



TOP 10 ISSUES FOR 2024





Citrus Advisors

Asset Management Services - PMS

“Top 10 issues for 2024”



Equity Market Performance

Asset Class Performance across years

Returns (in %)

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|---------------------|---------------------|---------------------|---------------------|--------------------|--------------------|---------------------|---------------------|--------------------|---------------------|--------------------|----------------|
| International | 45.7 | Small-cap 69.2 | Credit risk 10.00 | G-sec 15.0 | Small-cap 59.6 | Gold 8.4 | International 31.8 | Small-cap 32.1 | Small-cap 62.8 | Gold 11.7 | Small-cap 44.9 |
| Large-cap 9.0 | Mid-cap 54.7 | Corporate bond 9.00 | International 12.5 | Mid-cap 48.1 | G-sec 8.0 | Gold 21.1 | Gold 27.6 | Mid-cap 39.2 | Credit risk 5.4 | Mid-cap 42.5 | |
| Real estate 7.5 | Large-cap 29.9 | Mid-cap 7.4 | Corporate bond 12.0 | Large-cap 27.9 | Large-cap 5.9 | Large-cap 14.4 | International 19.0 | International 29.1 | Large-cap 4.4 | International 25.1 | |
| Credit risk 7.0 | G-sec 17.0 | G-sec 7.0 | Credit risk 12.0 | International 12.3 | Corporate bond 5.0 | G-sec 12.0 | Mid-cap 18.8 | Large-cap 22.0 | Corporate bond 2.9 | Large-cap 17.8 | |
| Corporate bond 6.00 | Credit risk 14.0 | Small-cap 6.8 | Gold 10.9 | Credit risk 8.0 | Credit risk 5.0 | Corporate bond 10.0 | Large-cap 15.8 | Credit risk 8.6 | T-Bill 2.5 | Gold 12.3 | |
| T-Bill 5.5 | International 13.6 | T-Bill 5.4 | Real estate 9.6 | Corporate bond 7.0 | Real estate 4.8 | Credit risk 8.0 | G-sec 12.8 | Corporate bond 4.9 | G-sec 2.6 | Credit risk 9.3 | |
| G-sec 2.0 | Corporate bond 13.0 | Real estate 4.5 | Mid-cap 8.0 | Real estate 6.4 | T-Bill 4.1 | T-Bill 4.2 | Corporate bond 12.3 | Real estate 3.1 | Real estate 2.7 | G-sec 7.7 | |
| Mid-cap -5.7 | Real estate 11.9 | International 4.2 | T-Bill 4.7 | Gold 6.0 | International 2.4 | Real estate 4.2 | Credit risk 11.4 | G-sec 2.2 | Mid-cap 1.3 | Corporate bond 7.0 | |
| Small-cap -11.2 | T-Bill 5.7 | Large-cap -5.0 | Large-cap 1.9 | T-Bill 4.0 | Mid-cap -13.4 | Mid-cap -4.0 | T-Bill 3.1 | T-Bill 2.0 | Small-cap -1.8 | T-Bill 4.3 | |
| Gold -18.0 | Gold 2.2 | Gold -7.9 | Small-cap 1.8 | G-sec 2.0 | Small-cap -23.5 | Small-cap -6.8 | Real estate 1.2 | Gold -2.7 | International -10.0 | Real estate 2.0 | |

Domestic stock market returns as on 27 December 2023; T-Bill: treasury bills; G-secs: government securities; for large-cap, we have used S&P BSE Sensex Price Return Index (PRI); for mid cap, S&P BSE Midcap PRI; for small cap, S&P BSE Smallcap PRI; for T-Bills, CCIL T-Bill Liquidity Weight data; for G-secs, CCIL All Sovereign Bond Index data; for corporate bonds, Crisil Corporate Bond Composite Index data; for credit risk, Crisil Composite Credit Risk data; for international, S&P 500 PRI data (converted to rupee returns); for gold, prices as per World Gold Council till 15 Dec 2023; for real estate, RBI Housing price Index is available only upto Q2 of FY2023-24 (showing 9-month return).

Source: Mint research, ACE MF

- This year has been a roaring year for small and mid caps.
- With an ~ 18% return the large caps also did well
- Key to long term wealth creation continues to be well thought out asset allocation

India vs Global Indices in 2023

MIDDLING PERFORMANCE

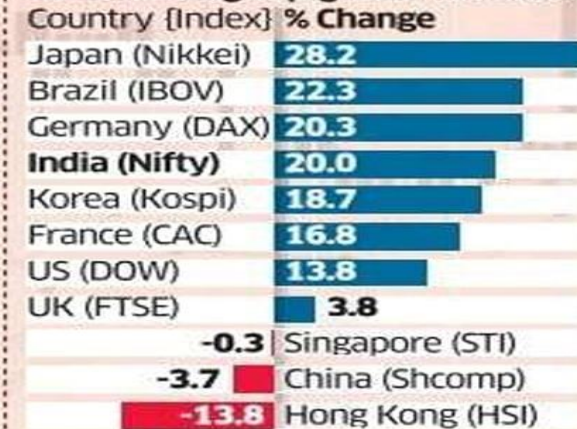
| ASIA | | Change YTD (%) |
|--------------|-------|----------------|
| MOEX Russia | 43.72 | |
| Nikkei 225 | 28.24 | |
| Taiwan TAIEX | 26.83 | |
| Nifty50 | 20.03 | |
| BSE Sensex | 18.74 | |
| US (Dec 28) | | |
| S&P500 | 24.58 | |
| Nasdaq | 44.22 | |

Compared to global peers, India's returns on the global indices were middle of the road. US, Japan and Germany outperformed India

Double-digit Nifty returns



India among top global markets



Sectoral Indices Performance

| 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|-----------------|----------------|-----------------|-----------------|-----------------|-----------------|----------------|----------------|----------------|-----------------|----------------|
| IT 58.0 | Banks 64.6 | Pharma 9.3 | Metal 45.2 | Realty 109.8 | IT 23.8 | Realty 28.5 | Pharma 60.6 | Metal 69.7 | Metal 21.8 | Realty 83.3 |
| Pharma 26.5 | Auto 56.7 | FMCG 0.3 | Cmdty 24.7 | Metal 48.5 | FMCG 13.7 | Banks 18.4 | IT 54.9 | IT 59.6 | Banks 21.2 | PSE 79.9 |
| FMCG 12.2 | Pharma 43.4 | IT 0.0 | Energy 19.7 | Banks 40.5 | Banks 6.4 | Energy 11.0 | Metal 16.2 | Realty 54.3 | FMCG 17.5 | Auto 47.7 |
| Auto 9.4 | PSE 34.6 | Auto -0.3 | PSE 17.9 | Energy 38.7 | Energy 0.6 | IT 8.4 | FMCG 13.5 | Cmdty 46.8 | Auto 15.3 | Pharma 33.3 |
| Energy 0.4 | FMCG 18.2 | Energy -0.7 | Auto 10.8 | Cmdty 34.8 | Pharma -7.8 | Cmdty 0.0 | Auto 11.5 | PSE 37.1 | Energy 14.3 | Cmdty 30.3 |
| PSE -8.6 | IT 17.8 | Cmdty -9.5 | Banks 7.4 | Auto 31.4 | Cmdty -16.1 | FMCG -1.3 | Cmdty 10.7 | Energy 33.7 | PSE 13.9 | Energy 30.1 |
| Cmdty -8.6 | Cmdty 16.7 | Banks -9.7 | FMCG 2.8 | FMCG 29.4 | Metal -19.9 | PSE -4.8 | Energy 6.4 | Auto 19.0 | Cmdty 6.5 | FMCG 27.8 |
| Banks -8.7 | Realty 10.0 | PSE -11.9 | Realty -4.2 | PSE 16.5 | PSE -21.2 | Pharma -9.3 | Realty 5.1 | Banks 13.5 | Realty -10.8 | IT 24.3 |
| Metal -14.3 | Energy 8.5 | Realty -15.0 | IT -7.3 | IT 12.2 | Auto -23.1 | Auto -10.7 | Banks -2.8 | Pharma 10.1 | Pharma -11.4 | Metal 20.6 |
| Realty -34.4 | Metal 7.0 | Metal -31.4 | Pharma -14.2 | Pharma -6.3 | Realty -33.0 | Metal -11.2 | PSE -13.3 | FMCG 10.0 | IT -26.0 | Banks 12.8 |

Source: NSE

Returns (in %)

Sectoral Indices in 2023

| Sectoral Indices | 1Y Returns | Comments |
|------------------------------------|------------|---|
| S&P Bse Realty | 80.9% | The rising appetite for housing despite rising interest rates kept the demand for larger/premium accommodation high. |
| S&P Bse Capital Goods | 66.4% | Both MNC and Domestic players were beneficiary of rising investor interest and a healthy order book position |
| S&P BSE India Infrastructure Index | 57.4% | Testimony to aggressive government capex |
| BSE - PSU | 56.5% | Emerged as the new leader of the market with Railways, Defence, Oil & Gas sector, Mines and Mineral and Power sector PSUs leading the charge |
| S&P Bse Auto | 45.7% | Passenger vehicle sales have crossed 4 million this year. Commercial vehicle sales and exports were strong. 2 Wheelers picked up speed in the 2nd half of the year. |
| S&P Bse Information Technology | 25.4% | The spectre of Recession cast a pall of doom on the sector which had barely recovered from margin pressure from high attrition post Covid. However, large orders kept the interest alive in the sector. Mid cap IT stocks were a different story altogether |
| S&P Bse Bankex | 10.6% | Largely dragged by the underperformance of the sector heavy weights, the saving grace was the performance of public sector banking stocks |



**Recap of Top 10 issues and events
outlined last year**

What we said:- Top Ten Issues 2023

| Issues Outlined | Actual Outcome |
|--|---|
| 1) Inflation Rate and interest Rates will peak out. | FED announced an extended pause and a likely cut in 2024. |
| 2) Global Recessionary Fears will rise | Chinese Economy slowed down in 2023. |
| 3) Indian Economy to be strong. | Quarterly GDP for FY-23 in Q-3 and Q-4 are 4.46% and 6.02% respectively and that of FY-24 in Q-1 and Q-2 is 7.8% and 7.6% respectively. |
| 4) Union Budget to lay emphasis on tax collection and resource mobilization. | Direct Tax collections are up 21.82 % and <u>GST</u> mobilization up 15 %. |
| 5) Brace for a <u>VUCA</u> World. | Unfortunately, Israel and Palestine situation came true. |

What we said:- Top Ten Issues 2023

| Issues Outlined | Actual Outcome |
|--|---|
| 6) Portfolio Flows of Foreign and Domestic Investors to be important. | Nifty Index up by 20% and FIIs invested Rs 176000 Crs and DIIs invested 184650 CRs. |
| 7) State Elections would be a major sentiment driver. | Outcome of Rajasthan, MP and Chhattisgarh elections reversed market sentiments. |
| 8) Earnings to be the foundation for the market. | FY 24 EPS growth expected to be 18% vs EPS growth in 2023 which was 11%. |
| 9) Sectoral Leadership of the market to change. | PSUs were the new leaders of the market. |
| 10) Mid and Small Caps to outperform and bottom up stock picking to be rewarded. | Mid and Small Cap Index up 40% + whereas Nifty Index Returns were around 20%. |

Top 10 Events of 2023

It was a year of the Indian retail investor

Mid & Small caps ruled the market

Geopolitical tensions rocked the world

Infrastructure progress was impressive- Roads, Railways & Power

Weakness in consumer spending

Top 10 Events of 2023contd

Inflation cooling down globally

High Frequency Data (GST & Tax Collections) Strong

Resurgence of Domestic Manufacturing

Premiumization was the theme across sectors

PSU stocks become market favourites

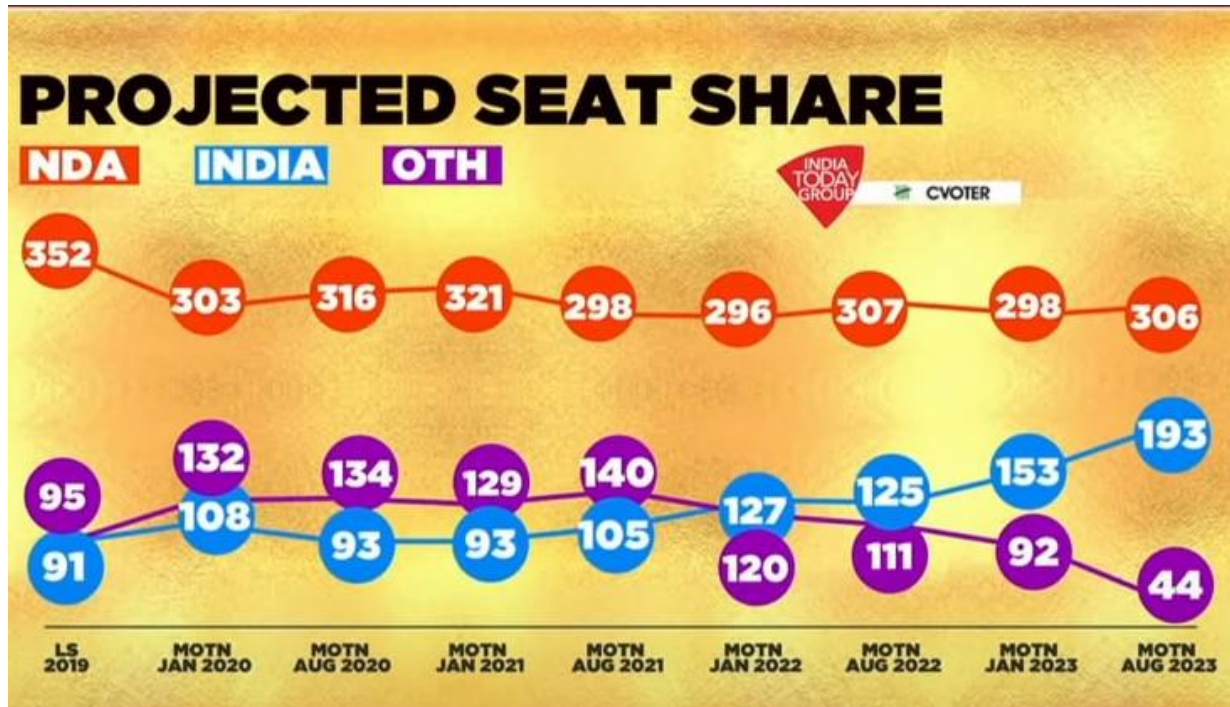


Top 10 issues for 2024

1. General Elections: what do we expect?

- The verdict in the recent state elections in Rajasthan, MP, Chattisgarh , Telengana and Mizoram have reaffirmed the expectation that PM Modi led coalition will win the 3rd term in 2014
- As we come closer to the general Elections (Apr – May '24) however all sorts of speculation will start.
- Much will depend on the way the INDIA Coalition takes shape.
- As of now PM Modi's popularity enjoys the TINA Factor (there is no alternative)
- PSU, Infra, Railway and Defence stocks may be more impacted depending on whichever way the expectations swing.

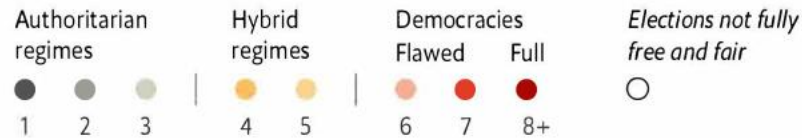
Opinion Poll on 2024 Election



All opinion polls suggest a clear majority for the NDA

Most of the world also goes to election in 2024

Countries with an election in 2024, by democracy score



Mexico, July Morena's re-election as ruling party is almost assured, and Mexico will have a woman president for the first time.

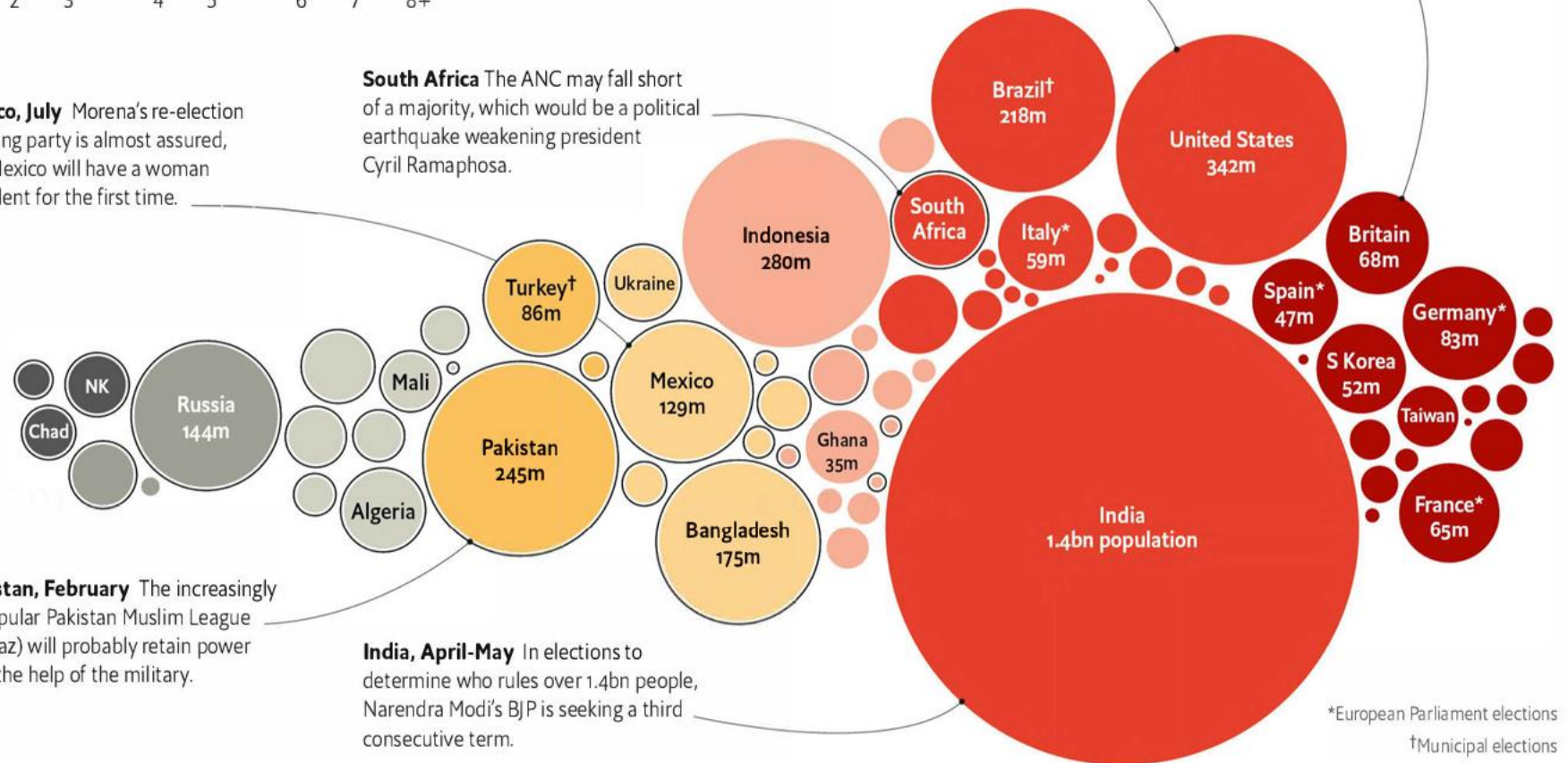
South Africa The ANC may fall short of a majority, which would be a political earthquake weakening president Cyril Ramaphosa.

Pakistan, February The increasingly unpopular Pakistan Muslim League (Nawaz) will probably retain power with the help of the military.

India, April-May In elections to determine who rules over 1.4bn people, Narendra Modi's BJP is seeking a third consecutive term.

US, November 5th Domestic politics are likely to remain painfully polarised, but who wins matters greatly for foreign policy.

Britain A win for Labour could see the Conservatives unravel, but will also expose Labour's schisms.



*European Parliament elections
†Municipal elections

Politics will rule the world in 2024

- 4.17 billion people (51% of the world population) will face elections in 2024 !
- In our neighbourhood Pakistan goes to elections in February and Bangladesh in January 2024
- US will have a closely contested elections in Nov 2024 and this will decide the economic and foreign policy both in the run up to the elections as well as post that.
- UK elections due in 2024 may see the Labour Party back in power
- France, Germany, South Korea and Taiwan with whom we have extensive trade relations also go to elections in 2024
- Our foreign trade, defence exports and overall foreign policy will be influenced to a large extent by the election outcome in so many nations












1. Institutional Flows



Source: Stock Edge

FII Flows (Last 10 years)

2. DII flows

| Year | INR (in crores) | |
|------|-----------------|---|
| 2023 | +184,650.24 |  |
| 2022 | +276,698.72 |  |
| 2021 | +94,574.91 |  |
| 2020 | -36,152.24 |  |
| 2019 | +42,228.55 |  |
| 2018 | +109,645.56 |  |
| 2017 | +90,834.80 |  |
| 2016 | +37,124.92 |  |
| 2015 | +65,871.85 |  |
| 2014 | -30,329.10 |  |
| 2013 | -73,832.57 |  |

DII Flows (Last 10 years)

Source: Stock Edge

FII Flows (CY'23)

| Calendar Year | INR crores | |
|-------------------|-----------------|-----------------|
| | FII | DII |
| Jan-23 | -29,950 | 33,412 |
| Feb-23 | -5,279 | 19,238 |
| Mar-23 | 14,945 | 30,548 |
| Apr-23 | 15,734 | 2,216 |
| May-23 | 41,206 | -3,306 |
| Jun-23 | 55,156 | 4,458 |
| Jul-23 | 33,994 | -2,698 |
| Aug-23 | 14,295 | 25,017 |
| Sep-23 | -18,894 | 20,313 |
| Oct-23 | -22,113 | 28,256 |
| Nov-23 | 19,178 | 14,254 |
| Dec-23 | 58,498 | 12,942 |
| Total-2023 | 1,76,770 | 1,84,650 |

Source: Stock Edge



FII expectations for CY'24

- FIIs reduced portfolio allocation to China markets and have almost zero exposure to the Russian market.
- Healthy corporate earnings are expected to continue and a politically stable environment will prevail in India, so the bulk of the FII money will continue to pour into India in the next year as well.
- According to analysts, FIIs will be reentering the stocks they sold off earlier this year - large, private banks. Since the large-cap lenders are available at attractive valuations and have sound asset quality, they will be looked at.
- Additionally, India's share in the Emerging market index has almost doubled from 7 percent to 14 percent in the last eight years and is likely to increase further with economic growth. This will prompt further inflows into the domestic markets

3. Onset of a rate reduction cycle

US Fed Policy expectations

- In its Dec'23 policy, the US fed sounded more optimistic on inflation levels and suggested 3 rate cuts in CY24
- The street expects ~150bps cut over CY24 (source: Jefferies)
- US treasury yields have cooled down by ~110 bps from the highs it made in October and ~30bps since the December Fed policy.

Domestic interest rate cycle

- On the domestic front, we have seen inflation cooling down over CY23. However, owing to food price shocks, headline inflation shot up over the last few months and stayed above 5% levels.
- RBI maintained status quo on policy rates but cited caution on inflationary pressures being stubborn. RBI expects inflation to cool down gradually in FY25
- We expect rate cuts to kick in by 2HCY24 and RBI to follow up with rate cuts post cuts by the US fed

| | RBI's Inflation Outlook (%) | | | | | |
|---------------------------|-----------------------------|---------|---------|---------|---------|---------|
| | FY24 | Q3 FY24 | Q4 FY24 | Q1 FY25 | Q2 FY25 | Q3 FY25 |
| Dec-23 | 5.4 | 5.6 | 5.2 | 5.2 | 4 | 4.7 |
| Earlier (Oct 2023) | 5.4 | 5.6 | 5.2 | 5.2 | | |

Source: Care Ratings, RBI MPC minutes

Inflation abated gradually over the year

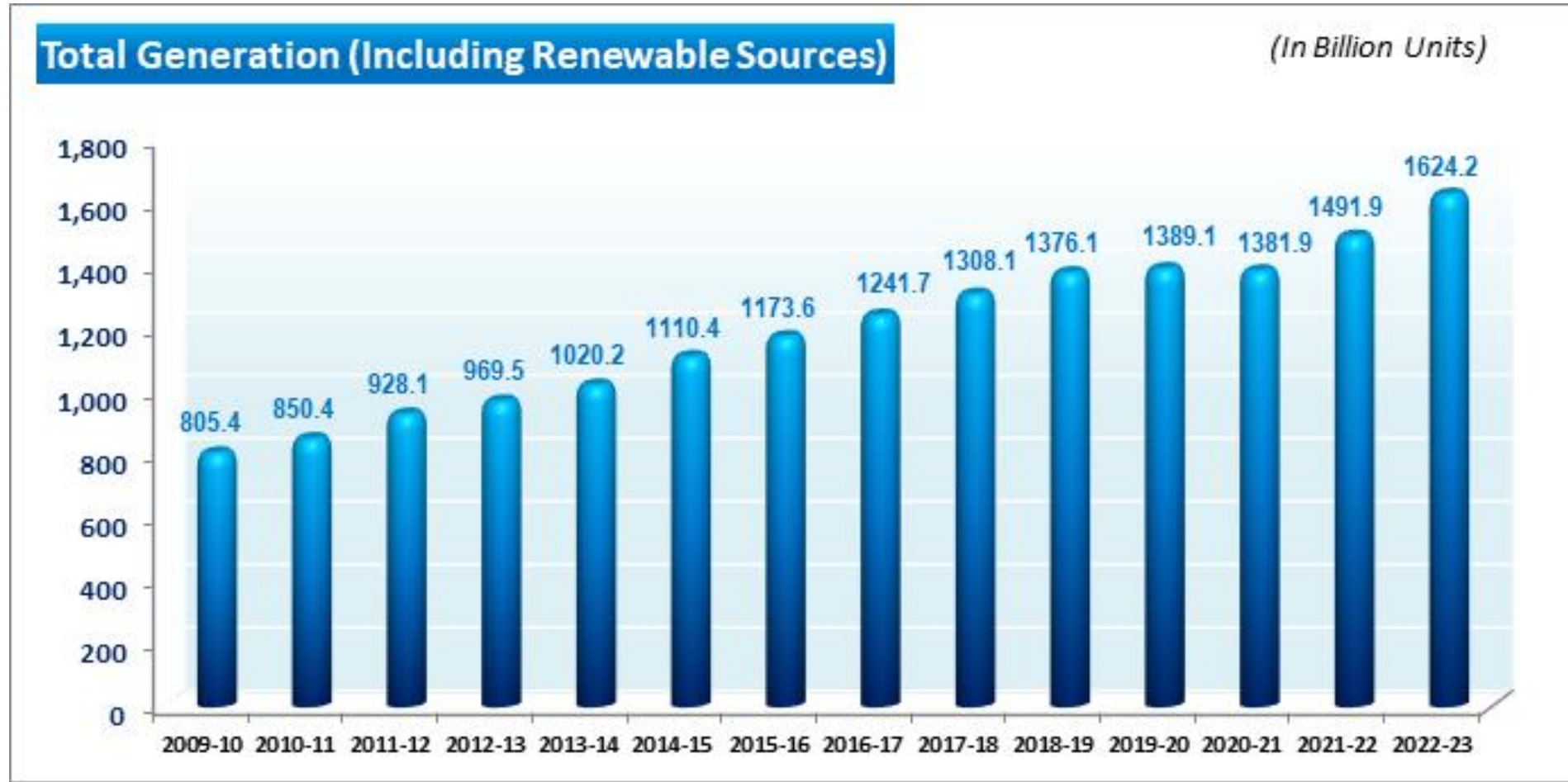
| Timeline | US Consumer Inflation | India CPI |
|----------------|-----------------------|-----------|
| Oct 2022 | 7.7% | 6.77% |
| Nov 2022 | 7.1% | 5.88% |
| Dec 2022 | 6.5% | 5.72% |
| Jan 2023 | 6.4% | 6.52% |
| Feb 2023 | 6.0% | 6.44% |
| March 2023 | 5.0% | 5.66% |
| April 2023 | 4.9% | 4.7% |
| May 2023 | 4.0% | 4.25% |
| June 2023 | 3.0% | 4.81% |
| July 2023 | 3.2% | 7.44% |
| August 2023 | 3.7% | 6.83% |
| September 2023 | 3.7% | 5.02% |
| October 2023 | 3.2% | 4.87% |
| November 2023 | 3.1% | 5.55% |



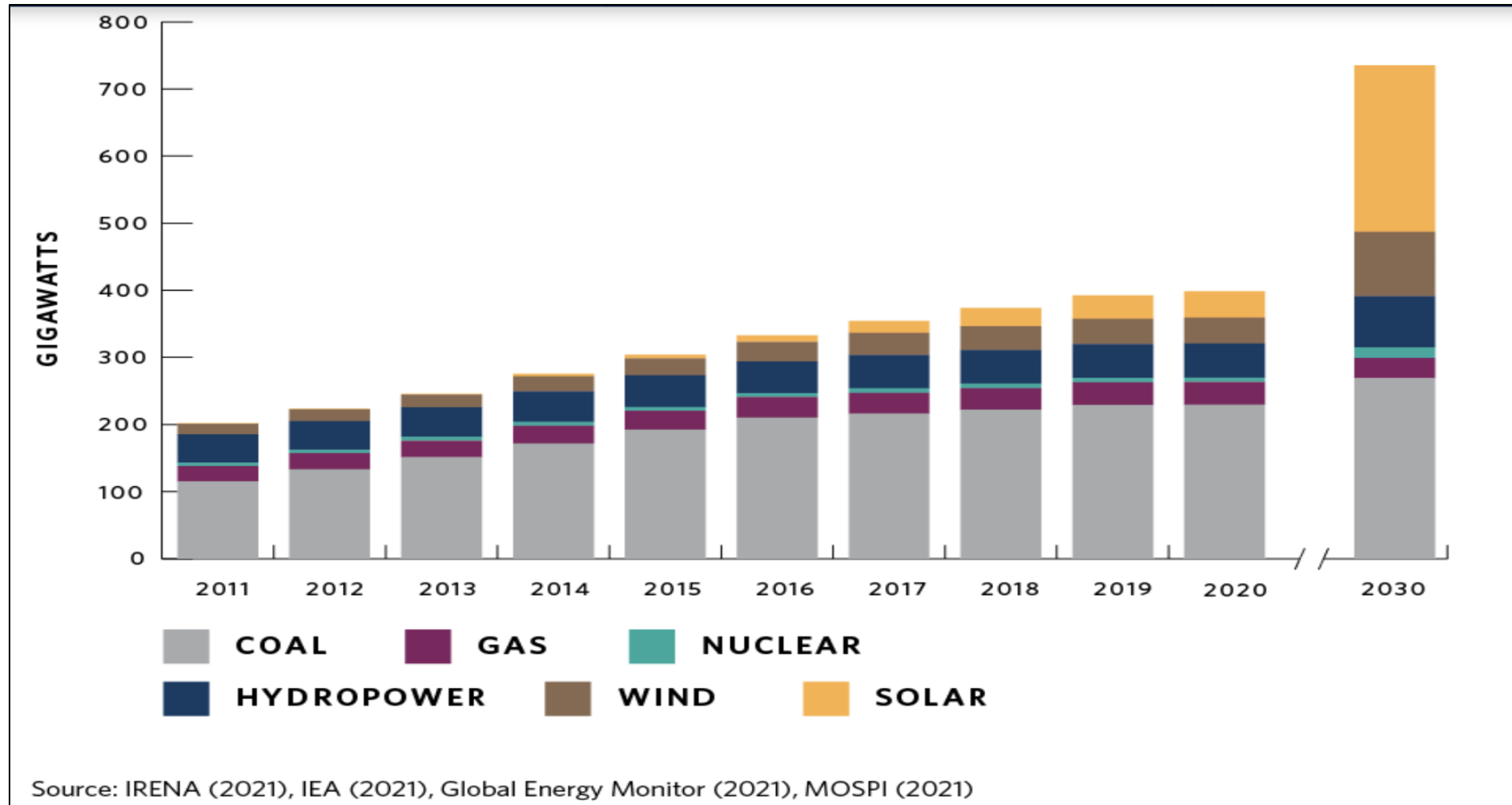
4. Energy

- India has seen rising demand for power due to:
 - Rise in Industrial activity
 - Growth in domestic/retail demand
- This has led to aggressive initiatives to ramp up generation, transmission and distribution
- A whole ecosystem of demand around power plants , transmission infrastructure, transformers, cables and meters has come up
- The most notable aspect of India's energy initiative has been the thrust on renewable sources of power such as wind, solar and hydel
- India has committed to reduce emission intensity of its GDP by 45% by 20230
- It has also targeted 50% as non fossil capacity by 2030

Total Power Generation In India

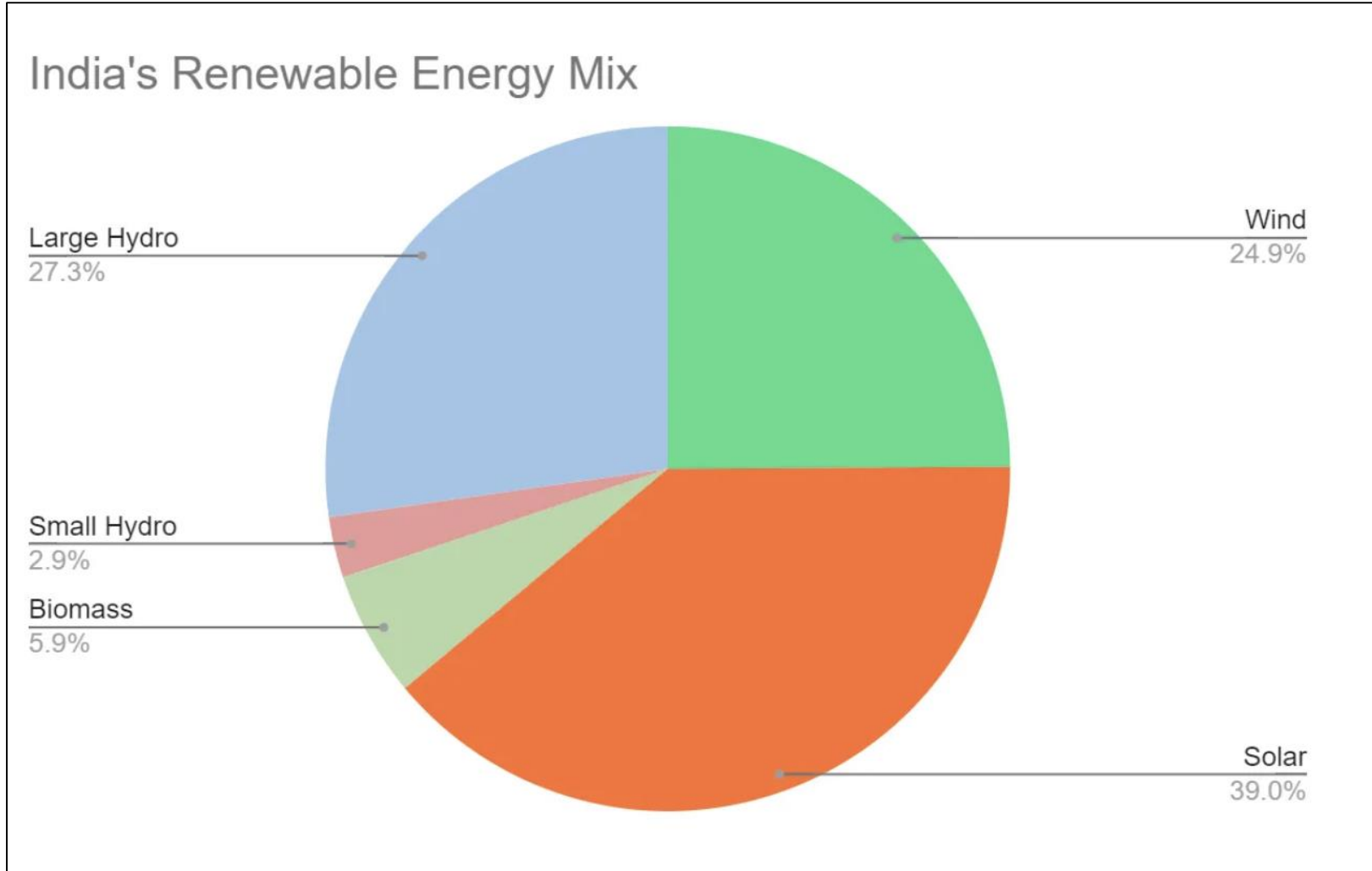


India Energy Transition



Source: IRENA (2021), IEA (2021), Global Energy Monitor (2021), MOSPI (2021)

India Renewable Energy Mix (June 2023)

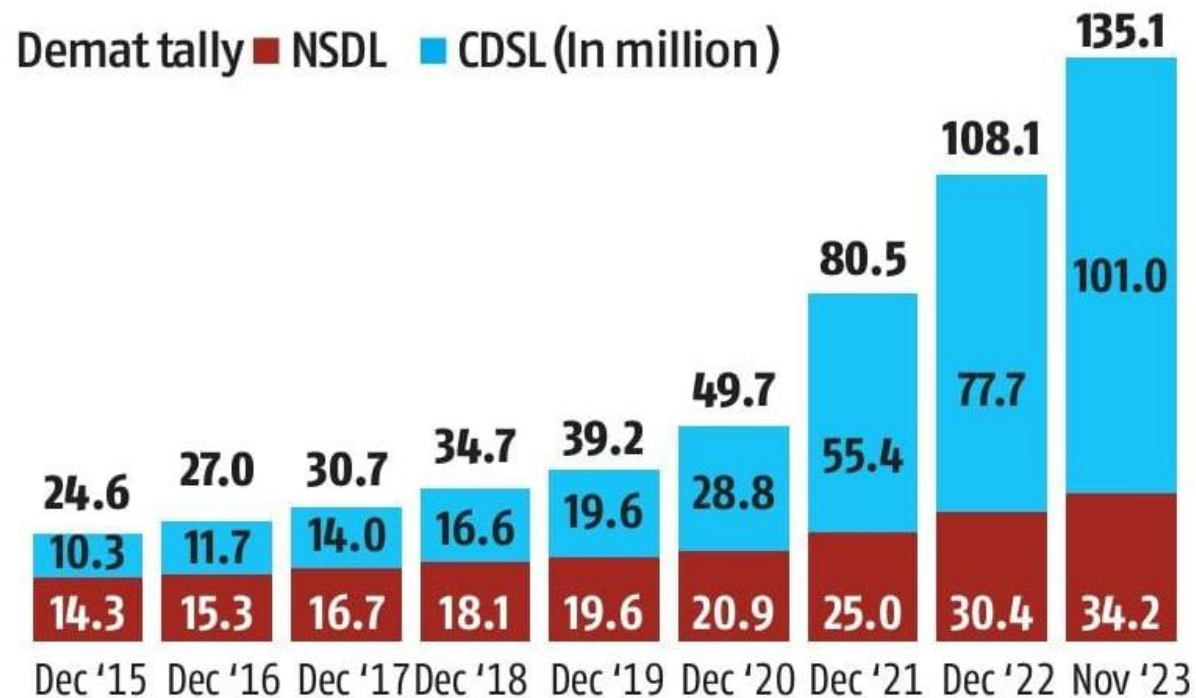


5. How will the Retail behave?

- Retail participation in the Indian equity market has been a strong counter force to phases of intense selling by FIIs
- This participation has come directly by way of rise in number of demat accounts which now stands at 135 million and also through contributions to mutual funds and insurance plans
- In the current year DIIs bought a net of Rs 1.84 trillion of equity
- The monthly subscription to SIPs now stands at Rs 17000 crs which has grown month on month even during turbulent phases of the markets
- This year saw a vibrant IPO market also and many of them listed a steep premium to issue. This also vetted the retail interest in the markets
- We expect retail interest to be strong in 2024 also.

A. Direct Equity participation strengthens

Active Clients (in million) – Saw ~2.7crs new Demat accounts



Source: CDSL, NSDL, Business Standard

New investors additions from new regions

EQUITY RUSH

Top 10 states in terms of investor addition

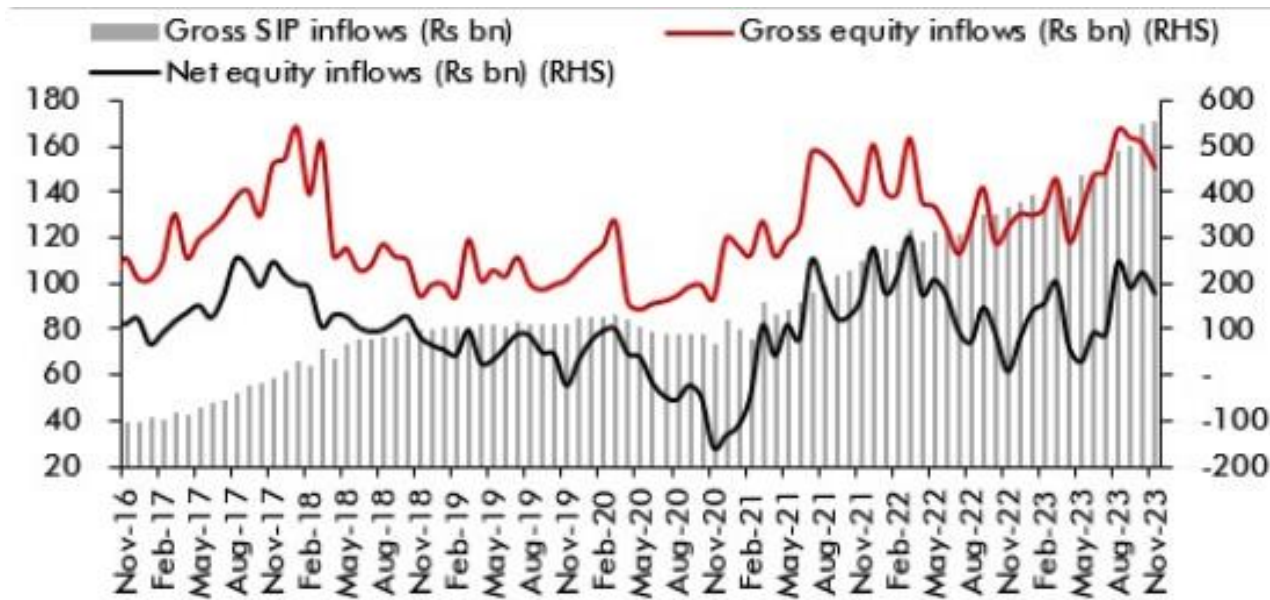
| | Additions in 2023* (mn) | % Y-o-Y growth** |
|----------------|-------------------------|------------------|
| Uttar Pradesh | 2.31 | 33.80 |
| Maharashtra | 2.18 | 16.90 |
| Gujarat | 1.13 | 17.20 |
| Rajasthan | 0.99 | 25.60 |
| West Bengal | 0.97 | 24.50 |
| Madhya Pradesh | 0.90 | 28.90 |
| Bihar | 0.88 | 36.60 |
| Tamil Nadu | 0.82 | 20.40 |
| Karnataka | 0.74 | 18.50 |
| Delhi | 0.62 | 18.90 |
| Total | 15.69 | 22.40 |

*As on Dec 25; **In terms of total investor count compared to Dec 2022

Source: NSE

B. Mutual Fund flows and SIP to support markets during correction

Net inflows by Mutual funds at ~18k crs. SIP Flows rose to ~17,100 crs



Source: Ambit Research, AMFI

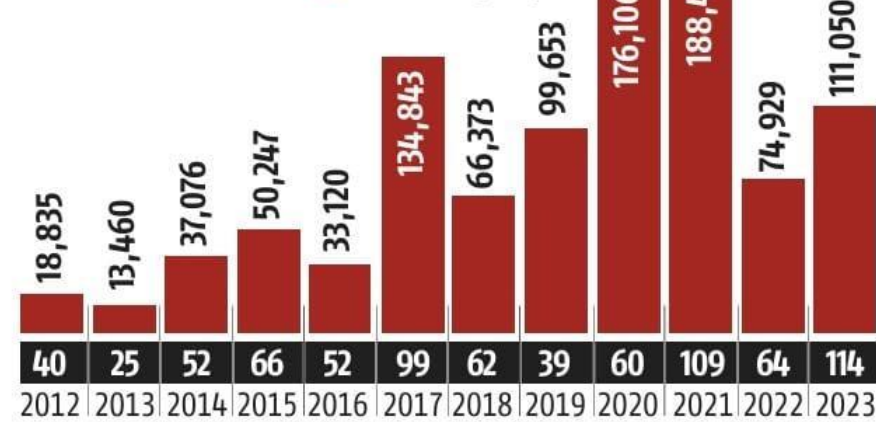
Net Equity Mutual Funds Inflows of ~1.5 lakh crores over the last 12 months

C. Bountiful year for IPOs

PUBLIC OFFERINGS

IPOs + Rights + QIPs

■ Number of issues ■ Amount (₹ cr)



The number of IPOs issued swelled in 2023, but the pipeline was dominated by smaller-sized issues and the overall fund-raising improved compared to the last year

Compiled by BS Research Bureau

2024 promises to be another interesting year with a large number of IPOs such as Oyo, OLA and others lined up



BSE IPO INDEX



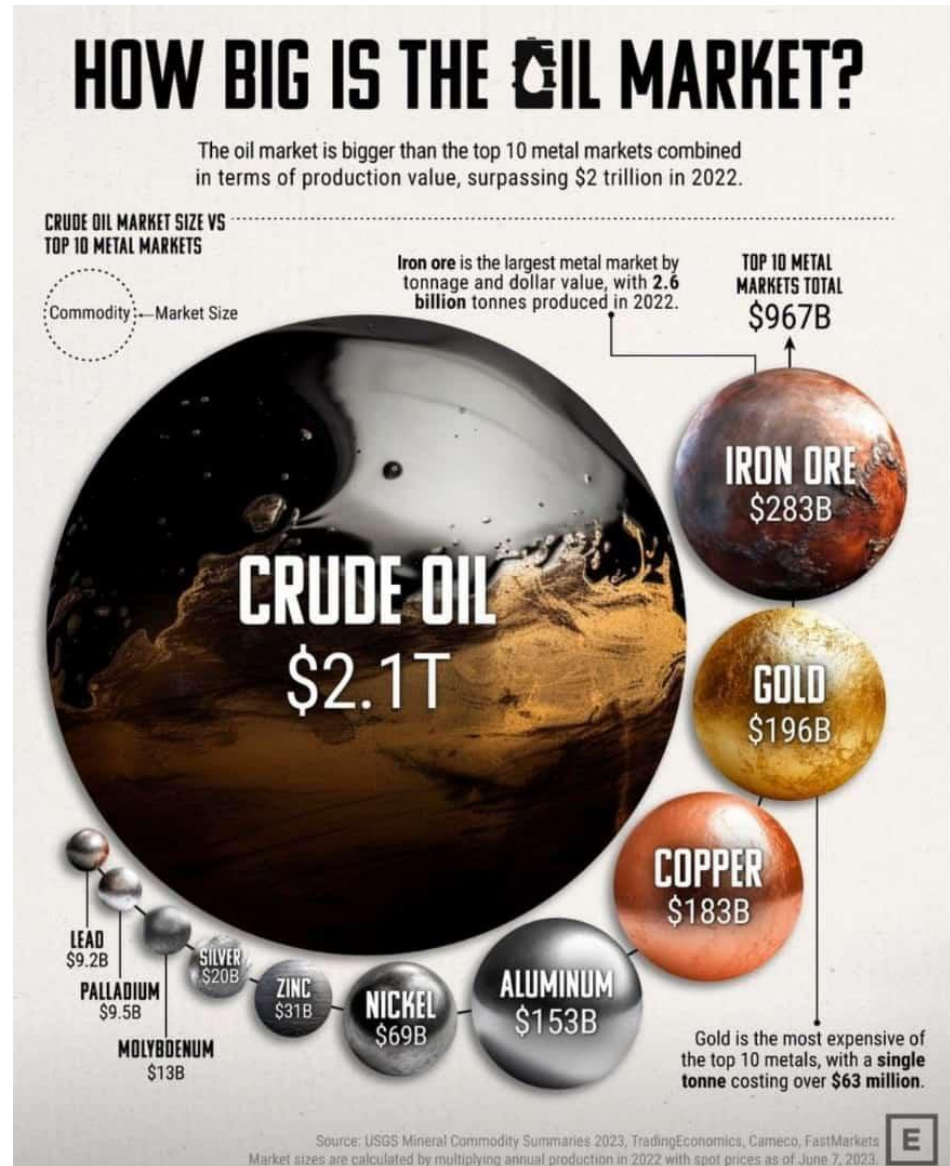
| Company Name | Listing Day Gain | Return Since Listing Day | Return from Issue Price |
|--|------------------|--------------------------|-------------------------|
| Indian Renewable Energy Development Agency | 87.5% | 71.4% | 221.3% |
| Cyient DLM | 58.8% | 60.4% | 154.6% |
| Netweb Technologies India | 82.1% | 30.4% | 137.5% |
| Tata Technologies | 162.9% | -10.2% | 136.0% |
| SignatureGlobal India | 19.1% | 91.4% | 127.9% |
| Senco Gold | 27.7% | 72.0% | 119.8% |
| Vishnu Prakash R Punglia | 47.4% | 48.0% | 118.1% |
| Utkarsh Small Finance Bank | 91.8% | 12.3% | 115.4% |
| EMS | 32.6% | 51.7% | 101.1% |
| Concord Biotech | 27.1% | 56.3% | 98.6% |
| Sah Polymers | 37.3% | 42.3% | 95.4% |
| Plaza Wires | 48.6% | 25.0% | 85.7% |
| Mankind Pharma | 31.9% | 39.2% | 83.6% |
| Motisons Jewellers | 84.0% | -3.0% | 78.5% |
| JSW Infrastructure | 32.2% | 32.4% | 75.0% |
| Divgi TorqTransfer Systems | 2.6% | 62.1% | 66.2% |
| Gandhar Oil Refinery (India) | 78.4% | -9.5% | 61.5% |
| DOMS Industries | 68.5% | -6.0% | 58.3% |
| SBFC Finance | 61.8% | -3.0% | 56.8% |
| R R Kabel | 15.6% | 31.3% | 51.8% |
| Protean eGov Technologies | 11.5% | 35.9% | 51.5% |
| Jupiter Life Line Hospitals | 46.3% | 1.4% | 48.3% |
| Manoj Vaibhav Gems 'N' Jewellers | 0.3% | 47.8% | 48.3% |
| HMA Agro Industries | | | |
| Aeroflex Industries | | | |
| Global Surfaces | 22.1% | 5.3% | 28.5% |
| Avalon Technologies | -8.8% | 38.7% | 26.4% |
| Yatharth Hospital & Trauma Care Services | 0.0% | 25.8% | 25.8% |
| Sai Silks (Kalamandir) | 10.3% | 12.3% | 23.9% |
| Valiant Laboratories | 20.8% | 2.5% | 23.7% |
| IdeaForge Technology | 92.8% | -35.9% | 23.5% |
| Cello World | 22.2% | -0.6% | 21.5% |
| Happy Forgings | 21.2% | -0.1% | 21.1% |
| Innova Captab | 21.7% | -0.7% | 20.8% |
| Ratnaveer Precision Engineering | 37.1% | -14.1% | 17.8% |
| Pyramid Technoplast | 5.9% | 9.6% | 16.0% |
| RBZ Jewellers | 5.0% | 10.2% | 15.8% |
| India Shelter Finance Corporation | 10.2% | 4.6% | 15.3% |
| Flair Writing Industries | 48.9% | -23.0% | 14.7% |
| ESAF Small Finance Bank | 15.1% | -0.5% | 14.5% |
| Updater Services | -5.4% | 18.7% | 12.3% |
| IKIO Lighting | 41.7% | -21.2% | 11.7% |
| Udayshivakumar Infra | -10.0% | 22.4% | 10.1% |
| IRM Energy | -6.3% | 13.8% | 6.6% |
| Blue Jet Healthcare | 14.4% | -7.0% | 6.4% |
| Credo Brands Marketing | 11.6% | -6.7% | 4.1% |
| ASK Automotive | 10.0% | -6.4% | 3.0% |
| Yatra Online | -4.3% | 6.4% | 1.8% |
| TVS Supply Chain Solutions | 2.0% | -1.4% | 0.6% |
| Fedbank Financial Services | 0.0% | -2.8% | -2.8% |
| Radiant Cash Management Services | 11.4% | -14.9% | -5.3% |
| Suraj Estate Developers | -7.1% | -1.1% | -8.2% |
| Muthoot Microfin | -8.5% | -5.7% | -13.7% |

6. Commodity prices:

- Commodity prices have softened significantly following a slowdown in China and Europe
- Surprisingly despite the Israel – Hamas conflict, crude prices have come off
- We expect commodity prices to remain soft as long as there is uncertainty over the recovery of the US and European region
- We expect this trend to start reversing in the second half of 2024 as we start seeing confirmation of an enduring recovery in global economy and China stabilising after its recent course correction.

Commodity Returns(%) in 2023

| Commodity | Return (1Yr) |
|-----------------|--------------|
| IBrent Crude | -6.35% |
| LME Aluminum | -0.87% |
| LME Copper | 1.67% |
| LME Nickel | -45.13% |
| DCE Iron Ore | 24.17% |
| SHF Steel Rebar | 0.15% |
| Spot Gold | 13.67% |
| ICE Cotton | -1.98% |
| ICE Sugar | 1.43% |



Commodity outlook

| Commodity | Price Trends | Upside risks | Downside risks |
|-----------|--|---|---|
| Energy | <p>Energy Price Index Jan 2020-Oct 2023 2010=100</p> | Deepening crude oil supply cuts by OPEC+ | Lower demand amid weaker global economic growth, rising efficiency and demand reduction efforts |
| | | Gas supply disruptions due to labour strikes in Australia and maintenance in Norway | Favourable levels of gas storage in Europe |
| | | Potential soft landing in the US, leading to higher demand | Weaker-than-expected economic recovery in China |
| Food | <p>Food Price Index Jan 2020-Oct 2023 2010=100</p> | Intensifying El Niño conditions and extreme weather events | Weaker consumer demand amid persisting cost-of-living pressures |
| | | Elimination of Black Sea grain deal, lower supply from Ukraine | Higher supply on greater harvests and plantings |
| | | Export restrictions, such as curbs of rice exports from India | Normalising input costs |
| Metals | <p>Metals Price Index Jan 2020-Oct 2023 2010=100</p> | Geopolitical risks and supply disruptions | Lower demand due to economic slowdown in China |
| | | Accelerating demand for EV metals | China's real estate sector problems |
| | | Reduction of steel production capacity in Europe | Tighter monetary policies and slowing capital spending |

Source: Euromonitor International from World Bank

Note: Data from September 2023 are forecast

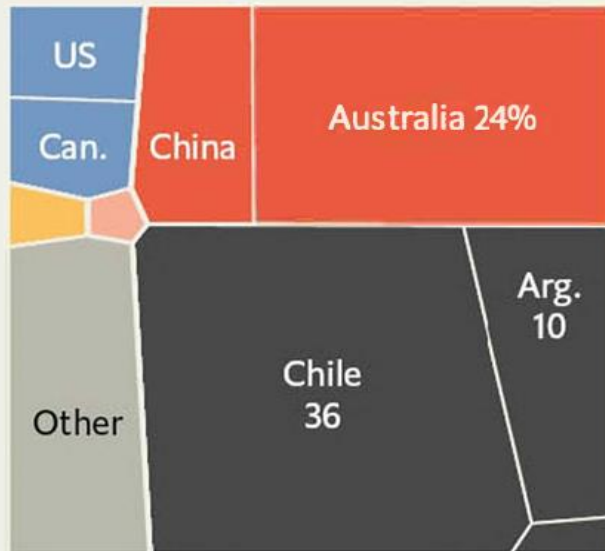
Ore reserves worldwide

Oresome

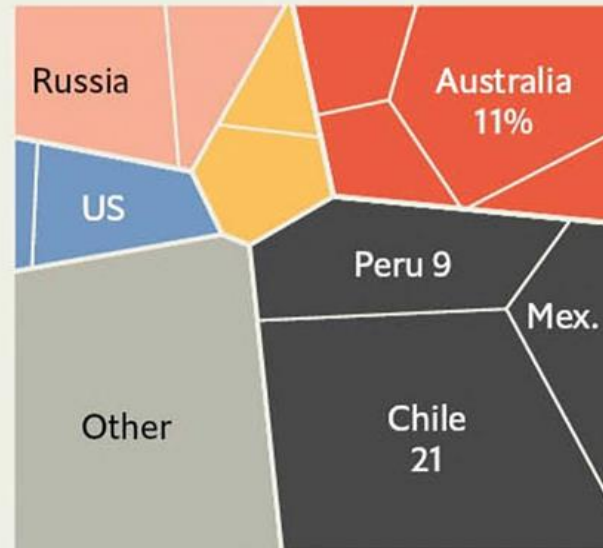
Share of global reserves, Jan 2023, %

■ Asia Pacific ■ Europe ■ Latin America ■ North America ■ Africa

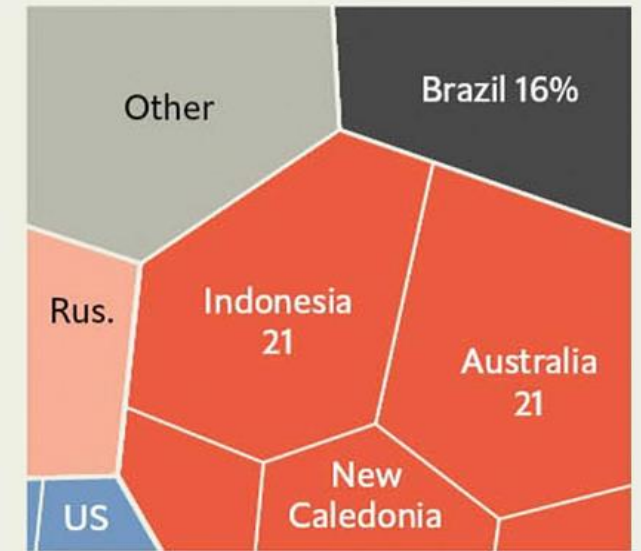
Lithium Total 26m tonnes



Copper 890m tonnes



Nickel 102m tonnes

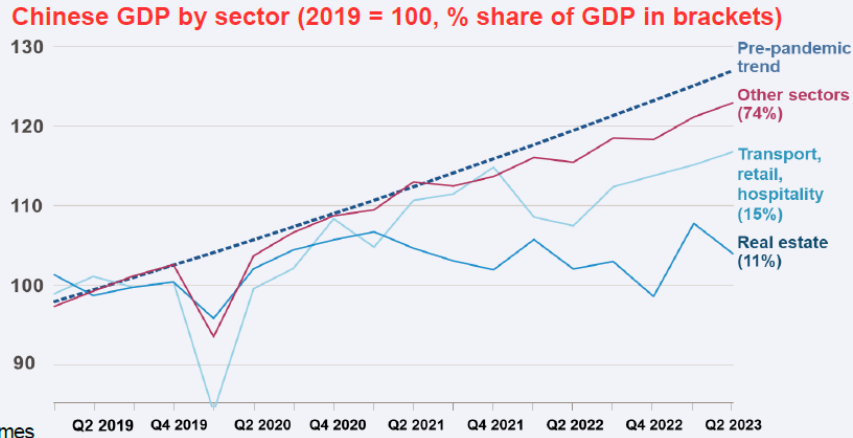


Source: USGS

Largest consumers such as US and China are deficient in terms of reserves of key commodities.

7. China's Resurgence: Possible or not?

Exhibit 1: The Adjustment in Real Estate has Largely Driven Economic Slowdown



- The Chinese economy has experienced severe challenges since 2022 particularly in the real estate sector
- It directly accounts for 11% of GDP which has far underperformed

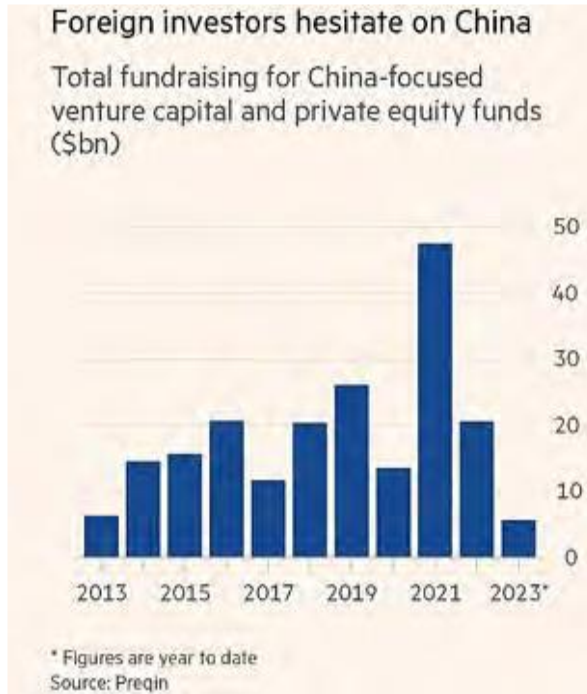
- While the property sector is the biggest drag on the economy, its woes may be tapering off
- The chart shows the sector's negative contribution to GDP growth has narrowed from about 4% in 2022 to less than 2% in 2023

Exhibit 2: Property is Biggest Drag on Growth but its Woes May be Tapering Off

Contribution of Property-related Activities to GDP Growth (% points)



7. China's Resurgence: Possible or not?

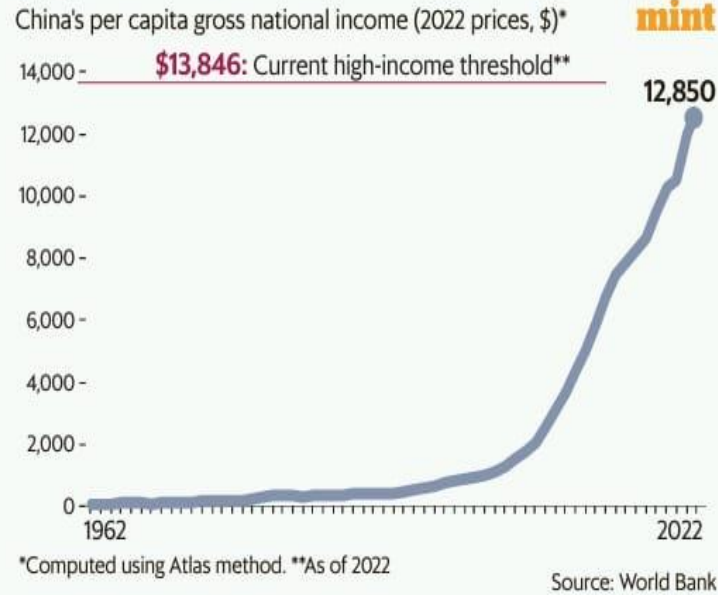


China's Resurgence: Possible or not?

3 China at 75

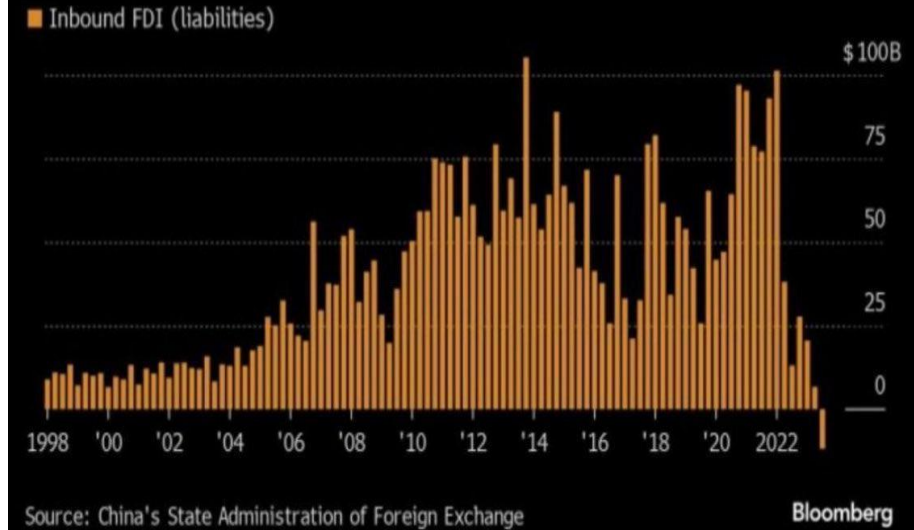
CHINA WILL complete 75 years in its current form, that of a one-party communist regime, on 1 October. In 1949, Mao Zedong proclaimed the formation of the People's Republic of China at Beijing's Tiananmen Square, bringing to an end a two-decade-long civil war between the Communist Party of China and the Kuomintang. The country's economy has been on an extraordinary growth trajectory since the 1980s, intimidating the West and gaining sway over the global south—even as concerns remain over its restrictive regime. China is now an upper-middle-income country and close to the high-income status. But its economy has struggled to rebound since it dropped its strict zero-covid curbs. Worryingly, the country also stares at a declining and fast-ageing population. The next 75 years may not be the same for the mighty Chinese juggernaut.

Close enough: China could soon be a 'high-income' nation



China FDI measure turns negative for first time since 1998

Balance of payments data shows decline in third quarter

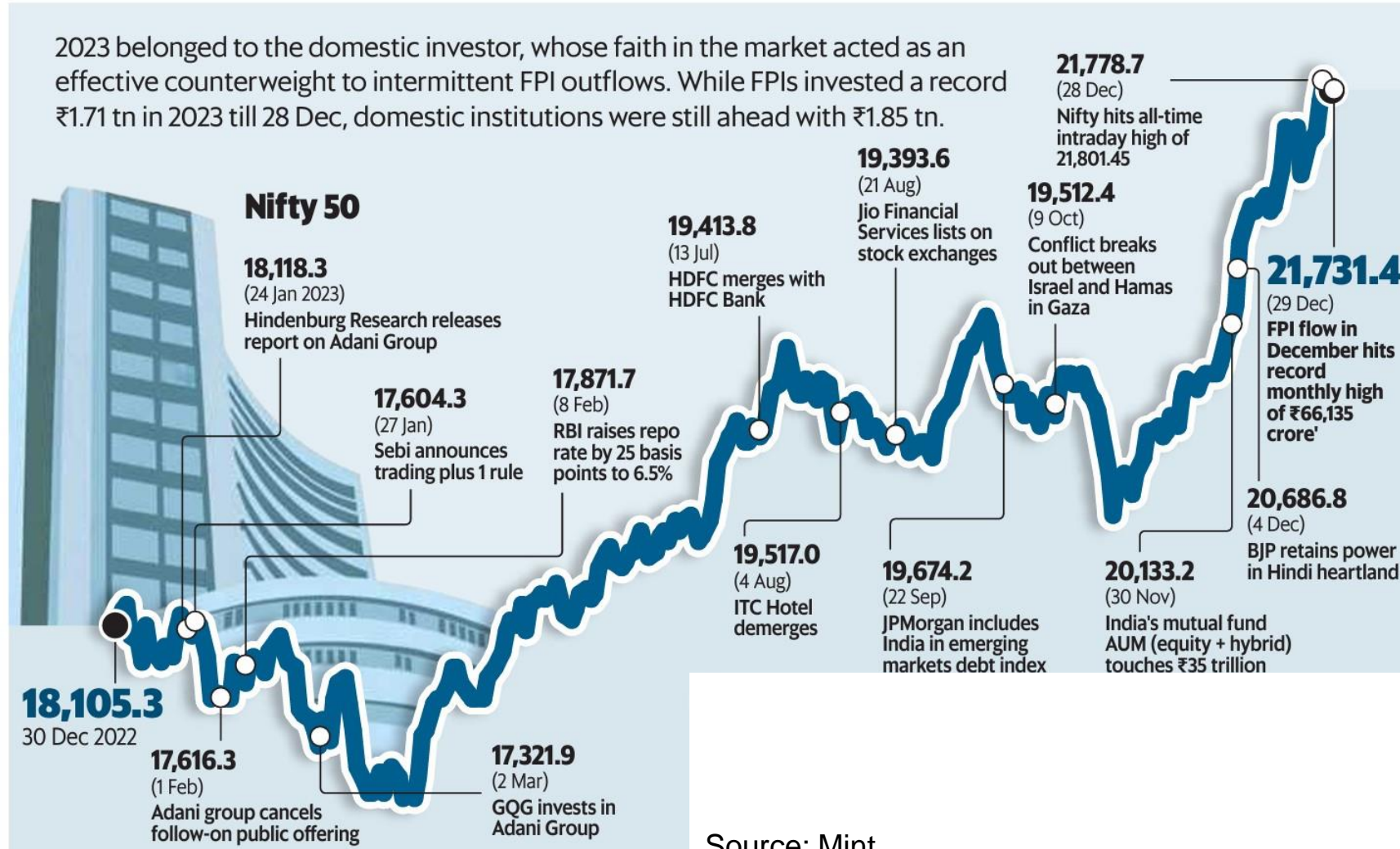


8. Brace for volatility

- 2023 has shown us that we should be prepared for the unexpected anytime
- World is going through a turbulent times with two hotspots of regional conflict – Russia – Ukraine, Israel-Hamas. One cannot rule out some more hotspots emerging in 2024
- Interest rate expectations have occupied much of the narrative in all markets. Time will decide if we actually see rate cuts in 2024
- Locally, elections are bound to create turbulence in the markets – both before and after the event
- China's hard landing and US soft landing will decide how smooth are the economic winds flowing across nations

Nifty has seen a turbulent year in 2023

2023 belonged to the domestic investor, whose faith in the market acted as an effective counterweight to intermittent FPI outflows. While FPIs invested a record ₹1.71 tn in 2023 till 28 Dec, domestic institutions were still ahead with ₹1.85 tn.



Source: Mint

Elections and market volatility

Pre-election 'rally' isn't limited to just the political arena

Nifty 50 returns before/after election results (%) **mint**

| | 6 months prior | 1 month after | 3 months after | 6 months after |
|------|----------------|---------------|----------------|----------------|
| 1991 | 4 | 8 | 38 | 36 |
| 1996 | 14 | 4 | -5 | -19 |
| 1998 | -2 | 5 | -7 | -23 |
| 1999 | 36 | -2 | 16 | 4 |
| 2004 | 9 | -12 | -7 | 9 |
| 2009 | 31 | 23 | 25 | 38 |
| 2014 | 19 | 5 | 8 | 16 |
| 2019 | 11 | 1 | -7 | 2 |

Source: Motilal Oswal report

- Past years have shown that markets tend to be volatile in election years
- This election will see a lot of rhetoric and the Opposition will try its best to embarrass the Government in any possible way they can
- We can expect the market to be more stable in the post election phase.
- Much will also depend if the Government is able to present a full Budget in February or will it be just a vote on account.

9. Real Estate market to stay robust in 2024



Source: Anarock, cnbctv18

| Trends in Grade A gross absorption (in million sq feet) | | | | |
|---|------|------|------------|--------------------------------------|
| City | 2023 | 2022 | YoY change | Share of Q4 in 2023 gross absorption |
| Bengaluru | 15.6 | 16.2 | -4.20% | 35% |
| Delhi-NCR | 11.6 | 10.8 | 7.00% | 27% |
| Chennai | 10.5 | 4.6 | 131.00% | 40% |
| Hyderabad | 8 | 6.5 | 22.70% | 34% |
| Mumbai | 7 | 7.1 | -1.20% | 38% |
| Pune | 5.5 | 5.1 | 8.90% | 36% |
| Pan India | 58.2 | 50.3 | 15.70% | 35% |

Source: Colliers India

Source: Colliers

- 2023 saw strong sales in Homes with top 7 cities seeing 31% growth in units sold. Sales acceleration came from premium segment
- Residential market to see some slowdown in growth vs. what was seen in CY23. However Sales momentum is expected to remain strong with growth being volume driven.
- Demand for Commercial Real estate ended on a strong note in 2023. Bangalore saw a dip which was more than absorbed by other Tier -1 cities
- See strong growth in Commercial Real estate in 2024 – Key drivers being a) Global capability centers b) Flex space, Co-working spaces c) Growth from Industrial and Manufacturing sector

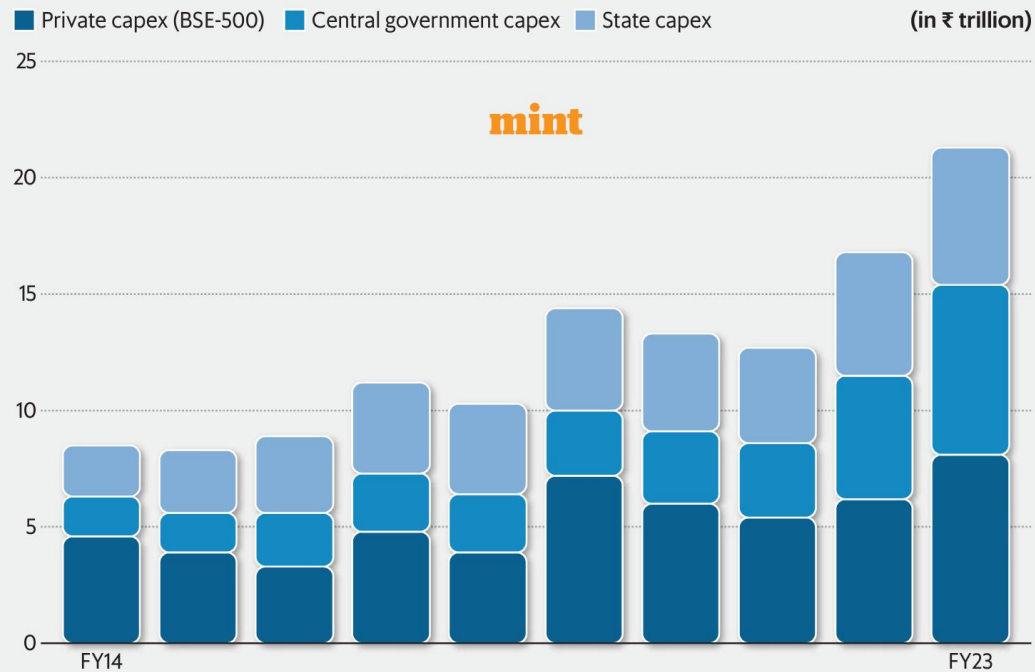


10. Emerging Themes

A. Capital Goods

Holding the fort

Government capex has been on the rise lately, whereas private capex has been more selective



Source: Budget documents, Capitaline, Motilal Oswal Financial Services

PRANAY BHARDWAJ/MINT

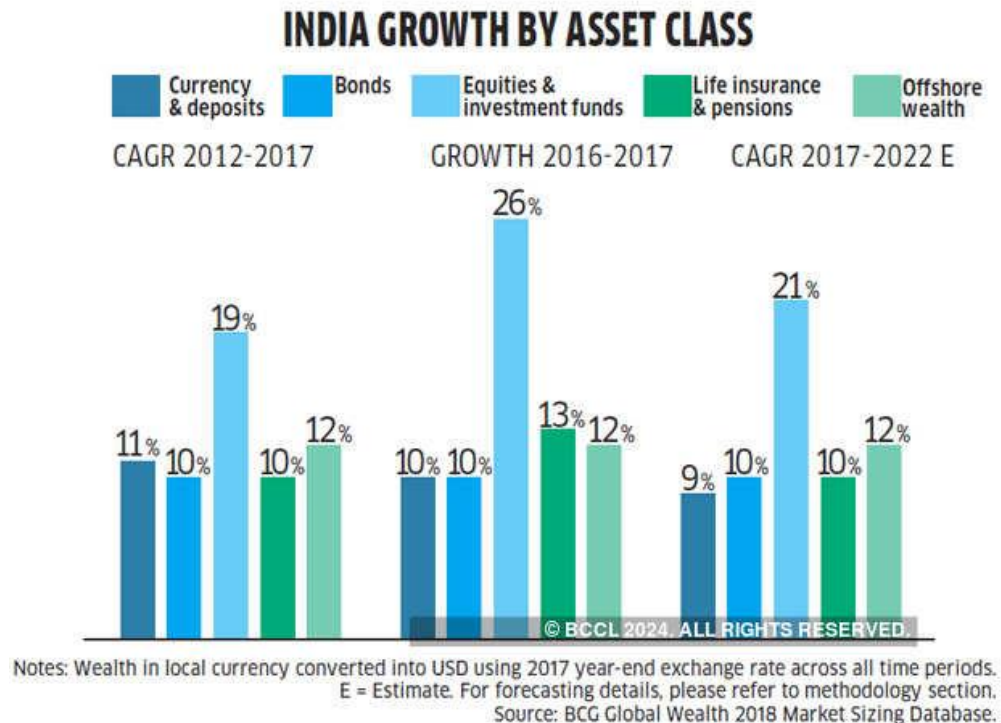
- In CY23, the government's support in terms of improved policies, budget allocation and big orders from government owned entities has worked wonders.
- Also, capital goods, engineering and infrastructure companies have seen sharp rise in their share prices due to government's focus on infrastructure development
- The Capital Good firms showed tremendous agility which helped them complete their tasks before deadlines.
- For FY24, the demand for capital goods will continue to spurge as it is not driven by conventional capex but by transformational capex.
- The target production size of capital goods will be \$112 Bn by 2025.

B. PSU



- In 2023, the collective market value of 65 public sector undertakings (PSUs) witnessed a remarkable 45 per cent upswing during the year, aligning with the broader market trends.
- Over the past few years, PSUs have transformed themselves into better and more sustainable franchisee. With consistent earnings normalization, controlled credit costs and healthy asset quality, earnings for PSUs are expected to grow at a more sustainable pace.
- PSUs have demonstrated significant improvements in their operating parameters and the combined profitability.
- The PSU theme is likely to see an uptrend even in 2024 as expectations of a stable political regime have increased immensely in India.

C. Market Participants and Wealth Management



- India's economy stands as one of the fastest-growing major economies worldwide. This remarkable growth is spawning fresh investment opportunities that wealth management firms are keen to explore and leverage.
- Increasing income levels in India have expanded the accessibility of investments to a broader spectrum of investors, encompassing high-net-worth individuals (HNIs) and ultra-high-net-worth individuals (UHNIs).
- The rise in demat accounts since Covid reflects a lasting trend, driven by the youth's preference for equities.

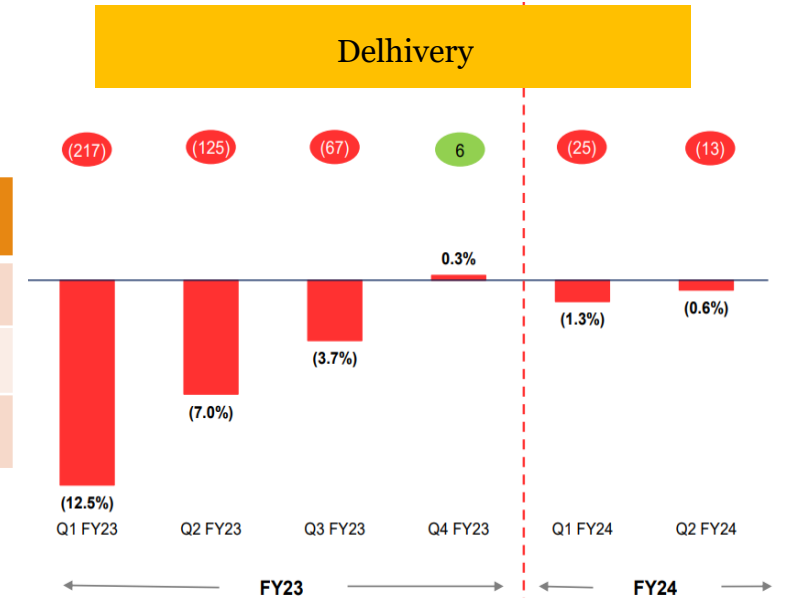
D. New Age companies – Focus on Path to Profitability

Zomato – profitability improving across businesses

| Adjusted EBITDA | | | | | |
|---------------------------------------|---------------------------|-------------|-------------|-----------|-----------|
| INR crore, unless otherwise mentioned | Q2FY23 | Q3FY23 | Q4FY23 | Q1FY24 | Q2FY24 |
| Food delivery | 2 | 23 | 78 | 181 | 204 |
| Hyperpure (B2B supplies) | -53 | -53 | -45 | -35 | -34 |
| Quick commerce ⁽¹⁾ | -132 ⁽¹⁾ | -227 | -203 | -133 | -125 |
| Going-out | -11 | -7 | -2 | 3 | 1 |
| Others | 2 | -2 | -3 | -4 | -5 |
| Adjusted EBITDA | -192⁽¹⁾ | -265 | -175 | 12 | 41 |
| as a % of Adjusted Revenue | -9% | -11% | -7% | 0.4% | 1% |

PB Fintech – turnaround in margins

| | Q2FY22 | Q2FY23 | Q2FY24 |
|---------------------|--------|--------|--------|
| Revenues | 280 | 573 | 812 |
| Contribution Margin | 29% | 24% | 30% |
| Adj EBITDA % | -25% | -9% | 2% |

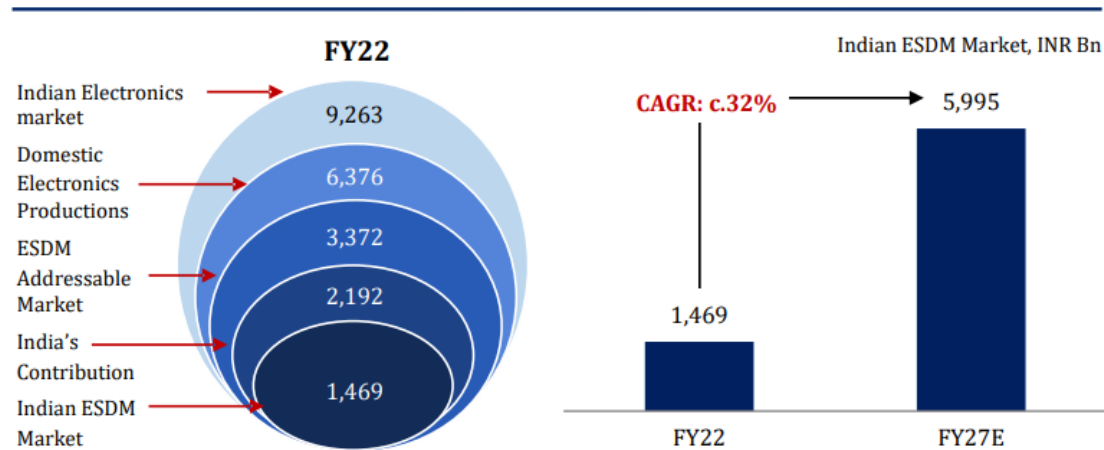


Source: Company presentation – Zomato, PB Fintech, Delhivery

- Have seen New age companies focusing on cash conservation and achieving profitability – this trend is seen across e-commerce, Fintech, Logistics and Digital Technology companies
- Funding winter in Private markets for unlisted players on the back of caution by VCs and Private Equity players has played out well for listed New age companies. We have seen contribution margins and path to profitability here.
- Have also seen strong institutional interest for new age digital and SaaS companies promoted by technocrats, private as well as government held institutions

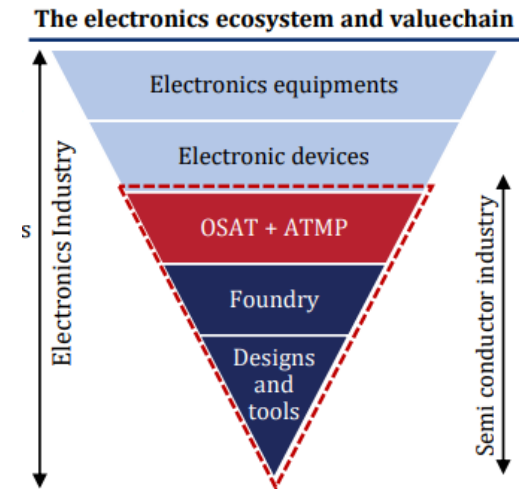
E. EMS – Still has many legs to grow

Indian EMS market to see strong growth over the next 4 yrs



ESDM*: Electronic System Design & Manufacturing. Source: MeiTY, Frost & Sullivan, Kaynes

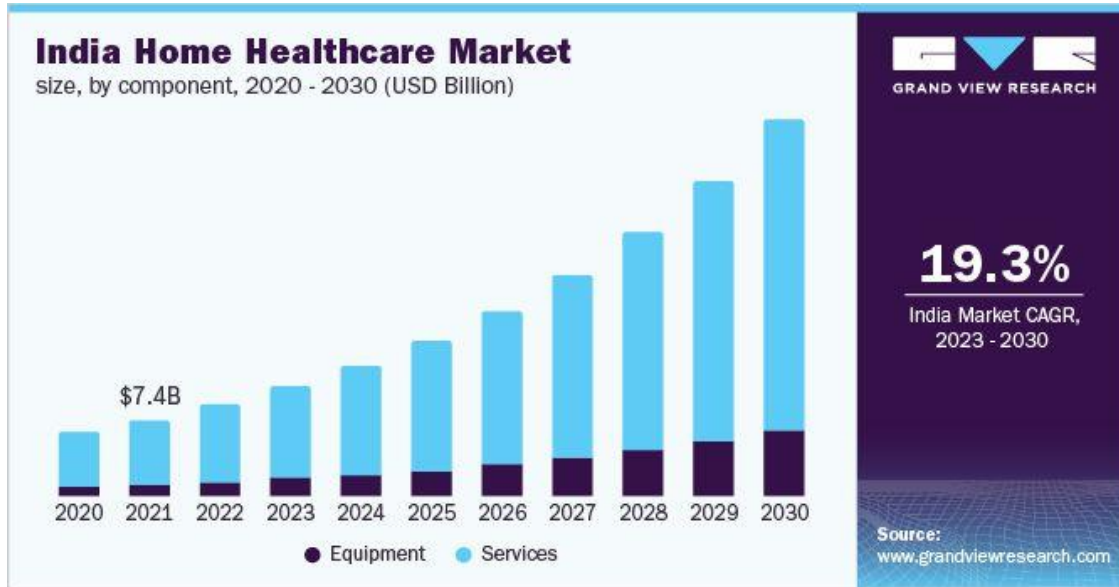
OSAT industry in a sweet spot for Indian EMS players



OSAT: Outsourced Semiconductor Assembly and testing. ATMP: Assembly, Testing, Marking and Packaging

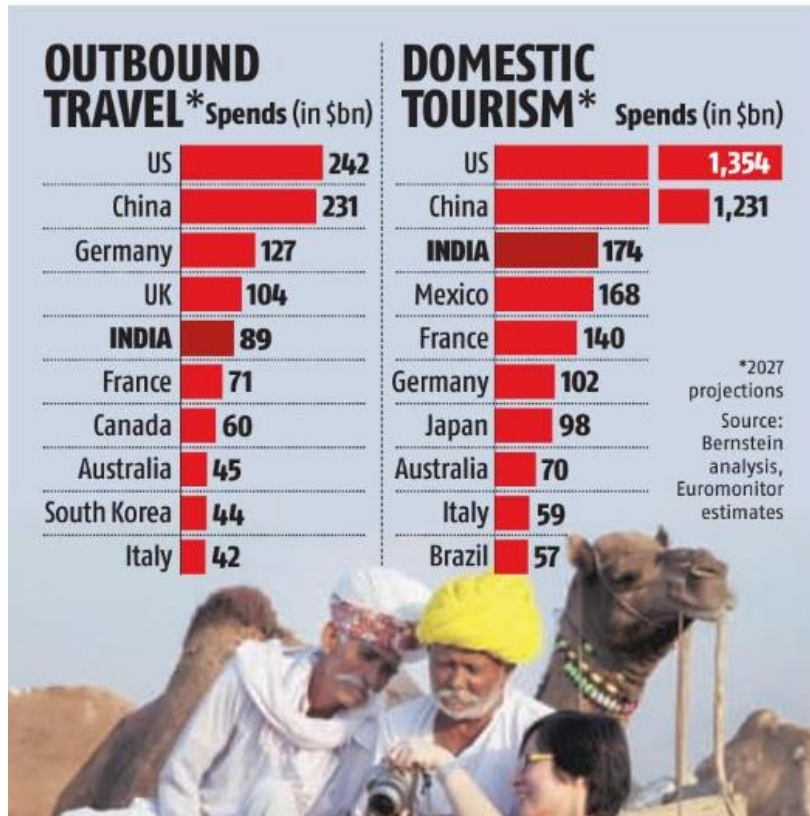
- We saw strong tailwinds and growth in growth in the India EMS (Electronic Manufacturing Services) industry. The stage is set for robust growth in the coming years on the back a) Strong government support b) Strong end market growth from Automotive electronics, Data centers, Aerospace, Defence and Electronics consumption
- Technology tie ups with leading global semiconductor players to further drive growth. We could see India emerging as a key partner for Electronic components manufacturing and assembly in the coming years

F. Healthcare



- Many tailwinds for the industry - rise in footfalls , strong volume growth in diagnostic space , focus on changing payor mix , growing medical tourism.
- The industry is undergoing a strong growth in capacity in existing facilities & setting up new facilities.
- Will see mid double - digit volume growth and ~100-200bps margin expansion in FY24 due to change in payor mix & revival of elective surgeries

G. Tourism



- The tourism sectors was one of the winning sectors aided by hospitality & hotels , growing demand in travel & rise in disposable incomes.
- Growth was also led by premiumization across consumers.
- With strong demand for tourism led by cheaper travel cost, better network expansion amongst different transportation modes & higher increase incomes, the industry is likely to witness double digit volume growth & high margins in FY24
- Post Covid India has seen a surge in both inbound and outbound travel
- It is estimated that Indians will spend \$89 billion in 2027 on outbound travel compared to \$ 38 bn in 2019
- It is estimated that the spend on domestic travel will be \$ 174 billion in 2027 up from \$127 billion in 2019
- Rising income levels, more options and better facilities are seen as contributory factors

H. EV Penetration in India

EV SALES ZOOM PAST 1 MILLION IN 2023

NITIN KUMAR

Electric vehicle (EV) sales in India topped the 1 million mark in less than nine months in 2023, a milestone that took an entire year in 2022.

According to data from the Ministry of Road Transport and Highways' Vahan Dashboard, 1,037,011 EVs were registered with regional transport offices till September 19, accounting for 6.4 per cent of the total automobile sales in the country this year.

The sales surge can be attributed to increased individual purchases as well as business-to-business (B2B) acquisitions by EV fleet operators, industry sources said. Additionally, the Faster Adoption and Manufacturing of (Hybrid &) Electric Vehicles (FAME-II) initiative and the expansion of charging infrastructure have played a significant role in boosting EV adoption, they said.

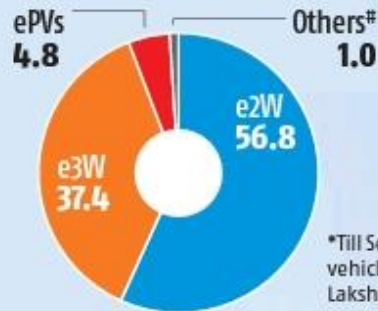
Turn to Page 3 ▶

Record run

Expanding EV presence

| Year | Total vehicles sold | Total EVs sold | EV penetration (%) |
|-------|---------------------|----------------|--------------------|
| 2019 | 24,131,572 | 166,822 | 0.7 |
| 2020 | 18,613,324 | 124,643 | 0.7 |
| 2021 | 18,891,716 | 331,452 | 1.8 |
| 2022 | 21,556,313 | 1,024,778 | 4.8 |
| 2023* | 16,081,652 | 1,037,011 | 6.4 |

Segment-wise share in 2023 EV sales (in %)

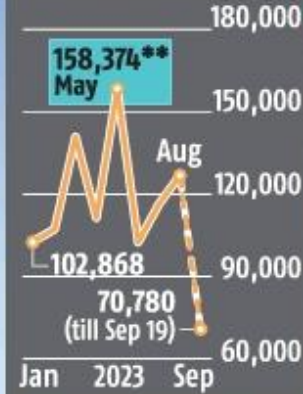


Segment-wise penetration

| Type of vehicles sold | Overall | EVs | 2023* sales Share of total (%) |
|-----------------------|------------|---------|--------------------------------|
| Two-wheeler | 11,291,624 | 588,957 | 5.2 |
| Three-wheeler | 728,684 | 388,043 | 53.3 |
| Passenger vehicle | 2,491,950 | 49,640 | 2.0 |
| Others# | 1,569,394 | 10,371 | 0.7 |

*Till Sept 19; #Goods vehicles, public service vehicles, and special category vehicles; Note: The numbers do not include data from Telangana and Lakshadweep Source: Vahan, Ministry of Road Transport and Highways

Monthly EV sales



Total
1,037,011

**Highest ever monthly sales



Thank You

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