

India's journey to \$5 trillion Economy: Wealth Creation opportunities in Equities



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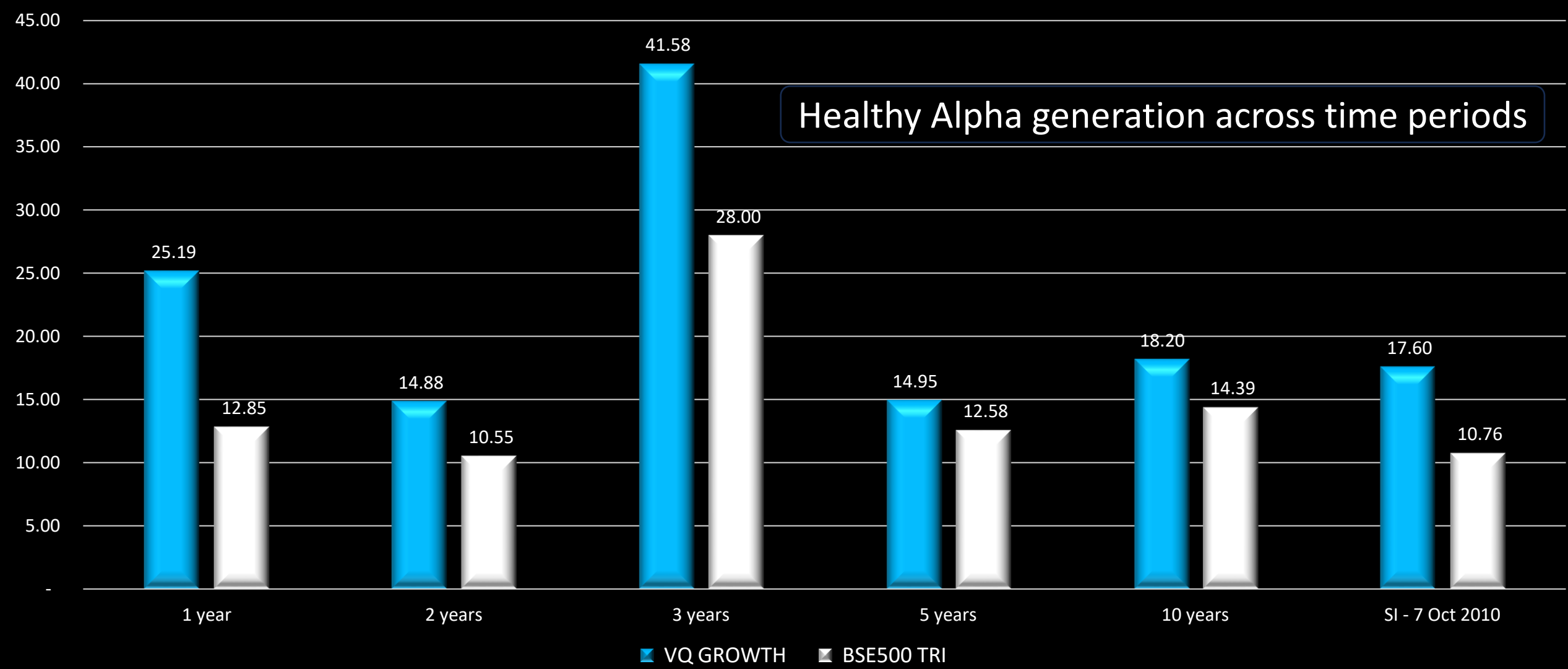


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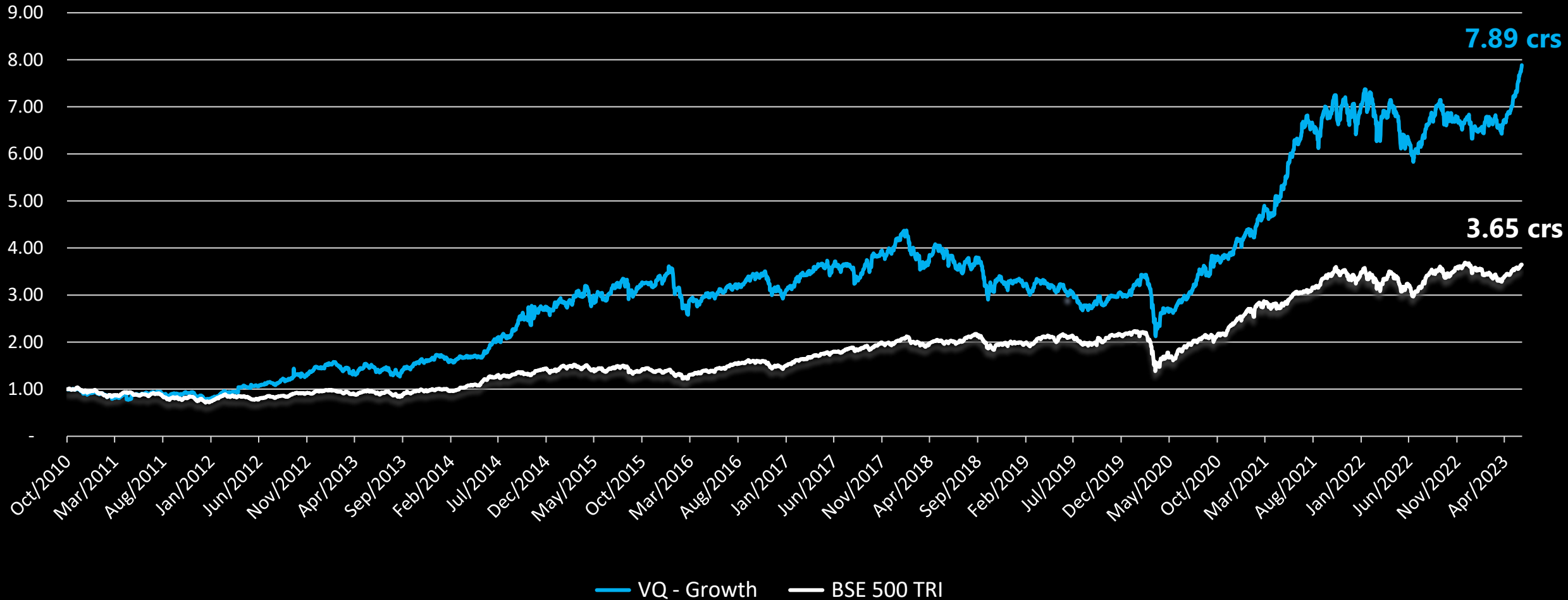
VQ Growth: TWRR performance as of 31st May 2023

Healthy Alpha generation across time periods



Performance related information provided in this document is not verified by SEBI. Returns above 1 year are annualised. Returns are net of fees and expenses. Performance of each investor portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints. <https://www.apmiindia.org/apmi/welcomeiaperformance.htm?action=PMSmenu>

VQ Growth: Value of Rs. 1 cr invested on day of inception as of 31st May 2023



Inception: Oct 2010. Performance related data herein has not been verified by SEBI. Performance of each investor portfolio may vary from that of other investors and that generated by the Investment Approach across all investors because of 1) the timing of inflows and outflows of funds; and 2) differences in the portfolio composition because of restrictions and other constraints.



**World is going through
turmoil...**



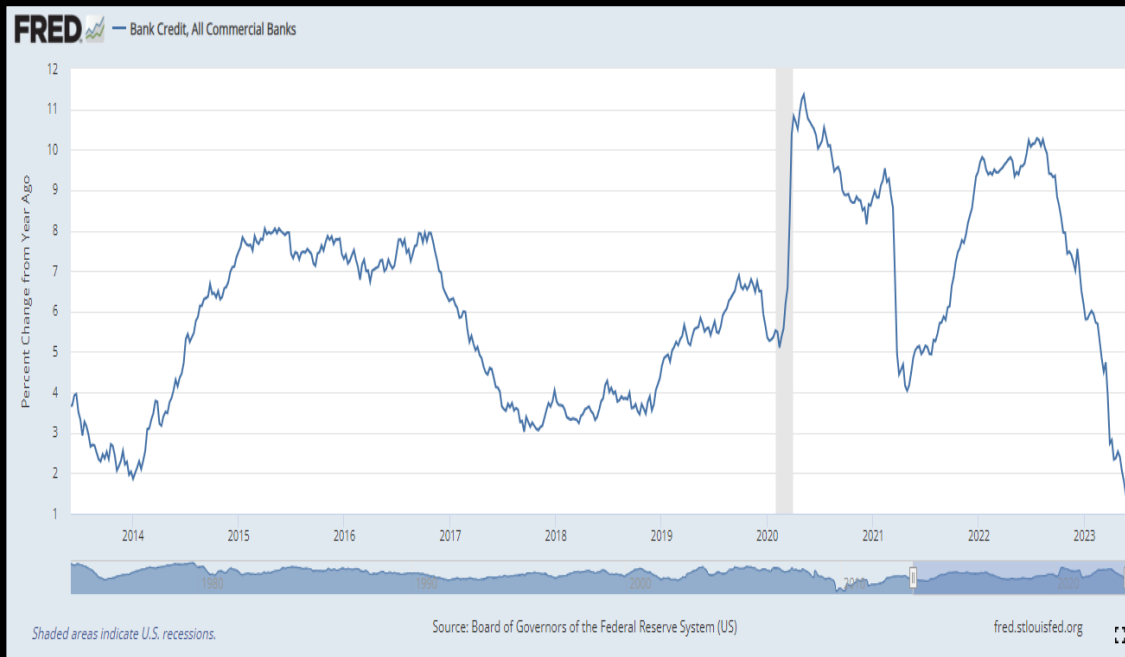
Warning signs for the US are flashing red with US 10 Yr-2Yr Inversion Deepening



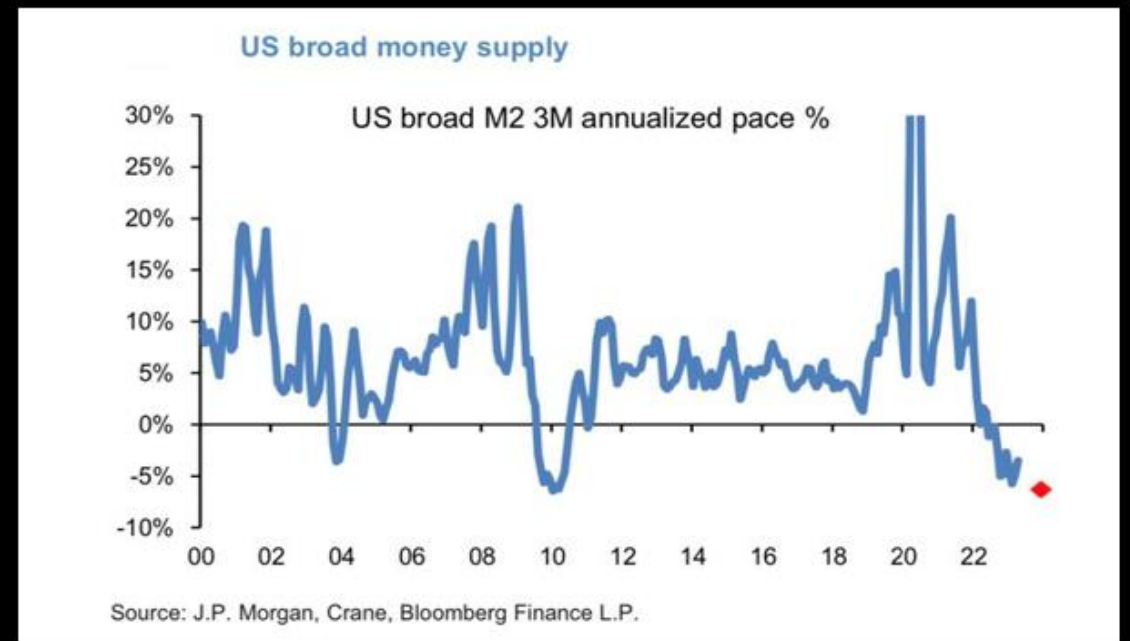


US credit crunch Is underway

US banking system credit growth down to just 1.4% YoY:



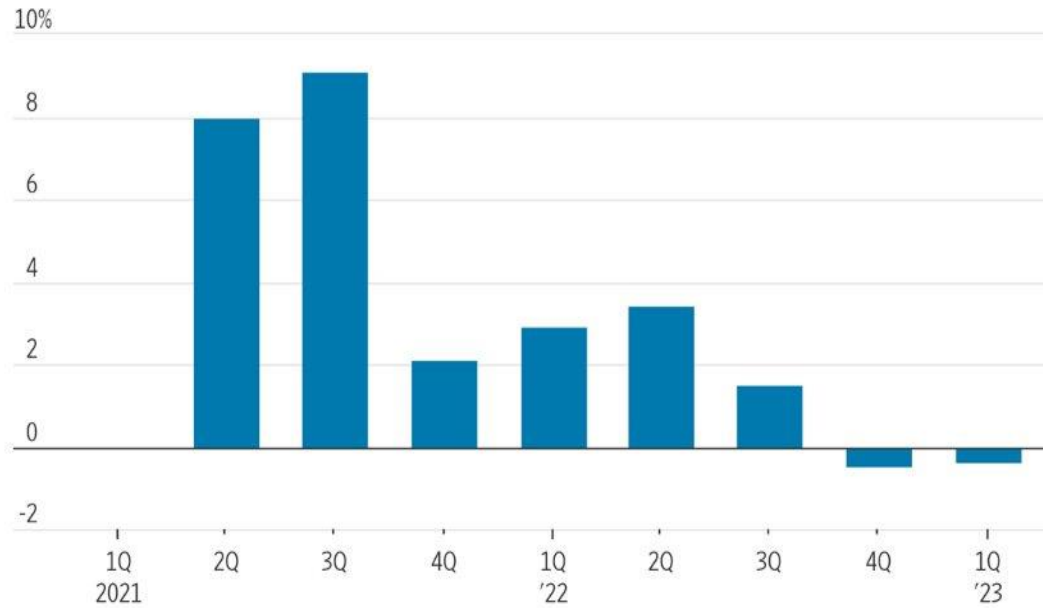
Money supply is shrinking rapidly as the Fed tightens:





Europe has entered a technical recession

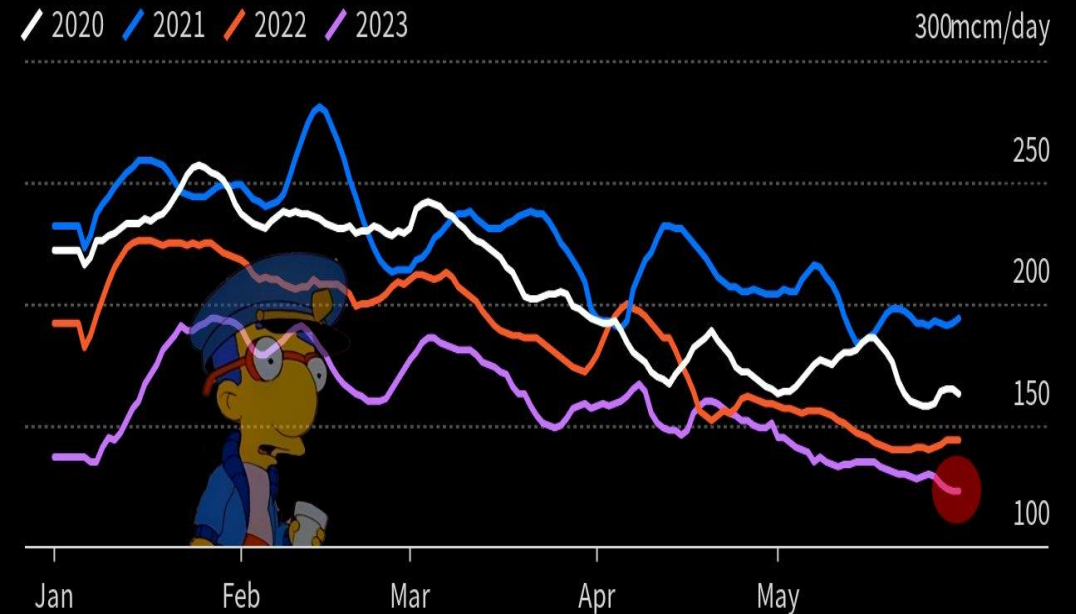
Eurozone gross domestic product, change from prior quarter



Note: Inflation and seasonally adjusted annual rate

Source: Eurostat

Industrial Gas Demand in Europe's Top Economies Slump

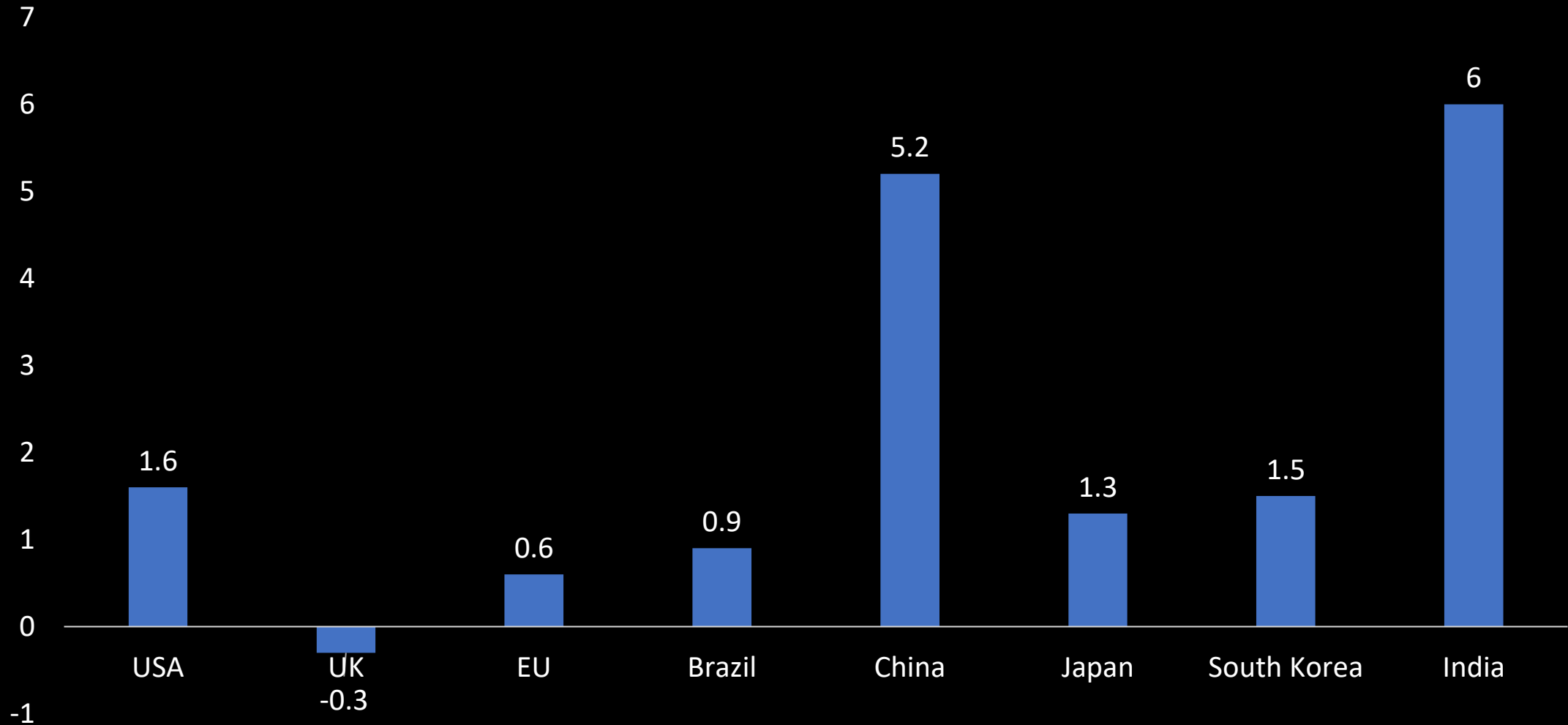


Note: Data includes industrial demand in Germany, Italy, the Netherlands, UK, France and Spain Source: S&P Global Commodity Insights

Developed world is slowing down



IMF Forecasts for 2023 GDP growth





Markets climbing the wall of worry...on the hope of soft landing

<u>Index</u>	<u>CYTD Returns</u>
S&P 500	15%
Nasdaq Index	31%
Euro Stoxx 50	13%
Nikkei 225	29%
KOSPI Index	15%
FTSE 100	-1%
CSI 300 Index	-2%

Data as of 29th June, 2023

- Japan, South Korea and the US have been the best performing global markets till date in 2023
- But in US, the performance has been quite narrow:
 - Top 7 companies in the S&P 500 (with a weight of 28%), have contributed to ~90% of the index's gains
 - These companies are: Apple (51% return), Microsoft (40% return), Google (35% return), Amazon (50% return), NVIDIA (187% return), Meta (129% return) and Tesla (137% return)
- After an initial reopening rally, the Chinese mainland and Hang Seng Index have given up most gains as China's economic recovery is weaker than expected and increasingly China becomes "uninvestable" for foreigners on geopolitical tensions



**India stands on firm
footing**

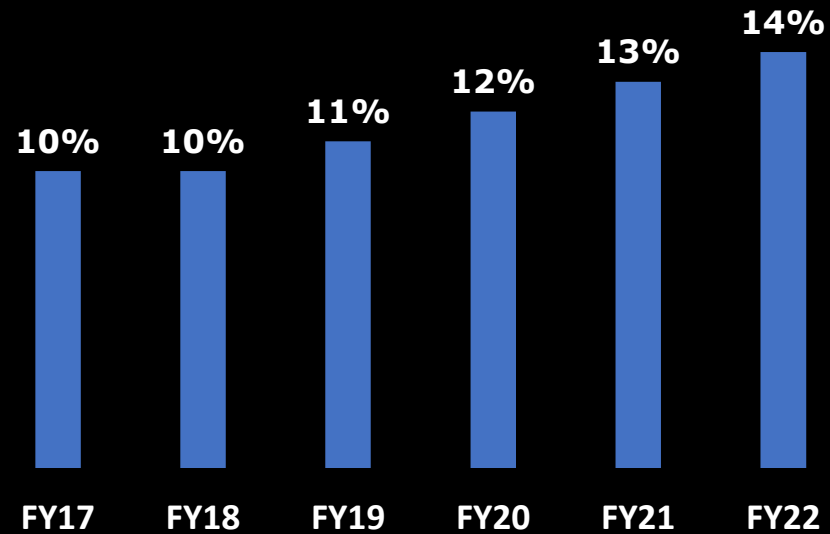


Indian economy was in a clean up phase
and Covid accelerated the same

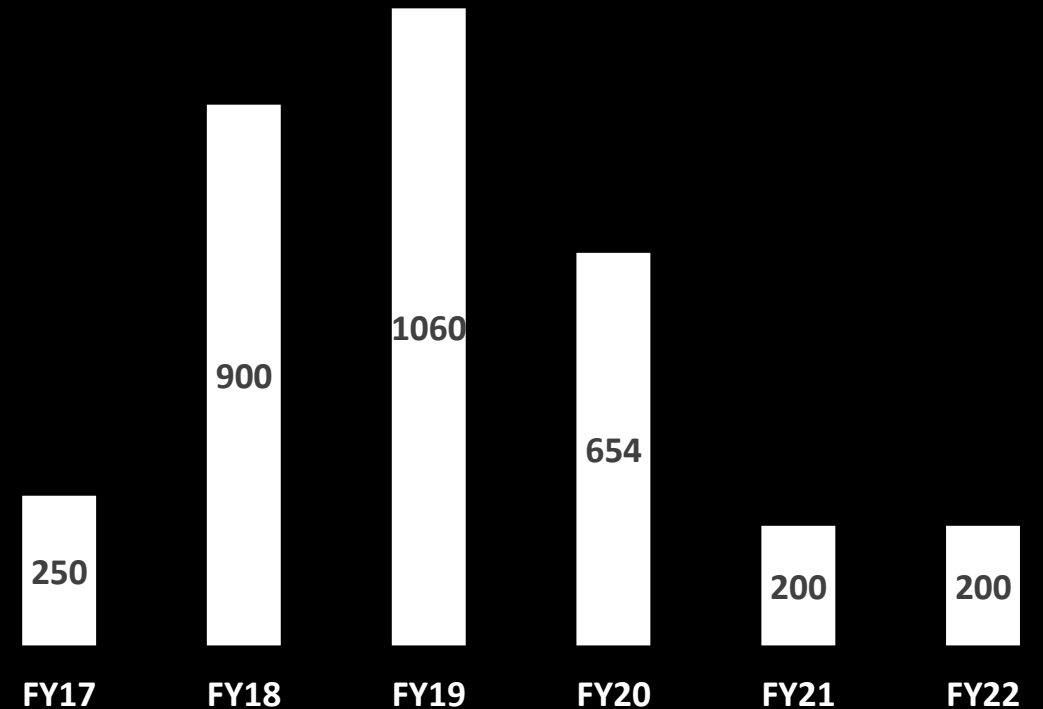
Indian bank balance sheets have never been in a better shape



Banking System Capitalization (CET1 Ratio)



Capital infused into SOE Banks by GoI (Rs. bn)

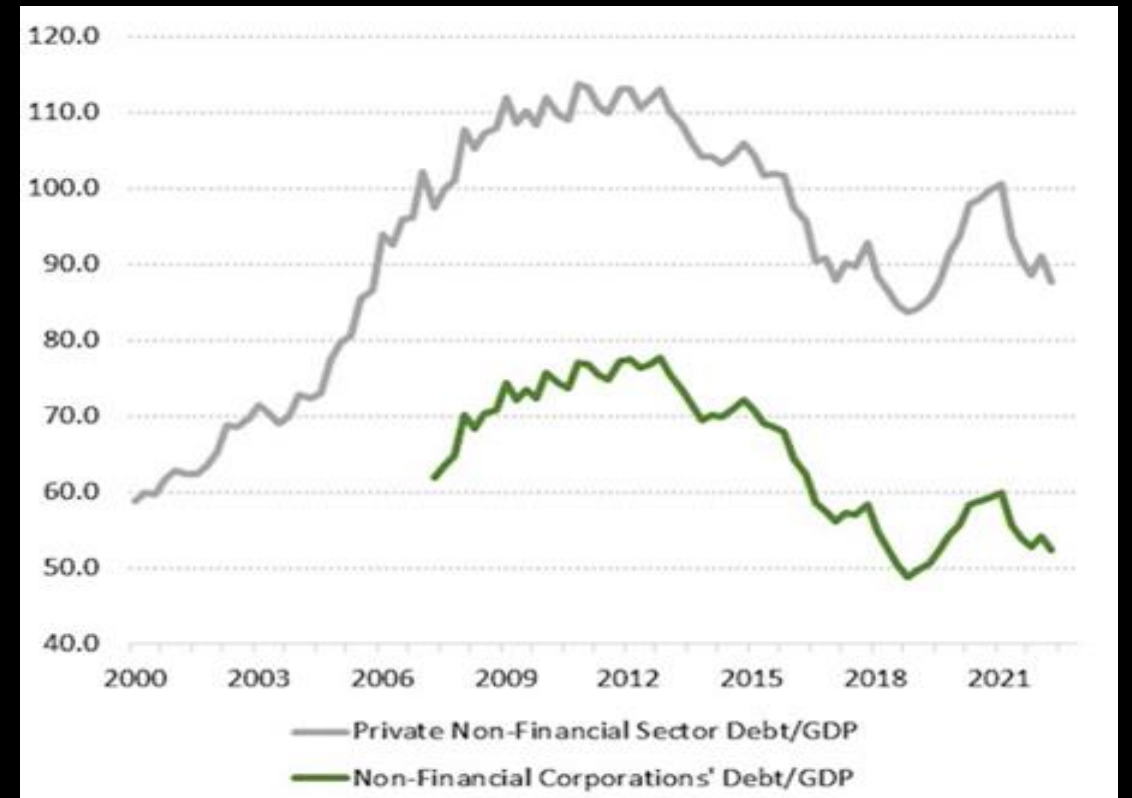
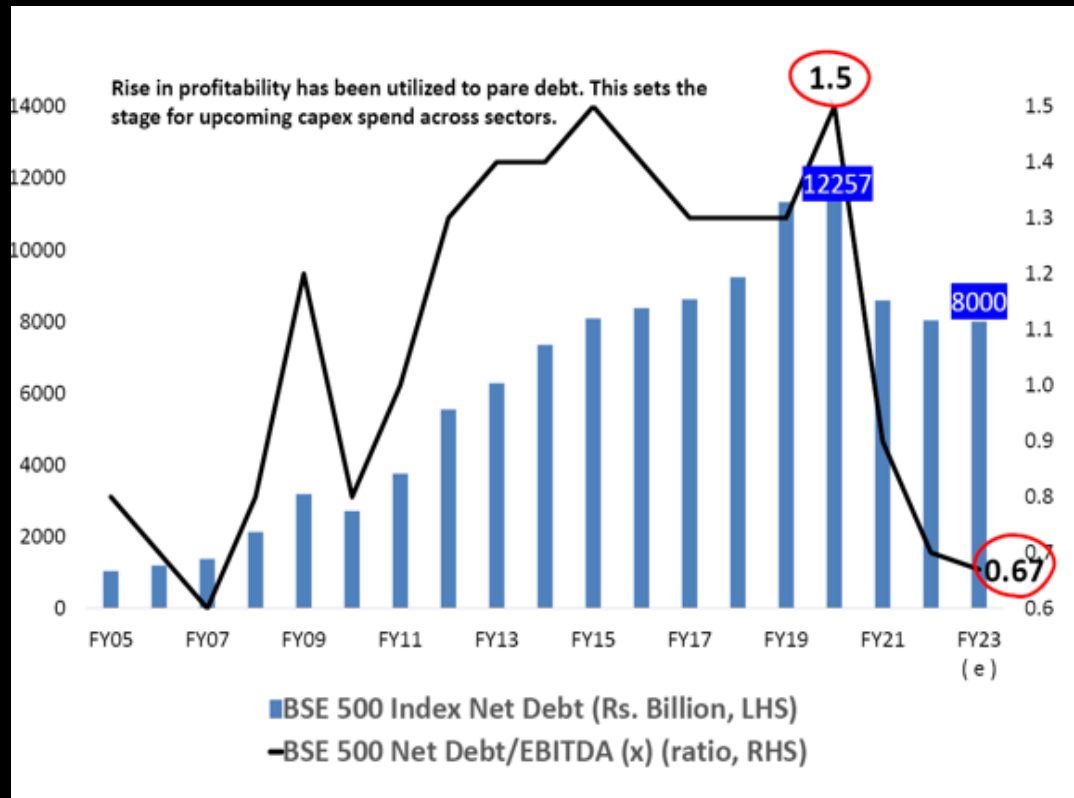


Source: RBI, IndiaDataHub, Macquarie Research

India Inc has deleveraged



Debt / GDP Ratio (%)



Source: BIS

Significant improvement & further investment in infrastructure



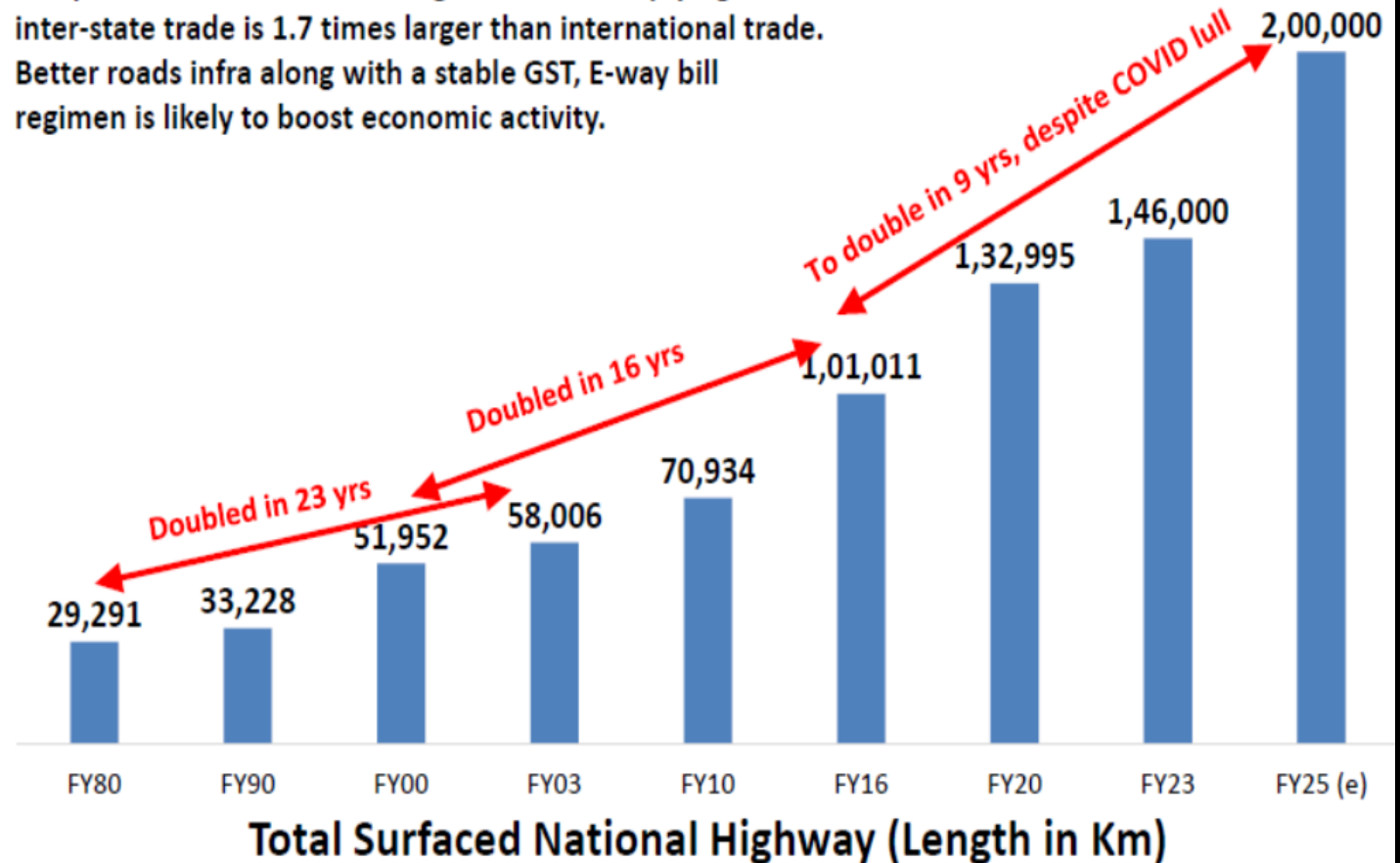
Roads are arteries of economic activity. Roads link producers with consumers, workers with employers, and therefore play an essential role in any development agenda. Expansion of road infrastructure in the form of highways promises to increase wealth & create new opportunities for local businesses & households.

India's internal trade-to-GDP ratio of 54 percent is comparable to that in other large countries, implying that inter-state trade is 1.7 times larger than international trade.

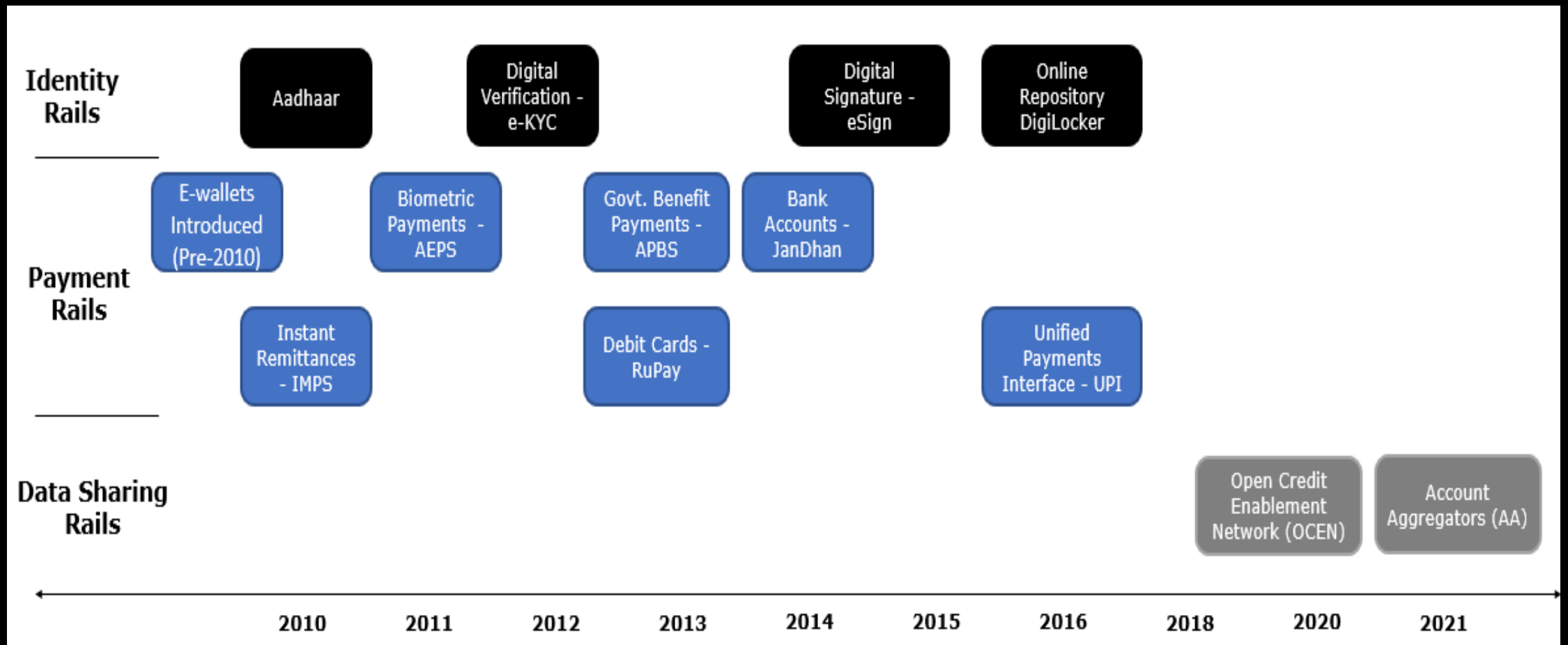
A large and robust network of road infrastructure can help India's interstate trade and, hence, economic growth. Very little research has gone into the multiplicity of this infrastructure development and its impact on economic growth.

This decade will likely create large, profitable opportunities in this space and enhance India's economic prospects.

India's internal trade-to-GDP ratio of 54 percent is comparable to that in other large countries, implying that inter-state trade is 1.7 times larger than international trade. Better roads infra along with a stable GST, E-way bill regimen is likely to boost economic activity.



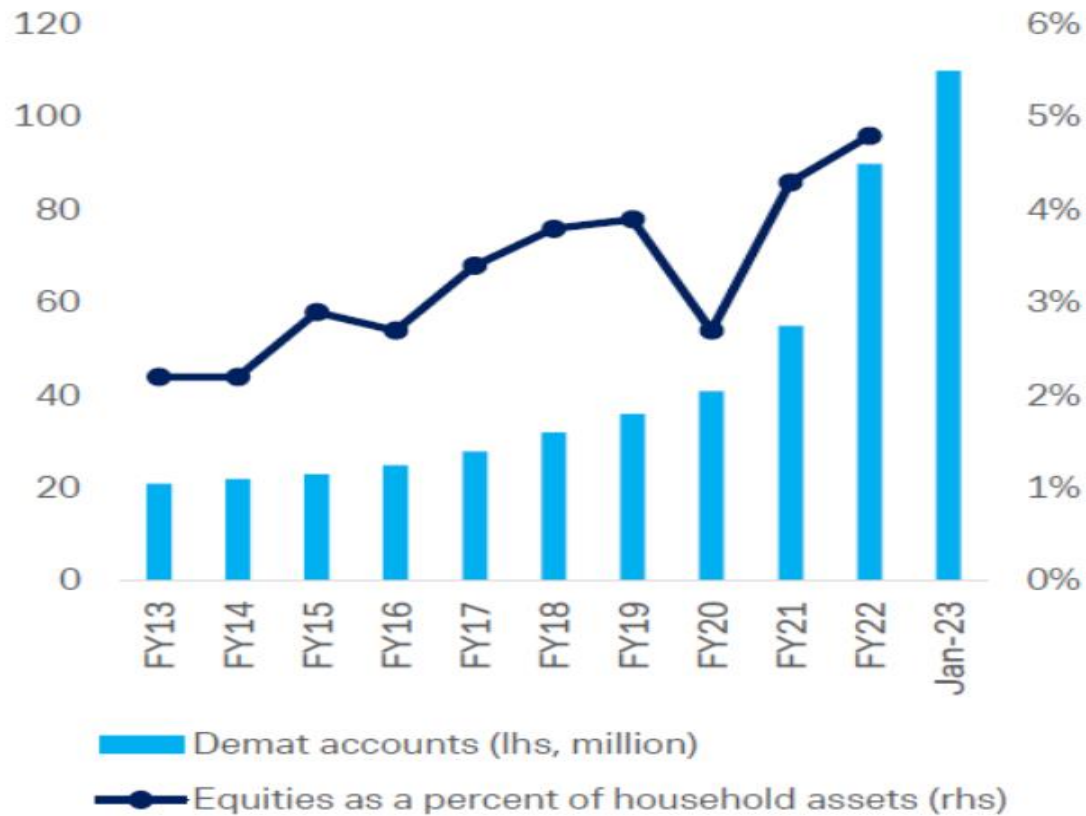
Digital Infra as a public utility



Financialization & tax compliance leading to shift towards formal economy



Financialization of Indian households



Source: MOFSL, CDSL, NSDL, Deutsche Bank AG. Data as of February 2023.

Improved digital compliance has seen soaring GST (tax) revenue for government



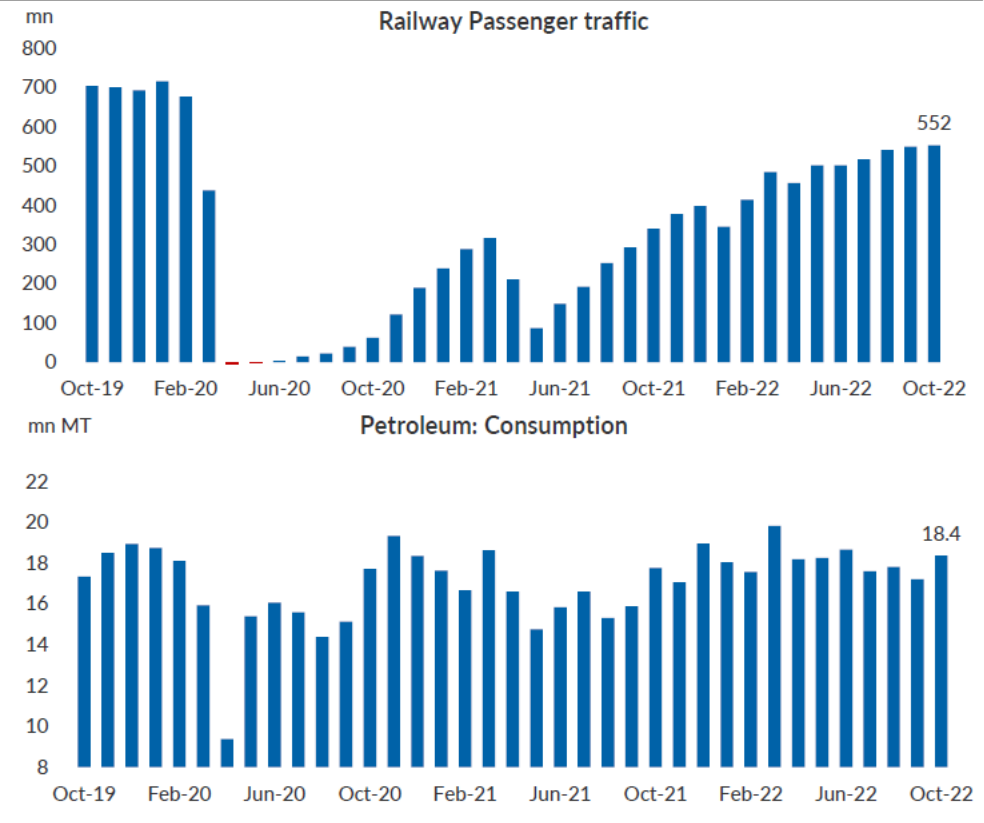
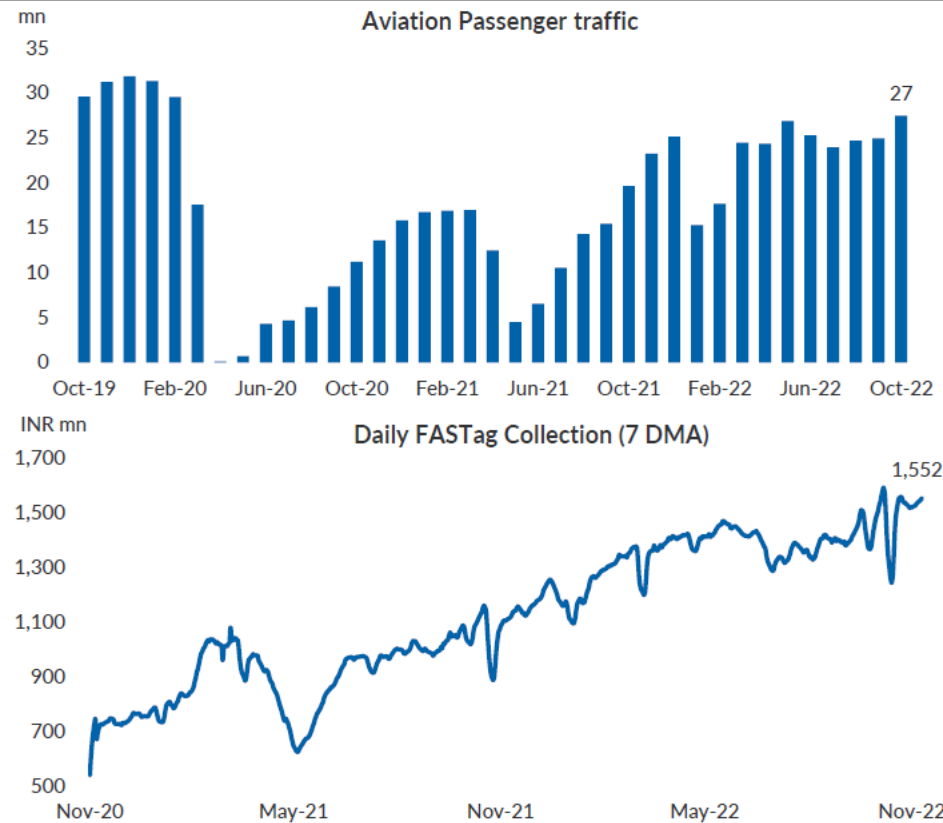
Source: Refinitiv, DataStream, Deutsche Bank AG. Data as of February 2023..

Increase in mobility post pandemic



MOBILITY

Exhibit 1: Rail and Air Travel extends recovery, though it is still below the pre-pandemic levels. However, Private mode of transportation continues to maintain strong traction, manifested by rising toll collections and petroleum sales



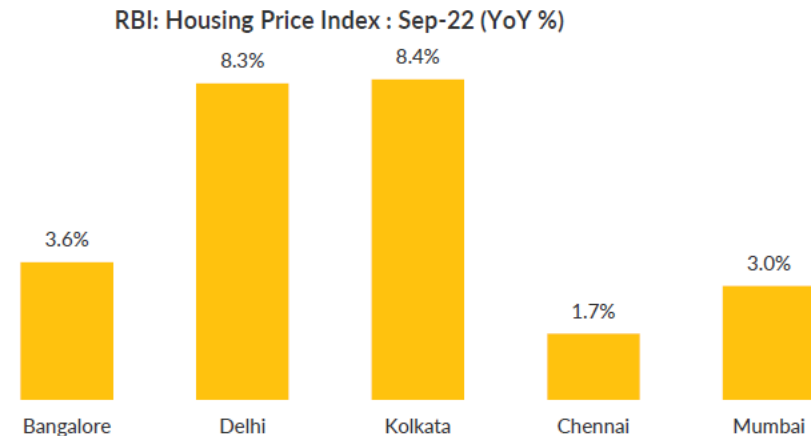
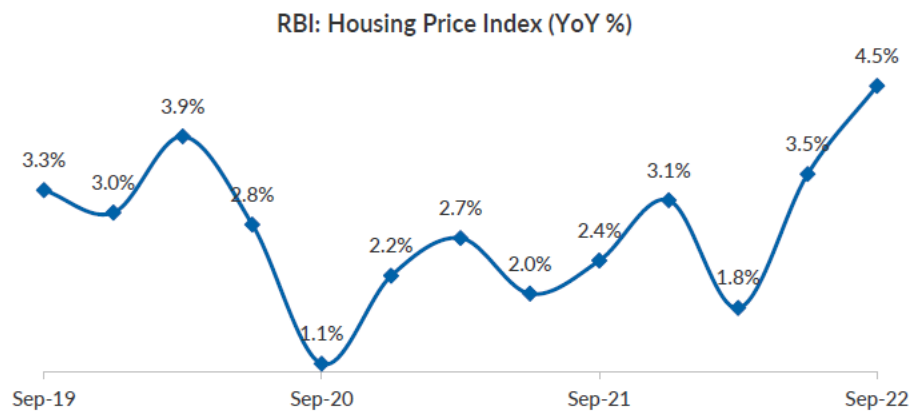
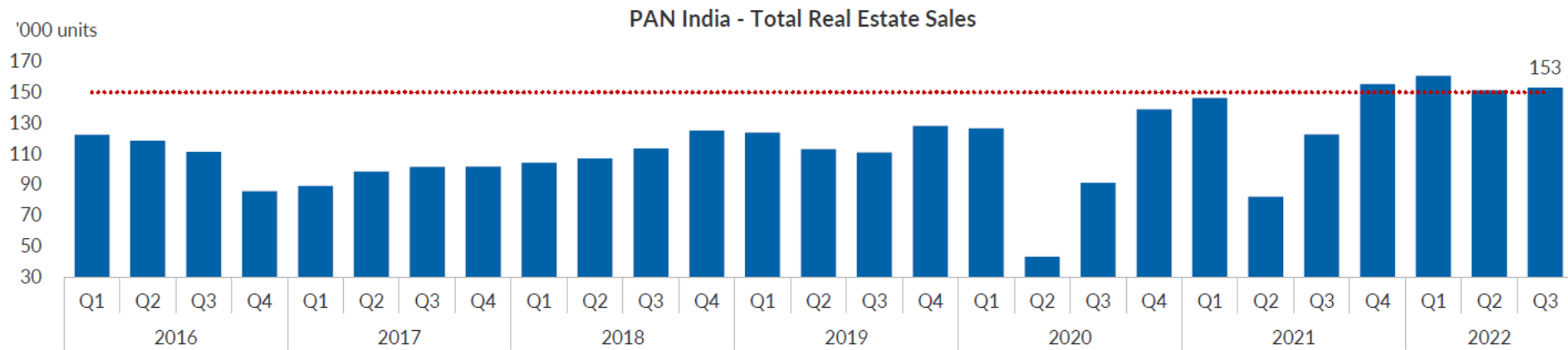
Source: CEIC, YES Sec

Real Estate momentum sustaining



REAL ESTATE

Exhibit 9: Property markets remain buoyant, inventory absorption remains high, while residential prices see a steady rise, conveying strong demand from higher and middle economic strata households

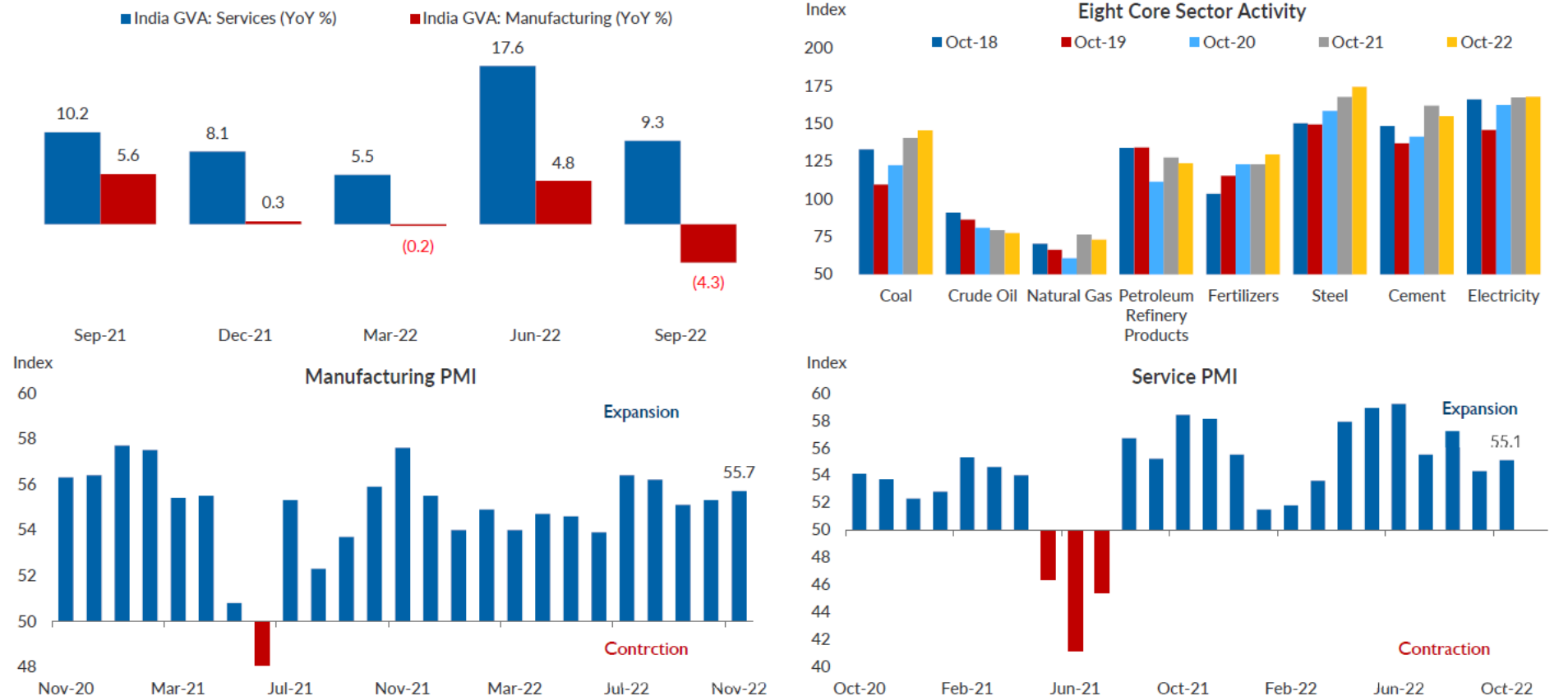


Source: Bloomberg, YES Sec



BUSINESS ACTIVITY

Exhibit 10: Manufacturing activity slows in Q2FY23 in the wake of slowing global demand. Conversely, PMI surveys show persistent expansion in manufacturing activity. Similarly, Services activity continues to expand, notwithstanding the contractionary trends across the globe, denoting that domestic demand momentum remains intact



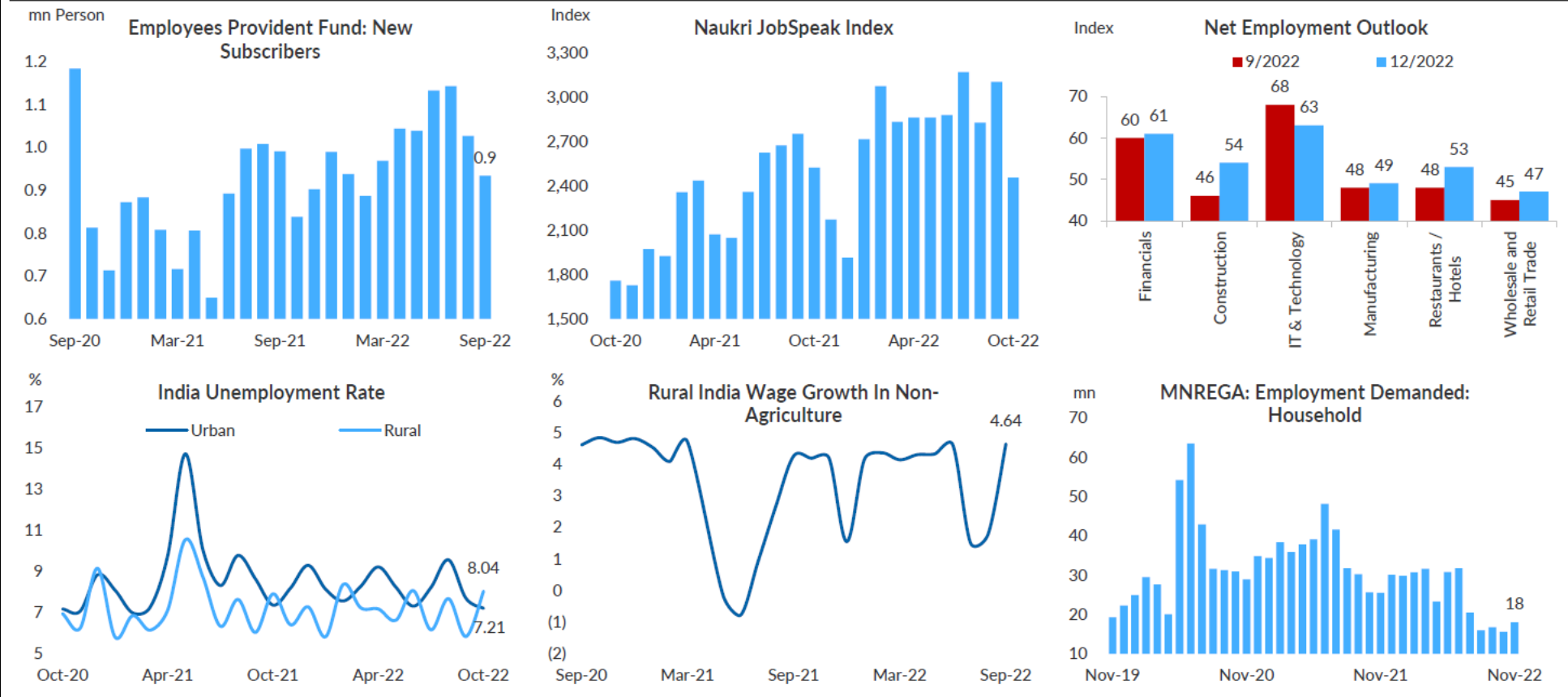
Source: Bloomberg, YES Sec

Employment generation is strong



EMPLOYMENT

Exhibit 11: Job growth is strong within the organized economy as traditional sectors like hotels, tourism and Construction absorb the workforce. Employment conditions in the IT sector have moderated as startups and technology companies embark on retrenchment given the slowdown in the West. The rural employment situation is also improving, manifested by a decline in dependency on the job guarantee schemes



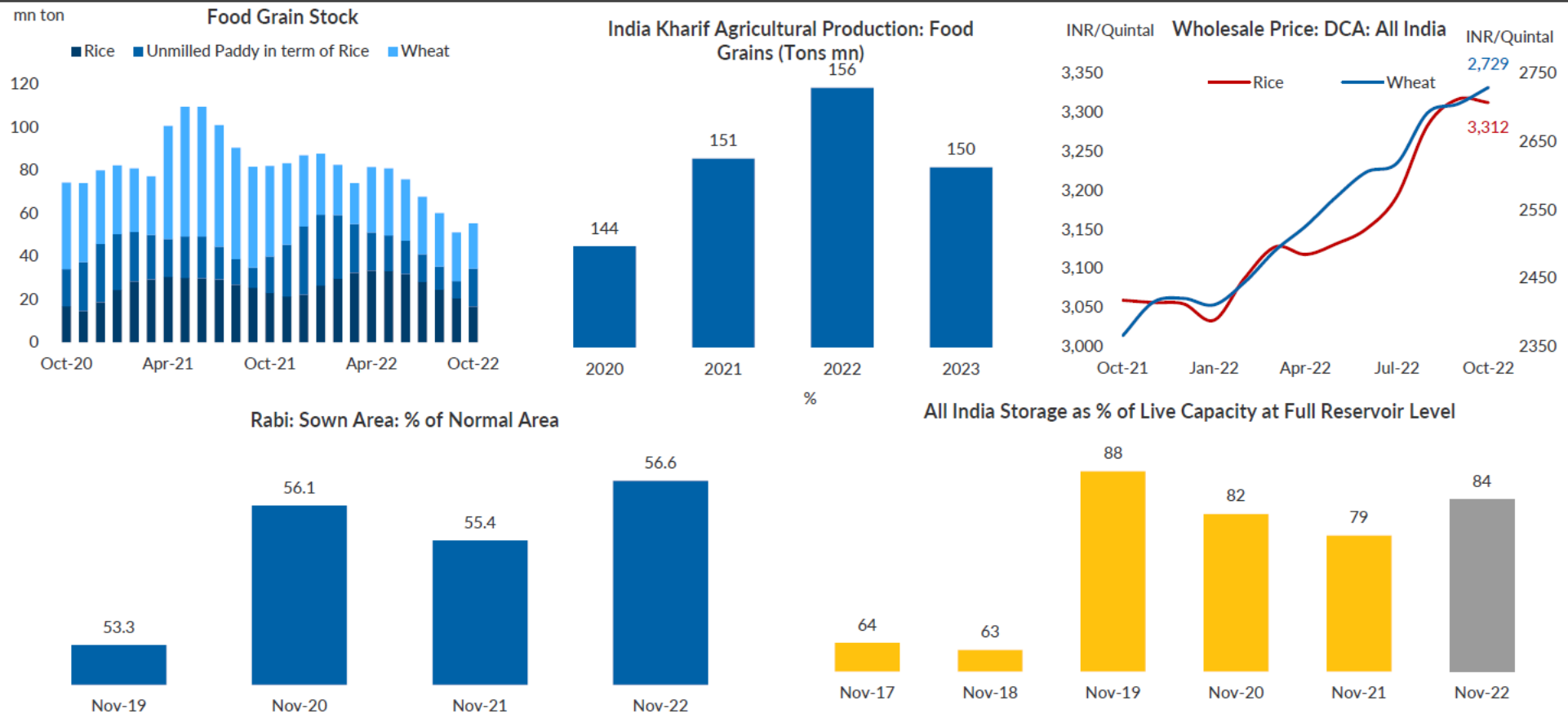
Source: CEIC, Bloomberg, YES Sec

Monsoon will impact agriculture? Rural economy?



AGRICULTURE

Exhibit 12: Uneven spatial distribution of rains has resulted in a decline in Kharif output, though overall Foodgrain output is projected to be higher as a surplus monsoon and healthy sowing augurs well for Rabi output. Farmers to have higher price realization for their crops...

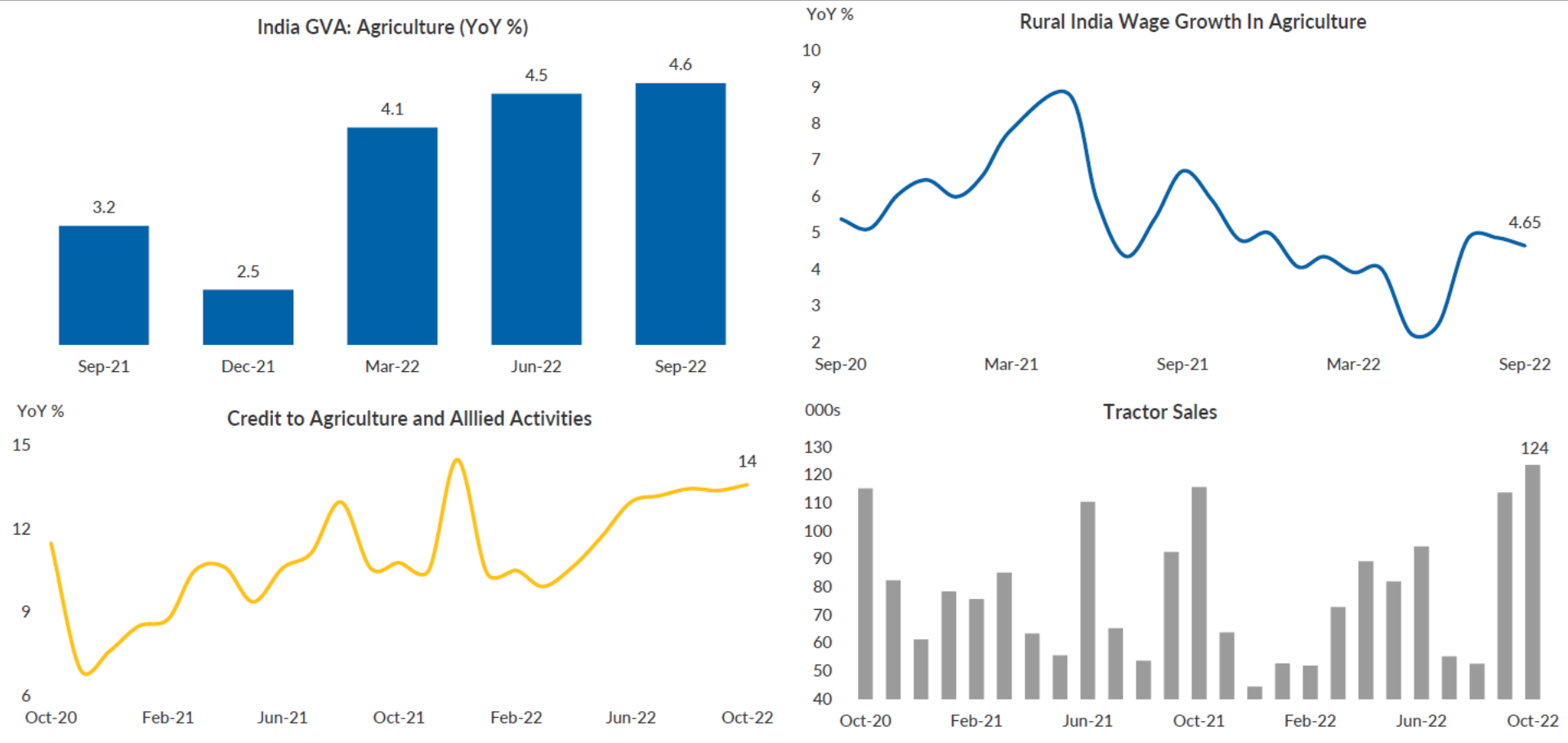


Source: CEIC, YES Sec

Monsoon will impact agriculture? Rural economy?



Exhibit 13: ...which is supportive of the agrarian economy. Higher farm credit and improving agricultural wage growth augur well for the Rural Economy



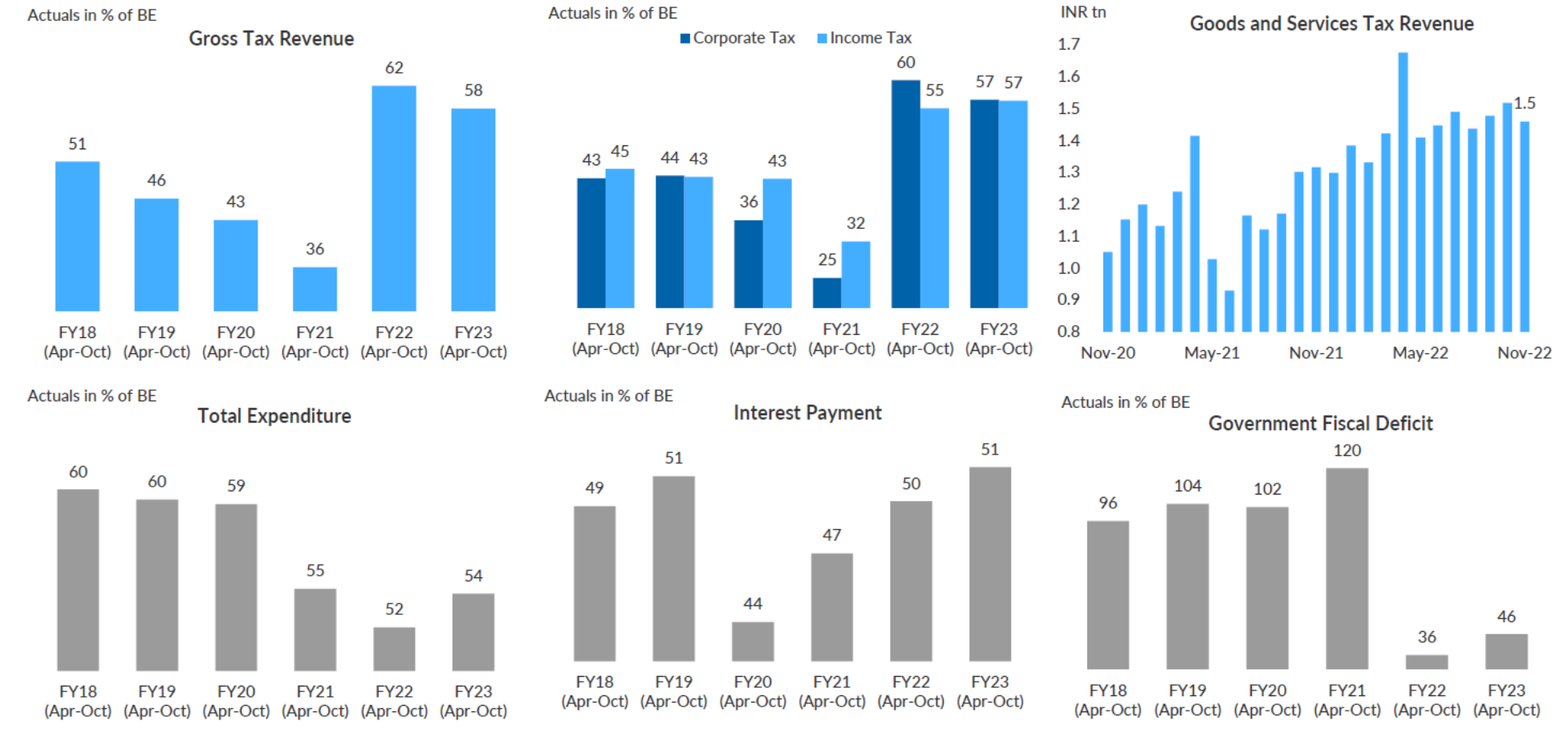
Source: CEIC, YES Sec

Tax collections have remained buoyant



FISCAL

Exhibit 19: Buoyant Tax revenues make the Government confident of their 6.4% fiscal deficit target



Source: CEIC, YES Sec

Monetary conditions remain benign



India's OIS Indicate End of Monetary Tightening Cycle

Decision of Fed to pause will be the first step towards central bankers' stance shifting to growth

Global Factors

Markets implying a 25% chance of a rate hike in the upcoming FOMC meeting

Implied Policy Rate (%)	Number of Hikes/Cuts Priced In	
Current	5.1	0%
Jun-23	5.1	26%
Jul-23	5.3	78%
Sep-23	5.2	66%
Nov-23	5.1	25%
Dec-23	5.0	-33%
Jan-24	4.8	-100%

India remain a positive carry

India-USD yield spreads	3.3%
1yr USD-INR Currency Swap Rate	(1.7%)
Net	1.6%

Domestic Factors

Inflation



Inflation remains under RBI's target range

Growth



Real GDP Growth expectations for FY24 have been marginally revised from 6.4% to 6.5%

Current Account



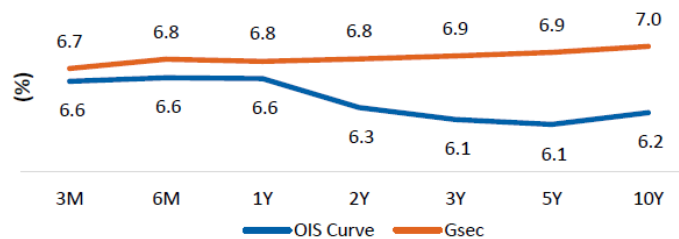
CAD reduced further, with trade deficit at a 20 month low

Government Borrowing



Fiscal deficit remains high at 7.5% vs 5.9% budgeted for FY24E. As tax collections have slowed down, govt would need to increase its borrowing to fund its capex

OIS indicating a cut in repo rates in the next 15 months



Global Factors

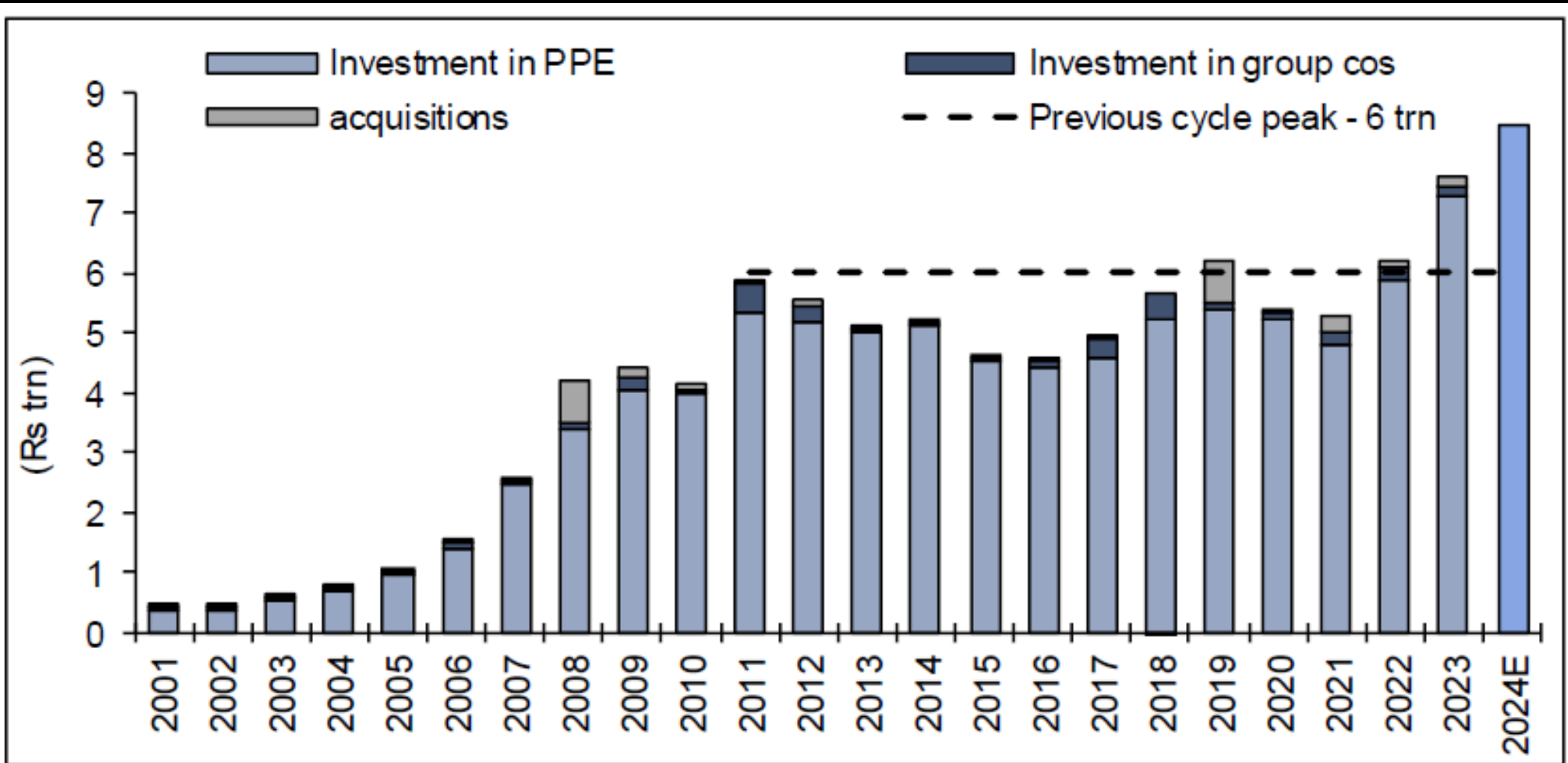
- Markets implying a likely pause next week
- Positive carry might aid liquidity in India

Domestic Factors

- RBI pause to continue
- External factors to determine rate cut

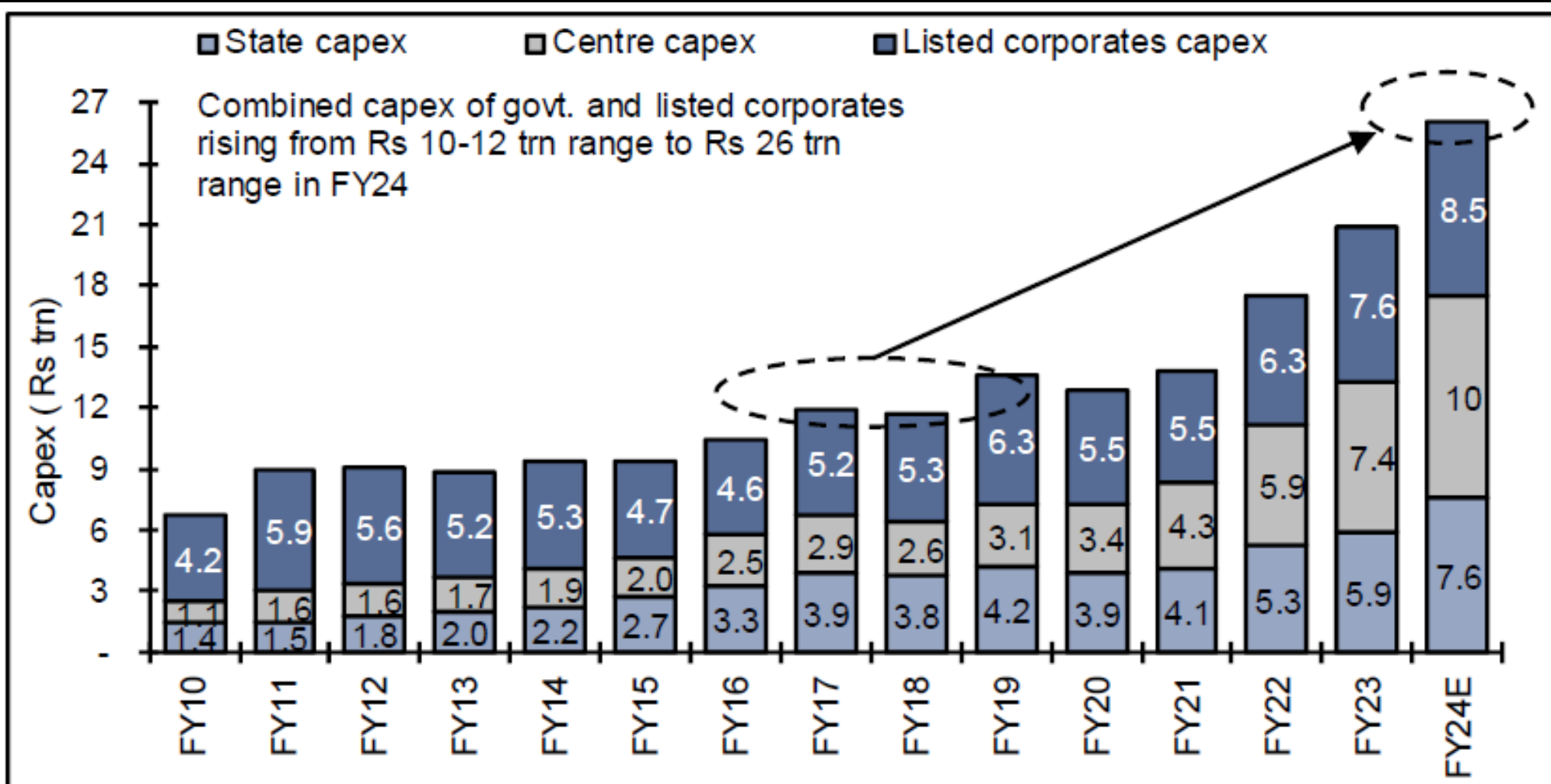
As we continue to monitor central bankers' stance on interest rates, we maintain our view on the yield curve and expect a nonparallel downward shift.

Capex cycle is on the verge of a breakout



Source: Capitaline, I-Sec research

Central government has been leading the way in Capex, now private sector and state will join in

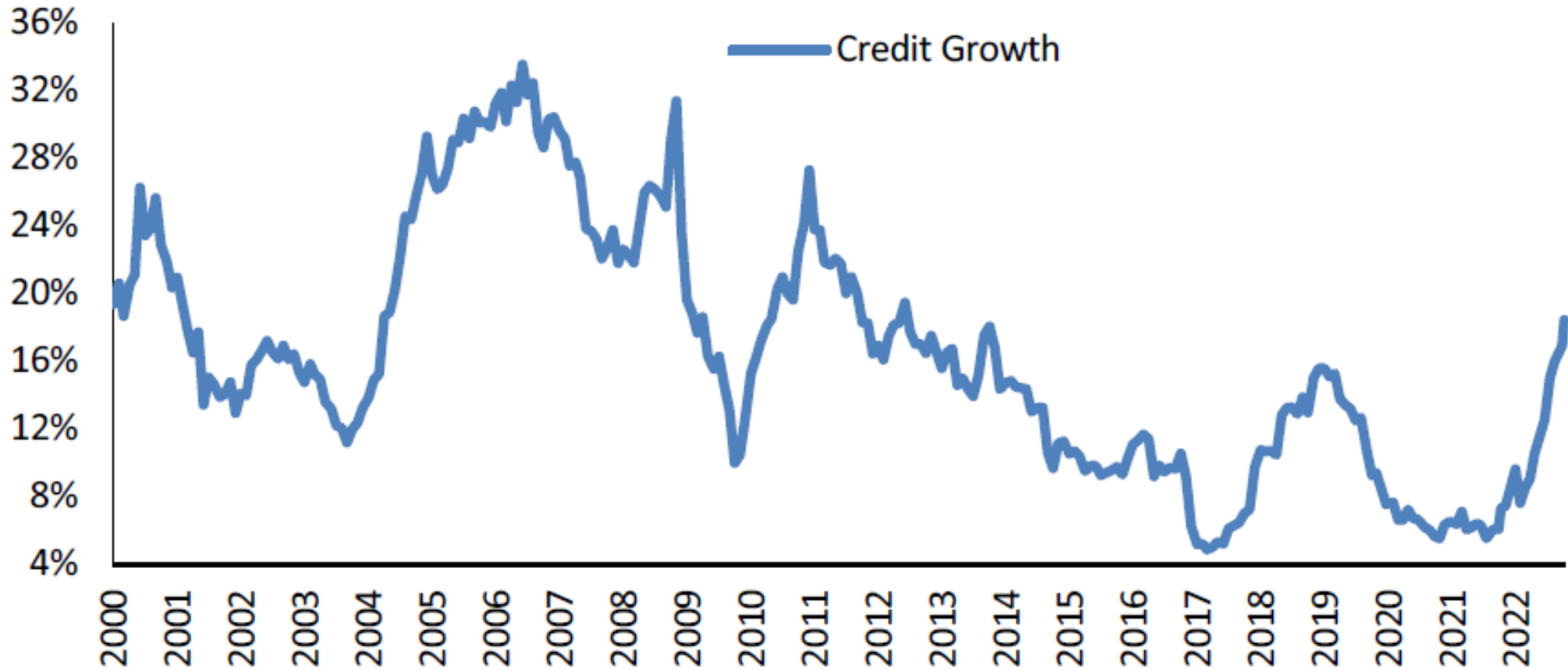


Source: CEIC, Capitaline, I-Sec research

Credit Growth Picking Up



Exhibit 12: Bank Credit Growth

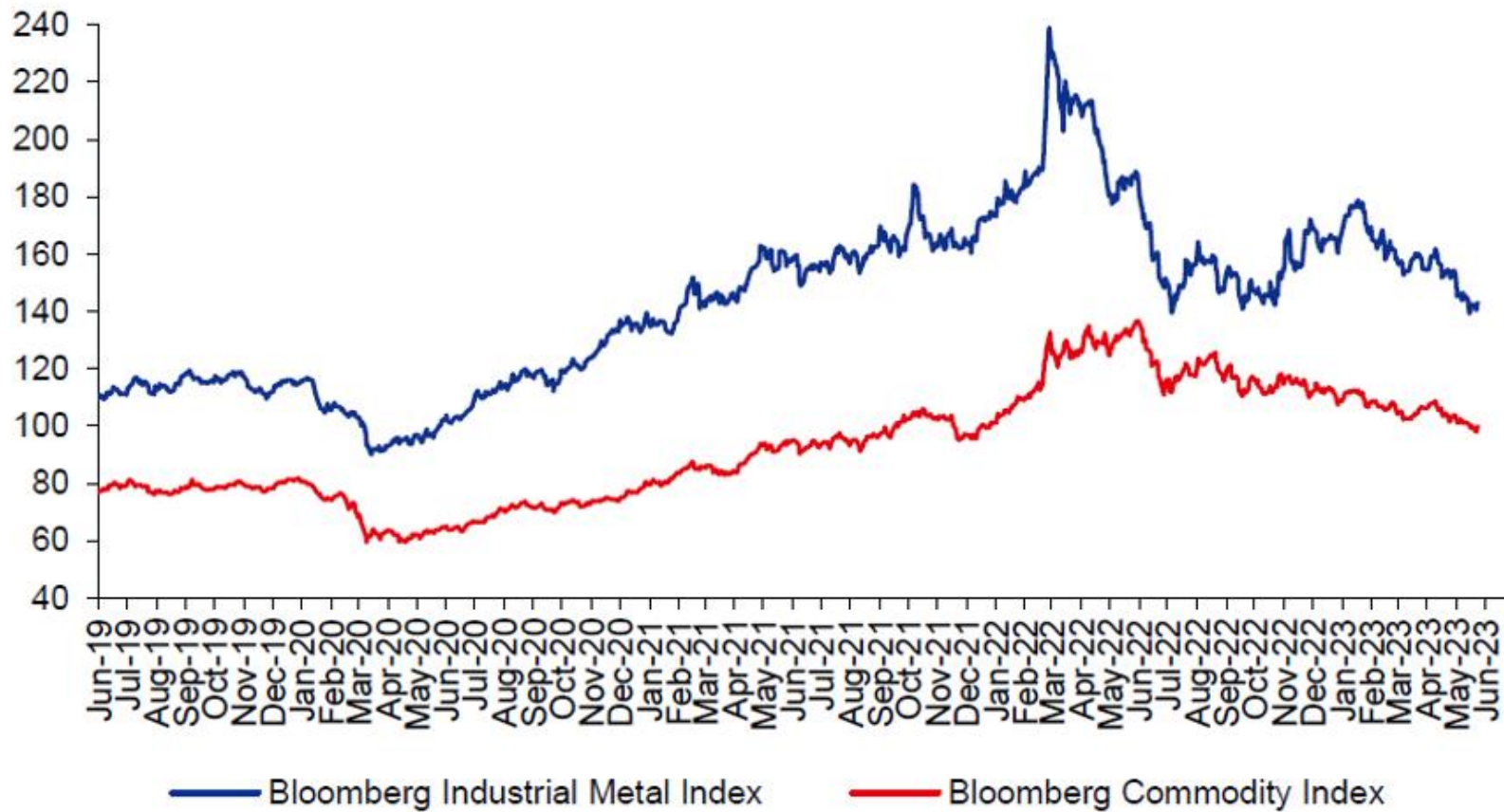


Source: CEIC, Morgan Stanley Research

RM prices are trending down



Bloomberg Industrial Metal Index on the rise but Commodity Index slides

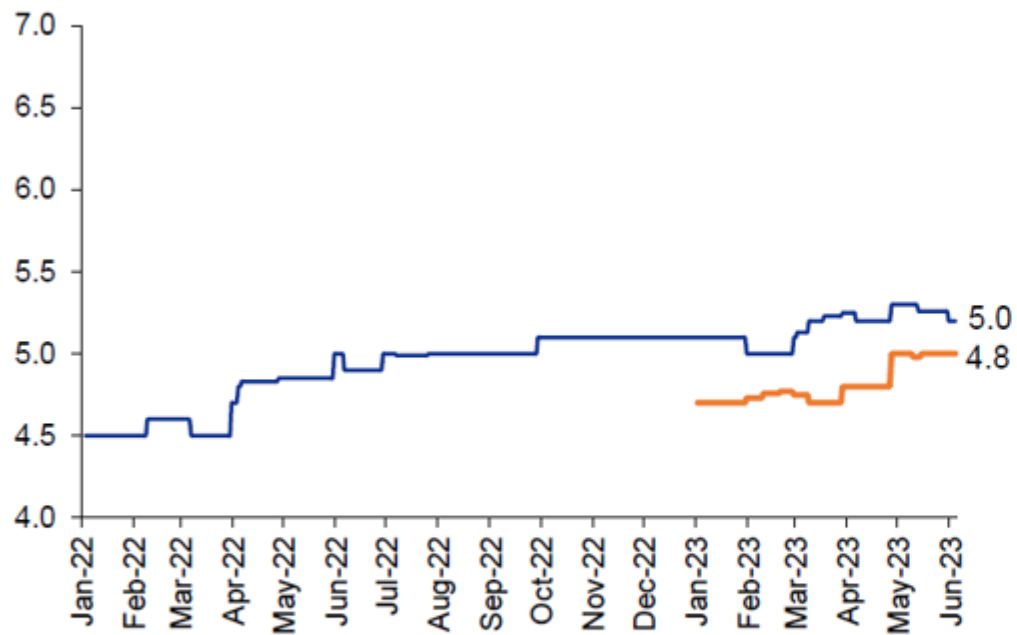


SOURCE: BLOOMBERG, INCRED RESEARCH

Inflation under control and RBI in pause mode

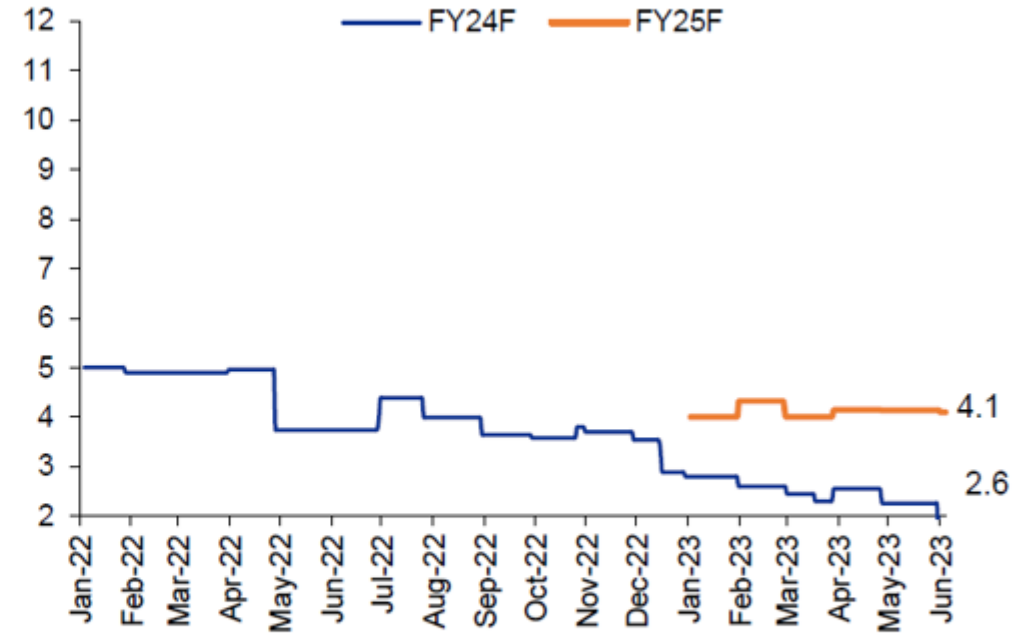


Bloomberg CPI inflation consensus estimates



NOTE: CPI IS CONSUMER PRICE INDEX
SOURCE: BLOOMBERG, INCRED RESEARCH

Bloomberg consensus estimates on WPI inflation



NOTE: WPI IS WHOLESALE PRICE INDEX
SOURCE: BLOOMBERG, INCRED RESEARCH

DMs Looking more like EMs & vice-versa



	Global	India
Debt to GDP	High	Low
Rate hikes	Steep	Moderate
Bank leverage	High	Low
Inflation	High	Moderate
MTM losses	High	Low
Deposits	Chunky	Granular
Regulatory oversight	Lenient	Stringent
Crypto	Allowed	Not Allowed

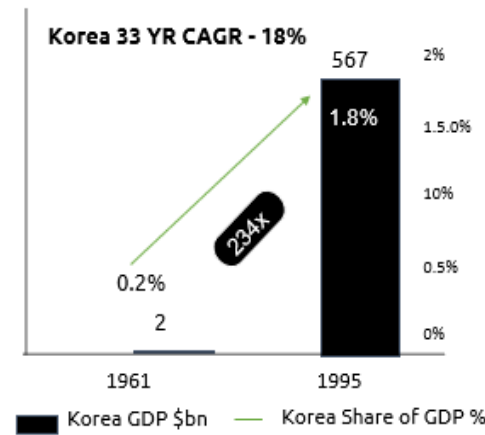
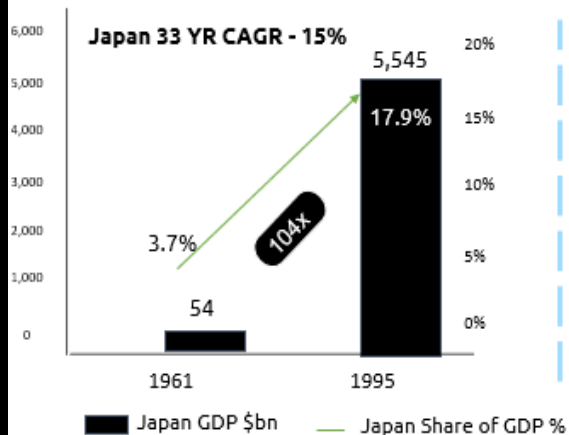
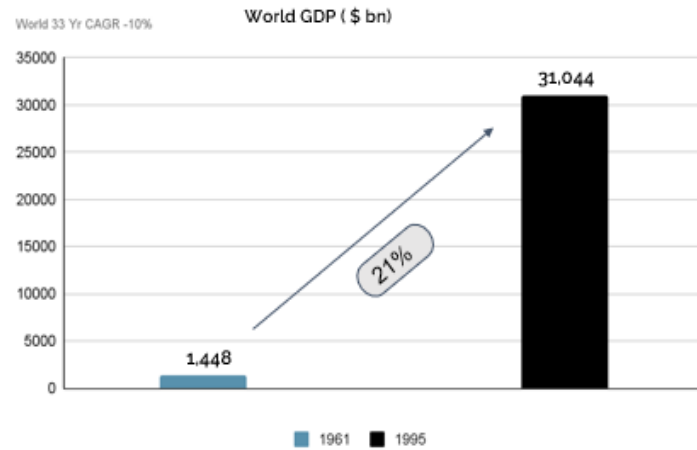
Global Growth Oasis: India Highly Probable



There are always economies that are a 'Growth Oasis'

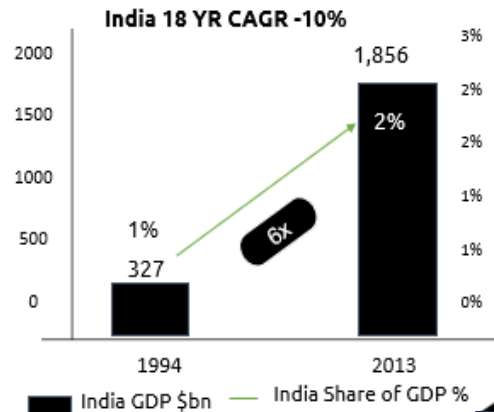
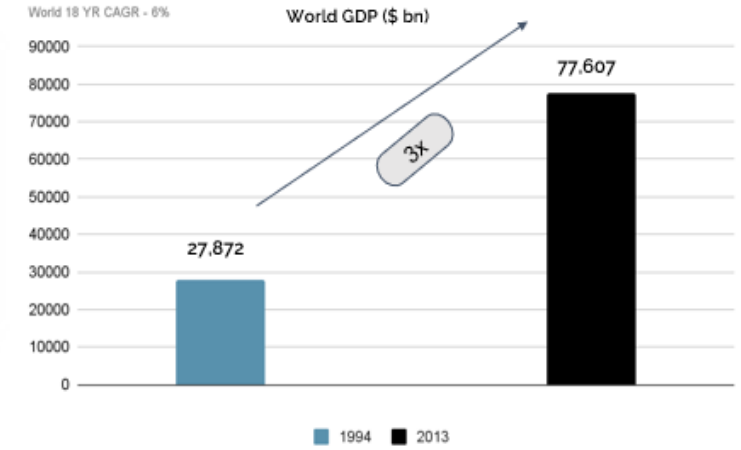
Growth Oasis's I - 1961 ; 1995, 33 years

Japan 1.5x world
(15% of CAGR, 104x)
&
Korea 1.8x world
(18% CAGR, 234x)
vs
World GDP
(10% CAGR, 21x)



Growth Oasis's II - 1994 ; 2013, 18 years

China 2.8x world
(17% of CAGR, 17x)
&
India 1.7x world
(10% CAGR, 6x)
vs
World GDP
(6% CAGR, 3x)



India's Inflection Point

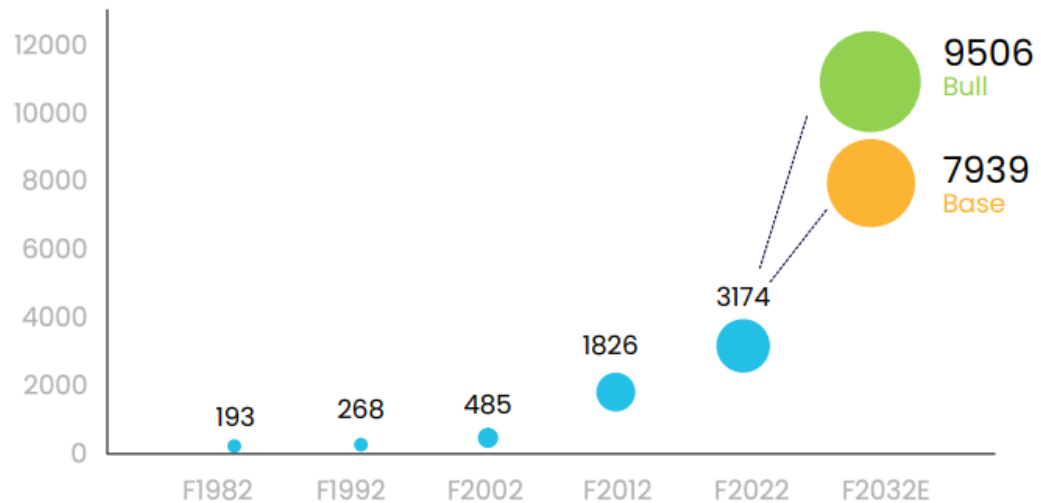


A confluence of these factors have put India in a sweet spot

India will become 3rd largest economy by 2032, 3x GDP

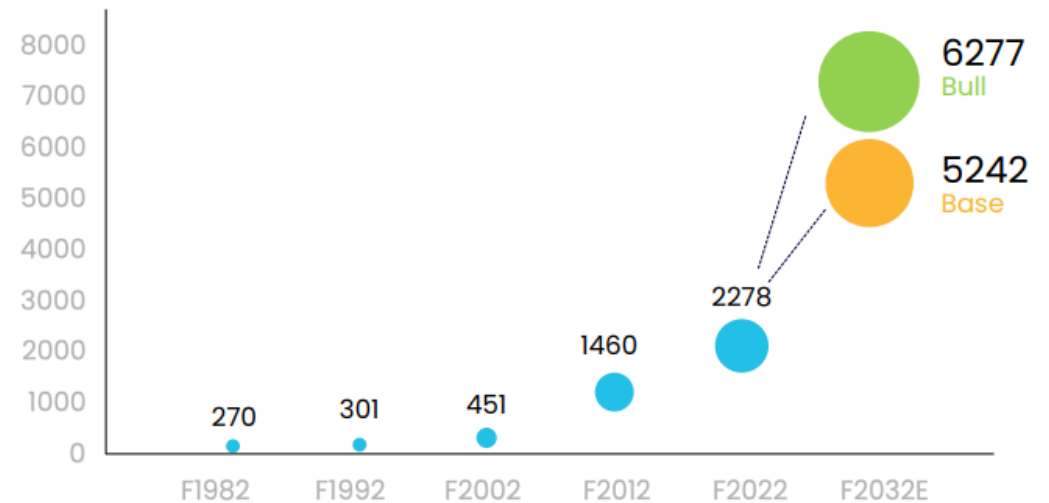


US\$ 8-9 Trillion GDP by 2032



Source: CEIC, Morgan Stanley Research estimates

2.5X Jump in Per Capita Income (US\$)

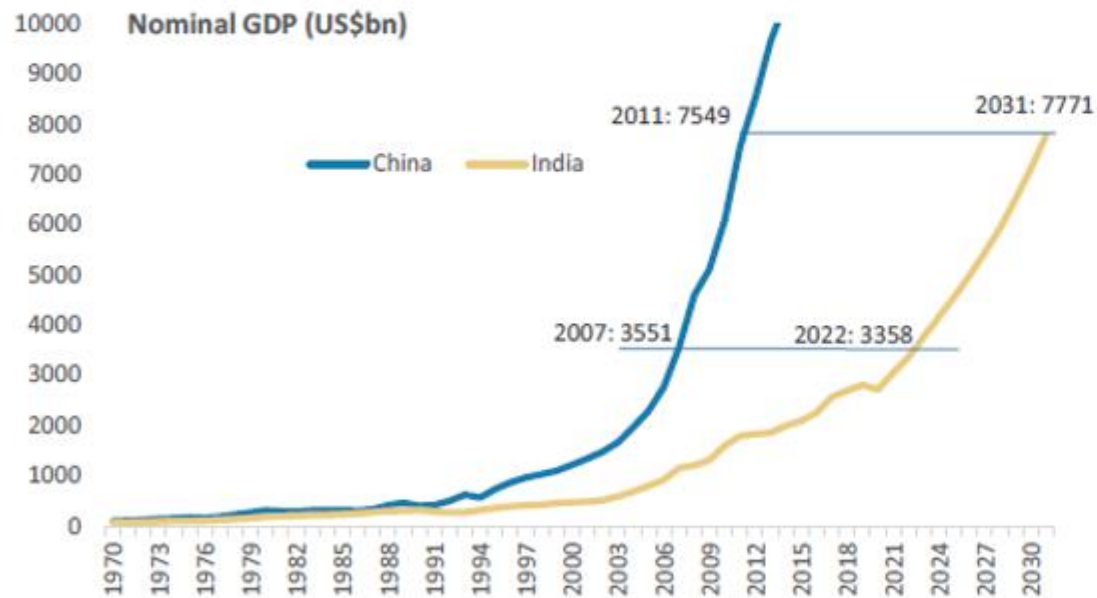


Source: CEIC, Morgan Stanley Research estimates

India is on the cusp of a long growth path

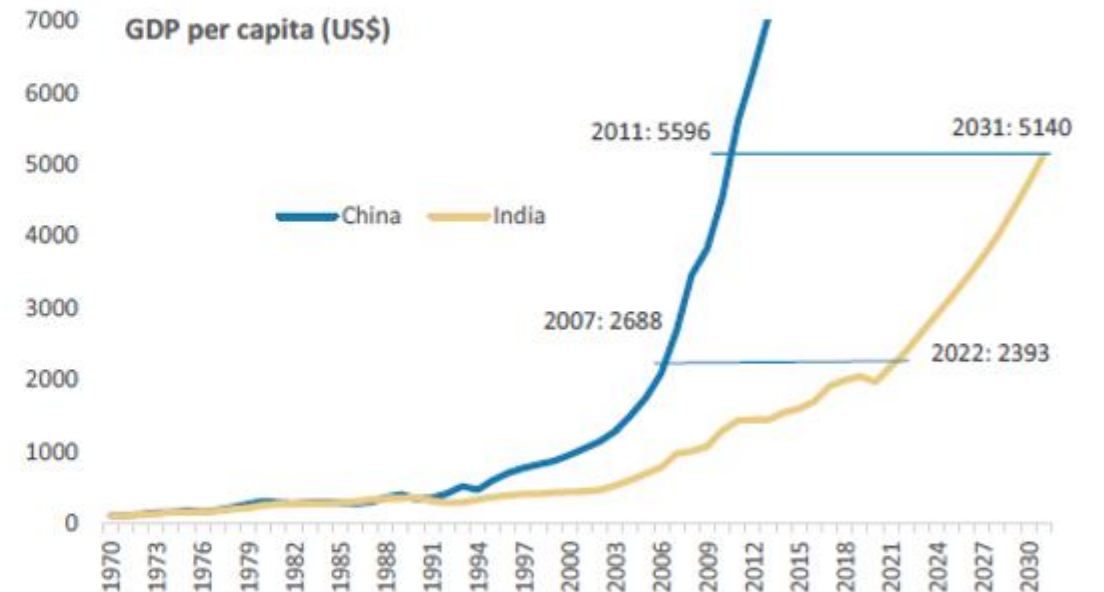


From a nominal GDP and per-capita income perspective, India resembles 2007's China



Source: CEIC, Morgan Stanley Research estimates

Over the next decade, we expect India to follow China's path



Source: CEIC, Morgan Stanley Research estimates



Morgan Stanley forecasts for next decade

India's GDP is likely to surpass US\$7.5trn by 2031, more than double current levels, making it the third-largest economy and adding about US\$500bn per annum on an incremental basis over the decade.

India's market capitalization will likely grow by over 11% annually, to US\$10trn, in the coming decade.

We estimate that manufacturing's share of GDP will rise to 21% by 2031, implying an incremental US\$1trn manufacturing opportunity.

We expect India's global export market share to more than double to 4.5% by 2031, providing an incremental US\$1.2trn export opportunity.

India's services exports will almost treble to US\$527bn (from US\$178bn in 2021) over the next decade.



Morgan Stanley forecasts

Credit to GDP rises from 57% to 100%, implying compound annual growth in credit of 17% over 10 years.

India's per-capita income rises from US\$2,278 now to US\$5,242 in 2031, setting the stage for a discretionary spending boom.

The number of households earning in excess of US\$35,000/year is likely to rise fivefold in the coming decade, to over 25mn.

US\$1.1trn incremental retail opportunity in ten years. E-commerce penetration to nearly double from 6.5% to 12.3% by 2031.

Internet users in India to increase from 650mn to 960mn while online shoppers will grow from 250mn to 700mn over the next 10 years.

25% of incremental global car sales over 2021-2030 will be from India, and we expect 30% of 2030 PV sales to be EVs.



Morgan Stanley forecasts

in 2021 to 12.2mn in 2031, leading to an increase in office absorption from 32-35msf pa to a run-rate of 45-50msf over the next 5-10 years.

Healthcare penetration in India can rise from 30-40% now to 60-70%; implying 400mn new entrants to the formal healthcare system.

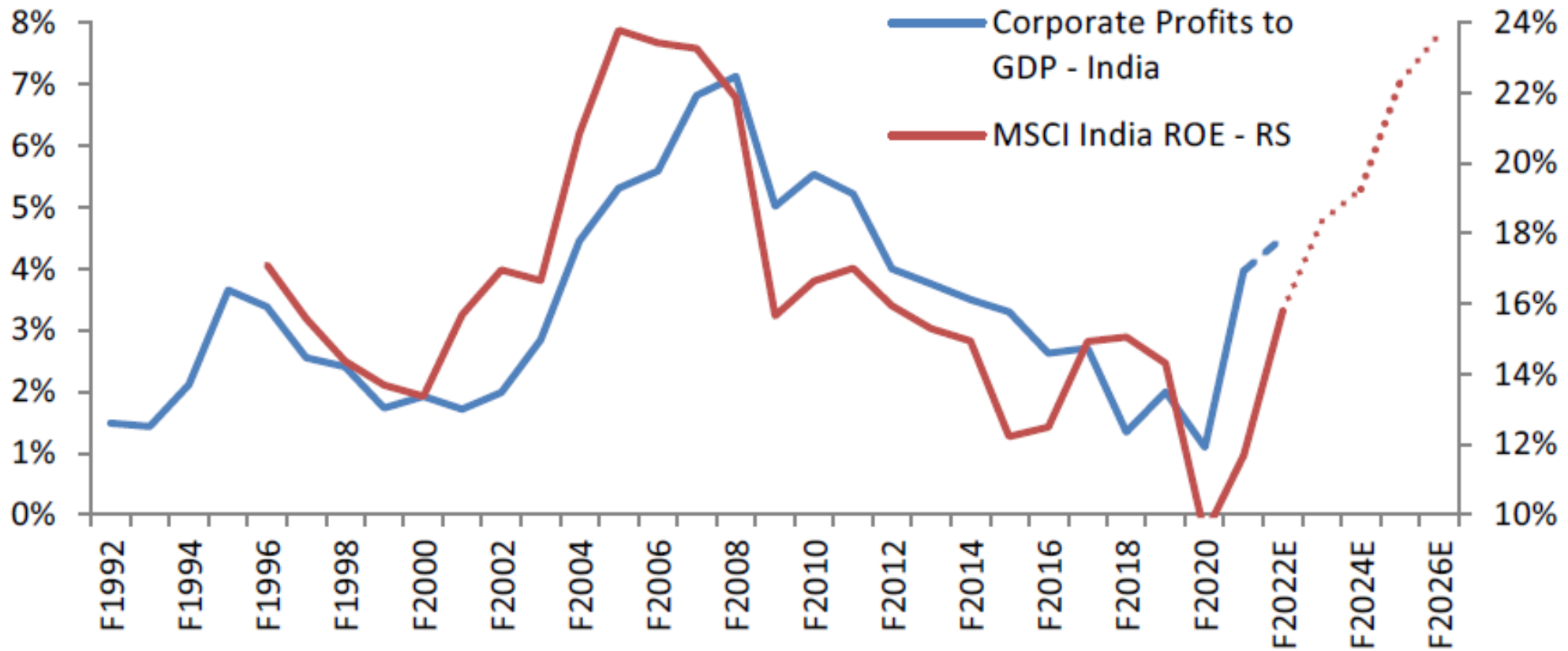
The defense budget (US\$18bn) is growing steadily (10% CAGR) – traditionally there has been large import dependence (about 60%) but there is now a strong thrust towards local manufacturing.

US\$700bn+ in energy investments over the next decade as India accelerates its energy transition.



Corp profits to GDP cycle

Exhibit 2: Profit cycle likely to continue



Source: RIMES, Worldscope, MSCI, CMIE, CEIC, Morgan Stanley Research (E) estimates



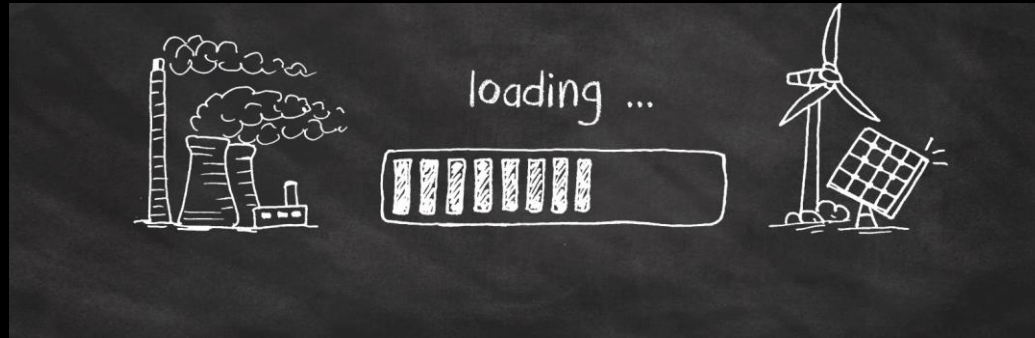
Part of fragile 5 to Anti-Fragile

- Secular pillars have always been in place
- Economy clean-up phase ended with Covid
- Covid provided RBI and Govt an opportunity to re-invigorate growth
- RBI monetary policy started having trickle-down effect
- Indian corporates have the leanest balance sheet
- India managed Covid as well as it's balance sheet better than most
- Forex reserves, CAD, Fiscal Deficit, Inflation have all been well managed
- India has been flexing it's geo-political muscle – Russian Crude, US tech deal
- INR has been one of the most stable EM currencies



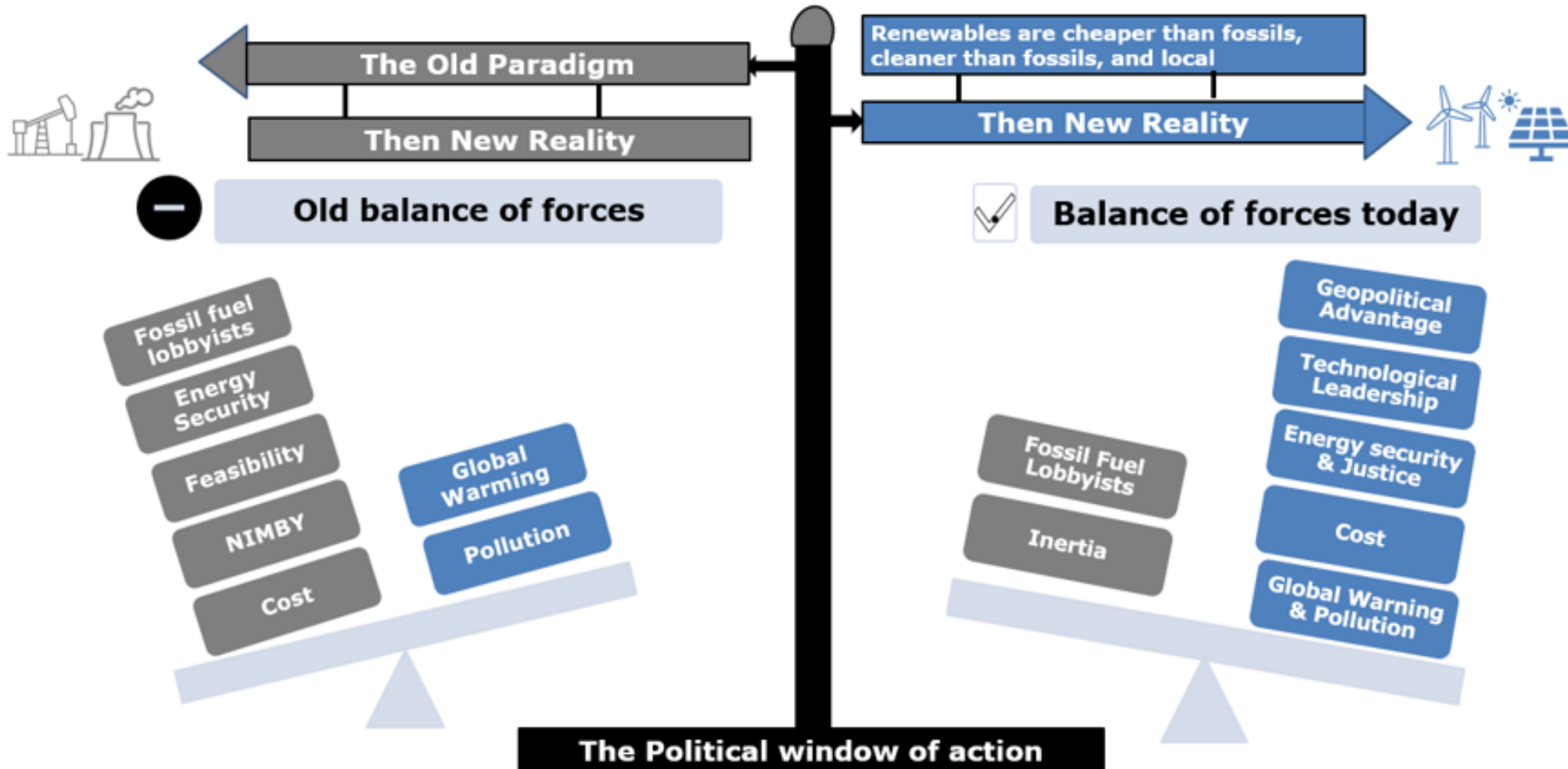
**Where Is The
Opportunity?**

World Is Rapidly Moving Away From Fossil Fuels



ENERGY TRANSITION

Energy Transition – past the geopolitical tipping point





A changing of the guard

Age of Carbon

Fossil Fuelled

Geographically concentrated

Finite and Exhaustible

Commodity flow based

Encourages power/rent concentration

Age of Renewables

Electricity + (H₂, NH₃ or Bio-Fuels)

Abundant Everywhere

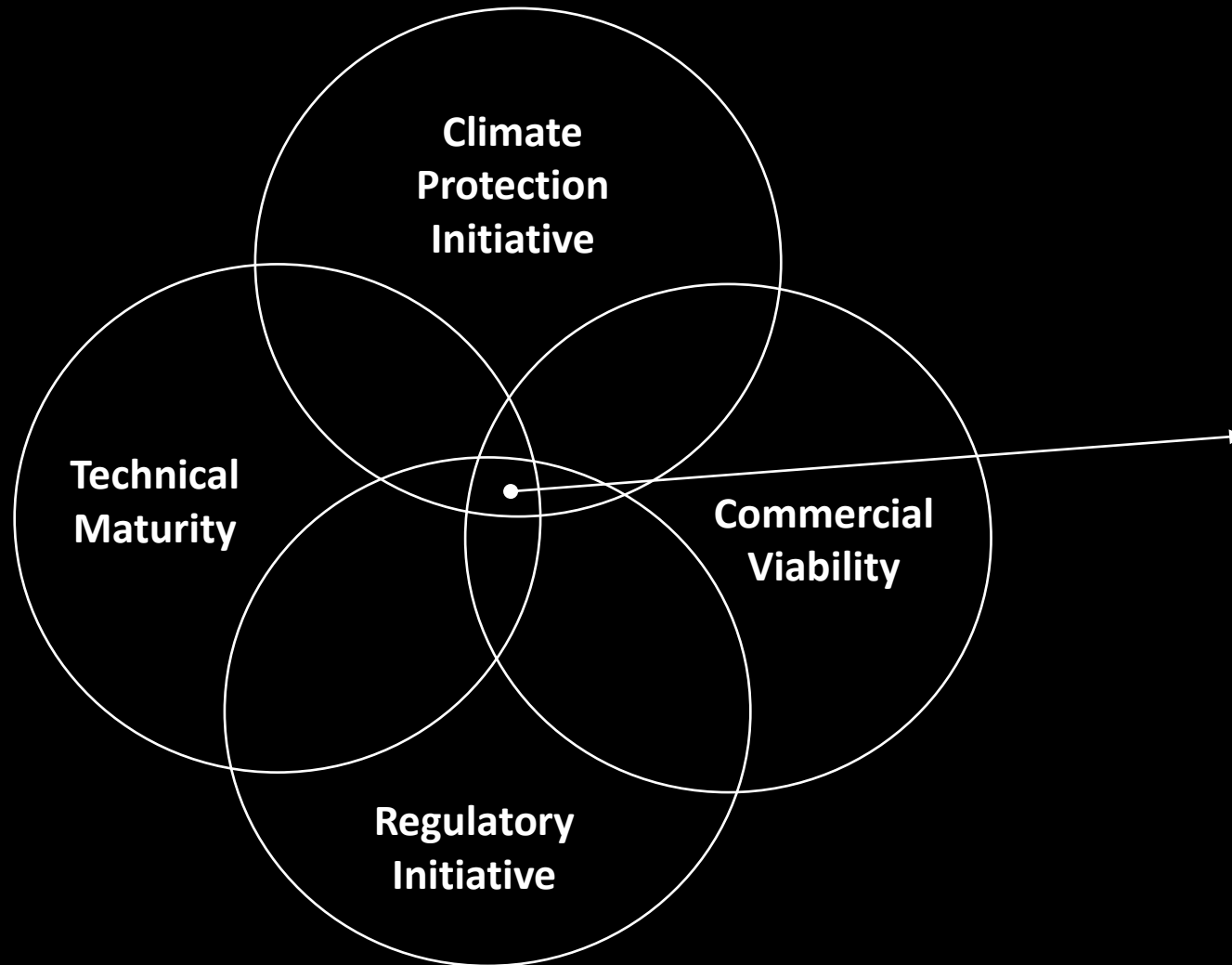
Infinite and Renewable

Technology Learning Rate based

No super-profits/flatter power relations

"The historian of science may be tempted to exclaim that when paradigms change, the world itself changes with them" - Thomas S. Kuhn (2012)

While the Sun shines, the winds blow and the crops grow, How energy is harnessed will decide the future of the Energy Transition



A new paradigm to be ushered in by a confluence of technology economics, climate protection and regulation to ensure energy security

Energy Transition – past the geopolitical tipping point



Exhibit 150: Energy transition: The US\$726bn investment roadmap

Exajoules	Cumulative till 2031		Key areas
	2021	2031e	
Oil	8.5	10.9	
Gas	2.2	3.9	126 Pipelines, import terminals, City gas networks
Electricity			
<i>Non Fossil generation</i>	5.0	19.1	292 Renewable Capacity, Hydro & Nuclear capacity + Battery
<i>Fossil generation</i>	15.3	20.4	- Coal based power plants
<i>Transmission & Distribution</i>			125
<i>Environment Capex</i>			12 FGD on coal based power plants
Solar Manufacturing Equipment			10
Hydrogen			
<i>Fossil</i>	1.0	1.3	
<i>NonFossil</i>	-	0.6	70 Solar panels, electrolysers, storage facilities, port handling + Fuel Cells
Electric Vehicles			86 Batteries, plants, components and charging infra
Ethanol	0.5	1.3	5 Blending facilities and Ethanol production
Total	32.4	57.6	
Total (GW)	1,013.6	1,800.1	726

Source: Morgan Stanley Research estimates

India is on the cusp of a manufacturing renaissance



MANUFACTURING RENAISSANCE

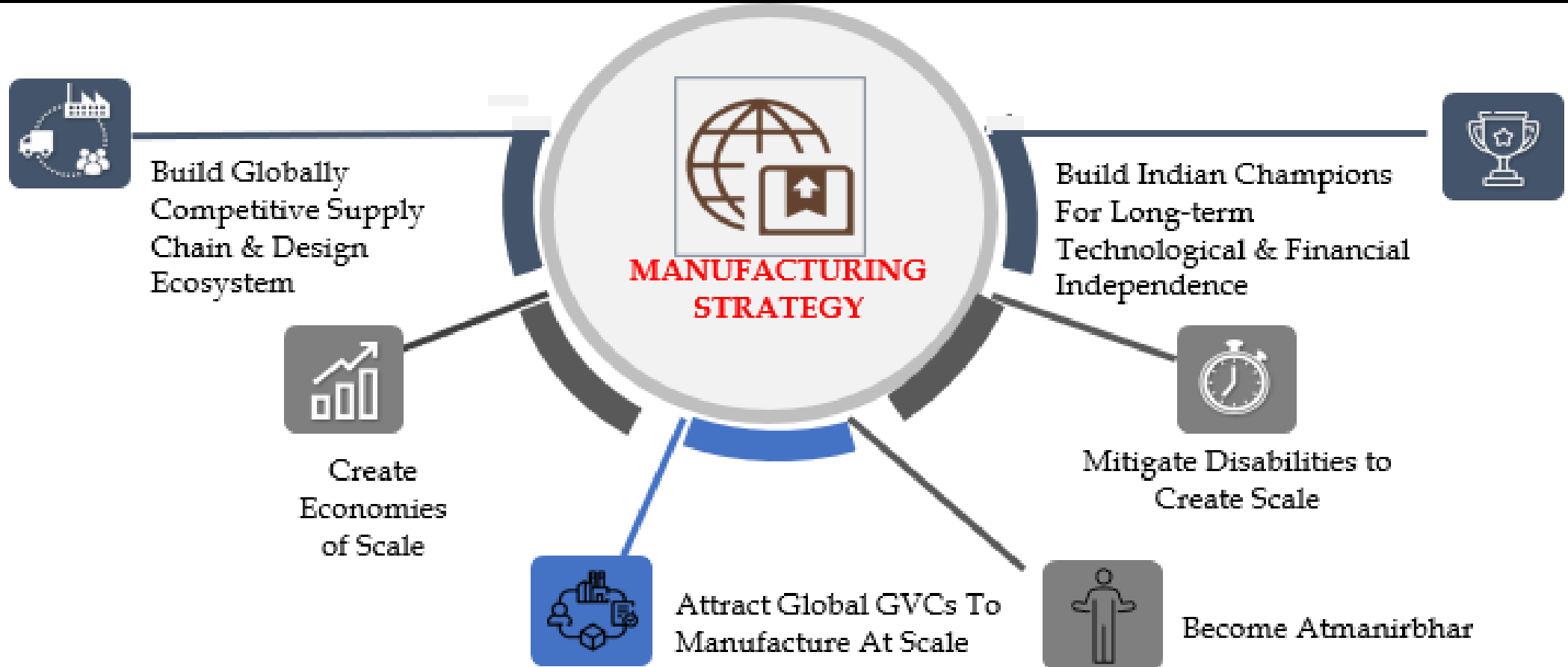


Why India needs to focus on manufacturing?

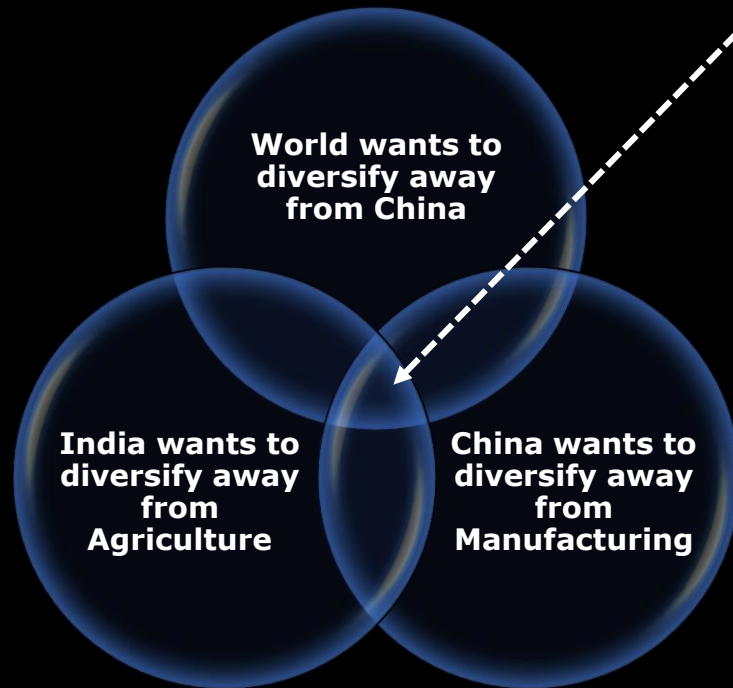


-  To reduce import dependence
-  To generate employment
-  Transition from agriculture to industry
-  Security and independence
-  To reduce trade imbalance
-  To boost its economy

Policy intent & action aligned; early winners visible



Indian Manufacturing Renaissance Is Here



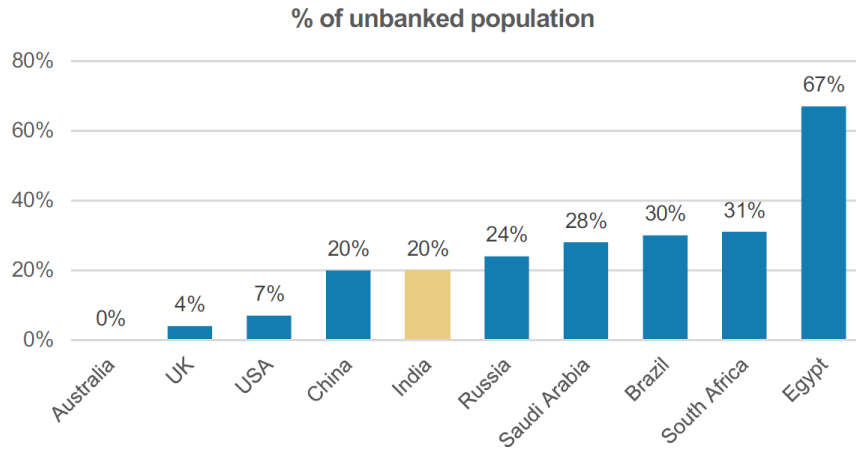


FINANCIALISATION

Financialization

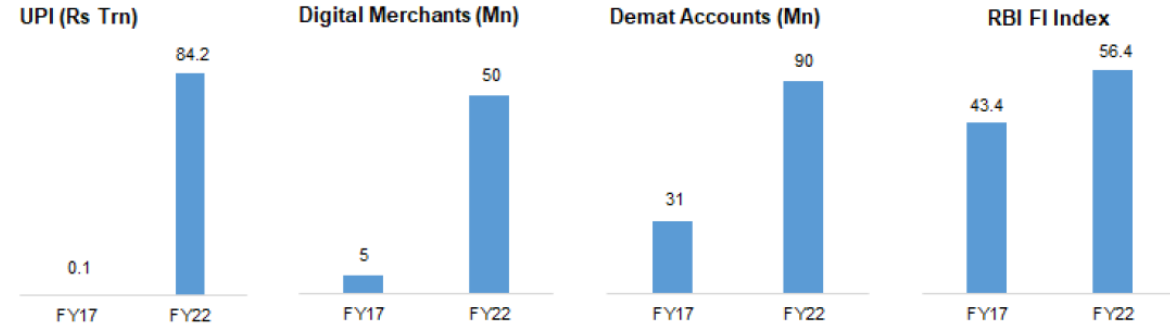


Exhibit 125: Bank account penetration – India is better than a number of other EMs



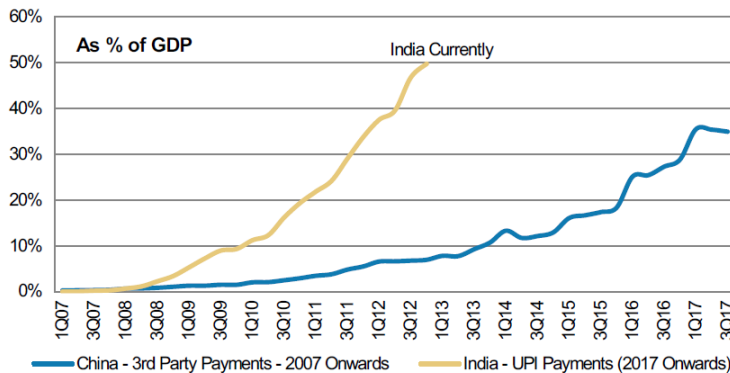
Source: Merchant Machine 2021

Exhibit 124: The unique digital architecture in India has accelerated penetration in a number of financial services segments. This has increased data availability as well, and, coupled with data sharing rails, we expect credit to be the next leg of acceleration over the coming decade



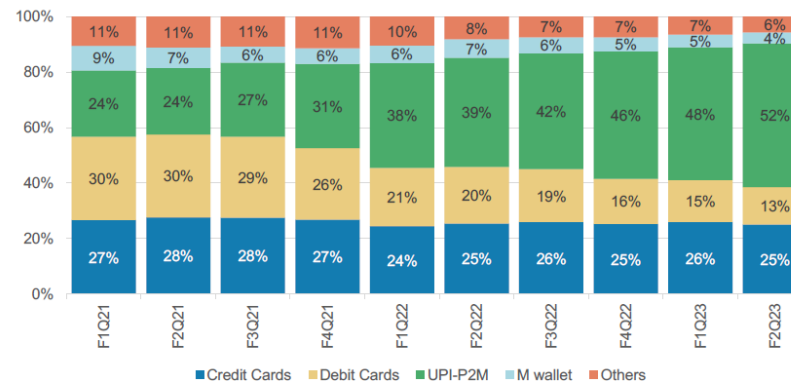
Source: RBI, media articles, Morgan Stanley Research

Exhibit 126: The pace of adoption of UPI in India has surpassed that of China's third-party payments as a percentage of GDP – UPI is now 83% of overall retail payments in India and this is generating significant data trails for Indian lenders



Source: RBI, NPCI, Morgan Stanley Research

Exhibit 127: Retail merchant payments: Share of merchant payments via UPI continues to rise – now at 52% of retail digital merchant payments in India

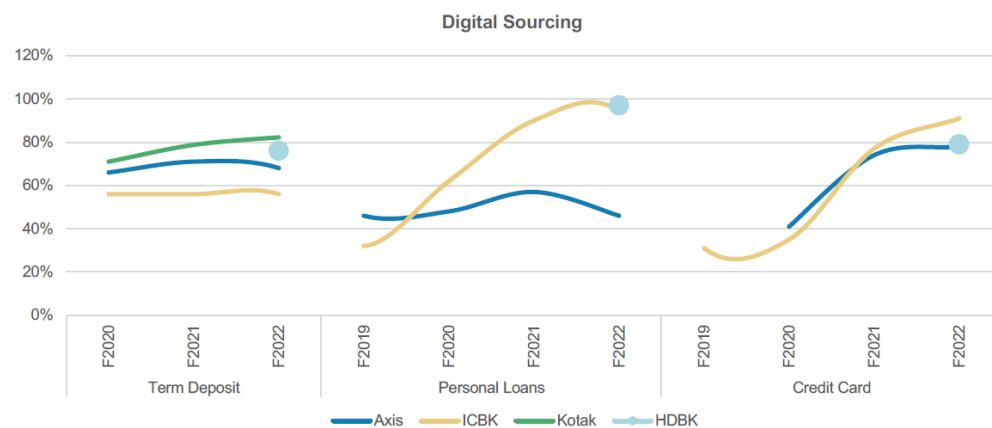


Source: RBI, NPCI, Morgan Stanley Research; Others include PPI (ex wallets) and Rupay Cards (both POS and E-com)

Financialization

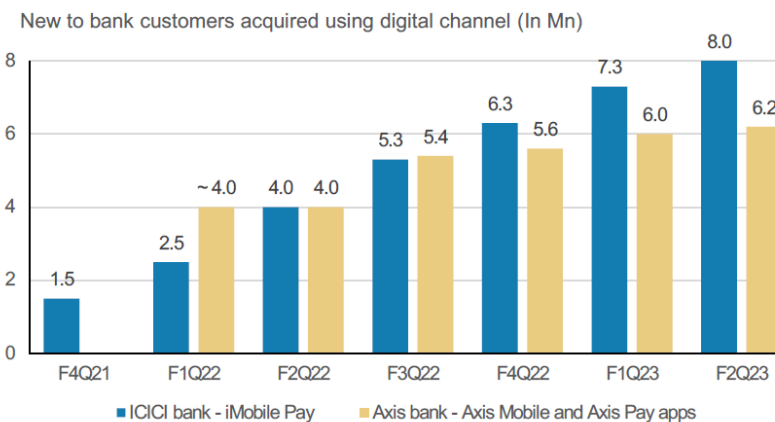


Exhibit 133: India banks: Digital lending has picked up across lenders



Source: Company data, Morgan Stanley Research. Note: ICBK – Digital sourcing includes Insta + Digitally sourced. Axis – Personal Loan disbursed is through phygital and digital mode. Kotak – Digital sourcing is avg. of quarters.

Exhibit 138: Customers acquired using digital channel have been increasing



Source: Company data, Morgan Stanley Research

Exhibit 128: Digital P2M payments: We expect US\$2.1 trn by F27, implying a CAGR of 35%. This will further increase data availability for individuals as well as small businesses

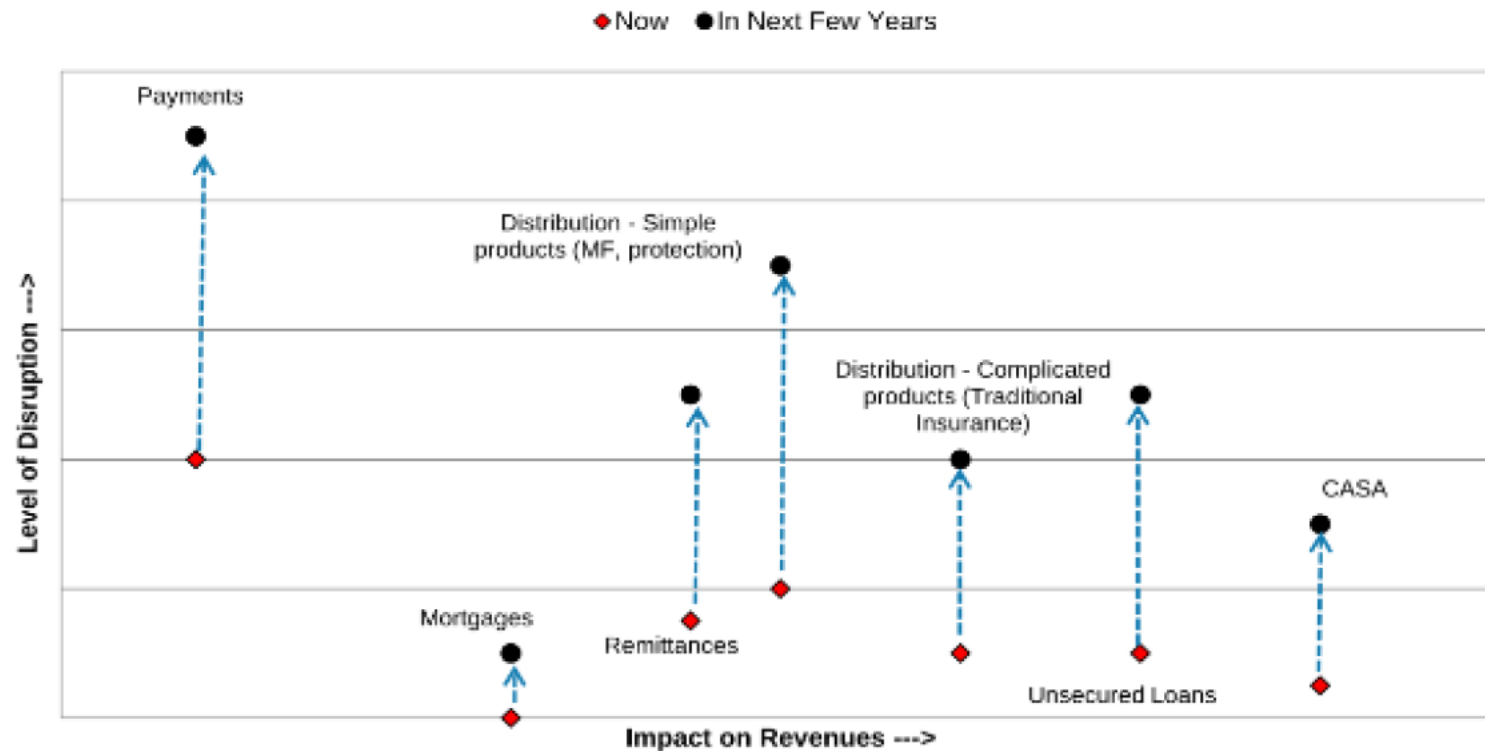
Retail Digital Merchant Payments - Market Size	F18			F22			F27			Growth 5Y-CAGR
	Rs.bn	US\$bn	% of GDP	Rs.bn	US\$bn	% of GDP	Rs.bn	\$bn	% of GDP	
P2M										
--Credit Cards	4,592	56	3%	9,716	118	4%	35,335	430	9%	29%
--Debit Cards	4,548	55	3%	7,248	88	3%	19,593	238	5%	22%
--UPI*	77	1	0%	15,977	194	7%	102,713	1,250	25%	45%
--Wallets	1,085	13	1%	2,264	28	1%	5,336	65	1%	19%
--PPI/Others	988	12	1%	3,124	38	1%	9,347	114	2%	25%
Overall	11,291	137	7%	38,329	466	16%	172,325	2,096	42%	35%

Source: RBI, NPCI, Morgan Stanley Research estimates. Note: Exchange rate of US\$1= Rs82.2. *UPIP2M has been assumed at 7% of overall UPI as of F18.

Financialization disruption



Exhibit 147: Areas of disruption versus revenue impact as technology usage gets more widespread



Source: Morgan Stanley Research

As India Moves From \$2,000 per capita to \$4,000 per capita

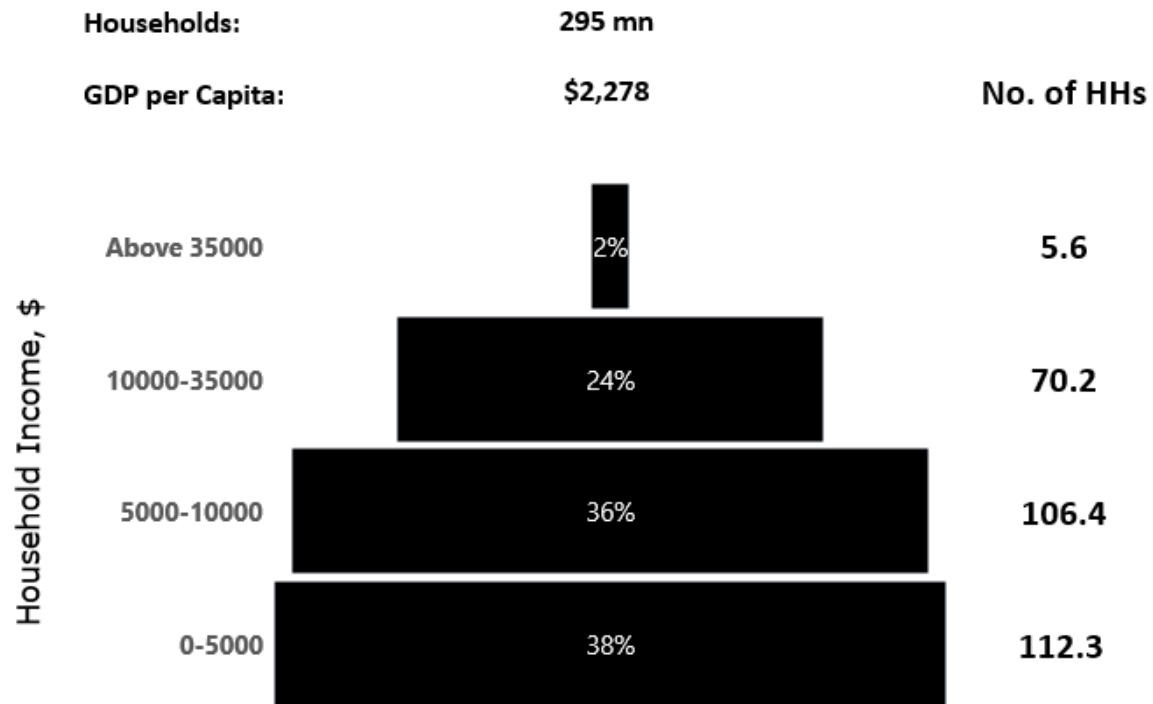


CONSUMPTION J-Curve

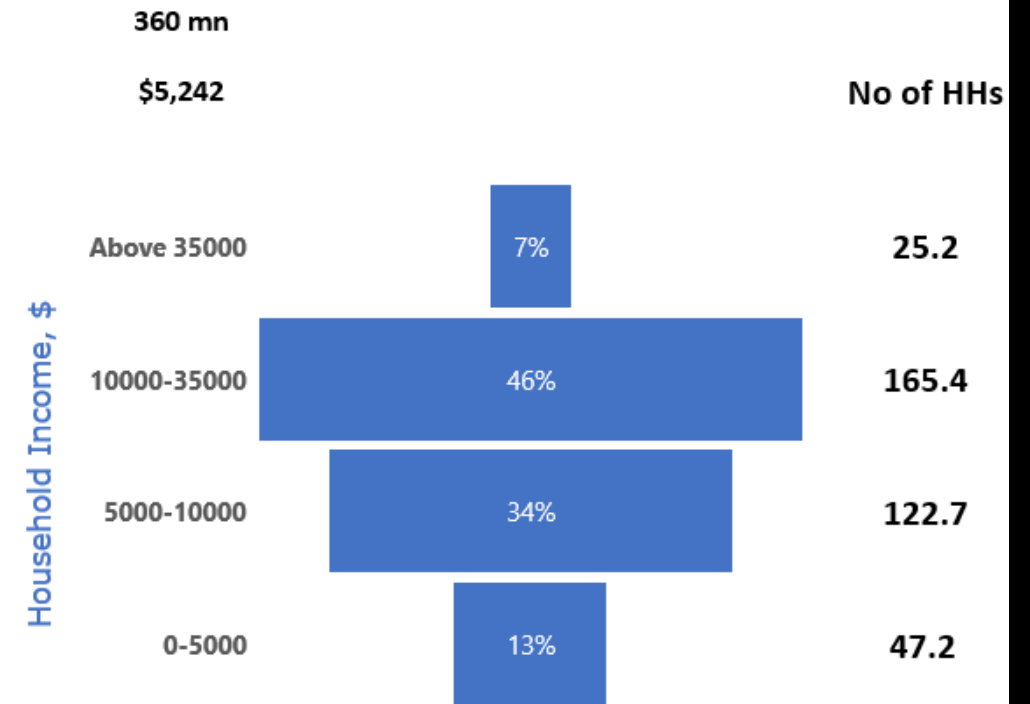
Major shift in income pyramid



2021 Households (HHs) by Income Distribution

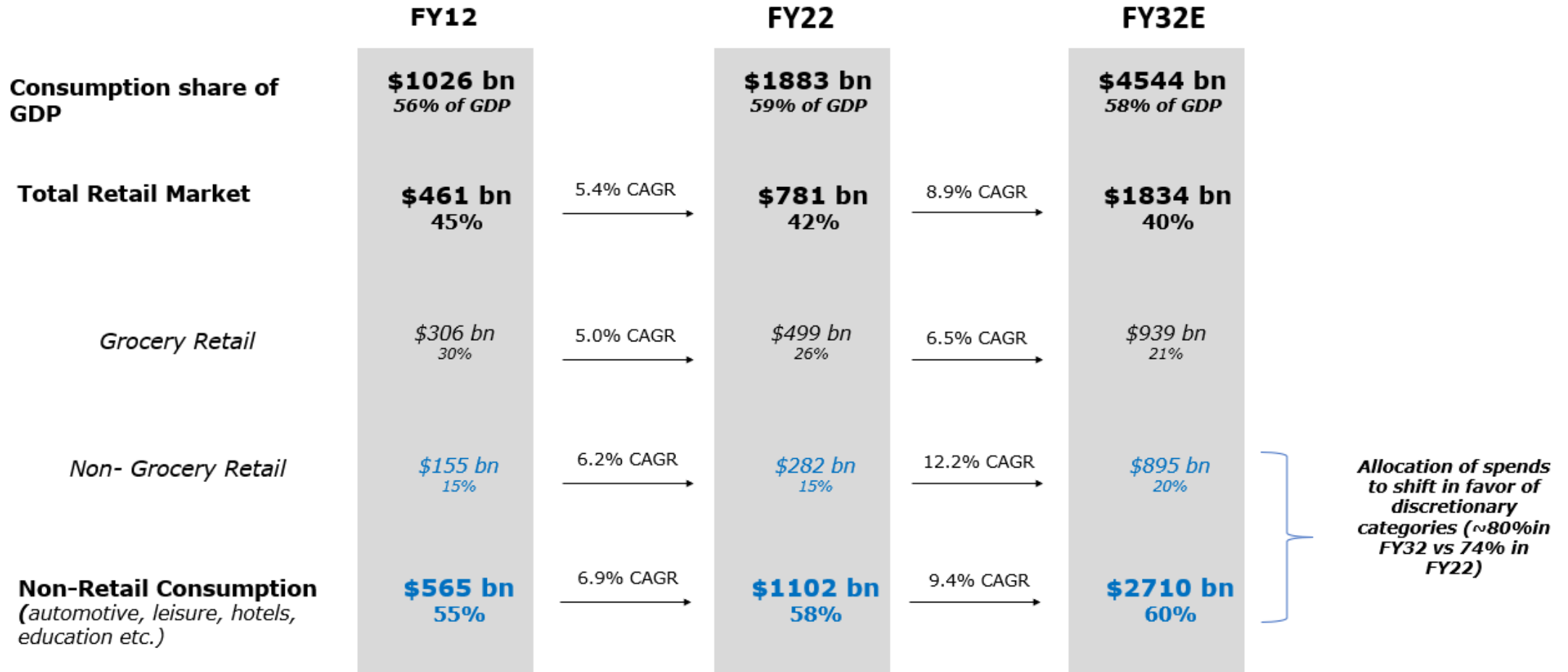


2031 Households by Income Distribution

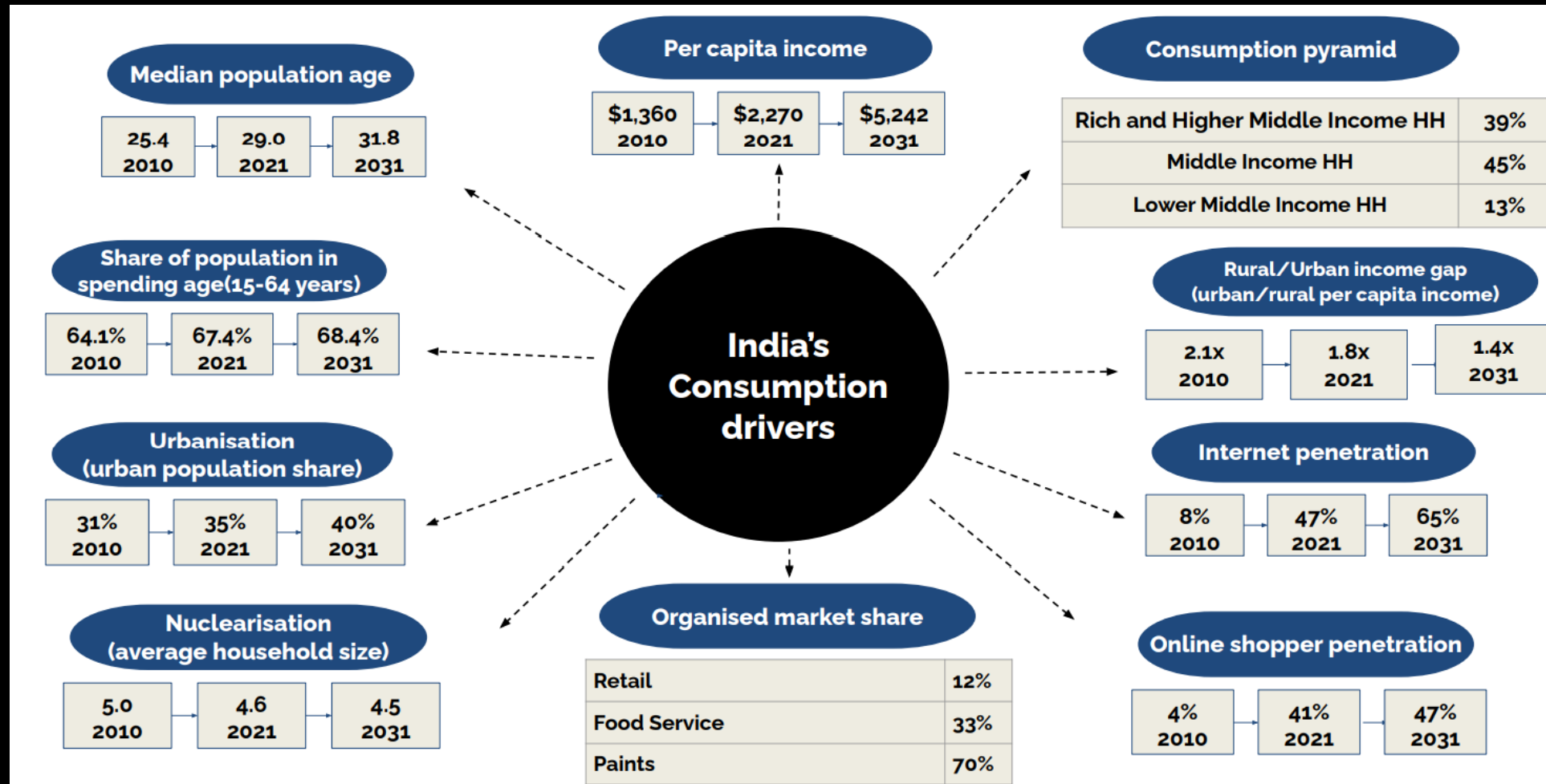


Source: Morgan Stanley Research

Discretionary spending boom



Discretionary Consumption J-Curve ahead...as Per Capita Grows





**Can we participate in this
wealth creation journey?**

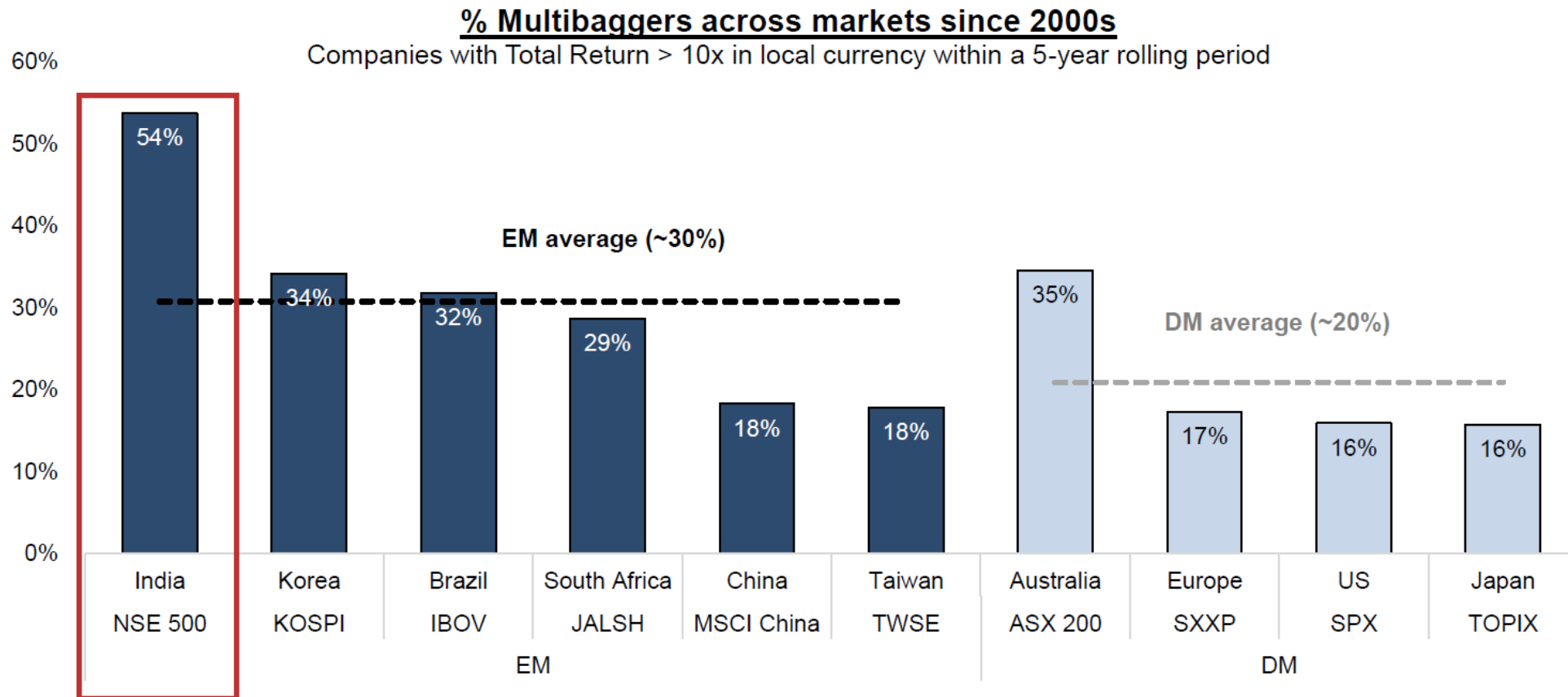
India has been best performing market across time frames



INDICES	Country	M Cap. (In \$Trn.)	Valuation Ratios		Return Rank(USD)			EPS Growth (%)						
			PE TTM	PE 1yr Fwd	3yr	5yr	10yr	CY18	CY19	CY20	CY21	CY22	CY23	CY24
S&P 500 Index	USA	38.2	21.0	20.0	3	1	1	24%	3%	-13%	39%	12%	-2%	9%
Csi 300 Index	China	5.7	13.8	11.9	16	12	7	15%	10%	-9%	10%	-5%	15%	15%
Topix Index (Tokyo)	Japan	5.8	17.3	15.1	14	11	8	16%	-13%	-46%	126%	6%	10%	3%
Hang Seng Index	Hong Kong	2.8	9.7	9.5	17	17	16	13%	2%	-12%	-2%	-11%	12%	9%
Cac 40 Index	France	2.6	12.6	13.0	2	5	6	11%	-4%	-37%	81%	49%	-7%	6%
Ftse 100 Index	UK	2.6	10.7	10.5	11	14	13	9%	6%	-28%	19%	48%	2%	1%
S&P/Tsx Composite Index	Canada	2.4	12.9	13.7	6	8	9	17%	4%	-30%	64%	29%	-4%	8%
Spi Swiss Performance Ix	Switzerland	1.9	22.6	18.2	10	2	3	7%	14%	7%	10%	0%	14%	10%
Nifty 50	India	1.8	22.8	20.0	1	4	2	16%	6%	0%	12%	30%	24%	16%
Dax Index	Germany	1.6	13.0	11.3	9	7	5	9%	-10%	-21%	63%	11%	17%	9%
Taiwan Taiex Index	Taiwan	1.7	16.7	18.3	4	3	4	8%	-19%	7%	83%	12%	-30%	23%
Kospi Index	Korea	1.5	15.0	15.1	13	15	10	7%	-41%	-16%	118%	-7%	-26%	50%
Msci Australia	Australia	1.2	14.0	14.5	12	10	12	1%	5%	-25%	35%	27%	5%	-3%
Brazil Ibovespa Index	Brazil	0.7	7.1	8.4	5	6	11	41%	21%	-52%	361%	17%	-21%	4%
Jakarta Composite Index	Indonesia	0.6	14.7	13.7	7	9	15	19%	-7%	-39%	30%	95%	4%	10%

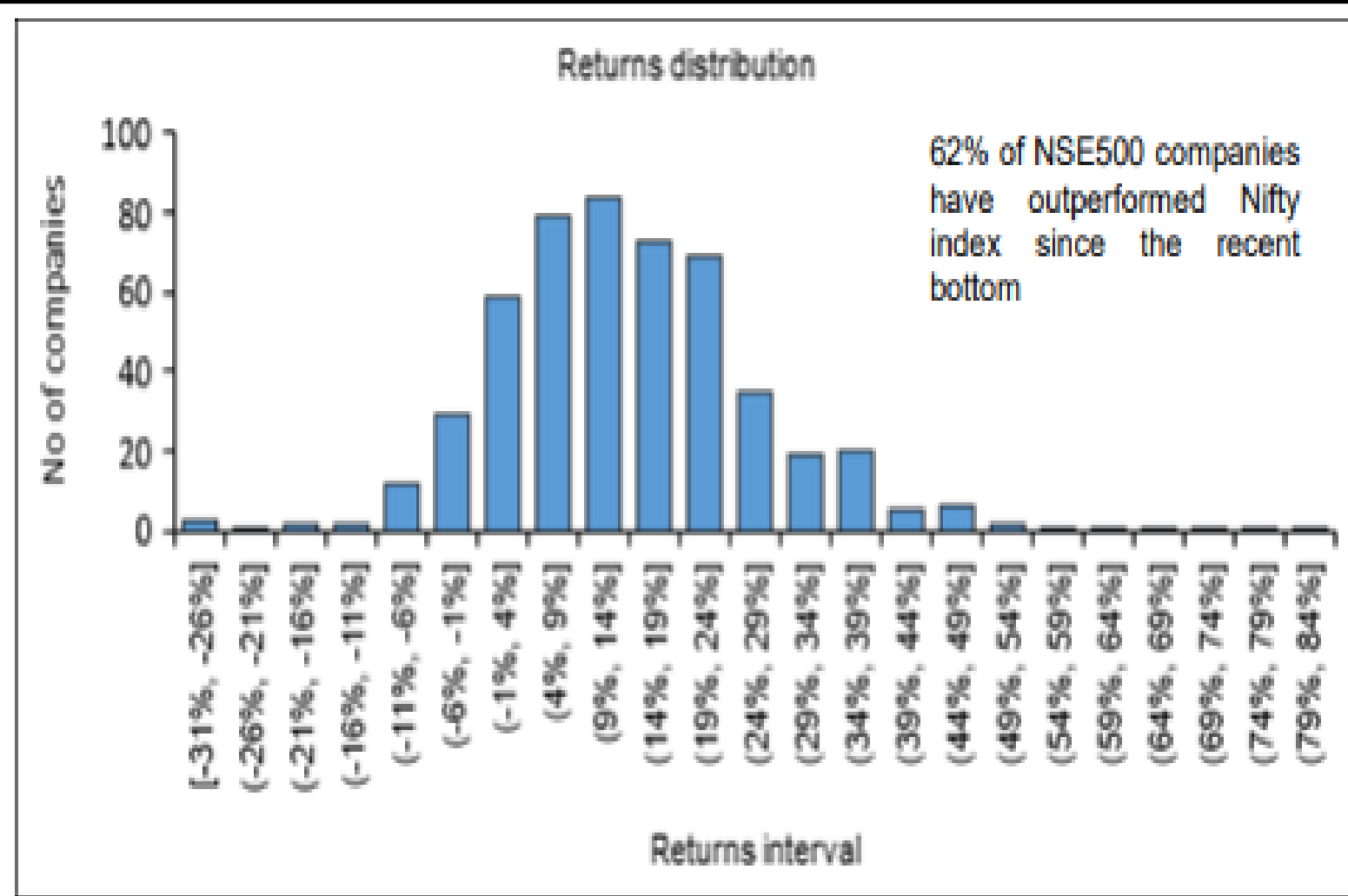
Source: Bloomberg

India Has The Highest % of MultiBaggers Across Markets





Indian markets rally has been broad based



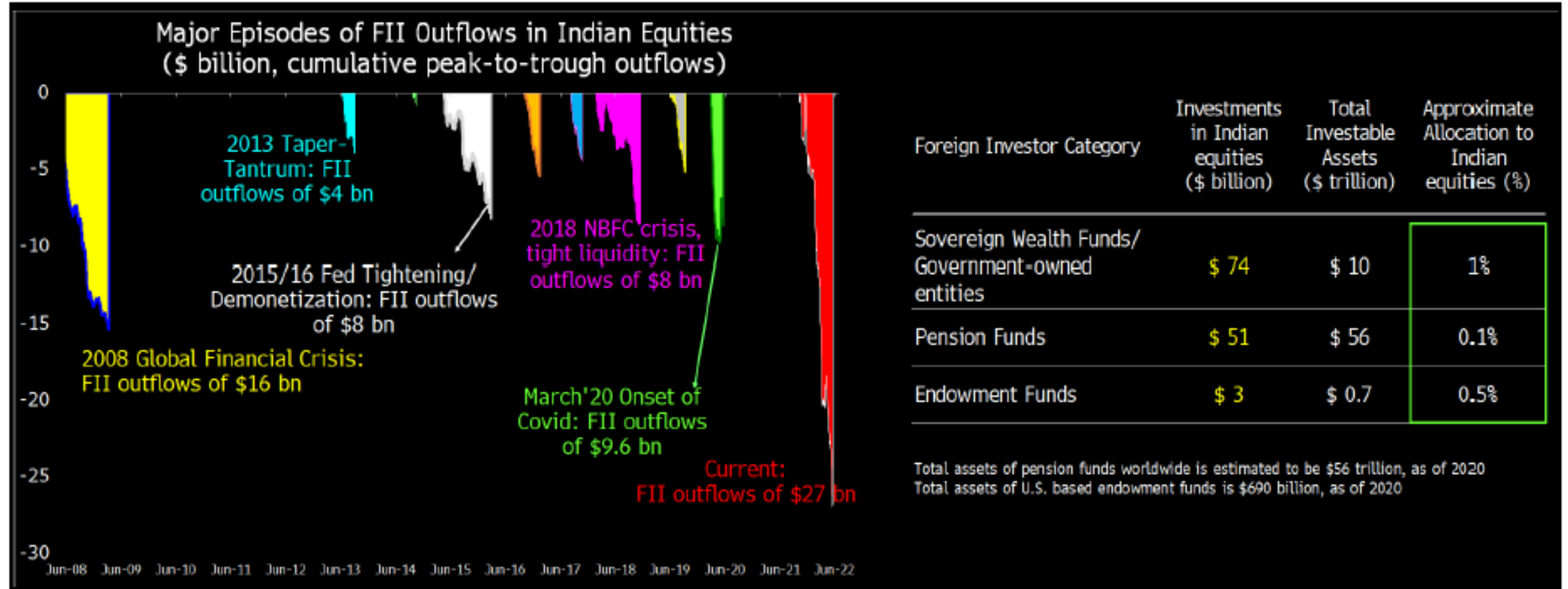
Source: Capitaline, I-Sec Research

Note: Returns have been computed considering closing price of 24th Mar'23 and 1st Jun'23.



Indian market provides depth required for exits

Indian Stocks See Worst FII Selling in History



Source: Bloomberg Intelligence



Indian market provides depth required for exits

Start Date	End date	Event Tag	FII Outflows (\$ bn)	India Market cap at start of outflows (\$ trillion)	FII Holdings at start of Outflows (\$ bn)	FII Outflows		NIFTY Returns	Midcap 100 returns
						As % of India Market cap	as % of FII Holdings		
Jan-08	Mar-09	Global Financial Crisis	-15	1.8	296	0.9%	5.2%	-57%	-67%
Jun-13	Sep-13	Taper-Tantrum	-4	1.1	204	0.4%	2.0%	-9%	-15%
Sep-14	Oct-14	Election correction	-1	1.6	302	0.1%	0.4%	-5%	-5%
Apr-15	Feb-16	Banks' Asset cleanup	-8	1.6	320	0.5%	2.5%	-17%	-10%
Oct-16	Jan-17	Fed Hikes/ Demonetization	-5	1.7	335	0.3%	1.6%	-3%	-5%
Aug-17	Oct-17	Cyclical Slowdown	-4	2.1	414	0.2%	1.1%	2%	3%
Feb-18	Nov-18	NBFC Crisis	-9	2.4	455	0.4%	1.9%	-2%	-11%
Jun-19	Sep-19	Slowdown	-5	2.2	427	0.2%	1.2%	-8%	-13%
Feb-20	May-20	Onset of Covid-19	-9	2.1	430	0.4%	2.0%	-23%	-28%
Oct-21	Jun-22	Current	-28	3.5	665	0.8%	4.2%	-7%	-9%

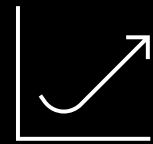


\$3.5 trillion market cap will go to \$5trillion market cap with \$100bn inflows

FPI flows in the cash markets for the various countries (US\$ mn)

Year	India	Indonesia	Philippines	S.Korea	Taiwan	Thailand
2005	10,901	(1,732)	354	(3,547)	23,971	2,949
2006	8,338	1,942	721	(12,642)	17,240	2,068
2007	18,518	3,600	1,357	(29,270)	2,205	1,548
2008	(12,918)	1,753	(1,138)	(36,641)	(15,484)	(4,792)
2009	17,639	1,384	424	24,682	15,680	1,136
2010	29,321	2,396	1,225	19,823	9,262	2,689
2011	(512)	2,956	1,331	(8,542)	(9,441)	(164)
2012	24,548	1,712	2,558	15,084	4,913	2,503
2013	19,754	(1,806)	678	4,875	9,188	(6,210)
2014	16,162	3,766	1,256	5,684	13,190	(1,091)
2015	3,274	(1,580)	(1,194)	(3,626)	3,345	(4,372)
2016	2,903	1,259	83	10,480	10,956	2,240
2017	7,951	(2,960)	1,095	8,267	6,340	(796)
2018	(4,617)	(3,656)	(1,080)	(5,676)	(12,182)	(8,913)
2019	14,234	3,465	(240)	924	9,377	(1,496)
2020	23,373	(3,220)	(2,513)	(20,082)	(15,257)	(8,287)
2021	3,761	2,688	(5)	(23,009)	(15,337)	(1,632)
2022	(17,016)	4,267	(1,245)	(9,665)	(44,354)	5,960
2023	5,349	1,270	(587)	9,426	13,454	(2,964)
Jan	(3,660)	(204)	122	5,240	7,241	545
Feb	(639)	377	(142)	919	1,107	(1,273)
Mar	1,816	272	(498)	(689)	(30)	(917)
Apr	1,923	828	34	616	(2,553)	(231)
May	5,008	109	(81)	3,114	5,205	(967)
Jun	900	(113)	(22)	226	2,484	(120)

Source: Bloomberg, Kotak Institutional Equities



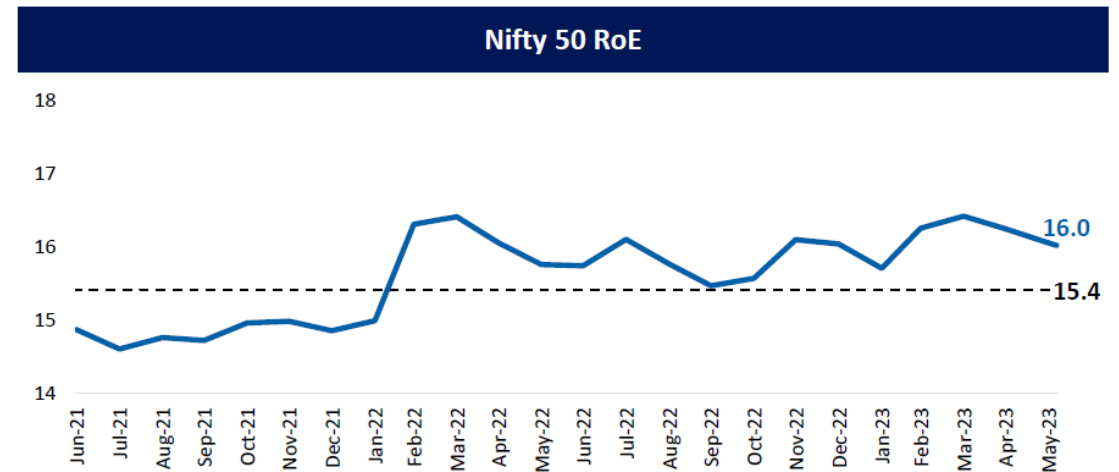
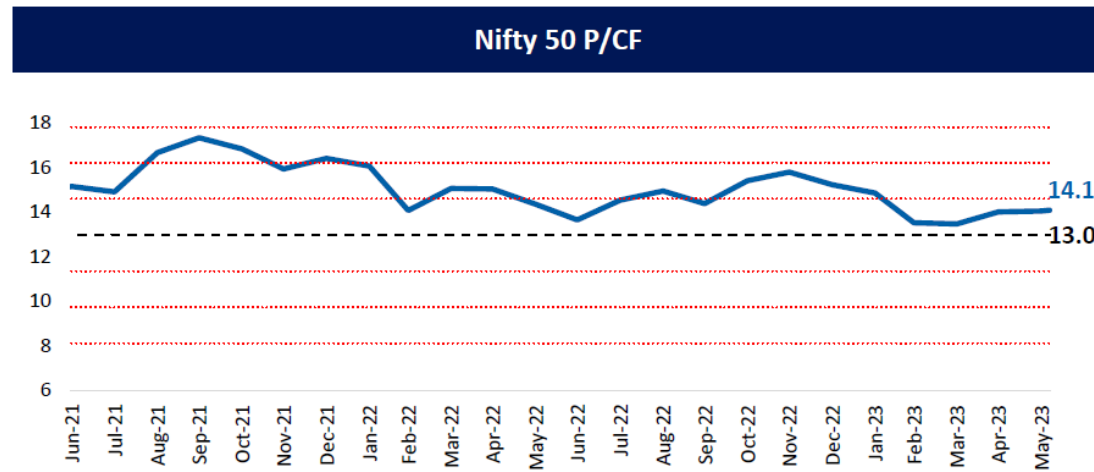
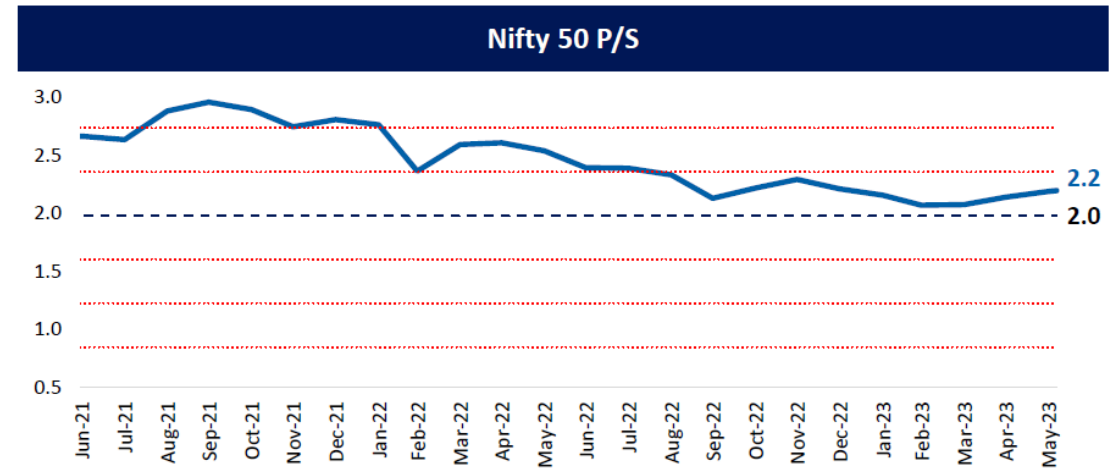
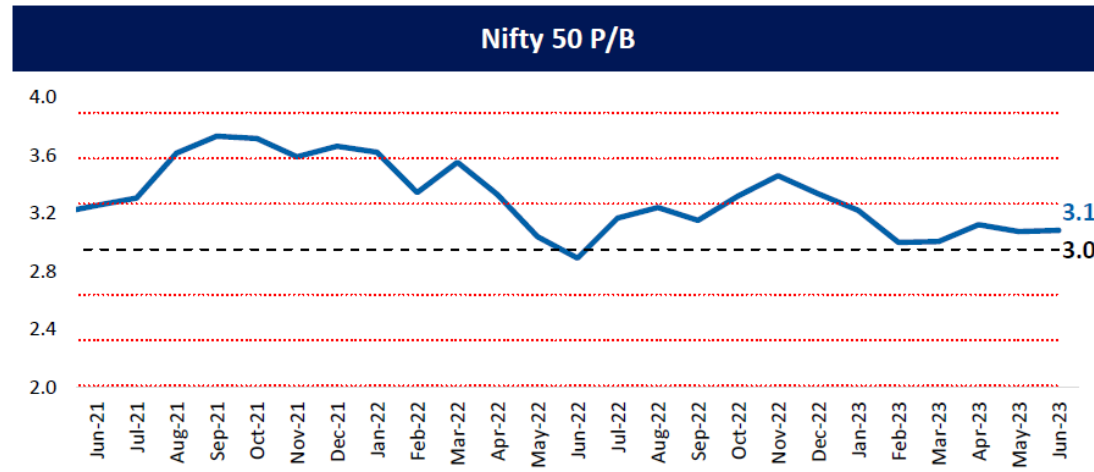
What About Valuations?

Middling valuations – not reflective of relatively strong positioning and stage of the cycle



Nifty 50 Trades at Fair Valuations

Near term returns will be driven primarily by earnings growth



Middling valuations – not reflective of relatively strong positioning and stage of the cycle



India, as always, remains expensive vs. the world – but deservedly so given the earnings growth expected

Valuation summary of global indices, calendar year-ends, 2022-24E

Index		Earnings growth (%)			P/E (X)			P/B (X)		
		2022	2023E	2024E	2022	2023E	2024E	2022	2023E	2024E
IBOV Index	Brazil	17.5	(23.9)	7.6	6.1	8.0	7.5	1.7	1.4	1.3
CAC Index	France	41.4	0.9	6.4	13.3	13.2	12.4	1.7	1.7	1.6
DAX Index	Germany	2.4	20.1	5.7	14.5	12.1	11.4	1.7	1.4	1.4
HSI Index	Hong Kong	(16.6)	5.3	9.9	10.5	10.0	9.1	1.1	1.1	1.0
Nifty Index	India	11.5	12.6	15.3	23.0	20.4	17.6	3.4	3.1	2.8
JCI index	Indonesia	59.6	(11.9)	2.9	10.6	12.0	11.7	2.0	1.9	1.7
NKY Index	Japan	(0.9)	(15.7)	11.7	17.8	21.1	18.9	2.0	1.9	1.8
KOSPI Index	Korea	9.6	(31.0)	27.9	8.9	12.9	10.1	1.0	1.0	0.9
FBMKLCI Index	Malaysia	(13.1)	5.4	7.9	14.0	13.3	12.3	1.3	1.2	1.2
MEXBOL Index	Mexico	13.1	6.8	6.9	13.2	12.4	11.6	2.2	2.0	1.9
PCOMP Index	Philippines	37.5	4.8	10.7	12.4	11.8	10.7	1.6	1.4	1.2
SHCOMP Index	Shanghai	1.0	3.9	13.5	11.5	11.1	9.8	1.4	1.3	1.2
FSSTI Index	Singapore	48.1	2.0	3.3	10.9	10.6	10.3	1.1	1.1	1.0
TWSE Index	Taiwan	11.1	(33.2)	19.4	11.8	17.7	14.9	2.2	2.2	2.0
SET Index	Thailand	8.7	(13.3)	11.8	13.9	16.0	14.3	1.5	1.5	1.5
UKX Index	UK	39.2	9.5	1.0	11.8	10.8	10.6	1.7	1.6	1.5
SPX Index	US (SPX)	6.2	1.2	10.4	21.7	21.4	19.4	4.4	3.9	3.6
MXEF INDEX	EM	(11.5)	(11.8)	15.3	11.4	13.0	11.3	1.7	1.6	1.4
MXMS INDEX	EM Asia	(22.1)	(11.5)	18.9	12.6	14.2	12.0	1.6	1.5	1.4

Notes:

(a) Data for India is as per KIE estimates.

(b) 2022 column refers FY2023 for India. For other countries, numbers are on CY basis.

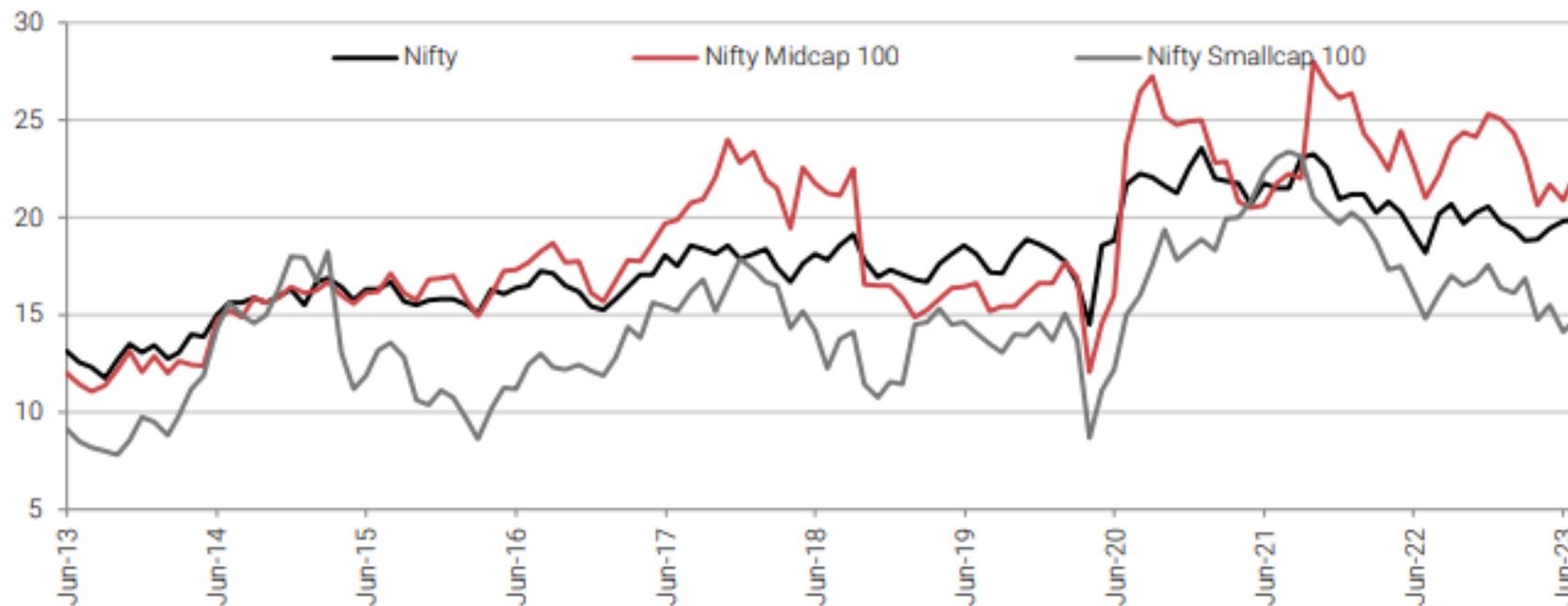
Source: Bloomberg

Midcap and Smallcap Indices Valuations Are Also Comfortable



Nifty Midcap Index have been trading at a premium to Nifty-50 Index

Exhibit 4: Comparison of 12-m forward P/E of Nifty, Nifty Midcap 100 and Nifty Smallcap 100, March fiscal year-ends, 2014-24 (X)



Source: Bloomberg, Kotak Institutional Equities estimates

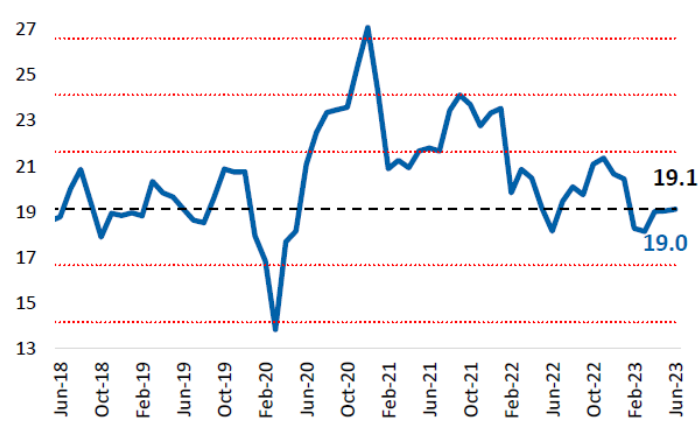
Midcap and Smallcap Indices Valuations Are Also Comfortable



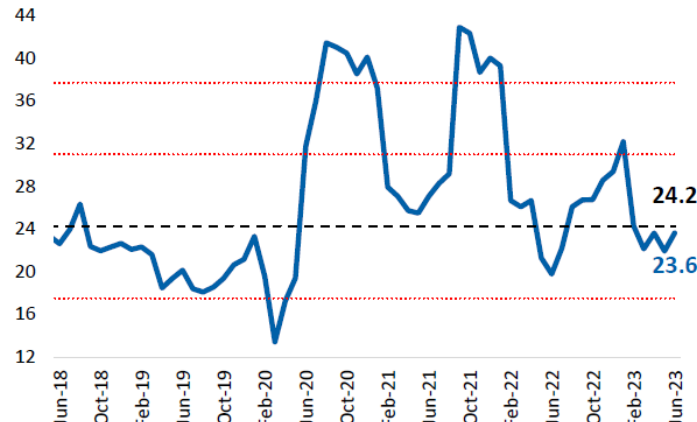
Opportunities in Small Cap; Trading at Inexpensive Valuations

Although the market has rallied in the last month, the small cap index still trades below its 5-year average levels

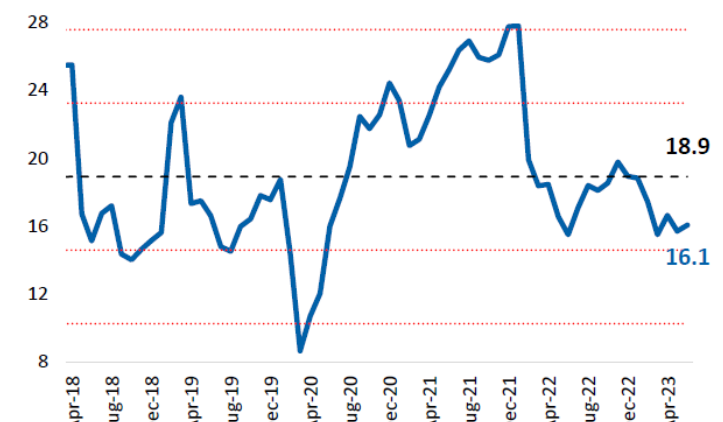
Nifty PE @ 19.0X



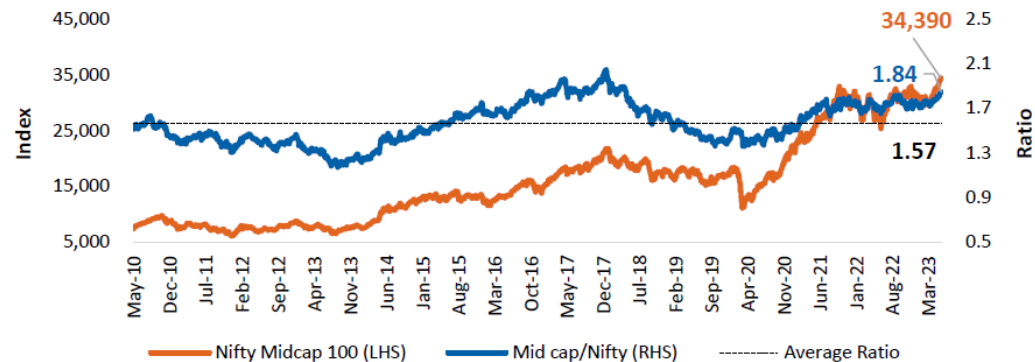
Nifty Mid-Cap PE @ 23.6X



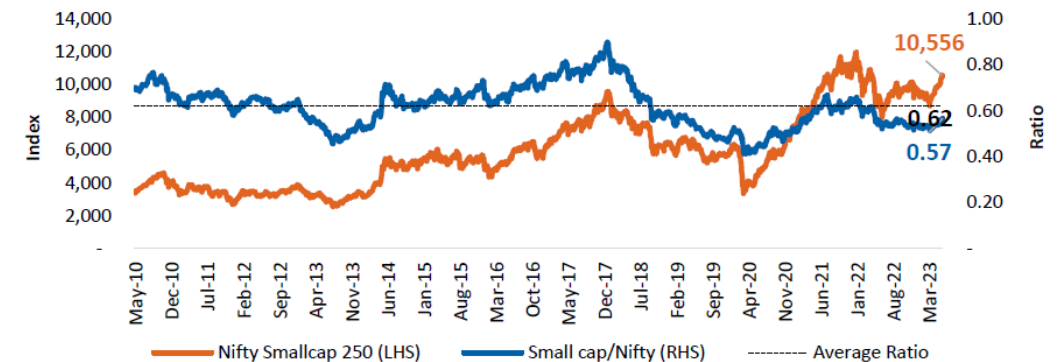
NSE Small-Cap PE @ 16.1X



Midcap index has returned to May 2018 levels



Small cap index is yet to revert back to its fair value



Correction...always possible, Crash...not imminent

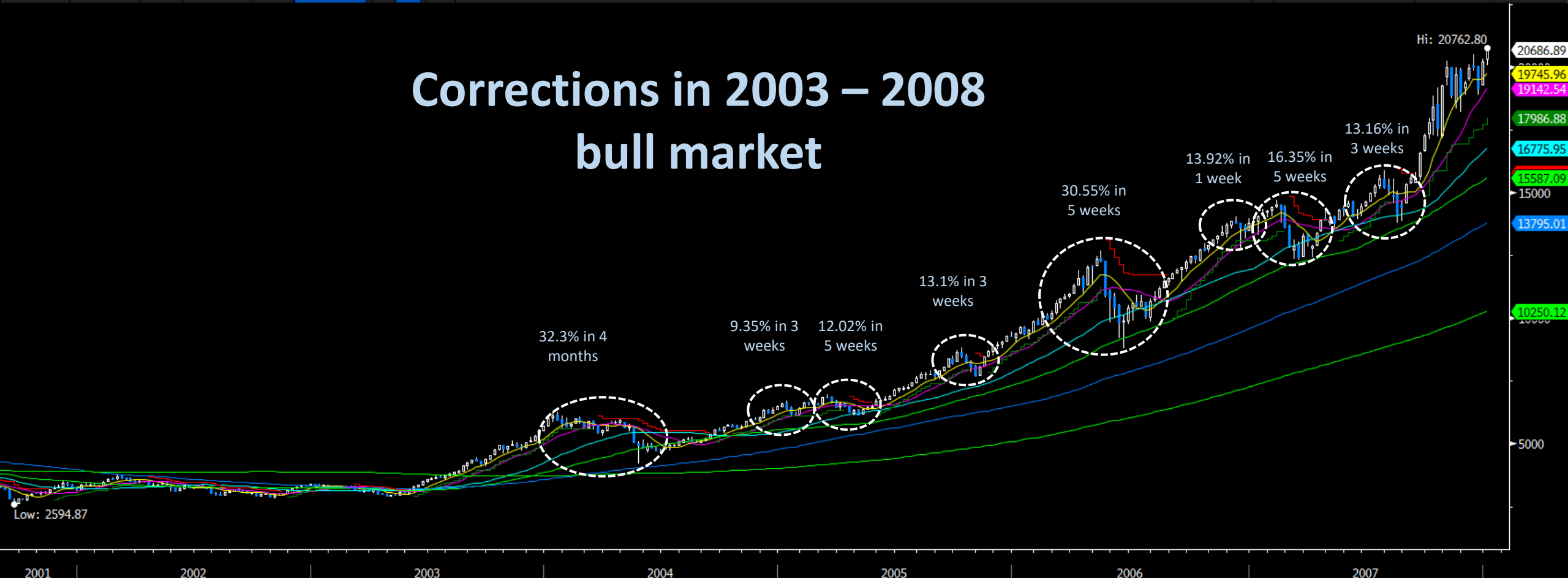


SENSEX Index Actions Edit G 3: DAILY

SENSEX Index : S&P BSE SENSEX Index Weekly 9/2/2001-1/4/2008

1D 3D 1M 6M YTD 1Y 5Y Max Weekly Edit Chart

Corrections in 2003 – 2008 bull market



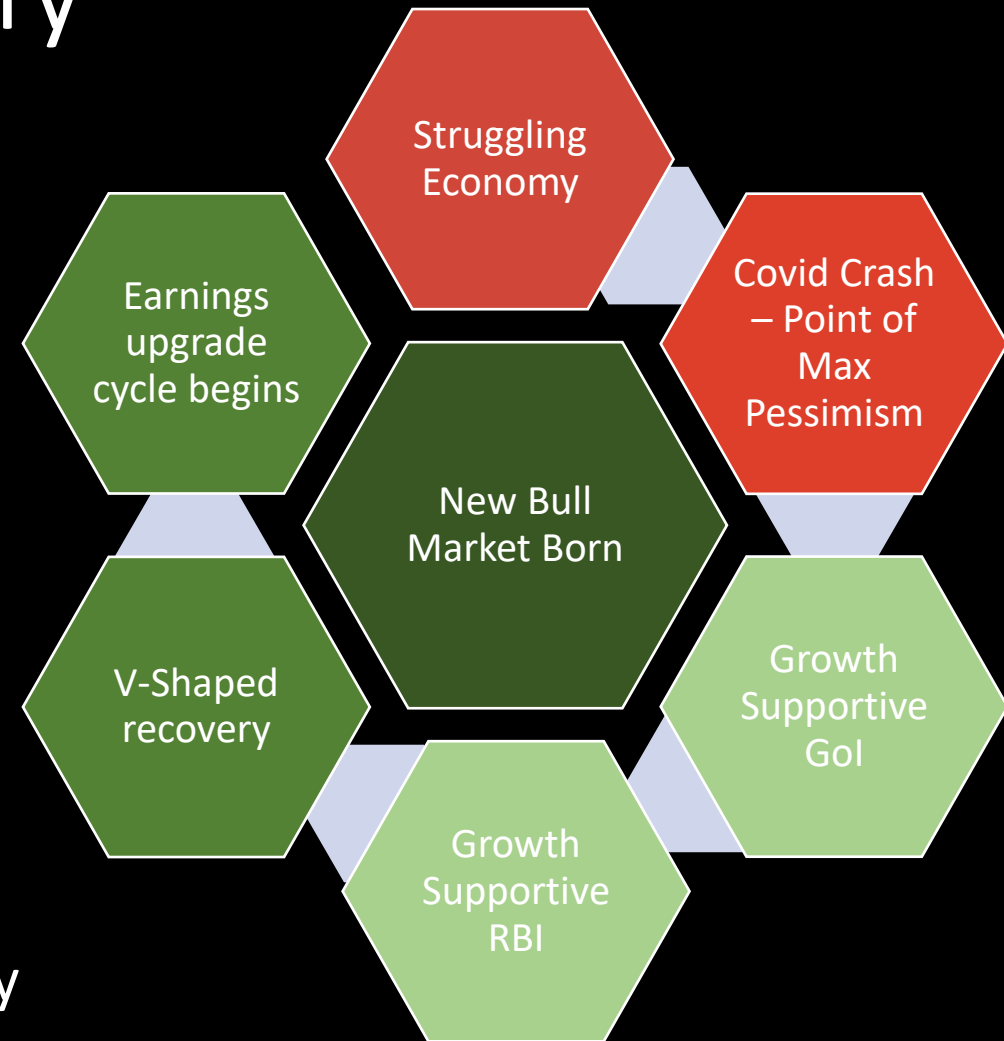
20686.89
19745.96
19142.54
17986.88
16775.95
15587.09
15000
13795.01
10250.12

Australia	61 2 9777 8600	Brazil	5511 2395 9000	Europe	44 20 7330 7500	Germany	49 69 9204 1210	Hong Kong	852 2977 6000
Japan	81 3 4565 8900	Singapore	65 6212 1000	U.S.	1 212 318 2000	Copyright 2021 Bloomberg Finance L.P.			

Bull market born in the depths of covid pessimism is climbing the wall of worry



- Struggling economy
- Covid exacerbates the situation
- Point of maximum pessimism
- Extreme cheap valuations
- Growth Supportive RBI
- Growth Supportive GoI
- Recovery Faster than Expected
- Earnings upgrade cycle begins
- New Bull Market born
- Post 18 months of correction;
Markets are again climbing the wall of worry





THANK YOU