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India Strategy



The Eagle Eye – October 2026

Global macro clouds deepen as FII selling resurfaces

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CONTENTS

GLOBAL MARKETS

- Indian market weakness continues; Russia and Brazil rebound from the Aug'26 lows
- Rate hikes begin, pushing global bond yields to multi-year highs
- MSCI EM weights: India, China at multi-year lows, while Taiwan, Korea at record highs

DOMESTIC MARKETS

- Broad-based sell-off; Media the lone gainer, while Technology and Financials lag
- Elevated commodity prices pose an extended margin risk
- IRDAI's 2026 reforms: Reshaping the economics of insurance distribution

FLOWS AND VOLUMES

- DII buying strengthens as FII selling resurfaces
- Cash volumes dip to a seven-month low, while F&O volumes rise MoM
- Nifty's sectoral weights: Technology and Auto dip, while NBFCs and Miscellaneous gain

KEY RESEARCH REPORTS

- Initiating coverages on:
  - Adani Power
  - Physicswallah
  - V2 Retail
  - Tenneco Clean Air
  - Turtlemint Fin. Solutions
  - Pine Labs
  - Solar Industries
  - SPR Auto Technologies
  - Aster DM Healthcare
  - Torrent Power

MULTI-YEAR HIGHS/LOWS

- Market returns cool off sharply, improving risk-reward and mean reversion potential
- Global bond yields surge to multi-decade highs
- India's forex reserves soar to a record high amid strong FCNR inflows
- SMIDs' share of Indian market cap reaches an all-time high

VALUATIONS

- Nifty's valuations ebb to May'20 levels
- Sharp, broad-based correction cools off valuations across sectors
- India's market cap-to-GDP ratio remains well below the two-year high



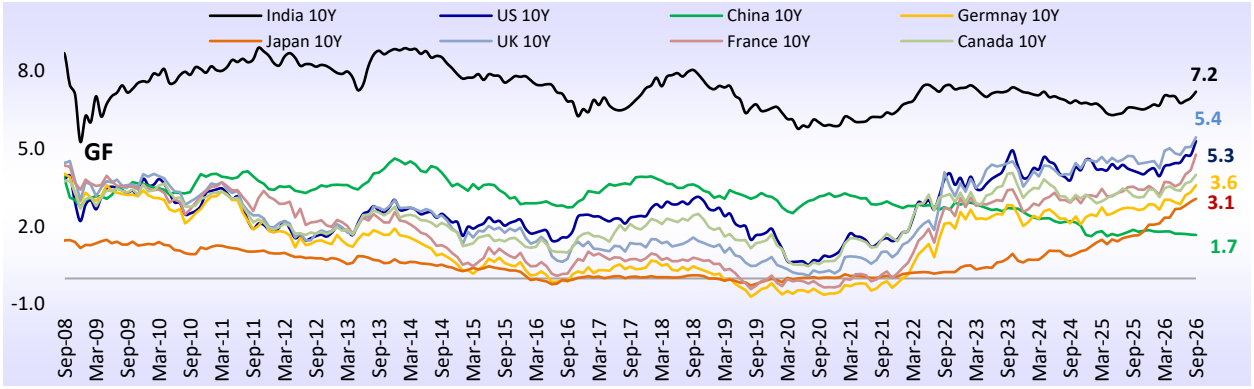
A view from the EAGLE'S EYE!

KEY EXHIBITS

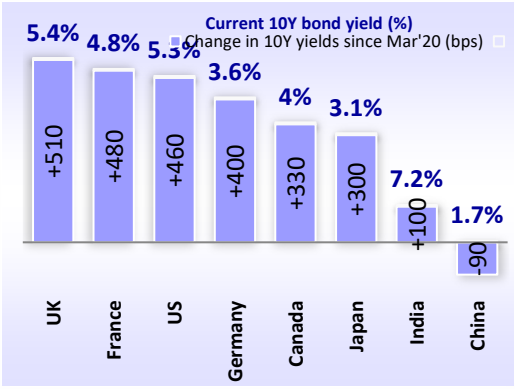
Rate hikes begin, pushing global bond yields to multi-year highs

- As inflation outpaces the central banks' comfort zones, major central banks have begun tightening their monetary policies.
- The Fed/ECB/BoJ have already hiked rates following concerns over energy-driven inflation. These major central banks hiked rates by +25bp each, to 3.75%-4.00%/2.50%/1.25%, respectively.
- Global tightening of monetary policies is increasingly visible in the bond markets, as 10Y government bond yields reach multi-year highs across major economies. UK/US/JPN/GER/IND yields stands at 5.4%/5.3%/3.1%/3.6%/7.2%.
- The RBI's upcoming 7th Oct'26 MPC meeting has the market in wait-and-watch mode, as the five-meeting repo rate hold may be accompanied by a hawkish stance (+25bp to 5.50%). The stance is likely to reflect inflation expectations of above 6% in 3QFY27, meaningfully above the RBI's projection of 5%, as elevated food and energy prices continue to pressure Indian markets.

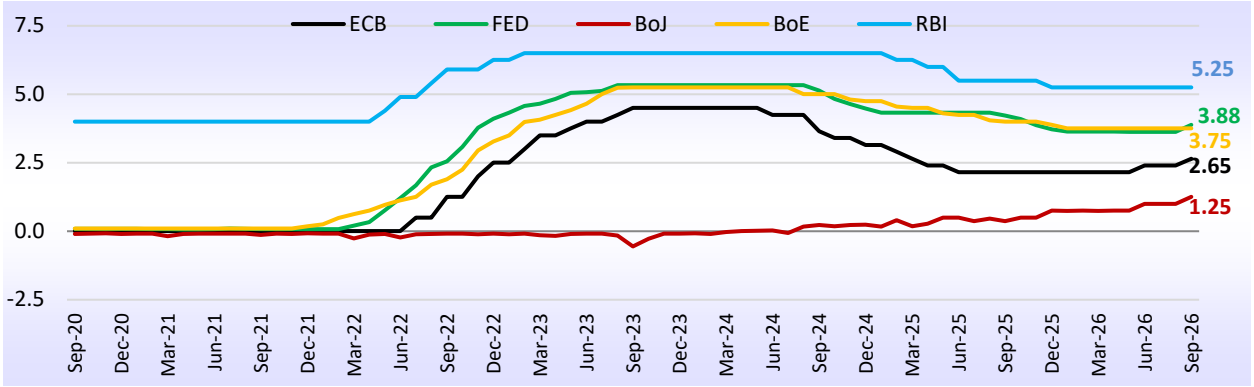
Global bond yields surge



Global bond yields spiked since the 2020 lows



Rate hike cycle has begun:



Major central banks: The global rate cycle has turned

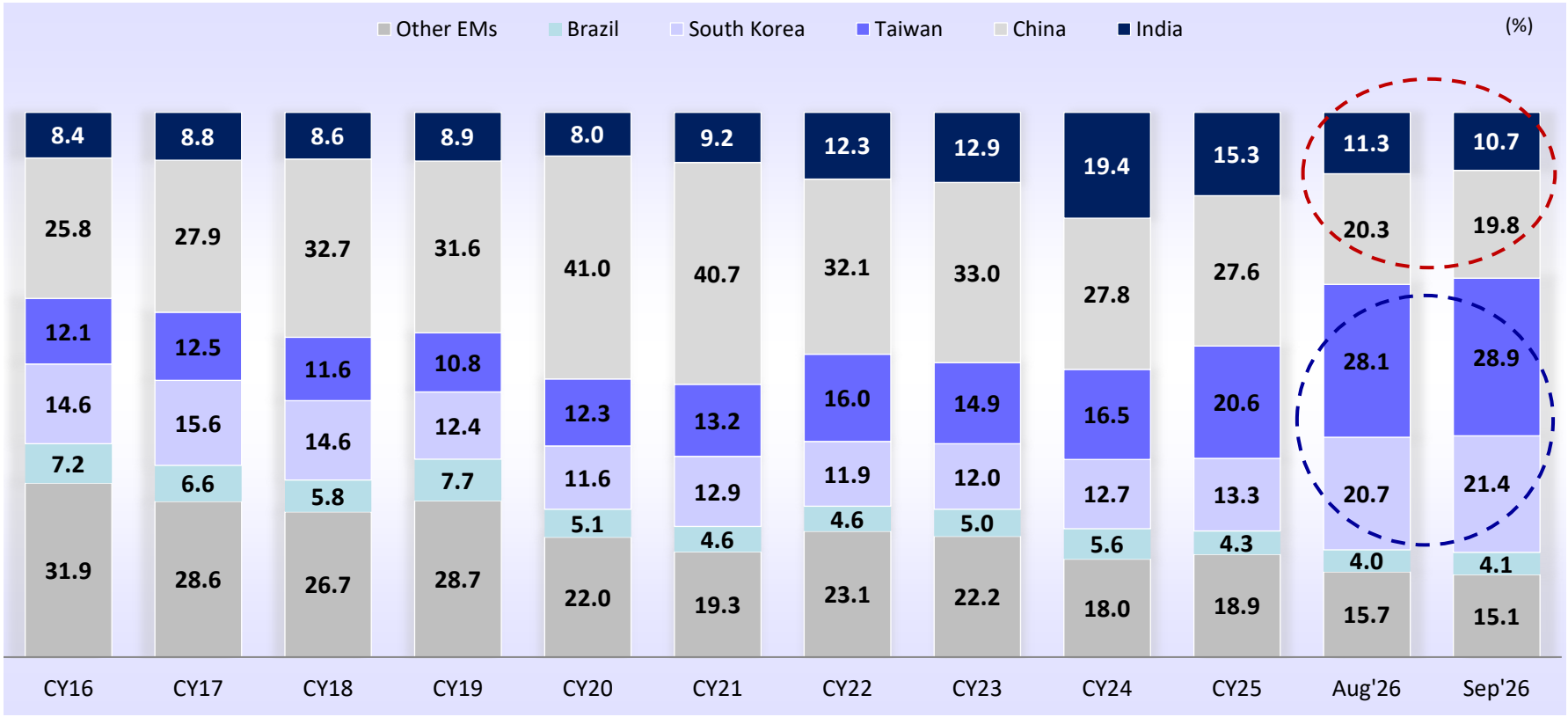
Central Banks	Current Rate	Direction
US Fed	3.75-4.00%	↑ Hiking
ECB (Eurozone)	2.50%	↑ Hiking
Bank of England	3.75%	→ Hold / Hawkish
Bank of Japan	1.25%	↑ Hiking
RBI (India)	5.25%	→ Hold / ↑ Risk
PBoC (China)	1.40% (7-day RR)	↓ Easing / Accommodative

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KEY EXHIBITS MSCI EM weights: India, China at multi-year lows, while Taiwan, Korea at highs

- The ongoing correction in Indian equities, particularly in heavyweight stocks, along with continued weakness in China, has led to a sharp decline in their respective weights in the MSCI EM Index, with India falling to a near six-year low and China to a more than a decade-low level.
- In contrast, Taiwan and Korea have continued to gain weight, driven by strong performance in AI-led semiconductor and chip manufacturing stocks. Their sharp market gains have lifted their index weights, with the combined weight of Taiwan and Korea now surpassing that of India and China.
- The shift is particularly striking as TSMC, Samsung Elec. and SK Hynix together account for ~28% of the MSCI EM Index, more than twice India's weight. Taiwan has emerged as the largest EM market, reflecting the growing influence of AI-driven semiconductor demand on the index.

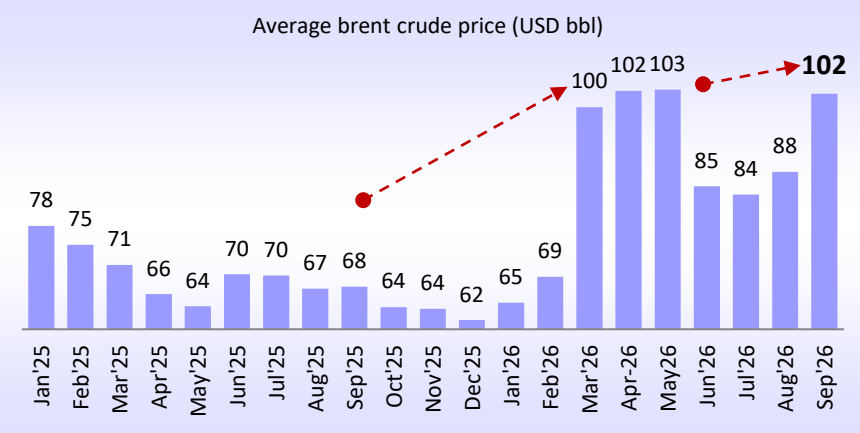
MSCI EM index weights (%)



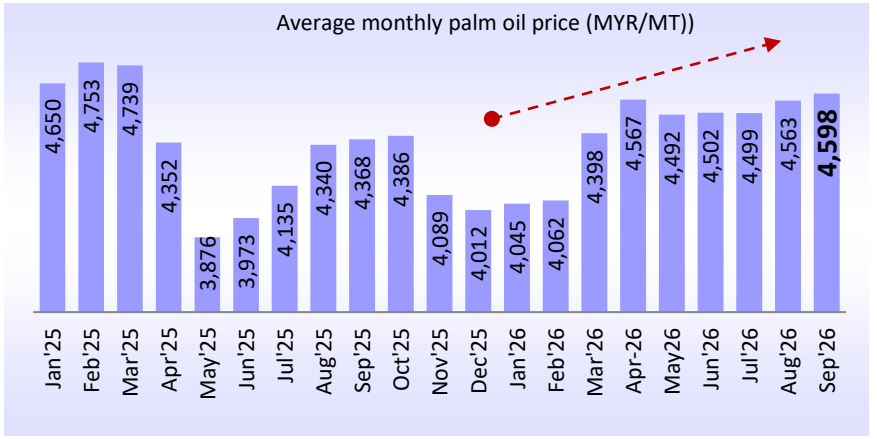
KEY EXHIBITS Elevated commodity prices pose an extended margin risk

- Crude prices have spiked since Feb'26 and remain elevated amid West Asia tensions and supply disruptions, raising concerns over growth, current account deficit (CAD), inflation, INR depreciation, and fiscal balances.
- Rise in HRC and TMT prices to nearly four-year highs can benefit metal companies; however, it may put pressure on margins for companies that use metals as inputs.

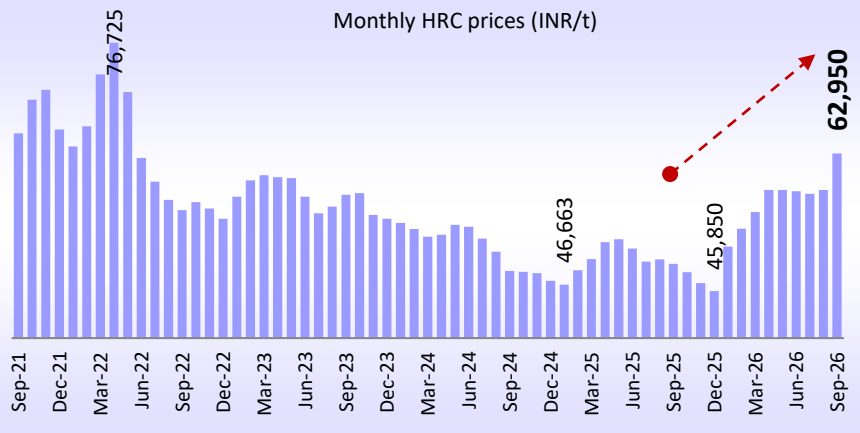
Crude prices remain high at above USD100, after a brief dip in Jul-Aug'26



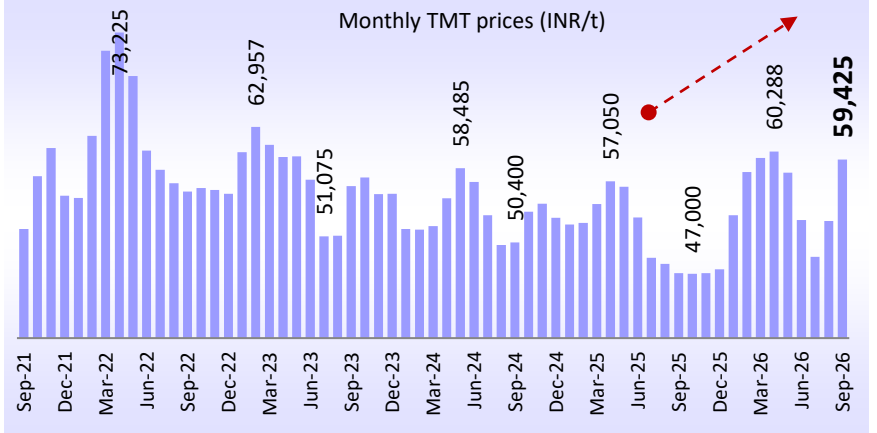
Palm oil prices continue to remain high YoY



HRC prices are up 37% since Dec'25, the highest in 52 months



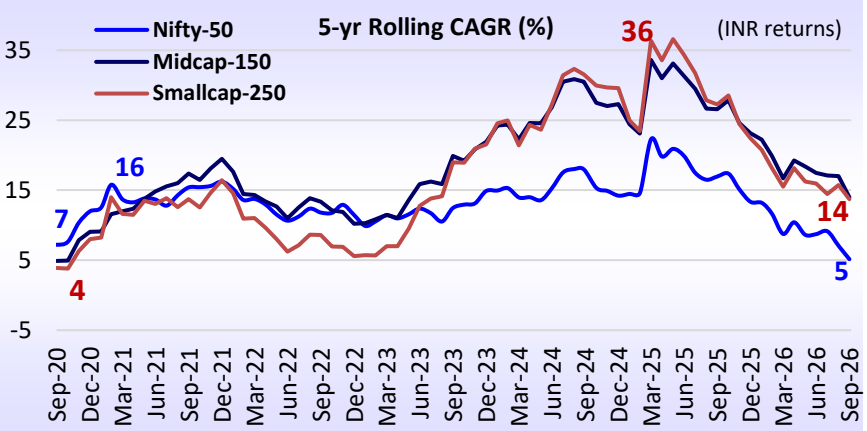
TMT prices have risen 25% from the Dec'25 lows to a 40-month high



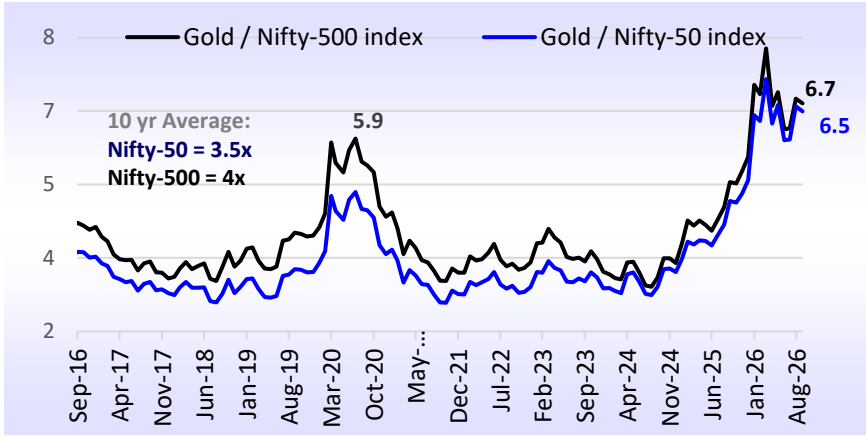
KEY EXHIBITS Market returns cool off sharply, improving risk-reward and reversion potential

- Two years of market consolidation and correction have significantly cooled key return indicators from their highs, with several now approaching the 2020 lows.
- India's five-year rolling returns, Gold-to-equity return ratio, sharp underperformance vs. MSCI EM, and valuation correction suggest that the period of market underperformance has persisted, improving the potential for mean reversion and creating a more favorable risk-reward profile.
- As global headwinds stabilize, these indicators could support a reversal in India's relative market performance.

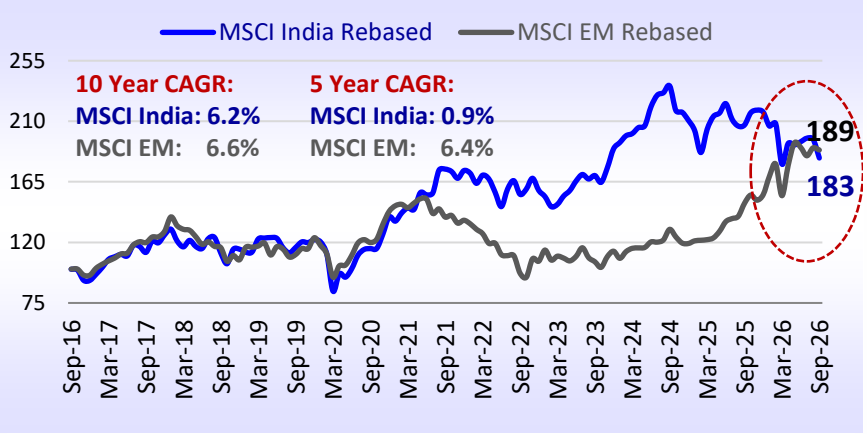
India's equity indices see 5-year CAGR dip to levels near 2020 lows



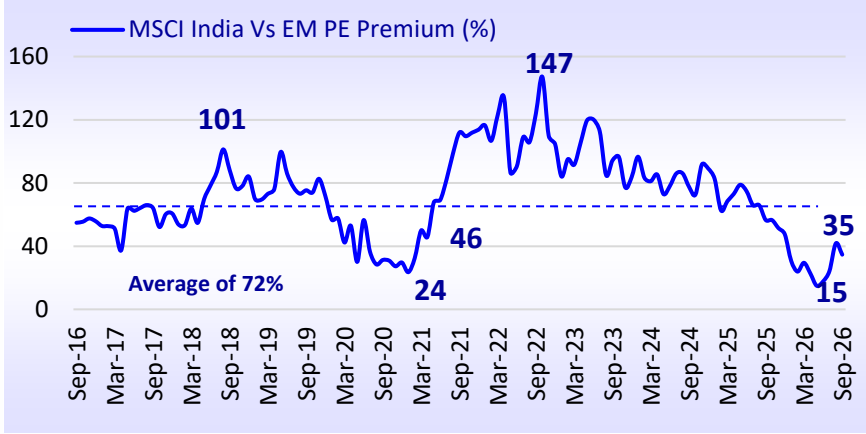
Ratio of Gold price to Nifty-50 remain significantly above 2020 highs



MSCI EM now trades higher than MSCI India over last 10 years



In P/E terms, MSC premium to MSCI EM at a 5-year low (%)

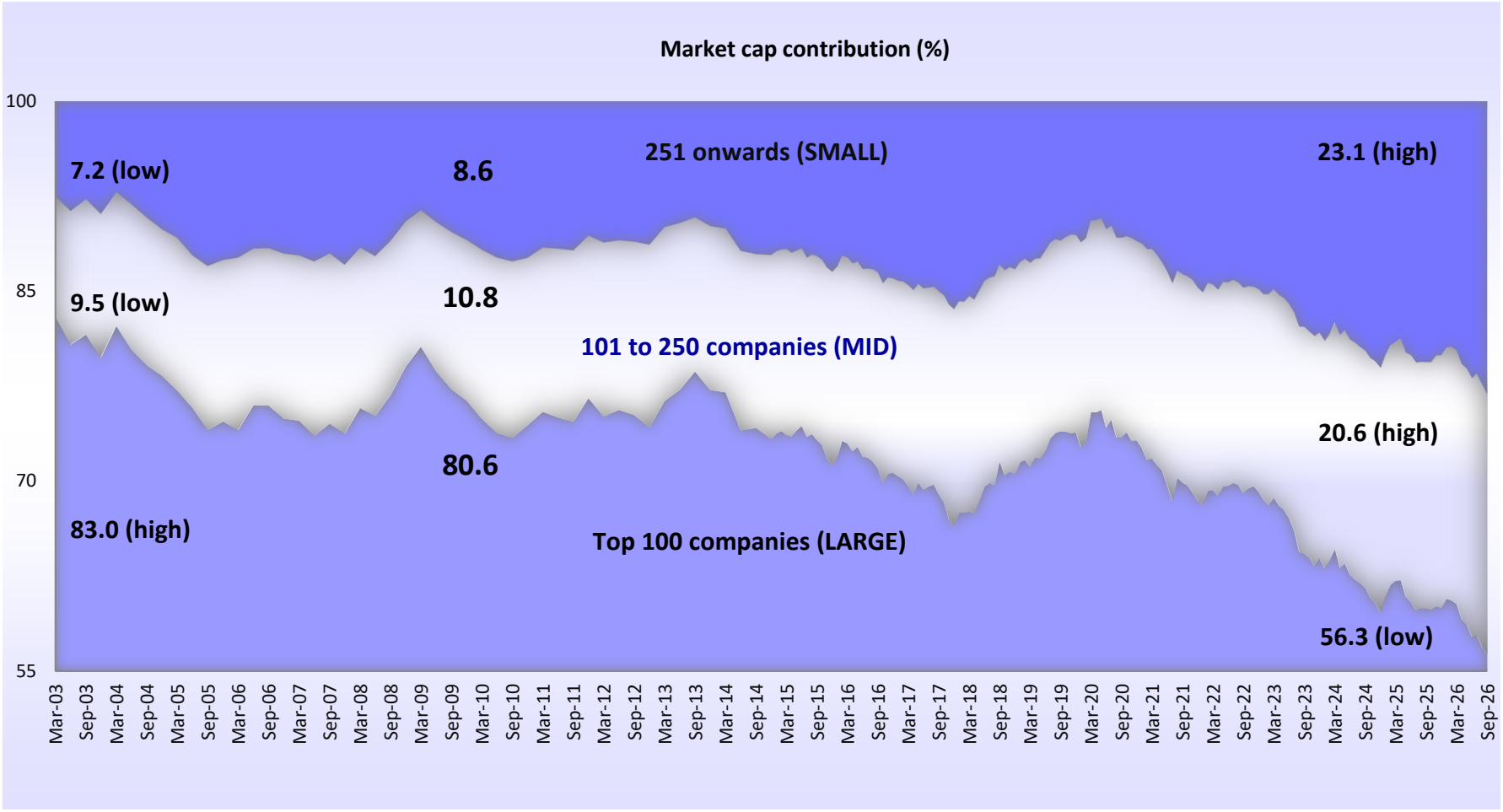


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SMIDs' share of Indian market cap at an all-time high

❖ Ongoing underperformance in Indian Large-caps, alongside strong investor interest in Mid- and Small-cap companies across emerging and high-growth sectors, has driven a significant shift in market capitalization toward SMIDs. Consequently, the combined market-cap share of SMIDs reached an all-time high of 43.7% in Sep'26, while the Large-cap share dipped to a fresh low of 56.3%.

Marketcap contribution %

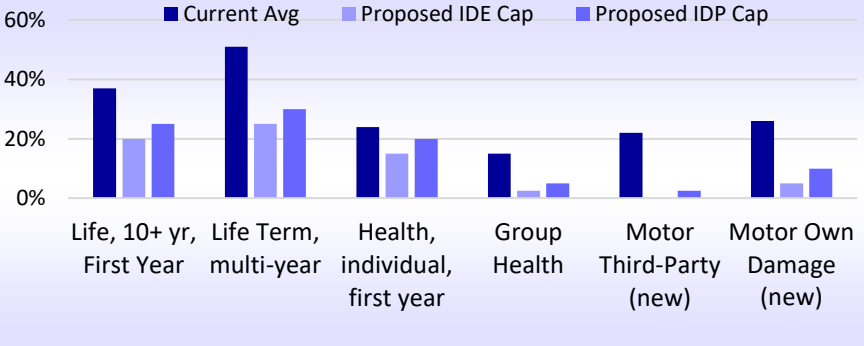


IRDAI's 2026 reforms: Reshaping the economics of insurance distribution

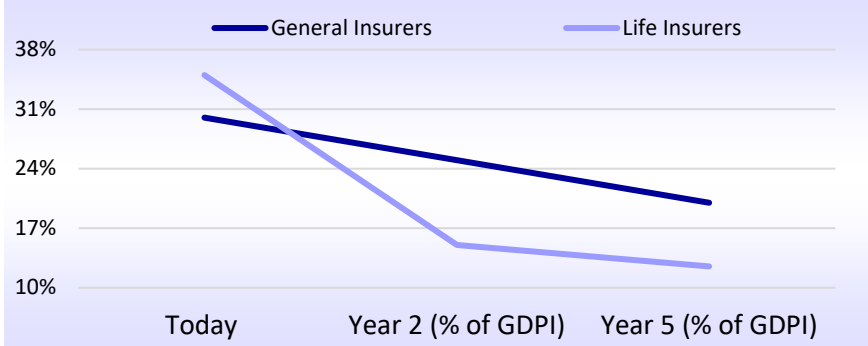
- IRDAI's consultation paper, "Recalibrating Economics of Insurance Distribution," released in Sep'26, proposed major changes to insurance distribution, expenses, commission caps, and digital infrastructure, aimed at improving transparency and strengthening policyholder protection.
- The reform seeks to provide customers with greater clarity on distribution costs, stronger safeguards against mis-selling, and easier digital comparison and servicing, as commission-led sales and opaque pricing weaken competition and reduce customer value.
- Existing distributor categories would be replaced by three types: Insurance Distribution Entities (SBI, Policy Bazaar), Insurance Distribution Persons (Insurance Agents, Associates), and Market Infra Institutions (Bima Sugam), reducing fragmented intermediaries and Expense of Management.
- Commissions would shift to product-wise caps, with lower limits for IDEs than IDPs. First-year life commission on 10+ year policies would fall from ~37% to 20% for IDEs and 25% for IDPs; individual health from ~24% to 15% and 20%; and group health from ~15% to 2.5% and 5%.
- As distribution costs and commissions have outpaced premiums, IRDAI proposes phasing in tighter EoM limits for insurers over a five-year glide path. For life insurers, the limit could fall to 15% of Gross Direct Premium Income (GDPI) within two years and 12.5% within five years.
- For general insurers, the limit could decline to 25% of GDPI over two years and 20% over five years.
- **Impact**: Proposed commission caps and tighter expense limits could pressure near-term earnings and distribution economics, particularly for commission-heavy distributors and bancassurance channels. For insurers, the impact could be mixed, with lower distribution costs potentially supporting margins over time, while near-term business volumes may face disruption.

Detailed report

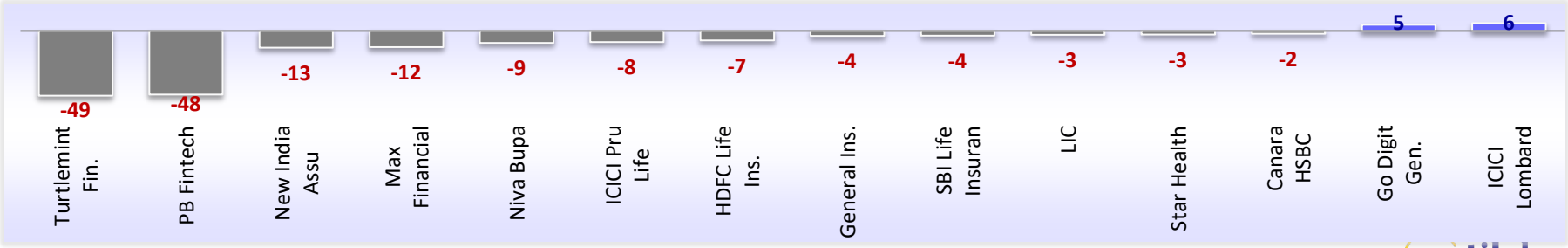
Proposed Commission Caps



Proposed EoM Glide Path



Insurance distribution stocks slide on IRDAI's proposed reforms (%)

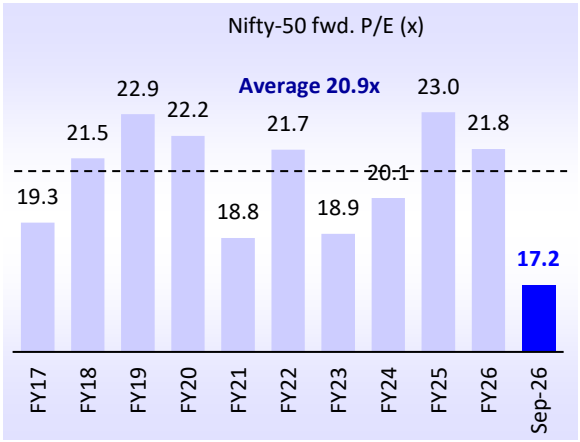


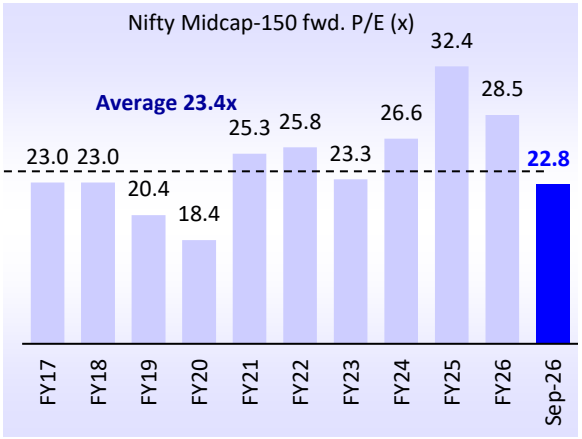
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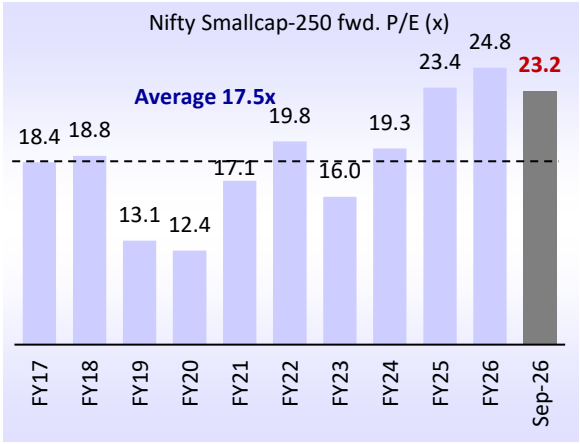
KEY EXHIBITS Sharp, broad-based correction cools off valuations across sectors

- The sharp correction during the month further cooled valuations.
- The Nifty-50's one-year forward P/E stands at 17.2x, an 18% discount to its LPA of 20.9x.
- Mid-cap valuations also ebbed, with the 12M fwd P/E falling to 22.8x, 2% below its 10-year average, marking the first time in 36 months that valuations have slipped below this level.
- Small-cap valuations corrected sharply to 23.2x on a 12m fwd basis, but remain at a 33% premium to their LPA.

The 12-month forward P/E trends across the Nifty-50, Nifty Midcap-150, and Nifty Smallcap-250 indices (x)

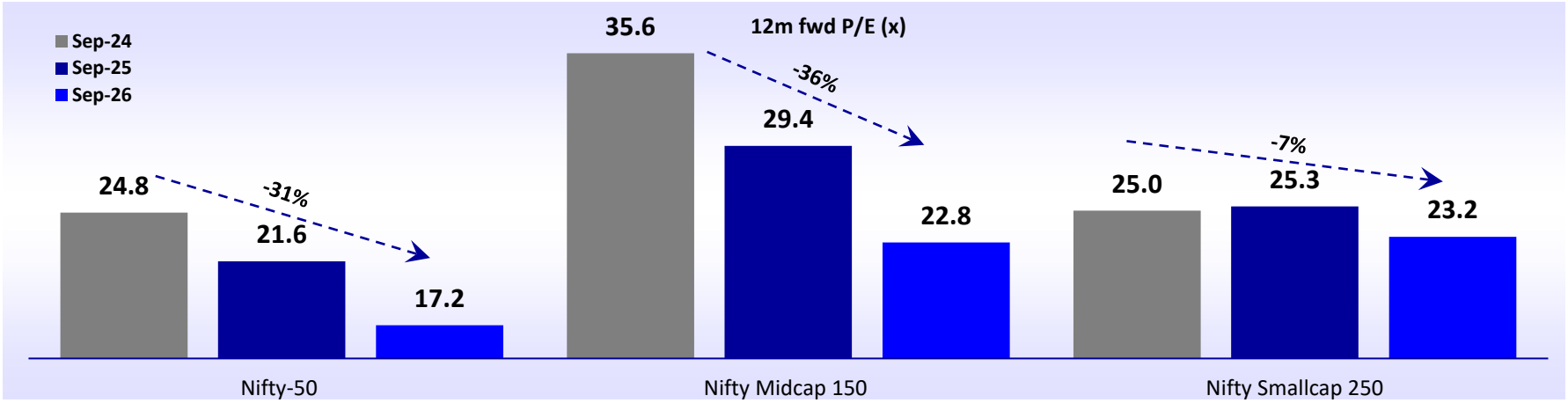






Note: The bars represent the 12-month average of one-year forward P/E on an FY basis

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

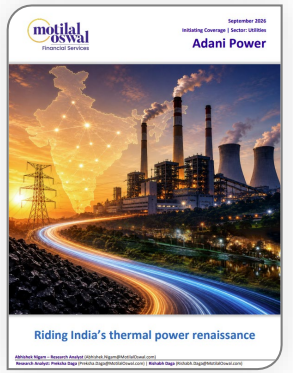


Notable reports from MOFSL's research desk published in Sep'26 (1/4)

Initiating Coverage |Adani Power |Riding India's thermal power renaissance

Report link>>

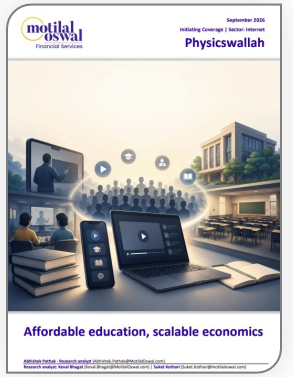
- APL, is India's largest private thermal power producer with a capacity of ~18GW in 1QFY27, accounting for 24% of private and 8% of aggregate coal and lignite-based capacity in India. APL sells power under long/medium-term PPAs with DISCOMs (with 95% of its operational capacity tied up) as well as through merchant contracts.
- We see APL as the natural winner of India's upcoming thermal capacity build-out and beneficiary of a benign competitive environment. As the Central Electricity Authority (CEA)'s 86GW thermal capacity pipeline expands further, we note that APL faces limited competition as 1) NTPC generally only participates in regulated tariff-linked projects, 2) Tata Power has publicly stated its intent to focus away from thermal and towards renewables, and 3) JSW Energy already has an ambitious pipeline of thermal/RE projects with a target to reach 30GW by 2030.
- We initiate coverage on Adani Power Limited (APL) with a BUY rating and TP of INR250/sh. We like APL for 1) ambitious growth plans (capacity up 2.3x to 42GW by FY32), 2) solid execution track record demonstrated by acquisition and turnaround of multiple distressed plants, and 3) optionality from nuclear foray + limited competition in the thermal segment.



Initiating Coverage |Physicswallah| Affordable education, scalable economics

Report link>>

- Physicswallah (PW) is among India's largest education platforms, built on what we believe is one of the most capital-efficient business models in Indian EdTech. PW has built a large free-to-paid funnel through YouTube, enabling it to acquire students at structurally lower costs and monetize them across online, hybrid and offline offerings. Today, the company boasts one of India's largest education communities with 100m+ YouTube subscribers and has compounded its revenue at ~74% CAGR over FY23-26.
- The online business is PW's primary value driver. We estimate online revenue to clock ~28% CAGR over FY26-30E, supported by paid-user growth, deeper category expansion and AI-led monetization.
- The offline business provides a higher-ARPU monetization layer rather than the primary value driver. We expect offline revenue to post ~20% CAGR over FY26-30E, along with improvement in profitability, as recently opened centers mature and utilization increases. While execution remains the key monitorable, PW has built one of India's fastest-growing offline coaching networks with 353 centers.
- We value PW on an SoTP basis. We assign a multiple of 50x FY28E EV/EBITDA to the online business, reflecting its market leadership, scalable business model and superior unit economics. We value the offline business at 15x FY28E EV/EBITDA to reflect its execution intensity, time to maturity and lower margin profile. We value other businesses at 1x FY28E EV/sales. Adjusting for cash, we arrive at a TP of INR200, implying 66% upside. Initiate coverage with a BUY rating.



Initiating Coverage | V2 Retail | Fashion for Bharat, Built for Scale

Report link>>

- V2 Retail is a pure-play, offline-first value fashion retailer focused on India's tier-2/3 markets, catering to aspirational yet price-sensitive households. V2's differentiation stems from 1) a focused value-fashion retailer catering to the entire family, with selective lifestyle offerings across 400 stores in ~300+ cities, 2) a product-ownership model anchored by ~90% private-label mix, with in-house design contributing ~35-40%, 3) industry-leading store productivity at ~INR923 SPSF as of FY26 and 4) a throughput-led cost structure delivering superior margins despite structurally lower gross margins than peers.
- We believe V2's merchandise discipline, robust store economics and deep cluster-led penetration across underpenetrated markets provide a durable competitive moat. We expect V2 to deliver revenue/pre-Ind AS EBITDA/PAT CAGR of 40%/38%/35% over FY26-29E, driven by ~450 store additions, mid-single-digit SSSG and fixed-cost dilution on a scaling network. We initiate coverage with a BUY rating and TP of INR275, premised on a DCF-implied ~15x Sep'28E pre-Ind AS EBITDA, implying ~25x Sep'28E pre-Ind AS EPS and ~27% upside.

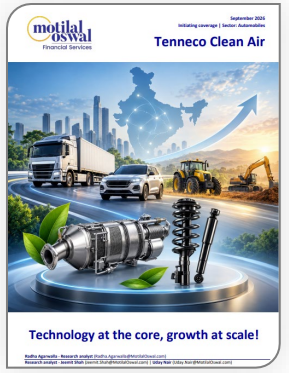


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Notable reports from MOFSL's research desk published in Sep'26 (2/4)

Initiating Coverage |Tenneco Clean Air | Technology at the core, growth at scale! [Report link>>]

- Tenneco Clean Air (TENNIND) holds leading positions across Clean Air and suspension, with ~58% share in CV Clean Air, ~68% in off-highway Clean Air (ex-tractors), ~20% in PV Clean Air and ~55% in PV shock absorbers/struts. Deep OEM integration and access to Tenneco's global technology and IP create strong entry barriers.
- The company's strong localization and innovation capabilities, combined with access to the parent's future mobility technologies and intellectual property, position it well to benefit from stricter emission norms, vehicle premiumization, and evolving powertrain trends.
- Growth should be driven by premiumization, BSVII, CAFE III and TREM-V, alongside localization of advanced products, new customer programs and India's emergence as an export hub. With a capital efficient model, strong balance sheet and multiple avenues for market- and wallet-share gains, we see scope for sustained earnings growth.
- We initiate coverage with a BUY rating and TP of INR673, based on 30x Sept-2028E earnings.



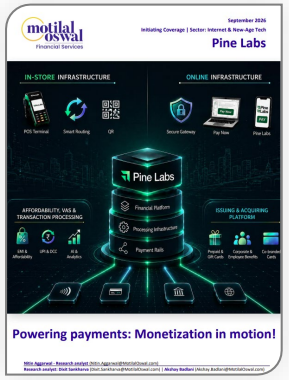
Initiating Coverage |Turtlemint Fintech Solutions| Powering Bharat's insurance journey [Report link>>]

- Turtlemint Fintech Solutions (TURTLEMINT) has built a scaled, technology-enabled insurance distribution franchise in India. It has 550,000+ certified Point-of-Sale Persons (PoSPs) and a strong foothold in India's insurance distribution, with ~75%+ of the premiums originating from the B30+ markets. The PoSP channel provides insurers with a cost-effective means to expand distribution across India's underserved regions, as evidenced by the ~38% CAGR in PoSPs over FY20-25 vs. ~9% for individual agents. Additionally, PoSP-driven premiums are growing at nearly twice the industry rate. TURTLEMINT, with its presence across 19,186 pin codes, is well-positioned to capture this opportunity.
- TURTLEMINT's young distributor base (61% aged ≤35 years) typically starts PoSP as a secondary income, but rising earnings drive greater engagement. While we expect 130,000–150,000 partner additions annually, active DPs are poised to grow at a ~24% FY26–29 CAGR, driven by TURTLEMINT's training-led activation engine and strong partner retention.
- With direct costs largely linked to partner payouts, the principal margin opportunity lies in corporate overheads. With the growth algorithm shifting from recruitment to activation and productivity, the operating leverage is at an inflection point. We expect corporate overheads to clock a 6% CAGR over FY26-29, resulting in an adjusted EBITDA breakeven in FY27 and margin expansion of ~11% by FY29
- TURTLEMINT currently trades at 17x Sep'28E EV/EBITDA, which appears attractive given the earnings compounding ahead. We initiate coverage on the stock with a BUY rating and a TP of INR180 premised on Sep'28E EV/EBITDA of 20x.



Initiating Coverage | Pine Labs | Powering payments: Monetization in motion! [Report link>>]

- Pine Labs is a leading merchant commerce platform offering payment acceptance, affordability and issuing solutions. Its digital infrastructure and transaction platform (DITP) and issuing and acquiring platform (IAP) generate a healthy mix of recurring and transaction-linked revenue, aided by long-standing enterprise relationships and scalable technology.
- With a merchant base of over 1m, gross transaction value (GTV) of INR17.2t, and 7.4b transactions in FY26, Pine Labs continues to expand across merchant segments, aided by acquisitions and a growing international issuing franchise.
- DITP is the largest revenue contributor, and we estimate the segment to deliver ~24.5% revenue CAGR over FY26-28. The introduction of a 0.4% MDR on eligible peer-to-merchant (P2M) transactions would further benefit Pine Labs given its strong merchant payment franchise.
- IAP business has started to scale up meaningfully, with FY26 GTV growing 24% YoY to INR640b. We estimate the business to maintain healthy momentum and post ~25% GTV CAGR over FY26-28E, aided by prepaid programs and increasing traction across international markets.
- Overall, we estimate Pine Labs to deliver a healthy CAGR of 24%/46%/129% in revenue/adj. EBITDA/PAT over FY26-28E, while adj. EBITDA margin is expected to improve to 28.7% by FY28E from ~9% in FY24. We initiate coverage on Pine Labs with a BUY rating and a TP of INR250, based on 25x FY28E EV/EBITDA



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Notable reports from MOFSL's research desk published in Sep'26 (3/4)

Initiating Coverage |Solar Industries | Building scale, expanding global footprint

Report link>>

- Solar Industries (SOIL) is a leader in the domestic explosive market and has established a strong presence in international markets for industrial explosives. Its recent acquisition of Omnia Holdings bolsters its position in South Africa and neighboring markets and provides strong support for the backward integration of ammonium nitrate.
- SOIL has also transitioned from being a supplier of explosive materials to becoming an integrated defense manufacturer. The progression from high-melting explosives (HMX) to ammunition, rockets, and counter-drone systems reflects its deliberate strategy of moving up the defense value chain. After the completion of the Omnia acquisition, we expect industrial explosives/defense mix of 78%/22% by FY29.
- We expect SOIL to deliver a CAGR of 43%/34% in consolidated revenue/PAT over FY26-30, with the industrial explosive segment's growth settling at mid-teens after FY28 and the defense segment sustaining a higher growth rate. We initiate coverage on SOIL with a BUY rating and a TP of INR23,000, based on a 50x P/E on Dec'28E EPS.



Initiating Coverage |SPR Auto Technologies | Building a powertrain-agnostic growth platform

Report link>>

- SPR Auto Technologies (SPR) is evolving from being a traditional piston manufacturer into a diversified, technology-driven, powertrain-agnostic mobility platform through strategic inorganic acquisitions. The piston business is a strong cash-cow franchise for SPR, supported by market leadership, ~500bp higher margins than the next peer and core RoCE of over 50%. SPR is benefiting from rising multi-fuel opportunities (CNG, ethanol, hydrogen and hybrids), strong aftermarket demand, and the premature exit of global competitors from the ICE ecosystem.
- Leveraging its strong balance sheet and cashflow profile, SPR is reinvesting in acquisitions such as Antolin, Takahata, TGPEL and EMFi, thereby diversifying beyond powertrain-focused products to precision plastic molding components and expanding estimated content per vehicle by 6x to INR30k+.
- This strategy helps SPR create a scalable auto component platform with balanced exposure across powertrains. We initiate coverage with a BUY rating and a TP of INR6,150, premised on 30x Sep'28E EPS.



Initiating Coverage | Aster DM Healthcare | Building a healthcare giant

Report link>>

- The Aster DM Healthcare–QCIL merger creates one of India's largest hospital platforms, Aster DM Quality Care (AsterDM), with 39 hospitals and ~10,600 operational beds across 28 cities. The platform has capacity to scale beyond 15,000 beds by FY30 through a balanced brownfield/greenfield/asset-light approach.
- A cluster-led strategy anchors the growth story, with Kerala's mature, high margin base complemented by a faster-growing Karnataka/Maharashtra and AP/Telangana footprint, providing both earnings stability and a long growth runway.
- The QCIL merger meaningfully deepens regional diversification, bringing a complementary set of hospital networks under one roof and creating a genuinely pan-India platform with stronger potential for cross-cluster referrals.
- Prior to the QCIL merger, AsterDM had already demonstrated a growth plus-margin story (revenue +12% YoY in FY25/FY26 to INR41b/46b, alongside ~300bp/90bp margin gains), with momentum carrying into 1QFY27 (+22%/27% revenue/EBITDA YoY) and FY26 proforma combined revenue/EBITDA of INR92.7b/INR20b (+14%/21% YoY). We expect revenue/EBITDA/PAT to deliver 19.5%/25%/33% CAGR over FY26-28, reaching INR132b/INR30.7b/INR16.5, respectively, aided by procurement, clinical, and cost synergies.
- We initiate coverage with a BUY rating, valuing ASTERDM at 27x 12M forward EBITDA (INR27.7b) to arrive at a TP of INR910 (20% upside from INR759), with bull/bear scenarios of INR1,110/INR735 hinging on the pace of QCIL synergy realization and capacity ramp-up.

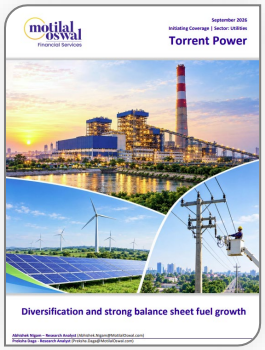


motilal oswal
Financial Services

Notable reports from MOFSL's research desk published in Sep'26 (4/4)

Initiating Coverage |Torrent Power | Diversification and strong balance sheet fuel growth [Report link>>]

- TPL is an integrated power utility spanning electricity generation, transmission, and distribution. It boasts a diversified installed capacity of 6.6GWp, representing 4.5GW of thermal and ~2.1GWp of renewable (RE) capacity (including ~1.8GW contracted). The company holds licenses for distribution in Gujarat's major cities and Dadra & Nagar Haveli/Daman & Diu (~2,050 sqkm), in addition to franchisee operations (1,007 sqkm). It also operates 355km of 400kV and 128km of 220kV transmission lines and has operationalized another 400 kV M/C line of 60km and bay upgradation from 2,000 Amp to 3,150 Amp in Feb'26.
- TPL aims to expand its total RE portfolio to ~6.3GWp by FY29 from ~2.1GWp currently operational (1.8GW contracted). In the 1QFY27 earnings call, management noted that TPL plans to commission 1.2GWp in FY27 and 1.4-1.6GWp in FY28. We model RE capacity additions of 0.6GW/0.9GW/1.2GW in FY27/FY28/FY29, materially enhancing scale and earnings visibility. Despite significant capacity expansion, TPL's balance sheet is robust, and the company is well positioned to continue to bid for new RE projects, targeting mid-to-high-teen equity IRRs.
- We initiate coverage on Torrent Power (TPL) with a Neutral rating and an SoTP-based TP of INR1,270.

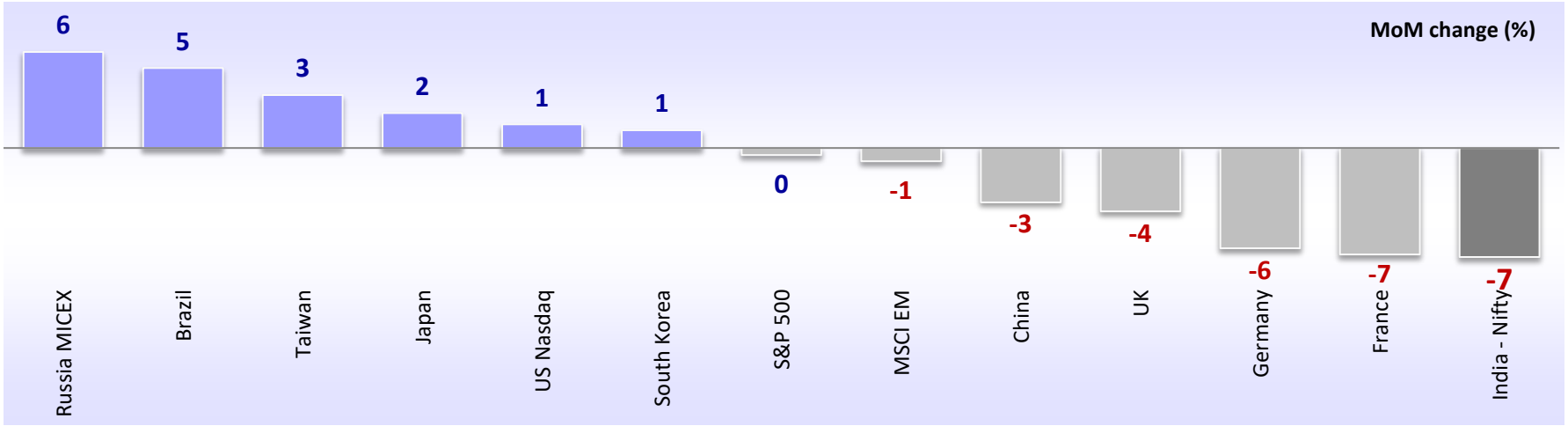




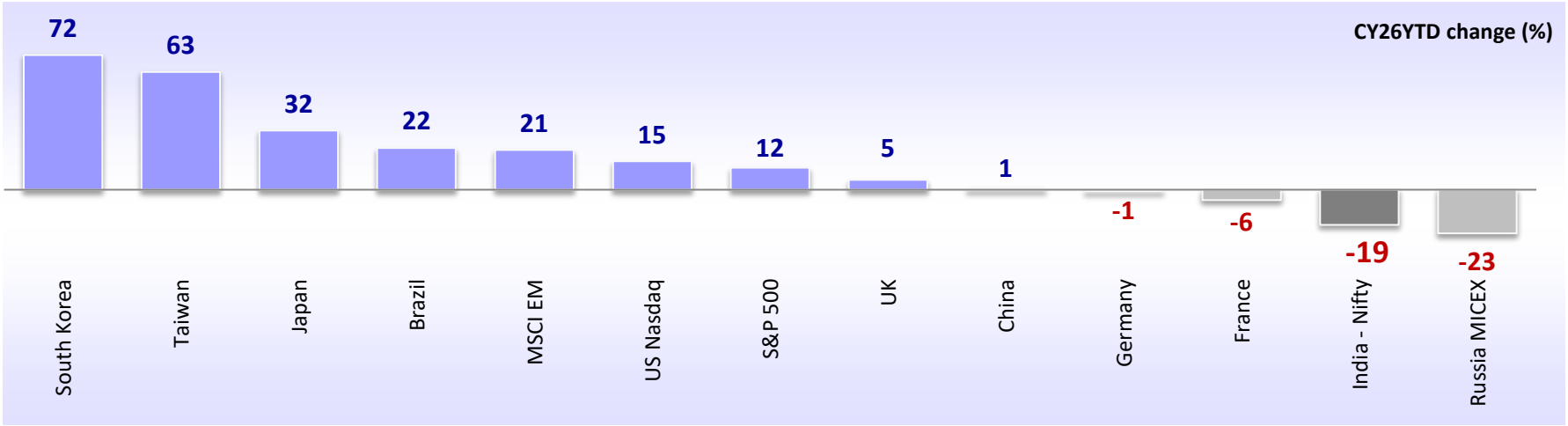
Macro, Markets, and More…

Indian market weakness persists; Russia and Brazil rebound from the Aug'26 lows

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

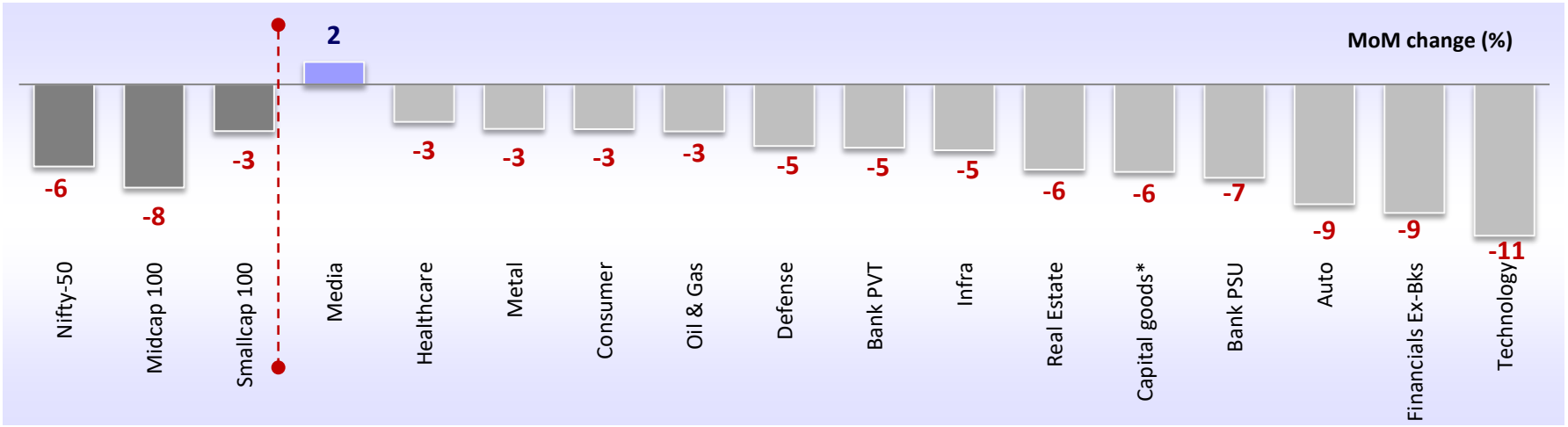


CY26YTD change (%) in USD terms

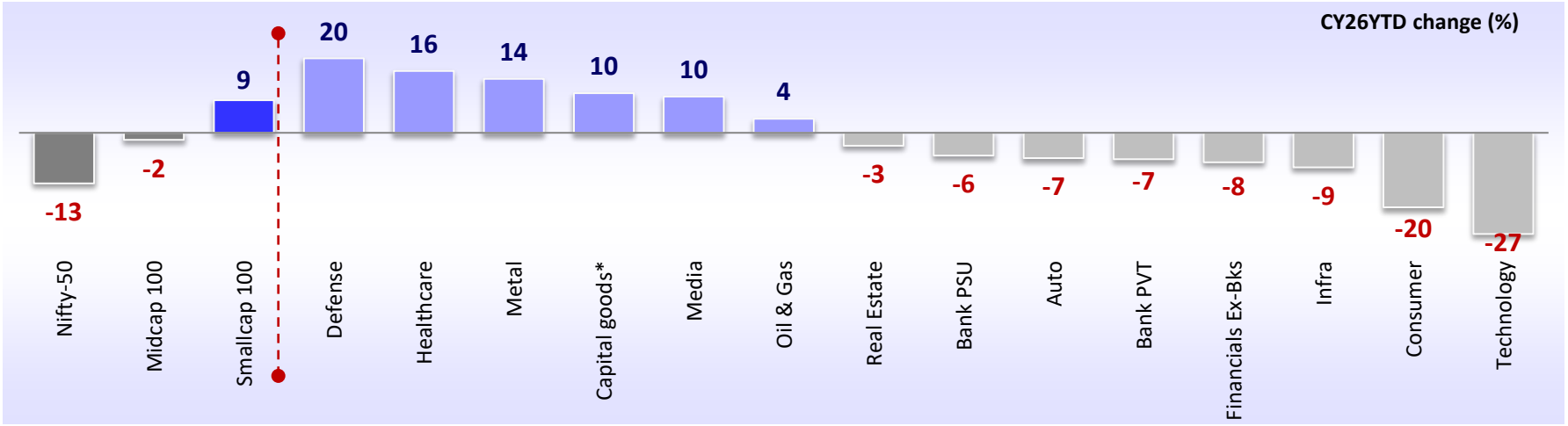


Broad-based sell-off; Media the lone gainer, while Technology and Financials lag

Sectoral performance MoM (%): Most indices declined sharply; among sectors, Media witnessed minor gains, while Tech and Financials declined the most



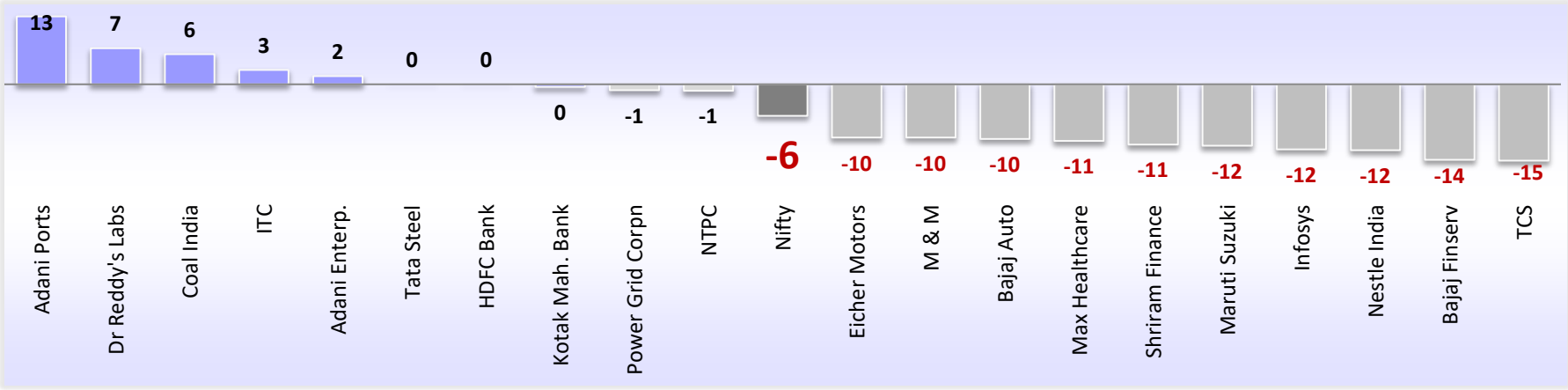
CY26YTD performance (%): Defense, Healthcare, and Metals remained the key outperformers, while Technology and Consumer remained the key laggards



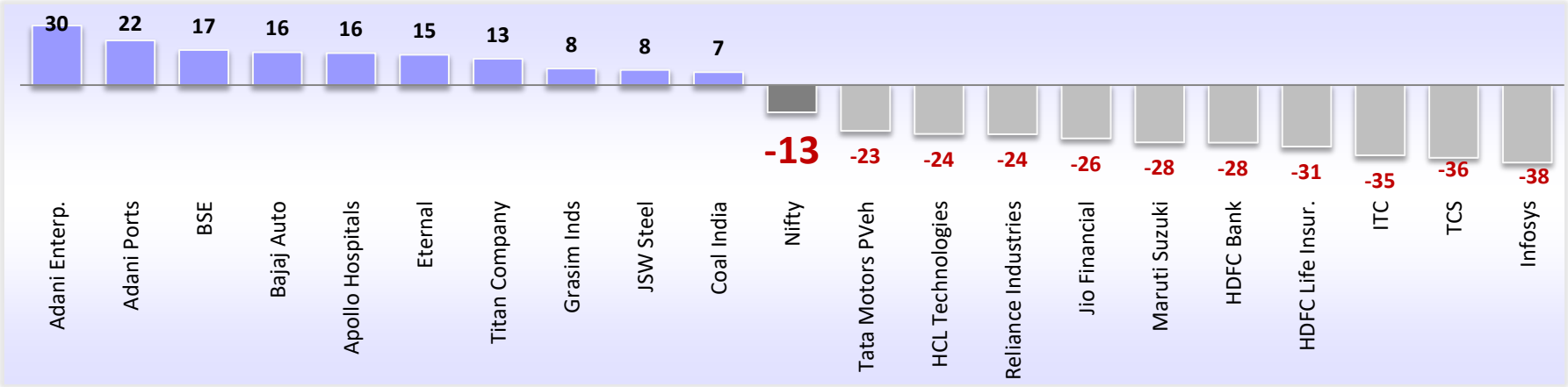
About 86% of the Nifty-50 constituents end lower in Sep'26

- In Sep'26, among the Nifty constituents, only 5 stocks closed higher MoM. Adani Ports, Dr Reddy's Labs and Coal India were the key gainers, whereas TCS, Bajaj FinServ, and Nestle India were among the key laggards.
- About 72% Nifty constituents have ended higher in CY26YTD. Adani Enterprises, Adani Ports and BSE have been the top gainers, whereas Infosys, TCS, and ITC have been the key laggards in CY26YTD.

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



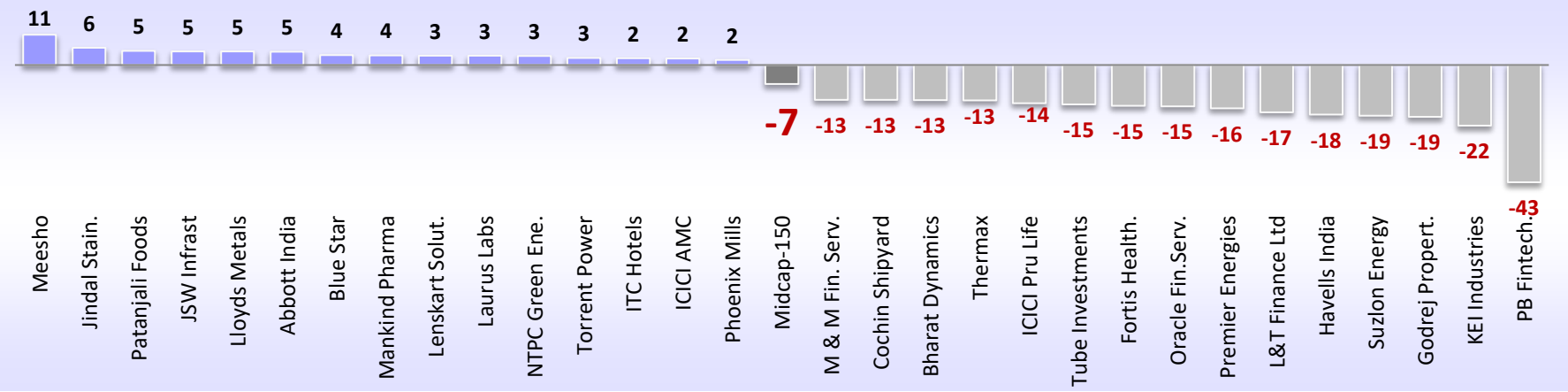
Best and worst Nifty performers CY26YTD(%):



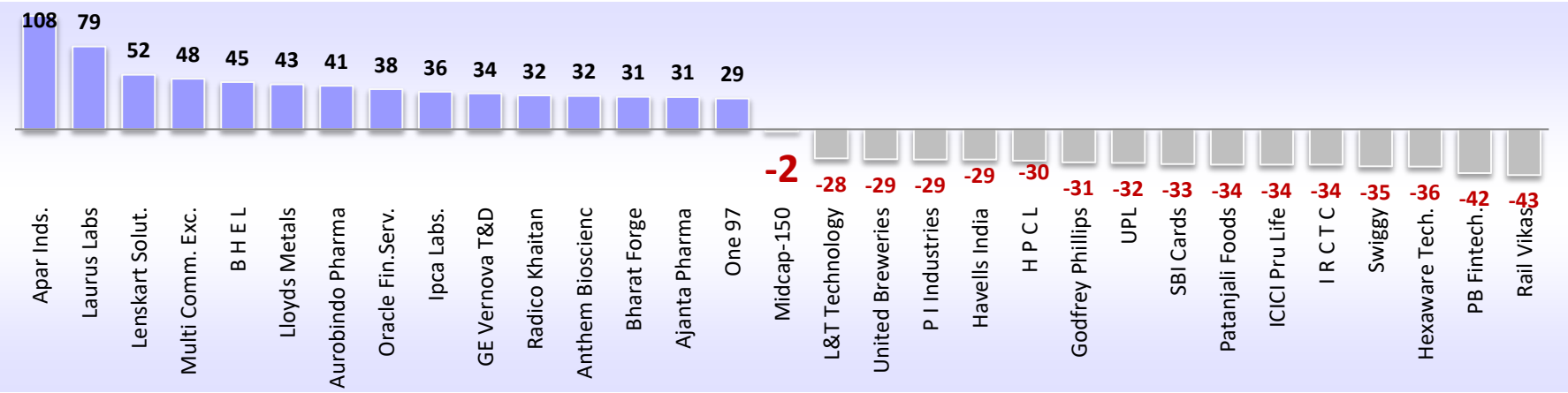
About 87% of the Midcap constituents end lower in Sep'26

- In Sep'26, about 130 Nifty Midcap-150 stocks closed lower MoM. Meesho, Jindal Stain, and Patanjali Foods were the key gainers, whereas PB Fintech, KEI Industries, and Godrej Properties were the key laggards.
- In CY26YTD, about 59% Midcap-150 constituents have ended lower. RVNL, PB Fintech and Hexaware Tech. have ended lower, whereas Apar Inds., Laurus Labs, and Lenskart Solut. have been the top gainers.

Best and worst Nifty Midcap-150 performers on a MoM basis (%) :



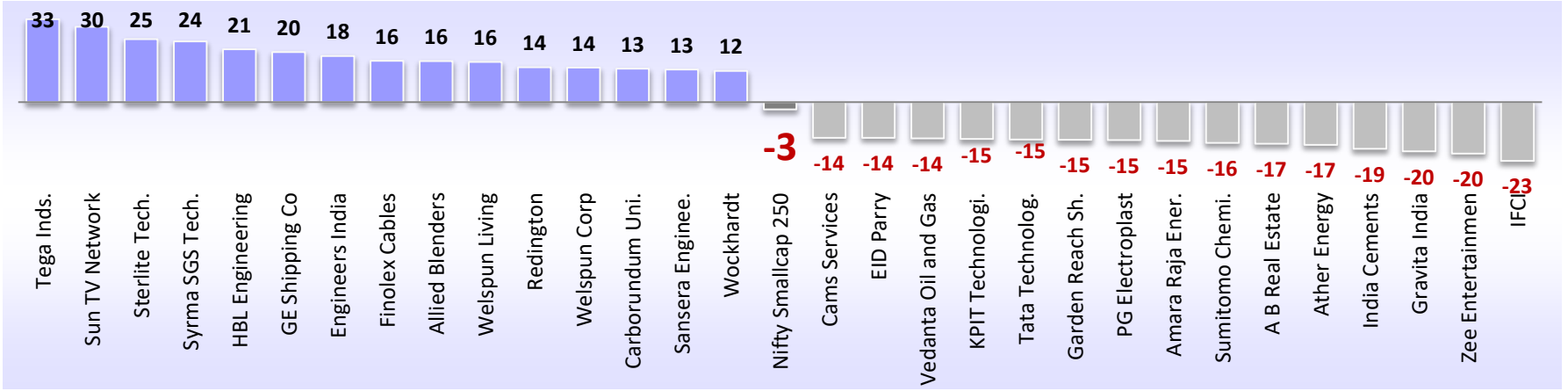
Best and worst Nifty Midcap-150 performers in CY26YTD (%):



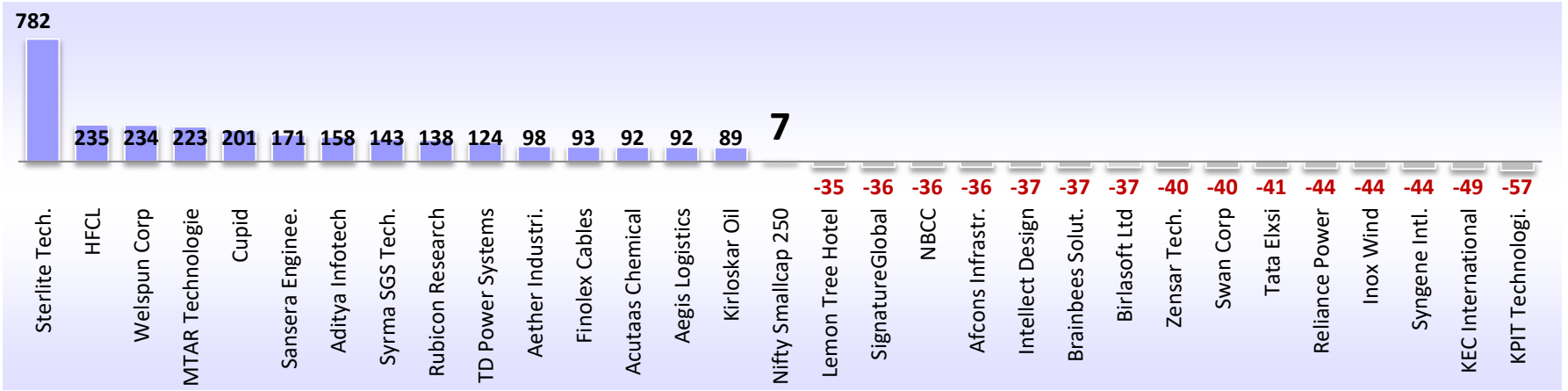
About 70% of the Smallcap constituents end lower in Sep'26

- In Sep'26, 178 Nifty Smallcap-250 companies closed lower. Tega Inds., Sun TV Network, and Sterlite Tech. were among the key leaders and IFCI, Zee and Gravit were the key laggards
- About 54% of the Smallcap companies end lower CY26YTD. Sterlite Tech., HFCL., and Welspun Corp have been the key gainers whereas KPIT, KEC Intern., and Syngene Int. have been the key laggards.

Best and worst Nifty Smallcap-250 performers on a MoM basis (%) :



Best and worst Nifty Smallcap-250 performers on a CY26TD basis (%) :



Nifty's sectoral weights: Technology and Auto dip, while NBFCs and Miscellaneous gain

- In Sep'26, Technology (-100bp) and Automobiles (-50bp) posted the sharpest MoM dip in index weights. Conversely, NBFC + Insurance (+90bp), Miscellaneous (+60bp), and Private Banks (+20bp) saw the largest rise in weights. Reliance Inds dipped (-20bp), inching closer to the lows of Dec'12.
- In CY26YTD, Technology (-290bp), Oil & Gas (-130bp), Consumer (-100bp), and Private Banks (-80bp) have recorded the steepest decline in weights. Conversely, Miscellaneous (+160bp), NBFC + Insurance (+130bp), Metals (+70bp), and Healthcare (+50bp) have posted gains.
- Since Dec'24, Technology (-660bp) has witnessed the sharpest cuts in index weights after reaching an all-time high. In contrast, Miscellaneous (+420), NBFC + Insurance (+330bp), and Metals (+120bp) have experienced the sharpest gains over the same period.

Nifty – sectoral weights (%)

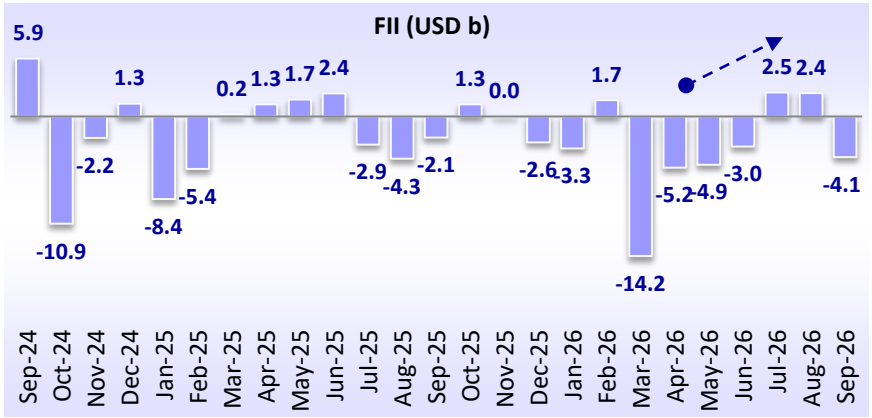
	Weightage in the Nifty (%)									
Sector	**Dec'08**	**Dec'12**	**Dec'20**	**Dec'21**	**Dec'22**	**Dec'23**	**Dec'24**	**Dec'25**	**Aug'26**	**Sept'26**
Automobiles	2.5	8.8	5.4	5.0	5.3	6.5	7.4	7.0	7.1	**6.6**
Banks – Private	5.0	16.9	24.7	21.9	24.2	28.2	27.1	26.5	25.5	**25.7**
Banks – Public	5.4	4.7	1.8	2.3	2.9	2.6	2.9	3.4	4.0	**3.8**
NBFC + Insurance	2.3	7.9	12.3	11.4	10.6	4.5	4.6	6.6	7.0	**7.9**
Capital Goods	7.7	5.9	2.6	3.0	3.1	4.4	5.0	5.2	5.6	**5.5**
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	6.5	**6.5**
Healthcare	2.6	5.0	3.6	3.4	3.8	4.0	4.2	4.2	4.8	**4.7**
Metals	4.8	3.8	2.0	2.9	2.9	3.0	2.7	3.2	3.8	**3.9**
Oil and Gas	24.5	12.3	12.5	12.3	12.1	10.5	9.2	9.7	8.6	**8.4**
Reliance	10.6	7.4	10.7	10.8	11.0	9.2	7.8	8.9	7.8	**7.6**
Retail	0.0	0.0	1.1	1.4	1.4	1.6	2.8	2.2	2.8	**2.6**
Telecom	11.6	2.0	2.0	2.1	2.5	2.7	4.0	4.9	5.0	**5.1**
Technology	9.0	11.4	16.3	19.1	14.0	13.6	14.1	10.4	8.5	**7.5**
Utilities	13.3	4.5	2.1	2.1	2.5	3.6	3.6	3.1	3.4	**3.6**
Miscellaneous	3.3	0.5	1.0	1.2	2.6	1.9	1.4	4.0	5.0	**5.6**
Nifty	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**	**100**

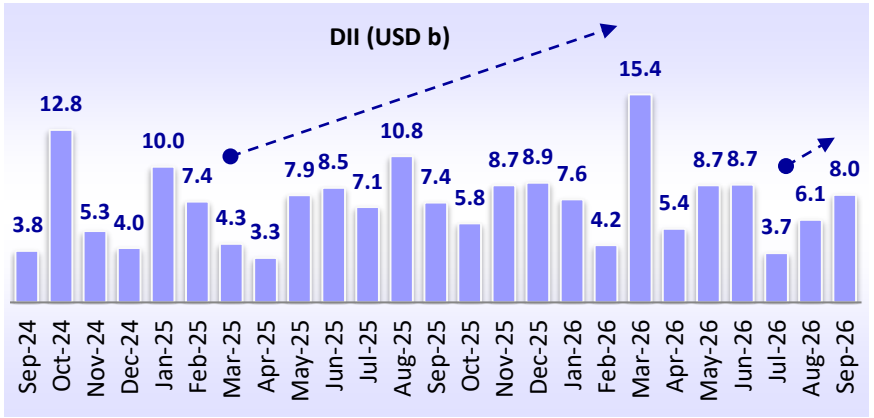
Note: The merger of HDFC Bank and HDFC Ltd. resulted in a shift in weightage from NBFCs to private banks in CY23. Britannia and BPCL were replaced with Jio Financials and Eternal in Mar'25, and IndusInd Bank and Hero Motocorp were replaced with Interglobal Aviation and Max Healthcare in Sep'24.

DII buying strengthens as FII selling resurfaces

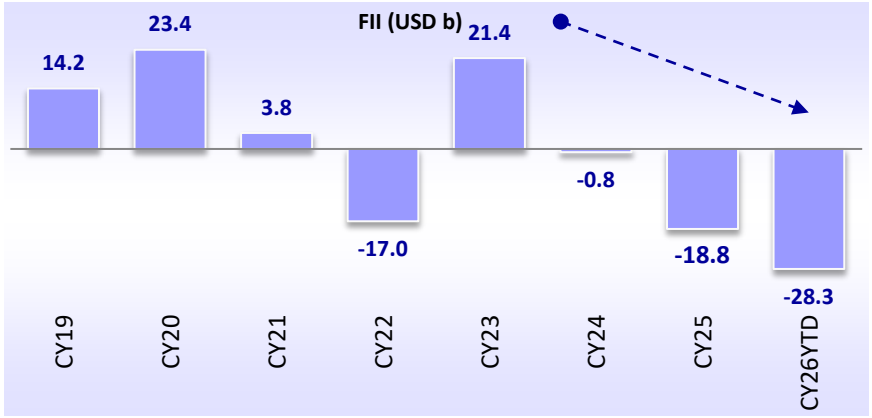
- FII sentiment weakened significantly as the global rate-hike cycle began, global bond yields spiked, and crude oil prices remained above USD100/bbl in Sep'26. FIIs sold more than USD4b during the month, reversing the positive flows seen in the previous two months.
- DII buying strengthened as FII selling intensified, with DIIs investing ~USD 8b and extending their streak of net inflows to 38 consecutive months. On a CY26YTD basis, DIIs have maintained strong buying momentum, with cumulative inflows of ~USD68b.
- In contrast, FIIs have remained net sellers, with cumulative outflows of ~USD 28.3b, already 50% higher than their total outflows in CY25.
- Between CY21 and CY26YTD, DIIs emerged as the dominant source of market liquidity, with cumulative inflows of USD287.4b, while FII flows remained negative, resulting in cumulative net outflows of ~USD40b.

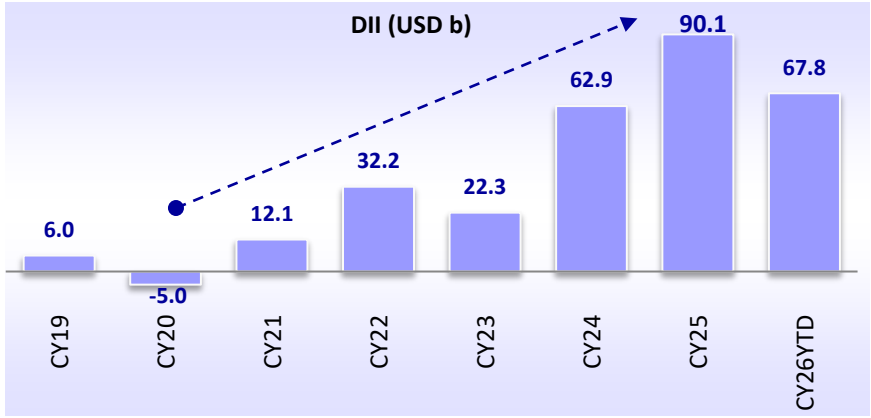
Monthly institutional flows (USD b)





Yearly institutional flows (USD b)

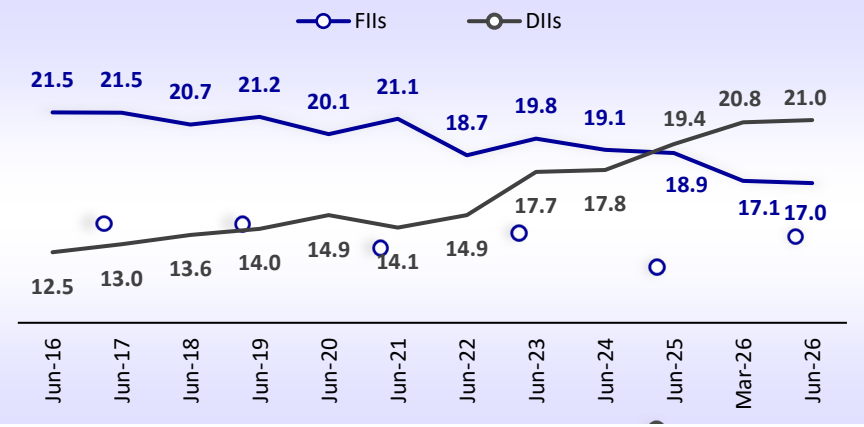




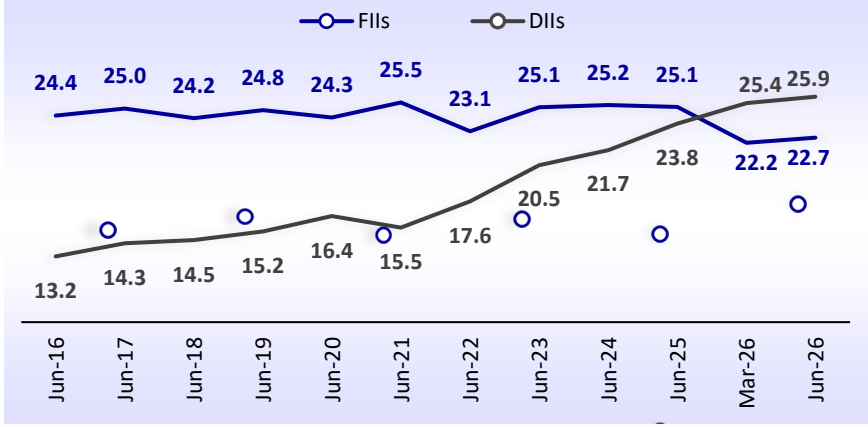
Institutional holdings: DII dominance deepens!

- This structural shift in institutional ownership, which has gained momentum since 2021, continues to strengthen as DII holdings scale new peaks, accounting for 21% of Nifty-500 companies on a run-rate basis. Over the past one year, DII ownership rose 160bp YoY (+20bp QoQ) to an all-time high of 21% in Jun'26, while FII ownership dipped 190bp YoY (-10bp QoQ) to 17% from 18.9% in Jun'25.
- Promoter holdings, which have historically remained range-bound, increased 20bp YoY (+10bp QoQ) to 49.5% in Jun'26.
- Retail holdings dipped 10bp QoQ to 12.6% in Jun'26 (+20bp YoY).

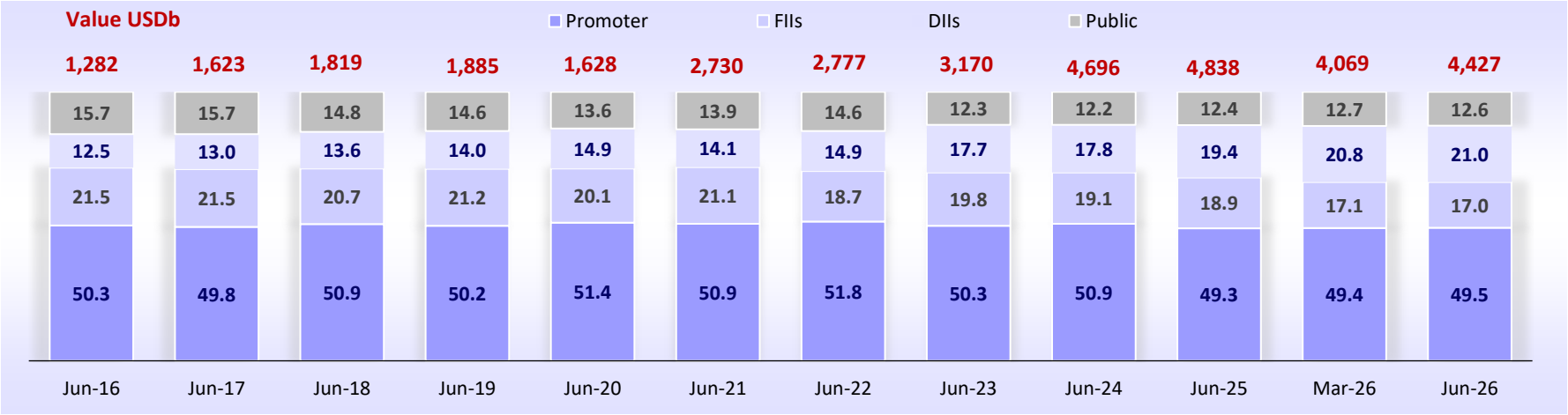
Trends in FII/DII holdings for Nifty-500 (%)



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



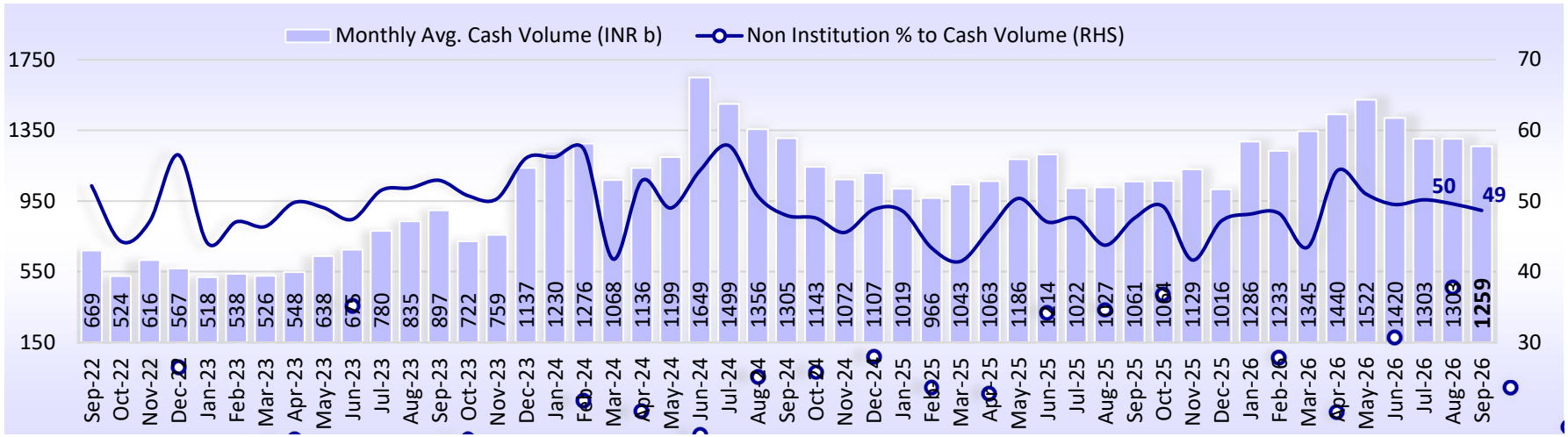
Nifty-500 holding pattern (%) – DIIs continue to raise their stakes to an all-time high, while FIIs reduce their holdings to an all-time low



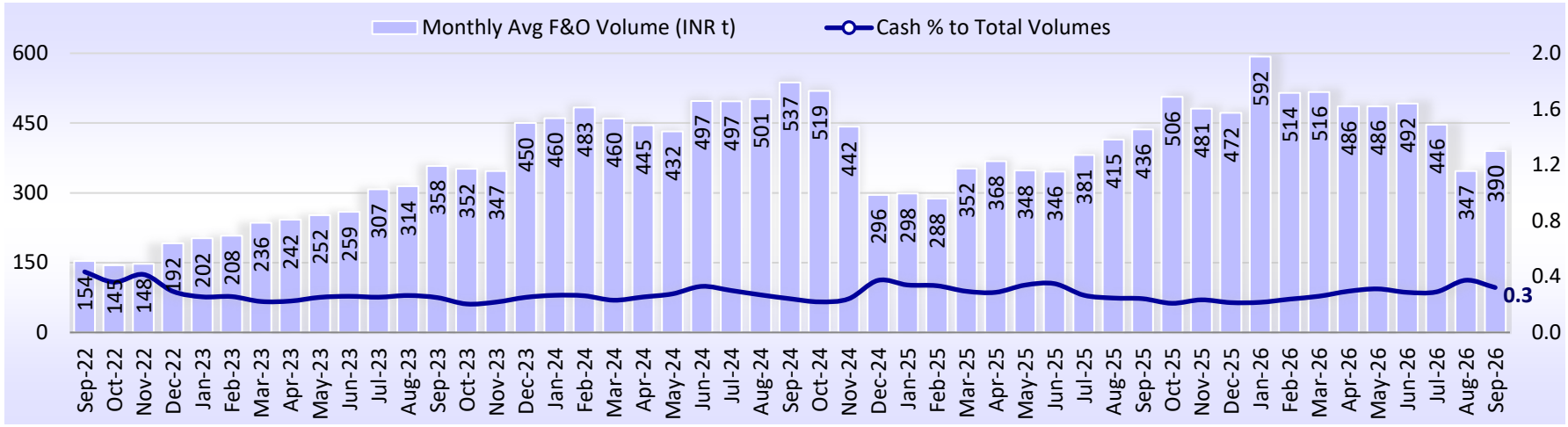
Cash volumes dip to a seven-month low, while F&O volumes rise MoM

- Average daily cash volumes declined 3% MoM to INR1.26t. Non-institutional participation declined 100bp to 49% of total cash volumes.
- Average daily F&O volumes rose over 12% in Sep'26 to INR390t.

Monthly average cash volumes (INR b)



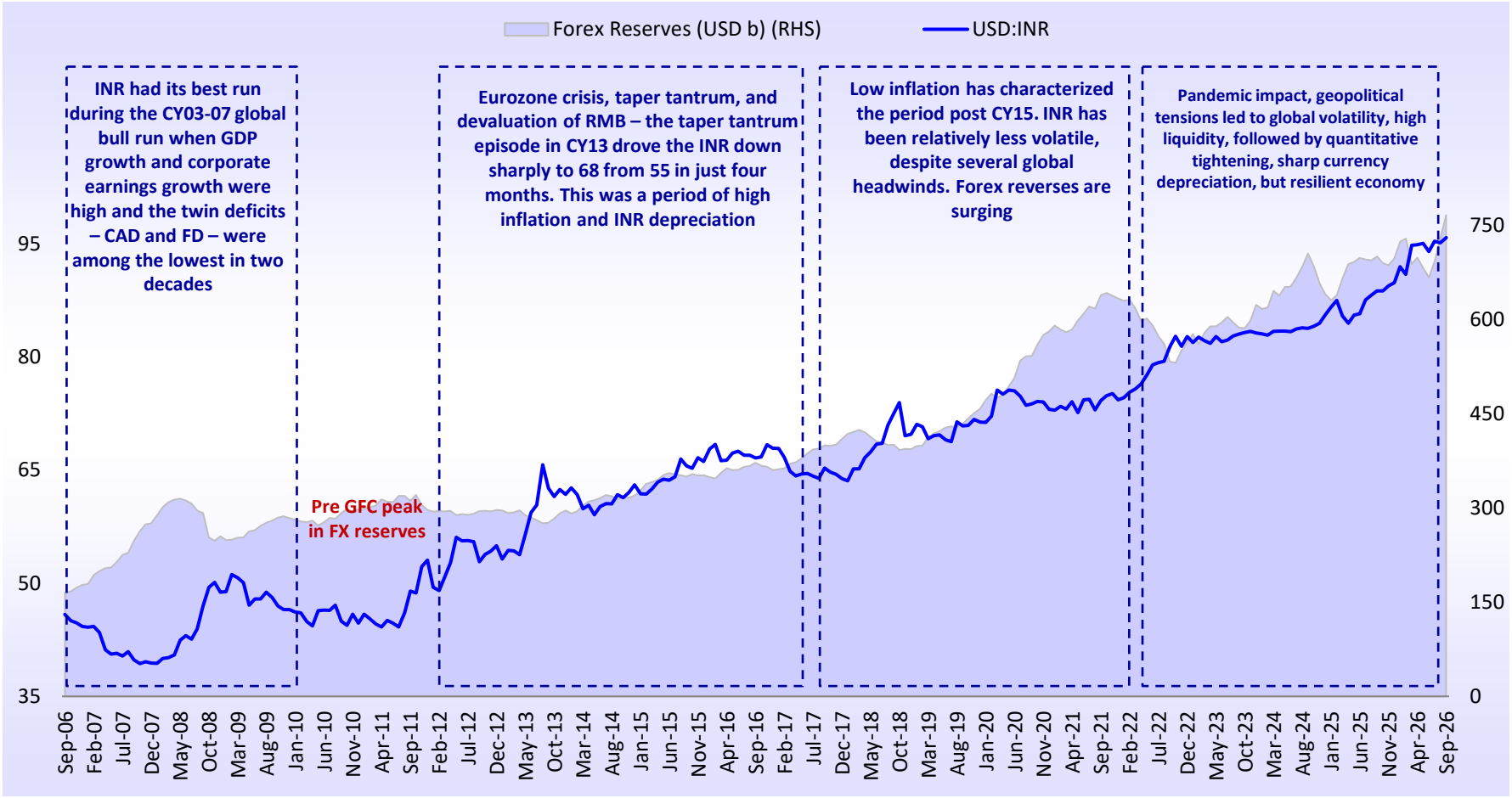
Monthly average F&O volumes (INR t)



India’s forex reserves soar to a record high due to strong FCNR inflows

- India’s forex reserves rose 5% MoM to a record USD766b in Sep’26, marking a new all-time high. The increase was primarily driven by surging foreign-currency inflows following the RBI’s concessional FCNR(B) swap window. Reserves have recovered sharply since March, following the start of the Middle East conflict.
- On the currency front, the INR depreciated 0.7% MoM to 95.8/USD in Sep’26. The INR weakened by ~8% YoY, making it the weakest among major emerging market currencies during the period, pressured by high crude oil prices and a surge in global bond yields.

Forex reserves (USD b)



Source: Bloomberg, MOFSL

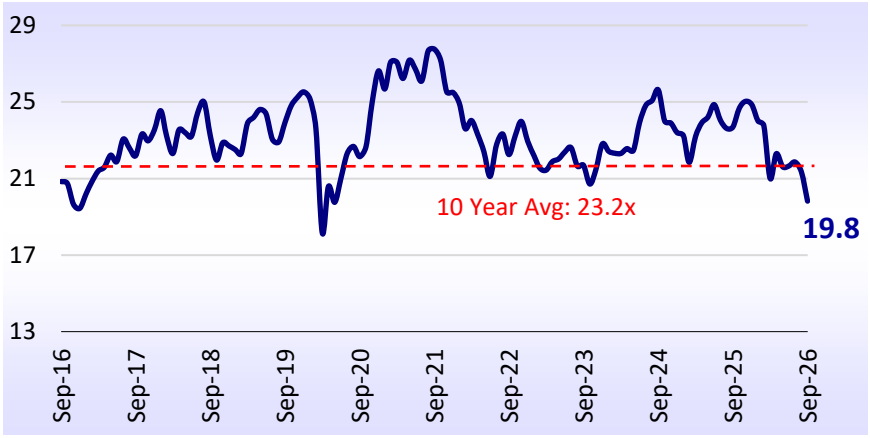


Valuations: Key observations

Nifty's valuations ebb to May'20 levels

- The 12-month **trailing P/E** for the Nifty-50 at 19.8x now trades around 15% below its LPA of 23.2x and the lowest since May'20. At 2.8x, the 12-month trailing P/B is trading 11% below its historical average of 3.2x, and the lowest since Oct'20.
- The Nifty's 12-month **forward P/E** at 17.2x is 18% below its LPA of 20.9x, and is down 31% from the Sep'24 highs. At 2.5x, the 12-month forward P/B trades at a 12% discount to its LPA of 2.9x.

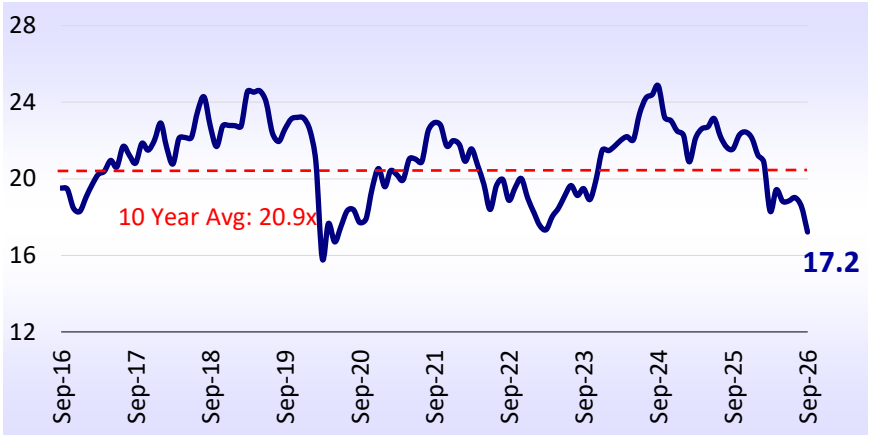
12-month trailing Nifty P/E (x)



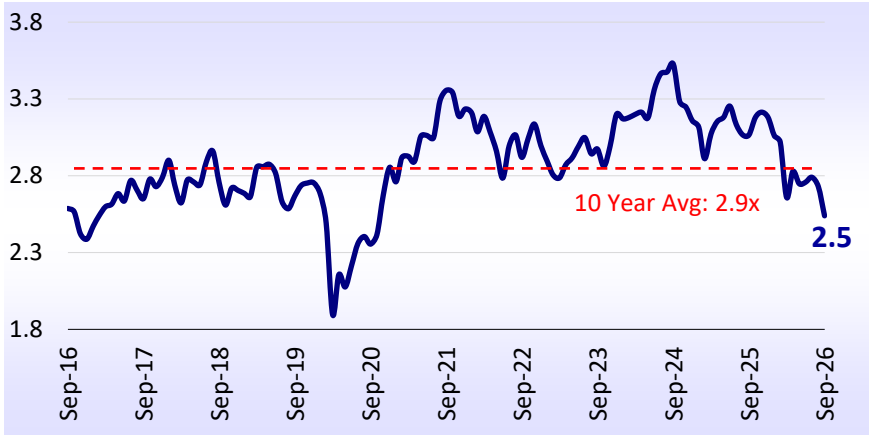
12-month trailing Nifty P/B (x)



12-month forward Nifty P/E (x)



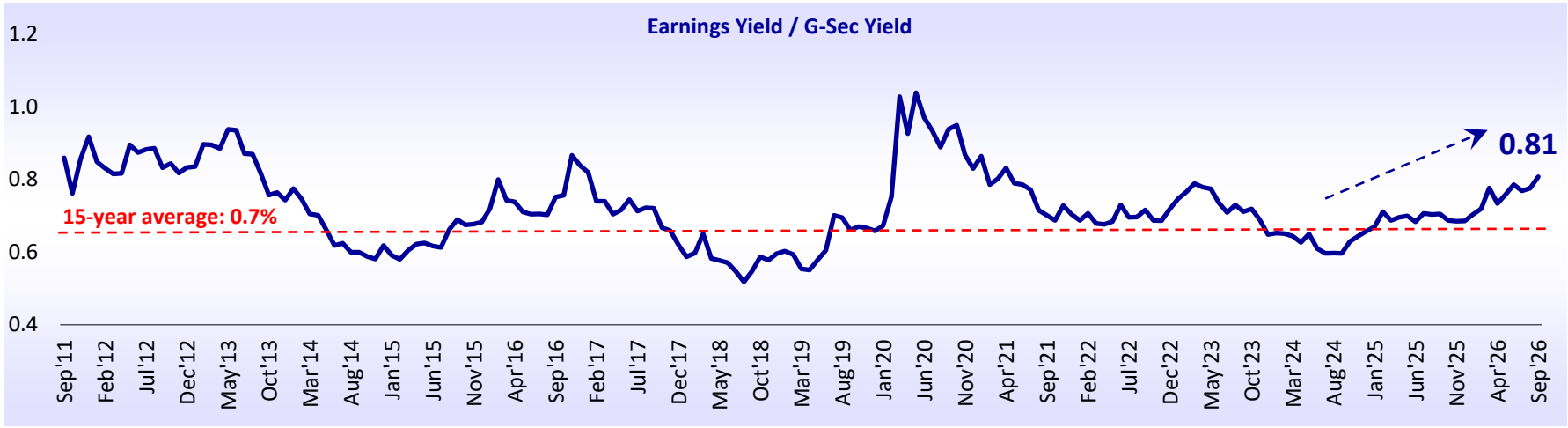
12-month forward Nifty P/B (x)



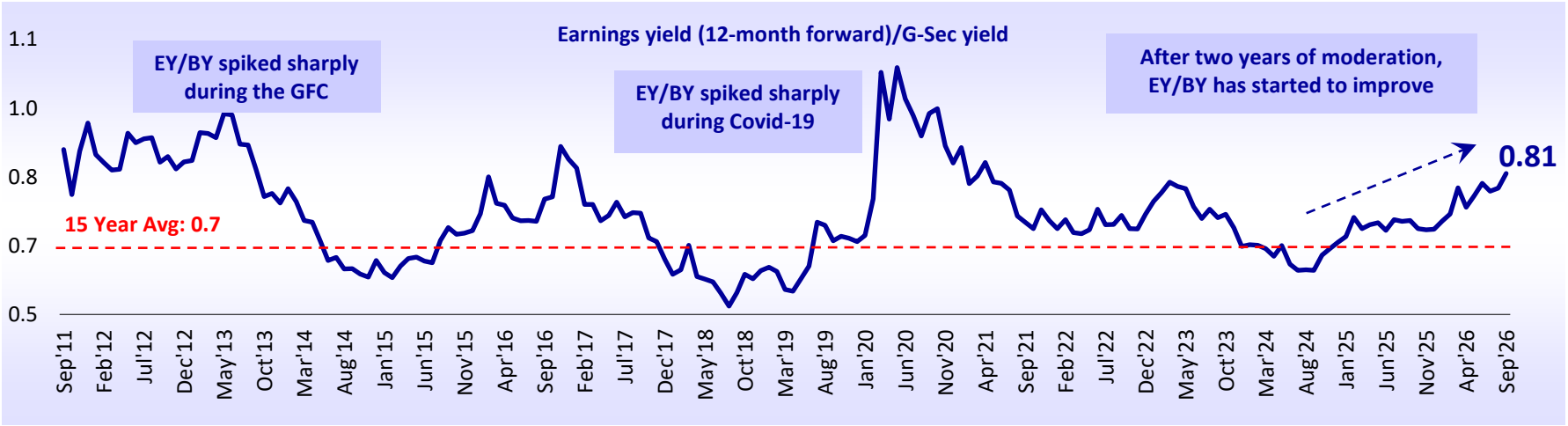
EY/BY ratio remains flat MoM, near its highest level in over three years

❖ India's 10Y bond yield rose 30bp MoM to 7.2%. Consequently, the earnings yield-to-bond yield (EY/BY) ratio increased MoM to its highest level in more than five years, on both trailing and forward bases. The ratio continues to trade above its LPA.

Trailing earnings yield/G-Sec yield (x)

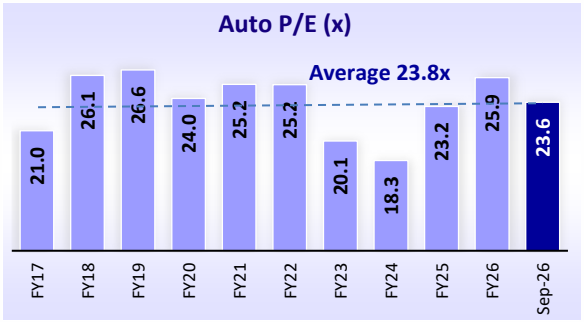


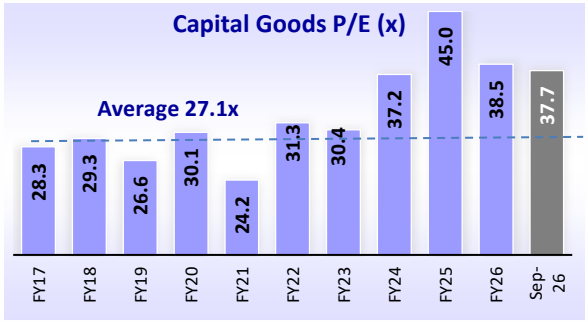
Forward earnings yield/G-Sec yield (x)

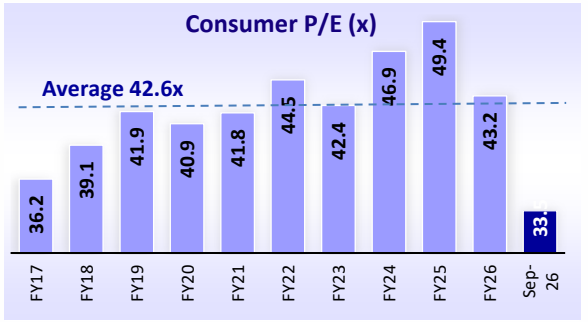


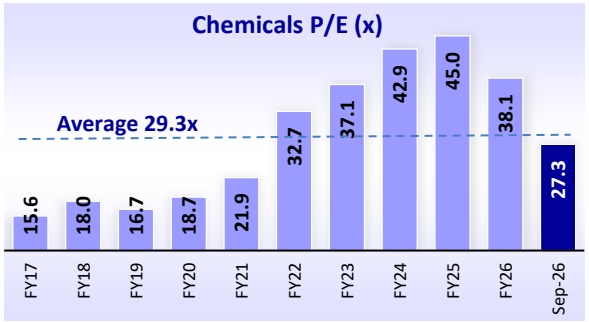
Auto/Consumer/Tech/Chemicals/Retail trade at discounts to their historical valuations (1/2)

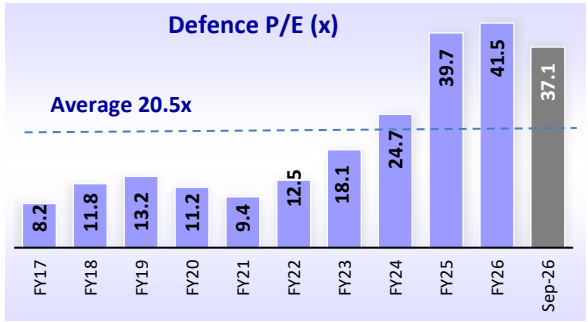
❖ The 12-month forward P/E for Auto, Private Banks, Consumer, Technology, Chemicals, and Retail are trading at discounts of 1%, 34%, 21%, 32%, 7%, and 40%, respectively, to their 10-year averages. In contrast, valuations remain above their LPA for Capital Goods (+15%), Healthcare (+26%), and Defense (+81%).

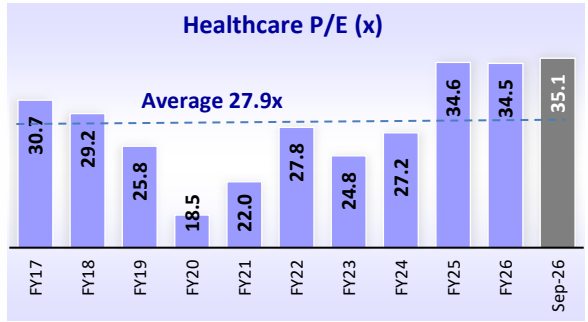


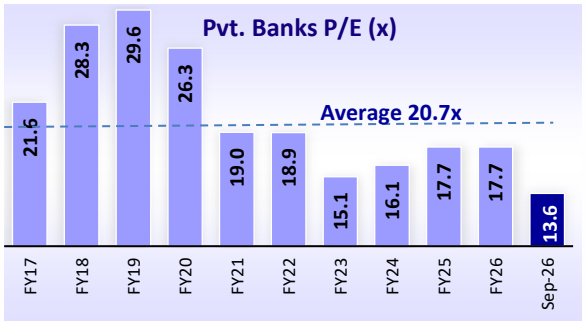


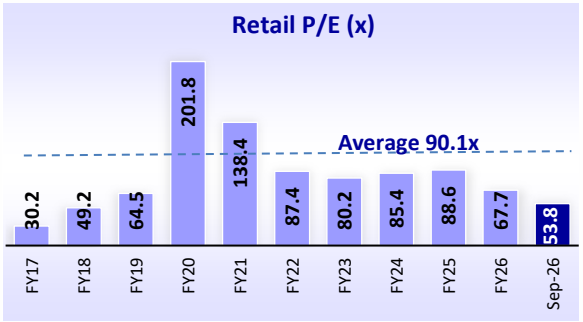


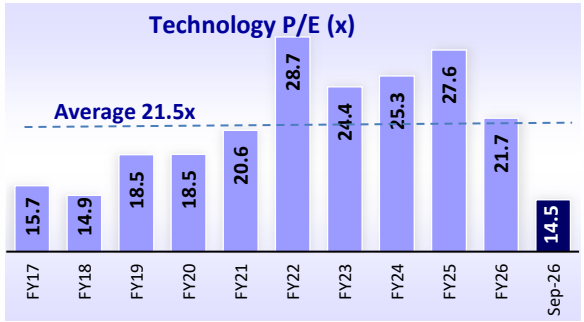










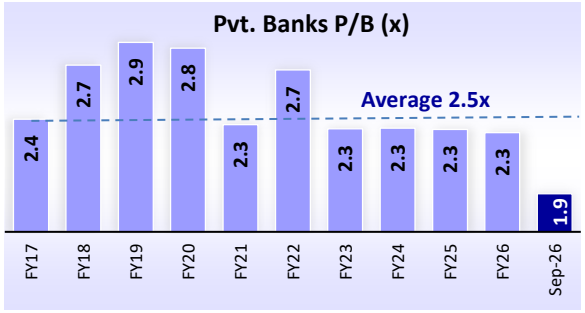


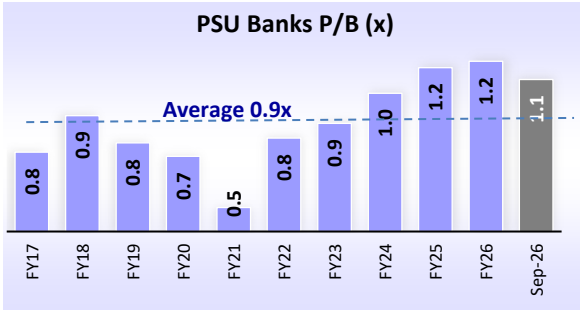
Note: The data represent the 12-month average of one-year P/B across and EV/EBITDA across MOFSL Universe sectors; blue and grey bars represent the latest sectoral valuations below and above the 10-year average, respectively. LPA: Long period average.

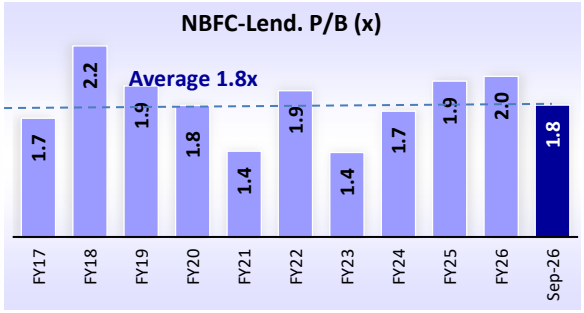
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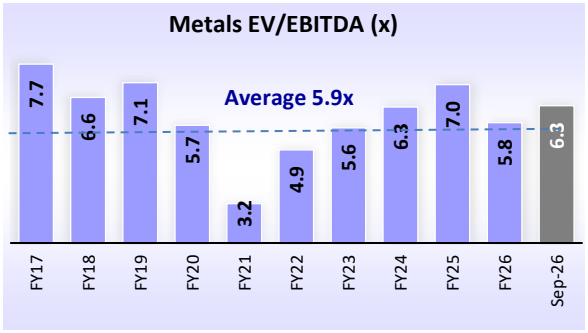
Pvt. Banks/NBFC/O&G/Cement/Real Estate trade below their historical averages (2/2)

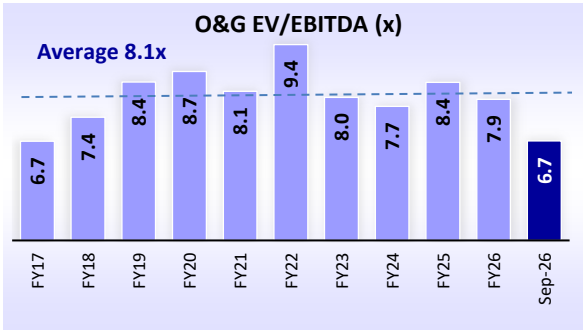
❖ On a 12-month forward **P/B basis**, Private Banks and NBFC Lending trade at a 25% and 2% discount to their LPA, respectively. In contrast, PSU Banks trade at a 21% premium to their respective LPA. On a 12-month forward **EV/EBITDA** basis, O&G and Real Estate are trading at a discount of 17% and 14%, to their LPA, respectively. In contrast, Metals (+7%) and Utilities (+12%) are trading above their LPA valuations.

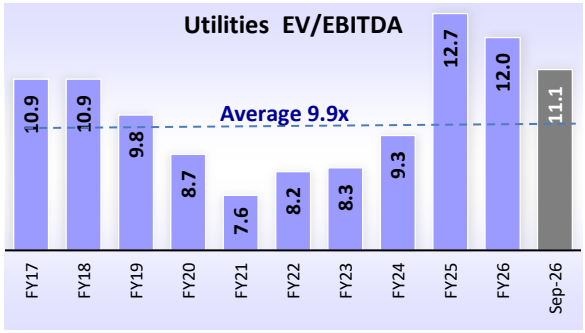


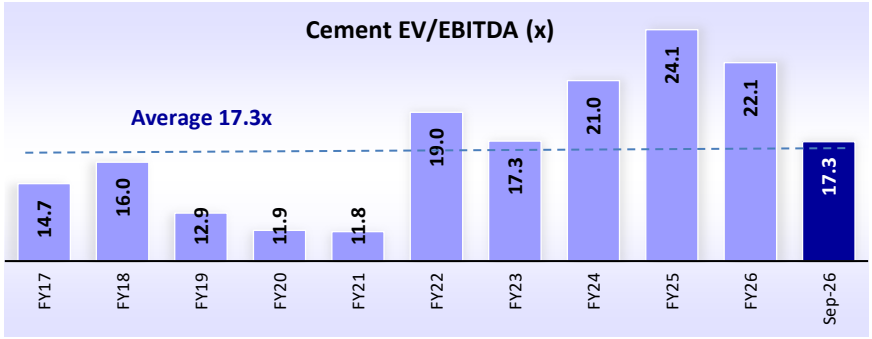


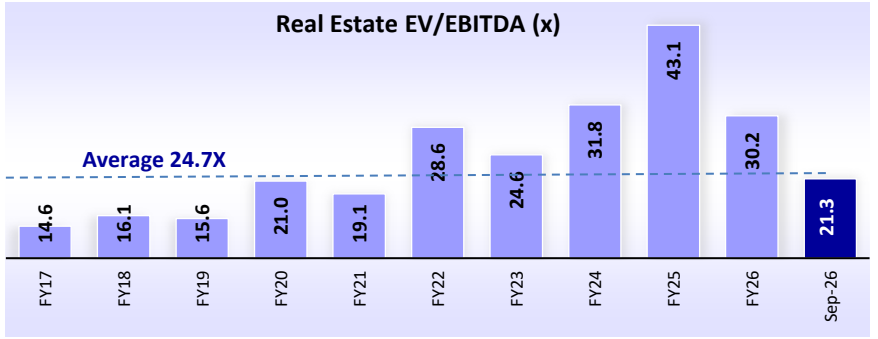










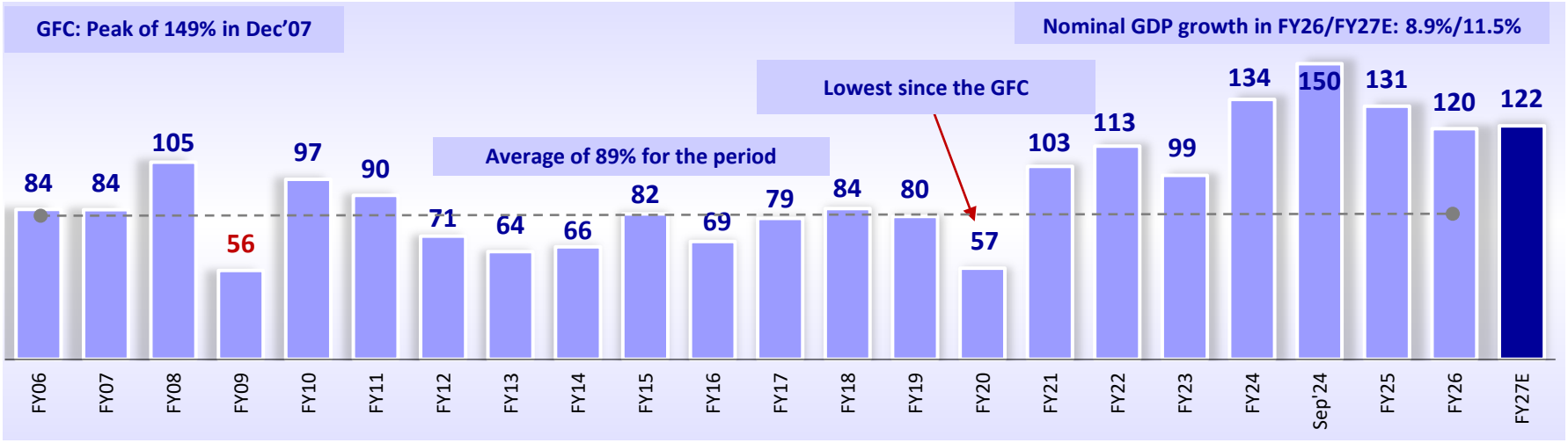


Note: The data represent the 12-month average of one-year P/B across and EV/EBITDA across MOFSL Universe sectors; blue and grey bars represent the latest sectoral valuations below and above the 10-year average, respectively. LPA: Long period average.

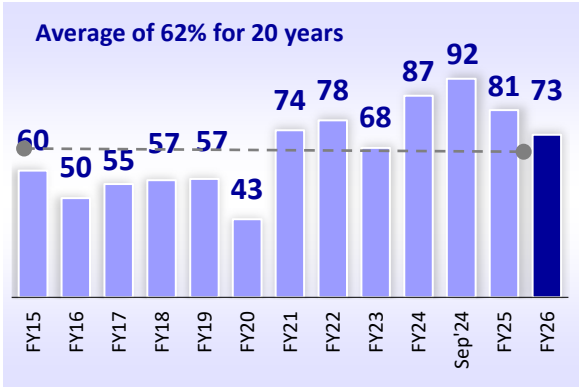
India’s market cap-to-GDP ratio remains well below the two-year high

- Following the strong GDP print and revisions, India’s market cap-to-GDP ratio is expected to moderate to 122% in FY27E from 150% at its Sep’24 peak, although it remains above 120% in FY26. Nevertheless, the ratio remains 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.

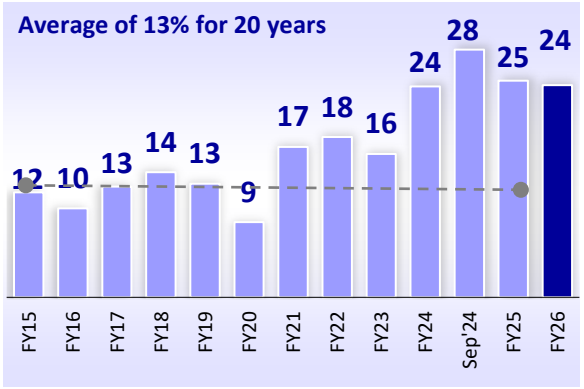
Market cap-to-GDP ratio (%) – Overall



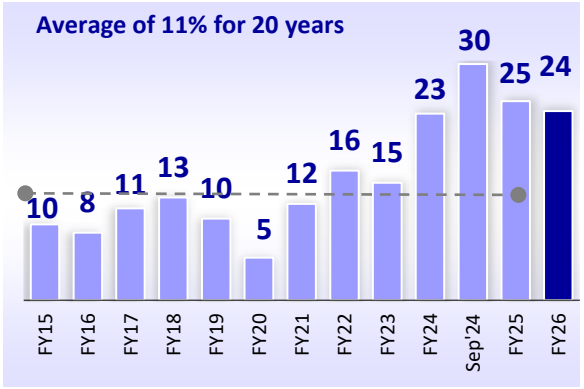
Mcap-to-GDP ratio (%) –Top 100 Large-caps



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	113.9	1,741	44.2	57.8	80.9	35.4	39.4	30.1	21.5	6.5	5.7	4.9	20.5	22.6	27.3
ICICI Bank	98.5	1,306	70.2	83.7	96.6	17.3	18.6	15.6	13.5	2.8	2.4	2.1	16.1	16.8	16.8
St Bk of India	92.1	954	91.8	97.2	110.4	9.7	10.4	9.8	8.6	1.5	1.4	1.2	17.3	15.9	15.8
Titan Company	42.4	4,535	57.9	73.7	90.6	25.1	78.4	61.6	50.1	25.7	19.9	15.6	37.7	36.4	34.9
Adani Enterprises	40.8	2,824	13.6	44.8	61.2	111.8	207.2	63.0	46.2	4.5	3.8	3.5	2.4	6.1	7.2
M & M	38.1	2,851	130.7	135.9	168.6	13.6	21.8	21.0	16.9	4.6	4.0	3.4	23.1	20.4	21.6
Eternal	30.2	314	0.4	2.0	4.7	242.5	781.2	154.7	66.6	9.2	8.7	7.7	1.2	5.8	12.3
Bharat Electronics	29.6	384	8.3	9.6	11.2	16.2	46.3	40.0	34.3	11.8	9.3	7.4	25.5	23.1	21.5
Hindalco Inds.	21.7	944	83.5	114.2	100.0	9.4	11.3	8.3	9.4	2.0	1.6	1.4	18.2	21.5	15.9
Interglobe Aviat	20.0	4,921	-31.5	139.6	223.0	LP	NM	35.3	22.1	29.3	16.0	9.5	-15.5	59.0	54.1
Shriram Finance	19.2	943	53.1	60.1	71.1	15.6	17.7	15.7	13.3	2.7	1.9	1.7	16.4	15.5	13.5
BSE	13.1	3,046	60.4	83.5	97.3	LP	50.4	36.5	31.3	18.6	13.4	10.1	44.4	42.7	36.7
Apollo Hospitals	12.2	8,116	136.0	173.1	199.7	LP	59.7	46.9	40.6	11.9	9.5	7.7	22.1	23.3	21.7
Top Non Nifty-50 ideas															
TVS Motor Co.	20.2	4,021	76.7	94.7	118.2	24.1	52.4	42.5	34.0	17.0	12.6	9.7	34.4	34.1	32.2
Lenskart Solutions	12.4	691	3.1	5.5	8.4	65.7	224.8	126.2	81.9	13.5	12.2	10.6	7.1	10.2	13.9
GE Vernova T&D	11.1	4,270	50.0	61.8	80.9	27.1	85.4	69.1	52.8	40.6	27.8	19.6	57.4	47.7	43.5
SBI Funds Mgmt.	10.9	501	15.1	17.1	20.4	16.3	33.2	29.3	24.6	17.1	13.8	11.3	43.0	52.2	50.7
Meesho	10.8	219	-2.7	-0.6	1.0	LP	NM	NM	211.6	22.8	23.2	20.0	-41.7	-6.5	10.1
Indian Hotels	10.8	716	13.2	15.3	19.1	20.4	54.3	46.9	37.5	7.8	6.7	5.7	15.5	15.4	16.6
Dixon Tech.	8.2	12,700	139.7	156.5	259.5	36.3	90.9	81.2	48.9	16.5	12.7	10.2	22.1	17.7	23.1
Coforge	7.7	1,825	35.2	60.2	77.0	47.9	51.9	30.3	23.7	8.0	3.3	3.1	16.5	15.5	13.5
Radico Khaitan	6.1	4,268	45.3	67.3	81.9	34.4	94.2	63.4	52.1	17.6	14.4	11.8	18.7	22.7	22.6
Physicswallah	3.7	120	-0.1	1.1	2.0	LP	NM	109.6	59.7	7.5	7.0	6.3	-0.8	6.6	11.1
Kirloskar Oil	3.5	2,242	31.9	41.1	61.0	38.3	70.3	54.6	36.7	9.7	8.5	7.2	14.6	16.6	21.2
Inventurus Knowledge	3.1	1,776	42.3	50.3	60.7	19.8	42.0	35.3	29.3	10.8	8.3	6.5	31.4	26.6	24.8
RBL Bank	2.6	412	13.3	14.5	22.9	31.3	31.0	28.4	18.0	1.5	1.5	1.4	5.2	7.5	8.0
Gabriel India	2.0	1,316	30.9	24.4	41.6	16.0	42.5	53.9	31.6	13.6	11.9	7.4	34.5	25.9	29.7

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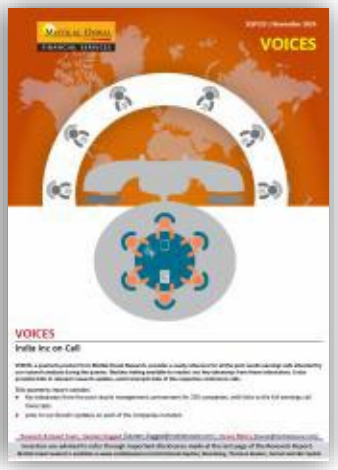
Quant Research & India Strategy Gallery











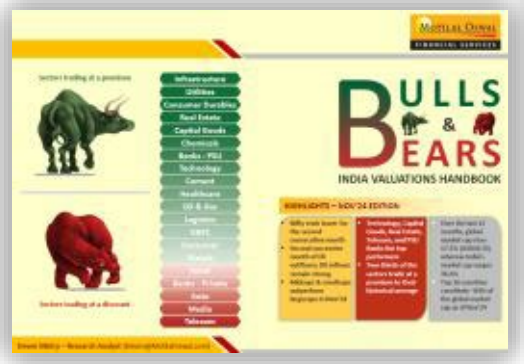












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Investment Rating	**Expected return (over 12-month)**
BUY	>=15%
SELL	< - 10%
NEUTRAL	> - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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