



The Eagle Eye – June 2026

Macro uncertainties mount; Midcaps sustain outperformance

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GLOBAL MARKETS

- ❖ AI boom powers South Korea and Taiwan, while India continues to lag global peers
- ❖ 'Big Tech' market cap surge dwarfs that of India and other key EMs
- ❖ More legs to the ongoing AI rally: strong earnings growth trajectory continues
- ❖ India's market remains the most diversified across sectors among EMs

DOMESTIC MARKETS

- ❖ Midcaps scale a record high; Metals and Capital Goods outperform
- ❖ SMIDs' share of market capitalization reaches new highs
- ❖ MOFSL Universe and Nifty's earnings rise 16% and 4% YoY in 4QFY26, respectively

FLOWS AND VOLUMES

- ❖ DII momentum remains strong; FII selling persists
- ❖ Forex reserves moderate amid FII outflows and elevated energy prices
- ❖ Nifty's sectoral weights: Auto and Metals clock MoM gains; O&G and PSBs decline

KEY RESEARCH REPORTS

- ❖ Initiating coverages on:
 - ❖ GNG Electronics
 - ❖ Shaily Engineering Plastics
 - ❖ India Strategy: Earnings review 4QFY26

MULTI-YEAR HIGHS/LOWS

- ❖ Crude oil cools from the recent highs, remains above the long-term average
- ❖ Global yields hit multi-year highs amid inflationary pressures
- ❖ Current valuations point to a favorable return outlook

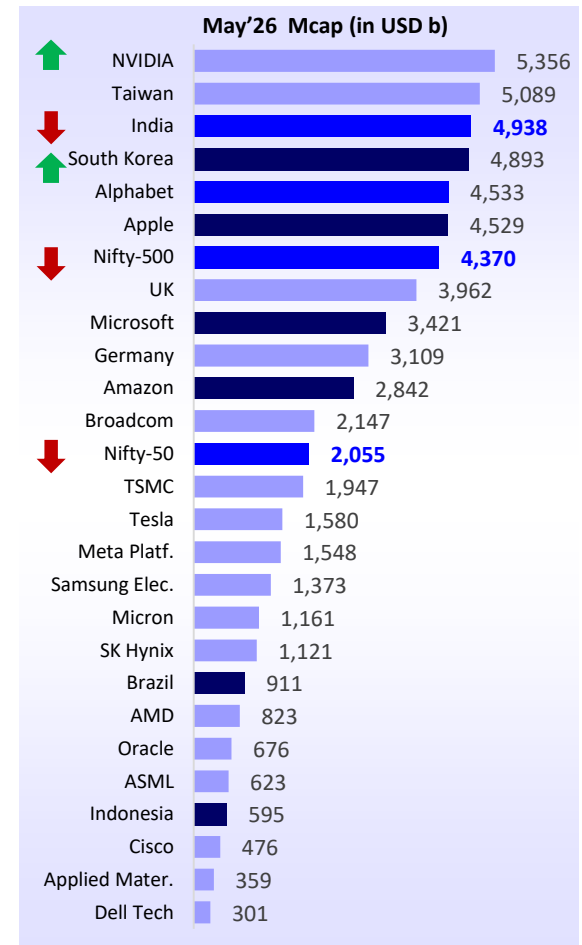
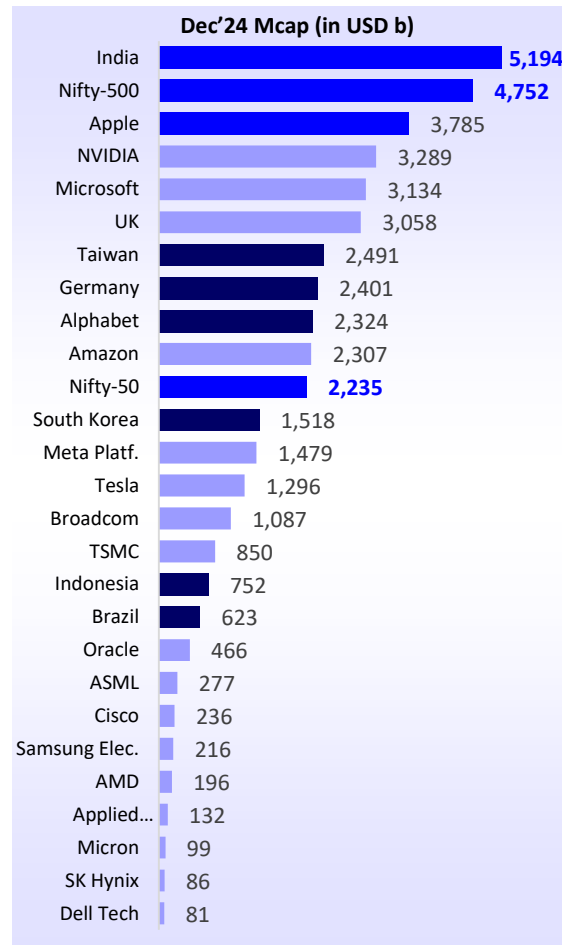
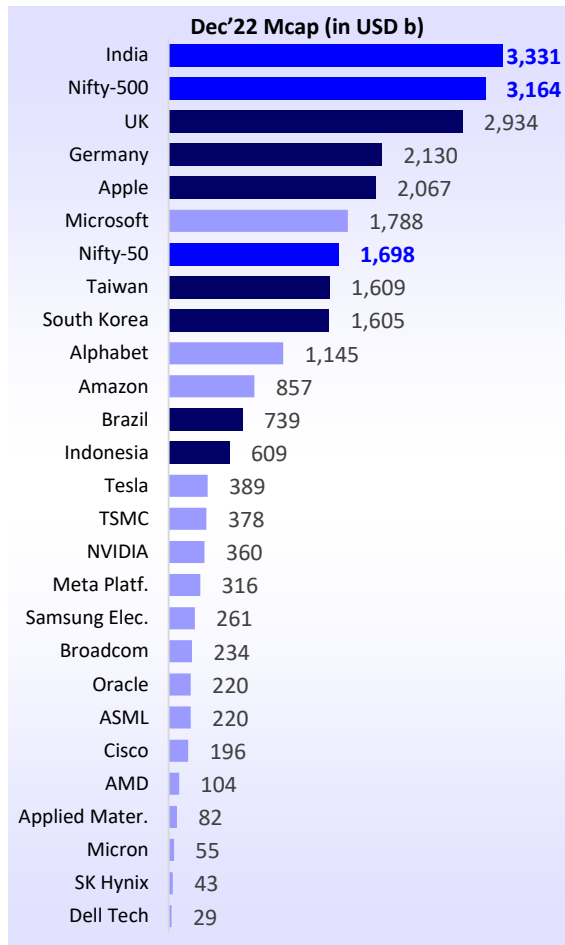
VALUATIONS

- ❖ India's valuation premium moderates, while earnings growth remains in double digits
- ❖ EY/BY ratio trades near a three-year high
- ❖ Valuations correct broadly; Mid-caps stay firm on earnings strength
- ❖ India's market cap-to-GDP ratio remains high

'Big Tech' market cap surge dwarfs that of India and other key EMs...

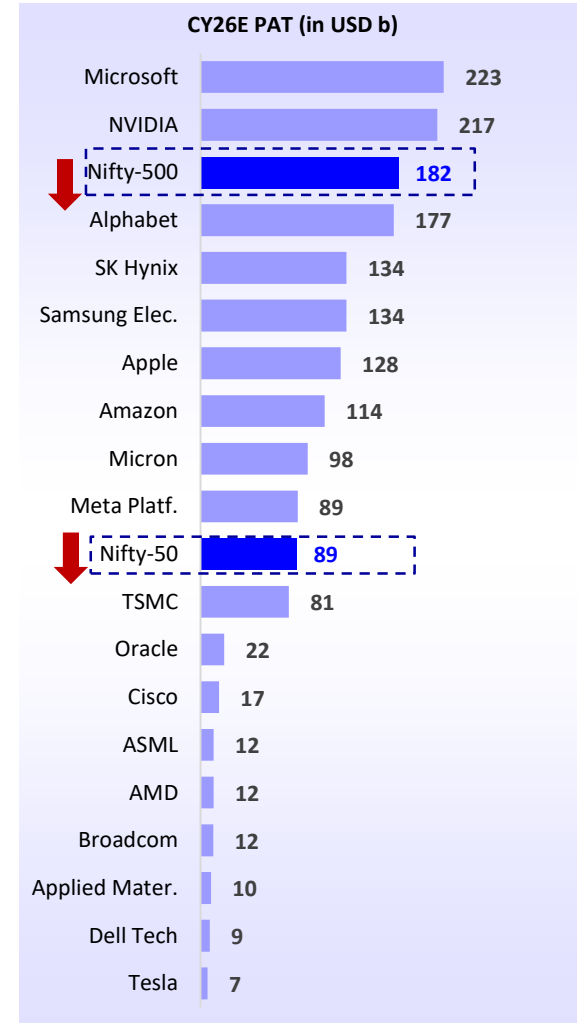
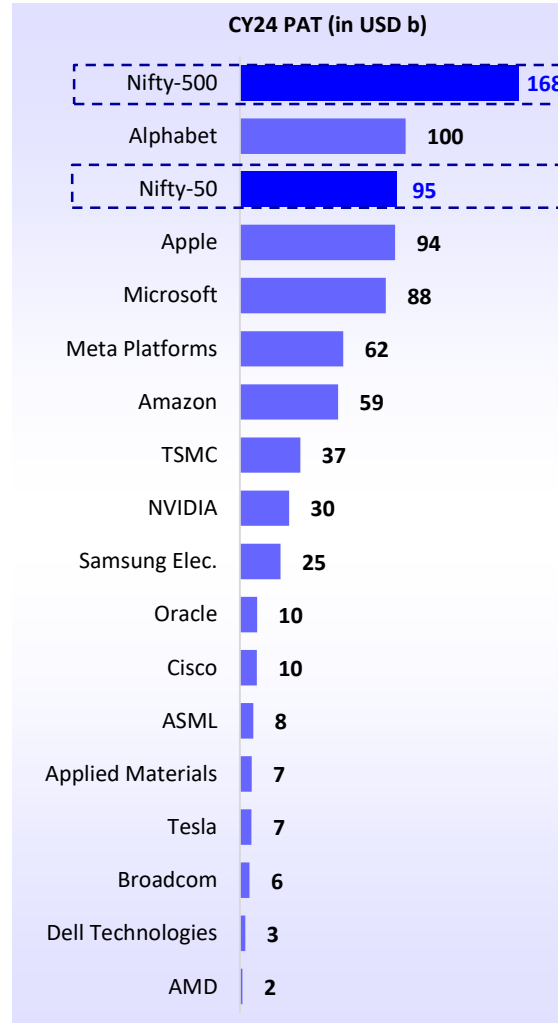
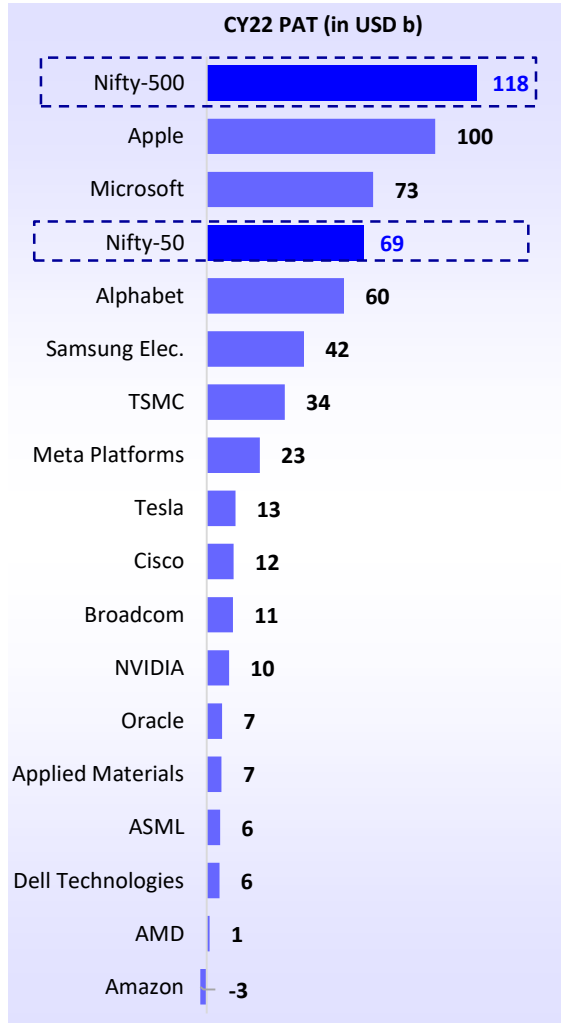
- ❖ The AI-led rally has reshaped global market rankings. In USD terms, India's market capitalization now trails NVIDIA and Taiwan, despite ranking well ahead of them only a few years ago.
- ❖ The Nifty-500's market capitalization is now smaller than Taiwan, South Korea, NVIDIA, Alphabet, and Apple, reflecting the extraordinary scale of the AI and Big Tech boom. Capital, earnings, and investor flows are becoming increasingly concentrated in a handful of technology leaders, raising concentration risks even as the AI theme continues to drive global market performance.

Market cap (USD b)



Note: Market cap figures represent the aggregate market cap of the entire listed equity universe in the respective EMs, the aggregate market cap of Nifty-500 and Nifty-50 constituents, and the individual market cap of selected AI and Big Tech companies.

- ❖ Expanding earnings delivery and rising expectations are also propelling Big Tech higher in the earnings rankings.
- ❖ Earnings for most of the major tech names have risen notably. Microsoft & NVIDIA's earnings are now likely to surpass the agg. Nifty-500 earnings in 2026E.
- ❖ Further, eight Big Tech names have climbed the earnings ranks, surpassing the Nifty-50 over the past two years.
- ❖ Therefore, no wonder capital is chasing the expanding earnings growth in AI and Big Tech plays.



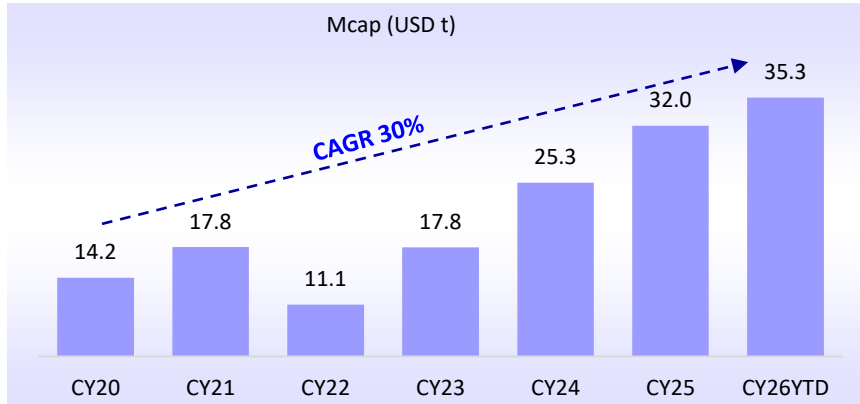
Note: Profit figures are based on the aggregate profits of Nifty-500 and Nifty-50 constituents and the standalone profits of selected AI and Big Tech companies for FY26 and CY2026E.

KEY EXHIBITS More legs to the ongoing AI rally: Strong earnings growth trajectory continues

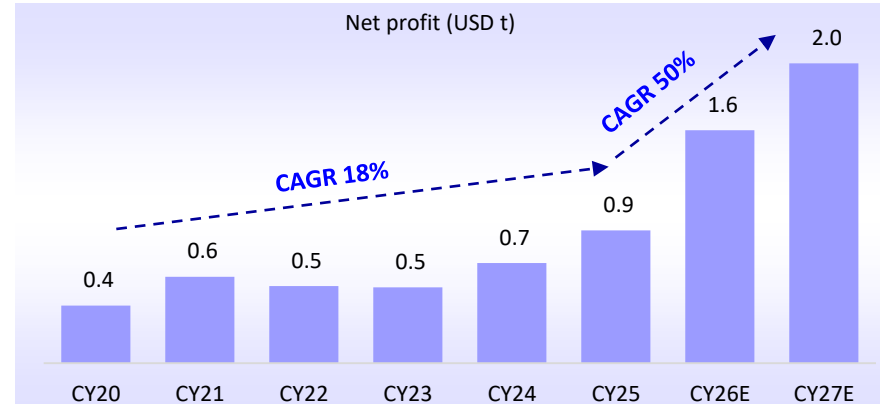
Strong earnings visibility and supportive valuations

- ❖ While CY24 and CY25 were the years of a global AI and semiconductor boom, with market cap and profits recording ~34% and ~32% CAGR, respectively, valuations have stretched to multi-year highs. However, this does not appear to ring alarm bells given the strong earnings trajectory of global AI and chip/semiconductor manufacturing companies.
- ❖ Earnings are expected to clock ~46% CAGR over the next two years, underscoring the durability of the underlying growth cycle.
- ❖ While multiple pockets within the category do appear stretched, overall, valuations look moderate on a forward basis, nearly half of the current levels.

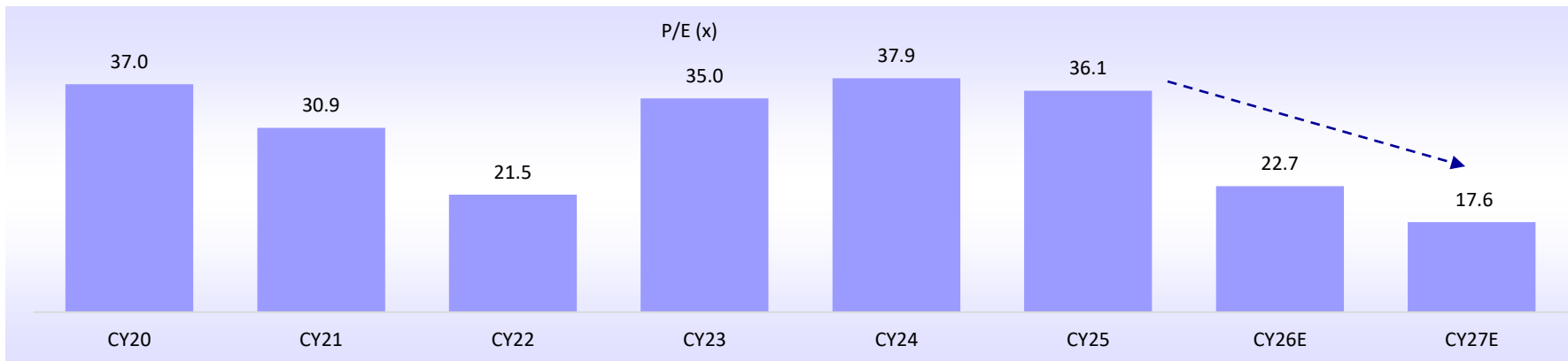
Global AI, Big Tech, and Semiconductor market cap clocked a 30% CAGR...



...while their combined PAT is likely to post a 50% CAGR in the next two years



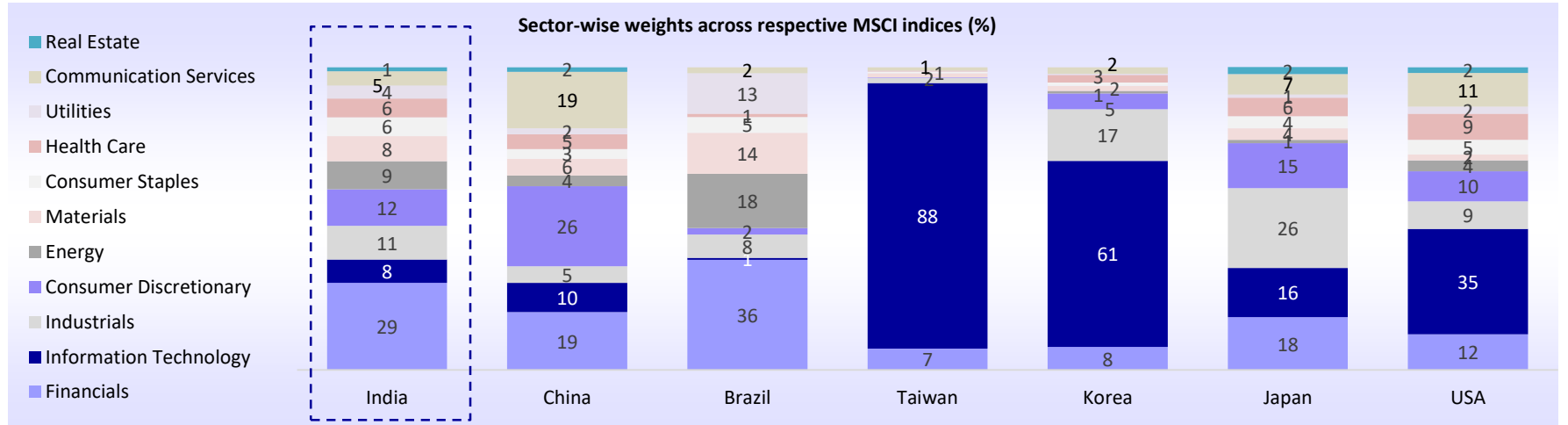
Despite the rally, forward valuations remain below historical peaks



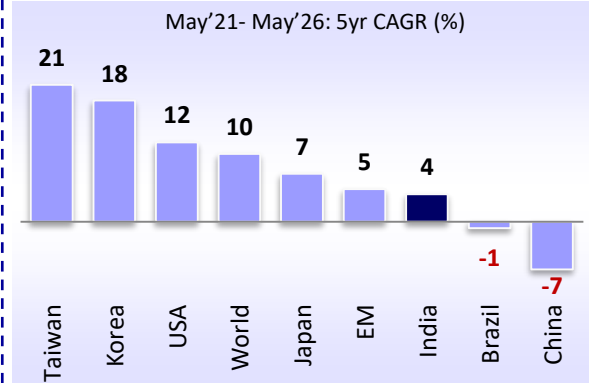
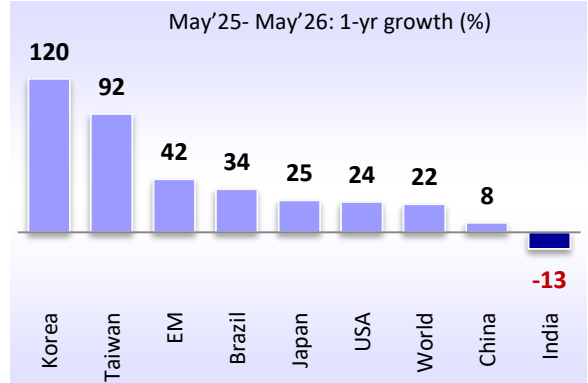
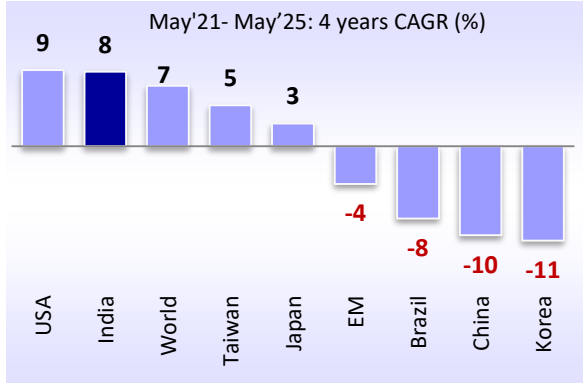
Source: Bloomberg, MOFSL

Note: Includes 86 key AI, Big Tech, semiconductor and chip manufacturing companies across the US (10), China (18), Korea (18) and Taiwan (9).

- ❖ India has recently witnessed FII outflows amid concerns over a lack of material AI-linked opportunities, while AI-heavy markets such as Taiwan and Korea have attracted strong inflows driven by AI-related trades. This divergence largely reflects the sectoral composition of major equity markets, where technology dominates Taiwan, Korea, and the US, while financials remain the largest sector in India, China, and Brazil.
- ❖ The top 3 sectors account for nearly 96% of the MSCI Taiwan Index, 86% in Korea, 68% in Brazil, 64% in China, 60% in Japan, and 58% in the US, compared with only ~52% in India. This highlights India's relatively diversified market structure with broader sector representation and lower concentration risk.
- ❖ MSCI India severely underperformed other key markets in the past one year while it significantly outperformed them before the start of the AI rally. Any reversal or moderation in AI-led trade could significantly benefit the diversified markets such as India, while disproportionately impacting the technology-heavy markets that remain more dependent on AI-driven flows and sector concentration.



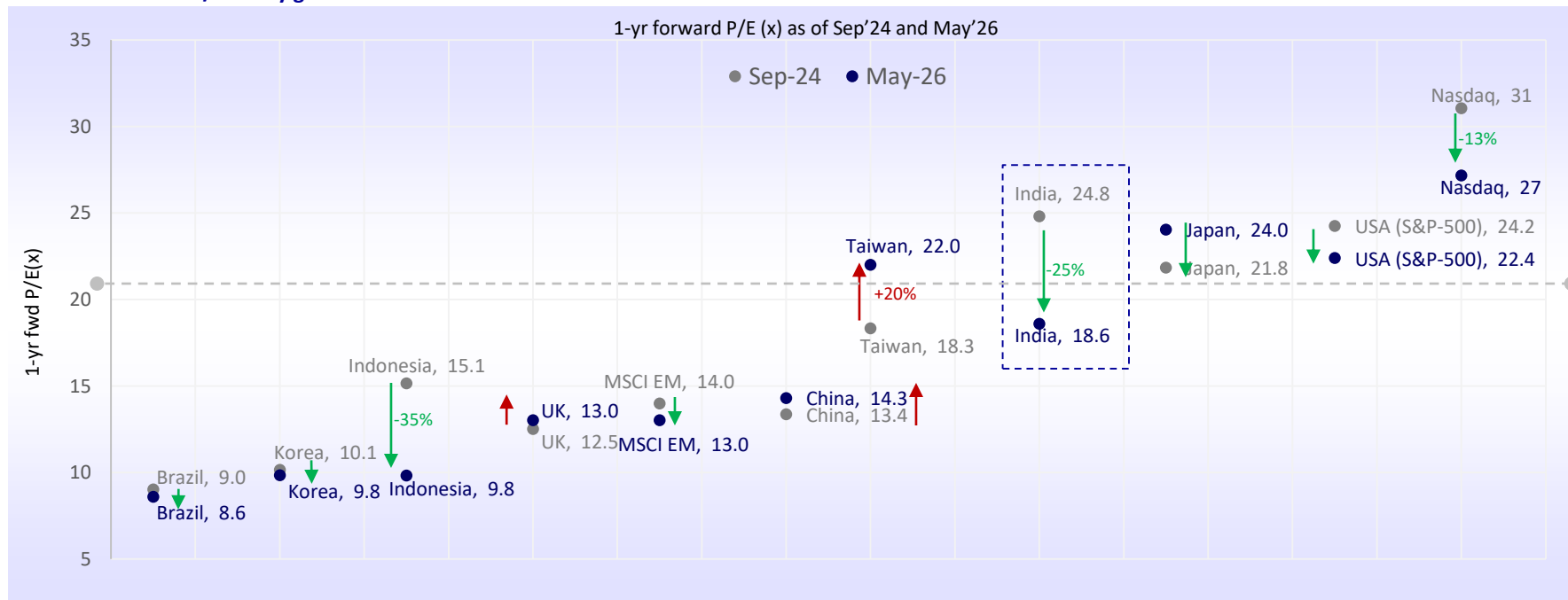
MSCI indices' performance across different periods (USD terms)



Source: MSCI Publication, MOFSL

- ❖ Since India's market peak in Sep'24, valuations across India and several EMs have moderated meaningfully. While India's valuation correction has largely been driven by price and time corrections, several AI-led markets have been supported by strong earnings upgrades over the past year.
- ❖ Both India and Indonesia witnessed the sharpest valuation corrections, with forward valuations declining 25% and 35%, respectively. In contrast, the UK, China, and Taiwan were among the few major markets to witness re-rating, with valuations rising 4%, 7%, and 10%, respectively, since Sep'24.
- ❖ Despite the valuation reset, India is still expected to deliver healthy double-digit earnings growth, with consensus earnings projected to grow at a CAGR of ~14% over the next two years, although this remains lower than some of the key AI-driven global markets.

12-month forward P/E of key global indices



EPS growth of indices

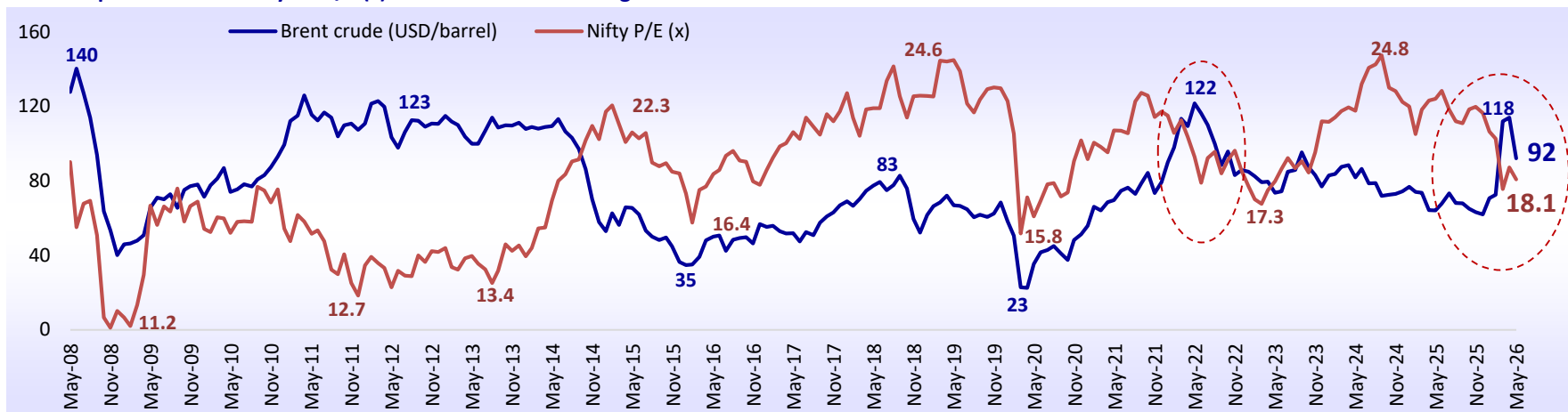
YoY earnings growth (%)	Brazil	Korea	Indonesia	MSCI EM	UK	China	Taiwan	Japan	India	S&P-500	Nasdaq
FY27/CY26 YoY change (%)	36.8	230.7	50.5	56.9	28.9	38.0	57.2	11.7	16.0	31.5	50.1
FY28/CY27 YoY change (%)	7.7	28.8	14.5	20.2	6.6	11.5	23.6	1.9	16.0	15.3	22.7
FY26-28E: 2 year CAGR (%)	21.4	106.4	31.3	37.3	17.2	24.0	39.4	6.6	13.8	23.1	35.7

Source: Bloomberg, MOFSL; Note: Have considered MOFSL estimates for FY27 and FY28 earnings growth for India.

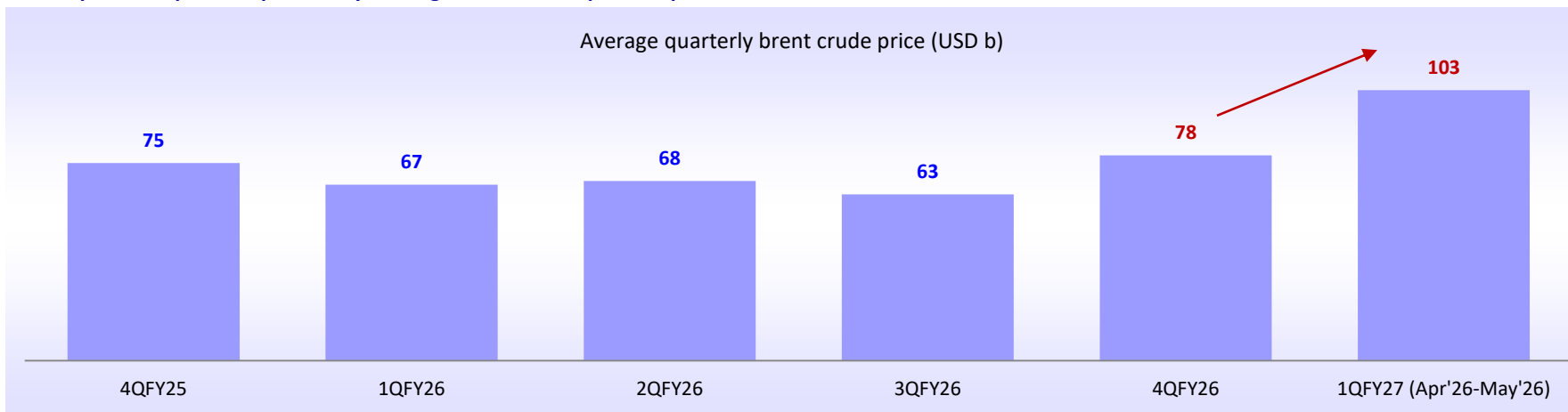
Crude oil cools from the recent highs, remains above the long-term average

- ❖ The expectation of a US-Iran deal and the extension of the ceasefire led to a sharp correction in crude oil prices from their Mar-Apr'26 peaks.
- ❖ However, lingering geopolitical uncertainties and concerns over the delayed impact on growth and earnings triggered a further correction in the Nifty-50, driving a moderation in forward valuations. A similar pattern was observed in 2022, when Indian equities underwent a valuation reset several months after the outbreak of the Russia-Ukraine war.

Crude oil price trend vs. Nifty-50 P/E (x): Moderated from the highs



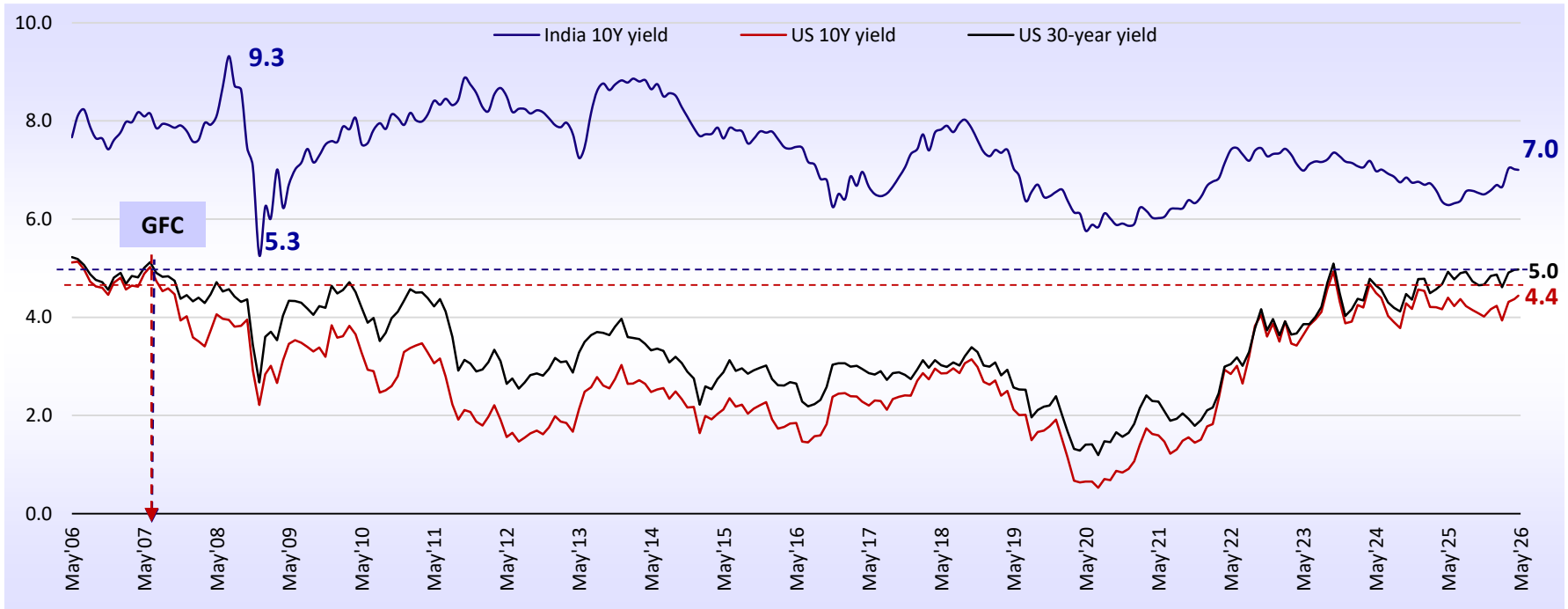
While crude oil prices have cooled from their recent highs and are currently trading at ~USD90-95 per barrel, average prices for 1QFY27 remain significantly higher than in previous quarters, potentially leading to increased input cost pressures



Global yields hit multi-year highs amid inflationary pressures

- ❖ Higher inflation expectations, affecting the short end of the yield curve, combined with growing concerns about fiscal slippage at the long end, have driven up monetary policy expectations and sovereign bond yields globally, including in India.
- ❖ Sovereign yields across major markets – from the US Treasuries to the UK Gilts and Japanese Government Bonds (JGBs) – have surged to multi-year highs amid persistent inflation concerns. US Treasury yields, particularly at the longer end, have risen sharply due to an expansion in term premium driven by sustained fiscal expansion, reaching levels last seen during the Global Financial Crisis. The US 30Y yield has climbed to 5.2%, while the 10Y stands at ~4.4%, up 50bp since the end of Feb'26.
- ❖ A prolonged inflationary environment is likely to remain unfavorable for global bond markets, especially as investor positioning has increasingly shifted toward shorter-duration securities and become more dependent on price-sensitive capital flows.
- ❖ In India, the 10Y government bond yield has risen to 7%, driven by higher WPI inflation, elevated crude oil prices, and concerns around imported inflation. We expect yields to gradually move toward 7.5% by Mar'27, higher than market consensus expectations of 7.2-7.3%.

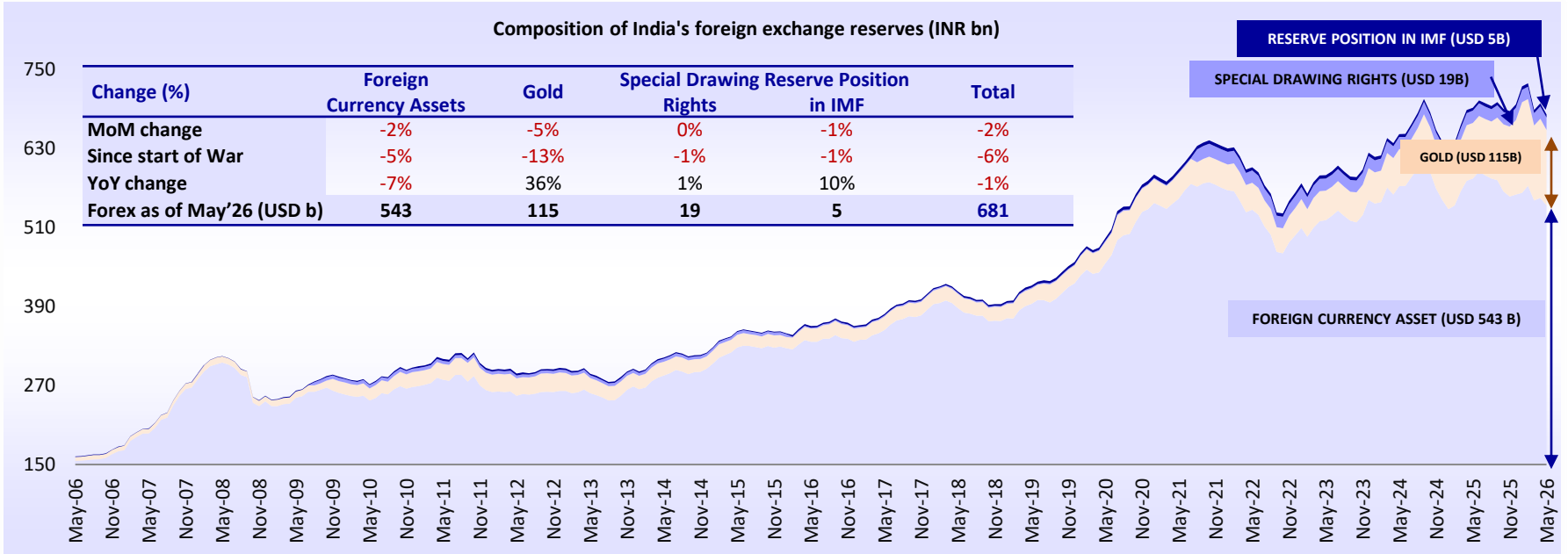
US 30Y yield at 2007 levels (~5.0%) surpasses 10Y; Treasury yields at GFC-era highs



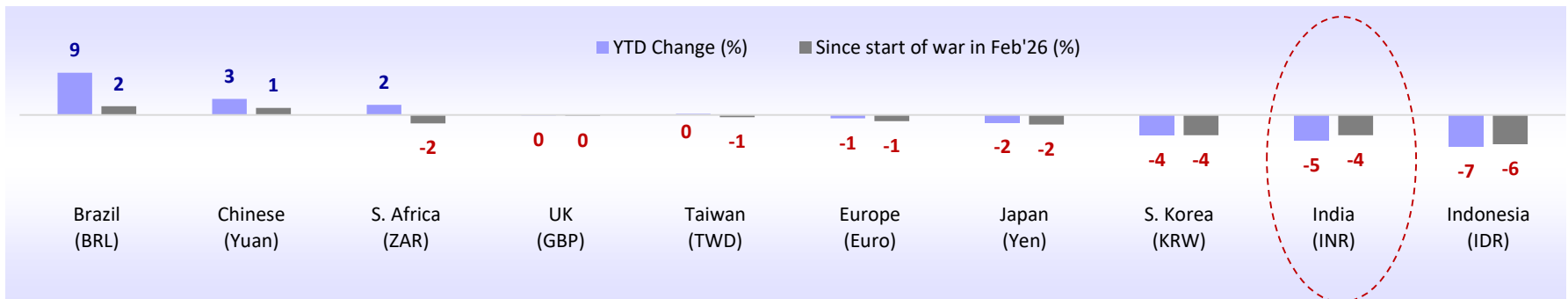
Forex reserves moderate amid FII outflows and elevated energy prices

- ❖ India's forex reserves stood at USD681b, declining by USD17b MoM and USD47b from the peak of Feb'26.
- ❖ Since the onset of tensions in West Asia, overall reserves have fallen by 6%, with both Foreign Currency Assets (FCA) and gold reserves coming under pressure amid sustained FPI outflows, a rising energy import bill, and the recent correction in gold prices from their highs.

Trend in the composition of India's foreign exchange reserves (INR b)



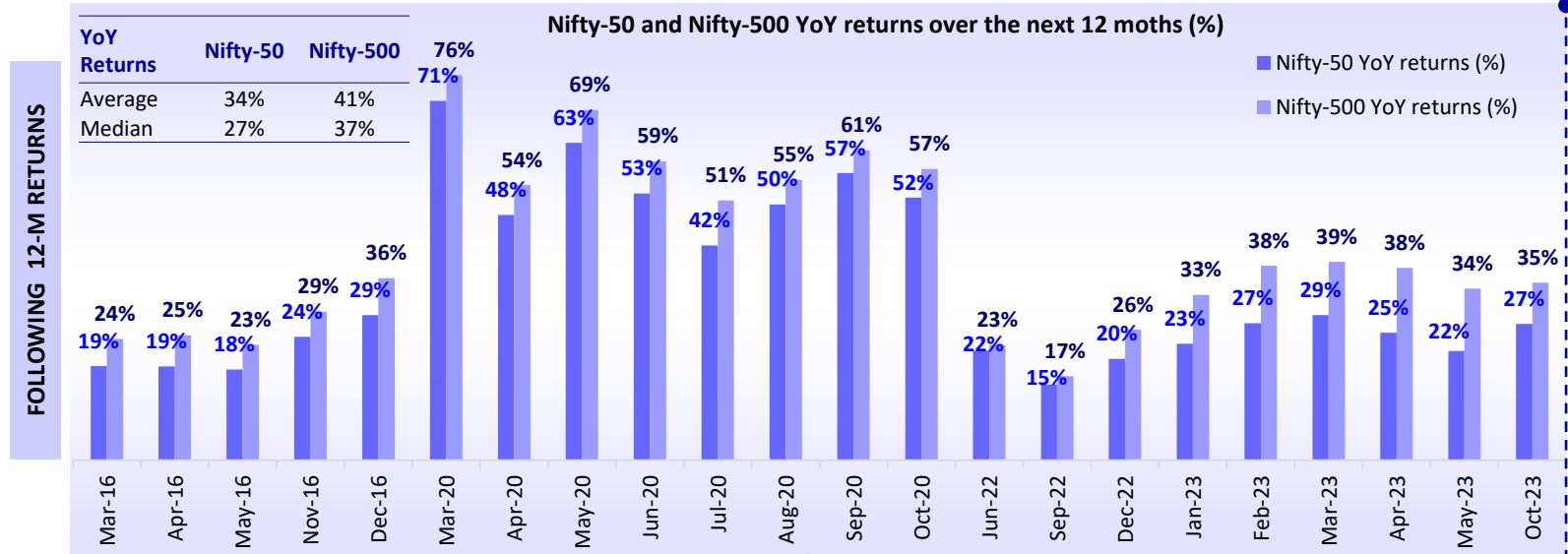
INR remains one of the weakest-performing currencies globally in 2026



Current valuations point to a favorable return outlook

- ❖ Over the past decade, the Nifty-50 has traded below a 19x forward P/E on only 24 occasions—a relatively rare valuation zone that sits nearly 10% below its 10-year average. Importantly, most of these instances occurred after periods of muted market performance, with the preceding 12-month returns either negative or in the low single digits.
- ❖ History suggests that such valuation dislocations have often created attractive entry points. In the 12 months following these sub-19x valuation periods, the Nifty-50 delivered average returns of 34% (median: 27%), while the broader Nifty-500 generated even stronger average returns of 41% (median: 37%).
- ❖ Following a 20-month valuation reset, the Nifty-50 is once again trading at 18.6x forward P/E—levels last seen in 1HCY23. This comes against a subdued return backdrop, with the Nifty-50 down 5% YoY and the Nifty-500 broadly flat over the past year.
- ❖ While the current macro and market environment may make a sharp recovery difficult to envision, historical experience indicates that similar valuation levels have often marked the beginning of the next market upcycle, offering a compelling medium-term risk-reward proposition.

One-year index returns following Nifty 12m forward P/E falling below 19x



Historical periods when Nifty 50's forward P/E fell below 19x

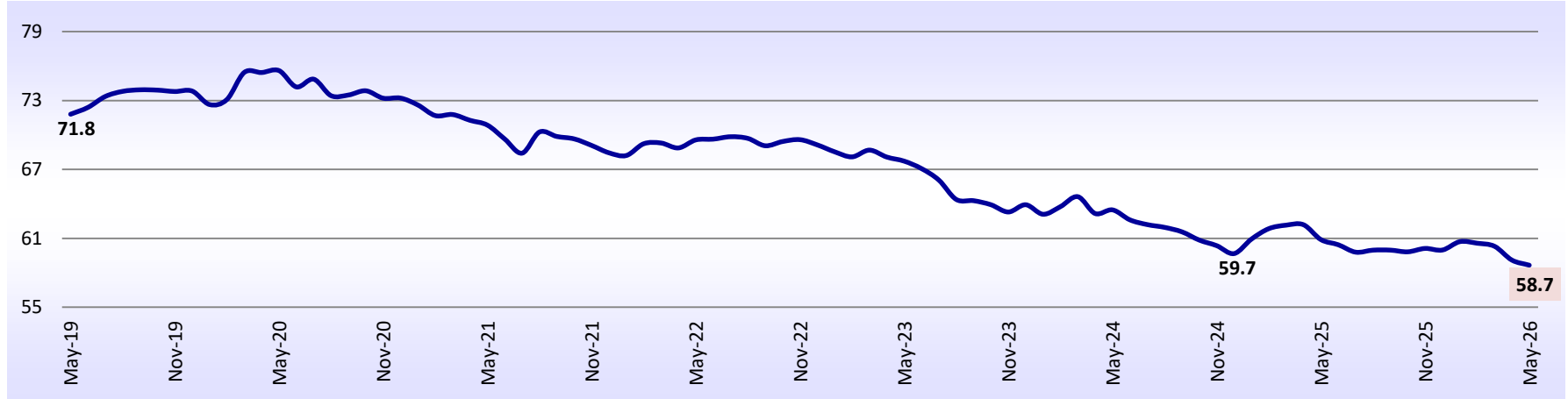
Date>>	Mar-16	Apr-16	May-16	Nov-16	Dec-16	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	Jun-22	Sep-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Oct-23	Mar-26	May-26
Nifty-50 P/E (x)	18.0	18.2	18.8	18.5	18.3	15.8	17.7	16.7	17.5	18.3	18.4	17.7	17.9	18.4	18.9	19.0	18.2	17.6	17.3	18.0	18.5	18.9	18.1	18.6

Note: 12m forward P/E is considered only on monthly closing basis

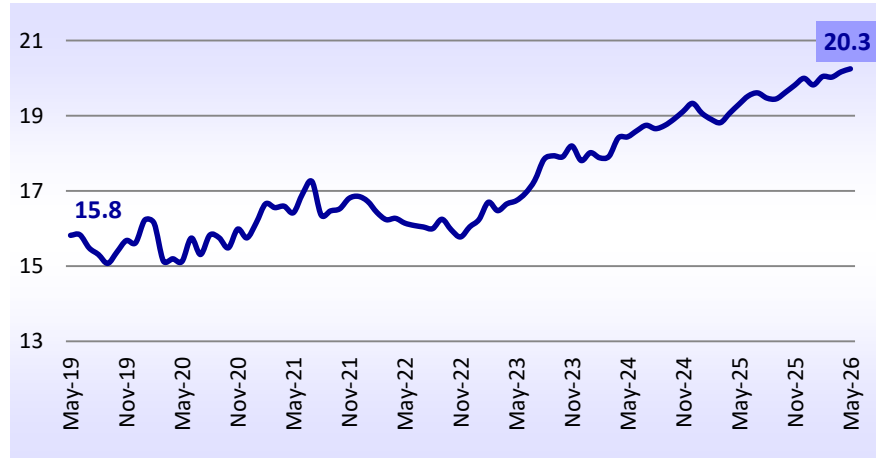
KEY EXHIBITS SMIDs' share of market capitalization reaches new highs

- ❖ The sharp outperformance of Mid-caps and Small-caps relative to Large-caps has propelled their share of total listed market capitalization to record highs.
- ❖ Supported by stronger earnings growth, premium valuations, and several Mid- and Small-cap-heavy sector indices and stocks scaling new all-time highs, Mid-caps and Small-caps accounted for 20.3% and 21.1% of total market capitalization, respectively. In contrast, the contribution of Large-caps declined to a record low of 58.7% in May'26.

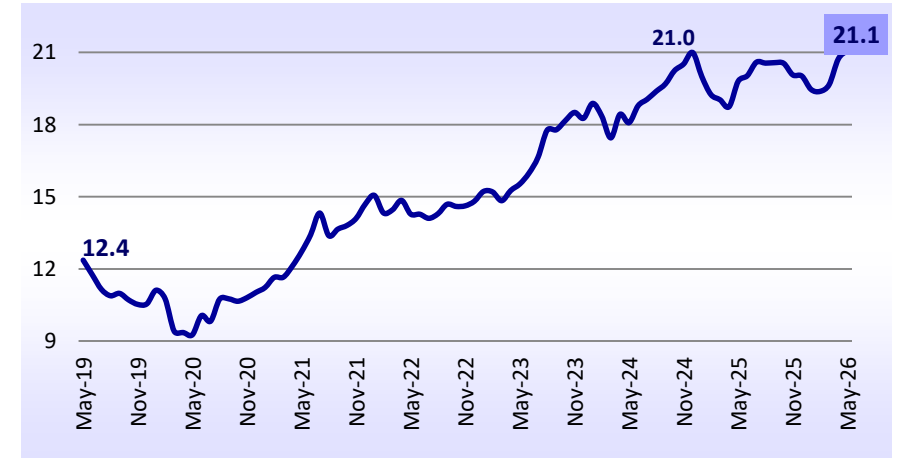
Market cap contribution of Top 100 companies % to total market cap



Market cap contribution of 101-250 companies % to total market cap



Market cap contribution of 251 onwards companies % to total market cap



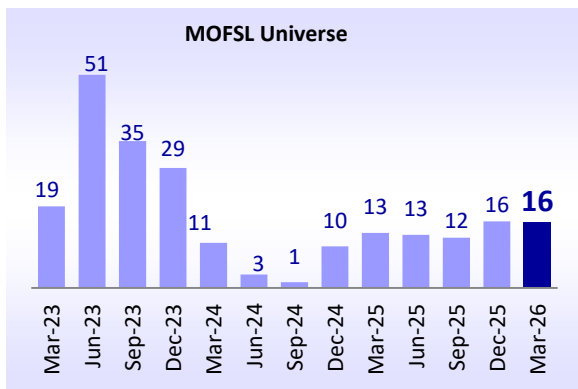
MOFSL Universe & Nifty's earnings rise 16% & 4% YoY in 4QFY26, respectively

- ❖ The aggregate earnings of the MOFSL Universe companies grew 16% YoY (above our estimate of +8% YoY) in 4QFY26. The MOFSL Universe delivers the fourth consecutive quarter of double-digit earnings growth.
- ❖ The 4QFY26 corporate earnings concluded on a strong note, showcasing widespread outperformance across aggregates. BFSI, Metals, OMCs, Technology, Telecom, and Automobiles fueled this healthy performance. Conversely, Oil & Gas (ex-OMCs) dragged overall profitability.
- ❖ The Nifty delivered single-digit earnings (4% YoY growth in 4QFY26) growth for the eighth consecutive quarter since the pandemic (Jun'20).

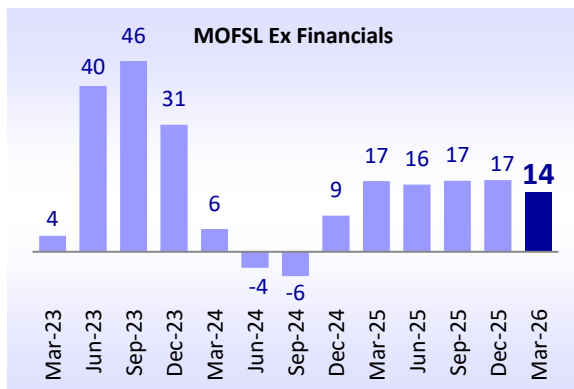
[Detailed report](#)

Performance of the MOFSL and Nifty-50 Universe companies in 4QFY26

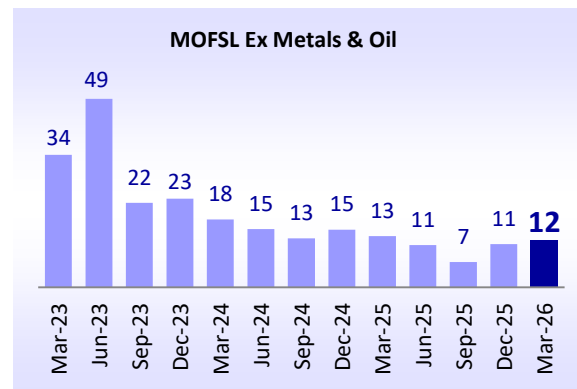
PAT increased 16% YoY for the MOFSL Universe



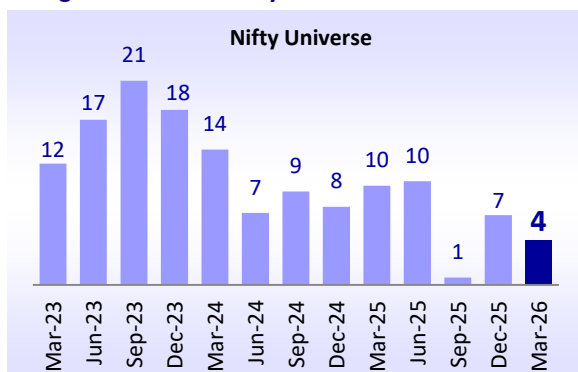
PAT was up 14% YoY for the MOFSL Universe, ex- Financials



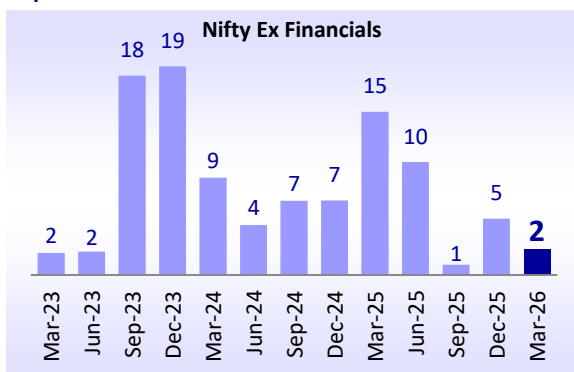
PAT rose 12% YoY for the MOFSL Universe, sans Metals & O&G



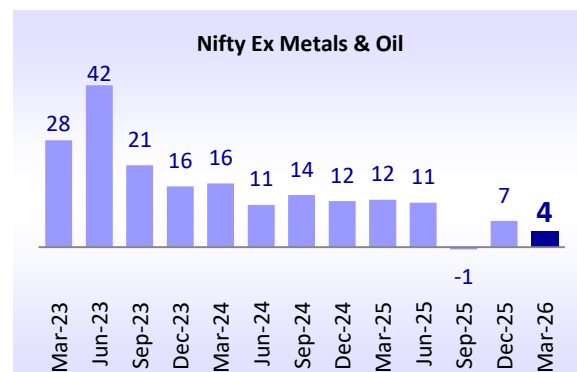
PAT growth for the Nifty Universe stood at 4% YoY



PAT for the Nifty Universe, sans Financials, was up 2% YoY

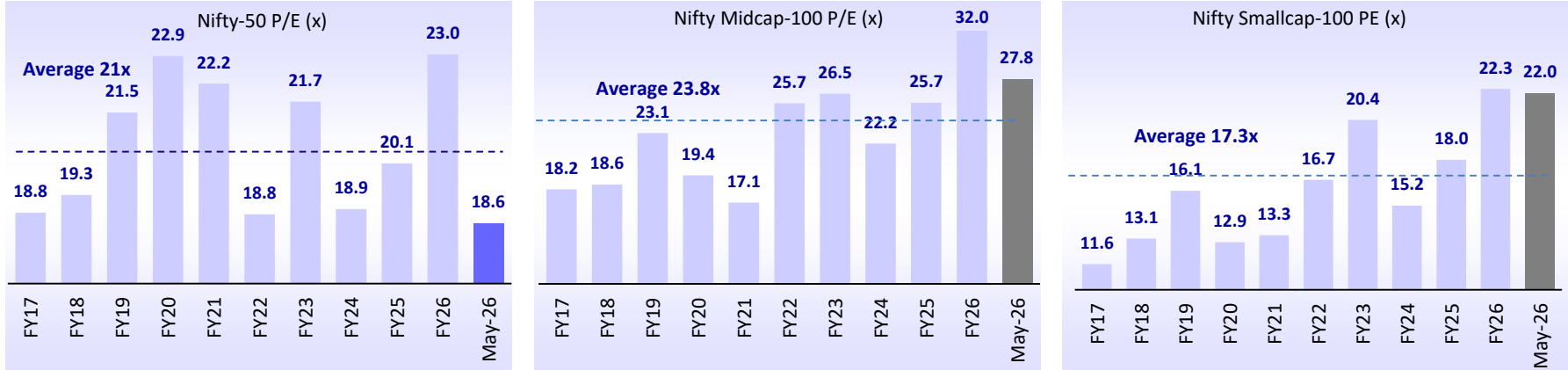


PAT inched up 4% YoY for the Nifty Universe, sans Metals & O&G



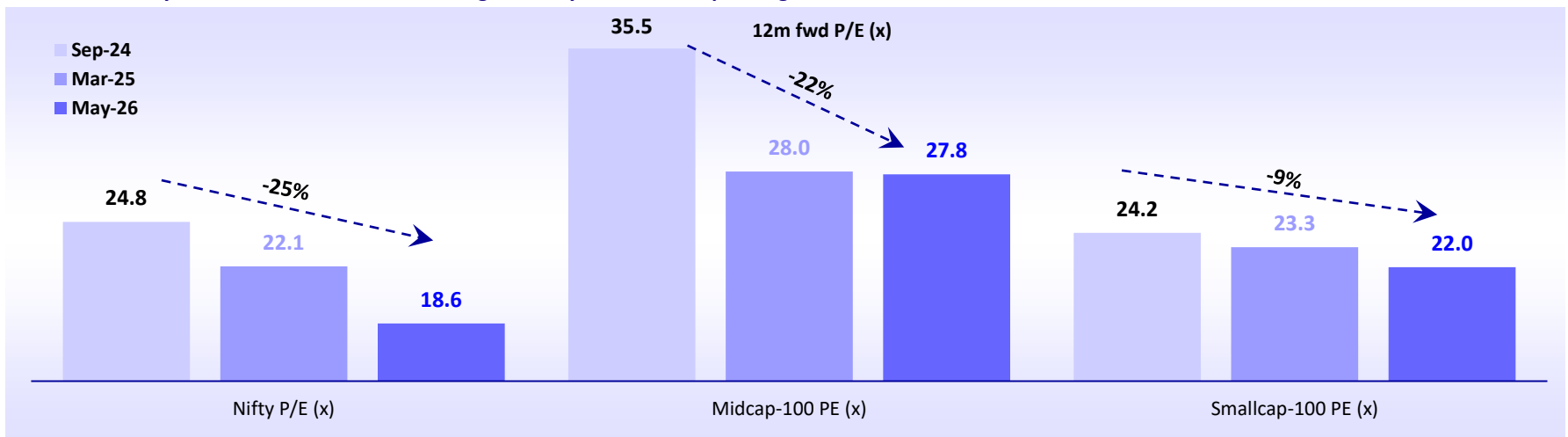
❖ The Nifty-50's one-year forward P/E stands at 18.6x, trading at an 11% discount to its long-term average of 21x and 25% below the peak levels seen in Sep'24. The Nifty Midcap-100 and Nifty Smallcap-100 continue to command valuation premiums, trading at 27.8x and 22.0x one-year forward P/E, respectively. While these multiples remain 16% and 27% above their LPAs, they are 22% and 9% below their respective Sep'25 peaks.

The 12-month forward P/E trends across the Nifty-50, Nifty Midcap-100, and Nifty Smallcap-100 indices (x)

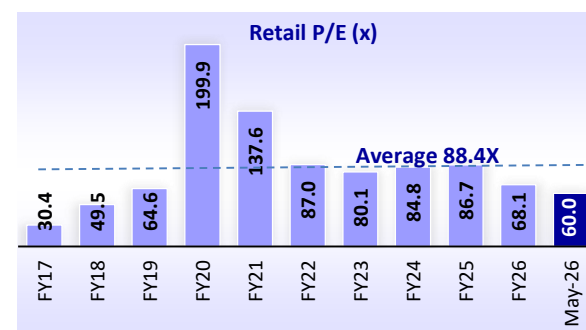
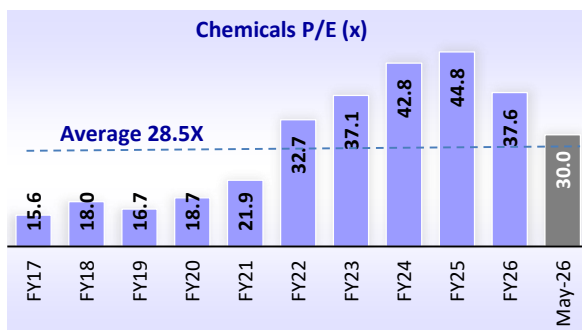
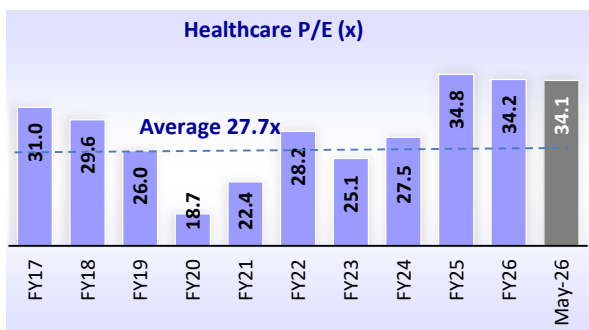
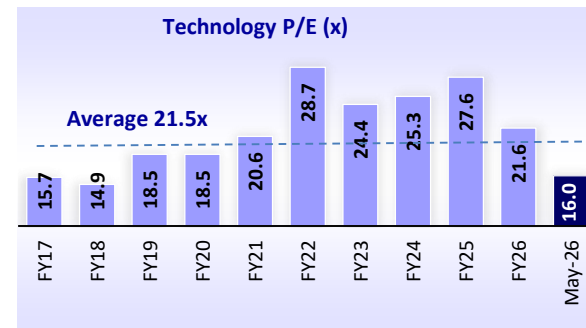
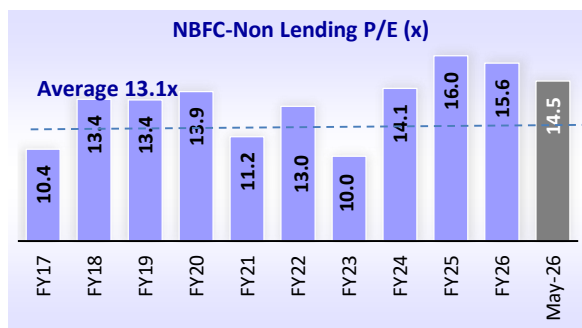
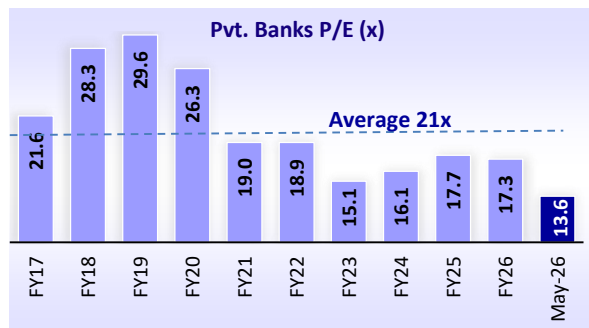
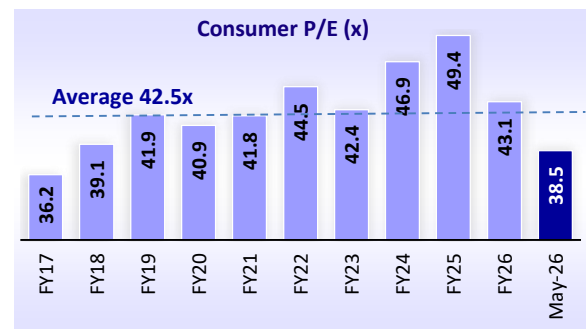
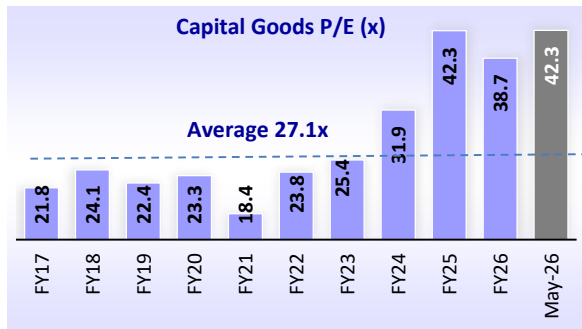
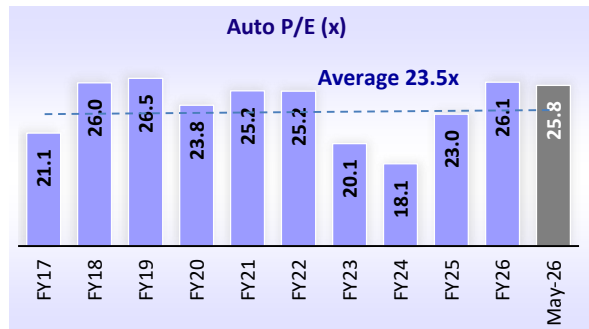


Note: The bars represent the 12-month average of one-year forward P/E on an FY basis as of 31st May'26

Valuations of key benchmark indices corrected significantly from their Sep'24 highs

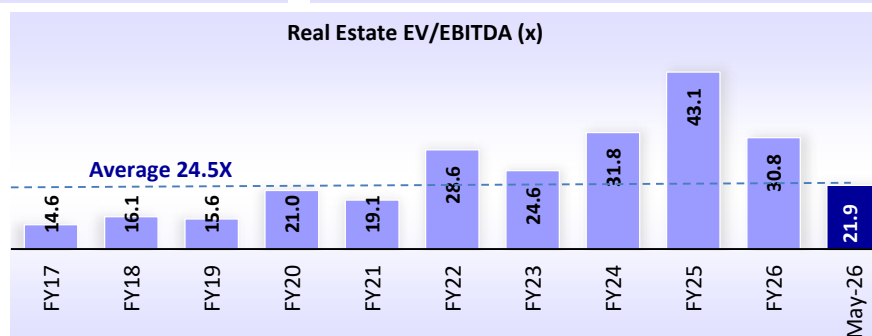
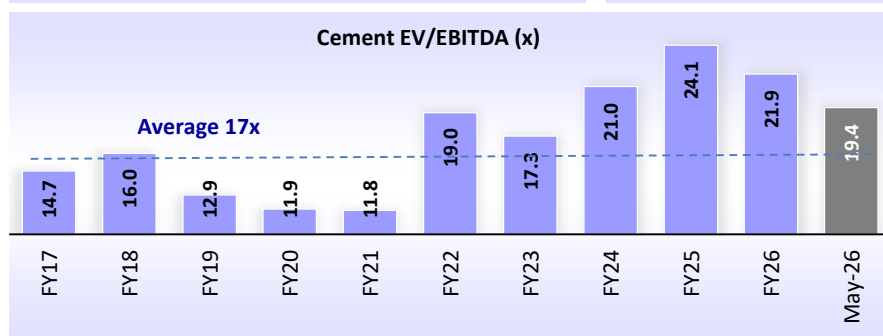
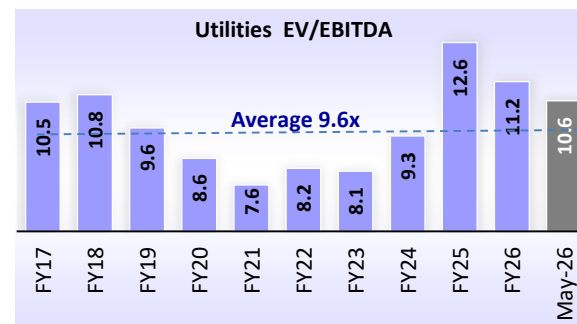
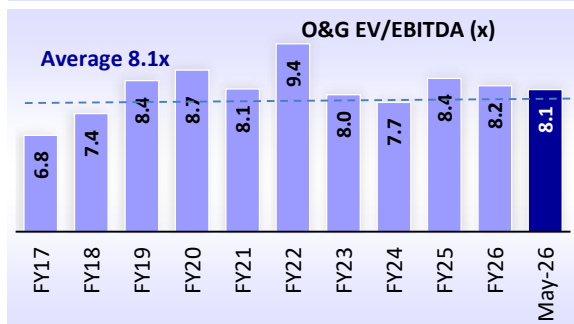
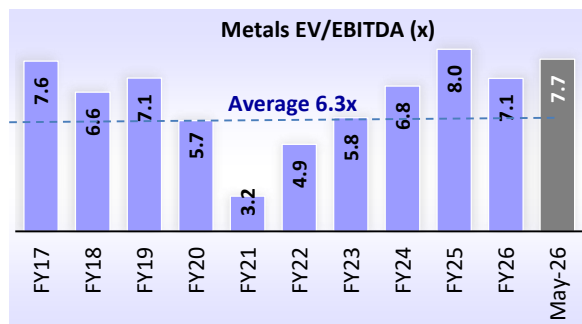
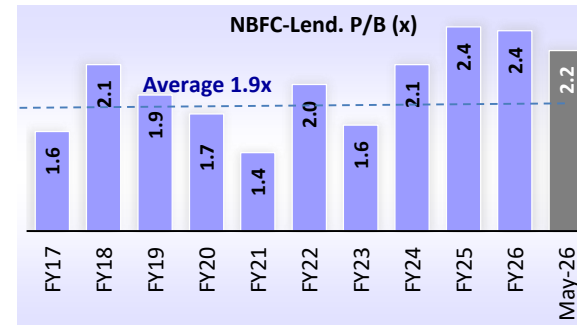
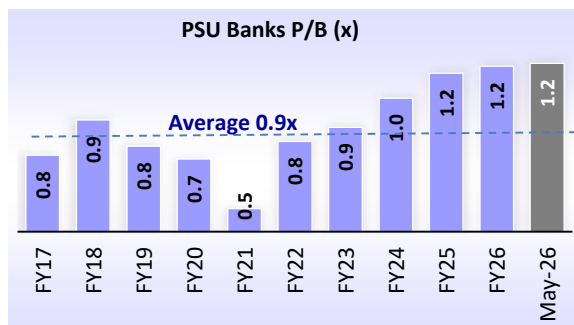
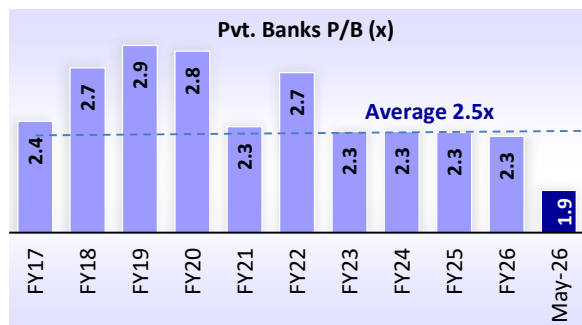


❖ The 12-month forward P/E for Private Banks, Consumer, Technology, and Retail are trading at discounts of 35%, 10%, 26%, and 32%, respectively, to their 10-year averages. In contrast, valuations remain above their LPA for Automobiles (+10%), Capital Goods (+56%), NBFCs – Non-lending (+11%), Healthcare (+23%), and Chemicals (+5%).



Note: The bars represent the 12-month average of one-year fwd P/E across MOFSL Universe sectors; blue and grey bars represent the latest sectoral valuations below and above the 10-year average, respectively. LPA: Long period average

- ❖ On a 12-month forward P/B basis, Private Banks trade at a 24% discount to their long-period average (LPA). In contrast, PSU Banks and Lending NBFCs trade at a 36% premium to their respective LPAs.
- ❖ On a 12-month forward EV/EBITDA basis, Real Estate is the only sector trading at a discount to its LPA. In contrast, Metals, Oil & Gas, Utilities, and Cement are trading at or above their LPA valuations.



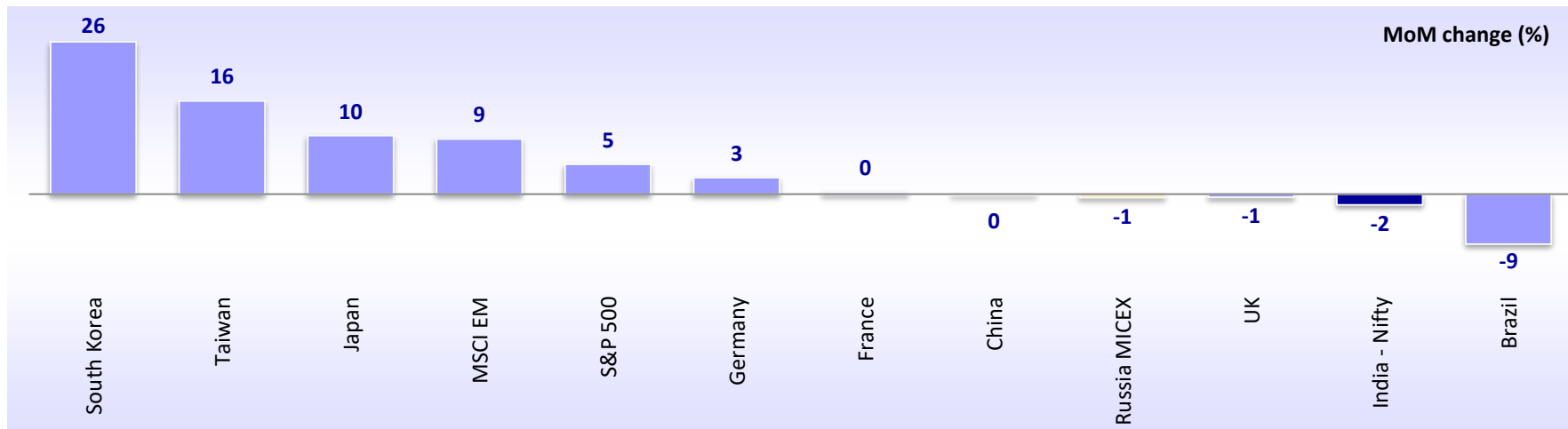
Note: The bars represent the 12-month average of one-year P/B across and EV/EBITDA across MOFSL Universe sectors; blue and grey bars represent the latest sectoral valuations below and above the 10-year average, respectively. LPA: Long period average.



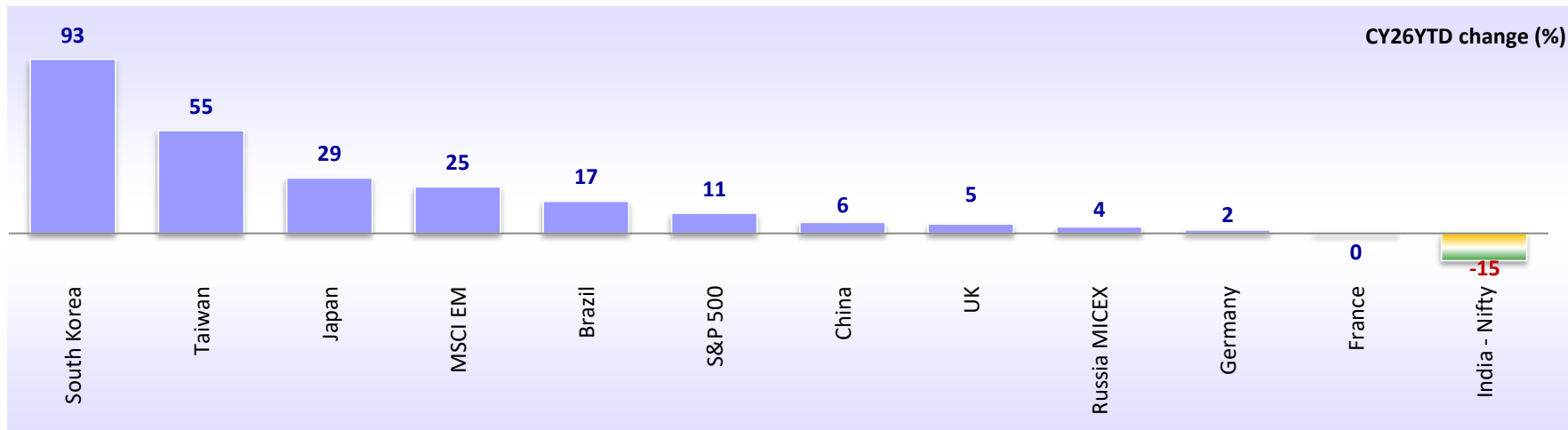
Macro, Markets, and More...

AI boom powers South Korea and Taiwan, while India continues to lag global peers

MoM performance of global equity indices in USD terms (%)

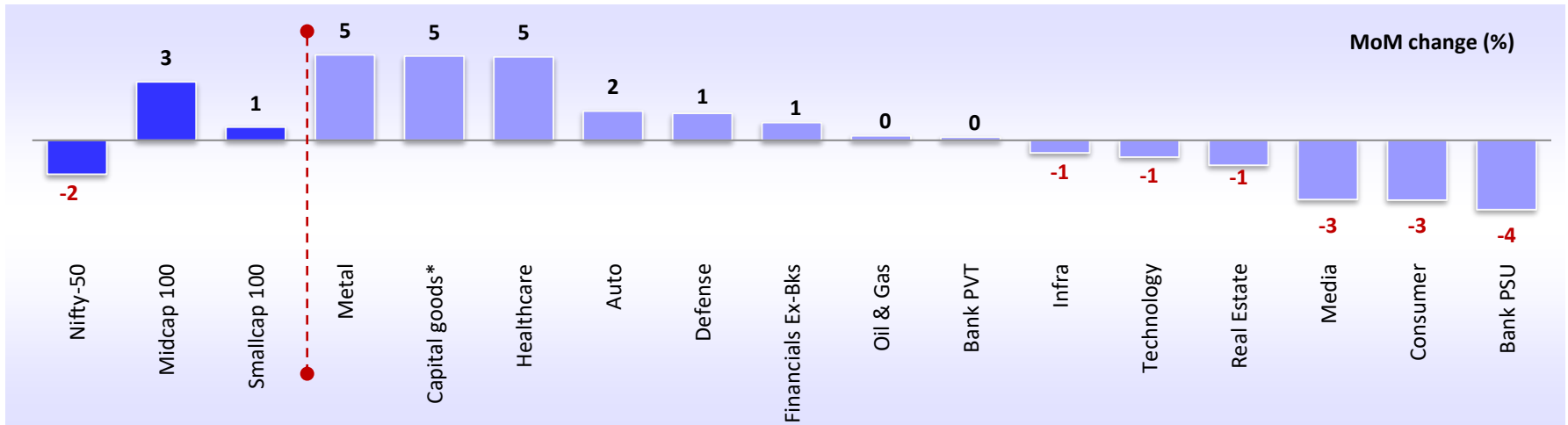


CY26YTD change (%) in USD terms

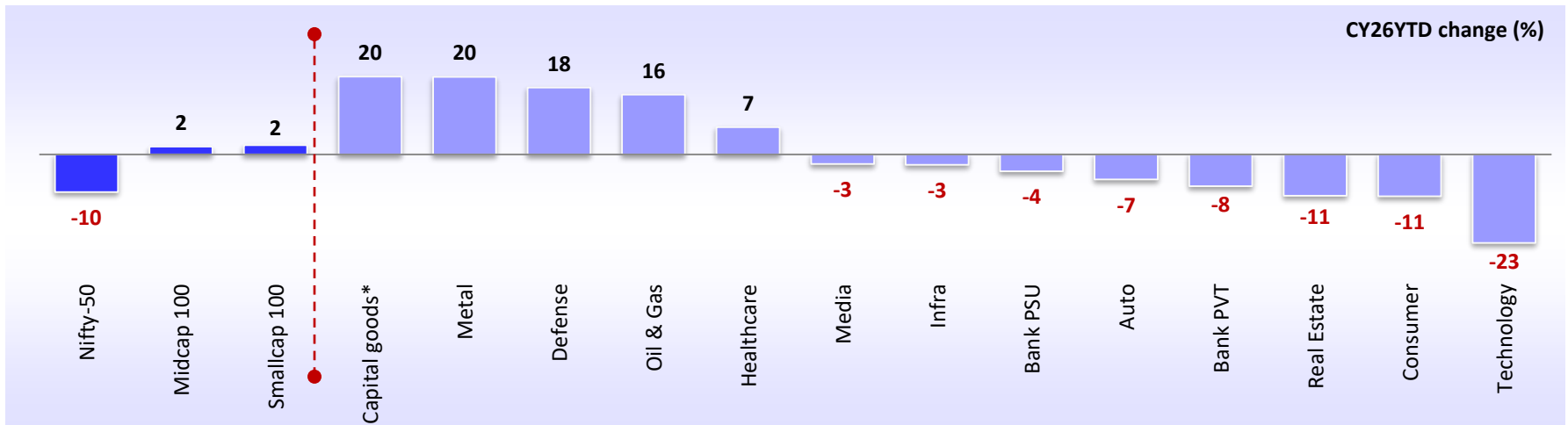


Midcaps scale a record high; Metals and Capital Goods outperform

Sectoral performance MoM (%): Midcaps outperform; Metals, Capital Goods, and Healthcare outperform during the month



CY26YTD performance (%): SMIDs outperform; Cap Good, Metals, Defense and O&G outperform significantly, while Technology remain the key laggard

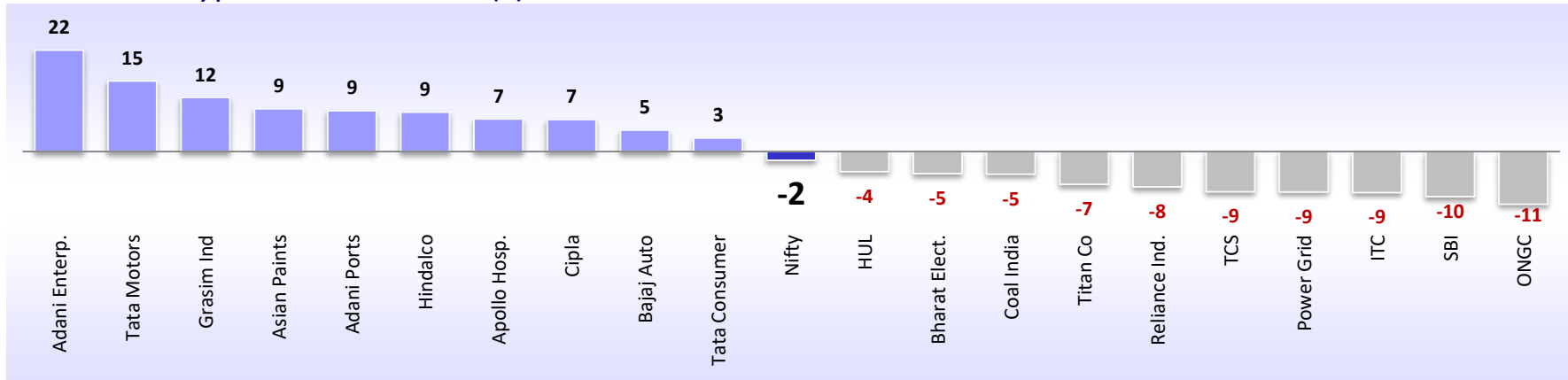


Note: (*) represents BSE Capital Goods Index.

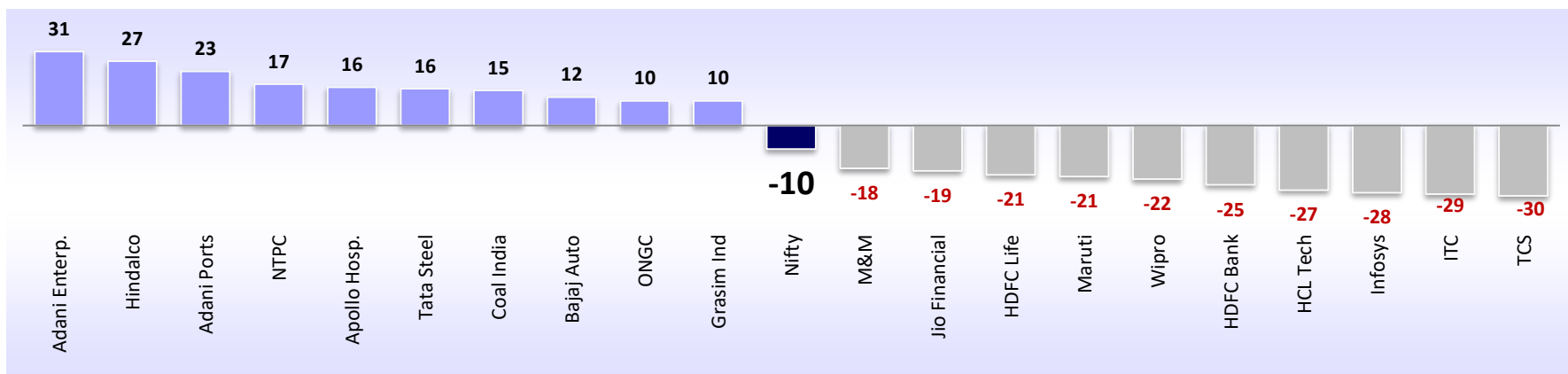
About 48% of Nifty constituents end higher in May'26

- ❖ In May'26, among the Nifty constituents, 24 stocks closed higher MoM. Adani Enterprise, TATA Motors, and Grasim Industries were the key gainers, whereas ONGC, SBI, and ITC were among the key laggards.
- ❖ About 31 Nifty constituents ended lower in CY26YTD. Adani Enterpr., Hindalco, and Adani Ports are the top gainers, whereas IT services companies and ITC have been the key laggards.

Best and worst Nifty performers on a MoM basis (%)



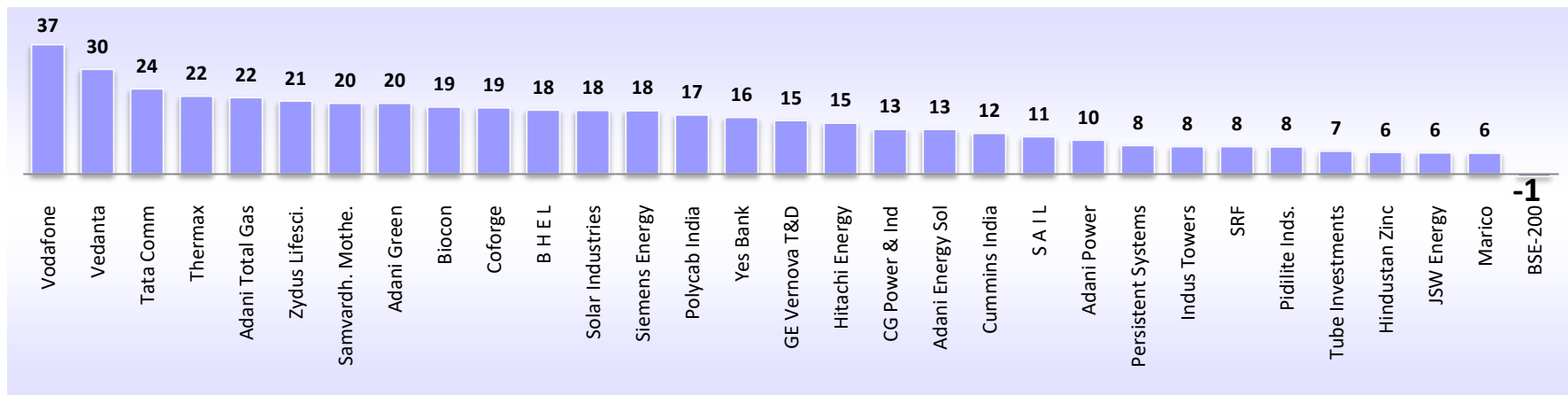
Best and worst Nifty performers in CY26YTD (%)



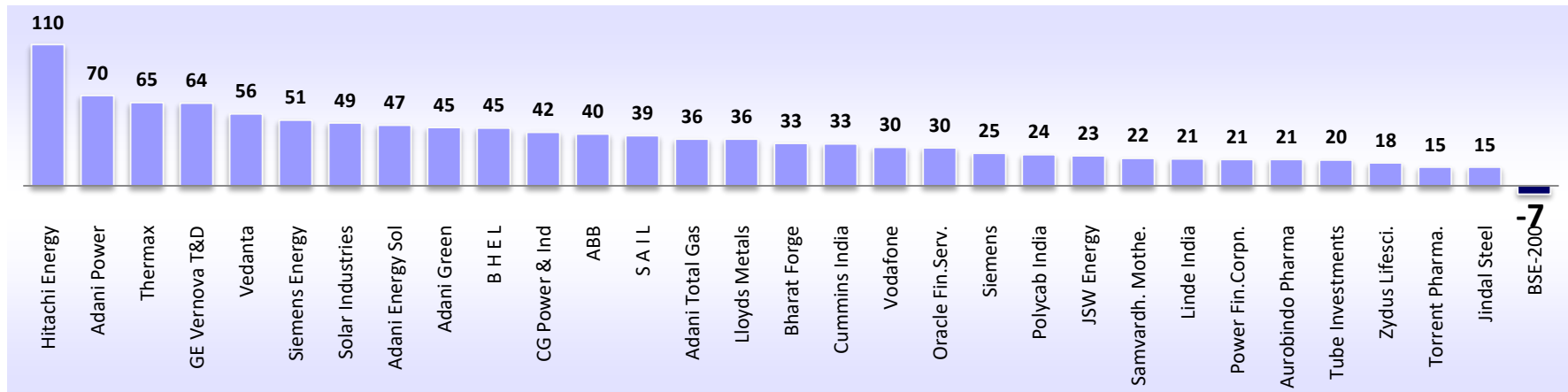
About 52% of BSE-200 constituents end higher in May'26

- ❖ In May'26, about 104 BSE-200 stocks closed higher. Vodafone, Vedanta, and TATA Communication were the key gainers.
- ❖ About 82 BSE-200 constituents end higher in CY26YTD. Hitachi Energy, Adani Power and Thermax are the top gainers.

Top gainers within BSE-200 on a MoM basis (%)*



Top gainers within BSE-200 in CY25 (%)*

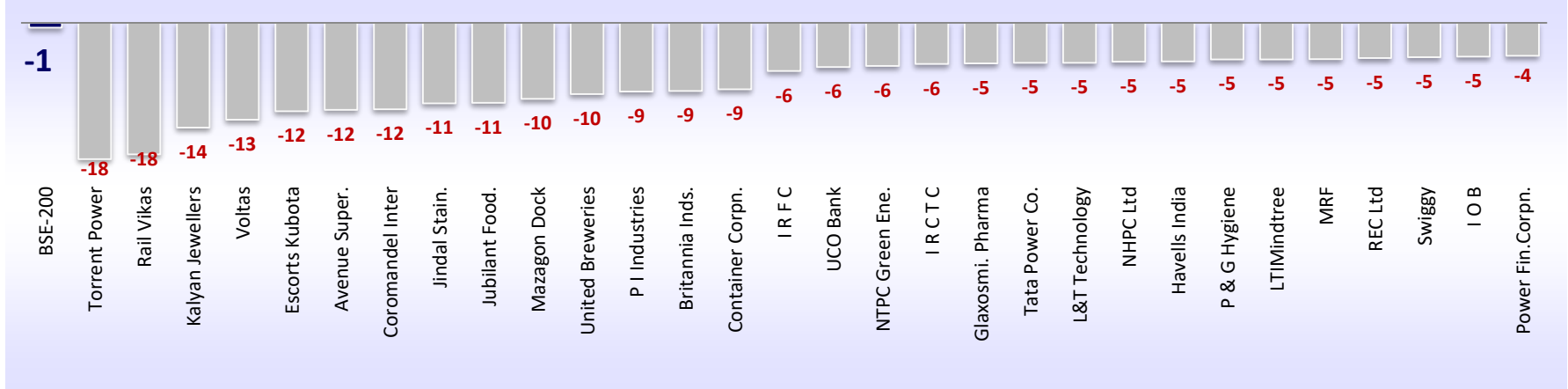


*The list excludes Nifty-50 constituents.

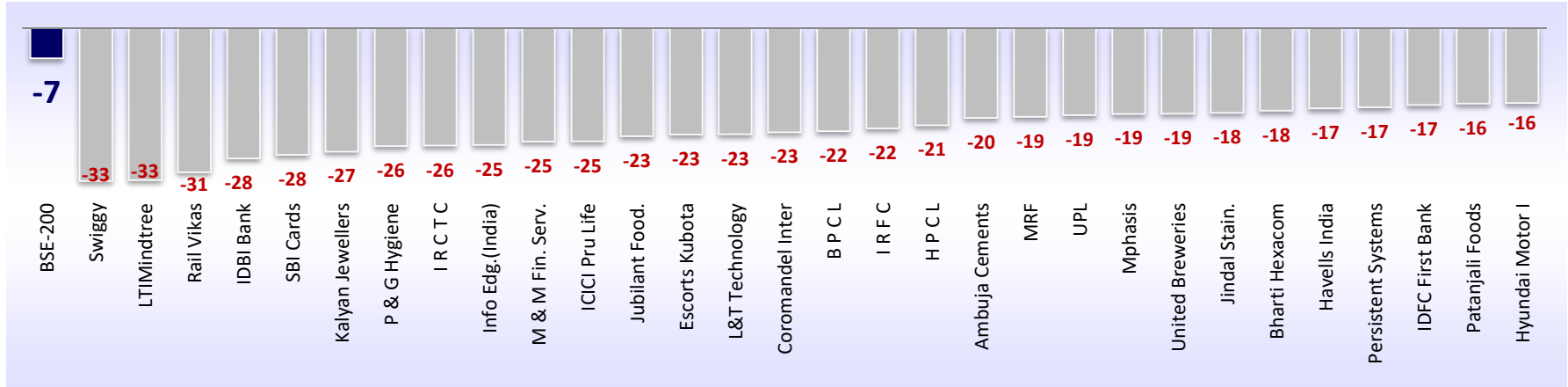
About 48% of BSE-200 constituents end lower in May'26

- ❖ In May'26, 96 companies closed lower. Torrent Power, RVNL, and Kalyan Jewellers were among the key laggards.
- ❖ About 118 of BSE-200 companies end lower in CY26YTD. Swiggy, LTI Mindtree, and RVNL were the major laggards.

Key laggards among BSE-200 constituents on a MoM basis (%)*



Key laggards among BSE-200 constituents in CY25 (%)*



*The list excludes Nifty-50 constituents.

Nifty's sectoral weights: Auto and Metals clock MoM gains; O&G and PSBs decline

- ❖ In May'26, weights of Automobiles (+20bp) and Metals (+20bp) improved the most MoM, while those of O&G (-60bp) and PSU Banks (-30bp) declined sharply.
- ❖ In CY26YTD, Pvt Banks (-160bp), Technology (-190bp), O&G (-50bp) and Consumer (-40bp) have witnessed the sharpest decline in weight. In contrast, Metals (+100bp), Utilities (+80bp), Capital Goods (+60bp), and Healthcare (+50bp) have recorded the highest gains.

Nifty – sectoral weights (%)

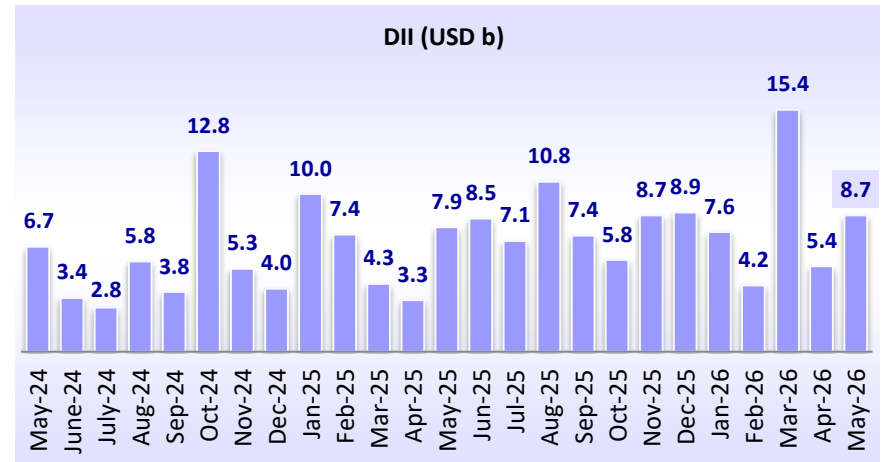
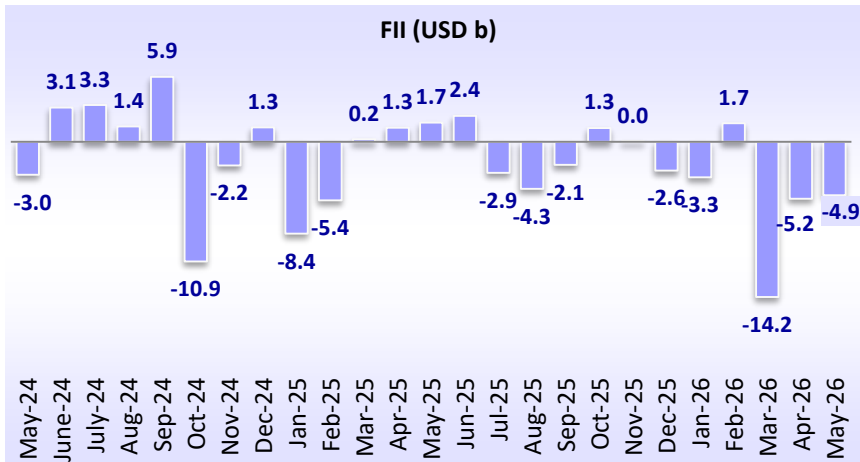
Sector	Weightage in the Nifty (%)										
	Dec'08	Dec'12	Dec'20	Dec'21	Dec'22	Dec'23	Dec'24	Mar'24	Dec'25	Apr'26	May'26
Automobiles	2.5	8.8	5.4	5.0	5.3	6.5	7.4	7.6	7.0	6.6	6.9
Banks – Private	5.0	16.9	24.7	21.9	24.2	28.2	27.1	25.6	26.5	24.8	24.9
Banks – Public	5.4	4.7	1.8	2.3	2.9	2.6	2.9	2.9	3.4	4.0	3.7
NBFC + Insurance	2.3	7.9	12.3	11.4	10.6	4.5	4.6	5.0	6.6	6.4	6.5
Capital Goods	7.7	5.9	2.6	3.0	3.1	4.4	5.0	4.5	5.2	5.7	5.8
Cement	1.7	4.2	2.2	2.4	1.8	2.1	2.1	2.0	2.1	2.2	2.4
Consumer	6.5	12.3	10.4	9.4	10.3	10.8	9.0	9.5	7.5	7.2	7.1
Healthcare	2.6	5.0	3.6	3.4	3.8	4.0	4.2	4.4	4.2	4.5	4.7
Metals	4.8	3.8	2.0	2.9	2.9	3.0	2.7	2.9	3.2	4.0	4.2
Oil and Gas	24.5	12.3	12.5	12.3	12.1	10.5	9.2	11.9	9.7	9.8	9.2
Reliance	10.6	7.4	10.7	10.8	11.0	9.2	7.8	10.2	8.9	8.8	8.3
Retail	0.0	0.0	1.1	1.4	1.4	1.6	2.8	1.6	2.2	2.5	2.4
Telecom	11.6	2.0	2.0	2.1	2.5	2.7	4.0	3.2	4.9	5.3	5.2
Technology	9.0	11.4	16.3	19.1	14.0	13.6	14.1	13.0	10.4	8.6	8.5
Utilities	13.3	4.5	2.1	2.1	2.5	3.6	3.6	3.9	3.1	4.0	3.9
Miscellaneous	3.3	0.5	1.0	1.2	2.6	1.9	1.4	1.9	4.0	4.2	4.6
Nifty	100	100	100	100	100	100	100	100	100	100	100

Note: The merger of HDFC Bank and HDFC Ltd. resulted in a shift in weightage from NBFCs to private banks in CY23. Britannia and BPCL were replaced with Jio Financials and Eternal in Mar'25, and IndusInd Bank and Hero Motocorp were replaced with Interglobal Aviation and Max Healthcare in Sep'24.

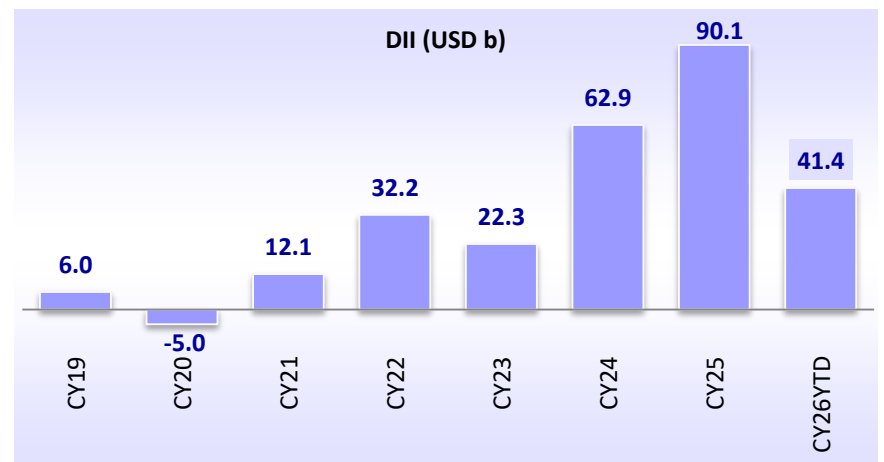
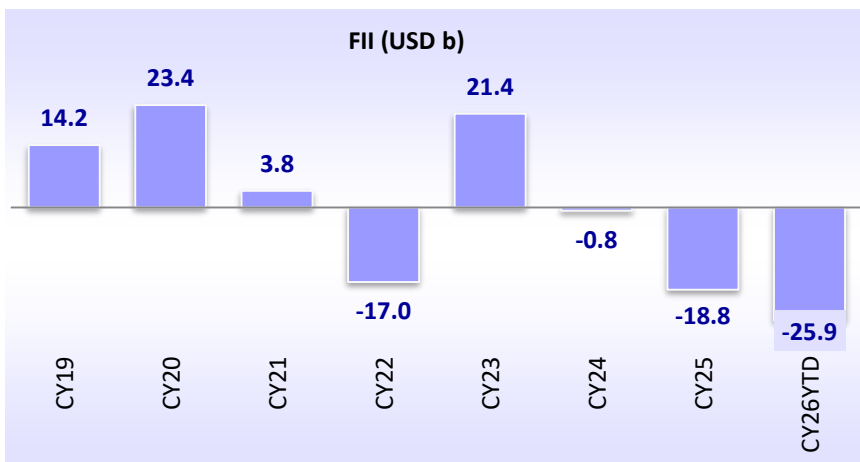
DII momentum remains strong, FII selling persists

- ❖ In May'26, DIIs invested USD8.7b, extending their streak to 34 consecutive months of net inflows. In contrast, FIIs remained net sellers, recording outflows of USD5b during the month.
- ❖ On a CY26YTD basis, DIIs sustained their buying momentum, with total inflows of ~USD 41bn, while FIIs continued to be net sellers, with cumulative outflows of around ~USD26b (including a record ~USD24b of outflows in the subsequent three months).

Monthly institutional flows (USD b)



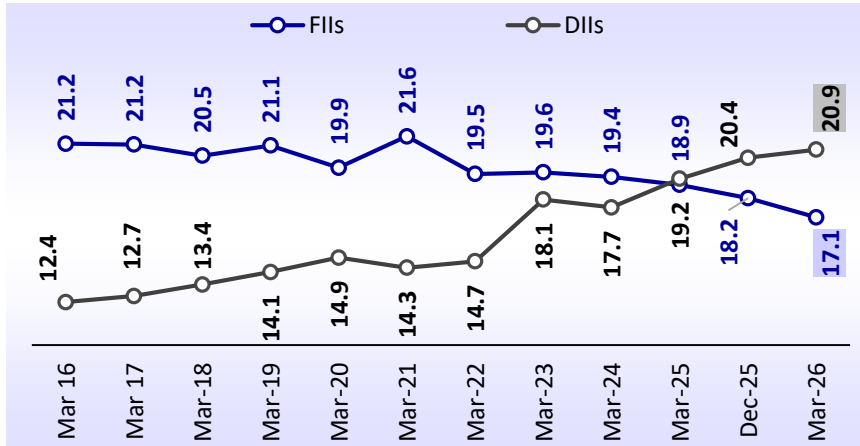
Yearly institutional flows (USD b)



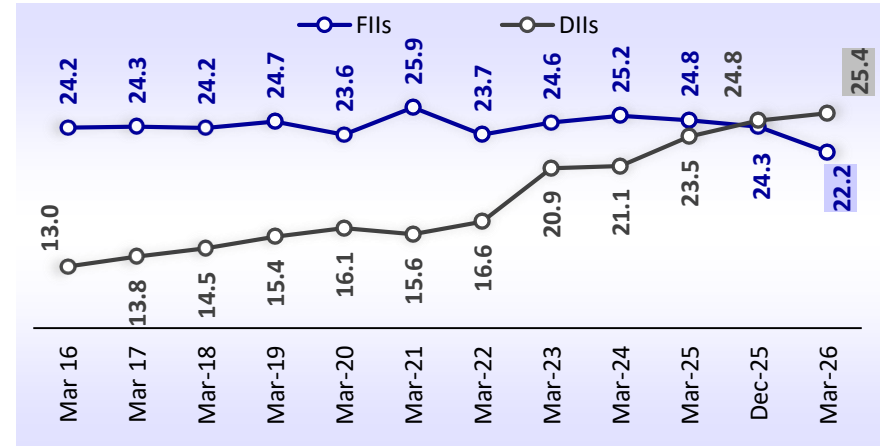
Institutional holdings: DII holdings within the Nifty-500 continue to surge

- ❖ Strong domestic inflows and buoyant capital markets drove a historic shift in ownership, with DII holdings rising further to 20.9%, while FII holdings declined to a record low of 17.1% in Mar'26.
- ❖ Promoter and public holdings witnessed a slight uptick QoQ to 49.4% and 12.7%, respectively, in Mar'26 within the Nifty-500.

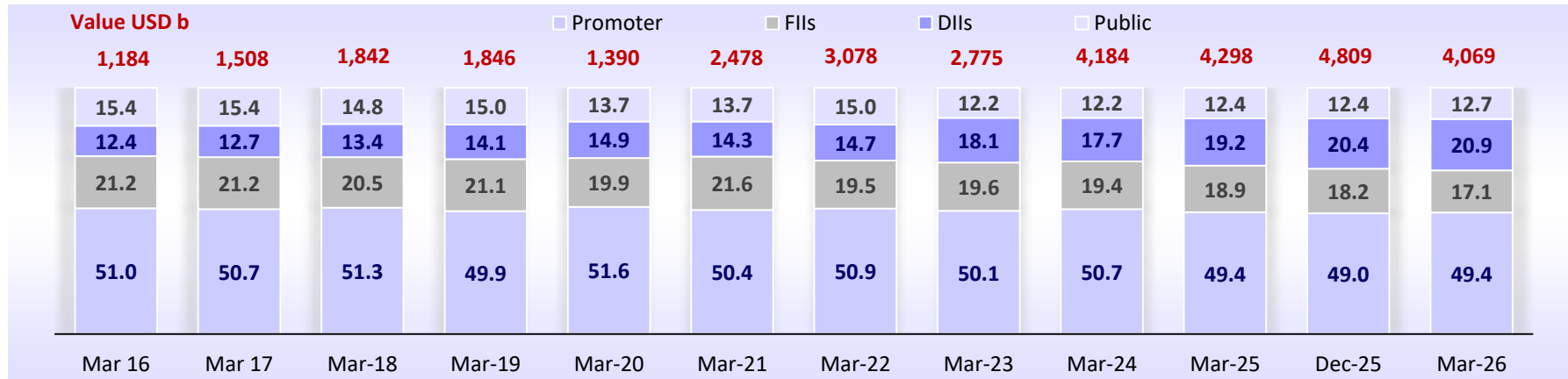
Trends in FII/DII holdings for Nifty-500 (%)



Trends in FII/DII holdings for Nifty-50 (%)



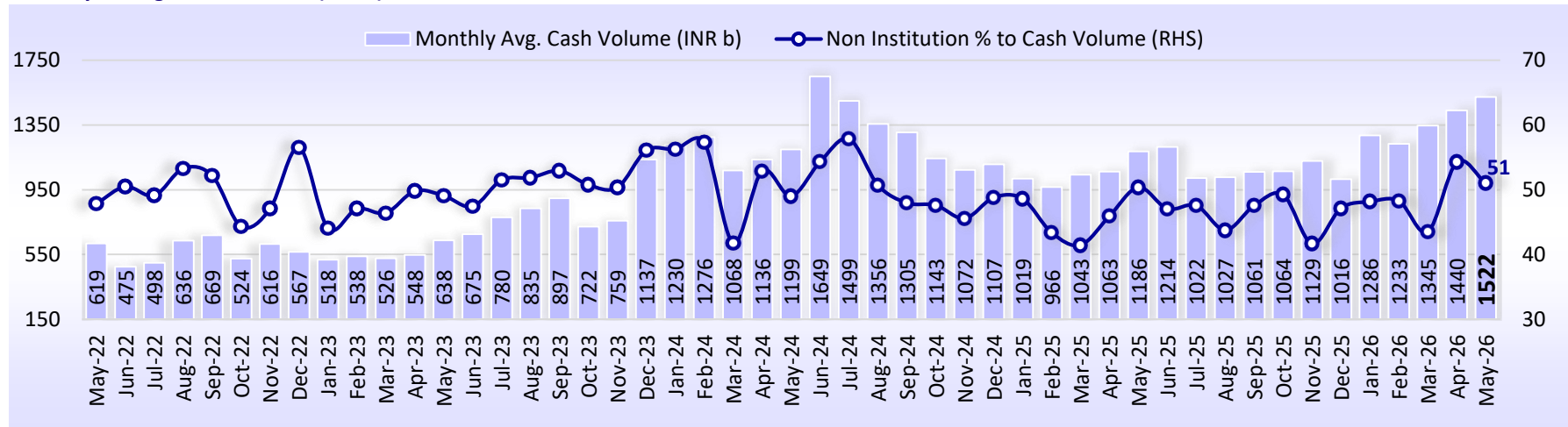
Nifty-500 holding pattern (%) – DIIs continue to raise their stakes to an all-time high, while FIIs reduce holdings to an all-time low



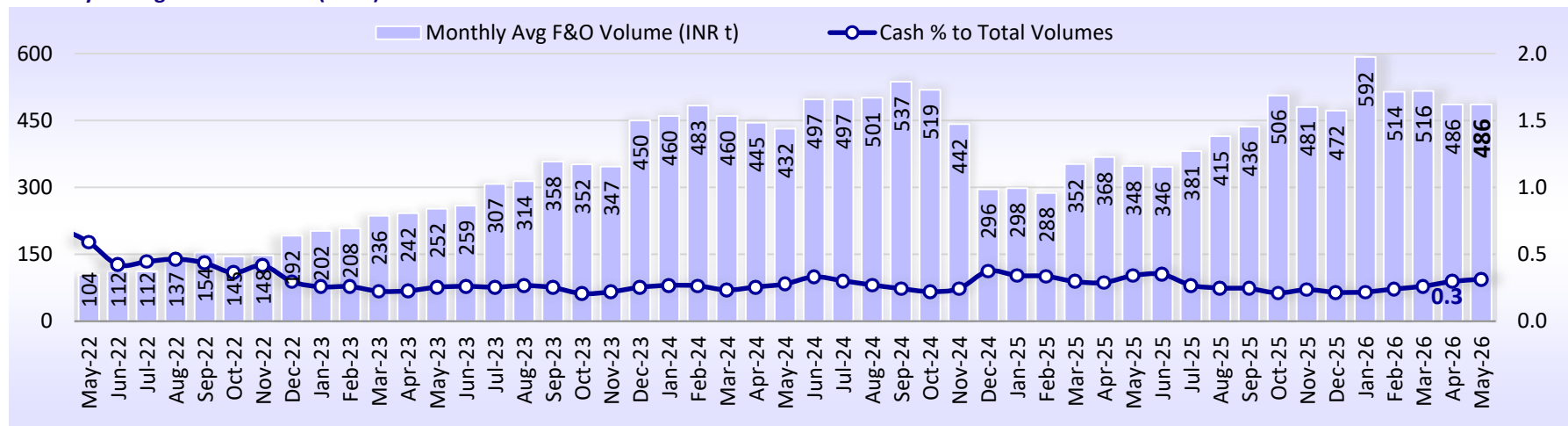
Average daily cash volumes continue to rise; F&O volumes remain flat MoM

- ❖ Average daily cash volumes rose 6% MoM to a 23-month high in May'26 to INR1.52t. Non-institutional participation declined 300bp MoM, accounting for 51% of total cash volumes.
- ❖ Average daily F&O volumes remained flat MoM at INR486t during the month.

Monthly average cash volumes (INR b)



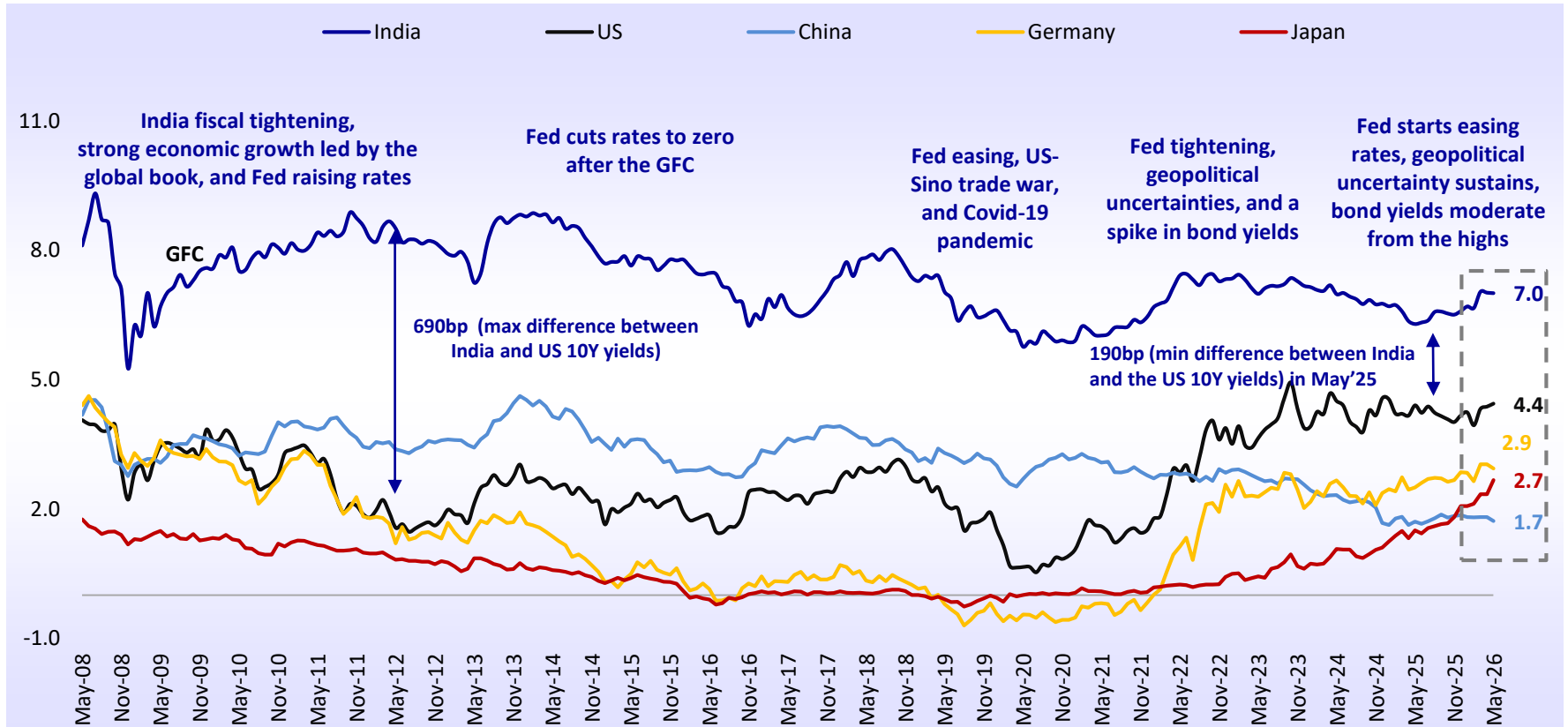
Monthly average F&O volumes (INR t)



Developed market yields at a multi-year high

- ❖ Geopolitical tensions and rising inflation concerns, driven by elevated energy prices, pushed developed market bond yields higher during the month. The US 10-year Treasury yield rose 10bp MoM to 4.4%, its highest level in nearly a year. Meanwhile, Japan's 10-year government bond yield climbed 30bp MoM to 2.7%, marking a multi-decade high as markets continued to reprice the country's interest rate and inflation outlook.
- ❖ In contrast, India's 10-year G-Sec yield remained relatively resilient despite global pressures, ending the month broadly flat at around 7.0% – a level last observed in Jun'24. The stability in domestic bond yields reflects relatively anchored inflation expectations and confidence in the RBI's policy framework despite heightened external volatility.
- ❖ Meanwhile, China's 10-year government bond yield further cooled by 10bp MoM, underscoring the sharp divergence in growth prospects, inflation dynamics, and monetary policy trajectory in the economy.

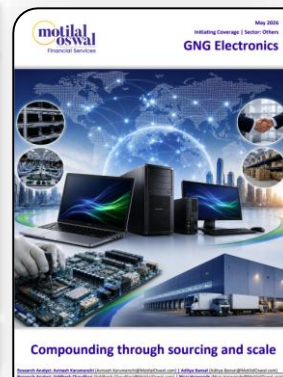
10Y yield spreads of India, the US, Japan, Germany, and China



Notable reports from MOFSL's research desk published in May'26

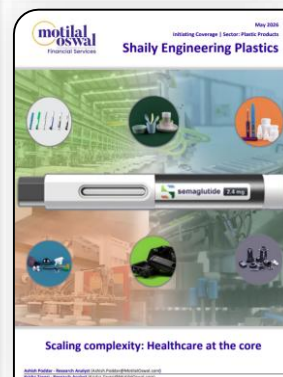
Initiating Coverage | GNG Electronics | 'Compounding through sourcing and scale' [Report link>>](#)

- ❖ GNG Electronics is a global refurbishment platform focused on enterprise IT hardware, operating a B2B-led model across ~46 countries.
- ❖ Its differentiation is anchored in supply access and processing depth, with ~600 sourcing partners across corporates, and ITAD ecosystems, combined with in-house refurbishment capabilities (including L3 repairs), enabling higher recovery and cost efficiency.
- ❖ A B2B-led distribution model (~95% of revenue) provides demand visibility, better realizations, and low customer churn, supporting stable scaling without retail intensity.
- ❖ We expect revenue/EBITDA CAGR of ~26%/~31% over FY26-28, driven by volume growth and improving realizations, translating into ~36% PAT CAGR aided by operating leverage and deleveraging.
- ❖ We initiate with a BUY rating and a TP of INR635, based on ~30x FY28E EPS (~22x EV/EBITDA), implying ~44% upside



Initiating Coverage | Shaily Engineering Plastics | Scaling complexity: Healthcare at the core' [Report link>>](#)

- ❖ Shaily Engineering Plastics (SHEP) has nearly four decades of rich experience in manufacturing high precision, innovative, and quality products. The company has a diversified business across various industries, such as healthcare, consumer, personal care, appliances, automotive, and lighting. It caters to global industry leaders such as IKEA, Unilever, Gillette, P&G, GE, and Garrett. It is also among select global players specializing in complex products such as IP-led insulin and GLP-1 pens.
- ❖ SHEP's Healthcare segment has made significant strides over the past year. The patent for semaglutide expired in Mar'26 in some of the major emerging markets, including India, Canada, and Brazil, paving the way for generic drugmakers to enter these markets. Notably, in most GLP-1 engagements, SHEP has been selected as the sole device supplier, underscoring the confidence of global majors in its capabilities. Given the vast opportunity, order book visibility, and customer expansion, SHEP plans to expand its pen manufacturing capacity fivefold to over 150m units by 4QFY28, with a total planned investment of ~INR6b. This high-margin segment revenue is expected to be ~INR8.8b by FY28E at 50% CAGR over FY26-28E and account for >50% of revenue by FY28 (FY23: ~10%), supporting high EBITDA margin and robust cash flows.
- ❖ We expect the strong growth momentum to continue, supported by volume commitments from key Healthcare customers. We expect SHEP to clock 29%/38%/43% CAGR in revenue/EBITDA/PAT over FY26-28, with EBITDA margin sustaining at 32%+. We expect its RoE/RoCE to expand to ~28%/36% in FY28E. An expected OCF of ~INR8b over FY26-28 will support augmenting GLP-1 pen capacity by ~5x.
- ❖ We initiate coverage on SHEP with a BUY rating and a TP of INR3,404 (26% upside potential), based on 45x FY28E P/E (~+1 SD of its 10-year mean). Strong earnings growth and cash flows, along with expansion in return ratios, will support such valuation, in our view.



India Strategy | Earnings review 4QFY26: Commodity strength drives a broad-based beat' [Report link>>](#)

- ❖ The 4QFY26 corporate earnings concluded on a strong note, showcasing widespread outperformance across aggregates. BFSI, Metals, OMCs, Technology, Telecom, and Automobiles fueled this healthy performance. Conversely, Oil & Gas (ex-OMCs) dragged overall profitability.
- ❖ The aggregate earnings of the MOFSL Universe companies grew 16% YoY (vs. our est. of 8% YoY) in 4QFY26.
- ❖ The better-than-expected earnings growth was powered by BFSI (profit grew 18% YoY vs. our est. of 11%) and supported by Metals (profit surged 50% YoY vs. our est. of 24%) and OMCs (profit jumped 62% YoY vs. our est. of 7% growth). Further, Technology (+13% YoY), Telecom (+8.4x YoY), and Automobiles (+13% YoY vs. our est. of 6% decline) propelled earnings. In contrast, aggregate earnings growth was dragged by Oil & Gas (ex OMCs), which posted a profit dip of 10% YoY vs. our est. of 1% growth.
- ❖ The Nifty delivered a single-digit earnings (4% YoY growth in 4QFY26) growth for the eighth consecutive quarter since the pandemic (Jun'20).
- ❖ For the MOFSL Universe, the earnings upgrade-to-downgrade ratio (for FY27E) was balanced at the 0.9x in 4QFY26. The earnings of 103 companies were upgraded by >3%, while the earnings of 110 companies were downgraded by >3%.



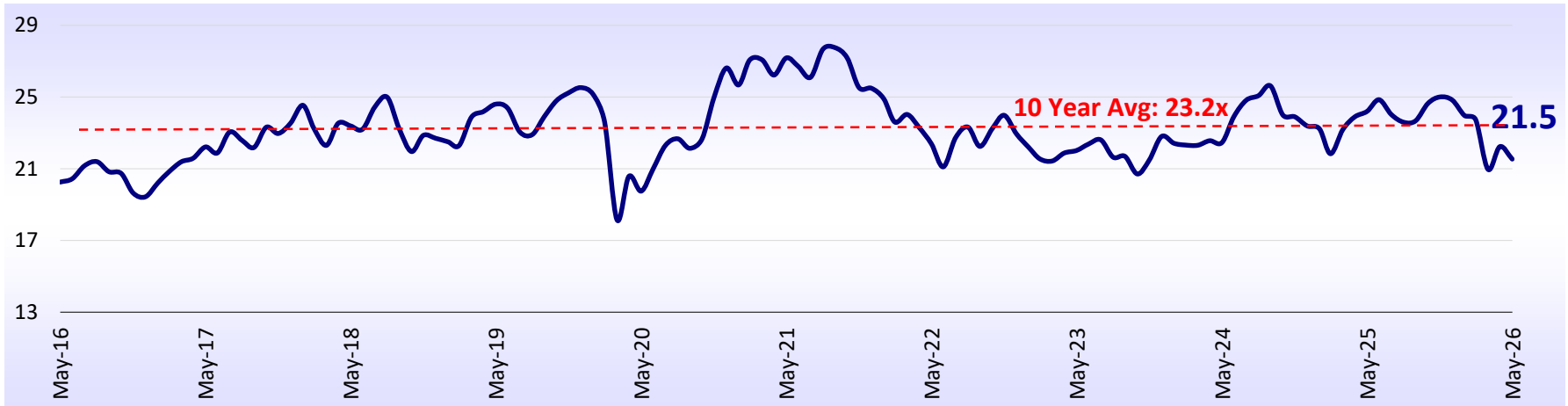


Valuations: Key observations

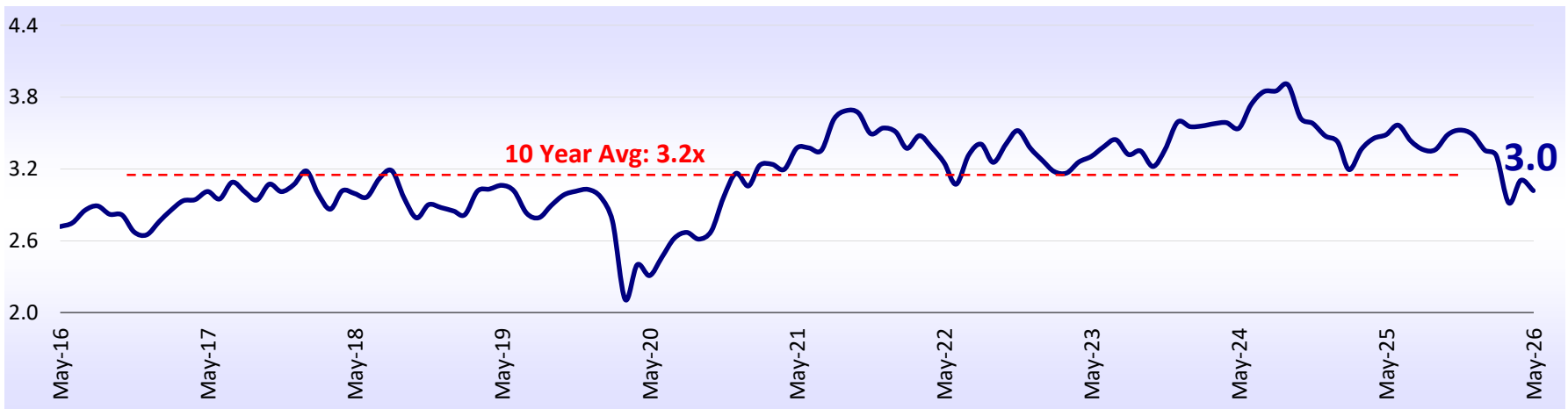
Valuations: Nifty's trailing P/E further moderates, falls below LPA

- ❖ The 12-month trailing P/E for Nifty-50 at 21.5x now trades 7% below its LPA of 23.2x and lowest since Dec'23 (after Mar'26).
- ❖ At 3.0x, the 12-month trailing P/B is trading near its historical average of 3.2x.

12-month trailing Nifty P/E (x)



12-month trailing Nifty P/B (x)



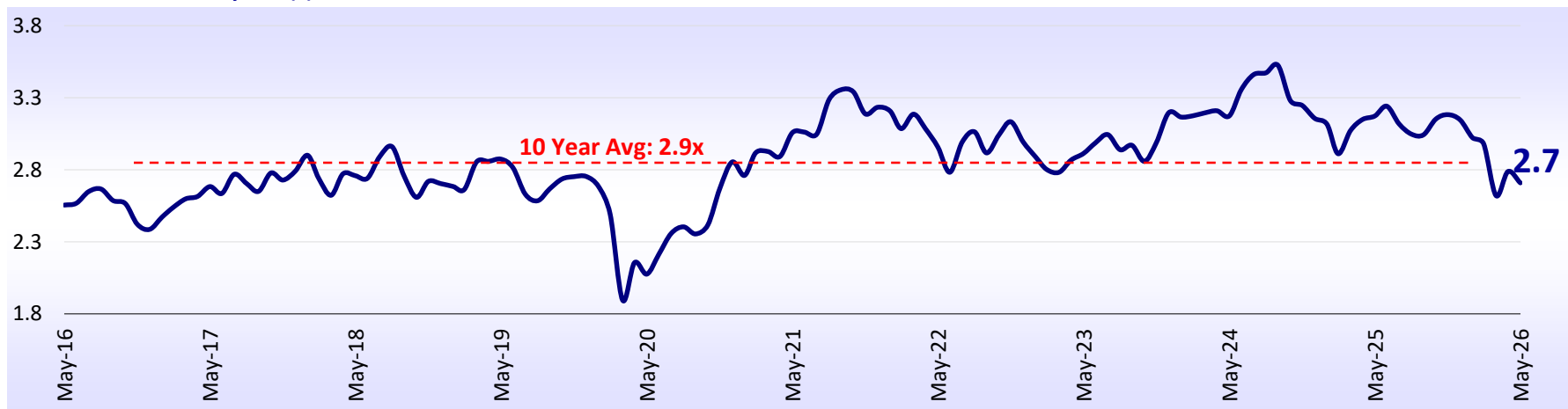
Valuations: Nifty forward P/E falls MoM, remains under LPA

- ❖ Nifty's 12-month forward P/E at 18.6x was 11% below its LPA of 21.0x and was down 3% MoM/25% from the Sep'24 highs.
- ❖ At 2.7x, the 12-month forward P/B traded at a 5% discount to its LPA of 2.9x.

12-month forward Nifty P/E (x)



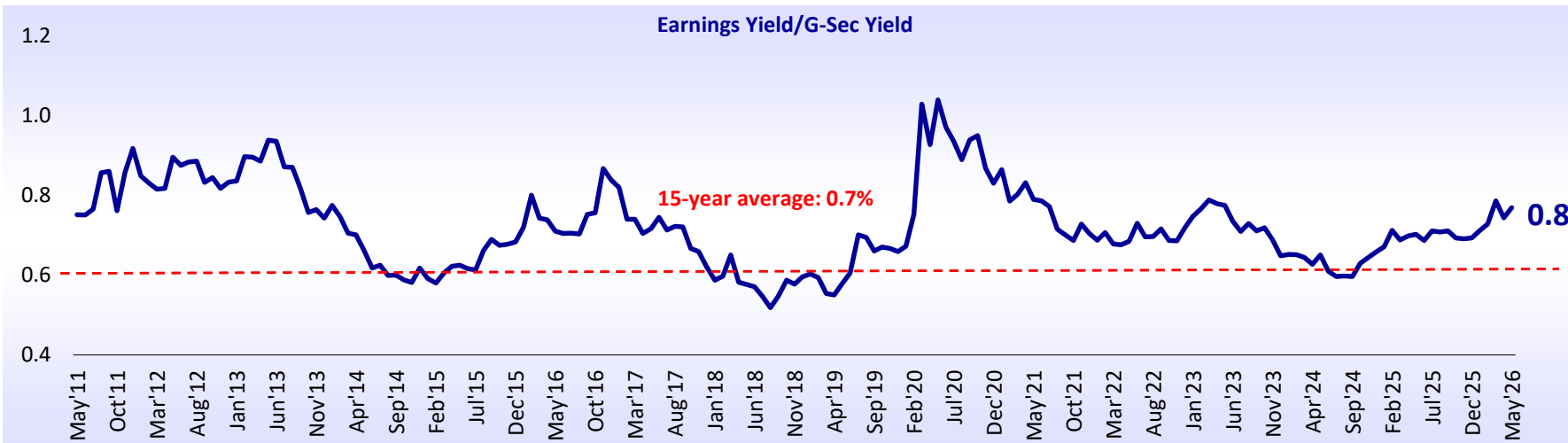
12-month forward Nifty P/B (x)



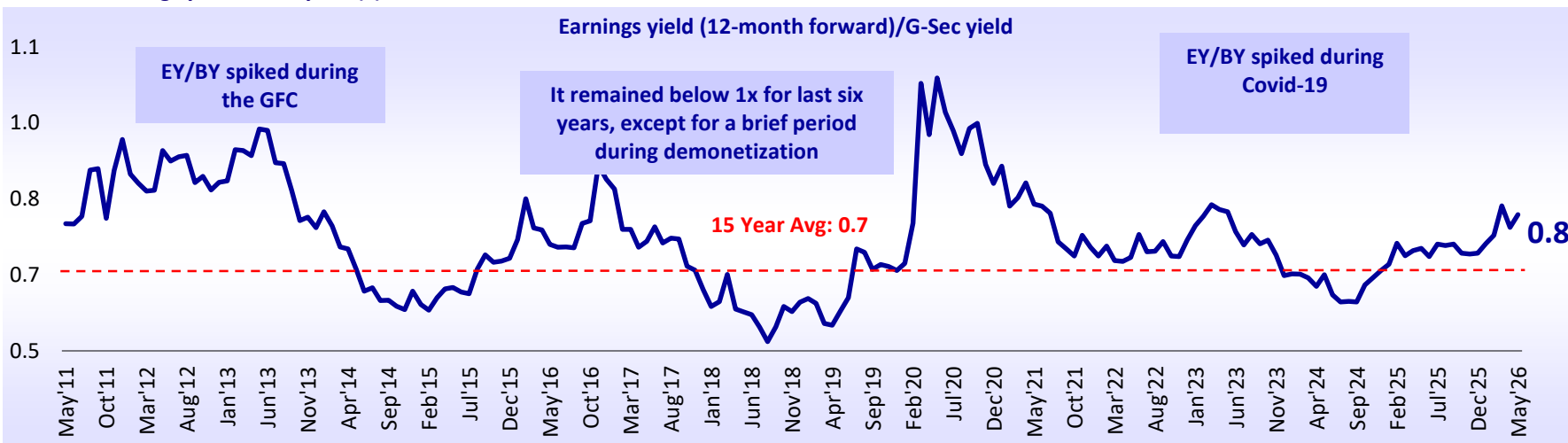
EY/BY ratio trades near its three-year high level

❖ India's 10Y bond yield remained flat MoM at 7%. Consequently, the earnings yield-to-bond yield (EY/BY) ratio rose ~10bp MoM to near its three-year high level on both a trailing and forward basis that was recorded in Mar'26. The ratio continues to trade above its LPA.

Trailing earnings yield/G-Sec yield (x)



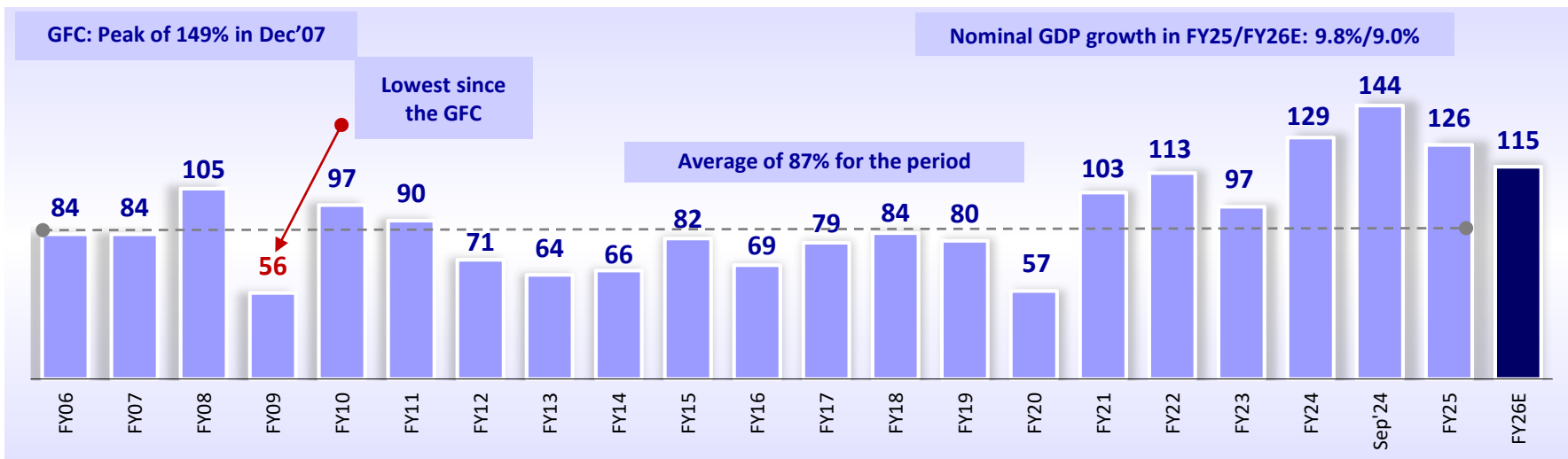
Forward earnings yield/G-Sec yield (x)



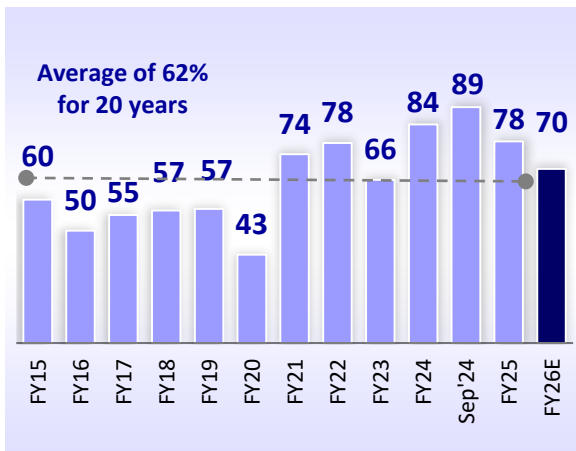
India's market cap-to-GDP ratio remains high

- ❖ India's market cap-to-GDP ratio is projected at 115% in FY26, down from a peak of 144% in Sep'24. Nevertheless, the ratio remains elevated and has largely remained above 100% since 2021, except in FY23.
- ❖ The ratios for midcaps and smallcaps are trading significantly higher than the average.

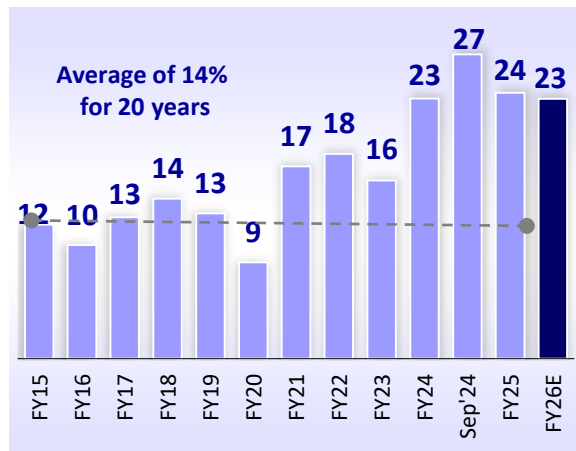
Market cap-to-GDP ratio (%) – Overall



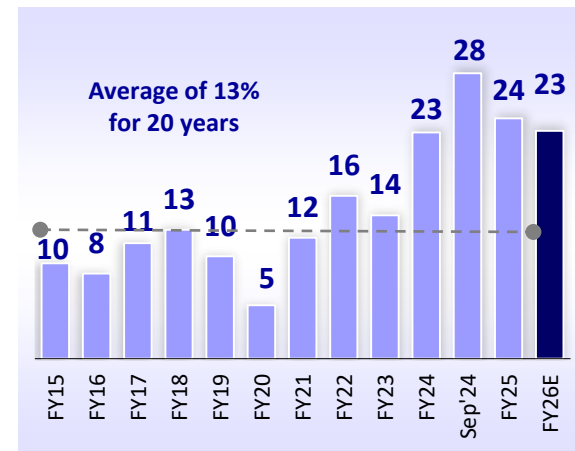
Mcap-to-GDP ratio (%) – Top 100 Large-caps



Mcap-to-GDP ratio (%) – 101 to 250th Mid-caps



Mcap-to-GDP ratio (%) – Small-caps, 250th onwards



Top ideas: MOFSL

Company	Mkt Cap (USDb)	CMP (INR)	EPS (INR)			EPS CAGR (%) FY26-28	PE (x)			PB (x)			ROE (%)		
			FY26	FY27E	FY28E		FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Top Nifty-50 Ideas															
Bharti Airtel	117.4	1,830	44.2	64.0	83.2	37	40.4	28.6	22.0	6.7	5.9	5.0	20.5	24.7	27.5
State Bank	93.7	964	91.8	92.5	107.1	8	10.7	10.4	9.0	1.6	1.4	1.2	17.3	15.1	15.5
ICICI Bank	92.3	1,256	70.2	79.0	92.1	15	17.2	15.9	13.6	2.6	2.4	2.1	16.1	15.9	16.2
Infosys	49.4	1,160	72.8	78.3	82.9	7	17.2	14.8	14.0	5.5	5.0	5.0	31.9	34.1	36.0
Mahindra & Mahindra	39.7	3,035	130.7	141.5	166.3	13	22.6	21.4	18.3	4.8	4.2	3.6	23.1	21.1	21.1
Titan Company	38.2	4,075	57.9	71.1	86.8	22	68.3	57.3	46.9	22.4	18.0	14.2	37.7	35.3	33.8
Bharat Electronics	31.6	411	8.3	9.6	11.3	17	48.4	42.8	36.4	12.3	9.9	7.9	25.5	23.2	21.7
Tata Steel	27.5	209	9.0	14.3	15.9	33	21.3	14.6	13.1	2.3	2.2	1.9	11.6	16.3	15.7
Eternal	24.1	251	0.4	2.4	4.5	236	570.7	106.1	55.3	6.7	6.9	6.1	1.2	6.7	11.7
Interglobe Aviation	17.9	4,406	-11.4	155.0	219.6	LP	-346.0	28.4	20.1	23.5	14.0	8.4	-5.6	64.5	52.6
Top Non-Nifty-50 Ideas															
ICICI Pru. AMC	18.4	3,537	66.7	75.6	90.4	16	42.0	46.8	39.1	33.2	36.9	32.4	85.8	83.9	88.2
TVS Motor	16.8	3,352	76.7	87.6	112.4	21	43.9	38.3	29.8	14.2	10.8	8.3	34.4	32.1	31.5
Billionbrains	12.1	185	3.3	5.2	6.7	42	44.9	35.4	27.6	9.7	8.9	6.7	28.7	28.9	27.8
Indian Hotels	9.8	655	13.2	15.4	18.1	17	43.2	42.4	36.1	6.2	6.1	5.3	15.5	15.6	15.7
Lenskart Solutions	9.6	523	3.1	4.7	6.4	44	162.7	112.4	81.5	9.8	9.4	8.4	7.1	8.7	10.9
Waaree Energies	9.5	3,154	136.9	158.6	189.0	18	22.7	19.9	16.7	6.2	4.9	3.8	32.9	27.5	25.6
AU Small Finance	7.8	987	35.4	49.8	64.8	35	23.8	19.8	15.2	3.2	3.2	2.6	14.4	17.4	19.0
Dixon Tech.	7.3	11,517	139.7	163.5	256.6	36	69.2	70.5	44.9	12.6	12.5	9.9	22.1	19.3	24.5
Coforge	5.0	1,422	43.8	61.5	74.8	31	25.4	23.1	19.0	3.9	4.5	4.0	16.5	21.2	23.1
Radico Khaitan	5.0	3,522	45.3	58.4	71.9	26	58.0	60.3	49.0	10.8	12.2	10.1	18.7	20.2	20.7
Delhivery	3.5	451	2.4	6.4	8.1	83	171.9	70.3	55.9	3.2	3.3	3.1	1.9	4.8	5.8

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NOTES

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India Strategy

November 2024

The Eagle Eye

Garum Duggal
Deven Mishra

Aravind Agarwal

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India Strategy

July 16, 2024

Do cloud with a wings of grey?

Cloud computing has become a key driver of digital transformation for enterprises across the globe. However, the industry is facing a period of consolidation and uncertainty. This report explores the challenges and opportunities in the cloud computing market, focusing on the impact of AI and the rise of hyperscalers. It also discusses the role of government initiatives in promoting digital infrastructure and the potential for Indian companies to compete globally in this space.

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Resilience fuels fundraising momentum!

Despite a challenging macro environment, the Indian startup ecosystem has shown remarkable resilience in fundraising. This report analyzes the factors contributing to this momentum, including the focus on profitability and sustainable growth. It also highlights the role of government support and the growing interest from international investors. The report provides insights into the current state of the market and offers strategic recommendations for startups and investors alike.

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Embracing India's Megatrends

India's economic growth is being driven by several key megatrends, including digitalization, urbanization, and a growing middle class. This report explores how these trends are shaping the Indian economy and creating new opportunities for businesses. It discusses the impact of government policies and the role of private industry in driving innovation and growth. The report also provides a framework for identifying and capitalizing on these megatrends.

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India Income Call

This report provides a comprehensive analysis of the Indian income tax landscape, including the impact of recent budget changes and the introduction of new tax provisions. It offers insights into the challenges faced by taxpayers and the opportunities for financial planners. The report also includes a checklist of key considerations for investors and individuals alike.

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FUND FOLIO

Indian Mutual Fund Tracker

NAV: 31.12

SP Index's 30M Index up 12.5% MoM

Financial growth to high 8% in 1st quarter

NAV: 25.23

Deven Mishra - Research Analyst

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Sifting the P/E Ratio: Don't Overlook Cash on the Balance Sheet

While the P/E ratio is a widely used metric for valuing stocks, it often fails to capture the full picture of a company's value. This report argues that cash on the balance sheet is a critical factor that should be considered alongside the P/E ratio. It discusses how cash can provide a buffer against uncertainty and fund future growth. The report also provides a framework for evaluating companies based on their P/E ratio and cash position.

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India's PSEI - Back with a vengeance!

The PSEI (Public Sector Enterprise Index) has shown a strong recovery in recent months, reflecting the government's focus on improving the performance of public sector companies. This report analyzes the factors driving this recovery, including the implementation of reforms and the focus on profitability. It also discusses the challenges facing PSEIs and offers strategic recommendations for investors.

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Investing in India's Growth: A Focus on the Private Equity Sector

The private equity sector in India has experienced significant growth in recent years, driven by the search for high-growth investment opportunities. This report explores the factors contributing to this growth, including the focus on digital and infrastructure sectors. It also discusses the challenges facing private equity firms and offers strategic recommendations for investors and entrepreneurs.

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Setting the Growth IT

The IT sector in India continues to be a key driver of economic growth, with a focus on digital transformation and innovation. This report analyzes the factors driving the growth of the IT sector, including the rise of digital marketing and e-commerce. It also discusses the challenges facing IT companies and offers strategic recommendations for investors and entrepreneurs.

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BULLS & BEARS

INDIA VALUATIONS HANDBOOK

Deven Mishra - Research Analyst

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Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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