

-INVEST-



Investment Matters

June 2023

EQUITY OUTLOOK

Sharp Bounce in Markets

Equities performed strongly in May-23. The Nifty rallied 2.6% with an even stronger performance from small and mid-cap indices (see table below). Auto, IT and FMCG led the way with > 5% rallies while banks underperformed. The strong rally could lead to a near-term correction, but we remain constructive from a one-year perspective, given the strong earnings outlook and reasonable valuations.

Equity Markets in May-23

	May-23	Performance (%)			
		1M	3M	6M	1Y
Major Indian Indices					
Sensex	62,622	2.5%	6.2%	-0.8%	12.7%
Nifty	18,534	2.6%	7.1%	-1.2%	11.8%
CNX-100	18,438	3.0%	7.9%	-2.5%	10.0%
CNX-500	15,766	3.6%	8.6%	-1.1%	11.7%
Mid-cap and Small-cap Indices					
BSE Mid-cap	27,100	6.3%	12.2%	4.4%	17.1%
BSE Small-cap	30,525	5.6%	11.6%	3.4%	15.8%
CNX Mid-cap	33,761	6.2%	12.1%	5.4%	19.3%
CNX Small-cap	10,166	5.1%	11.0%	1.9%	10.4%

Source: NSE, BSE

	May-23	Performance (%)			
		1M	3M	6M	1Y
NSE sector Indices					
CNX Bank	44,128	2.1%	9.6%	2.1%	24.3%
CNX Auto	14,199	7.7%	11.5%	7.3%	22.5%
CNX Realty	479	7.6%	21.8%	6.4%	16.3%
CNX Infrastructure	5,460	1.9%	8.8%	0.2%	11.9%
CNX Energy	23,876	0.6%	10.1%	-12.7%	-6.9%
CNX FMCG	51,043	6.8%	13.6%	12.1%	31.8%
CNX Pharma	12,678	0.5%	7.9%	-3.5%	0.6%
CNX IT	29,320	5.8%	-1.2%	-3.5%	-1.2%

Source: NSE, BSE

EQUITY OUTLOOK

Earnings Season – Green Shoots

4QFY23 results

Non-financials						
4QFY23	Revenue growth		EBITDA margin		PAT	
	y/y	q/q	y/y chg	q/q chg	y/y	q/q
Nifty	11%	5%	9%	6%	0%	11%
NSE500	13%	5%	8%	14%	8%	35%

Financials						
4QFY23	Revenue growth*		PPOP growth		PAT	
	y/y	q/q	y/y	q/q	y/y	q/q
Nifty	28%	8%	29%	3%	41%	11%
NSE500	26%	7%	34%	1%	58%	14%

All companies						
4QFY23	Revenue growth		EBITDA growth**		PAT	
	y/y	q/q	Reported	y/y chg	y/y	q/q
Nifty	12%	5%	13%	5%	11%	11%
NSE500	14%	5%	14%	10%	22%	27%

Source: Bloomberg, Alchemy Capital

* Revenue Growth = NII + other income

** For banks and NBFCs, EBITDA = PPOP

Note: For NSE500, 489/500 companies included as per the results declared on June 2, 2023.

We believe that 4QFY23 was a strong quarter with 11% PAT growth, both y/y and q/q. Some key features stood out.

- Topline growth remained robust at 12% y/y (11% for non-financials). Some of this was undoubtedly due to high inflation but core growth continues to remain solid. This is despite some headwinds of slowing global growth and tiredness in domestic consumption. The sequential growth was also robust at 5%.
- There are some green shoots on the margins. EBITDA margins for non-financials (Nifty stocks) inched up by 22bps to 18.7%, well below the FY22 peaks but the bleeding seems to have stopped.
- The story is a bit different for the NSE500. Growth was similar but the margin improvement was significantly more pronounced, leading to an EBITDA growth of 14% y/y. Overall, the broader universe delivered a 27% PAT growth vs the 11% for the Nifty. This was a significant reason for the outperformance of the small- and mid-cap indices, in our opinion.
- Industrials, Consumer Discretionary (led by autos) and Healthcare were the best-performing sectors. Healthy top line growth and strong and rising margins drove exceptional PAT growth for all three sectors.

EQUITY OUTLOOK

4QFY23 earnings-sectoral performance

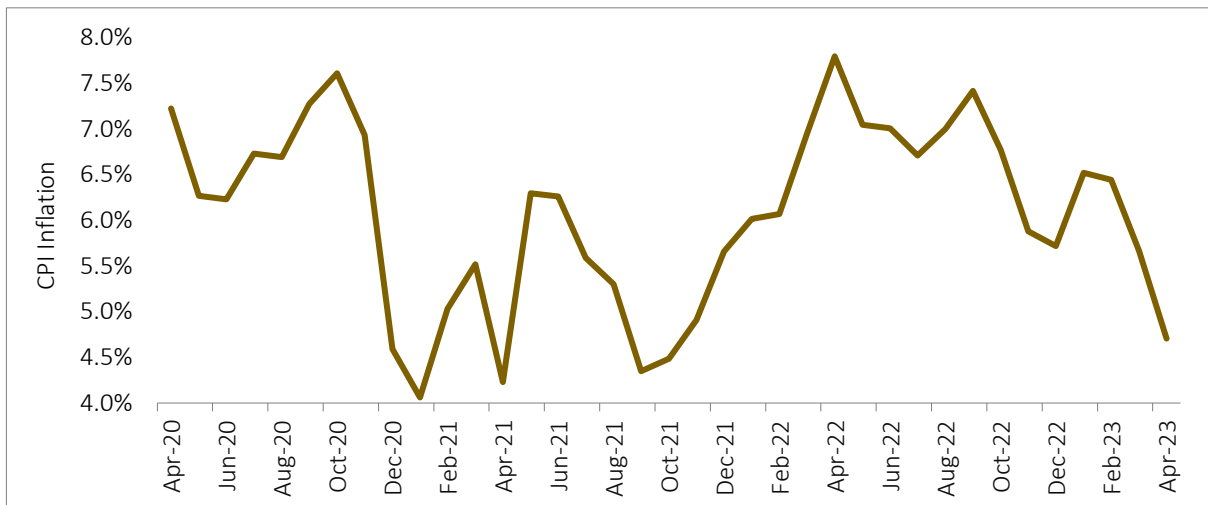
Sector	Quarterly Revenue Growth (YoY) (%)				Quarterly EBITDA Growth (YoY) (%)				Quarterly PAT Growth (YoY) (%)			
	Jun-22	Sep-22	Dec-22	Mar-23	Jun-22	Sep-22	Dec-22	Mar-23	Jun-22	Sep-22	Dec-22	Mar-23
Energy	63	35	17	7	8	(18)	4	13	(3)	(45)	(12)	7
Information Technology	21	21	21	18	4	9	13	13	0	7	10	(12)
Financials	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	46	59	58	64
Consumer Staples	30	17	10	8	24	8	12	11	25	25	21	1
Communication Services	19	19	14	9	15	12	3	3	23	(174)	(428)	(17)
Utilities	56	36	25	16	27	5	2	(6)	33	4	(19)	(10)
Industrials	54	30	17	14	49	19	17	25	179	59	35	35
Materials	35	19	10	3	(5)	(37)	(30)	(21)	(6)	(58)	(49)	(43)
Consumer Discretionary	32	38	24	25	59	23	20	33	3,194	73	37	37
Health Care	4	9	12	14	(13)	13	9	28	(8)	(8)	(7)	98
Real Estate	53	2	19	7	71	11	(3)	5	317	26	(9)	(10)

Source: Ambit Capital Research, Alchemy Capital

Macro Check - Steady Growth, High Stability

- 6.1% GDP growth in 4QFY23 was ahead of consensus expectations and stronger than 3QFY23 of 4.5%. This acceleration was driven by manufacturing and construction, reinforcing the thesis that we are probably in a strong capex cycle. The FY23 growth of 7.2% was also a strong print, ahead of street expectations.
- Inflation is cooling off, led by weak commodity prices globally. The consumer price inflation came in at 4.7% in Apr-23, a significant step-down from Mar-23 of 5.6% and well within the RBI tolerance zone. We believe that the worst of inflation is over, and we should continue to see softer prints as we progress through FY24.

Inflation is cooling off

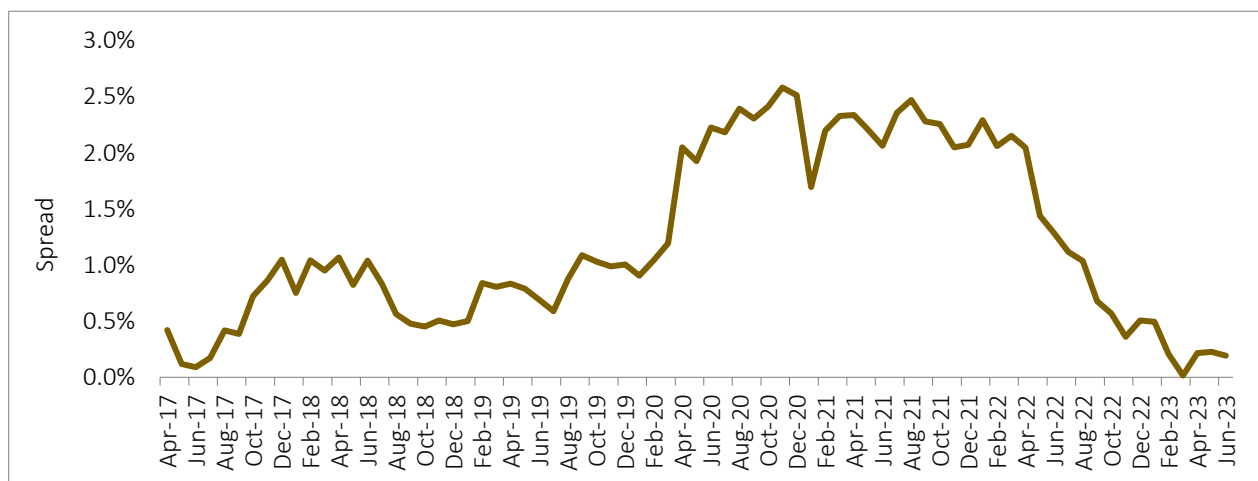


Source: MoSPI, CEIC, Ambit Capital Research, Alchemy Capital

EQUITY OUTLOOK

- The government maintained the FY23 fiscal deficit at 6.4% of GDP, in line with the revised estimates presented in the Union Budget earlier this year. We expect the government to stick to its fiscal consolidation plan in FY24 (to 5.9%) and that could have a contractionary impact on the economy.
- Financial conditions remain very stable. The 10-year bond yield is stable at ~7%, driving a persistently flat yield curve for some time now. The rupee has also been resilient at the INR 80-82 range for some time now, despite rising US rates and some current account pressures in 2022.

Yield curve is at its flattest



Source: Bloomberg, Ambit Capital Research, Alchemy Capital

Note: Data for June'23 up to 2-June

Note: Chart denotes spread of 10-yr gilt over 1yr gilt

Going forward, we expect some compression in GDP growth but should stay at the 6-6.25% zone for FY24. This would be the first time in years that India clocks 6%+ GDP growth for three successive years. Interest rates are at their peak and the worst of currency pressures are also over. This creates a positive confluence for equity markets, especially as valuations are reasonable.

MARKET INSIGHTS

Alchemy Capital's view on Market trends, analysis, and way forward; with additional inputs from industry experts about the different aspects to superlative asset management.

1. Market Views: [Market Views - May 2023 - YouTube](#)

2. Interviews:

- Mr. Hiren Ved in an interaction with Business Today: [Watch the video](#)

Q4 FY23 PERFORMANCE OF PORTFOLIO COMPANIES

The following table summarizes the performance of portfolio companies** which have published their results so far in Q4 FY23:

Scrip	Sales (INR Mn)			EBITDA (INR Mn)			PAT (INR Mn)		
	Q4FY23	Q4FY22	% chg	Q4FY23	Q4FY22	% chg	Q4FY23	Q4FY22	% chg
BAJAJ FINANCE LTD	77,728	60,610	28%	51,205	39,671	29%	31,578	24,195	31%
RELIANCE INDUSTRIES LTD	21,29,450	20,73,750	3%	3,84,400	3,13,660	23%	1,92,990	1,62,030	19%
ICICI BANK LTD	2,27,545	1,73,420	31%	1,38,264	1,02,929	34%	91,219	70,187	30%
PERSISTENT SYSTEMS LTD	22,545	16,379	38%	4,163	2,812	48%	2,515	2,010	25%
TATA CONSUMER PRODUCTS LTD	36,187	31,754	14%	5,117	4,443	15%	2,686	2,175	23%
SYNGENE INTERNATIONAL LTD	9,944	7,581	31%	3,183	2,412	32%	1,787	1,478	21%
BAJAJ FINSERV LTD	77,728	60,610	28%	51,205	39,671	29%	31,578	24,195	31%
ABB INDIA LTD *	24,112	19,749	22%	2,853	1,877	52%	2,449	797	207%
KPIT TECHNOLOGIES LTD	10,174	6,518	56%	1,943	1,214	60%	1,116	801	39%
INDIAN HOTELS CO LTD	16,254	8,721	86%	5,355	1,590	237%	3,283	742	342%
TRENT LTD	21,828	13,289	64%	2,030	1,346	51%	450	-209	NA
AXIS BANK LTD	1,66,375	1,30,425	28%	91,676	64,660	42%	-57,284	41,178	NA
MAHINDRA CIE AUTOMOTIVE LTD *	24,402	20,608	18%	3,806	2,804	36%	2,200	1,639	34%
SCHAEFFLER INDIA LTD *	16,936	15,675	8%	3,147	3,085	2%	2,194	2,071	6%
CE INFO SYSTEMS LTD	725	570	27%	290	249	16%	283	225	26%
LTIMINDTREE LTD	86,910	43,016	102%	16,037	8,464	89%	11,137	6,370	75%
UNITED SPIRITS LTD	25,028	25,357	-1%	2,355	4,318	-45%	1,028	1,817	-43%
VARUN BEVERAGES LTD *	38,930	28,275	38%	7,980	5,310	50%	4,291	2,542	69%

** For Alchemy High Growth, Alchemy High Growth Select Stock

* Companies following CY for reporting results

Please note for BFSI companies , Sales = Nil + Non-interest income + treasury income ,EBITDA = Operating profit

Source: Alchemy Capital

DISCLAIMER

General Risk factors:

- All products / investment approach attract various kinds of risks. Please read the relevant Disclosure Document/ Client Agreement/ Offer Documents (includes Private Placement Memorandum and Contribution Agreement) carefully before investing.

General Disclaimers:

- The information and opinions contained in this report/ presentation have been obtained from sources believed to be reliable, but no representation or warranty, express or implied, is made that such information is accurate or complete.
- Information and opinions contained in the report/ presentation are disseminated for the information of authorized recipients only and are not to be relied upon as advisory or authoritative or taken in substitution for the exercise of due diligence and judgement by any recipient.
- The information and opinions are not, and should not be construed as, an offer or solicitation to buy or sell any securities or make any investments.
- Nothing contained herein, including past performance, shall constitute any representation or warranty as to future performance.
- The client is solely responsible for consulting his/her/its own independent advisors as to the legal, tax, accounting and related matters concerning investments and nothing in this document or in any communication shall constitute such advice.
- The client is expected to understand the risk factors associated with investment & act on the information solely on his/her/its own risk. As a condition for providing this information, the client agrees that Alchemy Capital Management Pvt. Ltd., its Group or affiliates makes no representation and shall have no liability in any way arising to them or any other entity for any loss or damage, direct or indirect, arising from the use of this information.
- This document and its contents are proprietary information of Alchemy Capital Management Pvt. Ltd and may not be reproduced or otherwise disseminated in whole or in part without the written consent.
- The information and opinions contained in this document may contain “forward-looking statements”, which can be identified by the use of forward-looking terminology such as “may”, “will”, “seek”, “should”, “expect”, “anticipate”, “project”, “estimate”, “intend”, “continue” or “believe” or the negatives thereof or other variations thereon or comparable terminology. Due to various risks and uncertainties, including those set forth under the Disclosure Document/Offer Documents, actual events or results or the actual performance may differ materially from those reflected or contemplated in such forward-looking statements.

Regulatory Disclosures:

- All clients have an option to invest in the above products / investment approach directly, without intermediation of persons engaged in distribution services.
- This document, its contents, especially the Performance related information, is not verified by SEBI or any regulator.

Alchemy Capital Management Pvt. Ltd.

B-4, Amerchand Mansion, 16 Madame Cama Road, Mumbai 400 001 | Ph: +91-22-66171700

Website: www.alchemycapital.com | Email: contactus@alchemycapital.com

CIN-U67120MH1999PTC119811 | SEBI Regn No.: INP000000365