

Strategy

May 11, 2025

All is well (just don't look at earnings and valuations)

The Indian market may see a modest rally on de-escalation of the conflict between India and Pakistan over the weekend. We note that the market has gone up in the past few weeks, with the market looking through (1) near-term escalation in tensions and (2) US trade issues. 4QFY25 earnings have been muted, while valuations of most sectors and stocks continue to be rich.

Indian markets were resolute over the past one month

Indian markets have delivered a strong performance over the past one month, despite elevated global and local uncertainty (see Exhibits 1-2). The strong market performance suggests that markets were pricing in (1) the rapid resolution of ongoing trade and tariff issues with the US and (2) geopolitical risks being under control. In this context, the de-escalation of the conflict between India and Pakistan may provide a limited boost to investor sentiment, with the risk-reward being precariously balanced between (1) an improving macro, (2) a weak earnings growth outlook, (3) further earnings downgrades and (4) elevated valuations.

FPI inflows driven by active flows, while SIP flows buffered MF inflows

The sharp increase in FPI inflows in recent weeks reflects positive sentiment for India among active and passive investors (see Exhibits 3-4). We attribute the sharp change in FPI positioning to (1) a 2.5% depreciation in DXY over the past one month and (2) high conviction among investors of India being a relatively 'better' market, in light of global growth challenges. Meanwhile, April mutual fund data suggests further weakening of retail inflows into mutual funds, as the trailing 12-month returns turned weaker, with gross SIP inflows providing a buffer to the weakening flows (see Exhibits 5-6).

4QFY25 earnings season has been broadly muted

We note that the 4QFY25 earnings season has been broadly muted, with (1) Nifty-50 earnings growing 4.8% yoy, (2) KIE coverage earnings growing 8.2% yoy and (3) bulk of the earnings' outperformance being driven by banks and downstream oil marketing companies (see Exhibits 7-8). Most sectors saw a varying mix of growth and profitability challenges, with (1) consumer companies reporting weak volume growth, margin headwinds and muted demand commentary, (2) investment companies reporting margin challenges, (3) banks reporting weak credit growth and (4) IT services companies indicating weak demand (see Exhibits 9-15).

Valuations remain elevated, despite headwinds to earnings

We note that KIE's projections of FY2026E/27E net profits of the Nifty-50 Index have seen 6%/5% cuts CYTD24, with larger cuts in consensus estimates (see Exhibits 16-19). Meanwhile, most sectors are trading at lofty valuations, with even banks and telecoms trading near full valuations (see Exhibits 20-25), which could lead to a possible derating in multiples across sectors in the case of further earnings disappointments. Valuations of the Nifty-50 Index appear high, while those of mid- and small caps remain uncomfortable (see Exhibits 26-28).

Key estimates summary

	2025	2026E	2027E
Nifty estimates			
Earnings growth (%)	8.9	10.2	15.0
Nifty EPS (Rs)	1,027	1,131	1,302
Nifty P/E (X)	23.4	21.2	18.4
Macro data			
Real GDP (%)	6.5	6.0	6.3
Avg CPI inflation (%)	4.6	4.0	4.2

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

FPI inflow, at US\$5.3 bn, over the past four weeks, April MF equity inflows at Rs260 bn versus Rs375 bn of monthly inflows in CY2024

We expect net profits of the Nifty-50 Index to grow 10.2% in FY2026 and 15% in FY2027

The Nifty-50 Index is trading at 21.2X FY2026E 'EPS' and 18.4X FY2027E 'EPS'

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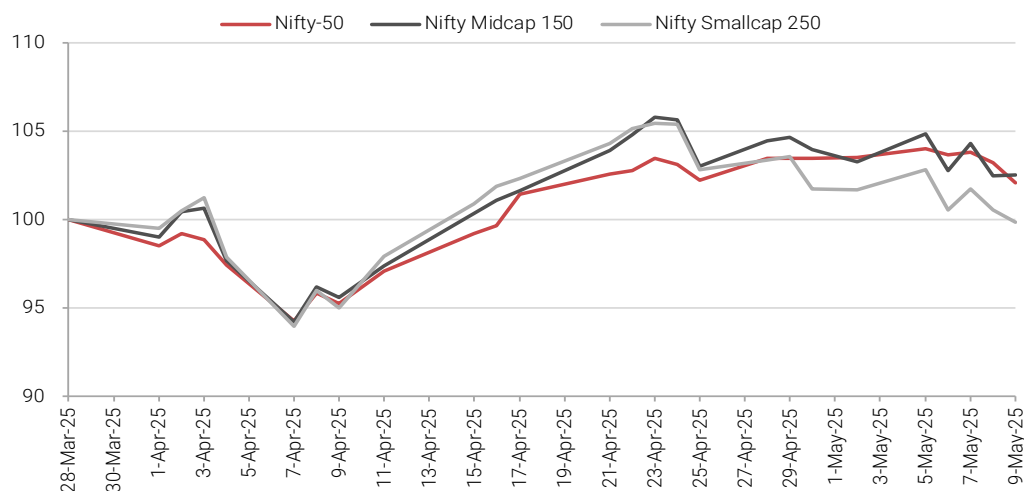
Model portfolio changes

We increase weight on INDIGO by 100 bps (to 250 bps) and on PIDI by 40 bps (to 190 bps)—see Exhibit 29. Both are dominant players in their respective categories and have a long runway of growth. Additionally, both have several specific but similar near-term tailwinds—(1) reasonable demand relative to most other consumer categories, (2) low RM prices (ATF in the case of INDIGO and crude oil derivatives in the case of PIDI), (3) strong pricing power, given the nature of the industries they operate in, weak competitors in the case of INDIGO or distracted competitors (due to challenges in their core portfolios) in the case of PIDI and (4) a potentially stronger INR.

We remove DABUR (140 bps earlier) from the model portfolio. DABUR has struggled to execute well for the past few quarters and has been unable to turn around its performance despite (1) improving rural demand and (2) its strong rural presence and product portfolio with a large rural salience.

Indian markets have been broadly stable in recent weeks

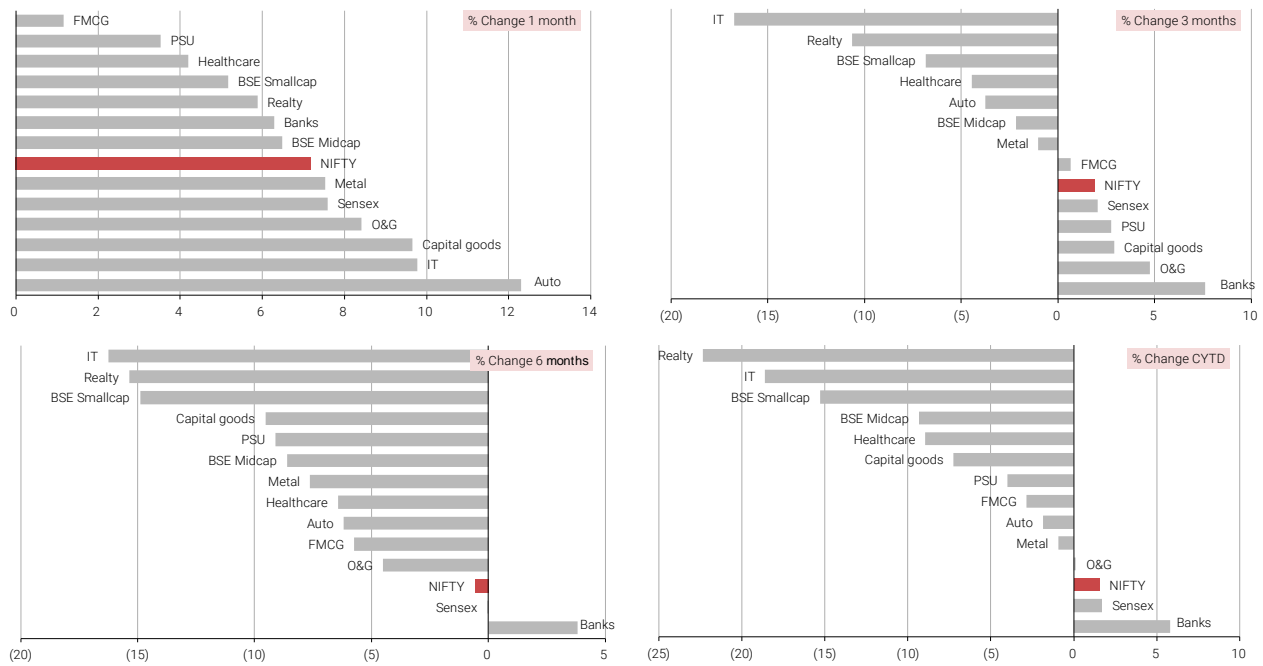
Exhibit 1: Performance of Nifty-50, Nifty Midcap 150 and Nifty Smallcap 250 indices (base=100)



Source: Bloomberg, Capitaline, Kotak Institutional Equities

Indian markets have been strong over the past one month and steady over the past three months

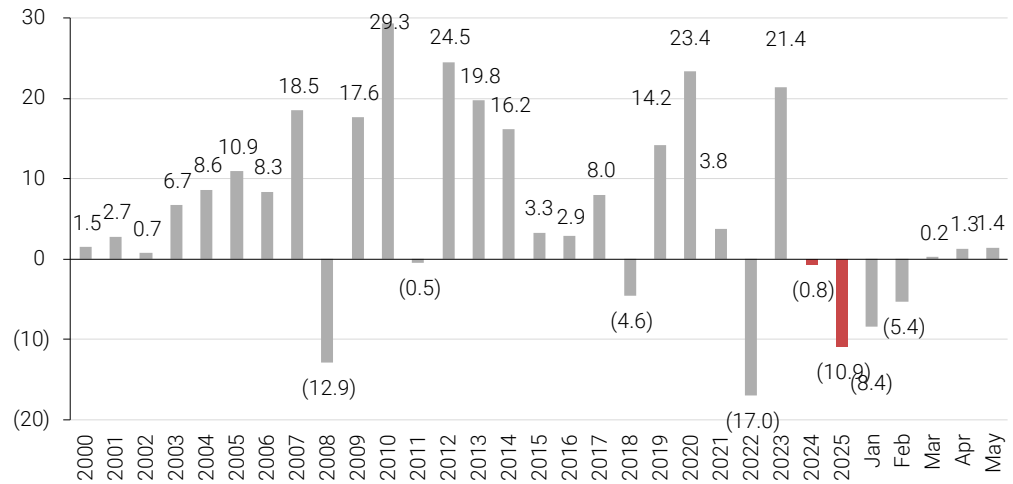
Exhibit 2: Performance of various sectors (%)



Source: Bloomberg, Kotak Institutional Equities

Sharp increase in FPI inflows in the past two months

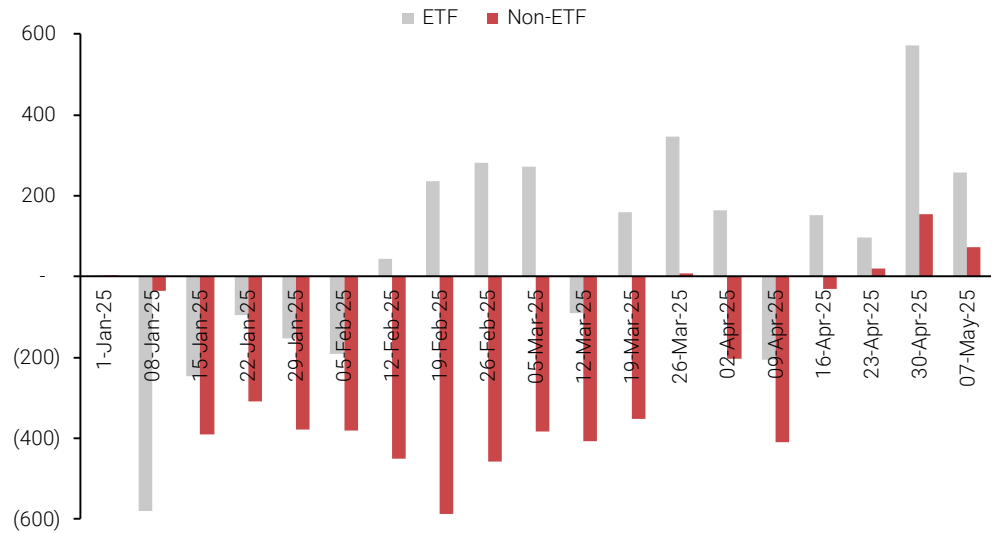
Exhibit 3: Net FPI flows, calendar year-ends, 2000-25 (US\$ bn)



Source: Bloomberg, Kotak Institutional Equities

Positive FPI inflows driven by both active and passive investors in recent weeks

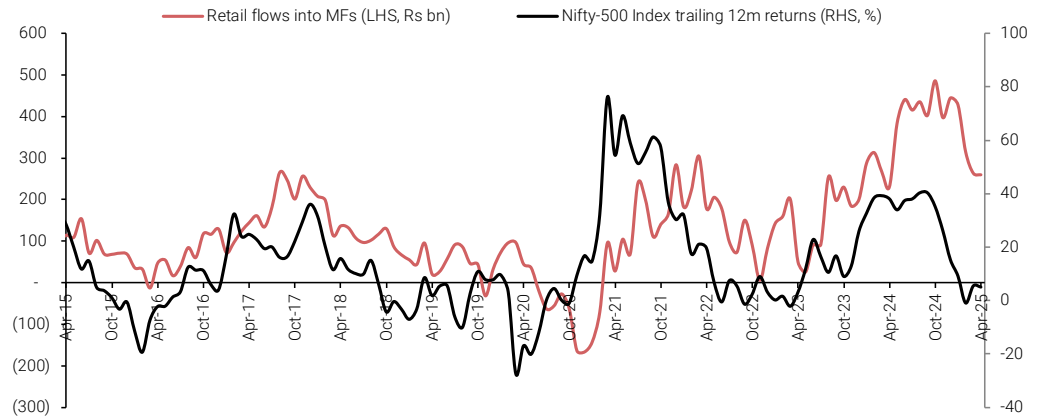
Exhibit 4: Trend in weekly ETT and non-ETF flows in EPFR universe, calendar year-ends, 2025 (US\$ mn)



Source: EPFR, Kotak Institutional Equities

Strong correlation between retail investor flows and trailing 12-month returns

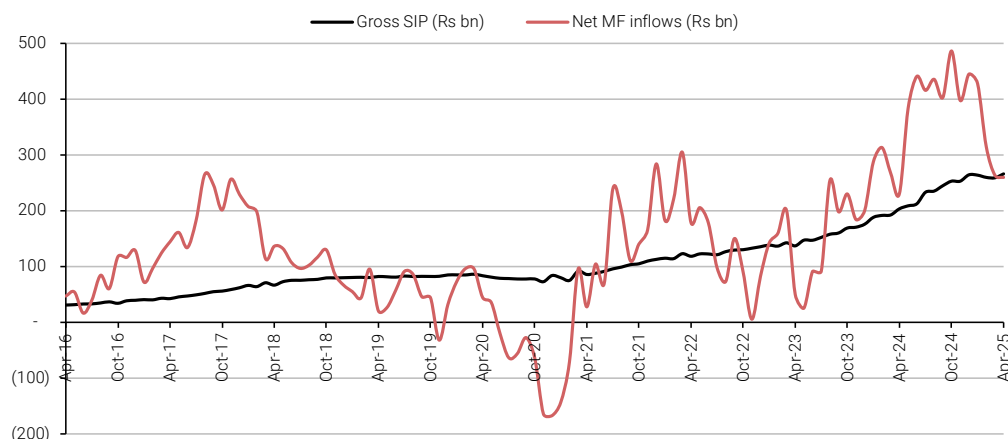
Exhibit 5: Flows from retail investors into mutual funds (equity +70% of balanced) versus trailing 12m returns of Nifty-500 Index (Rs bn, %)



Source: AMFI, Bloomberg, Kotak Institutional Equities

Net mutual fund inflows have reverted to gross SIP inflow levels

Exhibit 6: Gross SIP flows versus net inflows into mutual funds (equity + 70% balanced), calendar year-ends, 2016-25 (Rs bn)



Source: AMFI, Kotak Institutional Equities

4QFY25 earnings growth of the Nifty-50 Index at 4.6% yoy

Exhibit 7: Comparison of 4QFY25 net income of BSE-30 and Nifty-50 stocks, actual versus expected (Rs bn)

Company	Sector	Adjusted net income (Rs bn)				Change (%) A versus E	Growth (%)	
		Mar-24	Dec-24	Mar-25A	Mar-25E		yoy	qoq
Mahindra & Mahindra	Automobiles & Components	20.0	29.6	24.4	23.6	3	22	(18)
Maruti Suzuki	Automobiles & Components	38.8	35.3	37.1	37.6	(1)	(4)	5
Axis Bank	Banks	71.3	63.0	71.2	66.3	7	(0)	13
HDFC Bank	Banks	165.1	167.4	176.2	174.2	1	7	5
ICICI Bank	Banks	107.1	117.9	126.3	115.1	10	18	7
Kotak Mahindra Bank	Banks	53.4	47.0	49.3	49.3	(0)	(8)	5
State Bank of India	Banks	207.0	168.9	186.4	117.6	59	(10)	10
Bajaj Finance	Diversified Financials	38.2	43.1	45.5	45.0	1	19	6
Bajaj Finserv	Diversified Financials	21.2	22.3	24.2	24.2	0	14	8
Jio Financial Services	Diversified Financials	3.1	2.9	3.2	3.2	(0)	2	7
Shriram Finance	Diversified Financials	19.5	35.7	21.4	22.0	(3)	10	(40)
HDFC Life Insurance	Insurance	12.3	9.3	13.8	14.3	(3)	12	48
SBI Life Insurance	Insurance	15.0	18.8	16.6	15.2	9	11	(12)
Adani Enterprises	Capital Goods	6.5	0.6	9.2	9.2	(0)	41	1,395
L&T	Capital Goods	43.0	33.6	50.2	49.1	2	17	50
Asian Paints	Commodity Chemicals	12.6	11.1	8.8	10.7	(18)	(30)	(21)
Ultratech Cement	Construction Materials	23.2	13.2	26.8	27.0	(1)	15	103
Hindustan Unilever	Consumer Staples	24.2	25.4	25.0	24.4	2	3	(2)
Nestle India	Consumer Staples	9.1	7.1	8.9	8.8	1	(3)	24
HCL Technologies	IT Services	39.9	46.1	42.9	43.7	(2)	8	(7)
Infosys	IT Services	60.0	68.1	66.0	65.8	0	10	(3)
TCS	IT Services	124.6	123.8	122.2	126.6	(3)	(2)	(1)
Tech Mahindra	IT Services	9.7	9.8	11.9	9.9	20	23	21
Wipro	IT Services	28.3	33.5	35.7	34.1	5	26	6
Coal India	Oil, Gas & Consumable Fuels	86.4	84.9	95.9	88.0	9	11	13
Reliance Industries	Oil, Gas & Consumable Fuels	189.5	185.4	194.1	186.5	4	2	5
Dr Reddy's Laboratories	Pharmaceuticals	12.9	14.1	16.7	15.0	11	29	18
Titan Company	Retailing	7.9	11.8	8.7	7.9	10	11	(26)
Trent	Retailing	6.5	4.7	3.5	3.3	6	(47)	(26)
Adani Ports and SEZ	Transportation	23.7	26.6	29.2	26.9	8	23	10
BSE-30 Index		1,294	1,264	1,342	1,248	7.5	3.7	6.2
Nifty-50 Index		1,480	1,461	1,551	1,445	7.4	4.8	6.2
Nifty-50 Index (ex- banks and oil, gas & consumable fuels)		600	627	652	648	0.6	6.0	4.0

Source: Companies, Kotak Institutional Equities estimates

Adjusted net income of KIE universe increased 8.2% yoy, with earnings outperformance driven by banks and oil, gas & consumable fuels

Exhibit 8: Comprehensive sector-wise PAT analysis of 4QFY25 earnings season (Rs bn)

	Adjusted PAT (Rs bn)				Change (%) A/E	Growth (%)	
	Mar-24	Dec-24	Mar-25A	Mar-25E		yoy	qoq
Automobiles & Components	83	88	91	88	3	10	3
Banks	749	728	787	670	17	5	8
Capital Markets	16	18	16	15	5	2	(8)
Capital Goods	53	37	63	62	1	18	70
Commercial & Professional Services	1	1	1	1	5	53	(19)
Commodity Chemicals	15	13	10	13	(24)	(35)	(25)
Construction Materials	33	12	35	35	(0)	6	193
Consumer Durables & Apparel	12	10	16	15	4	30	54
Consumer Staples	51	49	53	54	(1)	4	8
Diversified Financials	120	144	135	134	1	13	(6)
Electric Utilities	2	1	3	3	(0)	4	199
Electronic Manufacturing Services	0	0	1	1	3	86	58
Fertilizers & Agricultural Chemicals	0	1	0	0	(17)	5	(66)
Gas Utilities	7	6	5	6	(13)	(24)	(6)
Health Care Services	1	1	2	1	57	83	60
Hotels & Restaurants	4.0	6.3	5.5	5.4	1	39	(12)
Internet Software & Services	2	3	4	3	34	89	45
Insurance	35	33	38	37	3	10	16
IT Services	294	314	313	314	(0)	6	(0)
Metals & Mining	47	72	77	70	10	64	7
Oil, Gas & Consumable Fuels	408	369	442	342	29	8	20
Pharmaceuticals	17	16	24	21	17	41	46
Real Estate	28	24	20	25	(21)	(29)	(17)
Retailing	21	26	19	19	2	(9)	(29)
Specialty Chemicals	7	9	8	8	6	14	(10)
Telecommunication Services	16	17	16	16	2	2	(7)
Transportation	28	31	34	31	10	23	11
KIE universe	2,051	2,033	2,219	1,990	11.5	8.2	9.1
KIE universe (ex-banks and oil, gas & consumable fuels)	893	936	990	977	1.3	10.9	5.8

Source: Kotak Institutional Equities estimates

Most auto OEMs reported weak domestic volume growth in 4QFY25

Exhibit 9: Domestic volumes of select companies in auto sector, 4QFY23-4QFY25

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Yoy change (%)									
Ashok Leyland	28	5	11	(1)	(7)	(25)	(10)	(4)	2
Bajaj Auto									
Two wheelers	22	73	(19)	44	32	7	26	(10)	(8)
Three wheelers	100	157	81	38	11	10	6	(3)	2
Eicher Motors									
Two wheelers	20	31	15	6	7	(1)	(2)	13	22
Commercial vehicles	40	16	15	15	(3)	0	3	(1)	10
Hero Motocorp	12	(1)	(2)	17	7	13	7	(2)	(4)
Hyundai Motor	12	(1)	(2)	9	9	1	(6)	(1)	(4)
Maruti Suzuki	8	12	8	6	12	1	(7)	6	1
M&M (passenger vehicles)	32	31	24	30	27	24	18	20	18
Tata Motors									
Commercial vehicles	1	(15)	4	(1)	(8)	4	(21)	(1)	(6)
Passenger vehicles	10	8	(2)	6	16	0	(5)	1	(5)
TVS Motors	25	28	9	35	17	15	15	8	9

Source: SIAM, Kotak Institutional Equities

Weak volume growth for most consumer companies in 4QFY25 as well

Exhibit 10: Volume growth of consumer companies, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Staples									
Britannia Industries - Domestic	3.0	—	—	6	6	8	8	6	3
Colgate - Overall	(1)	6	(1)	2	2	8	8	5	
Dabur - Domestic	—	3	3	4	4	5	(10)	1	(6)
HUL (FMCG business)	4	3	2	2	2	4	3	—	2
Marico - Domestic	5	3	3	2	3	4	5	6	7
Marico - Parachute	9	(2)	1	3	2	2	4	3	(1)
Marico - Saffola	(6)	11	2	(5)	5	5	—	3	(1)
Nestle	2	2	2	1	6	1	(2)	2	2
TCPL - Food	8	6	6	5	4	10	1	1	6
TCPL - Tea	3	3	3	2	—	—	(3)	7	2
Discretionary									
Asian Paints (decoratives)	16	10	6	12	10	7	(1)	2	2
Berger (decoratives)	14	13	11	9	14	12	4	7	7
ITC - Cigarettes	12	8	5	(2)	2	3	3	6	
Kansai Nerolac	13	6	(1)	10	10	4	4	1	1
Pidilite - Domestic consumer business	7	12	8	11	15	8	6	10	8
United Breweries	3	(12)	7	8	11	5	5	8	5
United Spirits	(27)	(29)	(27)	(1)	4	3	(4)	10	
Varun Beverages	24	5	16	18	7	28	22	38	30
Westlife Foodworld	14	7	1	(9)	(5)	(7)	(7)	3	

Source: Companies, Kotak Institutional Equities

Profitability trends have been mixed for auto companies in 4QFY25

Exhibit 11: Gross and EBITDA margin of auto companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)								EBITDA margin (%)									
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Amara Raja Energy & Mobility	33.5	28.9	31.6	34.0	34.5	31.1	32.4	33.1		15.4	12.8	13.8	15.1	14.6	13.7	14.1	13.1	
Apollo Tyres	43.4	45.0	45.7	46.6	47.2	45.5	44.8	41.5		16.0	16.8	18.5	18.3	16.4	14.4	13.6	13.7	
Ashok Leyland	24.5	26.3	26.5	27.8	28.2	27.8	28.8	28.5		11.5	10.0	11.2	12.0	14.1	10.6	11.6	12.8	
Bajaj Auto	30.2	28.1	29.0	28.9	29.7	30.0	28.7	28.7		19.3	19.0	19.8	20.1	20.1	20.2	20.2	20.2	
Balkrishna Industries	50.0	51.7	51.9	52.0	53.3	53.1	52.6	52.4	52.0	21.4	23.0	24.4	25.3	25.9	26.0	25.1	24.9	25.0
Bharat Forge	43.5	44.3	43.3	41.9	41.4	41.8	40.8	40.1	39.6	12.1	15.4	16.5	18.0	15.4	18.0	17.5	18.0	17.7
CEAT	40.1	41.1	43.3	41.3	42.3	39.2	37.4	36.8	37.5	12.8	13.2	14.9	14.1	13.1	12.0	11.0	10.3	11.3
Eicher Motors	44.3	44.1	46.0	46.0	46.5	46.4	46.5	45.1		24.5	25.6	26.4	26.1	26.5	26.5	25.5	24.2	
Endurance Technologies	40.7	40.9	39.8	39.9	43.0	42.5	42.2	42.9		12.8	13.1	12.5	11.7	14.5	13.2	13.1	13.0	
Escorts Kubota	28.5	30.2	32.3	30.6	31.9	31.9	30.4	26.9	30.6	10.8	14.0	12.9	13.5	12.8	14.3	10.3	11.4	12.1
Exide Industries	29.8	28.3	31.1	31.5	33.0	30.7	31.5	32.0	31.2	10.4	10.6	11.8	11.5	12.9	11.5	11.3	11.7	11.2
Hero Motocorp	32.0	30.6	31.4	32.7	33.6	32.3	33.3	34.2		13.0	13.8	14.1	14.0	14.3	14.4	14.5	14.5	
Hyundai Motor	NA	24.2	25.1	26.6	28.5	28.1	27.4	26.8		NA	12.0	13.1	12.9	14.3	13.5	12.8	11.3	
Mahindra & Mahindra	23.3	24.7	24.4	24.6	26.8	26.3	25.8	25.6	25.9	12.5	13.4	12.6	12.8	13.1	14.9	14.3	14.6	14.9
Maruti Suzuki	26.7	27.2	29.4	29.1	28.6	29.8	28.1	28.4	28.1	10.5	9.2	12.9	11.7	12.3	12.7	11.9	11.6	10.5
MRF	37.0	38.8	40.8	40.1	38.9	37.3	36.5	33.1	36.1	14.7	17.6	18.5	17.2	14.2	16.1	14.4	11.6	15.0
Samvardhana Motherson	43.4	43.5	43.2	44.8	47.4	46.4	45.8	47.1		8.3	8.6	8.0	9.0	10.8	9.6	8.8	9.7	
Schaeffler India	38.8	38.6	37.1	37.2	37.9	37.7	37.5	36.4	38.0	18.6	18.7	18.4	17.3	17.6	17.9	17.4	17.3	18.1
SKF	38.7	39.8	34.0	41.7	41.2	39.3	33.4	33.3		15.3	17.6	10.8	15.8	17.7	16.1	10.0	9.7	
Sona BLW Precision	54.3	56.9	55.1	59.1	56.4	57.6	56.0	55.9	56.7	27.1	27.8	28.2	29.3	28.0	28.1	27.6	27.0	27.1
Tata Motors	35.6	37.6	36.4	38.3	38.5	39.0	38.7	38.9		12.1	13.3	13.1	13.9	14.2	14.4	11.5	11.5	
Timken	42.0	41.2	41.6	40.5	40.7	39.4	39.3	39.2		20.3	18.9	19.9	16.7	22.1	18.0	17.7	15.9	
TVS Motor	24.6	25.4	26.0	26.3	27.2	28.6	28.5	28.4	30.2	10.3	10.6	11.0	11.2	11.3	11.5	11.7	11.9	14.0
Uno Minda	35.6	35.8	34.4	35.0	36.5	35.6	35.1	34.5		11.1	10.7	11.1	10.8	12.5	10.7	11.4	10.9	
Varroc Engineering	35.0	36.8	36.7	36.3	39.3	37.5	35.8	35.4		7.4	10.1	10.3	9.3	11.2	9.2	10.0	9.0	

Source: Companies, Kotak Institutional Equities

Most consumer companies have seen margin compression in 4QFY25

Exhibit 12: Gross and EBITDA margins of consumer companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Asian Paints	42.6	42.9	43.4	43.6	43.7	42.5	40.8	42.4	43.9	21.3	23.1	20.2	22.6	19.4	18.9	15.4	19.1	17.2
Avenue Supermarts	14.0	15.2	14.7	14.9	14.5	15.6	14.9	14.7	14.2	7.3	8.7	8.0	8.3	7.4	8.7	7.6	7.6	6.4
Berger Paints	39.8	39.8	41.1	41.1	40.7	39.9	41.7	41.6	42.4	15.1	18.4	17.1	16.7	13.9	16.9	15.6	15.9	16.0
Britannia Industries	44.9	41.9	42.9	43.9	44.9	43.4	42.6	38.7	40.1	19.9	17.2	19.7	19.3	19.4	17.7	16.8	18.4	18.2
Colgate-Palmolive (India)	66.9	68.4	68.8	72.2	69.3	70.6	68.5	69.9		33.5	31.6	32.8	33.6	35.7	34.0	30.7	31.1	
Dabur India	45.8	46.6	48.3	48.6	48.6	47.8	49.3	48.1	46.7	15.3	19.3	20.6	20.5	16.6	19.6	18.2	20.3	15.1
Godrej Consumer Products	52.9	53.7	54.9	55.9	56.1	55.9	55.5	54.1	52.5	20.0	18.6	19.5	23.0	22.3	21.7	20.7	20.1	21.1
Hindustan Unilever	48.7	49.9	52.7	51.5	51.9	51.4	51.0	50.7	50.5	23.3	23.2	24.2	23.3	23.1	23.5	23.5	23.2	22.8
ITC	58.6	54.1	57.3	58.4	59.9	57.7	52.9	54.4		37.9	34.7	36.5	36.5	37.2	37.0	32.8	34.2	
Jubilant Foodworks	75.3	76.0	76.4	76.7	76.6	76.1	76.1	75.1		20.1	21.1	20.9	20.9	19.1	19.3	19.4	19.4	
Jyothy Labs	45.7	47.9	49.2	49.8	49.5	51.3	50.0	49.8		14.8	17.1	18.5	17.5	16.4	18.0	18.9	16.4	
Kansai Nerolac	31.6	35.3	35.7	36.2	34.8	37.0	34.0	35.3	34.6	9.5	16.1	14.6	13.2	10.8	16.3	11.5	13.4	10.2
Marico	47.4	50.0	50.5	51.3	51.6	52.3	50.8	49.5	48.6	17.5	23.2	20.1	21.2	19.4	23.7	19.6	19.1	16.8
Nestle India	53.8	54.8	56.5	58.6	56.8	57.6	56.6	56.4	56.2	23.0	22.7	24.4	24.2	25.4	22.9	22.9	23.1	25.2
Page Industries	56.6	52.9	55.7	53.0	56.2	54.1	56.5	56.3		13.9	19.5	20.8	18.5	16.8	19.0	22.6	23.0	
Pidilite Industries	46.8	49.0	51.3	52.9	53.4	53.8	54.4	54.3	55.0	17.1	21.6	22.1	23.7	19.9	23.9	23.8	23.7	20.1
Tata Consumer Products	41.8	42.2	42.5	43.8	46.1	44.9	43.6	41.1	41.9	14.1	14.6	14.4	15.0	16.0	15.3	14.9	12.7	13.5
Titan Company	22.9	21.0	22.4	21.7	21.2	20.9	21.6	20.8	21.7	10.8	9.9	11.6	11.2	9.9	10.0	10.8	11.0	10.7
United Breweries	38.6	40.6	44.5	44.0	41.7	43.0	43.8	44.2	42.1	3.0	9.8	9.8	8.0	6.7	11.5	10.7	9.4	8.0
United Spirits	42.6	43.0	43.4	43.4	43.3	44.5	45.2	44.7		10.7	17.1	16.4	16.4	13.6	19.5	17.8	17.1	
Varun Beverages	52.4	52.5	55.3	56.6	56.3	54.7	55.5	56.1	54.6	20.5	26.9	22.8	15.7	22.9	27.7	24.0	15.7	22.7

Source: Companies, Kotak Institutional Equities

Capital goods companies witnessed margins moderating from elevated levels

Exhibit 13: Gross and EBITDA margin of capital goods companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
ABB	36.3	36.5	36.7	37.5	40.2	42.8	43.4	41.1	41.7	11.8	13.9	15.8	15.1	18.3	19.2	18.6	19.5	18.4
Bharat Electronics	48.2	43.7	49.0	48.8	48.5	45.4	53.5	48.3	33.5	28.3	19.0	25.3	25.8	26.7	22.3	30.4	28.9	27.5
BHEL	31.1	29.1	27.6	26.8	33.2	29.3	32.7	37.0		12.0	(7.3)	(7.6)	(1.1)	8.8	(3.1)	4.2	4.2	
Carborundum Universal	61.9	61.1	64.7	64.1	64.5	64.8	63.9	61.9		15.9	14.1	14.6	16.7	17.4	16.2	15.9	14.1	
CG Power & Industrial	30.2	30.2	31.6	30.9	31.3	31.2	29.6	30.0	29.8	14.5	14.2	15.4	13.2	13.0	14.7	12.2	13.2	12.6
Cochin Shipyard	12.5	49.8	36.0	45.4	40.9	47.0	33.5	37.2		(11.5)	18.5	20.4	30.5	17.9	25.7	17.9	22.6	
Cummins India	32.7	32.5	36.7	37.0	35.5	37.8	35.8	34.8		16.9	15.4	17.8	21.2	18.4	20.3	19.3	19.4	
G R Infraprojects	24.1	24.1	24.3	24.4	27.2	23.9	26.0	23.0		14.5	14.6	12.3	12.6	17.7	13.0	10.4	12.8	
IRB Infrastructure	56.3	57.5	58.3	54.4	52.5	58.9	60.0	60.0		46.8	47.6	45.5	44.2	43.2	46.3	48.3	48.6	
KEC International	19.3	24.7	23.2	20.7	19.5	23.8	22.8	22.8		5.1	5.8	6.1	6.1	6.3	6.0	6.3	7.0	
L&T	34.9	38.8	39.1	36.1	33.5	38.0	35.9	35.1	34.0	11.7	10.2	11.0	10.4	10.8	10.2	10.3	9.7	11.0
Siemens	31.5	32.6	29.4	32.1	32.5	33.4	29.8	32.5		12.8	11.6	12.1	12.4	15.3	13.3	12.2	11.2	
Thermax	44.8	44.3	44.4	44.6	43.1	43.8	44.8	44.2	43.4	8.7	6.8	8.9	8.1	9.9	6.5	10.6	7.5	9.7

Source: Companies, Kotak Institutional Equities

Credit growth has moderated in recent quarters, especially for private banks

Exhibit 14: Growth in loans for banks in KIE universe yoy, 4QFY23-4QFY25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Public banks									
Bank of Baroda	15	20	19	15	13	9	12	12	13
Canara Bank	23	13	12	12	11	10	10	10	12
Punjab National Bank	12	16	15	14	14	14	15	17	15
State Bank of India	17	15	13	15	16	16	15	14	12
Union Bank	15	14	10	14	14	14	12	7	9
Old private banks									
City Union Bank	8	4	2	0	4	10	12	15	14
Federal Bank	20	21	20	18	20	20	19	16	12
Karur Vysya Bank	11	12	14	16	16	16	14	14	
New private banks									
Axis Bank	19	22	23	22	14	14	11	9	8
Bandhan Bank	11	8	13	20	16	24	24	16	9
DCB Bank	18	19	19	18	19	19	19	23	25
HDFC Bank	17	16	58	62	55	52	7	3	5
ICICI Bank	19	18	18	18	16	16	15	14	13
IndusInd Bank	21	22	21	20	18	15	13	12	
Yes Bank	12	7	9	12	12	15	12	13	8
Small finance banks									
AU Small Finance Bank	27	29	24	20	25	43	48	49	46
Equitas Small Finance Bank	33	34	32	25	20	16	18	21	17
Ujjivan Small Finance Bank	31	34	40	31	26	22	20	16	17
Total	17	16	22	22	21	20	13	11	
Total (ex-HDFCB)	17	16	15	16	15	14	14	13	
Public sector	17	16	14	14	14	14	14	13	
Private sector	18	18	33	35	30	29	12	9	

Notes:

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

Source: Companies, Kotak Institutional Equities

IT services companies saw weak demand environment in 4QFY25

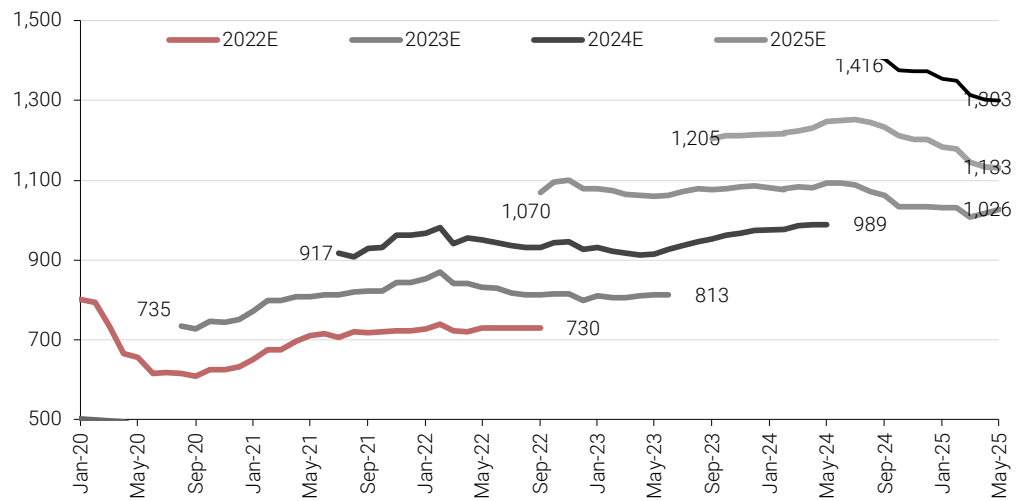
Exhibit 15: Sequential and yoy growth in c/c revenues of IT companies, March fiscal year-ends, 2023-25 (%)

	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Qoq % change in c/c revenues									
HCL Tech	(1.2)	(1.3)	1.0	6.0	0.3	(1.6)	1.6	3.8	(0.8)
Infosys	(3.2)	1.0	2.3	(1.0)	(2.2)	3.6	3.1	1.7	(3.5)
LTI Mindtree	0.7	0.1	1.7	0.7	(1.3)	2.6	2.3	1.8	(0.6)
Mphasis	(4.5)	(3.5)	—	1.0	2.1	(0.1)	2.4	0.2	2.9
TCS	0.6	—	0.1	1.0	1.1	2.2	0.9	—	(0.8)
Tech Mahindra	0.3	(4.2)	(2.4)	1.1	(0.8)	0.7	1.9	1.2	(1.5)
Wipro	(0.6)	(2.8)	(2.0)	(1.7)	(0.3)	(1.0)	0.6	0.1	(0.8)
Yoy % change in c/c revenues									
HCL Tech	10.5	7.1	3.4	4.3	6.0	5.6	5.9	4.1	2.9
Infosys	8.8	4.2	2.5	(1.0)	—	2.5	3.3	6.1	4.8
LTI Mindtree	13.5	8.2	4.4	3.1	1.2	3.7	4.4	5.6	6.3
Mphasis	3.1	(8.4)	(11.0)	6.8	(0.4)	3.1	3.1	5.1	5.4
TCS	10.7	7.0	2.8	1.7	2.2	4.4	5.5	4.5	2.5
Tech Mahindra	6.3	(0.9)	(5.9)	(5.4)	(6.4)	(1.2)	1.2	1.3	0.3
Wipro	6.5	1.1	(4.8)	(6.9)	(6.6)	(4.9)	(2.3)	(0.7)	(1.2)

Source: Companies, Kotak Institutional Equities

Steady cuts in FY2026E/27E EPS estimates over the past few months

Exhibit 16: Nifty-50 Index EPS estimate trends, March fiscal year-ends, 2022E-27E (Rs)



Source: Kotak Institutional Equities estimates

Steady cuts in consensus estimates for a large number of Nifty-50 companies over the past few months

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

Company	Sector	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	May-25	May-25
Bajaj Auto	Automobiles & Components	366	366	367	372	372	373	374	373	373	353	352	351	347	347
Eicher Motors	Automobiles & Components	180	184	186	185	184	184	184	181	182	183	184	184	184	184
Hero Motocorp	Automobiles & Components	266	267	268	269	262	262	260	260	260	259	254	252	250	250
Mahindra & Mahindra	Automobiles & Components	100	109	113	113	113	112	113	115	115	116	116	115	115	115
Maruti Suzuki	Automobiles & Components	530	530	532	545	545	545	524	522	522	525	526	526	500	499
Tata Motors	Automobiles & Components	77	79	79	79	80	80	78	72	71	68	67	66	62	62
Axis Bank	Banks	101	102	102	100	100	99	96	96	95	92	92	91	90	90
HDFC Bank	Banks	107	107	107	105	105	104	102	102	101	98	98	98	98	98
ICICI Bank	Banks	72	72	72	73	72	72	72	72	72	72	72	72	71	71
IndusInd Bank	Banks	159	159	158	150	149	149	132	129	128	111	108	103	100	100
Kotak Mahindra Bank	Banks	81	82	82	83	83	81	79	79	79	79	79	79	78	78
State Bank of India	Banks	78	82	82	83	82	82	81	83	83	83	80	79	78	78
Bharat Electronics	Capital Goods	6.8	7.5	7.5	7.6	7.6	7.6	7.7	7.7	7.7	7.6	7.7	7.7	7.6	7.6
L&T	Capital Goods	149	143	143	140	140	140	138	139	139	136	135	135	134	131
Asian Paints	Commodity Chemicals	64	60	60	57	56	56	55	51	51	50	48	48	47	46
Grasim Industries	Construction Materials	28	27	27	27	24	24	24	21	21	21	16	16	16	16
Ultratech Cement	Construction Materials	369	370	371	363	362	359	331	327	326	322	317	316	306	307
Hindustan Unilever	Consumer Staples	53	53	53	53	53	52	51	51	50	49	48	48	46	46
ITC	Consumer Staples	19	18	18	18	18	18	18	18	18	18	18	18	18	18
Nestle India	Consumer Staples	42	41	41	41	41	41	38	38	38	37	37	37	36	36
Tata Consumer Products	Consumer Staples	20	20	20	20	20	20	19	19	19	18	18	18	18	18
Bajaj Finance	Diversified Financials	357	353	356	348	352	351	338	337	338	339	339	339	335	335
Bajaj Finserv	Diversified Financials	75	75	75	80	80	80	85	87	87	75	75	74	62	62
Shriram Finance	Diversified Financials	54	54	54	54	54	55	55	55	55	53	53	53	52	52
NTPC	Electric Utilities	24	25	25	24	25	25	25	24	24	24	24	24	24	24
Power Grid	Electric Utilities	19	18	18	19	19	19	19	19	19	19	18	18	18	18
Apollo Hospitals	Health Care Services	141	139	139	138	136	135	134	135	136	136	134	134	134	134
HDFC Life Insurance	Insurance	10	10	10	10	10	10	11	11	11	10	10	10	10	10
SBI Life Insurance	Insurance	25	25	26	27	27	27	27	27	27	25	26	26	28	28
Eternal	Internet Software & Services	3.1	2.8	2.8	2.8	2.9	2.9	2.6	2.5	2.5	1.8	1.7	1.7	1.1	1.1
HCL Technologies	IT Services	69	69	69	69	69	69	70	70	70	70	70	69	67	67
Infosys	IT Services	70	70	70	72	72	72	72	72	72	72	72	71	68	68
TCS	IT Services	157	157	157	156	157	157	154	154	153	151	151	149	143	143
Tech Mahindra	IT Services	65	65	65	65	65	65	64	64	64	62	62	62	61	61
Wipro	IT Services	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Hindalco Industries	Metals & Mining	58	66	66	66	65	66	65	65	65	65	67	67	67	67
JSW Steel	Metals & Mining	74	70	71	68	67	67	60	60	59	53	51	51	52	52
Tata Steel	Metals & Mining	14	14	14	14	13	13	13	12	12	10	10	10	10	10
Coal India	Oil, Gas & Consumable Fuels	56	61	61	63	65	65	63	63	63	61	60	60	59	57
ONGC	Oil, Gas & Consumable Fuels	42	41	41	40	44	43	44	40	40	40	39	39	38	38
Reliance Industries	Oil, Gas & Consumable Fuels	70	70	71	69	68	68	64	64	64	62	62	61	60	60
Cipla	Pharmaceuticals	64	64	64	65	65	65	64	64	63	63	63	63	63	63
Dr Reddy's Laboratories	Pharmaceuticals	69	68	68	69	69	69	69	69	69	69	69	69	69	69
Sun Pharmaceuticals	Pharmaceuticals	55	54	54	53	54	54	55	55	55	55	55	55	55	55
Titan Company	Retailing	64	60	61	59	58	57	57	56	55	55	55	55	54	53
Trent	Retailing	57	57	59	59	70	70	70	67	67	66	60	60	59	59
Bharti Airtel	Telecommunication Services	50	51	51	51	49	51	49	49	49	49	50	51	51	51
Adani Ports and SEZ	Transportation	60	59	59	60	61	62	57	57	57	56	56	56	57	57

Source: FactSet, Kotak Institutional Equities

Steady cuts in consensus estimates for a large number of Nifty-50 companies over the past few months

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

Company	Sector	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	May-25	May-25
Bajaj Auto	Automobiles & Components	402	403	402	413	415	417	427	427	426	399	399	398	392	392
Eicher Motors	Automobiles & Components	176	209	211	204	201	201	202	204	204	205	206	206	206	206
Hero Motocorp	Automobiles & Components	321	293	292	293	286	286	286	288	287	286	275	273	271	271
Mahindra & Mahindra	Automobiles & Components	110	118	121	121	121	121	124	129	128	130	130	130	129	129
Maruti Suzuki	Automobiles & Components	577	577	577	598	598	597	580	576	577	579	581	578	555	555
Tata Motors	Automobiles & Components	93	93	92	94	92	92	89	83	82	80	78	77	73	73
Axis Bank	Banks	120	120	119	115	115	116	112	111	110	105	105	105	104	104
HDFC Bank	Banks	140	138	128	125	125	125	119	119	118	112	112	113	113	113
ICICI Bank	Banks	81	81	81	82	82	82	82	82	82	82	82	81	81	81
IndusInd Bank	Banks	194	194	192	174	175	175	159	156	155	134	131	127	123	123
Kotak Mahindra Bank	Banks	91	96	96	96	96	96	91	91	91	90	91	91	90	90
State Bank of India	Banks	74	89	90	89	90	90	89	93	93	93	89	89	87	87
Bharat Electronics	Capital Goods	8.1	8.5	8.5	8.9	9.0	9.0	8.9	8.9	8.9	8.9	9.0	9.0	9.0	9.0
L&T	Capital Goods	163	163	163	159	159	159	162	165	165	162	162	162	161	158
Asian Paints	Commodity Chemicals	71	67	67	65	65	65	63	60	60	59	54	54	53	53
Grasim Industries	Construction Materials	23	23	23	23	32	32	33	30	30	29	26	26	26	26
Ultratech Cement	Construction Materials	434	434	435	429	425	423	401	397	394	402	398	399	395	396
Hindustan Unilever	Consumer Staples	59	58	59	57	57	57	56	56	56	54	53	53	51	51
ITC	Consumer Staples	20	20	20	20	20	20	20	20	20	20	20	19	19	19
Nestle India	Consumer Staples	46	46	46	46	46	46	43	43	43	42	41	41	41	41
Tata Consumer Products	Consumer Staples	23	23	23	23	23	23	23	23	23	21	21	21	22	22
Bajaj Finance	Diversified Financials	431	434	430	419	428	427	426	425	424	426	426	426	418	417
Bajaj Finserv	Diversified Financials	89	89	89	91	93	95	106	108	108	92	92	93	78	78
Shriram Finance	Diversified Financials	62	62	61	63	63	63	63	63	63	62	62	62	62	62
NTPC	Electric Utilities	26	26	25	26	26	26	27	26	26	26	25	26	25	25
Power Grid	Electric Utilities	20	19	19	19	20	20	20	20	20	20	19	19	19	19
Apollo Hospitals	Health Care Services	181	183	181	181	181	181	180	174	175	176	173	173	170	170
HDFC Life Insurance	Insurance	12	12	12	12	12	12	12	12	12	12	12	12	12	12
SBI Life Insurance	Insurance	32	32	32	33	33	33	32	32	32	30	30	30	33	33
Eternal	Internet Software & Services	6.3	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	3.7	3.6	3.6	2.8	2.8
HCL Technologies	IT Services	76	76	76	76	76	76	78	78	78	78	78	77	73	73
Infosys	IT Services	77	77	77	79	79	79	80	80	80	80	80	79	74	74
TCS	IT Services	173	173	171	173	173	173	173	173	172	169	168	167	157	157
Tech Mahindra	IT Services	79	79	78	80	80	79	80	79	79	80	80	79	76	76
Wipro	IT Services	14	14	14	14	14	14	14	14	14	14	14	14	13	13
Hindalco Industries	Metals & Mining	68	68	68	68	67	67	68	68	69	69	69	69	68	68
JSW Steel	Metals & Mining	74	74	74	74	73	73	73	73	73	66	65	65	65	65
Tata Steel	Metals & Mining	16	16	15	15	16	16	17	14	14	13	12	13	13	13
Coal India	Oil, Gas & Consumable Fuels	65	64	64	72	68	67	66	66	66	64	63	62	62	60
ONGC	Oil, Gas & Consumable Fuels	42	42	42	42	43	43	43	42	42	42	41	41	39	39
Reliance Industries	Oil, Gas & Consumable Fuels	81	82	80	77	76	76	72	72	72	71	70	70	68	68
Cipla	Pharmaceuticals	63	66	65	66	66	66	64	64	64	63	63	63	64	64
Dr Reddy's Laboratories	Pharmaceuticals	66	59	59	59	58	57	57	59	59	61	60	59	59	59
Sun Pharmaceuticals	Pharmaceuticals	65	58	57	58	59	59	62	62	62	63	62	63	63	63
Titan Company	Retailing	72	71	71	69	69	70	70	67	67	67	66	65	65	65
Trent	Retailing	75	74	79	79	90	93	93	90	90	88	80	79	77	77
Bharti Airtel	Telecommunication Services	62	64	65	65	64	66	65	65	65	65	67	68	68	68
Adani Ports and SEZ	Transportation	79	66	67	68	68	70	67	67	66	64	64	64	65	65

Source: FactSet, Kotak Institutional Equities

We expect earnings of the Nifty-50 Index to grow 10% in FY2026E and 15% in FY2027E

Exhibit 19: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025E-27E (based on current constituents)

	Mcap. (US\$ bn)	Adj. mcap. (US\$ bn)	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
			2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Automobiles & Components	170	91	11.5	8.3	14.8	22.0	20.3	17.7	11.8	11.2	9.8	4.5	3.9	3.4	1.5	1.7	2.0	20.4	19.3	19.4
Banks	471	407	9.9	0.2	16.2	17.1	17.0	14.7	—	—	—	2.5	2.3	2.0	1.0	1.2	1.3	14.8	13.3	13.7
Capital Goods	110	65	31.2	9.1	22.1	35.7	32.7	26.8	23.2	21.8	18.8	5.1	4.4	3.9	0.6	0.7	0.8	14.3	13.5	14.4
Commodity Chemicals	26	12	(23.6)	7.4	12.3	53.0	49.3	43.9	35.6	33.4	30.5	10.7	9.6	8.7	0.9	1.0	1.2	20.1	19.5	19.8
Construction Materials	61	28	(19.4)	48.3	22.3	49.3	33.2	27.2	18.8	14.4	12.5	3.2	3.0	2.8	0.6	0.6	0.7	6.6	9.0	10.2
Consumer Staples	167	90	(3.7)	6.9	10.9	41.2	38.6	34.8	30.0	27.9	25.0	9.6	9.4	9.1	2.3	2.3	2.5	23.4	24.4	26.0
Diversified Financials	134	59	23.8	19.2	23.7	29.5	24.7	20.0	—	—	—	3.2	3.0	2.6	0.5	0.5	0.7	11.0	12.0	13.1
Electric Utilities	72	35	3.7	10.8	8.0	16.3	14.7	13.6	10.2	9.1	8.5	2.2	2.0	1.9	2.8	3.1	3.2	13.3	13.6	13.6
Health Care Services	12	8	60.2	31.6	32.2	68.5	52.1	39.4	33.3	26.9	21.4	12.0	9.9	8.1	0.2	0.2	0.2	17.5	19.1	20.5
IT Services	314	142	8.9	5.2	9.4	24.6	23.4	21.4	16.2	15.4	14.0	7.2	6.8	6.4	3.1	3.3	3.7	29.4	29.0	29.9
Insurance	38	18	21.9	16.3	16.3	77.9	67.0	57.6	—	—	—	10.5	9.5	8.6	0.2	0.3	0.3	13.5	14.2	14.9
Internet Software & Services	26	19	50.1	152.0	97.4	420.8	167.0	84.6	313	133	60	7.3	6.9	6.2	—	—	—	1.7	4.1	7.4
Metals & Mining	64	35	10.0	76.4	21.7	22.9	13.0	10.7	9.1	7.0	6.1	1.9	1.7	1.5	0.6	1.3	1.6	8.1	12.7	13.7
Oil, Gas & Consumable Fuels	284	132	(1.4)	10.5	10.4	15.6	14.2	12.8	9.3	7.8	6.8	1.9	1.7	1.5	1.6	1.6	1.7	11.8	11.9	11.9
Pharmaceuticals	75	40	14.5	5.2	7.9	28.6	27.1	25.1	19.6	17.8	16.6	4.7	4.1	3.6	0.7	0.7	0.8	16.4	15.2	14.5
Retailing	57	30	19.7	25.1	20.0	92.1	73.7	61.4	55.8	47.2	40.0	28.7	22.0	17.2	0.3	0.3	0.3	31.1	29.9	28.0
Telecommunication Services	131	62	102.5	38.3	29.1	49.1	35.5	27.5	13.6	10.8	9.0	11.4	8.7	7.5	0.8	1.2	1.5	23.2	24.4	27.2
Transportation	34	11	26.1	19.6	12.3	25.4	21.2	18.9	17.2	14.9	12.5	4.6	3.9	3.3	0.6	0.7	0.7	18.2	18.3	17.5
Nifty-50 Index	2,246	1,286	8.9	10.3	14.8	23.7	21.5	18.7	14.2	12.4	11.0	3.5	3.2	2.9	1.4	1.6	1.7	14.9	14.8	15.3
Nifty-50 Index (ex-energy)	1,962	1,154	11.6	10.2	15.8	25.6	23.2	20.0	16.2	14.3	12.7	4.1	3.7	3.3	1.4	1.6	1.7	15.9	15.7	16.3
Nifty-50 Index (ex-banks)	1,775	879	8.4	14.4	14.3	26.4	23.1	20.2	14.2	12.4	11.0	4.0	3.6	3.2	1.5	1.7	1.9	15.0	15.5	15.9

Notes:

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

(b) We use merged entity numbers for HDFC Bank from FY2025E onwards.

Source: Kotak Institutional Equities estimates

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

Exhibit 20: 12-month forward P/E multiples of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E (X)

		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	22
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	30
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	15	15
Mahindra & Mahindra	Automobiles & Components	14	14	14	15	19	18	20	19	15	9	20	18	16	21	23	27
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	22	25
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	21
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	39
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49	48
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47	50
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	54
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	37
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	53
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	37
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	46
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43	41
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	51
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	46	51
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62	64
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	63
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	52	49
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	58	65
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	51
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	77
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	86
Pidlite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	61

Source: Companies, FactSet, Kotak Institutional Equities

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

Exhibit 21: 12-month forward P/E multiples of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E (X)

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	27
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	24	25
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	45	46
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	31
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42	40
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	28	28
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	26	28
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	62
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	45	38
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	29	35
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67	71
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	54	57
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	47
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	60
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	38	39
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	38	39
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	37	36
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	104	126
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	50
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	102	104
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	36	37
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	103
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	127

Source: Companies, FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 22: 12-month forward P/E multiples of investment stocks in KIE universe, March fiscal year-ends, 2011-26E (X)

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	55
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39	40
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	34	34
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	37	34
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	45
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	36
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	19	19
Kalpataru Projects	Capital Goods	9	8	6	7	15	15	16	19	16	5	10	10	12	20	17	17
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	24
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	49
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	28
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	64	74
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	86
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	37

Source: Companies, FactSet, Kotak Institutional Equities

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

Exhibit 23: 12-month forward P/E multiples of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-26E (X)

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	
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	23
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	22	22
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	39	39
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25	26
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	24
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	49	48
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	42
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	24
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	23	24
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	24
Divis Laboratories	Pharmaceuticals	20	17	17	19	23	20	16	25	28	31	39	40	36	44	57	59
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	17
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	21
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31	29
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	23	23
Mankind Pharma	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	43	42
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	43
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	48	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 24: 12-month forward P/B multiples of banks in KIE universe, March fiscal year-ends, 2011-26E (X)

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	1.7
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	1.0
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	0.8
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	1.3
DCB Bank	Banks	1.3	1.3	1.0	1.2	1.9	1.2	2.2	1.8	2.0	0.8	0.9	0.6	0.7	0.7	0.6	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	1.1
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	1.3
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	2.7
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	3.1
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	1.3
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	0.8
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	1.4
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	1.2
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: Companies, FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

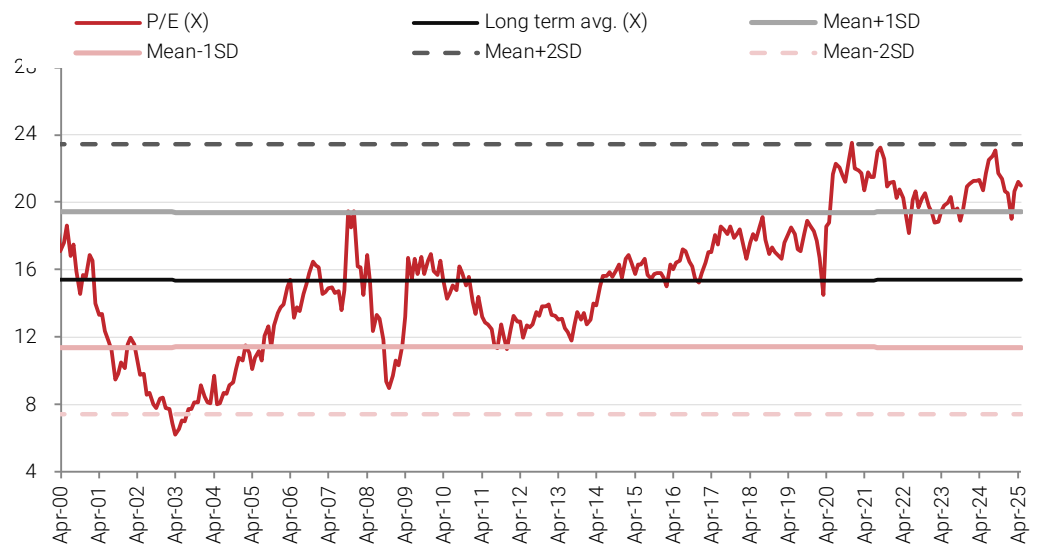
Exhibit 25: 12-month forward P/B multiples of financial stocks in KIE universe, March fiscal year-ends, 2011-26E (X)

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
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	2.8
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.6
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	3.2
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	4.9
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	4.5
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	2.9
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	1.5
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	2.8
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	1.9
12-m forward P/E multiple (X)																	
360 One	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	22.5	26.4	23	20	27	31	30
ABSL AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19	19
CAMS	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37.4	34	29	35	36	35
CRISIL	Capital Markets	19.8	27.4	22.3	30.6	40.9	37.3	33.3	36.2	25.4	21.8	33.6	45	40	50	38	43
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	31	34
ICRA	Capital Markets	16.1	18.0	15.8	24.1	41.1	39.2	44.9	33.7	22.4	19.9	35.5	32	27	31	27	28
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	44	49
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	24.7	24.3	24.1	33.8	26	17	27	25	29
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.9	20	14	15	16	16

Source: Companies, FactSet, Kotak Institutional Equities

Nifty-50 index trading at high multiples

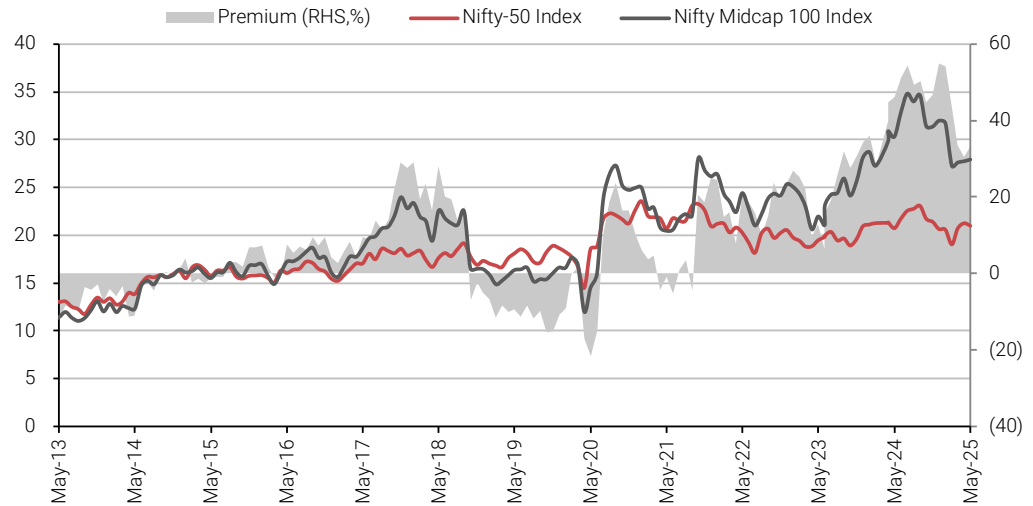
Exhibit 26: 12-month rolling forward P/E of Nifty-50 Index, March fiscal year-ends, 2001-26 (X)



Source: Companies, Kotak Institutional Equities estimates

Midcaps continue to trade at a large premium to large-caps, despite recent derating

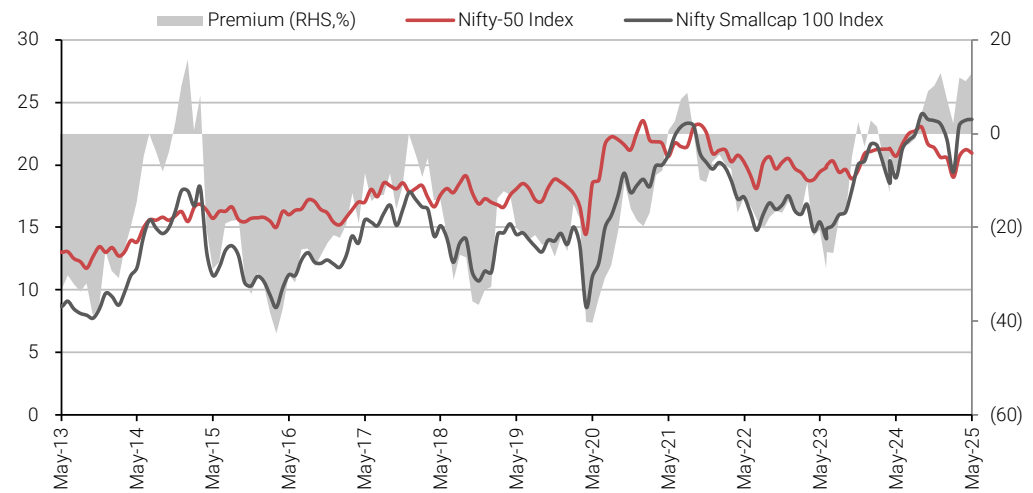
Exhibit 27: 1-year forward P/E multiples of Nifty-50 Index and Nifty Midcap 100 Index, March fiscal year-ends, 2013-26 (X)



Source: Bloomberg, Kotak Institutional Equities

Small-caps continue to trade at a large premium to large-caps

Exhibit 28: 1-year forward P/E multiples of Nifty-50 Index and Nifty Smallcap 100 Index, March fiscal year-ends, 2013-26 (X)



Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 29: KIE large-cap. model portfolio

Company	Price (Rs) 9-May-25	KIE weight (%)		Price (Rs) 9-May-25	KIE weight (%)
Automobiles & Components			IT Services		
Mahindra & Mahindra	2,982	2.1	Infosys	1,508	5.7
Automobiles & Components		2.1	TCS	3,440	2.6
Banks			Tech Mahindra	1,494	1.5
Axis Bank	1,151	6.6	IT Services		9.8
Canara Bank	98	1.5	Oil, Gas & Consumable Fuels		
HDFC Bank	1,890	9.5	Reliance Industries	1,377	9.0
ICICI Bank	1,389	9.9	Oil, Gas & Consumable Fuels		9.0
IndusInd Bank	818	2.2	Pharmaceuticals		
State Bank of India	779	6.7	Cipla	1,480	2.5
Banks		36.5	Lupin	2,037	1.4
Capital Goods			Mankind Pharma	2,408	1.5
ABB	5,441	1.5	Sun Pharmaceuticals	1,745	1.5
Cummins India	2,736	1.2	Torrent Pharmaceuticals	3,140	1.6
L&T	3,444	1.8	Pharmaceuticals		8.5
Capital Goods		4.6	Specialty Chemicals		
Diversified Financials			Pidilite Industries	2,980	1.9
Bajaj Finserv	1,970	1.7	Specialty Chemicals		1.9
Shriram Finance	601	1.9	Real Estate		
Diversified Financials		3.6	Embassy Office Parks REIT	382	1.4
Health Care Services			Macrotech Developers	1,234	1.4
Apollo Hospitals	6,722	3.0	Real Estate		2.9
Dr Lal Pathlabs	2,774	1.6	Telecommunication Services		
Health Care Services		4.6	Bharti Airtel	1,848	6.4
Insurance			Telecommunication Services		6.4
HDFC Life Insurance	714	2.1	Transportation		
ICICI Prudential Life	581	2.0	Adani Ports and SEZ	1,306	2.1
Insurance		4.1	Interglobe Aviation	5,101	2.4
Internet Software & Services			Transportation		4.6
Eternal	227	1.5	BSE-30	79,454	100
Internet Software & Services		1.5			

Notes:

- (a) The model portfolio is not advice or recommendation or a suggestion for buying or selling securities as shown. It is only an indicative portfolio to show how a portfolio can be built. Please consult an expert to build your portfolio.

Source: Kotak Institutional Equities estimates

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BUY. We expect this stock to deliver more than 15% returns over the next 12 months.

ADD. We expect this stock to deliver 5-15% returns over the next 12 months.

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

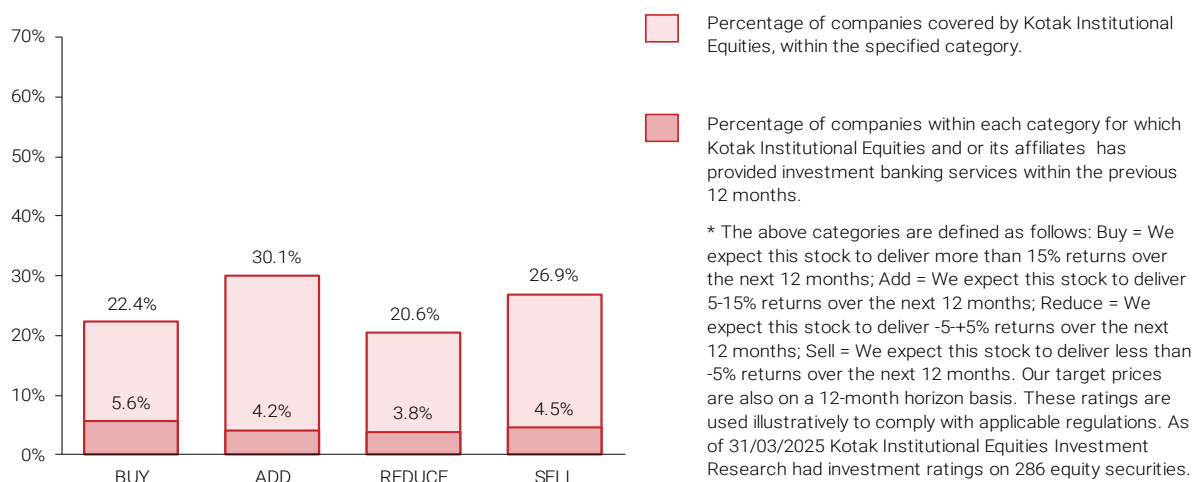
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

Our Fair Value estimates are also on a 12-month horizon basis.

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As of March 31, 2025

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