

# Strategy

September 15, 2025

## 1 year, US\$90 bn and 0% return later

The weak performance of the Indian market over the past year may seem surprising, given (1) the large euphoria among retail investors, (2) several narratives that drove certain sectors and themes periodically, (3) large fiscal and monetary support and (4) weak INR (positive for earnings). However, it is less surprising when viewed against earnings and valuations.

### Weak returns in the Indian market for a year now

The Indian market has been flat over the past 12 months (see Exhibits 1-2), despite (1) the large euphoria among retail investors, as seen from the continued large investment by retail investors through DIIs into the market (see Exhibits 3-4), (2) several popular narratives emerging periodically (see Exhibit 5), (3) fiscal (income tax and GST rate cuts) and monetary stimulus (100 bps rate cut in 1HCY25); see Exhibits 6-8 and (4) the sharp (5%) INR depreciation (see Exhibit 9)—a positive for the market's earnings. The market's performance would have been even worse with a stronger INR. The Indian market's performance has been understandably worse in USD terms (see Exhibit 10).

### Retail inflows are only half the story

The fact that DIIs have invested US\$90 bn in the secondary market over the past 12 months and the market has been largely flat should (1) disprove the market's belief in 'flows' as a driver of markets (see Exhibit 11 for flows by the broad type of investors over the past few years and months), (2) dissuade institutional investors from focusing wholly or largely on retail flows into MFs as a driver of markets and (3) drive investors (institutional and retail) to focus more on fundamentals (earnings and valuations).

### Fundamentals have been the real drag on the market

We attribute the weak market performance over the past 12 months to (1) expensive valuations for most sectors and stocks (see Exhibits 12-17); valuations have stayed at high levels, despite several stocks being flat or down over this period due to constant earnings downgrades and (2) earnings downgrades in several sectors and stocks (see Exhibits 18-20) over the past 12 months, which have kept valuations high.

### Stabilizing fundamentals, but much more needed for the market to perform

We expect a gradual earnings improvement over the next few quarters and strong earnings growth in FY2027. However, valuations are rich, despite our strong expected earnings recovery (see Exhibits 21-22). We model (1) a recovery in earnings of banks and NBFCs after a weak 1HFY26 due to a pick-up in loan growth and NIMs and a decline in credit costs and (2) a rebound in earnings of certain consumption sectors (automobiles) due to GST cut-led volumes, offset by (3) a moderate increase in earnings of the investment sector, given continued weak capex and investment demand and (4) a modest rise in earnings of the IT services sector, given the continued weak demand environment.

### Key estimates summary

	2026E	2027E	2028E
<b>Nifty estimates</b>			
Earnings growth (%)	9.4	17.6	14.3
Nifty EPS (Rs)	1,093	1,297	1,488
Nifty P/E (X)	22.9	19.3	16.9
<b>Macro data</b>			
Real GDP (%)	6.5	6.5	6.5
Avg CPI inflation (%)	2.0	4.0	4.0

Source: Company data, Kotak Institutional Equities estimates

### Quick Numbers

Nifty-50 Index, Nifty Midcap 100 Index and Nifty Small-cap 100 Index have delivered (-)1%, (-)2% and (-)7%, respectively, in the past 12 months

US\$90 bn of investment by DIIs in the secondary market in the past 12 months

Nifty-50 Index is trading at 22.9X FY2026E 'EPS' and 19.3X FY2027E 'EPS'

We expect net profits of the Nifty-50 Index to grow 9.4% in FY2026 and 17.6% in FY2027

[Full sector coverage on KINSITE](#)

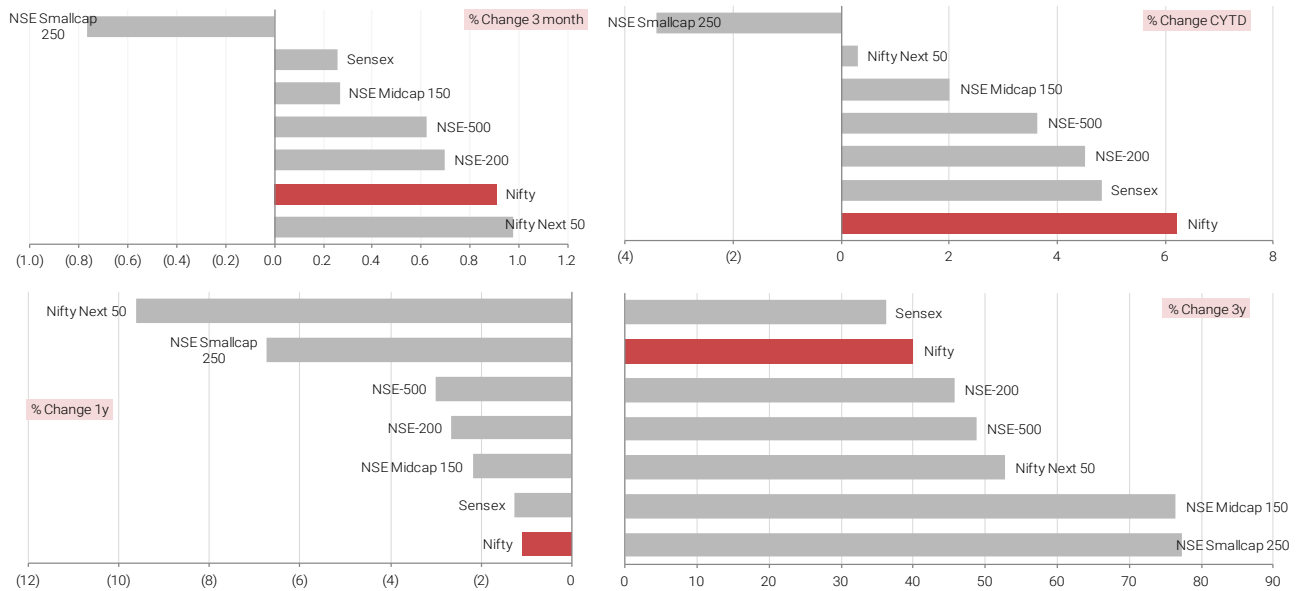
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## The Indian market has been flat over the past 12 months

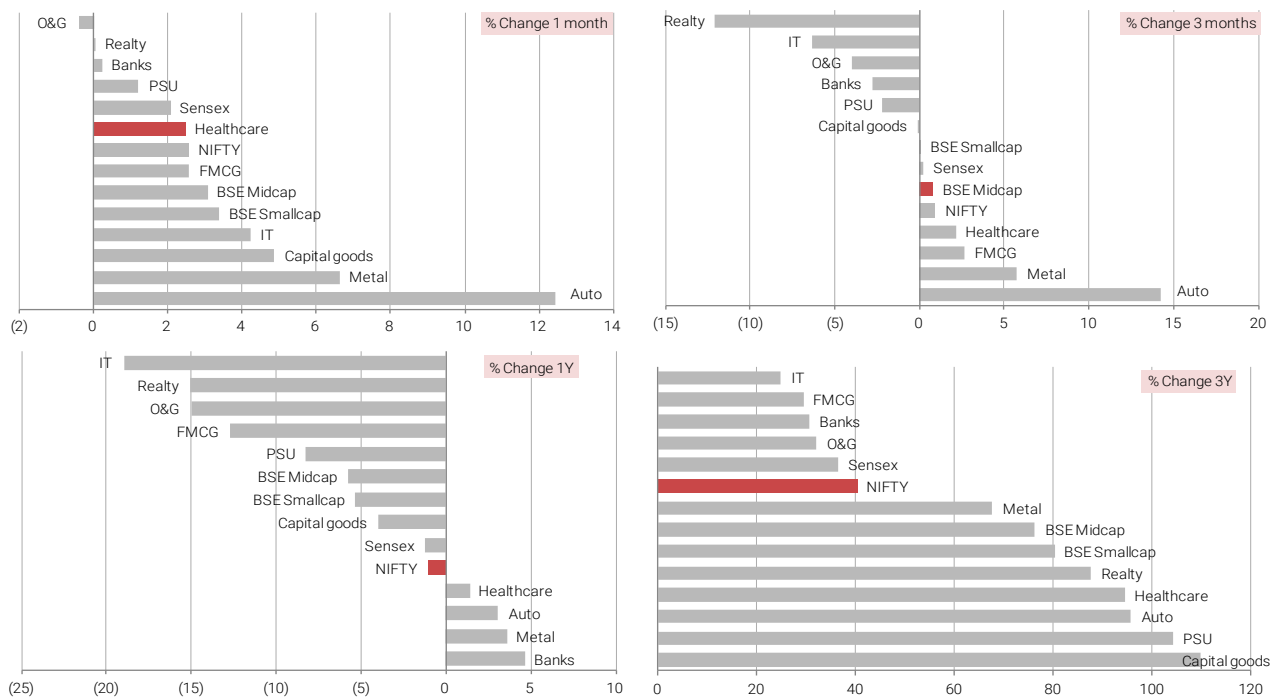
### Exhibit 1: Performance of major Indian indices



Source: Bloomberg, Kotak Institutional Equities

## Most sectors have delivered negative returns in the past 12 months

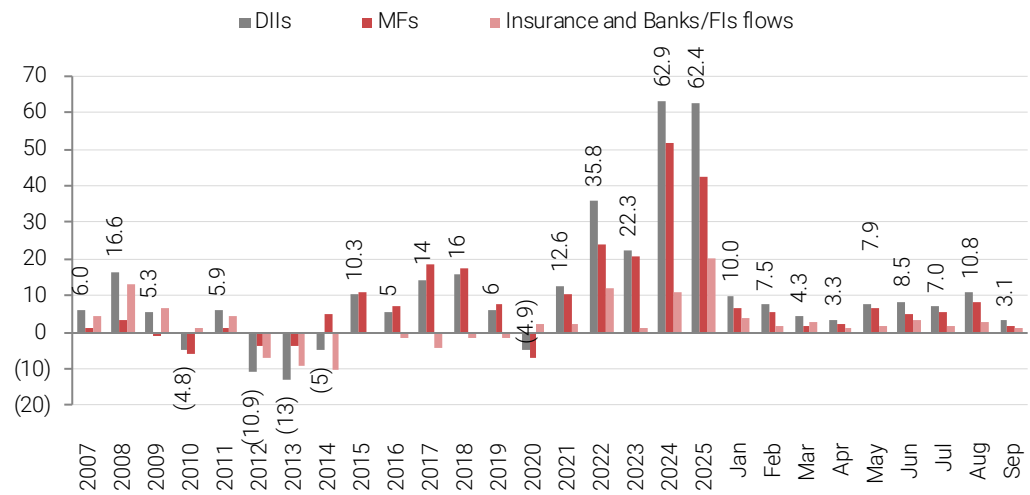
### Exhibit 2: Performance of various sectors



Source: Bloomberg, Kotak Institutional Equities

### DII's invested around US\$90 bn in the past 12 months

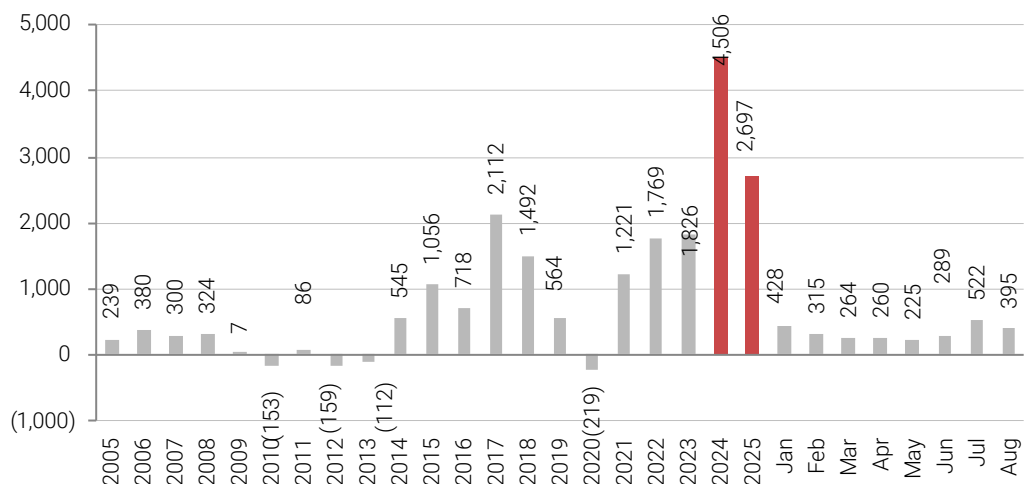
Exhibit 3: Equity flows by domestic institutions, calendar year-ends, 2007-25 (US\$ bn)



Source: Bloomberg, Kotak Institutional Equities

### MFs have seen equity inflows of Rs2.7 tn so far in CY2025

Exhibit 4: Net MF flows (Equity + 70% hybrid), calendar year-ends, 2005-25 (Rs bn)



Source: AMFI, Kotak Institutional Equities

## Narratives come and go in India

Exhibit 5: List of major narratives that dominated Indian equity markets in the past few quarters

Sector	Narrative	Period of narrative	Comment/outcome
<b>Government reforms</b>			
Public sector	Privatization	2024	No progress despite a lot of hope before and after 2024 general elections
Public sector	Market prices of retail automobile fuels	Periodic	No progress
<b>General elections</b>			
Economy	100-day agenda	2024	No announcement after general elections
Judiciary	Judicial reforms	2024	Limited progress
<b>Investment/Manufacturing/China + 1</b>			
Manufacturing	Shift in manufacturing to India due to China+1	2021-25	EMS is the only noteworthy success; limited progress in autos, capital goods, chemicals, etc. so far
Manufacturing	Exports hub for listed MNCs	2021-25	Limited progress
Economy	India to relatively benefit from US reciprocal tariffs and will get favorable trade deal	Apr-25	Reciprocal import tariffs at 25% for Indian exports to the US are higher than those of competing countries
Economy	Private sector capex to recover	2021-25	Private sector GFCF/GDP broadly flat over the past few years (around 11% over FY2020-24)
<b>Market</b>			
Markets	Earnings recovery	2024-25	Steady cut in EPS for the past 5-6 quarters
<b>Sectors</b>			
Automobiles	Automobiles-electrification	2021-25	Pace of electrification has been weak
Capital goods	Elevated EBITDA margins of capital goods to sustain	2024-25	Profitability peaked in FY2024; margins down significantly since then
Capital goods-defence	Strong order inflow, indigenization in defense sector	2023-25	Steady progress in indigenization; disappointment in IAC-2 order
Construction materials	Cement companies will see improved profitability from consolidation	Ongoing	Companies have struggled to maintain profitability
Commodity chemicals	Competition unlikely to disrupt the moat of paints companies	2022-25	Loss of market share, deterioration in margins of incumbents
Consumer durables	Sharp increase in durables demand due to hot summer	2025	Summer saw weak demand due to unseasonal rains; broad volume weakness
Consumer staples	Green-shoots of recovery in demand for consumer staples	2023-25	Continued disappointment, despite positive commentary by select companies after every quarter
Electric utilities	Electricity deficit on strong electricity demand	2023-25	3% increase in electricity demand in FY2025 (5.4% CAGR over FY2023-25); 1% yoy increase in 1QFY26
IT services	IT sector demand recovery	2024-25	Demand slowdown has continued for the 4-5 quarters
QSR	QSR to see strong growth with no impact from food delivery	2023-current	SSSG has been quite weak
Telecom	Relief on AGR dues	2024	No progress despite periodic excitement/expectation in market

Source: Media reports, Kotak Institutional Equities

### 20 mn tax filers to benefit from change in personal tax slabs

Exhibit 6: Estimate of benefits of income tax changes, March fiscal year-end, 2026

Tax slab (Rs mn)	Average tax payable (Rs)	Average benefit (Rs)	Estimated filers (mn)	Estimated tax forgone (Rs bn)
Below 0.7	—	—	58	—
0.7-0.8	—	15,000	3	45
0.8-1	—	40,000	5	214
1-1.2	—	65,000	2	132
1.2-1.6	90,000	65,000	3	224
1.6-2	160,000	70,000	2	108
2-2.4	250,000	100,000	1	75
2.4-5	690,000	110,000	2	174
<b>Total</b>			<b>18</b>	<b>971</b>

Notes:

- (a) We project total 2026 salaried income tax filers, based on growth rates of FY2023-24.
- (b) We assume uniform distribution of filers among income tax slabs.
- (c) We assume that 80% of filers are in the new tax regime.
- (d) We have not assumed the impacts of standard deduction in our calculations.

Source: Income Tax Department, Union Budget, Kotak Institutional Equities estimates

### We estimate around 0.6% of GDP benefit for households from GST rate rationalization

Exhibit 7: Benefit to households from GST rationalization (Rs bn)

	2024
Net fiscal benefit from GST rate changes	480
Compensation cess elimination	1,414
<b>Total benefit for households (Rs bn)</b>	<b>1,894</b>
<b>Total benefit for households (% of GDP)</b>	<b>0.6</b>

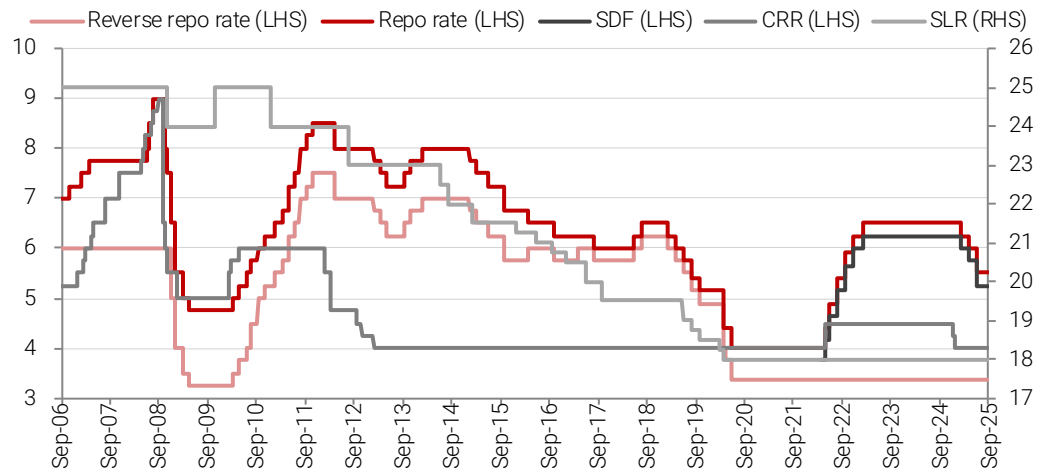
Notes:

- (a) We assume complete pass-through of GST rate rationalization to households.
- (b) Rs480 bn benefit from GST rate changes is based government estimate of GST impact on FY2024 basis.
- (c) We assume the revenue impact does not include compensation cess removal since it was fiscal neutral.
- (d) We do not assume impact of demand elasticity in this calculation.

Source: Ministry of Finance, Media reports, Kotak Institutional Equities estimates

### The RBI has cut repo rate by 100 bps in the past 12 months

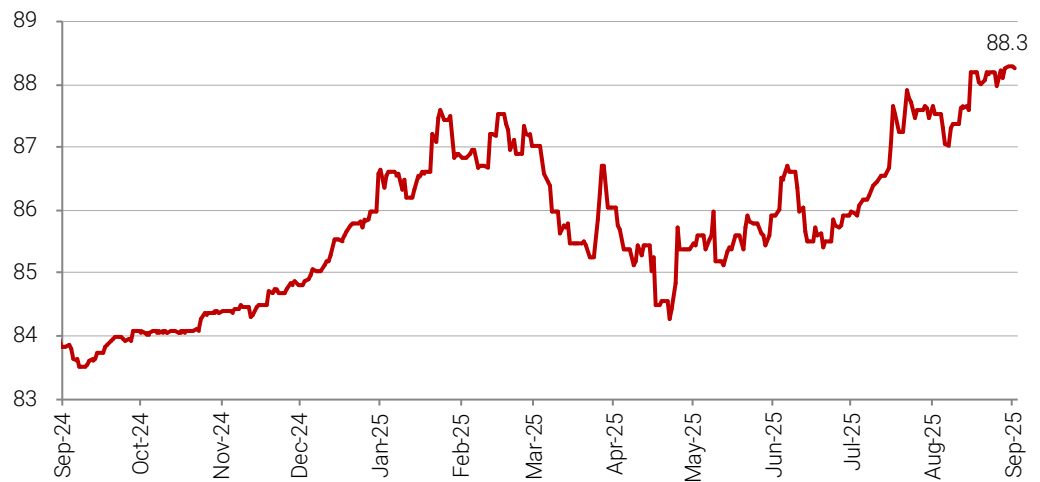
Exhibit 8: RBI's repo, reverse repo rates, cash reserve ratio and SLR (%)



Source: RBI, Kotak Institutional Equities

### The INR has depreciated 5.5% against the US dollar over the past 12 months

Exhibit 9: INR/US\$ performance, calendar year-ends, September 2024-September 2025



Source: Bloomberg, Kotak Institutional Equities

## India has underperformed most global markets in the past 12 months, but has outperformed in the past five years

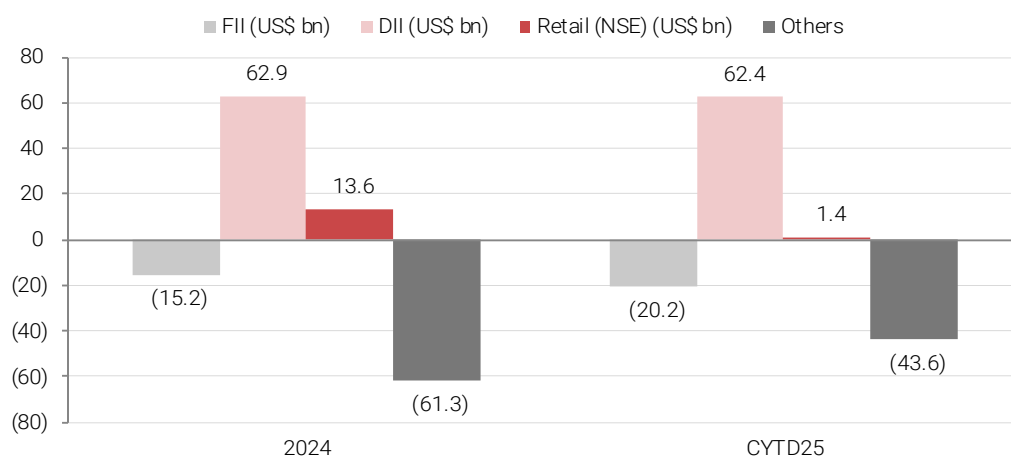
Exhibit 10: Performance (not annualized) of emerging and developed markets over period of time

	% change in local currency								% change in USD							
	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr
<b>Developed markets</b>																
Australia	(1)	4	14	9	9	29	50	74	1	6	20	17	8	28	37	61
France	(0)	3	(1)	7	6	28	56	70	0	5	6	22	12	51	55	77
Germany	(2)	1	3	19	27	83	80	132	(2)	3	12	35	35	116	78	142
Hong Kong	5	11	10	32	52	40	7	20	5	12	10	32	53	41	7	20
Japan	3	18	21	12	22	61	91	146	3	15	21	19	17	56	36	101
Singapore	3	11	13	15	22	33	75	51	3	11	18	22	23	46	85	65
UK	2	5	8	14	12	28	52	49	2	5	13	23	16	51	60	31
US (Dow Jones)	2	9	10	8	11	48	64	174	2	9	10	8	11	48	64	174
US (Nasdaq)	2	14	25	15	25	92	98	353	2	14	25	15	25	92	98	353
US (S&P500)	2	10	17	12	17	69	94	230	2	10	17	12	17	69	94	230
<b>MSCI World</b>	<b>2</b>	<b>9</b>	<b>16</b>	<b>15</b>	<b>17</b>	<b>64</b>	<b>77</b>	<b>157</b>								
<b>Emerging markets</b>																
Brazil	4	4	10	18	5	29	42	193	5	7	18	37	9	26	40	109
MSCI China	7	16	13	35	58	37	(12)	47	7	17	12	34	58	38	(12)	46
<b>MSCI India</b>	<b>2</b>	<b>1</b>	<b>14</b>	<b>4</b>	<b>(3)</b>	<b>42</b>	<b>117</b>	<b>202</b>	<b>2</b>	<b>(1)</b>	<b>12</b>	<b>1</b>	<b>(8)</b>	<b>28</b>	<b>81</b>	<b>127</b>
Indonesia	0	11	22	12	2	9	56	83	(1)	10	21	11	(5)	(1)	41	61
Korea	6	18	33	42	32	42	39	72	6	16	39	51	27	43	19	46
Malaysia	2	5	6	(3)	(3)	9	4	(3)	2	6	12	4	(1)	18	3	(0)
Mexico	6	8	18	25	19	32	68	43	7	10	27	41	24	43	92	30
Philippines	(4)	(5)	(4)	(7)	(14)	(8)	1	(15)	(4)	(7)	(4)	(6)	(16)	(8)	(15)	(31)
Taiwan	4	15	15	10	17	73	97	204	3	12	26	19	23	78	91	226
Thailand	3	16	11	(7)	(9)	(21)	1	(6)	5	18	17	(0)	(5)	(8)	(1)	6
<b>MSCI EM</b>	<b>4</b>	<b>11</b>	<b>18</b>	<b>23</b>	<b>22</b>	<b>38</b>	<b>19</b>	<b>61</b>								

Source: Bloomberg, Kotak Institutional Equities

## FPIs have pulled out around US\$20 bn, while DIIs have invested around US\$62 bn so far in CY2025

Exhibit 11: Flows in secondary markets in India for major participants, calendar year-end, 2025



Notes:

- (a) Direct retail flows provisional data is available for NSE.
- (b) Others include promoters, strategic investors, etc.

Source: Bloomberg, Kotak Institutional Equities

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

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

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	22	26
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	34
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	15	20
Mahindra & Mahindra	Automobiles & Components	14	14	14	15	19	18	20	19	15	9	20	18	16	21	23	28
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	22	28
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	26
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	45
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49	53
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47	47
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	31	33
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	57	48
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	35
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	54
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	40
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	50	57
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	42	43
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43	47
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	49	52
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47	53
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	46	48
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62	67
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	59
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	52	46
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	58	53
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	52
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	86
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56	61
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	88	80
Pidlite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	60

Source: FactSet, Kotak Institutional Equities

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

Exhibit 13: 12-m forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25	25
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	24	26
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	45	48
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	37
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42	44
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	28	33
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	26	27
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	33	30
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	58	58
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	45	49
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	29	32
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67	63
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	54	59
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	49
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	57
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	38	45
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	38	34
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	37	38
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	104	199
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	49
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	102	93
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	36	44
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	149
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	147

Source: FactSet, Kotak Institutional Equities



## Most investment stocks are trading at expensive valuations

Exhibit 14: 12-m forward P/E multiple of investment stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	64	69	73	87	56	57
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39	45
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	34	33
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	37	43
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	52
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	47
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	19	24
Kalpataru Projects	Capital Goods	9	8	6	7	15	15	16	19	16	5	10	10	12	20	17	20
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	20	20
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26	25
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	58	61
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	49	43
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	62	58
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	50	53
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	32	34
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	64	80
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	81
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	51

Source: FactSet, Kotak Institutional Equities

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

Exhibit 15: 12 m forward P/B multiple of banks in KIE universe, March fiscal year ends, 2011-26E

Company	Sector	12-m forward P/B multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
AU Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	7.0	4.6	3.0	5.9	4.6	3.1	2.6	2.1	2.6
Axis Bank	Banks	2.6	1.8	1.7	1.6	2.6	1.8	2.1	1.9	2.7	1.1	1.9	1.9	1.8	1.9	1.7	1.6
Bandhan Bank	Banks	NA	NA	NA	NA	NA	NA	NA	5.2	4.9	1.7	2.7	2.6	1.4	1.2	0.9	0.9
Bank of Baroda	Banks	1.7	1.1	0.8	0.9	0.9	1.0	1.2	0.9	0.9	0.4	0.5	0.7	0.8	1.1	0.9	0.8
Canara Bank	Banks	1.3	0.9	0.7	0.5	0.6	0.5	0.9	0.9	1.3	0.2	0.6	0.6	0.7	1.2	0.8	0.9
City Union Bank	Banks	1.5	1.4	1.4	1.3	2.0	1.7	2.3	2.6	2.8	1.6	1.9	1.4	1.2	1.1	1.2	1.4
DCB Bank	Banks	1.3	1.3	1.0	1.2	1.9	1.2	2.2	1.8	2.0	0.8	0.9	0.6	0.7	0.7	0.6	0.7
Equitas Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.8	1.4	1.5	1.6	0.9	1.0
Federal Bank	Banks	1.3	1.2	1.2	1.1	1.3	0.9	1.7	1.4	1.4	0.5	NA	NA	NA	1.1	1.3	1.3
HDFC Bank	Banks	3.8	3.5	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.6	3.0	2.8	2.2	2.6	2.5
ICICI Bank	Banks	2.2	1.6	1.7	1.8	2.1	1.5	1.8	1.7	2.3	1.7	2.5	2.7	2.7	2.9	3.0	2.9
Indusind Bank	Banks	2.8	2.8	2.5	2.6	3.8	2.9	3.7	4.0	3.4	0.6	1.6	1.4	1.3	1.7	0.7	0.8
Karur Vysya Bank	Banks	1.7	1.3	1.4	1.1	1.5	1.1	1.4	1.3	1.0	0.3	0.7	0.5	0.9	1.3	1.3	1.4
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	0.8	0.9
State Bank of India	Banks	1.9	1.7	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.3	1.5	1.3	1.7	1.5	1.5
Ujjivan Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	1.6	0.9	1.0	1.4	1.0	1.3
Union Bank	Banks	1.4	0.9	0.8	0.5	0.6	0.6	0.7	0.5	0.6	0.3	0.5	0.4	0.6	1.1	0.8	0.8

Source: FactSet, Kotak Institutional Equities

## NBFCs are trading at fair valuations

Exhibit 16: 12-m forward P/B multiple of financial stocks in KIE universe, March fiscal year-ends, 2011-256E

Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
<b>12-m forward P/B multiple (X)</b>																	
Aavas Financiers	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	4.7	3.9	7.0	6.4	3.4	2.4	3.3	2.5
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.8
Aptus Value Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.2	3.1	3.6	3.0	3.1
Bajaj Finance	Diversified Financials	1.6	1.4	1.5	1.9	3.5	4.2	5.7	5.3	7.3	3.4	7.1	8.4	5.2	5.0	5.0	5.1
Cholamandalam	Diversified Financials	1.6	1.6	1.8	1.6	2.6	2.8	3.2	3.8	3.2	1.3	4.1	4.5	3.9	4.3	4.5	4.1
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	3.0	3.0
L&T Finance	Diversified Financials	NA	1.6	2.1	1.8	1.4	1.5	2.6	2.8	2.0	0.6	1.2	0.9	0.9	1.6	1.4	2.0
LIC Housing Finance	Diversified Financials	2.2	2.1	1.5	1.4	2.3	2.3	2.5	1.9	1.6	0.6	1.0	0.8	0.7	1.0	0.8	0.8
Mahindra & Mahindra Financial	Diversified Financials	2.7	2.0	2.2	2.5	2.3	2.2	2.7	3.1	2.3	0.8	1.6	1.2	1.6	1.7	1.6	1.5
Muthoot Finance	Diversified Financials	NA	1.1	1.3	1.4	1.5	1.2	2.1	1.9	2.4	1.7	2.7	2.5	1.6	2.1	2.9	3.2
Shriram Finance	Diversified Financials	3.0	1.9	1.8	1.8	2.4	2.0	2.0	2.3	1.7	0.7	1.6	1.1	1.0	1.6	2.0	1.8
<b>12-m forward P/E multiple (X)</b>																	
360 One	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	26	23	20	27	31	32
ABSL AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19	22
CAMS	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37	34	29	35	36	37
CRISIL	Capital Markets	20	27	22	31	41	37	33	36	25	22	34	45	40	50	38	43
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34	31	41	29	23	38	31	40
ICRA	Capital Markets	16	18	16	24	41	39	45	34	22	20	36	32	27	31	27	30
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	44	46
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	25	24	24	34	26	17	27	25	33
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	19	20	14	15	16	19

Source: FactSet, Kotak Institutional Equities

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

Exhibit 17: 12-m forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-26E

		12-m forward P/E multiple (X)															
Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
Coforge	IT Services	6	7	7	9	9	10	9	15	16	13	29	32	22	30	39	37
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	17	19
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	18	21	18	24	23	22
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	22	21
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	39	38
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25	29
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	46	28	38	31	30
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	23	36	18	25	25	28
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	49	44
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	45
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	35	37
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	24	21
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	23	23
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	20	19
Aurobindo Pharma	Pharmaceuticals	9	7	7	12	18	17	14	12	15	8	15	12	12	17	15	16
Cipla	Pharmaceuticals	21	18	18	19	30	20	24	20	22	18	24	25	20	27	23	25
Divis Laboratories	Pharmaceuticals	20	17	17	19	23	20	16	25	28	31	39	40	36	44	57	56
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	22
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	25
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31	30
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	23	22
Mankind Pharma	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	43	45
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	23	26	24	35	31	31
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	43	45
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	48	40

Source: FactSet, Kotak Institutional Equities

## The Street has cut its FY2026E EPS sharply for a number of Nifty-50 Index companies over the past few months

Exhibit 18: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2026 (Rs)

Company	Sector	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Bajaj Auto	Automobiles & Components	372	373	374	373	373	353	352	351	347	335	336	334	329	331
Eicher Motors	Automobiles & Components	184	184	184	181	182	183	184	185	184	181	180	183	184	189
Hero Motocorp	Automobiles & Components	262	262	260	260	260	259	255	253	251	249	249	249	249	252
Mahindra & Mahindra	Automobiles & Components	113	112	113	115	115	116	116	115	114	115	115	116	116	117
Maruti Suzuki	Automobiles & Components	545	545	524	522	522	525	526	526	501	500	500	496	495	503
Tata Motors	Automobiles & Components	80	80	78	72	71	68	67	66	62	60	55	55	53	53
Axis Bank	Banks	100	99	96	96	95	92	92	91	91	90	90	84	83	83
HDFC Bank	Banks	52	52	51	51	51	49	49	49	49	49	49	47	48	47
ICICI Bank	Banks	72	72	72	72	72	72	72	72	71	71	71	71	71	71
IndusInd Bank	Banks	149	149	132	129	128	111	108	103	99	63	59	47	46	46
Kotak Mahindra Bank	Banks	83	81	79	79	79	79	79	79	78	78	77	74	73	73
State Bank of India	Banks	82	82	81	83	83	83	80	79	80	78	78	78	77	77
Bharat Electronics	Capital Goods	7.6	7.6	7.7	7.7	7.7	7.6	7.7	7.7	7.6	8.1	8.1	8.1	8.1	8.1
L&T	Capital Goods	140	140	138	139	139	136	135	135	134	132	131	132	131	132
Asian Paints	Commodity Chemicals	57	57	55	51	51	51	48	48	48	45	45	45	45	45
Grasim Industries	Construction Materials	24	24	23	21	21	21	16	16	16	8	8	8	8	8
Ultratech Cement	Construction Materials	362	359	331	327	326	322	317	316	308	308	309	314	314	314
Hindustan Unilever	Consumer Staples	53	52	51	51	50	49	48	48	47	46	46	46	46	46
ITC	Consumer Staples	18	18	18	18	18	18	18	18	18	17	17	17	17	17
Nestle India	Consumer Staples	20	20	19	19	19	19	18	18	18	18	18	17	17	17
Tata Consumer Products	Consumer Staples	20	20	19	19	19	18	18	18	18	18	18	17	17	17
Bajaj Finance	Diversified Financials	35	35	34	34	34	34	34	34	34	34	34	33	33	33
Bajaj Finserv	Diversified Financials	80	80	85	87	87	75	75	74	68	68	68	62	61	62
Shriram Finance	Diversified Financials	54	55	55	55	55	53	53	53	52	52	51	50	50	50
NTPC	Electric Utilities	25	25	25	24	24	24	24	24	24	24	24	24	24	24
Power Grid	Electric Utilities	19	19	19	19	19	19	18	18	18	18	18	18	18	18
Apollo Hospitals	Health Care Services	136	135	134	135	136	136	134	134	134	128	128	128	132	132
HDFC Life Insurance	Insurance	10	10	11	11	11	10	10	10	10	10	10	10	10	10
SBI Life Insurance	Insurance	27	27	27	27	27	25	26	26	28	28	29	28	29	28
Eternal	Internet Software & Services	2.9	2.9	2.6	2.6	2.6	1.8	1.7	1.7	1.5	1.1	1.1	1.1	1.1	1.1
HCL Technologies	IT Services	69	69	70	70	70	70	70	69	67	67	67	64	64	64
Infosys	IT Services	72	72	72	72	72	72	72	71	68	68	68	69	69	69
TCS	IT Services	157	157	154	154	153	151	151	149	143	143	143	141	141	141
Tech Mahindra	IT Services	65	65	64	64	64	62	62	62	61	61	60	59	59	59
Wipro	IT Services	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Hindalco Industries	Metals & Mining	65	66	65	65	65	65	67	67	67	67	67	68	67	67
JSW Steel	Metals & Mining	67	67	60	60	59	53	51	51	51	51	51	50	51	51
Tata Steel	Metals & Mining	13	13	13	12	12	10	10	10	10	10	10	10	10	10
Coal India	Oil, Gas & Consumable Fuels	65	65	62	62	62	59	59	59	58	58	58	57	57	57
ONGC	Oil, Gas & Consumable Fuels	44	43	44	40	40	40	39	39	38	32	32	32	32	33
Reliance Industries	Oil, Gas & Consumable Fuels	68	68	64	64	64	62	62	61	59	60	60	62	62	62
Cipla	Pharmaceuticals	65	65	64	64	64	63	63	63	63	62	62	61	61	62
Dr Reddy's Laboratories	Pharmaceuticals	70	70	70	70	70	70	70	70	69	68	67	64	64	64
Sun Pharmaceuticals	Pharmaceuticals	54	54	55	55	55	55	55	55	55	52	52	48	48	48
Titan Company	Retailing	58	57	57	56	55	55	55	55	54	53	53	53	53	53
Trent	Retailing	70	70	70	67	67	66	60	60	59	59	59	57	57	56
Bharti Airtel	Telecommunication Services	49	51	49	49	49	49	50	51	51	51	51	51	48	48
Adani Ports and SEZ	Transportation	61	62	57	57	57	56	56	56	55	57	57	58	59	59

Source: FactSet, Kotak Institutional Equities

## The Street has cut its FY2027E EPS sharply for a number of Nifty-50 Index companies over the past few months

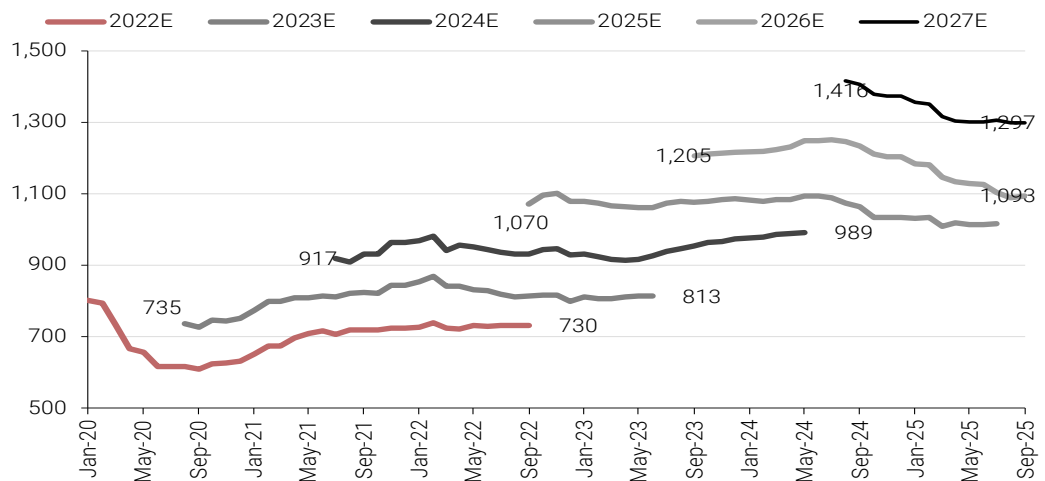
Exhibit 19: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2027 (Rs)

Company	Sector	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25
Bajaj Auto	Automobiles & Components	415	417	427	427	426	399	399	398	393	384	382	380	373	375
Eicher Motors	Automobiles & Components	202	202	202	205	205	207	211	211	210	205	205	207	207	215
Hero Motocorp	Automobiles & Components	286	286	286	288	287	286	277	275	272	270	270	268	273	276
Mahindra & Mahindra	Automobiles & Components	121	121	124	129	128	130	130	130	130	129	129	131	131	133
Maruti Suzuki	Automobiles & Components	598	597	580	576	577	580	582	580	557	556	557	556	557	577
Tata Motors	Automobiles & Components	92	92	89	83	82	80	78	77	73	71	67	67	64	65
Axis Bank	Banks	115	116	112	111	110	105	105	105	104	104	104	101	100	100
HDFC Bank	Banks	62	62	59	59	59	56	56	56	57	57	57	55	55	55
ICICI Bank	Banks	82	82	82	82	82	82	82	81	81	81	81	81	81	81
IndusInd Bank	Banks	175	175	159	156	155	134	131	127	123	82	77	67	66	66
Kotak Mahindra Bank	Banks	96	96	91	91	91	90	91	91	90	90	90	89	88	88
State Bank of India	Banks	90	90	89	93	93	93	89	89	89	87	87	87	86	86
Bharat Electronics	Capital Goods	9.0	9.0	8.9	8.9	8.9	8.9	9.0	9.0	9.0	9.6	9.7	9.7	9.7	9.7
L&T	Capital Goods	159	159	162	165	165	162	162	162	161	159	159	159	159	159
Asian Paints	Commodity Chemicals	65	65	63	60	60	59	54	54	53	51	51	50	50	50
Grasim Industries	Construction Materials	32	32	33	30	30	29	26	26	26	17	17	17	18	18
Ultratech Cement	Construction Materials	425	423	401	397	394	402	398	399	398	398	395	400	402	402
Hindustan Unilever	Consumer Staples	57	57	56	56	56	54	53	53	51	51	51	51	51	51
ITC	Consumer Staples	20	20	20	20	20	20	20	19	19	19	19	19	19	19
Nestle India	Consumer Staples	23	23	21	21	21	21	21	21	20	20	20	19	19	19
Tata Consumer Products	Consumer Staples	23	23	23	23	23	21	21	21	22	22	22	21	21	21
Bajaj Finance	Diversified Financials	43	43	43	42	42	43	43	43	42	42	42	42	42	42
Bajaj Finserv	Diversified Financials	93	95	106	108	108	92	92	93	86	86	86	77	76	77
Shriram Finance	Diversified Financials	63	63	63	63	63	62	62	62	62	61	61	60	60	60
NTPC	Electric Utilities	26	26	27	26	26	26	25	26	25	26	26	26	26	26
Power Grid	Electric Utilities	20	20	20	20	20	20	19	19	19	19	19	19	19	19
Apollo Hospitals	Health Care Services	181	181	180	174	175	176	173	173	170	165	167	167	172	172
HDFC Life Insurance	Insurance	12	12	12	12	12	12	12	12	12	12	12	11	11	11
SBI Life Insurance	Insurance	33	33	32	32	32	30	30	30	33	33	33	33	33	33
Eternal	Internet Software & Services	4.3	4.3	4.4	4.3	4.3	3.7	3.6	3.6	3.3	2.8	2.8	2.8	2.8	2.8
HCL Technologies	IT Services	76	76	78	78	78	78	78	77	73	73	74	72	72	72
Infosys	IT Services	79	79	80	80	80	80	80	79	74	74	74	74	74	74
TCS	IT Services	173	173	173	173	172	169	168	167	157	157	156	152	152	152
Tech Mahindra	IT Services	80	79	80	79	79	80	80	79	76	76	76	74	74	74
Wipro	IT Services	14	14	14	14	14	14	14	14	13	13	13	13	13	13
Hindalco Industries	Metals & Mining	67	67	68	68	69	69	69	69	68	70	70	70	71	71
JSW Steel	Metals & Mining	73	73	73	73	73	66	65	65	65	67	67	63	64	65
Tata Steel	Metals & Mining	16	16	17	14	14	13	12	13	13	13	13	13	13	13
Coal India	Oil, Gas & Consumable Fuels	68	67	64	64	64	62	62	61	61	61	61	59	59	59
ONGC	Oil, Gas & Consumable Fuels	43	43	43	42	42	42	41	41	39	35	35	35	35	35
Reliance Industries	Oil, Gas & Consumable Fuels	76	76	72	72	72	71	71	70	68	68	68	69	68	68
Cipla	Pharmaceuticals	66	66	64	64	64	63	64	64	64	64	64	64	63	63
Dr Reddy's Laboratories	Pharmaceuticals	58	57	57	57	57	59	58	57	57	56	55	55	55	55
Sun Pharmaceuticals	Pharmaceuticals	59	60	62	62	62	63	62	62	62	60	60	56	56	56
Titan Company	Retailing	69	70	70	67	67	67	66	66	66	65	65	64	64	64
Trent	Retailing	90	93	93	90	90	88	80	79	77	77	77	74	73	72
Bharti Airtel	Telecommunication Services	64	66	65	65	65	65	67	68	68	70	71	71	69	69
Adani Ports and SEZ	Transportation	68	70	67	67	66	64	64	64	63	66	66	67	68	69

Source: FactSet, Kotak Institutional Equities

### Steady cuts in FY2026E and FY2027E EPS over the past few months

Exhibit 20: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2022E-27E (Rs)



Source: Kotak Institutional Equities estimates

### We expect earnings of the Nifty-50 Index to grow 9% in FY2026 and 18% in FY2027E

Exhibit 21: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2026E-28E (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 (%)		
			2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Automobiles & Components	196	104	4.7	18.9	10.8	24.7	20.7	18.7	13.9	11.7	10.2	4.5	3.9	3.4	1.4	1.6	1.7	18.0	18.8	18.2
Banks	460	393	(3.7)	23.3	15.8	17.8	14.4	12.5	—	—	—	2.3	2.0	1.8	1.2	1.4	1.5	12.7	13.9	14.3
Capital Goods	120	71	14.6	24.6	10.6	34.2	27.5	24.9	21.6	18.5	15.7	9.2	7.9	6.8	0.7	0.9	1.0	27.0	28.8	27.3
Commodity Chemicals	27	13	4.6	14.1	13.8	56.9	49.9	43.9	37.6	34.0	30.5	11.4	10.6	9.8	1.1	1.3	1.5	20.1	21.2	22.3
Construction Materials	63	29	52.7	22.9	25.3	36.1	29.4	23.5	13.8	12.3	10.6	3.1	2.8	2.6	0.5	0.6	0.7	8.6	9.7	11.0
Consumer Staples	166	87	5.3	10.4	9.7	40.9	37.0	33.7	29.4	26.6	24.1	10.2	9.8	9.4	2.1	2.4	2.6	24.9	26.5	27.9
Diversified Financials	145	65	23.2	23.2	23.9	28.0	22.8	18.4	—	—	—	3.3	3.0	2.6	0.5	0.6	0.7	11.9	13.0	14.2
Electric Utilities	67	32	3.6	7.6	7.6	14.5	13.5	12.5	9.3	9.1	8.7	1.9	1.7	1.6	2.7	2.7	2.9	13.1	12.9	12.7
Health Care Services	13	9	29.5	26.1	26.8	60.0	47.6	37.5	31.3	25.6	20.9	11.5	9.5	7.8	0.3	0.3	0.3	19.2	20.0	20.8
IT Services	289	133	4.3	9.7	9.3	22.3	20.4	18.6	14.7	13.3	12.1	6.5	6.1	5.7	3.5	3.9	4.2	28.9	29.9	30.7
Insurance	40	19	16.3	16.3	16.4	71.3	61.3	52.6	—	—	—	10.1	9.1	8.2	0.3	0.3	0.4	14.2	14.9	15.5
Internet Software & Services	35	25	109.2	122.1	58.5	283.0	127.4	80.4	208.0	84.7	51.8	9.7	8.8	7.8	—	—	—	3.4	6.9	9.7
Metals & Mining	74	40	84.6	17.3	14.7	15.2	13.0	11.3	7.8	7.0	6.2	2.0	1.8	1.6	1.2	1.4	1.5	13.0	13.5	13.7
Oil, Gas & Consumable Fuels	275	128	15.3	13.0	11.5	14.9	13.2	11.8	8.1	7.0	6.1	1.7	1.5	1.4	1.6	1.7	1.8	11.5	11.7	11.9
Pharmaceuticals	70	38	(4.5)	8.8	15.6	28.5	26.2	22.7	18.4	16.7	14.5	4.0	3.6	3.2	0.7	0.8	0.9	14.1	13.6	14.0
Retailing	56	29	24.8	17.9	19.4	75.1	63.7	53.3	45.9	38.7	32.4	22.1	17.3	13.7	0.3	0.3	0.4	29.4	27.1	25.7
Telecommunication Services	130	62	46.1	36.6	28.2	38.4	28.1	21.9	10.6	8.9	7.5	8.7	7.3	6.0	1.0	1.3	1.5	22.6	25.8	27.2
Transportation	34	12	19.1	12.0	19.3	22.3	19.9	16.7	15.3	13.2	11.1	4.1	3.5	3.0	0.7	0.8	0.9	18.3	17.5	17.7
<b>Nifty-50 Index</b>	<b>2,260</b>	<b>1,289</b>	<b>9.4</b>	<b>17.6</b>	<b>14.3</b>	<b>22.9</b>	<b>19.5</b>	<b>17.0</b>	<b>12.9</b>	<b>11.4</b>	<b>10.1</b>	<b>3.4</b>	<b>3.0</b>	<b>2.7</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>	<b>14.6</b>	<b>15.5</b>	<b>15.8</b>
<b>Nifty-50 Index (ex-energy)</b>	<b>1,984</b>	<b>1,161</b>	<b>8.2</b>	<b>18.7</b>	<b>14.9</b>	<b>24.8</b>	<b>20.9</b>	<b>18.2</b>	<b>14.9</b>	<b>13.2</b>	<b>11.6</b>	<b>3.9</b>	<b>3.5</b>	<b>3.1</b>	<b>1.5</b>	<b>1.7</b>	<b>1.8</b>	<b>15.6</b>	<b>16.6</b>	<b>17.0</b>
<b>Nifty-50 Index (ex-banks)</b>	<b>1,800</b>	<b>896</b>	<b>15.0</b>	<b>15.6</b>	<b>13.7</b>	<b>24.7</b>	<b>21.4</b>	<b>18.8</b>	<b>12.9</b>	<b>11.4</b>	<b>10.1</b>	<b>3.8</b>	<b>3.5</b>	<b>3.1</b>	<b>1.6</b>	<b>1.7</b>	<b>1.9</b>	<b>15.5</b>	<b>16.1</b>	<b>16.4</b>

Notes:

(a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.

Source: Kotak Institutional Equities estimates

## Metals & mining, oil, gas & consumable fuels and telecommunication services to provide bulk of the incremental profits for FY2026 of the Nifty-50 Index

Exhibit 22: Break-up of net profits of the Nifty-50 Index across sectors, March fiscal year-ends, 2022-28E (based on current constituents)

	Net profits (Rs bn)						Contribution (%)					Incremental profits					
	2022	2023	2024	2025	2026E	2027E	2028E	2024	2025	2026E	2027E	2028E	2026E		2027E		2028E
	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)
Automobiles & Components	70	279	600	669	700	832	922	8	8	8	8	8	31	4	132	9	90
Tata Motors	(107)	7	206	225	179	247	286	3	3	2	2	2	(46)	(6)	68	4	38
Banks	1,217	1,697	2,148	2,366	2,279	2,810	3,253	29	30	26	27	28	(88)	(12)	531	35	443
Axis Bank	130	212	249	264	239	300	346	3	3	3	3	3	(24)	(3)	61	4	46
HDFC Bank	370	441	608	673	736	907	1,055	8	8	8	9	9	62	8	171	11	147
ICICI Bank	233	319	409	472	478	555	619	5	6	5	5	5	5	1	78	5	64
State Bank of India	317	502	611	709	597	752	865	8	9	7	7	7	(112)	(15)	155	10	114
Capital Goods	117	158	202	270	309	385	426	3	3	4	4	4	39	5	76	5	41
Commodity Chemicals	31	42	55	40	42	48	55	1	1	0	0	0	2	0	6	0	7
Construction Materials	128	120	132	101	154	189	237	2	1	2	2	2	53	7	35	2	48
Consumer Staples	271	318	360	341	359	396	435	5	4	4	4	4	18	2	37	2	38
Diversified Financials	145	239	314	370	456	561	696	4	5	5	5	6	86	11	106	7	134
Electric Utilities	301	324	364	391	405	436	469	5	5	5	4	4	14	2	31	2	33
Health Care Services	9	8	9	14	19	24	30	—	—	—	—	—	4	1	5	0	6
Internet Software & Services	(12)	(10)	4	5	11	24	39	0	0	0	—	0	6	1	13	1	14
IT Services	917	975	1,004	1,094	1,141	1,252	1,369	13	14	13	12	12	47	6	111	7	117
Insurance	27	31	35	42	49	57	67	0	1	1	1	1	7	1	8	1	9
Metals & Mining	774	248	219	231	427	501	574	3	3	5	5	5	196	26	74	5	73
Tata Steel	426	86	34	24	144	168	186	0	0	2	2	2	120	16	24	2	18
Oil, Gas & Consumable Fuels	1,229	1,413	1,578	1,414	1,629	1,841	2,053	21	18	19	18	18	216	29	212	14	212
Coal India	174	281	374	353	373	370	412	5	4	4	4	4	20	3	(3)	(0)	42
ONGC	476	465	509	364	528	567	595	7	5	6	6	5	164	22	39	3	29
Reliance Industries	579	667	696	696	728	904	1,045	9	9	8	9	9	31	4	176	11	141
Pharmaceuticals	135	160	196	227	217	236	273	3	3	2	2	2	(10)	(1)	19	1	37
Retailing	23	37	44	53	66	78	93	1	1	1	1	1	13	2	12	1	15
Telecommunication Services	26	90	113	204	297	406	521	2	3	3	4	4	94	13	109	7	115
Transportation	56	83	90	113	135	151	181	1	1	2	1	2	22	3	16	1	29
<b>Nifty-50 Index</b>	<b>5,464</b>	<b>6,212</b>	<b>7,466</b>	<b>7,946</b>	<b>8,695</b>	<b>10,229</b>	<b>11,690</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>749</b>	<b>100</b>	<b>1,534</b>	<b>100</b>	<b>1,461</b>
<b>Nifty-50 change (%)</b>	<b>53.9</b>	<b>13.7</b>	<b>20.2</b>	<b>6.4</b>	<b>9.4</b>	<b>17.6</b>	<b>14.3</b>										
<b>Nifty-50 Index ex-HPCL &amp; COAL change (%)</b>	<b>5,284</b>	<b>5,869</b>	<b>7,058</b>	<b>7,552</b>	<b>8,260</b>	<b>9,817</b>	<b>11,241</b>										
<b>Nifty-50 Index ex-HPCL &amp; COAL change (%)</b>	<b>57.7</b>	<b>11.1</b>	<b>20.2</b>	<b>7.0</b>	<b>9.4</b>	<b>18.8</b>	<b>14.5</b>										
<b>Nifty-50 EPS (Free-float)</b>	<b>730</b>	<b>813</b>	<b>988</b>	<b>1,012</b>	<b>1,093</b>	<b>1,297</b>	<b>1,488</b>										

Notes:

(a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.

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

Source: Kotak Institutional Equities estimates

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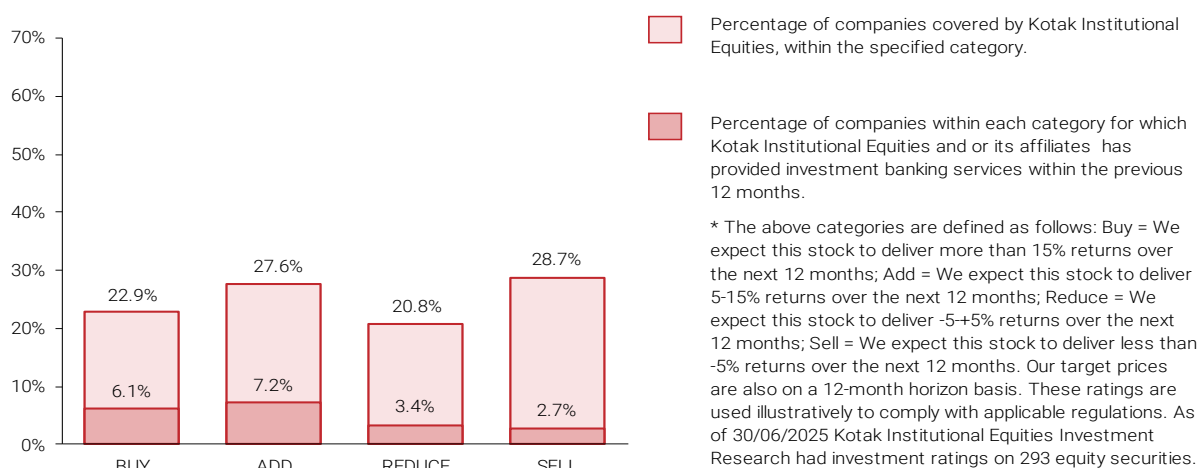
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