

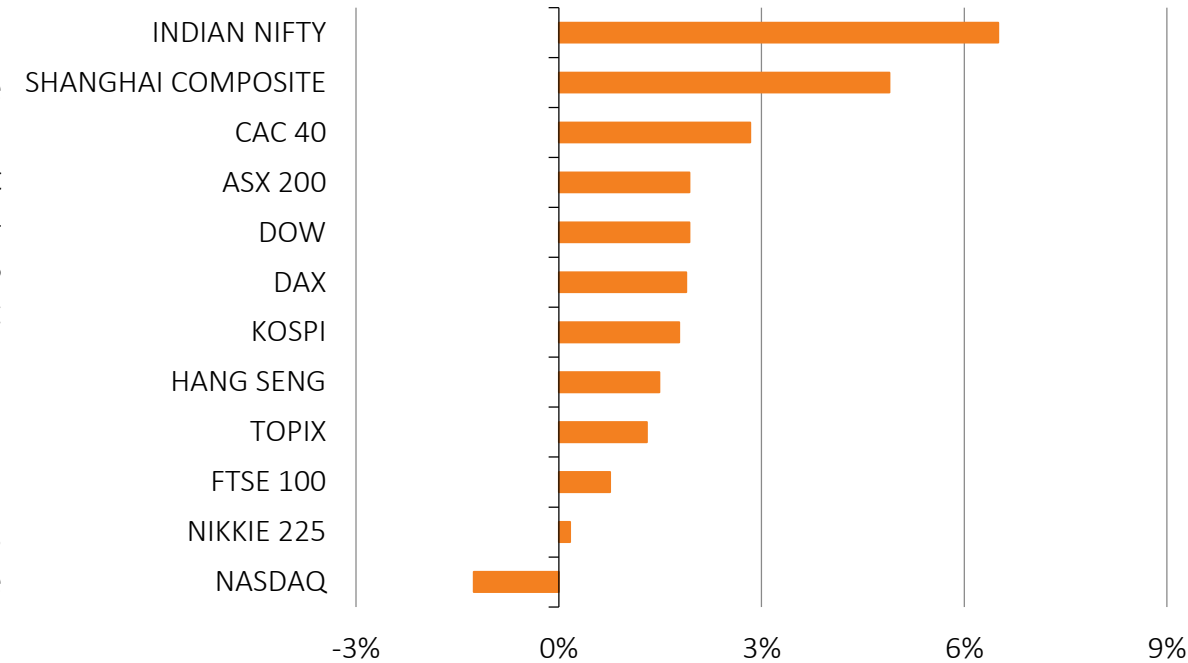
Monthly Equity Report Model Portfolio

Research Team

Jun-21

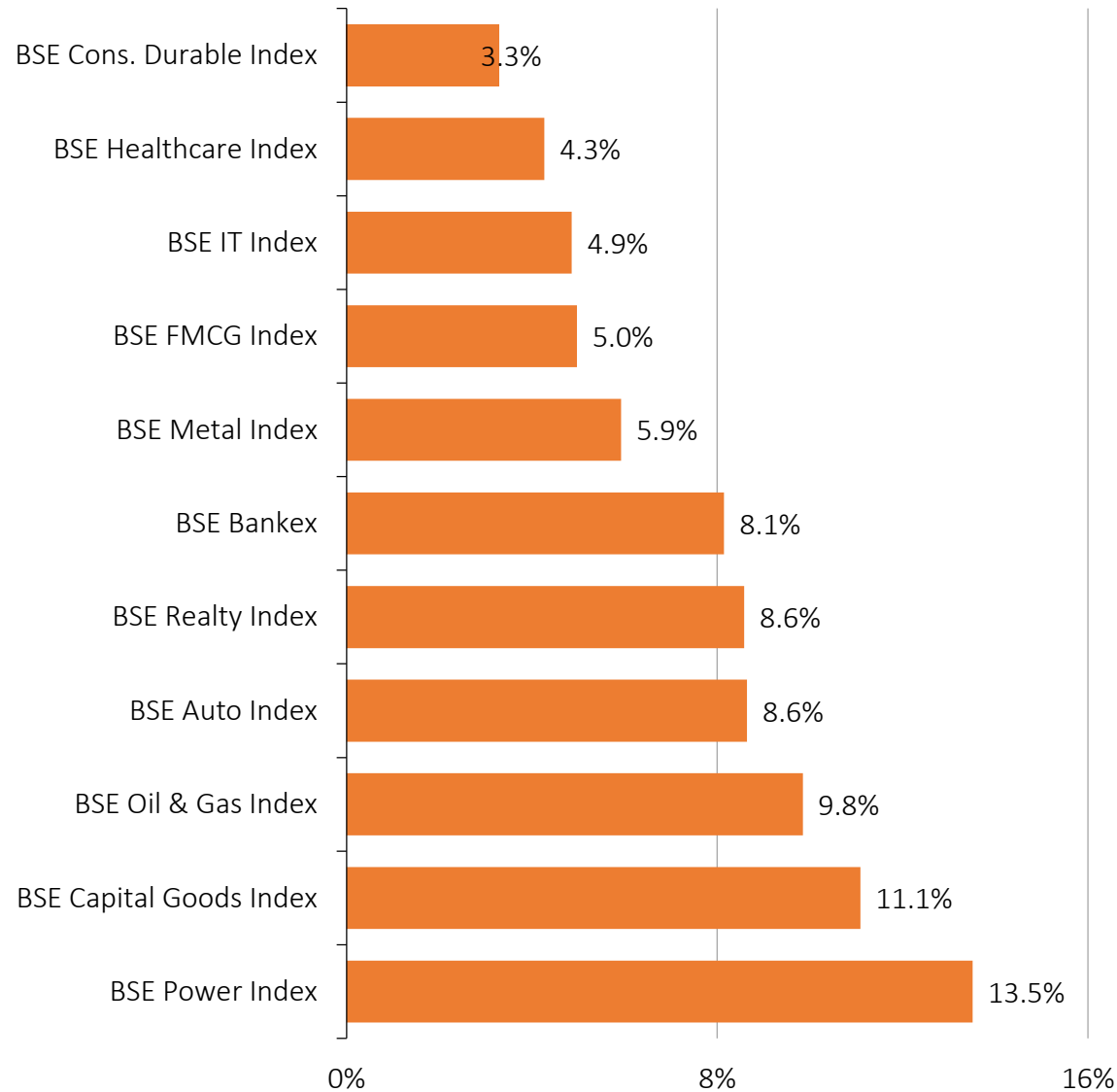
Global Positive momentum continues as economies show better than expected rebound in growth.

- Global markets, remained largely positive in past month with some caution seen amongst investors amid U.S. Fed's hawkish comments over taper talks.
- On the global front, The U.S. markets ended higher during the passing week as the economic reopening supported markets. The optimism on the economy came as U.S. average daily Covid cases fall as nearly half the U.S. population has received at least one vaccination dose. Further, support also came in as investors cheered stronger-than-expected labor-market data. Meanwhile, the economic activity in the US manufacturing sector Decreased in May as per Institute for Supply Management (ISM) report, manufacturing PMI stood at 61.2 in May, from 60.7 in April.
- In Eurozone, manufacturing economy experienced a new record improvement in operating conditions during May. IHS Markit's Manufacturing PMI rose to 63.1 in May, and its highest reading in the survey history.
- In Japan, The au Jibun Bank Flash Manufacturing PMI edged down to 53 in May as compared to 53.6 in April, signalling a softer but still moderate improvement in the health of the manufacturing sector.
- In China, National Bureau of Statistics reported that official manufacturing PMI for the month of May came in at 51, down from 51.1 in April. The country's non-manufacturing PMI, which gauges sentiment in the services and construction sectors, rose to 55.2 in May from 54.9 in April.
- Back home, markets ended Positive in May as Benchmark indices, Sensex and Nifty50 both increased by 6.5%, to settle at 51937.44 and 15582.8, respectively.
- The IHS Markit India Manufacturing Purchasing Managers' Index (PMI) for May was at 50.8, sliding from April's reading of 55.5 and indicating loss of growth momentum.
- India's retail inflation, measured by CPI jumped to 6.3 per cent in May on account of higher food and energy prices.
- India exports grew by 67.39% year over year at \$32.21 billion in May while imports increased by 68.54% year over year to \$38.53 billion. The Goods and Services Tax (GST) collection in May recorded at Rs. 1,02,709 crore.
- Going ahead, global market sentiments continue to reflect caution over U.S. Fed talks of taper as economy shows signs of growth. However, global central banks continue to maintain its stance of support to economy. In domestic front, recent fall in Covid cases and largely good earnings this season should maintain optimism in markets.

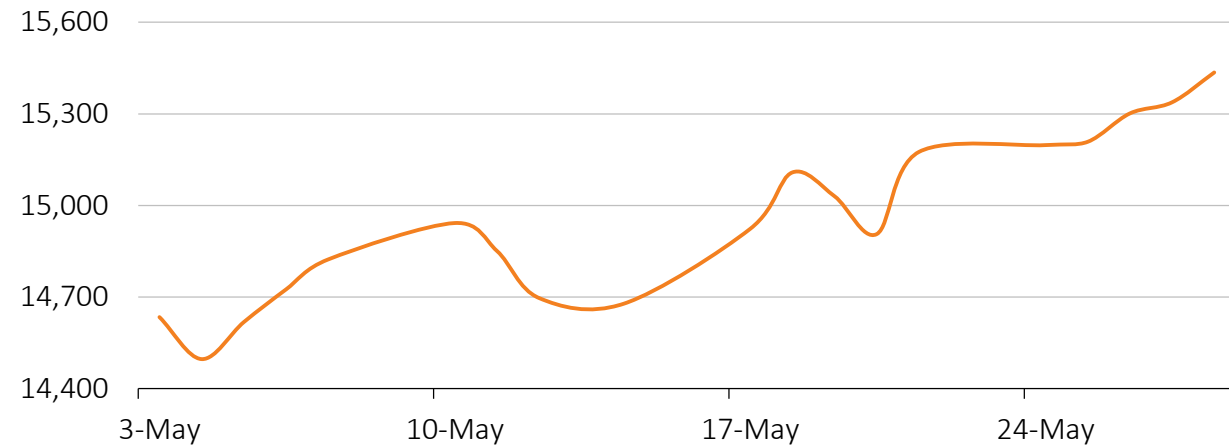


Power, Capital Goods, Oil, Auto and Realty led while Durables, Healthcare, IT and FMCG remained laggards for the month

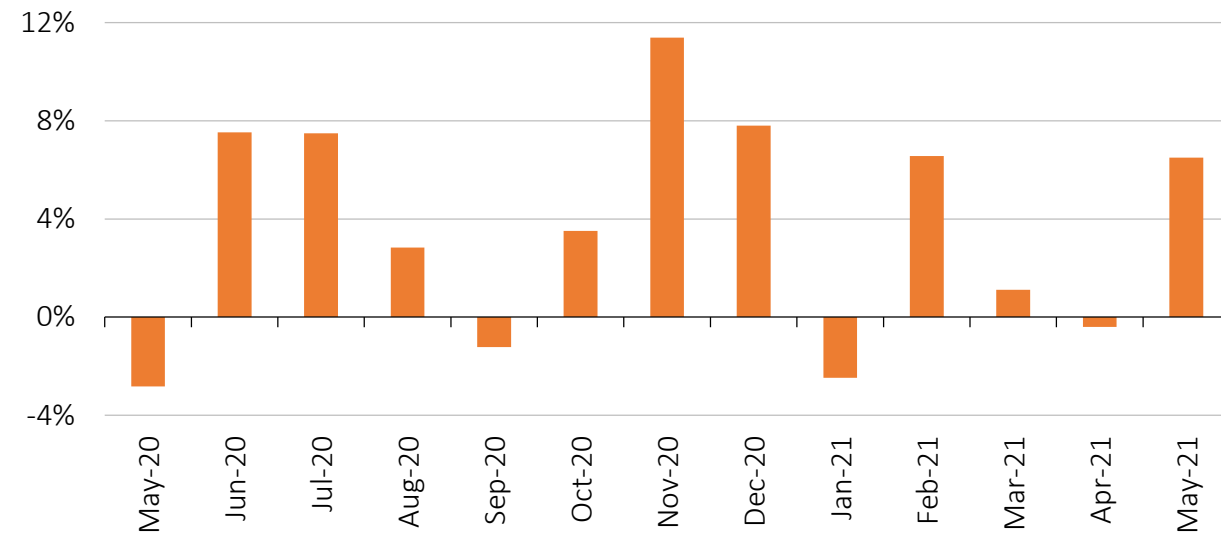
Sector wise performance during the month



NIFTY Performance in May 2021

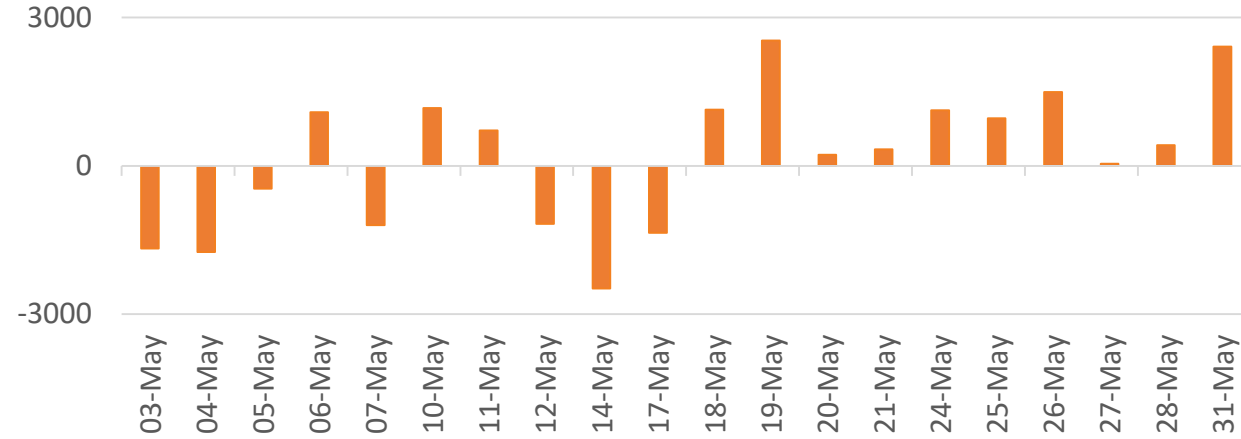


NIFTY monthly performance for trailing 12 months

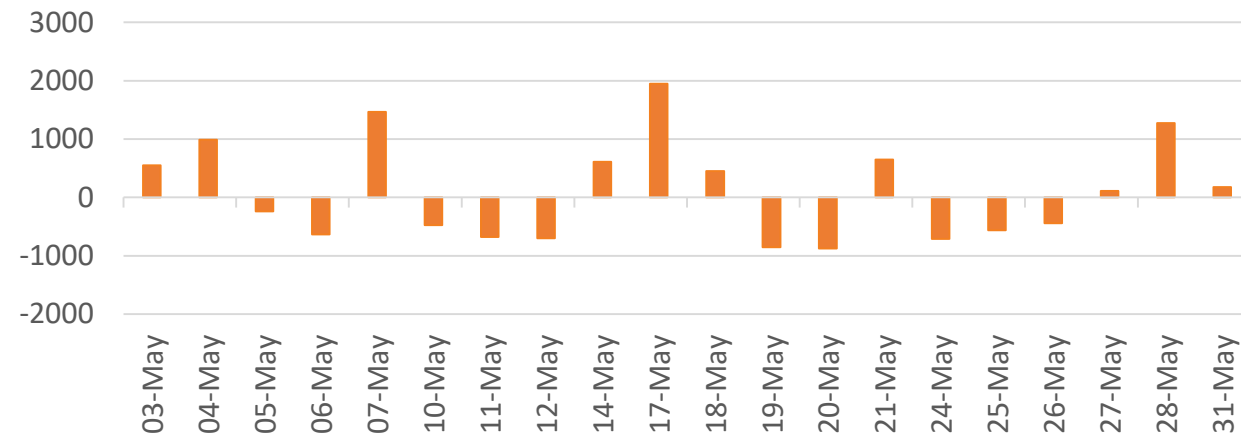


FII back as net buyers in May along with DIIs who were net buyers for third consecutive month.

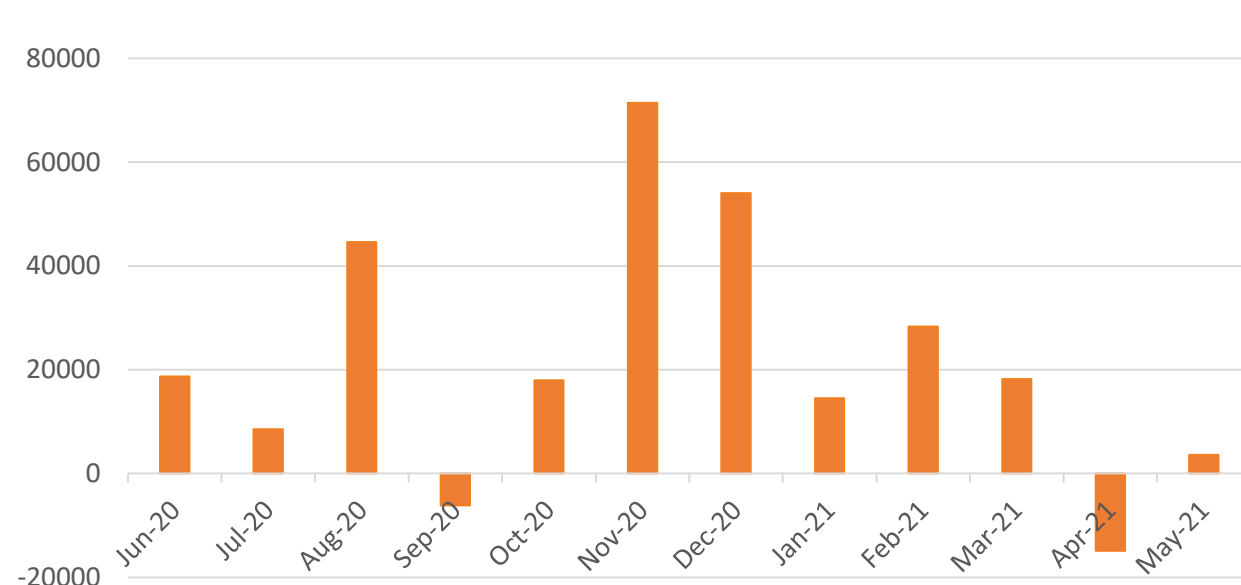
FII Net Investments in ₹ cr. in May 2021



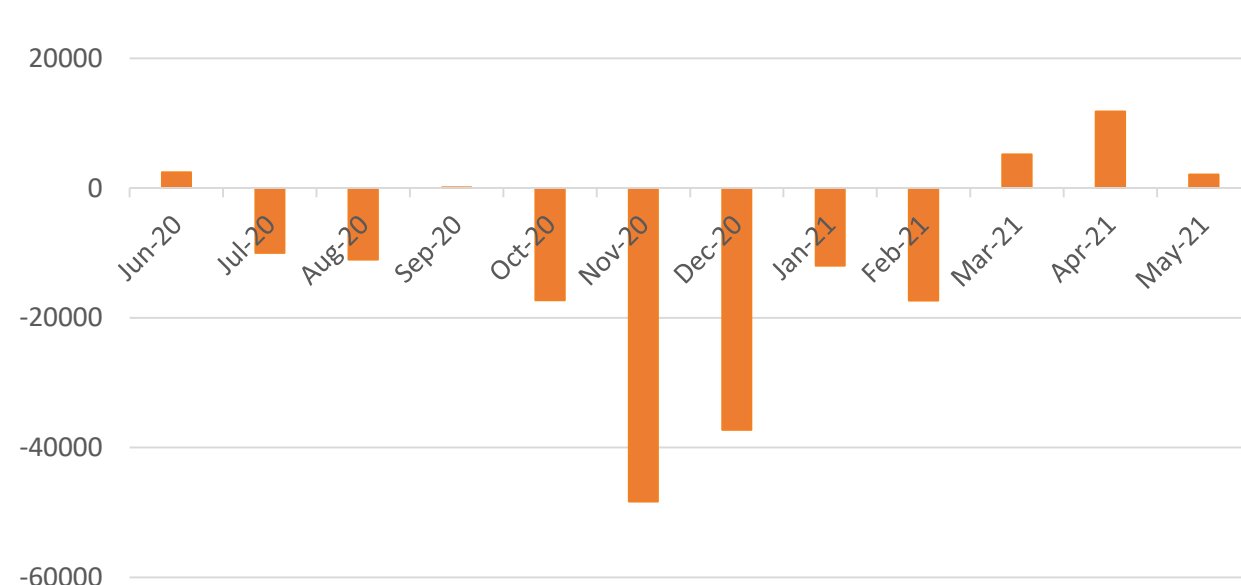
DII Net Investments in ₹ cr. in May 2021



FII Monthly Inflows/Outflows in Equity ₹cr.

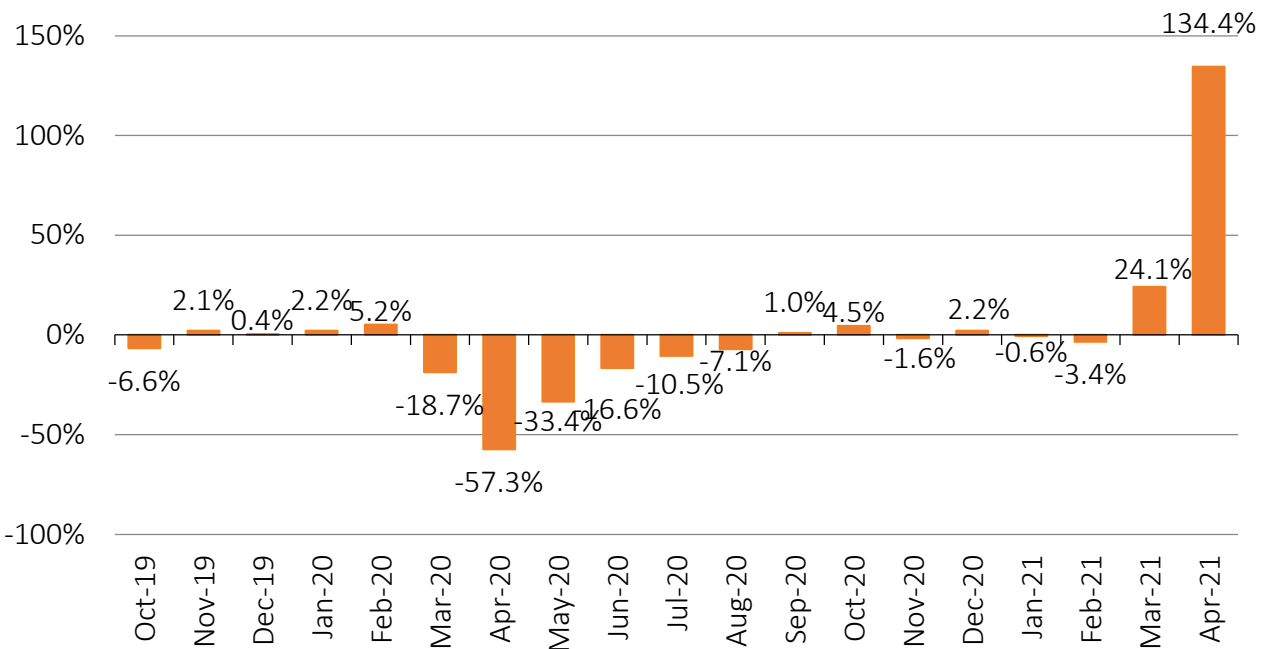


DIIs Monthly Inflows/Outflows in Equity ₹cr.



Macro musings: IIP growth surged largely due to base effect while PMI showed lower number in last two quarters

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



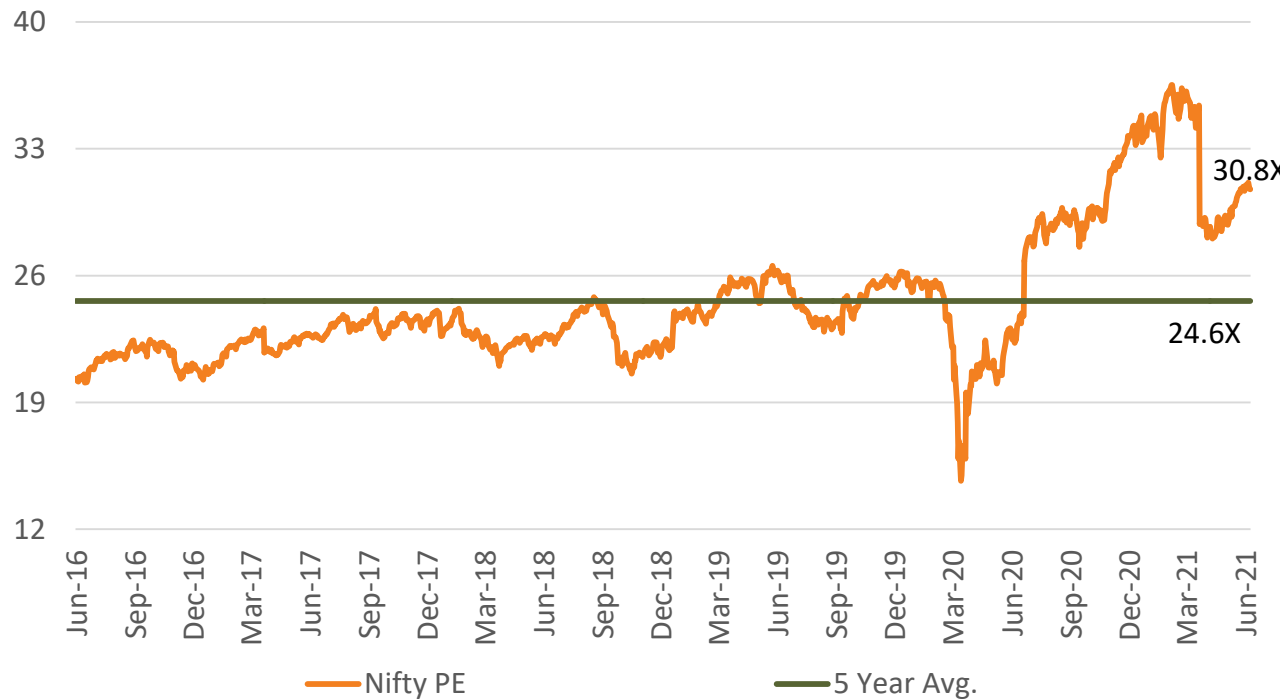
IHS Markit India PMI (Composite) Monthly Index



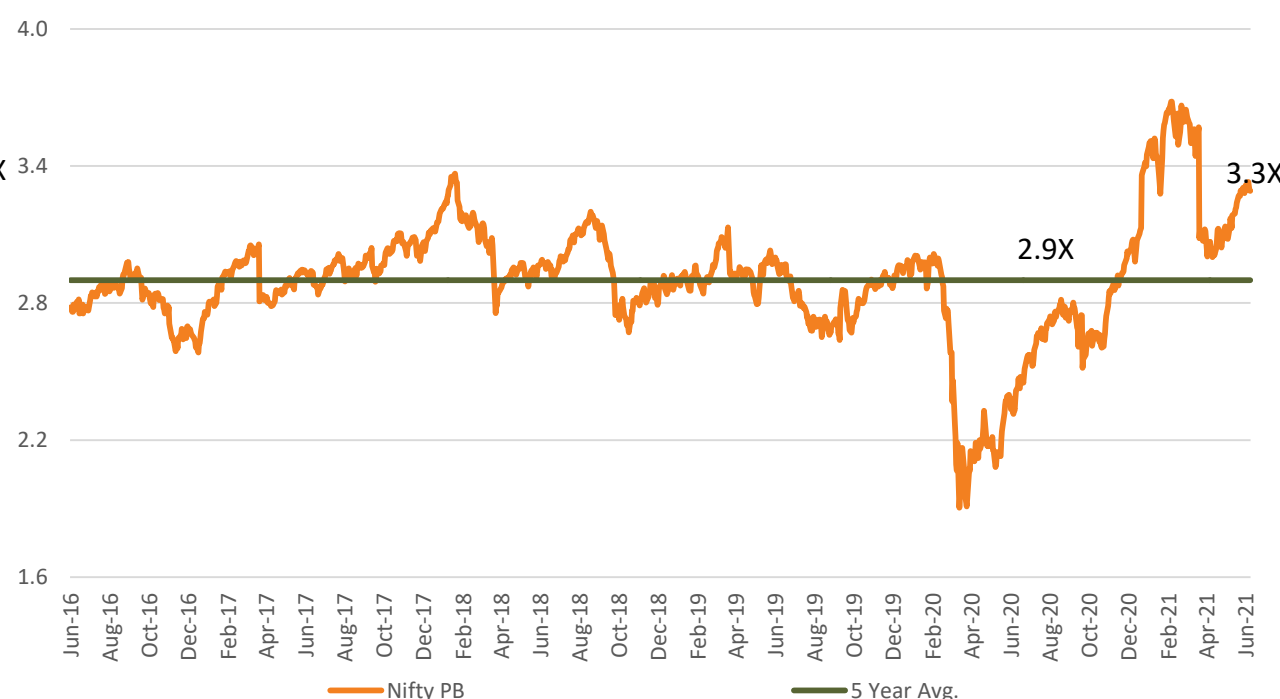
- Index of Industrial Production (IIP) data for the latest month Apr-21 showed significant uptick in industrial activity. The index stood at 134.4% for the month.
- The IHS Markit India Manufacturing Purchasing Managers' Index (PMI) Composite stood at 48.1 in May-21, the index has not sustained above the critical 50 threshold for the month. The major contributor in decline was due to services sector.

Valuations Snapshot: Index historical multiples.

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



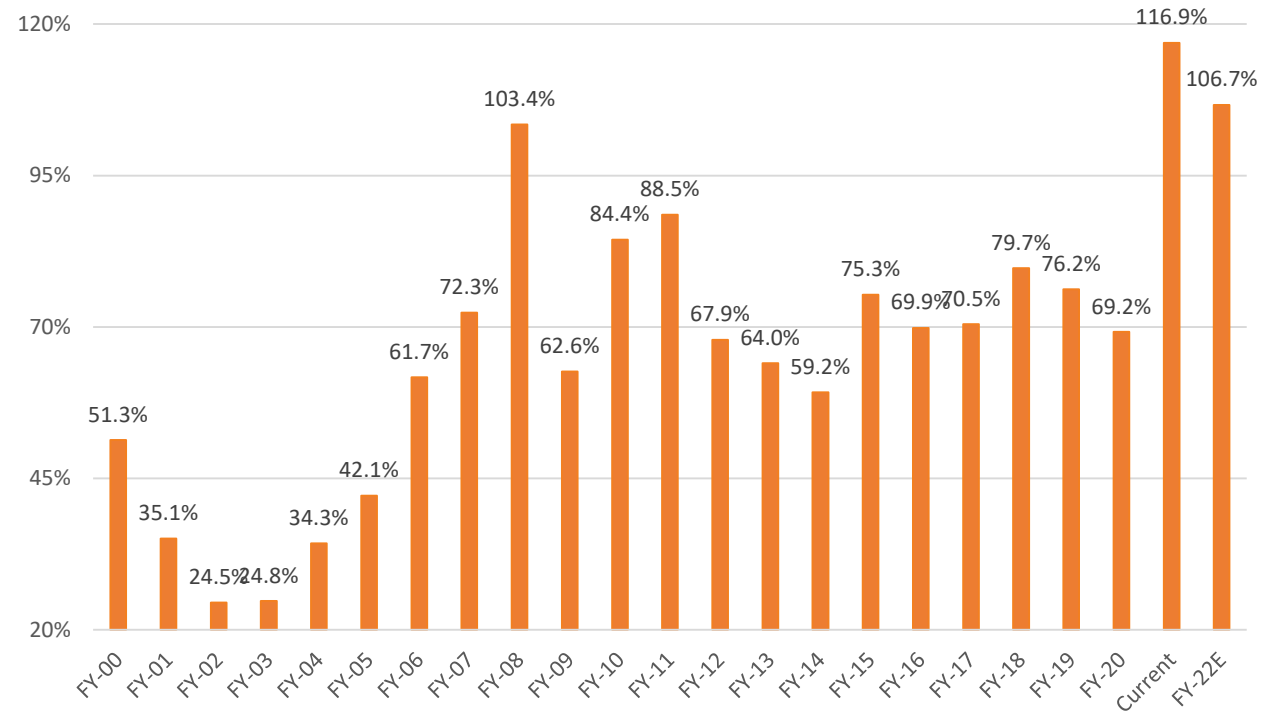
Nifty Trailing 12M P/B & 5 Yr. Avg. P/B



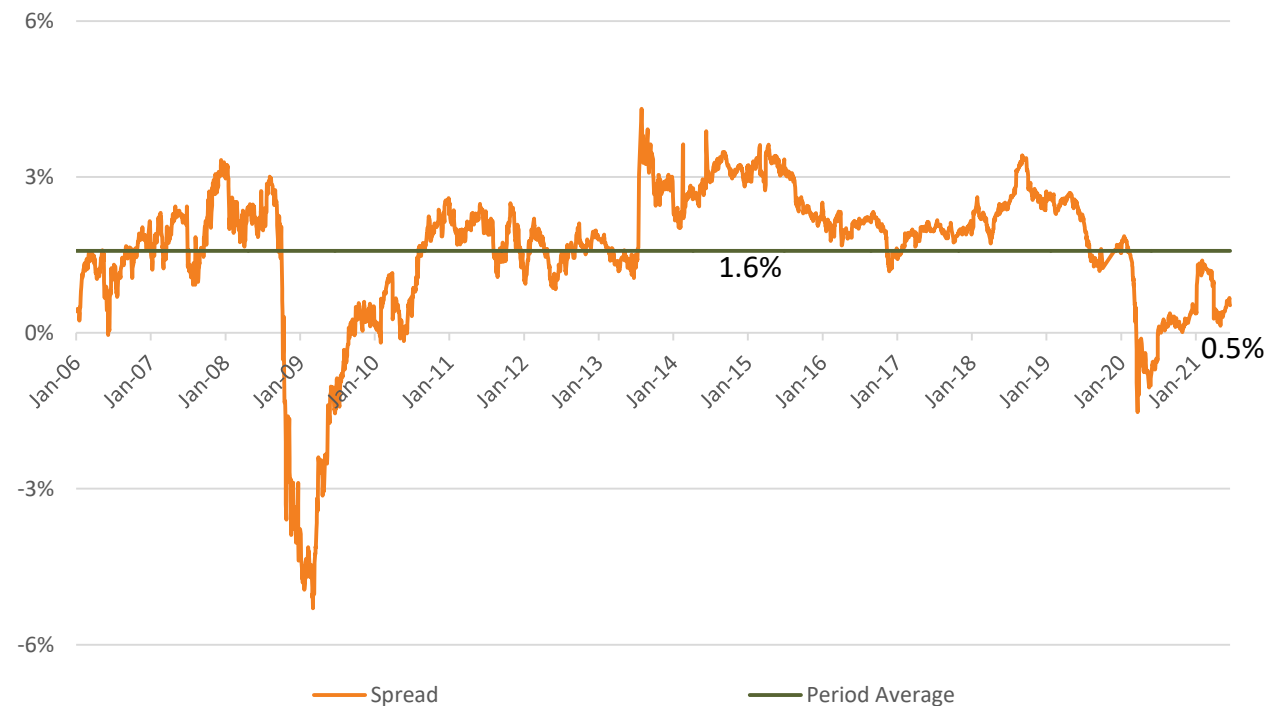
- Currently Nifty50 is trading at around 30.8x its trailing 12 month price to earnings ratio while its five year historical average price to earnings ratio stands at around 24.6x. A premium of around 25% from its five year historical average.
- In terms of price to book ratio, the Nifty50 is trading at around 3.3x its price to book while its five year historical price to book ratio stands at around 2.9x. A premium of around 13.7% from its five year historical average.
- It is also to note that trailing twelve month earnings are significantly lower due to the impact of Covid-19 on the earnings of companies, which has also contributed to inflating historical multiples.

Valuations Snapshot: Broader markets to GDP and G.Sec. Relative valuation

India Market Cap. To GDP Ratio



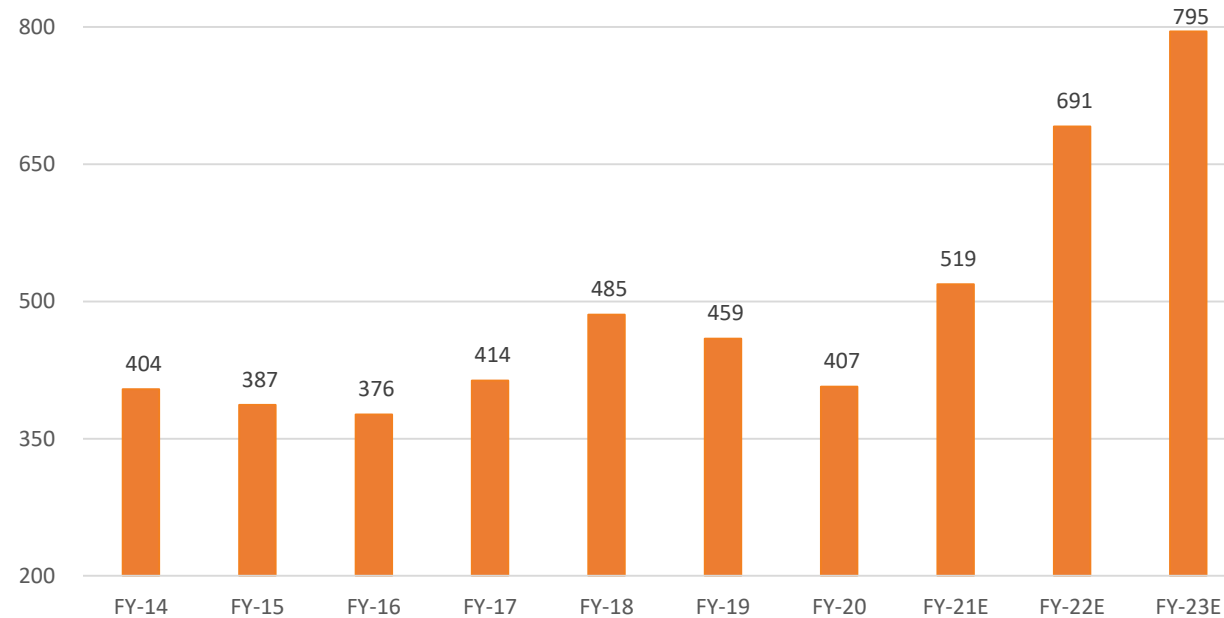
Nifty50 Earnings Yield & 1 year G.Sec. spread



- Currently India's listed companies market capitalisation to GDP ratio stands at about 106.7% at month end while it was about 101.5% at the start of the May-21 month. The ratio is considered an indicative of overall equity market sentiments and cycles.
- In terms of relative attractiveness to one year Government Securities, the Nifty50 – 1yr.Gsec yield spread stands at 0.5% which is lower to its period average of 1.6% after a sharp rebound since Dec-2020 onwards.
- The overall indication of the above data suggests that major catch up trade has been over for the markets and now its earnings growth which should further support the markets going ahead.

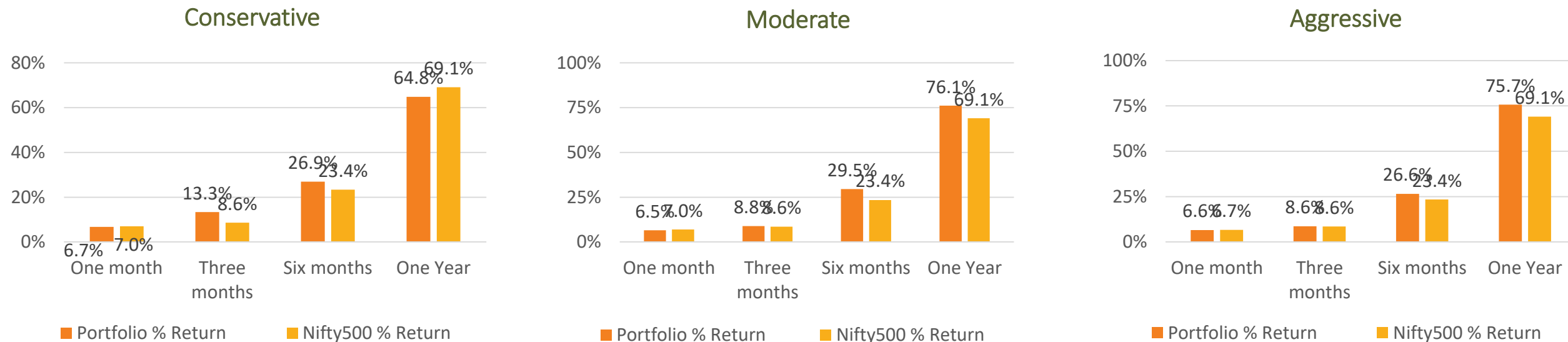
Way forward: Nifty50 next twelve month target revised to **17,000**

Nifty50 Historical and Estimated EPS



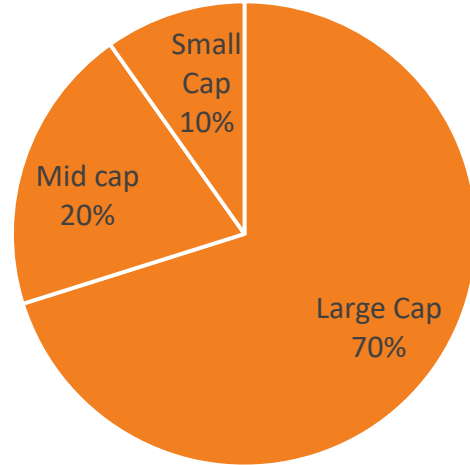
- From the financial year 2020 EPS the consensus estimates for Nifty50 from FY-21 to FY-23 expects earnings to grow at a CAGR of about 23.7%. Considering the earnings for FY-2020 itself was below par hence the estimated CAGR looks achievable from existing lower base.
- In terms of forward multiples, the markets in Feb-2020 (before selloff) were discounting FY-21 earnings at that time at about 20x with just about 11% in earnings growth over FY-19. With a CAGR of about 23.7%, the Nifty50 is trading currently at 22.7x FY22E and 19.7x FY23E earnings.
- Coming to the Nifty50 target, we have run three different models. First, based on Nifty50 member companies with latest available Nifty50 weights incorporating latest one month median estimate, second model on earnings yield and thirdly based on target multiples. Based on these models we have arrived at next twelve month target for **Nifty50** at **17,000** levels, no change in target from previous month.

Model Portfolios Performance Summary (as on May 31st '21)

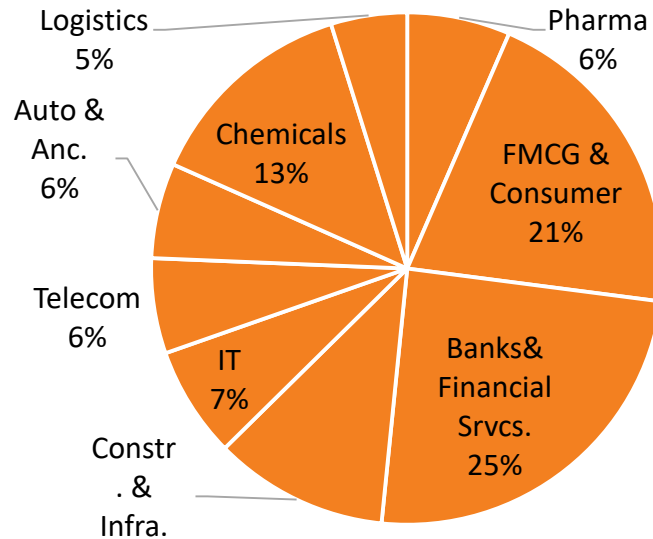


- The model portfolio are based of three investing styles adjusted for risks & volatility of returns namely Conservative, Moderate and Aggressive. The market cap ratio for Conservative style stands out to be large cap-70%, mid cap-20% and small cap-10% while for Moderate and Aggressive the ratio stands at large cap-60%, mid cap-25% and small cap-15% and large cap-50%, mid cap-30% and small cap-20% respectively.
- The minimum and maximum number of stocks for the portfolio is 10 and 20 respectively. The model portfolio is reviewed monthly and rebalanced on quarterly basis.

Market Cap. wise Allocation



Sector wise Allocation



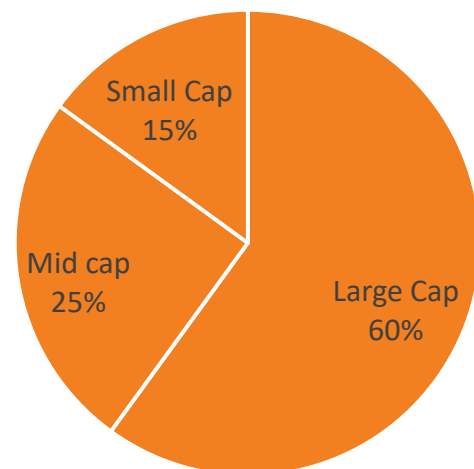
Portfolio Constituents

S.No.	Large Cap	% Weight
1	HDFC Bank Ltd.	6.0%
2	Hindustan Unilever Ltd.	7.0%
3	HDFC Ltd.	6.0%
4	Bharti Airtel Ltd.	6.0%
5	HCL Technologies Ltd.	7.0%
6	Ultratech Cement Ltd.	6.0%
7	HDFC Life Insurance Ltd.	6.5%
8	Divi's Laboratories Ltd.	6.5%
9	SBI Cards And Payment Services Ltd.	6.0%
10	Hero MotoCorp Ltd.	6.0%
11	Tata Consumer Products Ltd	7.0%

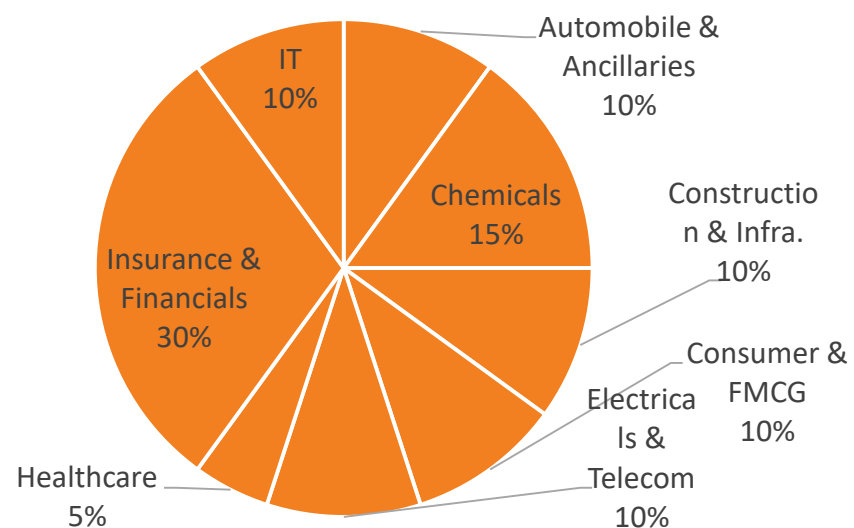
S.No.	Mid Cap	% Weight
1	Aarti Industries Ltd.	7.0%
2	Vinati Organics Ltd.	6.5%
3	Crompton Greaves Consumer Electricals Ltd.	6.5%

S.No.	Small Cap	% Weight
1	Mahindra Logistics Ltd.	4.8%
2	KEC International Ltd.	5.0%

Market Cap. wise Allocation



Sector wise Allocation



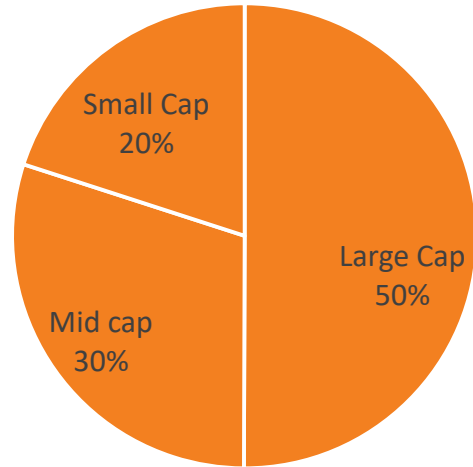
Portfolio Constituents

S.No.	Large Cap	% Weight
1	ICICI Bank Ltd.	5.0%
2	UPL Ltd.	5.0%
3	HDFC Ltd.	5.0%
4	Bharti Airtel Ltd.	5.0%
5	Infosys Ltd.	5.0%
6	Ultratech Cement Ltd.	5.0%
7	HDFC Life Insurance Co. Ltd.	5.0%
8	Divi's Laboratories Ltd.	5.0%
9	SBI Cards And Payment Services Ltd.	5.0%
10	Hero MotoCorp Ltd.	5.0%
11	Tata Consumer Products Ltd	5.0%
12	HDFC Bank Ltd.	5.0%

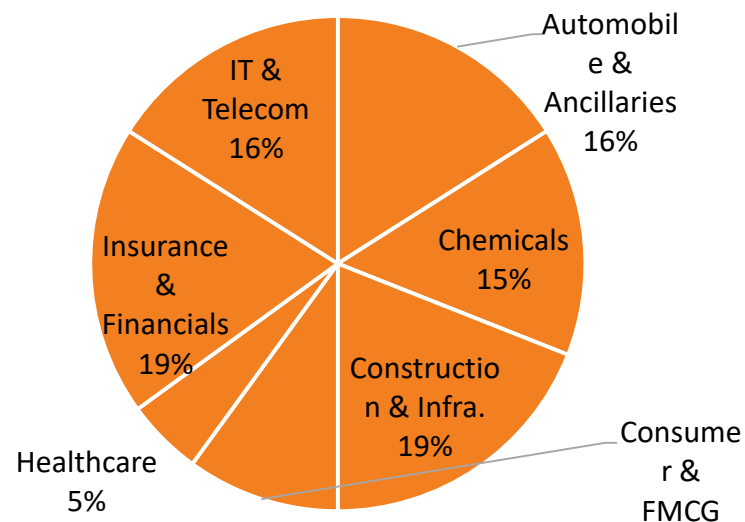
S.No.	Mid Cap	% Weight
1	Navin Flourine Ltd.	5.0%
2	Exide Industries Ltd.	5.0%
3	Dixon Technologies Ltd.	5.0%
4	Mphasis Ltd.	5.0%
5	Federal Bank Ltd.	5.0%

S.No.	Small Cap	% Weight
1	Sudarshan Chemical Industries Ltd.	5.0%
2	NCC Ltd.	5.0%
3	KEI Industries Ltd.	5.0%

Market Cap. wise Allocation



Sector wise Allocation



Portfolio Constituents

S.No.	Large Cap	% Weight
1	ICICI Bank Ltd.	5.0%
2	UPL Ltd.	4.0%
3	HDFC Ltd.	5.0%
4	Bharti Airtel Ltd.	5.0%
5	HCL Technologies Ltd.	5.0%
6	Ultratech Cement Ltd.	4.0%
7	SBI Life Insurance Co. Ltd.	4.0%
8	Divi's Laboratories Ltd.	5.0%
9	SBI Cards And Payment Services Ltd.	5.0%
10	Hero MotoCorp Ltd.	4.0%
11	Tata Consumer Products Ltd	4.0%

S.No.	Mid Cap	% Weight
1	SRF Limited	6.0%
2	Exide Industries Ltd.	6.0%
3	Balkrishna Industries Ltd.	6.0%
4	Mphasis Ltd.	6.0%
5	Dixon Technologies Ltd.	5.9%

S.No.	Small Cap	% Weight
1	Ashoka Buildcon	5.0%
2	KEC International Ltd.	5.0%
3	Deccan Cements	5.0%
4	NOCIL Ltd.	5.0%

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