

# Strategy

April 10, 2025

## A pause to the means, not to the ends

The decision of the US government to suspend reciprocal tariffs for most countries (except for China) for 90 days should provide some upside to the Indian market in the short term. However, we do not see any change in the US's goals, leading to continued large uncertainties for (1) countries (level of tariffs), (2) exporters (new capex and orders) and (3) companies (earnings).

### US's strategic objectives presumably still the same

We would assume that the US government will continue to pursue its stated strategic objectives of (1) a reduction in large trade deficits with other countries (see Exhibit 1) and (2) reshoring of manufacturing and an unstated objective of a weaker US dollar. It has temporarily suspended reciprocal tariffs (see Exhibit 2) for 90 days for all countries (except for China) in order to work out trade deals, although the base tariff of 10% will remain.

### Other countries would have to make adjustments to trade, currency

We assume that trade deals between the US and other countries will have to meet the US's strategic objectives. Thus, the US's trade partners would have to make adjustments to (1) their exports to and imports from the US to reduce their trade deficits with the US, (2) future investments with more new manufacturing capacity to be allotted to the US, (3) tariff and non-tariff barriers for US exports and (4) their currencies. On the latter, Japan may have to allow for greater appreciation of the JPY, which may also have implications for global capital flows. China seems to be working toward weakening the CNY further. Exhibit 3 shows relative currency movements over a period of time.

### Modest positive upside for the Indian market

We see a modest upside for the Indian market since it had held up relatively well in the past few days versus other markets (see Exhibit 4) on (1) a relatively low share of exports in India's GDP, (2) a high share of profits of defensive sectors/companies and domestic sectors in overall profits of the market and major indices (see Exhibit 5) and (3) the narrative of India being relatively better off in the reciprocal tax regime. The last factor is no longer valid in the short term. Nonetheless, India's manufacturing progress will likely continue, linked to its ambition and ability to attract investment in manufacturing.

### Fair-to-full valuations of the Indian market, the central point

We stay with our cautious stance on the Indian market despite the 'positive' development, given (1) the fair-to-full-to-frothy valuations of most sectors and stocks (see Exhibits 6-13) and (2) the continued uncertainties on the reciprocal tariff issue. The export-oriented sectors will likely see a rebound in stock prices with the worst-case scenarios being off the table for now. However, the IT services sector's customers will struggle to take major spending decisions in the uncertain environment while the pharmaceuticals sector would still have to deal with the forthcoming tariffs. The automobile sector has to contend with the 25% import tariff imposed separately by the US on imports.

### Key estimates summary

|                        | 2025E | 2026E | 2027E |
|------------------------|-------|-------|-------|
| <b>Nifty estimates</b> |       |       |       |
| Earnings growth (%)    | 7.2   | 13.1  | 14.6  |
| Nifty EPS (Rs)         | 1,011 | 1,143 | 1,310 |
| Nifty P/E (X)          | 22.2  | 19.6  | 17.1  |
| <b>Macro data</b>      |       |       |       |
| Real GDP (%)           | 6.5   | 6.0   | 6.5   |
| Avg CPI inflation (%)  | 4.6   | 4.1   | 4.1   |

Source: Companies, Kotak Institutional Equities estimates

### Quick Numbers

MSCI DM Index is down 6%, MSCI EM Index is down 11%, Nifty-50 Index is down 4% and S&P500 Index 4% is down from April 2, 2025

We expect net profits of the Nifty-50 Index to grow 7% in FY2026 and 13% in FY2027

Nifty-50 Index is trading at 19.6X FY2026E 'EPS' and 17.1X FY2027E 'EPS'

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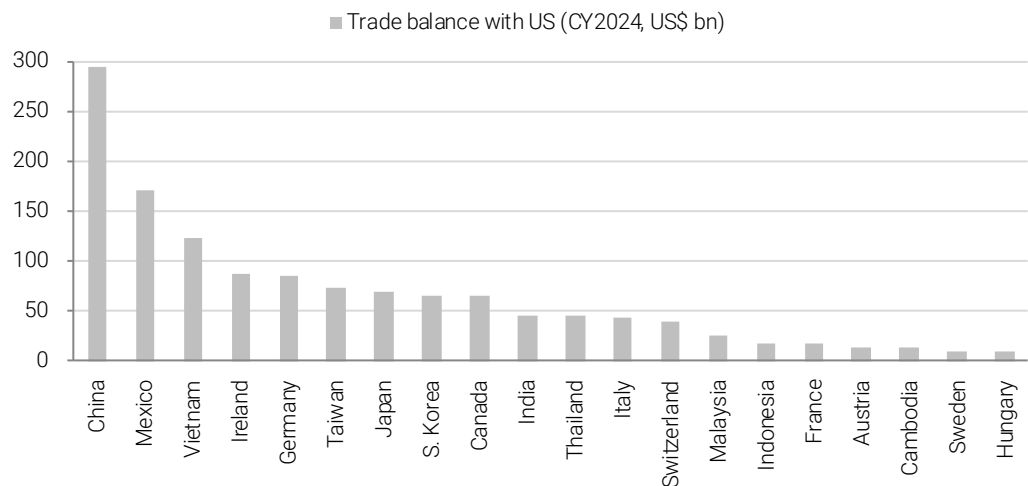
### Keep an eye on retail behavior in light of diminishing trailing returns

It would be interesting to see if the diminishing trailing returns of the Indian market would have a bearing on the investment behavior of retail investors or not. They have been price-agnostic investors for most of the past 3-4 years, emboldened by (1) the high returns from the market for a period of time and (2) tempted by expectations of high returns, based on the experience over FY2021-24. In reality, market returns even over three years (see Exhibits 14-18 for returns of various parts of the market over time) are nowhere close to expected returns of retail investors (easily north of 15%). In fact, actual returns of most retail investors would be far lower than index returns given (1) the timing of investment; almost half of the money into mutual funds has come in CY2024 alone and (2) the choice of sectors and themes of investment; a decent chunk of money has gone into sectoral and thematic funds at the peak of those sectors and themes (see Exhibit 19).

In our view, institutional investors have (1) found a great deal of comfort in the price-agnostic investment of retail investors directly and indirectly into the Indian market (see Exhibits 20-21 for retail flows) based on their inordinate focus on flows and (2) possibly molded their valuation frameworks to adjust to the price-insensitive investment behavior of the retail investors. We believe this may have led to institutional investors (1) taking a far more expansive view on valuations and (2) possibly ignoring growing global geopolitical and macroeconomic risks and domestic sector- and company-specific risks. This investment approach may be tested.

### The US aims to reduce its goods trade deficit with other countries

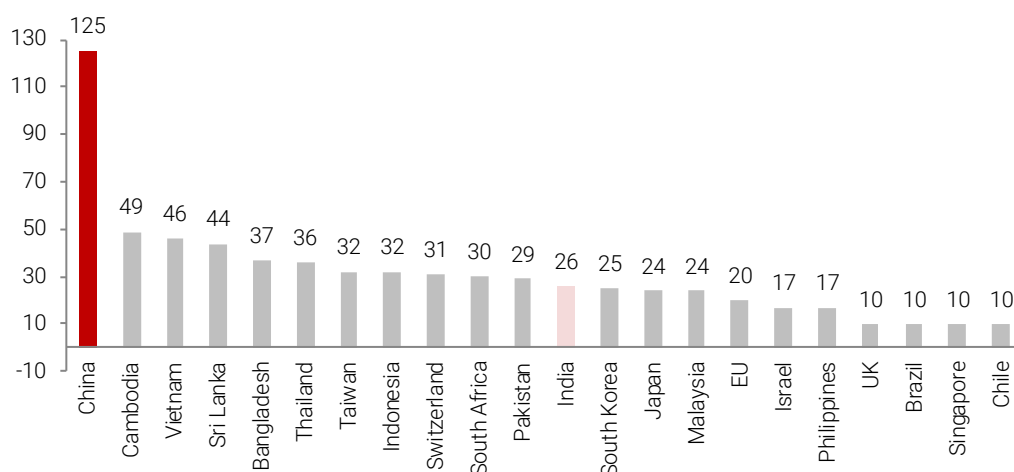
Exhibit 1: Select countries' trade balance with US, December calendar-year ends, 2024 (US\$ bn)



Source: CEIC, US Census, Kotak Institutional Equities

### The US has temporarily paused large reciprocal tariffs imposed on a number of countries, except China

Exhibit 2: Reciprocal tariffs imposed by US on major countries (%)



Source: US Government, Kotak Institutional Equities

### Most currencies have depreciated against the USD in the last three years

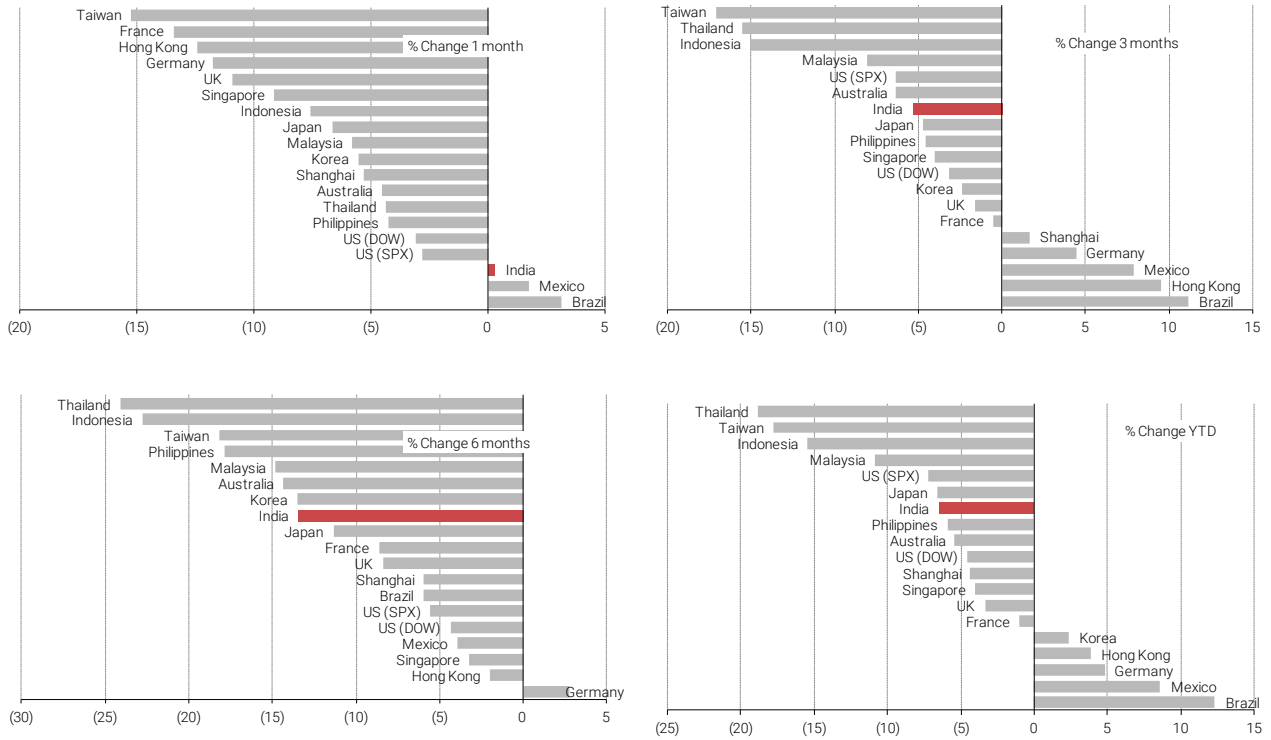
Exhibit 3: Performance of INR versus other major currencies (%)

|   | Current Price | Change (%) |        |        |        |        |        |
|---|---------------|------------|--------|--------|--------|--------|--------|
|   |               | 1-mo       | 3-mo   | 6-mo   | YTD    | 1-y    | 3-y    |
| <b>Performance of different currencies versus INR</b> |               |            |        |        |        |        |        |
| INR/BRL   | 14.9          | 0.3        | (5.4)  | 0.9    | (6.9)  | 10.1   | 7.6    |
| INR/CNY   | 11.8          | 1.9        | (0.8)  | 0.5    | (0.7)  | (1.8)  | 1.0    |
| INR/EUR   | 95.8          | (1.0)      | (7.6)  | (3.8)  | (6.8)  | (5.8)  | (13.8) |
| INR/GBP   | 111.4         | 1.2        | (5.1)  | (1.4)  | (3.5)  | (5.2)  | (11.1) |
| INR/JPY   | 0.6           | 0.4        | (7.7)  | (4.2)  | (7.4)  | (7.8)  | 3.4    |
| INR/MYR   | 19.3          | 2.4        | (1.1)  | 1.7    | (0.7)  | (9.1)  | (6.8)  |
| INR/RUB   | 1.0           | (0.6)      | (16.1) | (14.0) | (22.4) | (11.7) | (2.6)  |
| INR/USD   | 86.7          | 0.7        | (1.0)  | (3.2)  | (1.3)  | (3.9)  | (12.4) |
| INR/ZAR   | 4.5           | 6.0        | 0.2    | 6.7    | 1.3    | (1.3)  | 14.8   |
| <b>Performance of different currencies versus USD</b> |               |            |        |        |        |        |        |
| ARS/USD   | 1,076.4       | (1.0)      | (3.7)  | (9.4)  | (4.2)  | (19.7) | (89.6) |
| BRL/USD   | 5.8           | 0.5        | 3.6    | (4.0)  | 6.0    | (14.0) | (19.3) |
| CNY/USD   | 7.3           | (1.1)      | (0.1)  | (3.6)  | (0.5)  | (1.4)  | (13.3) |
| EUR/USD   | 0.9           | 1.3        | 6.6    | 0.4    | 5.7    | 2.1    | 0.9    |
| GBP/USD   | 0.8           | (0.2)      | 5.0    | (1.6)  | 2.6    | 2.4    | (1.4)  |
| IDR/USD   | 16,770.0      | (2.6)      | (3.5)  | (6.6)  | (4.0)  | (5.5)  | (14.4) |
| JPY/USD   | 146.9         | 0.3        | 7.4    | 1.1    | 7.0    | 4.3    | (15.4) |
| KRW/USD   | 1,458.1       | (0.2)      | 0.9    | (7.1)  | 1.0    | (7.1)  | (15.9) |
| MYR/USD   | 4.5           | (1.2)      | 0.5    | (4.1)  | (0.1)  | 6.1    | (5.7)  |
| THB/USD   | 34.1          | (0.9)      | 1.4    | (1.5)  | —      | 6.7    | (1.4)  |
| TRY/USD   | 38.0          | (3.7)      | (6.7)  | (10.0) | (6.9)  | (14.9) | (61.2) |
| ZAR/USD   | 19.3          | (5.1)      | (1.1)  | (9.2)  | (2.5)  | (2.8)  | (24.2) |

Source: Bloomberg, Kotak Institutional Equities

## Indian markets have outperformed global markets in the last one month

Exhibit 4: Performance of Nifty-50 versus other regional indices (adjusted for currency changes)



Source: Bloomberg, Kotak Institutional Equities

## High share of profits from defensive and/or domestic sector for the Indian market

Exhibit 5: Break-up of net profits of the Nifty-50 Index across sectors, March fiscal year-ends, 2021-27E (based on current constituents)

|   | Net profits (Rs bn) |              |              |              |              |              |               | Contribution (%) |            |            |            |            | Incremental profits |            |              |            |            |            |
|---|---------------------|--------------|--------------|--------------|--------------|--------------|---------------|------------------|------------|------------|------------|------------|---------------------|------------|--------------|------------|------------|------------|
|   | 2021                | 2022         | 2023         | 2024         | 2025E        | 2026E        | 2027E         | 2023             | 2024       | 2025E      | 2026E      | 2027E      | 2025E               | (%)        | 2026E        | (%)        | 2027E      | (%)        |
|   | (Rs bn)             | (Rs bn)      | (Rs bn)      | (Rs bn)      | (Rs bn)      | (Rs bn)      | (Rs bn)       | (%)              | (%)        | (%)        | (%)        | (%)        | (Rs bn)             | (%)        | (Rs bn)      | (%)        | (Rs bn)    | (%)        |
| Automobiles & Components                            | 150                 | 70           | 279          | 595          | 669          | 728          | 834           | 4                | 8          | 8          | 8          | 8          | 74                  | 14         | 59           | 6          | 106        | 8          |
| Tata Motors   | (14)                | (107)        | 7            | 200          | 219          | 232          | 290           | 0                | 3          | 3          | 3          | 3          | 19                  | 4          | 13           | 1          | 58         | 4          |
| Banks   | 992                 | 1,354        | 1,860        | 2,148        | 2,266        | 2,422        | 2,813         | 29               | 29         | 28         | 27         | 27         | 118                 | 22         | 156          | 15         | 391        | 30         |
| Axis Bank   | 66                  | 130          | 212          | 249          | 259          | 280          | 321           | 3                | 3          | 3          | 3          | 3          | 10                  | 2          | 21           | 2          | 41         | 3          |
| HDFC Bank   | 431                 | 507          | 603          | 608          | 671          | 780          | 882           | 9                | 8          | 8          | 9          | 9          | 63                  | 12         | 109          | 10         | 102        | 8          |
| ICICI Bank  | 162                 | 233          | 319          | 409          | 461          | 472          | 520           | 5                | 5          | 6          | 5          | 5          | 52                  | 10         | 11           | 1          | 48         | 4          |
| State Bank of India                                 | 204                 | 317          | 502          | 611          | 640          | 623          | 778           | 8                | 8          | 8          | 7          | 8          | 29                  | 5          | (17)         | (2)        | 155        | 12         |
| Capital Goods                                       | 99                  | 117          | 158          | 202          | 271          | 310          | 360           | 2                | 3          | 3          | 3          | 3          | 69                  | 13         | 39           | 4          | 50         | 4          |
| Commodity Chemicals                                 | 31                  | 31           | 42           | 55           | 42           | 45           | 50            | 1                | 1          | 1          | 0          | 0          | (13)                | (2)        | 3            | 0          | 5          | 0          |
| Construction Materials                              | 100                 | 128          | 120          | 132          | 105          | 150          | 191           | 2                | 2          | 1          | 2          | 2          | (27)                | (5)        | 45           | 4          | 41         | 3          |
| Consumer Staples                                    | 240                 | 271          | 318          | 360          | 346          | 375          | 413           | 5                | 5          | 4          | 4          | 4          | (14)                | (3)        | 29           | 3          | 38         | 3          |
| Diversified Financials                              | 115                 | 145          | 239          | 302          | 379          | 447          | 551           | 4                | 4          | 5          | 5          | 5          | 77                  | 14         | 68           | 7          | 104        | 8          |
| Electric Utilities                                  | 290                 | 301          | 324          | 364          | 377          | 418          | 452           | 5                | 5          | 5          | 5          | 4          | 13                  | 3          | 41           | 4          | 34         | 3          |
| Health Care Services                                | 1                   | 9            | 8            | 9            | 14           | 19           | 25            | 0                | 0          | 0          | 0          | 0          | 5                   | 1          | 5            | 0          | 6          | 0          |
| Internet Software & Services                        | (8)                 | (12)         | (10)         | 4            | 5            | 13           | 26            | (0)              | 0          | 0          | 0          | 0          | 2                   | 0          | 8            | 1          | 13         | 1          |
| IT Services   | 810                 | 917          | 975          | 1,004        | 1,096        | 1,192        | 1,309         | 15               | 13         | 14         | 13         | 13         | 93                  | 17         | 96           | 9          | 117        | 9          |
| Insurance   | 28                  | 27           | 31           | 35           | 42           | 48           | 53            | 0                | 0          | 1          | 1          | 1          | 7                   | 1          | 6            | 1          | 5          | 0          |
| Metals & Mining                                     | 222                 | 774          | 248          | 219          | 241          | 425          | 517           | 4                | 3          | 3          | 5          | 5          | 22                  | 4          | 184          | 18         | 92         | 7          |
| Tata Steel  | 85                  | 426          | 86           | 34           | 34           | 135          | 176           | 1.4              | 0.5        | 0.4        | 1.5        | 1.7        | 0                   | 0          | 101          | 9.7        | 40         | 3          |
| Oil, Gas & Consumable Fuels                         | 718                 | 1,229        | 1,413        | 1,578        | 1,515        | 1,687        | 1,865         | 22               | 21         | 19         | 19         | 18         | (63)                | (12)       | 172          | 16         | 178        | 14         |
| Coal India  | 127                 | 174          | 281          | 374          | 322          | 352          | 362           | 4                | 5          | 4          | 4          | 4          | (51)                | (10)       | 30           | 3          | 10         | 1          |
| ONGC  | 156                 | 476          | 465          | 509          | 507          | 535          | 564           | 7                | 7          | 6          | 6          | 5          | (1)                 | (0)        | 28           | 3          | 28         | 2          |
| Reliance Industries                                 | 435                 | 579          | 667          | 696          | 686          | 800          | 939           | 10               | 9          | 9          | 9          | 9          | (10)                | (2)        | 114          | 11         | 139        | 11         |
| Pharmaceuticals                                     | 110                 | 135          | 160          | 196          | 224          | 238          | 251           | 3                | 3          | 3          | 3          | 2          | 28                  | 5          | 14           | 1          | 13         | 1          |
| Retailing   | 8                   | 23           | 37           | 44           | 54           | 66           | 81            | 1                | 1          | 1          | 1          | 1          | 10                  | 2          | 13           | 1          | 14         | 1          |
| Telecommunication Services                          | (29)                | 26           | 90           | 113          | 229          | 317          | 409           | 1                | 2          | 3          | 4          | 4          | 116                 | 22         | 88           | 8          | 92         | 7          |
| Transportation                                      | 43                  | 56           | 83           | 90           | 108          | 129          | 143           | 1                | 1          | 1          | 1          | 1          | 19                  | 3          | 21           | 2          | 14         | 1          |
| <b>Nifty-50 Index</b>                               | <b>3,919</b>        | <b>5,601</b> | <b>6,375</b> | <b>7,448</b> | <b>7,984</b> | <b>9,029</b> | <b>10,344</b> | <b>100</b>       | <b>100</b> | <b>100</b> | <b>100</b> | <b>100</b> | <b>536</b>          | <b>100</b> | <b>1,045</b> | <b>100</b> | <b>###</b> | <b>100</b> |
| <b>Nifty-50 change (%)</b>                          | <b>10.4</b>         | <b>42.9</b>  | <b>13.8</b>  | <b>16.8</b>  | <b>7.2</b>   | <b>13.1</b>  | <b>14.6</b>   |                  |            |            |            |            |                     |            |              |            |            |            |
| <b>Nifty-50 Index ex-HPCL &amp; COAL change (%)</b> | <b>3,786</b>        | <b>5,365</b> | <b>6,059</b> | <b>6,993</b> | <b>7,630</b> | <b>8,642</b> | <b>9,945</b>  |                  |            |            |            |            |                     |            |              |            |            |            |
| <b>Nifty-50 Index ex-HPCL &amp; COAL change (%)</b> | <b>13.0</b>         | <b>41.7</b>  | <b>12.9</b>  | <b>15.4</b>  | <b>9.1</b>   | <b>13.3</b>  | <b>15.1</b>   |                  |            |            |            |            |                     |            |              |            |            |            |
| <b>Nifty-50 EPS (Free-float)</b>                    | <b>536</b>          | <b>730</b>   | <b>813</b>   | <b>988</b>   | <b>1,011</b> | <b>1,143</b> | <b>1,310</b>  |                  |            |            |            |            |                     |            |              |            |            |            |

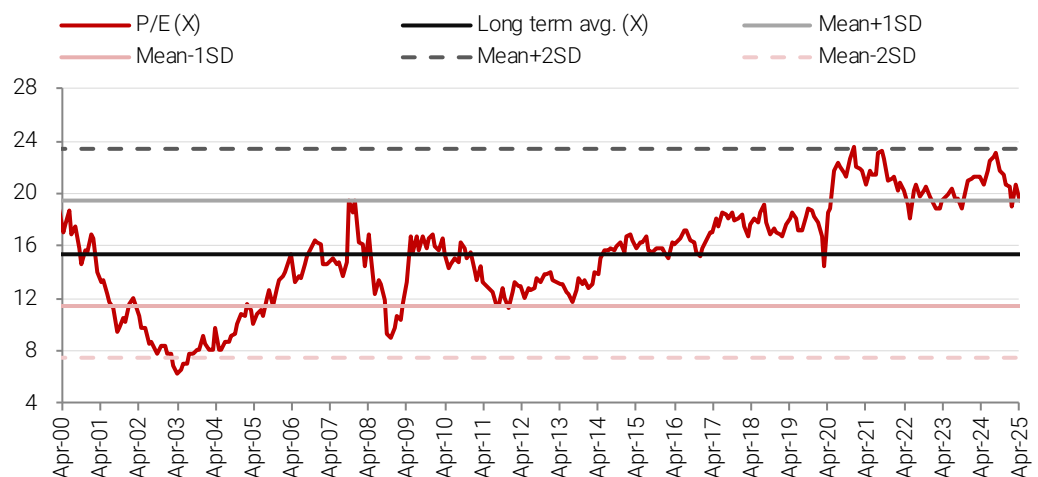
Notes:

- (a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.  
(b) We exclude ONGC's ownership of HPCL for ex-HPCL computation.

Source: Bloomberg, Kotak Institutional Equities estimates

## Nifty-50 index trading at high multiples

Exhibit 6: 12-m rolling forward PE of Nifty-50 Index, March fiscal year-ends, 2001-25 (X)



Source: Bloomberg, Kotak Institutional Equities estimates

## We expect earnings of the Nifty-50 Index to grow 7% in FY2025 and 13% in FY2026E

### Exhibit 7: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025E-27E (based on current constituents)

|                                   | Mcap.<br>(US\$ bn) | mcap.<br>(US\$ bn) | Earnings growth (%) |             |             | P/E (X)     |             |             | EV/EBITDA (X) |             |             | P/B (X)    |            |            | Div. yield (%) |            |            | RoE (%)     |             |             |
|-----------------------------------|--------------------|--------------------|---------------------|-------------|-------------|-------------|-------------|-------------|---------------|-------------|-------------|------------|------------|------------|----------------|------------|------------|-------------|-------------|-------------|
|                                   |                    |                    | 2025E               | 2026E       | 2027E       | 2025E       | 2026E       | 2027E       | 2025E         | 2026E       | 2027E       | 2025E      | 2026E      | 2027E      | 2025E          | 2026E      | 2027E      | 2025E       | 2026E       | 2027E       |
| Automobiles & Components          | 152                | 80                 | 12.5                | 8.8         | 14.6        | 19.7        | 18.1        | 15.8        | 10.6          | 10.1        | 8.8         | 4.1        | 3.6        | 3.1        | 1.7            | 1.9        | 2.2        | 20.7        | 19.6        | 19.6        |
| Banks                             | 429                | 368                | 5.5                 | 6.9         | 16.2        | 16.4        | 15.4        | 13.2        | —             | —           | —           | 2.4        | 2.1        | 1.9        | 1.2            | 1.3        | 1.4        | 14.6        | 13.9        | 14.4        |
| Capital Goods                     | 102                | 59                 | 34.3                | 14.3        | 16.0        | 32.6        | 28.5        | 24.5        | 21.1          | 17.8        | 15.8        | 4.9        | 4.1        | 3.6        | 0.6            | 0.8        | 0.9        | 15.1        | 14.5        | 14.7        |
| Commodity Chemicals               | 27                 | 13                 | (23.6)              | 7.4         | 12.3        | 55.5        | 51.7        | 46.0        | 37.3          | 35.0        | 32.0        | 11.2       | 10.1       | 9.1        | 0.9            | 1.0        | 1.1        | 20.1        | 19.5        | 19.8        |
| Construction Materials            | 59                 | 27                 | (20.6)              | 42.4        | 27.5        | 48.5        | 34.0        | 26.7        | 18.4          | 14.4        | 12.4        | 3.1        | 2.9        | 2.7        | 0.5            | 0.6        | 0.7        | 6.5         | 8.6         | 10.1        |
| Consumer Staples                  | 162                | 86                 | (3.9)               | 8.4         | 10.3        | 40.7        | 37.5        | 34.0        | 29.5          | 27.1        | 24.5        | 9.4        | 9.2        | 8.8        | 2.3            | 2.3        | 2.6        | 23.1        | 24.5        | 26.0        |
| Diversified Financials            | 127                | 57                 | 25.5                | 18.1        | 23.2        | 29.1        | 24.6        | 20.0        | —             | —           | —           | 4.9        | 4.2        | 3.6        | 0.3            | 0.4        | 0.5        | 16.9        | 17.1        | 17.9        |
| Electric Utilities                | 71                 | 34                 | 3.7                 | 10.8        | 8.0         | 16.2        | 14.6        | 13.5        | 10.1          | 9.1         | 8.5         | 2.2        | 2.0        | 1.8        | 2.8            | 3.1        | 3.2        | 13.3        | 13.6        | 13.6        |
| Health Care Services              | 11                 | 8                  | 60.2                | 31.6        | 32.2        | 68.4        | 51.9        | 39.3        | 33.2          | 26.8        | 21.3        | 12.0       | 9.9        | 8.1        | 0.2            | 0.2        | 0.2        | 17.5        | 19.1        | 20.5        |
| IT Services                       | 288                | 129                | 9.2                 | 8.7         | 9.9         | 22.7        | 20.9        | 19.0        | 14.9          | 13.7        | 12.5        | 6.7        | 6.2        | 5.8        | 3.4            | 3.7        | 4.1        | 29.3        | 29.8        | 30.6        |
| Insurance                         | 34                 | 16                 | 21.4                | 13.7        | 11.0        | 70.4        | 61.9        | 55.8        | —             | —           | —           | 9.2        | 8.4        | 7.6        | 0.3            | 0.3        | 0.4        | 13.1        | 13.6        | 13.7        |
| Internet Software & Services      | 24                 | 17                 | 51.6                | 149.5       | 97.4        | 383.4       | 153.6       | 77.8        | 281.4         | 120.7       | 54.7        | 6.8        | 6.3        | 5.8        | —              | —          | —          | 1.8         | 4.1         | 7.4         |
| Metals & Mining                   | 60                 | 32                 | 10.0                | 76.4        | 21.7        | 21.5        | 12.2        | 10.0        | 8.7           | 6.7         | 5.8         | 1.7        | 1.5        | 1.4        | 0.7            | 1.4        | 1.7        | 8.1         | 12.7        | 13.7        |
| Oil, Gas & Consumable Fuels       | 244                | 112                | (4.0)               | 11.4        | 10.5        | 14.0        | 12.5        | 11.3        | 8.1           | 6.8         | 5.9         | 1.6        | 1.5        | 1.3        | 1.8            | 1.8        | 1.8        | 11.4        | 11.6        | 11.6        |
| Pharmaceuticals                   | 69                 | 37                 | 14.3                | 6.5         | 5.6         | 26.9        | 25.3        | 24.0        | 18.3          | 16.6        | 15.7        | 4.4        | 3.9        | 3.4        | 0.7            | 0.8        | 0.8        | 16.4        | 15.3        | 14.3        |
| Retailing                         | 51                 | 27                 | 22.3                | 23.3        | 21.4        | 82.9        | 67.2        | 55.4        | 51.9          | 43.1        | 36.0        | 26.0       | 20.0       | 15.5       | 0.3            | 0.3        | 0.4        | 31.4        | 29.7        | 28.0        |
| Telecommunication Services        | 119                | 56                 | 102.5               | 38.3        | 29.1        | 44.9        | 32.5        | 25.2        | 12.6          | 10.0        | 8.2         | 10.4       | 7.9        | 6.8        | 0.8            | 1.3        | 1.6        | 23.2        | 24.4        | 27.2        |
| Transportation                    | 28                 | 10                 | 20.6                | 19.2        | 10.9        | 22.5        | 18.9        | 17.0        | 15.1          | 12.9        | 10.8        | 3.9        | 3.3        | 2.9        | 0.7            | 0.8        | 0.9        | 17.4        | 17.7        | 16.8        |
| <b>Nifty-50 Index</b>             | <b>2,056</b>       | <b>1,167</b>       | <b>7.2</b>          | <b>13.1</b> | <b>14.6</b> | <b>22.3</b> | <b>19.7</b> | <b>17.2</b> | <b>13.2</b>   | <b>11.4</b> | <b>10.1</b> | <b>3.4</b> | <b>3.0</b> | <b>2.7</b> | <b>1.5</b>     | <b>1.7</b> | <b>1.9</b> | <b>15.1</b> | <b>15.3</b> | <b>15.7</b> |
| <b>Nifty-50 Index (ex-energy)</b> | <b>1,812</b>       | <b>1,055</b>       | <b>10.2</b>         | <b>13.5</b> | <b>15.5</b> | <b>24.3</b> | <b>21.4</b> | <b>18.5</b> | <b>15.2</b>   | <b>13.2</b> | <b>11.7</b> | <b>4.0</b> | <b>3.5</b> | <b>3.2</b> | <b>1.5</b>     | <b>1.7</b> | <b>1.9</b> | <b>16.4</b> | <b>16.6</b> | <b>17.1</b> |
| <b>Nifty-50 Index (ex-banks)</b>  | <b>1,627</b>       | <b>800</b>         | <b>7.9</b>          | <b>15.6</b> | <b>14.0</b> | <b>24.7</b> | <b>21.3</b> | <b>18.7</b> | <b>13.2</b>   | <b>11.4</b> | <b>10.1</b> | <b>3.8</b> | <b>3.4</b> | <b>3.1</b> | <b>1.6</b>     | <b>1.8</b> | <b>2.0</b> | <b>15.3</b> | <b>15.9</b> | <b>16.3</b> |

Notes:

- (a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.  
(b) We use merged entity numbers for HDFC Bank from FY2025E onwards.

Source: Bloomberg, Kotak Institutional Equities estimates

## Most large-cap. consumption stocks are trading at expensive valuations

### Exhibit 8: 12-m forward P/E multiple of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

|                           |                             | 12-m forward P/E multiple (X) |        |        |        |        |        |        |        |        |        |        |        |        |        |         |  |
|---------------------------|-----------------------------|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--|
| Company                   | Sector                      | Mar-11                        | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Current |  |
| Bajaj Auto                | Automobiles & Components    | 14                            | 14     | 14     | 16     | 15     | 16     | 18     | 17     | 17     | 12     | 19     | 18     | 17     | 30     | 22      |  |
| Eicher Motors             | Automobiles & Components    | 15                            | 14     | 16     | 24     | 38     | 33     | 33     | 29     | 21     | 17     | 29     | 25     | 23     | 25     | 29      |  |
| Hero Motocorp             | Automobiles & Components    | 14                            | 15     | 14     | 16     | 16     | 17     | 17     | 18     | 13     | 10     | 16     | 14     | 13     | 20     | 14      |  |
| Mahindra & Mahindra       | Automobiles & Components    | 14                            | 14     | 14     | 15     | 19     | 18     | 20     | 19     | 15     | 9      | 20     | 18     | 16     | 21     | 22      |  |
| Maruti Suzuki             | Automobiles & Components    | 14                            | 16     | 13     | 17     | 21     | 18     | 22     | 26     | 23     | 18     | 28     | 30     | 23     | 28     | 22      |  |
| Samvardhana Motherson     | Automobiles & Components    | 17                            | 13     | 14     | 19     | 28     | 21     | 25     | 25     | 19     | 11     | 25     | 22     | 15     | 20     | 17      |  |
| TVS Motor                 | Automobiles & Components    | 11                            | 7      | 7      | 15     | 22     | 23     | 28     | 30     | 23     | 19     | 32     | 24     | 27     | 40     | 36      |  |
| Asian Paints              | Commodity Chemicals         | 23                            | 27     | 33     | 36     | 38     | 38     | 45     | 44     | 51     | 48     | 64     | 65     | 54     | 48     | 51      |  |
| Berger Paints             | Commodity Chemicals         | 17                            | 17     | 25     | 27     | 36     | 35     | 45     | 44     | 49     | 58     | 81     | 61     | 49     | 52     | 50      |  |
| Ambuja Cements            | Construction Materials      | 18                            | 18     | 14     | 24     | 23     | 29     | 34     | 29     | 26     | 16     | 25     | 20     | 26     | 38     | 31      |  |
| Shree Cement              | Construction Materials      | NA                            | NA     | 14     | 22     | 46     | 34     | 36     | 31     | 37     | 34     | 44     | 32     | 41     | 34     | 56      |  |
| UltraTech Cement          | Construction Materials      | 18                            | 18     | 16     | 24     | 23     | 28     | 34     | 31     | 32     | 20     | 32     | 26     | 30     | 31     | 36      |  |
| Havells India             | Consumer Durables & Apparel | 13                            | 16     | 16     | 20     | 31     | 32     | 42     | 36     | 46     | 32     | 56     | 49     | 49     | 59     | 50      |  |
| Polycab                   | Consumer Durables & Apparel | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 13     | 22     | 31     | 30     | 39     | 32      |  |
| Britannia Industries      | Consumer Staples            | 21                            | 28     | 24     | 23     | 39     | 33     | 39     | 49     | 53     | 41     | 45     | 41     | 47     | 49     | 53      |  |
| Colgate-Palmolive (India) | Consumer Staples            | 24                            | 30     | 28     | 32     | 40     | 32     | 40     | 38     | 40     | 37     | 41     | 38     | 36     | 52     | 44      |  |
| Dabur India               | Consumer Staples            | 23                            | 24     | 26     | 29     | 35     | 30     | 33     | 36     | 40     | 43     | 48     | 44     | 44     | 41     | 40      |  |
| Godrej Consumer Products  | Consumer Staples            | 20                            | 22     | 30     | 31     | 31     | 35     | 37     | 43     | 38     | 29     | 39     | 36     | 45     | 52     | 52      |  |
| Hindustan Unilever        | Consumer Staples            | 26                            | 29     | 28     | 33     | 40     | 39     | 41     | 47     | 50     | 56     | 58     | 47     | 52     | 46     | 48      |  |
| Marico                    | Consumer Staples            | 24                            | 26     | 27     | 25     | 35     | 37     | 41     | 42     | 39     | 31     | 40     | 43     | 40     | 39     | 49      |  |
| Nestle India              | Consumer Staples            | 35                            | 37     | 34     | 35     | 44     | 41     | 47     | 50     | 51     | 63     | 65     | 62     | 63     | 72     | 64      |  |
| Tata Consumer Products    | Consumer Staples            | 14                            | 18     | 17     | 18     | 19     | 16     | 18     | 26     | 23     | 31     | 50     | 53     | 46     | 61     | 60      |  |
| Varun Beverages           | Consumer Staples            | NA                            | NA     | NA     | NA     | NA     | NA     | 32     | 36     | 42     | 28     | 36     | 39     | 45     | 67     | 52      |  |
| United Spirits            | Consumer Staples            | 22                            | 16     | 37     | 59     | 90     | 57     | 53     | 58     | 43     | 33     | 41     | 53     | 48     | 57     | 60      |  |
| Apollo Hospitals          | Health Care Services        | 25                            | 29     | 30     | 31     | 43     | 41     | 40     | 41     | 43     | 33     | 59     | 54     | 50     | 61     | 51      |  |
| Avenue Supermarts         | Retailing                   | NA                            | NA     | NA     | NA     | NA     | NA     | 54     | 77     | 73     | 78     | 90     | 100    | 71     | 86     | 77      |  |
| Titan Company             | Retailing                   | 30                            | 28     | 25     | 28     | 33     | 31     | 41     | 56     | 54     | 44     | 68     | 75     | 57     | 74     | 58      |  |
| Trent                     | Retailing                   | NA                            | 45     | 43     | 36     | 40     | 27     | 44     | 56     | 53     | 59     | 169    | 112    | 79     | 109    | 76      |  |
| Pidlite Industries        | Specialty Chemicals         | 21                            | 22     | 27     | 26     | 42     | 34     | 37     | 43     | 54     | 49     | 64     | 74     | 62     | 69     | 61      |  |

Source: FactSet, Kotak Institutional Equities

## Most mid-cap. consumption stocks are trading at expensive valuations

Exhibit 9: 12-m forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

| Company                   | Sector                      | 12-m forward P/E multiple (X) |        |        |        |        |        |        |        |        |        |        |        |        |        | Current |
|---------------------------|-----------------------------|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
|                           |                             | Mar-11                        | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 |         |
| Balkrishna Industries     | Automobiles & Components    | 6                             | 8      | 7      | 9      | 11     | 11     | 17     | 21     | 20     | 15     | 26     | 24     | 24     | 27     | 22      |
| Exide Industries          | Automobiles & Components    | 17                            | 19     | 17     | 19     | 21     | 18     | 24     | 22     | 20     | 12     | 17     | 13     | 14     | 20     | 25      |
| Schaeffler India          | Automobiles & Components    | 11                            | 14     | 12     | 17     | 31     | 27     | 31     | 29     | 30     | 25     | 35     | 37     | 42     | 41     | 39      |
| SKF                       | Automobiles & Components    | 15                            | 15     | 14     | 19     | 28     | 26     | 28     | 26     | 27     | 18     | 30     | 35     | 32     | 33     | 30      |
| Timken                    | Automobiles & Components    | NA                            | NA     | NA     | NA     | 40     | 24     | 31     | 34     | 29     | 23     | 39     | 44     | 41     | 49     | 34      |
| Indigo Paints             | Commodity Chemicals         | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 93     | 47     | 32     | 33     | 29      |
| Kansai Nerolac            | Commodity Chemicals         | 20                            | 19     | 26     | 24     | 31     | 36     | 38     | 43     | 41     | 32     | 47     | 37     | 30     | 27     | 27      |
| Crompton Greaves Consumer | Consumer Durables & Apparel | NA                            | NA     | NA     | NA     | NA     | NA     | 39     | 36     | 31     | 24     | 40     | 33     | 29     | 29     | 31      |
| Page Industries           | Consumer Durables & Apparel | 24                            | 26     | 26     | 36     | 58     | 46     | 48     | 59     | 54     | 40     | 64     | 72     | 53     | 51     | 58      |
| Voltas                    | Consumer Durables & Apparel | 14                            | 13     | 9      | 20     | 24     | 23     | 28     | 31     | 32     | 23     | 44     | 51     | 41     | 49     | 39      |
| Whirlpool                 | Consumer Durables & Apparel | NA                            | 15     | 14     | 21     | 34     | 28     | 41     | 43     | 38     | 35     | 46     | 42     | 44     | 45     | 31      |
| United Breweries          | Consumer Staples            | 47                            | 54     | 58     | 68     | 63     | 51     | 51     | 51     | 52     | 35     | 51     | 55     | 56     | 64     | 66      |
| Aster DM Healthcare       | Health Care Services        | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 22     | 10     | 16     | 16     | 17     | 31     | 54      |
| Dr Lal Pathlabs           | Health Care Services        | NA                            | NA     | NA     | NA     | NA     | 53     | 39     | 35     | 36     | 38     | 67     | 57     | 44     | 45     | 44      |
| Max Healthcare            | Health Care Services        | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 35     | 34     | 34     | 51     | 59      |
| Metropolis Healthcare     | Health Care Services        | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 33     | 50     | 41     | 34     | 49     | 37      |
| Narayana Hrudayalaya      | Health Care Services        | NA                            | NA     | NA     | NA     | NA     | 136    | 47     | 44     | 37     | 34     | 39     | 39     | 26     | 31     | 37      |
| Chalet Hotels             | Hotels & Restaurants        | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 146    | 29     | 45     | 36      |
| Devyani International     | Hotels & Restaurants        | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 89     | 53     | 86     | 102     |
| Indian Hotels             | Hotels & Restaurants        | 26                            | 23     | 39     | 48     | 66     | 67     | 47     | 51     | 54     | 28     | 100    | 70     | 40     | 51     | 51      |
| Jubilant Foodworks        | Hotels & Restaurants        | 36                            | 48     | 41     | 40     | 54     | 52     | 54     | 58     | 48     | 45     | 75     | 58     | 51     | 69     | 103     |
| Lemon Tree Hotels         | Hotels & Restaurants        | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 64     | 33     | NA     | 173    | 39     | 36     | 39      |
| Sapphire Foods            | Hotels & Restaurants        | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 106    | 54     | 88     | 101     |
| Westlife Foodworld        | Hotels & Restaurants        | NA                            | NA     | NA     | 119    | 264    | 139    | 120    | 107    | 69     | 49     | 113    | 94     | 67     | 91     | 133     |

Source: FactSet, Kotak Institutional Equities

## Most investment stocks are trading at expensive valuations

Exhibit 10: 12-m forward P/E multiple of investment stocks in KIE universe, March fiscal year-ends, 2011-25E

| Company               | Sector                            | 12-m forward P/E multiple (X) |        |        |        |        |        |        |        |        |        |        |        |        |        | Current |
|-----------------------|-----------------------------------|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
|                       |                                   | Mar-11                        | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 |         |
| ABB                   | Capital Goods                     | 41                            | 48     | 32     | 60     | 67     | 60     | 51     | 43     | 53     | 42     | 64     | 69     | 73     | 87     | 51      |
| Bharat Electronics    | Capital Goods                     | 14                            | 12     | 10     | 11     | 22     | 20     | 21     | 18     | 13     | 10     | 15     | 19     | 21     | 35     | 37      |
| BHEL                  | Capital Goods                     | 15                            | 10     | 8      | 16     | 21     | 27     | 26     | 20     | 17     | 7      | 28     | 28     | 28     | 78     | 33      |
| Carborundum Universal | Capital Goods                     | 13                            | 13     | 13     | 17     | 21     | 18     | 23     | 24     | 25     | 13     | 30     | 32     | 37     | 42     | 34      |
| Cochin Shipyard       | Capital Goods                     | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | 16     | 11     | 5      | NA     | 6      | 14     | 37     | 43      |
| Cummins India         | Capital Goods                     | 18                            | 21     | 18     | 25     | 29     | 26     | 28     | 23     | 24     | 13     | 35     | 32     | 36     | 50     | 35      |
| IRB Infrastructure    | Capital Goods                     | 13                            | 12     | 7      | 7      | 13     | 12     | 11     | 8      | 6      | 4      | 8      | 26     | 17     | 32     | 19      |
| Kalpataru Projects    | Capital Goods                     | 9                             | 8      | 6      | 7      | 15     | 15     | 16     | 19     | 16     | 5      | 10     | 10     | 12     | 20     | 15      |
| KEC International     | Capital Goods                     | 8                             | 8      | 7      | 9      | 13     | 12     | 15     | 19     | 13     | 7      | 15     | 13     | 18     | 23     | 17      |
| L&T                   | Capital Goods                     | 21                            | 16     | 15     | 22     | 28     | 21     | 23     | 23     | 19     | 11     | 19     | 21     | 22     | 31     | 23      |
| Siemens               | Capital Goods                     | 28                            | 28     | 29     | 53     | 75     | 50     | 50     | 37     | 37     | 30     | 52     | 52     | 59     | 76     | 59      |
| Thermax               | Capital Goods                     | 16                            | 15     | 18     | 24     | 33     | 28     | 36     | 35     | 27     | 23     | 43     | 48     | 43     | 65     | 41      |
| Amber Enterprises     | Electronic Manufacturing Services | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | 31     | 19     | 19     | 51     | 43     | 29     | 48     | 52      |
| Avalon Technologies   | Electronic Manufacturing Services | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 36     | 48      |
| Cyient DLM            | Electronic Manufacturing Services | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 49     | 29      |
| Dixon Technologies    | Electronic Manufacturing Services | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | 37     | 27     | 25     | 64     | 63     | 40     | 70     | 63      |
| Kaynes Technology     | Electronic Manufacturing Services | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 75     | 74      |
| Syrma SGS Technology  | Electronic Manufacturing Services | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 25     | 42     | 33      |

Source: FactSet, Kotak Institutional Equities

## Most outsourcing stocks are trading at higher multiples, compared to their pre-Covid levels

Exhibit 11: 12-m forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-25E

|                         |                     | 12-m forward P/E multiple (X) |        |        |        |        |        |        |        |        |        |        |        |        |        |         |  |
|-------------------------|---------------------|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|--|
| Company                 | Sector              | Mar-11                        | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Current |  |
| Coforge                 | IT Services         | 6                             | 7      | 7      | 9      | 9      | 10     | 9      | 15     | 16     | 13     | 29     | 32     | 22     | 30     | 30      |  |
| Cyient                  | IT Services         | 10                            | 8      | 8      | 11     | 14     | 12     | 12     | 17     | 14     | 5      | 16     | 18     | 16     | 25     | 16      |  |
| HCL Technologies        | IT Services         | 16                            | 13     | 14     | 15     | 18     | 13     | 14     | 14     | 14     | 10     | 18     | 21     | 18     | 24     | 20      |  |
| Infosys                 | IT Services         | 22                            | 17     | 16     | 15     | 19     | 18     | 15     | 16     | 18     | 15     | 26     | 30     | 21     | 23     | 20      |  |
| KPIT Technologies       | IT Services         | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 4      | 20     | 48     | 52     | 53     | 32      |  |
| LTIMindtree             | IT Services         | NA                            | NA     | NA     | NA     | NA     | NA     | 12     | 18     | 17     | 15     | 32     | 38     | 27     | 27     | 23      |  |
| L&T Technology Services | IT Services         | NA                            | NA     | NA     | NA     | NA     | NA     | 16     | 23     | 21     | 14     | 31     | 46     | 28     | 38     | 28      |  |
| Mphasis                 | IT Services         | 10                            | 11     | 10     | 11     | 11     | 13     | 14     | 17     | 15     | 10     | 23     | 36     | 18     | 25     | 21      |  |
| Persistent Systems      | IT Services         | 11                            | 8      | 10     | 13     | 17     | 18     | 13     | 14     | 12     | 11     | 27     | 42     | 29     | 43     | 39      |  |
| Tata Elxsi              | IT Services         | NA                            | NA     | 10     | 21     | 30     | 28     | 22     | 23     | 18     | 14     | 39     | 88     | 44     | 51     | 33      |  |
| Tata Technologies       | IT Services         | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 50     | 32      |  |
| TCS                     | IT Services         | 23                            | 18     | 20     | 19     | 20     | 18     | 17     | 19     | 22     | 20     | 30     | 31     | 24     | 28     | 22      |  |
| Tech Mahindra           | IT Services         | 11                            | 10     | 11     | 13     | 15     | 13     | 12     | 16     | 14     | 11     | 16     | 21     | 16     | 23     | 21      |  |
| Wipro                   | IT Services         | 18                            | 15     | 14     | 15     | 16     | 14     | 14     | 15     | 15     | 11     | 20     | 24     | 15     | 21     | 18      |  |
| Aurobindo Pharma        | Pharmaceuticals     | 9                             | 7      | 7      | 12     | 18     | 17     | 14     | 12     | 15     | 8      | 15     | 12     | 12     | 17     | 14      |  |
| Cipla                   | Pharmaceuticals     | 21                            | 18     | 18     | 19     | 30     | 20     | 24     | 20     | 22     | 18     | 24     | 25     | 20     | 27     | 23      |  |
| Divis Laboratories      | Pharmaceuticals     | 20                            | 17     | 17     | 19     | 23     | 20     | 16     | 25     | 28     | 31     | 39     | 40     | 36     | 44     | 53      |  |
| Dr Reddy's Laboratories | Pharmaceuticals     | 19                            | 18     | 17     | 18     | 23     | 20     | 21     | 19     | 21     | 21     | 24     | 21     | 18     | 19     | 16      |  |
| Emcure Pharmaceuticals  | Pharmaceuticals     | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 19      |  |
| JB Chemicals & Pharma   | Pharmaceuticals     | NA                            | NA     | NA     | 8      | 11     | 13     | 15     | NA     | 13     | 13     | 22     | 24     | 28     | 36     | 29      |  |
| Lupin                   | Pharmaceuticals     | 18                            | 20     | 20     | 20     | 31     | 20     | 20     | 19     | 21     | 21     | 27     | 22     | 24     | 32     | 22      |  |
| Mankind Pharma          | Pharmaceuticals     | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 41     | 41      |  |
| Sun Pharmaceuticals     | Pharmaceuticals     | 22                            | 23     | 23     | 20     | 29     | 24     | 21     | 25     | 23     | 17     | 23     | 26     | 24     | 35     | 30      |  |
| Torrent Pharmaceuticals | Pharmaceuticals     | 14                            | 13     | 12     | 15     | 22     | 17     | 21     | 22     | 30     | 29     | 30     | 32     | 33     | 43     | 41      |  |
| SRF                     | Specialty Chemicals | 3                             | 3      | 5      | 7      | 14     | 14     | 15     | 16     | 18     | 16     | 24     | 38     | 29     | 37     | 44      |  |

Source: FactSet, Kotak Institutional Equities

## Most banks are trading at reasonable valuations

Exhibit 12: 12 m forward P/B multiple of banks in KIE universe, March fiscal year ends, 2011-25E

|                            |        | 12-m forward P/B multiple (X) |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
|----------------------------|--------|-------------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| Company                    | Sector | Mar-11                        | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Current |
| AU Small Finance Bank      | Banks  | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | 7.0    | 4.6    | 3.0    | 5.9    | 4.6    | 3.1    | 2.6    | 2.1     |
| Axis Bank                  | Banks  | 2.6                           | 1.8    | 1.7    | 1.6    | 2.6    | 1.8    | 2.1    | 1.9    | 2.7    | 1.1    | 1.9    | 1.9    | 1.8    | 1.9    | 1.6     |
| Bandhan Bank               | Banks  | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | 5.2    | 4.9    | 1.7    | 2.7    | 2.6    | 1.4    | 1.2    | 0.9     |
| Bank of Baroda             | Banks  | 1.7                           | 1.1    | 0.8    | 0.9    | 0.9    | 1.0    | 1.2    | 0.9    | 0.9    | 0.4    | 0.5    | 0.7    | 0.8    | 1.1    | 0.9     |
| Canara Bank                | Banks  | 1.3                           | 0.9    | 0.7    | 0.5    | 0.6    | 0.5    | 0.9    | 0.9    | 1.3    | 0.2    | 0.6    | 0.6    | 0.7    | 1.2    | 0.8     |
| City Union Bank            | Banks  | 1.5                           | 1.4    | 1.4    | 1.3    | 2.0    | 1.7    | 2.3    | 2.6    | 2.8    | 1.6    | 1.9    | 1.4    | 1.2    | 1.1    | 1.2     |
| DCB Bank                   | Banks  | 1.3                           | 1.3    | 1.0    | 1.2    | 1.9    | 1.2    | 2.2    | 1.8    | 2.0    | 0.8    | 0.9    | 0.6    | 0.7    | 0.7    | 0.6     |
| Equitas Small Finance Bank | Banks  | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 1.8    | 1.4    | 1.5    | 1.6    | 1.0     |
| Federal Bank               | Banks  | 1.3                           | 1.2    | 1.2    | 1.1    | 1.3    | 0.9    | 1.7    | 1.4    | 1.4    | 0.5    | NA     | NA     | NA     | 1.1    | 1.3     |
| HDFC Bank                  | Banks  | 3.8                           | 3.5    | 3.5    | 3.5    | 3.6    | 3.2    | 3.8    | 3.8    | 3.8    | 2.5    | 3.6    | 3.0    | 2.8    | 2.2    | 2.5     |
| ICICI Bank                 | Banks  | 2.2                           | 1.6    | 1.7    | 1.8    | 2.1    | 1.5    | 1.8    | 1.7    | 2.3    | 1.7    | 2.5    | 2.7    | 2.7    | 2.9    | 2.9     |
| Indusind Bank              | Banks  | 2.8                           | 2.8    | 2.5    | 2.6    | 3.8    | 2.9    | 3.7    | 4.0    | 3.4    | 0.6    | 1.6    | 1.4    | 1.3    | 1.7    | 0.7     |
| Karur Vysya Bank           | Banks  | 1.7                           | 1.3    | 1.4    | 1.1    | 1.5    | 1.1    | 1.4    | 1.3    | 1.0    | 0.3    | 0.7    | 0.5    | 0.9    | 1.3    | 1.2     |
| Punjab National Bank       | Banks  | 1.6                           | 1.1    | 0.7    | 0.8    | 0.7    | 0.6    | 1.0    | 0.6    | 1.0    | 0.4    | 0.5    | 0.4    | 0.6    | 1.3    | 0.8     |
| State Bank of India        | Banks  | 1.9                           | 1.7    | 1.4    | 1.3    | 1.6    | 1.2    | 1.5    | 1.2    | 1.4    | 0.8    | 1.3    | 1.5    | 1.3    | 1.7    | 1.4     |
| Ujjivan Small Finance Bank | Banks  | NA                            | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 1.4    | 1.6    | 0.9    | 1.0    | 1.4    | 1.1     |
| Union Bank                 | Banks  | 1.4                           | 0.9    | 0.8    | 0.5    | 0.6    | 0.6    | 0.7    | 0.5    | 0.6    | 0.3    | 0.5    | 0.4    | 0.6    | 1.1    | 0.8     |

Source: FactSet, Kotak Institutional Equities



## NBFCs are trading at fair valuations

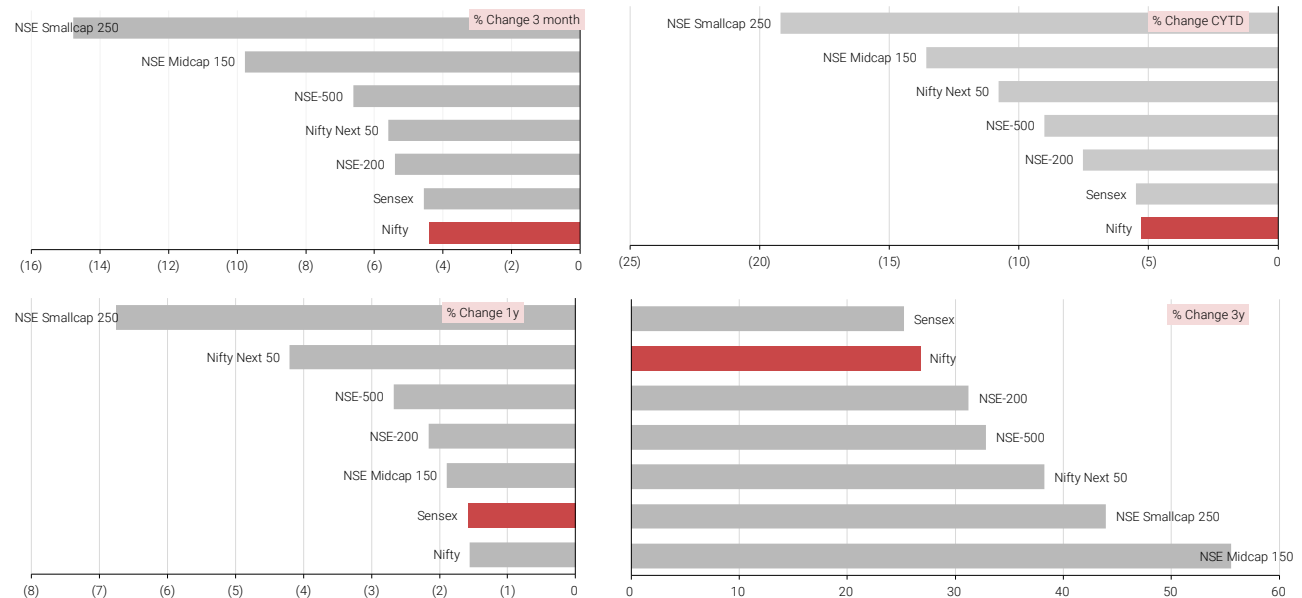
Exhibit 13: 12 m forward P/B multiple of financial stocks in KIE universe, March fiscal year ends, 2011-25E

| Company                              | Sector                 | Mar-11 | Mar-12 | Mar-13 | Mar-14 | Mar-15 | Mar-16 | Mar-17 | Mar-18 | Mar-19 | Mar-20 | Mar-21 | Mar-22 | Mar-23 | Mar-24 | Current |
|--------------------------------------|------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| <b>12-m forward P/B multiple (X)</b> |                        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| Aavas Financiers                     | Diversified Financials | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 4.7    | 3.9    | 7.0    | 6.4    | 3.4    | 2.4    | 3.2     |
| Aadhar Housing Finance               | Diversified Financials | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 2.6     |
| Aptus Value Housing Finance          | Diversified Financials | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 5.2    | 3.1    | 3.6    | 3.0     |
| Bajaj Finance                        | Diversified Financials | 1.6    | 1.4    | 1.5    | 1.9    | 3.5    | 4.2    | 5.7    | 5.3    | 7.3    | 3.4    | 7.1    | 8.4    | 5.2    | 5.0    | 4.9     |
| Cholamandalam                        | Diversified Financials | 1.6    | 1.6    | 1.8    | 1.6    | 2.6    | 2.8    | 3.2    | 3.8    | 3.2    | 1.3    | 4.1    | 4.5    | 3.9    | 4.3    | 4.2     |
| Home First Finance                   | Diversified Financials | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 2.7    | 3.9    | 3.2    | 3.3    | 3.1     |
| L&T Finance                          | Diversified Financials | NA     | 1.6    | 2.1    | 1.8    | 1.4    | 1.5    | 2.6    | 2.8    | 2.0    | 0.6    | 1.2    | 0.9    | 0.9    | 1.6    | 1.4     |
| LIC Housing Finance                  | Diversified Financials | 2.2    | 2.1    | 1.5    | 1.4    | 2.3    | 2.3    | 2.5    | 1.9    | 1.6    | 0.6    | 1.0    | 0.8    | 0.7    | 1.0    | 0.8     |
| Mahindra & Mahindra Financial        | Diversified Financials | 2.7    | 2.0    | 2.2    | 2.5    | 2.3    | 2.2    | 2.7    | 3.1    | 2.3    | 0.8    | 1.6    | 1.2    | 1.6    | 1.7    | 1.5     |
| Muthoot Finance                      | Diversified Financials | NA     | 1.1    | 1.3    | 1.4    | 1.5    | 1.2    | 2.1    | 1.9    | 2.4    | 1.7    | 2.7    | 2.5    | 1.6    | 2.1    | 2.6     |
| Shriram Finance                      | Diversified Financials | 3.0    | 1.9    | 1.8    | 1.8    | 2.4    | 2.0    | 2.0    | 2.3    | 1.7    | 0.7    | 1.6    | 1.1    | 1.0    | 1.6    | 1.9     |
| <b>12-m forward P/E multiple (X)</b> |                        |        |        |        |        |        |        |        |        |        |        |        |        |        |        |         |
| 360 One                              | Capital Markets        | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 22.5   | 26.4   | 23     | 20     | 27     | 26      |
| ABSL AMC                             | Capital Markets        | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 22     | 13     | 18     | 18      |
| Computer Age Management Services     | Capital Markets        | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 37.4   | 34     | 29     | 35     | 34      |
| CRISIL                               | Capital Markets        | 19.8   | 27.4   | 22.3   | 30.6   | 40.9   | 37.3   | 33.3   | 36.2   | 25.4   | 21.8   | 33.6   | 45     | 40     | 50     | 38      |
| HDFC AMC                             | Capital Markets        | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 34.0   | 30.9   | 40.6   | 29     | 23     | 38     | 29      |
| ICRA                                 | Capital Markets        | 16.1   | 18.0   | 15.8   | 24.1   | 41.1   | 39.2   | 44.9   | 33.7   | 22.4   | 19.9   | 35.5   | 32     | 27     | 31     | 26      |
| Kfin Technologies                    | Capital Markets        | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 25     | 36     | 45      |
| Nippon AMC                           | Capital Markets        | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 24.7   | 24.3   | 24.1   | 33.8   | 26     | 17     | 27     | 23      |
| UTI AMC                              | Capital Markets        | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | NA     | 18.9   | 20     | 14     | 15     | 15      |

Source: FactSet, Kotak Institutional Equities

## Market returns are negative on a trailing 12-month basis and moderate even on a three-year basis

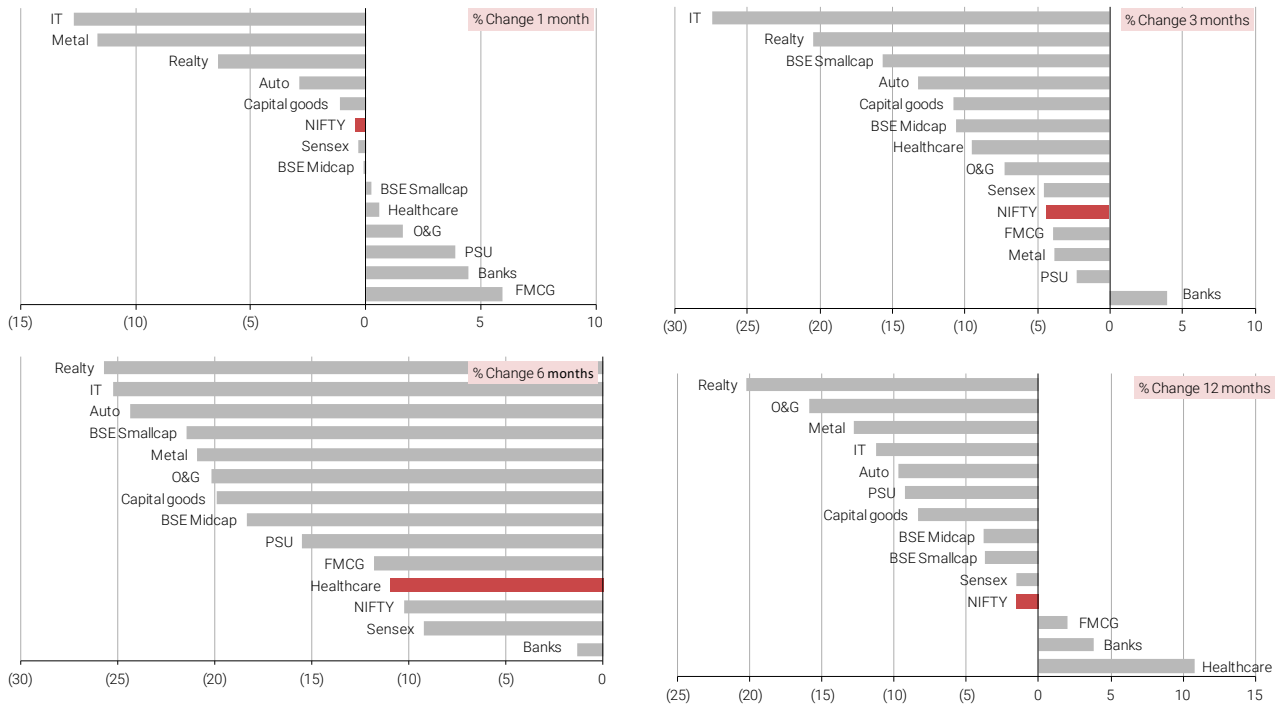
Exhibit 14: Performance of major Indian indices (%)



Source: Bloomberg, Kotak Institutional Equities

## Market returns have been poor over the past 12-months across most sectors

Exhibit 15: Performance of various sectors (%)



Source: Bloomberg, Kotak Institutional Equities

### Decent correction in stock prices of several large-cap. stocks; 12-month returns are negative

Exhibit 16: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty-50 Index (sorted on 12M basis)

|    | Company                 | GICS sector                  | Performance (%) |            |             |            |            |
|----|-------------------------|------------------------------|-----------------|------------|-------------|------------|------------|
|    |                         |                              | 1M              | 3M         | 6M          | 12M        | YTD        |
|    | <b>Nifty-50 Index</b>   |                              | <b>(1)</b>      | <b>(5)</b> | <b>(10)</b> | <b>(1)</b> | <b>(5)</b> |
| 1  | IndusInd Bank           | Banks                        | (28)            | (31)       | (49)        | (56)       | (29)       |
| 2  | Tata Motors             | Automobiles & Components     | (10)            | (25)       | (38)        | (42)       | (21)       |
| 3  | Jio Financial Services  | Diversified Financials       | (0)             | (24)       | (36)        | (40)       | (26)       |
| 4  | Adani Enterprises       | Capital Goods                | (0)             | (10)       | (29)        | (30)       | (12)       |
| 5  | Tata Steel              | Metals & Mining              | (16)            | (2)        | (20)        | (23)       | (8)        |
| 6  | Hero Motocorp           | Automobiles & Components     | (1)             | (13)       | (35)        | (20)       | (13)       |
| 7  | L&T                     | Capital Goods                | (6)             | (13)       | (12)        | (19)       | (15)       |
| 8  | Reliance Industries     | Oil, Gas & Consumable Fuels  | (5)             | (6)        | (14)        | (19)       | (2)        |
| 9  | ONGC                    | Oil, Gas & Consumable Fuels  | (5)             | (16)       | (23)        | (17)       | (7)        |
| 10 | Adani Ports and SEZ     | Transportation               | (1)             | (0)        | (20)        | (17)       | (8)        |
| 11 | TCS                     | IT Services                  | (10)            | (18)       | (22)        | (16)       | (19)       |
| 12 | Bajaj Auto              | Automobiles & Components     | (0)             | (14)       | (36)        | (16)       | (14)       |
| 13 | Asian Paints            | Commodity Chemicals          | 6               | 3          | (22)        | (16)       | 6          |
| 14 | Coal India              | Oil, Gas & Consumable Fuels  | (2)             | 1          | (23)        | (15)       | (2)        |
| 15 | Titan Company           | Retailing                    | 3               | (9)        | (9)         | (14)       | (2)        |
| 16 | Dr Reddy's Laboratories | Pharmaceuticals              | (3)             | (20)       | (18)        | (11)       | (21)       |
| 17 | Maruti Suzuki           | Automobiles & Components     | (2)             | (2)        | (10)        | (11)       | 6          |
| 18 | HCL Technologies        | IT Services                  | (11)            | (28)       | (23)        | (10)       | (28)       |
| 19 | Nestle India            | Consumer Staples             | 5               | 4          | (7)         | (6)        | 8          |
| 20 | Infosys                 | IT Services                  | (17)            | (27)       | (28)        | (6)        | (25)       |
| 21 | Hindalco Industries     | Metals & Mining              | (18)            | (4)        | (22)        | (4)        | (6)        |
| 22 | NTPC                    | Electric Utilities           | 6               | 9          | (17)        | (4)        | 5          |
| 23 | State Bank of India     | Banks                        | 1               | (2)        | (7)         | (3)        | (7)        |
| 24 | Cipla                   | Pharmaceuticals              | (3)             | (5)        | (16)        | (2)        | (7)        |
| 25 | Tata Consumer Products  | Consumer Staples             | 13              | 12         | (3)         | (2)        | 19         |
| 26 | SBI Life Insurance      | Insurance                    | 5               | 1          | (15)        | (2)        | 7          |
| 27 | Axis Bank               | Banks                        | 2               | (0)        | (9)         | (2)        | (0)        |
| 28 | Wipro                   | IT Services                  | (17)            | (19)       | (11)        | (1)        | (22)       |
| 29 | Tech Mahindra           | IT Services                  | (15)            | (23)       | (23)        | 2          | (25)       |
| 30 | Sun Pharmaceuticals     | Pharmaceuticals              | 3               | (10)       | (14)        | 3          | (12)       |
| 31 | ITC                     | Consumer Staples             | 3               | (8)        | (11)        | 3          | (9)        |
| 32 | Hindustan Unilever      | Consumer Staples             | 7               | (4)        | (15)        | 4          | 1          |
| 33 | Power Grid              | Electric Utilities           | 11              | (4)        | (11)        | 4          | (5)        |
| 34 | Apollo Hospitals        | Health Care Services         | 10              | (4)        | (2)         | 5          | (6)        |
| 35 | Eternal                 | Internet Software & Services | 0               | (13)       | (23)        | 7          | (24)       |
| 36 | HDFC Life Insurance     | Insurance                    | 10              | 12         | (5)         | 8          | 11         |
| 37 | JSW Steel               | Metals & Mining              | (6)             | 6          | (5)         | 8          | 5          |
| 38 | Bajaj Finserv           | Diversified Financials       | 3               | 12         | 2           | 11         | 21         |
| 39 | Grasim Industries       | Construction Materials       | 6               | 6          | (6)         | 11         | 5          |
| 40 | HDFC Bank               | Banks                        | 4               | 6          | 8           | 14         | (0)        |
| 41 | Kotak Mahindra Bank     | Banks                        | 6               | 15         | 14          | 15         | 15         |
| 42 | Ultratech Cement        | Construction Materials       | 8               | 1          | 0           | 17         | (0)        |
| 43 | ICICI Bank              | Banks                        | 7               | 3          | 5           | 18         | 1          |
| 44 | Trent                   | Retailing                    | (8)             | (30)       | (44)        | 18         | (35)       |
| 45 | Mahindra & Mahindra     | Automobiles & Components     | (8)             | (19)       | (20)        | 21         | (16)       |
| 46 | Bajaj Finance           | Diversified Financials       | 4               | 20         | 20          | 21         | 28         |
| 47 | Shriram Finance         | Diversified Financials       | (1)             | 11         | (8)         | 22         | 8          |
| 48 | Bharat Electronics      | Capital Goods                | 1               | (0)        | (1)         | 23         | (4)        |
| 49 | Eicher Motors           | Automobiles & Components     | 3               | 2          | 12          | 24         | 9          |
| 50 | Bharti Airtel           | Telecommunication Services   | 5               | 7          | 2           | 42         | 8          |

Source: Bloomberg, Kotak Institutional Equities

## Large correction in stock prices of several mid-cap. stocks in the past 3-6 months

Exhibit 17: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty Midcap Index (sorted on 12M basis)

| Company Name                  | GICS sector            | Performance (%) |            |             |            |             | Company Name                   | GICS sector            | Performance (%) |      |      |     |      |
|-------------------------------|------------------------|-----------------|------------|-------------|------------|-------------|--------------------------------|------------------------|-----------------|------|------|-----|------|
|                               |                        | 1M              | 3M         | 6M          | 12M        | YTD         |                                |                        | 1M              | 3M   | 6M   | 12M | YTD  |
| <b>Nifty Midcap 100 Index</b> |                        | <b>2</b>        | <b>(9)</b> | <b>(16)</b> | <b>(2)</b> | <b>(13)</b> |                                |                        |                 |      |      |     |      |
| 1 Vodafone Idea               | Communication Services | (2)             | (9)        | (24)        | (45)       | (11)        | 51 Torrent Power               | Utilities              | 13              | 13   | (19) | (3) | 3    |
| 2 Tata Technologies           | Information Technology | (6)             | (26)       | (42)        | (44)       | (31)        | 52 Mankind Pharma              | Health Care            | 2               | (16) | (14) | (2) | (20) |
| 3 Adani Total Gas             | Utilities              | (4)             | (15)       | (24)        | (40)       | (24)        | 53 Oberoi Realty               | Real Estate            | (2)             | (30) | (21) | (2) | (35) |
| 4 Tata Elxsi                  | Information Technology | (14)            | (21)       | (39)        | (39)       | (30)        | 54 Phoenix Mills               | Real Estate            | (4)             | (10) | (10) | (1) | (8)  |
| 5 Sona BLW                    | Consumer Discretionary | (20)            | (28)       | (39)        | (37)       | (31)        | 55 FSN E-Commerce              | Consumer Discretionary | 9               | 4    | (8)  | (1) | 8    |
| 6 Astral                      | Industrials            | (2)             | (19)       | (33)        | (37)       | (23)        | 56 Indian Bank                 | Financials             | 4               | 7    | 1    | (0) | (1)  |
| 7 IRB Infrastructure          | Industrials            | 4               | (14)       | (22)        | (34)       | (20)        | 57 Hindustan Zinc              | Materials              | (6)             | (8)  | (21) | (0) | (10) |
| 8 SJVN                        | Utilities              | 5               | (7)        | (24)        | (32)       | (14)        | 58 Alkem Lab                   | Health Care            | 4               | (10) | (21) | 0   | (14) |
| 9 SAIL                        | Materials              | (2)             | (1)        | (19)        | (31)       | (7)         | 59 GMR Airports Infrastructure | Industrials            | 20              | 15   | (3)  | 1   | 9    |
| 10 IRCTC                      | Industrials            | 4               | (8)        | (19)        | (30)       | (9)         | 60 HUDCO                       | Financials             | 19              | (1)  | (5)  | 1   | (9)  |
| 11 IDFC First Bank            | Financials             | 5               | (2)        | (19)        | (30)       | (6)         | 61 HDFC AMC                    | Financials             | 1               | (1)  | (14) | 3   | (10) |
| 12 Tube Investments           | Consumer Discretionary | (8)             | (28)       | (39)        | (30)       | (30)        | 62 Escorts Kubota              | Industrials            | 7               | (8)  | (21) | 3   | (6)  |
| 13 Bank of Maharashtra        | Financials             | (5)             | (7)        | (16)        | (30)       | (13)        | 63 ABFRL                       | Consumer Discretionary | 4               | (10) | (27) | 3   | (12) |
| 14 Yes Bank                   | Financials             | 4               | (4)        | (20)        | (30)       | (12)        | 64 SRF                         | Materials              | (7)             | 6    | 17   | 4   | 23   |
| 15 Container Corp.            | Industrials            | 7               | (9)        | (23)        | (29)       | (13)        | 65 Biocon                      | Health Care            | (7)             | (15) | (11) | 10  | (16) |
| 16 KPIT Technologies          | Information Technology | (14)            | (21)       | (38)        | (28)       | (26)        | 66 PB Fintech                  | Financials             | 3               | (21) | (10) | 10  | (30) |
| 17 Indraprastha Gas           | Utilities              | (4)             | (15)       | (35)        | (27)       | (16)        | 67 Coforge                     | Information Technology | (16)            | (33) | (13) | 11  | (35) |
| 18 Bank of India              | Financials             | 13              | 13         | 1           | (26)       | 5           | 68 Persistent System           | Information Technology | (15)            | (30) | (16) | 11  | (32) |
| 19 Godrej Properties          | Real Estate            | (0)             | (17)       | (35)        | (26)       | (29)        | 69 Max Financial               | Financials             | 12              | 8    | (2)  | 11  | 5    |
| 20 Supreme Industries         | Materials              | (6)             | (31)       | (41)        | (24)       | (33)        | 70 Motilal Oswal               | Financials             | (3)             | (34) | (26) | 12  | (40) |
| 21 NMDC                       | Materials              | (7)             | (3)        | (19)        | (24)       | (7)         | 71 SBI Cards                   | Financials             | 0               | 17   | 15   | 13  | 28   |
| 22 Union Bank                 | Financials             | 2               | 13         | 2           | (23)       | (3)         | 72 Indus Towers                | Communication Services | 12              | 16   | (2)  | 13  | 8    |
| 23 NALCO                      | Materials              | (24)            | (29)       | (33)        | (21)       | (32)        | 73 Page Industries             | Consumer Discretionary | 7               | (9)  | (3)  | 14  | (10) |
| 24 Tata Communications        | Communication Services | 13              | (10)       | (21)        | (21)       | (9)         | 74 Ashok Leyland               | Industrials            | (1)             | (3)  | (9)  | 15  | (7)  |
| 25 ACC                        | Materials              | 7               | 3          | (14)        | (21)       | (3)         | 75 HPCL                        | Energy                 | 16              | (2)  | (3)  | 17  | (7)  |
| 26 Bandhan Bank               | Financials             | (1)             | 2          | (22)        | (20)       | (8)         | 76 Kalyan Jewellers            | Consumer Discretionary | 21              | (21) | (31) | 18  | (36) |
| 27 BHEL                       | Industrials            | 10              | 4          | (22)        | (19)       | (8)         | 77 Federal Bank                | Financials             | 6               | 0    | 2    | 19  | (5)  |
| 28 Bharat Forge               | Consumer Discretionary | (9)             | (20)       | (35)        | (18)       | (25)        | 78 Lupin                       | Health Care            | (5)             | (12) | (11) | 20  | (19) |
| 29 Oil India                  | Energy                 | (4)             | (23)       | (39)        | (17)       | (19)        | 79 Suzlon Energy               | Industrials            | (4)             | (8)  | (32) | 21  | (18) |
| 30 Apollo Tyres               | Consumer Discretionary | (0)             | (12)       | (19)        | (17)       | (23)        | 80 Cochin Shipyard             | Industrials            | 4               | (5)  | (20) | 25  | (12) |
| 31 MRF                        | Consumer Discretionary | 6               | (3)        | (14)        | (15)       | (13)        | 81 Solar Industries            | Materials              | 11              | 14   | (4)  | 26  | 11   |
| 32 MMFSL                      | Financials             | (5)             | (7)        | (9)         | (15)       | (3)         | 82 UPL                         | Materials              | (0)             | 12   | 10   | 27  | 23   |
| 33 PI Industries              | Materials              | 1               | (9)        | (28)        | (15)       | (11)        | 83 Muthoot Finance             | Financials             | (2)             | 0    | 10   | 30  | 0    |
| 34 LIC Housing Finance        | Financials             | 5               | 0          | (10)        | (14)       | (7)         | 84 Rail Vikas Nigam            | Industrials            | 1               | (14) | (30) | 30  | (20) |
| 35 Prestige Estates           | Real Estate            | (4)             | (28)       | (42)        | (14)       | (36)        | 85 Max Healthcare              | Health Care            | 16              | (2)  | 18   | 30  | (0)  |
| 36 Mphasis                    | Information Technology | (7)             | (27)       | (26)        | (13)       | (26)        | 86 Glenmark Pharma             | Health Care            | (2)             | (11) | (22) | 32  | (14) |
| 37 AU Small Finance Bank      | Financials             | 3               | (4)        | (21)        | (13)       | (1)         | 87 Marico                      | Consumer Staples       | 14              | 3    | 1    | 35  | 8    |
| 38 Oracle                     | Information Technology | 0               | (35)       | (35)        | (11)       | (42)        | 88 Patanjali Foods             | Consumer Staples       | 3               | (0)  | 4    | 35  | 2    |
| 39 Aditya Birla Capital       | Financials             | 15              | 9          | (19)        | (10)       | 2           | 89 Bharat Dynamics             | Industrials            | 12              | 7    | 6    | 45  | 15   |
| 40 L&T Finance Holdings       | Financials             | 10              | 10         | (8)         | (9)        | 13          | 90 Jubilant Foodworks          | Consumer Discretionary | 14              | (7)  | 10   | 51  | (5)  |
| 41 NHPC                       | Utilities              | 11              | 10         | (7)         | (9)        | 5           | 91 Dixon Technologies          | Consumer Discretionary | 1               | (21) | (11) | 70  | (26) |
| 42 IREDA                      | Financials             | 5               | (25)       | (35)        | (9)        | (30)        | 92 BSE                         | Financials             | 39              | 8    | 32   | 94  | 4    |
| 43 Cummins India              | Industrials            | (3)             | (7)        | (26)        | (7)        | (15)        | 93 One 97                      | Financials             | 22              | (4)  | 11   | 103 | (20) |
| 44 APL Apollo Tubes           | Materials              | 3               | (3)        | (6)         | (6)        | (6)         | 94 Mazagon Dock                | Industrials            | 3               | 7    | 7    | 115 | 6    |
| 45 Petronet LNG               | Energy                 | 3               | (11)       | (19)        | (5)        | (17)        | 95 Bharti Hexacom              | Communication Services | 7               | (1)  | (1)  | NA  | (2)  |
| 46 Colgate-Palmolive          | Consumer Staples       | 3               | (11)       | (31)        | (5)        | (6)         | 96 Waaree Energies             | Information Technology | 0               | (16) | NA   | NA  | (25) |
| 47 Exide Industries           | Consumer Discretionary | 5               | (6)        | (29)        | (5)        | (13)        | 97 Ola Electric                | Consumer Discretionary | (7)             | (32) | (45) | NA  | (42) |
| 48 Voltas                     | Industrials            | (9)             | (23)       | (28)        | (5)        | (29)        | 98 Premier Energies            | Information Technology | (5)             | (24) | (23) | NA  | (37) |
| 49 Polycab India              | Industrials            | 1               | (23)       | (33)        | (5)        | (31)        | 99 NTPC Green                  | Utilities              | (0)             | (18) | NA   | NA  | (25) |
| 50 Aurobindo Pharma           | Health Care            | (3)             | (12)       | (28)        | (5)        | (21)        | 100 Vishal Mega Mart           | Consumer Discretionary | 1               | (5)  | NA   | NA  | (3)  |

Source: Bloomberg, Kotak Institutional Equities

## Large correction in stock prices of several small-cap. stocks in the past 3-12 months

Exhibit 18: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty Smallcap Index (sorted on 12M basis)

| Company Name                    | GICS sector            | Performance (%) |             |             |            |             | Company Name                    | GICS sector            | Performance (%) |      |      |     |      |
|---------------------------------|------------------------|-----------------|-------------|-------------|------------|-------------|---------------------------------|------------------------|-----------------|------|------|-----|------|
|                                 |                        | 1M              | 3M          | 6M          | 12M        | YTD         |                                 |                        | 1M              | 3M   | 6M   | 12M | YTD  |
| <b>Nifty Smallcap 100 Index</b> |                        | <b>1</b>        | <b>(14)</b> | <b>(20)</b> | <b>(8)</b> | <b>(19)</b> |                                 |                        |                 |      |      |     |      |
| 1 Sonata Software               | Information Technology | (17)            | (49)        | (45)        | (58)       | (48)        | 51 BLS International            | Industrials            | 5               | (23) | (5)  | 2   | (28) |
| 2 Birlasoft                     | Information Technology | (13)            | (35)        | (39)        | (52)       | (36)        | 52 Zensar Technologies          | Information Technology | (14)            | (20) | (9)  | 3   | (17) |
| 3 Aarti Industries              | Materials              | (9)             | (15)        | (32)        | (51)       | (13)        | 53 Inox Wind                    | Industrials            | (16)            | (9)  | (36) | 4   | (22) |
| 4 Delhivery                     | Industrials            | (3)             | (27)        | (41)        | (46)       | (30)        | 54 Nuvama Wealth                | Financials             | (3)             | (19) | (16) | 5   | (22) |
| 5 Data Pattern                  | Industrials            | (0)             | (27)        | (35)        | (46)       | (34)        | 55 CESC                         | Utilities              | 8               | (8)  | (19) | 5   | (19) |
| 6 Cyient                        | Information Technology | (9)             | (34)        | (38)        | (45)       | (37)        | 56 Karur Vysya Bank             | Financials             | 2               | (3)  | 4    | 6   | (6)  |
| 7 Hindustan Copper              | Materials              | (10)            | (16)        | (37)        | (45)       | (21)        | 57 Ramkrishna Forgings          | Materials              | 7               | (23) | (23) | 7   | (17) |
| 8 Swan Energy                   | Consumer Discretionary | (8)             | (39)        | (29)        | (41)       | (45)        | 58 Piramal Enterprises          | Financials             | 5               | (4)  | (10) | 8   | (14) |
| 9 PVR Inox                      | Communication Services | (8)             | (23)        | (46)        | (38)       | (33)        | 59 Newgen Software              | Information Technology | (7)             | (46) | (33) | 9   | (49) |
| 10 Trident                      | Consumer Discretionary | 1               | (19)        | (28)        | (37)       | (24)        | 60 Amara Raja Energy & Mobility | Industrials            | (3)             | (10) | (31) | 10  | (19) |
| 11 RITES                        | Industrials            | 0               | (19)        | (31)        | (37)       | (26)        | 61 The Ramco Cement             | Materials              | 9               | 3    | 9    | 11  | (3)  |
| 12 IRCON International          | Industrials            | (2)             | (24)        | (34)        | (36)       | (32)        | 62 Crompton Greaves Consumer    | Consumer Discretionary | (5)             | (9)  | (25) | 13  | (17) |
| 13 JBM Auto                     | Consumer Discretionary | 12              | (20)        | (33)        | (33)       | (23)        | 63 Manappuram Finance           | Financials             | 10              | 25   | 19   | 15  | 19   |
| 14 Tata Teleservices            | Communication Services | (10)            | (21)        | (34)        | (32)       | (27)        | 64 Dr Lal Pathlabs              | Health Care            | 2               | (9)  | (24) | 16  | (11) |
| 15 Tata Chemicals               | Materials              | (0)             | (17)        | (30)        | (31)       | (23)        | 65 Indian Energy Exchange       | Financials             | 12              | 5    | (12) | 18  | (2)  |
| 16 Poonawalla Fincorp           | Financials             | 22              | 14          | (9)         | (29)       | 12          | 66 CAMS Services                | Industrials            | 7               | (21) | (20) | 18  | (29) |
| 17 CreditAccess Gramin          | Financials             | 9               | 4           | (9)         | (29)       | 15          | 67 PNB Housing                  | Financials             | 17              | 8    | (3)  | 20  | 5    |
| 18 Welspun Living               | Consumer Discretionary | (6)             | (23)        | (33)        | (26)       | (28)        | 68 Anant Raj                    | Real Estate            | (15)            | (53) | (45) | 20  | (51) |
| 19 Kalpataru Projects           | Industrials            | (2)             | (26)        | (33)        | (26)       | (32)        | 69 CDSL                         | Financials             | 4               | (28) | (23) | 22  | (35) |
| 20 Railtel                      | Communication Services | (2)             | (25)        | (30)        | (26)       | (29)        | 70 Navin Fluorine International | Materials              | (2)             | 10   | 17   | 23  | 23   |
| 21 GSPL                         | Utilities              | 5               | (15)        | (28)        | (24)       | (19)        | 71 Laurus Labs                  | Health Care            | 1               | (3)  | 21   | 23  | (6)  |
| 22 Angel One                    | Financials             | 9               | (12)        | (15)        | (23)       | (24)        | 72 Himadri Special              | Materials              | (1)             | (29) | (35) | 26  | (30) |
| 23 IIFL Finance                 | Financials             | 4               | (22)        | (28)        | (23)       | (21)        | 73 Affle India                  | Communication Services | (2)             | (12) | (13) | 28  | (21) |
| 24 Indiamart                    | Industrials            | (1)             | (14)        | (33)        | (22)       | (11)        | 74 Narayana Hrudayalaya         | Health Care            | 7               | 29   | 38   | 29  | 33   |
| 25 HFCL                         | Communication Services | (6)             | (25)        | (46)        | (22)       | (33)        | 75 Shyam Metals & Energy        | Materials              | 2               | 6    | (10) | 32  | 14   |
| 26 Titagarh Rail System         | Industrials            | 4               | (29)        | (32)        | (22)       | (33)        | 76 Welspun Corp                 | Materials              | (5)             | (1)  | 8    | 33  | (8)  |
| 27 NCC                          | Industrials            | 13              | (18)        | (31)        | (22)       | (24)        | 77 MCX                          | Financials             | 15              | (7)  | (16) | 34  | (16) |
| 28 Natco Pharma                 | Health Care            | (8)             | (40)        | (48)        | (22)       | (46)        | 78 Aster DM Healthcare          | Health Care            | 17              | (2)  | 18   | 35  | (4)  |
| 29 SignatureGlobal              | Real Estate            | 1               | (15)        | (29)        | (22)       | (22)        | 79 Radico Khaitan               | Consumer Staples       | 6               | 2    | 10   | 35  | (11) |
| 30 Action Construction          | Industrials            | 5               | (11)        | (11)        | (20)       | (21)        | 80 Reliance Power               | Utilities              | 13              | 0    | (16) | 38  | (8)  |
| 31 Atul                         | Materials              | (9)             | (24)        | (35)        | (16)       | (25)        | 81 PCBL Chemical                | Materials              | 4               | 2    | (23) | 43  | (12) |
| 32 Mahanagar Gas                | Utilities              | (3)             | (3)         | (33)        | (15)       | (3)         | 82 Piramal Pharma               | Health Care            | 4               | (6)  | (5)  | 44  | (22) |
| 33 Triveni Turbine              | Industrials            | (16)            | (33)        | (36)        | (14)       | (36)        | 83 Zen Technologies             | Industrials            | 22              | (41) | (25) | 45  | (41) |
| 34 KEC International            | Industrials            | (6)             | (33)        | (35)        | (14)       | (45)        | 84 Firstsource Solution         | Industrials            | (8)             | (18) | 1    | 53  | (17) |
| 35 IFCI                         | Financials             | (6)             | (27)        | (35)        | (14)       | (36)        | 85 KFin Technologies            | Financials             | 14              | (26) | (1)  | 63  | (33) |
| 36 BEML                         | Industrials            | 16              | (19)        | (21)        | (14)       | (27)        | 86 Aegis Logistics              | Energy                 | 3               | (7)  | 12   | 67  | (6)  |
| 37 GE Shipping                  | Energy                 | (4)             | (8)         | (32)        | (13)       | (11)        | 87 Amber Enterprises            | Consumer Discretionary | (4)             | (21) | 20   | 67  | (17) |
| 38 IDBI Bank                    | Financials             | 6               | 13          | (6)         | (12)       | 3           | 88 Chambal Fertilisers          | Materials              | 11              | 33   | 28   | 67  | 29   |
| 39 Devyani International        | Consumer Discretionary | (9)             | (18)        | (18)        | (11)       | (19)        | 89 Neuland Laboratories         | Health Care            | (4)             | (22) | (12) | 77  | (20) |
| 40 Bata India                   | Consumer Discretionary | 1               | (14)        | (12)        | (11)       | (11)        | 90 Garden Reach                 | Industrials            | 15              | 6    | (10) | 78  | (3)  |
| 41 Castrol India                | Materials              | (15)            | 5           | (12)        | (9)        | 1           | 91 Kaynes Tech                  | Information Technology | 12              | (28) | (13) | 90  | (35) |
| 42 Brigade Enterprises          | Real Estate            | (5)             | (21)        | (30)        | (8)        | (27)        | 92 Godfrey Phillips             | Consumer Staples       | 35              | 45   | 0    | 124 | 32   |
| 43 Redington                    | Information Technology | (16)            | 0           | 12          | (7)        | 2           | 93 PG Electroplast              | Information Technology | (5)             | (3)  | 38   | 372 | (13) |
| 44 Aditya Birla Real Estate     | Real Estate            | (10)            | (17)        | (36)        | (7)        | (32)        | 94 Aadhar Housing Finance       | Financials             | 8               | 9    | 4    | NA  | 9    |
| 45 ITI                          | Information Technology | (1)             | (43)        | 3           | (6)        | (35)        | 95 Go Digit General             | Financials             | (10)            | (2)  | (25) | NA  | (12) |
| 46 NBCC                         | Industrials            | 11              | 3           | (26)        | (4)        | (6)         | 96 Afcons Infrastructure        | Industrials            | (8)             | (15) | NA   | NA  | (23) |
| 47 Jupiter Wagons               | Industrials            | 20              | (19)        | (28)        | (4)        | (28)        | 97 Brainbees Solutions          | Consumer Discretionary | (14)            | (42) | (53) | NA  | (51) |
| 48 Five-Star Business Finance   | Financials             | 4               | 3           | (13)        | (4)        | (10)        | 98 Inventurus Knowl             | Health Care            | (22)            | (30) | NA   | NA  | (31) |
| 49 HBL Power System             | Industrials            | 10              | (16)        | (21)        | (1)        | (23)        | 99 International Gemmological   | Industrials            | 5               | (44) | NA   | NA  | (41) |
| 50 Tejas Networks               | Information Technology | 15              | (24)        | (32)        | 1          | (32)        | 100 Sagility India              | Industrials            | (9)             | (24) | NA   | NA  | (25) |

Source: Bloomberg, Kotak Institutional Equities

## Retail investors have predominantly invested in mid/small-cap. and thematic funds over the past two years

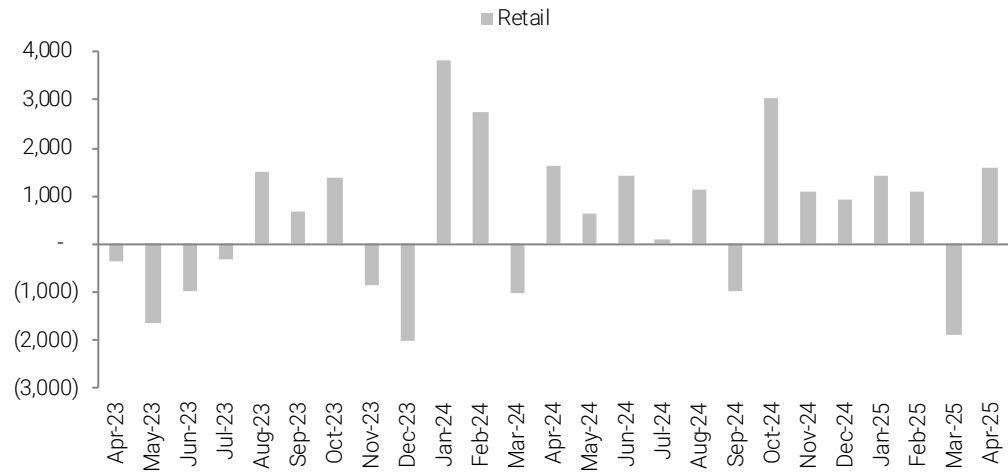
Exhibit 19: Net inflows to various categories of domestic mutual funds in India, calendar year-end, 2020-25 (Rs bn)

|                                     | 2020      | 2021       | 2022         | 2023         | Oct-24     | Nov-24     | Dec-24     | 2024         | Jan-25     | Feb-25     | 2025       |
|-------------------------------------|-----------|------------|--------------|--------------|------------|------------|------------|--------------|------------|------------|------------|
| Flexi cap. fund                     | —         | 179        | 220          | 116          | 52         | 51         | 47         | 410          | 57         | 51         | 108        |
| Large cap. fund                     | (24)      | 29         | 137          | (30)         | 35         | 25         | 20         | 194          | 31         | 29         | 59         |
| Large & mid Cap. fund               | 18        | 87         | 200          | 189          | 49         | 47         | 38         | 395          | 41         | 27         | 68         |
| Mid cap. fund                       | 5         | 106        | 205          | 229          | 47         | 49         | 51         | 343          | 51         | 34         | 86         |
| Small cap. fund                     | 14        | 38         | 198          | 410          | 38         | 41         | 47         | 342          | 57         | 37         | 94         |
| Sectoral/thematic fund              | 83        | 255        | 209          | 308          | 123        | 77         | 153        | 1,557        | 90         | 57         | 147        |
| Value/contra/focused                | (3)       | 60         | 184          | 92           | 31         | 25         | 20         | 218          | 23         | 26         | 50         |
| Dividend yield/ELSS/multi cap. fund | (3)       | 213        | 258          | 300          | 45         | 45         | 35         | 483          | 46         | 32         | 78         |
| <b>Total</b>                        | <b>91</b> | <b>967</b> | <b>1,610</b> | <b>1,616</b> | <b>419</b> | <b>359</b> | <b>412</b> | <b>3,943</b> | <b>397</b> | <b>293</b> | <b>690</b> |

Source: AMFI, Kotak Institutional Equities

### Consistent inflows into the market from retail investors for the past 12-15 months

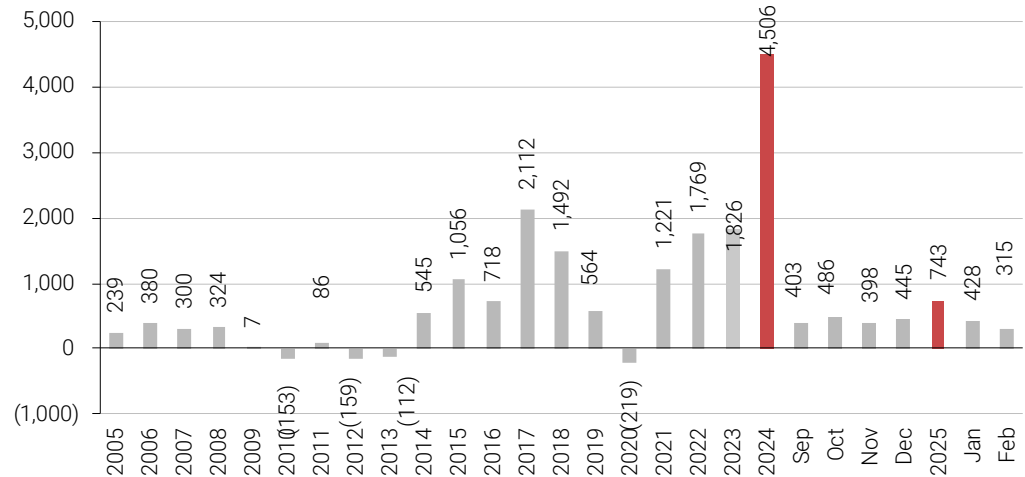
Exhibit 20: Net flows from retail investors in NSE, calendar year-ends, 2023-25 (US\$ mn)



Source: Bloomberg, Kotak Institutional Equities

### Consistent inflows into equity mutual funds from retail investors in recent years

Exhibit 21: Net MF flows (Equity+70% hybrid), calendar year-ends, 2005-25 (Rs bn)



Source: AMFI, Kotak Institutional Equities

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**ADD.** We expect this stock to deliver 5-15% returns over the next 12 months.

**REDUCE.** We expect this stock to deliver -5+5% returns over the next 12 months.

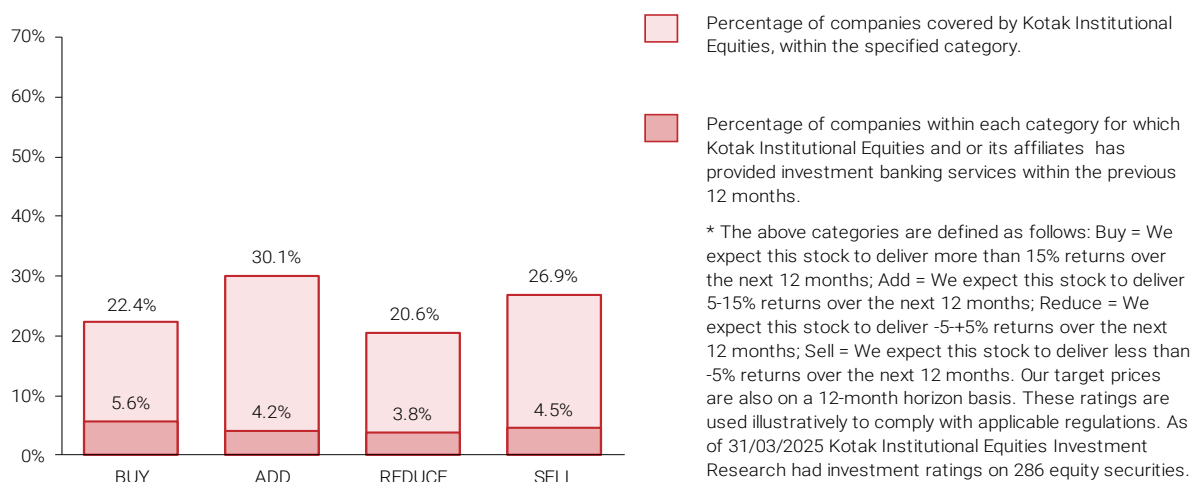
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Our Fair Value estimates are also on a 12-month horizon basis.

Our Ratings System does not take into account short-term volatility in stock prices related to movements in the market. Hence, a particular Rating may not strictly be in accordance with the Rating System at all times.

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As of March 31, 2025

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