AXIS CAPITAL

India Strategy

2026 outlook – where earnings lead, markets follow

Strategy Report | December 10, 2025

The intense headwinds from simultaneous fiscal and monetary tightening in FY25 are now behind us. The tailwind from monetary easing is being supported by continuing reform momentum (labour codes, end of QCOs, EoDB). We expect above-consensus GDP growth of 7.5% in FY27E and upgrades to the market's trend-growth assumptions. As policy targets economic slack, growth can remain above trend for longer without generating inflation. For markets, this means an end to earnings cuts, driving the 12-month-forward index EPS higher by 14% over CY26E through roll-forward gains, after being nearly flat through CY25. We expect P/E multiples to be supportive, given premiums to world and EM are below 10Y averages, equity demand from DIIs (steady SIPs, strong insurance) may exceed high equity supply, and evidence of returning growth could stem FII outflows. We continue to prefer investment over consumption.

Exhibit 1: FY27E forecasts – growth accelerates to 7.5%; inflation moderates to 4%

Key macro indicators	FY23	FY24	FY25	FY26E	FY27E
GDP growth (%)	7.6	9.2	6.5	7.5	7.5
Average CPI inflation (%)	6.7	5.4	4.6	1.8	4.0
Current account deficit % of GDP	2.0	0.7	0.6	1.2	1.3
Fiscal deficit % of GDP	6.5	5.5	4.7	4.4	4.2
Repo rate year-end	6.50	6.50	6.25	5.25	5.25
10Y G-sec yield year-end	7.3	7.1	6.6	6.4	6.1

Source: Bloomberg, Axis Capital

India to remain the fastest growing economy, with 7.5% growth in FY27E

Growth headwinds from the mostly intended fiscal and largely unintended monetary tightening that slowed the economy in FY25 have abated, resulting in growth revival in FY26. In FY27E, we expect monetary easing to drive above-trend growth of 7.5%; while regulatory easing (e.g., EoDB, revoked QCOs, new labour codes) boosts growth over the medium term, their announcement boosts sentiment. Given significant economic slack, growth can stay above trend for a while before inflationary pressures warrant policy tightening. The incessant structural pressure of Chinese exports (to India's export markets) and higher global capital costs are challenges, but not enough to derail growth.

Roll-forward gains in index EPS to resume as economic growth normalizes

12-month-forward (12MF) Nifty EPS flattened in CY25, as roll-forward gains were offset by multiple cuts to FY25-27 estimates. However, with economic disappointments ending, the cuts have slowed (Nov saw upgrades), helping roll-forward gains to resume. We expect 12MF earnings to rise 14% in CY26E. Over and above profits growing faster than nominal GDP (GDP = wage + profits, and labour market has slack), bottom-up analysis also supports earnings resilience. Nearly 46% of incremental FY26-28E index EPS is estimated to come from financials; the pickup in credit growth helps. Among other major sectors, we expect resilient earnings estimates in IT, energy, and industrials.

P/E high but supported by steady demand-supply and lower premium to world

The spate of new listings is reshaping the market: in the past five years, 126 new entrants to the BSE500 have added 21% to incremental market capitalization. Exits for PE/VCs via IPOs, while a drag on the INR in the short run, bode well for inflows, going forward. We expect market P/E to remain supported: demand for equities (steady SIPs, strong insurance flows) remains robust, and more than matches high supply (ECM deals, promoter block sales) even if FII and discretionary MF flows remain patchy. Significant underperformance has pushed India P/E premium to world below its 10Y mean. We prefer investment over consumption: OW on financials, industrials; UW on metals, pharma.

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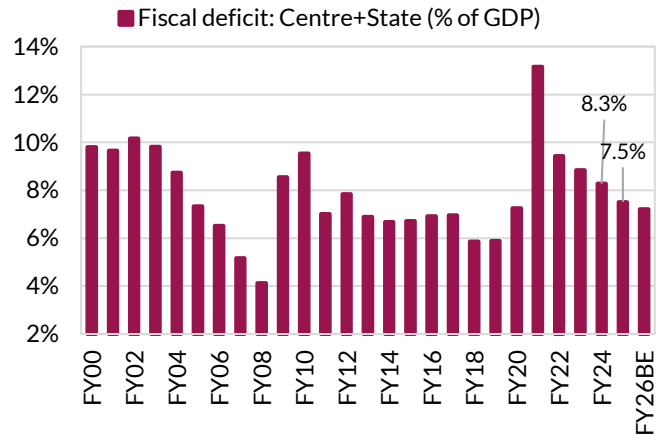
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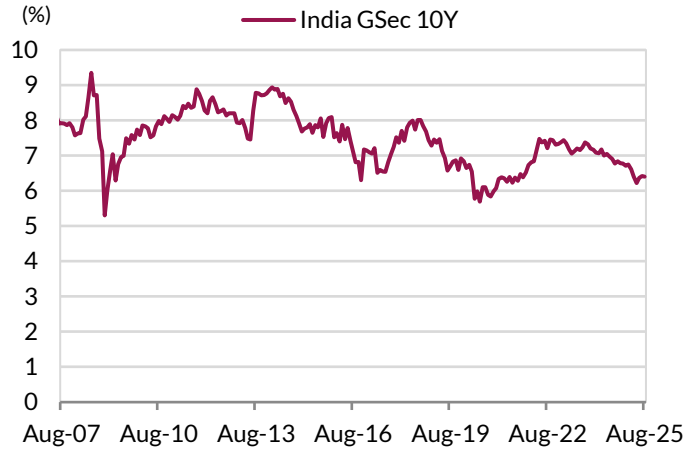
Story in Charts

Exhibit 2: FY26 fiscal consolidation 30 bps vs 130 bps in FY25



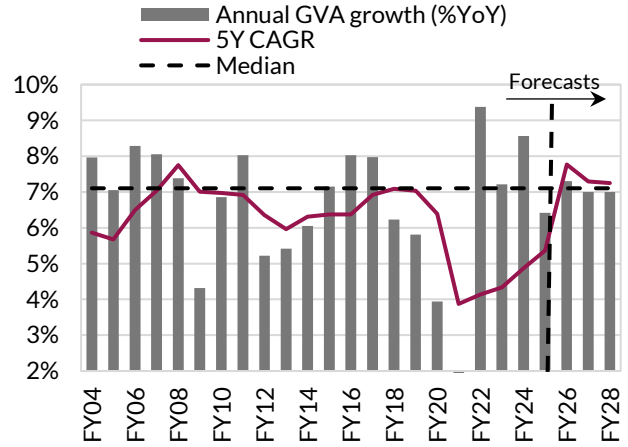
Source: RBI, Union budget, Axis Capital

Exhibit 3: RBI credibility and fiscal discipline → lower rates



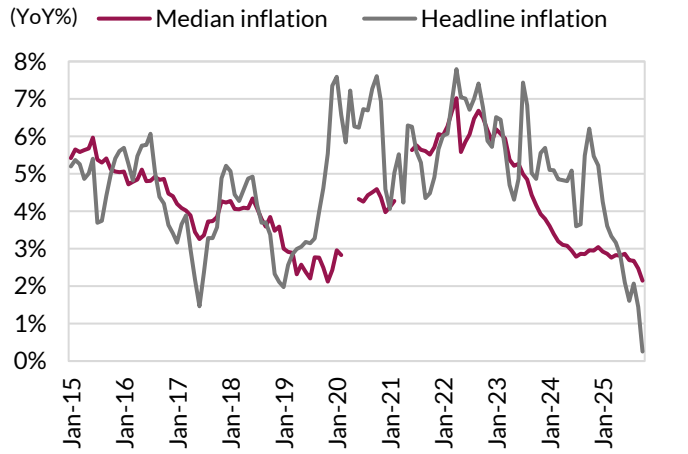
Source: Bloomberg, Axis Capital

Exhibit 4: Trend growth has been at 6-7% for 25 years



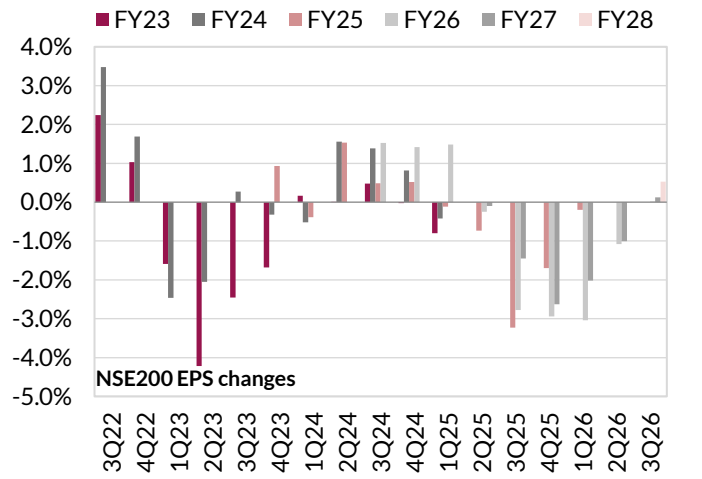
Source: MOSPI, Axis Capital

Exhibit 5: Weak inflationary pressure implies economic slack



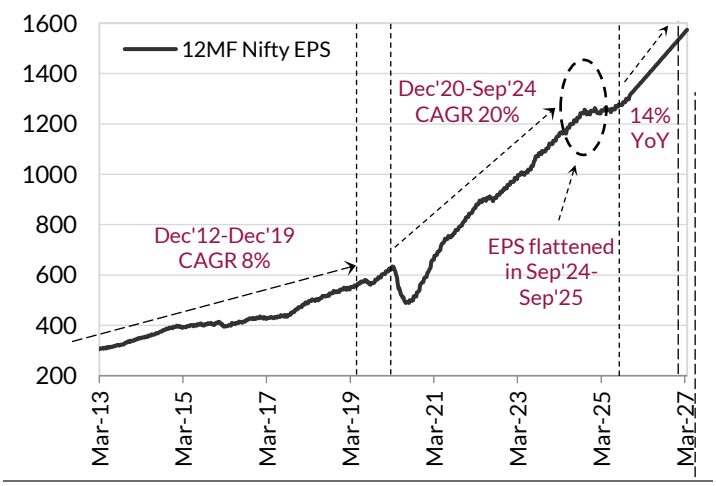
Source: MOSPI, RBI, Axis Capital

Exhibit 6: Streak of EPS cuts ended in Nov with minor upgrades



Source: Refinitiv, Axis Capital

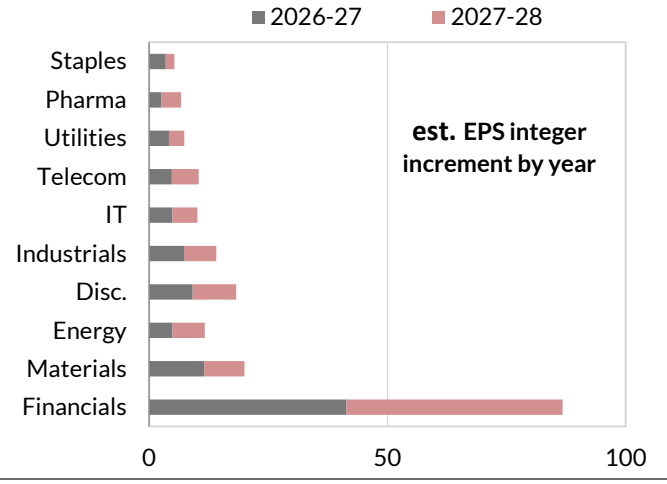
Exhibit 7: Roll-forward gains likely to grow 14% in CY26E



Source: Refinitiv, Axis Capital

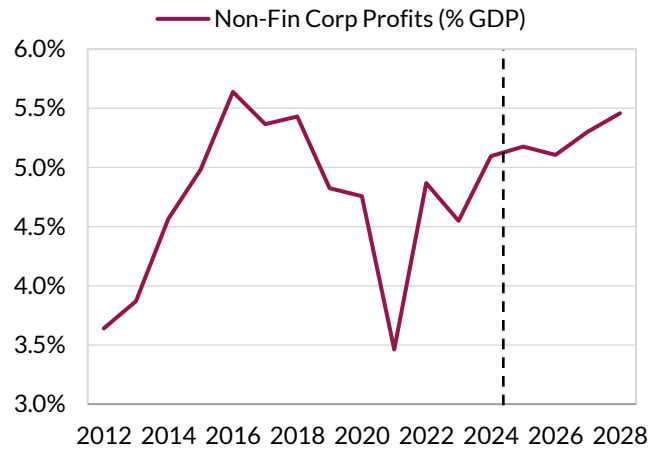
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Exhibit 8: Financials add 46% of FY26-28E incremental EPS



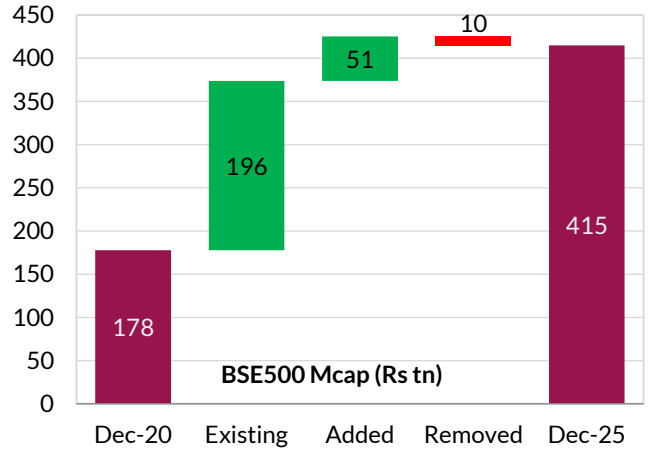
Source: Refinitiv, Axis Capital

Exhibit 9: Corporate profit has risen from the lows of past decade



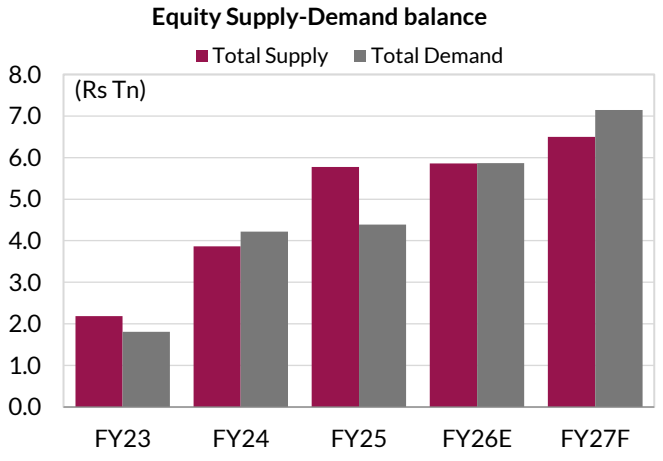
Source: Refinitiv, MOSPI, Axis Capital

Exhibit 10: 374 existing members see >2x market cap in 5 years



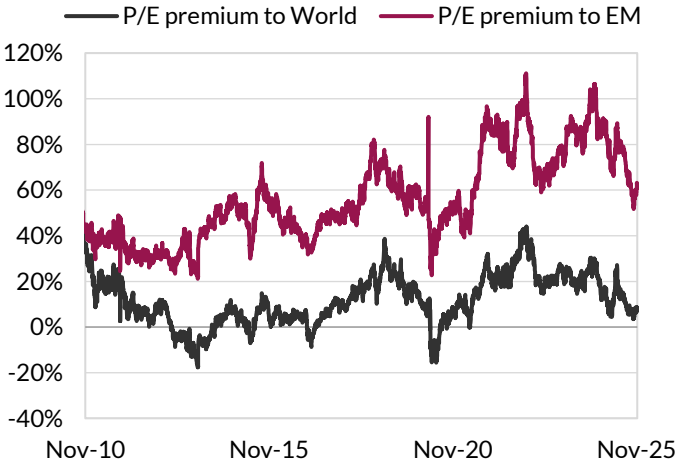
Source: Bloomberg, Axis Capital

Exhibit 11: Equity demand likely to exceed supply in FY26/27E



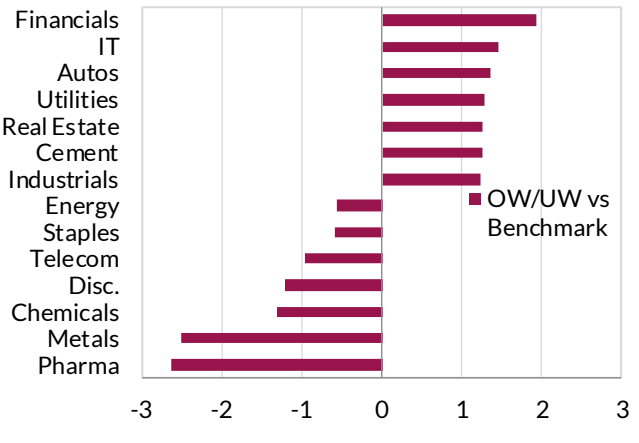
Source: Bloomberg, AMFI, Axis Capital

Exhibit 12: India's PE premium to world/EM lower than 10Y mean



Source: Bloomberg, Axis Capital

Exhibit 13: Axis Capital's model portfolio vs benchmark



Source: Refinitiv, Axis Capital

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Investment Summary

India to remain the fastest growing economy with 7.5% growth in FY27E

In FY25, headwinds from the mostly intended fiscal tightening in FY25 (80 bps of explicit decline in deficit and another 50 bps due to the GST compensation cess collected but not spent) and largely unintended monetary tightening (e.g., the instruction to banks in Apr'24 to reduce LDR forced overall credit growth to slow much more than intended) had slowed the economy sharply. As these abated, growth revived in FY26, further boosted by the GST cuts in Sep.

In FY27E, we expect monetary easing to drive above-trend growth of 7.5%. Fiscal tightening is expected to continue (though it would be much slower at 20 bps), but the revival in credit growth in response to much easier monetary conditions is a significant tailwind, as is regulatory easing (e.g., EoDB, revoked QCOs, new labour codes). We also believe that consecutive years of 7%-plus growth is likely to trigger upgrades to trend-growth estimates by various forecasters.

Inflation in FY27 should be higher, though, given the significant economic slack (5-11% depending on various estimates), growth could stay above-trend for a while before inflationary pressures begin to signal the need for policy tightening. Currently, median inflation measures indicate significant economic slack, which may take several years to close. More than the US-India trade deal, we worry about rising cost of capital globally and the unending surge in Chinese exports.

Roll-forward gains in index EPS to resume as economic growth normalizes

12MF Nifty EPS flattened in CY25, as roll-forward gains were offset by 12 consecutive months of cuts to FY25-27E estimates: 2.5-3% roll-forward gains every quarter were negated by equally large cuts to estimates. However, with economic disappointments ending, cuts have slowed (Nov saw upgrades), allowing for roll-forward gains to resume.

We expect 12MF earnings to rise 14% during CY26E. Market returns in CY26, in our view, will be affected by the direction of FY28E EPS (which will be the 12MF earnings used in Dec'26). Over and above profits growing faster than nominal GDP (GDP = wage + profits, and labour market has slack), bottom-up analysis is also supportive of earnings resilience. There is a broad-based improvement in the earnings trajectory compared to the 2014-19 period.

Bottom-up assessments also point to lower risks of large cuts. Nearly 46% of the incremental FY26-28E index EPS is estimated to come from financials; pickup in credit growth helps. Among other major sectors, we also expect resilient earnings estimates in IT, energy, and industrials.

P/E high, but supported by steady demand-supply and lower premium to world

The spate of new listings is reshaping the market: in the past five years, 126 new entrants to the BSE500 have added 21%, or Rs50tn, to incremental market capitalization. Over this period, BSE500 market cap has grown 2.3x, adding Rs237tn in value. IPOs have enabled exits for PE/VCs, which, while a drag on the INR in the short run, bode well for inflows, going forward.

We expect market P/E to remain supported: demand for equities remains robust (steady SIPs, now annualizing at Rs3.3tn, and strong insurance flows adding another Rs2.5tn) and could cross Rs7tn in FY27E, in our view. This should help match high supply (ECM deals, promoter block sales) even if FII and discretionary MF flows remain patchy. Significant underperformance (17% CTYD in US$ terms) has pushed India P/E premium to the world and emerging markets below its 10Y mean. FII flows have been routed to countries perceived as 'AI winners', i.e. China, South Korea, Japan, and Taiwan. India's falling weight in the benchmark index has also resulted in passive flows. Market performance is usually driven by swings in P/E multiples, while the likelihood of improving earnings should keep the market well supported, in our view. We prefer investment over consumption. We are OW on financials, industrials; UW on metals, pharma.

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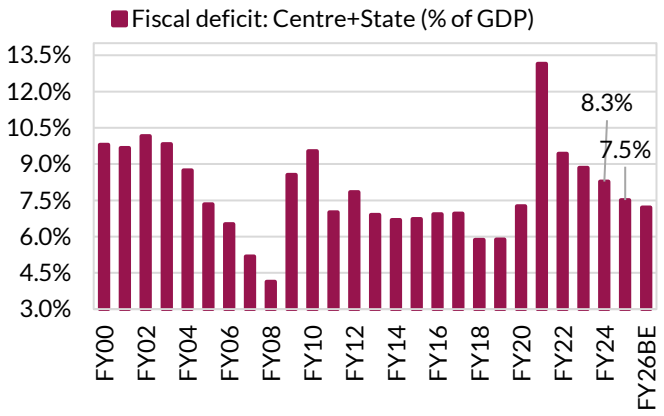
India to remain the fastest growing economy

Policy tightening in India reversed; benefits to be visible with lag

We see the loss in economic momentum in FY25 in India as cyclical and due to somewhat intended fiscal and largely unintended monetary tightening (like forcing banks to cut LDR) which hurt credit growth. In FY25, there was a direct 80 bps and an 'off-balance-sheet' 50 bps fiscal drag related to the GST compensation cess. We believe US tariffs matter much less than feared.

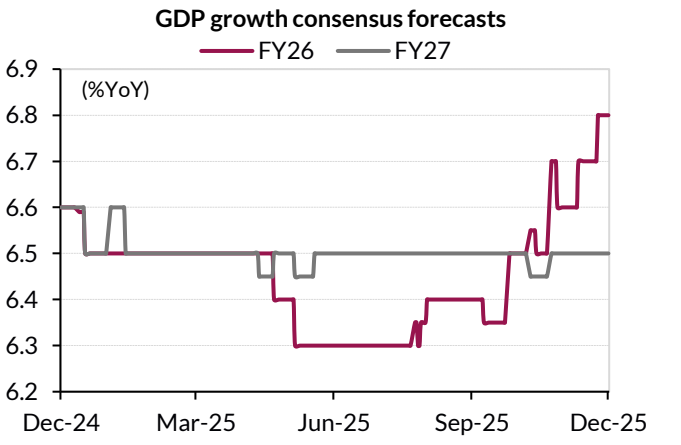
Not only has the fiscal drag slowed, monetary policy too now supports growth. Domestic cyclical revival matters more for demand, supported by lower borrowing costs, regulatory easing and continued policy support. Consensus has raised forecasts for FY26E but is still too conservative, and FY27E estimates are still unchanged: we expect upgrades to both.

Exhibit 14: FY26E fiscal consolidation 30 bps vs 130 bps in FY25



Source: RBI, Union budget, Axis Capital

Exhibit 15: Monetary easing transmission takes 2-4 quarters

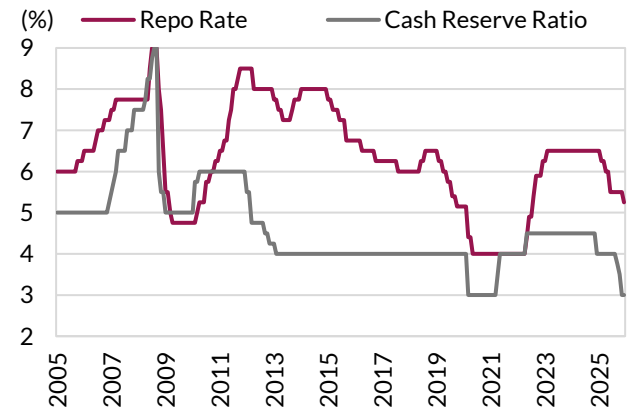


Source: RBI, Axis Capital

Cuts to CRR and risk weights likely to intensify eventual recovery

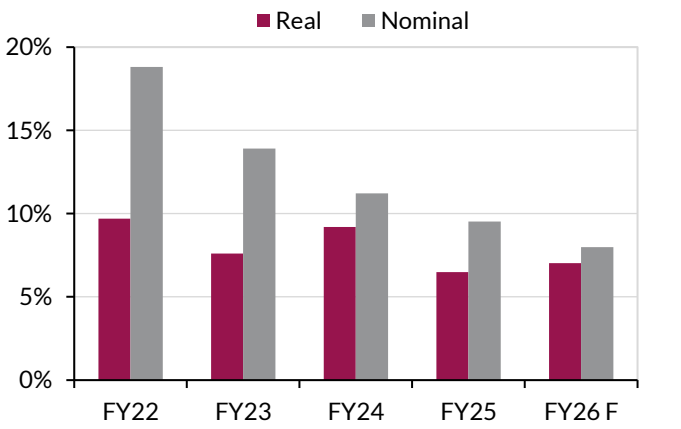
Decisive signals from the RBI have restarted the credit channel, the most important driver of monetary transmission, in addition to lower rates helping loan demand. Reduced risk weights and reserve ratios are likely to amplify the credit cycle (link). Once loan growth picks up, pro-cyclical momentum can take it to low-to mid-teen growth YoY. Factors that dampened the credit recovery during the 2014-16 cuts, like damaged balance sheets of borrowers and lenders, are absent; banks now have stronger capital buffers (link).

Exhibit 16: FY27E consensus growth est. likely conservative



Source: Bloomberg, Axis Capital

Exhibit 17: Pessimism on growth driven by slowing NGDP

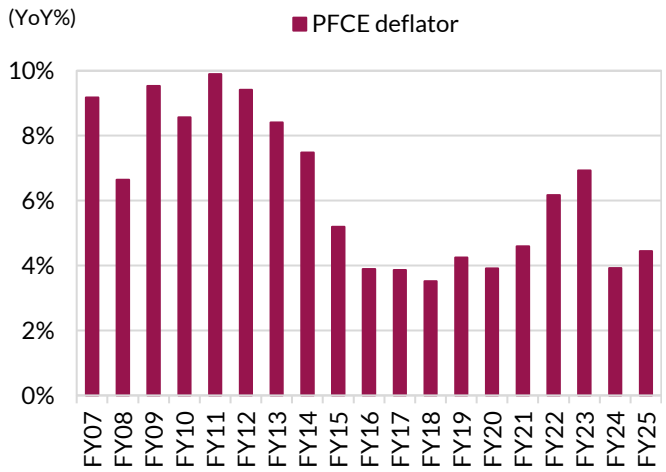


Source: MOSPI, Axis Capital

India's macro stability an outcome of reforms over past 10 years

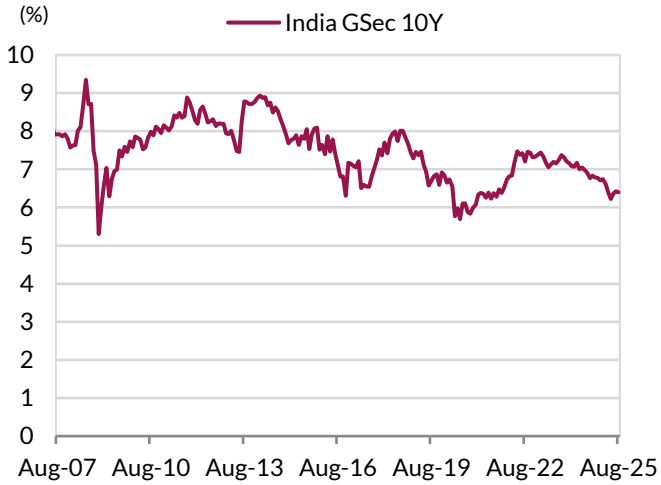
India's second-generation fiscal rules under the FRBM Review Committee and the adoption of a Flexible Inflation Targeting (FIT) framework represent foundational reforms. These measures anchored inflation expectations and delivered price stability (excluding the Covid shock), with inflation averaging close to the 4% target. The credibility of this regime has been reflected in lower sovereign yields, signaling improved risk pricing in bond markets.

Exhibit 18: Inflation in India has seen a regime shift



Source: MOSPI, Axis Capital

Exhibit 19: RBI credibility and fiscal discipline → lower rates

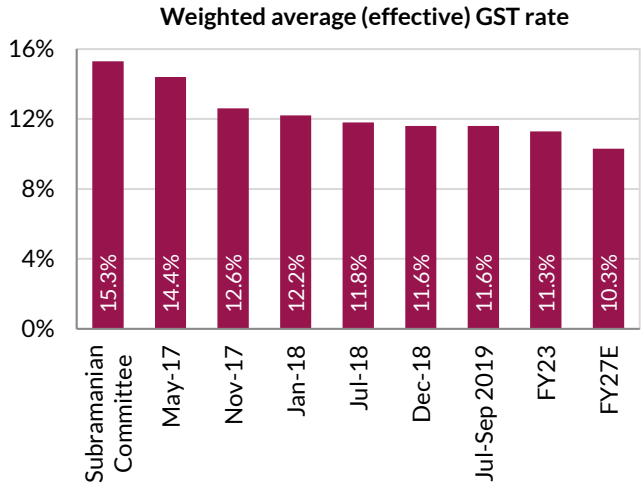


Source: Bloomberg, Axis Capital

GST redesign after eight years: A structural reform to boost growth

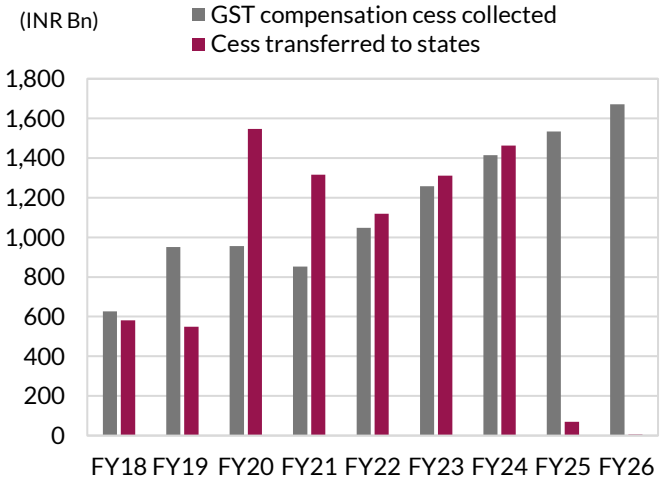
The GST changes implemented in Sep'25 were not only a fiscal boost to growth, but also a simplification (fewer slabs), and make the government's stance more contemporary: in today's India, small cars are not luxury goods, and branded FMCG do not warrant high rates. These changes should improve compliance, reduce disputes, and cut some working capital strain from delayed tax credits. As evidenced by the unchanged borrowing targets for FY26, this consumption stimulus (~0.5% of GDP) is paid for by the compensation cess being subsumed, making it broadly neutral fiscally (link, link).

Exhibit 20: ~1 pp lower effective GST from structural reform…



Source: Finance Ministry, RBI, GST RNR Committee, Axis Capital

Exhibit 21: …also, a one-time fiscal stimulus (0.5% of GDP)



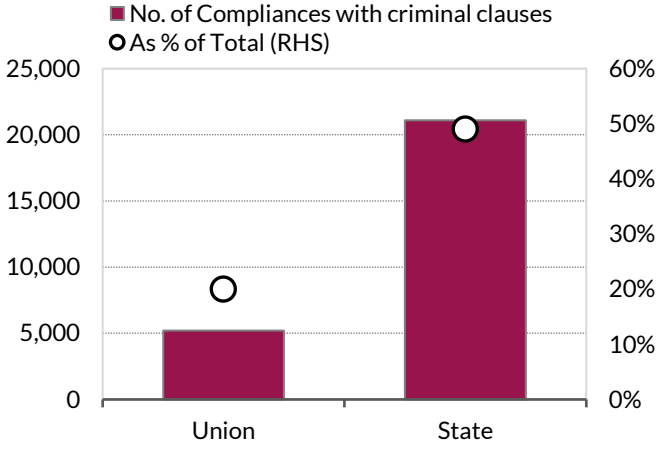
Source: RBI, Axis Capital

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Labor deregulation: Reforms in the states before the centre

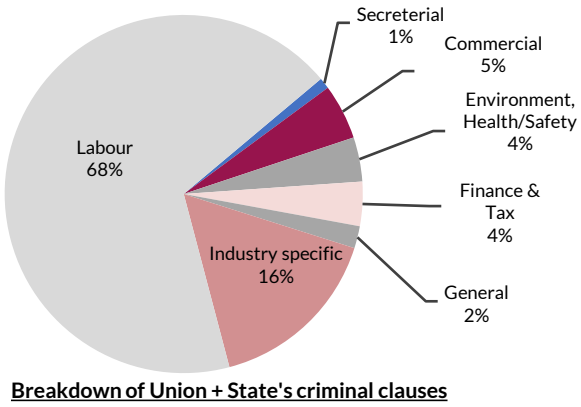
Indian firms are governed by 1,500+ acts and rules, 69k+ compliance rules, and 6k+ filings, with labor being the most regulated segment (32k+ compliances). Regulatory burden increases as the establishment's scale increases (licenses, registrations, filings). Too many laws and clauses deter new businesses. India consolidated 29 labor laws into four codes – Code on Wages, Industrial Relations, Social Security, and Occupational Safety & Health – effective Nov'25. These reforms aim to simplify compliance, modernize outdated provisions, and expand worker protection, thereby enhancing formalization and aligning India with global standards (link, link).

Exhibit 22: Each business complies with thousands of clauses



Source: TeamLease RegTech, Axis Capital

Exhibit 23: Most criminal clauses for business relate to labor

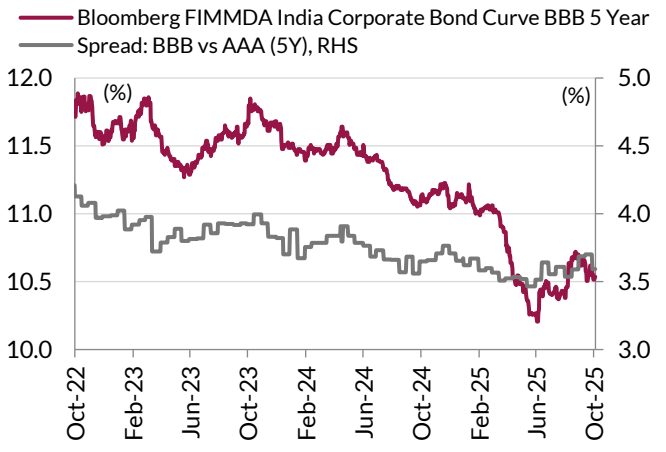


Source: TeamLease RegTech, Axis Capital

Financial deregulation: Improving EoDB may help drive credit growth

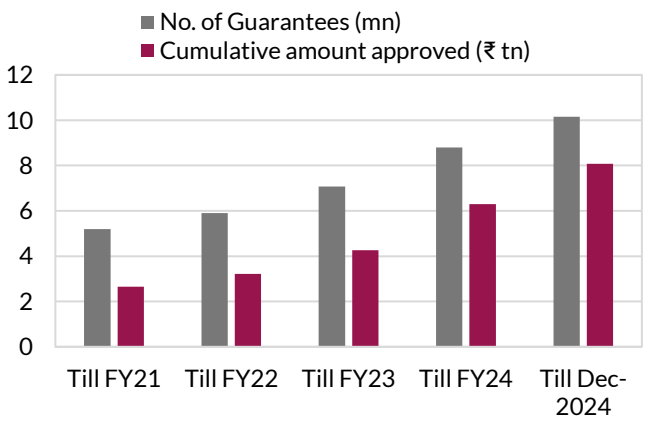
The Oct MPC decision to remove the proposed bar on overlap in the businesses of a bank and group and leave the 'strategic allocation of business streams among group entities… to the wisdom of bank boards' was a positive step. The RBI has allowed banks to do acquisition financing, reversing a 2004 decision, raised thresholds for lending against securities, and clarified the ECL framework for provisioning. We expect credit to MSMEs to contribute higher. In FY25, MSMEs' share of incremental non-food credit rose due to: (1) sharp fall in rates, (2) government credit-loss guarantees, (3) data-driven underwriting (GST returns/utility bills); and (4) stressed loans moderation (link). Government initiatives to increase registration (Udyam) have helped.

Exhibit 24: Lower base rates help: lower risk premium and Rf



Source: Bloomberg, Axis Capital

Exhibit 25: MSME credit guarantee coverage up 3x vs FY21



Source: MSME Reports, Axis Capital

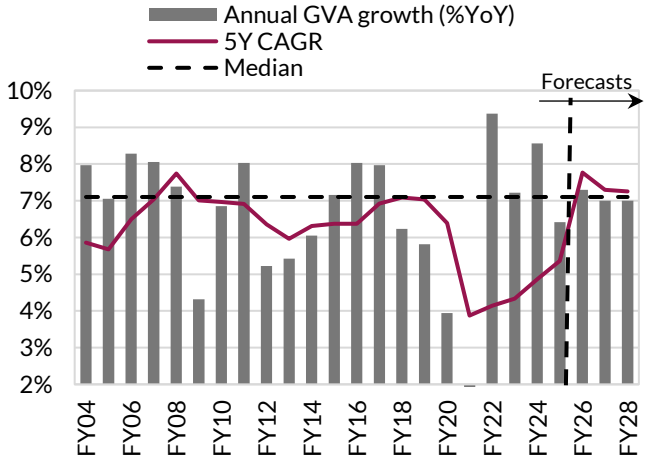
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Structural growth drivers intact: Recovery in capital formation to drive growth

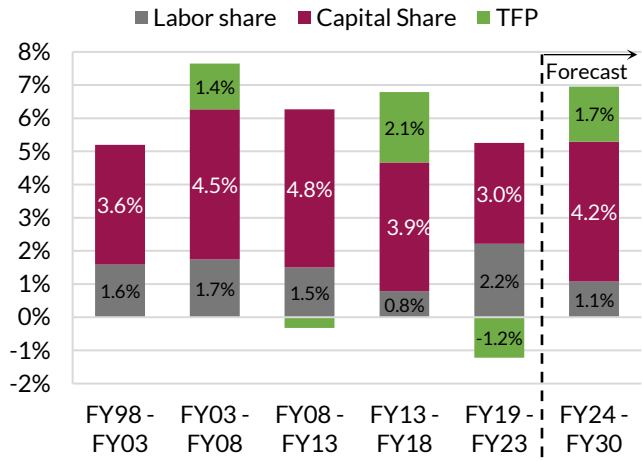
Over the past three decades, trend growth (seen as five-year average) through varying external environments, fiscal stance, and under different governments, has been at 6-7%. The five-year CAGR came close to 8% only in the FY03-08 period, when workforce was expanding rapidly and up-cycles in power generation, real estate, and global growth boosted capital formation. Over the next three to five years, we expect growth to exceed 7%, with steady labor growth adding ~1 pp annually to GDP growth. Similarly, continuing reforms should keep TFP growth high, accelerating the catchup to the productivity frontier across a range of sectors.

Exhibit 26: Trend growth has been at 6-7% for 25 years



Source: MoSPI, Axis Capital

Exhibit 27: Expect 7% trend growth, realistically

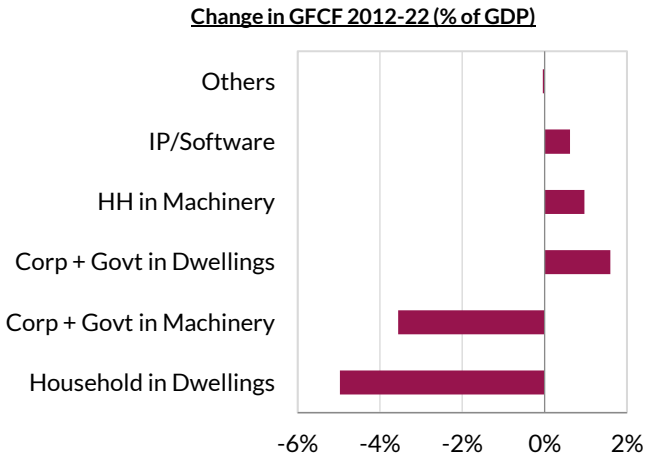


Source: RBI, Axis Capital

2012-21 investment slowdown driven by real estate, power generation, manufacturing

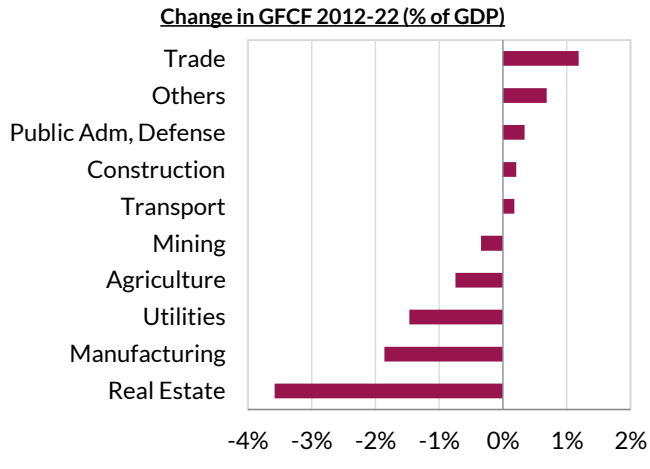
The slowdown pre Covid was driven primarily by investments. India's investment-to-GDP ratio fell sharply from 34% in 2012 to 27% in 2021, driven primarily by a fall in households' spending on real estate, and corporate capex on machinery for utilities and manufacturing. Manufacturing capex by corporates as a share of GDP fell most in sectors linked directly with real estate and construction, like cement and steel, and these are the sectors that contribute the most to overall manufacturing capex in India. While service-based industries and software investments picked up during the period, they matter less to the overall private corporate capex.

Exhibit 28: HH in dwellings led FY12-22 capex slowdown



Source: MOSPI, Axis Capital

Exhibit 29: Slowdown led by RE, utilities, and manufacturing



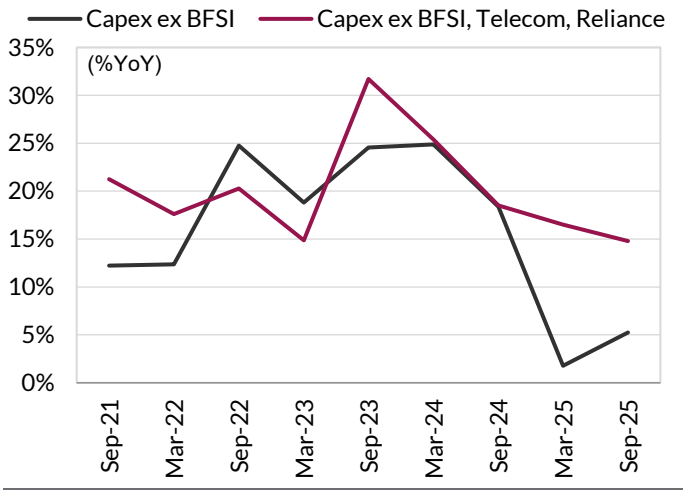
Source: CMIE, Axis Capital

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H1FY26 corporate capex weak, but mostly due to lower capex in telecom

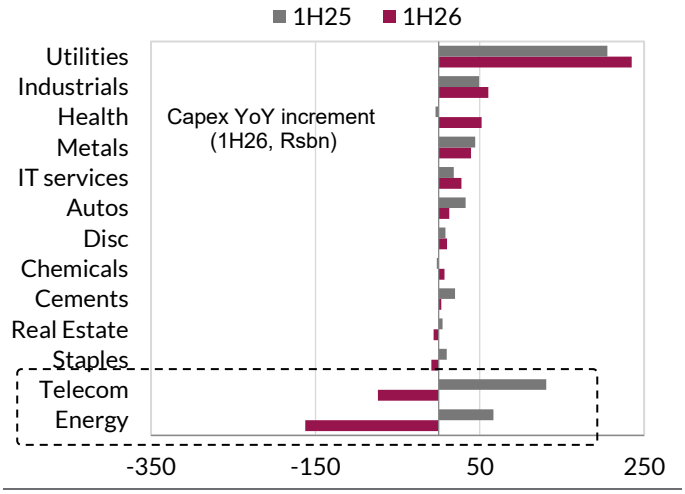
NSE200 (ex-Financials) capex grew just 5% YoY in H1FY26, better than the 1% growth in H2FY25 but well below the 18% CAGR between Sep'19 to Sep'24. Adjusted for the end-of-5G decline in telecom and Reliance (likely to be Jio), capex grew 15% YoY, in line with the past few years' trends (link). In aggregate, capex was only 62% of operating cashflows (OCF): a measure of how firms utilize internal accruals, below the post-Covid range and well below 2012-16 levels. Capex growth has been strong in power (Adani, JSW, Power Grid) and industrials (Adani Ports, L&T). Although weak power demand (link) and high leverage, especially in renewables, are risks, we do not expect capex intensity to slow in 2026E.

Exhibit 30: NSE200 capex growth weak at 5% YoY in H1FY26…



Source: Capitaline, Axis capital

Exhibit 31: …driven mostly by telecom and energy (incl. Jio)

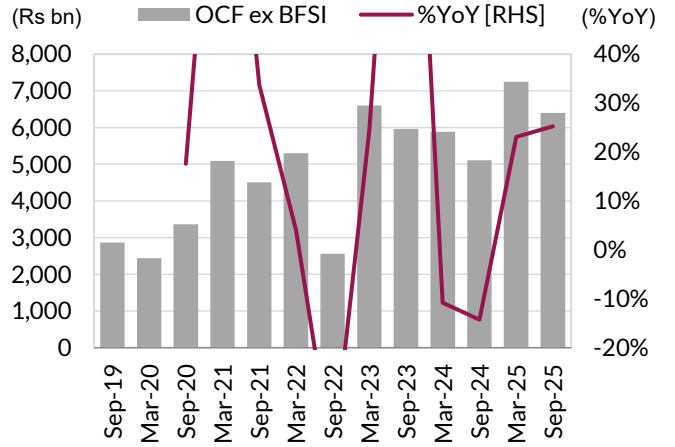


Source: Capitaline, Axis capital

Strong OCF, lower leverage, low cost of capital bode well for capex uplift in FY27

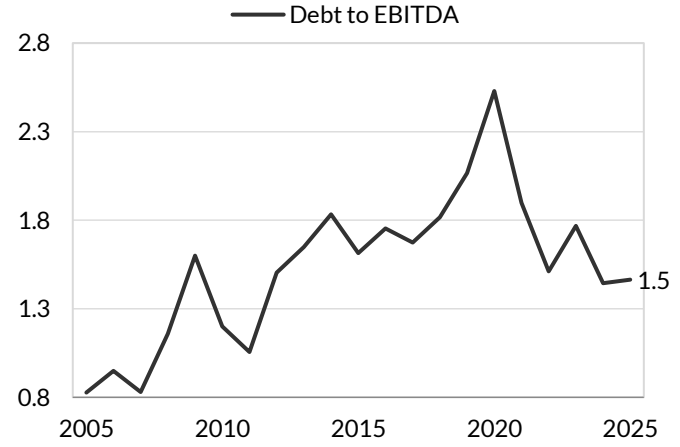
In H1FY26, YoY OCF growth for BSE200 ex-financials picked up 25% YoY as PBT grew 23% YoY (mostly better margins; revenues grew just 7% YoY). Strong OCF and weaker capex growth meant lower addition of net debt, resulting in net debt-to-EBITDA remaining near decadal lows. With strong internal accruals, reduced leverage, and lower cost of capital (both debt and equity), we expect limited capital constraints for corporates. We believe the real estate and power-generation cycles remain in good health, and once cyclical headwinds fade, higher demand clarity should push up corporate capex in FY27E.

Exhibit 32: OCF growth rises to 25% YoY in H1FY26



Source: Capitaline, Axis capital

Exhibit 33: Net debt-to-EBITDA remains at decadal lows

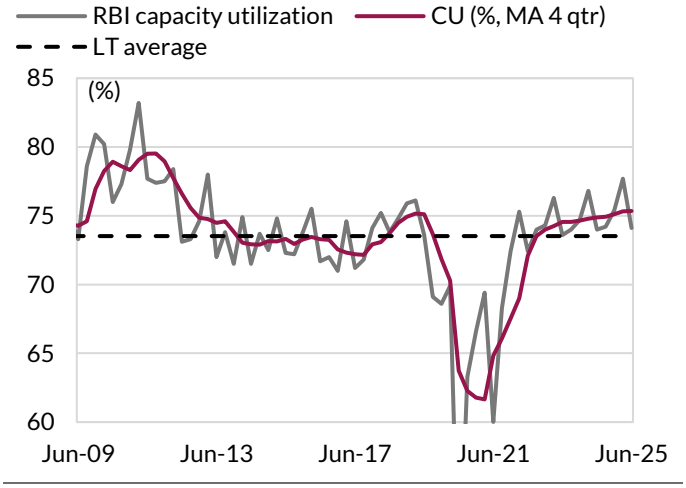


Source: Capitaline, Axis capital

Industrial utilization now warrants new capex; power generation needs capacity

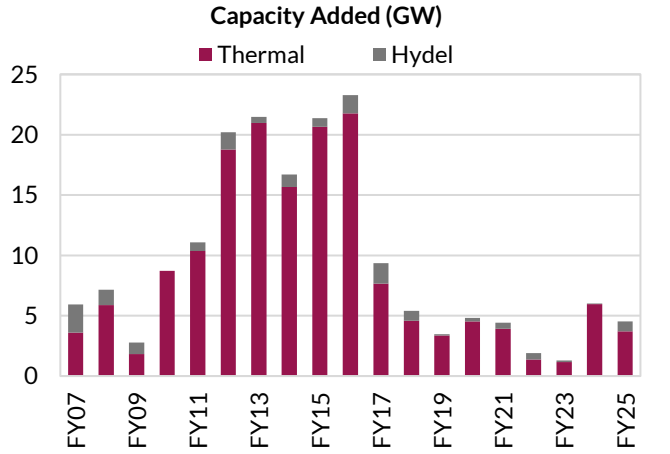
Industrial capacity utilization has reached pre-Covid levels, and the order backlog for capital goods companies shows that investment activity will likely grow rapidly. For example, in utilities, excessive capacity addition during 2012-16 necessitated a drop in capex, as India completed 20-25 GW of power generation capacity every year, much more than the growth in demand. With limited capacity addition for the past eight years, the industry needs more capacity, and we expect strong corporate capex in the energy ecosystem.

Exhibit 34: Industry capacity utilization → long-term average



Source: RBI, Axis Capital

Exhibit 35: Thermal power generation capacity addition fell

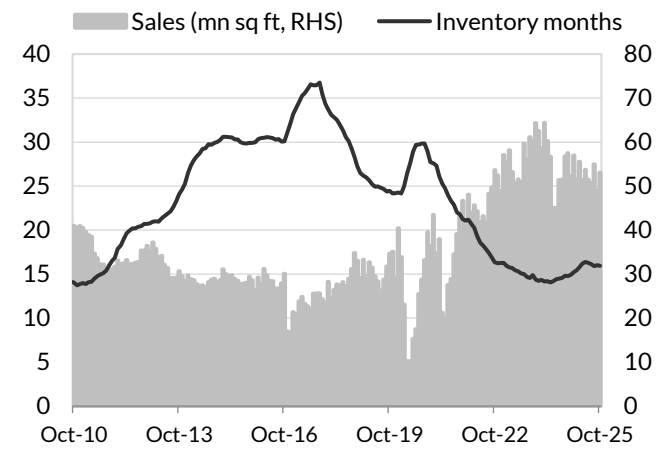


Source: CMIE, Axis Capital

Real estate investment cycle: low inventory → increase in construction

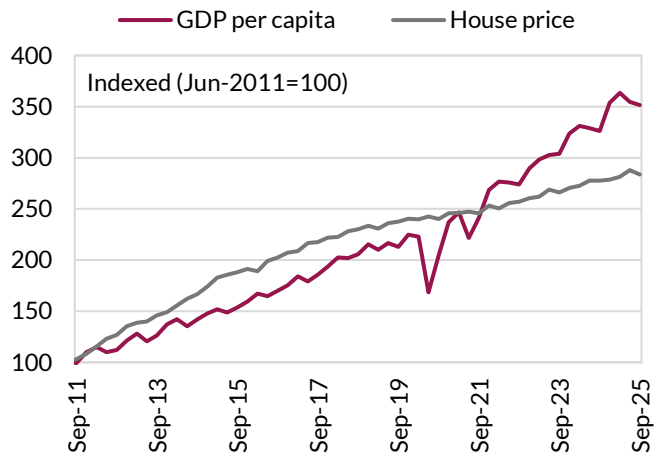
We also expect construction to see strong growth, supported by continuing steady expansion of commercial real estate and structural demand drivers such as a growing population, shrinking household size, rising urbanization, higher built-up area per capita, and improving construction quality. Housing inventories in the Top 8 cities, when seen as the number of months of sales, are now down to levels seen 15 years back. This was the point in the earlier cycle where we saw construction speed up. We expect the improvement in real estate construction to also boost demand for construction materials, implying strong corporate capex in steel and cement. In prior real estate up-cycles, their demand growth was 4-5 pp faster annually.

Exhibit 36: Inventory in Top 8 cities at cyclical lows



Source: PropEquity, Axis Capital

Exhibit 37: Income growth now faster than real estate prices



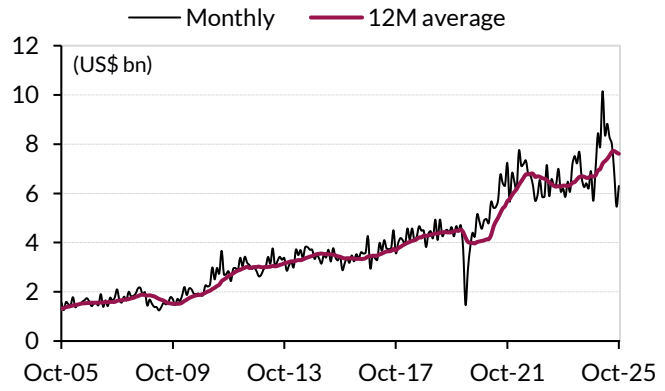
Source: RBI, MOSPI, Axis Capital

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Competition from China, not just US tariffs, hurt India's export growth

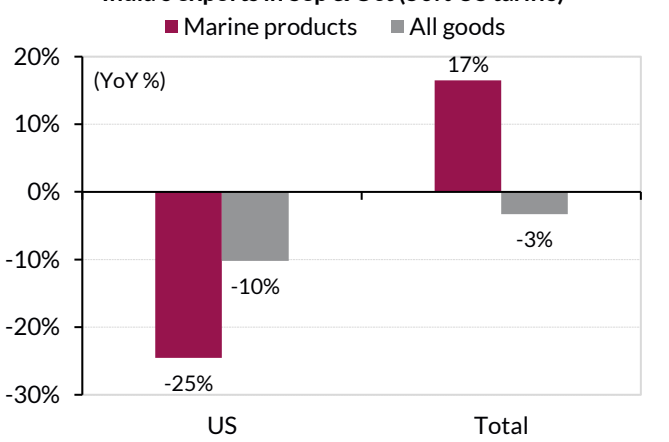
In Sep/Oct'25 – the two months under 50% US tariffs – India's exports fell 3% YoY (-10% YoY to the US). This export weakness is not solely due to US tariffs though: (1) exports to the US are still adjusting to past-front loading; and (2) India's marine exports, where the US share was 30% pre tariffs, grew 17% YoY (Exhibit 41), indicating exporters can find alternative markets to sustain growth. Indian exporters are likely being hurt by aggressive Chinese dumping in their markets (link, link), a threat that is set to worsen (link, link).

Exhibit 38: India's US exports adjusting to past front-loading



Source: MOSPI, Axis Capital

Exhibit 39: Exports of marine products up 17% YoY in Sep-Oct

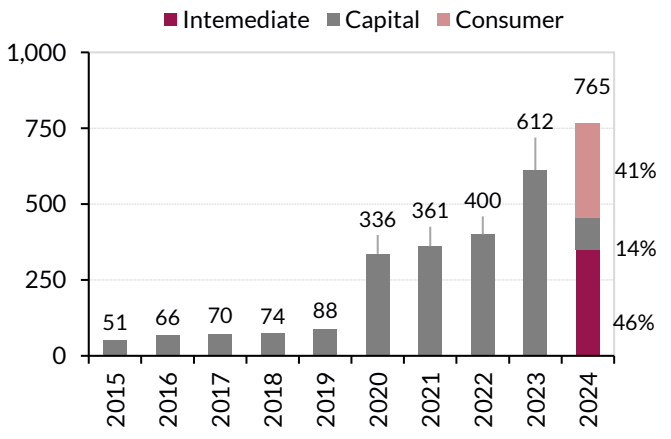


Source: MOSPI, RBI, Axis Capital

Regulatory easing, such as the recent rollback of QCOs, a meaningful tailwind

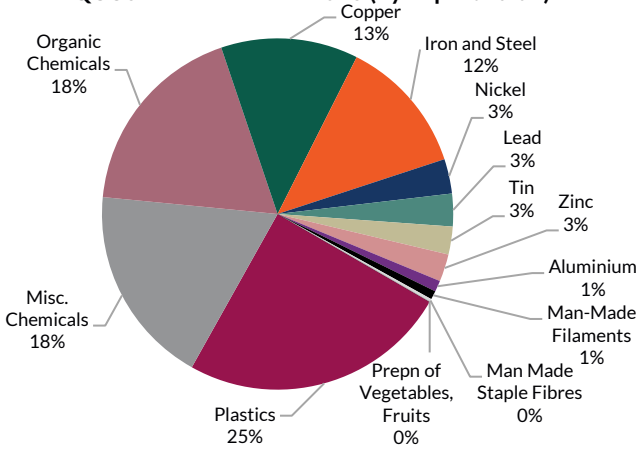
Beyond temporary relief and support measures from the RBI and the Government of India, in Nov'25, four ministries revoked multiple Quality Control Orders (QCOs) on 114 intermediate products (plastics, chemicals, textile raw materials, metals). While only 16% of the 355 HS6 codes affected by QCOs in end-2024 have seen relief, the reversal of the trend is encouraging. We do not expect QCOs on finished goods to end, given the threat of Chinese dumping in the domestic market and the rising use of industrial policies globally. However, better and cheaper access to intermediate goods should help Indian firms compete better in export markets; manmade textiles are likely to be a key beneficiary (link).

Exhibit 40: QCOs rose post 2019, mostly in intermediate goods



Source: Prabhakar P., Decoding India's Quality Control Orders, CSEP, Axis Capital

Exhibit 41: Revoked QCOs help textiles, packaging and EMS



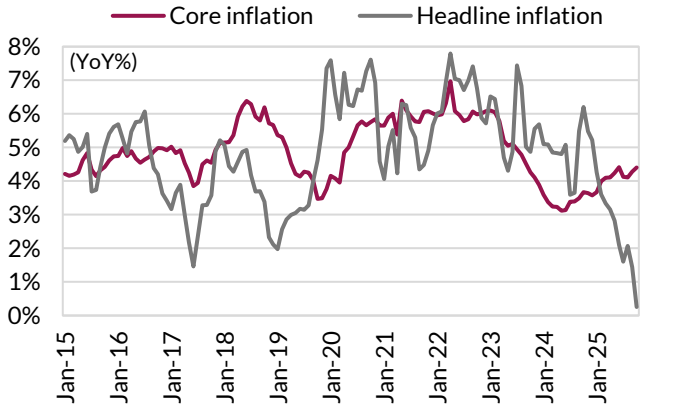
Source: Axis Capital

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Underlying inflationary pressures very weak, rapid rebound unlikely

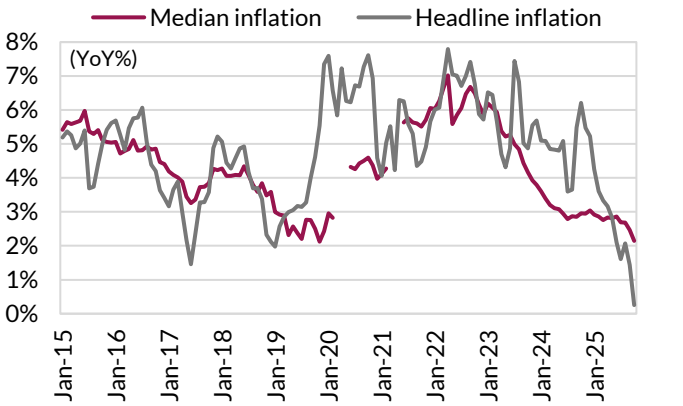
In Dec'25, the Monetary Policy Committee lowered inflation projections for the next two quarters by 110 bps and 60 bps respectively (link). We expect headline inflation to surge higher, averaging 4% in FY27E, limiting the room to cut rates. Since Jan'25, headline inflation has fallen sharply, and core inflation ex-gold/silver is now sub-3%, with weak inflation in both goods and services. Recent research underscores that weighted-median and trimmed-mean inflation measures provide a clearer signal of demand-driven pressures than headline or standard core indices, as it is less volatile, correlates better with economic slack (output gap), and forecasts one-year-ahead inflation better. By this measure, inflation is well below target and likely to remain so.

Exhibit 42: Monthly inflation: standard 'core' less volatile...



Source: MOSPI, Axis Capital

Exhibit 43: ...however, price pressures remain stable

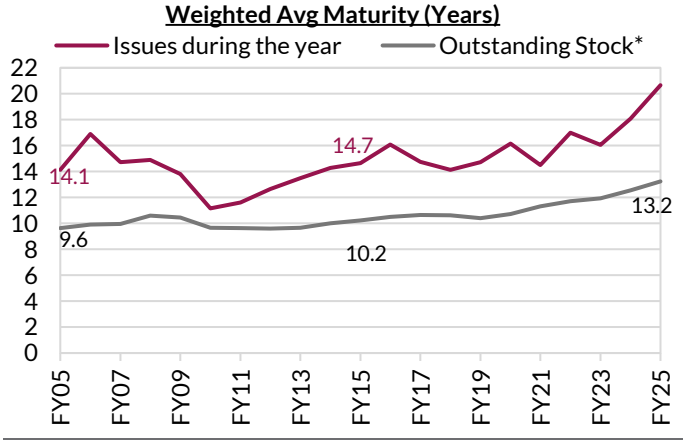


Source: MOSPI, RBI, Axis Capital

India policy rates have likely bottomed, but 10Y G-sec yields may move lower

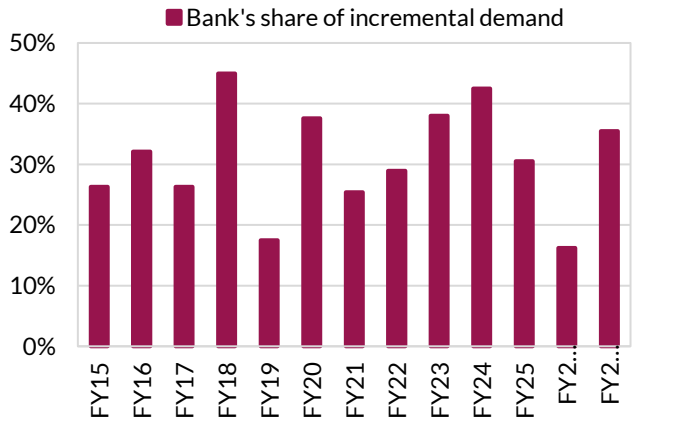
The demand-supply mix is likely to remain favorable for G-secs as we expect a 20-bps consolidation at the general government level. Additionally, the weighted-average maturity (WAM) of outstanding stocks has risen from less than ten years in FY13 to over 13 years now. Maturity extension improves stability but keeps yields high, raising borrowing costs for the economy and slowing monetary transmission. The duration of issuances needs to fall meaningfully in FY27, in our view. Demand is likely to be boosted by higher purchases from banks and RBI potentially infusing liquidity from OMO purchases. India's likely inclusion in the Bloomberg Global Agg index may boost market sentiments as well. Thus, we expect ten-year yields to drift towards 6% in FY27E.

Exhibit 44: G-Sec WAM for annual issuance higher post FY23



Source: RBI, Axis Capital

Exhibit 45: Revoked QCOs help textiles, packaging and EMS



Source: RBI, Axis Capital

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Roll-forward gains to resume as growth downgrades end

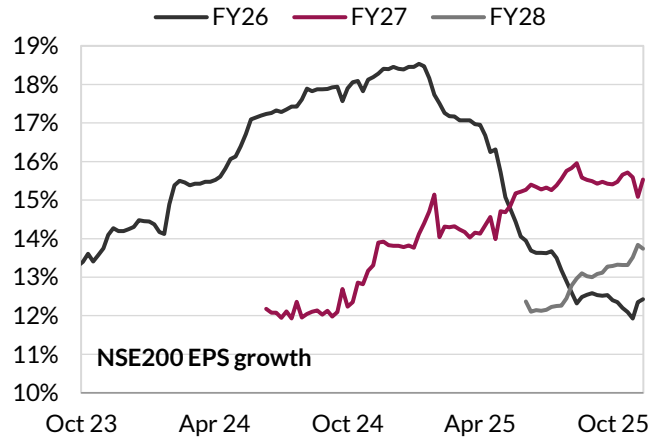
With the end of headwinds from simultaneous fiscal and monetary tightening, downgrades to growth are now behind us, setting the stage for a period of stable earnings forecasts.

NSE200 EPS saw upgrades post Q3 results, after 5 quarters of cuts

FY25 saw sharp economic deceleration, driven by 130 bps of fiscal tightening and a sharp drop in credit growth that drove a more than 2 pp of GDP contraction in credit. This resulted in cuts to NSE200 EPS estimates for 12 consecutive months, from Oct'24 to Oct'25, bringing FY26E growth estimates down from 18% YoY to 12% currently, and that too on a lower FY25 base.

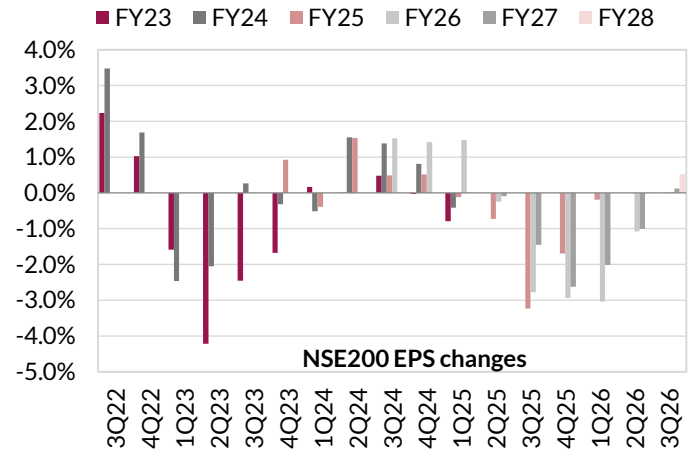
The headwinds have now faded: FY26 has seen only 40 bps of explicit fiscal tightening and a mid-year GST cut. We expect only a mild deficit reduction in FY27E. With credit growth improving, EPS downgrades have eased: there were minor upgrades to FY27/28E EPS estimates post Q3 results.

Exhibit 46: FY26E EPS growth drops to 12%, FY27/28E rising



Source: Refinitiv, Axis Capital

Exhibit 47: Streak of EPS cuts ended in Nov, with minor upgrades

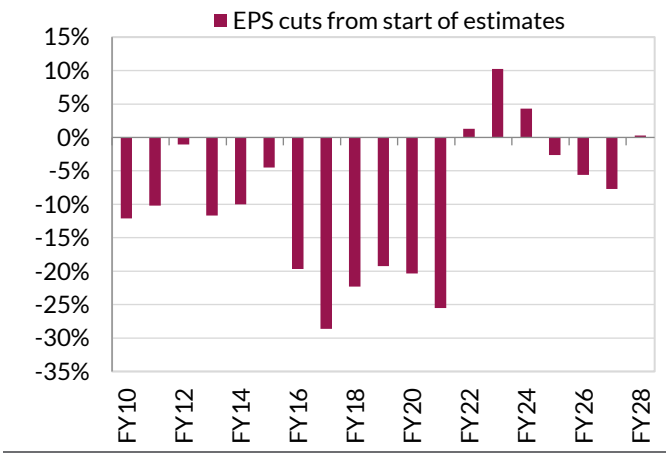


Source: Refinitiv, Axis Capital

EPS cuts in 2025 were much below the cuts seen in the 2014-19 period

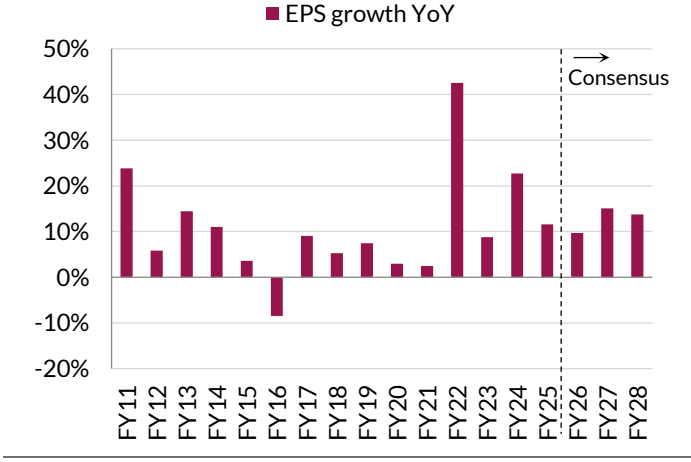
During FY15-21, Nifty EPS estimates for a year saw 20-30% cuts over the 30 months they existed. FY22-24 saw upgrades, as the post-Covid recovery beat overly pessimistic forecasts. The cuts for FY25 were milder, and FY26 too has seen a 6% cut, with only six months to go.

Exhibit 48: Pace of EPS cuts well below 2014-19 period



Source: Refinitiv, Axis Capital

Exhibit 49: Nifty EPS growth estimated at 16/13% in FY27/28E

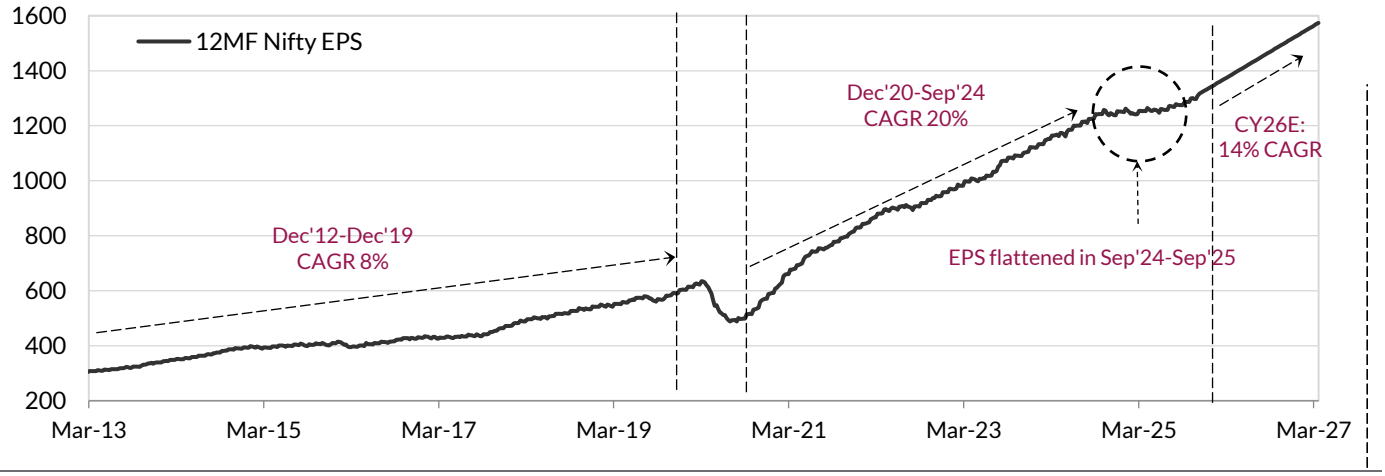


Source: Refinitiv, Axis Capital

CY26E likely to see roll-forward EPS gain of 14%

Growth in Nifty 12MF EPS accelerated from 8% CAGR over CY12-19 to 20% CAGR during CY20-24. In CY25, this slowed to nearly zero, as consistent EPS downgrades offset the gains from growth. Going forward, as cuts to EPS moderate, we expect growth to resume. FY27/28E EPS growth are currently estimated at 16/13%, implying 12MF EPS could grow 14% in CY26E. This will be a key driver of market performance, in our view, even if valuations do not expand.

Exhibit 50: Growth in 12MF Nifty earnings has picked up post CY20; after the lull in CY25, it could grow by 14% in CY26E



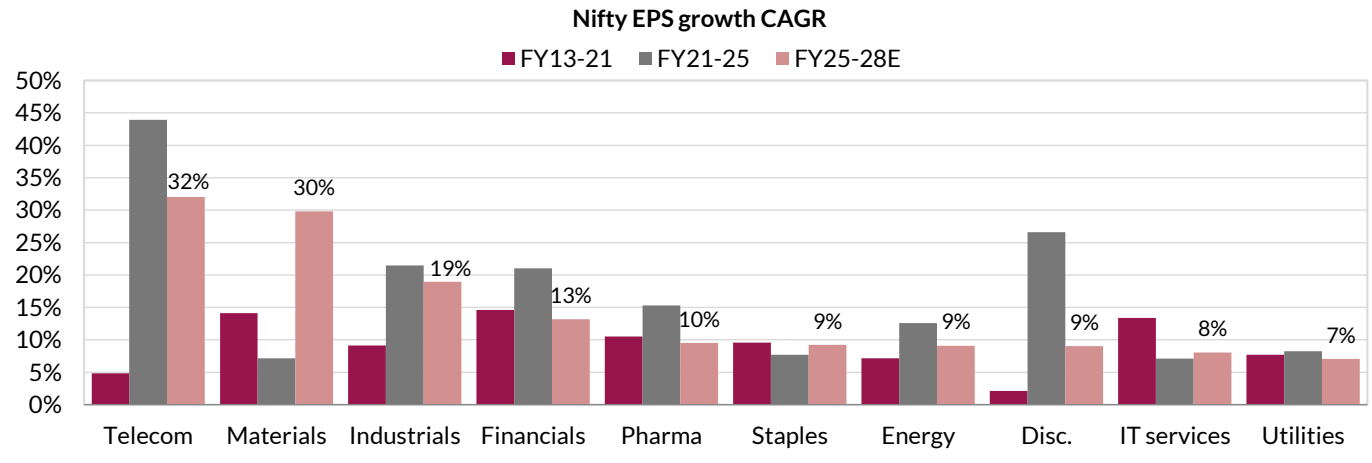
Source: Refinitiv, Axis Capital

Broad-based earnings revival across sectors

The pickup in growth over FY21-25 was broad-based, with significant improvement in domestic sectors like telecom, industrials, discretionary (includes auto), and financials. Globally exposed sectors like IT services and metals saw weaker growth compared to FY13-21. Growth in utilities did not pick up significantly; that in staples moderated.

For FY25-28E, the growth pickup in industrials is expected to continue, helped by the upturn in real estate, power plant construction, and the consequent revival of private capex. Telecom should benefit from lower losses in Vodafone, and materials from a recovery at Tata Steel. Growth in IT services earnings is also expected to improve from 7% to 8% annually, given a cyclical revival in the industry, but that in utilities is expected to stay steady at 7%. EPS growth in financials is expected to slow to 13% p.a., which is a conservative number, in our view.

Exhibit 51: Broad-based improvement in earnings in FY21-25; FY25-28E expected to moderate but stay healthy



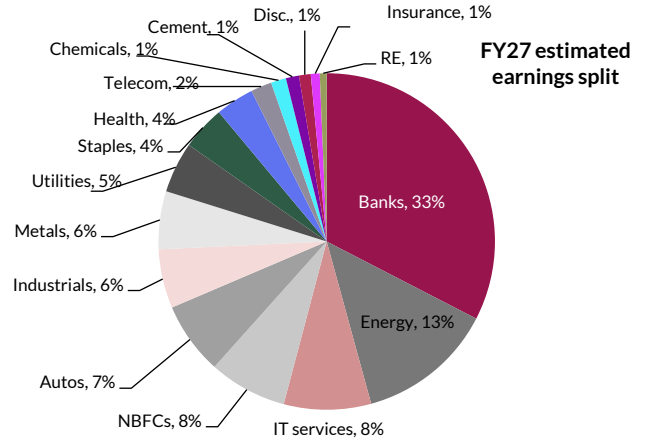
Source: Refinitiv, Axis Capital

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Banks, NBFCs to lead EPS revival; IT services EPS growth forecast conservative

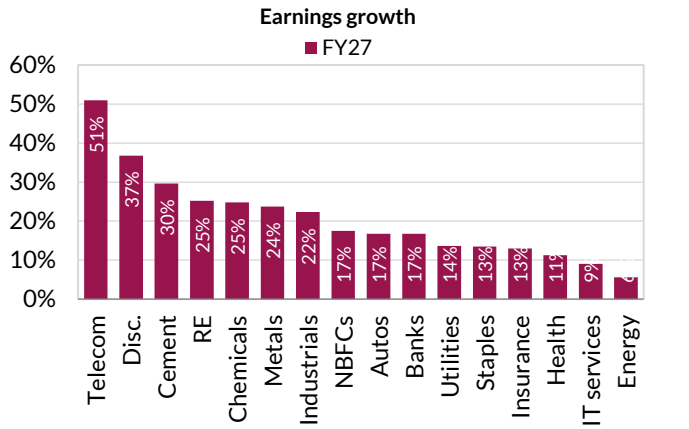
Banks, NBFCs, energy, and IT services together constitute 64% of FY27E NSE200 EPS. For banks and NBFCs, the EPS growth forecast of 17% in FY27E is based on a pickup in credit growth and expansion of NIMs – this appears reasonable to us. For IT services, constant-currency growth of 3-5% and gains from INR depreciation make the 9% growth forecast appear conservative. Forecasts for energy (includes Reliance) appear reasonable. The 51% forecast growth for telecom seems high, but it is inflated by reduction in losses in Vodafone; but telecom accounts for ~2% of index EPS.

Exhibit 52: Banks, NBFC, IT services, and energy add to 2/3rd of index EPS



Source: Refinitiv, Axis Capital

Exhibit 53: IT services and energy growth forecast conservative



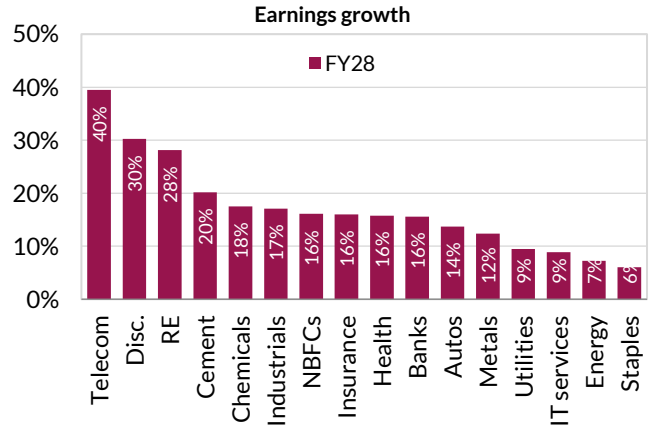
Source: Refinitiv, Axis Capital

Financials add 46% of NSE200 FY26-28E incremental EPS

Market returns in CY26 would be driven by changes to FY28E EPS, in our view, as that would be the forward EPS at end of CY26E. We forecast 14-16% EPS growth for major sectors like banks, NBFCs, and auto; with the possible exception of JLR in Tata Motors PV, we find this reasonable, like the 9% growth forecast for IT services. With the implementation of the 8th Pay Commission in FY28, along with significant arrears, the 6% growth forecast for staples appears too low.

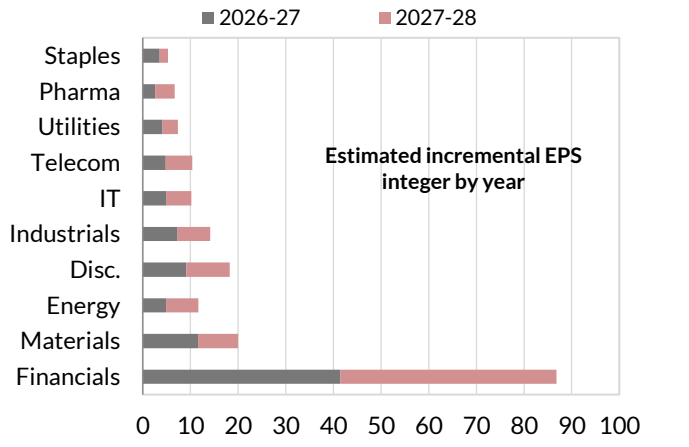
Overall, for FY26-28E, the NSE200 EPS integer is likely to be driven by financials, which is forecast to contribute 46% of the incremental index EPS over FY26-28E (87 of 191 points). After financials, materials (mostly metals, 10%) and discretionary (includes autos, 9%) are likely to be the key determinants of the index EPS trajectory.

Exhibit 54: FY28E EPS growth strongest for telecom, disc.



Source: Refinitiv, Axis Capital

Exhibit 55: Financials add 46% of FY26-28E incremental EPS



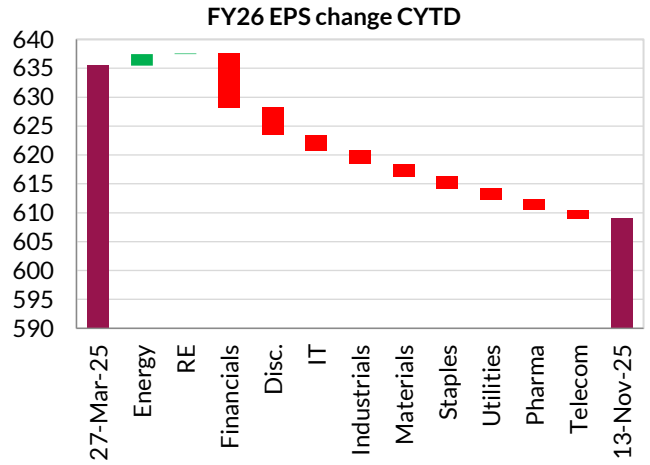
Source: Refinitiv, Axis Capital

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The main drivers of the EPS cuts in FY26E now behind us

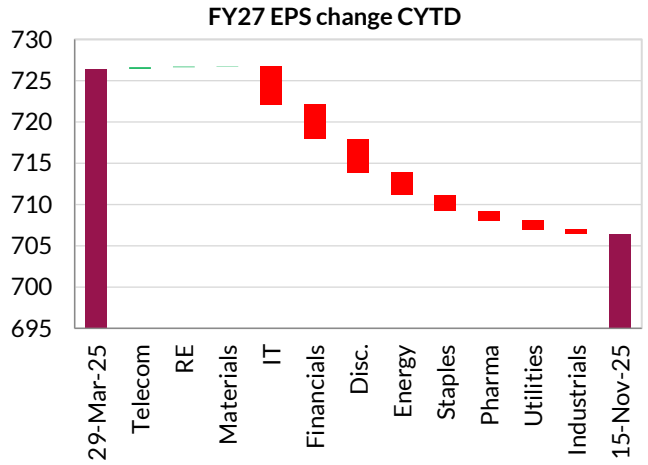
In CY25 YTD, the cuts to FY26E EPS were led by financials (mostly banks) due to the weakening of credit growth and compression in margins (assets reprice faster than liabilities after rate cuts). Consumer discretionary also saw cuts (mostly Eternal), followed by IT services. The cuts were partially offset by energy (mostly OMCs) which benefited from stability in crude prices and higher GRM and diesel crack, boosting margins. For FY27E as well, cuts were in IT and financials, followed by discretionary (Tata Motors PV, consumer durables incl. RACs, Asian Paints, QSR).

Exhibit 56: FY26E EPS cut led by financials and discretionary



Source: Refinitiv, Axis Capital

Exhibit 57: FY27E EPS cut driven by IT and financials

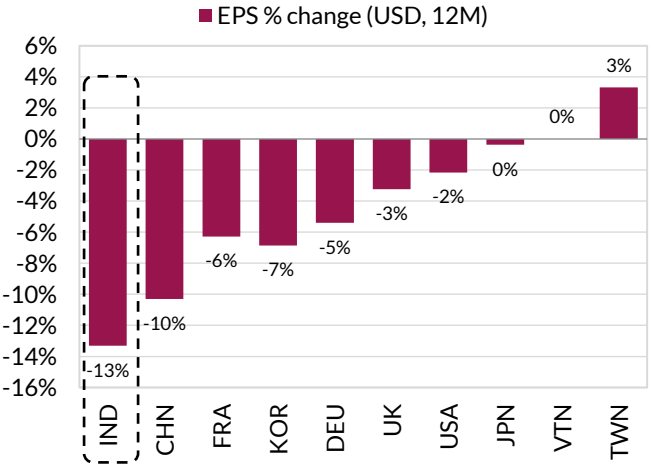


Source: Refinitiv, Axis Capital

EPS cuts in India the highest among major markets, led to underperformance

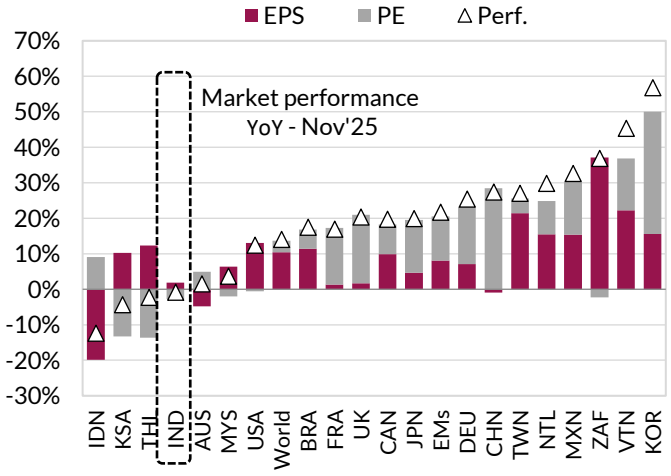
Combined with the 5% fall in the INR, CY25 EPS projections in USD fell 13%, making India the worst among major markets in earnings revisions. As discussed earlier in this section, these cuts negated the roll-forward gains, which led to India featuring among the worst-performing markets in the year despite steady P/E multiples. The markets that did well, i.e. South Korea, Vietnam, South Africa, and Mexico, saw 12MF EPS expand (upgrades or roll-forward gains), but also P/E expansion, albeit from low levels. We see this trend reversing as EPS cuts in India ease, roll-forward gains start contributing to market performance, and fatigue sets in on the AI trade.

Exhibit 58: India's EPS cuts (in US$) highest among major markets



Source: Refinitiv, Axis Capital

Exhibit 59: No growth in 12MF EPS hurts market performance



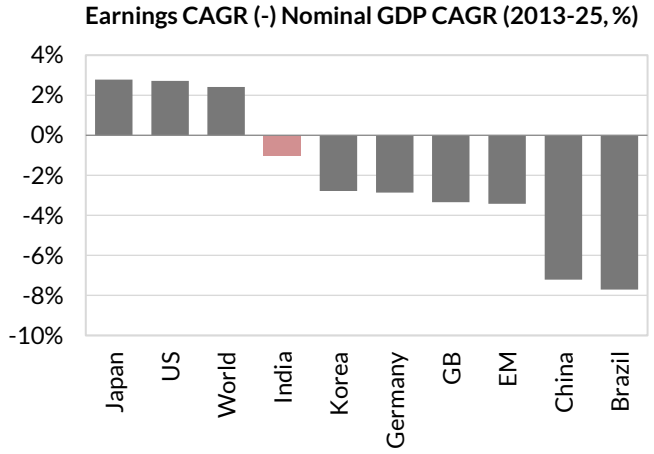
Source: Refinitiv, Axis Capital

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Strong GDP growth bodes well for medium-term outlook of corporate earnings

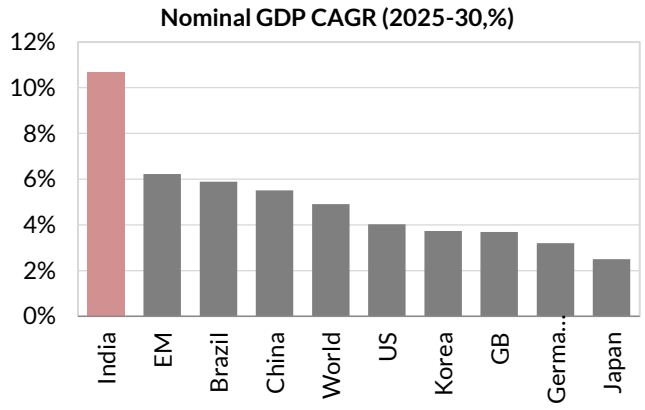
An important accounting identity is that GDP equals wages plus profits. Thus, while economic growth and corporate earnings growth are generally not fully aligned in a year, there is an alignment over the medium term, as profit-to-GDP ratios are generally within a range. Over 2013-25, global corporate earnings grew 2 pp-faster-than-global nominal GDP in the US and Japan, but were slower than GDP in EMs like India, China, and South Korea. With 7% real growth and 3-4% inflation, the base growth on which the over/under for credit is likely to occur, is thus the highest globally.

Exhibit 60: Most EMs see lower EPS growth than GDP growth



Source: Refinitiv, MOSPI, Axis Capital

Exhibit 61: India's GDP growth highest among major countries



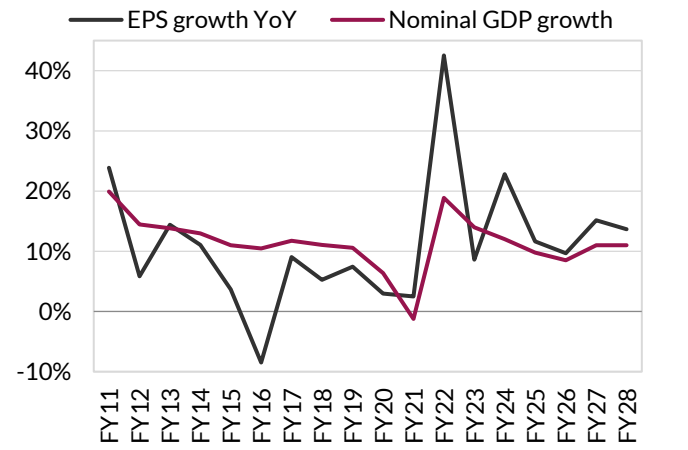
Source: IMF WEO, Axis Capital

Corporate profit-to-GDP likely to expand, as per current estimates

Over the past decade (FY11-20), the annual Nifty EPS growth (7%) has trailed India's nominal GDP growth (12%). This reversed sharply in FY20-24. The outperformance of earnings over nominal GDP slowed in the past two years, but we expect EPS to be higher in the next few years.

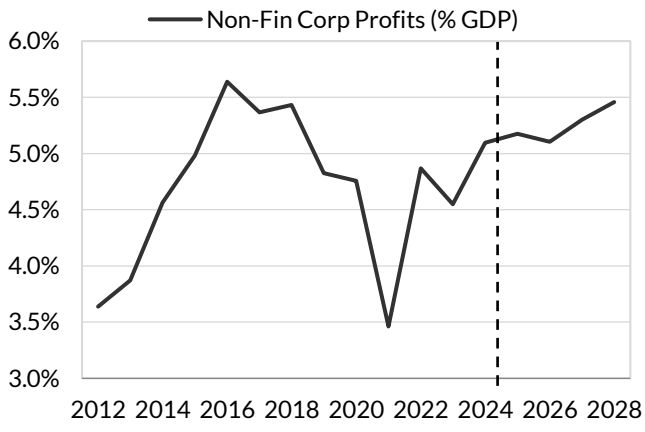
Even for the overall economy, as a labor surplus reduces bargaining power of workers, the split of GDP is likely to keep swinging towards profit. Corporate profit-to-GDP has moved up from the bottom of 3.5% in FY15 to 5.1% in FY25. We expect it to rise to 5.5% by FY28E.

Exhibit 62: Earnings growth lagged GDP growth in 2011-20



Source: Refinitiv, MOSPI, Axis Capital

Exhibit 63: Corporate profit rose from the lows of past decade



Source: MOSPI, Bloomberg, Axis Capital

We look at the sector-wise outlooks for the coming year, along with our top picks for the year.

for the exclusive reading of (dipiksha.patil@axiscap.in)

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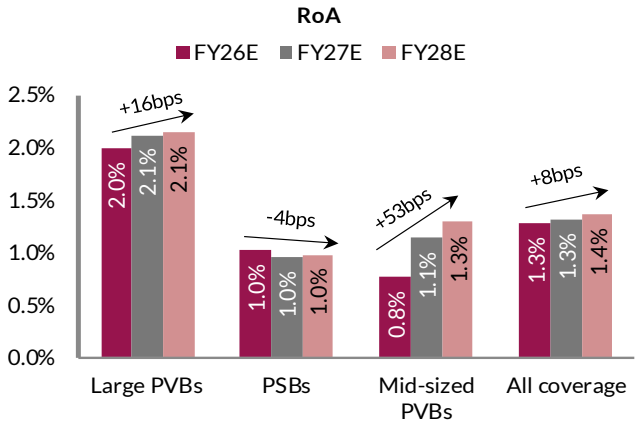
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INDIA BANKS: Earnings accelerating on growth revival

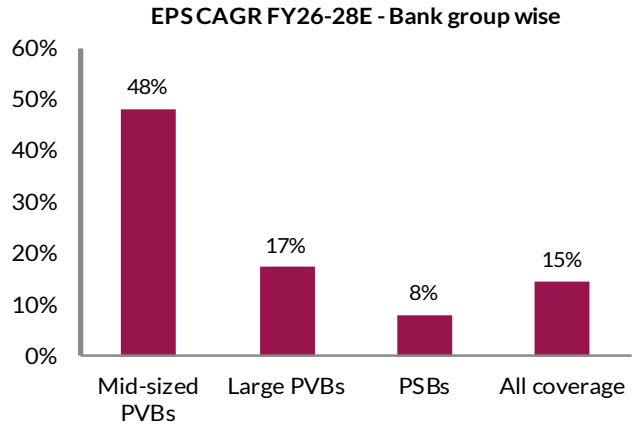
Indian banks are set to witness strong earnings acceleration in FY27E on credit growth recovery, margin expansion, and improved asset quality. System growth has recovered to ~11% and we expect it to climb up to 13-14% by FY27E. Credit recovery is led by pickup in retail consumption loans (helped by GST cuts and improving risk appetite in unsecured credit) and healthy trends in mortgage/MSME. NIMs will gain from unsecured growth pickup, term deposit repricing, and CRR release. The impact of the recent 25-bps cuts will be transitionary and will prolong full NIM recovery to Q1FY27E. Credit costs should improve for lenders exposed to stressed pockets of unsecured retail and MFI (mainly some mid-sized PVBs), supporting a sharper RoA/EPS uplift in FY27E for the cohort. Large PVBs/PSBs should see stable credit costs, though PSBs will retain focus on ECL-related steady-state credit cost expectations. PSU RoAs should be in check due to structurally lower NIMs (on growth skewed towards lower-yielding segments and lagged MCLR repricing), combined with tapering recoveries and lower treasury windfall. We expect earnings recovery to strengthen in H2FY26/FY27E, with PVBs meaningfully outpacing PSBs. Valuations remain attractive for most PVBs at or below long-term averages, while PSU valuations appear rich given weakening RoA. ICICIBC, KMB, AUSFB, and CUBK are our top picks.

Exhibit 64: RoAs on expansion track as growth/margins recover



Source: Industry, Axis Capital

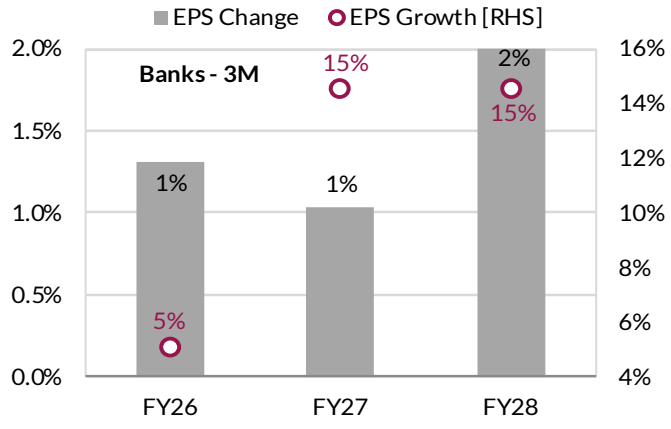
Exhibit 65: Mid-sized banks to see strong earnings on lower CC



Source: Company, Axis Capital

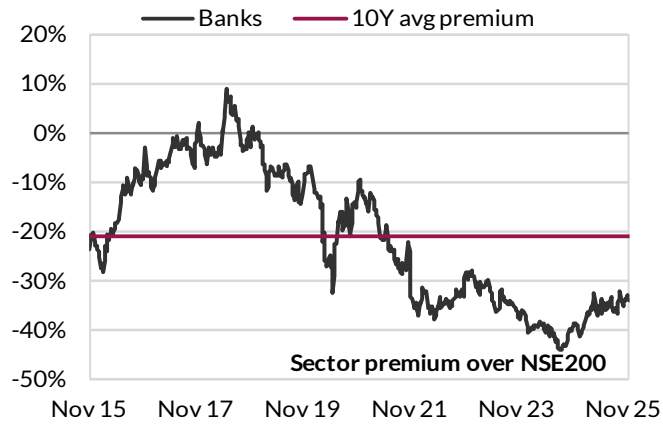
Top calls: ICICI and KMB in large-caps; AU, CUBK, FB in mid-caps

Exhibit 66: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 67: 1-year-forward PE



Source: Bloomberg, Axis Capital

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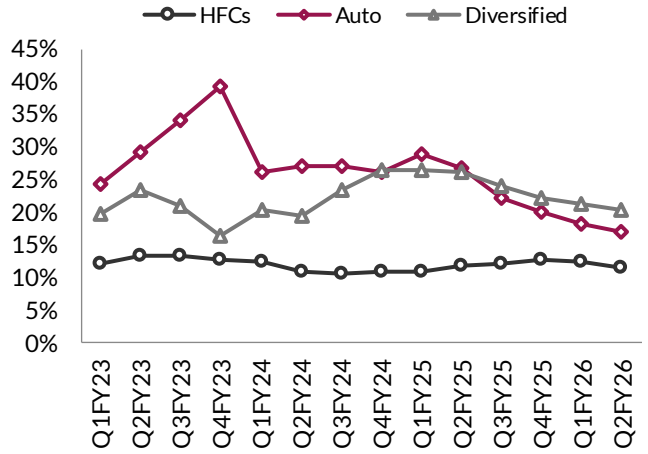
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NBFC: Demand recovery ahead; margins to remain stable

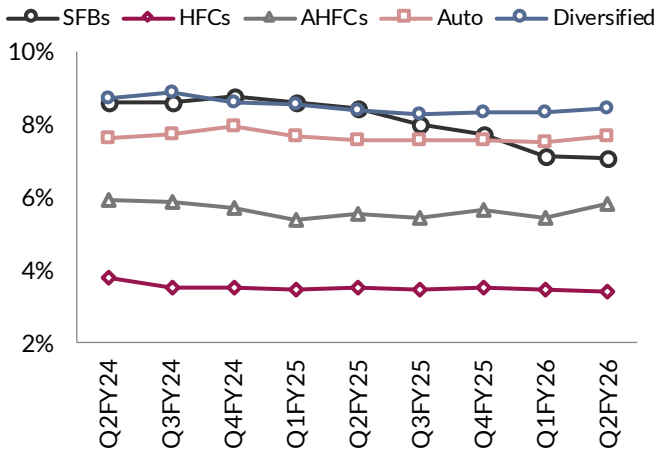
Disbursements are expected to recover across segments and geographic expansion to pick up pace. Auto financiers will benefit from GST cuts and premiumization trends. HFCs face competitive pressures, while AHFCs should see improvement on recovery in Telangana and Karnataka. Diversified lenders are likely to sustain momentum on stronger credit appetite. Margin upside remains limited on limited room for cost-of-funds improvement. Lenders will keep enhancing operational efficiency through AI-driven underwriting/process optimization. Asset quality is expected to normalize, but smaller-ticket lenders will see stress. For MFIs, easing environment will aid asset quality, yet stress levels may remain high in H2FY26E.

Exhibit 68: AUM growth trajectory



Source: Axis Capital; Auto AUM spike in Q1-Q4FY23 is due to Shriram merger

Exhibit 69: Margins holding up (ex-SFB)

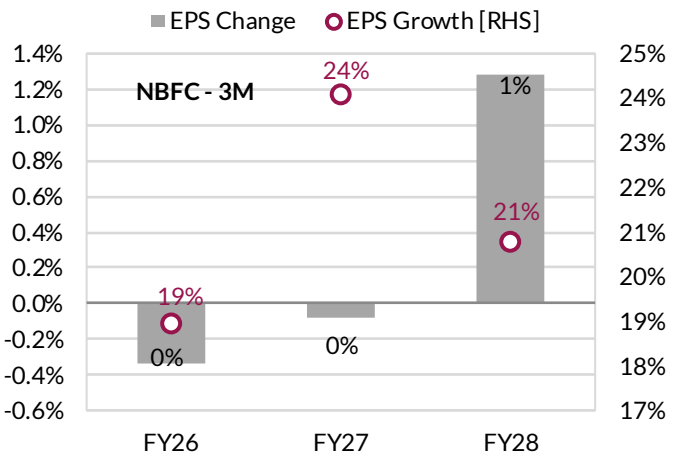


Source: Axis Capital; Simple average of NIM taken

Shift in preference – MMFS, PNBH, Aavas, Nippon AMC, SBI Cards to lead

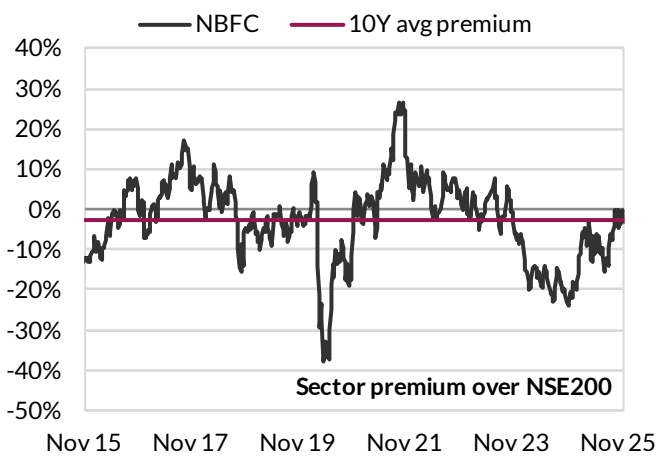
We prefer: (1) **MMFS** for its improved asset quality, guidance increased, diversification initiatives, and housing subsidiary clean-up; (2) **PNB Housing** for its strong asset quality and management continuity despite CEO transition, with the overhang expected to ease; (3) **Aavas** for its geographic expansion strategy, focused promoter backing, and sustained best-in-class growth; (4) **Nippon AMC** for better yields, AUM growth driven by new launches, and minimal impact from SEBI's TER proposals; and (5) **SBI Cards** for its credit cost turnaround, anticipated improvement ahead, and corporate spends recovery supporting growth.

Exhibit 70: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 71: 1-year-forward PE



Source: Bloomberg, Axis Capital

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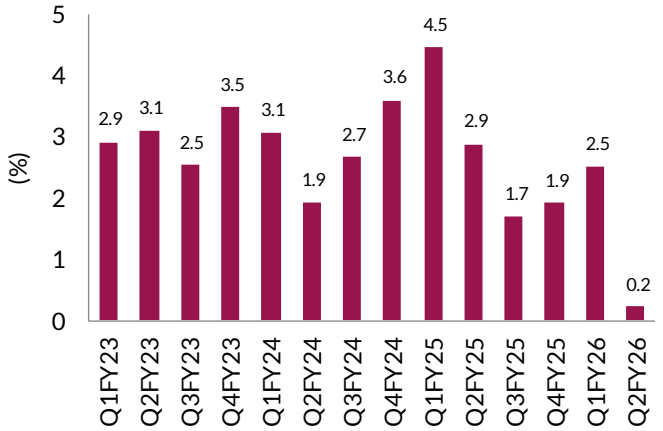
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FMCG: GST tailwinds to drive better FY27E

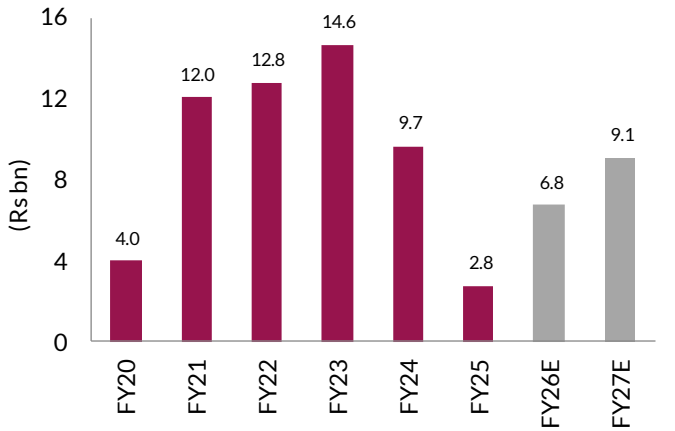
FMCG growth has been weak in the recent past due to continued volume weakness (weak urban demand drag) and limited growth from price hikes (ex-Marico; benign RM trends and anniversarization of earlier hikes). We expect aggregate FMCG (ex-ITC) revenue growth for our coverage to accelerate to ~9% in FY27E (vs ~7% FY26E), aided by GST-led tailwinds (rate revisions across F&B and personal care categories) and recovery in urban demand trends (aided by pickup in real rural wages). We expect aggregate volumes to recover to mid- to high-single-digits (vs low-single-digits currently) and pricing (ex-Marico) to remain in low-singe-digits. We expect margins to improve on benign raw material prices and leverage gains, driving low double-digit EBITDA growth in FY27E (vs mid-single-digit in FY26E).

Exhibit 72: Aggregate FMCG volumes weak (Q2 hit by GST)



Source: Industry, Axis Capital

Exhibit 73: FMCG revenue growth to inch to 9% in FY27E

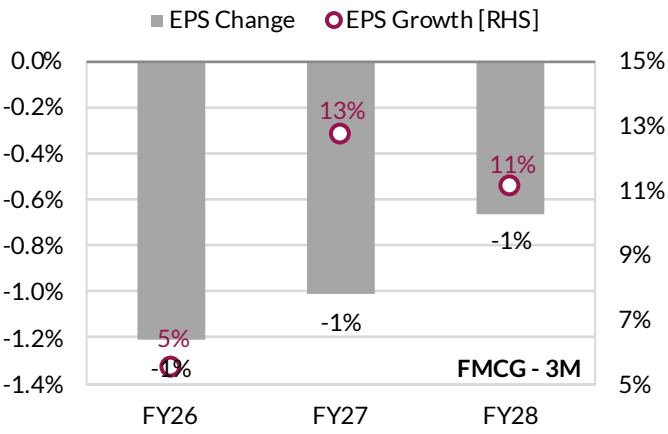


Source: Company, Axis Capital Note: Aggregate FMCG revenue growth (ex-ITC)

Top calls: Britannia, Bikaji, and VBL

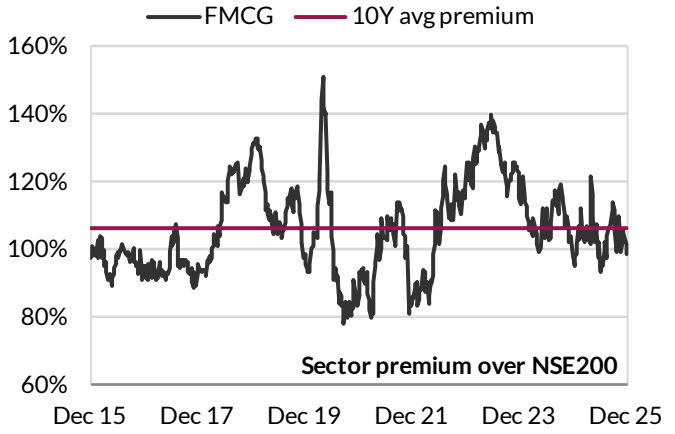
In FMCG, we prefer companies that are likely to benefit the most from GST tailwinds (likely volume uptick from demand tailwinds and formalization) – we believe Britannia (rural outperformance, strong momentum in adjacencies coupled with better visibility on margin improvement) and Bikaji (superior volume delivery driven by distribution/portfolio expansions, solid execution, and market share gains – EPS CAGR of 28% over FY26-28E, ex-PLI) are well placed. We also prefer VBL on its favorable risk-reward and growth optionality (inorganic/organic expansion in new territories, portfolio expansion via food distribution, and entry into alcohol in Africa).

Exhibit 74: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 75: 1-year-forward PE



Source: Bloomberg, Axis Capital

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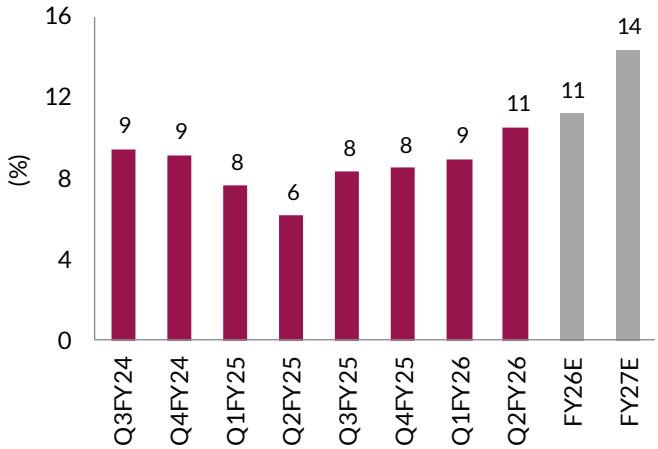
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DISCRETIONARY/RETAIL: Improvement expected across categories in FY27E

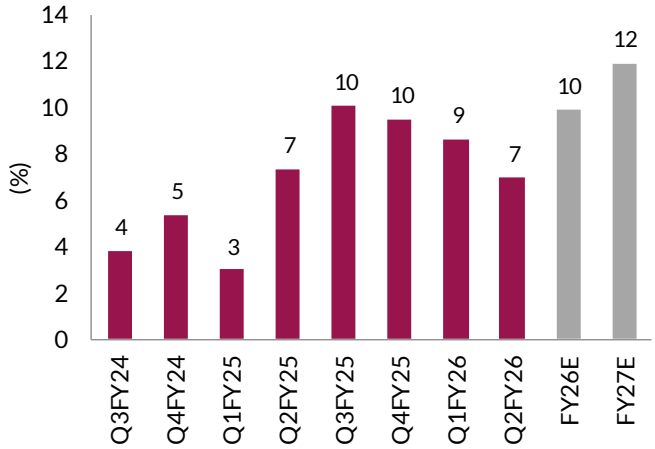
Discretionary coverage (ex-jewelry/Nykaa) has remained weak over the past several quarters, dragged by continued weakness in apparel, footwear, QSR, and paints. Overall, we expect our discretionary coverage (ex-jewelry/Nykaa) to see pickup to mid-teen revenue growth in FY27E, supported by favorable base, good monsoons, and macro tailwinds (income tax cuts, lower interest and GST rates). While we expect a broader recovery, growth will continue to be led by outperformers like FSN-e-com (Nykaa) and jewelry players, followed by VMM and DMart.

Exhibit 76: Discretionary growth to pick up to mid-teens in FY27E



Source: Industry, Axis Capital

Exhibit 77: Apparel, footwear, QSR lagged discretionary growth

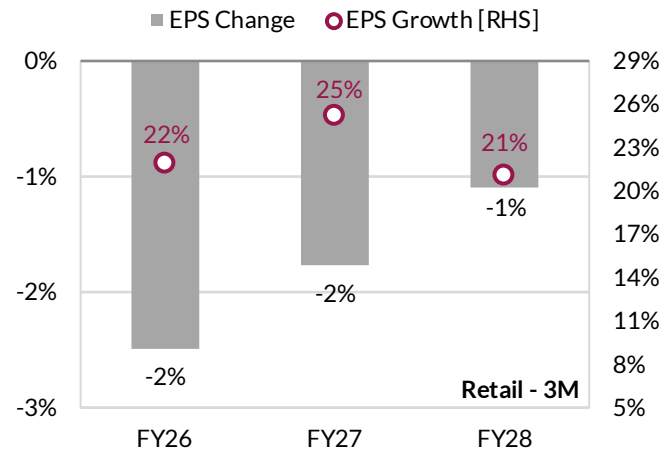


Source: Company, Axis Capital

Top calls: Titan, VMM, DMart, and Pidilite

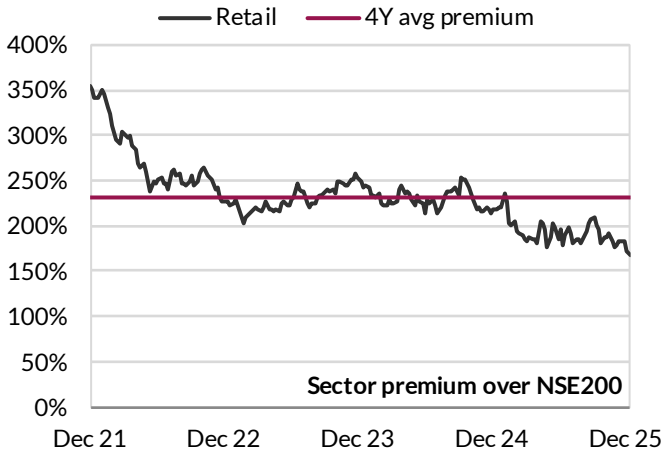
We prefer Titan due to its 18/22% revenue/EPS CAGRs over FY25-28E, led by strong relative outperformance vs other consumer categories and resilient margin delivery despite high gold prices. While VMM remains a consistent growth story (higher 20/30% revenue/EPS CAGRs over FY25-28E), we like DMart as well (19/18% revenue/EPS CAGRs), as accelerated store expansion and margin stabilization are likely to drive earnings rebound. Pidilite continues to deliver robust and consistent volume-led growth across segments, supported by margin expansion (leverage/RM tailwinds) and superior innovation (11/14% revenue/EPS CAGRs).

Exhibit 78: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 79: 1-year-forward PE



Source: Bloomberg, Axis Capital

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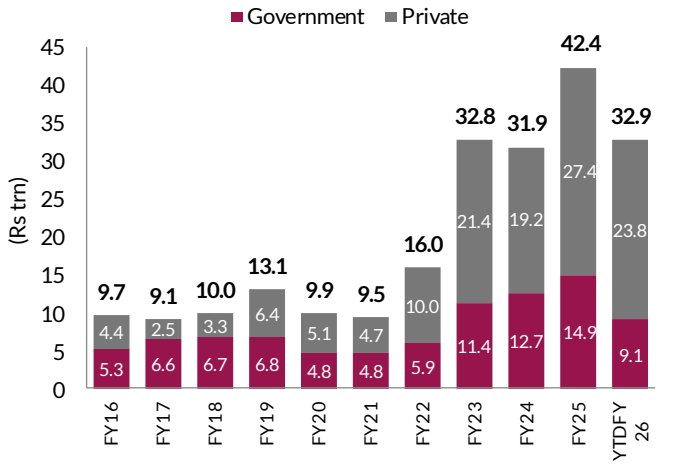
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INDUSTRIALS: Expect pickup in capex from here on

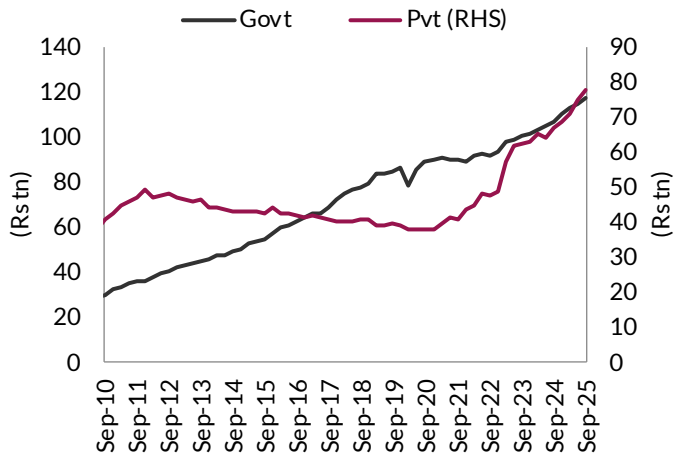
We view 2026 with optimism, as lead indicators, including government-led project tendering activity and fresh investment announcements, remain strong, even as fiscal YTD contract awards are down on weak road contract awarding. Private capex is going slow, except in pockets like renewables, semiconductors, electronics, data centers, batteries, and chemicals. Margin improvement is expected to accelerate in non-road E&C companies in 2026E. We are wary of gross margin pressures in capital goods, as post-Covid pricing premium is softening amid slowdown in demand and competition. FY27E defense capex is expected to see ~20% hike. Growth momentum in T&D is likely to continue in 2026E, boosted by the awarding of a couple of HVDC projects. Western DFC is likely to be commissioned up to JNPT by mid-2026.

Exhibit 80: New investment announcements by ownership



Source: Industry, Axis Capital

Exhibit 81: Projects under implementation (Rs tn)

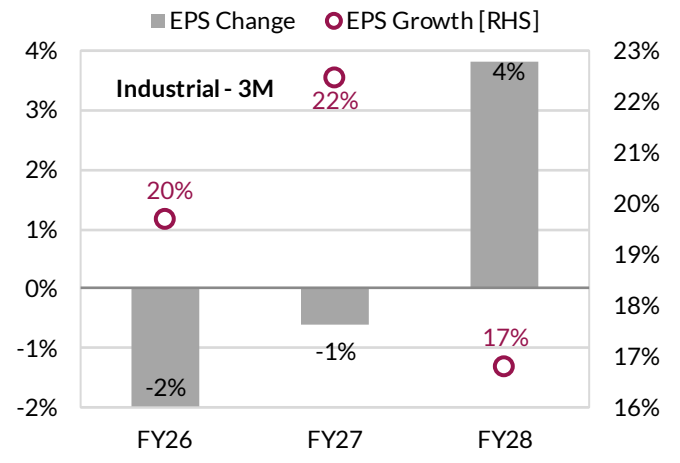


Source: Company, Axis Capital

Top calls: L&T, KEC/KPIL, SIEM, and ADSEZ

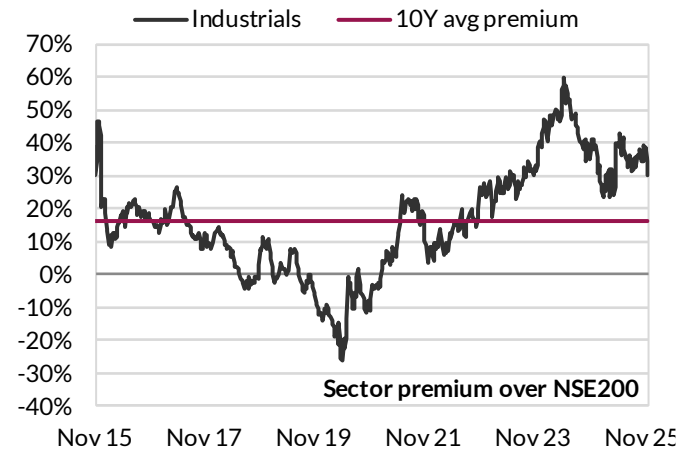
We see 21% core EPS CAGR over FY25-28E for L&T (rated BUY); Lakshya'31 growth plan in May'26 could boost sentiment. In mid-caps, we estimate E&C FY25-28E EPS CAGR for KPIL (BUY)/KECI (BUY) at 39/35%, and valuation at FY28E P/E at ~14x is in the comfort zone. Relative to past valuations, SIEM (BUY) and ABB (ADD) afford good entry points to ride a potential cyclical recovery over the next one to two years. ADSEZ (BUY) remains our preferred pick in logistics.

Exhibit 82: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 83: 1-year-forward PE



Source: Bloomberg, Axis Capital

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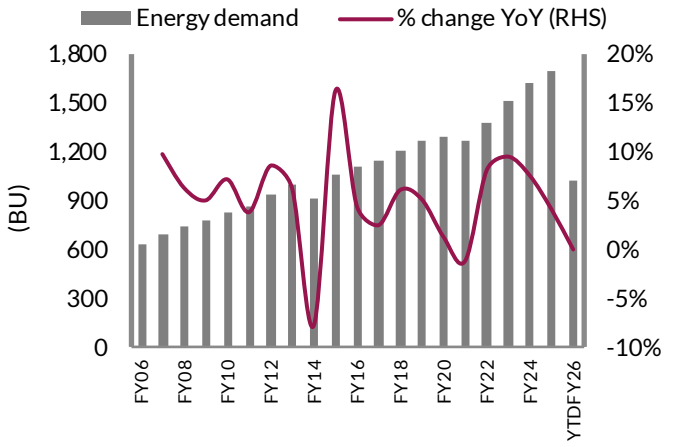
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UTILITIES: Revival in power demand growth on a low base likely in 2026

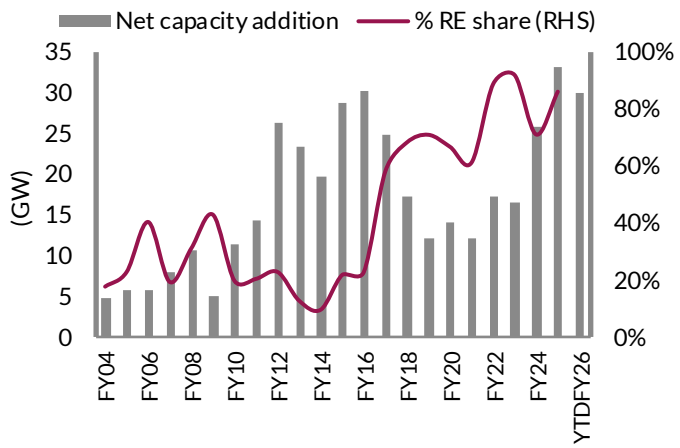
On a TTM basis till Nov'25, India's power demand growth was +1.3% only (fiscal YTD -0.2%), while installed capacity was up 11.2% YoY. Power demand growth slowed to 4.2% in FY25 after a good run post Covid (8.4% CAGR over FY21-24). We do not see the slowdown so far this fiscal as a structural issue as much as an outcome of adverse seasonal variations. We expect a revival in power demand growth to ~6.0% in 2026E on a low base. Implementation of proposed amendments to the Electricity Act 2003 in 2026 could boost the health of discoms and pave the way for private participation in distribution. Privatization of power distribution in 42 districts in eastern and southern Uttar Pradesh is awaited in 2026. Vanilla RE tendering activity has slowed and standalone BESS/BESS plus solar are seeing high growth. Utility platforms have growth visibility for two to three years of capex and can lie low for some time, before stepping on the growth pedal again. YTD, all utility stocks have underperformed the Nifty, and a pickup in power demand will be key.

Exhibit 84: All India Energy demand (in BU)



Source: Industry, Axis Capital; Note: YTDFY26 is Apr-Oct'25

Exhibit 85: All India capacity addition (GW)

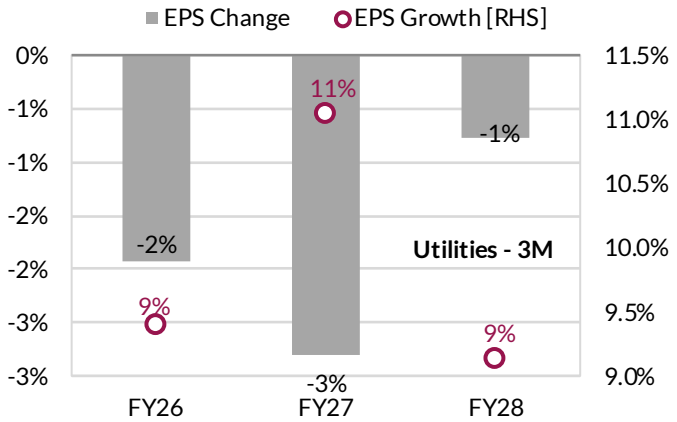


Source: Company, Axis Capital; Note: YTDFY26 is Apr-Oct'25

Top calls: Prefer NTPC and JSW

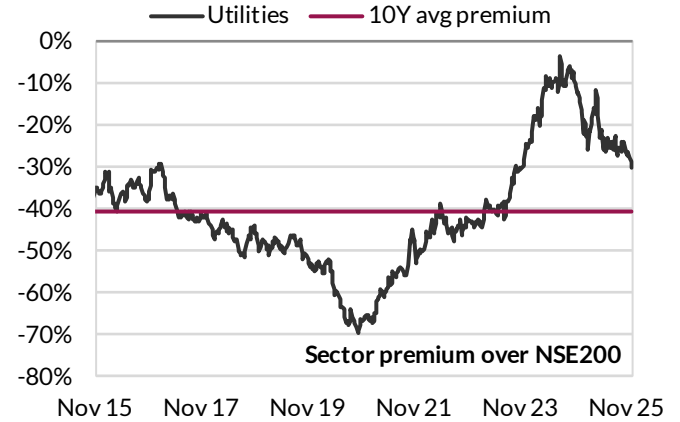
NTPC and JSW are our preferred picks to ride the grey-plus-green growth script. Longevity of thermal cashflows, fresh coal capacity additions, 89% holding in NGEL, with robust RE growth aspiration, and future growth catalysts around nuclear and pumped storage hydro are positives for NTPC. JSW has an operating installed capacity of 13.3GW and a line of sight on scaling up capacity to 30 GW by FY30, growing EBITDA 4x+ over FY25-30.

Exhibit 86: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 87: 1-year-forward PE



Source: Bloomberg, Axis Capital

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IT SERVICES: Signs of stability: "CYXX+1 better than CYXX' may finally play out

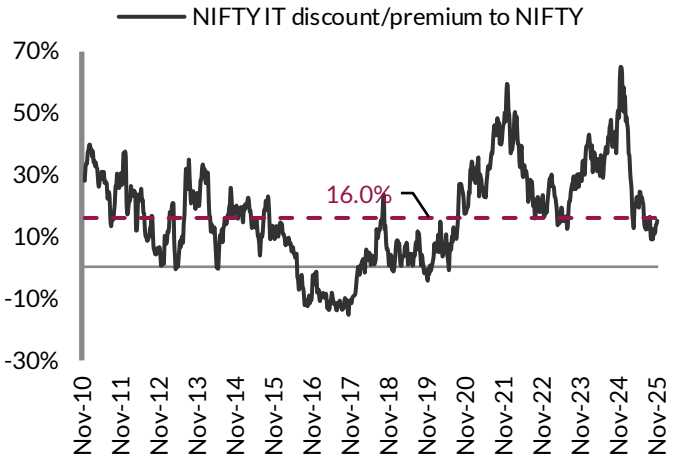
Q2FY26 marked a return to positive sequential growth across Tier-1 techs even as Tier-2 techs continued to outperform on growth. Tier-2 techs also showed higher margin improvement both QoQ/YoY, aided by growth leverage, currency tailwinds, and delayed wage hikes, and look set to achieve YoY margin improvement after seeing margin declines through FY23-25. Headcount addition is beginning to pick up modestly. TTM TCV deal bookings continue to stabilize, as macroeconomic and geopolitical uncertainties stagnate, with deal activity largely supported by vendor consolidation and cost optimization. Global peer commentary suggests improving confidence heading into CY26, which should bode well for the infamous 'CYxx+1 better than CYxx' argument. **We reckon that CY26/FY27 may finally mark a turnaround in the sector's growth trajectory. Recent currency depreciation should support margins/EPS upgrades in addition to potential growth improvement**.

Exhibit 88: YoY cc growth trend

Revenue growth	Q1'25	Q2'25	Q3'25	Q4'25	Q1'26	Q2'26
TCS	4.5%	5.5%	4.5%	2.6%	-2.9%	-3.2%
Infosys	2.6%	3.4%	6.2%	4.8%	3.8%	2.9%
Wipro*	-4.9%	-2.4%	-0.6%	-1.1%	-2.1%	-2.4%
HCL Tech	5.7%	6.3%	4.1%	2.9%	3.8%	4.6%
Tech Mahindra	-1.2%	1.2%	1.3%	0.3%	-1.0%	-0.3%
LTIM	3.7%	4.3%	5.5%	6.2%	4.3%	4.4%
Hexaware*	NA	NA	18.8%	12.7%	7.5%	5.2%
Mphasis	3.1%	5.5%	4.7%	5.5%	6.6%	6.2%
Persistent	16.2%	18.3%	20.0%	21.3%	18.7%	17.9%
Coforge	7.8%	7.4%	14.4%	16.0%	23.4%	28.2%
Zensar	3.2%	3.3%	7.5%	6.3%	3.8%	3.5%
LTTS	6.1%	6.3%	8.7%	14.2%	12.9%	10.6%
Tata Elxsi	8.4%	5.1%	2.0%	-2.9%	-9.0%	-8.3%
KPIT	24.8%	20.1%	17.4%	15.0%	4.9%	0.4%
Tata Technologies	-0.2%	0.5%	0.3%	-3.3%	-5.3%	-1.9%
Firstsource	14.6%	22.7%	27.6%	25.1%	19.3%	13.8%
eClerx	11.3%	12.0%	11.7%	14.6%	16.4%	16.3%
Sagility	NA	19.8%	14.0%	17.7%	23.1%	20.0%

Source: Company, Axis Capital

Exhibit 89: Nifty IT back to 10Y-average premium to Nifty



Source: Company, Axis Capital

Qualitative commentary/metrics suggest modest signs of improvement and stability; hope for better CY26/FY27 gets some support

Qualitative commentary and internal metrics like modest improvement in hiring for both Indian and global tech peers seem to suggest that some improvement and stability may be emerging as we head into CY26/FY27. Further, the recent INR depreciation should aid both margins and earnings upgrade cycle for the sector. Nifty IT continues to trade close to historical premium to Nifty (Exhibit 2), while we continue to advocate for playing the sector selectively, using a combination of potential upsides/downsides to estimates and how the valuations stack up relative to the past three- to five-year averages. With that framework, we continue to prefer INFO and Wipro (both rated ADD) in our Tier-1 coverage, MPHL (BUY) and recently upgraded LTIM (ADD) in Tier-2s, and FSOL and Sagility (both rated BUY) in the small-cap coverage. Global techs trade significantly cheaper than own multiples as well as Indian peers (to some extent on account of relative financial underperformance) and thereby offer greater scope from mean reversion as financial stability and improvement starts to show up.

for the exclusive reading of (dipiksha.patil@axiscap.in)

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AUTO: Growth momentum to continue; premiumization to get stronger

After the strong festive season, we expect growth momentum to continue across automotive segments over the next two to three years, aided by cuts in GST rates and potential implementation of pay commission by the central and state governments in FY28-29E. While higher affordability (due to GST cuts) will lead to an increase in demand from first-time buyers, we see a pickup in replacement demand (tepid over the past few years) as a bigger growth driver in PVs. Demand elasticity will likely be higher in aspirational product segments, i.e. in premium bikes, mid-sized/large cars, and SUVs, than in entry-segment cars and 100-cc bikes. Thus, premiumization trend is likely to get stronger over the next three years. Overall, we expect (1) PV industry volumes to see an 8% CAGR over FY25-28E – competition to stay intense (discounts unlikely to come down meaningfully), as all major OEMs are looking to gain share; (2) a 6% CAGR in 2W industry volumes –mandatory ABS norms in FY27E could impact growth in the entry segment; (3) a 4% CAGR in the MHCV industry – pricing discipline to drive margin improvement for OEMs; and (4) a strong recovery in the tractor and LCV segments (positive for M&M).

Exhibit 90: Expect strong growth in PVs, mid-single-digit in 2Ws, and revival in MHCV/LCV segments (4/9% growth) in FY27E

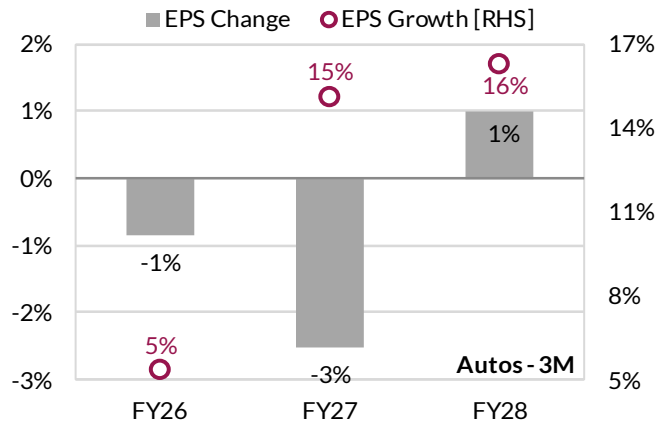
	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Volumes ('000s units)											
PVs	3,287	3,377	2,775	2,711	3,069	3,890	4,218	4,337	4,622	5,043	5,391
2Ws	20,192	21,177	17,417	15,118	13,679	16,250	18,458	20,115	21,290	22,479	24,209
M&HCVs	336	390	225	161	241	359	377	374	395	410	418
LCVs	516	617	493	408	476	603	595	583	632	690	746
3Ws	639	700	636	216	260	489	692	741	785	832	882
Tractors	732	788	709	899	842	945	876	945	1,068	1,100	1,133
YoY growth (%)											
PVs	7.9	2.7	-17.8	-2.3	13.2	26.7	8.4	2.8	6.6	9.1	6.9
2Ws	14.8	4.9	-17.8	-13.2	-9.5	18.8	13.6	9.0	5.8	5.6	7.7
M&HCVs	12.1	16	-42.4	-28.5	50	49	5	-0.8	5.7	3.9	1.9
LCVs	25.4	19.4	-20.1	-17.2	16.7	26.8	-1.5	-2.0	8.5	9.1	8.2
3Ws	24.9	9.6	-9.2	-66	20.3	88	41.5	7.0	6.0	6.0	6.0
Tractors	25.5	7.8	-10.1	26.9	-6.4	12.2	-7.3	7.9	13.0	3.0	3.0

Source: Company, Axis Capital

Constructive on the sector – prefer M&M, CV OEMs, and TVS/EIM

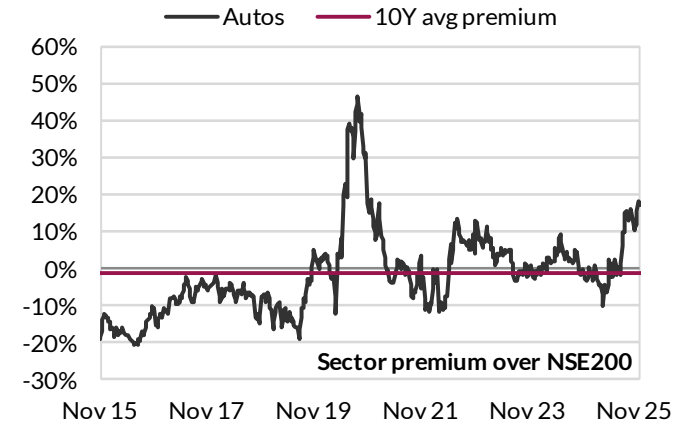
Given strong growth tailwinds and reasonable valuations, we are constructive on the sector – we like M&M in the PV segment (cautious on MSIL), as we expect market share gain in SUVs on strong execution in ICE and ramp-up of EVs. We have BUY ratings on CV OEMs (both AL and TMCV) on recovery in volumes, margin improvement on pricing discipline, and lower valuations. We have a SELL on TMPV on concerns at JLR (positive on India PV). Within 2W, we prefer Eicher and TVS (strong earnings compounders, even though valuations are unlikely to re-rate further).

Exhibit 91: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 92: 1-year-forward PE



Source: Bloomberg, Axis Capital

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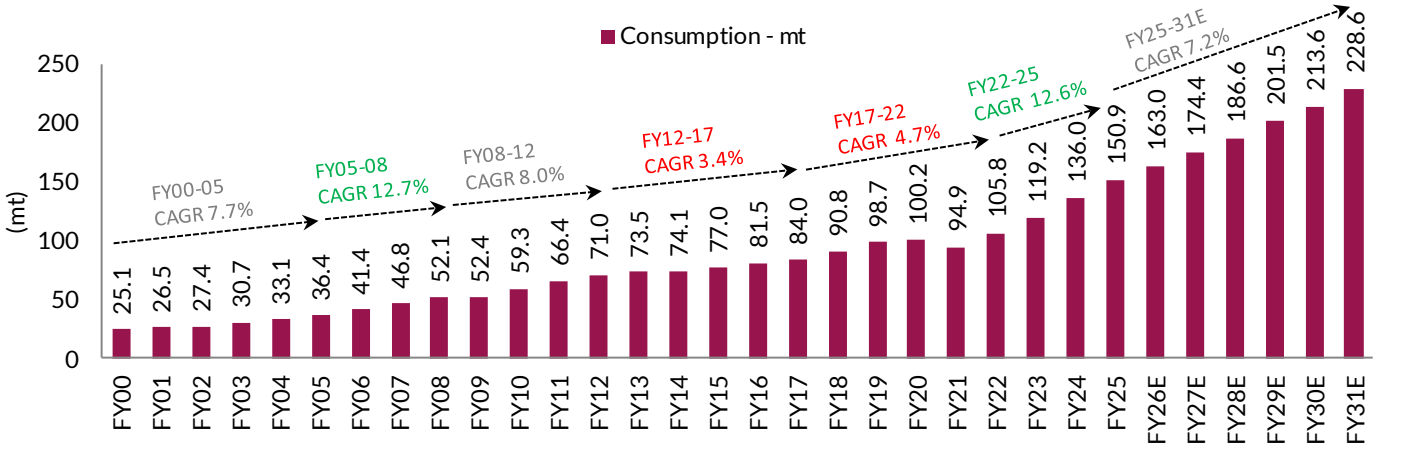
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METALS: Steel and aluminum demand continue to fare well

India's steel demand is on an upward trajectory, driven by growth in real estate, construction, and infrastructure, with domestic finished-steel consumption up at a 12.6% CAGR over FY22–25 to 151 mn t and expected to see a 7.2% CAGR to ~230 mn t by FY31E. On the margin front, the DGTR's recommendation of a three-year step-wise Safeguard Duty (SDD) of 11-12% on flat-rolled steel products, if implemented, should help counter the surge in low-priced imports and help support margins for Indian players by curbing price undercutting, stabilizing domestic pricing, and improving capacity utilization. Further, commencement of the Simandou iron ore project in Guinea should help soften iron ore prices, although the major effect of the same would only be felt after CY26E as production starts ramping up (report).

Aluminum: The outlook on domestic aluminum demand also continues to be positive, driven by strong domestic demand from the electrical, electronics, and transportation sectors.

Exhibit 93: India's steel consumption over the years

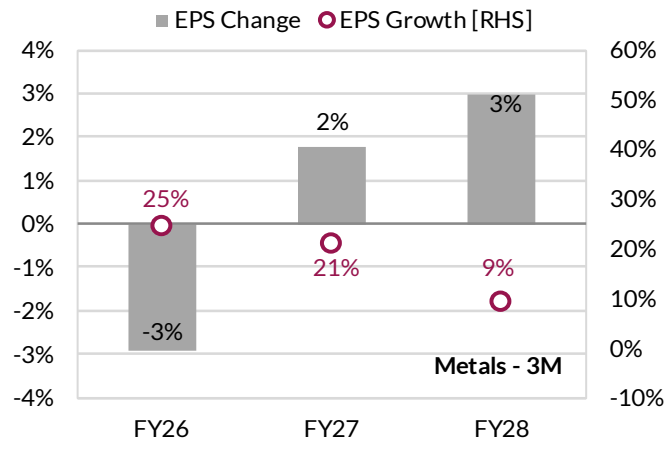


Source: Axis Capital, Ministry of Steel

Top calls: Relatively prefer growth-oriented names JSW and JSPL in steel

Within steel, JSW Steel and JSPL remain our preferred picks (ADD) on sustained capacity additions, while Tata Steel (REDUCE) and SAIL (SELL) lack catalysts and volume growth beyond FY26E. In non-ferrous, Hindalco is rated REDUCE given further capex escalation at Novelis' Bay Minette (report), though the India aluminum business outlook is positive, supported by strong LME pricing, captive coal lowering costs, and rising downstream and alumina sales.

Exhibit 94: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 95: 1-year-forward PE



Source: Bloomberg, Axis Capital

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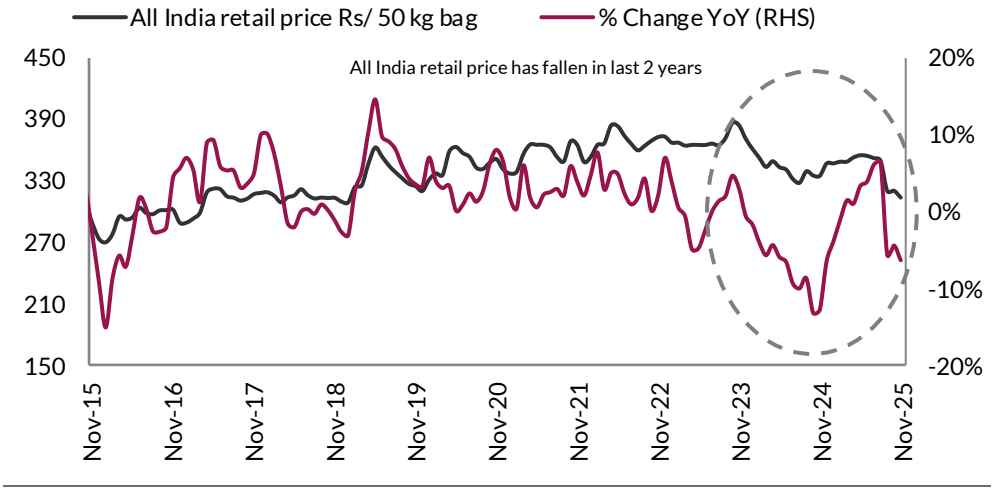
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CEMENT: Overcapacity clouds pricing outlook

We remain concerned about the medium-term outlook (next 12-18 months) for the sector due to significant capacity addition pipeline of ~80 mn t (~12%), which could keep pricing muted. However, the longer-term outlook remains positive, as sector consolidation and sustainable cement demand growth at 1.1x-1.2x of GDP should drive pricing and margin gains. We continue to prefer companies which (1) can gain market share and (2) are moving down the cost curve. We prefer UTCEM among large-caps and JCKE in mid-caps.

Exhibit 96: Cement retail price has been falling the past 2 years on high capacity addition

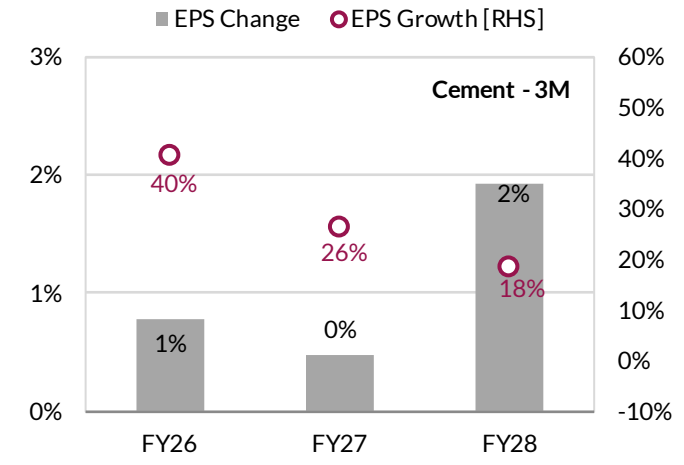


Source: Axis Capital

Top calls: UltraTech is most preferred in large-caps, JK Cement in mid-caps

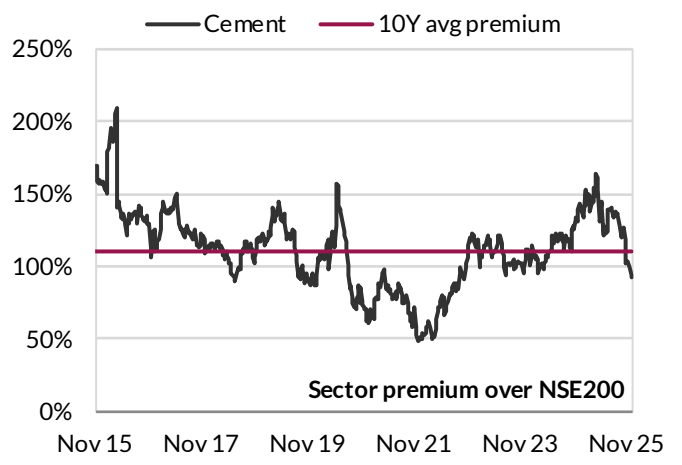
In large-caps, UltraTech is our preferred pick, as we estimate it to gain ~250 bps volume market share by FY27E, led by led by ramp-up in India Cements and capacity expansion to 212 mtpa. In mid-caps, JK Cement is the most preferred, for its strong volume growth visibility (~13% CAGR over FY25-28E), while Ramco is the least preferred on high leverage.

Exhibit 97: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 98: 1-year-forward PE



Source: Bloomberg, Axis Capital

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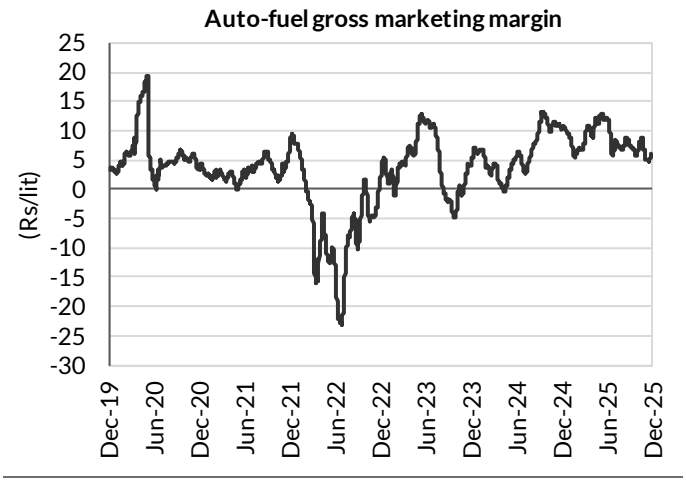
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OIL & GAS: Weak oil price to help OMCs

Oil: With OPEC+ continuing to have 3.68 mbpd of spare capacity, production ramp-up is expected to continue to keep oil prices subdued. The subdued oil price outlook bodes well for oil-marketing companies (OMCs), as integrated margins (refining + marketing) on auto-fuels (petrol, diesel) should remain strong (assuming excise duty is not raised by the Government).

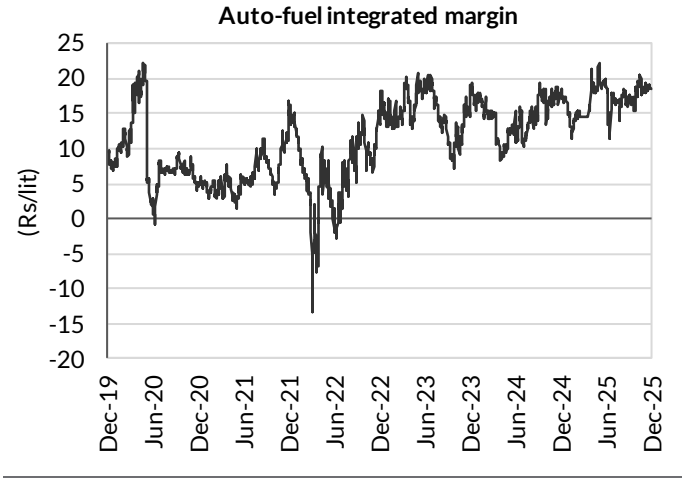
Gas: LNG price has recently moderated to US$11/mmbtu (from US$13-15/mmbtu). However, alternate fuel prices have fallen very sharply (e.g., propane is at US$470/t), which has reduced the attractiveness of LNG consumption in the industrial segment. Weak LNG demand has been hurting volumes of the entire gas ecosystem from LNG importers like Petronet LNG and gas-transmission companies like GAIL. With new LNG projects (largely in Qatar and the US) coming onstream from CY26 onwards, LNG prices are expected to moderate and should support LNG demand growth in India.

Exhibit 99: Auto-fuel gross marketing margin remains strong



Source: Bloomberg, Axis Capital

Exhibit 100: Integrated margin has been strong as well

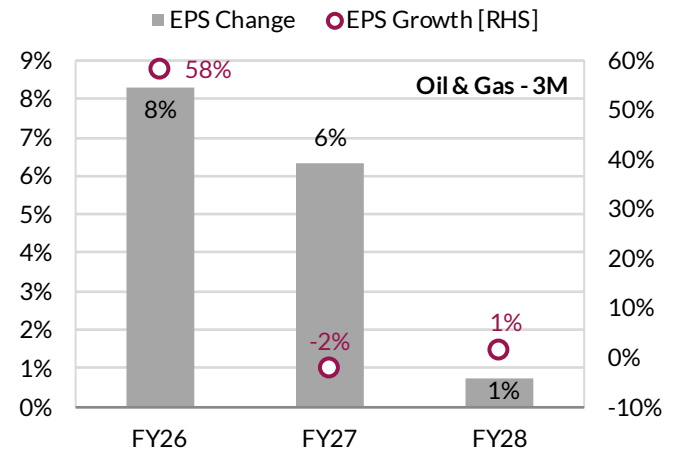


Source: Bloomberg, Axis Capital

Top calls: Prefer HPCL in oil and MGL in gas

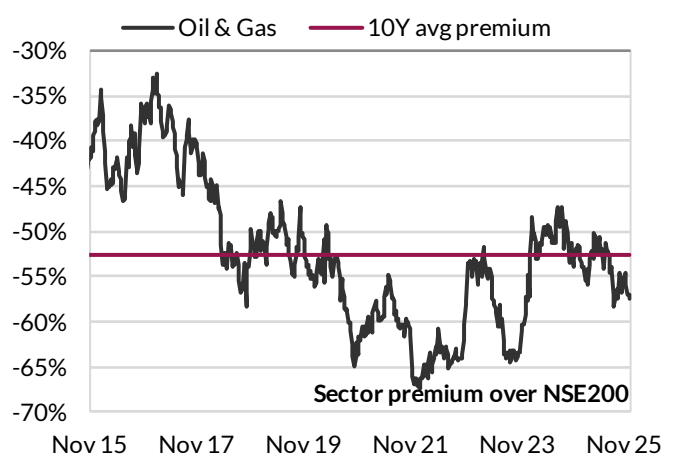
We continue to remain positive on OMCs (on weak oil price outlook), with HPCL as the preferred pick. Within the natural gas ecosystem, we prefer CGD players MGL and IGL.

Exhibit 101: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 102: 1-year-forward PE



Source: Bloomberg, Axis Capital

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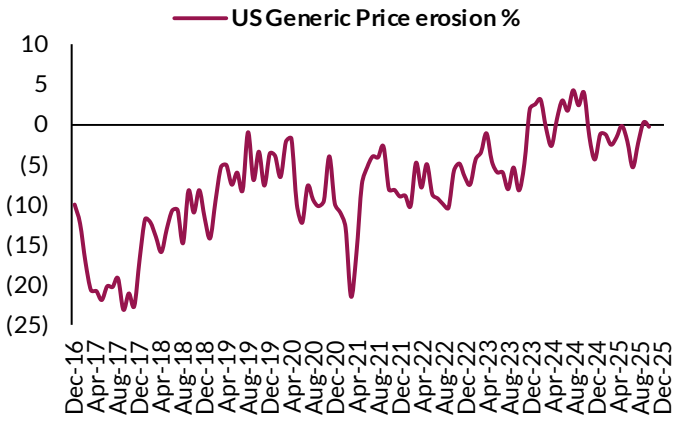
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PHARMA & HEALTHCARE: gRevlimid-driven moderation on the cards

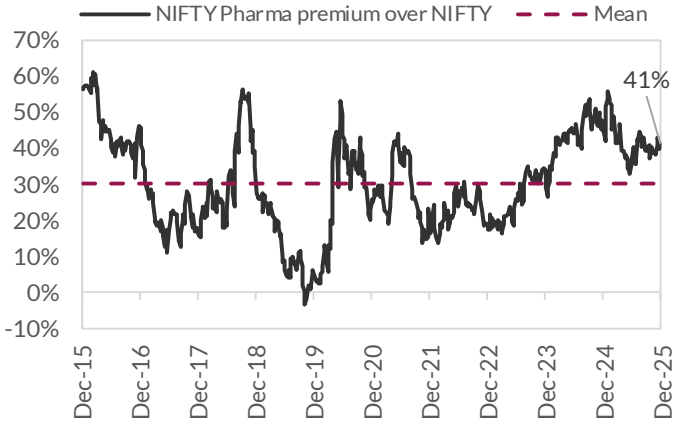
Domestically, IPM growth is expected to improve to 10-11% in FY27E on a sustained 8-9% base growth plus an additional +1-3% from GLP-1s. Our coverage universe should outperform IPM by 100-200 bps, registering a 12% YoY India growth in FY27E. In the US, FY27E will be muted (-1% YoY), with companies like DRRD, Natco, Zydus, and Cipla impacted from gRevlimid genericization (Jan'26), but base business is dependent on company-specific launches; given lower shortages, US price erosion is not expected to come down further. While Pharma margins will be affected by gRevlimid drop, consistent weakness in API prices is a positive. Hospital sales are expected to grow at mid-teens on steady organic growth plus bed additions, but margins may weaken amid higher greenfield beds (Aster, Apollo, KIMS). Double-digit volume/wellness-led sales growth at diagnostics is also expected to continue.

Exhibit 103: US price erosion



Source: Bloomberg, Axis Capital

Exhibit 104: NIFTY pharma premium over NIFTY 50

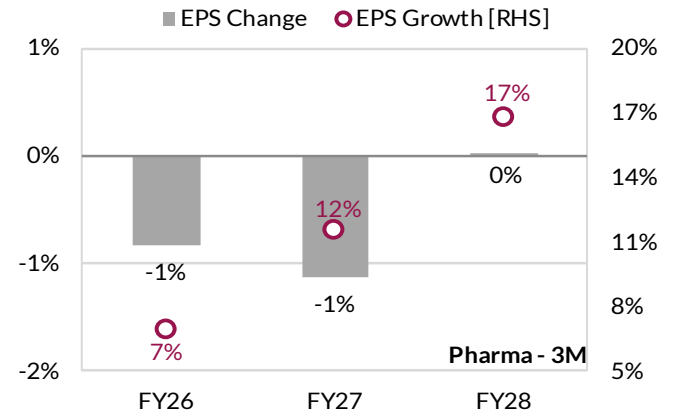


Source: Bloomberg, Axis Capital

Top calls: Ajanta Pharma, Emcure, Sun Pharma, Torrent, Max, and Medplus

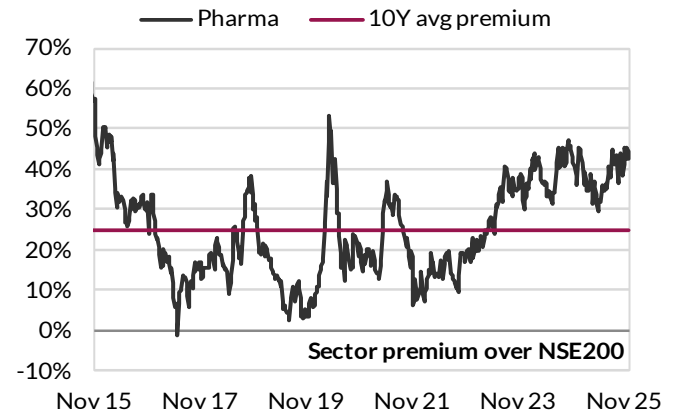
In pharma: (1) **Ajanta (BUY)** – consistent IPM O/P, new therapies + MR addition in Asia/Africa + improved US profitability; (2) **Emcure (BUY)** – steady India/exports sales growth + margin improvement; (3) **Sun Pharma (ADD)** – strong India, specialty (Unloxcyt), sustained RoW/EM momentum; (4) **Torrent (ADD)** – consistent volume-driven India + MR additions + JB synergies + GLP-1 in Brazil. **In hospitals**, given stock-run up and the upcoming greenfield bed additions at Aster/KIMS /Apollo, we prefer **Max HC (ADD)**, with a higher share of upcoming brownfield beds. **Medplus (BUY)** is a top pick on its improving balance between sales growth and profitability.

Exhibit 105: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 106: 1-year-forward PE



Source: Bloomberg, Axis Capital

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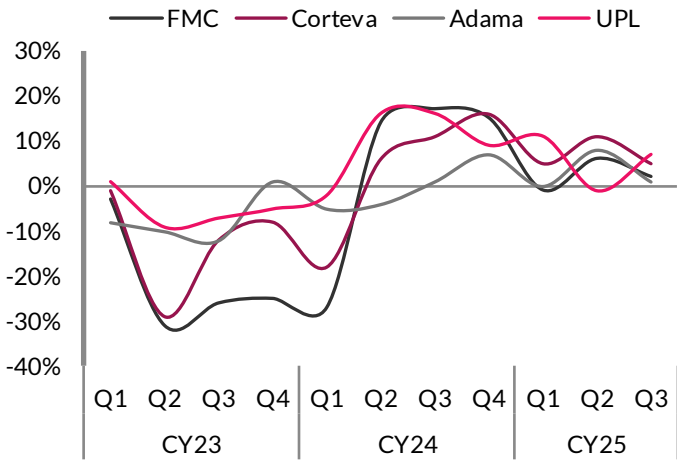
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CHEMICALS: Expect healthy volume led rebound

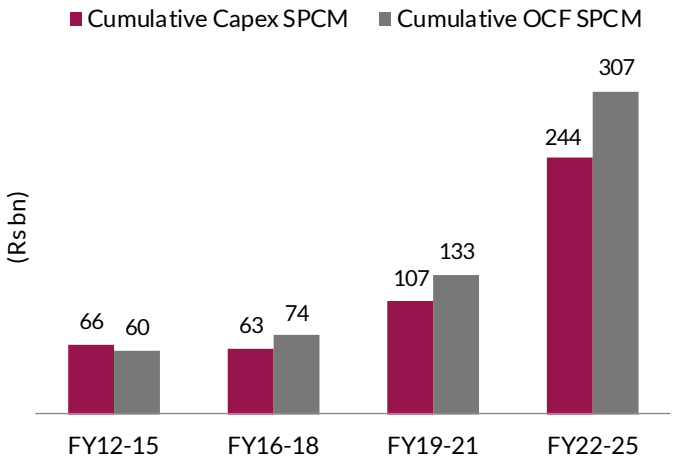
CY25 was subdued for chemical companies in general, on (1) high channel inventory and (2) steady pricing decline on China-led low-cost imports. However, as global channel inventory has already started easing, given steady on-ground demand, we expect CY26E to see a healthy rebound for most specialty-chemical players. This will also get accelerated with an expected push by global innovators to launch new products (given intensifying competition from China), which augurs well for Indian specialty-chemical companies, given their positioning in the global supply chain. However, bulk-chemical companies may take some more time for earnings recovery, as lower pricing continues (though largely stable now), keeping their earnings growth under tab.

Exhibit 107: Global agchem volume growth improving



Source: Industry, Axis Capital. Note – UPL* – Q2FY25

Exhibit 108: Aggressive capacity addition in place; await ramp-up

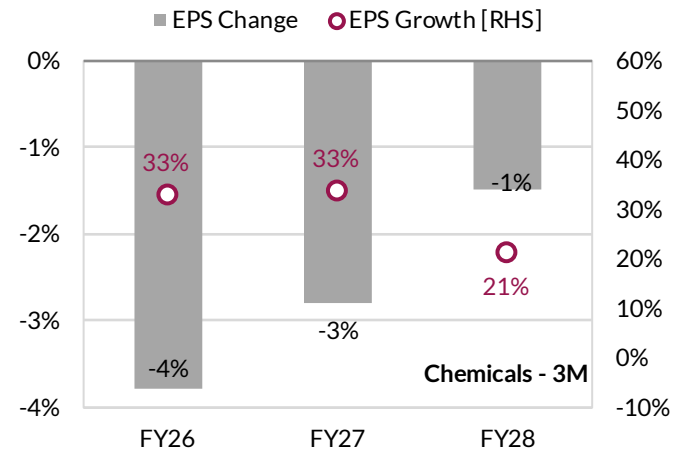


Source: Company,Axis Capital

Top picks – prefer SRF, NFIL and SCHI

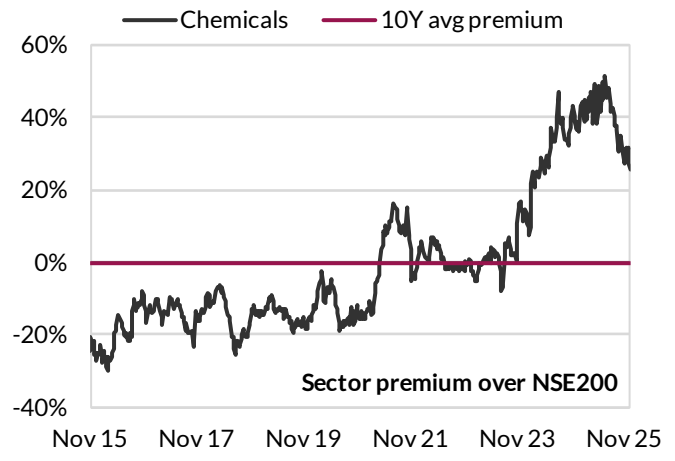
We expect companies with higher share of patented products to be better placed vs generics/higher share from bulk, which may see a gradual volume growth recovery, especially as aggressive low-cost exports from China may continue. We prefer SRF (BUY) in large-caps, Navin Fluorine (ADD) in mid-caps, and Sudarshan Chemicals (BUY) in small-caps.

Exhibit 109: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 110: 1-year-forward PE



Source: Bloomberg, Axis Capital

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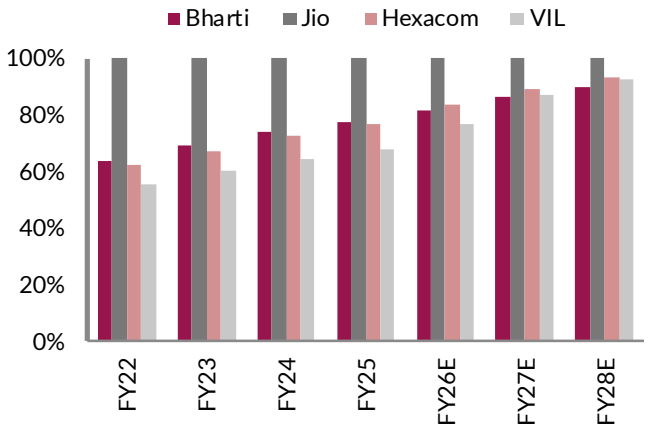
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TELECOM: Tariff hike & premiumization tailwind; healthy adoption in 5G & FWA

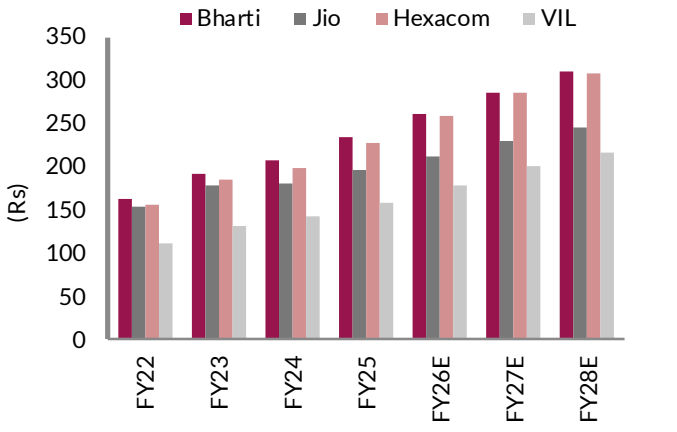
We remain bullish on telecom and expect our coverage telcos to see mobile ARPU/revenue/EBITDA YoY growth of 8-10/12-15/15-17% in FY27E. The sector is seeing strong tailwinds: (1) ARPU uplift from a combination of premiumization (via cross-selling/bundling) and regular tariff hikes with robust hike to revenue/EBITDA absorption – resulting in improving RoCEs; (2) healthy uptake of 5G on mobile with higher compatible handset shipments; early signs of monetization show promise; 5G is also helping new revenue streams like FWA in non-mobility segments which are seeing robust uptake; (3) stable revenue market shares owing to consistently strong execution and healthy spectrum portfolio; and (4) supportive government policies providing financial support, implementing regulatory changes, and providing clarity. Our pecking order is – Bharti Airtel, Jio (RIL), Hexacom, Indus Towers, VIL.

Exhibit 111: Data subs as % of total mobile subs to grow healthily



Source: Company, Axis Capital

Exhibit 112: ARPU expected to grow at 8-10% YoY in FY26E

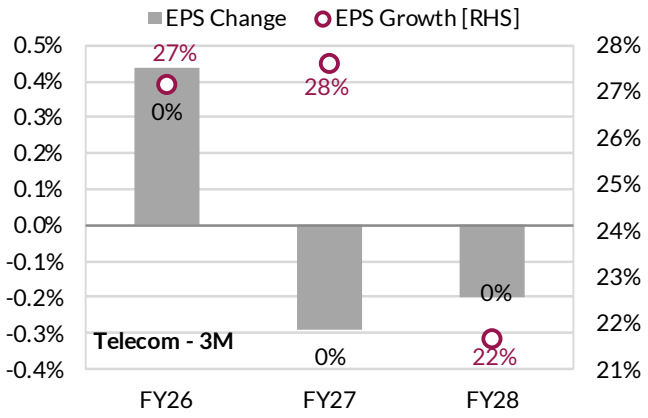


Source: Company, Axis Capital

Top call: Bharti Airtel

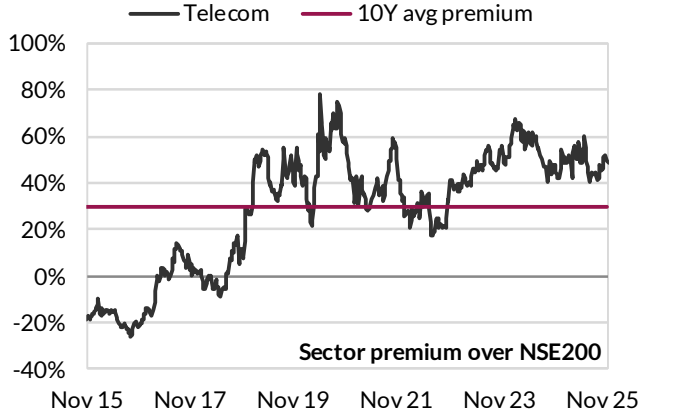
Bharti, as India's second-largest telecom operator, is well positioned to ride the tailwinds of the sector – (1) subscriber premiumization and regular tariff hikes with robust flowthrough for ARPU repair, (2) uplift from 5G and strengthened broadband segment, and (3) stable/improving revenue market share combined with a strong balance sheet, healthy spectrum portfolio and supportive Government regulations. Although Bharti is trading above its long term +1 SD, we believe it is justified, given strong earnings outlook and healthy FCF generation which should translate into improving payout. We maintain BUY on Bharti at a TP of Rs2,458.

Exhibit 113: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 114: 1-year-forward PE



Source: Bloomberg, Axis Capital

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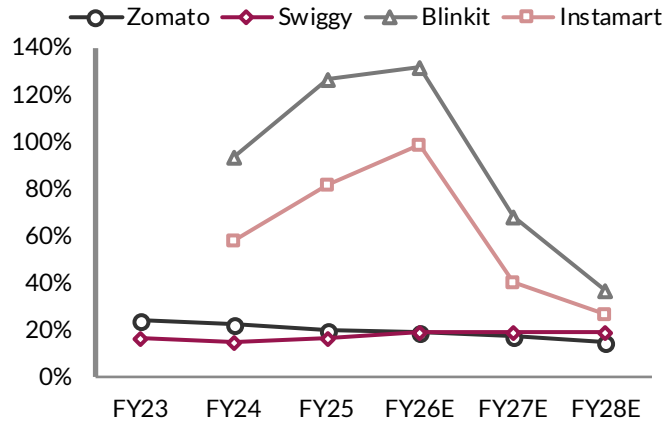
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INDIA INTERNET: High competition in q-com; food balance growth with margins

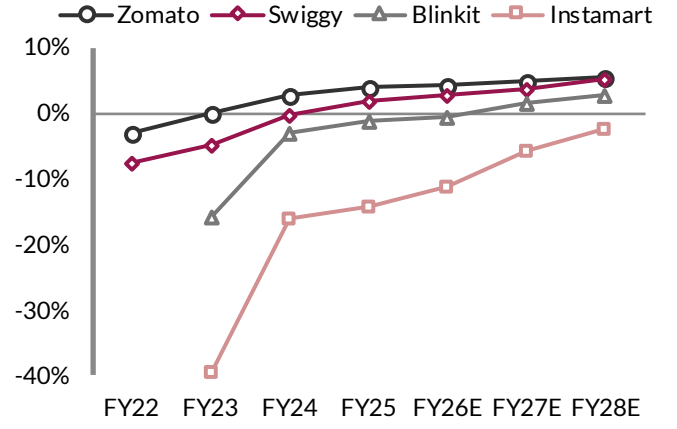
We are bullish on food tech and estimate robust growth driven by q-com, and margins aided by food delivery and reducing losses in q-com. Thesis: (1) fast-growing q-com, marred by high competition, sees robust user adoption, category and store expansion; (2) higher CAC, high discounts, and delivery/handling fee waivers are impacting near-term margins; but with rising scale, we see operating leverage; we estimate Blinkit/Instamart to breakeven adj. EBITDA/CM in Mar/Jun'26E; (3) incumbents are expected to hold up vs competition on higher scale and network maturity; (4) food delivery is expected to recover slowly with newer order frequency-accretive use-cases; adj EBITDA margins are fairly stable, moving to ~5% (of GMV) steady state. Our pecking order: Eternal, Swiggy. Info Edge (BUY): pressure on IT hiring but valuation provides comfort. Blackbuck (REDUCE): strong growth but one-third of its incremental revenues are coming from still-evolving segments, valuation caps upside.

Exhibit 115: Food delivery & q-com GOV YoY growth



Source: Company, Axis Capital

Exhibit 116: Segmental adj. EBITDA margins

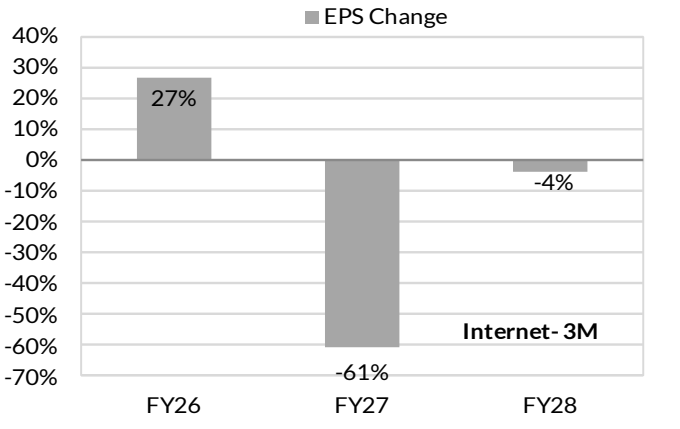


Source: Company, Axis Capital

Top call: Eternal

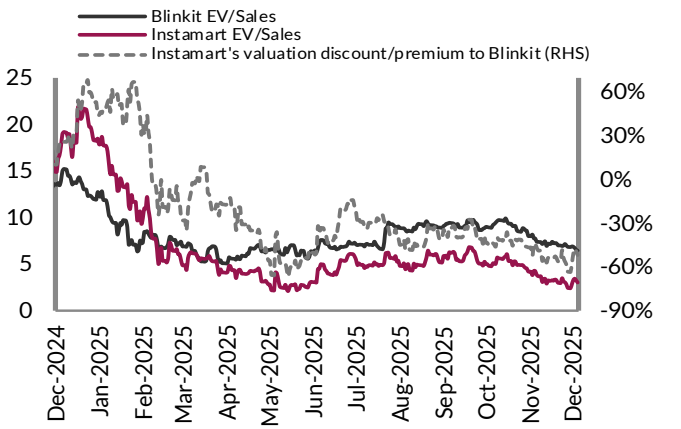
Eternal, as the largest food-tech platform, is well positioned to ride the tailwinds of the sector. Blinkit is the largest (w.r.t. GOV, users, store count) and continues to grow faster than the industry on strong execution and robust balance sheet. Not only is it the largest but it also has the most mature network with the highest throughput per store and an optimized cost structure despite rising competition. In food delivery duopoly, market shares are stable as platforms seek balance between growth and margins. We remain positive on Eternal and maintain BUY with a TP of Rs420.

Exhibit 117: Earnings trajectory for CY24/25/26E



Source: Bloomberg, Axis Capital

Exhibit 118: Instamart's discount to Blinkit's EV/sales at CMP



Source: Bloomberg, Axis Capital

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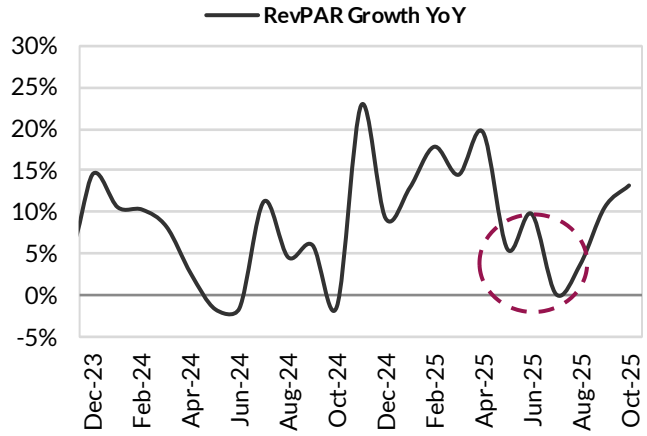
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HOSPITALITY: Double-digit RevPAR growth likely to continue

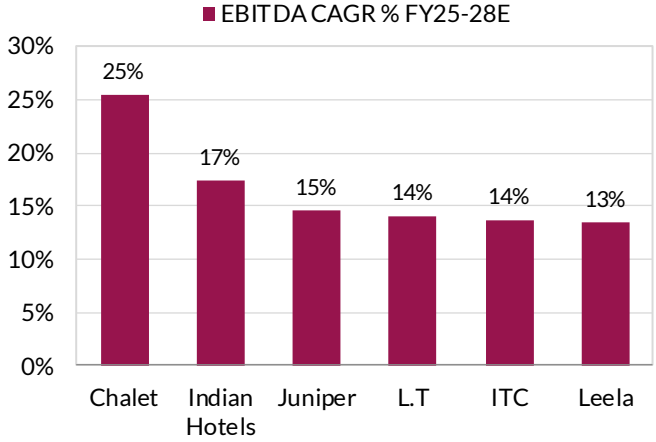
The slowdown in RevPAR growth momentum in 1HFY26 was mainly due to transient factors like higher-than-usual rainfall, the Air India plane crash, geopolitics and overall economic slowdown, but the fundamentals driving the sector's growth remain resilient. We already have evidence of recovery as RevPAR growth picked up from 4% in Aug to 11% in Sep and accelerated to 13% in Oct. Air passenger data (highly correlated with RevPAR growth) also implies a strong rebound in Oct/Nov. We remain confident about the sector's ability to sustain double-digit RevPAR growth in H2E and beyond. This upcycle has three major drivers: (1) better infrastructure growth and (2) demand-supply gap supporting ARR growth, particularly in luxury segment; and (3) rising disposable income. In addition, we see a resurgence in corporate travel, which places premium hotels in metro cities as the strongest beneficiaries.

Exhibit 119: RevPAR on an upward trajectory after a soft H1



Source: HVS Anarock, Axis Capital

Exhibit 120: Chalet and IHCL remain our top picks

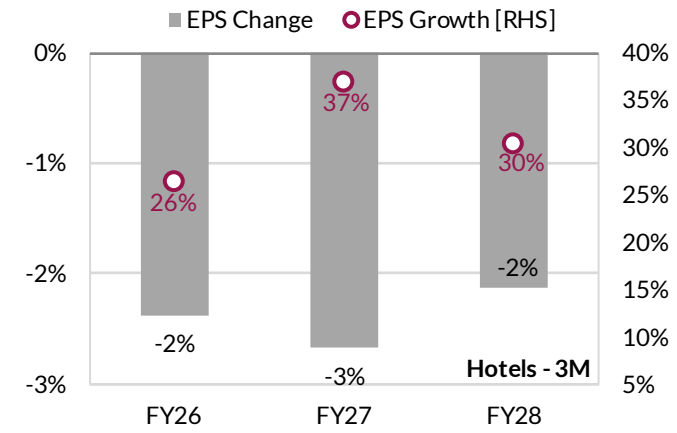


Source: Company, Axis Capital

Top picks: Chalet and IHCL are best placed to outperform the sector

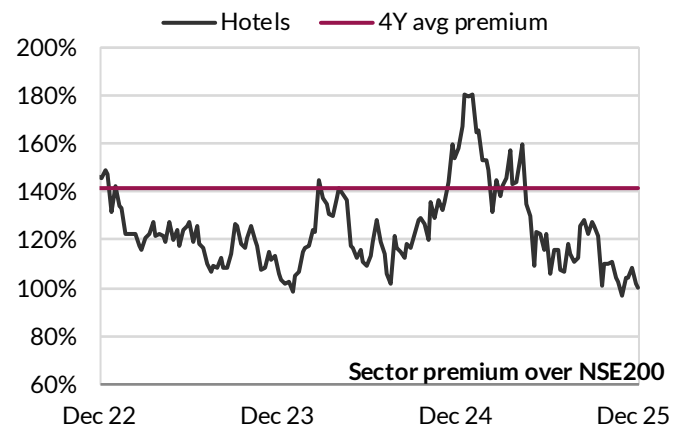
We prefer companies with a strong pipeline, high metro concentration, and premium positioning. Chalet remains our top pick, given its metro-centric portfolio, balanced annuity-hospitality-mix, and robust pipeline. IHCL benefits from its unmatched scale, dominant luxury positioning, high RoCE and attractive valuations. The stocks have already corrected sharply in H1 and multiples have been compressed by 20-30% over the past year. The upside from here is supported not only by EBITDA growth but also by potential expansion in multiples.

Exhibit 121: FY26/27/28E EPS change and growth



Source: Bloomberg, Axis Capital

Exhibit 122: 1-year-forward PE



Source: Bloomberg, Axis Capital

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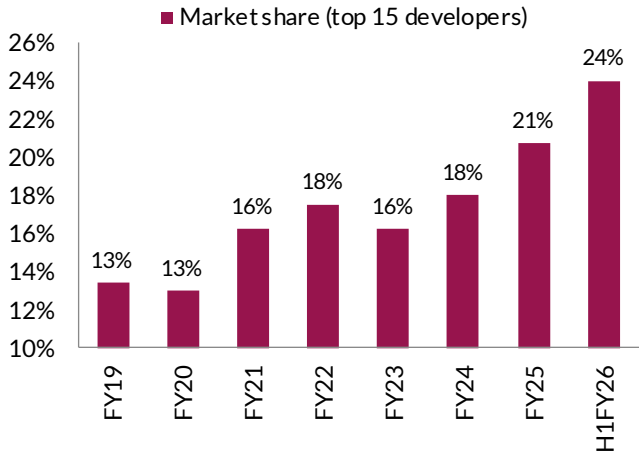
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REAL ESTATE: Listed universe to continue its outperformance

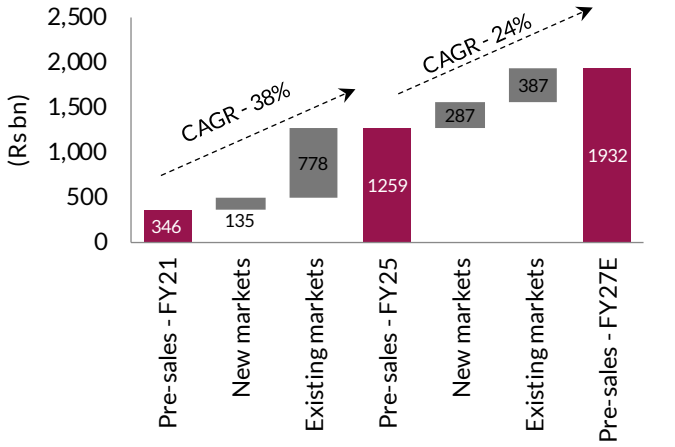
Our sample set of 15 listed companies delivered 37% YoY growth in pre-sales in H1FY26, led by 20% YoY growth in volumes and the rest from increase in realization. As against that, the Top 7 cities cumulatively reported 10% YoY growth in sales, largely on the back of realization growth, leading to a 300-bps improvement in market share to 24%. We expect this outperformance to continue on account of better launch velocity for listed players (50% in FY25) vs unlisted players (39% in FY25) and expansion in markets beyond the core markets. Thus, we expect our coverage universe to report a 24% CAGR in pre-sales over FY25-27E, of which about half will come from market share gains in new markets.

Exhibit 123: Preference for quality and strong launches drove market share gains for listed developers



Source: Company, Axis Capital

Exhibit 124: Over FY25-27E, we see new markets contributing nearly 45% (15% in FY21-25) to expected growth

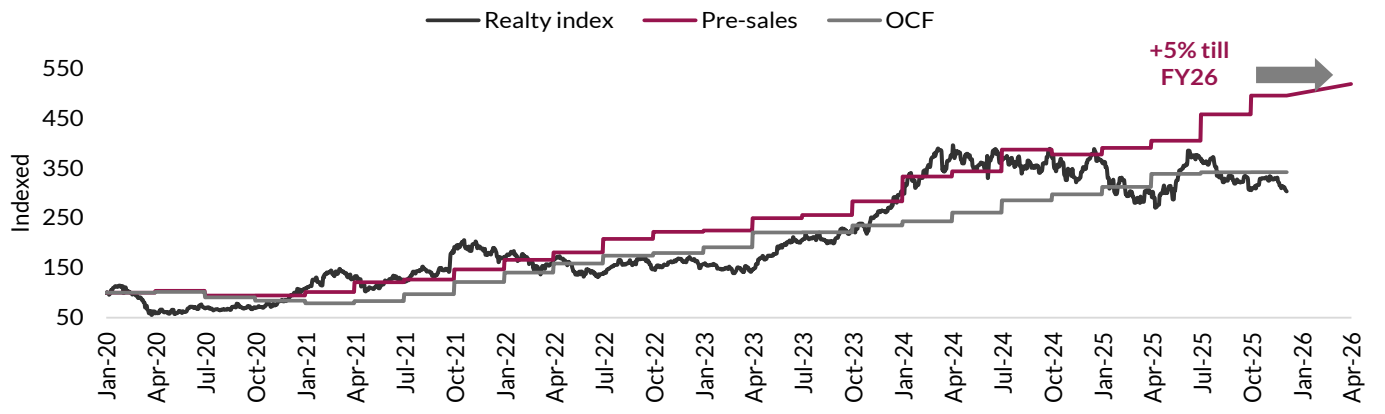


Source: Company, Axis Capital

Top calls: Prefer players with multi-asset class exposure

Over the past one year, Nifty Realty has underperformed both the headline index as well as the broader mid-cap space despite reporting strong growth in pre-sales and cashflows. Because of this de-rating, premium to NAV has narrowed, making risk-reward more favorable. However, as the real estate cycle enters a matured phase, stock picking becomes key. Hence, we prefer players which are not only dependent on the residential cycle but will also create value through annuity segments. PEPL remains our top pick, followed by Max Estates and DLF.

Exhibit 125: Pre-sales and cashflows have improved through YTD FY26, while index performance has lagged marginally; we expect catch-up going forward



Source: Company, Bloomberg, Axis Capital

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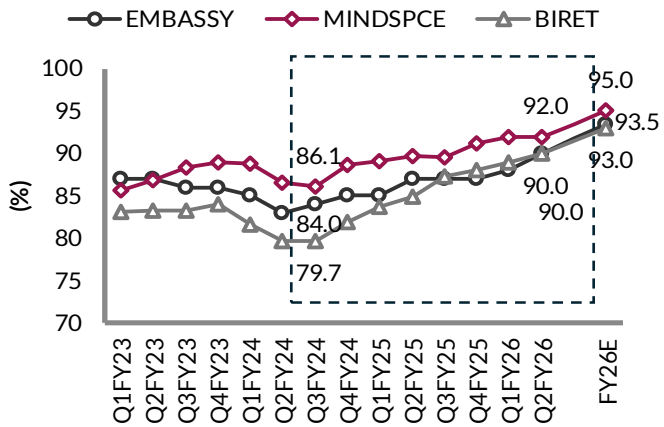
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REITS: Entering an era of positive net leasing

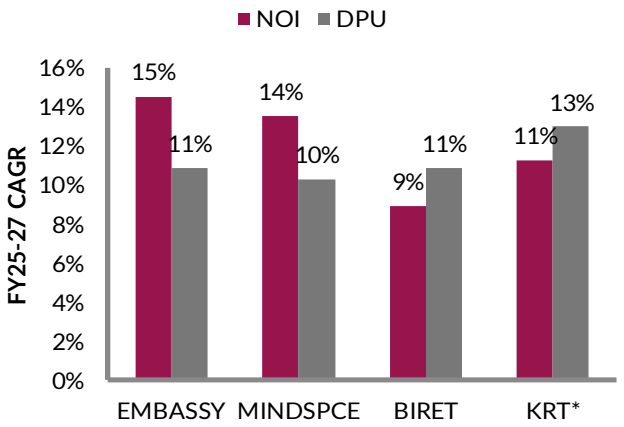
After delivering positive net leasing for consecutive eight quarters, occupancies of all office REITs have reached 90%+. The ramp-up in occupancies and steady interest rates have led to growth in DPU in FY25 as well as H1FY26. The outlook on commercial leasing remains positive, led by robust demand from both GCCs and domestic corporates. Thus, office REITs expect to reach early- to mid-90s occupancy by the end of FY26E, driving a healthy growth in NOI through FY27E. DPU growth will be further boosted by transmission on 125-bps rate cuts till date. Thus, office REITs are expected to deliver early-double-digit DPU CAGR over FY25-27E. However, Nexus REIT will see revival in consumption growth on the back of GST cuts and the low base of FY25. New acquisitions will drive further growth beyond like-for-like growth.

Exhibit 126: All REITs saw consistent occupancy scale-up since H2FY24, targeting to reach mid-90s by FY26E-end



Source: Company, Axis Capital

Exhibit 127: NOI/DPU seen growing 9-15/10-13% over FY25-27E across REITs

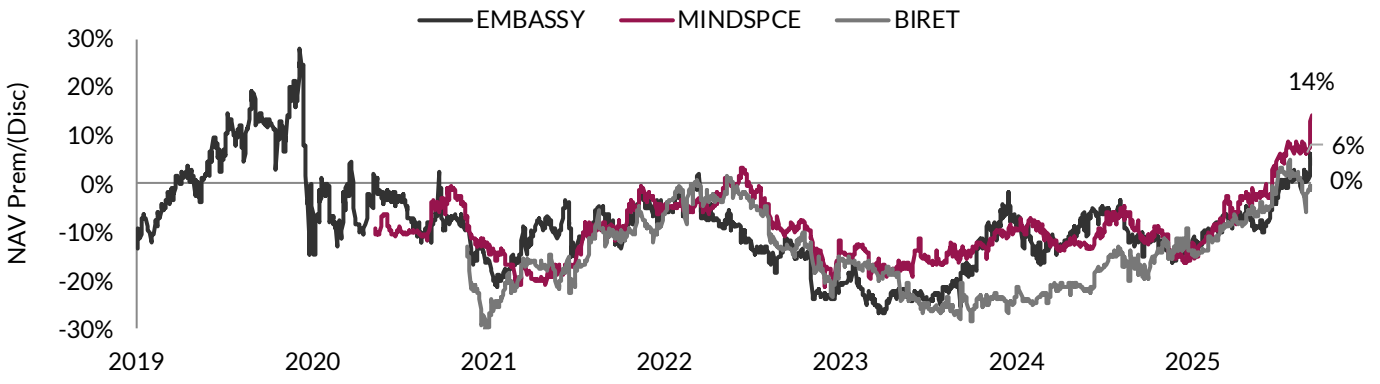


Source: Company, Axis Capital; for KRT, the DPU growth depicts the FY27 YoY growth as CAGR is unavailable (DPU for FY25 not available)

Top calls: Re-rating largely behind; earning growth to drive returns

Over the past one year, all REITs have delivered 15-20% returns on their units on the back of revival in earning growth, falling interest rates, and positive leasing outlook. As a result, REITs are now trading closer to NAV, implying a large part of re-rating is behind. Unit returns will now be driven by earnings growth. We prefer Nexus REIT because of its ability to outperform on growth through its acquisition-led growth strategy. Amongst office REITs, we prefer Embassy REIT for its better-quality earnings growth through organic development.

Exhibit 128: Office REITs now trade at or above NAV; appreciation going ahead will be driven by earnings growth



Source: Bloomberg, Axis Capital

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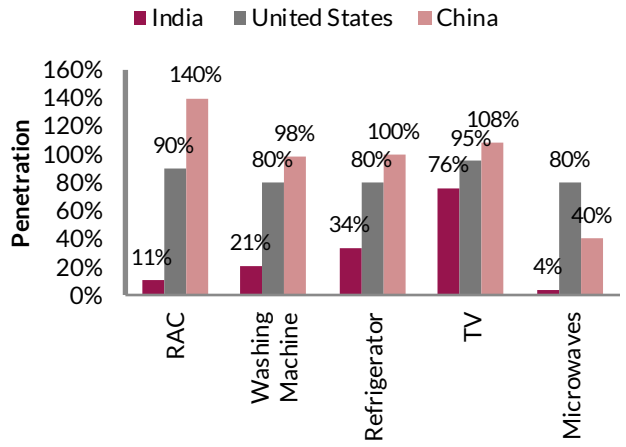
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HOUSEHOLD DURABLES: Expect demand improvement ahead

We expect brands that invest in R&D, diversification, premiumization, and omni-channel distribution to reap the promise of profitability. Also, brands present in lower-penetrated categories will see higher growth compared to small appliances and highly penetrated categories. Key factors driving the sector growth will be: (1) urbanization, (2) premiumization, (3) tech-enabled products, (4) contract-manufacturing-led brand proliferation and allied rise in competition, and (5) alternate channels. We expect earnings growth of ~5/35/26% over FY26/27/28E for our universe coverage.

Exhibit 129: India's penetration still below other countries



Source: Redseer, China statistical, Axis Capital

Exhibit 130: Brands moving towards premium end

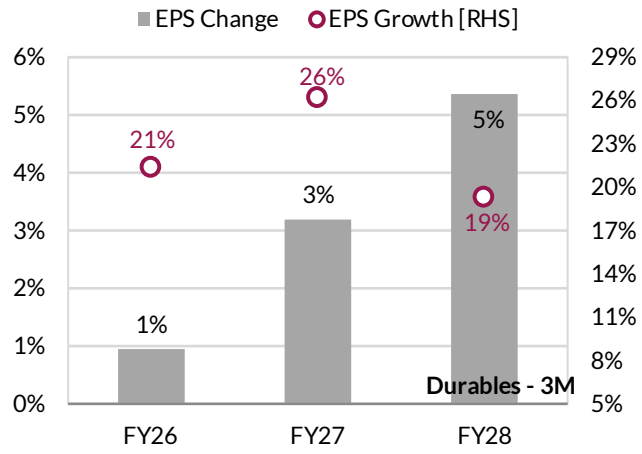
Companies	FY19	FY25
Voltas	Mass Brand	Mass Brand
Lloyd	Mass Brand	Now mass premium brand
Blue Star	Mass Brand	Now mass premium brand
Crompton	10-15% of Fans	22-25% of Fans
Bajaj Electricals	Limited premium presence	Substantial expansion in premium mixers, IoT fans, Morphy Richards brand
Whirlpool	Mass Brand	Still a entry level brand but has improved premium multi-door refrigerators, premium front-load washing machines, IoT appliances (Elica)
Orient Electric	10-15% of Fans	30% of Fans

Source: Company, Axis Capital

Top calls: BUY – Blue Star/Orient Electric; REDUCE – Havells; SELL – Whirlpool

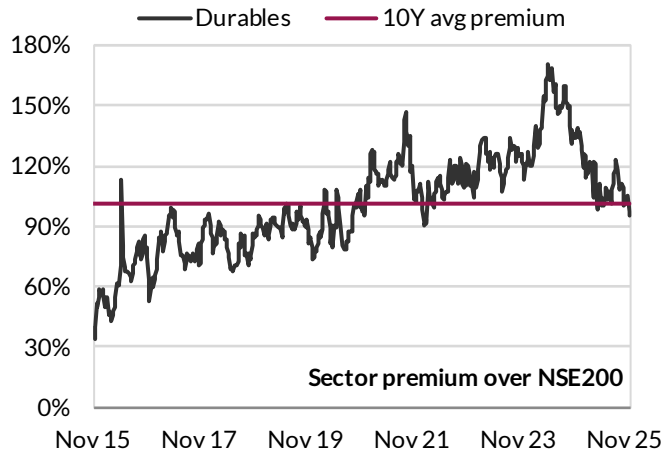
We prefer Blue Star, owing to its focus on market share along with profitability (expect revenue/EBITDA/PAT CAGRs of ~16/20/21% over FY25-28E), and Orient Electric, due to its increasing share of premium portfolio along with strengthening distribution through DTM (expect revenue/EBITDA/PAT CAGRs of 11/23/34% over FY25-28E). We recommend SELL on Whirlpool due to the lack of clarity on ownership control for its India business, and REDUCE on Havells due to its higher valuation and the weak performance of Lloyd.

Exhibit 131: FY26/27/28E EPS growth



Source: Axis Capital

Exhibit 132: 1-year-forward PE



Source: Bloomberg, Axis Capital

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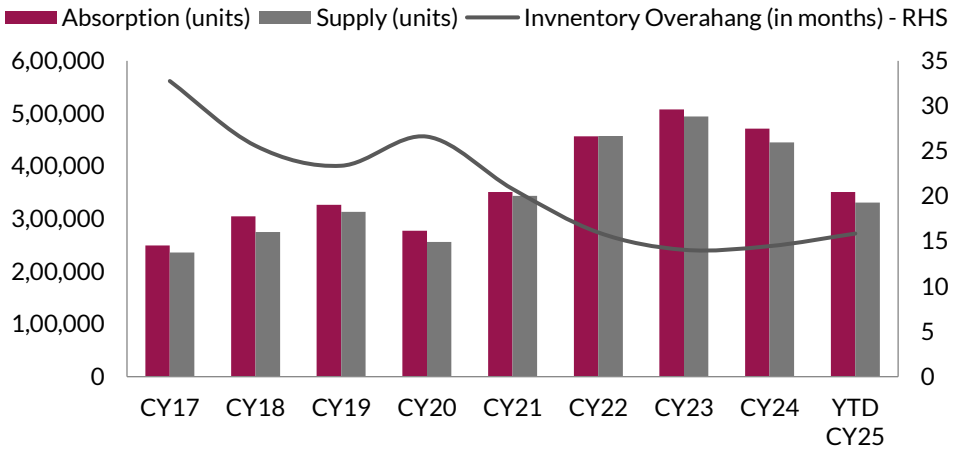
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BUILDING MATERIALS: Muted H1; recovery expected ahead

We expect the building products industry (tiles, wood panels, and plastic pipes) to see an uptick in demand beginning FY27E, led by the highest-ever launches since low real estate inventory in FY24. Industry growth will be underpinned by several demand drivers, including an improving real estate cycle, increasing private and public capex, rising household income, growing urbanization, and premiumization. However, increasing raw materials prices in wood, uncertainty in export of tiles, and slowdown in PVC prices remain key factors to monitor for any surprise in the industry. We expect earnings growth of ~41/55/29% over FY26/27/28E for our coverage universe. Higher growth is mainly due to wood panel companies expanding their product ranges and Kajaria Ceramics improving its EBITDA margin on cost optimization.

Exhibit 133: Strong real estate absorption in past 2 years

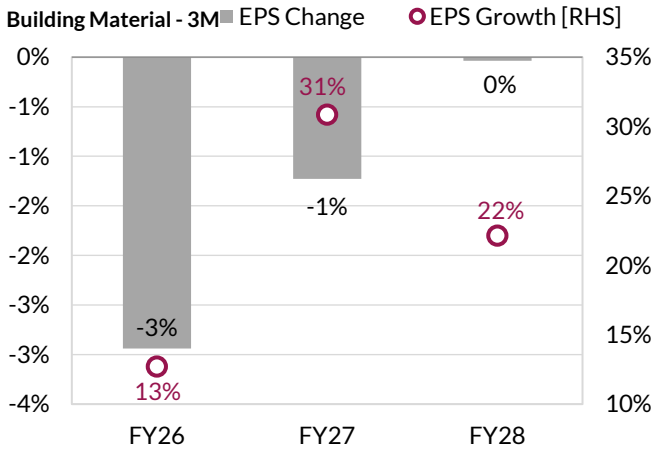


Source: Propequity, Axis Capital

Top calls: BUY – Greenply, ADD – Century Ply; REDUCE – Astral

We prefer Greenply on its industry-leading strong MDF margins along with increasing focus on plywood (expect revenue/EBITDA/PAT CAGRs of ~9/15/39% over FY25-28E). We have an ADD rating on Century Plyboards due to its complete basket of wood panel products and improving margins (expect revenue/EBITDA/PAT CAGRs of 17/31/57%). We have a REDUCE rating on Astral due to uncertainty in PVC prices and no anti-dumping duty on the cards.

Exhibit 134: FY26/27/28E EPS growth



Source: Axis Capital

Exhibit 135: 1-year-forward PE



Source: Bloomberg, Axis Capital

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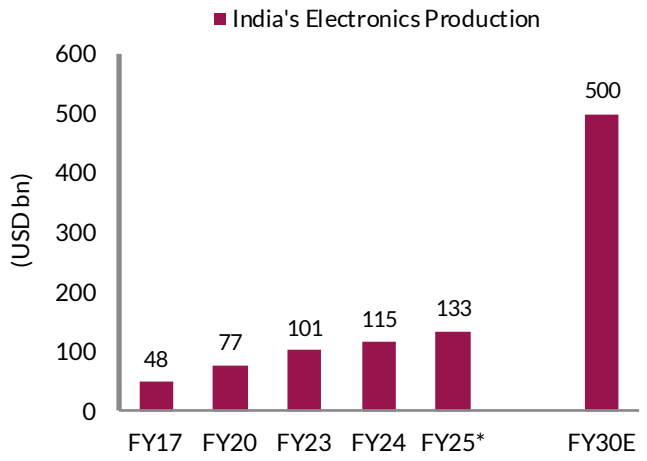
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EMS: Expect increase in domestic value addition

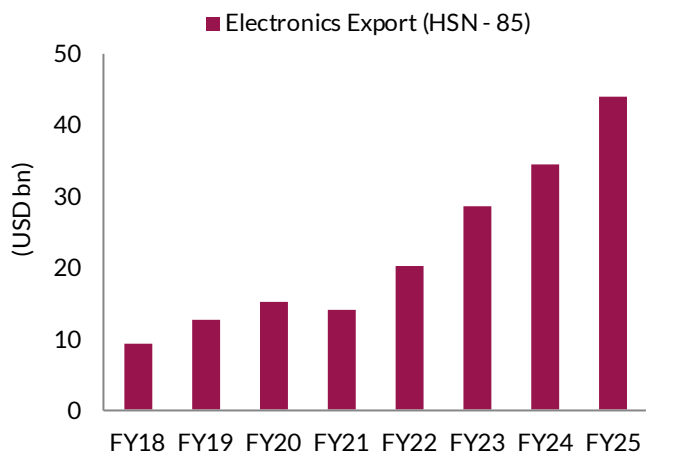
India's electronics manufacturing is projected to see ~30% CAGR over FY25-30E, reaching US$500bn. Exports have surged at ~25% CAGR since FY18, crossing US$44bn in FY25, driven by smartphones. Government schemes like PLI and ECMS aim to boost domestic value addition, strengthen supply chains, and attract large investments. To capitalize on this growth, companies must focus on backward integration, setting up R&D design houses, increasing own value addition, balance sheet strength and cashflow discipline. We expect earnings growth of ~45/21/48% over FY26/27/28E for our universe coverage (CM + EMS).

Exhibit 136: India's electronic production to see CAGR of ~30% over FY25-20E (vs 14% over FY17-25)



Source: ICEA, Axis Capital

Exhibit 137: Electronics exports saw 25% CAGR over FY18-25

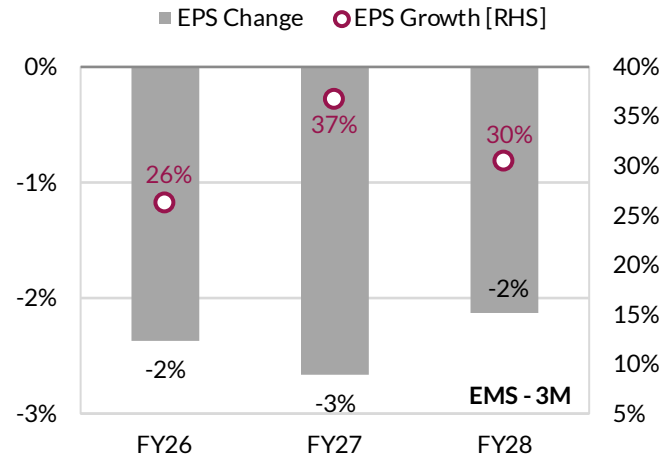


Source: Trade Statistics, Axis Capital

Top BUY: PG Electroplast

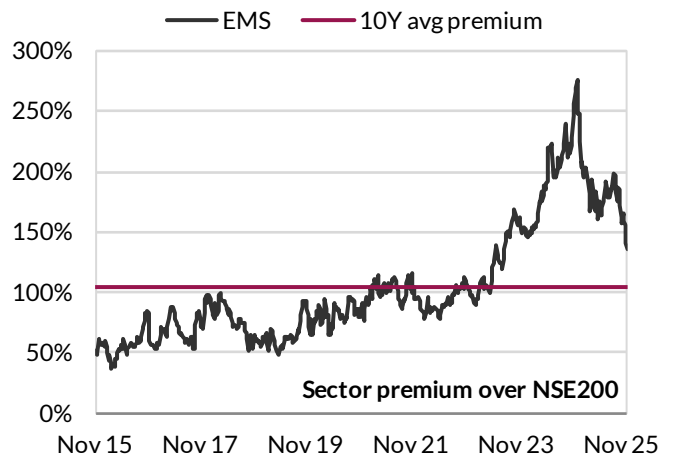
We prefer PG Electroplast (PGEL) as we expect the company to gain market share in ACs and washing machines over the next two to three years. With its entry into new categories (like LED TVs, laptops, computers, EMS, refrigerators, and compressors), PGEL is also seeing higher earnings growth, with an improved balance sheet and return ratios, mainly on: (1) increasing share of the products business – a higher-margin segment, (2) plans to add RAC compressor manufacturing, and (3) gearing up to enter the refrigerator business. Overall, we expect earnings growth and RoCE of 0.3/51/42% and 14/16/20% over FY26/27/28E.

Exhibit 138: FY26/27/28E EPS growth



Source: Axis Capital

Exhibit 139: 1-year-forward PE



Source: Bloomberg, Axis Capital

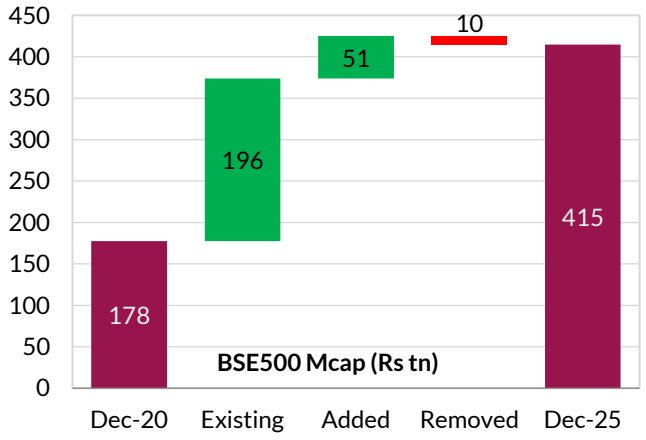
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Market P/E supported by steady DII flows and lower premium to world

India's market cap has seen 18% CAGR in the past 5 years

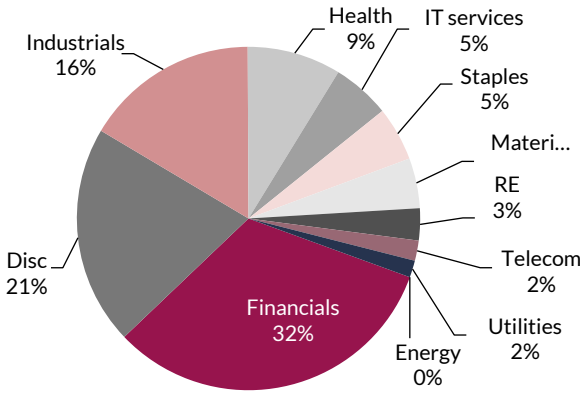
Over the past five years, the Indian market has expanded, with BSE500 market cap growing 2.3x to Rs415tn as of Dec'25, implying an 18% CAGR. The growth has primarily come from the performance of the 374 incumbent members of BSE500 whose market cap more than doubled during this period. The 126 new members added to BSE500 added Rs51tn, whereas the ones they replaced had added Rs10tn. Two-thirds of the new additions (by value) to BSE500 are in three sectors – financials, discretionary, and industrials. Market cap addition from the new members is concentrated, with the Top 10 additions accounting for 38% (like LIC, Eternal, Jio Financial, Hyundai).

Exhibit 140: 374 existing members see >2x market cap in 5 years



Source: Bloomberg, Axis Capital

Exhibit 141: 2/3rd of new adds are from financials, disc., industrials



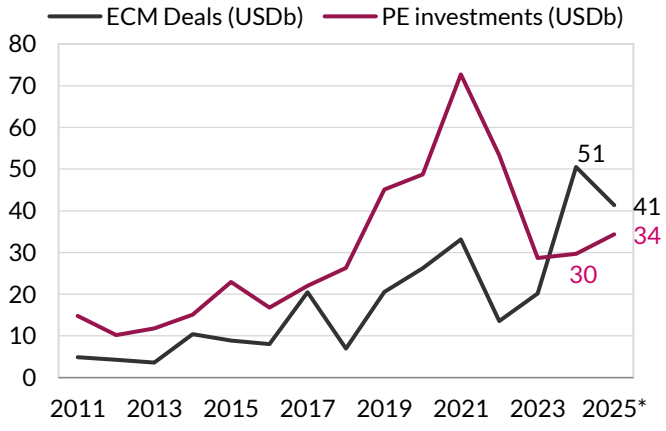
BSE500 Mcap entrants (2020-25) by current Mcap

Source: Bloomberg, Axis Capital

New listings led to high private equity exits – bodes well for private funding

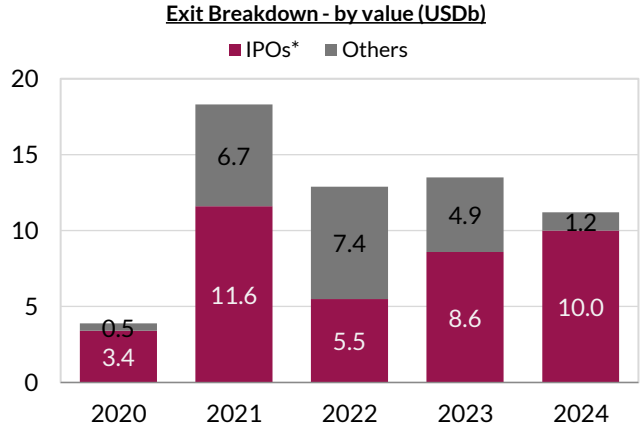
The new listings have been enabled by a growing demand for public equities in India, which has allowed VC and PE funds to exit their investments and provide returns to their limited partners. ECM transactions have been boosted by private-equity firms choosing IPOs as the primary form of exit. In 2024, total PE exits from IPOs were US$10bn; while the trend globally fizzled out after 2021, it has sustained in India. This makes the Indian market an outlier, increasing the chances of inflows in the coming years even though PE/VC investments have slowed down over 2024-25.

Exhibit 142: Public fundraising exceeded PE deals



Source: VC Circle, Axis Capital; 2025 figures are annualized

Exhibit 143: PE investors garner more value through IPO exits



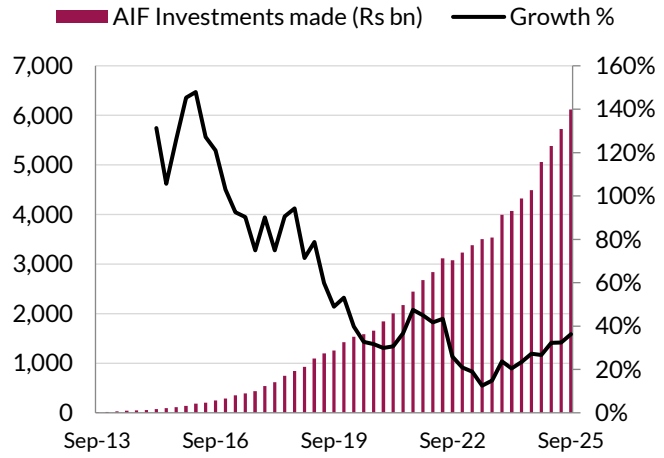
Source: VC Circle, Axis Capital

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Rise of Indian private equity firms in the form of AIFs

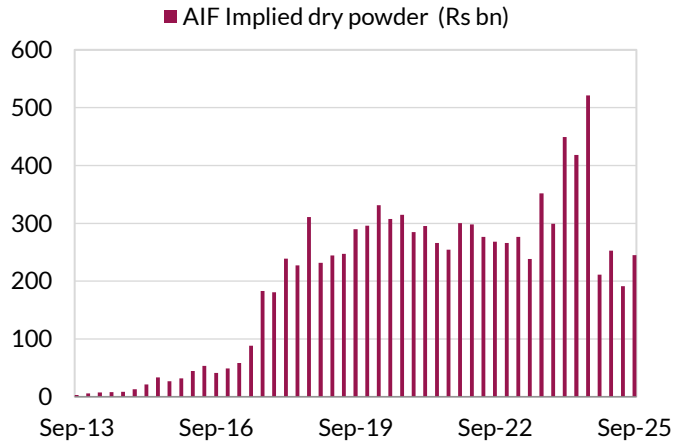
In the past few years, new investment channels have been built to route local savings to PE/VC investments. Under SEBI rules these are registered as Alternative Investment Funds (AIFs). Assets under management of AIFs grew to Rs6.1tn (US$68bn) as of Sep'25. In AIFs, an investor needs only to pay a part of the committed capital upfront and can pay the rest in installments or during a drawdown. The total commitment for AIFs is now Rs12tn (US$133bn), but the total funds raised has risen to Rs6.4tn (US$71bn), with the last reported growth at 36%. The dry powder of Rs250bn (US$3bn) has been nearly unchanged for seven years but seems to be less relevant in predicting growth in investments.

Exhibit 144: AIF investments growth picking up



Source: CMIE, Axis Capital

Exhibit 145: Implied dry powder dropped to Rs0.25tn



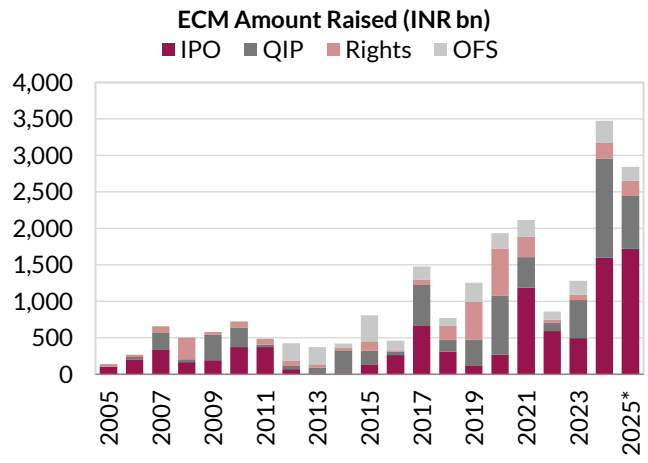
Source: CMIE, Axis Capital

ECM transactions high by record IPOs and QIPs, half of it was OFS

Till 2021, the public and private market investment pools had no meaningful links, and PE exits occurred only through sales to other PEs. Not only did this mean valuation benchmarks were disconnected, but the surge in private market valuations also created strong interest in these companies among public market investors.

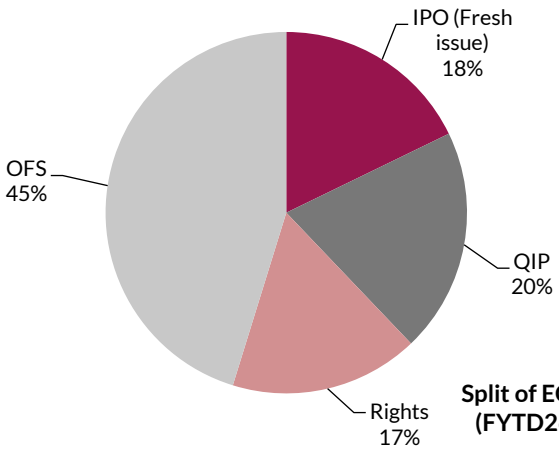
The lower cost of equity (lower risk premium) meant companies chose equity capital as the primary form of fundraising, resulting in a surge in QIPs as well. We expect ECM transactions to reach Rs3tn in CY25E, the same as in CY24. Nearly half of it has come though OFS so far.

Exhibit 146: ECM flows have risen sharply in the past 2 years



Source: Prime, Axis Capital

Exhibit 147: Nearly half of ECM in the form of OFS



Source: Prime, Axis Capital

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The spate of IPOs in the past three years has connected these two pools, bringing some valuation discipline to late-stage PE funds and accelerating the path to profitability for these firms: we find that most became profitable within three years of listing. Tracking the major listings from the past five years, we find that Zomato (Eternal), CarTrade, PolicyBazaar, and Delhivery became profitable in the third year after listing. Paytm and Swiggy are yet to become profitable but are likely in their fifth and fourth year respectively.

Exhibit 148: Most of the major tech IPOs in India have turned profitable within three years of listing

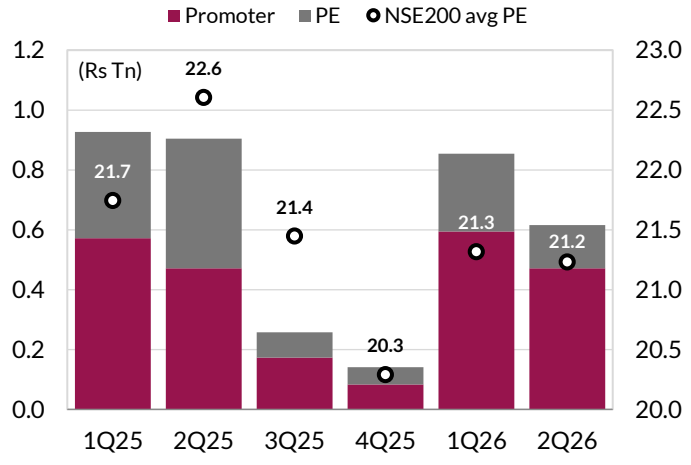
Major tech driven IPOs	Listing Date	Revenue (Rs bn)					adj. PAT (Rs bn)					Profitability timeline
		FY0	FY+1	FY+2	FY+3	FY+4	FY0	FY+1	FY+2	FY+3	FY+4	
Zomato	23-Jul-21	20	42	71	121	202	-8	-15	-10	3	4	Year 3
Cartrade	20-Aug-21	2	3	4	5	6	0.8	-1.5	0.0	0.5	1.4	Year 3
Nykaa	10-Nov-21	24	38	51	64	79	0.6	0.4	0.2	0.3	0.7	Before IPO
Policybazar	15-Nov-21	9	14	26	34	50	-2	-8	-5	0.6	3	Year 3
Paytm	18-Nov-21	28	50	80	100	69	-17	-24	-18	-14	-7	Likely in Year 5 (FY26)
Delhivery	24-Mar-22	69	72	81	89		-10	-10	-2	2		Year 3
Go Digit	23-May-24	71	80				2	4				Before IPO
Swiggy	13-Nov-24	112	152				-23	-31				Likely in Year 4 (FY28)

Source: Bloomberg, Axis Capital

Aggregate equity supply likely to stay high in FY26/27E

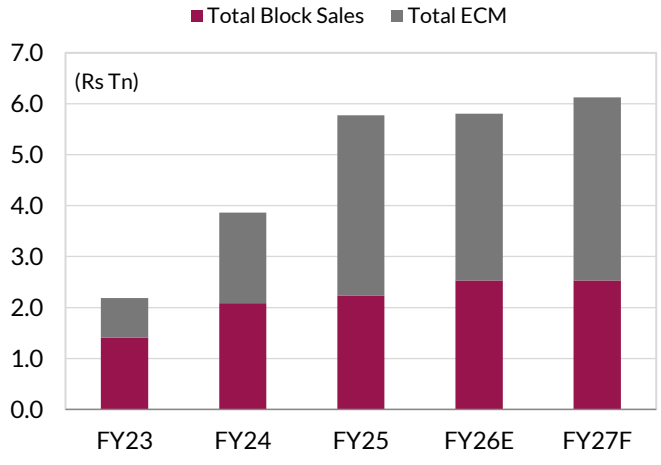
In addition to the ECM transactions, equity supply has been boosted by the rise in promoter/PE block deals in the past three years. The trend for block deals correlates strongly with market P/E, which resulted in a dip in Q4FY25 as the market corrected. With the expected market rebound, the pace of such deals is likely to pick up, in our view, and FY26/27E numbers are likely to match the trend seen in FY25. ECM transactions, on the other hand, can outpace current trends, with large IPOs likely in the next two years, including Reliance Jio, Reliance Retail, and PhonePe, among others. Adding both ECM and promoter/PE block deals, we project equity supply in India could remain high over the next two years, potentially exceeding Rs6tn in FY27E.

Exhibit 149: Higher block deals H1FY26 as market PE improved



Source: NSE, BSE, Axis Capital

Exhibit 150: FY26/27E set to see further increase in block sales



Source: NSE, BSE, Axis Capital

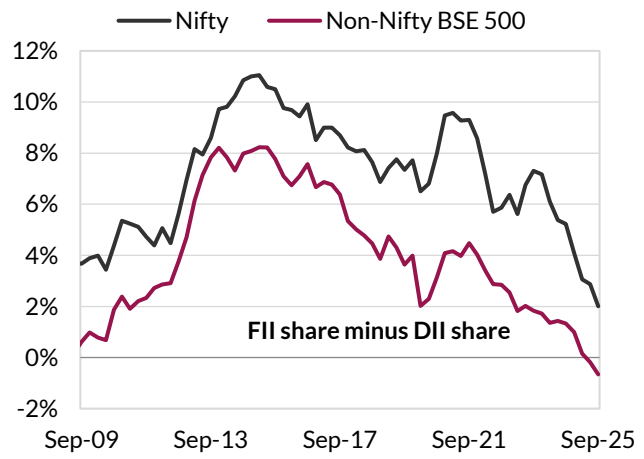
DIIs now as important as FIIs; DII share of BSE500 now just 70 bp lower than FII

FII's share of BSE500 has remained largely unchanged in the last five years and currently stands at 18.1%. On the other hand, DII's share has risen from 12% in 2021 to 17% currently. The increase within DIIs has come mostly from the rising share of MFs which has risen to a record high of 12%. The FII-DII gap has thus narrowed significantly and now stands at a 20-year low of

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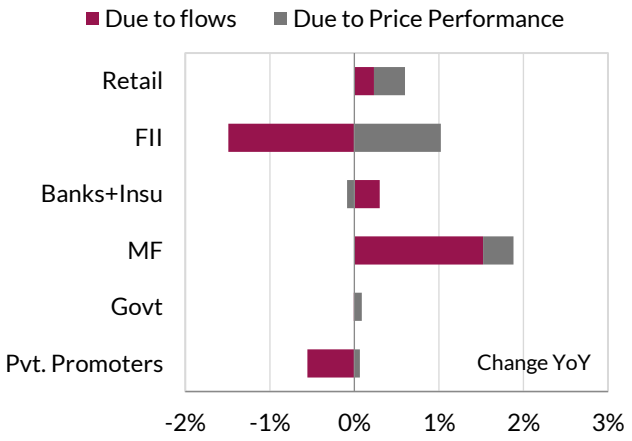
0.7%. The declining trend is visible in both Nifty and non-Nifty stocks, with DII ownership in non-Nifty BSE500 overtaking FII ownership for the first time in 16 years. The trend augers well for the market as higher share of DII helps prevent market turbulence against global headwinds.

Exhibit 151: DII now owns more of non-Nifty stocks than FIIs



Source: Refinitiv, Axis Capital

Exhibit 152: In the past year, DII share has risen due to MF flows

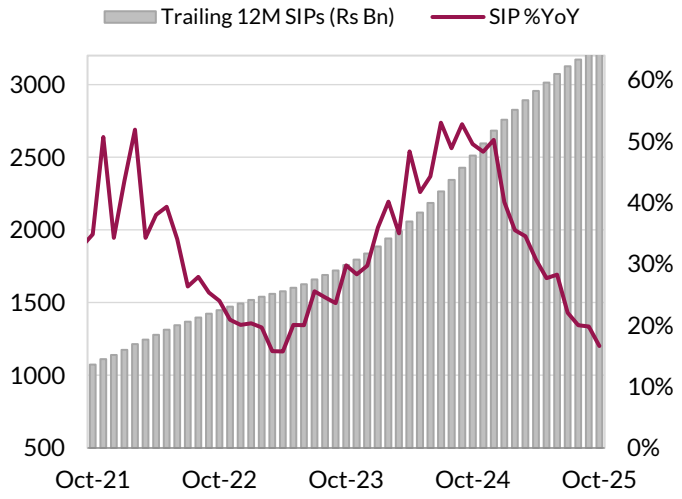


Source: Refinitiv, Axis Capital

SIP inflows remained steady in 2025, but discretionary flows slowed down

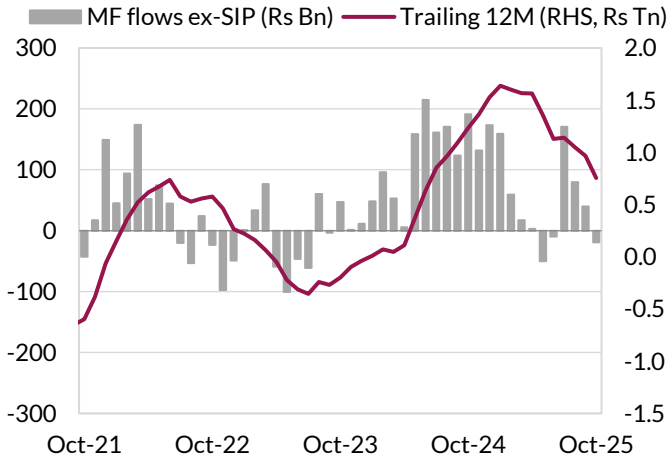
SIP inflows have remained steady in 2025 and continue to see double-digit growth, pushing rolling-12M SIP flows to a new record Rs3.3tn (US$37bn). SIP inflows, as a share of total gross equity inflows, averaged 45% in the past year, higher than the five-year average of 41%, implying higher reliance of SIPs in the overall flows. While SIPs held steady, discretionary flows, i.e. total equity flows ex-SIP, have slowed in 2025, with rolling-12M inflows dropping to Rs0.8tn from the peak of Rs1.6tn set in Feb'25. Discretionary flows also include flows from EPFOs, which are now mandated to invest 15% of incremental flows into ETFs. As per our estimates, EPFO flows could add to Rs0.6tn of annual inflows. While SIP/EPFO flows are sticky, discretionary lump sum flows depend on market returns. Going forward, as market returns stabilize, we expect discretionary flows to come back in CY26E, boosting overall MF flows.

Exhibit 153: SIPs steady, growing in double-digits YoY



Source: AMFI, Axis Capital

Exhibit 154: Discretionary flows have slowed down in CY25



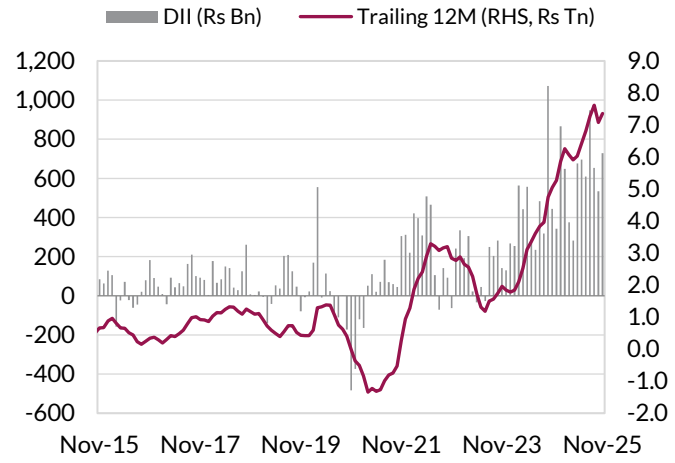
Source: AMFI, Axis Capital

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DII inflows reach record highs, helped by both MFs and insurance

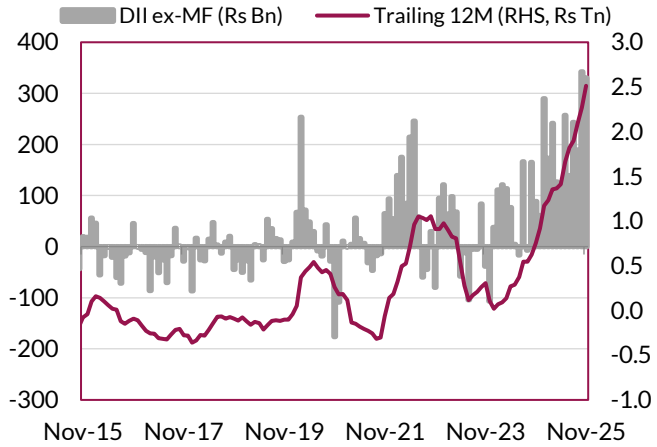
Aggregate DII flows have risen significantly, with rolling-12M flows hitting Rs7.4tn (US$82bn) in Nov'25. Along with strong MF inflows, implied insurance flows calculated as DII (minus) MF, have grown significantly to a record high of Rs2.5tn in the past 12 months. With rising insurance penetration and higher share of ULIPs, we believe insurance flows to equities is going to remain robust. Strong domestic institutional demand, also reflected in a higher share of market ownership, bodes well for market performance resilience. Additionally, DII flows add to Rs7tn+ of equity demand, exceeding the estimated equity supply of Rs6tn in FY26/27E.

Exhibit 155: Total DII flows add Rs7tn, higher than equity supply



Source: Bloomberg, Axis Capital

Exhibit 156: Apart from MF, insurance flows are also high

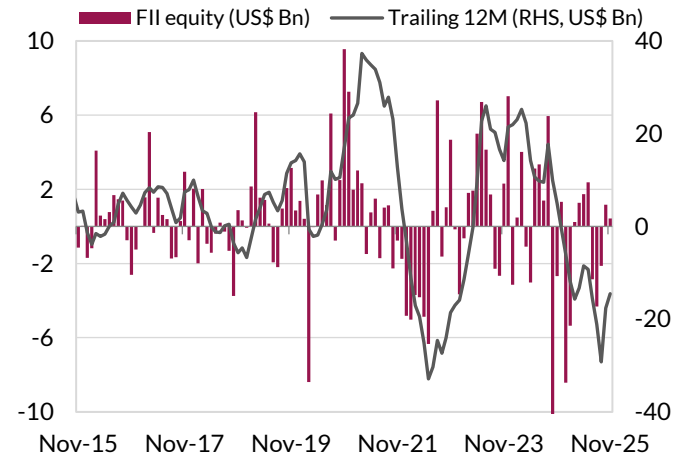


Source: Bloomberg, Axis Capital

FII inflows patchy in CY25, as flows shifted to 'AI winners'

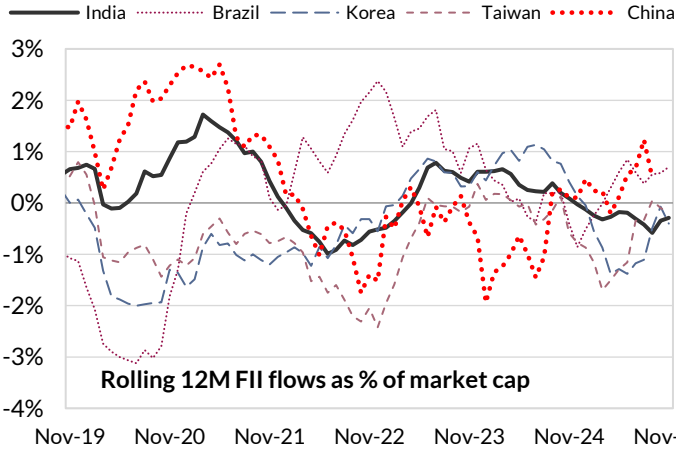
FII flows have remained patchy over the past 12M, with a net outflow of US$15bn. Over the past year, capital flows have been concentrated towards markets that are seen as benefiting from AI: the US, South Korea, Taiwan, and China. India, on the other hand, has been perceived as an 'AI loser', as Indian IT firms (11% of Nifty market cap) may be hurt by AI. Additionally, Indian indices saw a 12% cut to EPS estimates (in US$ terms), the highest among major markets. As a result, FII flows over the past 12M have shifted from India and flown into markets like China, Taiwan, South Korea, and Japan, which have seen better earnings trends.

Exhibit 157: India FII flows volatile, TTM outflows at US$15bn



Source: Bloomberg, Axis Capital

Exhibit 158: FII flows shifted to CN, KR, TW – 'AI winners'



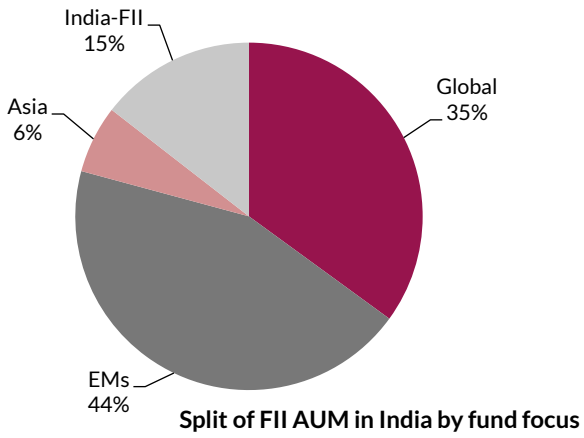
Source: Bloomberg, Axis Capital

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India's falling weight in benchmark index causing passive outflows

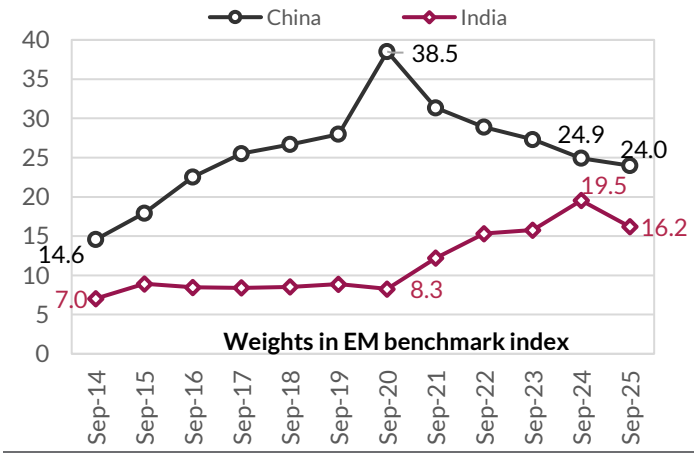
Nearly 74% of FII AUM in India come through broad-based funds or HFs, while the rest 26% are from SWFs/pension funds, which tend to be sticky. A large part of the broad-based funds/HFs come through EM/Asia-focused funds, and these have seen anemic inflows. In the past 12M, India's benchmark weights in EM funds have dropped from 20% to 16%. The resultant sell-off from passive funds linked to the benchmark and rotation from active funds into other markets (Taiwan, South Korea, China) were the major drivers of FII outflows in the past 15 months. As India's earnings trajectory stabilize (in US$ terms), we believe India can outperform global markets in 2026, which should boost India's weights in benchmark index, resulting in more passive inflows.

Exhibit 159: 50% of India FII flows from EM/Asia-focused funds



Source: Bloomberg, Axis Capital

Exhibit 160: Cuts to India weight in EM benchmark in 2025

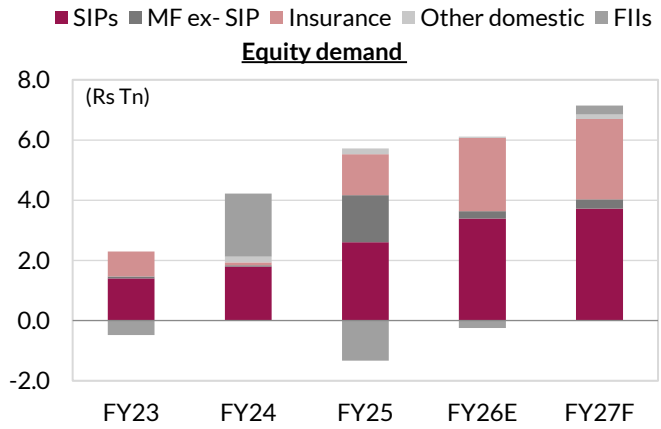


Source: Bloomberg, Axis Capital

DII inflows should exceed equity supply in FY27E

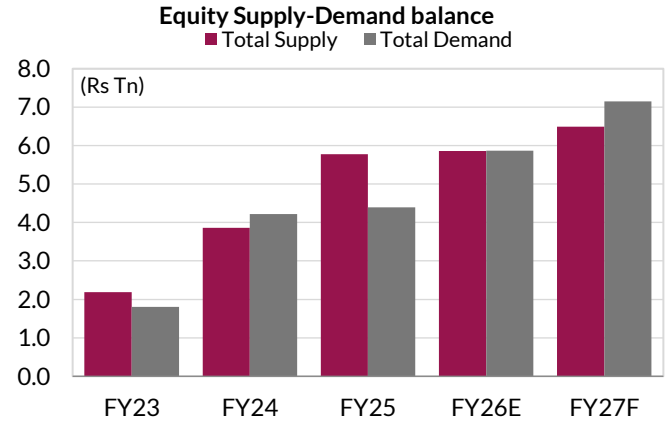
We expect the overall equity demand to remain robust in FY27, driven primarily by steady SIPs (Rs3.7tn) and insurance flows (Rs2.7tn), which adds to Rs6.4tn and should exceed the projected equity supply. In addition, better market returns could potentially amplify the lumpsum discretionary inflows into MFs (MF ex-SIP), as we saw in FY25. As argued earlier, the return of earnings growth in India and outperformance against global markets can stem active/passive FII outflows, or turn positive, that would boost overall equity demand. Thus, we remain constructive on the overall supply-demand dynamics, that will be a major support for market P/E.

Exhibit 161: Aggregate equity demand supported by SIP, insurance



Source: AMFI, Bloomberg, Axis Capital

Exhibit 162: Demand > supply – supports market P/E



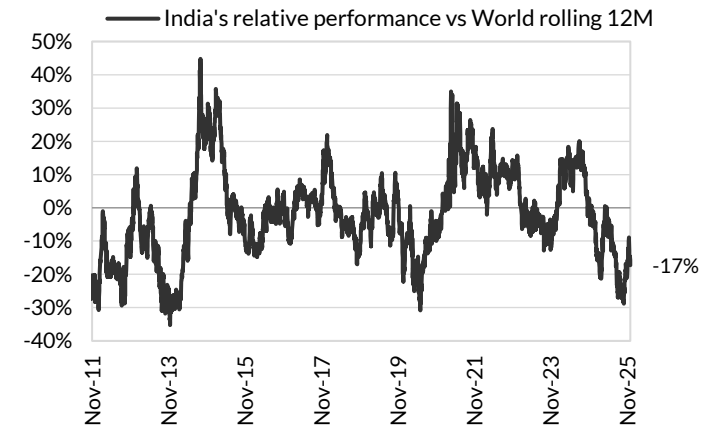
Source: AMFI, Bloomberg, Axis Capital

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India's underperformance against world/EMs likely to narrow

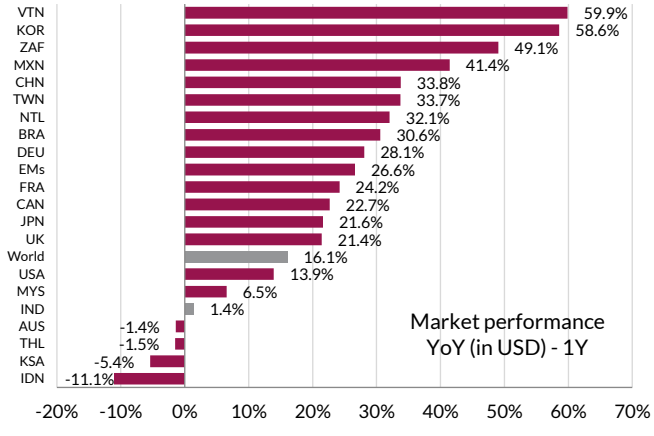
India underperformed the world/EMs for most of 2025, resulting in a 12M underperformance of -17%, among the worst seen in the past 15 years. The underperformance has narrowed in the past two months (-30% in Sep-end), due to a better performance in Oct/Nov. Against the EMs though, India's 12M underperformance of (-)27% remains near 15-year lows. In YoY terms, South Korea and Vietnam saw the highest returns, resulting in a 27% YoY EM returns, even as India saw only +1% growth. All DMs ex-Australia also outperformed the world index YoY. In the past two months though, the performance of China and South Korea has reversed, with several European markets also seeing correction. We expect India's underperformance to narrow going forward.

Exhibit 163: India 12M underperformance vs world remains at -17%



Source: Bloomberg, Axis Capital

Exhibit 164: India saw muted performance on YoY basis

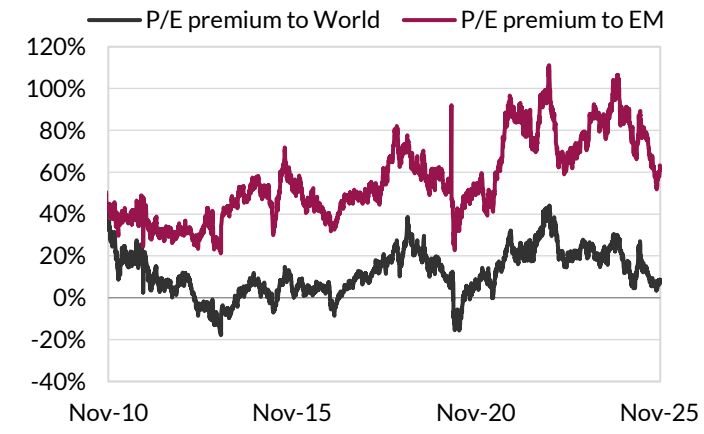


Source: Bloomberg, Axis Capital

India PE premium vs world/EMs remain below 10Y mean

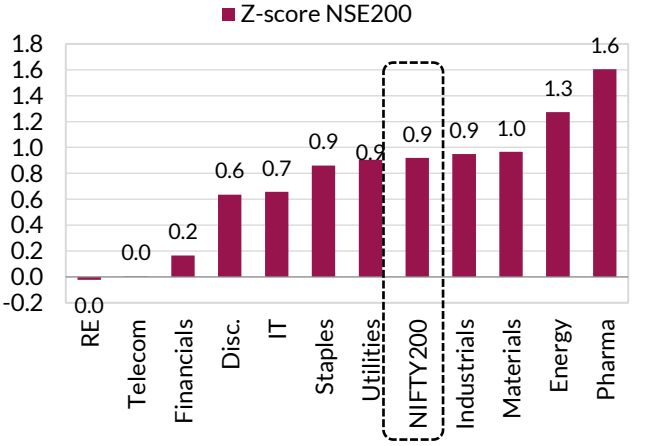
With sustained underperformance, India's PE premium to world has corrected to 9%, significantly below the 10Y average of 15%. Premium to EMs of 62% is also below the 10Y average of 64%. As business cycle turns, resulting in earning upgrades, we believe India can undergo a gradual re-rating, which would support outperformance against global peers, reversing the trend seen in CY25. Events like the India-US trade deal could also be a major trigger of re-rating. The sectors with low z-score (utilities and financials) and less impact from global headwinds (consumer, industrials) are likely to benefit more.

Exhibit 165: India's PE premium to world/EMs below 10Y mean



Source: Bloomberg, Axis Capital

Exhibit 166: Sectors with low z-score likely to benefit more



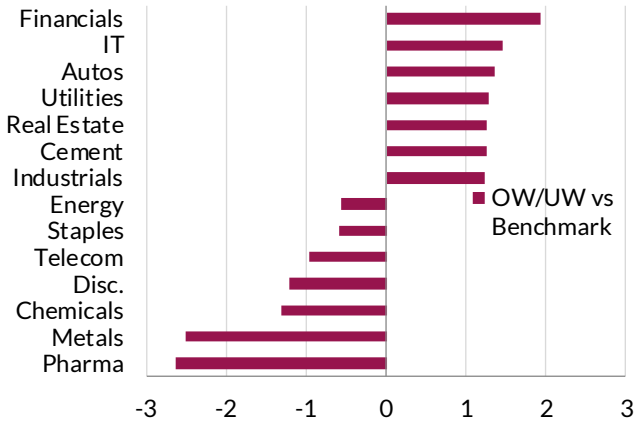
Source: Refinitiv, Axis Capital

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Model Portfolio: Financials, IT, autos lead OW position

Our top OW remains on financials (mostly banks), where pickup in credit growth and improved asset quality will ensure a strong recovery in H2FY26E and FY27E, as margins appear to have bottomed out. In the Nov update, we also upgraded IT (positive sequential growth in Q2, modest pickup in hiring, and positive global commentary) from Neutral to OW and energy to Neutral from UW (better outlook on crude prices and strong diesel crack). Other OWs are autos (mostly CVs), utilities, cement, and real estate. We continue to prefer investment over consumption. Thus, we are Neutral on staples and telecom, and UW on discretionary (OW on Titan, UW on paints, QSR, retail). We are also UW on pharma, metals, and chemicals, the latter two due to risk from China.

Exhibit 167: Axis Capital's model portfolio vs benchmark weights



Source: Refinitiv, Axis Capital

Exhibit 168: Portfolio stocks with weights

Stock	Weight	Stock	Weight
HDFC Bank	10.0	Titan Company	2.5
ICICI Bank	8.0	Lupin	2.5
Larsen & Toubro	7.0	Britannia Industries	2.5
Kotak Bank	5.5	NTPC	2.5
Infosys	5.5	Ashok Leyland	2.0
Shriram Finance	4.0	Avenue Supermarts	2.0
Bajaj Finance	4.0	InterGlobe Aviation	2.0
MphasiS	4.0	Eicher Motors	2.0
HPCL	3.5	Zomato	2.0
Bharti Airtel	3.5	Siemens	2.0
BPCL	3.5	Tata Motors CV	2.0
UltraTech Cement	3.5	Prestige Estates	1.5
Mahindra & Mahindra	3.0	Varun Beverages	1.5
AU Small Finance Bank	3.0	Godrej Properties	1.0
JSW Energy	3.0	Jindal Steel Ltd	1.0

Source: Axis Capital

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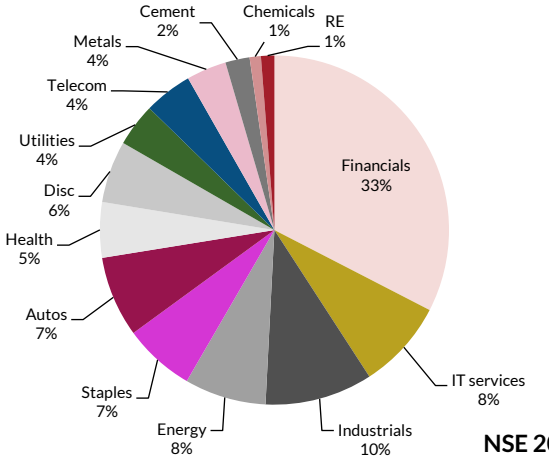
Appendix: Disclosures and Factsheet

Axis Capital's model portfolio is a 30-stock model portfolio maintained by the strategy team of Axis Capital. The purpose of the model is to guide investors on our sectoral preferences and review the team's recommendations on a regular basis. Stock selection within a sector for the portfolio represents the house view on top picks by the team's respective analysts.

The portfolio assigns weights across 14 base sectors – auto, cement, chemicals, consumer discretionary, energy, financials, health, industrials, IT services, metals, real estate, consumer staples, telecom, and utilities.

- **Universe**: NSE200
- **Methodology:** To identify sectoral preferences, we look at three metrics: (1) z-score (current 12MF P/E [or P/B for banks] of the sector, as per the Nifty50 index) vs the past 10Y mean; (2) earnings changes over the past 3M/6M/1Y for the current and next two fiscal years; and (3) our view on how will the earnings trend changes over the next 6M/12M. Accordingly, the sectors are assigned weights compared to benchmark weights depending on overweight/neutral/ underweight stance on the sector. Stock selection within the sector is based on the recommendations of respective sector analysts, representing the house view on these stocks. Usually, these stocks are ADD/BUY-rated.
- **Labelling:** The portfolio is labelled as 'Axis Capital Model Portfolio' and includes all sectors and stocks within the framework of NSE200 universe. The portfolio comprises exactly 30 stocks.
- **Launch date:** 19 Mar'25
- **Investment Horizon:** All stock recommendations/TPs are of 12M horizon.
- **Frequency of portfolio review:** The portfolio is to be reviewed and updated monthly/bi-monthly. In certain cases, there could be no changes to the portfolio for consecutive periods.
- **Risk disclosures:** The portfolio carries general system and market risks such as volatility and lack of liquidity and cannot mitigate against market conditions, unforeseen news announcements, and rumours.
- **Benchmarking:** Weights by sector in the portfolio are measured against baseline of weights for the NSE 200 universe. The weights are re-calculated on every update.
- **Market data source:** Refinitiv.

Exhibit 169: Sector weights across NSE 200 universe



Source: Bloomberg, Axis Capital

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RATINGS & DEFINITIONS

FUNDAMENTAL RESEARCH	
BUY	We expect this stock to deliver more than 15% returns over the next 12 months.
ADD	We expect this stock to deliver 5-15% returns over the next 12 months.
REDUCE	We expect this stock to deliver 5% to -10% returns over the next 12 months.
SELL	We expect this stock to deliver <-10% returns over the next 12 months.

ALTERNATIVE RESEARCH	
TACTICAL LONG	We expect this stock to deliver >10% returns over the next 45 days.
TACTICAL SHORT	We expect this stock to deliver <-10% returns over the next 45 days.
RELATIVE LONG	We expect this stock to outperform the benchmark/stock (specified in this report) by 10% or more over the next 45 days.
RELATIVE SHORT	We expect this stock to underperform the benchmark/stock (specified in this report) by 10% or more over the next 45 days.

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