

Indian Benchmark Indices Performance

Index	CMP @04/04/24	CY'24 Return	CY'23 Return	CY'22 Return	1Yr Return	52 Week high	52 Week Low	Return from Low
S&P BSE Sensex	74228	3%	18%	3%	29%	74245	57085	30%
Nifty 50	22515	4%	20%	5%	33%	22527	16828	34%
S&P BSE Midcap	40625	10%	46%	1%	70%	40282	23357	72%
S&P BSE Smallcap	45804	6.6%	48%	-2%	70%	46821	26120	79%

Exhibit 1: Source: MSL, Investing.com, NSE India

- The Benchmark Indices performed well in last 1 year with BSE Sensex giving a return of 29% and Nifty50 by 33%.
- The performance of broader markets was brighter than the benchmarks with the BSE Midcap and Small cap indices surging in 1 year 70%

Valuation of Large Cap Index

Benchmark Index	Nifty 50		
Category	Large Cap		
Market Capitalisation Size	176 Lakh Crs		
Pre Covid-19 PE	28		
Average PE for 3 years (Pre Covid-19)	25		
Covid-19 Low PE (30/03/20)	18		
Post Covid-19 High PE (9/02/21)	42		
Note: EPS growth for FY21 is 15%			
Periods	FY22	FY23	FY24
Growth in EPS	52%	-15%	24%
Growth in Index	18%	-1%	29%
Change in PE	-44%	-11%	14%
Average PE (Trailing Twleve Months)	26	21	22
Current PE (03/04/24)	23		

Exhibit 2: Source: MSL, Investing.com, NSE India

- During Covid-19, the Nifty50 PE has risen to 42 level. This happened on estimation of EPS crash in FY21 as Corporates posted lower earnings in 1st two Qtrs. of FY21.
- In FY22 the drop in PE (-44%) was also on account of gradual economic recovery, uncertainties persisted, affecting investor sentiment and in anticipation of dampening earnings growth prospects. However later the EPS got improved because of low base of 1QFY21.
- In FY23 Earnings dropped by -15% and the PE dropped by -11% because of Reduced corporate profits directly influenced the P/E ratio.
- Current PE @23 which is lower than pre covid PE as well as from its Trailing 3 yrs. Avg PE conveys that the market is not overheated w.r.t Nifty. If Pre covid PE is adjusted for consolidated results then its level would be 22 these matches with our current PE level.

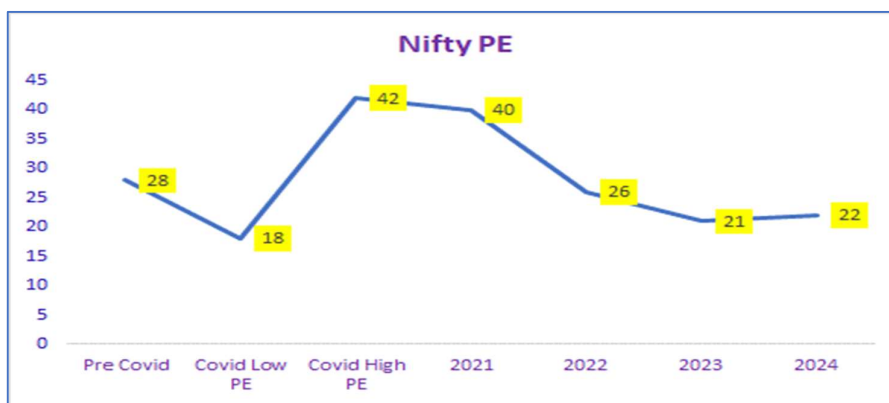


Exhibit 3: Source: MSL, Investing.com, NSE India

Valuation of Midcap Index

Index	S&P BSE Midcap		
Category	Midcap		
Market Capitalisation Size	62 Lakh Crs		
Pre Covid-19 PE	27		
Average PE for 3 years (Pre Covid-19)	33		
Covid-19 Low PE (23/03/20)	18		
Post Covid-19 High PE (11/02/21)	60		
Note: EPS growth for FY21 is 3%			
Periods	FY22	FY23	FY24E
Growth in EPS	-6%	14%	39%
Growth in Index	20%	-1%	59%
Change in PE	-58%	-9%	23%
Average PE (Trailing)	36	24	25
Current PE (03/04/24)	28		

Exhibit 4: Source: MSL, Investing.com, NSE India, BSE India

- During covid-19 the Midcap Index PE went up to 60 level. This happened because of EPS crash in FY21 of initial Qtrs., however the degrowth in FY22 EPS has led to fall in PE to 36 level.
- In FY23 the Earnings growth has improved hence there was a fall in PE.
- In FY24 on the back of growth in EPS the current PE is reached to 28 and is below from its Pre-covid Average PE & Trailing 3 Yrs. Average PE, conveying that the market is not overheated w.r.t BSE Midcap but slightly stretched from its last 1 Year trailing Avg PE.

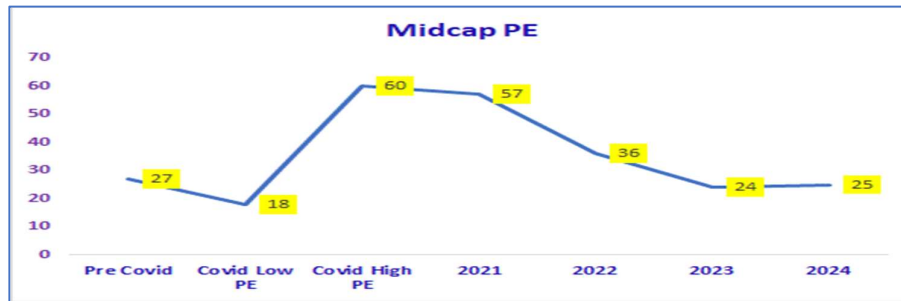


Exhibit 5: Source: MSL, BSE India

Valuation of SmallCap Index

Index	S&P BSE Smallcap		
Category	Small Cap		
Market Capitalisation Size	42 Lakh Crs		
Pre Covid-19 PE	419		
Average PE for 3 years (Pre Covid-19)	42		
Covid-19 Low PE (23/03/20)	137		
Post Covid-19 High PE (16/02/21)	432		
Note: EPS growth for FY21 is 18%			
Periods	FY22	FY23	FY24E
Growth in EPS	76%	20%	-13%
Growth in Index	37%	-4%	56%
Change in PE	-50%	-42%	39%
Average PE (Trailing)	48	29	29
Current PE (03/04/24)	33		

Exhibit 6: Source: MSL, Investing.com, NSE India, BSE India

- In FY22 The Small cap Index PE has fallen to 48 from its post covid high as there is increase in growth of EPS and Price.
- In FY23 the increase in EPS is more that led to fall in PE (-42%) & price (-4%) respectively.
- In following year on anticipation of growth in EPS, the PE has got stable and reached to 33 which is low from its Pre Covid-19 average PE as well as from its 3Yr Average trailing PE, conveying that the market is not overheated w.r.t BSE Small Cap but slightly stretched from its last 1 Year trailing Avg PE.

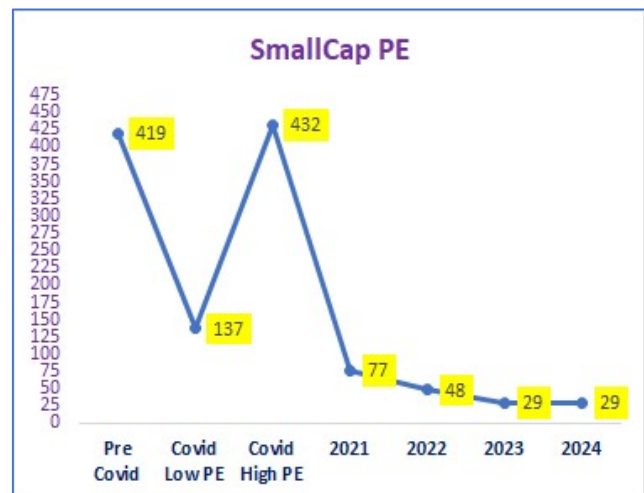


Exhibit 7: Source: MSL, BSE India

Fund Flows

FII Fundflows	CY 2022	CY 2023	CY 2024
Equity	-121439	171107	6851
Debt	-15911	68663	54417
Total	-137350	239770	61268
DII Fundflows	CY 2022	CY 2023	CY 2024
Equity	167932	168555	76189
Debt	-35576	-96944	-86257
Total	132356	71611	-10068

Exhibit 8: Source: MSL, NSDL, Moneycontrol.com

- In CY'23, domestic institutional inflows into Indian equities were almost closer to foreign capital flows.
- In CY'24 the inflow from Domestic Institution into equity is stronger than the FII's Equity Inflows. in fact, in just two months, they were already **53%** of last year.

Fund Flows by MF

Year	Nifty 50	S&P BSE Midcap	S&P BSE Smallcap
Category	Large Cap	Midcap	Small Cap
Fund Flows (Crs) by MF			
CY 2022	13672	20500	19790
CY 2023	-3000	23000	41000
CY 2024		3869	6180

Exhibit 9: Source: MSL, Moneycontrol.com

Month	SIP Contribution ₹ crore							
	FY 2023-24	FY 2022-23	FY 2021-22	FY 2020-21	FY 2019-20	FY 2018-19	FY 2017-18	FY 2016-17
Total during FY	1,79,948	1,55,972	1,24,566	96,080	1,00,084	92,693	67,190	43,921
March	14,276	12,328	9,182	8,641	8,055	7,119	4,335	
February	19,187	13,686	11,438	7,528	8,513	8,095	6,425	4,050
January	18,838	13,856	11,517	8,023	8,532	8,064	6,644	4,095
December	17,610	13,573	11,305	8,418	8,518	8,022	6,222	3,973
November	17,073	13,306	11,005	7,302	8,273	7,985	5,893	3,884
October	16,928	13,041	10,519	7,800	8,246	7,985	5,621	3,434
September	16,042	12,976	10,351	7,788	8,263	7,727	5,516	3,698
August	15,814	12,693	9,923	7,792	8,231	7,658	5,206	3,497
July	15,245	12,140	9,609	7,831	8,324	7,554	4,947	3,334
Jun	14,734	12,276	9,156	7,917	8,122	7,554	4,744	3,310
May	14,749	12,286	8,819	8,123	8,183	7,304	4,584	3,189
April	13,728	11,863	8,596	8,376	8,238	6,690	4,269	3,122

Exhibit 10: Source: MSL, AMFI website

- The strong buying by DIIs has been on the back of sustained rise in SIP investments.
- The inflow of Retail money through SIP route has been doubled over the last 3 years.
- The structurally domestic inflows are seen continuing is positive for the market.

SME IPO's

SME IPOs in a year at BSE SME and NSE Emerge Platform				
Year	Number of IPOs	Amount Raised (Rs Cr)	Successful IPOs	Failed IPOs
2024 *	46	1,705	46	0
2023	182	4,967	182	0
2022	109	1,980	109	0
2021	59	787	59	0
2020	27	168	27	0
2019	54	657	51	3
2018	144	2,409	141	3
2017	135	1,738	133	2
2016	67	562	67	0
2015	43	275	43	0
2014	40	289	40	0
2013	34	362	34	0
2012	14	127	14	0

Exhibit 11: Source: MSL, chittogarah.com

- The SME IPO's have risen in last 2 years which is 6 times of its size from 2021.
- The sudden rise of Subscription to SME IPO's stands a cause of concern by SEBI to protect investors.

Conclusion:

1. The broader market as well as benchmark indices appears to be high but in terms of PE ratio, the Mid-cap and small-cap stocks are not necessarily overvalued in comparison to its Pre & Post Covid 3Year Average PE. Over a period, their earnings have improved, which impacts the PE ratio. However, the Midcap & Small cap space valuation seems to be stretched w.r.t its trailing 1Year Average PE.
2. Investors are advised to consider the earnings growth and macro factors and should analyze individual stocks within the Mid-cap & Small-cap segment to make informed decisions.
3. SEBI recently issued an advisory to mutual funds regarding the moderation of flows and portfolio rebalancing and submission of fortnightly stress test report. The SEBI advisory is unlikely to result in forced selling in small and mid-cap stocks, which would affect their prices.
4. The domestic fund flows by mutual fund industry in India has demonstrated remarkable resilience, witnessing a substantial surge in Assets Under Management (AUM). Surging SIP inflows continued to rise, indicating investor confidence.
5. The broad-based market rally is backed by economic recovery, corporate earnings growth, and business expansion, capex by Government as well as Private companies. Valuations would be justified if earnings continue to improve.

“We believe that Valuation of Market Indices is Real, not a Froth.”

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