



# Current Market Scenario

## 11 Feb 2023

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"Don't put  
all your eggs  
in one basket"

# Markets Fall on Foreign Institution Selling



- Credible Union Budget
- Adani jitters spoil sentiment
- Heavy Selling by foreign investors
- Mixed Q3 results
- Indian market underperforms

## INDEX WATCH

INDEX	11, Feb	14, Jan	% Change
Nifty	17,856	17,956	- 0.5
Sensex	60,682	60,261	+ 0.6
Nifty Midcap	31,029	31,328	- 0.9
BSE Small Cap	28,263	28,858	- 2.0

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# Adani Jitter Hits Market



- Hindenburg Research accused Adani Group on stock manipulation and accounting fraud
- Stock Manipulation through shell companies, Related party transactions, high debt and high valuations are concerns raised
- Puts 88 questions to Adani Group
- Adani supporters doubt timing of release of report

# Hindenburg Research Impact



- Adani Group stocks collapse
- Adani Enterprises FPO withdrawn
- Market sentiments hit
- Adani Group growth may get affected on difficulty in getting finance
- Mean Reversion in stock valuations

# Adani Saga – Our View



- Adani Group will survive
- Unlikely to destabilise our financial system
- Adani Growth will get affected
- Will see significant erosion in market cap of many Adani Companies
- Next year general elections will be an event risk for Adani Group

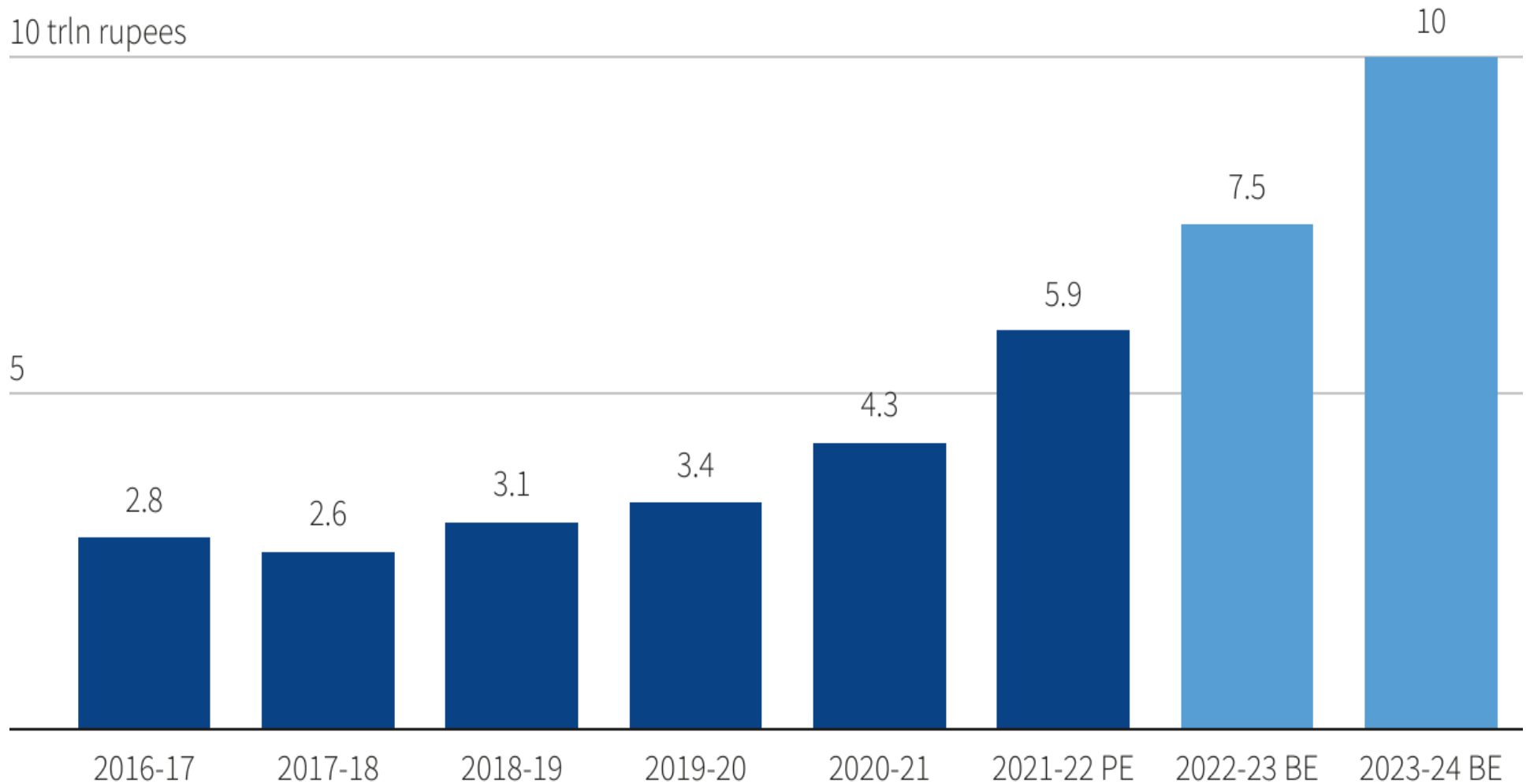
# Union Budget Highlights



- FM presented a credible budget
- Capex hiked by 33%
- No populist measures
- IT slab changed
- No changes in Capital Gain Tax structure
- Positive for Economy and Market

# India's capital expenditure to increase by 33%

10 trln rupees



Note: BE is budget estimates, rest are actual/provisional figures

Source: Indian budget documents/Budget speech | Reuters, Feb. 1, 2023 | By Riddhima Talwani



## CAPITAL EXPENDITURE - STRONG GROWTH ESTIMATED

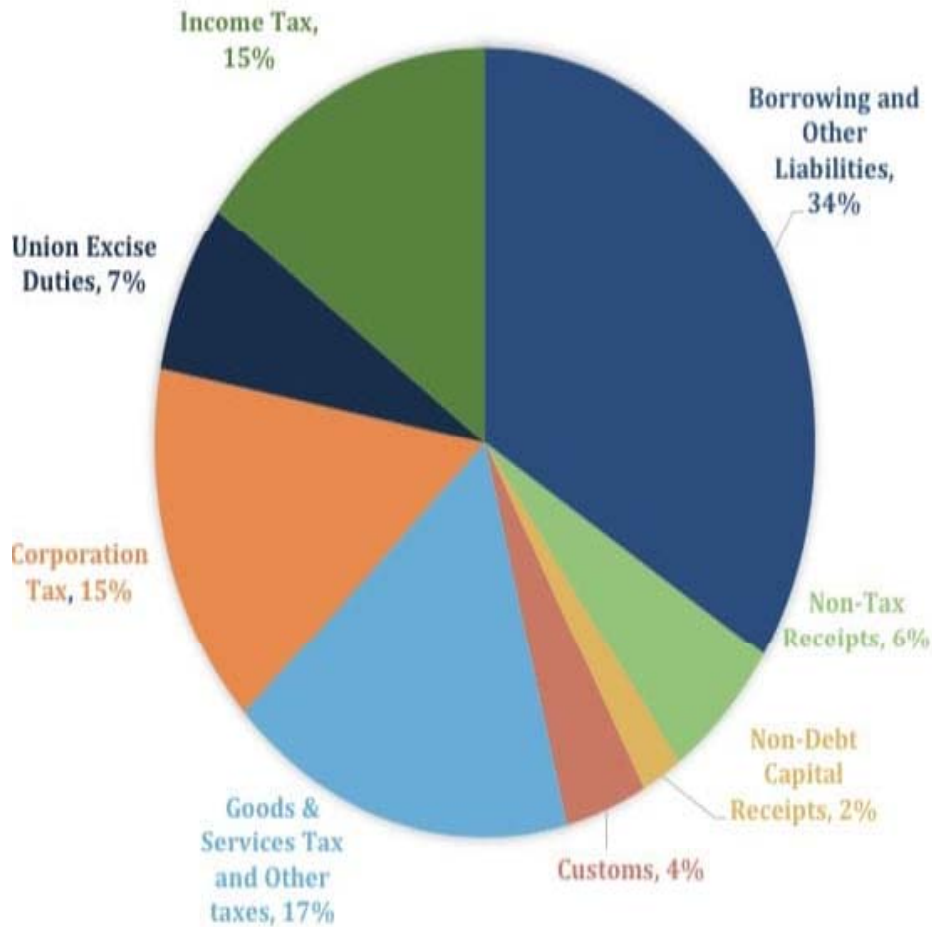
Capital Expenditure	FY23RE	FY24BE	YoY %
Through Budget	7,28,274	10,00,961	37%
Resources of PSU's	4,01,101	4,87,745	22%
Total Capex	11,29,375	14,88,706	32%
Food Corporation of India (FCI)	55,000	1,45,000	164%
Internal & External Budgetary Resources (IEBR)	3,46,101	3,42,745	-1%
<b>Total Capex (Adjusted for Non-Capex related items)</b>	<b>10,74,375</b>	<b>13,43,706</b>	<b>25%</b>

Ministry Wise Break-up	FY23RE	FY24BE	YoY %
Roads and Highways	2,07,101	2,58,606	25%
Railway	2,55,043	2,92,783	15%
Defence	1,52,840	1,65,700	8%
Telecommunications	42,711	68,330	60%
Atomic Energy	24,068	29,041	21%
Housing & urban Affairs	43,113	42,960	0%
New and Renewable Energy	27,561	37,840	37%
Coal	21,020	21,032	0%
Petroleum & Nat Gas	83,806	1,41,909	69%
Power	52,901	60,822	15%

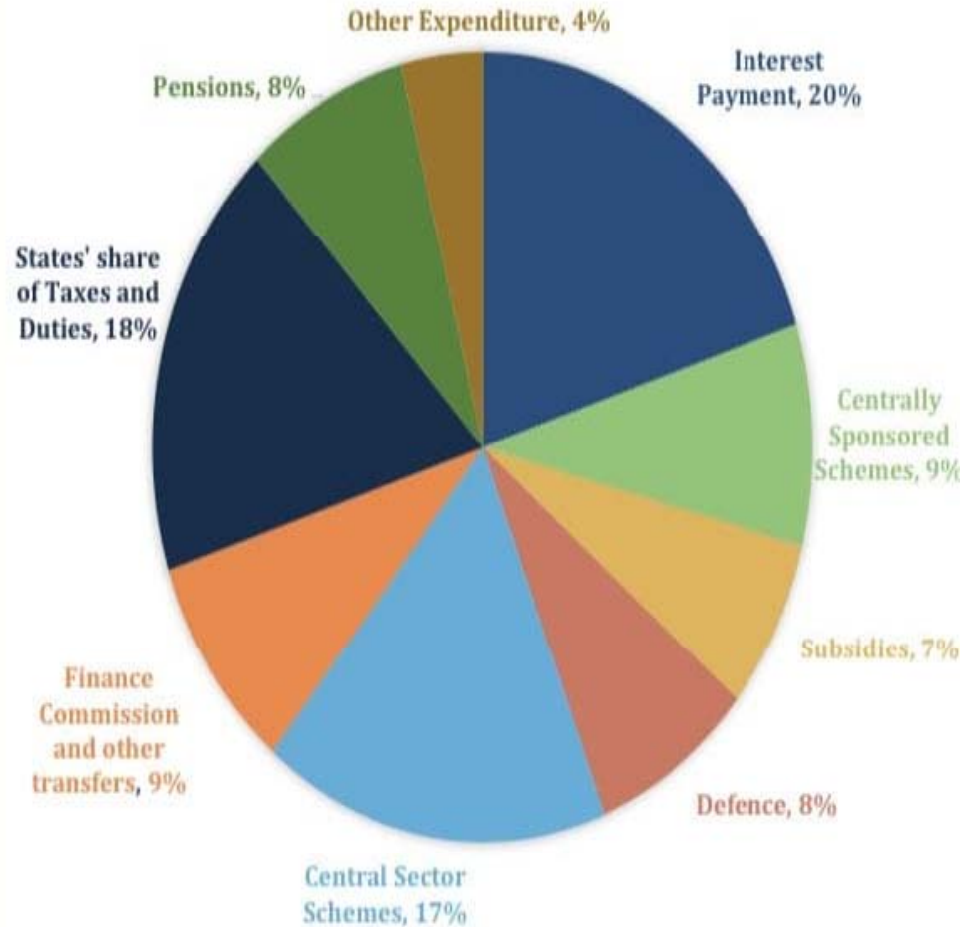
- Government has increased the outlay on capex as total capex spend through budget is higher by 37% YoY. Including IEBR, total capex is up by 32% YoY.
- However, adjusted for non-capex related item (FCI expenditure in IEBR), total capex is up 25% YoY.
- Higher capex through Budget improves confidence on the capex outlay.

# GOVERNMENT FINANCES - A SNAPSHOT

## RUPEE COMES FROM



## RUPEE GOES TO



# Fiscal Deficit - Never Ending Burden....



<b>Year</b>	<b>Fiscal Deficit Lakh Cr.</b>	<b>% GDP</b>
<b>FY24(BE)</b>	<b>17.8</b>	<b>5.9</b>
<b>FY23(RE)</b>	<b>17.5</b>	<b>6.4</b>
<b>FY22</b>	<b>15.8</b>	<b>6.7</b>
<b>FY21</b>	<b>18.1</b>	<b>9.2</b>
<b>FY20</b>	<b>7.6</b>	<b>3.8</b>
<b>FY19</b>	<b>6.3</b>	<b>3.4</b>
<b>FY18</b>	<b>5.9</b>	<b>3.5</b>
<b>FY17</b>	<b>5.3</b>	<b>3.5</b>
<b>FY16</b>	<b>5.3</b>	<b>3.9</b>
<b>FY15</b>	<b>5.1</b>	<b>4.1</b>
<b>FY14</b>	<b>5.0</b>	<b>4.5</b>

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## वित्तीय राजकोषीय घाटे के स्रोत Sources of Financial Fiscal Deficit

(₹ करोड़) (In ₹ crore)

		2021-2022 वास्तविक Actuals	2022-2023 बजट अनुमान Budget Estimates	2022-2023 संशोधित अनुमान Revised Estimates	2023-2024 बजट अनुमान Budget Estimates
1. ऋण प्राप्तियां (निवल)	1. Debt Receipts (Net)	1581978	1660444	1758561	1798603
2. बाजार उधार (सरकारी प्रतिभूति + राजकोषीय हंडी)	2. Market Borrowings (G-sec + T Bills)	814567	1158719	1195866	1230911
3. अल्प बचतों की तुलना में प्रतिभूतियां	3. Securities against Small Savings	551269	425449	438919	471317
4. राज्य भविष्य निधियां	4. State Provident Funds	10317	20000	20000	20000
5. अन्य प्राप्तियां (आंतरिक ऋण निधि और लोक लेखा)	5. Other Receipts (Internal Debts and Public Account)	169677	37025	79902	54258
6. विदेशी ऋण	6. External Debt	36147	19251	23874	22118
7 नकद शेष में आहरण द्वारा कमी	7. Draw Down of Cash Balance	2543	752	-3241	-11787
<b>कुल जोड़</b>	<b>Grand Total</b>	<b>1584519</b>	<b>1661196</b>	<b>1755319</b>	<b>1786816</b>

# Impact of High Fiscal Deficit – More Interest Expenses



	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>	<b>FY23 (RE)</b>	<b>FY24 (BE)</b>
Revenue Receipts <b>Lakh Cr.</b>	16.8	16.3	21.6	23.4	26.3
Interest Expenses <b>Lakh Cr.</b>	6.1	6.7	8.0	9.4	10.8
Interest expense as % of Revenue Receipts	36.3	41.1	37.0	40.1	41.0

# Q3 Results



- Overall Q3 results were mixed
- Banks posted good results
- Consumption results hit by high inflation
- Pharma and IT mixed
- Chemicals results not good

# Q3 Result Performance



	% Change (YoY)	
	Dec 2022	Dec 2021
Sales	<b>17.7</b>	<b>25.6</b>
Net Profit	<b>4.0</b>	<b>25.9</b>

**Results of 1646 companies**

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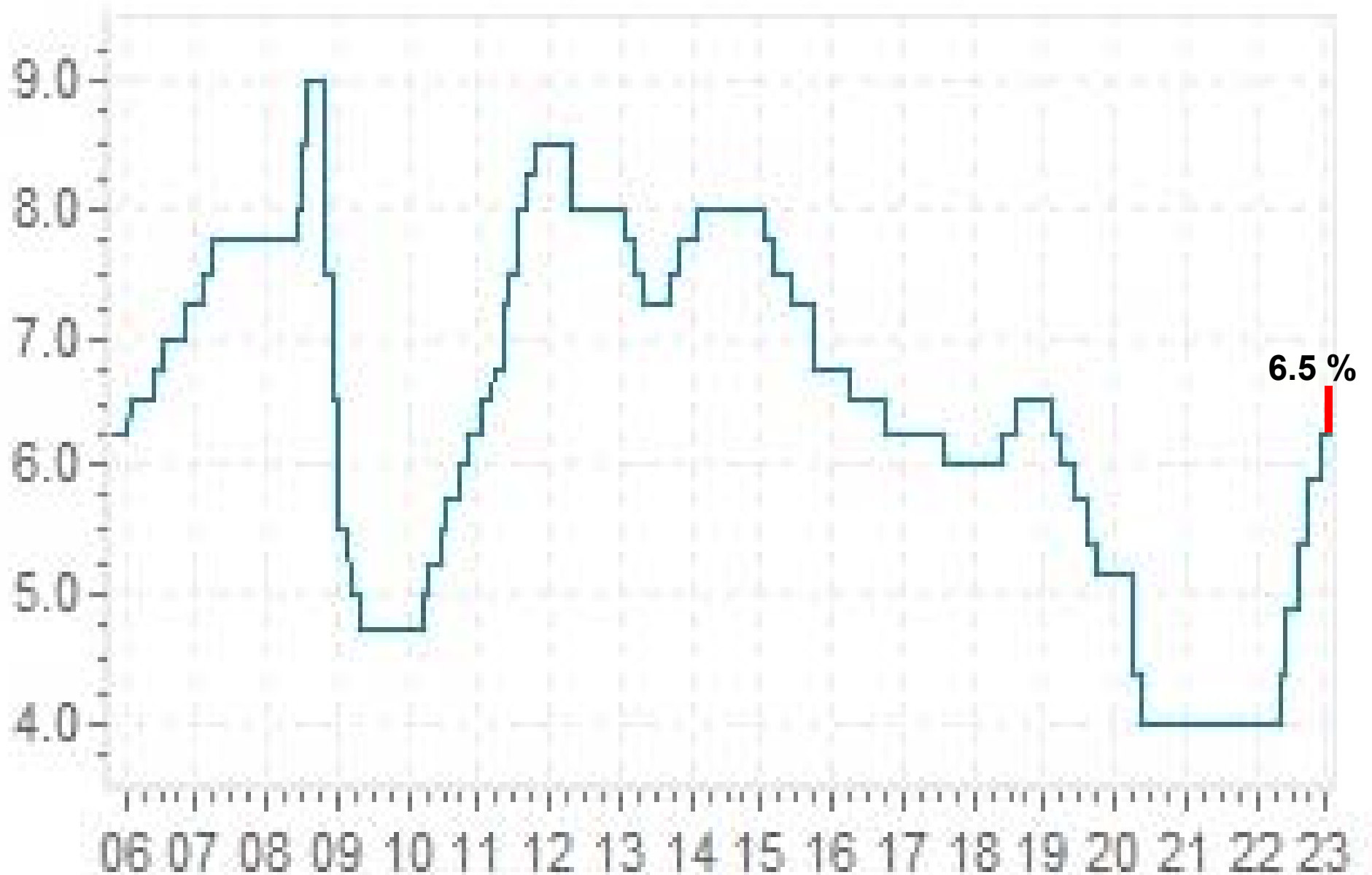
# Valuation Reset Continuing



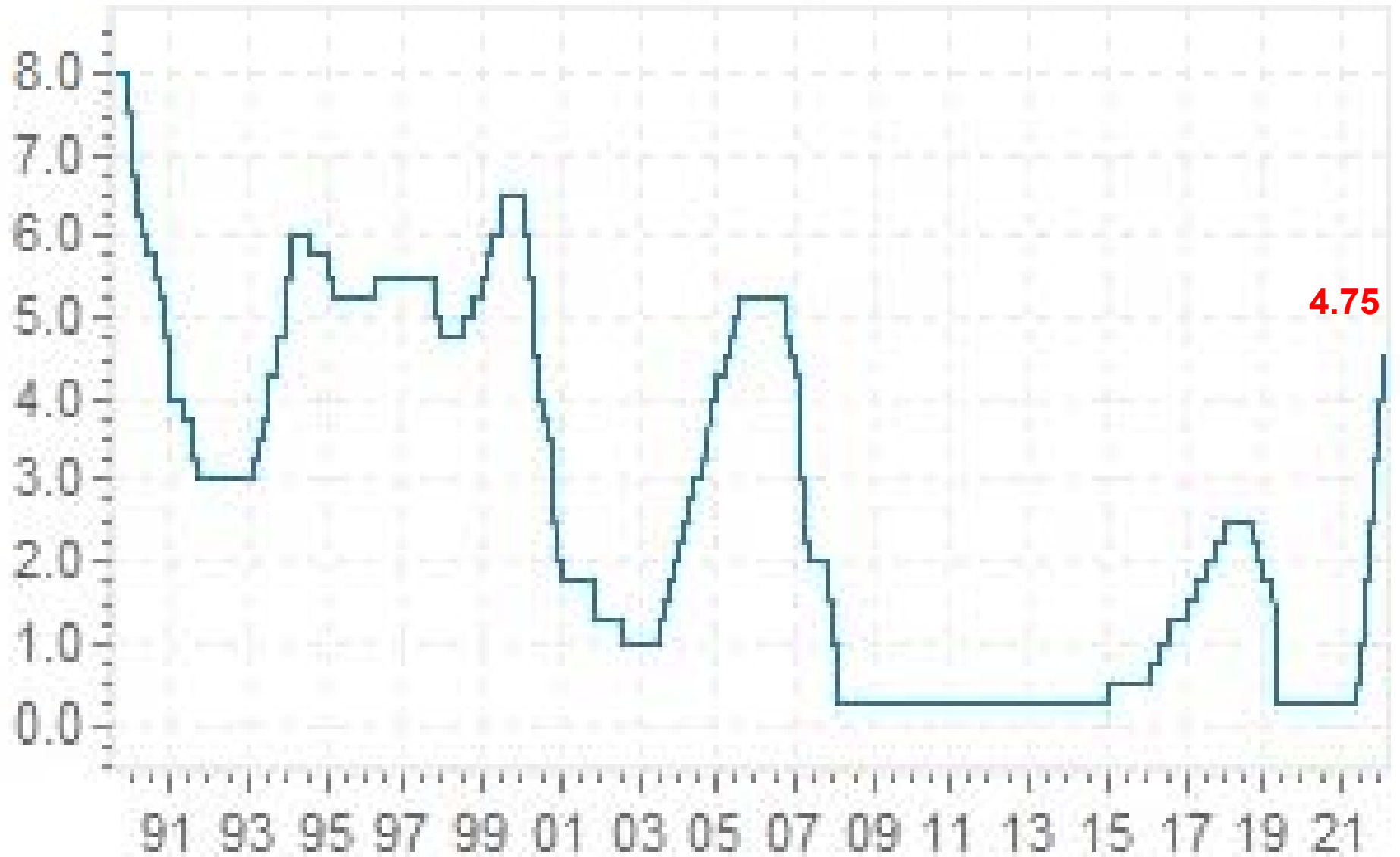
- High P/E shares are facing the brunt of mean reversion
- Most of the overvalued share results are below expected
- Higher interest rates couple with low or no or negative growth perfect recipe for mean reversion



# RBI Rate Hike Continues



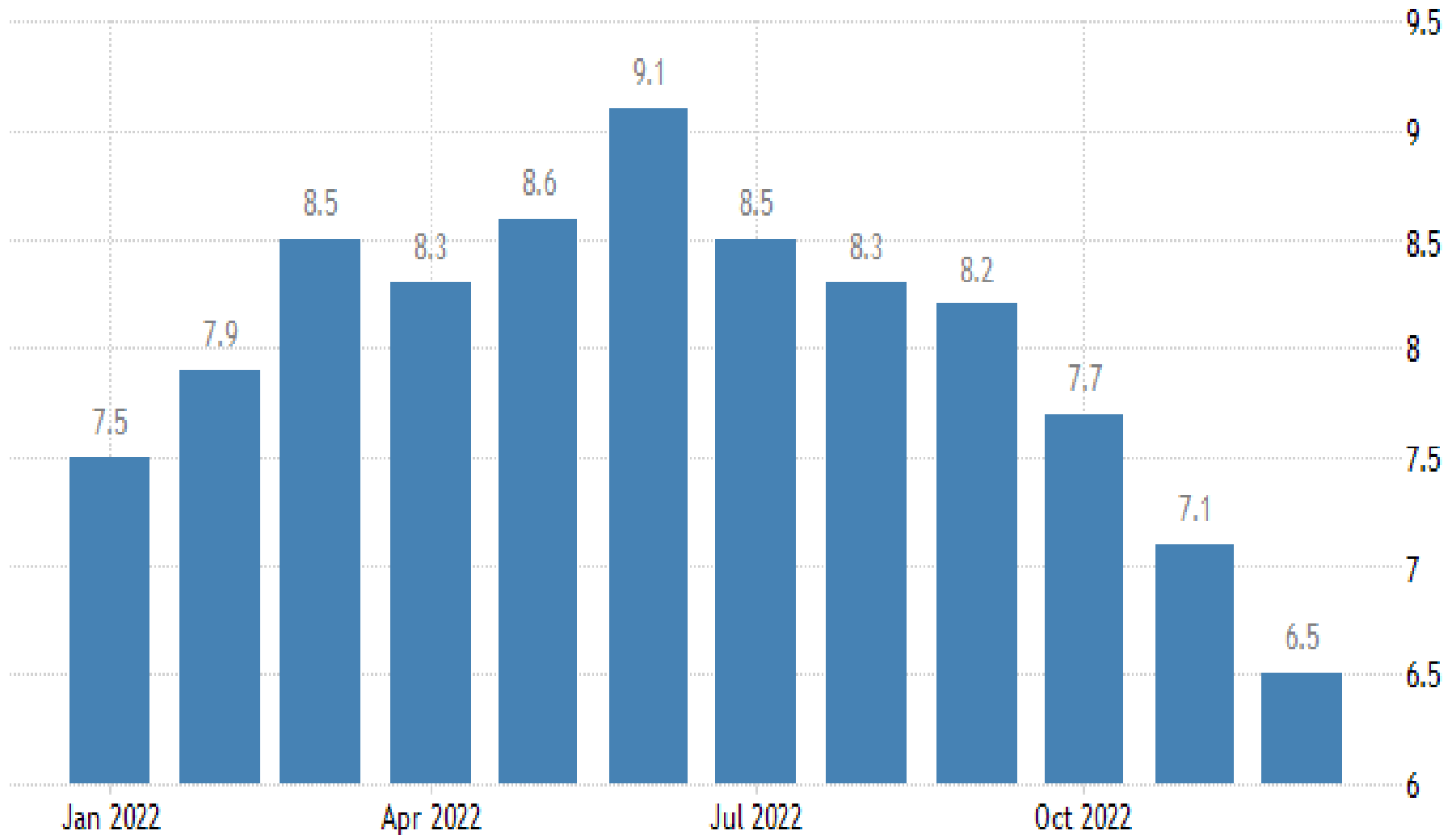
# US Fed Hikes Rates



# US Unemployment at Multi Decade Low

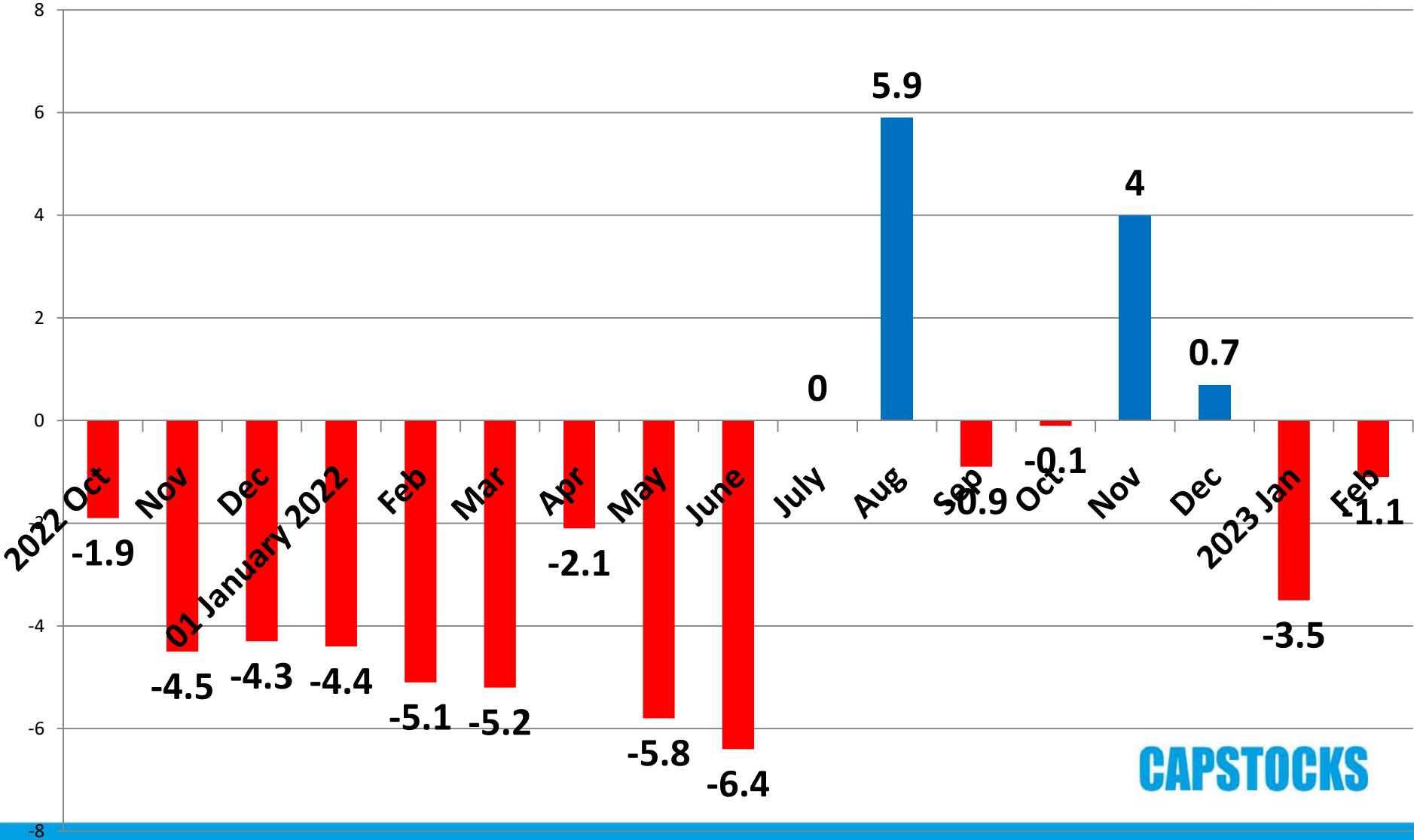


# US Inflation on Downward Trajectory



# FII Activity

US \$ Bn

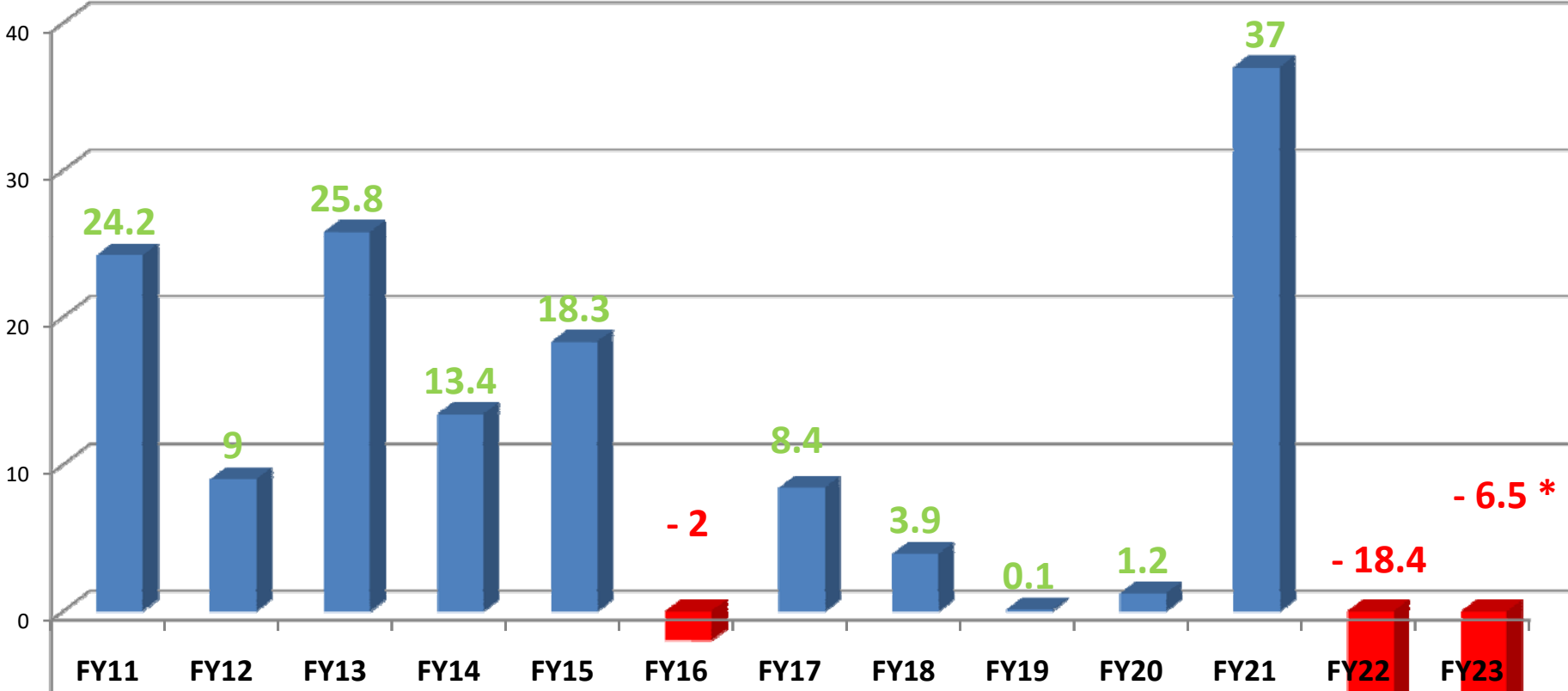


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# FII Activity



FPI Flows in US Bn \$



\* Till Feb 8<sup>th</sup>



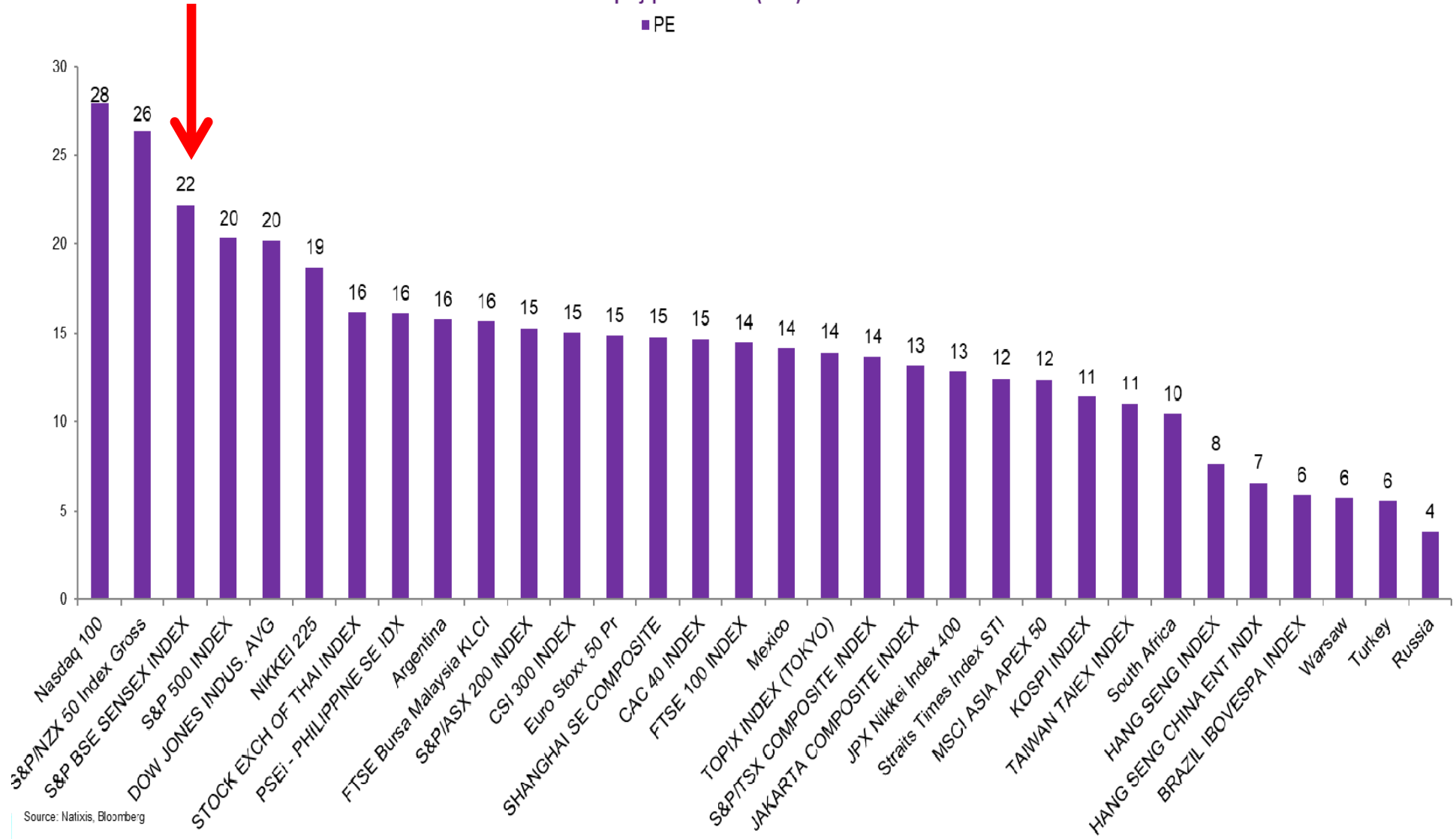
# Global Markets Valuations



## Sensex

Global equity performance (USD)

■ PE



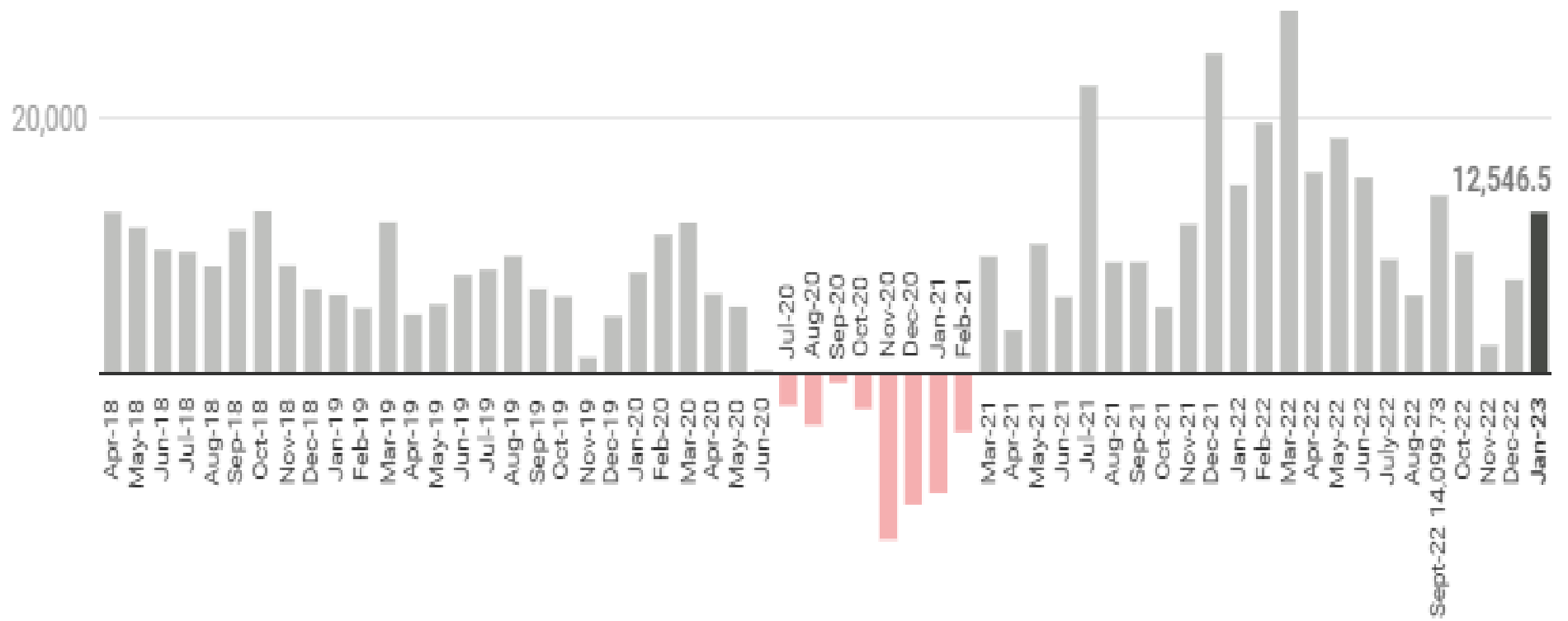
Source: Natixis, Bloomberg

# Mutual Fund Flows



## Net Equity Inflows

(Rs crore)





# What Investor Should Do



- FPI selling has to stop for markets to see meaningful recovery
- Long Term Buying opportunities will be available on sideways market or bear market
- Gradual accumulation advised

# Data To Watch



- FPI action

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**Thank You**

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