

# EYE POPPER: India's Energy Needs are about to double in just 7 years (by 2030) implying significant investments at pace in Power sector.

(Mr. Mukesh Ambani statement)

## MARKET ROUNDUP

December 05, 2023

Exhibit 01: Indian markets gained from 200 DEMA

Major Global Indices	Close	1M %	YTD %
NIFTY 50	20,133.2	5.5%	10.6%
DJI	35,950.9	8.8%	8.5%
NASDAQ	15,947.9	10.7%	46.8%
FTSE	7,468.3	1.9%	-1.2%
DAX	16,215.1	9.5%	15.3%
CAC	7,325.0	6.2%	11.2%
NIKKEI 225	33,519.0	6.9%	29.8%
SHANGHAI COMPOSITE	3,029.7	0.4%	-2.8%
HANGSENG	17,042.4	-0.4%	-15.4%

Exhibit 02: Mid & Small caps bounced back sharply.

Indian Broader Market	Close	1M %	YTD %
NIFTY 500	17,987.3	7.1%	15.9%
NIFTY MIDCAP 100	42,908.2	10.4%	35.0%
NIFTY SMALLCAP 100	14,171.4	12.0%	44.6%

Exhibit 03: Realty continues its winning streak.

Sectoral Performance	Close	1M %	YTD %
REALTY	713.6	18.3%	63.6%
OIL & GAS	8,476.4	11.4%	0.1%
PHARMA	16,238.9	10.6%	29.4%
AUTO	17,551.3	10.3%	38.6%
ENERGY	29,294.9	9.4%	12.5%
METAL	7,017.5	8.8%	1.9%
IT	32,582.2	6.5%	13.4%
MEDIA	2,296.6	4.4%	14.0%
PVT BANK	23,136.8	4.1%	5.2%
BANK	44,481.8	3.8%	3.0%
FMCG	53,013.8	3.4%	20.0%
PSU BANK	5,041.0	2.2%	15.9%

Source: Ace Equity, Trading View, Prices as on November 30, 2023

### Market Overview

#### • Nifty Marks Highest Monthly Closing:

Nifty made sharp rebound in Nov-23 post touching 18837 near 200 EMA on the downside. The move saw backing with global equities moving to north. Nasdaq and Dow Jones gained healthy while European market posted robust gain of 9.5%/6.2%/6.9% DAX/CAC/Nikkei felled. The FII bought INR 5795 Cr while DII's continued purchase with INR 12,762 Cr in Nov-23.

#### • Fed's Dovish Interpretation, RBI Likely to Pause:

Federal Reserves in its latest meet continue to the key interest rates at 5.5%. The lower than estimates CPI inflation weakening Job market, Real estate market signaling slowness in the economy, a successful testimony of Fed's efforts. Globally Markets anticipating rate cut in mid of Next CY, led the optimism in Nasdaq and DJI with gains ~10%. In India, The RBI's meet schedule in this month expected to deliver a pause again given the elevated levels of staples, food grains, and untimed rain in some pockets of country.

#### • Market Cheers Continuation of Ruling party:

The Outcome of state election came in favor of incumbent ruling party with wide margin compared to exit polls. This is interpreted as continuation at center by ruling party in general elections-24 and cheered by markets. This underscores stability in political regime and the policies with which markets are seemed to be align. Govt's push towards capex, tax regulations, infra reforms making India a hotspot destination for diversification of global supply chain in the long run. The Falling G-Sec yields, stable crude oil, controlled inflation and stable dollar index shall make FPI's comeback in start of next financial year-2024.

#### • With FII's coming Back, Banks likely to Outperform:

There is Wide & clear differential in profit growth and Market Cap growth in Pvt as well as Public Banks. In last 5 years Pvt banks profit pool has increased by 4.8x vs 1.8x increase in market Cap. 8 out of 12 PSU banks have turnaround in last 5 years, the SBIN's profit grew 22x while market cap has increased by 1.78x only. The strong comeback of FPI's expected to lower this profit & market cap differential, given this Banks hold potential to generate alpha over Nifty 50 in 3 year horizon.

#### • Roaring Economy:

India reported a very strong GDP growth of 7.6% in Q2FY24, well ahead of RBI estimate of 6.5%, and most optimistic estimate of 7.2% out there. Unemployment ratio in Sep-23 stood at 7.1% vs 8.1% previous showing decline, the CPI inflation index growth rate for Sep-23 reported at 5.02% vs 6.83% previous. The GST Collection for Nov-23 grew 15% yoy to INR 1.67 Trn.

#### • Bullion Shine Continues:

Gold & Silver gained momentum of 2.8%/8.2% in Nov-23 respectively. DXY loosed 3% to close at 103, crude oil loosed -5.5%. The Base metals, aluminum, Zinc, Nickel, Copper gained -2.4%, +1.76%, -8.6%, 2.0% respectively. Natural gas loosed -22% in Nov-23.

### Outlook Ahead

#### • Favorable Conditions to Stimulate markets :

Softening of inflation, favorable crude oil prices, stable interest rate settings along with performing GDP are likely to keep markets in action. Large Caps are more attractive than Mid-Small caps given the recent valuations and promising plans shared by companies for this decade.

## Key Development

All Indian Companies to mandatorily have listing at T+3 in exchanges from Dec 01 onwards.

Exhibit 04 : Pvt Banks Profit & Market Cap growth

Sr	Bank Name	Market Cap (INR Cr)	3 Yr Growth ratio (Mcap / profit)	5 Yr Growth ratio (Mcap / profit)	3 Yr Period (FY20 - TTM)		5 Yr Period (FY19 - TTM)	
					Profit growth (x)	Market Cap growth (x)	Profit growth (x)	Market Cap growth (x)
1	HDFC Bank Ltd	11,80,589	1.24	0.76	2.02	2.50	2.45	1.87
2	ICICI Bank Ltd	6,63,525	0.87	0.36	3.63	3.16	7.15	2.58
3	Kotak Mahindra Bank Ltd	3,47,977	0.71	0.57	1.98	1.40	2.39	1.36
4	Axis Bank Ltd	3,40,272	0.45	0.65	7.00	3.18	2.61	1.70
5	IndusInd Bank Ltd	1,13,620	2.50	0.42	1.87	4.67	2.52	1.06
6	IDBI Bank Ltd	67,278	-9.04	-5.86	-0.37	3.36	-0.32	1.86
7	IDFC First Bank Ltd	60,772	-5.85	-1.49	-1.02	5.99	-1.55	2.30
8	Yes Bank Ltd	55,535	-38.71	1.78	-0.05	1.97	0.49	0.87
9	AU Small Finance Bank Ltd	49,614	1.35	0.68	2.38	3.21	4.21	2.86
10	Bandhan Bank Ltd	36,447	1.32	0.45	0.84	1.11	1.30	0.58
11	The Federal Bank Ltd	36,158	1.86	0.66	2.37	4.42	2.87	1.89
12	RBL Bank Ltd	14,042	0.87	0.35	2.35	2.03	1.36	0.48
13	Karur Vysya Bank Ltd	12,482	1.33	0.34	5.80	7.71	6.47	2.18
14	The Jammu & Kashmir Bank Ltd	11,315	-10.11	1.17	-1.27	12.79	3.23	3.78
15	Ujjivan Small Finance Bank Ltd	11,047	0.65	-	3.59	2.33	6.30	-
16	City Union Bank Ltd	11,024	0.58	0.53	1.98	1.15	1.38	0.74
17	Equitas Small Finance Bank Ltd	10,734	-	-	3.08	-	3.56	-
18	Tamilnad Mercantile Bank Ltd	8,163	-	-	2.62	-	4.13	-
19	The Karnataka Bank Ltd	7,562	1.84	0.71	3.14	5.77	2.84	2.01
20	CSB Bank Ltd	6,661	0.07	-	45.40	3.24	-2.93	-
21	Utkarsh Small Finance Bank Ltd	5,508	-	-	2.17	-	4.31	-
22	The South Indian Bank Ltd	5,226	0.57	0.47	8.74	5.01	3.69	1.75
23	DCB Bank Ltd	3,528	0.79	0.36	1.51	1.20	1.57	0.56
24	ESAF Small Finance Bank Ltd	3,489	-	-	1.59	-	3.35	-
25	Fino Payments Bank Ltd	2,330	-	-	-2.48	-	-1.27	-
26	Suryoday Small Finance Bank Ltd	1,664	-	-	1.40	-	1.79	-
27	Dhanlaxmi Bank Ltd	724	2.10	0.17	1.69	3.55	9.54	1.65
28	Capital Small Finance Bank Ltd	-	-	-	3.69	-	4.82	-
29	Fincare Small Finance Bank Ltd	-	-	-	0.72	-	1.02	-
30	Jana Small Finance Bank Ltd	-	-	-	8.50	-	-0.13	-
<b>Total</b>			<b>0.45</b>	<b>0.37</b>	<b>5.60</b>	<b>2.54</b>	<b>4.79</b>	<b>1.76</b>
<b>Top 10 Median</b>		<b>90,449</b>	<b>0.79</b>	<b>0.51</b>	<b>1.92</b>	<b>3.17</b>	<b>2.42</b>	<b>1.78</b>
<b>Total Median</b>		<b>11,036</b>	<b>0.79</b>	<b>0.47</b>	<b>2.09</b>	<b>3.21</b>	<b>2.57</b>	<b>1.75</b>

Source: Ace Equity, GEPL Capital Research

..... FPI selling has reduced PB/PE multiples in banks, Market cap growth is lower than profits growth in last 5 years.

Exhibit 05: Pvt Banks Profit & Market Cap growth

Sr	Company Name	Market Cap (INR Cr)	3 Yr Growth ratio (Mcap / profit)	5 Yr Growth ratio (Mcap / profit)	Status	3 Yr Period (FY20 - TTM)		5 Yr Period (FY19 - TTM)	
						Profit growth (x)	Market Cap growth (x)	Profit growth (x)	Market Cap growth (x)
1	State Bank Of India	5,10,354	0.76	0.08		3.80	2.90	22.53	1.78
2	Bank Of Baroda	1,04,384	0.22	0.19		19.02	4.22	16.49	3.06
3	Punjab National Bank	88,870	0.28	-3.77	Turnaround	14.80	4.08	-0.54	2.02
4	Union Bank Of India	80,647	-2.11	-1.19	Turnaround	-3.89	8.20	-4.03	4.79
5	Indian Overseas Bank	74,854	-23.39	-9.06	Turnaround	-0.27	6.42	-0.63	5.68
6	Canara Bank	74,416	-1.21	0.14		-6.63	7.99	24.50	3.38
7	Indian Bank	49,961	2.19	0.18		8.71	19.04	20.57	3.74
8	UCO Bank	45,421	-6.62	-10.38	Turnaround	-0.76	5.05	-0.43	4.47
9	Bank Of India	44,134	-2.21	-1.52	Turnaround	-1.89	4.18	-1.01	1.53
10	Central Bank Of India	38,457	-3.00	-7.05	Turnaround	-1.84	5.52	-0.37	2.60
11	Bank Of Maharashtra	31,448	0.71	-11.68	Turnaround	8.57	6.06	-0.71	8.34
12	Punjab & Sind Bank	27,728	-29.99	-7.31	Turnaround	-1.18	35.47	-2.16	15.76
<b>Total</b>			<b>-0.01</b>	<b>-0.55</b>		<b>-322.77</b>	<b>4.06</b>	<b>-4.34</b>	<b>2.39</b>
<b>Top 3 Median</b>		<b>1,04,384</b>	<b>0.28</b>	<b>0.08</b>		<b>14.80</b>	<b>4.08</b>	<b>16.49</b>	<b>2.02</b>
<b>Total Median</b>		<b>62,188</b>	<b>-1.66</b>	<b>-2.65</b>		<b>-0.52</b>	<b>5.79</b>	<b>-0.48</b>	<b>3.56</b>

Source: Ace Equity GEPL Capital Research

.....PSU Banks made healthy turnaround with robust performance in TTM basis, with ongoing streamline efforts, the valuations differential between Pvt & PSU likely to reduce.

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