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The Eagle Eye

March 2025

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GLOBAL MARKETS

- ❖ India experiences a falloff during the month—the weakest among peers in CY25YTD
- ❖ MSCI China rebounds from the lows; MSCI India underperforms
- ❖ US indices extend their outperformance; Indian markets decline further
- ❖ Equities underperformed gold since Sep'24 highs

DOMESTIC MARKETS

- ❖ Market-caps shrink; valuations dip further
- ❖ More stocks fall sharply than reach highs
- ❖ Broad-based weakness continues, with all sectoral indices reporting a decline MoM
- ❖ 3QFY25 earnings growth remains modest across indices

FLOWS AND VOLUMES

- ❖ DII inflows strong, while FII selling continues
- ❖ Monthly average cash volumes hit a 15-month low, while F&O volumes dip marginally
- ❖ India's VIX below its average despite sharp drawdowns

KEY RESEARCH REPORTS

- ❖ MOFSL Review: A modest 3QFY25; earnings downgrade ratio worst since 1QFY21!
- ❖ Logistics: Anchoring solutions | Navigating success

MULTI-YEAR HIGHS/LOWS

- ❖ Current bout of correction in line with historical median
- ❖ Nifty recoups the peak-to-trough loss in ~200 days on average
- ❖ Private banks' weights increase, while those of Technology dip sharply on a MoM basis
- ❖ Forex reserves rise after a decline for four consecutive months

VALUATIONS

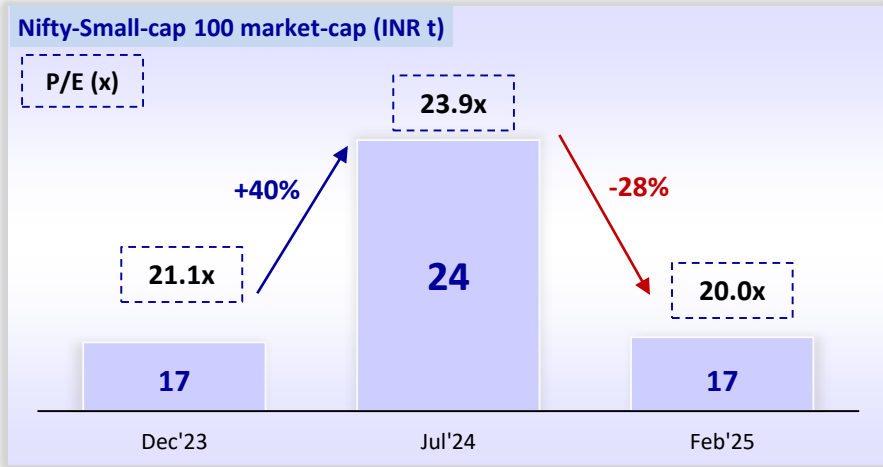
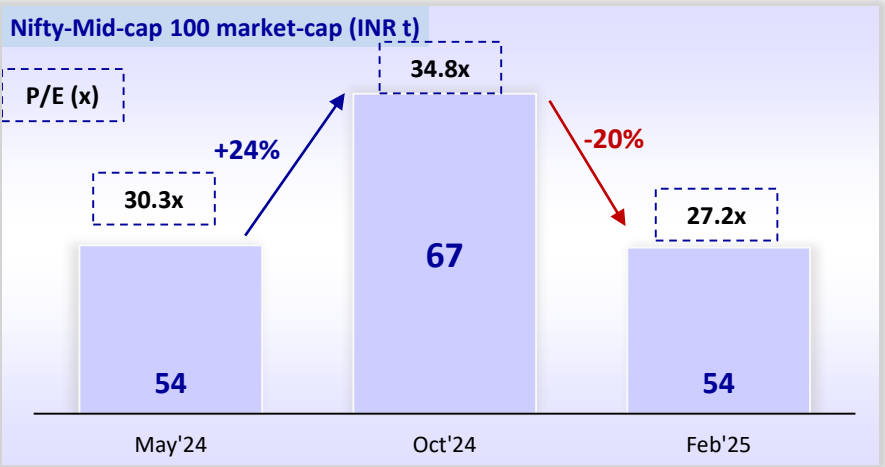
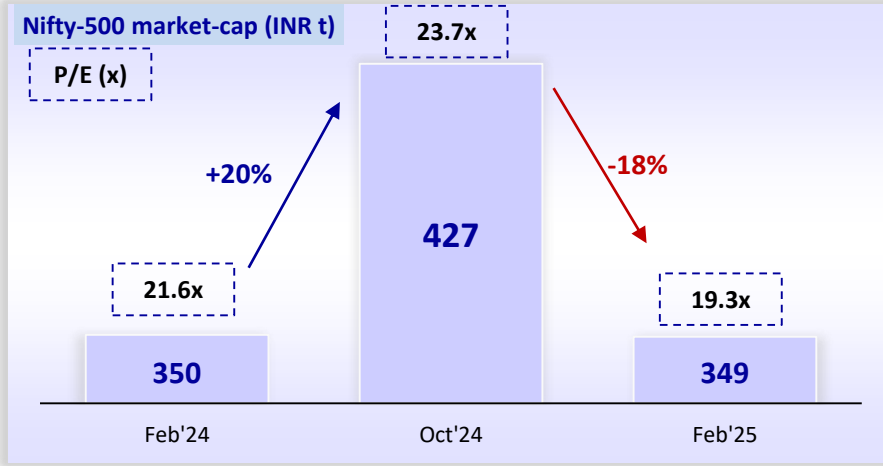
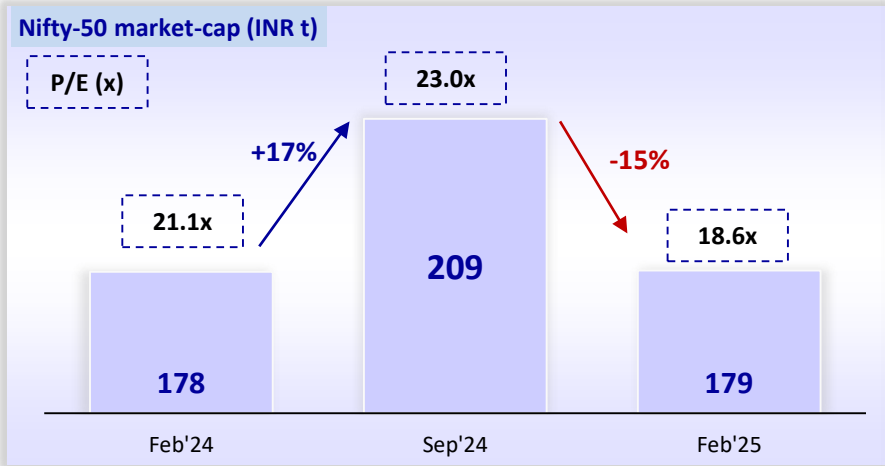
- ❖ Valuations across sectors moderate from the highs; large caps trade at a discount, while broader markets still at a premium
- ❖ Nifty's 12-month forward P/E trades at 18.6x, 9% below its LTA.
- ❖ India's market capitalization-to-GDP ratio down from an all-time high on a year-end basis

A view from the EAGLE'S EYE!

KEY EXHIBITS Market-caps shrink; valuations dip further

❖ Nifty-50/Nifty-500/Nifty Mid-cap 100/Nifty Small-cap 100 indices' market-caps declined 15%/18%/20%/28% from their peaks, bringing them to levels seen at the beginning of CY24. Additionally, their respective valuations have dipped 19%/19%/20%/16% from the highs and are even lower than the levels of CY24.

Market-caps and valuations of key indices declined 15-30% from their peaks



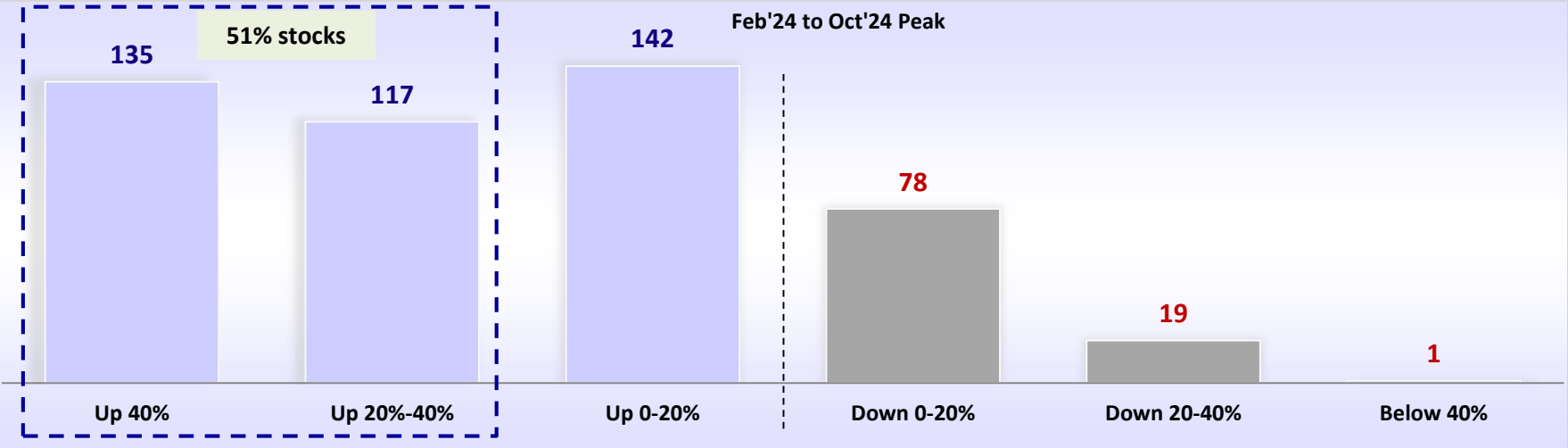
Note: The 12m forward P/E (x) has been considered.

KEY EXHIBITS

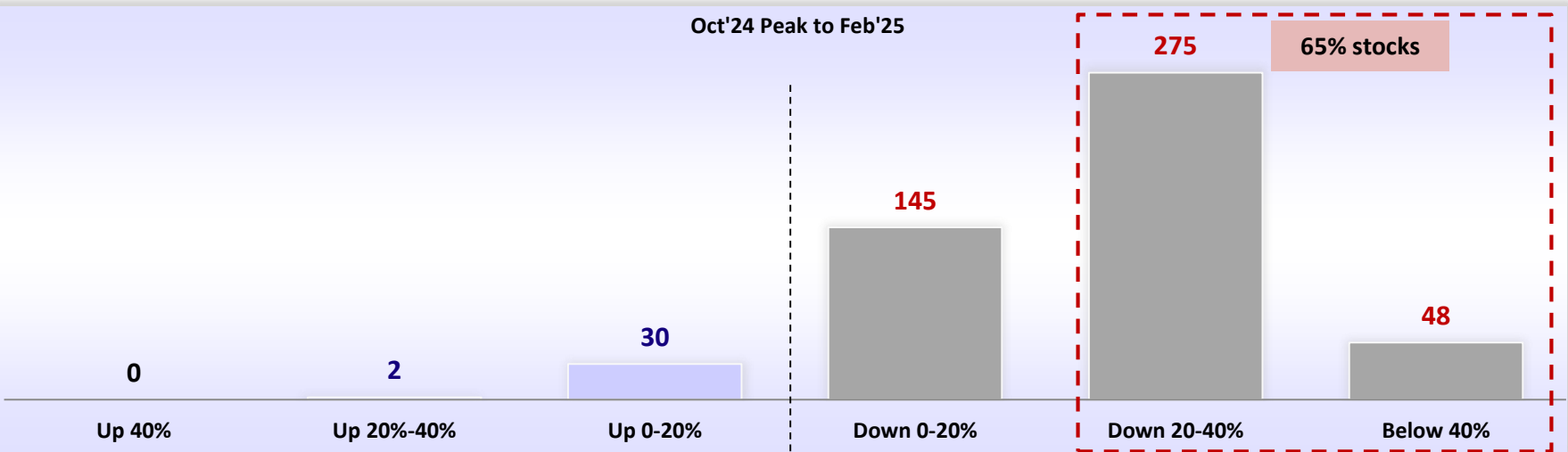
More stocks fall sharply than reach highs, while the index turns flat YoY

- ❖ About 51% of Nifty-500 stocks had gained more than 20% between Feb'24 and the index's peak in Oct'24.
- ❖ While Nifty-500 market caps fell to Feb'24 levels, about 65% of stocks have dropped more than 20% from the index's peak to the present level.

Nifty-500 stock performance – Feb'24 to Oct'24 peak

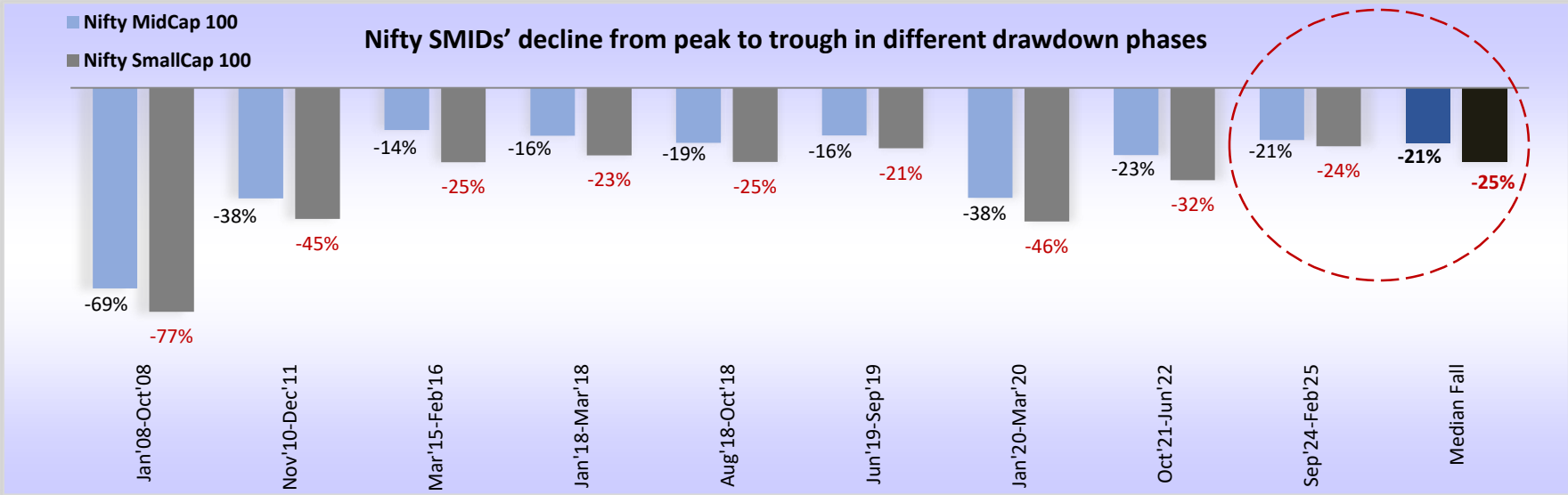
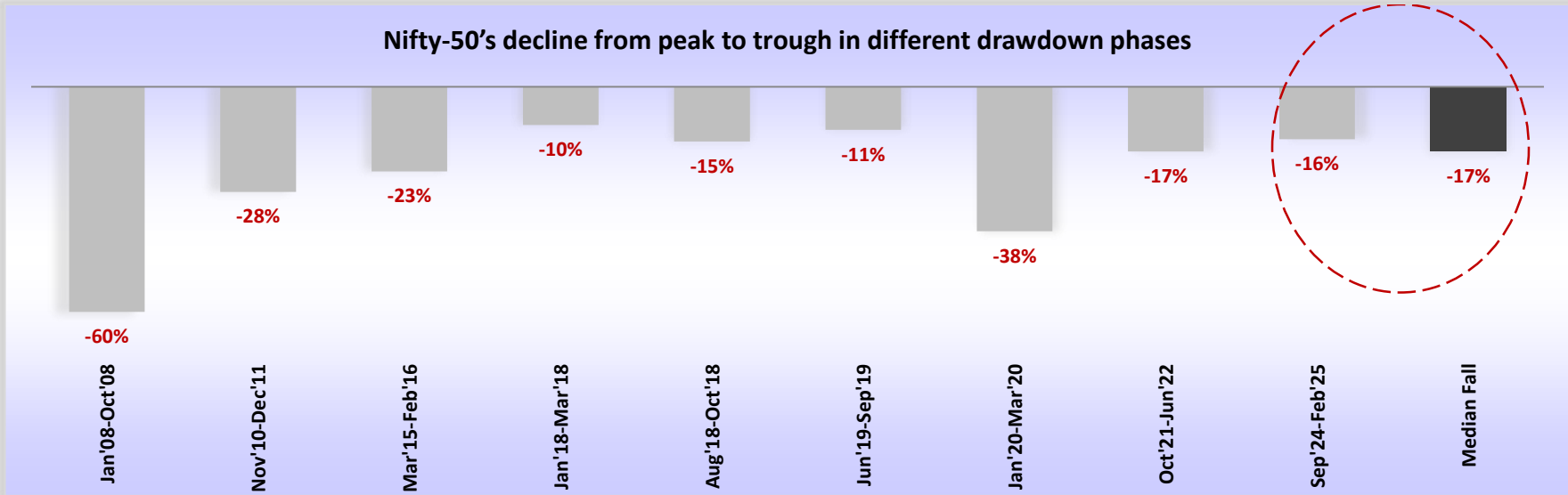


Nifty-500 stock performance Oct'24 peak to Feb'25



KEY EXHIBITS

Current market falloff is close to the historical median



- ❖ It has historically taken approximately 200 days for Nifty-50 to recover to the previous peak levels.
- ❖ Markets may be in the latter stages of correction; the current correction phase has already lasted about six months.

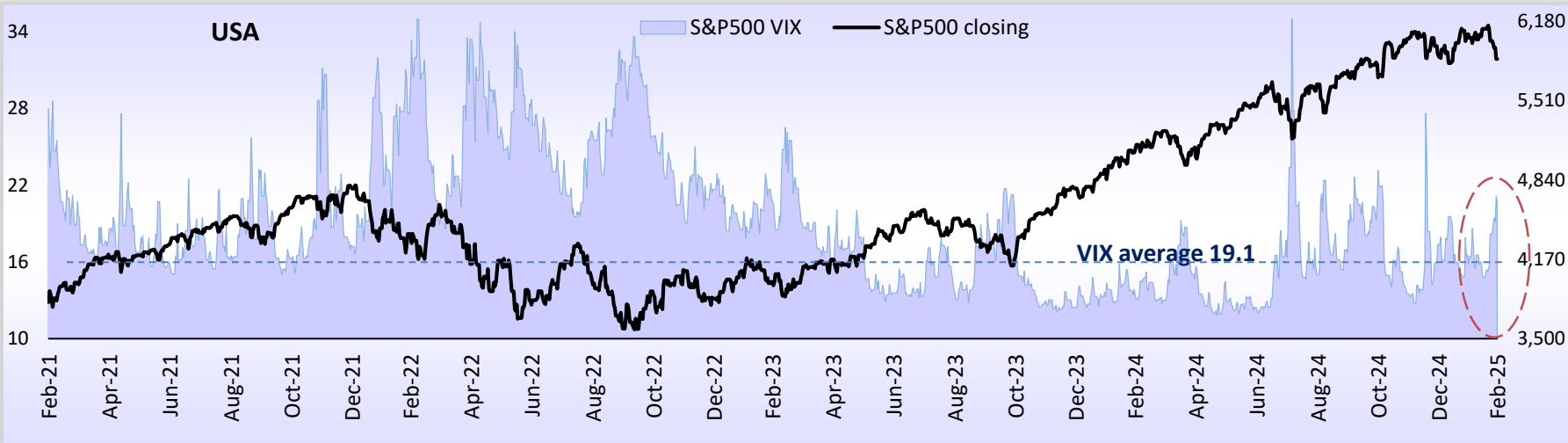
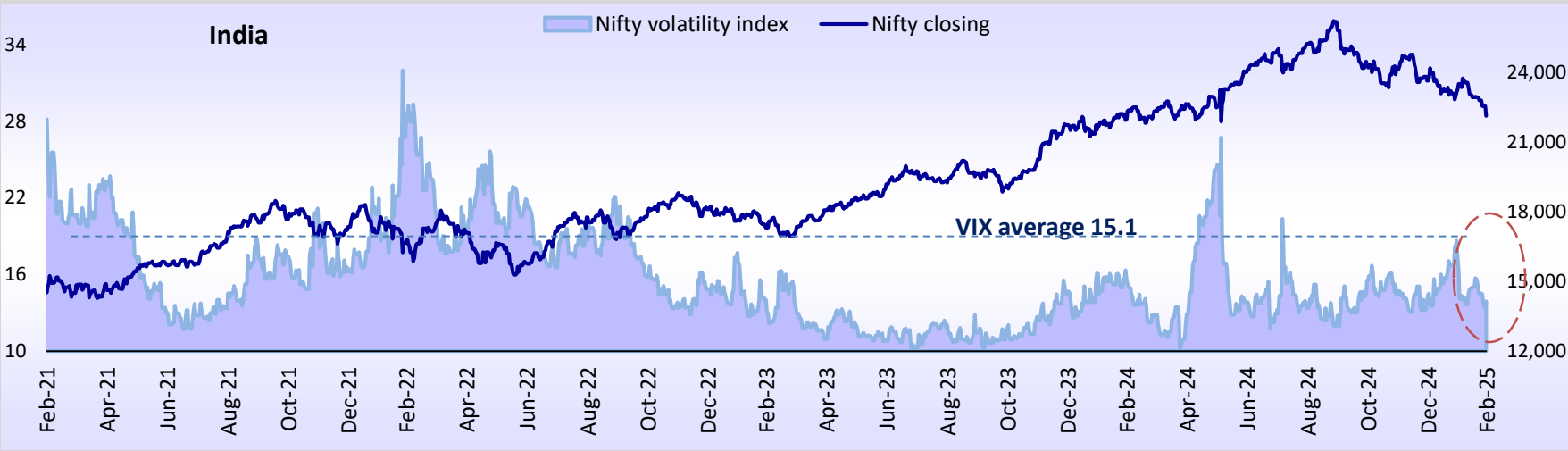
Phases of more than 10% Nifty correction

Nifty 50 drawdown					Total decline during drawdown	Recovery from trough to next peak		
Period	All-time high date	All-time high	Trough date	Nifty 50 trough value	Nifty 50 max decline	Date of Nifty 50 new all-time high	Nifty 50 % recovery from trough	No of days taken for Nifty 50 recovery from the trough date
1	8-Jan-08	6,288	27-Oct-08	2,524	-60%	5-Nov-10	150%	739
2	5-Nov-10	6,312	20-Dec-11	4,544	-28%	3-Nov-13	39%	684
3	3-Mar-15	8,996	25-Feb-16	6,971	-23%	14-Mar-17	30%	383
4	29-Jan-18	11,130	23-Mar-18	9,998	-10%	24-Jul-18	11%	123
5	28-Aug-18	11,739	26-Oct-18	10,030	-15%	16-Apr-19	18%	172
6	3-Jun-19	12,089	19-Sep-19	10,705	-11%	27-Nov-19	13%	69
7	14-Jan-20	12,362	23-Mar-20	7,610	-38%	9-Nov-20	64%	231
8	18-Oct-21	18,477	17-Jun-22	15,294	-17%	24-Nov-22	21%	160
9	26-Sep-24	26,216	28-Feb-25	22,126	-16%	-	-	-
Median Value					-17%		26%	202

Note: Each drawdown phase is identified when the Nifty 50 index experiences a decline of 10% or more from its previous all-time high. This phase is considered complete once a new all-time high is reached. For consistency, we have maintained a fixed reference point for both the previous all-time high and the subsequent new all-time high dates. Based on this framework, we have analyzed the maximum drawdown and the subsequent recovery from the lows for the **Nifty 50, Nifty Mid-Cap, and Small-Cap indices**, respectively.

KEY EXHIBITS India's VIX below its average despite sharp drawdowns

- ❖ Historically, market drawdowns have seen increased volatility; however, this has not been the case in the current drawdown phase.
- ❖ India's VIX continues to trade below its four-year average of 15.1x, while that of the US remains above its average of 19.1x.

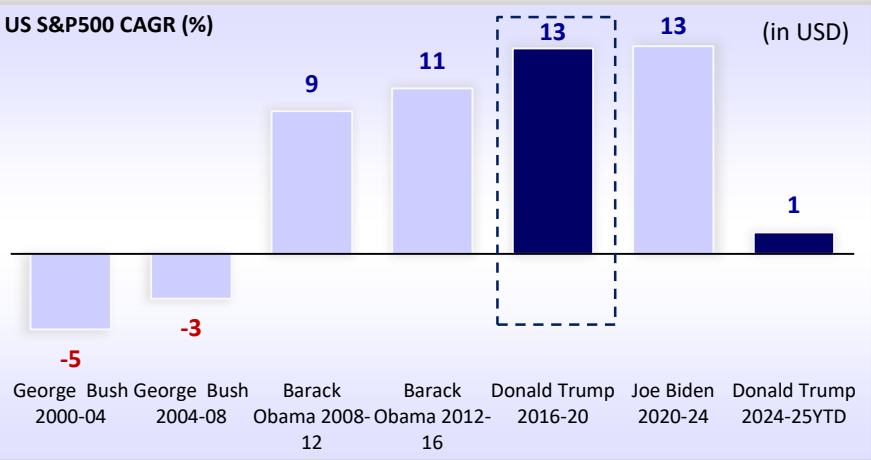


KEY EXHIBITS

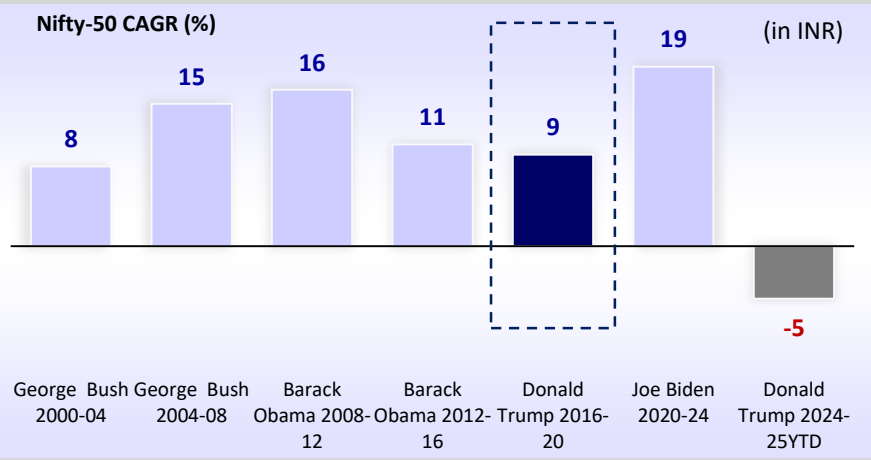
Indian markets have stayed healthy across all the terms of the US presidents

- ❖ Indian markets have remained volatile since Donald Trump took charge and have underperformed in the past 4-5 months.
- ❖ However, the Indian markets (Nifty-50) delivered decent growth across the US presidents' terms.
- ❖ While the correlation remains low, Nifty IT significantly outperformed Nifty Pharma during the same period.

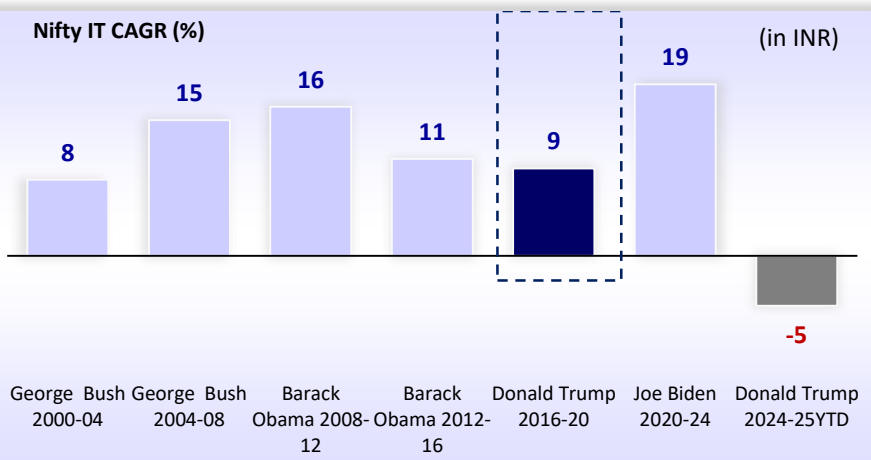
USA S&P500 performance



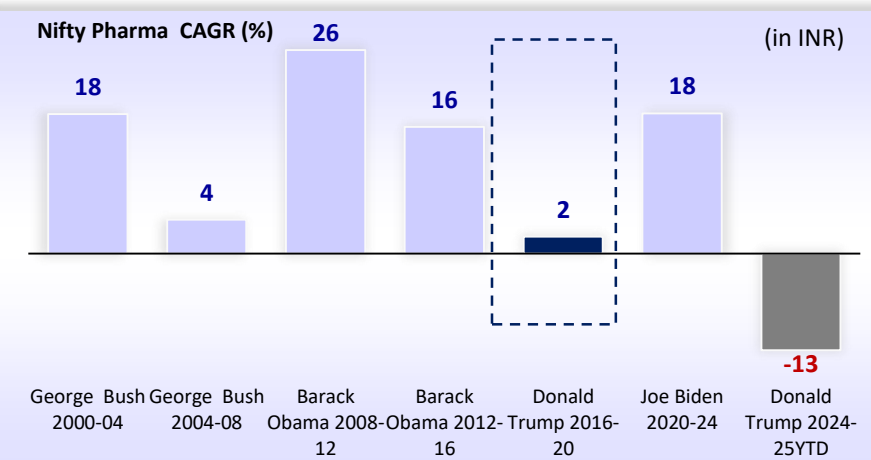
India Nifty-50 performance



India Nifty IT performance



India Nifty Pharma performance



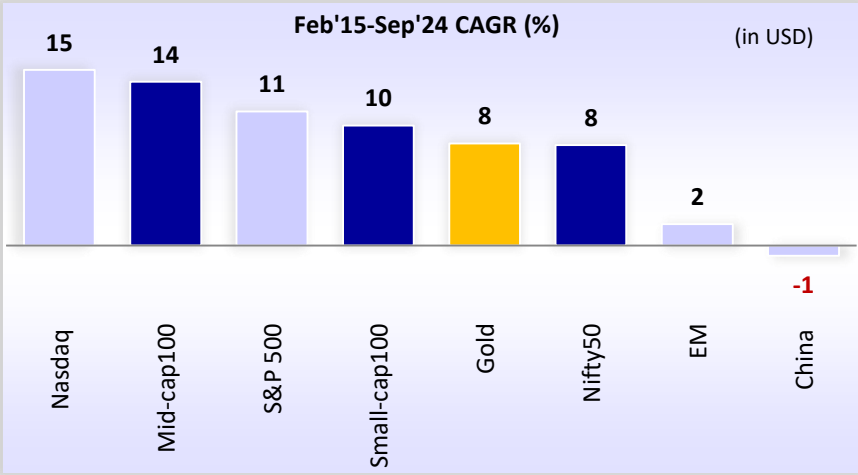
Note: Returns have been considered between the announcement of election results for two Presidential terms.

KEY EXHIBITS

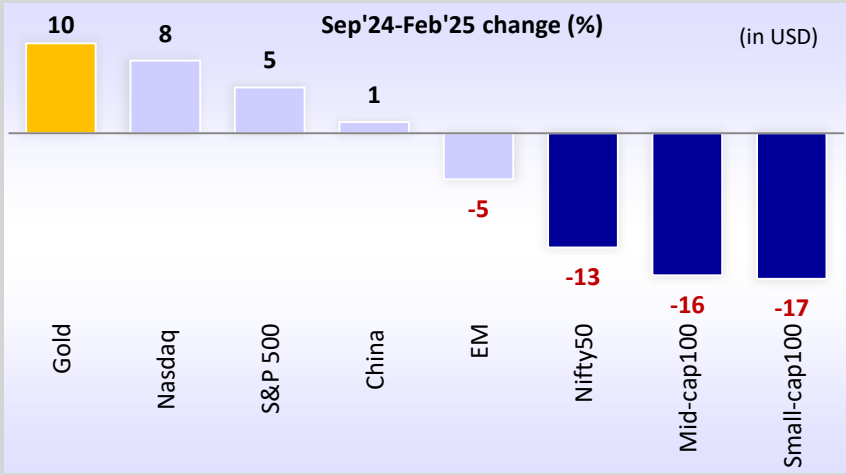
Equities have underperformed gold since the Sep'24 highs

- ❖ Gold prices have spiked in recent years as the EM central banks boosted demand to reduce USD reliance and hedge geopolitical risks.
- ❖ While US and Indian equities outperformed gold over the past decade, gold has outpaced global equities in the past six months.

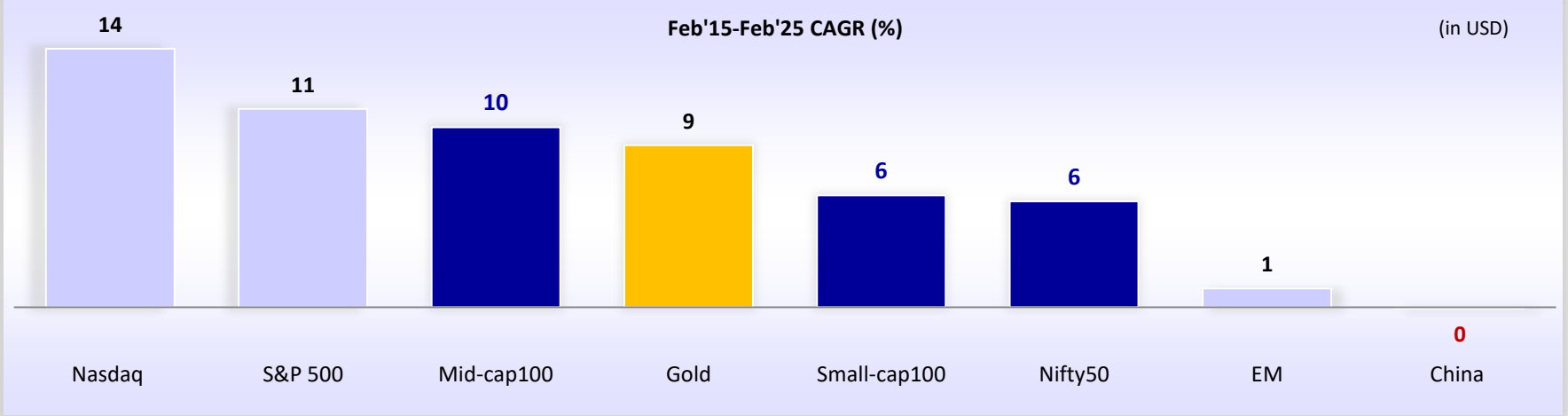
Equities outperformed gold during Feb'15-Sep'24



Gold outperformed key equity markets over the past six months



Gold vs global equity market performance over the past decade

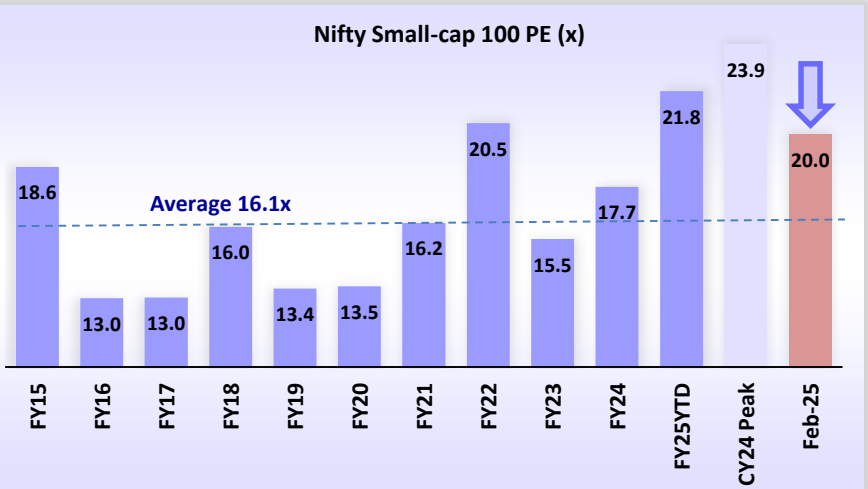
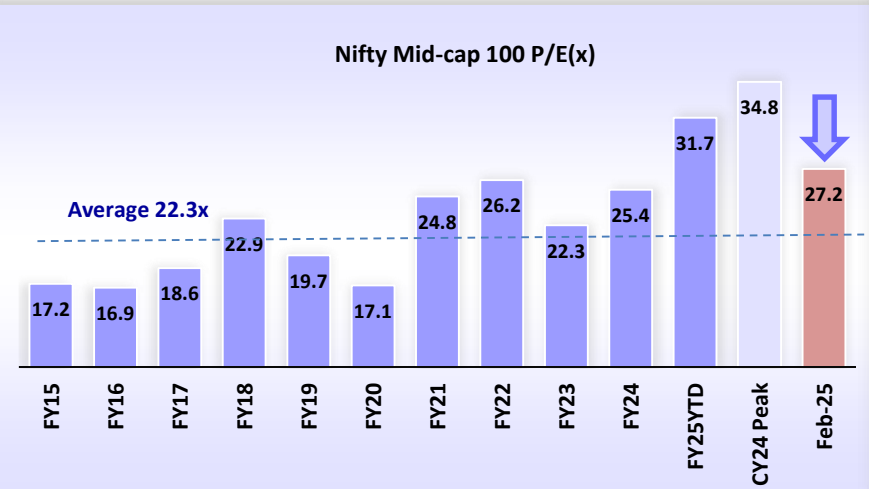
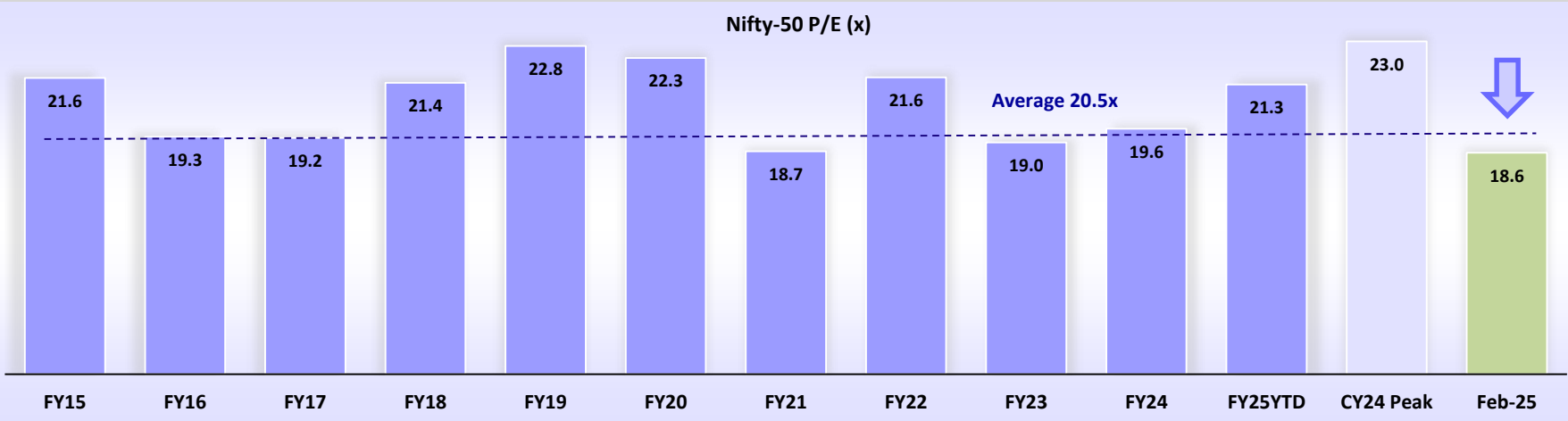


KEY EXHIBITS

Large-caps trade at a discount to history; broader markets still at a premium

- ❖ Nifty-50 valuations have dropped 16% from their Sep'24 highs, while mid- and small-cap valuations have fallen 22% and 25%, respectively, over the same period.
- ❖ Nifty-50 is trading at a 9% discount to its LPA, while mid- and small-cap indices are trading at 22% and 25% premiums to their LPA, respectively.

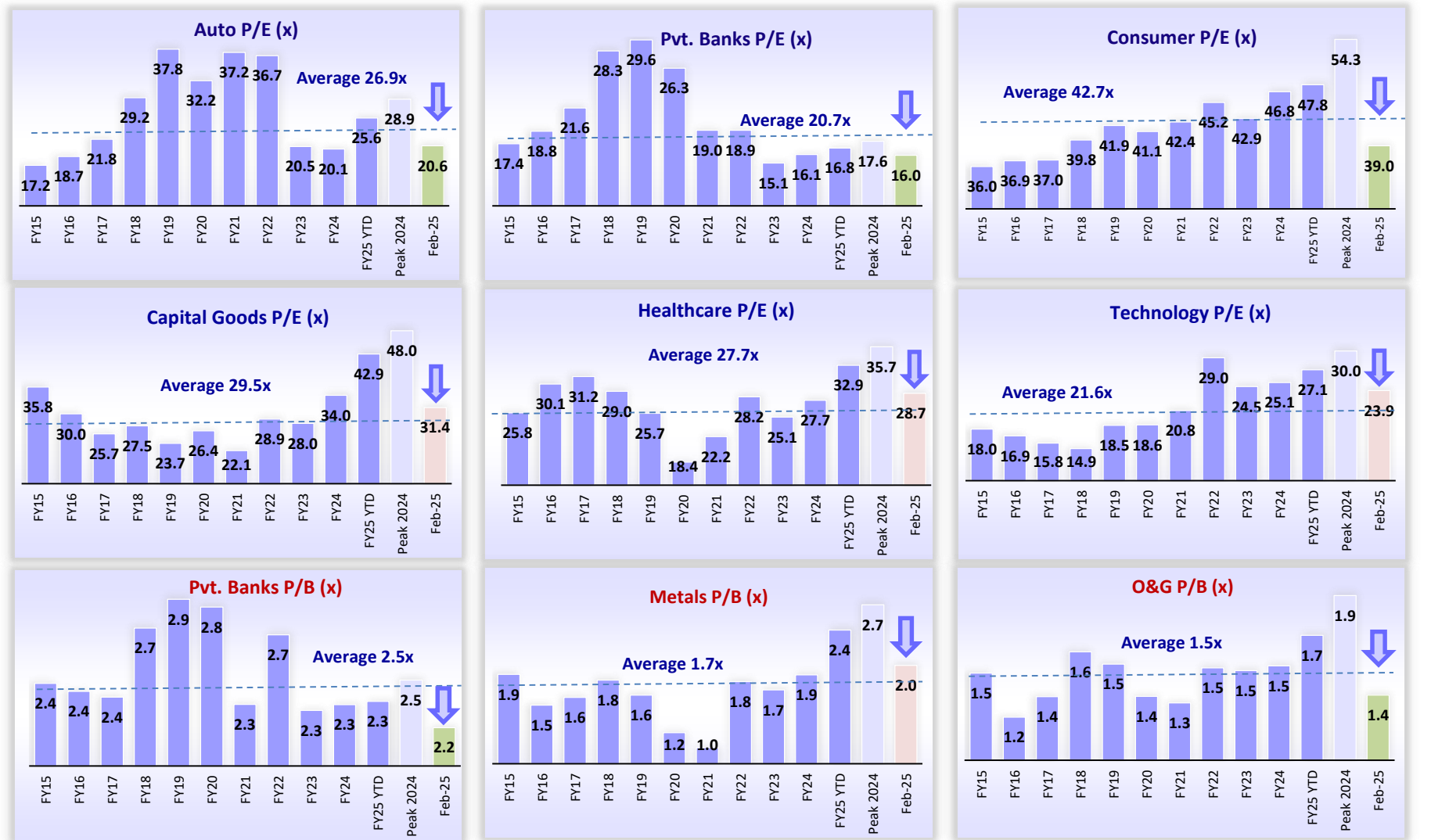
Valuation trend across Nifty-50, Nifty Mid-cap 100 and Nifty-Small-cap 100 indices



The 12-month average of one-year fwd P/E has been considered for the year across indices

KEY EXHIBITS Valuations across sectors moderate from the highs

❖ Valuations of key sectors have moderated from their 2024 highs, trading below the 10-year average for Auto, Private Banks, Consumer, and Oil & Gas. However, they remain above the 10-year average for Capital Goods, Healthcare, Technology, and Metals following the recent market falloff.



Note: The 12-month average of one-year fwd P/E and P/B has been considered for the year across sectoral indices

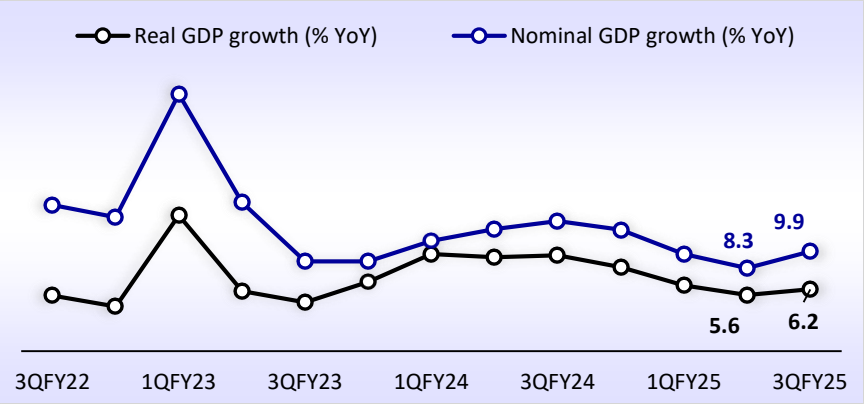
KEY EXHIBITS

Real GDP growth improves in 3QFY25

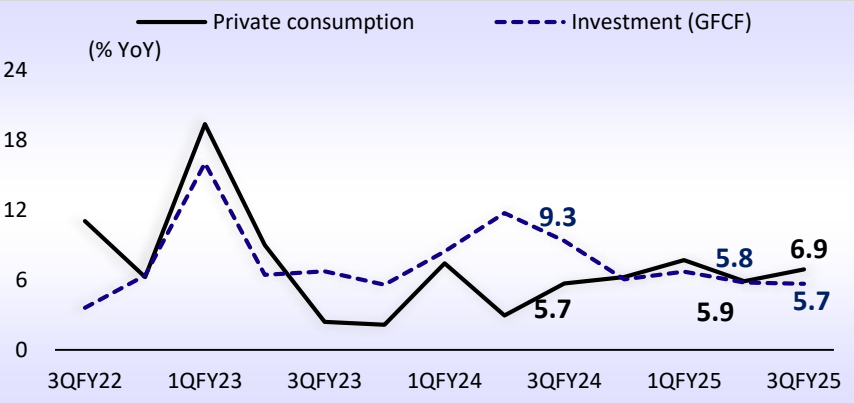
Real GDP growth projected at 6.5% in FY25

- ❖ Real GDP grew 6.2% in 3QFY25, better than MOFSL forecast of 5.7% and in line with the consensus of 6.2%.
- ❖ The improvement in real GDP growth was mainly led by the six-quarter highest growth in final consumption expenditure (7.1% in 3QFY25 vs. 5.3%/5.6% in 3QFY24/2QFY25). Both private and government consumption witnessed an improvement during the quarter. Additionally, real net exports added 2.5pp to real GDP growth in 3QFY25 (the highest contribution in seven quarters).
- ❖ Nominal GDP growth was 9.9% in 3QFY25, lower than 12.9% in 3QFY24 but better than 8.3% in 2QFY25. [Report link](#)

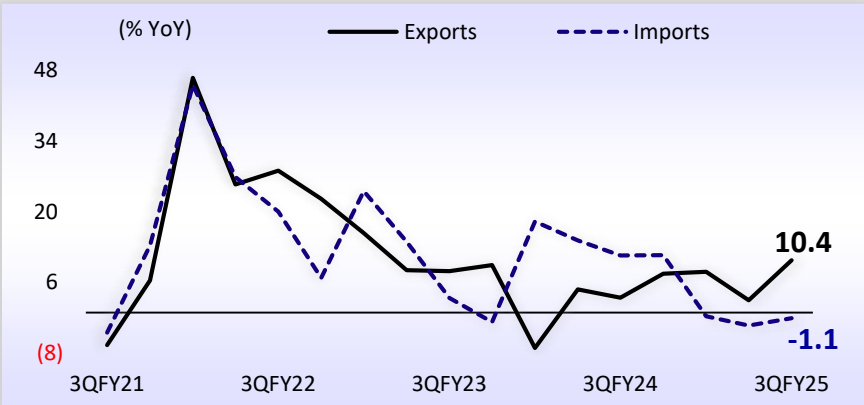
Real GDP growth improved to 6.2% YoY in 3QFY25



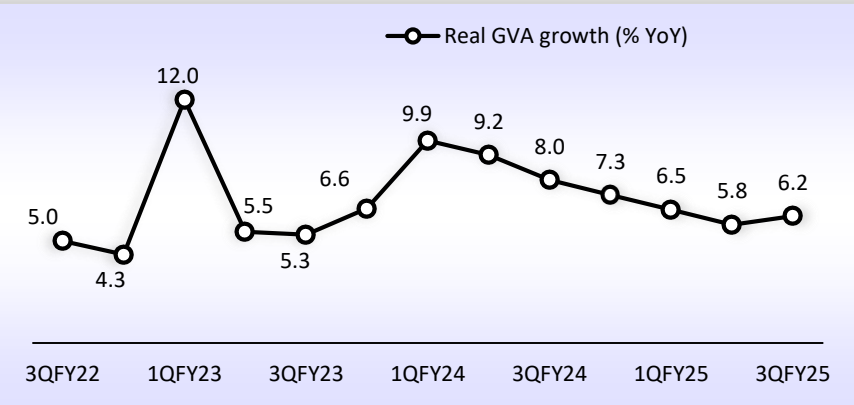
Private consumption growth accelerated while investment growth weakened



Imports contracted while exports grew 10.4%, leading to a higher contribution of net exports



Real GVA growth improved to 6.2% YoY in 3QFY25



KEY EXHIBITS MOFSL Review: A modest 3QFY25; earnings downgrade ratio worst since 1QFY21!

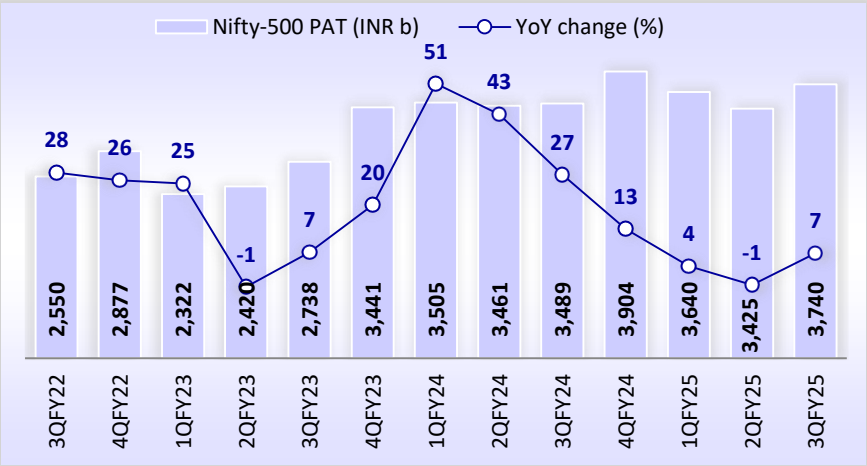
- ❖ The aggregate earnings of the MOFSL universe companies were in line with our estimates, with earnings of Nifty-50 growing 5% YoY.
- ❖ Large-cap and mid-cap earnings in the MOFSL universe grew 5% and 26%, respectively, while small-cap earnings declined 24% in 3QFY25. [Report link](#)

Sector	Sales (INR b)	Growth (%)		Sales		EBITDA (INR b)	Growth (%)		EBITDA		PAT (INR b)	Growth (%)		PAT	
	Dec-24 (actual)	Actual YoY	QoQ	Var. over Exp. (%)	Vs Exp	Dec-24 (actual)	actual YoY	QoQ	Var. over Exp. (%)	Vs Exp	Dec-24 (actual)	Actual YoY	QoQ	Var. over Exp. (%)	Vs Exp
Automobiles (25)	3,195	7	6	-1	In Line	406	-1	5	-5	In Line	234	-2	4	-6	Below
Capital Goods (11)	946	17	5	-2	In Line	106	17	0	-3	In Line	65	20	0	-4	In Line
Cement (11)	561	2	10	0	In Line	70	-31	28	-11	Below	22	-55	2	-17	Below
Chemicals (12)	159	6	-5	-3	In Line	27	-1	-12	-8	Below	14	-12	-24	-15	Below
Consumer (20)	878	6	-1	-1	In Line	202	-1	-2	-3	In Line	141	-5	-2	-6	Below
Consumer Durables (5)	175	16	4	1	In Line	17	25	15	2	In Line	11	23	5	-6	Below
EMS (7)	150	87	-3	1	In Line	8	77	7	-1	In Line	4	76	4	-18	Below
Financials (60)	3,032	10	3	-2	In Line	1,700	13	-4	-1	In Line	1,056	11	-2	2	In Line
Banks-Private (12)	922	9	1	0	In Line	694	10	1	0	In Line	420	2	-3	-1	In Line
Banks-PSU (6)	887	4	0	-2	In Line	579	12	-12	-4	In Line	378	24	-4	9	Above
Insurance (6)	715	14	9	-4	In Line	36	9	15	2	In Line	23	29	7	5	In Line
NBFC - Lending (22)	437	16	3	1	In Line	352	15	1	0	In Line	205	5	2	-3	In Line
NBFC - Non Lending (14)	71	39	0	1	In Line	39	54	-2	1	In Line	30	32	-11	-5	Below
Healthcare (24)	879	11	1	1	In Line	211	22	1	4	In Line	131	25	2	5	In Line
Infrastructure (3)	42	-10	19	-1	In Line	13	4	27	11	Above	5	14	32	5	In Line
Logistics (8)	167	12	8	2	In Line	64	14	7	5	Above	37	17	11	4	In Line
Media (3)	45	0	-1	-4	In Line	10	0	-5	-11	Below	7	13	7	-4	In Line
Metals (10)	2,844	4	5	-1	In Line	552	9	19	11	Above	245	3	24	11	Above
Oil & Gas (15)	7,785	0	7	-1	In Line	952	2	23	1	In Line	417	-11	13	-7	Below
Oil Ex OMCs (12)	3,609	3	2	3	In Line	720	4	9	2	In Line	319	-8	-9	-4	In Line
Real Estate (13)	154	35	10	-8	Below	44	34	20	-7	Below	35	60	24	2	In Line
Retail (21)	669	21	17	-1	In Line	77	15	29	-2	In Line	35	15	46	-6	Below
Staffing (4)	125	14	5	3	In Line	4	8	4	-2	In Line	3	50	24	-3	In Line
Technology (12)	1,967	6	1	0	In Line	448	7	3	2	In Line	309	9	3	0	In Line
Telecom (4)	696	13	6	0	In Line	374	30	16	5	In Line	9	LP	LP	LP	Above
Utilities (5)	694	3	0	-9	Below	249	8	4	-7	Below	98	3	0	-5	In Line
Others (19)	688	17	12	0	In Line	126	33	57	-12.8	Below	50	28	2,023	-21	Below
MOFSL Universe (292)	25,851	6.1	5.0	-1.2	In Line	5,661	9.2	7.1	-0.1	In Line	2,927	6.0	6.6	-0.7	In Line
MOFSL Ex Financials (232)	22,819	5.6	5.2	-1.1	In Line	3,961	7.8	12.7	0.4	In Line	1,872	3.6	12.4	-2.3	In Line
MOFSL Ex Metals & Oil (267)	15,222	9.9	4.2	-1.2	In Line	4,156	10.8	2.7	-1.7	In Line	2,265	10.1	3.9	-0.6	In Line
MOFSL Ex OMCs (289)	21,675	7.8	3.9	-0.4	In Line	5,429	9.8	5.0	-0.1	In Line	2,829	7.1	3.7	-0.2	In Line
Nifty (50)	14,952	5.9	4.3	0.8	In Line	3,655	8.4	5.1	-0.2	In Line	1,964	4.7	2.2	-0.3	In Line
Large Cap (84)	19,616	5.9	5.2	-2.1	In Line	4,423	7.9	6.3	-0.7	In Line	2,394	4.9	5.1	-0.9	In Line
Mid Cap (87)	4,564	7.0	5.0	2.8	In Line	963	17.8	10.0	4.6	In Line	424	26.1	17.8	7.4	Above
Small Cap (121)	1,671	6.9	2.3	-1.3	In Line	276	2.6	9.6	-6.2	Below	109	-23.6	0.8	-19.8	Below

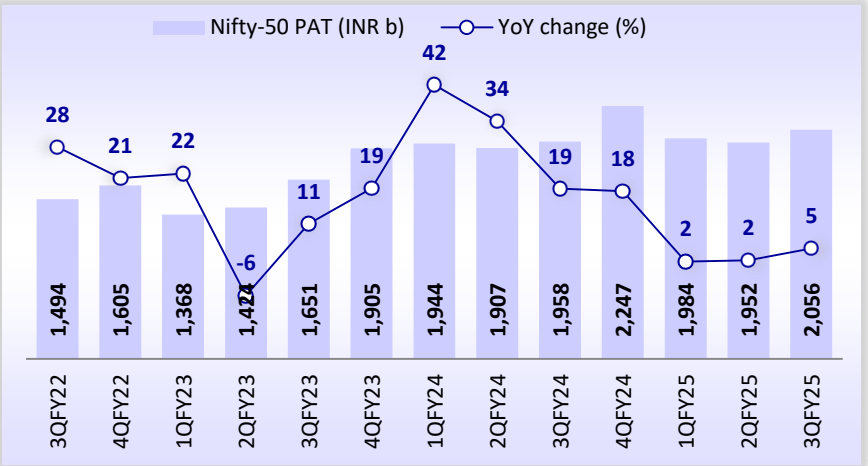
KEY EXHIBITS Nifty-500 3QFY25 earnings review: Growth modest across indices

❖ Key indices reported moderate earnings growth in 3QFY25. Financials, Healthcare, Technology, and Telecom drove aggregate earnings, while commodities weighed on Nifty-500 earnings in 3QFY25.

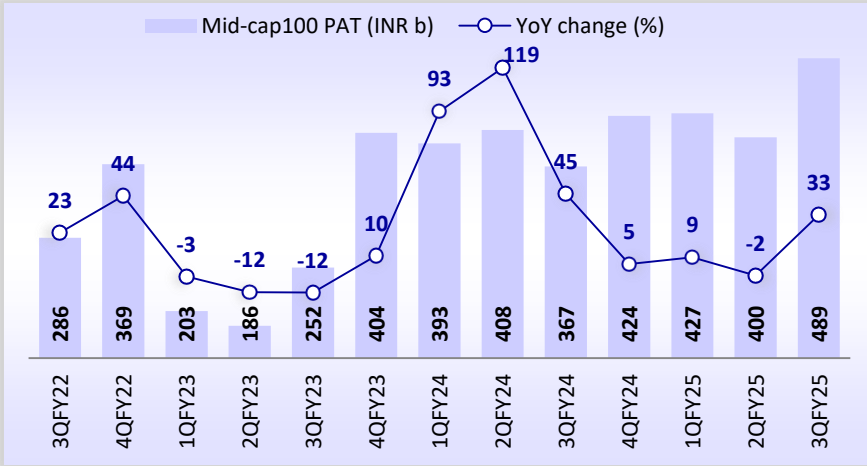
Financials, Telecom, and Healthcare drove Nifty-500 earnings in 3QFY25



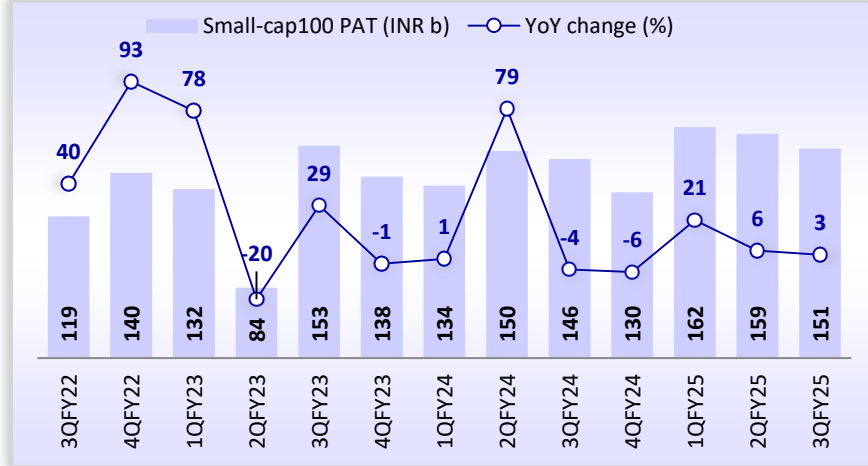
Telecom, Financials, and O&G drove Nifty-50 earnings in 3QFY25



PSBs and Telecom drove Nifty Mid-cap 100 earnings in 3QFY25



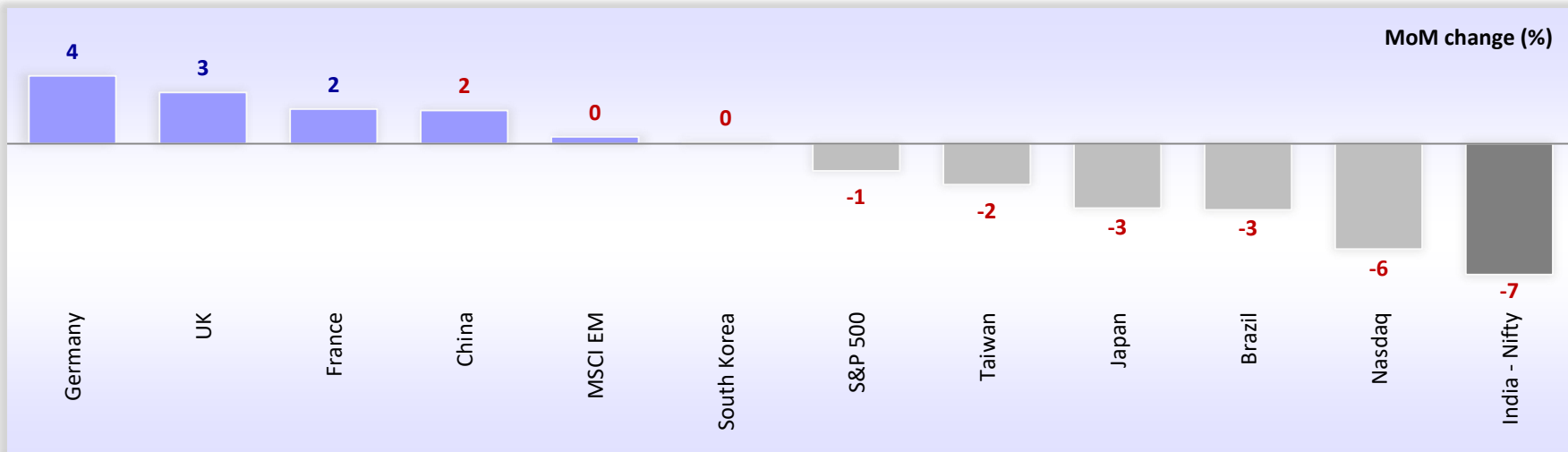
PSBs, Healthcare, and Telecom drove Nifty Small-cap100 earnings in 3QFY25



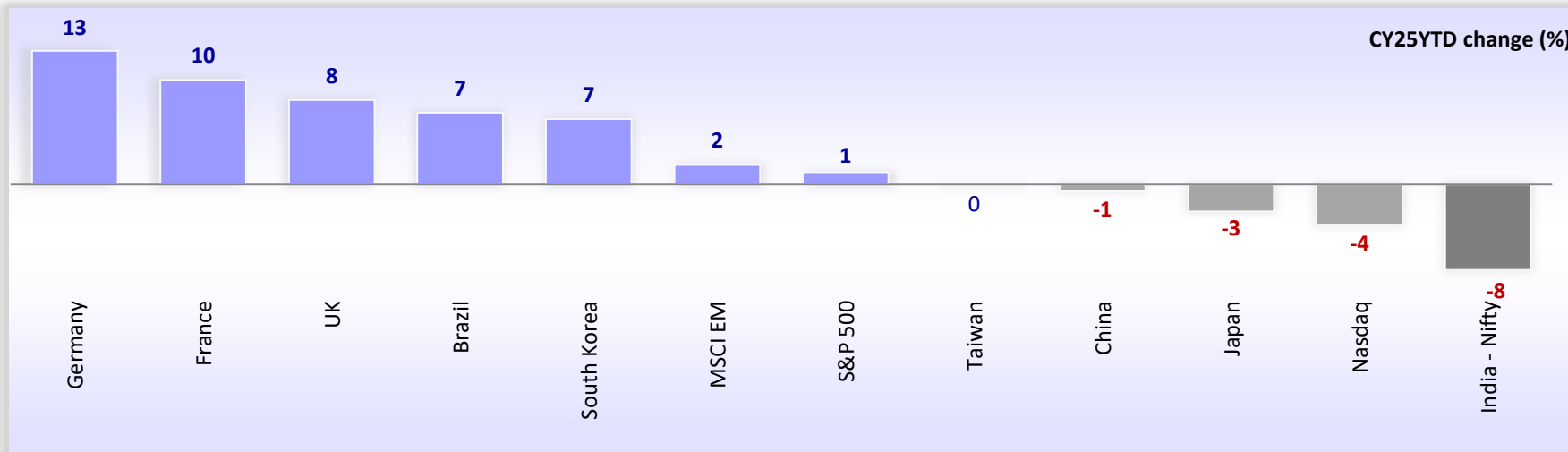
Macro, Markets, and More...

India experiences a falloff during the month, the weakest among peers in Feb'25/CY25YTD

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



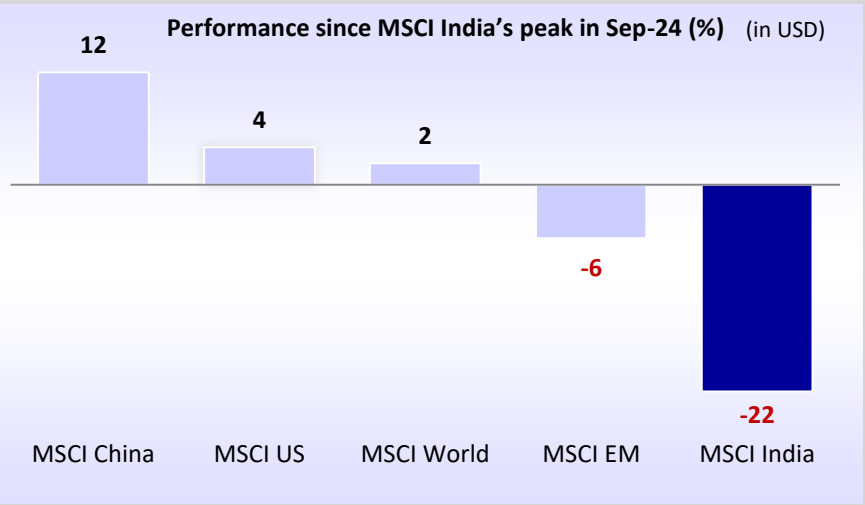
CY25YTD performance of global equity indices in USD terms (%)



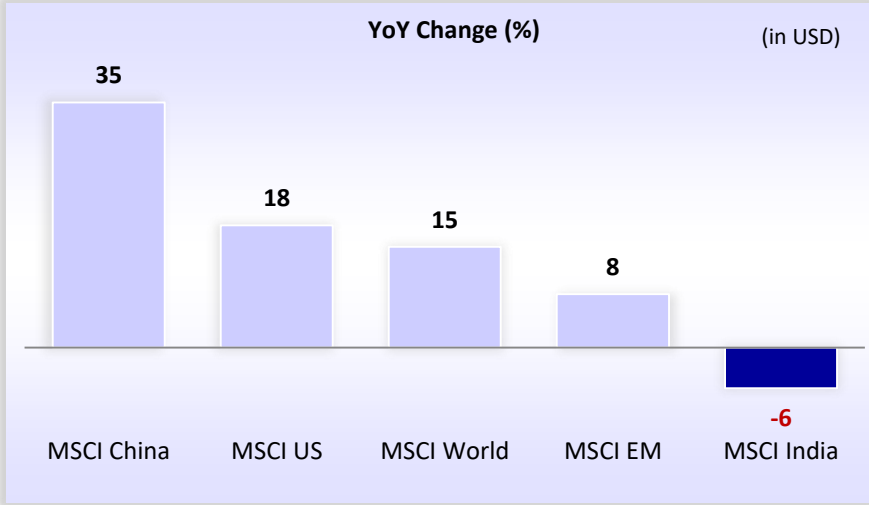
MSCI China rebounds from the lows; MSCI India underperforms since its Sep'24 highs

Performance of MSCI India vs. MSCI US, MSCI World, MSCI Emerging Market, and MSCI China in USD terms

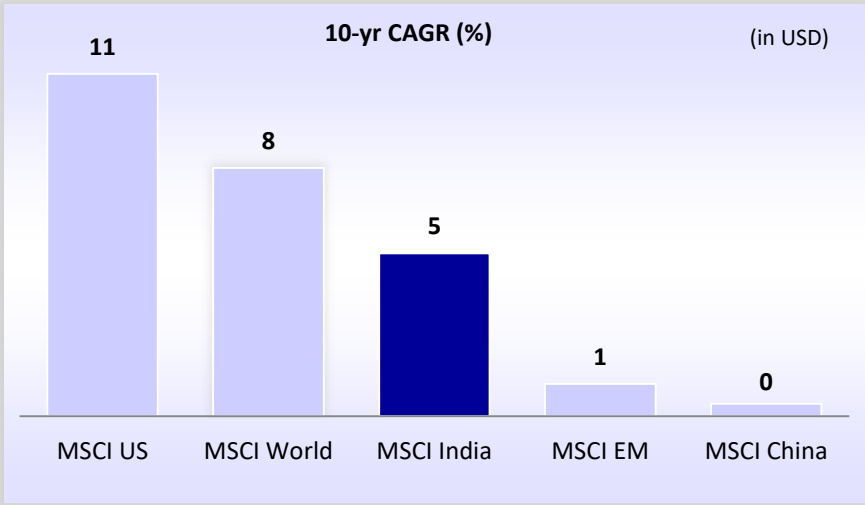
MSCI China outshone global indices over the past 5 months



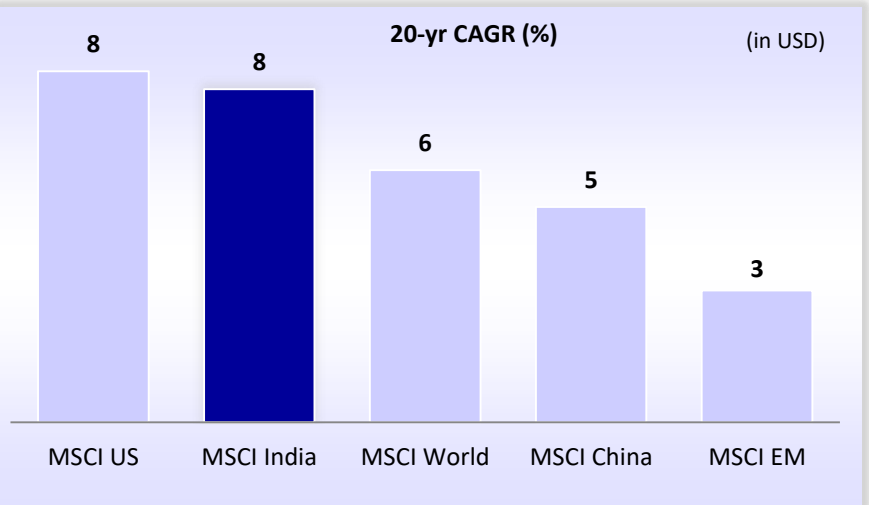
MSCI China outpaced global indices over past one year



MSCI US outdid peers over the past 10 years



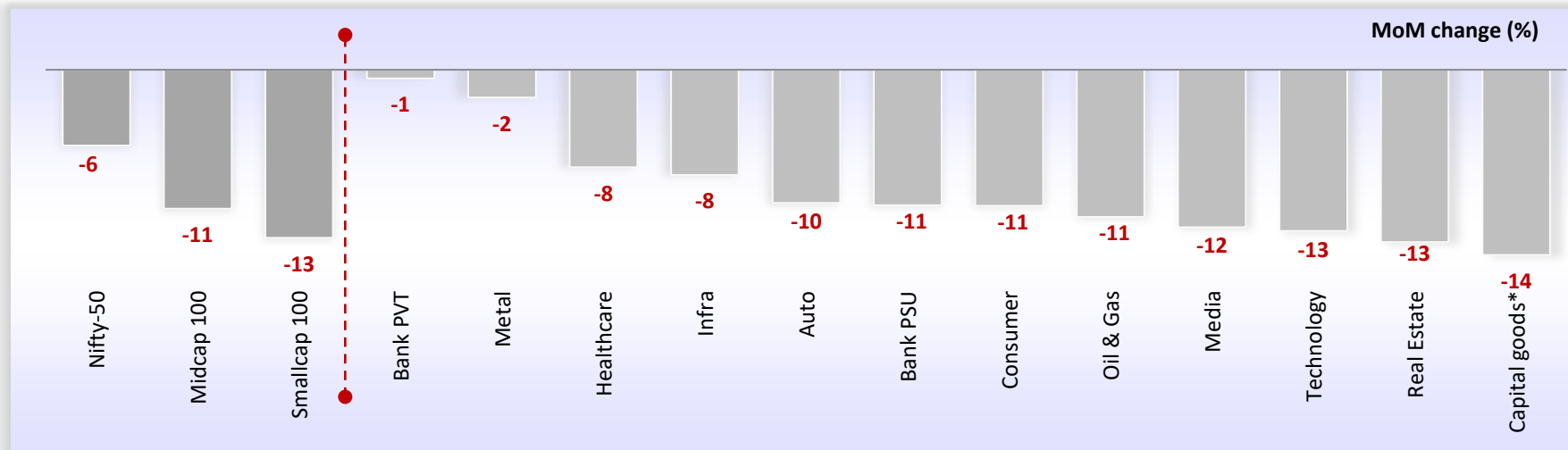
MSCI US/MSCI India outperformed MSCI World over the past 20 years



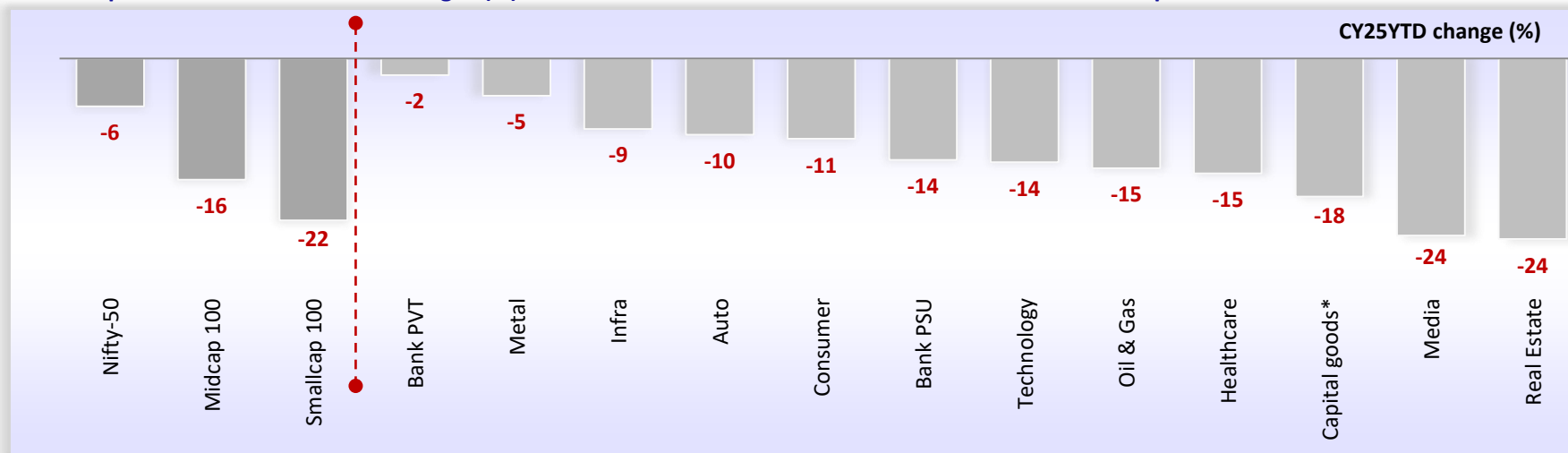
Data as of 28th Feb'25

Most sectors suffer a sharp MoM dip; private banks outperform

Sectoral performance MoM (%): Mid-caps and small-caps fell sharply MoM



Sectoral performance since CY25YTD highs (%): Private Banks and Metals indices declined less than their peers in CY25YTD

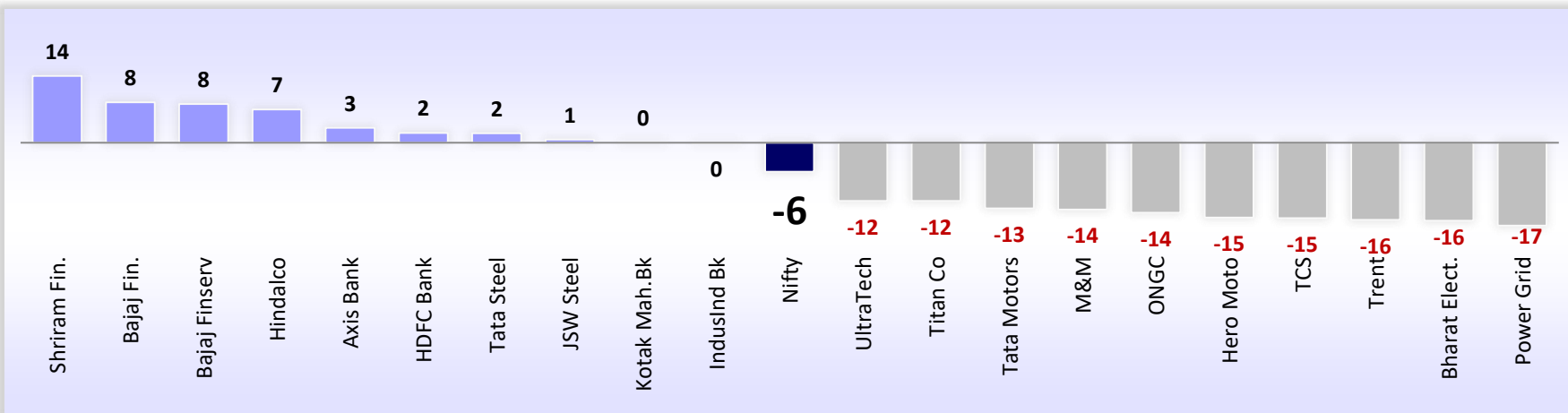


Note: (*) represents BSE capital goods index.

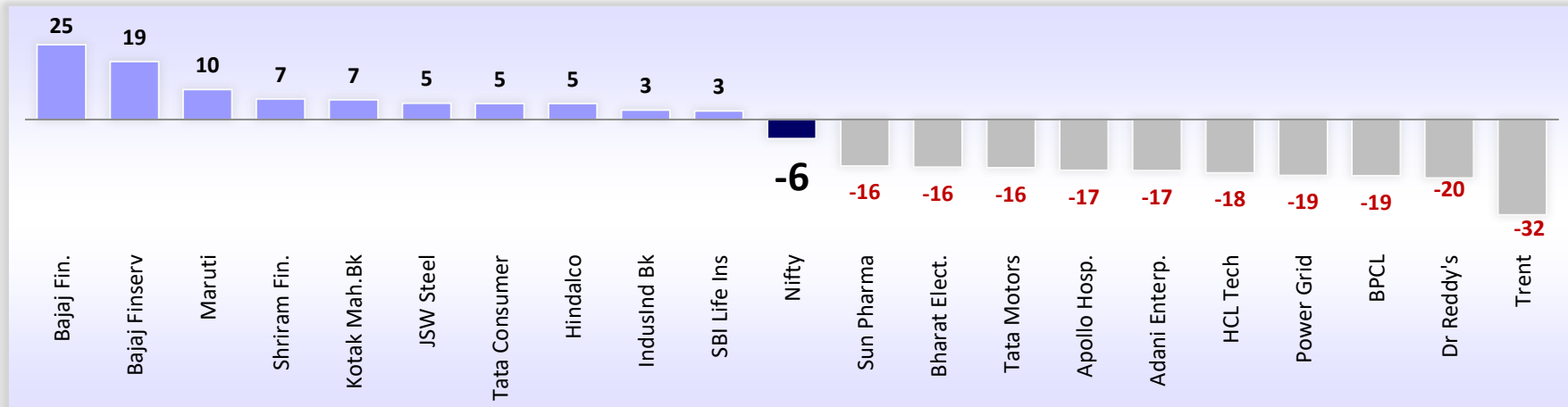
About 82% of Nifty constituents end lower in Feb'25

- ❖ Among Nifty constituents, 41 stocks closed lower MoM and 29 underperformed the benchmark. Shriram Finance, Bajaj Finance, Bajaj Finserv, and Hindalco posted notable gains, whereas Trent, BHEL, and Power Grid were the key laggards.
- ❖ About 39 Nifty constituents traded lower in CY25YTD. Bajaj Finance, Bajaj Finserv, and Maruti Suzuki were the top gainers, whereas Trent, Dr. Reddy's, and BPCL were the key laggards.

Best and worst Nifty performers on MoM basis (%)



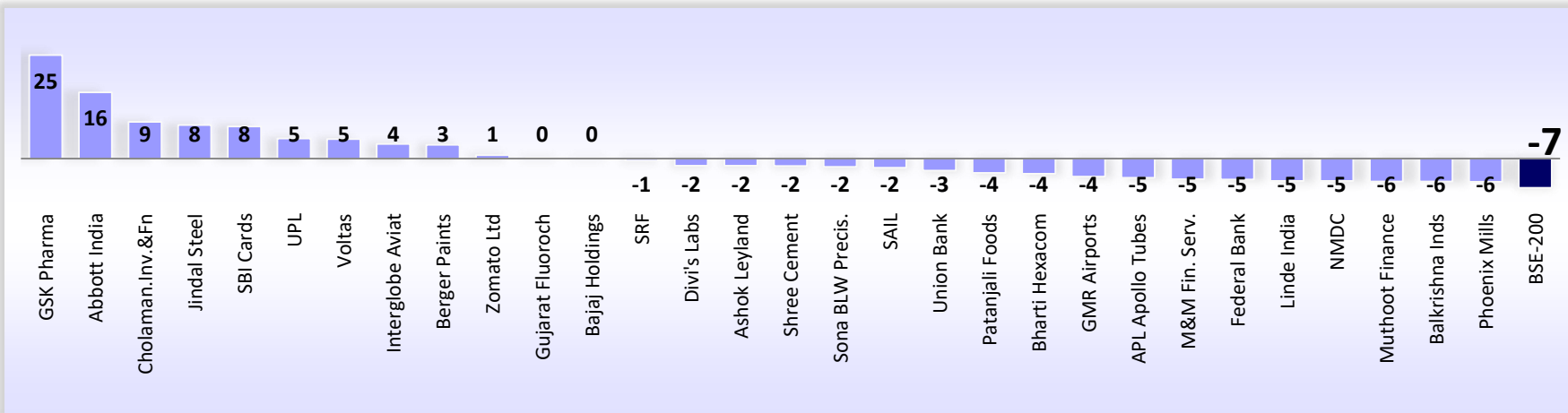
Best and worst Nifty performers in CY25YTD (%)



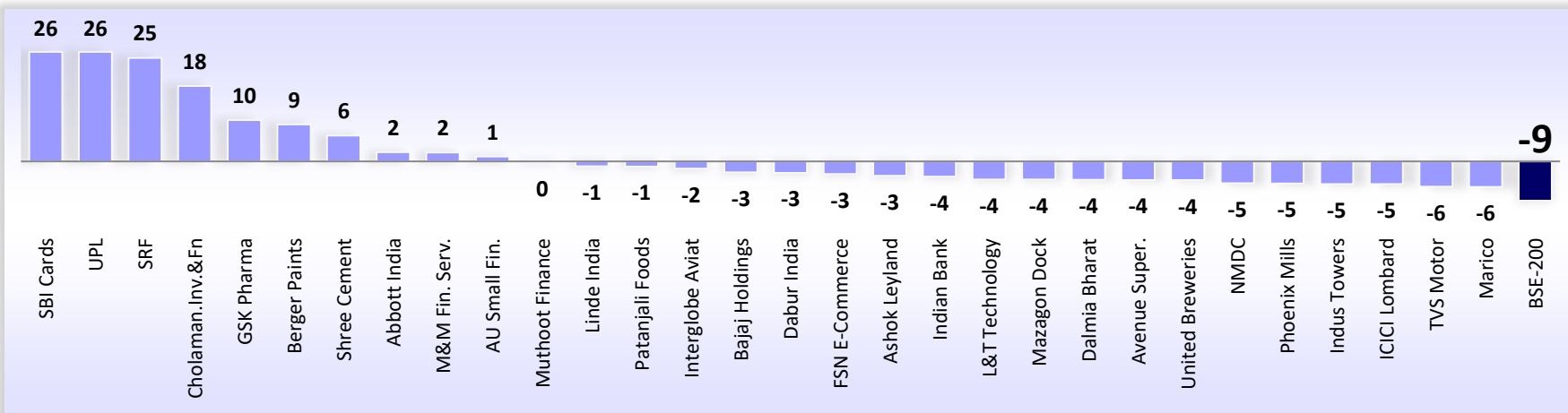
About 10% of BSE-200 constituents end higher in Feb'25

- ❖ In Feb'25, 10% of BSE-200 stocks closed higher. GSK Pharma, Abbott India, and Cholamandalam Fin. gained the most during the month.
- ❖ 21 BSE-200 constituents traded higher in CY25YTD. SBI Cards, UPL, and SRF were the top gainers.

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



Top gainers from the BSE-200 pack 'CY25YTD (%)*

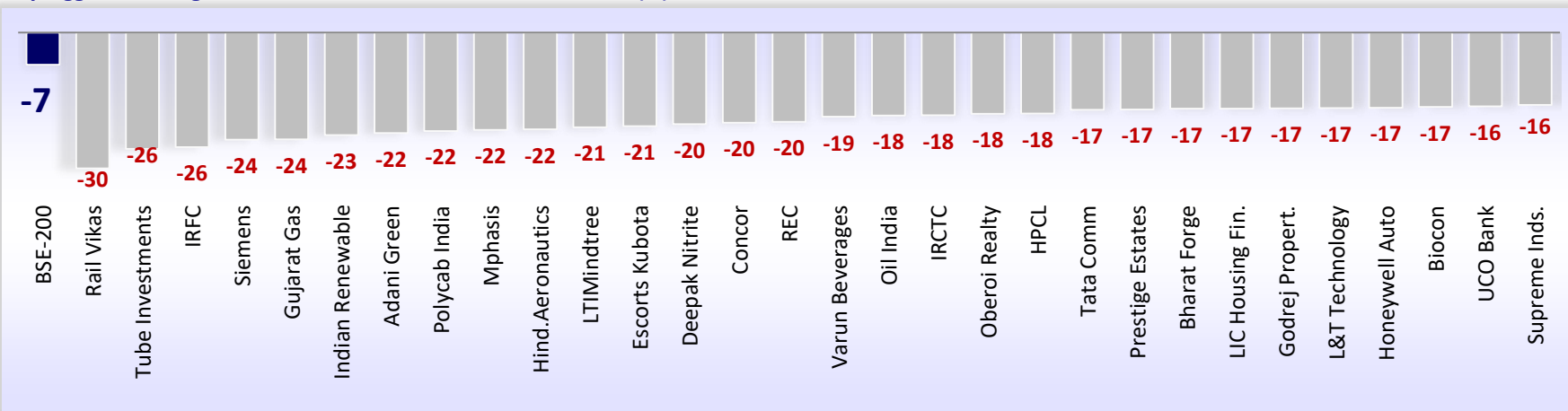


*The list excludes Nifty constituents.

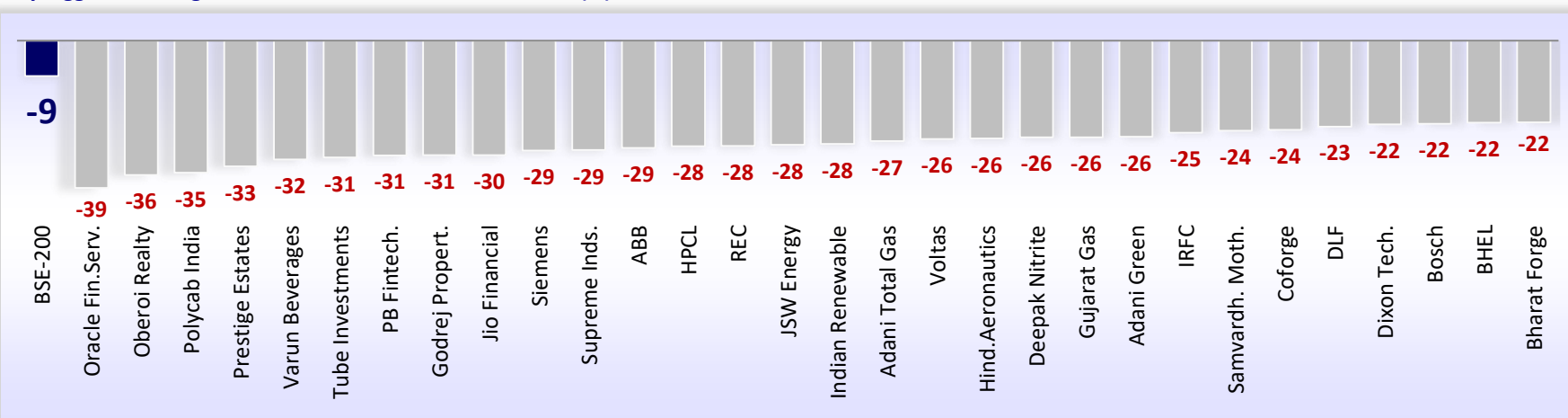
About 90% of BSE-200 constituents end lower in Feb'25

- ❖ In Feb'25, 180 companies closed lower. RVNL, Tube Investments, and IRFC were among the key laggards.
- ❖ About 179 of BSE-200 companies traded lower in CY25YTD. Oracle Finance, Oberoi Realty, and Polycab India were the key laggards in CY25YTD.

Key laggards among the BSE-200 constituents on an MoM basis (%)*



Key laggards among the BSE-200 constituents in CY24YTD (%)*



*The list excludes Nifty constituents.

Private banks' weights increase, while those of Technology dip sharply on a MoM basis

❖ In Feb'25, the weights of Pvt. Banks, NBFCs, and Metals rose, while weights of Technology, Autos, Consumer, and Capgoods declined MoM.

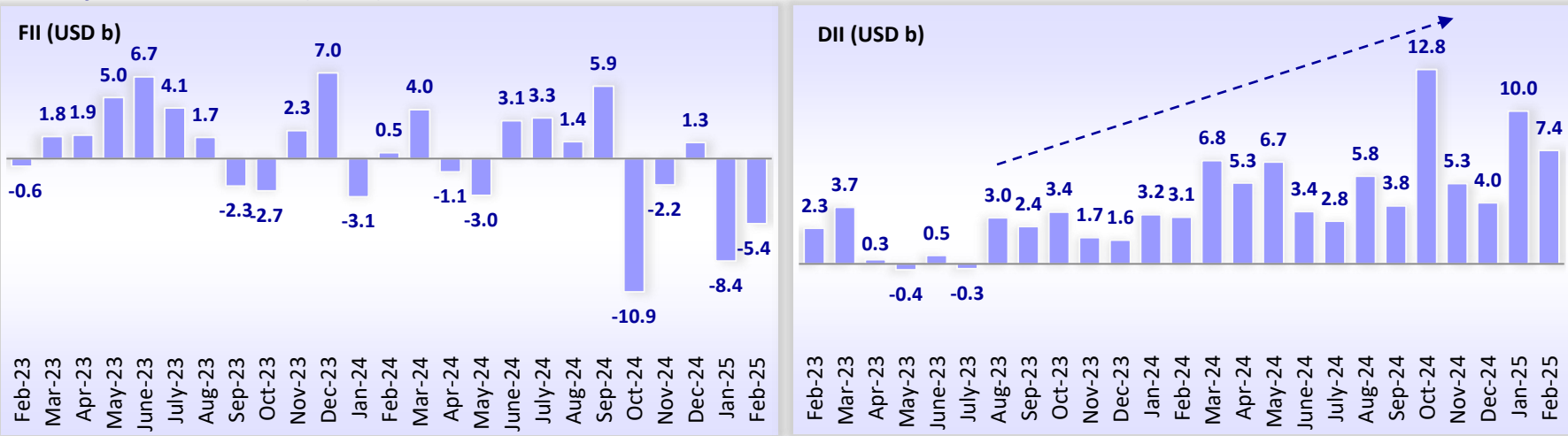
	Weightage in the Nifty (%)							
	Dec'08	Dec'12	Dec'20	Dec'21	Dec'22	Dec'23	Jan'25	Feb'25
Automobiles	2.5	8.8	5.4	5.0	5.3	6.5	7.6	7.2
Banks – Private	5.0	16.9	24.7	21.9	24.2	28.2	26.5	28.2
Banks – Public	5.4	4.7	1.8	2.3	2.9	2.6	2.8	2.7
NBFC + Insurance	2.3	7.9	12.3	11.4	10.6	4.5	5.0	5.6
Capital Goods	7.7	5.9	2.6	3.0	3.1	4.4	5.0	4.6
Cement	1.7	4.2	2.2	2.4	1.8	2.1	2.1	2.0
Consumer	6.5	12.3	10.4	9.4	10.3	10.8	9.0	8.6
Healthcare	2.6	5.0	3.6	3.4	3.8	4.0	3.9	3.8
Metals	4.8	3.8	2.0	2.9	2.9	3.0	2.7	3.0
Oil and Gas	24.5	12.3	12.5	12.3	12.1	10.5	9.6	9.6
Reliance	10.6	7.4	10.7	10.8	11.0	9.2	8.1	8.2
Retail	0.0	0.0	1.1	1.4	1.4	1.6	2.6	2.4
Telecom	11.6	2.0	2.0	2.1	2.5	2.7	4.1	4.2
Technology	9.0	11.4	16.3	19.1	14.0	13.6	14.0	13.1
Utilities	13.3	4.5	2.1	2.1	2.5	3.6	3.6	3.5
Miscellaneous	3.3	0.5	1.0	1.2	2.6	1.9	1.3	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.

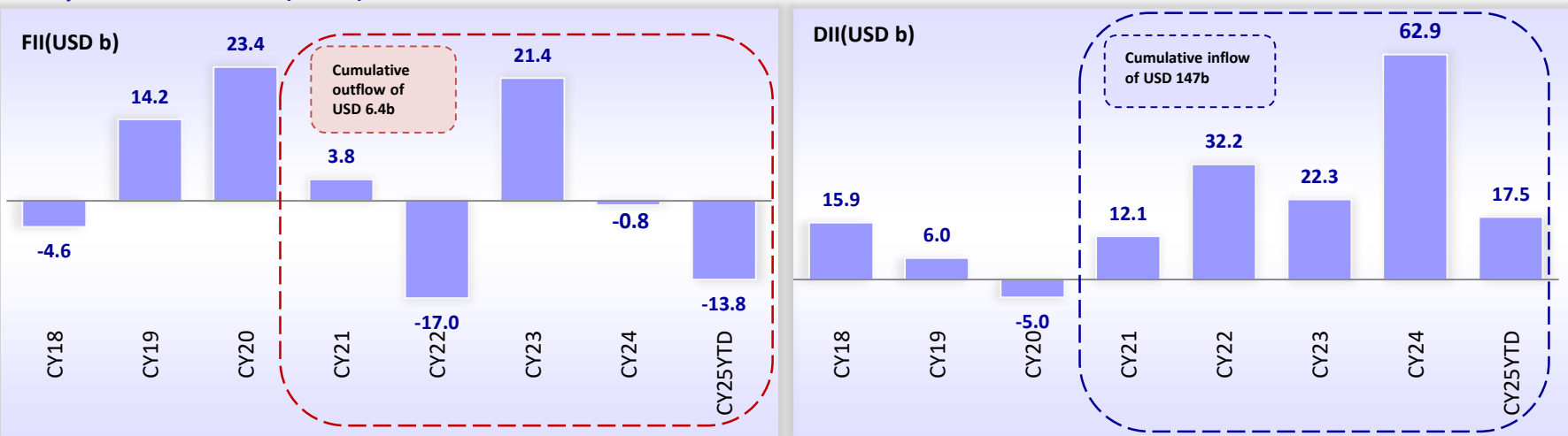
DII inflows remain strong, while FII selling continues

- ❖ FIIs' selling bout extended, offloading USD5.4b in Feb'25; DIIs invested USD7.4b, marking the 19th consecutive month of inflows.
- ❖ DII inflows during CY21-25YTD reached USD147b, while FII flows were negative during the same period.

Monthly institutional flows (USD b)

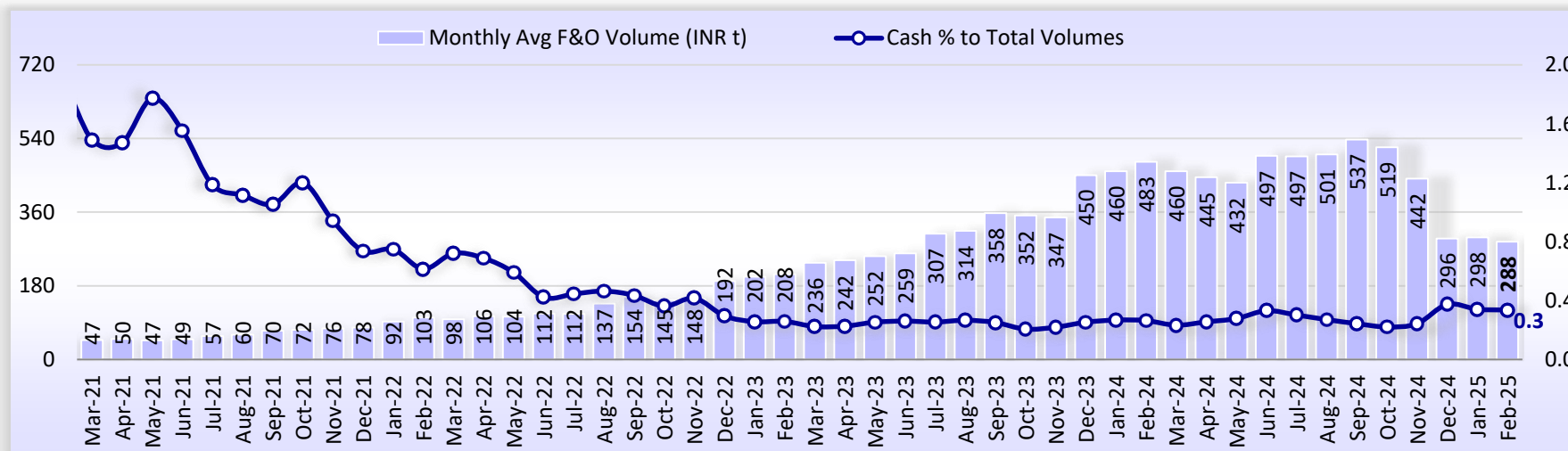
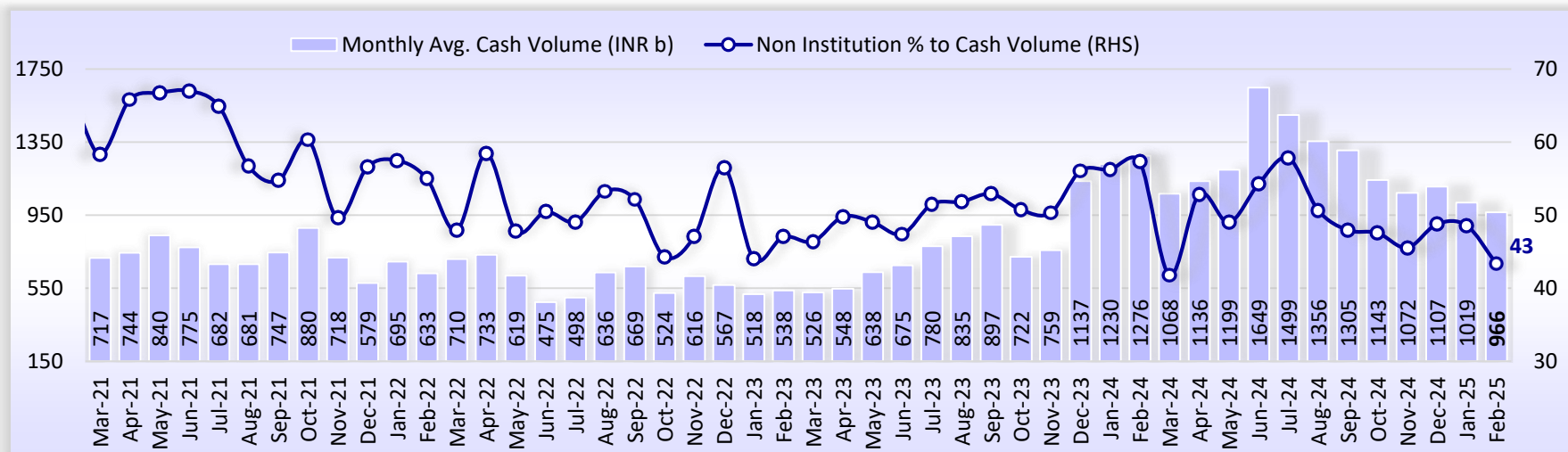


Yearly institutional flows (USD b)



Monthly average cash volumes hit a 15-month low, while F&O volumes dip marginally

- ❖ Monthly average cash volumes declined 5% MoM in Feb'25 to a 15-month low of INR966b (down 41% from the highs of Jun'24).
- ❖ Non-institutional participation accounted for 43% of the total cash volumes (lowest since Jul'18 barring Mar'24)
- ❖ Monthly average F&O volume was down 4% MoM at INR288t (down 46% from the Sep'24 highs).



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

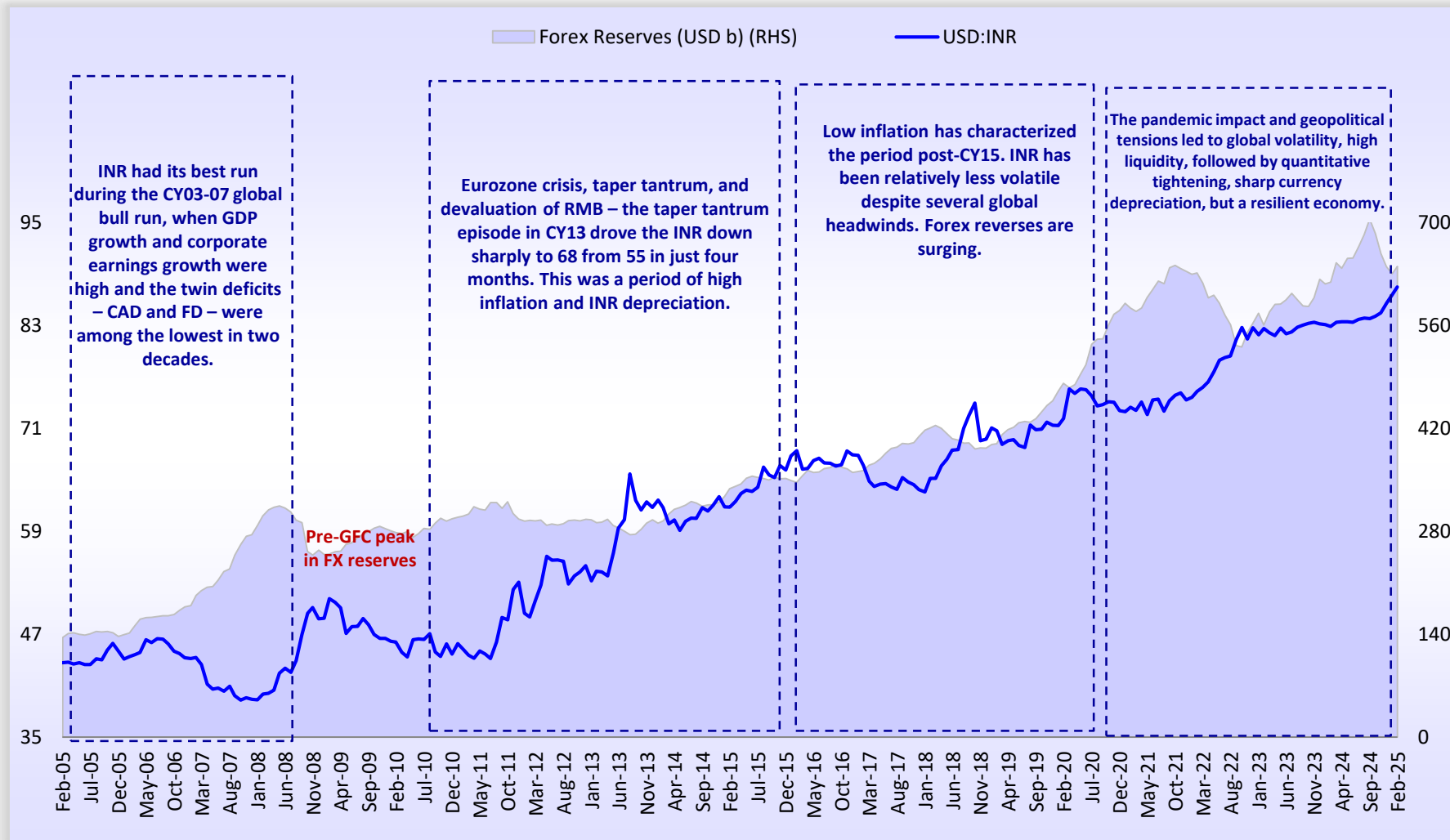
- ❖ The GoI 10-year bond yield was steady at 6.7% during the month, while that of the US fell 30bp MoM to 4.2% in Feb'25. Consequently, the yield spread expanded 30bp MoM to 2.5%.



Source: Bloomberg, MOFSL

Forex reserves rise after declining for the fourth consecutive month

- ❖ India's forex reserves increased 2% MoM to USD640b in Feb'25 (down ~9% from the Sep'24 highs of USD705b).
- ❖ On the currency front, INR:USD declined 1% MoM to an all-time low of INR87.5 (down 5.5% YoY).



Source: Bloomberg, MOFSL

Key reports from MOFSL's research desk in Feb'25

Earnings review – A modest 3QFY25; Earnings downgrade ratio worst since 1QFY21!

[Report link>>](#)

- ❖ The aggregate earnings of MOFSL universe companies were in line with our estimates and increased 6% YoY. Earnings for Nifty 50 rose 5% YoY.
- ❖ The aggregate performance was hit by global commodities (i.e. Metals and O&G). Excluding the same, the MOFSL universe and Nifty posted 10% and 7% earnings growth, respectively.
- ❖ The MOFSL universe delivered a 2.3% YoY earnings growth in 9MFY25. Excluding Metals and O&G, it reported an 11.8% YoY earnings growth.
- ❖ The earnings upgrade/downgrade ratio of 0.3x was the worst since 1QFY21.
- ❖ The MOFSL universe is likely to deliver sales/EBITDA/PAT growth of 7%/15%/19% YoY in FY26, mainly led by Financials, Oil & Gas, and Metals.



Logistics: Anchoring solutions | Navigating success

[Report link>>](#)

- ❖ The Indian ports sector is poised for significant growth. Between FY23 and FY28, the country's ports are projected to add 500-550MTPA of capacity annually, driven by increased handling of petroleum, oil, lubricants, coal, and containerized cargo. Cargo traffic is expected to grow at a steady annual rate of 3-6%, stabilizing utilization levels at ~55% over the medium term.
- ❖ Container traffic growth is anticipated to report an annual growth rate of 4-7% over the next five years. Transshipment, which accounts for roughly 25% of India's container throughput, continues to be a crucial segment, with ports like Chennai playing a significant role.
- ❖ While the industry growth rate is expected to be 4-7% over the next five years, both APSEZ and JSWINFRA are poised for sustained growth of 2-3x the industry, supported by continued organic and inorganic expansions and integrated logistics solutions. Both these companies are likely to gain market shares.
- ❖ We reiterate our BUY rating on APSEZ and JSWINFRA. JSWINFRA is our top pick in the ports domain.

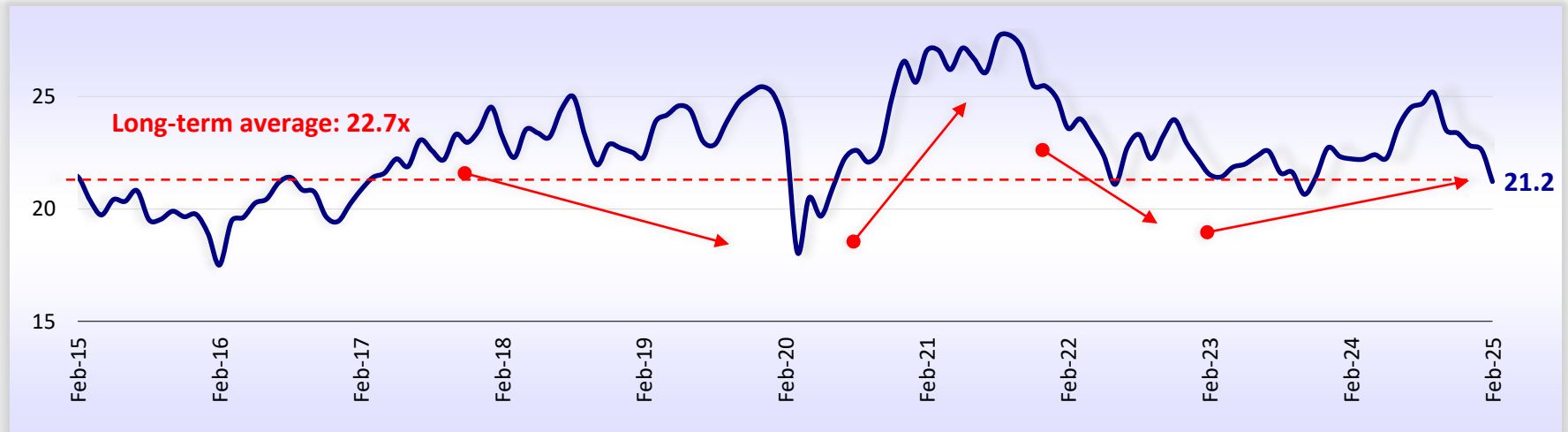


Valuations: Key observations

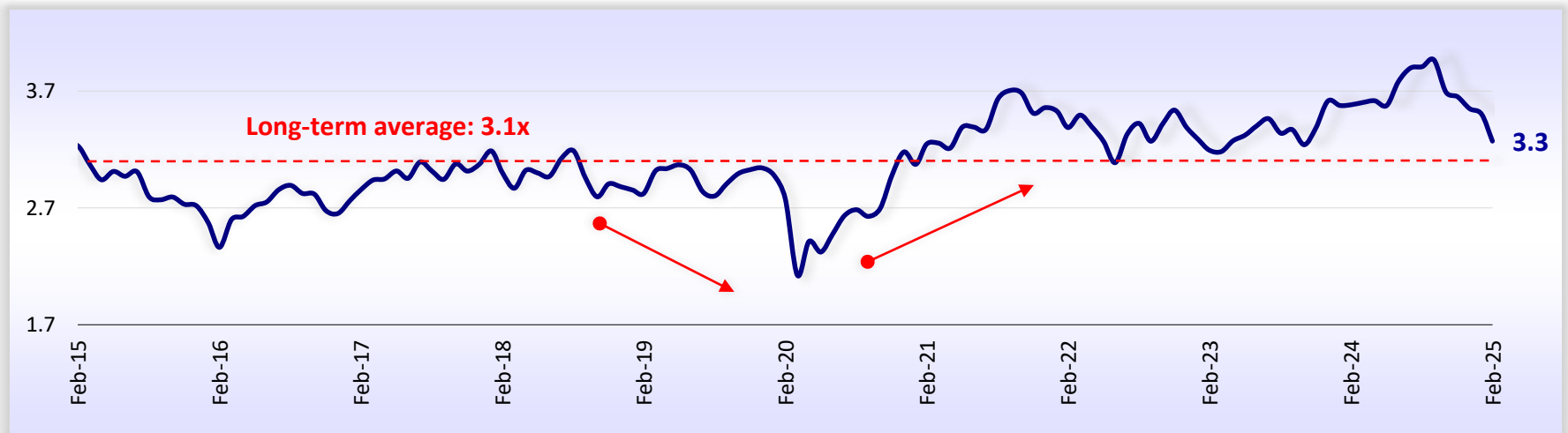
Valuations: Nifty's 12-month trailing P/E declines from its highs

- ❖ The 12-month trailing P/E for Nifty moderated 6% MoM (down 16% from Sep-24 high) and stood at 21.2x at a 6% discount to its LTA.
- ❖ At 3.3x, the 12-month trailing P/B was 5% above its historical average of 3.1x.

12-month trailing Nifty P/E (x)



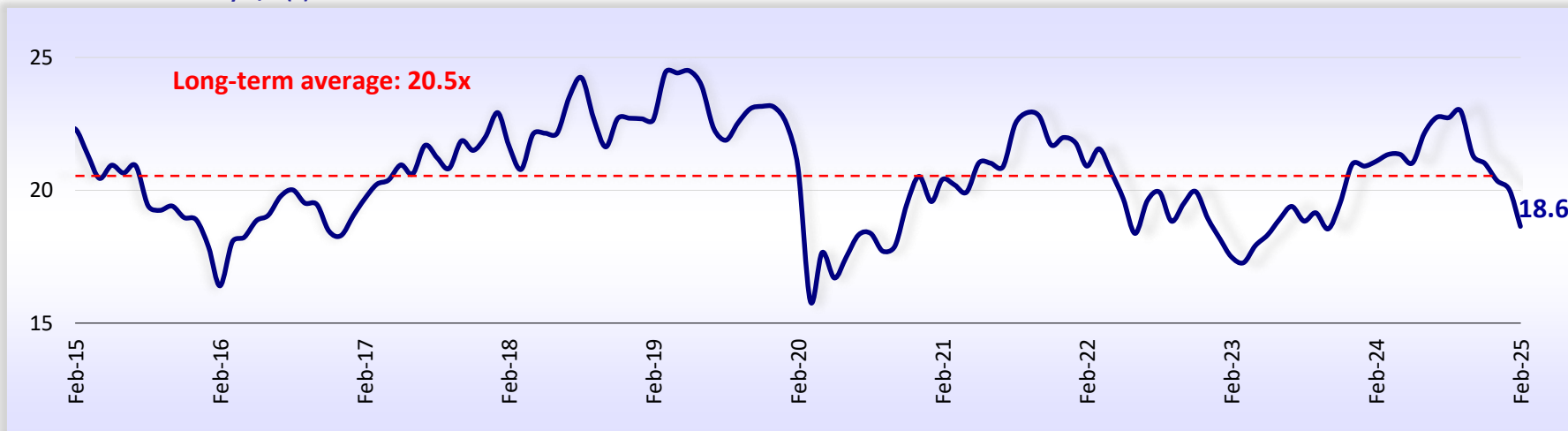
12-month trailing Nifty P/B (x)



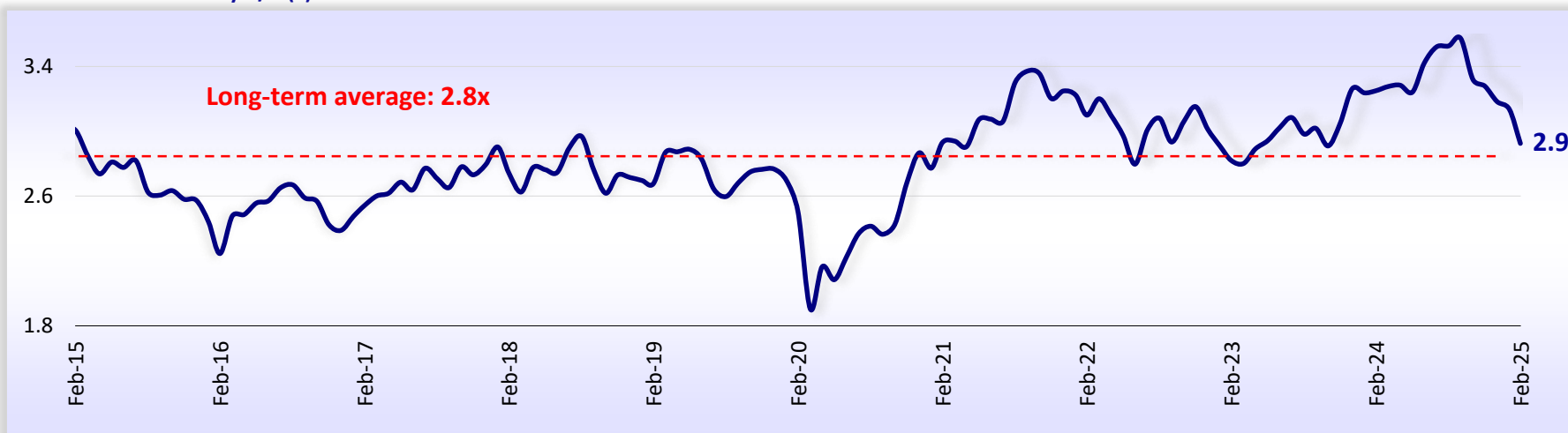
Valuations: Nifty's 12-month forward P/E dips from its highs

- ❖ Nifty's 12-month forward P/E traded at 18.6x, 9% below its LTA and down 19% from Sep-24 high.
- ❖ At 2.9x, the 12-month forward P/B was trading at a premium of 3% to Nifty's historical average of 2.8x.

12-month forward Nifty P/E (x)



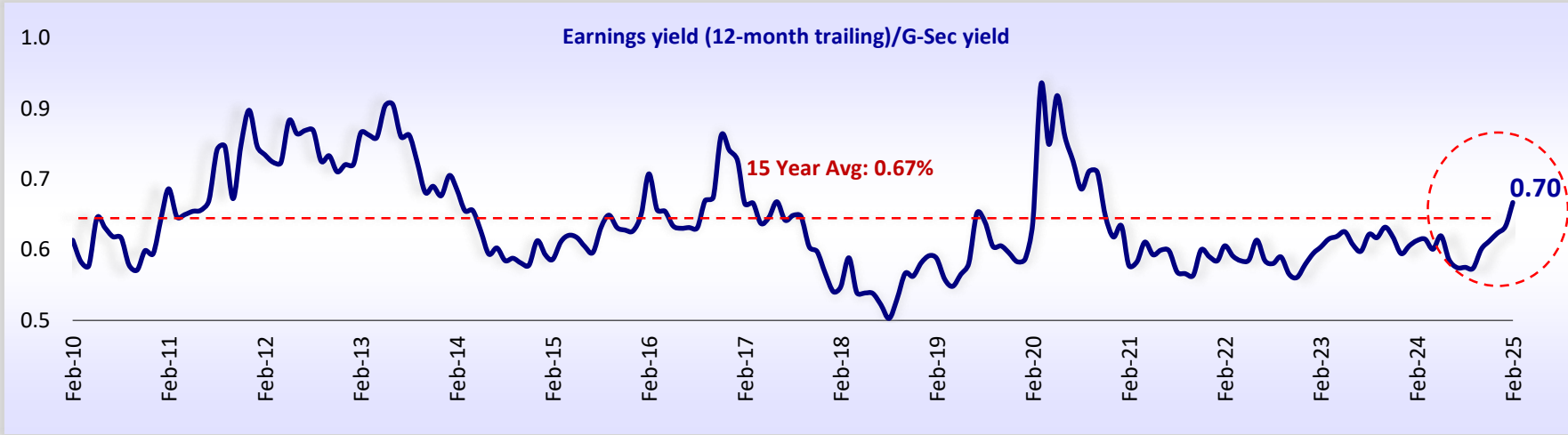
12-month forward Nifty P/B (x)



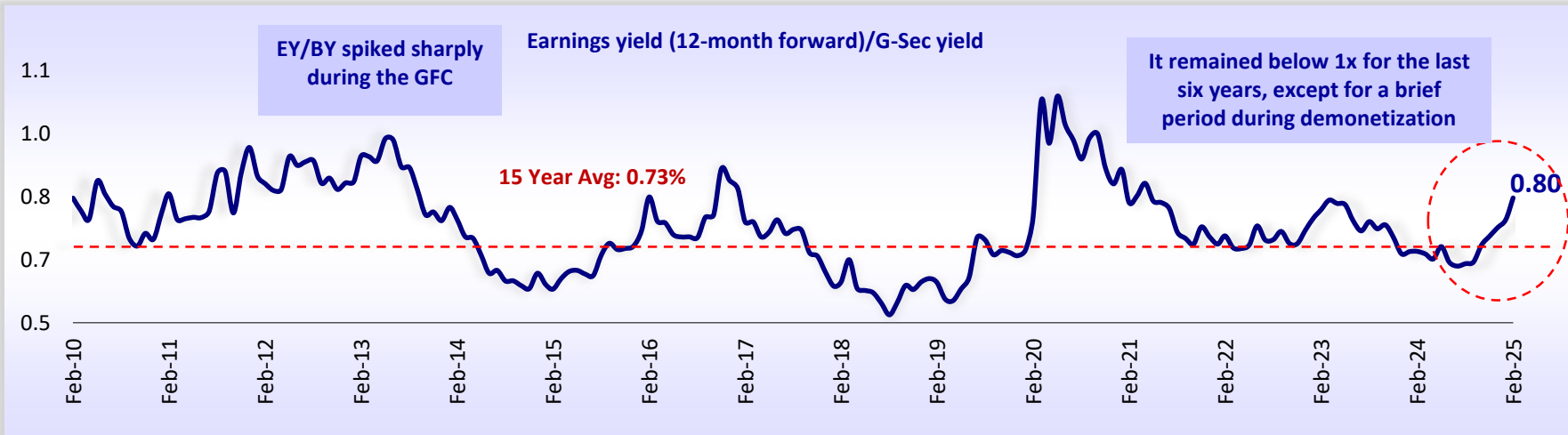
EY/BY spikes MoM, reaching its highest level since Nov'20 on a trailing basis

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

Trailing Earnings Yield/G-Sec Yield (x)



Forward Earnings Yield/G-Sec Yield (x)



Valuation snapshot – Indices erase yearly gains, while broader market valuations stay high

- ❖ While mid-caps and small-caps have declined sharply from their Sep'24 highs, their valuations continue to trade at a premium to the averages.
- ❖ Barring large-caps and banks, most sectors continue to trade at a premium to their LPA.

NSE indices: Valuation snapshot

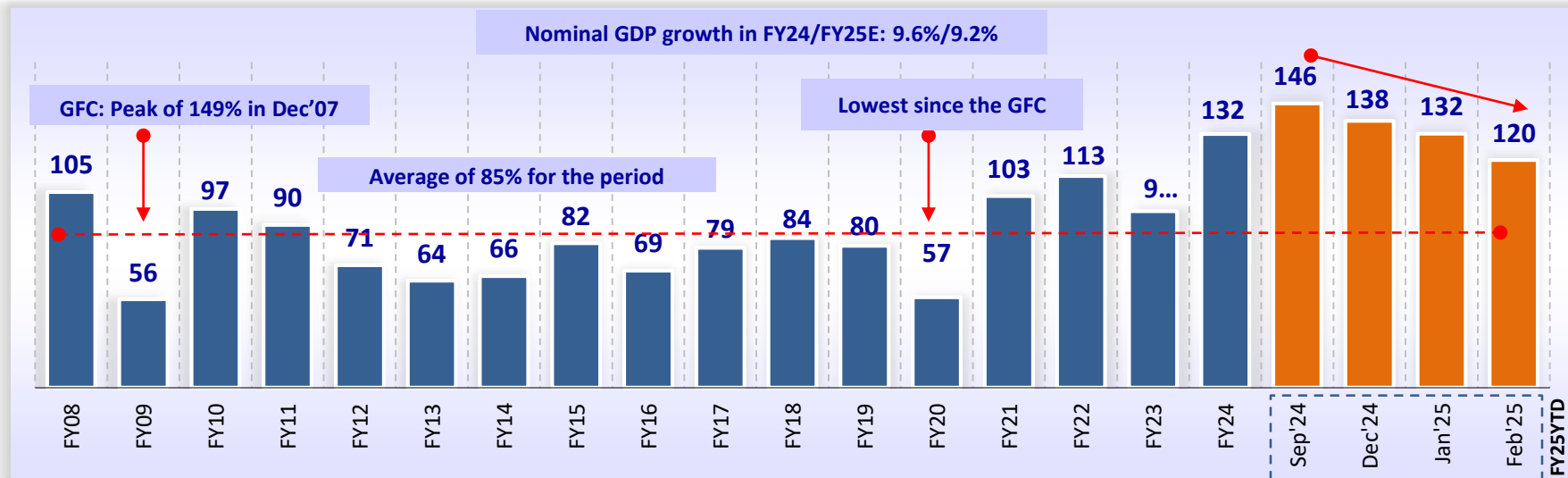
Indices	Nifty 50	Nifty mid-cap 100	Nifty small-cap 100	Nifty 500	Auto	BANK	Capital Goods	FMCG	IT	Metal	Energy
Feb'25 closing	22,125	47,915	14,700	19,881	20,499	48,345	55,241	50,689	37,318	8,219	30,018
YoY change (%)	1	-1	-8	-1	0	5	-4	-6	-1	4	-23
EPS (12m fwd)	1,049	1,741	729	1,007	1,033	4,099	1,805	1,421	1,472	605	2,326
P/E (12m fwd)	18.6	28.2	20.8	20.2	20.6	11.9	31.3	36.6	26.5	13.8	13.2
P/E (10 yr average)	20.5	22.4	16.0	19.4	19.4	15.9	25.4	33.5	20.9	11.0	11.5
P/B (12m fwd)	2.9	4.1	2.8	3.1	3.4	2.0	5.5	8.1	6.9	2.0	1.9
P/B (10 yr average)	2.8	2.6	2.0	2.8	2.9	2.1	3.4	8.5	5.0	1.3	1.4
RoE (%)	15.7	13.5	13.2	14.4	16.4	15.3	17.7	22.1	27.2	14.1	14.2

Source: Bloomberg, MOFSL; as of 28th Feb'25 | LPA: Long Period Average, i.e. 10-year average

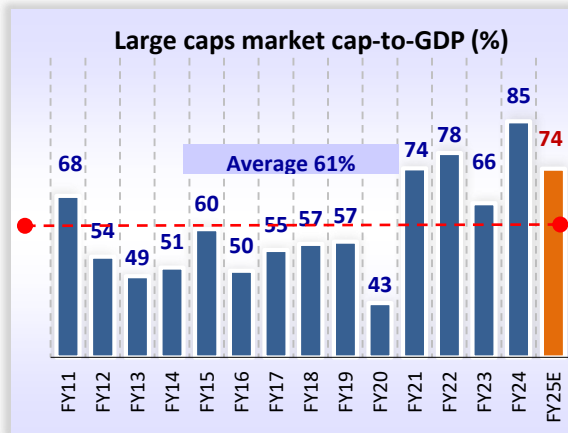
India's market cap-to-GDP ratio down from an all-time high on a year-end basis

- ❖ India's market cap-to-GDP ratio stood at 120%, down ~26% from the Sep'24 highs of 146%; it is trading above its long-term average of ~85%.
- ❖ The market cap-to-GDP ratio for large-caps declined sharply, while mid-caps and small-caps continue to trade near their highs.

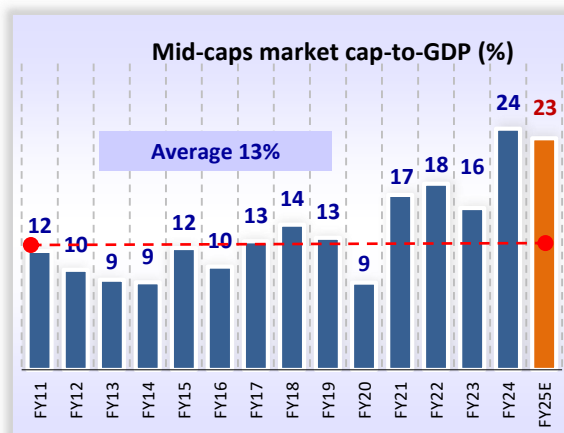
Market cap-to-GDP ratio (%)



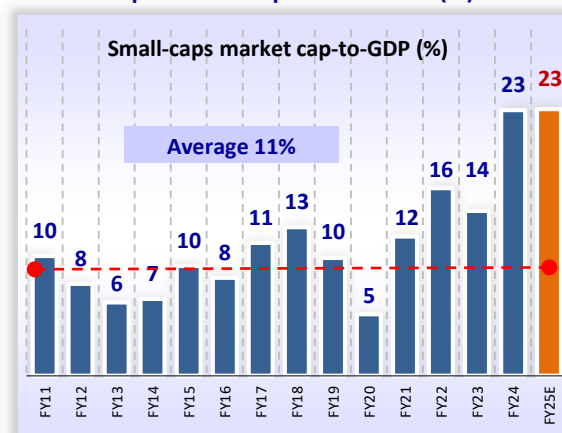
Large-caps market cap-to-GDP ratio (%)



Mid-caps market cap-to-GDP ratio (%)



Small-caps market cap-to-GDP ratio (%)

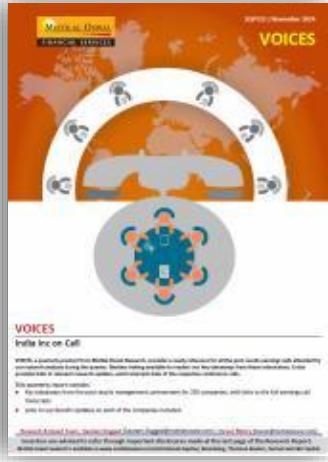


Note: Large, mid, and small market cap-to-GDP ratios represent the breakdown of the aggregate market cap-to-GDP ratio.

	MCap (USDb)	CMP (INR)	EPS (INR)			EPS 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.	186.6	1,200	50.6	61.0	67.9	15.9	23.7	19.7	17.7	1.9	1.7	1.6	8.3	9.3	9.5
Bharti Airtel	114.8	1,570	36.9	44.9	62.0	29.6	42.5	35.0	25.3	8.9	7.0	6.3	23.5	24.2	28.2
ICICI Bank	98.5	1,203	66.3	71.7	82.0	11.2	18.1	16.8	14.7	3.1	2.6	2.3	18.3	17.0	16.8
St Bk of India	71.8	688	89.2	97.3	112.6	12.4	7.7	7.1	6.1	1.3	1.1	1.0	18.8	17.2	16.8
Hind. Unilever	60.3	2,192	44.1	49.3	54.1	10.8	49.7	44.5	40.5	10.0	9.9	9.7	20.2	22.4	24.2
Larsen & Toubro	50.4	3,165	106.2	135.4	156.5	21.4	29.8	23.4	20.2	4.5	3.9	3.4	15.9	17.8	17.9
Sun Pharma.Inds.	45.2	1,594	49.2	59.5	66.6	16.4	32.4	26.8	23.9	5.2	4.4	3.8	17.2	17.9	17.1
Maruti Suzuki	44.5	11,945	462.3	512.4	573.4	11.4	25.8	23.3	20.8	4.0	3.6	3.2	14.8	15.3	15.2
M & M	37.4	2,584	99.3	124.6	145.1	20.8	26.0	20.7	17.8	5.0	4.2	3.6	21.0	22.2	21.7
Titan Company	32.8	3,075	42.8	53.4	63.8	22.1	71.8	57.6	48.2	22.7	17.8	14.1	35.5	34.6	32.7
Trent	19.5	4,853	45.0	61.4	78.2	31.9	107.9	79.1	62.1	28.5	20.5	15.2	32.9	32.3	30.1
LTIMindtree	16.5	4,668	158.7	182.1	212.8	15.8	29.4	25.6	21.9	6.1	5.3	4.7	22.0	22.2	22.8
Preferred mid-cap/small-cap stocks															
Indian Hotels	11.8	716	11.8	15.3	18.1	23.7	60.5	46.9	39.5	9.0	7.6	6.4	16.2	17.7	17.7
Dixon Tech.	9.4	13,950	130.8	174.2	250.6	38.4	106.6	80.1	55.7	33.9	24.0	16.8	37.7	35.1	35.5
JSW Energy	9.1	464	13.7	17.2	18.2	15.4	33.9	26.9	25.4	3.6	3.2	2.9	11.0	12.5	12.0
BSE	8.0	4,634	88.5	137.9	167.7	37.6	52.4	33.6	27.6	17.1	14.9	12.8	32.7	44.2	46.3
Godrej Properties	6.7	1,936	51.3	64.4	64.8	12.4	37.7	30.1	29.9	3.1	2.8	2.6	10.4	9.8	9.0
JSW Infra	6.2	255	6.7	7.7	9.8	20.9	38.1	33.0	26.1	5.9	5.2	4.5	16.4	16.7	18.5
Coforge	5.7	7,364	133.9	227.1	282.3	45.2	55.0	32.4	26.1	11.6	9.9	8.3	22.2	32.8	34.5
Page Industries	5.3	40,393	613.6	709.4	841.0	17.1	65.8	56.9	48.0	25.7	22.1	19.0	39.0	38.8	39.5
IPCA Labs.	4.0	1,353	34.3	45.8	56.5	28.3	39.4	29.6	24.0	4.9	4.3	3.7	13.0	15.4	16.5
Metro Brands	3.6	1,120	13.7	17.1	21.8	26.3	82.0	65.4	51.4	13.9	11.8	9.9	18.5	19.9	21.4
Angel one	2.3	2,168	148.5	160.7	214.6	20.2	14.6	13.5	10.1	3.2	2.8	2.4	28.6	22.2	25.4

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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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