

EQUITY MARKET ASSESSMENT

-Nov'24

PMS RESEARCH DESK

Right Horizons Portfolio Management Services (RH PMS)

RH PMS is a SEBI registered PMS for segregated accounts

MACRO UPDATE

KEY INDICATORS	Oct'24	Sep'24
MARKET UPDATE		
SENSEX	79,389.06	84,299.78
P/E	23.28	24.75
P/B	4.02	4.27
Dividend Yield (%)	1.18	1.08
CURRENCY UPDATE		
USD/INR	84.0891	83.7164
USD/EUR	0.9209	0.8953
USD/CNY	7.1148	7.0103
COMMODITY UPDATE		
Brent Oil (USD Per Barrel)	71.87	72.35
Gold (USD per ounce)	2,743.80	2,634.49
Bloomberg Commodity Index	98.10	100.34
FPI NET INVESTMENTS		
Equity (INR Cr)	-94,017	57,724
Debt (INR Cr)	-4,406	1,299
ECONOMY UPDATE		
GDP Growth (FY24) (YOY)	8.20%	
CPI (Sep'24)	5.49%	
Repo Rate (Oct'24)	6.50%	

COMMENTARY

RBI's MPC kept the benchmark repo rate unchanged at 6.5% and shifted policy stance to 'neutral'. FY25 GDP estimates and CPI inflation forecast were retained. We expect rate cuts to start from last quarter of FY25.

The Federal Reserve lowered interest rates by 50 basis points, easing monetary policy for the first time in four years to support growth and stabilize a slowing labor market.

We believe the broader market valuations are elevated and some bit of moderation in earnings growth in Q2 is expected. This combination of moderation in earnings and record-high valuations has induced volatility in the markets. We see reasonable valuations in pockets of SMID's and expect earnings for our portfolio companies to compound at 20%+ over the next three years.

MACRO DASHBOARD- POSITIVE

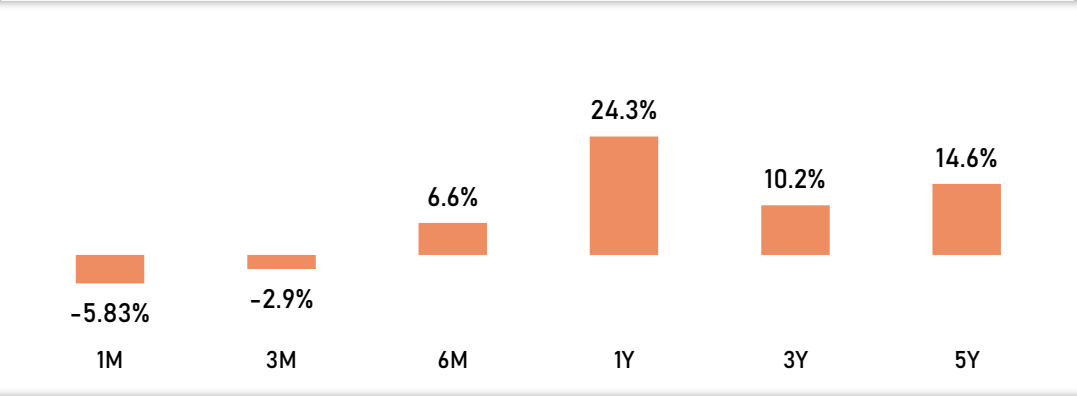
KEY INDICATORS

PMI			Outlook
PMI MANUFACTURING (Oct'24 Vs Sep'24)	57.50	56.50	POSTIVE
PMI SERVICES (Oct'24 Vs Sep'24)	58.50	58.90	
DEMAND			
Consumer Confidence (Sep'24 Vs Jul'24)	94.70	93.90	NEUTRAL
Infrastructure O/P (YOY) (Sep'24 Vs Aug'24)	2.00%	-1.80%	
UTILIZATION	3QFY24	2QFY24	
Capex Utilization	75.80%	74.00%	POSITIVE
PRODUCTION			
Industrial Production (YOY) (Aug'24 Vs Jul'24)	-1.0%	4.70%	NEUTRAL
Manufacturing Production (YOY) (Aug'24 Vs Jul'24)	1.00%	4.40%	
Mining Production (YOY) (Aug'24 Vs Jul'24)	-4.30%	3.80%	
Steel Production (Thousand Tonnes) (Aug'24 Vs Jul'24)	12,300	12,300	
Passenger Vehicle Sales (Units) (Sep'24 Vs Aug'24)	3,15,689	3,08,779	
FISCAL	Oct'24	Sep'24	
GST Collections (INR in Cr)	1,87,346	1,73,240	NEUTRAL

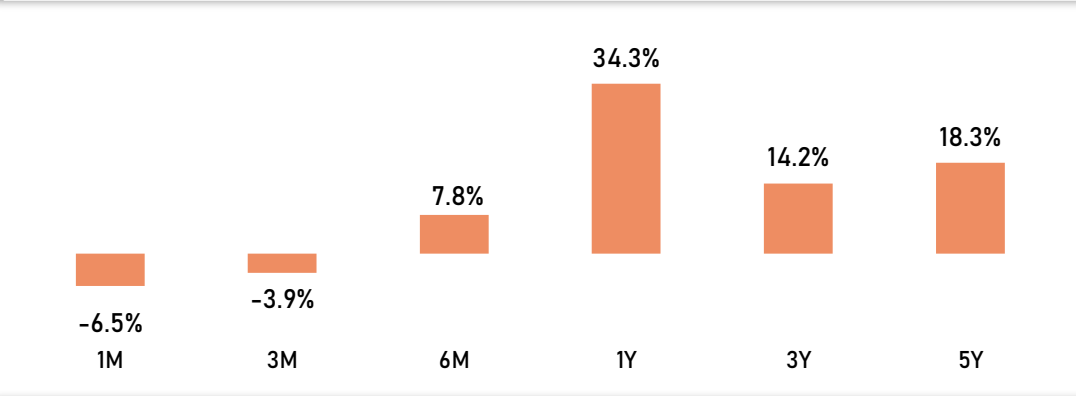
DOMESTIC MARKET PERFORMANCE

Markets turned volatile due to rising tensions in the Middle East, FII's redirecting funds to China following the announcement of substantial fiscal stimulus and a short-term policy rate cut by its central bank to spur consumption and economic growth. Additionally, SEBI's introduction of stricter regulations for the derivatives market is expected to impact trading volumes in the near term.

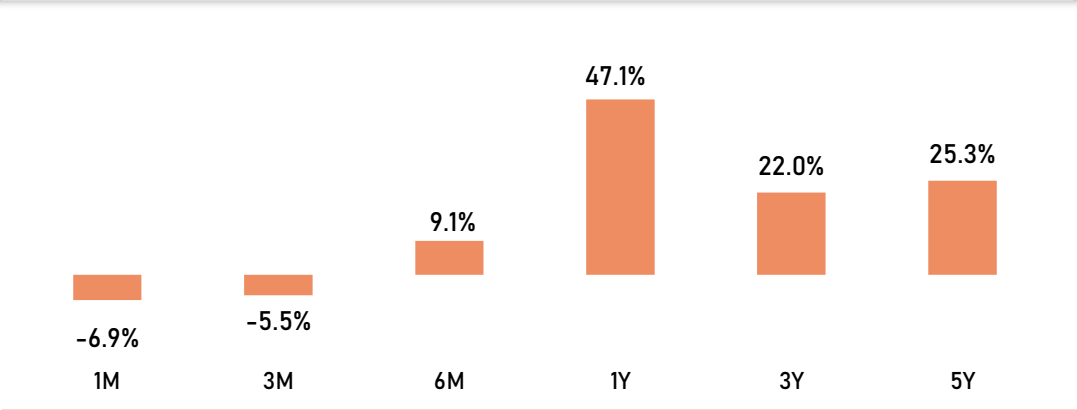
SENSEX



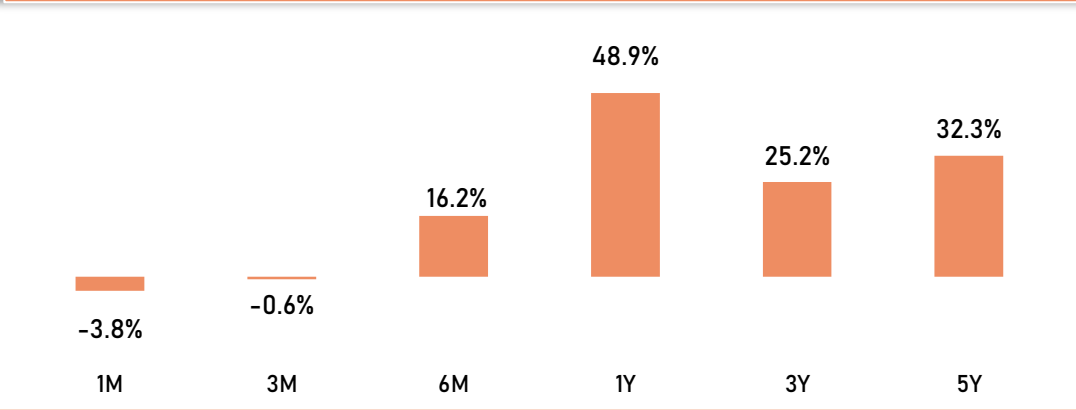
BSE 500



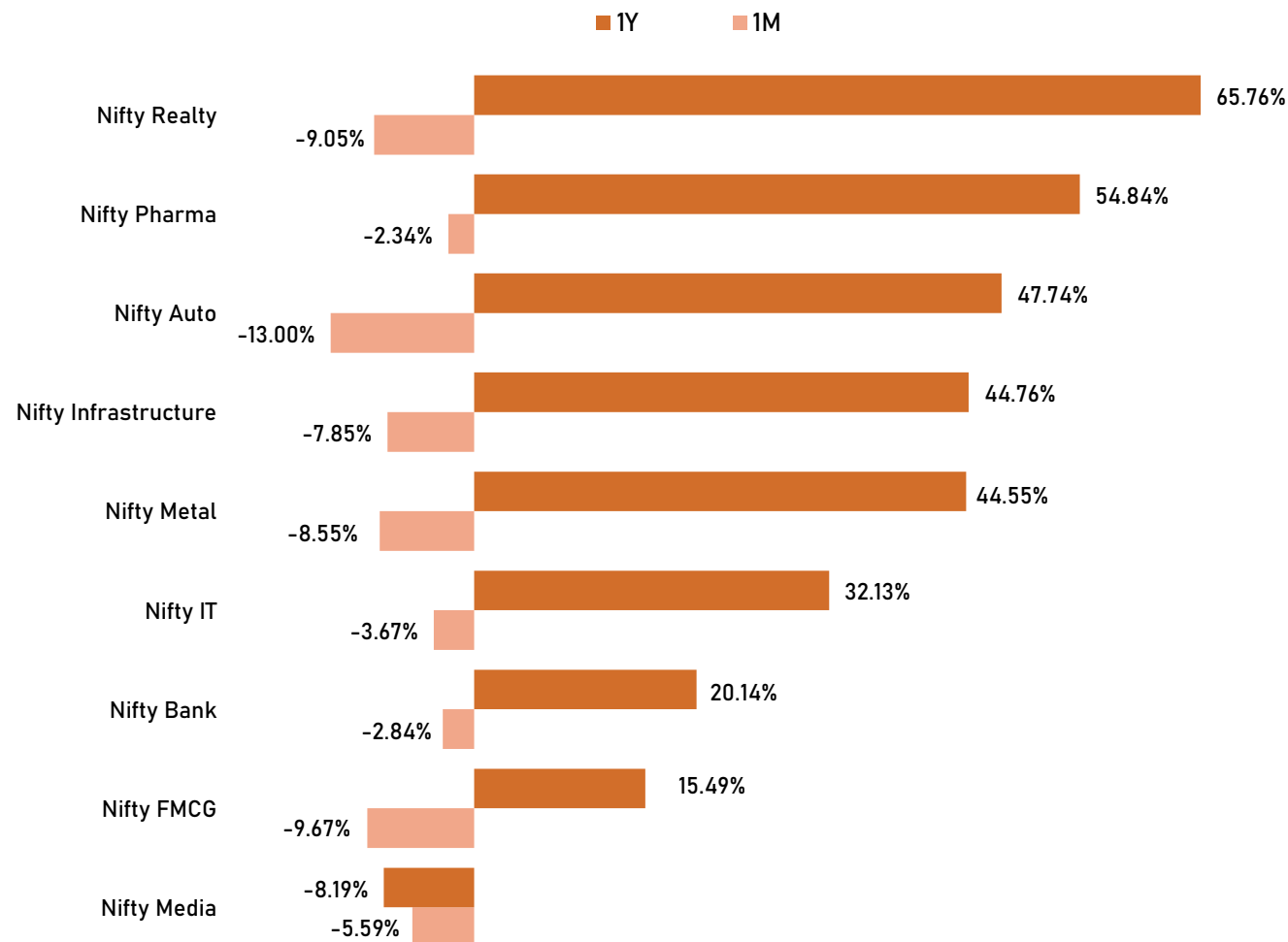
BSE MIDCAP



BSE SMALLCAP



MARKETS PERFORMANCE: SECTORAL



We are playing Realty and Infra theme through Building Materials and have exposure to **Pipe businesses, Structural tube companies, Paints and wires & Cable businesses** which can get benefitted due to increased capex spending, new real estate launches and Governments thrust on housing.

Air Con, EMS, Telecom, Retailing companies did well in Q1 earnings.

Stock piling at Auto dealers end leading to price cut from OEMs.

Metals have done a revival amid China Stimulus

Macro Playbook:

1. Rate Cut:

NBFCs preferred over bank – to benefit from rate cut cycle.
Auto/ Real Estate/ Consumer would be beneficiaries of rate cut cycle going forward

2. Crude:

Paints/ Tyre/ Chemicals/ Airlines would get benefit of lower crude prices

3. China Stimulus:

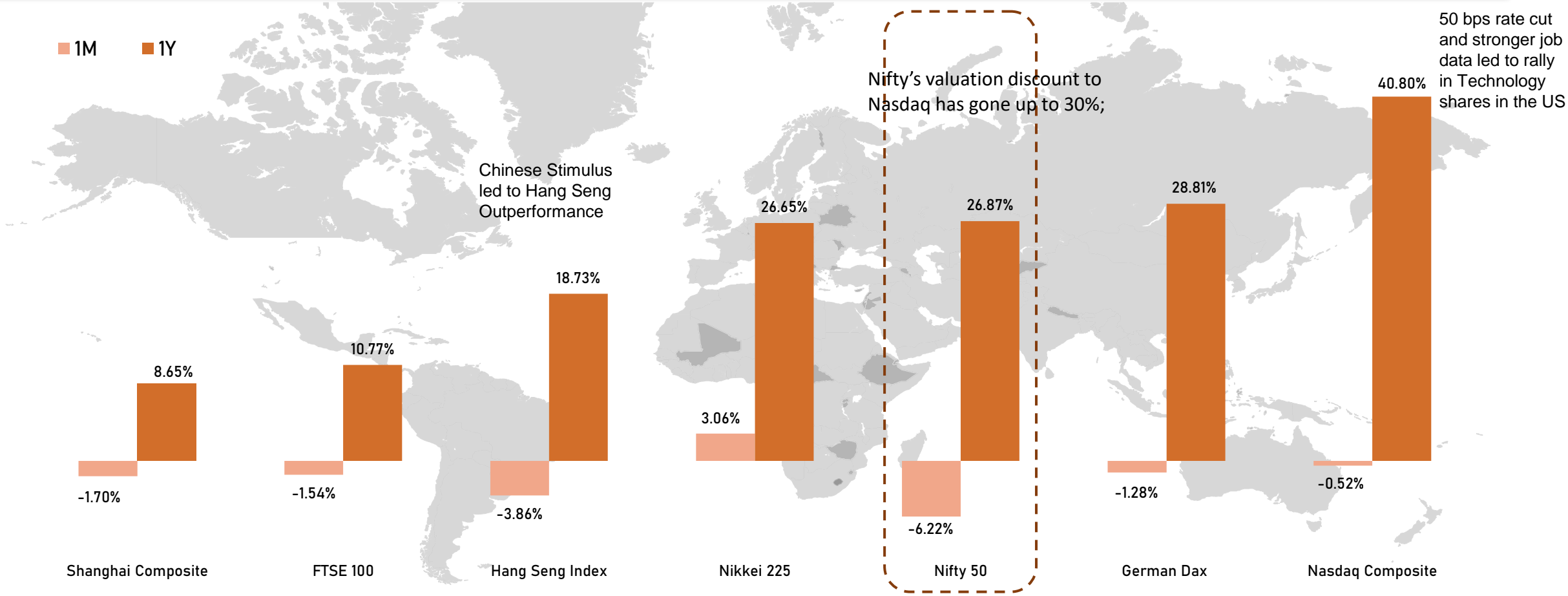
Metals / Commodities would be bullish

4. Trump Trade:

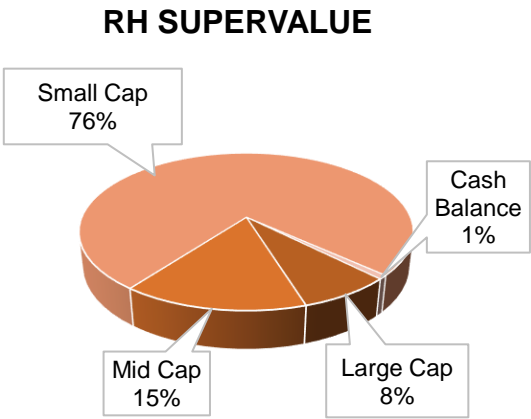
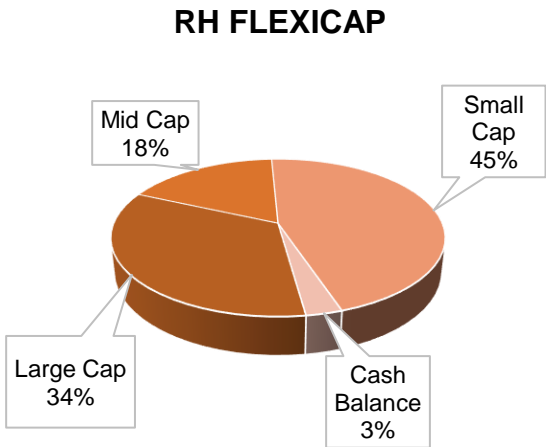
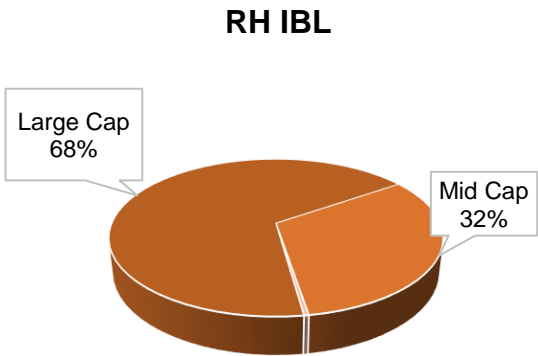
IT due to US banks/ Pharma on China Duty

GLOBAL MARKET PERFORMANCE

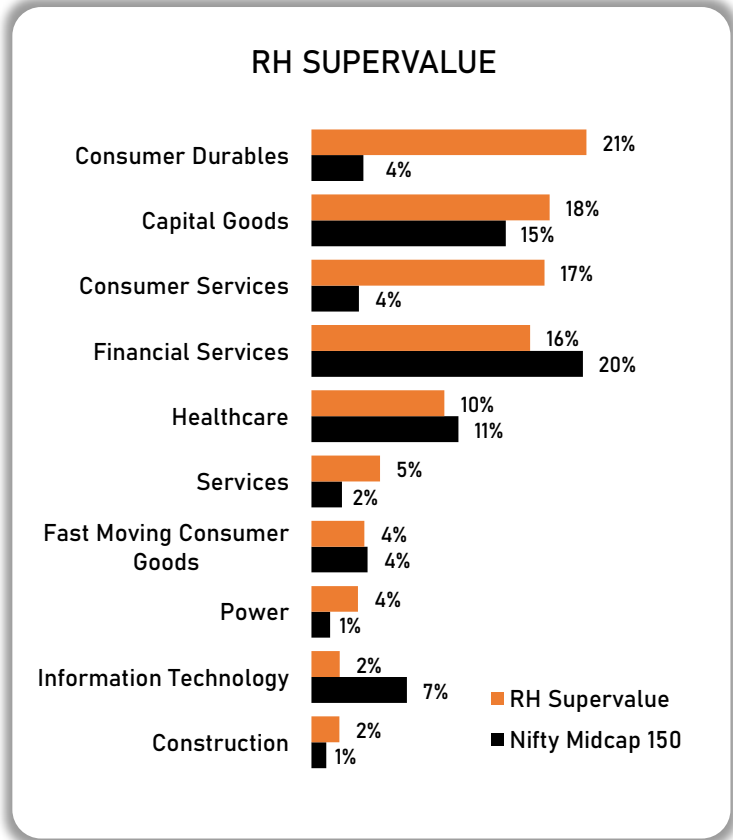
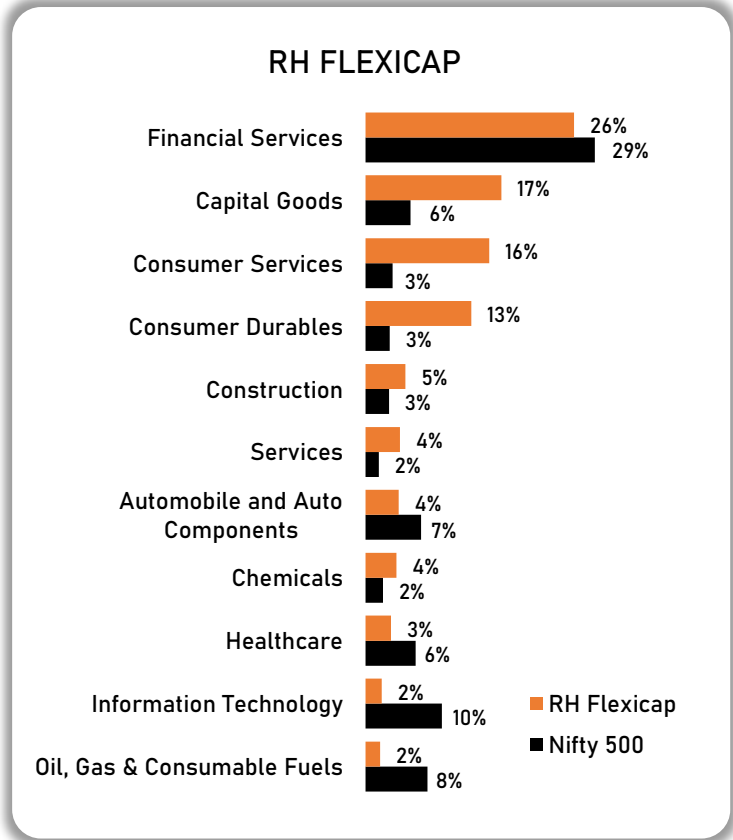
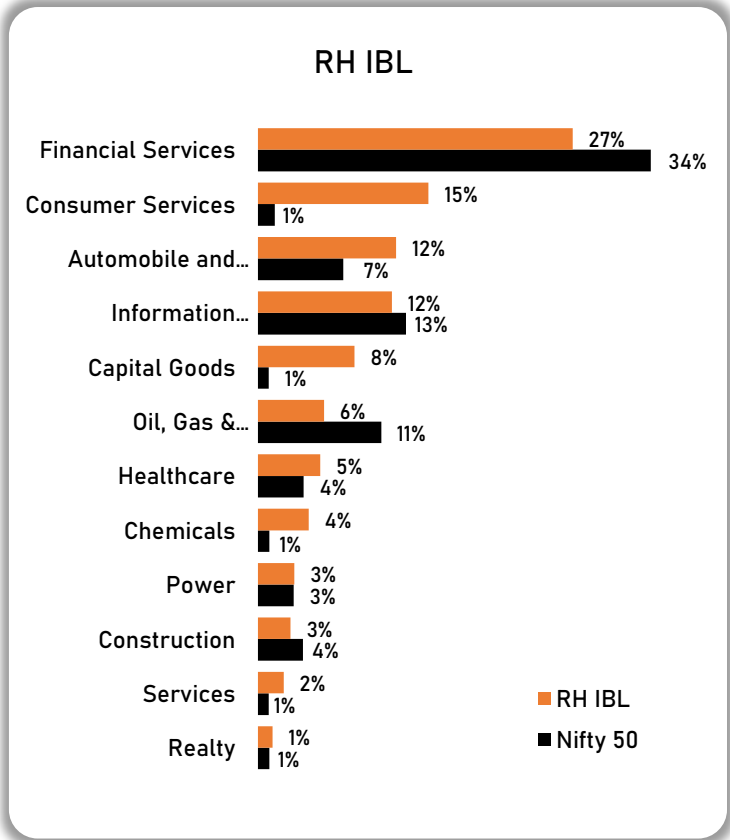
Indian benchmark indices continued its upward trend for the fourth consecutive session, hitting a new milestone as the Nifty 50 index surged to a record high of 26,000. This rally was fueled by ongoing optimism about India's economic growth prospects and the easing of monetary policy in the US, which is expected to attract more foreign investment.



M-CAP BREAKUP



PMS VS BENCHMARK SECTOR COMPARISON



VALUATION SNAPSHOT

TTM P/E	Oct'24	LT Avg.	SD+1	SD-1	SD
Nifty 500	26.1	25.4	31.3	19.5	5.9
Nifty Midcap 150	43.0	29.2	39.3	19.0	10.1
Auto	23.1	40.5	104.9	23.9	64.4
Bank* (PB)	2.3	2.6	3.1	2.1	0.5
Consumer Durables	79.8	42.5	76.3	8.6	33.9
FMCG	47.0	35.7	42.7	28.6	7.0
Healthcare	42.4	34.7	43.5	26.0	8.8
IT	32.0	23.1	28.9	17.3	5.8
Metal	32.1	14.9	21.1	7.7	7.2
Oil & Gas	13.2	14.6	21.7	7.6	7.1
Pharma	37.3	36.6	46.8	26.4	10.2

SECTOR	RH IBL	RH FLEXICAP	RH SUPERVALUE
Construction	UW	OW	OW
Healthcare	UW	UW	UW
Auto	OW	UW	-
Services	OW	OW	OW
Consumer Durables	-	OW	OW
IT	UW	UW	UW
Financials	UW	UW	UW
Chemicals	OW	OW	-
Capital goods	OW	OW	OW

Sectoral Stance is derived from underlying portfolio holdings, valuation numbers are for historical reference.

OW-Overweight N-Neutral UW-Underweight

PORTFOLIO ACTIONS

	IBL	Flexicap	Super Value	Super Value Aggressive
New Entries	-	-	-	-
Complete Exits	-	-	Consumer Durables (Luggage Business)	Consumer Durables (Luggage Business)
Partial Sell	IT	Capital Goods-Industrial	-	Consumer Durables (Paints)
Partial Buy	-	1) Consumer Durables (Gems Jewellery And Watches) 2) Financials Services: Capital Markets 3) Healthcare	1) Consumer Durables (Gems Jewellery And Watches) 2) Financials Services (Capital Markets) 3) Healthcare 4) FMCG	1) Consumer Durables (Gems Jewellery And Watches) 2) Financials Services (Capital Markets) 3) FMCG

GOING FORWARD

The Nifty has corrected around 9% from its highs, and major global events are now behind us.

- **Geopolitical Tensions:** With Trump and Putin ready to negotiate, geopolitical tensions are expected to subside globally while trade war with China is expected to make a comeback.
- **Macroeconomic Fundamentals:** India's macroeconomic fundamentals are expected to be supported by Increased Fiscal Spending in H2; Government spending is expected to support companies in infrastructure, banking, and cement sectors
- **Food Inflation:** CPI Inflation at 5.9% was higher on account of Food inflation is a temporary issue, and the festive season has shown strong consumer demand across various sectors.
- **FII Selling:** FIIs have sold record 1.4 L Cr till now in Q3; bulk of the selling is behind us; Indian equities now trade at 30% valuation discount to US equities
- **Earnings Growth:** Earnings growth was muted in Q2 on account of weaker consumption due to intense heat wave, Elections, excessive Rainfall and lower Govt Spending at 29% of budgeted expenditure and increase in slippages; Consumption in H2 would be supportive due to early onset of festive seasons, above avg monsoon, increased Govt Spending, and record nos of wedding dates
- **Stock Picking:** Selective bottom-fishing in quality stocks with valuation comfort and solid fundamentals is recommended.

Key Events: Maharashtra Election, RBI Policy meet in Dec

Risks:

Global Volatility: Changing Geo-political landscape, policy driven uncertainty, and conflict in Middle East

Domestic Volatility: Slowdown in Consumption, weak Q3 Earnings

Market Stance: Cautiously Optimistic

DISCLAIMER

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Investments are subject to market risks, read all scheme related documents carefully

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PORTFOLIO RETURNS

DATE	RH IBL	NIFTY 50 TRI	RH FLEXICAP	NIFTY 500	RH SUPERVALUE	BSE MIDCAP	RH SUPERVALUE AGGRESSIVE	BSE SMALLCAP
1 Month	-4.59%	-6.12%	-5.59%	-6.42%	-3.73%	-6.86%	-3.17%	-3.76%
3 Months	0.40%	-2.67%	1.49%	-3.58%	6.55%	-5.49%	8.42%	-0.63%
6 Months	12.56%	8.10%	12.15%	8.06%	21.18%	9.13%	25.63%	16.20%
1 Year	40.67%	28.39%	35.15%	35.05%	41.53%	47.12%	46.39%	48.93%
2 Year	24.48%	17.19%	23.22%	21.25%	33.46%	34.58%	NA	NA
3 Year	14.05%	12.37%	16.01%	14.56%	24.15%	22.04%	NA	NA
5 Year	19.24%	16.61%	22.53%	18.53%	28.91%	25.30%	NA	NA
Since Inception of Current Fund Manager	17.73%	15.40%	20.71%	16.49%	34.88%	29.05%	NA	NA
Since Inception of Scheme	12.41%	14.34%	13.24%	14.25%	17.97%	17.23%	47.10%	57.68%
FYTD	15.04%	9.44%	17.15%	12.02%	32.84%	16.90%	34.34%	27.37%

*Updated as of 31st Oct'24

PORTFOLIO QUANTS

METRICS	RH IBL	NIFTY 50	RH FLEXICAP	BSE 500	RH SUPERVALUE	BSE 500	RH SUPERVALUE AGGRESSIVE	BSE 500
SD	15.20%	15.38%	15.51%	15.05%	15.23%	12.08%	22.29%	10.48%
Beta	0.96	1.00	0.89	1.00	0.60	1.00	0.21	1.00
Sharpe	1.01	0.79	1.26	1.05	1.54	1.02	1.73	2.97
Treynor	0.16	0.12	0.22	0.16	0.39	0.12	1.84	0.31

*Updated as of 31st Oct'24

PMS Vs MF COMPARISON

LARGECAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)	MULTICAP/FLEXICAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)
Nippon India Large Cap Fund(G)	36.28	19.80	19.90	23493	Quant Flexi Cap Fund(G)	46.29	21.07	31.92	3742
ICICI Pru Bluechip Fund(G)	36.88	17.14	19.55	44139	Parag Parikh Flexi Cap Fund-Reg(G)	35.91	16.35	24.67	27755
Canara Rob Bluechip Equity Fund-Reg(G)	33.61	12.71	17.92	8700	HDFC Flexi Cap Fund(G)	44.01	23.44	22.98	43414
HDFC Top 100 Fund(G)	32.53	17.12	17.66	26979	Franklin India Flexi Cap Fund(G)	39.07	17.87	22.48	12319
Aditya Birla SL Frontline Equity Fund(G)	33.51	13.79	17.50	23496	Edelweiss Flexi Cap Fund-Reg(G)	46.29	17.98	20.56	2008
Bandhan Large Cap Fund-Reg(G)	38.93	13.70	17.37	1399	PGIM India Flexi Cap Fund-Reg(G)	28.88	9.48	20.28	4385
Kotak Bluechip Fund(IDCW)	33.42	13.05	17.27	200	DSP Flexi Cap Fund-Reg(IDCW)	37.95	14.65	18.87	439
SBI BlueChip Fund-Reg(G)	29.01	13.10	16.77	35315	Canara Rob Flexi Cap Fund-Reg(G)	35.05	12.67	18.70	11354
HSBC Large Cap Fund(G)	35.40	13.61	16.53	1518	Aditya Birla SL Flexi Cap Fund(G)	37.92	13.80	18.63	17410
Tata Large Cap Fund-Reg(G)	34.14	13.39	16.48	1860	Motilal Oswal Flexi Cap Fund-Reg(G)	53.04	19.28	16.94	6364
Franklin India Bluechip Fund(G)	31.98	10.82	16.48	6378	Kotak Flexicap Fund(G)	33.54	14.40	16.83	37070
UTI Large Cap Fund-Reg(IDCW)	26.90	9.99	16.04	3946	UTI Flexi Cap Fund-Reg(IDCW)	26.71	5.78	16.33	7541
DSP Top 100 Equity Fund-Reg(G)	39.53	15.70	15.70	3433	SBI Flexicap Fund-Reg(G)	28.76	11.73	16.19	15645
Mirae Asset Large Cap Fund-Reg(G)	27.57	10.66	15.23	25807	Tata Flexi Cap Fund-Reg(G)	32.09	13.09	15.85	2737
Axis Bluechip Fund-Reg(G)	27.75	7.19	13.04	21819	Axis Flexi Cap Fund-Reg(G)	36.34	9.71	15.42	10972
RH IBL	40.67	14.05	19.24	-	RH Flexicap	35.15	16.01	22.53	-

PMS Vs MF COMPARISON

MIDCAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)
Quant Mid Cap Fund(G)	42.10	25.74	32.16	3770
Motilal Oswal Midcap Fund-Reg(G)	66.11	33.45	31.28	7675
Nippon India Growth Fund(G)	48.90	25.00	29.49	26501
HDFC Mid-Cap Opportunities Fund(G)	45.11	26.78	28.68	57114
SBI Magnum Midcap Fund-Reg(G)	34.35	20.17	27.36	16295
Kotak Emerging Equity Fund(G)	45.45	22.32	27.06	38693
Invesco India Midcap Fund(G)	54.73	22.76	27.05	4551
Tata Mid Cap Growth Fund-Reg(G)	41.85	20.76	25.02	3620
UTI Mid Cap Fund-Reg(IDCW)	37.01	17.40	24.96	1288
ICICI Pru Midcap Fund(G)	51.63	20.23	24.41	5540
Sundaram Mid Cap Fund-Reg(G)	52.15	24.13	24.34	10535
Aditya Birla SL Midcap Fund(G)	44.10	18.90	23.68	5139
Franklin India Prima Fund(G)	50.82	20.53	23.05	9426
Axis Midcap Fund-Reg(G)	43.63	16.12	22.54	20394
DSP Midcap Fund-Reg(G)	41.34	15.88	20.75	16018
RH Supervalue	41.53	24.15	28.91	-

Q2FY25 PORTFOLIO

SECURITY	SECTOR	PMS SCHEMES	RATIONALE
ZOMATO	Consumer Services (E-Commerce)	IBL, Flexicap, Supervalue & Supervalue Aggressive	Zomato is an Indian multinational restaurant aggregator and food delivery company. Blinkit plays a crucial role in Zomato's growth strategy as it is expected to account for 64% of the gross order value by FY30. The growth will be driven by expanding its presence in existing cities and entering new ones. Blinkit aims to achieve a 1.3% market share in relevant categories and is projected to be one of the largest national food and grocery retailers. Currently, Blinkit holds a 40% market share in quick commerce and has a 0.1% share of India's overall retail market. This market share is expected to increase to 2% within a decade (by FY34).
RKFORGINGS	Consumer Discretionary (Auto Components)	Flexicap	Ramkrishna Forgings (RKF) is a Kolkata based forging company that occupies a dominant position in India's forging sector. It is the largest in Eastern India and one of the largest in India providing forged products to discerning customers across India and across the world. Robust performance in the domestic sector has been fueled by an increase in customer wallet share, driven by new business in the automotive industry, along with strong revenue from the railway and highway sectors. The company has been emerging as a key beneficiary of China plus 1 and Europe plus 1 trends and hence building up capacities. Riding on the fortunes of the auto component industry, which is eyeing good export market off late, forging sector is set to do well in the future.
INDUSINDBK	FINANCIAL SERVICES (BANK)	IBL	IndusInd Bank (IB) is one of India's leading financial services brand. It is optimistic about its deposit growth prospects, primarily due to its robust strategy for attracting retail deposits. Furthermore, the bank's emphasis on reducing dependence on bulk deposits and enhancing the retail mix is expected to contribute to a stable, low-cost deposit base in the future. The bank expects to return to normalized RoA as retail growth accelerates.
POONAWALLA	FINANCIAL SERVICES (NBFC)	IBL	Poonawalla Fincorp Ltd, earlier Magma Fincorp, was rebranded after a ~62% stake acquisition by the Poonawalla Group. Post the change in promoters and induction of the new management team, PFL underwent significant restructuring, including reoriented strategy, realigned customer segment, and revamped product portfolio. The company has shifted its customer base from rural/ semi-urban to urban affluent, focusing on digitalisation. PFL is a non-deposit-taking NBFC that focuses on consumer and MSME financing. The company focuses on consumer and small business finance through diverse product offerings like pre-owned car finance, personal loans, loans to professionals, business loans, small and medium enterprise loans, loans against property, medical equipment loans, affordable home loans, and auto leases. We believe PFL's access to long-term capital significantly benefits the company's liability pricing. Its relatively smaller size AUM and immense opportunity in the consumer and small business lending segment provide an opportunity for the AUM to grow at a healthy pace.

Q2FY25 PORTFOLIO

SECURITY	SECTOR	PMS SCHEMES	RATIONALE
ANNAPURNA	FMCG	Supervalue & Supervalue Aggressive	Established in 2015, Annapurna Swadisht Limited specializes in producing snacks and food item. Positioned as a major player in the FMCG sector, the company holds a significant presence in the rapidly expanding markets of Fryums, Cakes, Candies, Namkeen, and Potato Chips in Eastern India. FMCG sector holds the position of the fourth-largest segment in the Indian economy, boasting a market size of USD 110 billion in 2020. Forecasts suggest substantial growth, with expectations to reach a market size of USD 220 billion by 2025, reflecting a CAGR of 19% during the forecast period. The snacks industry of India is the most promising and booming segment of the FMCG category. According to Renub Research latest report, the India Snacks Market is expected to reach US\$ 23.36 Billion by 2026.
ZENTEC	Capital Goods	Flexicap	Zen Technologies Ltd (ZTL) stands at the forefront of the industry, specializing in the design, manufacturing, and advancement of military training simulators, driving simulators, live-range equipment, and anti-drone systems. ZTL is also broadening its business scope beyond training simulators by actively engaging in design and developmental projects under the MAKE categorization of the Ministry of Defence. This strategic move positions ZTL to capitalize on emerging market opportunities by leveraging its inherent capabilities. The company is poised for robust future performance, propelled by its robust indigenization capabilities, a healthy order book, a promising order inflow pipeline, and strong execution capabilities.