

Strategy

Cyclicals and digital stocks to dominate upgrades in upcoming AMFI size reclassification; midcap upper threshold reaches all-time high of >US\$5bn!

The upcoming AMFI reclassification of stocks based on size will take into account average market capitalisation for the period Jan-Jun'21 for reclassifying stocks into large, mid and small caps (large: top 100, mid: 101st-250th, and small: below 250th rank on market capitalisation). Based on the data available since Jan'21 till now and assuming prices will not deviate a lot from current levels during Jun'21, we observe the following trends:

- ▶ Cyclicals and digital stocks to dominate the upgrade list: Overall 20 stocks could potentially get upgrades (7 from mid to large, and 13 from small to mid). Of the above 20 stocks, 14 belong to cyclicals (industrials & lenders) while 5 belong to digital domain (platform, e-commerce or niche digital technology), and one defensive (healthcare).
- ▶ Upper limit for qualifying as a midcap stock crosses an all-time high of US\$5bn last seen during May'18 and is up 5x from the Taper Tantrum lows of US\$1bn.
- ▶ Upper threshold for small caps at US\$1.6bn still below the level seen in Jan'18 level of US\$1.8bn.

Table 1: Potential switches between large and midcaps

Company	Avg. market cap (Rs bn)	Current market Cap (Rs bn)	Avg market cap rank	% over lower limit	Probability
Mid to large cap					
Adani Total Gas	878	1,738	38	176%	High probability
NMDC	412	537	86	17%	High probability
Apollo Hospitals	421	471	88	16%	High probability
Cholaman. Inv. & Fn	420	457	89	15%	High probability
S A I L	359	503	96	3%	High probability
Bank of Baroda	371	420	99	2%	Low probability
Honeywell Auto	380	371	98	2%	Low probability
Large-cap to mid-cap					
Indraprastha Gas	366	372	103	0%	Low probability
P I Industries	357	405	104	-1%	Low probability
Petronet LNG	362	361	105	-2%	Low probability
H P C L	352	409	106	-2%	High probability
Alkem Lab	343	377	111	-6%	High probability
Hind. Aeronautics	332	347	117	-9%	High probability
Abbott India	320	340	126	-12%	High probability
Small-cap to mid-cap					
Tata Elxsi	180	224	191	65%	High probability
APL Apollo Tubes	142	159	220	28%	High probability
Kajaria Ceramics	142	154	222	27%	High probability
Bank of Maha	135	169	227	23%	High probability
Apollo Tyres	139	146	228	23%	High probability
Indian Bank	132	162	231	20%	High probability
Alkyl Amines	124	183	233	18%	High probability
Affle India	128	140	237	14%	High probability
Linde India	127	139	238	13%	High probability
Blue Dart Expres	117	144	244	7%	High probability
Vaibhav Global	117	134	245	6%	High probability
Hindustan Copper	112	157	246	5%	High probability
Tanla Platforms	115	121	250	2%	Low probability

Note: Average market cap is taken over the period 1 Jan'21 to 2 Jun'21. Major stock price movements in rest of Jun'21 could change the list of entries and exits among size classes.

Source: Capitaline, Bloomberg, I-Sec Research

Methodology:

- Created a list of top 500 stocks by current market cap
- Ranked them by average market cap between 1st Jan'21 and 2nd Jun'21
- Tagged top 100 as large cap, next 150 as midcap and the rest as smallcap, and compared with the AMFI classification released in Jan'21.
- The final list published by AMFI will use the 6 month average market cap from 1st Jan'21 to 30th Jun'21.

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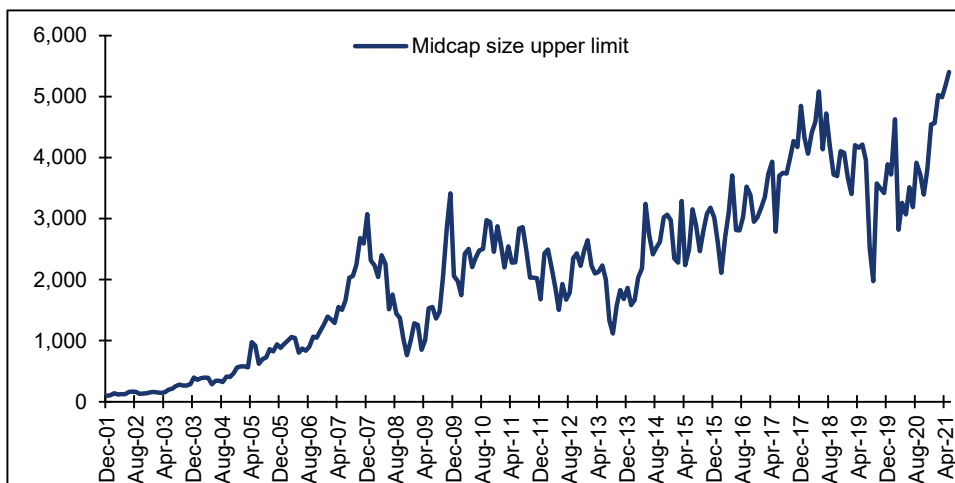
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Company	Avg. market cap (Rs bn)	Current market Cap (Rs bn)	Avg market cap rank	% over lower limit	Probability
New listing to midcap					
IRFC	307	307	133	-17%	High probability
Indigo Paints	117	121	249	-68%	High probability
Mid-cap to small-cap					
Prestige Estates	114	109	251	0%	Low probability
Metropolis Health	111	126	252	0%	Low probability
ITI	112	113	254	-1%	Low probability
Mahanagar Gas	111	117	255	-1%	Low probability
P & G Health Ltd	109	98	262	-6%	High probability
CreditAcc. Gram.	105	99	265	-8%	High probability
Akzo Nobel	103	104	267	-9%	High probability
SJVN	102	109	269	-9%	High probability
IIFL Wealth Mgt	101	104	272	-11%	High probability
Central Bank	97	119	274	-11%	High probability
Godrej Agrovet	99	107	276	-12%	High probability
Motil.Oswal.Fin.	95	117	278	-13%	High probability
Astrazeneca Phar	93	94	287	-18%	High probability
Bombay Burmah	84	91	300	-25%	High probability
Granules India	83	78	304	-28%	High probability

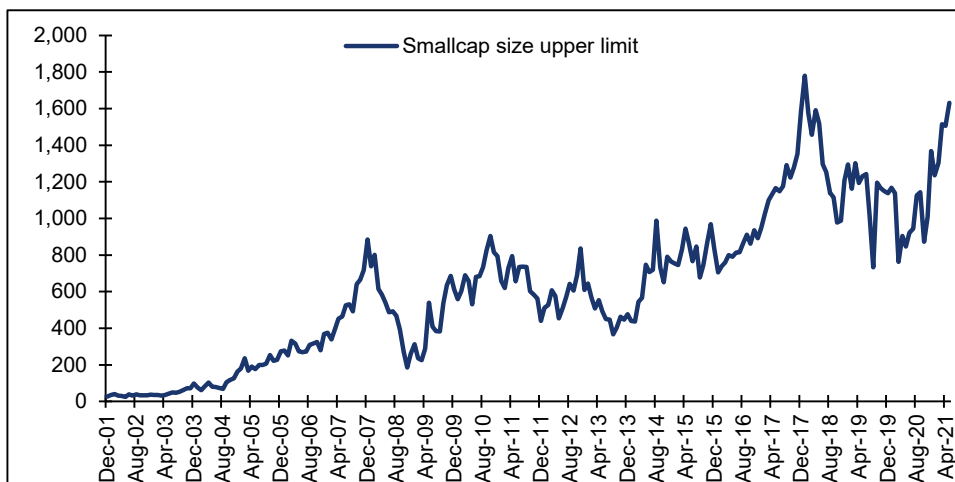
Note: Other new listings are expected to classify as smallcaps in the AMFI classifications
 Source: Capitaline, Bloomberg, I-Sec research

Chart 1: Midcap upper limit for market cap in US\$ mn



Note: We have tagged midcaps to be the 101st – 250th ranked companies, and the above represents market cap for the 101st company
 Source: Capitaline, Bloomberg, I-Sec research

Chart 2: Smallcap upper limit for market cap in US\$ mn



Note: We have tagged smallcaps to be companies below 251st rank, and the above represents market cap for the 251st company
 Source: Capitaline, Bloomberg, I-Sec research

Annexure: History of changes

Table 2: Net movement to largecap from midcap

Sector	Between Large and midcap - net movement to largecap					
	H1CY18	H2CY18	H1CY19	H2CY19	H1CY20	H2CY20
Healthcare	1	1	1	-1	3	0
Consumer	3	1	-3	1	0	-1
Industrials (incl. commodities, utilities, construction)	-2	-3	1	0	0	1
Financials	-3	-1	1	-1	-2	-1
IT	-1	1	0	1	-1	0

Source: AMFI, I-Sec Research

Table 3: Net movement to midcap from smallcap

Sector	Between midcap and smallcap- net movement to midcap					
	H1CY18	H2CY18	H1CY19	H2CY19	H1CY20	H2CY20
Healthcare	0	1	1	0	1	5
Consumer	0	-1	-5	5	1	-4
Industrials (incl. commodities, utilities, construction)	-4	1	-2	-6	1	0
Financials	-2	-2	4	-1	-2	-4
IT	3	-1	0	1	0	2

Source: AMFI, I-Sec Research

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