

MODEL PORTFOLIO

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Protracted bear market yet to run its course

The recent rally across mid- and small-caps is yet to bring about a reversal of the long-term bearish trends that began in Jan'18. Performance of these indices continues to diverge from that of large-cap indices, though we do note a common thread of outperformance among pharma, chemical and IT companies across market cap. The worsening economic fundamentals will continue to have a bearing on corporate financials. Both our model portfolios (**large & midcap**) have outpaced their benchmarks by ~1% and ~4% respectively.

Rohit Ahuja | Harleen Manglani

research@bobcaps.in

Bearish undertone continues despite recent respite: As India's GDP growth outlook falters, earnings visibility remains murky across sectors. The financial sector has been the biggest laggard and expectedly so, as GDP contraction aggravates NPA risk. That said, pharma, chemicals and IT have rerated swiftly, with average earnings multiples improving by 50-100% since Apr'20. Auto (especially OEMs) has also rerated, driven by robust Aug'20 PV sales and sustained traction in tractor sales.

Downside risk to FY22 earnings: The Nifty is currently trading at ~17x FY22E EPS (after rerating from ~14x in May'20), while the Midcap 50 (M50) is at ~15x FY22E EPS. We expect earnings growth to resume from FY22 (after declines of 10%/17% for Nifty/M50 in FY21E), but see downside risk to consensus estimates as economic indicators worsen.

Deleveraged companies shine: As envisaged, pandemic uncertainty has lent **cash-rich companies a clear advantage**, visible in outperformance of the pharma, chemical and IT sectors (supported by earnings upgrades after Q1FY21). Energy and telecom are yet to catch up as macro concerns over regulations and economic recovery weigh heavy. Financials, consumer and industrials face emerging earnings downgrade risks stemming from pandemic unknowns.

Brace for risk-off trade: Though valuations for cyclicals (especially in energy) look undemanding given expectations of a V-shaped demand recovery, the uncertainty surrounding Covid-19 continues to dampen projections. Factoring in upcoming presidential elections in the US and stretched global balance sheets, we maintain our overweight stance on sectors that offer strong earnings visibility – pharma, agrochemicals and IT. Financials and auto (mostly OEMs) remain our primary underweights.

BMP: TOP IDEAS

TOP 5 Overweight	TOP 5 Underweight
HCL Tech	Reliance Industries
Petronet LNG	Bajaj Auto
ICICI Bank	SBI
Maruti	Wipro
Tech Mahindra	Sun Pharma

Source: BOBCAPS Research

BMP-M50: TOP IDEAS

TOP 5 Overweight	TOP 5 Underweight
PI Industries	Ashok Leyland
L&T Infotech	TVS Motor
Gujarat State Petronet	Mahanagar Gas
Alembic Pharma	Escorts
Laurus Labs	RBL

Source: BOBCAPS Research



Our key outlier calls report earnings upgrades

FY21 is expected to be a washout year from an earnings perspective considering the pandemic-induced economic contraction. We see earnings growth resuming from FY22 onwards. However, our key outlier sectoral picks (that actually gained from the pandemic) reported among their best earnings performances in Q1FY21 and hence have seen the highest upgrades. A look at consensus earnings revision data for FY21/FY22 yields some interesting points:

- **Earnings outperformance among outliers:** IT, pharma and chemical companies reported some of their best profits in Q1FY21, led by margin expansion. Consequently, FY21/22 earnings upgrades for a selection of our top picks from these sectors – Laurus Labs (~70%), PI Industries (~20%), L&T Infotech (~7%) and HCL Tech (~5%) – outperformed peers. An upbeat Q1 coupled with buoyant management commentary were primary driving factors.

Recent [management commentary from HCL Tech](#) led to another round of earnings upgrades across IT names. A [buoyant outlook from Accenture](#) lends further comfort.

- **Mixed trends for consumption:** Automobiles (OEMs) saw upward revision in earnings (~15%/1.1% on average for FY21/FY22), fuelled by a massive 170% upgrade in M&M (on better margins and outlook for the tractor segment). Above-estimated PV sales trends – especially in Jul-Aug'20 – keep the market outlook buoyant for OEMs. Ashok Leyland (AL) remains the only exception as CV sales struggle to take off. Management commentary for PVs remains mixed, with the industry demanding indirect tax cuts and viewing the recent uptick in sales as a transient phenomenon.

FMCG companies' FY21-22 earnings outlook changed marginally, saved by upgrades for HUL and Britannia (against downgrades for ITC and Nestle). Midcap consumer names mirrored these mixed trends, with upgrades for Jubilant and Tata Consumer being neutralised by cuts for Bata and Voltas. Among building materials, Asian Paints saw earnings downgrades as did other midcaps in plywood and ceramics.

Management commentary across the consumer sector continues to be cautiously optimistic as the impact of struggling sales volumes is being cancelled out by margin expansion (from cost cutting).

- **Upgrades for cyclicals:** Cyclicals in oil sector had earnings upgrades, driven by Reliance Industries (RIL), and OMCs. Utilities saw a downgrade. RIL's earnings upgrade was led by its massive deleveraging exercise over the last four months. Management commentary from oil companies remains optimistic, reinforcing expectations of a V-shaped recovery in sales volumes by H2FY21.

The outlook for the metals sector was buoyed by an uptick in prices as well as demand recovery expectations (by Q4FY21). Massive earnings upgrades were seen in Jindal Steel and Power (JSPL), Nalco, Vedanta and Hindalco. However, Tata Steel and Coal India saw earnings cuts.

- **Downgrades for financial sector:** Rising NPA concerns continue to loom large across the financials space. Big corporate banks (Axis and ICICI Bank) and select NBFCs (gold finance, CV financiers) did witness earnings upgrades for FY21. However, FY22 remains a worry considering extension of the loan moratorium, increasing NPAs and worsening credit growth.

Among large caps in our model portfolio, earnings upgrade was led by Pharma, IT, metals and Cement.

Financials, Infra, and Energy lead earnings cut.

FIG 1 – CHANGE IN LARGE-CAP CONSENSUS EPS

Sector (%)	FY21E	FY22E
Automobiles	1.1	(2.9)
Cement	28.4	31.0
Infra and Construction	(17.5)	(5.5)
Consumers	(4.2)	(1.0)
Energy	(8.0)	(2.9)
Agrochemicals	3.4	0.5
BFSI	(7.6)	(3.1)
IT	5.4	4.1
Media & Entertainment	(28.6)	(11.4)
Mining & Steel	92.4	8.6
Pharmaceuticals	20.9	19.5
Ports	(3.2)	1.7
Telecom	(120.5)	1.7

Source: Bloomberg, BOBCAPS Research

FIG 2 – CHANGE IN MIDCAP CONSENSUS EPS

Sector (%)	FY21E	FY22E
Automobiles	(30.9)	(1.7)
Building Materials	(88.2)	(2.9)
Cement	(6.1)	(6.1)
Chemicals	1.8	2.4
Construction	30.5	6.7
Consumers	(2.0)	4.0
Financial Services	(6.0)	7.6
Industrial Manufacturing	36.2	0.5
IT	3.6	2.9
Logistics	(7.2)	(3.0)
Media & Entertainment	12.4	0.1
Metals	7.7	41.5
Oil & Gas	(4.8)	0.6
Pharmaceuticals	21.0	19.0
Power	(68.7)	(103.8)
Telecom	49.7	(13.1)

Source: Bloomberg, BOBCAPS Research

Among midcaps in our model portfolio, earnings upgrade was led by Pharma, Metals, industrials, media and IT

Financials, Autos (mostly ancillaries) and building materials led earnings cut

Both our model portfolios have begun to outperform

Our **large-cap (BMP)** and **midcap (BMP-M50)** model portfolios have both outperformed their benchmark indices – BMP by a margin of 1% (since rebalancing in Jun’20) and BMP-M50 by 3% (since Apr’20) respectively. Our overweight calls on pharma (in both portfolios) and IT (in mid-caps) coupled with underweight stance on financials were the primary contributors for the outperformance.

Allocations revised but underlying theme intact

We make the following changes to our **large-cap model portfolio**:

- Maintain overweight on pharma, chemicals, energy, consumers and mining
- Raise IT and telecom to overweight – with HCL Tech and L&T Infotech being our top picks
- Maintain equal weight on consumer and industrials (infrastructure, cement and metals)
- Maintain underweight on financials and auto

FIG 3 – LARGE-CAPS: BMP ALLOCATION SECTOR-WISE

Sector (%)	NIFTY 50		BMP		Stance		
	Earlier allocation	Current allocation	Earlier allocation	Current allocation	Earlier stance		Current stance
Automobiles	5.6	5.8	4.3	4.3	Underweight	↔	Underweight
Cement	2.4	2.0	2.4	2.0	Equal weight	↔	Equal weight
Infra and Construction	2.9	2.4	2.0	2.4	Underweight	↑	Equal weight
Consumers	13.4	12.2	14.0	12.6	Overweight	↔	Overweight
Energy	16.5	17.7	18.7	18.4	Overweight	↔	Overweight
Agrochemicals	0.6	0.6	1.0	1.0	Overweight	↔	Overweight
BFSI	33.3	35.0	31.5	30.9	Underweight	↔	Underweight
IT	14.7	15.3	14.7	17.3	Equal weight	↑	Overweight
Media & Entertainment	0.4	0.4	0.0	0.0	Underweight	↔	Underweight
Mining & Steel	2.7	2.3	3.0	2.6	Overweight	↔	Overweight
Pharmaceuticals	3.4	3.0	5.0	5.0	Overweight	↔	Overweight
Ports	0.6	0.6	0.0	0.0	Underweight	↔	Underweight
Telecom	3.6	2.9	3.5	3.5	Equal weight	↑	Overweight

Source: BOBCAPS Research, NSE

FIG 4 – TOP LARGE-CAP PORTFOLIO PICKS

Company	Weights (%)			Profitability (%)			P/E (x)		
	NIFTY 50 WEIGHT	BMP WEIGHT	Difference	Earnings CAGR FY20-23	ROE	ROCE	FY21E	FY22E	FY23E
Petronet LNG	0.0	1.5	1.5	3.6	25.3	24.6	12.2	10.2	10.0
Laurus Labs	0.0	1.0	1.0	56.5	15.3	12.0	5.8	4.9	3.8
Alembic Pharmaceuticals	0.0	1.0	1.0	6.4	27.9	19.0	20.2	20.2	19.4
ICICI Bank	5.6	6.5	0.9	28.6	8.1	3.0	20.0	14.1	10.6
Kotak Mahindra Bank	4.2	5.0	0.8	7.7	13.7	6.6	41.2	31.1	29.7
GAIL (India)	0.4	1.0	0.6	8.5	19.8	18.6	7.8	6.3	5.3
Maruti Suzuki India	1.9	2.5	0.6	15.7	11.8	11.9	47.5	28.1	22.8
HCL Technologies	1.6	2.1	0.6	10.0	23.8	23.5	18.9	17.1	15.3
Bharti Airtel	2.6	3.1	0.6	273.7	-	-	(64.4)	29.6	17.8
Indian Oil Corporation	0.5	1.0	0.6	40.2	(0.9)	1.3	6.5	4.7	3.8
Tech Mahindra	1.0	1.5	0.6	6.7	19.2	28.9	18.1	15.4	13.4
Infosys	7.0	7.6	0.5	10.0	27.8	26.0	24.4	21.7	19.5
UPL	0.6	1.0	0.4	18.7	10.4	6.6	13.2	10.9	9.2
Coal India	0.6	1.0	0.4	(4.0)	57.0	50.1	6.0	4.9	4.8
L&T Infotech	0.0	0.4	0.4	14.5	29.5	33.7	26.5	22.8	19.7
Bharat Petroleum Corporation	0.7	1.0	0.3	35.2	8.1	5.9	12.0	8.5	7.5
Hindustan Unilever	3.9	4.2	0.3	13.9	83.8	84.3	58.0	48.8	41.7
Tata Consultancy Services	4.9	5.2	0.3	6.4	34.1	32.1	29.9	26.2	23.8
Cipla	0.8	1.0	0.3	20.0	10.1	8.4	28.8	24.9	21.6
ITC	3.5	3.6	0.2	5.7	24.6	24.9	15.3	13.1	12.0

Source: Bloomberg consensus estimates, BOBCAPS Research, NSE

Changes to our **midcap model portfolio** are as follows:

- Maintain overweight on pharma, chemicals, energy, logistics and building materials
- Maintain equal weight on cement and metals
- Maintain underweight on financials, auto and power

Underlying themes behind our model portfolio allocation remain unchanged:

- **Improved earnings outlook given pandemic-led benefits** – pharma, IT, gold finance, telecom
- **Resilient earnings** – agrochemicals/chemicals
- **Faster earnings recovery as economic lockdown eases** – gas utilities, CV financiers
- **Robust business models available at value** – building materials, logistics

FIG 5 – MIDCAPS: BMP ALLOCATION SECTOR-WISE

Sector (%)	NIFTY 50 MIDCAP WEIGHT		BMP MIDCAP WEIGHT		Stance		
	Earlier allocation	Current allocation	Earlier allocation	Current allocation	Earlier stance		Current stance
Automobiles	17.4	16.5	15.5	14.5	Underweight	↔	Underweight
Building Materials	0.0	0.0	1.5	0.8	Overweight	↔	Overweight
Cement	2.3	2.2	2.3	2.2	Equal weight	↔	Equal weight
Chemicals	0.0	0.0	4.0	3.0	Overweight	↔	Overweight
Construction	3.4	3.3	1.0	1.0	Underweight	↔	Underweight
Consumers	16.1	17.4	16.1	17.4	Equal weight	↔	Equal weight
Financial Services	25.3	24.9	19.9	19.7	Underweight	↔	Underweight
Healthcare Services	3.7	3.9	3.0	3.0	Underweight	↔	Underweight
Industrial Manufacturing	10.9	11.7	9.3	9.3	Underweight	↔	Underweight
IT	2.1	2.2	3.0	4.0	Overweight	↔	Overweight
Logistics	0.0	0.0	1.0	1.0	Overweight	↔	Overweight
Media & Entertainment	1.1	1.1	1.0	1.0	Equal weight	↔	Equal weight
Metals	3.5	3.8	3.4	3.8	Equal weight	↔	Equal weight
Oil & Gas	4.4	3.6	6.1	6.5	Overweight	↔	Overweight
Pharmaceuticals	1.9	1.7	5.0	5.0	Overweight	↔	Overweight
Power	5.6	5.5	4.2	4.2	Underweight	↔	Underweight
Telecom	2.4	2.0	3.7	3.7	Overweight	↔	Overweight

Source: BOBCAPS Research, NSE

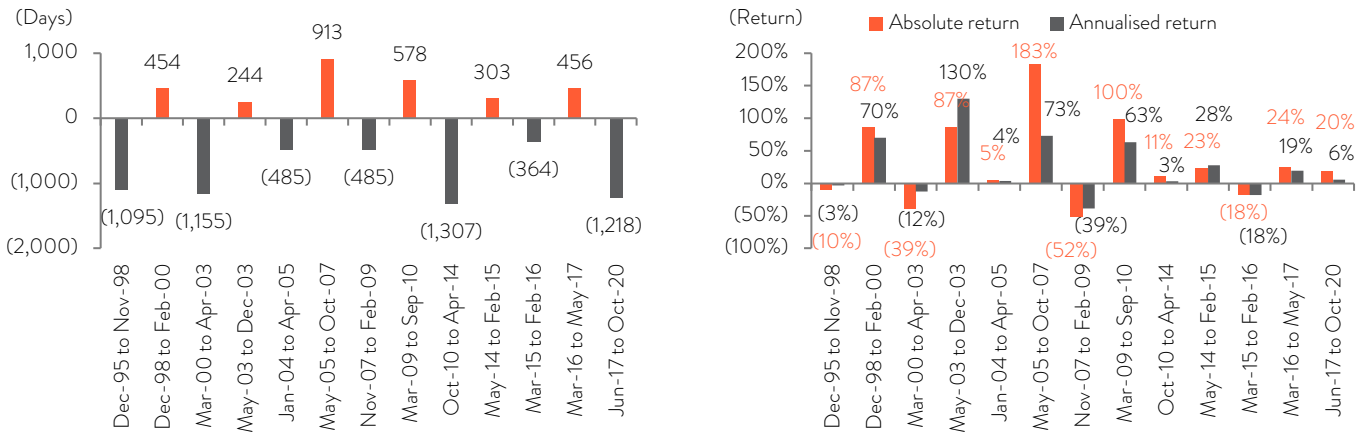
FIG 6 – TOP MIDCAP PORTFOLIO PICKS

Company	Weights (%)			Profitability (%)			P/E (x)		
	NIFTY 50 MIDCAP WEIGHT	BMP MIDCAP WEIGHT	Difference	Earnings CAGR FY20-23	ROE	ROCE	FY21E	FY22E	FY23E
PI Industries	0.0	2.0	2.0	23.1	18.6	17.1	45.1	35.0	29.5
L&T Infotech	0.0	2.0	2.0	14.7	29.5	33.7	26.4	22.6	19.5
GSPL	0.0	2.0	2.0	(0.5)	42.3	27.4	12.4	11.3	11.7
Laurus Labs	0.0	2.0	2.0	56.5	15.3	12.0	5.8	4.9	3.8
Vodafone Idea	2.0	3.7	1.7	-	-	-	-	-	-
Gujarat Gas	0.0	1.5	1.5	4.4	43.4	28.4	26.2	18.6	17.1
MRF	3.0	4.0	1.0	10.6	12.3	12.2	25.5	19.3	17.2
Aarti Industries	0.0	1.0	1.0	18.7	19.1	12.6	32.6	24.2	19.0
TCI Express	0.0	1.0	1.0	7.4	29.5	29.0	37.7	27.5	25.2
Inox	0.0	1.0	1.0	8.9	1.9	0.7	-	29.9	16.1
Alembic Pharma	0.0	1.0	1.0	6.4	27.9	19.0	21.8	21.2	-
Manappuram Finance	2.0	3.0	1.0	12.7	28.6	5.9	9.0	7.5	6.8
Century Plyboards	0.0	0.8	0.8	0.8	14.6	10.3	37.1	20.3	17.9
Mahindra & Mahindra Financial Services	2.0	2.5	0.5	11.6	9.3	1.4	17.7	8.5	6.3
Syngene	0.0	0.5	0.5	17.2	19.9	17.3	58.9	46.7	36.8
Apollo Tyres	1.0	1.5	0.5	13.2	4.8	4.4	41.9	14.9	10.8
Cholamandalam Investment	2.3	2.5	0.2	12.4	14.6	1.7	23.0	12.8	10.3
CESC	1.0	1.2	0.2	2.6	14.0	10.7	6.8	5.9	4.7
Oil India	0.8	1.0	0.2	(9.9)	13.2	9.9	7.3	4.9	4.0

Source: Bloomberg consensus estimates, NSE, BOBCAPS Research

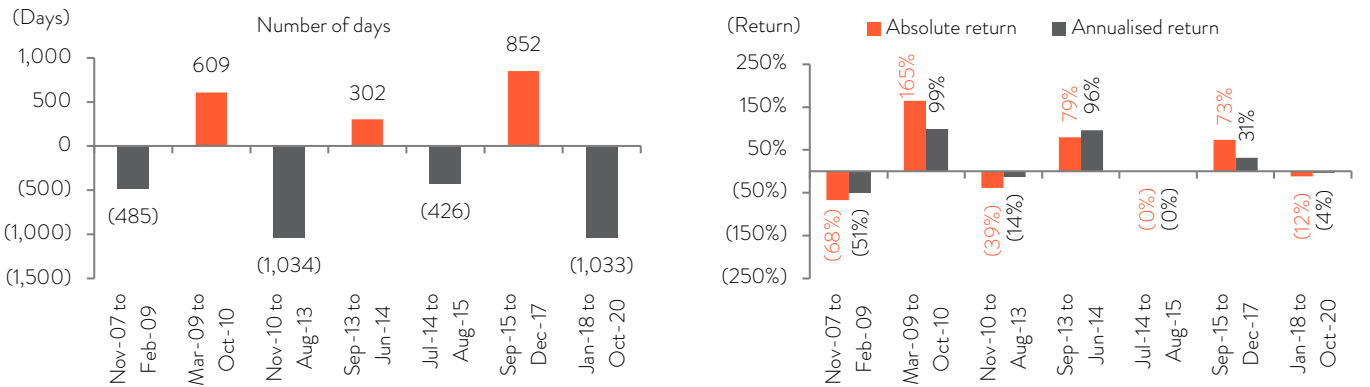
Extended bear run continues in both the indices

FIG 7 – NIFTY 50 BEAR AND BULL RUNS



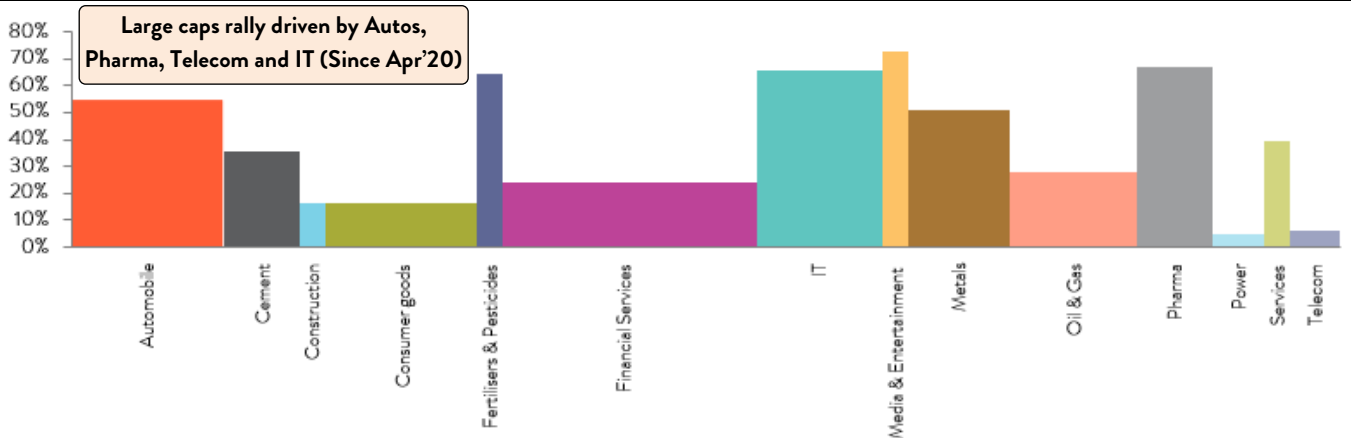
Source: Bloomberg, BOBCAPS Research

FIG 8 – NIFTY MIDCAP 50: BEAR AND BULL RUNS



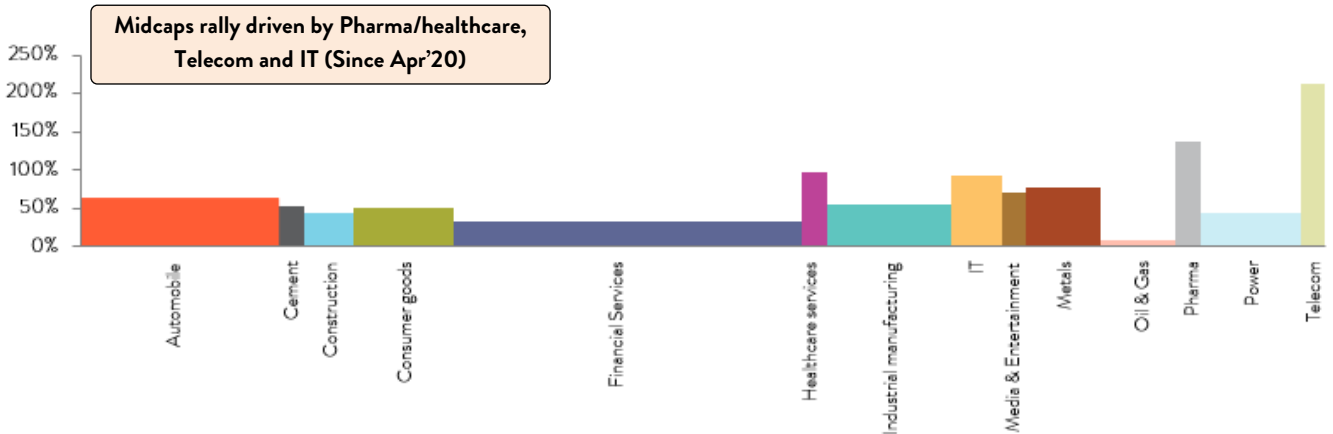
Source: Bloomberg, BOBCAPS Research

FIG 9 – SECTORAL STOCK PERFORMANCE BREAKDOWN FOR NIFTY (SINCE APR'20)



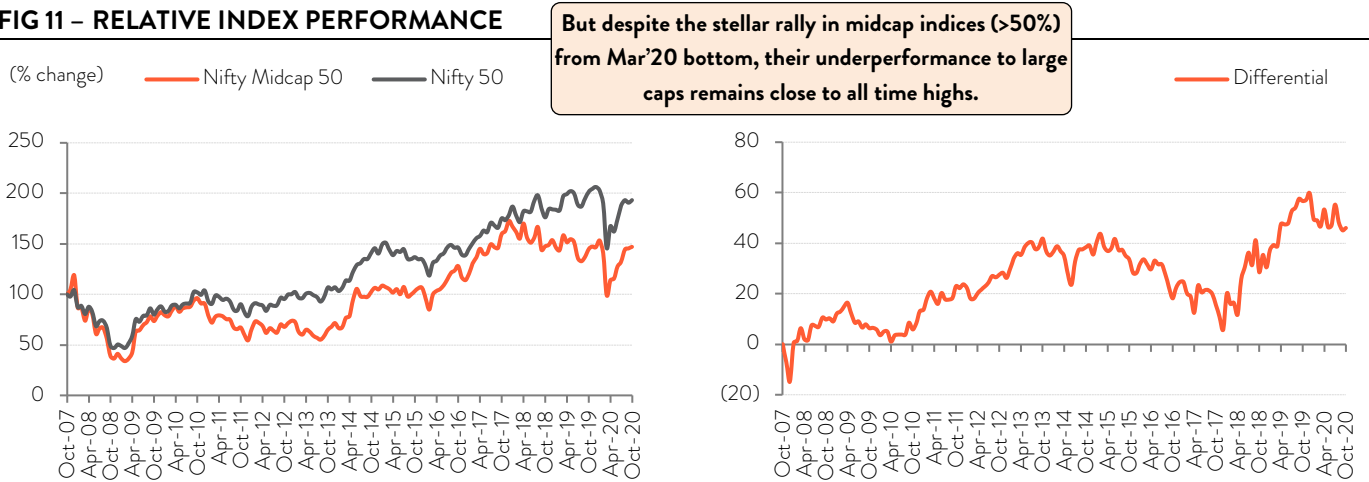
Source: BOBCAPS Research | Note: The width of the bar represents the number of companies in the respective sector

FIG 10 – SECTORAL STOCK PERFORMANCE BREAKDOWN FOR NIFTY MIDCAP 50 (SINCE APR'20)



Source: Bloomberg, BOBCAPS Research | Note: The width of the bar represents the number of companies in the respective sector

FIG 11 – RELATIVE INDEX PERFORMANCE



Source: Bloomberg, BOBCAPS Research

BOBCAPS Large-cap Model Portfolio

FIG 12 – BOBCAPS MODEL PORTFOLIO (BMP)

Company	Earlier allocation (%)		Updated allocation (%)		FY20-23 Earnings CAGR	Bloomberg		P/E (x)		
	NIFTY 50	BMP	NIFTY 50	BMP		FY20 ROE (%)	FY20 ROCE (%)	FY21E	FY22E	FY23E
Bajaj Auto	0.89	0.80	0.80	0.60	6.3	23.2	23	20.3	15.8	14.1
Eicher Motors	0.58	0.50	0.60	0.40	12.8	19.3	19.0	42.6	26.9	21.8
Hero MotoCorp	0.77	0.00	0.81	0.50	7.5	26.4	25.7	24.2	18.5	16.0
Mahindra & Mahindra	1.05	0.00	1.20	0.30	8.1	0.3	(1.4)	23.7	17.6	15.5
Maruti Suzuki India	1.87	3.00	1.88	2.50	15.7	11.8	11.9	47.5	28.1	22.8
Tata Motors	0.39	0.00	0.53	0.00	(209.2)	(19.6)	(4.2)	(5.9)	19.4	12.0
Automobiles	5.55	4.30	5.82	4.30						
Grasim Industries	0.58	0.58	0.55	0.55	10.1	11.9	5.1	29.5	19.3	12.2
UltraTech Cement	1.13	1.13	0.93	0.93	17.2	16.0	11.7	34.8	25.2	19.4
Shree Cement	0.70	0.70	0.56	0.56	11.7	13.4	12.6	45.2	33.1	35.7
Cement	2.41	2.41	2.04	2.04						
Larsen & Toubro	2.89	2.00	2.39	2.38	7.7	14.8	32.8	18.0	12.7	10.6
Infra and Construction	2.89	2.00	2.39	2.38						
Asian Paints	1.90	2.00	1.77	1.65	12.5	27.6	25.8	73.9	56.6	48.2
Britannia Industries	1.00	1.10	0.91	0.96	16.9	32.4	27.8	50.7	45.7	40.9
Hindustan Unilever	3.69	4.00	3.91	4.22	13.9	83.8	84.3	58.0	48.8	41.7
ITC	4.32	4.50	3.45	3.62	5.7	24.6	24.9	15.3	13.1	12.0
Nestle India	1.57	2.00	1.18	1.26	8.5	66.3	67.2	60.7	53.3	54.9
Titan Company	0.93	0.40	0.95	0.93	16.2	23.6	17.2	122.1	57.1	46.3
Consumers	13.41	14.00	12.17	12.64						
Bharat Petroleum Corporation	0.69	1.00	0.68	1.00	35.2	8.1	5.9	12.0	8.5	7.5
GAIL (India)	0.43	1.00	0.37	1.00	8.5	19.8	18.6	7.8	6.3	5.3
Indian Oil Corporation	0.53	1.00	0.45	1.00	40.2	(0.9)	1.3	6.5	4.7	3.8
NTPC	1.19	1.20	0.97	0.90	12.0	10.1	6.0	6.4	5.4	4.9
Oil & Natural Gas Corporation	0.76	0.00	0.62	0.00	(0.7)	5.1	4.6	9.8	5.2	3.9
Power Grid Corporation of India	1.01	1.01	0.95	0.98	7.3	17.9	9.4	7.3	6.7	6.2
Petronet LNG	0.00	1.50	0.00	1.50	3.6	25.3	24.6	12.2	10.2	10.0
Reliance Industries	11.88	12.00	13.63	12.00	19.2	9.4	6.5	34.4	22.6	18.9
Energy	16.49	18.71	17.67	18.38						
UPL	0.56	1.00	0.58	1.00	18.7	10.4	6.6	13.2	10.9	9.2
Agrochemicals	0.56	1.00	0.58	1.00						
Axis Bank	2.18	1.00	2.54	1.00	37.5	2.4	0.8	14.3	8.6	7.2
Bajaj Finance	1.30	2.00	1.91	2.00	20.2	20.2	4.2	44.2	26.3	19.9
Bajaj Finserv	0.67	0.67	0.77	0.80	17.2	12.2	4.3	26.0	17.6	14.0
HDFC Bank	10.34	10.34	9.99	9.56	18.4	16.5	7.8	21.9	17.8	13.3
Housing Development Finance Corp	7.20	5.00	6.55	5.00	7.7	18.0	5.6	19.4	16.2	12.2
HDFC Life Insurance Company	0.00	0.00	0.86	0.00	15.1	20.8	-	81.4	68.7	58.4
ICICI Bank	5.39	6.50	5.62	6.50	28.6	8.1	3.0	20.0	14.1	10.6
IndusInd Bank	0.60	0.00	0.79	0.00	10.5	14.5	5.2	11.3	7.7	5.5
Kotak Mahindra Bank	4.11	5.00	4.24	5.00	7.7	13.7	6.6	41.2	31.1	29.7
State Bank of India	1.55	1.00	1.68	1.00	23.0	8.7	4.0	13.1	7.4	5.2
BFSI	33.34	31.51	34.95	30.86						
HCL Technologies	1.50	1.70	1.56	2.12	10.0	23.8	24.7	18.9	17.1	15.3
Infosys	6.35	6.35	7.03	7.56	10.0	27.8	26.0	24.4	21.7	19.5
Tata Consultancy Services	5.20	5.20	4.90	5.20	6.4	34.1	32.1	29.9	26.2	23.8
Tech Mahindra	0.82	1.00	0.95	1.50	6.7	19.2	16.5	18.1	15.4	13.4

Company	Earlier allocation (%)		Updated allocation (%)		FY20-23 Earnings CAGR	Bloomberg		P/E (x)		
	NIFTY 50	BMP	NIFTY 50	BMP		FY20 ROE (%)	FY20 ROCE (%)	FY21E	FY22E	FY23E
L&T Infotech	0.00	0.40	0.00	0.40	14.5	29.5	33.7	26.5	22.8	19.7
Wipro	0.79	0.00	0.83	0.50	3.7	16.5	14.5	18.9	17.7	16.6
IT	14.66	14.65	15.27	17.28						
Zee Entertainment Enterprises	0.42	0.00	0.38	0.00	2.5	5.8	6.1	18.4	12.6	10.8
Media & Entertainment	0.42	0.00	0.38	0.00						
Coal India	0.74	1.00	0.58	1.00	(4.0)	57.0	50.1	6.0	4.9	4.8
Hindalco Industries	0.51	0.51	0.56	0.51	11.5	6.5	5.4	12.8	7.4	6.1
JSW Steel	0.47	0.47	0.57	0.48	33.6	11.3	7.2	31.9	12.2	9.1
Tata Steel	0.56	0.56	0.63	0.58	57.5	2.2	3.5	(364.5)	7.2	6.1
Vedanta	0.42	0.42	0.00	0.00	17.7	(11.4)	(0.9)	19.3	9.1	7.1
Mining & Steel	2.70	2.96	2.34	2.57						
Cipla	0.83	1.00	0.75	1.00	20.0	10.1	8.4	28.8	24.9	21.6
Dr. Reddy's Laboratories	1.24	1.00	1.07	1.00	23.3	13.2	11.4	32.2	26.6	22.0
Laurus Labs	0.00	1.00	0.00	1.00	56.5	15.3	12.0	5.8	4.9	3.8
Alembic Pharmaceuticals	0.00	1.00	0.00	1.00	6.4	27.9	19.0	20.2	20.2	19.4
Sun Pharmaceutical Industries	1.28	1.00	1.16	1.00	14.4	8.7	7.8	24.7	21.2	18.4
Pharmaceuticals	3.35	5.00	2.98	5.00						
Adani Ports and Special Economic Zone	0.63	0.00	0.55	0.00	6.7	15.1	10.6	17.0	13.8	12.6
Ports	0.63	0.00	0.55	0.00						
Bharti Airtel	3.10	3.10	2.55	3.10	(273.7)	-	-	(64.4)	29.6	17.8
Bharti Infratel	0.49	0.43	0.35	0.44	0.7	23.8	21.0	10.5	10.1	9.7
Telecom	3.59	3.53	2.90	3.54						

Source: Bloomberg, BOBCAPS Research, NSE

BOBCAPS Midcap Model Portfolio

FIG 13 – BOBCAPS MIDCAP MODEL PORTFOLIO (BMP-M50)

Company	Jun-20		Aug-20		FY20-23 Earnings CAGR	Bloomberg		P/E (x)		
	NIFTY Midcap 50	BMP Midcap	NIFTY Midcap 50	BMP Midcap		FY20 ROE (%)	FY20 ROCE (%)	FY21E	FY22E	FY23E
Amara Raja Batteries	1.5	1.0	1.5	1.0	8.5	18.9	18.7	23.5	18.3	15.9
Apollo Tyres	1.0	1.5	1.0	1.5	13.2	4.8	4.4	41.9	14.9	10.8
Ashok Leyland	1.9	1.0	2.4	1.0	46.3	4.1	5.2	-	28.6	16.1
Balkrishna Industries	2.9	3.0	2.7	2.7	15.3	19.9	16.9	31.0	25.7	20.8
Escorts	2.1	1.5	1.9	1.5	18.9	16.3	15.6	25.1	19.3	15.5
Exide Industries	1.9	2.0	1.9	1.9	6.4	12.4	12.8	20.3	16.2	14.0
MRF	3.9	4.5	3.0	4.0	10.6	12.3	12.2	25.5	19.3	17.2
TVS Motor	2.2	1.0	2.2	1.0	16.1	19.4	8.2	58.1	30.7	23.8
Automobiles	17.4	15.5	16.5	14.5						
Greenpanel Ind	0.0	0.8	0.0	0.0	-	0.0	0.0	(194.8)	15.5	-
Century Plyboards	0.0	0.8	0.0	0.8	0.8	14.6	10.3	37.1	20.3	17.9
Building materials	0.0	1.5	0.0	0.8						
The Ramco Cements	2.3	2.3	2.2	2.2	10.5	12.7	9.7	35.8	27.6	23.2
Cement	2.3	2.3	2.2	2.2						
PI Industries	0.0	2.0	0.0	2.0	23.1	18.6	17.1	45.1	35.0	29.5
Aarti industries	0.0	2.0	0.0	1.0	18.7	19.1	12.6	32.6	24.2	19.0
Chemicals	0.0	4.0	0.0	3.0						
GMR Infrastructure	1.2	0.0	1.2	0.0	(24.9)	-	-	(7.4)	(10.8)	(19.2)
Godrej Properties	2.2	1.0	2.1	1.0	24.4	7.3	5.5	73.9	55.0	35.6
Construction	3.4	1.0	3.3	1.0						
Bata India	2.2	2.2	1.9	1.9	6.4	18.1	13.5	78.6	39.6	35.6
Jubilant Foodworks	3.7	3.7	4.0	4.0	20.5	23.5	19.3	129.4	63.5	52.5
Tata Consumer Products	6.6	6.6	7.9	7.9	17.6	4.3	3.9	53.1	43.9	38.1
Voltas	3.6	3.6	3.6	3.6	11.9	12.3	11.9	50.3	33.2	28.6
Consumers	16.1	16.1	17.4	17.4						
Bank of India	0.5	0.0	0.5	0.0	(199.8)	(5.1)	(0.4)	23.0	7.9	4.7
Canara Bank	0.9	0.0	0.8	0.0	31.5	(5.0)	(0.3)	-	10.7	5.6
Cholamandalam Investment	2.1	2.1	2.3	2.5	12.4	14.6	1.7	23.0	12.8	10.3
Federal Bank	2.9	2.5	2.7	2.7	10.7	11.2	0.9	9.6	5.8	4.5
IDFC First Bank	1.3	1.0	1.7	1.0	(169.4)	(16.9)	(1.8)	-	24.9	15.4
Indiabulls Housing Finance	1.9	0.0	1.7	0.0	(17.2)	13.7	1.9	8.9	7.4	4.6
L&T Finance Holdings	1.2	1.0	1.1	1.0	5.6	12.1	1.6	10.4	6.5	5.4
LIC Housing Finance	2.3	1.5	2.3	1.5	6.2	13.9	1.2	7.5	5.4	4.7
Mahindra & Mahindra Financial Services	1.4	2.0	2.0	2.5	11.6	9.3	1.4	17.7	8.5	6.3
Manappuram Finance	2.3	2.5	2.0	3.0	12.7	28.6	5.9	9.0	7.5	6.8
Max Financial Services	3.0	2.5	2.8	2.0	15.1	6.9	0.2	39.9	31.3	35.5
RBL Bank	2.3	2.0	2.2	1.0	37.7	5.5	0.6	17.9	8.6	5.8
REC	2.8	2.8	2.4	2.4	13.7	14.2	1.5	3.0	2.6	2.3
Union Bank of India	0.6	0.0	0.5	0.0	(216.8)	(10.3)	(0.6)	12.2	5.9	5.8
Financial Services	25.3	19.9	24.9	19.7						
Apollo Hospitals Enterprise	3.7	3.0	3.9	3.0	30.6	13.6	9.1	(361.7)	53.1	37.2
Healthcare services	3.7	3.0	3.9	3.0						

Company	Jun-20		Aug-20		FY20-23 Earnings CAGR	Bloomberg		P/E (x)		
	NIFTY Midcap 50	BMP Midcap	NIFTY Midcap 50	BMP Midcap		FY20 ROE (%)	FY20 ROCE (%)	FY21E	FY22E	FY23E
Bharat Electronics	3.0	2.5	3.1	2.5	10.5	18.9	18.9	14.5	12.0	10.9
Bharat Forge	2.3	1.5	3.1	1.5	21.9	6.6	4.5	104.7	30.0	20.2
Bharat Heavy Electricals	1.3	1.0	1.2	1.0	26.4	(4.9)	(3.3)	-	13.1	8.6
Cummins India	1.5	1.5	1.6	1.5	2.9	16.2	15.1	24.1	19.7	17.2
SRF	2.8	2.8	2.8	2.8	15.6	22.5	14.5	27.9	21.7	17.8
Industrial Manufacturing	10.9	9.3	11.7	9.3						
Hexaware Technologies	1.1	1.0	1.1	1.0	6.7	23.8	23.5	19.7	17.7	17.8
MindTree	1.0	0.5	1.1	1.0	20.3	19.5	26.2	27.1	23.2	20.2
L&T Infotech	0.0	1.5	0.0	2.0	14.7	29.5	33.7	26.4	22.6	19.5
IT	2.1	3.0	2.2	4.0						
TCI Express	0.0	1.0	0.0	1.0	7.4	29.5	29.0	37.7	27.5	25.2
Logistics	0.0	1.0	0.0	1.0						
Sun TV Network	1.1	0.0	1.1	0.0	5.1	24.6	24.6	12.8	11.7	10.8
Inox	0.0	1.0	0.0	1.0	8.9	1.9	0.7	-	29.9	16.1
Media & Entertainment	1.1	1.0	1.1	1.0						
Jindal Steel & Power	1.8	1.8	2.0	2.0	(255.8)	(0.3)	3.7	-	11.6	8.3
National Aluminium Co.	0.8	0.8	0.8	0.8	109.5	1.3	1.4	20.7	11.5	8.4
Steel Authority of India	0.9	0.8	1.0	1.0	(232.6)	5.2	5.0	(67.0)	9.4	5.6
Metals	3.5	3.4	3.8	3.8						
Castrol India	1.7	1.5	1.4	1.0	-	65.3	65.4	13.9	12.1	-
Mahanagar Gas	1.7	1.0	1.4	1.0	4.9	29.7	29.3	15.3	10.2	9.3
Oil India	1.0	0.5	0.8	1.0	(9.9)	13.2	9.9	7.3	4.9	4.0
Gujarat Gas	0.0	1.1	0.0	1.5	4.4	43.4	28.4	26.2	18.6	17.1
GSPL	0.0	2.0	0.0	2.0	(0.5)	42.3	27.4	12.4	11.3	11.7
Oil & Gas	4.4	6.1	3.6	6.5						
Glenmark Pharmaceuticals	1.9	1.5	1.7	1.5	18.4	13.3	9.8	15.9	13.8	11.6
Laurus Labs	0.0	1.5	0.0	2.0	56.5	15.3	12.0	5.8	4.9	3.8
Alembic Pharma	0.0	1.0	0.0	1.0	6.4	27.9	19.0	21.8	21.2	-
Syngene	0.0	1.0	0.0	0.5	17.2	19.9	17.3	58.9	46.7	36.8
Pharmaceuticals	1.9	5.0	1.7	5.0						
Adani Power	0.7	0.0	0.7	0.0	-	(44.5)	2.5	-	-	-
CESC	1.2	1.2	1.0	1.2	2.6	14.0	10.7	6.8	5.9	4.7
Tata Power	2.2	1.5	2.5	1.5	21.0	5.4	6.2	11.1	9.0	7.4
Torrent Power	1.5	1.5	1.4	1.5	2.9	13.0	9.7	12.2	10.8	0.0
Power	5.6	4.2	5.5	4.2						
Vodafone Idea	2.4	3.7	2.0	3.7	(26.8)	-	-	-	-	-
Telecom	2.4	3.7	2.0	3.7						

Source: Bloomberg, BOBCAPS Research, NSE

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Recommendations and Absolute returns (%) over 12 months

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ADD – Expected return from >+5% to +15%

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