

# India Politics



## ELECTION

**2024-25**

### State election outcomes 2024-25

State	Majority	Seats won
Haryana	BJP	48/90
J&K	Congress+	49/90
Maharashtra	BJP+	233/288
Jharkhand	INDIA	56/81
Delhi	BJP	48/70

## BJP wins Delhi after 27 years – sentiment positive for markets

**Valuations reasonable for largecaps but still expensive for SMIDs**

The Delhi state election results should be an incremental positive for the market as it allays any residual concerns over stability/smooth functioning of the coalition government at the Center. After a gap of 27 years, the Bhartiya Janata Party (BJP) registered an impressive victory in Delhi, winning 48 seats out of 70 seats. The win is attributed to the poll promise of “double-engine” governance, Prime Minister Narendra Modi’s campaign, and a two-term anti-incumbency undercurrent against the ruling Aam Aadmi Party. The verdict was broadly in line with the exit polls, even though AAP, heading into the elections, was seen to have an edge over BJP. Numerically, the city-state of Delhi is small (it sends 7 out of 543 Lok Sabha MPs), but as the nation’s capital, it attracts a disproportionate share of electorate attention.

### BJP wins despite no big local face, “Brand Modi” regaining its luster

Politically, the Delhi victory will be seen as a decisive revival of “Brand Modi.” A victory here is a sign of revival in voters’ trust reposed in Brand Modi and the likely developmental benefit that can accrue to Delhi due to the same party governing both the state and the Center.

### NDA decisively back into groove after the Lok Sabha setback

Since the Lok Sabha 2024 verdict, the BJP has recovered much of the lost ground as it delivered unexpected victories in Haryana (Oct’24), Maharashtra with partners (Nov’24) and now Delhi, which was expected to be a tight two-way battle. BJP won 48 seats (out of 70 seats in Delhi), a strong jump from 8 seats in 2020. Its vote share surged by 8% to 46%, while AAP saw a dip in vote share from 54% to 44%. The third key party, Congress, failed to win any seats (same as 2015/2020) even though it was able to bump up its vote share from 4% to 6%.

### Concerns over stability of NDA coalition allayed

The three back-to-back victories in Haryana, Maharashtra and Delhi will lend confidence and provide more policy momentum for the NDA government, allowing it enough headroom to modulate policy responses as per the economic needs of the hour (as was seen in the FY26 Union Budget). This verdict should further help allay concerns over the coalition politics at the Centre as BJP has re-emerged stronger, while Congress, the nucleus of the opposition INDIA bloc, has been ceding ground as it lost massively in Haryana, Maharashtra, and Delhi. It did win the smaller state of Jharkhand/J&K, but it was mainly due to alliance partners JMM’s/JKNC’s heft in the respective states.

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### Middle class finding political and economic policy attention

One of the key reasons for the swing in BJP's fortunes in Delhi is the return of middle-class voters to the BJP's fold given the disenchantment with the prevailing urban infrastructure in the state. All the key parties promised some handouts/freebies in their pre-poll manifesto. This, juxtaposed with the FY26 Union Budget's INR1t stimulus for taxpayers, shows a decisive shift in the policy focus toward the middle class.

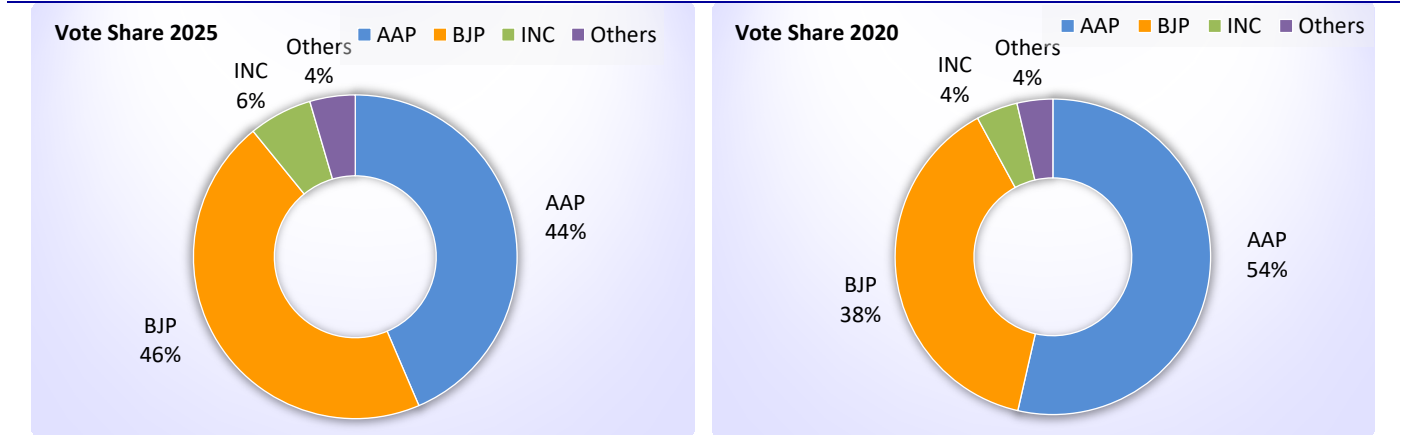
### Market impact: Sentiment positive, focus shifting to earnings/macros

The market will take the Delhi verdict positively as it provides further impetus to the policy momentum and helps allay residual concerns, if any, over the stability of the coalition government at the Center. With the budget now behind (consumption push without compromising on fiscal consolidation) and the RBI providing monetary relief (25bp rate cut and some liquidity measures), this verdict will lift sentiment at the margin. However, attention will now shift back to earnings, corporate guidance and global macros amid turbulence in global markets on US President Donald Trump's trade policies. We recommend a largecap heavy portfolio owing to valuation differentials vs. smallcaps and midcaps (SMIDs). The Nifty50 is trading at 19.8x (~4% below its LPA) on a 12-month forward basis, while the Nifty Midcap 100 is at ~30x (50% premium to the Nifty50) and the Nifty Smallcap 100 is trading at ~22x (13% premium to the Nifty50). Thus, valuations remain elevated for broader markets, while they are slightly below the average for the Nifty50. We remain cautious on sectors where valuations have substantially exceeded past earnings growth.

After the Union budget, consumption has emerged as a key theme that can do well as households realign expenses toward more consumption on the back of tax savings. A broad swathe of sub-segments of consumption could be key beneficiaries, namely, discretionary, retail, jewelry, hotels, apparels, 2W, entry-level 4W, and also capital market plays to some extent. We recommend a selective approach toward Industrials.

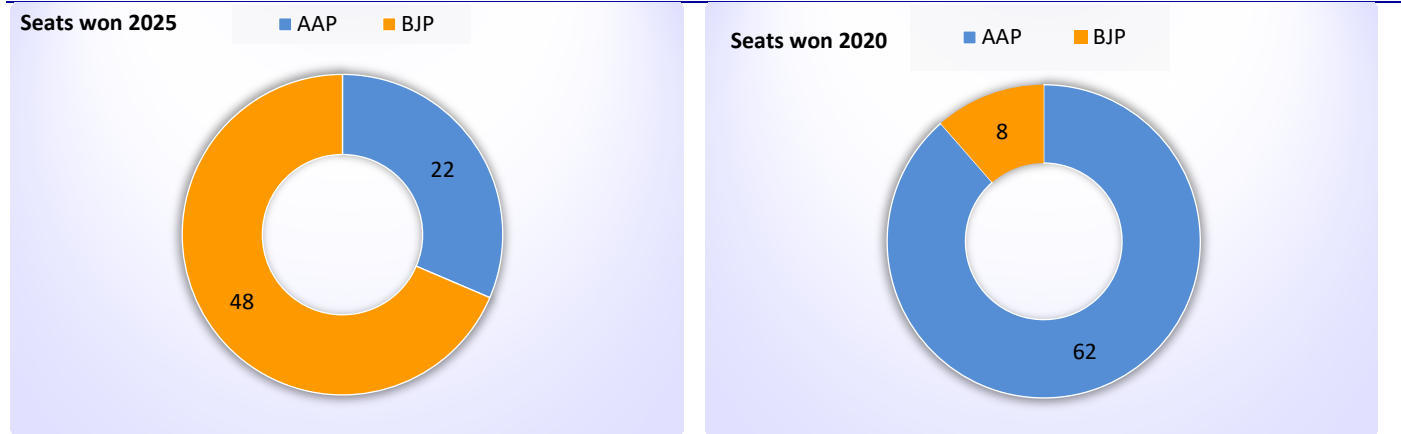
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Exhibit 1: Sharp swing in vote share for BJP and AAP.....



Source: Election Commission, MOFSL

Exhibit 2: ...leads to sharper swing in seat share



Source: Election Commission, Media, MOFSL

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