

Strategy

April 26, 2025

Complacency and optimism amid confusion

The recent rebound in the market reflects some degree of complacency and optimism in the market with respect to global growth and domestic earnings. In our view, there is (1) still large uncertainty on key issues (global growth, tariff/trade, US dollar) that will shape global and domestic markets and (2) optimism on earnings in the market.

Recent rebound in the market—complacency and optimism amid confusion

We attribute the recent rebound in the market (see Exhibits 1-2) to some degree of complacency in the market. The fact that the market is trading above “Liberation Day” levels would suggest that all issues have been fixed. In reality, (1) global and domestic GDP growth will be likely lower, (2) the reciprocal tariff and trade issues will take a long time to resolve, (3) earnings have been cut further and (4) multiples continue to be rich across sectors and companies (see Exhibits 3-8); even large-cap. financials are reaching fair valuations.

New economic world order—most countries and companies will be likely losers

We hope that there are no major accidents as the world transitions from the post-WWII economic order to a new, unknown one. The last 30 years have been about a symbiotic relationship between ‘excessive’ savings of Asia and Europe funding ‘excessive’ consumption in the US, leading to a persistent large CAD of the US, large capital inflows into the US and a ‘strong’ US dollar. The base-case scenario is lower GDP growth for a couple of years to start with (see Exhibits 9-10). We see more complex and potentially destabilizing issues—(1) the role of the US in the global financial system, (2) the faith of non-US investors in US assets; non-US investors are large holders of US assets, (3) the role of the US dollar and (4) the behavior of countries and companies in the new economic order.

Tariff and trade issues are far from being resolved

We doubt that trade agreements can be negotiated between various countries (including India) and the US over the remaining 75 days, before the 90-day period from April 9 expires. For now, most countries are on an equal footing on tariffs on their exports to the US, and there is no clarity on the final tariff levels and related issues (non-tariff barriers). We note that the US has (1) already imposed a 10% reciprocal tariff on all imports (higher on China and certain products, with exemptions on some others) and (2) postponed the higher reciprocal tariffs (see Exhibit 11) for 90 days from April 9.

Earnings continue to grind down

We have seen further earnings cuts (see Exhibit 12) in the ongoing 4QFY25 results season, with (1) IT services and (2) oil, gas and consumable fuels sectors contributing to the bulk of the earnings downgrades. Consensus earnings estimates for FY2026E and FY2027E have seen downgrades in a few sectors and companies (see Exhibits 13-14). We assume there will be more, as global and domestic growth slowdowns hit revenues. For now, we model 12% growth in the net profits of the Nifty-50 Index for FY2026E (see Exhibits 15-16).

Key estimates summary

	2025	2026E	2027E
Nifty estimates			
Earnings growth (%)	7.5	11.7	14.8
Nifty EPS (Rs)	1,016	1,129	1,298
Nifty P/E (X)	23.7	21.3	18.5
Macro data			
Real GDP (%)	6.5	6.0	6.3
Avg CPI inflation (%)	4.6	4.0	4.2

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

MSCI DM Index is down 1.4%, MSCI EM Index is down 1.3%, MSCI India Index is up 2.8% and S&P500 Index 2.6% is down from April 2, 2025

We expect net profits of the Nifty-50 Index to grow 11.7% in FY2026 and 14.8% in FY2027

Nifty-50 Index is trading at 21.3X FY2026E ‘EPS’ and 18.5X FY2027E ‘EPS’

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India and US trade issues

There seems to be a fair degree of belief and hope that India will be a relative beneficiary of tariffs and trade whenever the US is in a position to complete its tariff and trade arrangements with various countries. We make a few observations on this matter.

- ▶ **Tariffs.** In our view, the level of final reciprocal tariffs for India (10%, 26% or any other in-between figure, as the case may be) may be a lesser issue versus non-tariff issues and India's trade surplus with the US can decline over time, if not immediately. The Street generally believes that India will be in a decent position to reduce its trade surplus with the US (see Exhibit 17 for details) by committing to increasing imports of certain items from the US (defense, energy being the most obvious ones).
 - **Defense imports from the US.** We would caution that defense systems take a long time to finalize since they need to fit in with the overall defense strategy of a country. India has followed a certain strategy for its military hardware, and it may not be easy to integrate completely new and different systems with the extant systems.
 - **Energy imports from the US.** India imports the bulk of its crude oil and gas requirements (see Exhibits 18-19 for a breakdown of India's oil and gas imports by countries) and it can theoretically increase its imports from the US. However, we would note that other large trade-surplus countries with the US will pursue a similar strategy. Europe, Japan, South Korea and Taiwan are all energy-deficit countries and will try and rebalance their trade surpluses with the US through more energy imports. The US may have its own challenges in increasing crude oil and gas production, given the current oil and gas price levels. Shale oil and gas producers will struggle to make decent profits at current prices and will be reluctant to increase production. Lastly, the US does not have that much spare LNG export capacity (see Exhibit 20 for capacity utilization at various LNG terminals) although it is expanding LNG export capacity aggressively (see Exhibit 21). It has increased supplies to Europe in the past few years, with Europe reducing its imports from Russia after the Russia-Ukraine war.
- ▶ **Non-tariff issues.** In our view, this may be a bigger obstacle to a quick trade deal, especially if the US were to insist on certain potentially difficult-to-meet obligations for India. Based on media articles, the US is keen for India to allow (1) greater access to US companies in financial payments and retailing and (2) higher agriculture imports. We believe it would be difficult for India to (1) allow unrestricted access of agriculture imports and (2) permit retailing by FDI entities without any restrictions, from a political perspective.
 - **Agriculture.** It is extremely unlikely that India will allow unfettered imports of agriculture items, given the political fallout of such a move. India has about half of its workforce in agriculture. India currently has either (1) a complete ban on imports of several agricultural items or (2) high tariffs (see Exhibit 22). We note that India's agricultural produce prices are higher than global prices in several cases.
 - **Retailing.** It is unlikely that India will allow full freedom to foreign companies in retailing, given the political and social issues around FDI retailing, affecting the livelihoods of around 20 mn small retail outlets. India has allowed FDI in retailing with certain restrictions (see Exhibit 23). In particular, the current regulations permit 100% FDI in a marketplace model of e-commerce but do not permit FDI in the inventory-based model of e-commerce. The US is reportedly pushing for a level playing field between foreign and Indian entities in e-commerce. Of course, it is another matter that the same neighborhood retail outlets face aggressive competition from domestic modern retailing, e-commerce and quick-commerce companies.

US assets and US dollar

This is a fairly complex issue and will likely have deep and long-term implications for countries in case the US dollar was to continue to depreciate over time, led by (1) lower faith of non-US investors in US dollar assets due to constant changes in economic policies, (2) increased focus among non-US investors on the 'unsustainable' debt levels of the US due to continued high public debt, CAD and GFD (see Exhibit 24 for data over time) and (3) lower capital inflows into the US on the back of lower trade deficits of the US.

Non-US investors had been willing to own increasing amounts of US financial assets (see Exhibit 25 for data over time) due to their confidence in the US economy, US dollar assets and the US dollar. This confidence extended to US debt also, despite a continued deterioration in the financial condition of the US, which the current administration seems keen to correct. In other words, both the borrower and creditors were willing to overlook the worsening financial position of the US (evergreening of the Greenback, if you will), given the faith in the US economy and reserve currency status of the US dollar.

- ▶ **US assets and capital flows.** In our view, lower confidence among non-US investors due to (1) frequent changes in the policies of the US administration (if this continues) and (2) disregard for institutions may result in non-US investors seeking a higher yield (lower prices) to offset the enhanced risks associated with US assets. US bond yields and stock prices gyrated wildly (see Exhibit 26) on increased investor concerns about the economic policies of the US in the days following the announcement of the reciprocal tariffs. Markets have calmed down recently following positive commentary and rollback/suspension of tariffs from the US administration.

In the past, low investor concerns around the economic policies of the US and limited currency-related risks associated with the US dollar made capital investments attractive for non-US investors, to the extent that US bonds were treated as risk-free assets. The US's large capital market could absorb large amounts of capital quite easily, making it quite easy for foreigners to invest large amounts of capital. It remains to be seen if incremental investments by export-surplus countries would continue at the same pace as in the past or seek other investment opportunities, including EMs. Of course, lower trade surpluses and higher consumption in the trade-surplus countries would partly offset the issue of 'excessive' savings of the trade-surplus countries and related capital flows into the US.

- ▶ **Capital and trade flows linked to US dollar** A sharp and prolonged period of depreciation in the USD versus other countries will lead to adjustments in global capital and trade flows. Export-surplus countries would have to contend with lower net exports and find ways to boost domestic consumption in case the US were to see lower trade deficits on weaker US consumption demand and the US dollar were to depreciate meaningfully against other currencies. In addition, a weak and depreciating US dollar will (1) dent the balance sheets of the creditor countries, (2) reduce the returns of equity investors in their local currencies and (3) reduce the attractiveness of US assets (both bonds and equities).

Earnings

We believe that the Street is probably being too optimistic in its earnings estimates. We see two areas of differences versus our more nuanced stance—(1) the Street may be too bullish on revenues of export-oriented sectors such as automobiles, IT services and potentially pharmaceuticals and specialty chemicals in light of high levels of uncertainty on global GDP growth and tariffs in the US and (2) the Street may be too optimistic on profitability of consumption companies by assuming that the companies will be able to retain the benefits of lower raw material prices.

- ▶ **Revenues.** In our view, the Street may be too optimistic on its revenue growth assumptions of the export-oriented sectors. We believe (1) high tariffs in the case of automobiles will adversely affect the revenues of automobile companies such as BHFC, TTMT, among others; very few Indian companies have operations in the US and they will be at a severe disadvantage versus automobile companies with manufacturing facilities in the US in case the US was to continue with the current tariffs on automobiles and components and (2) delayed decision-making of the clients of IT services companies may affect the revenues of the IT services companies. We have moderated FY2026E and FY2027E revenues for the IT services companies (see Exhibits 27-28) but we note risks of large possible variance (positive or negative) versus our estimates. More importantly, we would note that valuations of the IT stocks are well ahead of pre-pandemic levels, when growth rates were meaningfully higher. They certainly do not factor in a deep slowdown or recession in the US. A deep slowdown or a recession in the US will affect both revenues and profitability negatively.
- ▶ **Profitability.** We believe the Street may be too optimistic on its profitability assumptions of the domestic consumption-oriented sectors. The Street is banking on companies being able to retain a meaningful portion of the assumed decline in raw material prices. Even assuming prices of agricultural products were to decline along the expected lines of the Street and prices of crude oil and related inputs were to stay at current low levels, it remains to be seen if the companies can retain the benefits of lower raw material prices.

As we have argued in the past, the market structure across categories has changed adversely with more competition across categories and subcategories of products. In our view, the ability of the entire industry to retain the benefits of lower raw material prices is far lower than in the past when the industry structure was a lot more favorable. A company or a few companies may choose a different strategy of reducing product prices to increase its/their market share. This may negate the benefit of lower raw material prices for all companies in the sector unless a company was willing to lose volumes to other players and market share in its quest for higher profitability. As an example, in its 4QFY25 results commentary, HUVR management highlighted that it expects gross margins to moderate in FY2025, as it will "continue to deliver the right price-value proposition." It reduced its EBITDA margin guidance to 22-23% from 23-24% earlier. It seems to be keener on volume growth than on profitability in the near term.

Model portfolio changes

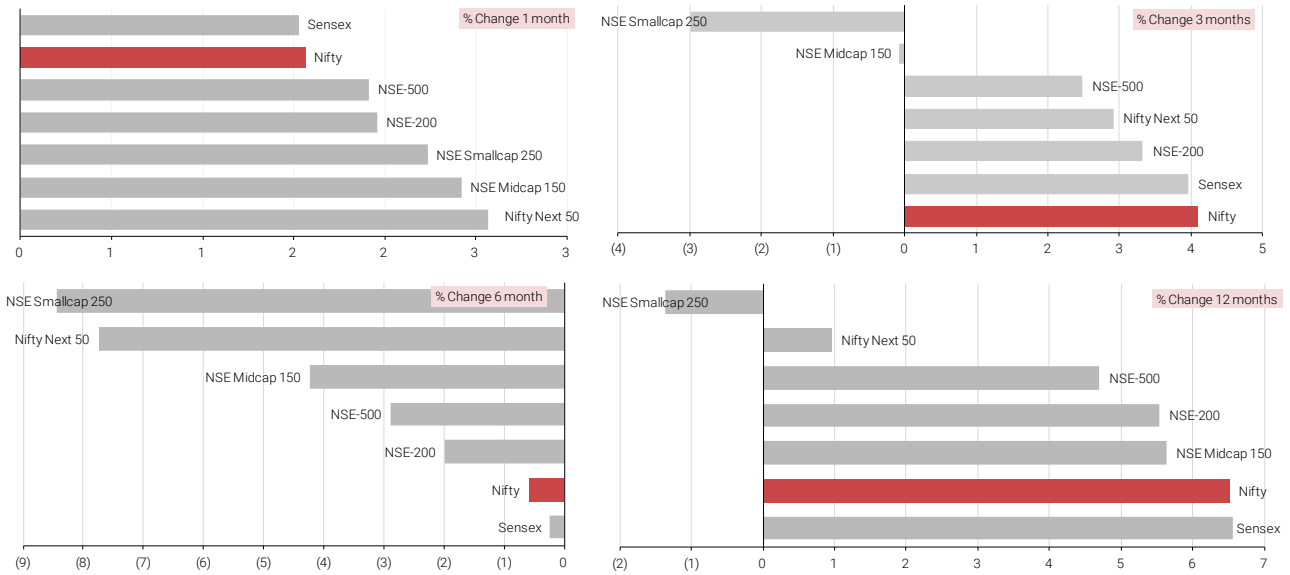
Exhibit 29 is our revised recommended large-cap. portfolio. We remove GCPL (190 bps earlier) from the model portfolio, given (1) the stock's strong performance over the past few weeks and (2) the stock is trading around our 12-month forward Fair Value of Rs1,250. We remove HCLT (130 bps) from the model portfolio given the stock's full valuations (23.8X FY2026E EPS) and high risks to earnings in a tough-to-predict demand environment. We reduce LT by 100 bps to 170 bps, noting increasing risks to earnings and weight on Macrotech (LODHA) by 100 bps to 150 bps, noting the stock's stellar rise in the past few weeks (17% up from April 9).

We add Canara Bank (CBK) with a weight of 150 bps and TECHM with a weight of 150 bps. CBK is trading at 0.9X 1-year forward P/B and does not seem to be seeing any major credit quality challenges. We like TECHM's turnaround story and see the company benefiting from self-help measures and a decent order book, even as the demand environment will likely remain tough. We increase the weight on RIL (150 bps to 850 bps). We allocate the balance to ICICIBC (20 bps to 10% weight) and INFO (50 bps to 550 bps).

We are struggling to find replacement ideas for stocks in our model portfolio and are thus leaving some of our 'old' favorites in the portfolio despite a few stocks trading at fair valuations. We continue to have a large position in financials (around 45%), healthcare services & pharmaceuticals (about 14%), which is a huge overweight) and telecommunications (including RIL). These sectors have done well in the past few months, which has reduced the reward-risk balance for the sectors. We see larger risks of earnings downgrades and de-rating of multiples in the consumption, investment and outsourcing (IT services) sectors. The multiples of most stocks make limited sense in the context of (1) the low earnings growth being delivered by the companies in the near term and (2) the high and growing risks of disruption to their business models in the medium term.

Moderate rally across all indices in the last month, stronger rally since April 2, 2025 ("Liberation Day")

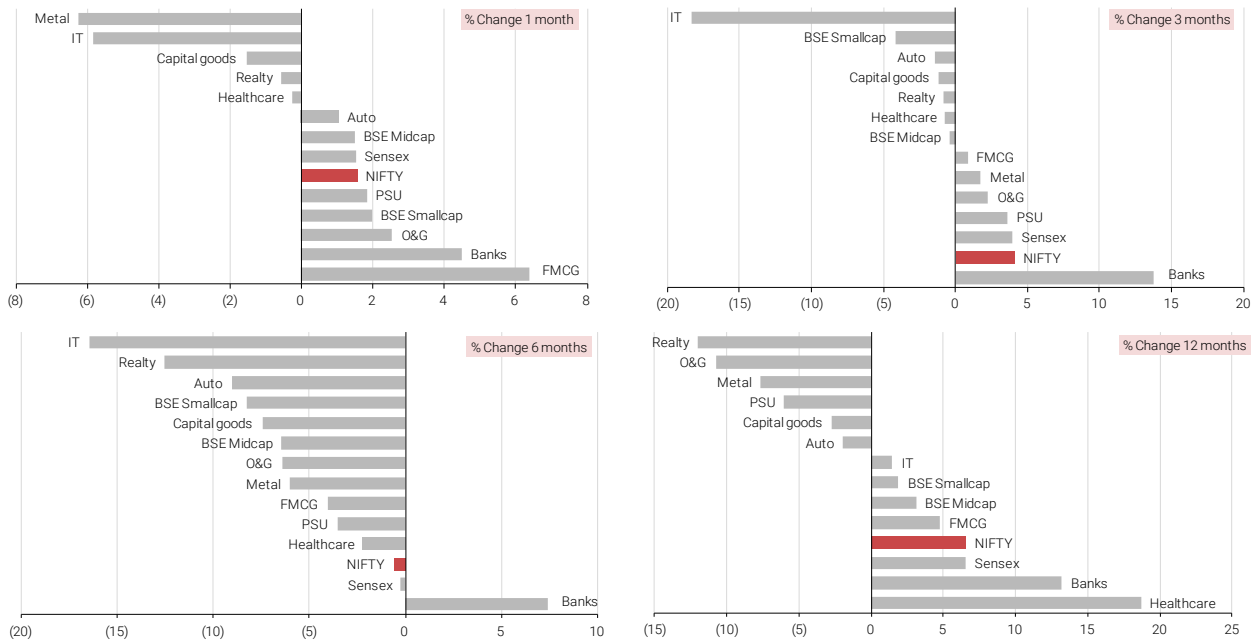
Exhibit 1: Performance of major Indian indices (%)



Source: Bloomberg, Kotak Institutional Equities

Strong rally across FMCG and banks stocks in the past month and banks in the past three months

Exhibit 2: Performance of various sectors (%)



Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 3: 12-m forward P/E multiple of large-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	Mar-25	
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	22	23
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	30
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	15	16
Mahindra & Mahindra	Automobiles & Components	14	14	14	15	19	18	20	19	15	9	20	18	16	21	23	25
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	22	23
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	20
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	40
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49	52
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47	54
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	31	33
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	57	56
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	38
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	54
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	35
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	50	54
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	42	47
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43	42
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	49	53
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47	48
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	46	50
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62	67
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	64
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	52	50
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	58	64
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	52
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	83
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56	62
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	88	86
Pidlite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	64

Source: FactSet, Kotak Institutional Equities

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

Exhibit 4: 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	Mar-25	
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25	25
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	24	25
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	45	43
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	31
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42	38
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	28	30
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	26	29
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	33	32
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	58	61
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	45	39
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	29	34
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67	71
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	54	55
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	46
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	58
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	38	40
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	38	39
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	37	36
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	104	124
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	54
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	102	106
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	36	40
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	115
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	135

Source: FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 5: 12-m forward P/E multiple of investment 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	Mar-25	Current
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	64	69	73	87	56	58
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39	40
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	34	35
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	37	37
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	46
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	37
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	19	20
Kalpataru Projects	Capital Goods	9	8	6	7	15	15	16	19	16	5	10	10	12	20	17	17
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	20	18
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26	24
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	58	60
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	49	49
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	62	53
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	50	53
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	32	30
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	64	77
Keynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	87
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	40

Source: FactSet, Kotak Institutional Equities

Tier-1 banks are fairly valued in general and expensive in a few cases; tier-2 and tier-3 banks and NBFCs are trading at attractive valuations

Exhibit 6: 12-m forward P/B multiple of banks in KIE universe, March fiscal year ends, 2011-26E

		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	Mar-25	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	2.6
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	1.7	1.8
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	1.0
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	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	0.9
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	1.3
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	0.7
Equitas Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.8	1.4	1.5	1.6	0.9	1.2
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	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	2.6	2.6
ICI 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	3.0	3.0
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	0.9
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	1.3	1.3
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	0.9
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	1.5	1.5
Ujjivan Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	1.6	0.9	1.0	1.4	1.0	1.3
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	0.8

Source: FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

Exhibit 7: 12-m forward P/B multiple of financial stocks in KIE universe, March fiscal year ends, 2011-26E

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	Mar-25	Current
12-m forward P/B multiple (X)																	
Aavas Financiers	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	4.7	3.9	7.0	6.4	3.4	2.4	3.3	3.3
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.7
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	3.3
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	5.0	5.2
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	4.5	4.5
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	3.0	3.5
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	1.6
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	0.9
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	1.6	1.6
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	2.9	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	2.0	2.1
12-m forward P/E multiple (X)																	
360 One	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	22.5	26.4	23	20	27	31	33
ABSL AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19	19
CAMS	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37.4	34	29	35	36	39
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	43
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	31	35
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	27	29
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	44	54
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	24.7	24.3	24.1	33.8	26	17	27	25	29
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.9	20	14	15	16	17

Source: FactSet, Kotak Institutional Equities

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

Exhibit 8: 12-m forward P/E multiple of outsourcing 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	Mar-25	
Coforge	IT Services	6	7	7	9	9	10	9	15	16	13	29	32	22	30	39	34
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	17	17
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	18	21	18	24	23	23
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	22	22
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	39	36
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25	26
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	46	28	38	31	31
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	23	36	18	25	25	24
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	49	45
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	44
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	35	37
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	24	23
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	23	23
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	20	19
Aurobindo Pharma	Pharmaceuticals	9	7	7	12	18	17	14	12	15	8	15	12	12	17	15	16
Cipla	Pharmaceuticals	21	18	18	19	30	20	24	20	22	18	24	25	20	27	23	25
Divis Laboratories	Pharmaceuticals	20	17	17	19	23	20	16	25	28	31	39	40	36	44	57	60
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	18
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	23
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31	30
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	23	24
Mankind Pharma	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	43	46
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	23	26	24	35	31	32
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	43	44
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	48	48

Source: FactSet, Kotak Institutional Equities

Global GDP is expected to slow down over 2025-26E

Exhibit 9: Projected real GDP growth rate of major economies by IMF, calendar year-ends, 2024-26E (%)

	Oct-24			Apr-25			Change (bps)		
	2024E	2025E	2026E	2024E	2025E	2026E	2024E	2025E	2026E
Australia	1.2	2.1	2.2	1.0	1.6	2.1	(19)	(48)	(16)
Brazil	3.0	2.2	2.3	3.4	2.0	2.0	35	(15)	(27)
China	4.8	4.5	4.1	5.0	4.0	4.0	18	(53)	(14)
France	1.1	1.1	1.3	1.1	0.6	1.0	(3)	(42)	(33)
Germany	0.0	0.8	1.4	(0.2)	(0.1)	0.9	(24)	(84)	(47)
India	7.0	6.5	6.5	6.5	6.2	6.3	(56)	(26)	(21)
Indonesia	5.0	5.1	5.1	5.0	4.7	4.7	7	(42)	(38)
Japan	0.3	1.1	0.8	0.1	0.6	0.6	(24)	(58)	(26)
Korea	2.5	2.2	2.2	2.0	1.0	1.4	(46)	(114)	(71)
Malaysia	4.8	4.4	4.4	5.1	4.1	3.8	31	(29)	(60)
Mexico	1.5	1.3	2.0	1.5	(0.3)	1.4	0	(161)	(63)
Philippines	5.8	6.1	6.3	5.7	5.5	5.8	(6)	(64)	(49)
Singapore	2.6	2.5	2.5	4.4	2.0	1.9	179	(49)	(64)
South Africa	1.1	1.5	1.5	0.6	1.0	1.3	(47)	(51)	(20)
Taiwan	3.7	2.7	2.6	4.3	2.9	2.5	57	19	(9)
Thailand	2.8	3.0	2.6	2.5	1.8	1.6	(27)	(120)	(97)
Türkiye	3.0	2.7	3.2	3.2	2.7	3.2	18	1	(5)
United Kingdom	1.1	1.5	1.5	1.1	1.1	1.4	2	(41)	(13)
United States	2.8	2.2	2.0	2.8	1.8	1.7	3	(33)	(28)
World	3.2	3.2	3.2	3.3	2.8	3.0	6	(46)	(24)

Source: IMF, Kotak Institutional Equities

We estimate FY2026 GDP growth at 6% versus 6.5% earlier

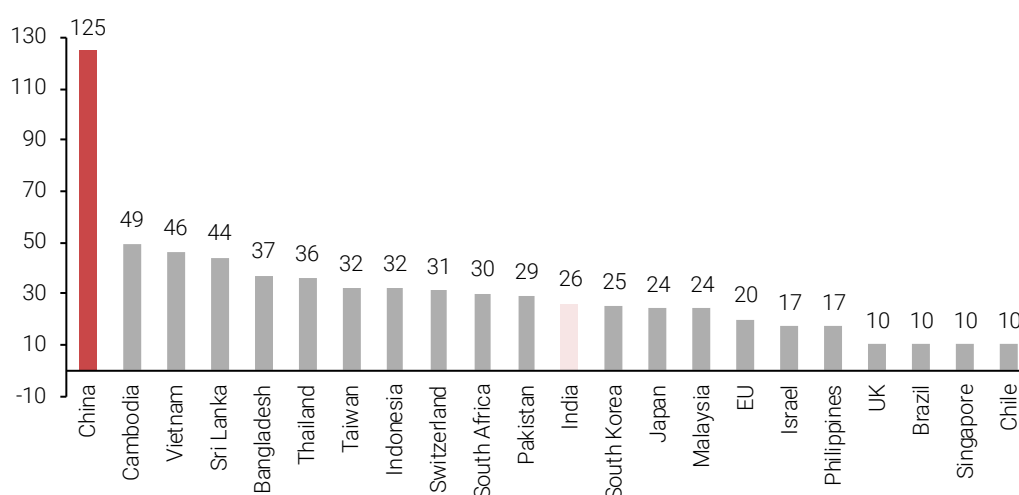
Exhibit 10: Real GVA and components growth, March fiscal-year ends, 2018-26E (%)

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	FY2020-25 CAGR (%)
Real GVA	6.2	5.8	3.9	(4.1)	9.4	7.2	8.6	6.4	5.8	5.4
Agriculture and allied	6.6	2.1	6.2	4.0	4.6	6.3	2.7	4.6	4.1	4.4
Industry	5.9	5.3	(1.4)	(0.4)	12.2	2.5	10.8	5.6	5.1	6.0
Mining	(5.6)	(0.8)	(3.0)	(8.2)	6.3	3.4	3.2	2.8	2.9	1.3
Manufacturing	7.5	5.4	(3.0)	3.1	10.0	(1.7)	12.3	4.3	3.8	5.5
Electricity	10.6	7.9	2.3	(4.2)	10.3	10.8	8.6	6.0	6.2	6.2
Construction	5.2	6.5	1.6	(4.6)	19.9	9.1	10.4	8.6	7.9	8.4
Services	6.3	7.2	6.4	(8.4)	9.2	10.3	9.0	7.3	6.6	5.2
Trade, hotel, transport, communication	10.3	7.2	6.0	(19.9)	15.2	12.3	7.5	6.4	5.5	3.4
Financial, real estate, professional services	1.8	7.0	6.8	1.9	5.7	10.8	10.3	7.2	6.6	7.1
Public admin, defence, and others	8.3	7.5	6.6	(7.6)	7.5	6.7	8.8	8.8	8.4	4.7
Real GDP	6.8	6.5	3.9	(5.8)	9.7	7.6	9.2	6.5	6.0	5.3

Source: CEIC, Kotak Institutional Equities estimates

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

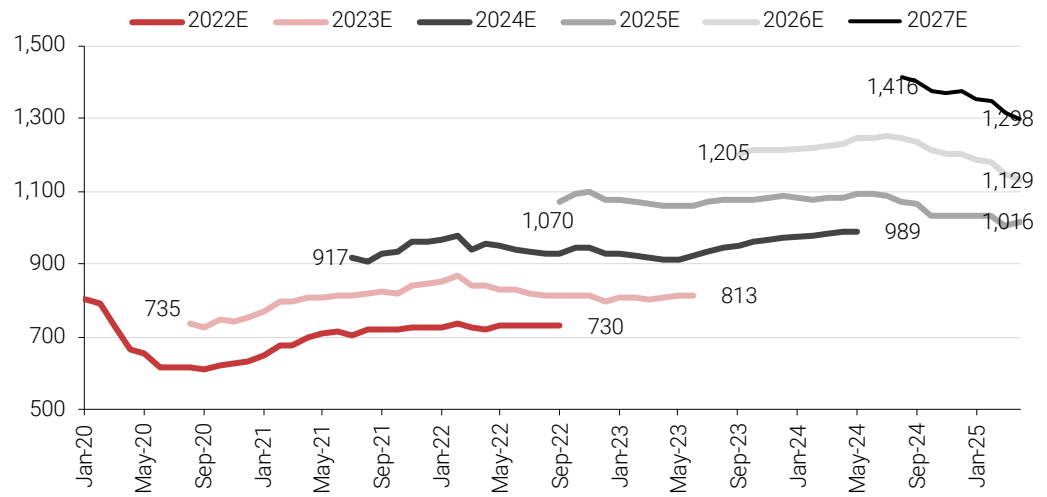
Exhibit 11: Reciprocal tariffs imposed by US on major countries (%)



Source: US government, Kotak Institutional Equities

Our EPS estimates have declined in the past few months

Exhibit 12: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2022-27E (Rs)



Source: Kotak Institutional Equities estimates

A number of Nifty-50 Index companies have seen steady cuts in FY2026 estimates

Exhibit 13: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2026 (Rs)

Company	Sector	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Bajaj Auto	Automobiles & Components	346	366	366	367	372	372	373	374	373	373	353	352	351	347
Eicher Motors	Automobiles & Components	179	180	184	186	185	184	184	184	181	182	183	184	184	184
Hero Motocorp	Automobiles & Components	266	266	267	268	269	262	262	260	260	260	259	254	252	250
Mahindra & Mahindra	Automobiles & Components	99	100	109	113	113	113	112	113	115	115	116	116	115	114
Maruti Suzuki	Automobiles & Components	495	530	530	532	545	545	545	524	522	522	525	526	526	525
Tata Motors	Automobiles & Components	77	77	79	79	79	80	80	78	72	71	68	67	66	62
Axis Bank	Banks	101	101	102	102	100	100	99	96	96	95	92	92	91	91
HDFC Bank	Banks	111	107	107	107	105	105	104	102	102	101	98	98	98	97
ICICI Bank	Banks	70	72	72	72	73	72	72	72	72	72	72	72	72	71
IndusInd Bank	Banks	160	159	159	158	150	149	149	132	129	128	111	108	103	100
Kotak Mahindra Bank	Banks	81	81	82	82	83	83	81	79	79	79	79	79	79	79
State Bank of India	Banks	78	78	82	82	83	82	82	81	83	83	83	80	79	80
Bharat Electronics	Capital Goods	6.8	6.8	7.5	7.5	7.6	7.6	7.6	7.7	7.7	7.7	7.6	7.7	7.7	7.6
L&T	Capital Goods	149	149	143	143	140	140	140	138	139	139	136	135	135	134
Asian Paints	Commodity Chemicals	64	64	60	60	57	56	56	55	51	51	50	48	48	47
Grasim Industries	Construction Materials	28	28	27	27	27	24	24	24	21	21	21	16	16	16
Ultratech Cement	Construction Materials	372	371	372	373	364	364	361	336	332	330	323	317	316	315
Hindustan Unilever	Consumer Staples	55	53	53	53	53	53	52	51	51	50	49	48	48	48
ITC	Consumer Staples	19	19	18	18	18	18	18	18	18	18	18	18	18	18
Nestle India	Consumer Staples	41	42	41	41	41	41	41	38	38	38	37	37	37	36
Tata Consumer Products	Consumer Staples	21	20	20	20	20	20	20	19	19	19	18	18	18	18
Bajaj Finance	Diversified Financials	364	357	353	356	348	352	351	338	337	338	339	339	339	338
Bajaj Finserv	Diversified Financials	88	75	75	75	80	80	80	85	87	87	75	75	74	74
Shriram Finance	Diversified Financials	53	54	54	54	54	54	55	55	55	55	53	53	53	53
NTPC	Electric Utilities	24	24	25	25	24	25	25	25	24	24	24	24	24	24
Power Grid	Electric Utilities	19	19	18	18	19	19	19	19	19	19	19	18	18	18
Apollo Hospitals	Health Care Services	139	141	139	139	138	136	135	134	135	136	136	134	134	134
HDFC Life Insurance	Insurance	10	10	10	10	10	10	10	11	11	11	10	10	10	10
SBI Life Insurance	Insurance	26	25	25	26	27	27	27	27	27	27	25	26	26	26
Eternal	Internet Software & Services	3.0	3.1	2.8	2.8	2.8	2.9	2.9	2.6	2.5	2.5	1.8	1.7	1.7	1.5
HCL Technologies	IT Services	73	69	69	69	69	69	69	70	70	70	70	70	69	68
Infosys	IT Services	74	70	70	70	72	72	72	72	72	72	72	72	71	68
TCS	IT Services	156	157	157	157	156	157	157	154	154	153	151	151	149	144
Tech Mahindra	IT Services	70	65	65	65	65	65	65	64	64	64	62	62	62	61
Wipro	IT Services	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Hindalco Industries	Metals & Mining	56	58	66	66	66	65	66	65	65	65	65	67	67	67
JSW Steel	Metals & Mining	74	74	70	71	68	67	67	60	60	59	53	51	51	51
Tata Steel	Metals & Mining	14	14	14	14	14	13	13	13	12	12	10	10	10	10
Coal India	Oil, Gas & Consumable Fuels	55	56	61	61	63	65	65	63	63	63	61	60	60	59
ONGC	Oil, Gas & Consumable Fuels	42	42	41	41	40	44	43	44	40	40	40	39	39	38
Reliance Industries	Oil, Gas & Consumable Fuels	69	70	70	70	69	68	68	64	64	64	62	62	61	61
Cipla	Pharmaceuticals	64	64	64	64	65	65	65	64	64	63	63	63	63	63
Dr Reddy's Laboratories	Pharmaceuticals	69	69	68	68	69	69	69	69	69	69	69	69	69	69
Sun Pharmaceuticals	Pharmaceuticals	55	55	54	54	53	54	54	55	55	55	55	55	55	55
Titan Company	Retailing	64	64	60	61	59	58	57	57	56	55	55	55	55	54
Trent	Retailing	50	57	57	59	59	70	70	70	67	67	66	60	60	60
Bharti Airtel	Telecommunication Services	49	50	51	51	51	49	51	49	49	49	49	50	51	51
Adani Ports and SEZ	Transportation	60	60	59	59	60	61	62	57	57	57	56	56	56	55

Source: FactSet, Kotak Institutional Equities

A number of Nifty-50 Index companies have seen steady cuts in FY2027 estimates

Exhibit 14: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2027 (Rs)

Company	Sector	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Bajaj Auto	Automobiles & Components	444	402	403	402	413	415	417	427	427	426	399	399	398	392
Eicher Motors	Automobiles & Components	176	176	209	211	204	201	201	202	204	204	205	206	206	206
Hero Motocorp	Automobiles & Components	321	321	293	292	293	286	286	286	288	287	286	275	273	271
Mahindra & Mahindra	Automobiles & Components	109	110	118	121	121	121	121	124	129	128	130	130	130	129
Maruti Suzuki	Automobiles & Components	487	577	577	577	598	598	597	580	576	577	579	581	578	577
Tata Motors	Automobiles & Components	93	93	93	92	94	92	92	89	83	82	80	78	77	73
Axis Bank	Banks	125	120	120	119	115	115	116	112	111	110	105	105	105	105
HDFC Bank	Banks	134	140	138	128	125	125	125	119	119	118	112	112	113	113
ICICI Bank	Banks	82	81	81	81	82	82	82	82	82	82	82	82	81	81
IndusInd Bank	Banks	183	194	194	192	174	175	175	159	156	155	134	131	127	123
Kotak Mahindra Bank	Banks	91	91	96	96	96	96	96	91	91	91	90	91	91	91
State Bank of India	Banks	74	74	89	90	89	90	90	89	93	93	93	89	89	89
Bharat Electronics	Capital Goods	8.1	8.1	8.5	8.5	8.9	9.0	9.0	8.9	8.9	8.9	8.9	9.0	9.0	9.0
L&T	Capital Goods	163	163	163	163	159	159	159	162	165	165	162	162	162	161
Asian Paints	Commodity Chemicals	71	71	67	67	65	65	65	63	60	60	59	54	54	53
Grasim Industries	Construction Materials	23	23	23	23	23	32	32	33	30	30	29	26	26	26
Ultratech Cement	Construction Materials	434	434	434	437	431	435	433	407	403	406	417	412	411	411
Hindustan Unilever	Consumer Staples	59	59	58	59	57	57	57	56	56	56	54	53	53	53
ITC	Consumer Staples	20	20	20	20	20	20	20	20	20	20	20	20	19	19
Nestle India	Consumer Staples	45	46	46	46	46	46	46	43	43	43	42	41	41	41
Tata Consumer Products	Consumer Staples	26	23	23	23	23	23	23	23	23	23	22	22	22	22
Bajaj Finance	Diversified Financials	392	431	434	430	419	428	427	426	425	424	426	426	426	425
Bajaj Finserv	Diversified Financials	89	89	89	89	91	93	95	106	108	108	92	92	93	93
Shriram Finance	Diversified Financials	50	62	62	61	63	63	63	63	63	63	62	62	62	62
NTPC	Electric Utilities	26	26	26	25	26	26	26	27	26	26	26	25	26	25
Power Grid	Electric Utilities	20	20	19	19	19	20	20	20	20	20	20	19	19	19
Apollo Hospitals	Health Care Services	161	181	183	181	181	181	181	180	174	175	176	173	173	170
HDFC Life Insurance	Insurance	11	12	12	12	12	12	12	12	12	12	12	12	12	12
SBI Life Insurance	Insurance	26	32	32	32	33	33	33	32	32	32	30	30	30	31
Eternal	Internet Software & Services	6.3	6.3	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	3.7	3.6	3.6	3.3
HCL Technologies	IT Services	84	76	76	76	76	76	76	78	78	78	78	78	77	74
Infosys	IT Services	87	77	77	77	79	79	79	80	80	80	80	80	79	74
TCS	IT Services	181	173	173	171	173	173	173	173	173	172	169	168	167	157
Tech Mahindra	IT Services	94	79	79	78	80	80	79	80	79	79	80	80	79	77
Wipro	IT Services	14	14	14	14	14	14	14	14	14	14	14	14	14	13
Hindalco Industries	Metals & Mining	68	68	68	68	68	67	67	68	68	69	69	69	69	68
JSW Steel	Metals & Mining	74	74	74	74	74	73	73	73	73	73	66	65	65	65
Tata Steel	Metals & Mining	16	16	16	15	15	16	16	17	14	14	13	12	13	13
Coal India	Oil, Gas & Consumable Fuels	65	65	64	64	72	68	67	66	66	66	64	63	62	62
ONGC	Oil, Gas & Consumable Fuels	42	42	42	42	42	43	43	43	42	42	42	41	41	39
Reliance Industries	Oil, Gas & Consumable Fuels	79	81	82	80	77	76	76	72	72	72	71	70	70	70
Cipla	Pharmaceuticals	63	63	66	65	66	66	66	64	64	64	63	63	63	64
Dr Reddy's Laboratories	Pharmaceuticals	66	66	59	59	59	58	57	57	59	59	61	60	59	59
Sun Pharmaceuticals	Pharmaceuticals	65	65	58	57	58	59	59	62	62	62	63	62	63	63
Titan Company	Retailing	72	72	71	71	69	69	70	70	67	67	67	66	65	65
Trent	Retailing	59	75	74	79	79	90	93	93	90	90	88	80	79	79
Bharti Airtel	Telecommunication Services	55	62	64	65	65	64	66	65	65	65	65	67	68	68
Adani Ports and SEZ	Transportation	79	79	66	67	68	68	70	67	67	66	64	64	64	63

Source: FactSet, Kotak Institutional Equities

We expect earnings of the Nifty-50 Index to grow 12% in FY2026E and 15% in FY2027E

Exhibit 15: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025-27E (based on current constituents)

	Mcap.	Adj. mcap.	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
	(US\$ bn)	(US\$ bn)	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Automobiles & Components	166	89	12.5	8.8	14.6	21.2	19.5	17.0	11.5	10.9	9.6	4.4	3.8	3.3	1.5	1.8	2.0	20.7	19.6	19.6
Banks	473	405	6.6	4.1	16.8	17.6	16.9	14.5	—	—	—	2.6	2.3	2.0	1.0	1.2	1.3	14.5	13.4	14.0
Capital Goods	110	64	34.3	14.3	16.0	34.6	30.3	26.1	22.3	18.7	16.6	5.2	4.4	3.8	0.6	0.7	0.9	15.1	14.5	14.7
Commodity Chemicals	27	13	(23.6)	7.4	12.3	55.9	52.1	46.4	37.6	35.3	32.3	11.3	10.2	9.2	0.9	1.0	1.1	20.1	19.5	19.8
Construction Materials	64	29	(20.6)	42.4	27.5	52.0	36.5	28.6	19.4	15.3	13.1	3.4	3.1	2.9	0.4	0.6	0.7	6.5	8.6	10.1
Consumer Staples	167	90	(3.7)	6.9	10.9	41.3	38.6	34.9	30.0	27.9	25.0	9.6	9.4	9.1	2.3	2.3	2.5	23.4	24.4	26.0
Diversified Financials	138	61	25.5	18.1	23.2	31.1	26.3	21.4	—	—	—	5.3	4.5	3.8	0.3	0.4	0.4	16.9	17.1	17.9
Electric Utilities	74	36	3.7	10.8	8.0	16.7	15.1	14.0	10.3	9.2	8.7	2.2	2.1	1.9	2.7	3.0	3.1	13.3	13.6	13.6
Health Care Services	12	8	60.2	31.6	32.2	69.6	52.8	40.0	33.7	27.3	21.7	12.2	10.1	8.2	0.2	0.2	0.2	17.5	19.1	20.5
IT Services	313	141	8.9	5.2	9.4	24.4	23.2	21.2	16.1	15.3	13.9	7.2	6.7	6.3	3.2	3.3	3.7	29.4	29.0	29.9
Insurance	38	18	21.9	16.3	16.3	76.1	65.4	56.3	—	—	—	10.3	9.3	8.4	0.2	0.3	0.4	13.5	14.2	14.9
Internet Software & Services	26	19	51.6	149.5	97.4	415.0	166.3	84.3	308	132	60	7.3	6.9	6.3	-	-	-	1.8	4.1	7.4
Metals & Mining	66	35	10.0	76.4	21.7	23.5	13.3	10.9	9.3	7.1	6.2	1.9	1.7	1.5	0.6	1.2	1.6	8.1	12.7	13.7
Oil, Gas & Consumable Fuels	271	124	(4.0)	11.4	10.5	15.3	13.7	12.4	8.8	7.4	6.5	1.7	1.6	1.4	1.6	1.6	1.7	11.4	11.6	11.6
Pharmaceuticals	76	41	14.5	5.2	7.9	29.0	27.6	25.5	19.9	18.1	16.9	4.8	4.2	3.7	0.7	0.7	0.8	16.4	15.2	14.5
Retailing	56	30	22.3	23.3	21.4	89.5	72.6	59.8	56.0	46.4	38.8	28.1	21.5	16.8	0.3	0.3	0.4	31.4	29.7	28.0
Telecommunication Services	128	60	102.5	38.3	29.1	47.6	34.4	26.7	13.3	10.5	8.7	11.0	8.4	7.3	0.8	1.2	1.6	23.2	24.4	27.2
Transportation	30	10	20.6	19.2	10.9	23.8	19.9	18.0	15.8	13.5	11.4	4.1	3.5	3.0	0.6	0.7	0.8	17.4	17.7	16.8
Nifty-50 Index	2,235	1,273	7.5	11.7	14.8	23.8	21.3	18.6	14.0	12.2	10.8	3.6	3.2	2.9	1.4	1.6	1.7	15.1	15.1	15.6
Nifty-50 Index (ex-energy)	1,964	1,148	10.6	11.8	15.8	25.8	23.1	20.0	16.1	14.1	12.5	4.2	3.8	3.4	1.4	1.5	1.7	16.3	16.3	16.8
Nifty-50 Index (ex-banks)	1,762	867	7.9	14.8	14.1	26.3	22.9	20.1	14.0	12.2	10.8	4.0	3.6	3.3	1.5	1.7	1.9	15.4	15.8	16.2

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: Kotak Institutional Equities estimates

Banks, diversified financials, IT services and metals & mining to provide bulk of the incremental profits for FY2026E of the Nifty-50 Index

Exhibit 16: Breakdown 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	(%)
Automobiles & Components	150	70	279	595	669	728	834	4	8	8	8	8	74	13	59	6	106	8
Tata Motors	(14)	(107)	7	200	219	232	290	0	3	3	3	3	19	3	13	1	58	4
Banks	992	1,354	1,860	2,148	2,291	2,384	2,783	29	29	29	27	27	143	26	93	10	399	30
Axis Bank	66	130	212	249	264	275	314	3	3	3	3	3	15	3	12	1	39	3
HDFC Bank	431	507	603	608	673	750	855	9	8	8	8	8	65	12	76	8	106	8
ICICI Bank	162	233	319	409	479	470	524	5	5	6	5	5	70	13	(9)	(1)	54	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	4	69	12	39	4	50	4
Commodity Chemicals	31	31	42	55	42	45	50	1	1	1	1	0	(13)	(2)	3	0	5	0
Construction Materials	100	128	120	132	105	150	191	2	2	1	2	2	(27)	(5)	45	5	41	3
Consumer Staples	240	271	318	360	346	370	410	5	5	4	4	4	(13)	(2)	24	3	40	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	2	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	1,094	1,151	1,259	15	13	14	13	12	90	16	56	6	108	8
Insurance	28	27	31	35	42	49	57	0	0	1	1	1	8	1	7	1	8	1
Metals & Mining	222	774	248	219	241	425	517	4	3	3	5	5	22	4	184	20	92	7
Tata Steel	85	426	86	34	34	135	176	1.4	0.5	0.4	1.5	1.7	0	0	101	10.8	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)	(11)	172	18	178	13
Coal India	127	174	281	374	322	352	362	4	5	4	4	4	(51)	(9)	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	12	139	11
Pharmaceuticals	110	135	160	196	224	236	255	3	3	3	3	2	28	5	12	1	19	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	21	88	9	92	7
Transportation	43	56	83	90	108	129	143	1	1	1	1	1	19	3	21	2	14	1
Nifty-50 Index	3,919	5,601	6,375	7,448	8,008	8,944	10,268	100	100	100	100	100	559	100	936	100	1,324	100
Nifty-50 change (%)	10.4	42.9	13.8	16.8	7.5	11.7	14.8											
Nifty-50 Index ex-HPCL & COAL change (%)	3,786	5,365	6,059	6,994	7,654	8,558	9,870											
Nifty-50 Index ex-HPCL & COAL change (%)	13.0	41.7	12.9	15.4	9.4	11.8	15.3											
Nifty-50 EPS (Free-float)	536	730	813	988	1,016	1,129	1,298											

Source: Kotak Institutional Equities estimates

India's trade surplus with US at US\$33 bn

Exhibit 17: India's trade balance with the US by commodities, March fiscal year-ends, FY2025 (US\$ bn)

	Exports (US\$ bn)	Imports (US\$ bn)	Trade surplus (US\$ bn)
Beverages, refreshments, and intoxicants	1.0	0.5	0.5
Cereals	0.6	0.0	0.6
Chemicals	4.0	3.0	0.9
Electronics	11.9	3.2	8.7
Energy	4.4	15.1	(10.7)
Fertilizers	0.0	0.0	(0.0)
Fruits and vegetables	0.4	1.2	(0.8)
Furniture	1.1	0.1	1.1
Gems and stones	10.4	5.8	4.6
Leather and footwear	1.6	0.2	1.4
Machinery	6.6	4.3	2.3
Meat, fish, eggs and dairy	2.9	0.0	2.9
Metals	5.3	2.8	2.5
Oils, fats and extracts	1.5	0.2	1.3
Pharmaceuticals	8.8	0.4	8.4
Plastic	1.7	1.6	0.1
Rubber	0.9	0.3	0.6
Textiles	10.4	0.5	9.9
Transport	3.4	3.6	(0.2)
Others	3.2	3.7	(0.5)
Total	80	47	33

Notes:

(a) For brevity multiple HS codes have been aggregated across categories.

(b) FY2025 data is annualized based on 9MFY25 actual data.

Source: Ministry of Commerce, Kotak Institutional Equities estimates

India can theoretically increase oil imports from US

Exhibit 18: Crude oil imports of India by sources, March fiscal year-ends, 2015-25 (mn tonnes)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	10MFY25
Volume (mn tonnes)											
Iran	11	14	27	23	24	2	—	—	—	—	—
Iraq	24	36	38	46	47	52	43	56	51	50	40
Kuwait	19	11	9	13	11	10	10	14	12	7	5
Nigeria	18	23	18	18	17	17	14	15	8	5	3
Russia	0	0	1	3	2	4	3	4	51	83	73
S. Arabia	34	40	39	36	40	42	34	39	39	33	25
UAE	16	15	19	14	17	22	22	22	22	14	18
United States	—	0	—	1	6	10	15	20	15	8	8
Venezuela	23	23	21	18	17	17	4	—	—	2	2
Others	42	42	43	46	45	45	43	50	39	31	22
Total	188	202	215	218	226	221	188	220	237	231	195
Volume (%)											
Iran	6.0	6.7	12.6	10.4	10.6	0.9	—	—	—	—	—
Iraq	12.8	17.6	17.6	21.0	20.6	23.3	22.9	25.7	21.4	21.5	20.7
Kuwait	10.0	5.5	4.3	5.9	4.8	4.6	5.1	6.5	4.9	2.8	2.7
Nigeria	9.5	11.4	8.2	8.3	7.4	7.8	7.6	6.8	3.2	2.2	1.3
Russia	0.1	0.1	0.2	1.4	1.0	1.6	1.5	2.0	21.5	35.9	37.4
S. Arabia	18.4	19.6	18.3	16.6	17.8	19.1	18.2	17.7	16.7	14.2	12.6
UAE	8.7	7.3	9.0	6.6	7.7	9.9	11.6	9.8	9.3	5.9	9.1
USA	—	0.0	—	0.7	2.8	4.3	8.0	9.1	6.4	3.4	4.1
Venezuela	12.1	11.2	10.0	8.4	7.6	7.8	2.2	—	—	0.7	1.0
Others	22.5	20.5	19.8	20.9	19.7	20.5	23.0	22.5	16.6	13.3	11.1
Total	100	100	100	100	100	100	100	100	100	100	100

Source: IEA, Kotak Institutional Equities estimates

India can increase LNG imports from US

Exhibit 19: Country-wise share of LNG imports in India, calendar-year ends, 2018-24 (%)

	2018	2019	2020	2021	2022	2023	2024
Volume (mmt)							
Qatar	10.8	9.4	10.2	9.9	10.7	10.9	11.1
United States	1.0	1.8	2.4	4.1	2.4	3.2	5.3
UAE	0.3	2.5	3.2	3.3	2.5	3.0	3.2
Angola	1.4	2.2	2.4	1.1	0.7	0.8	2.0
Oman	1.1	0.8	1.3	1.2	0.9	0.8	1.5
Nigeria	3.0	2.4	2.9	1.5	0.9	0.8	1.4
Australia	1.5	1.0	0.8	0.4	0.4	0.3	0.1
Others	3.4	2.1	2.6	3.0	1.6	2.3	2.9
Total	22	22	26	24	20	22	27
Volume (%)							
Qatar	48	42	39	41	53	49	41
United States	4	8	9	17	12	14	19
UAE	1	11	13	14	13	14	12
Angola	6	10	9	4	3	3	7
Oman	5	4	5	5	5	4	5
Nigeria	13	11	11	6	5	3	5
Australia	7	5	3	1	2	2	0
Others	15	9	10	12	8	11	11
Total	100	100	100	100	100	100	100

Source: Commerce ministry, PPAC, Kotak Institutional Equities

US had a total LNG liquefaction capacity of 14.4 bcf/d by 2024; it exported 11.9 bcf/d

Exhibit 20: Existing LNG export capacity in US (bcf/d, mtpa)

Terminal	Operator	Capacity	
		(bcf/d)	(mtpa)
Sabine, LA	Cheniere	4.6	35
Corpus Christi, TX	Cheniere	2.4	18
Freeport, TX	Freeport LNG	2.4	18
Hackberry, LA	Sempra - Cameron	2.1	16
Cameron Parish, LA	Venure Global	1.7	13
Cove Point, MD	Berkshire Hathway Energy	0.8	6.0
Elba Island, GA	Kinder Morgan	0.4	2.7
Kenai, AK	Trans-Foreland	0.2	1.5
Total		14.4	110
Total LNG exports (2024)		11.9	
Utilization (%)		83	

Source: US FERC, Kotak Institutional Equities

US is investing significantly in expanding the LNG export capacity in the next few years

Exhibit 21: FREC approved, under construction LNG export capacity (bcf/d, mtpa)

Terminal	Operator	Likely start	Capacity	
			bcf/d	mtpa
Sabine Pass, TX	ExxonMobil	end-2025	2.6	19.5
Plaquemines Parish, LA	Venture Global	early 2025	3.8	28.6
Calcasieu Parish, LA	Woodside	NA	3.8	29.0
Corpus christi, TX	Cheniere	10-Feb-27	1.6	12.0
Port Arthur, TX	Sempra	2027	1.9	14.1
Brownsville, TX	NextDecade-RioGrande	2027	3.7	28.3
Cameron Parish, LA	Venture Global	NA	0.1	0.5
Elba Island, GA	Kinder Morgan	NA	0.1	0.5
Total			17.4	132.5

Source: US FERC, Kotak Institutional Equities

India has high tariff rate across agriculture related imports

Exhibit 22: Import policy and average tariff rate of India's agriculture imports

HS Code	Goods	Import policy	Average tariff (%)
01	Live animals	Restricted	30
02	Meat, etc.	Free with restriction/prohibition on bovine and pig items	30
03	Fish, etc.	Free with restriction/prohibition few items	30
04	Dairy, eggs, honey etc.	Free	30
05	Animal products	Mix of free and prohibited	30
06	Trees, roots, etc.	Free	26
07	Vegetables, etc.	Free with restriction on potatoes	30
08	Fruits, etc.	Free with prohibitions on cashew, areca, and certain apples	40
09	Coffee, tea	Free	100
09	Spices	Free with restrictions/prohibition on pepper, select seeds	40
10	Cereals	Mostly restricted	40
11	Milled products	Free	30
12	Seeds	Mix of free and restricted	30
13	Gums and resin	Free	30
14	Vegetable materials	Free	30
15	Animal/vegetable fats and oils	Free for vegetable oils; prohibited for most animal fats	75
16	Meat, fish, etc. products	Free	30
17	Sugar and products	Free	50
18	Cocoa and products	Free	30
19	Cereal products	Free	30
20	Vegetable and fruits products	Free	30
21	Misc. edible preparations	Free	30
22	Beverages, spirits	Free	150
23	Animal fodder, food residues	Free	15

Notes:

(a) Average tariff is simple average of standard tariff rates across multiple 8-digit HS codes within any 2-digit HS code.

(b) Free may include few items which are restricted or prohibited.

Source: DGFT, CBIC, Kotak Institutional Equities

India may not be able to relax FDI norms further, especially for inventory model and multi-brand retailing

Exhibit 23: FDI regulations for retail in India, April 2025

	Foreign cap (%)	Approval mode	Comments
Sale of products (other than food) manufactured in India by the manufacturer	100	Automatic	Retail sale via e-commerce is allowed
Sale of food products manufactured in India	100	Government approval	Retail sale via e-commerce is allowed
Cash and carry/wholesale trading including B2B e-commerce	100	Automatic	Wholesale/cash and carry trader can also undertake single-brand retail trading. Such traders will be mandated to maintain separate books of accounts for these two arms of the business and duly audited by the statutory auditors. Government regulations have to be separately complied with by the respective business arms
B2B e-commerce	100	Automatic	Such companies would engage only in B2B e-commerce and not in retail trading, thus implying that existing restrictions on FDI in domestic trading would be applicable to e-commerce as well
Market place model of e-commerce	100	Automatic	Marketplace model of e-commerce means providing of an IT platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller An e-commerce entity will not permit more than 25% of the sales value generated on its marketplace from one vendor or its group companies
Inventory model of e-commerce	Not allowed		Foreign investment is not permitted in inventory-based model of e-commerce
Single-brand product retail trading	100	Automatic up to 49%; government approval beyond this	For foreign investment beyond 51%, sourcing of 30% of the value of goods purchased be done from India preferably from MSMEs, in all sectors. The quantum of domestic sourcing will be self-certified by the company, to be subsequently checked by statutory auditors. The procurement requirement is to be met in the first instance as an average five years total value of goods purchased beginning April 1 of the year of the commencement of the business. Thereafter, it shall be met on an annual basis
Multi-brand retail trading	51	Government approval	Minimum amount to be brought in as foreign investment is US\$100 mn At least 50% of the total foreign investment brought in the first tranche of US\$100 mn shall be invested in 'back-end infrastructure' within three years. State approvals required

Source: RBI, Kotak Institutional Equities

US has seen steady increase in public debt, elevated CAD and high fiscal deficit in the last 17 years

Exhibit 24: Public debt/GDP, CAD/GDP and GFD/GDP of US, calendar year-ends, 2007-24E (%)

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024E
Public debt/GDP (%)	60	71	81	90	99	102	98	100	99	100	99	99	103	129	119	102	105	107
CAD/GDP (%)	(4.9)	(4.6)	(2.6)	(2.9)	(2.9)	(2.6)	(2.0)	(2.1)	(2.2)	(2.1)	(1.9)	(2.1)	(2.1)	(2.8)	(3.7)	(3.9)	(3.3)	(3.9)
GFD/GDP (%)	(2.5)	(6.3)	(12.7)	(11.0)	(9.7)	(8.1)	(4.6)	(4.0)	(3.5)	(4.4)	(4.8)	(5.3)	(5.8)	(14.1)	(11.4)	(3.7)	(7.2)	(7.3)

Source: BIS, IMF, Kotak Institutional Equities

Non-US investors' ownership of US assets has increased sharply in the past few years

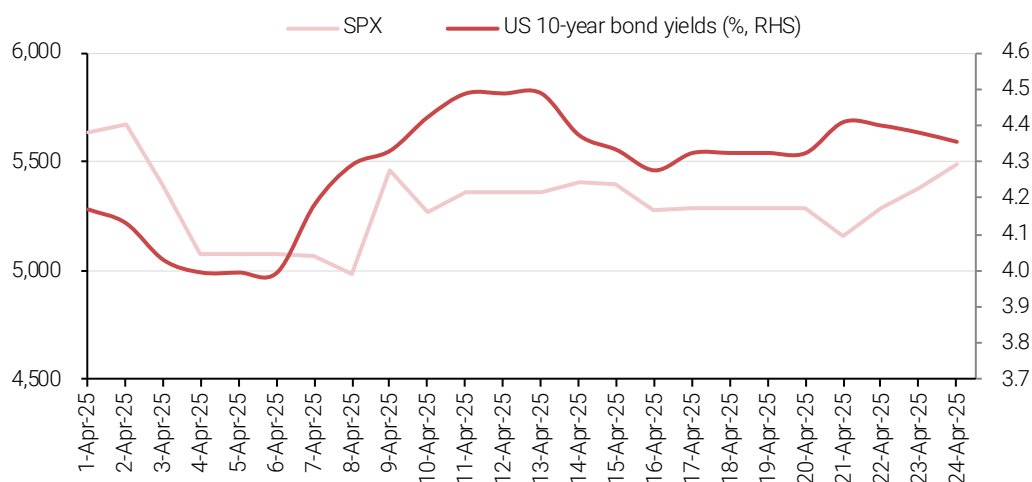
Exhibit 25: US flow of funds accounts for rest of world on outstanding basis, December calendar year-ends (US\$ tn)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Corporate equities	5.5	5.8	7.0	6.6	8.3	10.7	13.9	10.9	13.3	16.5
FDI	5.1	5.8	7.1	6.7	8.8	10.3	13.2	10.5	13.0	16.0
Debt securities	10.3	10.7	11.3	11.2	12.4	13.3	13.7	12.5	13.8	14.5
- Treasury securities	6.1	6.0	6.2	6.3	6.9	7.3	7.7	7.3	7.9	8.5
- Corporate bonds	3.1	3.4	3.9	3.6	4.0	4.5	4.4	3.7	4.2	4.4
Net interbank assets	1.4	1.3	1.4	1.3	1.4	1.5	1.6	1.8	2.0	1.9
Deposits	1.2	1.3	1.4	1.5	1.6	1.8	1.9	1.9	1.9	2.0
Mutual fund shares	0.6	0.7	0.8	0.8	0.9	1.0	1.2	1.1	1.2	1.5
Loans to US corporates	0.2	0.2	0.4	0.8	0.9	0.9	1.0	1.1	1.1	1.1
Trade receivables	0.2	0.3	0.3	0.3	0.3	0.4	0.5	0.6	0.7	0.7
Others	1.5	1.8	1.8	1.7	1.8	1.8	2.2	2.1	2.4	2.4
US assets owned by non-US entities	26.1	27.8	31.6	31.1	36.3	41.6	49.1	42.4	49.4	56.6

Source: US Federal Reserve, Kotak Institutional Equities

Wild gyrations in US bond market led by frequent changes in US trade policies

Exhibit 26: Trend in 10-year US bond yields, April 2025 (%)



Source: Bloomberg, Kotak Institutional Equities

We expect modest growth in revenues and modest improvement in EBIT margins for all IT companies in FY2026E

Exhibit 27: Assumptions built into our models for the tier-I Indian IT companies, March fiscal year-ends, 2022-27E

	2022	2023	2024	2025	2026E	2027E
HCL Tech						
Revenues (US\$ mn)	11,481	12,586	13,270	13,840	14,202	15,066
US\$ revenue growth yoy (%)	12.8	9.6	5.4	4.3	2.6	6.1
Volume growth yoy (%)	21.3	18.1	3.0	5.0	3.8	7.5
Pricing change (%)						
Onsite	0.7	0.5	0.7	(0.8)	(0.2)	(0.5)
Offshore	(7.5)	(10.6)	4.2	0.2	(0.6)	(1.5)
Blended	(7.0)	(7.2)	2.4	(0.6)	(1.2)	(1.3)
Directs costs (as % of revenues)	61.4	64.2	65.8	66.1	67.1	67.0
SG&A expenses (as % of revenues)	12.3	12.3	12.7	11.8	11.8	11.8
EBIT margin (%)	18.9	18.2	18.2	18.3	18.2	18.3
Net income (Rs mn)	134,792	148,316	157,070	172,773	179,899	195,024
Re/US\$ rate (average)	74.6	80.6	82.8	84.6	86.6	88.5
	2022	2023	2024	2025	2026E	2027E
LTIMindtree						
Revenues (US\$ mn)	3,502	4,106	4,287	4,493	4,643	5,030
US\$ revenue growth yoy (%)	27.5	17.2	4.4	4.8	3.4	8.3
Volume growth yoy (%)	23.1	20.4	3.1	2.7	3.6	8.1
Pricing change (%)						
Onsite	5.7	0.4	2.1	1.4	(0.1)	1.0
Offshore	6.4	(0.1)	1.6	1.1	0.1	1.6
Blended	3.5	(2.6)	1.3	2.0	(0.2)	0.3
Directs costs (as % of revenues)	70.6	71.5	71.2	71.2	71.4	71.0
SG&A expenses (as % of revenues)	9.6	10.1	10.8	11.2	11.6	11.6
EBIT margin (%)	19.5	16.5	15.7	14.8	14.8	15.4
Net income (Rs mn)	39,498	44,078	45,821	46,020	50,372	57,850
Re/US\$ rate (average)	74.8	80.8	82.8	84.6	86.6	88.5
	2022	2023	2024	2025	2026E	2027E
Tech Mahindra						
Revenues (US\$ mn)	5,999	6,607	6,277	6,264	6,316	6,755
US\$ revenue growth yoy (%)	17.4	10.1	(5.0)	(0.2)	0.8	6.9
Volume growth yoy (%)	13.6	12.7	(5.6)	1.0	3.3	6.8
Pricing change (%)						
Onsite	5.2	(1.7)	3.0	4.4	2.8	1.8
Offshore	7.9	(0.2)	4.7	5.1	(0.2)	1.5
Blended	3.3	(2.3)	0.6	(1.2)	(2.4)	0.1
Directs costs (as % of revenues)	69.4	71.5	75.2	71.9	69.2	66.8
SG&A expenses (as % of revenues)	12.7	13.4	15.2	14.9	14.9	15.0
EBIT margin (%)	14.6	11.4	6.1	9.7	12.6	15.1
Net income (Rs mn)	55,661	50,683	28,160	42,788	53,489	69,690
Re/US\$ rate (average)	74.4	80.7	82.8	84.6	86.6	88.5
	2022	2023	2024	2025	2026E	2027E
Infosys						
Revenues (US\$ mn)	16,310	18,212	18,562	19,277	19,304	20,568
US\$ revenue growth yoy (%)	20.3	11.7	1.9	3.9	0.1	6.5
Volume growth yoy (%)	22.1	14.7	0.1	4.1	1.1	5.3
Pricing change (%)						
Onsite	1.3	(3.2)	2.1	(0.3)	(1.3)	0.5
Offshore	1.1	(3.6)	1.4	1.4	0.7	0.5
Blended	(1.5)	(2.6)	1.8	(0.3)	(0.9)	1.0
Directs costs (as % of revenues)	64.6	66.9	66.9	66.6	66.0	65.9
SG&A expenses (as % of revenues)	9.6	9.2	9.4	9.3	9.8	9.9
EBIT margin (%)	23.0	21.1	20.7	21.1	21.2	21.4
Net income (Rs mn)	221,110	240,950	242,640	262,930	274,378	300,478
Re/US\$ rate (average)	74.6	80.6	82.8	84.6	86.6	88.5
	2022	2023	2024	2025	2026E	2027E
TCS						
Revenues (US\$ mn)	25,707	27,927	29,080	30,216	30,351	32,162
US\$ revenue growth yoy (%)	15.9	8.6	4.1	3.9	0.4	6.0
Volume growth yoy (%)	18.2	13.2	1.9	0.8	3.8	6.5
Pricing change (%)						
Onsite	2.3	(0.9)	2.0	(0.3)	0.3	—
Offshore	0.0	(3.7)	1.7	0.1	(0.1)	—
Blended	(1.3)	(3.5)	1.4	(0.2)	0.1	(0.1)
Directs costs (as % of revenues)	59.8	60.4	59.6	61.0	59.8	59.8
SG&A expenses (as % of revenues)	15.0	15.5	15.8	14.5	14.8	14.8
EBIT margin (%)	25.3	24.1	24.6	24.5	25.4	25.4
Net income (Rs mn)	383,270	421,470	466,132	489,926	529,105	574,214
Re/US\$ rate (average)	74.6	80.7	82.8	84.7	87.6	89.5
	2022	2023	2024	2025	2026E	2027E
Wipro						
Revenues (US\$ mn)	10,356	11,160	10,805	10,512	10,130	10,396
US\$ revenue growth yoy (%)	27.3	7.8	(3.2)	(2.7)	(3.6)	2.6
Volume growth yoy (%)	31.1	14.1	(0.8)	1.6	(2.3)	2.7
Pricing change (%)						
Onsite	8.7	(8.5)	(1.9)	(2.0)	(0.4)	0.0
Offshore	0.5	(0.5)	(2.1)	(3.8)	(0.4)	(0.0)
Blended	(1.9)	(4.7)	(2.2)	(4.5)	(2.1)	(0.4)
Directs costs (as % of revenues)	66.8	68.1	67.1	66.9	67.0	66.9
SG&A expenses (as % of revenues)	11.7	12.5	13.2	12.7	12.7	12.9
IT services EBIT margin (%)	17.5	15.7	15.9	17.1	17.4	17.4
Net income (Rs mn)	122,192	113,500	110,450	130,225	132,374	139,384
Re/US\$ rate (average)	75.5	80.4	82.7	84.5	86.6	88.5

Source: Companies, Kotak Institutional Equities estimates

We expect modest growth in revenues and modest improvement in EBIT margins for all IT companies in FY2026E

Exhibit 28: Assumptions built into our models for the tier-I Indian IT companies, March fiscal year-ends, 2021-27E

	2022	2023	2024	2025	2026E	2027E
Mphasis						
Revenues (US\$ mn)	1,590	1,717	1,610	1,681	1,803	1,935
US\$ revenue growth yoy (%)	21.5	8.0	(6.3)	4.4	7.3	7.4
Volume growth yoy (%)	17.6	7.7	(6.4)	1.5	5.0	10.0
Pricing change (%)						
Onsite	5.0	6.0	5.4	—	0.8	—
Offshore	0.9	3.8	3.0	—	0.8	—
Blended	3.3	0.3	0.1	2.9	2.2	(2.4)
Directs costs (as % of revenues)	70.8	71.1	69.9	68.7	69.1	68.9
SG&A expenses (as % of revenues)	11.5	11.2	11.9	12.7	12.6	12.6
EBIT margin (%)	15.3	15.3	15.1	15.2	15.4	15.5
Net income (Rs mn)	14,309	16,379	15,549	16,855	18,682	20,952
Re/US\$ rate (average)	75.2	80.4	82.5	84.6	87.6	89.5
	2022	2023	2024	2025	2026E	2027E
LTTS						
Revenues (US\$ mn)	880	990	1,164	1,259	1,400	1,536
US\$ revenue growth yoy (%)	19.5	12.4	17.6	8.2	11.2	9.7
Volume growth yoy (%)	17.1	12.6	9.8	4.4	9.6	8.9
Pricing change (%)						
Onsite	6.2	(1.0)	2.3	4.4	3.2	2.4
Offshore	3.4	(1.4)	11.8	2.0	(0.7)	(0.5)
Blended	2.1	(0.1)	7.1	3.6	1.4	0.8
Directs costs (as % of revenues)	55.6	57.0	51.1	53.3	53.7	54.0
SG&A expenses (as % of revenues)	22.9	21.7	29.0	29.0	29.0	28.5
EBIT margin (%)	18.3	18.5	17.1	14.9	14.4	14.8
Net income (Rs mn)	9,570	11,698	13,036	12,666	13,833	16,096
Re/US\$ rate (average)	74.6	81.0	82.9	84.8	86.6	88.5
	2022	2023	2024	2025	2026E	2027E
KPIT						
Revenues (US\$ mn)	328	418	587	694	803	931
US\$ revenue growth yoy (%)	19.5	27.4	40.4	18.2	15.7	16.0
Volume growth yoy (%)	19.3	25.7	25.8	14.2	13.4	16.6
Pricing change (%)						
Onsite	6.2	(0.9)	1.7	3.5	2.6	—
Offshore	(1.3)	(0.8)	10.1	3.9	1.0	—
Blended	0.1	1.4	11.6	3.5	2.1	(0.5)
Directs costs (as % of revenues)	66.2	64.9	65.0	63.9	63.1	63.0
SG&A expenses (as % of revenues)	15.8	16.2	14.7	15.0	15.2	15.0
EBIT margin (%)	13.1	14.5	16.3	17.4	18.3	19.1
Net income (Rs mn)	2,742	3,796	5,945	8,277	9,259	11,490
Re/US\$ rate (average)	74.1	80.4	83.0	84.6	87.6	89.5
	2022	2023	2024	2025	2026E	2027E
Persistent						
Revenues (US\$ mn)	766	1,036	1,186	1,409	1,633	1,873
US\$ revenue growth yoy (%)	35.2	35.3	14.5	18.8	15.9	14.7
Volume growth yoy (%)	45.0	37.0	16.6	15.4	18.1	14.7
Pricing change (%)						
Onsite	(2.4)	(2.0)	(1.0)	2.5	0.9	1.0
Offshore	1.0	3.3	(0.0)	0.2	0.1	1.0
Blended	(6.7)	(1.2)	(1.8)	3.0	(1.8)	(0.1)
Directs costs (as % of revenues)	66.4	66.2	66.4	66.0	66.0	65.9
SG&A expenses (as % of revenues)	16.9	15.6	16.0	16.8	16.5	16.4
EBIT margin (%)	13.9	14.9	14.4	14.7	15.2	15.6
Net income (Rs mn)	6,904	9,211	10,935	14,001	17,292	20,004
Re/US\$ rate (average)	74.6	80.6	82.8	84.7	86.6	88.5
	2022	2023	2024	2025	2026E	2027E
Cyient (DET)						
Revenues (US\$ mn)	504	632	714	688	678	724
US\$ revenue growth yoy (%)	9.2	25.6	12.9	(3.7)	(1.5)	6.9
Volume growth yoy (%)	8.4	21.7	7.7	(5.7)	(3.1)	7.8
Pricing change (%)						
Onsite	4.3	8.5	1.1	2.7	0.9	0.0
Offshore	5.0	(2.4)	(0.2)	2.8	4.4	(0.0)
Blended	0.7	3.2	4.9	2.2	1.7	(0.9)
Directs costs (as % of revenues)	59.0	58.1	57.4	60.2	58.5	58.1
SG&A expenses (as % of revenues)	19.7	23.9	22.3	22.3	24.2	23.6
EBIT margin (%)	15.3	13.7	16.1	13.5	13.3	14.2
Net income (Rs mn)	5,220	5,146	6,830	6,157	6,966	8,327
Re/US\$ rate (average)	74.5	80.6	82.8	84.6	86.6	88.5
	2022	2023	2024	2025	2026E	2027E
Tata Elxsi						
Revenues (US\$ mn)	331	390	429	441	448	511
US\$ revenue growth yoy (%)	34.3	17.8	10.0	2.7	1.7	14.0
Volume growth yoy (%)	32.2	23.8	13.6	(3.0)	3.6	13.8
Pricing change (%)						
Onsite	17.5	(6.3)	(6.8)	(0.6)	(0.3)	—
Offshore	6.8	(4.5)	(3.6)	6.6	(2.4)	—
Blended	1.6	(4.9)	(3.2)	5.9	(1.8)	0.2
Directs costs (as % of revenues)	52.1	50.8	53.8	54.9	55.7	55.5
SG&A expenses (as % of revenues)	16.9	18.6	16.7	18.5	18.4	17.7
EBIT margin (%)	28.8	28.0	26.7	23.8	23.1	24.1
Net income (Rs mn)	5,497	7,563	7,924	7,849	7,577	9,109
Re/US\$ rate (average)	74.6	80.6	82.8	84.6	86.6	88.5

Source: Companies, Kotak Institutional Equities estimates

We prefer stocks with compounding in earnings/book and lower risks of derating in multiples

Exhibit 29: KIE large-cap. model portfolio

Company	Price (Rs) 25-Apr-25	KIE weight (%)
Automobiles & Components		
Mahindra & Mahindra	2,864	2.0
Automobiles & Components		2.0
Banks		
Axis Bank	1,166	6.7
Canara Bank	97	1.5
HDFC Bank	1,911	9.6
ICICI Bank	1,405	10.0
IndusInd Bank	822	2.2
State Bank of India	799	6.8
Banks		36.8
Capital Goods		
ABB	5,499	1.5
Cummins India	2,861	1.3
L&T	3,272	1.7
Capital Goods		4.6
Consumer Staples		
Dabur India	485	1.5
Consumer Staples		1.5
Diversified Financials		
Bajaj Finserv	2,046	1.8
Shriram Finance	655	2.0
Diversified Financials		3.9
Health Care Services		
Apollo Hospitals	6,953	3.1
Dr Lal Pathlabs	2,911	1.7
Health Care Services		4.8
Insurance		
HDFC Life Insurance	705	2.0
ICICI Prudential Life	596	2.0
Insurance		4.1

	Price (Rs) 25-Apr-25	KIE weight (%)
Internet Software & Services		
Eternal	229	1.5
Internet Software & Services		1.5
IT Services		
Infosys	1,480	5.5
TCS	3,448	2.6
Tech Mahindra	1,462	1.5
IT Services		9.6
Oil, Gas & Consumable Fuels		
Reliance Industries	1,300	8.5
Oil, Gas & Consumable Fuels		8.5
Pharmaceuticals		
Cipla	1,526	2.5
Lupin	2,020	1.4
Mankind Pharma	2,558	1.6
Sun Pharmaceuticals	1,787	1.5
Torrent Pharmaceuticals	3,239	1.7
Pharmaceuticals		8.7
Specialty Chemicals		
Pidlite Industries	3,011	1.5
Specialty Chemicals		1.5
Real Estate		
Embassy Office Parks REIT	380	1.4
Macrotech Developers	1,305	1.5
Real Estate		2.9
Telecommunication Services		
Bharti Airtel	1,817	6.3
Telecommunication Services		6.3
Transportation		
Adani Ports and SEZ	1,193	1.9
Interglobe Aviation	5,314	1.5
Transportation		3.4
BSE-30	79,213	100

Notes:

(a) The model portfolio is not advise or recommendation or a suggestion for buying or selling securities as shown. It is only an indicative portfolio to show how a portfolio can be built. Please consult an expert to build your portfolio.

Source: Kotak Institutional Equities estimates

"Each of the analysts named below hereby certifies that, with respect to each subject company and its securities for which the analyst is responsible in this report, (1) all of the views expressed in this report accurately reflect his or her personal views about the subject companies and securities, and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this report: Sanjeev Prasad, Suvodeep Rakshit, Anindya Bhowmik, Sunita Baldawa."

Ratings and other definitions/identifiers

Definitions of ratings

BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

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.

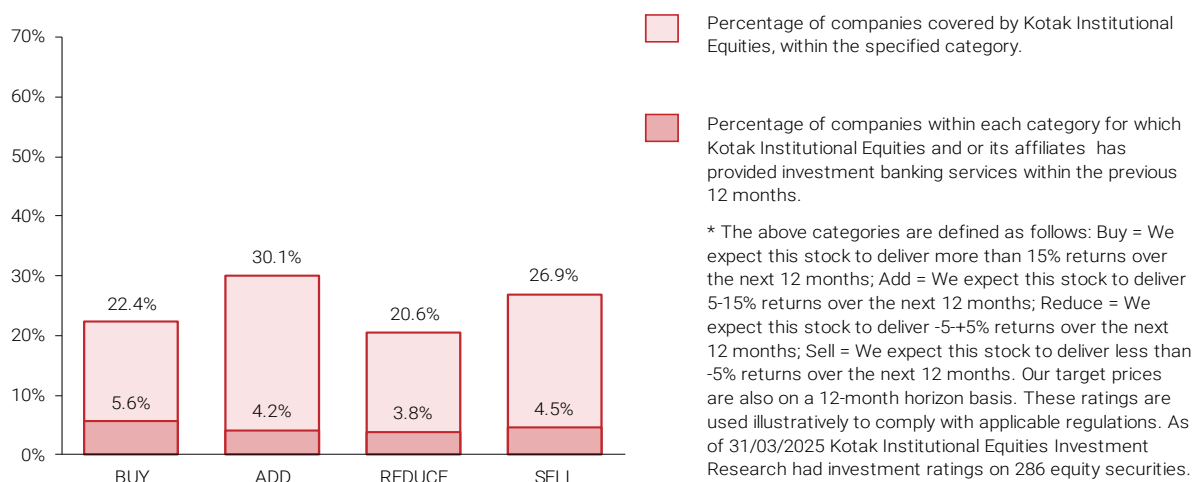
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

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.

Distribution of ratings/investment banking relationships

Kotak Institutional Equities Research coverage universe



Source: Kotak Institutional Equities

As of March 31, 2025

Coverage view

The coverage view represents each analyst's overall fundamental outlook on the Sector. The coverage view will consist of one of the following designations: **Attractive, Neutral, Cautious.**

Other ratings/identifiers

NR = Not Rated. The investment rating and fair value, if any, have been suspended temporarily. Such suspension is in compliance with applicable regulation(s) and/or Kotak Securities policies in circumstances when Kotak Securities or its affiliates is acting in an advisory capacity in a merger or strategic transaction involving this company and in certain other circumstances.

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