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The Eagle Eye

December 2023

GLOBAL MARKETS

- ❖ Most global markets rally in Nov'23; Brazil leads, China remains a laggard in CY23YTD
- ❖ MSCI India's outperformance widens since Jan'22; Global markets recover sharply from Oct'23 lows
- ❖ Market volatility for India and US at a three-year low

DOMESTIC MARKETS

- ❖ Broad-based rally seen in Nov'23; Real Estate and Healthcare among top gainers
- ❖ Real Estate and Capital Goods outperform by a wide margin in the last five years
- ❖ About 94% of Nifty constituents end higher in Nov'23
- ❖ Around 67% of BSE-200 constituents end higher in Nov'23

FLows AND VOLUMES

- ❖ FI flows turn positive after two months, DI flows remain buoyant
- ❖ Average daily cash volumes grow; F&O volumes near highs in Nov'23

COVERAGE INITIATION; 2QFY24 EARNINGS REVIEW

- ❖ Cap. Goods: Thematic: INITIATING COVERAGE
- ❖ Sunteck Realty: INITIATING COVERAGE
- ❖ 2QFY24 earnings review – A broad-based beat!

MULTIYEAR HIGHS AND LOWS

- ❖ The 10-year yield spread between India and the US at a 15-year low
- ❖ Key commodity costs at a 2-year low, would continue to benefit corporate margins
- ❖ Nifty composition: Auto, Healthcare and Telecom witness increase in weights, whereas Financials and Consumer witness a decline MoM

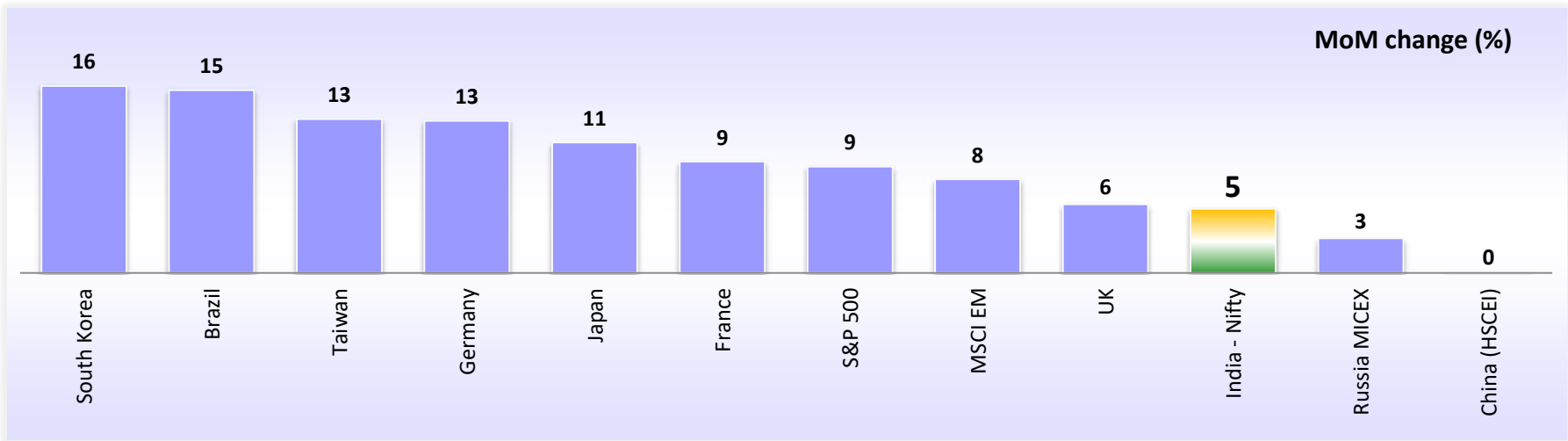
VALUATIONS

- ❖ Nifty's 12-month forward P/E has been at 18.4x, near its LPA of 18.5x
- ❖ At 3.0x, the 12-month forward P/B has been at a premium of ~12% to the Nifty's historical average of 2.6x
- ❖ The 10-year G-Sec yield stands at 7.3%; EY/BY near its long-term average

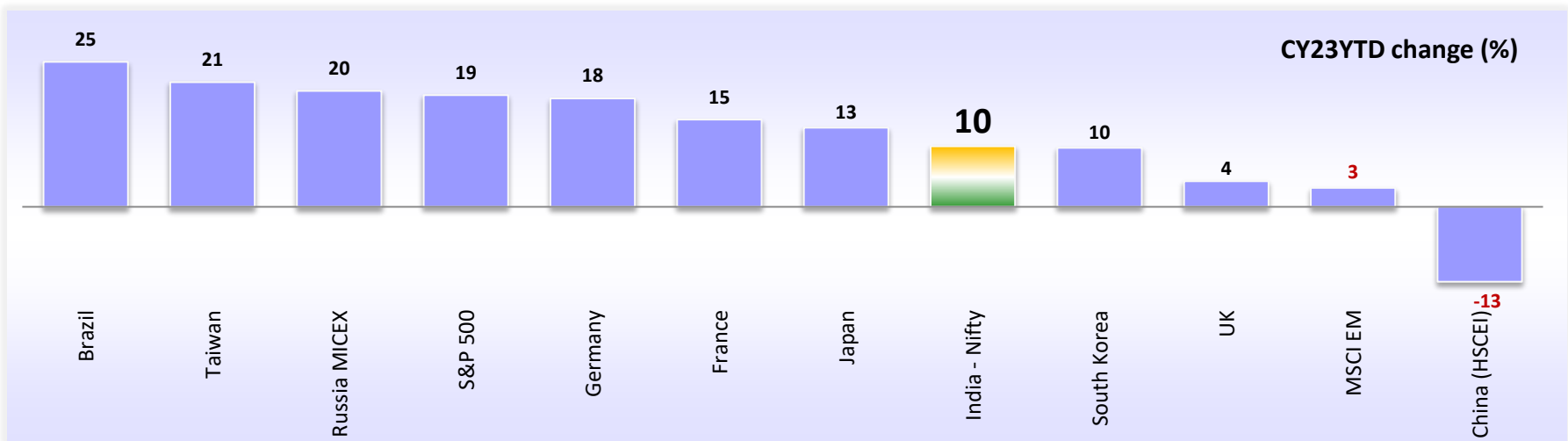
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Most global markets rally in Nov'23; Brazil leads, China remains a laggard in CY23YTD

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

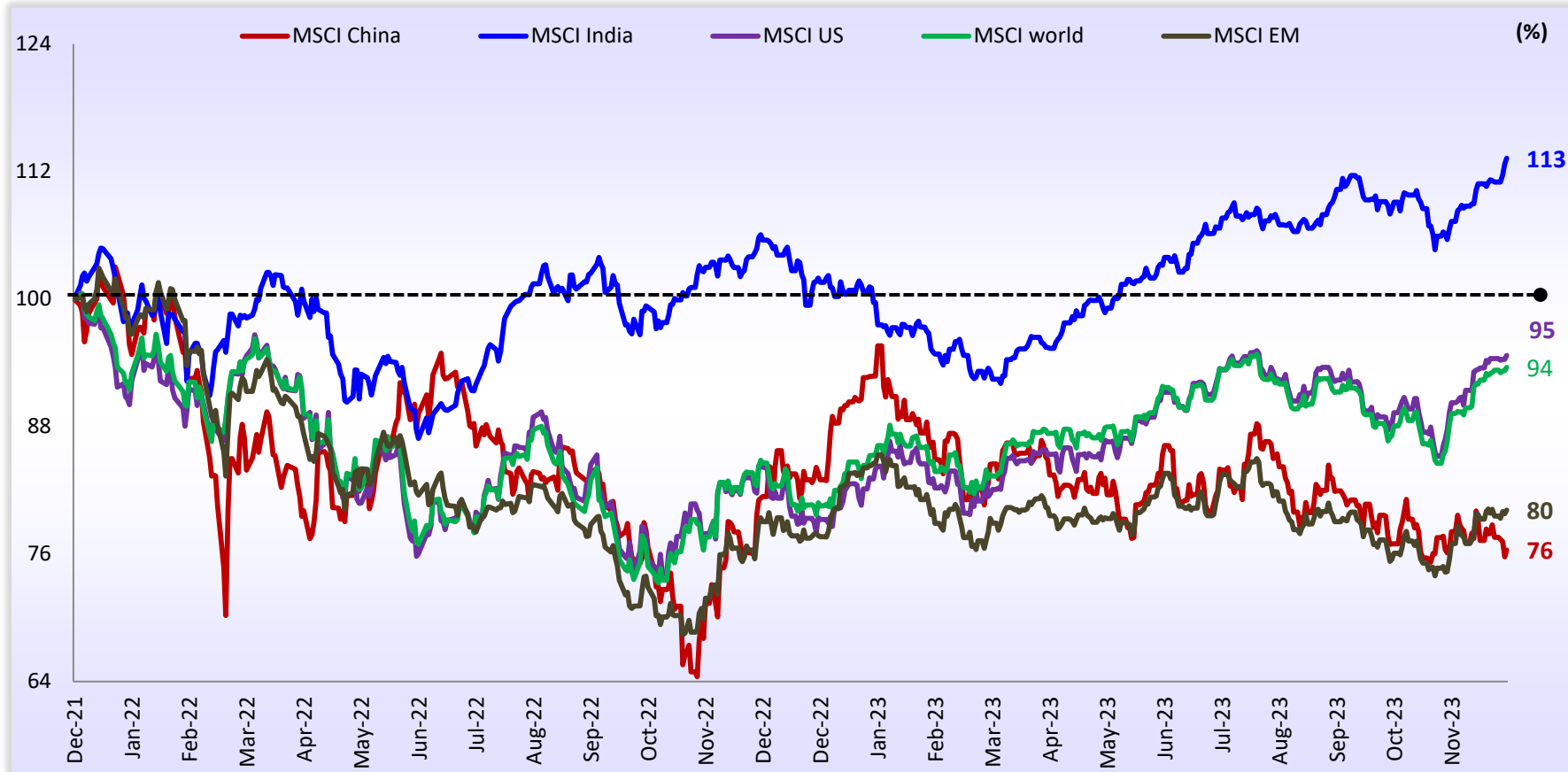


CY23YTD performance of global equity indices in USD terms (%)



MSCI India's outperformance widens since Jan'22; Global markets recover sharply from Oct'23 lows

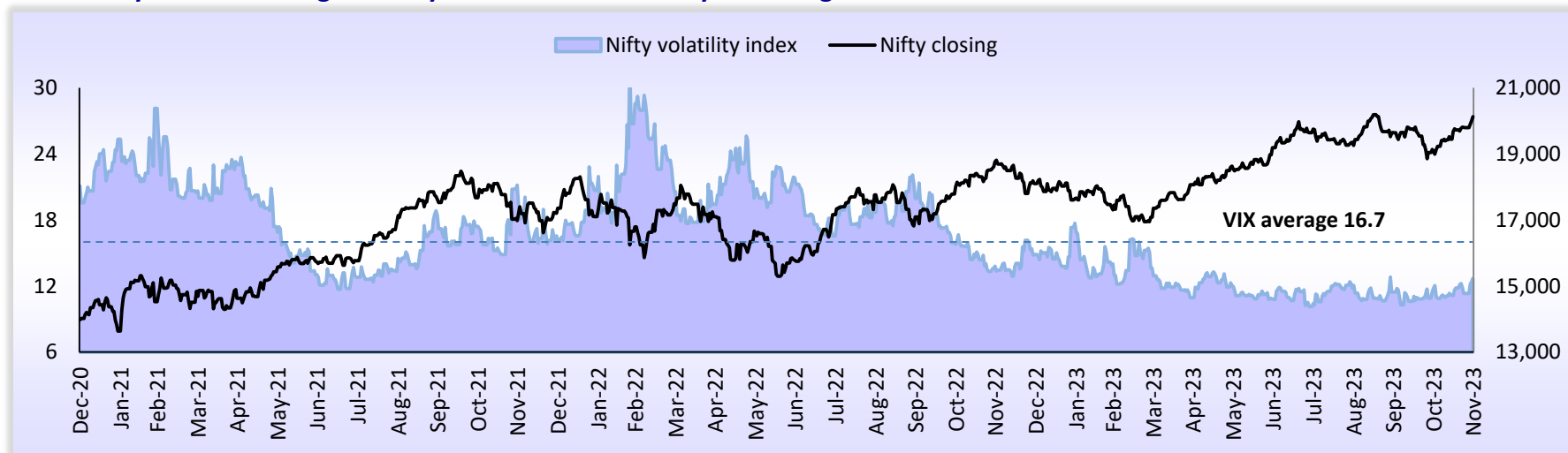
Performance of the MSCI India index vs. MSCI US, MSCI World, MSCI Emerging Market, and MSCI China Indices, in USD terms



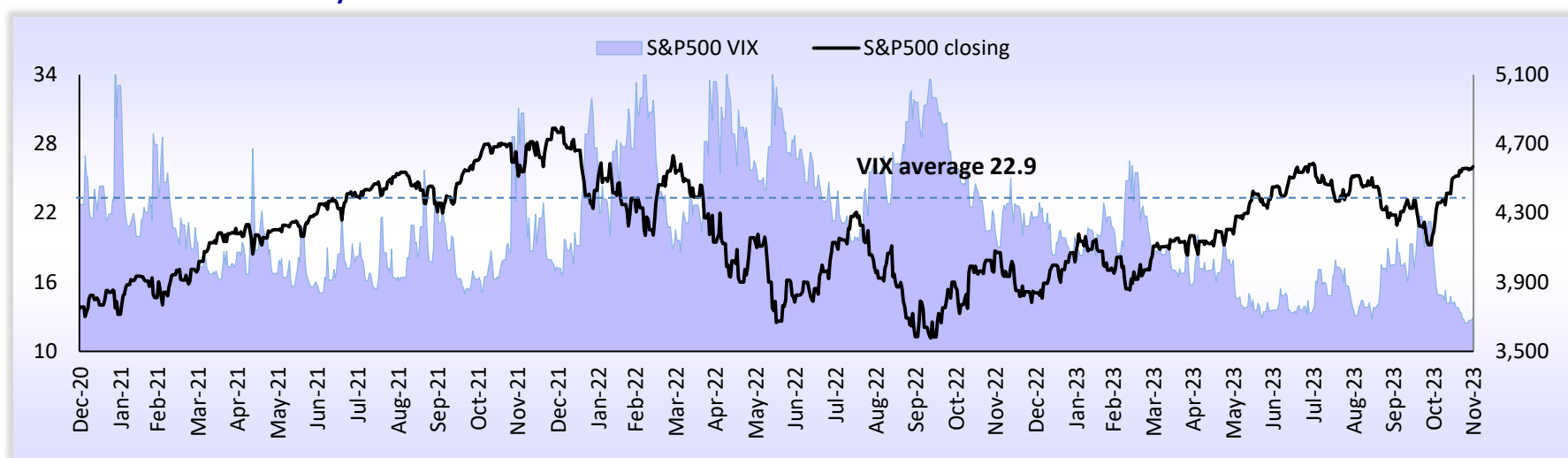
*Indices rebased to 100

Market volatility for India and US near three-year lows

INDIA: Nifty VIX remains significantly lower than the three-year average

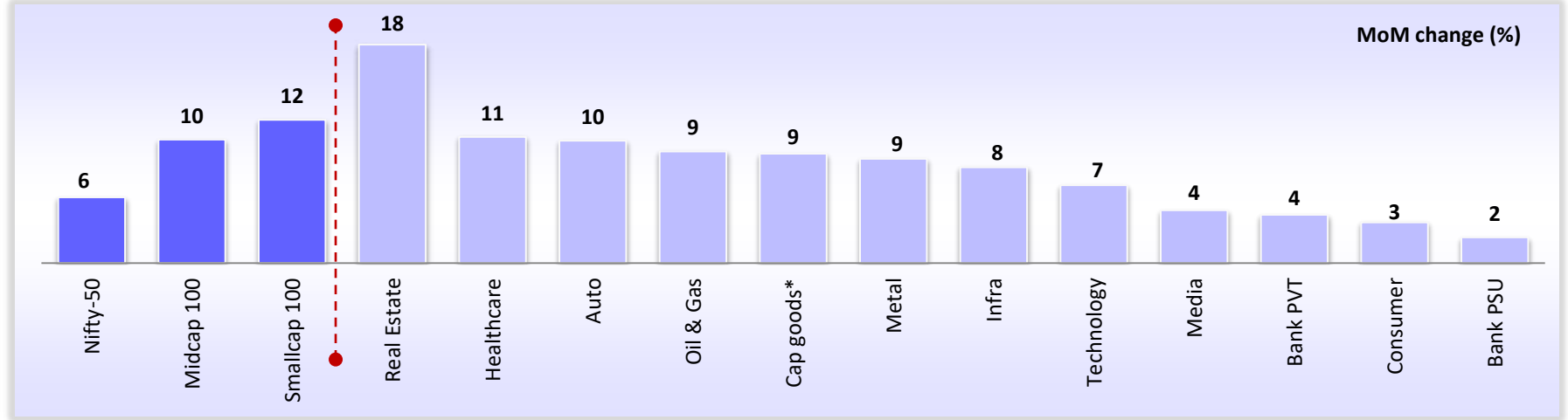


USA: S&P500 VIX at a three-year lows

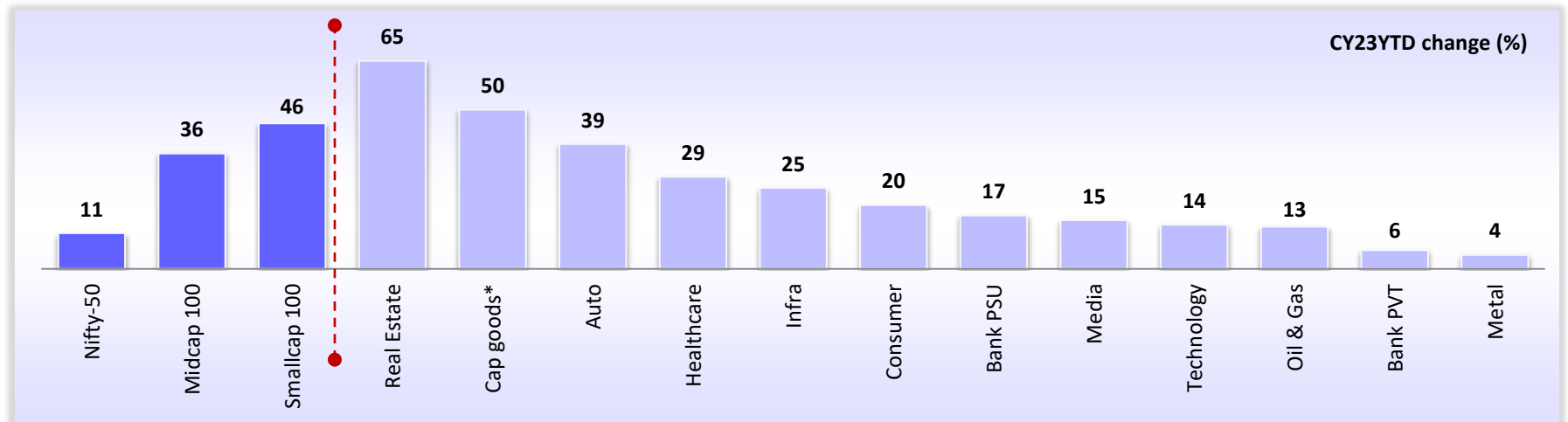


Broad-based rally seen in Nov'23; Real Estate and Healthcare among top gainers

Sectoral performance MoM (%): Real Estate top gainer, while PSU Banks and Consumers key laggards



Sectoral performance CY23YTD (%): Real Estate, Capital Goods and Auto top gainers; Metals and Pvt. Banks key laggards

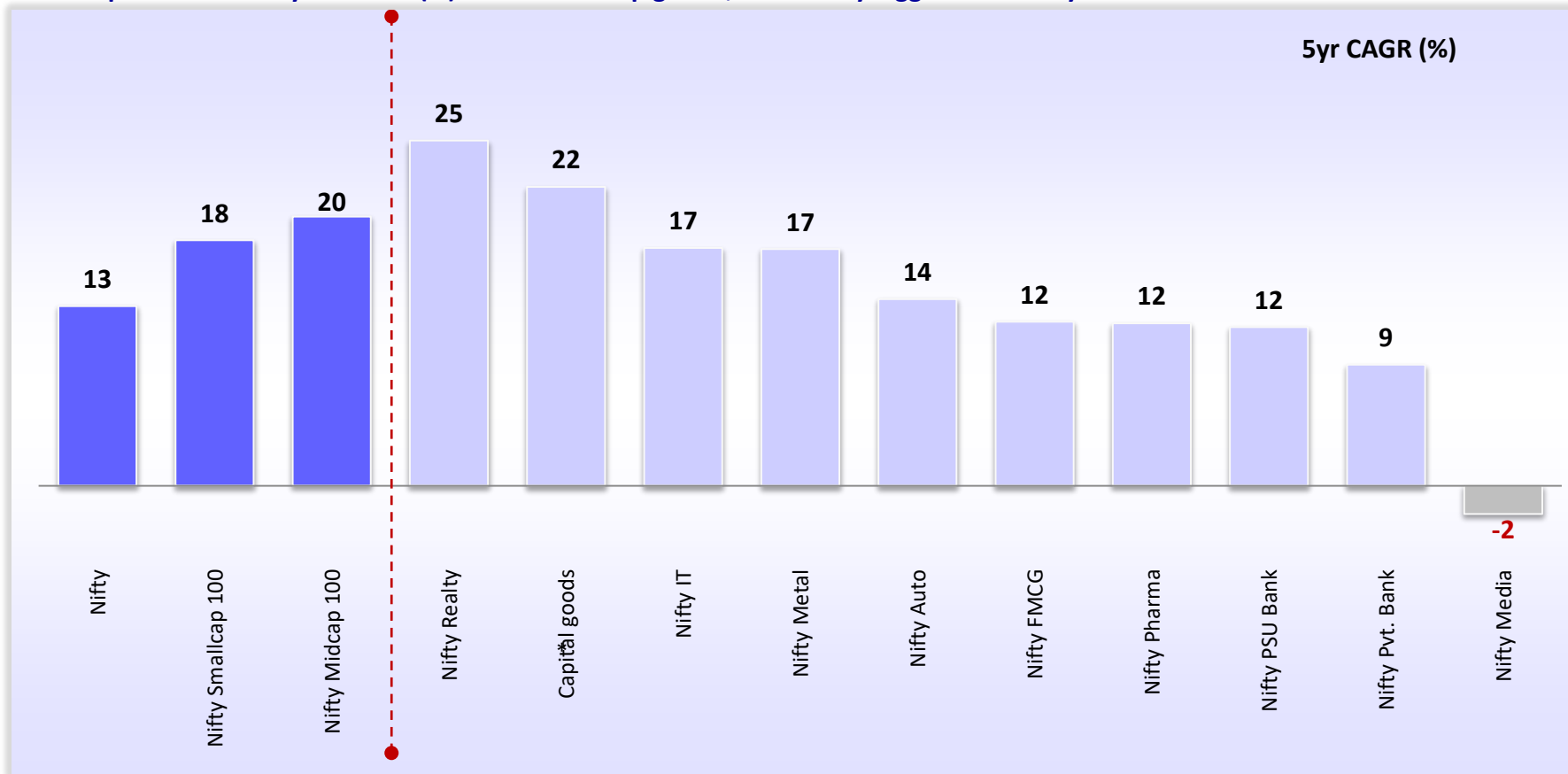


Note: (*) represents BSE capital goods index

Real Estate and Capital Goods outperform by a wide margin in the last five years

- ❖ Real Estate/Cap Goods/IT were the top performing sectoral indices, clocking a CAGR of 25%/22%/17% during Nov'18-Nov'23.
- ❖ Midcaps outperformed largecaps and smallcaps on a 5-year CAGR basis.

Sectoral performance 5-year CAGR (%): Real Estate top gainer; Metals key laggard in last 5 years

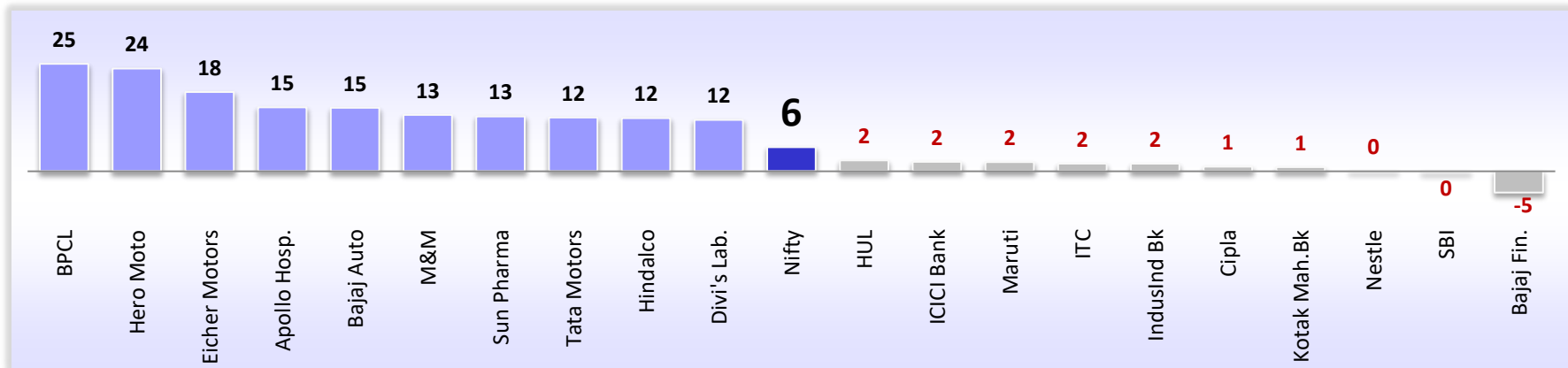


Note: (*) represents BSE capital goods index

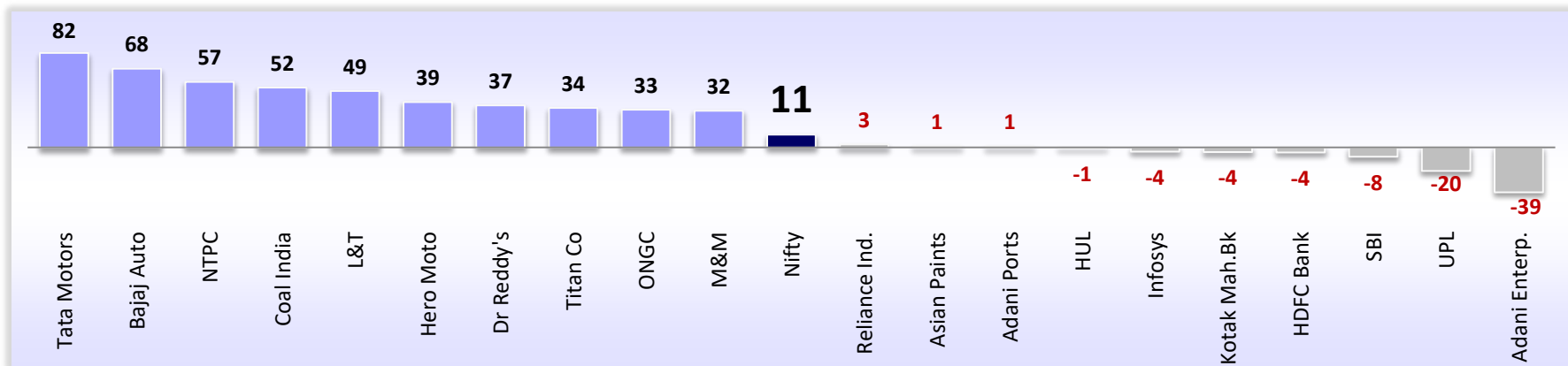
About 94% of Nifty constituents end higher in Nov'23

- ❖ Among Nifty constituents, 47 closed higher during the month and around 30 companies outperformed the benchmark.
- ❖ About 43 Nifty constituents are trading higher in CY23YTD. Tata Motors, Bajaj Auto, and NTPC are the top gainers, while Adani Enterprises, UPL, and SBI are the key laggards.

Best and worst Nifty performers (MoM) in Oct'23 (%) – BPCL, Hero Motocorp, Eicher Motors led the gainers pack; while Bajaj Finance and SBI were the laggards during the month



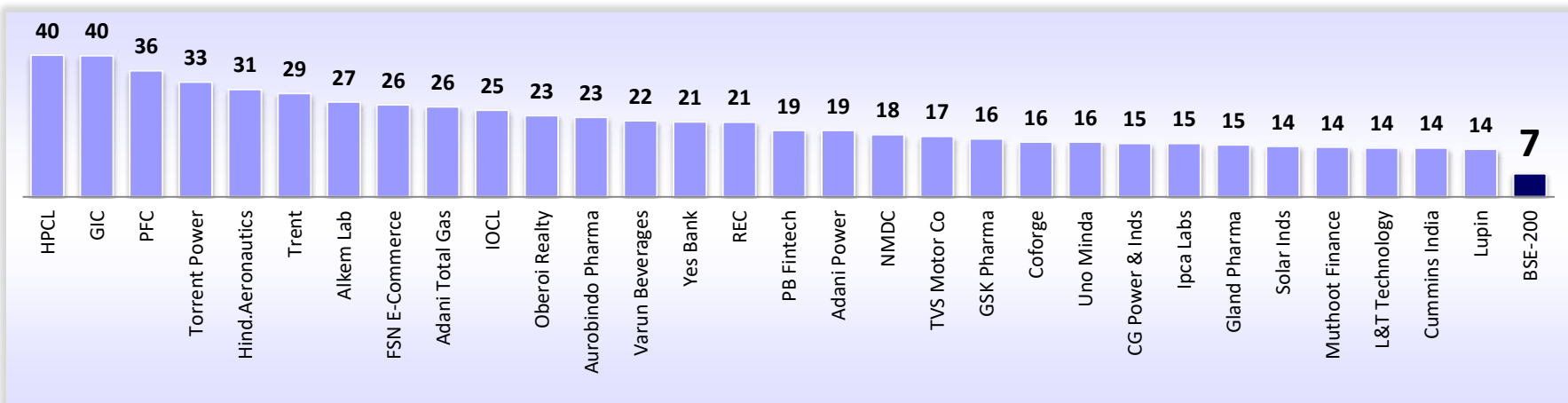
Best and worst Nifty performers CY23YTD (%) – Tata Motors, Bajaj Auto, and NTPC gained the most; while Adani Enterprises, UPL, and HDFC Bank were the key laggards



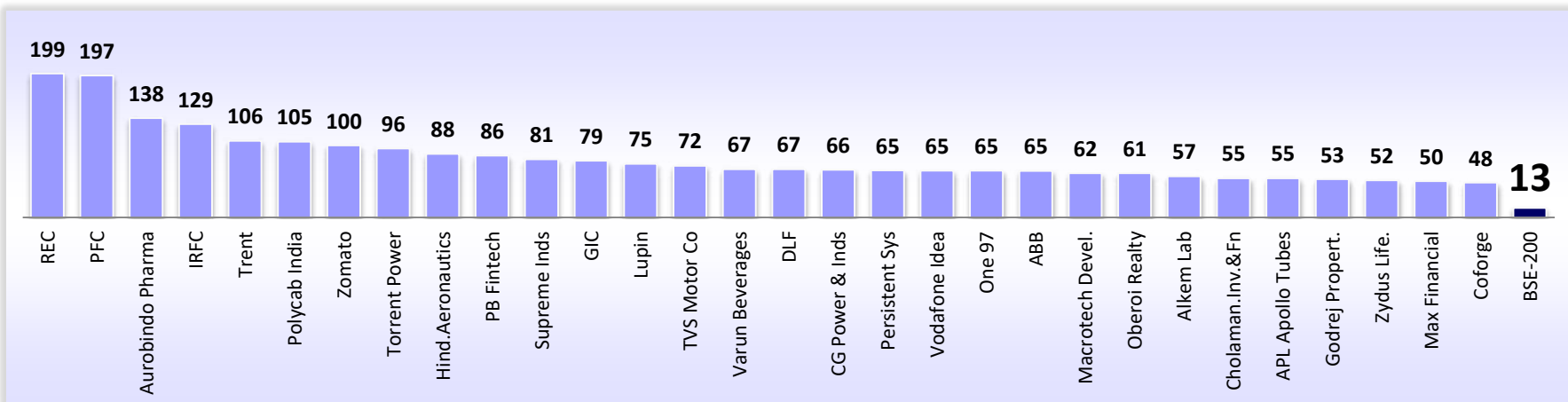
Around 67% of BSE-200 constituents end higher in Nov'23

- ❖ 134 companies closed higher during the month, with HPCL, GIC and PFC gaining the most.
- ❖ Around 60% of BSE-200 constituents are trading higher in CY23YTD. REC, PFC and Aurobindo Pharma remain the top gainers.

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



Top gainers from the BSE-200 pack in CY23YTD (%)*

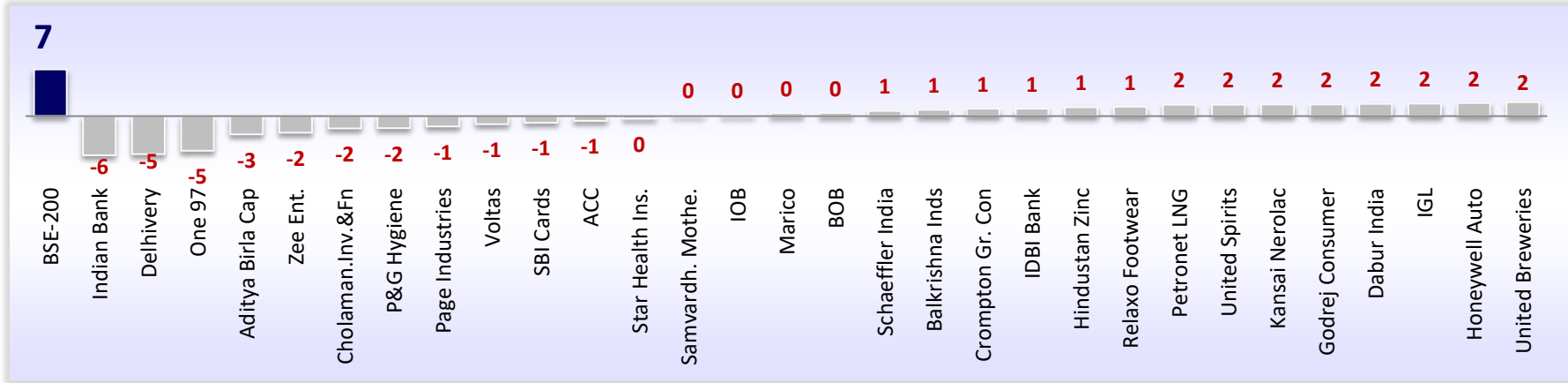


*List excludes Nifty constituents

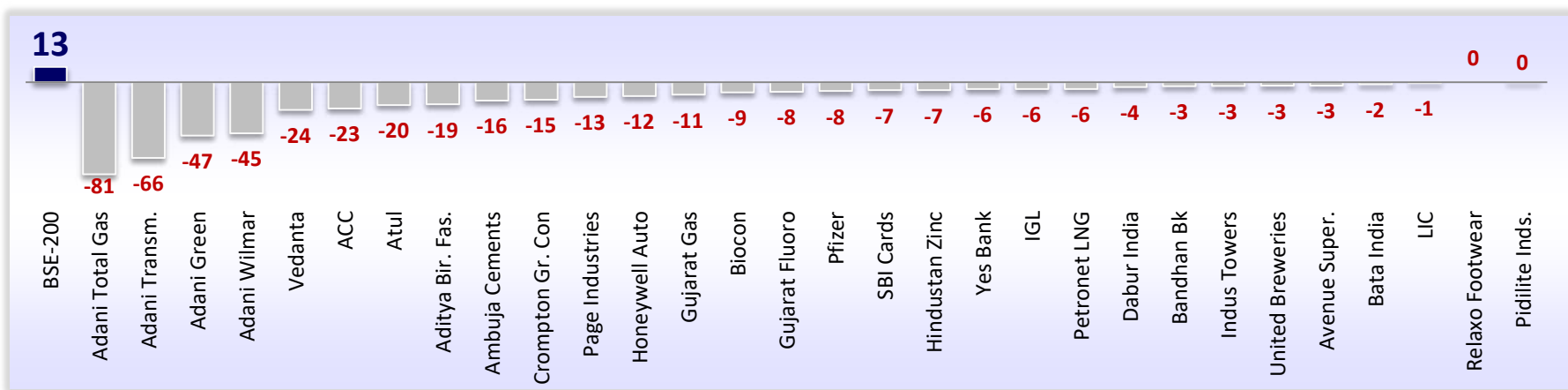
Only 6% of the BSE-200 constituents end lower in Nov'23

- ❖ 12 companies closed lower during the month. Indian Bank, Delhivery and One97 were the key laggards.
- ❖ Around 14% of BSE-200 companies are trading lower in CY23YTD. Adani companies remain the key laggards.

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



Key laggards among the BSE-200 constituents in CY23YTD (%)*



*List excludes Nifty constituents

NSE Indices: Valuation snapshot

- ❖ Nifty-50/Midcap/Smallcap indices grew ~11%/36/45% YTD. Mid and Smallcaps have outperformed Nifty-50 in CY23YTD vs. CY22.
- ❖ Among Nifty, Auto/FMCG have been the top performing indices, whereas Banks and Metals were the laggards in CY23YTD.
- ❖ Nifty50 is trading 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
Nov'23 closing	20,133	42,909	14,171	17,988	17,552	44,482	53,014	32,582	7,017	29,295
YTD change (%)	11.2	36.2	45.6	16.4	39.2	3.5	20.0	13.8	4.4	13.2
EPS	996	1,349	598	755	679	2,856	1,242	1,182	429	2,411
P/E (1 yr fwd)	18.4	25.6	20.1	20.5	21.1	13.9	37.8	24.4	12.2	11.8
P/E (10 yr average)	20.1	20.5	15.5	18.6	18.1	17.0	32.4	19.7	10.3	11.0
P/B (1 yr fwd)	3.0	3.4	3.0	3.0	3.7	1.8	9.9	6.7	1.6	1.6
P/B (10 yr average)	2.7	2.4	2.1	2.6	2.7	2.1	8.5	4.6	1.2	1.3
Price / Sales	2.5	2.3	2.4	2.3	2.0	2.4	8.7	3.8	0.9	0.9
RoE (%)	14.3	11.7	14.8	14.2	16.5	13.7	24.8	25.2	10.4	14.3
RoA (%)	3.5	0.0	5.0	3.0	7.9	-	24.2	18.1	5.7	8.3

Source: Bloomberg, MOFSL; As on 30th Nov'23 | LPA: Long period average i.e. 10 years average

BSE Indices: Valuation snapshot

- ❖ BSE Sensex, Midcap, and Smallcap indices are up 10%/35%/37% in CY23YTD.
- ❖ BSE Capital Goods/Auto/Healthcare/PSU have been the top performing indices in CY23YTD.
- ❖ Sensex is trading below its LPA, whereas other key indices have been trading at a premium to their LPAs.

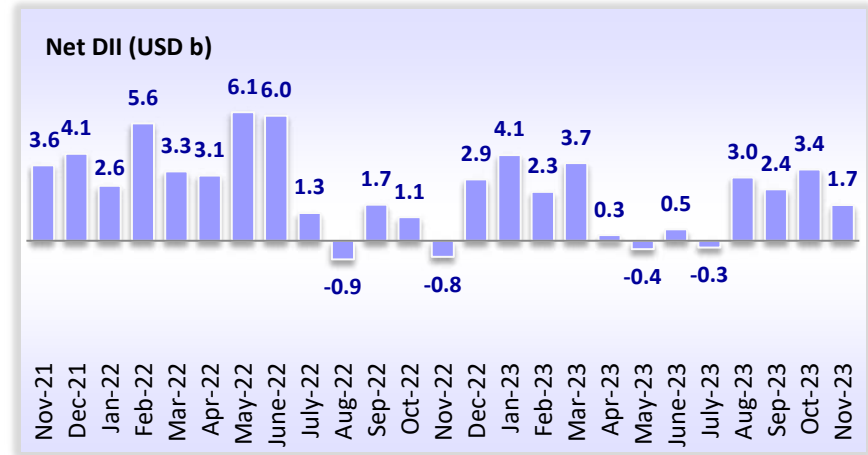
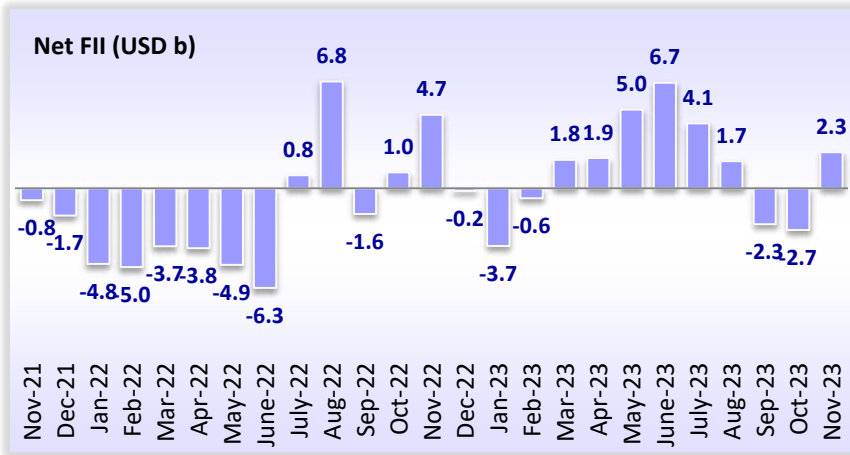
Indices	Sensex	BSE Midcap	S&P BSE250 Small cap Index	BSE 500	S&P BSE Auto	S&P BSE BANKEX	S&P BSE FMCG	S&P BSE IT	S&P BSE Oil&Gas	S&P BSE Metal	S&P BSE Capital Goods	S&P BSE Utilities	S&P BSE Healthcare	S&P BSE PSU
Nov'23 closing	66,988	34,256	5,362	28,442	40,053	50,293	19,157	33,227	20,551	24,240	49,990	3,988	30,375	13,489
YTD change (%)	10.1	35.3	37.0	15.6	38.5	2.8	19.2	15.9	0.7	16.2	49.9	10.5	31.9	34.6
EPS	3,190	1,115	228	1,197	1,594	3,311	478	1,185	2,620	1,759	1,215	227	883	1,367
P/E (1yr fwd)	18.7	24.9	20.2	20.5	20.7	13.8	35.3	24.8	7.7	11.1	33.9	15.8	28.5	9.5
P/E (10 yr average)	20.9	21.8	16.7	18.4	18.6	15.8	31.0	19.7	9.5	9.9	23.8	12.0	23.6	9.7
P/B (1yr fwd)	3.0	3.5	3.1	3.0	3.6	1.8	8.3	7.1	1.1	1.7	5.4	2.0	4.1	1.4
P/B (10 yr average)	2.8	2.7	2.1	2.6	2.8	2.1	7.8	4.7	1.3	1.2	3.0	1.3	3.6	1.2
Price /Sales	2.8	2.0	2.1	2.3	2.0	2.2	6.0	4.0	0.4	0.9	3.7	2.5	4.8	0.8
RoE (%)	14.0	12.4	15.1	14.2	16.4	14.1	22.9	26.3	15.9	12.9	14.7	12.3	13.4	16.1
RoA (%)	3.1	0.1	6.1	3.0	7.9	-	24.3	19.2	9.1	6.3	6.6	-	8.9	2.4

Source: Bloomberg, MOFSL; As on 30th Nov'23 | LPA: Long period average i.e. 10 years average

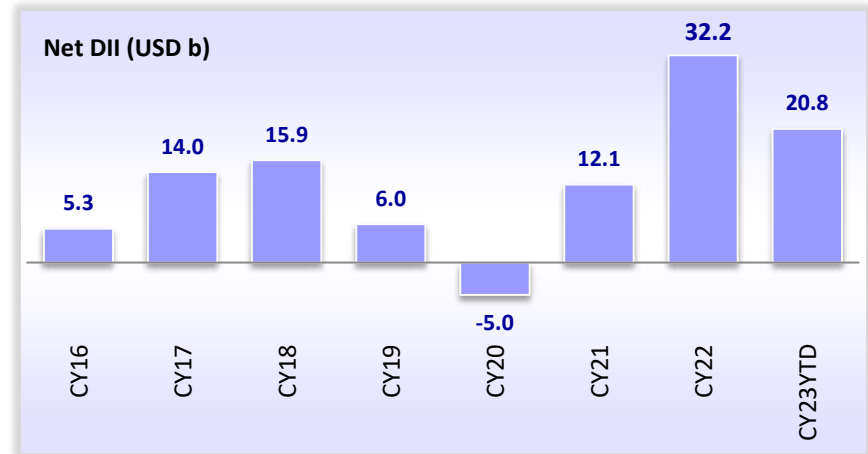
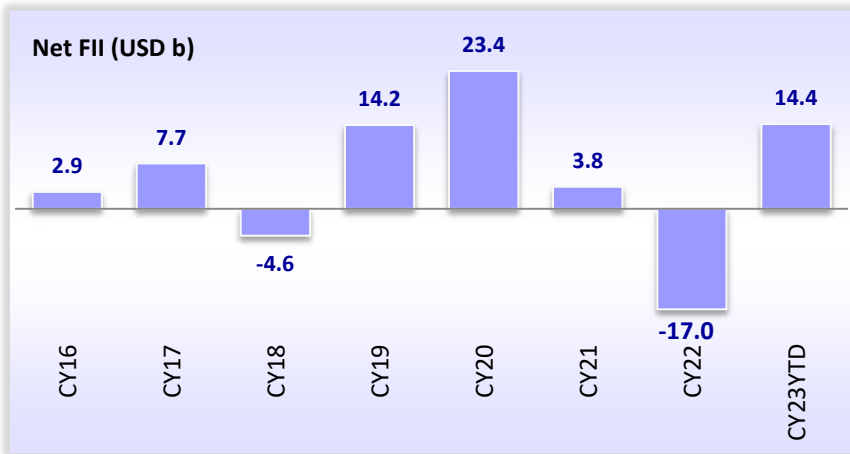
FII flows turn positive after two months, DII flows remain buoyant

- ❖ FII flows turned positive again with USD2.3b of inflows during the month. Net FII inflows in CY23YTD stood at USD14.4b.
- ❖ DII flows remained strong with inflows of USD1.7b during the month. Net DII inflows in CY23YTD stood at USD20.8b.

Monthly institutional flows (USD b)

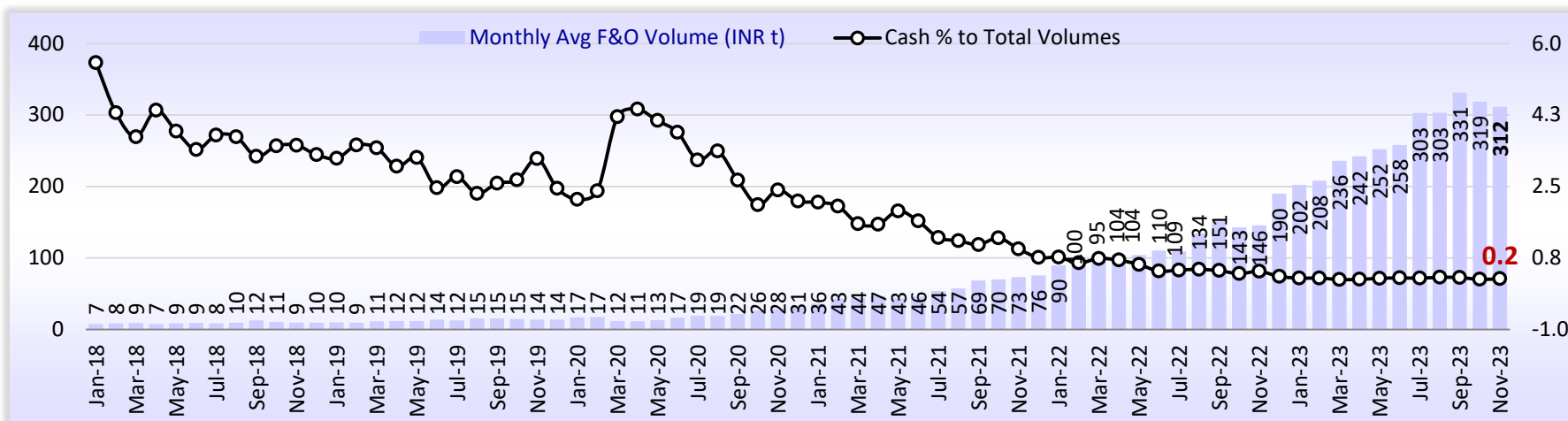
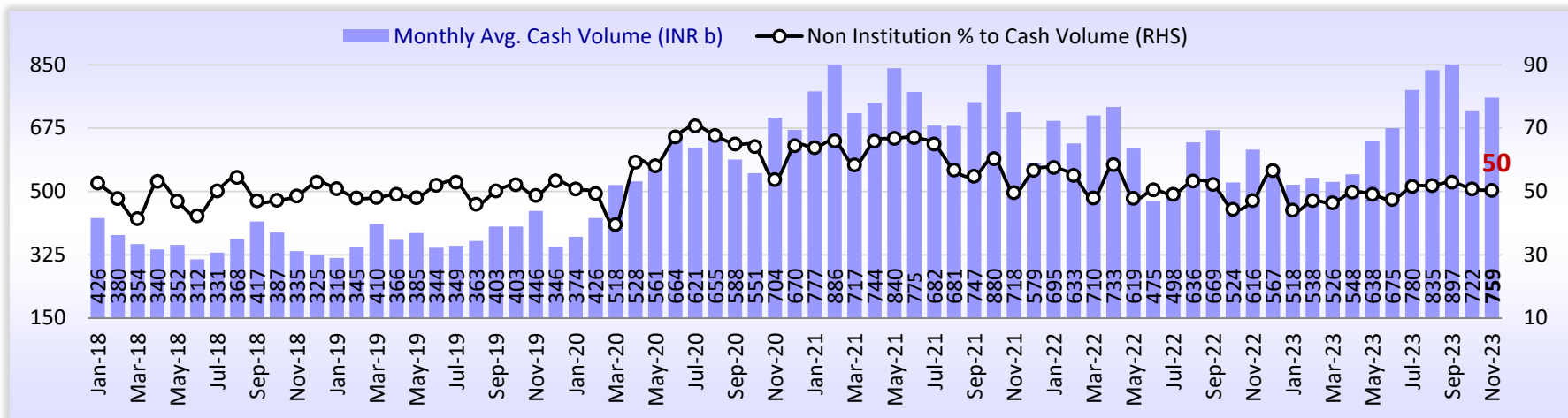


Yearly institutional flows (USD b)



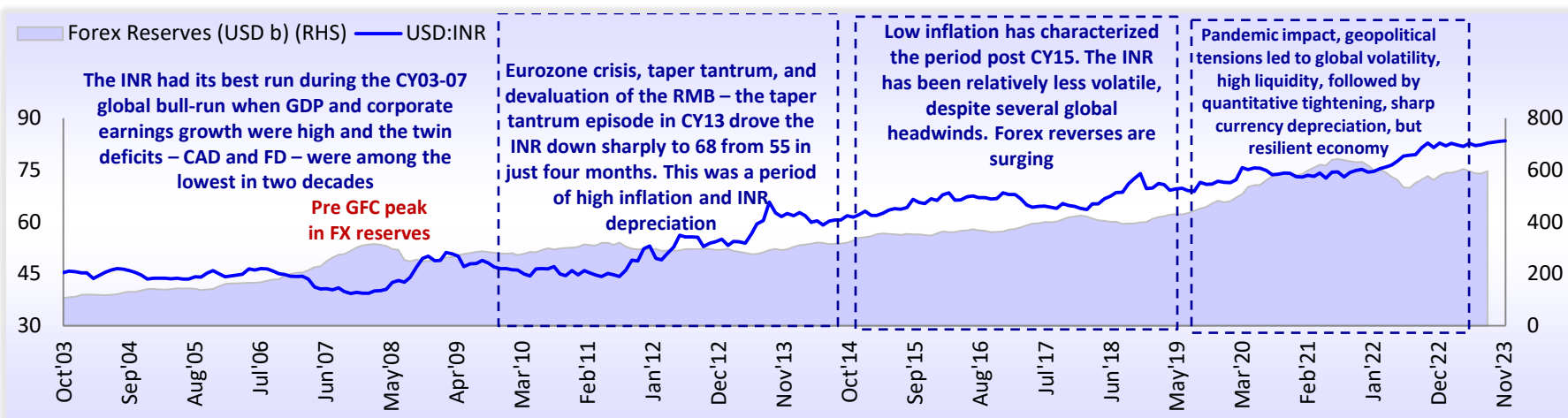
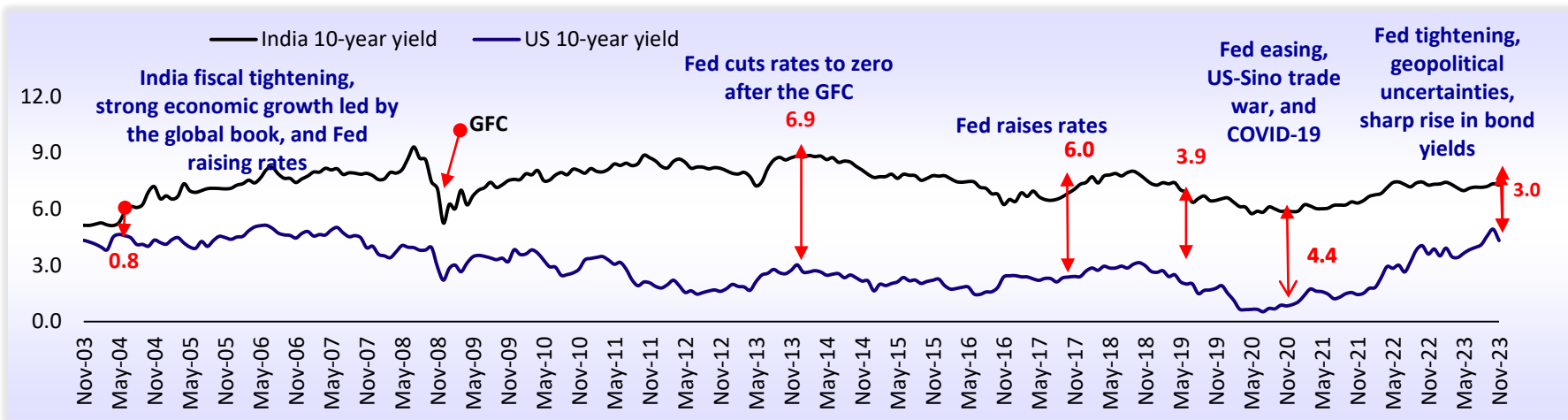
Average daily cash volumes grow; F&O volumes near highs in Nov'23

- ❖ Average daily cash volumes rose 5% MoM to INR759b in Nov'23. Non-institutional participation accounted for 50% of the total cash volumes.
- ❖ The monthly average F&O volume at INR312t in Nov'23



The 10-year yield spread between India and the US at a 15-year low

- ❖ The Indian bond yield closed at 7.3% vs. the US bond yield of 4.3% in Nov'23. The yield spread recovered in Nov'23 but was still at the lowest level since Feb'09.
- ❖ On the currency front, INR depreciated 0.2% MoM against USD. India's forex reserves decreased USD9b to USD595b; however, it was down ~USD47b from its peak in Oct'21.



Nifty composition: Auto, Healthcare and Telecom witness increase in weights; whereas Financials and Consumer witness a decline MoM

- ❖ The weights of Auto/Healthcare/Telecom rose 30bp/20bp/10bp MoM, whereas that of BFSI/Consumer declined 50bp/30bp MoM.
- ❖ The weight of O&G declined due to a ~190bp fall in the weightage of Reliance in CY23YTD.

Sector	Weightage in the Nifty (%)							
	Dec'04	Dec'08	Dec'12	Dec'20	Dec'21	Dec'22	Oct'23	Nov'23
Automobiles	6.7	2.5	8.8	5.4	5	5.3	6.3	6.6
Banks – Private	4.7	5	16.9	24.7	21.9	24.2	28.3	28.1
Banks – Public	5.8	5.4	4.7	1.8	2.3	2.9	2.6	2.5
NBFC + Insurance	2.1	2.3	7.9	12.3	11.4	10.6	4.9	4.8
Capital Goods	4	7.7	5.9	2.6	3	3.1	4.2	4.3
Cement	2.8	1.7	4.2	2.2	2.4	1.8	2.0	2.0
Consumer	7.8	6.5	12.3	10.4	9.4	10.3	11.1	10.8
Healthcare	6.3	2.6	5	3.6	3.4	3.8	4.0	4.2
Metals	8.2	4.8	3.8	2	2.9	2.9	2.8	2.9
Oil and Gas	27.1	24.5	12.3	12.5	12.3	12.1	10.5	10.4
Reliance	8.3	10.6	7.4	10.7	10.8	11.0	9.2	9.1
Telecom	6.3	11.6	2	2	2.1	2.5	2.8	2.9
Technology	14.5	9	11.4	16.3	19.1	14.0	13.6	13.6
Utilities	1.9	13.3	4.5	2.1	2.1	2.5	3.3	3.4
Miscellaneous	2	3.3	0.5	2.1	2.6	3.9	3.6	3.6
Nifty	100	100	100	100	100	100	100	100

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

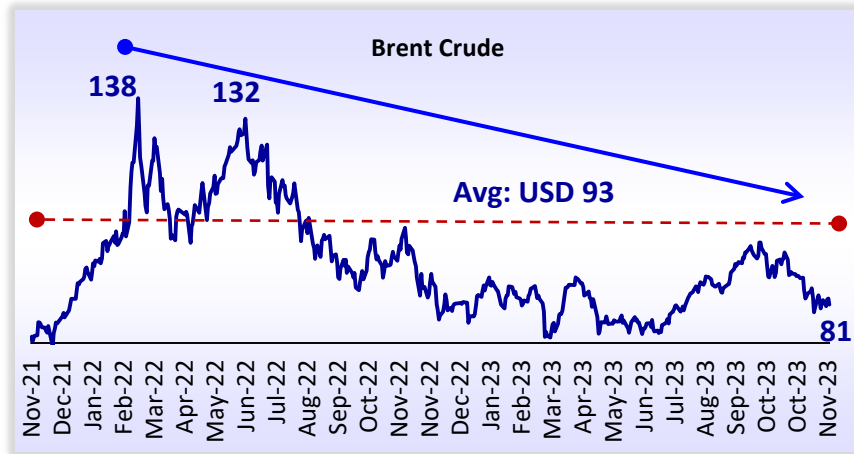
Weightage of Automobile, Capital Goods, Utilities and Consumer increase YTD

BFSI and Consumer decline in weights in Nov'23

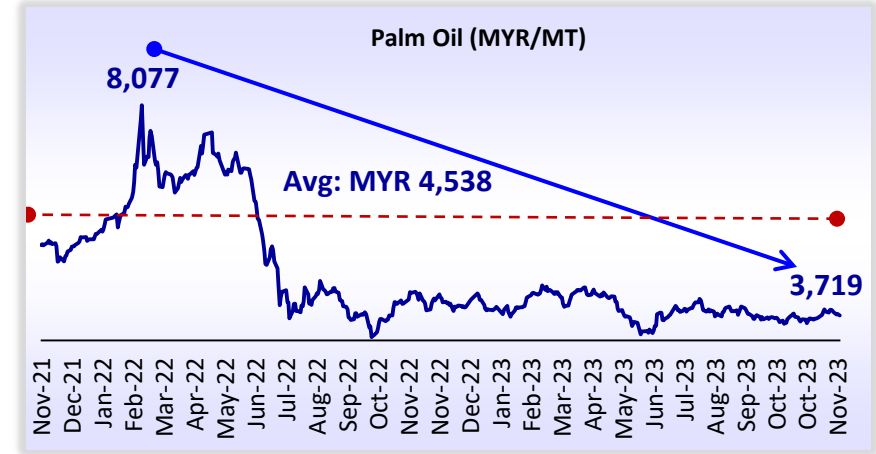
Weights of O&G and Technology declined in CY23YTD

Key commodity costs at a 2-year low, would continue to benefit corporate margins

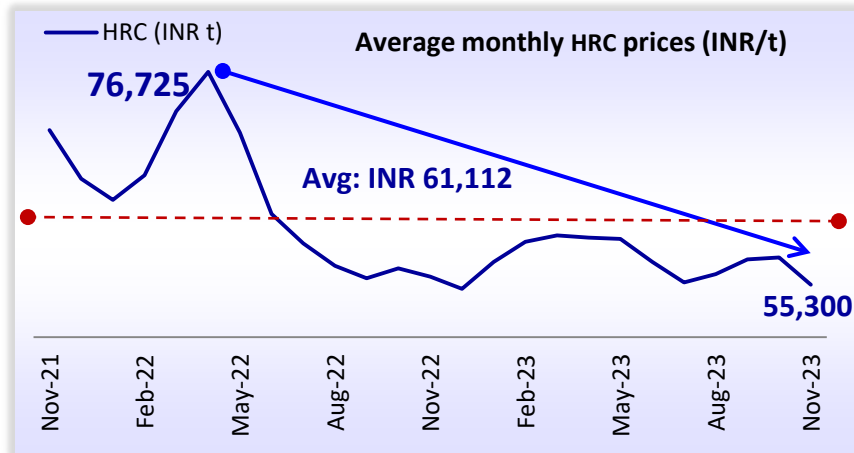
Crude prices down 3%YoY and down 42% from the Mar'22 highs and 17% from the Oct'23 highs



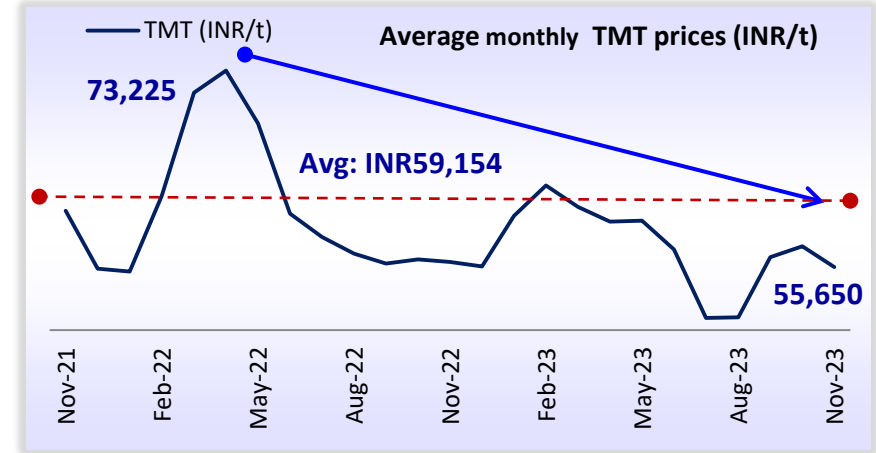
Palm oil prices down 9% YoY and down 54% YoY from Mar'22 highs



Average monthly HRC prices declined 1% YoY and down 27% from Apr'22 highs



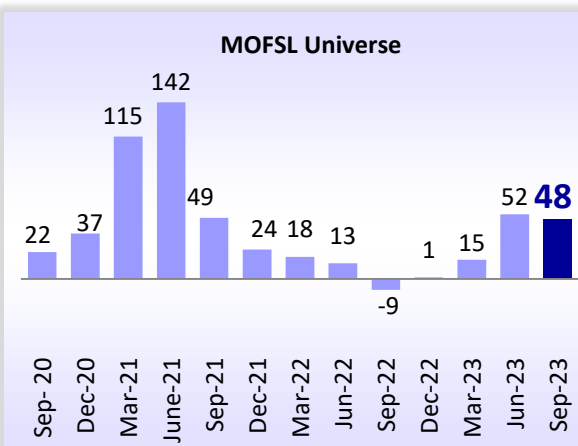
Average monthly TMT prices fell 10% YoY and down 30% from Apr'22 highs



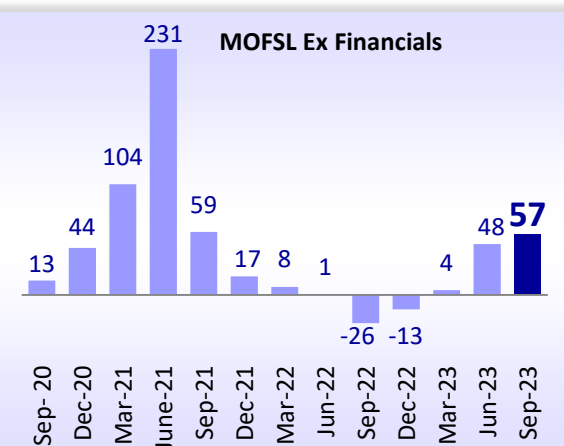
MOFSL universe and Nifty50 - 2QFY24 earnings snapshot

❖ MOFSL universe earnings grew 48% YoY, whereas Nifty earnings grew 28% YoY in 2QFY24

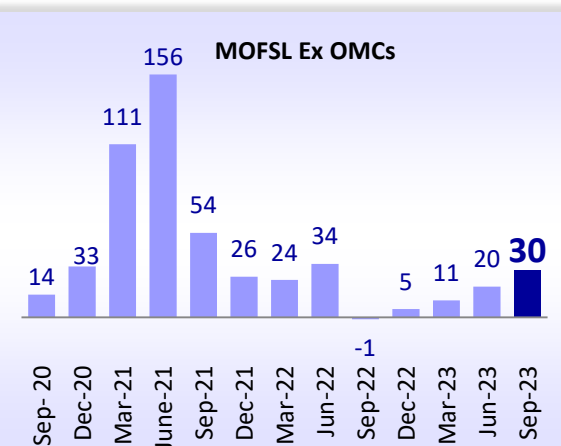
PAT grew 48% YoY for MOFSL Universe



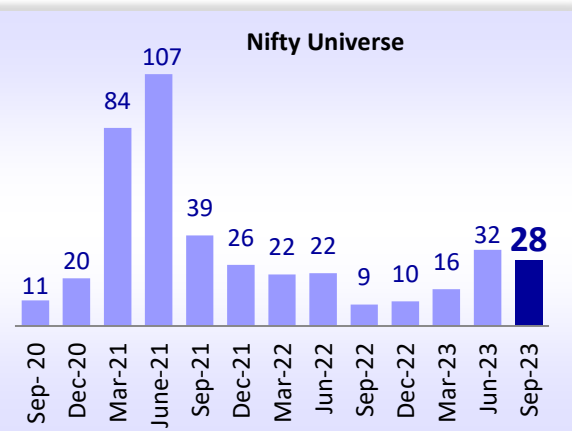
PAT grew 57% YoY for MOFSL Universe, excluding Financials



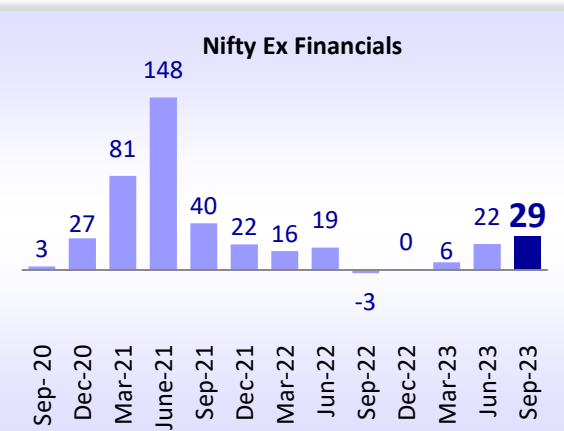
PAT rose 30% YoY for MOFSL Universe, sans OMCs



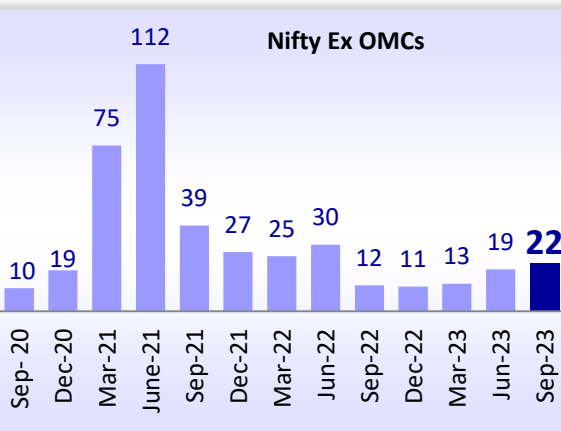
PAT growth for the Nifty Universe stood at 28% YoY



PAT for the Nifty Universe, sans Financials, grew 29% YoY



PAT grew 22% YoY for the Nifty Universe, sans OMCs



2QFY24 earnings review – A broad-based beat!

Sector-wise 2QFY24 performance of MOFSL Universe companies (INR b); BFSI and Automobiles drive earnings

Sector	Sales				EBIDTA				PBT				PAT			
(no of companies)	Sep-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. (%)	Sep-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. (%)	Sep-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. (%)	Sep-23	Chg. % QoQ	Chg. % YoY	Var. over Exp. (%)
Automobiles (24)	2,760	5.0	21.0	0.2	371	8.7	63	3.9	280	18.7	121.0	16.5	205	14.6	112.2	13.5
Cement (11)	488	-8.1	11.6	0.5	73	-11.2	54.8	1.7	53	-3	90.4	9.1	41	-1.5	96.7	14.6
Chemicals-Speci (9)	62	-1.7	-17.4	-2.6	11	-2.9	-19	-4.1	9	-3.9	-22.9	-3.3	7	-3.3	-21.8	-3.1
Consumer (19)	801	-0.1	4.4	-1.8	196	-2.3	13.7	-0.3	192	-1	17.9	2.6	144	-1.0	17.5	2.3
Financials (49)	2,560	10.1	18.6	0.3	1,391	0.7	16	-0.2	1,131	2.8	32.0	4.3	852	4.6	32.9	5.2
Banks-Private (13)	831	6.3	24.2	-0.4	620	6.6	22.6	0.2	535	9	30.9	1.0	415	12.6	35.6	4.5
Banks-PSU (6)	840	1.7	13.5	1.6	528	-9.0	6	-1.6	411	-4.6	35.0	11.2	294	-4.1	30.4	8.5
Insurance (6)	597	34.4	14.3	-1.3	31	53.7	7.8	-3.6	19	-1	15.4	-1.3	17	-2.9	14.7	4.1
NBFC - Lending (18)	261	5.2	28.1	1.3	198	4.6	30	1.6	151	2.2	31.1	-1.5	114	1.7	34.0	-1.0
NBFC - Non Lend (6)	31	25.1	36.7	13.2	14	36.8	28.0	19.1	15	32	25.9	19.3	11	26.3	25.8	18.4
Healthcare (24)	769	5.0	14.3	2.2	173	7.9	18	5.9	138	11.1	15.0	8.5	106	12.4	15.0	8.0
Infrastructure (3)	43	-9.7	7.4	-3.2	12	-8.8	3.7	-1.9	6	-20	-0.1	4.0	3	-29.5	-10.7	-11.8
Logistics (6)	69	8.2	5.9	0.1	10	17.5	-1	3.7	7	26.2	0.5	7.5	6	25.0	1.3	7.4
Media (3)	55	18.4	40.7	11.7	15	44.4	70.3	30.9	12	43	68.6	39.7	8	42.1	79.9	35.3
Metals (10)	2,772	0.0	-0.7	5.6	443	-3.2	20	16.3	257	-12.3	17.1	25.1	193	-4.2	39.5	30.9
Oil & Gas (15)	7,267	-2.6	-8.8	-10.0	1,137	-1.5	84.6	1.3	862	-1	128.2	2.4	624	-0.9	126.4	2.3
Ex OMCs (12)	3,483	7.6	-4.8	-1.7	713	4.9	29	2.3	510	9.8	23.5	3.6	358	10.4	18.2	2.9
Real Estate (9)	99	9.5	29.9	-2.7	29	20.8	37.9	3.3	24	11	68.5	13.9	19	7.8	26.6	4.3
Retail (18)	418	4.5	20.3	4.0	50	4.7	7	0.6	28	5.0	-5.5	-1.6	21	4.1	-6.8	-3.1
Staffing (3)	101	3.5	12.2	0.3	3	6.4	23.0	2.0	2	15	38.2	13.4	2	8.2	25.0	13.7
Technology (12)	1,830	0.9	6.0	-0.7	413	3.4	5	1.9	374	2.1	5.3	-1.0	277	2.4	4.9	-1.6
Telecom (4)	598	-0.3	3.9	-2.4	282	-0.1	10.1	-2.7	-4	Loss	Loss	PL	-43	Loss	Loss	Loss
Others (20)	668	-1.1	1.1	-1.3	91	-24.6	29	5.2	42	-43.6	43.9	0.9	33	-50.9	72.3	24.8
MOFSL Universe (239)	21,359	1.0	2.8	-3.0	4,700	0.0	30.2	2.3	3,413	0.7	46.1	5.2	2,497	1.0	47.8	5.3
Ex Financials (190)	18,799	-0.1	1.0	-3.4	3,309	-0.2	37.1	3.4	2,282	-0.3	54.2	5.7	1,645	-0.7	56.9	5.4
Ex Metals & Oil (214)	11,319	3.7	13.1	0.0	3,120	1.1	18.8	1.0	2,294	3.0	31.9	4.5	1,680	2.4	31.7	4.1
MOFSL Ex OMCs (236)	17,574	3.9	6.8	0.5	4,276	1.3	20.5	2.6	3,060	2.5	29.0	5.8	2,231	3.0	30.0	5.8
Nifty (50)	13,943	3.4	5.1	-0.5	3,507	0.4	20.6	1.9	2,499	0.9	27.1	4.9	1,836	2.8	28.0	5.8
Sensex (30)	10,266	4.6	9.4	0.6	2,817	2.3	19.8	1.8	1,962	3.2	27.9	4.6	1,427	5.7	29.7	4.9

Indian Politics: BJP's strong show to reinforce market momentum

Expectations for political continuity in 2024 to bolster sentiment

- ❖ As per the state election results and the BJP has comfortably won in three out of four states that went under the polls, beating the exit polls. The BJP has retained Madhya Pradesh (MP) with a strong two-thirds majority, and regained Rajasthan and Chhattisgarh from the Congress with a comfortable majority.
- ❖ Vote share difference between the BJP and the Congress in MP, Rajasthan and Chhattisgarh stands at 8.2%, 2.2% and 4.2%, respectively (details in Exhibit 1-8). In Telangana, the Congress has defeated the BRS by a thin majority. Thus, the verdict is clear for all four states. These four states together account for 75 Lok Sabha seats (out of 544).

Market fundamentals remain supportive

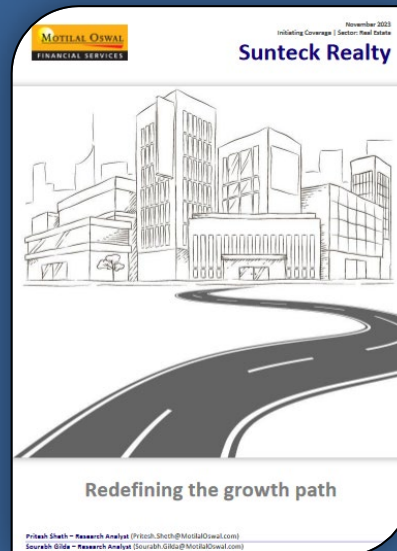
- ❖ India's macro and micro fundamentals remain quite strong as indicated by the following factors: (1) 7.7% real GDP growth in 1HFY24 led by a robust print in manufacturing and investment sectors. (2) Solid corporate earnings: Nifty has delivered 1HFY24 earnings growth of 30% and is poised for a healthy 20% FY24 earnings growth. (3) The earnings momentum continues post 2QFY24 as well with Oct-Nov'23 seeing good high-frequency data points (GST collections, auto monthly numbers, power demand, PMI data). (4) Supportive global macros with rates peaking out, Brent crude in a benign range of USD80 per barrel and stable bond yields; and 5) last but not least, attractive valuations with Nifty trading at 17.8x FY25E EPS, below its long-period average of 20x.

Market behavior into and post General Elections

General Election	Year	Political party	Nifty Closing						Nifty performance				Election results period change
			6 months before Result date	Result Date	On Result day	1 months after Result date	3 months after Result date	6 months after Result date	6 months before result date	1 month after results	3 month after results	6 month after results	
10th	1991	Congress	382	15-Jun-91	398	429	549	541	4%	8%	38%	36%	12%
11th	1996	BJP	953	9-May-96	1,091	1,133	1038	885	14%	4%	-5%	-19%	19%
12th	1998	BJP	1,117	2-Mar-98	1,098	1,157	1020	843	-2%	5%	-7%	-23%	4%
13th	1999	BJP led NDA	1,024	6-Oct-99	1,393	1,365	1618	1,453	36%	-2%	16%	4%	33%
14th	2004	Congress led UPA	1,580	13-May-04	1,718	1,508	1598	1,873	9%	-12%	-7%	9%	-5%
15th	2009	Congress led UPA	2,810	16-May-09	3,672	4,518	4580	5,058	31%	23%	25%	38%	61%
16th	2014	BJP led NDA	6,056	16-May-14	7,203	7,534	7792	8,390	19%	5%	8%	16%	24%
17th	2019	BJP led NDA	10,527	23-May-19	11,657	11,724	10829	11,914	11%	1%	-7%	2%	11%

Source: MOFSL, NSE

KEY REPORTS FROM MOFSL'S RESEARCH DESK

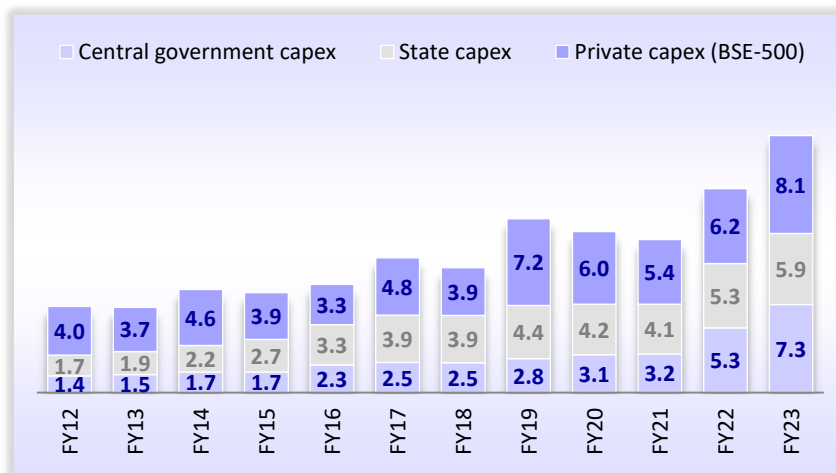


Capital Goods: Thematic

Winds of change: Powering up for sustainable

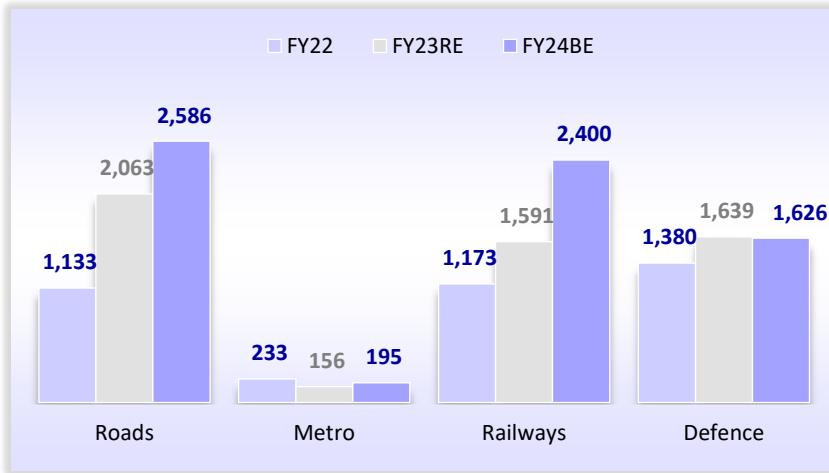
- ❖ The capital goods sector has started benefitting from the government's initiatives towards incremental capex spending, revival in select pockets of the private sector, improving growth outlook from international geographies (particularly GCC nation) and favorable raw material prices. Government has 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

Capital Goods: Thematic (cont.): Addressable market for companies and key beneficiaries

Opportunity pipeline till FY2030 and expected beneficiaries from the same

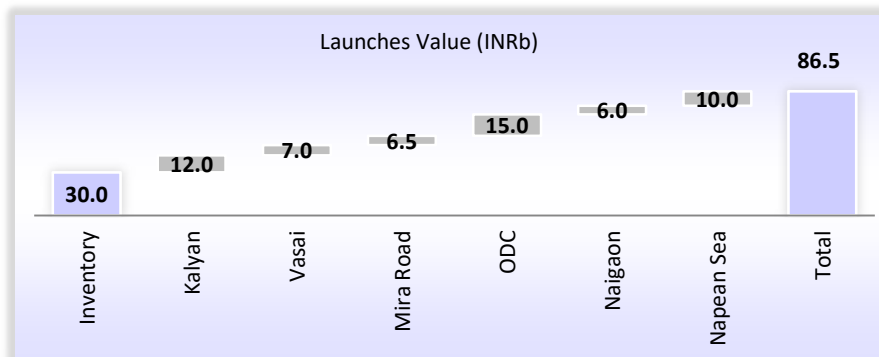
Segments	Description	Spending scenarios			Key beneficiaries
		Investment planned	Base case -70%	Base case yearly capex opportunity	
Transmission	❖ As per MoP, transmission line network worth Rs2.4t will have to be set up before renewable energy of total capacity of 500 GW capacity gets commissioned	INR2.4t till 2031	INR1.7t	INR170b	❖ PGCIL, L&T, KEC, Kalpataru, Tata projects, GE T&D, Hitachi energy, ABB, Siemens, CG Power, Voltamp, TRIL, Bharat Bijlee
Railways	❖ Apart from the near term opportunity from metro projects, as per National Rail Plan, investment of Rs16.9 trn is needed to ramp up high speed rail network and increase coaches and locomotives capacity	INR16.9t till 2031	INR11.8t	INR1.18t	❖ L&T, KEC, Kalpataru, Siemens, ABB, CG Power, TD Power, Hitachi Energy, Medha, Stadler, RVNL, Titagarh Wagons, Jupiter Wagons
Defence	❖ With all four import embargo lists, MoD expects indigenization potential worth more than Rs5 tn to happen over next 5 years.	INR5t till 2027	INR3.5t	INR700b	❖ BEL, HAL, BDL, L&T, Garden Reach, Mazgaon Dock, MTAR, Data Patterns, BEML, Bharat Forge
Water	❖ From the overall Jal Jeevan Mission cost of Rs3.6t, an amount nearly Rs1.4 tn has been spent from FY2020-23 and we expect the remaining amount to be spent over next 1-2 years factoring in a delay of a year	INR2.2t till 2025	INR1.5t	INR750b	❖ L&T, KEC, Kalpataru, KNR, PNC, Va Tech, NCC
PLI led capex	❖ Government had outlined incentives of Rs1.97 tn across 14 sectors under the PLI scheme. This is likely to result in capex of nearly Rs4-5t over next five years across these sectors with asset turnover being different for every sector	INR4.5t till 2027	INR3t	INR600b	❖ ABB, Siemens, L&T, KEC, Kalpataru, Dixon, Amber, PG Electroplast, Thermax, Isgec Heavy
Data center	❖ Incremental investment of \$5bn-\$6bn over next 3 years is expected to happen in data center market as capacity moves from 890MW in CY2022 to 1700MW by CY2025	INR415b till 2025	INR290b	INR140b	❖ Cummins, KOEL, ABB, Siemens, Hitachi Energy, Schneider, L&T, KEC, Kalpataru, Amber, Blue Star, Voltas
Green investments	❖ This would involve RE capacity additions, grid investments, battery charging infrastructure, smart metering, ethanol blending to name a few	INR22t till 2030	INR15.4t	INR1.5t	❖ Tata Power, NPTC, PGCIL, ABB, Siemens, Hitachi Energy, Genus Power, Praj Industries, Cummins, Thermax

Source: Industry, MOFSL estimates

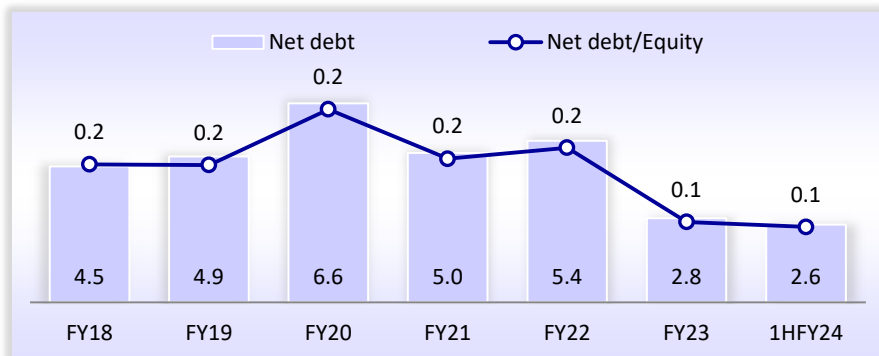
Sunteck realty : INITIATING COVERAGE: Redefining the growth path

- ❖ Sunteck Realty Ltd. is one of the leading real estate developers in the MMR, which is the largest micro-market in the country.
- ❖ Sunteck's multi-micro-market presence, luxury offerings across price points, and proven execution track record have made it one of the biggest beneficiaries of the strong demand. Its three new project launches (out of the eight projects it acquired) resulted in 22% pre-sales CAGR during FY18-23. The company is likely to post 25% CAGR over FY23-26 (reaching INR31b), as it is gearing up for 2-3 new project launches. Further, Sunteck's strong balance sheet (D/E of 0.1x), robust cash flows (cumulative OCF of INR16b over FY23-26E) and recent platform with IFC would enhance its future growth potential.
- ❖ We arrive at our TP of INR640 based on the SOTP approach, indicating 41% upside potential. We initiate coverage with a BUY.
- ❖ Risks: 1) a delay in the launch of new projects; and 2) subdued sales velocity, would lead to a longer monetization timeline.

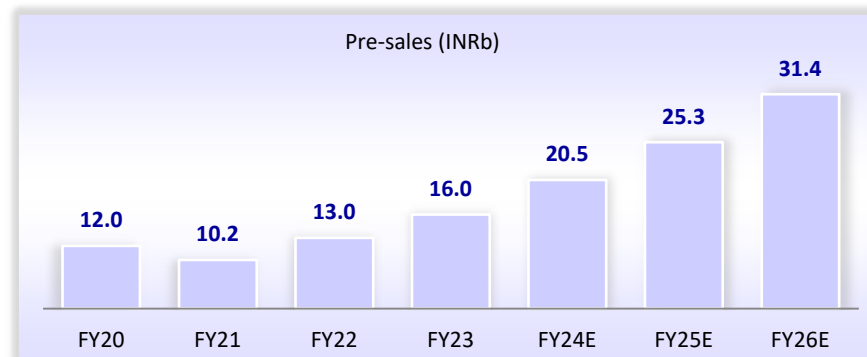
The company is gearing up for INR57b of launches ...



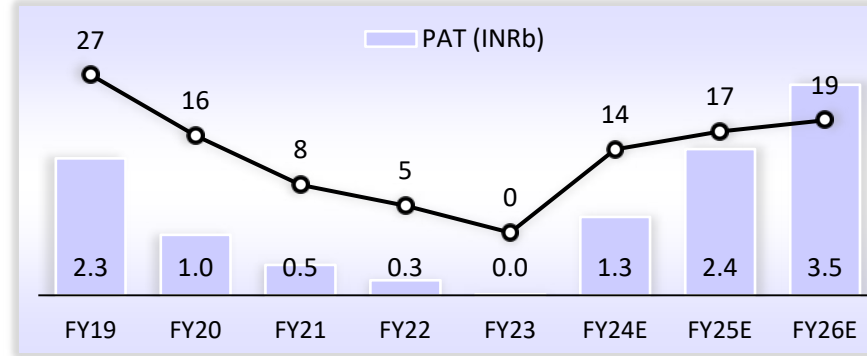
Net D/E ratio the best among peers



...which will enable it to report 25% CAGR in sales over FY23-FY26E



PAT to increase to INR3.5b with a margin of 18%

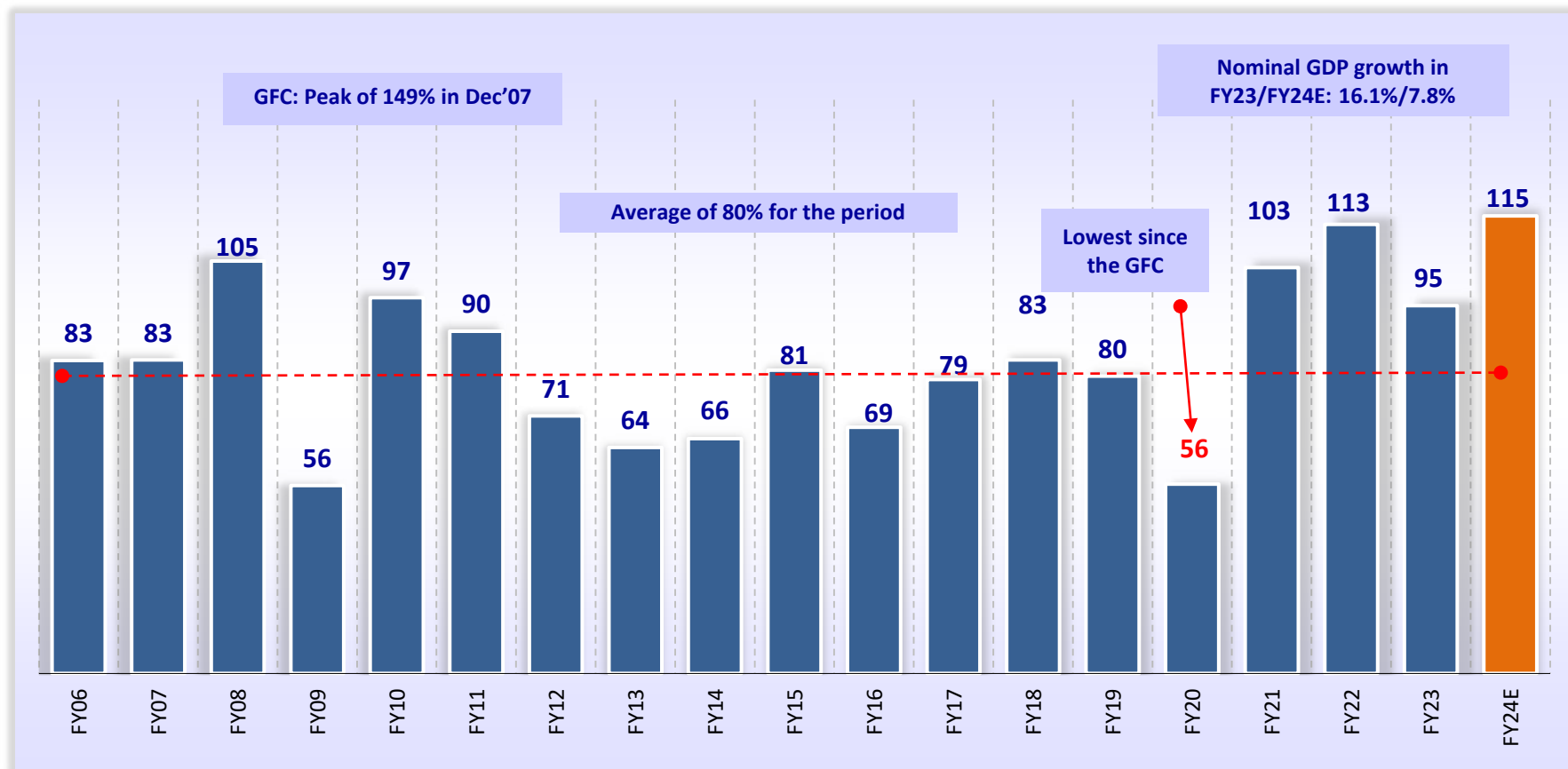


Valuations: Key observations

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

- ❖ India's market capitalization-to-GDP ratio has been volatile; it fell to 56% (of FY20 GDP) in Mar'20, but recovered sharply to 95% in FY23.
- ❖ The ratio stands at 115% as of FY24YTD, much above its long-term average of ~80%.

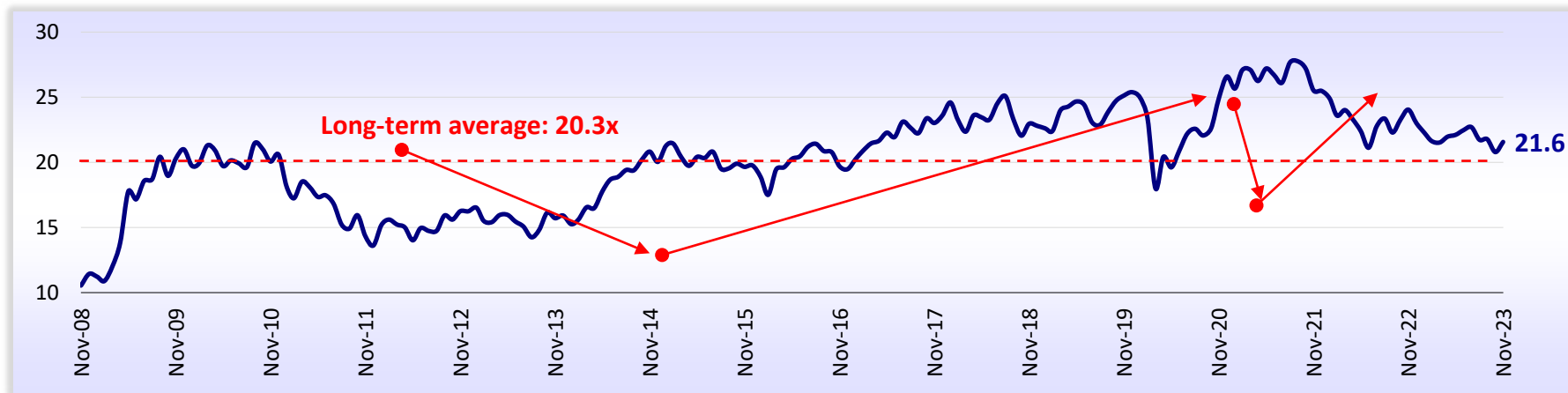
Market capitalization-to-GDP ratio (%)



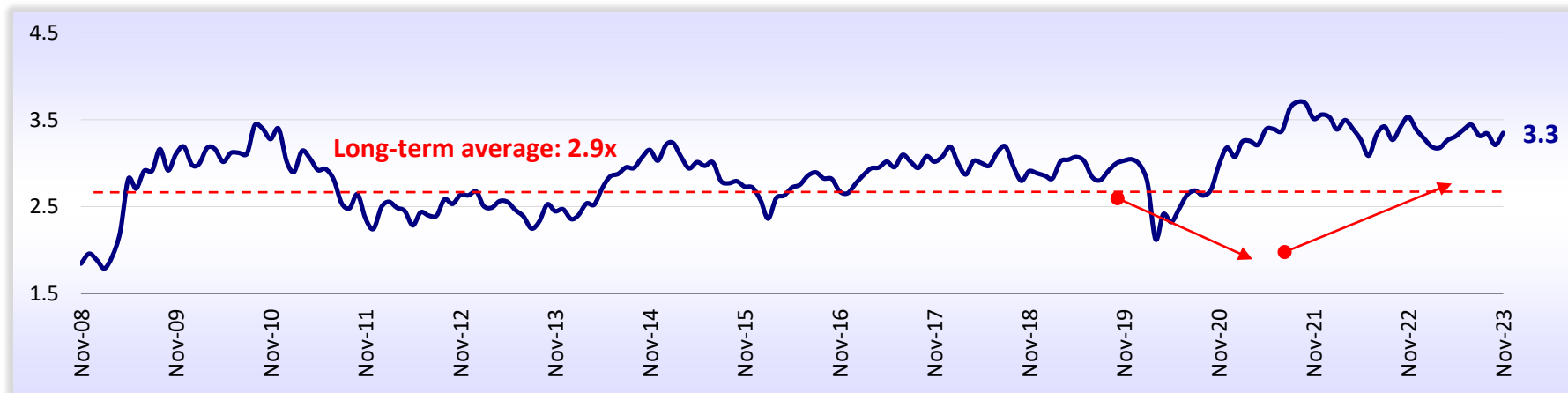
Valuations: Nifty's 12-month trailing P/E is trading at a premium to its LPA

- ❖ The 12-month trailing P/E for the Nifty stood at 21.6x, a 6% premium to its LPA of 20.3x.
- ❖ At 3.3x, the 12-month trailing P/B has been 16% above its historical average of 2.9x.

12-month trailing Nifty P/E (x)



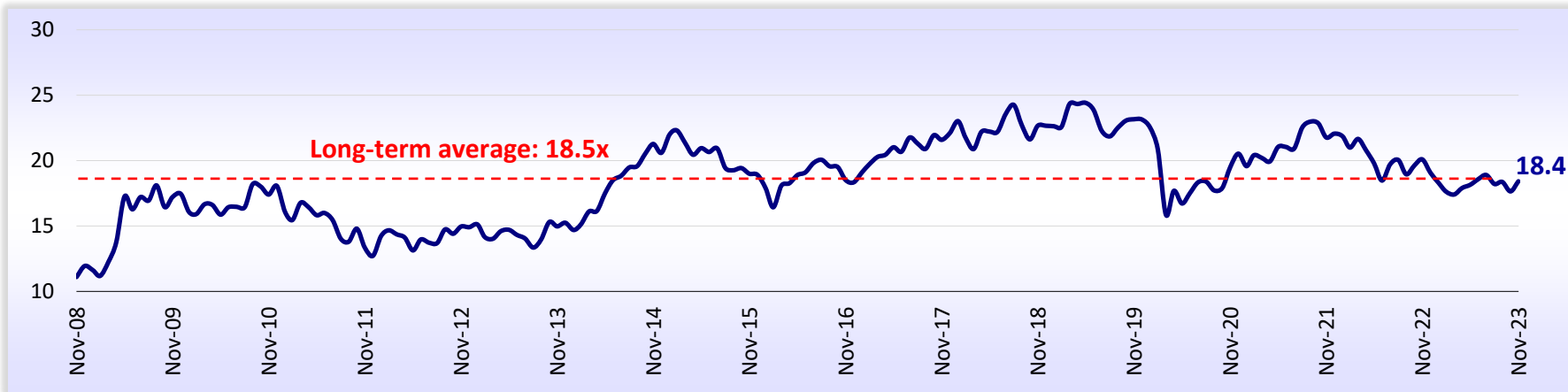
12-month trailing Nifty P/B (x)



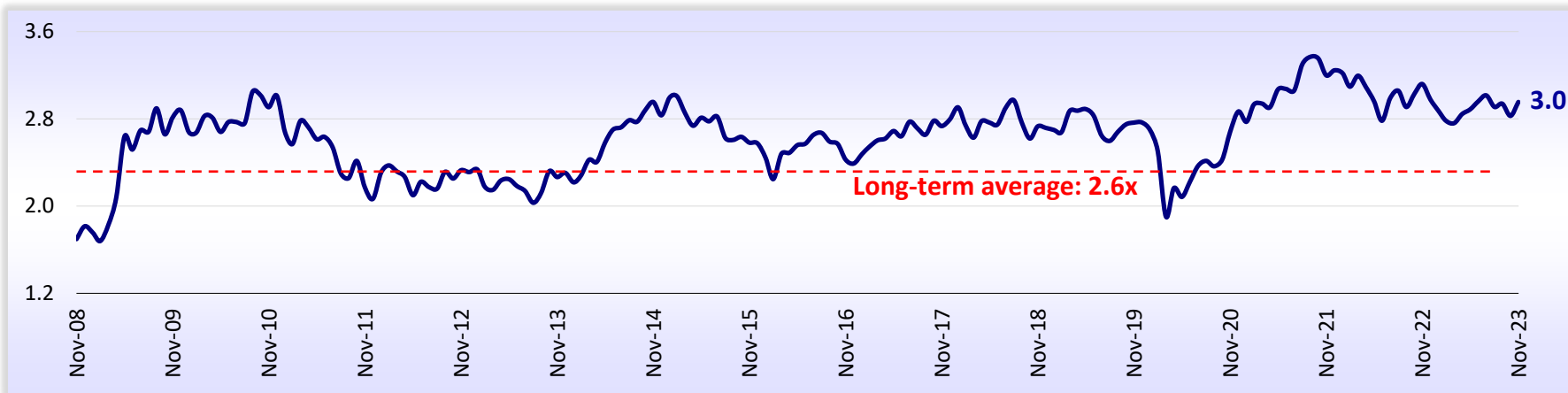
Valuations: Nifty's 12-month forward P/E near its LPA

- ❖ Nifty's 12-month forward P/E has been at 18.4x, trading near its LPA of 18.5x.
- ❖ At 3.0x, the 12-month forward P/B has been at a premium of ~12% to the Nifty's historical average of 2.6x.

12-month forward Nifty P/E (x)

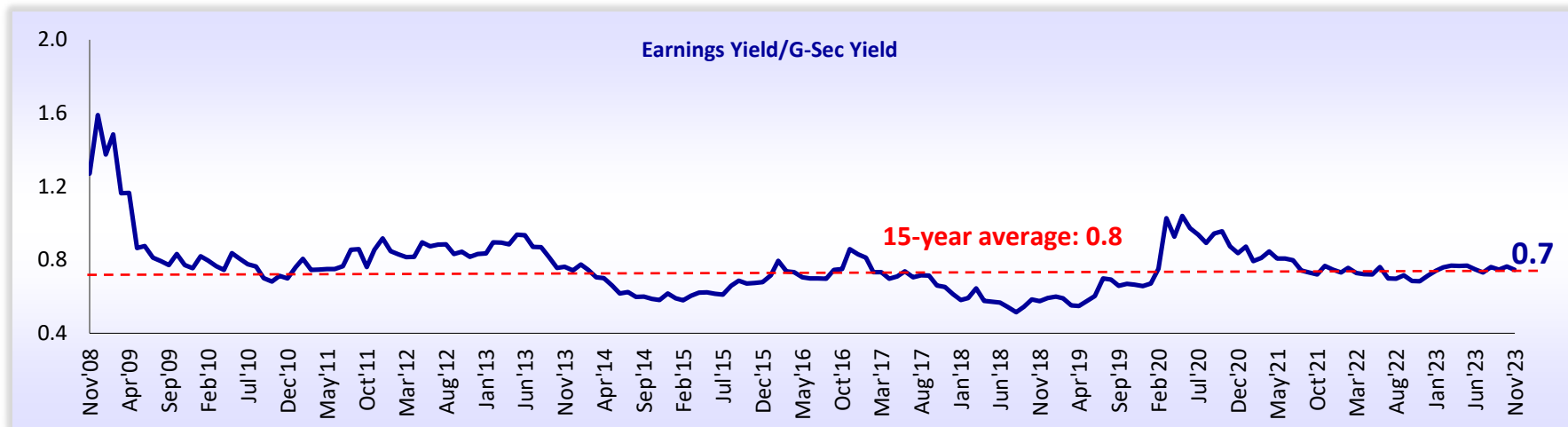
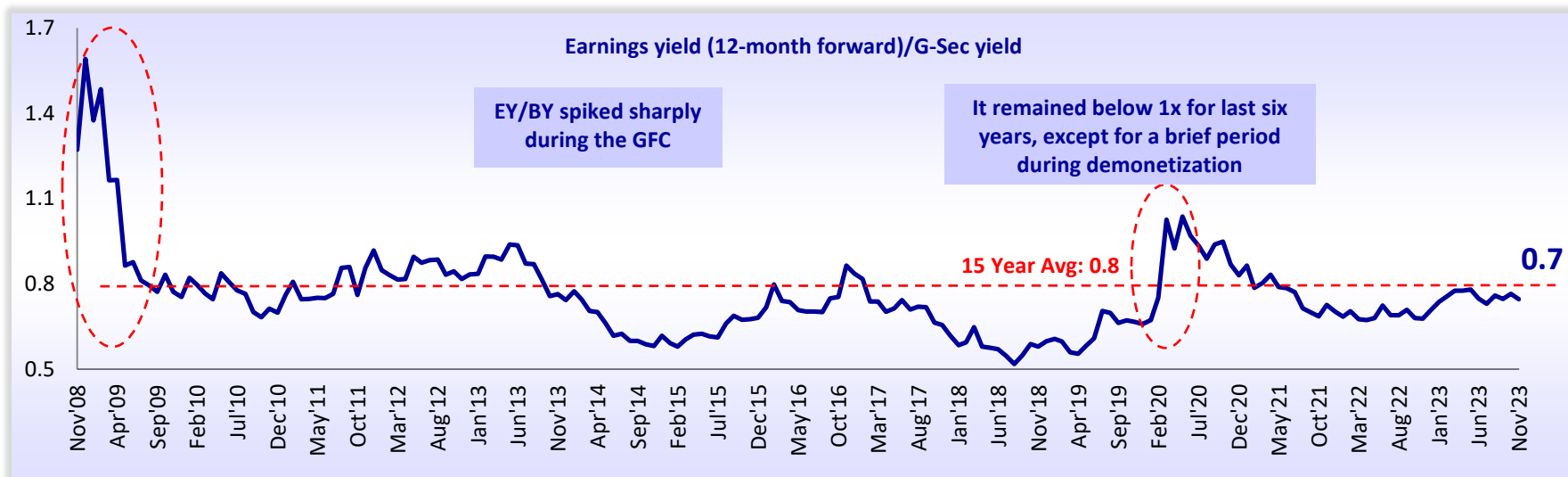


12-month forward Nifty P/B (x)



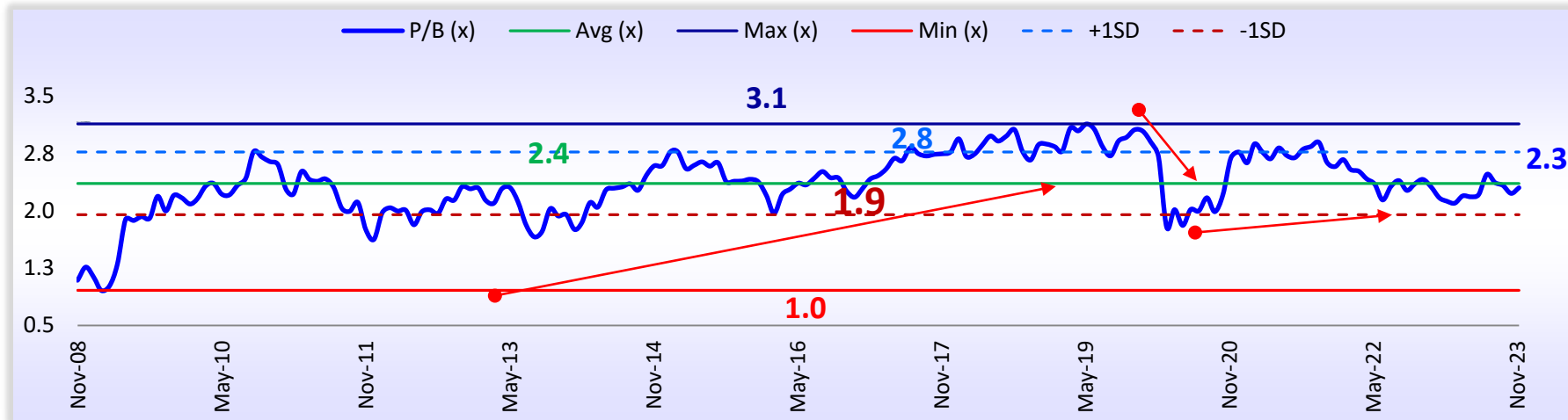
The 10-year G-Sec yield stands at 7.3%; EY/BY near its long-term average

- ❖ India's 10-year bond yield stood at 7.3%, leading to the EY/BY trading near its 15-year average of 0.7%.
- ❖ On a trailing basis, EY/BY is below its LPA.

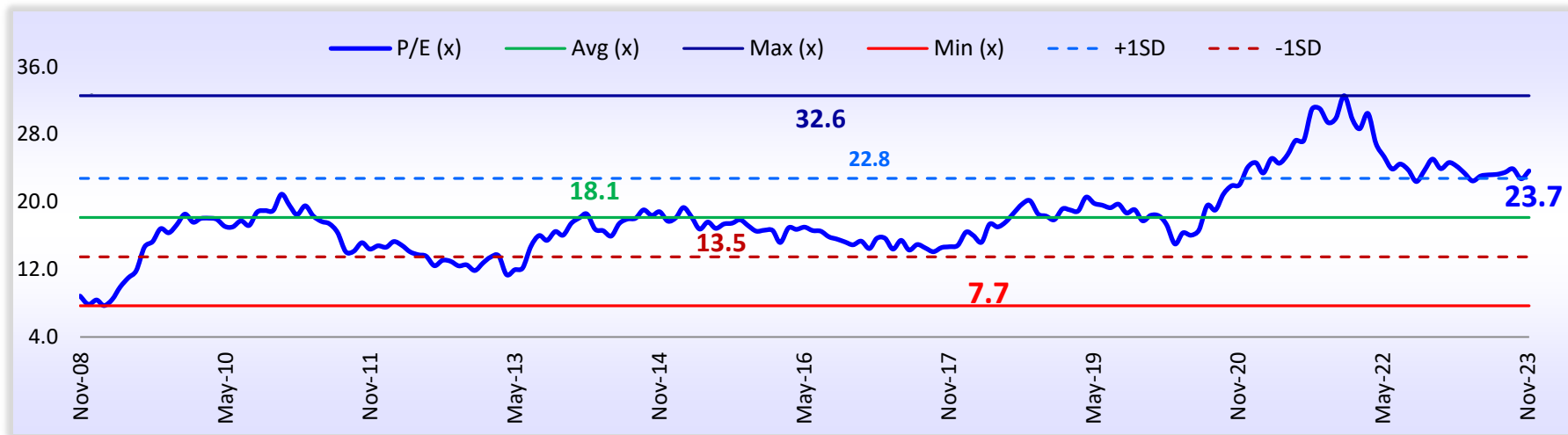


Sectoral valuations: Pvt Banks trading at a discount; IT trading at 29% premium to its LPA

Private Banks sector is trading at 2% discount its LPA

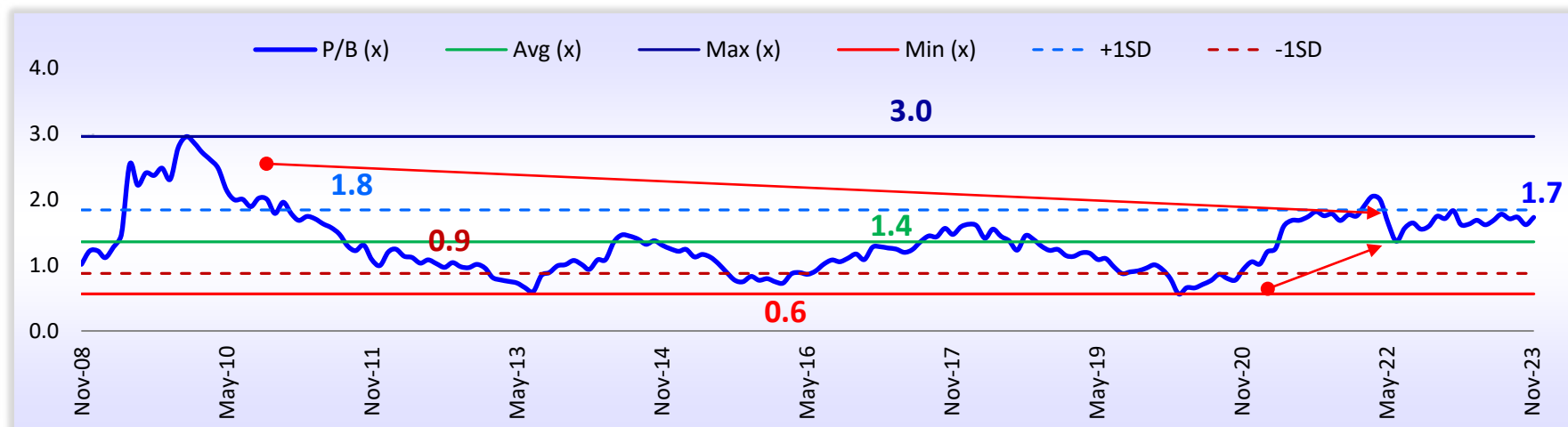


Valuation for the IT sector has been at 30% premium to its LPA, but it has been at a 27% discount to its Dec'21 high

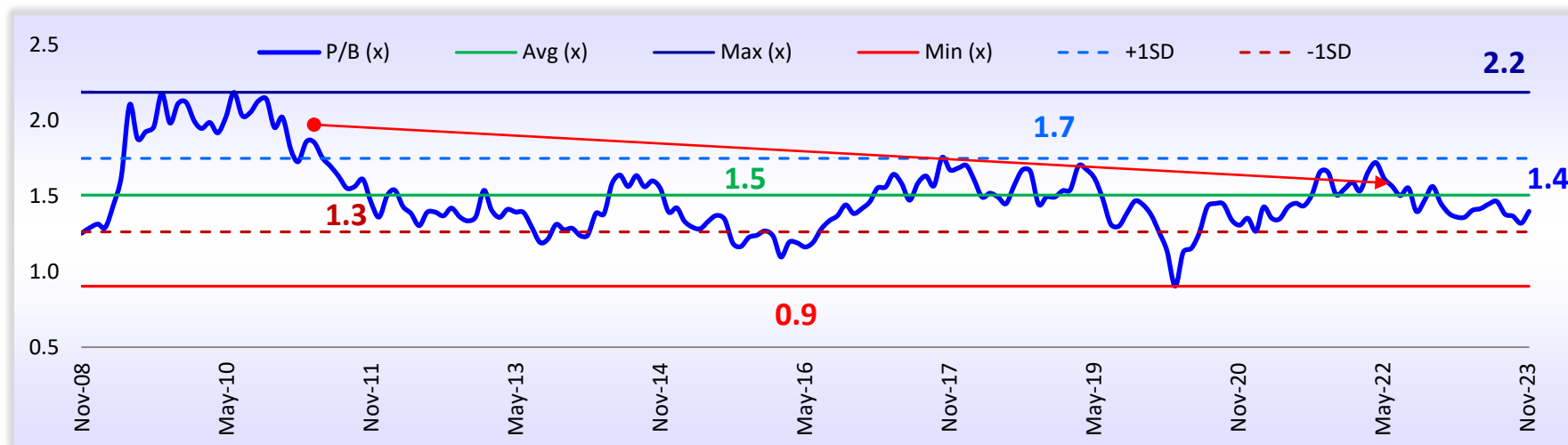


Sectoral valuations: Metals trading at a premium, while O&G at a discount to LPA

Metals: Valuation at 27% premium to its LPA

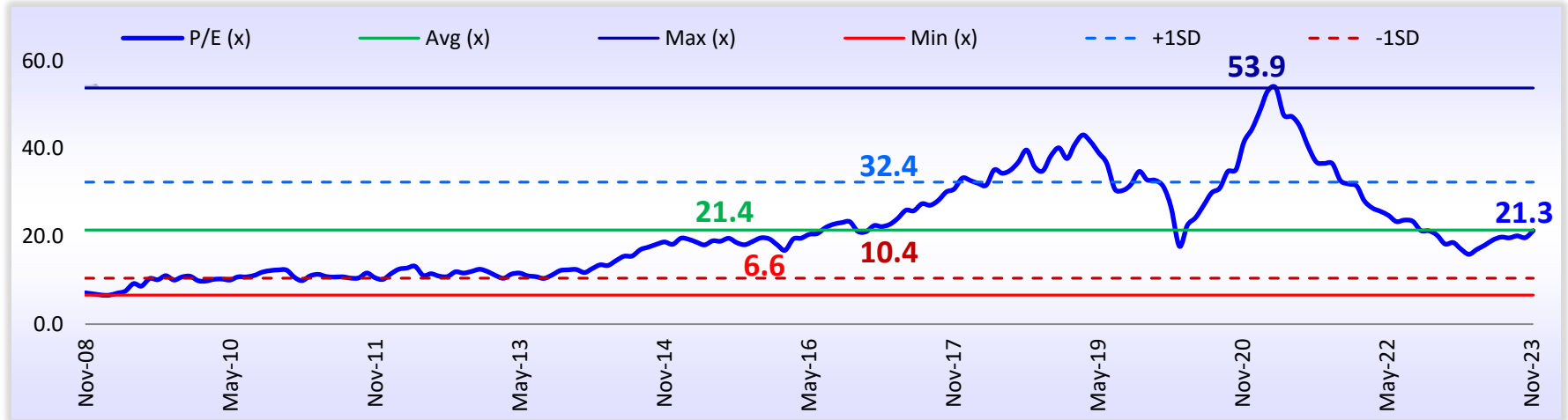


O&G: Valuation at 7% discount to its LPA

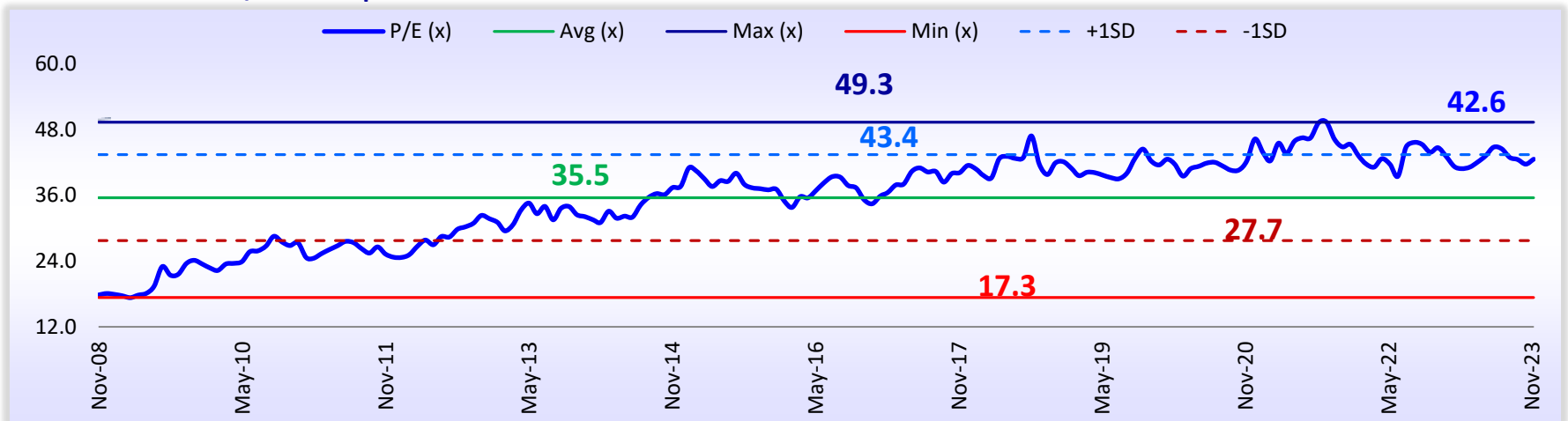


Sectoral valuations: Auto trading at a discount, while Consumer at a premium to LPA

Auto's valuation at 6% discount to its LPA



Consumer sector's P/E at 18% premium to its LPA



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Top ideas within 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															
ICICI Bank	83.0	1,013	45.8	57.0	65.5	19.6	22.1	17.8	15.5	3.6	3.0	2.6	17.5	18.6	18.3
ITC	66.7	452	15.1	16.6	19.0	12.3	29.9	27.2	23.7	8.3	7.9	7.5	29.0	29.8	32.4
St Bk of India	63.6	608	62.4	78.1	89.5	19.8	9.8	7.8	6.8	1.6	1.3	1.1	18.1	19.1	18.3
Larsen & Toubro	54.6	3,315	75.9	97.6	120.9	26.2	43.7	34.0	27.4	5.1	5.1	4.5	12.1	15.0	17.5
Bajaj Fin.	53.7	7,350	190.4	240.1	309.8	27.6	38.6	30.6	23.7	8.2	6.0	4.9	23.4	22.7	22.6
HCL Technologies	43.5	1,317	54.8	58.1	65.9	9.7	24.0	22.7	20.0	5.5	5.5	5.6	23.3	24.2	27.9
Titan Company	37.1	3,546	36.8	46.1	59.9	27.7	96.4	76.9	59.2	26.4	21.5	17.4	30.8	30.9	32.5
UltraTech Cem.	32.2	9,327	175.4	257.5	312.9	33.6	53.2	36.2	29.8	5.0	4.4	3.9	9.7	12.9	14.0
Avenue Supermarts	30.8	4,038	36.7	41.8	58.2	25.9	110.0	96.6	69.4	15.7	13.4	11.1	16.0	15.5	18.2
M & M	23.8	1,685	64.9	90.7	95.6	21.4	26.0	18.6	17.6	4.7	3.9	3.3	19.1	22.8	20.4
Zomato	12.1	117	Loss	0.3	1.0	LP	NM	417.8	114.2	4.8	5.1	4.9	-	1.2	4.4
Preferred midcap/smallcap stocks															
Indian Hotels	7.4	435	7.0	8.6	10.2	20.1	61.7	50.5	42.8	7.7	6.8	5.9	13.3	14.3	14.8
Godrej Properties	6.4	1,907	22.4	24.8	43.9	40.1	85.3	77.0	43.4	5.7	5.4	4.8	6.9	7.2	11.5
Ashok Leyland	6.1	175	4.5	9.2	11.5	59.5	38.8	19.1	15.2	6.1	4.9	3.9	16.8	28.4	28.3
Metro Brands	4.5	1,346	13.3	13.4	18.5	18.0	101.2	100.2	72.7	23.1	20.1	17.1	25.7	22.0	26.0
Global Health	3.2	1,004	12.1	18.2	21.8	34.0	82.7	55.1	46.0	11.1	9.5	8.1	16.1	18.6	19.1
Angel one	3.0	2,942	107.5	137.6	160.7	22.3	27.4	21.4	18.3	11.3	8.5	6.6	47.6	45.3	40.8
PNB Housing	2.5	795	61.9	58.2	69.4	5.8	12.8	13.7	11.5	1.2	1.4	1.2	10.0	11.6	11.4
Craftsman Auto	1.3	5,081	117.6	186.0	224.9	38.3	43.2	27.3	22.6	7.8	6.2	4.9	19.7	25.2	24.3
Lemon Tree Hotel	1.1	115	1.5	2.0	3.2	45.8	75.8	57.4	35.7	10.5	8.9	7.1	14.0	16.7	22.1
Sunteck Realty	0.8	492	0.1	8.9	16.6	1182.1	4872.0	55.3	29.6	2.6	2.5	2.3	0.1	4.6	8.1

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

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NOTES

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.

Disclosures

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