

Strategy

March 03, 2025

Price, value, flows and cats (alive or dead)

The sharp correction in the Indian market in CYTD25 has led to a significant correction in the market from peak levels. However, we do not find value in most parts of the market despite the sharp correction across sectors and stocks. Flows have seen endless discussion among market participants but have proven (again) to be pointless to assess the market peak or correction.

Are we there yet? Sigh!

The Indian market has seen a sharp correction in the past 6-9 months, with the market fall being exacerbated by the decline in recent weeks (see Exhibits 1-2). The correction is far more severe in many sectors and individual stocks (see Exhibits 3-5) compared to the headline indices. Most sectors have seen a decent correction, with only the banking sector consistently holding up.

Is there value in the market? Sorry!

We do not find much value in the market (see Exhibits 6-11) despite the severe market correction. Most parts of the market are expensive on an absolute basis or on a historical basis, with (1) consumption stocks trading at full-to-frothy valuations, especially in the context of short-term growth issues and medium-term disruption risks, (2) investment stocks trading at fair-to-full valuations and (3) outsourcing stocks trading at fair-to-full valuations, especially in the context of short-term demand (IT services) and market (pharmaceuticals) risks. Only the banks and NBFCs seem to be reasonably valued. Headline market (Nifty-50 Index; see Exhibits 12-13) valuations are misleading, given (1) the wide disparity in valuations and (2) a large share of profits of low P/E sectors (see Exhibits 14-17).

Did the daily monitoring of flows really help? Oops!

We see investors focusing excessively on retail inflows into domestic mutual funds, but not enough on business models and valuations of companies. Flows have proven (again) to be absolutely useless in figuring out the peak of the market and the subsequent correction (retail inflows into domestic mutual funds have continued unabated; see Exhibits 18-21), and they will prove useless in predicting the market bottom. A few basic facts about the market remain underappreciated: (1) there is no money in the secondary market; somebody buys, somebody sells at all prices, (2) expectations of returns influence the action of buying (inflows) or selling (outflows) of an investor and (3) the price of a stock is the clearing price based on the expectations of all market participants.

Does a 'dead' cat really bounce? Ouch!

We continue to be wary about 'narrative' stocks. Many such stocks are trading at unfathomable valuations (see Exhibit 22) despite the 30-50% correction in their stock prices in the past few months (see Exhibit 23). Investors waiting for a revival in 'narratives' and a rebound in 'narrative' stocks may want to note the following: (1) the cat may be already dead, (2) the cat will likely be dead if it is dropped from a sufficient height (despite a cat's fabled nine lives) and (3) the image will be too ghastly to imagine.

Key estimates summary

	2025E	2026E	2027E
Nifty estimates			
Earnings growth (%)	4.4	15.0	14.2
Nifty EPS (Rs)	1,032	1,179	1,349
Nifty P/E (X)	21.4	18.8	16.4
Macro data			
Real GDP (%)	6.5	6.5	6.5
Avg CPI inflation (%)	4.8	4.2	4.1

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

Nifty-50 Index, Nifty Midcap 100 Index and Nifty Smallcap 100 Index have given -6%, -16% and -22% CYTD25 and +2%, 0% and -6% in the past 12 months

We expect net profits of the Nifty-50 Index to grow 4.4% and 15% in FY2025 and FY2026 and 8.8% and 15.4%, without COAL, BPCL and HPCL (through ONGC) in FY2025 and FY2026

The Nifty-50 Index is trading at 18.8X FY2026E 'EPS' and 16.5X FY2026E 'EPS'

[Full sector coverage on KINSITE](#)

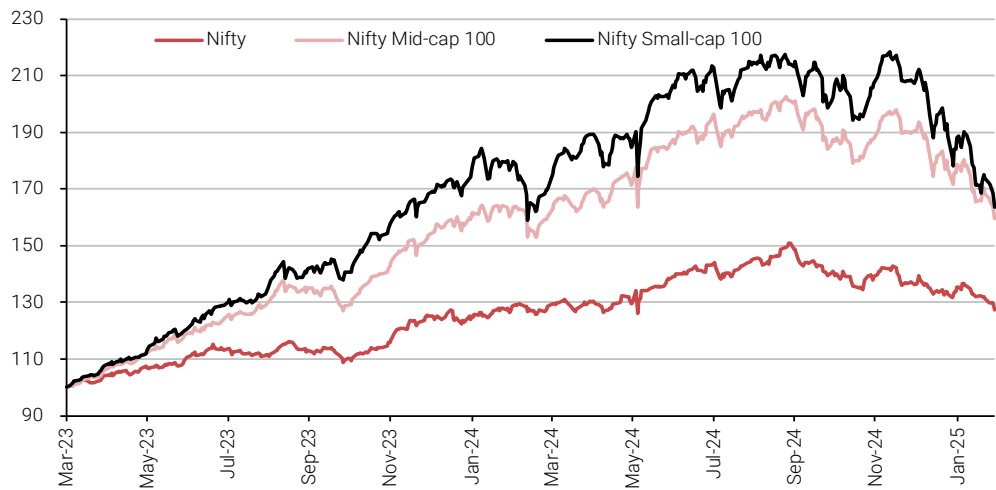
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Sharp correction in the Indian markets in the past 3-6 months

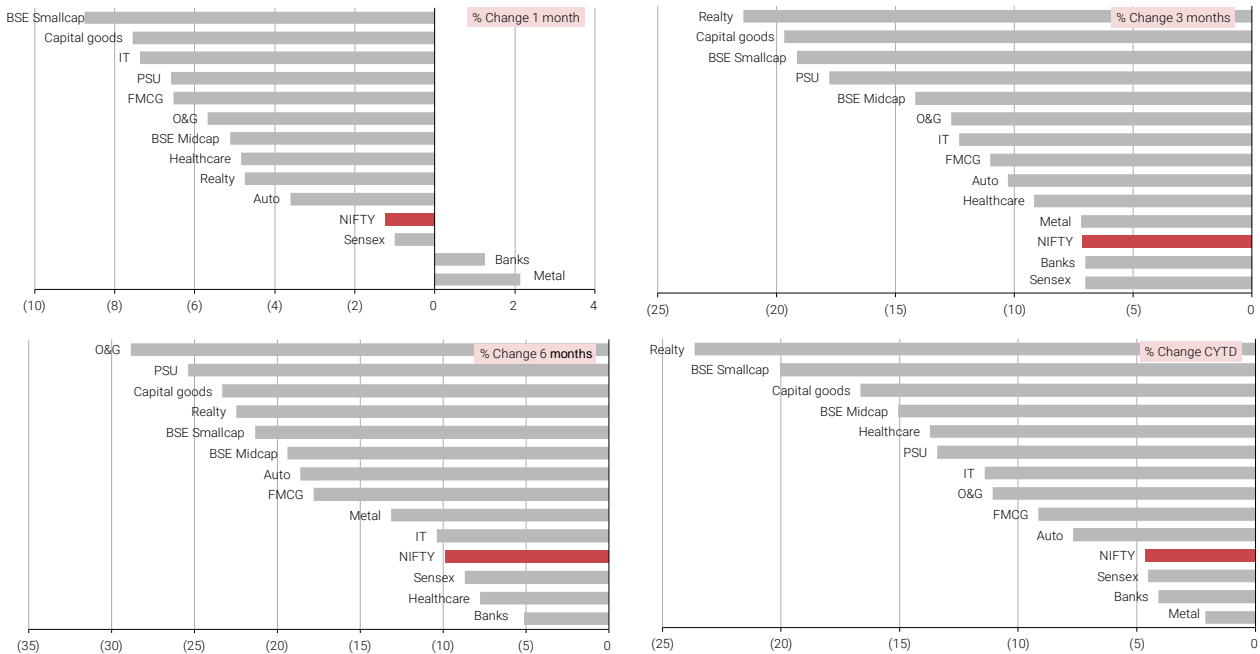
Exhibit 1: Performance of Nifty, Nifty Midcap 100 and Nifty Smallcap 100 indices (Mar-23=100)



Source: Bloomberg, Kotak Institutional Equities

Severe corrections across most sectors and market caps in the past 3-6 months

Exhibit 2: Performance of various sectors (%)



Source: Bloomberg, Kotak Institutional Equities

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

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

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 4: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty Midcap Index (sorted on 12M basis)

Company Name	GICS sector	1M	3M	6M	12M	YTD	Company Name	GICS sector	1M	3M	6M	12M	YTD
Nifty Midcap 100 Index		(5)	(13)	(17)	0	(14)							
1 MRPL	Energy	(13)	(28)	(47)	(53)	(26)	51 Colgate-Palmolive	Consumer Staples	(8)	(17)	(29)	(1)	(7)
2 Vodafone Idea	Communication Services	(12)	(6)	(51)	(51)	(2)	52 Cummins India	Industrials	1	(20)	(25)	2	(14)
3 Delhivery	Industrials	(18)	(26)	(41)	(46)	(26)	53 Escorts Kubota	Industrials	(13)	(19)	(24)	2	(12)
4 Poonawalla Fincorp	Financials	(9)	(22)	(30)	(40)	(10)	54 Oracle	Information Technology	(13)	(32)	(26)	3	(37)
5 Astral	Industrials	(5)	(22)	(29)	(34)	(16)	55 Aurobindo Pharma	Health Care	(8)	(12)	(30)	3	(19)
6 Tata Technologies	Information Technology	(6)	(24)	(35)	(33)	(20)	56 JSW Infrastructure	Industrials	(1)	(16)	(22)	4	(18)
7 Bandhan Bank	Financials	(8)	(20)	(32)	(32)	(14)	57 FSN E-Commerce	Consumer Discretionary	(4)	(6)	(29)	5	(2)
8 Container Corp.	Industrials	(10)	(18)	(33)	(32)	(16)	58 ABFRL	Consumer Discretionary	(10)	(22)	(25)	6	(13)
9 ACC	Materials	(9)	(17)	(22)	(32)	(11)	59 Petronet LNG	Energy	(4)	(9)	(19)	6	(14)
10 IRB Infrastructure	Industrials	(9)	(13)	(31)	(32)	(21)	60 Phoenix Mills	Real Estate	2	(10)	(17)	7	(7)
11 Yes Bank	Financials	(6)	(14)	(28)	(31)	(11)	61 IREDA	Financials	(11)	(16)	(35)	7	(23)
12 IOB	Financials	(9)	(14)	(26)	(29)	(12)	62 Bharat Dynamics	Industrials	(16)	(9)	(23)	8	(10)
13 IDFC First Bank	Financials	4	(8)	(21)	(29)	(6)	63 Exide Industries	Consumer Discretionary	2	(20)	(29)	9	(15)
14 Bank of India	Financials	(7)	(13)	(19)	(29)	(5)	64 Sundaram Finance	Financials	4	10	(0)	9	10
15 Tube Investments	Consumer Discretionary	(21)	(25)	(39)	(28)	(29)	65 Oberoi Realty	Real Estate	(11)	(24)	(13)	9	(35)
16 MRF	Consumer Discretionary	(5)	(15)	(24)	(28)	(19)	66 Mankind Pharma	Health Care	(7)	(10)	(5)	9	(20)
17 SJVN	Utilities	(3)	(23)	(34)	(28)	(16)	67 Max Financial	Financials	(1)	(14)	(5)	10	(8)
18 Tata Communications	Communication Services	(11)	(21)	(29)	(27)	(18)	68 Patanjali Foods	Consumer Staples	(0)	3	(5)	12	2
19 Tata Elxsi	Information Technology	(10)	(18)	(38)	(27)	(18)	69 Biocoin	Health Care	(16)	(13)	(12)	13	(15)
20 Sonata BLW	Consumer Discretionary	(2)	(25)	(29)	(27)	(15)	70 Torrent Power	Utilities	(10)	(14)	(22)	14	(12)
21 Apollo Tyres	Consumer Discretionary	(7)	(24)	(23)	(25)	(26)	71 Colforce	Information Technology	(15)	(14)	23	14	(22)
22 Godrej Properties	Real Estate	(7)	(32)	(33)	(22)	(30)	72 Federal Bank	Financials	(7)	(16)	(9)	16	(11)
23 LIC Housing Finance	Financials	(9)	(18)	(25)	(21)	(14)	73 Lupin	Health Care	(9)	(6)	(13)	17	(20)
24 KPIT Technologies	Information Technology	(4)	(11)	(33)	(21)	(15)	74 Suzlon Energy	Industrials	4	(18)	(33)	17	(16)
25 Bank of Maharashtra	Financials	(2)	(14)	(24)	(20)	(8)	75 SBI Cards	Financials	14	21	16	17	29
26 IDBI Bank	Financials	(12)	(13)	(26)	(20)	(7)	76 Balkrishna Industries	Consumer Discretionary	5	(2)	(5)	17	(8)
27 GMR Airports Infrastructure	Industrials	(2)	(15)	(27)	(19)	(12)	77 Page Industries	Consumer Discretionary	(6)	(7)	1	17	(12)
28 PI Industries	Materials	(11)	(27)	(32)	(18)	(18)	78 Voltas	Industrials	(7)	(21)	(25)	17	(27)
29 L&T Finance Holdings	Financials	(1)	(1)	(18)	(17)	3	79 Marico	Consumer Staples	(5)	(4)	(8)	19	(3)
30 Tata Chemicals	Materials	(15)	(28)	(26)	(17)	(24)	80 SRF	Materials	11	24	12	19	28
31 Supreme Industries	Materials	(2)	(24)	(35)	(16)	(26)	81 Max Healthcare	Health Care	(1)	1	19	20	(10)
32 Aditya Birla Capital	Financials	(5)	(18)	(29)	(16)	(11)	82 Indian Hotels Co.	Consumer Discretionary	(5)	(8)	9	23	(17)
33 SAIL	Materials	2	(9)	(22)	(15)	(6)	83 Kalyan Jewellers	Consumer Discretionary	7	(33)	(24)	27	(39)
34 NMDC	Materials	1	(14)	(15)	(13)	(1)	84 Solar Industries	Materials	(6)	(15)	(17)	27	(11)
35 HPCL	Energy	(11)	(19)	(24)	(13)	(25)	85 Persistent System	Information Technology	(10)	(7)	11	28	(15)
36 HUDCO	Financials	(17)	(21)	(38)	(13)	(26)	86 Ashok Leyland	Industrials	14	(4)	(14)	30	2
37 Bharat Forge	Consumer Discretionary	(13)	(22)	(35)	(12)	(20)	87 Rail Vikas Nigam	Industrials	(13)	(20)	(39)	31	(17)
38 Mphasis	Information Technology	(19)	(21)	(22)	(12)	(17)	88 CG Power	Industrials	(3)	(24)	(20)	32	(20)
39 NLC India	Utilities	(1)	(20)	(26)	(11)	(16)	89 PB Fintech	Financials	(11)	(19)	(16)	32	(29)
40 Alkem Lab	Health Care	(7)	(15)	(22)	(9)	(18)	90 Hindustan Zinc	Materials	(9)	(18)	(23)	33	(7)
41 Indraprastha Gas	Utilities	4	23	(27)	(7)	(6)	91 UPL	Materials	19	17	15	38	28
42 Prestige Estates	Real Estate	(9)	(30)	(34)	(6)	(33)	92 Jubilant Foodworks	Consumer Discretionary	5	3	1	39	(7)
43 AU Small Finance Bank	Financials	(1)	(6)	(12)	(6)	(0)	93 Indus Towers	Communication Services	(3)	(3)	(23)	41	(1)
44 HDFC AMC	Financials	(1)	(13)	(18)	(6)	(12)	94 Cochin Shipyard	Industrials	(8)	(14)	(37)	52	(16)
45 Oil India	Energy	(10)	(28)	(49)	(4)	(15)	95 One 97	Financials	(7)	(21)	33	70	(29)
46 FACT	Materials	(17)	(14)	(24)	(3)	(24)	96 Muthoot Finance	Financials	3	14	11	71	3
47 Indian Bank	Financials	5	(7)	(5)	(3)	(2)	97 Mazagon Dock	Industrials	(6)	(6)	(2)	101	(6)
48 MMFSL	Financials	9	4	(12)	(2)	6	98 Dixon Technologies	Consumer Discretionary	(10)	(11)	5	104	(23)
49 APL Apollo Tubes	Materials	(5)	(3)	(0)	(2)	(8)	99 BSE	Financials	(5)	15	91	115	(3)
50 Polycab India	Industrials	(17)	(34)	(31)	(2)	(36)	100 Bharti Hexacom	Communication Services	(2)	(1)	11	#N/A	(10)

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 5: 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	
Nifty Smallcap 100 Index		(7)	(18)	(22)	(6)	(19)								
1 Sterling & Wilson	Industrials	(21)	(49)	(62)	(58)	(45)	51 Action Construction	Industrials	(11)	(14)	(15)	(11)	(26)	
2 Sonata Software	Information Technology	(29)	(39)	(39)	(55)	(36)	52 Kalpataru Projects	Industrials	(12)	(22)	(32)	(9)	(31)	
3 Tanla Platforms	Information Technology	(20)	(35)	(53)	(54)	(32)	53 IFCI	Financials	(18)	(33)	(40)	(8)	(32)	
4 JBM Auto	Consumer Discretionary	(21)	(29)	(42)	(51)	(28)	54 BLS International	Industrials	(16)	(12)	(19)	(7)	(28)	
5 CPCL	Energy	(11)	(24)	(52)	(49)	(25)	55 Apar Industries	Industrials	(34)	(40)	(34)	(6)	(43)	
6 RITES	Industrials	(16)	(27)	(35)	(46)	(27)	56 Brigade Enterprises	Real Estate	(4)	(20)	(18)	(4)	(21)	
7 IIFL Finance	Financials	(11)	(25)	(32)	(46)	(23)	57 The Ramco Cement	Materials	(6)	(15)	2	(4)	(14)	
8 Swan Energy	Consumer Discretionary	(22)	(32)	(39)	(44)	(42)	58 Piramal Enterprises	Financials	(1)	(24)	(16)	(1)	(18)	
9 Olectra Greentech	Industrials	(15)	(28)	(28)	(44)	(22)	59 KEC International	Industrials	(13)	(32)	(20)	(1)	(42)	
10 Zee Entertainment	Communication Services	(10)	(21)	(36)	(44)	(20)	60 Dr Lal Pathlabs	Health Care	(14)	(22)	(29)	(0)	(21)	
11 Birlasoft	Information Technology	(13)	(25)	(30)	(44)	(20)	61 Inox Wind	Industrials	13	(16)	(31)	(0)	(14)	
12 NMDC Steel	Materials	(5)	(21)	(34)	(41)	(16)	62 Five-Star Business Finance	Financials	2	13	(1)	0	(6)	
13 Aarti Industries	Materials	(5)	(13)	(38)	(41)	(3)	63 Tejas Networks	Information Technology	(17)	(45)	(44)	1	(38)	
14 Data Pattern	Industrials	(23)	(37)	(47)	(40)	(38)	64 CESC	Utilities	(1)	(23)	(36)	3	(28)	
15 Trident	Consumer Discretionary	(9)	(18)	(29)	(39)	(20)	65 CAMS Services	Industrials	(14)	(33)	(25)	4	(36)	
16 RBL Bank	Financials	9	3	(30)	(39)	3	66 Castrol India	Materials	29	10	(21)	6	11	
17 GMDC	Energy	(13)	(28)	(32)	(38)	(22)	67 Narayana Hrudayalaya	Health Care	15	18	18	8	17	
18 Railtel	Communication Services	(18)	(27)	(40)	(37)	(26)	68 Indian Energy Exchange	Financials	(4)	(9)	(20)	8	(14)	
19 Cyient	Information Technology	(3)	(31)	(35)	(36)	(29)	69 Shyam Metals & Energy	Materials	(3)	(16)	(13)	10	(2)	
20 IRCON International	Industrials	(24)	(30)	(43)	(36)	(31)	70 PNB Housing	Financials	(4)	(10)	(11)	10	(11)	
21 CreditAccess Gramin	Financials	5	(1)	(20)	(35)	10	71 Aster DM Healthcare	Health Care	(17)	(16)	(2)	11	(21)	
22 PVR Inox	Communication Services	(12)	(39)	(40)	(35)	(30)	72 Crompton Greaves Consumer	Consumer Discretionary	(4)	(20)	(31)	12	(18)	
23 Intellect Design	Information Technology	(19)	(3)	(28)	(34)	(27)	73 Karur Vysya Bank	Financials	(6)	(9)	(7)	13	(3)	
24 UCO Bank	Financials	(12)	(15)	(27)	(33)	(14)	74 Triveni Turbine	Industrials	(17)	(37)	(30)	14	(29)	
25 J&K Bank	Financials	9	(1)	(11)	(32)	(4)	75 National Aluminium	Materials	(9)	(27)	(3)	15	(15)	
26 NCC	Industrials	(22)	(41)	(45)	(31)	(35)	76 AAVAS Financiers	Financials	1	1	-	16	1	
27 Weispun Living	Consumer Discretionary	(22)	(27)	(45)	(30)	(29)	77 Manappuram Finance	Financials	13	34	(4)	16	11	
28 Tata Teleservices	Communication Services	(9)	(24)	(37)	(29)	(16)	78 Redington	Information Technology	12	27	24	18	25	
29 Jyothy Labs	Consumer Staples	(10)	(18)	(40)	(28)	(16)	79 Raymond	Consumer Discretionary	(8)	(17)	(32)	20	(19)	
30 Central Bank	Financials	(12)	(20)	(26)	(28)	(15)	80 Amara Raja Energy & Mobility	Industrials	(2)	(21)	(37)	20	(17)	
31 Indiamart	Industrials	(6)	(17)	(35)	(28)	(13)	81 CDSL	Financials	(14)	(29)	(25)	21	(34)	
32 HFCL	Communication Services	(12)	(38)	(44)	(26)	(26)	82 Navin Fluorine International	Materials	5	8	15	21	16	
33 Angel One	Financials	(1)	(25)	(16)	(25)	(25)	83 Aditya Birla Real Estate	Real Estate	(1)	(34)	(26)	25	(26)	
34 Titagarh Rail System	Industrials	(21)	(38)	(50)	(24)	(33)	84 Radico Khaitan	Consumer Staples	(3)	(13)	15	29	(20)	
35 BEML	Industrials	(26)	(39)	(34)	(24)	(37)	85 Affle India	Communication Services	(1)	(9)	(12)	30	(18)	
36 GSPL	Utilities	(19)	(18)	(29)	(23)	(23)	86 360 ONE	Financials	(6)	(11)	(8)	35	(19)	
37 Natco Pharma	Health Care	(32)	(41)	(49)	(21)	(43)	87 Laurus Labs	Health Care	2	(0)	20	36	(10)	
38 Happiest Minds	Information Technology	2	(4)	(13)	(20)	(5)	88 Kaynes Tech	Information Technology	(23)	(32)	(19)	37	(46)	
39 Jupiter Wagons	Industrials	(26)	(37)	(46)	(19)	(40)	89 Glenmark Pharma	Health Care	(6)	(14)	(23)	42	(18)	
40 SignatureGlobal	Real Estate	(0)	(18)	(27)	(18)	(20)	90 MCX	Financials	(4)	(12)	11	44	(14)	
41 NBCC	Industrials	(15)	(21)	(36)	(18)	(19)	91 Zensar Technologies	Information Technology	(2)	4	3	46	6	
42 ITI	Information Technology	(21)	(6)	(14)	(18)	(33)	92 Blue Star	Industrials	7	4	12	49	(10)	
43 Hindustan Copper	Materials	(8)	(23)	(36)	(16)	(14)	93 Piramal Pharma	Health Care	(9)	(18)	11	50	(23)	
44 Atul	Materials	(16)	(27)	(32)	(14)	(23)	94 Amber Enterprises	Consumer Discretionary	(10)	(8)	38	59	(19)	
45 Ramkrishna Forgings	Materials	(14)	(32)	(30)	(14)	(26)	95 Chambal Fertilisers	Materials	20	17	11	62	16	
46 Mahanagar Gas	Utilities	4	11	(26)	(13)	2	96 Garden Reach	Industrials	(10)	(21)	(26)	64	(19)	
47 Finolex Cables	Industrials	(17)	(26)	(43)	(12)	(29)	97 Firstsource Solution	Industrials	1	(1)	16	72	(5)	
48 GE Shipping	Energy	(8)	(24)	(36)	(12)	(13)	98 Aegis Logistics	Energy	17	(7)	1	83	(7)	
49 HBL Power System	Industrials	(10)	(26)	(31)	(12)	(27)	99 Aadhar Housing Finance	Financials	5	(10)	(4)	#N/A	N/A	
50 Bata India	Consumer Discretionary	4	(6)	(12)	(11)	(7)	100 Go Digit General	Financials	(1)	(10)	(18)	#N/A	N/A	

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 6: 12M forward P/E multiple of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-25E

Company	Sector	12-m forward P/E multiple (X)														
		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	23
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	26
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	15
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	23
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	18
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	33
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	46
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	46
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	27
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	53
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	33
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	49
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	30
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	46
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	43
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	42
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	43
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	46
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	43
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	60
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	55
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	42
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	54
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	46
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	64
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	57
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	82
Pidlite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	56

Source: FactSet, Kotak Institutional Equities

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

Exhibit 7: 12M forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-25E

Company	Sector	12-m forward P/E multiple (X)														
		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
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	26
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	23
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	41
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	37
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	31
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	25
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	30
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	56
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	41
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	27
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	46
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	39
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	53
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	39
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	33
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	34
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	117
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	49
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	95
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	35
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	114
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	139

Source: FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 8: 12M 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)														
		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
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	33
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	30
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	30
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	35
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	16
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	18
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	24
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	52
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	45
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	49
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	45
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	28
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	70
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	66
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	31

Source: FactSet, Kotak Institutional Equities estimates

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

Exhibit 9: 12M forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-25E

Company	Sector	12-m forward P/E multiple (X)														
		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	36
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	17
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	18	21	18	24	23
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	24
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	35
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	46	28	38	32
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	23	36	18	25	22
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	47
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	37
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	34
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	23
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	24
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	21
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	55
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	22
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31
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	29
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	40
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	47

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 10: 12M forward P/B multiple of banks in KIE universe, March fiscal year ends, 2011-25E

Company	Sector	12-m forward P/B multiple (X)														
		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	2.2
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	0.7
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	0.7
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	1.1
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	1.2
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	2.4
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	2.7
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	1.0
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	0.7
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	1.3
Ujjivan Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	1.6	0.9	1.0	1.4	0.9
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	0.7

Source: FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

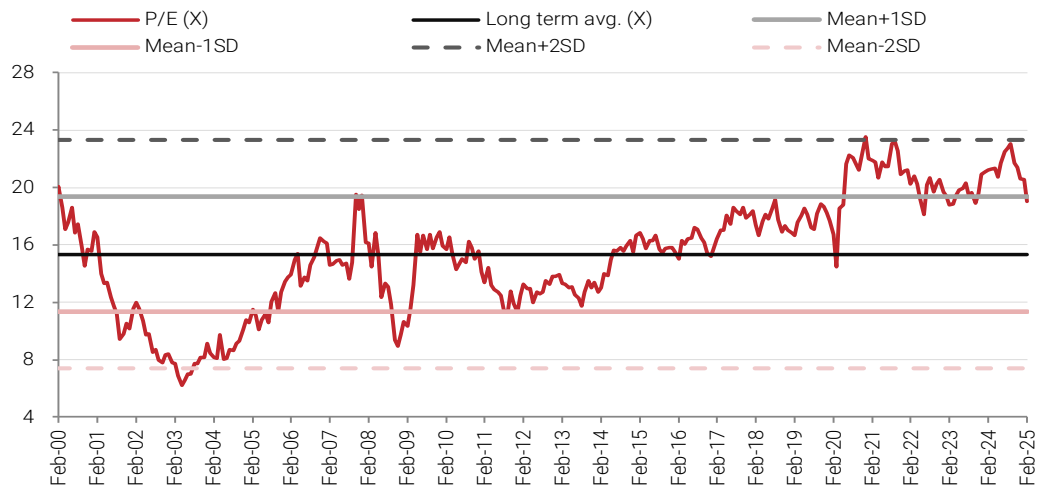
Exhibit 11: 12M forward P/B multiple of financial stocks in KIE universe, March fiscal year ends, 2011-25E

Company	Sector	12-m forward P/B multiple (X)														
		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
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	2.7
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.2
Aptus Value Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.2	3.1	3.6	3.1
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	4.8
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	1.2
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	0.7
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
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
12-m forward P/E multiple (X)																
360 One	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	22.5	26.4	23	20	27	33
ABSL AMC	Diversified Financials	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	30
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	40
HDFC AMC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	28
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	38
Nippon AMC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	24.7	24.3	24.1	33.8	26	17	27	22
UTI AMC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.9	20	14	15	14

Source: FactSet, Kotak Institutional Equities

Nifty-50 index has seen a derating in recent months and is trading at fair valuations on aggregate

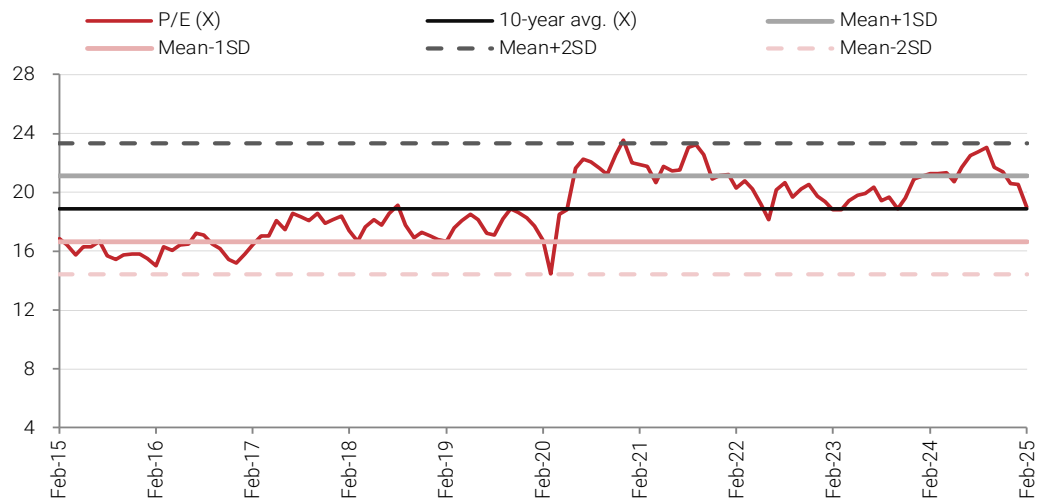
Exhibit 12: 12M rolling forward PE of Nifty-50 Index, March fiscal year-ends, 2001-25 (X)



Source: Companies, Kotak Institutional Equities estimates

Valuation of Nifty-50 Index is at 10-year average on index level; bottom-up valuations more relevant

Exhibit 13: 12M rolling forward PE of Nifty-50 Index, March fiscal year-ends, 2015-25 (X)



Source: Companies, Kotak Institutional Equities estimates

Significant increase in dispersion in valuations within and between sectors

Exhibit 14: 12M rolling forward P/E and P/B valuation for Nifty-50 stocks, March fiscal year-end, 2013-22 (X)

Company	Sector	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
Financial companies														
Axis Bank	Banks	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
Bajaj Finance	Diversified Financials	1.5	1.9	3.5	4.2	5.7	5.3	7.3	3.4	7.1	8.4	5.2	5.0	4.8
Bajaj Finserv	Diversified Financials	1.4	1.2	1.8	1.8	3.6	3.6	3.9	2.0	4.2	7.3	5.0	3.0	3.4
HDFC Bank	Banks	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.6	3.0	2.8	2.2	2.4
HDFC Life Insurance	Insurance	NA	NA	NA	NA	NA	17.1	11.2	11.3	14.6	9.4	6.2	8.7	7.4
ICICI Bank	Banks	1.7	1.8	2.1	1.5	1.8	1.7	2.3	1.7	2.5	2.7	2.7	2.9	2.7
IndusInd Bank	Banks	2.5	2.6	3.8	2.9	3.7	4.0	3.4	0.6	1.6	1.4	1.3	1.7	1.0
Kotak Mahindra Bank	Banks	2.8	2.8	3.9	3.3	3.7	3.6	3.8	3.2	3.9	3.2	2.9	2.9	2.2
SBI Life Insurance	Insurance	NA	NA	NA	NA	NA	8.9	6.5	6.4	7.4	8.4	7.3	8.9	7.5
Shriram Finance	Diversified Financials	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
State Bank of India	Banks	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.3	1.5	1.3	1.7	1.3
Non-financial companies														
Adani Ports and SEZ	Transportation	15	18	23	18	19	18	17	10	23	23	17	27	19
Apollo Hospitals	Health Care Services	30	31	43	41	40	41	43	33	59	54	50	61	46
Asian Paints	Commodity Chemicals	33	36	38	38	45	44	51	48	64	65	54	48	46
Bajaj Auto	Automobiles & Components	14	16	15	16	18	17	17	12	19	18	17	30	23
Bharat Electronics	Capital Goods	NA	NA	NA	NA	21	18	13	10	15	19	21	35	33
Bharti Airtel	Telecommunication Services	23	23	24	23	34	52	NM	70	47	31	27	36	32
BPCL	Oil, Gas & Consumable Fuels	15	14	14	10	11	10	10	8	10	8	8	10	7
Britannia Industries	Consumer Staples	24	23	39	33	39	49	53	41	45	41	47	49	46
Cipla	Pharmaceuticals	18	19	30	20	24	20	22	18	24	25	20	27	23
Coal India	Oil, Gas & Consumable Fuels	11	11	13	12	13	12	9	5	6	6	6	9	6
Dr Reddy's Laboratories	Pharmaceuticals	17	18	23	20	21	19	21	21	24	21	18	19	16
Eicher Motors	Automobiles & Components	16	24	38	33	33	29	21	17	29	25	23	25	26
Grasim Industries	Construction Materials	8	11	13	12	14	16	21	19	54	37	42	92	148
HCL Technologies	IT Services	14	15	18	13	14	14	14	10	18	21	18	24	23
Hero Motocorp	Automobiles & Components	14	16	16	17	17	18	13	10	16	14	13	20	15
Hindalco Industries	Metals & Mining	6	11	8	13	9	9	8	5	10	8	9	11	9
Hindustan Unilever	Consumer Staples	28	33	40	39	41	47	50	56	58	47	52	46	46
Infosys	IT Services	16	15	19	18	15	16	18	15	26	30	21	23	24
ITC	Consumer Staples	28	27	24	23	29	25	26	13	17	18	23	24	22
JSW Steel	Metals & Mining	8	11	9	18	11	13	11	7	11	9	12	14	19
L&T	Capital Goods	15	22	28	21	23	23	19	11	19	21	22	31	24
Mahindra & Mahindra	Automobiles & Components	14	15	19	18	20	19	15	9	20	18	16	21	22
Maruti Suzuki	Automobiles & Components	13	17	21	18	22	26	23	18	28	30	23	28	23
Nestle India	Consumer Staples	34	35	44	41	47	50	51	63	65	62	63	72	60
NTPC	Electric Utilities	10	10	13	10	12	11	11	6	7	8	9	15	13
ONGC	Oil, Gas & Consumable Fuels	9	8	9	10	10	8	7	6	6	4	4	7	6
Power Grid	Electric Utilities	11	10	12	10	11	10	10	7	9	11	10	16	14
Reliance Industries	Oil, Gas & Consumable Fuels	11	11	10	11	13	13	17	13	22	23	19	24	20
Sun Pharmaceuticals	Pharmaceuticals	23	20	29	24	21	25	23	17	23	26	24	35	29
Tata Consumer Products	Consumer Staples	17	18	19	16	18	26	23	31	50	53	46	61	55
Tata Motors	Automobiles & Components	7	7	8	9	12	8	10	9	18	19	14	15	9
Tata Steel	Metals & Mining	8	9	9	29	11	8	8	6	7	6	10	16	15
TCS	IT Services	20	19	20	18	17	19	22	20	30	31	24	28	23
Tech Mahindra	IT Services	11	13	15	13	12	16	14	11	16	21	16	23	24
Titan Company	Retailing	25	28	33	31	41	56	54	44	68	75	57	74	57
Trent	Retailing	43	36	40	27	44	56	53	59	43	43	79	109	82
Ultratech Cement	Construction Materials	16	24	23	28	34	31	32	20	32	26	30	31	33
Wipro	IT Services	14	15	16	14	14	15	15	11	20	24	15	21	21

Source: FactSet, Kotak Institutional Equities

We expect earnings of the Nifty-50 Index to grow 4.4% in FY2025E and 15% in FY2026E

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

	Mcap. (US\$ bn)	Adj. mcap. (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	154	82	11.8	11.8	14.7	20.3	18.2	15.8	11.0	10.1	8.8	4.2	3.6	3.2	1.6	1.9	2.2	20.6	20.0	20.0
Banks	407	350	5.2	6.9	16.3	15.8	14.7	12.7	—	—	—	2.3	2.0	1.8	1.2	1.3	1.4	14.6	13.9	14.4
Capital Goods	98	58	34.3	15.0	15.7	31.6	27.5	23.7	20.6	17.3	15.4	4.8	4.0	3.5	0.7	0.8	0.9	15.1	14.6	14.7
Commodity Chemicals	24	11	(23.6)	7.4	12.3	50.1	46.7	41.6	33.7	31.6	28.9	10.1	9.1	8.3	1.0	1.1	1.3	20.1	19.5	19.8
Construction Materials	51	23	(20.6)	42.4	27.5	42.7	30.0	23.5	16.7	13.1	11.2	2.8	2.6	2.4	0.5	0.7	0.8	6.5	8.6	10.1
Consumer Staples	163	86	(3.5)	9.4	10.7	38.8	35.5	32.0	28.0	25.4	22.9	9.2	8.8	8.4	2.2	2.4	2.7	23.7	24.8	26.3
Diversified Financials	108	49	25.1	18.6	23.3	25.3	21.4	17.3	—	—	—	4.8	4.0	3.4	0.4	0.5	0.6	18.8	18.8	19.5
Electric Utilities	61	30	3.7	10.8	8.0	14.2	12.8	11.8	9.3	8.4	7.8	1.9	1.7	1.6	3.2	3.5	3.7	13.3	13.6	13.6
Health Care Services	10	7	60.2	31.6	32.2	60.6	46.0	34.8	29.4	23.8	18.9	10.6	8.8	7.1	0.2	0.2	0.2	17.5	19.1	20.5
IT Services	321	148	9.3	10.8	12.8	25.6	23.1	20.5	16.9	15.3	13.6	7.5	7.0	6.6	3.0	3.3	3.8	29.3	30.3	32.0
Insurance	31	15	21.4	13.7	11.0	65.2	57.4	51.7	—	—	—	8.6	7.8	7.1	0.3	0.3	0.4	13.1	13.6	13.7
Metals & Mining	62	34	10.0	76.5	21.7	22.7	12.9	10.6	9.0	6.9	6.1	1.8	1.6	1.5	0.6	1.3	1.6	8.1	12.7	13.7
Oil, Gas & Consumable Fuels	256	118	(13.1)	18.1	7.9	13.9	11.7	10.9	8.2	6.5	5.8	1.6	1.4	1.3	1.9	2.0	2.0	11.5	12.3	12.0
Pharmaceuticals	67	36	14.3	6.5	5.2	26.4	24.8	23.5	17.9	16.2	15.3	4.3	3.8	3.4	0.7	0.8	0.9	16.4	15.3	14.3
Retailing	51	27	22.2	23.8	23.0	82.9	67.0	54.5	52.0	43.0	35.5	26.0	19.9	15.4	0.3	0.3	0.4	31.4	29.7	28.3
Telecommunication Services	107	50	102.5	38.3	29.1	41.0	29.7	23.0	11.6	9.1	7.5	9.5	7.2	6.3	0.9	1.4	1.8	23.2	24.4	27.2
Transportation	26	9	20.6	19.2	10.9	21.3	17.9	16.1	14.4	12.3	10.3	3.7	3.2	2.7	0.7	0.8	0.9	17.4	17.7	16.8
Nifty-50 Index	1,999	1,134	4.4	15.0	14.2	21.6	18.8	16.5	13.0	11.0	9.8	3.3	2.9	2.6	1.6	1.8	2.0	15.2	15.6	16.0
Nifty-50 Index (ex-energy)	1,743	1,016	10.0	14.2	15.9	23.6	20.7	17.8	15.1	13.0	11.5	3.9	3.5	3.1	1.5	1.7	2.0	16.6	16.8	17.4
Nifty-50 Index (ex-banks)	1,592	783	4.1	18.1	13.5	23.9	20.3	17.9	13.0	11.0	9.8	3.7	3.3	3.0	1.6	1.9	2.1	15.5	16.4	16.7

Notes:

(a) We use consensus numbers for Adani Enterprises and Kotak Mahindra Bank.

Source: Kotak Institutional Equities estimates

Banks, diversified financials, IT services and metals & mining to provide bulk of the incremental profits for FY2025 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		
	(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	665	743	852	4	8	8	8	8	70	20	78	6	109	8	
Tata Motors	(14)	(107)	7	200	213	244	303	0	3	3	3	3	14	4	30	3	59	4	
Banks	992	1,354	1,860	2,148	2,260	2,417	2,810	29	28	28	26	26	112	33	157	13	394	30	
HDFC Bank	431	507	603	608	663	768	869	9	8	8	8	8	55	16	105	9	102	8	
Capital Goods	99	117	158	202	271	312	361	2	3	3	3	3	69	20	41	3	49	4	
Commodity Chemicals	31	31	42	55	42	45	50	1	1	1	0	0	(13)	(4)	3	0	5	0	
Construction Materials	100	128	120	132	105	150	191	2	2	1	2	2	(27)	(8)	45	4	41	3	
Consumer Staples	258	286	338	381	368	402	445	5	5	5	4	4	(13)	(4)	34	3	43	3	
Diversified Financials	114	143	239	298	373	442	545	4	4	5	5	5	75	22	69	6	103	8	
Electric Utilities	290	301	324	364	377	418	452	5	5	5	5	4	13	4	41	3	34	3	
Health Care Services	1	9	8	9	14	19	25	—	—	—	—	—	5	2	5	0	6	0	
IT Services	810	917	975	1,004	1,097	1,216	1,372	15	13	14	13	13	94	27	119	10	156	12	
Insurance	28	27	31	35	42	48	53	0	0	1	1	0	7	2	6	0	5	0	
Metals & Mining	222	774	248	219	241	425	517	4	3	3	5	5	22	6	184	15	92	7	
Tata Steel	85	426	86	34	34	135	176	1.3	0.4	0.4	1.5	1.7	0	0	101	8.4	40	3	
Oil, Gas & Consumable Fuels	859	1,317	1,443	1,859	1,616	1,907	2,057	22	24	20	21	19	(243)	(71)	292	24	150	11	
ONGC	156	476	465	509	497	609	630	7	7	6	7	6	(12)	(3)	112	9	22	2	
Reliance Industries	435	579	667	696	684	837	957	10	9	8	9	9	(12)	(4)	153	13	120	9	
Pharmaceuticals	110	135	160	196	224	238	250	2	3	3	3	2	28	8	14	1	12	1	
Retailing	8	23	37	44	54	67	82	1	1	1	1	1	10	3	13	1	15	1	
Telecommunication Services	(29)	26	90	113	229	317	409	1	1	3	3	4	116	34	88	7	92	7	
Transportation	43	56	83	90	108	129	143	1	1	1	1	1	19	5	21	2	14	1	
Nifty-50 Index	4,086	5,715	6,434	7,742	8,085	9,294	10,615	100	100	100	100	100	343	100	1,209	100	1,321	100	
Nifty-50 change (%)	15.1	39.9	12.6	20.3	4.4	15.0	14.2												
Nifty-50 Index ex-BPCL, HPCL & COAL change (%)	3,812	5,391	6,088	7,008	7,621	8,793	10,105												
Nifty-50 Index ex-BPCL, HPCL & COAL change (%)	9.0	41.4	12.9	15.1	8.8	15.4	14.9												
Nifty-50 EPS (Free-float)	536	730	813	988	1,032	1,179	1,349												

Notes:

(a) We use consensus numbers for Adani Enterprises and Kotak Mahindra Bank.

(b) We exclude ONGC's ownership of HPCL for ex-HPCL computation.

Source: Bloomberg, Kotak Institutional Equities estimates

Low P/E stocks will contribute almost 40% of FY2026E net profits of the Nifty-50 Index

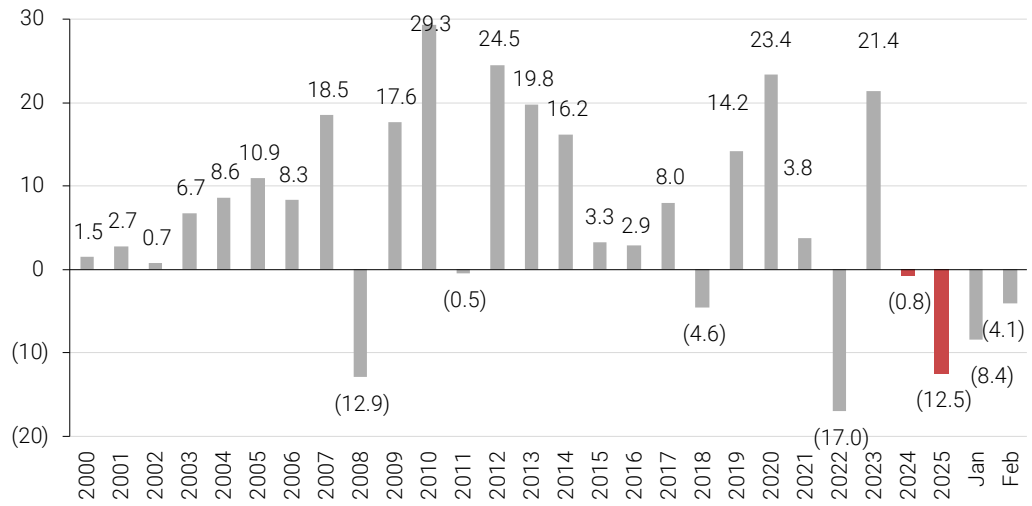
Exhibit 17: Contribution of low P/E stocks in Nifty-50 Index, March fiscal year-ends, 2025-27E (%)

	1-y forward P/E (X)	Net profits (Rs bn)			Contribution (%)		
		2025E	2026E	2027E	2025E	2026E	2027E
Adani Ports and SEZ	19	108	129	143	1.4	1.4	1.4
Apollo Hospitals	46	14	19	25	0.2	0.2	0.2
Asian Paints	46	42	45	50	0.5	0.5	0.5
Axis Bank	11	258	280	321	3.2	3.0	3.0
Bajaj Auto	23	85	95	105	1.1	1.0	1.0
Bajaj Finance	26	167	210	259	2.1	2.3	2.5
Bajaj Finserv	25	107	134	163	1.3	1.5	1.5
Bharat Electronics	33	51	60	69	0.6	0.7	0.7
Bharti Airtel	32	229	317	409	2.9	3.4	3.9
BPCL	7	113	109	108	1.4	1.2	1.0
Britannia Industries	46	21	24	27	0.3	0.3	0.3
Cipla	23	50	52	52	0.6	0.6	0.5
Coal India	6	322	352	362	4.0	3.8	3.4
Dr Reddy's Laboratories	16	56	56	49	0.7	0.6	0.5
Eicher Motors	26	46	49	54	0.6	0.5	0.5
Grasim Industries	148	45	66	86	0.6	0.7	0.8
HCL Technologies	23	173	188	209	2.2	2.0	2.0
HDFC Bank	18	663	768	869	8.3	8.3	8.3
HDFC Life Insurance	59	18	21	24	0.2	0.2	0.2
Hero Motocorp	15	47	51	55	0.6	0.6	0.5
Hindalco Industries	9	150	141	145	1.9	1.5	1.4
Hindustan Unilever	46	102	112	124	1.3	1.2	1.2
ICICI Bank	17	461	472	521	5.8	5.1	4.9
IndusInd Bank	9	56	77	95	0.7	0.8	0.9
Infosys	24	264	298	336	3.3	3.2	3.2
ITC	22	201	215	235	2.5	2.3	2.2
JSW Steel	19	56	148	196	0.7	1.6	1.9
Kotak Mahindra Bank	24	193	195	224	2.4	2.1	2.1
L&T	24	143	171	207	1.8	1.9	2.0
Mahindra & Mahindra	22	122	138	152	1.5	1.5	1.4
Maruti Suzuki	23	152	167	183	1.9	1.8	1.7
Nestle India	60	30	34	39	0.4	0.4	0.4
NTPC	13	220	238	256	2.7	2.6	2.4
ONGC	6	497	609	630	6.2	6.6	6.0
Power Grid	14	157	180	196	2.0	2.0	1.9
Reliance Industries	20	684	837	957	8.5	9.1	9.1
SBI Life Insurance	57	24	27	29	0.3	0.3	0.3
Shriram Finance	12	99	98	122	1.2	1.1	1.2
State Bank of India	9	628	625	780	7.8	6.8	7.4
Sun Pharmaceuticals	29	118	131	150	1.5	1.4	1.4
Tata Consumer Products	55	13	17	21	0.2	0.2	0.2
Tata Motors	9	213	244	303	2.7	2.6	2.9
Tata Steel	15	34	135	176	0.4	1.5	1.7
TCS	23	489	532	597	6.1	5.8	5.7
Tech Mahindra	24	41	56	76	0.5	0.6	0.7
Titan Company	57	37	44	52	0.5	0.5	0.5
Trent	82	16	22	30	0.2	0.2	0.3
Ultratech Cement	33	60	84	105	0.7	0.9	1.0
Wipro	21	130	143	155	1.6	1.6	1.5
Total		8,008	9,214	10,531	100	100	100
Average of low P/E stocks (X)	10.3				39	37	37

Source: Companies, FactSet, Kotak Institutional Equities estimates

FPI equity outflows at US\$13 bn in CYTD25

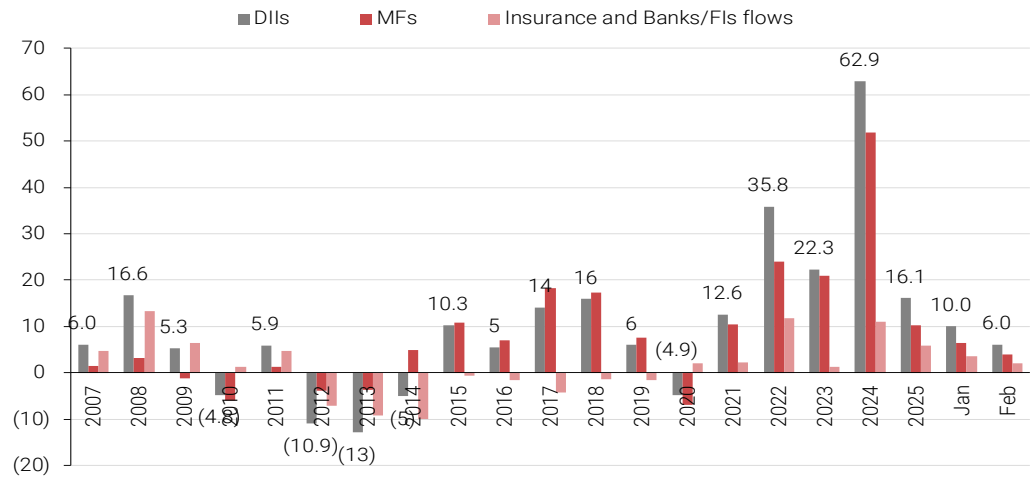
Exhibit 18: Net FPI flows, Calendar year-ends, 2000-25 (US\$ bn)



Source: Bloomberg, Kotak Institutional Equities

DII inflows at US\$16 bn in CYTD25

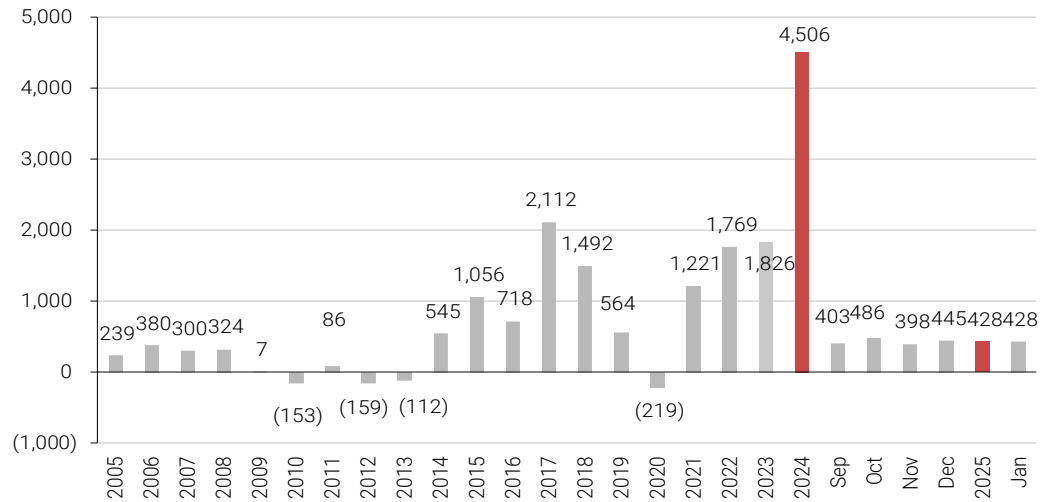
Exhibit 19: Equity flows by domestic institutions, Calendar year-ends, 2007-25 (US\$ bn)



Source: Bloomberg, Kotak Institutional Equities

Mutual funds have seen strong inflows from retail investors in recent months

Exhibit 20: Net MF flows (Equity + 70% hybrid), calendar year-ends, 2005-25 (Rs bn)



Source: AMFI, Kotak Institutional Equities

Retail investors are pouring money into mid/small-cap. and thematic funds in India

Exhibit 21: Net inflows to various categories of domestic mutual funds in India, calendar year-end, 2020-24 (Rs bn)

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

Source: AMFI, Kotak Institutional Equities

Several PSUs trade at extremely high market caps relative to their profits, net worth or assets

Exhibit 22: Market cap. of select non-financial PSU companies versus their fundamentals, March fiscal year-ends, 2024 (Rs bn)

Company	Market cap. (Rs bn)	2024 (Rs bn)						9MFY25					
		Revenues	PBT	Other income	PAT	Net worth	Gross block	Revenues	PBT	Other income	PAT		
Bharat Dynamics	372	24	8	4	6	36	15	15	4	3	3		
BHEL	653	239	2	6	3	249	73	193	0	4	0		
Cochin Shipyard	341	38	11	3	8	50	14	31	7	2	5		
Fertilizers & Chemicals Travancore	484	51	0	2	1	13	10	30	(0)	2	(0)		
Garden Reach Shipbuilders & Engineers	150	36	5	3	4	14	7	34	4	2	3		
Hindustan Aeronautics	2,169	304	102	19	76	290	159	173	56	19	44		
Hindustan Copper	206	17	4	1	3	23	7	13	4	0	3		
IRFC	1,573	266	64	0	64	492	1	204	48	0	48		
IREDA	448	49	17	0	13	86	5	48	15	0	12		
ITI	249	13	(6)	0	(6)	17	30	26	(2)	1	(2)		
KIOCL	147	19	(1)	1	(1)	19	11	3	(2)	0	(2)		
Mazagon Dock	848	95	24	11	19	56	14	83	27	8	21		
NBCC	205	103	6	2	5	22	2	74	5	2	4		
NHPC	746	96	50	18	36	387	338	80	36	13	22		
NLC India	288	130	29	20	19	165	368	114	28	16	21		
Rail Vikas Nigam	730	219	21	13	16	87	6	135	11	9	8		
SJVN	346	26	12	4	9	141	151	26	12	3	9		

Source: Companies, Capitaline, Kotak Institutional Equities

Most 'narrative' stocks have delivered negative returns in the past 12 months after the steep correction in the past 1-3 months

Exhibit 23: Performance of narrative stocks, February 2025 (%)

Company	Sector	Absolute (%)				Relative to Nifty-50 Index (%)			
		1M	3M	1Y	3Y	1M	3M	1Y	3Y
Bharat Dynamics	Defense	(16)	(9)	8	370	(14)	(2)	6	335
BHEL	Electric equipments	(4)	(24)	(16)	289	(2)	(17)	(17)	254
CG Power	Capital goods	(3)	(24)	32	243	(1)	(17)	31	208
Cochin Shipyard	Defense	(8)	(14)	52	798	(6)	(7)	50	763
Dixon Technologies	EMS	(10)	(11)	104	212	(9)	(4)	103	176
FACT	Fertilizers	(17)	(14)	(3)	549	(16)	(7)	(5)	513
Hindustan Copper	Metals & mining	(8)	(23)	(16)	87	(7)	(16)	(18)	52
HPCL	Oil, gas & consumable fuels	(11)	(19)	(13)	72	(10)	(12)	(15)	37
HUDCO	Financial	(17)	(21)	(13)	424	(16)	(14)	(14)	389
IRCON International	Capital goods	(24)	(30)	(36)	271	(23)	(22)	(37)	236
JSW Energy	Electric utilities	(14)	(32)	(12)	37	(13)	(25)	(14)	2
Mazagon Dock	Defense	(6)	(6)	101	1,634	(4)	1	99	1,599
MRPL	Oil, gas & consumable fuels	(13)	(28)	(53)	180	(12)	(21)	(55)	145
NBCC	Capital goods	(15)	(21)	(18)	192	(14)	(14)	(19)	156
NHPC	Electric utilities	(1)	(10)	(18)	168	1	(3)	(19)	133
NLC India	Oil, gas & consumable fuels	(1)	(20)	(11)	246	0	(13)	(13)	210
NMDC	Mining	1	(14)	(13)	94	2	(7)	(15)	58
Rail Vikas Nigam	Railways	(13)	(20)	31	1,029	(11)	(13)	30	994
SJVN	Electric utilities	(3)	(23)	(28)	213	(2)	(15)	(30)	177
Suzlon Energy	Renewables	4	(18)	17	531	5	(11)	15	496
Titagarh Rail System	Railways	(21)	(38)	(24)	776	(20)	(31)	(26)	741

Source: Bloomberg, 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.

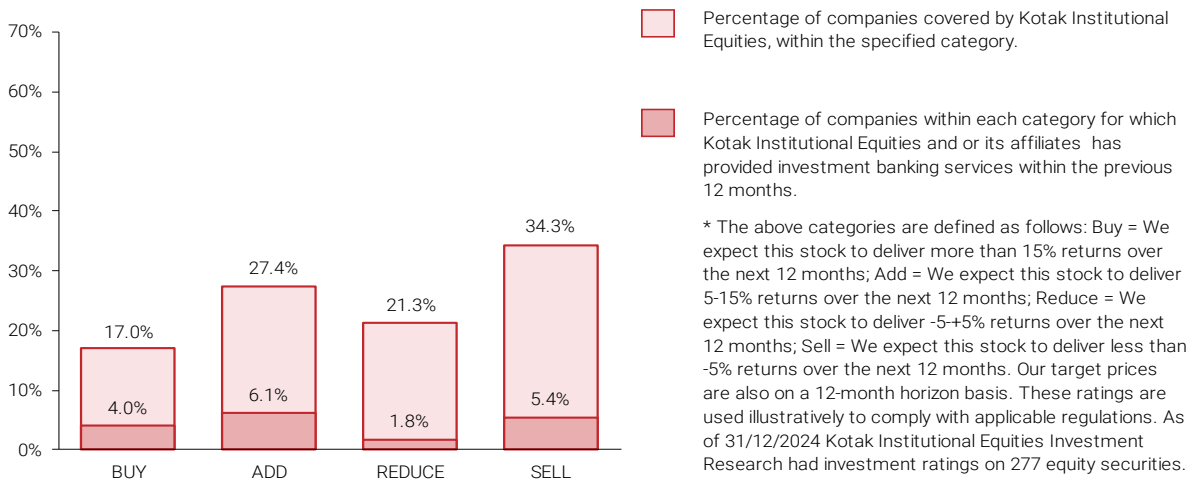
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