

Strategy

December 17, 2025

Good! Year is coming to an end

CY2025 turned out to be a so-so year for Indian markets with limited returns for investors in general. However, there was wide variance in performance across caps, sectors and stocks. We expect CY2026 to be a better year due to (1) better earnings outlook, (2) improved domestic consumption demand and (3) likely stable macro.

Good! Year is coming to an end

The Indian market delivered mediocre returns in CY2025 on both absolute and relative (see Exhibits 1-3) basis despite (1) large government support (income tax and GST rate cuts), (2) strong domestic inflows (see Exhibits 4-5) and (3) sharp decline in the INR (see Exhibit 6). The Indian market has been constrained by (1) high valuations (see Exhibits 7-12), (2) earnings downgrades and weak growth in earnings in FY2025-26 (see Exhibits 13-14), (3) low interest among FPIs given better relative opportunities elsewhere (see Exhibit 15) and (4) no exposure to the AI theme, a key driver of several markets in 2HCY25.

Large-caps did better than mid-caps and small-caps

The performance of the market was in direct proportion to the market cap. of indices and stocks. The large-cap index delivered decent return (9% CYTD based on the Nifty-50 Index), mid-cap. index delivered modest return (4% CYTD based on the Nifty Midcap 100 Index) and small-cap. index delivered negative return ((-9% based on the Nifty Smallcap 100 Index); see Exhibits 16-18.

Automobiles, financials and metals did better than other sectors

The performance of the market was quite varied by sectors (see Exhibit 19) with automobiles (domestic) and financials doing well across caps, ownership (private or PSU banks) and type (banks, capital markets, insurance, NBFCs) but most other sectors struggling. The strong performance of automobiles reflected a serendipitous and large cut in GST tax rates that led to a sharp re-rating in their multiples. The strong performance of financials was driven by their inexpensive valuations for most of the year, which reflected the market's concerns around a sharp decline in NIMs in the case of banks, myriad concerns about insurance stocks and a possible increase in credit costs of NBFCs.

Good year may be starting

We expect a somewhat better CY2026 with (1) strong recovery in earnings of the market (see Exhibit 20); we are more confident about decent earnings recovery in most sectors although we see downside risks to margins in the case of automobiles and consumer staples sectors (see Exhibits 21-22), (2) improved domestic consumption demand on the back of GST and income tax rate cuts (see Exhibits 23-24) and lower interest rates (see Exhibit 25) and (3) a likely better macro on likely conclusion of the India-US trade deal after months of protracted negotiations, which could result in a recovery in the value of the INR; the INR has been hit by a sudden and sharp deterioration in India's trade balance (see Exhibits 26-27) despite its reasonable fundamentals (see Exhibits 28-29).

Key estimates summary

	2026E	2027E	2028E
Nifty estimates			
Earnings growth (%)	7.7	17.9	14.7
Nifty EPS (Rs)	1,072	1,267	1,454
Nifty P/E (X)	24.1	20.4	17.8
Macro data			
Real GDP (%)	7.8	6.5	6.5
Avg CPI inflation (%)	2.1	4.1	4.0

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

Nifty Index delivered 9% return, Nifty Midcap 100 Index 4% and Nifty Smallcap 100 Index (-)9% on CYTD basis

We expect net profits of the Nifty-50 Index to grow 18% in FY2027E and 15% in FY2028E

Nifty Index trades at 20.4X FY2027 EPS and 17.8X FY2028 EPS

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Model portfolio changes

We make a few changes to our recommended model portfolio (see Exhibit 30). We add Aadhar Housing Finance (150 bps) and Dixon Technologies (150 bps) and increase weights on INDIGO (50 bps to 180 bps) and MM (100 bps to 330 bps). We remove Torrent Pharmaceuticals (180 bps currently) and reduce weights on Bharti Airtel (150 bps to 460 bps) and RELIANCE (120 bps to 910 bps).

AADHAR stock trades at 2.3X FY2027E BV and 2X FY2028E BV and will deliver FY2027E RoE of 16.7% and FY2028E RoE of 17.5%. We expect FY2027E and FY2028E loan growth at 21% and 21%. The stock has delivered decent performance (7%) over the past six months but its valuations are still reasonable. AADHAR has seen modest deterioration in asset quality in the past two quarters but 2QFY26 stage-3 loans at 1.5%, stage-3 loan coverage at 34% and 2QFY26 credit cost of 0.2% seem quite comfortable.

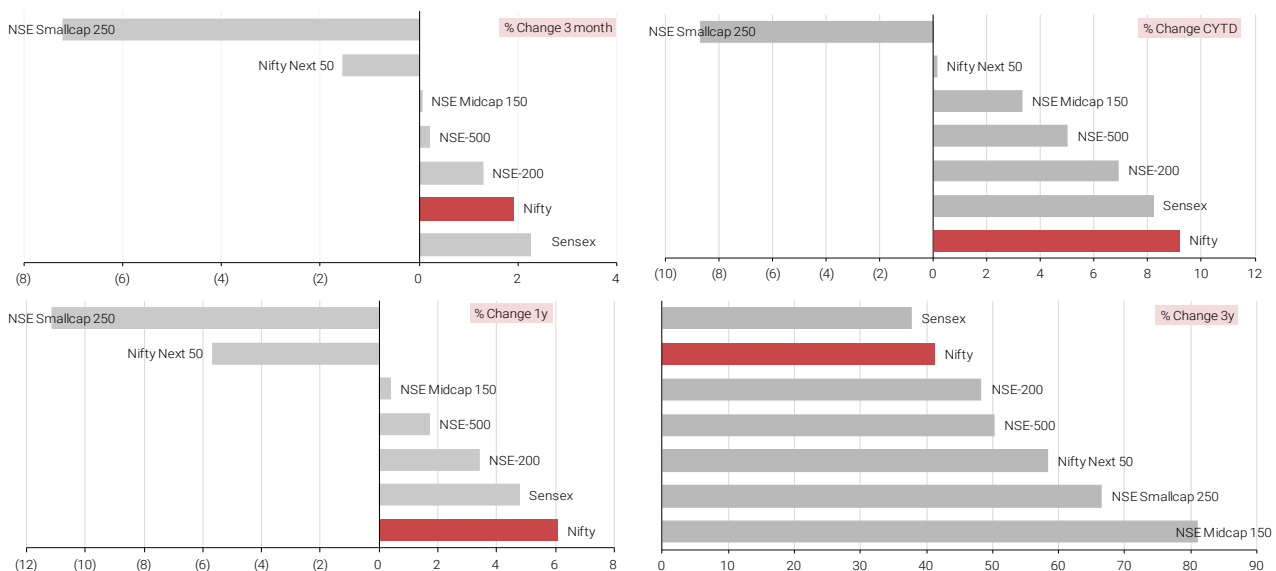
DIXON stock trades at 51X FY2027E EPS and 37X FY2028E EPS and will likely deliver 37% EPS CAGR over FY2026E-30E. The stock is down 27% and 30% over the past three and 12 months on concerns around future growth given its high share in mobile phone production. However, we see several drivers in production of components. It has already formed JVs for production of camera modules and display modules and will benefit from the government's PLI scheme for component manufacturing.

TRP stock trades at 44X FY2027E consensus EPS (38X adjusted for amortization of goodwill). The stock has done well over the past 12-36 months and we find better opportunities elsewhere.

We had reduced weight on INDIGO at the time of our last changes to our model portfolio (mid-November 2025). The stock has corrected 15% in the past month on concerns around short-term earnings risks stemming from disruption to its operations in 3QFY26 and 4QFY26. We do not see any meaningful change in INDIGO's dominant position in India's aviation sector.

Indian investors have made weak returns over the past 12 months

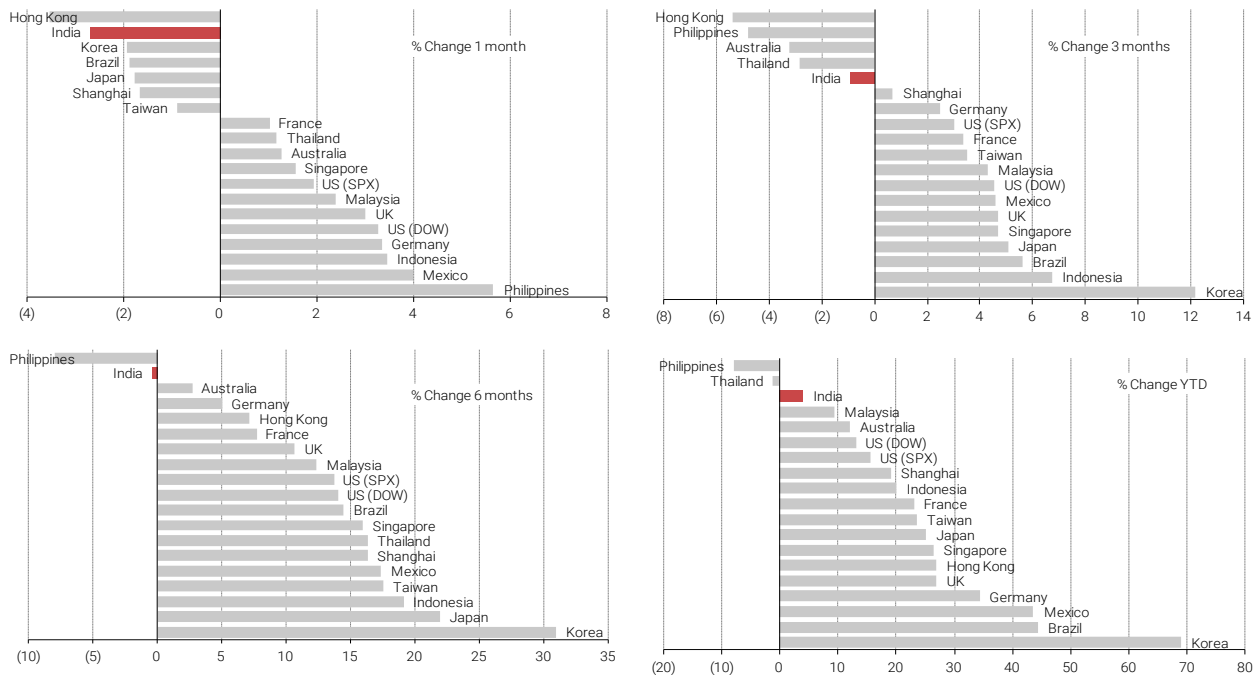
Exhibit 1: Performance of major Indian indices (%)



Source: Bloomberg, Kotak Institutional Equities

Indian markets have underperformed global and regional markets significantly in the past one year

Exhibit 2: Performance of Nifty-50 versus other regional indices (adjusted for currency changes)



Source: Bloomberg, Kotak Institutional Equities

India has underperformed most global markets in the past one year, but has outperformed significantly in the past 3-5 years

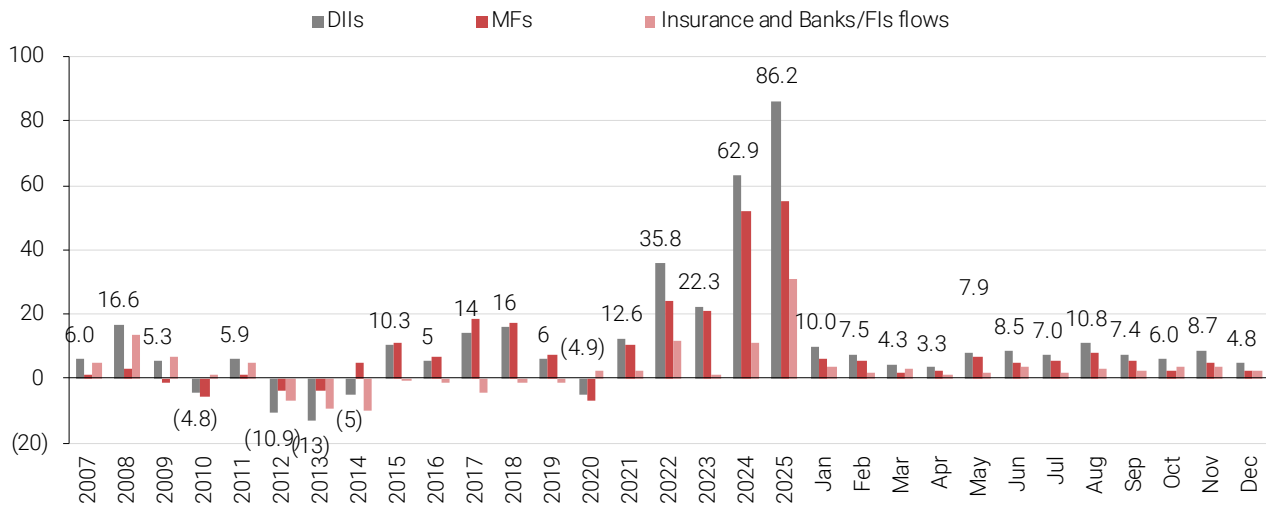
Exhibit 3: Performance (not annualized) of emerging and developed markets over period of time (%)

	% change in local currency								% change in USD							
	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr	1-mo	3-mo	6-mo	CYTD	1-yr	3-yr	5-yr	10-yr
Developed markets																
Australia	(1)	(3)	1	5	3	20	27	68	1	(3)	2	13	8	19	10	55
France	(1)	4	6	10	10	26	46	75	0	3	8	24	23	39	40	90
Germany	1	3	3	21	19	74	77	127	2	2	5	37	33	92	69	146
Hong Kong	(4)	(5)	6	27	29	31	(5)	17	(4)	(5)	7	27	29	31	(5)	17
Japan	(2)	11	28	24	26	80	85	161	(2)	4	20	25	24	58	22	104
Singapore	1	6	16	21	20	41	60	60	1	4	16	28	26	48	64	75
UK	1	7	11	20	20	34	50	63	3	4	10	28	26	47	47	45
US (Dow Jones)	2	5	14	13	11	46	59	181	2	5	14	13	11	46	59	181
US (Nasdaq)	1	4	18	20	15	116	81	369	1	4	18	20	15	116	81	369
US (S&P500)	1	3	14	16	12	77	83	239	1	3	14	16	12	77	83	239
MSCI World	1	3	13	18	15	69	64	169	1	3	13	18	15	69	64	169
Emerging markets																
Brazil	1	9	14	32	27	54	34	261	(3)	6	15	49	42	49	24	161
MSCI China	(6)	(9)	8	27	28	28	(24)	38	(6)	(9)	9	26	27	28	(24)	38
MSCI India	(0)	1	3	7	3	45	94	216	(3)	(2)	(2)	1	(4)	32	57	130
Indonesia	4	8	21	23	21	27	42	94	4	7	19	19	17	19	20	62
Korea	1	19	37	69	65	72	46	105	(1)	11	28	68	60	52	8	64
Malaysia	1	2	9	(0)	3	11	(2)	(0)	2	4	13	9	12	20	(3)	5
Mexico	1	3	12	28	25	27	43	47	4	5	18	48	42	40	57	40
Taiwan	0	8	24	19	20	89	93	233	(1)	3	16	24	23	85	72	247
Thailand	(1)	(4)	13	(10)	(10)	(22)	(15)	(2)	2	(3)	17	(3)	(2)	(14)	(20)	12
MSCI EM	(2)	0	13	26	24	41	6	71	(2)	0	13	26	24	41	6	71

Source: Bloomberg, Kotak Institutional Equities

DII inflows at US\$86 bn in CYTD25

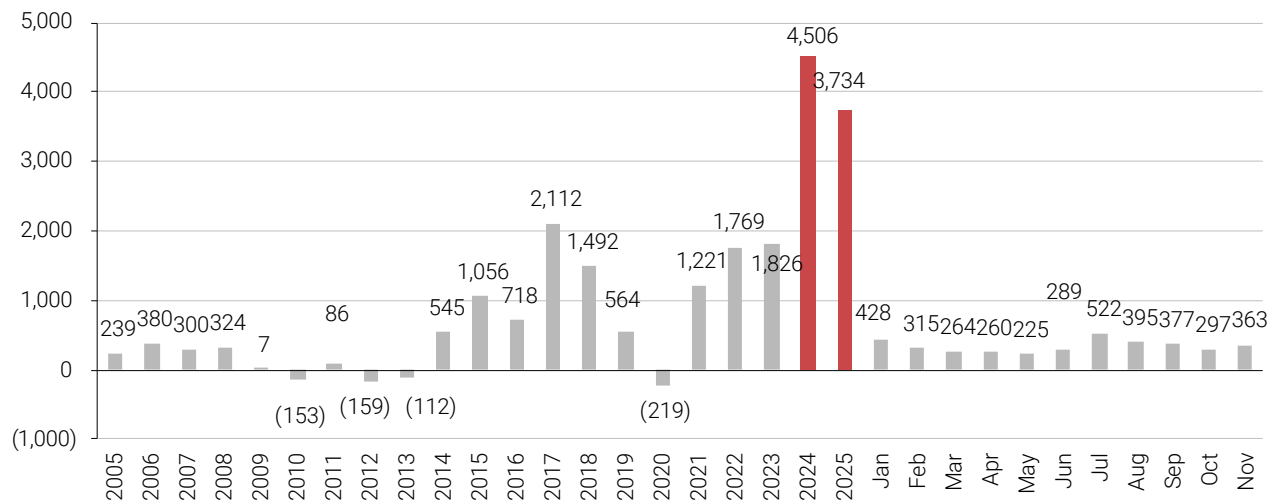
Exhibit 4: Equity flows by domestic institutions, calendar year-ends, 2007-25 (US\$ bn)



Source: Bloomberg, Kotak Institutional Equities

MFs have seen equity inflows of Rs3.7 tn so far in CY2025

Exhibit 5: Net MF flows (equity + 70% hybrid), calendar year-ends, 2005-25 (Rs bn)



Source: AMFI, Kotak Institutional Equities

INR has seen steady depreciation over the past one year
Exhibit 6: Performance of INR versus other major currencies (%)

	Current	Change (%)					
	Price	1-mo	3-mo	6-mo	YTD	1-y	3-y
Performance of different currencies versus INR							
INR/BRL	16.5	1.0	0.1	(5.2)	(16.2)	(15.5)	(5.8)
INR/CNY	12.8	(2.8)	(3.6)	(6.5)	(8.7)	(9.1)	(7.4)
INR/EUR	105.9	(2.8)	(1.8)	(6.4)	(15.8)	(15.8)	(16.7)
INR/GBP	120.4	(3.2)	(0.5)	(3.6)	(11.0)	(10.4)	(16.5)
INR/JPY	0.6	(1.5)	3.2	2.1	(6.0)	(4.7)	4.0
INR/MYR	22.1	(3.3)	(5.1)	(8.0)	(13.3)	(14.0)	(15.2)
INR/RUB	1.1	(2.8)	(5.8)	(2.2)	(30.2)	(27.6)	13.9
INR/USD	90.4	(1.9)	(2.8)	(4.3)	(5.3)	(6.1)	(8.5)
INR/ZAR	5.4	(4.3)	(6.5)	(11.4)	(15.8)	(13.1)	(12.9)
Performance of different currencies versus USD							
ARS/USD	1,450.3	(4.4)	1.3	(18.5)	(28.9)	(29.6)	(88.1)
BRL/USD	5.5	(2.9)	(3.3)	0.2	12.5	11.3	(3.2)
CNY/USD	7.0	0.9	0.9	2.0	3.6	3.4	(1.0)
EUR/USD	0.9	1.1	(0.8)	2.0	11.6	10.4	9.6
GBP/USD	0.8	1.3	(2.3)	(0.8)	6.1	4.6	8.9
IDR/USD	16,684.0	0.4	(1.4)	(2.2)	(2.5)	(3.8)	(6.5)
JPY/USD	155.5	(0.2)	(5.5)	(6.6)	1.1	(1.3)	(12.2)
KRW/USD	1,479.4	(1.1)	(6.7)	(6.6)	(0.2)	(2.7)	(11.4)
MYR/USD	4.1	1.5	2.4	3.8	9.4	9.3	8.2
THB/USD	31.5	3.0	1.0	3.4	9.0	8.5	10.4
TRY/USD	42.7	(1.0)	(3.4)	(7.5)	(17.2)	(18.1)	(56.3)
RUB/USD	80.6	0.8	3.8	(2.5)	40.9	29.6	(19.6)
ZAR/USD	16.7	2.6	3.9	7.6	12.6	8.1	5.6

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 7: 12-m forward P/E multiple of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	22	24
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	32
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	15	21
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	28
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	26
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	42
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49	56
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47	48
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	31	31
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	57	42
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	33
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	47
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	36
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	38
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43	42
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	47
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	46	47
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62	65
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	60
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	52	45
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	58	53
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	44
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	49
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	44
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	70
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56	63
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	88	68
Pidilite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	56

Source: FactSet, Kotak Institutional Equities

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

Exhibit 8: 12-m forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25	27
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	44
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	30
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42	45
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	28	33
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	26	24
Aditya Birla Fashion and Retail	Consumer Durables & Apparel	NA	NA	NA	NA	NA	55	92	61	55	43	103	98	56	NA	NA	NA
Campus Activewear	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	49	42	40
Cello World	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	27	28
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	33	26
Eureka Forbes	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	51	47	48
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	58	47
Vedant Fashions	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	78	52	44	38	32
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	45	49
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	29	23
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67	63
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	41
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	34
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	37	30
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	104	155
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	102	77
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	36	38
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	157
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	182
Metro Brands	Retailing	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	68	41	66	58	62

Source: FactSet, Kotak Institutional Equities

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

Exhibit 9: 12 m forward P/B multiple of banks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/B multiple (X)																Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25		
AU Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	7.0	4.6	3.0	5.9	4.6	3.1	2.6	2.1	3.4	
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	1.0	
Federal Bank	Banks	1.3	1.2	1.2	1.1	1.3	0.9	1.7	1.4	1.4	0.5	NA	NA	NA	1.1	1.3	1.6	
HDFC Bank	Banks	3.8	3.5	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.6	3.0	2.8	2.2	2.6	2.5	
ICI 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	1.0	
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	0.9	
State Bank of India	Banks	1.9	1.7	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.3	1.5	1.3	1.7	1.5	1.6	
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	1.5	
Utkarsh Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	0.9	0.8	
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	
Yes Bank	Banks	2.3	2.2	2.0	1.7	2.5	2.2	3.1	2.4	1.9	0.5	1.2	0.9	1.0	1.5	1.0	1.3	

Source: FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

Exhibit 10: 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)																	
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.5
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	2.1
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	2.5
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
Bajaj Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	4.4	3.2
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	4.3
Five Star Business Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.4	3.5	2.9	2.1
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	3.0	2.6
India Shelter	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.8	2.6
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	2.5
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	0.7
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	1.9
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	3.7
SBFC	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	3.0	2.8	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	2.4
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	33
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	34	29	35	36	34
CRISIL	Capital Markets	20	27	22	31	41	37	33	36	25	22	34	45	40	50	38	35
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34	31	41	29	23	38	31	34
ICRA	Capital Markets	16	18	16	24	41	39	45	34	22	20	36	32	27	31	27	27
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	44	41
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	25	24	24	34	26	17	27	25	33
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	19	20	14	15	16	16

Source: FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 11: 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	57
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39	41
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	36
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	48
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	48
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	19	20
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	16
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26	27
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	58	54
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	49	40
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	62	50
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	50	41
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	56
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	44
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	40

Source: FactSet, Kotak Institutional Equities

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

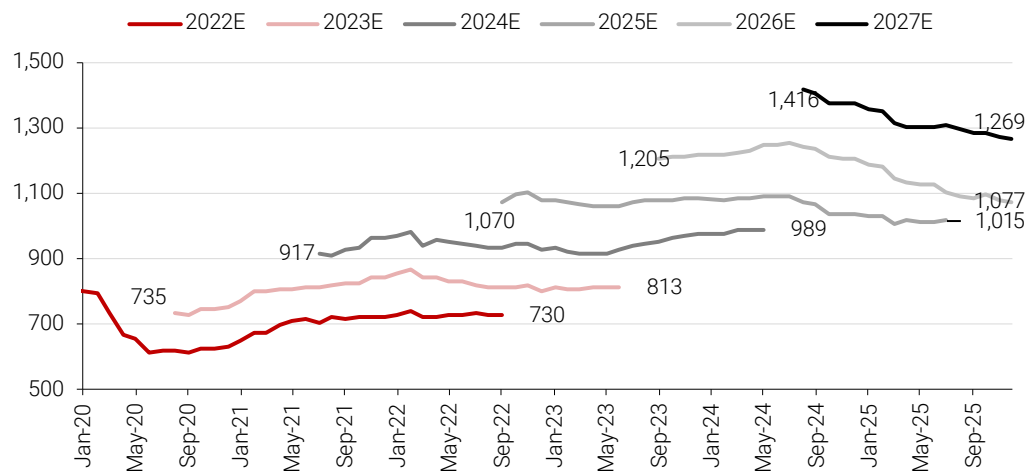
Exhibit 12: 12-m forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	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	24
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	22	22
KPIIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	39	36
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25	31
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	46	28	38	31	31
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	47
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	40
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	35	33
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	24	22
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	23	23
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	20	20
Aurobindo Pharma	Pharmaceuticals	9	7	7	12	18	17	14	12	15	8	15	12	12	17	15	17
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	55
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	22
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	25
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31	31
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	36
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	23	26	24	35	31	34
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	43	46
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	48	40

Source: FactSet, Kotak Institutional Equities

We have seen a decline in our Nifty EPS estimates over the past few months

Exhibit 13: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2022E-27E (Rs)



Source: Kotak Institutional Equities estimates

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

Exhibit 14: Break-up of net profits of the Nifty-50 Index across sectors, March fiscal year-ends, 2022-28E (based on current constituents)

	Net profits (Rs bn)							Contribution (%)					Incremental profits					
	2022	2023	2024	2025	2026E	2027E	2028E	2024	2025	2026E	2027E	2028E	2026E		2027E		2028E	
	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(Rs bn)	(%)	(Rs bn)	(%)	(Rs bn)	(%)
Automobiles & Components	45	249	559	579	494	676	777	8	7	6	7	7	(85)	(14)	182	12	101	7
Tata Motors PV	(107)	7	206	182	28	134	186	3	2	—	1	2	(154)	(25)	106	7	52	4
Banks	1,308	1,785	2,059	2,340	2,346	2,727	3,125	28	30	28	27	27	6	1	381	25	398	27
Axis Bank	130	212	249	264	231	299	345	3	3	3	3	3	(33)	(5)	68	4	46	3
HDFC Bank	507	603	608	673	749	867	986	8	9	9	9	9	75	12	118	8	119	8
ICICI Bank	233	319	409	472	505	558	623	6	6	6	6	5	32	5	53	3	65	4
State Bank of India	317	502	611	709	676	782	915	8	9	8	8	8	(33)	(5)	106	7	133	9
Capital Goods	117	158	202	270	281	355	433	3	3	3	4	4	11	2	74	5	78	5
Commodity Chemicals	31	42	55	40	43	49	56	1	1	1	—	—	3	1	5	—	7	—
Construction Materials	128	120	132	101	144	179	222	2	1	2	2	2	43	7	35	2	44	3
Consumer Staples	271	318	360	341	354	393	432	5	4	4	4	4	13	2	39	3	39	3
Diversified Financials	145	239	314	370	454	565	704	4	5	5	6	6	84	14	110	7	139	9
Electric Utilities	301	324	364	391	383	419	460	5	5	4	4	4	(7)	(1)	35	2	41	3
Health Care Services	8	17	22	28	34	46	58	—	—	—	—	1	6	1	12	1	12	1
Internet Software & Services	(12)	(10)	4	5	5	23	45	—	—	—	—	—	—	—	18	1	22	1
IT Services	917	975	1,004	1,095	1,174	1,255	1,363	14	14	14	12	12	79	13	81	5	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	388	464	543	3	3	5	5	5	157	26	76	5	79	5
Tata Steel	426	86	34	24	119	158	185	—	—	1	2	2	94	15	40	3	27	2
Oil, Gas & Consumable Fuels	1,229	1,413	1,578	1,414	1,623	1,869	2,076	21	18	19	19	18	209	34	246	16	207	14
Coal India	174	281	374	353	369	384	417	5	4	4	4	4	16	3	15	1	33	2
ONGC	476	465	509	364	507	574	604	7	5	6	6	5	143	23	67	4	30	2
Reliance Industries	579	667	696	696	747	911	1,054	9	9	9	9	9	51	8	164	11	143	10
Pharmaceuticals	135	160	196	227	214	232	271	3	3	3	2	2	(13)	(2)	18	1	39	3
Retailing	23	37	44	53	66	76	91	1	1	1	1	1	13	2	11	1	15	1
Telecommunication Services	26	90	113	204	288	407	525	2	3	3	4	5	85	14	119	8	118	8
Transportation	(5)	80	172	186	188	267	296	2	2	2	3	3	2	—	79	5	29	2
Nifty-50 Index	5,467	6,277	7,430	7,917	8,529	10,059	11,542	100	100	100	100	100	613	100	1,530	100	1,484	100
Nifty-50 change (%)	43.5	14.8	18.4	6.6	7.7	17.9	14.7											
Nifty-50 Index ex-HPCL & COAL change (%)	5,287	5,933	7,022	7,523	8,096	9,632	11,086											
Nifty-50 Index ex-HPCL & COAL change (%)	44.8	12.2	18.3	7.1	7.6	19.0	15.1											
Nifty-50 EPS (Free-float)	730	813	988	1,012	1,072	1,267	1,454											

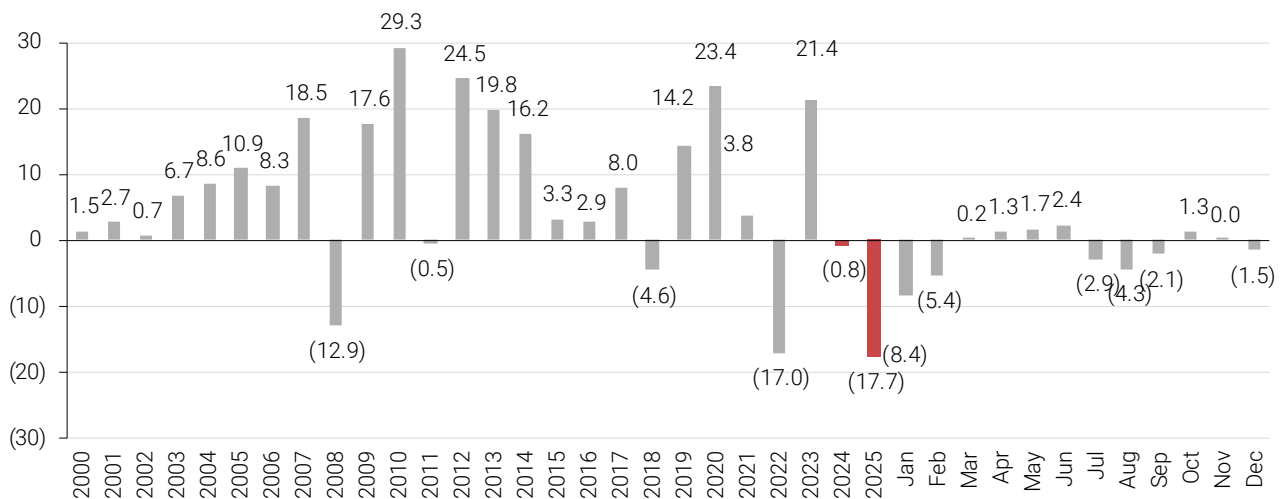
Notes:

- (a) We use consensus numbers for Adani Enterprises, Jio Financial Services and Kotak Mahindra Bank.
(b) We exclude ONGC's ownership of HPCL for ex-HPCL computation.

Source: Kotak Institutional Equities estimates

FPI equity outflows of US\$18 bn in CYTD25

Exhibit 15: FPI flows in equity segment, calendar year-ends, 2000-25 (US\$ bn)



Source: Bloomberg, Kotak Institutional Equities

Nifty Index delivered 9% return on CYTD25 basis
Exhibit 16: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty-50 Index (sorted on 12M basis)

	Company	GICS sector	Performance (%)				
			1M	3M	6M	12M	YTD
	Nifty-50 Index		(1)	2	4	6	9
1	Trent	Retailing	(8)	(22)	(28)	(42)	(43)
2	Tata Motors PV	Automobiles & Components	(7)	(20)	(15)	(27)	(23)
3	TCS	IT Services	4	1	(8)	(24)	(20)
4	Power Grid	Electric Utilities	(5)	(9)	(10)	(21)	(15)
5	Infosys	IT Services	6	5	(2)	(19)	(15)
6	Wipro	IT Services	7	3	(1)	(15)	(13)
7	HCL Technologies	IT Services	3	12	(4)	(15)	(13)
8	Max Healthcare	Health Care Services	(8)	(11)	(16)	(15)	(9)
9	Jio Financial Services	Diversified Financials	(6)	(7)	1	(13)	(2)
10	Tech Mahindra	IT Services	9	2	(8)	(11)	(7)
11	ITC	Consumer Staples	(2)	(2)	(4)	(10)	(13)
12	NTPC	Electric Utilities	(3)	(5)	(4)	(8)	(4)
13	Adani Enterprises	Capital Goods	(9)	(4)	(7)	(7)	(9)
14	ONGC	Oil, Gas & Consumable Fuels	(6)	(2)	(8)	(6)	(3)
15	Coal India	Oil, Gas & Consumable Fuels	(1)	(4)	(2)	(5)	—
16	Eternal	Internet Software & Services	(8)	(13)	15	(4)	2
17	Apollo Hospitals	Health Care Services	(8)	(12)	(1)	(4)	(5)
18	Hindustan Unilever	Consumer Staples	(5)	(10)	(1)	(2)	(1)
19	Ultratech Cement	Construction Materials	(2)	(9)	1	(2)	1
20	Bajaj Auto	Automobiles & Components	(1)	(2)	5	(0)	1
21	Sun Pharmaceuticals	Pharmaceuticals	2	11	9	—	(5)
22	ICICI Bank	Banks	(2)	(5)	(5)	1	6
23	Dr Reddy's Laboratories	Pharmaceuticals	2	(3)	(4)	2	(8)
24	Cipla	Pharmaceuticals	(3)	(4)	(0)	3	(2)
25	L&T	Capital Goods	1	10	12	7	13
26	HDFC Bank	Banks	(1)	2	2	8	11
27	Axis Bank	Banks	(2)	9	1	8	15
28	Grasim Industries	Construction Materials	1	(2)	5	8	15
29	JSW Steel	Metals & Mining	(8)	(3)	8	12	20
30	Nestle India	Consumer Staples	(3)	3	5	12	14
31	Interglobe Aviation	Transportation	(15)	(13)	(6)	14	9
32	State Bank of India	Banks	—	14	23	15	23
33	Titan Company	Retailing	1	11	15	15	20
34	Tata Steel	Metals & Mining	(2)	(1)	12	17	23
35	Asian Paints	Commodity Chemicals	(4)	12	23	18	22
36	Mahindra & Mahindra	Automobiles & Components	(3)	(1)	20	19	20
37	HDFC Life Insurance	Insurance	(2)	(2)	(3)	20	22
38	Adani Ports and SEZ	Transportation	(1)	6	7	21	21
39	Kotak Mahindra Bank	Banks	3	6	2	22	22
40	Bajaj Finserv	Diversified Financials	(3)	(2)	1	23	29
41	Reliance Industries	Oil, Gas & Consumable Fuels	2	9	8	24	27
42	Bharat Electronics	Capital Goods	(9)	(6)	(4)	24	32
43	Tata Consumer Products	Consumer Staples	—	4	10	30	29
44	Bharti Airtel	Telecommunication Services	(0)	9	14	31	33
45	Hindalco Industries	Metals & Mining	5	13	32	33	41
46	Bajaj Finance	Diversified Financials	(3)	(1)	8	40	47
47	SBI Life Insurance	Insurance	1	11	12	43	45
48	Shriram Finance	Diversified Financials	6	39	30	45	50
49	Maruti Suzuki	Automobiles & Components	3	4	30	48	51
50	Eicher Motors	Automobiles & Components	5	4	34	50	48

Source: Bloomberg, Kotak Institutional Equities

Nifty Midcap 100 Index delivered 4% return on CYTD25 basis

Exhibit 17: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty Midcap Index (sorted on 12M basis)

Company Name	GICS sector	Performance (%)					Company Name	GICS sector	Performance (%)				
		1M	3M	6M	12M	YTD			1M	3M	6M	12M	YTD
Nifty Midcap 100 Index		(3)	1	2	0	4							
1 Oracle	Information Technology	(7)	(15)	(21)	(38)	(40)	51 Phoenix Mills	Real Estate	2	10	10	0	9
2 Kalyan Jewellers	Consumer Discretionary	(4)	(9)	(8)	(37)	(38)	52 Tata Communications	Communication Services	(4)	8	7	1	7
3 NTPC Green	Utilities	(9)	(13)	(16)	(35)	(29)	53 Indraprastha Gas	Utilities	(9)	(10)	(8)	1	(7)
4 Rail Vikas Nigam	Industrials	(6)	(15)	(23)	(34)	(27)	54 NMDC	Materials	1	2	13	2	17
5 Supreme Industries	Materials	(8)	(26)	(28)	(33)	(29)	55 Yes Bank	Financials	(7)	2	8	3	10
6 Godrej Properties	Real Estate	(8)	(3)	(18)	(33)	(28)	56 Lupin	Health Care	3	4	9	3	(10)
7 Swiggy	Consumer Discretionary	1	(10)	12	(32)	(26)	57 Bharat Dynamics	Industrials	(17)	(18)	(30)	3	18
8 Tata Elxsi	Information Technology	(6)	(13)	(23)	(32)	(27)	58 Alkerm Lab	Health Care	(2)	3	17	4	(0)
9 Premier Energies	Information Technology	(10)	(16)	(10)	(31)	(33)	59 Bharat Forge	Consumer Discretionary	2	11	9	5	9
10 Tata Technologies	Information Technology	(6)	(10)	(13)	(31)	(28)	60 SAIL	Materials	(8)	(2)	3	8	15
11 Oberoi Realty	Real Estate	(8)	(3)	(16)	(30)	(30)	61 Biocon	Health Care	(8)	9	9	10	6
12 Dixon Technologies	Consumer Discretionary	(15)	(27)	(7)	(30)	(26)	62 APL Apollo Tubes	Materials	(1)	4	(4)	11	13
13 Tube Investments	Consumer Discretionary	(15)	(23)	(10)	(29)	(27)	63 HPCL	Energy	(4)	15	18	14	14
14 IRB Infrastructure	Industrials	(8)	(7)	(17)	(29)	(28)	64 BHEL	Industrials	(3)	19	10	15	21
15 Page Industries	Consumer Discretionary	(9)	(21)	(21)	(27)	(24)	65 HDFC AMC	Financials	(7)	(12)	2	15	21
16 Suzlon Energy	Industrials	(10)	(12)	(19)	(25)	(17)	66 MRF	Consumer Discretionary	(3)	1	11	16	16
17 Colgate-Palmolive	Consumer Staples	(5)	(11)	(12)	(25)	(22)	67 Marico	Consumer Staples	(3)	4	7	17	15
18 Container Corp.	Industrials	(4)	(12)	(17)	(23)	(21)	68 SBI Cards	Financials	(6)	(7)	(16)	17	26
19 KPIT Technologies	Information Technology	(4)	(10)	(17)	(23)	(20)	69 Indus Towers	Communication Services	(1)	15	4	18	19
20 Astral	Industrials	(3)	(2)	(9)	(22)	(14)	70 GMR Airports Infrastructure	Industrials	3	10	22	21	29
21 Voltas	Industrials	0	(2)	7	(22)	(23)	71 Bharti Hexacom	Communication Services	(1)	2	1	21	21
22 Torrent Power	Utilities	(3)	1	(9)	(22)	(14)	72 Union Bank	Financials	(1)	12	6	22	27
23 Sona BLW	Consumer Discretionary	1	13	2	(21)	(18)	73 NALCO	Materials	7	31	51	23	32
24 Mankind Pharma	Health Care	(6)	(18)	(10)	(21)	(27)	74 Coromandel International	Materials	2	(3)	(2)	25	20
25 ACC	Materials	(5)	(5)	(5)	(20)	(14)	75 One 97	Financials	(5)	4	47	25	25
26 IRCTC	Industrials	(7)	(9)	(13)	(19)	(15)	76 Federal Bank	Financials	10	32	29	25	32
27 Exide Industries	Consumer Discretionary	(5)	(13)	(5)	(19)	(13)	77 Fortis Healthcare	Health Care	(8)	(10)	14	27	21
28 HUDCO	Financials	(13)	(7)	(7)	(19)	(11)	78 Cummins India	Industrials	3	9	36	27	38
29 Jubilant Foodworks	Consumer Discretionary	(8)	(12)	(18)	(19)	(23)	79 Glenmark Pharma	Health Care	4	(5)	17	28	21
30 Adani Total Gas	Utilities	(6)	(4)	(10)	(18)	(23)	80 Bank of India	Financials	(4)	19	19	29	39
31 PI Industries	Materials	(9)	(15)	(23)	(18)	(13)	81 Hero Motocorp	Consumer Discretionary	0	9	33	32	40
32 PB Fintech	Financials	(3)	(2)	(9)	(17)	(16)	82 IDFC First Bank	Financials	4	17	20	32	33
33 Motilal Oswal	Financials	(15)	(11)	2	(16)	(13)	83 SRF	Materials	7	3	(2)	33	36
34 IndusInd Bank	Financials	(2)	13	3	(15)	(13)	84 MMFSL	Financials	12	25	31	34	36
35 Prestige Estates	Real Estate	(8)	(3)	(5)	(13)	(5)	85 Indian Bank	Financials	(13)	10	22	37	46
36 LIC Housing Finance	Financials	(8)	(8)	(13)	(13)	(12)	86 BSE	Financials	(6)	19	(1)	38	48
37 Blue Star	Industrials	2	(6)	9	(11)	(15)	87 UPL	Materials	(3)	6	16	39	49
38 NHP	Utilities	(7)	(14)	(11)	(11)	(7)	88 FSN E-Commerce	Consumer Discretionary	(9)	1	26	39	50
39 Oil India	Energy	(9)	(1)	(17)	(10)	(8)	89 Vodafone Idea	Communication Services	2	43	69	43	40
40 360 ONE	Financials	5	2	(2)	(10)	(10)	90 Godfrey Phillips	Consumer Staples	(4)	(22)	3	43	61
41 Mphasis	Information Technology	7	(4)	6	(10)	1	91 Ashok Leyland	Industrials	12	21	42	44	51
42 Patanjali Foods	Consumer Staples	(7)	(10)	(2)	(9)	(8)	92 Hitachi Energy	Industrials	(11)	(5)	3	45	33
43 Waaree Energies	Information Technology	(13)	(20)	3	(7)	1	93 Max Financial	Financials	(2)	8	5	45	49
44 Cochin Shipyard	Industrials	(13)	(21)	(31)	(7)	(2)	94 Vishal Mega Mart	Consumer Discretionary	(2)	(10)	6	72	26
45 KEI Industries	Industrials	(1)	(1)	14	(6)	(7)	95 AU Small Finance Bank	Financials	9	40	28	76	77
46 Polycab India	Industrials	(8)	(4)	17	(5)	(3)	96 Muthoot Finance	Financials	0	28	42	79	76
47 Persistent System	Information Technology	3	13	4	(4)	(3)	97 Aditya Birla Capital	Financials	4	22	36	80	95
48 Dabur India	Consumer Staples	(6)	(8)	5	(2)	(3)	98 L&T Finance Holdings	Financials	1	24	59	113	123
49 Coforge	Information Technology	2	3	0	(2)	(5)	99 Vishal Mega Mart	Consumer Discretionary	(2)	(10)	6	NA	26
50 Aurobindo Pharma	Health Care	(4)	9	8	(2)	(11)	100 ITC Hotels	Consumer Discretionary	(9)	(21)	(10)	NA	NA

Source: Bloomberg, Kotak Institutional Equities

Nifty Smallcap 100 Index delivered (-)9% return on CYTD25 basis

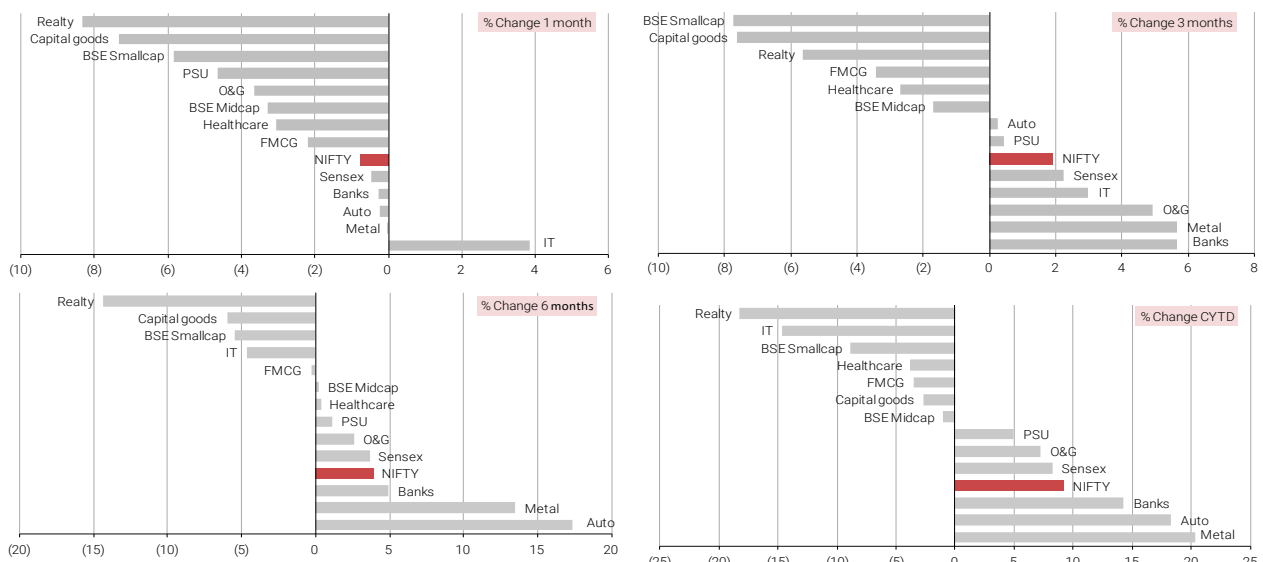
Exhibit 18: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty Smallcap Index (sorted on 12M basis)

		Performance (%)							Performance (%)						
Company Name	GICS sector	1M	3M	6M	12M	YTD	Company Name	GICS sector	1M	3M	6M	12M	YTD		
Nifty Smallcap 100 Index		(7)	(7)	(7)	(12)	(9)									
1	Ola Electric	Consumer Discretionary	(22)	(44)	(29)	(66)	(62)	51	Castrol India	Materials	(5)	(11)	(13)	(10)	(6)
2	Tejas Networks	Information Technology	(13)	(27)	(35)	(65)	(62)	52	Bandhan Bank	Financials	(4)	(10)	(16)	(10)	(7)
3	Jupiter Wagons	Industrials	(16)	(26)	(33)	(53)	(49)	53	Zensar Technologies	Information Technology	0	(13)	(17)	(9)	(3)
4	Whirlpool India	Consumer Discretionary	(25)	(31)	(31)	(53)	(50)	54	Capri Global	Financials	(9)	(6)	3	(9)	(4)
5	Brainbees Solutions	Consumer Discretionary	(13)	(26)	(23)	(52)	(56)	55	Aptus Value Hou.	Financials	(3)	(14)	(11)	(9)	(2)
6	NCC	Industrials	(16)	(28)	(31)	(50)	(43)	56	Wockhardt	Health Care	(1)	(12)	(21)	(8)	(4)
7	Jindal Saw	Materials	(5)	(23)	(31)	(48)	(45)	57	Affle India	Communication Services	(3)	(22)	(14)	(8)	(6)
8	Cyient	Information Technology	0	(10)	(15)	(45)	(38)	58	Firstsource Solution	Industrials	(7)	(9)	(12)	(8)	(10)
9	Newgen Software	Information Technology	(10)	(6)	(32)	(44)	(51)	59	Aegis Logistics	Energy	(8)	(9)	(7)	(7)	(11)
10	Kaynes Tech	Information Technology	(34)	(44)	(27)	(43)	(45)	60	Dr Lal Pathlabs	Health Care	(11)	(14)	(4)	(7)	(6)
11	Zen Technologies	Industrials	(6)	(12)	(30)	(43)	(44)	61	Deepak Fertilisers	Materials	(16)	(17)	(22)	(6)	2
12	PG Electroplast	Information Technology	(3)	(1)	(26)	(43)	(43)	62	Gland Pharma	Health Care	(9)	(17)	(6)	(5)	(7)
13	KEC International	Industrials	(10)	(20)	(21)	(40)	(41)	63	Data Pattern	Industrials	(20)	(14)	(18)	(5)	(0)
14	Swan Corp.	Consumer Discretionary	3	2	12	(39)	(34)	64	Kajaria Ceramics	Industrials	(3)	(12)	6	(5)	(6)
15	Crompton Greaves Consumer	Consumer Discretionary	(9)	(21)	(29)	(37)	(37)	65	Star Health Insu	Financials	(12)	2	5	(4)	(3)
16	PCBL Chemical	Materials	(11)	(21)	(21)	(37)	(31)	66	J B Chemicals &	Health Care	(1)	6	4	(2)	(3)
17	JBM Auto	Consumer Discretionary	(14)	(25)	(21)	(37)	(28)	67	Shyam Metals & Energy	Materials	(6)	(12)	(4)	(1)	10
18	Triveni Turbine	Industrials	(2)	(3)	(13)	(37)	(29)	68	Welspun Corp	Materials	(13)	(11)	(14)	(0)	(3)
19	Aditya Birla Real Estate	Real Estate	(1)	(10)	(30)	(36)	(31)	69	Go Digit General	Financials	(2)	(2)	2	(0)	9
20	Natco Pharma	Health Care	12	8	6	(36)	(34)	70	PNB Housing	Financials	(2)	6	(16)	1	2
21	BLS International	Industrials	(4)	(16)	(14)	(36)	(35)	71	M R P L	Energy	(19)	14	8	1	(0)
22	Piramal Pharma	Health Care	(14)	(17)	(14)	(36)	(37)	72	The Ramco Cement	Materials	6	(1)	(2)	2	9
23	Jyoti CNC Auto.	Industrials	(4)	(1)	(16)	(35)	(31)	73	Nuvama Wealth	Financials	(3)	13	(3)	4	4
24	Anant Raj	Real Estate	(17)	(10)	(2)	(35)	(39)	74	Delhivery	Industrials	(9)	(17)	11	4	15
25	Brigade Enterprises	Real Estate	(9)	(9)	(27)	(34)	(31)	75	GE Shipping	Energy	(2)	6	14	6	16
26	IROCON International	Industrials	(10)	(19)	(24)	(34)	(30)	76	Neuland Laboratories	Health Care	(9)	(2)	26	7	15
27	Inox Wind	Industrials	(14)	(16)	(24)	(34)	(29)	77	HBL Power System	Industrials	(27)	(13)	29	9	23
28	Tata Chemicals	Materials	(10)	(25)	(20)	(30)	(29)	78	NBCC	Industrials	(6)	(0)	(9)	9	18
29	CAMS Services	Industrials	(7)	(9)	(12)	(29)	(28)	79	Amber Enterprises	Consumer Discretionary	(12)	(21)	1	10	(11)
30	Afcons Infrastructure	Industrials	(4)	(15)	(13)	(28)	(29)	80	Aadhar Housing Finance	Financials	(4)	(11)	7	11	13
31	Amara Raja Energy & Mobility	Industrials	(4)	(10)	(7)	(27)	(23)	81	Sagility India	Industrials	(0)	12	24	17	1
32	Devyani International	Consumer Discretionary	(11)	(29)	(25)	(26)	(30)	82	Chola Financial	Financials	(8)	(8)	(10)	21	30
33	Trident	Consumer Discretionary	(5)	(10)	(12)	(25)	(19)	83	Aster DM Healthcare	Health Care	(10)	(1)	7	25	19
34	IFCI	Financials	(15)	(20)	(22)	(25)	(24)	84	Radico Khaitan	Consumer Staples	(7)	2	18	25	18
35	CDSL	Financials	(9)	(6)	(12)	(25)	(16)	85	Garden Reach	Industrials	(23)	(14)	(30)	27	38
36	Indian Energy Exchange	Financials	2	(6)	(25)	(25)	(23)	86	Karur Vysya Bank	Financials	(1)	16	22	28	38
37	BEML	Industrials	(16)	(23)	(23)	(24)	(17)	87	Hindustan Copper	Materials	9	29	46	29	48
38	Reliance Power	Utilities	(13)	(27)	(44)	(24)	(16)	88	Poonawalla Fincorp	Financials	(5)	(1)	5	30	41
39	Angel One	Financials	(12)	11	(13)	(21)	(15)	89	Redington	Information Technology	(8)	(6)	(7)	31	37
40	Five-Star Business Finance	Financials	(7)	9	(22)	(21)	(24)	90	IIFL Finance	Financials	0	27	15	35	36
41	Atul	Materials	(2)	(10)	(18)	(20)	(16)	91	Anand Rathii Wea.	Financials	(1)	(2)	43	42	52
42	Gillette India	Consumer Staples	(7)	(20)	(24)	(18)	(17)	92	Narayana Hrudayalaya	Health Care	(7)	4	(1)	45	47
43	Chambal Fertilisers	Materials	(6)	(20)	(20)	(17)	(11)	93	CreditAccess Gramin	Financials	(6)	(6)	11	46	44
44	KFin Technologies	Financials	(5)	(8)	(15)	(17)	(33)	94	MCX	Financials	3	27	26	49	61
45	Himadri Special	Materials	2	(1)	2	(16)	(20)	95	Manappuram Finance	Financials	1	(2)	6	58	52
46	Aarti Industries	Materials	(7)	(6)	(19)	(14)	(10)	96	Navin Fluorine International	Materials	(2)	19	26	71	82
47	Kalpataru Projects	Industrials	(7)	(9)	(4)	(13)	(11)	97	Laurus Labs	Health Care	(1)	13	53	77	68
48	SignatureGlobal	Real Estate	1	(1)	(12)	(13)	(17)	98	International Gemmological	Industrials	(6)	(18)	(14)	NA	(43)
49	CESC	Utilities	(6)	(1)	2	(12)	(11)	99	Inventurus Knowl	Health Care	4	8	(10)	NA	(13)
50	Mahanagar Gas	Utilities	(9)	(18)	(22)	(10)	(13)	100	Aegis Vopak Term	Energy	(2)	7	NA	NA	NA

Source: Bloomberg, Kotak Institutional Equities

Autos, banks and metals sectors did well in CY2025; realty and IT underperformed

Exhibit 19: Performance of various sectors (%)



Source: Bloomberg, Kotak Institutional Equities

We expect earnings of the Nifty-50 Index to grow 8% in FY2026 and 18% in FY2027

Exhibit 20: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2026E-28E (based on current constituents)

	Mcap. (US\$ bn)	Adj. mcap. (US\$ bn)	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
			2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E	2026E	2027E	2028E
Automobiles & Components	170	89	(14.7)	36.8	14.9	31.1	22.7	19.8	18.0	13.2	11.3	4.4	3.9	3.4	1.2	1.5	1.6	14.0	17.0	17.3
Banks	467	396	0.3	16.2	14.6	18.0	15.5	13.5	—	—	—	2.4	2.2	1.9	1.1	1.3	1.3	13.5	14.0	14.2
Capital Goods	123	75	4.1	26.3	22.0	39.6	31.3	25.7	22.6	18.2	15.8	6.8	5.8	5.1	0.7	0.9	1.0	17.1	18.6	19.7
Commodity Chemicals	29	14	7.9	12.5	13.8	61.3	54.5	47.9	40.2	36.3	32.2	12.7	11.7	10.8	1.0	1.2	1.4	20.6	21.5	22.6
Construction Materials	59	27	42.4	24.3	24.5	37.4	30.1	24.2	13.9	12.4	10.8	3.0	2.8	2.5	0.5	0.6	0.7	8.0	9.2	10.5
Consumer Staples	154	83	3.7	11.2	9.9	39.5	35.6	32.3	28.3	25.4	23.0	9.7	9.3	8.9	2.2	2.4	2.7	24.6	26.3	27.7
Diversified Financials	145	67	22.8	24.3	24.6	28.9	23.2	18.6	—	—	—	3.4	3.0	2.7	0.5	0.6	0.7	11.9	13.1	14.4
Electric Utilities	62	30	(1.9)	9.2	9.8	14.6	13.3	12.1	10.1	9.6	9.2	1.8	1.7	1.5	2.9	2.9	3.0	12.5	12.6	12.7
Health Care Services	23	17	21.4	33.7	26.3	60.2	45.0	35.6	33.6	26.1	21.3	9.5	8.0	6.7	0.2	0.3	0.3	15.8	17.8	18.7
IT Services	298	138	7.2	6.9	8.6	23.1	21.6	19.9	15.2	14.2	13.0	6.8	6.4	6.0	3.4	3.7	4.0	29.6	29.8	30.4
Insurance	41	19	16.3	16.3	16.4	75.4	64.8	55.7	—	—	—	10.7	9.6	8.6	0.3	0.3	0.4	14.2	14.9	15.5
Internet Software & Services	32	23	2.7	330.5	92.4	532.2	123.6	64.3	262.2	71.0	40.5	9.1	8.3	7.2	—	—	—	1.7	6.7	11.3
Metals & Mining	75	41	67.7	19.5	17.1	17.5	14.6	12.5	8.2	7.6	6.9	2.0	1.8	1.6	1.0	1.2	1.3	11.6	12.5	13.0
Oil, Gas & Consumable Fuels	291	136	14.8	15.2	11.1	16.3	14.1	12.7	8.9	7.6	6.7	1.9	1.7	1.5	1.5	1.6	1.6	11.4	11.9	12.0
Pharmaceuticals	73	39	(5.7)	8.4	16.9	30.8	28.4	24.3	19.8	18.2	15.6	4.3	3.8	3.4	0.6	0.7	0.8	13.9	13.5	14.0
Retailing	54	28	23.8	16.4	19.3	74.5	64.0	53.7	44.8	38.0	31.8	21.8	17.1	13.6	0.3	0.3	0.4	29.3	26.8	25.4
Telecommunication Services	137	65	41.7	41.2	28.9	43.0	30.5	23.6	11.3	9.4	7.9	9.5	7.9	6.5	0.9	1.2	1.4	22.1	26.0	27.5
Transportation	57	24	1.1	41.8	10.9	27.6	19.4	17.5	12.4	9.5	7.7	5.9	4.7	3.8	0.4	0.5	0.5	21.4	24.2	21.9
Nifty-50 Index	2,288	1,311	7.7	17.9	14.7	24.3	20.6	18.0	13.8	11.9	10.5	3.5	3.1	2.8	1.4	1.6	1.7	14.4	15.2	15.6
Nifty-50 Index (ex-energy)	1,997	1,175	6.2	18.6	15.6	26.2	22.1	19.1	15.8	13.7	12.0	4.0	3.6	3.2	1.4	1.6	1.7	15.3	16.3	16.8
Nifty-50 Index (ex-banks)	1,821	915	10.9	18.6	14.8	26.7	22.5	19.6	13.8	11.9	10.5	3.9	3.6	3.2	1.5	1.6	1.8	14.8	15.8	16.2

Notes:

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

Source: Kotak Institutional Equities estimates

We assume stable margins and profitability for the auto companies in FY2026 and modest improvement in FY2027

Exhibit 21: Gross margin and EBITDA margin of auto companies, March fiscal year-ends, 2019-28E (%)

	Gross margin (%)										EBITDA margin (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Apollo Tyres	42.2	44.5	46.0	40.9	40.4	46.2	43.7	45.9	46.3	46.4	11.2	11.9	16.1	12.3	13.5	17.5	13.7	15.5	15.8	16.0
Ashok Leyland	28.8	29.2	25.5	22.7	22.9	27.3	28.7	29.0	29.4	29.6	10.8	6.7	3.5	4.6	8.1	12.0	12.7	13.2	13.3	13.4
Bajaj Auto	26.9	28.3	28.1	25.4	27.2	27.8	28.2	28.7	28.6	28.5	17.1	17.0	17.8	15.9	18.0	19.7	20.2	20.5	20.6	20.7
Balkrishna Industries	53.9	56.6	59.9	55.3	51.0	52.5	52.5	51.0	50.9	49.5	26.8	28.5	31.8	26.2	20.2	25.1	25.4	23.0	23.9	22.7
Bharat Forge	44.0	41.4	42.9	45.4	39.6	40.8	43.7	44.3	44.1	45.2	20.3	13.8	13.6	19.3	13.7	16.3	17.8	18.0	19.1	19.8
CEAT	40.1	42.2	43.9	35.6	34.7	42.0	37.7	39.4	39.7	39.3	9.2	10.7	12.9	7.6	8.6	13.8	11.2	12.7	13.1	13.0
CIE Automotive	54.8	51.8	53.7	52.2	45.4	47.1	47.9	49.0	48.9	49.1	13.1	12.4	8.3	12.1	13.4	15.3	15.1	14.8	15.2	15.4
Eicher Motors	48.4	45.4	41.4	42.2	43.1	45.7	45.4	43.8	43.9	43.9	29.6	23.8	20.4	21.1	23.8	26.2	25.0	24.3	24.8	25.1
Endurance Technologies	42.1	46.0	45.5	41.4	39.5	40.9	42.9	43.5	42.8	42.4	15.0	16.3	15.9	12.8	11.8	13.0	13.4	13.6	14.2	14.7
Escorts	31.6	33.7	33.7	31.0	27.3	29.0	29.2	30.8	31.0	31.0	11.8	11.7	16.3	13.3	9.4	11.6	11.6	13.3	13.5	13.9
Exide Industries	34.2	36.4	34.5	30.7	30.1	30.9	31.3	30.9	31.0	31.1	13.3	13.8	13.5	11.3	10.7	11.7	11.4	11.2	12.4	12.6
Hero Motocorp	29.5	30.4	28.3	27.6	28.4	31.0	32.5	32.1	32.0	31.6	14.7	13.7	13.0	11.5	11.8	14.0	14.4	14.8	15.3	15.2
Hyundai Motors	—	—	23.5	24.4	25.3	26.1	27.8	29.7	29.4	29.3	—	—	10.4	11.6	12.5	13.1	12.9	13.6	13.8	14.1
Mahindra & Mahindra	31.9	33.4	32.4	26.3	24.0	25.3	25.9	24.5	25.0	25.0	14.2	14.2	15.6	12.3	12.3	13.3	14.7	14.6	15.3	15.4
Maruti Suzuki	30.8	29.7	27.7	25.2	26.6	28.6	28.6	27.4	27.6	27.7	12.8	9.7	7.6	6.5	9.4	11.6	11.7	11.3	12.6	12.8
MRF	39.6	40.8	42.3	34.9	32.9	40.1	36.3	36.6	36.9	36.9	14.4	14.6	18.2	10.6	10.4	16.9	14.5	15.2	15.8	16.0
Samvardhana Motherson	—	—	43.2	42.2	42.5	44.9	46.3	45.9	45.9	46.2	—	—	7.6	7.0	8.0	9.4	9.3	8.9	9.3	9.3
Schaeffler India	37.0	36.9	38.0	37.7	38.1	37.9	37.4	38.7	38.7	38.8	16.2	14.5	14.3	17.5	18.8	18.2	17.6	18.5	19.0	19.2
SKF	—	—	—	—	—	—	54.7	48.5	50.0	50.5	—	—	—	—	—	—	20.4	14.4	16.4	17.5
Sona BLW Precision	59.5	57.9	58.8	55.6	54.1	56.9	56.5	52.7	52.0	51.0	28.9	26.7	28.2	26.2	25.4	28.3	27.4	24.6	24.4	24.2
Tata Motors PV	—	—	—	—	—	—	39.5	35.2	37.0	37.9	—	—	—	—	—	—	12.8	6.2	9.9	11.5
Timken	44.2	46.8	44.3	45.8	40.9	41.0	39.6	39.9	39.1	39.6	17.3	22.4	17.9	23.2	20.0	19.7	18.8	19.1	19.3	19.7
TVS Motor	24.0	26.1	24.0	24.0	24.2	26.3	28.9	28.8	29.0	29.0	7.9	8.2	8.5	9.4	10.1	11.1	12.3	12.8	13.5	13.8
Uno Minda	38.7	38.8	38.5	36.6	35.7	35.4	35.2	35.9	35.1	34.9	12.3	10.8	11.4	10.7	11.1	11.3	11.2	11.7	11.4	11.4
Varroc Engineering	37.1	37.2	33.5	34.1	35.7	37.3	36.1	36.3	36.4	36.4	8.8	7.4	3.5	6.1	8.3	10.2	9.7	9.5	9.9	10.1

Source: Companies, Kotak Institutional Equities estimates

We expect a modest improvement in gross and EBITDA margins from low levels of FY2025

Exhibit 22: Gross and EBITDA margins of consumer companies, March fiscal year-ends, 2019-28E (%)

	Gross margin (%)										EBITDA margin (%)									
	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	2028E
Asian Paints	41.4	43.7	44.3	37.1	38.7	43.4	42.4	43.0	43.2	43.8	18.2	20.6	22.4	16.5	18.2	21.4	17.7	18.3	18.7	19.3
Avenue Supermart	15.0	15.1	14.9	14.8	15.1	14.8	14.8	14.9	14.9	14.9	8.2	8.6	7.2	8.1	8.5	8.1	7.6	7.5	7.6	7.6
Berger Paints	39.0	41.5	43.3	38.0	36.3	40.7	41.4	41.7	42.2	42.7	14.5	16.7	17.4	15.2	14.1	16.6	16.1	15.5	16.0	16.7
Britannia Industries	40.6	40.3	41.9	38.0	41.2	43.4	40.9	41.3	41.5	41.6	15.7	15.9	19.1	15.6	17.4	18.9	17.8	18.6	18.9	19.4
Colgate-Palmolive (India)	65.1	65.2	68.0	67.3	65.7	69.7	69.9	69.8	69.9	70.0	27.7	26.6	31.2	30.7	29.6	33.5	32.4	32.1	32.5	32.7
Dabur India	49.5	49.9	50.1	48.2	45.6	48.0	48.0	47.9	48.2	48.3	20.4	20.6	21.1	20.7	18.8	19.4	18.4	18.9	19.0	19.3
Godrej Consumer Products	55.8	57.0	55.3	50.5	49.7	55.2	54.5	53.3	54.7	54.7	20.5	21.6	21.7	19.5	18.3	20.9	20.9	20.6	21.8	21.9
Hindustan Unilever	53.0	54.1	52.9	50.9	47.3	51.5	50.9	50.6	51.3	51.7	22.6	24.8	24.6	24.4	23.0	23.5	23.2	22.8	23.3	23.6
ITC	61.5	62.2	56.1	53.4	56.3	58.8	54.2	54.4	54.6	54.8	38.5	39.2	34.1	33.6	36.3	37.4	34.7	33.7	34.6	34.7
Jubilant Foodworks	75.1	75.0	78.1	77.5	75.9	76.4	75.4	74.7	75.0	75.2	16.8	22.3	23.3	25.5	22.7	20.5	19.3	19.6	20.4	20.8
Jyothy Laboratories	46.5	47.4	47.1	41.6	42.3	49.1	50.1	48.3	48.2	48.1	15.5	14.7	16.5	11.3	12.7	17.4	17.5	16.0	15.8	15.8
Kansai Nerolac	36.2	38.1	37.9	30.0	30.0	35.5	35.3	35.5	35.7	35.9	14.3	15.8	17.8	10.5	11.2	13.8	13.0	13.0	13.2	13.6
Marico	45.2	48.8	46.9	42.9	45.2	50.8	50.3	44.9	50.8	51.8	17.5	20.1	19.8	17.7	18.5	21.0	19.7	17.2	19.7	20.6
Nestle India	59.1	57.5	57.3	56.7	53.8	55.9	56.4	55.4	56.4	56.4	23.7	22.9	23.7	23.6	21.7	23.6	23.2	22.9	23.7	24.1
Page Industries	58.0	55.5	55.4	56.0	55.8	54.4	56.8	59.5	59.0	59.0	21.7	18.1	18.6	20.2	18.3	18.8	21.5	21.8	22.5	23.0
Pidilite Industries	49.3	53.4	53.7	45.1	42.7	51.6	54.4	54.6	54.5	54.4	19.3	21.6	23.0	18.6	16.8	21.9	22.9	23.5	23.6	23.8
Tata Consumer Products	44.7	43.9	40.5	43.0	41.9	43.7	42.8	42.0	43.0	43.4	10.8	13.4	13.3	13.8	13.5	15.0	14.1	14.0	15.2	15.8
Titan Company	27.2	28.0	24.2	24.9	25.2	22.8	22.4	23.4	23.6	23.7	10.8	11.7	8.0	11.6	12.0	10.4	10.3	10.8	11.1	11.2
United Breweries	53.6	51.6	52.2	49.9	43.1	42.7	43.1	43.1	44.5	45.5	17.6	13.5	9.0	11.9	8.2	8.6	9.4	9.3	11.1	12.6
United Spirits	48.8	44.8	43.4	43.9	41.5	43.4	44.7	45.7	46.6	46.8	14.3	16.6	12.5	16.0	13.7	16.0	17.8	18.4	19.1	19.4
Varun Beverages	56.0	54.8	57.1	54.3	52.5	53.8	55.5	54.9	53.9	53.3	19.7	20.3	18.6	18.8	21.2	22.5	23.5	23.6	22.9	22.3

Source: Companies, Kotak Institutional Equities estimates

We estimate 20 mn tax filers to receive benefits from change in personal tax slabs

Exhibit 23: Estimate of benefits of income tax changes for individuals, March fiscal year-end, 2026

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

Notes:

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

Source: Income tax department, Union budget, Kotak Institutional Equities estimates

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

Exhibit 24: Benefit to households from GST rationalization, March fiscal year-end, 2024 (Rs bn)

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

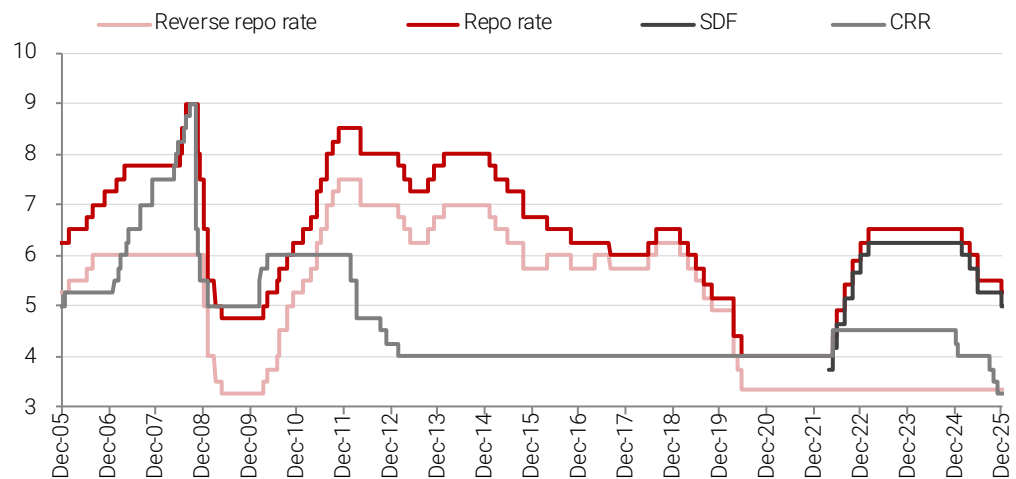
Notes:

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

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

RBI cut interest rates by 125 bps in CY2025

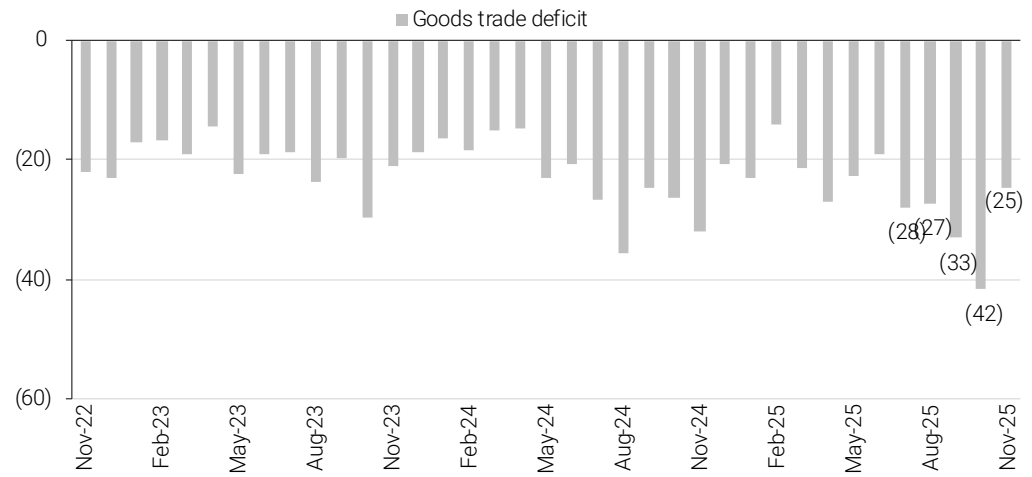
Exhibit 25: RBI's repo, reverse repo rates, SDF and cash reserve ratio (%)



Source: RBI, Kotak Institutional Equities

India's trade deficit worsened over July-November 2025

Exhibit 26: Trends in India's trade performance, March fiscal year-ends, 2023-26 (US\$ bn)



Source: CEIC, Kotak Institutional Equities

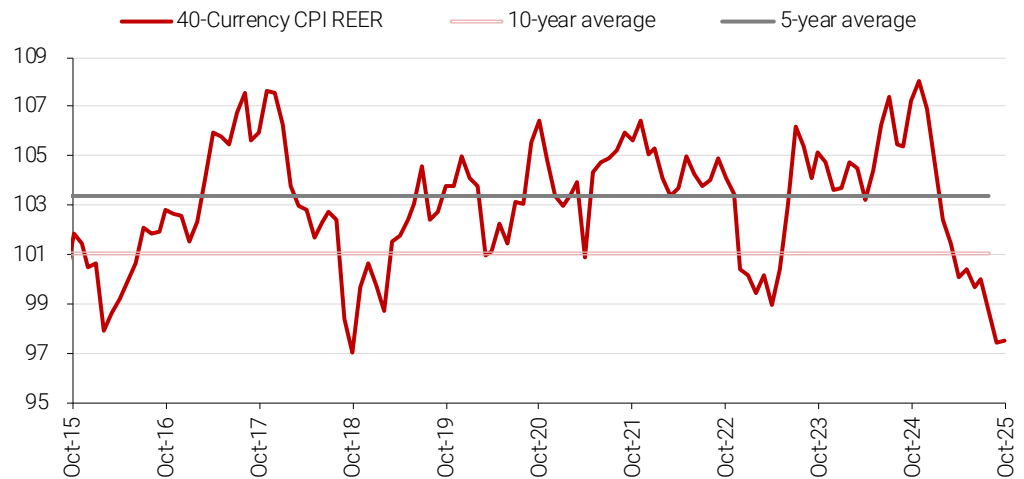
We estimate CAD/GDP at 1.5% in FY2027E
Exhibit 27: India's balance of payments, March fiscal year-ends, 2019-26E (US\$ bn)

	2019	2020	2021	2022	2023	2024	2025	2026E	2027E	
									Oil@65	Oil@70
Current account balance	(57.3)	(24.7)	23.9	(38.8)	(67.1)	(26.1)	(23.1)	(55.2)	(57.9)	(67.2)
GDP	2,705	2,835	2,674	3,167	3,345	3,638	3,911	4,082	4,352	4,352
CAB/GDP (%)	(2.1)	(0.9)	0.9	(1.2)	(2.0)	(0.7)	(0.6)	(1.4)	(1.3)	(1.5)
Trade balance	(180)	(158)	(102)	(189)	(265)	(245)	(287)	(342)	(359)	(369)
Trade balance/GDP (%)	(6.7)	(5.6)	(3.8)	(6.0)	(7.9)	(6.7)	(7.3)	(8.4)	(8.3)	(8.5)
- Exports	337	320	296	429	456	441	442	446	457	460
- oil exports	47	41	26	67	97	84	63	60	60	63
- non-oil exports	291	279	270	362	359	357	379	385	397	397
- Imports	518	478	398	619	721	686	729	787	817	829
- oil imports	141	131	83	162	209	179	186	182	178	190
- non-oil imports	377	347	316	457	512	508	543	605	639	639
- gold imports	33	28	35	46	35	46	63	74	87	87
Invisibles (net)	123	133	126	151	198	219	264	287	301	301
- Services	82	85	89	108	143	163	189	205	216	216
- Transfers	70	75	73	80	101	106	123	135	140	140
- Income (net)	(29)	(27)	(36)	(37)	(46)	(50)	(48)	(53)	(55)	(55)
Capital account	54	83	64	86	59	90	17	39	50	50
Capital account/GDP (%)	2.0	2.9	2.4	2.7	1.8	2.3	0.4	1.0	1.1	1.1
Foreign investment	30	44	80	22	23	54	5	11	22	22
- FDI	31	43	44	39	28	10	1	10	12	12
- FPI	(1)	1	36	(17)	(5)	44	4	1	10	10
Banking capital	7	(5)	(21)	7	21	41	(10)	8	8	8
Short-term credit	2	(1)	(4)	20	7	(1)	7	5	5	5
ECBs	10	23	(0)	8	(4)	(0)	16	10	10	10
External assistance	3	4	11	5	6	7	6	5	5	5
Overall balance	(3.3)	59.5	87.3	47.5	(9.1)	63.7	(5.0)	(16.2)	(7.9)	(17.2)
Memo items										
Average USD/INR	69.9	70.9	74.2	74.5	80.3	82.8	84.6	88.2	90.8	90.8
Average Brent (US\$/bbl)	70.0	60.9	44.8	80.0	95.4	82.9	78.2	67.0	65.0	70.0

Source: RBI, Kotak Institutional Equities estimates

INR is significantly undervalued on REER basis

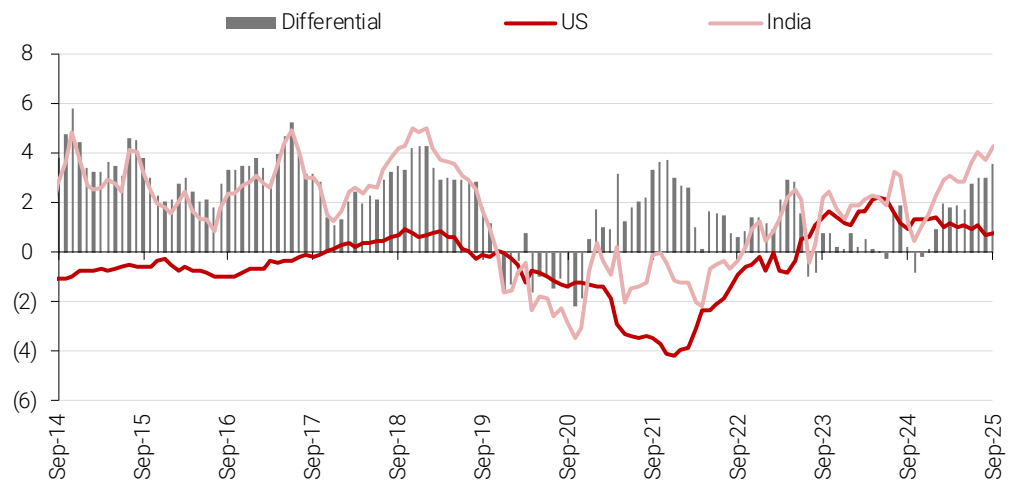
Exhibit 28: Real effective exchange rate of Indian currency (X)



Source: CEIC, Kotak Institutional Equities

Real interest rate differential has widened in recent months

Exhibit 29: Trend of 2-year real yields (CPI adjusted) of government bonds of US and India (%)



Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 30: KIE large-cap. model portfolio

Company	Price (Rs) 17-Dec-25	KIE weight (%)
Automobiles & Components		
Mahindra & Mahindra	3,613	3.3
Automobiles & Components		3.3
Banks		
Axis Bank	1,225	6.4
Canara Bank	150	2.1
HDFC Bank	984	9.1
ICICI Bank	1,352	9.4
IndusInd Bank	834	2.1
State Bank of India	976	7.7
Banks		36.8
Capital Goods		
ABB	5,171	1.8
L&T	4,062	4.1
Capital Goods		5.9
Diversified Financials		
Aadhar Housing Finance	477	1.5
Bajaj Finserv	2,021	2.4
Shriram Finance	864	1.6
Diversified Financials		5.5
Electronic Manufacturing Services		
Dixon Technologies	13,274	1.5
Electronic Manufacturing Services		1.5
Health Care Services		
Apollo Hospitals	6,922	2.8
Dr Lal Pathlabs	2,816	1.5
Health Care Services		4.3
Insurance		
HDFC Life Insurance	754	2.0
ICICI Prudential Life	631	2.0
Insurance		4.0

Company	Price (Rs) 17-Dec-25	KIE weight (%)
Internet Software & Services		
Eternal	284	1.8
Internet Software & Services		1.8
IT Services		
Infosys	1,602	6.2
Tech Mahindra	1,579	1.5
IT Services		7.7
Oil, Gas & Consumable Fuels		
Reliance Industries	1,544	9.1
Oil, Gas & Consumable Fuels		9.1
Pharmaceuticals		
Cipla	1,497	2.3
Lupin	2,113	1.4
Mankind Pharma	2,111	1.2
Sun Pharmaceuticals	1,793	1.4
Pharmaceuticals		6.2
Specialty Chemicals		
Pidilite Industries	1,451	1.7
Specialty Chemicals		1.7
Real Estate		
Embassy Office Parks REIT	433	1.5
Lodha Developers	1,064	1.1
Real Estate		2.6
Telecommunication Services		
Bharti Airtel	2,108	4.6
Telecommunication Services		4.6
Transportation		
Adani Ports and SEZ	1,486	3.2
Interglobe Aviation	4,981	1.8
Transportation		5.0
BSE-30	84,560	100

Source: Kotak Institutional Equities estimates

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

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

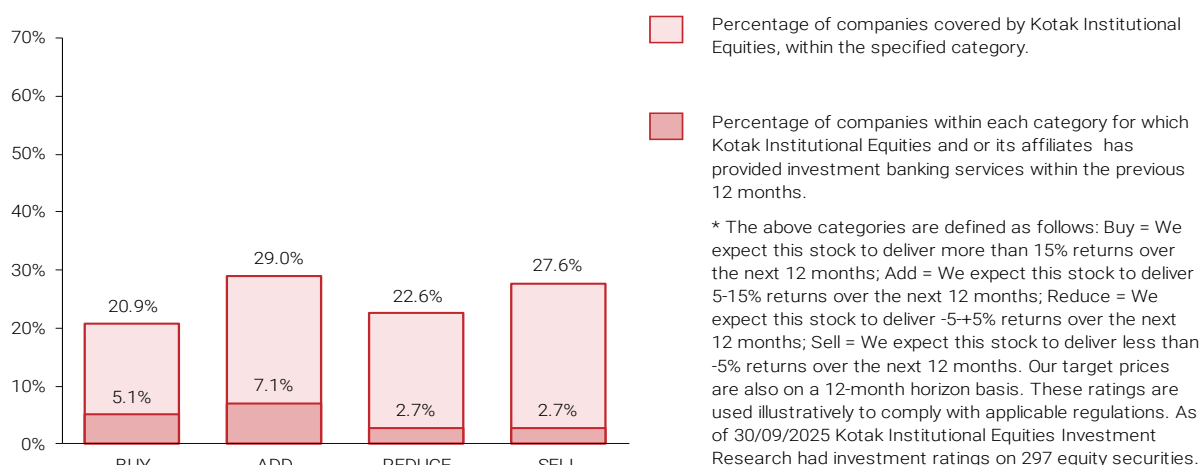
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

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

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