



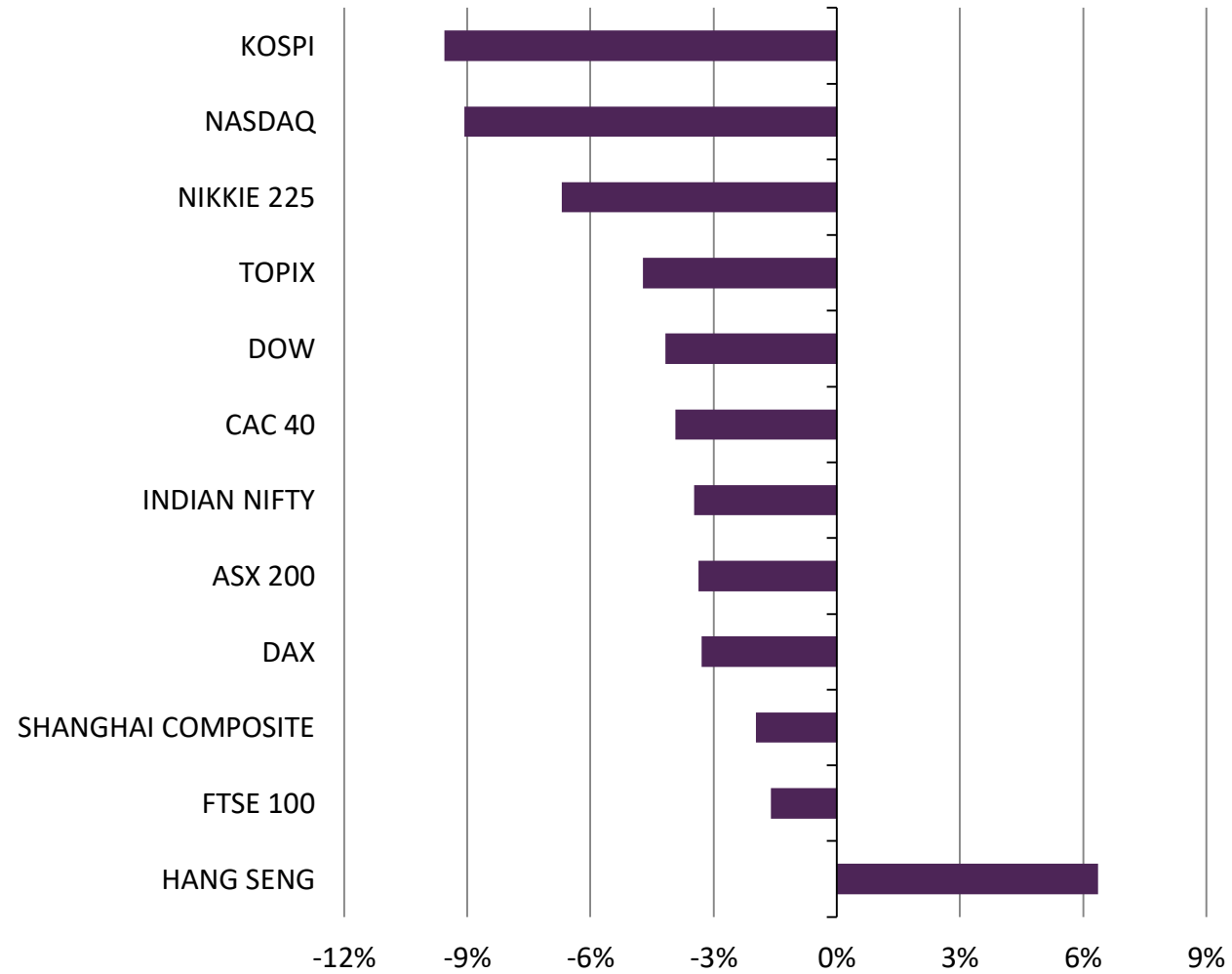
BESPOKE

Advice for a select few

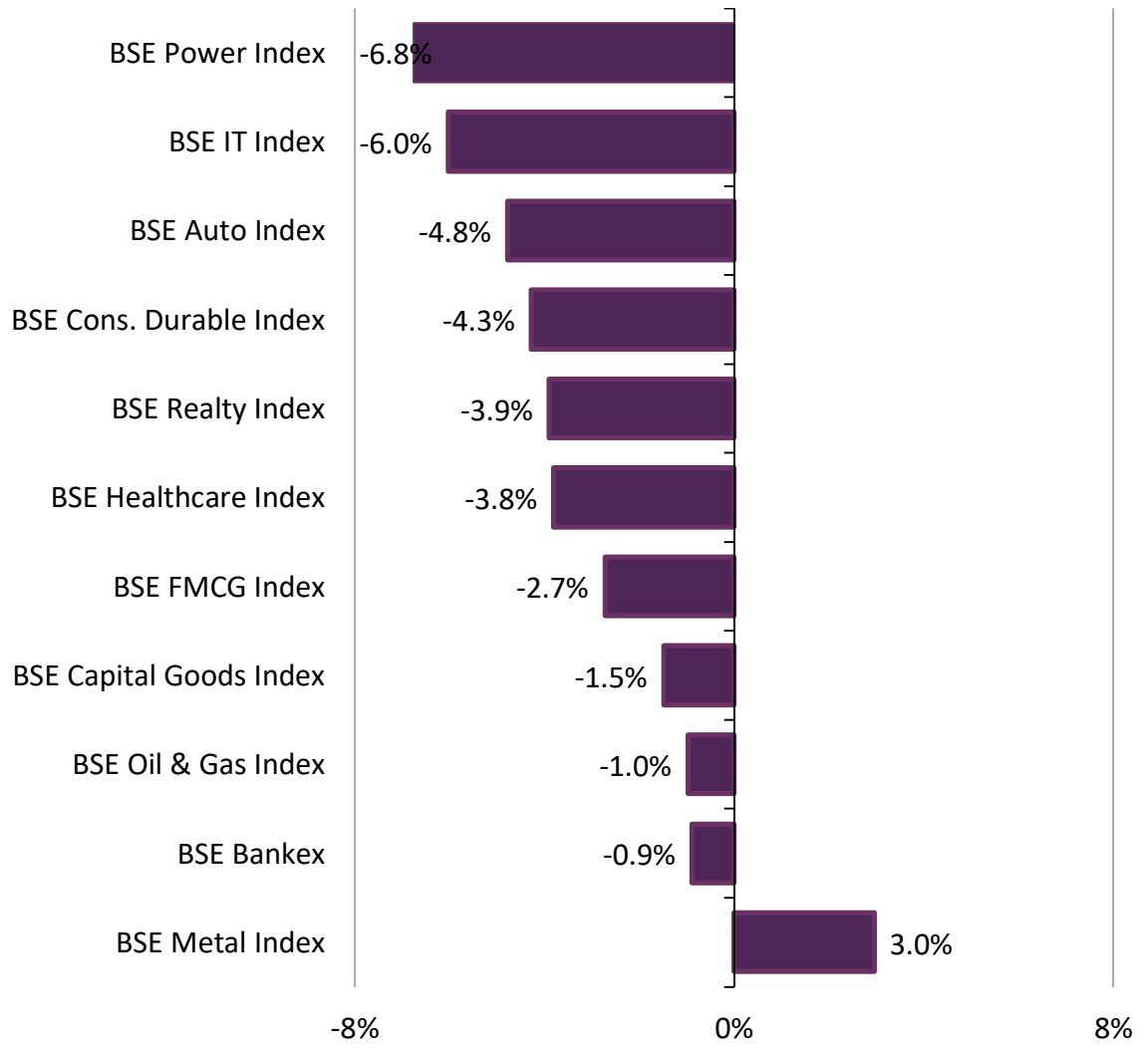
ANANDRATHI
PRIVATE CLIENT GROUP
EQUITY



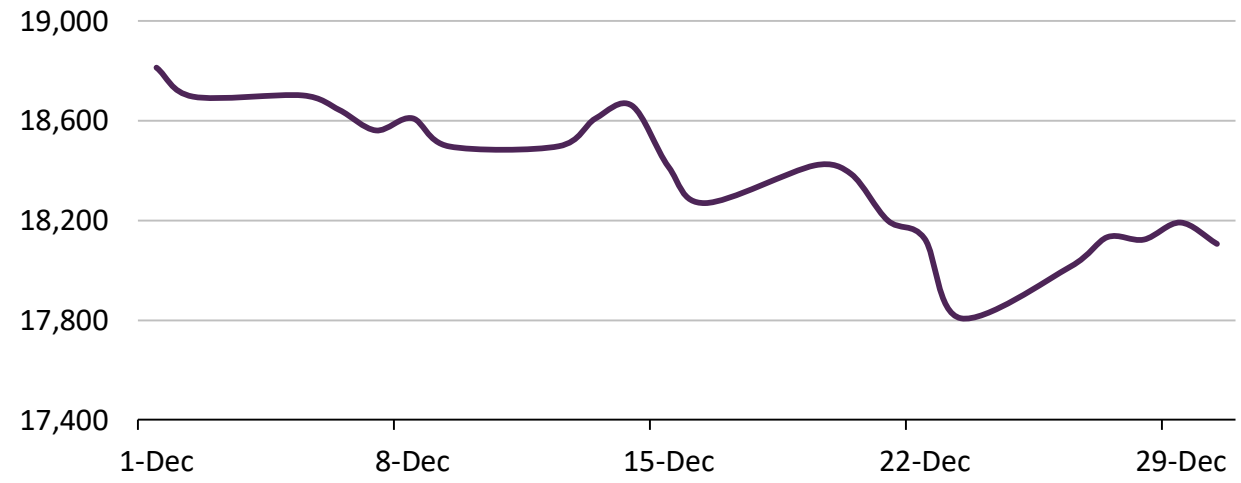
Global Markets performance in Dec-22



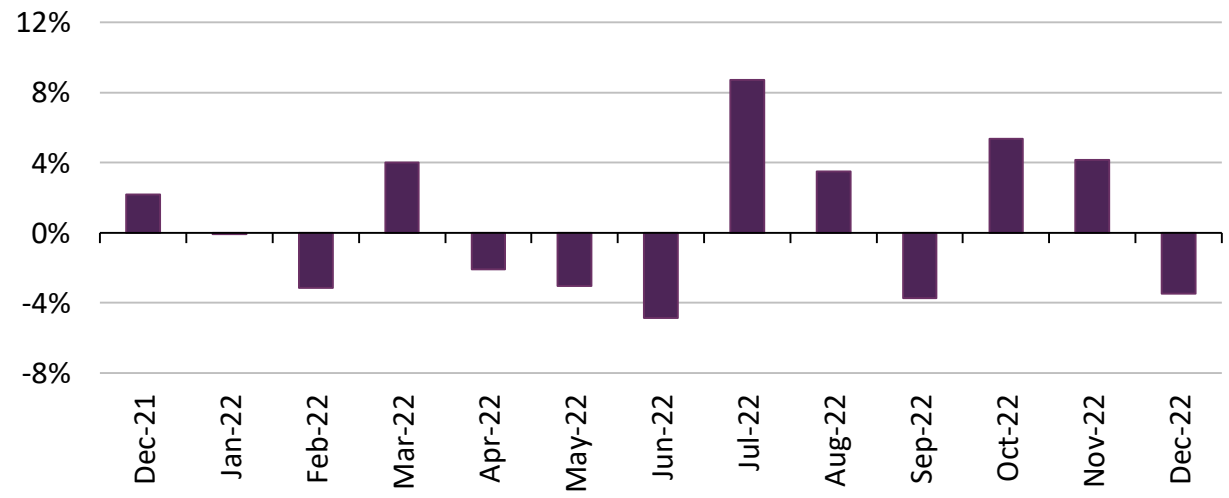
Sector wise performance during the month



NIFTY Performance in Dec 2022



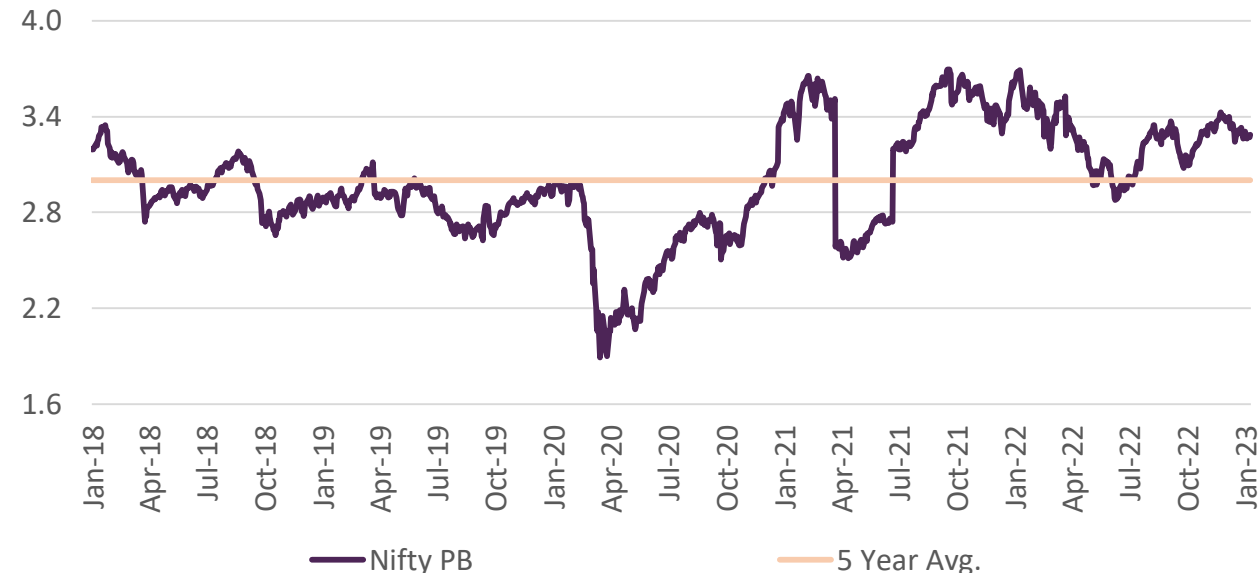
NIFTY monthly performance for trailing 12 months



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

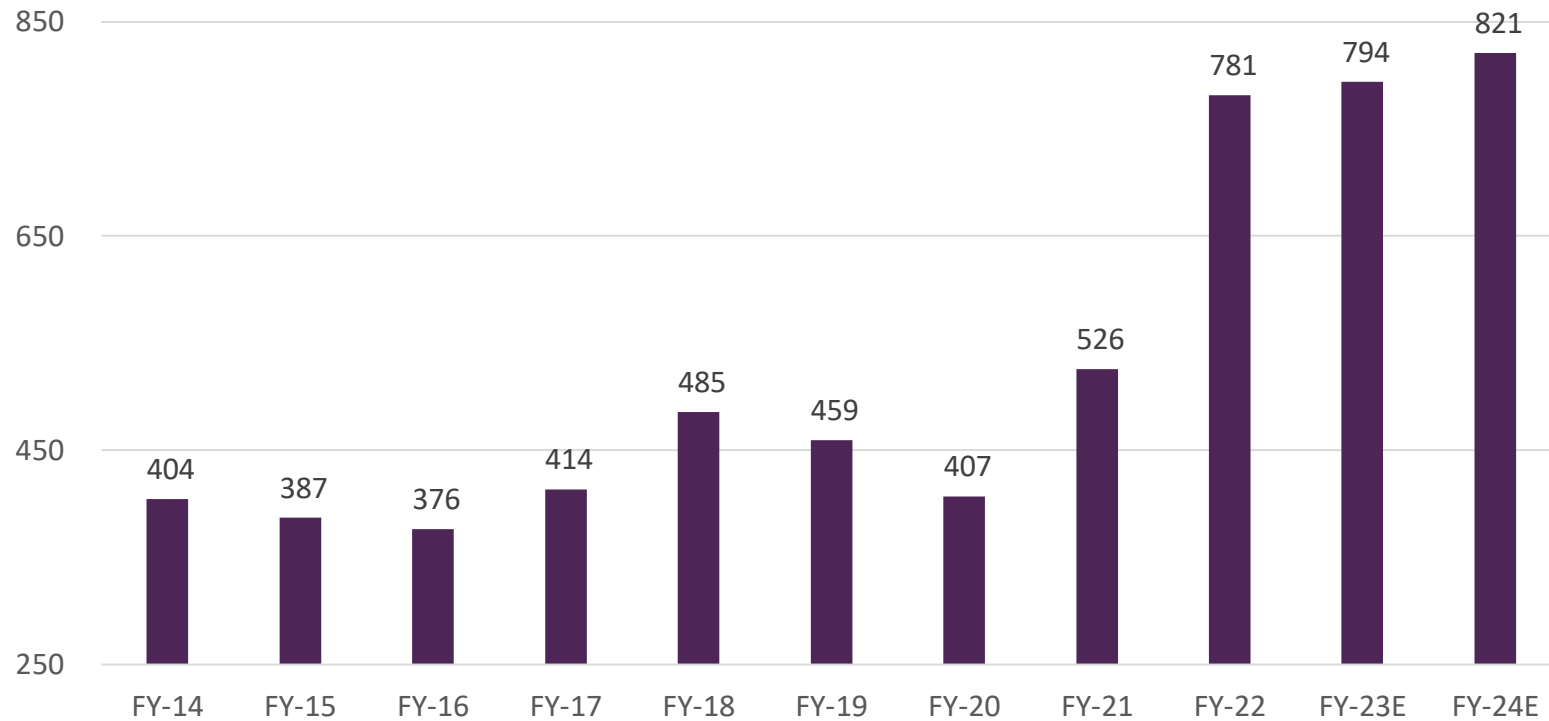


Nifty Trailing 12M P/B & 5 Yr. Avg. P/B



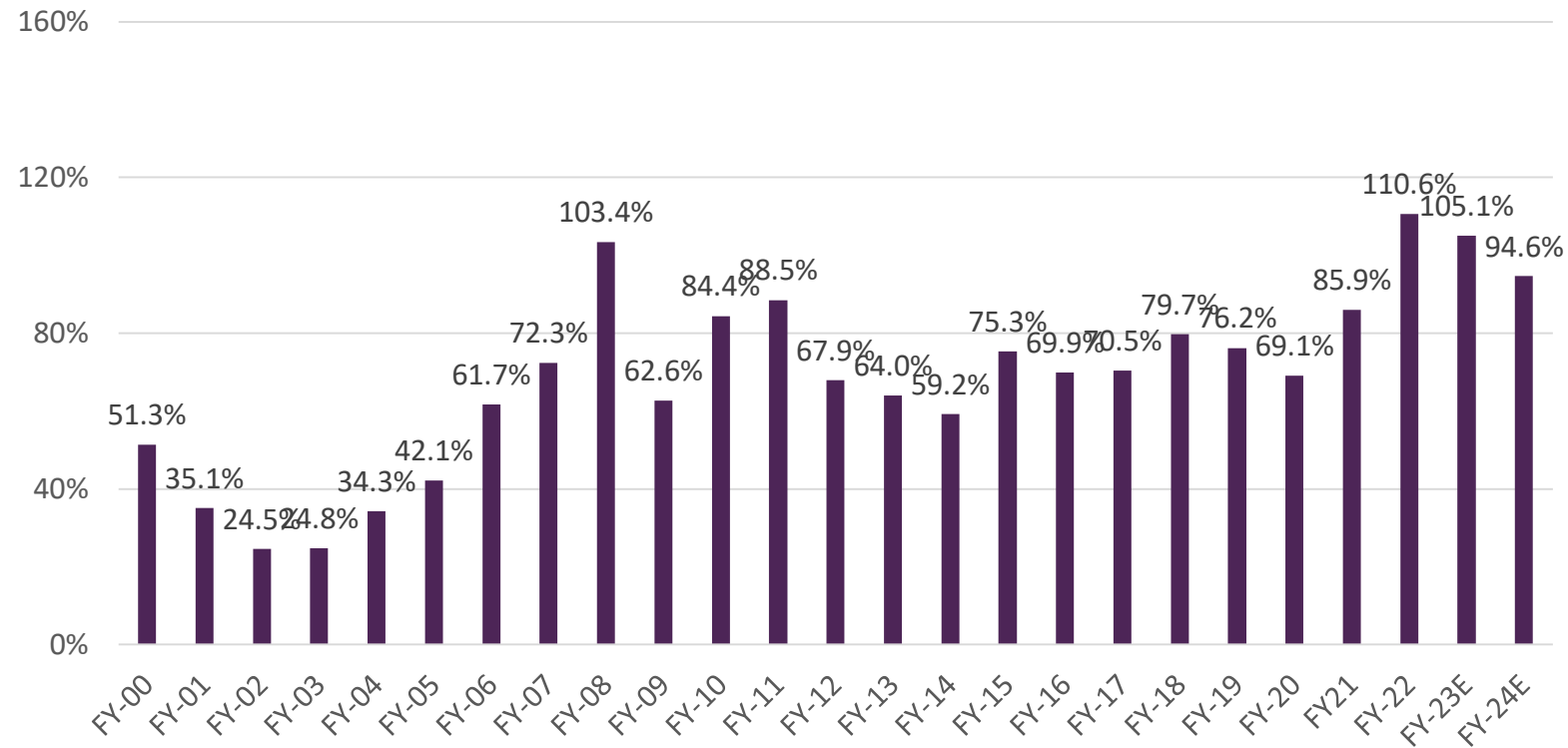
- Currently Nifty50 is trading at around 22.4x its trailing 12 month earnings while its five year historical average price to earnings ratio stands at around 25x. A discount of around 10.3% from its five year historical average.
- In terms of price to book ratio, the Nifty50 is trading at around 3.3x its book value while its five year historical price to book ratio stands at around 3x. A premium of about 9.5% to its five year historical average.

Nifty Historical and Estimated EPS (Consensus)



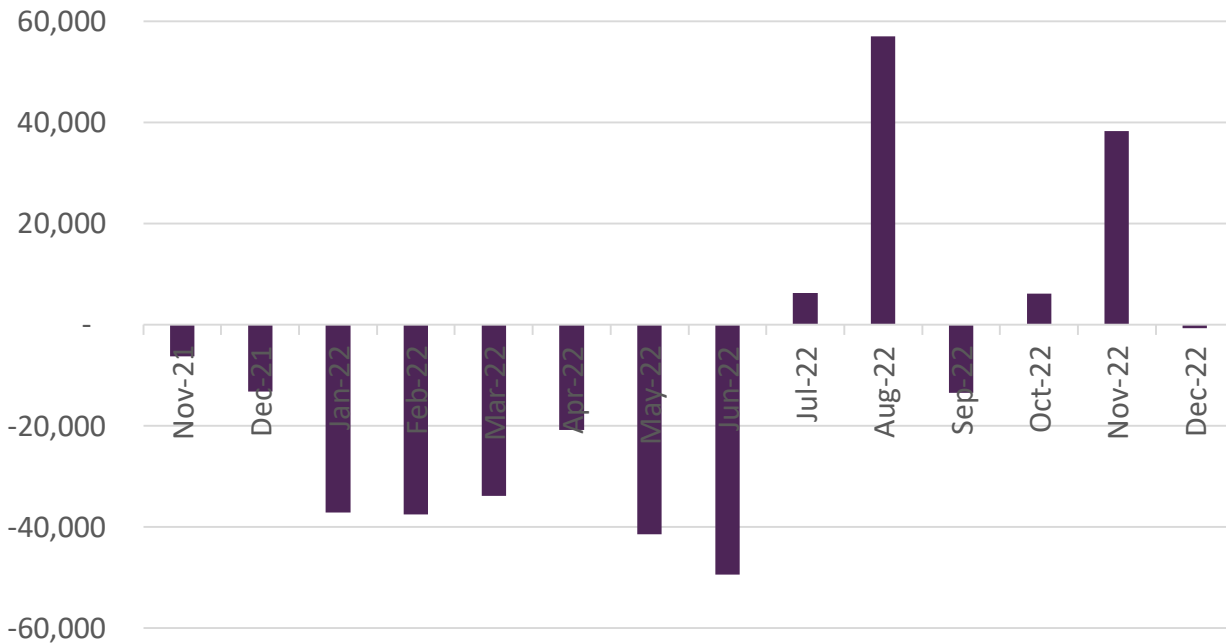
- Nifty50 earnings are estimated (consensus) to grow at a CAGR of about 16% in next three years from FY21 onwards till FY24.

India Market Cap. to GDP Ratio

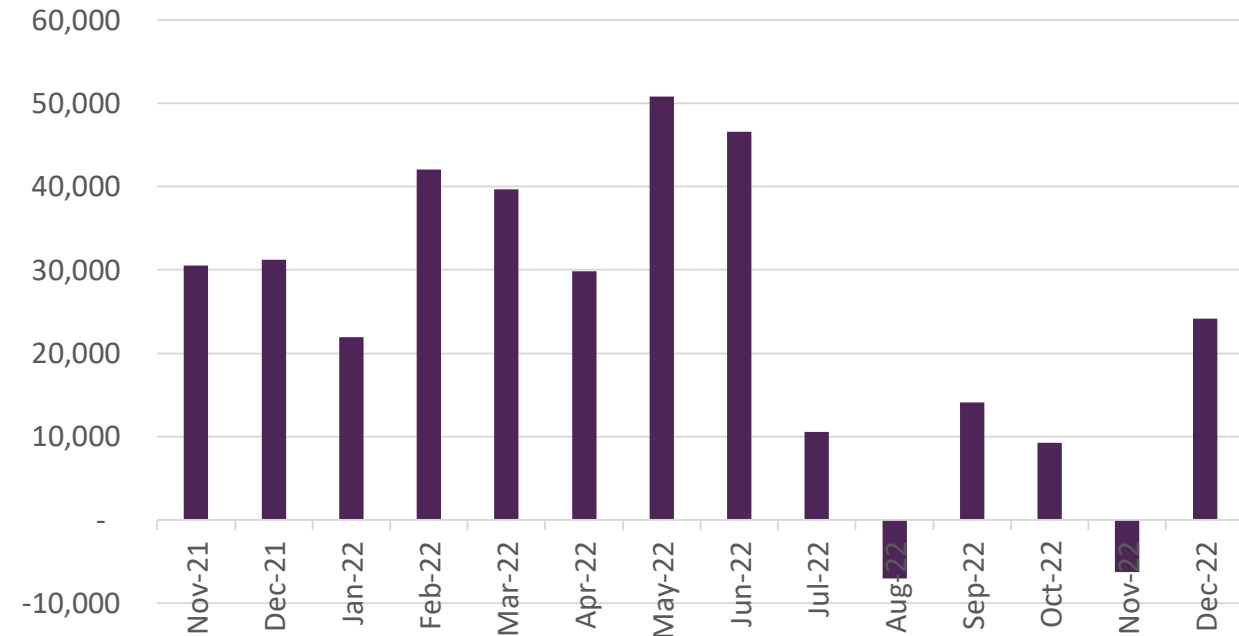


- Currently India's listed companies market capitalisation to GDP ratio stands at about 105.1% currently while it was about 107.2% in previous month.
- The ratio is considered an indicative of overall equity market sentiments and cycles.

FII Monthly Inflows in Equity (₹ Crore)

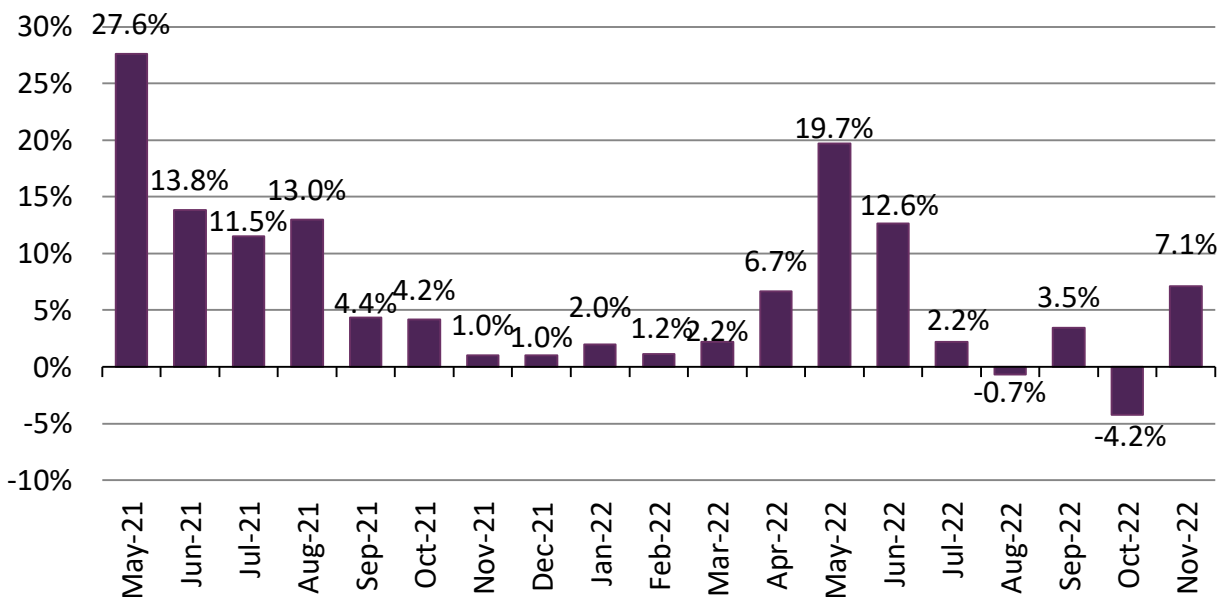


DII Monthly Inflows in Equity (₹ Crore)

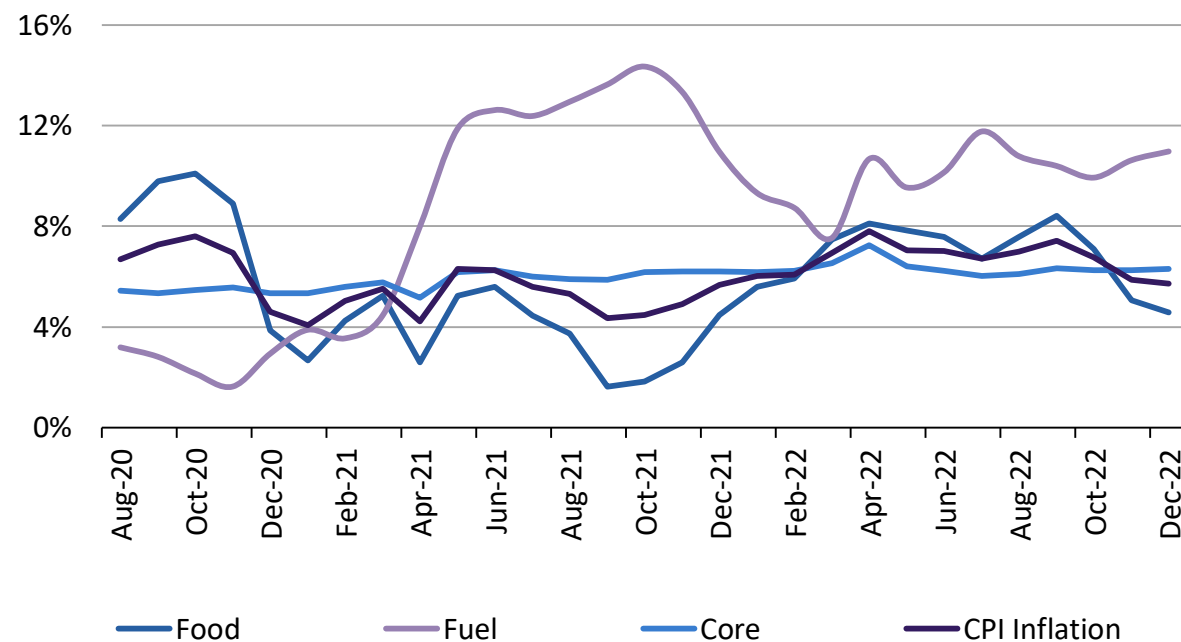


- FII monthly inflows for the month of Dec-22 has seen net outflows of almost ₹745 crores and ended the year with eighth negative flows in last twelve months.
- On the other hand, domestic funds have seen monthly net inflows of around ₹24,160 crores which is largest in last six months.

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



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



- Index of Industrial Production (IIP) data for the latest month Nov-22 came in strongly positive following a negative print in previous month. The index stood at 7.1% for the month.
- Latest inflation data released showed marginal decrease in inflation except Fuel inflation which was seen increasing to 11% while decrease in inflation was seen in Food inflation to 4.6%. The Core inflation for the Dec-22 month remained stable at 6.3%.

Top Ideas Holdings & Allocation

S.No. Large Cap

- 1 UPL Limited
- 2 ICICI Bank Limited
- 3 State Bank Of India
- 4 Bharti Airtel Limited

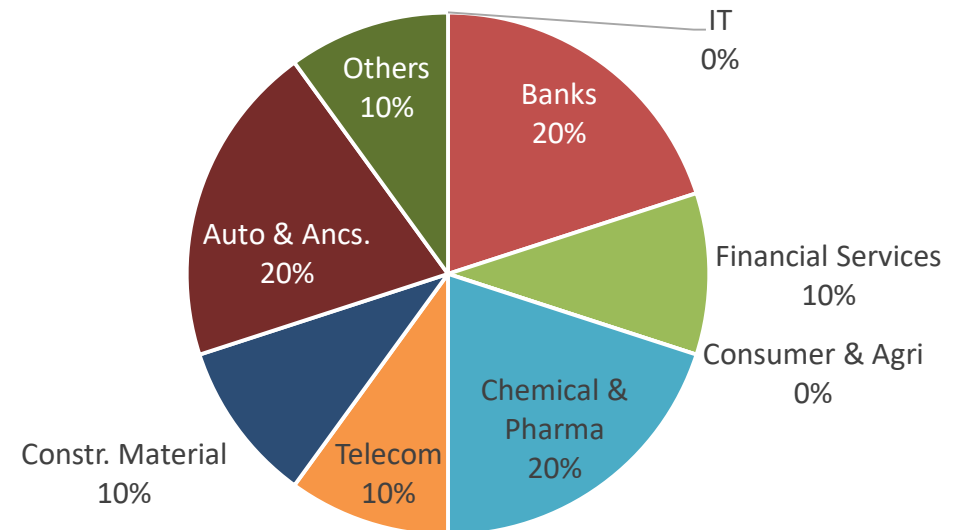
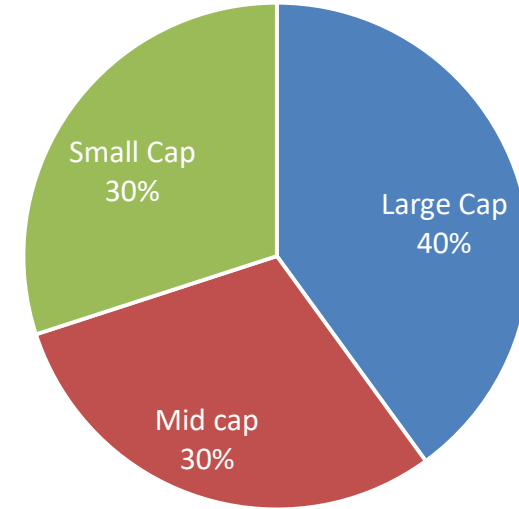
S.No. Mid Cap

- 1 Deepak Nitrite Ltd.
- 2 Cummins India Ltd.
- 3 Max Healthcare Institute Ltd.

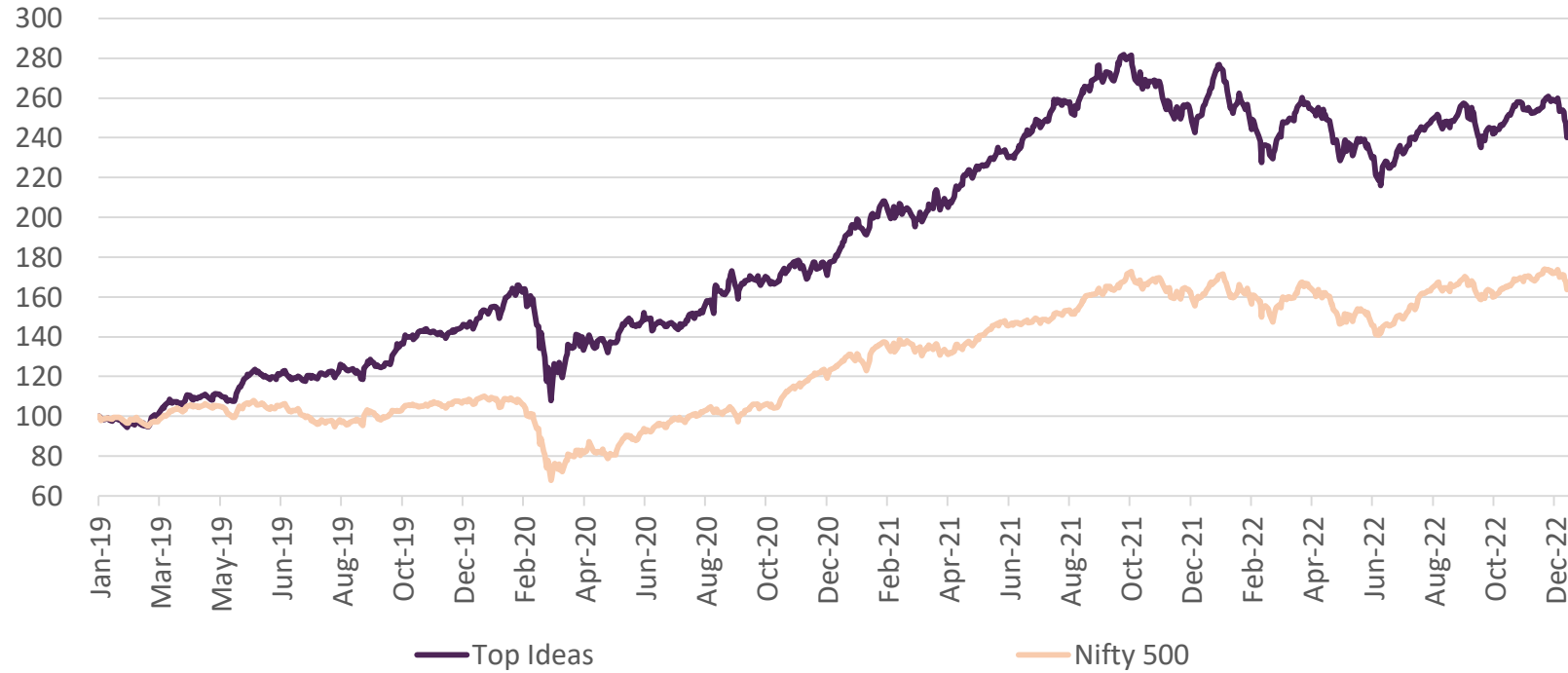
S.No. Mid Cap

- 1 NRB Bearings Ltd.
- 2 Heidelberg Cement India Ltd.
- 3 MM Forgings Ltd.

NOTE: The strategy has shifted from individual weight based to equal distribution.



Top Ideas Performance



Period	Portfolio % Return	Nifty500 % Return
One month	-4.7%	-3.1%
Three months	2.2%	4.2%
Six months	9.5%	15.4%
One Year	-4.9%	3.0%
Since Inception CAGR (Jan-19)	25.3%	13.9%

NOTE: Performance as of 30th Nov 2022.

GROWTH SLOWDOWN LIKELY IN FY24

Despite going better than most peers, India likely to face considerable growth slowdown

SMART RECOVERY

After collapse in Jun'20, real GDP bounced back sharply

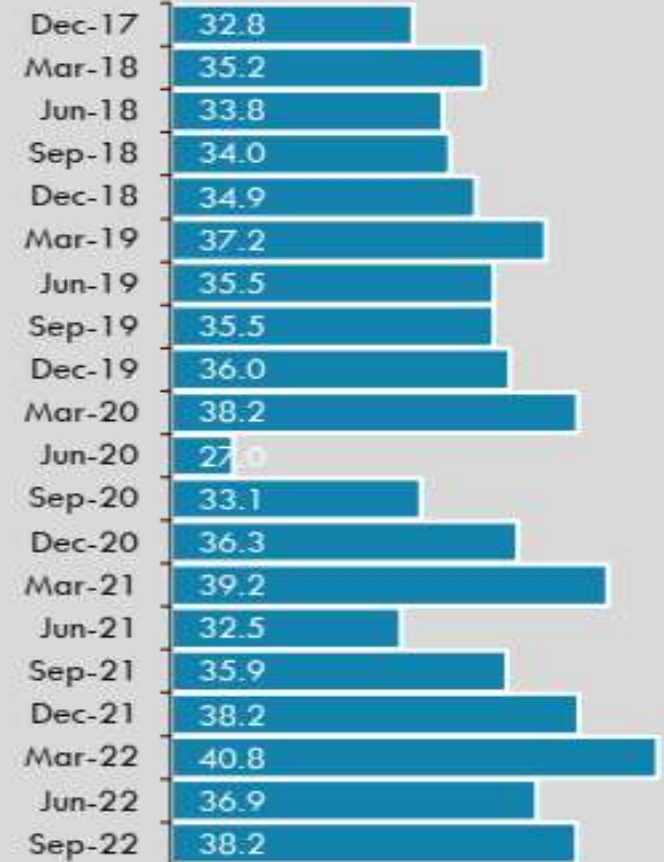
STRONG DATA TILL SEP'22

Till Sep'22, India recorded strong investment, consumption growth

SOFTENING LIKELY

With high trade deficit and slowing investment GDP growth likely to slowdown

Real GDP, Rs. trillion

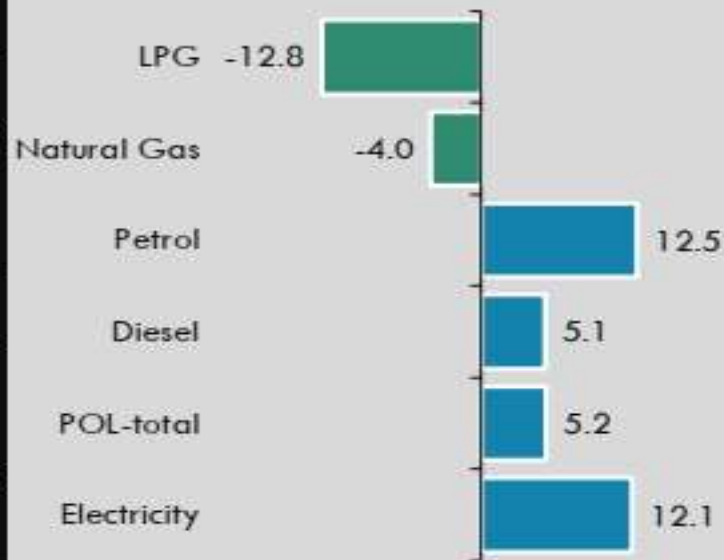


MOST ECONOMIC ACTIVITIES SHOW SIGNS OF STRONG GROWTH

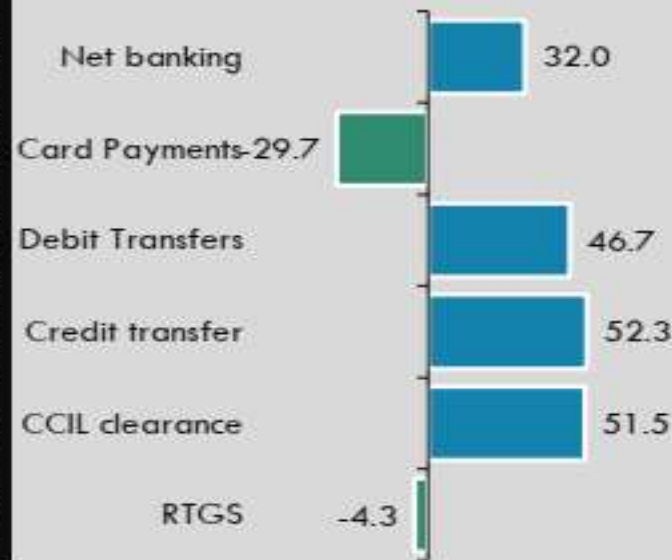
Some areas of weakness, behavioural changes visible



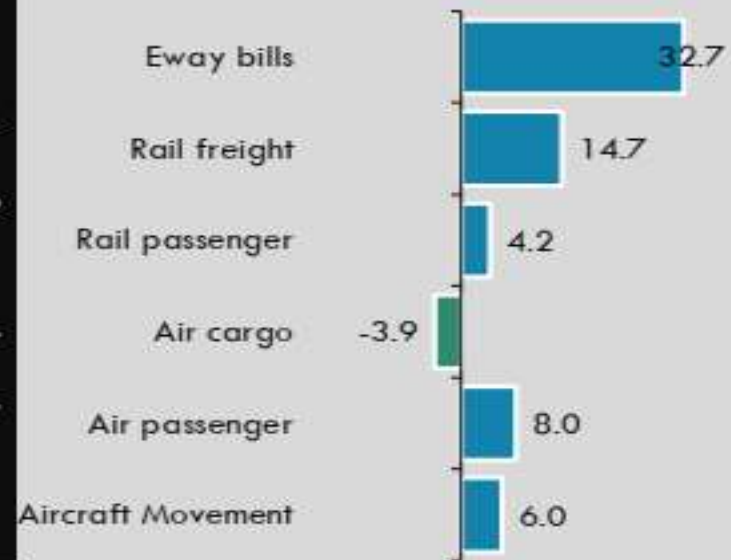
Energy use — Pre/Post pandemic, growth, %



Transaction— Pre/Post pandemic, growth, %



Traffic— Pre/Post pandemic, growth, %



INDUSTRY A MIXED BAG WITH ENCLAVES OF STRENGTHS AND WEAKNESSES

Stat of capex helped infra, localisation of supply chain aiding intermediate, consumption weak spot

MANU. ON SLOW ROAD

Manufacturing still in slow growth phase



CAP GOODS IN POSITIVE

New capacity creation growing at slow pace



INTERMEDIATE, INFRA UP

Start of capex, strengthening of supply chain

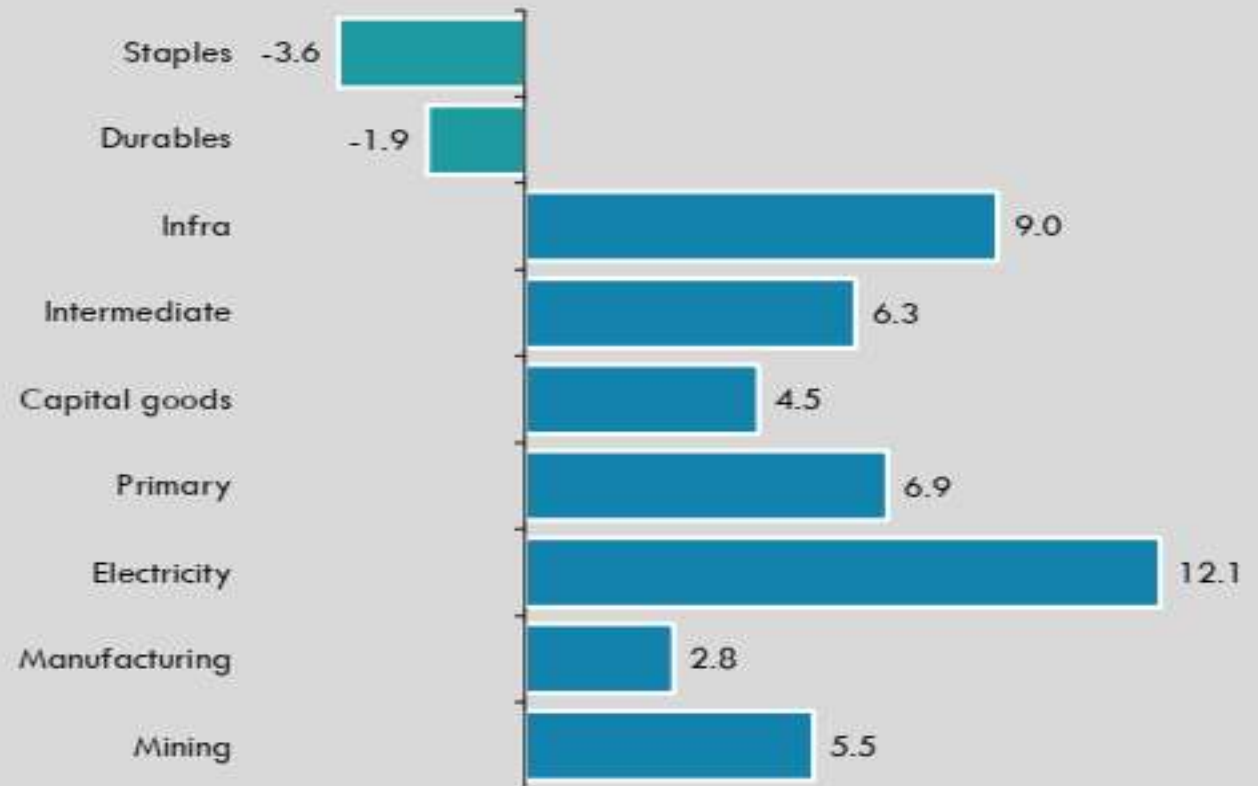


WEAK CONSUMPTION

Durables and staples both in contraction mode



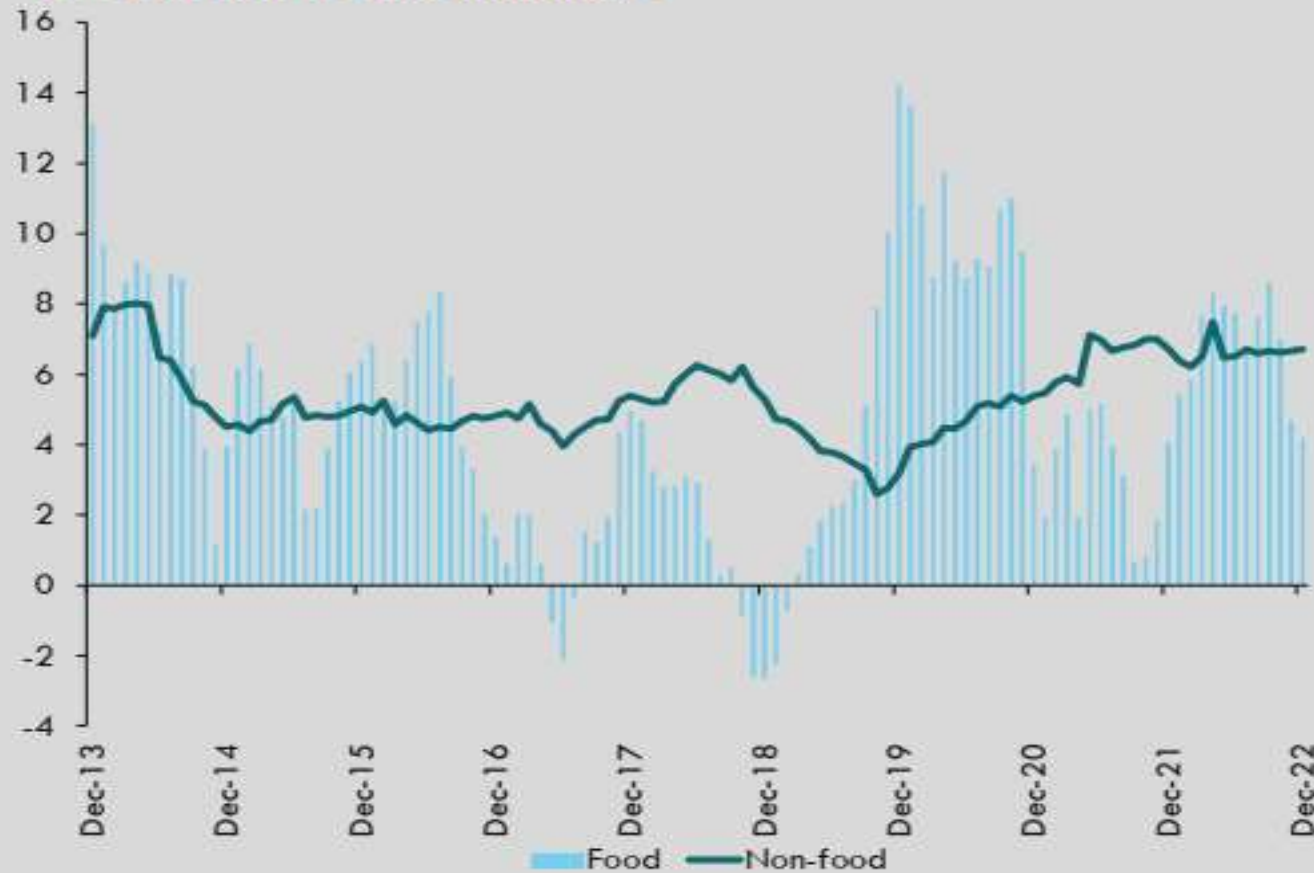
Growth in industry during 2022 vs. average of 2019 and 2021, %



RURAL HAS BEEN A CONCERN, MAY IMPROVE

Low food prices, hardship for MSME, lower urban remittance seem to be impacting rural demand

Food and non-food in inflation, %



LOWER FOOD PRICES

Currently food inflation much lower vs non-food inflation

GOOD CROP

Rabi crop has been good, free ration till end 2023

LOWER RURAL-URBAN GAP

High frequency data suggest narrowing of gap

SUPPORT FROM BUDGET

In the run-up to 2024 election, budget likely to provide support

CORPORATE SALES HAS STALLED

After rapid growth, sales not growing

FLAT CORPORATE SALES IN 2 QTRS

Corporate sales in Sep'22 quarter same as Jun'22

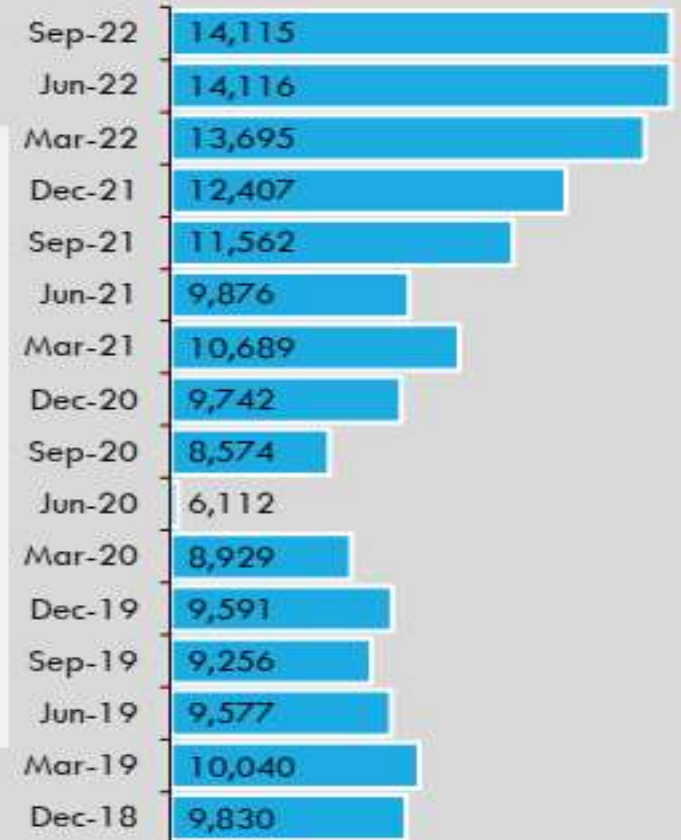
WELL ABOVE PRE-PANDEMIC

Sales growth vs. pre-pandemic impressive

DEMAND, MKT SHARE STABLE

Pent-up demand over as also market share gain

Corporate sales, Rs. billion



CORPORATE PROFIT DECLINED FOR TWO QUARTERS

Input cost pressures, slower demand growth



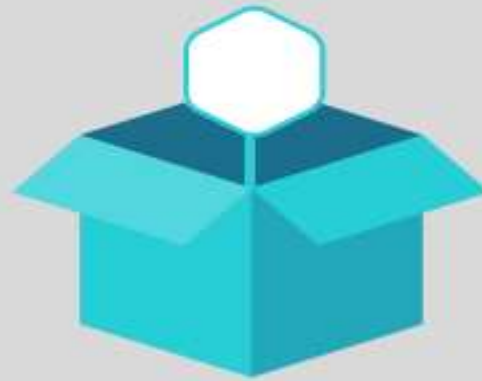
BOTH Q/Q AND Y/Y FALL IN SEP'22

Corporate profit growth lost momentum



INPUT COST PRESSURE

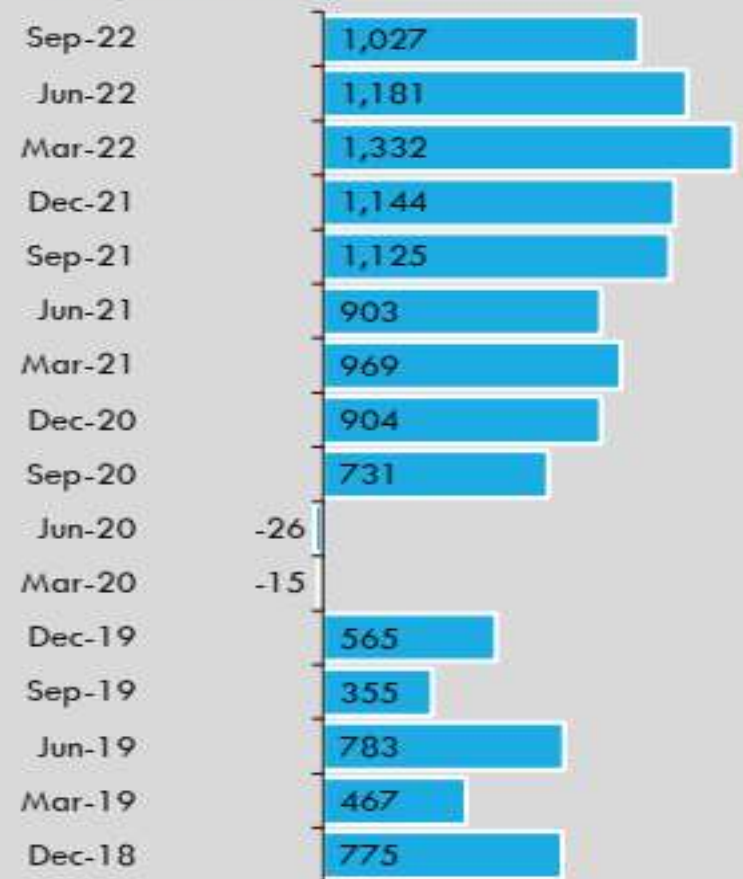
Part of the pressure may ease as global prices corrected



DEMAND CONCERN REMAINS

Growth slowdown would keep earnings growth slow

Corporate net profit, Rs. billion



DESPITE RECENT PRESSURES, CORPORATE SECTOR DOING WELL

Normalisation of demand, no specific thematic play

SERVICES NORMALISING

In 2021, goods demand normalized, in 2022, services normalising

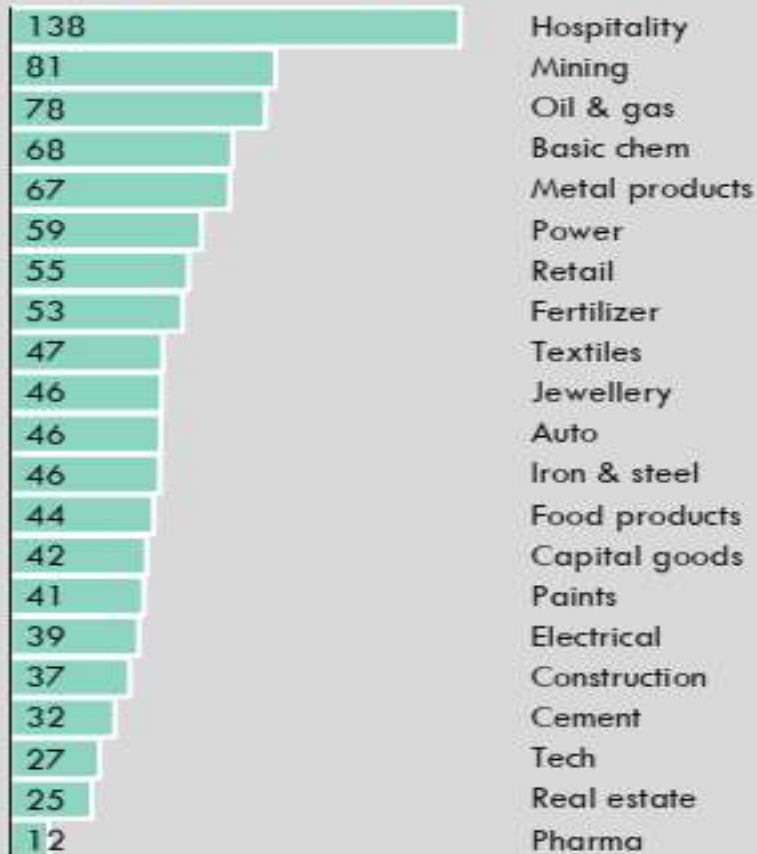
CONSUMPTION CATCHING UP

Investment theme did well in 2021, in 2022, consumption catching up

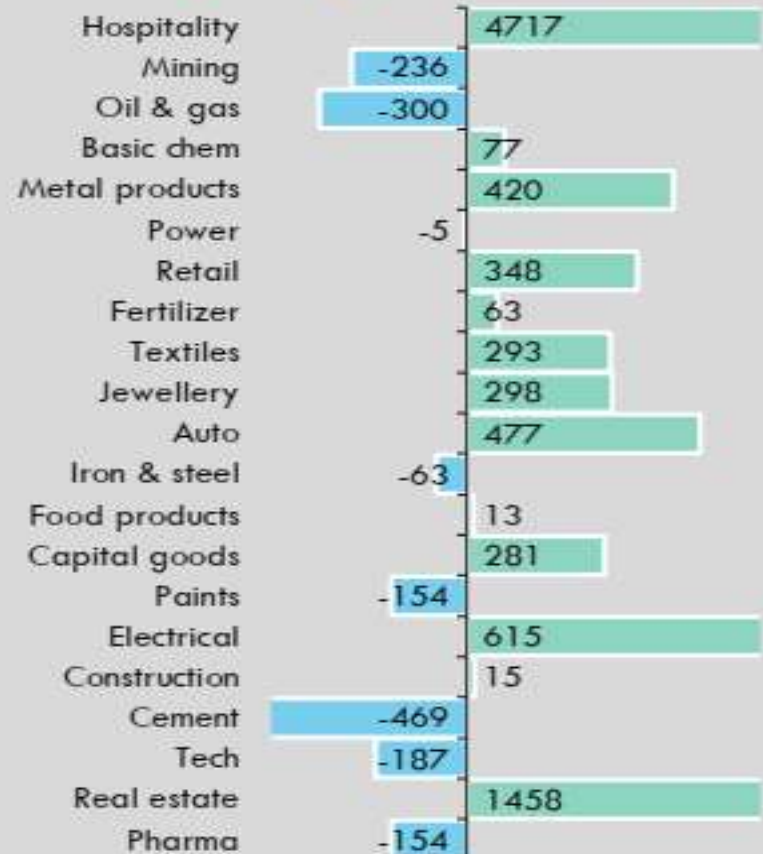
HIGHER MARGIN

Most sectors registered margin expansion, cyclicals saw otherwise

Sales growth — Avg. 2022 vs 21/19, %



Net margin — Avg. 2022 vs 21/19, bps



SINCE 2011, ON THE BALANCE NIFTY 50 CORRECTED BEFORE AND ON BUDGET DAY BUT THEN RALLIED
 Maximum budget day return 4.7%, maximum correction 2.5%

Change, %



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