



## The Eagle Eye – March 2026

**AI-led tech rout and geopolitical risks cloud global market sentiment**

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## GLOBAL MARKETS

- ❖ India market ends flat, lagging most global peers in Feb'26
- ❖ AI disruption fears trigger sharp sell-off in global IT Services stocks
- ❖ India's Mid and Smallcaps outperform global markets over five years
- ❖ India-developed market yield spreads expand MoM

## DOMESTIC MARKETS

- ❖ Technology declines sharply, PSBs' outperformance continues
- ❖ MOFSL Universe and Nifty's earnings rise 16% and 7% YoY, respectively, in 3QFY26
- ❖ Strong broad-based double-digit earnings growth across key sectors in 3QFY26

## FLOWS AND VOLUMES

- ❖ FII flows surge to an eight-month high, while DII flows moderate to a 10-month low
- ❖ Institutional holdings: DIIs extend their lead in ownership
- ❖ Average daily cash volumes and F&O volumes declined MoM

## KEY RESEARCH REPORTS

- ❖ Initiating coverages on:
  - Ventive Hospitality
  - Premier Energies
  - Lenskart Solutions
  - Northern Arc Capital

## MULTI-YEAR HIGHS/LOWS

- ❖ AI disruption fears weigh on global IT services valuations
- ❖ Nifty's sectoral weights: Technology sees sharp cuts; PSB record the largest gains
- ❖ The US market cap and profit concentration increase; India sees broader market distribution

## VALUATIONS

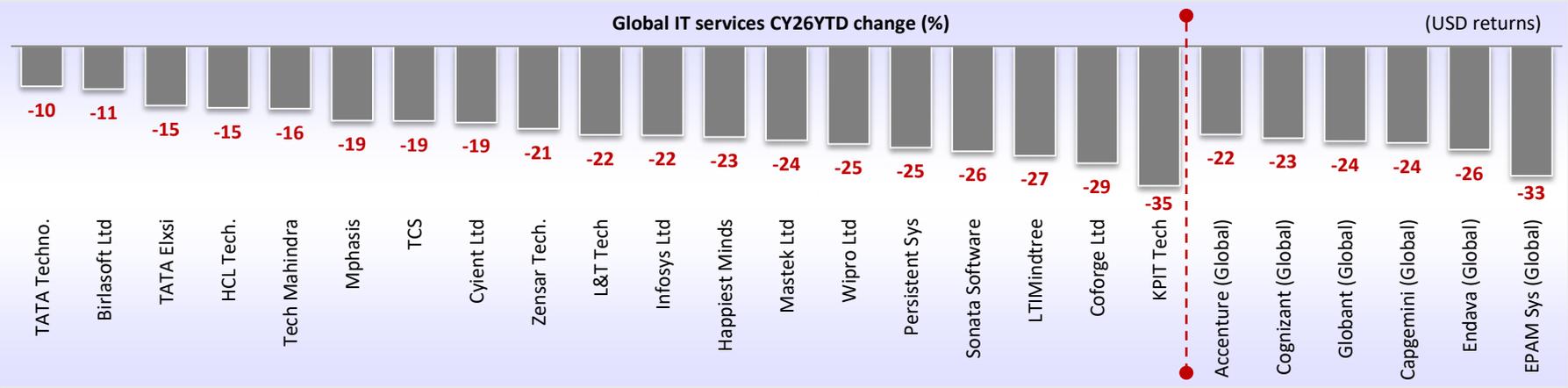
- ❖ Nifty-50 valuations trade below their averages; SMIDs' remain elevated
- ❖ Private Banks, Consumer, and Technology are the only sectors trading below their average valuations
- ❖ India's market cap-to-GDP ratio remains elevated

# A view from the EAGLE'S EYE!

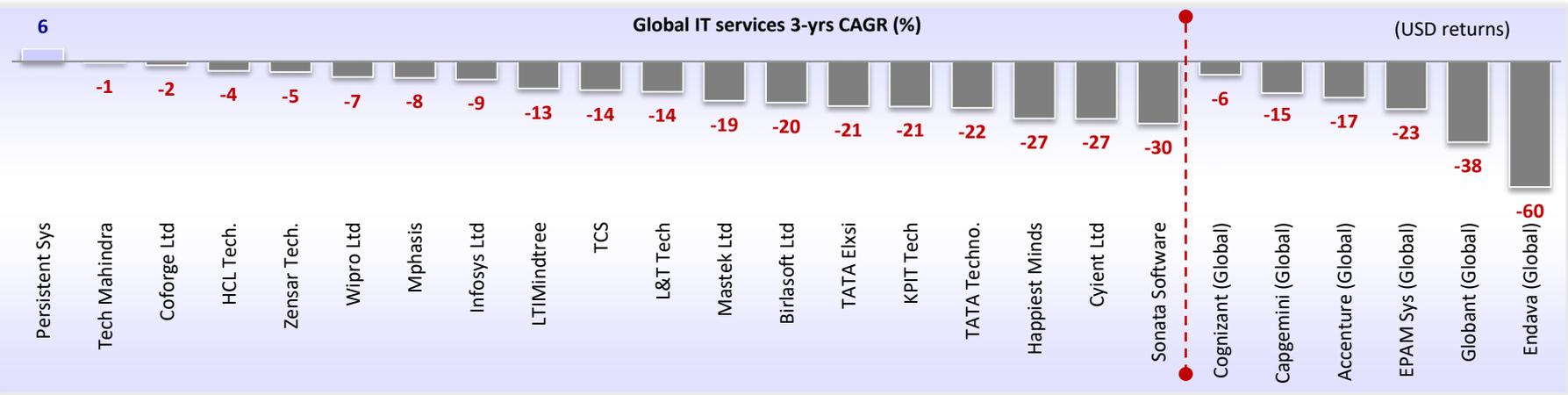
# KEY EXHIBITS AI disruption fears trigger a sharp sell-off in global IT Services stocks

- ❖ The rapid launch and advancement of multiple Large Language Models (LLMs) has heightened concerns around structural disruption in the Global IT Services industry, particularly fears of business model erosion and pricing pressure. Anticipation of AI-led productivity gains and potential deflationary impact has triggered a sharp correction in the market capitalizations of Indian and global IT Services companies.
- ❖ On a three-year basis, returns for several Global IT Services companies have turned negative, reflecting a prolonged growth slowdown that the current AI-driven disruption narrative has further amplified.

Global IT Services – CY26YTD change (USD returns, %)



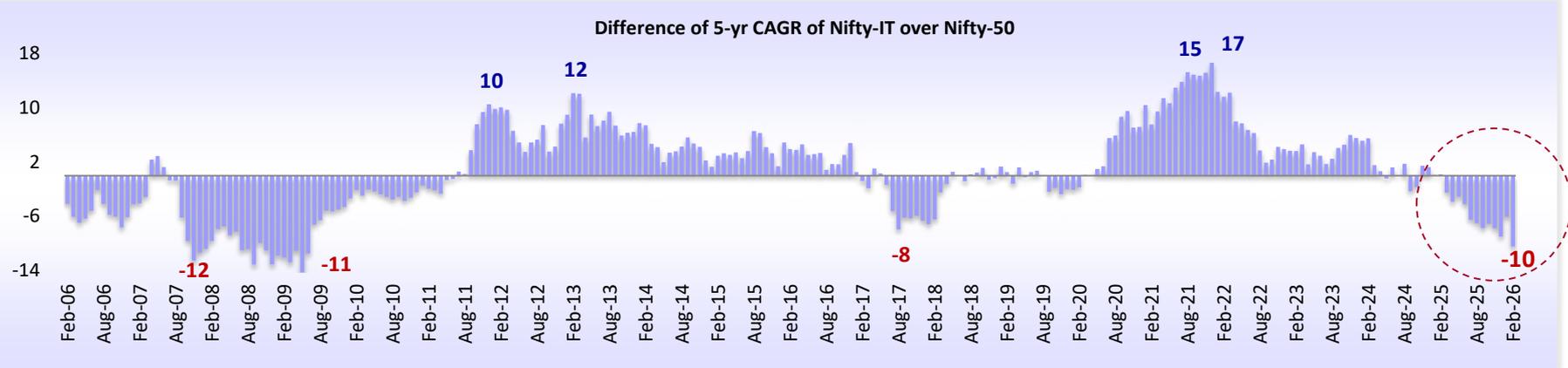
Global IT Services 3-year CAGR (%): ChatGPT's Nov'22 launch marks the first major LLM shock for Global IT Services companies (USD returns, %)



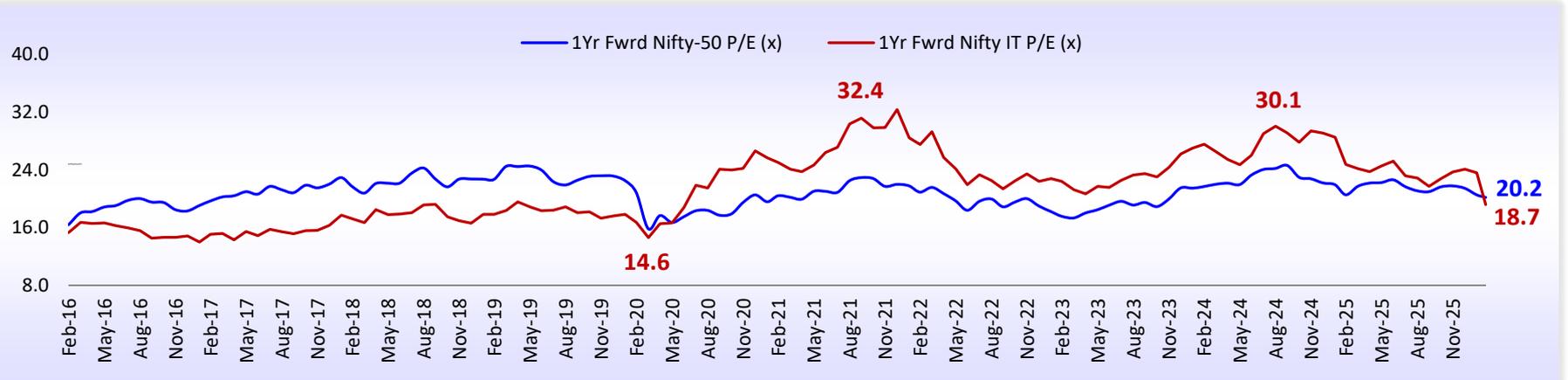
# KEY EXHIBITS AI disruption fears weigh on global IT services valuations

- ❖ Ongoing uncertainty around the extent and timing of AI-led deflation has intensified debate over the terminal growth prospects of Indian IT Services companies, resulting in a significant correction in the sector and a sharp de-rating relative to the broader market.
- ❖ The difference between the Nifty IT and Nifty-50 five-year rolling CAGR declined to a 16-year low in Feb'26.

The difference between Nifty IT and Nifty-50 five-year rolling CAGR is near the 2009 lows



Nifty IT now trades at a discount to Nifty-50 on 12M forward valuations, marking its lowest relative level since Apr'20.

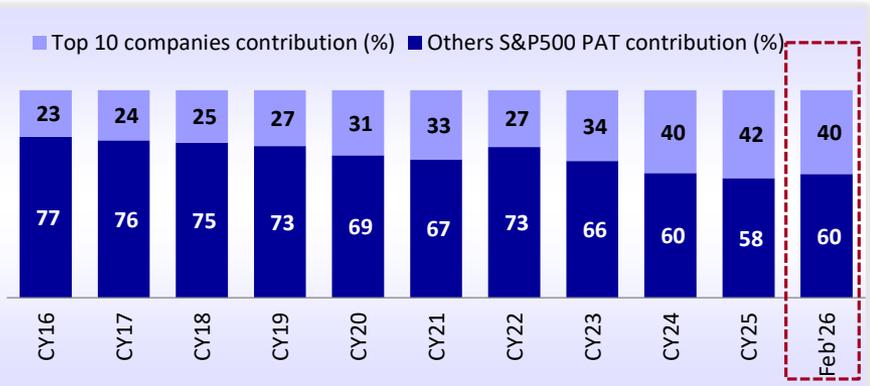


Source: MOFSL, Bloomberg

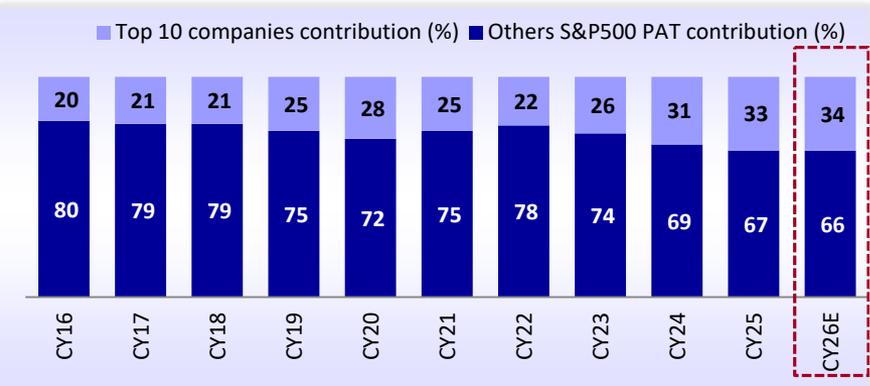
# KEY EXHIBITS US market cap and profit concentration increase; India sees broader market distribution

- ❖ The top-10 constituents of the S&P 500 by market capitalization in CY26 are dominated by mega-cap Technology and Consumer-oriented companies and now account for more than one-third of the index's total profits, up from 20% a decade ago.
- ❖ In contrast, the top-10 constituents of the India Nifty-500 by market capitalization – largely dominated by Financials, Telecom, and Consumer companies – have seen their share of total profits decline from over one-third a decade ago to nearly one-fourth currently, indicating a broader distribution of earnings across the market.

**US S&P500 companies' aggregate market cap contribution (%)**

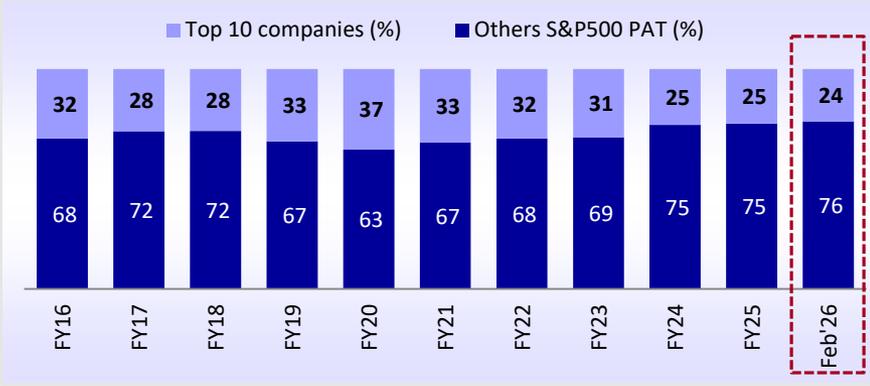


**US S&P500 companies' aggregate PAT contribution (%)**

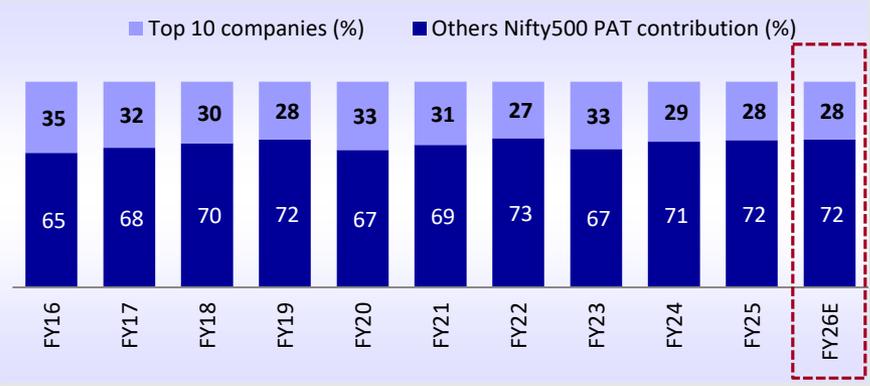


The CY26 top 10 constituents of the S&P 500 by market cap are dominated by large-cap Technology and Consumer-oriented companies, including NVIDIA Corp, Apple Inc, Alphabet Inc, Alphabet Inc, Microsoft Corp, Amazon Inc, Meta Platforms Inc, Tesla Inc, Broadcom Inc, Berkshire Hathaway Inc.

**Nifty-500 companies' aggregate market cap contribution**



**Nifty-500 companies' aggregate PAT contribution**



The CY26 top-10 constituents of the Nifty-500 by market cap are dominated by Reliance Industries, HDFC Bank, Bharti Airtel, SBI, ICICI Bank, TCS, Bajaj Finance, L&T, HUL, and LIC.

## KEY EXHIBITS India's GDP surprises positively under the new base (2022-23)

- ❖ India's new GDP series with base year 2022-23 stated **3QFY26 growth at 7.8% YoY** as against 8.4% YoY in 2QFY26
- ❖ Growth was primarily driven by manufacturing (its strongest growth in eight quarters) and services (its strongest in seven quarters).
- ❖ On the demand side, both private consumption (aided by GST-related cuts and favorable interest rate conditions) and investment remained robust. This is the first full quarter incorporating the impact of GST. Nominal GDP grew 8.9% in 3QFY26, reflecting a low deflator.
- ❖ **FY26 real GDP growth raised to 7.6%:** For FY26, real GDP has been revised upward by 20bp to 7.6%. The upward revision reflects stronger underlying momentum, especially in manufacturing, and private consumption. Nominal GDP growth has also been marked higher at 8.6%, up 60bp.

### GDP at current prices (difference in share in GDP between the old and new bases)

| (% share in GDP)            | FY23<br>old | FY23<br>New | FY23<br>Difference | FY24<br>Old | FY24<br>New | FY24<br>Difference | FY25<br>Old | FY25<br>New | FY25<br>Difference | FY26<br>FAE | FY26<br>SAE | FY26<br>Difference |
|-----------------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|
| PFCE                        | 61.5        | 57.1        | -4.3               | 60.2        | 56.5        | -3.7               | 61.4        | 56.5        | -4.9               | 61.5        | 56.7        | -4.8               |
| GFCE                        | 10.3        | 11.1        | 0.8                | 10.3        | 10.6        | 0.3                | 10.0        | 10.7        | 0.7                | 9.9         | 10.8        | 0.9                |
| GFCF                        | 31.2        | 32.4        | 1.1                | 30.4        | 31.9        | 1.5                | 29.9        | 31.6        | 1.7                | 30          | 31.7        | 1.7                |
| Changes in Stocks (CIS)     | 1.1         | 0.7         | -0.5               | 1.5         | 1.3         | -0.2               | 1.5         | 1.2         | -0.3               | 1.4         | 1.2         | -0.2               |
| Valuables                   | 1.3         | 1.4         | 0.1                | 1.4         | 1.3         | -0.1               | 1.5         | 1.5         | 0.0                | 1.6         | 1.7         | 0.1                |
| Exports of goods & services | 23.3        | 24.0        | 0.8                | 21.4        | 22.4        | 0.9                | 21.2        | 22.1        | 0.9                | 21.5        | 22.3        | 0.8                |
| Imports of goods & services | 26.8        | 26.7        | -0.2               | 23.5        | 24.0        | 0.4                | 23.5        | 23.9        | 0.4                | 23.7        | 24          | 0.3                |
| Discrepancies               | -1.8        | 0.0         | 1.8                | -1.8        | 0.0         | 1.8                | 0.3         | 0.0         | -0.3               | -2.1        | -0.3        | 1.8                |

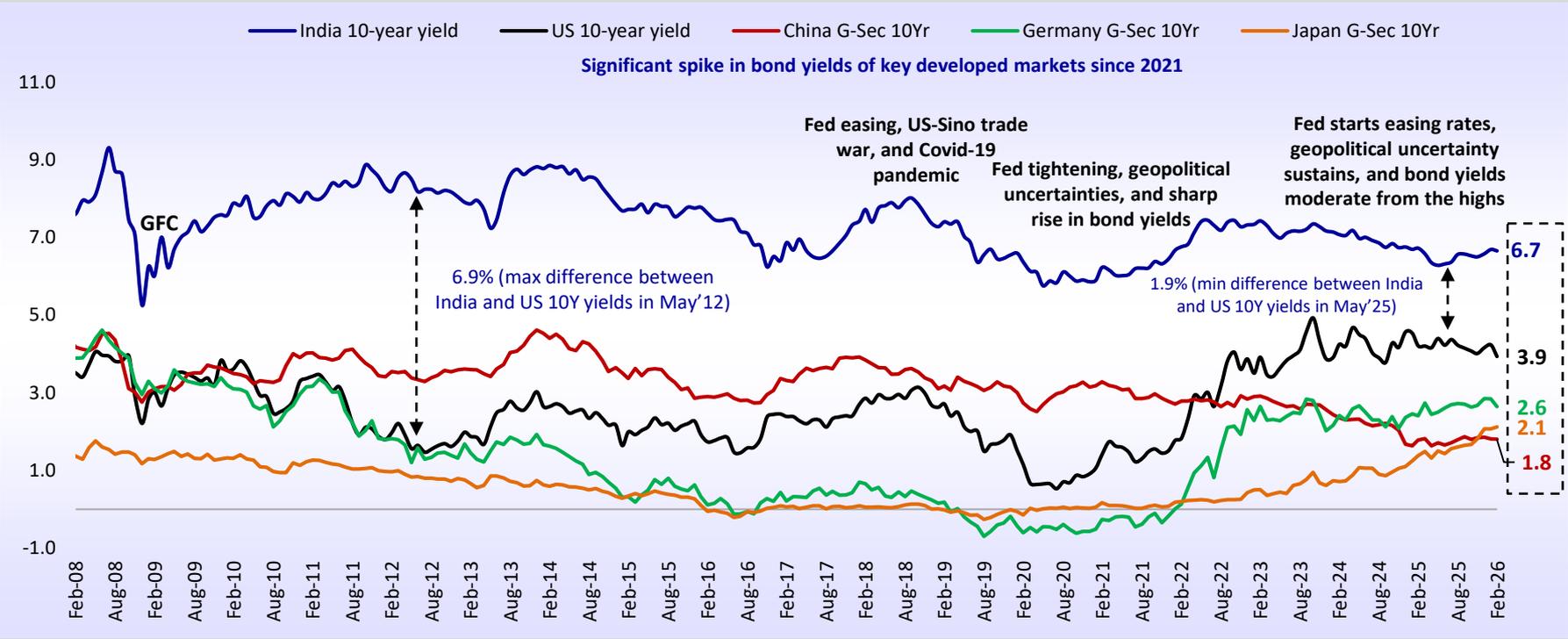
### GVA at current prices (difference in share in GVA between the old and new bases)

| (% share in GVA)   | FY23<br>old | FY23<br>New | FY23<br>Difference | FY24<br>Old | FY24<br>New | FY24<br>Difference | FY25<br>Old | FY25<br>New | FY25<br>Difference | FY26<br>FAE | FY26<br>SAE | FY26<br>Difference |
|--|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|-------------|-------------|--------------------|
| Agriculture, livestock, forestry and fishing                                   | 18.1        | 20.0        | 2.0                | 17.8        | 19.4        | 1.7                | 17.9        | 19.4        | 1.4                | 16.8        | 17.9        | 1.1                |
| Mining and quarrying   | 2.1         | 2.1         | 0.1                | 1.9         | 2.0         | 0.1                | 1.8         | 2.0         | 0.2                | 1.6         | 1.9         | 0.3                |
| Manufacturing  | 14.3        | 14.7        | 0.3                | 14.3        | 14.7        | 0.4                | 13.9        | 14.5        | 0.6                | 14.1        | 14.8        | 0.8                |
| Electricity, Gas, Water supply & Other utility services                        | 2.5         | 2.5         | 0.0                | 2.8         | 2.8         | 0.0                | 2.7         | 2.8         | 0.1                | 2.5         | 2.6         | 0.1                |
| Construction   | 8.8         | 8.9         | 0.1                | 8.8         | 8.7         | -0.1               | 8.8         | 8.5         | -0.3               | 8.7         | 8.4         | -0.2               |
| Trade, repair, Hotels & Restaurants, Transport, Storage, Commun. & Services    | 17.9        | 13.7        | -4.2               | 17.6        | 14.1        | -3.5               | 17.5        | 13.9        | -3.7               | 17.4        | 14.2        | -3.2               |
| Financial services, Real estate, Ownership of dwelling & Professional services | 22.7        | 25.3        | 2.6                | 22.8        | 25.4        | 2.6                | 22.9        | 26.2        | 3.2                | 23.7        | 27.0        | 3.4                |
| Public admin & Defense and Other services                                      | 13.6        | 12.8        | -0.8               | 14.0        | 12.9        | -1.1               | 14.5        | 12.9        | -1.6               | 15.3        | 13.1        | -2.2               |

# KEY EXHIBITS India-developed market yield spreads expand MoM

- ❖ India's 10-year government bond yield was flat MoM at 6.7%, while the US yield declined 30bp MoM to 3.9%. As a result, the yield spread expanded 20bp MoM at 2.7% in Feb'26. Geopolitical uncertainties led to developed markets yields declining in Feb'26.
- ❖ **Compression driven by developed markets:** The 10-year yield spread between India and the US, Japan, and Germany fell to a 15-year low in 2025, led by a sharp rise in developed market bond yields due to persistent inflation, higher-for-longer rate expectations, heavy sovereign issuance, and reduced central bank support.
- ❖ **Supportive domestic factors in India:** In contrast, India's bond yields moderated amid easing inflation, improving fiscal metrics, ample domestic liquidity, and expectations of a stable-to-accommodative RBI stance, reinforced by steady investor demand.

10Y yield spreads of India, the US, Japan, Germany, and China



Maximum and minimum difference between 10-year bond yields of India and major countries since Dec'07

|            | US            | Japan         | Germany       | China         |
|------------|---------------|---------------|---------------|---------------|
| <b>Max</b> | May-12<br>6.9 | Dec-11<br>5.1 | Aug-14<br>7.7 | Feb-14<br>8.3 |
| <b>Min</b> | May-25<br>1.9 | Dec-08<br>2.5 | Dec-08<br>2.3 | Dec-08<br>4.1 |

# KEY EXHIBITS MOFSL Universe and Nifty's earnings rise 16% and 7% YoY, respectively, in 3QFY26

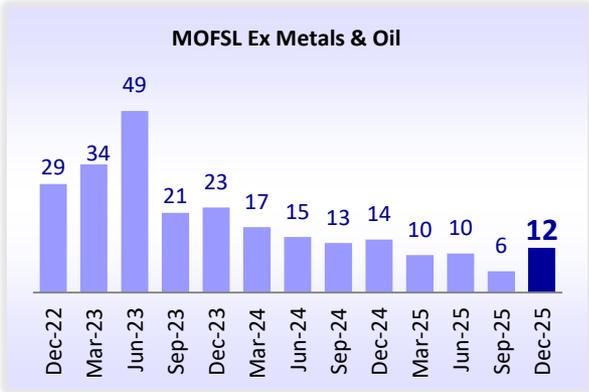
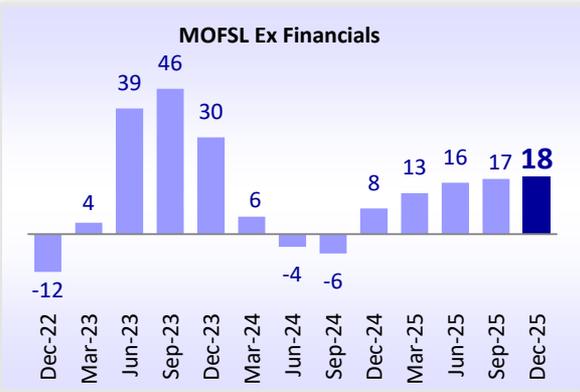
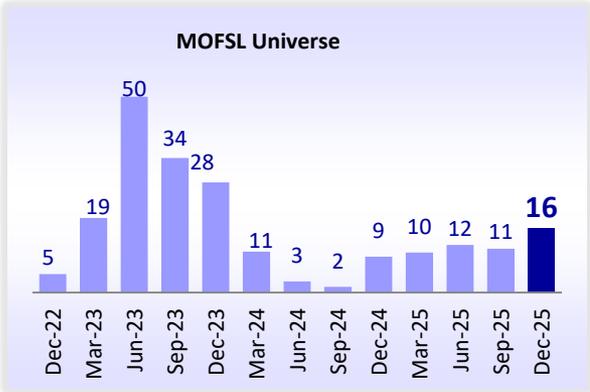
- ❖ The aggregate earnings of the MOFSL Universe companies grew 16% YoY (vs. our estimate of +14% YoY) in 3QFY26. The MOFSL Universe delivers the fourth consecutive quarter of double-digit earnings growth.
- ❖ Ex-financials, the earnings jumped 18% YoY (vs. our est. of 16% YoY), whereas, excluding global commodities (i.e., Metals and O&G), the earnings grew 12% YoY (vs. our est. of 12% YoY).

## Performance of the MOFSL and Nifty-50 Universe companies in 3QFY26

[Detailed report](#)

Sales of the MOFSL Universe up 8% YoY (est. 6%)

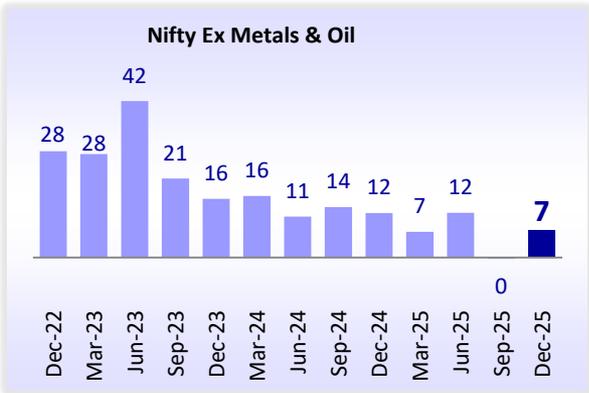
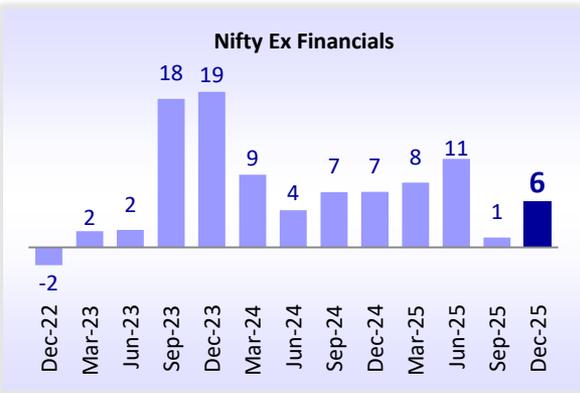
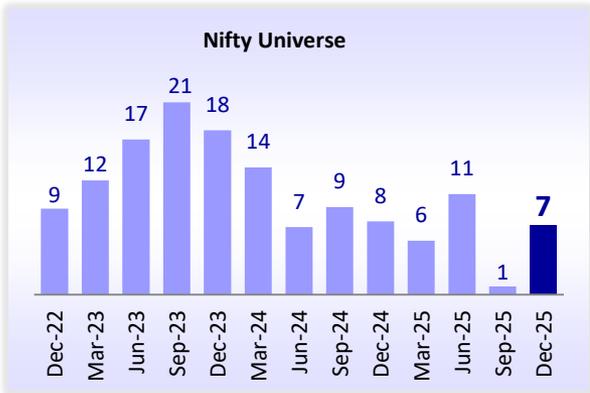
EBITDA of the MOFSL Universe up 10% YoY (est. 8%)



Nifty sales up 8% YoY (in line) in 2QFY26

Nifty EBITDA up 6% YoY (est. 8%)

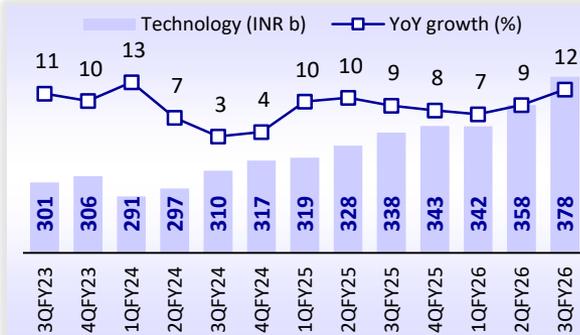
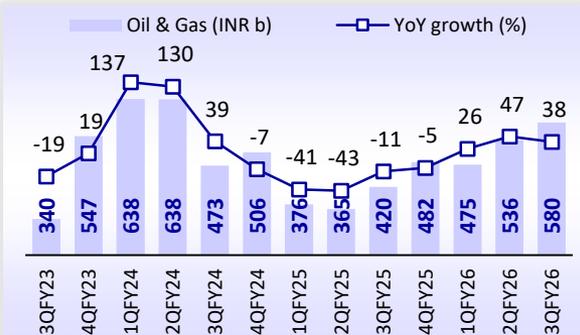
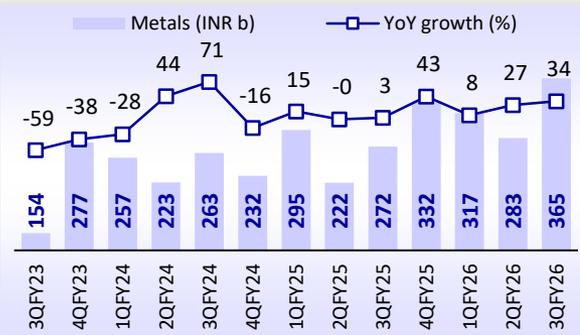
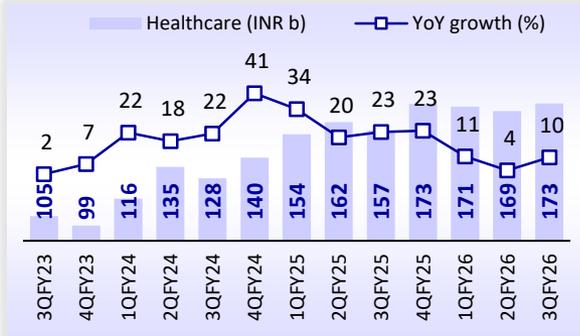
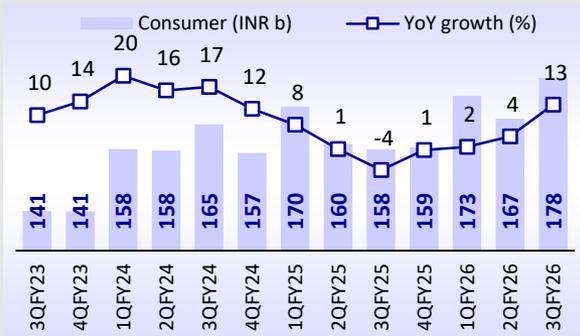
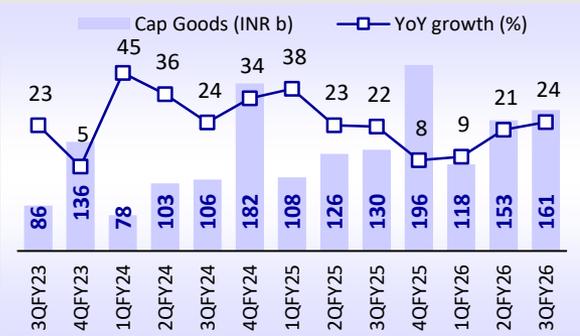
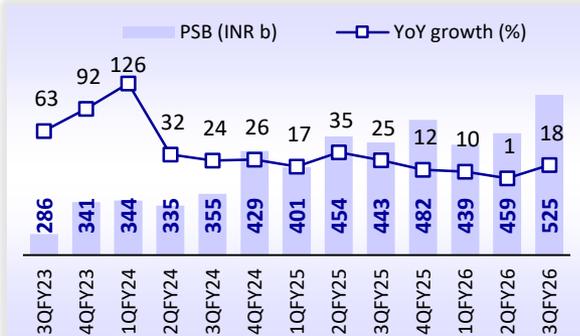
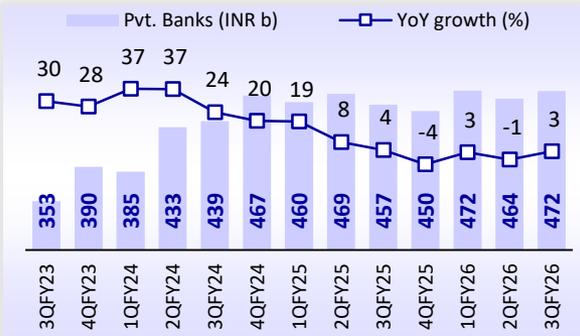
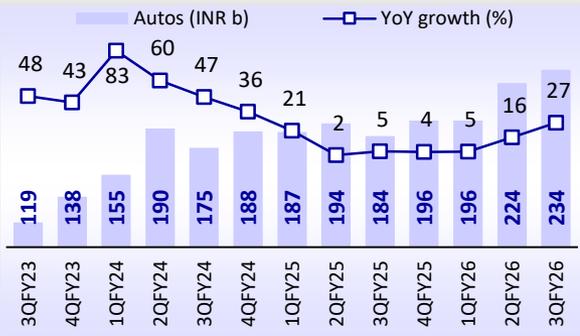
Nifty PAT up 2% YoY (est. 5%)



# KEY EXHIBITS Strong, broad-based double-digit earnings growth across key sectors in 3QFY26

❖ Among the key Nifty-500 sectors, O&G (38% YoY), Metals (34% YoY), Automobile (27% YoY), Capital Goods (24% YoY), and PSBs (18% YoY), posted strong earnings growth. Consumer (13% YoY), Technology (12% YoY), and Healthcare (10% YoY) delivered double-digit YoY growth, whereas Private. Banks (3% YoY) reported muted growth in 3QFY26. [Detailed report](#)

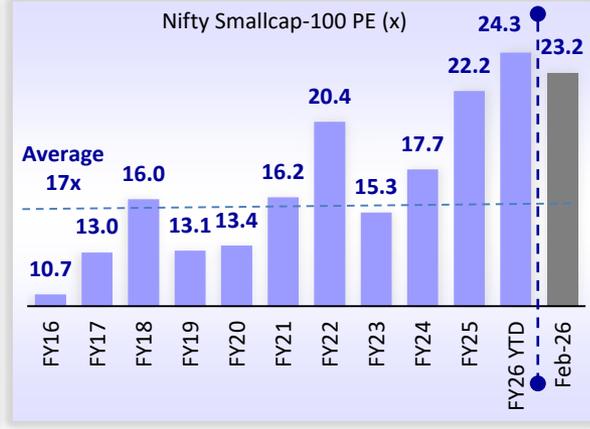
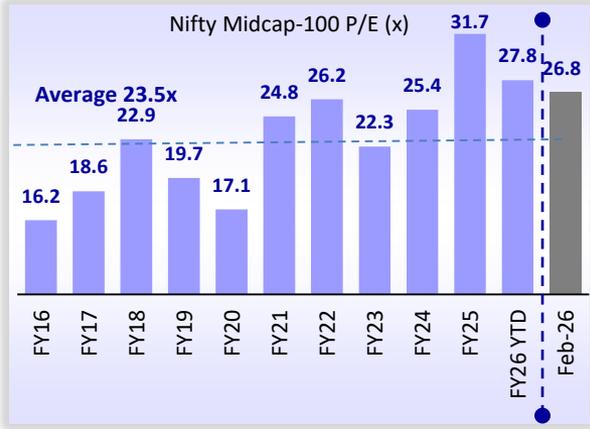
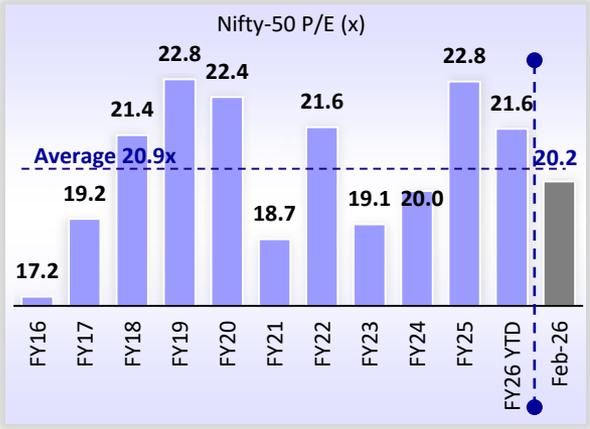
## Adj. PAT growth YoY (%)



# KEY EXHIBITS Largecap valuations trade below their averages; SMIDs' remain elevated

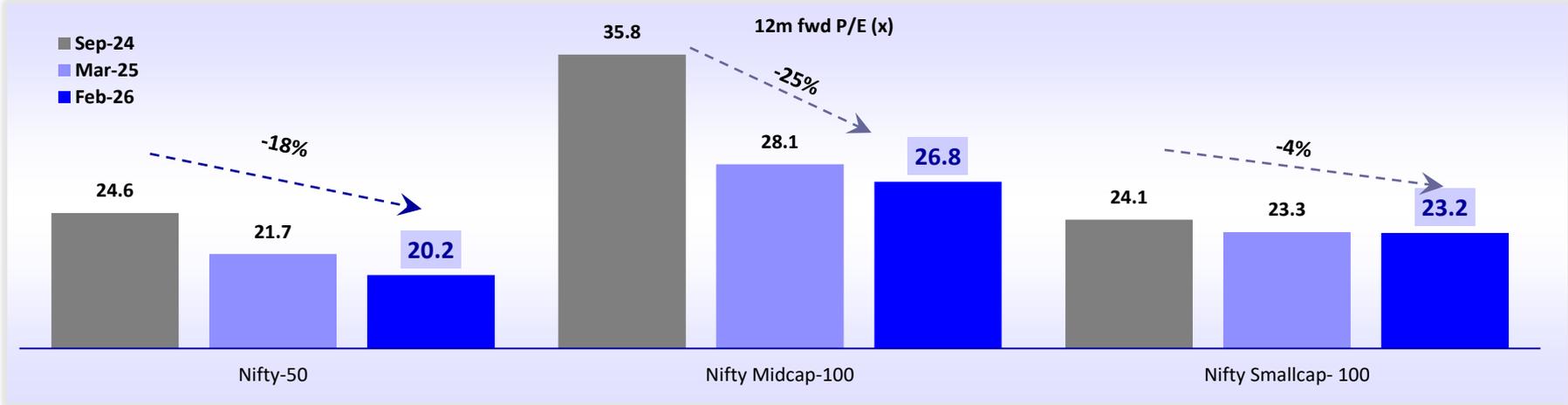
- ❖ The Nifty-50's one-year forward P/E stood at 20.2x, below its long-period average (LPA) of 20.9x.
- ❖ In contrast, the Nifty Midcap-100 and the Nifty Smallcap-100 indices are trading at 26.9x and 23.2x, respectively, at a premium of 14% and 36% to their respective LPAs, respectively.

One-year forward P/E trends across the Nifty-50, Nifty Midcap-100, and Nifty Smallcap-100 indices (x)



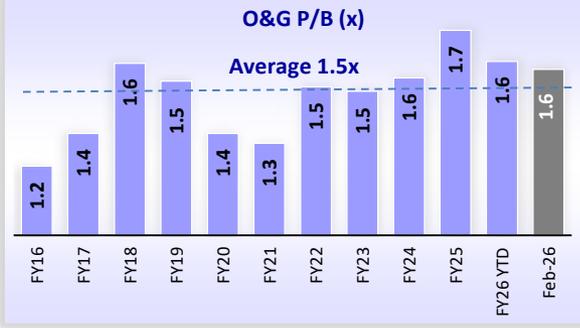
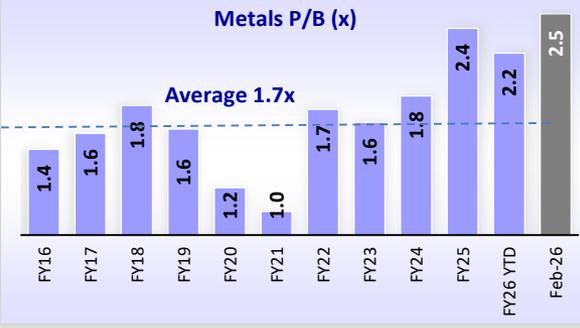
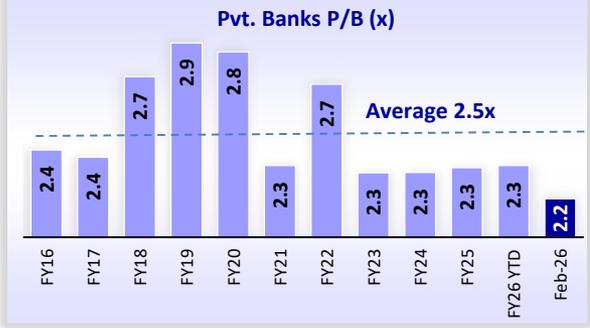
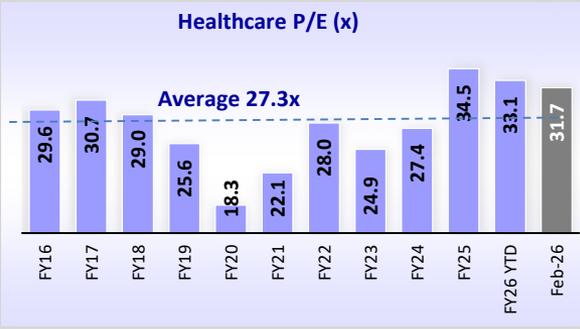
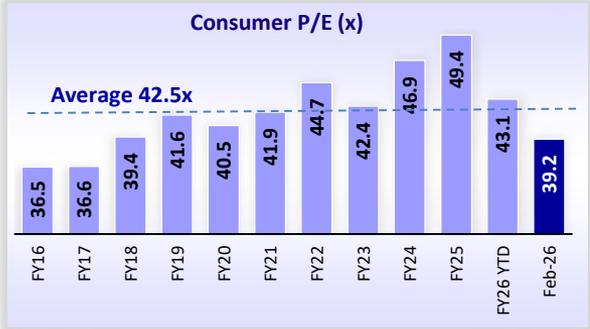
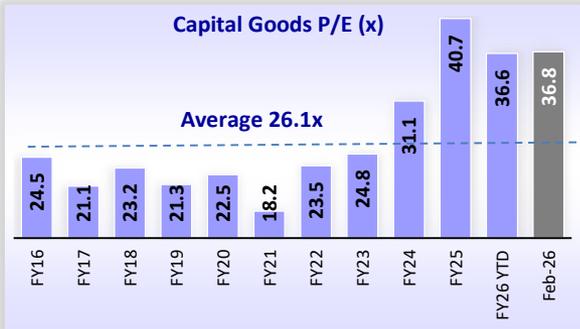
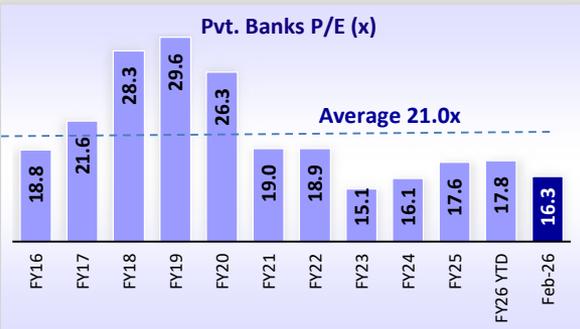
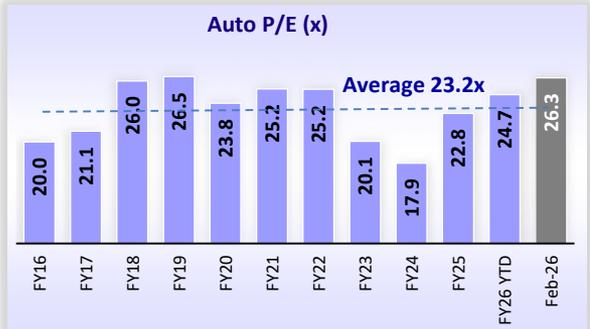
Note: The bars represent the 12-month average of one-year forward P/E on an FY basis as of 28<sup>th</sup> Feb'26

Valuations of key benchmark indices corrected from their Sep'24 highs



# KEY EXHIBITS Private Banks, Consumer, and Tech sectors trade below their average valuations

- ❖ Valuations of Private Banks, Consumer and Technology sectors have been trading below the 10-year average, while they have remained above average for Automobile, Capital Goods, Healthcare, Metals, and O&G.
- ❖ The sharp dip in Technology stocks led to valuations declining and trading at a discount to their LPA in Feb'26.



Note: The bars represent the 12-month average of one-year fwd P/E and P/B across MOFSL Universe sectors as of Feb'26; blue and grey bars represent the latest sectoral valuations below and above the 10-year average, respectively.

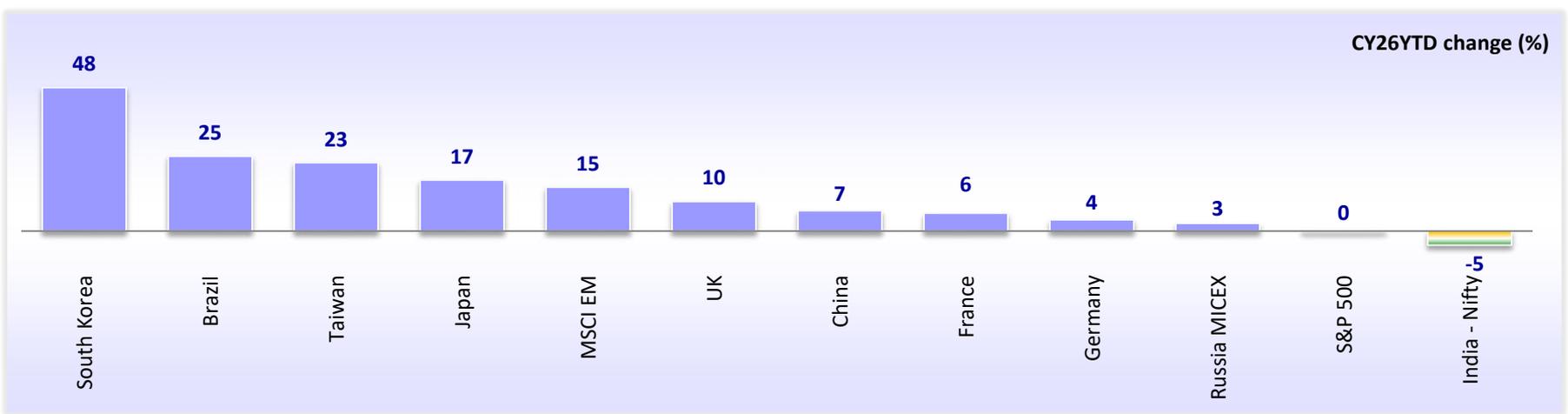
# Macro, Markets, and More...

# India market ends flat, lagging most global peers in Feb'26

MoM performance of global equity indices in USD terms (%)



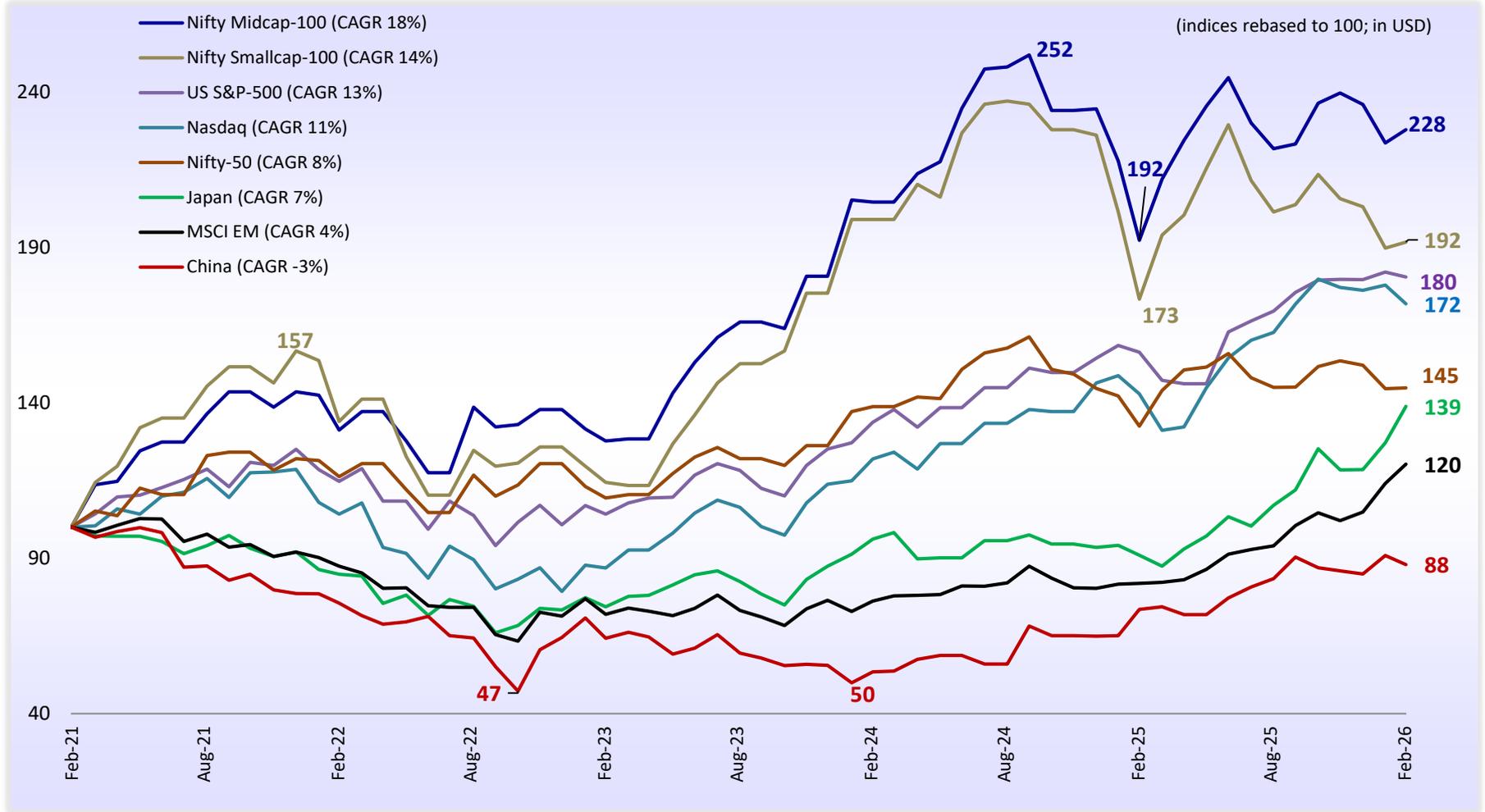
CY26YTD change (%) in USD terms



# India's Mid and Smallcaps outperform global markets over five years

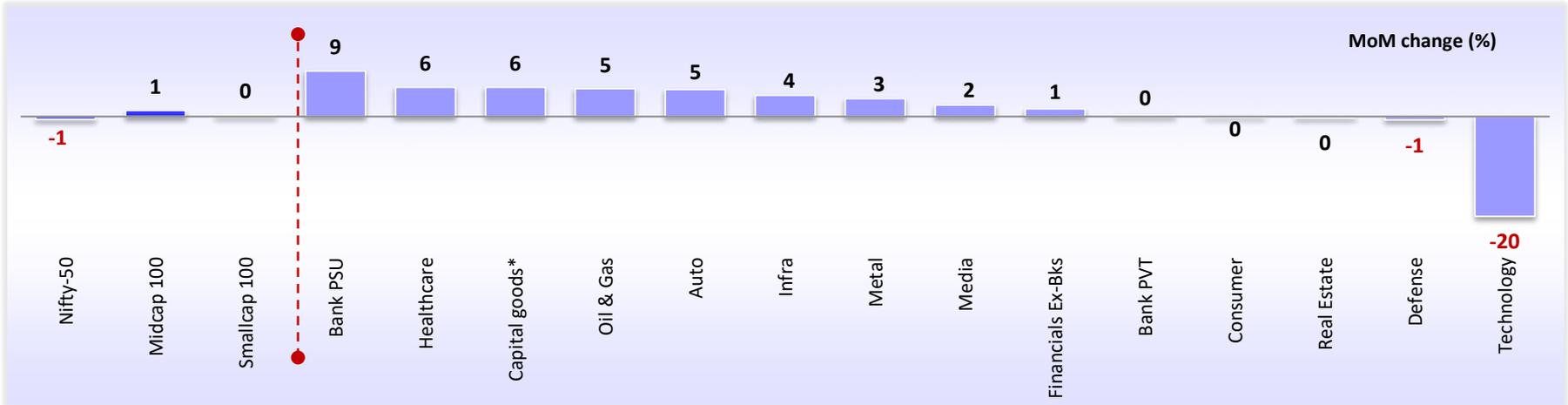
❖ Despite correction from peaks, India's Mid and Smallcap indices continue to outperform key global indices over the past five years, clocking a CAGR of 18% and 14%, respectively.

Performance of the Nifty 50, Nifty Midcap 100, and Nifty Smallcap 100 vs. the US Nasdaq, US S&P500, and China (5-year CAGR, %)

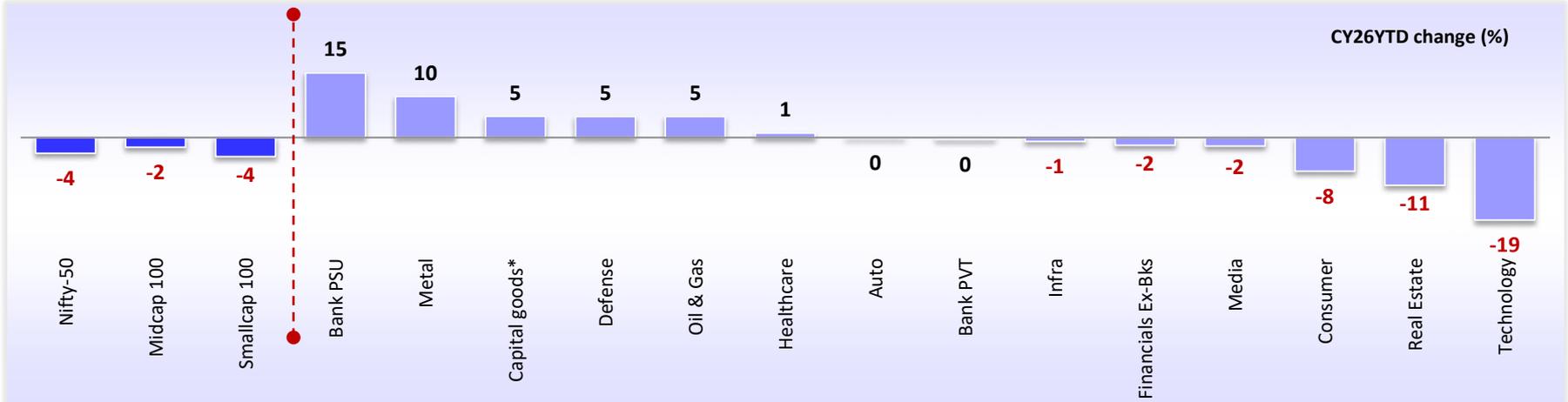


# Technology declines sharply, PSBs' outperformance continues

Sectoral performance MoM in Feb'26 (%): Technology declines sharply MoM amid AI concerns; PSU Banks outperform



Sectoral performance in CY25 (%): PSBs and Metals continue to outperform, while Technology, Real Estate, and Consumer decline sharply in CY26YTD

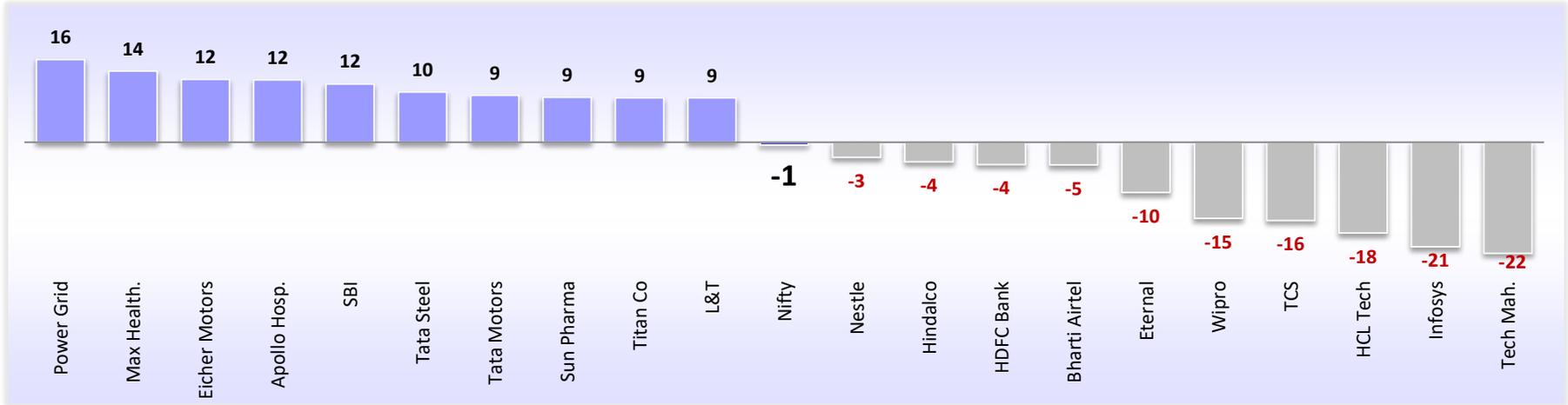


Note: (\*) represents BSE Capital Goods Index.

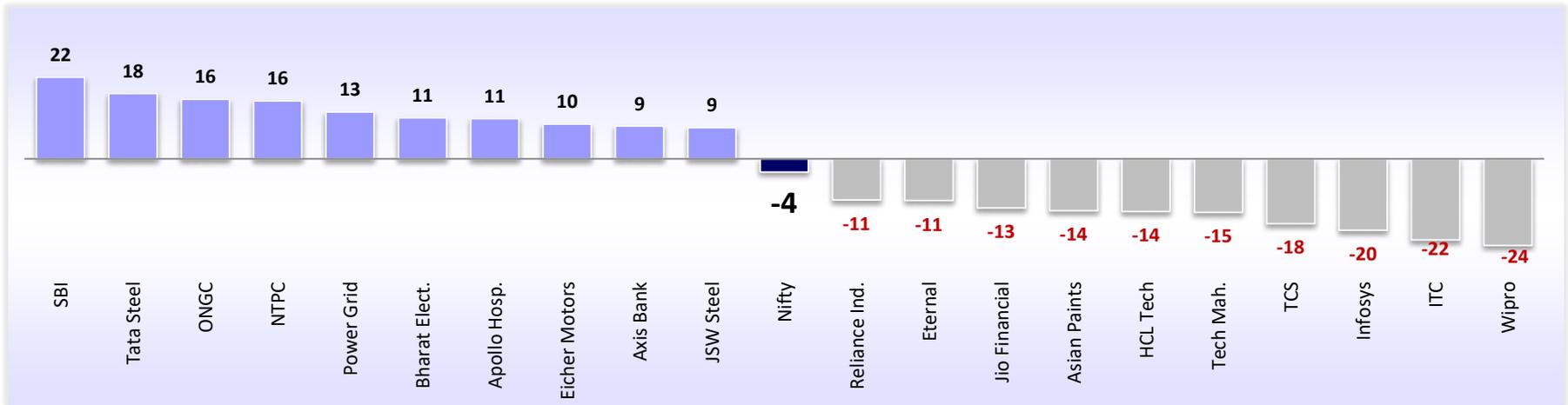
# About 60% of Nifty constituents end higher in Feb'26

- ❖ In Feb'26, among Nifty constituents, 30 stocks closed higher MoM. Power Grid, Max Health, and Eicher Motors were the leaders, whereas all Technology stocks were among the laggards.
- ❖ About 27 Nifty constituents end higher in CY26YTD. SBI, Tata Steel, and ONGC are the top gainers, whereas Technology stocks are the key laggards.

Best and worst Nifty performers on a MoM basis (%)



Best and worst Nifty performers in CY26YTD (%)



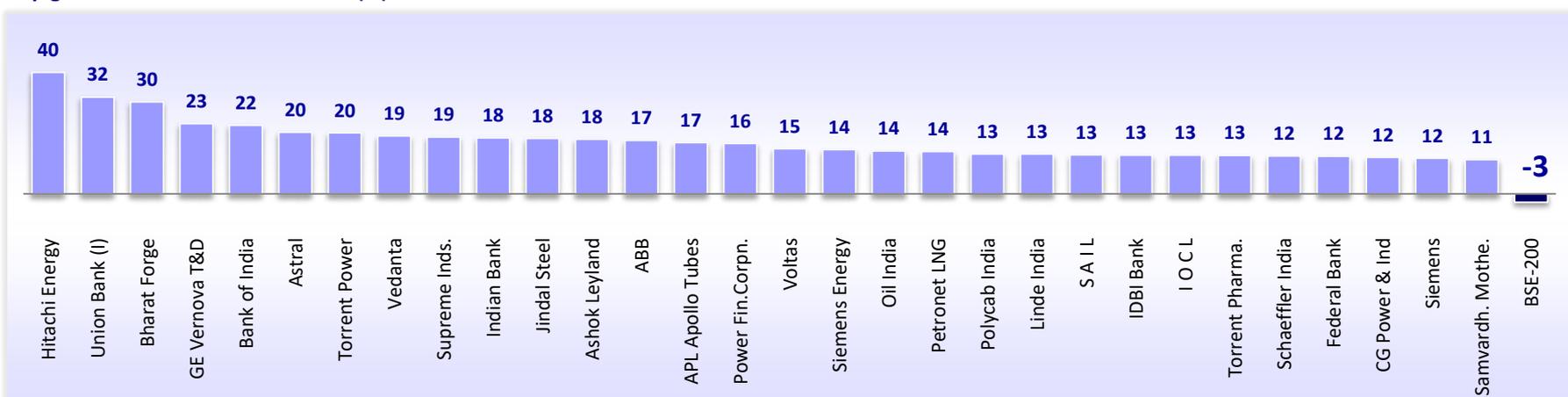
# About 64% of BSE-200 constituents end higher in Feb'26

- ❖ In Feb'26, about 127 BSE-200 stocks closed higher. Hitachi Energy, Bharat Forge, and CG Power gained the most during the month.
- ❖ About 90 BSE-200 constituents end higher in CY26YTD. Hitachi Energy, Union Bank, and Bharat Forge are the top gainers.

Top gainers within BSE-200 on a MoM basis (%)\*



Top gainers within BSE-200 in CY25 (%)\*

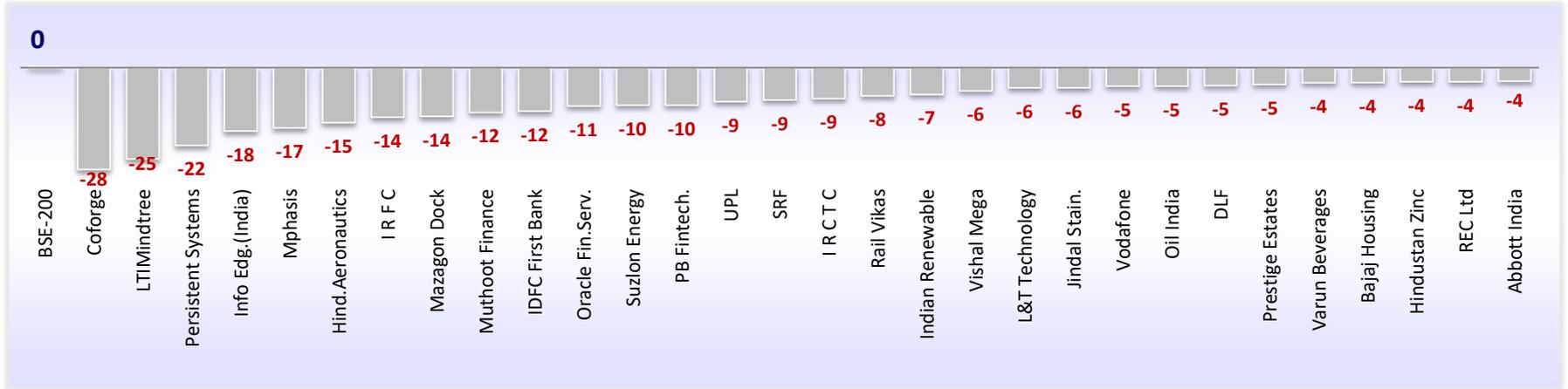


\*The list excludes Nifty-50 constituents.

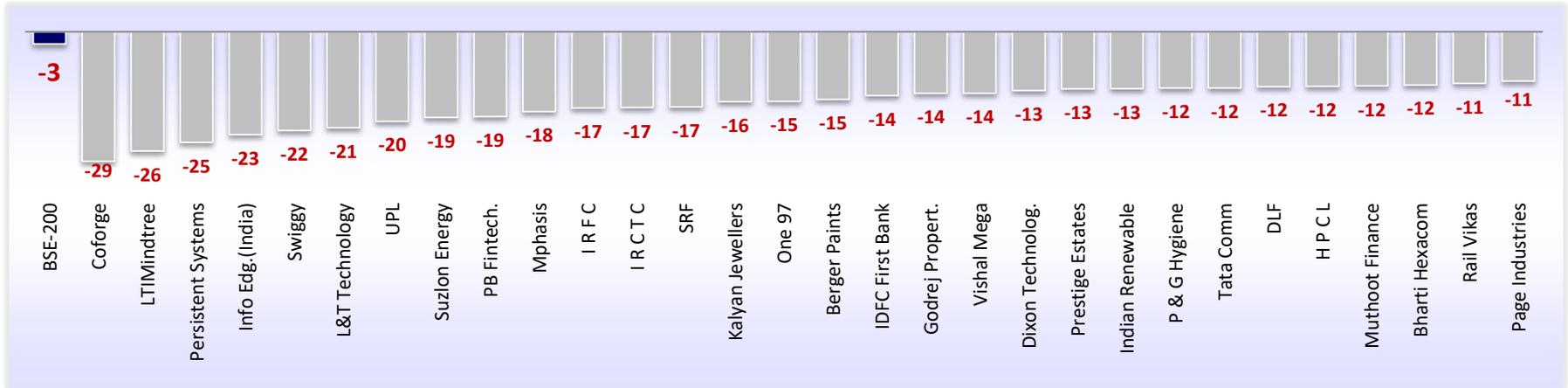
# About 36% of BSE-200 constituents end lower in Feb'26

- ❖ In Feb'26, 73 companies closed lower. Coforge, LTIMindtree and Persistent systems were among the key laggards
- ❖ About 110 of BSE-200 companies end lower in CY26YTD. Coforge, LTIMindtree, and Persistent Systems are the key laggards.

Key laggards among BSE-200 constituents on a MoM basis (%)\*



Key laggards among BSE-200 constituents in CY25 (%)\*



\*The list excludes Nifty-50 constituents.

## Nifty's sectoral weights: Technology sees sharp cuts; PSBs record the largest gains

- ❖ PSBs (+50bp), Capital goods (+40bp), Healthcare (+40bp), NBFC + Insurance(+30bp), Utilities (+30bp) and Automobile (+30bp), weights rose MoM, while Technology (-200bp) weights contracted sharply in Feb'26.
- ❖ In CY26YTD, Technology (-160bp), Consumer (-60bp), and O&G (-50bp) have witnessed the sharpest decline in weight. In contrast, NBFCs & Insurance (+90bp), Capital Goods (+50bp), Metals (+50bp), and Utilities (+50bp) have recorded the highest gains.

### Nifty – sectoral weights (%)

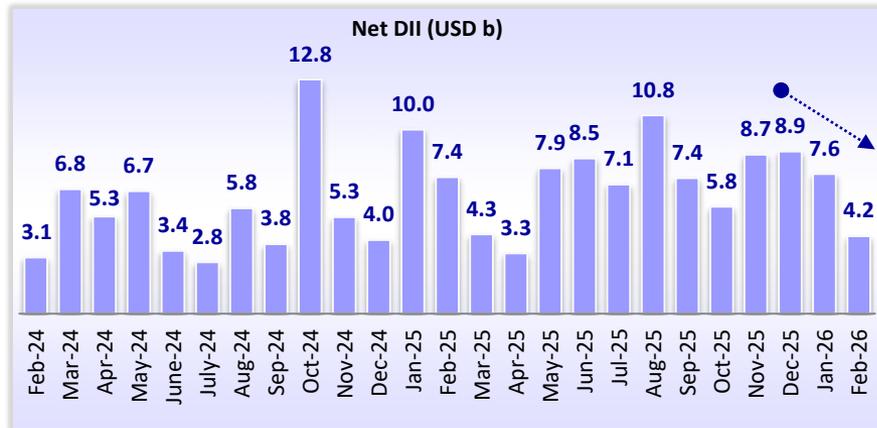
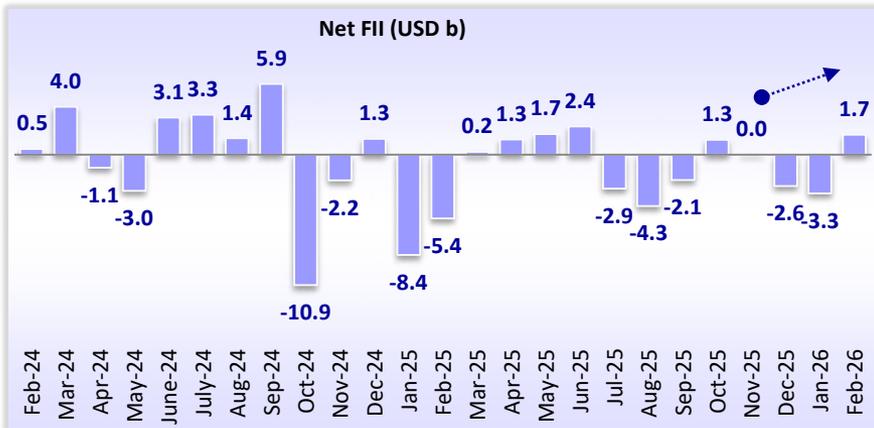
| Sector           | Weightage in the Nifty (%) |            |             |             |             |            |            |             |            |            |            |
|------------------|----------------------------|------------|-------------|-------------|-------------|------------|------------|-------------|------------|------------|------------|
|                  | Dec'08                     | Dec'12     | Dec'20      | Dec'21      | Dec'22      | Dec'23     | Dec'24     | Mar'24      | Dec'25     | Jan'26     | Feb'26     |
| Automobiles      | 2.5                        | 8.8        | 5.4         | 5.0         | 5.3         | 6.5        | 7.4        | 7.6         | 7.0        | 6.7        | 7.0        |
| Banks – Private  | 5.0                        | 16.9       | 24.7        | 21.9        | 24.2        | 28.2       | 27.1       | 25.6        | 26.5       | 26.7       | 26.5       |
| Banks – Public   | 5.4                        | 4.7        | 1.8         | 2.3         | 2.9         | 2.6        | 2.9        | 2.9         | 3.4        | 3.9        | 4.3        |
| NBFC + Insurance | 2.3                        | 7.9        | 12.3        | 11.4        | 10.6        | 4.5        | 4.6        | 5.0         | 6.6        | 6.5        | 6.8        |
| Capital Goods    | 7.7                        | 5.9        | 2.6         | 3.0         | 3.1         | 4.4        | 5.0        | 4.5         | 5.2        | 5.4        | 5.8        |
| Cement           | 1.7                        | 4.2        | 2.2         | 2.4         | 1.8         | 2.1        | 2.1        | 2.0         | 2.1        | 2.2        | 2.2        |
| Consumer         | 6.5                        | 12.3       | 10.4        | 9.4         | 10.3        | 10.8       | 9.0        | 9.5         | 7.5        | 6.9        | 6.8        |
| Healthcare       | 2.6                        | 5.0        | 3.6         | 3.4         | 3.8         | 4.0        | 4.2        | 4.4         | 4.2        | 4.0        | 4.4        |
| Metals           | 4.8                        | 3.8        | 2.0         | 2.9         | 2.9         | 3.0        | 2.7        | 2.9         | 3.2        | 3.6        | 3.7        |
| Oil and Gas      | 24.5                       | 12.3       | 12.5        | 12.3        | 12.1        | 10.5       | 9.2        | 11.9        | 9.7        | 9.1        | 9.1        |
| <b>Reliance</b>  | <b>10.6</b>                | <b>7.4</b> | <b>10.7</b> | <b>10.8</b> | <b>11.0</b> | <b>9.2</b> | <b>7.8</b> | <b>10.2</b> | <b>8.9</b> | <b>8.2</b> | <b>8.2</b> |
| Retail           | 0.0                        | 0.0        | 1.1         | 1.4         | 1.4         | 1.6        | 2.8        | 1.6         | 2.2        | 2.1        | 2.3        |
| Telecom          | 11.6                       | 2.0        | 2.0         | 2.1         | 2.5         | 2.7        | 4.0        | 3.2         | 4.9        | 4.7        | 4.6        |
| Technology       | 9.0                        | 11.4       | 16.3        | 19.1        | 14.0        | 13.6       | 14.1       | 13.0        | 10.4       | 10.8       | 8.8        |
| Utilities        | 13.3                       | 4.5        | 2.1         | 2.1         | 2.5         | 3.6        | 3.6        | 3.9         | 3.1        | 3.3        | 3.6        |
| Miscellaneous    | 3.3                        | 0.5        | 1.0         | 1.2         | 2.6         | 1.9        | 1.4        | 1.9         | 4.0        | 4.0        | 4.0        |
| <b>Nifty</b>     | <b>100</b>                 | <b>100</b> | <b>100</b>  | <b>100</b>  | <b>100</b>  | <b>100</b> | <b>100</b> | <b>100</b>  | <b>100</b> | <b>100</b> | <b>100</b> |

Note: The merger of HDFC Bank and HDFC Ltd. resulted in a shift in weightage from NBFCs to private banks in CY23. Britannia and BPCL were replaced with Jio Financials and Eternal in Mar'25, and IndusInd Bank and Hero Motocorp were replaced with InterGlobal Aviation and Max Healthcare in Sep'24.

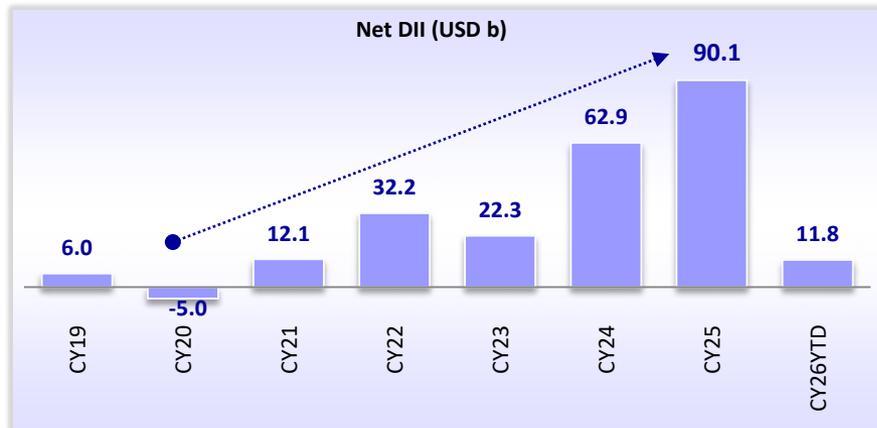
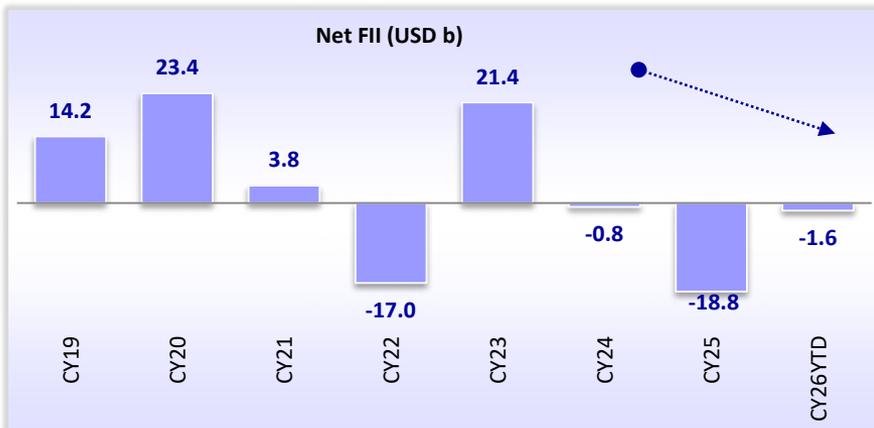
# FII flows surge to an eight-month high, while DII flows moderate to a 10-month low

- ❖ In Feb'26, DII invested USD4.2b, extending their streak to the 31st consecutive month of net inflows, albeit the lowest in the past 10 months.
- ❖ Meanwhile, FII turned buyers with a net inflow of USD1.7b during the month, the highest in the past eight months. On a CY26YTD basis, FII remained net sellers with outflows of USD1.6b, whereas DII were net buyers with inflows of ~USD12b.
- ❖ Over CY21-CY26YTD, cumulative DII inflows touched a record of ~USD232b, while net FII outflows amounted to ~USD13b.

## Monthly institutional flows (USD b)



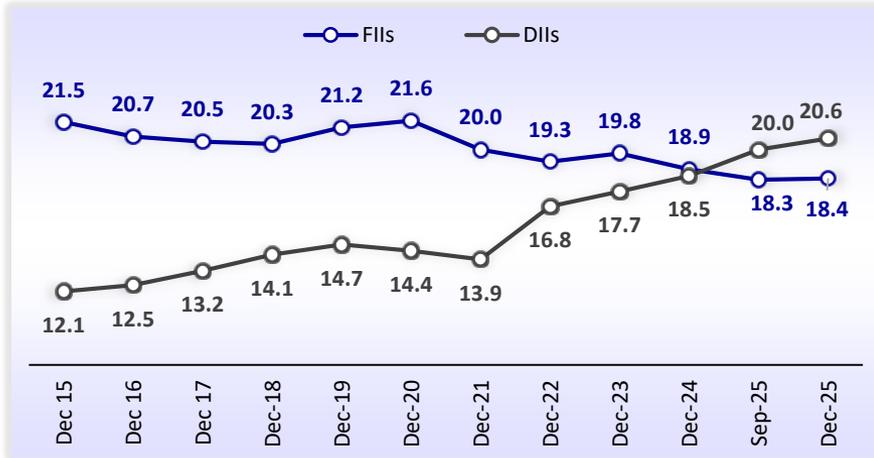
## Yearly institutional flows (USD b)



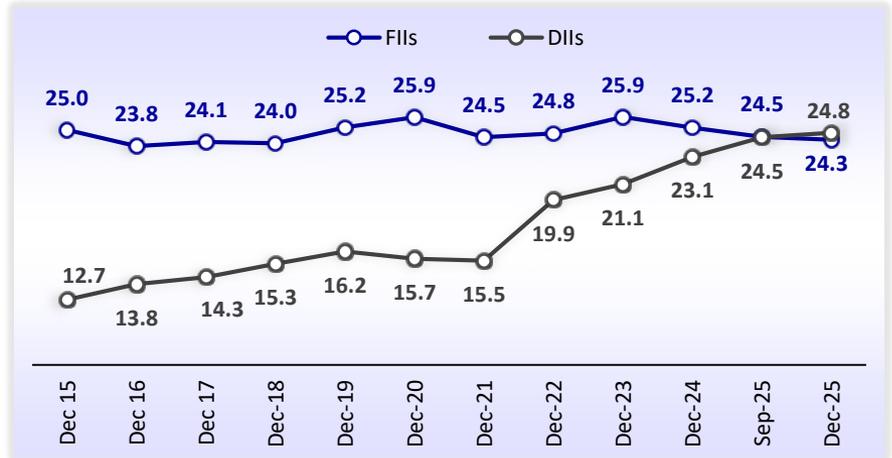
# Institutional holdings: DIIs extend their lead in ownership

- ❖ Strong domestic inflows and buoyant capital markets drove a historic shift in ownership, with DII holdings surpassing FII holdings in Nifty-500 companies for the first time in Mar'25 and rising further in Dec'25 to 20.6%.
- ❖ Promoter and public holdings declined to all-time lows of 48.8% and 12.1%, respectively, while FII holdings rose marginally QoQ to 18.4% in Dec'25 within the NSE-500.

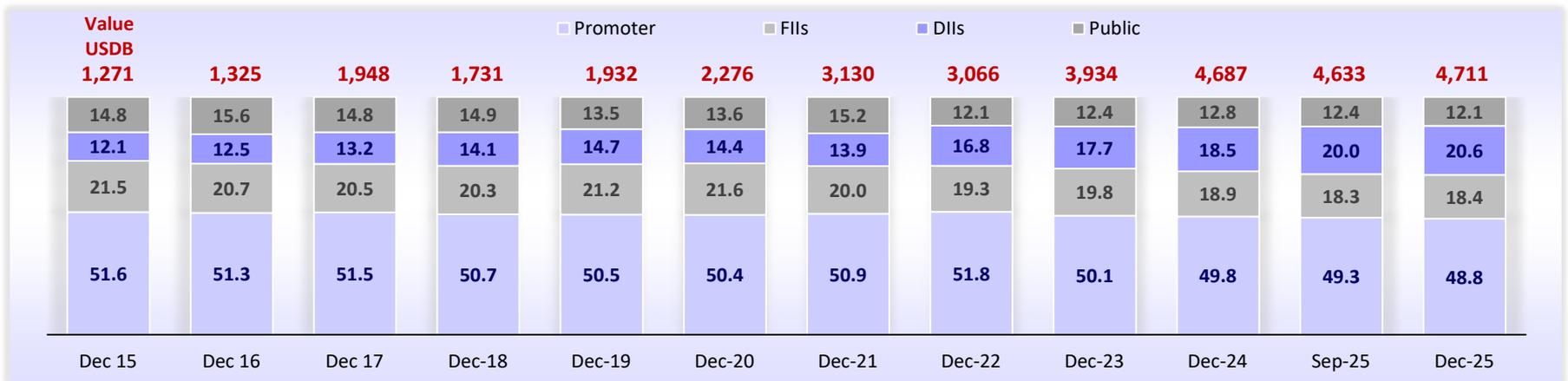
Trends in FII/DII holdings for Nifty-500 (%)



Trends in FII/DII holdings for Nifty-50 (%)



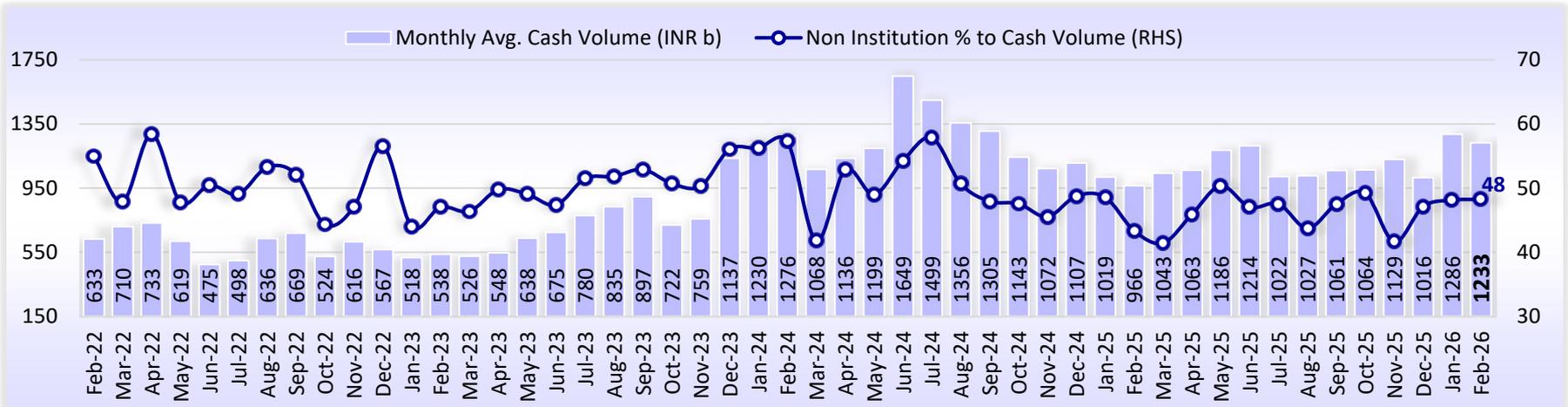
FII and promoter holdings in NSE-500 are at an all-time low, while DII holdings are at an all-time high



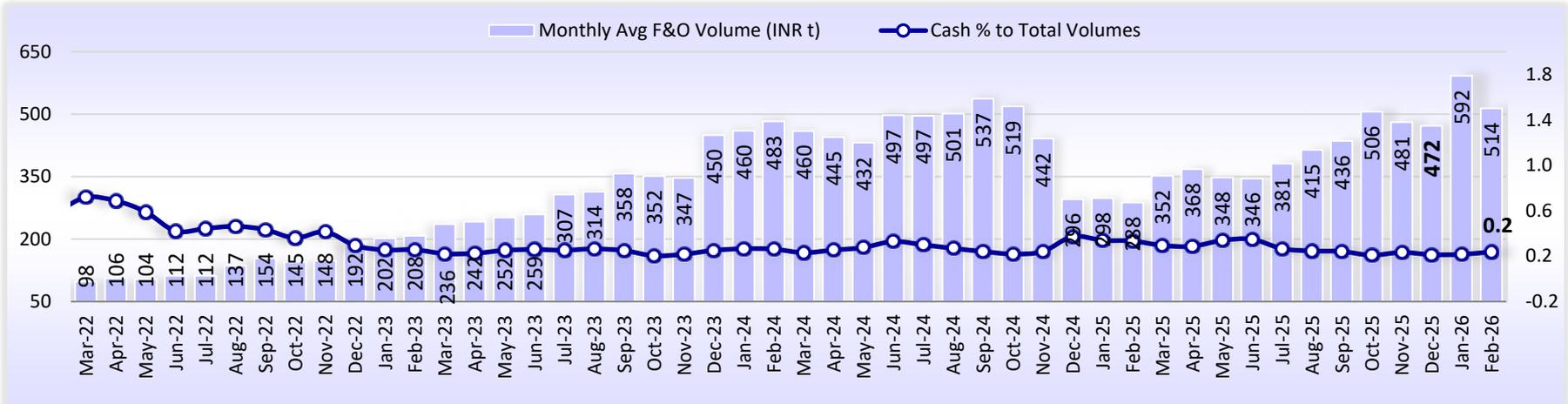
# Average daily cash volumes and F&O volumes decline MoM

- ❖ Average daily cash volumes declined 4% MoM in Feb'26 to INR1.2t. Non-institutional participation remained flat MoM, accounting for 48% of total cash volumes.
- ❖ Average daily F&O volumes dipped 13% MoM to INR514t during the month.

Monthly average cash volumes (INR b)



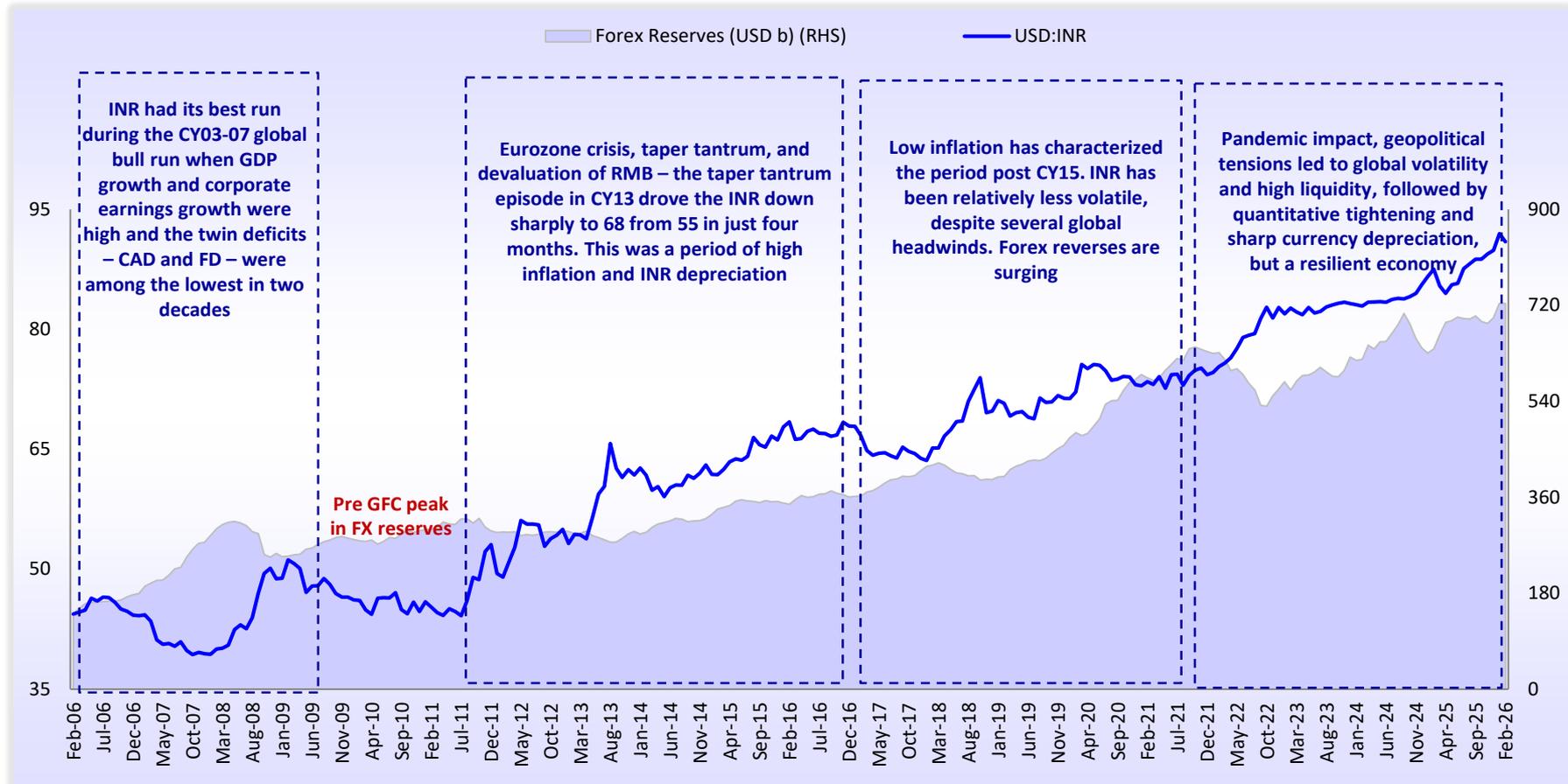
Monthly average F&O volumes (INR t)



## Record-high forex reserves even as INR strengthens marginally MoM

- ❖ India's forex reserves remained flat MoM at USD724b in Feb'26, marking an all-time high level and surpassing the previous peak of USD705b recorded in Sep'24.
- ❖ On the currency front, USDINR appreciated 1% MoM to 91 in Feb'26 from the Jan'26 lows of 92. INR weakened ~4% YoY, making it the weakest currency among the key emerging markets during the year.

### Forex reserves (USD b)

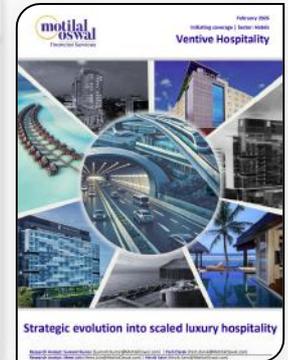


Source: Bloomberg, MOFSL

# Notable reports from MOFSL's research desk published in Feb'26 (1/2)

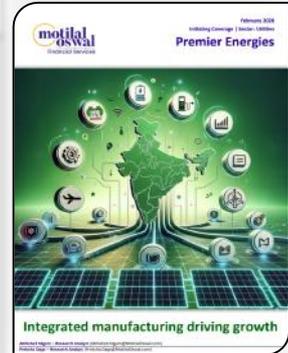
## Initiating Coverage | Ventive Hospitality | Strategic evolution into scaled luxury hospitality [Report link>>](#)

- ❖ Ventive Hospitality (VENTIVE) operates marquee luxury assets in the hospitality (77%) and annuity (23%) segments.
- ❖ From a single 415-key JW Marriott Pune in CY24, the company has expanded inorganically to a 2,140-key portfolio by 1HFY26 with the addition of 11 hotels, and has a robust pipeline of over 1,500 keys, supported by strong hospitality demand. In its hospitality segment, international operations account for 54% of segment revenue, while India operations make up 46%.
- ❖ Over FY25-28, we expect VENTIVE to deliver a CAGR of 21%/21% in revenue/EBITDA, driven by rapid multi city expansion, diversification into membership-led hospitality through Soho House, infrastructure-led demand and limited supply in Pune, and strong international performance led by high-ADR Maldives assets and expansion into Sri Lanka.
- ❖ Adj. PAT is expected to more than double thanks to operating leverage, lower interest cost and lower tax.
- ❖ We initiate coverage on VENTIVE with a BUY rating and SOTP-based TP of INR1,000.



## Initiating Coverage | Premier Energies | Integrated manufacturing driving growth [Report link>>](#)

- ❖ Premier Energies Limited (PEL) encapsulates India's module story, with the national installed solar capacity set to rise from 136GW at 3QFY26- end to 160GW by FY28.
- ❖ A strong pickup in utility scale bids (from 20GW in FY23 to 69GW in FY24) and accelerating demand from PM Kusum/Suryaghar Yojana will drive growth for the bread-and-butter domestic module business in FY26-27.
- ❖ The Union government has displayed a strong intent to indigenize India's green power generation via regulations mandating domestically manufactured modules/cells.
- ❖ As of Jan'26, PEL had a module/cell manufacturing capacity of 5.4/3.6GW, which is set to scale to 11.1/10.6GW by end-FY27.
- ❖ We estimate both EBITDA/APAT to expand at a 30% CAGR over FY25-28, driven by the ramp-up of its capacities, with the full 11.1GW module line slated to be commissioned by end-FY26 and the entire 10.6GW cell capacity coming online by FY27. Our SoTP-based valuation results in a TP of INR1,000/share.



## Initiating Coverage | Lenskart Solutions | Clear vision, strong execution [Report link>>](#)

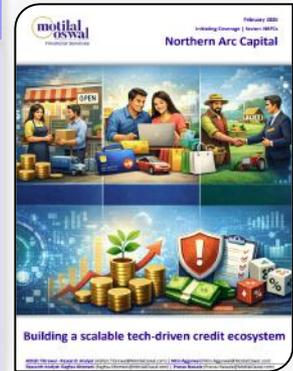
- ❖ Lenskart is India's largest vertically integrated, technology-led, omnichannel eyewear platform, addressing a structurally underpenetrated eyewear category in India (53% of population impacted, modest ~35% penetration).
- ❖ Lenskart has built strong moats in a difficult-to scale category through - i) a centralized, highly automated manufacturing facility and logistics network; ii) strong backward integration, which provides significant cost advantage; iii) large omnichannel presence; iv) leveraging technology to ease constraints in scaling up; and v) house-of brands architecture spanning mass to premium eyewear, to achieve its goal of making quality eyewear accessible and affordable.
- ❖ We expect Lenskart to deliver a CAGR of 25%/53% in pro forma consol. revenue/pre-IND AS EBITDA, largely driven by volume growth, product margin improvement, and ~625bp operating leverage-driven margin expansion over FY25-28 (~320bp over 9MFY26-FY28).
- ❖ Lenskart's near-term FCF generation is impeded by upfront capex on the upcoming Hyderabad facility (to future-proof the business). However, we expect strong improvement in FCF generation (to 65-70% of pre-IND AS EBITDA) beyond FY28.
- ❖ We initiate coverage on Lenskart with a BUY rating and a TP of INR600, premised on DCF implied 55x FY28E pre-INDAS EBITDA.
- ❖ Our valuations for Lenskart are at a premium to other leading retailers, but we believe the multiples are justifiable, given Lenskart's superior growth profile, limited organized competition, and long growth runway.



# Notable reports from MOFSL's research desk published in Feb'26 (2/2)

## Initiating Coverage | Northern Arc Capital | Building a scalable tech-driven credit ecosystem [Report link>>](#)

- ❖ Northern Arc Capital (NACL) has created a differentiated financial services ecosystem addressing underserved retail credit across MSME, consumer, and rural segments, supported by a pan-India distribution network and proprietary technology.
- ❖ NACL has pivoted from an intermediate retail (IR) heavy portfolio (~81% in FY21) to a retail, granular D2C mix (~56% as of Dec'25; ~70% targeted by FY28), with structurally improving yields, margins, and RoA.
- ❖ Robust underwriting, FLDG and CGFMU coverage, analytics-driven risk management, and a diversified funding base aid asset quality and contain credit costs at ~2.7-2.8% over the medium term.
- ❖ Proprietary technology platforms and growing fee income diversify revenues, enhance operating leverage, and drive incremental revenue growth without adding credit risk.
- ❖ We model lending AUM and PAT CAGR of ~20% and ~34%, respectively, over FY26- 28E, driven by D2C scale-up, stable IR lending, and rising fee income from fund management and placements. RoA/RoE will expand to ~3.2%/15% by FY28E.
- ❖ NACL trades at ~0.9x FY27E P/B and ~7x FY27E P/E. We initiate coverage with a BUY rating and a target price of INR360, based on 1.2x FY28E P/BV, offering an attractive medium-term compounding opportunity.



## Technology | Making sense of the Anthropic product launches [Report link>>](#)

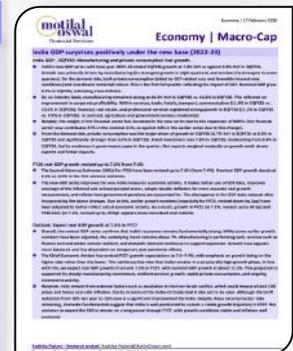
### A slew of product releases, mostly by Anthropic, have unsettled markets as AI moves deeper into workflows

- ❖ February has seen a series of product releases (mostly by Anthropic), threatening to automate not just software engineering but also workflows in myriad streams such as legal, financial data sets, cybersecurity, insurance broking, wealth management, and legacy modernization.
- ❖ The reaction from the markets (and to a few doomsday blog posts) to this has been quite sharp. Stocks from most of these verticals have seen deep drawdowns in the month of February (IT services being one of the biggest losers, registering its worst MoM dip since the dot-com era).
- ❖ We take stock of these product announcements in this report and also present the erosion of value in key industries over the past one month. Our analysis of API calls for Claude and token usage for OpenAI reveals two key things: 1) software engineering is ground zero for AI invasion – 50% of all API calls target software engineering, and 2) AI is currently being used only by cloud-first/AI-native enterprises. Of the top 20 token users for OpenAI, 90% are new-age companies. This indicates that AI is easier to deploy in greenfield environments, and still difficult to deploy at scale for enterprises with legacy burdens. Of course, AI models keep improving exponentially.



## Economy | India GDP surprises positively under the new base (2022-23) [Report link>>](#)

- ❖ India's new GDP series with base year 2022–23 stated 3QFY26 growth at 7.8% YoY as against 8.4% YoY in 2QFY26.
- ❖ Growth was primarily driven by manufacturing (its strongest growth in eight quarters) and services (its strongest in seven quarters). On the demand side, both private consumption (aided by GST-related cuts and favorable interest rate conditions) and investment remained robust. This is the first full quarter reflecting the impact of GST. Nominal GDP grew 8.9% in 3QFY26, indicating a low deflator.
- ❖ The Second Advance Estimates (SAEs) for FY26 have been revised up to 7.6% (from 7.4%). Nominal GDP growth stands at 8.6% vs. 8.0% in the first advance estimate.
- ❖ The new GDP series improves the way India measures economic activity. It makes better use of GST data, improves coverage of the informal and unincorporated sector, adopts double deflators for more accurate real growth measurement, and refines how government pensions are accounted for. The discrepancy in the GDP data reduced after incorporating the above changes. Due to this, earlier growth numbers (especially for FY24, revised down by 2pp) have been adjusted to better reflect actual economic activity. As a result, growth in FY25 (at 7.1%, revised up by 60 bp) and FY26 SAEs (at 7.6%, revised up by 20 bp) appears more consistent and realistic.



# Valuations: Key observations

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# Valuations: Nifty's 12-month trailing P/E trades above its LTA

- ❖ The 12-month trailing P/E for Nifty-50, at 23.4x, was marginally above to its LTA of 23.1x.
- ❖ At 3.4x, the 12-month trailing P/B was 7% above its historical average of 3.2x.

12-month trailing Nifty P/E (x)



12-month trailing Nifty P/B (x)



# Valuations: Nifty's 12-month forward P/E trades below its LTA

- ❖ Nifty's 12-month forward P/E, at 20.2x, was 2% below its LTA of 20.9x, and was down 18% from the Sep'24 high.
- ❖ At 3.0x, the 12-month forward P/B traded at a 3% premium to its LTA of 2.9x.

12-month forward Nifty P/E (x)



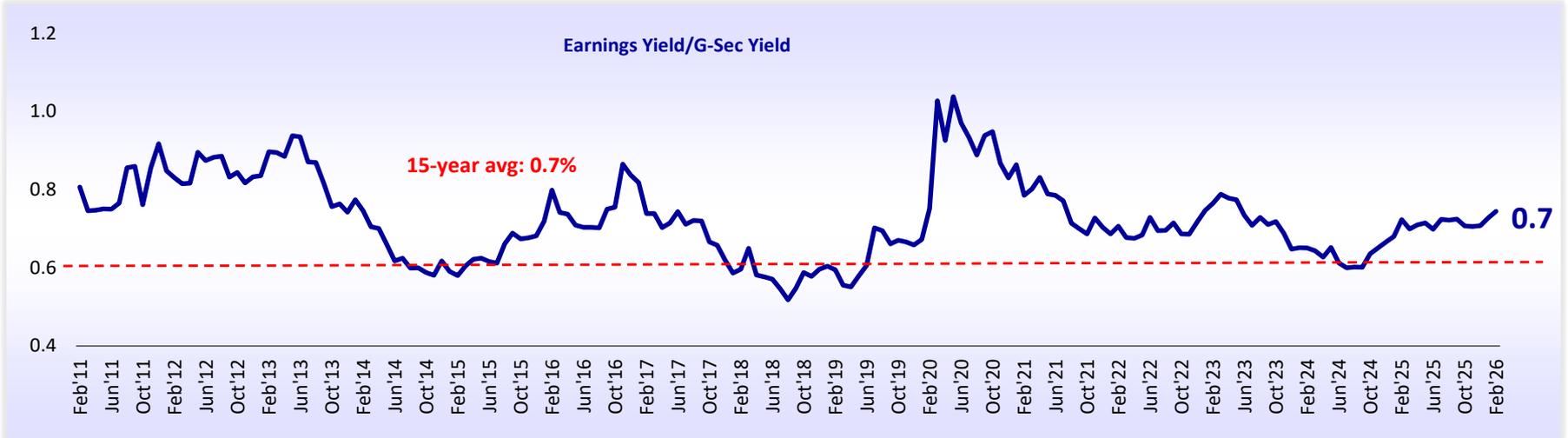
12-month forward Nifty P/B (x)



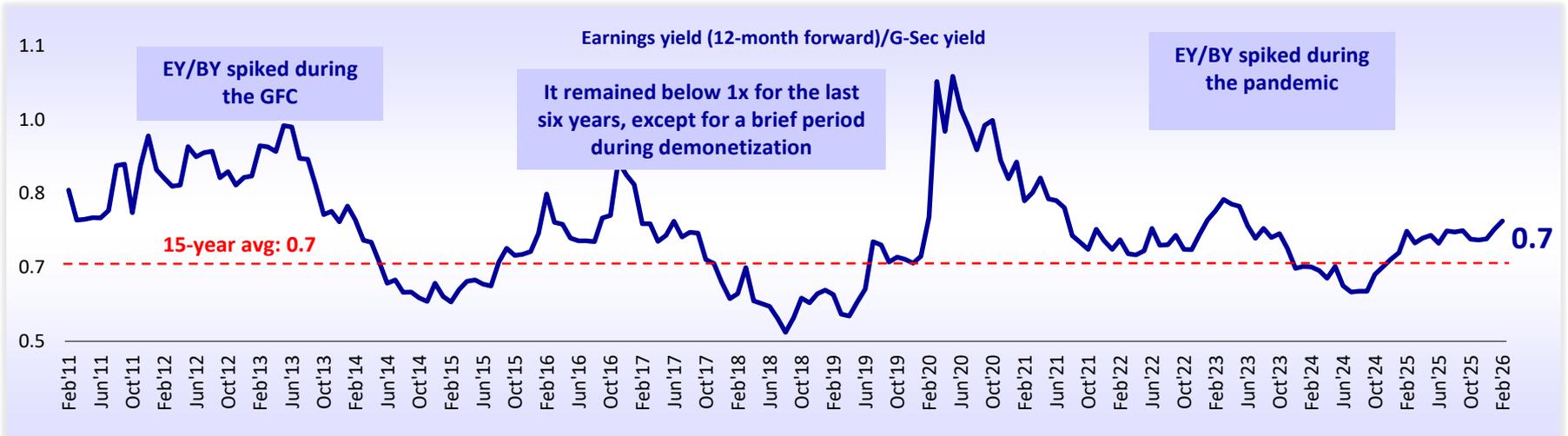
# EY/BY ratio inches up MoM

- India's 10Y bond yield stood at 6.7% (flat MoM). Consequently, the earnings yield-to-bond yield (EY/BY) ratio inched up MoM to 0.7x on both a trailing and forward basis at their LPA.

Trailing earnings yield/G-Sec yield (x)



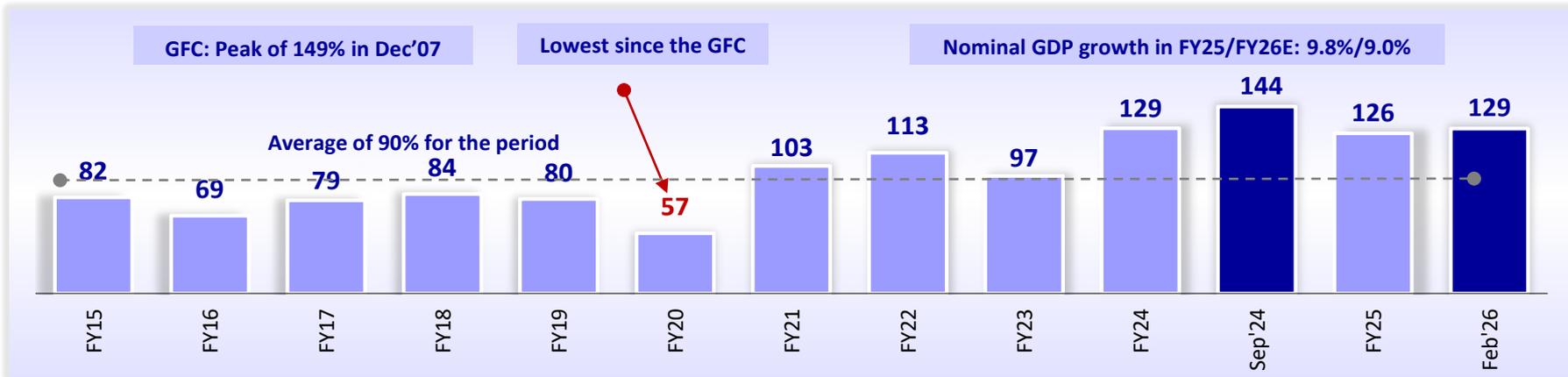
Forward earnings yield/G-Sec yield (x)



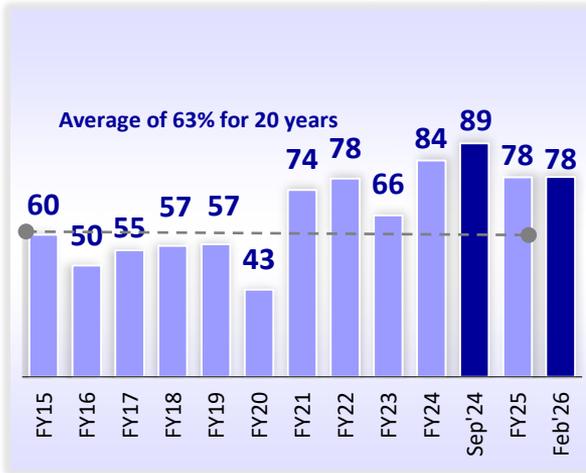
# India's market cap-to-GDP ratio remains elevated

- ❖ India's market cap-to-GDP ratio is projected to be at 129% in FY26, lower than the peak of 144% in Sep'24 but above the Feb'25 low of 118%.
- ❖ The market cap-to-GDP ratio for broader markets continues to trade at a significant premium to the long-term average. The ratios for midcaps and smallcaps are trading significantly higher than averages.

Market cap-to-GDP ratio (%) – Overall



Market cap-to-GDP ratio (%) – Top 100 Large-caps



Market cap-to-GDP ratio (%) – 101 to 250<sup>th</sup> Mid-caps



Market cap-to-GDP ratio (%) – Small-caps, 250<sup>th</sup> onwards



## Top Ideas: MOFSL

| Company                       | MCap (USDb) | CMP (INR) | EPS (INR) |       |       | EPS CAGR (%) | PE (x) |       |       | PB (x) |       |       | ROE (%) |       |       |
|-------------------------------|-------------|-----------|-----------|-------|-------|--------------|--------|-------|-------|--------|-------|-------|---------|-------|-------|
|                               |             |           | FY26E     | FY27E | FY28E | FY26-28E     | FY26E  | FY27E | FY28E | FY26E  | FY27E | FY28E | FY26E   | FY27E | FY28E |
| <b>Top Nifty-50 ideas</b>     |             |           |           |       |       |              |        |       |       |        |       |       |         |       |       |
| Bharti Airtel                 | 129.1       | 1,880     | 44.7      | 63.9  | 82.8  | 36.1         | 42.1   | 29.4  | 22.7  | 7.2    | 6.2   | 5.3   | 20.9    | 24.7  | 27.5  |
| St Bk of India                | 122.7       | 1,202     | 100.1     | 107.2 | 126.0 | 12.2         | 12.0   | 11.2  | 9.5   | 2.0    | 1.7   | 1.4   | 17.8    | 15.9  | 16.0  |
| ICICI Bank                    | 107.9       | 1,379     | 69.7      | 80.0  | 93.8  | 16.0         | 19.8   | 17.2  | 14.7  | 3.0    | 2.6   | 2.2   | 16.1    | 16.1  | 16.3  |
| Larsen & Toubro               | 64.8        | 4,281     | 129.7     | 156.4 | 183.5 | 19.0         | 33.0   | 27.4  | 23.3  | 5.4    | 4.7   | 4.2   | 17.2    | 18.4  | 19.0  |
| Infosys                       | 58.4        | 1,300     | 68.7      | 76.3  | 84.6  | 11.0         | 18.9   | 17.0  | 15.4  | 6.9    | 6.8   | 6.8   | 33.8    | 40.2  | 44.4  |
| M & M                         | 47.6        | 3,400     | 127.2     | 149.2 | 172.1 | 16.3         | 26.7   | 22.8  | 19.8  | 5.5    | 4.6   | 3.9   | 22.6    | 22.2  | 21.5  |
| Titan Company                 | 42.5        | 4,328     | 60.3      | 72.6  | 87.1  | 20.2         | 71.8   | 59.6  | 49.7  | 25.0   | 19.4  | 15.2  | 39.8    | 36.6  | 34.3  |
| Bharat Electronics            | 36.1        | 444       | 8.2       | 9.8   | 11.4  | 17.9         | 54.0   | 45.6  | 38.9  | 13.0   | 10.4  | 8.4   | 24.0    | 22.8  | 21.7  |
| TATA Steel                    | 29.6        | 212       | 9.4       | 14.3  | 15.8  | 29.9         | 22.7   | 14.8  | 13.4  | 2.6    | 2.3   | 2.0   | 12.2    | 16.6  | 15.9  |
| Eternal                       | 24.7        | 246       | 0.4       | 1.8   | 3.6   | 213.9        | 666.7  | 139.2 | 67.7  | 7.2    | 6.9   | 6.2   | 1.1     | 5.1   | 9.6   |
| Interglobe Aviat              | 21.0        | 4,823     | 95.4      | 208.0 | 248.5 | 61.4         | 50.6   | 23.2  | 19.4  | 16.0   | 9.7   | 6.6   | 35.3    | 52.3  | 40.5  |
| <b>Top Non Nifty-50 ideas</b> |             |           |           |       |       |              |        |       |       |        |       |       |         |       |       |
| TVS Motor Co.                 | 20.6        | 3,870     | 76.7      | 96.6  | 121.3 | 25.7         | 50.4   | 40.1  | 31.9  | 14.2   | 11.0  | 8.6   | 31.9    | 31.0  | 30.3  |
| Billionbrains                 | 10.9        | 163       | 3.2       | 5.0   | 6.6   | 42.4         | 50.3   | 32.7  | 24.8  | 10.2   | 7.8   | 5.9   | 27.2    | 27.0  | 27.1  |
| Indian Hotels                 | 10.7        | 667       | 13.2      | 16.2  | 18.6  | 19.1         | 50.7   | 41.2  | 35.8  | 7.2    | 6.2   | 5.3   | 15.4    | 16.2  | 16.0  |
| AU Small Finance              | 8.0         | 959       | 35.3      | 48.9  | 63.7  | 34.4         | 27.2   | 19.6  | 15.0  | 3.7    | 3.1   | 2.6   | 14.4    | 17.1  | 18.7  |
| Dixon Tech.                   | 6.7         | 10,539    | 148.3     | 189.5 | 292.2 | 40.4         | 71.1   | 55.6  | 36.1  | 17.1   | 13.3  | 9.8   | 26.6    | 26.9  | 31.3  |
| Suzlon Energy                 | 6.5         | 43        | 1.4       | 2.2   | 2.5   | 30.9         | 29.8   | 19.7  | 17.4  | 6.6    | 5.0   | 3.9   | 26.4    | 28.8  | 25.0  |
| Coforge                       | 4.5         | 1,186     | 41.9      | 60.3  | 76.7  | 35.3         | 28.3   | 19.7  | 15.5  | 5.5    | 5.0   | 4.3   | 16.4    | 21.8  | 24.7  |
| Radico Khaitan                | 4.0         | 2,648     | 44.9      | 55.4  | 68.5  | 23.5         | 59.0   | 47.8  | 38.7  | 11.2   | 9.4   | 7.9   | 18.9    | 19.7  | 20.4  |
| Delhivery                     | 3.6         | 433       | 2.8       | 6.6   | 8.1   | 70.2         | 154.5  | 66.1  | 53.3  | 3.4    | 3.2   | 3.0   | 2.2     | 4.9   | 5.8   |
| V-Mart Retail                 | 0.5         | 555       | 15.8      | 20.6  | 27.1  | 31.2         | 35.2   | 26.9  | 20.5  | 4.7    | 4.0   | 3.4   | 14.3    | 16.1  | 17.9  |

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