
10	Chhattisgarh	5-Jan-19	90	11	5	BJP	49
11	Sikkim	27-May-19	32	1	1	SDF	N/P (22)
12	Andhra Pradesh	14-Jun-19	175	25	11	TDP	102 (4)
13	Madhya Pradesh	7-Jan-19	230	29	11	BJP	165
14	Telangana	8-Jun-19	119	17	7	TRS	90 (5)
15	Haryana	25-Oct-19	90	10	5	BJP	47
16	Maharashtra	30-Oct-19	288	48	19	BJP	122
17	Odisha	11-Jun-19	147	21	10	BJD	117 (10)

Source: MOSL

Campaign promises win election but once in government benchmark shifts to performance

Exhibit 18: BJP's campaigning was imaginative to strike a chord among the voters



Source: News website, MOSL

Exhibit 19: In contrast SP personality attacks failed to connect with the voters



Source: News website, MOSL

Exhibit 20: BJP supporters chant slogans while campaigning



Source: News website, MOSL

Exhibit 21: Joint SP-Congress campaign failed to impress voters



Source: News website, MOSL

Exhibit 22: BJP campaign promise on women's safety



Source: News website, MOSL

Exhibit 23: Young BJP supporters celebrates on result day



Source: News website, MOSL

Quote Shoot: Slugfest is finally over!

"In a democracy, we must respect each other because some will win, some will lose.

Trust the people."

– Mamta Banerjee,
West Bengal chief minister



"There is no leader today with a pan India acceptability who can take on Modi and the BJP in 2019. At this rate we might as well forget 2019 and start planning/hoping for 2024."

– Omar Abdullah,
National Conference Leader



"Am overjoyed that BJP has received unprecedented support from all sections of society. Huge support from the youth is gladdening."

– Prime Minister Narendra Modi



We are all now part of Modi's nation. And it's here to stay for another eight years at least because 2019 seems like a slam-dunk for the BJP. Today marks such an enormous change that the BJP brand is now being subsumed under the Modi charisma. Not a single voter that I met in UP said they were voting for the BJP. They were all voting for Modi, Modi, Modi. With this transformation comes great expectations."

– Prannoy Roy, NDTV (Indian Media)



"I think the new government in power will work even better than the SP. It's possible people didn't like the great Expressway we built and they voted for a bullet train. We built great roads may be the people of UP were not happy with that and want even better roads? Maybe the BJP will build even better roads,"

– Akhilesh Yadav, Samajwadi Party



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SEBI pursuant to a complaint from client Shri C.R. Mohanraj alleging unauthorized trading, issued a letter dated 29th April 2014 to MOSL notifying appointment of an Adjudicating Officer as per SEBI regulations to hold inquiry and adjudicate violation of SEBI Regulations. MOSL replied to the Show Cause Notice whereby SEBI granted us an opportunity of Inspection of Documents. Since all the documents requested by us were not covered we have requested to SEBI vide our letter dated June 23, 2015 to provide pending list of documents for inspection.

List of associate companies of Motilal Oswal Securities Limited - [Click here to access detailed report](#)

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|--|----|
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