

Future of Nifty 50 – Banking on 'BANKS'

Nooresh Merani & Harsh Doshi



Nifty 50 – Sector representation

Sector	Weights
Financial Services	35.66
Information Technology	15.88
Oil, Gas & Consumable Fuels	14.26
Fast Moving Consumer Goods	8.24
Automobile And Auto Components	5.64
Healthcare	3.91
Consumer Durables	3.05
Construction	2.75
Metals & Mining	2.75
Telecommunication	2.28
Power	2.12
Construction Materials	2.12
Services	0.73
Chemicals	0.59

Top 3 sectors holds 66% weight in Nifty which includes Financial Service, IT and Oil & Gas

Followed by 14% from FMCG and Auto combines

i.e. 80% of the index is represented by 5 sectors only

Rest 20% weight represented by other 9 sectors

Weightages as per May 2022

Nifty 50 – Financial Services Sector

Symbol	Industry	Weightage (%)
HDFCBANK	Banks	8.38
ICICIBANK	Banks	7.21
KOTAKBANK	Banks	3.74
AXISBANK	Banks	2.49
SBIN	Banks	2.47
INDUSINDBK	Banks	0.83
HDFC	NBFC	5.75
BAJFINANCE	NBFC	2.23
BAJAJFINSV	NBFC	1.08
HDFCLIFE	Insurance	0.77
SBILIFE	Insurance	0.71

25% of Financial Services sector is represented by 'Banks'

9% of Financial Services sector is represented by 'NBFC's'

Only 1.5% represented by 'Insurance'

Further HDFC is set to merge with HDFC Bank which will increase the weight of Banks even more

Total weight of Financial Services at 35.66%

Nifty 50 – Information Technology Sector

Symbol	Industry	Weightage (%)
INFY	Information Technology	7.58
TCS	Information Technology	4.80
HCLTECH	Information Technology	1.52
TECHM	Information Technology	1.01
WIPRO	Information Technology	0.97

12.38% represented by Infy and TCS out of 15.88%

Rest 3.5% by Hcltech, Techm and Wipro

Nifty 50 – Oil and Gas Sector

Symbol	Industry	Weightage (%)
RELIANCE	Oil, Gas & Consumable Fuels	12.51
ONGC	Oil, Gas & Consumable Fuels	0.76
COALINDIA	Oil, Gas & Consumable Fuels	0.56
BPCL	Oil, Gas & Consumable Fuels	0.43

Reliance represents 12.5% weight out of total 14.26% represented by Oil and Gas

Nifty 50 – Who does the Heavy Lifting?

Sector	Weights
Financial Services	35.66
Information Technology	15.88
Oil, Gas & Consumable Fuels	14.26
Fast Moving Consumer Goods	8.24
Automobile And Auto Components	5.64

2) HDFC Bank – 8.38%
4) ICICI Bank – 7.21%
5) HDFC – 5.75%
7) Kotak Bank – 3.74%

3) Infosys – 7.58%
6) TCS – 4.80%

1) Reliance – 12.51%

8) ITC – 3.26%
9) HUL – 2.89%

Nifty 50 – Stocks representation

Stock Name	Weightage
RELIANCE	12.51
HDFCBANK	8.38
INFY	7.58
ICICIBANK	7.21
HDFC	5.75
TCS	4.80
KOTAKBANK	3.74
ITC	3.26
HINDUNILVR	2.89
LT	2.75
AXISBANK	2.49
SBIN	2.47
BHARTIARTL	2.28
BAJFINANCE	2.23
ASIANPAINT	1.78
HCLTECH	1.52
MARUTI	1.46
M&M	1.36
SUNPHARMA	1.28
TITAN	1.27

Top 5 weights =
41% of Nifty

Top 10 weights =
59% of Nifty

Top 20 weights =
77% of Nifty



What can move Nifty?

- Top 3 sectors in Nifty are 'Financial Services', 'Information Technology' and 'Oil and Gas'
- As seen in previous slides 'Financial Services' is dominated by 'Banks' and 'Oil and Gas' is dominated by 'Reliance Industries'
- Banking as a sector has the highest weight in Nifty at around 25%
- The weight of Banking will increase further after the merger of HDFC Limited into HDFC Bank
- Move of IT and Reliance Industries have already been played out since March 2020 (Post Covid)
- Is it time for Banks to take the lead?



Pre Covid to Now – Sectoral Moves ?

- Nifty IT Index up 60-65% from the highs of pre covid. Even after being Down almost 25-30% from peak.
- Reliance Inds up 50-53% above pre covid highs.
- Nifty Pharma 40% , Nifty Commodities 30% , CPSE 20%, FMCG 20%. Almost all stocks/sectors better than pre covid (start of 2020).
- Nifty Bank Dec 2019= 32613. Today= 33135. Nifty 50 around 12200 on Dec 2019.
- NIFTY BANK is at an Equivalent of 12500 NIFTY.
- **NIFTY50 today at 15550. BANK NIFTY at 12500.**

Nifty Bank – Leader from 2009. Back Again ?

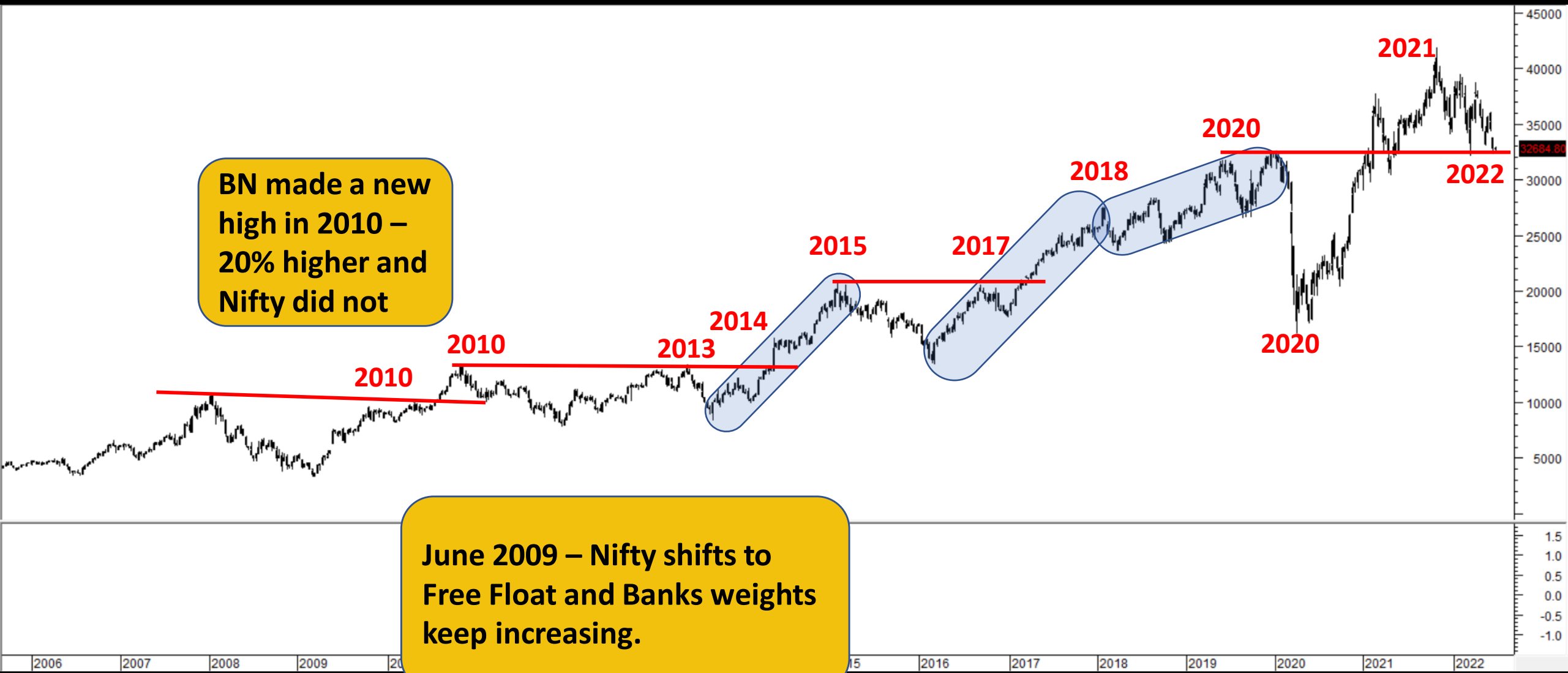
- Made a new high 20% higher in 2010. Nifty did not.
- Nifty 2018-2020 up 11-12%. Bank Nifty up 18-19%.
- Bank Nifty lost leadership in the Covid Fall.
- Going forward if we are getting into a Post Covid world. Is it time for Bank Nifty to take leadership in any major trend.
- Post Covid Nifty IT got the maximum re-rating (P-E and Relative Price Moves.) This looks similar to 2015 Pharma Top. Reliance Inds and every other small sector has done well.
- So a bigger fall to 12500-15000 or a rally at 18600 would be difficult without the outperformance of Banks in the trend.



Nifty Chart



Bank Nifty Chart



Nifty Bank to Nifty - Ratio Chart



If not Banks, then what?

- Do you think Auto's can move the needle for Nifty with just 5.6% weight!
- Do you think FMCG companies with 8.24% will be the next leader which will take Nifty to new highs?
- Why Banking?
 1. Heavy Weight in Nifty
 2. Past leadership history
 3. Move in IT and Reliance is exhausted
 4. Cleaner Balance Sheet
 5. Uptick in Credit Cycle
 6. Historical High Provisions
 7. Years of underperformance (Except a few)



Don't believe 'Banks' will move?

If you don't believe banks can take leadership, we would recommend the following things to you

1. Do not invest in Nifty Index funds
2. Do not invest in Large cap Mutual Funds
3. Start looking out for Mid cap and Small cap funds (Increase Weight)
4. Start looking out for Mid cap and Small cap ideas

It would be very difficult for Nifty to go to new highs without the Banks participation in the rally

Bank Nifty - Constituents

Symbol	Weights
HDFCBANK	32.95%
ICICIBANK	26.57%
KOTAKBANK	13.28%
AXISBANK	10.35%
SBIN	9.55%
INDUSINDBK	2.45%
BANDHANBNK	1.31%
BANKBARODA	1.01%
FEDERALBNK	0.94%
AUBANK	0.64%
PNB	0.49%
IDFCFIRSTB	0.46%

Top 2 has 60% weight

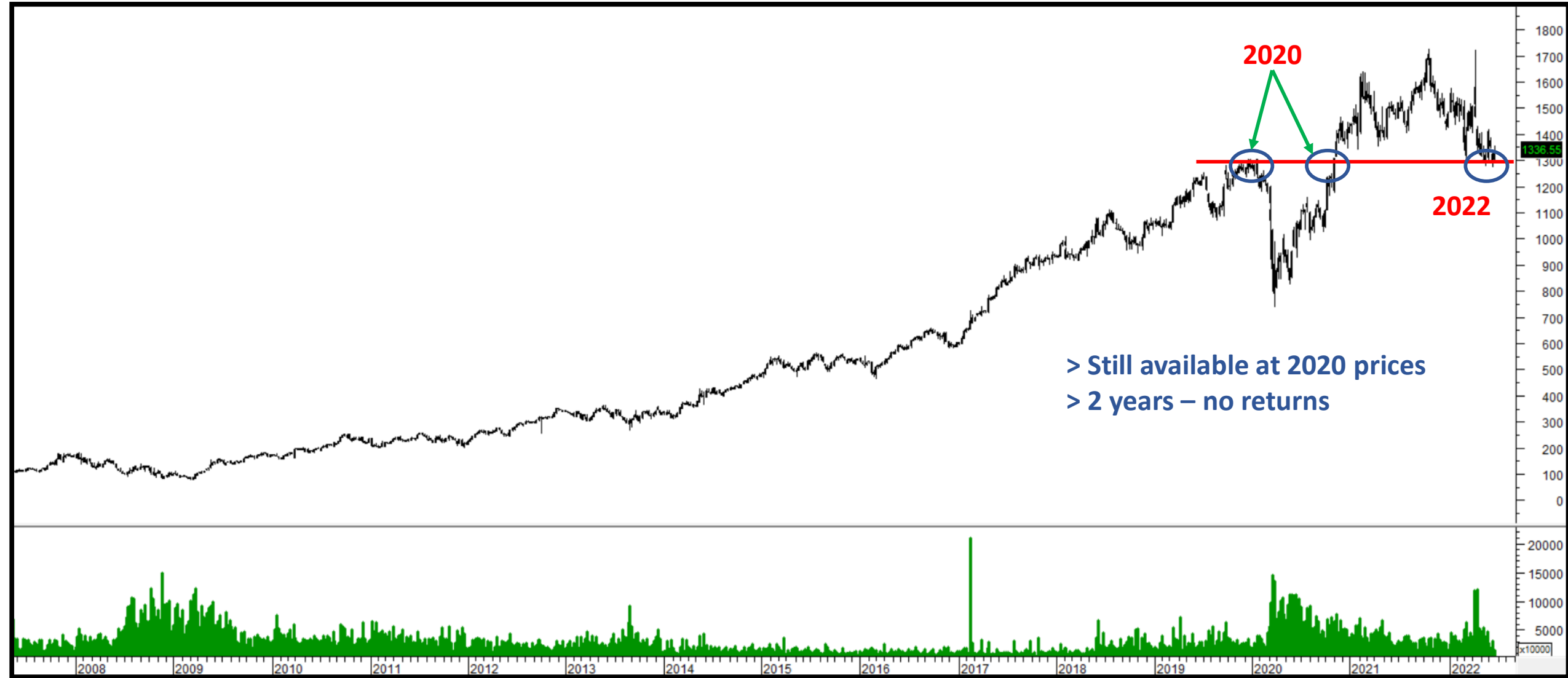
Top 5 has 92% weight

Rest 7 has only 8% weight

Historical Returns – Bank Nifty Constituents



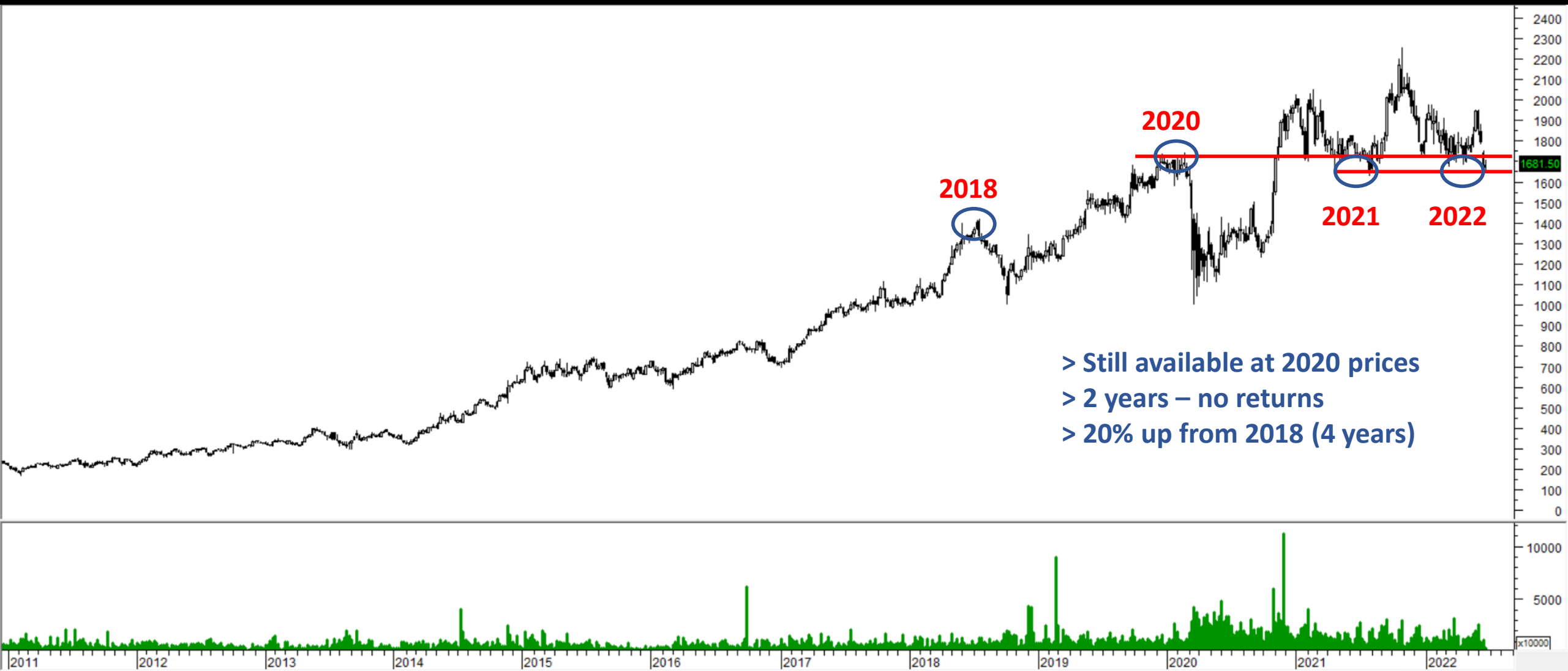
Historical Returns – HDFC Bank



Historical Returns – ICICI Bank



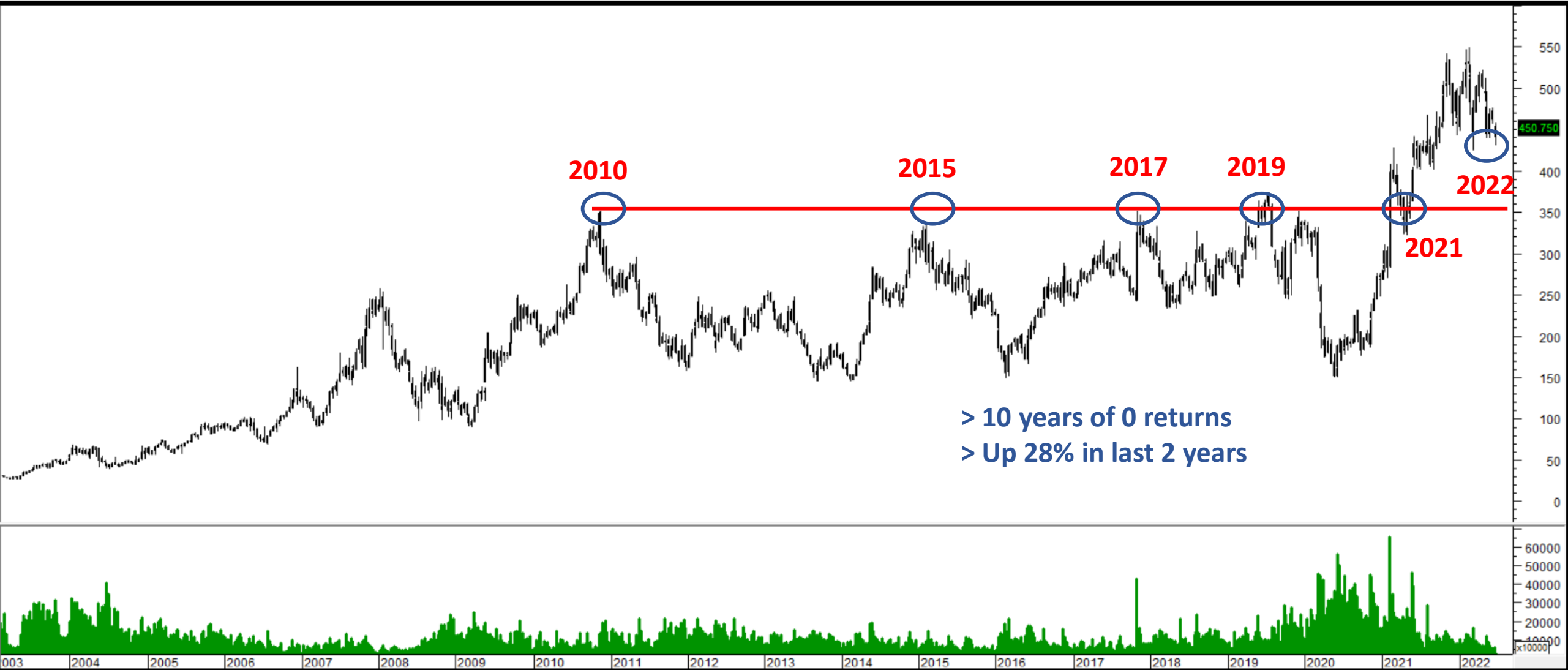
Historical Returns – Kotak Bank



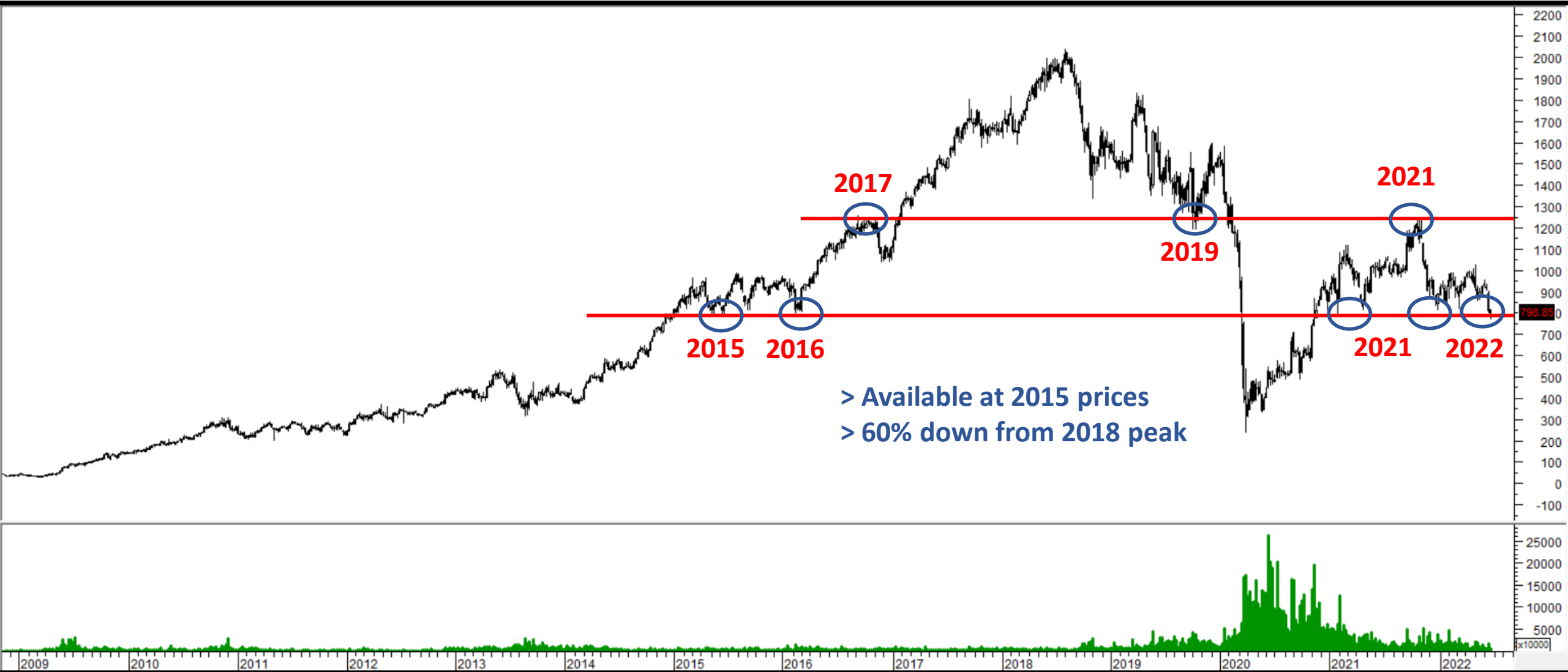
Historical Returns – Axis Bank



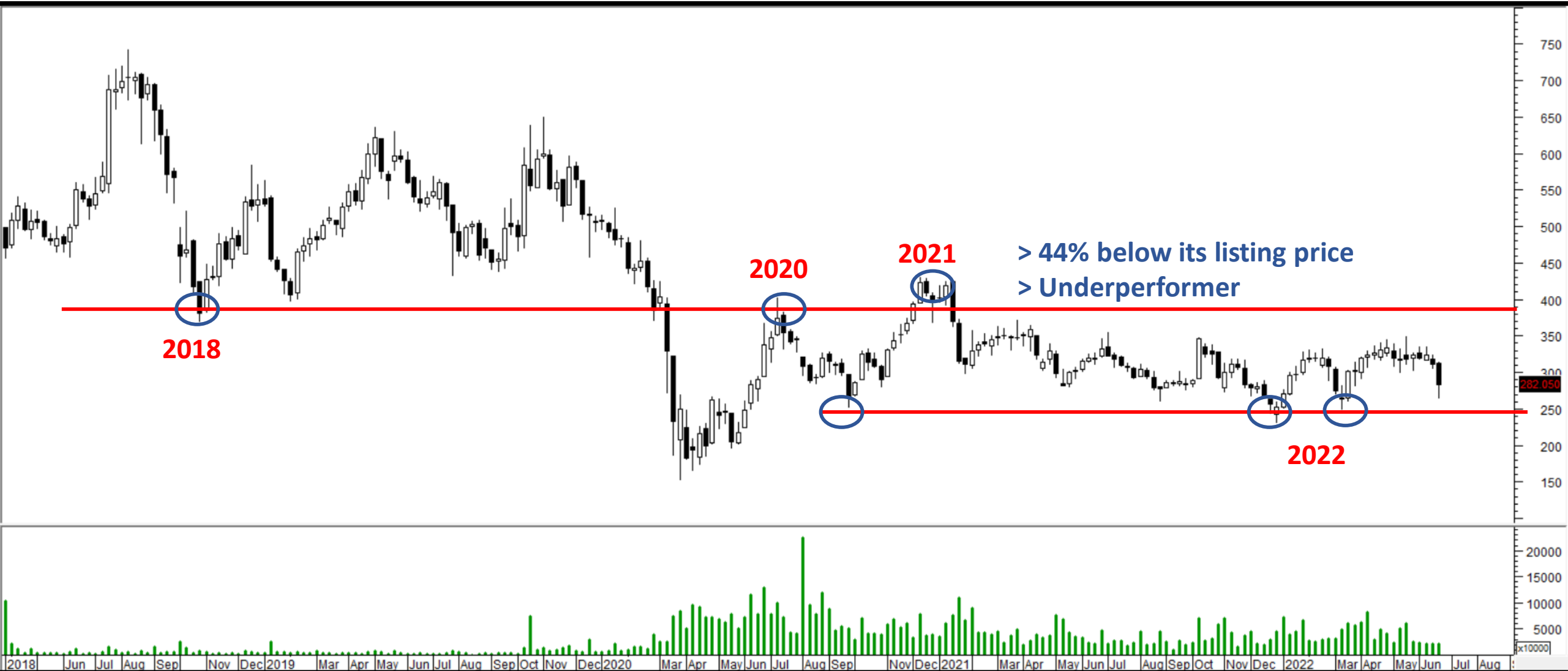
Historical Returns – State Bank Of India



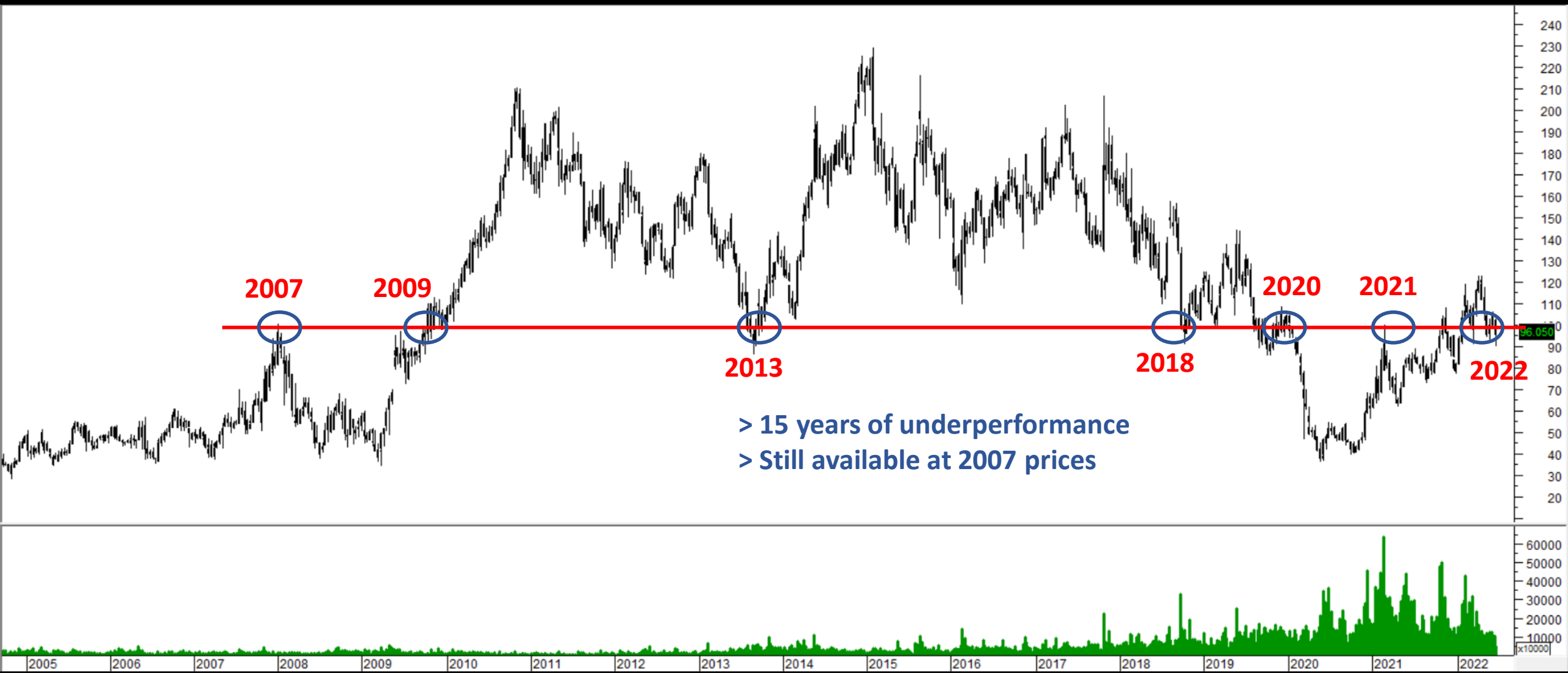
Historical Returns – Indusind Bank



Historical Returns – Bandhan Bank



Historical Returns – Bank of Baroda



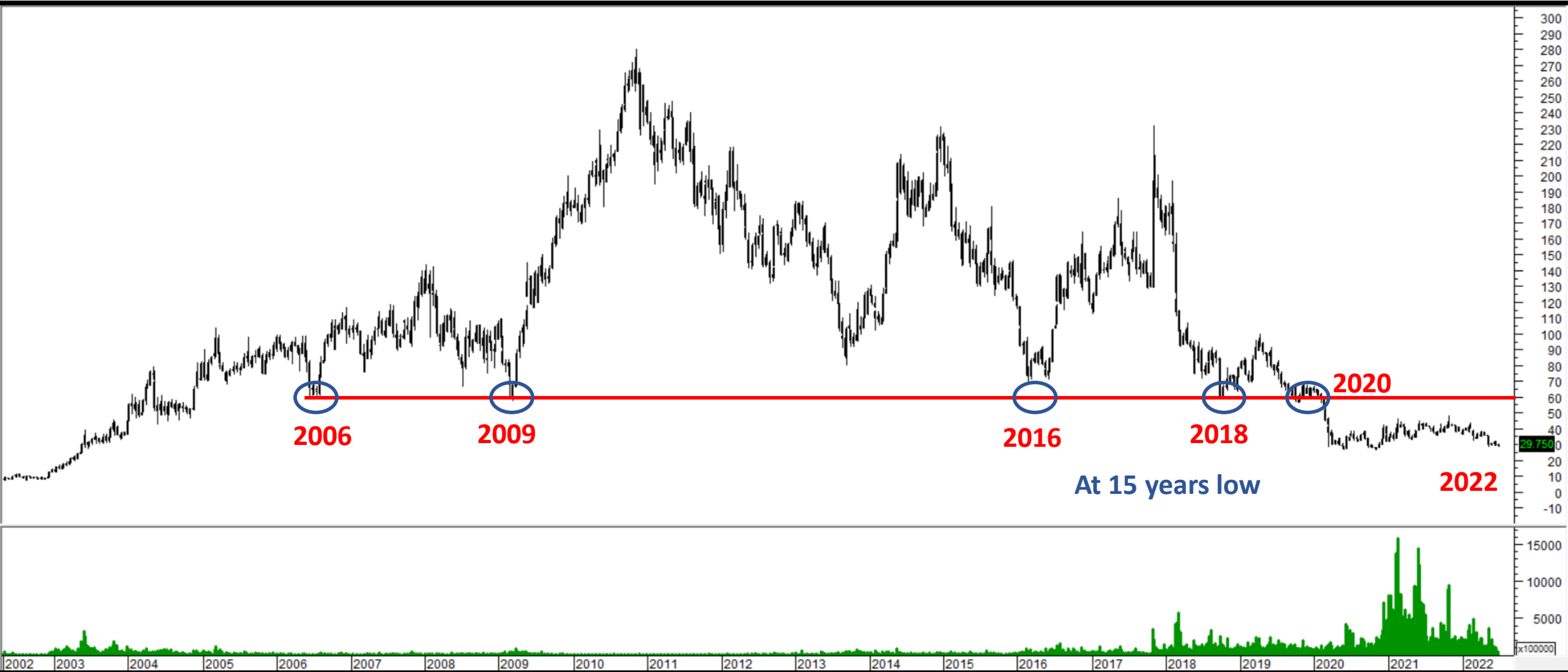
Historical Returns – Federal Bank



Historical Returns – AU Small Finance Bank



Historical Returns – Punjab National Bank



Historical Returns – IDFC First Bank (Hope)



Historical Returns - Other Banks



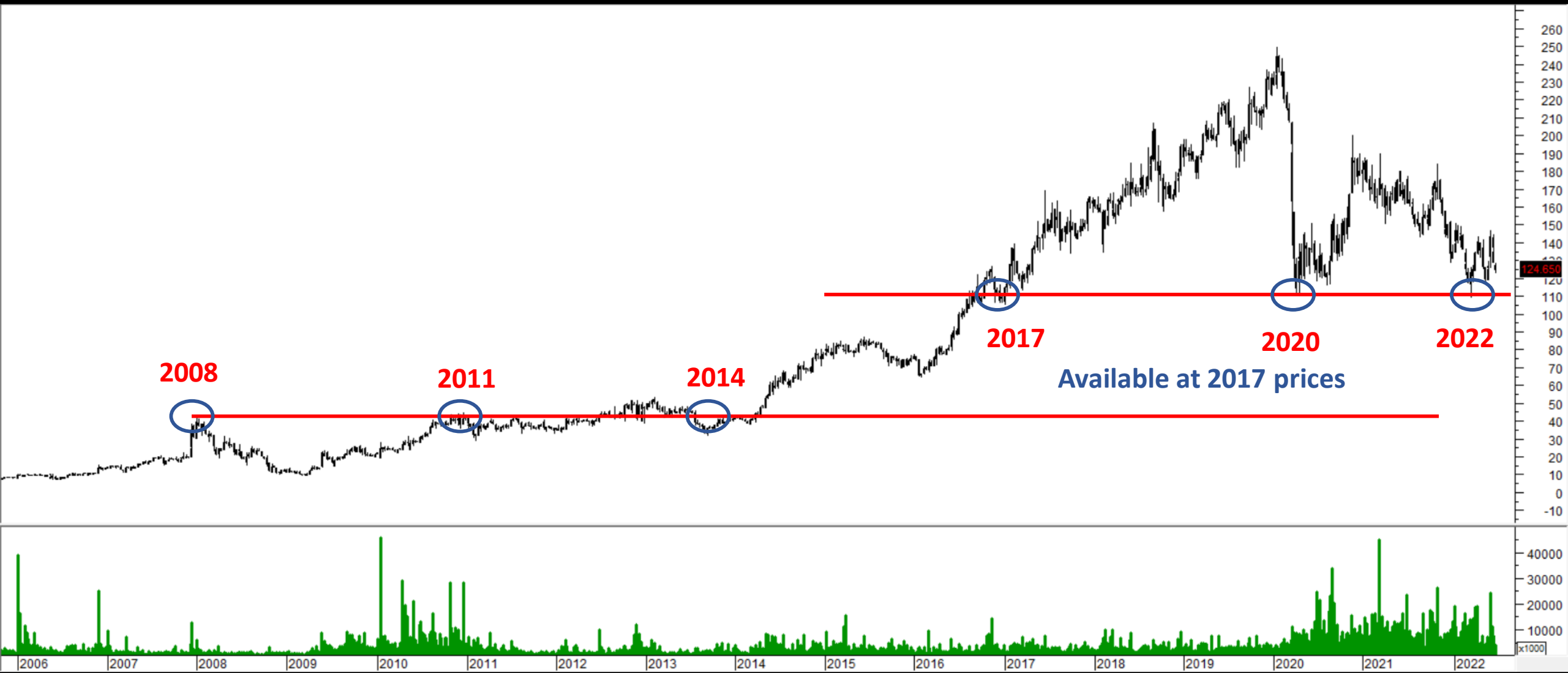
Historical Returns – DCB Bank (Dark Horse)



Historical Returns – Canara Bank (Survivor)



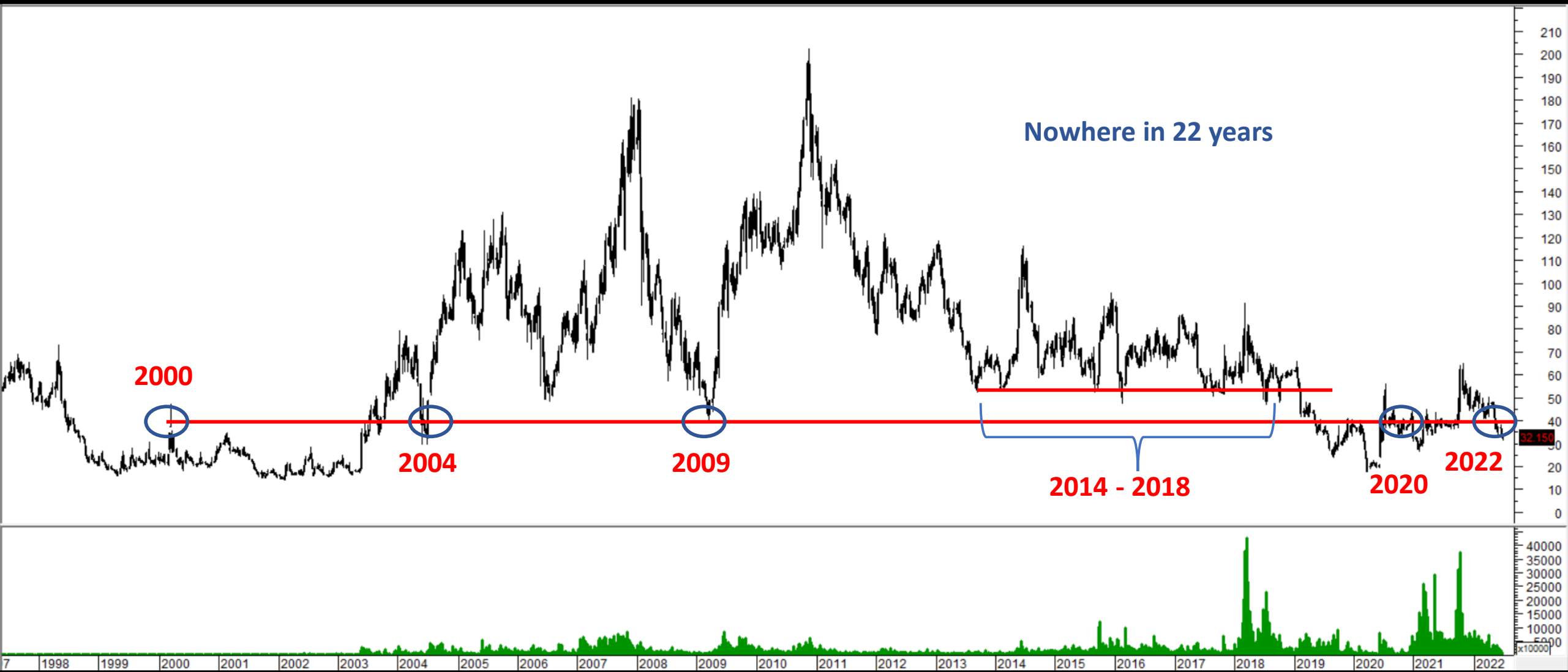
Historical Returns – City Union Bank (Comeback)



**Almost Dead Banks.
Small to Big Migration.
(Was PSU to Private before)**



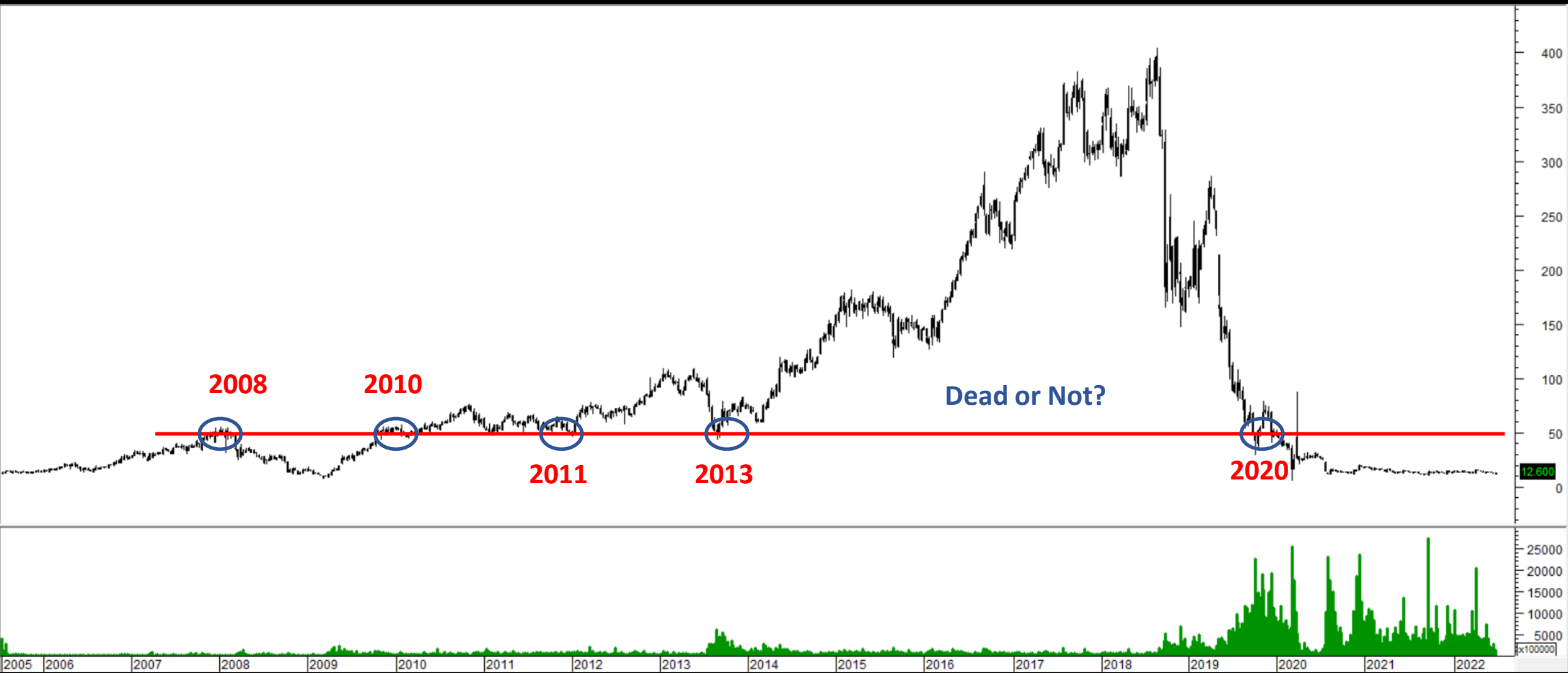
Historical Returns – IDBI Bank



Historical Returns – IOB



Historical Returns – Yes Bank (Dead)



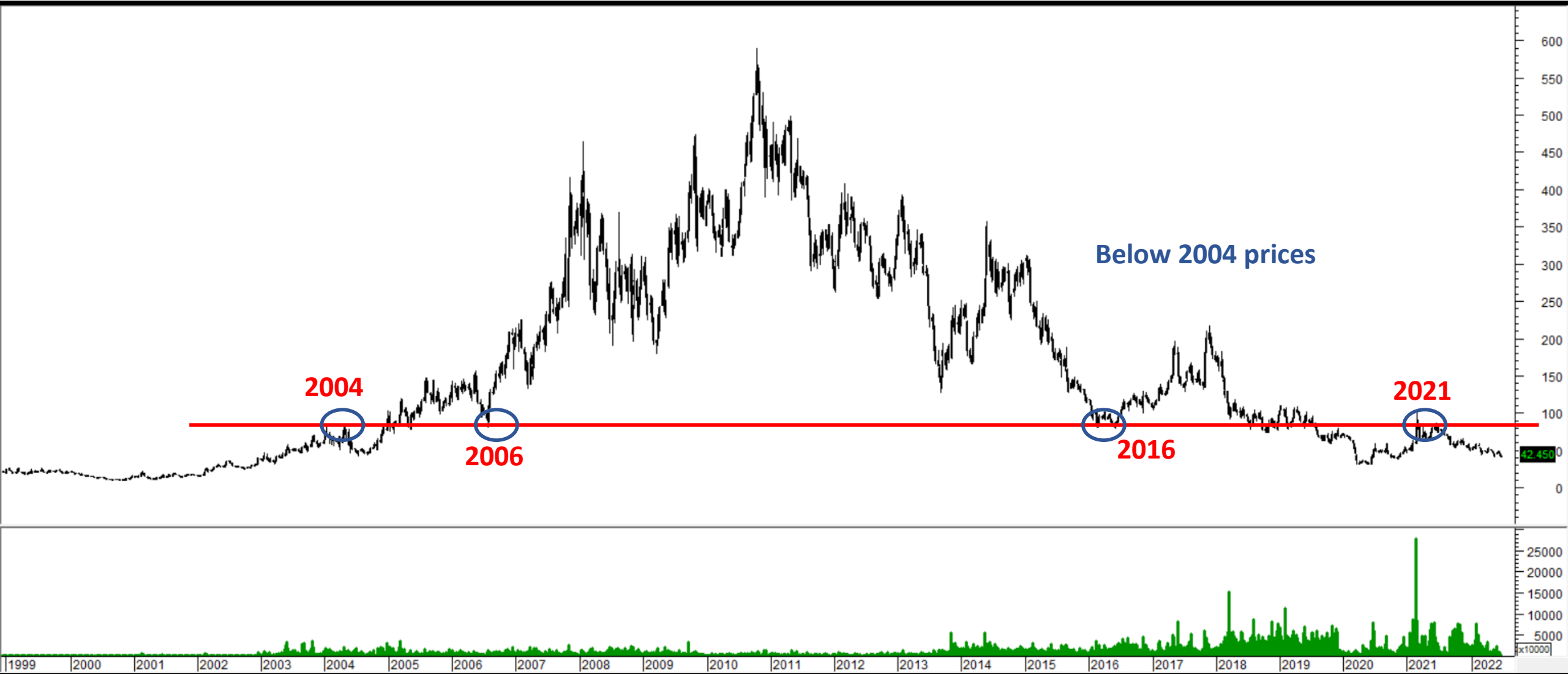
Historical Returns – Union Bank



Historical Returns – Indian Bank



Historical Returns – Bank of India



Historical Returns – Central Bank



Historical Returns – UCO Bank



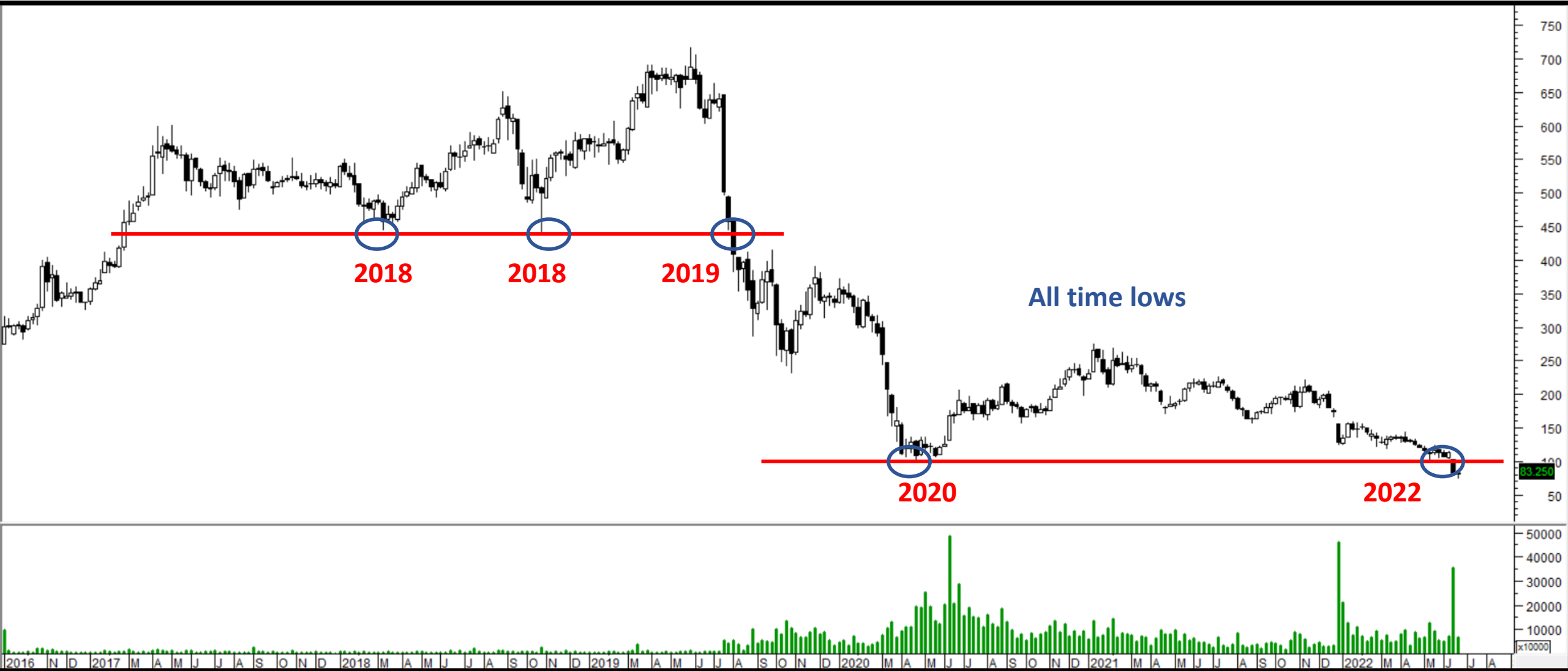
Historical Returns – Bank of Maharashtra



Historical Returns – Punjab and Sind Bank



Historical Returns – RBL Bank



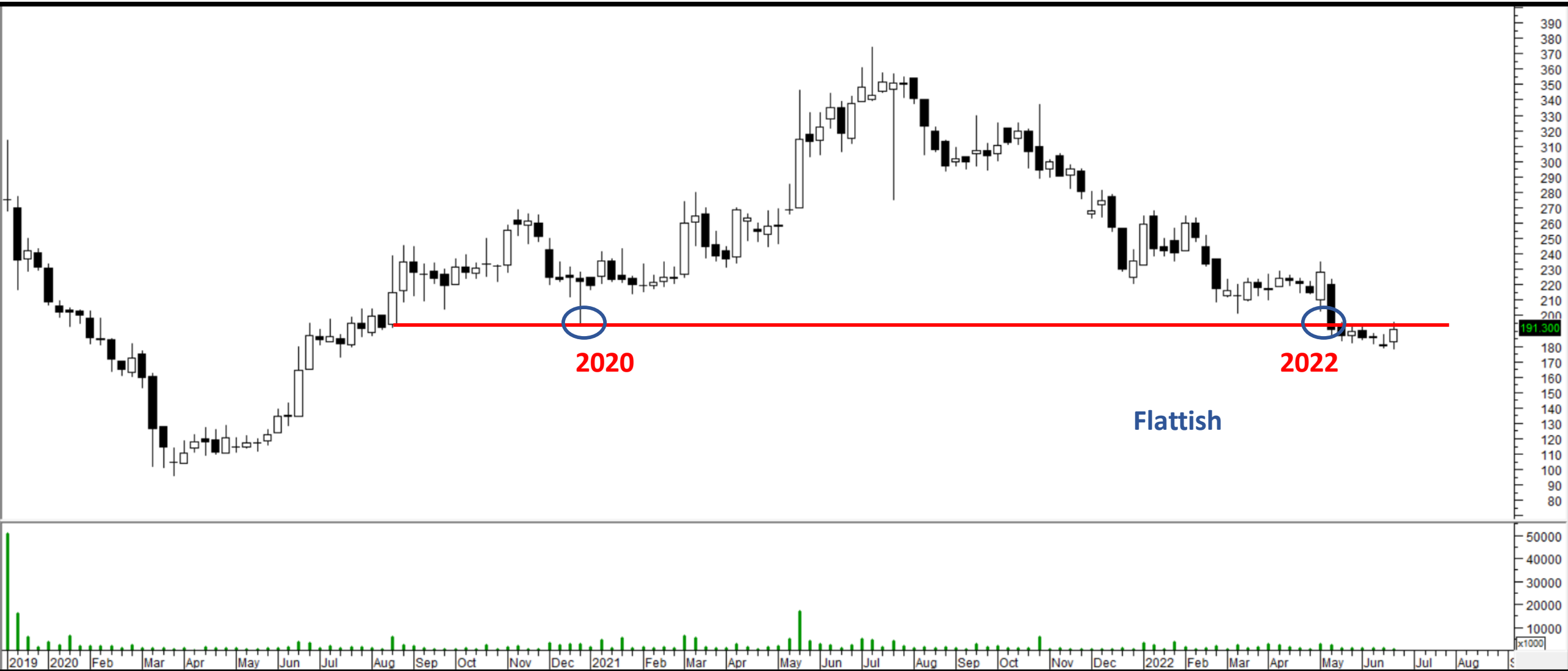
Historical Returns – Equitas Small Finance Bank



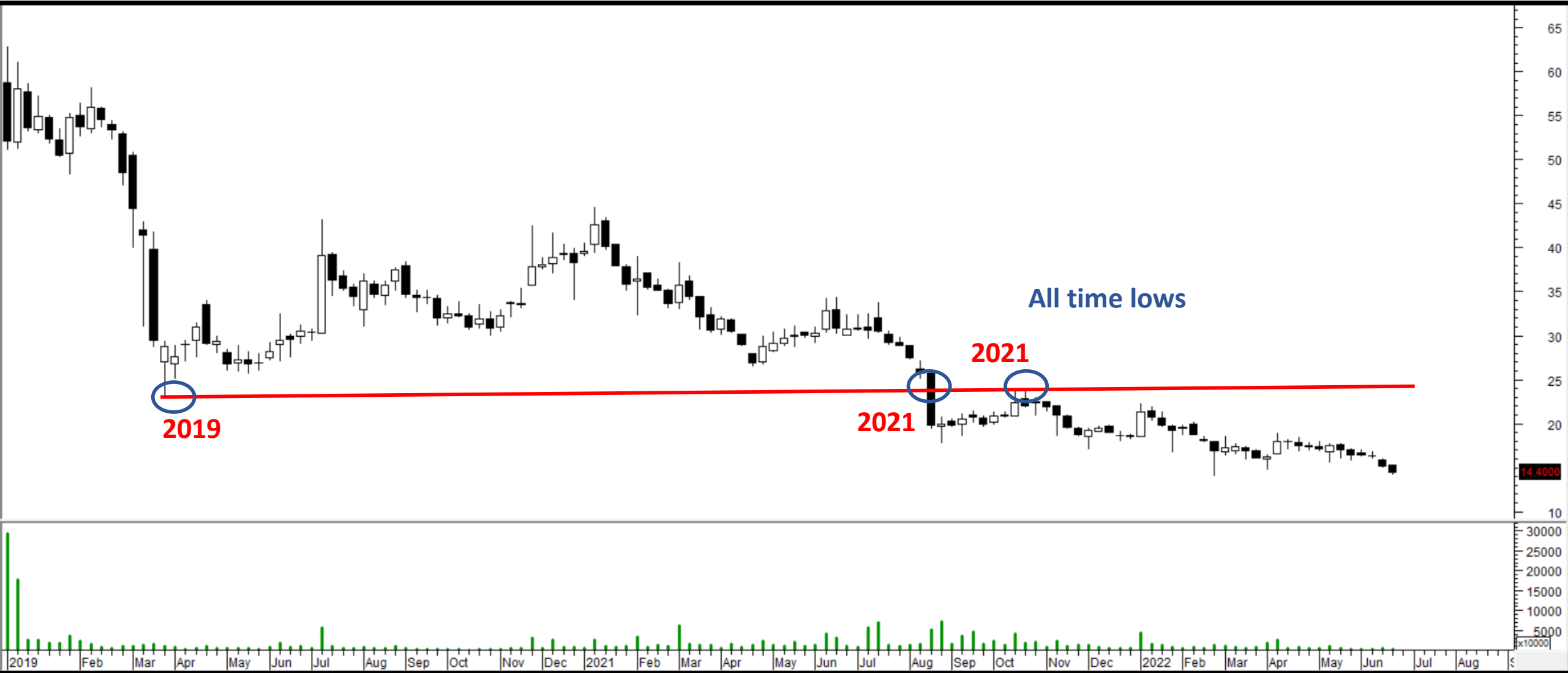
Historical Returns – Karur Vysya Bank



Historical Returns – CSB Bank



Historical Returns – Ujjivan Bank



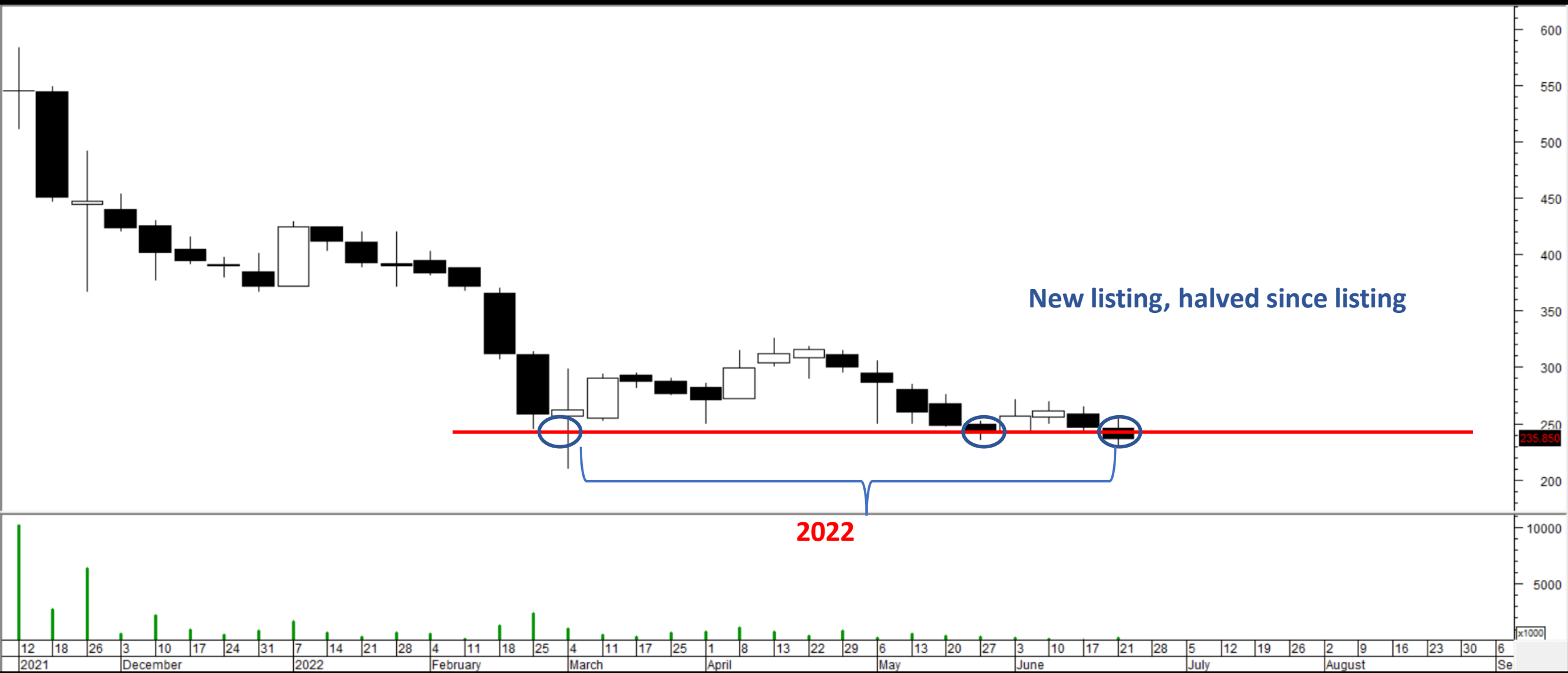
Historical Returns – J&K Bank



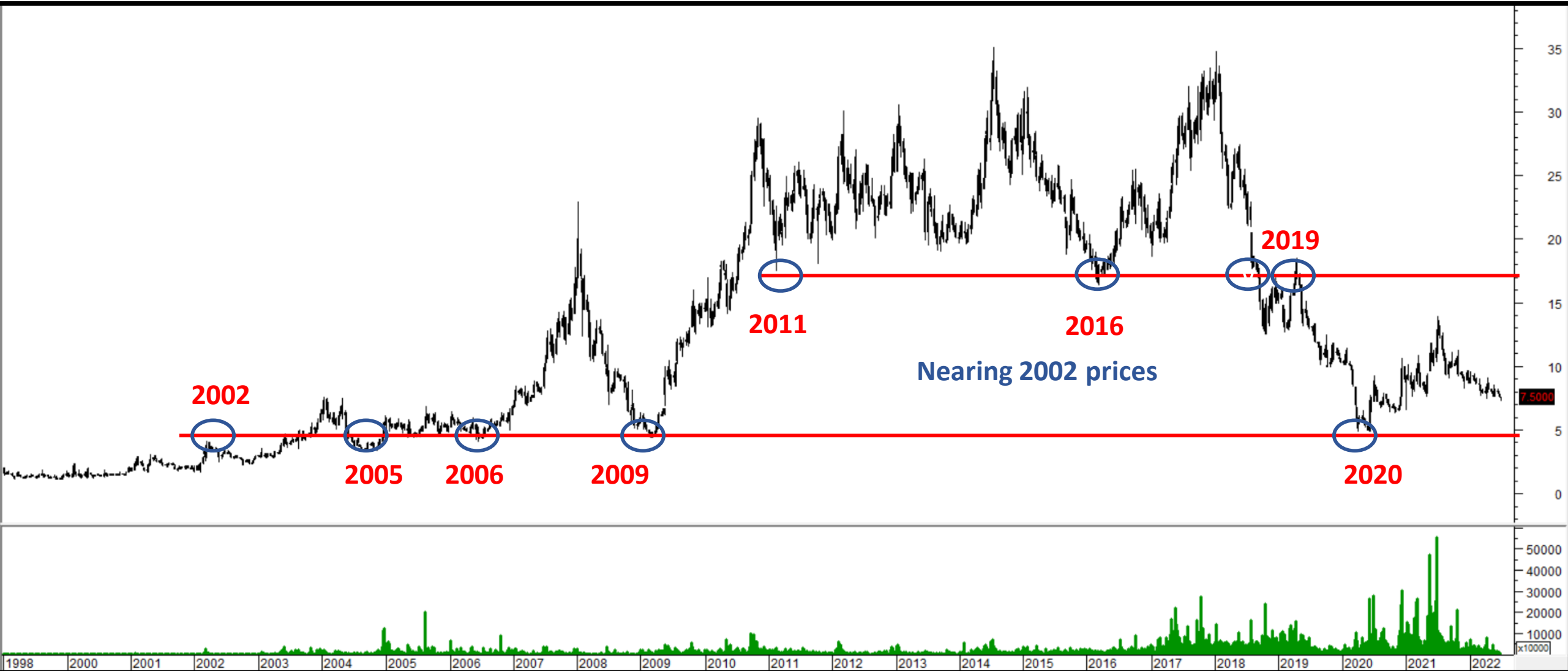
Historical Returns – Karnataka Bank



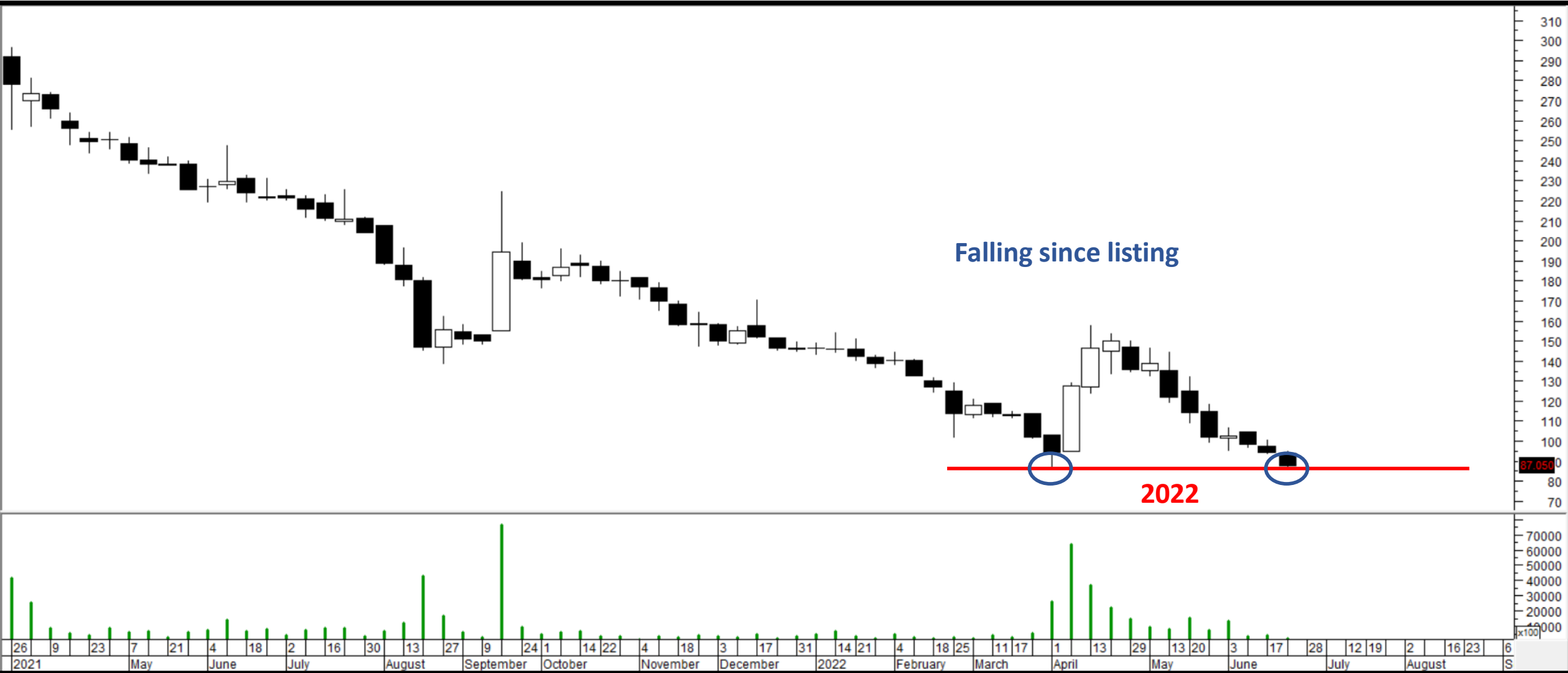
Historical Returns – Fino Payments Bank



Historical Returns – South Indian Bank



Historical Returns – **Suryoday Small Finance Bank**



Historical Returns – Dhanlaxmi Bank



Bank Nifty – Technically an investment buy on dips with stoploss at 32155 – March Lows. Momentum triggers 34500/36000



Conclusion – Banks to Lead the Trend.

- If you believe Banks can become leaders. Time to create a basket.
 - Outperformers = SBI & ICICI . Steady Big One = HDFC and Kotak.
 - Potential Performers= Axis Bank, Indusind Bank, Federal Bank.
 - DarkHorses = DCB Bank, Canara Bank, City Union Bank, IDFC First Bank.
 - Would still avoid the Dead Ones.
-
- Since IT and Oil and Gas has played out. One will need to be more tactical in their investing approach in largecaps. (Buy Dips/Sell Rallies/Buy Momentum.)
 - Midcaps and Smallcaps have seen a larger correction. Time to increase weights here for Outperformance.
 - A fall to 14500-12500. (All negative consensus) needs a crack in banks which would imply Banks going to 10k Nifty. Looks difficult but makes it clear Banks are the decider.

We like Banks as Leaders. Will trade on confirmations. More convinced on Smallcaps/Midcaps as Opportunity.

www.nooreshtech.co.in		
Stocks down from resp. 52wk highs	No. of stocks (>100cr Mkt Cap)	Cumulative %
More than 50% drawdown	356	17%
More than 40%	861	42%
More than 30%	1364	66%
More than 20%	1773	86%
More than 10%	1985	96%
Less than 10%	85	4%
Total Stocks	2070	
www.nooreshtech.co.in		

- The Broader Market of Midcaps/Smallcaps has seen a good correction.
- 42% of stocks down more than 40% from 52 week highs.
- Such breadth is a good start to start focusing on Smallcaps/Midcaps.
- A deeper weakness has been seen in 2008/2013/2020 but for a short period of time. We do not see it to be a similar cycle but more closer to 2015-2016/2004/2006 kind of correction.
- The bigger opportunities in Smallcaps/Midcaps given the Broader market has not done much from Jan 2018.

The Market View.

- The Consensus is negative given the Interest Rate, Fed, Russia Ukraine, Inflation etc etc.
- The Downside consensus is anywhere between 12400-15000 Nifty.
- Should you be worrying of an uncertain downside risk of 10-20% or focus on possibility of high returns over next 3-5 years ?
- Irrespective of how Bearish one is for next 1-3-6-12 months the next 1-3-5-10 years look more promising.
- The next few months are going to be of multiple opportunities to invest/trade in smallcaps/midcaps and tactically in largecaps.
- **Remember 2009/2013/2016/2019/2020.** The biggest losses come by missing out on Big opportunities !!
- **One can also be ready to buy on the way up like in 2009/2014/2020. But be alert and not biased.**



The Big Picture India Story Baaki Hai



The FII – DII Story

- FIIs have sold almost 3.75 lakh crs since October 2021. (provisional Secondary Market Data)
- As per Sebi data which gets adjusted for IPO etc. The Number comes closer to 2.9-3 lakh crores.
- (Highest since 2008 in absolute terms (60-90k cr) , longest in time period (9 months now) , Getting close to 5% of their peak holding.)
- FIIs still own 19-20% of Indian Market Cap which would be closer to 40-50 lakh cr
- How long can FIIs can keep selling is anybody's guess.
- But will they keep selling when things are more certain/better in the future ?



Highest since 2008 in absolute terms, longest in time period, nearing in % of holding

Start Date	End date	Event Tag	FII Outflows (\$ bn)	India Market cap at start of outflows (\$ trillion)	FII Holdings at start of Outflows (\$ bn)	FII Outflows		NIFTY Returns	Midcap 100 returns
						As % of India Market cap	as % of FII Holdings		
Jan-08	Mar-09	Global Financial Crisis	-15	1.8	296	0.9%	5.2%	-57%	-67%
Jun-13	Sep-13	Taper-Tantrum	-4	1.1	204	0.4%	2.0%	-9%	-15%
Sep-14	Oct-14	Election correction	-1	1.6	302	0.1%	0.4%	-5%	-5%
Apr-15	Feb-16	Banks' Asset cleanup	-8	1.6	320	0.5%	2.5%	-17%	-10%
Oct-16	Jan-17	Fed Hikes/ Demonetization	-5	1.7	335	0.3%	1.6%	-3%	-5%
Aug-17	Oct-17	Cyclical Slowdown	-4	2.1	414	0.2%	1.1%	2%	3%
Feb-18	Nov-18	NBFC Crisis	-9	2.4	455	0.4%	1.9%	-2%	-11%
Jun-19	Sep-19	Slowdown	-5	2.2	427	0.2%	1.2%	-8%	-13%
Feb-20	May-20	Onset of Covid-19	-9	2.1	430	0.4%	2.0%	-23%	-28%
Oct-21	Jun-22	Current	-28	3.5	665	0.8%	4.2%	-7%	-9%

The FII – DII Story – Selling Data

DOMESTIC INSTITUTIONAL INVESTORS (DII)	TODAY June 22, 2022	LAST MONTH May 23, 2022 - June 22, 2022	LAST YEAR TILL TODAY January 1, 2022 - June 22, 2022
Net (Cash) Rs. Cr.	1,859.07	69,417.20	2,22,699.00
FOREIGN INSTITUTIONAL INVESTORS (FII)	TODAY June 22, 2022	LAST MONTH May 23, 2022 - June 22, 2022	LAST YEAR TILL TODAY January 1, 2022 - June 22, 2022
Net (Cash + Futures) Rs. Cr	-2,851.59	-63,654.00	-2,72,545.00
Cash	-2,920.61	-79,554.80	-2,74,221.00
Derivatives	5,113.02	76,271.80	2,39,609.39
Futures	69.02	15,900.80	1,675.39
Options	5,044.00	60,371.00	2,37,934.00

Flows to Float

- India Total Market Cap = 240 lakh crores.
- FIIs own 19-20% or lesser. FDI 2-5%.
- Promoters 45-50%. DIIs 12-15%.
- Roughly 10-15% of Float available.
- Float equal to 24-36 lakh crores.
- The Lack of Liquidity used to hurt Indian Markets in Bear Markets. FIIs selling 5% of their peak holding value led to 60% drop in 2008.
- Today a similar selling value is down 20%.



The Flows to Float – A heady Cocktail

3 Components needed for a Heady Cocktail of Bull Market.

- 1) Huge Gush of Liquidity – Inflows.**
- 2) Reduced Floating Stock.**
- 3) Earnings Growth and Visibility.**

Ever since 2008 there is always an ingredient missing. Sometimes Earnings Growth, sometimes Flows. With Default Domestic Inflows increasing one part seems to be stubborn n sticky.

We finally have earnings growth but visibility is a uncertain. Foreign Inflows can come in certain times with earnings visibility.

Can we eventually see all 3 fall in place in coming years.
Something similar to 2003-2008 ?



The India Money – Retail/HNI/Indian Tsunami.

- Default Inflows of Domestic. (Sticky)
- SIP = 1.3-1.5 lakh cr. EPFO= 25k-35k cr. LIC= 50-70k cr. (Not considering small insurance, Direct MF inflows etc.)
- Equal to 2-2.5 lakh crores. Almost equivalent of buying 5-10% of Float if FIIs are not sellers.
- What happens when FIIs also become buyers ?
- What happens when earnings continue to grow. (800 eps becomes 700 or 1000.)
- Will there be enough new Float ? (IPOs, issuances.)
- In the next 1-5 years we may get into the ideal cocktail of bull market.
- **Earnings Growth + High Inflows + Low Float = Bull Market.**

We can be looking at a long and steady period in future.

Be Long Term Bullish. Increase Equity Exposure over next months steadily.

Disclosure & Disclaimer

Mr. Nooresh Merani

SEBI Registered Research Analyst Registration No. INH000008075

Disclosures

- The analyst may have holding or position in the securities recommended herein.
- The analyst has no connection or association of any sort with any issuer of products/ securities recommended herein.
- The analyst has no actual or potential conflicts of interest arising from any connection to or association with any issuer of products/ securities, including any material information or facts that might compromise its objectivity or independence in the carrying on of recommendation services.
- The analyst has not received any kind of remuneration or consideration form the products/ securities recommended herein.
- To access the key features of the securities, particularly, performance track record please go to the below links:
 - www.bseindia.com
 - www.nseindia.com

Mr. Nooresh Merani

SEBI Registered Research Analyst

Registration No. INH000008075

Detailed Disclosure = <https://nooreshtech.co.in/ra-disclosure>

Disclaimer = <https://nooreshtech.co.in/disclaimer>



www.nooreshtech.co.in

Follow Us On



Thank You

This is a Free Report prepared by

Nooresh Merani

9819225396

www.nooreshtech.co.in

nooeshtech@analyseindia.com

Click the tabs on the bottom right of any page to follow us on Whatsapp/
Youtube/Rigi/Twitter/Instagram.



www.nooreshtech.co.in

Follow Us On

