Monthly Update

December 2024

Hem Securities
Building your wealth through values

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1-Market Highlights:

Indian markets, while outperforming the broader emerging market pack, had a roller coaster ride this year. After rising to fresh record high levels in late-September, the Nifty 50 Index witnessed an 11% correction in little over a month, even as the year-to-date gain remains at 8.8% (As of December 31st, 2024). Emerging signs of economic slowdown, heavy FPI selling and stretched valuations triggered a sell-off in Indian equities over the last few months. Geopolitical uncertainty has contributed to commodity price volatility, but lower than in previous years, as demand pressures have kept prices in check. For domestic capital markets, the year saw several crucial developments, ranging from modifications in capital gains taxes to tightening of F&O norms to massive FPI selling in the later part of the year, and of course, the IPO boom. The year 2024 saw record-high capital raising through IPOs, with India leading the world in number of issuances. Notwithstanding a disappointing performance in the second quarter, corporate profitability over the coming quarters should see an improvement, thanks to higher Government spending, festive-led boost to urban consumption and continued recovery in rural demand.

Market performance (%)

INDEX	1M	3M	1Y	FY25
NIFTY 50	-2.0%	-8.4%	8.8%	5.9%
SENSEX 30	-2.1%	-7.3%	8.2%	6.1%
NIFTY MIDCAP 150	1.1%	-5.3%	23.8%	19.0%
NIFTY SMALLCAP 250	0.2%	-3.6%	26.4%	23.9%

Source: NSE As of 31st December 2024

- **FII/DII Activity**

Overseas investors continued their selling spree as they sold ~₹3 lakh crore worth of stocks in the last year.

INR cr.*	1M	3M	6M	1Y
FII	-16,982	-1,77,4.2	-1,79,722	-3,04,217
DII	34,195	1,85,933	2,90,451	5,27,438

Source: NSE *FII Cash As of 31st December 2024

- **Global Market**

Global equities had a strong run this year, albeit with notable divergences across markets. Developed market equities posted robust gains largely driven by a strong rally in US equities. In contrast, European and UK markets recorded more modest mid-single-digit gains. Emerging markets underperformed as the strengthening US dollar, trade policy uncertainties, and growth concerns in China dampened investor sentiments. Meanwhile, global debt markets have experienced significant volatility, reflecting the impact of shifting policy expectations.

INDEX	1M	3M	6M	1Y
DOW JONES	-5.3%	0.5%	8.8%	12.9%
FTSE	-1.4%	-0.8%	0.1%	5.7%
HANG SENG	3.3%	-5.1%	13.2%	17.7%
DAX	1.4%	3.0%	9.2%	18.9%
NASDAQ	0.5%	6.2%	8.9%	28.6%

Source: Investing.com As of 31st December 2024

- **Sectoral Performance**

Capital goods and infrastructure segments, healthcare, real estate and ancillary segments and some select bottom-up consumption segments look attractive compared to other sectors. In the cement sector, there is expectation that the volumes will improve in the next two quarters, backed by higher government spending across sectors such as infrastructure and housing. Water treatment, waste management, transformer sector are the segments which are not impacted by the slowdown and those can be bought on declines. The table shows the top 3 and bottom 3 sector performances in December 2024:

TOP 3 (%)	1M	3M	6M	1Y
S&P BSE Healthcare	2.4%	2.3%	21.5%	42.9%
S&P BSE Consumer Durables	0.9%	-5.2%	8.6%	28.9%
S&P BSE IT	-0.07%	0.9%	14.8%	19.4%

BOTTOM 3 (%)	1M	3M	6M	1Y
S&P BSE Power	-7.3%	-19.4 %	-12.2%	19.6%
S&P BSE Metal	-6.6%	-16.6%	-13.2%	7.0%
S&P BSE Capital Goods	-4.5%	-7.3%	-6.8%	21.7%

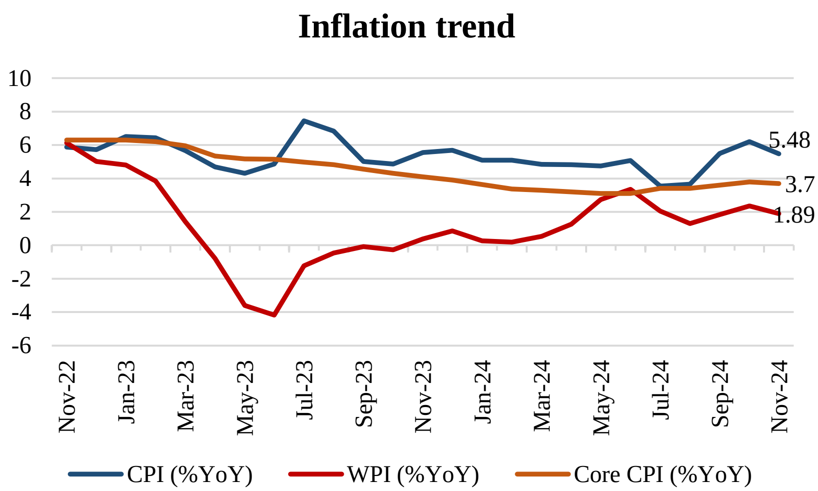
Source: BSE As of 31st December 2024

- **Important Events**

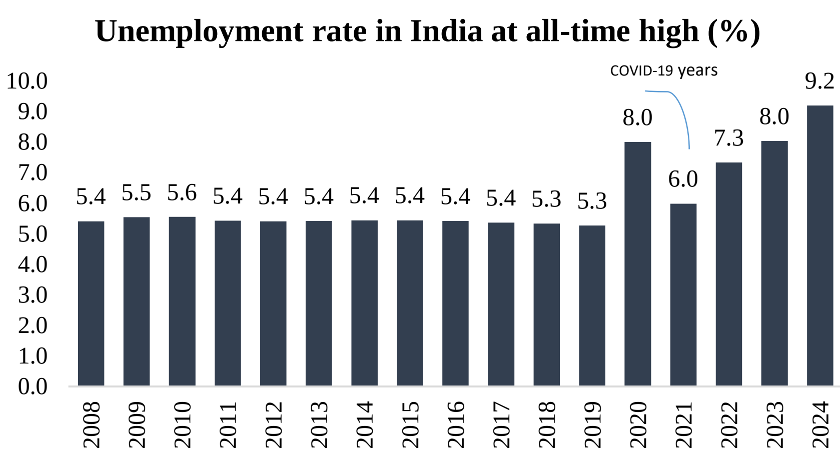
1- The RBI's MPC decided to retain the policy repo rate at 6.5% for the 11th consecutive time with a 4:2 majority and unanimously decided to retain the 'neutral' stance. The RBI's MPC acknowledged that the growth-inflation outcomes have turned adverse since October, and the medium-term focus on further realigning inflation to the target while ensuring pick-up in growth momentum remains imperative. The GDP growth forecast for FY25 has been trimmed by 60bps to 6.6%, with a stable prognosis for H2FY25 fuelled by strengthening agriculture outlook, revival in rural demand, increased government expenditure, pick-up in industrial activity and upbeat exports. Headline inflation estimates for FY25 have been revised upwards by 30bps to 4.8%, and a sharp upward revision of 90bps in Q3

2- Headline retail inflation moderated to 5.5% YoY in November, down from a 14-month high of 6.2% in the previous month, reflecting the impact of easing food prices, particularly vegetables. Sequentially, the CPI index recorded its first month-on-month contraction (-0.2%) in ten months, reflecting improved winter supplies and favourable seasonal dynamics. Food & beverages inflation eased to 8.2% YoY (vs. 9.7% in Oct), led by a 4.6% MoM decline in vegetable prices, alongside moderation in fruits, pulses, and sugar prices. However, upward pressures persist in certain categories like oils & fats and eggs, and non-vegetable food inflation remains relatively elevated. Core inflation held steady at 3.7% YoY, driven primarily by persistently high personal care & effects inflation, though there are early signs of stabilization as monthly core price growth slowed. In the wholesale space, WPI inflation softened to 1.9% YoY (vs. 2.4% in Oct), as food inflation receded and offset a modest uptick in manufactured goods prices.

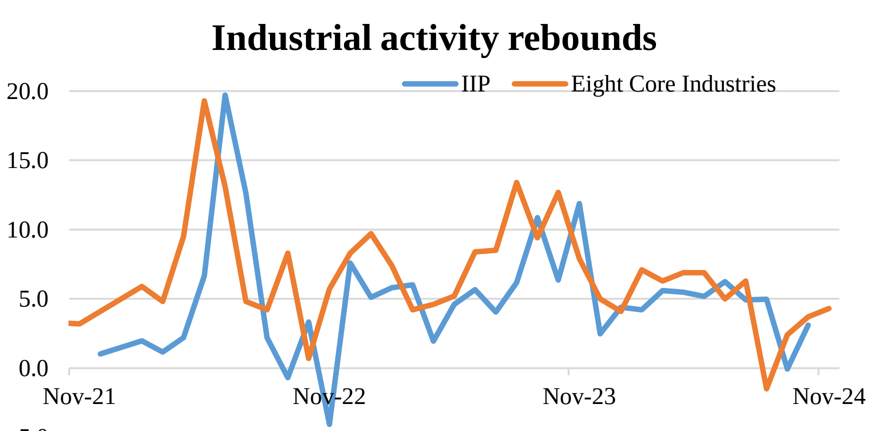
2- Economic Developments:



Source: Mospi



Source: CMIE



Source: Mospi, Officer of the Economic Adviser

a) India's merchandise trade deficit surged to an all-time high of US$37.8bn in November (vs. US$26.9bn in October), driven by a pronounced drop in exports and a sharp rise in gold imports following the recent import duty cut. On a YoY basis, merchandise exports fell by 4.8% to a 25-month low of US$32.1bn, pressured by a steep 50% YoY decline in oil exports. Nonetheless, non-oil exports continued to show resilience, rising by 7.8% YoY and supported by strong performance in electronics and engineering goods. Imports, meanwhile, soared by 28.4% YoY to a record US$70bn in November, driven predominantly by a 330% YoY spike in gold imports, primarily attributed to festival-related demand and the recent cut in import duties. Oil imports also witnessed an increase due to reduced discounts on crude from Russia. The services trade surplus, on the other hand, rose to a record high of US$17.9bn, as services exports surged by 27% YoY to US$35.7bn, acting as a counterbalance to weakening goods exports. Overall, goods and services exports grew by 9.6% YoY to US$67.8bn, while imports rose by 28.6% YoY to US$87.6bn, translating to a significantly higher overall trade deficit.

b) Notwithstanding an unfavorable base, IIP grew by 3.4% YoY in October, a slight improvement from 3.1% YoY expansion in the previous month, driven by manufacturing (4.1% YoY) and electricity (2% YoY), even as mining growth remained subdued (0.9% YoY). Notably, 18 of 23 manufacturing sub-sectors recorded an expansion, with five posting double-digit growth. Use-based data showed mixed trends, with growth improvement in consumer non-durables, primary goods, and infrastructure offsetting deceleration in capital goods and consumer durables. Core sector growth improved to 3.1% YoY, led by coal, steel, and refinery products but weighed down by crude oil and natural gas.

3-Market Outlook:

1. Indian markets are likely to face significant influences from a combination of global and domestic economic events. The anticipated rate cut by the RBI in Feb'25, the ongoing trend of US rate

cuts, and the expectations surrounding trade policy changes post Donald Trump taking over as US President in Jan'25 will contribute to market volatility. Additionally, the Union Budget in Feb 2025 will offer important signals to the market. Escalation in geopolitical tensions, and consequent surge in commodity price volatility, coupled with weather-related disruptions, pose key downside risks. During the first eight months of FY25, retail inflation averaged 4.9% YoY, though the latest reading below 6% and the steady arrival of winter crops raise hopes of further easing.

2. The current environment calls for a balanced approach—focusing on disciplined, long-term strategies while being mindful of short-term volatility. Moreover, the recent market correction and the moderation in valuations offer an opportunity to add selective stock ideas. We remain optimistic about the long-term trend, given the strength of corporate India's balance sheets and the prospects for robust, profitable growth.

4-Our Portfolio Management Services:

Strategy 1: DREAM

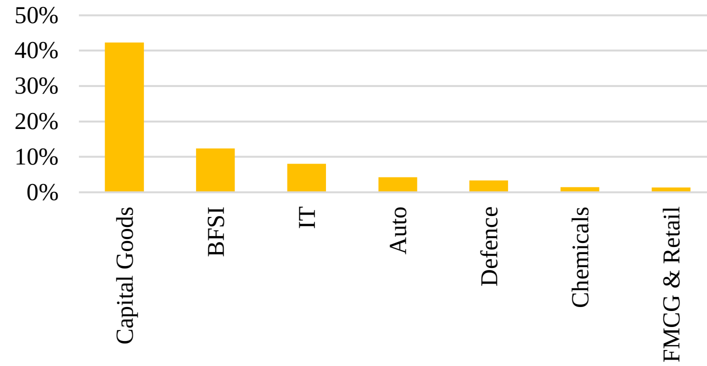
- Investments in equities cash segment with a mix of stable and growth-oriented companies having strong fundamentals.
- Our Multi-cap strategy rests on two pillars- Steady picks for large cap for resilience, stability, and long-term wealth and Growth for Small & Mid-caps for capturing new opportunities & potential multi-baggers.
- In order to minimize concentration risks, we believe in sector diversification.
- We make dedicated efforts to find attractively valued firms with sustainable business models to capture new and dynamic opportunities.

Performance as on 31st December 2024:

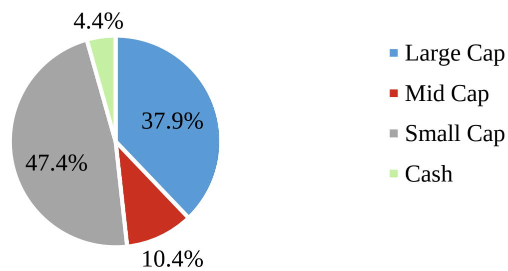
	6M	1Y	2Y	3Y	Since inception (CAGR)
HEM PMS	**9.53%**	**29.08%**	**38.22%**	**24.12%**	**29.39%**
S&P BSE 500	**-1.25%**	**14.55%**	**19.57%**	**13.90%**	**19.67%**

Inception date: 4th March, 2020. Returns presented are not verified by SEBI

Sectoral Mix



Market Capital Diversification



Our Top 10 Holdings in DREAM

Hindustan Aeronautics Ltd.	KEI Industries Ltd.
Anant Raj Limited	Agarwal Industrial Corporation Ltd.
Bharat Electronics Ltd.	Praj Industries Ltd.
PG Electroplast Ltd.	Gravita India Ltd.
ICICI Bank Ltd.	Kalpataru Projects International Ltd.

Strategy 2: IRSS

1- Niche SME & Small Cap based PMS launched in February 2022.

2- We came No. 1 in India according to PMS Bazaar in June 2024.

3- Exclusive selection of potential multi baggers from SME & Small cap space.

4- It is a high risk & high return strategy and therefore suitable for investors having high risk appetite

Performance as on 31st December 20

	6M	1Y	2Y	Since inception (CAGR)
HEM IRSS	**13.23%**	**36.62%**	**38.57%**	**44.44%**
S&P BSE 500	**-1.25%**	**14.55%**	**19.57%**	**15.08%**

Inception Date: 18th Feb 2022.Returns presented are not verified by SEBI. Please read Disclaimer and T&C before investing.

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