

EQUITY MARKET ASSESSMENT

-Sep'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	Aug'24	Jul'24
MARKET UPDATE		
SENSEX	82,365.77	81,741.34
P/E	24.16	24.28
P/B	4.17	4.03
Dividend Yield (%)	1.11	1.15
CURRENCY UPDATE		
USD/INR	83.8951	83.7390
USD/EUR	0.9025	0.9245
USD/CNY	7.0955	7.2507
COMMODITY UPDATE		
Brent Oil (USD Per Barrel)	80.20	81.39
Gold (USD per ounce)	2,503.45	2,448.10
Bloomberg Commodity Index	96.09	96.45
FPI NET INVESTMENTS		
Equity (INR Cr)	7,322	32,359
Debt (INR Cr)	17,953	22,355
ECONOMY UPDATE		
GDP Growth (FY24) (YOY)	8.20%	
CPI (Jun'24)	3.54%	
Repo Rate (Jun'24)	6.50%	

COMMENTARY

GDP growth was resilient for 1QFY25 coming in at 6.7% YoY. We expect a gradual rural recovery from 2HFY25 and also expect a pick-up in government capex.

The repo rate remains unchanged at 6.5 per cent. This is the eighth consecutive bi-monthly monetary policy review in which the central bank has decided to keep key policy interest rates unchanged.

MPC retained its FY25 inflation projection at 4.5 percent. The RBI projected inflation at 4.9 percent in Q1, 3.8 percent in Q2, 4.6 percent in Q3, and 4.5 percent in Q4.

The RBI revised FY25 GDP growth forecast to 7.2 per cent from 7% earlier.

We expect rate cuts to start from last quarter of FY25.

MACRO DASHBOARD- POSITIVE

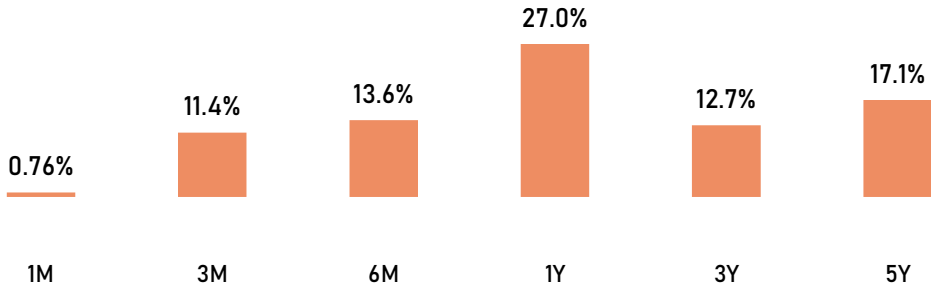
KEY INDICATORS

PMI			Outlook
PMI MANUFACTURING (Aug'24 Vs Jul'24)	57.50	58.10	POSITIVE
PMI SERVICES (Aug'24 Vs Jul'24)	60.40	60.30	
DEMAND			
Consumer Confidence (Jul'24 Vs May'24)	93.90	97.10	NEUTRAL
Infrastructure O/P (YOY) (Jul'24 Vs Jun'24)	6.10%	5.10%	
UTILIZATION	4QFY23	3QFY23	
Capex Utilization	74.70%	74.00%	POSITIVE
PRODUCTION			
Industrial Production (YOY) (Jun'24 Vs May'24)	4.20%	5.90%	NEUTRAL
Manufacturing Production (YOY) (Jun'24 Vs May'24)	2.60%	4.60%	
Mining Production (YOY) (May'24 Vs Apr'24)	6.56%	6.69%	
Steel Production (Thousand Tonnes) (Jun'24 Vs May'24)	12,300	12,200	
Car Production (Units) (Feb'24 Vs Jan'24)	1,51,538	1,71,437	
FISCAL	Aug'24	Jul'24	
GST Collections (INR in Cr)	1,74,962	1,82,075	NEUTRAL

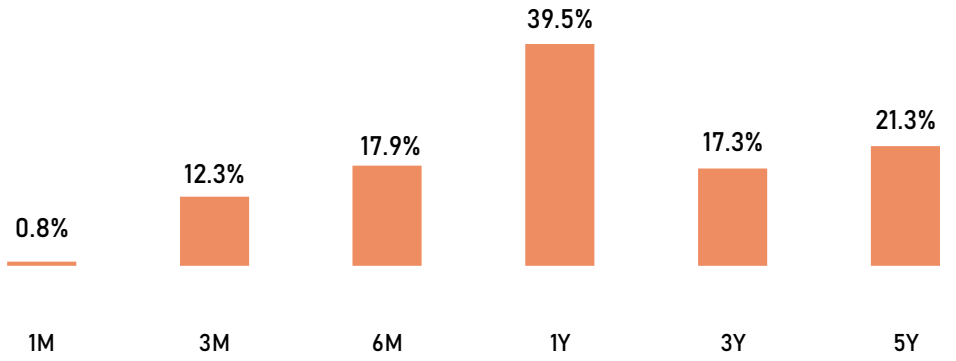
DOMESTIC MARKET PERFORMANCE

The driving force behind Mid & Small-cap was the growth opportunities, earnings visibility, relatively better fundamentals in terms of historical and are currently not widely owned by institutional investors, so were influenced by domestic investors.

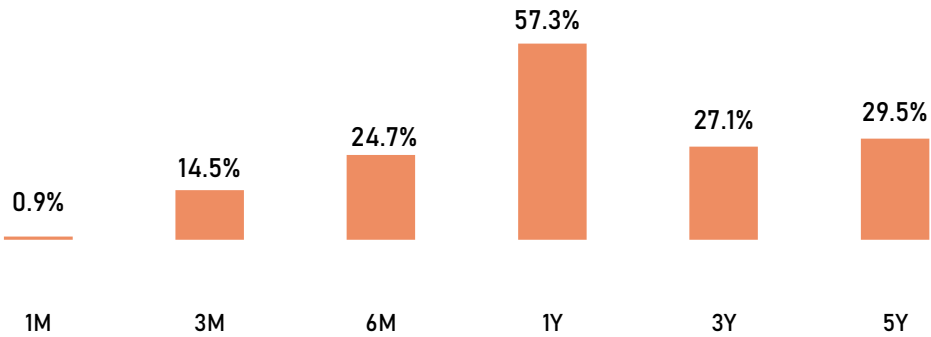
SENSEX



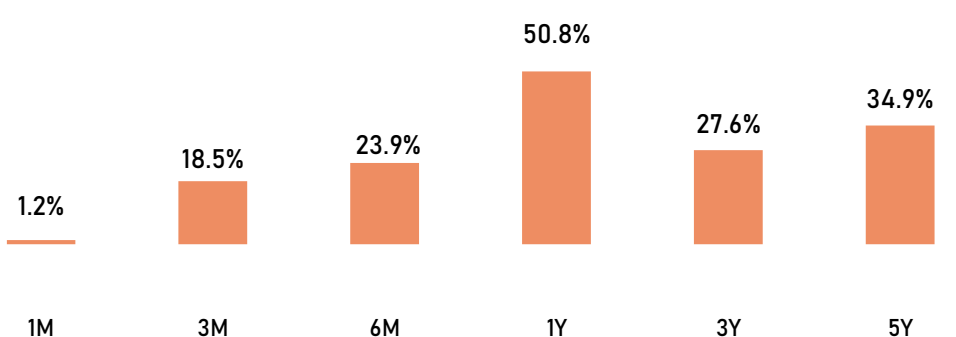
BSE 500



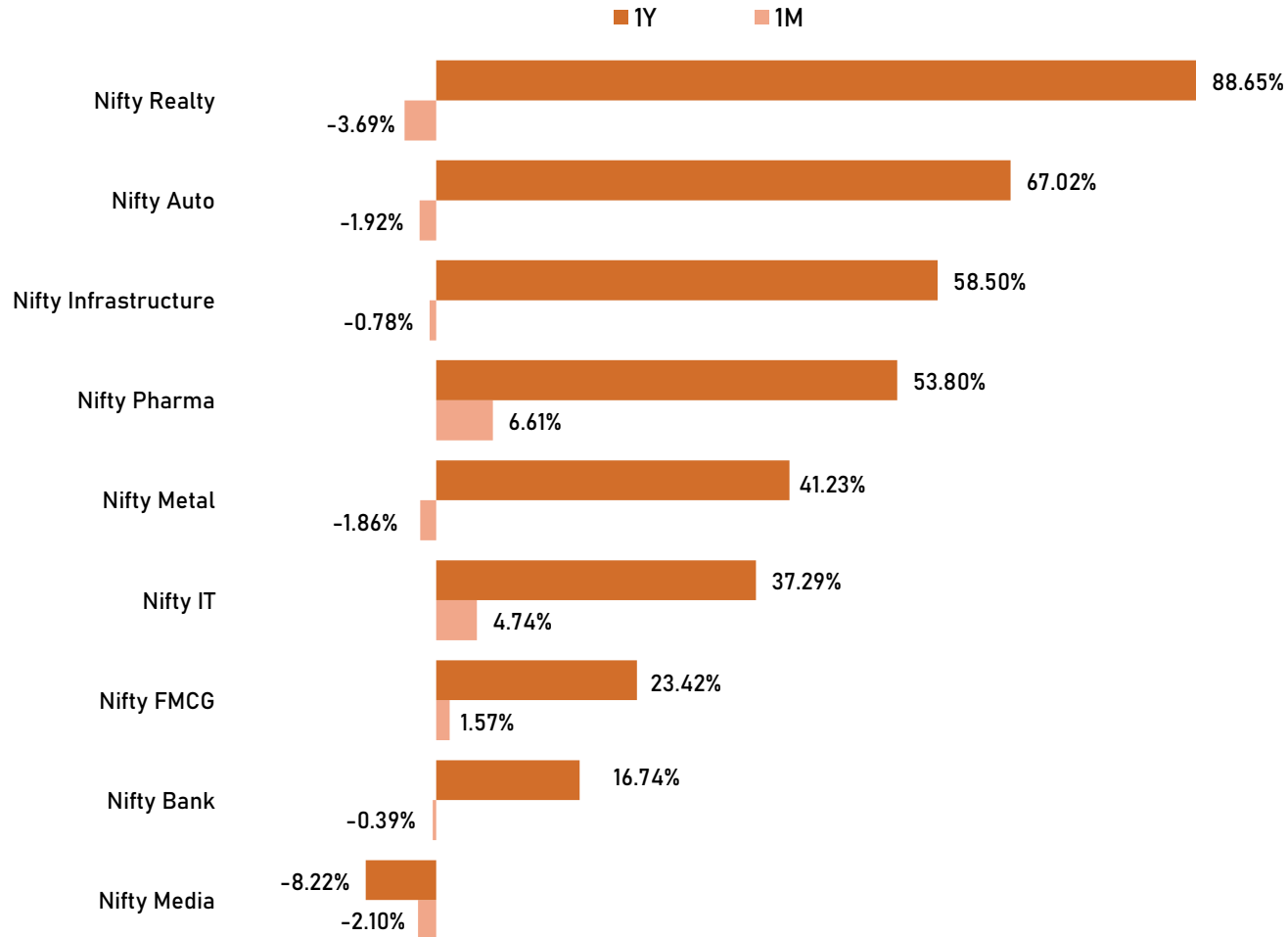
BSE MIDCAP



BSE SMALLCAP



MARKETS PERFORMANCE: SECTORAL



We are playing Reality 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

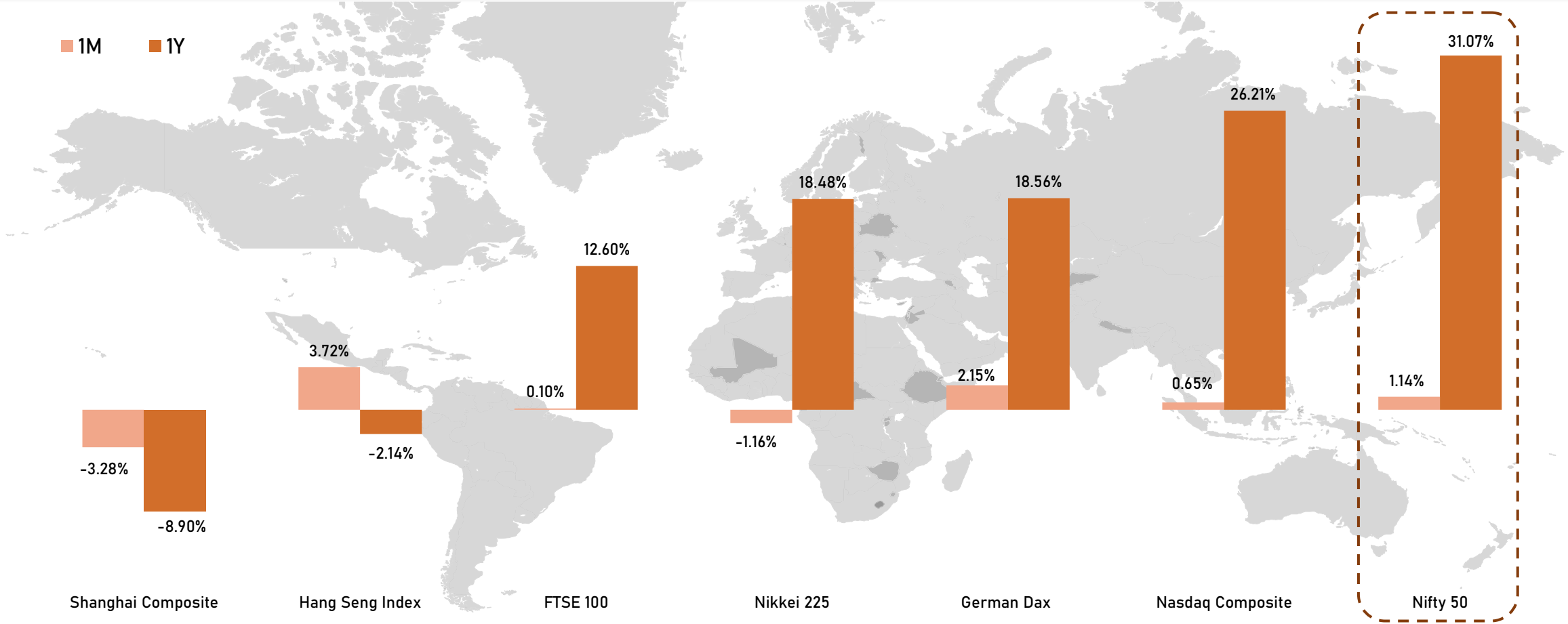
Intense heat and election impacted registration and new project launches in realty sector in Q1; Globally, metals continue to languish amid China weakness

Risk-off trade : Defensives Pharma, FMCG and IT expected to do well going forward

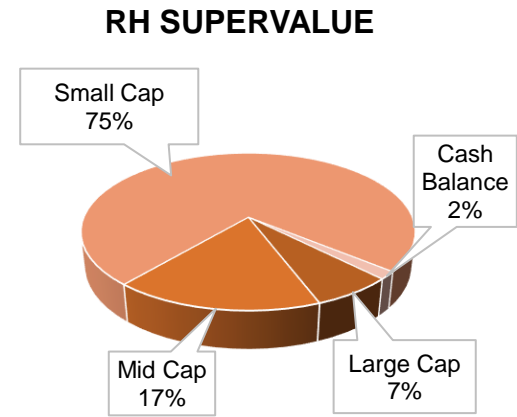
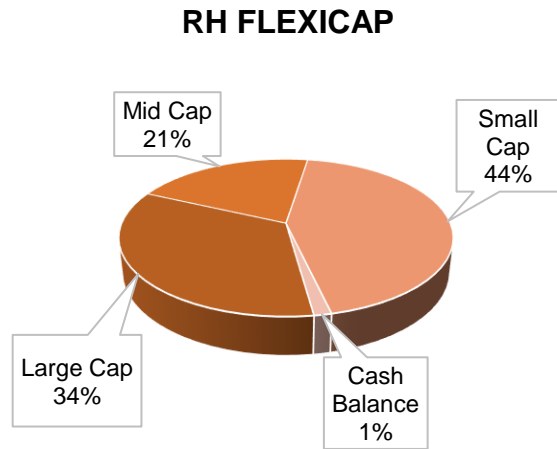
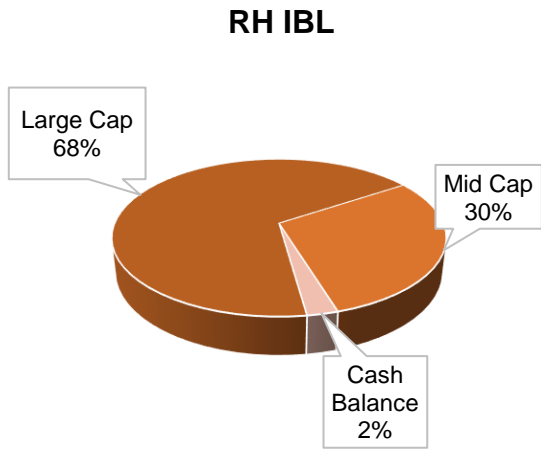
NBFCs preferred over banks – to benefit from rate cut cycle

GLOBAL MARKET PERFORMANCE

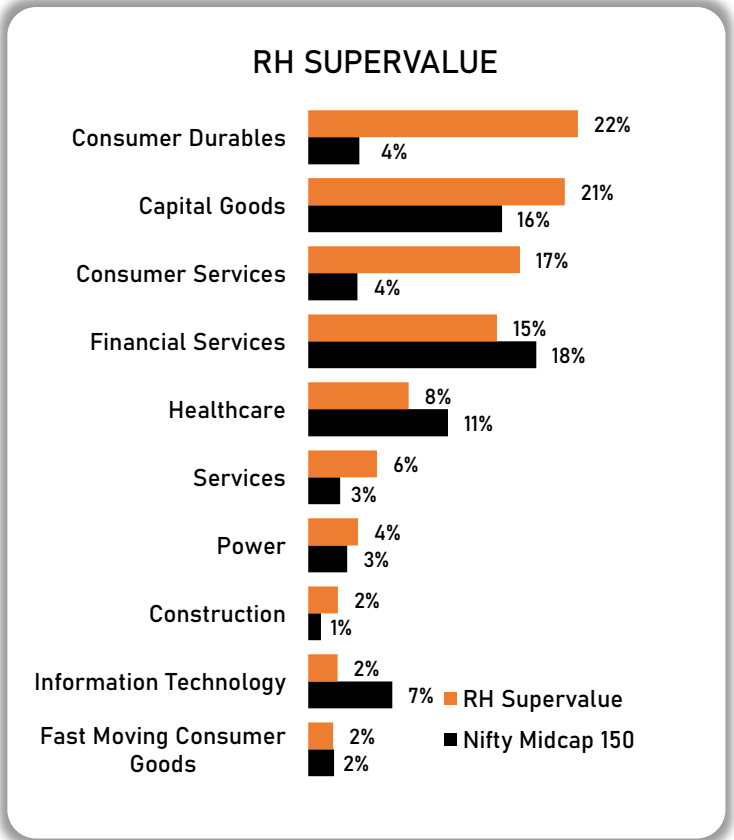
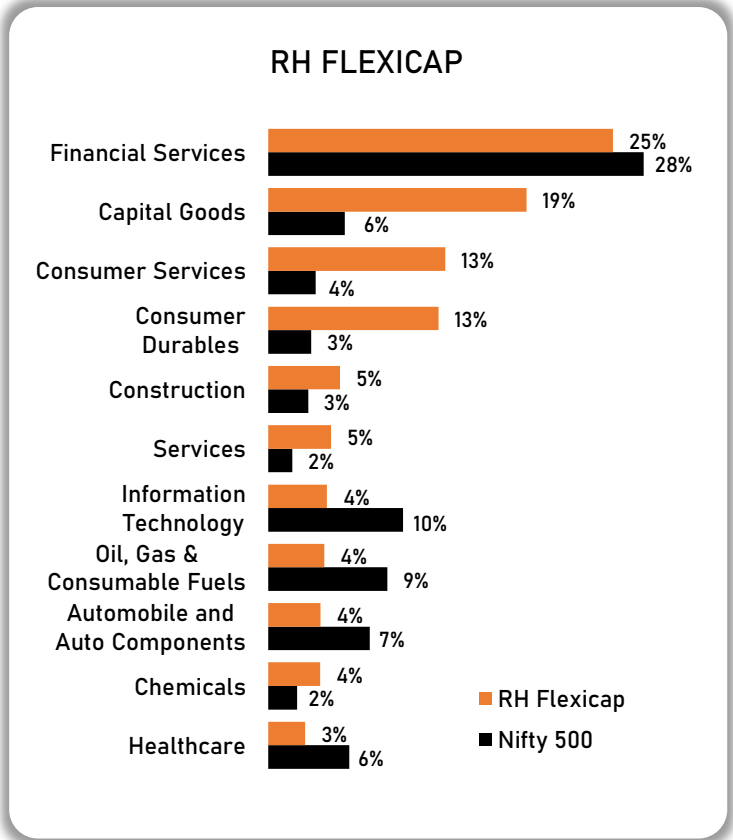
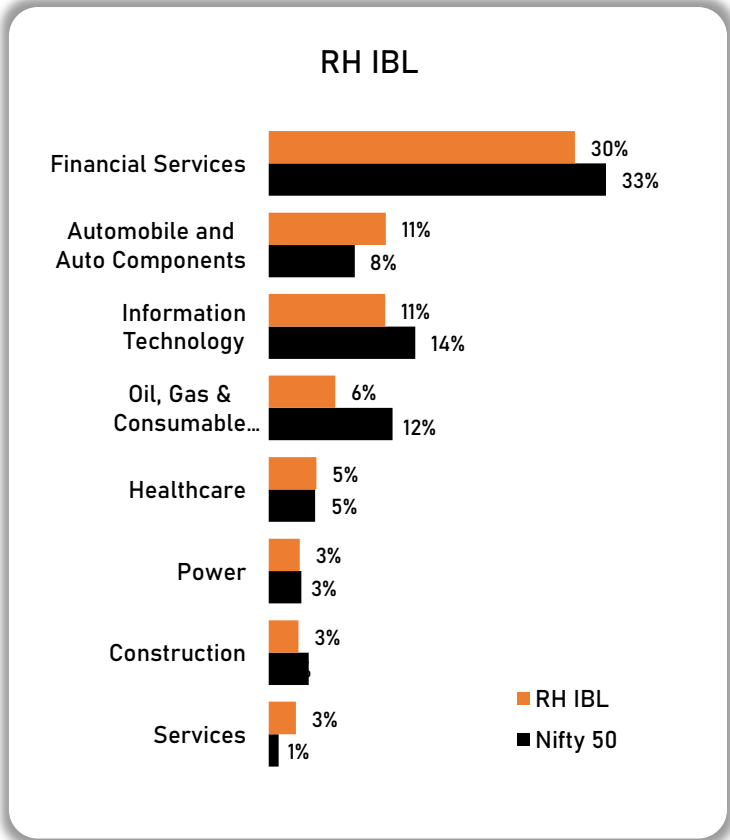
Nasdaq slowdown over disappointment of earnings in tech giants, stretched valuation concerns & fear of recession due to weak US employment data. Nifty soars to new heights touching 25,333 as the corporate earnings for the first quarter of fiscal year 2025 met expectations, with Auto & BFSI driving the overall growth.



M-CAP BREAKUP



PMS VS BENCHMARK SECTOR COMPARISON



VALUATION SNAPSHOT

TTM P/E	Aug'24	LT Avg.	SD+1	SD-1	SD
Nifty 500	27.2	25.4	31.3	19.5	5.9
Nifty Midcap 150	44.2	29.0	39.0	18.9	10.0
Auto	25.7	40.7	105.4	24.0	64.7
Bank* (PB)	2.9	2.6	3.1	2.1	0.5
Consumer Durables	87.5	42.0	75.8	8.3	33.7
FMCG	49.6	35.5	42.4	28.6	6.9
Healthcare	43.4	34.7	43.4	25.9	8.8
IT	35.0	23.0	28.8	17.2	5.8
Metal	31.3	14.7	21.7	7.7	7.0
Oil & Gas	13.1	14.7	21.8	7.6	7.1
Pharma	38.8	36.5	46.8	26.3	10.2

SECTOR	RH IBL	RH FLEXICAP	RH SUPERVALUE
Construction	UW	OW	OW
Healthcare	N	UW	UW
Auto	OW	UW	-
Services	OW	OW	OW
Consumer	-	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.

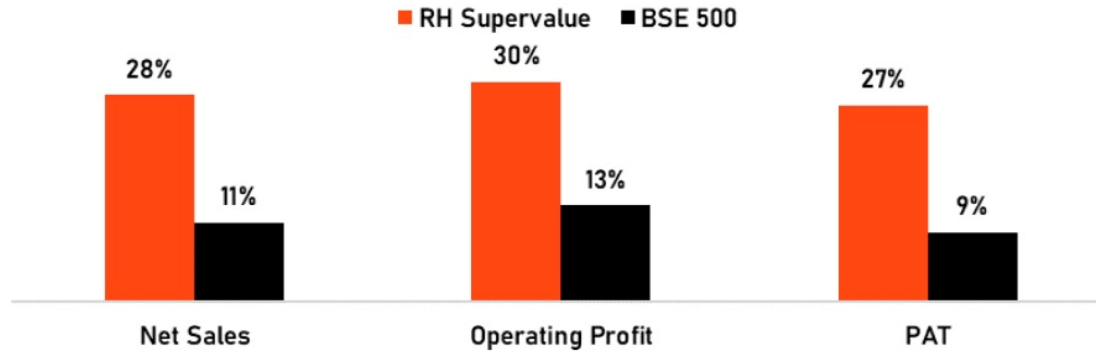
OW-Overweight N-Neutral UW-Underweight

PORTFOLIO ACTIONS

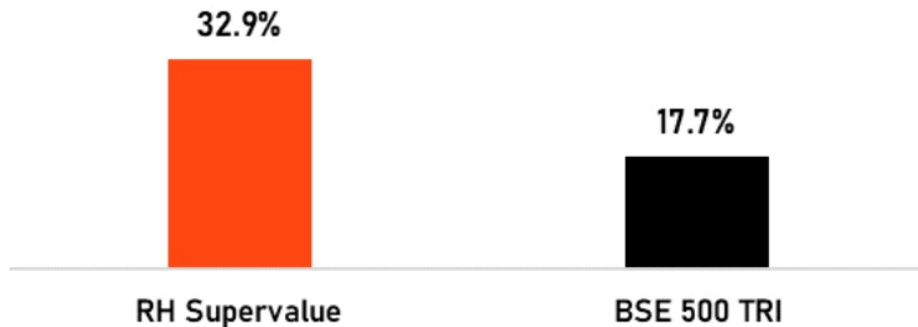
	IBL	Flexicap	Super Value	Super Value Aggressive
NEW STOCK ONBOARDED	NBFC	-	-	-
PARTIAL BUYS	BANKS	-	Services, Gems Jewellery And Watches & Capital Market	Services & Gems Jewellery And Watches
PARTIAL EXITS	-	Paints & Capital Goods	-	-
COMPLETE EXITS	Pharmaceuticals	-	NBFC	NBFC

Earnings Update

Q1FY25 YOY PORTFOLIO GROWTH



FYTD SUPERVALUE VS BENCHMARK RETURNS (APR'24-AUG'24)



Earnings for Super Value has outperformed that of index in Q1FY25, attributing to superior return for portfolio vs benchmark.

- **Superior Earnings Growth:** We target stocks with earnings growth of 20%+, leading to newer peaks and driving portfolio returns beyond the benchmark.

- **Concentration on Quality:** We select robust companies with strong balance sheets, cash flows, and sustainable competitive advantages, ensuring resilience during market volatility and consistent outperformance.

- **Focus on Long-Term Value Creation:** Quality oriented portfolio stocks are positioned for long-term growth, driven by strong fundamentals and earnings momentum, resulting in stronger relative performance.

GOING FORWARD

Market Volatility around Recession worries in US- Higher unemployment data spooked market however July 31st GDP print shows US economy growing at 2.8% against estimates of 2% and Softening crude prices pointing weakness in Global Growth

Market Preference shifting from low quality low growth towards high quality high growth businesses (10% return vs 14% return Jun-Aug'24)

India's rally is expected to sustain as India's weight in EM basket has moved past China=> Bringing in more inflows from FIIs

Earnings Q1FY24:

Earnings surprises remained weak : NSE 500 earnings growth of 9%, overall companies beating expectation declined in Q1; Number of companies missing estimate also increased; Mainly due to : Election Quarter (Only 11% of budget expenditure vs 25% in previous two years) , Intense heat wave and base effect on margins

Going forward, H2 looks optimistic with expectation of 14-15% EPS growth- aided by above average Monsoon, early Festive season and Govt spending in H2

Valuations: SMIDs continue to trade at premium, however robust domestic flows (+23,000 Cr in Aug) is keeping markets elevated

Markets are expected to be volatiles till US elections ; however strong domestic liquidity will keep market buoyant => Rate cut would drive further liquidity from FIIs keeping valuations at premium over long term averages

Risks:

1. Major slowdown in US or risk-off trade if Fed goes for out of turn rate cut to support markets
2. Higher valuations from SMIDs
3. We expect 15% +earnings growth for FY25; slowdown in earnings growth will put pressure on valuations

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	1.70%	1.36%	4.48%	0.87%	6.73%	0.89%	8.50%	1.25%
3 Months	12.90%	12.55%	16.86%	12.47%	24.91%	14.50%	28.25%	18.53%
6 Months	17.87%	15.76%	17.97%	18.14%	26.49%	24.70%	27.02%	23.87%
1 Year	39.00%	32.64%	34.90%	40.24%	37.88%	57.26%	43.06%	50.82%
2 Year	25.92%	20.50%	24.79%	24.41%	34.77%	38.90%	NA	NA
3 Year	17.02%	15.15%	20.56%	17.68%	27.48%	27.15%	NA	NA
5 Year	21.83%	19.37%	25.38%	21.44%	31.16%	29.47%	NA	NA
Since Inception of Current Fund Manager	18.70%	16.78%	22.03%	18.02%	36.71%	32.81%	NA	NA
Since Inception of Scheme	12.76%	14.95%	13.71%	14.90%	18.26%	18.15%	60.39%	68.51%
FYTD	16.42%	13.98%	20.56%	17.18%	32.92%	24.78%	34.45%	29.78%

*Updated as of 31st Aug'24

PORTFOLIO QUANTS

METRICS	RH IBL	NIFTY 50	RH FLEXICAP	BSE 500	RH SUPERVALUE	BSE 500	RH SUPERVALUE AGGRESSIVE	BSE 500
SD	15.26%	15.52%	15.49%	15.16%	15.10%	12.13%	21.74%	10.44%
Beta	0.96	1.00	0.90	1.00	0.61	1.00	0.21	1.00
Sharpe	0.96	0.76	1.23	1.00	1.49	0.92	1.62	2.99
Treynor	0.15	0.12	0.21	0.15	0.37	0.11	1.72	0.31

*Updated as of 31st Aug'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)	38.98	23.49	23.15	31801	Quant Flexi Cap Fund(G)	55.78	25.91	36.39	7436
ICICI Pru Bluechip Fund(G)	42.40	20.83	22.16	62717	Parag Parikh Flexi Cap Fund-Reg(G)	39.21	18.80	26.35	75956
Canara Rob Bluechip Equity Fund-Reg(G)	36.71	15.35	20.96	14529	Franklin India Flexi Cap Fund(G)	44.96	22.97	25.14	17417
HDFC Top 100 Fund(G)	38.99	21.51	20.43	37081	HDFC Flexi Cap Fund(G)	44.38	27.28	24.92	61572
Kotak Bluechip Fund(IDCW)	37.02	16.24	20.41	9292	PGIM India Flexi Cap Fund-Reg(G)	30.13	11.81	23.56	6418
Bandhan Large Cap Fund-Reg(G)	42.27	17.18	20.32	1575	Edelweiss Flexi Cap Fund-Reg(G)	49.25	21.15	23.15	2248
Aditya Birla SL Frontline Equity Fund(G)	37.04	17.03	20.03	30309	DSP Flexi Cap Fund-Reg(IDCW)	39.36	16.80	21.94	11879
Tata Large Cap Fund-Reg(G)	37.76	17.14	19.52	2437	Canara Rob Flexi Cap Fund-Reg(G)	37.69	15.60	21.62	13415
SBI BlueChip Fund-Reg(G)	30.15	15.93	19.39	51244	Aditya Birla SL Flexi Cap Fund(G)	40.04	16.82	21.24	22792
Franklin India Bluechip Fund(G)	34.92	14.40	19.20	8257	Kotak Flexicap Fund(G)	36.71	17.28	19.61	53783
DSP Top 100 Equity Fund-Reg(G)	40.55	16.69	19.10	4328	UTI Flexi Cap Fund-Reg(IDCW)	27.22	8.39	19.10	26396
HSBC Large Cap Fund(G)	38.72	16.53	18.97	1976	Tata Flexi Cap Fund-Reg(G)	33.78	15.47	18.83	3049
UTI Large Cap Fund-Reg(IDCW)	32.98	14.18	18.76	13595	SBI Flexicap Fund-Reg(G)	31.75	14.91	18.76	22816
Mirae Asset Large Cap Fund-Reg(G)	29.98	13.82	17.98	41352	Motilal Oswal Flexi Cap Fund-Reg(G)	55.08	18.67	18.73	11466
Axis Bluechip Fund-Reg(G)	33.42	10.42	16.06	35013	Axis Flexi Cap Fund-Reg(G)	37.69	12.36	17.96	13031
RH IBL	39.00	17.02	21.83	-	RH Flexicap	34.90	20.56	25.38	-

PMS Vs MF COMPARISON

MIDCAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)
Quant Mid Cap Fund(G)	55.54	31.08	36.99	9283
Motilal Oswal Midcap Fund-Reg(G)	65.00	37.65	33.75	14446
Nippon India Growth Fund(G)	53.23	28.55	31.62	32971
HDFC Mid-Cap Opportunities Fund(G)	46.89	29.73	30.74	75382
Kotak Emerging Equity Fund(G)	48.27	25.13	30.10	50602
SBI Magnum Midcap Fund-Reg(G)	37.44	23.99	29.66	21127
Invesco India Midcap Fund(G)	54.62	26.32	29.59	5438
UTI Mid Cap Fund-Reg(IDCW)	42.94	21.85	28.71	12400
Tata Mid Cap Growth Fund-Reg(G)	46.80	24.38	28.19	4467
ICICI Pru Midcap Fund(G)	54.50	24.40	27.57	6683
Sundaram Mid Cap Fund-Reg(G)	55.02	26.65	26.88	12465
Axis Midcap Fund-Reg(G)	45.84	19.55	26.17	30855
Aditya Birla SL Midcap Fund(G)	44.59	22.47	25.77	6098
Franklin India Prima Fund(G)	53.20	23.82	25.70	12529
DSP Midcap Fund-Reg(G)	44.91	19.18	24.20	20014
RH Supervalue	37.88	27.48	31.16	-

Q1FY25 PORTFOLIO

SECURITY	SECTOR	PMS SCHEMES	RATIONALE
ANGELONE	Financial Services	Supervalue & SVAG	<p>ANGELONE is one of the largest retail broking houses in India in terms of active clients on NSE. The company, with the INR15b fund raise, is well positioned to grow business across key parameters such as client acquisition, orders and MTF book. Additionally, new segments such as loan distribution and fixed income product distribution is expected to scale up in the near term. We are especially optimistic about the company since we believe in the long term, AMC and Wealth Management will start contributing to revenues.</p>
BEL	Capital Goods	IBL & Flexicap	<p>Bharat Electronics Ltd. (BEL), a prominent Defence Public Sector Undertaking, was established in 1954 under India's Ministry of Defence to meet the electronic equipment needs of the defence sector. India's defence sector is experiencing substantial growth due to rising defence budgets, modernization initiatives, and the Indian government is strongly backing the defence sector with supportive policy reforms, incentives, and initiatives aimed at boosting domestic manufacturing and technological advancements. The proportion of defence capital expenditure is anticipated to rise to 37% of the total defence budget by fiscal year 2030 (compared to 26% in the revised estimate for FY24). This suggests a cumulative capital expenditure of USD 186 billion from FY24 to FY30, significantly higher than the USD 93 billion spent between FY18 and FY24. BEL's growth is likely to be supported by a substantial order backlog of INR 760 billion, which is 3.86 times its trailing twelve months sales and is further strengthened by a strong pipeline of upcoming orders. The company is anticipated to maintain steady growth due to its market leadership and the expansion of project sizes as it advances up the value chain as a system integrator.</p>
DLF	Realty	IBL	<p>DLF stands as India's foremost real estate developer, boasting a rich history spanning over seven decades marked by continual expansion, client satisfaction, and pioneering initiatives. The residential segment anticipates sustained demand momentum, prompting a continued focus on introducing balanced supply across diverse micro markets. The company aims to unveil over 11 million square feet of new offerings throughout FY25, targeting several markets such as Gurugram, Mumbai, Goa, and the Chandigarh Tri-city area. These launches are estimated to yield potential sales of around Rs 36,000 crore, fostering consistent business expansion. For FY25 dlf plans to launch ~11.6msf with GDV of Rs360bn & launches beyond FY25 stands at ~25msf with GDV of ~580bn.</p>
IIFLSEC	Financial Services	SVAG	<p>IIFLSEC is diversifying revenues with a greater focus on the distribution business, building an AUM-led model and acquiring more clients (particularly in the HNI/affluent segment). The Company has revised its strategy to concentrate on affluent customers. Household financial savings in India should continue to grow, given that India has traditionally been a high-savings economy. Going forward, the share of savings in financial assets is also expected to increase. We believe the equity markets are likely to remain strong in the near term, driving higher revenues and profitability for IIFLSEC.</p>

Q1FY25 PORTFOLIO

SECURITY	SECTOR	PMS SCHEMES	RATIONALE
INTERGLOBE AVIATION	Services	Flexicap	The Indian aviation market is highly underpenetrated currently, which provides huge room for growth for domestic players. This growth trajectory will be aided by increasing airport infrastructure and capacity additions in terms of aircraft orders, which could make India the third-largest aviation market in the world by CY35. Indian players have robust capacity addition plans, with domestic players accounting for ~32% of total global aircraft orders in CY23 (only for Boeing and Airbus). INDIGO alone placed an order for 500 aircraft in CY23 (~44% of the 1,124 aircraft ordered by domestic airlines). India is expected to be the third-largest country in terms of fleet size by CY35. The company aims to expand its international network to drive its next phase of growth.
KSOLVES	IT	Flexicap & Supervalue	KSolves India Ltd specializes in software development, enterprise solutions, and consulting, catering to diverse industries such as Real Estate, E-commerce, Finance, Telecom, and Healthcare. The company has demonstrated consistent growth, achieving a CAGR exceeding 60% over the last two periods ending on March 31, 2023. The company envisions global expansion guided by a well-defined corporate vision and a comprehensive long-term management plan
MADHUSUDHAN	FMCG	Supervalue & SVAG	Madhusudhan Masala Ltd specializes in the manufacturing and processing of over 32 types of spices. Over the years the company's brand has witnessed its survival with continued innovation and introduction of new products, including launching of innovative flavors targeted at addressing consumer taste, market trends and providing superior quality products to consumers. The company's diversified product portfolio enables the company to cater to a wide range of taste preferences and consumer segments. Owing to its strong customer relationships MML has developed a network of more than 2100 wholesalers and more than 3700 retailers as on March 31, 2023. We expect this network addition to contribute to MML's growth.
MAXHEALTH	Healthcare	Flexicap	Max Healthcare Institute Limited (MHIL) is India's leading provider of healthcare services that is majorly concentrated in north India. Indian home healthcare is under-penetrated, with ~3.6% of total health spending on home healthcare vis-à-vis ~8.3% in the US. The healthcare sector, specifically Max Healthcare, is making significant investments over the next five years, leading to opportunities. MHIL's existing valuable land bank to enable the addition of 4,000+ beds, with ~2,800 beds coming in the next five years (Potential to add ~600 to ~800 beds every year through internal accruals itself) and a robust pipeline of potential to scale growth further.

Q1FY25 PORTFOLIO

SECURITY	SECTOR	PMS SCHEMES	RATIONALE
POWERMECH	Construction	Supervalue & SVAG	Power Mech Projects Limited (PMPL), stands as a prominent infrastructure construction firm with a worldwide footprint and is renowned for its comprehensive range of services in the power and infrastructure domains. The Government of India projected to allocate approximately Rs111 lakh crore under the National Infrastructure Pipeline (NIP), PMPL anticipates benefiting from a surge in EPC contracts across pivotal sectors such as Railways & Metro, Roads, Water, and Mining.
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.