

Strategy

March 25, 2025

A barbell rally; ditch some deadweights

The recent rally in the market seems to be a combination of (1) fundamentals and (2) sentiment. On the one hand, the rally in BFSI stocks has driven the rally in large-cap. indices while the revival in 'narrative' stocks has largely driven the rally in mid- and small-cap. indices. We do not find value in most parts of the market and earnings have seen downgrades in the past fortnight.

Different stocks for different folks

The rally of the past fortnight seems to be an odd mix of (1) fundamentals and (2) sentiment; see Exhibits 1-2 for performance of various indices and sectors over different periods of time. We can only speculate on the reasons for this odd rally—(1) some investors may have found value in BFSI stocks, (2) some may have rediscovered value in 'narrative' stocks, (3) others may have taken solace from reducing FPI selling in the past month and inflows in the past week (see Exhibit 3) and (4) FPIs may have returned to EMs with the 'Trump' trade disappointing (see Exhibit 4 for performance of global markets).

Banks, NBFCs and insurance drove large-cap. rally

The BFSI sector has been a large contributor to the rally of the large-cap. indices in the past month (see Exhibit 5 for contribution by key stocks in the MSCI India Index). This is despite Street concerns around (1) moderation in credit growth, (2) compression in NIMs, especially of private banks, on lower policy rates and (3) higher credit costs. Valuations still seem reasonable (see Exhibits 6-7), although the scope for re-rating is lower in Tier-1 banks and NBFCs. We struggle to find value in most other sectors and stocks (see Exhibits 8-11) and the market also feels the same way given the muted performance of the sectors.

'Narrative' stocks drove mid-cap. rally

'Narrative' stocks have seen a revival following the sharp correction in their stock prices in the previous 6-9 months (see Exhibit 12) and have been one of the key contributors to the rebound in mid- and small-cap. indices (see Exhibits 13-14). We have long struggled with the disconnect between the market caps and the fundamentals of the 'narrative' companies (see Exhibit 15). As an example, IRFC (see Exhibit 16 for key financials) trades at 3X FY2026E BV and 25X FY2026E EPS (extrapolating recent quarterly results), while BOB, CBK, PNB and UNBK trade at 0.8X-0.9X FY2026E BV and 5-7X FY2026E EPS.

Earnings have seen some downgrades meanwhile

We have seen moderate cuts to earnings estimates (see Exhibit 17) over the past two weeks with the cuts stemming from (1) consumer staples on continued weak demand conditions, (2) IT services (on demand uncertainty) and (3) oil, gas & consumable fuels (on lower crude oil price assumptions). We would not rule out further earnings downgrades over the next few months. 4QFY25 quarterly operating updates from companies over the next few days will be critical apart from 4QFY25 results. We expect net profits of the Nifty-50 Index to grow 13.2% in FY2026 and 14.4% in FY2027 (see Exhibits 18-19).

Key estimates summary

	2025E	2026E	2027E
Nifty estimates			
Earnings growth (%)	4.6	13.2	14.4
Nifty EPS (Rs)	1,031	1,167	1,335
Nifty P/E (X)	23.0	20.3	17.7
Macro data			
Real GDP (%)	6.5	6.5	6.5
Avg CPI inflation (%)	4.8	4.2	4.1

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

Nifty-50 Index, Nifty Midcap 100 Index and Nifty Smallcap 100 Index have given 5%, 5% and 5% returns in the past one month and (-)0.2%, (-)9% and (-)14% returns in the past three months

We expect net profits of the Nifty-50 Index to grow 4.6% and 13.2% in FY2025 and FY2026 and 8.7% and 13.9% without COAL, BPCL and HPCL (through ONGC) in FY2025 and FY2026

Nifty-50 Index is trading at 20.3X FY2026E 'EPS' and 17.7X FY2027E 'EPS'

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Recommended portfolio: Minor changes

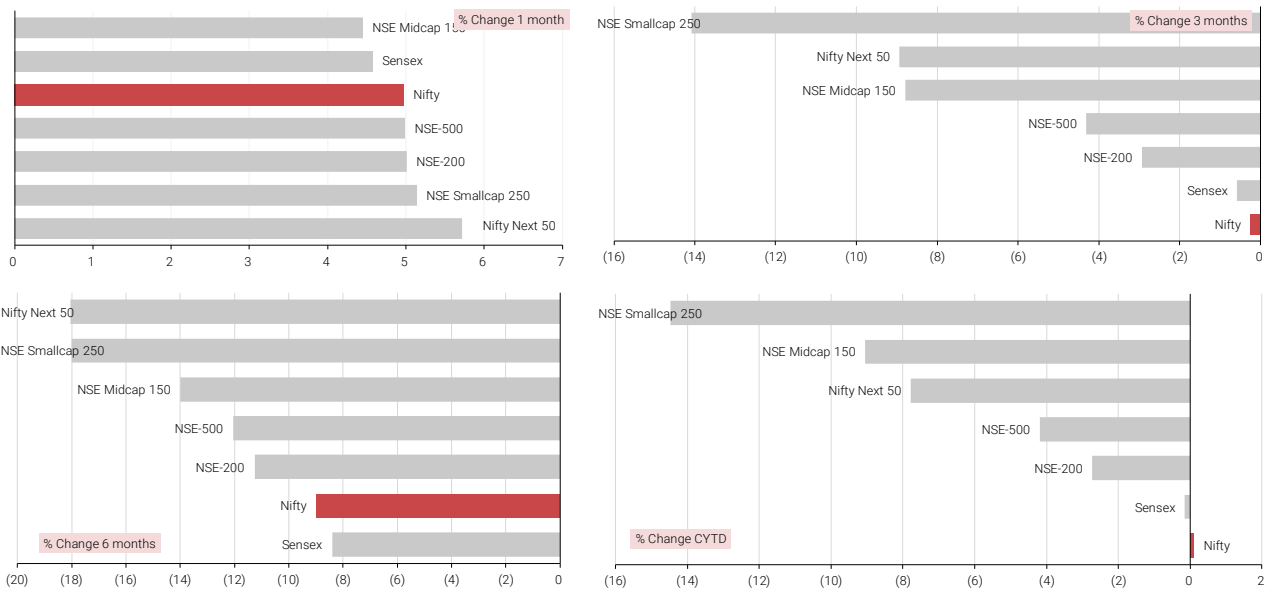
We add Dr Lal Pathlabs (DLPL; 150 bps) to our recommended portfolio and reduce weight on Indigo Aviation (40 bps to 150 bps) and Zomato (110 bps to 150 bps). DLPL stock is trading at 41X FY2026E EPS, which seems reasonable in the context of its strong revenue and earnings growth prospects. We expect FY2026E and FY2027E EPS to grow 14% and 14%. The stock is down 25% in the past six months and 14% in the past three. The company has withstood new competition remarkably well and is poised to lead the growth in demand for better healthcare services.

We reduce weight on our preferred discretionary consumption plays (INDIGO and ZOMATO) on (1) growing sings of a possible slowdown in high-end consumption demand and (2) sector-specific issues in the form of continued aggressive competition in the quick commerce space for Zomato.

Exhibit 20 is our recommended portfolio. We have a combined portfolio now for large-caps and mid-caps. We still do not have a mid-cap. portfolio, as we do not find much value in most parts of the mid-cap. space other than the BFSI sector. We have plentiful exposure to the BFSI sector through the large-cap. names. We have added DLPL to the hitherto large-cap. portfolio given more options from the mid-cap. space and limited options in the large-cap. space.

Indian indices have given decent returns over the past one month

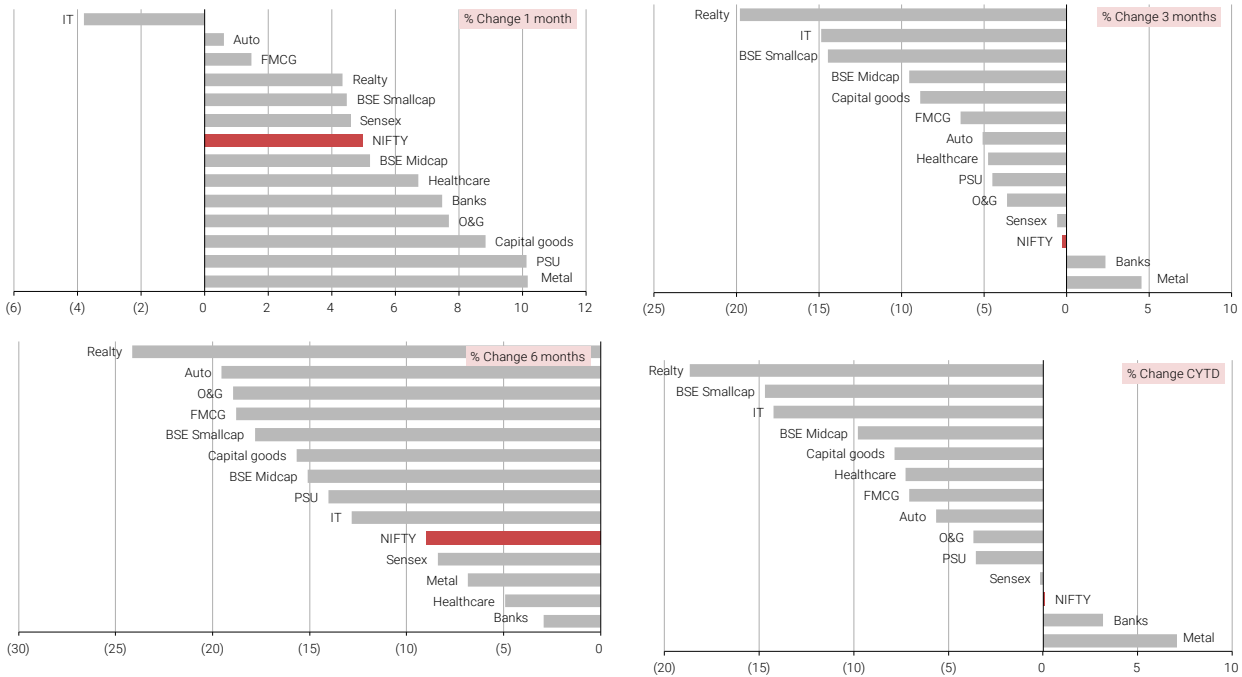
Exhibit 1: Performance of major Indian indices (%)



Source: Bloomberg, Kotak Institutional Equities

Strong rally across banks, capital goods, metals & mining and PSU stocks in the past month

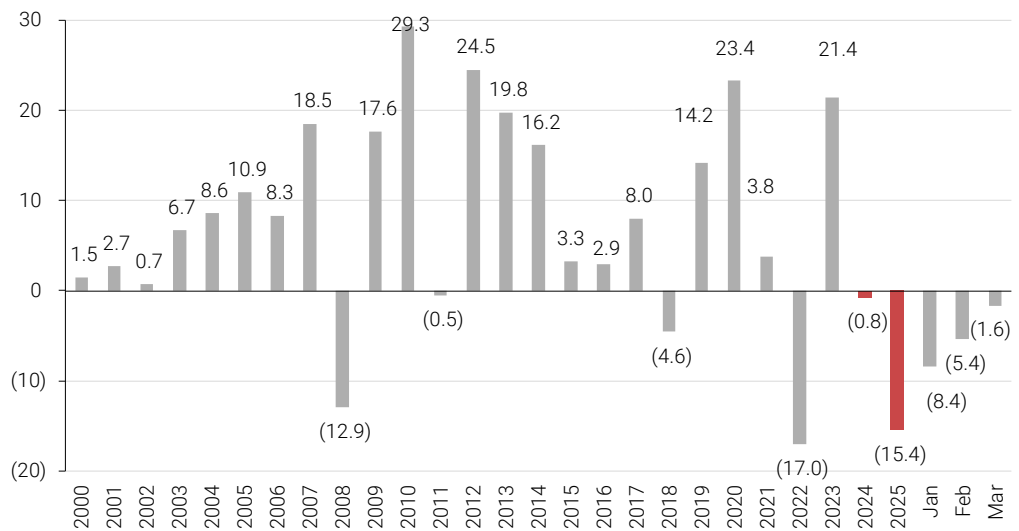
Exhibit 2: Performance of various sectors (%)



Source: Bloomberg, Kotak Institutional Equities

FPI equity outflows at US\$15 bn in CYTD25

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



Source: Bloomberg, Kotak Institutional Equities

Emerging markets outperformed developed markets in the past one month

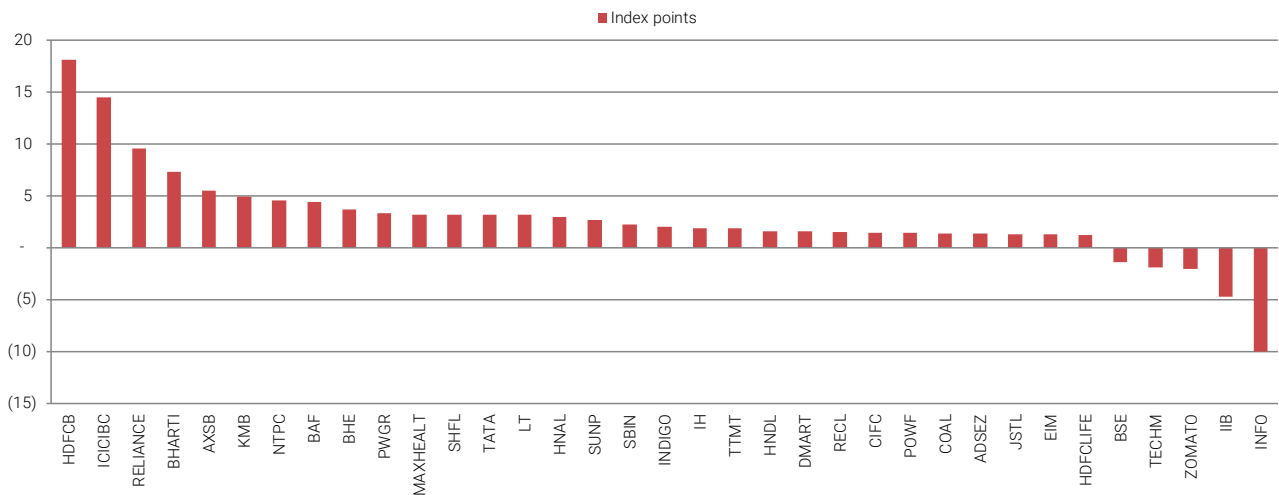
Exhibit 4: Performance (not annualized) of emerging and developed markets over period of time (%)

	% 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	(4)	(3)	(2)	(3)	2	7	59	35	(5)	(2)	(10)	(1)	(2)	(10)	68	9
France	(1)	11	7	10	(1)	23	82	62	3	16	4	15	(1)	21	82	61
Germany	3	16	22	16	26	61	133	94	7	21	18	20	26	58	132	93
Hong Kong	(1)	16	22	16	42	9	(1)	(5)	(1)	16	22	16	43	10	(1)	(5)
Japan	(3)	(3)	(0)	(5)	(7)	34	93	94	(3)	1	(4)	(1)	(6)	9	43	54
Singapore	1	5	10	4	24	16	58	15	1	7	6	7	24	18	71	18
UK	0	7	5	6	10	16	52	26	3	10	2	10	12	14	67	10
US (Dow Jones)	(2)	(2)	2	0	8	22	101	141	(2)	(2)	2	0	8	22	101	141
US (Nasdaq)	(7)	(9)	1	(6)	11	28	146	274	(7)	(9)	1	(6)	11	28	146	274
US (S&P500)	(4)	(5)	1	(2)	11	27	133	181	(4)	(5)	1	(2)	11	27	133	181
MSCI World									(3)	(1)	1	1	9	23	109	114
Emerging markets																
Brazil	3	9	(0)	9	3	10	75	160	2	17	(5)	17	(10)	(8)	52	45
MSCI China	1	18	26	19	41	9	2	11	1	18	26	19	42	9	1	11
MSCI India	4	(3)	(11)	(2)	7	39	191	166	5	(3)	(14)	(2)	4	24	158	95
Indonesia	(8)	(12)	(19)	(12)	(15)	(11)	58	16	(10)	(14)	(26)	(14)	(20)	(23)	54	(9)
Korea	(1)	7	1	9	(4)	(4)	53	29	(4)	6	(8)	9	(13)	(20)	28	(3)
Malaysia	(5)	(6)	(10)	(8)	(2)	(6)	14	(17)	(5)	(5)	(16)	(7)	5	(10)	13	(31)
Mexico	(2)	7	(1)	6	(7)	(5)	48	22	(1)	7	(4)	10	(23)	(6)	79	(8)
Philippines	1	(6)	(16)	(6)	(10)	(14)	23	(22)	2	(4)	(18)	(5)	(12)	(22)	9	(39)
Taiwan	(6)	(4)	(2)	(3)	10	26	131	132	(7)	(5)	(6)	(4)	6	9	112	119
Thailand	(5)	(15)	(19)	(15)	(14)	(29)	10	(21)	(6)	(15)	(22)	(15)	(7)	(30)	6	(24)
MSCI EM									(1)	5	(0)	6	10	1	36	18

Source: Bloomberg, Kotak Institutional Equities

BFSI stocks were the top contributor while IT Services stocks were the top detractors to the performance of MSCI India Index in the past one month

Exhibit 5: Contribution of stocks (top-30 and bottom-5) to the performance of the MSCI India Index in one month



Source: Bloomberg, Kotak Institutional Equities

Most banks are trading at reasonable valuations

Exhibit 6: 12 m forward P/B multiple of banks in KIE universe, March fiscal year ends, 2011-25E

Company	Sector	12-m forward P/B 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	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	2.2
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
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
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	0.8
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
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
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
Equitas Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.8	1.4	1.5	1.6	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
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
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
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
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
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
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
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
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

Source: FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

Exhibit 7: 12 m forward P/B multiple of financial stocks in KIE universe, March fiscal year-ends, 2011-25E

Company	Sector	12-m forward P/B 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	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	3.1
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	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	3.1
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	5.1
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
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	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
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
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	1.7
Muthoot Finance	Diversified Financials	NA	1.1	1.3	1.4	1.5	1.2	2.1	1.9	2.4	1.7	2.7	2.5	1.6	2.1	2.9
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	2.1
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	32
ABSL AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19
Computer Age Management Services	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	37.4	34	29	35	35
CRISIL	Capital Markets	19.8	27.4	22.3	30.6	40.9	37.3	33.3	36.2	25.4	21.8	33.6	45	40	50	38
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	31
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	28
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	47
Nippon AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	24.7	24.3	24.1	33.8	26	17	27	26
UTI AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	18.9	20	14	15	16

Source: FactSet, Kotak Institutional Equities

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

Exhibit 8: 12-m forward P/E multiple of large-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-25E

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
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	23
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	30
Hero Motocorp	Automobiles & Components	14	15	14	16	16	17	17	18	13	10	16	14	13	20	14
Mahindra & Mahindra	Automobiles & Components	14	14	14	15	19	18	20	19	15	9	20	18	16	21	24
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	23
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	30
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	56
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	36
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	50
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	49
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	41
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	47
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	44
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	55
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	50
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	57
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	50
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	74
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	86
Pidilite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	59

Source: FactSet, Kotak Institutional Equities

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

Exhibit 9: 12-m forward P/E multiple of mid-cap. consumption stocks in KIE universe, March fiscal year-ends, 2011-25E

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
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	24
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	46
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	30
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	29
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	27
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	33
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	59
Voltas	Consumer Durables & Apparel	14	13	9	20	24	23	28	31	32	23	44	51	41	49	44
Whirlpool	Consumer Durables & Apparel	NA	15	14	21	34	28	41	43	38	35	46	42	44	45	28
United Breweries	Consumer Staples	47	54	58	68	63	51	51	51	52	35	51	55	56	64	64
Aster DM Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	22	10	16	16	17	31	49
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	42
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	62
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	39
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	37
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	39
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	103
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	56
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	103
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	39
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	105
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	138

Source: FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 10: 12-m forward P/E multiple of investment stocks in KIE universe, March fiscal year-ends, 2011-25E

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	Current
ABB	Capital Goods	41	48	32	60	67	60	51	43	53	42	64	69	73	87	55
Bharat Electronics	Capital Goods	14	12	10	11	22	20	21	18	13	10	15	19	21	35	39
BHEL	Capital Goods	15	10	8	16	21	27	26	20	17	7	28	28	28	78	34
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	36
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	46
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	38
IRB Infrastructure	Capital Goods	13	12	7	7	13	12	11	8	6	4	8	26	17	32	20
Kalpataru Projects	Capital Goods	9	8	6	7	15	15	16	19	16	5	10	10	12	20	18
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	20
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	57
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	48
Amber Enterprises	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	31	19	19	51	43	29	48	60
Avalon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	36	50
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	27
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	66
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	76
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36

Source: FactSet, Kotak Institutional Equities

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

Exhibit 11: 12-m forward P/E multiple of outsourcing stocks in KIE universe, March fiscal year-ends, 2011-25E

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	Current
Coforge	IT Services	6	7	7	9	9	10	9	15	16	13	29	32	22	30	38
Cyient	IT Services	10	8	8	11	14	12	12	17	14	5	16	18	16	25	18
HCL Technologies	IT Services	16	13	14	15	18	13	14	14	14	10	18	21	18	24	23
Infosys	IT Services	22	17	16	15	19	18	15	16	18	15	26	30	21	23	23
KPIT Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	4	20	48	52	53	40
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25
L&T Technology Services	IT Services	NA	NA	NA	NA	NA	NA	16	23	21	14	31	46	28	38	32
Mphasis	IT Services	10	11	10	11	11	13	14	17	15	10	23	36	18	25	25
Persistent Systems	IT Services	11	8	10	13	17	18	13	14	12	11	27	42	29	43	49
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	37
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	36
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	24
Tech Mahindra	IT Services	11	10	11	13	15	13	12	16	14	11	16	21	16	23	24
Wipro	IT Services	18	15	14	15	16	14	14	15	15	11	20	24	15	21	21
Aurobindo Pharma	Pharmaceuticals	9	7	7	12	18	17	14	12	15	8	15	12	12	17	16
Cipla	Pharmaceuticals	21	18	18	19	30	20	24	20	22	18	24	25	20	27	24
Divis Laboratories	Pharmaceuticals	20	17	17	19	23	20	16	25	28	31	39	40	36	44	58
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	17
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	33
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	24
Mankind Pharma	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	42
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	23	26	24	35	32
Torrent Pharmaceuticals	Pharmaceuticals	14	13	12	15	22	17	21	22	30	29	30	32	33	43	43
SRF	Specialty Chemicals	3	3	5	7	14	14	15	16	18	16	24	38	29	37	48

Source: FactSet, Kotak Institutional Equities

Decent rally in the 'narrative' stocks post sharp correction in the previous 6-9 months

Exhibit 12: Performance of narrative stocks (%)

Company	Sector	Absolute (%)					Relative to Nifty-50 Index (%)				
		1M	3M	1Y	3Y	5Y	1M	3M	1Y	3Y	5Y
Bharat Dynamics	Defense	29	8	56	372	1,544	24	9	49	334	1,359
BHEL	Electric equipments	10	(11)	(11)	314	976	5	(11)	(18)	276	792
CG Power	Capital goods	5	(12)	17	240	11,841	(0)	(12)	10	202	11,656
Cochin Shipyard	Defense	12	(1)	61	870	1,175	7	(0)	54	832	990
Dixon Technologies	EMS	(4)	(24)	90	218	1,989	(9)	(24)	83	180	1,804
FACT	Fertilizers	(8)	(32)	(0)	409	2,636	(13)	(32)	(7)	371	2,451
Hindustan Copper	Metals & mining	5	(18)	(15)	98	1,042	0	(18)	(22)	60	857
HPCL	Oil, gas & consumable fuels	17	(12)	15	100	206	12	(12)	7	62	21
HUDCO	Financial	14	(12)	11	483	982	9	(12)	4	445	797
IRCON International	Capital goods	7	(22)	(25)	299	433	2	(22)	(32)	261	249
JSW Energy	Electric utilities	19	(14)	8	87	1,075	14	(14)	1	49	891
Mazagon Dock	Defense	23	13	175	2,000	NA	18	13	168	1,962	NA
MRPL	Oil, gas & consumable fuels	23	(6)	(37)	237	513	18	(6)	(44)	199	329
NBCC	Capital goods	6	(11)	8	226	694	1	(11)	1	188	510
NHPC	Electric utilities	7	(1)	(4)	198	329	2	(1)	(12)	160	145
NLC India	Oil, gas & consumable fuels	18	3	16	288	506	13	4	9	250	322
NMDC	Mining	5	(4)	0	82	333	0	(3)	(7)	44	148
Rail Vikas Nigam	Railways	2	(14)	48	986	3,079	(3)	(13)	41	948	2,894
SJVN	Electric utilities	4	(15)	(24)	242	386	(1)	(15)	(31)	205	201
Suzlon Energy	Renewables	6	(11)	54	571	3,481	1	(11)	47	533	3,296
Titagarh Rail System	Railways	5	(34)	(8)	706	3,300	(0)	(33)	(15)	668	3,115

Source: Bloomberg, Kotak Institutional Equities

Rebound in stock prices of several mid-cap. stocks in the past one month

Exhibit 13: 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		5	(9)	(14)	10	(9)								
1 Vodafone Idea	Communication Services	(10)	(4)	(31)	(46)	(10)	51 Indian Bank	Financials	4	0	3	11	2	
2 Delivery	Industrials	(2)	(27)	(41)	(45)	(26)	52 Prestige Estates	Real Estate	3	(30)	(34)	11	(28)	
3 MRPL	Energy	23	(6)	(21)	(37)	(6)	53 HUDCO	Financials	14	(12)	(14)	11	(13)	
4 Astral	Industrials	(7)	(24)	(36)	(34)	(22)	54 Balkrishna Industries	Consumer Discretionary	(4)	(9)	(15)	13	(12)	
5 Tata Technologies	Information Technology	(4)	(23)	(36)	(32)	(22)	55 Oberoi Realty	Real Estate	6	(29)	(16)	13	(29)	
6 Yes Bank	Financials	(4)	(14)	(25)	(29)	(13)	56 HPCL	Energy	17	(12)	(13)	15	(12)	
7 Sona BLW	Consumer Discretionary	(3)	(17)	(32)	(29)	(17)	57 Petronet LNG	Energy	2	(13)	(10)	15	(14)	
8 Tata Elxsi	Information Technology	(3)	(20)	(30)	(28)	(19)	58 SRF	Materials	6	29	20	15	32	
9 IOB	Financials	(7)	(17)	(27)	(28)	(17)	59 Solar Industries	Materials	21	6	(7)	16	10	
10 IDFC First Bank	Financials	(2)	(8)	(21)	(27)	(9)	60 Torrent Power	Utilities	13	(1)	(21)	16	0	
11 Tube Investments	Consumer Discretionary	7	(23)	(33)	(26)	(22)	61 NLC India	Utilities	18	3	(12)	16	0	
12 Poonawalla Fincorp	Financials	25	8	(14)	(25)	10	62 Escorts Kubota	Industrials	9	2	(27)	17	(4)	
13 SJVN	Utilities	4	(15)	(26)	(24)	(10)	63 CG Power	Industrials	5	(12)	(19)	17	(14)	
14 Bank of Maharashtra	Financials	(4)	(13)	(23)	(22)	(11)	64 Aurobindo Pharma	Health Care	11	(5)	(22)	17	(10)	
15 IRB Infrastructure	Industrials	(0)	(15)	(25)	(22)	(19)	65 Exide Industries	Consumer Discretionary	(1)	(14)	(24)	17	(14)	
16 Bank of India	Financials	8	4	(4)	(22)	4	66 Sundaram Finance	Financials	6	8	(4)	18	15	
17 ACC	Materials	5	(7)	(21)	(21)	(6)	67 Max Financial	Financials	12	3	(3)	21	2	
18 Bandhan Bank	Financials	9	(11)	(28)	(19)	(7)	68 Kalyan Jewellers	Consumer Discretionary	(2)	(35)	(38)	22	(39)	
19 Tata Chemicals	Materials	3	(20)	(19)	(18)	(19)	69 SBI Cards	Financials	2	23	11	22	29	
20 Container Corp.	Industrials	5	(8)	(20)	(18)	(10)	70 IREDA	Financials	(2)	(15)	(24)	23	(21)	
21 Tata Communications	Communication Services	12	(8)	(26)	(18)	(7)	71 ABFRL	Consumer Discretionary	3	(10)	(26)	24	(9)	
22 MRFL	Consumer Discretionary	6	(12)	(18)	(13)	(13)	72 Page Industries	Consumer Discretionary	2	(12)	2	25	(10)	
23 Supreme Industries	Materials	(3)	(27)	(34)	(12)	(26)	73 Indus Towers	Communication Services	2	2	(13)	25	(1)	
24 Colgate-Palmolive	Consumer Staples	(6)	(13)	(35)	(12)	(11)	74 Marico	Consumer Staples	0	(1)	(9)	26	(2)	
25 SAIL	Materials	8	(4)	(15)	(12)	1	75 Ashok Leyland	Industrials	(8)	(4)	(12)	26	(5)	
26 PI Industries	Materials	12	(9)	(26)	(9)	(7)	76 JSW Infrastructure	Industrials	20	(2)	(10)	28	(4)	
27 Apollo Tyres	Consumer Discretionary	8	(19)	(21)	(8)	(18)	77 Patanjali Foods	Consumer Staples	(3)	2	2	29	(0)	
28 Oracle	Information Technology	(3)	(35)	(29)	(5)	(38)	78 Lupin	Health Care	9	(5)	(7)	29	(12)	
29 Godrej Properties	Real Estate	8	(25)	(36)	(5)	(23)	79 Phoenix Mills	Real Estate	6	(2)	(8)	30	1	
30 LIC Housing Finance	Financials	9	(2)	(14)	(4)	(5)	80 Federal Bank	Financials	9	(1)	1	30	(3)	
31 GMR Airports Infrastructure	Industrials	8	(4)	(20)	(4)	(4)	81 Voltas	Industrials	11	(15)	(26)	34	(21)	
32 Indraprastha Gas	Utilities	1	0	(27)	(3)	(4)	82 Biocon	Health Care	8	1	(6)	38	(5)	
33 IDBI Bank	Financials	9	3	(12)	(3)	3	83 Persistent System	Information Technology	1	(12)	4	39	(14)	
34 KPIT Technologies	Information Technology	4	(6)	(19)	(3)	(8)	84 PB Fintech	Financials	7	(22)	(7)	40	(24)	
35 AU Small Finance Bank	Financials	6	0	(24)	(1)	(0)	85 Coforge	Information Technology	4	(15)	15	44	(18)	
36 APL Apollo Tubes	Materials	3	(0)	(0)	(1)	(4)	86 UPL	Materials	1	29	14	45	30	
37 FACT	Materials	(8)	(32)	(33)	(0)	(33)	87 Jubilant Foodworks	Consumer Discretionary	(2)	(5)	(5)	48	(7)	
38 L&T Finance Holdings	Financials	16	12	(17)	0	14	88 Rail Vikas Nigam	Industrials	2	(14)	(30)	48	(12)	
39 NMDC	Materials	5	(4)	(9)	0	3	89 Indian Hotels Co.	Consumer Discretionary	14	(4)	17	49	(6)	
40 Oil India	Energy	5	(8)	(33)	1	(9)	90 Hindustan Zinc	Materials	9	(4)	(13)	50	0	
41 Cummins India	Industrials	6	(12)	(21)	1	(10)	91 Suzlon Energy	Industrials	6	(11)	(31)	54	(7)	
42 FSN E-Commerce	Consumer Discretionary	4	5	(14)	4	4	92 Bharat Dynamics	Industrials	29	8	18	56	17	
43 Aditya Birla Capital	Financials	19	(3)	(22)	4	2	93 Max Healthcare	Health Care	15	3	18	59	4	
44 Alkem Lab	Health Care	10	(7)	(19)	5	(11)	94 Cochin Shipyard	Industrials	12	(1)	(16)	61	(5)	
45 Polycab India	Industrials	(11)	(27)	(23)	5	(29)	95 Muthoot Finance	Financials	7	15	15	65	10	
46 Bharat Forge	Consumer Discretionary	13	(10)	(24)	5	(9)	96 Dixon Technologies	Consumer Discretionary	(4)	(24)	(4)	90	(24)	
47 MMFSL	Financials	7	10	(13)	6	9	97 One 97	Financials	6	(21)	13	93	(24)	
48 Mphasis	Information Technology	3	(14)	(16)	6	(11)	98 BSE	Financials	(15)	(15)	21	112	(13)	
49 Mankind Pharma	Health Care	2	(18)	(11)	8	(17)	99 Mazagon Dock	Industrials	23	13	23	175	17	
50 HDFC AMC	Financials	9	(3)	(8)	9	(2)	100 Bharti Hexacom	Communication Services	16	(3)	1	N/A	(1)	

Source: Bloomberg, Kotak Institutional Equities

Rebound in stock prices of several small-cap. stocks in the past one month

Exhibit 14: 1M, 3M, 6M, 12M and CYTD performance of stocks in Nifty Smallcap 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 Smallcap 100 Index		5	(14)	(17)	7	(14)								
1 Sonata Software	Information Technology	(6)	(40)	(42)	(50)	(38)	51 Jupiter Wagons	Industrials	18	(30)	(32)	2	(27)	
2 Sterling & Wilson	Industrials	(0)	(43)	(61)	(49)	(43)	52 Finolex Cables	Industrials	4	(27)	(36)	4	(21)	
3 Birlasoft	Information Technology	(12)	(31)	(35)	(45)	(28)	53 Brigade Enterprises	Real Estate	0	(23)	(27)	5	(21)	
4 Tania Platforms	Information Technology	4	(26)	(45)	(42)	(26)	54 The Ramco Cement	Materials	1	(13)	1	7	(11)	
5 Aarti Industries	Materials	(1)	(4)	(32)	(39)	(3)	55 NBCC	Industrials	6	(11)	(28)	8	(11)	
6 NMDC Steel	Materials	(6)	(24)	(32)	(38)	(19)	56 Triveni Turbine	Industrials	1	(25)	(22)	11	(25)	
7 Trident	Consumer Discretionary	(7)	(25)	(30)	(35)	(25)	57 IFCI	Financials	(1)	(28)	(35)	11	(29)	
8 Cyent	Information Technology	(2)	(32)	(35)	(34)	(29)	58 Castrol India	Materials	(2)	7	(14)	11	8	
9 Intellect Design	Information Technology	2	(20)	(28)	(34)	(24)	59 Piramal Enterprises	Financials	9	(9)	(7)	15	(10)	
10 Swan Energy	Consumer Discretionary	3	(39)	(22)	(33)	(38)	60 Karur Vysya Bank	Financials	1	(3)	(5)	16	(3)	
11 Olectra Greentech	Industrials	4	(18)	(28)	(33)	(17)	61 Tejas Networks	Information Technology	5	(35)	(35)	16	(33)	
12 JBM Auto	Consumer Discretionary	10	(21)	(30)	(31)	(16)	62 KEC International	Industrials	5	(34)	(23)	16	(35)	
13 CPCL	Energy	25	3	(34)	(30)	(2)	63 Dr Lal Pathlabs	Health Care	4	(14)	(25)	18	(16)	
14 CreditAccess Gramin	Financials	12	17	(21)	(30)	9	64 Ramkrishna Forgings	Materials	17	(11)	(19)	19	(10)	
15 UCO Bank	Financials	(4)	(17)	(25)	(29)	(17)	65 CAMS Services	Industrials	9	(26)	(17)	19	(28)	
16 PVR Inox	Communication Services	(4)	(31)	(45)	(29)	(27)	66 Redington	Information Technology	(2)	17	31	19	22	
17 Zee Entertainmen	Communication Services	3	(19)	(24)	(28)	(15)	67 Zensar Technologies	Information Technology	(11)	(3)	5	21	(5)	
18 RBL Bank	Financials	11	7	(16)	(28)	11	68 National Aluminium	Materials	(0)	(15)	(7)	21	(15)	
19 J&K Bank	Financials	(2)	(2)	(12)	(26)	(5)	69 BLS International	Industrials	11	(15)	4	25	(16)	
20 GMDC	Energy	4	(19)	(27)	(26)	(17)	70 CESC	Utilities	13	(18)	(27)	26	(19)	
21 Data Pattern	Industrials	8	(30)	(31)	(26)	(30)	71 Indian Energy Exchange	Financials	6	(1)	(13)	30	(3)	
22 IRCON International	Industrials	7	(22)	(28)	(25)	(24)	72 Aster DM Healthcare	Health Care	8	(12)	5	31	(14)	
23 RITES	Industrials	14	(12)	(30)	(25)	(15)	73 Raymond	Consumer Discretionary	4	(19)	(21)	31	(14)	
24 Central Bank	Financials	(3)	(18)	(25)	(25)	(16)	74 Crompton Greaves Consum	Consumer Discretionary	8	(9)	(19)	33	(9)	
25 Tata Teleservices	Communication Services	(7)	(23)	(30)	(24)	(21)	75 Narayana Hrudayalaya	Health Care	12	26	31	34	29	
26 Jyothy Labs	Consumer Staples	0	(12)	(38)	(22)	(16)	76 Aditya Birla Real Estate	Real Estate	4	(23)	(28)	35	(21)	
27 Indiamart	Industrials	5	(6)	(28)	(21)	(7)	77 CDSL	Financials	1	(33)	(19)	36	(31)	
28 GSPL	Utilities	3	(21)	(28)	(18)	(20)	78 Amara Raja Energy & Mobilit	Industrials	1	(12)	(23)	36	(12)	
29 Happiest Minds	Information Technology	(11)	(9)	(19)	(18)	(13)	79 Navin Fluorine International	Materials	10	25	24	36	30	
30 Hindustan Copper	Materials	5	(18)	(33)	(15)	(8)	80 PNB Housing	Financials	10	3	(13)	36	(1)	
31 NCC	Industrials	13	(28)	(34)	(14)	(25)	81 Manappuram Finance	Financials	16	27	17	37	26	
32 Angel One	Financials	4	(21)	(9)	(14)	(21)	82 Inox Wind	Industrials	(0)	(9)	(32)	40	(7)	
33 SignatureGlobal	Real Estate	5	(11)	(27)	(13)	(16)	83 Radico Khaitan	Consumer Staples	14	(8)	11	42	(10)	
34 Natco Pharma	Health Care	0	(40)	(42)	(13)	(41)	84 Shyam Metals & Energy	Materials	20	14	(7)	43	17	
35 Action Construction	Industrials	6	(18)	(15)	(13)	(20)	85 AAVAS Financiers	Financials	15	17	4	44	17	
36 HFCL	Communication Services	(6)	(29)	(49)	(12)	(28)	86 Affle India	Communication Services	4	(11)	1	44	(12)	
37 Bata India	Consumer Discretionary	(9)	(10)	(14)	(11)	(11)	87 360 ONE	Financials	(6)	(21)	(5)	47	(22)	
38 Railtel	Communication Services	5	(19)	(29)	(10)	(20)	88 MCX	Financials	(6)	(19)	(11)	55	(17)	
39 BEML	Industrials	6	(31)	(26)	(10)	(32)	89 Laurus Labs	Health Care	12	8	33	55	2	
40 Titagarh Rail System	Industrials	5	(34)	(36)	(8)	(26)	90 Glenmark Pharma	Health Care	12	(4)	(12)	56	(8)	
41 GE Shipping	Energy	5	(5)	(23)	(7)	(4)	91 Firstsource Solution	Industrials	(7)	(9)	(4)	70	(13)	
42 Apar Industries	Industrials	(7)	(41)	(39)	(7)	(43)	92 Kaynes Tech	Information Technology	14	(33)	(12)	74	(34)	
43 Kalpataru Projects	Industrials	12	(19)	(24)	(5)	(22)	93 Blue Star	Industrials	17	11	7	77	3	
44 Five-Star Business Finance	Financials	(2)	(9)	(13)	(2)	(10)	94 Chambal Fertilisers	Materials	9	22	19	79	24	
45 Welspun Living	Consumer Discretionary	21	(12)	(17)	(2)	(11)	95 Piramal Pharma	Health Care	8	(11)	0	87	(15)	
46 Atul	Materials	10	(18)	(23)	(1)	(17)	96 Amber Enterprises	Consumer Discretionary	14	(5)	43	94	(7)	
47 ITI	Information Technology	(4)	(24)	(7)	(0)	(33)	97 Aegis Logistics	Energy	4	(4)	4	101	(5)	
48 IIFL Finance	Financials	5	(21)	(34)	1	(21)	98 Garden Reach	Industrials	29	10	0	120	6	
49 HBL Power System	Industrials	2	(27)	(21)	2	(24)	99 Aadhar Housing Finance	Financials	7	(4)	(20)	N/A	(4)	
50 Mahanagar Gas	Utilities	4	9	(30)	2	6	100 Go Digit General	Financials	(3)	(8)	(19)	N/A	(8)	

Source: Bloomberg, Kotak Institutional Equities

Several PSUs trade at extremely high market caps relative to their profits, net worth or assets

Exhibit 15: Market cap. of select non-financial PSU companies versus their fundamentals, March fiscal year-end, 2024 (Rs bn)

Company	Market cap. (Rs bn)	2024 (Rs bn)					9MFY25				
		Revenues	PBT	Other income	PAT	Net worth	Gross block	Revenues	PBT	Other income	PAT
Bharat Dynamics	482	24	8	4	6	36	15	15	4	3	3
BHEL	744	239	2	6	3	249	73	193	0	4	0
Cochin Shipyard	383	38	11	3	8	50	14	31	7	2	5
Fertilizers & Chemicals Travancore	425	51	0	2	1	13	10	30	(0)	2	(0)
Garden Reach Shipbuilders & Engineers	197	36	5	3	4	14	7	34	4	2	3
Hindustan Aeronautics	2,683	304	102	19	76	290	159	173	56	19	44
Hindustan Copper	221	17	4	1	3	23	7	13	4	0	3
IRFC	1,691	266	64	0	64	492	1	204	48	0	48
IREDA	457	49	17	0	13	86	5	48	15	0	12
ITI	250	13	(6)	0	(6)	17	30	26	(2)	1	(2)
KIOCL	149	19	(1)	1	(1)	19	11	3	(2)	0	(2)
Mazagon Dock	1,055	95	24	11	19	56	14	83	27	8	21
NBCC	225	103	6	2	5	22	2	74	5	2	4
NHPC	817	96	50	18	36	387	338	80	36	13	22
NLC India	346	130	29	20	19	165	368	114	28	16	21
Rail Vikas Nigam	772	219	21	13	16	87	6	135	11	9	8
Railtel	104	26	3	1	2	18	26	22	3	1	2
SJVN	367	26	12	4	9	141	151	26	12	3	9

Source: Companies, Capitaline, FactSet, Kotak Institutional Equities

IRFC has modest growth profile and average return ratios

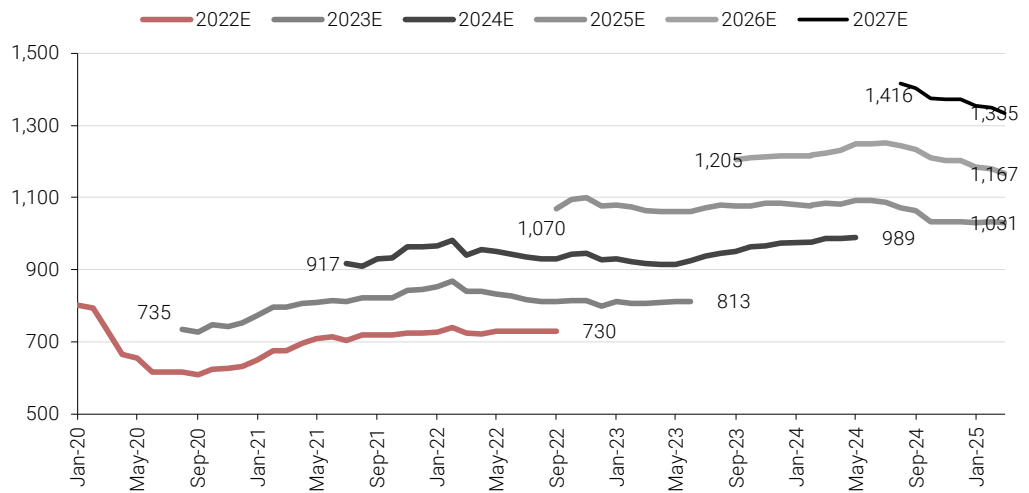
Exhibit 16: Key financials of IRFC, March fiscal year-ends, 2021-25 (Rs bn)

	2021	2022	2023	2024	9MFY25
Net worth	359	410	455	492	520
AUM	363	415	467	465	461
NII	45	62	64	66	49
NIM (%)	1.45	1.56	1.39	1.38	1.40
Other income	0	0	0	0	0
Total income	45	62	65	66	49
Operating expenditure	1.1	1.4	1.5	1.4	1.1
PPOP	44	61	63	64	48.2
PAT	44	61	63	64	48
RoA (%)	1.4	1.5	1.3	1.3	1.3
RoE (%)	13.3	16.0	14.5	13.7	12.9

Source: Company, Kotak Institutional Equities

We have seen modest cuts to our Nifty-50 Index EPS estimates

Exhibit 17: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2022E-27E (Rs)



Source: Kotak Institutional Equities estimates

We expect earnings of the Nifty-50 Index to grow 13% in FY2026E and 14% in FY2027E

Exhibit 18: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025E-27E (based on current constituents)

	Mcap. (US\$ bn)	Adj. mcap. (US\$ bn)	Earnings growth (%)			P/E (X)			EV/EBITDA (X)			P/B (X)			Div. yield (%)			RoE (%)		
			2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E	2025E	2026E	2027E
Automobiles & Components	166	89	11.4	11.9	14.1	21.4	19.1	16.8	11.7	10.7	9.4	4.4	3.8	3.3	1.5	1.8	2.0	20.5	20.0	19.8
Banks	450	386	4.5	7.4	16.3	17.2	16.0	13.8	—	—	—	2.5	2.2	2.0	1.1	1.2	1.3	14.5	13.9	14.3
Capital Goods	112	67	34.3	15.0	15.7	35.6	30.9	26.7	22.8	19.1	16.9	5.4	4.5	3.9	0.6	0.7	0.8	15.1	14.6	14.7
Commodity Chemicals	26	12	(23.6)	7.4	12.3	53.6	49.9	44.5	36.0	33.8	30.9	10.8	9.7	8.8	0.9	1.0	1.2	20.1	19.5	19.8
Construction Materials	60	27	(20.6)	42.4	27.5	48.6	34.1	26.8	18.4	14.5	12.4	3.2	2.9	2.7	0.5	0.6	0.7	6.5	8.6	10.1
Consumer Staples	172	91	(3.7)	8.5	10.5	40.2	37.1	33.6	29.1	26.7	24.0	9.6	9.4	9.0	2.3	2.4	2.6	23.9	25.2	26.8
Diversified Financials	117	53	25.1	18.6	23.3	26.8	22.6	18.4	—	—	—	5.0	4.3	3.6	0.4	0.4	0.5	18.8	18.8	19.4
Electric Utilities	73	36	3.7	10.8	8.0	16.6	15.0	13.9	10.3	9.2	8.6	2.2	2.0	1.9	2.7	3.0	3.2	13.3	13.6	13.6
Health Care Services	11	8	60.2	31.6	32.2	66.5	50.5	38.2	32.3	26.1	20.7	11.7	9.6	7.8	0.2	0.2	0.2	17.5	19.1	20.5
IT Services	333	150	9.5	10.6	11.1	26.0	23.5	21.1	17.1	15.6	14.0	7.6	7.1	6.6	2.9	3.3	3.7	29.3	30.3	31.5
Insurance	35	16	21.4	13.7	11.0	71.6	62.9	56.7	—	—	—	9.4	8.5	7.8	0.3	0.3	0.4	13.1	13.6	13.7
Metals & Mining	71	39	10.0	76.5	21.7	25.4	14.4	11.8	9.8	7.5	6.6	2.1	1.8	1.6	0.6	1.1	1.4	8.1	12.7	13.7
Oil, Gas & Consumable Fuels	281	129	(11.5)	8.7	9.7	14.7	13.5	12.3	8.5	7.3	6.4	1.7	1.6	1.4	1.8	1.7	1.7	11.7	11.6	11.5
Pharmaceuticals	75	40	14.3	6.5	5.6	28.8	27.0	25.6	19.6	17.8	16.9	4.7	4.1	3.7	0.7	0.7	0.8	16.4	15.3	14.3
Retailing	53	28	22.3	23.3	21.4	84.7	68.6	56.6	53.0	44.0	36.7	26.6	20.4	15.9	0.3	0.3	0.4	31.4	29.7	28.0
Telecommunication Services	121	57	102.5	38.3	29.1	45.3	32.7	25.4	12.7	10.0	8.3	10.5	8.0	6.9	0.8	1.3	1.6	23.2	24.4	27.2
Transportation	30	10	20.6	19.2	10.9	23.5	19.7	17.8	15.7	13.4	11.3	4.1	3.5	3.0	0.6	0.7	0.8	17.4	17.7	16.8
Nifty-50 Index	2,187	1,239	4.6	13.2	14.4	23.1	20.5	17.9	13.7	11.9	10.5	3.5	3.2	2.8	1.5	1.6	1.8	15.3	15.5	15.8
Nifty-50 Index (ex-energy)	1,905	1,109	9.7	14.3	15.5	25.3	22.1	19.2	16.0	13.8	12.3	4.2	3.7	3.3	1.4	1.6	1.8	16.6	16.8	17.3
Nifty-50 Index (ex-banks)	1,736	853	4.6	15.4	13.7	25.4	22.0	19.4	13.7	11.9	10.5	4.0	3.6	3.2	1.6	1.7	2.0	15.6	16.1	16.5

Source: Bloomberg, Kotak Institutional Equities estimates

Banks, diversified financials, IT services and metals & mining to provide bulk of the incremental profits for FY2025 of the Nifty-50 Index

Exhibit 19: Break-up of net profits of the Nifty-50 Index across sectors, March fiscal year-ends, 2021-27E (based on current constituents)

	Net profits (Rs bn)						Contribution (%)						Incremental profits						
	2021	2022	2023	2024	2025E	2026E	2027E	2023	2024	2025E	2026E	2027E	2025E (Rs bn)	2026E (%)	2027E (%)	2025E (Rs bn)	2026E (%)	2027E (%)	
Automobiles & Components	150	70	279	595	663	742	846	4	8	8	8	8	68	19	7	105	8		
Tata Motors	(14)	(107)	7	200	213	246	302	0	3	3	3	3	13	4	33	3	56	4	
Banks	992	1,354	1,860	2,148	2,245	2,411	2,804	29	28	28	26	27	97	27	166	16	393	30	
HDFC Bank	431	507	603	608	663	768	869	9	8	8	8	8	55	15	105	10	102	8	
Capital Goods	99	117	158	202	271	312	361	2	3	3	3	3	69	19	41	4	49	4	
Commodity Chemicals	31	31	42	55	42	45	50	1	1	1	0	0	(13)	(4)	3	0	5	0	
Construction Materials	100	128	120	132	105	150	191	2	2	1	2	2	(27)	(8)	45	4	41	3	
Consumer Staples	258	286	338	381	367	398	440	5	5	5	4	4	(14)	(4)	31	3	42	3	
Diversified Financials	114	143	239	298	373	442	545	4	4	5	5	5	75	21	69	7	103	8	
Electric Utilities	290	301	324	364	377	418	452	5	5	5	5	4	13	4	41	4	34	3	
Health Care Services	1	9	8	9	14	19	25	—	—	—	—	—	5	2	5	0	6	0	
IT Services	810	917	975	1,004	1,099	1,216	1,350	15	13	14	13	13	95	27	117	11	135	10	
Insurance	28	27	31	35	42	48	53	0	0	1	1	1	7	2	6	1	5	0	
Metals & Mining	222	774	248	219	241	425	517	4	3	3	5	5	22	6	184	17	92	7	
Tata Steel	85	426	86	34	34	135	176	1	0	0	1	2	0	0	101	9.5	40	3	
Oil, Gas & Consumable Fuels	859	1,317	1,443	1,859	1,645	1,788	1,961	22	24	20	20	19	(214)	(60)	143	13	173	13	
ONGC	156	476	465	509	507	535	564	7	7	6	6	5	(1)	(0)	28	3	28	2	
Reliance Industries	435	579	667	696	686	800	939	10	9	8	9	9	(10)	(3)	114	11	139	11	
Pharmaceuticals	110	135	160	196	224	238	251	2	3	3	3	2	28	8	14	1	13	1	
Retailing	8	23	37	44	54	66	81	1	1	1	1	1	10	3	13	1	14	1	
Telecommunication Services	(29)	26	90	113	229	317	409	1	1	3	3	4	116	33	88	8	92	7	
Transportation	43	56	83	90	108	129	143	1	1	1	1	1	19	5	21	2	14	1	
Nifty-50 Index	4,086	5,715	6,434	7,742	8,098	9,163	10,479	100	100	100	100	100	356	100	1,065	100	1,316	100	
Nifty-50 change (%)	15.1	39.9	12.6	20.3	4.6	13.2	14.4												
Nifty-50 Index ex-BPCL, HPCL & COAL change (%)	3,812	5,391	6,088	7,008	7,615	8,676	9,985												
Nifty-50 Index ex-BPCL, HPCL & COAL change (%)	9.0	41.4	12.9	15.1	8.7	13.9	15.1												
Nifty-50 EPS (Free-float)	536	730	813	988	1,031	1,167	1,335												

Source: Kotak Institutional Equities estimates

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

Exhibit 20: KIE recommended model portfolio

Company	Price (Rs) 25-Mar-25	KIE weight (%)
Automobiles & Components		
Mahindra & Mahindra	2,736	3.0
Automobiles & Components 3.0		
Banks		
Axis Bank	1,119	6.6
HDFC Bank	1,821	9.4
ICICI Bank	1,344	9.6
IndusInd Bank	637	1.8
State Bank of India	773	6.8
Banks 34.2		
Capital Goods		
Cummins India	2,963	1.4
L&T	3,470	3.0
Capital Goods 4.3		
Consumer Staples		
Dabur India	509	1.6
Godrej Consumer Products	1,130	1.8
Consumer Staples 3.3		
Diversified Financials		
Bajaj Finserv	1,945	1.8
Shriram Finance	678	2.2
Diversified Financials 3.9		
Health Care Services		
Apollo Hospitals	6,645	3.0
Dr Lal Pathlabs	2,506	1.5
Health Care Services 4.5		
Insurance		
HDFC Life Insurance	673	2.0
ICICI Prudential Life	592	2.1
Insurance 4.1		
Internet Software & Services		
Zomato	210	1.5
Internet Software & Services 1.5		

Company	Price (Rs) 25-Mar-25	KIE weight (%)
IT Services		
HCL Technologies	1,625	1.4
Infosys	1,628	5.7
TCS	3,658	2.8
IT Services 9.9		
Oil, Gas & Consumable Fuels		
Reliance Industries	1,285	7.2
Oil, Gas & Consumable Fuels 7.2		
Pharmaceuticals		
Cipla	1,511	2.6
Lupin	2,069	1.5
Mankind Pharma	2,398	1.5
Sun Pharmaceuticals	1,765	2.0
Torrent Pharmaceuticals	3,245	1.7
Pharmaceuticals 9.4		
Specialty Chemicals		
Pidilite Industries	2,823	1.4
Specialty Chemicals 1.4		
Real Estate		
Embassy Office Parks REIT	364	1.4
Macrotech Developers	1,210	2.3
Real Estate 3.7		
Telecommunication Services		
Bharti Airtel	1,731	6.1
Telecommunication Services 6.1		
Transportation		
Adani Ports and SEZ	1,182	2.0
Interglobe Aviation	5,007	1.5
Transportation 3.4		
BSE-30	78,017	100

Notes:

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

Source: Kotak Institutional Equities estimates

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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.

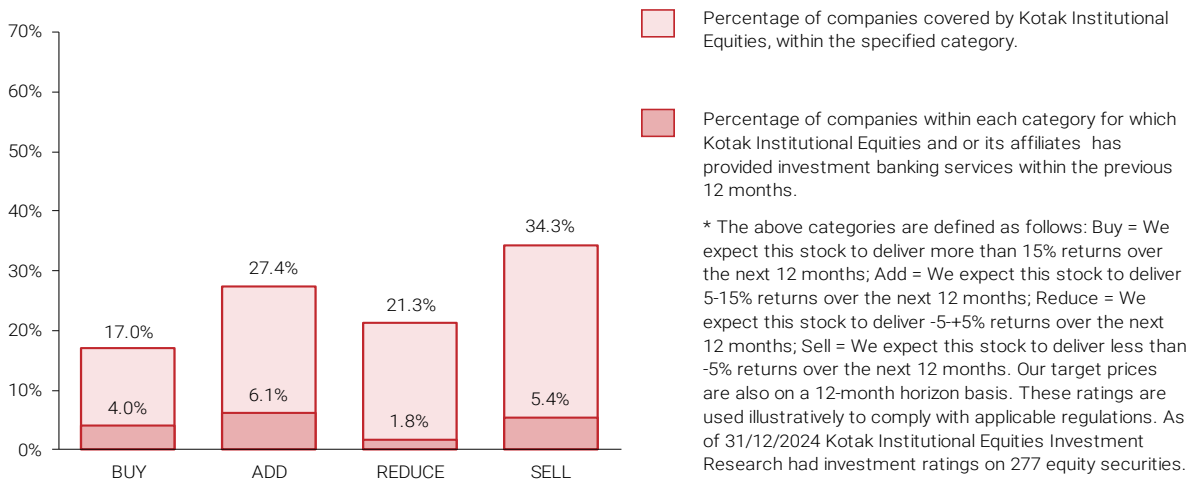
SELL. We expect this stock to deliver <-5% returns over the next 12 months.

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

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