

## Overview:

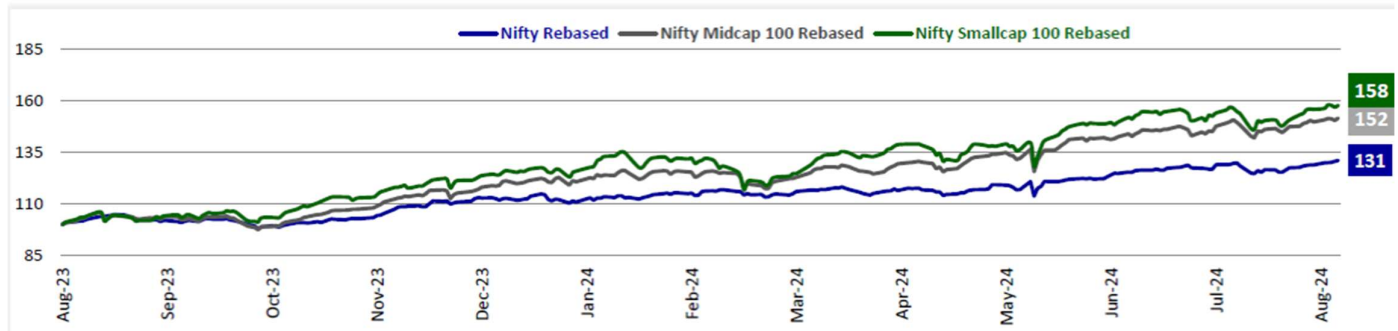
For the month ended August 2024, the Nifty 50 index was up 1.14% over the previous month. Large caps, represented by the Nifty 50, outperformed midcaps and smallcaps. The Nifty Midcap 100 index was up by 0.5%, while the Nifty Smallcap 100 index was up by 0.89%. Within sectors technology, consumer goods, pharma, healthcare, and oil & gas outperformed Nifty 50, whereas media, banking, auto and realty underperformed.

Sr. No.	Index Name	Aug-24
		M-o-M Change
1	NIFTY 50	1.14%
2	NIFTY Midcap 100	0.50%
3	NIFTY Smallcap 100	0.89%
4	NIFTY Auto	-1.92%
5	NIFTY Bank	-0.39%
6	NIFTY Financial Services	0.96%
7	NIFTY FMCG	1.57%
8	NIFTY IT	4.74%
9	NIFTY Media	-2.10%
10	NIFTY Metal	-1.86%
11	NIFTY Pharma	6.61%
12	NIFTY Private Bank	-0.09%
13	NIFTY PSU Bank	-5.56%
14	NIFTY Realty	-3.69%
15	NIFTY Consumer Durables	3.90%
16	NIFTY Oil & Gas	1.52%
17	NIFTY Healthcare Index	5.50%

Source: National Stock Exchange of India

During the last 12 months, midcaps and smallcaps have gained 52% and 58%, respectively, while largecaps have risen 31%. Over last two years, NSE Midcap 100 index is up 88%, where largecaps represented by Nifty 50 index are up 42%. During the last five years, midcaps have outperformed largecaps by 150%, while smallcaps have outperformed largecaps by 126%.

**Fig: Performance of midcaps, smallcaps and largecaps over the last 12 months**



Foreign funds (FIIs/FPIs) were net buyers in August 2024 at USD1.04bn and domestic institutions were huge net buyers at USD6bn. Foreign funds are now net buyers in CY2024 at USD5.9bn and domestic funds at USD39bn. Monthly SIPs or systematic investment plans led retail inflows into domestic mutual funds hit an all-time high of Rs.233.32bn or ~USD2.75bn. This unwavering confidence of retail Indian investors in equities has been the main driver of markets, and the main cause of lower volatility and higher PE, apart from strong Indian economic data.

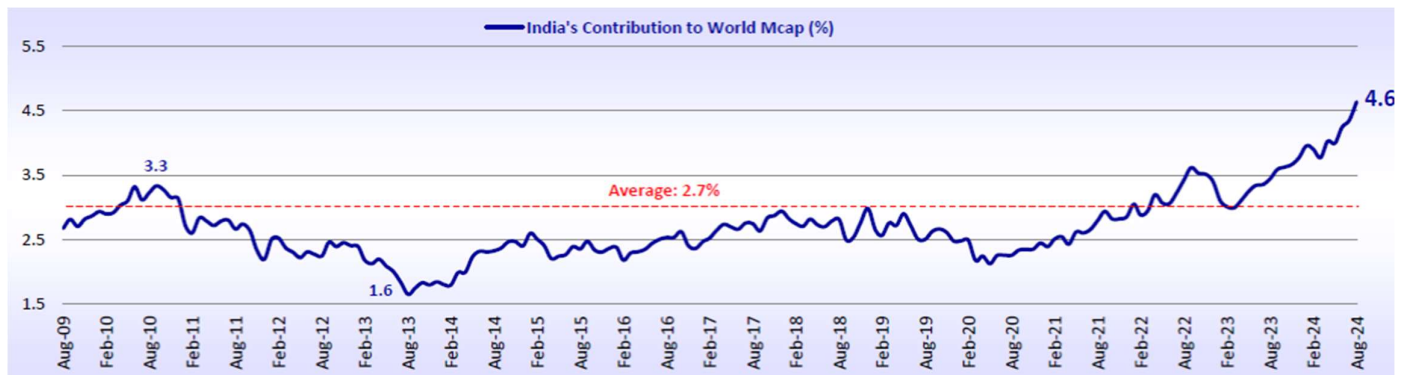
**Fig: Flows**

(USD mn)	Curr	MTD	CYTD
FII - Cash	1,732	1,044	5,914
DII - Cash	-381	6,019	39,259
FII - Debt	29	2,007	14,157

Source: Axis Capital

India’s share in global market cap continues to rise and stood at 4.6% which is an all-time high versus historical average of 2.7%. India is among the top 10 contributors to the global market cap.

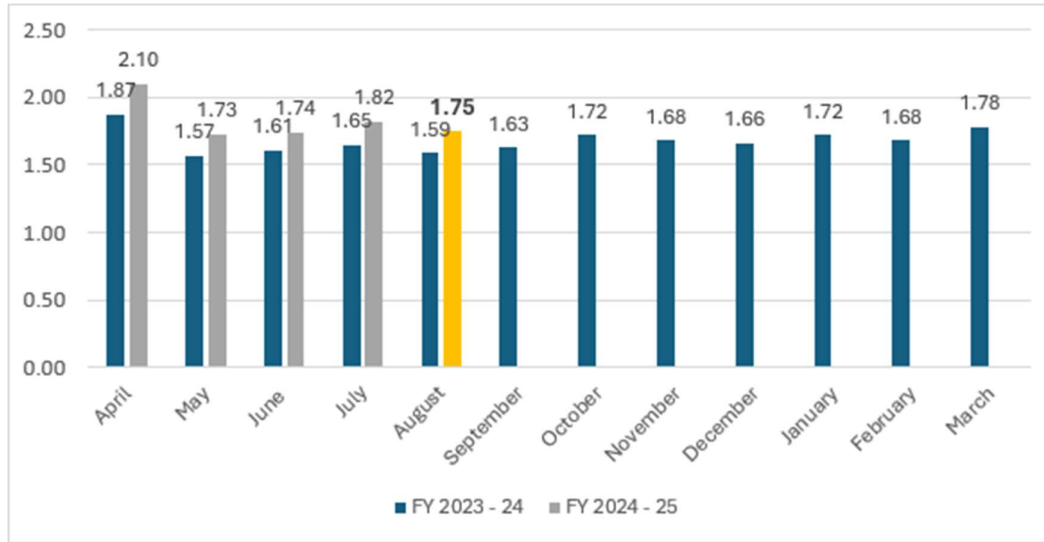
**Fig: Trend in India's contribution to the global market cap (%)**



Source: Motilal Oswal Research

On the macroeconomic front, Goods and Services Tax (GST) revenue for August 2024 was INR1.75 trillion, up 10% YoY. Cumulative GST collections for 2024 reached INR9.13 trillion, a 10.1% increase compared to the same period in 2023.

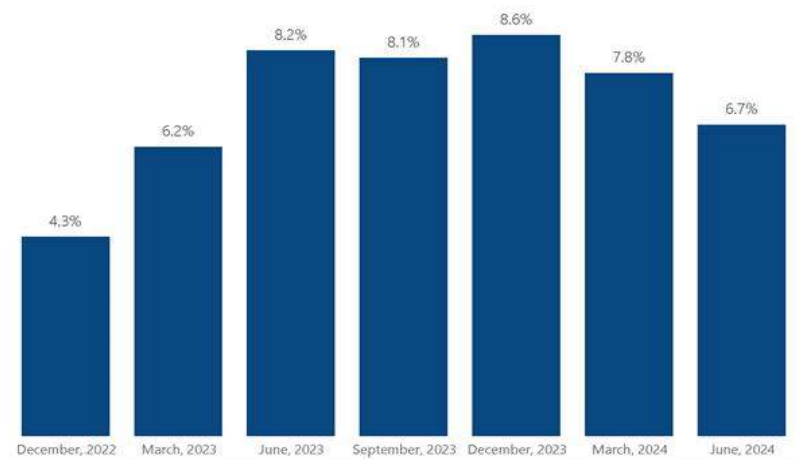
**Fig: GST Collections trend (in INR trillion)**



Source: EquiPoise Capital research

The World Bank has raised its forecast for India's GDP growth to 7 per cent for FY25, an improvement from its earlier prediction of 6.6 per cent. The uptick in the growth forecast comes due to increased infrastructure investments and growing household investment in the real estate sector. India emerged as the fastest-growing major economy with an 8.2 per cent growth rate in the last fiscal year.

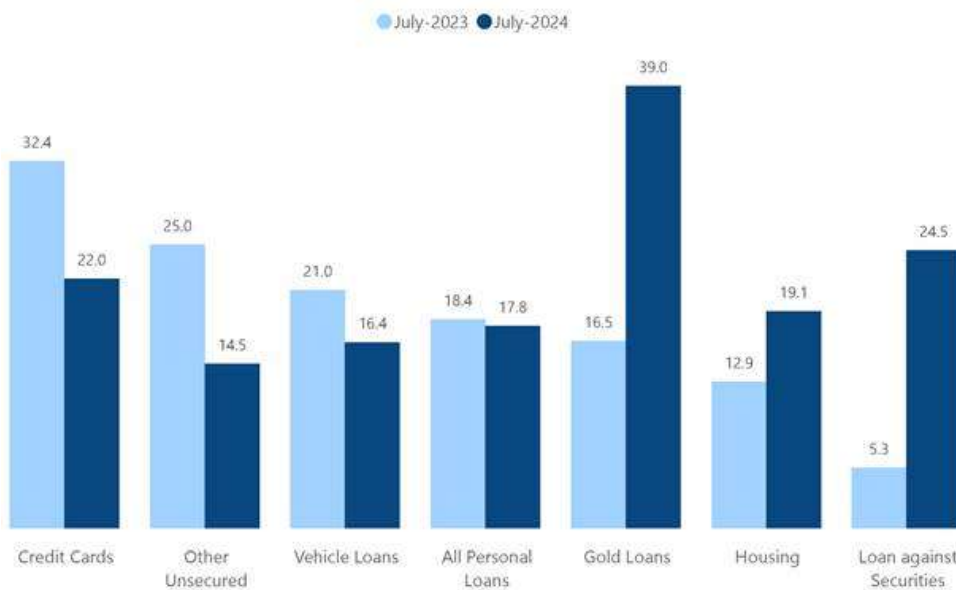
**Fig: Real GDP growth (%)**



Source: IndiaDataHub

Overall credit growth has remained largely unchanged at ~15% over the past few quarters. However, industrial sector credit growth has touched 10%, the highest since November 2022 and up 5% from July last year. This is a positive and an indicator of uptick in private capex. Growth in personal loans remains in the high teens. But the drivers have changed significantly - growth in secured loan categories has risen sharply while unsecured loans are seeing a slowdown. Thus, growth in housing loans has increased from 13% a year back to 19% as of July this year.

**Fig: Personal loan growth (%)**



Source: IndiaDataHub

**Our view:**

Quarter one FY2025 corporate earnings were on expected lines, with growth driven primarily, yet again, by domestic cyclicals. Healthcare, capital goods, real estate, and metals sectors contributed to earnings growth. In contrast, earnings growth was adversely affected by oil marketing companies. Over the past five years, the Nifty 50 has delivered stellar returns at 17% CAGR, on the back of equally impressive corporate earnings CAGR of 18%, resulting in an increase in Nifty profits to INR7.9trillion in FY2024 from INR3.5trillion in FY2019.

Indian markets are at a new high, Indians have elected a stable government which remains steadfast on investment led growth, which presented a budget focused on fiscal discipline thereby making India the world’s fastest growing large economy, in a growth challenged world. We believe that a combination of factors viz +7% GDP growth, +15% Nifty earnings CAGR in FY24-26, stable currency, moderating inflation, strong foreign exchange reserves at USD681.7bn and buoyant retail participation are tailwinds which may keep market

sentiments strong. However, we do also believe and have highlighted that there may be some pockets of the market where the valuations seem to have run ahead of fundamentals. Given this background, we remain focused on our portfolio and on bottom-up approach. We are focused on domestic sectors viz infrastructure, defence manufacturing, engineering and construction, and capital goods.

We maintain that India's long term growth story is intact, corrections present an opportunity for long term investors.

**Ashish A. Wakankar**

Founder and Chief Investment Officer

**EquiPoise Capital Management Private Limited**

September 05, 2024.

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