



# Market and Fund Insights

Nov 2023



# Global Equity Markets at a glance

|                  | Countries    | Exchange Name       | Index Level | Valuation (12-month forward) |     |                |      | Performance (%) |         |         |        |        |
|------------------|--------------|---------------------|-------------|------------------------------|-----|----------------|------|-----------------|---------|---------|--------|--------|
|                  |              |                     |             | P/E                          | P/B | Div. Yield (%) | ROE  | 1 Month         | 3 Month | 6 Month | 1 Year | CYTD   |
|                  |              |                     |             | (x)                          | (x) |                | (%)  |                 |         |         |        |        |
| Developed Market | USA          | S&P500              | 4,167       | 17.5                         | 3.5 | 1.8            | 19.9 | (2.8)           | (9.2)   | (0.1)   | 7.6    | 8.5    |
|                  | USA          | Nasdaq              | 12,789      | 26.4                         | 4.5 | 0.9            | 17.2 | (3.3)           | (10.8)  | 4.6     | 16.4   | 22.2   |
|                  | Europe       | STOXX 600           | 434         | 11.7                         | 1.6 | 4.1            | 13.8 | (3.5)           | (7.9)   | (6.9)   | 5.3    | 2.2    |
|                  | UK           | FTSE 100            | 7,366       | 10.1                         | 1.5 | 4.6            | 15.0 | (3.2)           | (4.3)   | (6.4)   | 3.8    | (1.2)  |
|                  | Germany      | DAX                 | 14,801      | 10.1                         | 1.2 | 4.8            | 12.3 | (3.8)           | (10.0)  | (7.0)   | 11.7   | 6.3    |
|                  | France       | CAC 40              | 6,890       | 11.3                         | 1.6 | 3.7            | 13.9 | (3.4)           | (8.1)   | (8.0)   | 10.0   | 6.4    |
|                  | Japan        | Topix               | 2,254       | 13.9                         | 1.2 | 2.6            | 8.5  | (3.0)           | (3.0)   | 9.5     | 16.8   | 19.1   |
|                  | Australia    | ASX 200             | 6,781       | 14.2                         | 1.8 | 4.8            | 12.8 | (3.8)           | (8.5)   | (7.2)   | (1.2)  | (3.7)  |
|                  | Singapore    | STI Index           | 3,068       | 9.8                          | 1.0 | 5.8            | 10.0 | (4.7)           | (9.1)   | (6.2)   | (0.8)  | (5.6)  |
|                  | Hong Kong    | Hang Seng           | 17,112      | 8.1                          | 0.9 | 4.4            | 11.1 | (3.9)           | (14.8)  | (14.0)  | 16.5   | (13.5) |
| Emerging Market  | India        | Nifty 50            | 19,080      | 17.8                         | 2.6 | 1.7            | 14.7 | (2.74)          | (3.09)  | 6.52    | 7.01   | 7.3    |
|                  | China        | Shanghai composite  | 3,019       | 9.8                          | 1.1 | 3.6            | 11.4 | (2.9)           | (8.3)   | (9.2)   | 4.3    | (2.3)  |
|                  | Brazil       | Bovespa             | 1,12,532    | 7.4                          | 1.2 | 7.1            | 15.6 | (3.5)           | (7.7)   | 7.8     | (3.0)  | 2.5    |
|                  | South Africa | Johannesburg AllShr | 70,266      | 9.3                          | 1.3 | 5.1            | 14.5 | (2.9)           | (11.0)  | (10.2)  | 5.4    | (3.8)  |
|                  | Korea        | KOSPI               | 2,278       | 9.6                          | 0.8 | 2.9            | 7.9  | (7.6)           | (13.5)  | (8.9)   | (0.7)  | 1.9    |
|                  | Mexico       | IPC                 | 49,277      | 11.0                         | 1.7 | 4.9            | 15.5 | (3.1)           | (10.1)  | (10.6)  | (1.3)  | 1.7    |
|                  | Phillipines  | PCOMP               | 5,974       | 10.3                         | 1.3 | 2.9            | 12.4 | (5.5)           | (9.8)   | (9.8)   | (2.9)  | (9.0)  |
|                  | Turkey       | XU100               | 7,710       | 4.6                          | 1.6 | 3.2            | 34.7 | (7.5)           | 6.8     | 67.0    | 93.8   | 40.0   |
|                  | Thailand     | SET                 | 1,382       | 14.1                         | 1.3 | 3.5            | 9.3  | (6.1)           | (11.2)  | (9.6)   | (14.1) | (17.2) |
|                  | Vietnam      | VN30                | 1,039       | 7.4                          | 1.2 | 3.8            | 16.0 | (10.9)          | (15.6)  | (1.1)   | 1.2    | 3.4    |

# Indian equity markets at glance

## Market cap, theme and factor performance – Trailing period

|               | Segment                                | 1 Month | 3 Months | 6 Months | 1 Year | 3 Years | 5 Years | 10 Years |
|---------------|--|---------|----------|----------|--------|---------|---------|----------|
| Market-cap    | Large-cap (NIFTY 50)                   | -2.74   | -3.09    | 6.52     | 7.01   | 19.27   | 14.27   | 13.07    |
|               | Large-cap (NIFTY Next 50)              | -2.25   | -2.70    | 11.76    | 3.83   | 18.13   | 11.63   | 14.97    |
|               | Multicap (NIFTY 500)                   | -1.03   | 0.91     | 12.08    | 10.44  | 20.92   | 15.13   | 14.74    |
|               | Large & Midcap (NIFTY Largemidcap 250) | -3.23   | 0.16     | 14.75    | 14.25  | 25.34   | 17.02   | 17.24    |
|               | Midcap (NIFTY Midcap 150)              | -3.78   | 3.17     | 22.46    | 23.45  | 31.95   | 20.22   | 20.94    |
|               | Small-cap (NIFTY Smallcap 250)         | -1.68   | 6.15     | 28.57    | 29.14  | 35.32   | 20.03   | 19.73    |
| Themes/Sector | Auto (NIFTY AUTO)                      | -1.65   | 1.60     | 21.52    | 19.86  | 28.32   | 13.87   | 13.05    |
|               | Commodities (NIFTY Commodities)        | -3.48   | -1.18    | 8.88     | 8.81   | 26.52   | 15.33   | 13.02    |
|               | Energy (NIFTY Energy)                  | -1.96   | 0.26     | 13.49    | 0.99   | 23.89   | 16.81   | 15.00    |
|               | Financials (NIFTY Financial Services)  | -3.06   | -5.40    | 1.13     | 4.55   | 19.07   | 13.24   | 15.75    |
|               | Consumption (NIFTY India Consumption)  | -1.51   | -0.70    | 11.60    | 5.48   | 19.77   | 13.93   | 13.61    |
|               | Infrastructure (NIFTY Infrastructure)  | -2.36   | 0.12     | 14.44    | 17.14  | 26.49   | 17.21   | 11.40    |
|               | Information Technology (NIFTY IT)      | -3.26   | 2.76     | 11.84    | 8.41   | 15.58   | 17.69   | 15.40    |
|               | Realty (NIFTY Realty)                  | 4.75    | 6.48     | 35.96    | 37.95  | 38.64   | 23.40   | 13.94    |
|               | Healthcare (S&P BSE Healthcare)        | -0.60   | -0.20    | 20.55    | 15.24  | 12.74   | 14.72   | 11.95    |
| Factors       | Beta (NIFTY High Beta 50)              | -3.99   | 3.49     | 24.85    | 29.21  | 36.41   | 12.56   | 9.61     |
|               | Value (NIFTY 50 Value 20 Index)        | -2.65   | 0.16     | 9.71     | 13.62  | 23.42   | 17.31   | 15.61    |
|               | Quality (NIFTY 100 Quality 30 Index)   | -1.36   | 0.28     | 11.36    | 12.24  | 18.07   | 13.73   | 12.62    |
|               | Momentum/Alpha (NIFTY Alpha 50)        | -3.51   | 3.78     | 27.79    | 16.11  | 27.92   | 24.18   | 23.28    |

# Indian equity markets at glance

## Market cap, theme and factor performance - YOY

|               | Segment                               | CYTD 23 | 2022  | 2021 | 2020 | 2019  | 2018  | 2017  |
|---------------|---------------------------------------|---------|-------|------|------|-------|-------|-------|
| Market-cap    | Large-cap (NIFTY 50)                  | 7.32    | 9.5   | 25.3 | 16   | 12.98 | 5.59  | 30.27 |
|               | Large-cap (NIFTY Next 50)             | 6.93    | 4.55  | 29.8 | 16   | 1.86  | -7.68 | 47.73 |
|               | Multicap (NIFTY 500)                  | 11.00   | 7.6   | 31   | 17.7 | 8.64  | -1.55 | 37.65 |
|               | Midcap (NIFTY Midcap 150)             | 25.37   | 5.73  | 46.5 | 25.1 | 0.58  | -12.5 | 55.73 |
|               | Small-cap (NIFTY Smallcap 250)        | 30.01   | -0.9  | 61.5 | 25.6 | -7.59 | -26.5 | 58.47 |
| Themes/Sector | Auto (NIFTY AUTO)                     | 28.20   | 22.33 | 19.3 | 13.6 | -8.84 | -21.6 | 32.57 |
|               | Commodities (NIFTY Commodities)       | 7.18    | 11.22 | 49.2 | 12.5 | 2.3   | -13   | 38.32 |
|               | Energy (NIFTY Energy)                 | 5.44    | 13.73 | 20.1 | 20.6 | 1     | -0.39 | 46.7  |
|               | Financials (NIFTY Financial Services) | 2.98    | 23.17 | 37.9 | 8.98 | 13.21 | 3.56  | 41.94 |
|               | Consumption (NIFTY India Consumption) | 12.74   | 12.67 | 14.7 | 4.62 | 25.13 | 12.4  | 42.67 |
|               | Infrastructure (NIFTY Infrastructure) | 18.33   | 11.49 | 36.9 | 14.1 | 3.99  | -11   | 36.06 |
|               | Information Technology (NIFTY IT)     | 9.46    | -19.8 | 61   | 57.4 | 10.91 | 27.2  | 14.53 |
|               | Realty (NIFTY Realty)                 | 49.62   | -6.72 | 53.4 | 5.91 | 26.44 | -32.8 | 110.7 |
|               | Healthcare (S&P BSE Healthcare)       | 21.37   | -7.99 | 20.6 | 62.2 | -3.06 | -5.45 | 1.1   |
| Factors       | Beta (NIFTY High Beta 50)             | 25.74   | 11.96 | 35   | 9.94 | -18.1 | -27.4 | 60.96 |
|               | Value (NIFTY 50 Value 20 Index)       | 13.42   | 5.14  | 36.3 | 27.9 | 8.56  | 11.56 | 31.84 |
|               | Quality (NIFTY 100 Quality 30 Index)  | 14.68   | 3.31  | 21.7 | 22.6 | 5.64  | 5.77  | 23.45 |
|               | Momentum/Alpha (NIFTY Alpha 50)       | 22.23   | -10.6 | 73.1 | 51.3 | 7.89  | -13.4 | 69.75 |

Source: ACE-MF. Data as on Oct 31, 2023. Performance is absolute for all periods. Above Indices are TR Indices.

# Large, mid and small cap performance

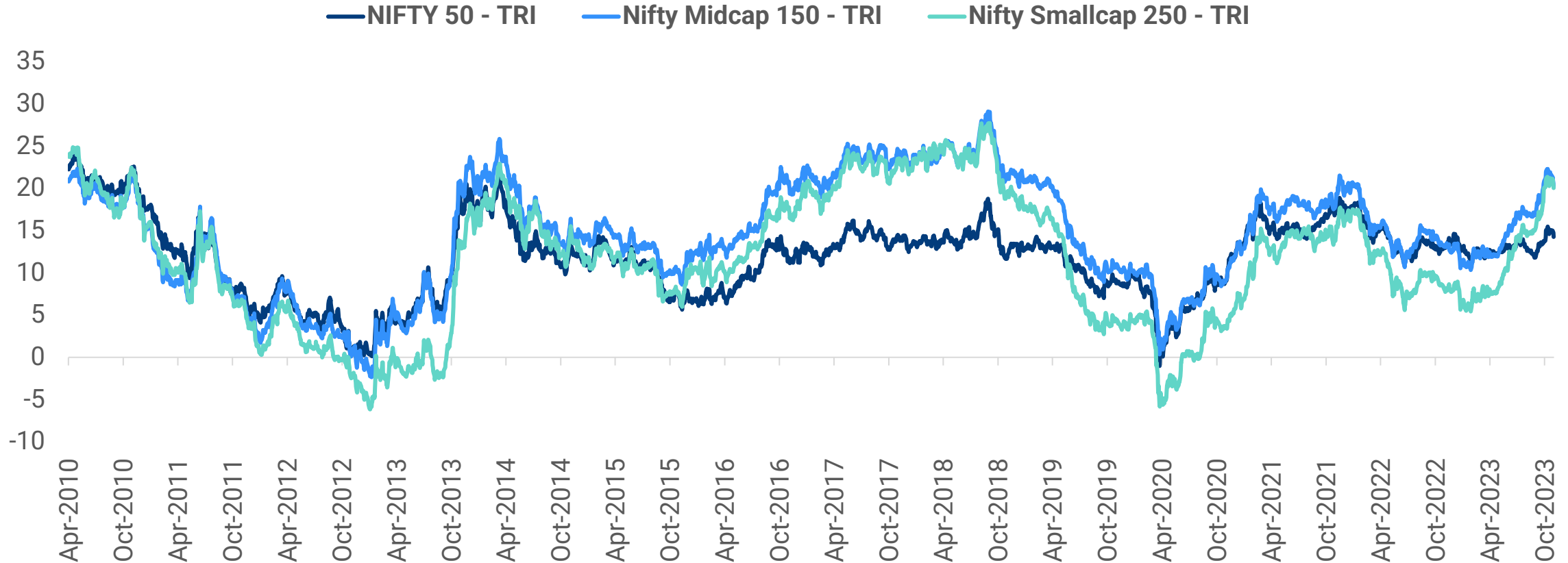
10 out of 16 years Mid and Small caps have outperformed Large caps. In FY23 Smallcaps have outperformed.

| Period  | Largecap (%) | Midcap (%) | Smallcap (%) |
|---------|--------------|------------|--------------|
| FY2008  | 25.12        | 21.47      | 31.33        |
| FY2009  | -35.44       | -48.52     | -54.9        |
| FY2010  | 75.29        | 135.77     | 141.42       |
| FY2011  | 12.36        | 4.74       | 0.91         |
| FY2012  | -7.45        | -4.48      | -8.43        |
| FY2013  | 10.83        | 7.4        | -2.78        |
| FY2014  | 19.47        | 18.01      | 22.9         |
| FY2015  | 28.17        | 59.73      | 62.76        |
| FY2016  | -7.82        | -1.67      | -5.95        |
| FY2017  | 20.16        | 37.21      | 40.56        |
| FY2018  | 12.68        | 18.75      | 15.32        |
| FY2019  | 16.45        | -0.65      | -12.44       |
| FY2020  | -25.02       | -30.09     | -40.22       |
| FY2021  | 72.54        | 101.57     | 118.68       |
| FY2022  | 20.26        | 25.05      | 37.02        |
| FY2023* | 6.42         | 23.22      | 27.56        |

Source: ACE-MF. Large cap – Nifty 50 TR, Midcap – Nifty Midcap 150 TR, Small cap – Nifty Small cap 250 TR. Past performance may or may not sustain in future.

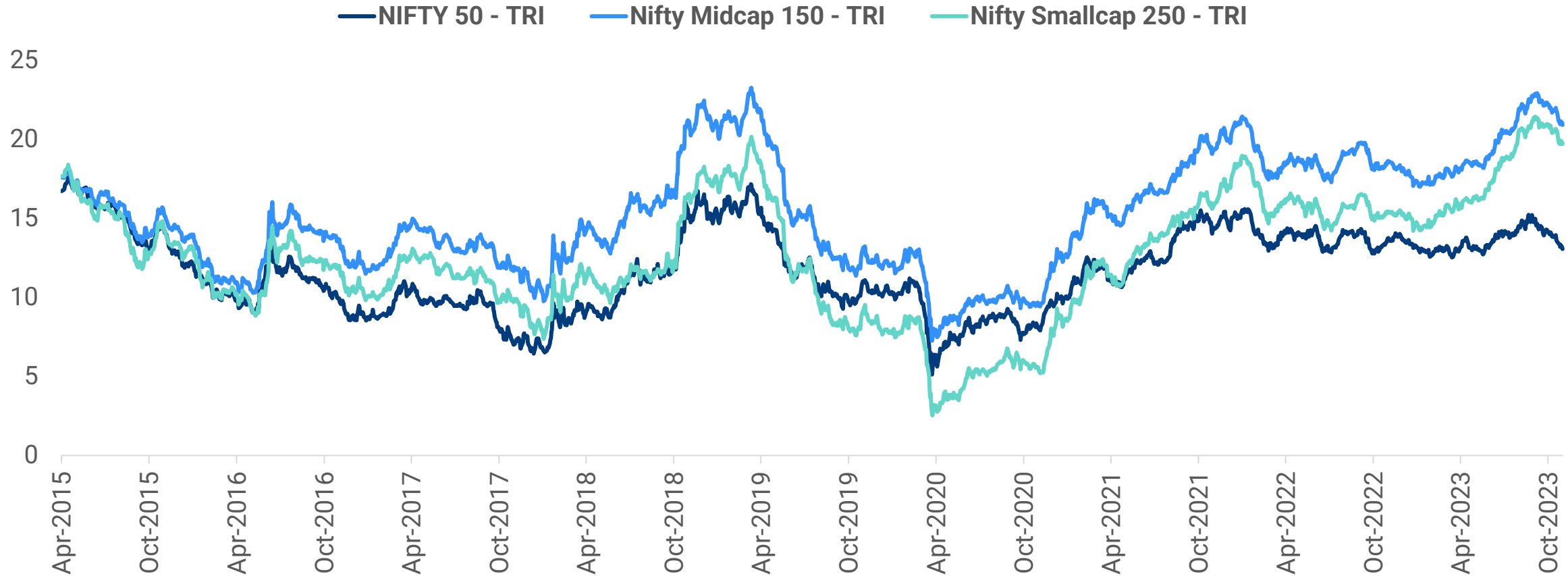
\*Data as on Oct 31, 2023

# 5 year rolling returns



| Since 2010  | NIFTY 50 – TRI | Nifty Midcap 150 - TRI | Nifty Smallcap 250 - TRI |
|-------------|----------------|------------------------|--------------------------|
| Min (%)     | -1.03          | -2.34                  | -6.16                    |
| Max (%)     | 24.22          | 29.10                  | 27.72                    |
| Average (%) | 11.83          | <b>14.53</b>           | 11.61                    |

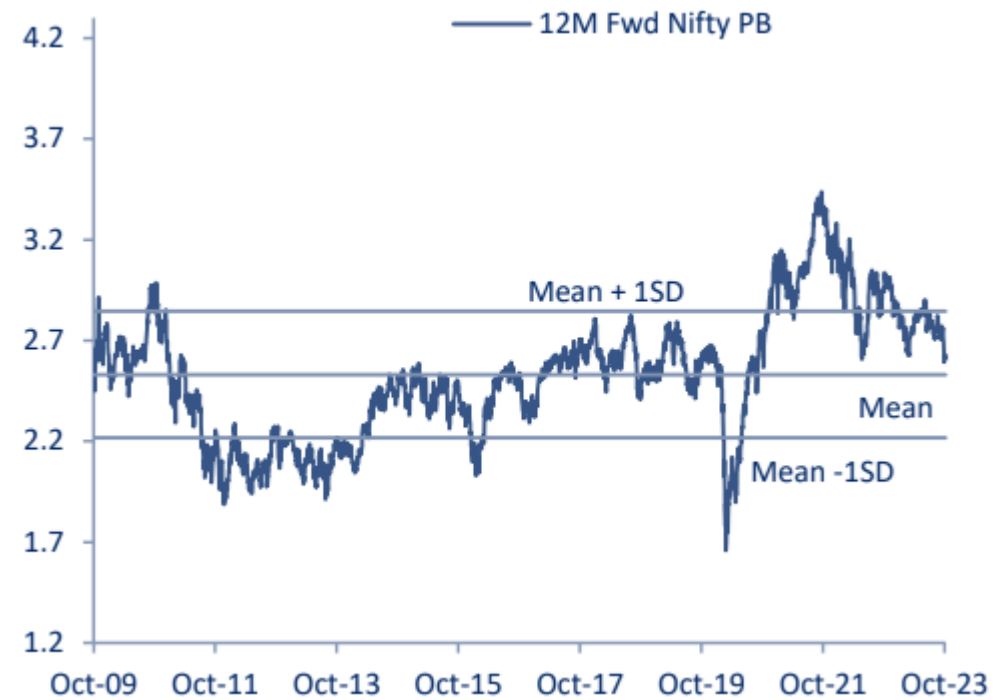
# 10 year rolling returns



| Since 2015  | NIFTY 50 - TRI | Nifty Midcap 150 - TRI | Nifty Smallcap 250 - TRI |
|-------------|----------------|------------------------|--------------------------|
| Min (%)     | 5.13           | 7.27                   | 2.53                     |
| Max (%)     | 17.61          | 23.30                  | 21.46                    |
| Average (%) | 11.78          | 15.36                  | 12.63                    |

# Valuations - Largecap

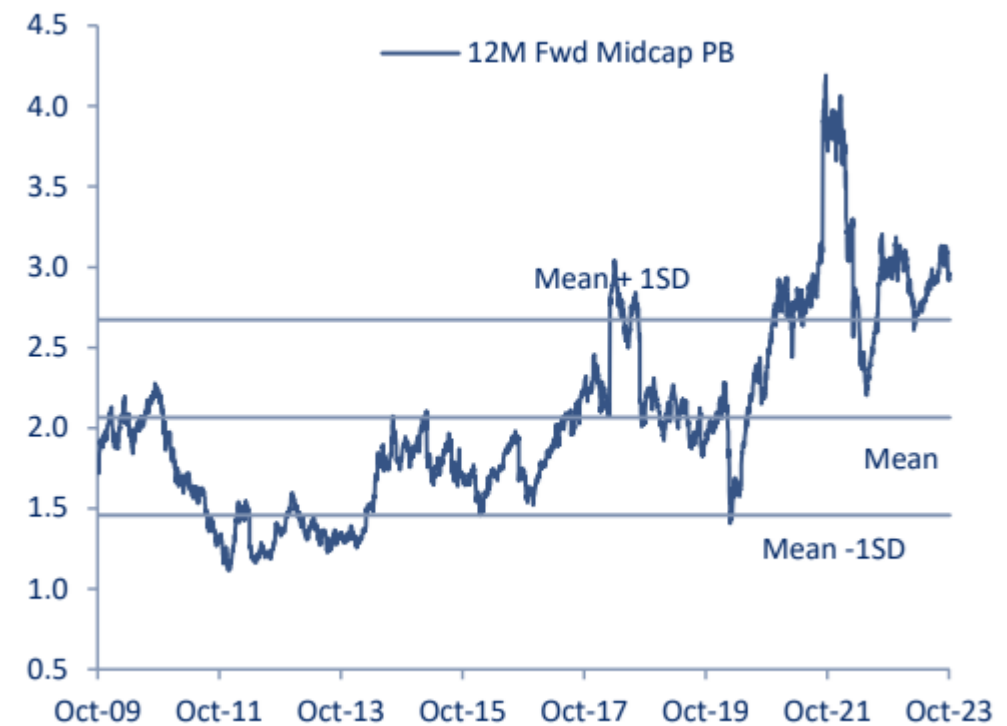
Large-cap valuations are above their mean





# Valuations - Midcap

Mid-cap valuations are rising



# Valuations - Smallcap

## Small-cap valuations are rising

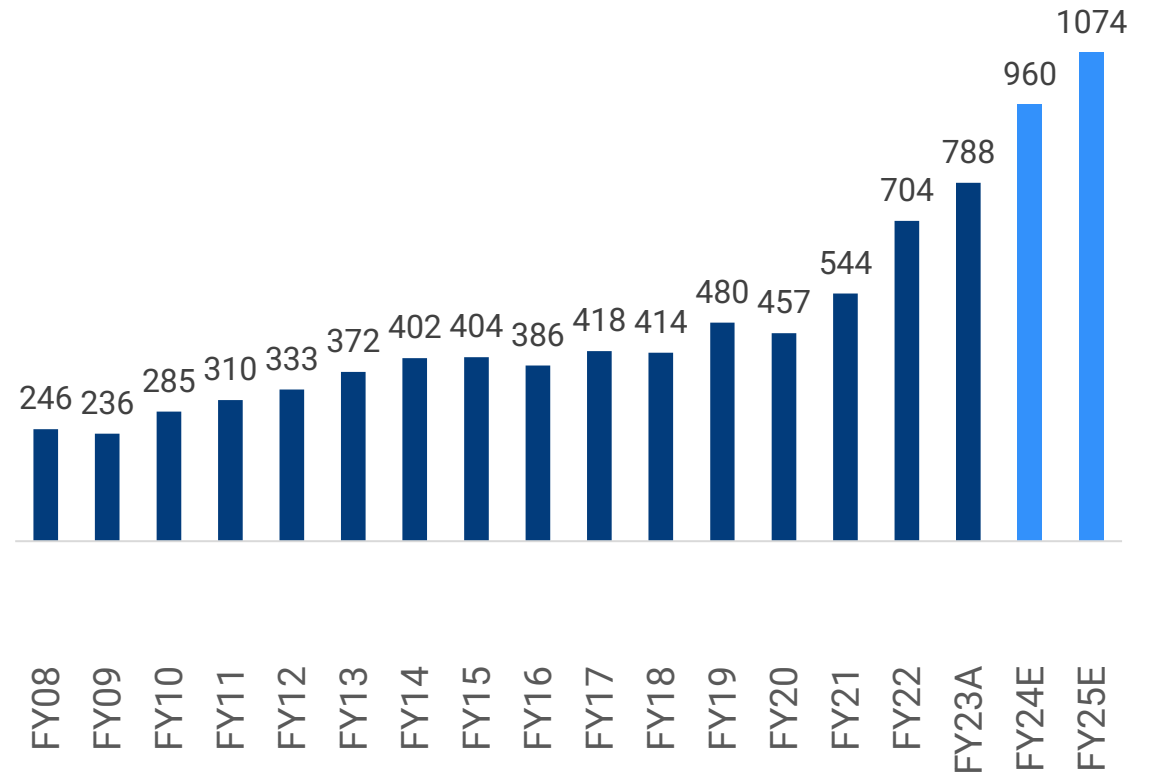
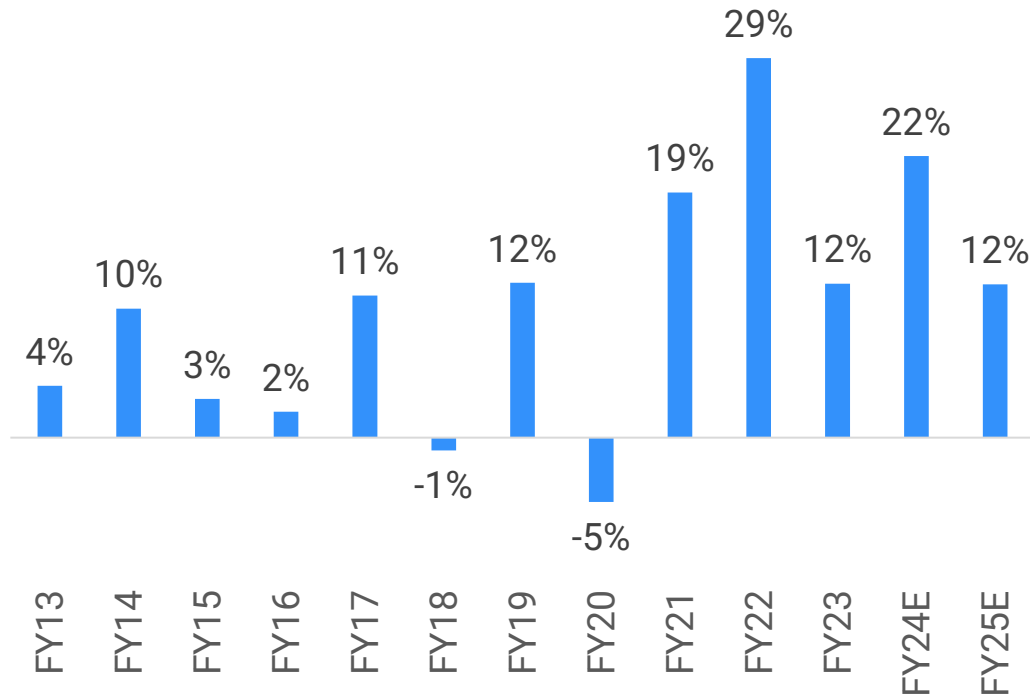


# Earnings growth

Nifty 50 EPS Growth – FY 24: expected to grow at healthy double digit

Nifty 50 EPS

Nifty 50 EPS Growth



# Sectoral valuation

| Sector         | Current P/E | 10-year Average | Current P/B | 10-year Average |
|----------------|-------------|-----------------|-------------|-----------------|
| Auto           | 20.0        | 26.8            | 3.8         | 3.3             |
| Private Banks  | 14.4        | 20.8            | 2.2         | 2.5             |
| PSU Banks      | 6.1         | 10.4            | 1.0         | 0.8             |
| Consumers      | 41.7        | 40.2            | 11.5        | 10.2            |
| Healthcare     | 25.5        | 26.3            | 3.6         | 3.9             |
| Infrastructure | 16.5        | 9.3             | 1.6         | 1.1             |
| Metals         | 11.0        | 11.5            | 1.6         | 1.3             |
| Oil & Gas      | 10.6        | 12.2            | 1.3         | 1.4             |
| IT             | 22.7        | 19.7            | 7.3         | 5.4             |
| Sp. Chemicals  | 33.4        | 21.4            | 5.0         | 3.8             |

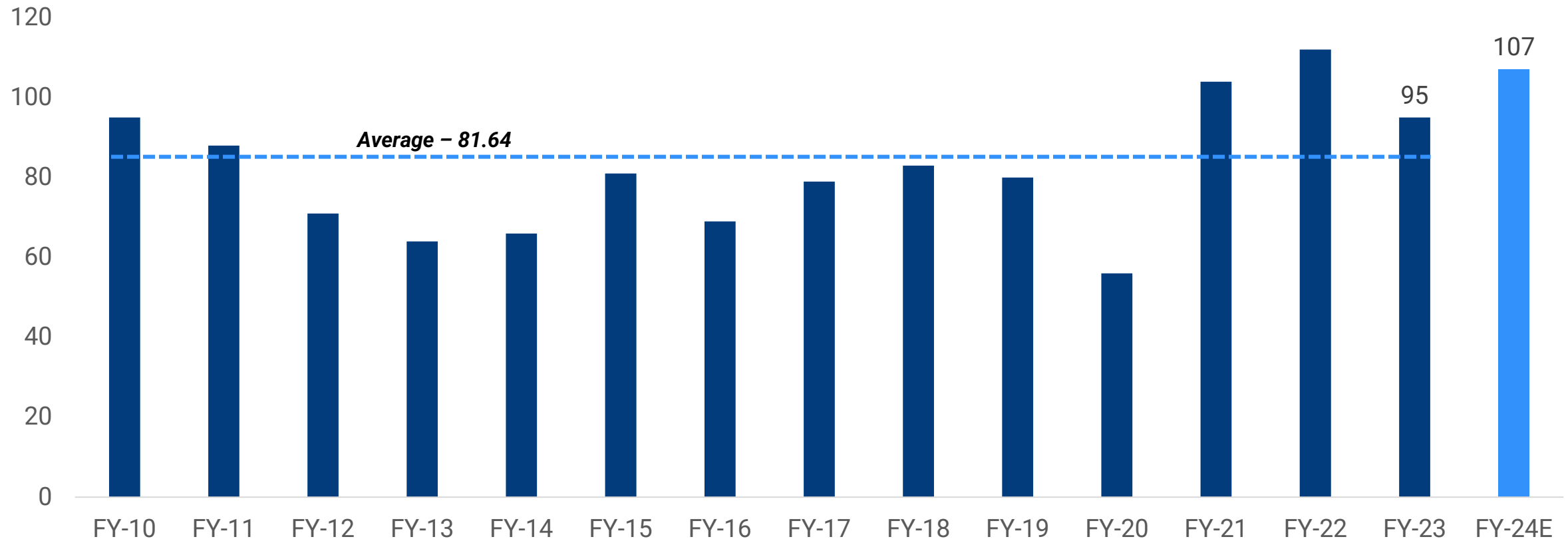
FII flows have continued to remain negative after 6 consecutive months of inflows.

| CY              | FII-Cash (USD Mn.) | DII's (USD Mn.) | MFs(subset of DII's) |
|-----------------|--------------------|-----------------|----------------------|
| 2015            | 3,274              | 10,313          | 10,872               |
| 2016            | 2,903              | 5,425           | 6,976                |
| 2017            | 8,014              | 14,043          | 18,322               |
| 2018            | -4,557             | 15,896          | 17,365               |
| 2019            | 14,234             | 5,971           | 7,509                |
| 2020            | 23,373             | -4,910          | -6,989               |
| 2021            | 3,761              | 13,034          | 10,611               |
| 2022            | -17,016            | 35,771          | 23,953               |
| <b>2023 YTD</b> | <b>11,887</b>      | <b>19,437</b>   | <b>15,276</b>        |
| Feb 23          | -639               | 2,329           | 567                  |
| Mar 23          | 1,816              | 3,710           | 2,522                |
| Apr 23          | 1,923              | 270             | -555                 |
| May 23          | 5,008              | -406            | 293                  |
| Jun 23          | 6,717              | 540             | 688                  |
| Jul 23          | 4,140              | -325            | 939                  |
| Aug 23          | 1,726              | 3,023           | 3,081                |
| Sep 23          | -2,273             | 2,447           | 2,379                |
| Oct 23          | -2,657             | 3,395           | 1,667                |
| Nov 23          | -215               | 361             | NA                   |

# Marketcap to GDP

FY-24 Marketcap to GDP ratio is at 107

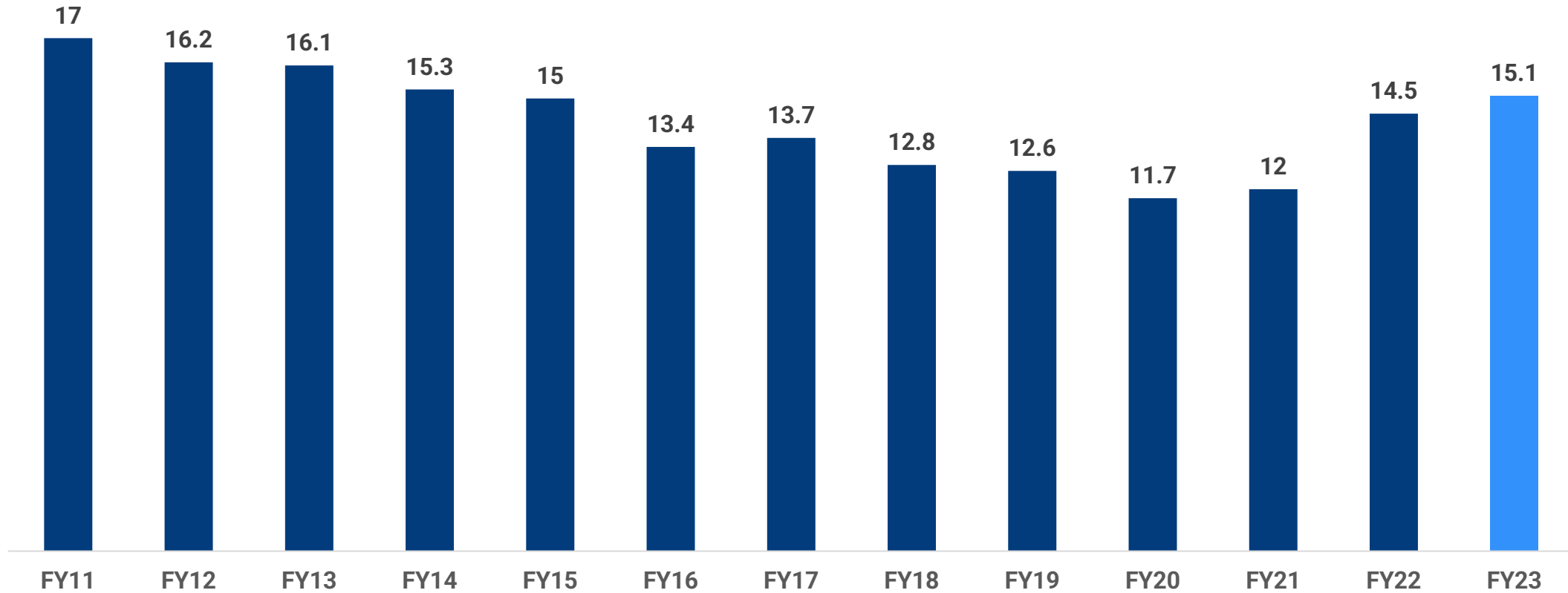
Marketcap to GDP



# Return on equity

ROE is gradually improving

Nifty 50 ROE



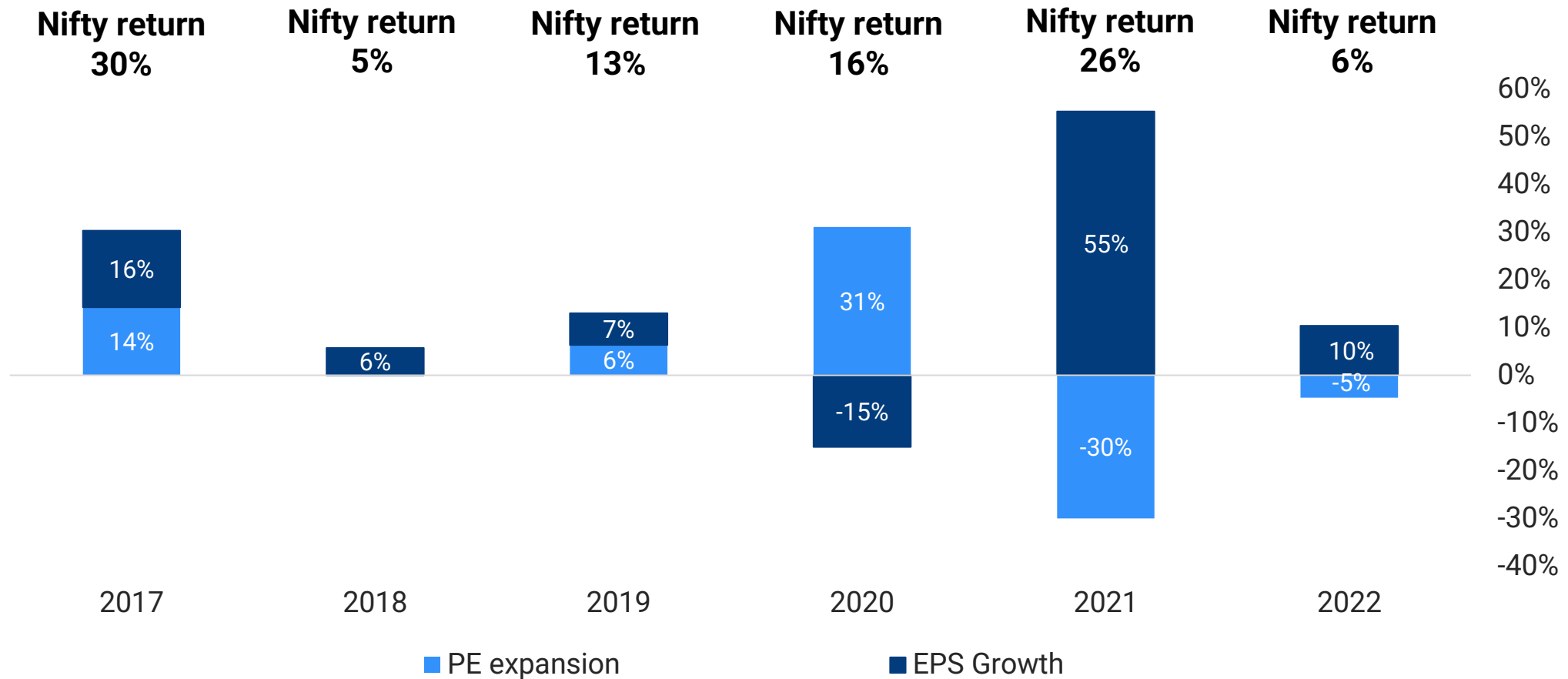
# Key macro indicators

| Indicator                  | May-22 | Jun-22 | Jul-22 | Aug-22 | Sep-22 | Oct-22 | Nov-22 | Dec-22 | Jan-23 | Feb-23 | Mar-23 | Apr-23 | May-23 | Jun-23 | Jul-23 | Aug-23 | Sep-23 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| CPI Inflation (YoY %)      | 7.04   | 7      | 6.71   | 7      | 7.41   | 6.8    | 5.9    | 5.7    | 6.52   | 6.4    | 5.7    | 4.7    | 4.3    | 4.8    | 7.4    | 6.8    | 5      |
| Crude Indian Basket (\$)   | 109    | 116    | 106    | 98     | 90     | 91     | 87     | 78     | 80.7   | 82.4   | 78.3   | 83.5   | 75.1   | 74.9   | 80.4   | 86.4   | 93.54  |
| GST Collection (lakh Crs.) | 1.41   | 1.45   | 1.49   | 1.44   | 1.47   | 1.51   | 1.45   | 1.5    | 1.55   | 1.5    | 1.6    | 1.9    | 1.6    | 1.6    | 1.6    | 1.6    | 1.6    |
| FX Reserve (\$ bn)         | 601    | 593    | 574    | 561    | 537    | 531    | 550    | 562    | 576.8  | 560.9  | 578.4  | 588.8  | 589.1  | 595.1  | 604    | 595    | 587    |
| Trade Balance (\$Bn)       | -24    | -26    | -28    | -28    | -26    | -27    | -23    | -24    | -17.7  | -16.2  | -18.6  | -15.2  | -22.1  | -20.1  | -20.7  | -24.2  | -19.37 |
| Bank Credit (Industry)     | 8.1    | 9.5    | 10.5   | 11.4   | 12.6   | 13.6   | 13.1   | 8.7    | 8.7    | 7.1    | 5.7    | 7      | 6      | 8.1    | 5.8    | 6.7    | 7.1    |
| Bank Credit (Services)     | 12.9   | 12.82  | 16.5   | 17.2   | 20     | 22.5   | 21.3   | 21.3   | 21.5   | 20.7   | 19.8   | 21.6   | 21.0   | 26.7   | 23.1   | 24.7   | 25.1   |
| Bank Credit (Retail)       | 16.4   | 18.1   | 18.4   | 19.5   | 19.6   | 20.2   | 19.7   | 20.2   | 20.4   | 20.4   | 20.6   | 19.4   | 19.3   | 20.9   | 31.7   | 30.8   | 30.4   |
| Manufacturing PMI          | 54.6   | 53.9   | 56.4   | 56.2   | 55.1   | 55.3   | 55.7   | 57.8   | 55.4   | 55.3   | 56.4   | 57.2   | 58.7   | 57.8   | 57.7   | 58.6   | 57.5   |
| Services PMI               | 58.9   | 59.2   | 55.5   | 57.2   | 54.3   | 55.1   | 56.4   | 58.5   | 57.2   | 59.4   | 57.8   | 62     | 61.2   | 58.5   | 62.3   | 60.1   | 61     |



# Market return contribution

Contribution of EPS is increasing in overall returns



## PLI

Financial incentives worth USD 26 Bn to promote domestic production in 14 sectors

## Tax Cut

Corporate tax reduced; amongst lowest globally

- For existing units - 22%
- For new units - 15%

## SemiCon

Incentives worth \$10bn to develop semiconductors and display manufacturing ecosystem

## EoBD

79 positions jump in Ease of Doing Business Rank. 40,000+ compliances reduced

## Infra

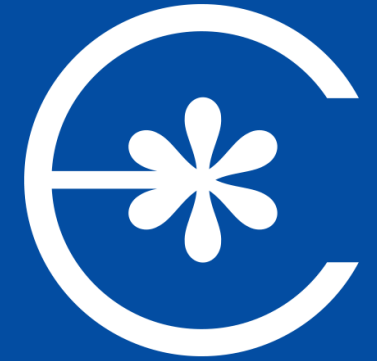
\$1.4 trillion spending plan in infrastructure in the next five years

## IBC

Insolvency and bankruptcy code to improve corporate insolvency resolution

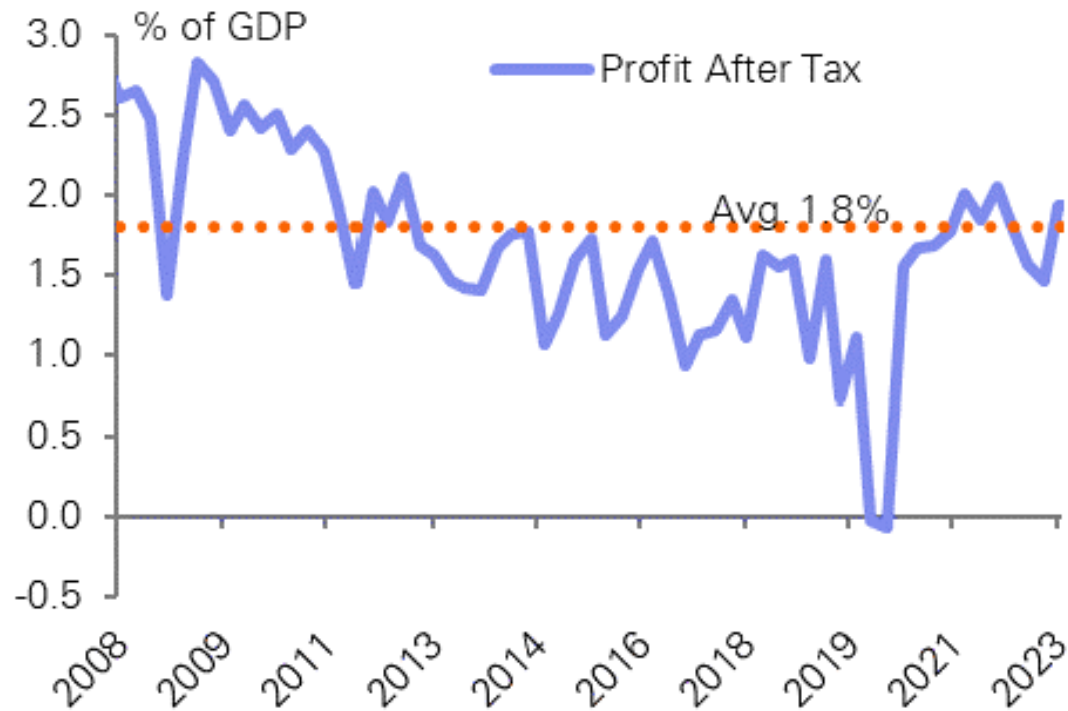
- \* Increase in frequency of reforms post 2014.
- \* Continued engagement with key stakeholders leading to faster implementation and amendments
- \* These reforms are likely to generate macro dividends in coming years

# Charts to watch



# Corporate profitability - A driving force of the market

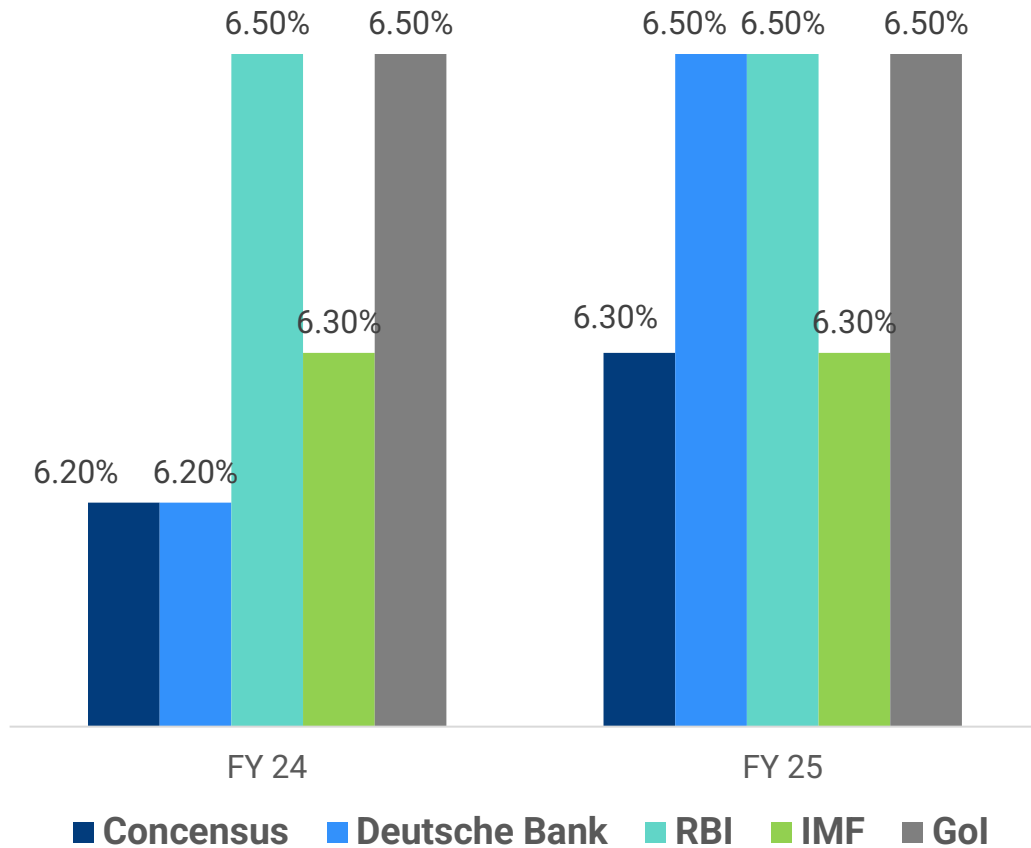
## Net profit of corporate sector (% of GDP)



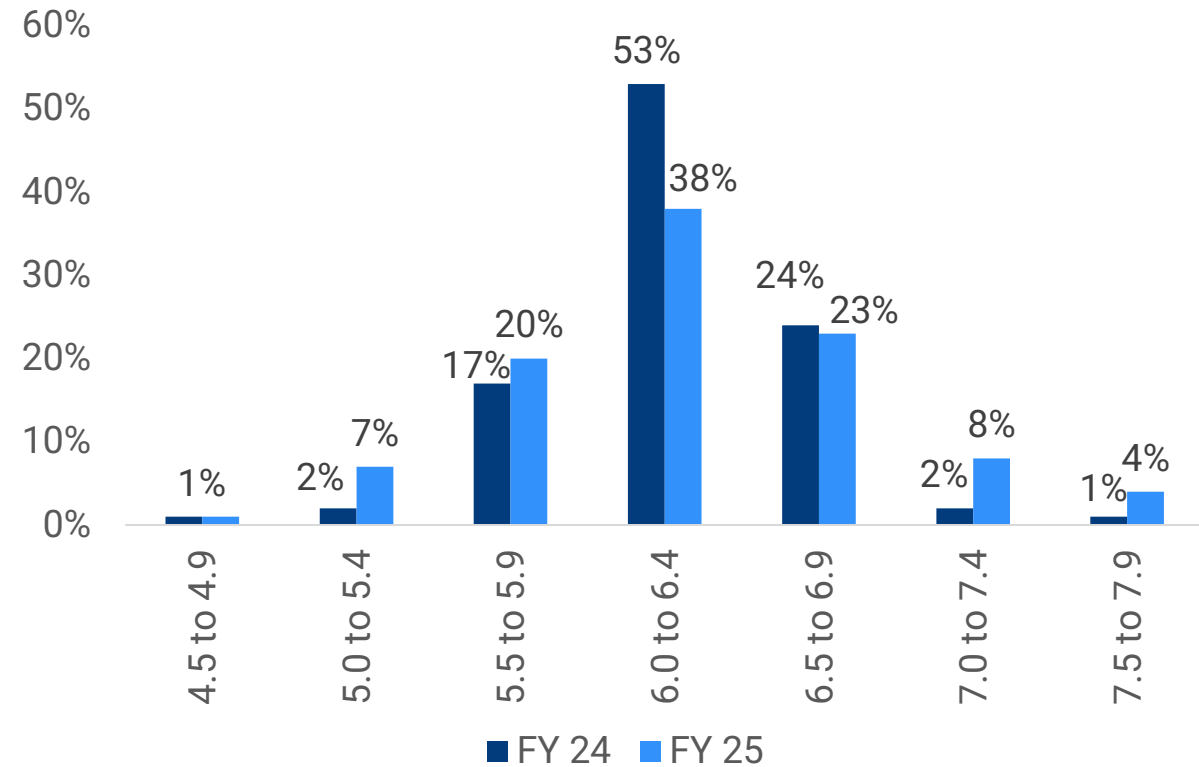
- \* Healthy corporate profitability is driving the market.
- \* Corporate profitability will be a key driver of industrial sector growth and not manufacturing PMI which may face a downside due to lower nominal GDP growth.
- \* Average corporate gross profit have surpassed the long-term average(3.2%) of the past 15 years.

# Towards a clear and stable economic environment

India's real GDP growth likely to moderate to 6.2% in FY 24 from 7.2% YOY in FY 23, thereafter improving to 6.3 % YOY in FY 25

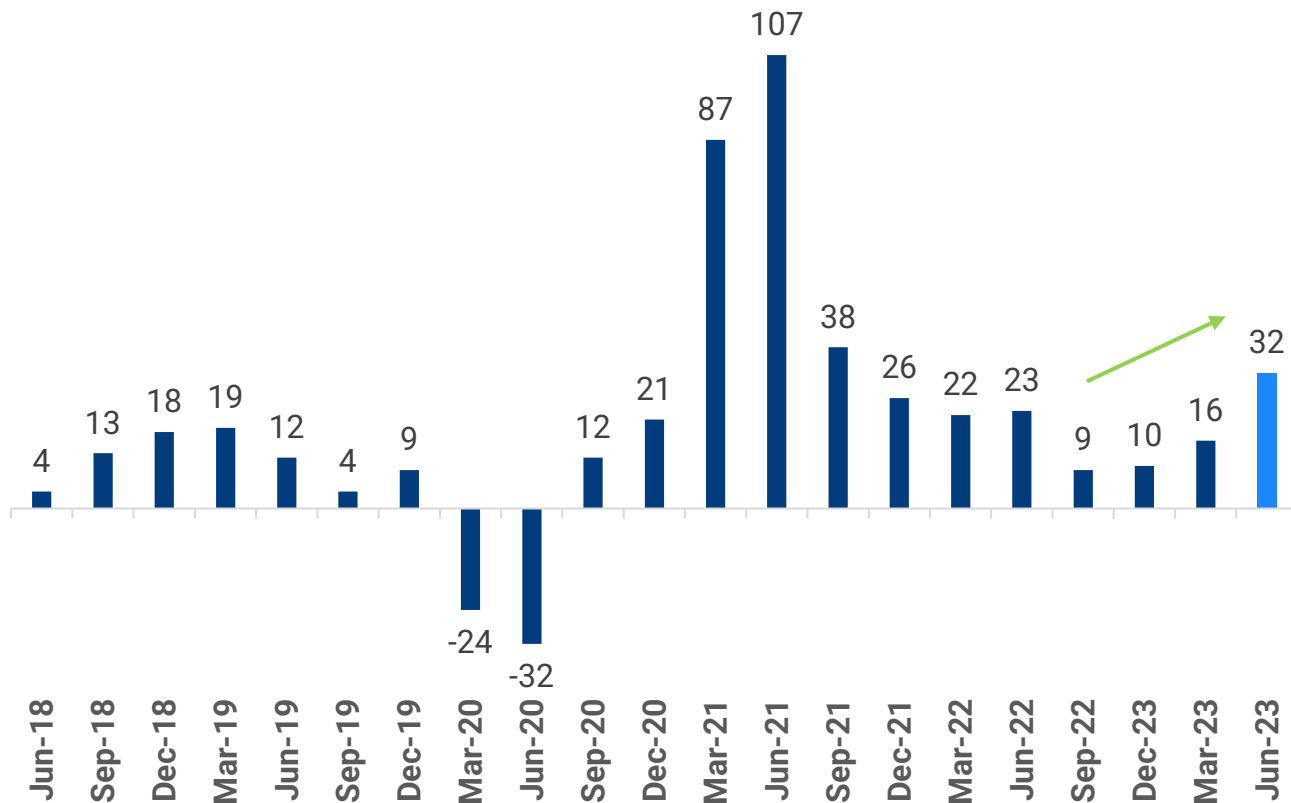


Consensus probability distribution of the GDP growth rate



# Quarterly earnings have surprised positively

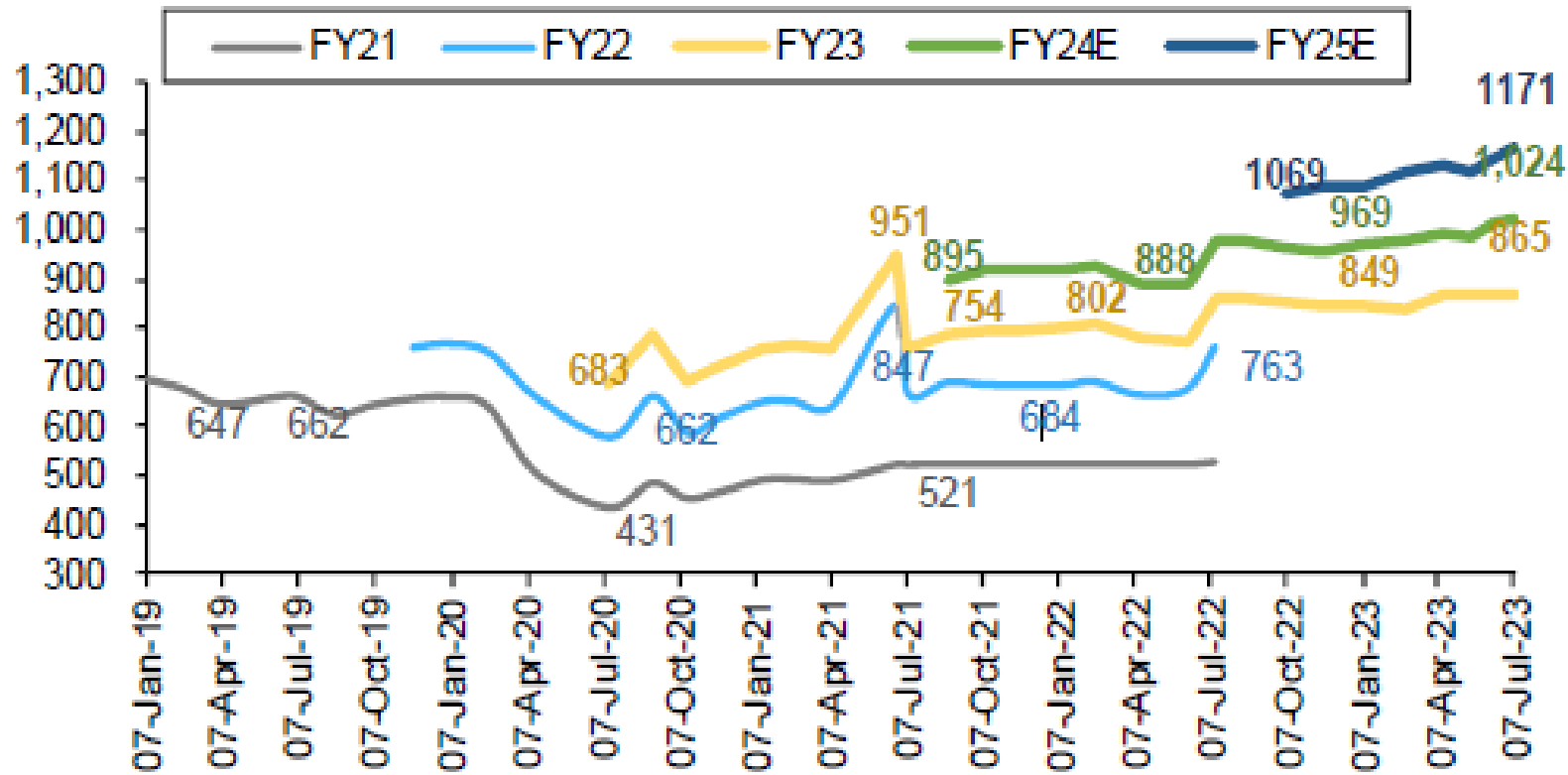
Nifty PAT YoY%



- \* Corporate earnings for 1QFY24 came in strong and could underpin the underlying overall optimistic narrative of India.
- \* After a solid 23% earnings CAGR over FY20-23, Nifty posted 32% earnings growth in 1QFY24
- \* Nifty 50 recorded the highest earnings growth in the last eight quarters, fuelled by domestic cyclicals, such as BFSI and Auto.
- \* Healthcare has made a strong comeback with 24% earnings growth after six consecutive quarters of flattish earnings.

# Earnings growth keeping pace with market expectations

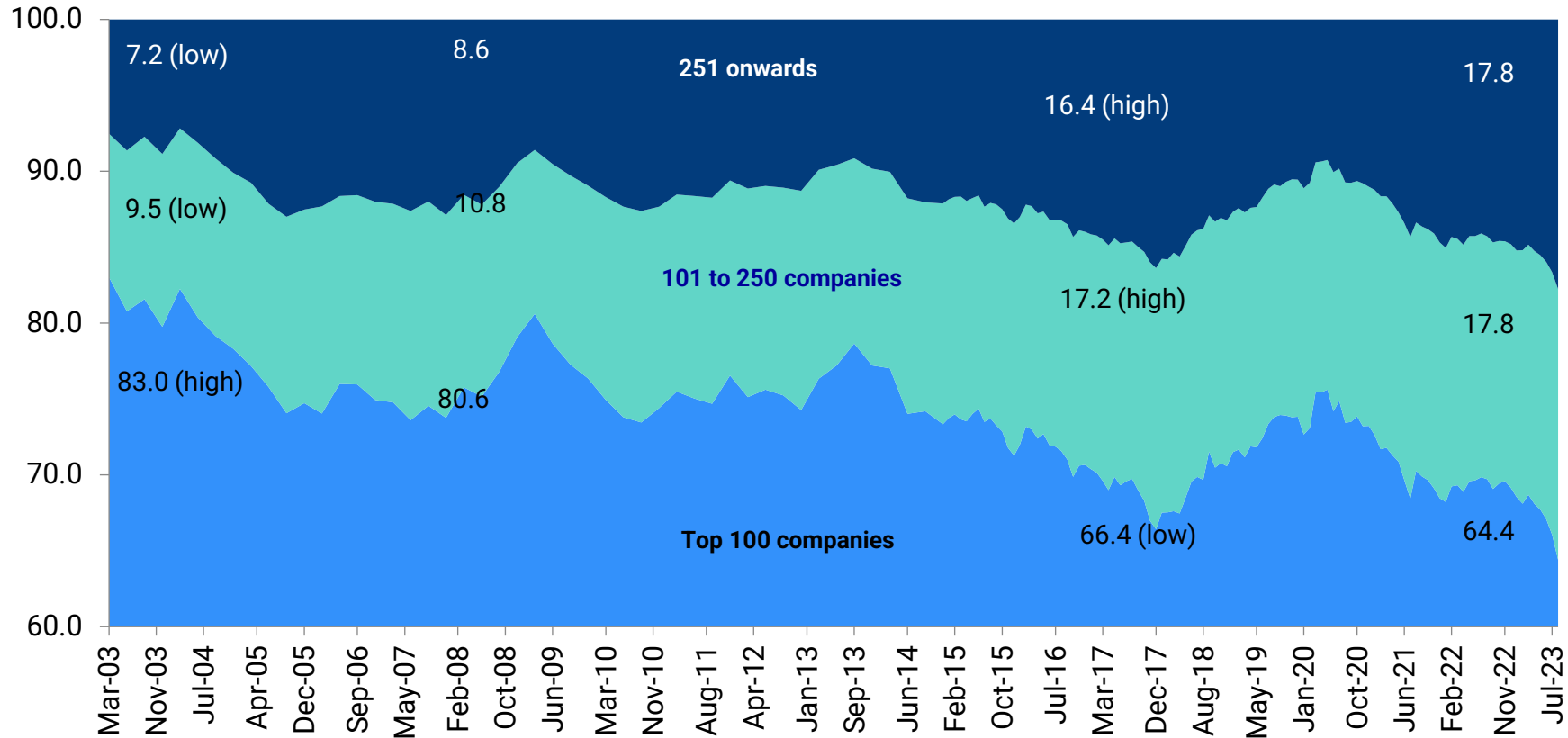
## Nifty EPS movements



Last 2 years, Nifty EPS downgrades have been very low as compared to the trend in previous years where downgrades were the norm.

# Small and midcap contribution to marketcap is rising

Marketcap Contribution%

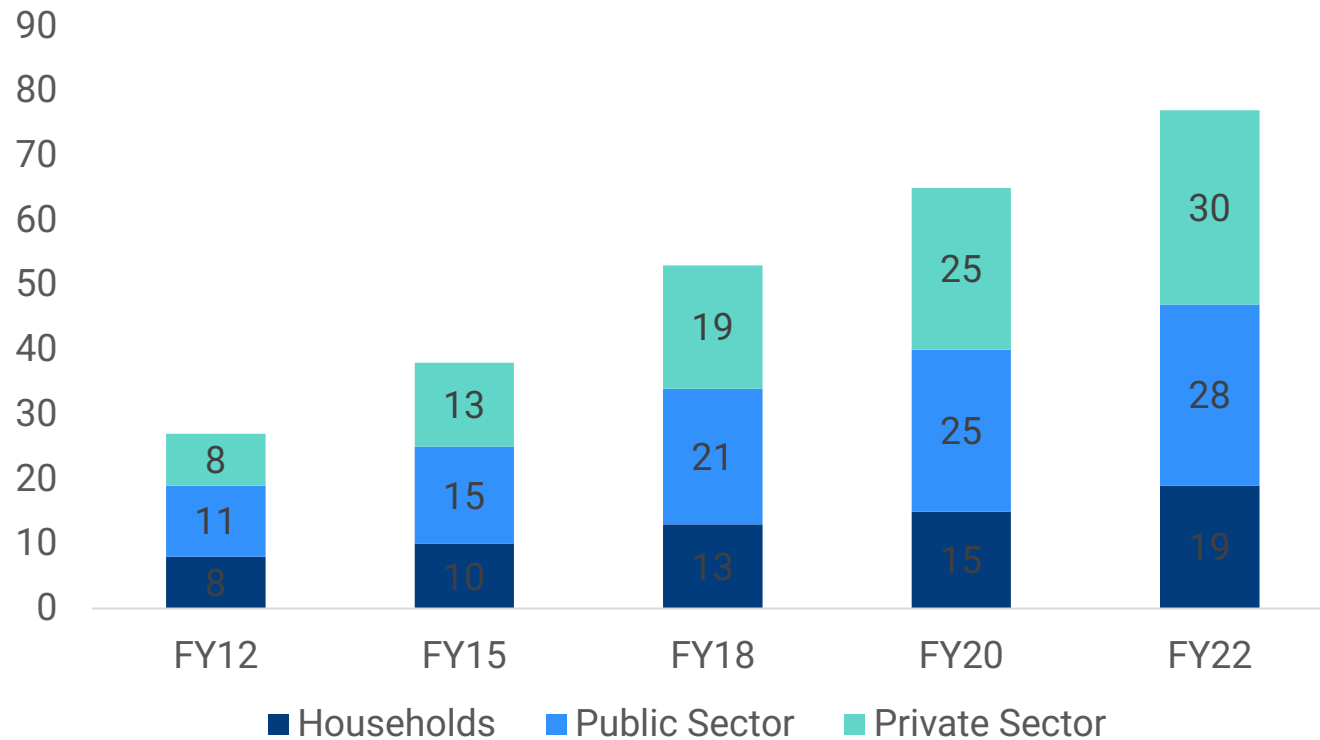


- \* Market rally has been broad-basing.
- \* Midcap and Smallcap contribution in the overall marketcap has jumped since last 1 year.



# Private sector wages are growing faster

Compensation of employees in Rs. tn.



- \* Compensation of private sector now exceeds that of public sector.
- \* This shows the strength of the private sector in the economy and it can drive growth in a big way.
- \* IT sector forms the largest share in private sector compensation and shall be key for further growth

# Economic activity strongest in India

| Real GDP (YOY %) | Jun'23 | Sept'23 | Dec'23 | Mar'24 | Jun'24E | Sep'24E | Dec'24E |
|------------------|--------|---------|--------|--------|---------|---------|---------|
| India            | 6.9    | 6       | 5.9    | 5.5    | 6.2     | 6.1     | 6.4     |
| Brazil           | 2.3    | 1.4     | 1.6    | 1      | 1.2     | 1.6     | 2       |
| Russia           | 2.4    | 1.5     | 1.2    | 1.5    | 0.4     | 1.3     | 2.1     |
| China            | 7.5    | 5       | 5.3    | 4.3    | 4.8     | 4.8     | 5       |
| South Africa     | 0.8    | -0.7    | 0.7    | 0.7    | 1.1     | 1.4     | 1.4     |
| Taiwan           | 0.7    | 2       | 3.8    | 4.2    | 3.5     | 2.5     | 1.7     |
| Indonesia        | 4.9    | 5       | 4.9    | 5.1    | 5.1     | 5.1     | 5.1     |
| Thailand         | 3.1    | 3.4     | 5.1    | 4.3    | 3.7     | 3.3     | 3.4     |
| Malaysia         | 4.2    | 3.1     | 3.6    | 4.3    | 4.5     | 4.6     | 4.7     |
| US               | 1.2    | 0       | -0.5   | 0.7    | 1.2     | 1.7     | 1.9     |
| UK               | 0.2    | 0.4     | 0.3    | 0.4    | 0.7     | 0.9     | 1.1     |
| Germany          | -0.3   | -0.5    | 0.2    | 0.9    | 1.1     | 1.4     | 1.3     |
| France           | 0.5    | 0.6     | 0.7    | 0.9    | 0.9     | 1.2     | 1.3     |
| Italy            | 0.9    | 0.7     | 1      | 0.7    | 0.8     | 0.9     | 1.1     |
| Spain            | 1.4    | 1.3     | 1.3    | 1.2    | 1.3     | 1.6     | 1.9     |
| Japan            | 1.1    | 0.9     | 0.8    | 0.9    | 1.2     | 1.2     | 1.2     |
| <b>EM</b>        | 5.6    | 4.1     | 4.4    | 3.8    | 4.2     | 4.3     | 4.3     |
| <b>DM</b>        | 1      | 0.3     | 0.2    | 0.9    | 1.2     | 1.6     | 1.8     |

# India looks like China of 2007

## China in 2007

- Per Capita \$2,691
- Rising share in global exports
- Demographic Dividends
- High Credit Growth
- Low Labour cost

## India in 2023

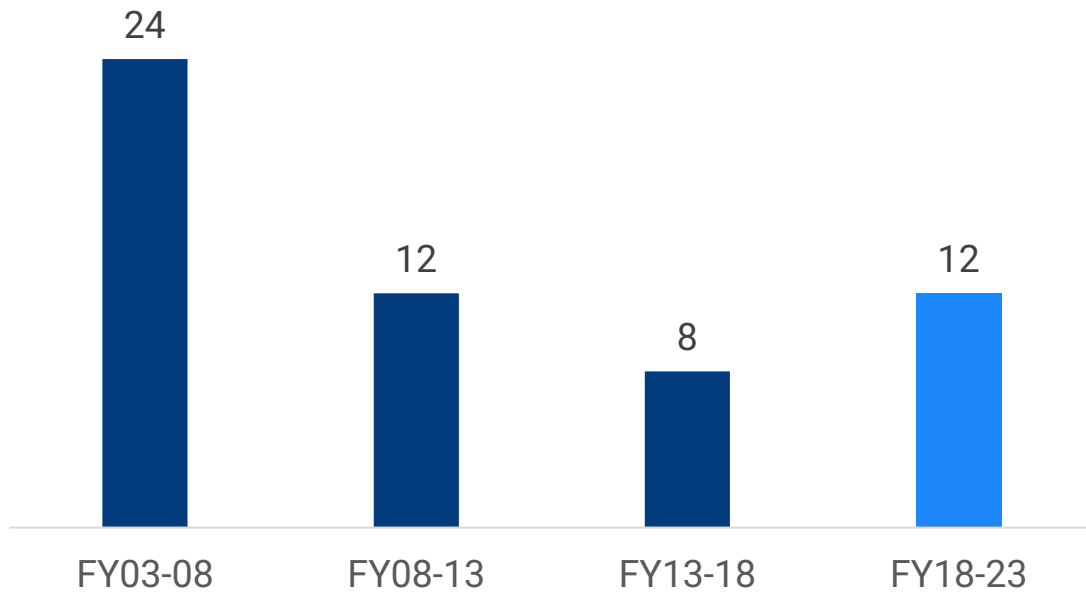
- Per Capita \$2,745
- Rising share in EMS exports
- Median age 28.4 – 10 years younger to China
- Credit growth at 15%
- India's labour cost is now lower than China

- \* China's growth since 2007 was on the back of a big rise in exports, low cost and demographic dividend.
- \* India is on the comparable ground today and can benefit similarly to China in coming years.

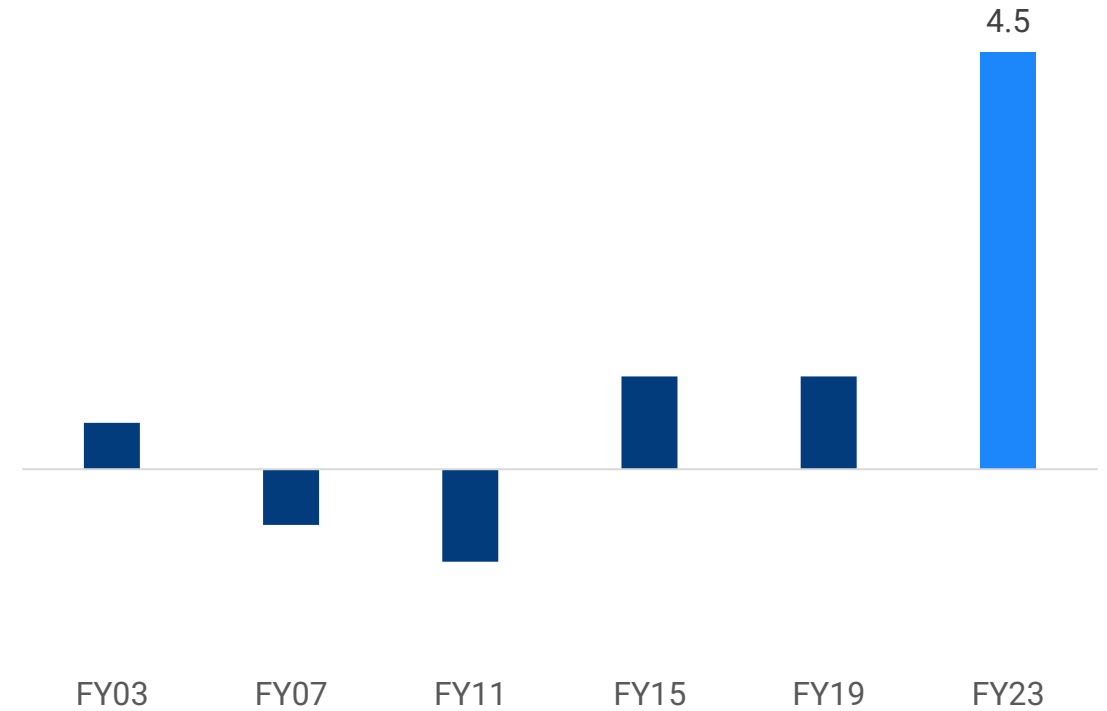
# Corporate India cashflows are healthy

Cash profits of corporates have improved post-covid. This will help pick-up in investment cycle.

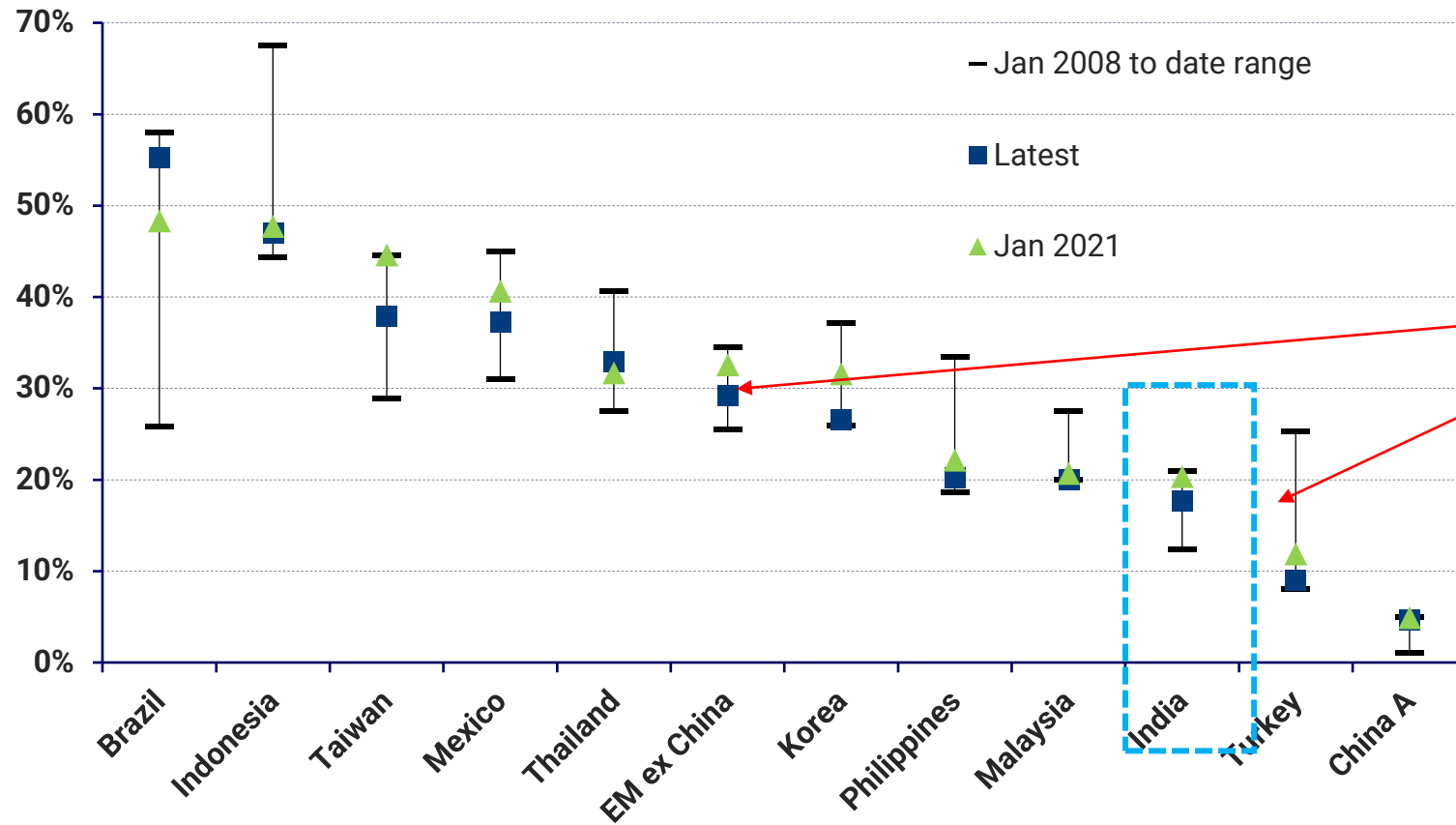
5 year CAGR - Cash Operating Profits (BSE 500 ex BFSI)



BSE 500 (ex BFSI) Free Cash Flows in INR Tn



# India still under-owned by FIIs



**FII ownership in India is below EM average.**

**This opens up a huge opportunity in the coming decade for FII inflows**

# FII flows are usually healthy towards election year

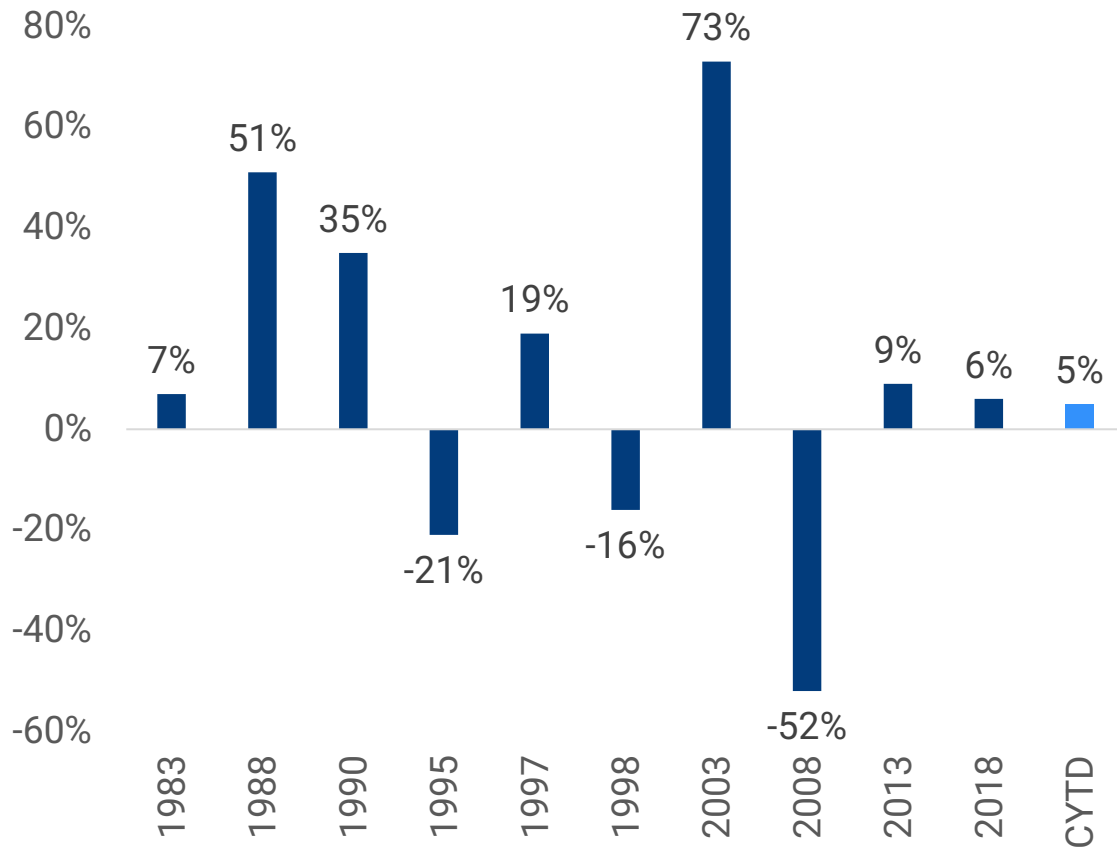
Past evidence suggests that FII flows indeed react positively in the run up to and post general elections

Data showing FII flows as a % of market cap; 3 quarters before and after Elections:

| Election Year | 9 months | 6 months | 3 months | Election quarter | 3 months | 6 months | 9 months |
|---------------|----------|----------|----------|------------------|----------|----------|----------|
| 1999          | 0.2      | 0.6      | 0.2      | 0.5              | 0.7      | 0.5      | 0.0      |
| 2004          | 1.3      | 2.2      | 1.5      | 0.7              | 0.8      | 1.9      | 1.8      |
| 2009          | -0.8     | -1.1     | -0.4     | 2.1              | 2.1      | 2.3      | 1.5      |
| 2014          | 0.0      | 1.4      | 0.7      | 1.3              | 0.8      | 0.4      | 1.1      |
| 2019          | -0.1     | -0.4     | 1.0      | 0.6              | 0.6      | -0.5     | 0.9      |

# Election cycle is a major phenomena in the equity markets

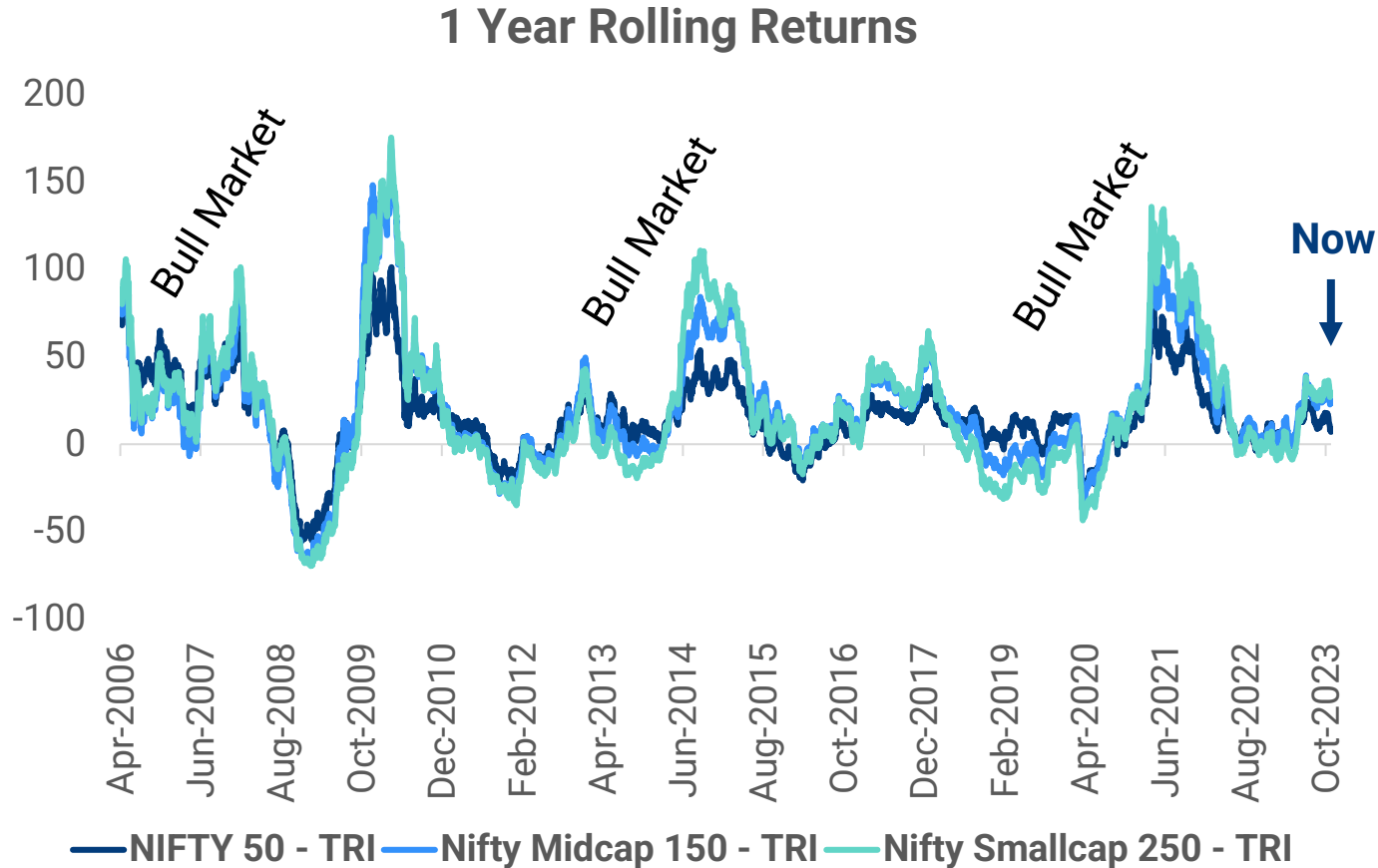
Sensex return on pre-election year



- \* **CY2023** being a pre-election year will have a significant bearing on sentiments in equity markets.
- \* The index has performed relatively well in pre-election year generating positive return in **7/10** instances.
- \* Out of the **3** negative return instances , two were in **1995 & 1998** due to unstable political scenario in India.
- \* The other instance was in **2008** due to global financial crisis.

The above views alone are not sufficient and should not be used for implementation of an investment strategy. All opinions, figures are as of this date and are subject to change without notice. Past performance may or may not be sustained in future. CY returns considered.

# Indices are way below their peak performance



- \* Looking at the recent returns, key indices have scope to remain buoyant going forward.
- \* They are well below their peak 1-year rolling returns seen during past bull cycles.

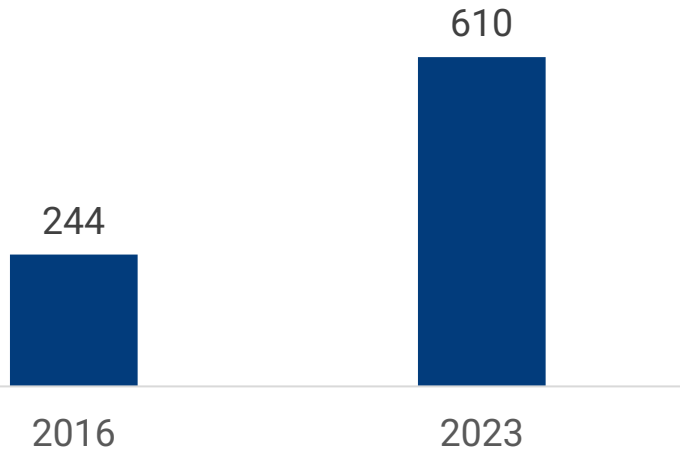


# Formalisation of economy is underway

The base of direct and indirect tax payers has been growing;

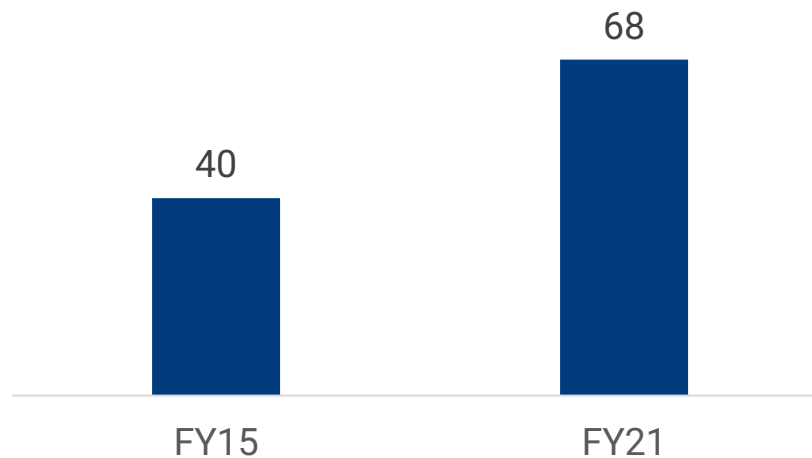
GST has been a huge hit in expanding tax payer base; Listed businesses shall continue to gain share.

Pan cards Allotted (Mn)

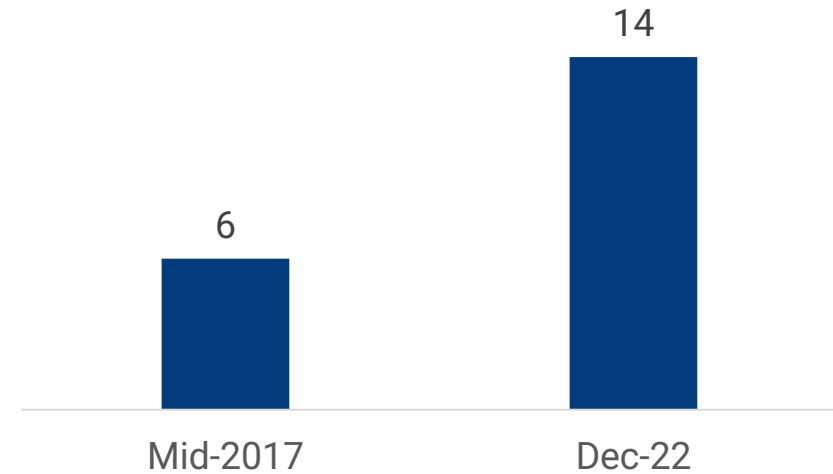


The #active companies registered in India as of October '22 was 1.5Mn (1.2Mn as of July '17) - The additional ~12.5Mn are smaller businesses. Incremental companies added since '17 account for ~20% of the GST collections, and pay ₹1.13Lacs (\$1.4K; FY22) about a fourth of what the existing 6m accounts pay.

Income tax Filers (Mn)



GST base (Mn)



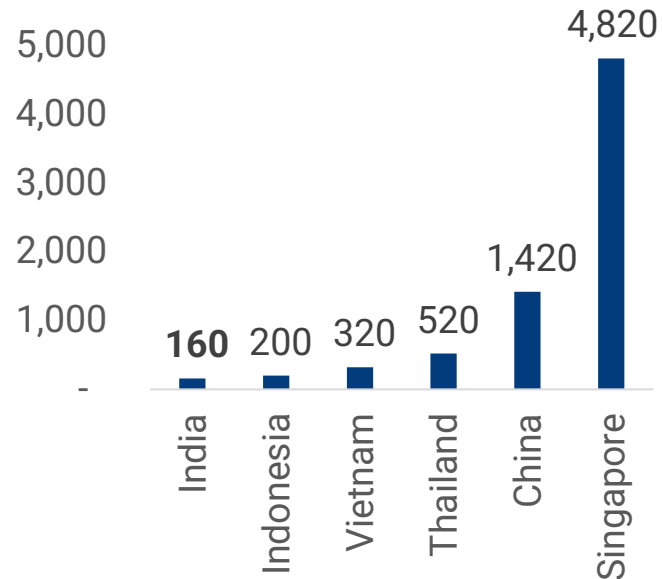
# Tailwinds for India's manufacturing

## Govt Incentives

- \* Govt. is spurring mfg. growth via Production Linked Incentive policy.
- \* The policy aims to create national mfg. champions with 60 lakh jobs and productions worth ~\$375Bn over the next 5 years.

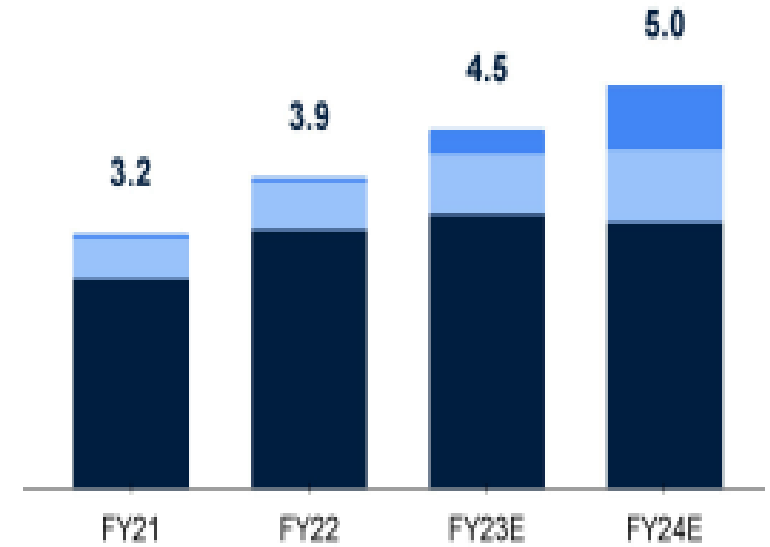
## India's Low Labor Cost

Manufacturing wages (\$/month)



## Capex Recovery Cycle

Pvt. sector capex breakdown (Rs Tn)



# India's exports in manufacturing sectors are improving

## Exports

|                  | 2010                     | 2022                     |
|------------------|--------------------------|--------------------------|
|                  | % share of total exports | % share of total exports |
| Oil + Coal       | 17%                      | 22%                      |
| Chemicals        | 10%                      | 14%                      |
| Machinery        | 11%                      | 13%                      |
| Agri             | 9%                       | 12%                      |
| Textiles         | 12%                      | 9%                       |
| Gems & Jewellery | 17%                      | 8%                       |
| Metals           | 8%                       | 8%                       |
| Electronics      | 4%                       | 6%                       |
| Ores             | 2%                       | 0%                       |
| Others           | 10%                      | 8%                       |
| Total Exports    | 100%                     | 100%                     |

## Imports

|               | 2010                     | 2022                     |
|---------------|--------------------------|--------------------------|
|               | % share of total imports | % share of total imports |
| Oil + Coal    | 31%                      | 37%                      |
| Chemicals     | 8%                       | 11%                      |
| Machinery     | 12%                      | 13%                      |
| Agri          | 3%                       | 5%                       |
| Textiles      | 1%                       | 2%                       |
| Gold          | 22%                      | 10%                      |
| Metals        | 7%                       | 7%                       |
| Electronics   | 7%                       | 9%                       |
| Ores          | 1%                       | 1%                       |
| Others        | 8%                       | 5%                       |
| Total imports | 100%                     | 100%                     |






**Export share of chemicals, machinery and electronics has improved since 2010.**

**This shows the government's thrust on manufacturing and the rewards of favorable policy environment.**

# Acing towards a new and clean future

Electric vehicle market is booming in India because of clear and accommodative government policies.

## India's EV Market

|  | EV Penetration | EV Volume    | EV Market Size INR (Cr.) |
|--|----------------|--------------|--------------------------|
|  2-Wheeler | 13-15%         | 2,800-3,200k | 35-40k                   |
|  3-Wheeler | 18-20%         | 85-95k       | 3.5-4k                   |
|  Cars      | 3-5%           | 170-230k     | 28-36k                   |
|  LCV      | 3-5%           | 18-22k       | 1.9-3.2k                 |
|  Bus     | 8-9%           | 15-20k       | 10-12k                   |

- \* India's domestic EV market to grow at a **49% CAGR** from 2022 to 2030
- \* EV Registrations in India **Up 700%** Since 2020
- \* EV registrations in India were 1.25 lakh units in 2020, **skyrocketing** to nearly 10 lakh in 2022.

The above views alone are not sufficient and should not be used for implementation of an investment strategy. All opinions, figures are as of this date and are subject to change without notice.

# 4 pillars propelling India's journey to \$5tn



## Consumption

- \* 140 Mn households to be added to India's middle class by 2030 which would drive spends.
- \* 56% Urbanization by 2030 will lead to better consumption prospects.



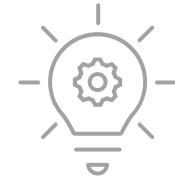
## Infra Investments

- \* 8-9% infra spends as a % of GDP would enable \$ 5 Trillion economy.
- \* 70% National Infra Pipeline targets to be achieved by 2025.



## Corporate Capex

- \* 2/3rd of companies saw debt reduce in 2021, best placed to drive capex.
- \* Rs.3.5-4 Trillion capex to be invested via the PLI scheme in the next 3-4 yrs.

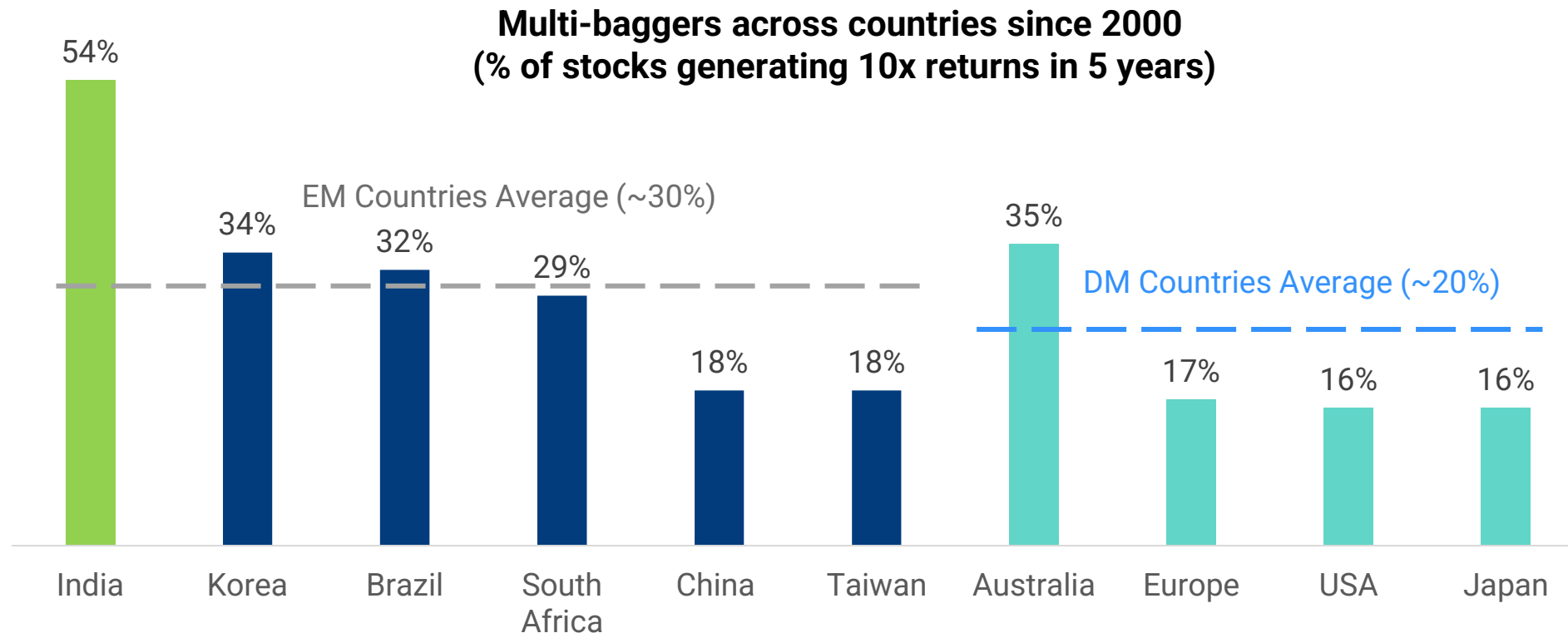


## Innovation

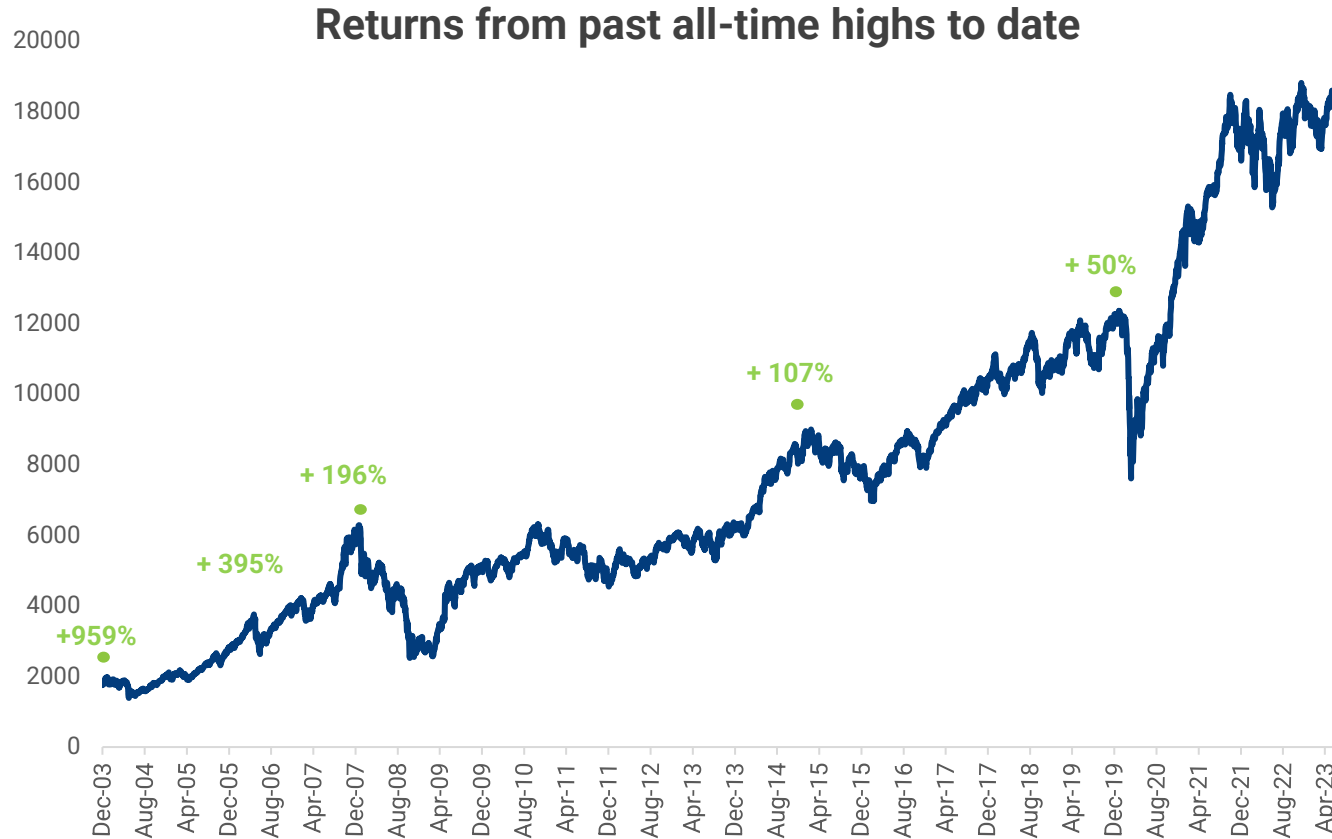
- \* 80% transactions to be digital by 2030 – Digital India.
- \* 100+ Unicorn with a total valuation of \$ 340 billion

# India is the best market for multi-baggers

More than half (54%) of NSE 500 stocks have generated over 10x returns within a 5-year rolling period since 2000, the largest proportion of multi-baggers among 10 major markets globally.



# All-time highs are not unprecedented



| Previous peaks | Absolute return (%) from previous peak till date |
|----------------|--|
| Jan'20         | 50%  |
| Mar'15         | 107%   |
| Jan'08         | 196%   |
| May'06         | 395%   |
| Dec'03         | 959%   |

- \* Markets peaking is not the end. It lays the foundation for another peak.
- \* Time in the market is always better than timing the market

# Indian economy embracing the cricket world cup

An estimated boost of INR 18,000 to 20,000 Cr. or USD 2.6 bn in GDP

|                               | Base case<br>(₹ Cr.) | Optimistic<br>scenario(₹ Cr.) |
|-------------------------------|----------------------|-------------------------------|
| Ticket Sales                  | 1,600                | 2,200                         |
| TV rights/Sponsorship         | 10,500               | 12,000                        |
| Team spending                 | 150                  | 250                           |
| Foreign Tourists              | 450                  | 600                           |
| Domestic Tourist              | 150                  | 250                           |
| Gig workers/ Event Management | 750                  | 1,000                         |
| Merchandise                   | 100                  | 200                           |
| Spectator Expense             | 300                  | 500                           |
| Screenings and food delivery  | 4,000                | 5,000                         |
| <b>Total</b>                  | <b>18,000</b>        | <b>22,000</b>                 |

- \* Consumption sector is likely to receive the max boost.
- \* Hospitality and tourism sector would emerge as key benefactors because of the tournament.
- \* An upsurge in taxes will help the government to increase its push for infrastructure spends.



# Earnings running the game

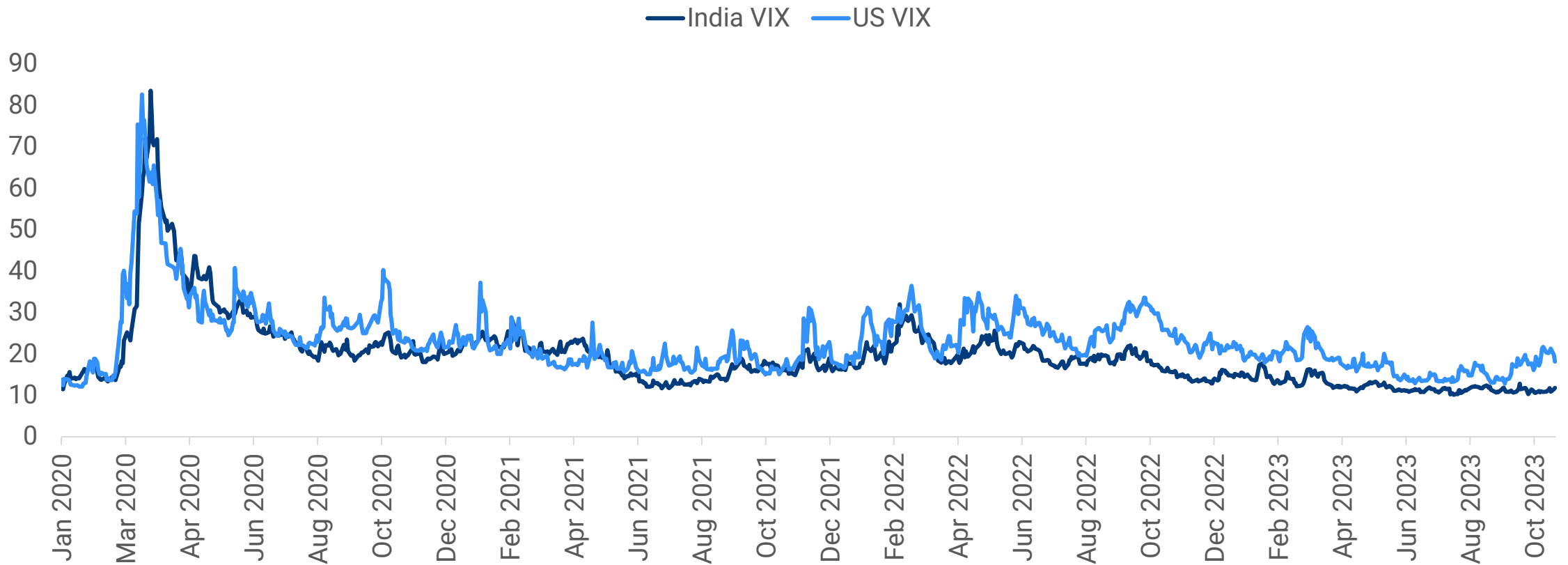
| Nifty 50<br>3 years back* | Nifty 50<br>Now | Returns |
|---------------------------|-----------------|---------|
| 9,039                     | 19,253          | 113%    |
| PE 21x                    | PE 22x          |         |

In the last 3 years, Earnings growth has contributed to the entire Nifty returns, while the PE multiple has remained at 21x levels.

Don't keep an eye on PE alone. You may miss the bus.

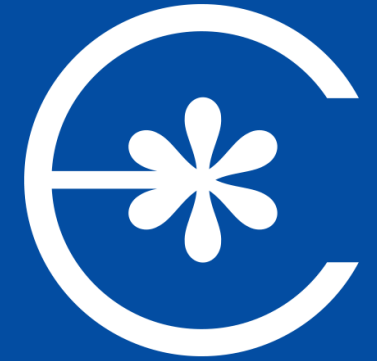
# Fear indicators are at their lowest levels since the pandemic

## India and US VIX are at the lowest levels



# Fund Insights

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# Equity Funds Overview

| Scheme Names                 | Edelweiss Large & Mid Cap Fund  |            |              | Edelweiss Mid Cap Fund   |            |              | Edelweiss Flexi Cap Fund  |            |             | Edelweiss Small Cap Fund   |            |              | Edelweiss Focused Equity Fund   |            |             | Edelweiss Long Term Equity Fund (Tax Savings)   |            |             |
|------------------------------|---|------------|--------------|--|------------|--------------|---|------------|-------------|--|------------|--------------|---|------------|-------------|---|------------|-------------|
| <b>AUM (Rs Cr.)</b>          | 2,223   |            |              | 3,797  |            |              | 1,298   |            |             | 2,477  |            |              | 582   |            |             | 255   |            |             |
| <b>Market Cap Allocation</b> | Large<br>49%  | Mid<br>37% | Small<br>14% | Large<br>12%   | Mid<br>73% | Small<br>15% | Large<br>75%  | Mid<br>19% | Small<br>6% | Large<br>2%  | Mid<br>27% | Small<br>71% | Large<br>80%  | Mid<br>16% | Small<br>4% | Large<br>76%  | Mid<br>16% | Small<br>8% |
| <b>Over-Weight Sectors</b>   | <ul style="list-style-type: none"> <li>Capital Goods</li> <li>Consumer Durables</li> <li>Construction</li> </ul>                                  |            |              | <ul style="list-style-type: none"> <li>Capital Goods</li> <li>Consumer Services</li> <li>Consumer Durables</li> </ul>  |            |              | <ul style="list-style-type: none"> <li>Capital Goods</li> <li>Construction</li> <li>Automobile and Auto Components</li> </ul>     |            |             | <ul style="list-style-type: none"> <li>Capital Goods</li> <li>Consumer Durables</li> <li>Healthcare</li> </ul>                   |            |              | <ul style="list-style-type: none"> <li>Capital Goods</li> <li>Construction</li> <li>Information Technology</li> </ul>             |            |             | <ul style="list-style-type: none"> <li>Capital Goods</li> <li>Construction</li> <li>Financial Services</li> </ul>                 |            |             |
| <b>Under-Weight Sectors</b>  | <ul style="list-style-type: none"> <li>Oil, Gas &amp; Consumable Fuels</li> <li>Financial Services</li> <li>Fast Moving Consumer Goods</li> </ul> |            |              | <ul style="list-style-type: none"> <li>Oil, Gas &amp; Consumable Fuels</li> <li>Chemicals</li> <li>Services</li> </ul> |            |              | <ul style="list-style-type: none"> <li>Metals &amp; Mining</li> <li>Oil, Gas &amp; Consumable Fuels</li> <li>Chemicals</li> </ul> |            |             | <ul style="list-style-type: none"> <li>Financial Services</li> <li>Oil, Gas &amp; Consumable Fuels</li> <li>Chemicals</li> </ul> |            |              | <ul style="list-style-type: none"> <li>Metals &amp; Mining</li> <li>Oil, Gas &amp; Consumable Fuels</li> <li>Chemicals</li> </ul> |            |             | <ul style="list-style-type: none"> <li>Oil, Gas &amp; Consumable Fuels</li> <li>Metals &amp; Mining</li> <li>Chemicals</li> </ul> |            |             |

# Portfolio Return Ratios

|                      | Edelweiss Large & Mid Cap Fund | Edelweiss Mid Cap Fund | Edelweiss Flexi-Cap Fund | Edelweiss Small Cap Fund | Edelweiss Long Term Equity Fund | Edelweiss Focused Equity Fund |
|----------------------|--------------------------------|------------------------|--------------------------|--------------------------|---------------------------------|-------------------------------|
| FY24E EPS growth (%) | 15.6                           | 18.2                   | 17.0                     | 15.2                     | 20.9                            | 23.0                          |
| FY25E EPS growth (%) | 19.9                           | 24.0                   | 17.0                     | 22.7                     | 17.5                            | 17.5                          |
| PEG (x)              | 1.1                            | 1.2                    | 1.3                      | 1.1                      | 1.2                             | 1.3                           |
| FY24E ROE (%)        | 19.1                           | 20.4                   | 21.1                     | 18.8                     | 19.3                            | 21.4                          |
| FY25E ROE (%)        | 20.3                           | 21.4                   | 22.2                     | 19.9                     | 20.5                            | 22.9                          |
| PER FY24E (x)        | 23.2                           | 31.9                   | 21.9                     | 27.2                     | 21.1                            | 23.4                          |
| PER FY25E (x)        | 19.4                           | 25.8                   | 18.7                     | 21.8                     | 18.0                            | 19.9                          |

# New Entries and Exits in Portfolios

|                    | Edelweiss Large & Mid Cap Fund   | Edelweiss Long Term Equity Fund (Tax Saving)  | Edelweiss Flexi-Cap Fund   | Edelweiss Small Cap Fund   | Edelweiss Mid Cap Fund  | Edelweiss Focused Equity Fund   |
|--------------------|--|---|--|--|---|---|
| <b>New Entries</b> | <ul style="list-style-type: none"> <li>Titan Company Ltd</li> <li>Mahindra &amp; Mahindra Financial Serv Ltd</li> <li>Power Mech Projects Ltd</li> </ul> | <ul style="list-style-type: none"> <li>Indusind Bank Ltd</li> <li>Can Fin Homes Ltd</li> <li>Home First Finance Company India Limited</li> <li>Tvs Motor Company Ltd</li> <li>Power Mech Projects Ltd</li> <li>Spandana Sphoorty Financial Ltd</li> </ul> | <ul style="list-style-type: none"> <li>Indusind Bank Ltd</li> <li>Nestle India Ltd</li> <li>Godrej Properties Ltd</li> <li>Tvs Motor Company Ltd</li> <li>Sundaram Finance Ltd</li> <li>Power Mech Projects Ltd</li> </ul> | <ul style="list-style-type: none"> <li>Karur Vysya Bank Ltd</li> <li>Power Mech Projects Ltd</li> <li>Spandana Sphoorty Financial Ltd</li> </ul> | <ul style="list-style-type: none"> <li>Grindwell Norton Ltd</li> <li>K.P.R. Mill Ltd.</li> <li>Power Mech Projects Ltd</li> </ul> | <ul style="list-style-type: none"> <li>Bajaj Finance Ltd</li> <li>Dixon Technologies (India) Ltd</li> </ul> |
| <b>Exits</b>       | <ul style="list-style-type: none"> <li>Hindustan Unilever Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>Eicher Motors Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>Dabur India Ltd</li> <li>Navin Fluorine International Ltd</li> <li>Honeywell Automation India Ltd</li> <li>Brigade Enterprises Ltd</li> <li>Jio Financial Services Ltd.</li> </ul>  | <ul style="list-style-type: none"> <li>Ceat Ltd</li> </ul>   | <ul style="list-style-type: none"> <li>Canara Bank</li> <li>Knr Constructions Ltd</li> <li>Brigade Enterprises Ltd</li> </ul>     | <ul style="list-style-type: none"> <li>Federal Bank Ltd</li> <li>Cummins India Ltd</li> </ul>               |

# Active stock exposure across Equity Funds

| Edelweiss Large & Mid Cap Fund    |      | Edelweiss Flexi Cap Fund          |      | Edelweiss Long Term Equity Fund   |      |
|-----------------------------------|------|-----------------------------------|------|-----------------------------------|------|
| Birlasoft Ltd                     | 1.10 | Larsen & Toubro Ltd               | 1.47 | Larsen & Toubro Ltd               | 1.61 |
| Suzlon Energy Ltd                 | 0.82 | Cholamandalam Invt. & Fin.Co. Ltd | 1.04 | ICICI Bank Ltd                    | 1.17 |
| Can Fin Homes Ltd                 | 0.76 | ICICI Bank Ltd                    | 1.03 | Ultratech Cement Ltd              | 1.17 |
| Persistent Systems Ltd            | 0.74 | Coforge Limited                   | 1.00 | Axis Bank Ltd                     | 0.87 |
| Jindal Steel & Power Ltd          | 0.69 | Bajaj Auto Ltd                    | 0.98 | State Bank Of India               | 0.87 |
| Jubilant Foodworks Ltd            | 0.69 | Persistent Systems Ltd            | 0.97 | Cummins India Ltd                 | 0.83 |
| Dixon Technologies India Ltd      | 0.67 | Abb India Ltd                     | 0.91 | Trent Ltd                         | 0.79 |
| Coal India Ltd                    | 0.66 | Ultratech Cement Ltd              | 0.91 | Federal Bank Ltd                  | 0.75 |
| Apl Apollo Tubes Ltd              | 0.65 | Coal India Ltd                    | 0.85 | Samvardhana Motherson Intern      | 0.73 |
| Cholamandalam Invt. & Fin.Co. Ltd | 0.64 | Bharat Electronics Ltd            | 0.79 | Cholamandalam Invt. & Fin.Co. Ltd | 0.68 |

# Active stock exposure across Equity Funds

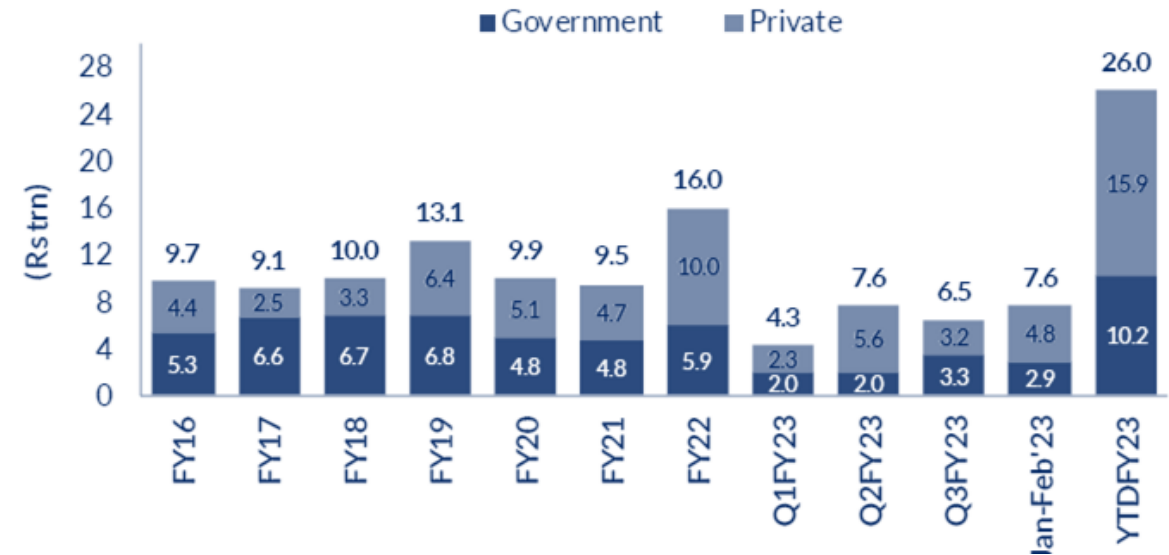
| Edelweiss Midcap Fund             |      | Edelweiss Smallcap Fund     |      | Edelweiss Focused Fund    |      |
|-----------------------------------|------|-----------------------------|------|---------------------------|------|
| Trent Ltd                         | 1.83 | APL Apollo Tubes Ltd        | 1.54 | Tata Consultancy Svcs Ltd | 2.13 |
| Persistent Systems Ltd            | 1.56 | Ajanta Pharma Ltd           | 1.16 | Persistent Systems Ltd    | 1.77 |
| TVS Motor Co Ltd                  | 1.35 | Westlife Foodworld Ltd      | 1.08 | Trent Ltd                 | 1.64 |
| Indian Bank                       | 1.30 | Birlasoft Ltd               | 1.05 | Larsen & Toubro Ltd       | 1.61 |
| Federal Bank Ltd                  | 1.16 | J.B. Chemicals & Pharma Ltd | 1.02 | Bharat Electronics Ltd    | 1.58 |
| Dixon Technologies India Ltd      | 1.15 | Federal Bank Ltd            | 1.01 | KEI Industries Ltd        | 1.51 |
| Cholamandalam Invt. & Fin.Co. Ltd | 1.13 | Uno Minda Ltd               | 0.99 | ICICI Bank Ltd            | 1.48 |
| Solar Industries India Ltd        | 1.02 | Persistent Systems Ltd      | 0.94 | State Bank Of India       | 1.35 |
| Motherson Sumi Wiring India       | 1.00 | Indian Bank                 | 0.93 | Coforge Limited           | 1.20 |
| J.B. Chemicals & Pharma Ltd       | 1.00 | Amber Enterprises India Ltd | 0.88 | Ultratech Cement Ltd      | 1.19 |



# Why we own; What we own – Industrials

- \* Recovery of industrial capex led by continuing government & PSU spending.
- \* Private side of the corporate balance sheet having deleveraged & Capacity Utilisation Factor hitting mid-cycle high leading to intent on spending rising.
- \* Automation & IOT leading to the need for shop floor overhaul hence creating opportunities for engineering plays.
- \* Incremental Opportunities backed by digitalization drive like Data Centres, 5G spending can lead to billions of dollar spent on Hard infrastructure creation.
- \* Indigenisation of Defence can be multi-decadal theme that has just started to flourish,
- \* Lastly policy incentive like Production Linked Incentive scheme can give boost to both employment creation & expanding mkt share of manufacturing by few percentages to India's GDP (~16-17% at present).

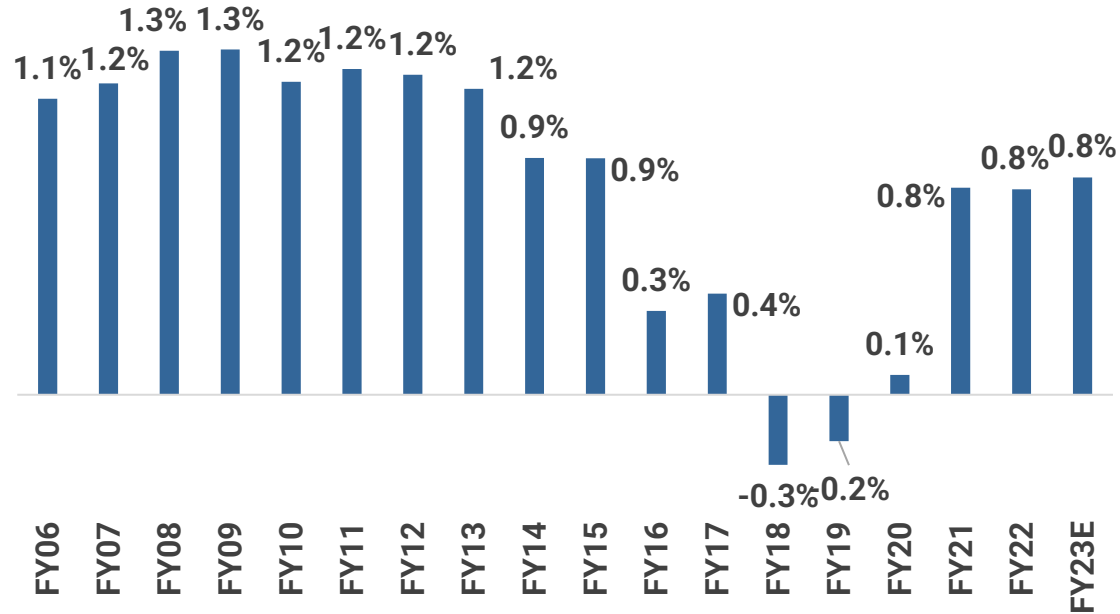
## New investments announced has seen a sharp rise



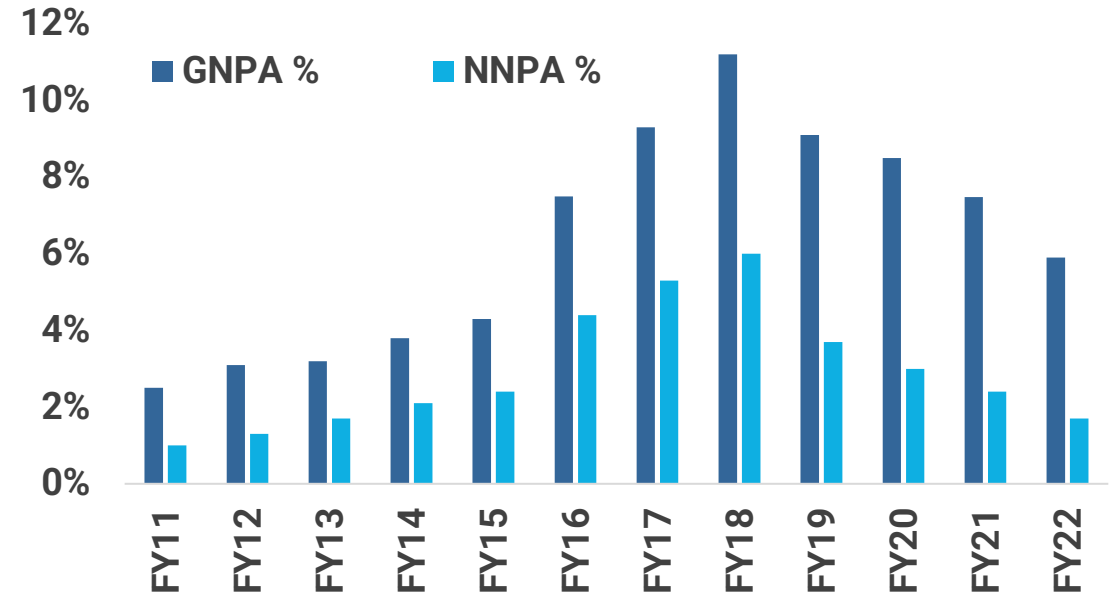
**We are overweight in many industrial companies across our equity funds for this reason**

# Why we own; What we own – Financials

Banking System ROA improving (credit+investments)



Asset Quality has improved significantly

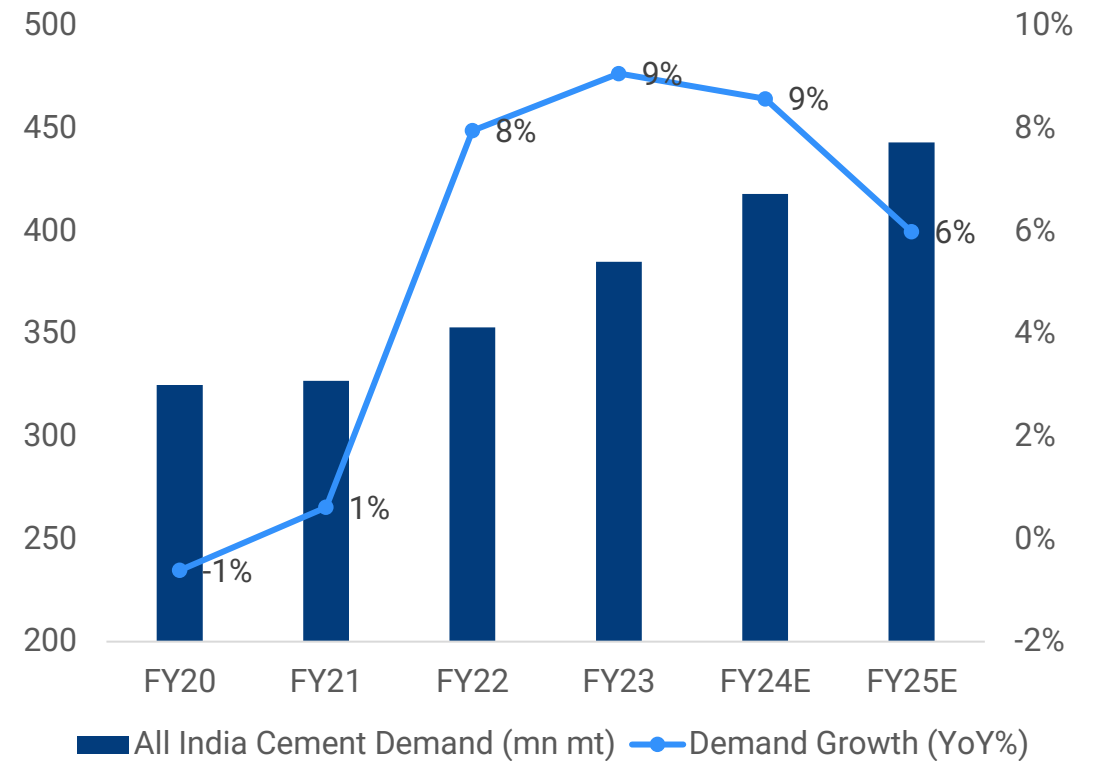


- \* Banking sector credit growth was in a down-cycle since 2012 and is now seeing improvement.
- \* Asset quality stress has bottomed out and return ratios are improving.
- \* Within financials we like lenders as they are better placed than the capital market, insurance, or other players as earnings growth will be better.
- \* We are overweight in many lenders within BFSI across our equity funds to play this opportunity

# Why we own; What we own – Cement & Products

- \* Analysis of the cement sector vis-à-vis the past three general elections indicates a pick-up in demand in the year ahead of elections.
- \* Housing remains one of the key pillars of cement demand growth in India. We expect rural housing demand to be driven by increased farm income and the flagship scheme of the government i.e., 'Housing for All'. Urban housing has seen a revival post-COVID with increased new launches as well as higher absorption of existing inventory.
- \* Last year witnessed inflation worries including a rise in the cost of energy/Coal price. This year has started with moderation in Energy costs which shall lead to better profitability in forthcoming quarters.
- \* Sector is expected to see a slew of capacity addition which is also pointing toward strong demand visibility from a medium-term perspective.

**Cement demand is expected to be strong**



# Why we own; What we own – Building Materials

## \* Structural uptick in real estate industry

- \* As per analyst reports, Indian real estate industry grew by 32% y-o-y in FY23 and is projected to grow at an annualized rate of ~9% between 2023-2028.

## \* Prospect of superior profitability

- \* Building materials industry is capable of generating better returns on equity compared to other sectors because these are less capital-intensive businesses and hence, employ lower leverage.
- \* Across market cycles, the building material companies have been able to demonstrate pricing power and lower margin volatility despite volatile raw material price movements.

## \* Shift from unorganized to organized

- \* Many of the building materials sub-segments like tiles, sanitaryware and plywood have a higher share of companies belonging to the unorganized sector.
- \* This presents an opportunity to indirectly play the unorganized to organized theme.

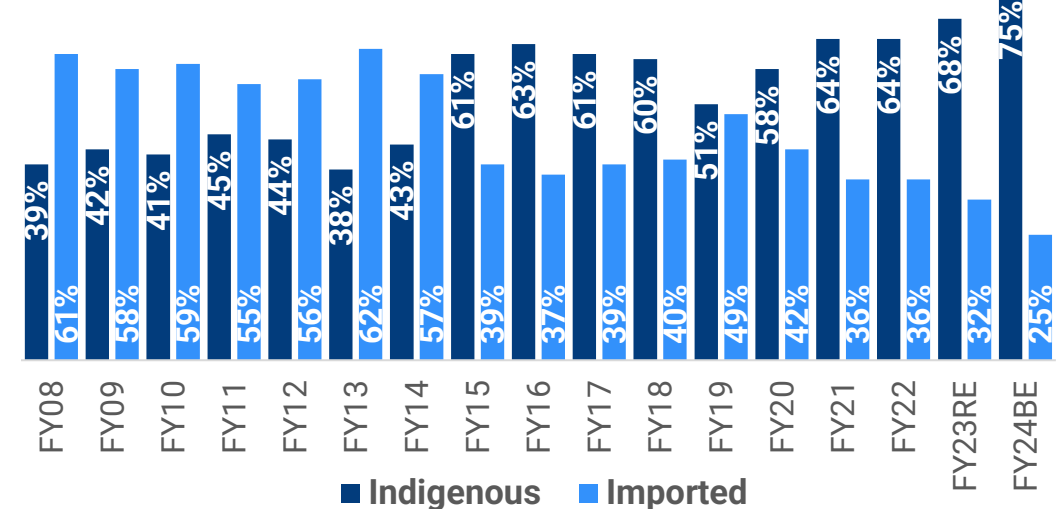
## Superior profitability ratios

| Company        | FY23 ROCE  | FY23 OCF/PAT |
|----------------|------------|--------------|
| Century Ply    | 26%        | 1.1          |
| Greenpanel     | 28%        | 1.3          |
| Greenlam       | 14%        | 1.4          |
| Somany         | 10%        | 2.3          |
| Kajaria        | 20%        | 0.9          |
| Prince         | 12%        | 3            |
| Astral         | 26%        | 1.2          |
| Supreme Indus  | 27%        | 1            |
| Cera           | 25%        | 0.8          |
| <b>Average</b> | <b>19%</b> | <b>1.4</b>   |

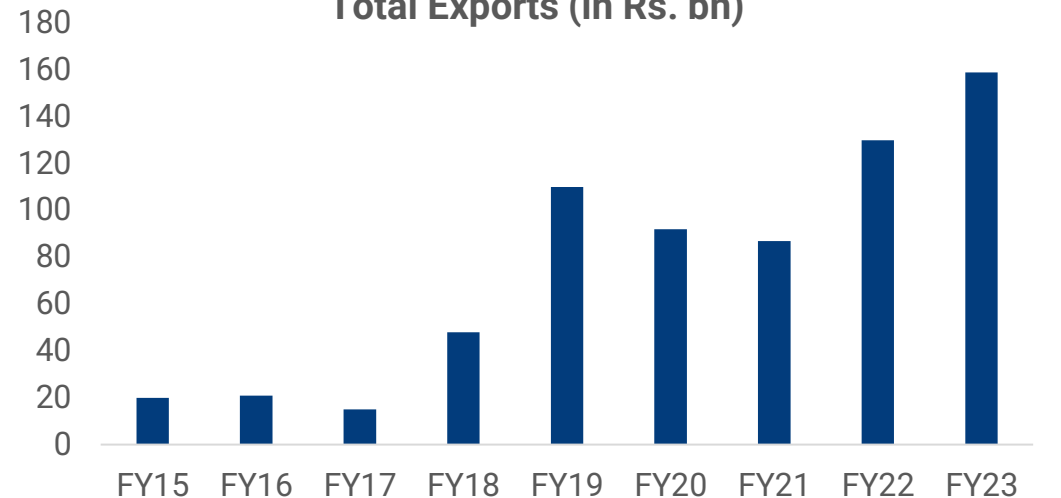
# Why we own; What we own – Aerospace & Defence

- \* India's Defence manufacturing is expected to become ~12x by 2047.
- \* In 2022, global military budgets hit an all-time high of USD 2.2 tn. despite challenging market environment and rising inflation across the globe.
- \* 13.2% of the union budget for FY24 was allocated towards defence with a prominent focus towards indigenisation of capital expenditure with priority given to Indian players having indigenous products.
- \* Defence capex picked up from FY20, recording a healthy 12.5% CAGR over FY19-23BE while revenue expenditure saw a lower CAGR of 4.4%.
- \* DPSUs and Ordnance Factory Board (OFB) are mandated to increase export revenue share to at least 25% by 2025.
- \* Make in India initiative opens avenues for small defense players to contribute to the domestic supply chain, collaborate with larger companies, and showcase their capabilities.

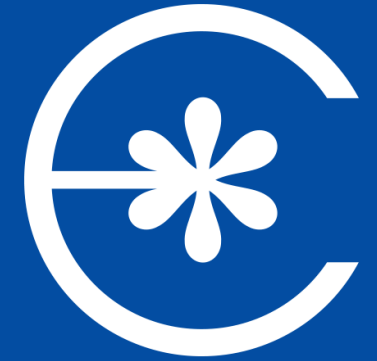
Ratio of capital procurement



Total Exports (in Rs. bn)



# Investment Process



# Our philosophy while managing your money

Our **FAIR** investment framework helps in identifying robust and clean businesses available at acceptable prices without being biased toward either value or growth investing styles.



## Forensics

Use forensic framework to check accounting quality, board governance standards and ownership background



## Acceptable Price

Emphasize reasonably priced businesses with earnings power over the medium term, rather than focusing on the short term



## Investment Style Agnostic

Emphasize investing in strong businesses capable of delivering long-term returns, while remaining agnostic to value or growth investing styles.



## Robustness

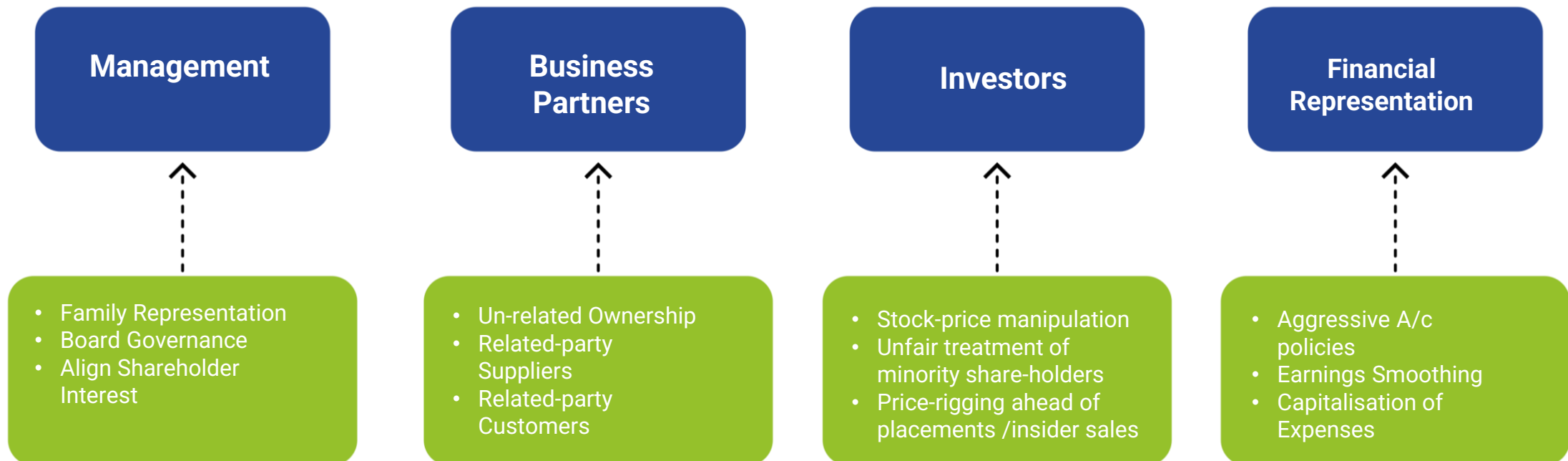
Pick well managed businesses having scalable opportunities and superior return on capital employed

We use a forensic analysis to pick only clean and quality businesses from the available universe

**We do forensic analysis in 4 key areas before we like any business**

**Accounting quality | Board governance | Ownership checks | Management integrity**

## Forensic Analysis Framework





# Acceptable Price

Focus on reasonably priced businesses with medium term earnings power

## Investment value analysis Framework

\* We analyse stocks and categorise them under 3 buckets

- i. Discounted Value stocks
- ii. Compounding Value stocks
- iii. Risk-management stocks – Stocks we own due to their presence in benchmark

\* A combination of Discounted and compounding value makes us Value/Growth style agnostic

### Discounted Investment Value

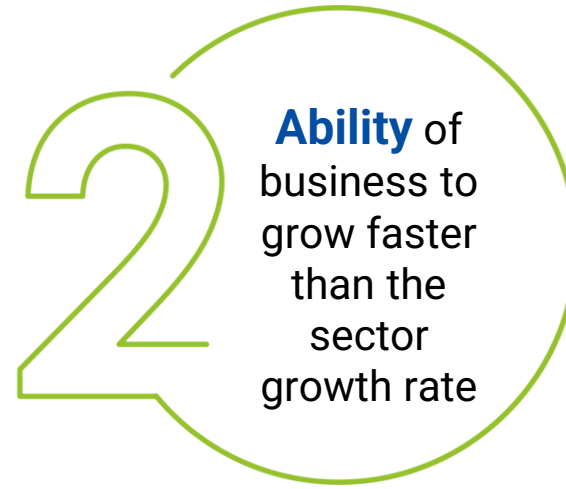
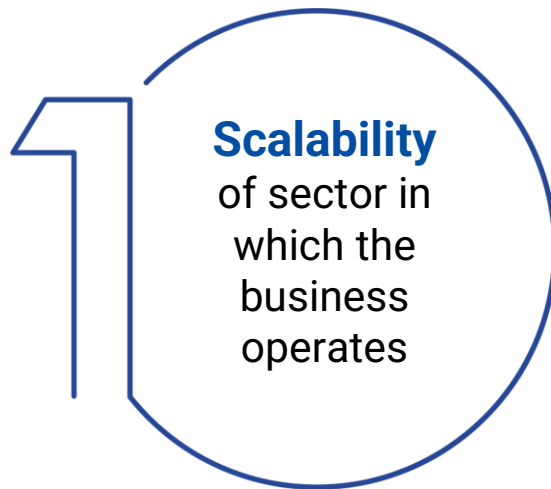
- We derive discounted value based on % discount compared to intrinsic value of the stock
- This bucket includes event driven, deep Value and turn-around businesses
- Current Examples of businesses with static value – SBI and Indian Bank

### Compounding Investment Value

- We derive compounded value based on estimated growth in intrinsic value over next 2 years.
- This bucket includes consistent compounders that are sector leaders and market share gainers
- Current Examples of businesses with dynamic value – Asian Paints and Crompton G Consumers

Pick well managed businesses having scalable opportunities and superior return on capital employed

## Qualitative factors:

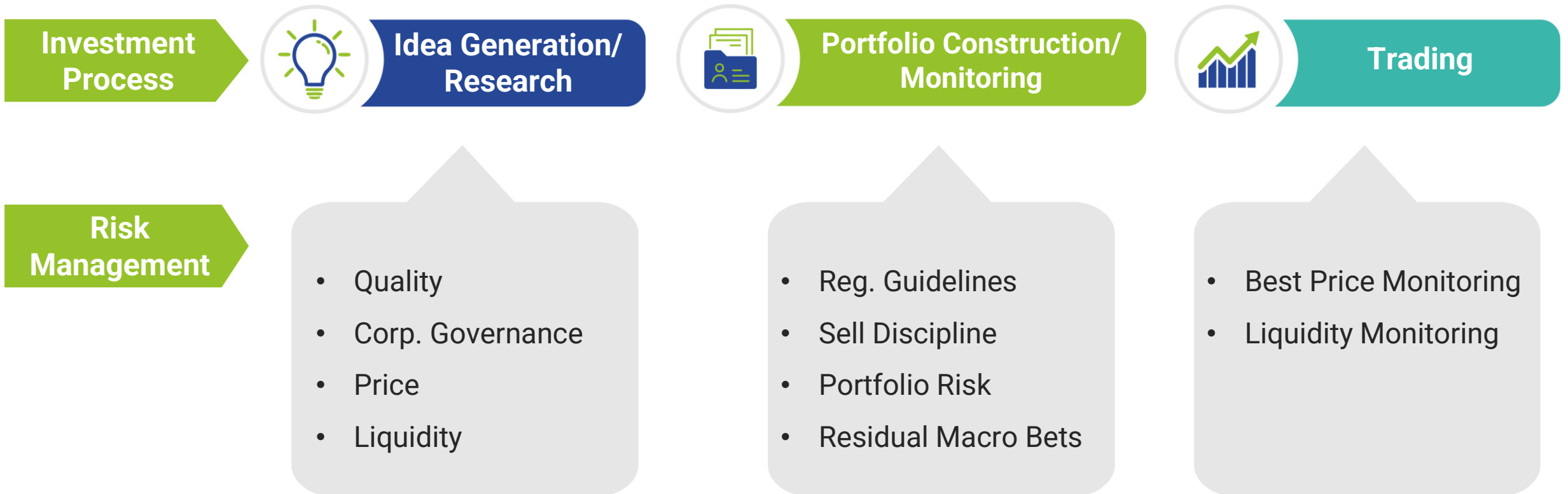


## Quantitative factors:

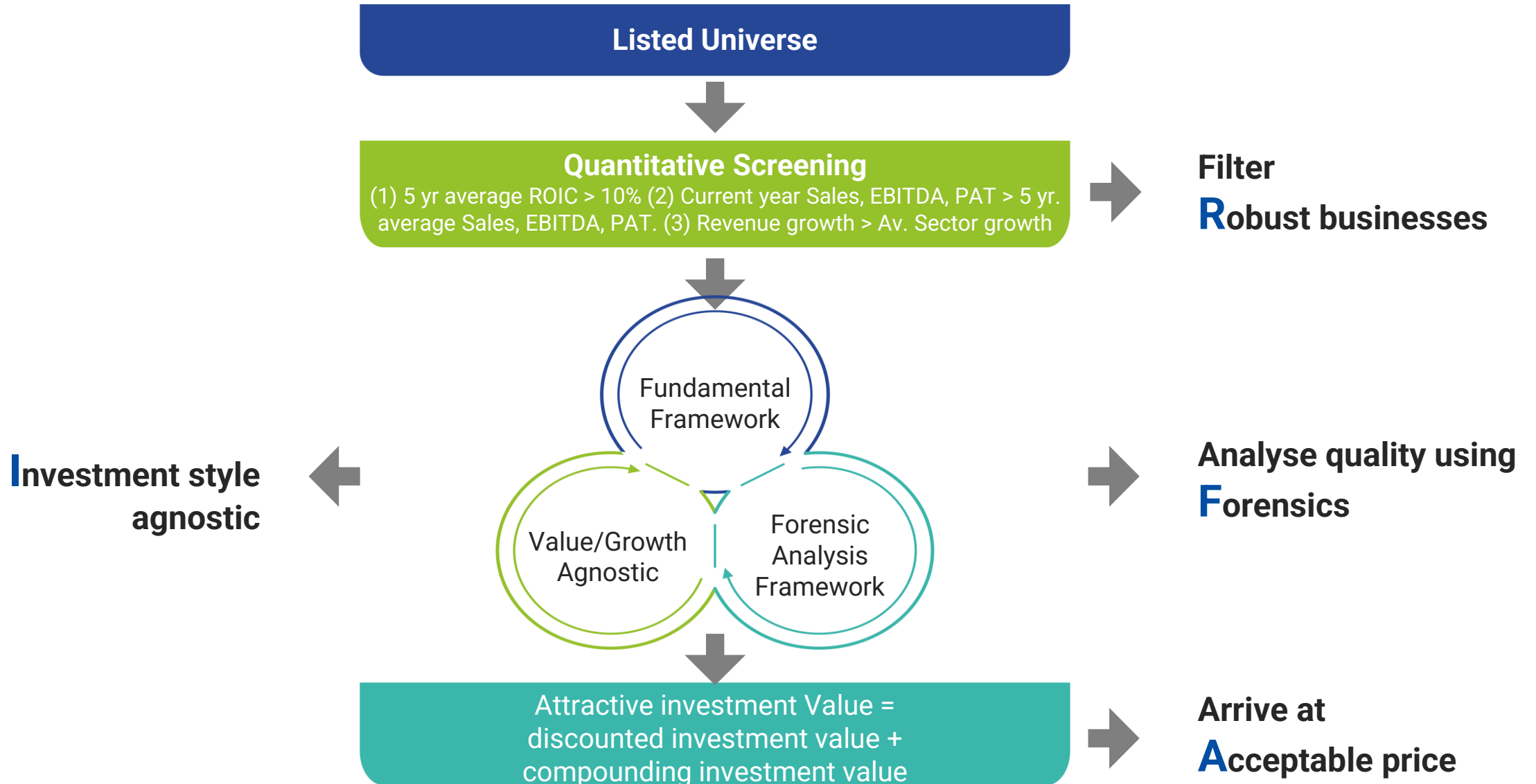
1. 5yr. average core business returns more than 10% to ensure company is earning higher than its cost of capital
2. Current year Sales, EBITDA, PAT should be more than 5yr. average Sales, EBITDA, PAT to ensure we leave out de-growing companies
3. Higher cash-flow conversion compared to sector peers over last business cycle

# Risk Management at each level of investment process

Risk management is core to our strategy at each level of investment process



# Our investment process



# What we don't do

Not doing something is an active call and very important factor in investing

## 01 Take out-sized sector bets

Earnings of every sector goes through cycles and over longer period it is in-line with broader market earnings. Hence, we avoid out-sized sector bets unless it is mandate of the fund

## 02 Macro calls

Macro calls may not work all the time given dynamic nature of our markets today compared to what they were in the past

## 03 Cash-calls

Timing the market is difficult and hence, we keep our portfolios fully invested

# Investment Team

## Long Only Equities



**Trideep Bhattacharya**  
CIO – Equities  
23 years  
DOJ : 17/09/2021



**Abhishek Gupta**  
Fund Manager  
16 years  
DOJ : 01/07/2021



**Sahil Shah**  
Fund Manager  
15 Years  
DOJ : 20/01/2007



**Ashwani Agarwalla**  
Fund Manager  
18 Years  
DOJ : 01/06/2022

## Hybrids & Solutions



**Bhavesh Jain**  
Co-Head, Hybrid & Solutions  
12 Years  
DOJ : 25/01/2008



**Bharat Lahoti**  
Co-Head, Hybrid & Solutions  
16 Years  
DOJ : 01/09/2015



**Bhavin Patadia**  
Fund Manager  
16 Years  
DOJ : 08/07/2019

## Fixed Income



**Dhawal Dalal**  
CIO – Fixed Income  
23 Years  
DOJ : 20/10/2016



**Rahul Dedhia**  
Fund Manager  
13 Years  
DOJ : 01/11/2017



**Pranavi Kulkarni**  
Fund Manager  
12 years  
DOJ : 22/09/2017

## Alternative Equities



**Nalin Moniz**  
CIO – Alternatives  
15 Years  
DOJ : 21/07/2009



**Ashish Agarwal**  
Managing Partner & Head  
Private Equity 20 Years  
DOJ : 09/11/2021



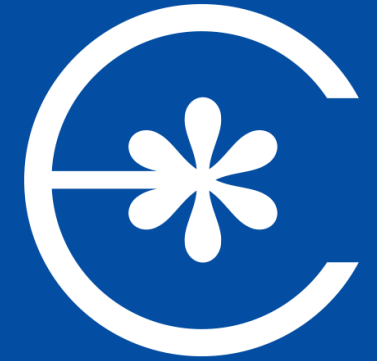
**Gautam Berry**  
Fund Manager  
10 Years  
DOJ : 02/01/2014



**Vivek Sharma**  
Fund Manager  
18 year  
DOJ : 01/09/2023

Supported by a team of 9 people of research analysts and dealers

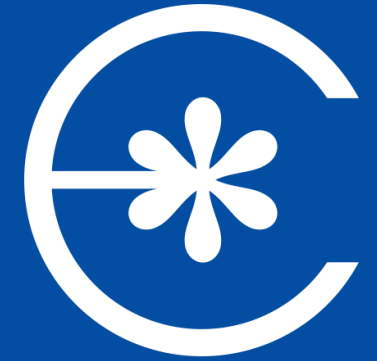
# Annexure



# India's decade

India is entering into one of its best decades of prosperity

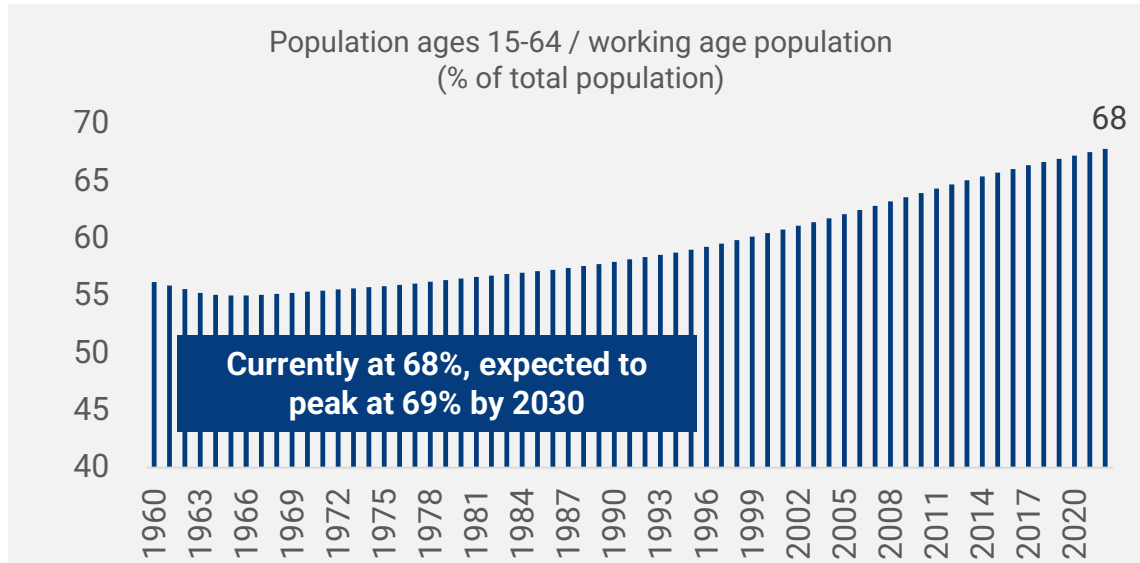
It is scoring high in every possible area, creating multiple opportunities



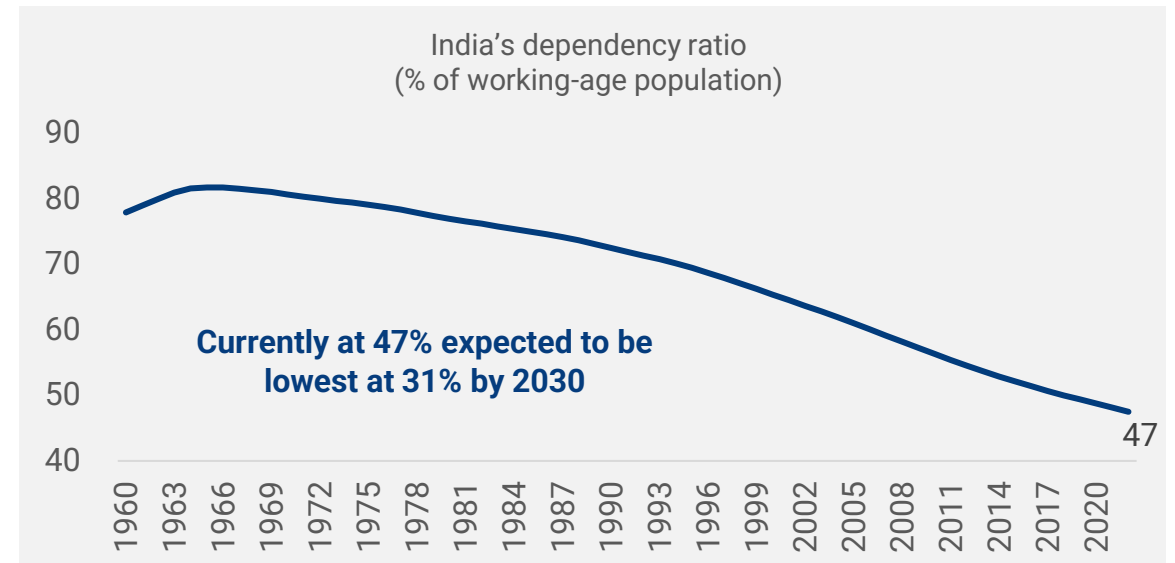


# India is young and independent

## India has a large young workforce



## ...and an independent population



**~25%** of the incremental global workforce over the next decade is expected to come from India.

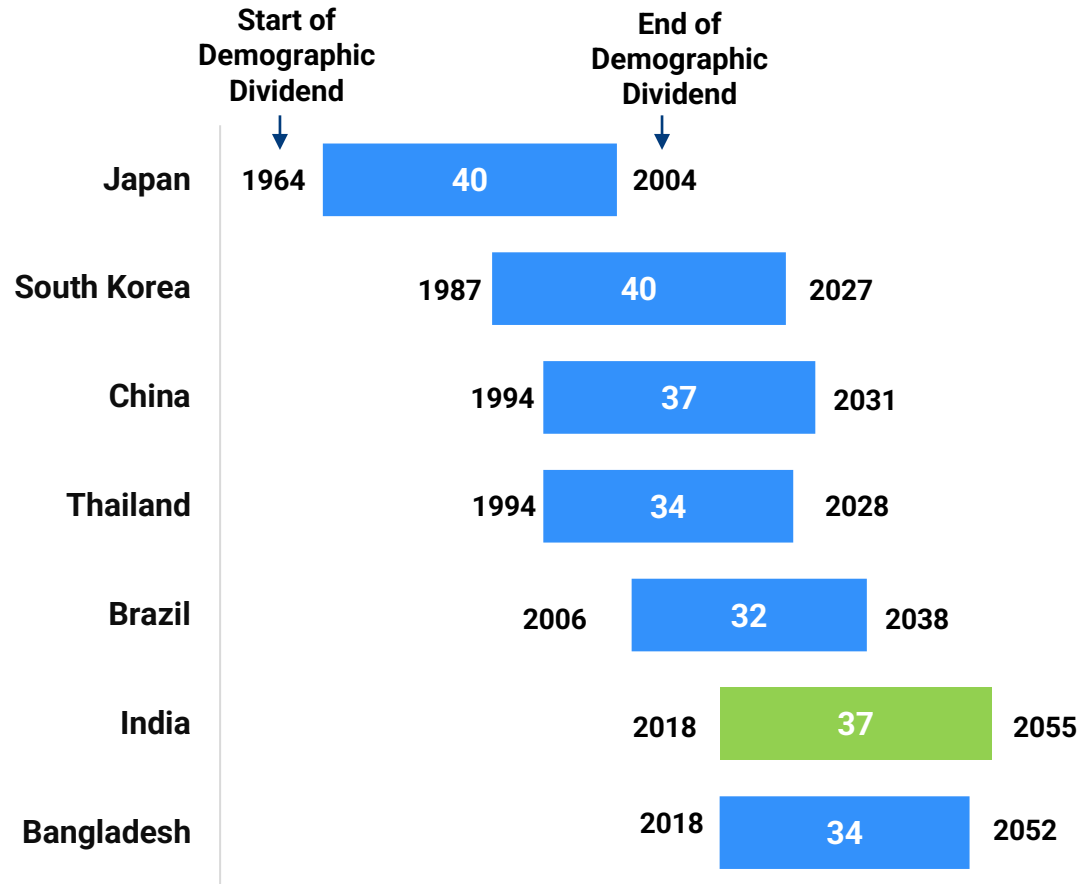
By 2030, India's working-age population is expected to exceed **1bn**.

On the other hand, the population is rapidly ageing in the developed world.

**Key Beneficiaries: Consumption, Capital Markets and Manufacturing**

# Demographic dividend places India ahead of peers

India to enjoy demographic dividend longer...



...with higher share of the working population

Working-age population % to total population:

| Country   | 2020 | 2030 | 2040 | 2050 |
|-----------|------|------|------|------|
| India     | 64%  | 69%  | 64%  | 61%  |
| Africa    | 54%  | 56%  | 58%  | 60%  |
| Indonesia | 64%  | 64%  | 62%  | 60%  |
| China     | 64%  | 61%  | 57%  | 50%  |
| LatAm     | 63%  | 63%  | 61%  | 58%  |

At **60%**, India will have the highest % of working population amongst all major countries over the next 30 years.

Countries with a larger share of the working age population to the total population are likely to witness higher GDP growth rates.

**Key Beneficiaries: Consumption, Capital Markets and Manufacturing**

# Households are getting richer

## Diverse India consumer classes

**Rich India**  
~12 cr. people  
~\$12,000 per Capita

**Aspiring India**  
~10 cr. people  
~\$3000 per Capita

**Growing India**  
~120 cr. people  
~\$1500 per Capita



## Higher level of middle class

| Households no. in Crs. | 2022 - 31 cr. | 2030 - 35 cr. |
|------------------------|---------------|---------------|
| High Income            | 1.40          | 3.50          |
| Middle Income          | 10.30         | 16.50         |
| Lower Middle Income    | 15.60         | 13.60         |
| Low Income             | 3.80          | 2.00          |

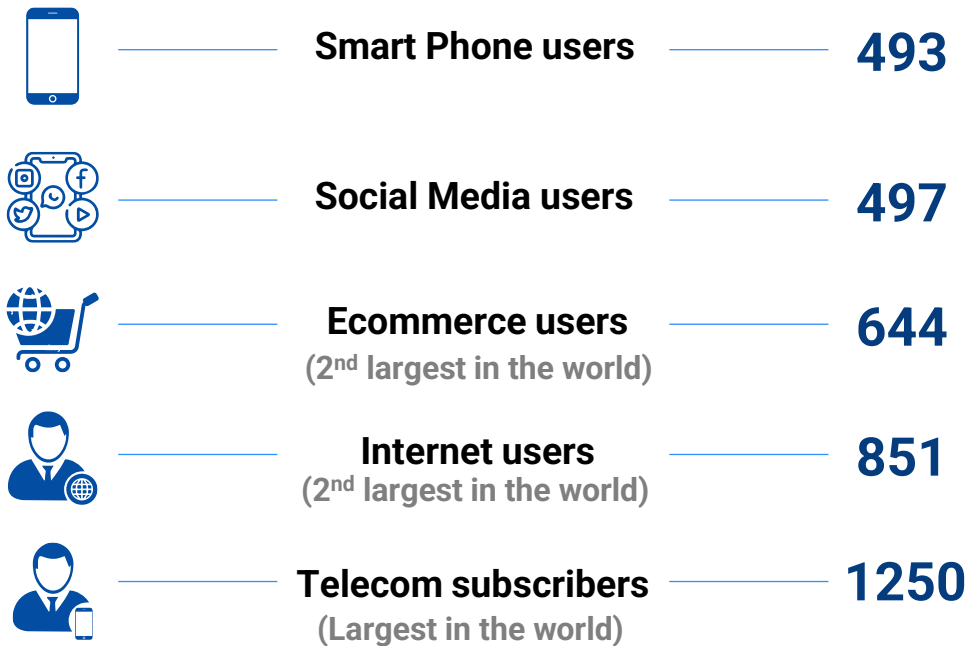
Rich India with a population of **12 cr. having \$12,000 per capita income** is richer than many smaller developed countries.

By 2030, India will have more than **50% of households in the middle and higher income** groups\*.

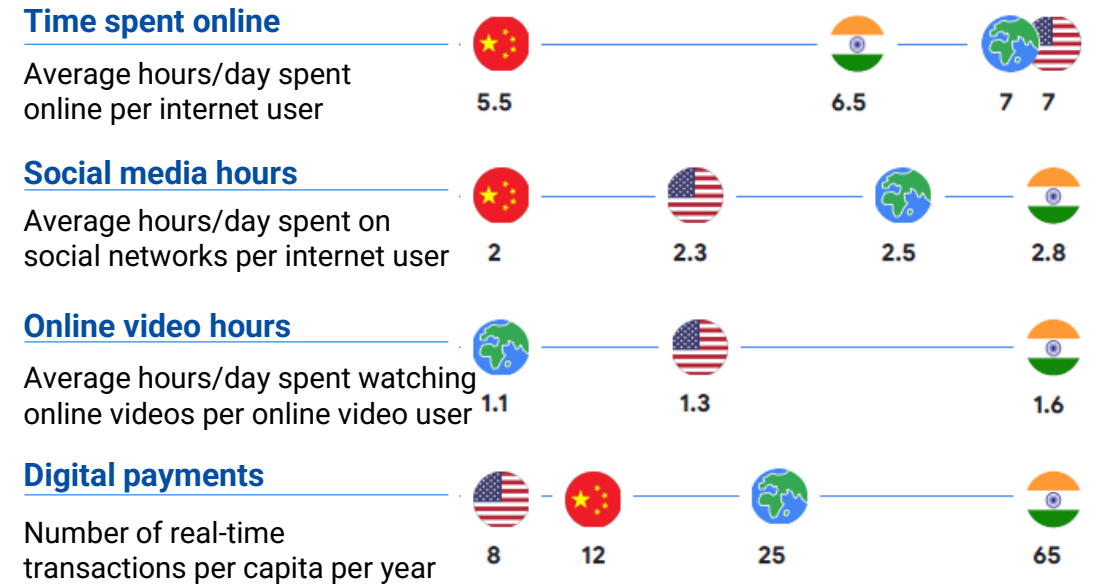
India to add **883mn** in the middle class group vs 453mn by China and 133mn from rest of Asia.

# We are now world's largest digital economy

## Digital subscriber/user data in million



## India is well ahead of the world's largest digital economies



Digitally dependent economy estimated to be around **25% of GDP**

India's digital economy grew **2.4X faster** than the growth of the overall Indian economy

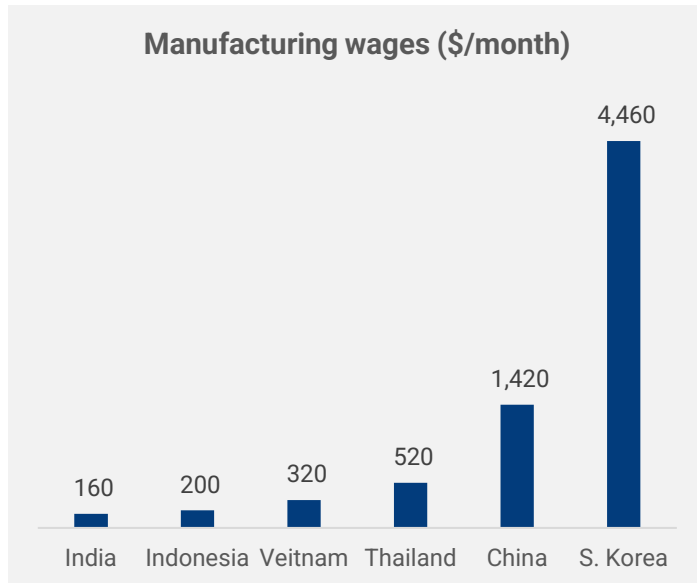
More than **75m workers** are employed in the digitally dependent economy

**Key Beneficiaries: Telecom, e-Commerce, Data Centers, Phone Manufacturing, Fintech players**

# Becoming a manufacturing export hub

India ramping up capacity to serve the domestic population but also importantly, to become a larger player in export markets over time.

## The cost advantage



## Breadth of export opportunities to expand

| % share of total exports | 2010 | 2022 |
|--------------------------|------|------|
| Oil + Coal               | 17%  | 22%  |
| Chemicals                | 10%  | 14%  |
| Machinery                | 11%  | 13%  |
| Agri                     | 9%   | 12%  |
| Textiles                 | 12%  | 9%   |
| Gems & Jewellery         | 17%  | 8%   |
| Metals                   | 8%   | 8%   |
| Electronics              | 4%   | 6%   |

## Key catalyst

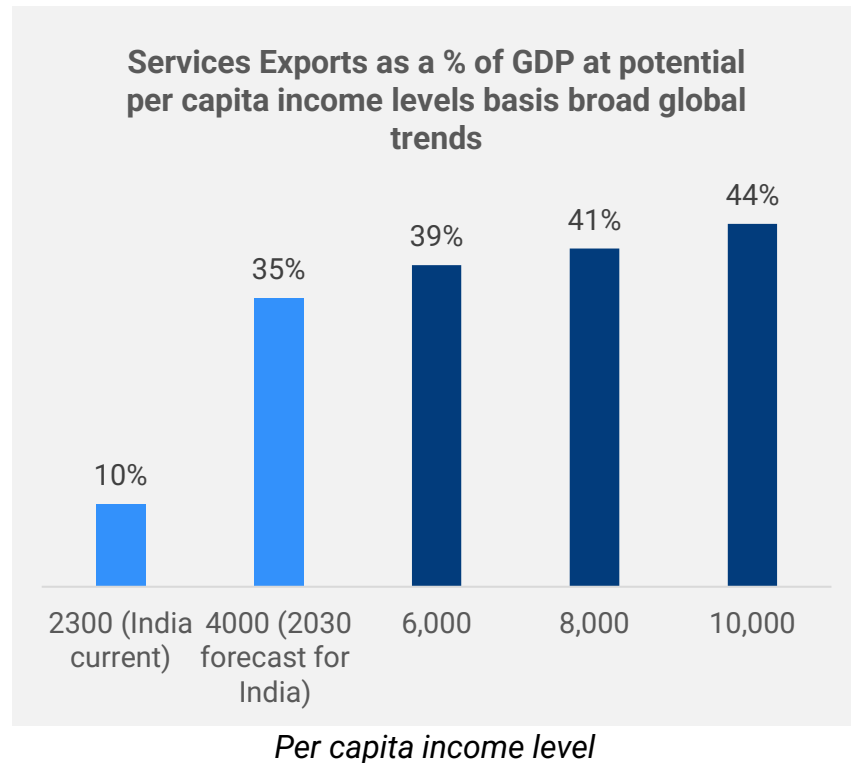
- **PLI**
- **Corporate Tax cut**
- **Make In India**
- **China + 1**
- **Competitive advantage**

India has the capacity to export goods worth **US\$ 1 trillion** by 2030.

**Key Beneficiaries:** Automotives, Electronics, Chemicals, Pharma, IT Services

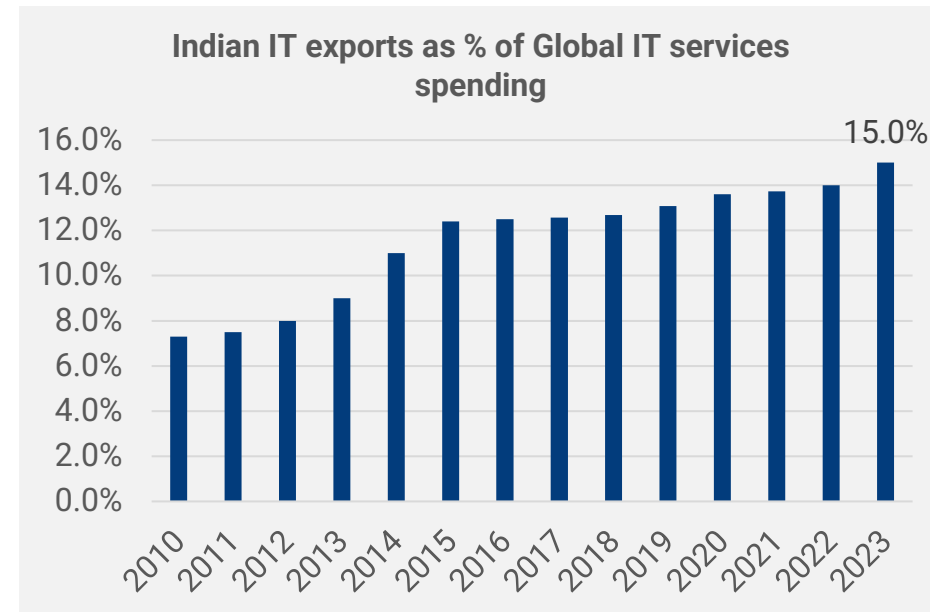
# Services export: A key pillar for India's economic growth

## Strong contribution with the expected expansion in per capita income



## The skill advantage

**#1** in global sourcing markets with **59%** market share  
**#1** employer in India with over **50 lakh** employees

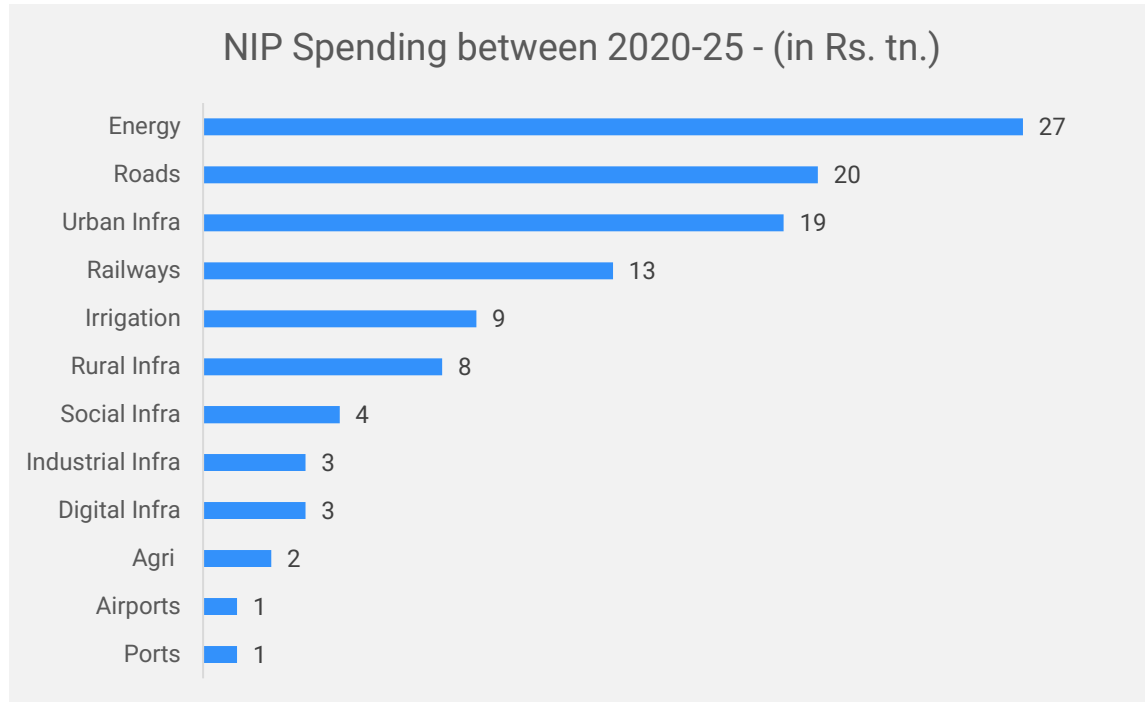


India on the road to achieve **US\$ 1 trillion** in services exports by 2030.

**Key beneficiaries - IT and BPO services; New age sectors like tourism, medical value tourism, gaming, digital engineering services.**

# Infrastructure in upgrading

## Rs. 111 tn. Spending planned on Infra



## Focus on new-age infrastructure spending

|                                   |  |
|-----------------------------------|--|
| <b>Industrial Cities</b>          | Investment worth Rs. 1tn planned across 451+ acres generating ~11,000+ employment                                      |
| <b>Renewable Electricity (GW)</b> | India is 4th largest producer of renewable energy & solar power; 270% increase in addition between FY15-23 vs FY06-14; |
| <b>Railway route electrified</b>  | 42.3% of total railways between FY15-23 vs 6.3% of total between FY06-14   |
| <b>Data Center</b>                | 2X growth in spending to Rs. 1 tn by 2027  |

India would need to spend **Rs. 370 tn.** on infrastructure by **2030**

NIP has planned to spend **Rs. 111 tn.** Infrastructure spending by **2025.**

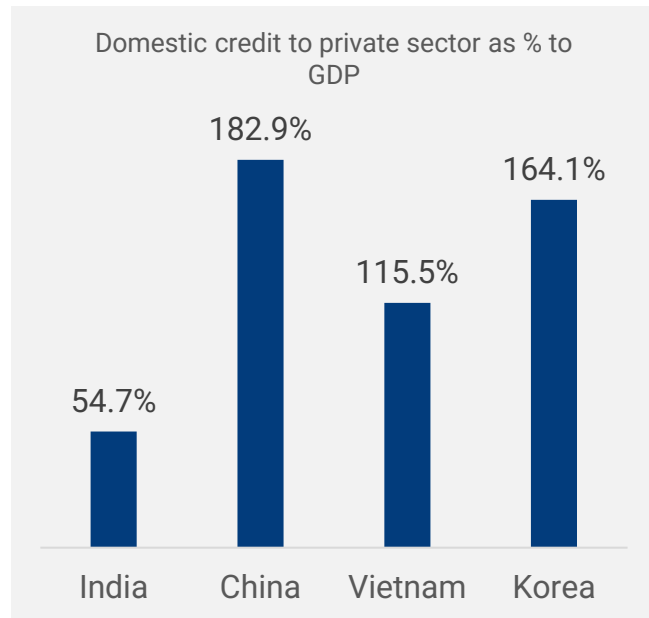
For every rupee spent on infrastructure, there is a **2.5 to 3.5 rupee gain** in GDP.

**Key Beneficiaries: Cement, Capital Goods, Construction, Banking**

# The power of credit is yet to be leveraged

India has headroom to increase its total debt in relation to the size of the economy.

**India's debt to GDP at 55% remains amongst the lowest.**



**Expanding access to and sources of credit**

- \* **Improving health of the banking sector** with Gross NPA down to 3.9% in 2023 from high of 11.5% in 2018
- \* **Huge potential of Corporate Bond market** with corporate bond as a % of GDP being 16%
- \* Growth of emerging sources like **digital lending and alternative funds**

**Beneficiaries of credit**


- \* **Large corporates** with deleveraged balance sheets, peaking capacity utilization level to drive the private capex cycle
- \* **MSMEs** account for ~30% of GDP, digital infrastructure to bridge the funding gap.
- \* With current 34% household debt to GDP, Growth in **Household debt** to spur consumption

**Key Beneficiaries: Lenders, Fintech, Asset Management, Consumption, E-commerce, Housing and allied sectors**





# India – Coming of age

 Indian received ~\$950 Billion FDI since 1947, of which **\$532 Billion FDI** came in the last 90 months.


 From start of 2015, India's GDP rank jumped from **10<sup>th</sup> to 5<sup>th</sup> rank.**


 **2nd largest working population** of 522 Mn with median age of ~29 years.

 Manufacturing GDP to grow **15x to USD 6.2 Tn** by 2047

 India added a unicorn **every 9 days** in 2022.

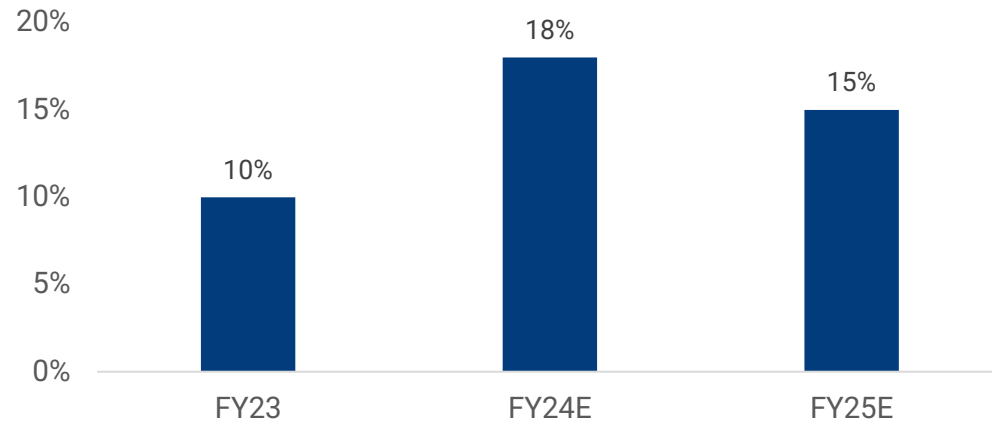
 **2/3<sup>rd</sup> of India's GDP** is driven only by domestic demand.

 Services GDP to grow **13x to USD 20 Tn** by 2047

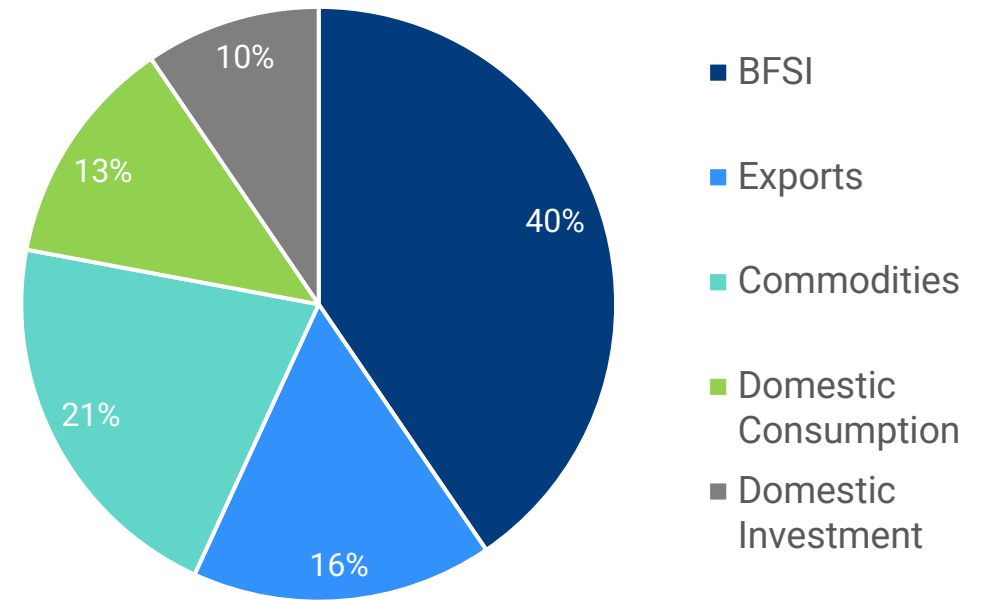
 Per Capita income to grow **10X to USD 20,000** by 2047

# Earnings Report – Strong growth expected in FY24

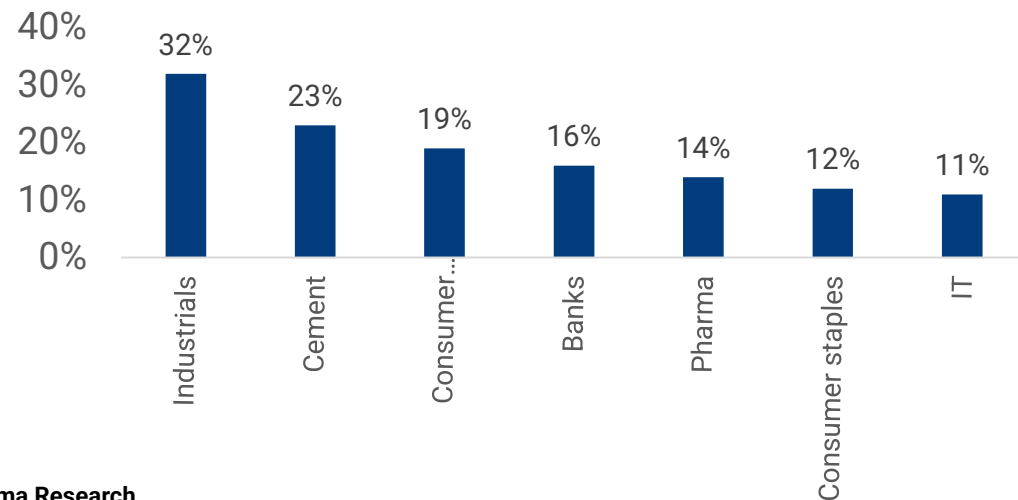
Nifty50 EPS expected to grow at double digit



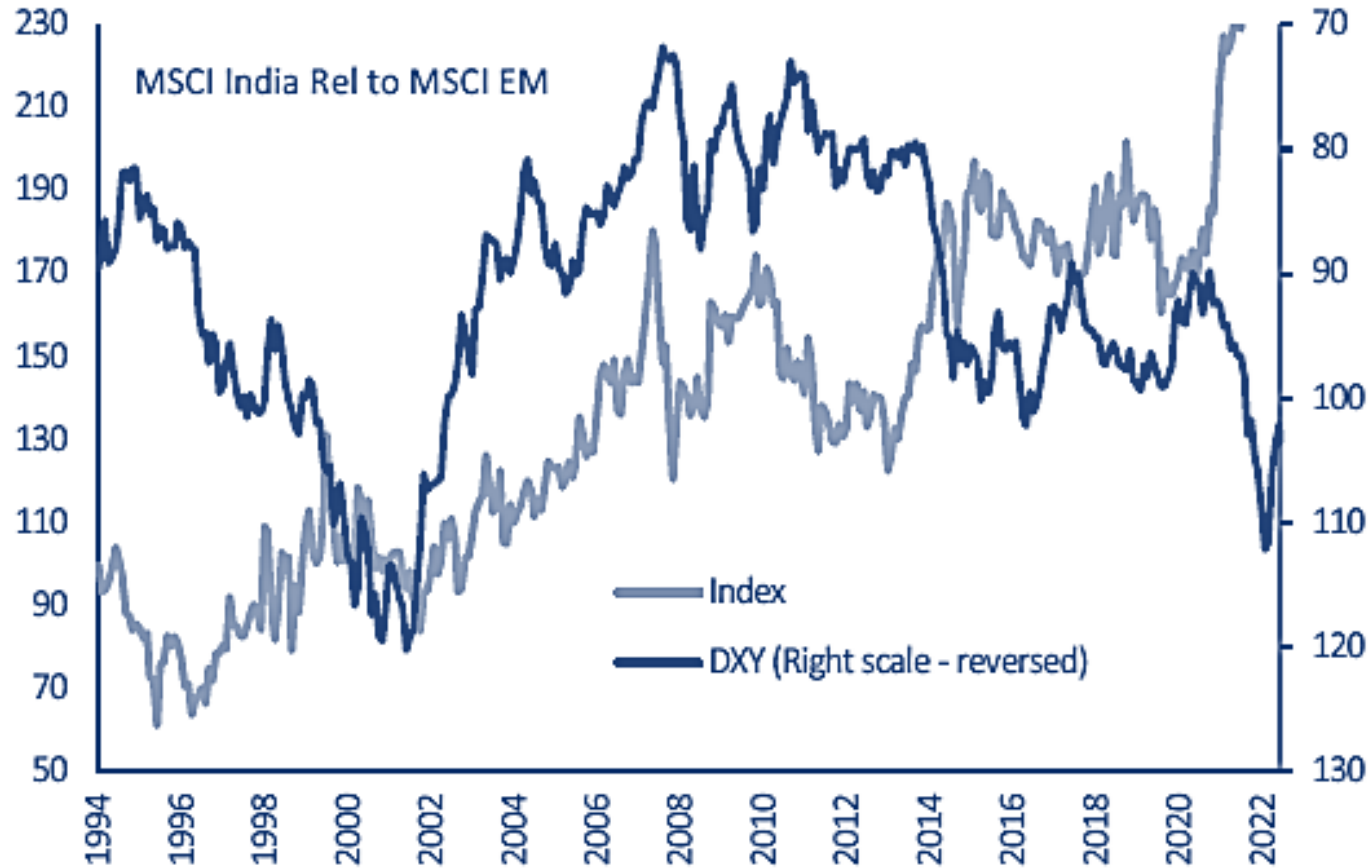
FY24E EPS share in Nifty 50



FY24E Earnings growth contributors



# Weak Dollar Index is good for Indian Equities

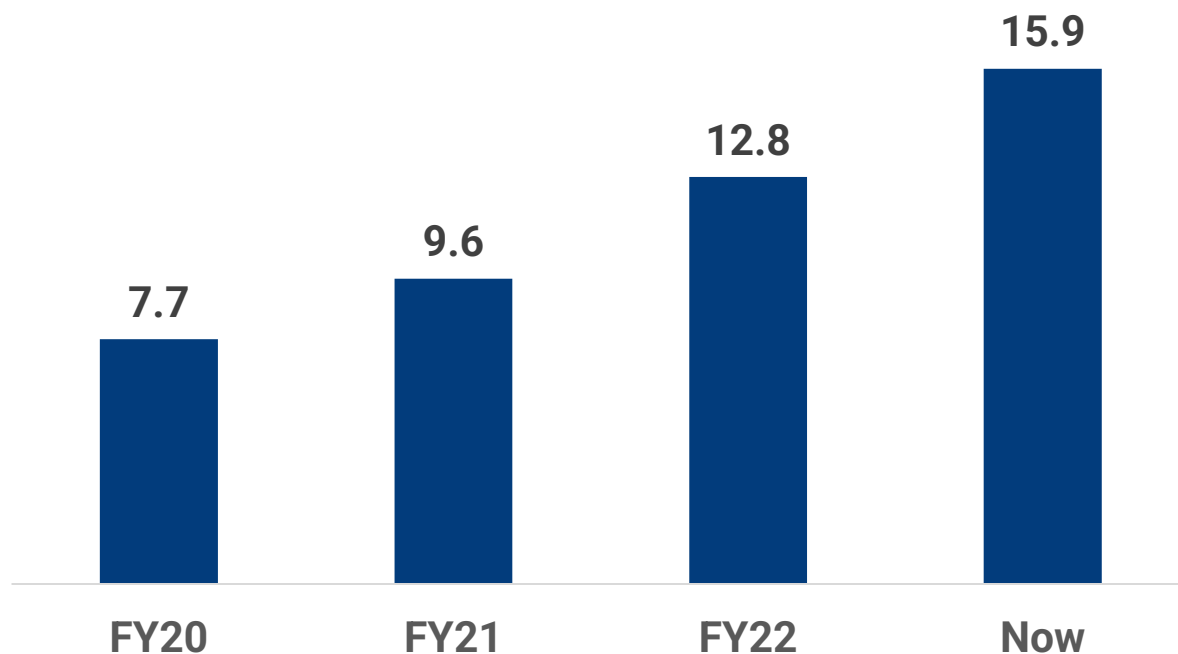


- \* India has outperformed EM when the dollar index depreciated.
- \* A rising dollar makes growth and macro stability vulnerable to policy errors causes flows and forex reserves to fall, as seen recently.
- \* As with oil, the relationship between stocks and the Dollar Index has broken down.

# India's rising share in MSCI EM to help flows

Indian economy and equity market have outperformed other EM nations, leading to a steady rise in its share in the MSCI EM index. This will help in sustained FII flows into equity markets in the coming years.

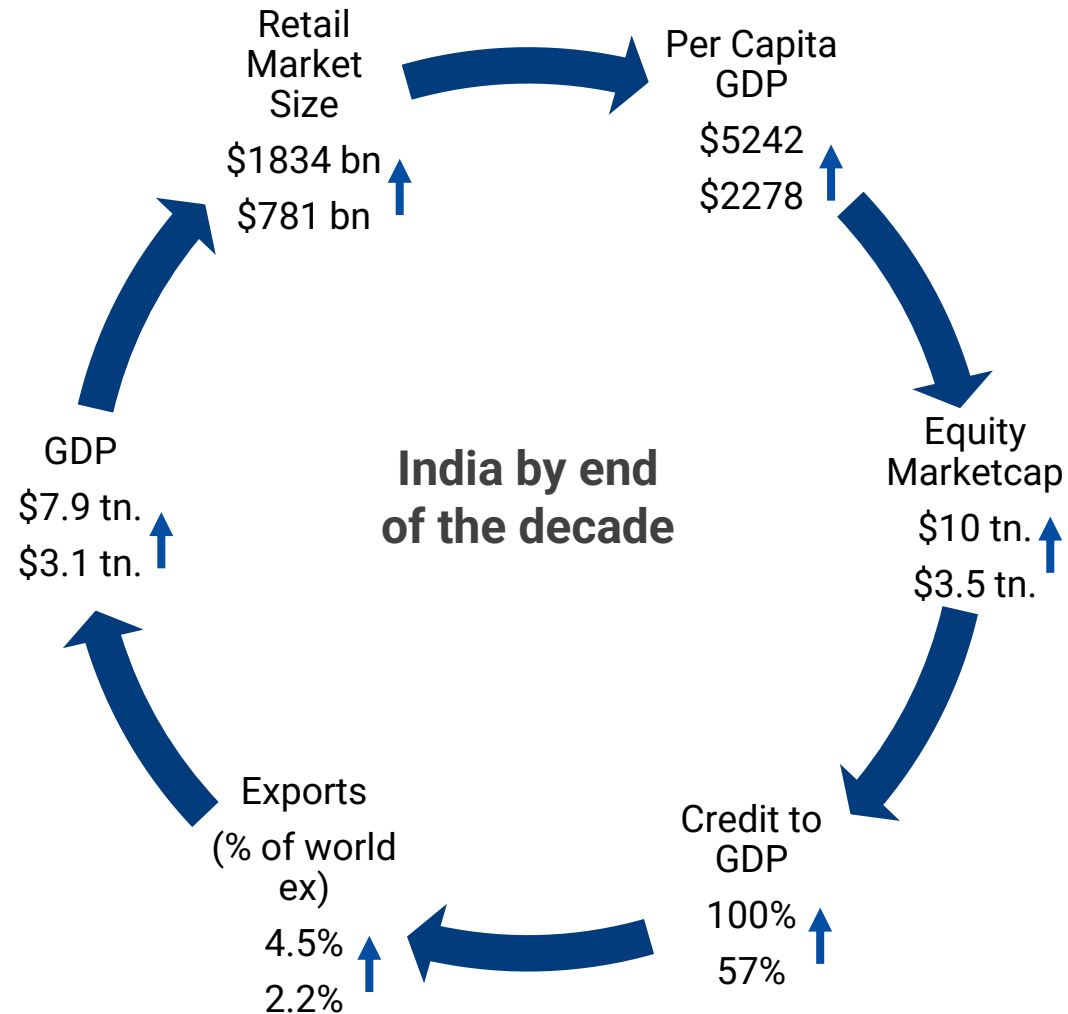
Rise in India's share in MSCI EM Index



| Country       | FY20 | FY21 | FY22 | Now* |
|---------------|------|------|------|------|
| China         | 36.1 | 35.5 | 27.5 | 29.9 |
| India         | 7.7  | 9.6  | 12.8 | 15.9 |
| Taiwan        | 12.1 | 13.7 | 15.5 | 15.1 |
| S. Korea      | 11.7 | 13.3 | 12.3 | 11.8 |
| Brazil        | 4.8  | 4.5  | 5.7  | 5.4  |
| Other Nations | 14.9 | 14.3 | 15.6 | 22.0 |

# India's Decade

India to drive a fifth of global growth through the end of this decade

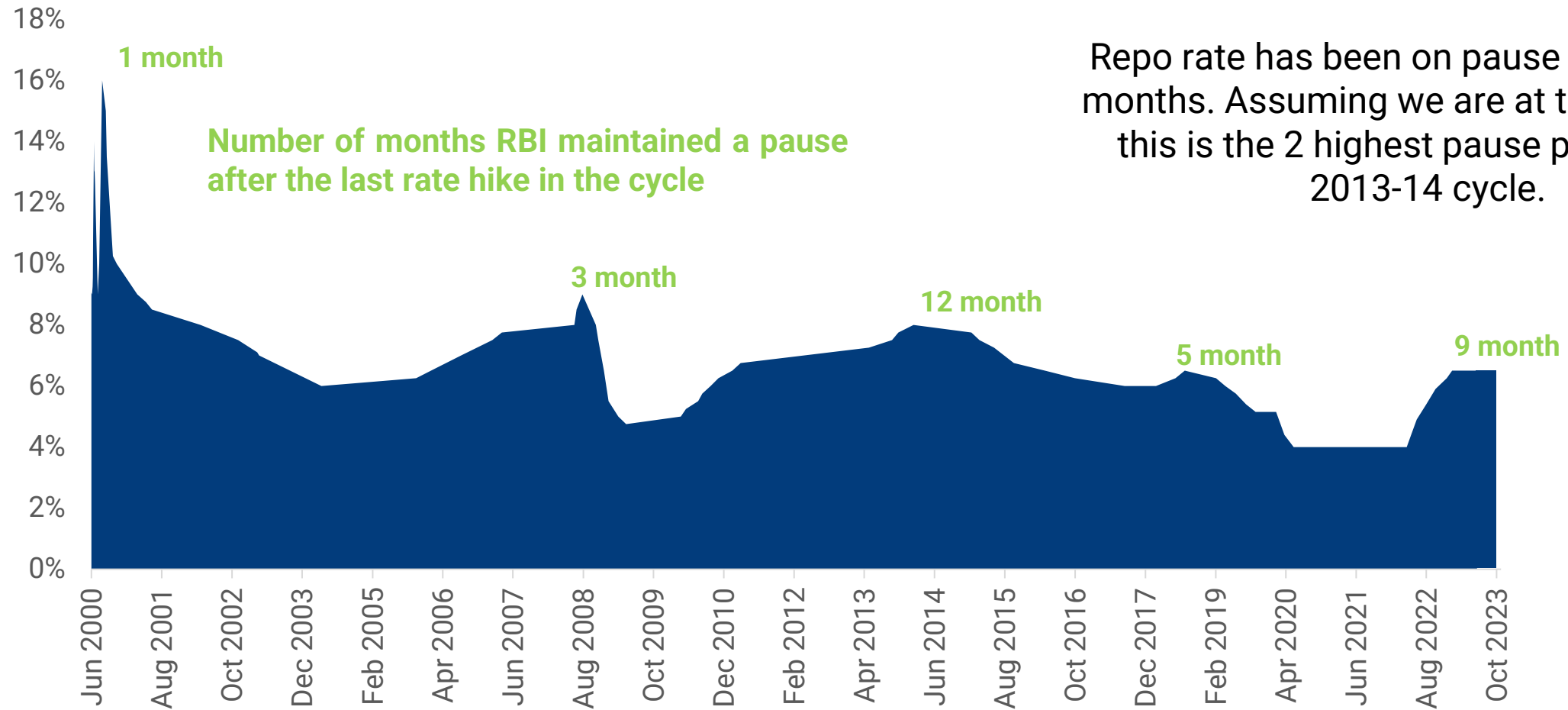


Growth lead by 4 pillars



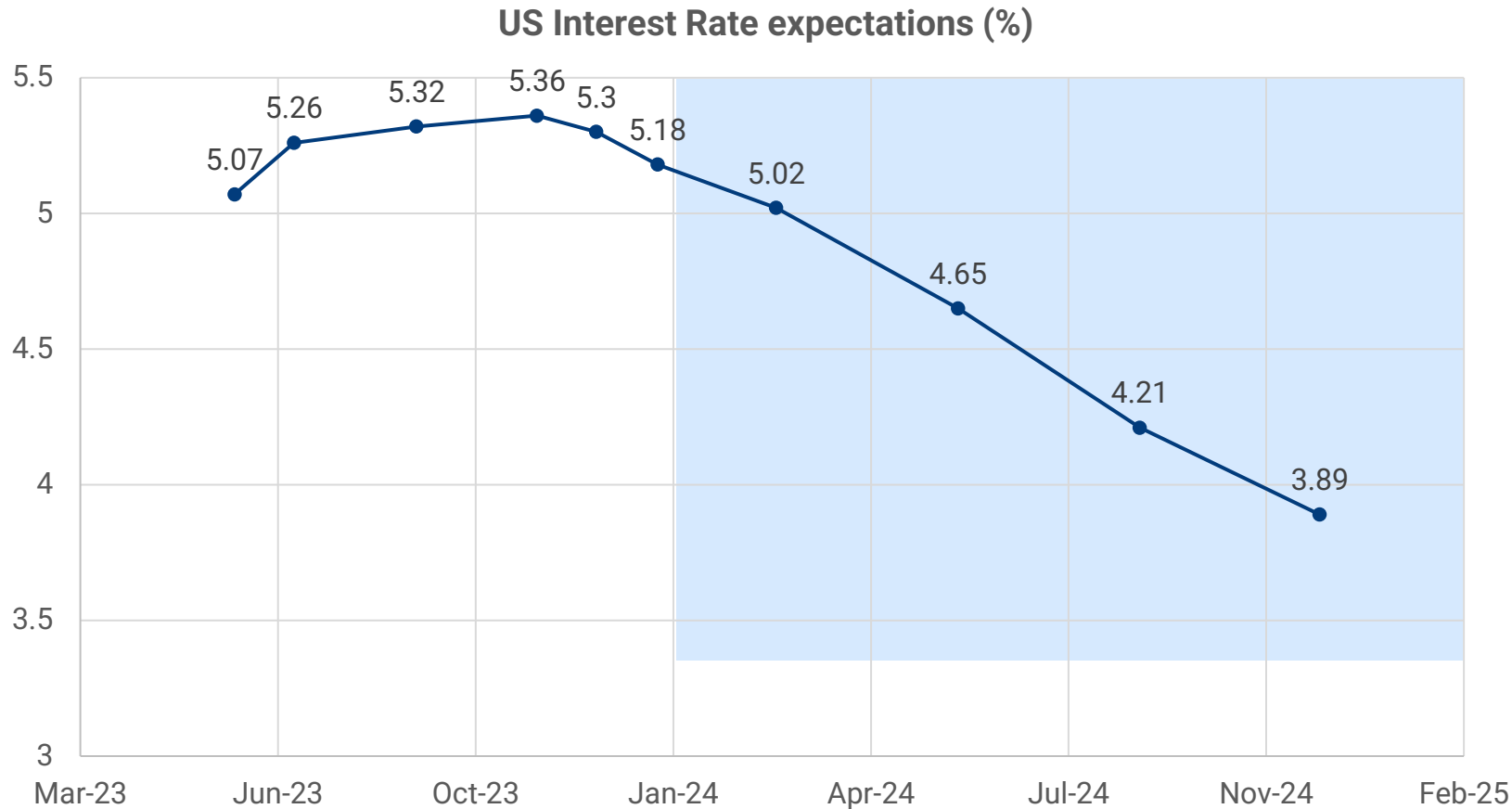
# Will RBI cut rate soon?

### RBI Repo Rate



Repo rate has been on pause for almost 9 months. Assuming we are at the peak rate, this is the 2 highest pause period after 2013-14 cycle.

# Market expects sharp rate cuts by US in CY-24



- \* Equities and other assets get re-priced when US rates fall.
- \* Equities, especially, outperform.

# Reducing drawdowns is important

| Year | Return %    | Value of Rs. 100 | Return %    | Value of Rs. 100 |
|------|-------------|------------------|-------------|------------------|
| 1    | 11          | 111              | 20          | 120              |
| 2    | 9           | 121              | -5          | 114              |
| 3    | 11          | 134              | 20          | 137              |
| 4    | 9           | 146              | -5          | 130              |
| 5    | 11          | 162              | 20          | 156              |
| 6    | 9           | 177              | -5          | 148              |
| 7    | 11          | 197              | 20          | 178              |
| 8    | 9           | 214              | -5          | 169              |
| 9    | 11          | 238              | 20          | 203              |
| 10   | 9           | 259              | -5          | 193              |
|      | <b>CAGR</b> | <b>10.00%</b>    | <b>CAGR</b> | <b>6.77%</b>     |

Earning 9-11% in alternate years is better than earning -5 to 20% in alternate years.  
**Reducing drawdown adds to compounding.**



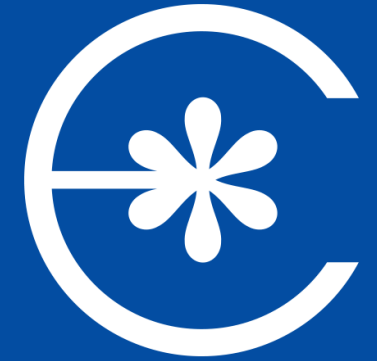
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