

Strategy

May 18, 2025

When everything is up in the air

The sharp rally in Indian equities over the past few weeks belies the extant realities of (1) chaotic global trade, (2) limited progress in India-US trade negotiations, (3) weakening earnings trajectory and (4) lofty valuations. Notwithstanding the decent improvement in India's macro-outlook, the Indian market appears to be driven by narratives again, despite their poor record.

Trade situation is still in the air

Global equity markets have seen a sharp rally in the past few weeks, after the US paused high reciprocal tariffs on April 9 (see Exhibit 1). Markets have celebrated incremental 'positive' news, even as (1) US tariffs on China are quite high (see Exhibit 2), (2) the US has imposed 10% tariffs on the UK, despite its trade surplus with the UK (see Exhibit 3) and (3) reciprocal tariffs have only been suspended until July 9. Indian markets have also priced in positives from ongoing talks with the US, despite (1) trade talks being extended, (2) US demands of zero tariffs on all US exports (including agri-goods) and (3) India running a decent trade surplus with the US (see Exhibits 4-5).

Good macro, mediocre micro for now but one or both could go either way

India's macroeconomic outlook has improved over the past two months on (1) benign CPI inflation, (2) better BOP outlook on weak crude prices and positive capital flows and (3) likely higher savings of the domestic economy from falling crude prices and an appreciating INR (see Exhibits 6-9). Meanwhile, many high-frequency indicators have seen steady weakness in recent months (see Exhibit 10). Earnings outlook has deteriorated across market caps and sectors, as seen in the steady cuts in consensus earnings (see Exhibits 11-15).

4QFY25 earnings season a bit light

4QFY25 earnings season has been broadly muted, with (1) Nifty-50 net profits growing 7.5% yoy, (2) KIE coverage net profits growing 10.8% yoy but (3) the bulk of the outperformance being driven by banks and downstream oil marketing companies (see Exhibits 16-17). Most large sectors saw a varying mix of growth and profitability challenges coupled with a dim outlook, with (1) consumer companies reporting weak volume growth, margin headwinds and muted demand commentary, (2) investment companies reporting margin challenges, (3) banks reporting weak credit growth and (4) IT services companies indicating weak demand (see Exhibits 18-24).

Valuations are high, sentiment is on a high

The recent rally in Indian markets has resulted in (1) large-caps trading at or above full valuations, (2) mid-and-small caps trading at lofty valuations and (3) 'narrative' stocks trading at frothy valuations (see Exhibits 25-34). The market is again in the grips of irrational exuberance with the market quick to discount any half-baked narrative (defense being the latest one). The market's recurring tendency to buy into narratives is astonishing given the history of narratives. Many had emerged and collapsed in the past 2-3 years.

Key estimates summary

	2025	2026E	2027E
Nifty estimates			
Earnings growth (%)	8.1	10.6	14.9
Nifty EPS (Rs)	1,018	1,127	1,297
Nifty P/E (X)	24.6	22.2	19.3
Macro data			
Real GDP (%)	6.5	6.0	6.3
Avg CPI inflation (%)	4.6	3.5	4.2

Source: Company data, Kotak Institutional Equities estimates

Quick Numbers

S&P 500 Index is up 19%, Nifty-50 Index 11%, Nifty Midcap 100 Index 15% and Nifty Smallcap 100 Index 14% from April 8, 2025 levels

4QFY25 net profits of the Nifty-50 Index increased 7.5%, 6.8% ahead of expectations; 4QFY25 net profits of the Nifty-50 Index (ex-SBI) increased 9.5%, 2.1% ahead of expectations

We expect net profits of the Nifty-50 Index to grow 10.6% in FY2026E and 14.9% in FY2027E

[Full sector coverage on KINSITE](#)

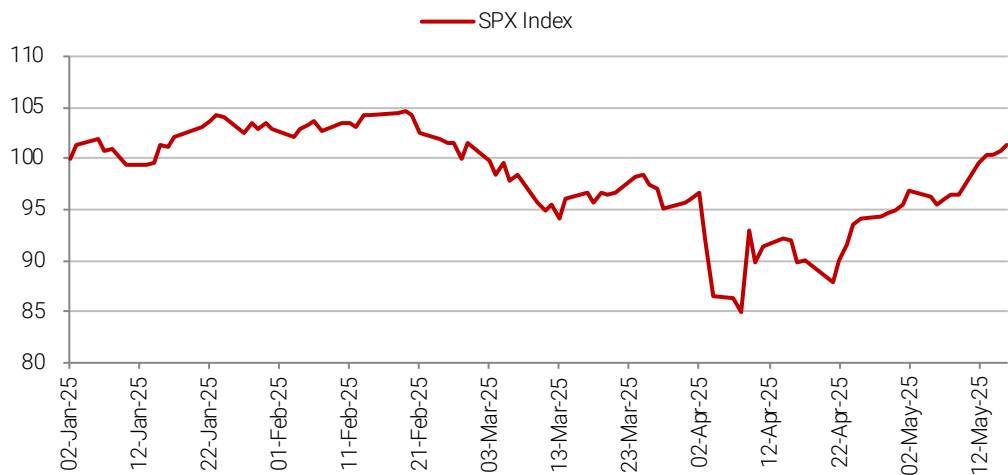
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Sharp rebound in SPX Index in the past month

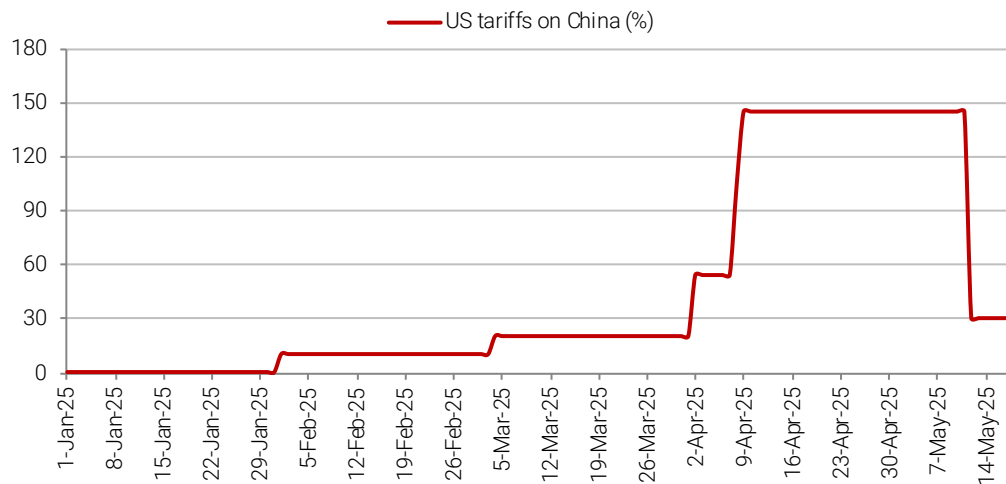
Exhibit 1: Performance of SPX Index (Dec-24=100)



Source: Bloomberg, Kotak Institutional Equities

Despite recent trade deal, US tariffs on China are very high and 'reciprocal tariffs' have been put on hold until 90 days

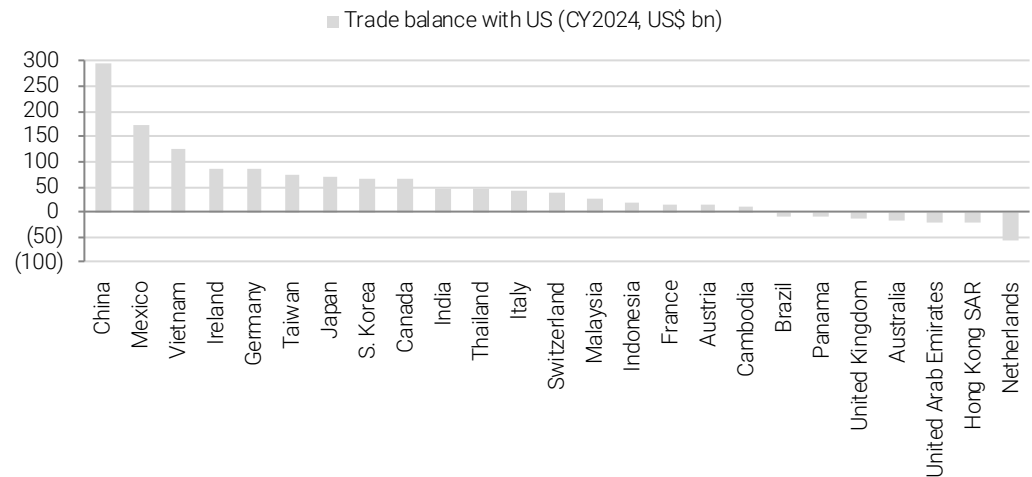
Exhibit 2: Total tariff rate imposed by US on China (base tariff + reciprocal tariff, wherever applicable), calendar year-end, 2025 (%)



Source: White House, Kotak Institutional Equities

US runs decent trade surplus with UK

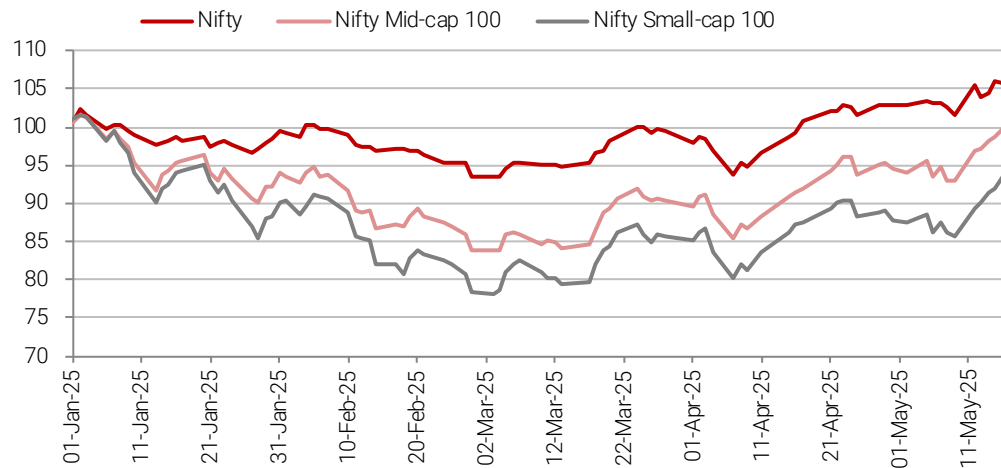
Exhibit 3: US trade deficit versus major trading partners, December calendar-year end, 2024 (US\$ bn)



Source: CEIC, US Census, Kotak Institutional Equities

Sharp rebound in the Indian markets in the past one month

Exhibit 4: Performance of Nifty, Nifty Mid-cap 100 and Nifty Smallcap 100 indices (Dec-24=100)



Source: Bloomberg, Kotak Institutional Equities

India's trade surplus with US at US\$33 bn

Exhibit 5: India's trade balance with the US by commodities, March fiscal year-end, 2025 (US\$ bn)

	Exports (US\$ bn)	Imports (US\$ bn)	Trade surplus (US\$ bn)
Beverages, refreshments, and intoxicants	1.0	0.5	0.5
Cereals	0.6	0.0	0.6
Chemicals	4.0	3.0	0.9
Electronics	11.9	3.2	8.7
Energy	4.4	15.1	(10.7)
Fertilizers	0.0	0.0	(0.0)
Fruits and vegetables	0.4	1.2	(0.8)
Furniture	1.1	0.1	1.1
Gems and stones	10.4	5.8	4.6
Leather and footwear	1.6	0.2	1.4
Machinery	6.6	4.3	2.3
Meat, fish, eggs and dairy	2.9	0.0	2.9
Metals	5.3	2.8	2.5
Oils, fats and extracts	1.5	0.2	1.3
Pharmaceuticals	8.8	0.4	8.4
Plastic	1.7	1.6	0.1
Rubber	0.9	0.3	0.6
Textiles	10.4	0.5	9.9
Transport	3.4	3.6	(0.2)
Others	3.2	3.7	(0.5)
Total	80	47	33

Notes:

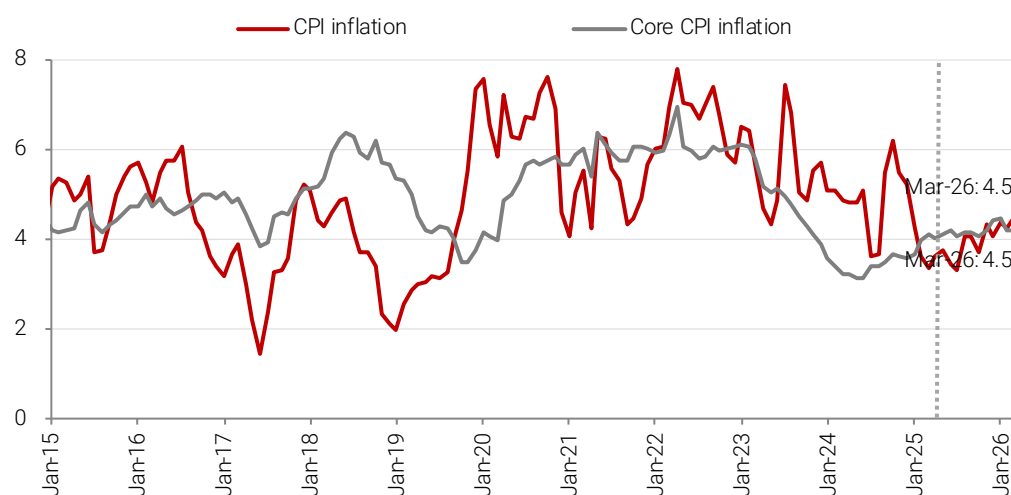
(a) For brevity, multiple HS codes have been aggregated across categories.

(b) FY2025 data is annualized based on 9MFY25 actual data.

Source: Ministry of Commerce, Kotak Institutional Equities estimates

Inflation has been under control in recent months

Exhibit 6: Headline and core CPI inflation (%)



Source: CEIC, Kotak Institutional Equities estimates

We expect CAD/GDP at 0.7% in FY2025E and 1% in FY2026E

Exhibit 7: India's balance of payments, March fiscal year-ends, 2019-26E (US\$ bn)

	2019	2020	2021	2022	2023	2024	2025E	2026E		
								Oil@60	Oil@65	Oil@70
Current account balance	(57.3)	(24.7)	23.9	(38.8)	(67.1)	(26.1)	(28.1)	(26.1)	(34.9)	(43.6)
GDP	2,705	2,835	2,674	3,167	3,345	3,638	3,913	4,186	4,186	4,186
CAB/GDP (%)	(2.1)	(0.9)	0.9	(1.2)	(2.0)	(0.7)	(0.7)	(0.6)	(0.8)	(1.0)
Trade balance	(180)	(158)	(102)	(189)	(265)	(245)	(287)	(286)	(295)	(303)
Trade balance/GDP (%)	(6.7)	(5.6)	(3.8)	(6.0)	(7.9)	(6.7)	(7.3)	(6.8)	(7.0)	(7.2)
- Exports	337	320	296	429	456	441	446	397	400	402
- oil exports	47	41	26	67	97	84	64	55	58	60
- non-oil exports	291	279	270	362	359	357	382	342	342	342
- Imports	518	478	398	619	721	686	732	683	694	705
- oil imports	141	131	83	162	209	179	186	148	160	171
- non-oil imports	377	347	316	457	512	508	546	534	534	534
- gold imports	33	28	35	46	35	46	63	58	58	58
Invisibles (net)	123	133	126	151	198	219	258	260	260	260
- Services	82	85	89	108	143	163	188	191	191	191
- software	78	85	90	110	131	142	160	160	160	160
- non-software	4	0.3	(1)	(2)	12	21	29	30	30	30
- Transfers	70	75	73	80	101	106	125	125	125	125
- Income (net)	(29)	(27)	(36)	(37)	(46)	(50)	(55)	(56)	(56)	(56)
Capital account	54	83	64	86	59	90	18	40	40	40
Capital account/GDP (%)	2	3	2	3	2	2	0	1	1	1
Foreign investment	30	44	80	22	23	54	4	13	13	13
- FDI	31	43	44	39	28	10	4	8	8	8
- FPI	(1)	1	36	(17)	(5)	44	—	5	5	5
- Equities	3	(0)	39	(16)	(6)	25	(17)	—	—	—
- Debt	(4)	1	(0)	2	1	19	17	5	5	5
Banking capital	7	(5)	(21)	7	21	41	(6)	12	12	12
- NRI deposits	10	9	7	3	9	15	16	15	15	15
Short-term credit	2	(1)	(4)	20	7	(1)	15	5	5	5
ECBs	10	23	(0)	8	(4)	(0)	12	5	5	5
External assistance	3	4	11	5	6	7	5	5	5	5
Other capital account items	1	18	(2)	24	7	(12)	(12)	—	—	—
E&O	(0)	1	(0)	—	(1)	0	—	—	—	—
Overall balance	(3.3)	59.5	87.3	47.5	(9.1)	63.7	(10.6)	13.9	5.1	(3.6)
Memo items										
Average USD/INR	69.9	70.9	74.2	74.5	80.3	82.8	84.6	86.6	86.6	86.6
Average Brent (US\$/bbl)	70.0	60.9	44.8	80.0	95.4	82.9	78.9	60.0	65.0	70.0

Source: RBI, Kotak Institutional Equities estimates

India can theoretically see Rs400-1,000 bn of savings from INR appreciation

Exhibit 8: Estimated domestic savings from INR appreciation (X)

	Crude oil (US\$/bbl)		
	70.0	65.0	60.0
LNG			
Volumes (mmscm)	38,534	38,534	38,534
Imported value (US\$ bn)	14.8	14.1	13.3
Imported value (Rs bn)	1,284	1,220	1,156
Savings		64	128
Oil (including products)			
Net imported volumes (mn tons)	236	236	236
Imported value (US\$ bn)	120	112	103
Net imported value (Rs bn)	10,417	9,673	8,929
Savings		744	1,488
Total savings (Rs bn)		808	1,617

Notes:

(a) We assume average USDINR at 86.6.

(b) We assume LNG prices at US\$10/mmbtu, US\$9.5/mmbtu and US\$9/mmbtu in the three scenarios.

Source: Kotak Institutional Equities estimates

India can theoretically see Rs400-1,000 bn of savings from INR appreciation

Exhibit 9: Estimated domestic savings from INR appreciation (X)

	USDINR (X)		
	86.6	84.0	80.0
Coal			
Volumes (mn tons)	254	254	254
Imported value (Rs bn)	1,980	1,920	1,829
Savings		59	151
LNG			
Volumes (mmscm)	38,534	38,534	38,534
Imported value (US\$ bn)	14.8	14.8	14.8
Imported value (Rs bn)	1,284	1,246	1,187
Savings		39	98
Oil (including products)			
Net imported volumes (mn tons)	236	236	236
Imported value (US\$ bn)	120	120	120
Net imported value (Rs bn)	10,429	10,116	9,634
Savings		313	795
Total savings (Rs bn)		411	1,044

Notes:

(a) We assume average coal price for FY2026 at US\$90/ton.

(b) We assume average crude price for FY2026 at US\$70/bbl.

(c) We assume average LNG price at US\$10/mmbtu.

Source: Kotak Institutional Equities estimates

High-frequency indicators weakened in recent months

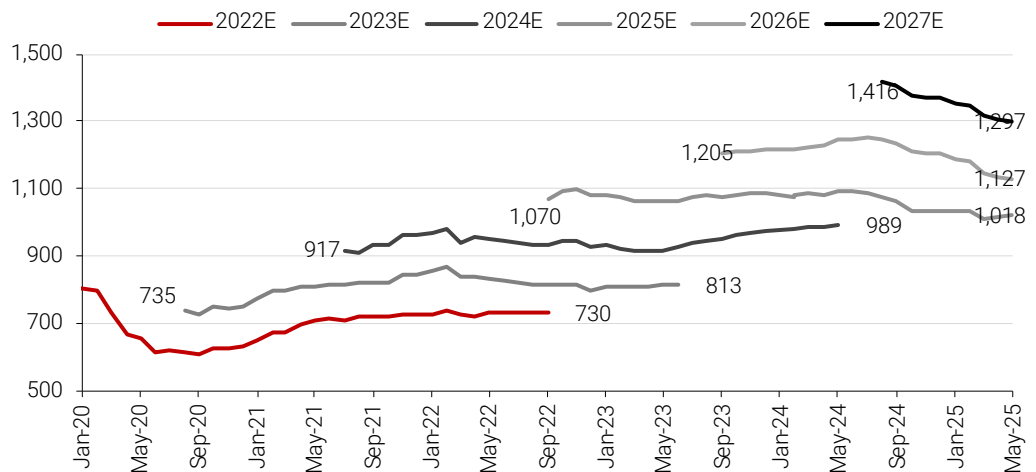
Exhibit 10: Key growth indicators (% yoy)

	Jan-24	Feb-24	Mar-24	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25
Manufacturing																
PMI manufacturing (sa)	56.5	56.9	59.1	58.8	57.5	58.3	58.1	57.5	56.5	57.5	56.5	56.4	57.7	56.3	58.1	58.2
Industrial credit (ex HDFC)	7.5	8.4	8.0	6.9	8.9	7.7	10.2	9.8	9.1	8.0	8.1	7.2	8.0	7.1	7.8	
Petroleum products consumption (industrials)	11.3	11.1	(4.0)	15.5	(0.7)	3.2	21.7	(10.8)	(13.4)	7.2	16.0	(8.7)	(1.3)	(16.4)	(14.7)	(11.5)
IIP manufacturing	3.6	4.9	5.9	4.2	5.1	3.5	4.7	1.2	4.0	4.4	5.5	3.4	5.8	2.8	3.0	
Electricity demand	5.5	8.9	10.0	9.0	13.6	8.0	4.0	(3.7)	0.5	(0.4)	3.7	5.1	1.3	2.4	5.7	2.1
Steel production	7.0	10.6	7.9	5.7	6.2	1.0	10.0	3.9	1.6	4.1	4.0	3.3	7.6	7.5	8.6	
Construction																
Steel consumption	12.6	7.3	11.6	9.6	15.9	19.5	14.4	10.0	11.8	8.9	9.5	5.2	10.9	10.9	13.6	
IIP cement	4.1	7.8	10.6	0.2	(0.6)	1.8	5.1	(2.5)	7.6	3.1	13.1	4.6	14.6	10.8	11.6	
Core infrastructure	4.2	7.1	6.3	6.9	6.9	5.0	6.3	(1.5)	2.4	3.8	5.8	4.8	5.1	3.4	3.8	
Home loan (ex HDFC)	14.1	13.6	17.1	13.9	16.9	18.2	19.3	18.8	19.5	19.4	20.1	19.4	11.0	11.1	10.7	
Services																
PMI services (sa)	61.8	60.6	61.2	60.8	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3	56.5	59.0	58.5	58.7
Services credit (ex HDFC)	21.0	21.4	20.8	19.5	20.7	15.1	15.9	15.6	15.2	14.1	14.4	13.0	12.5	12.0	12.4	
Domestic air passenger traffic	4.6	4.8	3.7	2.4	4.4	5.8	7.3	5.7	6.4	8.1	11.9	8.2	11.3	11.0	8.8	
Airport cargo	17.6	22.7	17.3	10.0	15.6	15.9	18.1	12.5	18.0	14.5	9.7	8.0	7.0	(4.9)	3.8	
Consumption																
Total personal credit	28.6	28.1	27.5	26.7	28.7	25.6	13.9	13.9	13.4	12.9	13.3	12.0	11.8	11.7	11.6	
Average no. of daily GST e-way bills (mn)	3.1	3.4	3.3	3.2	3.3	3.3	3.4	3.4	3.6	3.8	3.4	3.6	3.8	4.0	4.0	4.0
GST collections	12.5	11.5	12.4	10.0	7.7	10.3	10.0	6.5	8.9	8.5	7.3	13.6	9.1	9.9	12.6	
Passenger vehicle sales	31.9	27.0	26.0	1.3	4.0	3.1	(2.5)	(1.8)	(1.4)	0.9	4.0	10.0	1.6	1.9	3.6	3.9
Non-oil imports	3.8	20.0	(5.2)	7.4	(0.5)	0.0	7.9	22.6	8.2	(3.2)	19.7	5.8	19.9	(11.3)	9.4	16.3
Fuel consumption (retail)	5.7	7.4	4.8	5.7	2.6	2.2	7.1	2.3	0.2	3.8	8.4	7.0	5.0	0.1	2.6	4.9
FASTag (INR bn)	55.6	55.8	59.4	55.9	59.1	57.8	55.8	56.1	56.2	61.1	60.7	66.4	66.1	66.0	68.0	68.0
Labor market																
Naukri job index	(11.1)	(7.5)	(10.8)	(2.7)	(1.8)	(7.6)	11.8	(3.4)	(3.8)	10.0	2.0	8.7	3.9	4.0	(1.5)	8.9
All India unemployment rate (%)	7.4	8.1	7.4	8.1	7.3	9.0	7.7	8.5	7.7	8.9	7.7	7.8	7.9	8.4	7.7	7.7
- Rural	6.5	7.9	7.1	7.8	6.5	8.9	7.2	8.4	7.0	8.9	7.4	7.4	7.7	8.8	7.2	7.5
- Urban	9.1	8.6	8.1	8.7	8.7	9.0	8.6	8.7	9.1	8.7	8.2	8.4	8.4	7.8	7.6	8.1
Rural																
Rural wages (men)	6.3	6.5	6.2	5.8	4.9	4.7	4.7	5.8	6.2	6.3	6.3	6.1	6.0	6.2		
Two wheeler sales	26.2	34.6	15.3	30.8	10.1	21.3	12.5	9.3	15.8	14.2	(1.1)	(8.8)	2.1	(9.0)	11.4	(16.7)
Tractor sales	(15.3)	(30.6)	(23.1)	(3.0)	0.0	3.6	1.6	(5.8)	3.7	22.4	(1.3)	14.0	11.4	35.9	25.4	
Employment demanded under MNREGA (sa, mn)	24.6	24.4	25.1	24.8	24.8	23.3	23.4	25.5	25.6	25.9	26.4	27.5	27.5	26.4	24.6	
Fertilizer sales	(7.5)	(11.3)	3.4	(1.8)	0.5	7.1	(2.0)	(10.7)	(9.5)	(10.8)	1.6	10.7	7.4	0.0		

Source: CEIC, Kotak Institutional Equities

Steady cuts in FY2026/27 EPS estimates over the past few months

Exhibit 11: Nifty-50 Index EPS estimates trend, March fiscal year-ends, 2022E-27E (Rs)



Source: Kotak Institutional Equities estimates

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

Exhibit 12: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2026 (Rs)

Company	Sector	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Bajaj Auto	Automobiles & Components	366	366	367	372	372	373	374	373	373	353	352	351	347	346
Eicher Motors	Automobiles & Components	180	184	186	185	184	184	184	181	182	183	184	184	184	179
Hero Motocorp	Automobiles & Components	266	267	268	269	262	262	260	260	260	259	254	252	250	251
Mahindra & Mahindra	Automobiles & Components	100	109	113	113	113	112	113	115	115	116	116	115	114	115
Maruti Suzuki	Automobiles & Components	530	530	532	545	545	545	524	522	522	525	526	526	501	501
Tata Motors	Automobiles & Components	77	79	79	79	80	80	78	72	71	68	67	66	62	60
Axis Bank	Banks	101	102	102	100	100	99	96	96	95	92	92	91	90	90
HDFC Bank	Banks	107	107	107	105	105	104	102	102	101	98	98	98	97	98
ICICI Bank	Banks	72	72	72	73	72	72	72	72	72	72	72	72	71	71
IndusInd Bank	Banks	159	159	158	150	149	149	132	129	128	111	108	103	100	99
Kotak Mahindra Bank	Banks	81	82	82	83	83	81	79	79	79	79	79	79	78	78
State Bank of India	Banks	78	82	82	83	82	82	81	83	83	83	80	79	80	78
Bharat Electronics	Capital Goods	6.8	7.5	7.5	7.6	7.6	7.6	7.7	7.7	7.7	7.6	7.7	7.7	7.6	7.6
L&T	Capital Goods	149	143	143	140	140	140	138	139	139	136	135	135	134	132
Asian Paints	Commodity Chemicals	64	60	60	57	57	57	55	51	51	51	48	48	48	45
Grasim Industries	Construction Materials	28	27	27	27	24	24	24	21	21	21	16	16	16	16
Ultratech Cement	Construction Materials	369	370	371	363	362	359	331	327	326	322	317	316	308	307
Hindustan Unilever	Consumer Staples	53	53	53	53	53	52	51	51	50	49	48	48	47	46
ITC	Consumer Staples	19	18	18	18	18	18	18	18	18	18	18	18	18	18
Nestle India	Consumer Staples	42	41	41	41	41	41	38	38	38	37	37	37	36	36
Tata Consumer Products	Consumer Staples	20	20	20	20	20	20	19	19	19	18	18	18	18	18
Bajaj Finance	Diversified Financials	357	353	356	348	352	351	338	337	338	339	339	339	336	335
Bajaj Finserv	Diversified Financials	75	75	75	80	80	80	85	87	87	75	75	74	61	62
Shriram Finance	Diversified Financials	54	54	54	54	54	55	55	55	55	53	53	53	52	52
NTPC	Electric Utilities	24	25	25	24	25	25	25	24	24	24	24	24	24	24
Power Grid	Electric Utilities	19	18	18	19	19	19	19	19	19	19	18	18	18	18
Apollo Hospitals	Health Care Services	141	139	139	138	136	135	134	135	136	136	134	134	134	134
HDFC Life Insurance	Insurance	10	10	10	10	10	10	11	11	11	10	10	10	10	10
SBI Life Insurance	Insurance	25	25	26	27	27	27	27	27	27	25	26	26	28	28
Eternal	Internet Software & Services	3.1	2.8	2.8	2.8	2.9	2.9	2.6	2.5	2.5	1.8	1.7	1.7	1.5	1.1
HCL Technologies	IT Services	69	69	69	69	69	69	70	70	70	70	70	69	67	67
Infosys	IT Services	70	70	70	72	72	72	72	72	72	72	72	71	68	68
TCS	IT Services	157	157	157	156	157	157	154	154	153	151	151	149	143	143
Tech Mahindra	IT Services	65	65	65	65	65	65	64	64	64	62	62	62	61	61
Wipro	IT Services	13	13	13	13	13	13	13	13	13	13	13	13	13	13
Hindalco Industries	Metals & Mining	58	66	66	66	65	66	65	65	65	65	67	67	67	66
JSW Steel	Metals & Mining	74	70	71	68	67	67	60	60	59	53	51	51	51	52
Tata Steel	Metals & Mining	14	14	14	14	13	13	13	12	12	10	10	10	10	10
Coal India	Oil, Gas & Consumable Fuels	56	61	61	63	65	65	63	63	63	61	60	60	59	58
ONGC	Oil, Gas & Consumable Fuels	42	41	41	40	44	43	44	40	40	40	39	39	38	38
Reliance Industries	Oil, Gas & Consumable Fuels	70	70	71	69	68	68	64	64	64	62	62	61	59	60
Cipla	Pharmaceuticals	64	64	64	65	65	65	64	64	63	63	63	63	63	62
Dr Reddy's Laboratories	Pharmaceuticals	69	68	68	69	69	69	69	69	69	69	69	69	69	68
Sun Pharmaceuticals	Pharmaceuticals	55	54	54	53	54	54	55	55	55	55	55	55	55	55
Titan Company	Retailing	64	60	61	59	58	57	57	56	55	55	55	55	54	53
Trent	Retailing	57	57	59	59	70	70	70	67	67	66	60	60	59	59
Bharti Airtel	Telecommunication Services	50	51	51	51	49	51	49	49	49	49	50	51	51	50
Adani Ports and SEZ	Transportation	60	59	59	60	61	62	57	57	57	56	56	56	55	57

Source: FactSet, Kotak Institutional Equities estimates

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

Exhibit 13: Consensus EPS for Nifty-50 stocks, March fiscal year-end, 2027 (Rs)

Company	Sector	Apr-24	May-24	Jun-24	Jul-24	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25
Bajaj Auto	Automobiles & Components	402	403	402	413	415	417	427	427	426	399	399	398	392	392
Eicher Motors	Automobiles & Components	176	209	211	204	201	201	202	204	204	205	206	206	206	201
Hero Motocorp	Automobiles & Components	321	293	292	293	286	286	286	288	287	286	275	273	271	270
Mahindra & Mahindra	Automobiles & Components	110	118	121	121	121	121	124	129	128	130	130	130	129	129
Maruti Suzuki	Automobiles & Components	577	577	577	598	598	597	580	576	577	579	581	578	557	557
Tata Motors	Automobiles & Components	93	93	92	94	92	92	89	83	82	80	78	77	73	71
Axis Bank	Banks	120	120	119	115	115	116	112	111	110	105	105	105	104	104
HDFC Bank	Banks	140	138	128	125	125	125	119	119	118	112	112	113	113	113
ICICI Bank	Banks	81	81	81	82	82	82	82	82	82	82	82	81	81	81
IndusInd Bank	Banks	194	194	192	174	175	175	159	156	155	134	131	127	123	123
Kotak Mahindra Bank	Banks	91	96	96	96	96	96	91	91	91	90	91	91	90	90
State Bank of India	Banks	74	89	90	89	90	90	89	93	93	93	89	89	89	87
Bharat Electronics	Capital Goods	8.1	8.5	8.5	8.9	9.0	9.0	8.9	8.9	8.9	8.9	8.9	9.0	9.0	9.0
L&T	Capital Goods	163	163	163	159	159	159	162	165	165	162	162	162	161	159
Asian Paints	Commodity Chemicals	71	67	67	65	65	65	63	60	60	59	54	54	53	52
Grasim Industries	Construction Materials	23	23	23	23	32	32	32	30	30	29	26	26	26	26
Ultratech Cement	Construction Materials	434	434	435	429	425	423	401	397	394	402	398	399	398	396
Hindustan Unilever	Consumer Staples	59	58	59	57	57	57	56	56	56	54	53	53	51	51
ITC	Consumer Staples	20	20	20	20	20	20	20	20	20	20	20	20	19	19
Nestle India	Consumer Staples	46	46	46	46	46	46	43	43	43	42	41	41	41	41
Tata Consumer Products	Consumer Staples	23	23	23	23	23	23	23	23	23	21	21	21	22	22
Bajaj Finance	Diversified Financials	431	434	430	419	428	427	426	425	424	426	426	426	419	416
Bajaj Finserv	Diversified Financials	89	89	89	91	93	95	106	108	108	92	92	93	77	78
Shriram Finance	Diversified Financials	62	62	61	63	63	63	63	63	63	62	62	62	62	61
NTPC	Electric Utilities	26	26	25	26	26	26	27	26	26	26	25	26	25	25
Power Grid	Electric Utilities	20	19	19	19	20	20	20	20	20	20	19	19	19	19
Apollo Hospitals	Health Care Services	181	183	181	181	181	181	180	174	175	176	173	173	170	170
HDFC Life Insurance	Insurance	12	12	12	12	12	12	12	12	12	12	12	12	12	12
SBI Life Insurance	Insurance	32	32	32	33	33	33	32	32	32	30	30	30	33	33
Eternal	Internet Software & Services	6.3	4.0	4.0	4.0	4.3	4.3	4.3	4.3	4.3	3.7	3.6	3.6	3.3	2.8
HCL Technologies	IT Services	76	76	76	76	76	76	78	78	78	78	78	77	73	73
Infosys	IT Services	77	77	77	79	79	79	80	80	80	80	80	79	74	74
TCS	IT Services	173	173	171	173	173	173	173	173	172	169	168	167	157	157
Tech Mahindra	IT Services	79	79	78	80	80	79	80	79	79	80	80	79	76	76
Wipro	IT Services	14	14	14	14	14	14	14	14	14	14	14	14	13	13
Hindalco Industries	Metals & Mining	68	68	68	68	67	67	68	68	69	69	69	69	68	69
JSW Steel	Metals & Mining	74	74	74	74	73	73	73	73	73	66	65	65	65	65
Tata Steel	Metals & Mining	16	16	15	15	16	16	17	14	14	13	12	13	13	13
Coal India	Oil, Gas & Consumable Fuels	65	64	64	72	68	67	66	66	66	64	63	62	62	61
ONGC	Oil, Gas & Consumable Fuels	42	42	42	42	43	43	43	42	42	42	41	41	39	39
Reliance Industries	Oil, Gas & Consumable Fuels	81	82	80	77	76	76	72	72	72	71	70	70	68	68
Cipla	Pharmaceuticals	63	66	65	66	66	66	64	64	64	63	63	63	64	63
Dr Reddy's Laboratories	Pharmaceuticals	66	59	59	59	58	57	57	59	59	61	60	59	59	56
Sun Pharmaceuticals	Pharmaceuticals	65	58	57	58	59	59	62	62	62	63	62	63	63	63
Titan Company	Retailing	72	71	71	69	69	70	70	67	67	67	66	66	65	65
Trent	Retailing	75	74	79	79	90	93	93	90	90	88	80	79	77	77
Bharti Airtel	Telecommunication Services	62	64	65	65	64	66	65	65	65	65	67	68	68	69
Adani Ports and SEZ	Transportation	79	66	67	68	68	70	67	67	66	64	64	64	63	65

Source: FactSet, Kotak Institutional Equities estimates



Sharp cuts in consensus estimates for a large number of Nifty Midcap-100 companies over the past few months

 Exhibit 14: Trend in consensus EPS for Nifty Midcap-100 Index, March fiscal year-end, 2026E (Rs)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Change (%)
ACC	120	113	112	110	107	109	(9)
Aditya Birla Capital	17	17	16	16	15	15	(7)
Aditya Birla Fashion and Retail	(3)	(3)	(2)	(2)	(2)	(2)	(29)
Aikem Laboratories	210	210	204	204	203	203	(3)
APL Apollo Tubes	45	44	44	43	43	44	(3)
Apollo Tyres	32	31	29	29	28	28	(13)
Ashok Leyland	12	12	12	12	12	12	0
Astral	30	26	26	25	25	25	(18)
AU Small Finance Bank	37	36	36	36	35	35	(3)
Aurobindo Pharma	78	78	77	76	76	77	(2)
Bandhan Bank	27	24	23	23	22	19	(27)
Bank of India	18	19	19	18	18	18	(2)
Bank of Maharashtra	9	9	9	9	9	9	(1)
Bharat Dynamics	27	29	31	30	30	30	14
Bharat Forge	39	38	34	33	32	29	(26)
Bharat Heavy Electricals	7	7	6	6	6	6	(13)
Bharti Hexacom	38	37	38	38	38	40	5
Biocin	10	8	7	7	7	6	(40)
BSE	107	115	125	121	122	133	24
Cochin Shipyard	31	31	32	32	32	31	(1)
Coforge	203	211	210	209	210	206	2
Colgate-Palmolive India	61	58	58	58	57	57	(6)
Container Corp Of India	32	29	28	28	28	27	(16)
Cummins India	80	80	78	78	78	76	(5)
Dixon Technologies India	189	199	201	201	202	202	7
Escorts Kubota	126	128	117	117	114	111	(12)
Exide Industries	16	15	15	15	15	16	2
Federal Bank	21	19	19	19	19	18	(11)
FSN E-Commerce Ventures	1	1	1	1	1	1	(16)
Glenmark Pharmaceuticals	63	63	63	63	63	63	(1)
GMR Airports	1	0	0	0	0	0	(58)
Godrej Properties	57	57	62	62	61	66	15
HDFC Asset Management Co	130	134	131	130	129	129	(1)
Hindustan Petroleum Corp	48	47	46	47	47	48	(0)
Hindustan Zinc	27	27	27	27	27	27	(2)
Housing & Urban Development Corp	16	17	17	17	17	17	2
IDFC First Bank	5	4	4	4	4	4	(31)
Indian Bank	133	83	83	83	82	82	(39)
Indian Railway Catering & Tourism Corp	20	20	19	19	19	19	(8)
Indian Renewable Energy Development Agency	7	7	7	7	7	7	10
Indraprastha Gas	14	14	13	14	13	13	(8)
Indus Towers	28	26	26	26	26	27	(3)
IRB Infrastructure Developers	2	2	2	2	2	2	5
Jubilant Foodworks	8	8	8	8	8	7	(13)
Kalyan Jewellers India	11	10	10	10	10	11	4
KPIT Technologies	34	34	34	34	32	32	(6)
L&T Finance	14	13	13	13	12	12	(12)
LIC Housing Finance	97	97	98	98	97	97	0
Lupin	83	84	83	83	83	86	3
Mahindra & Mahindra Financial Services	25	24	24	24	23	23	(11)
Mankind Pharma	62	56	56	56	55	55	(11)
Marico	14	14	14	14	14	14	(1)
Max Financial Services	17	16	14	16	16	15	(10)
Max Healthcare Institute	19	19	20	20	19	19	(1)
Mazagon Dock Shipbuilders	88	88	87	122	122	122	39
Motilal Oswal Financial Services	60	58	55	55	44	44	(27)
Mphasis	104	103	103	103	100	99	(5)
MRF	5,452	5,351	4,931	4,931	4,859	5,506	1
Muthoot Finance	153	155	159	159	159	166	9
National Aluminium Co	20	22	21	20	20	20	(1)
NHPC	5	5	5	5	5	5	(2)
NMDC	8	8	8	9	9	8	2
Oberoi Realty	82	81	81	81	80	79	(4)
Oil India	58	58	54	55	55	55	(6)
Ola Electric Mobility	(3)	(3)	(3)	(3)	(3)	(3)	4
One 97 Communications	(6)	(0)	1	0	(0)	3	NM
Oracle Financial Services Software	326	311	311	311	301	301	(8)
Page Industries	740	740	721	723	723	729	(2)
Patanjali Foods	57	57	54	52	52	52	(9)
PB Fintech	17	17	17	17	17	17	0
Persistent Systems	111	112	113	114	112	113	2
Petronet LNG	28	28	28	28	28	27	(2)
Phoenix Mills/The	46	45	42	42	42	37	(20)
PI Industries	126	126	121	120	120	119	(6)
Polycab India	160	155	155	156	154	158	(1)
Premier Energies	25	26	27	27	26	26	2
Prestige Estates Projects	35	34	34	34	34	34	(2)
Rail Vikas Nigam	8	8	7	7	7	7	(7)
SBI Cards & Payment Services	32	31	30	30	30	29	(9)
SJVN	4	4	5	5	5	5	29
Solar Industries India	186	186	172	176	176	176	(6)
Sona Blw Precision Forgings	15	13	13	13	13	12	(21)
SRF	61	61	61	61	61	63	4
Steel Authority of India	12	9	7	7	8	8	(29)
Supreme Industries	115	100	101	100	90	90	(22)
Suzlon Energy	2	2	2	2	2	2	(3)
Tata Communications	70	64	62	61	59	59	(16)
Tata Elsi	160	160	160	160	128	128	(20)
Tata Technologies	21	20	20	20	18	18	(12)
Torrent Power	56	56	52	52	52	53	(6)
Tube Investments of India	66	66	54	54	53	53	(19)
Union Bank of India	21	22	22	22	22	23	6
UPL	34	33	35	35	37	34	1
Vishal Mega Mart	2	2	2	2	2	2	14
Vodafone Idea	(4)	(4)	(3)	(3)	(3)	(3)	(10)
Voltas	35	32	32	32	32	30	(13)
WAAREE Energies	NA	111	115	113	119	119	6
Yes Bank	1.1	1.1	1.1	1.1	1.1	1.1	(3)

Source: FactSet, Kotak Institutional Equities

Sharp cuts in consensus estimates for a large number of Nifty Smallcap-100 companies over the past few months

Exhibit 15: Trend in consensus EPS for Nifty Midcap-100 Index, March fiscal year-end, 2026E (Rs)

	Dec-24	Jan-25	Feb-25	Mar-25	Apr-25	May-25	Change (%)
Aadhar Housing Finance	27	27	27	26	26	25	(6)
Action Construction Equipment	43	47	41	40	40	40	(8)
Aegis Logistics	22	21	21	21	21	21	(7)
Afcons Infrastructure	19	19	19	19	19	19	3
Affle 3i	34	35	34	34	34	34	(1)
Amara Raja Energy & Mobility	62	64	62	62	62	57	(8)
Amber Enterprises India	114	118	118	117	120	120	5
Anant Raj	17	17	17	17	17	17	1
Angel One	170	143	140	137	109	106	(38)
Aster DM Healthcare	9	9	9	9	9	9	(2)
Atul	228	220	219	219	219	220	(4)
Bata India	28	28	25	25	25	25	(12)
BEML	116	116	98	98	98	98	(15)
Birlasoft	25	24	22	22	22	22	(11)
BLS International Services	16	16	17	17	17	17	6
BrainBees Solutions	(2)	(3)	(4)	(4)	(4)	(4)	NM
Brigade Enterprises	35	35	36	36	36	36	3
Castrol India	11	11	11	11	11	11	(2)
Central Depository Services India	32	30	30	30	29	26	(19)
CESC	13	11	11	11	11	11	(15)
Chambal Fertilisers and Chemicals	44	44	46	46	47	46	4
Computer Age Management Services	112	105	104	102	102	97	(13)
CreditAccess Grameen	97	82	81	80	81	81	(17)
Crompton Greaves Consumer Electricals	11	11	11	11	11	11	(7)
Cyient	81	75	75	73	66	66	(18)
Data Patterns India	48	47	43	43	43	43	(9)
Delhivery	5	5	4	4	4	4	(14)
Devyani International	2	2	1	1	1	1	(15)
Dr Lal PathLabs	61	60	60	60	59	59	(2)
Firstsource Solutions	12	12	12	12	11	11	(4)
Five-Star Business Finance	43	42	43	43	42	42	(4)
Garden Reach Shipbuilders & Engineers	57	57	55	55	55	57	0
Go Digit General Insurance	6	6	6	6	6	6	10
Great Eastern Shipping Co/The	188	121	121	147	147	107	(43)
Gujarat State Petronet	26	26	24	21	21	21	(18)
HBL Engineering	14	14	13	13	13	13	(8)
Himadri Speciality Chemical	14	15	15	15	14	14	5
IIFL Finance	45	42	42	42	42	35	(22)
IndiaMart InterMesh	86	85	85	85	86	87	0
Indian Energy Exchange	5	6	6	5	6	6	2
Inox Wind	7	7	7	7	7	7	(6)
IRCON International	11	11	7	7	7	7	(36)
Jupiter Wagons	15	12	13	12	12	12	(17)
Kalpitaru Projects International	61	60	56	57	57	57	(6)
Karur Vysya Bank/The	25	25	25	25	26	26	2
Kaynes Technology India	71	65	65	66	65	65	(9)
KEC International	43	43	39	39	38	38	(11)
Kfin Technologies	23	23	23	23	23	23	(3)
Laurus Labs	11	11	11	11	11	11	(4)
Mahanagar Gas	114	110	109	109	109	109	(4)
Manappuram Finance	29	29	27	27	27	23	(18)
Multi Commodity Exchange of India	148	142	141	140	144	138	(6)
Narayana Hrudayalaya	44	44	44	45	45	45	2
Natco Pharma	123	124	114	114	114	112	(8)
Navin Fluorine International	85	88	87	87	88	87	3
NBCC India	3	3	2	2	2	2	(4)
NCC/India	19	19	15	15	15	15	(20)
Neuland Laboratories	386	358	336	335	335	288	(25)
Newgen Software Technologies	29	26	26	26	27	26	(11)
Nuvama Wealth Management	276	287	291	291	289	289	5
PCBL CHEMICAL	20	17	17	17	15	15	(26)
PG Electroplast	12	12	14	14	14	14	17
Piramal Enterprises	55	47	47	58	46	48	(13)
Piramal Pharma	5	4	4	4	4	3	(36)
PNB Housing Finance	83	84	83	83	85	85	2
Poonawalla Fincorp	16	12	12	12	10	10	(38)
PVR Inox	54	47	38	37	33	30	(45)
Radio Khaitan	40	38	38	38	38	38	(5)
Railtel Corp of India	12	12	12	12	12	12	(6)
Ramco Cements/The	25	24	22	21	21	21	(17)
Ramkrishna Forgings	33	32	32	32	32	29	(13)
Redington	20	20	20	20	20	20	1
RITES	11	9	9	9	9	9	(14)
Sagility India	NA	1	1	1	1	2	11
Shyam Metals & Energy	60	56	56	56	55	52	(13)
SignatureGlobal India	77	78	52	45	45	45	(42)
Sonata Software	24	23	20	20	19	19	(19)
Tata Chemicals	43	43	34	34	32	21	(50)
Titagarh Rail System	40	40	34	33	33	33	(17)
Trident/India	1	1	1	1	1	1	8
Triveni Turbine	14	14	14	14	14	14	(5)
Welspun Corp	48	48	55	55	55	55	14
Welspun Living	10	9	9	9	9	9	(11)
Zen Technologies	45	45	40	40	39	39	(12)
Zensar Technologies	33	33	33	33	32	32	(3)

Source: FactSet, Kotak Institutional Equities

4QFY25 earnings growth of the Nifty-50 Index at 7.5% yoy
Exhibit 16: Comparison of 4QFY25 net income of BSE-30 and Nifty-50 stocks, actual versus expected (Rs bn)

Company	Sector	Adjusted net income (Rs bn)				Change (%)	Growth (%)	
		Mar-24	Dec-24	Mar-25A	Mar-25E	A versus E	yoy	qoq
Eicher Motors	Automobiles & Components	10.7	11.7	13.6	12.3	11	27	16
Hero Motocorp	Automobiles & Components	10.2	12.0	10.8	11.4	(6)	6	(10)
Mahindra & Mahindra	Automobiles & Components	20.0	29.6	24.4	23.6	3	22	(18)
Maruti Suzuki	Automobiles & Components	38.8	35.3	37.1	37.6	(1)	(4)	5
Tata Motors	Automobiles & Components	68.6	53.9	87.3	88.1	(1)	27	62
Axis Bank	Banks	71.3	63.0	71.2	66.3	7	(0)	13
HDFC Bank	Banks	165.1	167.4	176.2	174.2	1	7	5
ICICI Bank	Banks	107.1	117.9	126.3	115.1	10	18	7
Kotak Mahindra Bank	Banks	53.4	47.0	49.3	49.3	(0)	(8)	5
State Bank of India	Banks	207.0	168.9	186.4	117.6	59	(10)	10
Bajaj Finance	Diversified Financials	38.2	43.1	45.5	45.0	1	19	6
Bajaj Finserv	Diversified Financials	21.2	22.3	24.2	24.2	0	14	8
Jio Financial Services	Diversified Financials	3.1	2.9	3.2	3.2	(0)	2	7
Shriram Finance	Diversified Financials	19.5	35.7	21.4	22.0	(3)	10	(40)
HDFC Life Insurance	Insurance	12.3	9.3	13.8	14.3	(3)	12	48
SBI Life Insurance	Insurance	15.0	18.8	16.6	15.2	9	11	(12)
Adani Enterprises	Capital Goods	6.5	0.6	9.2	9.2	(0)	41	1,395
L&T	Capital Goods	43.0	33.6	50.2	49.1	2	17	50
Asian Paints	Commodity Chemicals	12.6	11.1	8.8	10.7	(18)	(30)	(21)
Ultratech Cement	Construction Materials	23.2	13.2	26.8	27.0	(1)	15	103
Hindustan Unilever	Consumer Staples	24.2	25.4	25.0	24.4	2	3	(2)
Nestle India	Consumer Staples	9.1	7.1	8.9	8.8	1	(3)	24
Tata Consumer Products	Consumer Staples	4.3	2.9	3.0	2.8	8	(31)	5
HCL Technologies	IT Services	39.9	46.1	42.9	43.7	(2)	8	(7)
Infosys	IT Services	60.0	68.1	66.0	65.8	0	10	(3)
TCS	IT Services	124.6	123.8	122.2	126.6	(3)	(2)	(1)
Tech Mahindra	IT Services	9.7	9.8	11.9	9.9	20	23	21
Wipro	IT Services	28.3	33.5	35.7	34.1	5	26	6
Tata Steel	Metals & Mining	12.1	(9.6)	16.9	11.3	49	40	276
Coal India	Oil, Gas & Consumable Fuels	86.4	84.9	95.9	88.0	9	11	13
Reliance Industries	Oil, Gas & Consumable Fuels	189.5	185.4	194.1	186.5	4	2	5
Cipla	Pharmaceuticals	9.4	15.7	12.2	9.8	25	30	(22)
Dr Reddy's Laboratories	Pharmaceuticals	12.9	14.1	16.7	15.0	11	29	18
Titan Company	Retailing	7.9	11.8	8.7	7.9	10	11	(26)
Trent	Retailing	6.5	4.7	3.5	3.3	6	(47)	(26)
Bharti Airtel	Telecommunication Services	29.5	55.1	52.2	55.8	(6)	77	(5)
Adani Ports and SEZ	Transportation	23.7	26.6	29.2	26.9	8	23	10
BSE-30 Index		1,404	1,363	1,498	1,403	6.8	6.7	9.9
Nifty-50 Index		1,625	1,603	1,747	1,636	6.8	7.5	9.0
Nifty-50 Index (ex- banks and oil, gas & consumable fuels)		745	768	848	839	1.0	6.0	10.3

Source: Kotak Institutional Equities estimates

Adjusted net income of KIE universe increased 10.8% yoy, with earnings outperformance driven by banks and oil, gas & consumable fuels

Exhibit 17: Comprehensive sector-wise PAT analysis of 4QFY25 earnings season (Rs bn)

	Adjusted PAT (Rs bn)				Change (%) A/E	Growth (%)	
	Mar-24	Dec-24	Mar-25A	Mar-25E		yoy	qoq
Automobiles & Components	195	183	223	219	2	15	22
Banks	782	774	837	711	18	7	8
Capital Markets	18	20	19	18	5	2	(8)
Capital Goods	71	50	77	78	(1)	8	55
Commercial & Professional Services	1	1	1	1	5	53	(19)
Commodity Chemicals	15	13	10	13	(24)	(35)	(25)
Construction Materials	39	14	40	40	(0)	2	185
Consumer Durables & Apparel	15	14	20	19	5	31	43
Consumer Staples	62	59	63	63	0	2	6
Diversified Financials	135	164	157	156	1	16	(4)
Electric Utilities	13	13	15	14	12	13	18
Electronic Manufacturing Services	1	1	1	1	10	61	36
Fertilizers & Agricultural Chemicals	2	10	12	14	(16)	567	19
Gas Utilities	29	26	26	28	(9)	(10)	1
Health Care Services	3	4	4	4	19	33	16
Hotels & Restaurants	5.2	8.0	7.2	6.9	5	40	(9)
Internet Software & Services	(1)	(2)	(3)	(5)	31	(130)	(69)
Insurance	35	33	38	37	3	10	16
IT Services	294	314	313	314	(0)	6	(0)
Media	(1)	3	1	0	215	265	(73)
Metals & Mining	59	62	94	81	15	59	50
Oil, Gas & Consumable Fuels	408	369	442	342	29	8	20
Pharmaceuticals	42	51	57	49	15	37	11
Real Estate	31	27	23	29	(19)	(25)	(14)
Retailing	21	26	19	19	2	(9)	(29)
Specialty Chemicals	12	13	14	14	2	19	14
Telecommunication Services	49	75	70	75	(6)	42	(6)
Transportation	28	31	34	31	10	23	11
KIE universe	2,366	2,361	2,621	2,377	10.3	10.8	11.0
KIE universe (ex-OMCs)	2,234	2,263	2,469	2,309	6.9	10.5	9.1
KIE universe (ex-banks and oil, gas & consumable fuels)	1,175	1,218	1,342	1,324	1.4	14.2	10.2

Source: Kotak Institutional Equities estimates

Most auto OEMs reported weak domestic volume growth in 4QFY25

Exhibit 18: Domestic volumes of select companies in auto sector, 4QFY23-4QFY25 (%)

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

Source: Companies, Kotak Institutional Equities

Weak volume growth for most consumer companies in 4QFY25 too

Exhibit 19: Volume growth of consumer companies, 4QFY23-4QFY25 (%)

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

Source: Companies, Kotak Institutional Equities

Profitability trends have been mixed for auto companies in 4QFY25

Exhibit 20: Gross and EBITDA margin of auto companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Amara Raja Energy & Mobility	33.5	28.9	31.6	34.0	34.5	31.1	32.4	33.1		15.4	12.8	13.8	15.1	14.6	13.7	14.1	13.1	
Apollo Tyres	43.4	45.0	45.7	46.6	47.2	45.5	44.8	41.5	43.4	16.0	16.8	18.5	18.3	16.4	14.4	13.6	13.7	13.0
Ashok Leyland	24.5	26.3	26.5	27.8	28.2	27.8	28.8	28.5		11.5	10.0	11.2	12.0	14.1	10.6	11.6	12.8	
Bajaj Auto	30.2	28.1	29.0	28.9	29.7	30.0	28.7	28.7		19.3	19.0	19.8	20.1	20.1	20.2	20.2	20.2	
Balkrishna Industries	50.0	51.7	51.9	52.0	53.3	53.1	52.6	52.4	52.0	21.4	23.0	24.4	25.3	25.9	26.0	25.1	24.9	25.0
Bharat Forge	43.5	44.3	43.3	41.9	41.4	41.8	40.8	40.1	39.6	12.1	15.4	16.5	18.0	15.4	18.0	17.5	18.0	17.7
CEAT	40.1	41.1	43.3	41.3	42.3	39.2	37.4	36.8	37.5	12.8	13.2	14.9	14.1	13.1	12.0	11.0	10.3	11.3
Eicher Motors	44.3	44.1	46.0	46.0	46.5	46.4	46.5	45.1		24.5	25.6	26.4	26.1	26.5	26.5	25.5	24.2	
Endurance Technologies	40.7	40.9	39.8	39.9	43.0	42.5	42.2	42.9	43.9	12.8	13.1	12.5	11.7	14.5	13.2	13.1	13.0	14.3
Escorts Kubota	28.5	30.2	32.3	30.6	31.9	31.9	30.4	26.9	30.6	10.8	14.0	12.9	13.5	12.8	14.3	10.3	11.4	12.1
Exide Industries	29.8	28.3	31.1	31.5	33.0	30.7	31.5	32.0	31.2	10.4	10.6	11.8	11.5	12.9	11.5	11.3	11.7	11.2
Hero Motocorp	32.0	30.6	31.4	32.7	33.6	32.3	33.3	34.2	34.5	13.0	13.8	14.1	14.0	14.3	14.4	14.5	14.5	14.2
Hyundai Motor	NA	24.2	25.1	26.6	28.5	28.1	27.4	26.8	28.7	NA	12.0	13.1	12.9	14.3	13.5	12.8	11.3	14.1
Mahindra & Mahindra	23.3	24.7	24.4	24.6	26.8	26.3	25.8	25.6	25.9	12.5	13.4	12.6	12.8	13.1	14.9	14.3	14.6	14.9
Maruti Suzuki	26.7	27.2	29.4	29.1	28.6	29.8	28.1	28.4	28.1	10.5	9.2	12.9	11.7	12.3	12.7	11.9	11.6	10.5
MRF	37.0	38.8	40.8	40.1	38.9	37.3	36.5	33.1	36.1	14.7	17.6	18.5	17.2	14.2	16.1	14.4	11.6	15.0
Samvardhana Motherson	43.4	43.5	43.2	44.8	47.4	46.4	45.8	47.1		8.3	8.6	8.0	9.0	10.8	9.6	8.8	9.7	
Schaeffler India	38.8	38.6	37.1	37.2	37.9	37.7	37.5	36.4	38.0	18.6	18.7	18.4	17.3	17.6	17.9	17.4	17.3	18.1
SKF	38.7	39.8	34.0	41.7	41.2	39.3	33.4	33.3		15.3	17.6	10.8	15.8	17.7	16.1	10.0	9.7	
Sona BLW Precision	54.3	56.9	55.1	59.1	56.4	57.6	56.0	55.9	56.7	27.1	27.8	28.2	29.3	28.0	28.1	27.6	27.0	27.1
Tata Motors	35.6	37.6	36.4	38.3	38.5	39.0	38.7	38.4	37.9	12.1	13.3	13.1	13.9	14.2	14.4	11.5	11.0	13.9
Timken	42.0	41.2	41.6	40.5	40.7	39.4	39.3	39.2		20.3	18.9	19.9	16.7	22.1	18.0	17.7	15.9	
TVS Motor	24.6	25.4	26.0	26.3	27.2	28.6	28.5	28.4	30.2	10.3	10.6	11.0	11.2	11.3	11.5	11.7	11.9	14.0
Uno Minda	35.6	35.8	34.4	35.0	36.5	35.6	35.1	34.5		11.1	10.7	11.1	10.8	12.5	10.7	11.4	10.9	
Varroc Engineering	35.0	36.8	36.7	36.3	39.3	37.5	35.8	35.4		7.4	10.1	10.3	9.3	11.2	9.2	10.0	9.0	

Source: Companies, Kotak Institutional Equities

Most consumer companies have seen margin compression in 4QFY25

Exhibit 21: Gross and EBITDA margin of consumer companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
Asian Paints	42.6	42.9	43.4	43.6	43.7	42.5	40.8	42.4	43.9	21.3	23.1	20.2	22.6	19.4	18.9	15.4	19.1	17.2
Avenue Supermarts	14.0	15.2	14.7	14.9	14.5	15.6	14.9	14.7	14.2	7.3	8.7	8.0	8.3	7.4	8.7	7.6	7.6	6.4
Berger Paints	39.8	39.8	41.1	41.1	40.7	39.9	41.7	41.6	42.7	15.1	18.4	17.1	16.7	13.9	16.9	15.6	15.9	15.8
Britannia Industries	44.9	41.9	42.9	43.9	44.9	43.4	42.6	38.7	40.1	19.9	17.2	19.7	19.3	19.4	17.7	16.8	18.4	18.2
Colgate-Palmolive (India)	66.9	68.4	68.8	72.2	69.3	70.6	68.5	69.9	67.1	33.5	31.6	32.8	33.6	35.7	34.0	30.7	31.1	18.2
Dabur India	45.8	46.6	48.3	48.6	48.6	47.8	49.3	48.1	46.7	15.3	19.3	20.6	20.5	16.6	19.6	18.2	20.3	15.1
Godrej Consumer Products	52.9	53.7	54.9	55.9	56.1	55.9	55.5	54.1	52.5	20.0	18.6	19.5	23.0	22.3	21.7	20.7	20.1	21.1
Hindustan Unilever	48.7	49.9	52.7	51.5	51.9	51.4	51.0	50.7	50.5	23.3	23.2	24.2	23.3	23.1	23.5	23.5	23.2	22.8
ITC	58.6	54.1	57.3	58.4	59.9	57.7	52.9	54.4		37.9	34.7	36.5	36.5	37.2	37.0	32.8	34.2	
Jubilant Foodworks	75.3	76.0	76.4	76.7	76.6	76.1	76.1	75.1	74.5	20.1	21.1	20.9	20.9	19.1	19.3	19.4	19.4	18.2
Jyothy Labs	45.7	47.9	49.2	49.8	49.5	51.3	50.0	49.8	49.2	14.8	17.1	18.5	17.5	16.4	18.0	18.9	16.4	18.2
Kansai Nerolac	31.6	35.3	35.7	36.2	34.8	37.0	34.0	35.3	34.6	9.5	16.1	14.6	13.2	10.8	16.3	11.5	13.4	10.2
Marico	47.4	50.0	50.5	51.3	51.6	52.3	50.8	49.5	48.6	17.5	23.2	20.1	21.2	19.4	23.7	19.6	19.1	16.8
Nestle India	53.8	54.8	56.5	58.6	56.8	57.6	56.6	56.4	56.2	23.0	22.7	24.4	24.2	25.4	22.9	22.9	23.1	25.2
Page Industries	56.6	52.9	55.7	53.0	56.2	54.1	56.5	56.3	60.9	13.9	19.5	20.8	18.5	16.8	19.0	22.6	23.0	18.2
Pidlite Industries	46.8	49.0	51.3	52.9	53.4	53.8	54.4	54.3	55.0	17.1	21.6	22.1	23.7	19.9	23.9	23.8	23.7	20.1
Tata Consumer Products	41.8	42.2	42.5	43.8	46.1	44.9	43.6	41.1	41.9	14.1	14.6	14.4	15.0	16.0	15.3	14.9	12.7	13.5
Titan Company	22.9	21.0	22.4	21.7	21.2	20.9	21.6	20.8	21.7	10.8	9.9	11.6	11.2	9.9	10.0	10.8	11.0	10.7
United Breweries	38.6	40.6	44.5	44.0	41.7	43.0	43.8	44.2	42.1	3.0	9.8	9.8	8.0	6.7	11.5	10.7	9.4	8.0
United Spirits	42.6	43.0	43.4	43.4	43.3	44.5	45.2	44.7		10.7	17.1	16.4	16.4	13.6	19.5	17.8	17.1	18.2
Varun Beverages	52.4	52.5	55.3	56.6	56.3	54.7	55.5	56.1	54.6	20.5	26.9	22.8	15.7	22.9	27.7	24.0	15.7	22.7

Source: Companies, Kotak Institutional Equities

Capital goods companies witnessed margins moderating from elevated levels

Exhibit 22: Gross and EBITDA margin of capital goods companies under our coverage, 4QFY23-4QFY25 (%)

	Gross margin (%)									EBITDA margin (%)								
	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25	4QFY23	1QFY24	2QFY24	3QFY24	4QFY24	1QFY25	2QFY25	3QFY25	4QFY25
ABB	36.3	36.5	36.7	37.5	40.2	42.8	43.4	41.1	41.7	11.8	13.9	15.8	15.1	18.3	19.2	18.6	19.5	18.4
Bharat Electronics	48.2	43.7	49.0	48.8	48.5	45.4	53.5	48.3	33.5	28.3	19.0	25.3	25.8	26.7	22.3	30.4	28.9	27.5
BHEL	31.1	29.1	27.6	26.8	33.2	29.3	32.7	37.0	34.1	12.0	(7.3)	(7.6)	(1.1)	8.8	(3.1)	4.2	4.2	7.5
Carborundum Universal	61.9	61.1	64.7	64.1	64.5	64.8	63.9	61.9	62.8	15.9	14.1	14.6	16.7	17.4	16.2	15.9	14.1	12.0
CG Power & Industrial	30.2	30.2	31.6	30.9	31.3	31.2	29.6	30.0	29.8	14.5	14.2	15.4	13.2	13.0	14.7	12.2	13.2	12.6
Cochin Shipyard	12.5	49.8	36.0	45.4	40.9	47.0	33.5	37.2	39.7	(11.5)	18.5	20.4	30.5	17.9	25.7	17.9	22.6	15.3
Cummins India	32.7	32.5	36.7	37.0	35.5	37.8	35.8	34.8		16.9	15.4	17.8	21.2	18.4	20.3	19.3	19.4	
G R Infraprojects	24.1	24.1	24.3	24.4	27.2	23.9	26.0	23.0		14.5	14.6	12.3	12.6	17.7	13.0	10.4	12.8	
IRB Infrastructure	56.3	57.5	58.3	54.4	52.5	58.9	60.0	60.0		46.8	47.6	45.5	44.2	43.2	46.3	48.3	48.6	
KEC International	19.3	24.7	23.2	20.7	19.5	23.8	22.8	22.8		5.1	5.8	6.1	6.1	6.3	6.0	6.3	7.0	
L&T	34.9	38.8	39.1	36.1	33.5	38.0	35.9	35.1	34.0	11.7	10.2	11.0	10.4	10.8	10.2	10.3	9.7	11.0
Siemens	31.5	32.6	29.4	32.1	32.5	33.4	29.8	32.5	30.5	12.8	11.6	12.1	12.4	15.3	13.3	12.2	11.2	11.0
Thermax	44.8	44.3	44.4	44.6	43.1	43.8	44.8	44.2	43.4	8.7	6.8	8.9	8.1	9.9	6.5	10.6	7.5	9.7

Source: Companies, Kotak Institutional Equities

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

Exhibit 23: Yoy growth in loans for banks in KIE universe, 4QFY23-4QFY25 (%)

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

Source: Companies, Kotak Institutional Equities

IT services companies saw weak demand environment in 4QFY25

Exhibit 24: Sequential and yoy growth in c/c revenues of IT companies, March fiscal year-ends, 2023-25 (%)

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

Source: Companies, Kotak Institutional Equities

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

Exhibit 25: Valuation summary of Nifty-50 sectors (full-float basis), March fiscal year-ends, 2025-27E (based on current constituents)

	Mcap. (US\$ bn)	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	180	96	11.6	3.6	16.0	23.0	22.2	19.2	12.6	12.2	10.3	4.6	4.0	3.5	1.4	1.5	1.6	19.9	18.1	18.4
Banks	477	410	8.4	1.2	16.2	17.5	17.3	14.9	—	—	—	2.6	2.3	2.0	1.0	1.2	1.2	14.6	13.3	13.7
Capital Goods	124	72	32.5	8.1	27.0	39.5	36.5	28.8	25.9	23.8	20.5	5.7	5.0	4.3	0.6	0.7	0.9	14.4	13.6	15.0
Commodity Chemicals	26	12	(26.2)	4.8	15.4	56.0	53.4	46.3	37.1	34.6	32.2	11.6	10.7	9.9	1.1	1.2	1.4	20.8	20.1	21.4
Construction Materials	63	29	(19.4)	48.3	22.3	50.7	34.2	28.0	19.3	14.8	12.8	3.3	3.1	2.8	0.6	0.6	0.7	6.6	9.0	10.2
Consumer Staples	170	91	(3.7)	6.9	10.9	41.9	39.2	35.4	30.5	28.4	25.4	9.8	9.6	9.2	2.3	2.2	2.5	23.4	24.4	26.0
Diversified Financials	140	62	23.8	19.2	23.7	30.8	25.8	20.9	—	—	—	3.4	3.1	2.7	0.5	0.5	0.6	11.0	12.0	13.1
Electric Utilities	72	35	3.7	10.8	8.0	16.2	14.6	13.5	10.1	9.1	8.5	2.2	2.0	1.8	2.8	3.1	3.2	13.3	13.6	13.6
Health Care Services	12	8	60.2	31.6	32.2	70.2	53.3	40.3	34.0	27.6	21.9	12.3	10.2	8.3	0.2	0.2	0.2	17.5	19.1	20.5
IT Services	328	149	8.9	5.2	9.4	25.7	24.4	22.3	16.9	16.1	14.7	7.6	7.1	6.7	3.0	3.2	3.6	29.4	29.0	29.9
Insurance	40	19	21.9	16.3	16.3	80.3	69.1	59.4	—	—	—	10.9	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	450.0	178.6	90.5	337	144	65	7.8	7.3	6.7	—	—	—	1.7	4.1	7.4
Metals & Mining	69	38	5.4	88.4	17.7	25.8	13.7	11.6	9.7	7.3	6.4	2.0	1.8	1.6	1.2	1.5	1.7	7.9	13.2	13.8
Oil, Gas & Consumable Fuels	296	137	(1.4)	10.5	10.4	16.3	14.7	13.3	9.6	8.1	7.1	1.9	1.7	1.6	1.6	1.6	1.6	11.8	11.9	11.9
Pharmaceuticals	75	40	17.1	2.2	7.5	27.9	27.3	25.4	19.6	18.3	17.0	4.6	4.1	3.6	0.6	0.7	0.8	16.6	14.9	14.2
Retailing	61	32	20.3	24.9	20.4	98.5	78.9	65.5	58.6	49.3	41.5	30.5	23.4	18.3	0.2	0.3	0.3	31.0	29.7	27.9
Telecommunication Services	127	60	80.1	52.7	30.7	53.4	35.0	26.8	13.1	9.6	8.0	9.6	8.2	6.8	0.9	1.1	1.3	17.9	23.3	25.4
Transportation	36	12	26.1	19.6	12.3	26.8	22.4	19.9	18.0	15.6	13.1	4.9	4.1	3.5	0.6	0.6	0.7	18.2	18.3	17.5
Nifty-50 Index	2,323	1,323	8.1	10.6	14.9	24.6	22.3	19.4	14.7	12.8	11.2	3.6	3.3	2.9	1.4	1.5	1.7	14.8	14.8	15.2
Nifty-50 Index (ex-energy)	2,027	1,186	10.6	10.7	16.0	26.6	24.1	20.7	16.8	14.7	12.9	4.2	3.8	3.4	1.4	1.5	1.7	15.7	15.7	16.2
Nifty-50 Index (ex-banks)	1,846	912	7.9	14.5	14.4	27.5	24.0	21.0	14.7	12.8	11.2	4.1	3.7	3.3	1.5	1.6	1.8	14.8	15.4	15.8

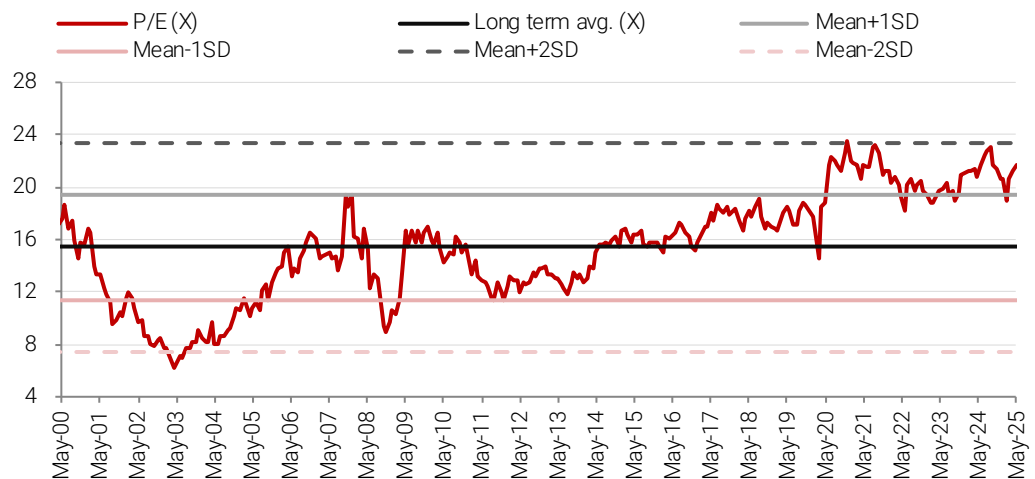
Notes:

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

Source: Kotak Institutional Equities estimates

Nifty-50 index trading at high multiples

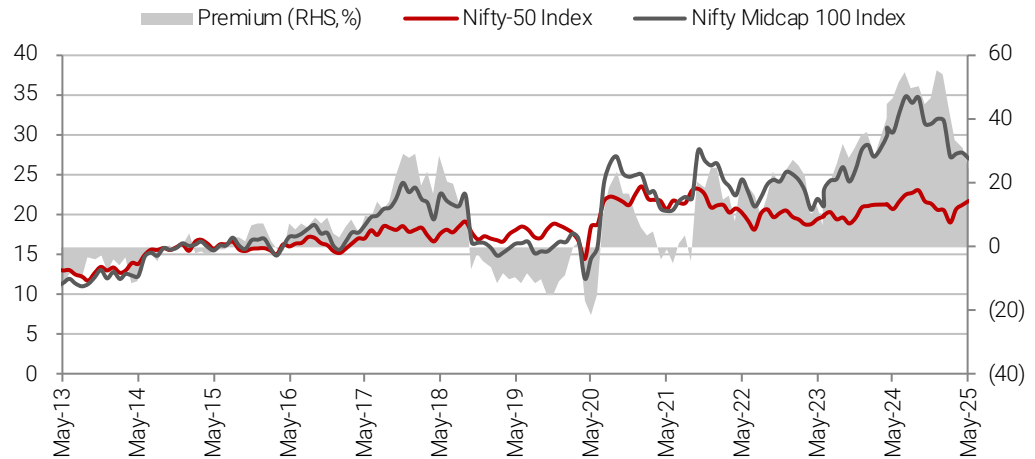
Exhibit 26: 12-m rolling forward PE of Nifty-50 Index, March fiscal year-ends, 2001-26 (X)



Source: Kotak Institutional Equities estimates

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

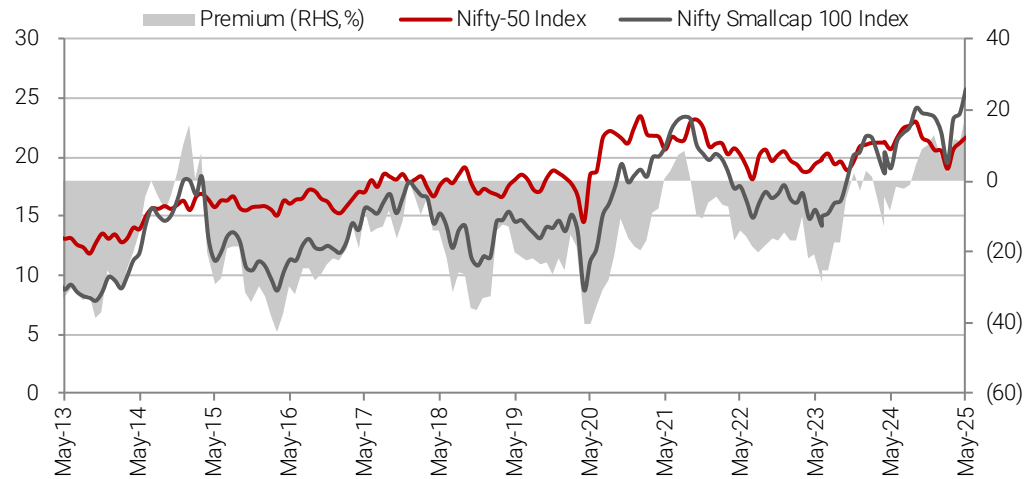
Exhibit 27: 1-year forward P/E multiple of Nifty-50 Index and Nifty Midcap 100 Index, March fiscal year-ends, 2013-26 (X)



Source: Bloomberg, Kotak Institutional Equities

Smallcaps continue to trade at a large premium to largecaps

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



Source: Bloomberg, Kotak Institutional Equities

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

Exhibit 29: 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	Mar-25	
Bajaj Auto	Automobiles & Components	14	14	14	16	15	16	18	17	17	12	19	18	17	30	22	24
Eicher Motors	Automobiles & Components	15	14	16	24	38	33	33	29	21	17	29	25	23	25	29	30
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	27
Maruti Suzuki	Automobiles & Components	14	16	13	17	21	18	22	26	23	18	28	30	23	28	22	26
Samvardhana Motherson	Automobiles & Components	17	13	14	19	28	21	25	25	19	11	25	22	15	20	20	22
TVS Motor	Automobiles & Components	11	7	7	15	22	23	28	30	23	19	32	24	27	40	35	40
Asian Paints	Commodity Chemicals	23	27	33	36	38	38	45	44	51	48	64	65	54	48	49	51
Berger Paints	Commodity Chemicals	17	17	25	27	36	35	45	44	49	58	81	61	49	52	47	52
Ambuja Cements	Construction Materials	18	18	14	24	23	29	34	29	26	16	25	20	26	38	31	33
Shree Cement	Construction Materials	NA	NA	14	22	46	34	36	31	37	34	44	32	41	34	57	59
UltraTech Cement	Construction Materials	18	18	16	24	23	28	34	31	32	20	32	26	30	31	37	37
Havells India	Consumer Durables & Apparel	13	16	16	20	31	32	42	36	46	32	56	49	49	59	52	53
Polycab	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	NA	NA	NA	13	22	31	30	39	33	37
Britannia Industries	Consumer Staples	21	28	24	23	39	33	39	49	53	41	45	41	47	49	50	52
Colgate-Palmolive (India)	Consumer Staples	24	30	28	32	40	32	40	38	40	37	41	38	36	52	42	46
Dabur India	Consumer Staples	23	24	26	29	35	30	33	36	40	43	48	44	44	41	43	43
Godrej Consumer Products	Consumer Staples	20	22	30	31	31	35	37	43	38	29	39	36	45	52	49	54
Hindustan Unilever	Consumer Staples	26	29	28	33	40	39	41	47	50	56	58	47	52	46	47	51
Marico	Consumer Staples	24	26	27	25	35	37	41	42	39	31	40	43	40	39	46	50
Nestle India	Consumer Staples	35	37	34	35	44	41	47	50	51	63	65	62	63	72	62	66
Tata Consumer Products	Consumer Staples	14	18	17	18	19	16	18	26	23	31	50	53	46	61	56	63
Varun Beverages	Consumer Staples	NA	NA	NA	NA	NA	NA	32	36	42	28	36	39	45	67	52	48
United Spirits	Consumer Staples	22	16	37	59	90	57	53	58	43	33	41	53	48	57	58	62
Apollo Hospitals	Health Care Services	25	29	30	31	43	41	40	41	43	33	59	54	50	61	49	51
Avenue Supermarts	Retailing	NA	NA	NA	NA	NA	NA	54	77	73	78	90	100	71	86	75	80
Titan Company	Retailing	30	28	25	28	33	31	41	56	54	44	68	75	57	74	56	67
Trent	Retailing	NA	45	43	36	40	27	44	56	53	59	169	112	79	109	88	91
Pidlite Industries	Specialty Chemicals	21	22	27	26	42	34	37	43	54	49	64	74	62	69	60	63

Source: FactSet, Kotak Institutional Equities

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

Exhibit 30: 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	Mar-25	
Balkrishna Industries	Automobiles & Components	6	8	7	9	11	11	17	21	20	15	26	24	24	27	25	26
Exide Industries	Automobiles & Components	17	19	17	19	21	18	24	22	20	12	17	13	14	20	24	26
Schaeffler India	Automobiles & Components	11	14	12	17	31	27	31	29	30	25	35	37	42	41	45	52
SKF	Automobiles & Components	15	15	14	19	28	26	28	26	27	18	30	35	32	33	31	36
Timken	Automobiles & Components	NA	NA	NA	NA	40	24	31	34	29	23	39	44	41	49	42	45
Indigo Paints	Commodity Chemicals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	93	47	32	33	28	30
Kansai Nerolac	Commodity Chemicals	20	19	26	24	31	36	38	43	41	32	47	37	30	27	26	29
Crompton Greaves Consumer	Consumer Durables & Apparel	NA	NA	NA	NA	NA	NA	39	36	31	24	40	33	29	29	33	33
Page Industries	Consumer Durables & Apparel	24	26	26	36	58	46	48	59	54	40	64	72	53	51	58	63
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	36
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	63
Dr Lal Pathlabs	Health Care Services	NA	NA	NA	NA	NA	53	39	35	36	38	67	57	44	45	41	46
Max Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	35	34	34	51	58	60
Metropolis Healthcare	Health Care Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	33	50	41	34	49	38	41
Narayana Hrudayalaya	Health Care Services	NA	NA	NA	NA	NA	136	47	44	37	34	39	39	26	31	38	38
Chalet Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	146	29	45	37	38
Devyani International	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	89	53	86	104	126
Indian Hotels	Hotels & Restaurants	26	23	39	48	66	67	47	51	54	28	100	70	40	51	53	50
Jubilant Foodworks	Hotels & Restaurants	36	48	41	40	54	52	54	58	48	45	75	58	51	69	102	103
Lemon Tree Hotels	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	64	33	NA	173	39	36	36	38
Sapphire Foods	Hotels & Restaurants	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	106	54	88	103	141
Westlife Foodworld	Hotels & Restaurants	NA	NA	NA	119	264	139	120	107	69	49	113	94	67	91	135	114

Source: FactSet, Kotak Institutional Equities

Most investment stocks are trading at expensive valuations

Exhibit 31: 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)															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	59
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	37
Carborundum Universal	Capital Goods	13	13	13	17	21	18	23	24	25	13	30	32	37	42	37	40
Cochin Shipyard	Capital Goods	NA	NA	NA	NA	NA	NA	NA	16	11	5	NA	6	14	37	44	59
Cummins India	Capital Goods	18	21	18	25	29	26	28	23	24	13	35	32	36	50	39	38
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	19
KEC International	Capital Goods	8	8	7	9	13	12	15	19	13	7	15	13	18	23	20	20
L&T	Capital Goods	21	16	15	22	28	21	23	23	19	11	19	21	22	31	26	27
Siemens	Capital Goods	28	28	29	53	75	50	50	37	37	30	52	52	59	76	58	60
Thermax	Capital Goods	16	15	18	24	33	28	36	35	27	23	43	48	43	65	49	46
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	53
Cyient DLM	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	49	32	32
Dixon Technologies	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	37	27	25	64	63	40	70	64	76
Kaynes Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	75	73	90
Syrma SGS Technology	Electronic Manufacturing Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	42	36	40

Source: FactSet, Kotak Institutional Equities

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

Exhibit 32: 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)															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	40
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	24
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	41
LTIMindtree	IT Services	NA	NA	NA	NA	NA	NA	12	18	17	15	32	38	27	27	25	29
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	49
Tata Elxsi	IT Services	NA	NA	10	21	30	28	22	23	18	14	39	88	44	51	35	46
Tata Technologies	IT Services	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	50	35	40
TCS	IT Services	23	18	20	19	20	18	17	19	22	20	30	31	24	28	24	25
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	60
Dr Reddy's Laboratories	Pharmaceuticals	19	18	17	18	23	20	21	19	21	21	24	21	18	19	16	19
Emcure Pharmaceuticals	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	23	22
JB Chemicals & Pharma	Pharmaceuticals	NA	NA	NA	8	11	13	15	NA	13	13	22	24	28	36	31	31
Lupin	Pharmaceuticals	18	20	20	20	31	20	20	19	21	21	27	22	24	32	23	23
Mankind Pharma	Pharmaceuticals	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	41	43	44
Sun Pharmaceuticals	Pharmaceuticals	22	23	23	20	29	24	21	25	23	17	23	26	24	35	31	31
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	44

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 33: 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)															Current
		Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	
AU Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	7.0	4.6	3.0	5.9	4.6	3.1	2.6	2.1	2.6
Axis Bank	Banks	2.6	1.8	1.7	1.6	2.6	1.8	2.1	1.9	2.7	1.1	1.9	1.9	1.8	1.9	1.7	1.8
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	0.7
Equitas Small Finance Bank	Banks	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	1.8	1.4	1.5	1.6	0.9	1.1
Federal Bank	Banks	1.3	1.2	1.2	1.1	1.3	0.9	1.7	1.4	1.4	0.5	NA	NA	NA	1.1	1.3	1.3
HDFC Bank	Banks	3.8	3.5	3.5	3.5	3.6	3.2	3.8	3.8	3.8	2.5	3.6	3.0	2.8	2.2	2.6	2.6
ICIICI Bank	Banks	2.2	1.6	1.7	1.8	2.1	1.5	1.8	1.7	2.3	1.7	2.5	2.7	2.7	2.9	3.0	3.1
Indusind Bank	Banks	2.8	2.8	2.5	2.6	3.8	2.9	3.7	4.0	3.4	0.6	1.6	1.4	1.3	1.7	0.7	0.8
Karur Vysya Bank	Banks	1.7	1.3	1.4	1.1	1.5	1.1	1.4	1.3	1.0	0.3	0.7	0.5	0.9	1.3	1.3	1.3
Punjab National Bank	Banks	1.6	1.1	0.7	0.8	0.7	0.6	1.0	0.6	1.0	0.4	0.5	0.4	0.6	1.3	0.8	0.8
State Bank of India	Banks	1.9	1.7	1.4	1.3	1.6	1.2	1.5	1.2	1.4	0.8	1.3	1.5	1.3	1.7	1.5	1.5
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	1.3
Union Bank	Banks	1.4	0.9	0.8	0.5	0.6	0.6	0.7	0.5	0.6	0.3	0.5	0.4	0.6	1.1	0.8	0.8

Source: FactSet, Kotak Institutional Equities

NBFCs are trading at fair valuations

Exhibit 34: 12 m forward P/B multiple of financial stocks in KIE universe, March fiscal year-ends, 2011-25E

Company	Sector	Mar-11	Mar-12	Mar-13	Mar-14	Mar-15	Mar-16	Mar-17	Mar-18	Mar-19	Mar-20	Mar-21	Mar-22	Mar-23	Mar-24	Mar-25	Current
12-m forward P/B multiple (X)																	
Aavas Financiers	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	4.7	3.9	7.0	6.4	3.4	2.4	3.3	2.8
Aadhar Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.5	2.6
Aptus Value Housing Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	5.2	3.1	3.6	3.0	3.2
Bajaj Finance	Diversified Financials	1.6	1.4	1.5	1.9	3.5	4.2	5.7	5.3	7.3	3.4	7.1	8.4	5.2	5.0	5.0	4.9
Cholamandalam	Diversified Financials	1.6	1.6	1.8	1.6	2.6	2.8	3.2	3.8	3.2	1.3	4.1	4.5	3.9	4.3	4.5	4.6
Home First Finance	Diversified Financials	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	2.7	3.9	3.2	3.3	3.0	2.9
L&T Finance	Diversified Financials	NA	1.6	2.1	1.8	1.4	1.5	2.6	2.8	2.0	0.6	1.2	0.9	0.9	1.6	1.4	1.5
LIC Housing Finance	Diversified Financials	2.2	2.1	1.5	1.4	2.3	2.3	2.5	1.9	1.6	0.6	1.0	0.8	0.7	1.0	0.8	0.8
Mahindra & Mahindra Financial	Diversified Financials	2.7	2.0	2.2	2.5	2.3	2.2	2.7	3.1	2.3	0.8	1.6	1.2	1.6	1.7	1.6	1.6
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	2.5
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	33
ABSL AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	22	13	18	19	20
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	45
HDFC AMC	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	34.0	30.9	40.6	29	23	38	31	36
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	30
Kfin Technologies	Capital Markets	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	25	36	44	48
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	17

Source: FactSet, Kotak Institutional Equities

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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.

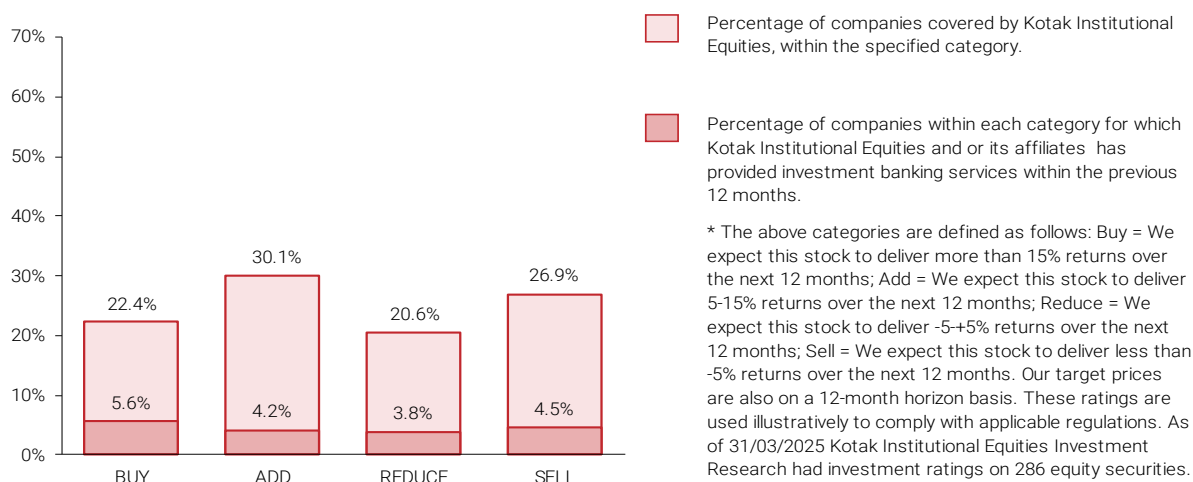
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