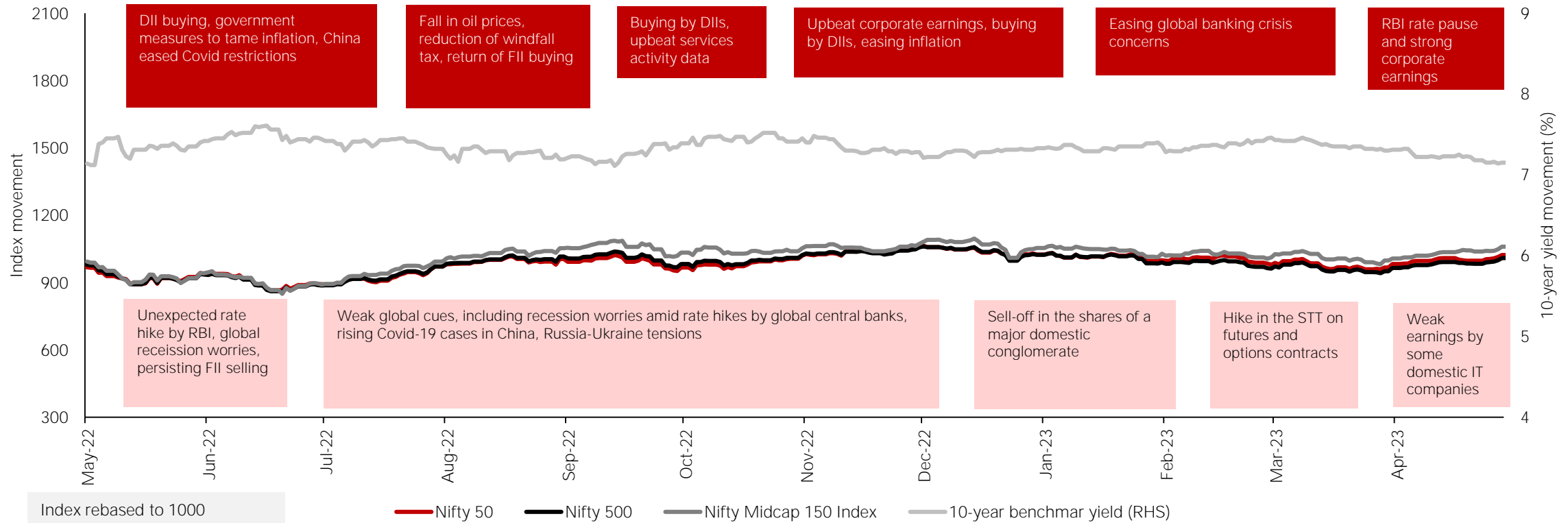


Market View

HSBC Mutual Fund

Looking back – Events and India Markets

Nifty 50 rose as the Reserve Bank of India (RBI) maintained rates and corporates reported strong earnings.



Source: CRISIL

Key events and performance of the Indian market (Nifty 50 and Nifty 500 rebased to 1000) in May 2022 – 28 April 2023

This slide is for illustration purposes only and does not constitute investment research, investment advice or a recommendation to any reader of this content to buy or sell investment product.

Investors should seek financial advice regarding the appropriateness of investing in any securities or investment strategies that may have been discussed in this report and should understand that the views regarding future prospects may or may not be realised.

Data ended April 2023 except otherwise mentioned. Past performance is not indicative of future performance.

Nifty has been range bound since Sep 21



Source: Bloomberg, Data as at April 2023

10% correction between Dec and March end



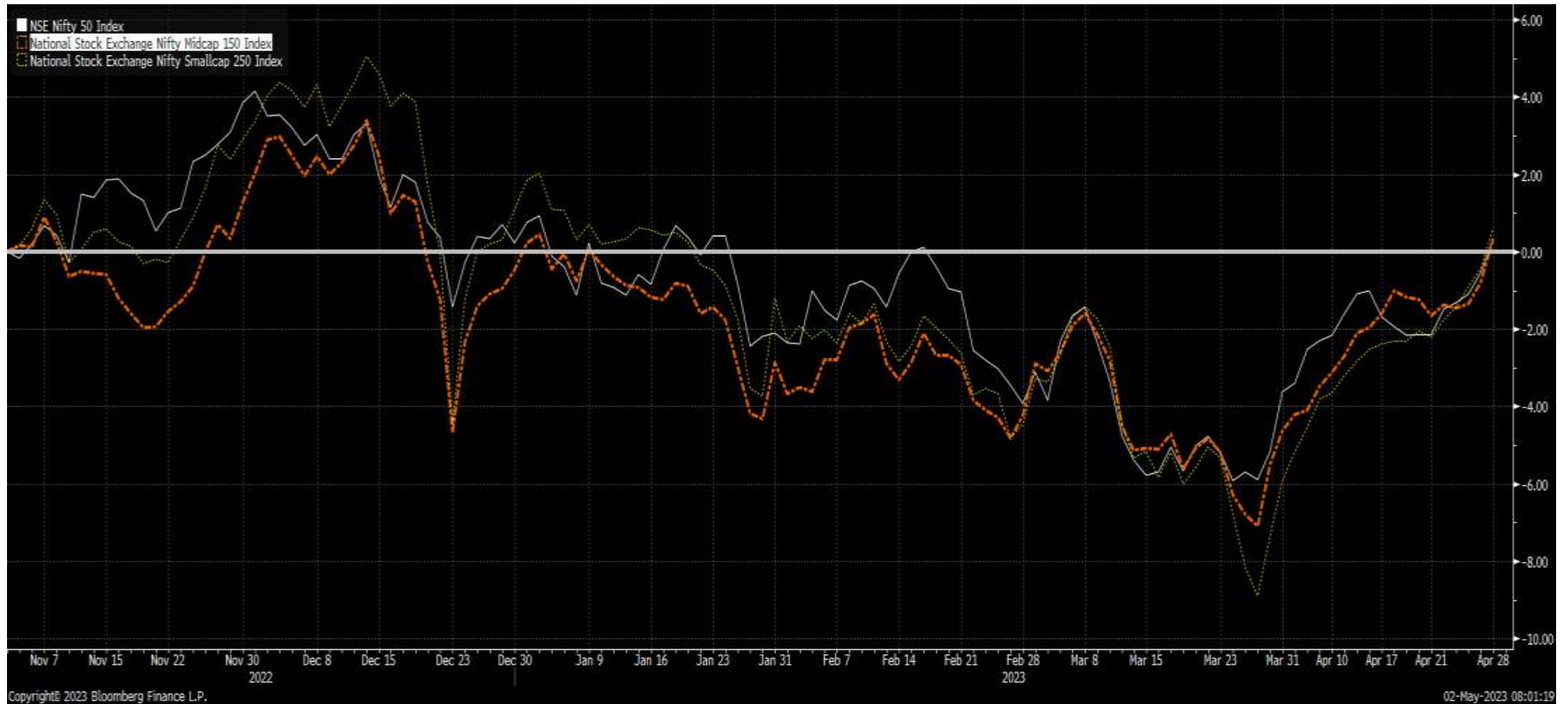
Source: Bloomberg, Data as at April 2023

On a 5 year basis, Nifty still out performs mid and small cap index



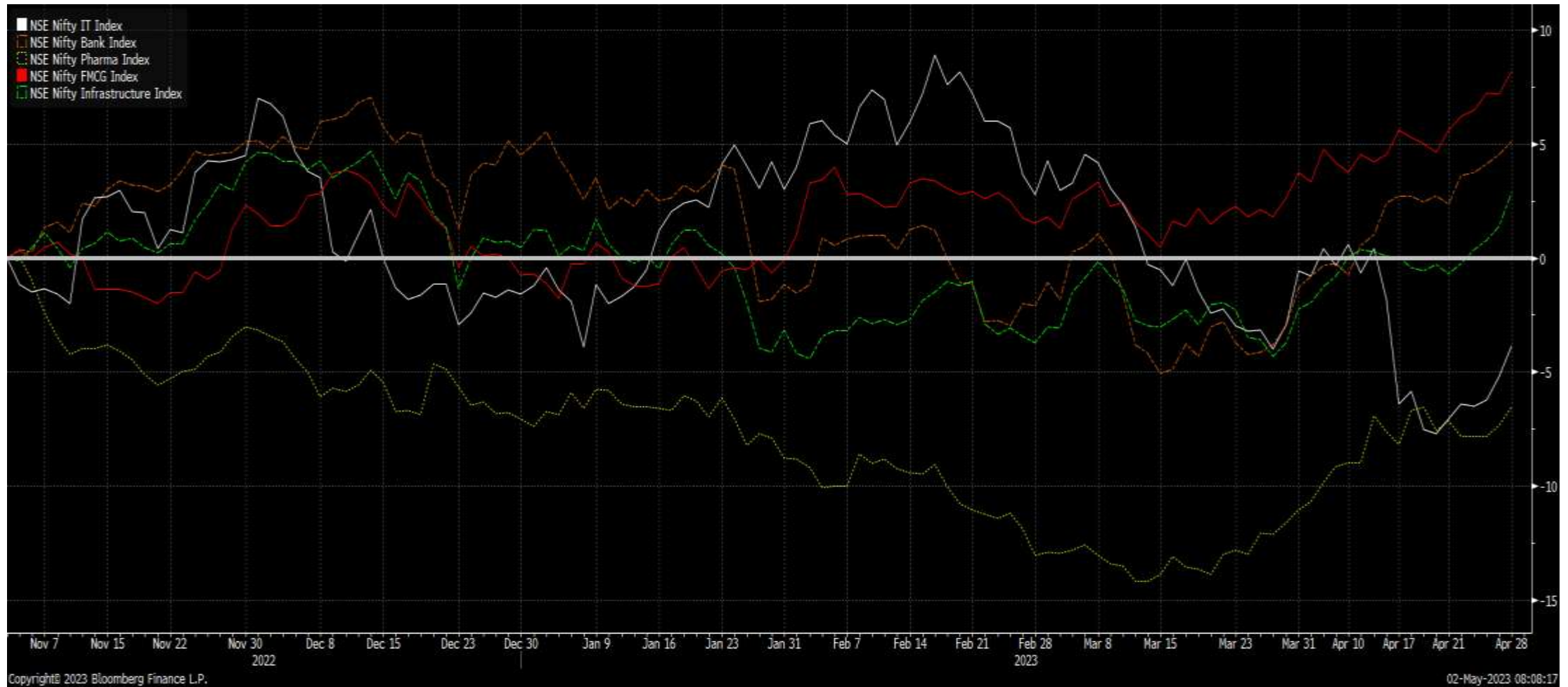
Source: Bloomberg, Data as at April 2023

In the last 6 months, small caps have out performed the Nifty and Mid cap index



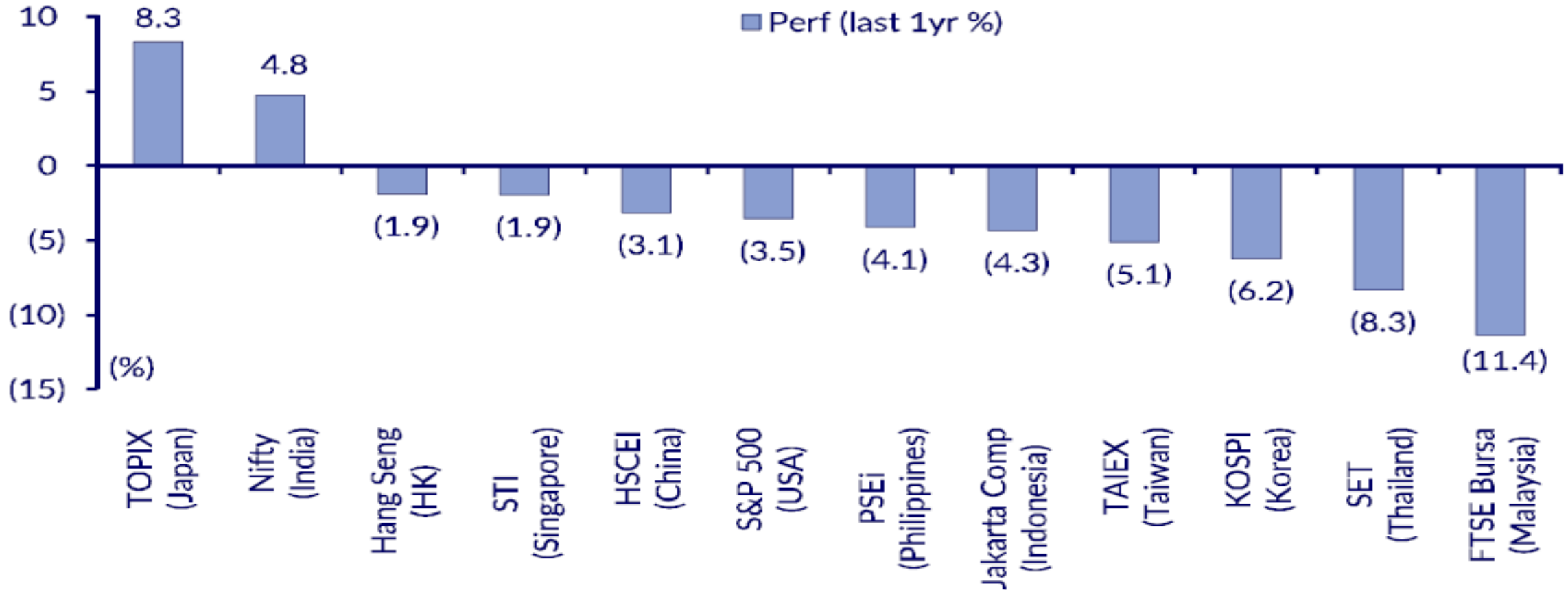
Source: Bloomberg, Data as at April 2023

Banks, FMCG and Capital goods have done well in the last 6 months



Source: HSBC Mutual Fund, Bloomberg, Data as at April 2023

Regional & US market performance in local currency over the last 12 months



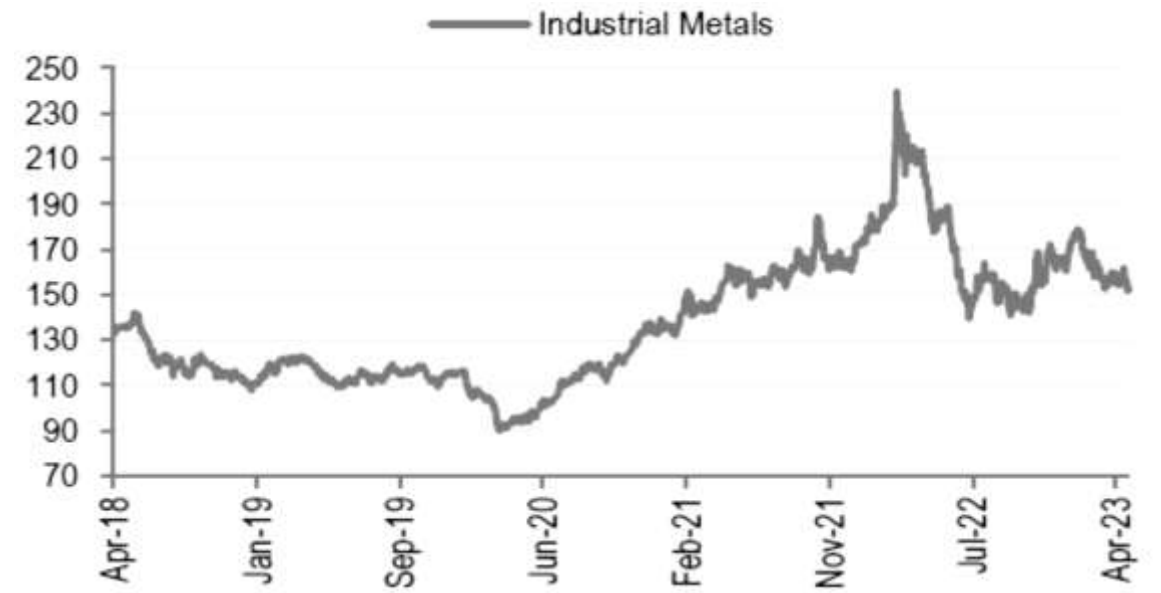
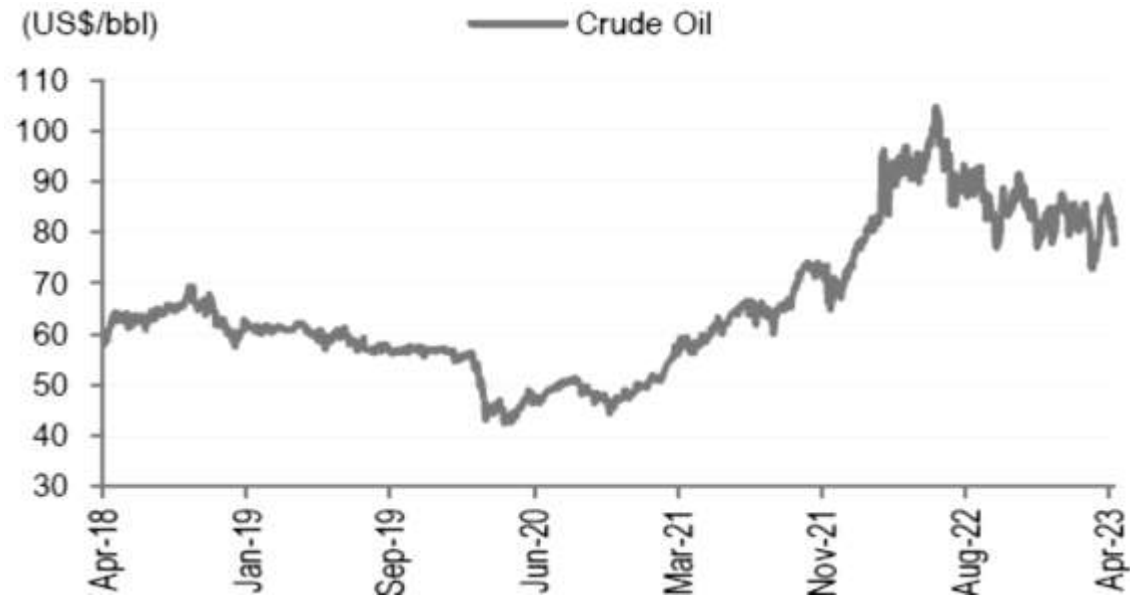
Source: Bloomberg, CLSA, Data as at April 2023

Economy seems to be doing reasonably well

- Domestic economy remains resilient as crude oil cools, inflationary pressure eases (as base is supportive and wage and demand driven inflation is largely absent in India), Rupee is steady and interest rates seemed to have peaked. Key risk is from El Niño led deficient rainfall and spike in crude and other energy prices.
- PMI has been expanding. April Manufacturing PMI rose to 57.2 vs. 56.4 last month indicating favourable operating conditions. Input price pressures in the service economy continued to subside, alongside the trend seen in manufacturing.
- E-way bill generation, in March was the highest since implementation of the system. The GST numbers for April (for March business activity which will be released on 1st May) is also likely to be the highest ever (previous high was Rs 1.67 trn a year ago).
- Exports were down 14% YoY (US\$ 38.4 bn) in March impacted by lower commodity prices and slowdown in advanced economies. Imports contracted 8.0% (US\$ 58.1 bn).
- CPI inflation for March moderated to a 15-month low of 5.66% from 6.44% in February. Favourable base and decline in food prices were the main reasons for the moderation.
- Banking credit growth remained healthy at 15.7% in March from 16.0% in February while deposit growth has been steady at 10.2%. Industry credit growth eased to 7.0% while personal credit was strong at 20.4%.

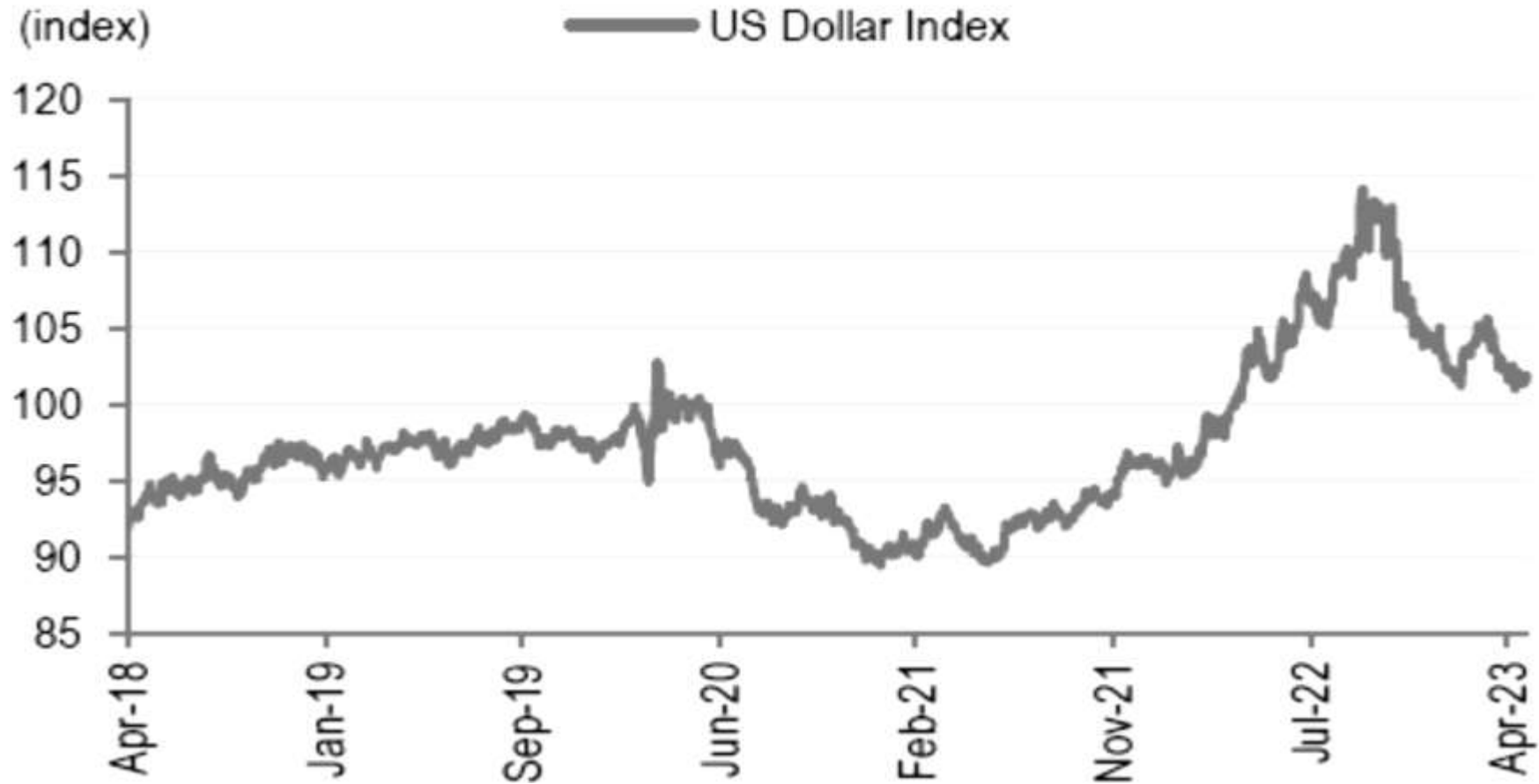
Source: HSBC Mutual Fund, Bloomberg, Data as at April 2023

Crude oil & industrial metal price trend



Source: HSBC Mutual Fund, Bloomberg, Data as at April 2023

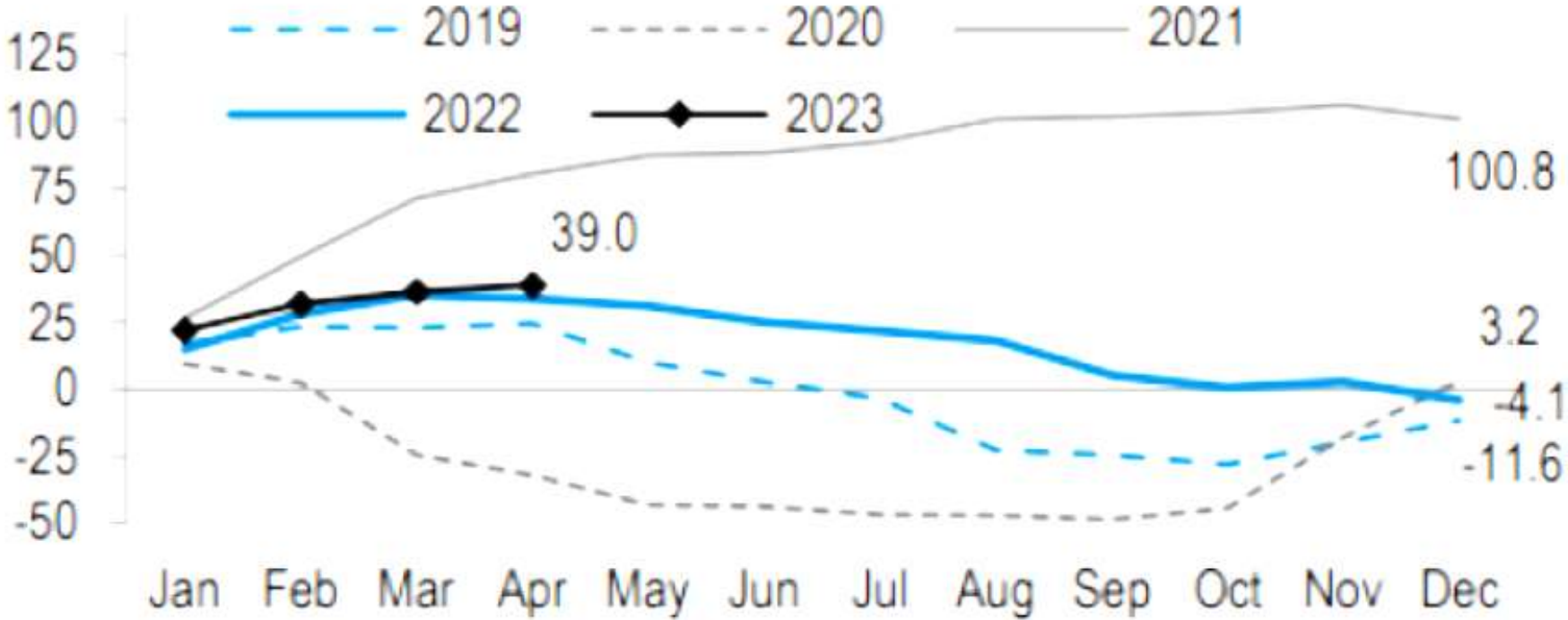
US \$ Index trend



Source: HSBC Mutual Fund, Bloomberg, Data as at April 2023

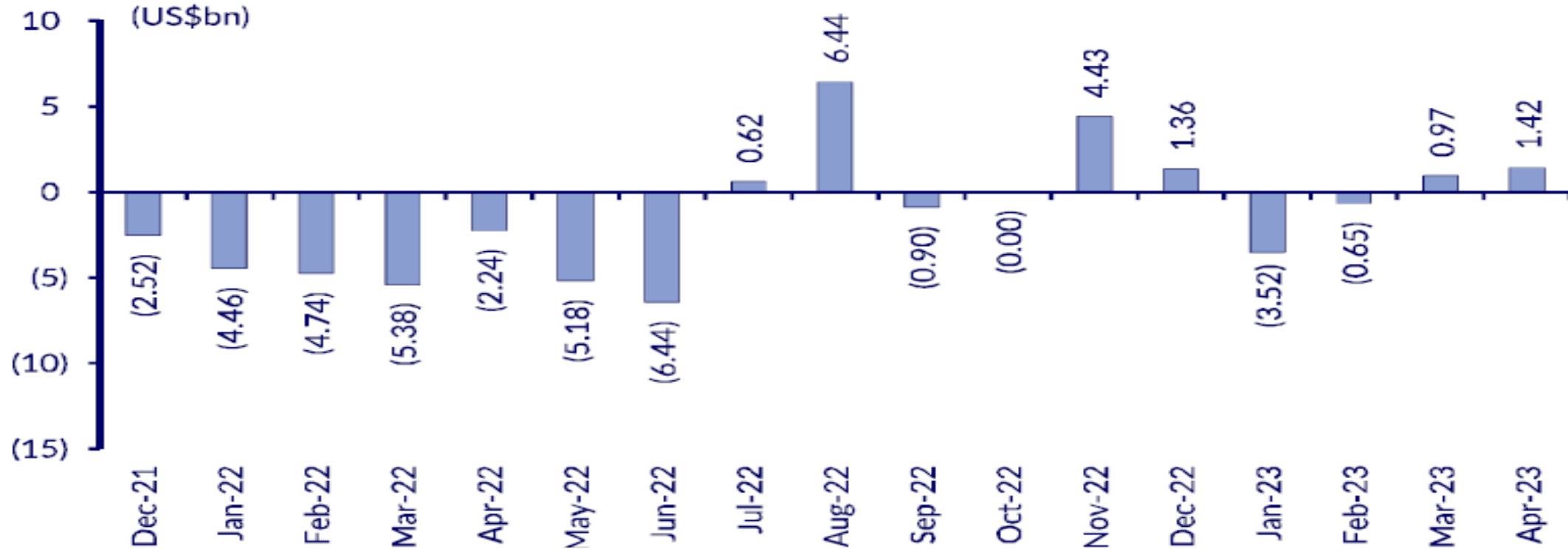
Annual cumulative EM Equity flows

Annual cumulative EM Equity flows USD bn



Source :JP Morgan, EPFR Global . Excludes onshore funds. Data as at April 2023

Monthly FII flows into equity

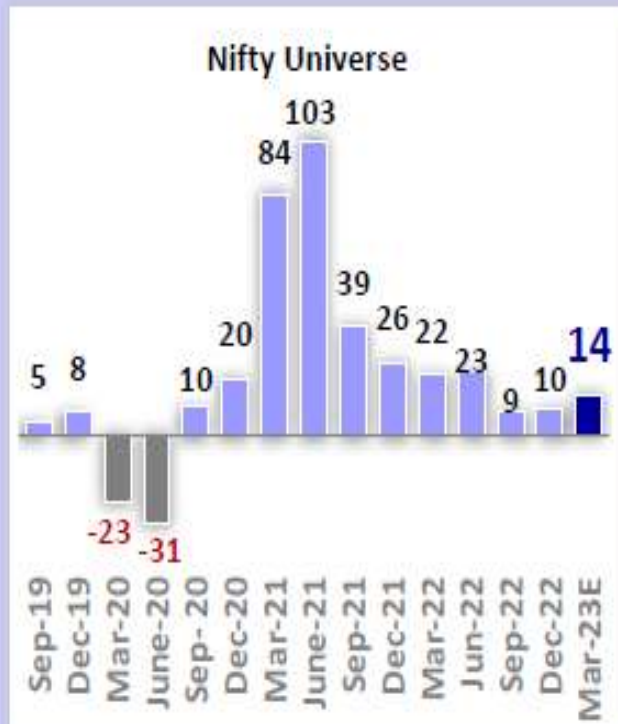


- FIIs bought US\$0.4bn of Indian equities during the week, taking the April month inflow to US\$1.4bn, its highest since November 2022.

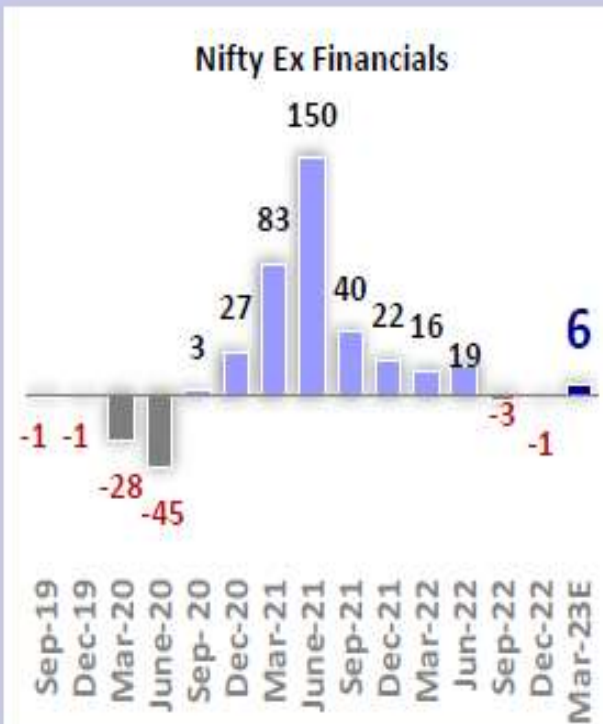
Source: Bloomberg, CLSA, Data as at April 2023

Q4 FY23 expectation

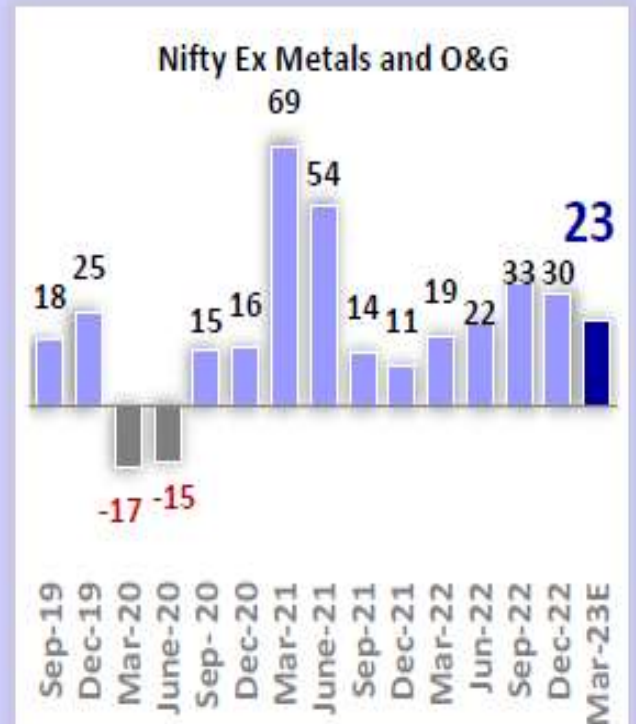
PAT growth for the Nifty Universe likely at 14%



PAT to grow 6% for the Nifty Universe, sans Financials



PAT to rise 23 % for the Nifty Universe, sans Metals and O&G

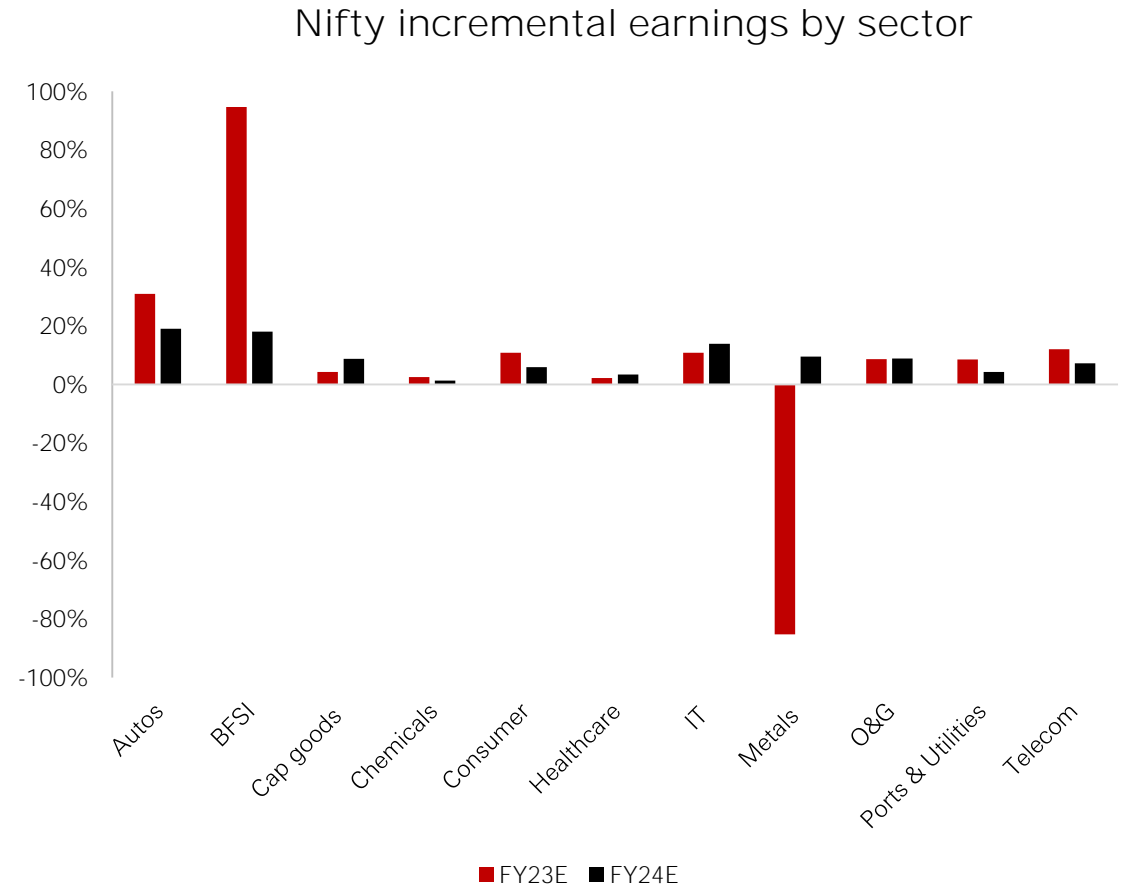


Source: Motilal Oswal research, Data as of 31 March 2023, The information is as per the latest data available

Earnings growth

Broad based earnings growth for the Nifty expected in FY24

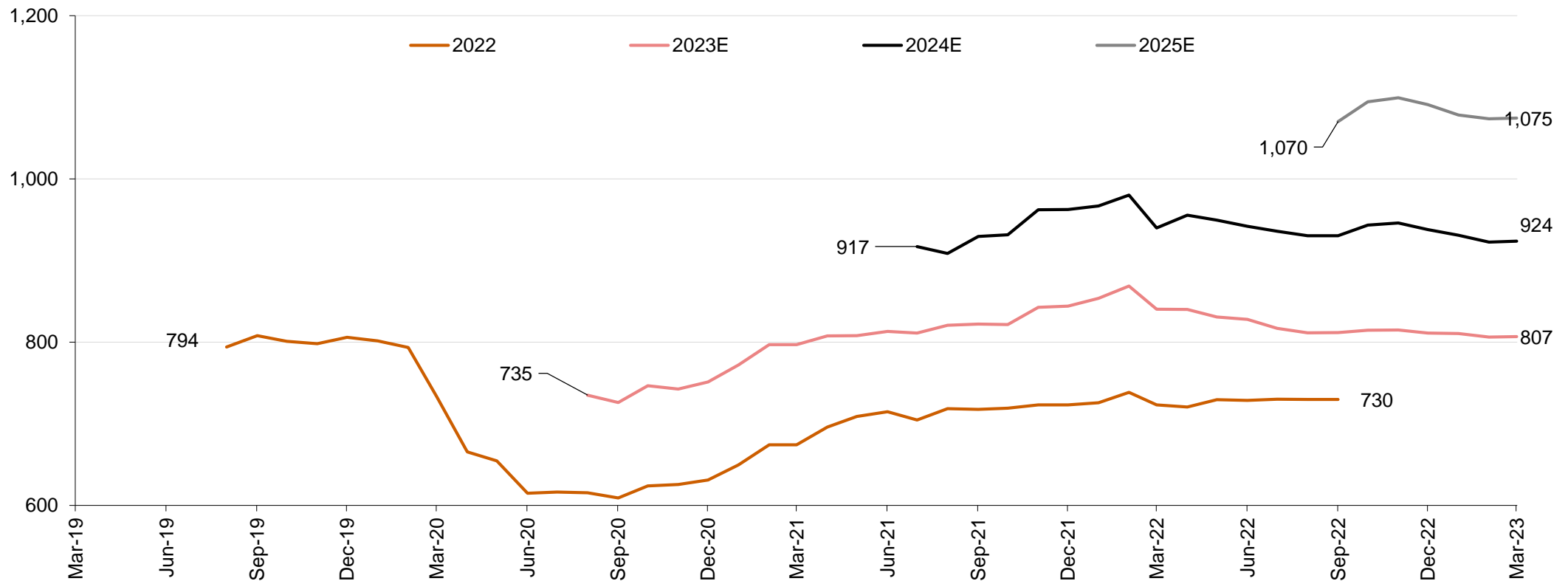
- Consumer sector (Staples, Retail, Autos) – Expect strong earnings growth driven by topline growth along with margin expansion with cooling commodity prices.
- Banks FSI – earnings growth has been strong in FY23 due to strong improvement in asset quality and expanding NIMs. Growth expected to moderate but still in high teens for FY24.
- IT services – earnings growth is expected remain in double digits despite the global slowdown.
- Capital goods and construction materials expected to grow strongly again supported by margin expansion.
- Metals earnings growth is expected to recover on a low base after a sharp collapse in FY23.
- Oil & Gas steady with mid-single digit growth in FY24



Source: Kotak, Estimates, Data as of 31 March 2023, The information is as per the latest data available

Earnings growth trends

Nifty earnings expect to grow ~10%/15% in FY23/FY24



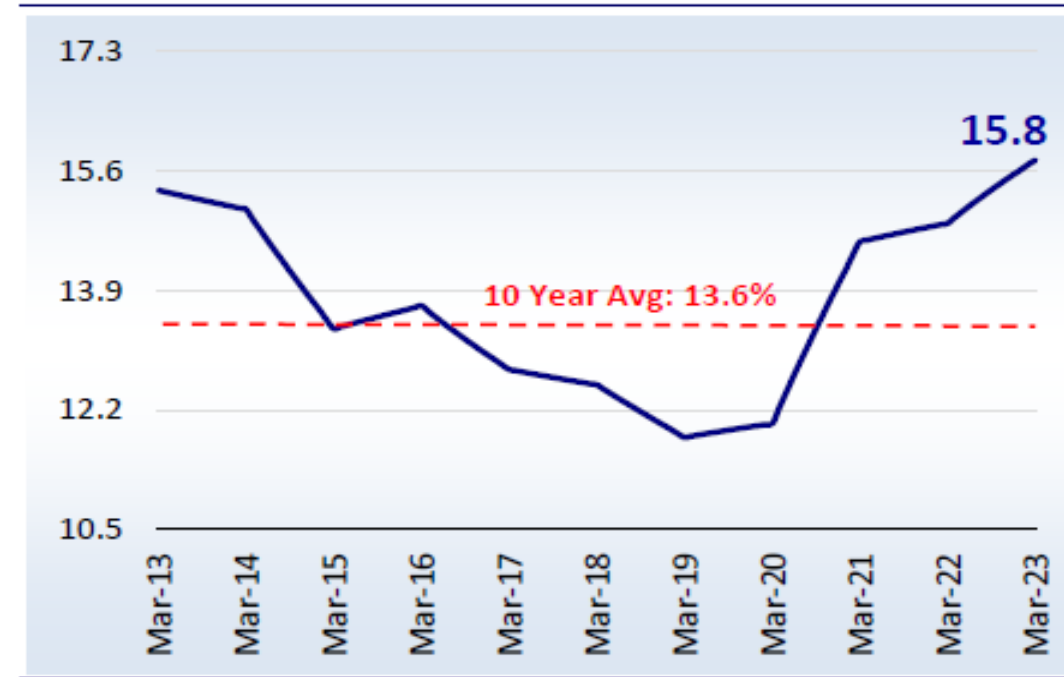
Source: Kotak, Estimates, Data as of 31 March 2023, The information is as per the latest data available

Nifty – 1 Year forward P/E



Source: Bloomberg, CLSA, Data as of March 2023, The information is as per the latest data available

12M forward estimated P/BV and ROE



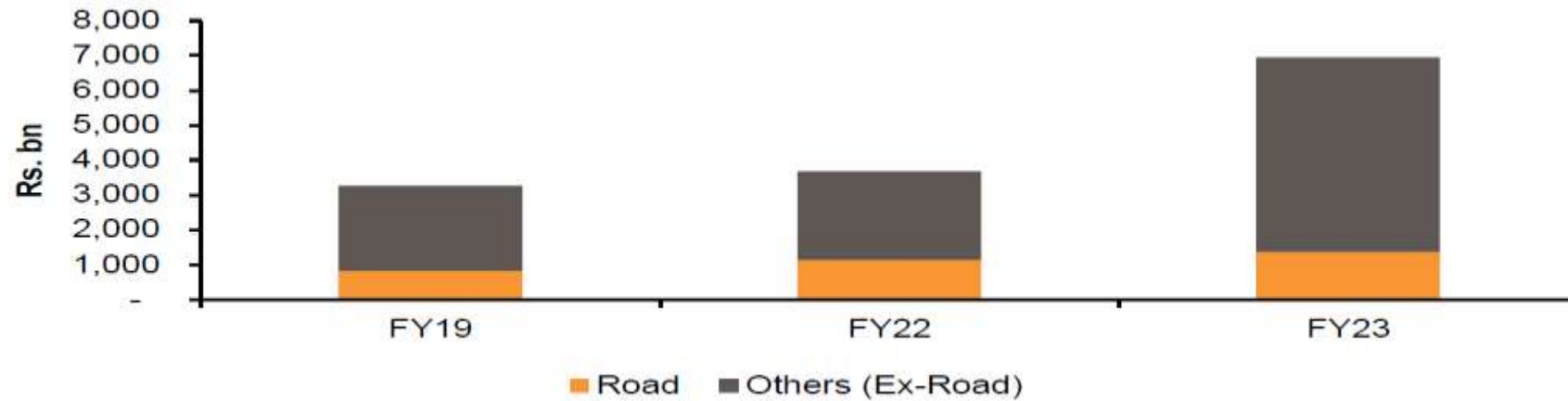
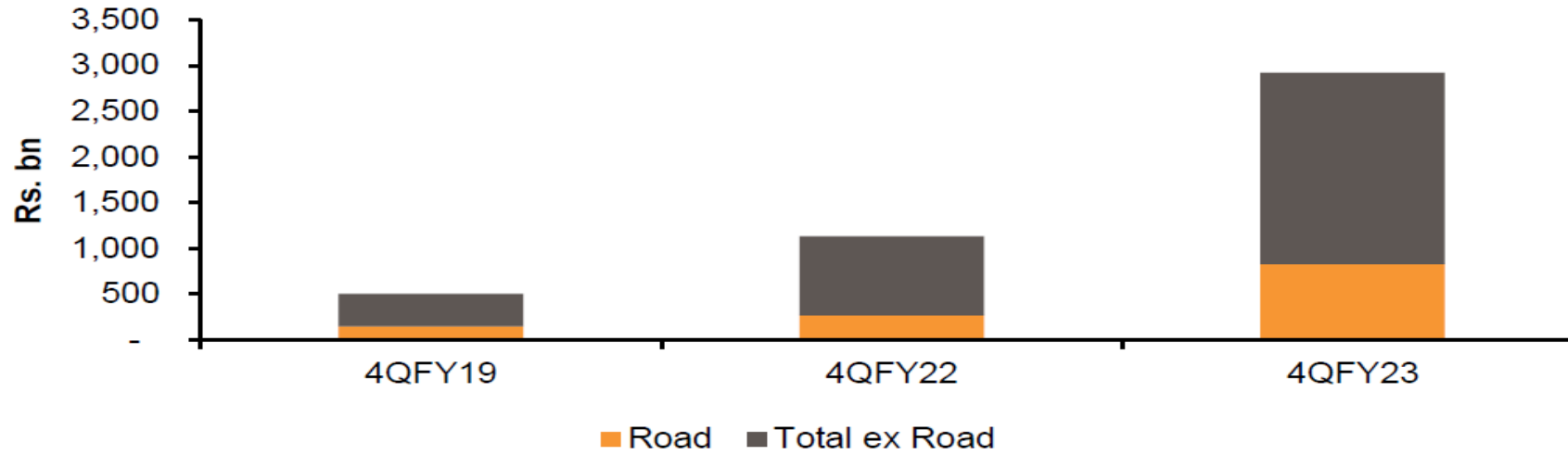
Source: Motilal Oswal, Data as at March 2023

Highest annual ordering ever and highest ever project announcements

- The Engineering, Capital goods & Infra sector saw a significant jump in ordering (up >150% YoY and 55% on a 4-yr CAGR basis) in 4QFY23, on the back of considerably large orders in Railways, Mining and Defense. In March-2023 itself, orders worth ~Rs400bn were awarded in the Defense sector.
- From a fiscal-year perspective, FY23 saw the highest order inflow ever (~Rs6.5trn). Overall orders grew 90% on YoY and 21% on 4-yr CAGR basis. Orders, excluding Roads, were even better, at 120% YoY and 23% on 4-yr CAGR basis. Power Equipment, Power Distribution, Water, Irrigation and Mining saw substantially strong growth.
- Fresh project announcements during FY23 have grown by 86% YoY, on the back of strong growth in Manufacturing (137%), Electricity (157%) and Infrastructure (333%). Mining was the only sector that saw a decline YoY.
- The proportion of Manufacturing in the overall announcements has increased, from ~30% in FY19 to ~53% presently, while having dipped to less than 15% in FY20; there has been continuous increase in this proportion since then.
- On similar lines, project announcements by the Private sector have increased, from 40% in FY19 to ~68% in FY23. Higher share of the private sector is also reflected in the increasing share of Manufacturing and the decreasing proportion of Infrastructure (reduced to ~32% in FY23 from ~60% a few years ago). This clearly signals an improvement in the investment climate on the Industrial front.
- Deleveraged balance sheets, coupled with the decline in commodity prices, are expected to aid the capex environment, particularly for private capex. However, the global slowdown and rising interest rates may act as near term headwinds.

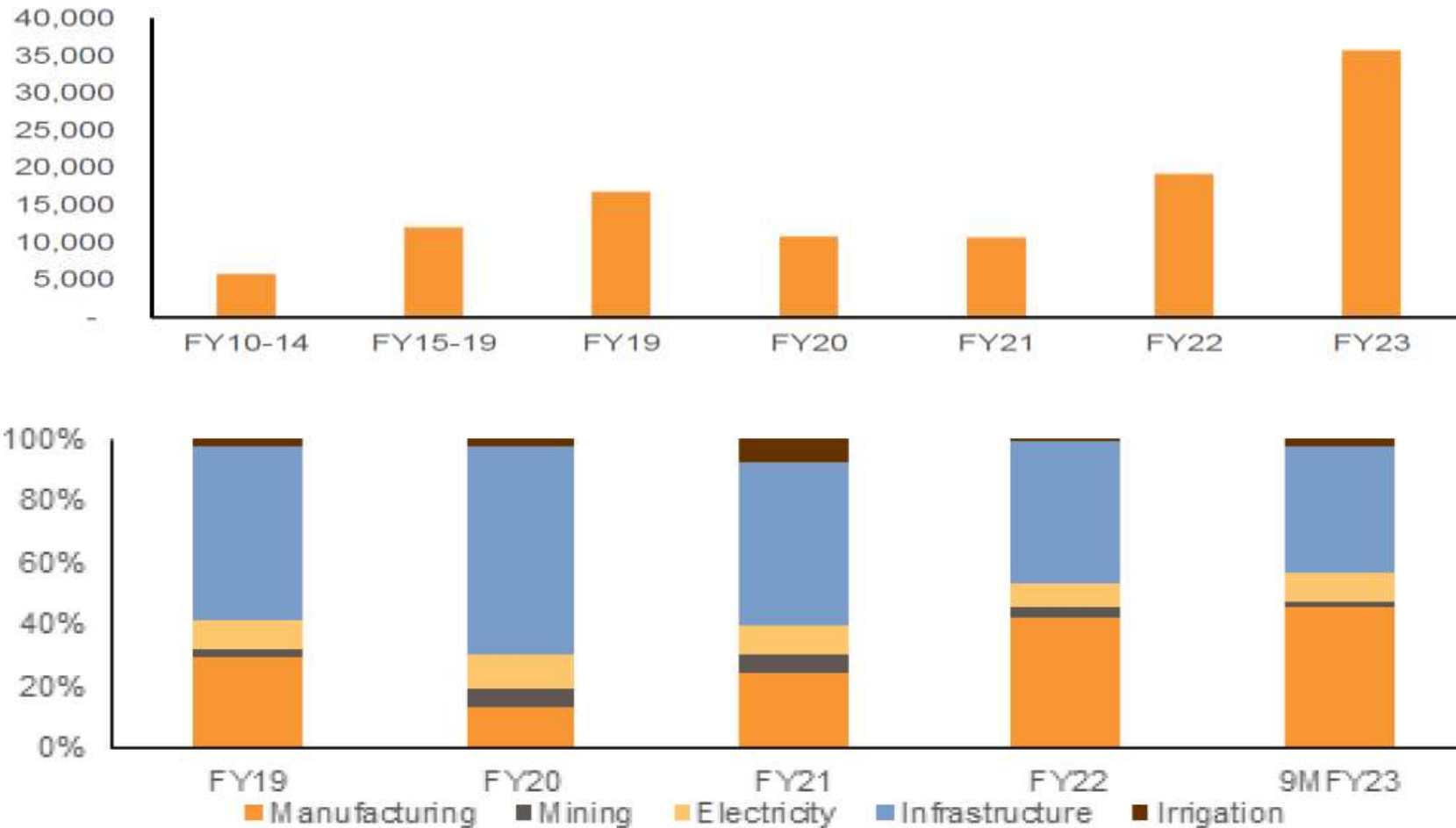
Source: Bloomberg, Data as at April 2023

Awards trend in Q4 up by 103% and in FY23 up by 89%



Source : Projects Today, Emkay Research, Data as at March 2023

Fresh project announcements on the rise. Manufacturing is seeing a higher share

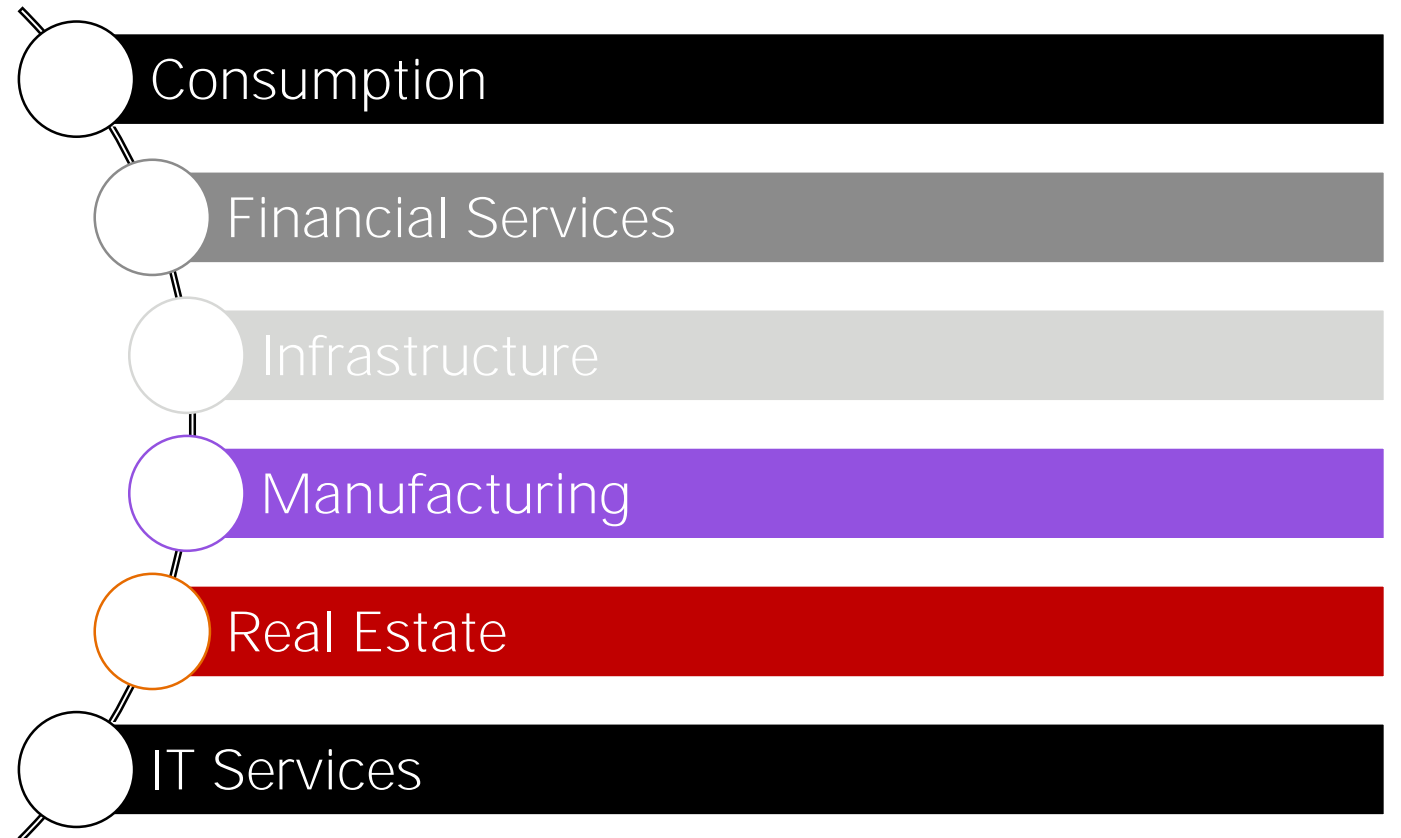


Source: Industry, Emkay Research, , Data as at March 2023

India – Multiple investment themes at play

Several parts of the economy are likely to benefit from India's rapid growth

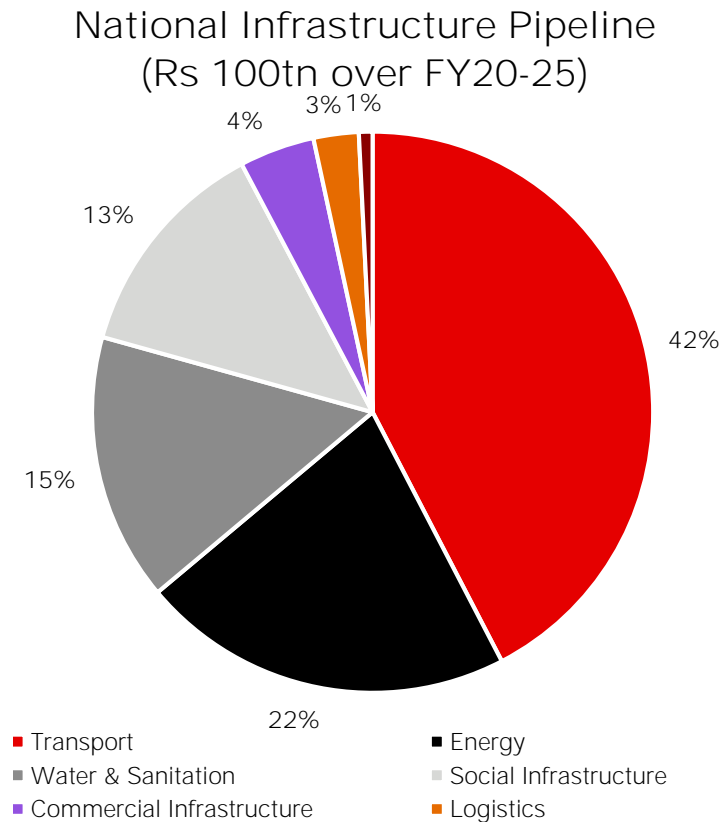
- Banking sector asset quality issues have been resolved and is poised for a pick-up
- Real Estate after a decade long slowdown looks set for a recovery
- Manufacturing is also likely to benefit from new drivers like clean energy which would lead to development of new industrial ecosystems.



Source: HSBC Mutual Fund

Infrastructure

Infrastructure remains a key focus area for the government



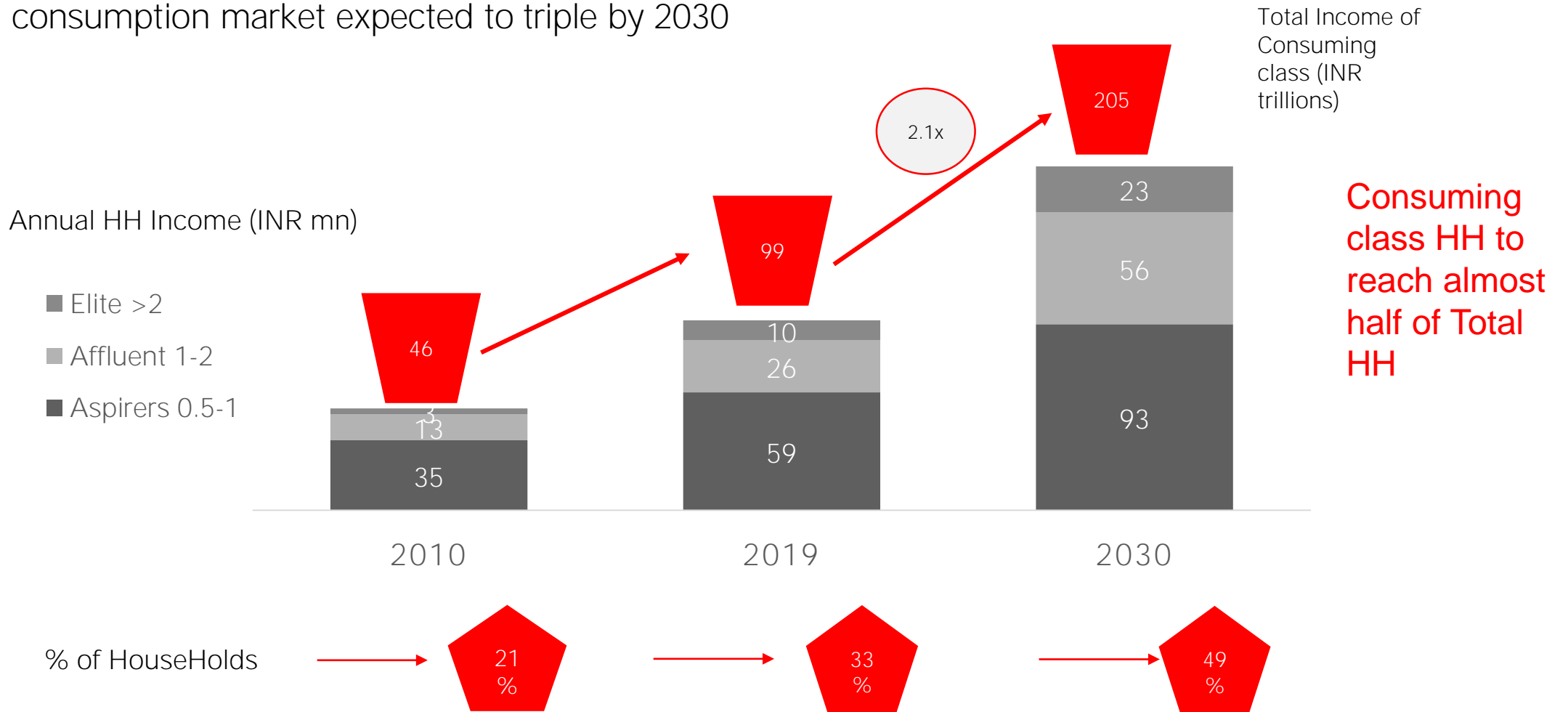
Railways	Logistics	Power	Urban Infra
<ul style="list-style-type: none"> • Dedicated Freight Corridor • Increase rail share in freight to 45% • National Rail Plan • 400 Vande Bharat trains over the next 3 years 	<ul style="list-style-type: none"> • Decrease logistics cost from 14% of GDP to single digit • National logistics policy for multi-modal transport • Transition to organized to accelerating with GST and E-invoicing compliance 	<ul style="list-style-type: none"> • Renewable energy target of 500 GW by 2030 • Power transmission capex of Rs. 2.44Tn by 2030 • Revamped Distribution Sector scheme of Rs. 3tn to improve performance 	<ul style="list-style-type: none"> • Budgetary allocation for Housing and urban dev. increased to Rs 943 bn from Rs 265bn in 2015 • 445Km Metro under construction and another 425Km of approved routes

Source: Indiainvestmentgrid.gov.in, Data as of 31 March 2023The information is as per the latest data available

Consumption in India remains an exciting opportunity

Consuming class income (Households earning above Rs 0.5mn) of India to double by 2030

Overall consumption market expected to triple by 2030



Source: BCG

Discretionary spends will take a larger share of that pie

As GDP per capita moves from \$2000 to \$4000

**CAGR
(2019-2030)**

8.2%

9.1%

9.6%

9.3%

8.2%

FMCG

- Packaged Foods
- Beauty & Personal Care
- Alcohol Beverages

Discretionary

- Fashion
- QSR
- Jewelry
- Footwear
- Ecommerce

Services

- Healthcare
- Education
- Leisure

Durables

- White Goods
- Wearables & Hearables

Transportation

- Autos
- Air Travel

Source: BCG

Expanding universe of stocks with higher profitability

- Market cap of the 250th company currently is Rs.17300Cr vs 10000Cr in FY17.
- Number of companies between Rs.1000Cr to Rs.17300Cr market cap : 791 (vs 600 in FY17).

	FY17	FY22
PAT	Number of Companies	Number of Companies
Greater than Rs.100Cr	232	430
Greater than Rs.250Cr		220
Greater than Rs.500Cr		105
Greater than Rs.1000Cr		38

Source: HSBC Mutual Fund

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