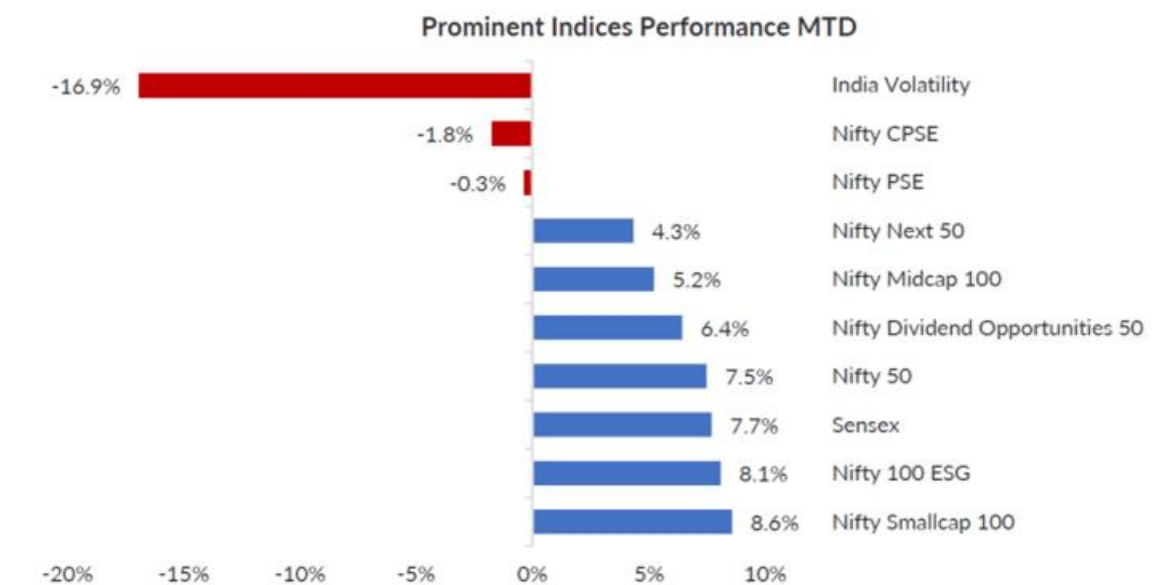


# FAITH & PATIENCE



July 31, 2020

For the month ended July 31, 2020, Nifty 50 index was up 7.49% over previous month's close. Mid and small caps continued to rally. NSE Midcap 100 Index was up 5.22% and NSE Small cap Index was up 8.57%. Within sectors, information technology was up 22.5%, pharma was up 11.65%, auto was up 8.34% whereas realty, banking and consumer durables were relatively weak. Foreign funds were net buyers at USD1.27bn whereas domestic funds net sellers at USD1.34mn.



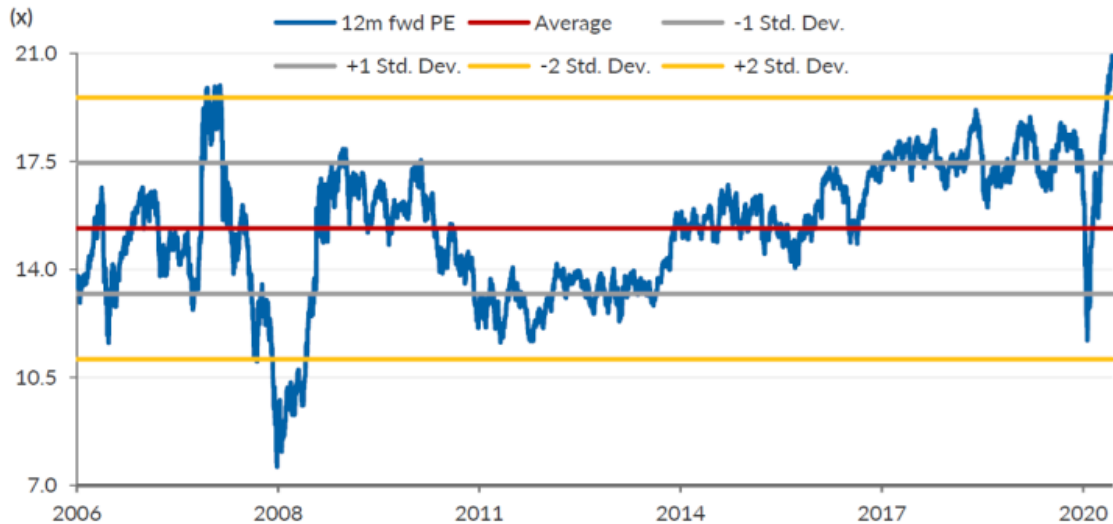
Source: Bloomberg

Quarter one FY2021 earning reported so far by Nifty companies appears better than market's beaten down expectations. But we should exclude banks as they benefit from one off moratorium. Ex Financials, Nifty companies have reported revenue decline of 31% whereas EBIDA decline is only at 16.5% as the companies went into cost control mode. PAT decline at 38.3% has been better than consensus estimate of -45% declines.

Autos, telecom, banks, oil & gas, infrastructure and consumers have seen most downgrades for FY2021, whereas metals, cement & IT services have seen some earnings upgrades. Street expectations for FY21 earnings are -4%, with FY22 earnings at +39%. March 21' base case Nifty target of 9900 by the street suggests an unfavourable risk reward and we continue to have a cautious market outlook.

# FAITH & PATIENCE

## 1Year forward Nifty PE multiple at 15 year high



Source: Bloomberg

Given that the lockdown in India, and quite a severe one at that compared to the rest of world, has been extended till August 31, the economy is bearing the brunt though the challenges on border with Pakistan, China and Nepal seem to have abated, at least for now. Any adverse news flow related to COVID-19 or geopolitics will obviously have an impact on markets which have run-up ahead of fundamentals. The divergence between Indian stocks (S&P BSE Sensex) and street GDP forecasts has widened since March 2020. (chart attached). We believe Indian economy is best positioned to revive faster than others given the investment focus of Government of India and low penetration levels in virtually all consumer sectors including financial services.



Source: Bloomberg

# FAITH & *PATIENCE*



Do visit our website for [Our Perspectives](#)

Best,

Aashish Wakankar

[www.equipoise.in](http://www.equipoise.in)

**Disclaimer:** Nothing contained herein constitutes nor is intended to constitute an offer, inducement, promise, or contract of any kind. Notwithstanding any language to the contrary, these materials are for informational purposes only and are not intended to be, and should not be construed as, an offer to sell or a solicitation of an offer to purchase securities of EquiPoise Capital Management Pvt Ltd or of any entity or other investment vehicle managed by EquiPoise Capital Management Pvt Ltd or its affiliates. Offers to sell or solicitations of offers to purchase securities of a Fund will be made only by means of a confidential private placement memorandum and in accordance with applicable securities laws and will be subject to the completion of a subscription agreement and related documentation. This document/presentation contains confidential information and is being delivered to a limited number of sophisticated prospective investors. EquiPoise Capital Management Pvt Ltd, its affiliates/- sponsors/employees, directors shall not be liable for any loss, damage, liability whatsoever for any direct or indirect loss arising from the use or access of any information that may be displayed in this document/publication from time to time. Recipients of the information contained herein should exercise due care and caution and read the offer document (including if necessary, obtaining the advice of tax /legal/ accounting/ financial/ other professionals) prior to taking of any decision, acting or omitting to act, on the basis of the information contained herein. This document/presentation may not be reproduced, distributed or otherwise used except with our written consent. Each person, by accepting these materials, is deemed to agree to the foregoing, and to agree to return these materials to us promptly upon request. This document/presentation contains certain statements, estimates and forecasts with respect to future performance and events. These statements, estimates and forecasts are “forward-looking statements”. In some cases, forward-looking statements can be identified by the use of forward-looking terminology such as “may”, “might”, “will”, “should”, “expect”, “plan”, “intend”, “estimate”, “anticipate”, “believe”, “predict”, “potential” or “continue” or the negatives thereof or variations thereon or similar terminology. All statements other than statements of historical fact included in this document/presentation are forward-looking statements and are based on various underlying assumptions and expectations and are subject to known and unknown risks, uncertainties and assumptions, may include projections of future financial performance based on model portfolios and anticipated trends in our business. These statements are only predictions based on our current expectations and projections about future events. There are important factors that could cause our actual results, level of activity, performance, or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied in the forward-looking statements. As a result, there can be no assurance that the forward-looking statements included in this newsletter will prove to be accurate or correct. In-light of these risks, uncertainties and assumptions, the future performance or events described in the forward-looking statements in this presentation might not occur. Accordingly, you should not rely upon forward-looking statements as a prediction of actual results and we do not assume any responsibility for the accuracy or completeness of any of these forward-looking statements that may be made from time to time. We are under no obligation (and expressly disclaim any such obligation) to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise. The data contained herein is for informational purposes only and is not represented to be error free.

**EquiPoise Capital Management Pvt. Ltd.**

505 Keshava, Bandra Kurla Complex, Bandra (E), Mumbai - 400051, INDIA | +91 22 40221203 | [www.equipoise.in](http://www.equipoise.in)