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## The Eagle Eye

January 2024

## GLOBAL MARKETS

- ❖ Most of the major global markets end positive; Brazil leads with China being the only laggard
- ❖ Global markets continue to rally in Dec'23; India outperforms most emerging markets in CY23
- ❖ India remains the top-performing market in local currency terms
- ❖ Dollar index down from the CY23 highs

## DOMESTIC MARKETS

- ❖ Mid and small caps outperform large caps by a wide margin in CY23
- ❖ Real Estate and Capital Goods outperform handsomely during the last five years
- ❖ About 94% of the Nifty constituents end higher in Dec'23, whereas 96% end higher in CY23

## FLows AND VOLUMES

- ❖ FII flows strengthen in Dec'23; total FII and DII flows are at ~USD44.0b in CY23 vs. USD15.2b only in CY22
- ❖ Average monthly cash and F&O volumes hit an all-time high in Dec'23

## NOTABLE PUBLISHED REPORTS

- ❖ Capital Goods: Thematic : Winds of change: Powering up for sustainable growth
- ❖ Public Sector Banks: Well poised for Re-rating 2.0
- ❖ INDIA STRATEGY: Getting in the Groove!!!!: Eighth consecutive year of positive returns for Nifty-50

## MULTI-YEAR HIGHS AND LOWS

- ❖ The 10-year yield spread between India and the US at more than 14-year low
- ❖ India's Qtrly. Economic Outlook: Growth forecast at 5.4% for FY25; could trigger a rate cut
- ❖ Nifty composition: Private Banks, Auto, and Capital Goods witness an increase in weights; whereas, Other Financials, O&G and Technology experience a decline in CY23

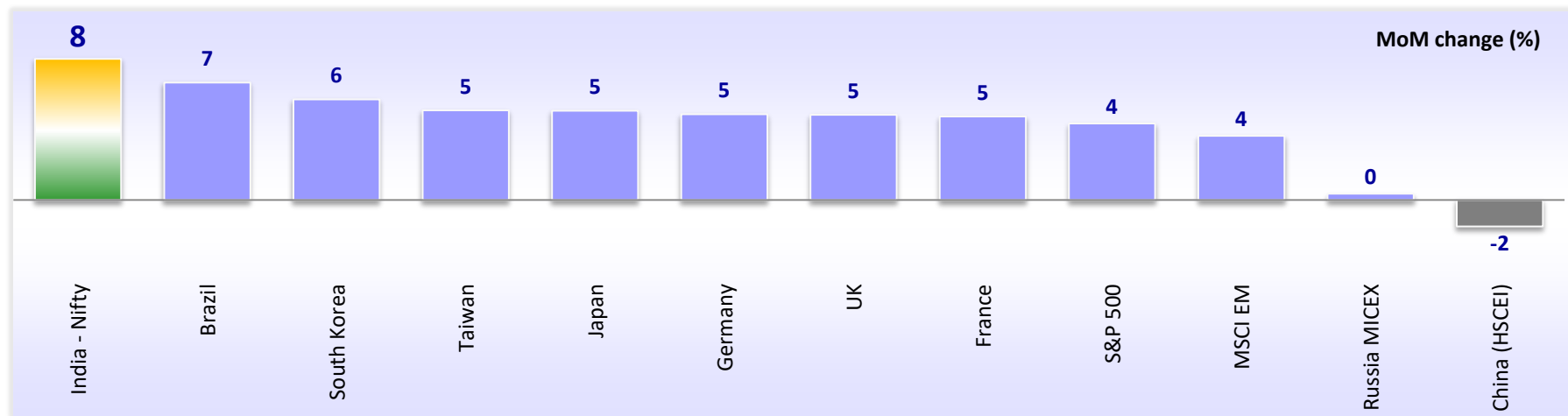
## VALUATIONS

- ❖ Nifty's 12-month forward P/E has been trading at 19.6x, at a 3% discount to the LPA of 20.2x
- ❖ At 3.2x, the 12-month forward P/B has been trading at a premium of ~15% to the Nifty's historical average of 2.7x
- ❖ EY/BY is trading below its LPA on a trailing basis; whereas it is near its LPA on a forward basis

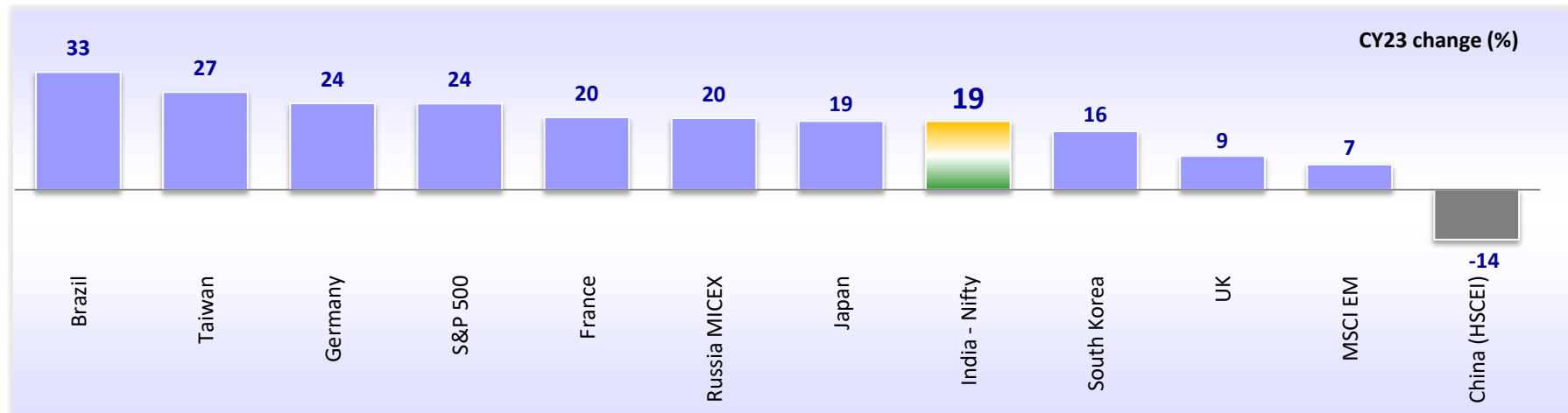
# CONTENTS

# Most of the major global markets end positive; Brazil leads with China being the only laggard

World equity indices (MoM) in USD terms (%)

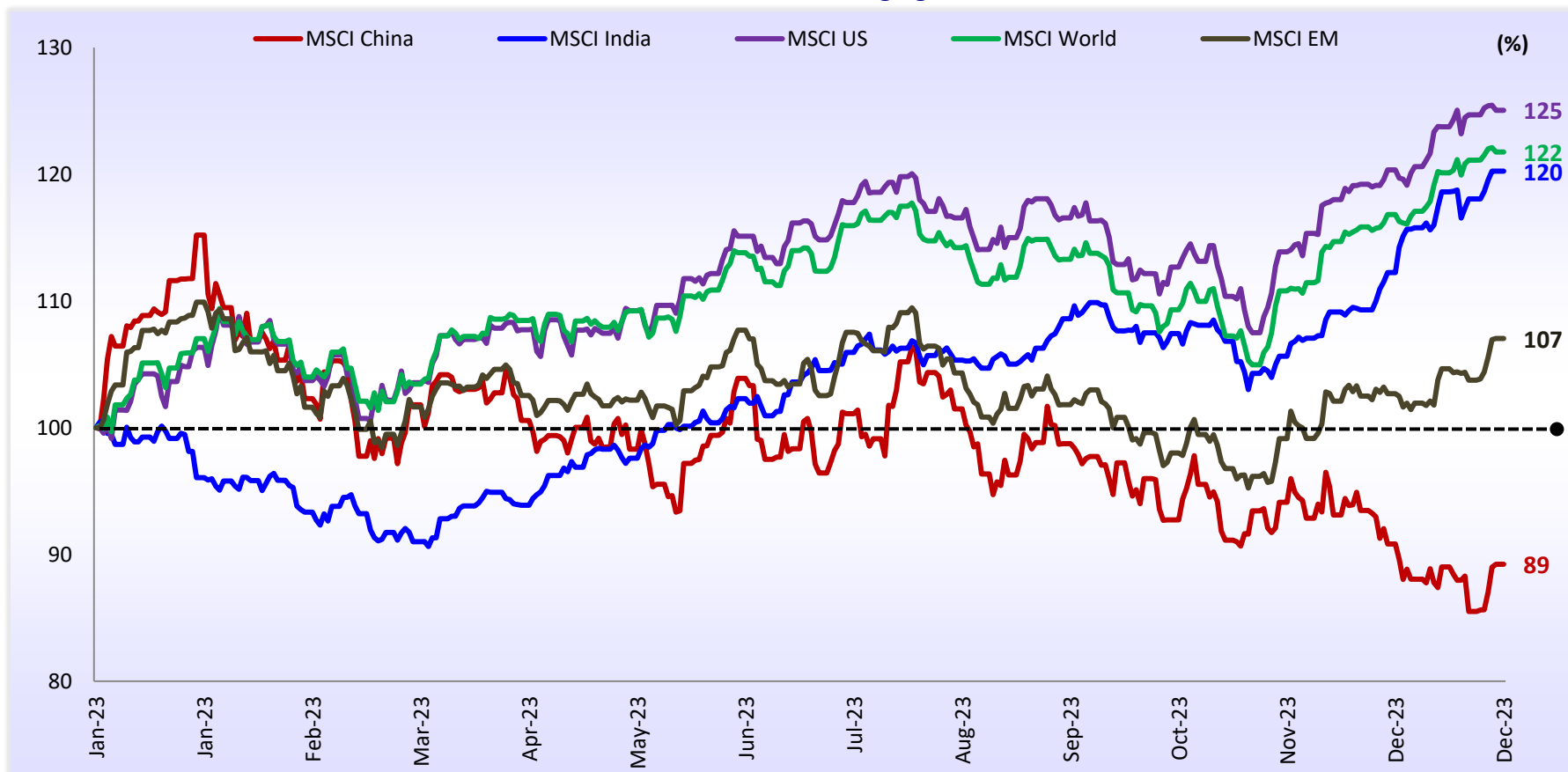


CY23 performance of global equity indices in USD terms (%)



# Global markets continue to rally in Dec.'23; India outperforms most emerging markets in CY23

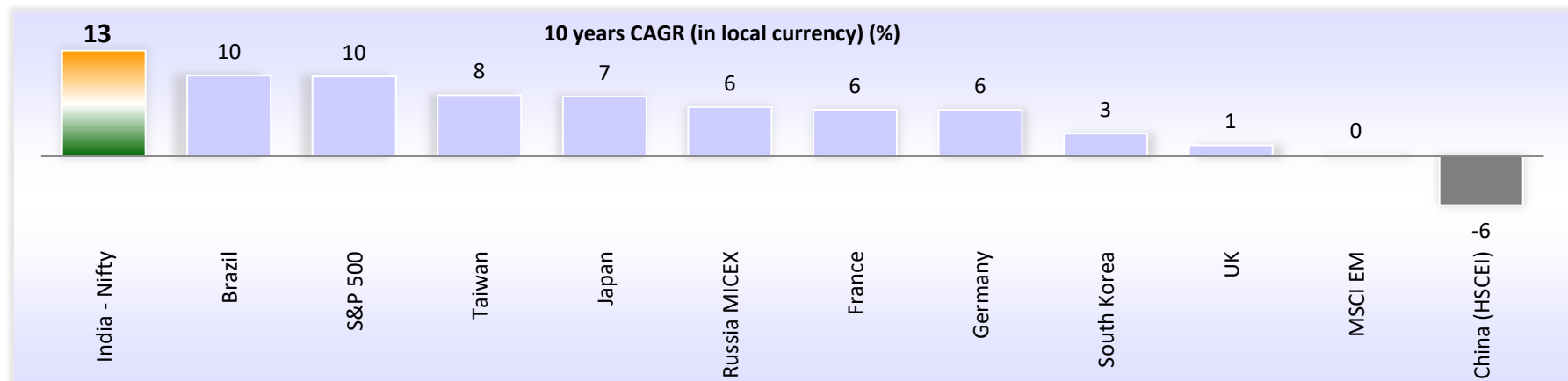
Performance of the MSCI India index vs. MSCI US, MSCI World, MSCI Emerging Market, and MSCI China Indices, in USD terms



\*Indices rebased to 100

# India remains the top-performing market in local currency terms

India remains the best performing market in local currency terms in the previous decade

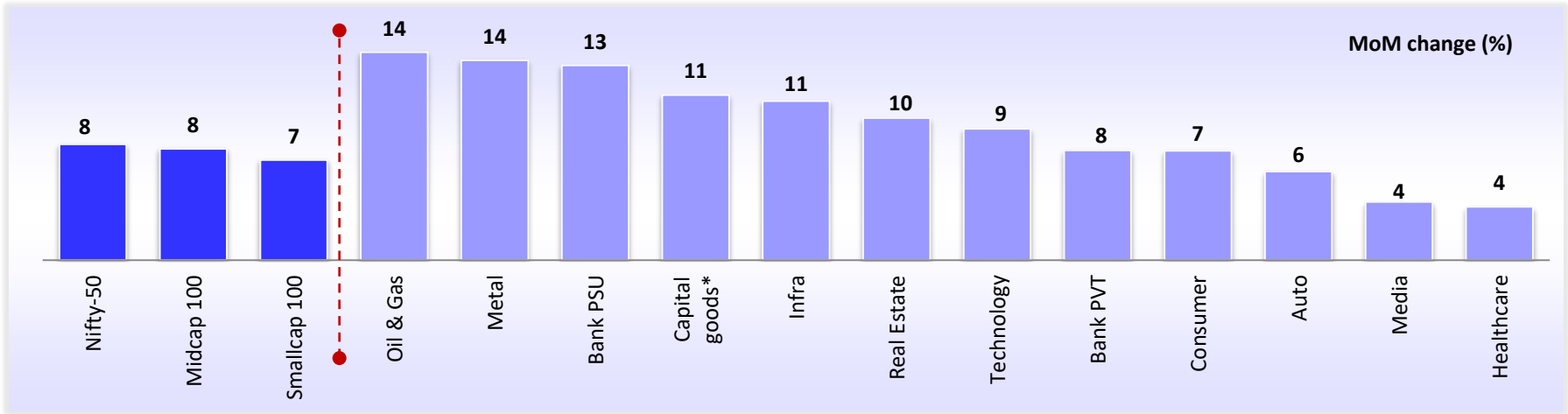


Trends in Nifty indices' performances (%) — Sharp reversions to the mean clearly visible in their annual performances

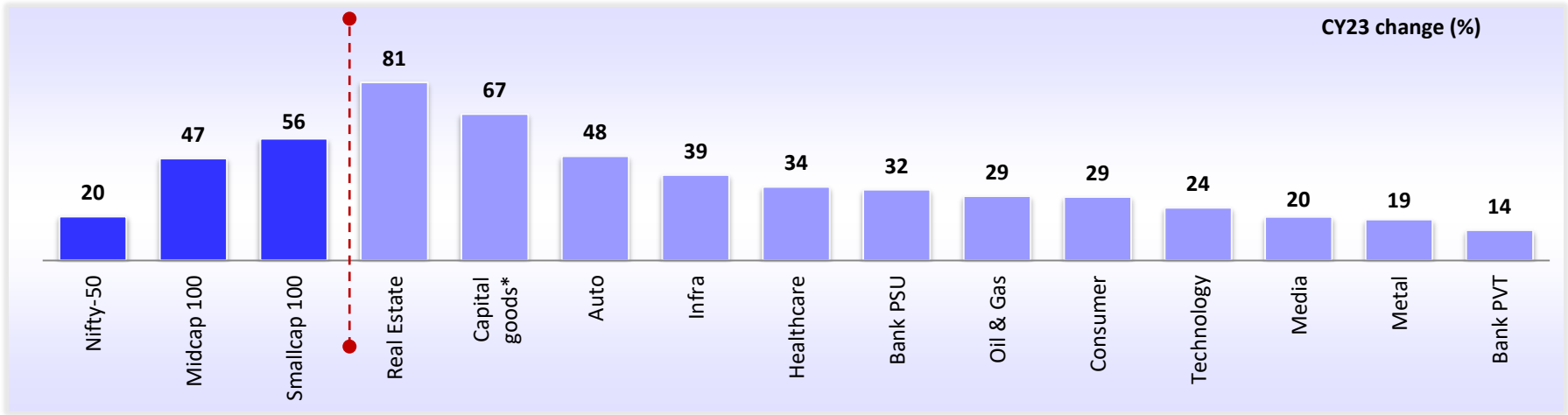
Year	Nifty50 Closing	CAGR (%)					Nifty Midcap 100 Closing	CAGR (%)					Nifty Small cap 100 Closing	CAGR (%)				
		1yr	2yrs	3yrs	5yrs	10yrs		1yr	2yrs	3yrs	5yrs	10yrs		1yr	2yrs	3yrs	5yrs	10yrs
Dec-13	6,304	7	17	1	16	13	8,071	-5	15	-3	17	13	3,403	-8	12	-6	15	-
Dec-14	8,283	31	18	21	10	15	12,584	56	22	27	11	15	5,273	55	19	25	9	15
Dec-15	7,946	-4	12	10	5	11	13,397	6	29	16	9	13	5,653	7	29	15	7	10
Dec-16	8,186	3	-1	9	12	8	14,351	7	7	21	19	11	5,781	2	5	19	16	6
Dec-17	10,531	29	15	8	12	6	21,134	47	26	19	20	9	9,093	57	27	20	20	5
Dec-18	10,863	3	15	11	11	14	17,876	-15	12	10	17	17	6,449	-29	6	4	14	14
Dec-19	12,168	12	7	14	8	9	17,103	-4	-10	6	6	9	5,835	-10	-20	0	2	5
Dec-20	13,982	15	13	10	12	9	20,843	22	8	0	9	9	7,088	21	5	-8	5	6
Dec-21	17,354	24	19	17	16	14	30,443	46	33	19	16	17	11,289	59	39	21	14	15
Dec-22	18,105	4	14	14	11	12	31,509	4	23	23	8	14	9,731	-14	17	19	1	10
Dec-23	21,731	20	12	16	15	13	46,182	47	23	30	21	19	15,144	56	16	29	19	16

# Broad-based rally seen in Dec'23; Real Estate, Capital Goods, and Auto among the top gainers in CY23

Sectoral performance MoM (%): Oil & Gas, Metals and PSBs among the top gainers



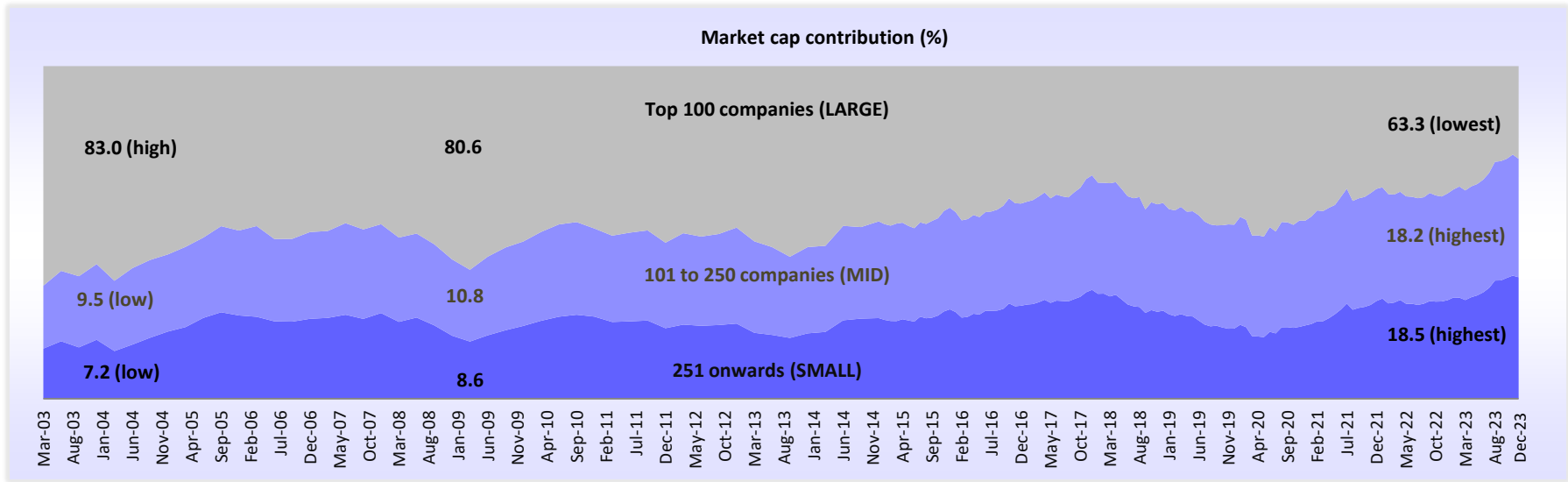
Sectoral performance CY23 (%): Real Estate, Capital Goods and Auto among the top gainers; Metals and Pvt. Banks key laggards



Note: (\*) represents BSE capital goods index

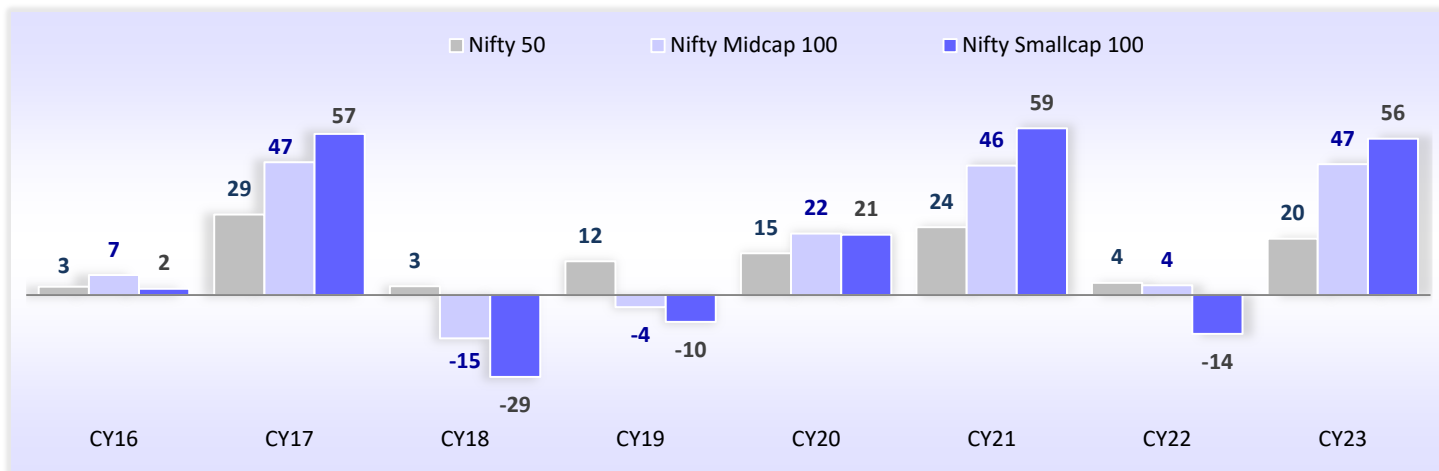
# Mid and small caps outperform large caps by a wide margin in CY23

Sharp broad basing seen in CY23 with mid- and small-cap contribution to total market cap rising to an all-time high in Nov'23



Note: Dec'23 market cap contribution for Large/Mid/Small stood at 63.9%/17.8%/18.3% respectively

Over the last eight years, mid-caps have delivered six and small-caps have reported five years of positive returns

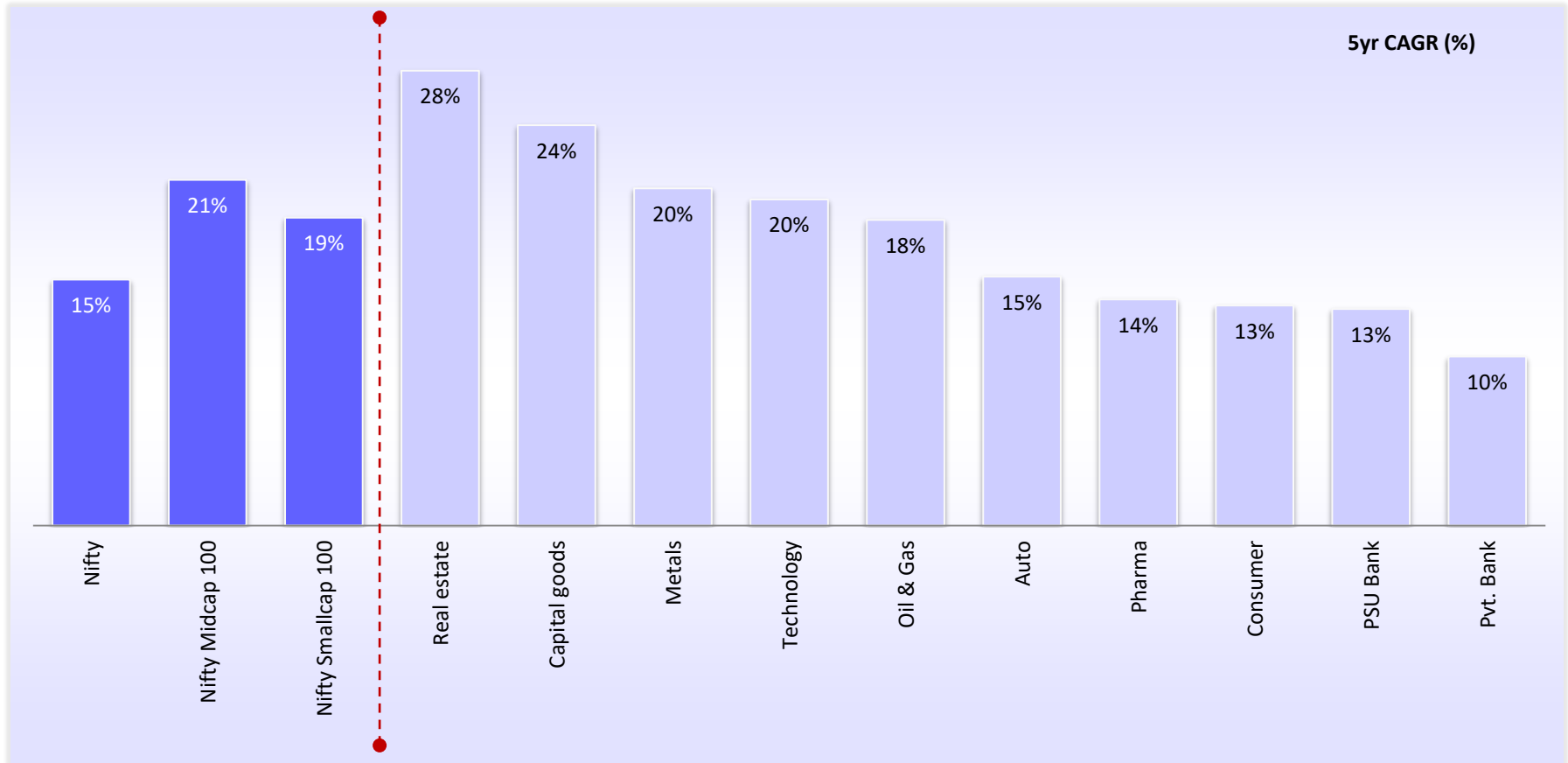


Mid-caps outperform Nifty-50 in five out of eight years, whereas small-caps outperform in only four years

## Real Estate and Capital Goods were the top performers in the last five years

- ❖ Real Estate/Cap Goods/Metals were the top performing sectoral indices, clocking a CAGR of 28%/24%/20% during Dec'18-Dec'23.
- ❖ Midcaps outperformed largecaps and smallcaps on a five-year CAGR basis.

### Sectoral performance based on five-year CAGR (%): Real Estate and Capital Goods among the top gainers

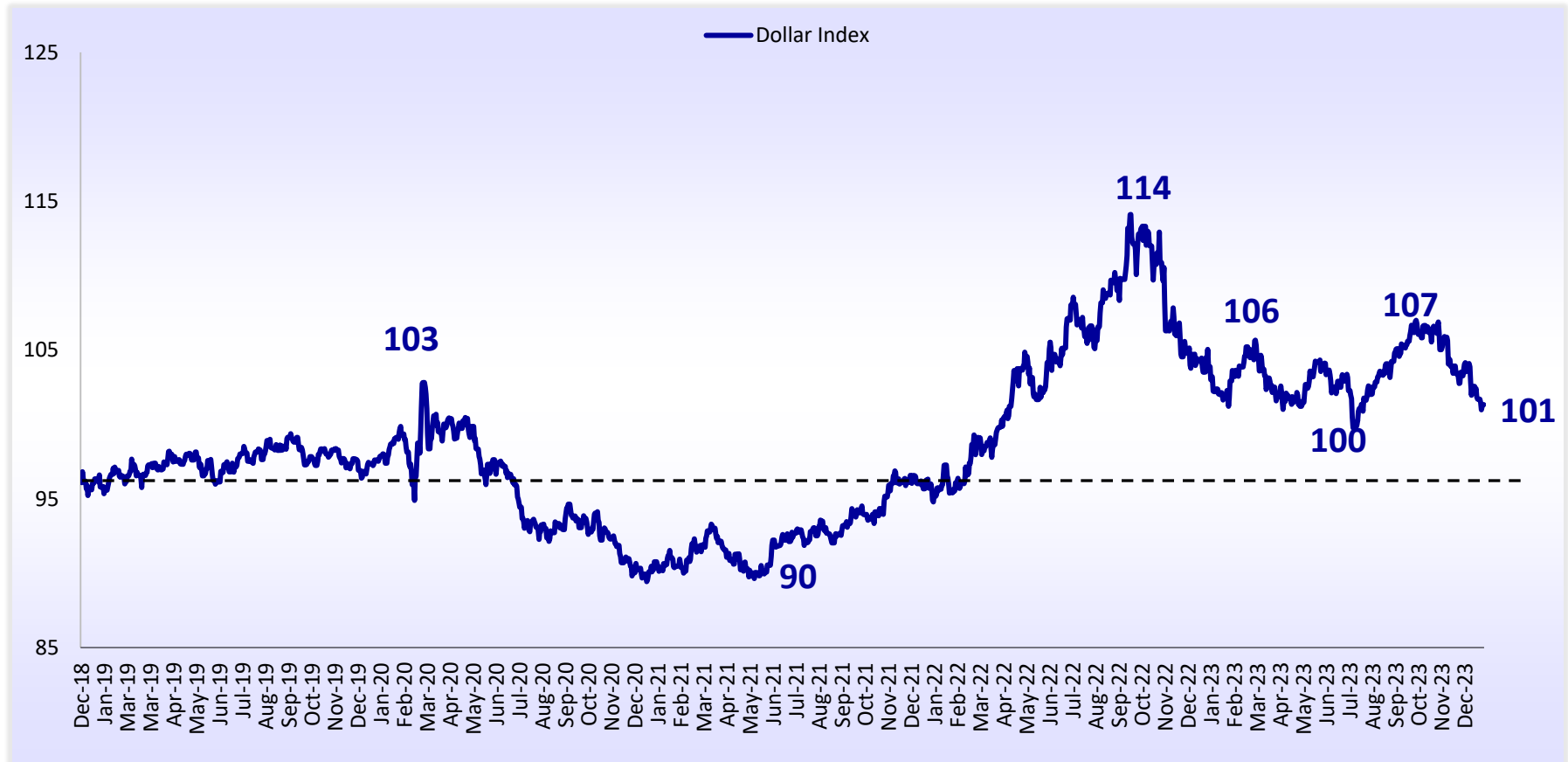


Note: (\*) represents BSE capital goods index



## Dollar index down from the CY23 highs

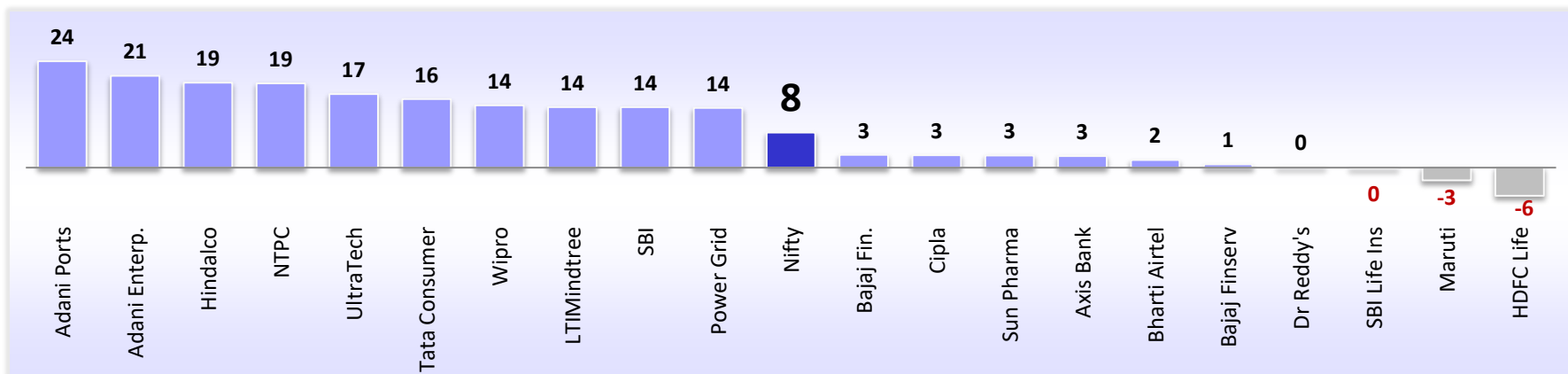
❖ Dollar index fell 6% from the CY23 highs and closed at 101 as of 31<sup>st</sup> Dec'23



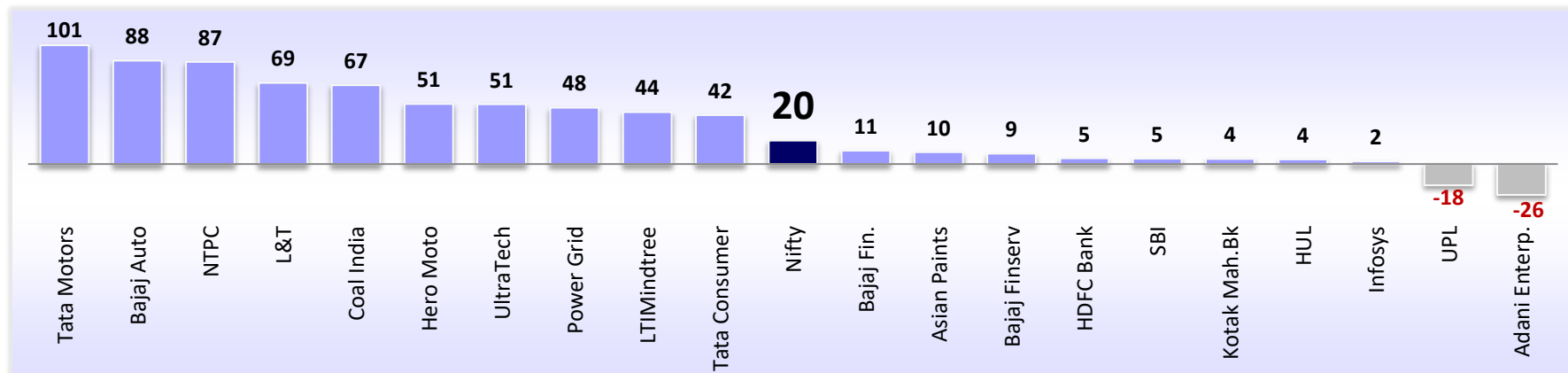
## About 94% of the Nifty constituents end higher in Dec'23, whereas 96% end higher in CY23

- ❖ Among Nifty constituents, 47 closed higher during the month and around 26 companies outperformed the benchmark.
- ❖ About 48 Nifty constituents traded higher in CY23. Tata Motors, Bajaj Auto, and NTPC were the top gainers, while Adani Enterprises, and UPL were the key laggards.

### Best and worst Nifty performers (MoM) (%)



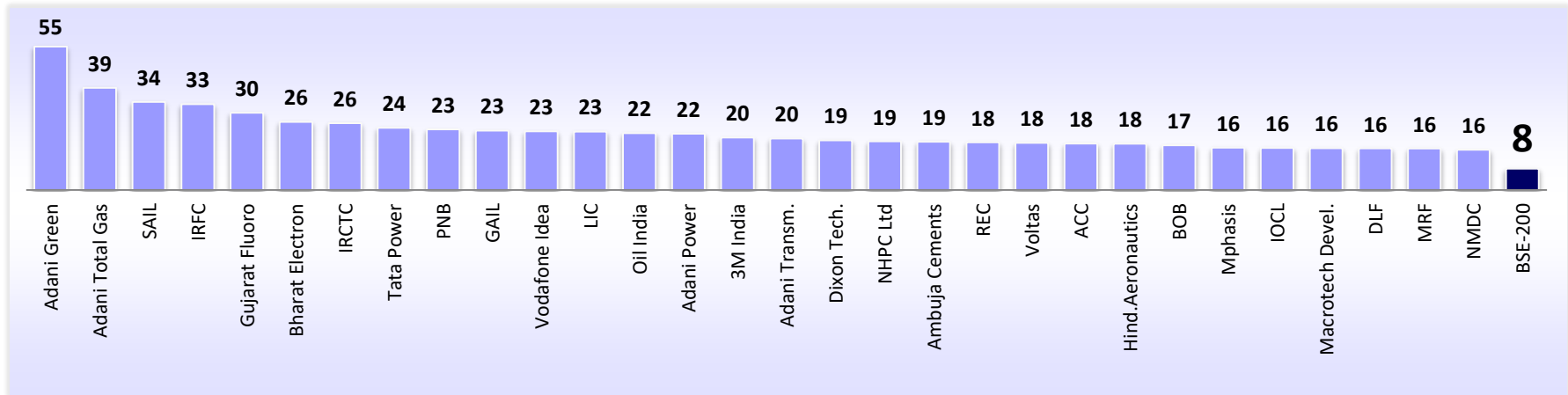
### Best and worst Nifty performers CY23 (%)



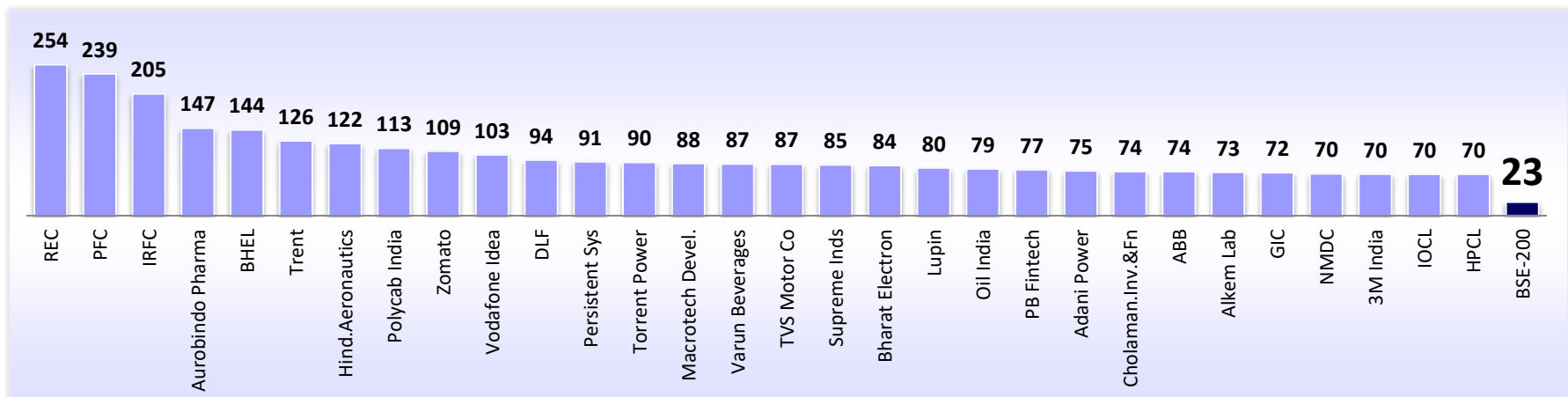
## Around 67% of the BSE-200 constituents end higher in CY23

- ❖ About 126 companies closed higher during the month, with Adani Green, Adani Total Gas, and Sail gaining the most.
- ❖ Around 67% of BSE-200 constituents ended higher in CY23. REC, PFC and IRFC remained the top gainers.

### Top gainers from the BSE-200 pack on a MoM basis (%)\*



### Top gainers from the BSE-200 pack in CY23 (%)\*

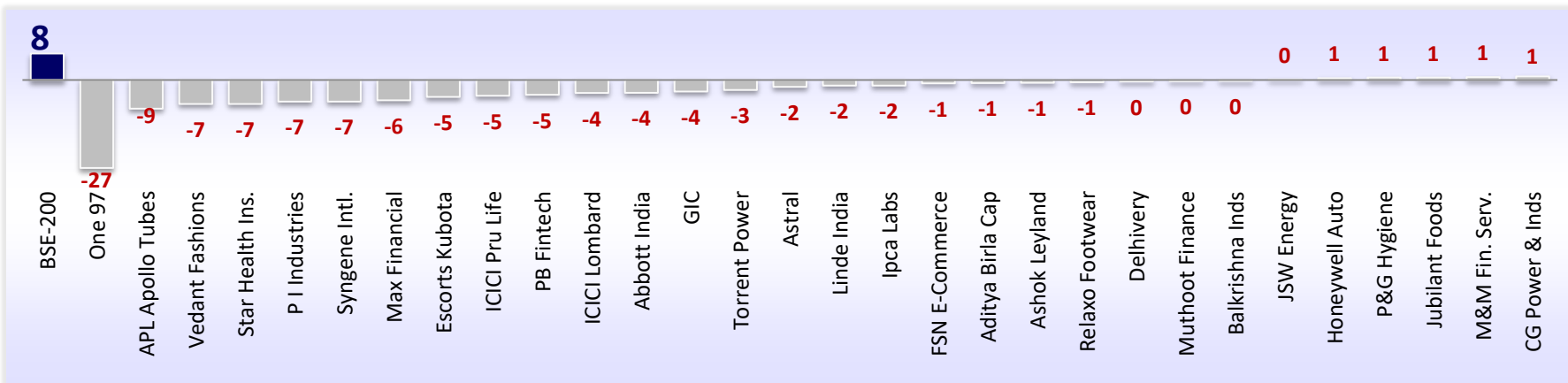


\*List excludes Nifty constituents

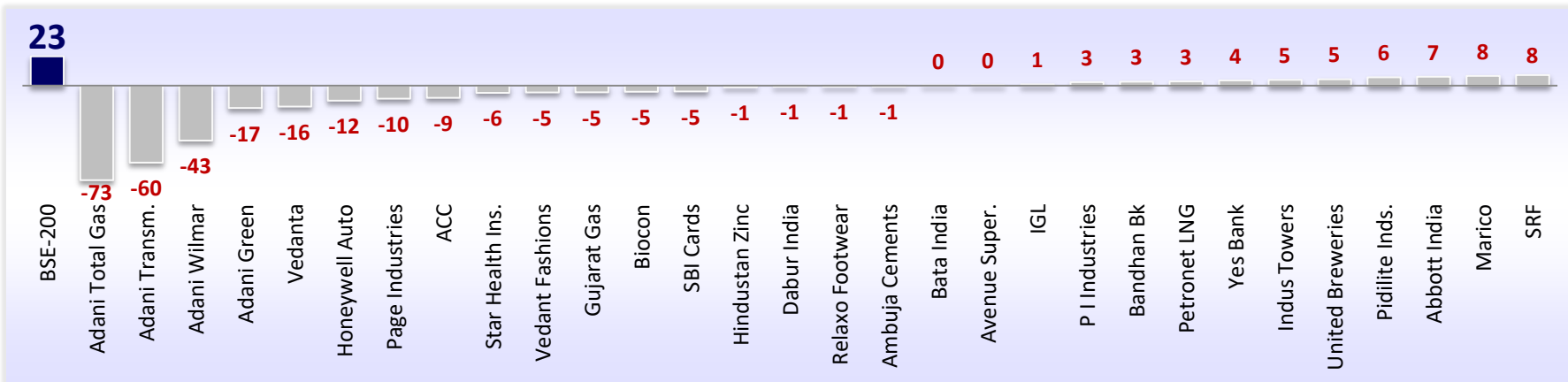
## Only 6% of the BSE-200 constituents end lower in Dec'23

- ❖ 24 companies closed lower during the month. One97, APL Apollo Tubes, and Vedant Fashions were the key laggards.
- ❖ Around 9% of the BSE-200 companies closed lower in CY23. Adani group companies remained the key laggards.

### A few key laggards among BSE-200 constituents on a MoM basis (%)\*



### Key laggards among the BSE-200 constituents in CY23 (%)\*



\*List excludes Nifty constituents

## NSE Indices: Valuation snapshot

- ❖ Nifty-50/Midcap/Smallcap indices grew ~20%/47/56% in CY23. Mid and Smallcaps have outperformed Nifty-50 in CY23 vs. CY22.
- ❖ Among Nifty, Auto and FMCG have been the top performing indices.
- ❖ Nifty-50 has been trading marginally below its LPA; whereas, other sectoral indices have been trading at a premium to their LPA.

Indices	Nifty50	Nifty Midcap 100	Nifty Smallcap 100	Nifty 500	Nifty Auto	Nifty BANK	Nifty FMCG	Nifty IT	Nifty Metal	Nifty Energy
Dec'23 closing	21,731	46,182	15,144	19,429	18,618	48,292	56,987	35,515	7,978	33,468
CY23 change (%)	20	47	56	26	48	12	29	24	19	29
EPS (12 months fwd)	996	1343	597	759	684	2881	1258	1183	434	2411
P/E (12 months fwd)	19.6	27.2	20.9	21.8	22.0	14.8	39.7	26.3	13.3	13.4
P/E (10 yr average)	20.2	20.6	15.6	18.6	18.2	17.0	32.5	19.8	10.3	11.0
P/B (12 months fwd)	3.2	3.6	3.1	3.2	3.9	1.9	10.6	6.9	1.8	1.8
P/B (10 yr average)	2.7	2.4	2.1	2.6	2.7	2.1	8.5	4.7	1.2	1.3
RoE (%)	16.2	11.5	15.6	14.2	16.5	13.7	24.9	25.2	10.3	13.9
RoA (%)	3.5	-0.8	5.1	2.8	7.9	-	24.2	18.2	5.7	8.1

Source: Bloomberg, MOFSL; As on 31<sup>st</sup> Dec'23 | LPA: Long period average i.e. 10-year average

## BSE Indices: Valuation snapshot

- ❖ BSE Sensex, Midcap, and Smallcap indices are up 19%/46%/46% in CY23.
- ❖ BSE Capital Goods/Auto/PSU have been the top performing indices in CY23.
- ❖ Sensex has been trading above its LPA; whereas, other key indices have been trading at a premium to their LPA.

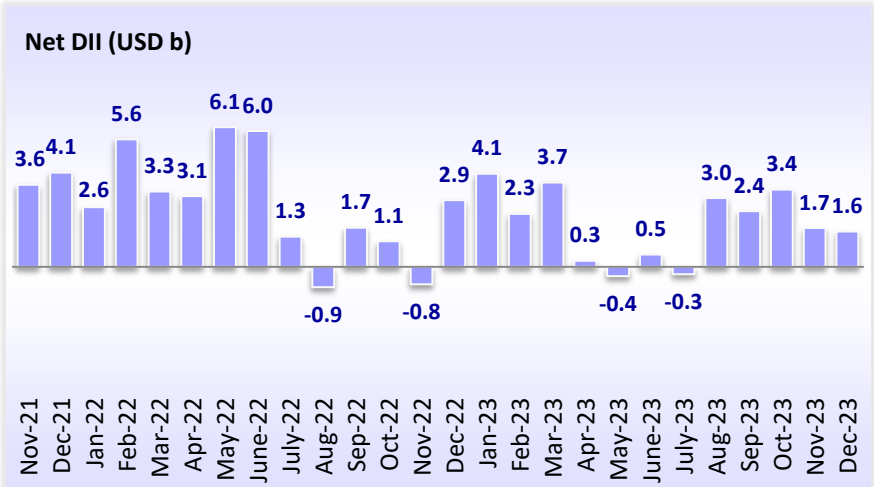
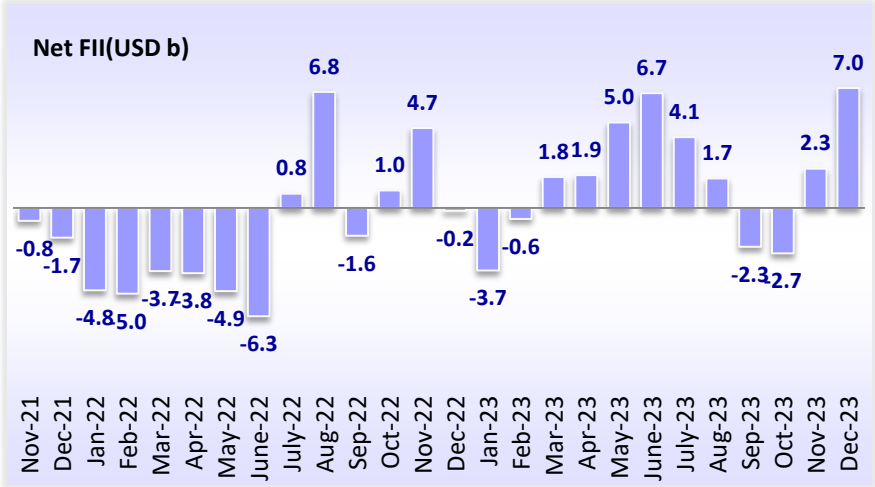
Indices	Sensex	BSE Midcap	S&P BSE250 Small cap Index	BSE 500	S&P BSE Auto	S&P BSE BANKEX	S&P BSE FMCG	S&P BSE IT	S&P BSE O&G	S&P BSE Metal	S&P BSE Capital Goods	S&P BSE Utilities	S&P BSE Healthcare	S&P BSE PSU
Dec'23 closing	72,240	36,839	5,705	30,720	42,229	54,378	20,468	36,011	23,021	26,991	55,644	4,786	31,549	15,558
YTD change (%)	18.7	45.5	45.7	24.8	46.0	11.2	27.3	25.6	12.8	29.4	66.9	32.6	37.0	55.3
EPS (12 months fwd)	3,188	1,116	230	1,202	1,616	3,303	480	1,186	2,611	1,749	1,241	228	883	1,376
P/E (12 month fwd)	22.4	26.3	20.3	21.7	21.3	14.7	37.3	26.6	8.6	12.3	36.4	18.7	29.1	10.9
P/E (10 yr average)	23.3	21.9	16.7	18.4	18.7	15.8	31.0	19.8	9.5	9.9	23.9	12.1	23.7	9.7
P/B (12 month fwd)	3.0	3.7	3.1	3.2	3.7	2.0	8.7	7.2	1.3	1.9	5.8	2.3	4.2	1.6
P/B (10 yr average)	2.8	2.7	2.1	2.6	2.8	2.1	7.8	4.8	1.3	1.2	3.1	1.3	3.6	1.3
RoE (%)	14.0	12.4	15.0	14.1	16.3	14.0	22.8	26.4	15.7	13.1	14.7	12.0	13.4	16.0
RoA (%)	3.1	-0.7	4.3	2.9	7.9	-	24.3	19.2	9.0	6.4	6.7	-	9.1	2.4

Source: Bloomberg, MOFSL; As on 31<sup>st</sup> Dec'23 | LPA: Long period average i.e. 10 years average

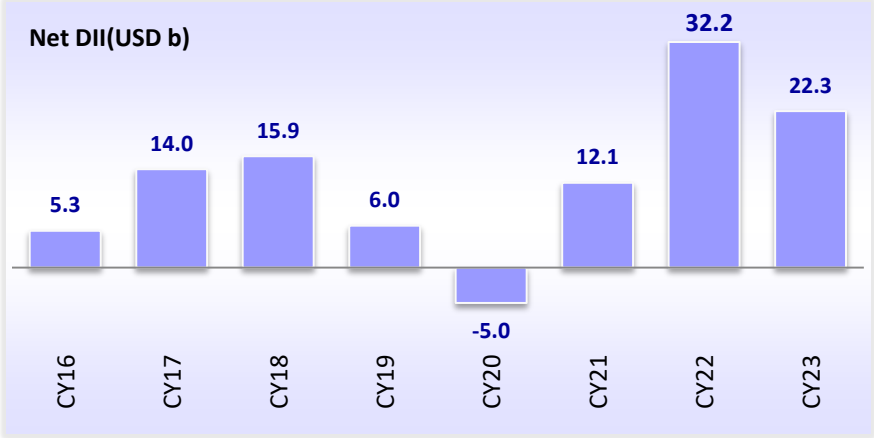
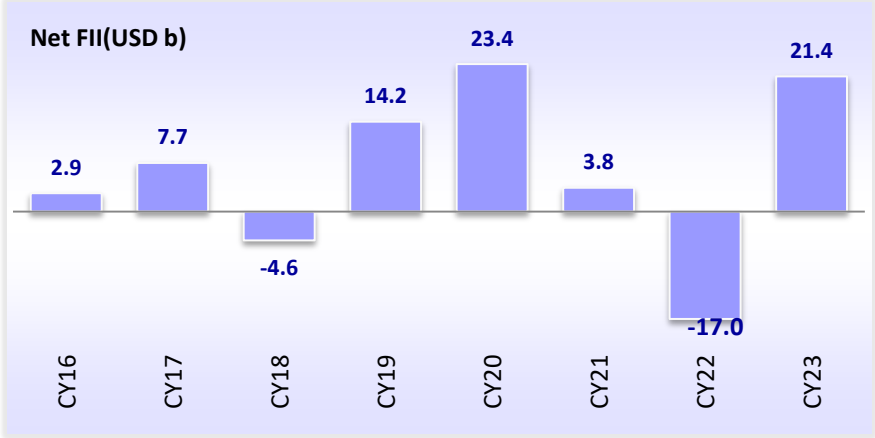
# FII flows strengthen in Dec'23; Net FII and DII flows are at ~USD44b in CY23 vs. USD15.2b in CY22

- ❖ FII flows turned strong in Dec'23 with the highest monthly inflows of USD7b since Jan'21. Net FII inflows in CY23 stood at USD21.4b.
- ❖ DII flows remained healthy with inflows of USD1.6b during the month. Net DII inflows in CY23 stood at USD22.3b.

Monthly institutional flows (USD b)



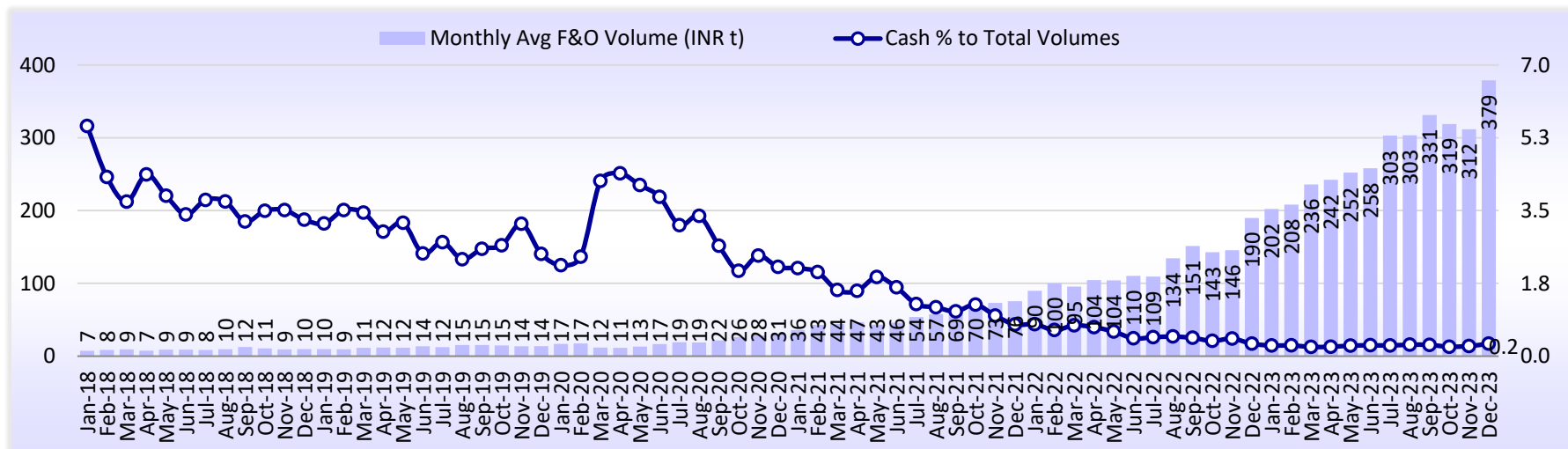
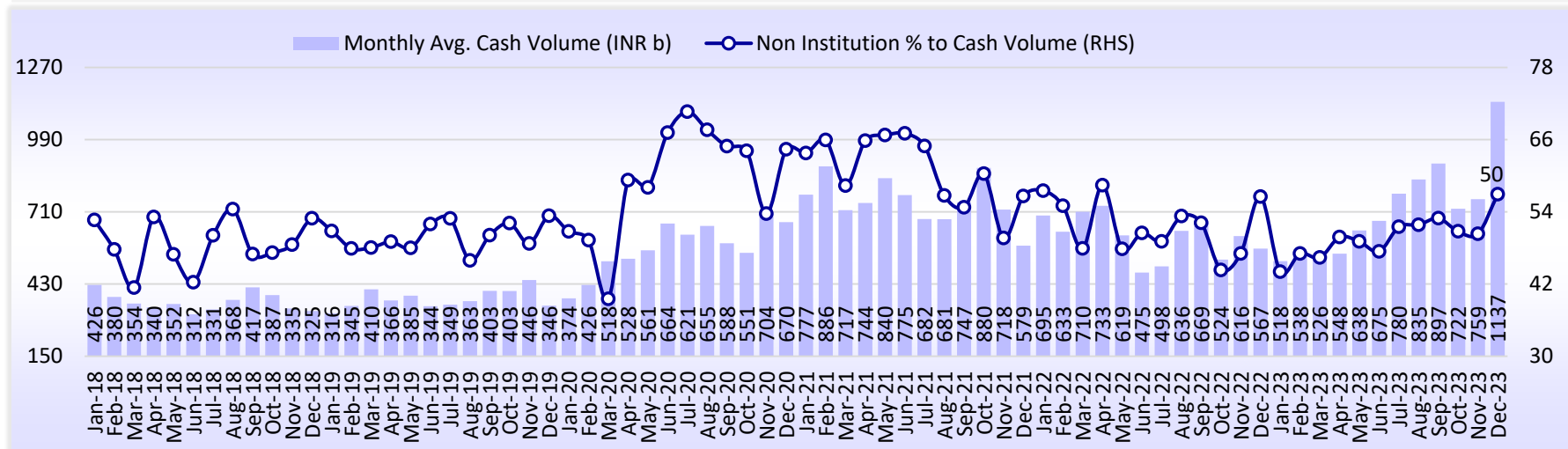
Yearly institutional flows (USD b)



Source: FII flows as of 28<sup>th</sup> Dec'23

# Average monthly cash and F&O volumes hit an all-time high in Dec'23

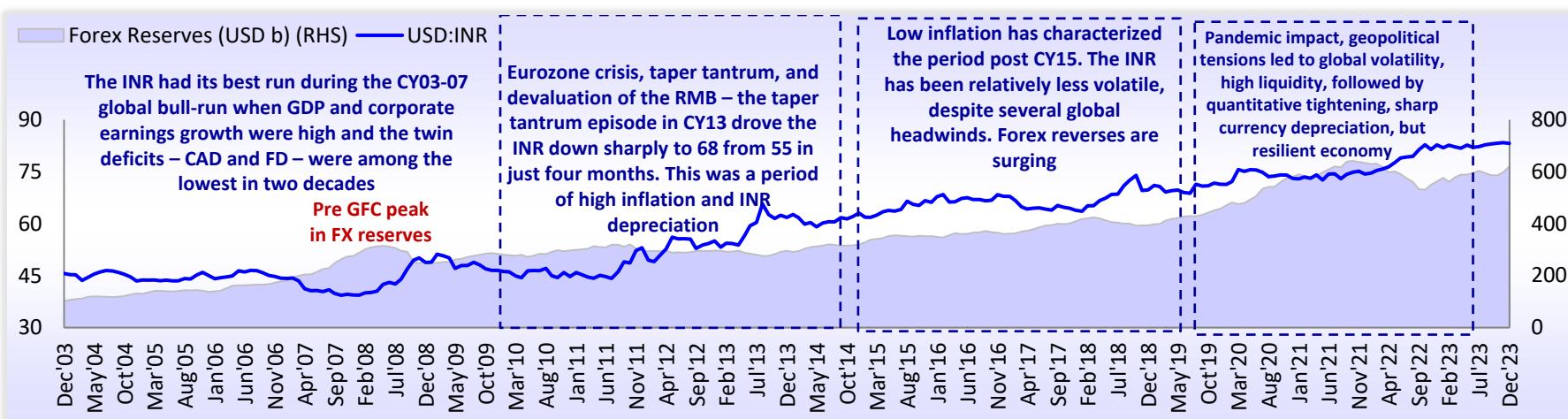
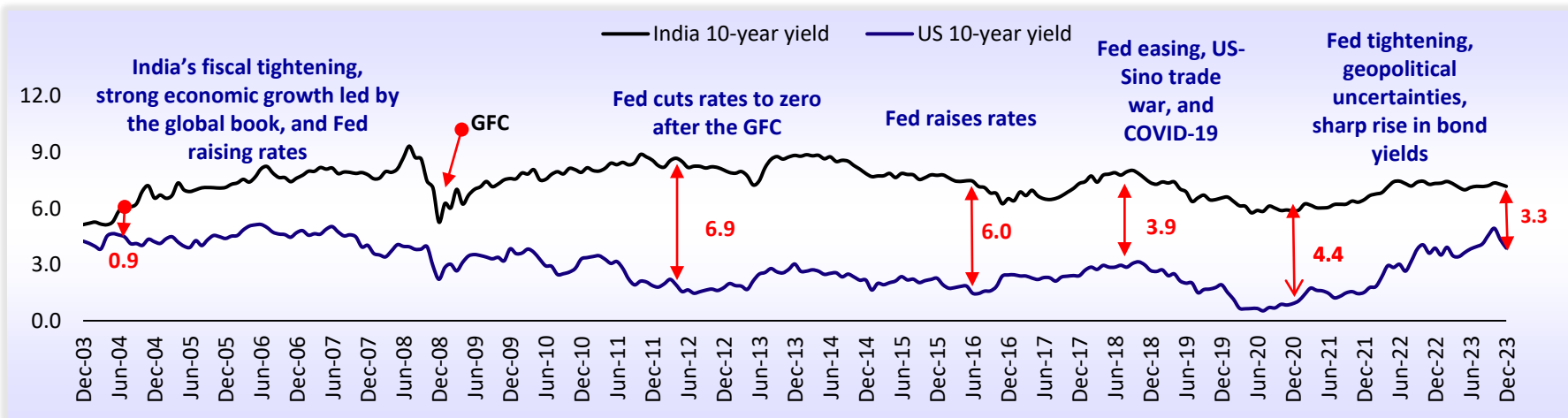
- ❖ Average cash volumes rose 50% MoM to an all-time high level of INR1,137b in Dec'23. Non-institutional participation accounted for 50% of the total cash volumes.
- ❖ The monthly average F&O volumes rose to an all-time high level of INR379t in Dec'23.





# The 10-year yield spread between India and the US at more than 14-year low

- ❖ The Indian bond yield closed at 7.2% vs. the US bond yield of 3.9% in Dec'23. The yield spread expanded in Dec'23 but has still been at the lowest level since Jun'09.
- ❖ On the currency front, INR appreciated 0.2% MoM against the USD. India's forex reserves grew USD23b to USD620b in Dec'23; however, it was down ~USD22b from its peak in Oct'21.



## Nifty composition: Private Banks, Auto, and Capital Goods witness a rise in weights; whereas, Other Financials, O&G, and Technology witness a decline in CY23

- ❖ The weights of Private Banks/Auto/Capital Goods rose 400bp/120bp/120bp MoM, whereas that of Other Financials/ O&G/ Technology declined 610bp/160bp/30bp YoY.
- ❖ The weight of O&G declined due to ~180bp fall in the weightage of Reliance in CY23.

Sector	Weightage in the Nifty (%)						
	Dec'04	Dec'08	Dec'12	Dec'20	Dec'21	Dec'22	Dec'23
Automobiles	6.7	2.5	8.8	5.4	5	5.3	6.5
Banks – Private	4.7	5	16.9	24.7	21.9	24.2	28.2
Banks – Public	5.8	5.4	4.7	1.8	2.3	2.9	2.6
NBFC + Insurance	2.1	2.3	7.9	12.3	11.4	10.6	4.5
Capital Goods	4	7.7	5.9	2.6	3	3.1	4.4
Cement	2.8	1.7	4.2	2.2	2.4	1.8	2.1
Consumer	7.8	6.5	12.3	10.4	9.4	10.3	10.8
Healthcare	6.3	2.6	5	3.6	3.4	3.8	4.0
Metals	8.2	4.8	3.8	2	2.9	2.9	3.0
Oil and Gas	27.1	24.5	12.3	12.5	12.3	12.1	10.5
Reliance	8.3	10.6	7.4	10.7	10.8	11.0	9.2
Telecom	6.3	11.6	2	2	2.1	2.5	2.7
Technology	14.5	9	11.4	16.3	19.1	14.0	13.6
Utilities	1.9	13.3	4.5	2.1	2.1	2.5	3.6
Miscellaneous	2	3.3	0.5	2.1	2.6	3.9	3.5
<b>Nifty</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

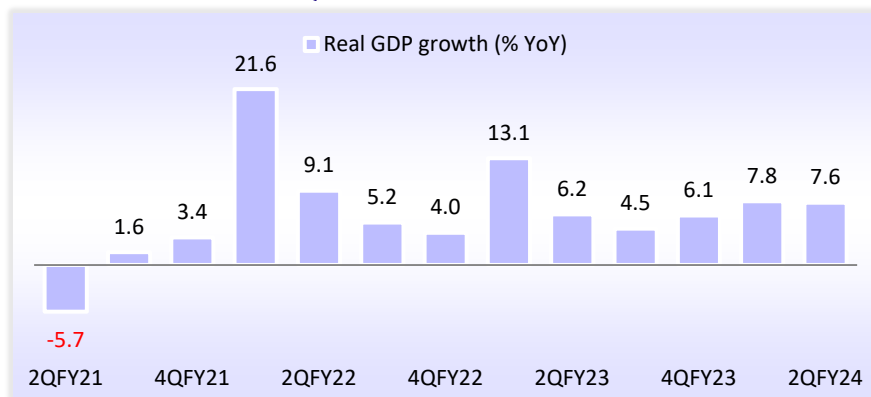
Note: Merger of HDFC Bank and HDFC Ltd. resulted in a shift in weightage from NBFCs to Pvt Banks in CY23

# India's Quarterly Economic Outlook – 3QFY24

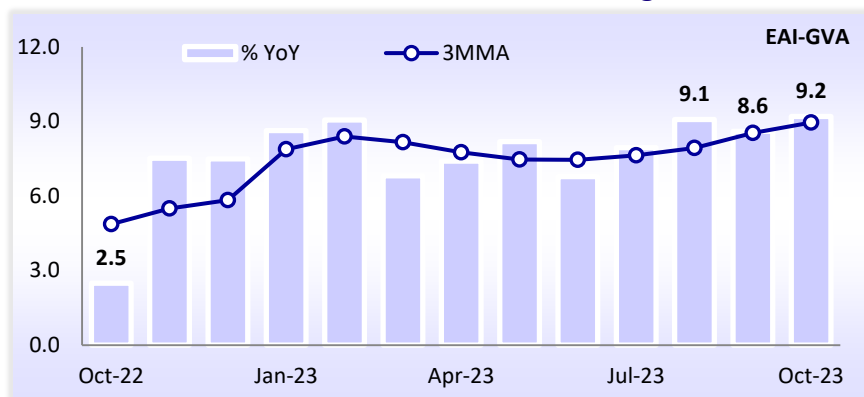
## Growth forecast at 5.4% for FY25; could trigger a rate cut

- ❖ For the third consecutive quarter, India's real GDP posted better-than-expected growth of 7.6% YoY in 2QFY24. Not only India but also the US economy has proven to be much more resilient. It is therefore no surprise that we have to revise our growth forecasts upwards yet again in this version of the Quarterly Economic Outlook (QEO).
- ❖ We upgrade India's real GDP growth projection to 6.7% YoY for FY24 vs. the anticipated 6.0% YoY in Sep'23 (and from 5.6% YoY in Jun'23). For FY25, however, we leave the forecast unchanged at 5.4%, assuming a broad-based slowdown. Further, nominal GDP growth forecast is also revised upwards to 8.2% for FY24 and 10.1% for FY25 (from 7.8%/9.9% in FY24/FY25 earlier).
- ✓ **Real GDP growth:** Driven by better-than-expected real GDP growth for the third consecutive quarter in 2QFY24, we upgrade our forecast again to 6.7% for FY24 (from 6.0% in Sep'23) but keep it unchanged at 5.4% for FY25. Nominal GDP growth forecasts are revised to 8.2%/10.1% for FY24/FY25 (vs. 7.8%/9.9% earlier).
- ✓ **CPI inflation and interest rates:** Higher inflation in 2QFY24 was largely offset by lower inflation in subsequent months, due to which we keep our CPI inflation projection unchanged at 5.6% for FY24 with a downward revision in FY25 to 5.0% (from 5.3% earlier). The next rate action could be a cut in CY24, only if domestic/global growth slows down.
- ✓ **Fiscal deficit:** With better-than-expected receipts, GoI could meet higher spending needs and achieve its fiscal deficit target of 5.9% of GDP in FY24. For FY25, however, core fiscal spending growth will need to be at a 13-year low of <7.0% YoY (vs. an expected ~15% YoY growth in FY24) to achieve a fiscal deficit of 5.2% of GDP.

## India's real GDP growth was better than expected for the third consecutive time in 2QFY24...



## ...and was resilient in Oct'23 before weakening in Nov'23



Source: CSO, Various national sources, CEIC, MOFSL

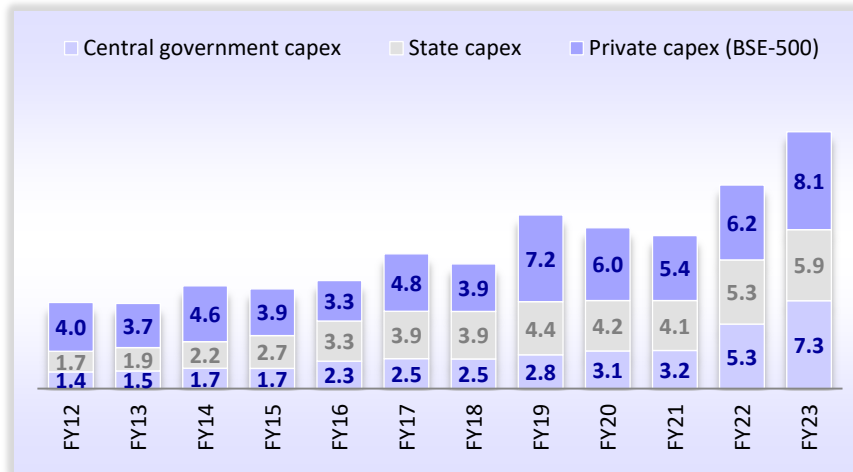
# KEY REPORTS FROM MOFSL'S RESEARCH DESK



# Capital Goods: Thematic : Winds of change: Powering up for sustainable growth

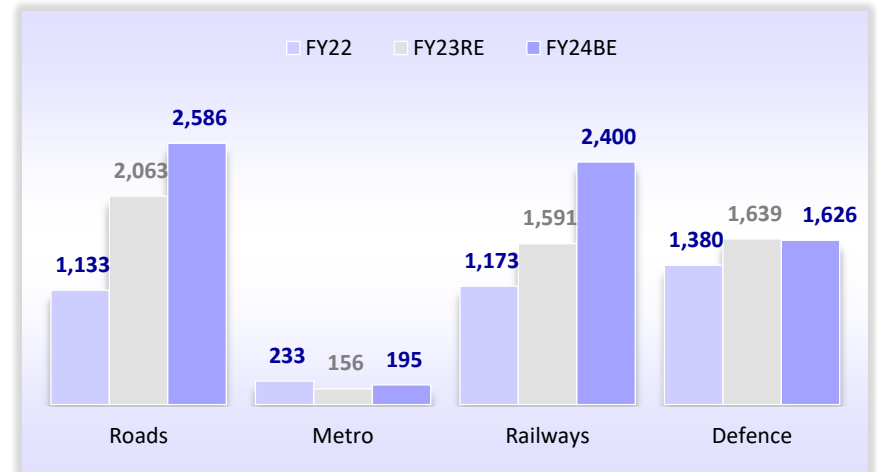
- ❖ The capital goods sector has started benefitting from the government's initiatives towards incremental capex spending, revival in select pockets of the private sector, improving growth outlook from international geographies (particularly GCC nation) and favorable raw material prices. Government has already set the ball rolling by undertaking long-term capex across key areas such as transmission, clean energy, railways, Make in India, PLI, defense indigenization, et al. until FY30, which provides a strong addressable market for capital goods companies. Energy transition-related investments too are driving capex across domestic as well as international markets.
- ❖ The combined capex of government and listed corporates increased to INR21.3t in FY23 from INR14.3t in FY19. This is budgeted to grow to INR26t in FY24 and will move up further with these initiatives. We believe that the entire capex is falling in place for the next decade that will augur well for the capital goods companies.
- ❖ The uptick in capex to be driven by: 1) government spending across infrastructure segments such as transmission, railways, water, defense, etc., 2) private capex for core sectors, PLI-led schemes, data center and EV/EV charging-led infrastructure, 3) increasing spend towards industrial automation and digitization, and 4) sustainability-led capex.
- ❖ We reinitiate coverage on the sector with a positive long-term bias. However, current valuations for a few of these names have limited risk-reward ratio. We thus recommend a selective stance on the sector and recommend BUY on L&T, ABB, Siemens, Cummins, Kalpataru Power International, Kirloskar Oil Engine, Triveni Turbine; Neutral stance on BEL, Thermax and KEC and SELL on Hitachi Energy. We are positive on the business models of these companies but would look for better entry points owing to unfavorable risk reward at current valuations.

## Government capex has been growing well while private capex is selective (INR t)



Source: Budget documents, Capitaline, MOFSL

## Higher budgetary allocation for roads, metro, railways, defense to augur well for the sector (INR b)



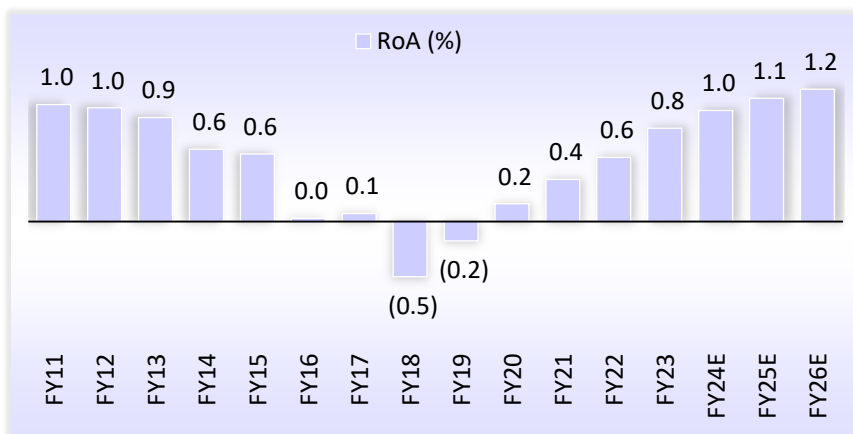
Source: Budget documents, MOFSL

# Public Sector Banks: Well poised for Re-rating 2.0

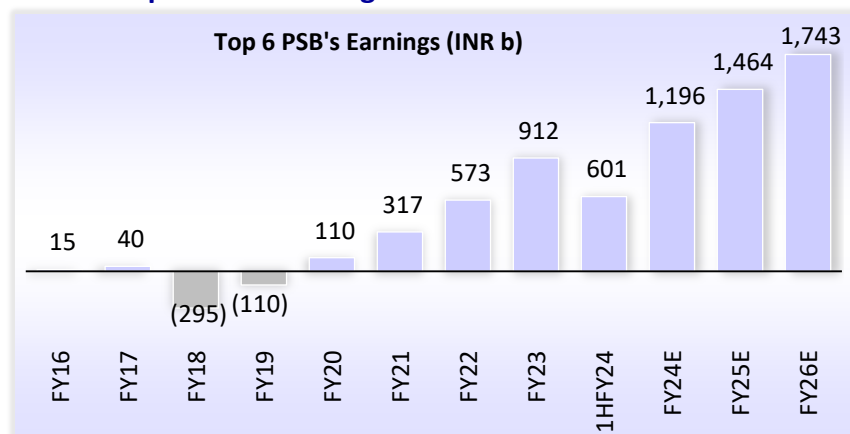
## 1% RoA – from aspirational to sustainable; valuations remain attractive

- ❖ PSBs have demonstrated significant improvements in their operating parameters and the combined profitability of six PSBs under our coverage has thus improved to ~INR912b in FY23 from a loss of INR295b in FY18.
- ❖ We estimate PSBs to sustain ongoing earnings traction, aided by improved loan growth, margin stability and controlled credit costs thus driving continued rerating of the sector. A reflection on PSBs valuation history may cause trading multiples to look constrained however the quality of earnings, growth outlook and broader re-rating in PSU entities will nevertheless enable steady performance of the sector.
- ❖ Select PSBs now guide for RoA of 1.2% in FY25 which implies scope of continued earnings upgrade. Over FY23-26, we estimate earnings CAGR of 24% for PSBs vs. 19% for private banks (adjusted for HDFC Bank merger). We believe that the changing narrative on interest rates may further fuel the sector earnings & growth outlook.
- ❖ For top six PSBs under our coverage, we estimate PAT of INR1.5t/INR1.7t in FY25/FY26. We expect sector RoA/RoE to improve to 1.2%/17.9% by FY26. Several PSBs have raised capital from the market and have a healthy Tier-1 ratio, which should aid business growth, particularly as the capex cycle revives post general elections.
- ❖ PSBs have delivered a strong performance since FY22, with the Nifty PSU Bank Index outperforming the Nifty-50/Bank Nifty by 87%/78%. We earlier resumed coverage on the entire PSB sector in CY21 enthused by their improving business/earnings outlook.
- ❖ We thus estimate ABV for our coverage PSBs to grow at a healthy 16-22% range over FY24-26. We believe that sustained and consistent performance on return ratios and a conducive macro-environment can drive further re-rating of the sector.

### PSBs: Estimate RoA to improve to 1.2% by FY26



### PSBs to report 24% earnings CAGR over FY23-26E

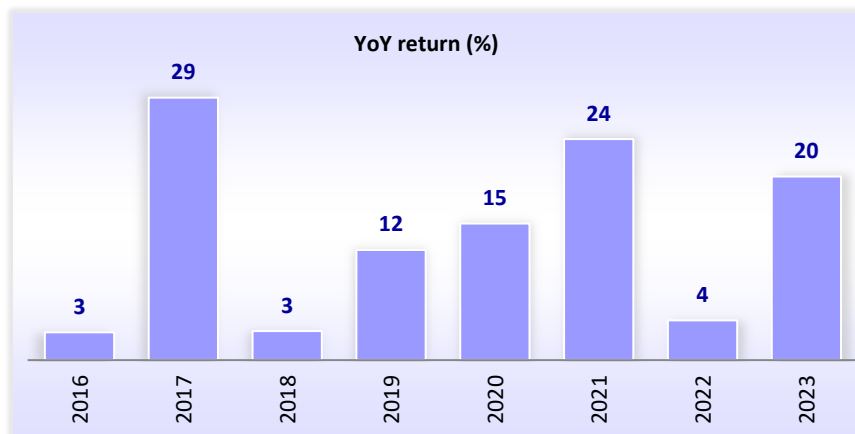


# INDIA STRATEGY: Getting in the Groove!!!!

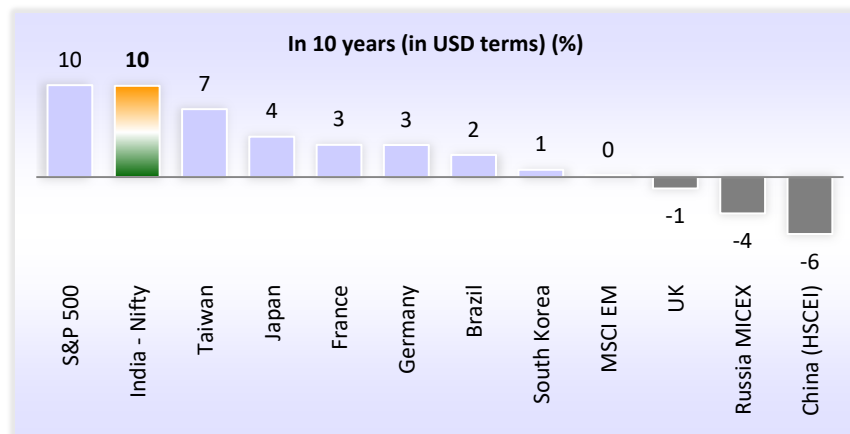
## Eighth consecutive year of positive returns for Nifty-50

- ❖ In CY23, the Indian markets remained resilient and strong amid weak global macros, rising interest rates, and geopolitical uncertainties that kept global markets volatile and jittery. India's outperformance moderated vs. global peers in CY23 as global markets recover from the CY22 lows. Despite moderation, India remains the top performer in local currency terms and one of the top three performers in USD terms in the last 20 years.
- ❖ The Nifty-50 clocked eight successive years of positive returns. The benchmark index hit an all-time high in Dec'23 and surged 20% YoY in CY23 (vs. only 4% growth in CY22). While multi-year high interest rates, geopolitical tensions, volatility in crude oil prices, slowing growth, and recessionary environment in developed markets remained the key concerns during the year, India's strong economic growth, healthy corporate earnings, moderate inflation, waning crude oil prices, reinforced FII and DII inflows, and strong retail participation propelled the Indian markets to greater heights
- ❖ The uptrend in the Indian equity market was driven by robust macro and micro factors, alleviating concerns on political continuity, and expectation of improving liquidity going ahead. Strong macros, Federal Reserve (FED) interest rates near its peak. FII flows rebound while DII flows remain strong, Solid corporate earnings and Expectations of a political continuity
- ❖ A year of all-round gains!: Both Nifty Midcap 100 (+47%YoY) and Nifty Small cap 100 (+56% YoY) outperformed the benchmark by a wide margin of 27% and 36%, respectively. The recovery of underperforming sectors from the past decade (such as Real Estate, Capital Goods, PSUs, Industrials, Defense, etc.), despite not being a major contributor to the large-cap indices, led the rally in the broader markets.

## Eight years of positive returns for Nifty50



## India remains the second-best performer in the last 10 years...



# Valuations: Key observations

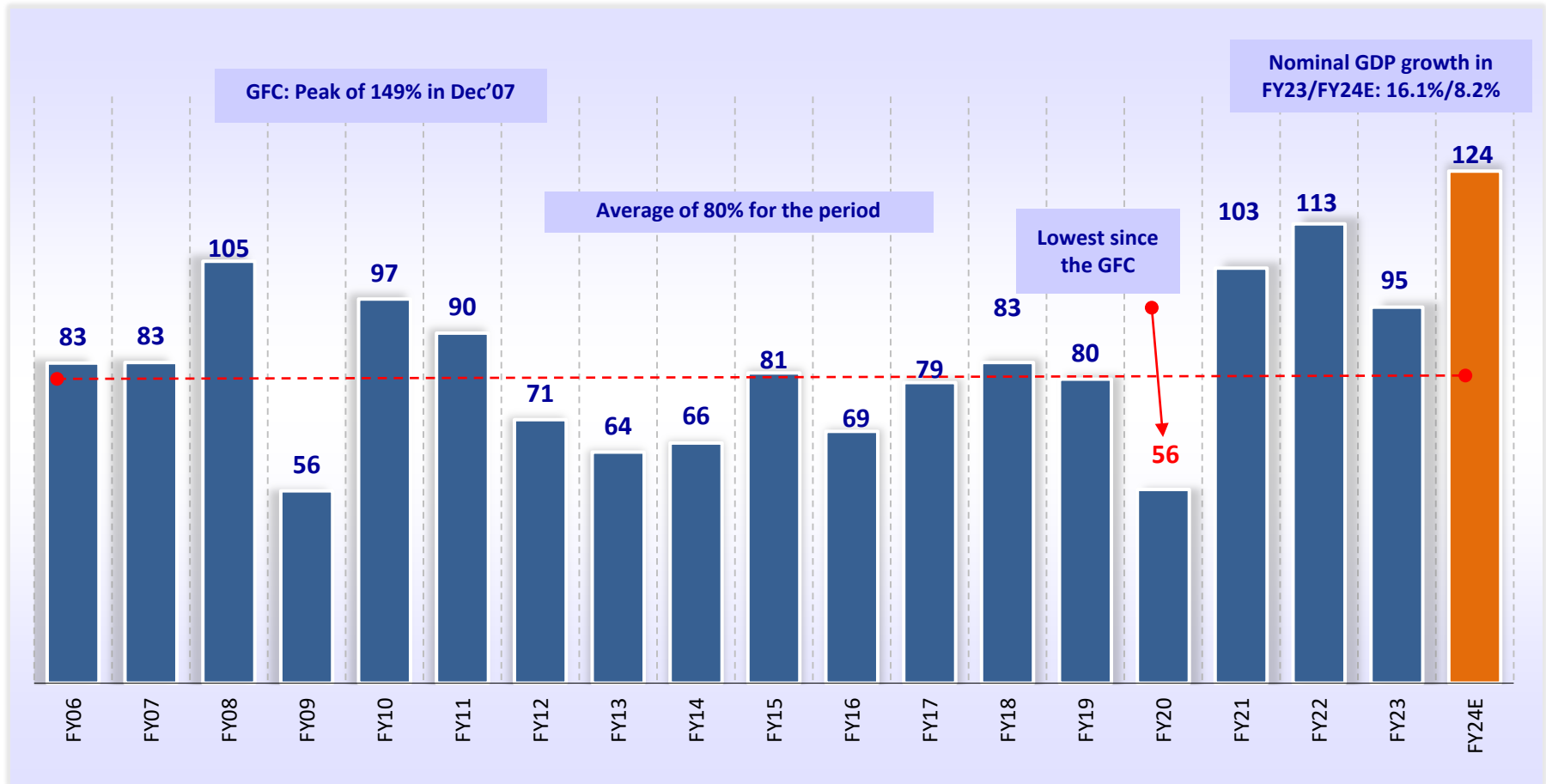
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## Sustained market capitalization-to-GDP ratio above its long-term average

- ❖ India's market capitalization-to-GDP ratio has been volatile. The ratio stands at 124% as of FY24YTD, much above its long-term average of ~80%.

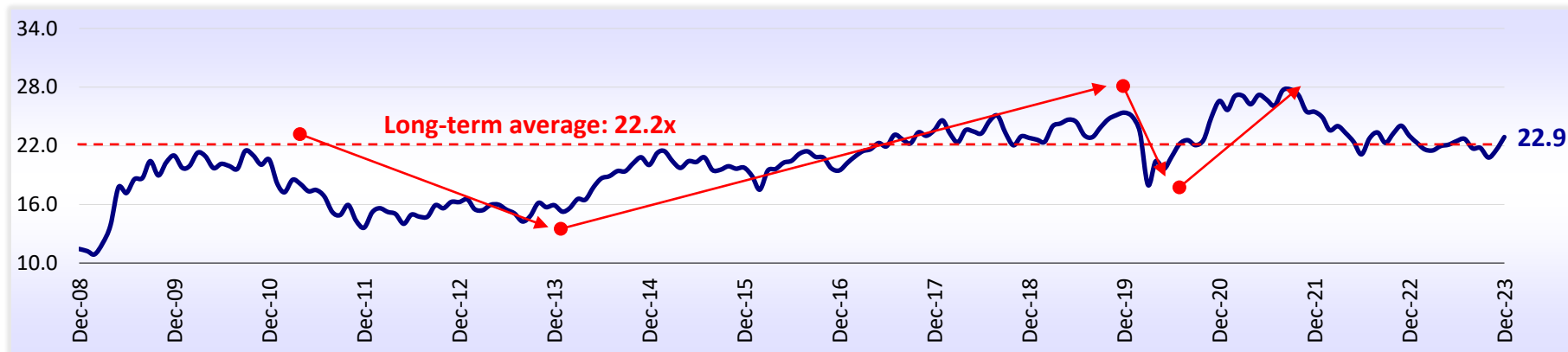
Market capitalization-to-GDP ratio (%)



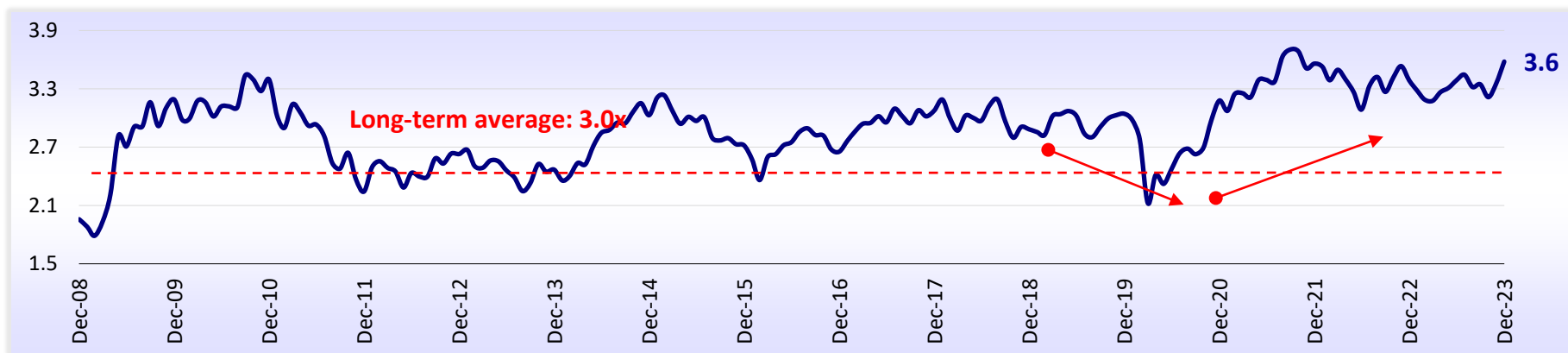
## Valuations: Nifty's 12-month trailing P/E near its LPA

- ❖ The 12-month trailing P/E for the Nifty stood at 22.9x, at a 3% premium to its LPA of 22.2x.
- ❖ At 3.6x, the 12-month trailing P/B has been 19% above its historical average of 3.0x.

12-month trailing Nifty P/E (x)



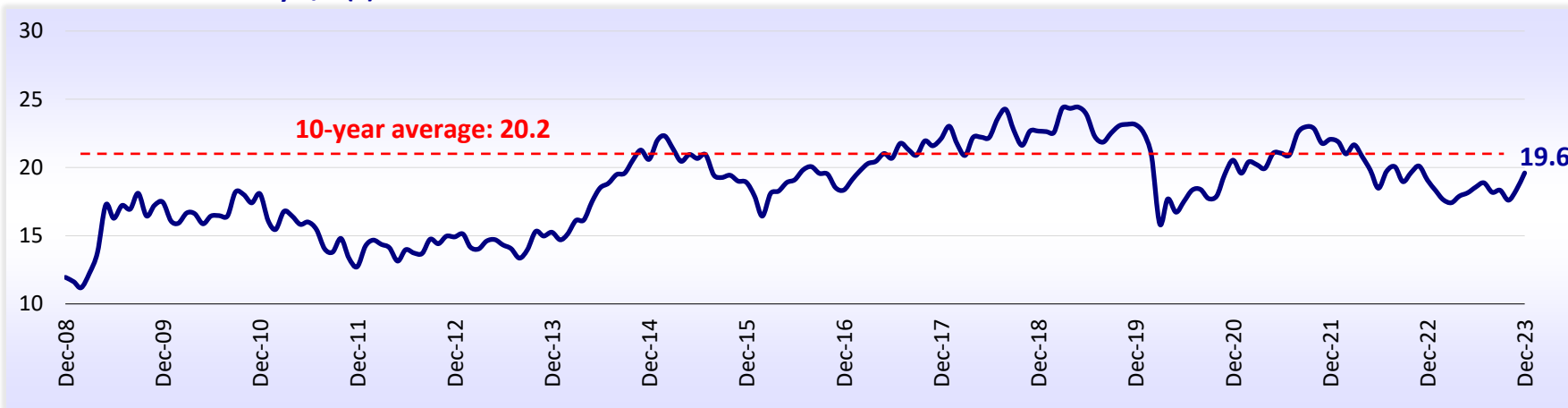
12-month trailing Nifty P/B (x)



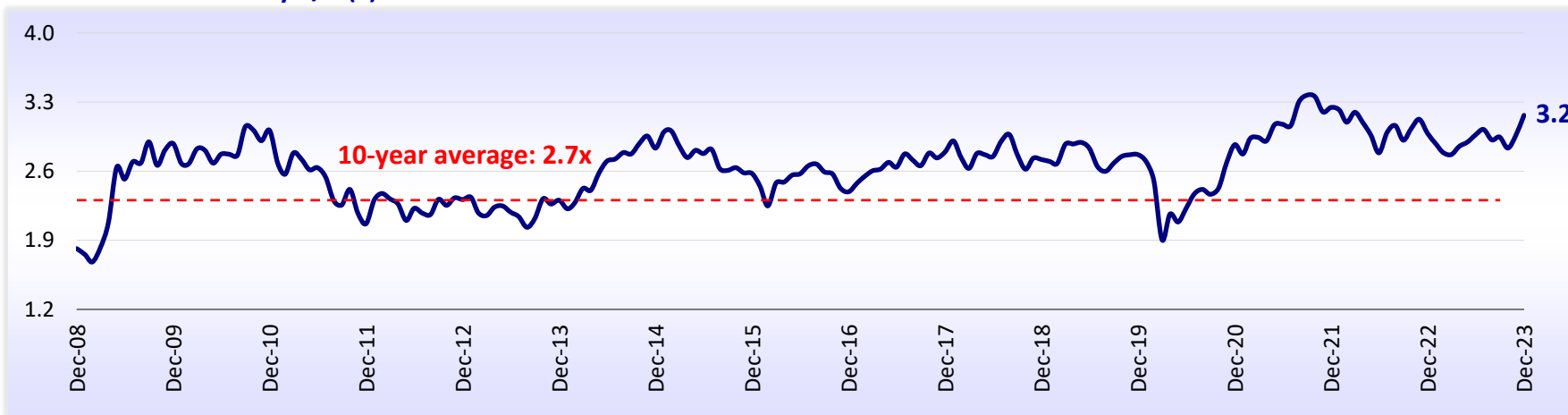
## Valuations: Nifty's 12-month forward P/E near its LPA

- ❖ Nifty's 12-month forward P/E has been trading at 19.6x, at a 3% discount to the LPA of 20.2x.
- ❖ At 3.2x, the 12-month forward P/B has been trading at a premium of ~15% to the Nifty's historical average of 2.7x.

12-month forward Nifty P/E (x)



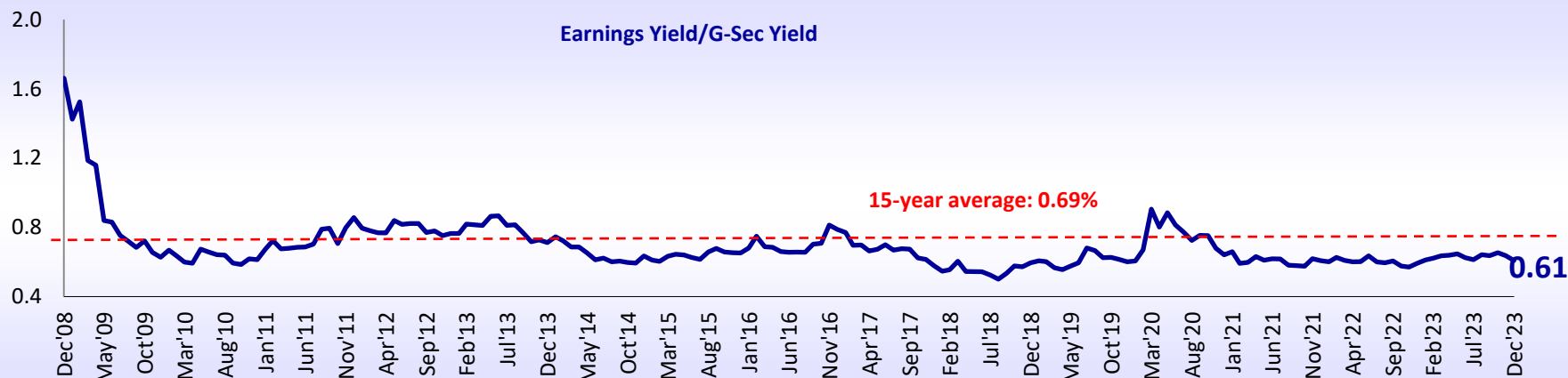
12-month forward Nifty P/B (x)



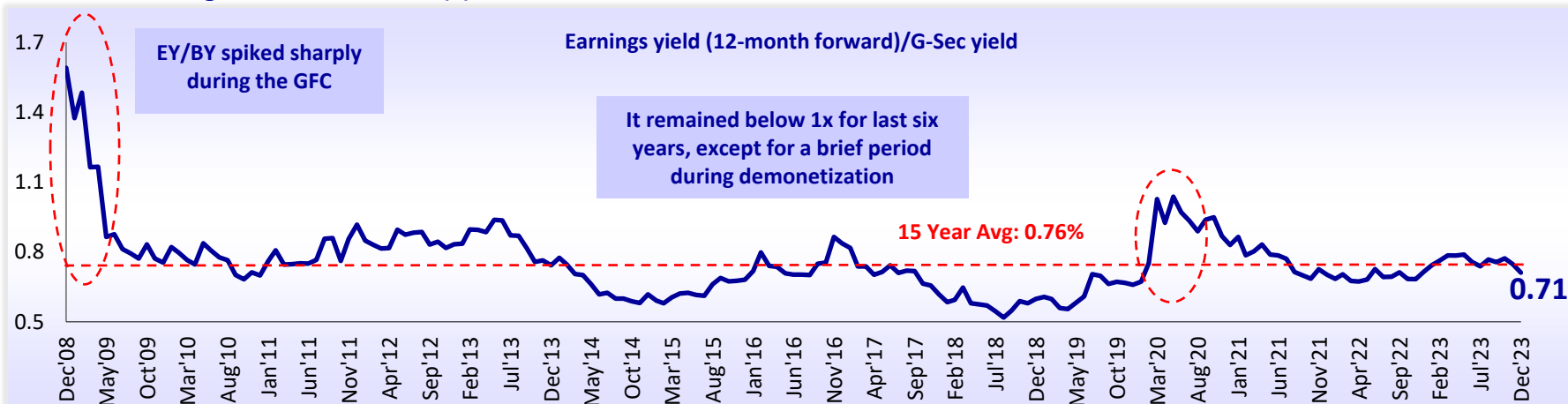
# The 10-year G-Sec yield stands at 7.2%; EY/BY near its long-term average

- ❖ India's 10-year bond yield stood at 7.2%, leading to EY/BY trading below its LPA on a trailing basis; whereas it is near its LPA on a forward basis.

## Trailing Earnings Yield/G-Sec Yield (x)

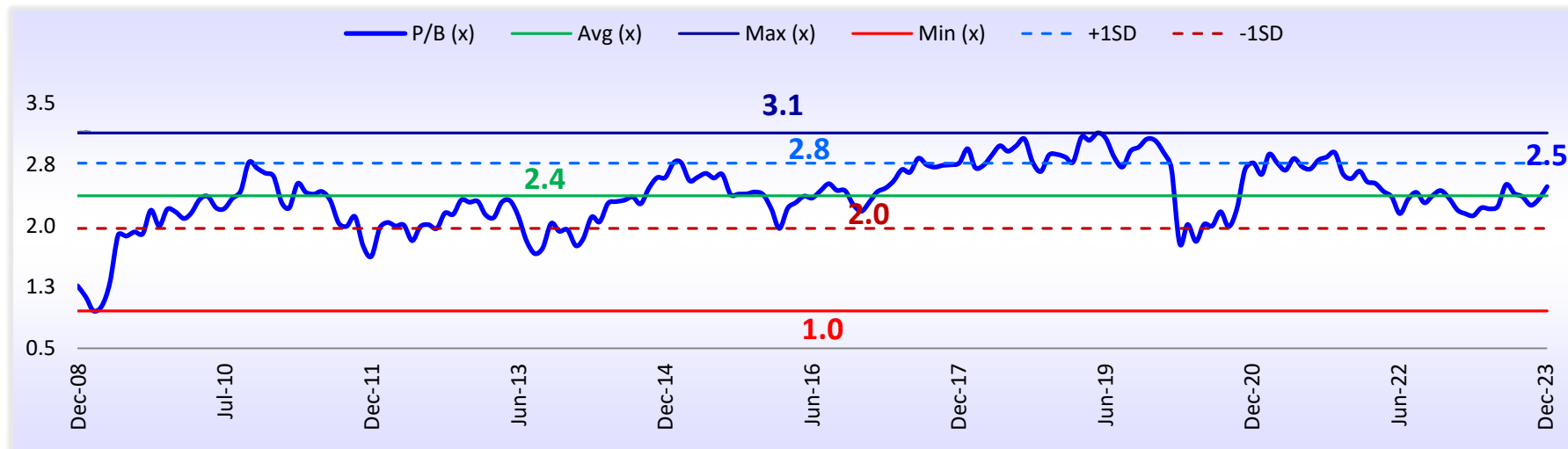


## Forward Earnings Yield/G-Sec Yield (x)

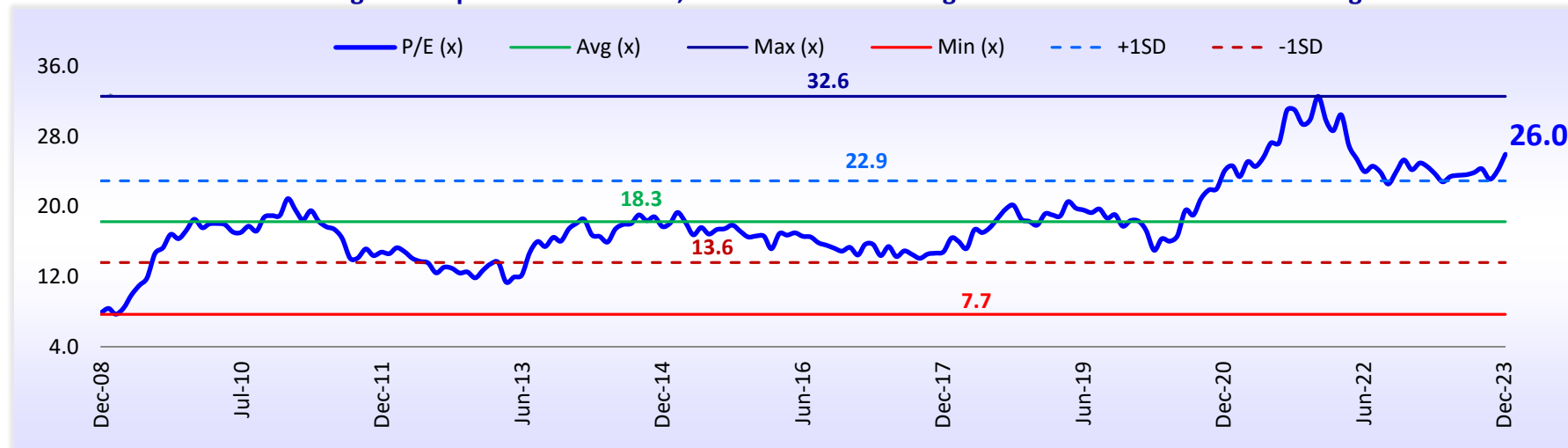


# Sectoral valuations: Pvt Banks trading at 5% premium; IT trading at 42% premium to the LPA

Private Banks sector has been trading at a 5% premium to its LPA

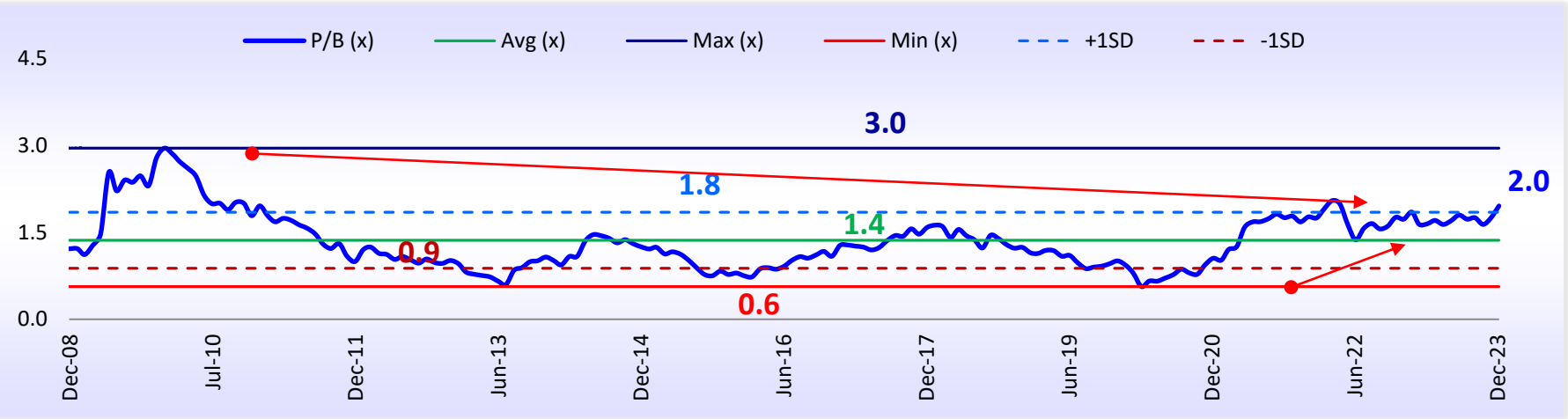


The IT sector has been trading at 42% premium to its LPA, but it has been trading at a 20% discount to its Dec'21 high

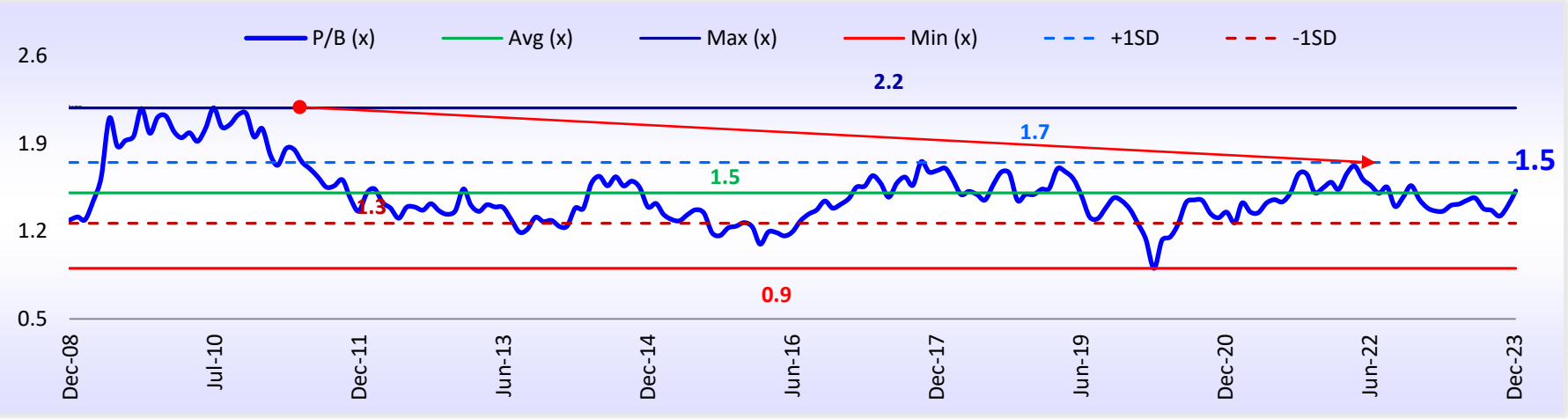


# Sectoral valuations: Metals trading at a premium, while O&G near its LPA

Metals: Valuation at 43% premium to its LPA

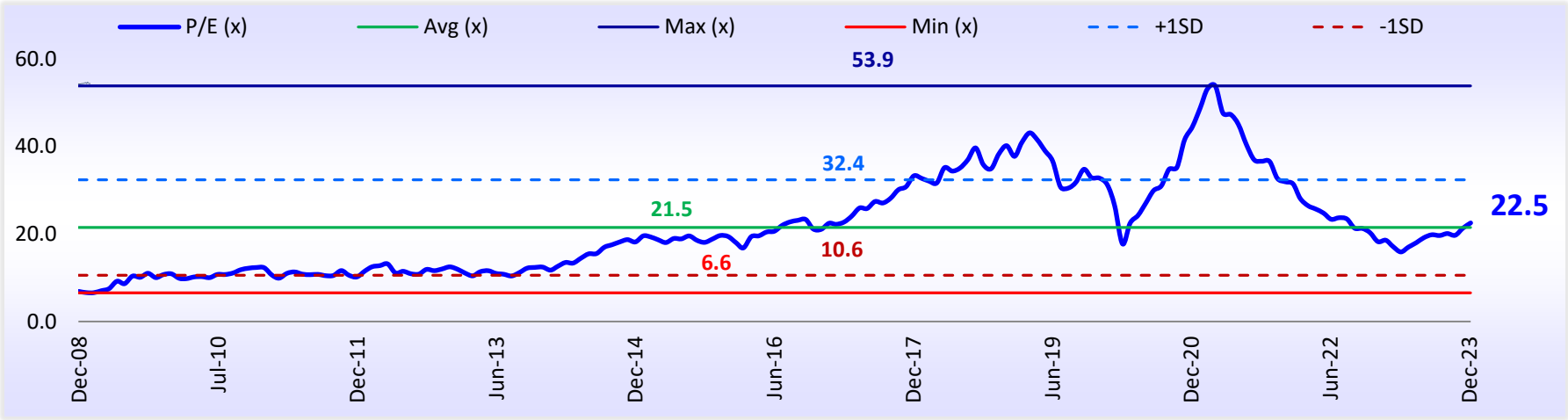


O&G: Valuation near its LPA

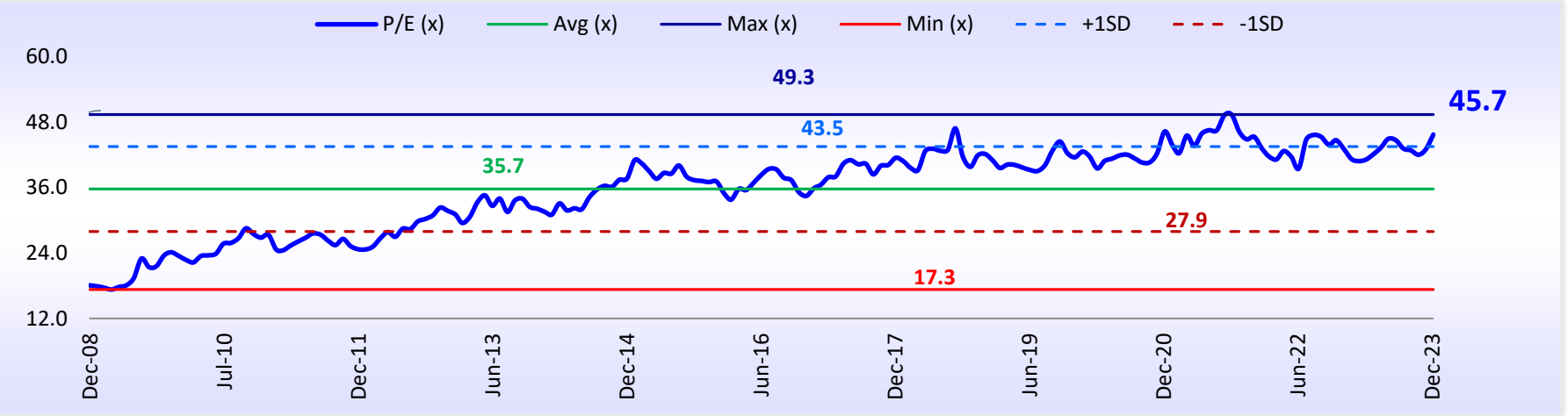


# Sectoral valuations: Auto and Consumer trading at a premium to their LPA

Auto's valuation at a 5% premium to its LPA



Consumer sector's P/E at a 28% premium to its LPA



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## Top ideas within the MOFSL Universe

	MCap (USDb)	CMP (INR)	EPS (INR)			EPS CAGR (%) FY23-25	PE (x)			PB (x)			ROE (%)		
			FY23	FY24E	FY25E		FY23	FY24E	FY25E	FY23	FY24E	FY25E	FY23	FY24E	FY25E
Preferred large cap stocks															
State Bank of India	69.8	642	62.4	63.7	94.5	23.1	10.3	10.1	6.8	1.7	1.4	1.2	18.1	15.5	20.1
ITC	68.4	462	15.0	16.4	18.4	10.8	30.8	28.2	25.1	8.5	8.1	7.7	29.0	29.4	31.4
Larsen & Toubro	58.1	3,527	75.9	97.6	120.9	26.2	46.5	36.1	29.2	5.4	5.4	4.8	12.1	15.0	17.5
Bajaj Fin.	52.7	7,327	190.4	240.1	309.8	27.6	38.5	30.5	23.6	8.1	5.9	4.8	23.4	22.7	22.6
HCL Technologies	48.0	1,466	54.8	57.5	66.1	9.8	26.8	25.5	22.2	6.1	6.1	6.2	23.3	24.0	27.9
Titan Company	39.7	3,676	36.8	46.1	59.9	27.7	100.0	79.7	61.3	27.4	22.2	18.0	30.8	30.9	32.5
UltraTech Cement	36.0	10,503	175.4	257.5	312.9	33.6	59.9	40.8	33.6	5.6	5.0	4.4	9.7	12.9	14.0
Avenue Supermarts	31.5	4,079	36.7	41.6	58.0	25.7	111.2	98.0	70.4	16.4	14.1	11.7	16.0	15.5	18.2
Coal India	28.4	376	45.7	41.1	41.1	-5.1	8.2	9.2	9.1	4.0	3.3	2.8	49.2	36.3	30.9
M & M	25.0	1,726	64.9	90.7	95.6	21.4	26.6	19.0	18.1	4.8	4.0	3.4	19.1	22.8	20.4
Zomato	12.7	124	Loss	0.3	1.0	LP	NM	443.1	121.1	5.1	5.4	5.2	-	1.2	4.4
Preferred midcap/smallcap stocks															
Indian Hotels	7.4	438	7.0	8.6	10.2	20.1	62.2	51.0	43.1	7.8	6.8	6.0	13.3	14.3	14.8
Godrej Properties	6.7	2,013	22.4	24.8	44.7	41.4	90.1	81.3	45.0	6.0	5.7	5.0	6.9	7.2	11.9
Ashok Leyland	6.2	181	4.5	9.2	11.5	59.5	40.2	19.8	15.8	6.3	5.1	4.0	16.8	28.4	28.3
Metro Brands	4.1	1,263	13.3	13.4	18.5	18.0	95.0	94.0	68.2	21.7	18.9	16.0	25.7	22.0	26.0
Angel one	3.4	3,489	107.5	137.6	160.7	22.3	32.5	25.4	21.7	13.4	10.1	7.9	47.6	45.3	40.8
Global Health	3.1	959	12.1	18.0	21.7	33.8	79.0	53.2	44.1	10.6	9.1	7.8	16.1	18.4	19.0
PNB Housing	2.4	781	61.9	58.2	69.4	5.8	12.6	13.4	11.3	1.2	1.3	1.2	10.0	11.6	11.4
Craftsman Auto	1.4	5,398	117.6	186.0	224.9	38.3	45.9	29.0	24.0	8.3	6.6	5.2	19.7	25.2	24.3
Sobha	1.1	986	10.8	16.1	40.8	94.3	91.1	61.3	24.1	3.8	3.6	3.2	4.2	6.1	14.1
Lemon Tree Hotel	1.1	120	1.5	2.0	3.2	44.8	79.2	60.0	37.8	11.0	9.3	7.4	14.0	16.7	21.9

Note: LP = Loss to profit; Largecap, Midcap and Smallcap Stocks listed above are as per SEBI Categorization; Prices as on 1 January 2024

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# Quant Research & India Strategy Gallery



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

\*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall be within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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