

## Market Commentary

Feb 2024

- Selling pressure across the leading private banks (which has a ~40% weightage in Nifty 50) led to Nifty closing marginally lower by -0.02% during the month.
- The midcap & the small cap space however continued to move up, with the Nifty Midcap 150 Index closing 4.73% up & Nifty Small cap 250 Index closing 7.28% up during the month.
- IT & Banking continue to face headwinds (sectors mostly owned by FPIs) – additional disclosure requirement norms by SEBI for FPIs stock ownership, increased risk weightage on unsecured lending by RBI along with concerns of a prospect of global slowdown (the later affecting larger IT companies in particular)
- Overall the key indices touched all time highs crossing their previous peaks.

	Date	Peak	Values on	Diff from
		Values	31 Jan 24	Previous Peak
Nifty	15-Sep-23	20192	21726	<b>7.60%</b>
Nifty Midcap 150	08-Sep-23	15505	17885	<b>15.35%</b>
Nifty Small Cap 250	17-Oct-23	12530	15064	<b>20.22%</b>

## FY24 Q3 Earnings Snapshot

Sector	Sales		EBITDA		PAT	
Coverage Universe	QoQ%	YoY%	QoQ%	YoY%	QoQ%	YoY%
Automobiles	5.0	21.0	8.7	63.0	14.6	112.2
Cement	-8.1	11.6	-11.2	54.8	-1.5	96.7
Chemicals Spec	-1.7	-17.4	-2.9	-19.0	-3.3	-21.8
Consumer	-0.1	4.4	-2.3	13.7	-1.0	17.5
Banks Pvt	6.3	24.2	6.6	22.6	12.6	35.6
Banks PSU	1.7	13.5	-9.0	6.0	-4.1	30.4
Insurance	34.4	14.3	53.7	7.8	-2.9	14.7
NBFC Lending	5.2	28.1	4.6	30.0	1.7	34.0
NBFC Non Lending	25.1	36.7	36.8	28.0	26.3	25.8
Healthcare	5.0	14.3	7.9	18.0	12.4	15.0
Oil & Gas	-2.6	-8.8	-1.5	84.6	-0.9	126.4
Retail	4.5	20.3	4.7	7.0	4.1	-6.8
Technology	0.9	6.0	3.4	5.0	2.4	4.9
Infrastructure	-9.7	7.4	-8.8	3.7	-29.5	-10.7
<b>Aggregate (239)</b>	<b>1.0</b>	<b>2.8</b>	<b>0.0</b>	<b>30.2</b>	<b>1.0</b>	<b>47.8</b>
Aggregate Ex Metals & Oil	3.7	13.1	1.1	18.8	2.4	31.7
Aggregate Ex OMCs	3.9	6.8	1.3	20.5	3.0	30.0
<b>Nifty 50</b>	<b>3.4</b>	<b>5.1</b>	<b>0.4</b>	<b>20.6</b>	<b>2.8</b>	<b>28.0</b>

Source: MOAMC Internal Research, MOFSL

Disclaimer: Past performance may or may not be sustained in future. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy.

- 2QFY24 earnings growth was strong with Nifty posting a 28% earnings growth for the qtr ending 31<sup>st</sup> Dec 23 over the previous year qtr.
- Automobiles, Cement along with Oil & Gas were the leaders in earnings growth on the back of strong margin tailwinds.
- The aggregate earnings of the broader markets as indicated by the 239 companies tracked by MOFSL grew a robust ~48% yoy, indicating that the underlying stock price movement of the midcap & small cap segment of the market is not completely out of sync, albeit valuation concerns.



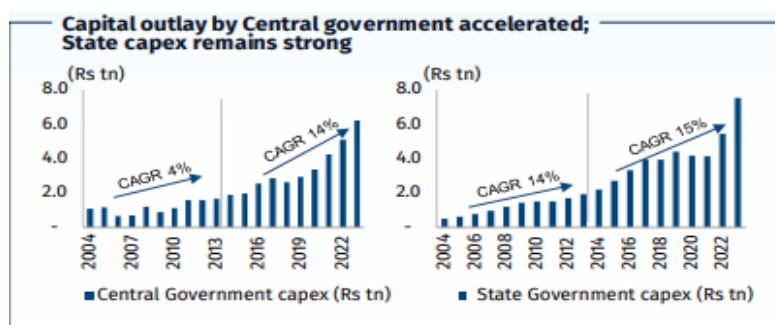
Source: Motilal Oswal AMC Internal Research. Disclaimer: Past performance may or may not be sustained in future. The above graph is used to explain the concept and is for illustration purpose only and should not be used for development or implementation of an investment strategy. Data as on 31st Oct'23. ^Data unavailable.

## Market Outlook – Continues to remain positive

- Amidst valuation concerns the earnings momentum along with reforms momentum remain strong.
- Domestic inflows through SIPS, continue to be a structural phenomenon and a key driver.
- While Midcaps are trading at a premium over large caps, it is believed that the valuation premium will be sustained on the back of robust domestic inflows (around 50% of in domestic inflows going to midcap & small funds)
- Also given the strong presence of the growth themes in the midcap & small cap space, it is believed that this space will continue to do well on a relative basis on continued policy support.
- However it is also true that the performance is likely to be very stock specific & therefore funds in the small cap & midcap space are likely to see a wider dispersion of returns, going forward

## Summary

- While markets continue to chase stocks delivering higher growth, majority of the action is around PSU stocks.



Considering the accelerated Capex spending by the govt, this space is likely to continue delivering outperformance. However, the challenge will be to invest & choose between businesses based on news flows & possible govt action vis a vis businesses with sound fundamentals with attractive valuations.

- As a strategy we continue to maintain a portfolio with ~50% exposure to mid cap & small cap space

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