

Growth Plus

The population in middle class bracket is growing at a phenomenal pace. 65% of the population is below the age group of 35 years which makes India one of the youngest countries in the world. With growing aspirational youth, you cannot afford to miss investing in the consumption theme. And here is a portfolio of stocks which are going to immensely benefit as the consumption theme plays out.

Why Should you Invest in this Portfolio!

This table says it all. If you have a look at the middle-middle, upper-middle and affluent rows, the population in these categories has grown at a double digit compounded annual growth rate (CaGR) over a period of eight years. While, the poor category de-grew at 3.7% CAGR in the same period.

Category	Income Threshold (Per Day)	2004-05	2011-12	CaGR Growth/ De-Growth
Poor	<2 \$	777.3	574.8	-3.7%
Lower-Middle	\$ 2-4	237.8	446.3	8.2%
Middle-Middle	\$ 4-6	45.4	108.5	11.5%
Upper-Middle	\$ 6-10	21	49.5	11.3%
Affluent	>10 \$	7.5	22.9	15.0%

Source: Krishnan & Hatekar (2017)

Further, India has more than 65% of its population below the age of 35 years and boasts of one of the youngest population in the world. This aspirational population is going to drive the consumption demand in the country and in-turn the profits of the listed consumption companies.

Which Industries can benefit from the Growing Middle Class?

- Two-wheeler has now become a necessity in a family. In the millennial generation, the women have also started working which is providing an impetus to the two-wheeler demand. The two-wheeler penetration in India is 102 vehicles per 1000 people. While, for our peer emerging economies such as Indonesia and Thailand the penetration is 281 and 291 per 1000 people. Hence, our market is hugely underpenetrated and there is huge scope of growth on this front. Hence, two-wheeler players & auto ancillaries will surely be the beneficiaries of growing middle class.
- Millennial generation is increasingly getting hooked to credit. Recall the frequency of calls we receive from banks that are willing to give us loans! Personal loans, credit card spending, housing and two-wheeler loans are on the rise and well run retail banks will perform extremely well on account of this boom in growing middle class.
- Aspirational middle class wants to buy branded products. These guys want to see movies in multiplexes instead of single screens, take vacations to travel within the country and abroad, buy jewellery or gold from a well recognized organized player, buy branded clothes etc. This new trend will increasingly benefit the listed companies catering in these spaces.
- Last but not the least, there is a growing trend amidst the millennial to put their savings in financial assets. People are looking at investments options now other than fixed deposits such as equities, mutual funds, debt funds. Hence, financial service industry will benefit from a shift to this trend.

All these factors lead us to believe that one should definitely invest in this portfolio of consumption stocks as these stocks are set to benefit the most as the demographic dividend plays out.

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