

---

# MARKET OUTLOOK

---

***MIDCAP AND SMALL CAP ...MERA TIME AAYEGA!***

## RISK-ON STRATEGY IN THE WORLD DURING LAST 3 MONTHS DRIVEN BY FRESH LIQUIDITY INFUSION BY CENTRAL BANKS



Equity Index	3M Change%
MOEX Russia	20.76%
Brazil	17.00%
FTSE South Africa	14.77%
FTSE 100 UK	14.48%
Dax	11.94%
Shanghai	10.29%
Dow Jones	9.20%
Hang Seng	7.34%
Nikkei	7.34%
Nifty	7.32%

Commodity	3M Change%
Coffee	26.62%
Brent Crude	18.97%
Copper	8.26%
Aluminium	6.17%
Sugar	5.56%

Currency	3M Change%
UK GBP	7.08%
South Africa ZAR	6.33%
Russia Rub	4.71%
China CNY	2.53%
Euro	2.05%
JPY	0.69%
Brazil BRL	0.58%
INR	-1.31%

**Geopolitical issues have  
disturbed the party**

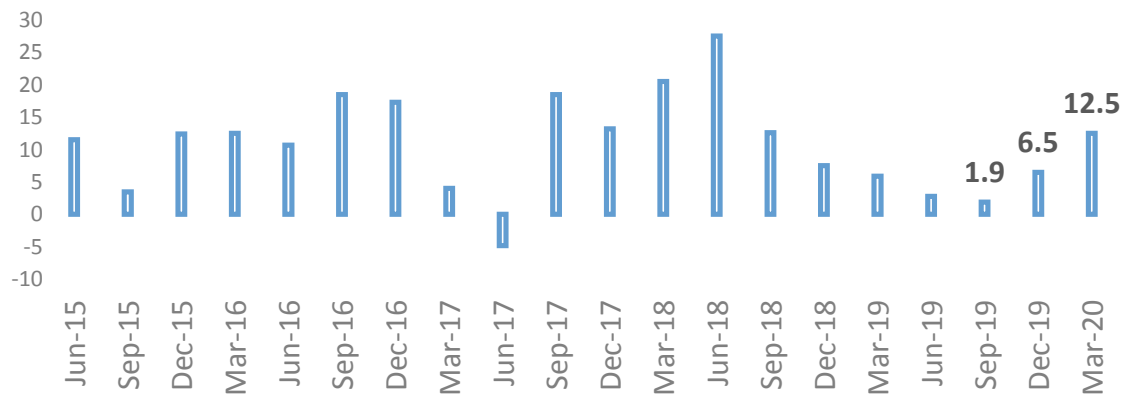
## DOMESTICALLY SEEN SOME SIGNS OF STABILIZATION OF ECONOMY IN LAST THREE MONTHS

- ✚ Not seen any big corporate defaulting
- ✚ Resolution of some big accounts through NCLT / and outside
- ✚ Auto Sales arrested further fall
- ✚ Improvement in global commodity prices positively impacting domestic companies
- ✚ Prices increase in Telecom Sector

## CORPORATE RESULTS MAY ALSO SHOW SOME SIGN OF BOTTOMING OUT IN Q3

- Q3 likely to be better than Q2 and Q4 likely to be better than Q3
- Nifty EBITDA expected to grow by 6.5% YoY in Q3 v/s 1.9% in Q2, further Q4 EBITDA likely to grow by 12.5% YoY

EBITDA Growth YoY



## GOVERNMENT INITIATIVES TO REVIVE ECONOMY

- ✚ Tax cut to boost investments
- ✚ Support to Real Estate, NBFC, MSME and other sectors
- ✚ Divestment process is on
- ✚ Budget likely to include support to consumption sector mainly in rural India
- ✚ Long term plan for Infra Push
- ✚ Railway, Renewable energy and Urban infra are main focus area

# NORMAL AND WIDE SPREAD RAINFALL

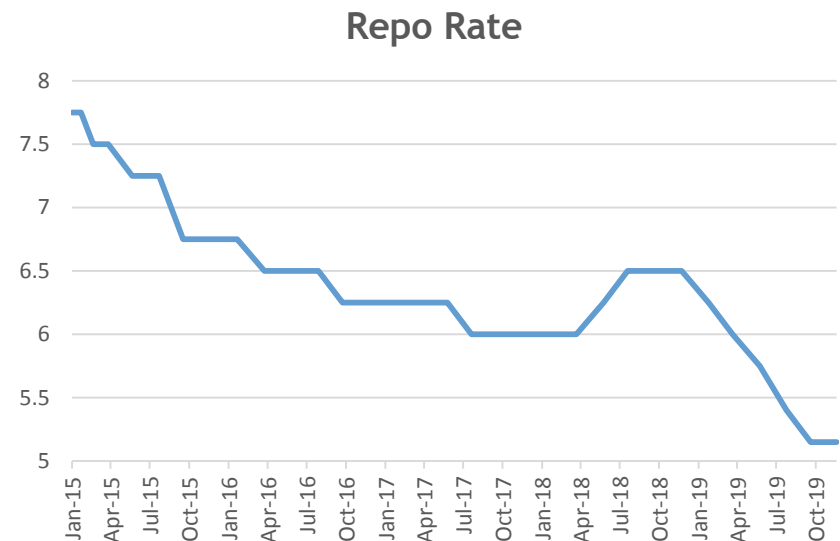
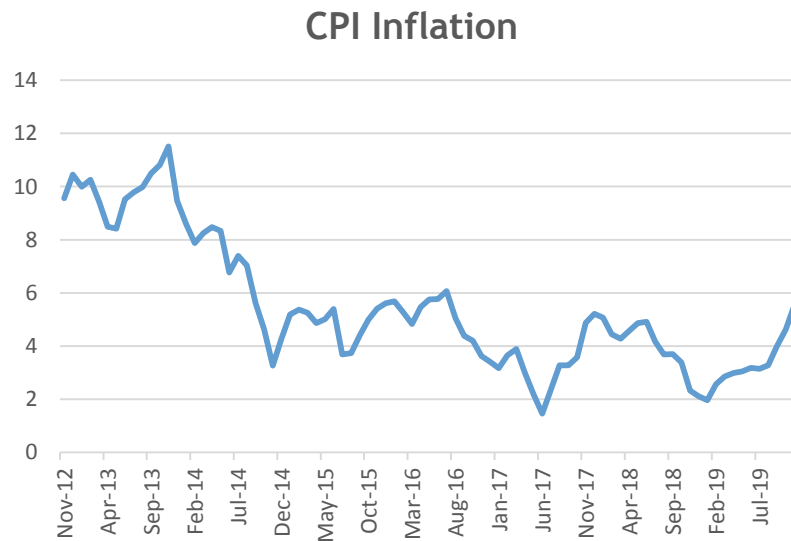
## INDIA METEOROLOGICAL DEPARTMENT



- Season to date rainfall is 10% ahead of normal and well widespread
- Good Rabi Crop will help in reviving rural consumption demand

LEGEND: ■ L. EXCESS (+68% OR MORE) ■ EXCESS (+20% TO +59%) ■ NORMAL (+19% TO -19%)  
■ DEFICIENT (-20% TO -59%) ■ L. DEFICIENT (-60% TO -99%) ■ NO RAIN (-100%) ■ NO DATA

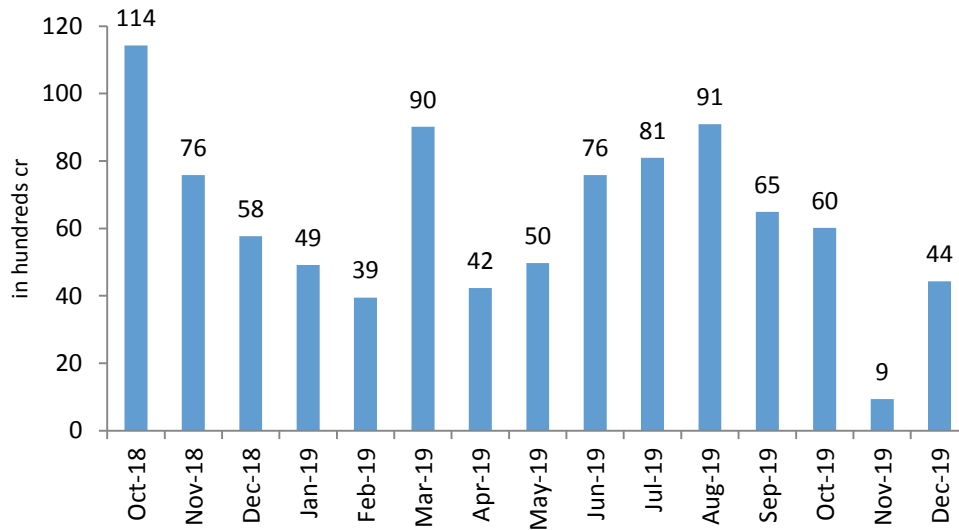
# INFLATION SHOWS SOME SIGN OF UPTICK BUT RBI POLICY STILL ACCOMMODATIVE



- ❖ Interest rate reduced by 135 bps in last 6 months
- ❖ With linking of interest rate to external benchmark, transmission of decline is happening

# DOMESTIC LIQUIDITY SUPPORTING HIGHER VALUATIONS

## Net inflow in Equity MF



MF is a dominant player now with AUM of Rs 26.5 lakh Cr

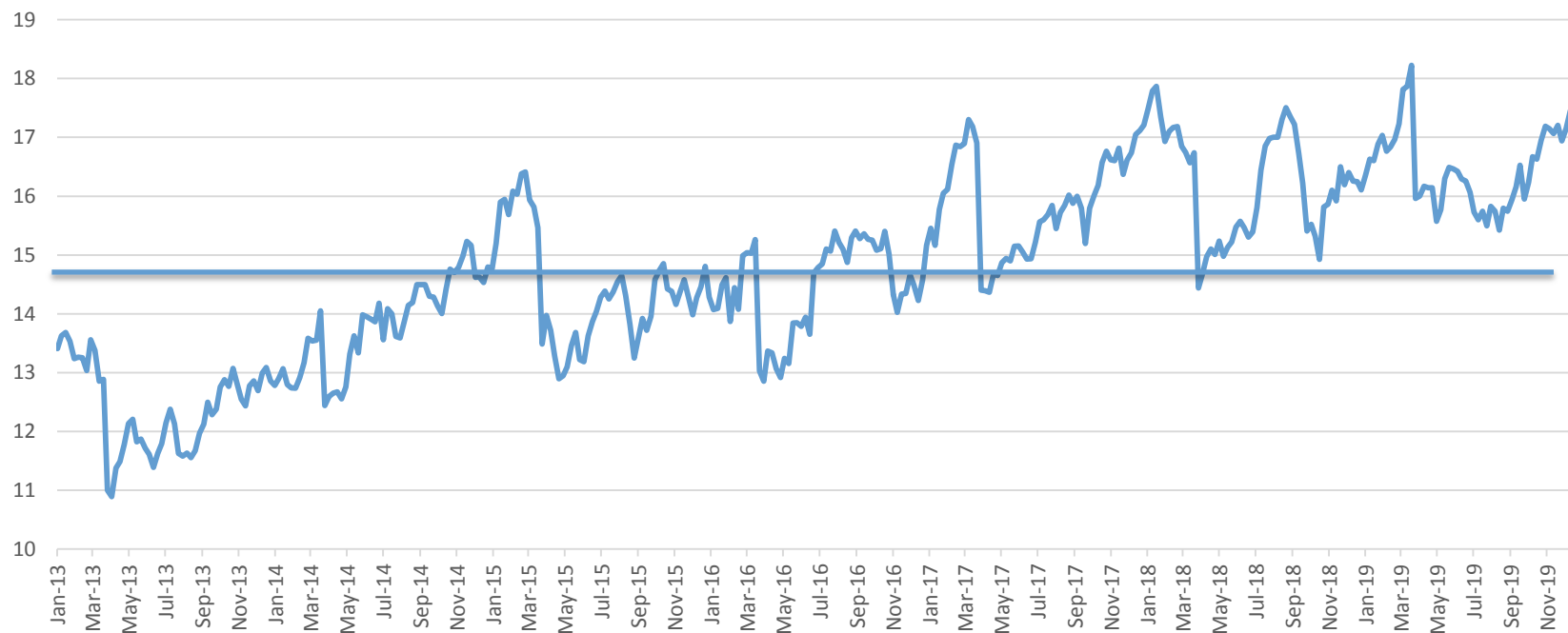
Eq Rs. In Cr	DII	FII
Jan-19	2,147	128
Feb-19	(566)	13565
Mar-19	(12,893)	32371
Apr-19	(4,219)	12750
May-19	6,108	(2734)
Jun-19	3,643	(688)
Jul-19	21,700	(15903)
Aug-19	20,934	(14829)
Sep-19	12,491	(6624)
Oct-19	4,730	8596
Nov-19	(7,970)	12925
Dec-19	(741)	694
Jan 20 - Till Date	279	591
<b>Total</b>	<b>45,642</b>	<b>40,841</b>

FII's have turned net buyers in Q3FY20, supporting the liquidity in the market



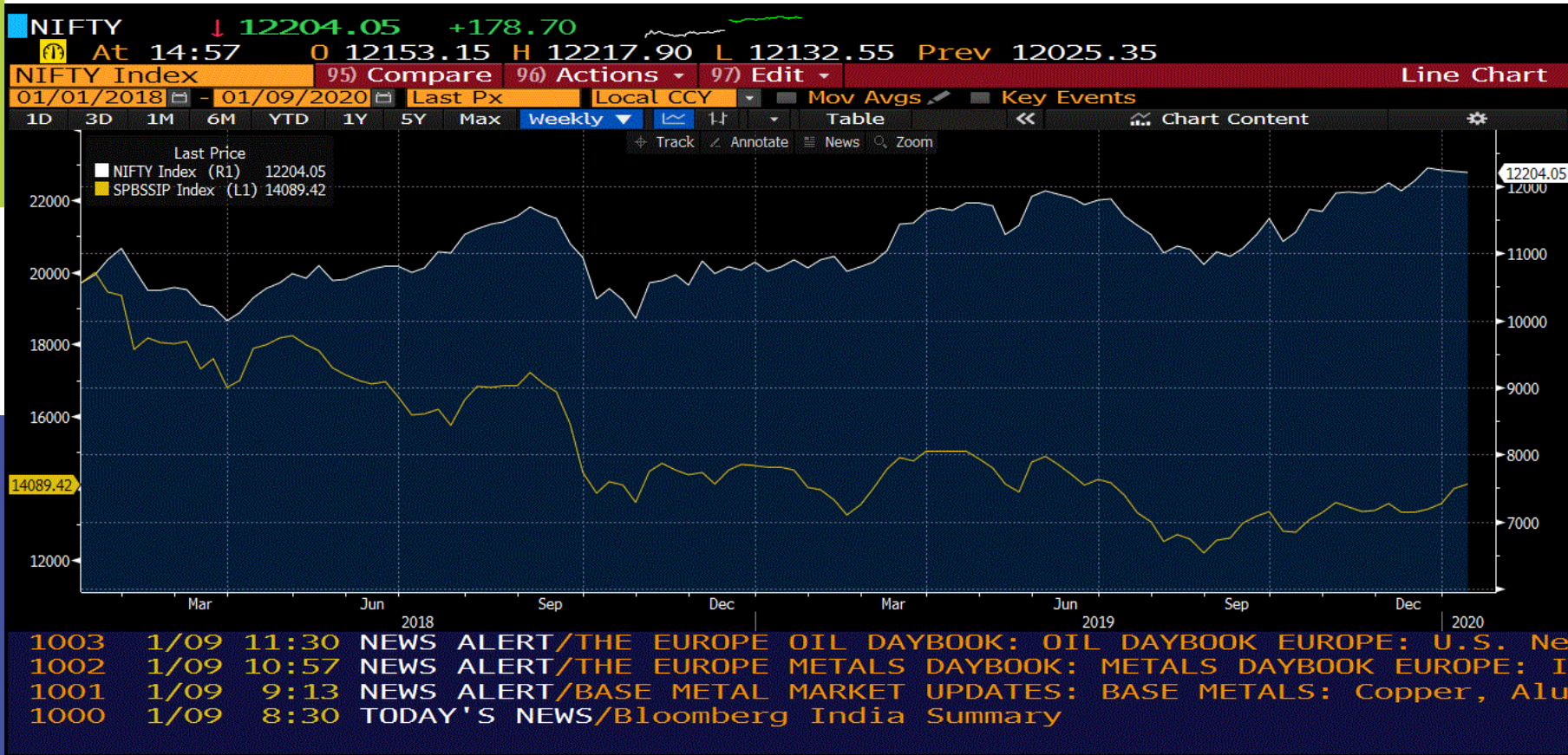
# VALUATION AT UPPER END

Nifty 1 Yr Fwd PE



- Valuations are at higher end at 17.6x PE 1 year forward
- Last 7 years average valuation are 14.8x

# MID CAP AND SMALL CAP STOCKS HAVE CORRECTED SUBSTANTIALLY



**BSE Small cap index down by 29% since Jan 2018 whereas NIFTY up by 15.5%**

## AFTER A LONG TIME SMALL CAP INDEX HAS OUT PERFORMED NIFTY IN A QUARTER

Quarter	Nifty Return	Small Cap Return	Variance
Q3FY20	7.9%	10.2%	2.4%
Q2FY20	-2.1%	-7.3%	-5.1%
Q1FY20	-0.8%	-8.3%	-7.5%
Q4FY19	7.9%	2.9%	-5.0%
Q3FY19	3.1%	3.1%	0.0%
Q2FY19	-5.0%	-12.6%	-7.6%
Q1FY19	5.1%	-9.9%	-15.1%
Q4FY18	-1.9%	-10.1%	-8.2%


# SMALL CAP STOCKS VALUATION IS REASONABLE



BSE Small Cap PE



# CONCLUSION

- 
- World over Risk on environment
  - Indian Economy seeing some signs of stabilization
  - Corporate Results may show sign of bottoming out in Q3
  - Government is proactive in supporting economy
  - Valuations of large caps supported by liquidity
  - Valuation of small caps and mid caps are reasonable
  - We feel NIFTY to show positive trend**
  - Small Cap and Mid cap index to out perform Large cap**
  - Advice to go aggressive on fundamentally good Mid and Small Cap stocks**

# STOCKS



## Large Cap

- ✦ Bharat Forge
- ✦ HDFC Life
- ✦ Indian Hotels
- ✦ ICICI Bank
- ✦ VIP Industries

## Midcap

- ✦ DCB Bank Ltd
- ✦ Hindustan Oil Exploration
- ✦ Hind Rectifiers
- ✦ APL Apollo
- ✦ IMFA
- ✦ Aarti Drugs
- ✦ Anup Engg
- ✦ Prakash Pipes

# DISCLOSURES



Research Reports that are published by Nirmal Bang Securities Private Limited (hereinafter referred to as “NBSPL”) are for private circulation only. NBSPL is a registered Research Analyst under SEBI (Research Analyst) Regulations, 2014 having Registration no. INH000001766. NBSPL is also a registered Stock Broker with National Stock Exchange of India Limited , BSE Limited ,Metropolitan Stock Exchange of India Limited , Multi Commodity Exchange of India Limited , National Commodity and Derivative Exchange Limited and Indian Commodity Exchange Limited in cash and Equity and Commodities derivatives segments.

NBSPL has other business divisions with independent research teams separated by Chinese walls, and therefore may, at times, have different or contrary views on stocks and markets.

NBSPL or its associates have not been debarred / suspended by SEBI or any other regulatory authority for accessing / dealing in securities Market. NBSPL, its associates or analyst or his relatives do not hold any financial interest (Except Investment) in the subject company. NBSPL or its associates or Analyst do not have any conflict or material conflict of interest at the time of publication of the research report with the subject company. NBSPL or its associates or Analyst or his relatives may or may not hold beneficial ownership of 1% or more in the subject company at the end of the month immediately preceding the date of publication of this research report.

NBSPL or its associates / analyst has not received any compensation / managed or co-managed public offering of securities of the company covered by Analyst during the past twelve months. NBSPL or its associates have not received any compensation or other benefits from the company covered by Analyst or third party in connection with the research report. Analyst has not served as an officer, director or employee of Subject Company . NBSPL / analyst has not been engaged in market making activity of the subject company.

**Analyst Certification:** The research analysts and authors of these reports, hereby certify that the views expressed in this research report accurately reflects my/our personal views about the subject securities, issuers, products, sectors or industries. It is also certified that no part of the compensation of the analyst(s) was, is, or will be directly or indirectly related to the inclusion of specific recommendations or views in this research. The analyst(s) principally responsible for the preparation of this research report and has taken reasonable care to achieve and maintain independence and objectivity in making any recommendations.

# DISCLAIMER



This report is for the personal information of the authorized recipient and does not construe to be any investment, legal or taxation advice to you. NBSPL is not soliciting any action based upon it. Nothing in this research shall be construed as a solicitation to buy or sell any security or product, or to engage in or refrain from engaging in any such transaction. In preparing this research, we did not take into account the investment objectives, financial situation and particular needs of the reader.

This research has been prepared for the general use of the clients of NBSPL and must not be copied, either in whole or in part, or distributed or redistributed to any other person in any form. If you are not the intended recipient you must not use or disclose the information in this research in any way. Though disseminated to all the customers simultaneously, not all customers may receive this report at the same time. NBSPL will not treat recipients as customers by virtue of their receiving this report. This report is not directed or intended for distribution to or use by any person or entity resident in a state, country or any jurisdiction, where such distribution, publication, availability or use would be contrary to law, regulation or which would subject NBSPL & its group companies to registration or licensing requirements within such jurisdictions.

The report is based on the information obtained from sources believed to be reliable, but we do not make any representation or warranty that it is accurate, complete or up-to-date and it should not be relied upon as such. We accept no obligation to correct or update the information or opinions in it. NBSPL or any of its affiliates or employees shall not be in any way responsible for any loss or damage that may arise to any person from any inadvertent error in the information contained in this report. NBSPL or any of its affiliates or employees do not provide, at any time, any express or implied warranty of any kind, regarding any matter pertaining to this report, including without limitation the implied warranties of merchantability, fitness for a particular purpose, and non-infringement. The recipients of this report should rely on their own investigations.

This information is subject to change without any prior notice. NBSPL reserves its absolute discretion and right to make or refrain from making modifications and alterations to this statement from time to time. Nevertheless, NBSPL is committed to providing independent and transparent recommendations to its clients, and would be happy to provide information in response to specific client queries.



# DISCLAIMER



Before making an investment decision on the basis of this research, the reader needs to consider, with or without the assistance of an adviser, whether the advice is appropriate in light of their particular investment needs, objectives and financial circumstances. There are risks involved in securities trading. The price of securities can and does fluctuate, and an individual security may even become valueless. International investors are reminded of the additional risks inherent in international investments, such as currency fluctuations and international stock market or economic conditions, which may adversely affect the value of the investment. Opinions expressed are subject to change without any notice. Neither the company nor the director or the employees of NBSPL accept any liability whatsoever for any direct, indirect, consequential or other loss arising from any use of this research and/or further communication in relation to this research. Here it may be noted that neither NBSPL, nor its directors, employees, agents or representatives shall be liable for any damages whether direct or indirect, incidental, special or consequential including lost revenue or lost profit that may arise from or in connection with the use of the information contained in this report.

Copyright of this document vests exclusively with NBSPL.

Our reports are also available on our website [www.nirmalbang.com](http://www.nirmalbang.com)

## **Nirmal Bang Research (Division of Nirmal Bang Securities Pvt. Ltd.)**

B-2, 301/302, Marathon Innova,  
Opp. Peninsula Corporate Park  
Off. Ganpatrao Kadam Marg  
Lower Parel (W), Mumbai-400013  
Board No. : 91 22 6723 8000/8001  
Fax. : 022 6723 8010

---

**THANK YOU**

---

