Nifty could hit 20k in 2023: BoFA Sec

SIDDHANT MISHRA
Mumbai, December 13

THE NIFTY COULD hit 20,000 in the coming year, a 5% upside to its current levels, according to brokerage firm Bank of America (BofA) Securities. It said current valuations are expensive, with the Nifty trading at a 10% premium to its long-term average (LTA).

Anticipating the volatility to continue, the brokerage expects the index to swing between 17,000 and 20,000, led by a debate on the two scenarios of a protracted global revival, or a soft landing. With a base case of 19,500 — implying muted but positive returns — it recommends buying on dips.

In a scenario where inflation is sticky and concerns over global growth and Fed moves continue, there could be sharp cuts to Nifty FY24/25 earnings growth at 7-9%. Even then, valuations are unlikely to contract below the LTA, thanks to expected domestic flow support. Overall, the Nifty could trade at 17,000 and the house recommends buying on dips because Indian markets fall less and recover faster during global recessions.

In case of a soft landing, Nifty could trade at 20k despite a cut to its FY24/25 earnings growth at 8-12%.

"The Nifty has swung 20% and is up 5% year-to-date (YTD), and while 2022 was all about rate hikes and inflation, 2023 will be dominated by macro factors and geopolitical issues," said Amish Shah, MD and head of research (India), BoFA Securities. "While India outperformed emerging markets in 2022, our view is that India will continue to outperform the developed markets but underperform emerging market peers."

However, with foreign institutional investors (FII) having consistently pulled out money from India, the brokerage sees support to the indices from domestic flows. Data show that since the October 21 peak, FIIs have largely been net sellers, having withdrawn $28 billion. The firm's analysis indicates that even on a conservative note, EPFO, NPS, SIPs could contribute $20 billion of flows into India's equities, thus providing a downside support.

Based on the weighted average of constituents' valuation, the Nifty is at a 20.3x one-year forward P/E (8% premium to its LTA). The house argues that the Nifty's historical average, too, should be looked at from the same lens. This way, it has arrived at an LTA multiple of 18.8x for the Nifty, vis-à-vis the Bloomberg consensus of 15.9x. On a relative basis, the MSCI India premium to the World and EM remains elevated at 98% and 41%, respectively. However, this premium is expected to erode owing to slowing global growth and an imminent earnings cut. Strong and sticky domestic flows should limit the downside and Nifty could trend towards its LTA of 18.8x one-year forward P/E.

VOLATILITY TO CONTINUE

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Yes Bank to allot shares, warrants to Carlyle, Advent

FE BUREAU
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YES BANK ON Tuesday said it will allot shares and warrants to private equity firms Carlyle Group and Advent International to raise ₹8,887 crore. The bank's board has approved the allotment of 369.6 crore shares and 255.9 crore share warrants to the investors.

Carlyle Group and Advent International each will be issued 184.81 crore equity shares at ₹13.78 apiece. The bank has also allotted 127.98 crore share warrants to each of the investors, the bank said in an exchange filing.

Yes Bank has already received ₹948 crore upfront from the investors, which is 25% of the total warrants issue. The lender will receive remaining 75% of the amount at the time of conversion of warrants into shares.

The board has also approved appointment of officials of Sunil Kaul of Carlyle Group and Shweta Jalan of Advent International on its board.

The announcement came after the bank in the previous week said it had received two more letters from the Reserve Bank of India (RBI) on the proposed share purchase by private equity firms. The RBI had earlier given its conditional approval to the proposed investment, through which each of the investors will acquire 9.99% stake in the bank.

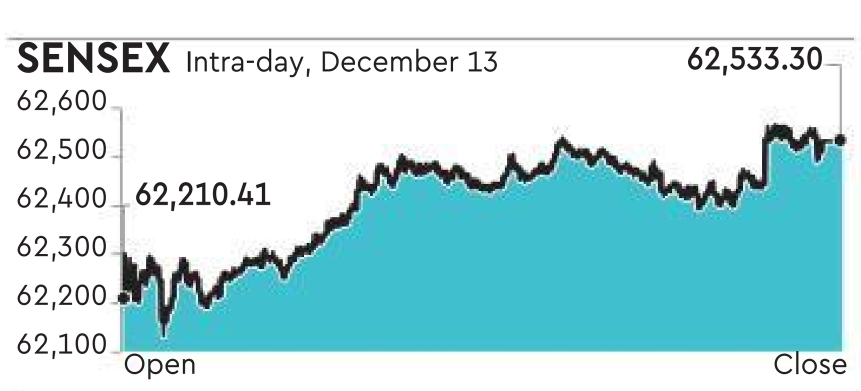
State Bank of India (SBI) holds 30% stake in Yes Bank and is the largest public shareholder. Other banks, including ICICI Bank, Axis Bank, IDFC First Bank and Bandhan Bank, together account for an 8.22% shareholding. Life Insurance Corporation of India holds a 4.98% stake. Foreign portfolio investors hold 12.15% stake in the bank.

The fundraising is aimed at improving the capital adequacy. The bank's capital adequacy ratio stood at 17.30% as of September 30, compared to 17.60% a year ago.

Additionally, the bank is about to close the ₹11,183-crore deal involving transfer of stressed assets to JC Flowers ARC.

Easing retail inflation lifts Street sentiment

SIDDHANT MISHRA
Mumbai, December 13



THE BENCHMARK INDICES gained on Tuesday, as retail inflation coming in at 5.88% — an 11-month low and below the Reserve Bank of India's tolerance level — cheered the Street.

The Sensex jumped 402.73 points, or 0.65%, to end at 62,533.30, while the Nifty 50 rose 110.85 points, or 0.60%, to close above the 18,600-mark at 18,608. IT and financials led the gains, with IndusInd Bank gaining 2.46%, Bajaj Finance rising 1.75%, and SBI, Kotak Bank, ICICI Bank, Axis Bank, as well as the HDFC twins, all closing in the green. Infosys rose 1.65% and TCS 1.44%, while HCL, Tech Mahindra and Wipro also ended with gains.

However, consumer stocks were laggards, with HUL and Nestle both ending in the red.

A total of 1,860 stocks advanced on the BSE, with 1,671 stocks declining.

IndusInd was the leader in the broader market too, rising 2.13% on the NSE, while Bajaj Finance followed suit, up 2.05%. IT and banking stocks ended the session with gains. However, consumer and metals were the major laggards even as the biggest loser was Apollo Hospitals, which shed 1.27%.

Among sectoral indices, the Bank Nifty closed 0.54% up at 43,946.55, while the Nifty IT and financial indices also closed with gains.

"Markets were on a firm footing on the back of short-covering, as retail inflation easing to an 11-month low raised hopes that the rate hike regime could slow down and take a pause. Overnight gains in the US markets further aided the local market sentiment, which had slipped into a range-bound mode over the past few sessions. Technically, the market not only reclaimed the 20-day SMA (simple moving average) level, but also closed above the same, which is broadly positive," said Shrikant Chouhan, head of equity research (Retail), Kotak Securities.

RBI tightens disclosure norms on banks' financial statements

FE BUREAU
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THE RESERVE BANK of India (RBI) on Tuesday tightened the disclosure norms for banks' financial statements. According to the new norms, banks must disclose particulars of all such items in their notes to accounts whenever any item under the sub-heading 'Other Liabilities and Provisions' or 'Other Assets' exceeds 1% of total assets.

Also, banks must disclose the particulars of all such items in their notes to accounts whenever any item under the sub-heading 'Miscellaneous Income' or 'Other Expenditure' exceeds 1% of total income.

The RBI has also asked payments banks to disclose particulars of all such items in their notes to accounts, whenever any item under the sub-heading 'Commission, Exchange and Brokerage' exceeds 1% of the total income.

Instructions of the central bank will come into effect from March 31, 2023. It has amended its 2021 Master Direction on Financial Statements to reflect Tuesday's instructions.