

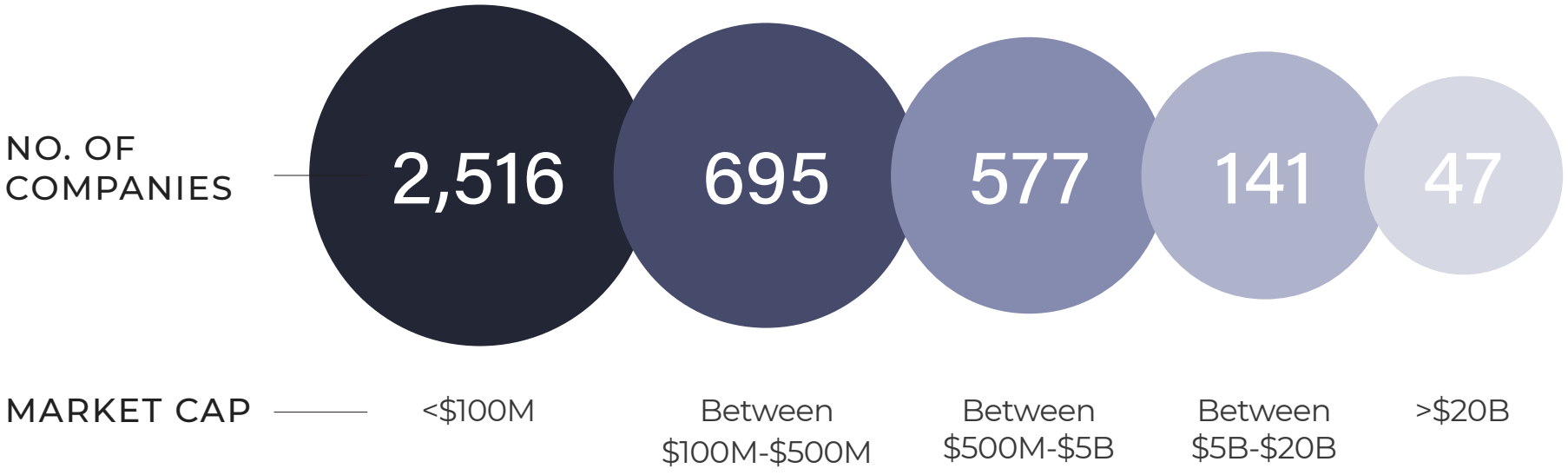
IndiaCapital®

India – A Stock Picker's Market

Why Research Matters

April 2024

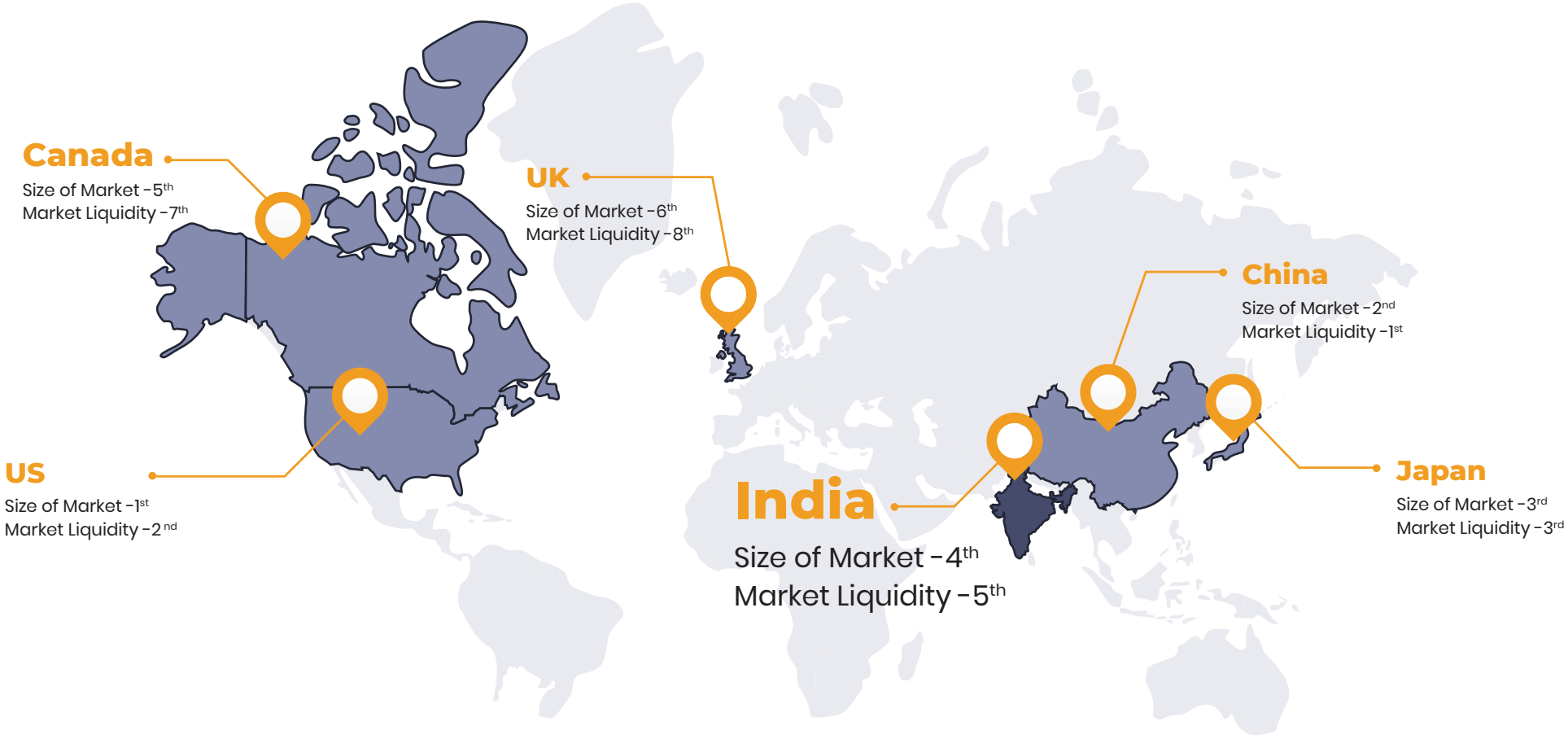
India Public Equity Overview



Source: Bloomberg

Vast Investible Universe And Higher Liquidity

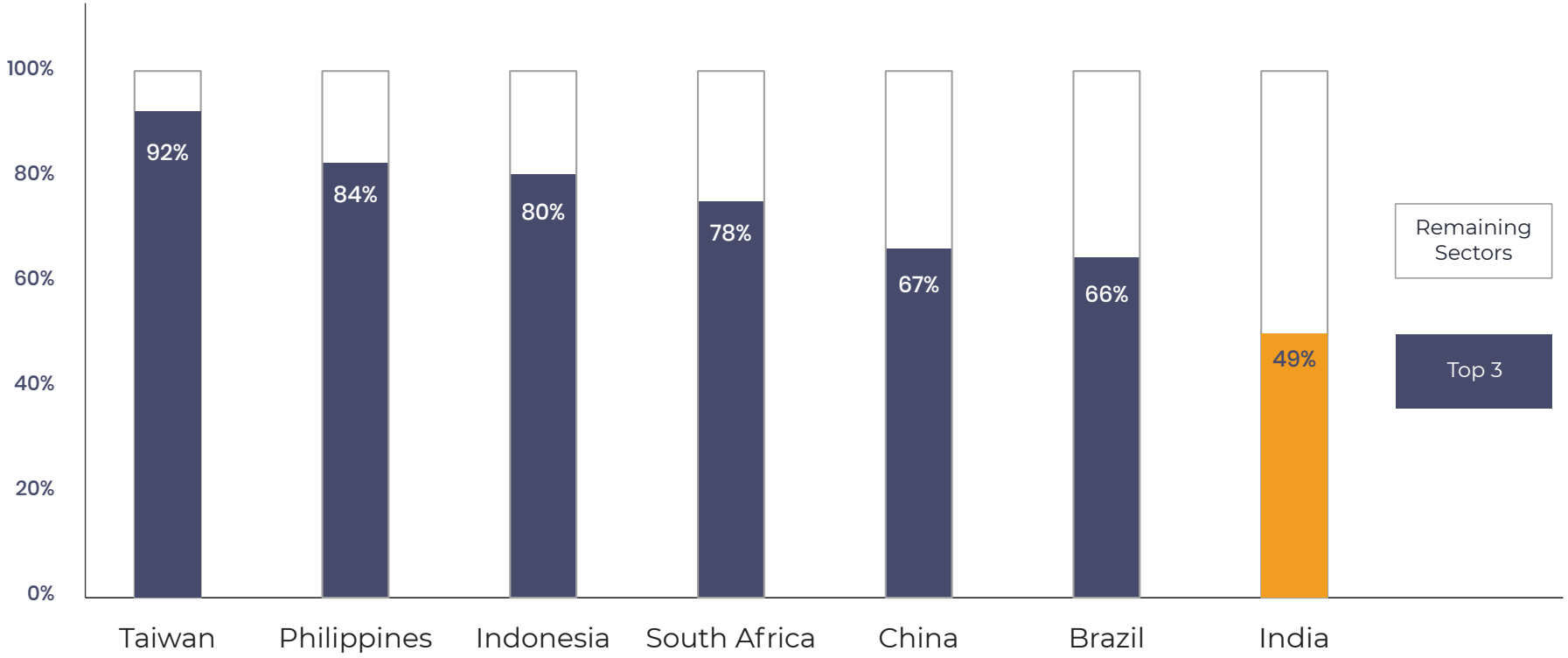
Top 3 Sector Concentration (MSCI Indices)



Source: Bloomberg, CLSA

Lots Of Options To Choose From In India

Top 3 Sector Concentration
(MSCI Indices)



Source: Morgan Stanley

Lowest Broker Coverage Among Larger Economies

Analyst Coverage%

US



69%

China



54%

India



26%

More than 600 Indian companies with market cap >$100M have no analyst coverage.

Note: Stocks with Market Cap >$5M are considered to calculate coverage ratio

Source: Bloomberg

Most Analysts Are Overburdened

Analyst Profile On Bloomberg

The analyst covers 35 companies across 4 countries

Mayank Maheshwari
Morgan Stanley Asia Singapore Pte

Coverage 35 Companies
Buys 26 Holds 3 Sells 6

Period Past 1 Year
Average Return 14.99%
Peer Average Return 12.87%

Ticker		Company	Recommendation	Tgt Px	Updated↓	Return	Peer Avg Rtn	+/-	BARR
Summary		Coverage: 35	Average Rating: 4.1			14.99%	12.87%	2.12%	
▾ Firm: Morgan Stanley									
STM	SP	Seatrium Ltd	Overwt/Attractive	3.00	05/07/24	-37.24%	-21.89%	-15.35%	5
IOCL	IN	Indian Oil Corp Ltd	Overwt/In-Line	191.00	05/07/24	117.67%	60.94%	56.73%	3
GUJGA	IN	Gujarat Gas Ltd	Overwt/In-Line	629.00	05/07/24	20.71%	2.20%	18.51%	2
RELIAN…	IN	Reliance Industries Ltd	Overwt/In-Line	3046.00	05/06/24	13.12%	21.49%	-8.37%	
UNTR	IJ	United Tractors Tbk PT	Overwt/Attractive	30800.00	05/01/24	1.90%	1.10%	0.80%	4
ADRO	IJ	Adaro Energy Indonesi…	Underwt/Attractive	2028.00	05/01/24	-15.85%	9.64%	-25.50%	
MER	PM	Manila Electric Co	Overwt/In-Line	398.00	04/29/24	19.71%	18.19%	1.52%	4
SCI	SP	Sembcorp Industries L…	Overwt/In-Line	7.20	04/29/24	18.69%	14.88%	3.81%	1
KEP	SP	Keppel Ltd	Overwt/Attractive	8.18	04/25/24	-2.25%	3.97%	-6.21%	5
PTTEP	TB	PTT Exploration & Pro…	Overwt/Attractive	188.00	04/25/24	-3.80%	5.67%	-9.47%	
GAIL	IN	GAIL India Ltd	Overwt/In-Line	254.00	04/25/24	89.31%	51.46%	37.85%	2
GUJS	IN	Gujarat State Petronet…	Underwt/In-Line	298.00	04/22/24	-6.52%	16.45%	-22.97%	
IRPC	TB	IRPC PCL	Equalwt/Attractive	1.90	04/19/24	0.00%	1.04%	-1.04%	4
HPCL	IN	Hindustan Petroleum C…	Overwt/In-Line	555.00	04/19/24	58.55%	48.93%	9.62%	
BPCL	IN	Bharat Petroleum Cor…	Overwt/In-Line	644.00	04/19/24	76.78%	40.88%	35.89%	
AP	PM	Aboitiz Power Corp	Underwt/In-Line	29.00	04/19/24	-4.18%	3.91%	-8.09%	
PTTGC	TB	PTT Global Chemical P…	Overwt/Attractive	50.00	04/19/24	-11.62%	-1.90%	-9.72%	
ONGC	IN	Oil & Natural Gas Corp…	Overwt/In-Line	304.00	04/18/24	84.47%	50.35%	34.12%	1
PTT	TB	PTT PCL	Overwt/Attractive	41.40	04/17/24	17.37%	8.31%	9.07%	3

Source: Bloomberg

Poor Research Can Lead To Total Flame-outs

Company	Price Vs. Peak	Buy Recommendations At Peak
GITANJALI	-100%	100%
Mangalam	-100%	75%
future group	-99%	75%
IL&FS Transportation	-98%	100%
DHFL	-97%	100%
Vakrangee	-95%	100%
YES BANK	-93%	85%
Sadbhav	-91%	90%
Indiabulls Housing Finance	-86%	81%
Satyam	-78%	87%

Source: Bloomberg, ICR

Returns Within The Same Sector Can Vary A Lot

Diverging Outcomes For Stocks Within The Same Sector

(2023 Returns)

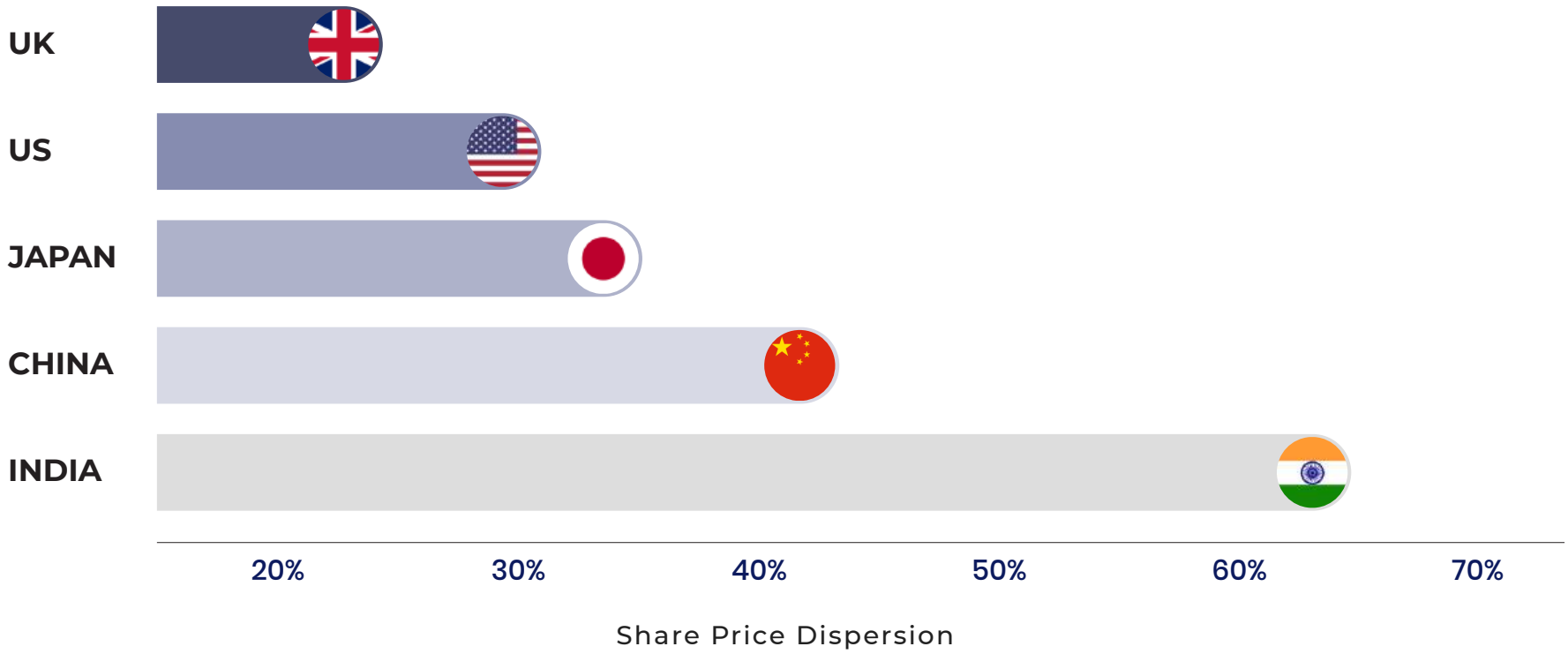
Sector	Returns For Top 3	Returns For Bottom 3
Information Technology	*209%*	*-15%*
Materials	*208%*	*-17%*
Consumer Discretionary	*172%*	*-38%*
Utilities	*150%*	*-50%*
Health Care	*118%*	*-1%*
Consumer Staples	*98%*	*-22%*
Financials	*18%*	*-13%*

Note: All the BSE 500 Index constituents are considered for the analysis

Source: Bloomberg

High Share Price Dispersion

India Has The Highest Share Price Dispersion Amongst Larger Economies



Source: Bloomberg

Earnings Surprises Are Routine

Difference Between Consensus And Actual EPS
(Last 10Y Avg.)



Source: Bloomberg

Research Matters Extensive On-ground Research











And Finally, India Remains An Active Market



THE WALL STREET JOURNAL.

JOURNAL REPORTS: FUNDS/ETFS

Where Active Management Still Dominates

By Derek Horstmeyer
March 3, 2019 10:11 pm ET

One supreme 'active' country

To draw some comparisons, we looked at publicly listed, open-end equity mutual funds around the world over 10 years where Morningstar Inc. is tracking at least 200 funds dedicated to a particular region or country. An interesting picture merges when comparing actively and passively managed funds.

First, looking at the fund performances inclusive of fees and broken down by the geographic areas (U.S., U.K., Europe, China, India, Mexico, Canada, Japan, Australia, Korea, Thailand and Africa), in only one place did active managers vastly outperform their passive equity benchmarks after fees over the past five years: India.

Over the past five years (up until January 2019) the average active manager focusing on Indian stocks delivered an annualized return of 10.55% (using dollar-based return calculations) while their corresponding index fund delivered annualized return of 7.67%. This yields an annualized excess performance of 2.88 percentage points over the past five years on average for India-focused active managers. Over the past 10 years, this annualized excess performance for India-focused active managers grows to 3.01 percentage points.

Source: The Wall Street Journal