

# Strategy

June 16, 2025

## Iran-Israel conflict and India

The sudden emergence of the Iran-Israel conflict and the risks of further escalation (1) raise concerns about India's hitherto solid macroeconomic position and (2) highlight the higher geopolitical risks in the new world order. The market has largely found solace in the former to deflect arguments against rich valuations of the Indian market and ignored the latter.

### Iran-Israel conflict—just what India did not need

The emergence and escalation of the Iran-Israel conflict may have negative consequences for the Indian economy and market, especially as the rich valuations of the Indian market, sectors and stocks (see Exhibits 1-8) leave very little scope for any negative developments. The impact will depend on the duration, magnitude and nature of the conflict. The impact on the economy will be felt through higher oil prices, while the impact on the market will be felt through lower earnings and/or lower multiples (higher cost of capital).

### Limited scope for earnings, fiscal or monetary surprise now

(1) On earnings (see Exhibit 9), earnings upgrades for upstream oil producers will be negated by downgrades for the downstream oil PSU companies and consumers of oil-related commodities. (2) On the fiscal side, the government may have no scope for fiscal stimulus. (3) On the monetary part, the RBI has already done its bit in the last policy meeting (large 50 bps policy rate and 100 bps CRR cuts) and signaled its inability to do more except for in exceptional situations.

### Macroeconomic risks: The oil situation has turned sharply and suddenly

The sharp increase in global oil prices (see Exhibit 10) in the past few days and the risks of oil prices rising further and staying at elevated levels may weaken India's macroeconomic position. India's macro was looking quite solid, given the low oil prices (see Exhibit 11). In fact, we were hopeful of a fiscal stimulus from the government through lower automotive retail prices and/or lower GST rates (see Exhibits 12-14); see our June 10 report (link). We would clarify that India's economy will not be affected meaningfully by US\$10-20/bbl higher prices, given the size of the economy. Nonetheless, higher oil prices could weaken one of the central arguments for high valuations of the Indian market.

### Geopolitical risks: Higher geopolitical risks demand higher equity risk premium

The emergence of another regional conflict and the evanescence of the UN and Europe (in its erstwhile colonies) and the US as global peacekeepers in the erstwhile "rule of law" world order highlight the increased geopolitical risks in the new "rule of might" world order. We have long argued for a higher cost of capital to factor in (1) higher geopolitical risks, (2) higher probability of regional conflicts between regional powers and (3) more frequent disruptions to global investment and trade. The current Iran-Israel conflict could easily descend into (1) another proxy war between economic and military superpowers and (2) prolonged disruption to crude oil supply (see Exhibits 15-16) with disruption to the movement of oil and gas tankers in the critical Strait of Hormuz.

### Key estimates summary

	2025	2026E	2027E
<b>Nifty estimates</b>			
Earnings growth (%)	6.4	12.3	15.3
Nifty EPS (Rs)	1,013	1,128	1,301
Nifty P/E (X)	24.4	21.9	19.0
<b>Macro data</b>			
Real GDP (%)	6.5	6.2	6.5
Avg CPI inflation (%)	4.6	3.5	4.2

Source: Company data, Kotak Institutional Equities estimates

### Quick Numbers

Nifty-50 Index is trading at 21.2X 1-year forward 'EPS'

US\$1/bbl change in crude oil price results in US\$1.7-1.8 bn impact on the Indian economy

Iran produces 3.4 mn b/d of crude oil but exports 1.6 mn b/d of crude oil; total CY2024 global oil consumption was around 103 mn b/d

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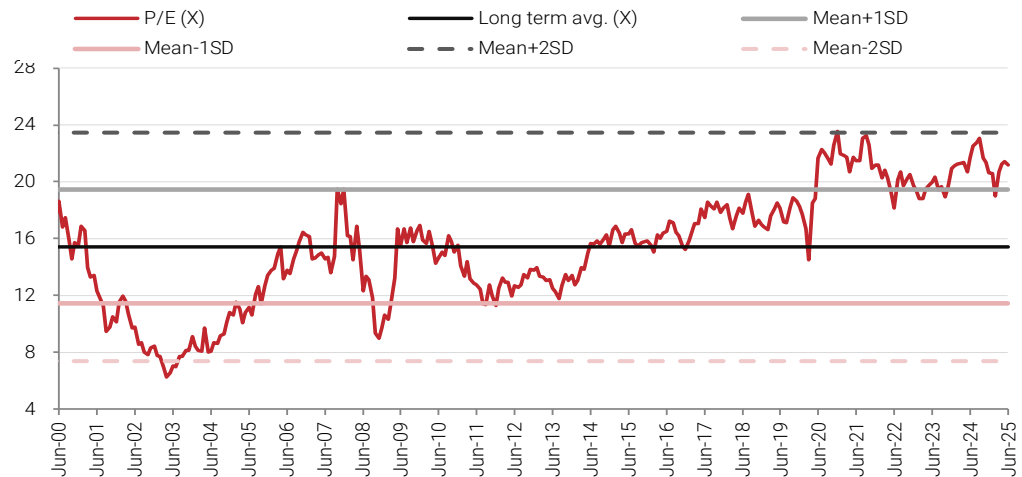
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## Nifty-50 index trading at elevated multiples

Exhibit 1: 12-m rolling forward PE of Nifty-50 Index, March fiscal year-ends, 2001-26 (X)



Source: Companies, Kotak Institutional Equities estimates

## Bulk of individual components of Nifty-50 Index companies are trading at expensive valuations compared to history

Exhibit 2: 12-month rolling forward P/E and P/B valuation for Nifty-50 stocks, March fiscal year-end, 2013-26 (X)

Company	Sector	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
<b>Banking companies</b>															
Axis Bank	Banks	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	1.8
Bajaj Finance	Diversified Financials	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 Finserv	Diversified Financials	1.4	1.2	1.8	1.8	3.6	3.6	3.9	2.0	4.2	7.3	5.0	3.0	3.3	3.2
HDFC Bank	Banks	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.6	3.0	2.8	2.2	2.6	2.6
HDFC Life Insurance	Insurance	NA	NA	NA	NA	NA	17.1	11.2	11.3	14.6	9.4	6.2	8.7	8.1	8.7
ICICI Bank	Banks	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	3.0
IndusInd Bank	Banks	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
Jio Financial Services	Diversified Financials	—	—	—	—	—	—	—	—	—	—	—	—	1.0	1.4
Kotak Mahindra Bank	Banks	2.8	2.8	3.9	3.3	3.7	3.6	3.8	3.2	3.9	3.2	2.9	2.6	2.5	2.4
SBI Life Insurance	Insurance	NA	NA	NA	NA	NA	8.9	6.5	6.4	7.4	8.4	7.3	8.9	8.0	8.8
Shriram Finance	Diversified Financials	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	2.0
State Bank of India	Banks	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.3	1.5	1.3	1.7	1.5	1.5
<b>Non-banking companies</b>															
Adani Ports and SEZ	Transportation	15	18	23	18	19	18	17	10	23	23	17	27	21	24
Apollo Hospitals	Health Care Services	30	31	43	41	40	41	43	33	59	54	50	61	49	52
Asian Paints	Commodity Chemicals	33	36	38	38	45	44	51	48	64	65	54	48	49	48
Bajaj Auto	Automobiles & Components	14	16	15	16	18	17	17	12	19	18	17	30	22	24
Bharat Electronics	Capital Goods	NA	NA	NA	NA	21	18	13	10	15	19	21	35	39	47
Bharti Airtel	Telecommunication Services	23	23	24	23	34	52	NM	70	47	31	27	36	34	33
Eternal	Internet Software & Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	111	122	177
Cipla	Pharmaceuticals	18	19	30	20	24	20	22	18	24	25	20	27	23	24
Coal India	Oil, Gas & Consumable Fuels	11	11	13	12	13	12	9	5	6	6	6	9	7	7
Dr Reddy's Laboratories	Pharmaceuticals	17	18	23	20	21	19	21	21	24	21	18	19	16	21
Eicher Motors	Automobiles & Components	16	24	38	33	33	29	21	17	29	25	23	25	29	29
Grasim Industries	Construction Materials	8	11	13	12	14	16	21	19	54	37	42	92	163	253
HCL Technologies	IT Services	14	15	18	13	14	14	14	10	18	21	18	24	23	25
Hero Motocorp	Automobiles & Components	14	16	16	17	17	18	13	10	16	14	13	20	15	17
Hindalco Industries	Metals & Mining	6	11	8	13	9	9	8	5	10	8	9	11	10	10
Hindustan Unilever	Consumer Staples	28	33	40	39	41	47	50	56	58	47	52	46	47	49
Infosys	IT Services	16	15	19	18	15	16	18	15	26	30	21	23	22	23
ITC	Consumer Staples	28	27	24	23	29	25	26	13	17	18	23	24	23	23
JSW Steel	Metals & Mining	8	11	9	18	11	13	11	7	11	9	12	14	21	18
L&T	Capital Goods	15	22	28	21	23	23	19	11	19	21	22	31	26	26
Mahindra & Mahindra	Automobiles & Components	14	15	19	18	20	19	15	9	20	18	16	21	23	26
Maruti Suzuki	Automobiles & Components	13	17	21	18	22	26	23	18	28	30	23	28	22	24
Nestle India	Consumer Staples	34	35	44	41	47	50	51	63	65	62	63	72	62	64
NTPC	Electric Utilities	10	10	13	10	12	11	11	6	7	8	9	15	15	14
ONGC	Oil, Gas & Consumable Fuels	9	8	9	10	10	8	7	6	6	4	4	7	6	8
Power Grid	Electric Utilities	11	10	12	10	11	10	10	7	9	11	10	16	16	16
Reliance Industries	Oil, Gas & Consumable Fuels	11	11	10	11	13	13	17	13	22	23	19	24	21	23
Sun Pharmaceuticals	Pharmaceuticals	23	20	29	24	21	25	23	17	23	26	24	35	31	32
Tata Consumer Products	Consumer Staples	17	18	19	16	18	26	23	31	50	53	46	61	56	58
Tata Motors	Automobiles & Components	7	7	8	9	12	8	10	9	18	19	14	15	10	11
Tata Steel	Metals & Mining	8	9	9	29	11	8	8	6	7	6	10	16	15	15
TCS	IT Services	20	19	20	18	17	19	22	20	30	31	24	28	24	24
Tech Mahindra	IT Services	11	13	15	13	12	16	14	11	16	21	16	23	23	26
Titan Company	Retailing	25	28	33	31	41	56	54	44	68	75	57	74	56	62
Trent	Retailing	43	36	40	27	44	56	53	59	43	43	79	109	88	89
Ultratech Cement	Construction Materials	16	24	23	28	34	31	32	20	32	26	30	31	37	34
Wipro	IT Services	14	15	16	14	14	15	15	11	20	24	15	21	20	20

Source: Factset, Kotak Institutional Equities

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

Exhibit 3: 12-m forward P/E multiple of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

		12-m forward P/E multiple (X)															
Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	22	24
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	29
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	15	17
Mahindra & Mahindra	Automobiles & Components	14	14	14	15	19	18	20	19	15	9	20	18	16	21	23	26
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	22	24
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	23
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	38
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	31
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	57	53
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	34
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	51
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	36
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	50	52
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	42	42
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	49
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47	49
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	64
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	58
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	57
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	52
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	76
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56	62
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	88	89
Pidilite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	61

Source: Factset, Kotak Institutional Equities

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

Exhibit 4: 12-m forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-26E

		12-m forward P/E multiple (X)															
Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25	25
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	55
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	34
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42	47
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	28	32
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	26	27
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	33	32
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	58	59
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	45	41
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	29	34
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	67	70
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	54	58
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	48
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	61
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	38	40
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	38	40
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	160
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	47
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	36
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	134
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	118

Source: Factset, Kotak Institutional Equities

## Most investment stocks are trading at expensive valuations

Exhibit 5: 12-m forward P/E multiple of investment stocks in KIE universe, March fiscal year-ends, 2011-26E

Company	Sector	12-m forward P/E multiple (X)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	64	69	73	87	56	60
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39	47
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	34	38
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	37	38
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	62
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	41
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	19	21
Kalpataru Projects	Capital Goods	9	8	6	7	15	15	16	19	16	5	10	10	12	20	17	20
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	20	22
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26	26
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	58	57
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	49	48
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	62	52
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	50	48
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	32	29
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	64	70
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	74
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	39

Source: Factset, Kotak Institutional Equities

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

Exhibit 6: 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)															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	42
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	17	20
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	18	21	18	24	23	25
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	22	23
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	39	40
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	32
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	50
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	47
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	35	39
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	26
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	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	62
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	21
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	27
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31	32
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	23	22
Mankind Pharma	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	43	44
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	46

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 7: 12 m forward P/B multiple of banks in KIE universe, March fiscal year ends, 2011-26E

		12-m forward P/B multiple (X)																
Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current	
AU Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	7.0	4.6	3.0	5.9	4.6	3.1	2.6	2.1	2.8	
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	1.8	
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	0.9	
City Union Bank	Banks	1.5	1.4	1.4	1.3	2.0	1.7	2.3	2.6	2.8	1.6	1.9	1.4	1.2	1.1	1.2	1.4	
DCB Bank	Banks	1.3	1.3	1.0	1.2	1.9	1.2	2.2	1.8	2.0	0.8	0.9	0.6	0.7	0.7	0.6	0.8	
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	1.2	
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	2.6	
ICICI Bank	Banks	2.2	1.6	1.7	1.8	2.1	1.5	1.8	1.7	2.3	1.7	2.5	2.7	2.7	2.9	3.0	3.0	
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	1.4	
Punjab National Bank	Banks	1.6	1.1	0.7	0.8	0.7	0.6	1.0	0.6	1.0	0.4	0.5	0.4	0.6	1.3	0.8	0.9	
State Bank of India	Banks	1.9	1.7	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.3	1.5	1.3	1.7	1.5	1.5	
Ujjivan Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.4	1.6	0.9	1.0	1.4	1.0	1.4	
Union Bank	Banks	1.4	0.9	0.8	0.5	0.6	0.6	0.7	0.5	0.6	0.3	0.5	0.4	0.6	1.1	0.8	0.9	

Source: Factset, Kotak Institutional Equities

## NBFCs are trading at fair valuations

Exhibit 8: 12 m forward P/B multiple of financial stocks in KIE universe, March fiscal year ends, 2011-26E

Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
12-m forward P/B multiple (X)																	
Aavas Financiers	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	4.7	3.9	7.0	6.4	3.4	2.4	3.3	2.8
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.4
Aptus Value Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.2	3.1	3.6	3.0	3.1
Bajaj Finance	Diversified Financials	1.6	1.4	1.5	1.9	3.5	4.2	5.7	5.3	7.3	3.4	7.1	8.4	5.2	5.0	5.0	4.9
Cholamandlam	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	4.4
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	3.0	3.1
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	1.6
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	1.6
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	3.0
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	2.0
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	36
ABSL AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19	22
CAMS	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37.4	34	29	35	36	39
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	48
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	31	38
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	32
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	44	52
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	24.7	24.3	24.1	33.8	26	17	27	25	32
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.9	20	14	15	16	19

Source: Factset, Kotak Institutional Equities

## We expect earnings of the Nifty-50 Index to grow 12% in FY2026 and 15% in FY2027E currently

### Exhibit 9: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025-27E (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 (%)		
			2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E	2025	2026E	2027E
Automobiles & Components	174	93	11.5	4.5	15.5	22.4	21.4	18.5	12.1	11.8	9.9	4.4	3.8	3.4	1.4	1.5	1.7	19.5	18.0	18.2
Banks	469	403	9.2	0.2	17.0	17.2	17.2	14.7	—	—	—	2.5	2.3	2.0	1.0	1.2	1.3	14.7	13.2	13.8
Capital Goods	124	73	33.6	8.7	27.2	39.7	36.5	28.7	26.1	23.9	20.5	5.7	5.0	4.4	0.6	0.7	0.9	14.5	13.7	15.2
Commodity Chemicals	25	12	(26.2)	4.8	15.4	52.7	50.3	43.5	34.8	32.5	30.2	10.9	10.1	9.3	1.1	1.2	1.5	20.8	20.1	21.4
Construction Materials	59	27	(23.8)	53.4	23.2	50.7	33.1	26.9	16.9	13.0	11.5	3.0	2.8	2.6	0.6	0.6	0.7	6.0	8.6	9.7
Consumer Staples	162	86	(5.2)	6.7	10.4	41.0	38.4	34.8	29.9	27.7	25.0	9.9	9.7	9.3	2.4	2.3	2.5	24.1	25.2	26.7
Diversified Financials	141	63	23.8	19.2	23.7	31.2	26.2	21.2	—	—	—	3.4	3.1	2.8	0.5	0.5	0.6	11.0	12.0	13.1
Electric Utilities	68	33	7.3	9.5	8.1	15.0	13.7	12.7	10.1	9.0	8.6	2.1	1.9	1.7	2.8	2.9	3.0	13.8	13.8	13.6
Health Care Services	12	8	61.1	25.9	28.9	69.6	55.2	42.9	34.1	28.3	22.7	12.2	10.3	8.6	0.3	0.3	0.3	17.6	18.7	20.0
IT Services	324	148	8.9	5.2	9.4	25.5	24.3	22.2	16.8	16.0	14.6	7.5	7.0	6.6	3.0	3.2	3.6	29.4	29.0	29.9
Insurance	39	18	21.9	16.3	16.3	80.0	68.8	59.1	—	—	—	10.8	9.8	8.8	0.2	0.3	0.3	13.5	14.2	14.9
Internet Software & Services	28	20	50.1	152.0	97.4	456.1	181.0	91.7	342.3	145.7	66.0	7.9	7.4	6.8	—	—	—	1.7	4.1	7.4
Metals & Mining	67	36	5.7	91.6	16.1	24.9	13.0	11.2	9.7	7.0	6.3	2.0	1.7	1.5	1.1	1.4	1.6	7.9	13.4	13.8
Oil, Gas & Consumable Fuels	289	134	(10.4)	20.9	11.8	17.6	14.6	13.0	9.7	8.1	7.0	1.9	1.8	1.6	1.6	1.6	1.6	11.0	12.1	12.2
Pharmaceuticals	74	41	16.0	0.3	7.2	28.2	28.1	26.2	19.6	19.0	17.6	4.7	4.1	3.7	0.8	0.7	0.8	16.5	14.6	13.9
Retailing	58	31	20.3	24.9	20.4	94.9	76.0	63.2	56.6	47.6	40.0	29.4	22.6	17.6	0.2	0.3	0.3	31.0	29.7	27.9
Telecommunication Services	128	60	80.1	52.7	30.7	54.2	35.5	27.2	13.2	9.8	8.1	9.7	8.3	6.9	0.8	1.1	1.3	17.9	23.3	25.4
Transportation	35	12	26.1	21.1	13.7	26.8	22.1	19.4	18.0	15.6	13.0	4.9	4.1	3.5	0.5	0.6	0.7	18.2	18.5	17.8
<b>Nifty-50 Index</b>	<b>2,278</b>	<b>1,298</b>	<b>6.4</b>	<b>12.3</b>	<b>15.3</b>	<b>24.7</b>	<b>22.0</b>	<b>19.1</b>	<b>14.6</b>	<b>12.6</b>	<b>11.1</b>	<b>3.6</b>	<b>3.3</b>	<b>2.9</b>	<b>1.4</b>	<b>1.5</b>	<b>1.7</b>	<b>14.6</b>	<b>14.8</b>	<b>15.3</b>
<b>Nifty-50 Index (ex-energy)</b>	<b>1,989</b>	<b>1,164</b>	<b>10.9</b>	<b>10.4</b>	<b>16.1</b>	<b>26.2</b>	<b>23.8</b>	<b>20.5</b>	<b>16.6</b>	<b>14.4</b>	<b>12.7</b>	<b>4.1</b>	<b>3.7</b>	<b>3.3</b>	<b>1.4</b>	<b>1.5</b>	<b>1.7</b>	<b>15.7</b>	<b>15.6</b>	<b>16.2</b>
<b>Nifty-50 Index (ex-banks)</b>	<b>1,809</b>	<b>895</b>	<b>5.3</b>	<b>17.3</b>	<b>14.7</b>	<b>27.8</b>	<b>23.7</b>	<b>20.7</b>	<b>14.6</b>	<b>12.6</b>	<b>11.1</b>	<b>4.0</b>	<b>3.7</b>	<b>3.3</b>	<b>1.5</b>	<b>1.6</b>	<b>1.8</b>	<b>14.6</b>	<b>15.4</b>	<b>15.9</b>

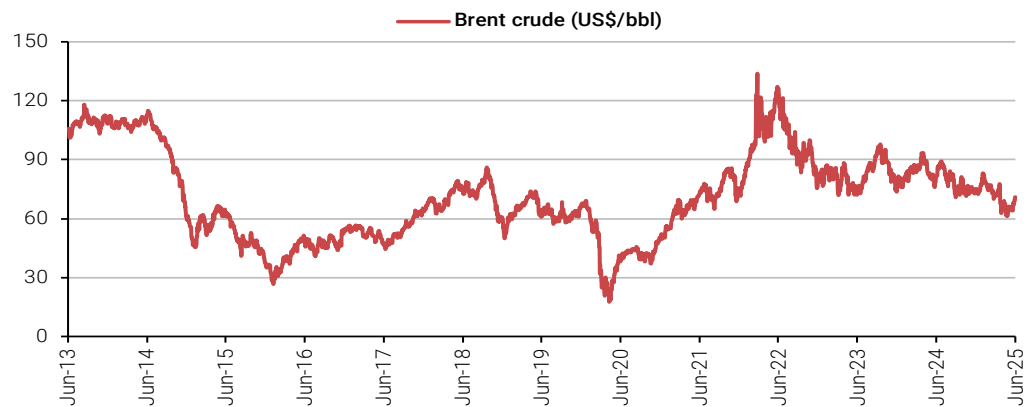
Notes:

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

Source: Companies, Kotak Institutional Equities estimates

## Crude oil prices have increased in the past few days

### Exhibit 10: Brent crude price (US\$/bbl)



Source: Bloomberg, Kotak Institutional Equities

## India's macro position was stable-to-improving prior to the Iran-Israel conflict

### Exhibit 11: Summary of key macro metrics for India

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025E	2026E	2027E
<b>Real economy</b>												
Real GDP growth (% yoy)	8.0	8.3	6.8	6.5	3.9	(5.8)	9.7	7.6	9.2	6.5	6.2	6.5
Nominal GDP growth (% yoy)	10.5	11.8	11.0	10.6	6.4	(1.2)	18.9	14.0	12.0	9.8	8.9	10.0
CPI Inflation (% yoy, average)	4.9	4.5	3.6	3.4	4.8	6.2	5.5	6.7	5.4	4.6	3.5	4.2
<b>Public Finance</b>												
Consolidated Fiscal Deficit (% of GDP)	7.0	7.0	5.9	5.8	7.3	13.2	9.5	9.1	8.5	7.7	7.3	7.1
- Centre	3.9	3.5	3.5	3.4	4.6	9.2	6.8	6.4	5.6	4.8	4.4	4.3
- States	3.1	3.5	2.4	2.4	2.6	4.1	2.8	2.7	2.9	2.9	2.9	2.8
<b>Monetary Policy</b>												
Repo Rate (% EOP)	6.75	6.25	6.00	6.25	4.40	4.00	4.00	6.50	6.50	6.25	5.00	5.00
Reverse Repo/SDF Rate (% EOP)	5.75	5.75	5.75	6.00	4.00	3.35	3.35	6.25	6.25	6.00	4.75	4.75
CRR (%)	4.0	4.0	4.0	4.0	3.0	3.5	4.0	4.5	4.5	4.0	4.0	4.0
SLR (%)	21.5	20.5	19.5	19.3	18.3	18.0	18.0	18.0	18.0	18.0	18.0	18.0
3-month T-bill (% EOP)	7.13	5.78	6.09	6.14	4.24	3.27	3.77	6.88	6.95	6.30	5.20	5.30
10-year G-Sec (% EOP)	7.47	6.68	7.40	7.35	6.14	6.17	6.84	7.31	7.05	6.40	5.75	6.00
<b>External sector</b>												
Current Account Balance (US\$ bn)	(22.2)	(14.4)	(48.7)	(57.3)	(24.7)	23.9	(38.8)	(67.1)	(26.1)	(27.4)	(43.3)	(54.7)
Current Account Balance (% of GDP)	(1.1)	(0.6)	(1.8)	(2.1)	(0.9)	0.9	(1.2)	(2.0)	(0.7)	(0.7)	(1.0)	(1.2)
- Goods trade deficit (US\$ bn)	(130)	(112)	(160)	(180)	(158)	(102)	(189)	(265)	(245)	(282)	(299)	(311)
- Goods trade deficit (% of GDP)	(6.2)	(4.9)	(6.0)	(6.7)	(5.6)	(3.8)	(6.0)	(7.9)	(6.9)	(7.2)	(7.1)	(6.8)
Balance of Payments (US\$ bn)	17.9	21.6	43.6	(3.3)	59.5	87.3	47.5	(9.1)	63.7	(10.6)	(3.5)	(2.0)
Crude oil (USD/bbl, average)	47.5	49.0	57.6	70.0	60.9	44.8	80.0	95.4	82.9	78.9	70.0	75.0
INR/USD (average)	65.4	67.2	64.5	69.9	70.9	74.2	74.5	80.3	82.8	84.6	86.6	88.0

Source: CEIC, Bloomberg, Kotak Institutional Equities estimates

## Effective GST rates can be cut by as much as 65 bps

### Exhibit 12: Estimated cut in GST rate through savings on auto fuels, March fiscal year-end, 2026 (%)

	Pass through GST rate cuts (%)		
	33	50	100
<b>Annualized savings from auto fuel (Rs tn)</b>	<b>1.2</b>	<b>1.2</b>	<b>1.2</b>
FY2025 GST collections (Rs tn)	22	22	22
Cut in GST revenues (Rs tn)	0.4	0.6	1.2
Cut in GST revenues (%)	1.8	2.8	5.5
Current effective GST rate (%)	11.5	11.5	11.5
New effective GST rate (%)	11.3	11.2	10.9
<b>Net cut in effective GST rate (bps)</b>	<b>21</b>	<b>32</b>	<b>64</b>

Source: Ministry of Finance, Kotak Institutional Equities estimates

### Indian households and government can see meaningful savings from lower automobile fuel prices

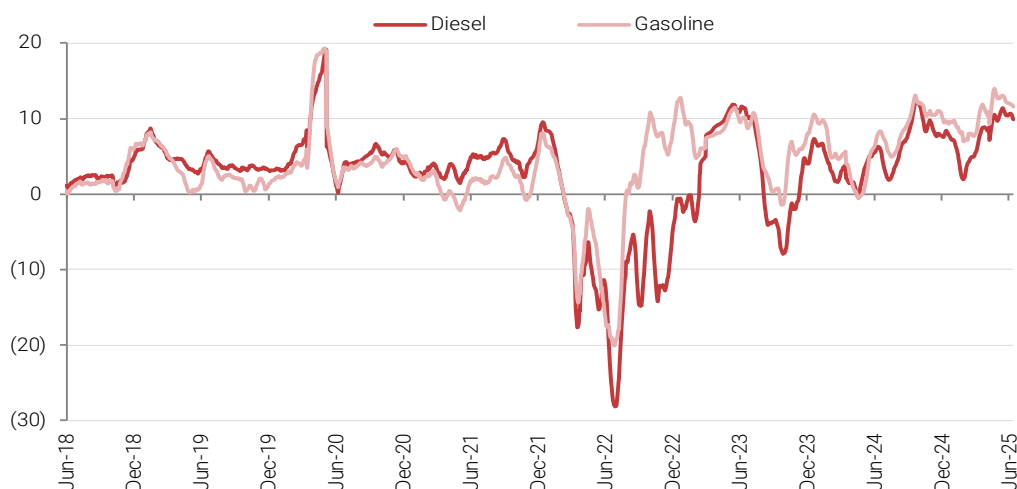
Exhibit 13: Estimated savings from normalized auto fuel marketing margins, March fiscal year-end, 2026 (Rs bn)

	Marketing margins (Rs/liter)		
	3.0	3.5	4.0
FY2025 diesel consumption (mn tons)	91	91	91
FY2025 diesel consumption (bn liters)	111	111	111
Current marketing margins (Rs/liter)	10.3	10.3	10.3
<b>Savings at normalized margins (Rs bn)</b>	<b>806</b>	<b>750</b>	<b>695</b>
FY2025 gasoline consumption (mn tons)	40	40	40
FY2025 gasoline consumption (bn liters)	56	56	56
Current marketing margins (Rs/liter)	11.8	11.8	11.8
<b>Savings at normalized margins (Rs bn)</b>	<b>498</b>	<b>470</b>	<b>442</b>
<b>Total savings (Rs bn)</b>	<b>1,304</b>	<b>1,220</b>	<b>1,137</b>

Source: Kotak Institutional Equities estimates

### Marketing margins on auto fuels have been at elevated levels in CYTD25

Exhibit 14: Marketing margins on diesel and gasoline, Calendar year-ends, 2018-25 (Rs/liter)



Source: PPAC, Kotak Institutional Equities estimates



### Global oil demand-supply can be disrupted, if the conflict between Iran and Israel extends over a longer period

Exhibit 15: Estimated global crude demand, supply and prices, Calendar year-ends, 2018-26E

	2018	2019	2020	2021	2022	2023	2024	2025E	2026E
<b>Demand (mn b/d)</b>									
<b>Total demand</b>	<b>99.2</b>	<b>99.7</b>	<b>91.9</b>	<b>97.7</b>	<b>100.0</b>	<b>102.0</b>	<b>102.9</b>	<b>103.9</b>	<b>105.0</b>
Yoy growth	1.3	0.5	(7.8)	5.8	2.3	2.0	0.9	1.0	1.1
<b>Supply (mn b/d)</b>									
Non-OPEC	63.6	65.6	63.0	63.8	66.9	69.3	70.2	71.7	72.7
Yoy growth	3.7	2.0	(2.6)	0.8	3.2	2.4	0.9	1.5	1.0
OPEC									
Crude	31.4	29.5	25.7	26.4	27.9	27.4	27.2	27.0	27.0
NGLs	5.5	5.4	5.1	5.1	5.4	5.5	5.5	5.7	5.7
Total OPEC	36.9	34.9	30.8	31.5	33.3	32.9	32.7	32.7	32.7
<b>Total supply</b>	<b>100.5</b>	<b>100.5</b>	<b>93.8</b>	<b>95.3</b>	<b>100.2</b>	<b>102.3</b>	<b>103.0</b>	<b>104.4</b>	<b>105.4</b>
Total stock change	1.2	0.8	1.9	(2.4)	0.2	0.3	0.1	0.5	0.4
<b>World GDP growth (%)</b>	<b>3.6</b>	<b>2.9</b>	<b>(2.7)</b>	<b>6.6</b>	<b>3.6</b>	<b>3.5</b>	<b>3.3</b>	<b>2.8</b>	<b>3.0</b>

Source: IEA, Kotak Institutional Equities estimates

### Iran produces 3.4 mn b/d of crude oil, while total crude production by OPEC is at 27 mn b/d

Exhibit 16: Monthly crude production of major oil producing economies, March 2023-April 2025 (mn b/d)

	Mar-23	Mar-24	Sep-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Algeria	1.0	0.9	0.9	0.9	0.9	0.9	0.9	0.9
Congo	0.3	0.2	0.3	0.3	0.2	0.2	0.2	0.2
Equatorial Guinea	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
Gabon	0.2	0.2	0.2	0.3	0.3	0.2	0.2	0.2
Iraq	4.4	4.3	4.3	4.2	4.3	4.4	4.2	4.2
Kuwait	2.7	2.4	2.5	2.5	2.5	2.5	2.6	2.5
Nigeria	1.3	1.4	1.3	1.5	1.5	1.4	1.4	1.5
Saudi Arabia	10.4	9.0	9.0	9.0	9.1	9.0	9.1	9.0
UAE	3.3	3.2	3.3	3.2	3.2	3.3	3.3	3.3
<b>Total OPEC-9</b>	<b>23.6</b>	<b>21.7</b>	<b>21.9</b>	<b>22.0</b>	<b>22.0</b>	<b>22.1</b>	<b>22.0</b>	<b>21.9</b>
Iran	2.7	3.2	3.4	3.4	3.3	3.4	3.4	3.4
Libya	1.2	1.2	0.6	1.2	1.2	1.2	1.2	1.2
Venezuela	0.7	0.9	0.9	0.9	0.9	1.0	1.0	0.8
<b>Total OPEC</b>	<b>28.1</b>	<b>26.9</b>	<b>26.8</b>	<b>27.5</b>	<b>27.4</b>	<b>27.7</b>	<b>27.6</b>	<b>27.4</b>
Azerbaijan	0.5	0.5	0.5	0.5	0.5	0.5	0.5	0.5
Kazakhstan	1.6	1.6	1.5	1.5	1.6	1.8	1.8	1.8
Mexico	1.7	1.6	1.6	1.6	1.4	1.5	1.5	1.5
Oman	0.8	0.8	0.8	0.8	0.7	0.8	0.8	0.8
Russia	9.6	9.4	9.2	9.1	9.2	9.1	9.2	9.3
Others	1.8	0.8	0.7	0.8	0.8	0.7	0.7	0.7
Total Non-OPEC	16.1	14.7	14.2	14.1	14.2	14.3	14.4	14.5
<b>Total</b>	<b>44.2</b>	<b>41.6</b>	<b>41.0</b>	<b>41.6</b>	<b>41.6</b>	<b>42.0</b>	<b>41.9</b>	<b>42.0</b>

Source: IEA, Kotak Institutional Equities

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

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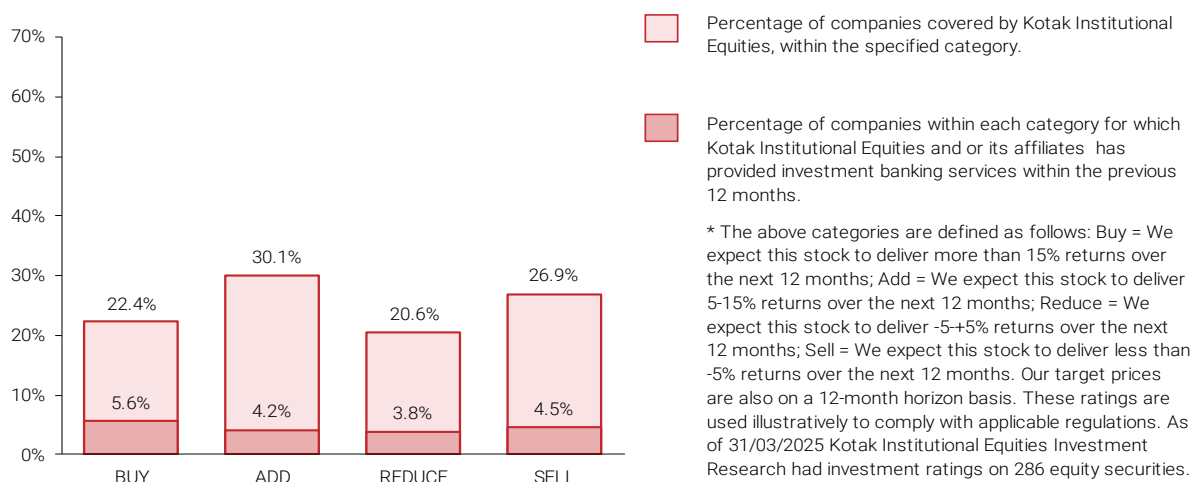
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