

Strategy

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Trends ordinary, valuations extraordinary

The ongoing 4QFY24 season has hardly provided any positive surprise, with earnings in line with our expectations. A few companies have delivered negative surprises. Consumption and outsourcing continue to be weak, while financials continue to exhibit strength. Limited upgrades in earnings are in sharp contrast to elevated market expectations and rich valuations.

4QFY24 earnings have been broadly in line with expectations until now

The Nifty-50 Index has seen a 14% yoy growth in earnings 4QFY24, broadly in line with our expectations (see Exhibit 1). Only a handful of companies delivered strong operational beats, with the largest coming from an accounting change in COAL. We note that sales growth remains muted on an aggregate basis, with Nifty-50 companies delivering 9% yoy revenue growth. EBITDA grew 7.3% yoy (5.5% ex-COAL), given down-to-stable margins (see Exhibits 2-3). Exhibit 4 shows the sectoral earnings trends for the KIE universe.

Consumption and outsourcing drag, whereas financials have been steady

Consumer staples saw tepid volume growth again, but 2Ws have seen strong growth in 4QFY24 (see Exhibits 5-6). However, consumer and rural demand seems to be finally showing incipient signs of recovery. Margins continue to trend at elevated levels for most consumer companies (see Exhibits 7-8). Banks have seen decent loan growth, modest NIM compression and stable asset quality (see Exhibits 9-11). Meanwhile, IT services companies have struggled with revenue growth, even as deal wins have been strong in recent quarters (see Exhibits 12-13).

Marginal upgrades in aggregate; low visibility on volatility in some cases

The lack of earnings buoyancy in 4QFY24 has resulted in a limited earnings upgrade in recent months (see Exhibit 14). We currently project the Nifty-50 Index's net profit growth at 8.9% for FY2025 and 13% for FY2026E on aggregate basis, and 14% for FY2025 and 13% for FY2026E, excluding COAL and OMCs (see Exhibit 15). We note that low earnings predictability for commodity sectors such as COAL and OMCs has been the key contributor to earnings deviations in the case of the Nifty-50 Index. Exhibit 16 shows the contribution of major sectors to the Nifty-50 Index's net profits over FY2025-26E.

Valuations remain expensive across sectors

The Indian market continues to trade at expensive levels, relative to history and bond yields (see Exhibits 17-18). Nifty-50 valuations are a lot more palatable though. The broader market valuations are even more expensive, with the expensiveness being inversely proportional to capitalization, quality and risk (see Exhibits 19-20). Some are unhinged from fundamentals and reality, and entirely based on optimistic assumptions, wrong valuation methodologies and unrealistic narratives. In our view, assessing businesses on a bottom-up basis, in light of their business models, gives a better picture on the relative exuberance currently exhibited by narrative-based stocks (see Exhibits 21-26).

Key estimates summary

	2024E	2025E	2026E
Nifty estimates			
Earnings growth (%)	20.9	8.9	13.0
Nifty EPS (Rs)	994	1,088	1,237
Nifty P/E (X)	22.6	20.6	18.1
Macro data			
Real GDP (%)	7.6	6.6	6.5
Avg CPI inflation (%)	5.4	4.5	4.2

Source: Company, Kotak Institutional Equities estimates

Quick Numbers

Net profits and EBITDA of the Nifty-50 Index were up 14% and 7%, respectively, in 4QFY24 (based on 27 companies reported so far) versus our expectations of 12% and 7%, respectively

We expect net profits of the Nifty-50 Index to grow 9% in FY2025 and 13% in FY2026E and 13% and 15%, respectively, excluding the oil, gas & consumable fuels sector

Nifty-50 Index is trading at 20.6X FY2025E 'EPS' and 18.1X FY2026E 'EPS'

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Minor changes to the model portfolio

Exhibit 27 is our revised recommended large-cap. model portfolio. We add Delhivery (150 bps) and SBI Cards (150 bps) to the model portfolio and remove Cummins (KKC; 250 bps previously) and reduce the position on Zomato (50 bps to 170 bps). We like Delhivery's strong positioning in the delivery and logistics space; we see it as the key beneficiary of continued strong growth of the online delivery business. The stock's current financials may be less relevant, given (1) large growth opportunity and (2) weak competitive positioning of competitors with heavy losses, which raises questions over the sustenance of their operations. SBI Cards has been a large under-performer ((-)10% over the past 12 months versus 24% for the Nifty-50 Index) and trades at 26.2X FY2025E EPS and 4.8X FY2025E BV for RoE of 20%.

Both KKC and Zomato have performed exceptionally well in the past 12 months. KKC is up 98% over the past six months and trades at a punchy 49X one-year forward valuations. It has gone up 305% over the past three years and has been in our model portfolios for an extended period of time. We continue to like KKC's growth prospects, but see a limited upside in the short term, as is the case with most investment-related stocks. Zomato has been up 59% over the past six months.

4QFY24 results of the Nifty-50 Index were broadly in line with our expectations, so far

Exhibit 1: Comparison of 4QFY24 net income of Nifty-50 stocks, actual versus expected (Rs bn)

Company	Sector	Adjusted net income (Rs bn)				Change (%) A versus E	Growth (%)	
		Mar-23	Dec-23	Mar-24A	Mar-24E		yoy	qoq
Bajaj Auto	Automobiles & Components	14.3	20.4	19.4	18.9	3	35	(5)
Maruti Suzuki	Automobiles & Components	26.2	31.3	38.8	40.7	(5)	48	24
Axis Bank	Banks	62.2	60.7	71.3	61.2	17	15	17
HDFC Bank	Banks	120.5	163.7	165.1	200.2	(18)	37	1
ICICI Bank	Banks	91.2	102.7	107.1	95.4	12	17	4
IndusInd Bank	Banks	20.4	23.0	23.5	20.1	17	15	2
Kotak Mahindra Bank	Banks	45.7	42.6	53.4	53.4	(0)	17	25
Bajaj Finance	Diversified Financials	31.6	36.4	38.2	37.4	2	21	5
Bajaj Finserv	Diversified Financials	17.7	21.6	21.2	21.2	(0)	20	(2)
Shriram Finance	Diversified Financials	13.1	18.2	19.5	18.4	6	49	7
HDFC Life Insurance	Insurance	15.1	8.0	12.4	12.9	(4)	(18)	54
SBI Life Insurance	Insurance	14.3	14.9	15.1	15.3	(1)	5	1
Adani Enterprises	Capital Goods	9.5	18.9	6.5	6.5	(0)	(32)	(66)
Ultratech Cement	Construction Materials	16.5	17.1	23.2	21.2	10	41	36
Britannia Industries	Consumer Staples	5.6	5.6	5.4	5.3	1	(3)	(3)
Hindustan Unilever	Consumer Staples	24.7	25.4	24.2	24.0	1	(2)	(5)
Nestle India	Consumer Staples	7.5	7.8	9.1	9.0	2	22	17
Tata Consumer Products	Consumer Staples	2.7	3.7	4.3	3.2	35	57	17
HCL Technologies	IT Services	39.6	43.5	39.9	40.7	(2)	1	(8)
Infosys	IT Services	61.3	61.1	60.0	60.1	(0)	(2)	(2)
LTIMindtree	IT Services	11.1	11.7	11.0	11.5	(5)	(1)	(6)
TCS	IT Services	113.9	117.4	124.6	121.6	2	9	6
Tech Mahindra	IT Services	13.3	5.1	9.7	6.6	48	(27)	90
Wipro	IT Services	30.7	26.9	28.3	28.9	(2)	(8)	5
Coal India	Oil, Gas & Consumable Fuels	55.3	90.9	86.4	75.7	14	56	(5)
Reliance Industries	Oil, Gas & Consumable Fuels	193.0	172.7	189.5	178.5	6	(2)	10
Titan Company	Retailing	7.3	10.4	7.9	8.0	(1)	7	(24)
Adani Ports and SEZ	Transportation	22.7	24.9	23.7	26.4	(10)	4	(5)
Nifty-50 Index		1,087	1,187	1,239	1,222	1.3	13.9	4.4

Source: Companies, Kotak Institutional Equities estimates

Net sales increased 9% yoy, led by automobiles and banks, whereas consumer staples and IT services dragged

Exhibit 2: Comparison of 4QFY24 net sales of Nifty-50 stocks, actual versus expected (Rs bn)

Company	Sector	Net sales (Rs bn)				Change (%) A versus E	Growth (%)	
		Mar-23	Dec-23	Mar-24A	Mar-24E		yoy	qoq
Bajaj Auto	Automobiles & Components	89	121	115	112	2	29	(5)
Maruti Suzuki	Automobiles & Components	320	333	382	384	(0)	19	15
Axis Bank	Banks	117	125	131	128	2	11	4
HDFC Bank	Banks	234	285	291	294	(1)	25	2
ICICI Bank	Banks	177	187	191	183	4	8	2
IndusInd Bank	Banks	47	53	54	54	(1)	15	2
Kotak Mahindra Bank	Banks	78	85	89	89	(0)	15	5
Bajaj Finance	Diversified Financials	63	77	80	80	(0)	28	5
Bajaj Finserv	Diversified Financials	202	243	269	269	0	33	11
Shriram Finance	Diversified Financials	45	52	55	55	1	22	5
HDFC Life Insurance	Insurance	52	30	47	48	(2)	(8)	55
SBI Life Insurance	Insurance	46	52	53	53	1	17	2
Adani Enterprises	Capital Goods	313	251	292	292	(0)	(7)	16
Ultratech Cement	Construction Materials	181	161	198	199	(1)	9	23
Hindustan Unilever	Consumer Staples	149	152	149	149	(0)	(0)	(2)
Nestle India	Consumer Staples	48	46	53	52	1	9	15
Tata Consumer Products	Consumer Staples	36	38	39	39	0	9	3
HCL Technologies	IT Services	266	284	285	285	0	7	0
Infosys	IT Services	374	388	379	382	(1)	1	(2)
LTIMindtree	IT Services	87	90	89	89	(1)	2	(1)
TCS	IT Services	592	606	612	616	(1)	4	1
Tech Mahindra	IT Services	137	131	129	129	(0)	(6)	(2)
Wipro	IT Services	233	222	222	221	0	(5)	(0)
Coal India	Oil, Gas & Consumable Fuels	352	330	343	333	3	(3)	4
Reliance Industries	Oil, Gas & Consumable Fuels	2,129	2,251	2,365	2,264	4	11	5
Titan Company	Retailing	97	131	113	101	11	16	(14)
Adani Ports and SEZ	Transportation	58	69	69	71	(3)	19	(0)
Nifty-50 Index		6,521	6,794	7,094	6,973	1.7	8.8	4.4

Source: Companies, Kotak Institutional Equities estimates

4QFY24 EBITDA of the Nifty-50 Index is in line with our estimates

Exhibit 3: Comparison of 4QFY24 EBITDA of Nifty-50 stocks, actual versus expected

Company	Sector	Adjusted EBITDA (Rs bn)				Change (%) A versus E	Growth (%)	
		Mar-23	Dec-23	Mar-24A	Mar-24E		yoy	qoq
Bajaj Auto	Automobiles & Components	17.2	24.3	23.1	22.4	3	34	(5)
Maruti Suzuki	Automobiles & Components	33.5	39.1	46.9	51.6	(9)	40	20
Adani Enterprises	Capital Goods	32.2	32.3	25.7	25.7	0	(20)	(20)
UltraTech Cement	Construction Materials	32.3	31.5	40.2	37.1	8	24	28
Britannia Industries	Consumer Staples	8.0	8.2	7.9	7.7	3	(2)	(4)
Hindustan Unilever	Consumer Staples	34.7	35.4	34.4	34.2	1	(1)	(3)
Nestle India	Consumer Staples	11.1	11.1	13.4	13.2	2	21	20
Tata Consumer Products	Consumer Staples	5.1	5.7	6.3	5.7	10	23	10
HCL Technologies	IT Services	58.3	67.6	61.0	62.9	(3)	5	(10)
Infosys	IT Services	90.0	91.4	87.8	90.9	(3)	(2)	(4)
LTIMindtree	IT Services	16.0	15.8	15.4	15.5	(1)	(4)	(3)
TCS	IT Services	157.7	163.9	171.6	167.8	2	9	5
Tech Mahindra	IT Services	20.2	11.5	14.1	14.0	0	(30)	23
Wipro	IT Services	46.1	44.8	44.7	42.5	5	(3)	(0)
Coal India	Oil, Gas & Consumable Fuels	39.1	82.3	81.9	67.3	22	110	(0)
Reliance Industries	Oil, Gas & Consumable Fuels	384.4	406.6	425.2	423.3	0	11	5
Titan Company	Retailing	10.4	14.6	11.1	12.1	(8)	6	(24)
Adani Ports and SEZ	Transportation	32.7	41.9	40.4	43.2	(6)	24	(3)
Nifty-50 Index		2,368	2,394	2,540	2,526	0.6	7.3	6.1
Nifty-50 Index (ex-COAL)		2,329	2,312	2,458	2,459	(0.0)	5.5	6.3

Source: Companies, Kotak Institutional Equities estimates

Adjusted net income of KIE universe increased 7% yoy

Exhibit 4: Comprehensive sector-wise PAT analysis of 4QFY24 earnings season (Rs bn)

	Adjusted PAT (Rs bn)				Change (%) A/E	Growth (%)	
	Mar-23	Dec-23	Mar-24A	Mar-24E		yoy	qoq
Automobiles & Components	54	66	72	75	(4)	34	9
Banks	366	419	449	456	(1)	23	7
Capital Goods	10	19	7	7	(0)	(32)	(66)
Commercial & Professional Services	1	0	1	1	(24)	(42)	46
Commodity Chemicals	7	2	2	1	26	(77)	3
Construction Materials	31	26	34	32	6	8	31
Consumer Durables & Apparel	5	4	6	5	20	20	27
Consumer Staples	38	42	41	40	2	8	(2)
Diversified Financials	89	110	115	110	5	29	5
Fertilizers & Agricultural Chemicals	(1)	0	(0)	(0)	(55)	70	(188)
Hotels & Restaurants	3	4	4	5	(24)	30	(10)
Internet Software & Services	1	1	1	1	(5)	18	1
Insurance	29	23	27	28	(2)	(7)	20
IT Services	287	283	291	287	1	2	3
Metals & Mining	57	41	37	41	(11)	(36)	(10)
Oil, Gas & Consumable Fuels	349	344	324	335	(3)	(7)	(6)
Pharmaceuticals	2	1	2	2	(23)	(30)	22
Real Estate	12	9	15	11	46	28	66
Retailing	13	21	20	15	31	54	(3)
Specialty Chemicals	3	3	3	3	(14)	(7)	(12)
Telecommunication Services	14	15	19	14	29	32	20
Transportation	23	25	24	27	(12)	4	(5)
KIE universe	1,393	1,459	1,493	1,496	(0)	7	2

Source: Kotak Institutional Equities estimates

Strong recovery in 2W volume yoy; 4Ws lagging

Exhibit 5: Domestic volumes of select companies in auto sector, 4QFY20-4QFY24

	4QFY20	4QFY21	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Domestic sales volumes (units)											
Ashok Leyland	23,196	40,896	44,545	37,124	42,515	44,626	56,999	38,835	47,047	44,167	52,735
Bajaj Auto											
Two wheelers	403,084	487,731	339,100	314,418	621,134	455,341	414,993	542,931	505,320	655,453	547,007
Three wheelers	75,088	46,373	49,995	38,317	73,052	88,891	99,749	98,482	131,920	122,662	110,349
Eicher Motors											
Two wheelers	155,110	189,659	160,338	157,633	183,067	202,109	192,031	207,171	209,717	213,385	204,522
Commercial vehicles	10,155	13,330	17,557	15,383	15,882	16,709	24,630	17,855	18,256	19,253	23,972
Hero Motocorp	1,284,950	1,496,478	1,105,886	1,328,166	1,389,114	1,204,243	1,234,270	1,317,250	1,363,940	1,413,894	1,325,286
Maruti Suzuki	349,786	429,966	396,733	369,154	425,396	384,742	427,578	414,055	459,052	406,983	479,791
M&M (passenger vehicles)	34,208	52,725	75,230	76,310	92,413	91,135	99,395	100,172	114,742	118,863	126,100
Tata Motors											
Commercial vehicles	61,401	98,114	109,189	93,888	92,245	90,699	110,526	79,535	96,003	89,387	101,309
Passenger vehicles	32,940	160,471	123,889	131,940	143,845	132,302	136,304	143,082	141,045	140,223	158,565
TVS Motors	426,796	602,516	543,475	565,105	725,145	629,033	678,653	721,470	792,351	846,962	796,267
Yoy change (%)											
Ashok Leyland	(59)	76	9	124	68	44	28	5	11	(1)	(7)
Bajaj Auto											
Two wheelers	(34)	21	(30)	(8)	27	(3)	22	73	(19)	44	32
Three wheelers	(27)	(38)	8	163	66	71	100	157	81	38	11
Eicher Motors											
Two wheelers	(18)	22	(15)	51	73	34	20	31	15	6	7
Commercial vehicles	(43)	31	32	287	26	26	40	16	15	15	(3)
Hero Motocorp	(25)	16	(26)	41	2	(2)	12	(1)	(2)	17	7
Maruti Suzuki	(18)	23	(8)	26	42	13	8	12	8	6	12
M&M (passenger vehicles)	(56)	54	43	77	84	59	32	31	24	30	27
Tata Motors											
Commercial vehicles	(50)	60	11	119	19	1	1	(15)	4	(1)	(8)
Passenger vehicles	(44)	387	(23)	103	70	33	10	8	(2)	6	16
TVS Motors	(40)	41	(10)	71	21	8	25	28	9	35	17

Source: SIAM, Kotak Institutional Equities

Patchy volume growth for staples

Exhibit 6: Volume growth of consumer companies, 4QFY22-4QFY24 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Staples									
Britannia Industries - Domestic	4.0	(2.0)	5.0	4.0	3.0	—	—	5.5	5.0
Colgate - Overall	(4)	(3)	(2)	(3)	(1)	6	(1.0)	2.0	
Dabur - Domestic	3	5	1	(3)	—	3	3.0	4.0	4.2
HUL (FMCG business)	—	6	4	5	4	3	2.0	2.0	2.0
Marico - Domestic	1	(6)	3	4	5	3	3.0	2.0	3.0
Marico - Parachute	(1)	(2)	(3)	2	9	(2)	1.0	3.0	2.0
Marico - Saffola	—	(27)	7	12	(6)	11	2.0	(5.0)	5.0
United Breweries	7	121	23	4	3	(12)	7.0	8.0	
United Spirits	5	17	8	(25)	(27)	(29)	(27)	(1.0)	
Varun Beverages	19	97	24	18	24	5	16	18	
Discretionary									
Asian Paints (decoratives)	8	37	10	—	16	10	6	12	
Berger (decoratives)	(5)	30	1	—	14	13	11	9	
ITC - Cigarettes	9	25	21	15	12	8	5	(2)	
Kansai Nerolac	(8)	19	—	(8)	13	6	(1)	10	10
Pidilite - Domestic consumer business	(4)	49	2	1	7	12	8	11	
Westlife Foodworld	23	97	40	20	14	7	1	(9)	

Source: Companies, Kotak Institutional Equities

EBITDA margins remain at elevated levels for most automobile companies

Exhibit 7: Gross and EBITDA margin of auto companies under our coverage, 4QFY22-4QFY24 (%)

	Gross margin (%)								EBITDA margin (%)									
	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Apollo Tyres	39.8	39.7	40.9	39.7	43.4	45.0	45.7	46.6		11.2	11.6	11.9	14.2	16.0	16.8	18.5	18.3	
Ashok Leyland	21.8	20.7	22.0	23.7	24.5	26.3	26.5	27.8		8.9	4.4	6.5	8.8	11.5	10.0	11.2	12.0	
Bajaj Auto	28.1	27.8	26.6	29.4	30.2	28.1	29.0	28.9	29.7	17.1	16.2	17.2	19.1	19.3	19.0	19.8	20.1	20.1
Balkrishna Industries	54.7	53.4	51.2	48.6	50.0	51.7	51.9	52.0		23.7	20.0	20.1	19.1	21.4	23.0	24.4	25.3	
Bharat Forge	43.3	41.3	44.4	44.1	43.5	44.3	43.3	41.9		15.5	15.0	14.0	14.0	12.1	15.4	16.5	18.0	
CEAT	33.5	31.7	32.5	34.5	40.1	41.1	43.3	41.3	42.3	7.2	5.9	7.0	8.7	12.8	13.2	14.9	14.1	13.1
Eicher Motors	43.7	44.0	42.4	41.8	44.3	44.1	46.0	46.0		23.7	24.5	23.3	23.0	24.5	25.6	26.4	26.1	
Endurance Technologies	39.6	39.6	37.7	40.1	40.7	40.9	39.8	39.9		12.4	11.3	11.5	11.4	12.8	13.1	12.5	11.7	
Escorts Kubota	29.6	27.8	27.6	25.5	28.5	30.2	32.3	30.6		13.1	10.0	8.1	8.4	10.8	14.0	12.9	13.5	
Exide Industries	28.0	27.9	30.5	32.2	29.8	28.3	31.1	31.5	33.0	10.2	9.9	11.1	11.8	10.4	10.6	11.8	11.5	12.9
Hero Motocorp	30.7	27.2	28.0	30.6	32.0	30.6	31.4	32.7		11.2	11.2	11.4	11.5	13.0	13.8	14.1	14.0	
Mahindra & Mahindra	23.6	23.4	23.5	24.0	23.3	24.7	24.4	24.6		11.4	11.9	12.0	13.0	12.5	13.4	12.6	12.8	
Maruti Suzuki	26.5	25.4	26.9	27.3	26.7	27.2	29.4	29.1	28.6	9.1	7.2	9.3	9.8	10.5	9.2	12.9	11.7	12.3
MRF	32.1	31.5	29.7	32.1	37.0	38.8	40.8	40.1	38.9	10.1	8.5	8.2	9.9	14.7	17.6	18.5	17.2	14.2
Samvardhana Motherson	41.6	41.2	41.3	43.0	43.4	43.5	43.2	44.9		7.0	6.1	7.7	7.8	8.3	8.6	8.0	9.2	
Schaeffler India	39.2	37.1	37.0	39.0	38.8	38.6	37.1	37.2	37.9	19.7	18.4	18.2	19.2	18.6	18.7	18.4	17.3	17.6
SKF	37.5	39.2	42.3	41.5	38.7	39.8	34.0	39.7		15.3	17.4	19.9	17.1	15.3	17.6	10.8	15.8	
Sona BLW Precision	55.1	54.5	53.0	55.8	54.3	56.9	55.1	59.1	56.4	24.6	24.2	25.2	27.2	27.1	27.8	28.2	29.3	28.0
Tata Motors	34.7	33.0	33.9	35.1	35.6	37.6	36.4	38.3		11.1	4.4	7.8	10.9	12.1	13.3	13.1	13.9	
Timken	47.7	45.8	39.8	39.5	42.0	41.2	41.6	40.5		26.9	24.5	19.0	17.0	20.3	18.9	19.9	16.7	
TVS Motor	23.8	23.9	23.8	24.5	24.6	25.4	26.0	26.3		10.1	10.0	10.2	10.1	10.3	10.6	11.0	11.2	
Uno Minda	35.9	35.2	35.1	36.8	35.6	35.8	34.4	35.0		11.4	10.4	11.1	11.6	11.1	10.7	11.1	10.8	
Varroc Engineering	32.1	35.5	35.0	34.5	35.0	36.8	36.7	36.3		6.5	7.3	8.9	7.5	7.4	10.1	10.3	9.3	

Source: Companies, Kotak Institutional Equities

Most consumer companies have seen margins staying at elevated levels

Exhibit 8: Gross and EBITDA margin of consumer companies under our coverage, 4QFY22-4QFY24 (%)

	Gross margin (%)								EBITDA margin (%)									
	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Asian Paints	38.7	37.7	35.7	38.6	42.6	42.9	43.4	43.6		18.3	18.1	14.5	18.7	21.3	23.1	20.2	22.6	
Avenue Supermarts	14.3	15.8	14.5	14.8	14.0	15.2	14.7	14.9	14.5	8.6	10.3	8.6	8.3	7.3	8.7	8.0	8.3	7.4
Berger Paints	38.9	35.7	35.3	34.7	39.8	39.8	41.1	41.1		15.8	14.7	13.6	13.0	15.1	18.4	17.1	16.7	
Britannia Industries	38.0	36.9	38.9	43.7	44.9	41.9	42.9	43.9	43.5	15.5	13.5	16.3	19.5	19.9	17.2	19.7	19.3	18.7
Colgate-Palmolive (India)	66.8	66.3	63.8	65.9	66.9	68.4	68.8	72.2		33.0	27.2	29.4	28.0	33.5	31.6	32.8	33.6	
Dabur India	47.4	45.9	45.4	45.5	45.8	46.6	48.3	48.6	48.6	18.0	19.3	20.1	20.0	15.3	19.3	20.6	20.5	16.6
Godrej Consumer Products	49.5	46.6	47.9	51.1	52.9	53.7	54.9	55.9		16.0	16.7	16.0	20.2	20.0	18.6	19.5	23.0	
Hindustan Unilever	49.5	47.4	45.8	47.5	48.7	49.9	52.7	51.5	51.9	24.1	22.8	22.9	23.2	23.3	23.2	24.2	23.3	23.1
ITC	53.1	51.0	57.0	58.9	58.6	54.1	57.3	58.4		33.6	32.7	36.4	38.4	37.9	34.7	36.5	36.5	
Jubilant Foodworks	76.9	76.7	76.2	75.5	75.3	76.0	76.4	76.7		25.0	24.6	24.3	22.0	20.1	21.1	20.9	20.9	
Jyothy Labs	41.4	39.9	40.5	43.1	45.7	47.9	49.2	49.8		10.5	10.0	12.2	13.8	14.8	17.1	18.5	17.5	
Kansai Nerolac	27.7	29.9	28.6	30.2	31.6	35.3	35.7	36.2	34.8	7.2	13.1	10.9	11.0	9.5	16.1	14.6	13.2	12.4
Marico	44.5	45.0	43.6	44.9	47.4	50.0	50.5	51.3	51.6	16.0	20.6	17.3	18.5	17.5	23.2	20.1	21.2	19.4
Nestle India	55.1	54.0	52.8	54.9	53.8	54.8	56.5	58.6	56.8	22.8	21.0	22.1	22.9	23.0	22.7	24.4	24.2	25.4
Page Industries	59.4	59.1	55.8	52.4	56.6	52.9	55.7	53.1		24.0	22.2	19.0	15.8	13.9	19.5	20.8	18.7	
Pidilite Industries	43.5	42.9	41.0	41.8	46.8	49.0	51.3	52.9		16.0	17.1	16.6	16.5	17.1	21.6	22.1	23.7	
Tata Consumer Products	44.6	44.0	41.7	41.5	41.8	42.2	42.5	43.8	46.1	14.0	13.7	12.9	13.1	14.1	14.6	14.4	15.0	16.0
Titan Company	24.4	24.4	26.5	23.0	22.9	21.0	22.4	21.7	21.2	10.7	13.0	14.1	12.2	10.8	9.9	11.6	11.2	9.9
United Breweries	48.7	44.3	46.7	41.8	38.6	40.6	44.5	44.0		15.3	10.9	13.0	4.8	3.0	9.8	9.8	8.0	
United Spirits	41.7	40.9	39.5	40.6	42.6	43.0	43.4	43.4		17.5	12.6	15.5	13.2	10.7	17.1	16.4	16.4	
Varun Beverages	51.5	50.5	53.7	56.3	52.4	52.5	55.3	56.6		18.8	25.2	22.0	13.9	20.5	26.9	22.8	15.7	

Source: Companies, Kotak Institutional Equities

Decent credit growth across banks yoy

Exhibit 9: Growth in loans for banks in KIE universe yoy, 4QFY22-4QFY24 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Public banks									
Bank of Baroda	9	12	16	15	15	20	19	15	
Canara Bank	10	21	27	23	23	13	12	12	
Punjab National Bank	8	12	15	16	12	16	15	14	
State Bank of India	12	16	21	19	17	15	13	15	
Union Bank	1	4.9	15	23	15	14	10	14	
Old private banks									
City Union Bank	11	12	16	15	8	4	2	0	
Federal Bank	10	17	20	19	20	21	20	18	20
Karur Vysya Bank	9	14	15	13	11	12	14	16	
New private banks									
Axis Bank	13	14	18	15	19	22	23	22	14
Bandhan Bank	15	22	21	15	11	8	13	20	
DCB Bank	12	17	17	19	18	19	19	18	19
HDFC Bank	21	22	23	20	17	16	58	62	55
ICICI Bank	17	21	23	20	19	18	18	18	16
IndusInd Bank	12	18	18	19	21	22	21	20	18
Yes Bank	8	14	11	10	12	7	9	12	12
Small finance banks									
AU Small Finance Bank	33	43	44	38	27	29	24	20	25
Equitas Small Finance Bank	15	22	22	27	33	34	32	25	20
Ujjivan Small Finance Bank	12	24	28	27	31	34	40	31	
Total	12	16	20	19	17	16	22	22	
Total (ex-HDFCB)	11	15	19	18	17	16	15	16	

Notes:

(a) Numbers of HDFCB is for the merged entity from 2QFY24 onwards.

Source: Companies, Kotak Institutional Equities

Most banks reported stable NIMs qoq

Exhibit 10: Net interest margin for banks in KIE universe, 4QFY22-4QFY24 (%)

	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Public banks									
Bank of Baroda	3.1	3.1	3.4	3.5	3.5	3.3	3.2	3.2	
Canara Bank	2.8	2.6	2.8	3.1	3.0	3.0	2.9	3.0	
Punjab National Bank	2.7	2.7	2.9	3.1	3.1	3.0	3.1	3.1	
State Bank of India	3.0	2.9	3.2	3.3	3.4	3.2	3.2	3.1	
Union Bank	2.8	3.0	3.2	3.2	3.0	3.2	3.2	3.1	
Old private banks									
City Union Bank	3.5	3.5	3.7	3.5	3.2	3.3	3.4	3.2	
Federal Bank	3.1	3.1	3.3	3.5	3.2	3.1	3.1	3.1	3.1
Karur Vysya Bank	3.5	3.5	3.8	3.9	3.9	3.8	3.7	3.9	
New private banks									
Axis Bank	3.3	3.5	3.8	4.1	3.9	3.9	4.0	3.9	3.8
Bandhan Bank	7.7	7.3	6.4	6.1	6.9	6.7	6.6	6.7	
DCB Bank	3.7	3.5	3.6	3.7	3.8	3.5	3.4	3.2	3.3
HDFC Bank	3.9	3.9	4.1	4.3	4.2	4.1	3.9	3.5	3.5
ICICI Bank	3.9	4.0	4.3	4.7	4.8	4.8	4.6	4.5	4.4
IndusInd Bank	4.0	4.1	4.1	4.1	4.1	4.2	4.3	4.4	4.3
Yes Bank	3.1	3.1	3.2	3.1	3.1	2.9	2.8	2.8	2.8
Small finance banks									
AU Small Finance Bank	6.0	5.7	6.0	6.0	5.8	5.6	5.5	5.5	5.2
Equitas Small Finance Bank	8.9	9.0	9.2	9.1	9.1	8.8	8.5	8.4	8.1
Ujivan Small Finance Bank	10.2	10.5	10.8	10.1	9.6	9.6	9.3	9.1	

Source: Companies, Kotak Institutional Equities estimates

NPLs and slippages at low levels following the trend of recent quarters

Exhibit 11: Trend in gross NPLs, net NPLs and slippages, March fiscal year-ends, 2023-24 (%)

	Gross NPLs (%)				Net NPLs (%)				Slippages (%)						
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Public banks															
Bank of Baroda	3.8	3.5	3.3	3.1		0.9	0.8	0.8	0.7		1.2	1.1	1.9	1.0	
Canara Bank	5.4	5.2	4.8	4.4		1.7	1.6	1.4	1.3		1.4	1.6	1.3	1.4	
Punjab National Bank	8.7	7.7	7.0	6.2		2.7	2.0	1.5	1.0		2.0	1.2	0.8	0.8	
State Bank of India	2.8	2.8	2.6	2.4		0.7	0.7	0.6	0.6		0.5	1.0	0.5	0.6	
Union Bank	7.5	7.3	6.4	4.8		1.7	1.6	1.3	1.1		1.4	1.6	1.3	1.3	
Old private banks															
City Union Bank	4.4	4.9	4.7	4.5		2.4	2.5	2.3	2.2		3.3	3.5	2.1	1.7	
Federal Bank	2.4	2.4	2.3	2.3	2.1	0.7	0.7	0.6	0.6	0.6	1.0	1.1	0.8	1.0	0.7
Karur Vysya Bank	2.3	2.0	1.7	1.6		0.7	0.6	0.5	0.4		1.4	0.9	0.9	1.1	
New private banks															
Axis Bank	2.0	2.0	1.7	1.6	1.4	0.4	0.4	0.4	0.4	0.3	1.8	1.9	1.5	1.6	1.4
Bandhan Bank	4.9	6.8	7.3	7.0		1.2	2.2	2.3	2.2		4.6	7.1	5.1	5.2	
DCB Bank	3.2	3.3	3.4	3.4	3.2	1.0	1.2	1.3	1.2	1.1	3.3	4.0	4.5	4.6	3.3
HDFC Bank	1.1	1.2	1.3	1.3	1.2	0.3	0.3	0.4	0.3	0.3	1.3	1.4	5.0	1.2	1.2
ICICI Bank	2.8	2.8	2.5	2.3	2.2	0.5	0.5	0.4	0.4	0.4	1.8	2.1	1.8	2.1	1.8
IndusInd Bank	2.0	1.9	1.9	1.9	1.9	0.6	0.6	0.6	0.6	0.6	2.4	1.9	1.9	2.2	1.7
Yes Bank	2.2	2.0	2.0	2.0	1.7	0.8	1.0	0.9	0.9	0.6	2.5	2.8	2.4	2.4	2.5
Small finance banks															
AU Small Finance Bank	1.7	1.8	1.9	2.0	1.7	0.4	0.6	0.6	0.7	0.6	1.4	2.2	2.2	2.5	1.8
Equitas Small Finance Bank	2.8	2.8	2.3	2.5	2.6	1.2	1.2	1.0	1.1	1.2	3.1	3.1	3.5	4.0	4.3
Ujivan Small Finance Bank	2.9	2.6	2.4	2.2		0.0	0.1	0.1	0.2		0.3	1.7	1.8	2.0	
Total	3.2	3.1	2.8	3.0		0.4	0.3	0.2	0.2						
Public banks	0.0	0.0	0.0	0.0		0.0	0.0	0.0	0.0						
Private banks	4.6	4.4	4.0	3.6		1.2	1.1	0.9	0.8						

Source: Companies, Kotak Institutional Equities

IT services companies reported weak revenue growth

Exhibit 12: Sequential and yoy growth in c/c revenues of IT companies, March fiscal year-ends, 2021-24

	4QFY21	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
Qoq % in c/c revenues													
HCL Tech	2.5	0.7	3.5	7.6	1.1	2.7	3.8	5.0	(1.2)	(1.3)	1.0	6.0	0.3
Infosys	2.0	4.8	6.3	7.0	1.2	5.5	4.0	2.4	(3.2)	1.0	2.3	(1.0)	(2.2)
TCS	4.2	2.4	4.0	4.0	3.2	3.5	4.0	2.2	0.6	—	0.1	1.0	1.1
Tech Mahindra	0.7	3.9	7.2	4.7	5.4	3.5	2.9	0.2	0.3	(4.2)	(2.4)	1.1	(0.8)
Wipro	3.0	12.0	8.1	3.0	3.1	2.1	4.1	0.6	(0.6)	(2.8)	(2.0)	(1.7)	(0.3)
Qoq % in c/c revenues													
L&T Infotech	4.4	4.8	8.9	9.2	3.6	2.9	4.6	NA	NA	NA	NA	NA	NA
Mindtree	4.8	7.6	13.4	5.2	5.2	5.5	7.2	NA	NA	NA	NA	NA	NA
LTI Mindtree								1.9	0.7	0.1	1.7	0.7	(1.3)
Mphasis	2.0	5.9	6.6	7.8	4.3	2.0	1.8	(2.5)	(4.5)	(3.5)	—	1.0	2.1
NIIT Tech	5.1	7.0	7.5	5.3	5.0	4.7	6.2	3.7	4.7	2.7	2.3	1.8	NA
Yoy% in c/c revenues													
HCL Tech	2.6	11.7	10.5	15.0	13.3	15.6	15.8	13.1	10.5	7.1	3.4	4.3	6.0
Infosys	9.6	16.9	19.4	21.5	20.6	21.2	18.8	13.7	8.8	4.2	2.5	(1.0)	—
TCS	5.9	16.4	15.5	15.4	14.3	15.5	15.4	13.5	10.7	7.0	2.8	1.7	2.2
Tech Mahindra	(1.3)	10.1	15.5	17.5	22.6	21.2	16.8	12.7	6.3	(0.9)	(5.9)	(5.4)	(6.4)
Wipro	0.5	21.3	28.8	28.5	28.5	17.2	12.9	10.4	6.5	1.1	(4.8)	(6.9)	(6.6)
Yoy% in c/c revenues													
L&T Infotech	7.1	17.8	25.5	30.1	29.0	26.6	21.6	NA	NA	NA	NA	NA	NA
LTI Mindtree								16.3	13.5	8.2	4.4	3.1	1.2
Mphasis	4.9	16.3	17.2	24.2	26.8	22.1	15.6	5.7	3.1	(8.4)	(11.0)	6.8	(0.4)

Source: Companies, Kotak Institutional Equities

Deal wins have been strong in recent quarters

Exhibit 13: TCV of deal wins for companies under coverage, March fiscal year-ends, 2022-24 (US\$ mn)

	1QFY22	2QFY22	3QFY22	4QFY22	1QFY23	2QFY23	3QFY23	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24
TCV of deal wins (US\$ mn)												
HCLT (a)	1,664	2,250	2,135	2,260	2,054	2,384	2,347	2,074	1,565	3,969	1,927	2,290
Infosys (b)	2,570	2,152	2,530	2,257	1,600	2,744	3,300	2,076	2,300	7,684	3,241	4,454
Mphasis (c)	505	241	335	347	302	302	401	309	707	255	241	177
TCS (a)	8,100	7,600	7,600	11,300	8,200	8,100	7,800	10,000	10,200	11,200	8,100	13,200
TechM (d)	815	750	704	1,011	802	716	795	592	359	640	381	500
Wipro (e)	715	580	600	405	1,123	713	978	1,083	1,198	1,300	909	1,191
TCV on TTM basis (US\$ mn)												
Infosys	14,956	13,963	9,363	9,509	8,539	9,131	9,901	9,720	10,420	15,360	15,301	17,679
Mphasis	1,357	1,238	1,326	1,428	1,225	1,286	1,352	1,314	1,719	1,672	1,512	1,380
TCS	32,700	31,700	32,500	34,600	34,700	35,200	35,400	34,100	36,100	39,200	39,500	42,700
TechM	2,734	3,063	3,312	3,280	3,267	3,233	3,324	2,905	2,462	2,386	1,972	1,880
Growth in TCV on TTM basis (yoy, %)												
Infosys	86	67	(32)	(33)	(43)	(35)	6	2	22	68	55	82
Mphasis	65	23	24	29	(10)	4	2	(8)	40	30	12	5
TCS	16	4	4	10	6	11	9	(1)	4	11	12	25
TechM	(22)	25	99	48	19	6	—	(11)	(25)	(26)	(41)	(35)

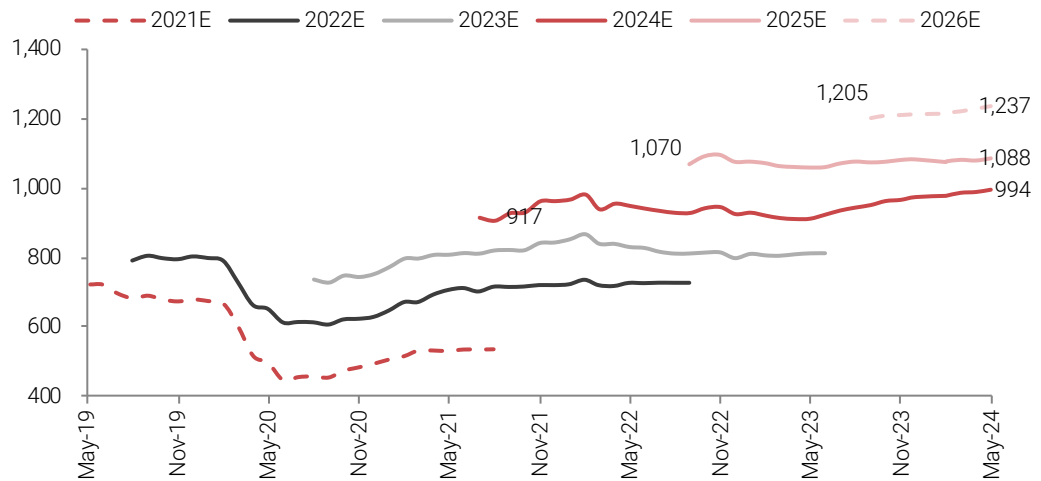
Notes:

- (a) TCV of all deals signed.
- (b) TCV of all deals signed in excess of US\$50 mn.
- (c) TCV of new deal wins in excess of US\$15 mn.
- (d) TCV of new business signed in excess of US\$5 mn.
- (e) TCV of all deals signed in excess of US\$30 mn.

Source: Companies, Kotak Institutional Equities

Our FY2025-26E EPS estimates have been flat in recent months

Exhibit 14: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2021E-26E (Rs)



Source: Kotak Institutional Equities estimates

We expect earnings of the Nifty-50 Index to grow 9% in FY2025 and 13% in FY2026; ex-oil, gas & consumable fuels growth more relevant

Exhibit 15: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2024-26E (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 (%)		
			2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E	2024	2025E	2026E
Automobiles & Components	183	97	129.6	4.7	9.2	23.9	22.8	20.9	13.3	12.0	10.7	5.8	4.9	4.2	0.8	1.2	1.4	24.4	21.6	20.2
Banks	416	350	10.8	7.5	13.3	16.9	15.7	13.8	-	-	-	2.3	2.2	2.0	1.0	1.2	1.2	13.7	14.3	14.4
Capital Goods	96	58	30.6	29.7	29.8	48.1	37.1	28.6	25.3	20.2	17.9	5.8	5.1	4.5	0.5	0.6	0.7	12.1	13.9	15.9
Commodity Chemicals	34	16	34.6	3.1	3.7	50.3	48.8	47.0	35.0	33.7	32.1	15.0	13.2	11.7	1.0	1.1	1.2	29.9	27.0	25.0
Construction Materials	53	25	22.1	20.1	10.4	30.5	25.4	23.0	14.4	12.3	10.9	3.1	2.8	2.5	0.4	0.5	0.4	10.0	11.0	11.1
Consumer Staples	184	96	12.8	5.6	10.3	40.3	38.2	34.6	29.9	27.6	24.9	10.6	9.9	9.4	2.2	2.2	2.4	26.3	26.0	27.2
Diversified Financials	93	42	24.6	20.9	22.3	26.1	21.6	17.7	-	-	-	4.4	3.7	3.1	0.4	0.5	0.6	16.8	17.2	17.6
Electric Utilities	76	37	11.3	8.9	6.8	17.5	16.1	15.0	10.5	9.7	9.0	2.5	2.3	2.1	2.7	2.8	3.0	14.3	14.3	14.2
Health Care Services	10	7	10.5	79.0	27.1	96.3	53.8	42.3	37.3	27.9	21.6	12.5	10.3	8.5	0.1	0.2	0.3	12.9	19.2	20.1
IT Services	344	147	3.0	10.2	12.3	27.3	24.8	22.1	17.9	16.3	14.5	7.8	7.1	6.5	2.0	2.8	3.2	28.4	28.7	29.5
Insurance	32	15	12.4	14.7	13.3	76.1	66.4	58.6	-	-	-	9.0	8.3	7.6	0.2	0.3	0.3	11.8	12.5	13.0
Metals & Mining	68	38	9.8	51.5	32.2	21.9	14.4	10.9	9.4	7.5	6.3	2.0	1.8	1.6	0.7	1.1	1.6	9.3	12.6	14.7
Oil, Gas & Consumable Fuels	322	148	29.5	(5.4)	5.3	14.4	15.2	14.5	8.5	8.5	7.6	2.1	1.9	1.8	1.9	1.6	1.6	14.8	12.7	12.1
Pharmaceuticals	83	44	21.1	15.6	11.0	33.0	28.6	25.8	21.9	18.7	16.5	5.3	4.6	4.0	0.4	0.4	0.5	15.9	16.1	15.7
Retailing	35	16	6.8	19.7	21.0	83.3	69.6	57.5	55.9	46.9	39.1	31.0	23.6	18.2	0.3	0.4	0.5	37.2	33.9	31.7
Telecommunication Services	91	42	41.4	82.1	34.6	59.9	32.9	24.4	11.4	9.1	7.4	8.8	6.6	5.4	0.4	0.4	0.5	14.6	20.2	22.2
Transportation	33	11	8.1	18.2	24.2	31.0	26.2	21.1	20.0	16.8	14.3	5.3	4.5	3.8	0.2	0.4	0.6	17.0	17.0	17.9
Nifty-50 Index	2,153	1,188	20.9	8.9	13.0	23.1	21.2	18.8	13.7	12.5	11.1	3.7	3.4	3.0	1.3	1.5	1.6	16.0	16.0	16.1
Nifty-50 Index (ex-energy)	1,831	1,041	18.4	13.4	15.0	25.8	22.8	19.8	16.3	14.3	12.6	4.2	3.9	3.4	1.2	1.4	1.6	16.4	17.1	17.4
Nifty-50 Index (ex-banks)	1,737	838	25.0	9.4	12.9	25.3	23.1	20.5	13.7	12.5	11.1	4.3	3.8	3.4	1.3	1.5	1.7	17.0	16.6	16.8

Notes:

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

Source: Kotak Institutional Equities estimates

Banks, IT services, metals & mining and telecommunication services to provide bulk of the incremental profits for FY2025 of the Nifty-50 Index

Exhibit 16: Breakup of net profits of the Nifty-50 Index across sectors, March fiscal year-ends, 2020-26E (based on current constituents)

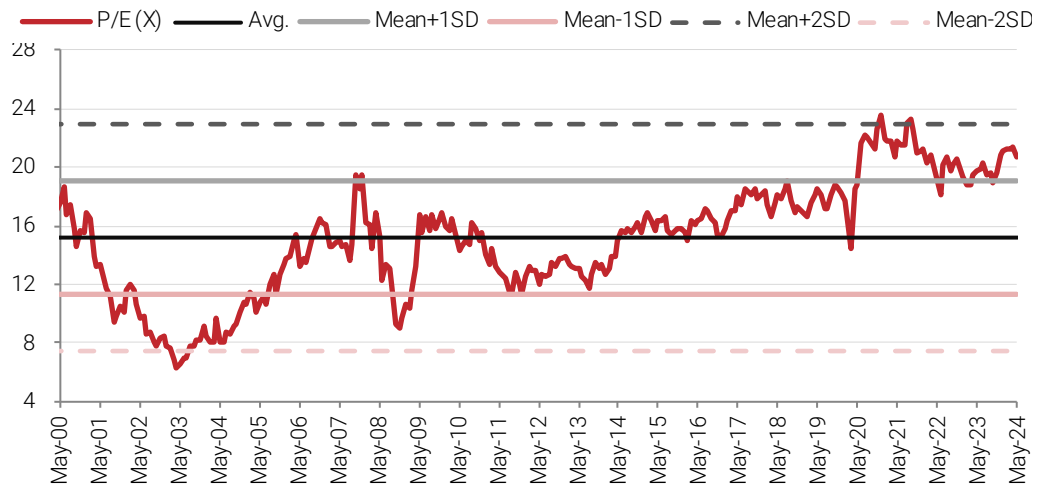
	Net profits (Rs bn)						Contribution (%)				2024		2025E		2026E				
	2020	2021	2022	2023	2024	2025E	2026E	2022	2023	2024	2025E	2026E	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)	
Automobiles & Components	110	150	70	279	639	669	731	1	4	8	8	8	361	27	30	4	62	6	
Tata Motors	(75)	(14)	(107)	7	247	262	291	(2)	0	3	3	3	240	18	16	2	29	3	
Banks	811	992	1,354	1,860	2,061	2,215	2,511	24	29	26	26	26	201	15	155	22	295	27	
Axis Bank	16	66	130	212	250	261	295	2	3	3	3	3	38	3	11	2	34	3	
HDFC Bank	441	431	507	603	608	690	812	9	9	8	8	8	5	0	82	12	121	11	
ICICI Bank	79	162	233	319	409	416	459	4	5	5	5	5	90	7	7	1	43	4	
State Bank of India	145	204	317	502	535	560	618	5	8	7	7	6	33	2	24	3	59	5	
Capital Goods	99	79	93	128	167	217	281	2	2	2	3	3	39	3	50	7	65	6	
Commodity Chemicals	26	31	31	42	56	58	60	1	1	1	1	1	14	1	2	0	2	0	
Construction Materials	115	100	128	120	146	176	194	2	2	2	2	2	27	2	29	4	18	2	
Consumer Staples	251	258	286	338	381	402	444	5	5	5	5	5	43	3	22	3	41	4	
Diversified Financials	111	114	143	239	298	360	440	2	4	4	4	5	59	4	62	9	80	7	
Electric Utilities	225	290	301	324	361	393	420	5	5	5	5	4	37	3	32	5	27	2	
Health Care Services	3	1	8	8	9	16	21	—	—	—	—	—	1	0	7	1	4	0	
IT Services	759	840	957	1,019	1,050	1,156	1,298	17	16	13	14	14	31	2	107	15	142	13	
Insurance	27	28	27	31	35	40	45	0	—	—	—	—	4	0	5	1	5	0	
Metals & Mining	129	222	774	237	260	394	521	13	4	3	5	5	23	2	134	19	127	11	
Tata Steel	65	85	426	75	47	118	192	7.4	1.2	0.6	1.4	2.0	(28)	(2)	71	10.2	74	7	
Oil, Gas & Consumable Fuels	745	859	1,317	1,443	1,868	1,768	1,861	23	22	24	21	19	425	32	(101)	(15)	94	8	
BPCL	21	141	88	30	283	110	115	2	0	4	1	1	253	19	(173)	(25)	5	0	
Coal India	167	127	174	281	374	282	303	3	4	5	3	3	92	7	(92)	(13)	21	2	
ONGC	162	156	476	465	515	530	505	8	7	7	6	5	51	4	15	2	(25)	(2)	
Reliance Industries	396	435	579	667	696	845	939	10	10	9	10	10	29	2	149	22	94	8	
Pharmaceuticals	91	129	164	173	209	242	269	3	3	3	3	3	36	3	33	5	27	2	
Retailing	15	10	23	33	35	42	51	—	1	0	0	1	2	0	7	1	9	1	
Telecommunication Services	(36)	(29)	26	90	128	232	313	0	1	2	3	3	37	3	105	15	80	7	
Transportation	55	43	56	83	90	106	132	1	1	1	1	1	7	0	16	2	26	2	
Nifty-50 Index	3,535	4,118	5,760	6,445	7,792	8,486	9,590	100	100	100	100	100	1,347	100	694	100	1,104	100	
Nifty-50 change (%)	1.5	16.5	39.9	11.9	20.9	8.9	13.0												
Nifty-50 Index ex-BPCL, HPCL & Coal	3,341	3,788	5,463	6,183	7,054	8,048	9,126												
Nifty-50 Index ex-BPCL, HPCL & Coal change (%)	(1.1)	13.4	44.2	13.2	14.1	14.1	13.4												
Nifty-50 EPS (FF)	453	535	730	813	994	1,088	1,237												

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

Nifty-50 Index is trading at full valuations; recent history more relevant though

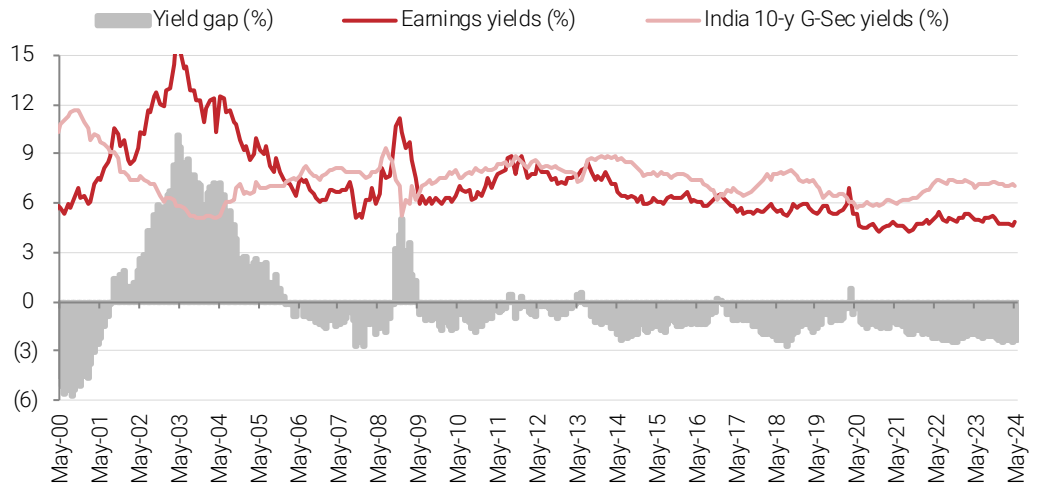
Exhibit 17: 12-m rolling forward P/E of Nifty-50 Index, March fiscal year-ends, 2001-25 (X)



Source: Companies, Kotak Institutional Equities estimates

Yield gap (earnings yield less bond yield) is on the higher side

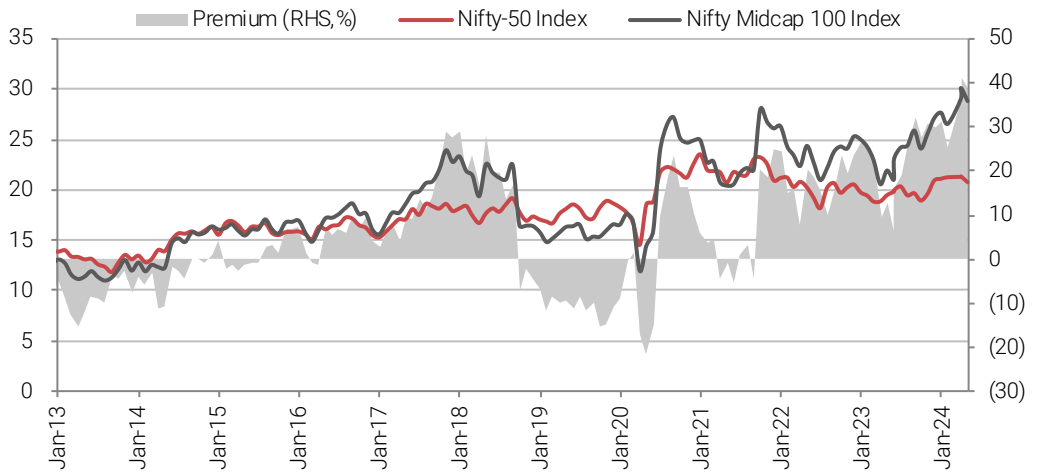
Exhibit 18: Nifty earnings yield (1-year forward estimated earnings) and bond yield, March fiscal year-ends, 2001-25 (%)



Source: CEIC, Kotak Institutional Equities estimates

Nifty Midcap 100 Index at 39% premium to the Nifty-50 Index

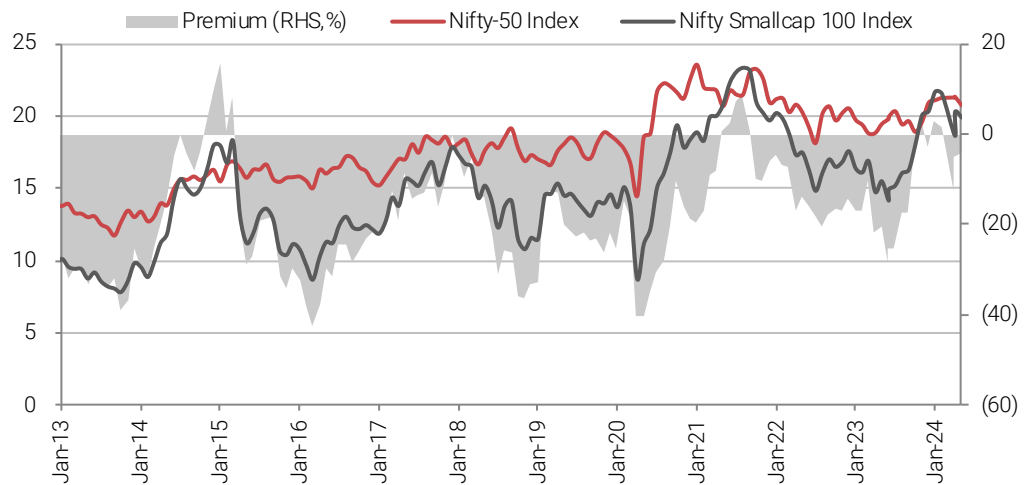
Exhibit 19: 1-year forward P/E multiple of Nifty-50 Index and NSE Midcap 100 Index (X)



Source: Bloomberg, Kotak Institutional Equities

Nifty Smallcap 100 Index at a modest discount to the Nifty-50 Index

Exhibit 20: 1-year forward P/E multiple of Nifty-50 Index and NSE Smallcap 100 Index (X)



Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 21: 12-m forward P/E multiple of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-24E

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
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	28
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	19
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	27
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	22
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	38
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49
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	38
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	32
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	32
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	64
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	44
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	48
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	54
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	41
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	50
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	41
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	68
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	64
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	71
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	59
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	87
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	69

Source: Companies, Factset, Kotak Institutional Equities

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

Exhibit 22: 12-m forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-24E

Company	Sector	12-m forward P/E multiple (X)														Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	28
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	31
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	58
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	36
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	56
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	36
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	29
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	35
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	52
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	62
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	54
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	74
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	34
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	47
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	51
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	30
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	43
Deyyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	93
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	72
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	42
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	79
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	96

Source: Companies, Factset, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 23: 12-m forward P/E multiple of investment stocks in KIE universe, March fiscal year-ends, 2011-24E

Company	Sector	12-m forward P/E multiple (X)														Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	64	69	73	87	89
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	40
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	79
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	47
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	56
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	54
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	76
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	36
Kalpataru Projects	Capital Goods	9	8	6	7	15	15	16	19	16	5	10	10	12	20	23
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	24
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	29
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	81
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	71

Source: Companies, Factset, Kotak Institutional Equities

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

Exhibit 24: 12-m forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-24E

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	
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	23
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	18	21	18	24	22
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	22
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	53
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	27
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	46	28	38	35
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	23	36	18	25	26
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	38
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	49
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	27
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	25
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	20
Aurobindo Pharma	Pharmaceuticals	9	7	7	12	18	17	14	12	15	8	15	12	12	17	18
Cipla	Pharmaceuticals	21	18	18	19	30	20	24	20	22	18	24	25	20	27	25
Divis Laboratories	Pharmaceuticals	20	17	17	19	23	20	16	25	28	31	39	40	36	44	51
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	19
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	32
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	32
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	43
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	38

Source: Companies, Factset, Kotak Institutional Equities

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

Exhibit 25: 12-m forward P/B multiple of banks in KIE universe, March fiscal year-ends, 2011-24E

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	2.8
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	2.0
Bandhan Bank	Banks	NA	NA	NA	NA	NA	NA	NA	5.2	4.9	1.7	2.7	2.6	1.4	1.2	1.2
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	1.2
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	1.3
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	1.3
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	0.8
Equitas Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.8	1.4	1.5	1.6	1.7
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	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	1.6
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	1.4
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	1.4
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	1.8
Ujivan Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	1.6	0.9	1.0	1.4	1.6
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	1.1

Source: Companies, Factset, Kotak Institutional Equities

NBFCs are trading at fair-to-attractive valuations

Exhibit 26: 12-m forward P/B multiple of financial stocks in KIE universe, March fiscal year-ends, 2011-24E

Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Current
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	3.0
Aptus Value Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.2	3.1	3.6	3.7
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	4.6
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	4.3
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	3.2
L&T Finance Holdings	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	1.6
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	1.1
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	2.4
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	1.7
12-m forward P/E multiple (X)																
ABSL AMC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19
Computer Age Management Services	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37.4	34	29	35	39
CRISIL	Diversified Financials	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	63
HDFC AMC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	38
ICRA	Diversified Financials	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	30
Kfin Technologies	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	43
Nippon AMC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	24.7	24.3	24.1	33.8	26	17	27	31
UTI AMC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.9	20	14	15	18

Source: Companies, Factset, Kotak Institutional Equities

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

Exhibit 27: KIE large-cap. model portfolio

Company	Price (Rs) 6-May-24	KIE weight (%)
Automobiles & Components		
Mahindra & Mahindra	2,225	2.3
Automobiles & Components		2.3
Banks		
Axis Bank	1,144	7.1
HDFC Bank	1,523	9.3
ICICI Bank	1,146	10.4
IndusInd Bank	1,498	2.0
SBI Cards and Payment Services	718	1.5
State Bank of India	808	7.5
Banks		37.7
Capital Goods		
L&T	3,463	3.2
Capital Goods		3.2
Consumer Staples		
Britannia Industries	5,062	1.4
Dabur India	531	1.4
Godrej Consumer Products	1,250	1.6
Hindustan Unilever	2,256	3.0
United Spirits	1,232	1.6
Consumer Staples		8.8
Diversified Financials		
Shriram Finance	2,548	1.7
Diversified Financials		1.7
Health Care Services		
Apollo Hospitals	6,057	1.4
Health Care Services		1.4
Insurance		
ICICI Prudential Life	574	1.4
SBI Life Insurance	1,441	2.2
Insurance		3.6

Company	Price (Rs) 6-May-24	KIE weight (%)
Internet Software & Services		
Zomato	196	1.6
Internet Software & Services		1.6
IT Services		
HCL Technologies	1,359	2.2
Infosys	1,426	5.2
TCS	3,921	1.9
IT Services		9.4
Oil, Gas & Consumable Fuels		
Reliance Industries	2,839	9.5
Oil, Gas & Consumable Fuels		9.5
Pharmaceuticals		
Cipla	1,423	2.1
Mankind Pharma	2,287	1.5
Sun Pharmaceuticals	1,529	1.9
Pharmaceuticals		5.4
Real Estate		
DLF	887	1.7
Embassy Office Parks REIT	344	1.4
Macrotech Developers	1,167	1.9
Real Estate		4.9
Specialty Chemicals		
Pidlite Industries	2,953	1.6
Specialty Chemicals		1.6
Telecommunication Services		
Bharti Airtel	1,283	3.7
Telecommunication Services		3.7
Transportation		
Adani Ports and SEZ	1,290	1.7
Delhivery	450	1.5
Interglobe Aviation	3,998	1.9
Transportation		5.1
BSE-30	73,896	100

Notes:

(a) The model portfolio is not advice 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

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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.

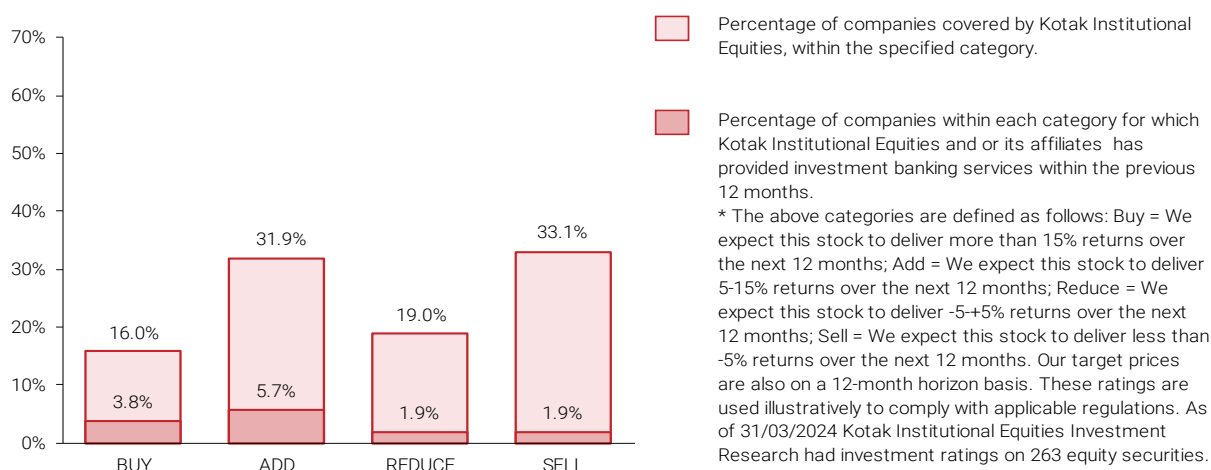
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