



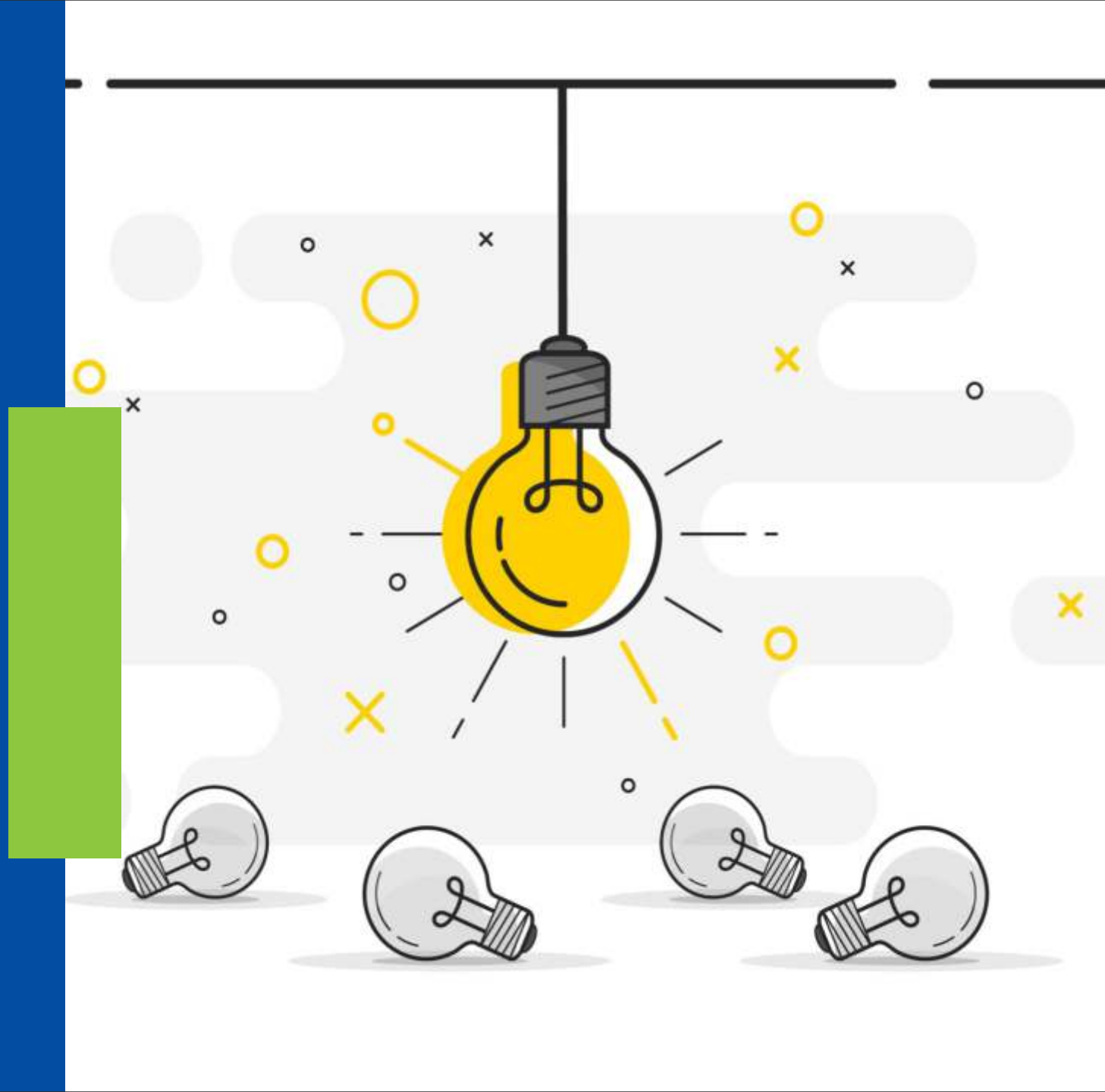
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Equity Market & Fund Insights

Jan 2023

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Budget at Glance



**Revenue
Receipts**

₹26.3 tn.

12% 

**Capital
Receipts**

₹18.7 tn.

1.6% 

Expenditure

₹45.0 tn.

8% 

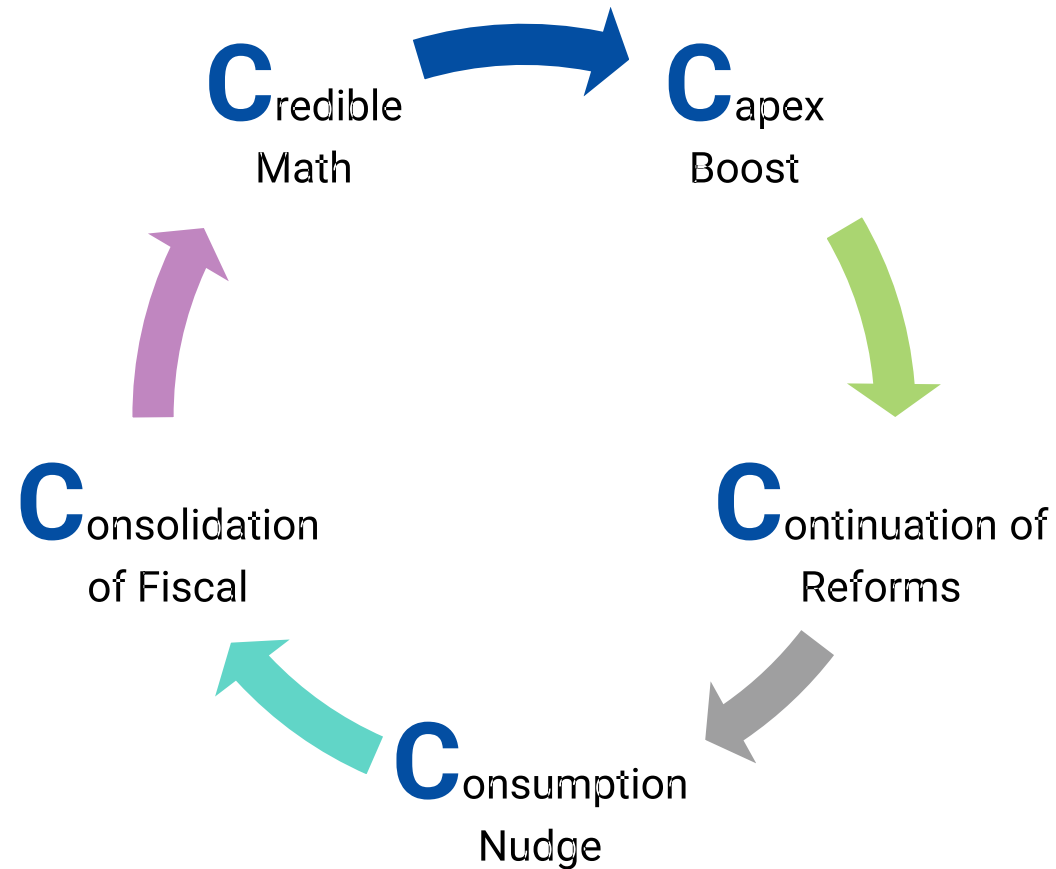
**Fiscal
Deficit**

₹17.9 tn.

5.92% of GDP 

panchajorit

Budget focused on 5Cs



panchajorit

Budget focused on 5Cs



Capex Boost

- Higher multiplier impact on economy

- * ₹10 tn. Capex spending. 3x rise from FY20 outlay.
- * Extension of 50-year interest-free loan to states for capex.
- * Highest ever spending on Railways and Roadways at ₹2.41 tn. and ₹2.70 tn.



Continuation of Reforms

- Path to \$5tn economy

- * ₹547bn outlay towards green energy transition.
- * Simplified KYC to help financial inclusion.
- * Focus on digitisation - 3 AI centres & 100 labs to develop 5G applications.

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Budget focused on 5Cs



Consumption Nudge

- Boost growth in the near term

- * Relaxation in personal tax to propel savings & consumption.
- * Skilling youth with coding, AI, robotics skills to boost employment.
- * Big boost on tourism by developing 50 destinations.



Consolidation of Fiscal

- Keeping interest rates & inflation in check

- * Fiscal deficit target at 5.9% in FY24 with aim to reduce it further to 4.5% by FY26
- * Net borrowing for FY24 at ₹11.8tn (against ₹11.1 in FY23)



Credible Math

- Confidence to investors

- * FY24 Gross Tax Revenues growth projected at ~10% YoY.
- * Real GDP growth pegged at 6.5%. Nominal GDP growth at 10.5% in FY24.

Our take



Impact on Equity Market – 'PanchAmrit' budget, balancing growth with reasonable prudence which has the potential to boost consumption across the pyramid. Overall, a positive budget for equity markets and many key sectors of the economy.

Impact on Fixed Income Market – Controlled borrowings is positive for bond yields and shall keep them away from rising. We expect the benchmark 10Y G-Sec to trade between 7.25% and 7.5% in the near-term.



Global Equity Markets at glance



	Countries	Exchange Name	Index Level	P/E (x)	Valuation (12 month forward)			Performance (%)				
					P/B (x)	Divd Yield (%)	ROE (%)	1Month	3Month	6Month	1 Year	YTD
Developed Market	USA	S&P500	4018	17.7	3.5	1.8	20.0	4.6	3.8	(2.7)	(11.0)	4.6
	USA	Nasdaq	11394	23.8	4.3	1.1	17.9	8.9	3.7	(8.0)	(20.0)	8.9
	Europe	STOXX 600	451	12.7	1.7	3.5	13.8	6.2	9.5	3.0	(3.7)	6.2
	UK	FTSE 100	7731	10.3	1.6	4.1	15.7	3.7	9.0	4.1	3.6	3.7
	Germany	DAX	15038	11.9	1.5	3.4	12.6	8.0	13.5	11.5	(2.8)	8.0
	France	CAC 40	7047	12.1	1.6	3.3	13.3	8.9	12.5	9.3	0.7	8.9
	Japan	Topix	1975	12.4	1.1	2.7	9.0	4.4	2.4	1.8	4.2	4.4
	Australia	ASX 200	7477	14.9	2.1	4.2	13.9	6.2	8.9	7.7	7.2	6.2
	Singapore	STI Index	3366	11.1	1.1	4.8	9.6	3.5	8.8	4.8	3.6	3.5
	Hong Kong	Hang Seng	21842	10.2	1.1	3.4	11.1	10.4	48.7	8.4	(8.2)	10.4
Emerging Market	India	Nifty 50	17662	18.4	2.8	1.6	15.3	(2.4)	(1.9)	2.9	1.9	(2.4)
	China	Shanghai composite	3256	10.5	1.2	3.3	11.8	5.4	12.5	0.1	(3.1)	5.4
	Brazil	Bovespa	112273	6.9	1.2	6.4	16.7	2.3	(3.2)	8.8	0.1	2.3
	South Africa	Johnnesburg AllShr	79581	10.4	1.7	4.4	16.8	8.9	19.4	15.4	7.1	8.9
	Korea	KOSPI	2425	12.4	0.9	2.5	7.3	8.4	5.7	(1.1)	(8.9)	8.4
	Mexico	IPC	54521	12.9	1.6	3.6	12.6	12.5	9.2	13.2	6.2	12.5
	Phillipines	PCOMP	6793	1.5	2.1	13.7	11.1	3.5	10.4	7.6	(7.7)	3.5
	Turkey	XU100	4991	5.5	0.7		12.7	(9.4)	25.4	92.5	149.2	(9.4)
	Thailand	SET	1671	15.5	1.6	3.1	10.1	0.2	3.9	6.0	1.4	0.2
	Vietnam	VN30	1125	8.9	1.4		15.6	11.9	9.6	(8.7)	(26.6)	11.9

Source: Bloomberg estimates. Data as on Jan 31, 2023. Performance in home currency.

Indian Equity Markets at glance

Marketcap, theme and factor performance – Trailing period

	Segment	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
Market-cap	Large-cap (NIFTY 50)	-2.43	-1.90	3.31	3.18	15.21	11.25	12.71
	Large-cap (NIFTY Next 50)	-7.05	-7.97	-3.94	-3.61	12.50	6.23	13.65
	Multicap (NIFTY 500)	-3.30	-3.11	2.19	1.28	16.10	10.28	13.32
	Large & Midcap (Nifty LargeMidcap250)	-2.99	-2.84	2.73	2.13	18.07	10.94	15.20
	Midcap (Nifty Midcap 150)	-2.40	-2.22	3.90	2.56	21.40	11.29	17.31
	Small-cap (Nifty Smallcap 250)	-2.30	-1.09	5.81	-4.67	22.40	6.75	14.79
Themes/Sector	Auto (NIFTY AUTO)	5.65	-0.42	6.43	15.11	19.55	4.05	12.27
	Commodities (NIFTY COMMODITIES)	-4.08	-1.47	3.37	0.96	22.38	9.08	10.74
	Consumption (NIFTY CONSUMPTION)	-2.71	-7.65	-1.96	7.45	14.59	9.37	13.54
	Energy (NIFTY ENERGY)	-8.34	-11.09	-8.13	-3.28	20.14	13.16	13.17
	Financials (Nifty Financial Services)	-4.66	-2.38	3.92	2.34	8.71	10.57	14.41
	Infrastructure (NIFTY INFRA)	-3.63	-3.30	4.05	1.40	17.76	8.79	8.70
	Information Technology (NIFTY IT)	4.08	3.87	2.84	-12.75	24.99	20.42	18.16
	Realty (NIFTY REALTY – TRI)	-4.69	-6.18	-8.51	-14.03	7.91	4.06	4.02
	Healthcare (S&P BSE Healthcare)	-2.35	-5.97	-1.49	-6.04	17.99	9.80	11.55
Factors	Beta (Nifty High Beta 50)	-4.49	0.18	10.68	3.04	17.17	-0.59	4.02
	Value (Nifty 50 Value 20 Index)	2.67	3.70	7.66	6.77	23.16	15.78	15.29
	Quality (Nifty 100 Quality 30 Index)	-0.31	-1.94	0.27	3.16	14.26	9.89	13.02
	Momentum/Alpha (Nifty Alpha 50)	-7.83	-10.33	-2.97	-18.28	26.16	15.38	19.99

Indian Equity Markets at glance

Marketcap, theme and factor performance - YOY

	Segment	YTD 23	2022	2021	2020	2019	2018	2017
Market-cap	Large-cap (NIFTY 50)	-2.43	9.5	25.26	16.01	12.98	5.59	30.27
	Large-cap (NIFTY Next 50)	-7.05	4.55	29.84	15.97	1.86	-7.68	47.73
	Multicap (NIFTY 500)	-3.30	7.6	30.95	17.7	8.64	-1.55	37.65
	Midcap (Nifty Midcap 150)	-2.40	5.73	46.48	25.12	0.58	-12.49	55.73
	Small-cap (Nifty Smallcap 250)	-2.30	-0.9	61.48	25.55	-7.59	-26.54	58.47
Themes/Sector	Auto (NIFTY AUTO)	5.65	22.33	19.32	13.58	-8.84	-21.57	32.57
	Commodities (NIFTY COMMODITIES)	-4.08	11.22	49.18	12.47	2.3	-12.99	38.32
	Consumption (NIFTY CONSUMPTION)	-2.71	13.73	20.11	20.59	1	-0.39	46.7
	Energy (NIFTY ENERGY)	-8.34	23.17	37.94	8.98	13.21	3.56	41.94
	Financials (Nifty Financial Services)	-4.66	12.67	14.73	4.62	25.13	12.4	42.67
	Infrastructure (NIFTY INFRA)	-3.63	11.49	36.9	14.06	3.99	-10.98	36.06
	Information Technology (NIFTY IT)	4.08	-19.79	60.99	57.38	10.91	27.2	14.53
	Realty (NIFTY REALTY – TRI)	-4.69	-6.72	53.43	5.91	26.44	-32.83	110.68
	Healthcare (S&P BSE Healthcare)	-2.35	-7.99	20.57	62.19	-3.06	-5.45	1.1
Factors	Beta (Nifty High Beta 50)	-4.49	11.96	35.02	9.94	-18.07	-27.37	60.96
	Value (Nifty 50 Value 20 Index)	2.67	5.14	36.3	27.92	8.56	11.56	31.84
	Quality (Nifty 100 Quality 30 Index)	-0.31	3.31	21.7	22.55	5.64	5.77	23.45
	Momentum/Alpha (Nifty Alpha 50)	-7.83	-10.55	73.09	51.33	7.89	-13.39	69.75

Large, Mid and Smallcap performance

10 out of 15 years Mid and Small caps have outperformed Large caps. In FYTD23 Mid caps have outperformed.

Period	Largecap	Midcap	Smallcap
FY2008	25.12	21.47	31.33
FY2009	-35.44	-48.52	-54.9
FY2010	75.29	135.77	141.42
FY2011	12.36	4.74	0.91
FY2012	-7.45	-4.48	-8.43
FY2013	10.83	7.4	-2.78
FY2014	19.47	18.01	22.9
FY2015	28.17	59.73	62.76
FY2016	-7.82	-1.67	-5.95
FY2017	20.16	37.21	40.56
FY2018	12.68	18.75	15.32
FY2019	16.45	-0.65	-12.44
FY2020	-25.02	-30.09	-40.22
FY2021	72.54	101.57	118.68
FY2022	20.26	25.05	37.02
FYTD23	2.26	4.88	-1.08

Flows

FII flows turned negative again

CY	FII-Cash (US\$ mn.)	DIIs (US\$ mn.)	MFs(subset of DIIs)
2015	3,274	10,313	10,872
2016	2,903	5,425	6,976
2017	8,014	14,043	18,322
2018	-4,557	15,896	17,365
2019	14,234	5,971	7,509
2020	23,373	-4,910	-6,989
2021	3,761	13,034	10,611
2022	-16,643	35,390	23,495
2023 - Jan	-3,660	4,444	2,202

Key Macro Indicators



Indicator	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22
CPI Inflation (YoY %)	6	6.1	7	7.8	7.04	7	6.71	7	7.41	6.8	5.9	5.7
Crude Indian Basket (\$)	84	93	113	102	109	116	106	98	90	91	87	78
GST Collection (lakh Crs.)	1.41	1.33	1.42	1.67	1.41	1.45	1.49	1.44	1.47	1.51	1.45	150
FX Reserve (\$ bn)	630	632	623	602	601	593	574	561	537	531	550	562
Trade Balance (\$Bn)	-17	-19	-18	-20	-24	-26	-28	-28	-26	-27	-23	-24
CAD (% of GDP)	-2.74	-2.74	-1.52	-1.52	-1.52	-2.8	-2.8	-2.8	-4.4	-4.4	-4.4	-4.4
Bank Credit (Industry)	6.4	6.5	3.9	7.5	8.1	9.5	10.5	11.4	12.6	13.6	13.1	8.7
Bank Credit (Services)	7.3	5.6	8.7	11.1	12.9	12.82	16.5	17.2	20	22.5	21.3	21.3
Bank Credit (Retail)	11.6	12.3	12.6	14.7	16.4	18.1	18.4	19.5	19.6	20.2	19.7	20.2
Manufacturing PMI	54	54.9	54	54.7	54.6	53.9	56.4	56.2	55.1	55.3	55.7	57.8
Services PMI	51.5	51.8	53.6	57.9	58.9	59.2	55.5	57.2	54.3	55.1	56.4	58.5

Government Reforms

Reforms that are likely to generate macro dividend in coming years

Production linked
incentive scheme for
14 manufacturing
sector

Insolvency and
bankruptcy code

Corporate Tax Cut in
2019

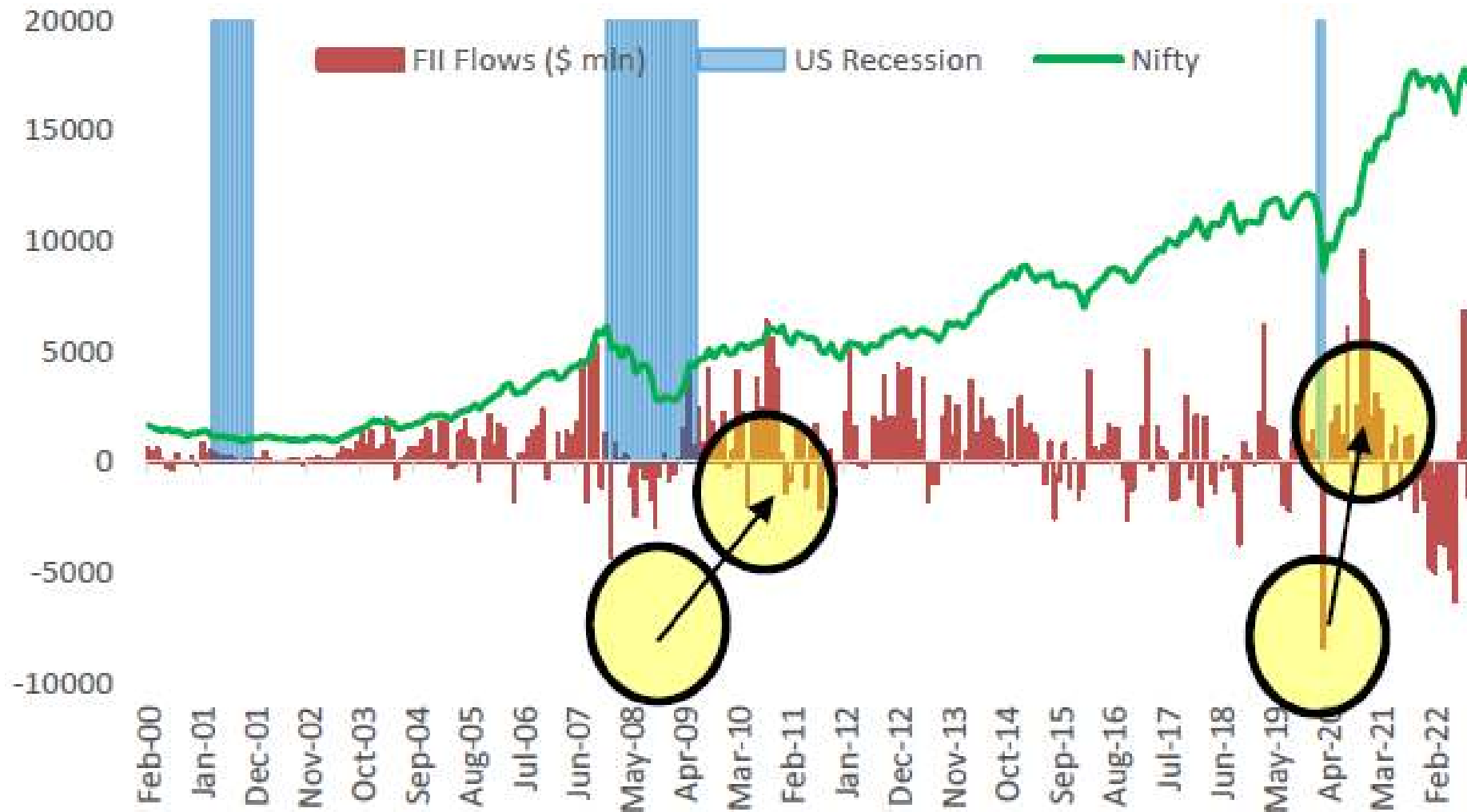
Asset monetisation
scheme

GST

Various privatisation
and disinvestment
initiative

FII flows turn back to India after US recession

FII flows have jumped up sharply after every recession in the US



India tagged as the fastest growing economy



GDP Growth	2021	2022E	2023E
India	8.7%	7.4%	6.1%
US	5.7%	2.3%	1%
Advanced Economies	5.2%	2.5%	1.4%
Developing Economies	6.8%	3.6%	3.9%

India has is the fastest growing major economy in the coming years

Total debt to GDP%	2008	2013	2021
India	180%	175%	176%
US	240%	250%	281%
Advanced Economies	230%	261%	289%
Developing Economies	112%	148%	228%

India has the lowest debt compared to the rest of the world which leaves huge scope for financial leverage for the economy

4 pillars propelling India's journey to \$5tn



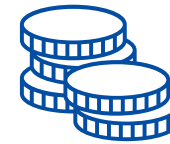
Consumption

- * 140 Mn households to be added to India's middle class by 2030 which would drive spends.
- * 56% Urbanization by 2030 will lead to better consumption prospects.



Infra Investments

- * 8-9% infra spends as a % of GDP would enable \$ 5 Trillion economy.
- * 70% National Infra Pipeline targets to be achieved by 2025.



Corporate Capex

- * 2/3rd of companies saw debt reduce in 2021, best placed to drive capex.
- * Rs.3.5-4 Trillion capex to be invested via the PLI scheme in the next 3-4 yrs.



Innovation

- * 80% transactions to be digital by 2030 – Digital India.
- * 100+ Unicorn with a total valuation of \$ 340 billion