

ASPECTS

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# INDIAN EQUITY MARKETS

NORTHPLAINS CAPITAL PARTNERS LLP



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Northplains Capital Partners LLP

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# MARKET RETURNS

2024 is turning out a profitable year for investors in Indian equity markets with frontline indices providing strong returns over a 1 year and 3 year timeframe.

As of mid November, NIFTY 100 had provided a 1 yr. price return of 23.7%, and a 3 yr. annual return of 9.81%<sup>1</sup> with returns from the broader NIFTY 500 index exceeding those from the NIFTY 100<sup>2</sup>.

Market breadth has been robust, with 90 of the 100 constituents of the NIFTY 100 providing positive annual returns, and only 2 companies with significant negative returns.

Exhibit 1: NIFTY 100 & NIFTY 500 annual returns

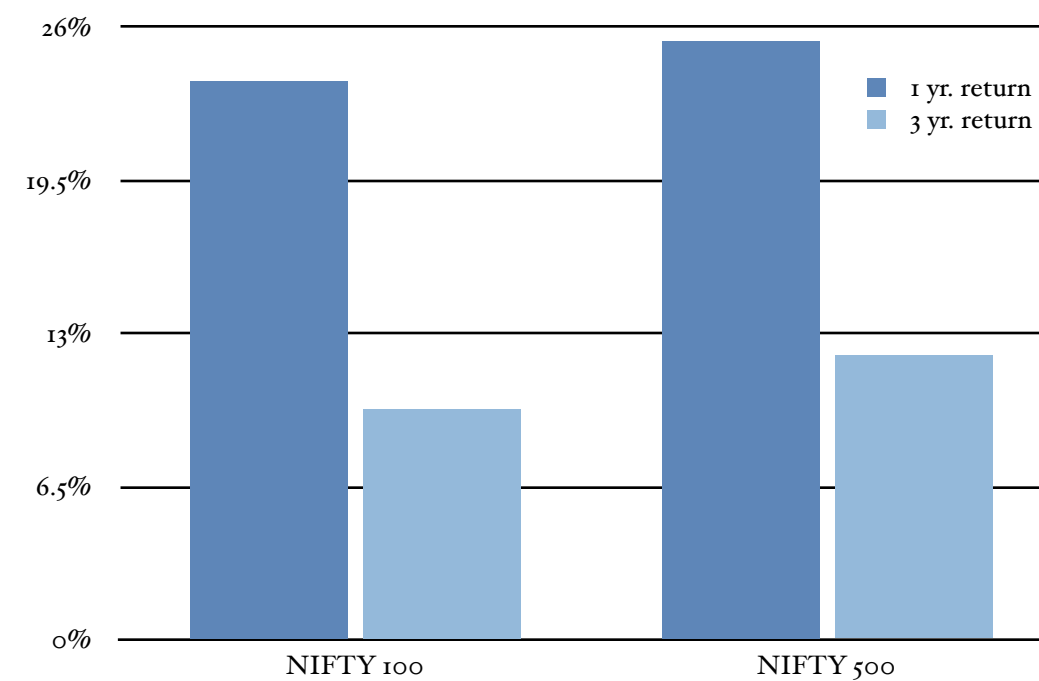
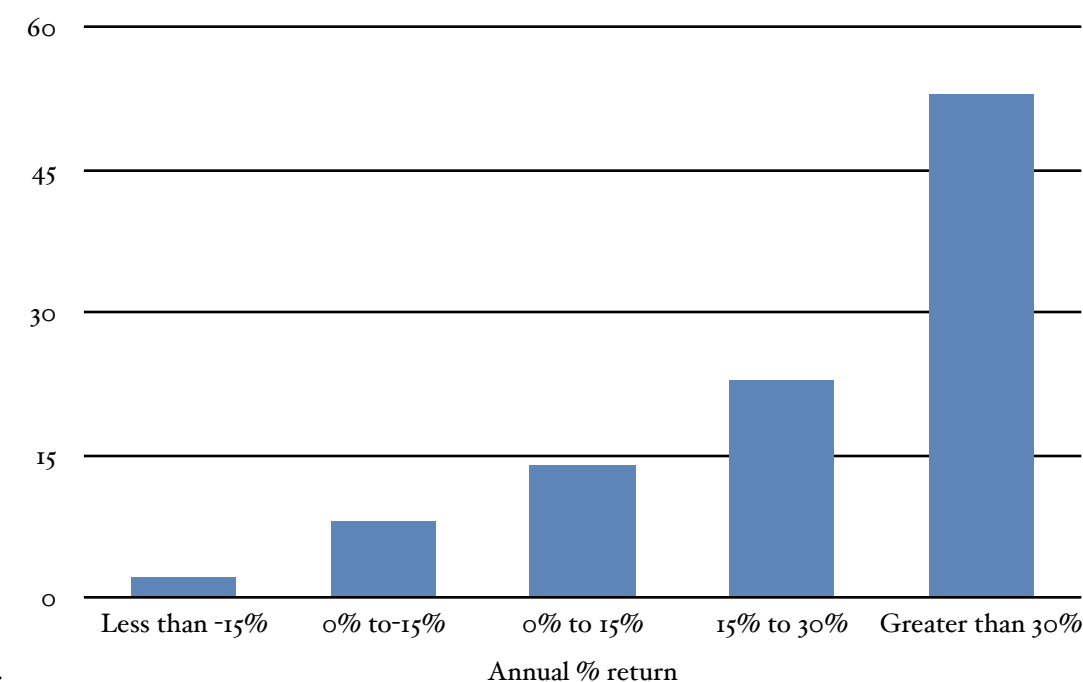


Exhibit 2: NIFTY 100 Constituents annual return distribution



<sup>1</sup> 3 yr. returns for review period impacted by a dip in index values in Nov. '24 and a relatively higher index value in Nov. '21.

<sup>2</sup> NIFTY 100 comprises the largest 100 companies by market capitalisation, across sectors, listed on the NSE. NIFTY 500 represents the top 500 companies based on full market capitalisation. Price only aggregate returns as of 15/11/2024 excluding dividends, taxes or costs of fund management. Source: [niftyindices.com](https://niftyindices.com).

# COMPANY PERFORMANCE

Company performance is an important determinant of market returns and we have summarised aggregate revenue and profit performance for our internal benchmark portfolio (BM portfolio), which is comprised of all companies that were a part of the NIFTY 100 index as of 8/02/2021, held consistently over the review period<sup>3</sup>.

Aggregate BM portfolio revenues in Q2 FY '25, increased by 8.34% relative to the year ago period, and by 12.14% relative to the same quarter 3 years ago.

Reported profits before taxes (PBT) registered a degrowth in the most recent quarter, though relative to the same quarter 3 years ago, PBT grew by 10.48% per year.

Exhibit 3: BM portfolio 1 yr. & 3 yr. revenue growth per year

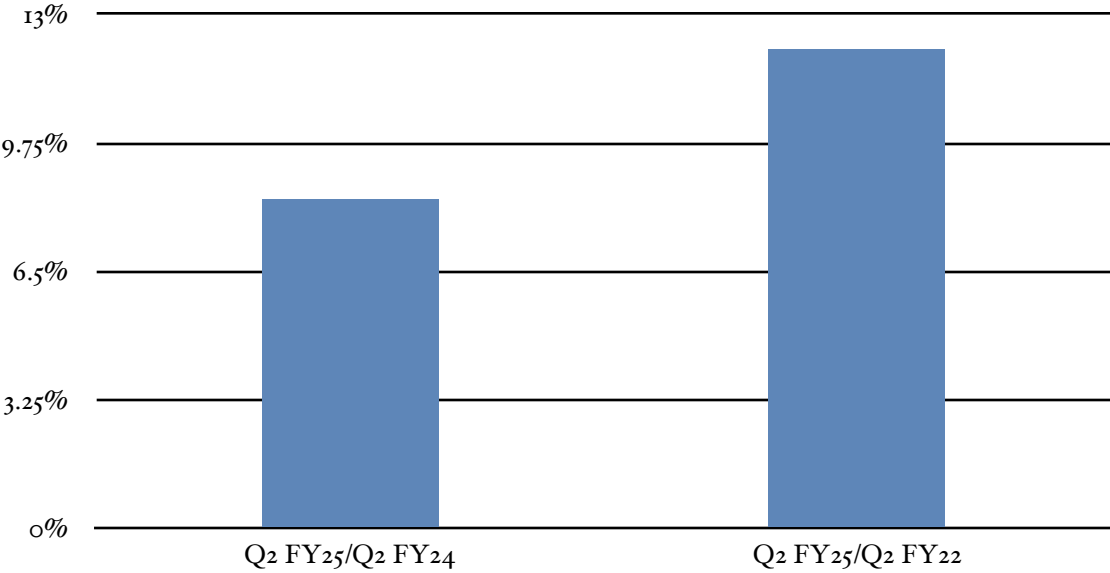
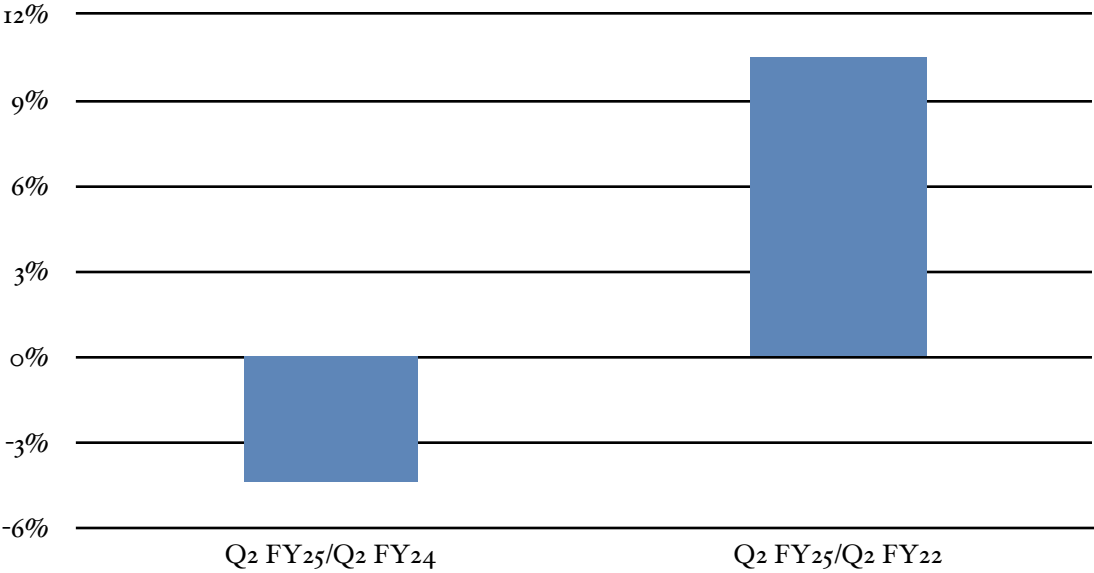


Exhibit 4: BM portfolio 1 yr. & 3 yr. PBT growth per year



<sup>3</sup> While the NIFTY 100 index is periodically refreshed at 6 month intervals or upon specific events, BM portfolio tracks the performance of the same 100 companies that were a part of the NIFTY 100 index on 8/2/2021, on a quarterly basis. For additional information on the BM portfolio and its representativeness as regards the current NIFTY 100 index refer to Appendix 1.A.

# COMPANY PERFORMANCE

Quarterly profits after taxes and adjustments (PAT) recorded a small decline in Q2 FY '25 on a YoY basis, with a growth of 6.64% per year over a 3 year period.

Aggregate annual PAT over the most recent 12 months relative to the PAT over the trailing 12 Mo. as of Q2 FY '24 increased by 8.1%.

PAT as a percentage of sales (PAT%), dipped by 90.5 bps in Q2 FY '25 relative to the year ago quarter and was also lower relative to the 3 year ago period.

Exhibit 5: BM portfolio PAT growth per year

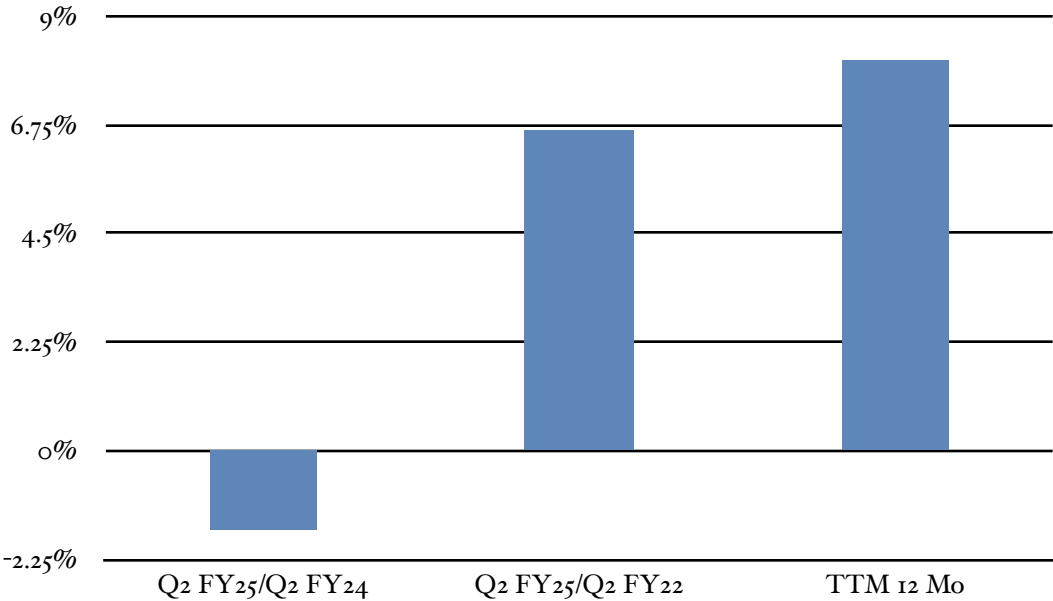
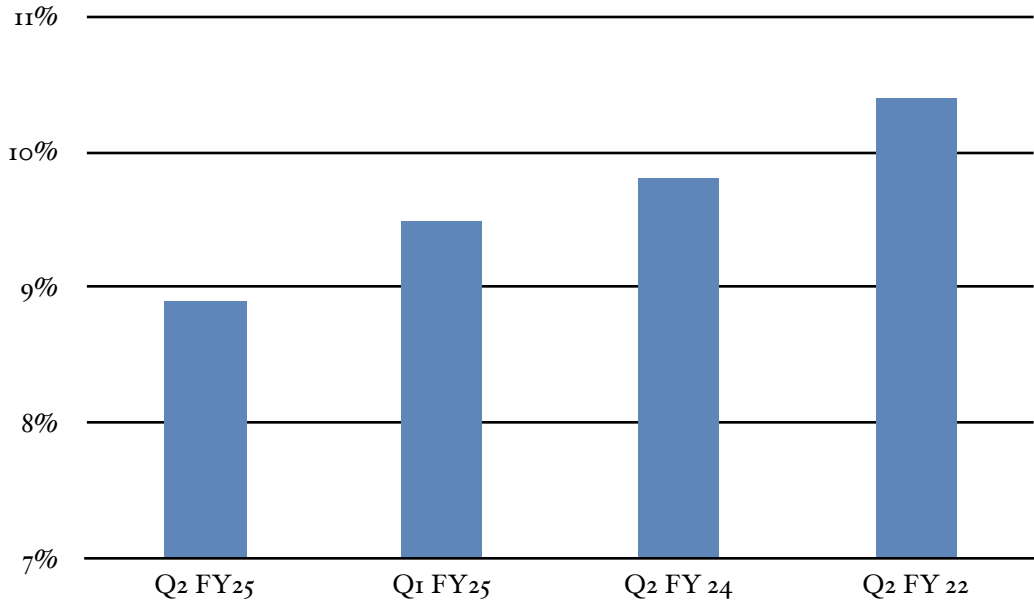


Exhibit 6: BM portfolio PAT% trend





# COMPANY PERFORMANCE

In terms of valuation fundamentals, Price/Trailing 12 Mo. year (Price/TTM) Earnings increased vis a vis the year ago period, but was lower than in the 3 year ago period.

Price/Trailing 12 Mo. revenues was higher than in the year ago period, but lower than in recent past quarters.

Exhibit 7: BM portfolio Price/TTM Earnings

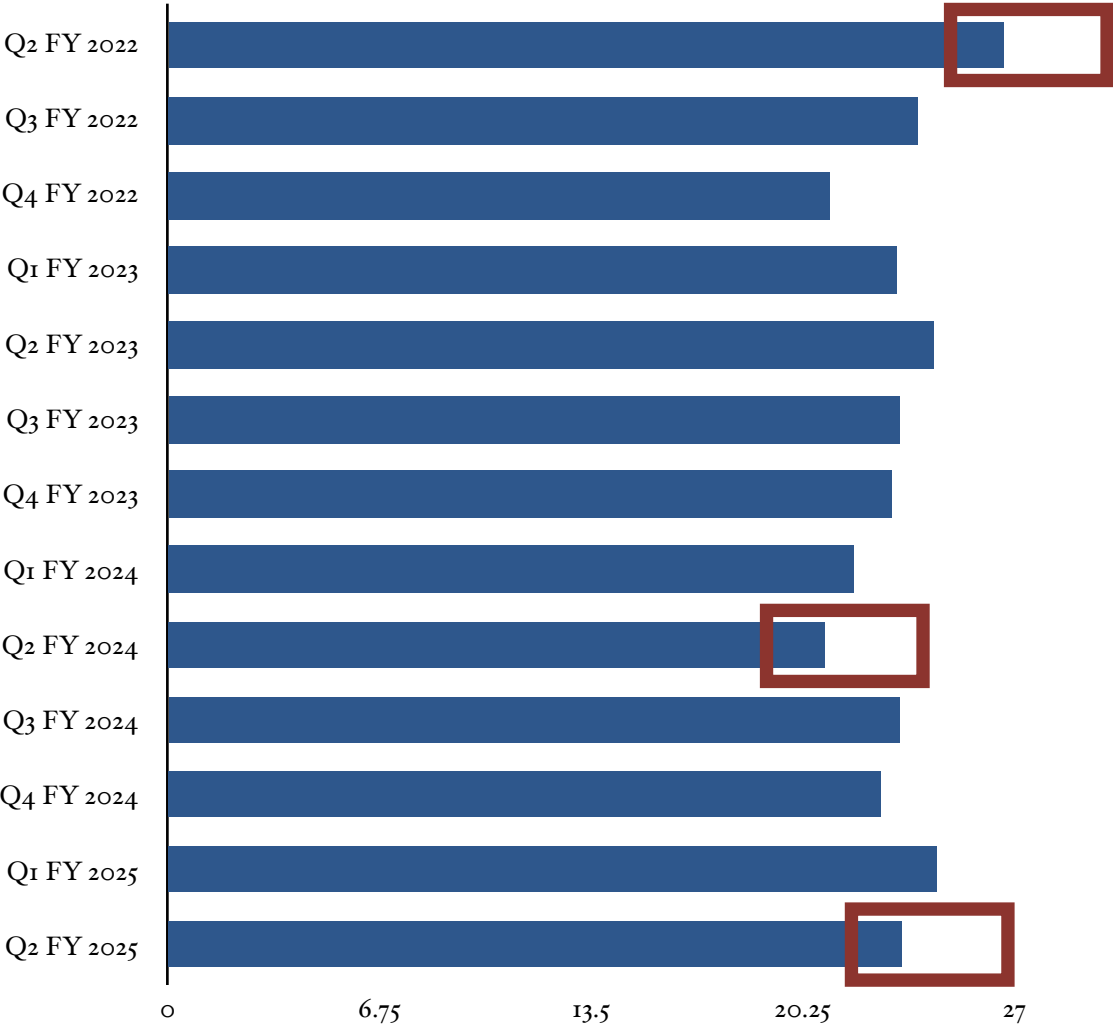
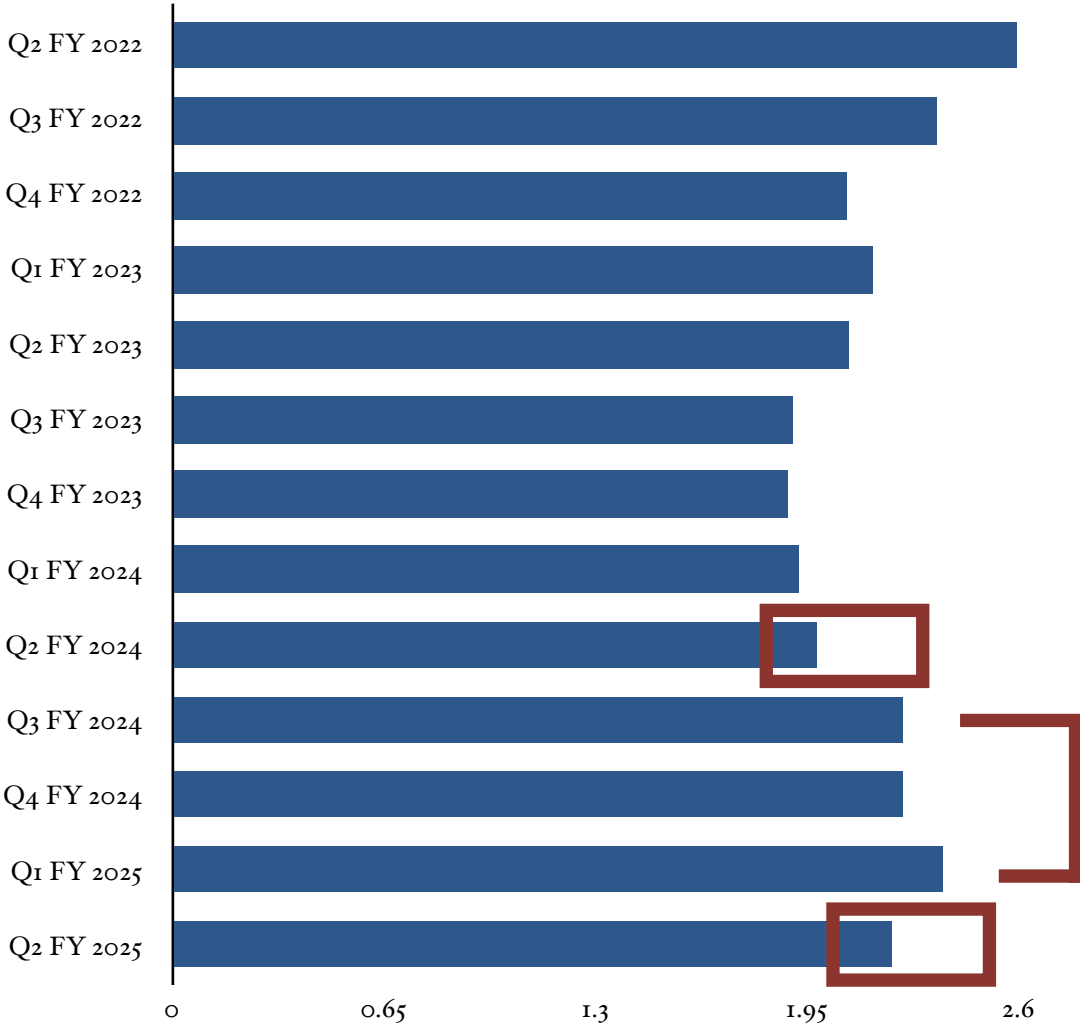


Exhibit 8: BM portfolio Price/TTM Revenues



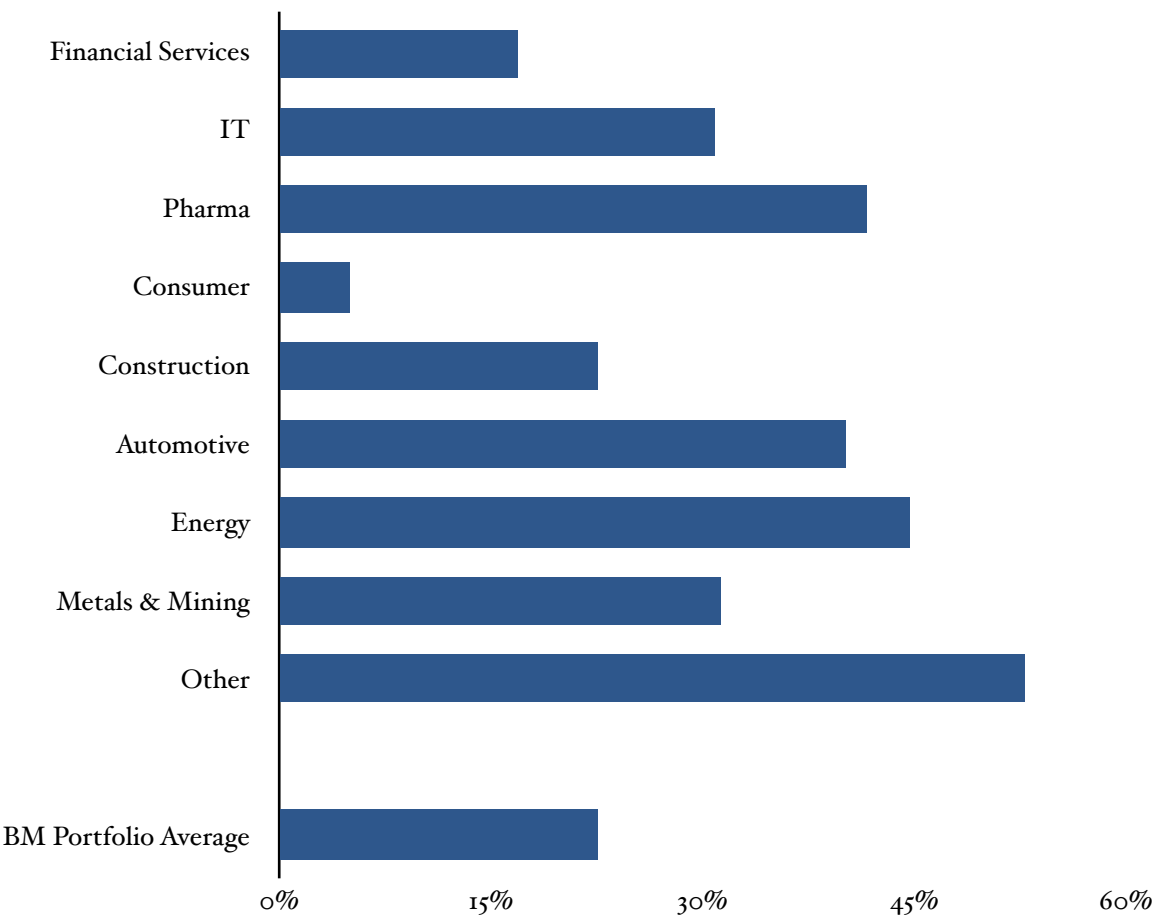
# MARKET SECTOR RETURNS

Annual returns<sup>4</sup>, were positive across industry sectors<sup>5</sup>, with Energy, Pharmaceuticals and Auto leading the pack<sup>6</sup> and Consumer stocks lagging.

In the Energy sector, oil & gas as well as green energy stocks did well.

Within consumer, FMCG companies saw small positive or negative price returns while spirits and airline stocks lifted returns.

Exhibit 9: BM portfolio annual sector returns



As the year 2024 winds down, Indian equity markets have provided attractive returns to investors over the last year. While there is a slowing down in underlying profit performance, the longer term historical revenue and profit trends lend support to valuation fundamentals.

We continue to advise investors to invest prudently, keeping in mind their return expectations and risk appetite.

<sup>4</sup> Annual returns are price only returns, from 15/11/2023 to 15/11/2024, aggregated across stocks included in different sectors in the benchmark portfolio.

<sup>5</sup> For additional context on sector composition within BM portfolio refer Appendix 1.A. Any given sector’s performance within BM portfolio may not correspond with the overall performance of that sector across the entire universe set of listed companies.

<sup>6</sup> “Other” comprises 3 companies across 2 subsectors with a relatively small impact on overall returns.

# APPENDIX 1.A

## 1. Benchmark portfolio relative to current NIFTY 100 index.

	Benchmark Portfolio	NIFTY 100 index
<b>Description</b>	100 companies included in NIFTY 100 index as of 8/2/2021. Performance tracked for the same set of companies over entire review period.	Largest 100 companies from among those traded on the NSE. Index refreshed at 6 month intervals or upon certain events, with new companies being added and companies no longer meeting inclusion criteria being phased out.
<b>Number of Companies</b>	100 (99 after consolidation of HDFC into HDFC Bank)	100
<b>Overlapping Companies</b>	73	
<b>1 yr. return (As of 15/11/2024)</b>	22.7%	23.7%
<b>3 yr. return</b>	8.81%	9.8%
<b>Companies with +ve annual return</b>	84	90
<b>P/TTM Earnings</b>	23.4	22.13

## 2. Sector composition within Benchmark portfolio.

Sector	Sub sectors	Number
<b>Financial Services</b>	Banks, NBFC's, Insurance, Asset Management	21
<b>IT</b>	Information Technology	7
<b>Pharma</b>	Pharmaceuticals	11
<b>Consumer</b>	FMCG, Airline, Retail, Spirits	22
<b>Construction</b>	Cement, Steel, Infrastructure, Logistics	11
<b>Auto</b>	Automotive, Ancillaries	9
<b>Energy</b>	Oil, Gas, Electricity Transmission	11
<b>Metal &amp; Mining</b>	Metals, Mining	4
<b>Other</b>	Telecom, Agri	3
<b>TOTAL</b>		99



# APPENDIX 1.B

## REFERENCES

1. Company Quarterly Statements, Annual Reports & Investor presentations
2. [nse.com](http://nse.com) ; [bse.com](http://bse.com)
3. [moneycontrol.com](http://moneycontrol.com)
4. [niftyindices.com](http://niftyindices.com)
5. Coverpage image: [googleimages.com](http://googleimages.com)
6. [economictimes.com](http://economictimes.com) ; [businessstandard.com](http://businessstandard.com) ; [mint.com](http://mint.com) ; Other Internet research
7. Northplains Analyses

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Email: [soodnitin01@gmail.com](mailto:soodnitin01@gmail.com)

Phone: (+91) 780 731 9569

Address: 3rd Floor, Ramesh Nivas, Near Oakover

Webportal: [www.northplainscapitalpartners.com](http://www.northplainscapitalpartners.com)

(+91) 921 850 1001

Shimla, Himachal Pradesh, INDIA 171002