

Insights Unwrapped

Cash Generation Analysis for Index



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Slowing Cash Flow Growth at the Index Level

(in USD Bn)

Nifty 50*	FY22	FY23	FY24	FY25
Cash from Operations	83	86	98	101
Y-o-Y Growth[^]	19.2%	6.1%	15.5%	5.4%
Free Cash Flow	33	27	27	28
Y-o-Y Growth[^]	38.8%	-15.1%	1.5%	5.0%
Market Cap	1,224	1,140	1,586	1,545
Y-o-Y Growth[^]	27.1%	-4.5%	40.9%	-0.2%

Source: ACE Equity; *For 38 companies excluding Banks/Fis/Insurance; [^]YoY Growth in INR terms; USD-INR exchange rate as on respective year ending

(in USD Bn)

Nifty 500**	FY22	FY23	FY24	FY25
Cash from Operations	140	138	174	176
Y-o-Y Growth[^]	6.5%	0.5%	27.6%	3.7%
FCF	53	36	51	43
Y-o-Y Growth[^]	-7.3%	-30.6%	44.9%	-13.3%
Market Cap	2,271	2,087	3,110	3,138
Y-o-Y Growth[^]	32.2%	-5.8%	50.8%	3.3%

Source: ACE Equity; **For 412 companies excluding Banks/Fis/Insurance; [^]YoY Growth in INR terms

Growth in cash generation for Nifty 50 and Nifty 500 companies dropped significantly in FY25, with operating cash flow growth at 5.4% YoY (down from 15.5% in FY24) and 3.7% YoY (down from 27.6% in FY24), respectively. The Market Cap is accordingly adjusted, indicating a strong relation between the two. The market has been in a consolidation phase since October 2024, which is likely to persist until cash flows rebound sharply. A bottom-up approach, focusing on stocks with stronger cash flow growth than the index is recommended.

Price-to-Cash Flow at Index level

<u>Nifty 50*</u>	FY22	FY23	FY24	FY25
Price-to-Cash Flow (x)	14.8	13.3	16.2	15.3
<i>Source: ACE Equity; *For 38 companies excluding Banks/Fis/Insurance; P/CF= Market Cap/Cash from Operations</i>				

<u>Nifty 500**</u>	FY22	FY23	FY24	FY25
Price-to-Cash Flow (x)	16.2	15.2	17.9	17.8
<i>Source: ACE Equity; **For 412 companies excluding Banks/Fis/Insurance; P/CF= Market Cap/Cash from Operations</i>				

Price- to- Cash Flow is a multiple that compares a company's market value to its operating cash flow and is preferred over Price-to-Earnings (P/E) as earnings can be more easily manipulated than cash flows.

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