Strategy

October 30, 2025

With or without AI

The exponential growth in market cap. of AI-related stocks in major DMs and select EMs has been the key driver behind their recent large outperformance versus RoW. The negligible presence of India in the AI-value chain and high share of 'traditional' sectors in the Indian market may result in the Indian market being shunned by global investors until the AI excitement moderates.

AI-driven stocks have been the primary driver of market cap. in major countries

The sharp increase in the market cap. of global technology stocks, primarily driven by their exponential spending on AI-related computing power, has resulted in the AI-related stocks and AI-heavy markets outperforming global indices (see Exhibit 1). The major AI-related listed companies in the US, China, Japan, South Korea and Taiwan contributed 14-58% of the incremental market cap. of these countries over the past three years (see Exhibits 2-6). The recent announcements of AI-related stocks (see Exhibit 7) and consequent increase in stock prices suggest that global markets continue to chase the narrative.

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

Our analysis of the market cap. of top-25 Indian stocks over the past three years shows that the Indian market continues to be dominated by traditional (or even sunset) sectors (see Exhibit 8). We note that most of these companies have delivered modest revenue/moderate PAT growth over the past three years, even as they continue to enjoy elevated multiples (see Exhibit 9). The market's expectation of Indian stocks appears to be driven solely by expectations of industry growth led by per capita income growth.

The ongoing decline in global cost of capital may continue to benefit AI-theme

The recent cut in US Federal Fund rates, with expectations of a 50 bps cut in interest rates over the next 12 months (see Exhibits 10-11), is likely to reduce the global cost of capital over this period. This could sustain the market's faith in the AI narrative and allow global risk capital to continue to take an expansive view of (1) the large investment into computing power by AI-related companies and (2) the low cashflow generation of AI-related stocks. Exhibit 12 shows the current market cap. of AI-value chain versus major markets.

India may not benefit much from an increase in foreign flows of risk capital

The lack of integration of India in the global-AI value chain and high valuations for most sectors and stocks in India have resulted in India being a natural funding market for AI-theme-driven global capital flows. India's best hope to regain interest from global risk capital could be a deflation of the AI bubble. Most observers agree about a bubble but there is no consensus on the duration and magnitude or even the nature of the bubble. Nonetheless, a sharp decline in the global cost of capital may still favor select Indian companies, which are currently delivering high growth but are generating low cashflows (see Exhibit 13).

Key estimates summary

	2026E	2027E	2028E
Nifty estimates			
Earnings growth (%)	10.1	16.3	13.8
Nifty EPS (Rs)	1,097	1,281	1,460
Nifty P/E (X)	23.7	20.3	17.8
Macro data			
Real GDP (%)	6.5	6.5	6.5
Avg CPI inflation (%)	2.1	4.1	4.0

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

Bloomberg AI Index is up 67% and 48% in the past six and 12 months

Bloomberg AI Index is the second-largest market cap. in the world after the US market

Eight AI stocks have accounted for 50% of the increase in the US market cap. in the past three years

Full sector coverage on KINSITE

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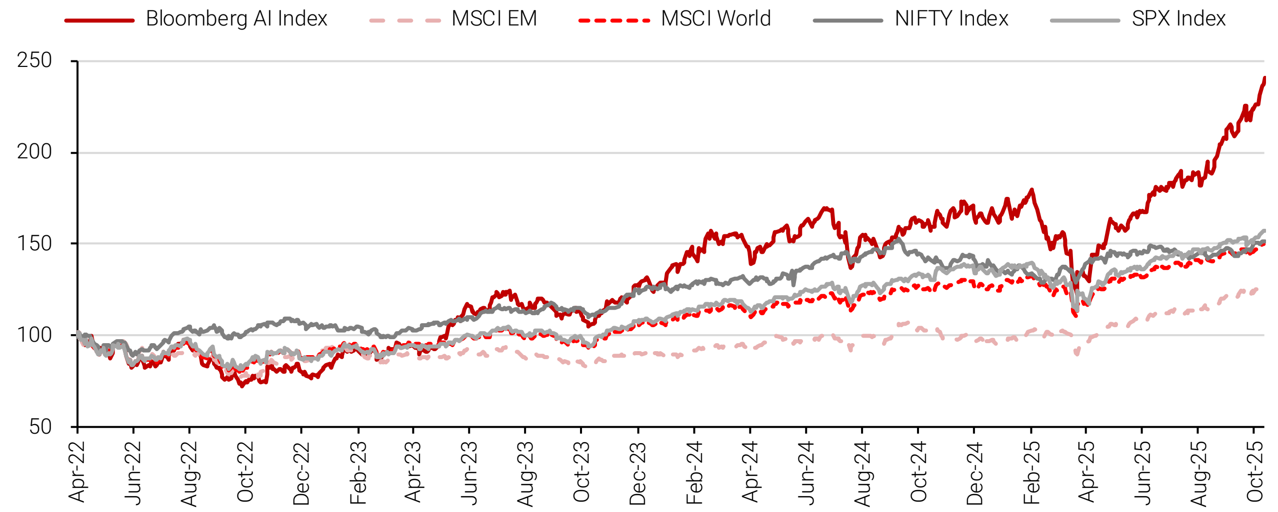
AI stocks have delivered sharp outperformance versus rest of the world in CYTD25

Exhibit 1: Performance of Bloomberg AI Index, SPX Index and Nifty Index (base=100)



Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 2: Current and 3Y back top-25 companies by market cap. in China

Current			3Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Tencent Holdings	Communication Services	767	Tencent Holdings	Communication Services	252
Alibaba Group Holding	Consumer Discretionary	423	Kweichow Moutai Co-A	Consumer Staples	232
Agricultural Bank of China-H	Financials	386	Ind & Comm Bk of China-H	Financials	191
Ind & Comm Bk of China-H	Financials	365	Alibaba Group Holding	Consumer Discretionary	166
China Construction Bank-H	Financials	271	China Construction Bank-H	Financials	135
Contemporary Amperex Techn-H	Industrials	258	China Mobile-H	Communication Services	131
Kweichow Moutai Co-A	Consumer Staples	251	Agricultural Bank of China-H	Financials	129
China Mobile-H	Communication Services	243	Contemporary Amperex Techn-A	Industrials	125
Bank of China-H	Financials	237	Petrochina Co-H	Energy	114
Petrochina Co-H	Energy	229	Bank of China-H	Financials	114
Foxconn Industrial Interne-A	Information Technology	218	Meituan-Class B	Consumer Discretionary	98
China Life Insurance Co-H	Financials	154	China Merchants Bank-H	Financials	91
China Merchants Bank-H	Financials	148	AIA Group	Financials	90
Xiaomi Corp-Class B	Information Technology	148	BYD Co-H	Consumer Discretionary	86
Ping An Insurance Group Co-H	Financials	143	China Life Insurance Co-H	Financials	84
BYD Co-H	Consumer Discretionary	129	Ping An Insurance Group Co-H	Financials	83
CNOOC-H	Energy	126	China Shenhua Energy Co-H	Energy	72
China Shenhua Energy Co-H	Energy	118	Wuliangye Yibin Co-A	Consumer Staples	71
Zijin Mining Group Co-H	Materials	115	China Petroleum & Chemical-H	Energy	63
AIA Group	Financials	99	China Yangtze Power Co-A	Utilities	63
China Yangtze Power Co-A	Utilities	98	Cnooc-H	Energy	59
Postal Savings Bank of Chi-H	Financials	98	JD.Com Inc-Class A	Consumer Discretionary	58
Semiconductor Manufacturi-H	Information Technology	97	Nongfu Spring Co-H	Consumer Staples	57
Netease Inc	Communication Services	90	Shenzhen Mindray Bio-Medic-A	Health Care	54
China Petroleum	Energy	88	Longi Green Energy Technol-A	Information Technology	50
AI companies		**1,653**			**417**
Top-25 companies market cap.		**5,299**			**2,668**
Total market cap.		**13,240**			**8,999**

Source: Bloomberg, Kotak Institutional Equities

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

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

Current			3Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Toyota Motor Corp.	Consumer Discretionary	328	Toyota Motor Corp.	Consumer Discretionary	226
Softbank Group Corp.	Communication Services	255	NTT Inc.	Communication Services	100
Mitsubishi Ufj Financial	Financials	183	Keyence Corp.	Information Technology	92
Sony Group Corp.	Consumer Discretionary	170	Sony Group Corp.	Consumer Discretionary	85
Hitachi	Industrials	148	Softbank Group Corp.	Communication Services	74
Fast Retailing Co.	Consumer Discretionary	114	Kddi Corp.	Communication Services	68
Advantest Corp.	Information Technology	111	Mitsubishi Ufj Financial	Financials	63
Nintendo Co.	Communication Services	109	Daiichi Sankyo Co.	Health Care	62
Sumitomo Mitsui Financial	Financials	104	Fast Retailing Co.	Consumer Discretionary	59
Tokyo Electron	Information Technology	102	Nintendo Co.	Communication Services	53
Keyence Corp.	Information Technology	96	Recruit Holdings Co.	Industrials	52
Mitsubishi Heavy Industries	Industrials	99	Oriental Land Co.	Consumer Discretionary	49
Mitsubishi Corp.	Industrials	97	Softbank Corp.	Communication Services	47
NTT Inc.	Communication Services	94	Daikin Industries	Industrials	44
Itochu Corp.	Industrials	92	Hitachi	Industrials	44
Mizuho Financial Group Inc	Financials	83	Shin-Etsu Chemical Co.	Materials	44
Recruit Holdings Co.	Industrials	78	Tokyo Electron	Information Technology	42
Chugai Pharmaceutical Co.	Health Care	75	Takeda Pharmaceutical Co.	Health Care	42
Tokio Marine Holdings Inc.	Financials	73	Honda Motor Co.	Consumer Discretionary	41
Mitsui & Co.	Industrials	72	Itochu Corp.	Industrials	41
Softbank Corp.	Communication Services	68	Mitsubishi Corp.	Industrials	40
Kddi Corp.	Communication Services	67	Denso Corp.	Consumer Discretionary	39
Japan Tobacco Inc.	Consumer Staples	64	Chugai Pharmaceutical Co.	Health Care	39
Shin-Etsu Chemical Co.	Materials	59	Sumitomo Mitsui Financial	Financials	39
Mitsubishi Electric Corp.	Industrials	58	Tokio Marine Holdings Inc.	Financials	37
AI companies		**669**			**295**
Top-25 companies market cap.		**2,800**			**1,522**
Total market cap.		**7,634**			**4,931**

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 4: Current and 3Y back top-25 companies by market cap. in South Korea

Current			3Y back		
		Market cap.			Market cap.
Company	**GICS Sector**	**(US$ bn)**	**Company**	**GICS Sector**	**(US$ bn)**
Samsung Electronics Co.	Information Technology	434	Samsung Electronics Co.	Information Technology	248
SK Hynix Inc	Information Technology	291	LG Energy Solution	Industrials	86
LG Energy Solution	Industrials	81	Samsung Biologics Co.	Health Care	44
Samsung Biologics Co.	Health Care	62	SK Hynix Inc	Information Technology	42
Doosan Enerbility Co.	Industrials	40	Samsung SDI Co.	Information Technology	35
Hyundai Motor Co.	Consumer Discretionary	38	LG Chem	Materials	31
HD Hyundai Heavy Industries	Industrials	37	Hyundai Motor Co.	Consumer Discretionary	25
Hanwha Aerospace Co.	Industrials	36	Naver Corp.	Communication Services	19
Kia Corp	Consumer Discretionary	32	Celltrion Inc	Health Care	19
KB Financial Group Inc	Financials	31	Kia Corp.	Consumer Discretionary	19
Hanwha Ocean Co.	Industrials	30	Kakao Corp.	Communication Services	16
Naver Corp	Communication Services	28	Samsung C&T Corp.	Industrials	16
Celltrion Inc.	Health Care	28	Posco Holdings Inc	Materials	15
Samsung C&T Corp	Industrials	27	Hyundai Mobis Co.	Consumer Discretionary	14
SK Square Co.	Industrials	27	KB Financial Group Inc	Financials	14
Shinhan Financial Group	Financials	25	Shinhan Financial Group	Financials	13
Hd Korea Shipbuilding & Offs	Industrials	23	SK Innovation Co.	Energy	11
Samsung Life Insurance Co.	Financials	22	SK Inc	Industrials	11
Hd Hyundai Electric Co.	Industrials	22	Posco Future M Co.	Industrials	11
Kakao Corp.	Communication Services	20	Samsung Life Insurance Co.	Financials	9
Hyundai Mobis Co.	Consumer Discretionary	20	Lg Electronics Inc	Consumer Discretionary	9
LG Chem	Materials	20	Kt&G Corp.	Consumer Staples	9
Korea Electric Power Corp	Utilities	19	Korea Zinc Co.	Materials	9
Samsung Heavy Industries	Industrials	19	LG Corp.	Industrials	9
Samsung SDI Co.	Information Technology	19	Hana Financial Group	Financials	9
AI companies		**744**			**326**
Top-25 companies market cap.		**1,433**			**743**
Total market cap.		**2,649**			**1,443**

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 5: Current and 3Y back top-25 companies by market cap. in Taiwan

Current			3Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Taiwan Semiconductor	Information Technology	1,275	Taiwan Semiconductor Manufac	Information Technology	313
Hon Hai Precision Industry	Information Technology	119	Hon Hai Precision Industry	Information Technology	44
Delta Electronics Inc	Information Technology	85	Mediatek Inc	Information Technology	29
Mediatek Inc.	Information Technology	68	Chunghwa Telecom Co.	Communication Services	27
Fubon Financial Holding Co.	Financials	42	Formosa Petrochemical Corp.	Energy	24
Quanta Computer Inc.	Information Technology	38	Delta Electronics Inc.	Information Technology	21
Chunghwa Telecom Co.	Communication Services	33	Fubon Financial Holding Co.	Financials	20
Ase Technology Holding Co.	Information Technology	32	Nan Ya Plastics Corp.	Materials	17
Cathay Financial Holding Co.	Financials	31	Formosa Plastics Corp.	Materials	16
Ctbc Financial Holding Co.	Financials	28	Cathay Financial Holding Co.	Financials	15
Wiwynn Corp.	Information Technology	26	United Microelectronics Corp.	Information Technology	15
Mega Financial Holding Co.	Financials	20	China Steel Corp.	Materials	13
United Microelectronics Corp.	Information Technology	19	Mega Financial Holding Co.	Financials	13
Accton Technology Corp.	Information Technology	19	Formosa Chemicals & Fibre	Materials	13
Asustek Computer Inc.	Information Technology	17	Ctbc Financial Holding Co.	Financials	12
Asia Vital Components	Information Technology	18	Uni-President Enterprises Co.	Consumer Staples	12
Yageo Corporation	Information Technology	17	Ase Technology Holding Co.	Information Technology	11
E.Sun Financial Holding Co.	Financials	16	Taiwan Cooperative Financial	Financials	11
Wistron Corp.	Information Technology	16	Taiwan Mobile Co.	Communication Services	10
TS Financial Holding Co.	Financials	15	E.Sun Financial Holding Co.	Financials	10
Yuanta Financial Holding Co.	Financials	15	First Financial Holding Co.	Financials	10
Lite-On Technology Corp.	Information Technology	14	Hotai Motor Company	Consumer Discretionary	10
Uni-President Enterprises Co.	Consumer Staples	15	Evergreen Marine Corp.	Industrials	9
Elite Material Co.	Information Technology	15	Hua Nan Financial Holdings	Financials	9
Formosa Petrochemical Corp.	Energy	14	President Chain Store Corp.	Consumer Staples	9
AI companies		**1,446**			**363**
Top-25 companies market cap.		**2,006**			**693**
Total market cap.		**3,260**			**1,399**

Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 6: Current and 3Y back top-25 companies by market cap. in the US

Current			3Y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Nvidia Corp.	Information Technology	5,031	Apple Inc	Information Technology	2,439
Microsoft Corp.	Information Technology	4,025	Microsoft Corp.	Information Technology	1,730
Apple Inc	Information Technology	4,002	Alphabet Inc-Cl C	Communication Services	1,224
Alphabet Inc	Communication Services	3,324	Amazon.Com Inc	Consumer Discretionary	1,045
Amazon.Com Inc	Consumer Discretionary	2,456	Tesla Inc	Consumer Discretionary	719
Meta Platforms Inc-Class A	Communication Services	1,888	Berkshire Hathaway Inc-Cl B	Financials	651
Broadcom Inc	Information Technology	1,823	Unitedhealth Group Inc	Health Care	519
Tesla Inc	Consumer Discretionary	1,535	Exxon Mobil Corp	Energy	456
Berkshire Hathaway Inc-Cl A	Financials	1,026	Johnson & Johnson	Health Care	455
JPMorgan Chase & Co	Financials	840	Visa Inc-Class A Shares	Financials	442
Walmart Inc	Consumer Staples	817	Walmart Inc	Consumer Staples	386
Oracle Corp	Information Technology	785	Jpmorgan Chase & Co	Financials	369
Eli Lilly & Co	Health Care	770	Chevron Corp.	Energy	354
Visa Inc-Class A Shares	Financials	672	Eli Lilly & Co.	Health Care	344
Mastercard Inc - A	Financials	501	Nvidia Corp.	Information Technology	336
Exxon Mobil Corp	Energy	496	Procter & Gamble Co/The	Consumer Staples	319
Palantir Technologies Inc-A	Information Technology	472	Mastercard Inc - A	Financials	316
Netflix Inc	Communication Services	466	Home Depot Inc	Consumer Discretionary	303
Johnson & Johnson	Health Care	450	Bank of America Corp.	Financials	289
Advanced Micro Devices	Information Technology	429	Pfizer Inc	Health Care	261
Costco Wholesale Corp.	Consumer Staples	404	Abbvie Inc	Health Care	259
Abbvie Inc	Health Care	398	Coca-Cola Co/The	Consumer Staples	259
Bank of America Corp.	Financials	389	Merck & Co. Inc.	Health Care	256
Home Depot Inc	Consumer Discretionary	376	Pepsico Inc	Consumer Staples	250
Procter & Gamble Co/The	Consumer Staples	348	Meta Platforms Inc-Class A	Communication Services	247
AI companies		**20,994**			**5,977**
Top-25 companies market cap.		**33,724**			**14,231**
Total market cap.		**72,300**			**41,265**

Source: Bloomberg, Kotak Institutional Equities

AI companies are currently investing among themselves to build a large eco-system

Exhibit 7: Companies that have signed major deals with OpenAI

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

Source: Companies, media reports, Kotak Institutional Equities

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

Exhibit 8: Current and 3y back top-25 companies by market cap. in India

Current			3y back		
Company	GICS Sector	Market cap. (US$ bn)	Company	GICS Sector	Market cap. (US$ bn)
Reliance Industries	Energy	228	Reliance Industries	Energy	208
HDFC Bank	Financials	175	TCS	Information Technology	141
Bharti Airtel	Communication Services	140	HDFC Bank	Financials	101
TCS	Information Technology	124	Infosys	Information Technology	78
ICICI Bank	Financials	110	ICICI Bank	Financials	76
SBI	Financials	98	Hindustan Unilever	Consumer Staples	72
Bajaj Finance	Financials	74	State Bank of India	Financials	62
Infosys	Information Technology	70	Bharti Airtel	Communication Services	58
Hindustan Unilever	Consumer Staples	66	HDFC	Financials	54
Life Insurance Corporation	Financials	64	Bajaj Finance	Financials	52
Larsen & Toubro	Industrials	62	ITC	Consumer Staples	52
ITC	Consumer Staples	60	Adani Total Gas	Utilities	48
Maruti Suzuki India	Consumer Discretionary	58	Life Insurance Corporation	Financials	46
Mahindra & Mahindra	Consumer Discretionary	49	Adani Enterprises	Industrials	46
Kotak Mahindra Bank	Financials	48	Kotak Mahindra Bank	Financials	46
HCL Technologies	Information Technology	47	Adani Energy Solutions	Utilities	45
Sun Pharmaceutical	Health Care	46	Adani Green Energy	Utilities	40
Axis Bank	Financials	44	Asian Paints	Materials	36
Ultratech Cement	Materials	40	Maruti Suzuki India	Consumer Discretionary	35
Bajaj Finserv	Financials	38	L&T	Industrials	34
NTPC	Utilities	38	HCL Technologies	Information Technology	34
Titan Co.	Consumer Discretionary	38	Avenue Supermarts	Consumer Staples	34
ONGC	Energy	36	Axis Bank	Financials	34
Eternal	Consumer Discretionary	36	Bajaj Finserv	Financials	32
Adani Ports and SEZ	Industrials	36	Titan Co.	Consumer Discretionary	30
Top-25 companies market cap.		**1,826**			**1,495**
Total market cap.		**5,350**			**3,304**

Source: Bloomberg, Kotak Institutional Equities

A number of the top-25 Indian companies delivered moderate growth over the past three years

Exhibit 9: Earnings growth and valuation data for top-25 companies by market cap. in India, March fiscal year-ends, 2026E-28E

		Market cap.	3y CAGR (%)		P/E (X)			P/B (X)		
Company	GICS Sector	(US$ bn)	Net sales	PAT	2026E	2027E	2028E	2026E	2027E	2028E
Reliance Industries	Energy	228	11	6	27.0	22.1	19.1	2.2	2.0	1.8
HDFC Bank	Financials	175	18	22	20.4	17.6	15.5	2.8	2.5	2.2
Bharti Airtel	Communication Services	140	14	100	40.3	29.5	23.0	9.1	7.6	6.3
TCS	Information Technology	124	10	8	20.9	20.0	18.4	10.5	9.6	8.8
ICICI Bank	Financials	110	18	26	19.2	17.4	15.6	3.0	2.6	2.3
SBI	Financials	98	12	31	14.4	11.5	10.0	1.8	1.6	1.4
Bajaj Finance	Financials	74	27	34	31.9	25.5	20.2	5.9	5.0	4.2
Infosys	Information Technology	70	10	6	21.9	20.4	18.6	6.0	5.8	5.5
Hindustan Unilever	Consumer Staples	66	6	5	56.4	50.5	45.6	12.1	11.7	11.3
Life Insurance Corporation	Financials	64	7	127	11.3	10.8	10.8	3.4	2.8	2.3
Larsen & Toubro	Industrials	62	18	19	30.2	24.1	20.3	6.0	5.2	4.4
ITC	Consumer Staples	60	7	9	25.4	23.5	21.8	7.4	7.1	6.8
Maruti Suzuki India	Consumer Discretionary	58	20	58	29.0	25.3	23.2	4.9	4.4	3.9
Mahindra & Mahindra	Consumer Discretionary	49	26	33	28.3	25.6	23.6	5.5	4.6	4.0
Kotak Mahindra Bank	Financials	48	19	22	19.5	22.5	18.8	2.5	2.4	2.1
HCL Technologies	Information Technology	47	11	9	23.8	21.9	20.3	5.7	5.4	5.0
Sun Pharmaceutical	Health Care	46	11	14	35.8	30.3	25.3	5.1	4.5	3.9
Axis Bank	Financials	44	18	27	16.6	12.8	11.1	2.0	1.7	1.5
Ultratech Cement	Materials	40	13	3	40.6	34.8	28.3	4.6	4.2	3.8
Bajaj Finserv	Financials	38	23	25	25.1	20.4	16.2	4.5	3.9	3.3
NTPC	Utilities	38	12	12	13.9	13.1	12.3	1.6	1.5	1.4
Titan Co.	Consumer Discretionary	38	28	19	71.5	61.2	52.0	22.1	17.6	14.1
ONGC	Energy	36	8	(9)	6.1	5.6	5.4	0.8	0.7	0.7
Eternal	Consumer Discretionary	36	69	(176)	560.8	133.9	69.6	9.6	9.0	7.8
Adani Ports and SEZ	Industrials	36	25	26	23.3	20.5	17.3	4.3	3.6	3.1

Notes:

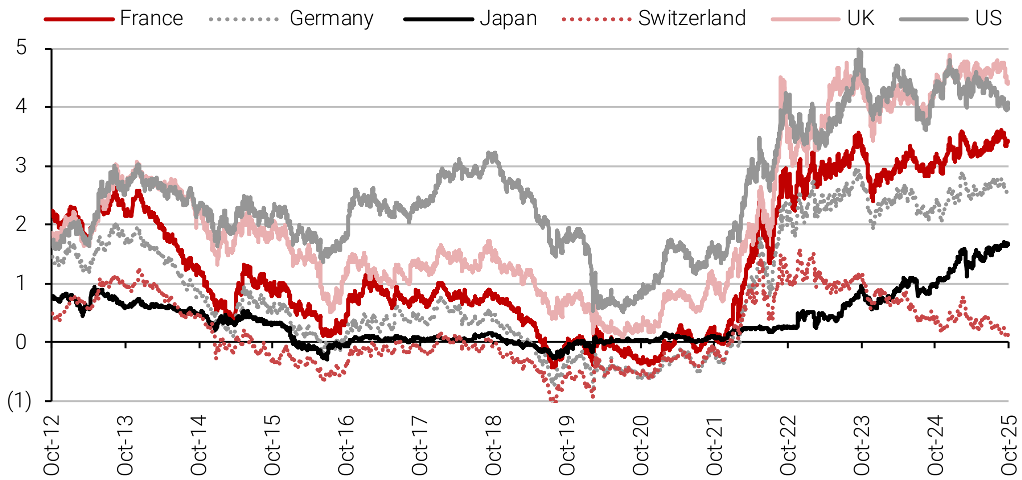
(a) KMB data is based on Bloomberg consensus estimates.

(b) HDFCB data is distorted by merger with HDFC.

Source: Bloomberg, Kotak Institutional Equities estimates

Global bond yields have seen moderate decline recently, except for Japan

Exhibit 10: Trend in 10-year benchmark yields across major DMs (%)



Source: Bloomberg, Kotak Institutional Equities

Market expects 50 bps rate cut in CY2026

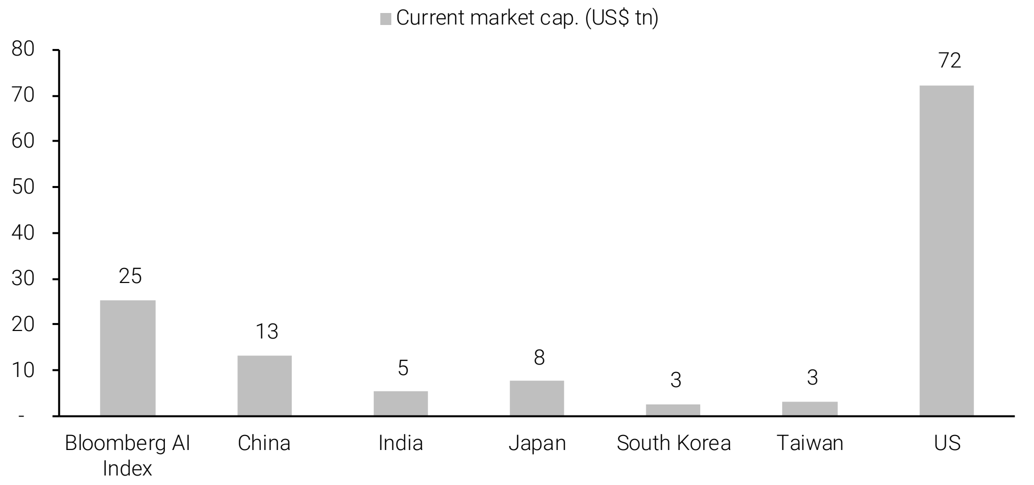
Exhibit 11: Implied probabilities of upper end of Fed funds rate, October 2025 (%)

FOMC meeting dates	Federal funds rate (%)								
	2.25	**2.5**	**2.75**	**3.00**	**3.25**	**3.50**	**3.75**	**4.00**	**4.25**
10-Dec-25								70.4	29.6
28-Jan-26							26.5	55.0	18.5
18-Mar-26						9.8	37.1	41.5	11.6
29-Apr-26					2.6	17.2	38.3	33.4	8.5
17-Jun-26				1.6	11.2	29.6	35.4	18.8	3.5
29-Jul-26			0.5	4.8	17.5	31.6	29.7	13.6	2.3
16-Sep-26		0.2	2.2	9.8	23.0	30.8	23.4	9.1	1.4
28-Oct-26		0.6	3.6	12.3	24.5	29.4	20.7	7.7	1.1
9-Dec-26	0.1	1.2	5.3	14.6	25.4	27.8	18.2	6.4	0.9
27-Jan-27	0.2	1.5	5.9	15.4	25.6	27.1	17.4	6.1	0.9
17-Mar-27	0.2	1.4	5.8	15.1	25.3	27.1	17.7	6.4	1.0

Source: CME, Kotak Institutional Equities

AI stocks have a market cap. second only to the US

Exhibit 12: Market cap. of Bloomberg AI Index versus market cap. of major markets, October 2025 (US$ tn)



Source: Bloomberg, Kotak Institutional Equities

Companies with back-ended cash flows see sharper increase in their NPV on lower cost of equity

Exhibit 13: Hypothetical example of DCF valuation of two companies—Company A with back-ended cash flows and Company B with uniform cash flows

	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	Total
(1) 11% discount rate																
FCF-Company A	(400)	(300)	(200)	(100)	—	100	200	300	400	500	600	700	800	900	1,000	4,500
Discounted FCF (@11%)	(360)	(243)	(146)	(66)	—	53	96	130	156	176	190	200	206	209	209	811
FCF-Company B	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	750
Discounted FCF (@11%)	45	41	37	33	30	27	24	22	20	18	16	14	13	12	10	360
(2) 12% discount rate																
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
FCF-Company A	(400)	(300)	(200)	(100)	—	100	200	300	400	500	600	700	800	900	1,000	4,500
Discounted FCF (@12%)	(357)	(239)	(142)	(64)	—	51	90	121	144	161	172	180	183	184	183	668
FCF-Company B	50	50	50	50	50	50	50	50	50	50	50	50	50	50	50	750
Discounted FCF (@12%)	45	40	36	32	28	25	23	20	18	16	14	13	11	10	9	341

Source: Kotak Institutional Equities estimates

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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.

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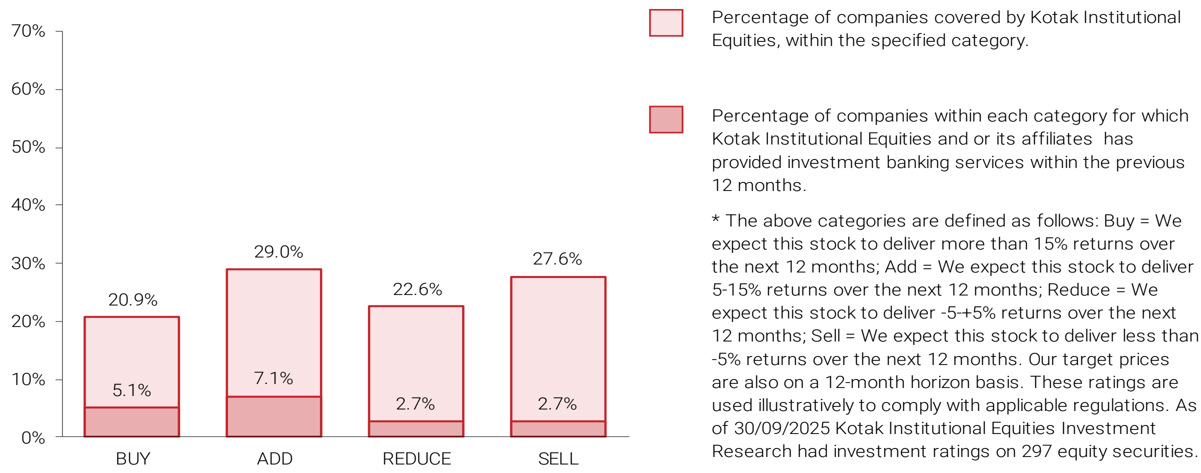

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Source: Kotak Institutional Equities

As of September 30, 2025

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