



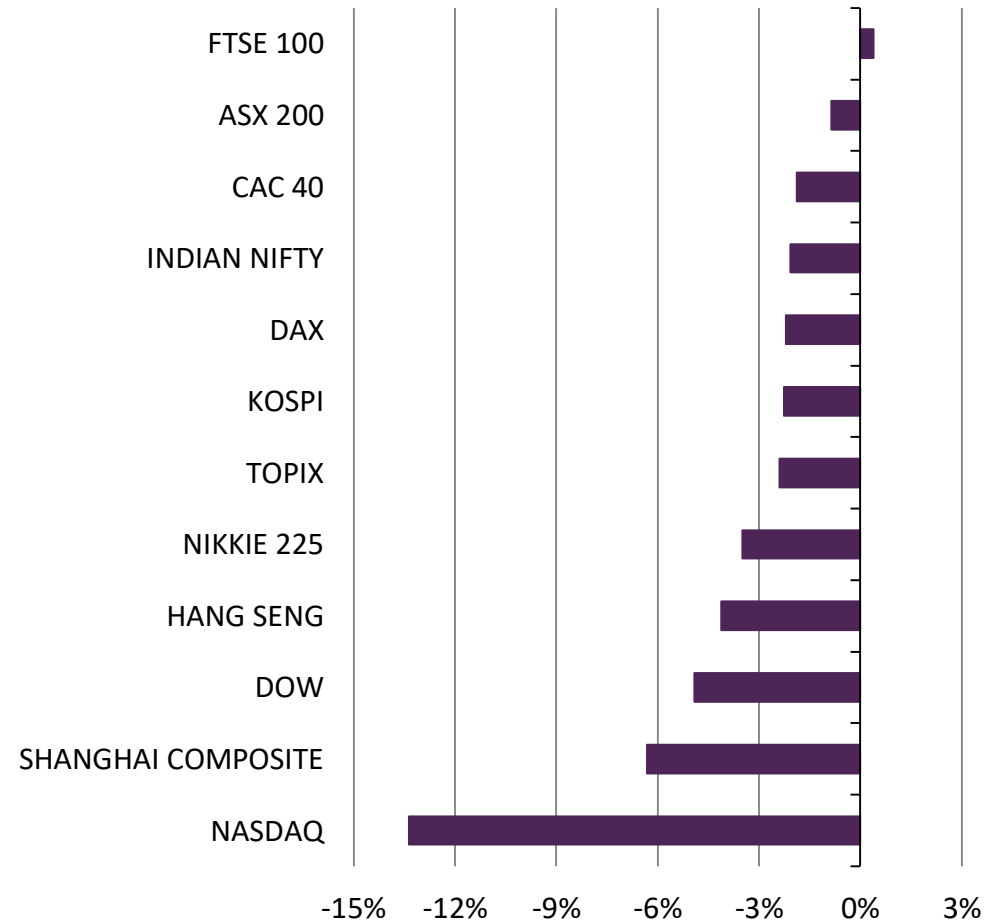
BESPOKE

Advice for a select few

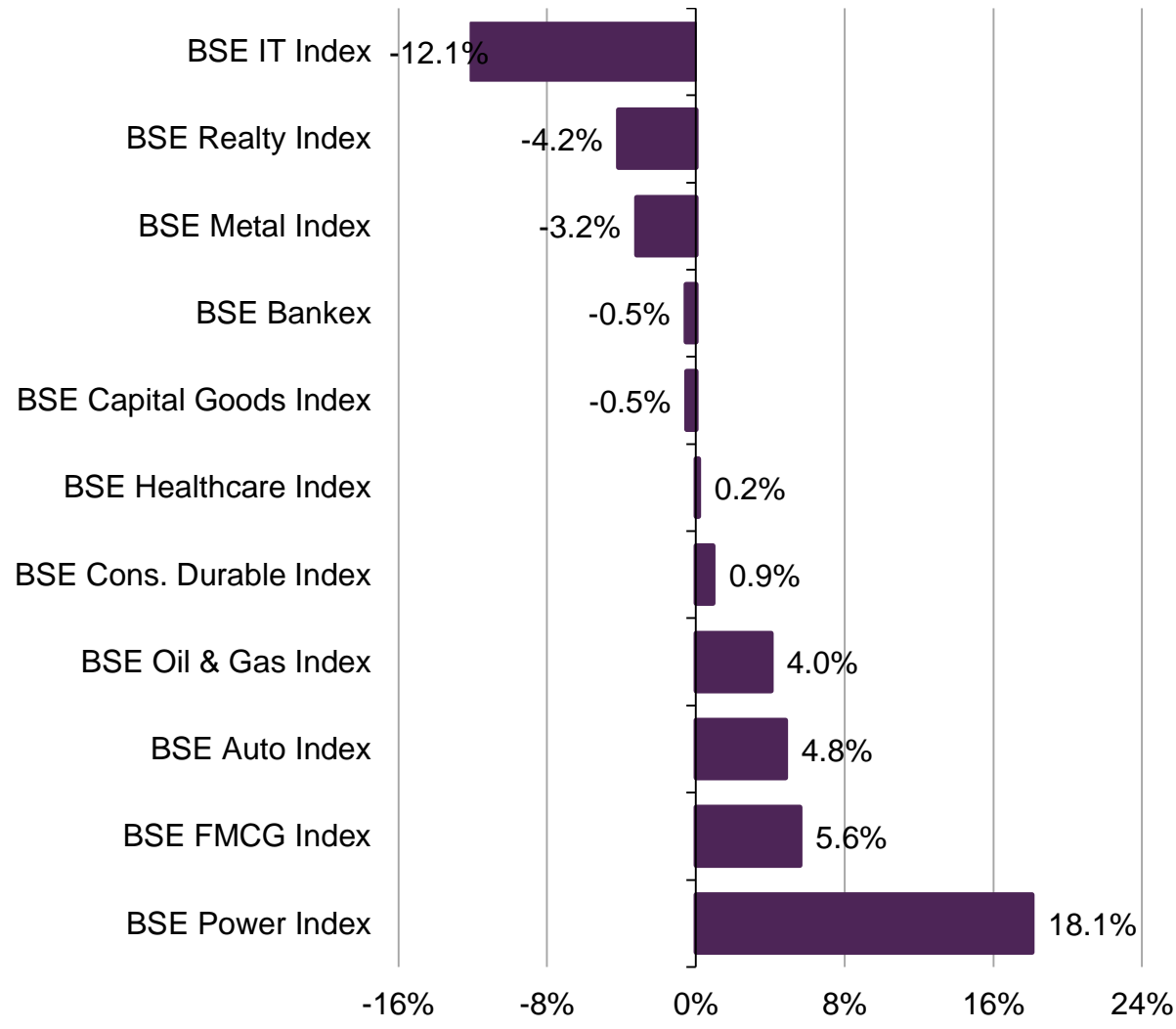
ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY



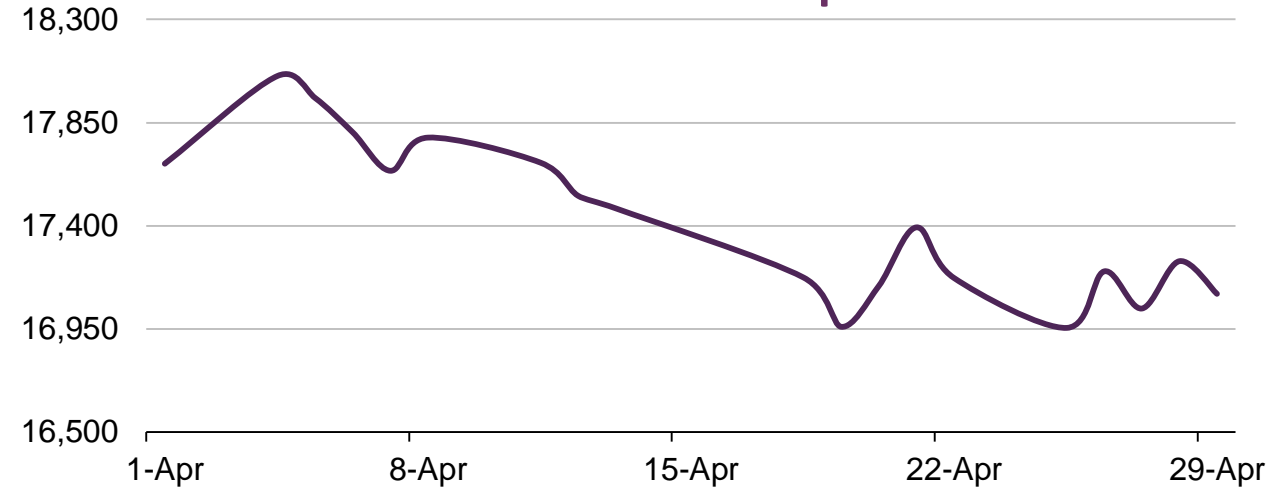
Global Markets performance in Apr-22



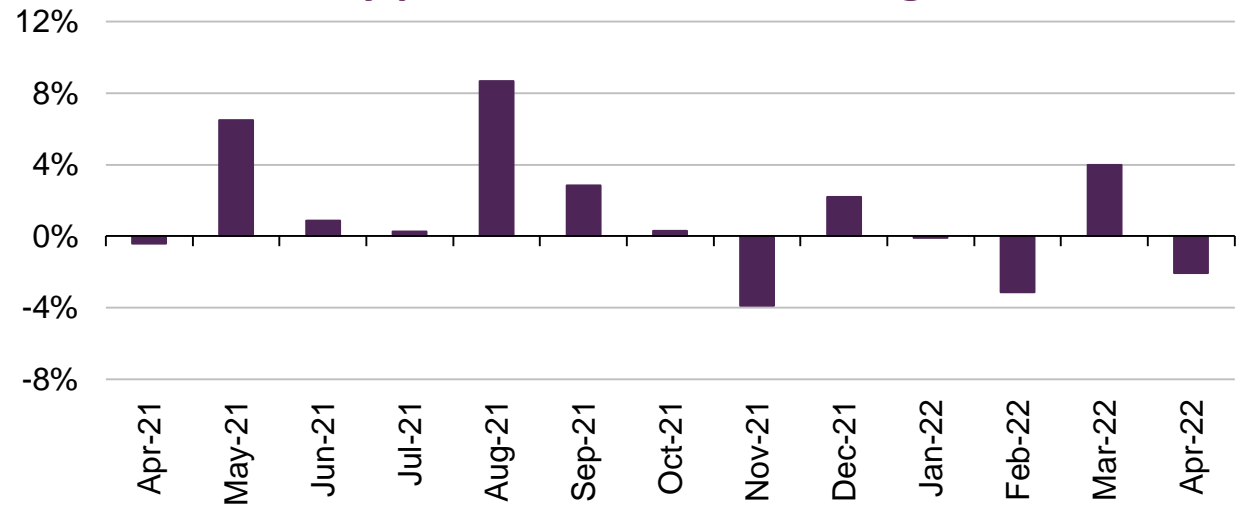
Sector wise performance during the month



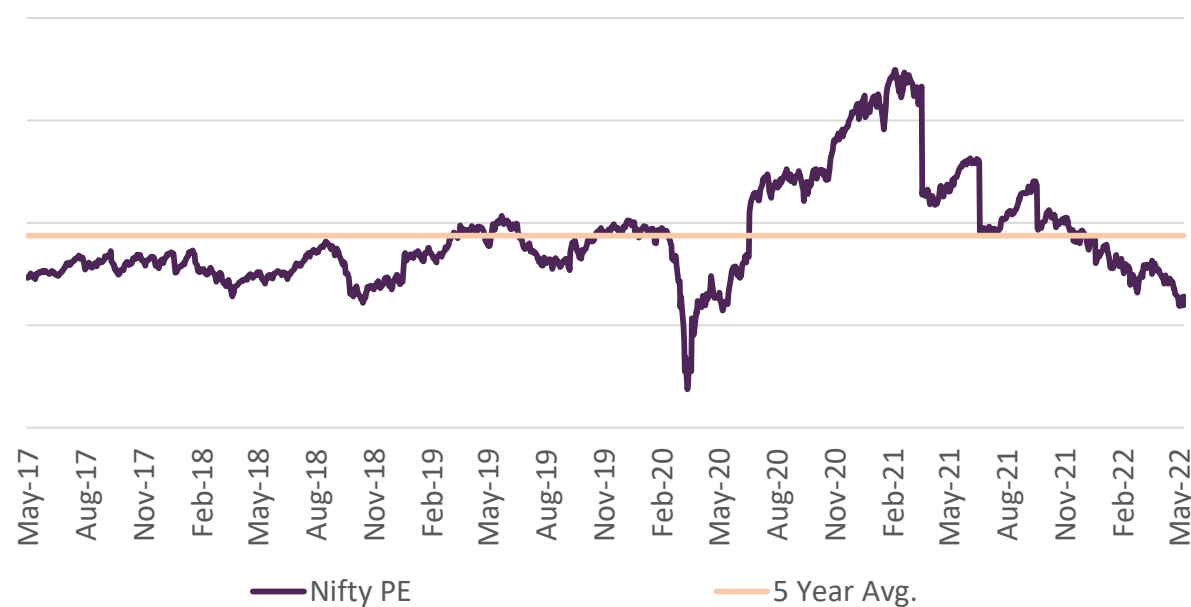
NIFTY Performance in Apr 2022



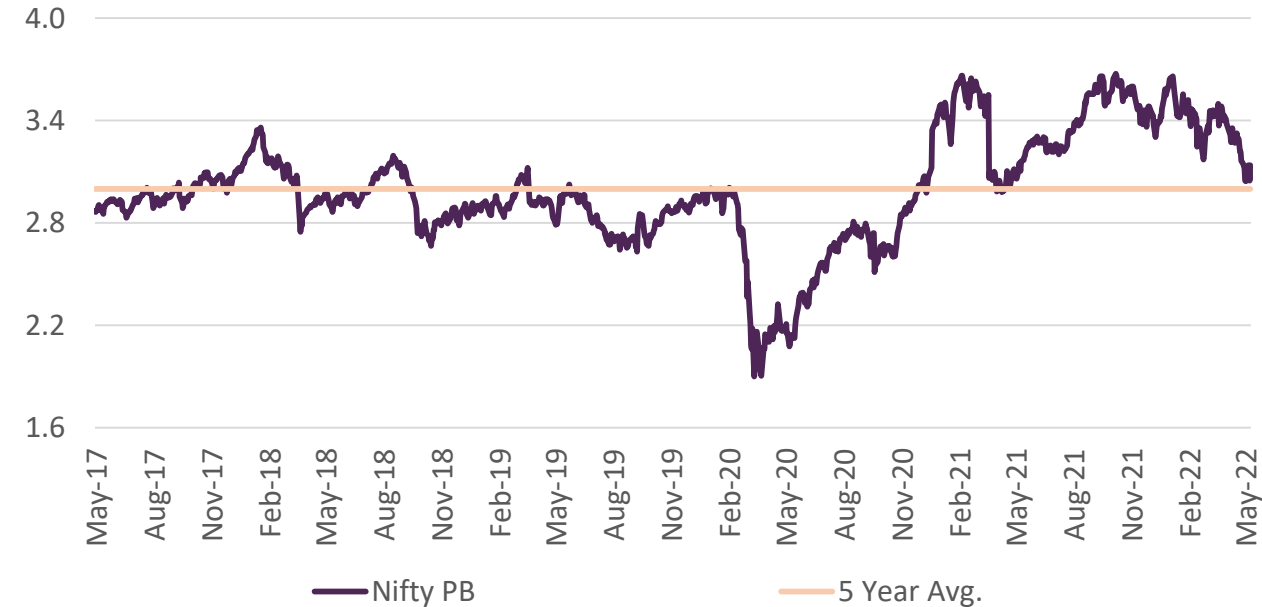
NIFTY monthly performance for trailing 12 months



Nifty Trailing 12M P/E & 5 Yr. Avg. P/E

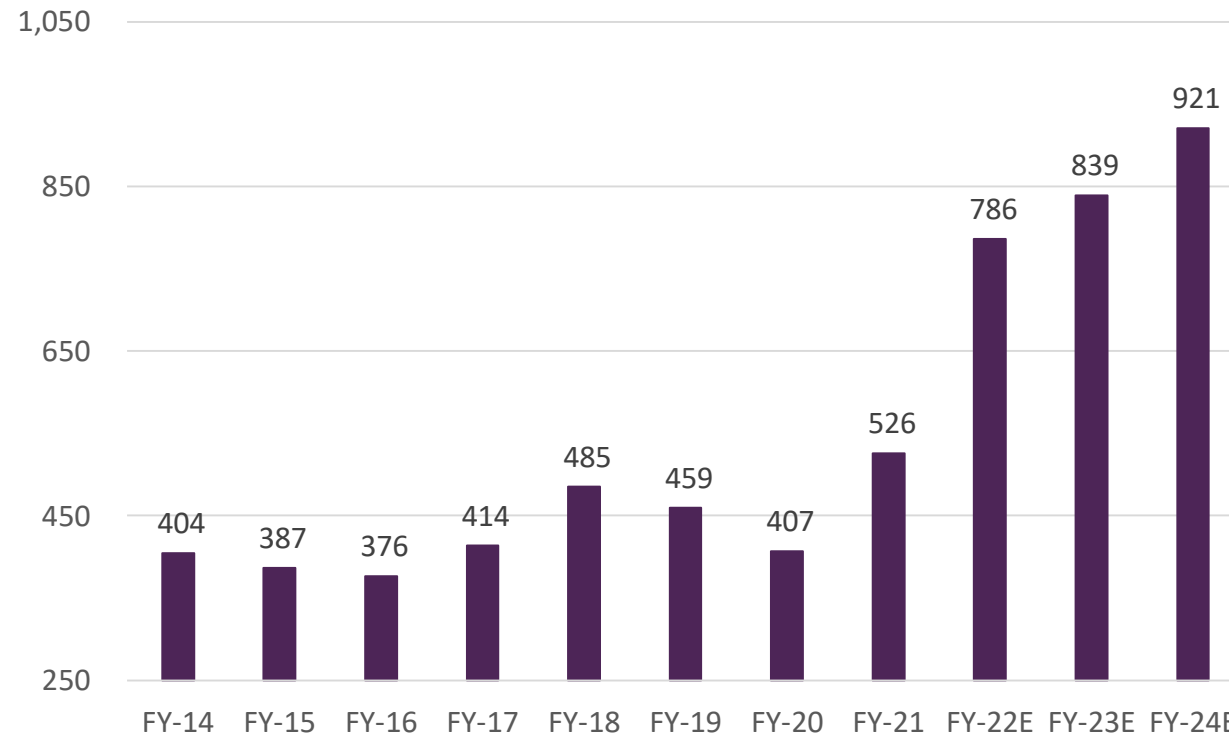


Nifty Trailing 12M P/B & 5 Yr. Avg. P/B



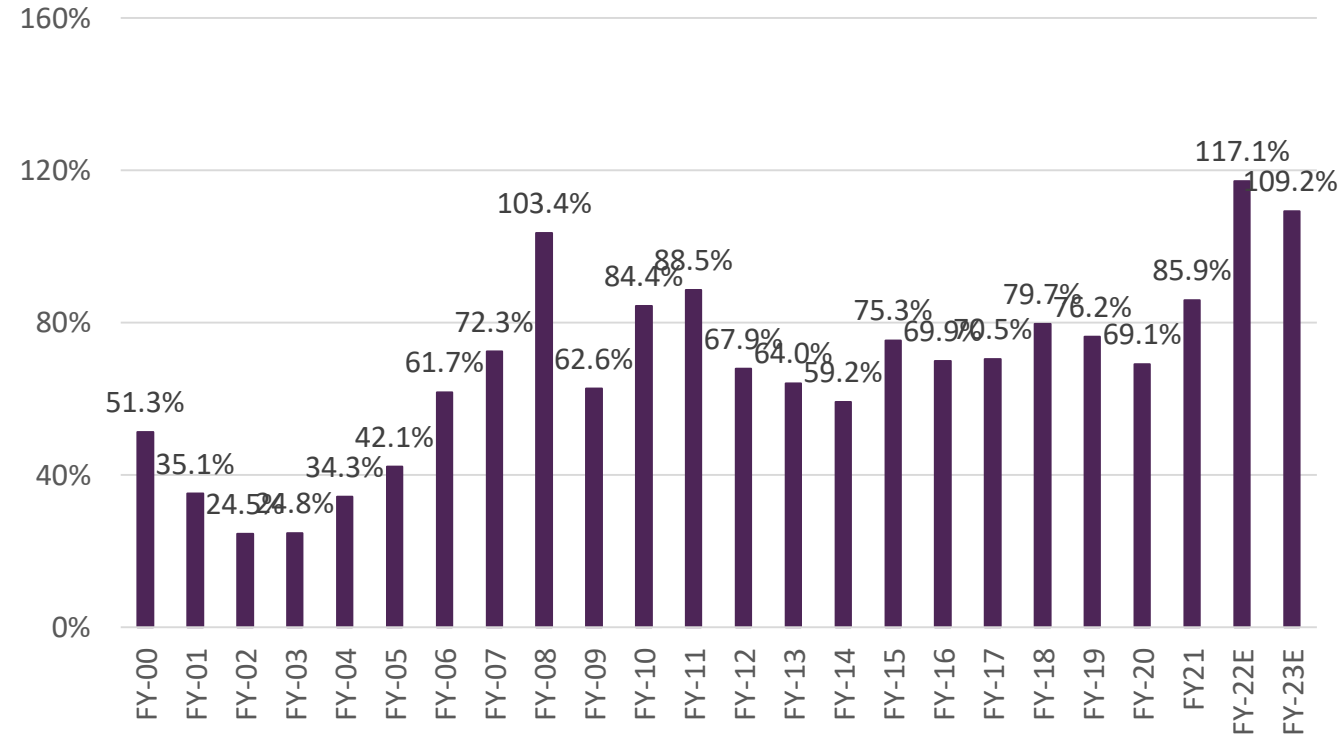
- Currently Nifty50 is trading at around 20.5x its trailing 12 month price to earnings ratio while its five year historical average price to earnings ratio stands at around 25.1x. A discount of around 16.5% from its five year historical average.
- In terms of price to book ratio, the Nifty50 is trading at around 3.1x its price to book while its five year historical price to book ratio stands at around 3x. A premium of around 4.5% from its five year historical average.

Nifty Historical and Estimated EPS (Consensus)



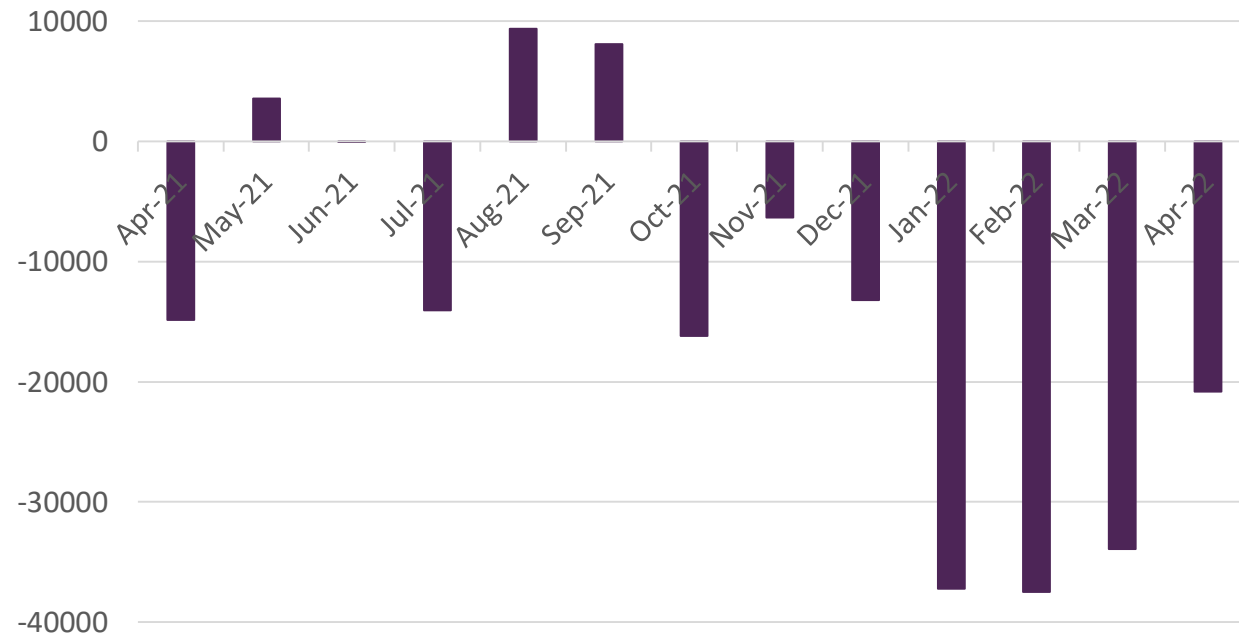
- Nifty50 earnings are estimated (consensus) to grow at a CAGR of about 20.5% in next three years from FY21 onwards till FY24.

India Market Cap. to GDP Ratio

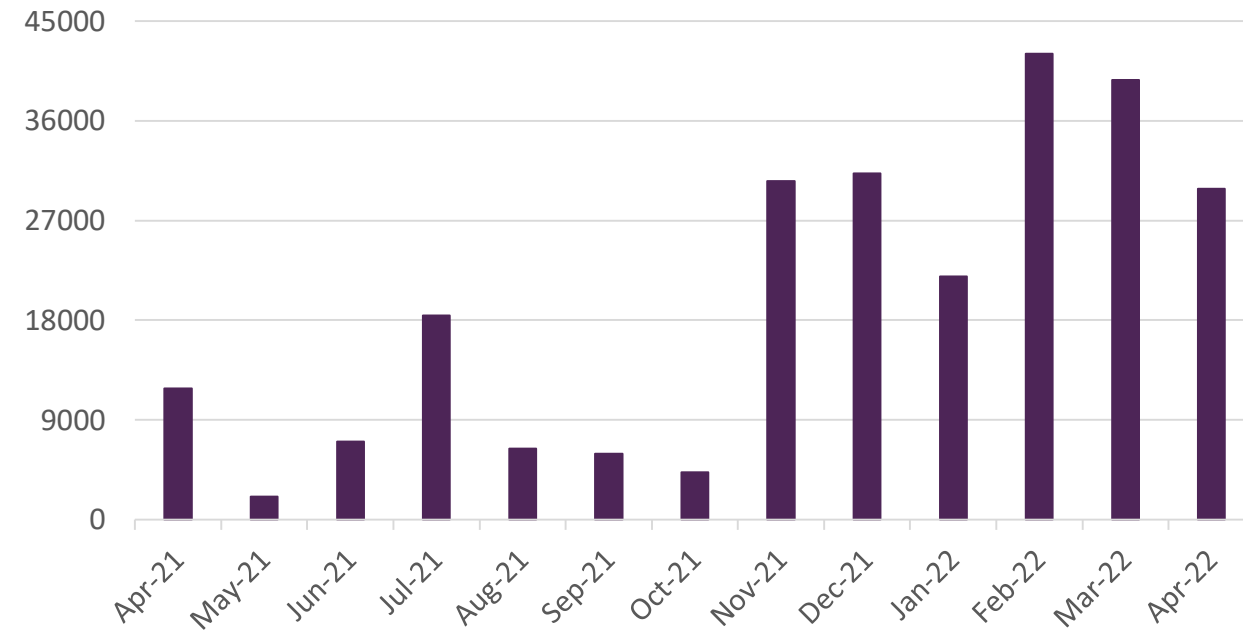


- Currently India's listed companies market capitalisation to GDP ratio stands at about 117.1% at month end while it was about 125% at the start of the Apr-22 month. The ratio is considered an indicative of overall equity market sentiments and cycles.
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FII Monthly Inflows in Equity (₹ Crore)

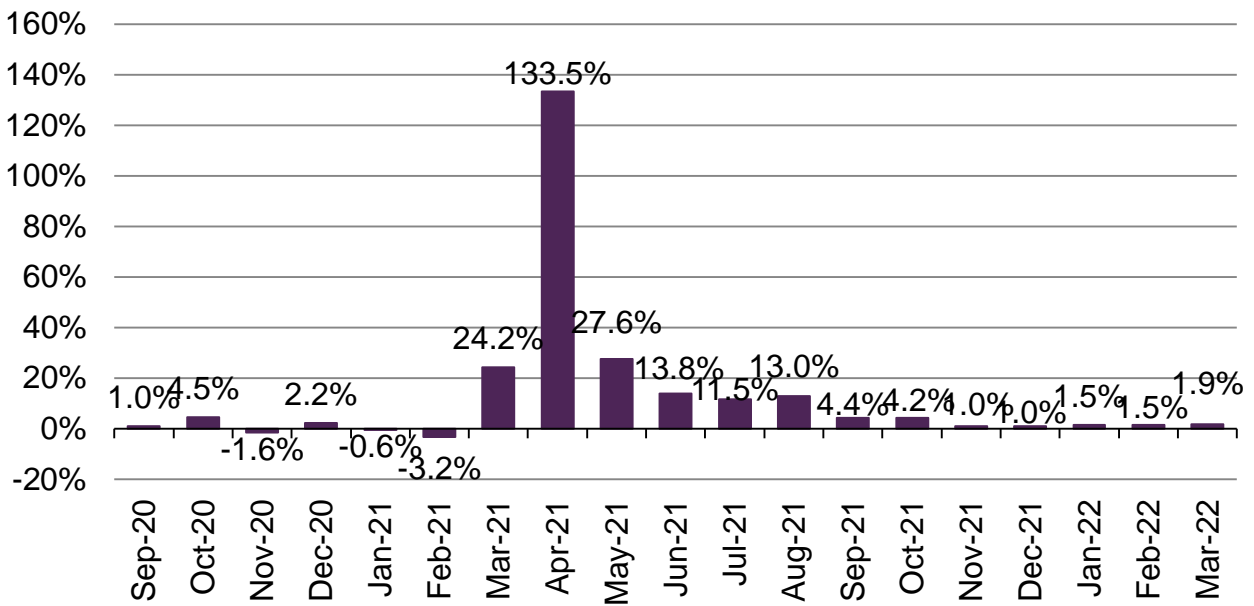


DII Monthly Inflows in Equity (₹ Crore)

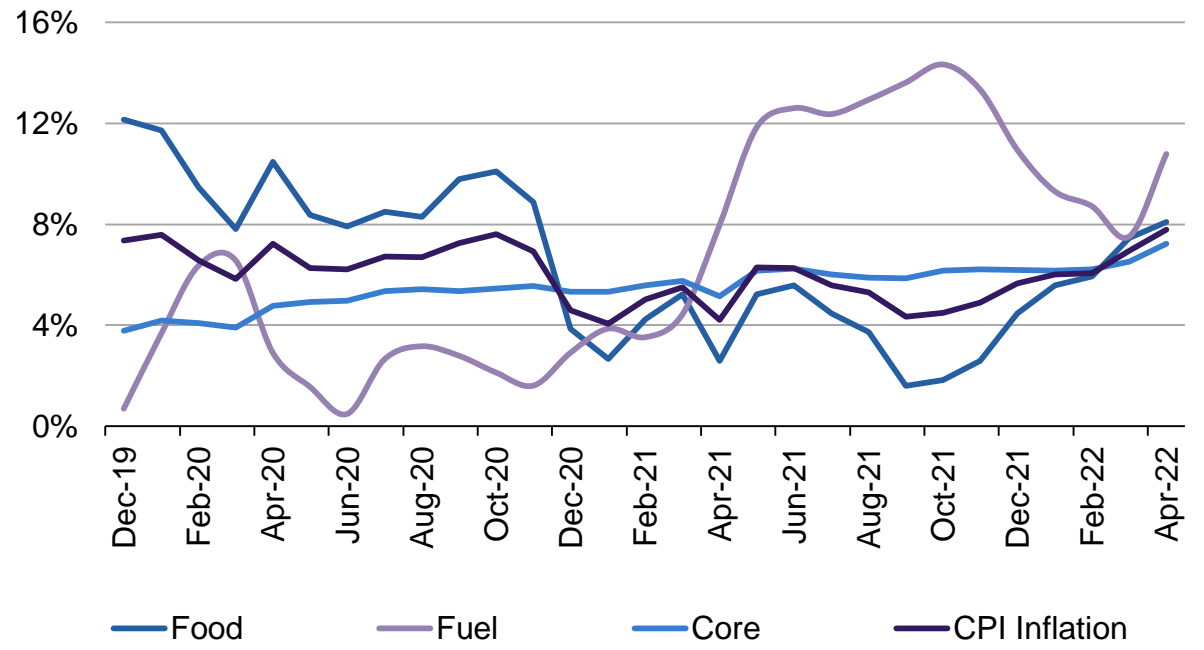


- FII monthly inflows for the month of Apr-22 has seen net outflows of almost ₹20,813 crores which is seventh consecutive outflow month.
- On the other hand, domestic funds have seen monthly net inflows which stood at around ₹29,869 crores.

IIP Growth (%) trend (2011-12 base)



Food, Fuel, Core & CPI Inflation (%) YoY



- Index of Industrial Production (IIP) data for the latest month Mar-22 maintained its positive momentum in industrial activity. The index stood at 1.9% for the month.
- Latest inflation data released showed sustained increase in inflation across all categories with Fuel inflation stood at 10.8%, core inflation stood at 7.2%, CPI at 7.8%. The Food inflation for the Apr-22 month stood at 8.1%.

Stagflation scare can make equity markets volatile



Inflation likely to soften

But it may take several months



Substantial risk to growth

Growth likely to fall before inflation falls



Aggressive rate hikes likely

Central banks did not act for a long time



Fiscal tightening to be gradual

Low growth and political issues

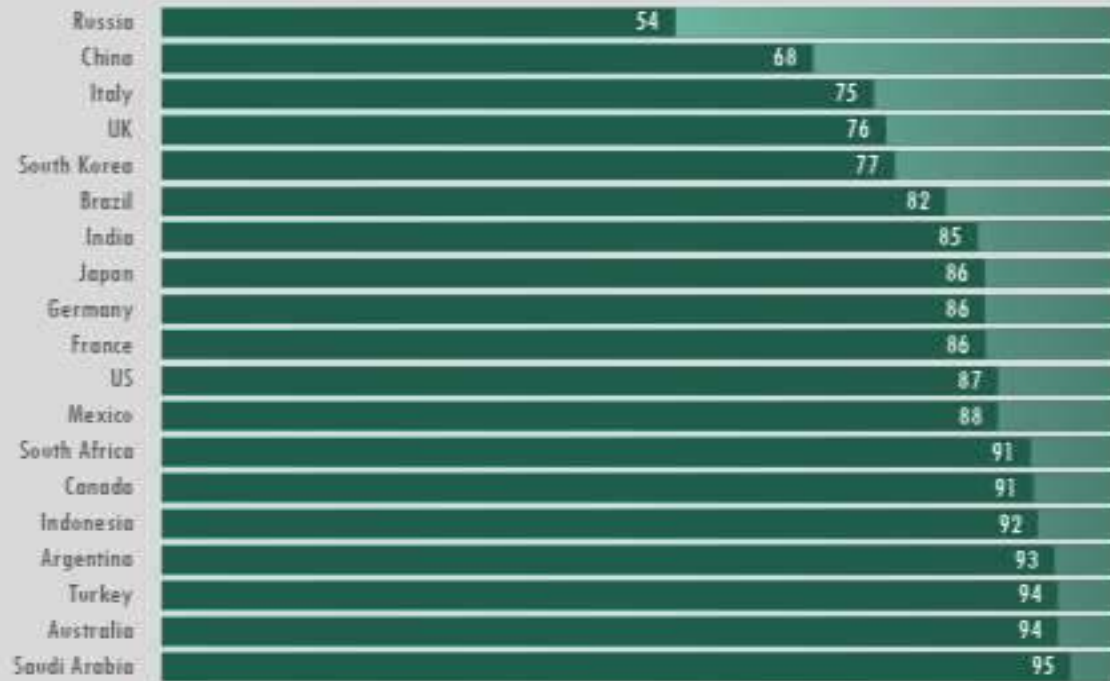


Equities to be volatile

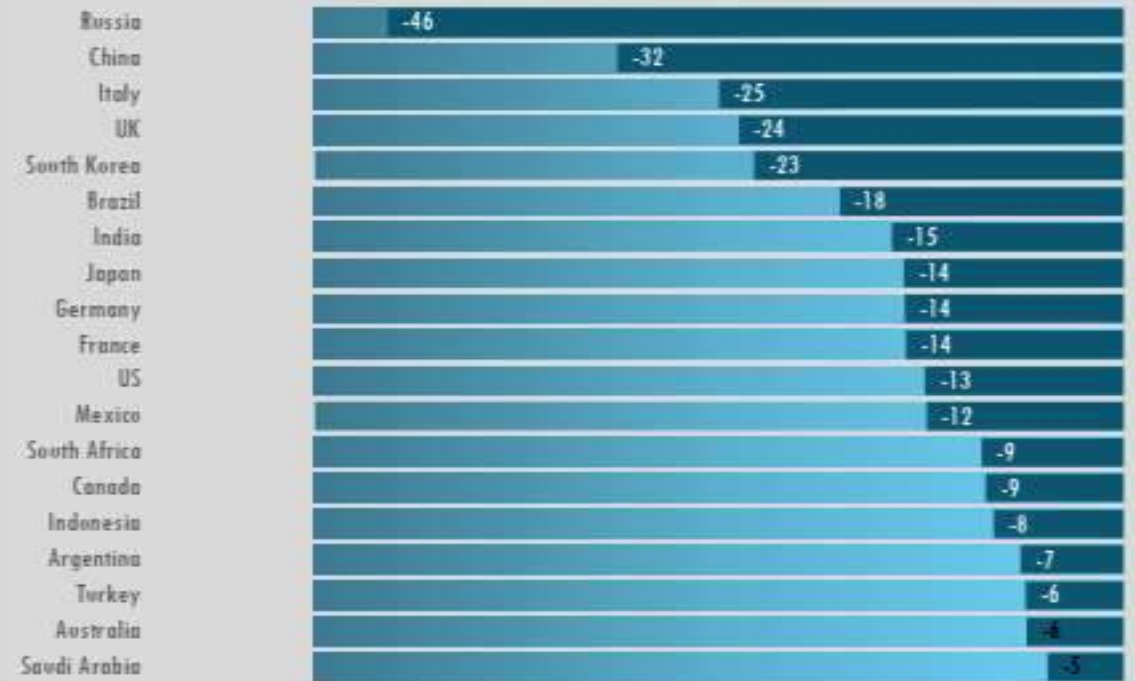
Near-term correction cannot be ruled out

With rising risks, most equity markets corrected since late 2021

Equity index: Latest vs. post-Covid high

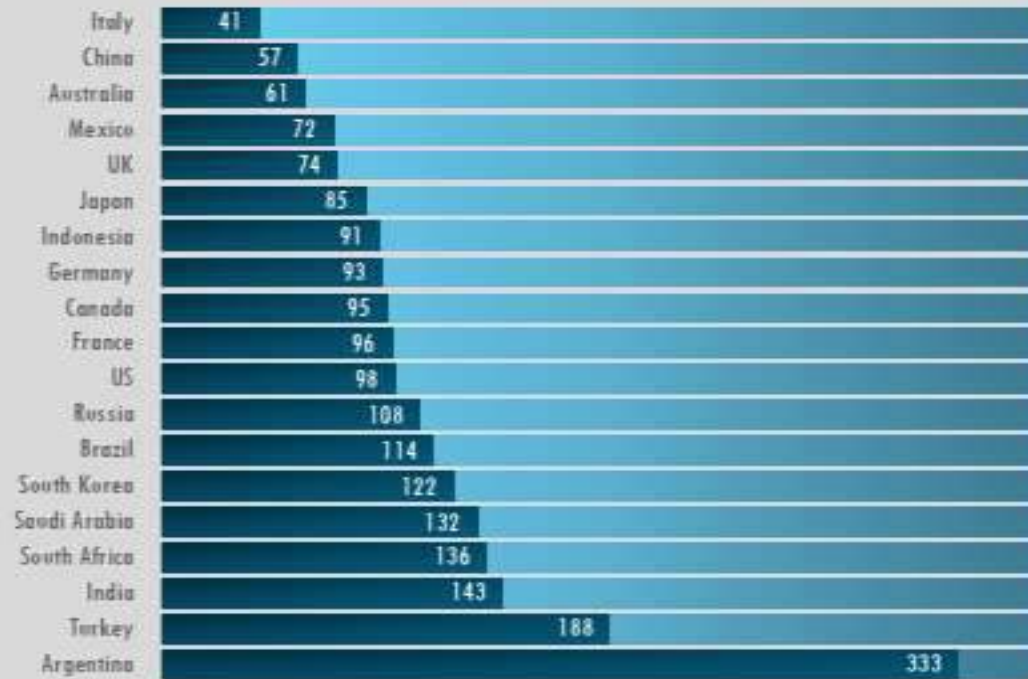


Equity return - current vs. recent high, %

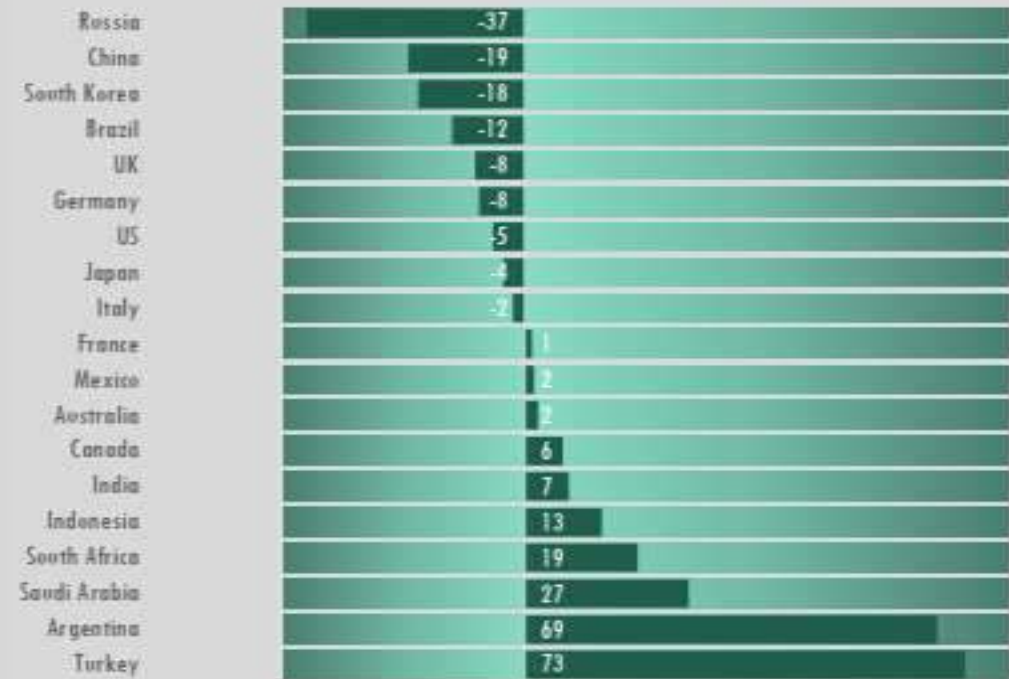


Geo-political, macro and policy concerns impacted equity markets

Equity return: Covid rally - bottom to top, %



Equity return: Last 12-months, %



Near-term equity market outlook not particularly encouraging



Softer demand

Lower growth, policy tightening



Higher cost

Elevated commodity prices



Margin pressure

Full pass-through of cost difficult



Risk aversion

Possible withdrawal of equity investment



Valuation concern

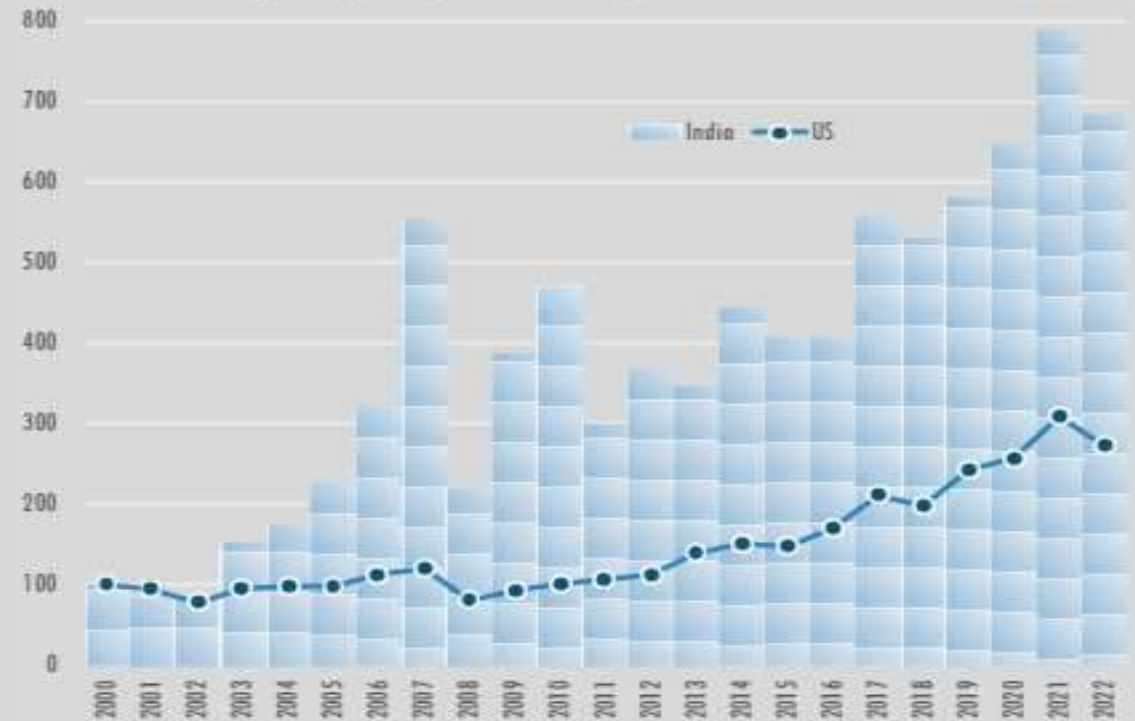
Lower earnings, higher discount rate

India can not remain unscathed if global markets correct

Nifty-50 (US\$) vs. Dow return, %

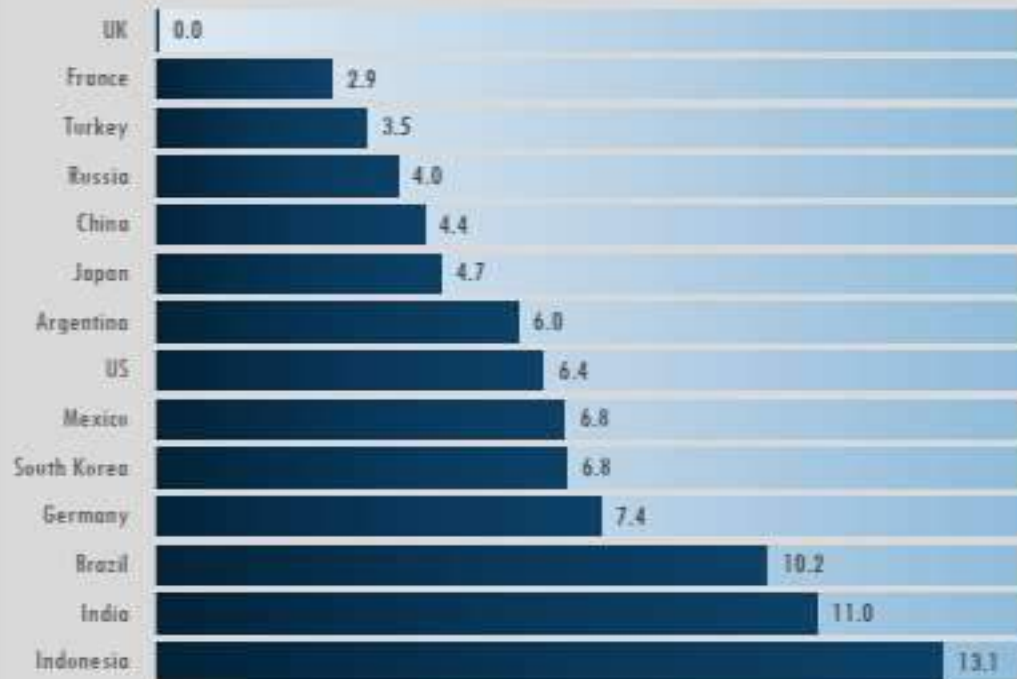


Nifty-50 (US\$) vs. Dow performance, Index

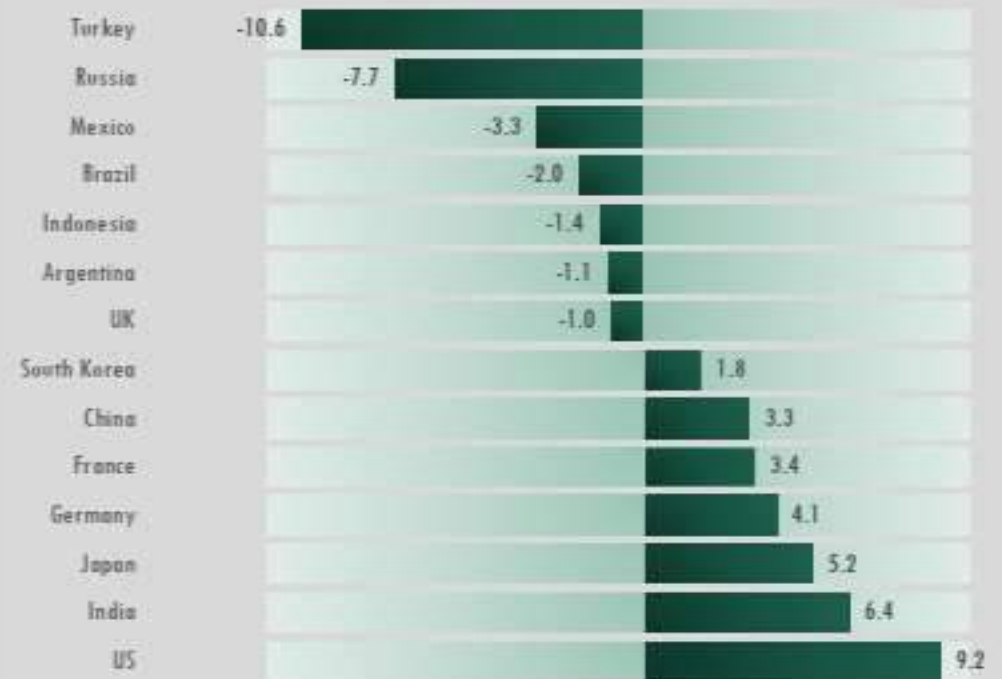


Over longer term, India delivered better consistent dollar returns vs. all peers

Equity return, 2002-22, US\$, annualised, %



Equity return, 2012-22, US\$, annualised, %



India better off with strong fundamentals, ample liquidity and many companies



High GDP growth,
moderate inflation

**Strong macro
fundamentals**



Earnings growth better
than GDP growth

**Better corporate
performance**



Consistent reform, few
policy reversals

**Low policy
uncertainties**



Strong FII inflow, rising
domestic equity share

**Ample equity
market liquidity**



Highest number of
listed companies

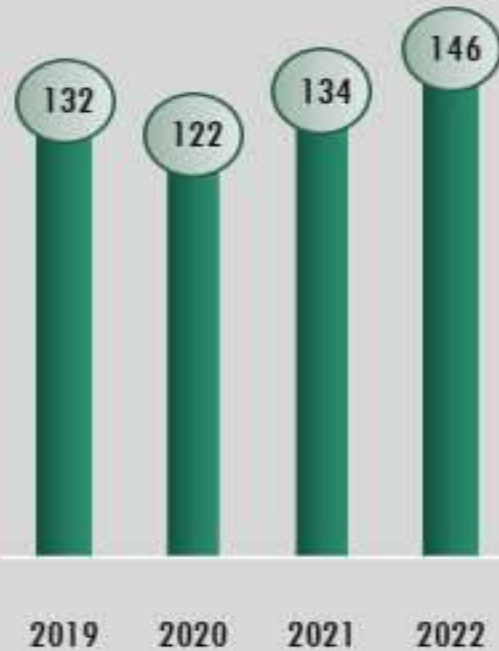
**Large choice
among corporate**

Sluggish growth but business optimism seems to be improving

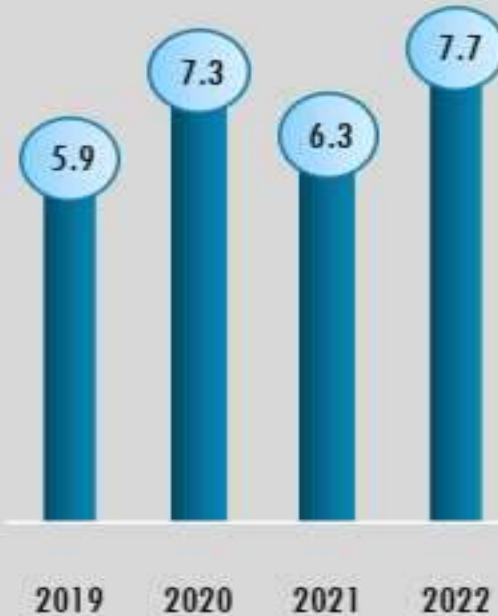
Industrial production,
Monthly, Index



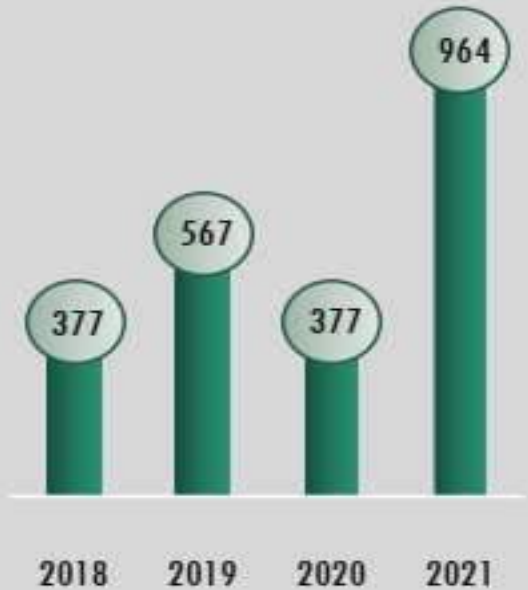
Infrastructure production,
Monthly, Index



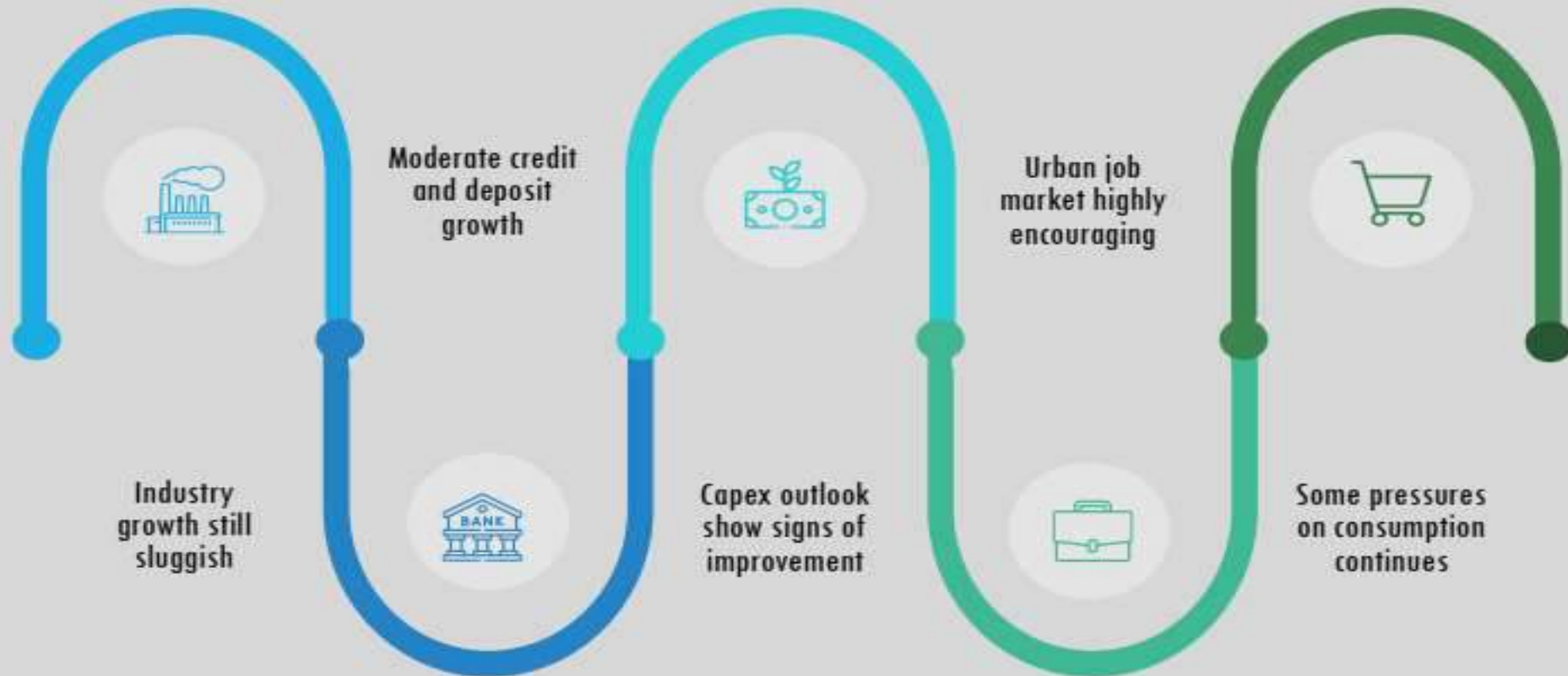
FDI inflow, Monthly, US\$
billion



Investment intension,
Monthly, Rs. billion





India's macro fundamentals better than most peer and own pre-pandemic levels



Corporate fundamentals healthy despite input cost pressures



Changed investment pattern, but liquidity still ample in equity market

Foreign ownership	Mutual fund ownership	Insurance sector ownership	Retail/HNI ownership	Direct vs. indirect equity investment
 <p data-bbox="168 1082 486 1182">Secondary down, primary up</p>	 <p data-bbox="677 1082 932 1182">Rising progressively</p>	 <p data-bbox="1116 1082 1447 1182">Modest increase in the recent past</p>	 <p data-bbox="1615 1082 1905 1182">Covid bump-up, drop thereafter</p>	 <p data-bbox="2084 1082 2400 1182">Moving from direct to indirect</p>

Indian equity valuation not cheap, not expensive either



Jump in valuation during 2016-21

Mis-match between expected and realized earnings performance




Modest drop in multiple in 2022

With sharp rise in earnings, valuation multiples fallen



Strong earnings growth

After slow earnings growth during 2016-21 big jump post-covid



Earnings growth to slowdown

Low base induced strong earnings growth to slowdown



Valuation not key concern

Valuation not a concern if earnings do not deteriorate

Remaining invested despite market volatility rewards investors



Market entry post a large correction boosts 1-year equity return

Timing the market helps in short-term



Entry at market peak or after 36% fall yields similar 3-y return

Timing matters little for 3-year investment



Entry at market peak or after 36% fall yields similar 5-y return

Timing matters even less for 5-year investment



Entry at market after over 36% fall yields better returns

Good entry point when market down sharply



In sharply falling market, however, few investors dare to invest

Few dare to invest if market down by 30%

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