Strategy

November 05, 2025

HI thoughts on AI (bubble, trouble?)

We try to make sense of the purported AI bubble through an HI (an admittedly inferior) framework. Recent fall in AI stocks and global markets may or may not be the AI bubble's end. However, AI companies' large implied revenue and profit pools, as per their current market caps, are hard to reconcile with the limited (or even reduced) ability of humans to pay for such services.

Bubble or not?

The correction in global markets and AI stocks in the past few days (see Exhibit 1) may or may not mark the end of the AI bubble (good, bad or ugly, only time will tell). Nonetheless, the sharp increase in the market capitalization of all sorts of AI plays (see Exhibits 2-6; excluding certain Korean fried chicken restaurants and equipment makers) in various 'AI-heavy' markets would imply mind-boggling AI-related revenue and profit pools for AI companies.

Trouble for sure—consumers are workers and workers are consumers

AI will undoubtedly have a massive positive impact on productivity, but could also result in large-scale job disruption. Optimists may look at the previous technological cycle and the huge employment and productivity gains from such cycles as economies evolved from agriculture to manufacturing to services (in terms of share of jobs). Pessimists may worry about a dystopian future with machines replacing humans in mental (services) and physical (manufacturing) jobs. A simple fact of any economy is that it works on the exchange of goods and services between humans—they are both consumers and workers at the same time. A higher share of such 'exchange' between machines may leave workers without jobs (income) and companies without consumers (revenues).

India as an anti-AI play

The subdued performance of the Indian market over the past year on an absolute basis and relative to major DMs and EMs (see Exhibit 7) reflects (1) high valuations of most sectors and stocks (see Exhibits 8-13), (2) large earnings downgrades in the past 12-15 months (see Exhibit 14), although earnings seem to be stabilizing now with a decent outlook for FY2027 (see Exhibits 15-18) and (3) the lack of AI plays in India (see Exhibit 19).

The incomprehensible math of AI to HI

A simple back-of-the-envelope calculation of OpenAI, which is central to the AI theme (see Exhibit 20), with its US$1-1.5 tn of committed investments, shows the mind-boggling implied revenue and profit pools of AI players. A 10% CRoCI on US$1-1.5 tn of investment would imply US$100-150 bn of cash return (annually). OpenAI could achieve US$200-250 bn of annual revenues if 800 mn-1 bn users were to pay US$20 per month fees. At present, OpenAI has around 40 mn paying subscribers out of its 800 mn subscribers. It expects to reach US$100 bn of revenues by 2027. We would note that there are several such competing AI services; the world has around 8 bn people and many may not require or may not be able to pay the US$20 monthly fee for any AI service.

Key estimates summary

	2026E	2027E	2028E
Nifty estimates			
Earnings growth (%)	10.7	16.2	14.1
Nifty EPS (Rs)	1,102	1,286	1,469
Nifty P/E (X)	23.2	19.9	17.4
Macro data			
Real GDP (%)	6.5	6.5	6.5
Avg CPI inflation (%)	2.1	4.1	4.0

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

4% correction in Bloomberg AI Index since the peak after a rise of 34% in the past three months

MSCI India is up 6% versus 30% for MSCI EM and 17% for MSCI World Index CYTD25

We expect net profits of the Nifty-Index to grow 10% in FY2026 and 17% in FY2027

The Nifty-50 Index is trading at 23.2X FY2026E 'EPS' and 19.9X FY2027E 'EPS'

Related Research

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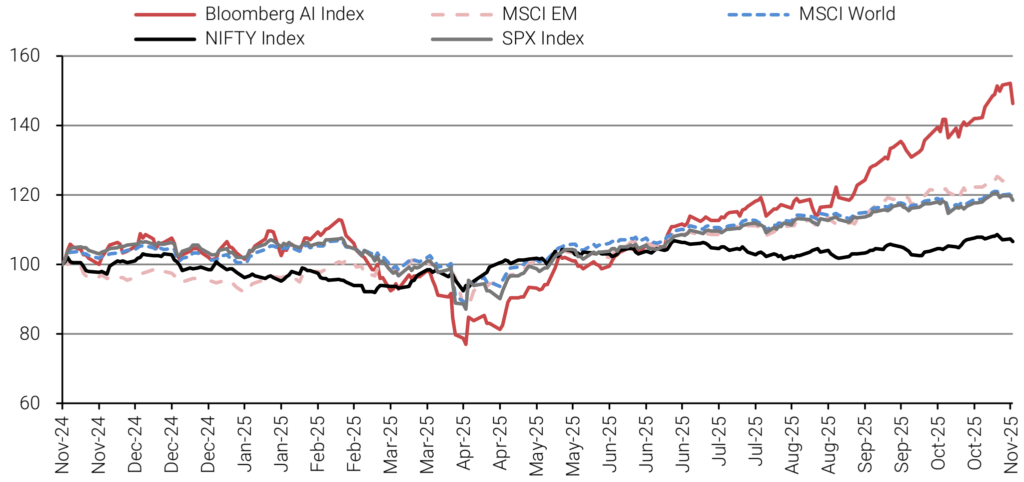
AI stocks have seen a modest correction over the past few days after a steep increase in the past three months

Exhibit 1: Performance of Bloomberg AI Index, MSCI EM, MSCI World, SPX Index and Nifty Index (Nov 2024 = 100)



Source: Bloomberg, Kotak Institutional Equities

The recent surge in market capitalization in China has been significantly driven by AI-related stocks

Exhibit 2: Current and 1Y-ago top-25 companies by market cap. in China

Current			1Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Tencent Holdings	Communication Services	741	Tencent Holdings	Communication Services	483
Agricultural Bank of China-H	Financials	391	Ind. & Comm. Bk of China-H	Financials	281
Alibaba Group Holding	Consumer Discretionary	389	Kweichow Moutai-A	Consumer Staples	270
Ind. & Comm. Bk of China-H	Financials	378	Alibaba Group Holding	Consumer Discretionary	233
China Construction Bank-H	Financials	276	Agricultural Bank of China-H	Financials	227
Contemporary Amperex Techn-H	Industrials	251	China Mobile-H	Communication Services	202
Kweichow Moutai Co.-A	Consumer Staples	250	Petrochina-H	Energy	200
China Mobile-H	Communication Services	245	China Construction Bank-H	Financials	197
Petrochina-H	Energy	239	Bank of China-H	Financials	182
Bank of China-H	Financials	239	Contemporary Amperex Techn-A	Industrials	152
Foxconn Industrial Interne-A	Information Technology	210	Meituan-Class B	Consumer Discretionary	143
China Merchants Bank-H	Financials	154	China Life Insurance-H	Financials	138
China Life Insurance-H	Financials	149	China Merchants Bank-H	Financials	131
Xiaomi-Class B	Information Technology	145	Ping An Insurance Group-H	Financials	131
Ping An Insurance Group Co-H	Financials	141	CNOOC-H	Energy	115
CNOOC-H	Energy	128	BYD-H	Consumer Discretionary	114
China Shenhua Energy-H	Energy	119	China Shenhua Energy-H	Energy	107
BYD-H	Consumer Discretionary	118	China Petroleum & Chemical-H	Energy	98
AIA Group	Financials	108	China Yangtze Power-A	Utilities	95
Zijin Mining Group-H	Materials	107	AIA Group	Financials	86
China Yangtze Power-A	Utilities	98	Xiaomi-Class B	Information Technology	86
Postal Savings Bank of China-H	Financials	97	Wuliangye Yibin-A	Consumer Staples	80
Semiconductor Manufacturing-H	Information Technology	89	China Telecom-H	Communication Services	77
China Petroleum	Energy	89	Midea Group-H	Consumer Discretionary	76
Netease	Communication Services	89	Postal Savings Bank of China-H	Financials	69
AI companies		**1,574**			**802**
Top-25 companies market cap.		**5,239**			**3,975**
Total market cap.		**12,907**			**10,239**

Source: Bloomberg, Kotak Institutional Equities

The recent surge in market capitalization in Japan has been largely driven by AI-related stocks

Exhibit 3: Current and 1Y-ago top-25 companies by market cap. in Japan

Current			1Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Toyota Motor Corp.	Consumer Discretionary	313	Toyota Motor Corp.	Consumer Discretionary	278
Softbank Group Corp.	Communication Services	211	Mitsubishi UFJ Financial	Financials	132
Mitsubishi UFJ Financial	Financials	180	Hitachi	Industrials	120
Sony Group Corp.	Consumer Discretionary	170	Sony Group Corp.	Consumer Discretionary	112
Hitachi	Industrials	149	Keyence Corp.	Information Technology	112
Fast Retailing Co.	Consumer Discretionary	116	Fast Retailing Co.	Consumer Discretionary	104
Nintendo Co.	Communication Services	116	Recruit Holdings Co.	Industrials	103
Tokyo Electronics	Information Technology	103	Softbank Group Corp.	Communication Services	92
Sumitomo Mitsui Financial	Financials	102	NTT Inc.	Communication Services	88
Advantest Corp.	Information Technology	102	Sumitomo Mitsui Financial	Financials	84
Mitsubishi Heavy Industries	Industrials	98	Chugai Pharmaceutical Co.	Health Care	81
Itochu Corp.	Industrials	96	Itochu Corp.	Industrials	80
Mitsubishi Corp.	Industrials	94	Shin-Etsu Chemical Co.	Materials	76
Keyence Corp.	Information Technology	89	Mitsubishi Corp.	Industrials	75
NTT Inc.	Communication Services	89	Tokyo Electronics	Information Technology	73
Mizuho Financial Group Inc	Financials	81	Tokio Marine Holdings Inc	Financials	72
Chugai Pharmaceutical Co.	Health Care	77	Nintendo Co.	Communication Services	70
Mitsui & Co.	Industrials	74	KDDI Corp.	Communication Services	69
Recruit Holdings Co.	Industrials	74	Daiichi Sankyo Co.	Health Care	64
Tokio Marine Holdings Inc.	Financials	73	Mitsui & Co.	Industrials	62
Japan Tobacco Inc.	Consumer Staples	70	Softbank Corp.	Communication Services	60
Softbank Corp.	Communication Services	67	Japan Tobacco Inc.	Consumer Staples	56
Kddi Corp.	Communication Services	67	Honda Motor Co.	Consumer Discretionary	54
Shin-Etsu Chemical Co.	Materials	59	Mizuho Financial Group Inc.	Financials	54
Mitsubishi Electric Corp.	Industrials	58	Mitsubishi Heavy Industries	Industrials	49
AI companies		**824**			**507**
Top-25 companies market cap.		**2,728**			**2,217**
Total market cap.		**7,627**			**6,425**

Source: Bloomberg, Kotak Institutional Equities

The recent surge in market capitalization in South Korea has been largely driven by AI-related stocks

Exhibit 4: Current and 1Y-ago top-25 companies by market cap. in South Korea

Current			1Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Samsung Electronics Co.	Information Technology	412	Samsung Electronics Co.	Information Technology	257
SK Hynix Inc	Information Technology	293	SK Hynix Inc	Information Technology	99
LG Energy Solution	Industrials	77	LG Energy Solution	Industrials	69
Samsung Biologics Co.	Health Care	60	Samsung Biologics Co.	Health Care	52
Hyundai Motor Co.	Consumer Discretionary	38	Hyundai Motor Co.	Consumer Discretionary	33
Doosan Enerbility Co.	Industrials	36	Celltrion Inc.	Health Care	29
Hanwha Aerospace Co.	Industrials	34	Kia Corp.	Consumer Discretionary	27
HD Hyundai Heavy Industries	Industrials	32	KB Financial Group Inc.	Financials	26
KB Financial Group Inc	Financials	32	Posco Holdings Inc.	Materials	20
Kia Corp	Consumer Discretionary	30	Naver Corp.	Communication Services	20
Naver Corp	Communication Services	30	Shinhan Financial Group	Financials	19
Celltrion Inc.	Health Care	28	Hyundai Mobis Co.	Consumer Discretionary	17
Hanwha Ocean Co.	Industrials	27	Samsung SDI Co.	Information Technology	16
Shinhan Financial Group	Financials	25	LG Chem	Materials	16
Samsung C&T Corp	Industrials	25	Samsung C&T Corp.	Industrials	15
SK Square Co.	Industrials	24	Korea Zinc Co.	Materials	15
Hd Hyundai Electric Co.	Industrials	22	Samsung Life Insurance Co.	Financials	15
Hd Korea Shipbuilding & Offs	Industrials	21	Alteogen Inc.	Health Care	15
Samsung Life Insurance Co.	Financials	21	Meritz Financial Group Inc.	Financials	14
Korea Electric Power Corp	Utilities	19	Posco Future M Co.	Industrials	13
Kakao Corp.	Communication Services	19	Hana Financial Group	Financials	12
LG Chem	Materials	19	Hanwha Aerospace Co.	Industrials	12
Hyundai Mobis Co.	Consumer Discretionary	18	Ecopro Bm Co.	Industrials	12
Samsung SDI Co.	Information Technology	18	Kakao Corp.	Communication Services	12
Samsung Heavy Industries	Industrials	17	Hd Hyundai Heavy Industries	Industrials	12
AI companies		**723**			**372**
Top-25 companies market cap.		**1,379**			**845**
Total market cap.		**2,601**			**1,736**

Source: Bloomberg, Kotak Institutional Equities

The recent surge in market capitalization in Taiwan has been primarily driven by AI-related stocks

Exhibit 5: Current and 1Y-ago top-25 companies by market cap. in Taiwan

Current			1Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Taiwan Semiconductor	Information Technology	1,224	Taiwan Semiconductor	Information Technology	834
Hon Hai Precision Industry	Information Technology	112	Hon Hai Precision Industry	Information Technology	92
Delta Electronics Inc.	Information Technology	81	Mediatek Inc.	Information Technology	65
Mediatek Inc.	Information Technology	69	Fubon Financial Holding Co.	Financials	39
Fubon Financial Holding Co.	Financials	41	Quanta Computer Inc.	Information Technology	37
Quanta Computer Inc.	Information Technology	36	Delta Electronics Inc.	Information Technology	33
Ase Technology Holding Co.	Information Technology	34	Cathay Financial Holding Co.	Financials	32
Chunghwa Telecom Co.	Communication Services	33	Chunghwa Telecom Co.	Communication Services	30
Cathay Financial Holding Co.	Financials	30	Ctbc Financial Holding Co.	Financials	22
Ctbc Financial Holding Co.	Financials	28	Ase Technology Holding Co.	Information Technology	22
Wiwynn Corp.	Information Technology	25	United Microelectronics Corp.	Information Technology	19
Mega Financial Holding Co.	Financials	20	Mega Financial Holding Co.	Financials	18
United Microelectronics Corp.	Information Technology	19	Uni-President Enterprises Co.	Consumer Staples	16
Accton Technology Corp.	Information Technology	19	Formosa Petrochemical Corp.	Energy	14
Asia Vital Components	Information Technology	18	Evergreen Marine Corp.	Industrials	14
Elite Material Co.	Information Technology	16	E.Sun Financial Holding Co.	Financials	14
Asustek Computer Inc.	Information Technology	16	Asustek Computer Inc.	Information Technology	13
E.Sun Financial Holding Co.	Financials	16	Taiwan Mobile Co.	Communication Services	13
Yageo Corporation	Information Technology	16	Yuanta Financial Holding Co.	Financials	13
TS Financial Holding Co.	Financials	15	Taiwan Cooperative Financial	Financials	12
Yuanta Financial Holding Co.	Financials	15	First Financial Holding Co.	Financials	12
Uni-President Enterprises Co.	Consumer Staples	14	Hotai Motor Company	Consumer Discretionary	11
Wistron Corp.	Information Technology	14	China Steel Corp.	Materials	11
Formosa Petrochemical Corp.	Energy	14	Wiwynn Corp.	Information Technology	11
Lite-On Technology Corp.	Information Technology	13	Hua Nan Financial Holdings	Financials	11
AI companies		**1,391**			**945**
Top-25 companies market cap.		**1,938**			**1,406**
Total market cap.		**3,209**			**2,522**

Source: Bloomberg, Kotak Institutional Equities

The recent surge in market capitalization in the US has been primarily driven by AI-related stocks

Exhibit 6: Current and 1Y-ago top-25 companies by market cap. in the US

Current			1Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Nvidia Corp.	Information Technology	4,828	Apple Inc	Information Technology	3,435
Apple Inc	Information Technology	3,990	Nvidia Corp.	Information Technology	3,257
Microsoft Corp.	Information Technology	3,823	Microsoft Corp.	Information Technology	3,021
Alphabet Inc	Communication Services	3,352	Alphabet Inc-Cl C	Communication Services	2,104
Amazon.Com Inc	Consumer Discretionary	2,665	Amazon.Com Inc	Consumer Discretionary	1,956
Broadcom Inc	Information Technology	1,662	Meta Platforms Inc-Class A	Communication Services	1,433
Meta Platforms Inc-Class A	Communication Services	1,582	Berkshire Hathaway Inc-Cl B	Financials	972
Tesla Inc	Consumer Discretionary	1,478	Tesla Inc	Consumer Discretionary	802
Berkshire Hathaway Inc-Cl B	Financials	1,055	Broadcom Inc	Information Technology	793
Eli Lilly & Co	Health Care	857	Eli Lilly & Co.	Health Care	788
JPMorgan Chase & Co	Financials	842	Walmart Inc	Consumer Staples	659
Walmart Inc	Consumer Staples	815	Jpmorgan Chase & Co.	Financials	625
Oracle Corp	Information Technology	707	Visa Inc-Class A Shares	Financials	587
Visa Inc-Class A Shares	Financials	670	Unitedhealth Group Inc	Health Care	521
Mastercard Inc - A	Financials	496	Exxon Mobil Corp.	Energy	519
Exxon Mobil Corp	Energy	481	Oracle Corp.	Information Technology	465
Netflix Inc	Communication Services	463	Mastercard Inc - A	Financials	459
Palantir Technologies Inc-A	Information Technology	454	Home Depot Inc	Consumer Discretionary	391
Johnson & Johnson	Health Care	450	Procter & Gamble Co/The	Consumer Staples	389
Costco Wholesale Corp.	Consumer Staples	417	Costco Wholesale Corp.	Consumer Staples	387
Advanced Micro Devices	Information Technology	406	Johnson & Johnson	Health Care	385
Bank of America Corp.	Financials	391	Abbvie Inc	Health Care	360
Abbvie Inc	Health Care	382	Netflix Inc	Communication Services	323
Home Depot Inc	Consumer Discretionary	381	Bank of America Corp.	Financials	321
Procter & Gamble Co/The	Consumer Staples	344	Coca-Cola Co/The	Consumer Staples	281
AI companies		**20,097**			**14,043**
Top-25 companies market cap.		**32,992**			**25,234**
Total market cap.		**71,727**			**60,769**

Source: Bloomberg, Kotak Institutional Equities

India has underperformed most global markets in the past one year

Exhibit 7: 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
Developed markets														
Australia	(2)	2	7	8	8	28	45	70	(4)	2	8	13	6	29
France	(1)	4	3	8	8	24	62	60	(3)	4	4	20	14	44
Germany	(3)	(0)	3	19	24	76	92	118	(5)	(1)	4	32	31	104
Hong Kong	(4)	5	15	29	26	61	4	13	(4)	6	15	29	26	62
Japan	13	28	40	29	35	89	117	169	8	22	32	32	35	81
Singapore	0	5	15	17	24	41	76	46	(1)	4	14	22	25	52
UK	1	5	11	17	17	31	63	50	(2)	3	10	22	18	51
US (Dow Jones)	1	7	15	11	13	46	70	165	1	7	15	11	13	46
US (Nasdaq)	5	13	33	23	31	128	106	365	5	13	33	23	31	128
US (S&P500)	2	8	20	16	20	82	99	226	2	8	20	16	20	82
MSCI World									**1**	**8**	**18**	**19**	**20**	**75**
Emerging markets														
Brazil	4	13	11	25	15	27	54	213	4	17	18	44	24	20
MSCI China	(4)	10	20	34	29	62	(18)	36	(4)	11	20	34	29	64
MSCI India	4	4	7	7	6	45	121	209	4	3	2	3	1	34
Indonesia	2	10	21	16	10	17	61	80	1	8	19	13	4	10
Korea	16	31	61	72	59	76	75	101	14	26	57	76	52	72
Malaysia	(1)	6	5	(1)	0	13	11	(4)	(0)	7	7	5	5	28
Mexico	0	10	11	26	22	21	66	38	(0)	12	18	42	33	29
Taiwan	5	20	35	22	22	116	119	218	3	16	35	30	26	125
Thailand	0	6	8	(7)	(11)	(20)	6	(8)	(0)	5	10	(2)	(8)	(8)
MSCI EM									**3**	**14**	**24**	**31**	**25**	**59**

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 8: 12-m forward P/E multiple of large-cap. consumption 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
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	22	24
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	33
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	27
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	24
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	42
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49	52
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47	46
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	31	32
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	57	46
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	34
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	51
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	39
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	50	53
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	42	40
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43	45
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	49	48
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47	50
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	46	46
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62	68
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	62
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	56
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	50
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	78
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56	64
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	88	73
Pidilite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	57

Source: Companies, FactSet, Kotak Institutional Equities

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

Exhibit 9: 12-m forward P/E multiple of mid-cap. consumption 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
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25	26
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	24	23
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	45	49
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	34
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	29
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	27
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	58	51
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	45	47
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	29	33
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67	76
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	54	64
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	46
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	53
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	38	44
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	38	36
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	37	34
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	104	159
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	44
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	102	84
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	36	40
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	218
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	174

Source: Companies, FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 10: 12-m forward P/E multiple of investment stocks in KIE universe, March fiscal year-ends, 2011-26E

		12-m forward P/E multiple (X)															
Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	64	69	73	87	56	55
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39	46
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	34	36
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	37	39
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	49
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	49
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	18
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26	26
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	58	55
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	49	41
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	62	52
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	50	60
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	32	32
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	64	67
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	72
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	48

Source: Companies, FactSet, Kotak Institutional Equities

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

Exhibit 11: 12-m forward P/B multiple of banks in KIE universe, March fiscal year-ends, 2011-26E

		12-m forward P/B multiple (X)															
Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
AU Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	7.0	4.6	3.0	5.9	4.6	3.1	2.6	2.1	3.1
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	1.7
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	1.0
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	1.1
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	1.8
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	0.8
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	1.1
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	1.5
HDFC Bank	Banks	3.8	3.5	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.6	3.0	2.8	2.2	2.6	2.6
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	2.7
Indusind Bank	Banks	2.8	2.8	2.5	2.6	3.8	2.9	3.7	4.0	3.4	0.6	1.6	1.4	1.3	1.7	0.7	0.9
Karur Vysya Bank	Banks	1.7	1.3	1.4	1.1	1.5	1.1	1.4	1.3	1.0	0.3	0.7	0.5	0.9	1.3	1.3	1.6
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	1.0
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	1.6
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	1.4
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	0.9

Source: Companies, FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

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

Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
12-m forward P/B multiple (X)																	
Aavas Financiers	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	4.7	3.9	7.0	6.4	3.4	2.4	3.3	2.4
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.7
Aptus Value Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.2	3.1	3.6	3.0	2.7
Bajaj Finance	Diversified Financials	1.6	1.4	1.5	1.9	3.5	4.2	5.7	5.3	7.3	3.4	7.1	8.4	5.2	5.0	5.0	5.3
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	4.6
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	2.7
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	2.4
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	0.7
Mahindra & Mahindra Financial	Diversified Financials	2.7	2.0	2.2	2.5	2.3	2.2	2.7	3.1	2.3	0.8	1.6	1.2	1.6	1.7	1.6	1.7
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	3.3
Shriram Finance	Diversified Financials	3.0	1.9	1.8	1.8	2.4	2.0	2.0	2.3	1.7	0.7	1.6	1.1	1.0	1.6	2.0	2.2
12-m forward P/E multiple (X)																	
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	20
CAMS	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37	34	29	35	36	35
CRISIL	Capital Markets	20	27	22	31	41	37	33	36	25	22	34	45	40	50	38	38
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34	31	41	29	23	38	31	36
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	43
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	25	24	24	34	26	17	27	25	34
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	19	20	14	15	16	18

Source: Companies, FactSet, Kotak Institutional Equities

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

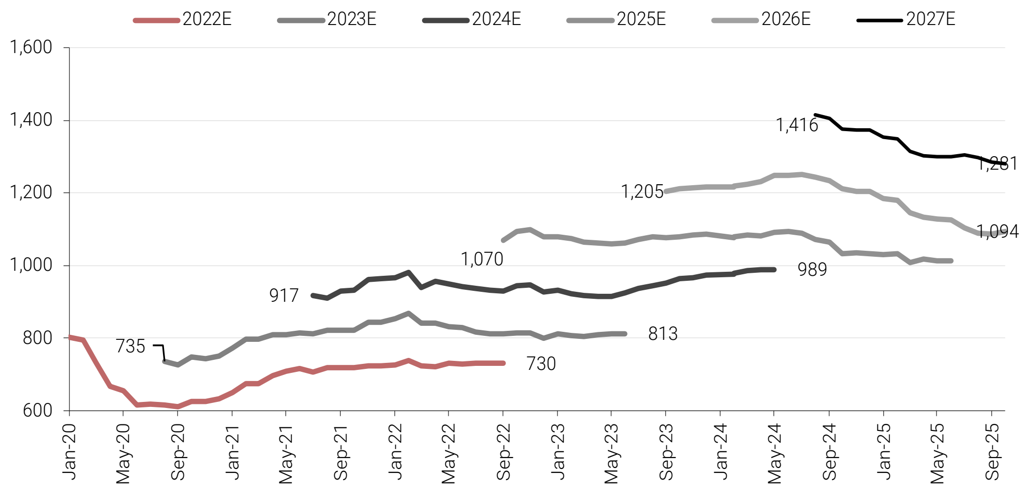
Exhibit 13: 12-m forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-26E

		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	36
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	17	18
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	20
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	39	35
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	29
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	23	36	18	25	25	26
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	49	45
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	44
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	35	35
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	24	20
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	23	21
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	20	18
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	24
Divis Laboratories	Pharmaceuticals	20	17	17	19	23	20	16	25	28	31	39	40	36	44	57	61
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	21
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	24
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	40
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	23	26	24	35	31	32
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	43	44
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	48	39

Source: Companies, FactSet, Kotak Institutional Equities

Our FY2026E EPS estimates have seen 1% increase over the past one month, while that for FY2027E has been broadly stable

Exhibit 14: Nifty-50 Index EPS estimate trends, March fiscal year-ends, 2022E-27E (Rs)



Source: Kotak Institutional Equities estimates

We expect earnings of the Nifty-50 Index to grow 10% in FY2026 and 17% in FY2027E

Exhibit 15: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2026E-28E (based on current constituents)

	Mcap.	Adj. mcap.	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
	(US$ bn)	(US$ bn)	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Automobiles & Components	171	90	3.0	21.9	11.3	23.6	19.4	17.4	12.9	10.7	9.3	4.1	3.6	3.1	1.3	1.5	1.7	17.5	18.6	18.1
Banks	468	396	(3.1)	18.9	14.1	18.3	15.4	13.5	—	—	—	2.4	2.1	1.9	1.1	1.3	1.3	13.1	13.9	14.1
Capital Goods	127	76	15.4	26.0	12.6	36.0	28.6	25.4	23.1	19.4	16.2	9.8	8.4	7.1	0.7	0.9	1.0	27.1	29.2	28.0
Commodity Chemicals	27	13	4.6	14.1	13.8	56.6	49.6	43.6	37.3	33.8	30.3	11.4	10.5	9.7	1.1	1.3	1.5	20.1	21.2	22.3
Construction Materials	61	28	47.8	23.1	24.7	36.5	29.6	23.8	13.8	12.3	10.6	3.0	2.8	2.5	0.5	0.6	0.7	8.3	9.4	10.7
Consumer Staples	163	88	3.8	11.2	9.9	40.9	36.8	33.5	29.3	26.3	23.9	10.1	9.7	9.3	2.1	2.4	2.6	24.6	26.3	27.7
Diversified Financials	150	69	23.6	23.2	24.0	29.1	23.6	19.0	—	—	—	3.5	3.1	2.7	0.4	0.6	0.7	12.0	13.1	14.3
Electric Utilities	65	32	(0.1)	7.6	9.7	14.9	13.8	12.6	10.0	9.5	9.1	1.9	1.7	1.6	2.6	2.7	2.9	12.7	12.5	12.6
Health Care Services	25	18	25.6	32.9	25.8	62.5	47.1	37.4	34.9	27.4	22.5	10.2	8.6	7.1	0.2	0.2	0.3	16.3	18.2	19.0
IT Services	280	129	7.2	6.9	8.6	21.1	19.8	18.2	13.9	12.9	11.8	6.3	5.9	5.5	3.7	4.0	4.3	29.6	29.8	30.4
Insurance	40	19	16.3	16.3	16.4	72.8	62.6	53.8	—	—	—	10.3	9.3	8.3	0.3	0.3	0.4	14.2	14.9	15.5
Internet Software & Services	34	25	2.7	330.5	92.4	559.0	129.9	67.5	276.4	74.9	42.7	9.6	8.7	7.6	—	—	—	1.7	6.7	11.3
Metals & Mining	79	43	82.0	17.1	15.5	16.6	14.2	12.3	8.3	7.4	6.6	2.1	1.9	1.7	1.1	1.2	1.4	12.8	13.4	13.7
Oil, Gas & Consumable Fuels	287	133	16.3	13.3	11.0	15.5	13.7	12.3	8.6	7.5	6.5	1.8	1.6	1.5	1.6	1.6	1.7	11.5	11.9	11.9
Pharmaceuticals	71	38	(7.3)	8.8	16.6	29.8	27.4	23.5	19.2	17.5	15.0	4.1	3.7	3.2	0.6	0.8	0.9	13.7	13.3	13.8
Retailing	57	29	26.2	18.3	20.1	75.5	63.8	53.1	45.9	38.6	32.2	22.4	17.4	13.8	0.2	0.3	0.4	29.7	27.3	25.9
Telecommunication Services	143	68	46.1	36.6	28.2	42.6	31.2	24.3	11.7	9.8	8.3	9.6	8.1	6.6	0.9	1.1	1.4	22.6	25.8	27.2
Transportation	60	26	16.6	23.3	13.6	24.4	19.8	17.4	11.7	9.5	7.7	5.8	4.6	3.7	0.4	0.4	0.5	23.7	23.1	21.1
Nifty-50 Index	**2,307**	**1,317**	**9.7**	**16.8**	**13.9**	**23.4**	**20.1**	**17.6**	**13.2**	**11.6**	**10.2**	**3.5**	**3.1**	**2.8**	**1.4**	**1.6**	**1.7**	**14.8**	**15.5**	**15.8**
Nifty-50 Index (ex-energy)	**2,021**	**1,184**	**8.3**	**17.6**	**14.6**	**25.3**	**21.5**	**18.8**	**15.0**	**13.1**	**11.6**	**4.0**	**3.6**	**3.2**	**1.4**	**1.6**	**1.7**	**15.9**	**16.7**	**17.0**
Nifty-50 Index (ex-banks)	**1,839**	**921**	**15.0**	**16.0**	**13.9**	**25.2**	**21.7**	**19.1**	**13.2**	**11.6**	**10.2**	**3.9**	**3.5**	**3.2**	**1.5**	**1.7**	**1.8**	**15.6**	**16.2**	**16.5**

Notes:

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

Source: Kotak Institutional Equities estimates

Earnings growth is likely to be more broad-based in FY2027

Exhibit 16: Breakup 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					
													2026E		2027E		2028E	
	2022	2023	2024	2025	2026E	2027E	2028E	2024	2025	2026E	2027E	2028E	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)
Automobiles & Components	45	249	559	622	646	788	876	8	8	7	8	7	23	3	143	10	88	6
Tata Motors PV	(107)	7	206	225	179	247	286	3	3	2	2	2	(46)	(5)	68	5	38	3
Banks	1,308	1,785	2,059	2,340	2,346	2,727	3,125	28	29	27	27	27	6	1	381	27	398	28
Axis Bank	130	212	249	264	231	299	345	3	3	3	3	3	(33)	(4)	68	5	46	3
HDFC Bank	507	603	608	673	749	867	986	8	8	8	8	8	75	9	118	8	119	8
ICICI Bank	233	319	409	472	505	558	623	6	6	6	5	5	32	4	53	4	65	5
State Bank of India	317	502	611	709	676	782	915	8	9	8	8	8	(33)	(4)	106	7	133	9
Capital Goods	117	158	202	270	312	393	442	3	3	4	4	4	42	5	81	6	50	3
Commodity Chemicals	31	42	55	40	42	48	55	1	1	0	0	0	2	0	6	0	7	0
Construction Materials	128	120	132	101	149	184	229	2	1	2	2	2	48	6	34	2	45	3
Consumer Staples	271	318	360	341	354	393	432	5	4	4	4	4	13	1	39	3	39	3
Diversified Financials	145	239	314	370	457	563	699	4	5	5	5	6	87	10	106	7	135	9
Electric Utilities	301	324	364	391	390	420	460	5	5	4	4	4	(1)	(0)	30	2	41	3
Health Care Services	8	17	22	28	36	47	60	—	—	—	—	1	7	1	12	1	12	1
Internet Software & Services	(12)	(10)	4	5	5	23	45	0	0	0	—	0	0	0	18	1	22	1
IT Services	917	975	1,004	1,095	1,174	1,255	1,363	14	14	13	12	12	79	9	81	6	108	7
Insurance	27	31	35	42	49	57	67	0	1	1	1	1	7	1	8	1	9	1
Metals & Mining	774	248	219	231	421	493	569	3	3	5	5	5	190	22	72	5	76	5
Tata Steel	426	86	34	24	144	168	186	0	0	2	2	2	120	14	24	2	18	1
Oil, Gas & Consumable Fuels	1,229	1,413	1,578	1,414	1,644	1,862	2,067	21	18	19	18	18	230	27	218	15	205	14
Coal India	174	281	374	353	369	384	417	5	4	4	4	4	16	2	15	1	33	2
ONGC	476	465	509	364	528	567	595	7	5	6	6	5	164	19	39	3	29	2
Reliance Industries	579	667	696	696	747	911	1,054	9	9	8	9	9	51	6	164	11	143	10
Pharmaceuticals	135	160	196	227	210	229	267	3	3	2	2	2	(17)	(2)	18	1	38	3
Retailing	23	37	44	53	67	79	95	1	1	1	1	1	14	2	12	1	16	1
Telecommunication Services	26	90	113	204	288	407	525	2	3	3	4	4	85	10	119	8	118	8
Transportation	(5)	80	172	186	223	276	311	2	2	3	3	3	37	4	53	4	35	2
Nifty-50 Index	**5,467**	**6,277**	**7,430**	**7,960**	**8,813**	**10,245**	**11,686**	**100**	**100**	**100**	**100**	**100**	**853**	**100**	**1,432**	**100**	**1,441**	**100**
Nifty-50 change (%)	**43.5**	**14.8**	**18.4**	**7.1**	**10.7**	**16.2**	**14.1**											
Nifty-50 Index ex-HPCL & COAL change (%)	**5,287**	**5,933**	**7,022**	**7,567**	**8,379**	**9,818**	**11,229**											
Nifty-50 Index ex-HPCL & COAL change (%)	**44.8**	**12.2**	**18.3**	**7.8**	**10.7**	**17.2**	**14.4**											
Nifty-50 EPS (Free-float)	**730**	**813**	**988**	**1,012**	**1,102**	**1,286**	**1,469**											

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: Bloomberg, Companies, Kotak Institutional Equities estimates

Consensus EPS estimates have been broadly stable over the past two months

Exhibit 17: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2026 (Rs)

Company	Sector	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Bajaj Auto	Automobiles & Components	373	373	353	352	351	347	335	336	334	329	331	331	331
Eicher Motors	Automobiles & Components	181	182	183	184	185	184	181	180	183	184	190	191	191
Mahindra & Mahindra	Automobiles & Components	115	115	116	116	115	114	115	115	116	116	118	119	120
Maruti Suzuki	Automobiles & Components	522	522	525	526	526	501	500	500	496	495	507	506	506
Tata Motors PV	Automobiles & Components	44	43	41	40	40	37	36	33	33	32	32	29	29
Axis Bank	Banks	96	95	92	92	91	91	90	90	84	83	83	81	81
HDFC Bank	Banks	51	51	49	49	49	49	49	49	47	48	47	49	49
ICICI Bank	Banks	72	72	72	72	72	71	71	71	71	71	71	72	72
Kotak Mahindra Bank	Banks	79	79	79	79	79	78	78	77	74	73	73	72	72
State Bank of India	Banks	83	83	83	80	79	80	78	78	78	77	77	77	77
Bharat Electronics	Capital Goods	7.7	7.7	7.6	7.7	7.7	7.6	8.1	8.1	8.1	8.1	8.1	8.2	8.2
L&T	Capital Goods	139	139	136	135	135	134	132	131	132	131	132	132	132
Asian Paints	Commodity Chemicals	51	51	51	48	48	48	45	45	45	45	45	45	45
Grasim Industries	Construction Materials	18	18	17	12	12	12	8	8	8	8	8	8	8
Ultratech Cement	Construction Materials	327	326	322	317	316	308	308	309	314	314	314	287	287
Hindustan Unilever	Consumer Staples	51	50	49	48	48	47	46	46	46	46	46	46	46
ITC	Consumer Staples	18	18	18	18	18	18	17	17	17	17	17	17	17
Nestle India	Consumer Staples	19	19	19	18	18	18	18	18	17	17	17	17	17
Tata Consumer Products	Consumer Staples	19	19	18	18	18	18	18	18	17	17	17	16	17
Bajaj Finance	Diversified Financials	34	34	34	34	34	34	34	34	34	33	34	34	33
Bajaj Finserv	Diversified Financials	87	87	75	75	74	68	68	68	62	61	62	62	73
Shriram Finance	Diversified Financials	55	55	53	53	53	52	52	51	50	50	50	51	51
NTPC	Electric Utilities	24	24	24	24	24	24	24	24	24	24	24	23	23
Power Grid	Electric Utilities	19	19	19	18	18	18	18	18	18	18	18	18	18
Apollo Hospitals	Health Care Services	135	136	136	134	134	134	128	128	128	132	133	131	131
Max Healthcare	Health Care Services	19	19	19	19	19	19	19	19	19	18	18	18	18
HDFC Life Insurance	Insurance	11	11	10	10	10	10	10	10	10	10	10	10	10
SBI Life Insurance	Insurance	27	27	25	26	26	28	28	29	28	29	29	28	28
Eternal	Internet Software & Services	2.6	2.6	1.8	1.7	1.7	1.5	1.1	1.1	1.1	1.1	1.1	0.8	0.8
HCL Technologies	IT Services	70	70	70	70	69	67	67	67	64	64	64	64	64
Infosys	IT Services	72	72	72	72	71	68	68	68	69	69	69	70	70
TCS	IT Services	154	153	151	151	149	143	143	143	141	141	141	142	142
Tech Mahindra	IT Services	64	64	62	62	62	61	61	60	59	59	59	59	59
Wipro	IT Services	13	13	13	13	13	13	13	13	13	13	13	13	13
Hindalco Industries	Metals & Mining	65	65	65	67	67	67	67	67	68	67	67	68	68
JSW Steel	Metals & Mining	60	59	53	51	51	51	51	51	50	51	51	43	43
Tata Steel	Metals & Mining	12	12	10	10	10	10	10	10	10	10	10	10	10
Coal India	Oil, Gas & Consumable Fuels	62	62	59	59	59	58	58	58	57	57	57	54	54
ONGC	Oil, Gas & Consumable Fuels	40	40	40	39	39	38	32	32	32	32	33	34	34
Reliance Industries	Oil, Gas & Consumable Fuels	64	64	62	62	61	59	60	60	62	62	62	61	61
Cipla	Pharmaceuticals	64	64	63	63	63	63	62	62	61	61	62	60	60
Dr Reddy's Laboratories	Pharmaceuticals	70	70	70	70	70	69	68	67	64	64	64	62	62
Sun Pharmaceuticals	Pharmaceuticals	55	55	55	55	55	55	52	52	48	48	48	48	48
Titan Company	Retailing	56	55	55	55	55	54	53	53	53	53	53	53	53
Trent	Retailing	67	67	66	60	60	59	59	59	57	57	56	55	55
Bharti Airtel	Telecommunication Services	49	49	49	50	51	51	51	51	51	48	48	48	49
Adani Ports and SEZ	Transportation	57	57	56	56	56	55	57	57	58	59	60	59	59
Interglobe Aviation	Transportation	207	217	202	202	211	214	222	225	223	227	223	221	218

Source: FactSet, Kotak Institutional Equities

Consensus EPS estimates have been broadly stable over the past two months

Exhibit 18: Consensus EPS for Nifty-50 stocks, March fiscal year-ends, 2027 (Rs)

Company	Sector	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25
Bajaj Auto	Automobiles & Components	427	426	399	399	398	393	384	382	380	373	376	376	376
Eicher Motors	Automobiles & Components	205	205	207	211	211	210	205	205	207	207	217	219	219
Mahindra & Mahindra	Automobiles & Components	129	128	130	130	130	130	129	129	131	131	133	134	135
Maruti Suzuki	Automobiles & Components	576	577	585	588	586	565	565	566	562	560	591	600	600
Tata Motors PV	Automobiles & Components	50	49	48	47	46	44	43	41	41	39	39	40	40
Axis Bank	Banks	111	110	105	105	105	104	104	104	101	100	100	100	100
HDFC Bank	Banks	59	59	56	56	56	57	57	57	55	55	55	55	55
ICICI Bank	Banks	82	82	82	82	81	81	81	81	81	81	81	81	81
Kotak Mahindra Bank	Banks	91	91	90	91	91	90	90	90	89	88	87	88	88
State Bank of India	Banks	93	93	93	89	89	89	87	87	87	86	85	85	86
Bharat Electronics	Capital Goods	8.9	8.9	8.9	9.0	9.0	9.0	9.6	9.7	9.7	9.7	9.7	9.7	9.7
L&T	Capital Goods	165	165	162	162	162	161	159	159	159	159	159	161	161
Asian Paints	Commodity Chemicals	60	60	59	54	54	53	51	51	50	50	50	50	50
Grasim Industries	Construction Materials	24	24	24	21	21	21	17	17	17	18	18	18	18
Ultratech Cement	Construction Materials	397	394	402	398	399	398	398	395	400	402	404	381	381
Hindustan Unilever	Consumer Staples	56	56	54	53	53	51	51	51	51	51	51	51	51
ITC	Consumer Staples	20	20	20	20	19	19	19	19	19	19	19	19	19
Nestle India	Consumer Staples	21	21	21	21	21	20	20	20	19	19	20	20	20
Tata Consumer Products	Consumer Staples	23	23	21	21	21	22	22	22	21	21	21	20	21
Bajaj Finance	Diversified Financials	42	42	43	43	43	42	42	42	42	41	42	42	42
Bajaj Finserv	Diversified Financials	108	108	92	92	93	86	86	86	77	76	77	77	91
Shriram Finance	Diversified Financials	63	63	62	62	62	62	61	61	60	60	60	61	61
NTPC	Electric Utilities	26	26	26	25	26	25	26	26	26	26	26	26	26
Power Grid	Electric Utilities	20	20	20	19	19	19	19	19	19	19	19	19	19
Apollo Hospitals	Health Care Services	174	175	176	173	173	170	165	167	167	172	171	172	172
Max Healthcare	Health Care Services	24	24	23	24	24	24	24	24	24	24	23	23	23
HDFC Life Insurance	Insurance	12	12	12	12	12	12	12	12	11	11	11	11	11
SBI Life Insurance	Insurance	32	32	30	30	30	33	33	33	33	33	33	33	33
Eternal	Internet Software & Services	4.3	4.3	3.7	3.6	3.6	3.3	2.8	2.8	2.8	2.8	2.8	2.6	2.6
HCL Technologies	IT Services	78	78	78	78	77	73	73	74	72	72	72	72	72
Infosys	IT Services	80	80	80	80	79	74	74	74	74	74	75	75	75
TCS	IT Services	173	172	169	168	167	157	157	156	152	152	151	150	150
Tech Mahindra	IT Services	79	79	80	80	79	76	76	76	74	74	74	73	73
Wipro	IT Services	14	14	14	14	14	13	13	13	13	13	13	13	13
Hindalco Industries	Metals & Mining	68	69	69	69	69	68	70	70	70	71	71	72	72
JSW Steel	Metals & Mining	74	74	68	65	65	65	67	67	64	66	66	62	62
Tata Steel	Metals & Mining	14	14	13	12	13	13	13	13	13	13	13	13	13
Coal India	Oil, Gas & Consumable Fuels	64	64	62	62	61	61	61	61	59	59	59	57	57
ONGC	Oil, Gas & Consumable Fuels	42	42	42	41	41	39	35	35	35	35	36	36	36
Reliance Industries	Oil, Gas & Consumable Fuels	72	72	71	71	70	68	68	68	69	68	68	68	68
Cipla	Pharmaceuticals	64	64	63	64	64	64	64	64	64	63	63	63	63
Dr Reddy's Laboratories	Pharmaceuticals	57	57	59	58	57	57	56	55	57	57	57	55	55
Sun Pharmaceuticals	Pharmaceuticals	62	62	63	62	62	62	60	60	56	56	56	56	56
Titan Company	Retailing	67	67	67	66	66	66	65	65	64	64	64	64	64
Trent	Retailing	90	90	88	80	79	77	77	77	74	73	72	70	70
Bharti Airtel	Telecommunication Services	65	65	65	67	68	68	70	71	71	69	69	69	69
Adani Ports and SEZ	Transportation	67	66	64	64	64	63	66	66	67	68	70	69	69
Interglobe Aviation	Transportation	239	241	226	227	232	240	264	268	262	261	259	259	258

Source: FactSet, Kotak Institutional Equities

Market cap. of India continues to be dominated by 'traditional' sectors

Exhibit 19: Current and 1Y-ago top-25 companies by market cap. in India

Current			1Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Reliance Industries	Energy	225	Reliance Industries	Energy	214
HDFC Bank	Financials	171	TCS	Information Technology	171
Bharti Airtel	Communication Services	143	HDFC Bank	Financials	158
TCS	Information Technology	122	Bharti Airtel	Communication Services	115
ICICI Bank	Financials	108	ICICI Bank	Financials	108
SBI	Financials	100	State Bank of India	Financials	87
Bajaj Finance	Financials	74	Infosys	Information Technology	87
Infosys	Information Technology	69	ITC	Consumer Staples	73
Hindustan Unilever	Consumer Staples	65	Hindustan Unilever	Consumer Staples	71
Life Insurance Corporation	Financials	65	Life Insurance Corporation	Financials	69
Larsen & Toubro	Industrials	61	L&T	Industrials	59
ITC	Consumer Staples	58	HCL Technologies	Information Technology	57
Maruti Suzuki India	Consumer Discretionary	54	Sun Pharmaceutical	Health Care	53
Mahindra & Mahindra	Consumer Discretionary	50	Bajaj Finance	Financials	51
Kotak Mahindra Bank	Financials	47	NTPC	Utilities	47
HCL Technologies	Information Technology	47	Axis Bank	Financials	43
Sun Pharmaceutical	Health Care	46	Maruti Suzuki	Consumer Discretionary	41
Axis Bank	Financials	43	Kotak Mahindra Bank	Financials	41
Ultratech Cement	Materials	39	Adani Enterprises	Industrials	40
Titan Co.	Consumer Discretionary	38	Mahindra & Mahindra	Consumer Discretionary	40
Bajaj Finserv	Financials	37	ONGC	Energy	40
NTPC	Utilities	36	Ultratech Cement	Materials	38
ONGC	Energy	36	Tata Motors PV	Consumer Discretionary	37
Adani Ports and SEZ	Industrials	35	Power Grid	Utilities	35
Eternal	Consumer Discretionary	34	Adani Ports and SEZ	Industrials	35
Top-25 companies market cap.		**1,802**			**1,810**
Total market cap.		**5,343**			**5,306**

Source: Bloomberg, Kotak Institutional Equities

AI companies are currently investing among themselves to build a large ecosystem

Exhibit 20: Companies that have signed major deals with OpenAI

Partner/investor	Deal value (US$ bn)	Date	Comment
Amazon	38	Nov-25	OpenAI signed a seven year deal worth US$38 bn to buy cloud services from Amazon
Microsoft	135	Oct-25	Microsoft and OpenAI announced a restructuring deal, whereby Microsoft will hold 27% stake in OpenAI and allows OpenAI to raise capital easily and ultimately do an IPO
Broadcom	350	Oct-25	OpenAI agreed to purchase 10 GW of computer chips from Broadcom
AMD	100	Oct-25	OpenAI to purchase 6 GW of AMD GPUs; gives option to OpenAI to own 10% of AMD, based on deployment milestones
Broadcom	10	Sep-25	Develop custom AI chips (XPUs) for OpenAI to reduce reliance on Nvidia GPUs
Coreweave	22	CYTD25	Provides GPUaaS infrastructure optimized for AI workloads; Coreweave issued OpenAI 8.75M Class A shares accounted for as a contra-revenue asset
Google	25	CYTD25	Strategic cloud infra partnership; to generate US$3-5 bn of revenues for Google Cloud; Alphabet to invest US$25 bn in data centers
Microsoft	13	2019 onwards	Invested over multiple funding rounds
Nvidia	100	Sep-25	Strategic partnership with OpenAI deploying at least 10 GWs of Nvidia GPUs; Nvidia received non-voting equity
Oracle	300	Sep-25	OpenAI signed a contract to purchase US$300 billion in cloud computing power from Oracle over five years
Samsung	NA	Oct-25	Samsung Electronics will supply advanced memory chips for OpenAI's "Stargate" initiative
SK Group	NA	Oct-25	SK Hynix LOI to supply HBM to OpenAI; MOU with SK Telecom to collaborate on development, construction, and operation of an AI data center in Korea
Softbank	40	Oct-25	One of largest shareholders; Softbank to spend US$3 bn/year on OpenAI technologies across group companies

Source: Companies, media reports, Kotak Institutional Equities

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

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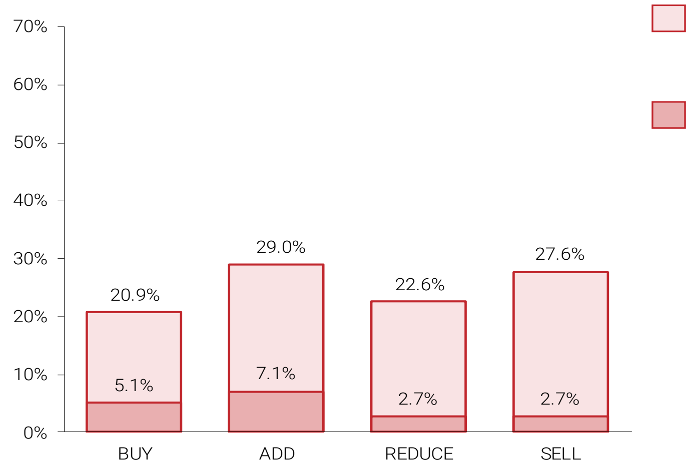

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Source: Kotak Institutional Equities

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