The Eagle Eye – July 2026

Geopolitical easing strengthens India's market stability

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GLOBAL MARKETS

- India stabilizes after three months of volatility; South Korea, Taiwan, and Japan continue to lead in CY26YTD
- ‘Big Tech’ stocks and tech-heavy markets overshadow India and other key EMs in both size and growth
- INR rebounds as global risks ease

DOMESTIC MARKETS

- AI reshapes Indian IT: Breaking point or turning point?
- SMIDs' share of the profit pool continues to expand
- Small caps lead market gains; Private Banks and Real Estate outperform during the month
- IMD has flagged a strong El Niño for 2026, with rainfall projected to be 10% below normal

FLOWS AND VOLUMES

- DII momentum remains strong, FII selling persists however narrowed to a 3 month low
- Average daily cash volumes dips; F&O volumes remain nearly flat MoM
- Nifty’s sectoral weights: Private Bank gains; Technology, Metals and O&G decline

KEY RESEARCH REPORTS

- Initiating coverages on:
    - Textile
    - Travel & Leisure
    - Tata Capital
    - Gabriel India
- India Strategy| Corporate profit-to-GDP: Reaches unprecedented heights!

MULTI-YEAR HIGHS/LOWS

- Corporate profit-to-GDP reaches unprecedented heights!
- Crude oil prices significantly cool off from the recent highs
- India’s 10Y yields cool while global bond yields stay firm
- Strong AI demand to sustain elevated memory pricing

VALUATIONS

- Valuations correct broadly; mid-caps remain firm on earnings strength
- Valuations: Nifty forward P/E continues to trade below averages
- India’s market cap-to-GDP ratio remains high

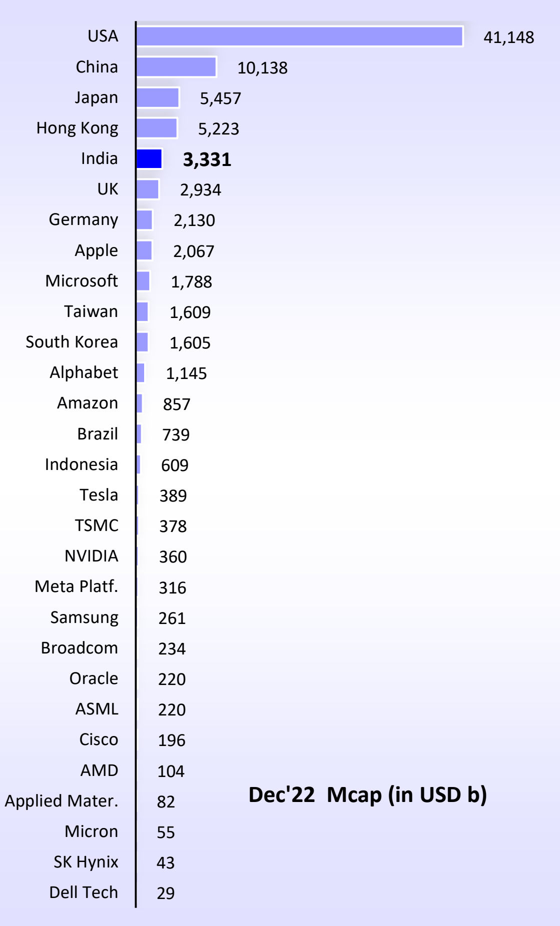
A view from the EAGLE'S EYE!

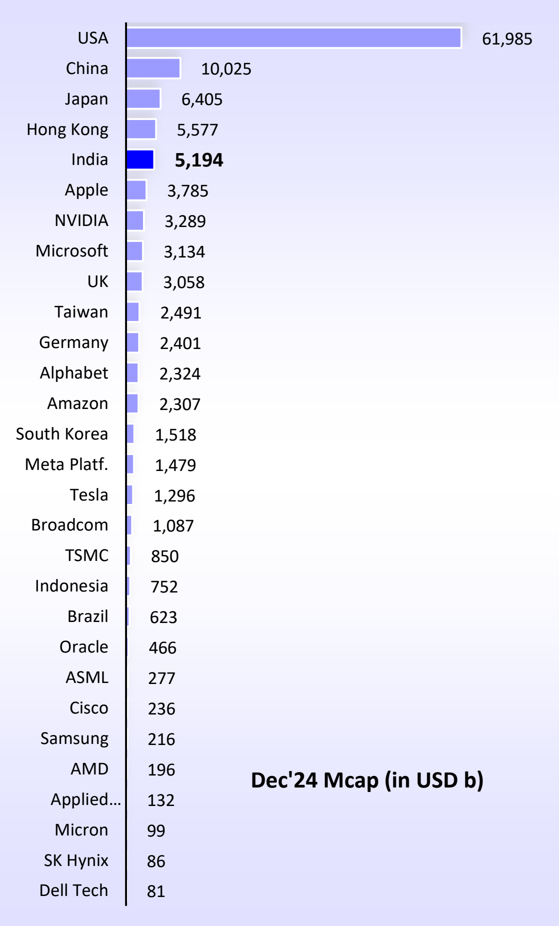
KEY EXHIBITS

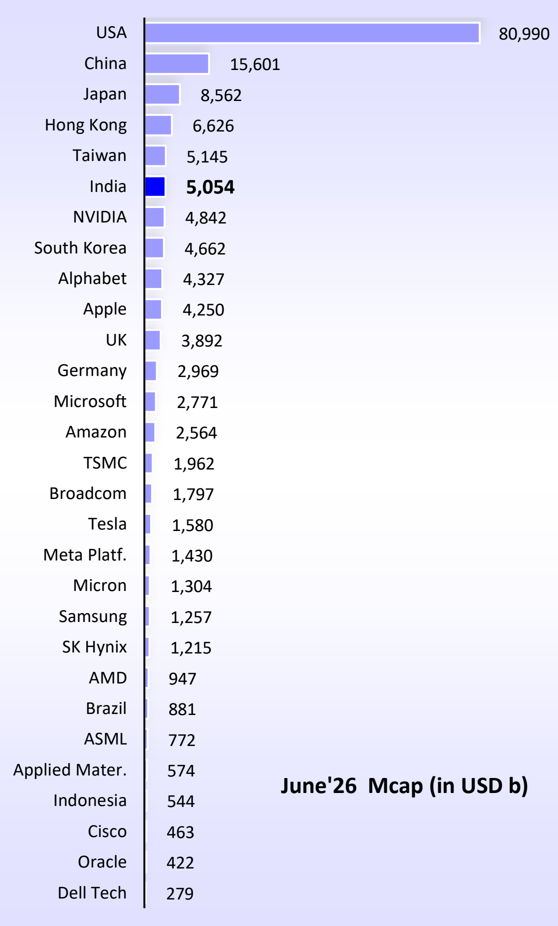
'Big Tech' stocks and tech-heavy markets overshadow India and other key EMs in both size and growth

- The AI-led rally has dramatically reshaped global market cap rankings. In USD terms, Big Tech companies such as NVIDIA, Alphabet, and Apple have grown to match and, in some cases, exceed the entire listed market cap of India and several other countries, despite being significantly smaller than these markets just a few years ago.
- This highlights the extraordinary scale and growth of AI and Big Tech players. Capital, earnings, and investor flows are becoming increasingly concentrated in a handful of technology leaders, raising market concentration risks even as the AI theme continues to drive global equity market performance.

Market cap (USD b)







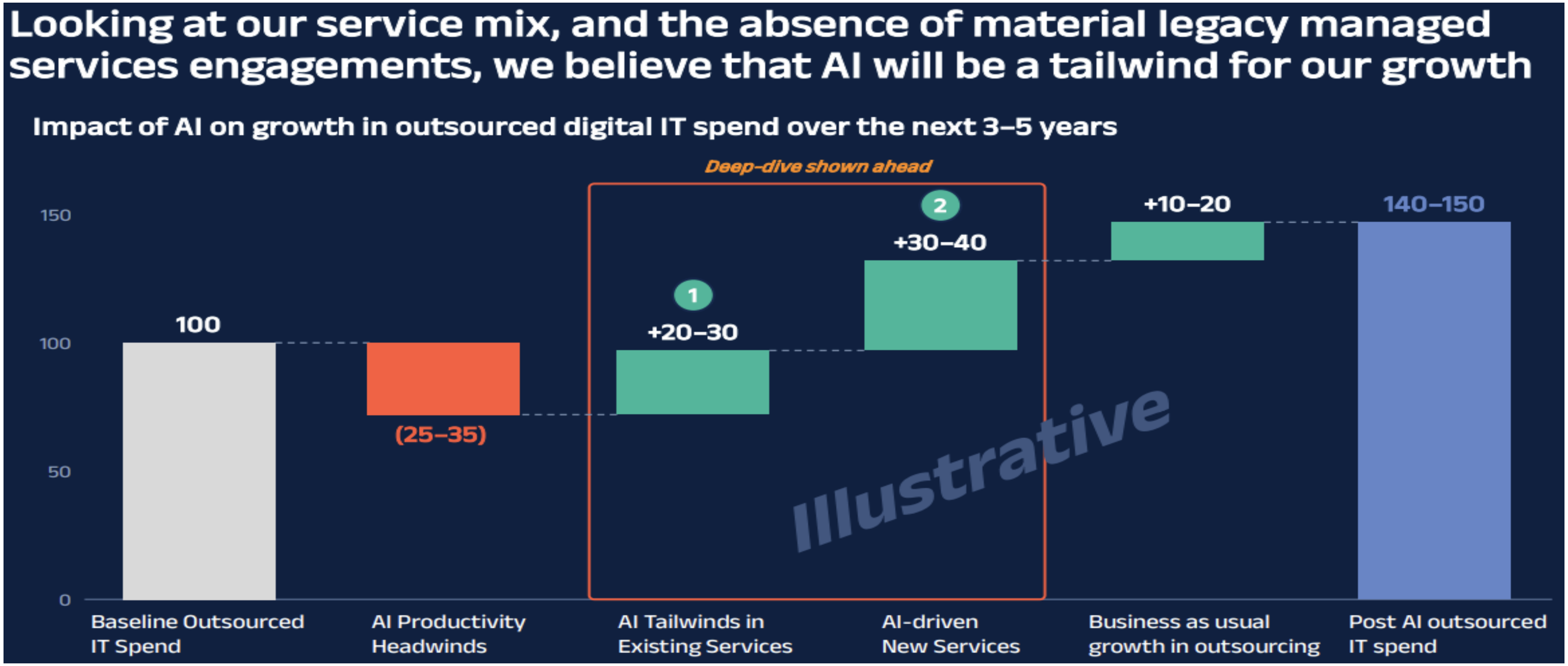
AI reshapes Indian IT: Breaking point or turning point?

- The ongoing AI-driven disruption is likely to exert pressure on the existing revenue streams of Indian IT services companies, as automation and productivity gains may lead to deal-related revenue deflation.
- However, management commentary suggests that AI is significantly expanding the addressable market by creating new technology spending opportunities. In addition, the absence of large legacy managed-services commitments in AI-based opportunities positions Indian IT firms well to capture new business, drive market-share gains, and support long-term revenue growth.

Our take:

- While ~15–20% of IT services revenue may face AI-led productivity and automation pressures, the impact is likely to be inherently prone to error and risk oversimplifying a far more dynamic transition.
- The key differentiator will be the ability of incumbent IT firms to replicate, scale, and commercialize AI-native delivery models faster than peers.
- The sector is likely heading toward a business model reset, with AI capabilities and strategic M&A emerging as critical determinants of market share gains over the next 24–36 months.

AI-led productivity headwinds and tailwinds to the IT services industry in the near to medium term

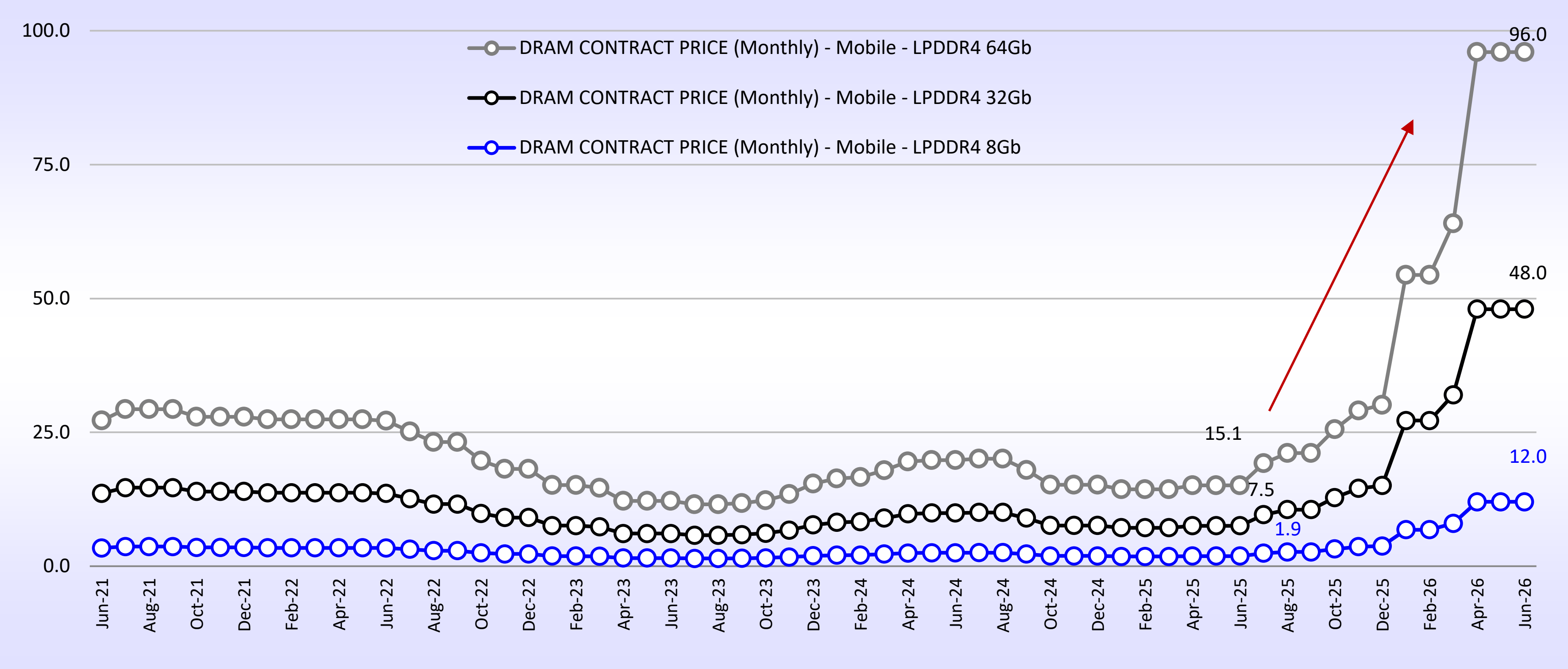


Source: Coforge Ltd. investor day presentation, Industry

Strong AI demand to sustain elevated memory pricing

- **Memory prices have surged sharply**, with DRAM contract prices **rising over 4x and** NAND flash spot prices **~7x** since Sep'25, driven by tight supply and robust AI-led demand.
- **AI infrastructure expansion** is accelerating demand for High Bandwidth Memory (HBM), prompting leading memory manufacturers such as Samsung, SK Hynix, and Micron to reallocate production capacity from conventional memory (DDR, LPDDR, etc.) to HBM, further tightening supply.
- Although capacity expansions are underway, demand from AI data centers, agentic AI applications, and server deployments is expected to outpace incremental supply, keeping the market structurally undersupplied.
- Memory prices are therefore **expected to remain elevated** over the medium term, as AI-driven demand continues to exceed industry capacity additions, supporting a sustained tight supply environment.

DRAM lowest spot price (in USD)

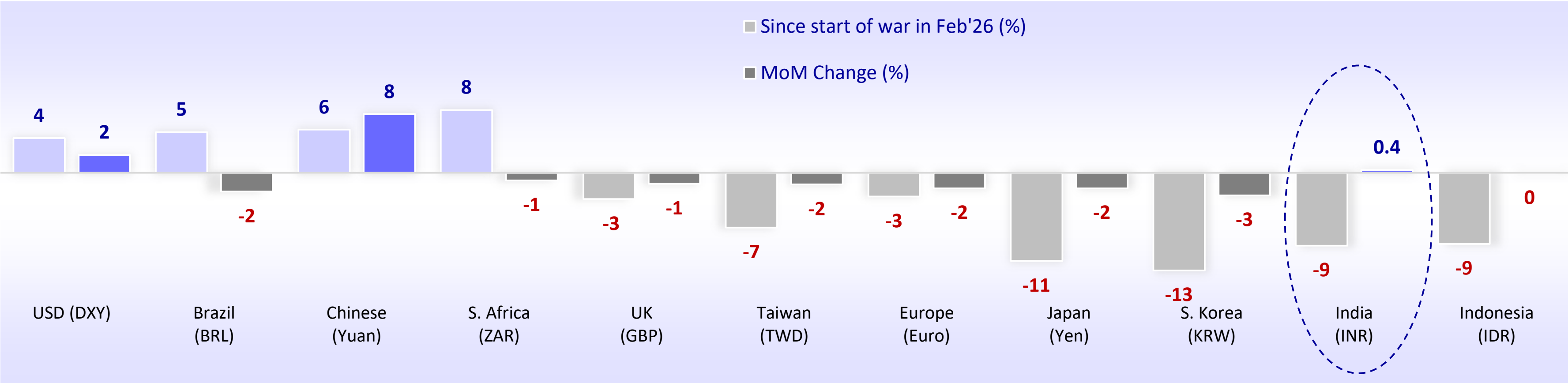


Source: Bloomberg

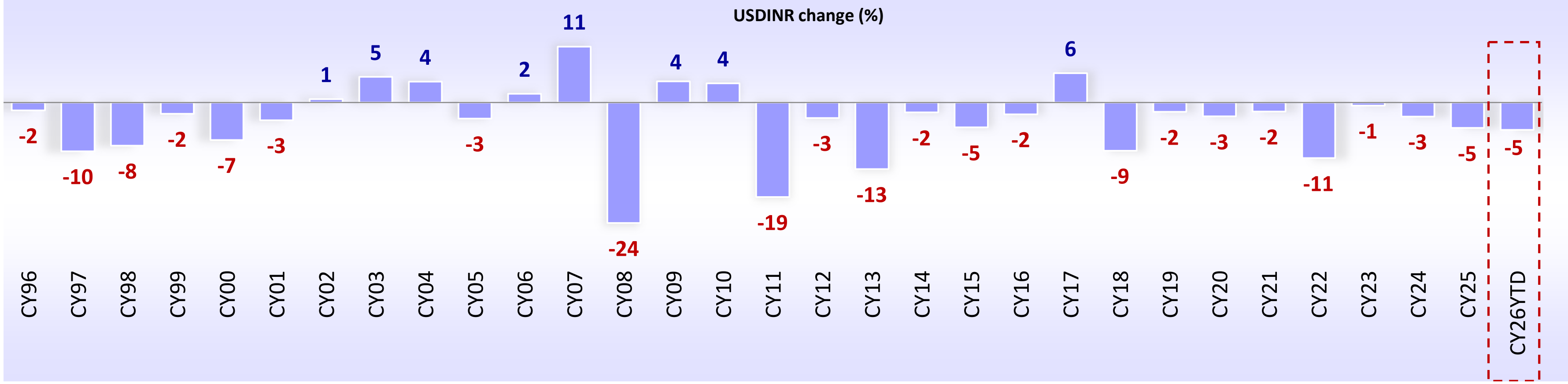
INR rebounds as global risks ebb

- After experiencing its weakest performance in over a decade and coming under pressure earlier this month amid heightened geopolitical tensions and a sharp rise in crude oil prices, the INR, along with several global currencies, has recovered from its Jun’26 low of nearly INR97 to below INR95 per USD.
- The easing of geopolitical tensions following the US-Iran peace agreement, the reopening of the Strait of Hormuz, and the subsequent decline in crude oil prices have significantly improved global risk sentiment. A softer US dollar, stable capital flows, and easing uncertainty have supported the INR's recovery, further aided by India's strong macroeconomic fundamentals and resilient domestic inflows.

Key currency performance since Feb’26 vs. MoM change



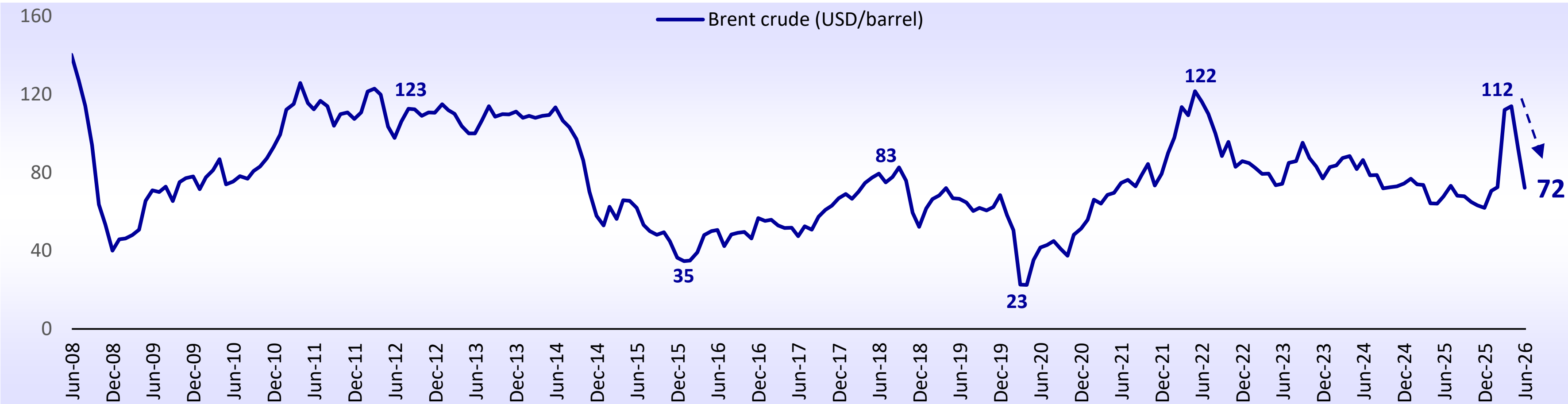
USDINR exchange rate change (%): INR depreciated 28% in the past decade, whereas it depreciated 21% in the past five years itself



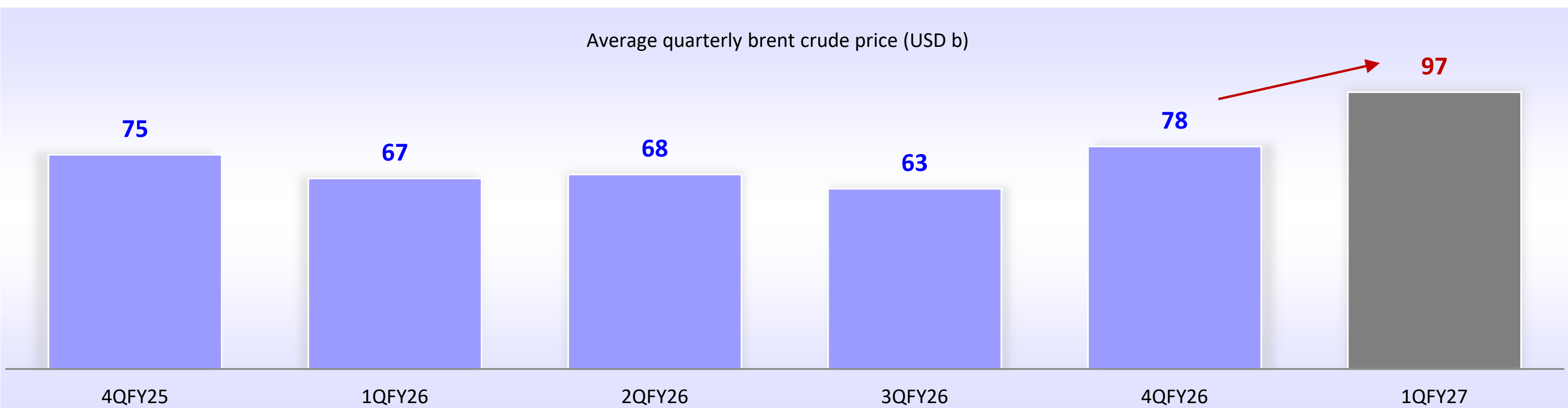
Crude oil prices significantly cool off from the recent highs

❖ The announcement of the US-Iran ceasefire and improved traffic through the Gulf of Hormuz have driven a sharp decline in crude oil prices from their Apr–May'26 peaks to USD72–75 per barrel.

Crude oil price trend vs. Nifty-50 P/E (x): Moderated from the highs



While crude oil prices have cooled off from their May highs and are currently trading at ~USD72-75 per barrel, average prices for 1QFY27 remain notably higher than in previous quarters, potentially leading to increased input cost pressures



IMD flags a strong El Niño for 2026, with rainfall projected to be 10% below normal

10%

IMD's projection of 2026 monsoon rainfall below LPA

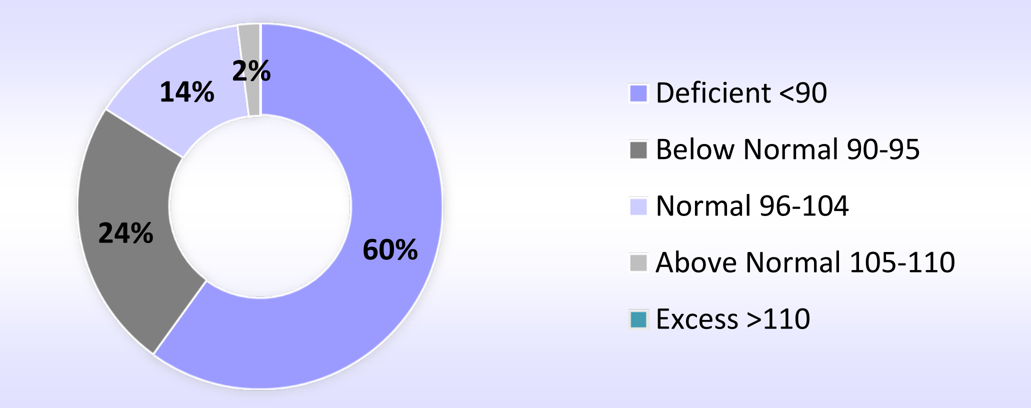
60%

IMD's probability of rainfall being deficient

43%

Probability of MCZ seeing below-normal rainfall

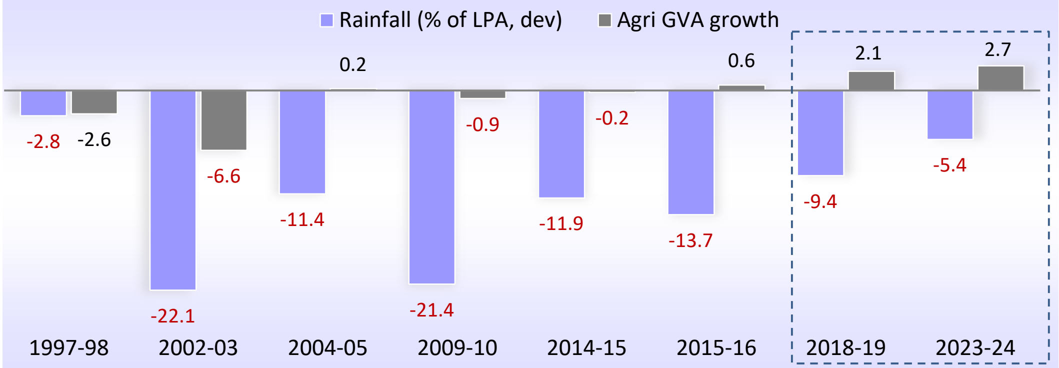
IMD probability distribution (2026)



- IMD estimates peg India's monsoon to be 10% below normal (90% of LPA), lower than earlier estimates (92% of LPA), with 60% probability of deficient rains. The onset of monsoon is also delayed, with June rainfall seen below normal
- Spatially, Northwest, Central, and Southern regions are likely to see below-normal rains, while Northeast India is likely to see normal rains. The Monsoon Core Zone (MCZ), which accounts for ~40% of food production, is likely to experience below-normal rainfall (43% probability).

Source: IMD long-range forecast (June 2026)

Rainfall deviation vs. agriculture GVA (select El Niño years)



Source: Ministry of Agriculture; CEIC; IMD; MOFSL.

THRESHOLD EFFECT

Below ~10% deficit, foodgrain output is broadly flat. Above 10%, the hit becomes material.

2002: Rainfall −22.1% → agri GVA −6.6%

2009: Rainfall −21.4% → agri GVA −0.9% after a prior contraction

2018, 2023: Mild deficits, agri GVA flat to slightly positive

2026E: IMD's −8% sits on the cusp — tail risk asymmetric to the downside

motilal oswal Financial Services

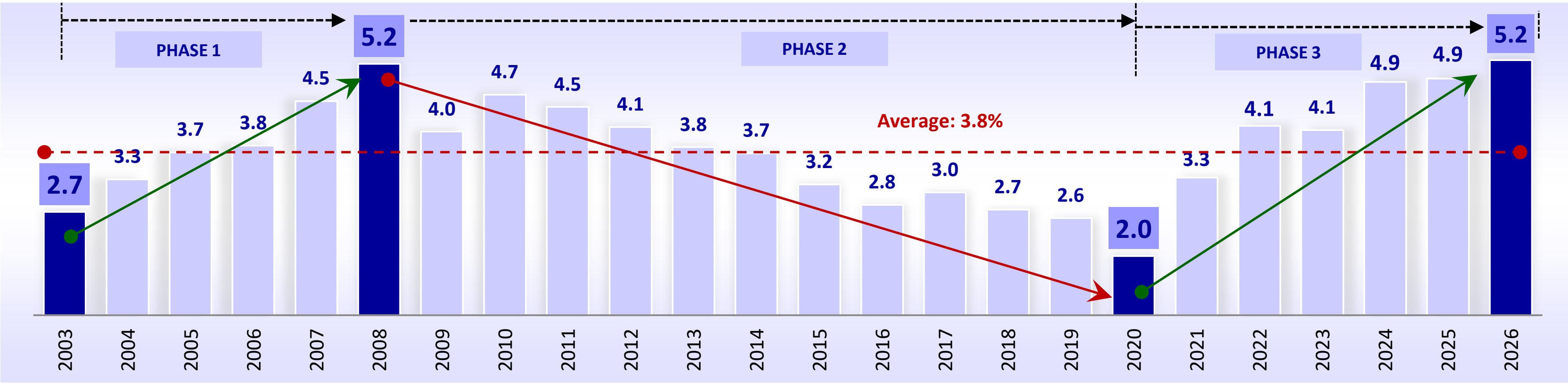
KEY EXHIBITS

Corporate profit-to-GDP: Reaches unprecedented heights!

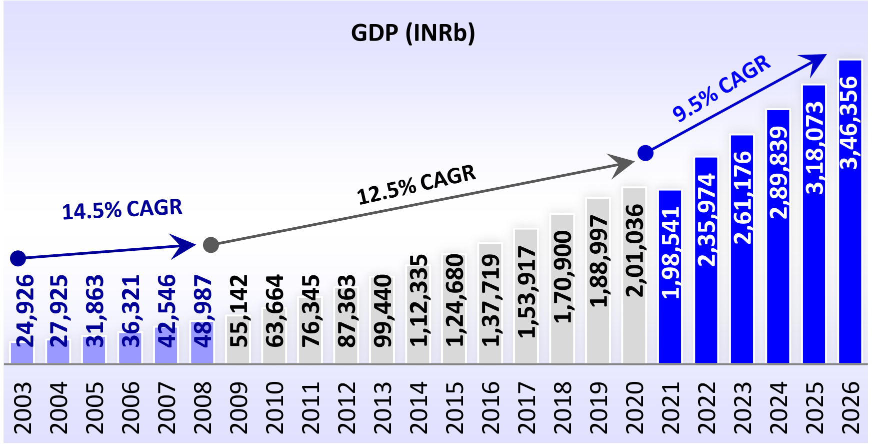
- The Nifty-500 corporate profit-to-GDP ratio surged to an all-time high of 5.2% in FY26, supported by corporate profit growth of 15.6% YoY, following 11.0% YoY growth in FY25 despite a high base of 32.6% YoY growth in FY24.
- Nominal GDP growth moderated to 8.9% YoY in FY26 from 9.7% YoY in FY25 and 11.0% YoY in FY24, resulting in corporate profits growing faster than the overall economy.
- The moderation in GDP growth was driven by a sharp slowdown in manufacturing activity and softer external demand, partly offset by continued strength in services, improving agricultural growth, and accelerating investment spending.

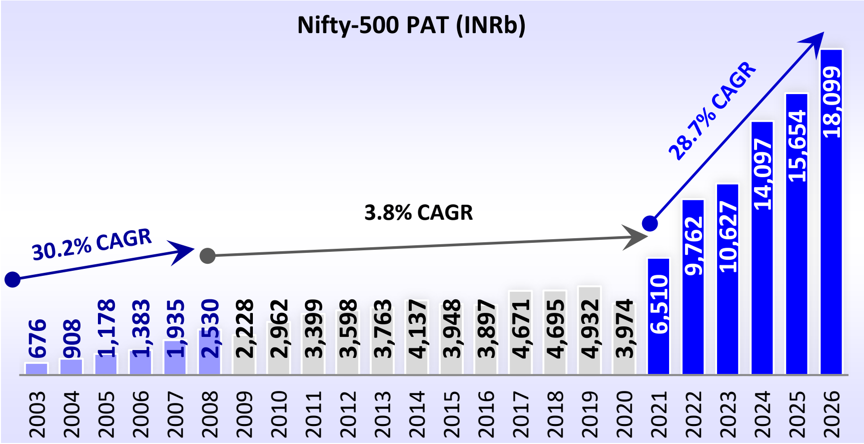
Detailed report>>

Nifty-500 – the corporate profit-to-GDP ratio surged to an all-time high of 5.2% in FY26



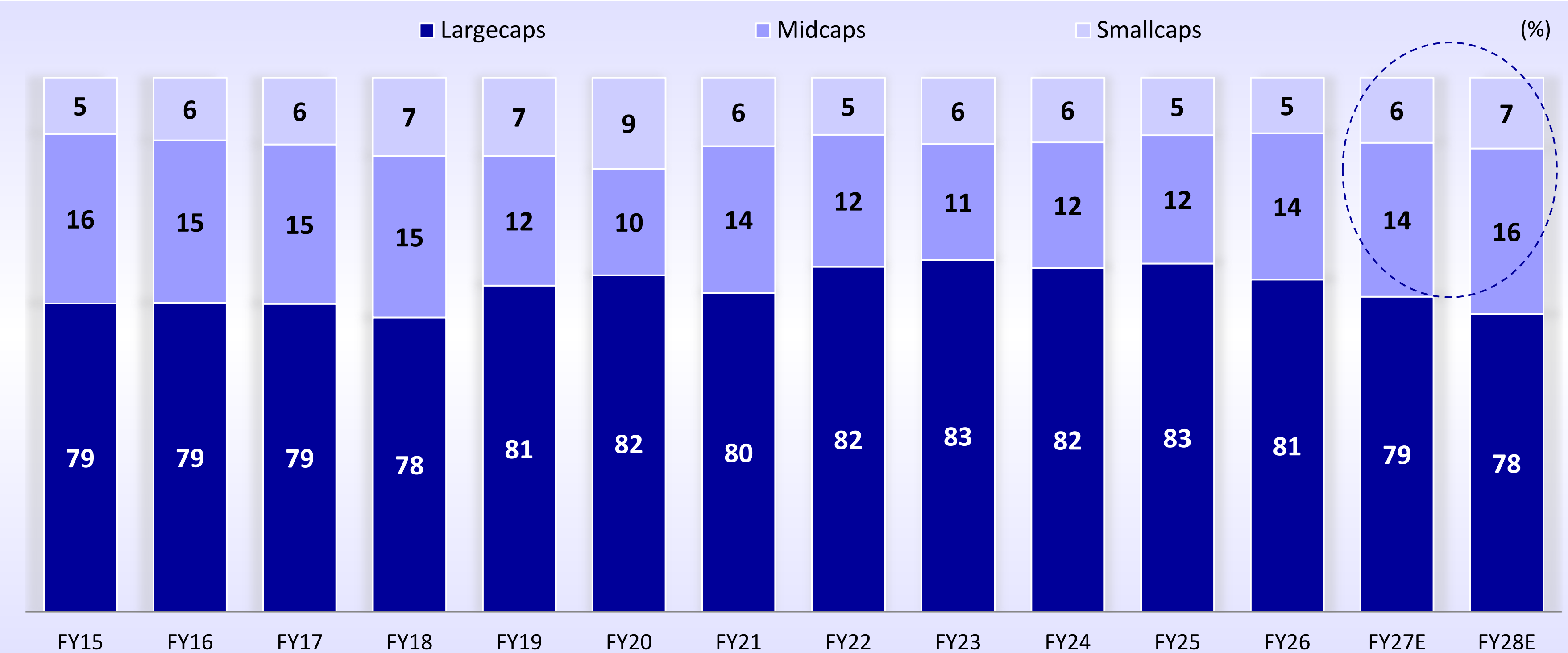
Contrast between GDP growth and corporate earnings growth



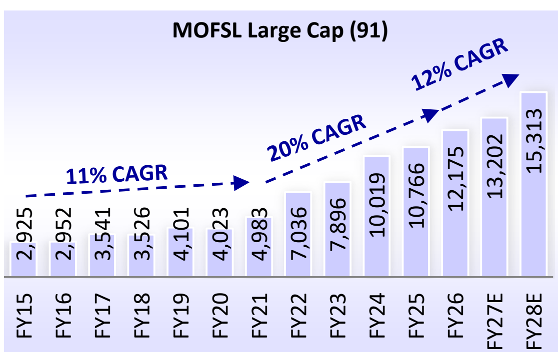


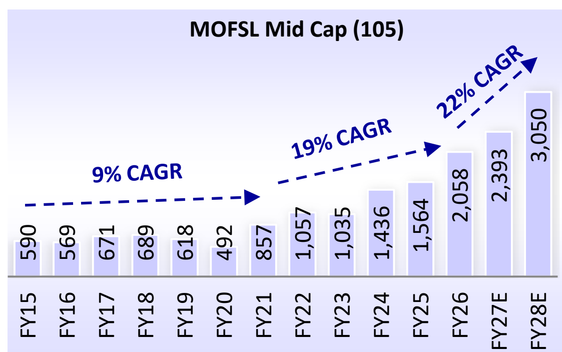
SMIDs' share of the profit pool continues to expand

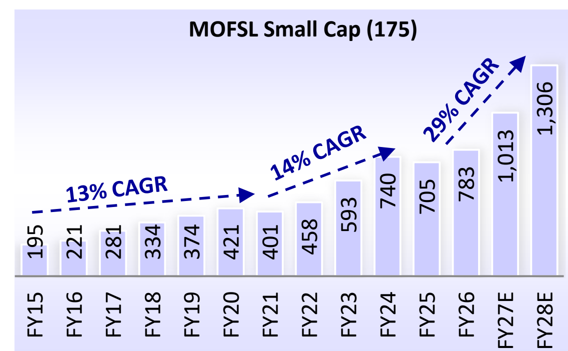
MOFSL Large- (91 companies), Mid- (105), and Small-caps' (175) earnings contribution (%)



Mid- and Small-caps to clock faster earnings growth over the next two years





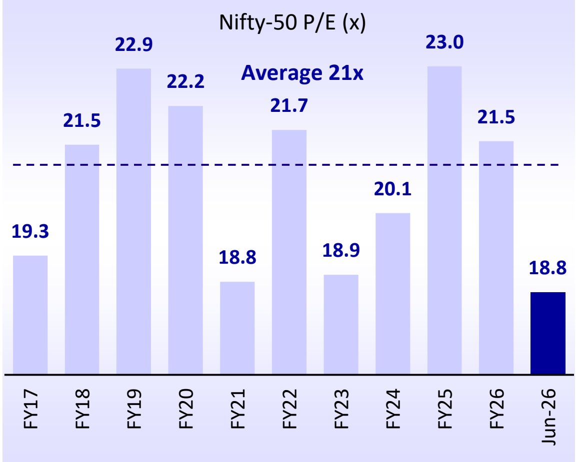


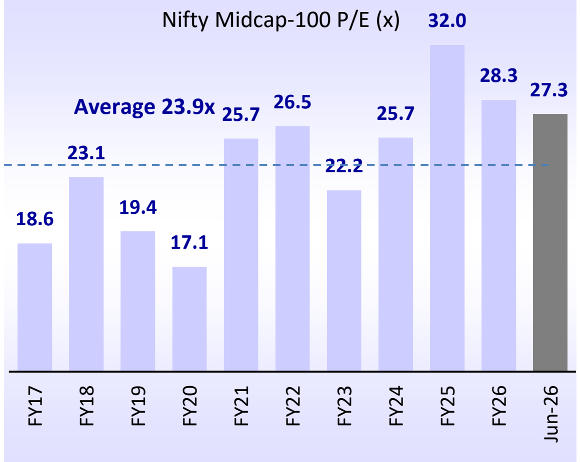
Note: Earnings performance based on the MOFSL universe post 4QFY26 earnings review

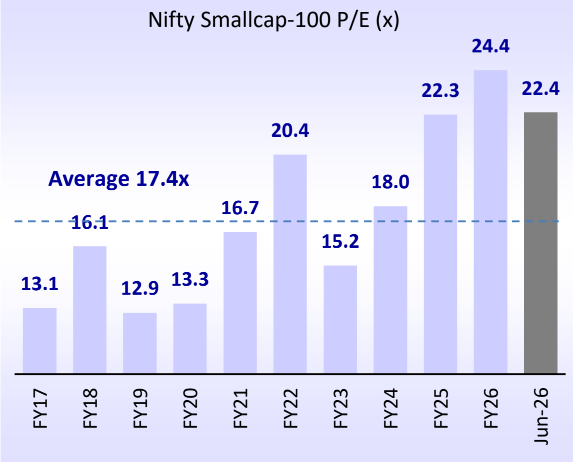
Valuations correct broadly; mid-caps remain firm on earnings strength

- The Nifty-50's one-year forward P/E stands at 18.6x, trading at an 11% discount to its long-term average of 21x and 25% below the peak levels seen in Sep'24. The Nifty Midcap-100 and Nifty Smallcap-100 continue to command valuation premiums, trading at 27.3x and 22.4x one-year forward P/E, respectively. While these multiples remain 16% and 27% above their LPAs, they are 23% and 7% below their respective Sep'25 peaks.

The 12-month forward P/E trends across the Nifty-50, Nifty Midcap-100, and Nifty Smallcap-100 indices (x)

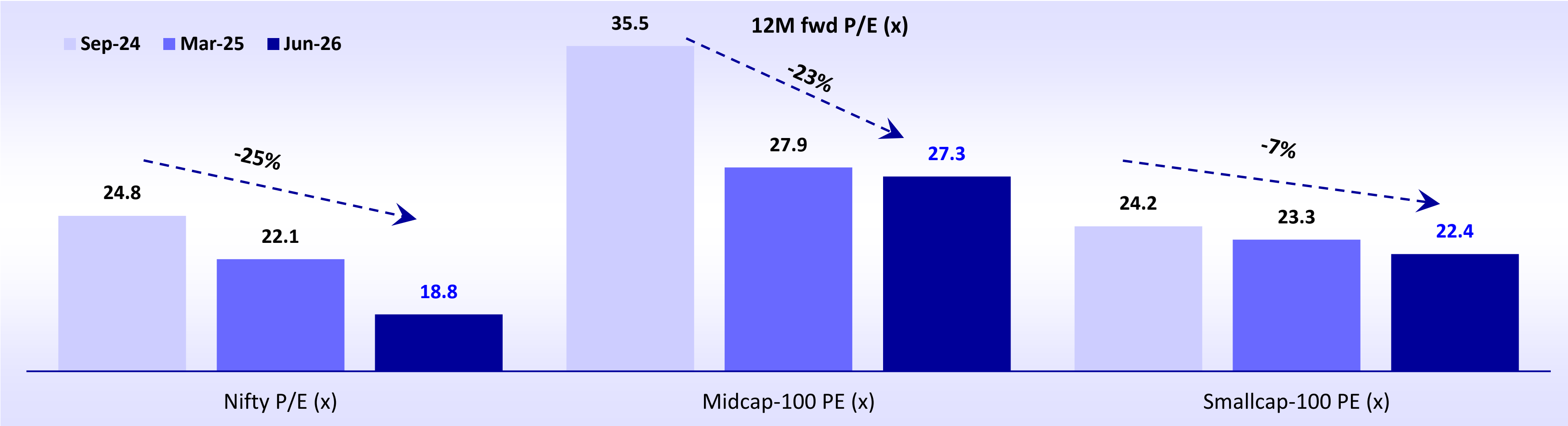






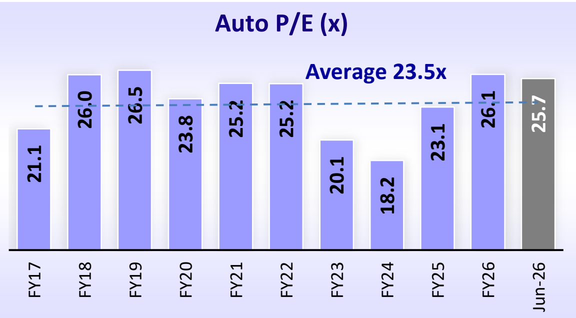
Note: The bars represent the 12-month average of one-year forward P/E on an FY basis

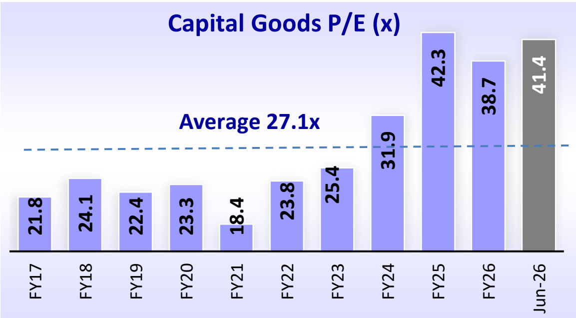
Valuations of key benchmark indices corrected significantly from their Sep'24 highs

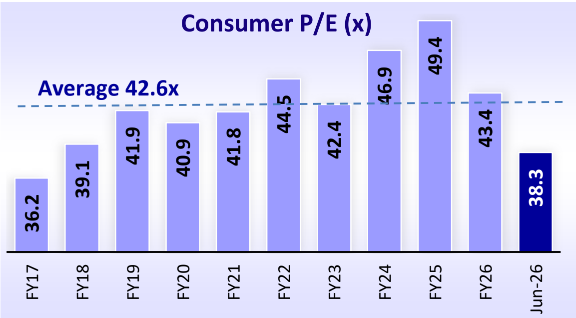


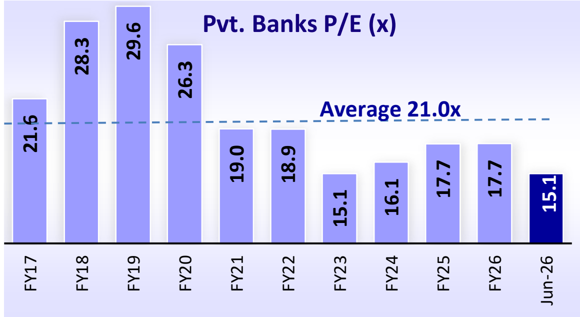
Consumer, Tech, and Retail sectors trade at discounts to their historical valuations

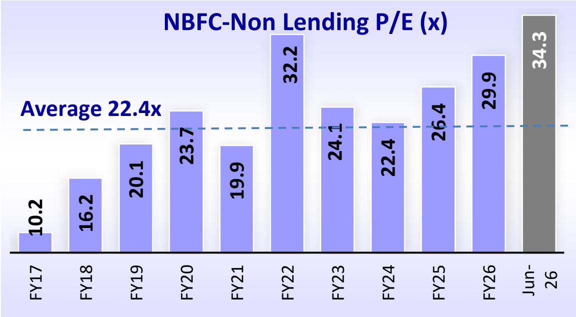
❖ The 12-month forward P/E for Private Banks, Consumer, Technology, and Retail are trading at discounts of 28%, 10%, 34%, and 29%, respectively, to their 10-year averages. In contrast, valuations remain above their LPA for Automobiles (+9%), Capital Goods (+52%), NBFC Non-lending (+53%), Healthcare (+28%), and Chemicals (+5%).

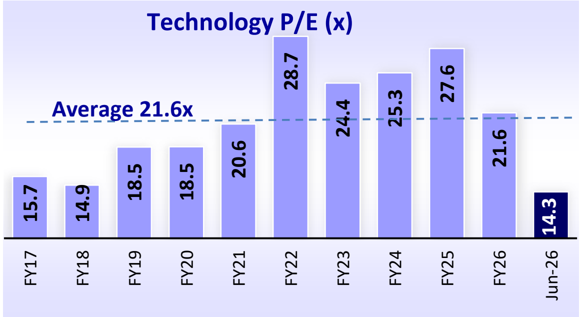


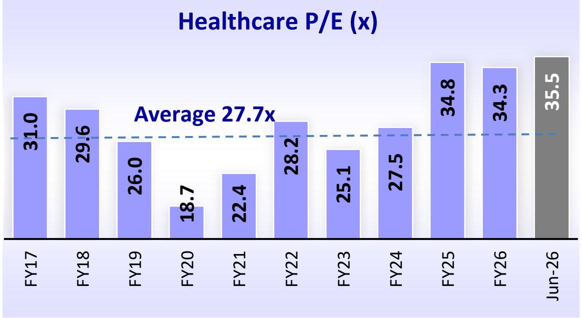


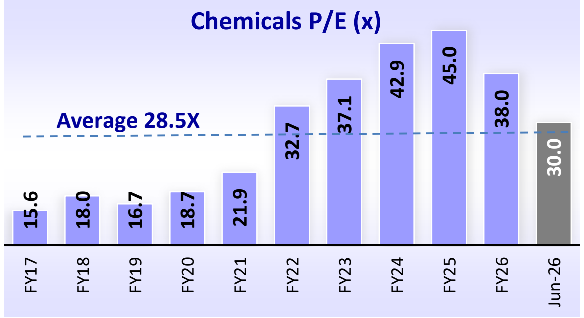


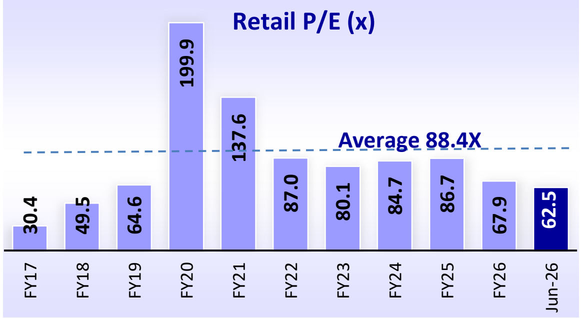








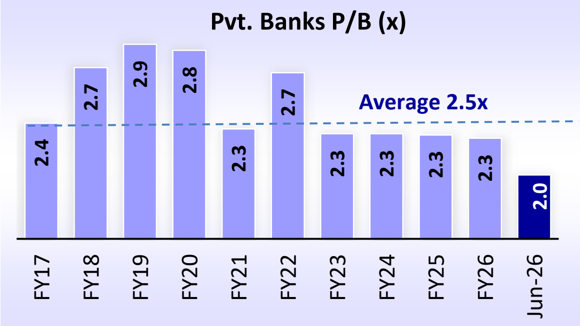


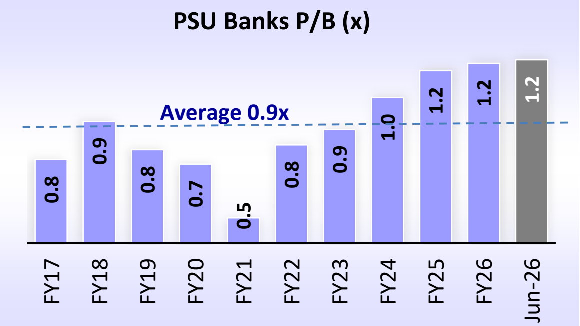


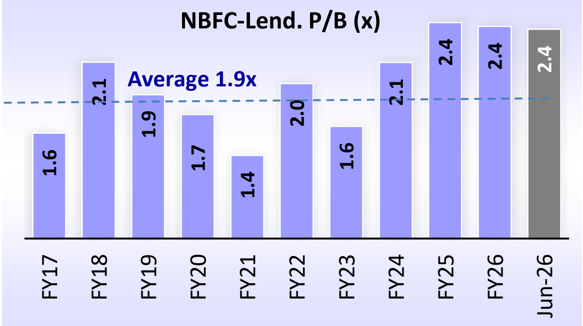
Note: The data represent the 12-month average of one-year fwd P/E across MOFSL Universe sectors; blue and grey bars represent the latest sectoral valuations below and above the 10-year average, respectively. LPA: Long period average

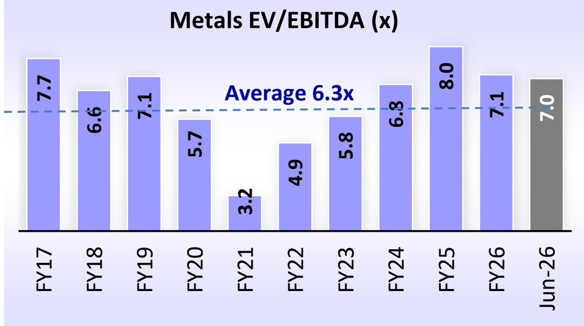
Private Banks, O&G, and Real Estate trade below their historical averages

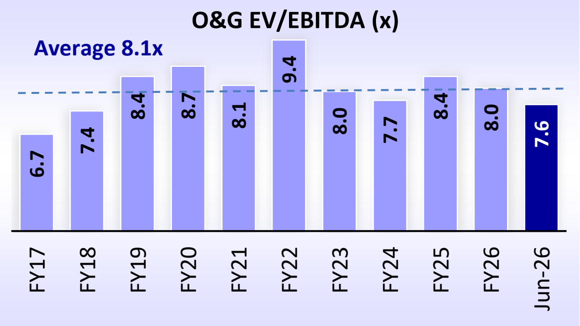
- On a 12-month forward P/B basis, Private Banks trade at a 19% discount to their long-period average (LPA). In contrast, PSU Banks and Lending NBFCs trade at a 36% and 23% premium to their respective LPAs.
- On a 12-month forward EV/EBITDA basis, O&G and Real Estate are trading at a discount to their LPA. In contrast, Metals, Utilities, and Cement are trading at or above their LPA valuations.

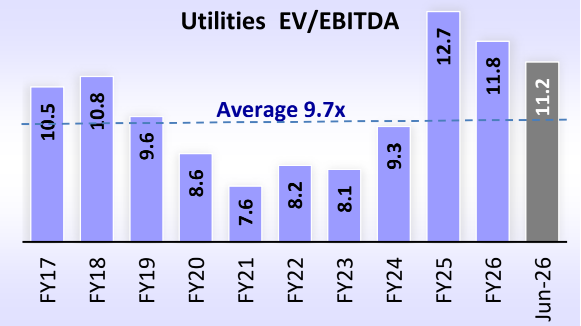


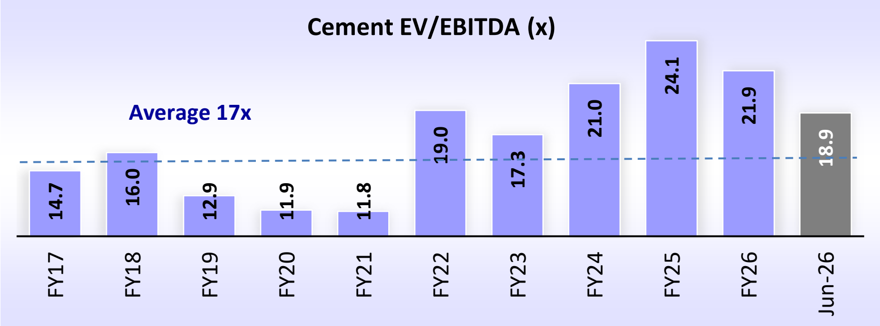


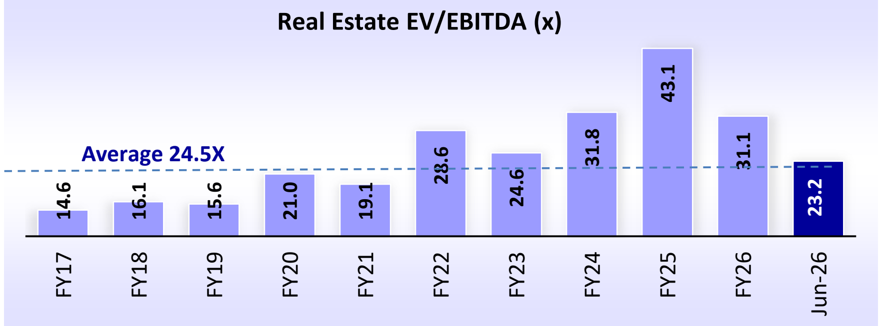










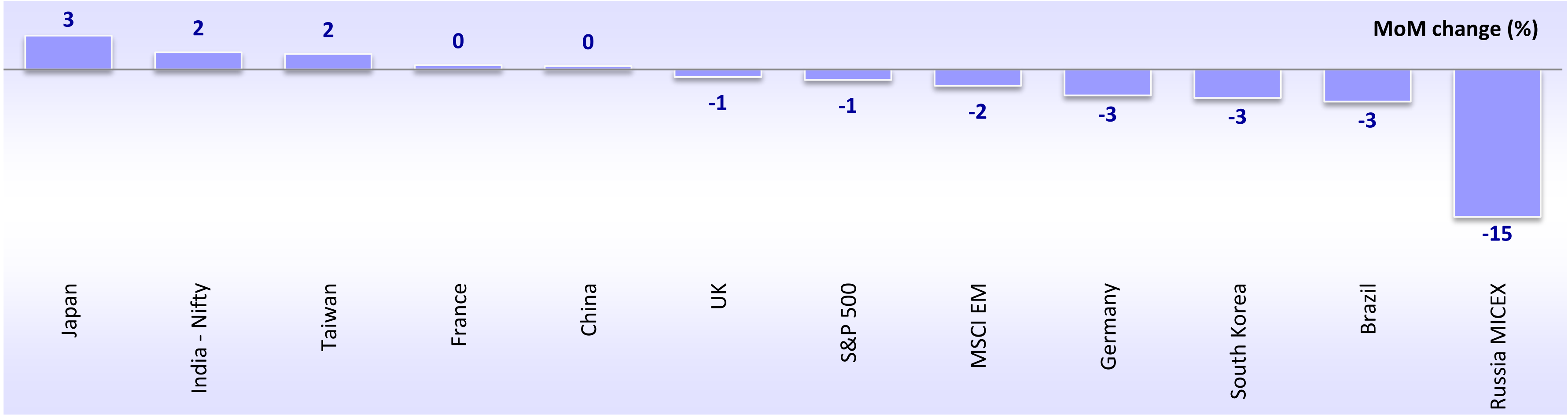


Note: The data represent the 12-month average of one-year P/B across and EV/EBITDA across MOFSL Universe sectors; blue and grey bars represent the latest sectoral valuations below and above the 10-year average, respectively. LPA: Long period average.

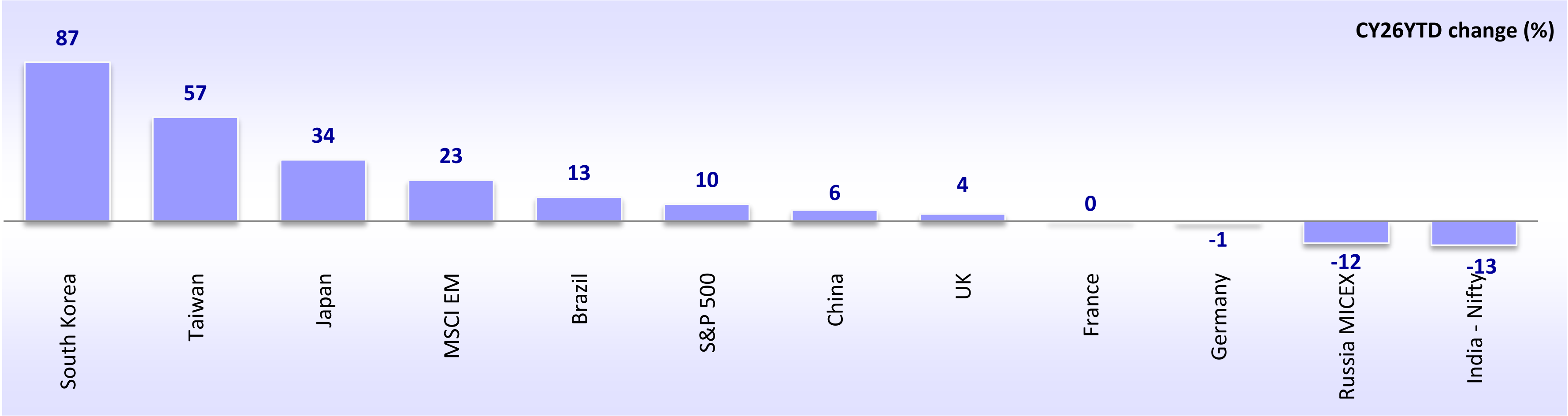
Macro, Markets, and More…

India stabilizes after three months of volatility; South Korea, Taiwan, and Japan continue to lead in CY26YTD

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

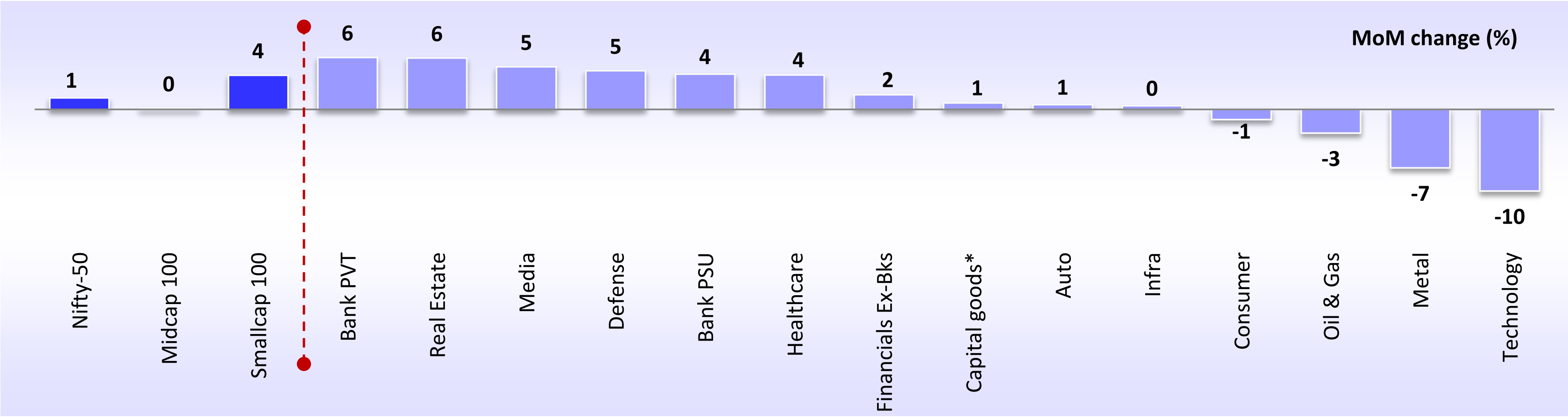


CY26YTD change (%) in USD terms

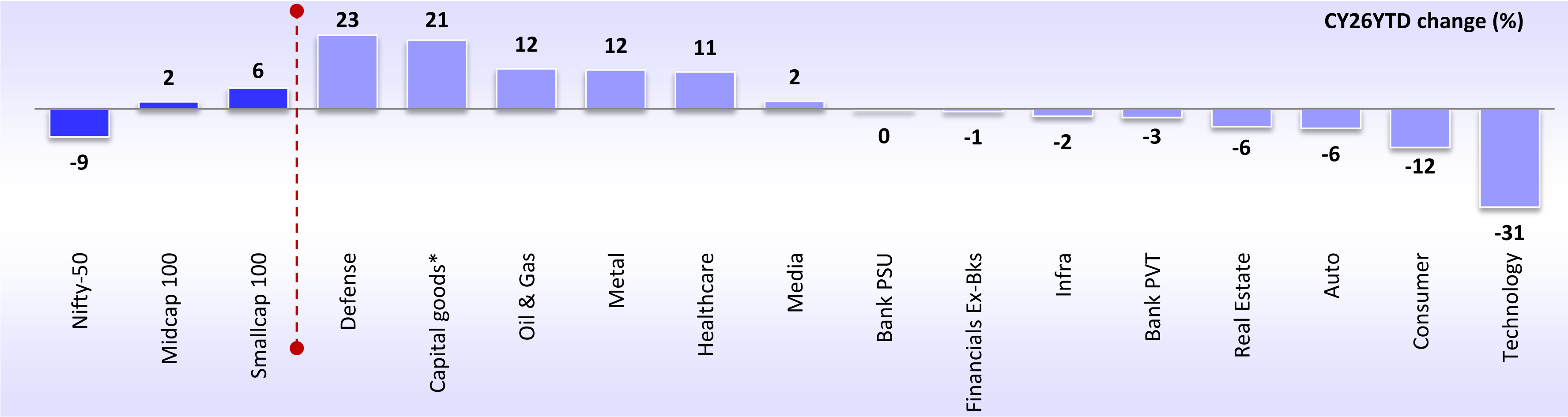


Small caps lead market gains; Private Banks and Real Estate outperform during the month

Sectoral performance MoM (%): Midcaps outperform; among sectors, Metals, Capital Goods, and Healthcare outperform during the month



CY26YTD performance (%): SMIDs outperform; among sectors, Cap Goods, Metals, Defense, and O&G outperform notably, while Tech remains the key laggard

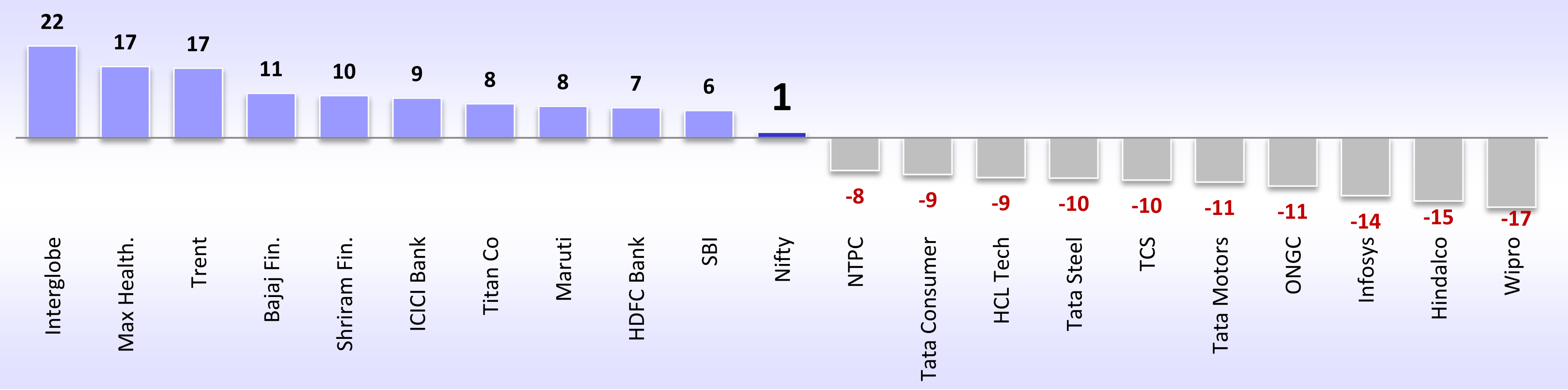


Note: (*) represents BSE Capital Goods Index.

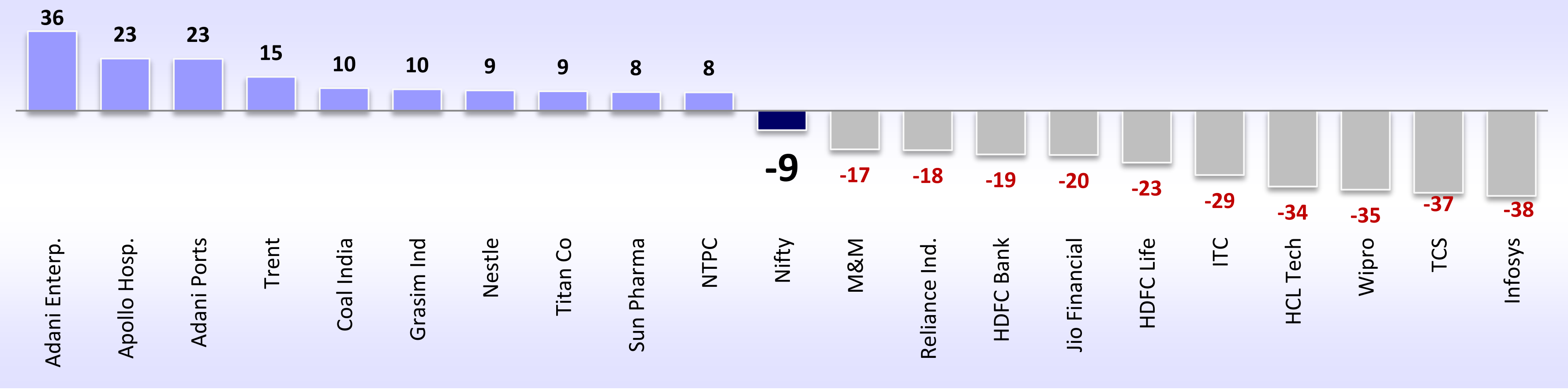
About 52% of Nifty constituents end lower in Jun’26

- In Jun'26, among the Nifty constituents, 24 stocks closed higher MoM. Interglobe Aviation, Max Health, and Trent were the key gainers, whereas Wipro, Hindalco, and ONGC were among the key laggards.
- About 25 Nifty constituents have ended higher in CY26YTD. Adani Enterprises, Apollo Hospital, and Adani Ports have been the top gainers, whereas IT services companies have been the key laggards.

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



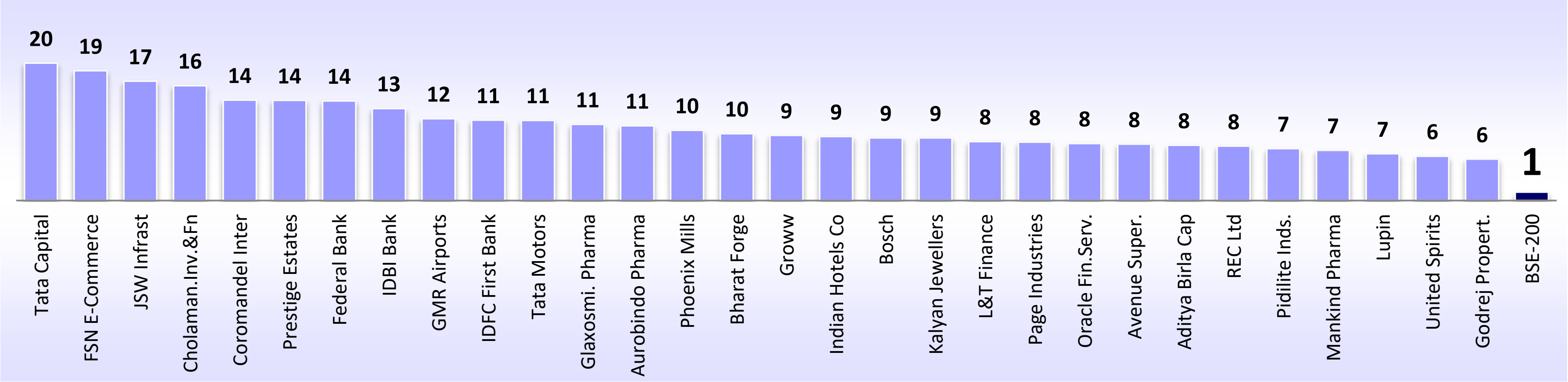
Best and worst Nifty performers in CY26YTD (%)



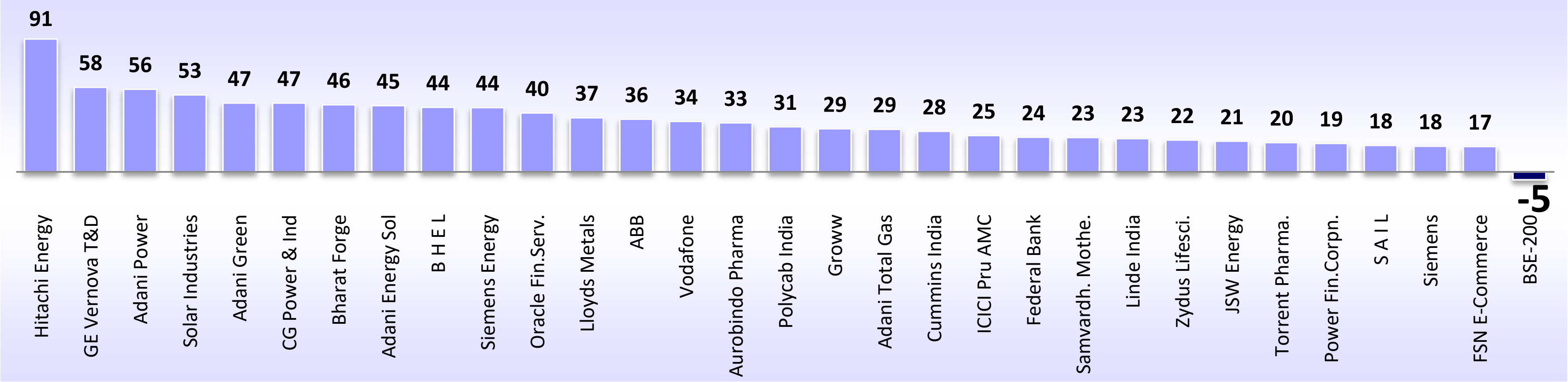
About 53% of BSE-200 constituents end higher in Jun'26

- In Jun'26, about 106 BSE-200 stocks closed higher. Tata Capital, FSN E-Commerce, and JSW Infrastructure were the key gainers.
- About 48% BSE-200 constituents have ended higher in CY26YTD. Hitachi Energy, GE Vernova T&D, and Adani Power have been the top gainers.

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



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

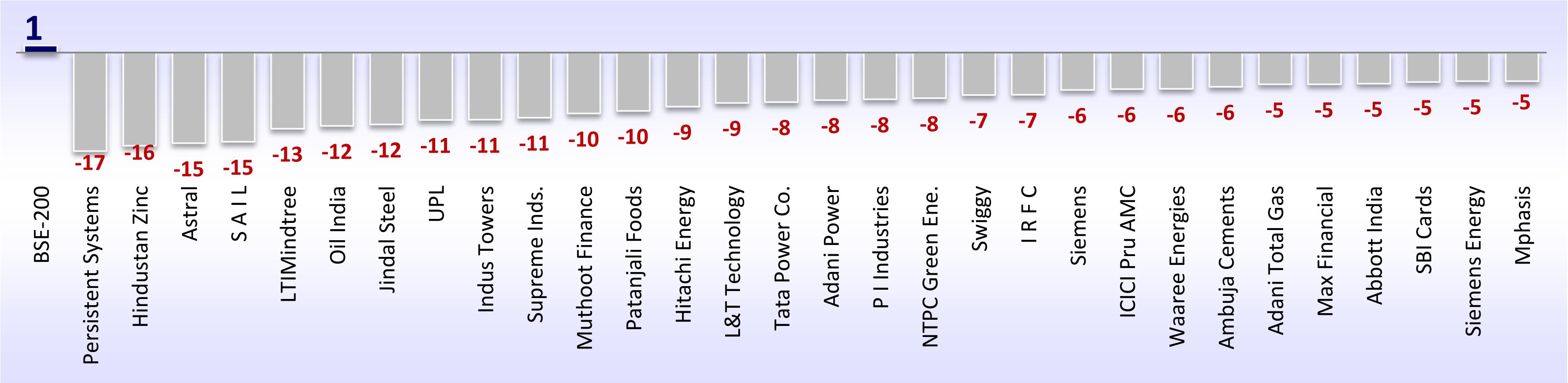


*The list excludes Nifty-50 constituents.

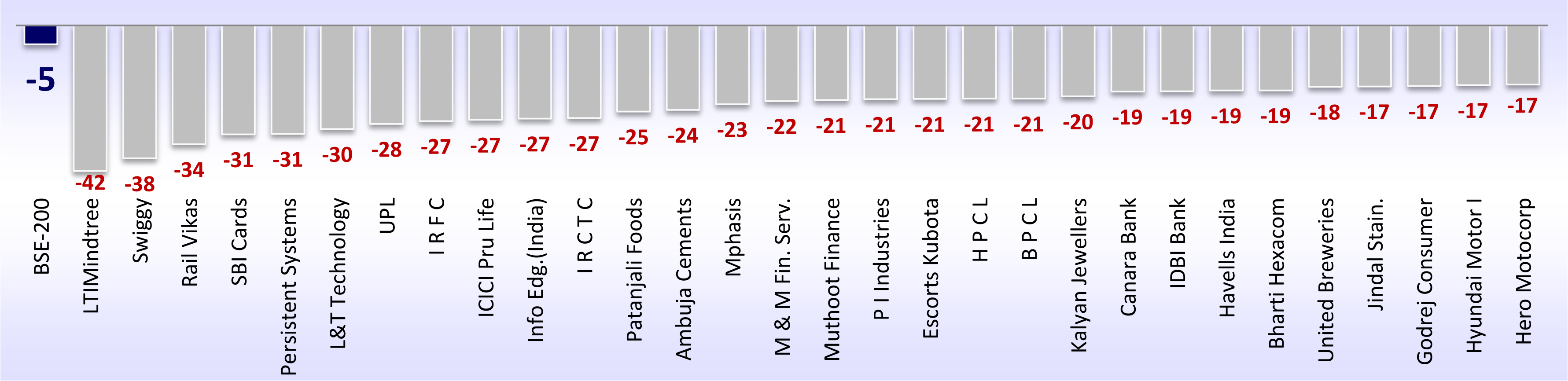
About 47% of BSE-200 constituents end lower in Jun'26

- In Jun’26, 96 companies closed lower. Persistent Systems, Hindustan Zinc, and Astral were among the key laggards.
- About 52% of BSE-200 companies end lower in CY26YTD. LTI Mindtree, Swiggy, and RVNL have been the major 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.

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Nifty's sectoral weights: Private Bank gains; Technology, Metals and O&G dip

- In Jun'26, weights of Private Banks (+150bp) improved the most MoM, while those of Technology (-110bp), Metals (-50bp) and O&G (-40bp) declined.
- In CY26YTD, Technology (-300bp), O&G (-90bp), Consumer (-60bp) and Automobile (-20bp), have witnessed the sharpest decline in weight. In contrast, Healthcare (+80bp), Utilities (+60bp), Capital Goods (+60bp), and Metals (+50bp) have recorded the highest gains.
- Telecom, Capital Goods, and PSBs have witnessed the maximum gains since 2021, over the past five years, while Technology has seen nearly a 50% decline in its weight over the same period.

Nifty – sectoral weights (%)

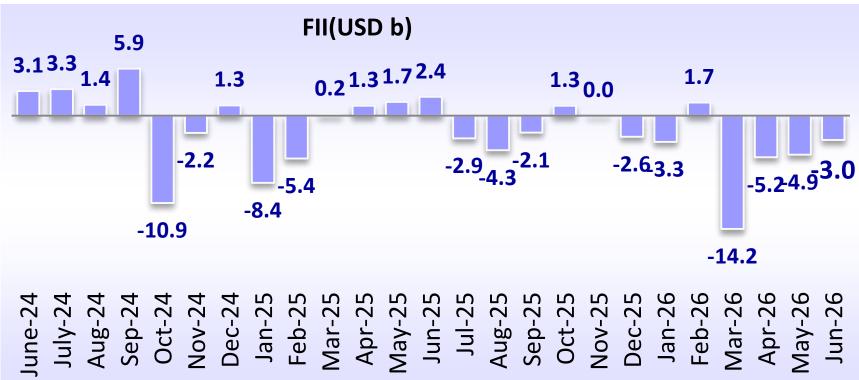
	Weightage in the Nifty (%)									
Sector	**Dec'08**	**Dec'12**	**Dec'20**	**Dec'21**	**Dec'22**	**Dec'23**	**Dec'24**	**Dec'25**	**May'26**	**June'26**
Automobiles	2.5	8.8	5.4	5.0	5.3	6.5	7.4	7.0	6.9	**6.7**
Banks – Private	5.0	16.9	24.7	21.9	24.2	28.2	27.1	26.5	24.9	**26.4**
Banks – Public	5.4	4.7	1.8	2.3	2.9	2.6	2.9	3.4	3.7	**3.9**
NBFC + Insurance	2.3	7.9	12.3	11.4	10.6	4.5	4.6	6.6	6.5	**6.7**
Capital Goods	7.7	5.9	2.6	3.0	3.1	4.4	5.0	5.2	5.8	**5.8**
Cement	1.7	4.2	2.2	2.4	1.8	2.1	2.1	2.1	2.4	**2.3**
Consumer	6.5	12.3	10.4	9.4	10.3	10.8	9.0	7.5	7.1	**6.9**
Healthcare	2.6	5.0	3.6	3.4	3.8	4.0	4.2	4.2	4.7	**4.9**
Metals	4.8	3.8	2.0	2.9	2.9	3.0	2.7	3.2	4.2	**3.7**
Oil and Gas	24.5	12.3	12.5	12.3	12.1	10.5	9.2	9.7	9.2	**8.8**
Reliance	10.6	7.4	10.7	10.8	11.0	9.2	7.8	8.9	8.3	**8.0**
Retail	0.0	0.0	1.1	1.4	1.4	1.6	2.8	2.2	2.4	**2.7**
Telecom	11.6	2.0	2.0	2.1	2.5	2.7	4.0	4.9	5.2	**5.2**
Technology	9.0	11.4	16.3	19.1	14.0	13.6	14.1	10.4	8.5	**7.4**
Utilities	13.3	4.5	2.1	2.1	2.5	3.6	3.6	3.1	3.9	**3.7**
Miscellaneous	3.3	0.5	1.0	1.2	2.6	1.9	1.4	4.0	4.6	**4.9**
Nifty	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

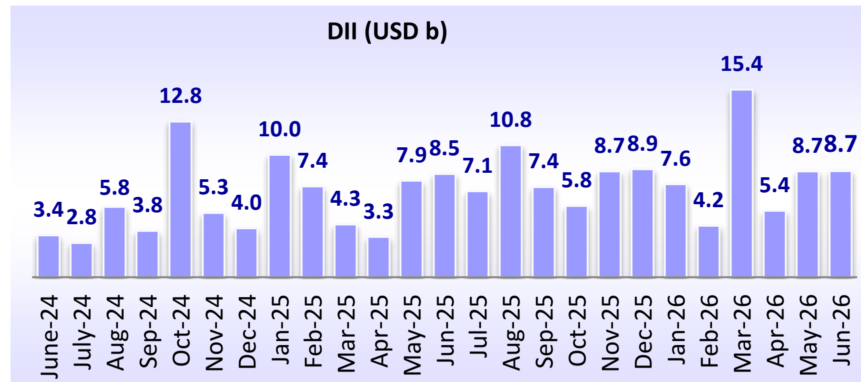
Note: The merger of HDFC Bank and HDFC Ltd. resulted in a shift in weightage from NBFCs to private banks in CY23. Britannia and BPCL were replaced with Jio Financials and Eternal in Mar'25, and IndusInd Bank and Hero Motocorp were replaced with Interglobal Aviation and Max Healthcare in Sep'24.

DII momentum remains strong; FII selling persists but narrowed to a three-month low

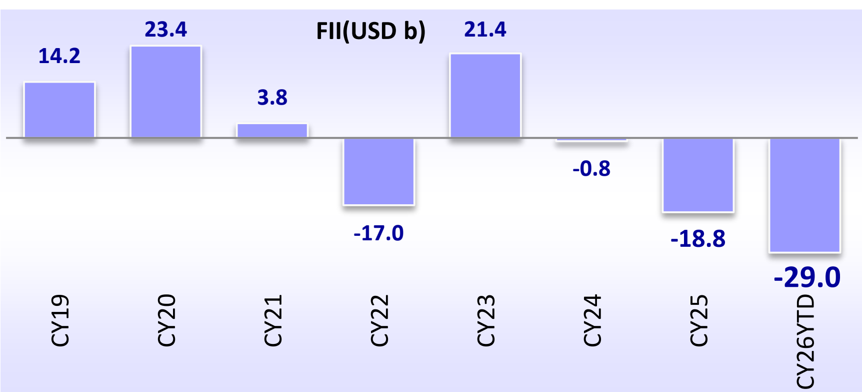
- In Jun'26, DIIs invested USD8.7b, extending their streak to 35 consecutive months of net inflows. In contrast, FIIs remained net sellers, recording outflows of USD3b during the month.
- On a CY26YTD basis, DIIs have continued their strong buying momentum, with cumulative inflows of ~USD50b. In contrast, FIIs have remained net sellers with cumulative outflows of ~USD29b, already exceeding the total CY25 outflows by 55%.
- Between CY21 and CY26YTD, DIIs emerged as the dominant market driver, with cumulative inflows of ~USD270b, while FII flows remained negative, resulting in net outflows of ~USD40b.

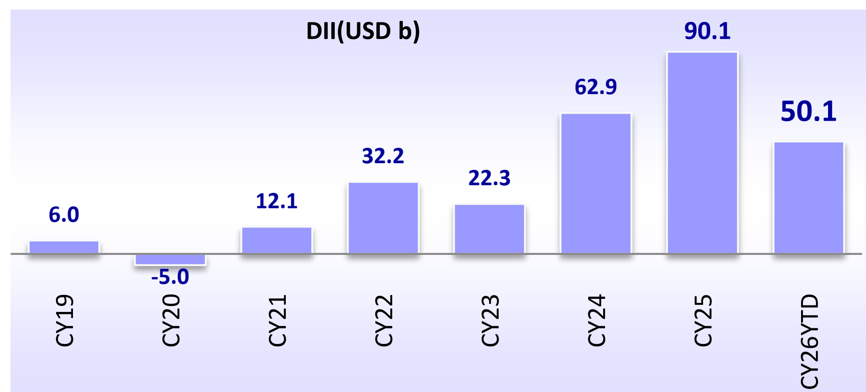
Monthly institutional flows (USD b)





Yearly institutional flows (USD b)

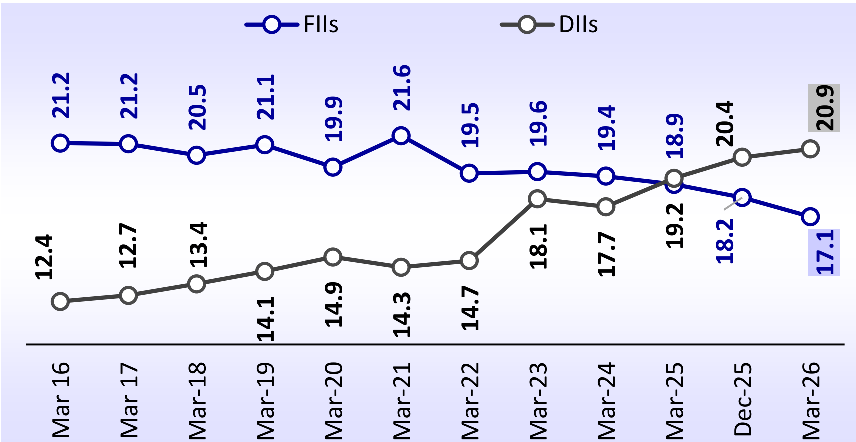




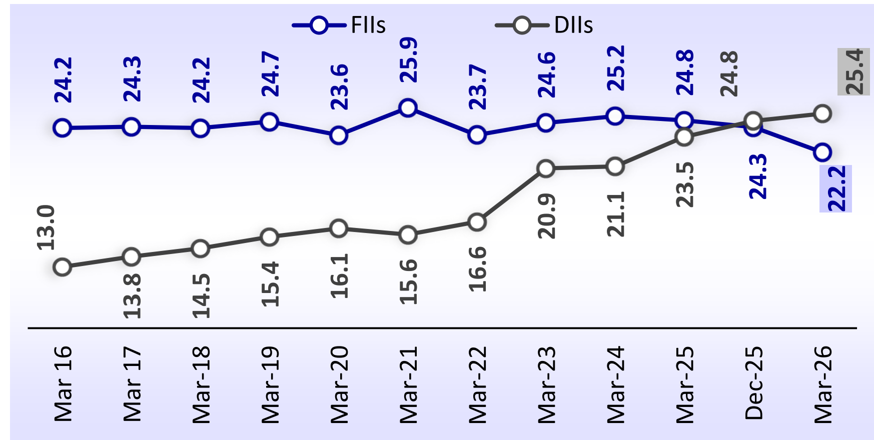
Institutional holdings: DII holdings within the Nifty-500 continue to surge

Strong domestic inflows and buoyant capital markets drove a historic shift in ownership, with DII holdings rising further to 20.9%, while FII holdings declined to a record low of 17.1% in Mar'26.
Promoter and public holdings witnessed a slight uptick QoQ in Mar'26 to 49.4% and 12.7%, respectively, within the Nifty-500.

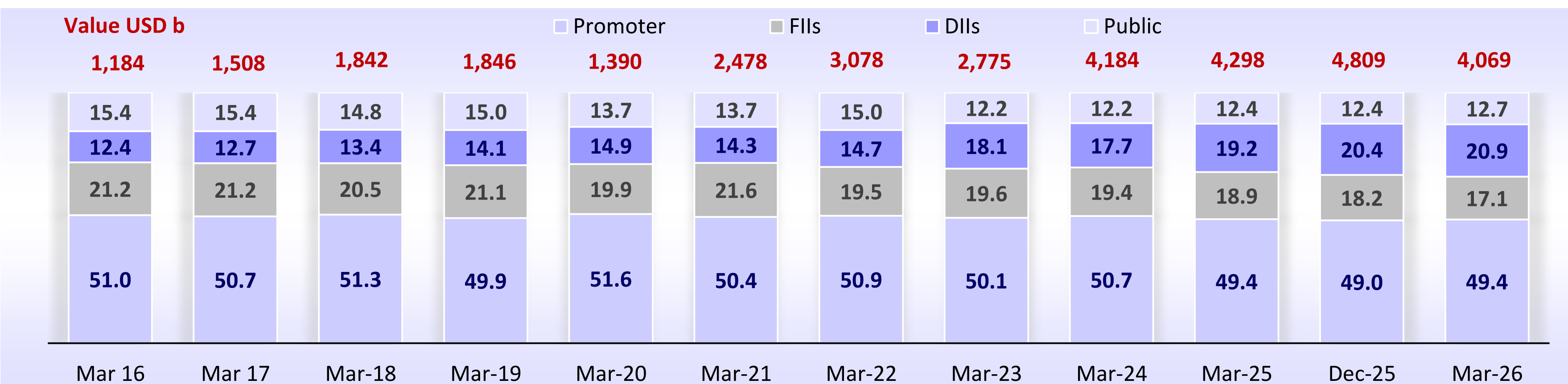
Trends in FII/DII holdings for Nifty-500 (%)



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



Nifty-500 holding pattern (%) – DIIs continue to raise their stakes to an all-time high, while FIIs reduce their holdings to an all-time low



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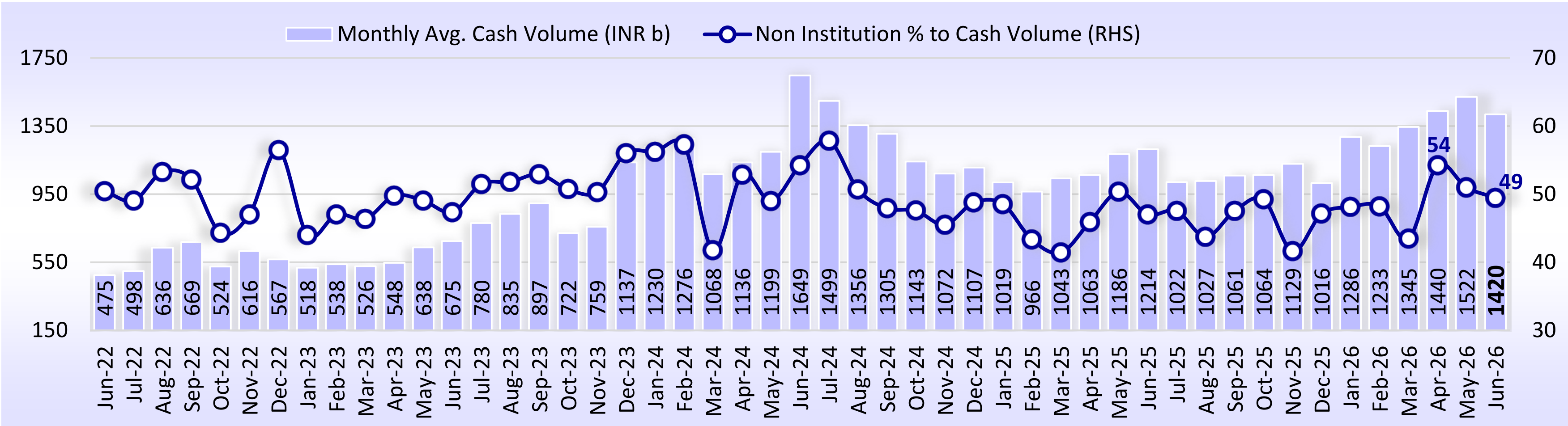
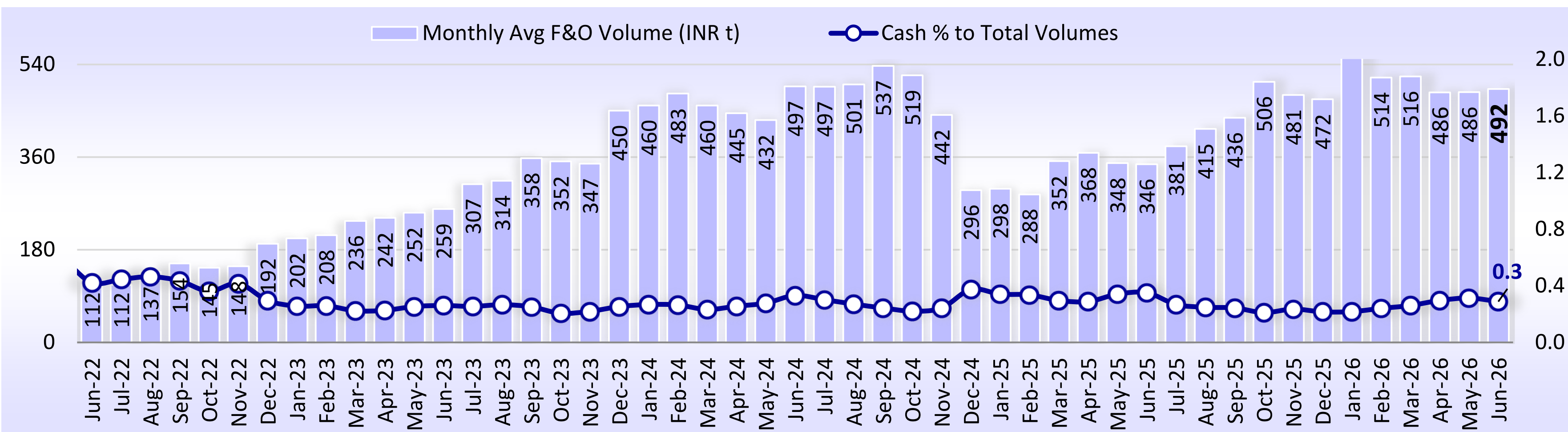
Average daily cash volumes dip; F&O volumes remain nearly flat MoM

- Average daily cash volumes declined 6% MoM to INR1.42t. Non-institutional participation declined 200bp MoM, accounting for 49% of total cash volumes.
- Average daily F&O volumes remained nearly flat MoM at INR492t during the month.

Monthly average cash volumes (INR b)



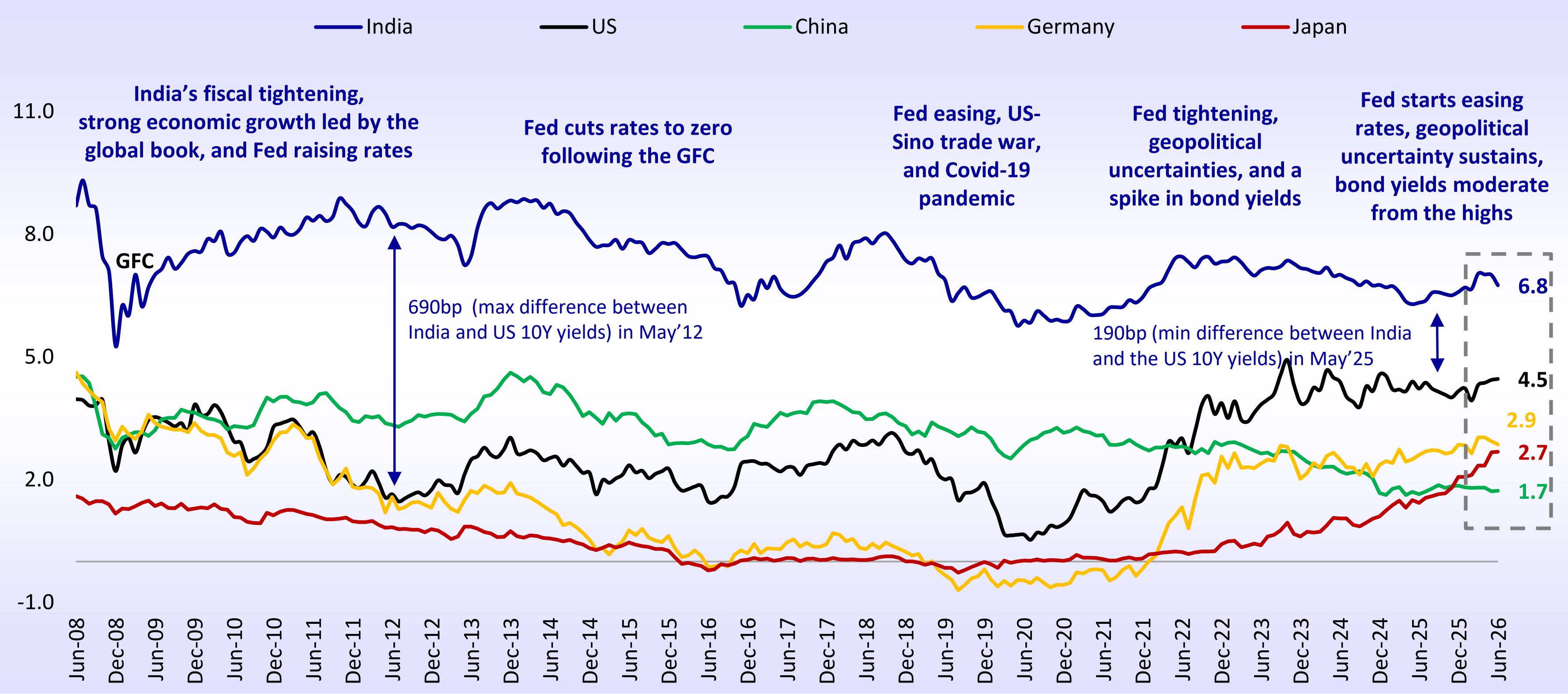
Monthly average F&O volumes (INR t)



India’s 10Y yields cool off while global bond yields remain firm

- Easing geopolitical tensions and the stabilization of the Rupee helped India's 10-year G-Sec yield decline by 25 bps MoM to 6.8%, while 10-year government bond yields across most major economies remained largely unchanged.
- The moderation in India's bond yields reflects well-anchored inflation expectations and confidence in the RBI's policy framework despite heightened global uncertainty.
- In contrast, the US 10-year Treasury yield edged up to 4.5%, its highest level since Feb’25. As a result, the India–US 10-year yield spread narrowed to 2.3%, the lowest since Aug’25.
- Meanwhile, Japan's 10-year government bond yield rose to 2.7%, a multi-decade high, as markets continued to reprice the country's interest rate and inflation outlook.

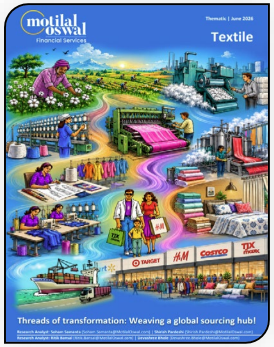
10Y yield spreads of India, the US, Japan, Germany, and China



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

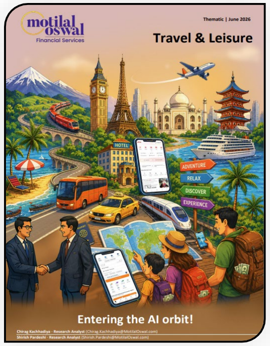
Initiating Coverage | Textile | Threads of transformation: Weaving a global sourcing hub — Report link>>

- After a painful FY22–26 downturn, Indian textiles are recovering led by exports, as global T&A trade largely flat during CY21–25 begins to stabilize. The slowdown was driven by inflation, weak discretionary demand, retailer inventory corrections, elevated freight costs, and tariff uncertainty following the post-COVID demand surge.
- Apparel (~60% of global trade) saw muted growth while home textiles dipped. From CY25, recovery is underway supported by inventory normalization, easing inflation, and improving tariff dynamics. India's US tariff has normalized to ~10%, narrowing the gap vs Bangladesh, Vietnam and Indonesia (~19–20%). With global retailers improving order visibility and brands consolidating toward large compliant suppliers, major Indian textile exporters are well-positioned to capture disproportionate market share in the upcycle.
- We initiate coverage on 8 companies across Apparel and Home Textiles, with Gokaldas Exports (GEXP), Arvind Ltd., and Indo Count Industries (ICNT) as our three high-conviction picks.



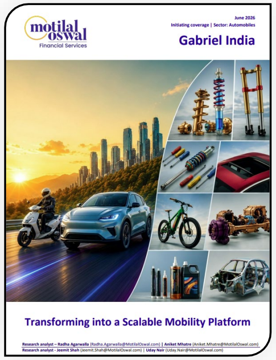
Initiating Coverage| Travel & Leisure | Thematic: Entering the AI orbit! — Report link>>

- The Indian travel industry has evolved from a fragmented, offline agent-led market in the early 2000s to a digitally driven ecosystem led by online travel agencies (OTAs). India is among the fastest-growing OTA markets globally, which is expected to expand from INR2.1t in FY23 to INR3.8t by FY28, driven by rising digital adoption, increasing disposable incomes, and growing travel demand.
- Key growth drivers include expanding 4G/5G connectivity, rising travel aspirations in Tier-2 and Tier-3 cities, premiumization trends, and evolving travel preferences such as spiritual tourism. Corporate travel digitization and B2B travel distribution are also creating significant opportunities.
- Leading global and Indian OTAs have used acquisitions to strengthen capabilities across hotels, transportation, experiences, forex, and corporate travel. In India, MakeMyTrip, Ixigo, Yatra, and TBO Tek have adopted focused expansion strategies to build integrated travel ecosystems.
- Given the structural growth outlook, increasing online penetration, and strong margin expansion opportunities in high-value segments, TBO Tek, Ixigo, and Yatra are well-positioned to benefit from India's long-term travel industry growth.
- We maintain BUY on **TBO Tek** and initiate BUY ratings on **Ixigo** and **Yatra**.



Initiating Coverage |Gabriel India | Transforming into a scalable mobility platform — Report link>>

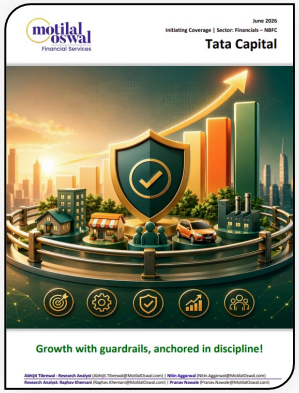
- Gabriel India (GABR) has, for nearly six decades, operated as a single-product suspension player, which inherently constrained its scalability. The company is now undergoing a structural transformation into a diversified mobility platform with a significantly larger growth runway. Over the past two years, management has adopted a more aggressive stance (the group's aspiration to scale revenues to INR500b by 2030), with plans to launch at least one new product annually and expand into adjacencies such as sunroofs, solar dampers, and e-mobility.
- While the Anand Group has historically diversified across multiple verticals through global partnerships, much of this value remained outside GABR. This is now changing, with GABR being positioned as the primary growth vehicle for the group, as evidenced by the recent restructuring initiatives (integration of Dana and Henkel) and JVs (Enmove and Jinhap) being routed through the listed entity. These initiatives are driving long-term shareholder wealth creation. We initiate coverage on GABR with a BUY rating and a TP of INR1266, based on 35x FY28E.



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

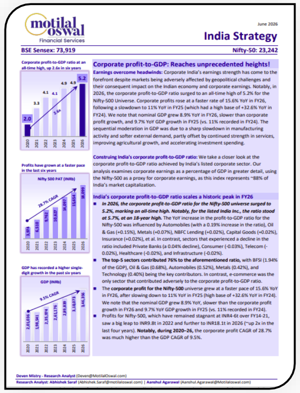
Initiating Coverage | Tata Capital | Growth with guardrails, anchored in discipline! [Report link>>]

- Tata Capital (TCL) is among India's leading diversified NBFCs, with an AUM of INR2.77t as of Mar'26. The company has delivered a ~29% AUM CAGR (excl. Motor Finance) over FY23-26, reflecting the strength of its franchise and consistent execution.
- TCL represents a high-quality franchise with strong parentage, a granular and increasingly retail-oriented portfolio, and a demonstrated track record of execution. The company is well-positioned to sustain a healthy AUM CAGR of ~23% over FY26-28E, along with a calibrated shift toward higher yielding segments. We expect margins to gradually improve as the portfolio mix shifts further toward retail and unsecured lending, with NIMs increasing to ~5.4%/5.5% in FY27E/FY28E. While we expect the company to deliver healthy AUM growth and gradual improvement in profitability over the medium term, we believe current valuations adequately reflect these positives. We initiate coverage on TCL with a Neutral rating and a TP of INR390, based on 2.7x Mar'28E P/BV. A meaningful re-rating would likely require sustained improvement in RoA and RoE and continued expansion in higher-yielding retail lending segments.



India Strategy| Corporate profit-to-GDP: Reaches unprecedented heights! [Report link>>]

- In 2026, the corporate profit-to-GDP ratio for the Nifty-500 universe surged to 5.2%, marking an all-time high. Notably, for the listed India Inc., the ratio stood at 5.7%, at an 18-year high.
- The Nifty-500 corporate profit-to-GDP ratio surged to an all-time high of 5.2% in FY26, supported by corporate profit growth of 15.6% YoY, following 11.0% YoY growth in FY25 despite a high base of 32.6% YoY growth in FY24.
- Nominal GDP growth moderated to 8.9% YoY in FY26 from 9.7% YoY in FY25 and 11.0% YoY in FY24, resulting in corporate profits growing faster than the overall economy.
- The moderation in GDP growth was driven by a sharp slowdown in manufacturing activity and softer external demand, partly offset by continued strength in services, improving agricultural growth, and accelerating investment spending
- The Nifty-500 ratio was driven higher by large- and mid-caps, while small-caps moderated. The large- and mid-cap ratios grew to 3.94% and 0.87% in FY26 FY25, respectively. Small-caps witnessed a slowdown to 0.42%, down marginally from 0.45% recorded in FY25.
- We expect corporate earnings to outpace GDP growth, with Nifty earnings forecasted to grow ~15-16% YoY in FY27. This growth is anticipated alongside a nominal GDP growth rate of ~11.0-11.5% YoY in FY27E, which will further enhance the corporate profit-to-GDP ratio in the coming years.

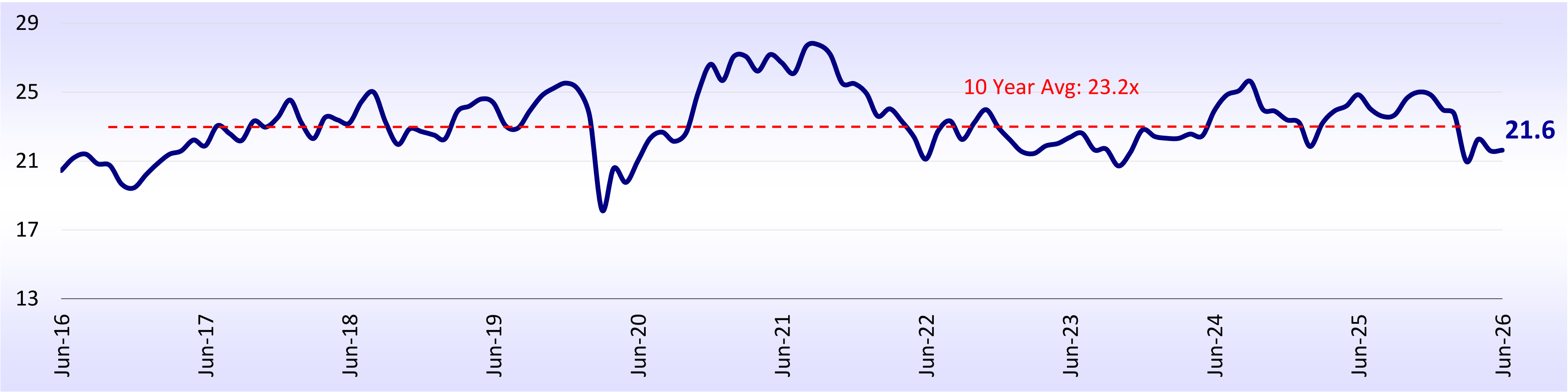


Valuations: Key observations

Valuations: Nifty's trailing P/E continues to trade below averages

- The 12-month trailing P/E for Nifty-50 at 21.6x now trades 7% below its LPA of 23.2x and the lowest since Dec'23 (after Mar'26).
- At 3.0x, the 12-month trailing P/B is trading 4% below its historical average of 3.2x.

12-month trailing Nifty P/E (x)

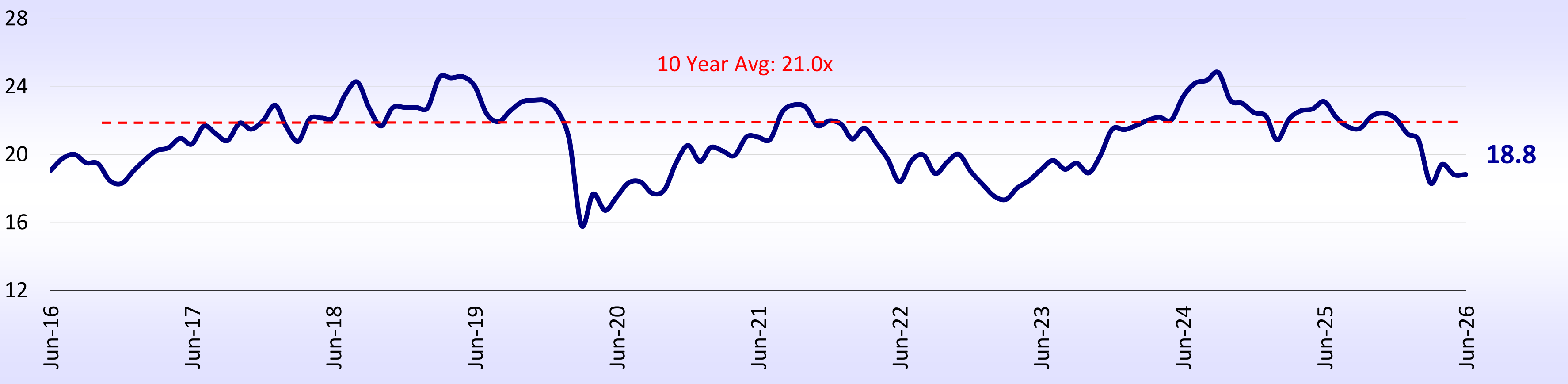


12-month trailing Nifty P/B (x)

Valuations: Nifty's forward P/E continues to trade below averages

- Nifty's 12-month forward P/E at 18.8x was 10% below its LPA of 21.0x and was down 24% from the Sep'24 highs.
- At 2.7x, the 12-month forward P/B traded at a 5% discount to its LPA of 2.9x.

12-month forward Nifty P/E (x)

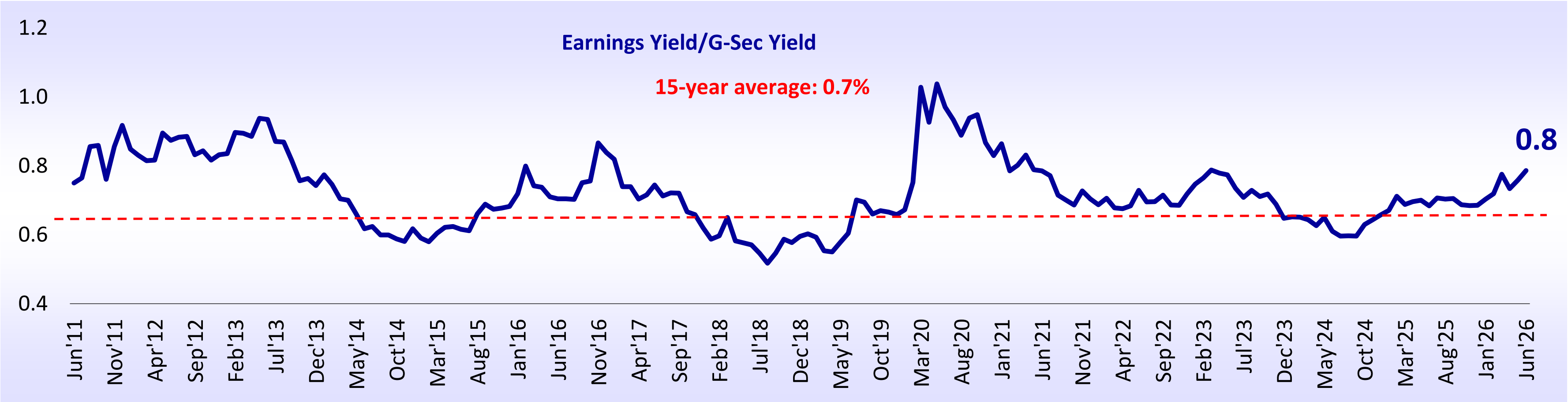


12-month forward Nifty P/B (x)

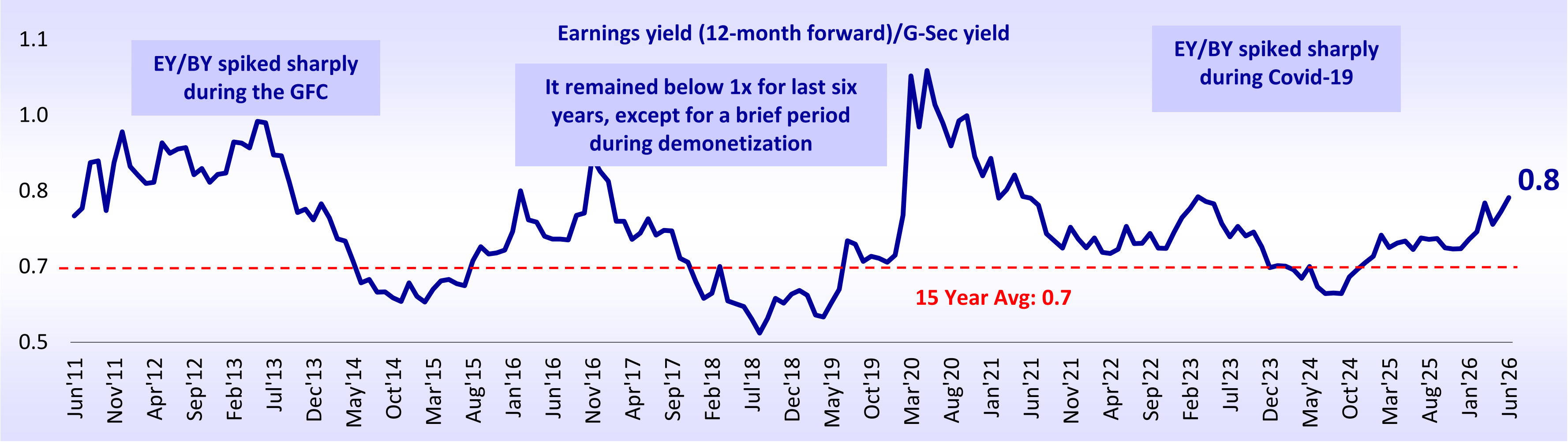
EY/BY ratio reaches its highest level in more than three years

- India's 10Y bond yield fell 25bp MoM at 6.8%. Consequently, the earnings yield-to-bond yield (EY/BY) ratio rose marginally MoM to near its three-year high level on both a trailing and forward basis that was recorded in Mar'26. The ratio continues to trade above its LPA.

Trailing earnings yield/G-Sec yield (x)



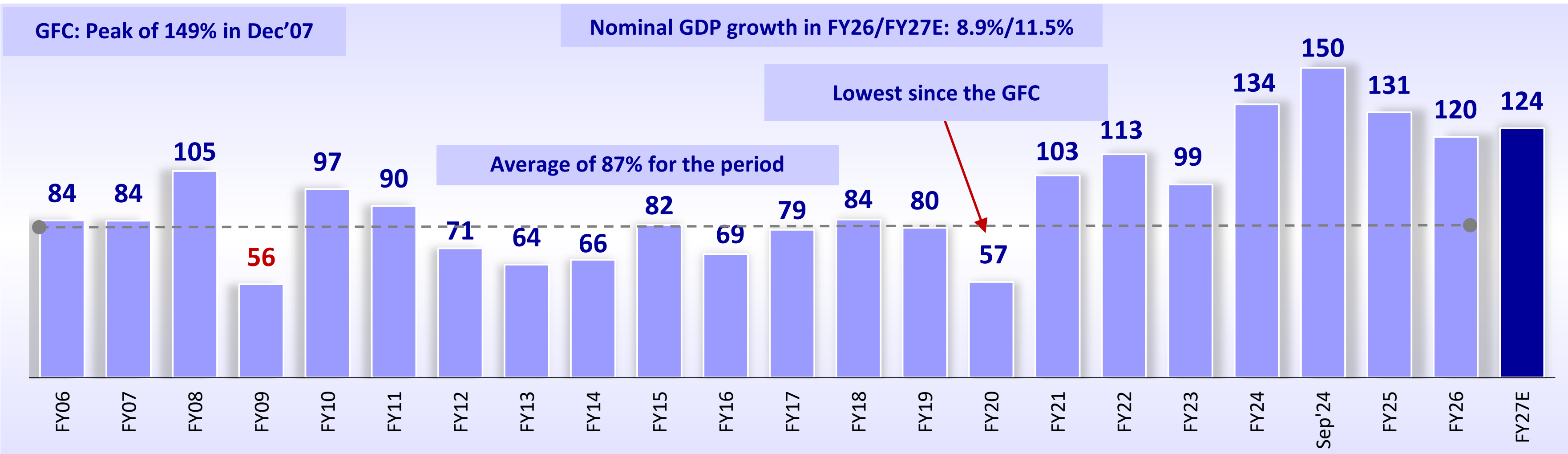
Forward earnings yield/G-Sec yield (x)



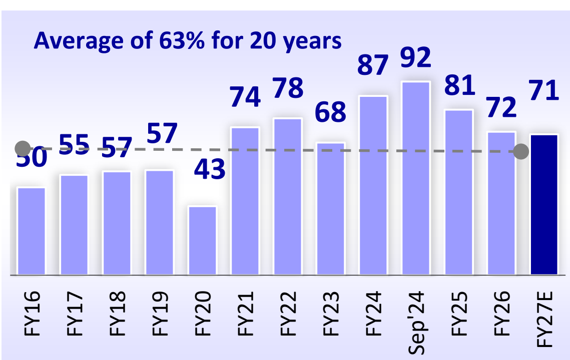
India's market cap-to-GDP ratio remains high

- India's market cap-to-GDP ratio is projected at 124% in FY27, up from 120% in FY26; however, it was down from the peak of 150% in Sep'24.
- Nevertheless, the ratio remained elevated and has largely been above 100% since 2021, except in FY23.
- While the overall market cap-to-GDP ratio for large caps remains above its historical average, the valuation premium is significantly more pronounced in mid- and small-cap stocks, which continue to trade well above their respective historical averages.

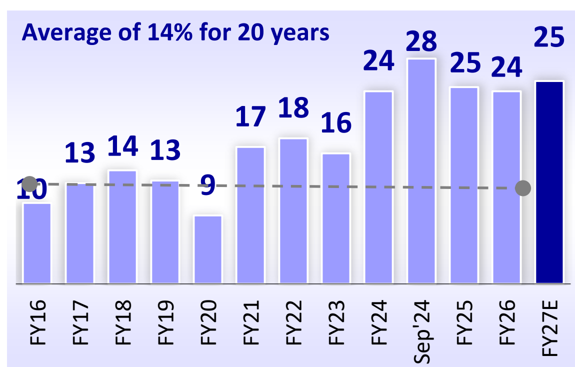
Market cap-to-GDP ratio (%) – Overall



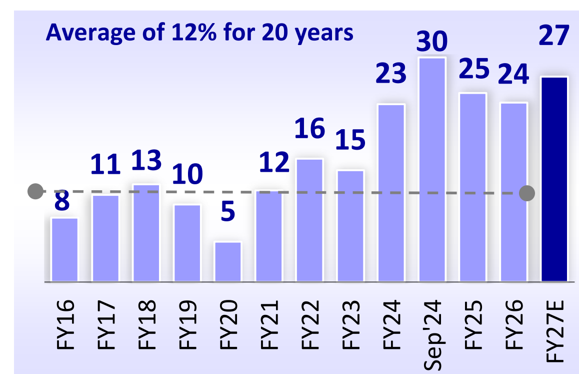
Mcap-to-GDP ratio (%) –Top 100 Large-caps



Mcap-to-GDP ratio (%) – 101 to 250th Mid-caps



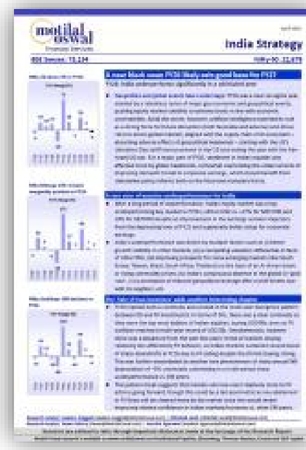
Mcap-to-GDP ratio (%) – Small-caps, 250th onwards

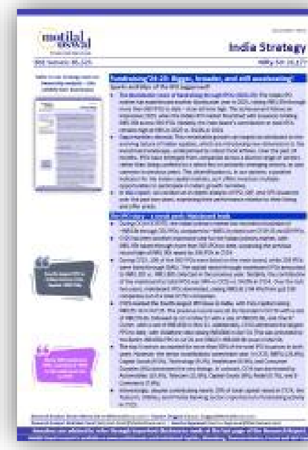


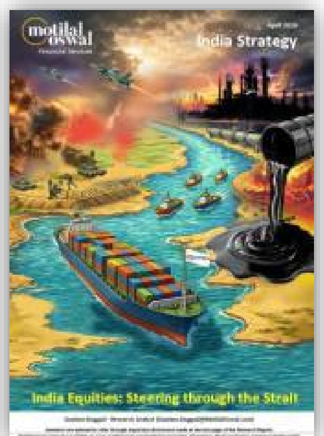
Top ideas: MOFSL

Company	Mcap (USDb)	CMP (INR)	EPS (INR)			EPS CAGR (%)	PE (x)			PB (x)			ROE (%)		
			FY26	FY27E	FY28E	FY26-28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E	FY26	FY27E	FY28E
Top Nifty-50 ideas															
Bharti Airtel	119.7	1,910	44.2	60.1	83.1	37.2	43.3	31.8	23.0	7.2	6.2	5.3	20.5	23.4	27.8
ICICI Bank	103.7	1,410	70.2	79.9	92.8	15.0	20.1	17.6	15.2	3.0	2.7	2.3	16.1	16.1	16.3
St Bk of India	101.5	1,040	91.8	94.5	107.4	8.2	11.3	11.0	9.7	1.7	1.5	1.3	17.3	15.4	15.5
Titan Company	41.1	4,460	57.9	70.7	87.4	22.9	77.1	63.0	51.0	25.3	19.7	15.5	37.7	35.2	34.1
M & M	40.9	3,138	130.7	139.3	164.2	12.1	24.0	22.5	19.1	5.1	4.3	3.7	23.1	20.8	21.0
Eternal	26.8	281	0.4	2.4	4.6	239.7	701.2	115.1	60.7	8.3	7.7	6.9	1.2	6.9	12.0
Interglobe Aviat	21.9	5,425	-11.4	207.7	214.7	LP	NM	26.1	25.3	32.3	14.4	9.3	-5.6	76.7	45.1
Shriram Finance	20.7	1,063	53.1	56.4	70.5	15.2	20.0	18.8	15.1	3.0	2.2	1.9	16.4	14.6	13.5
Top Non Nifty-50 ideas															
ICICI Pru. AMC	17.6	3,335	66.7	77.7	90.1	16.2	50.0	42.9	37.0	39.5	33.4	28.3	85.8	84.3	82.7
TVS Motor Co.	17.4	3,626	76.7	87.6	112.4	21.1	47.3	41.4	32.2	15.3	11.7	9.0	34.4	32.1	31.5
Cummins India	16.5	5,471	87.8	106.8	129.1	21.3	62.3	51.2	42.4	19.2	16.7	14.4	32.6	34.9	36.6
Billionbrains	13.4	207	3.3	4.9	6.5	38.9	61.8	41.8	32.0	13.3	10.1	7.7	28.7	27.5	27.3
Indian Hotels	10.8	729	13.2	15.6	19.4	21.0	55.1	46.6	37.6	7.9	6.8	5.8	15.5	15.7	16.7
AU Small Finance	8.2	1,058	35.4	48.9	63.5	33.9	29.9	21.6	16.7	4.0	3.4	2.9	14.4	17.1	18.7
Dixon Tech.	7.6	12,455	139.7	163.5	256.6	35.5	89.2	76.2	48.5	16.2	13.5	10.7	22.1	19.3	24.5
Radico Khaitan	5.6	3,893	45.3	60.6	75.9	29.4	85.9	64.3	51.3	16.0	13.4	11.1	18.7	20.8	21.6
Coforge	4.8	1,464	43.8	60.9	72.7	28.8	33.4	24.0	20.1	5.1	4.6	4.1	16.5	21.0	22.5
Delhivery	4.0	507	2.4	5.7	7.8	79.3	210.2	89.8	65.4	3.9	3.8	3.6	1.9	4.3	5.6

Quant Research & India Strategy Gallery







N O T E S

Explanation of Investment Rating	
Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

*In case the recommendation given by the Research Analyst is inconsistent with the investment rating legend for a continuous period of 30 days, the Research Analyst shall within following 30 days take appropriate measures to make the recommendation consistent with the investment rating legend.

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