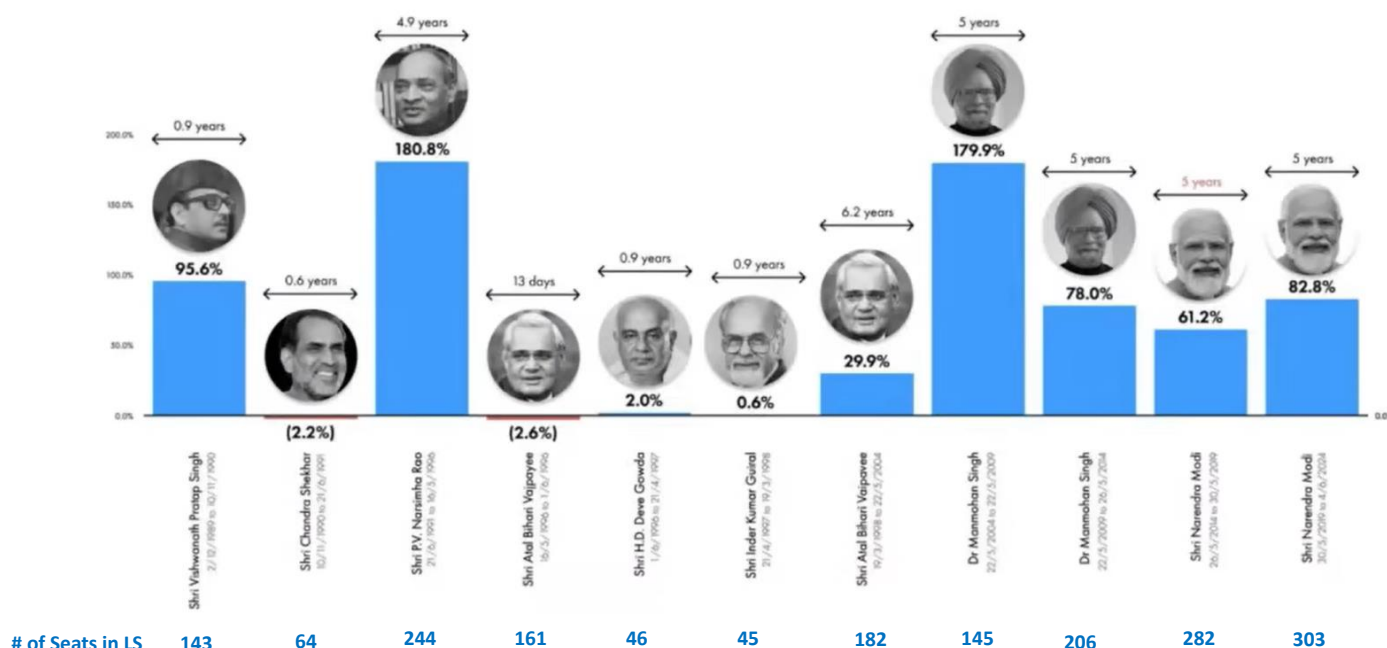


Market Commentary

June 2024

- Mid Caps outperformed their Large and Small Cap peers, as Nifty Midcap150 delivered 2.23% against 0.65% and -1.27% by Nifty 100 and Nifty Small Cap 250, respectively in the month of May 24.
- Nifty Metal (5.97%), followed by Nifty Realty (4.75%) and Nifty Auto (4.18%) were among the top-performing Nifty sectors, whereas many sectors showed negative performance.
- Nifty PSU Bank (-2.32%), Nifty Oil & Gas (-1.70%) and Nifty IT (-1.61%) performed poorly
- Runup to the last phase of the Lak Sabha Elections the Month ended with India VIX closing at 24.75% from a low of 9.85% on 23rd Apr24. **Post election results, the India VIX closed at 16.88% on 7th June 24 coming off its high of 31.71% on Result Day.**

PM Terms & Market Performance



- Above data suggests that the Market Performance & Tenure of PM are directly correlated – only exception was the tenure of Mr. VP Singh, where markets went up 95.6% in spite of a less than 1 year tenure & Mr. Atal Behari Bajpayee, when markets went up only 29.9% during his 6.2 Yrs stint.
- Longevity of the Govt and continuation of the PM in the govt is also related to the number of seats won in the parliament.

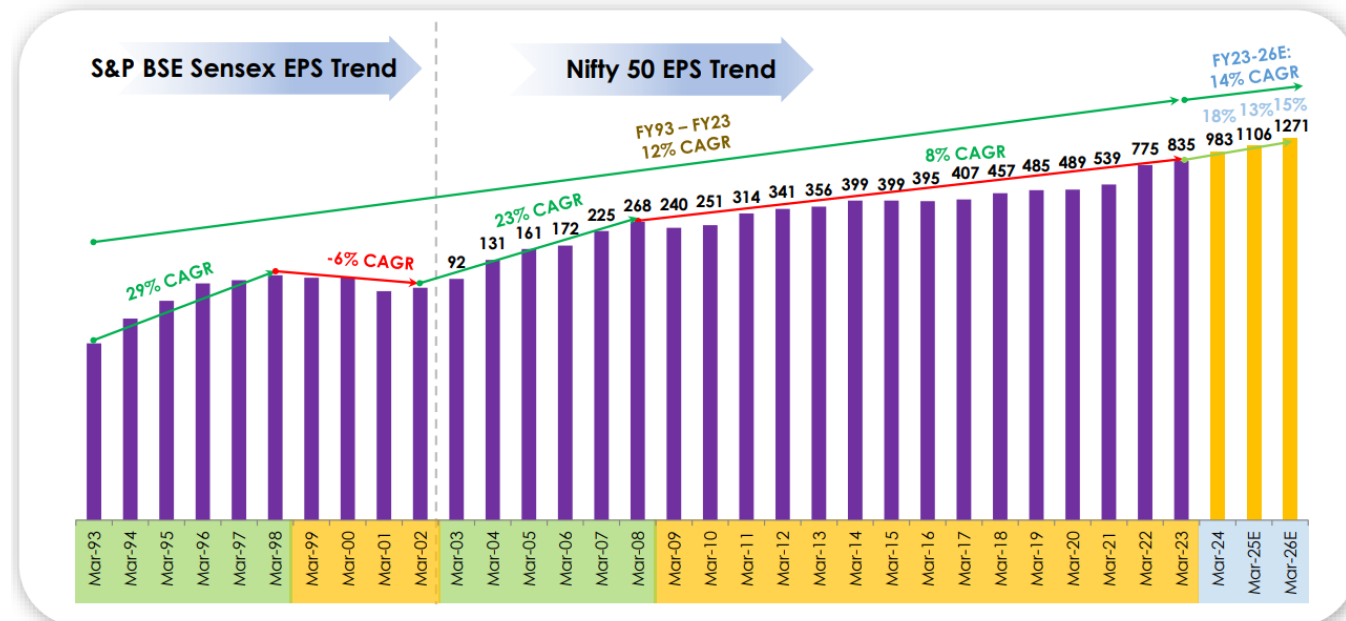
Defence, Finance, MHA, MEA are critical ministries that need stability, should stay with BJP

ThePrint view on the most important issues.

THEPRINT TEAM On June, 2024 08:15 pm 157

- As per Mr. Shekhar Gupta of The Print, the Cabinet Committee on Security (CCS) will continue to have members from the leading party of the coalition which is the BJP. This has been the case since the era of coalition govts, (except during Mr. AB Vajpayee's govt).
- Therefore, no major policy change is expected in the area of Foreign Affairs, Defence, Financial & Economic Policies & Internal Security.**
- CCS is an apex body headed by the Prime Minister, which decides on appointments & makes all important decisions with respect to 4 key ministries – Defense, Finance, Home & External Affairs.

Earnings Trend



- Nifty 50 Earnings trajectory is positive, with consensus estimates of ~14% CAGR over next 2 FYs.
- With one of the biggest event risk behind us, markets will continue to track earnings growth and any triggers which could impact earnings growth momentum.
- Considering the fact that the last few months have been euphoric for the markets, around the incumbent govt coming back with a thumping majority and certain themes like PSU, Rail, Defense etc, going through some aggressive rerating in valuations, the absence of any such event going forward, may result in the markets remaining range bound for the next few months.
- Market players are likely to be more wary of lofty valuations, in market segments wherever applicable, considering the fact that, we now have a coalition govt at the Centre.

Valuation Summary of Nifty 50 Sectors (full float basis), 2024-26E

	Mcap.	Adj. mcap.	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
	(US\$ bn)	(US\$ bn)	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E
Automobiles & Components	185	99	113.5	13.0	9.7	25.9	22.9	20.9	13.5	12.1	10.8	5.5	4.7	4.1	1.0	1.4	1.5	21.3	20.6	19.6
Banks	418	350	15.6	4.7	14.4	16.2	15.5	13.5	—	—	—	2.3	2.2	2.0	1.0	1.3	1.3	14.3	14.5	14.7
Capital Goods	104	62	25.0	31.5	29.4	54.0	41.1	31.7	27.6	22.8	19.0	6.2	5.4	4.5	0.4	0.4	0.5	11.6	13.1	14.2
Commodity Chemicals	33	16	28.9	(1.1)	4.1	51.7	52.3	50.2	36.1	36.1	34.6	14.8	12.9	11.4	0.9	0.9	1.0	28.6	24.6	22.7
Construction Materials	53	24	10.5	20.0	13.3	33.4	27.8	24.5	13.9	12.9	11.6	3.0	2.7	2.5	0.4	0.5	0.4	8.9	9.9	10.3
Consumer Staples	185	96	12.8	4.8	10.8	40.5	38.6	34.8	30.0	28.0	25.0	10.5	9.8	9.3	2.1	2.1	2.4	26.0	25.5	26.8
Diversified Financials	89	40	24.6	27.4	16.3	24.8	19.5	16.8	—	—	—	4.2	3.5	2.9	0.4	0.5	0.6	16.8	18.0	17.6
Electric Utilities	76	37	12.3	7.0	8.6	17.4	16.3	15.0	10.8	9.9	8.9	2.5	2.3	2.1	2.9	2.8	3.0	14.4	14.3	14.3
Health Care Services	10	7	10.5	79.0	27.1	91.6	51.2	40.3	35.5	26.6	20.5	11.9	9.8	8.1	0.1	0.2	0.3	12.9	19.2	20.1
IT Services	334	145	3.0	10.2	12.3	26.5	24.1	21.5	17.3	15.8	14.1	7.5	6.9	6.3	2.1	2.9	3.3	28.4	28.7	29.5
Insurance	31	14	12.4	14.7	13.3	74.1	64.6	57.0	—	—	—	8.8	8.1	7.4	0.2	0.3	0.4	11.8	12.5	13.0
Metals & Mining	69	39	(11.9)	85.9	29.3	26.4	14.2	11.0	10.1	7.5	6.3	2.1	1.9	1.6	1.2	1.4	1.6	7.9	13.2	14.9
Oil, Gas & Consumable Fuels	324	149	28.8	(5.3)	8.9	14.5	15.3	14.1	8.6	8.5	7.5	2.1	1.9	1.7	1.7	1.5	1.5	14.4	12.4	12.2
Pharmaceuticals	82	44	19.7	12.2	14.0	32.0	28.5	25.0	22.2	19.0	16.5	5.2	4.5	4.0	0.5	0.5	0.5	16.2	15.9	15.8
Retailing	35	16	6.8	19.7	21.0	83.1	69.4	57.3	55.8	46.8	39.0	30.9	23.5	18.2	0.3	0.4	0.5	37.2	33.9	31.7
Telecommunication Services	99	45	25.4	102.1	41.6	72.6	35.9	25.4	12.2	10.0	8.2	10.0	7.3	6.1	0.6	0.7	0.9	13.8	20.5	24.2
Transportation	36	12	8.1	18.2	24.2	33.2	28.1	22.6	21.3	17.9	15.2	5.6	4.8	4.0	0.2	0.3	0.5	17.0	17.0	17.9
Nifty-50 Index	2,163	1,194	20.0	9.7	14.1	23.2	21.2	18.6	13.9	12.7	11.1	3.7	3.4	3.0	1.3	1.5	1.6	15.8	15.8	16.1
Nifty-50 Index (ex-energy)	1,839	1,046	17.5	14.5	15.5	26.0	22.7	19.7	16.6	14.5	12.7	4.2	3.9	3.4	1.2	1.5	1.7	16.3	17.1	17.5
Nifty-50 Index (ex-banks)	1,745	844	21.8	11.6	14.1	25.9	23.2	20.4	13.9	12.7	11.1	4.3	3.8	3.4	1.4	1.5	1.7	16.4	16.4	16.7

Source : Kotak Institutional Equities estimates

- Diversified Financials, Health Care Services, Metals & Mining are segment where estimated growth rates are higher than the sector P/E multiples. This is a space which may attract fund managers who are conservative & who like to take a contra view.
- The market surge post elections however saw the Nifty Auto, Nifty FMCG, and Nifty IT sectors deliver substantial gains, rising by 6.8%, 7.11%, and 8.60%, respectively, in spite of high P/E multiples vis a vis growth.

Strong GDP growth



Source : Centre for Monitoring India Economy (CMIE), International Monetary Fund (IMF)

Source : HDFC AMC "Tuesday Talking Point" Newsletter

As per the GDP data released last week, Indian economy grew at 8.2% in FY24, with Q4 growth reporting 7.8% YoY growth in real terms. India continues to offer higher growth outlook & attractiveness albeit high market valuations

Key RBI estimates on the evolution of growth/inflation trajectory

	CPI (%)			GDP (%)		
	8-Feb-24	5-Apr-24	7-Jun-24	8-Feb-24	5-Apr-24	7-Jun-24
Q4FY24	5.0					7.8
FY24 AVG	5.4			7.3	7.6	8.2*
Q1FY25	5.0	4.9	4.9	7.2	7.1	7.3
Q2FY25	4.0	3.8	3.8	6.8	6.9	7.2
Q3FY25	4.6	4.6	4.6	7.0	7.0	7.3
Q4FY25	4.7	4.5	4.5	6.9	7.0	7.2
FY25	4.5	4.5	4.5	7.0	7.0	7.2

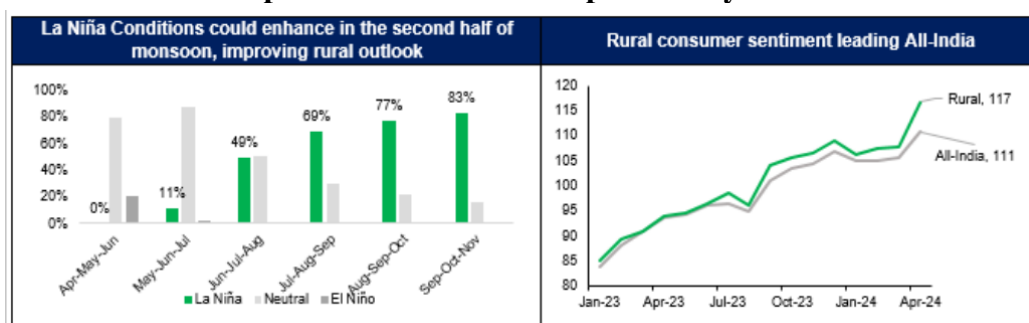
NSO Estimate; **Second Advance Estimate; Source: RBI

✓ Investments in the economy, measured by Gross Fixed Capital Formation (GFCF), grew at 9.9% in FY24, growing faster than GDP, aided by govt capex

CMIE data indicates that 84% of new project announcements (in ₹ terms) in the past 12 months were from the private capex.

Private consumption growth continue to be weak in FY24, at just 4% YoY in real terms.

Will Rural Consumption drive the Consumption Story ?



Note: La Niña Conditions are the opposite of El Nino conditions, and are considered positive for good rainfall in monsoon season.

Source: The International Research Institute for Climate and Society, Columbia University Climate School, Centre for Monitoring Indian Economy (CMIE),
Reproduced from HDFC AMC "Tuesday Talking Point" Newsletter

While consumption is supported by multiple factors such as rising per capita incomes, premiumisation, demographic dividend, formalisation and digitisation, rural consumption picking up could be a boost.

- For investors who are in the process of creating portfolios for long term wealth creation, we continue to allocate funds across large (60-65%) mid & small cap (35 - 40%).
- We also continue to allocate invest in Balanced Advantage Funds – a dynamic allocation strategy, for investors looking to participate in equity with lower volatility

Disclaimer

The information contained herein is from publicly available data or other sources believed to be reliable; Esbee Sharpe Investment Services (Esbee Sharpe) however does not warrant the accuracy, reasonableness and/or completeness of any information. Opinions expressed are subject to change without notice.

The information provided herein are reproduction of factual details. No part of information provided herein should be construed as investment advice by Esbee Sharpe and/or its employee. Investor/Client must make their own investment decisions based on their own specific investment objectives and financial position. This newsletter does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this newsletter. Investors should seek financial advice regarding the appropriateness of investing in any financial instrument discussed in this newsletter and should understand that statements regarding future prospects may not be realized. Esbee Sharpe may trade for its own accounts in any financial instrument or in related investments mentioned in this presentation. The recipient alone shall be fully responsible / liable for any decision taken on the basis of this material. Investors should note that income from financial instruments mentioned in this newsletter, if any, may fluctuate and that each instrument's price or value may rise or fall. Past performance is not necessarily a guide to future performance. Esbee Sharpe, and any of its officers, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. This newsletter is prepared for private circulation. No part of this material may be duplicated in whole or in part in any form and /or redistributed without the prior written consent of Esbee Sharpe. This material is strictly confidential to the recipient and should not be reproduced or disseminated to anyone else. The distribution of this presentation in certain jurisdictions may be restricted by law, and persons in whose possession this presentation comes, should observe, any such restrictions

For any queries, please contact:

Subhradip Bhowmick - Phone: +91 98309 90748 || +91 9674156665, Email – subhradip.bhowmick@esbeesharpe.com

Esbee Sharpe Investment Services (AMFI registered Mutual Fund Distributor)

Apeejay Business Centre, Suite # 5, Apeejay House,

15 Park Street, Block A, 8th Floor, Kolkata – 700 016

GST Registration Number : 19AFNPB4294B1ZI