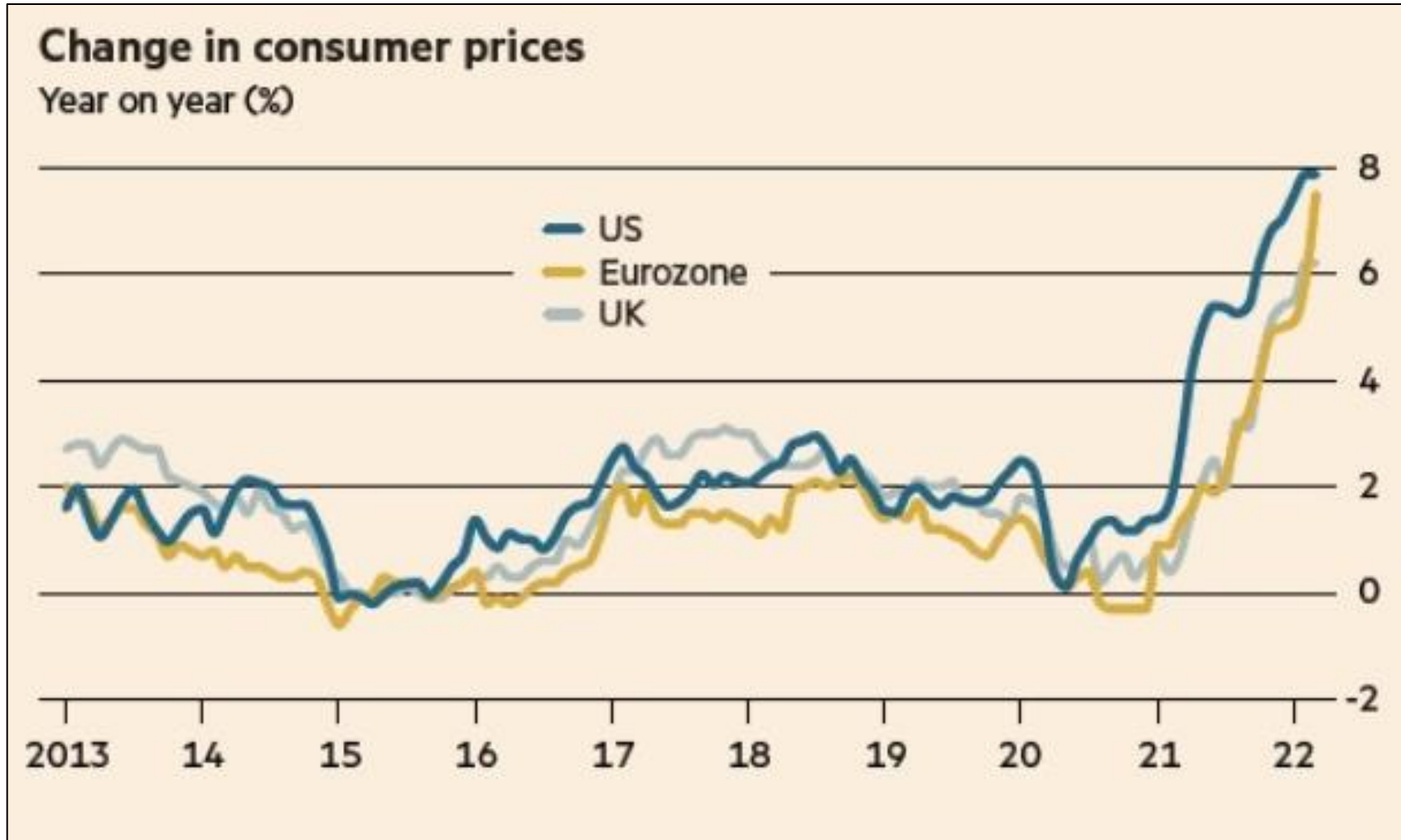


# **SOLIDARITY**

**Few Slides**

**5 May 2022**

# GLOBALLY, INFLATION NOW A BIG ISSUE



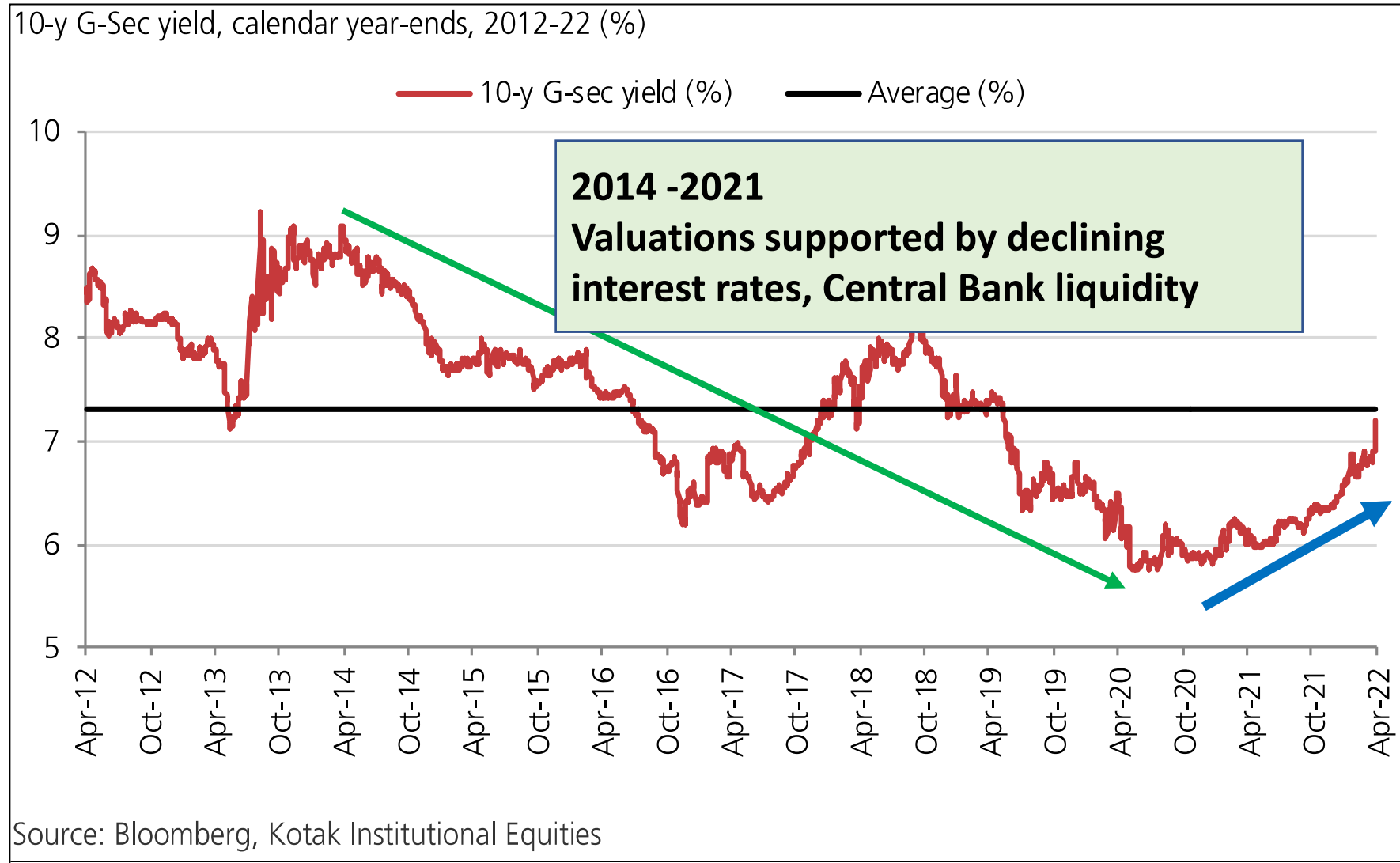
**Debt instruments will return less than inflation**

**Equities should – over the medium – deliver returns significantly higher than inflation**

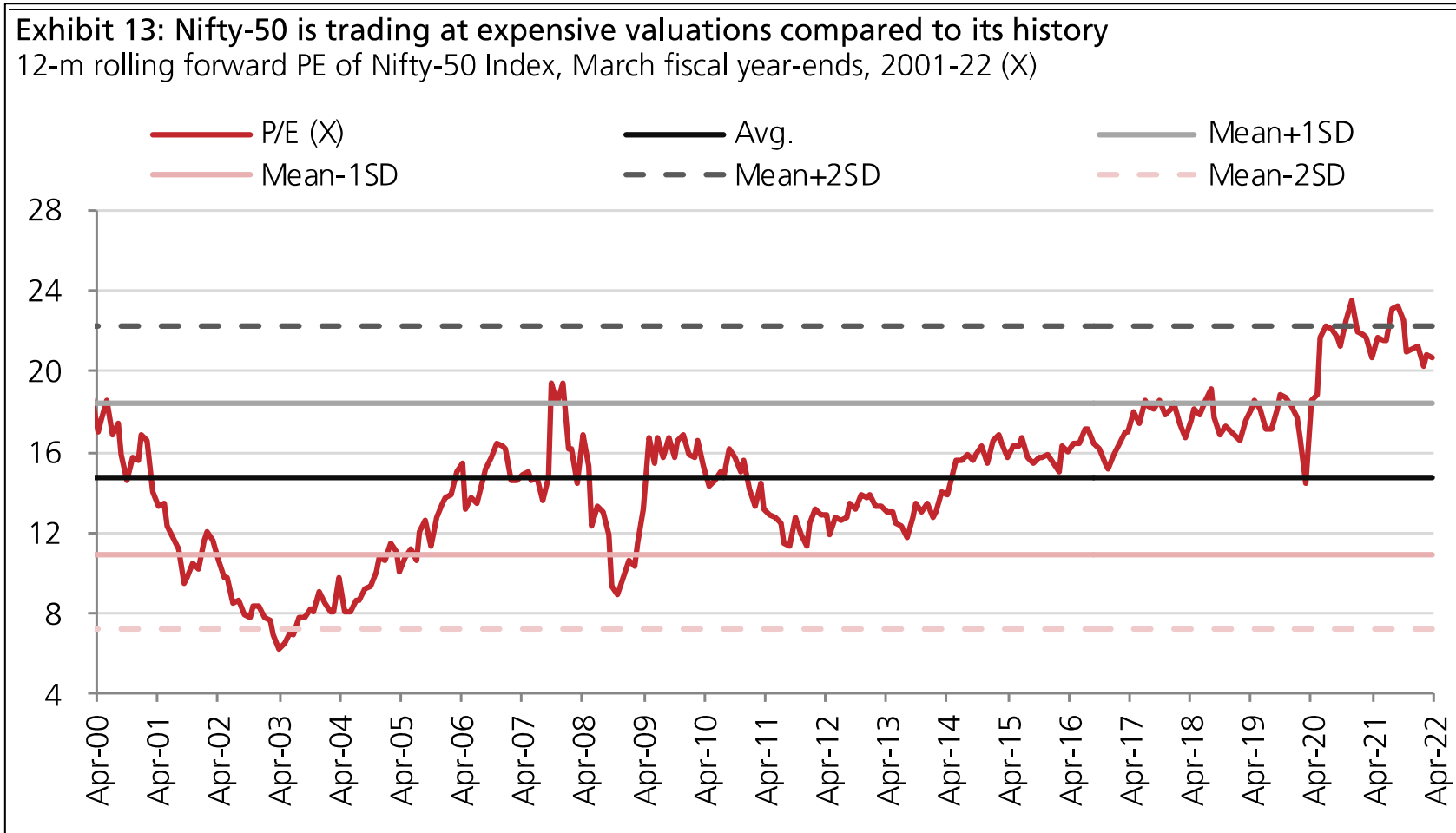
**However, inflation is a head wind to growth and multiples**

**Hence, realism in expectations**

# INTEREST RATES RISING ON BACK OF INFLATIONARY PRESSURES

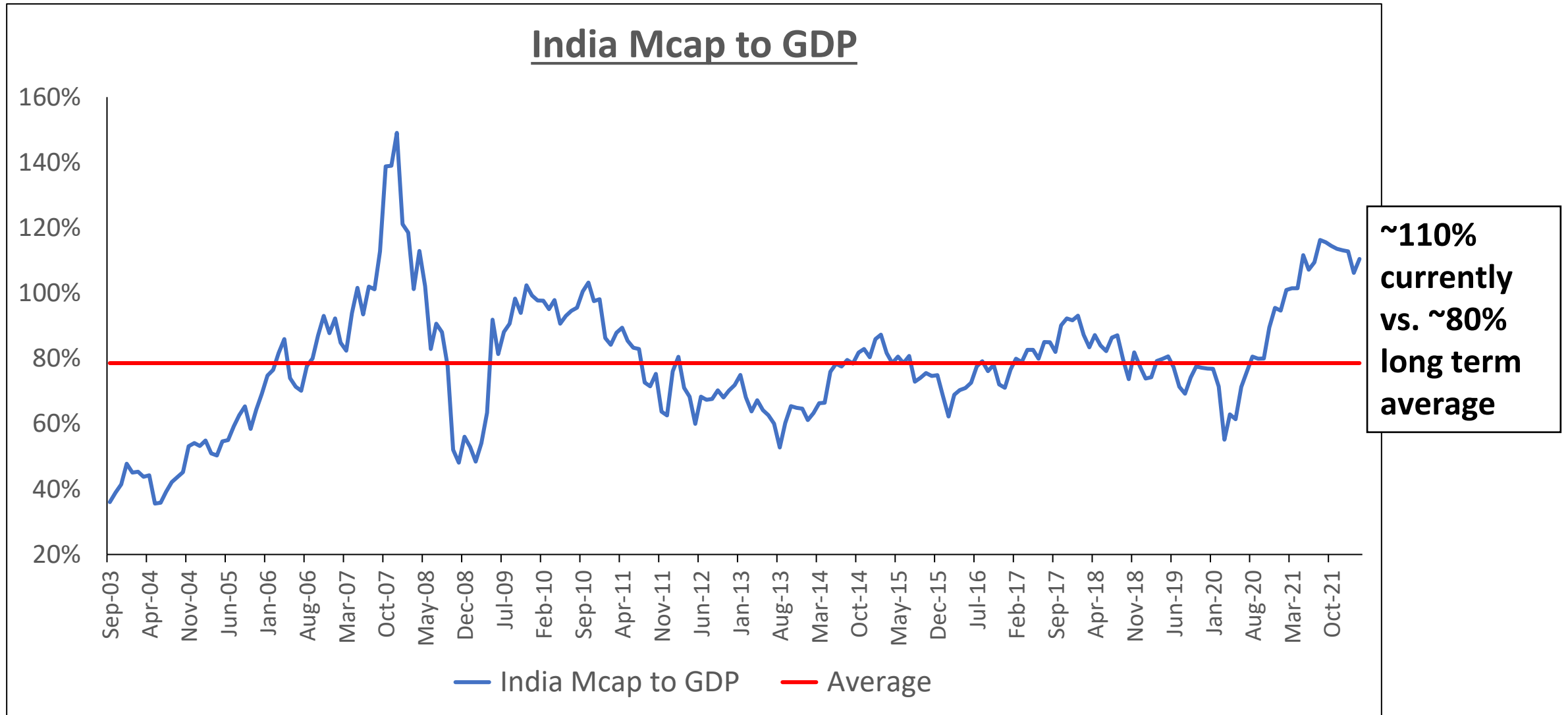


# MARKETS, IN AGGREGATE, ARE RICHLY VALUED VS THE PAST



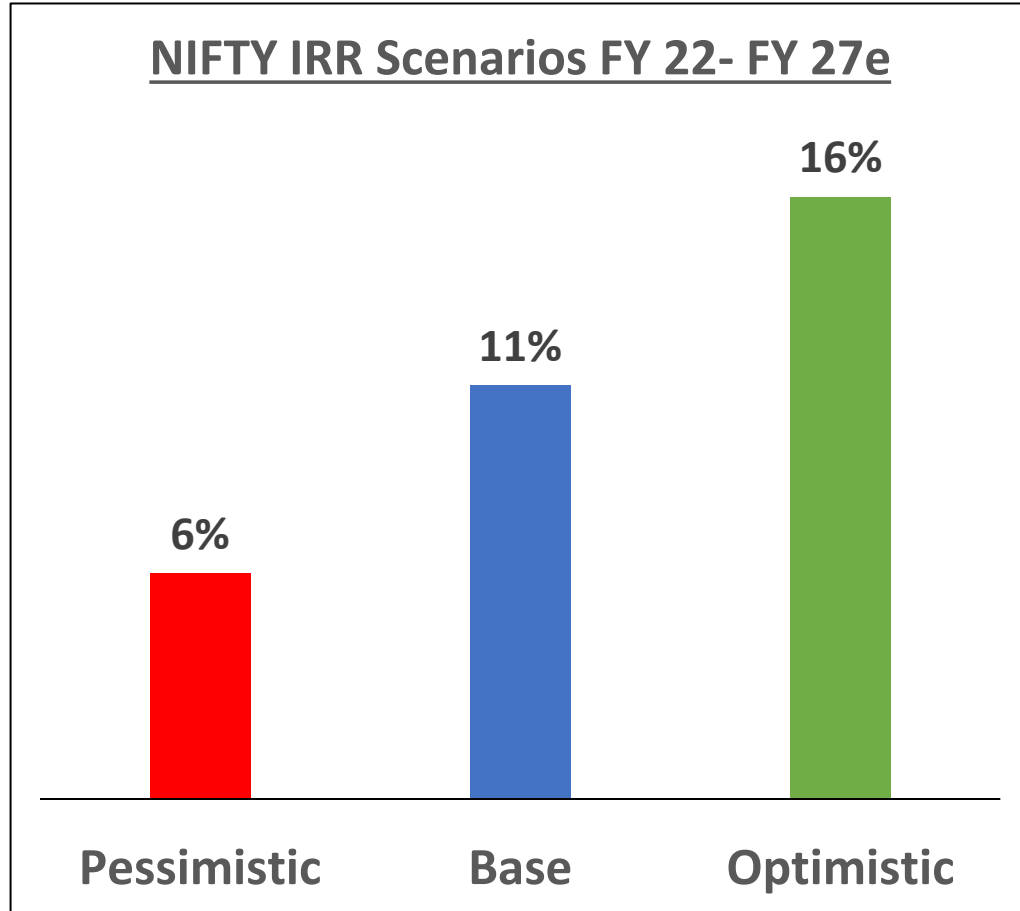
Source: Kotak Institutional Equities (13 April 2022)

# MARKETS, IN AGGREGATE, ARE RICHLY VALUED VS THE PAST



Source: Bloomberg, Ambit Capital

# ONE MUST BE REALISTIC ABOUT RETURN EXPECTATIONS



	Pessimistic	Base	Optimistic
	Scenario 1	Scenario 2	Scenario 3
Particulars	FY27E	FY27E	FY27E
<b>Assumptions</b>			
EPS CAGR	13%	15%	18%
MCAP/GDP	80%	90%	100%
% decline in valuation	27%	18%	9%
<b>Outcomes</b>			
Nifty EPS	1,327	1,448	1,647
Index PE Ratio	17.4	19.5	21.7
Nifty 50	23,047	28,305	35,772
<b>Modeled NIFTY IRR</b>	<b>6%</b>	<b>11%</b>	<b>16%</b>
Note: Current MCAP/GDP at 110% vs 10 year average of 81%			

Source: Solidarity Analysis, Ambit

\*Nifty FY22 EPS estimate as per Kotak Institutional Equities