

EQUITY MARKET ASSESSMENT

-Mar'25

PMS RESEARCH DESK

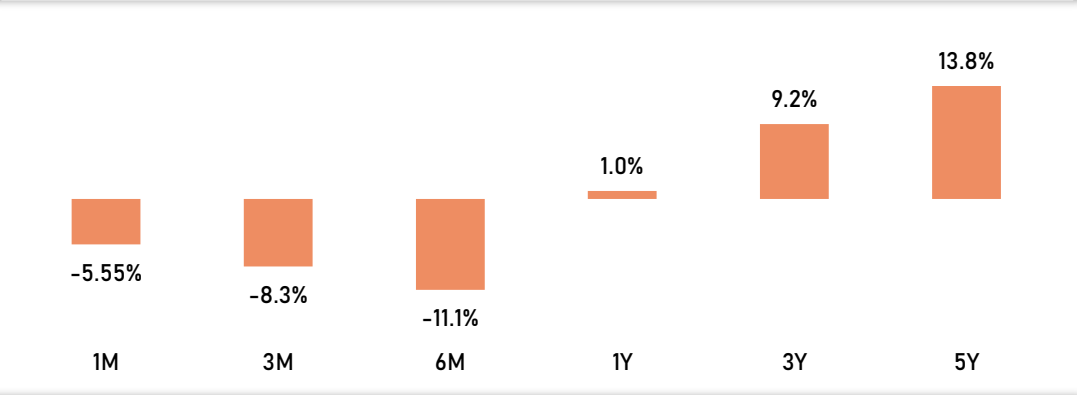
Right Horizons Portfolio Management Services (RH PMS)

RH PMS is a SEBI registered PMS for segregated accounts

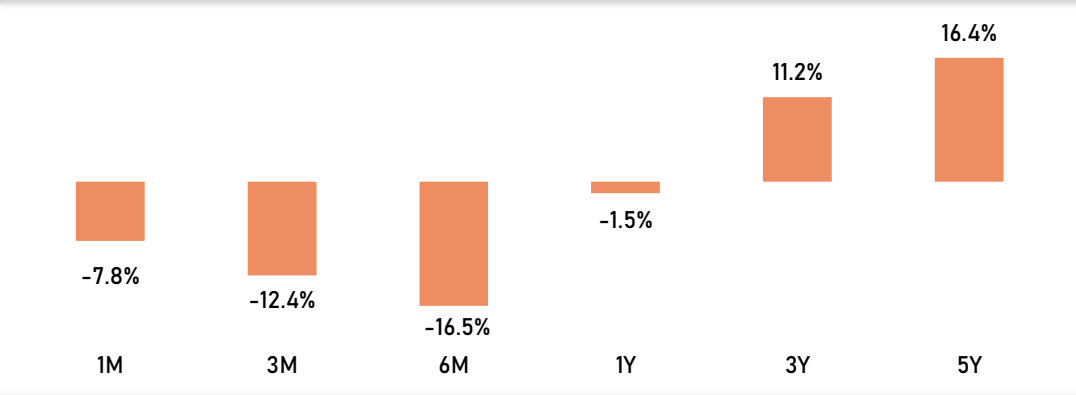
DOMESTIC MARKET PERFORMANCE

The current market correction has aligned with a slowdown in earnings growth. SMIDs fair better than larger counterparts on 3Y & 5Y basis.

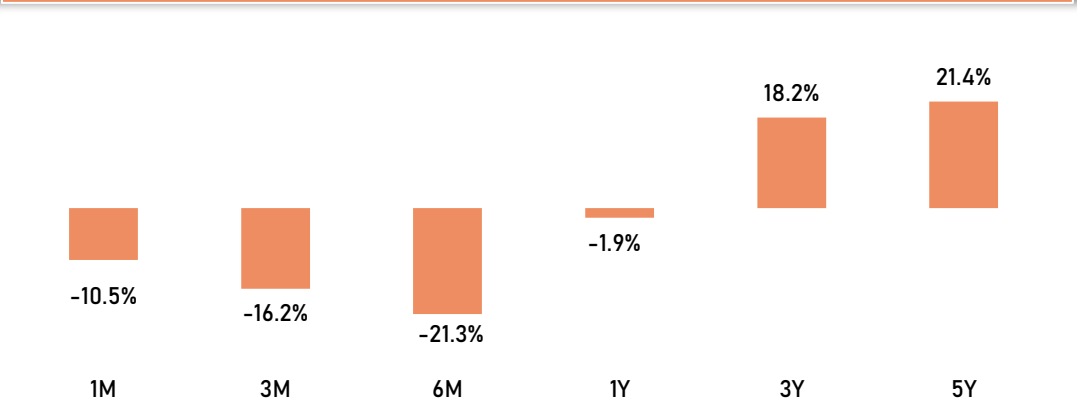
SENSEX



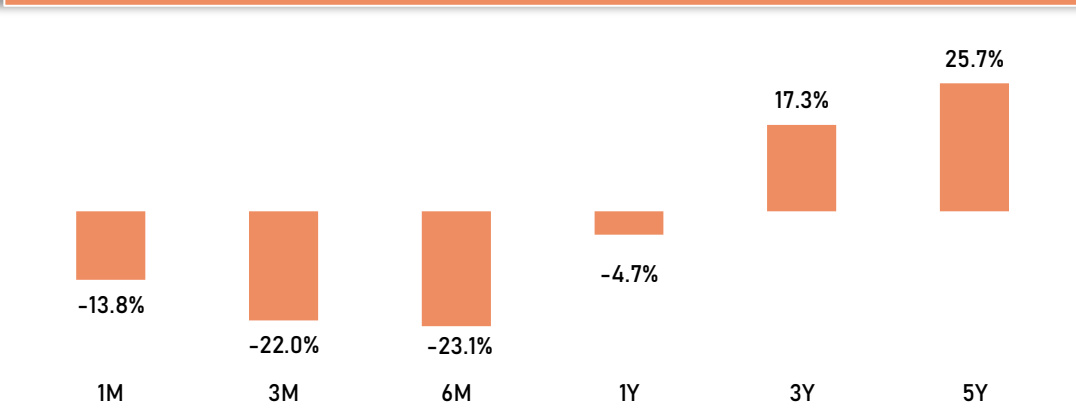
BSE 500



BSE MIDCAP



BSE SMALLCAP



ECONOMIC RECOVERY UNDERWAY

KEY TRIGGERS

GDP GROWTH

Q3 GDP growth at 6.2% - in line with estimates- GDP made bottom in Q2; Revised GDP guidance of 7.6% in Q4 FY25

GST COLLECTIONS

JAN and FEB witnessed ~10% growth in GST collection YoY (two best prints in last 6 months), March and April could see 11-12% growth YoY

CAPEX SPENDING

Jan capex spending was higher 91% YoY and Feb up at around 51%- For next 15 month avg Capex spending at 97K Cr as against 75K Cr for first 9 months of FY25

Q3FY25 EARNINGS

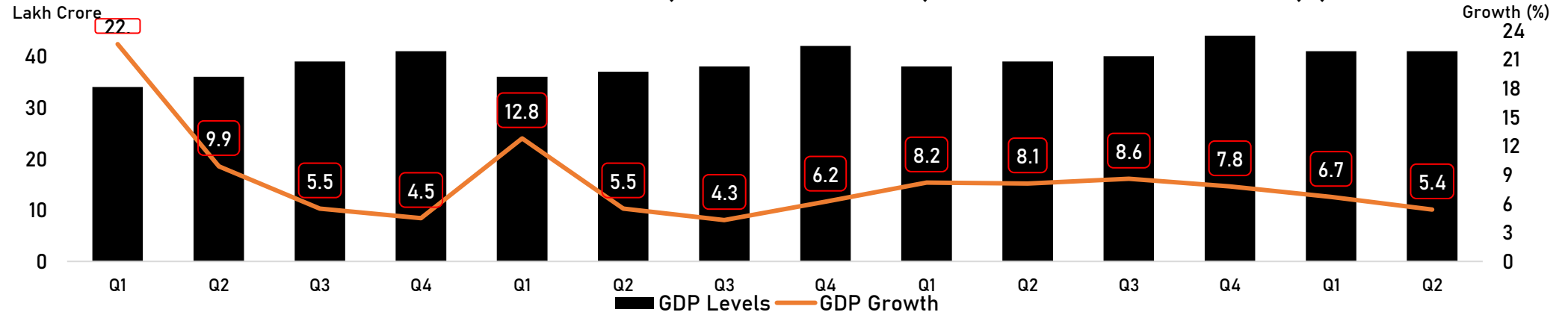
Q3 earnings in line, Q4 may surprise on upside- H1F26 would be double digit growth for india Inc- Valuations are down 20% to 40% across indices, half of BSE 500 stocks are down more than 33%

FISCAL AND MONETARY LOOSENING

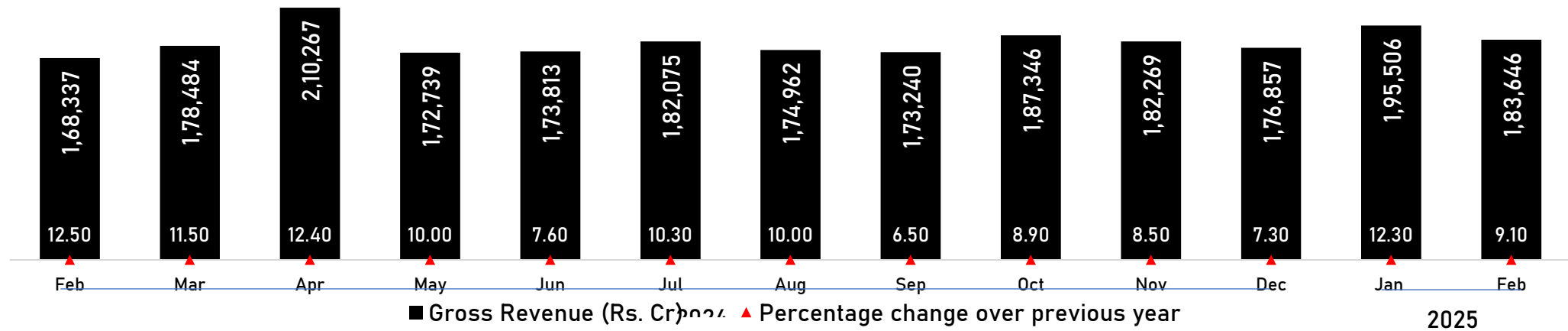
FISCAL SUPPORT- Tax break to tax payers; Accelerated capex spending
 MONETARY SUPPORT- 25 bps rate, RBI injecting 1.9 L Cr liquidity, reduce risk weight from 125% to 100%,

MACRO INDICATORS IMPROVING

QUARTERLY REAL GDP ESTIMATES (IN RS. LAKH CRORE) AND Y-O-Y GROWTH RATES (%)



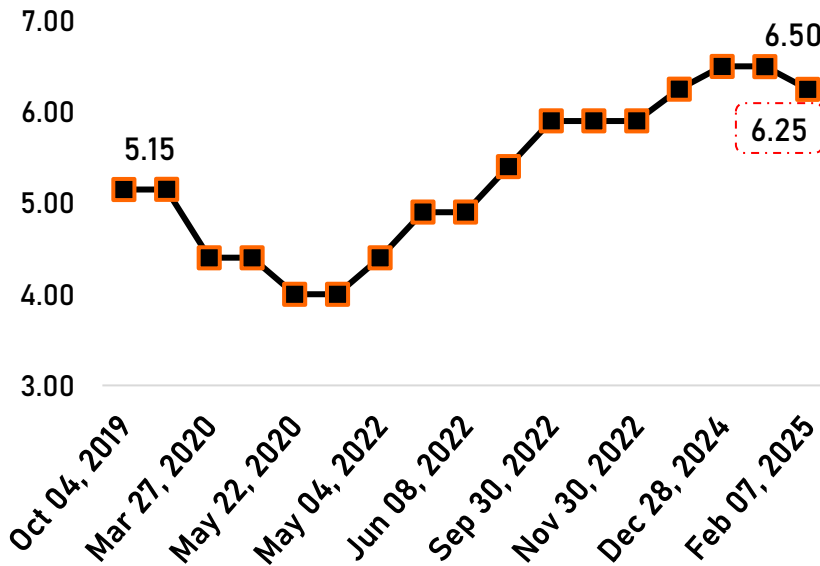
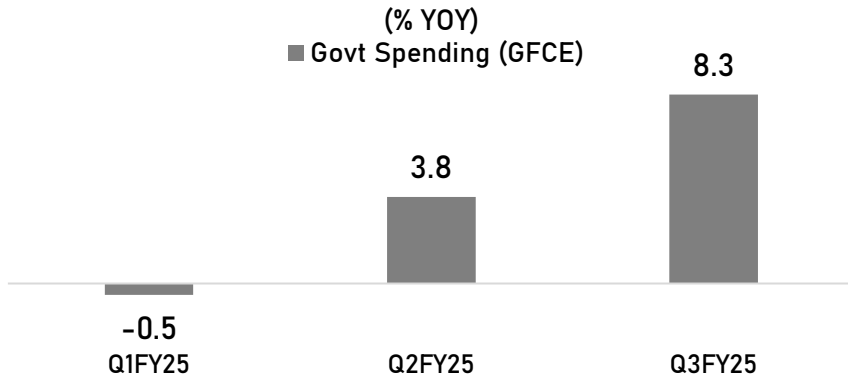
GST COLLECTION



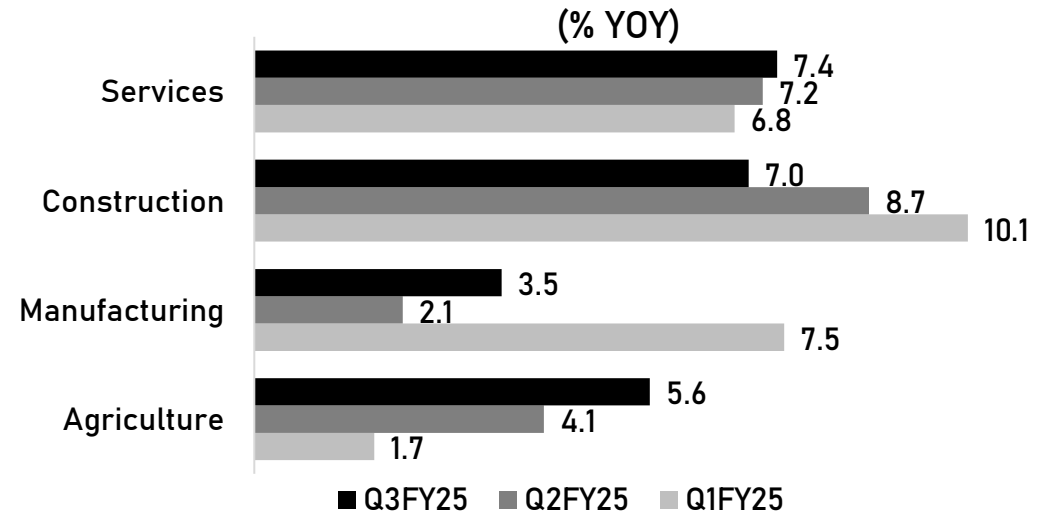
Source: Ministry of Finance

MACRO TREND

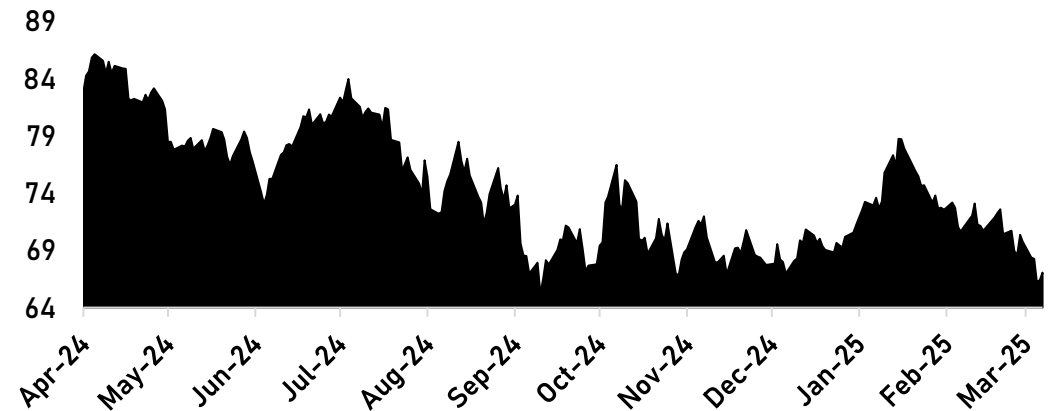
CONSUMER SPENDING PICKS UP



PICK-UP IN SERVICES AND MANUFACTURING

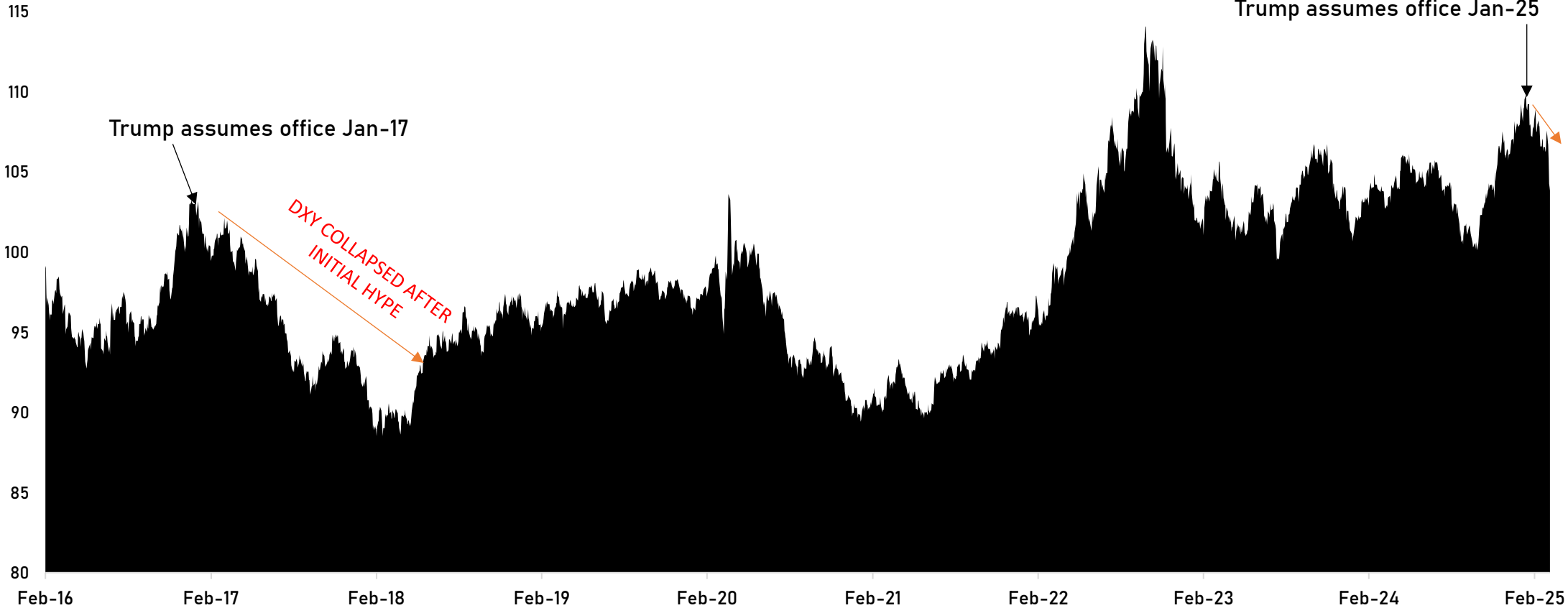


Crude Oil WTI Futures



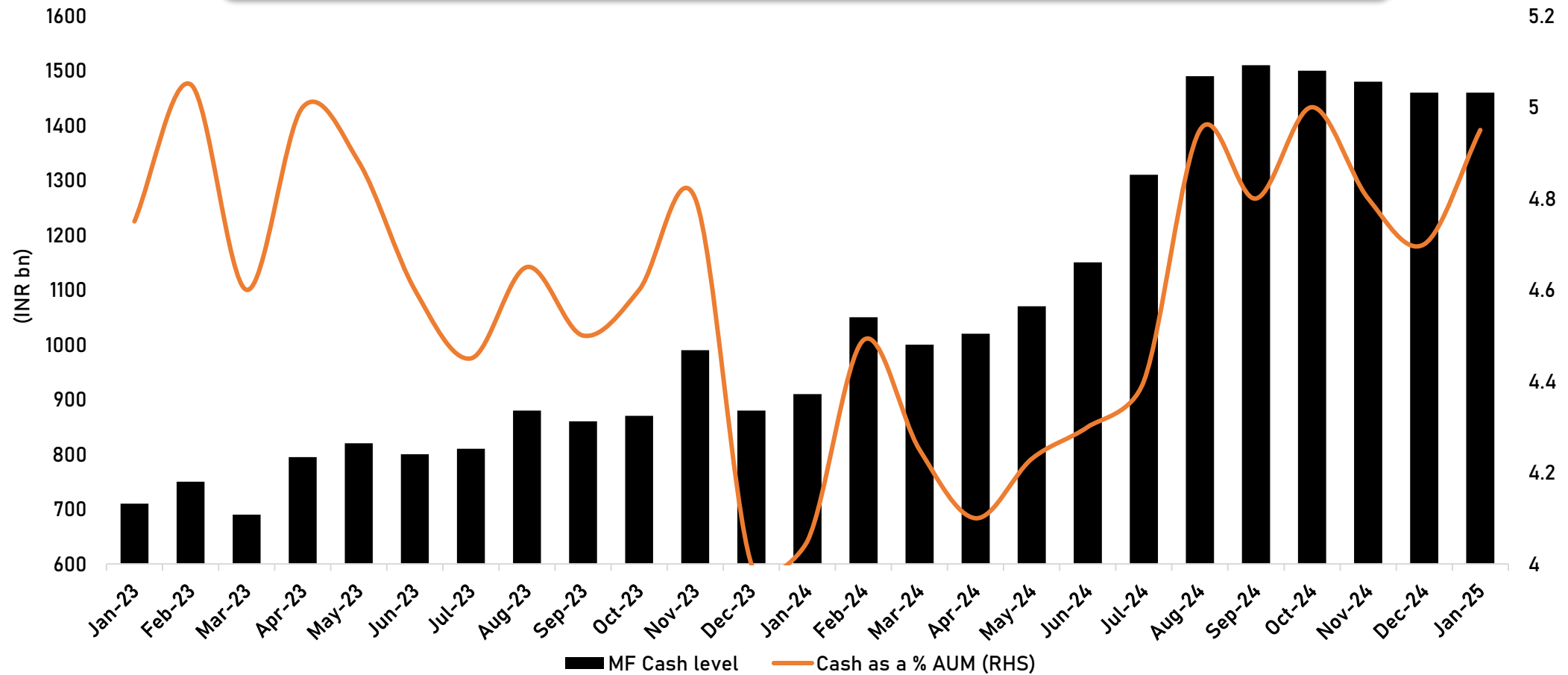
DXY STRENGTH LIKELY TO WEAKEN, AS TRUMP'S RHETORIC FREQUENTLY OUTSHINES SUBSTANTIVE ACTION

DOLLAR INDEX



Source: Bloomberg, Emkay Research

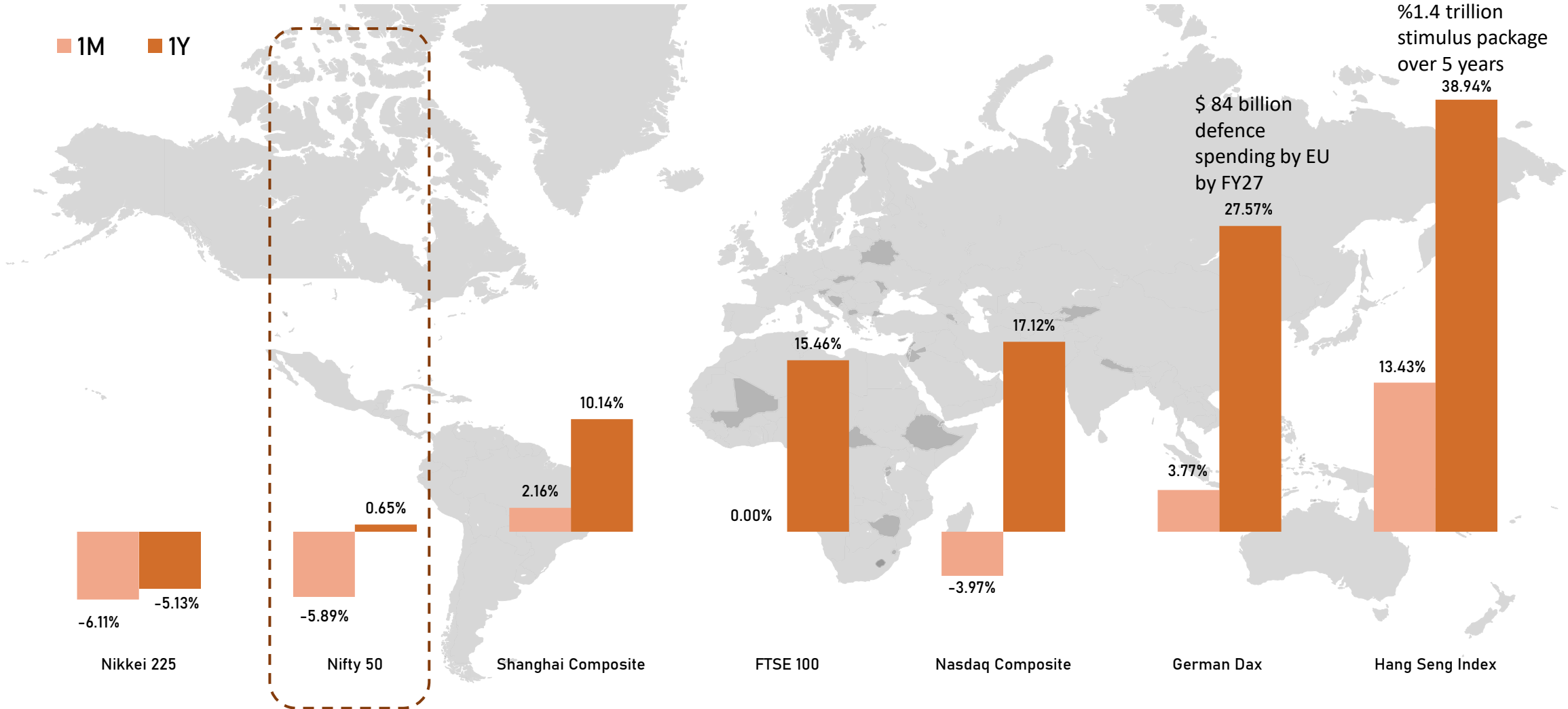
MF CASH LEVEL STAYS ROBUST EVEN AFTER STRONG BUYING LAST 5 MONTHS, SUPPORTED BY INCREMENTAL RETAIL INFLOWS



1.75 L Cr of cash position in equity schemes and 1 Lakh Cr of liquidity in Hybrid schemes can be rebalanced upon improving trends
 Net Flow remain robust in Jan at around 40,000 Cr and SIP flows at 26,000 Cr

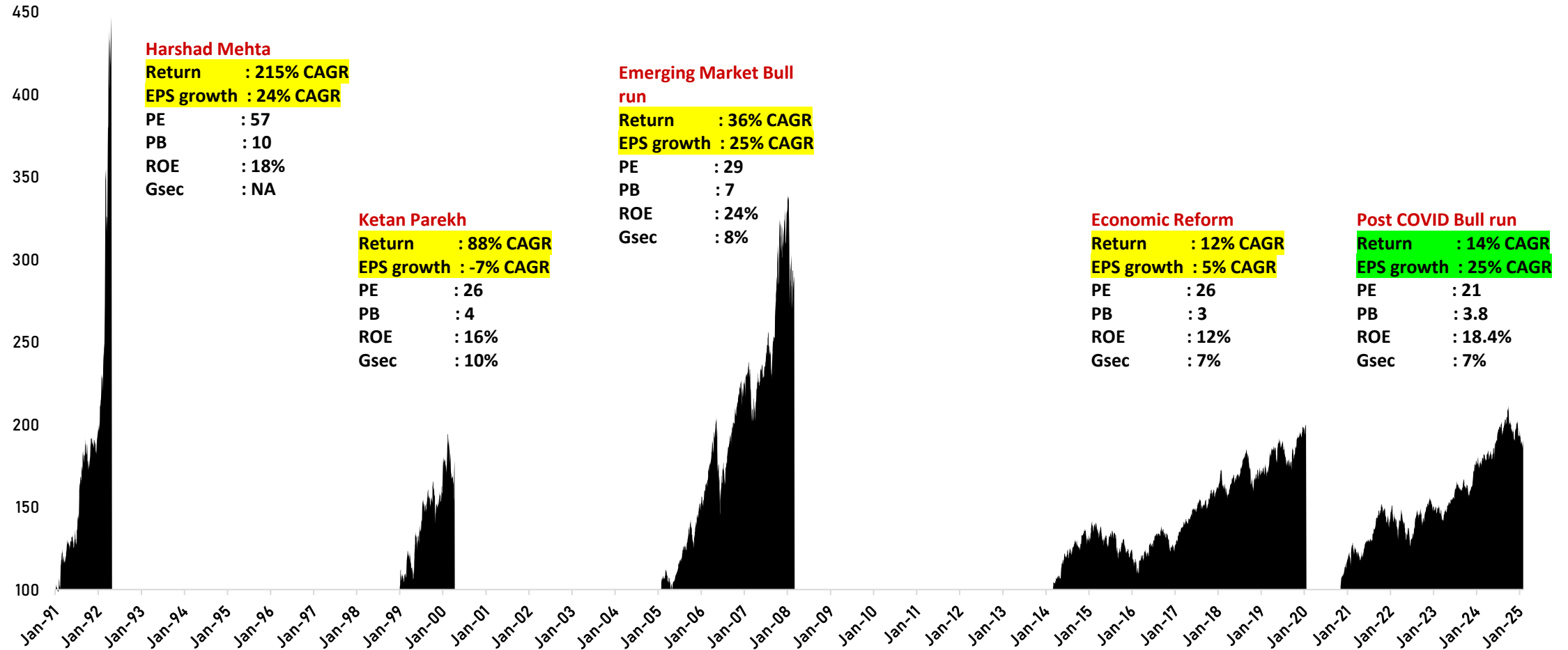
Source: ACEMF, I-Sec Research

GLOBAL MARKET PERFORMANCE



MARKET BULL RUN INDICATORS COMPARISON

SENSEX BULL RUN AND OTHER IMPORTANT INDICATORS



CORPORATE RESULTS

CORPORATE RESULTS KEY PARAMETERS							
Qtr.	Rs. In crore			EBITDA Margin %	Growth % (YoY)		
	Net Sales	EBITDA	PAT		Net Sales	EBITDA	PAT
Q3FY23	2177015	266074	145126	12.22%	15	-9	-16
Q4FY23	2229585	291331	193157	13.07%	9	-1	-3
Q1FY24	2151039	340062	200978	15.81%	-2	23	33
Q2FY24	2211514	336026	196940	15.19%	-0.3	41	42
Q3FY24	2247976	336131	206027	14.95%	3.3	26	42
Q4FY24	2385547	339853	203521	14.25%	5.2	14	3
Q1FY25	2298623	344305	211099	14.97%	5.7	-1	3
Q2FY25	2297890	330977	208657	14.40%	3.9	-1.5	6
Q3FY25	2406526	357329	227840	14.84%	5.4	5.2	9

} Sequential
improvement
in
Earnings

Source: SBI Research; Cline; around 3500 listed entities ex BFSI

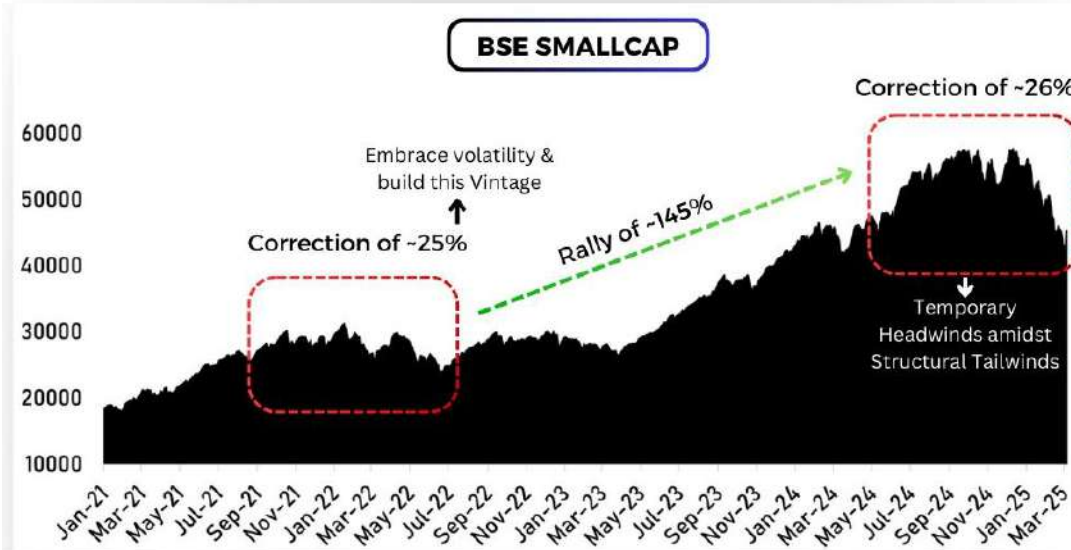
SMALL AND MID CAP'S PROFIT TRAJECTORY?

INR mn, Free float	Free float PAT growth				CAGR (FY24-FY27E)
	FY24A	FY25E	FY26E	FY27E	
Nifty Midcap 100 – ex Vodafone	6,97,393	7,97,416	9,99,703	11,93,356	
growth	35%	14%	25%	19%	20%
Nifty Smallcap 100	2,70,575	3,36,137	4,18,994	4,99,293	
growth	-6%	24%	25%	19%	23%
Nifty50	43,49,913	46,33,910	52,84,215	60,13,841	
growth	24%	7%	14%	14%	11%
Nifty Next 50	8,36,766	8,73,686	10,42,308	11,95,333	
growth	55%	4%	19%	15%	13%

MARKET CORRECTIONS AND RECOVERY

INDEX	SENSEX	BSE MIDCAP	BSE SMALLCAP
Duration of the fall (Avg.)	8 months	5 months	3 months
How far it fell (Avg.)	-27%	-30%	-31%
Recovery after 1 month (Avg.)	11%	13%	16%
Recovery after 3 months (Avg.)	18%	27%	38%
Recovery after 6 months (Avg.)	29%	42%	71%

SMALL CAPS HAVE SUPERIOR PEG



	LARGECAP	SMALLCAP
PEAK 3Y PE	25.75	39.78
MAR'25 PE	20.34	26.52
VALUATION COOLDOWN	-21%	-33%
FY24A-FY27E	12%	23%
PEG	1.70	1.15

KEY TAKEAWAYS

1. Chances of underperformance from current levels is limited; Expecting mild stance on tariff as US fundamentals are deteriorating sharply, which would trigger flows out from US to EU and Asia
2. DXY down by 4% from highs would be supportive of FII flows in coming 1 to 3 months – trump trade is over (NASDAQ is down 12-13% from peak) ; one more trigger for market bottoming
3. India underperforming EM by 21% since Sep'24- half of stocks are trading below 10 Yr averages; Relative valuation against MSCI EM at 10 Yr average – historically we have bounced back from such levels
4. Markets, especially SMIDs have corrected sharply due to unwinding of leveraged positions, FII selling and some concerns around valuations. Both large cap and mid cap valuations have now come down closer to or below long term averages. Portfolios have witnessed valuation cool down of 35 to 40% In last four months while earnings have grown by 14% to 27% for portfolios.
5. Most of the rebalancing is done- no further actions are required until there's any sharp movement on either side
6. While markets may behave irrationally in the short term, they ultimately align with earnings growth over the medium to long term. We are fairly confident of +20% earnings CAGR for our portfolios
7. Key Triggers- US Economy, Bilateral trade agreement, USDINR/DXY, Tariffs

DISCLAIMER

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

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MACRO UPDATE

KEY INDICATORS	Feb'25	Jan'25
MARKET UPDATE		
SENSEX	73,198.10	77,500.57
P/E	21.36	22.22
P/B	3.92	3.98
Dividend Yield (%)	1.20	1.18
CURRENCY UPDATE		
USD/INR	87.3270	86.6470
USD/EUR	0.9620	0.9618
USD/CNY	7.2853	7.1809
COMMODITY UPDATE		
Brent Oil (USD Per Barrel)	74.76	77.11
Gold (USD per ounce)	2,858.60	2,801.00
Bloomberg Commodity Index	102.75	102.29
FPI NET INVESTMENTS		
Equity (INR Cr)	-34,574	-78,027
Debt (INR Cr)	-5,508	-3,424
ECONOMY UPDATE		
GDP Growth (FY25) (YOY)	6.50%	
CPI (Jan'25)	4.31%	
Repo Rate (Feb'25)	6.25%	

COMMENTARY

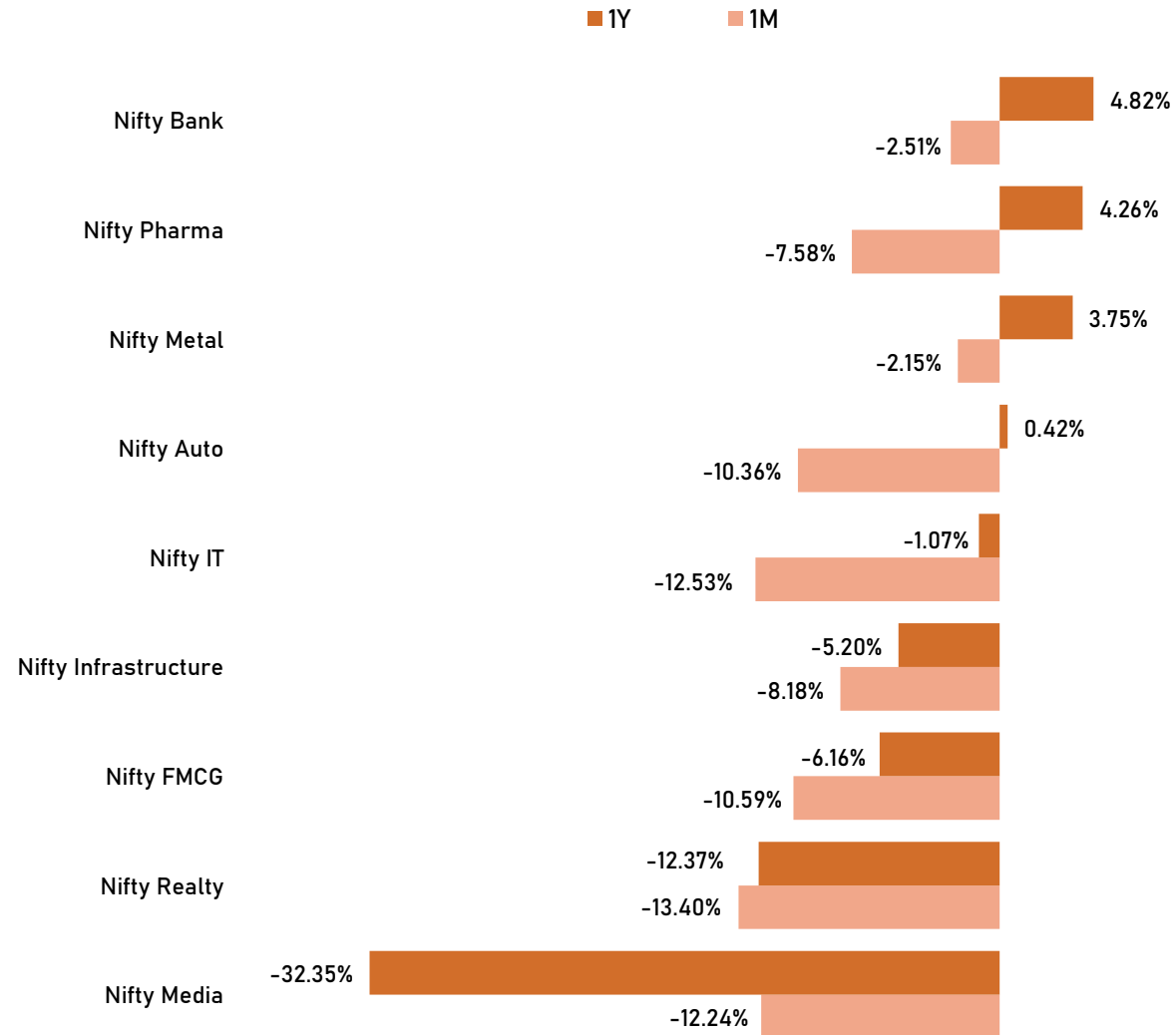
The repo rate, which had remained at 6.5% until now, has been reduced by 25 basis points to 6.25%. This decision follows the government's recent move to cut personal income tax to stimulate consumption. The rate cut, the first by the RBI in five years since May 2020, comes after maintaining the repo rate unchanged for two years. The announcement is made amid global economic uncertainty, with U.S. President Donald Trump imposing tariffs on Canada, Mexico, and China which has raised concerns over potential global trade wars, leading to a stronger dollar against major currencies.

The central bank revealed plans for open market operations (OMO) to buy government securities worth ₹60,000 crore to provide durable liquidity. In addition, the RBI will conduct a 56-day variable rate repo (VRR) auction for ₹50,000 crore to maintain liquidity through the end of the financial year. The central bank also announced a \$5 billion dollar-rupee buy-sell swap auction that is expected to inject approximately ₹50,000 crore into the banking system.

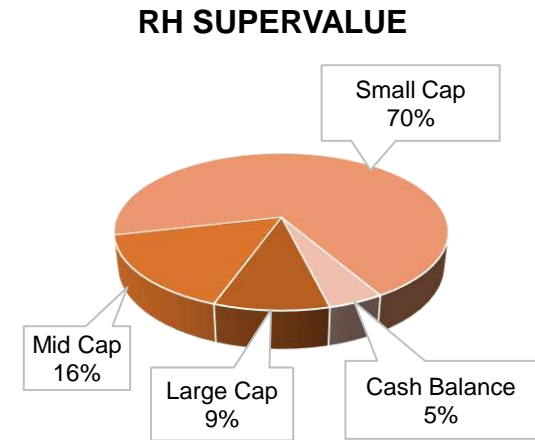
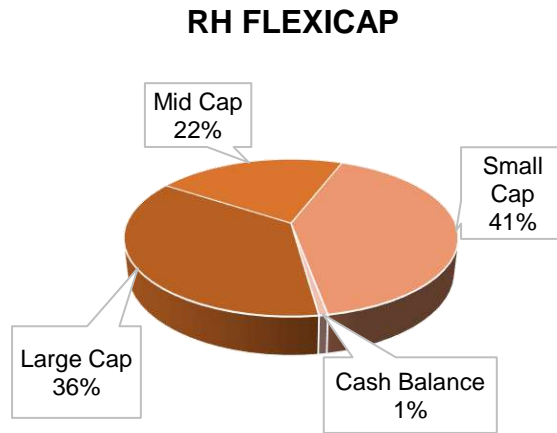
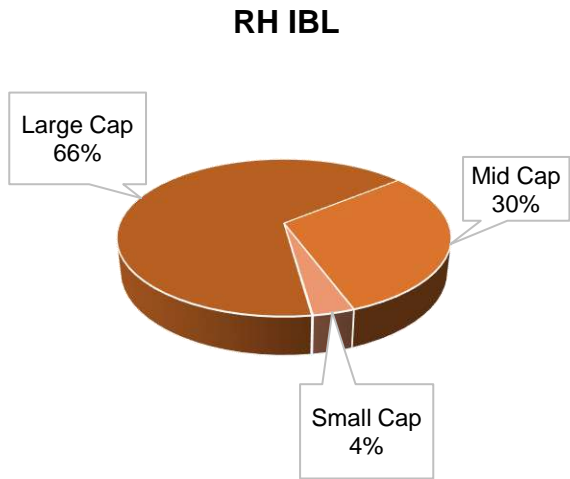
MACRO DASHBOARD- POSITIVE

KEY INDICATORS			
PMI			Outlook
PMI MANUFACTURING (Feb'25 Vs Jan'25)	56.30	57.70	POSTIVE
PMI SERVICES (Feb'25 Vs Jan'25)	61.10	56.50	
DEMAND			
Consumer Confidence (Jan'25 Vs Nov'24)	93.70	94.00	NEUTRAL
Infrastructure O/P (YOY) (Jan'25 Vs Dec'24)	4.60%	4.80%	
UTILIZATION	3QFY25	2QFY25	
Capex Utilization	74.70%	75.80%	POSITIVE
PRODUCTION			
Industrial Production (YOY) (Dec'24 Vs Nov'24)	3.20%	5.00%	NEUTRAL
Manufacturing Production (YOY) (Dec'24 Vs Nov'24)	3.00%	5.50%	
Mining Production (YOY) (Dec'24 Vs Nov'24)	2.60%	1.90%	
Steel Production (Thousand Tonnes) (Jan'25 Vs Dec'24)	13,600	13,600	
Passenger Vehicle Sales (Units) (Jan'25 Vs Dec'24)	3,51,310	2,70,704	
FISCAL	Feb'25	Jan'25	
GST Collections (INR in Cr)	1,83,646	1,95,506	NEUTRAL

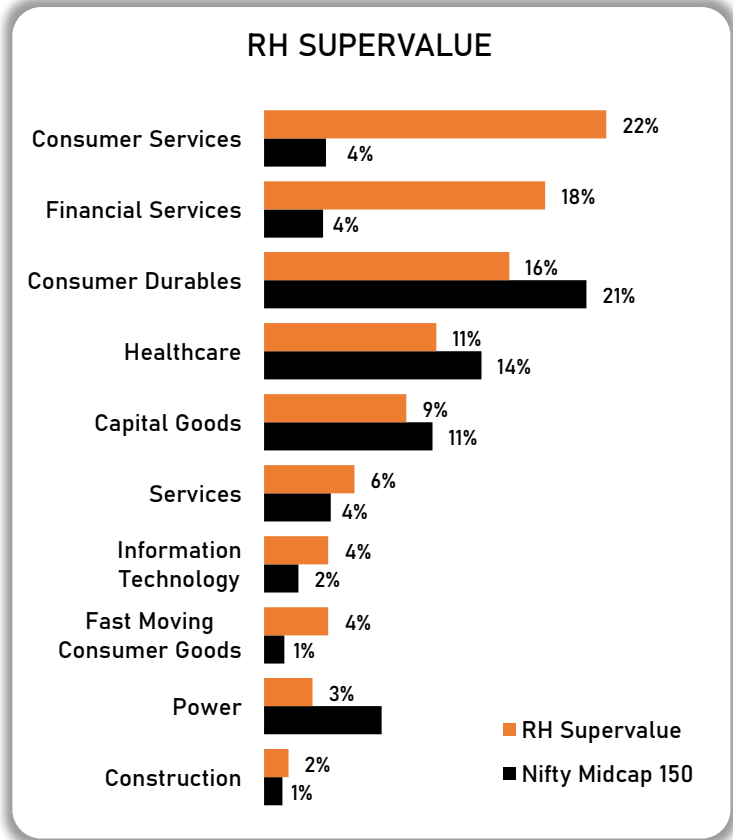
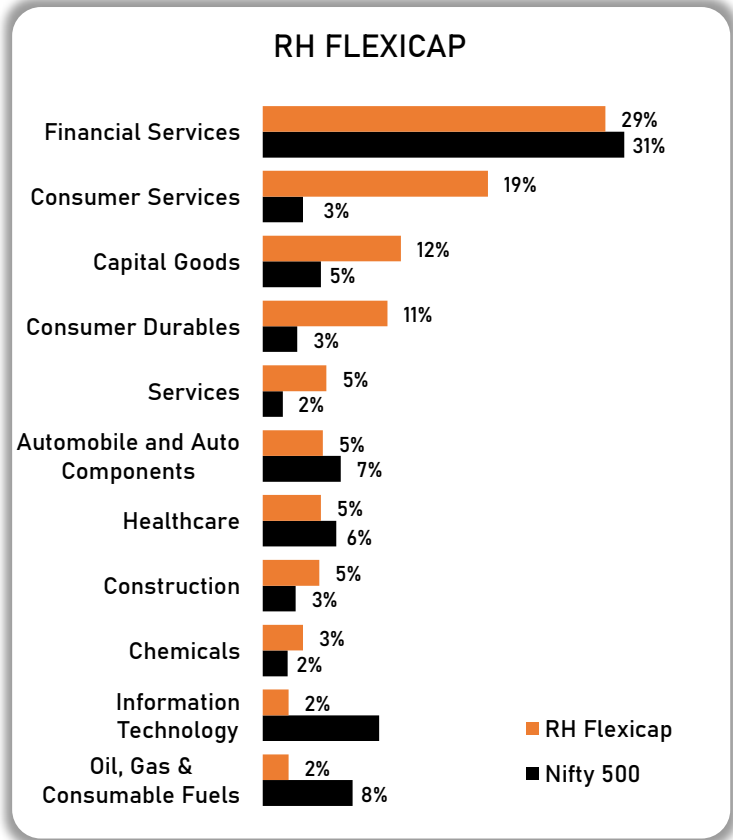
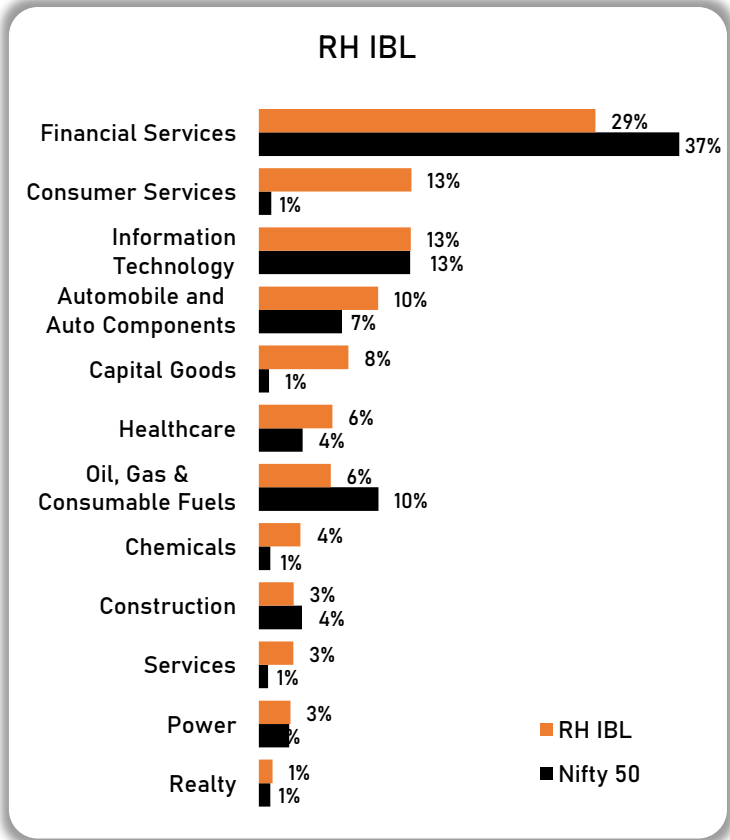
MARKETS PERFORMANCE: SECTORAL



M-CAP BREAKUP



PMS VS BENCHMARK SECTOR COMPARISON



VALUATION SNAPSHOT

TTM P/E	Feb'25	LT Avg.	SD+1	SD-1	SD
Nifty 500	21.8	25.4	31.2	19.6	5.8
Nifty Midcap 150	33.4	29.5	39.6	19.3	10.2
Auto	19.7	40.2	104.1	23.7	63.9
Bank* (PB)	2.1	2.6	3.1	2.1	0.5
Consumer Durables	68.6	43.1	77.1	9.2	34.0
FMCG	41.3	35.8	42.9	28.8	7.1
Healthcare	34.2	34.8	43.5	26.1	8.7
IT	28.3	23.3	29.2	17.3	5.9
Metal	19.0	15.0	22.2	7.8	7.2
Oil & Gas	11.7	14.6	21.6	7.6	7.0
Pharma	30.0	36.5	46.6	26.4	10.1

SECTOR	RH IBL	RH FLEXICAP	RH SUPERVALUE
Construction	UW	OW	OW
Healthcare	OW	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

GOING FORWARD

The Nifty has rebounded around 4% after falling around 17% from its highs, as Maha Election outcome Intensity improved positive sentiments for the markets

- **Foreign Flows :** 45,000 Cr selling in Nov as dollar index moved sharply from 103 to 107, however turned net buyers in Dec with 12,000 Cr of net long equity exposure in Indian Markets; bulk of the selling is behind us; Indian equities now trade at 30% valuation discount to US equities, dollar index has made its peak and expected to be rangebound going forward
- **Macroeconomic Fundamentals:** Weak Q2 GDP print however 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. Wedding season expected to provide INR 5.9 trillion boost to economy
- **Monetary Policy:** CRR cut of 50 bps to 4% will provide further liquidity to banking system; Oct inflation print was seasonal and expects inflation to ease going forward
- **Govt Capex:** Budgeted Capex of 11 Lakh Cr, H1 actual Capex at 4 Lakh Cr. Govt. capex slowdown is not a big problem as in 2019 also it was down 30% YoY post elections but picked pace in H2 ending with 10% higher over previous year. Election season is behind us- Capex targeted spending of 7 Lakh Cr in H2 is already picking pace now
- **Earnings Growth:** Muted growth at 5% for H1 on account of slowdown in cyclical sectors, expect nifty earnings to grow at 12 % for H2. Consumption in H2 would be supportive due to early onset of festive seasons, above average monsoon, increased govt spending, and record number of wedding dates.
- **Stock Picking:** Diversified industries where we have exposure have done well and portfolio has delivered 20%+ earnings growth in Q2 as well. H2 is typically better for Consumption and Manufacturing themes and expect 20%+ YoY earnings growth in H2 as well for overall portfolio.

Key Events: Trump Policy announcements in Jan, Inflation print for Dec

Risks:

- **Global Volatility:** Changing Geo-political landscape, Russia-Ukraine war can intensify before Trump resumes office
- **Domestic Volatility:** Slowdown in Consumption, Weak Q3 Earnings, Weak Govt Spending; Higher inflation print

Market Stance: Cautiously Optimistic

PORTFOLIO RETURNS

DATE	RH IBL	NIFTY 50 TRI	RH FLEXICAP	NIFTY 500	RH SUPERVALUE	BSE MIDCAP	RH SUPERVALUE AGGRESSIVE	BSE SMALLCAP
1 Month	-9.99%	-5.79%	-11.53%	-7.88%	-10.76%	-10.45%	-13.15%	-13.76%
3 Months	-17.33%	-8.10%	-21.11%	-12.37%	-20.15%	-16.23%	-23.82%	-21.95%
6 Months	-18.64%	-11.98%	-24.42%	-16.24%	-20.12%	-21.35%	-19.44%	-23.10%
1 Year	-4.51%	1.89%	-10.85%	-1.04%	1.17%	-1.92%	2.33%	-4.74%
2 Year	15.83%	14.41%	12.15%	16.99%	22.21%	26.35%	NA	NA
3 Year	9.97%	10.93%	7.61%	11.58%	16.08%	18.20%	NA	NA
5 Year	16.10%	15.96%	16.87%	16.56%	23.11%	21.45%	NA	NA
Since Inception of Current Fund Manager	12.92%	12.82%	14.50%	12.96%	25.09%	21.42%	NA	NA
Since Inception of Scheme	10.32%	13.05%	10.18%	12.62%	15.34%	15.08%	27.41%	22.70%
FYTD	-5.22%	0.32%	-8.82%	-1.85%	6.33%	-1.86%	8.33%	-0.19%

*Updated as of 28th Feb'25

PORTFOLIO QUANTS

METRICS	RH IBL	NIFTY 50	RH FLEXICAP	BSE 500	RH SUPERVALUE	BSE 500	RH SUPERVALUE AGGRESSIVE	BSE 500
SD	15.22%	15.17%	15.72%	14.93%	15.99%	12.13%	22.20%	20.71%
Beta	0.93	1.00	0.86	1.00	0.75	1.00	0.75	1.00
Sharpe	0.99	0.78	1.18	1.03	1.45	1.00	1.42	1.14
Treynor	0.16	0.12	0.21	0.15	0.40	0.12	1.27	0.24

*Supervalue Aggressive data is normalised

*Updated as of 28th Feb'25

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)	3.03	17.55	18.94	24824	Quant Flexi Cap Fund(G)	-9.73	15.99	29.27	3701
ICICI Pru Bluechip Fund(G)	2.97	14.75	18.53	44464	Parag Parikh Flexi Cap Fund-Reg(G)	11.82	17.41	24.01	29896
HDFC Large Cap Fund(G)	0.96	15.09	17.81	26571	HDFC Flexi Cap Fund(G)	9.27	21.38	23.33	45363
Aditya Birla SL Frontline Equity Fund(G)	2.90	11.76	16.02	23011	Franklin India Flexi Cap Fund(G)	3.51	15.48	20.78	12562
SBI BlueChip Fund-Reg(G)	4.78	11.56	15.85	35110	PGIM India Flexi Cap Fund-Reg(G)	1.01	7.64	18.18	4291
Kotak Bluechip Fund(IDCW)	2.94	11.64	15.80	192	Edelweiss Flexi Cap Fund-Reg(G)	4.32	14.29	17.61	2119
Canara Rob Bluechip Equity Fund-Reg(G)	4.93	11.47	15.58	8759	Aditya Birla SL Flexi Cap Fund(G)	3.81	12.05	15.77	17298
Franklin India Bluechip Fund(G)	3.36	10.27	15.28	6100	Canara Rob Flexi Cap Fund-Reg(G)	1.68	9.93	15.23	11041
Tata Large Cap Fund-Reg(G)	1.31	11.57	15.28	1854	Motilal Oswal Flexi Cap Fund-Reg(G)	13.67	18.45	15.17	6824
Bandhan Large Cap Fund-Reg(G)	1.95	10.99	14.99	1420	DSP Flexi Cap Fund-Reg(IDCW)	5.45	12.76	15.09	429
DSP Top 100 Equity Fund-Reg(G)	9.44	15.82	14.73	3507	Kotak Flexicap Fund(G)	3.14	12.67	14.94	35842
UTI Large Cap Fund-Reg(IDCW)	3.40	9.21	14.68	3695	Tata Flexi Cap Fund-Reg(G)	6.11	11.98	14.44	2689
HSBC Large Cap Fund(G)	0.00	11.07	14.44	1510	SBI Flexicap Fund-Reg(G)	1.38	9.65	14.43	15404
Mirae Asset Large Cap Fund-Reg(G)	3.09	9.45	14.12	24861	UTI Flexi Cap Fund-Reg(IDCW)	7.13	5.90	13.38	7520
Axis Bluechip Fund-Reg(G)	2.88	7.10	11.21	20908	Axis Flexi Cap Fund-Reg(G)	3.16	7.56	12.31	10824
RH IBL	-4.51	9.97	16.10	-	RH Flexicap	-10.85	7.61	16.87	-

PMS Vs MF COMPARISON

MIDCAP SCHEMES	1 Year	3 Years	5 Years	AUM (Cr.)
Quant Mid Cap Fund(G)	-8.62	18.18	28.09	3588
Motilal Oswal Midcap Fund-Reg(G)	16.62	27.02	26.29	9935
HDFC Mid-Cap Opportunities Fund(G)	4.05	22.85	24.60	57947
Nippon India Growth Fund(G)	5.81	20.54	23.82	27644
SBI Magnum Midcap Fund-Reg(G)	3.00	15.47	22.88	16630
Invesco India Midcap Fund(G)	10.54	19.73	21.87	4801
ICICI Pru Midcap Fund(G)	1.64	17.02	21.45	5425
Kotak Emerging Equity Fund(G)	6.76	16.50	21.43	39686
Tata Mid Cap Growth Fund-Reg(G)	0.14	16.03	19.83	3690
Franklin India Prima Fund(G)	7.68	18.52	19.73	9427
UTI Mid Cap Fund-Reg(IDCW)	-0.91	12.25	19.57	1239
Sundaram Mid Cap Fund-Reg(G)	4.93	18.99	19.26	10611
Aditya Birla SL Midcap Fund(G)	2.95	13.60	19.25	5118
Axis Midcap Fund-Reg(G)	6.29	13.14	18.26	20161
DSP Midcap Fund-Reg(G)	2.83	12.51	15.45	15676
RH Supervalue	1.17	16.08	23.11	-