

OMNISCIENCE CAPITAL NEWSLETTER

March 2025

WHAT'S INSIDE →



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MARCH MONTH OVERVIEW

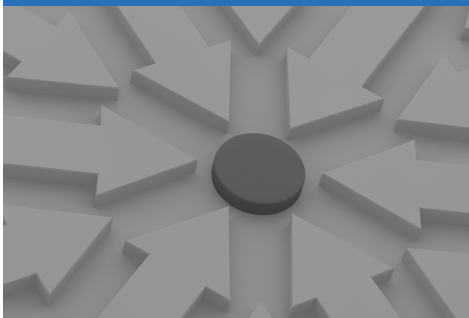
March 2025

6 SECTORS IN FOCUS:

- ☐ Banking
- ☐ Housing Finance
- ☐ Power
- ☐ Logistics
- ☐ Construction & Engineering
- ☐ Commercial Services

"At this point, most major uncertainty-inducing events are behind us. While speculating on potential market downturns is always an option, as Scientific Investors, we focus on actionable insights rather than merely analyzing Mr. Market's behaviour.

Read full article [here...](#)



OMNIVIEW – MAR 2025

Get distracted about a bull or bear market or focus on undervalued & overvalued stocks.

The question of whether we are in a bull or bear market attracts a lot of people. Let us start with the definitions.



Dr. Vikas V. Gupta

The definition of a bull market is a sustained period of price increase of more than 20%. A bear market is defined as a sustained period of price decrease of more than 20%.

Currently, Nifty has fallen by less than 15%, which is not yet a bear market by the above definition. Economic growth of India is one of the highest across any major economy. India is expected to grow at 6.5% real GDP growth and 10.1% nominal. So, the factors defining a bear market are not present.

We are currently expected to have high growth rates, declining inflation rates, and declining interest rates. Now that we are not in a bear market as per the definition, let us look at a more important factor which is the PE ratio. Currently, Nifty 50 is at 19.67. Now is this high or low?

In the last 5 years, this has happened twice, once around June 2022 and before that in the Covid bottom of March 2020. Both times it was quite short-lived. In the last 10 years, this has happened once more in Feb 2016. It is clear that the Nifty PE ratio is close to its 10-year bottom.

Combine this with a lower expected inflation and lower expected interest rates in the future and one could reasonably conclude that we are unlikely to see much lower levels of PE ratio for Nifty for long.

We are looking at an inverse PE ratio, or earnings yield, of 5%. Expected nominal GDP growth of 10%, which should be a conservative estimate for revenue growth in Nifty 50 companies over the long term. The investor would get some portion of the earnings yield as dividends and buybacks or as inorganic growth. The investor should get the long-term growth in earnings similar to the nominal gdp growth rate and revenue growth rates. Finally, the investor would get any re-rating or de-rating in the PE ratio. Given the past 5 and 10 years of Nifty PE and also the future interest rate environment similar to the last 5-10 years, it is likely that the Nifty PE would provide a rerating back to 23 or 25 levels. This would add another 10% to 20% to the base returns of 2-3% yield + 10% growth. If the rerating happens within 3 years, we are looking at an expected return on Nifty of 2% (distributable earnings yield), 10% growth, and 3% to 6% from rerating. So the range for Nifty expected returns over next 3 years or so would be 15% to 18%.

The risks to this are that the earnings growth doesn't match the nominal GDP growth over this period or interest rates move higher from here, thus resulting in no re-rating or even a de-rating. However, this would require very slow growth and high inflation, for which there is currently no strong evidence. Thus, in our opinion, there is an upward bias to Nifty for the mid-term.

Now moving to the most important question for scientific investors is whether they can find enough undervalued stocks to create a portfolio with reasonable industry, sector and growth vector diversification.

The answer to this is a yes. It is possible to create a flexicap portfolio of more than 25 companies with a PE ratio of 11. It would have nearly 35% large cap, 24% midcaps and 41% smallcaps. One could also create a large cap portfolio of around 20 stocks with a PE ratio of 11-12. Similarly, reasonably diversified midcap and smallcap portfolios with a PE ratio of 13-14 are possible.

These portfolios are likely to deliver much higher returns compared to Nifty given that their earnings yields are higher and thus the chances and quantum of rerating are higher. Also, many of these companies are likely to have much higher growth rates compared to the nominal GDP.

Since it is possible to create bottom-up undervalued portfolios across different market caps, the scientific investor with a long-term investment horizon would focus on rebalancing into the portfolio of high growth, high yield, companies with a high likelihood of rerating. He or she would make sure that there is sufficient diversification across industries and growth vectors so that the risk of a particular industry facing challenges doesn't risk the growth in the whole portfolio.

Let us conclude with a relevant quote from Warren Buffett's guru, Benjamin Graham in one of the most famous books about investing, The Intelligent Investor:

"we advised the readers to buy their stocks as they bought their groceries, not as they bought their perfume."

OMNIVIEW – Focus On Long-Term Fundamentals

For long-term investors it is extraordinarily important to worry less about the near-term uncertainties but focus more on what is most likely to happen in the longer term. However, the unending ‘noise’ from the investing world makes it extremely difficult to remain focused. Especially in a falling market, when the fear sentiment takes over, everything seems to be out of control. We witnessed continued volatility in the month of February with Midcap and Smallcap indexes falling in double digits and many individual stocks falling 40-50% from their recent highs. The month of March started with a good recovery as BSE Midcap and BSE Smallcap indices were up 4.6% and 8.5% respectively in the first 5 days of the month.



Ashwini Kr. Shami

This is a good point to revisit our earlier [discussion](#) on what generates alpha/returns in equities ([link](#)) where we have discussed the sources of returns – yield, growth and rerating. We can evaluate the current Indian equities in this context to bring the focus back to fundamentals of investing.

The long-term growth for the overall companies in the equity market is closely linked to the Indian economic growth and to understand the outlook for the Indian economic growth, the [Budget 2025 report](#) that we released last month is a fantastic resource ([link](#)). The long term growth outlook is built on the ‘virtuous cycle of growth’ that starts with capital allocation in growth assets (capex) leading to surplus cashflows which are then reinvested in more capital assets to generate further surplus cashflow and so on. The report details about the INR 56 lac crores of capital investments done over the last 5 years under the National Infrastructure Pipeline (NIP) initiative by the central government (against the target of INR 40 lac crores). This has resulted in strong capex growth of 10-40% CAGR for the select infrastructure sectors and the financing ecosystem providing the related debt and equity financing. The table below details the capex growth for the key infra sectors (data source: budget documents). The report estimates around INR 100 lac crores of further capital investments in next 5 years setting a foundation for double-digit GDP growth. Now, for an even more targeted approach to capture this growth one can follow-the-money and focus on the selected sectors.

Sector-wise Capex allocation	5-yr CAGR	10-yr CAGR
Defence	7.9%	9.5%
Railway	19.4%	20.5%
Power	39.5%	21.4%
Housing & Urbanization	33.6%	19.9%
Roads	24.1%	44.2%

For the current yield estimation one can look at the valuation multiples as detailed in the tables on page 6 – for our growth-vector focused strategies and on page 7 – for various market segments and sectors. Reiterating here that these two tables are good resources for investors to identify undervalued and higher yielding portfolios/segments on a relative basis. As per our estimates, Nifty 50 has a forward P/E of less than 18 and a free cash flow yield of around 3%. This itself becomes an attractive opportunity with long-term double-digit growth potential. The select portfolios such as Bank on Bharat, Power, Super Dividend, Capital enablers, Largecap Royals, Midcap Knights among others offer even superior valuations and potentially higher growth opportunities. These portfolios may have an upward rerating which will be the third component of the potential future returns.

As Scientific Investors our approach is to focus on fundamentals, identify mispriced opportunities and follow a structural and long-term asset allocation plan. Our portfolios are not for participants looking for market timing or tactical bets and one should invest only after thorough evaluation for their risk appetite and financial goals and should have an investment horizon of 3-5years.

MACROECONOMIC INDICATORS

ECONOMIC ACTIVITY:

Macro Trends	Current	Previous	Latest Reported Date
S&P Global Manufacturing PMI	56.3	57.7	Mar 03, 2025
India Nikkei Services PMI	59.0	56.5	Feb 21, 2025
Bank loan growth(%)	11.3%	11.4%	Feb 28, 2025
Deposit growth (%)	10.6%	10.3%	Feb 28, 2025
India Industrial Production YoY	3.2%	5.0%	Feb 12, 2025 (Nov)
Trade Balance (E-I) (Billion USD)	-23	-22	Feb 17, 2025 (Jan)
Railway Freight Activity Index (IRFA)	65.0	62.9	Sep 2024
Monetary:			
WPI (YoY)	2.31%	2.37%	Feb 14, 2025 (Jan)
CPI (YoY)	4.31%	5.22%	Feb 12, 2025 (Jan)
Repo Rate	6.25%	6.50%	Feb 07, 2025
Bank Rate	6.50%	6.75%	Feb 07, 2025

GDP:

Particulars	Q2FY25	Q3FY25 (E)	FY25 (E)	FY26 (E)
Nominal GDP growth (%)	8.0%	9.9%	9.9%	10.1%
Real GDP growth (%)	5.6%	6.2%	6.5%	6.7%

OTHER KEY INDICATORS:

Particulars	Feb 28, 2025	Jan 31, 2025	Change
India 10-yr Bond Yield	6.72%	6.69%	+3 bps
USD/INR	87.47	86.54	-1.07%
FX Reserves (Billion USD)	640	636	0.75%
FII Net Buy/-Sell (Rs Cr)	-58,988	-87,375	-4,01,954 (YTD)
DII Net Buy/-Sell (Rs Cr)	64,853	86,592	5,70,449 (YTD)
Commodities:			
10g Gold	87,250	84,400	3.4%
1 Kg Silver	97,000	99,500	-2.5%
Crude Oil (USD/Bbl)	70	73	-3.9%
Lithium (CNY/T)	75,314	77,940	-3.4%
Cobalt	23,038	21,550	6.9%

Particulars	Month	2025	2024	Δy-o-y (%)
GST Collection (Rs Cr)	Feb	1,83,646	1,68,337	9.1%
UPI Transactions Value (Rs trillion)	Feb	22.0	18.3	20.2%
No of UPI Transactions (Volume in Cr)	Feb	1,611	1,210	33.1%
Power Generation (BUs)	Jan	126	128	-1.3%

Source: Omniscience Research, <https://in.investing.com/economic-calendar/>, <https://www.npci.org.in/what-we-do/upi/product-statistics>, <https://tradingeconomics.com>

OmniScience smallcases: Valuation Metrics as of 28th Feb 2025

Name	P/E	P/BV	Div. Yield
Omni Bank on Bharat	8.7	1.1	1.76%
Omni Capital Enablers	9.2	1.2	1.91%
Omni Super Dividend	10.3	1.6	3.58%
Omni Power - Electrifying India	10.7	1.3	2.92%
Omni Royals - LargeCap	11.4	1.9	2.25%
Omni Fintech, Digital Bank & Payments	12.0	1.7	1.53%
Omni Amrit Kaal	12.1	1.6	1.74%
Omni UP & Ayodhya	12.3	1.5	1.70%
Omni Knights - MidCap	12.6	1.6	1.74%
Omni Future of Mobility	13.1	2.0	2.38%
Omni Supertrons - Smallcap	14.0	1.7	1.47%
Omni Bullet Train	18.6	2.7	1.71%
Omni Bharat Defence	20.3	2.9	1.77%
Omni DX- Digital Transformation	24.1	4.3	1.71%
Omni AI-Tech Global	24.6	4.4	1.71%
Benchmarks			
Equity Largecap	23.2	3.8	1.25%
Equity Midcap	26.8	3.9	1.07%
Equity Smallcap	29.5	3.8	0.67%
Equity Multicap	24.4	3.8	1.16%

Source: Omniscience Research, <https://omniscience.smallcase.com>

Equities Market: Performance as of 28th Feb 2025

Total Returns (%)	1 Month	1 Yr	5 Yr
Nifty 50	-5.8%	1.9%	16.0%
Nifty Midcap 150	-10.5%	0.1%	24.1%
Nifty Smallcap 250	-12.6%	-6.9%	24.5%

Equities Market: Valuation Metrics as of 28th Feb 2025

Sectoral Indices	P/E	P/B	Div. Yield
Nifty PSU Bank	5.98	1.10	2.61%
Nifty Oil & Gas	11.74	1.45	3.11%
Nifty Bank	12.68	2.13	1.03%
Nifty Private Bank	14.39	2.20	0.61%
Nifty Financial Services	15.32	2.78	0.95%
Nifty Metal	18.96	2.34	2.41%
Nifty 50	19.67	3.29	1.45%
Nifty Auto	19.70	4.20	1.08%
Nifty 500	21.84	3.44	1.30%
Nifty Smallcap 100	25.19	3.26	1.28%
Nifty IT	28.28	7.72	2.75%
Nifty Pharma	29.95	4.84	0.70%
Nifty Midcap 100	32.50	4.40	0.89%
Nifty Healthcare Index	34.21	5.38	0.61%
Nifty Realty	38.68	4.57	0.47%
Nifty FMCG	41.31	9.92	2.14%
Nifty Consumer Durables	68.64	10.93	0.42%

Report of the Month: INDIAN BANKING SECTOR

Indian Banking Sector: Blazing a growth trail for Indian Economy

The Indian banking sector is experiencing robust growth and stability, with key indicators at impressive levels. Gross Non-Performing Assets (GNPA) have fallen to a 13-year low of 2.75%, while Net Non-Performing Assets (NNPA) are at a 20-year low of 0.60%, reflecting a healthy loan portfolio.

Profitability is at a 20-year high, with the Net Interest Margin (NIM) at 3.27%, and Return on Equity (ROE) nearing a 20-year peak at 14.6%. Capital adequacy remains strong with a Capital to Risk-Weighted Assets Ratio (CRAR) of 16.9%, well above regulatory requirements. Projections indicate double-digit loan growth, with the sector poised to lend Rs 230 trillion by 2030, expanding at a 15.3% CAGR.

We are thrilled to share our latest research report on the Indian Banking Sector, highlighting the strength of Indian Banks. Here, we discussed:

- ☐ Indian Banks: Blazing a growth trail for Indian Economy
- ☐ Lending potential of \$2.6 trillion by 2030
- ☐ Capital supply in sync with estimated demand
- ☐ GNPA, NNPA, NIM, RoA, RoE, Growth
- ☐ Valuation multiples of Indian banks



[Download Report](#)

OmniScience in the NEWS

1 **[Daily Voice: Don't foresee any significant new risk factors for market, add exposure to these 6 sectors in correction, says OmniScience's Vikas Gupta](#)**

In the recent correction, "we have focused on acquiring banks with the lowest NPAs, highest NIMs and ROEs, and the largest unutilized lending capacities in the last two decades. Additionally, we have invested in companies within the power, housing finance, logistics, construction, and engineering sectors," said Vikas Gupta.
Read more [here...](#)



2 **[Indian shares fall as Trump's tariff threats unnerve investors](#)**

Markets are under pressure due to U.S. tariff uncertainty after Trump's latest threats, said Vikas Gupta, chief executive and chief investment strategist at investment platform OmniScience Capital.
Read more [here...](#)



3 **[Budget to boost consumption sectors; long-term policies favourable for urban housing, insurance & defence: smallcase](#)**

Overall, capex has been growing at nearly 15% CAGR over the last 10 years compared to the revenue expenditure, which has grown at around 10% CAGR, said Vikas Gupta, smallcase Manager & Founder of OmniScience Capital.
Read more [here...](#)



4 **[Technical Picks: Nagaraj Shetti of HDFC Securities suggests these 2 stocks amid stock market fall](#)**

Dr. Vikas Gupta, the CEO and Chief Investment Strategist at OmniScience Capital, pointed out that Indian equity markets are facing pressure due to ongoing selling by foreign institutional investors, mainly influenced by factors from the US—specifically the uncertainty surrounding Trump's policies—rather than local issues.
Read more [here...](#)



[OMNI Scientific Investor Series - Part 2](#)

We are excited to bring to you the second video in our "Scientific Investor" Series - an investor education initiative on what it takes to be a good investor and what sets apart the Scientific Investor from rest of the herd. In this video, we discuss whether anyone can truly "Time the Market", or to put it simply, can anyone truly tell whether its time to buy or sell? How Should a Scientific Investor go about this? Watch it [here...](#)

CAN WE REALLY TIME THE
MARKET?



OMNI Scientific Investor Series -
Part 2

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