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The Eagle Eye

February 2025

CONTENTS

GLOBAL MARKETS

- ❖ India and China underperform global equity markets in Jan'25
- ❖ MSCI India underperforms global indices and remains nearly flat in the past one year
- ❖ Nasdaq's outperformance widens; Nifty Midcap 100 takes the second spot in the past decade
- ❖ India market had a weak start to CY25 with most sectoral indices reporting a decline MoM

DOMESTIC MARKETS

- ❖ Sharp decline in SMIDs
- ❖ About 70% of Nifty-50 and Nifty-500 companies ended in red since Jul'24 Budget
- ❖ SMIDs' valuations have expanded materially

FLOWS AND VOLUMES

- ❖ DII inflows further strengthen, while FII sell-off intensifies
- ❖ Monthly average cash volumes weaken, while F&O volumes remain flat MoM
- ❖ DII inflows during CY21-25YTD touch USD140b, while FII flows stay flat

KEY RESEARCH REPORTS

- ❖ Union Budget 2025-26: Focus on fiscal consolidation and consumption
- ❖ 10-year Union Budget analysis: Balancing growth, investments, prudence and populism
- ❖ Top ideas of CY25

INTERESTING SNIPPETS

- ❖ DII vs. FII ownership spread converged to an all-time low
- ❖ Record FII outflows during Oct'24-Jan'25
- ❖ Forex reserves moderate for the fourth consecutive month to USD630b

VALUATIONS

- ❖ The 12-month trailing P/E for the Nifty stands at 22.6x, near its LPA
- ❖ Nifty's 12-month forward P/E trades at 19.9x, at its LPA
- ❖ India's market capitalization-to-GDP ratio down from an all-time year-end high

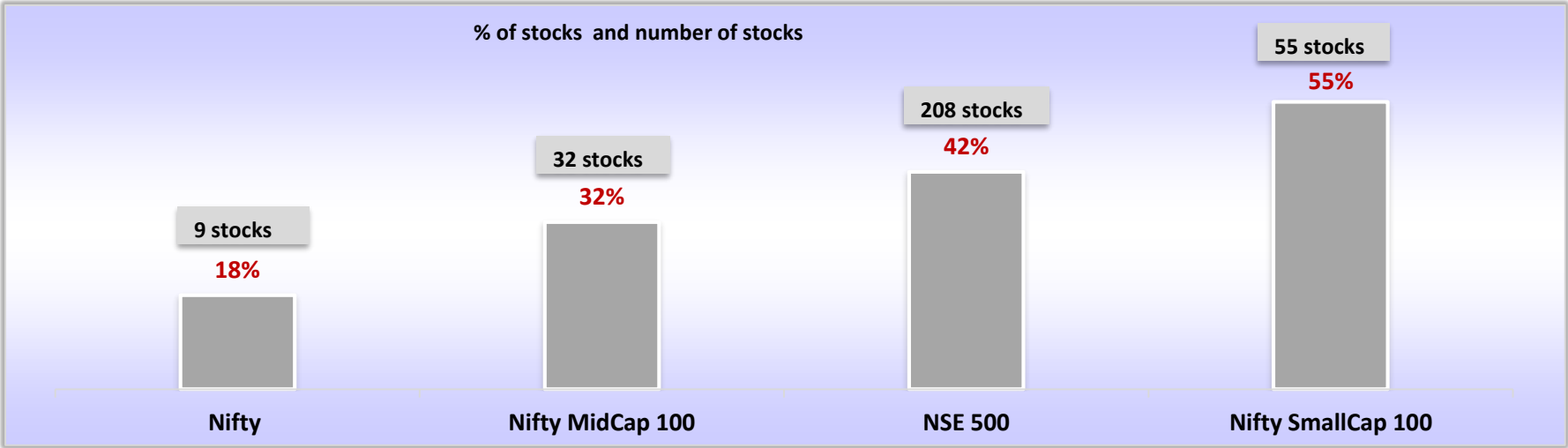
A view from the EAGLE'S EYE!

KEY EXHIBITS

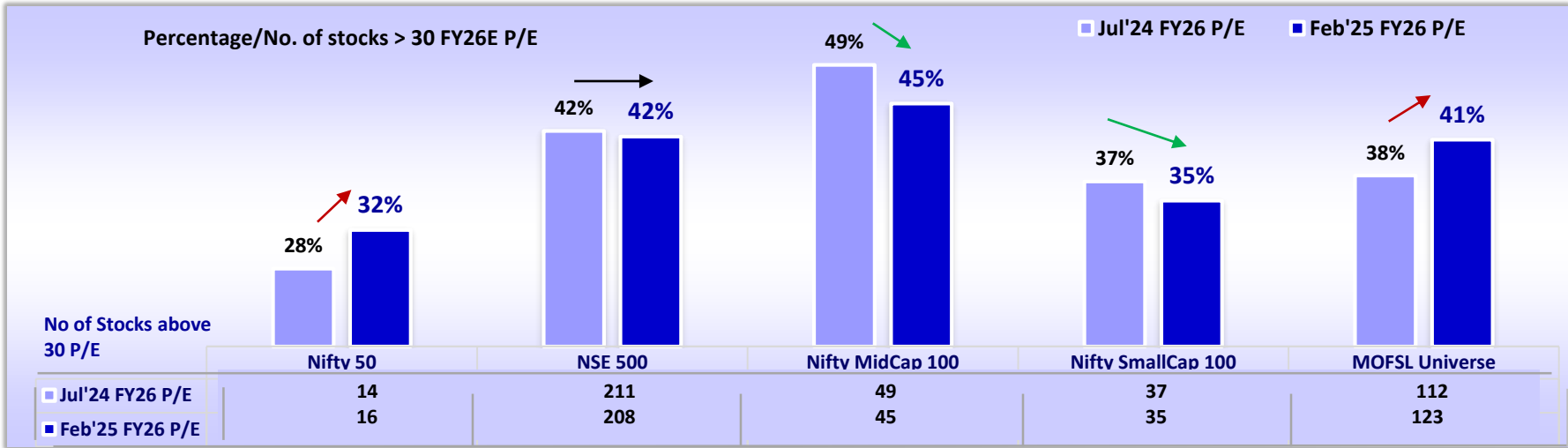
Sharp decline in SMIDs

❖ Nifty50/Midcap100/Smallcap100/Nifty500 fell 13%/15%/17%/12% from Sep'24 highs, while 9/32/55/208 constituents of those indices fell over 30% from their 52-week highs.

Key index constituents decline more than 30% from 52-week highs



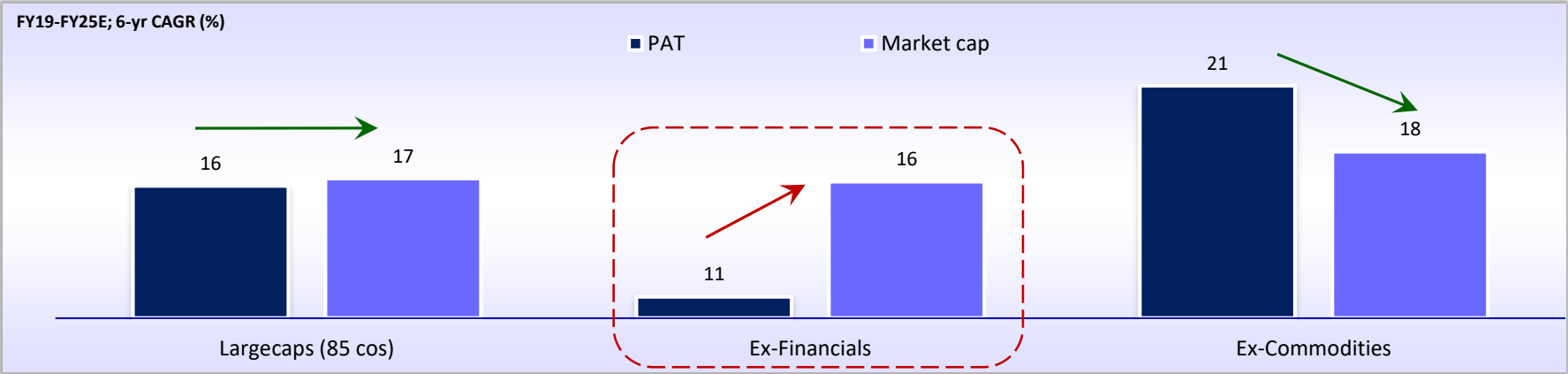
Lesser proportion of SMIDs trading above 30x, though overall valuation still stretched



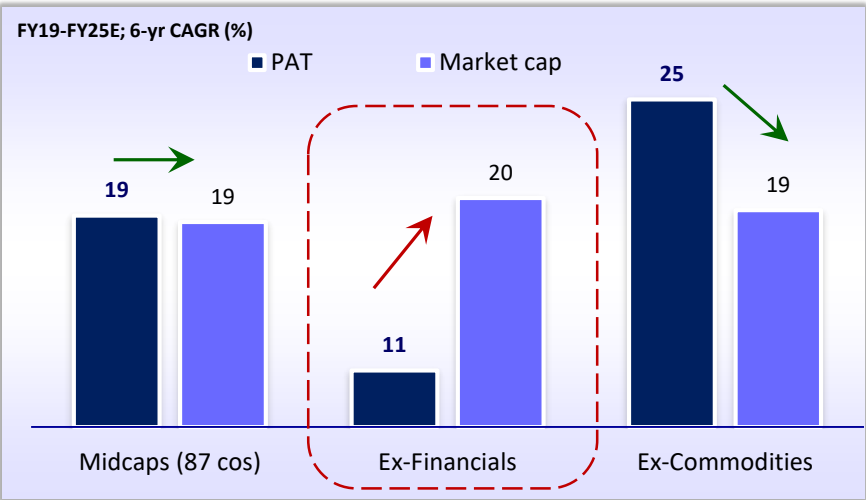
KEY EXHIBITS SMIDs' valuations have expanded materially

- ❖ For largecaps, earnings growth was in line with market cap growth in the last six years; however, their market cap (excl. Financials) grew faster than earnings.
- ❖ Smallcaps witnessed broad-based rerating across the sectors, while rerating was high in midcaps, excluding financials.

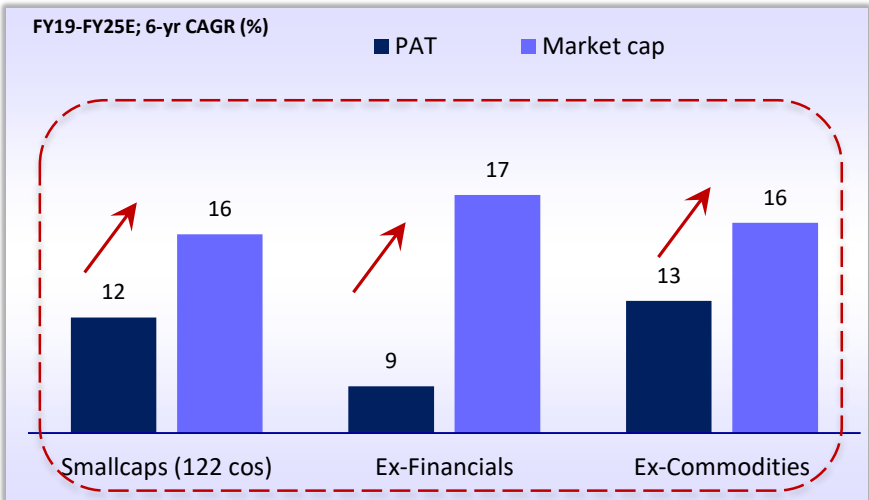
PAT vs. Market cap CAGR (%)
MOFSL Largecaps (85 companies)



MOFSL Midcaps (87 companies)



MOFSL Small caps (122 companies)



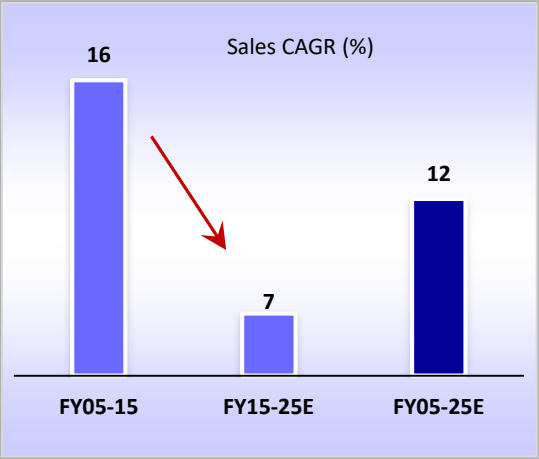
Note: MOFSL Universe considered. Largecaps (85 companies), Midcaps (87 companies) and Smallcaps (122 companies) are defined as per SEBI classification

KEY EXHIBITS

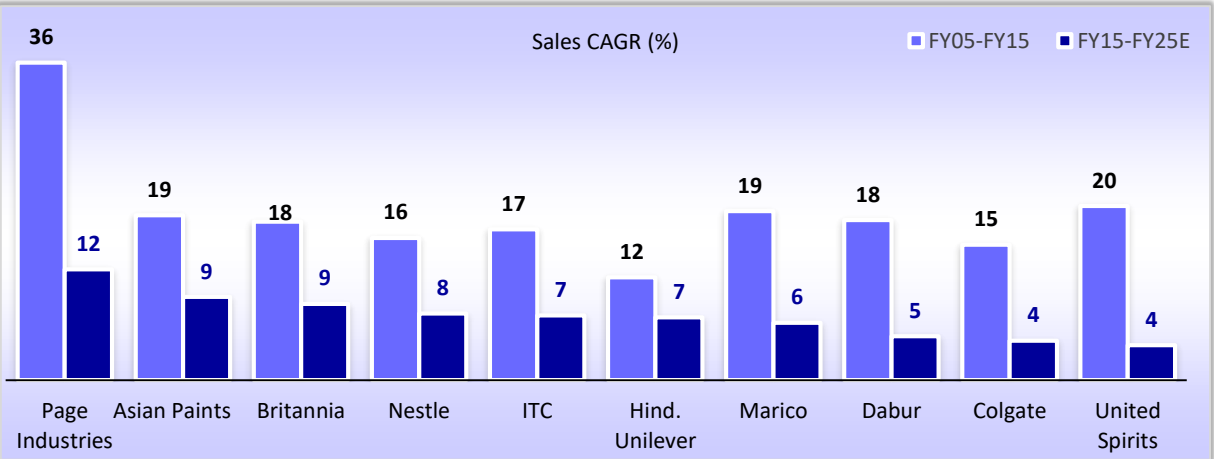
The fiscal kicker to weak consumption

- ❖ A slowdown in consumption is a decade-long phenomenon. The sales CAGR of MOFSL consumer universe halved in this decade vs. the previous one.
- ❖ Consumer stocks under MOFSL coverage clocked single-digit sales growth due to a weak demand environment during the past decade.
- ❖ However, a 10% profit CAGR during FY15-FY25E is majorly driven by margin expansion.

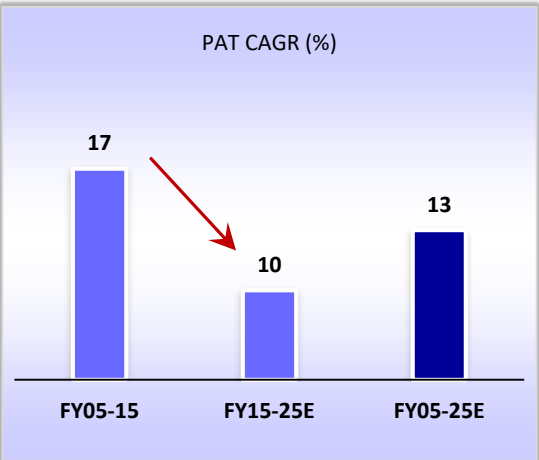
Sales growth of consumer sector



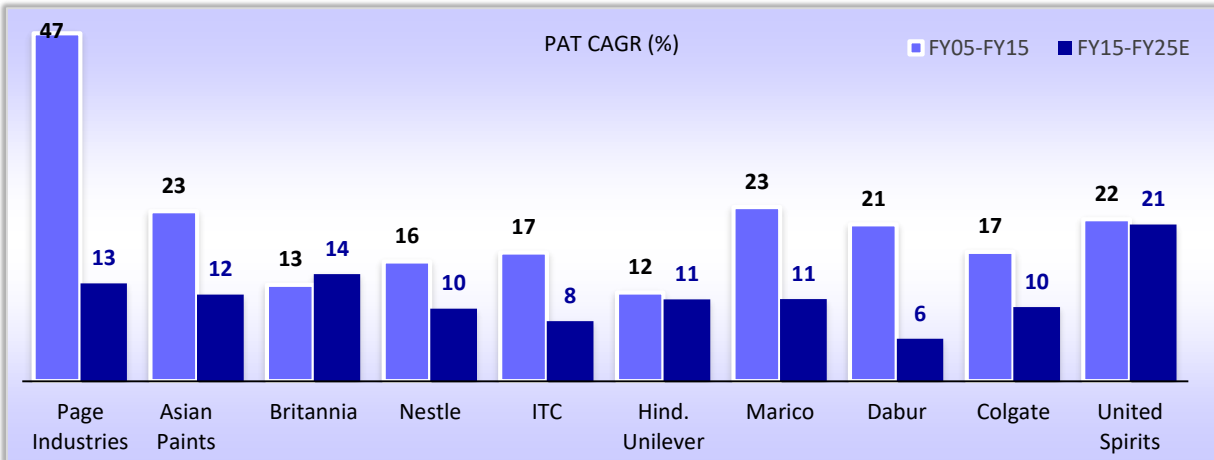
Sales growth of key consumer companies



PAT growth of consumer sector



PAT growth of key consumer companies



Note: MOFSL Consumer companies considered for analysis (Like for Like)

KEY EXHIBITS FY26 Union Budget: Focus on fiscal consolidation and consumption

Union Budget 2025-26 in numbers

	FY24 INR t	FY25RE			FY26BE		
		INR t	% YoY	% of GDP	INR t	% YoY*	% of GDP
Total receipts	27.9	31.5	12.8	9.7	35.0	11.1	9.8
Revenue receipts	27.3	30.9	13.2	9.5	34.2	10.8	9.6
Gross taxes	34.7	38.5	11.2	11.9	42.7	10.8	12.0
Net taxes	23.3	25.6	9.9	7.9	28.4	11.0	7.9
Direct taxes	19.6	22.4	14.4	6.9	25.2	12.7	7.1
Corporation taxes	9.1	9.8	7.6	3.0	10.8	10.4	3.0
Income taxes	10.4	12.6	20.3	3.9	14.4	14.4	4.0
Indirect taxes	15.1	16.2	7.1	5.0	17.5	8.3	4.9
Customs	2.3	2.4	0.8	0.7	2.4	2.1	0.7
Excise duties	3.1	3.1	-0.1	0.9	3.2	3.9	0.9
Goods & services tax (GST)	9.6	10.6	10.9	3.3	11.8	10.9	3.3
Devolution to States	11.4	13.0	13.9	4.0	14.3	10.5	4.0
Non-tax revenue	4.0	5.3	32.2	1.6	5.8	9.8	1.6
Non-debt capital receipts	0.6	0.6	-1.3	0.2	0.8	28.8	0.2
Divestment	0.3	0.5	66.7	0.2			
Total expenditure	44.4	47.2	6.1	14.6	50.7	7.4	14.2
Core spending	29.4	31.5	7.0	9.7	33.6	6.7	9.4
Revenue expenditure	34.9	37.0	5.8	11.4	39.4	6.7	11.0
Interest payments	10.6	11.4	7.0	3.5	12.8	12.2	3.6
Defense	4.3	4.3	-1.6	1.3	4.3	-0.4	1.2
Subsidies	2.9	3.0	2.3	0.9	3.1	4.9	0.9
Pensions	2.4	2.8	15.4	0.8	2.8	0.6	0.8
Grants to states/UTs	6.2	6.2	0.0	1.9	7.4	20.6	2.1
Non-defense pay/allowances	4.4	4.8	8.4	1.5	5.0	5.1	1.4
Other	2.4	2.8	15.2	0.8	1.9	-31.1	0.5
Capital expenditure	9.5	10.2	7.3	3.1	11.2	10.1	3.1
Fiscal deficit	16.5	15.7		4.8	15.7		4.4
Revenue deficit	7.7	6.1		1.9	5.2		1.5
Capital deficit	8.9	9.6		3.0	10.5		2.9
Primary deficit	5.9	4.3		1.3	2.9		0.8
Nominal GDP	295.4	324.1	9.7		357.0	10.1	

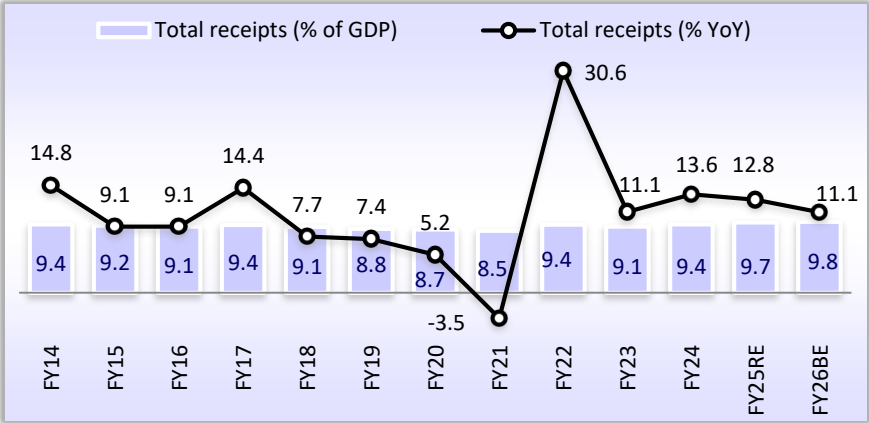
Source: Union Budget 2025-26, MOFSL

KEY EXHIBITS

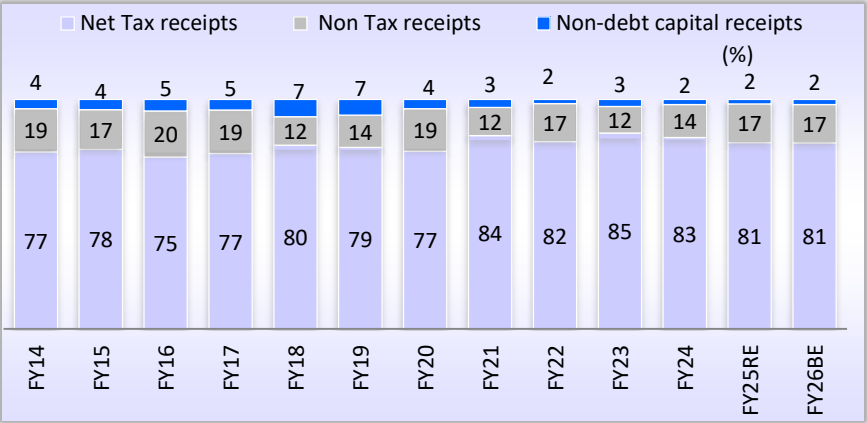
Budget: Total FY26 receipts budgeted to grow lowest in three years

- ❖ The GoI has reduced its FY25RE total receipts to INR31.5t from INR32.1t (reduction of INR602b). While gross taxes are revised up by INR130b to INR38.5t in FY25RE from INR38.4t in FY25BE, higher devolution to states (by INR400b) has reduced net tax receipts of the central government to INR25.6t in FY25RE from INR25.8t in FY25BE (reduction of INR265b).
- ❖ Total spending is budgeted at INR50.7t in FY26BE vs. INR47.2t in FY25RE (revised lower by INR1040b in FY25RE, entirely led by lower capital spending), implying 7.4% growth in FY26 (highest in three years).

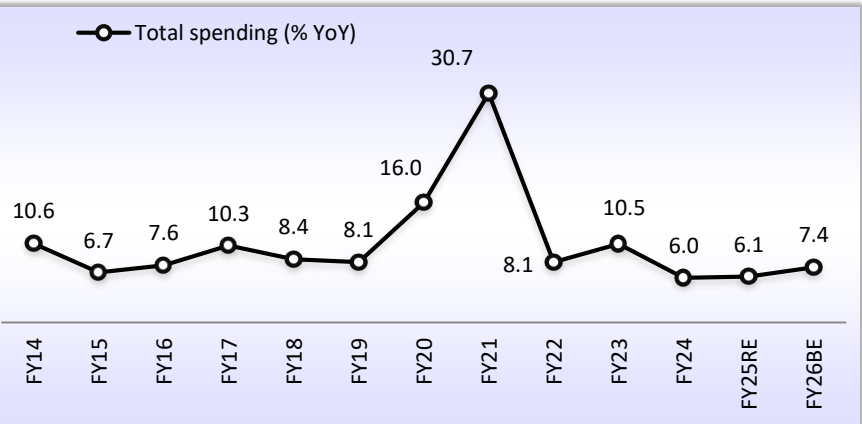
Receipts expected to grow 11.1% in FY26BE, the lowest in 3 years...



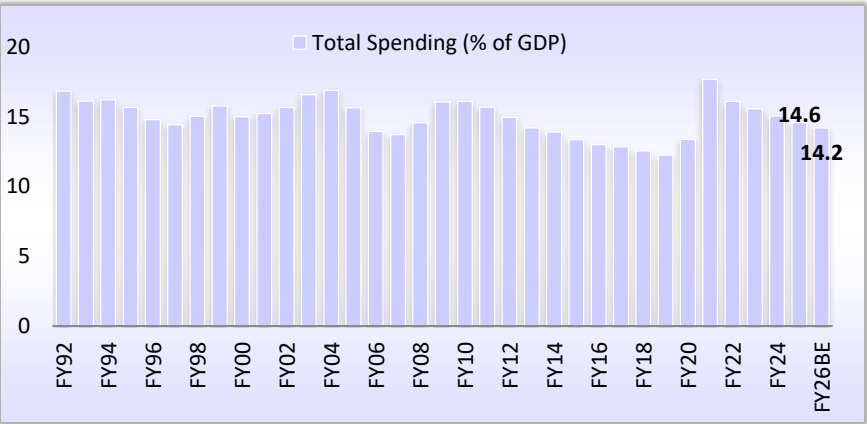
...and non-tax receipts to account for 17% of receipts



Total spending growth budgeted to rise to 7.4% in FY26BE



Total spending as share of GDP to ease to 6 years low

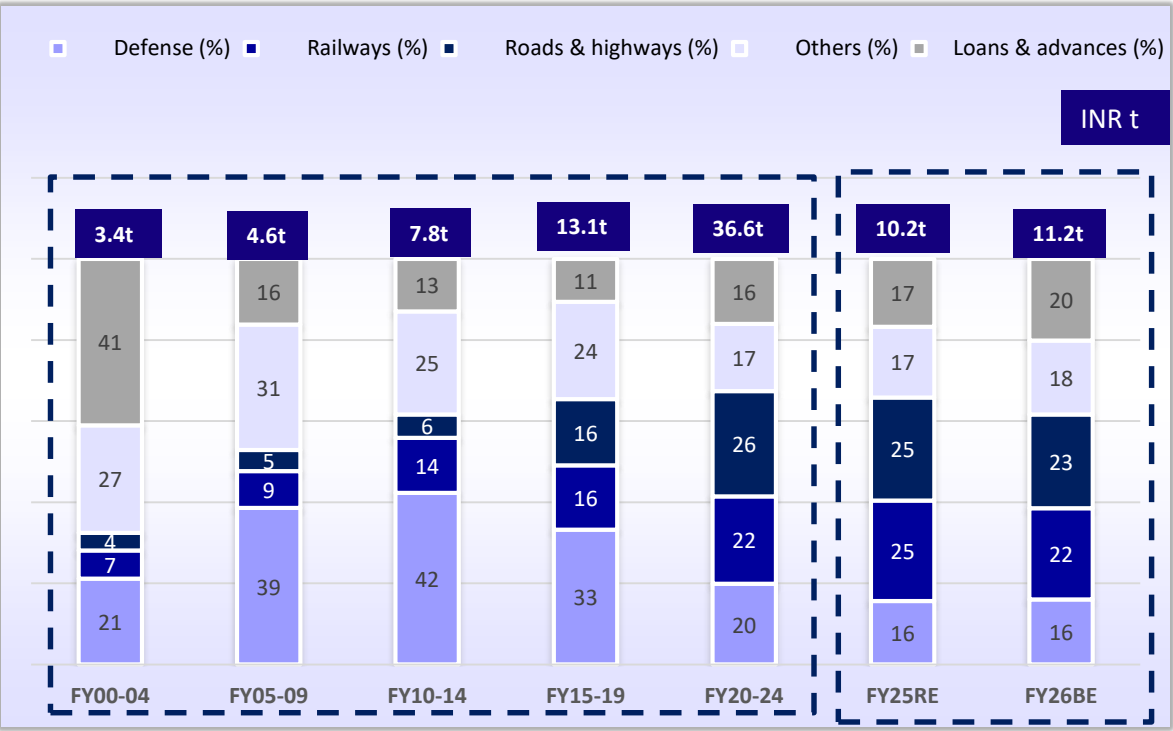


KEY EXHIBITS

Focus on roads and railways moderates

- ❖ After the strong run-up in the past decade, the capex budget for both roads and railways is expected to remain flat YoY at INR2.5t and INR2.6t, respectively, while the capex budget for defense is likely to grow 13% YoY to INR1.8t in FY26RE.
- ❖ The annual capital expenditure budget jumped 5x in the last 10 years to INR10.2t as of FY25RE.
- ❖ Notably, budget expenditure toward roads and railways saw the highest growth of 17x and 9x to INR2.6t and INR2.5t as of FY25RE (vs. FY14), respectively.

Capital expenditure bifurcation (%)



Budget Estimates as of Union Budget 1st Feb, 2025

Annual capital expenditure growth in the segment during FY14 to FY25RE INR t/(x)

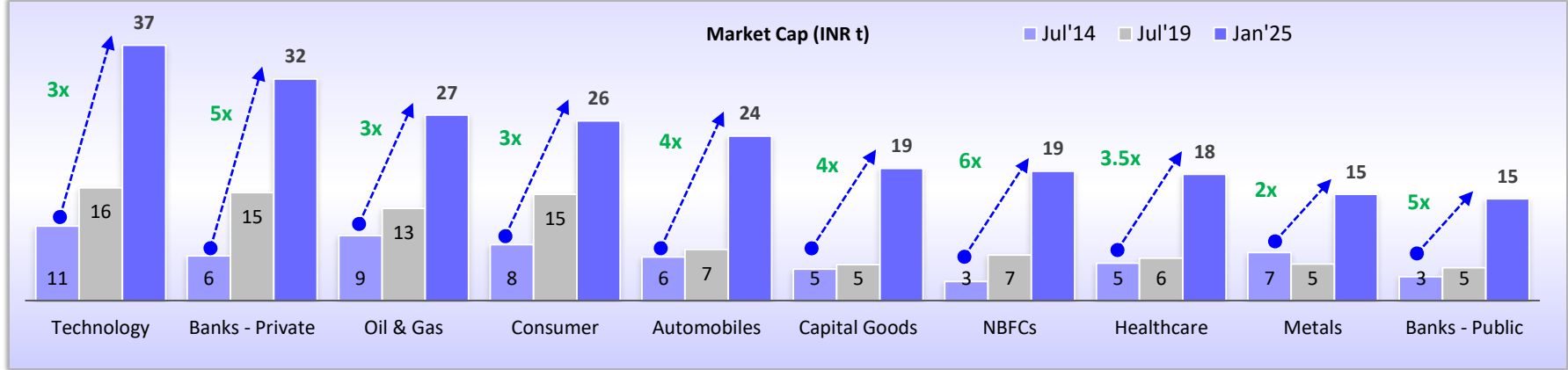
Loans and advances	INR 0.2 to 1.7t	9x
Others	INR.5t to 1.8t	4x
Road & highways	INR0.1t to 2.6t	17x
Railway	INR 0.3t to 2.5t	9x
Defense	INR 0.8t to 1.6t	2x

KEY EXHIBITS

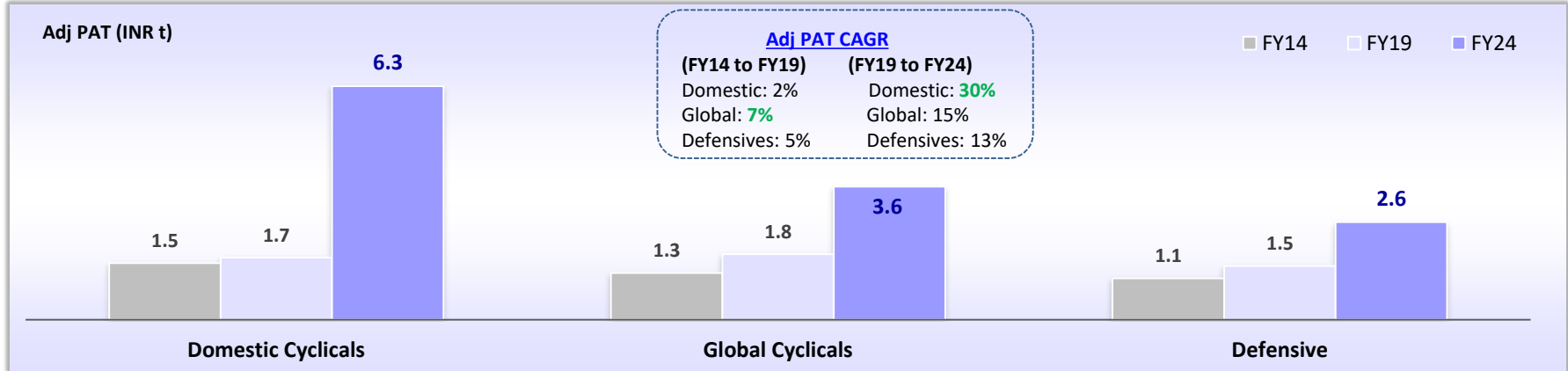
Key budgetary reforms drive domestic cyclicals outperformance

- ❖ The NDA government over the past decade has pivoted from the previous govt ‘consumption push toward embracing a supply-side reform policy.
- ❖ India’s economic expansion under the NDA government has driven strong m-cap growth across domestic cyclicals like BFSI, Automobiles, and Capital Goods.
- ❖ Also, domestic cyclicals’ profit growth surged as their PAT quadrupled from INR1.5t to INR6.3t between FY14 and FY24. [Report link](#)

Domestic cyclicals led robust market cap growth across sectors over the last two budget cycles...



...their profit quadrupled from INR1.5t to INR6.3t between FY14 and FY24

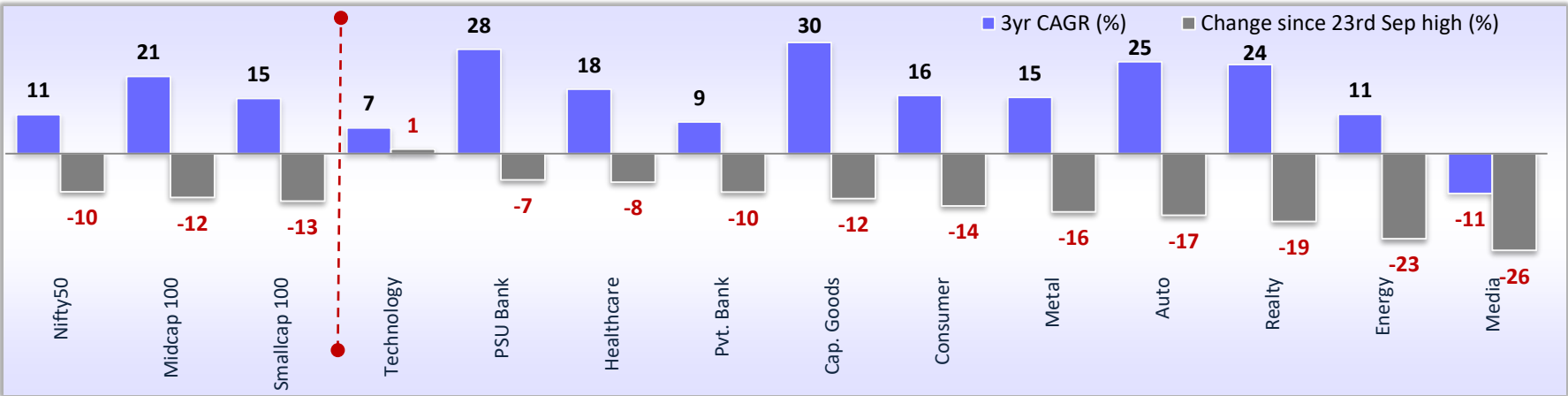


KEY EXHIBITS

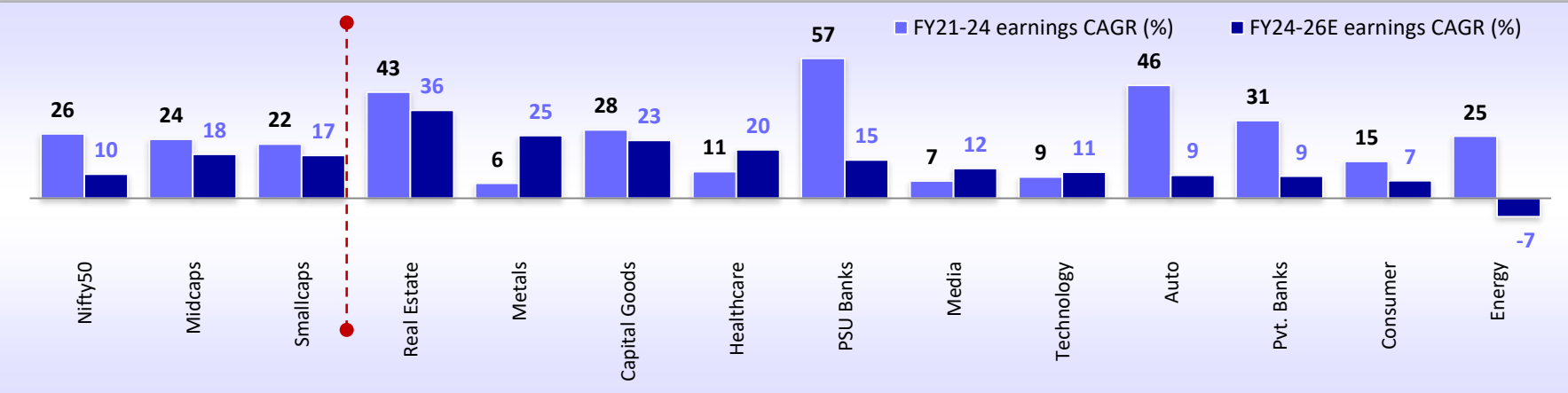
Sector-specific earnings to be in focus after the recent market fall

- ❖ The Technology sector has outperformed most sectors since the Sep'24 market fall.
- ❖ Amid slowing earnings and rich valuations, the focus is expected to shift to the sectors with better earnings growth prospects. During FY24-26E, Real Estate, Metals, Cap. Goods, and Healthcare are expected to clock the highest earnings growth, with healthy earnings growth for Technology and Banks.

Sectoral performance since the 2024 highs (%): Technology the only gainer; Real Estate, Energy, and Media declined the most



Sectoral earnings growth expectations (%): Real Estate, Metals, Capital goods and Healthcare to post earnings growth of more than 20% during FY24-26E



MOFSL coverage Universe considered for future earnings projections

KEY EXHIBITS 3QFY25 Interim Review: In line with modest expectations

Downgrades outpace Upgrades by 4x; Nifty EPS cut 1.2%/1.5% for FY26E/FY27E

- ❖ Earnings of the 183 MOFSL Universe companies grew 3% YoY (est. +4% YoY) in 3QFY25. The aggregate performance was hit by a drag from global commodities. Excluding Metals and O&G, the MOFSL Universe and Nifty clocked 8% and 4% earnings growth vs. expectations of +8% and +5%, respectively.
- ❖ The Nifty EPS estimate for FY26 was cut by 1.2% to INR1,205. FY27E EPS was also reduced by 1.5% to INR1,378 (from INR1,398). [Report link](#)

Sector (no of companies)	Sales				EBIDTA				PBT				PAT			
	Dec-24	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-24	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-24	Chg. % QoQ	Chg. % YoY	Var. over Exp. %	Dec-24	Chg. % QoQ	Chg. % YoY	Var. over Exp. %
Automobiles (11)	2,072	6.4	5.6	-1.1	255	3.8	-6	-6.7	195	10.7	3.1	-1.8	143	12.4	-8.7	-8.2
Capital Goods (4)	725	6.4	19.0	-1.3	82	2.7	17.6	-2.9	73	2	20.9	-3.5	49	4.8	23.4	-3.0
Cement (7)	422	11.0	-0.2	0.3	60	31.5	-30	-9.0	29	45.9	-53.9	-23.5	23	59.5	-47.0	-10.0
Chemicals (5)	61	2.3	17.6	-0.1	12	11.3	24.8	8.0	8	13	25.7	11.8	6	16.4	29.3	12.6
Consumer (12)	473	2.6	6.3	-0.4	99	0.6	1	-3.0	91	0.8	-0.8	-5.1	68	-0.2	-0.9	-5.8
Cons. Durables (5)	175	4.3	15.9	1.4	17	14.9	24.9	2.4	15	5	18.0	-4.8	11	5.3	23.4	-5.5
EMS (5)	146	-3.0	90.3	1.3	8	4.6	89	1.9	5	-27.6	119.2	-11.5	3	-1.2	94.9	-17.5
Financials (50)	2,370	3.6	10.4	-1.6	1,316	-0.7	11.8	0.9	1,047	-1	11.0	2.4	791	-0.5	10.2	3.5
Banks-Private (12)	922	1.3	9.0	-0.3	694	0.7	10	0.1	553	-2.0	4.8	-1.8	420	-2.9	1.5	-0.8
Banks-PSU (5)	473	1.2	3.2	-1.4	344	-6.7	9.0	2.6	285	-2	23.3	12.0	209	-0.4	29.3	14.4
Insurance (5)	633	9.5	13.8	-4.4	31	19.0	11	2.7	26	10.3	36.5	9.4	22	10.4	36.4	9.2
NBFC - Lending (15)	280	3.8	16.7	0.3	213	3.3	16.3	0.6	148	9	7.0	1.8	112	10.0	7.2	2.1
NBFC-Non Len. (13)	63	-0.3	34.0	0.5	35	-3.3	48	0.1	36	-11.3	30.1	-0.5	28	-8.3	27.9	-0.6
Healthcare (11)	464	1.7	10.4	1.6	121	1.2	16.1	4.7	98	-3	16.8	5.5	75	0.2	16.1	3.3
Infrastructure (1)	20	27.7	2.9	20.5	10	28.4	13	21.0	3	20.8	9.7	12.2	2	122.2	18.4	10.2
Logistics (6)	156	8.0	12.7	2.3	62	7.2	13.2	5.1	42	6	6.0	-0.9	36	10.7	15.7	3.6
Media (1)	20	-1.1	-3.3	-4.5	3	-0.8	52	6.3	3	1.2	95.8	10.7	2	23.1	129.5	29.9
Metals (6)	1,903	4.9	1.2	-0.4	409	19.4	3.0	9.3	274	31	1.8	15.7	172	26.4	-9.2	8.6
Oil & Gas (10)	7,658	6.6	0.2	-1.1	919	23.8	3	1.3	599	25.9	-2.4	-1.4	398	16.4	-10.2	-6.8
Ex OMCs (7)	3,483	1.9	2.8	3.7	687	9.5	4.8	1.9	470	5	3.7	3.2	299	-6.9	-7.4	-4.3
Real Estate (8)	114	10.1	19.4	-9.5	41	20.0	29	2.1	32	23.1	32.8	0.7	32	35.0	50.6	12.7
Retail (9)	294	13.2	19.3	-0.2	29	20.6	6.3	-5.4	19	37	1.9	-8.7	14	29.0	1.5	-10.3
Staffing (4)	125	4.8	13.6	2.6	4	4.2	8	-2.2	3	22.2	36.8	-2.7	3	23.6	50.4	-3.1
Technology (12)	1,967	1.2	5.9	0.1	448	2.9	6.9	1.6	419	3	9.0	0.5	309	2.9	8.8	-0.1
Telecom (2)	133	1.6	3.8	-2.6	81	37.3	72	27.1	56	74.5	130.8	54.8	20	29.5	10.8	10.7
Utilities (3)	439	0.5	4.3	0.4	130	13.1	16.5	-3.6	69	-4	8.0	-2.2	49	-5.3	4.6	-9.9
Others (11)	605	12.5	16.7	0.2	123	62.2	36	-6.4	59	526.7	70.9	-14.7	53	1,056.4	33.7	-17.5
MOFSL Univ. (183)	20,343	5.4	5.0	-0.8	4,228	9.9	7.7	1.2	3,140	10.7	7.1	1.5	2,259	9.3	2.8	-0.8
Ex Financials	17,973	5.6	4.4	-0.7	2,913	15.5	6.0	1.3	2,092	17.4	5.3	1.1	1,468	15.4	-0.8	-3.0
Ex Metals & Oil	10,782	4.6	9.5	-0.6	2,900	5.0	10.2	0.1	2,267	5.4	10.7	0.8	1,690	6.3	7.9	-0.2
Nifty (36)	12,265	4.4	4.7	1.3	2,815	7.7	6.9	1.7	2,140	5.5	5.3	1.3	1,526	3.7	1.3	-0.6

- ❖ Most sectors witnessed a significant reduction in their FY25/FY26 earnings estimates since April'24.
- ❖ Telecom and Metals saw the highest upgrades in FY26 earnings estimates.

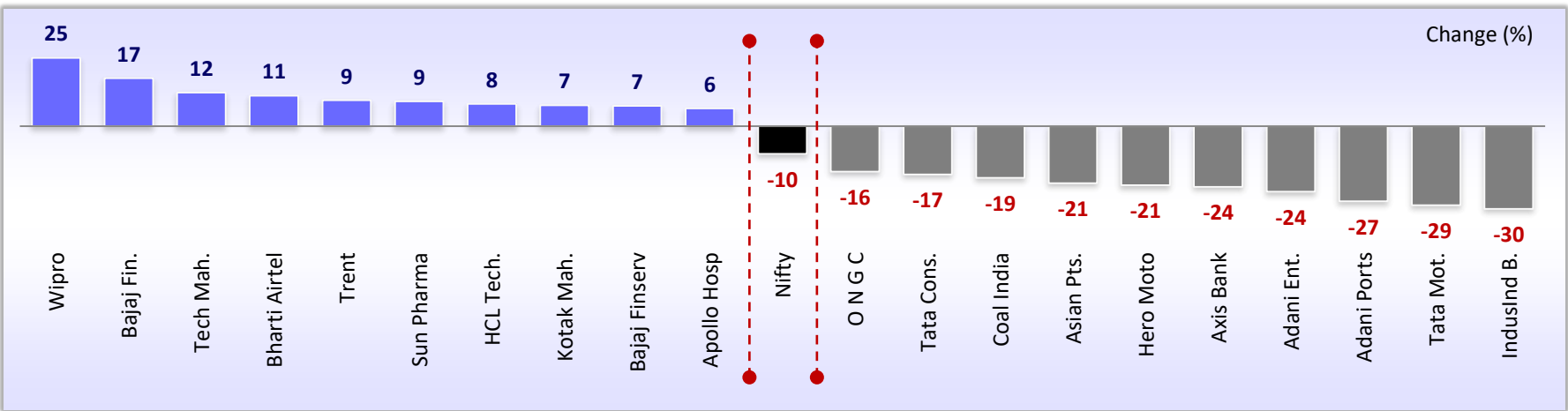
Sector	No of Cos	PAT (INR b) - As of Apr'24		PAT (INR b) - Current		% Revision	
		FY25E	FY26E	FY25E	FY26E	FY25E	FY26E
NBFC - Non Lending	4	27	33	34	43	26.2	31.6
Telecom	4	-39	42	-9	53	-77.0	25.8
Metals	10	1,087	1,292	982	1,368	-9.6	5.8
EMS	5	9	13	8	13	-4.9	2.3
Insurance	7	489	546	512	558	4.7	2.2
Healthcare	23	495	581	495	590	-0.1	1.7
Others	16	202	277	180	277	-11.0	0.3
Capital Goods	11	297	370	293	365	-1.2	-1.3
Real Estate	10	130	162	107	160	-17.1	-1.7
Logistics	8	148	182	140	174	-5.6	-4.3
Infrastructure	3	22	28	19	27	-11.2	-4.4
Consumer	19	636	705	590	668	-7.2	-5.1
Banks-PSU	6	1,560	1,822	1,592	1,725	2.1	-5.4
Automobiles	25	966	1,113	930	1,034	-3.7	-7.1
Consumer Durables	2	22	29	22	27	0.5	-7.4
Chemicals	12	83	102	68	93	-17.7	-9.1
Technology	12	1,294	1,520	1,221	1,366	-5.7	-10.1
Media	3	28	34	24	30	-14.3	-10.9
NBFC - Lending	22	664	818	550	723	-17.2	-11.7
Banks-Private	12	1,897	2,241	1,782	1,978	-6.1	-11.7
Oil & Gas	15	2,135	2,364	1,657	2,056	-22.4	-13.0
Retail	17	115	151	90	121	-21.8	-19.8
Cement	11	260	302	172	241	-33.9	-20.1
Staffing	4	13	18	10	13	-26.1	-27.4
MOFSL Universe	126	12,539	14,745	11,469	13,704	-8.5	-7.1

Note: Earnings estimates as of Apr'24 and 31st Jan'25, like-for-like companies under MOFSL coverage

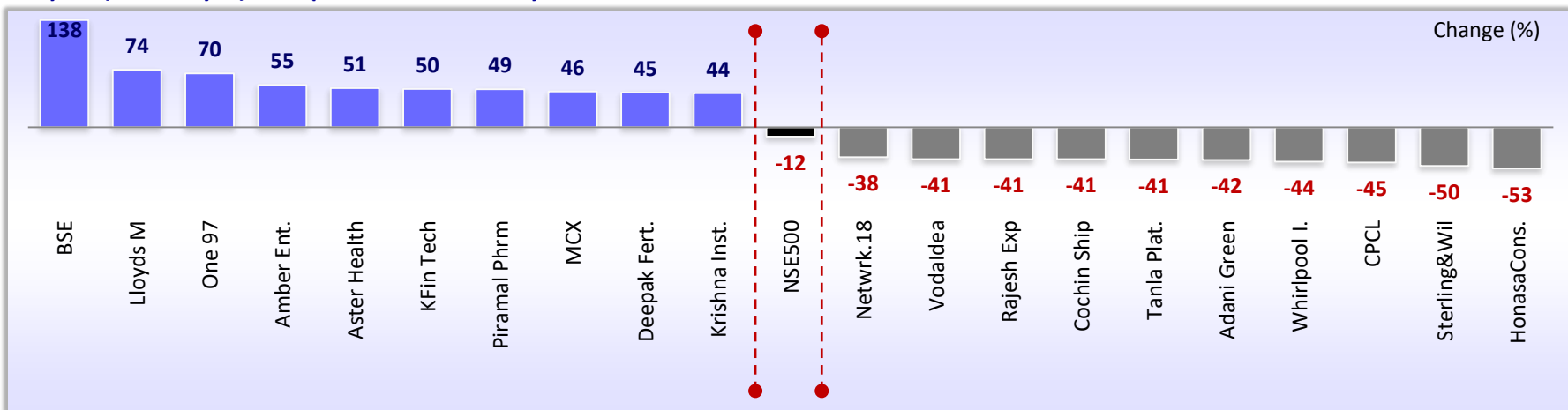
KEY EXHIBITS ~ 70% of Nifty50 and Nifty500 companies ended in red since Jul'24 Budget

- ❖ Nifty50: About 32 stocks ended lower, with 12 declining more than 15% between the two budgets.
- ❖ Nifty500 (excl. Nifty50): About 325 stocks ended lower, while 201 declined more than 15% since 23rd Jul'24.

Nifty50 stock performance: 23rd July'24 vs. 31st Jan'25



Nifty500 (excl. Nifty50) stock performance: 23rd July'24 vs. 31st Jan'25

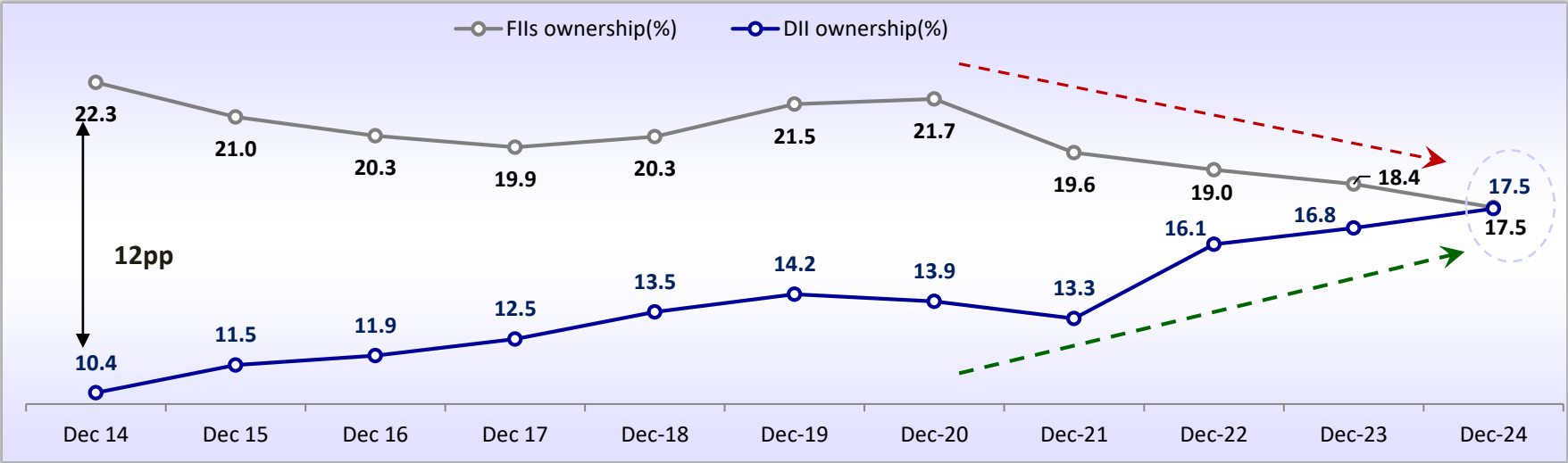


KEY EXHIBITS

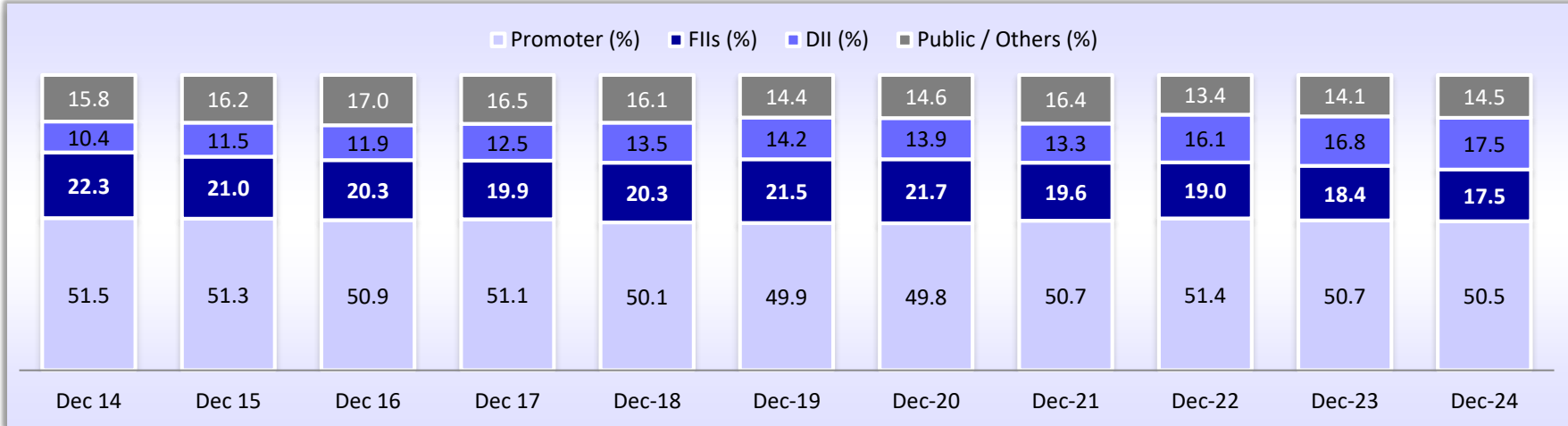
Ownership analysis: DII vs. FII ownership spread converged as of Dec'24

- ❖ Relentless FII selling has led to a continuous decline in its share in ownership in Indian equities.
- ❖ DII ownership continues to rise, with both FII and DII converging at 17.5% as of Dec'24.

Share of FIIs continues to decline, while share of DIIs continues to rise



Share of DIIs and Public rises, while share of FIIs declines in the past two years (%)

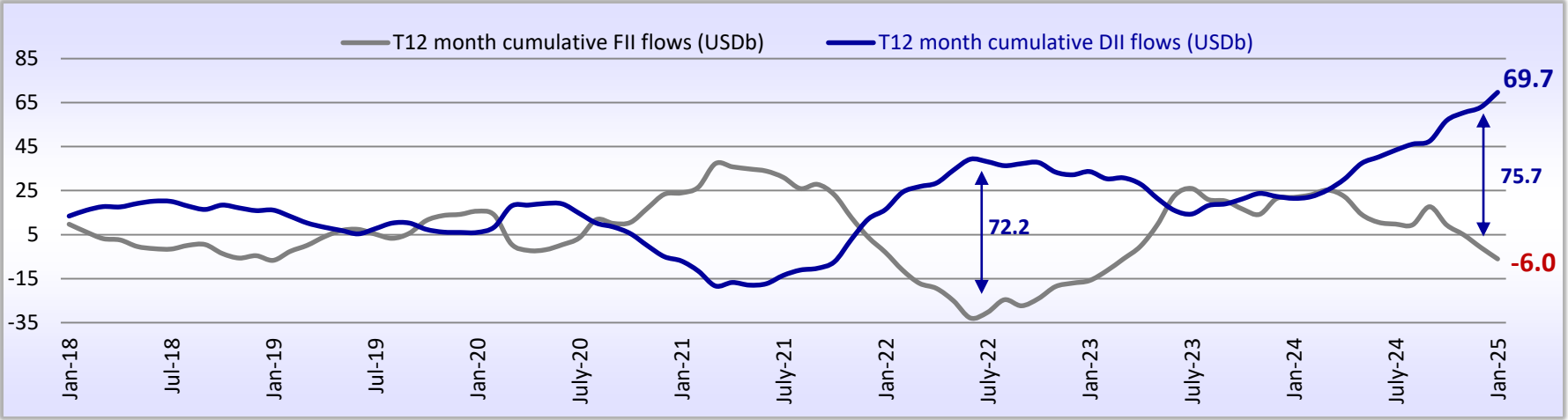


KEY EXHIBITS

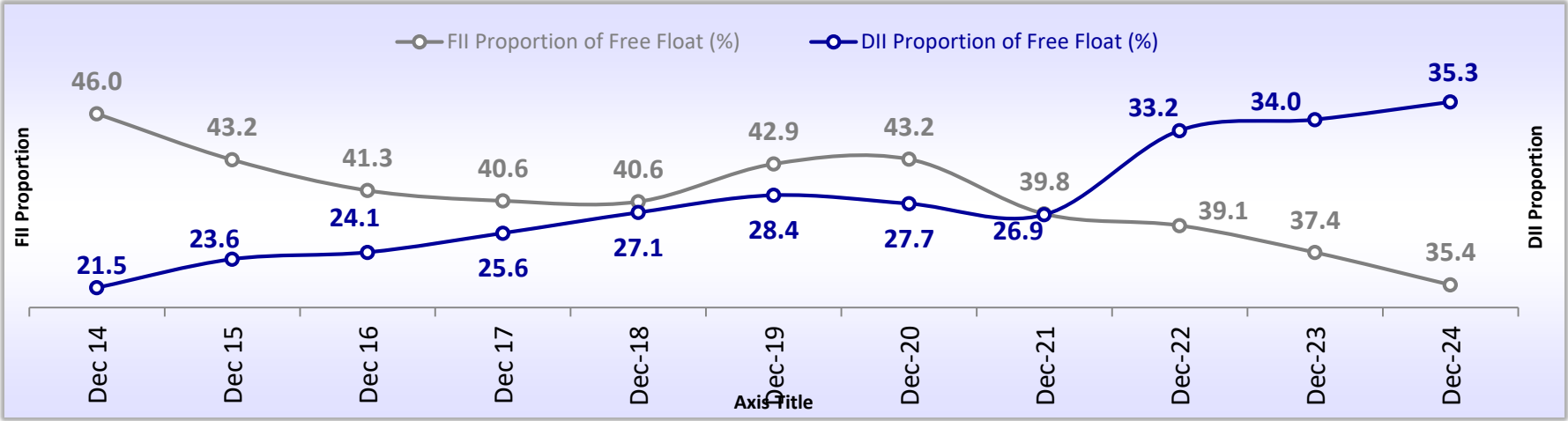
Divergence between cumulative FII and DII flows at an all-time high

❖ Sharp FII outflows have led to a significant change in the ownership structure in the past two years.

12-month cumulative FII/DII flows (USD b)



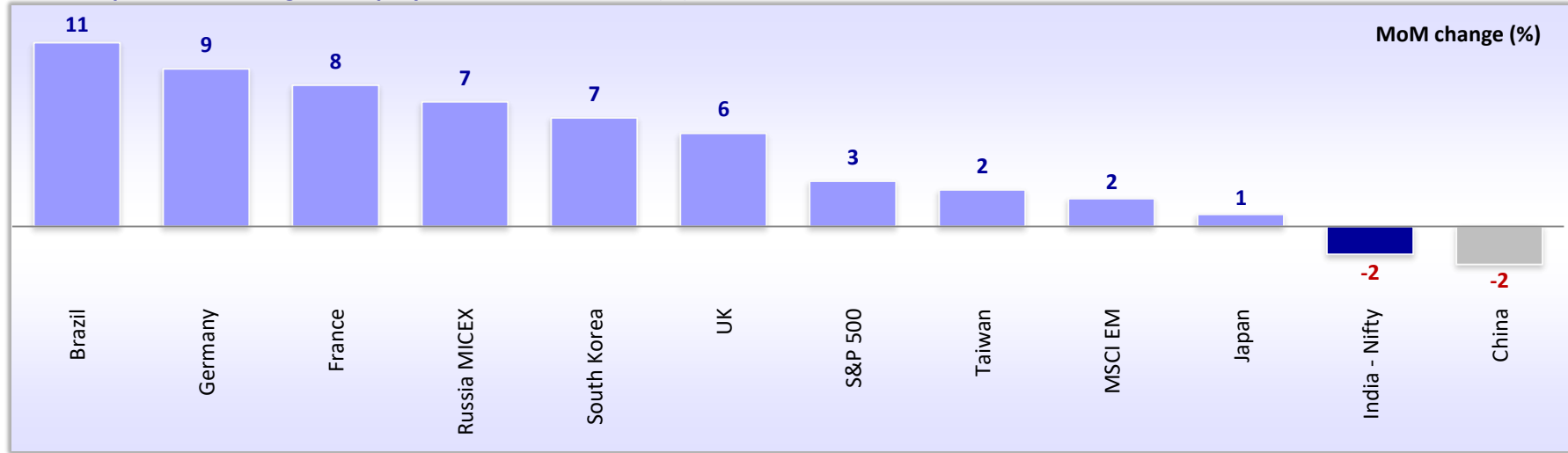
DII ownership as proportion of free float at all-time high



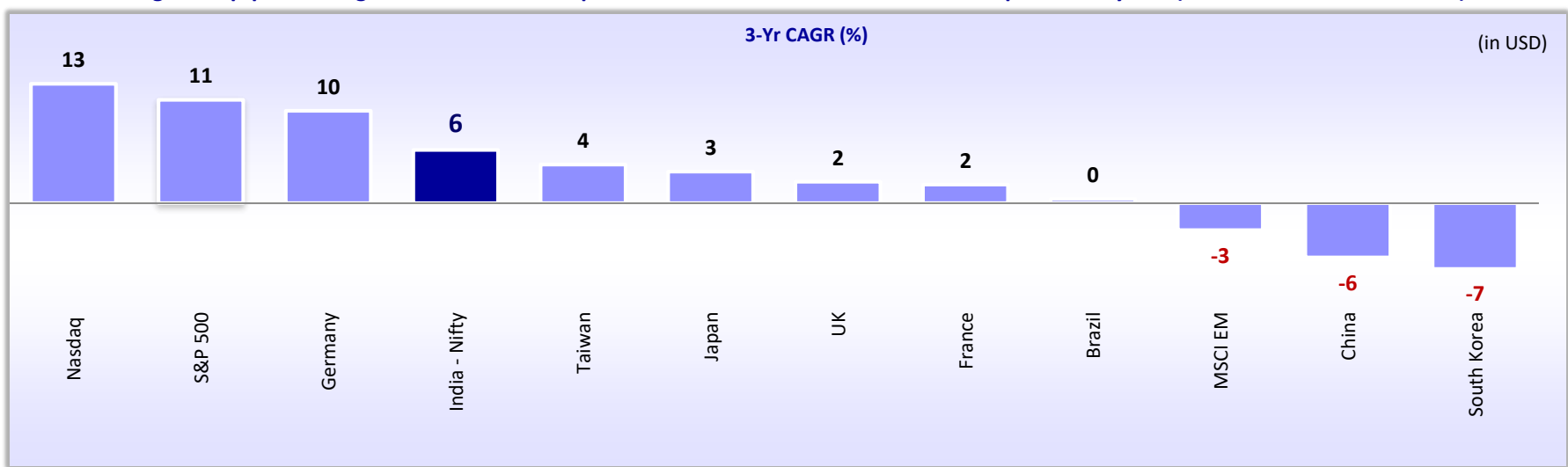
Macro, Markets, and More...

India and China underperform global equity markets in Jan'25

CY25YTD performance of global equity indices in USD terms (%)

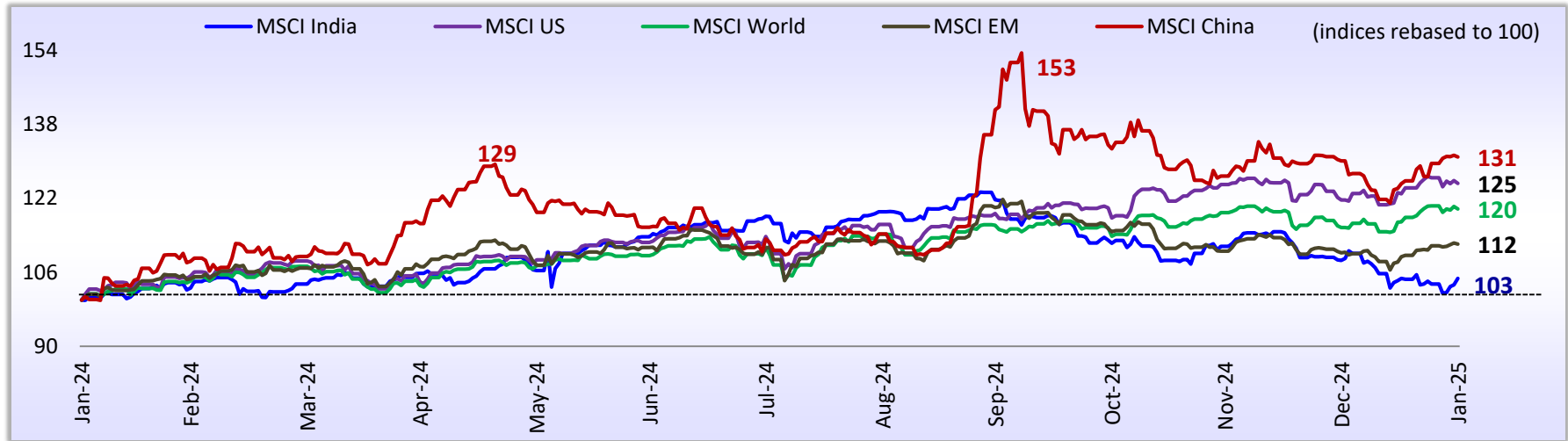


India is among the top-performing markets and has outperformed China and other EMs over the past three years (between Jan'22 and Jan'25)

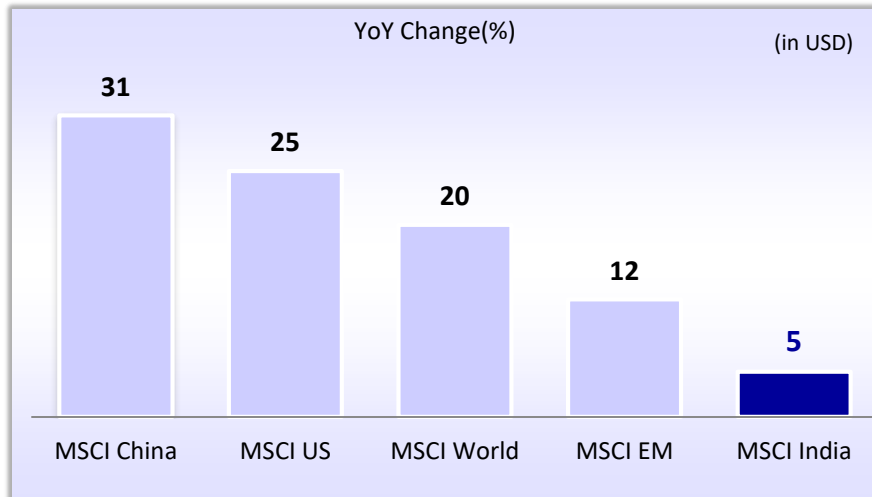


MSCI India underperforms global indices and remains nearly flat in the past one year

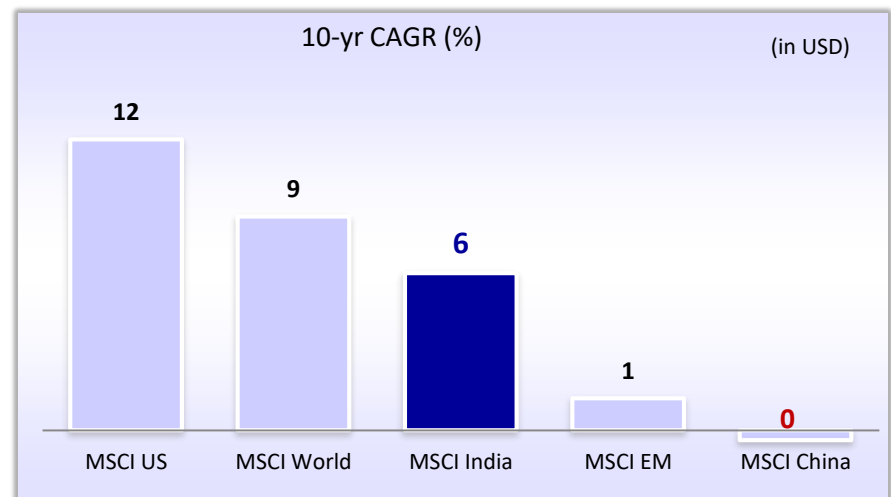
Key MSCI Indices: India has been a key underperformer since Jan'24



MSCI China and US outperform global indices in CY24

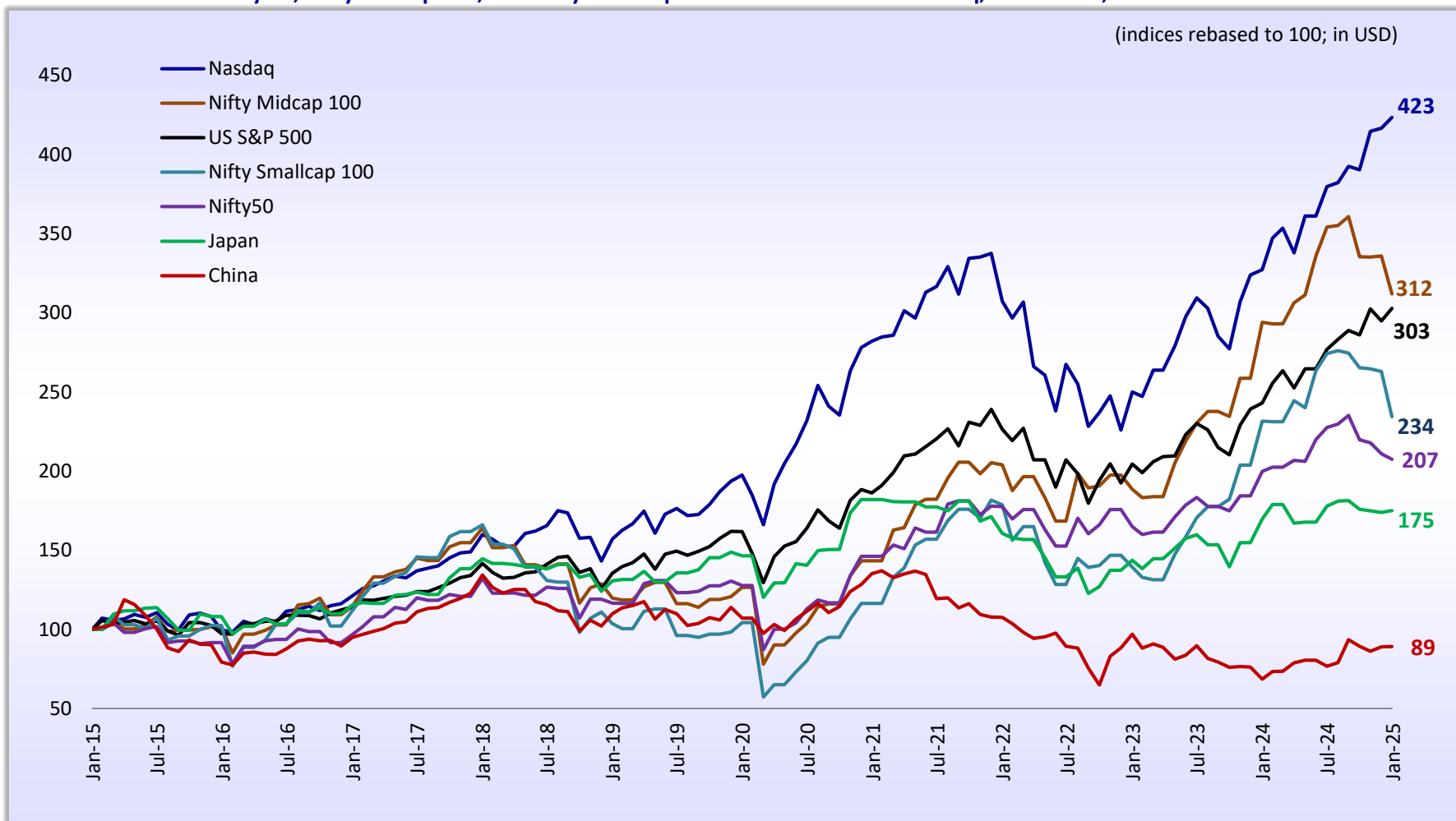


But MSCI India outperforms EMs in the last 10 years



Nasdaq's outperformance widens; Nifty Midcap 100 takes the second spot in the past decade

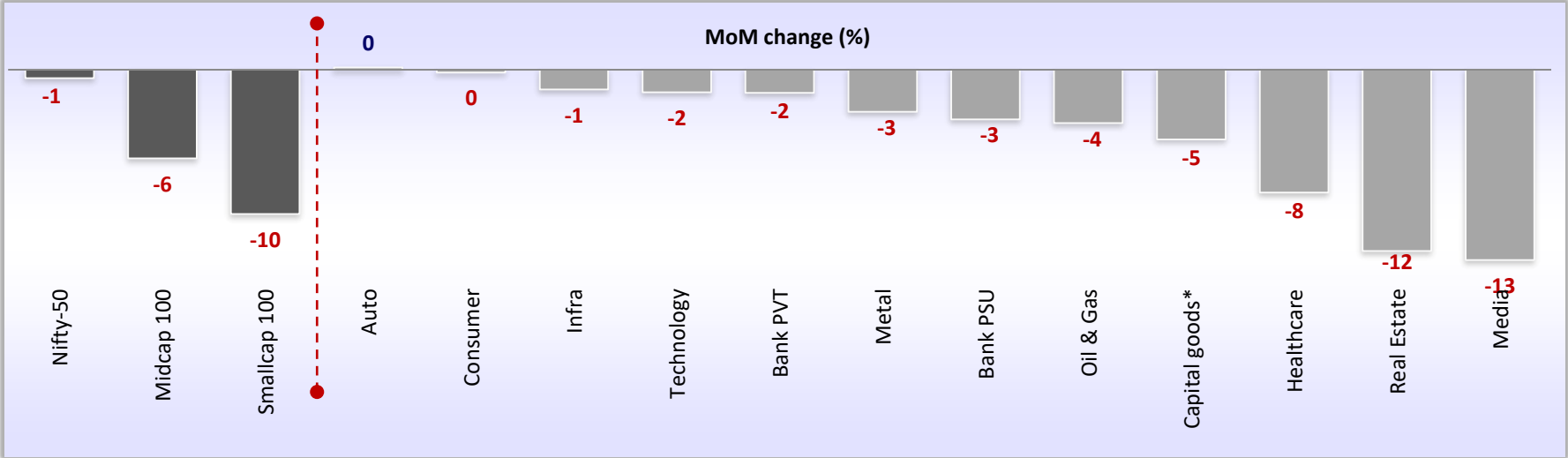
Performance of the Nifty 50, Nifty Midcap 100, and Nifty Smallcap 100 indices vs. the US Nasdaq, US S&P500, and China



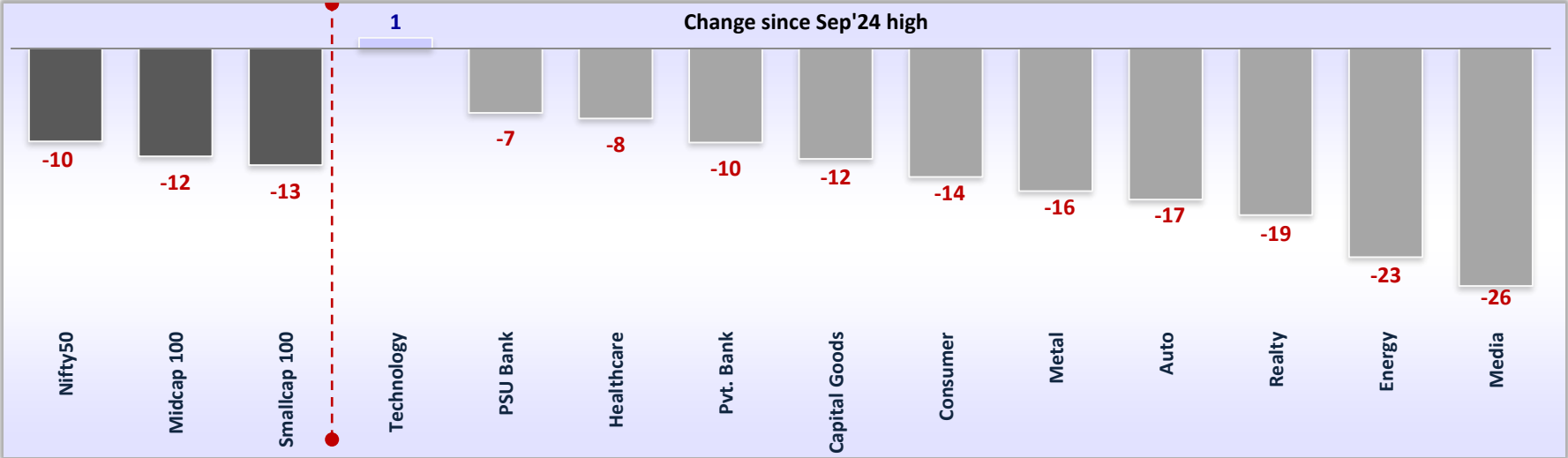
Source: Bloomberg, MOFSL

Weak start to CY25 for India; most sectoral indices decline in Jan'25

Sectoral performance MoM (%): Barring Auto, most of the sectoral indices declined MoM in Jan'25



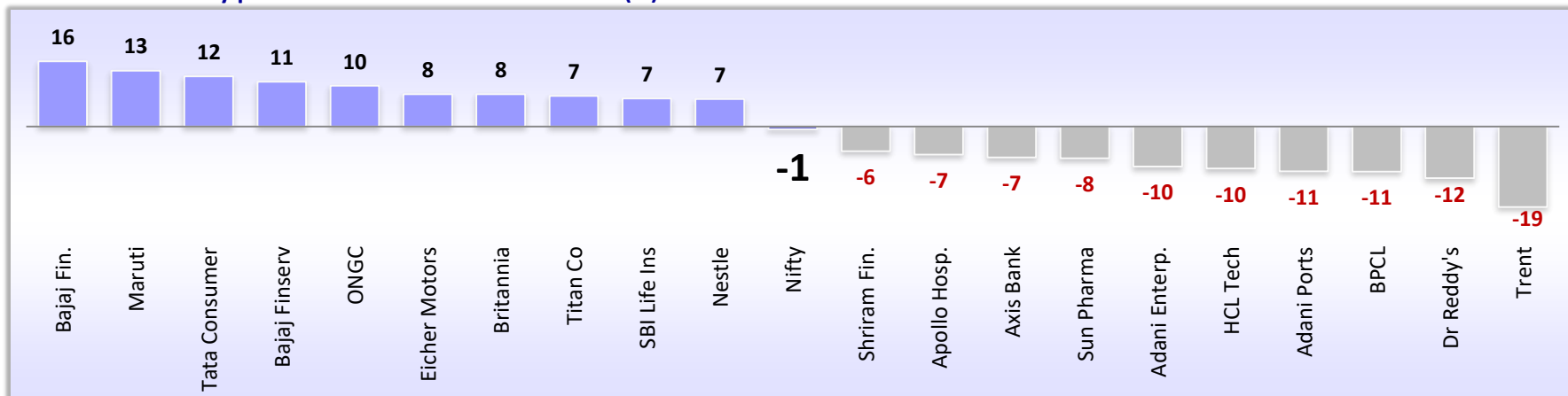
Sectoral performance since CY24 highs (%): Technology outperformed key sectoral indices since Sep'24 highs



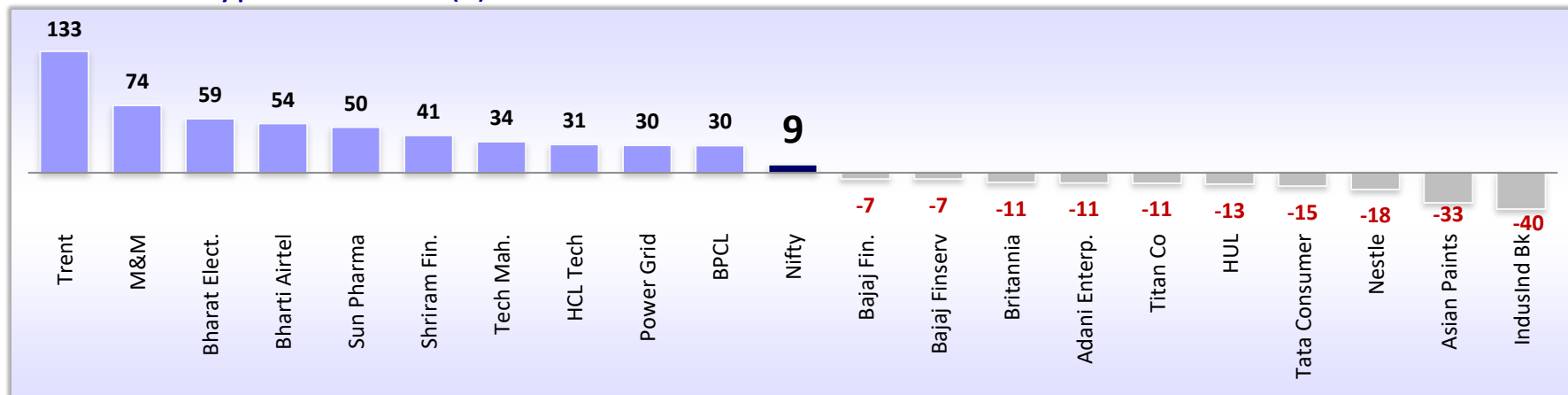
About 52% of Nifty constituents end higher in Jan'25

- ❖ Among Nifty constituents, 26 stocks closed higher MoM and 22 underperformed the benchmark. Bajaj Finance, Maruti Suzuki, and Tata Consumer were the top gainers, whereas Trent, Dr. Reddy's and BPCL were the key laggards.
- ❖ About 32 Nifty constituents traded higher in CY24. Trent, MM, and Bharat Electronics were the top gainers, whereas IndusInd Bank, Asian Paints, and Nestle were the key laggards.

Best and worst Nifty performers in Jan'25 on MoM basis (%)



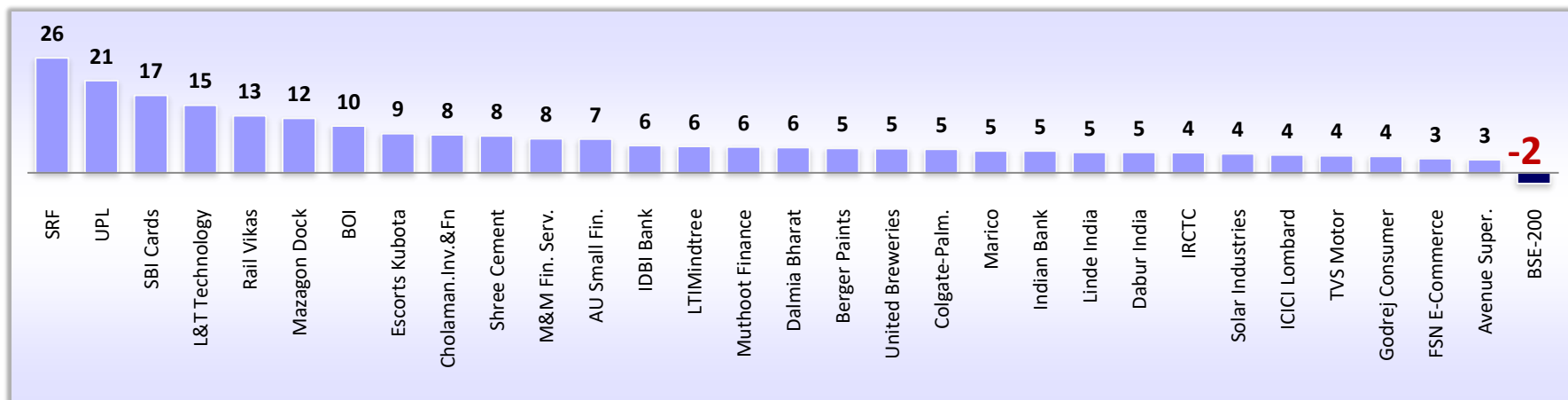
Best and worst Nifty performers in CY24 (%)



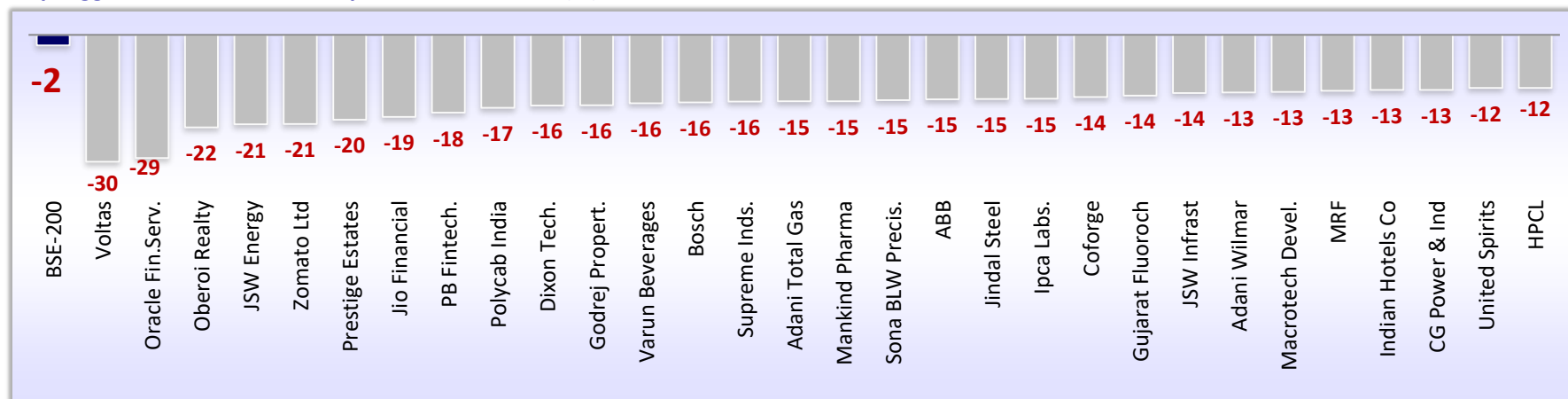
About 67% of BSE-200 constituents end lower in Jan'25

- ❖ In Jan'25, 34% of BSE-200 stocks closed higher. SRF, UPL and SBI Cards gained the most during the month.
- ❖ About 133 BSE-200 constituents traded lower in Jan'25 MoM. Voltas, Oracle Fin. Serv. and Oberoi Realty were the key laggards.

Top gainers from the BSE-200 pack on MoM basis (%)*



Top laggards from the BSE-200 pack on MoM basis (%)*



*The list excludes Nifty constituents.

NBFC and O&G weights rise, while weights of Pvt Banks and Healthcare decline MoM

❖ In Jan'25, NBFC, O&G and Auto witnessed an increase in weights, while those of Pvt. Banks, Healthcare, and Retail declined MoM

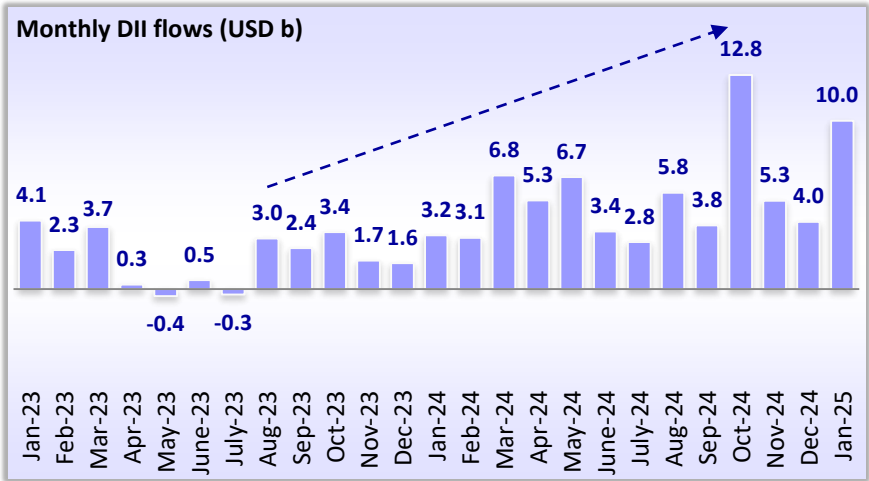
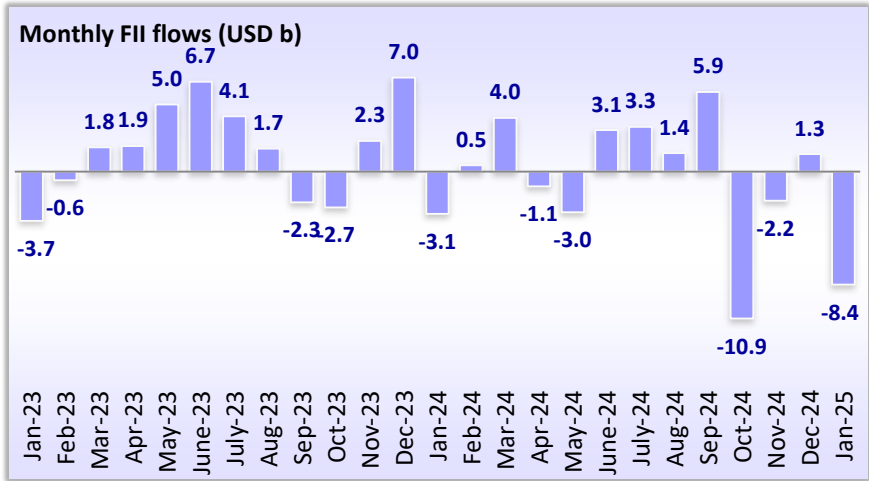
Sector	Weightage in the Nifty (%)							
	Dec'08	Dec'12	Dec'20	Dec'21	Dec'22	Dec'23	Dec'24	Jan'25
Automobiles	2.5	8.8	5.4	5.0	5.3	6.5	7.4	7.6
Banks – Private	5.0	16.9	24.7	21.9	24.2	28.2	27.1	26.5
Banks – Public	5.4	4.7	1.8	2.3	2.9	2.6	2.9	2.8
NBFC + Insurance	2.3	7.9	12.3	11.4	10.6	4.5	4.6	5.0
Capital Goods	7.7	5.9	2.6	3.0	3.1	4.4	5.0	5.0
Cement	1.7	4.2	2.2	2.4	1.8	2.1	2.1	2.1
Consumer	6.5	12.3	10.4	9.4	10.3	10.8	9.0	9.0
Healthcare	2.6	5.0	3.6	3.4	3.8	4.0	4.2	3.9
Metals	4.8	3.8	2.0	2.9	2.9	3.0	2.7	2.7
Oil and Gas	24.5	12.3	12.5	12.3	12.1	10.5	9.2	9.6
Reliance	10.6	7.4	10.7	10.8	11.0	9.2	7.8	8.1
Retail	0.0	0.0	1.1	1.4	1.4	1.6	2.8	2.6
Telecom	11.6	2.0	2.0	2.1	2.5	2.7	4.0	4.1
Technology	9.0	11.4	16.3	19.1	14.0	13.6	14.1	14.0
Utilities	13.3	4.5	2.1	2.1	2.5	3.6	3.6	3.6
Miscellaneous	3.3	0.5	1.0	1.2	2.6	1.9	1.4	1.3
Nifty	100	100	100	100	100	100	100	100

Note: The merger of HDFC Bank and HDFC Ltd. resulted in a shift in weightage from NBFCs to private banks in CY23.

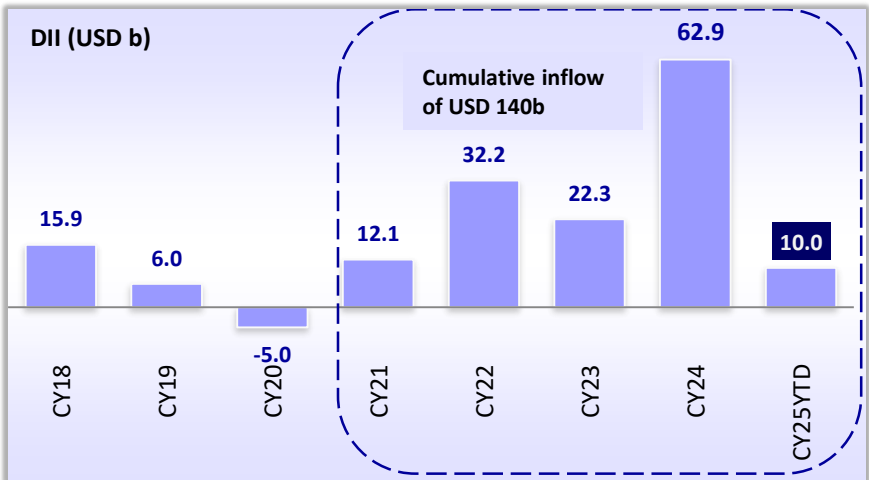
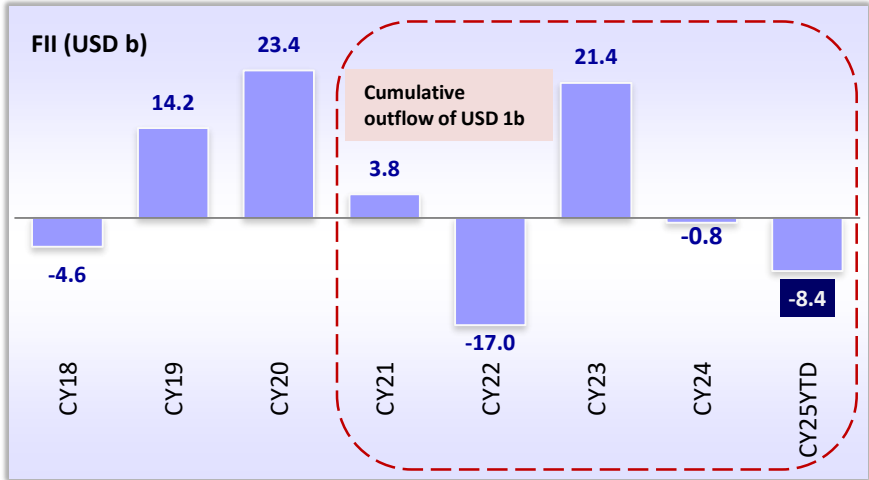
DII inflows further strengthen, while FII sell-off intensifies

- ❖ FIIs sold Indian equities worth USD8.4b (second-highest monthly outflow) in Jan’25, while DIIs invested USD10b (second-highest monthly inflows), clocking 18 subsequent months of inflows.
- ❖ DII inflows during CY21-25YTD touched USD140b, while FII flows remained flat during the same period.

Monthly institutional flows (USD b)

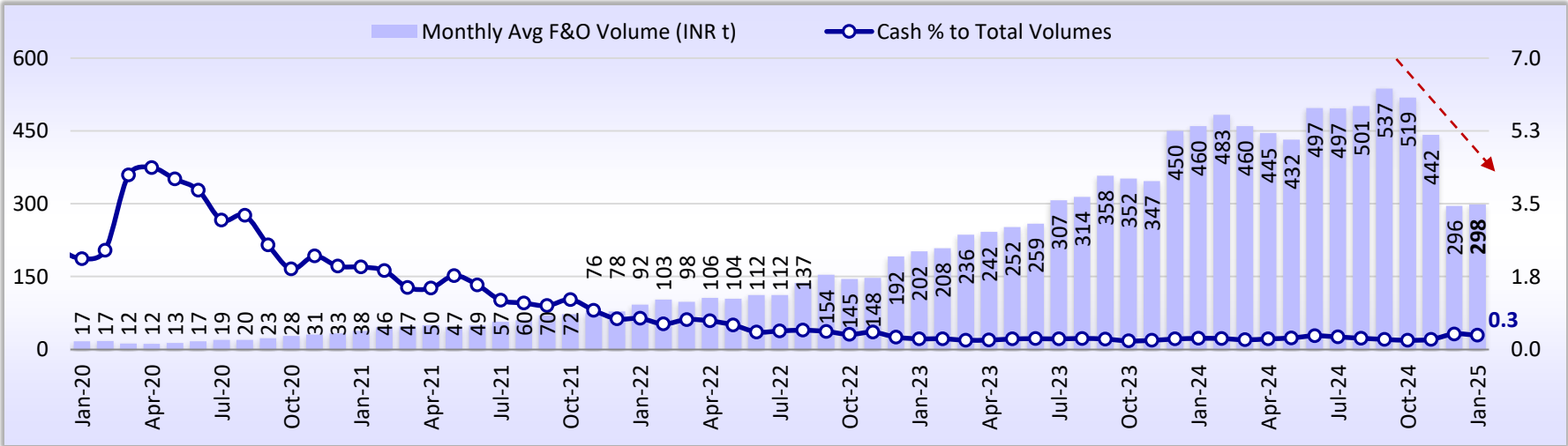
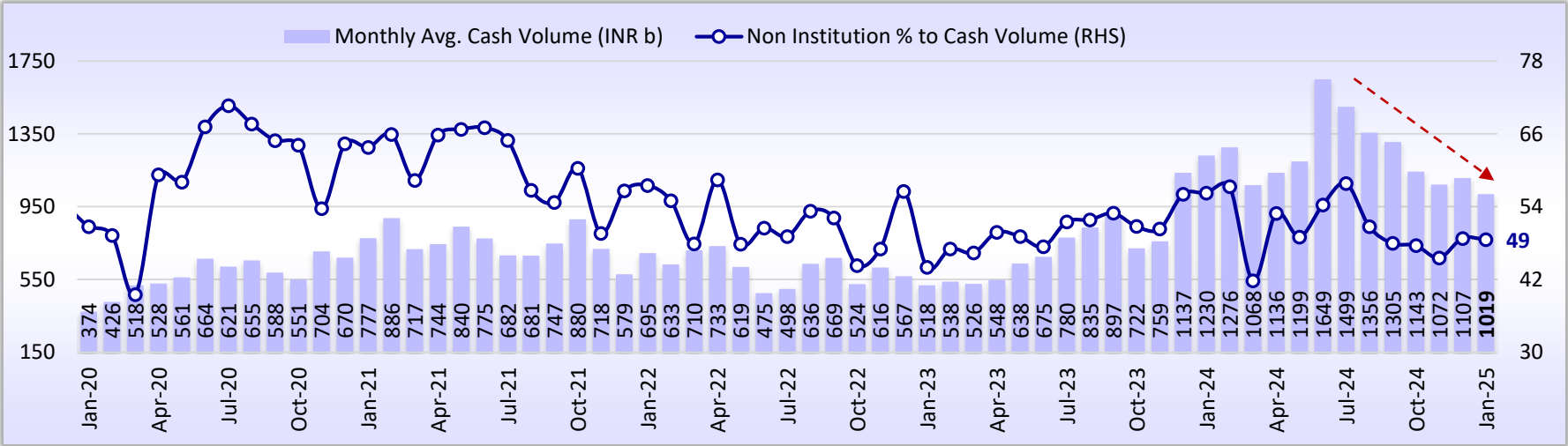


Yearly institutional flows (USD b)



Monthly average cash volumes weaken, while F&O volumes remain flat MoM

- ❖ Monthly average cash volumes declined 8% MoM in Jan'25 to a 14-month low of INR1.0t (down 32% from the highs of Jun'24).
- ❖ Non-institutional participation accounted for 49% of the total cash volumes.
- ❖ Monthly average F&O volume was flat MoM at INR298t (down 44% from the Sep'24 highs).



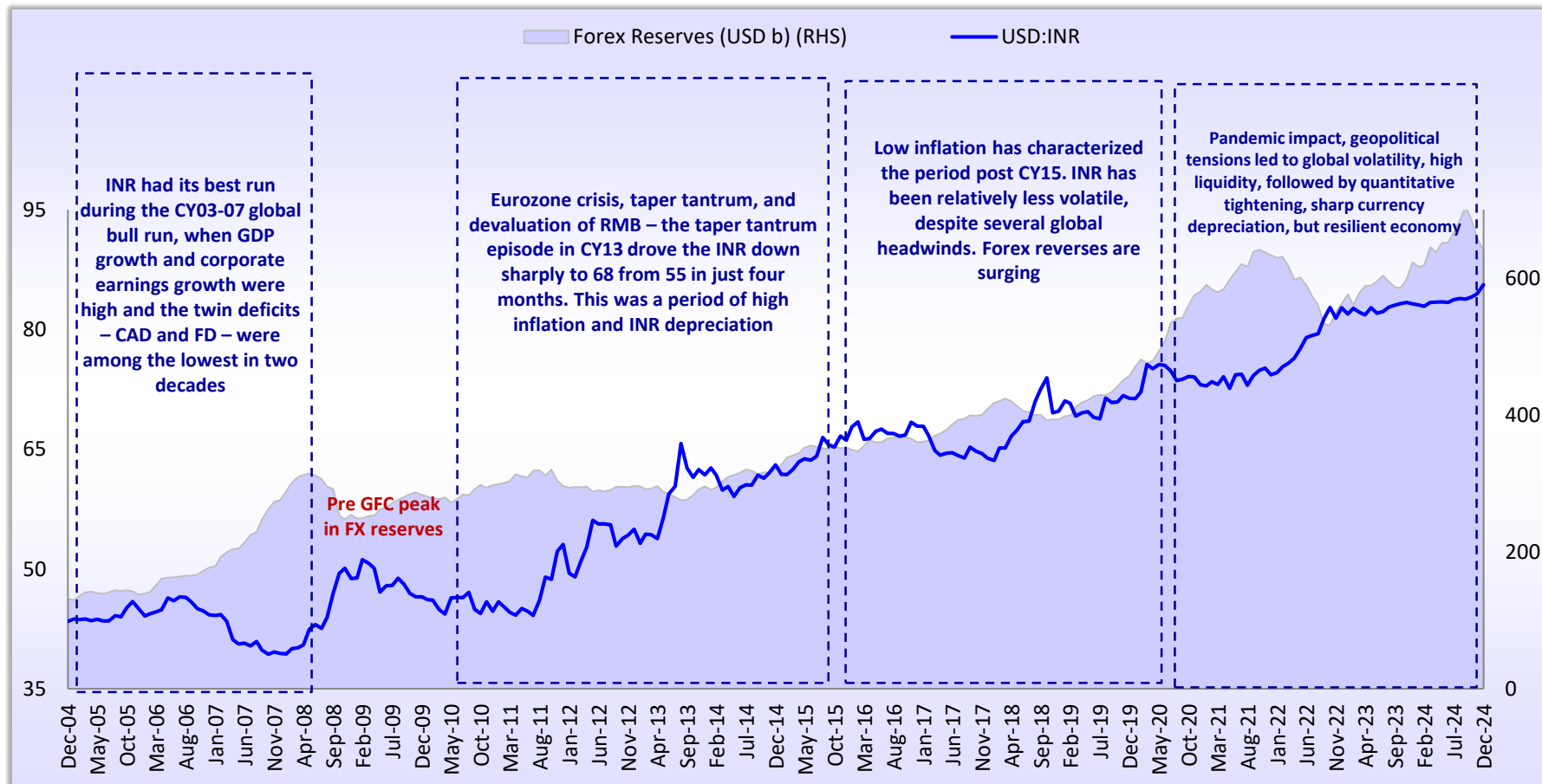
The 10-year yield spread between India and US was flat MoM

❖ India and US bond yields fell 10bp MoM each to 6.7% and 4.5% MoM in Jan'25, respectively. The yield spread was flat MoM at 2.2%.



Forex reserves dip for the fourth consecutive month to USD630b

- ❖ India's forex reserves declined 2% MoM to USD630b in Jan'25 (down ~11% from the Sep'24 highs of USD705b).
- ❖ On the currency front, INR:USD declined 1.2% MoM to an all-time low of INR86.6 (down 4.2% YoY).



Source: Bloomberg, MOFSL

Key reports from MOFSL's Research desk in Jan'25

Union Budget 2025-26: Focus shifts from capex to consumption and savings

[Report link>>](#)

Targets a fiscal deficit of 4.4% of GDP in FY26

- ❖ The new government after the 2024 general elections presented its first full Union Budget on 1st Feb'25. The anticipation was high for some consumption-boosting initiatives, tax cuts for the middle-income class, and continued focus on the capex, with some relaxed fiscal deficit targets. The Budget, for the first time in many years, chose to stimulate consumption and savings instead of focusing on capex. It, however, stayed focused on the fiscal deficit consolidation.
- ❖ The GoI has budgeted a fiscal deficit of 4.4% of GDP for next year, better than the broad expectation of 4.5%. This is budgeted with receipt growth of 11.1% (with nominal GDP growth of 10.1%) and spending growth of 7.4%.



Interim review: In line with modest expectations

[Report link>>](#)

Downgrades outpace Upgrades by 4:1; Nifty EPS cut 1.2%/1.5% for FY26/27E

- ❖ The earnings growth of the aforementioned 183 MOFSL Universe companies grew 3% YoY (est. +4% YoY) in 3QFY25. The aggregate performance was hit by drag from global commodities. Excluding Metals and O&G, the MOFSL Universe and Nifty clocked 8% and 4% earnings growth vs. expectations of +8% and +5%, respectively.
- ❖ The modest earnings growth was driven once again by BFSI, with positive contributions from Technology, Real Estate, Healthcare, and Capital Goods. Conversely, earnings growth was weighed down by global cyclical, such as O&G (OMC's profit declined 18% YoY), which dipped 10% YoY, along with Metals (-9% YoY), Cement (-47% YoY), Automobiles (-9%), and Consumer (-1%). Excluding BFSI, profits for the MOFSL Universe have declined 1% YoY (vs. est. of +2% YoY).
- ❖ The Nifty EPS estimate for FY26 was cut by 1.2% to INR1,205. FY27E EPS was also reduced by 1.5% to INR1,378 (from INR1,398).



Top ideas on C25 from MOFSL's research desk

Reliance Inds: Multiple re-rating triggers in CY25; risk-reward compelling



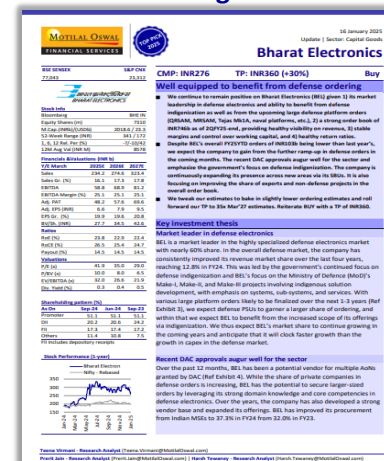
SBI: Delivering all-round performance!



Maruti Suzuki: New launches to aid market share recovery



Bharat Electronics: Well equipped to benefit from defence ordering



LTI Mindtree: Asymmetric risk-reward potential



Shriram Finance: A beacon of resilience and opportunity ahead



BSE: Resilient growth in spite of tough regulations



Page Industries: On the road to recovery; long runway for growth ahead

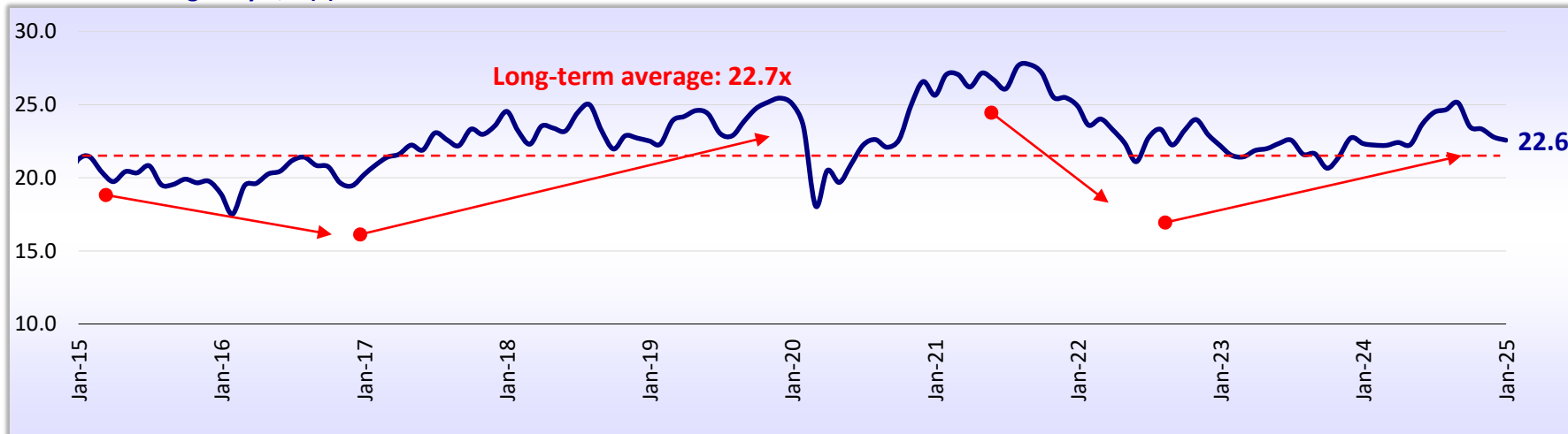


Valuations: Key observations

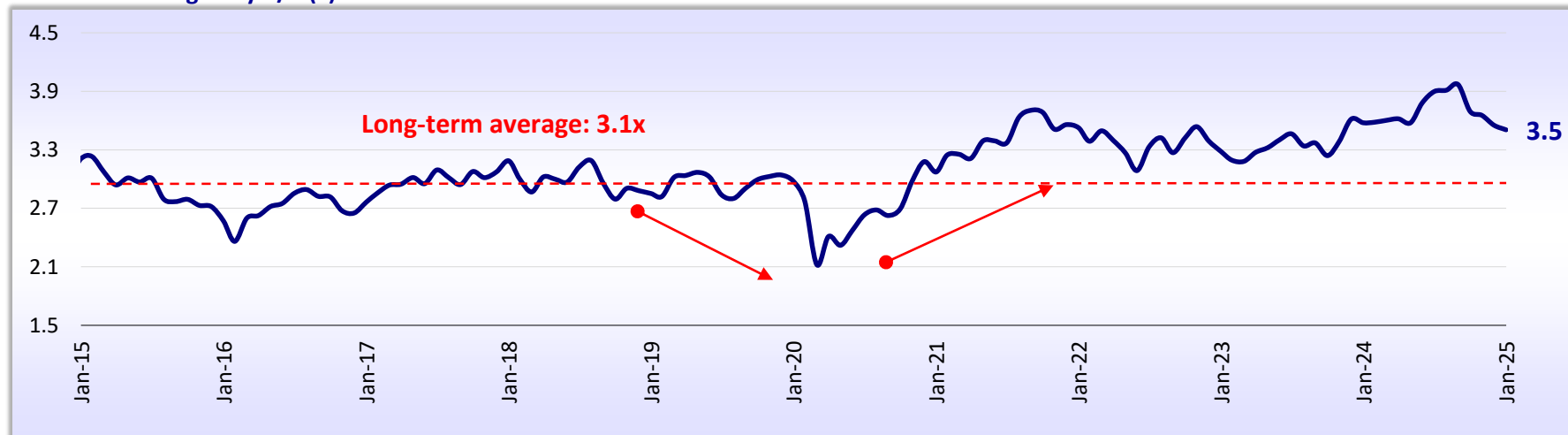
Valuations: Nifty's 12-month trailing P/E at its LPA

- ❖ The 12-month trailing P/E for the Nifty stood at 22.6x, near its LPA.
- ❖ At 3.5x, the 12-month trailing P/B was 13% above its historical average of 3.1x.

12-month trailing Nifty P/E (x)



12-month trailing Nifty P/B (x)



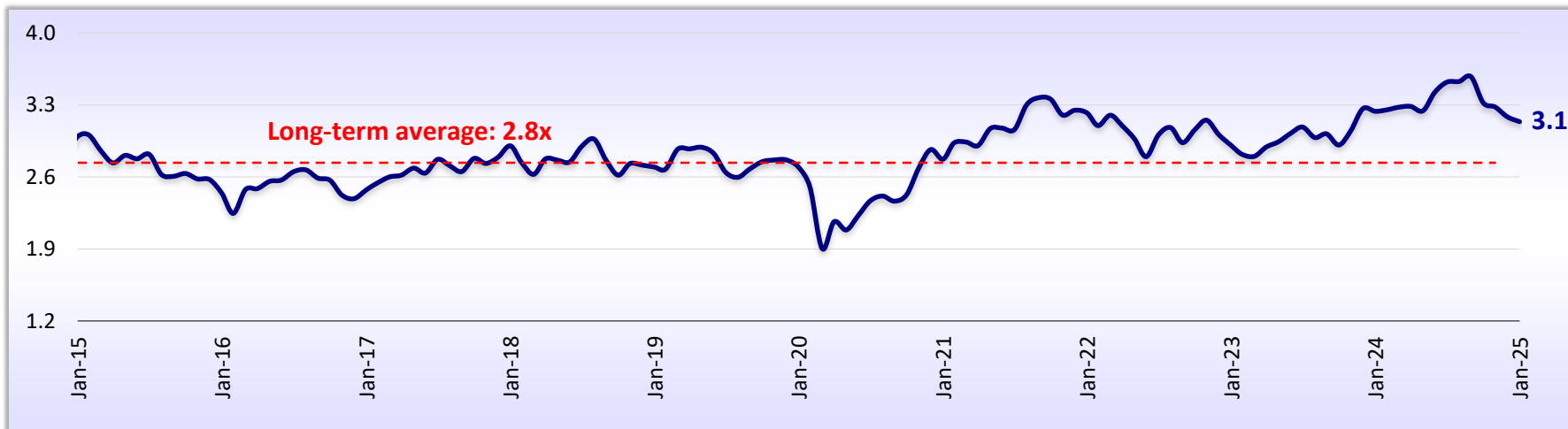
Valuations: Nifty's 12-month forward P/E near its LPA

- ❖ Nifty's 12-month forward P/E traded at 19.9x, 3% below its LPA.
- ❖ At 3.1x, the 12-month forward P/B was trading at a premium of 11% to the Nifty's historical average of 2.8x.

12-month forward Nifty P/E (x)



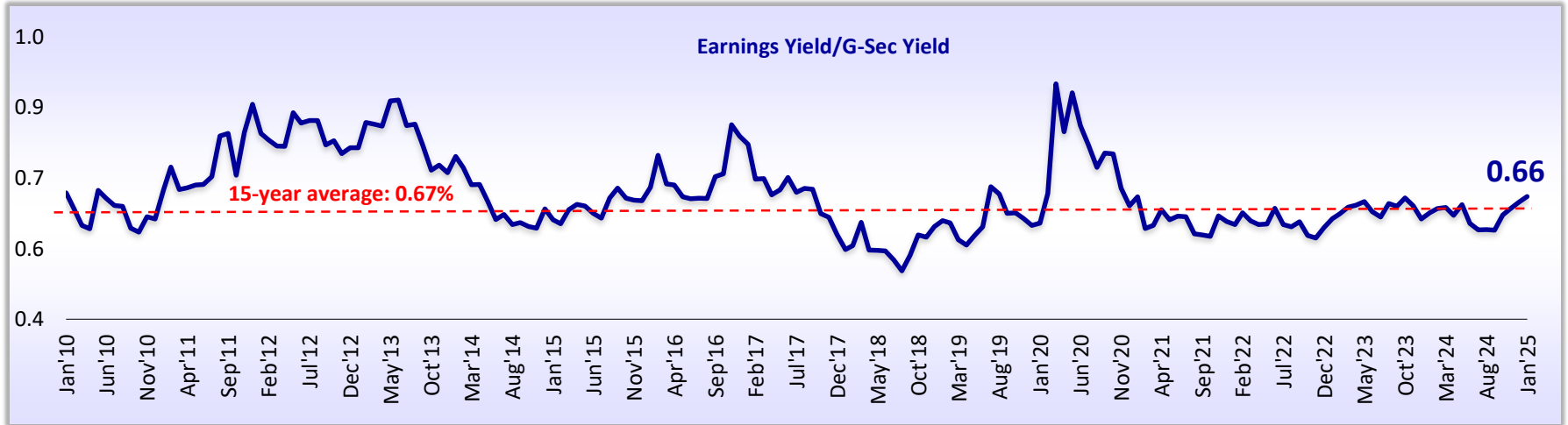
12-month forward Nifty P/B (x)



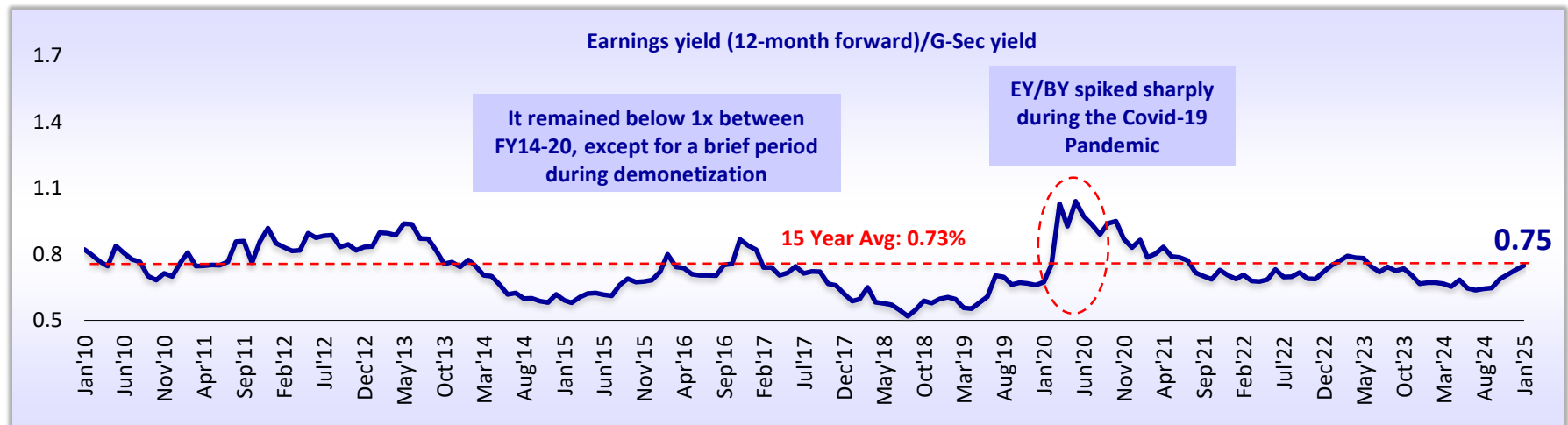
The 10-year G-Sec yield stands at 6.8%; EY/BY trades at LPA on a forward basis

❖ India's 10-year bond yield stood at 6.7% (flat MoM). As a result, EY/BY traded near to its LPA on a trailing and forward basis.

Trailing Earnings Yield/G-Sec Yield (x)



Forward Earnings Yield/G-Sec Yield (x)



Valuation snapshot – Large caps trade below LPA, broader markets trade at a premium

- ❖ While midcaps and smallcaps have declined from their Sep'24 highs, their valuations continue to trade at a premium to their averages.
- ❖ Among the key sectoral indices, Auto, IT and Capital Goods were the top performers in the past one year.
- ❖ Nifty50 has been trading below its LPA, whereas most of the sectoral indices (excluding Banks) have been trading at a significant premium to their LPA.

NSE indices: Valuation snapshot

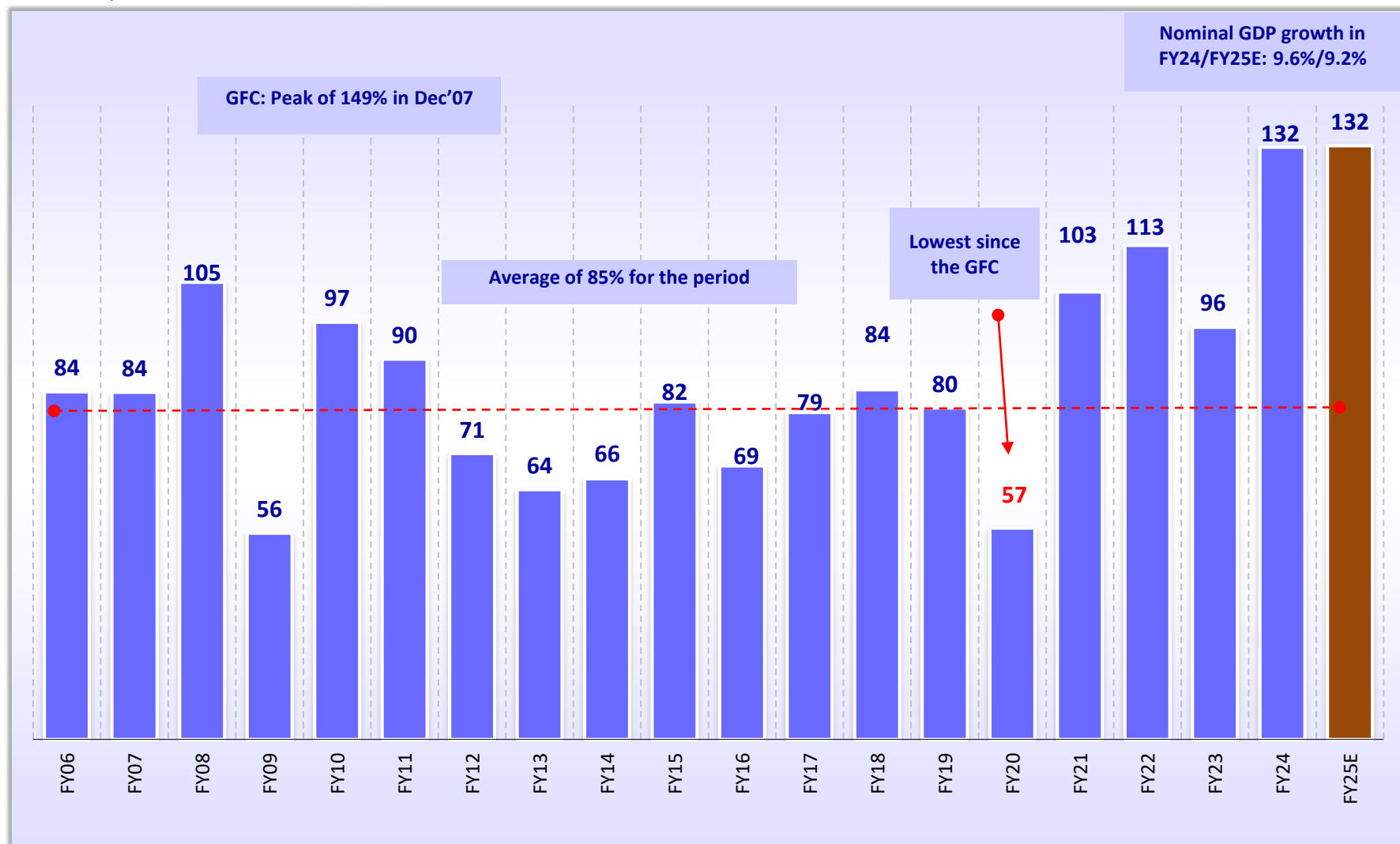
Indices	Nifty50	Nifty Midcap 100	Nifty Smallcap 100	Nifty 500	Auto	BANK	FMCG	IT	Metal	Energy	BSE Capital Goods
Jan'25 closing	23,508	53,712	16,911	21,581	22,868	49,587	56,692	42,663	8,400	33,896	64,530
YoY change (%)	8	11	6	9	19	8	3	16	5	-8	14
EPS (12m fwd)	1,049	1,472	675	910	933	3,807	1,333	1,479	549	2,281	1,465
P/E (12m fwd)	19.9	35.8	24.5	23.4	24.1	13.0	41.7	28.7	15.1	14.5	42.4
P/E (10 yr average)	20.6	22.4	16.0	19.4	19.4	15.9	33.4	20.9	11.0	11.5	25.4
P/B (12m fwd)	3.1	4.8	3.8	3.7	4.2	1.8	9.5	7.5	2.1	2.2	7.0
P/B (10 yr average)	2.8	2.6	2.0	2.8	2.9	2.1	8.5	5.0	1.3	1.4	3.4
RoE (%)	15.7	12.4	14.9	15.0	17.6	13.8	23.1	27.3	13.7	15.8	16.7
RoA (%)	2.8	0.5	4.6	2.5	7.6	-	23.3	19.4	5.4	7.6	8.3

Source: Bloomberg, MOFSL; as of 31st Jan'25 | LPA: Long Period Average i.e. 10-year average

India's market-cap-to-GDP ratio down from an all-time high

❖ India's market cap-to-GDP ratio was at 132% (flat vs. FY24) and is trading above its long-term average of ~85%.

Market capitalization-to-GDP ratio (%)



Barring Auto/Pvt. Banks/Retail, most sectors trade at a premium to their historical averages

Sectoral valuation comparison

Sector	PE (x)			Relative to Nifty P/E (%)		PB (x)			Relative to Nifty P/B (%)	
	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg	Current	10 Yr Avg	Prem/Disc (%)	Current	10 Yr Avg
Auto	23.0	27.8	-17.3	15	34	4.0	3.5	16.6	29	22
Banks - Private	16.1	21.1	-23.8	-19	2	2.2	2.5	-11.8	-29	-10
Banks - PSU	6.8	10.1	-32.0	-66	-55	1.1	0.9	27.2	-65	-70
NBFC	13.0	12.5	4.2	-35	-40	2.0	1.8	10.2	-36	-36
Capital Goods	36.9	28.9	27.5	85	41	6.7	4.1	64.9	113	41
Cement	38.4	28.5	34.7	93	39	3.2	2.6	20.2	1	-7
Chemicals	32.8	24.8	32.2	64	22	3.9	3.3	18.7	24	13
Consumer	42.9	42.0	2.2	115	105	10.4	10.3	1.0	230	264
Consumer Ex ITC	50.5	52.3	-3.4	153	156	11.6	13.2	-11.9	270	369
Cons. Durables	48.0	34.3	40.1	141	67	7.8	5.4	45.4	150	86
Healthcare	31.3	27.0	15.9	57	32	4.6	3.8	19.8	47	37
Infrastructure	21.7	11.9	82.5	9	-42	1.6	1.2	34.8	-48	-58
Logistics	22.4	21.4	4.8	12	4	3.7	3.4	10.2	18	18
Media	15.4	25.2	-38.9	-23	23	1.4	3.6	-60.6	-54	32
Metals	10.4	10.9	-3.9	-48	-47	2.1	1.6	26.6	-34	-43
Oil & Gas	14.0	12.6	11.1	-30	-39	1.5	1.5	1.8	-52	-48
Oil & Gas Ex RIL	8.3	8.6	-3.6	-59	-59	1.1	1.2	-11.2	-66	-57
Real Estate	39.2	30.4	29.2	97	47	4.3	2.2	99.2	38	-26
Retail	80.6	84.2	-4.3	304	315	14.1	9.8	44.0	348	237
Technology	27.6	21.0	31.3	38	3	8.8	5.8	52.0	180	101
Telecom	Loss	123.5	-	-	486	39.9	18.5	115.8	0	267
Utilities	16.3	11.6	40.7	-18	-43	2.4	1.5	57.5	-25	-48

Source: Bloomberg, Cline, MOFSL

Top ideas

Company	(USDb)	(INR)	EPS (INR)			CAGR (%)	PE (x)			PB (x)			ROE (%)		
			FY24	FY25E	FY26E	FY24-26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E	FY24	FY25E	FY26E
Preferred large cap stocks															
Reliance Inds.	197.6	1,265	50.6	61.0	67.9	15.9	25.0	20.7	18.6	2.0	1.8	1.7	8.3	9.3	9.5
Bharti Airtel	113.6	1,623	34.8	41.1	57.2	28.3	46.7	39.5	28.4	10.0	7.8	6.8	23.1	23.9	27.7
ICICI Bank	102.1	1,255	66.3	71.7	82.0	11.2	18.9	17.5	15.3	3.2	2.8	2.4	18.3	17.0	16.8
St Bk of India	79.7	766	89.1	98.7	115.9	14.1	8.6	7.8	6.6	1.5	1.2	1.1	18.8	17.4	17.3
Hind. Unilever	67.0	2,507	44.1	49.3	54.1	10.8	56.9	50.9	46.3	11.5	11.3	11.1	20.2	22.4	24.2
Larsen & Toubro	56.6	3,447	106.2	135.4	156.5	21.4	32.5	25.5	22.0	4.9	4.2	3.7	15.9	17.8	17.9
Sun Pharma.Inds.	48.3	1,743	49.2	59.5	66.6	16.4	35.4	29.3	26.2	5.7	4.8	4.2	17.2	17.9	17.1
Maruti Suzuki	44.7	12,921	462.3	512.4	573.4	11.4	28.0	25.2	22.5	4.3	3.9	3.4	14.8	15.3	15.2
M & M	41.4	3,080	101.3	120.6	141.2	18.1	30.4	25.5	21.8	6.0	5.1	4.3	21.3	21.5	21.3
Titan Company	35.9	3,553	42.6	53.4	63.7	22.3	83.4	66.6	55.8	26.2	20.6	16.3	35.4	34.7	32.7
Trent	23.6	6,182	47.0	65.0	90.5	38.9	131.7	95.2	68.3	35.8	25.5	18.2	34.0	33.5	33.3
LTIMindtree	20.2	5,910	158.8	187.0	217.7	17.1	37.2	31.6	27.1	7.7	6.7	5.9	22.0	22.7	23.2
Preferred midcap/smallcap stocks															
Indian Hotels	12.6	801	11.8	15.3	18.1	23.7	67.6	52.4	44.2	10.1	8.6	7.2	16.2	17.7	17.7
Dixon Tech.	10.4	14,701	130.8	174.2	250.6	38.4	112.4	84.4	58.7	35.7	25.2	17.7	37.7	35.1	35.5
BSE	8.3	5,404	98.9	129.0	158.2	26.5	54.6	41.9	34.1	19.7	17.3	15.0	36.2	41.3	44.0
Godrej Properties	7.5	2,362	51.3	32.0	26.9	-27.6	46.0	73.8	87.8	5.8	5.3	5.0	13.3	7.5	5.9
JSW Infra	6.7	267	6.7	7.7	9.8	20.9	40.0	34.6	27.3	6.2	5.4	4.7	16.4	16.7	18.5
Coforge	6.4	8,075	133.9	227.1	282.3	45.2	60.3	35.6	28.6	12.7	10.9	9.1	22.2	32.8	34.5
Page Industries	5.8	46,717	603.3	720.5	865.8	19.8	77.4	64.8	54.0	29.7	25.5	21.8	38.4	39.4	40.4
IPCA Labs.	4.2	1,415	33.1	44.3	55.5	29.4	42.7	31.9	25.5	5.1	4.5	3.9	12.6	14.9	16.4
Metro Brands	3.7	1,237	13.7	17.1	21.8	26.3	90.6	72.2	56.7	15.3	13.0	10.9	18.5	19.9	21.4
Angel one	2.4	2,480	148.5	160.7	214.6	20.2	16.7	15.4	11.6	3.7	3.2	2.7	28.6	22.2	25.4
Vinati Organics	2.0	1,740	42.3	51.9	61.3	20.3	41.1	33.5	28.4	6.4	5.6	4.9	16.7	17.9	18.3

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Quant Research & India Strategy Gallery



Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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