

# EQUITY VIEW

Valuations | Insights | Expectations | Watchlist

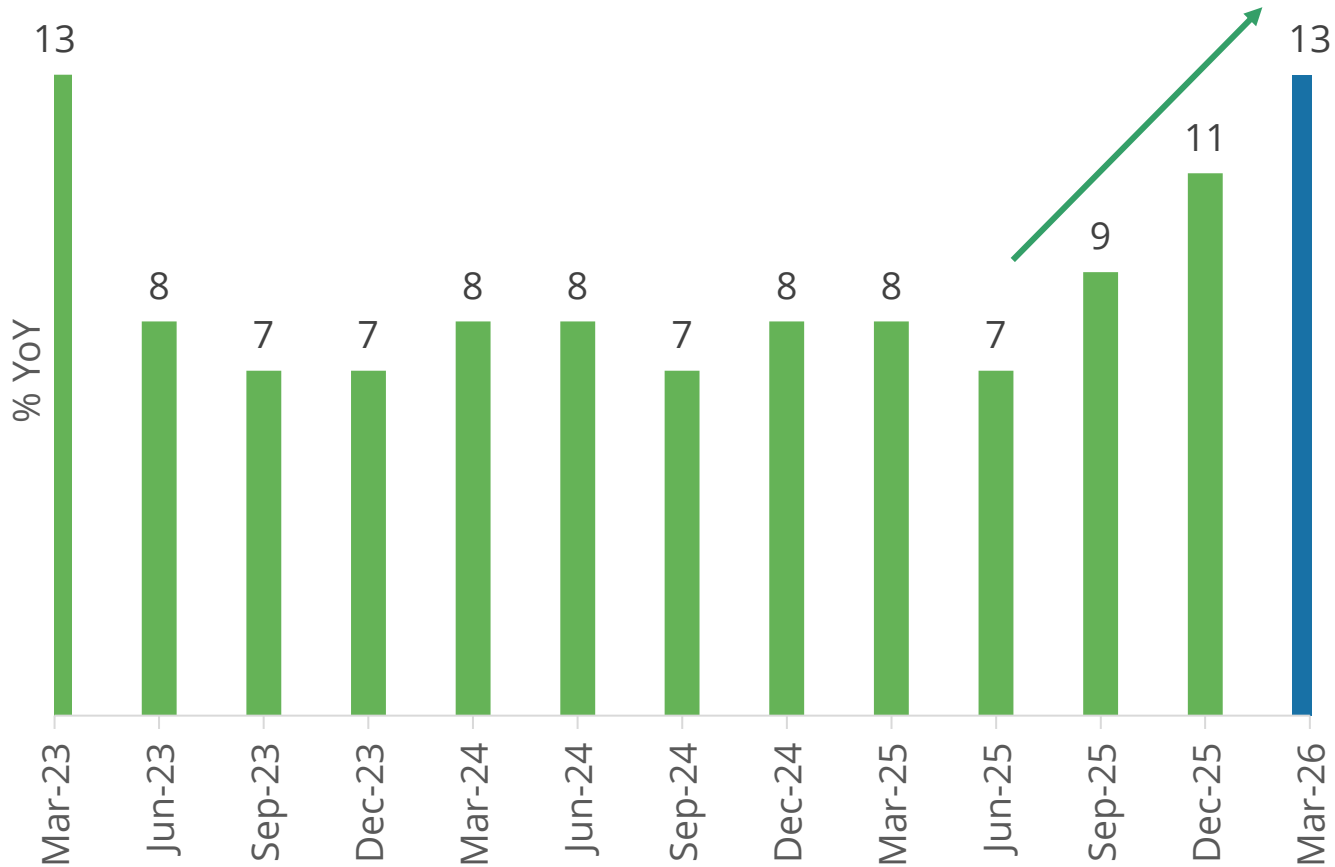
June 2026



# Topline growth on a 3 year high

Top-line growth for BSE500 (ex OMCs) YoY is on a three years high.

BSE500 Top line (Ex OMCs & Fertilizers)

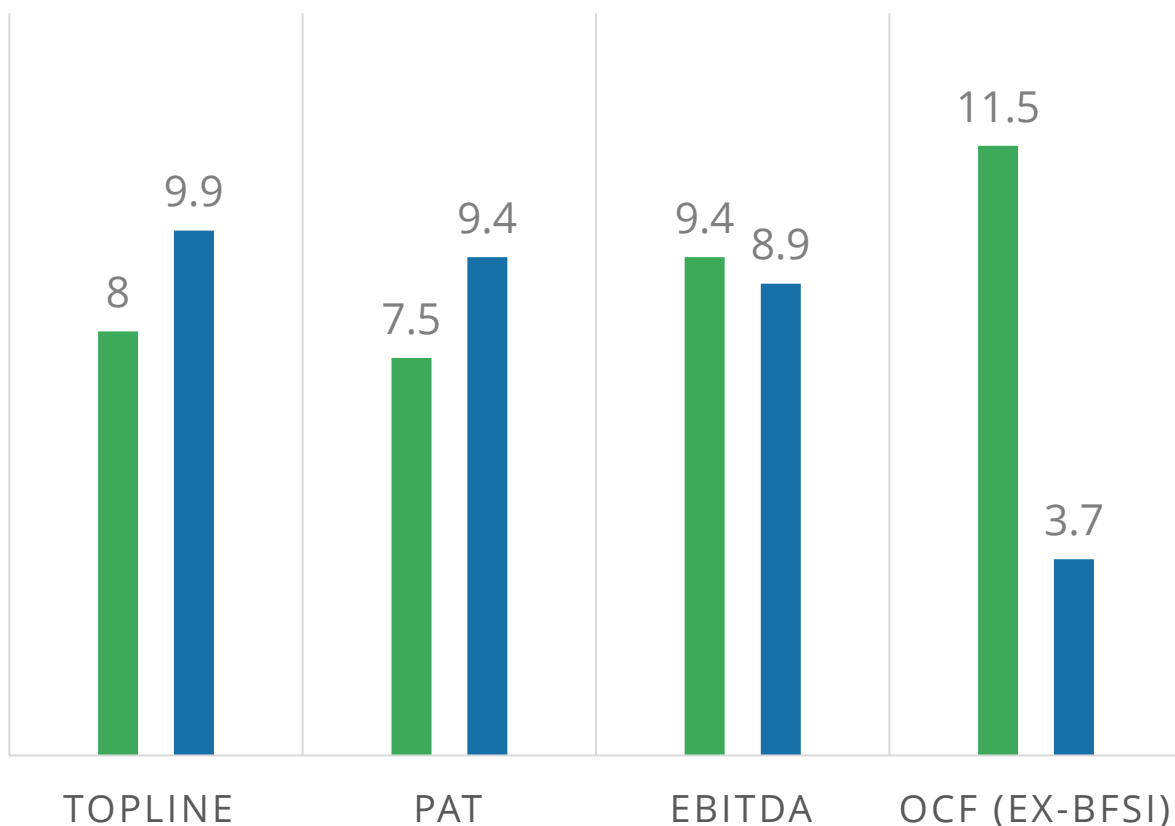


Factors aided the improvement in topline growth over the last two quarters

- Pent-up demand as GST cuts came into effect during the quarter.
- RBI's regulatory easing is resulting in credit push by the banks with credit growth now reaching teens.
- High commodity prices pushing up top-line growth for metals, jewelry, etc.
- A weak INR, which has helped lift top line across sectors

## BSE 500 GROWTH

■ FY 25 ■ FY 26



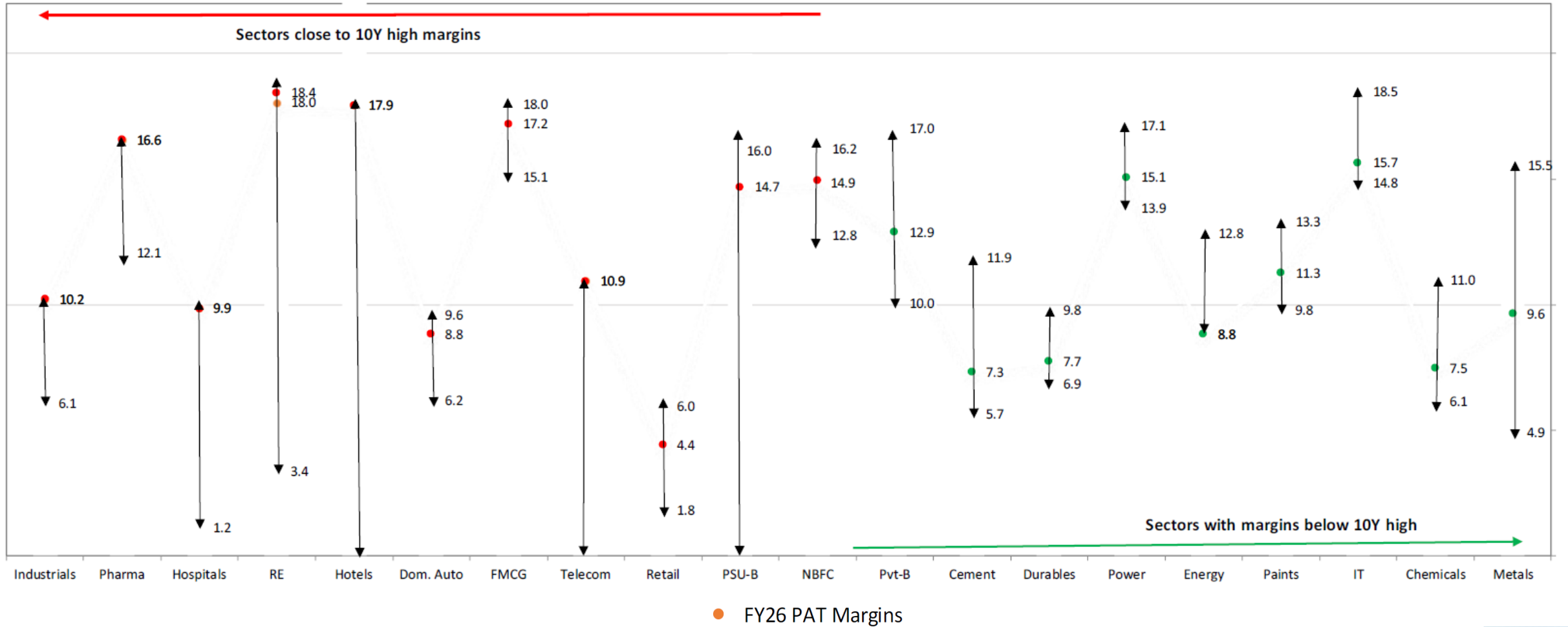
BSE500 profits recovered in H2FY26. For FY27, the West Asia crisis amid weak incomes is likely to weigh on earnings and equity returns

### Sectors we believe are at inflection point:

- **Cement:** Focus on profitability overgrowth (cutting capex) may result in re-rating.
- **Industrials:** Order inflows moderated sharply, may result in valuation correction.
- **PSU Banks:** NIMs remain under pressure and is a key variable for PSU banks re-rating.

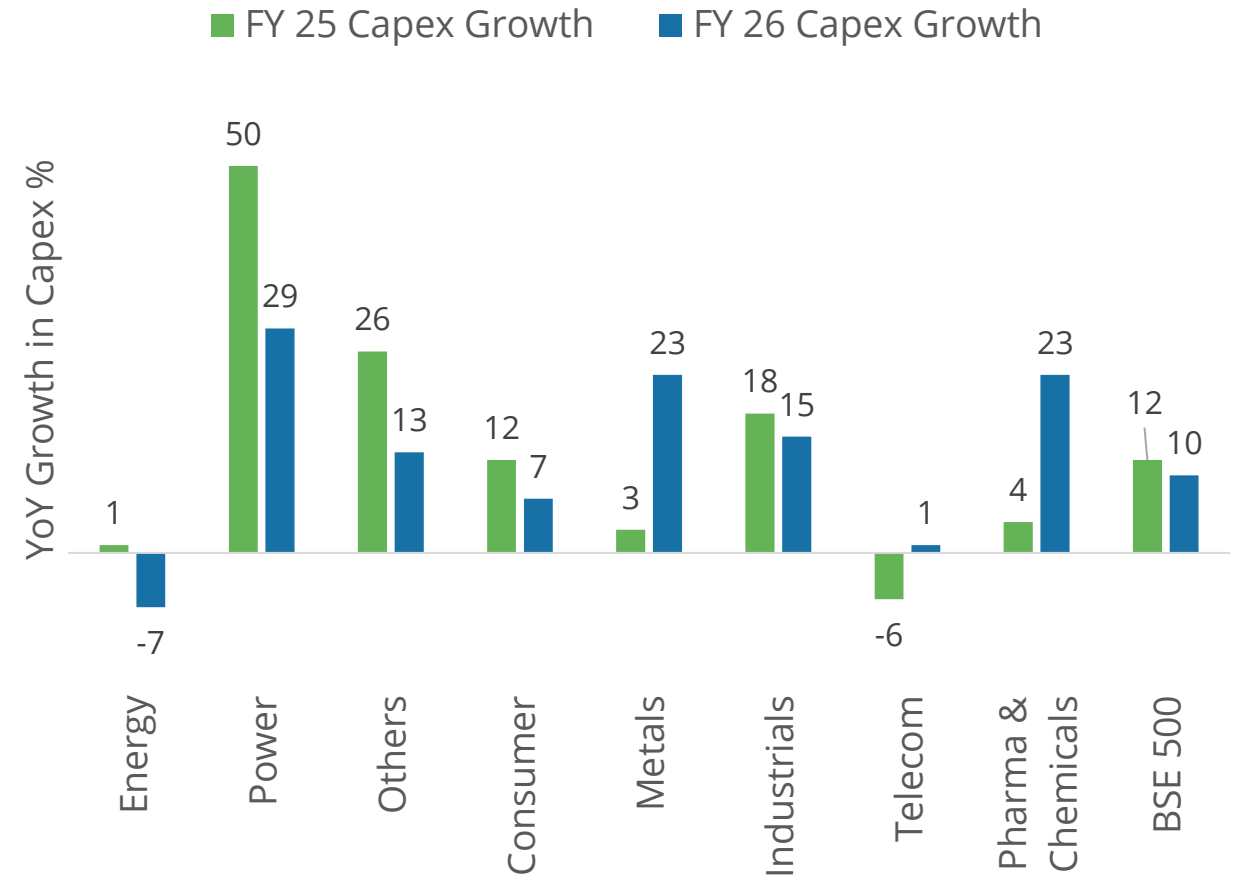
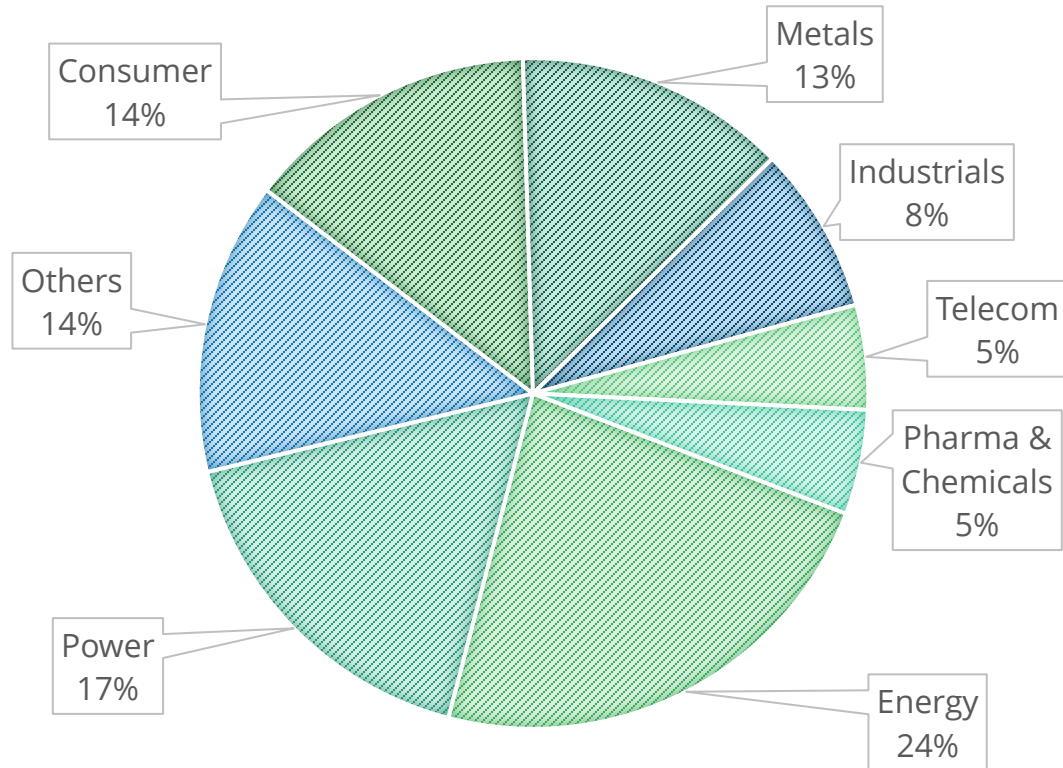
Moderation in operating cash flows owing to adverse working capital scenario, it may weigh on top line and profits ahead.

# Cyclicals PAT reaching 10 year highs



# Capex growth moderates as companies focus on profitability

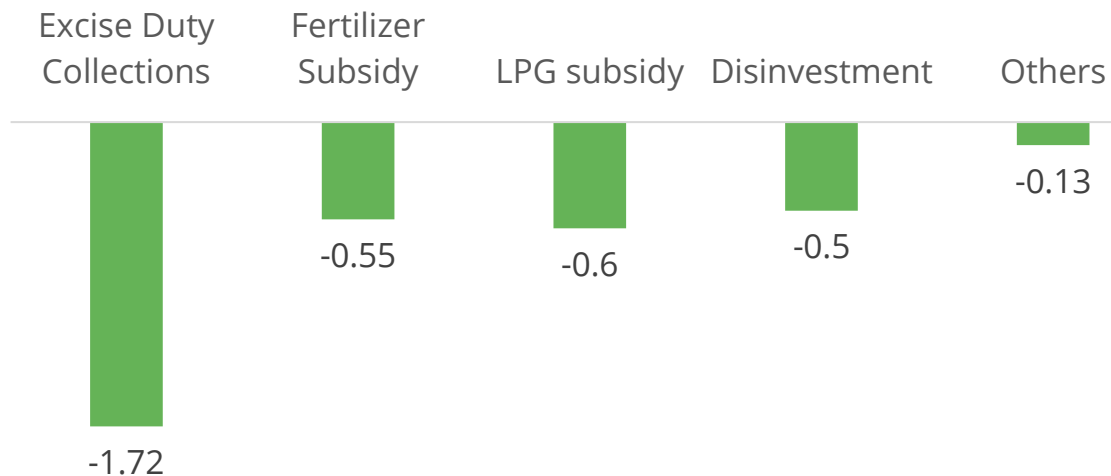
## SHARE IN FY 26 CAPEX



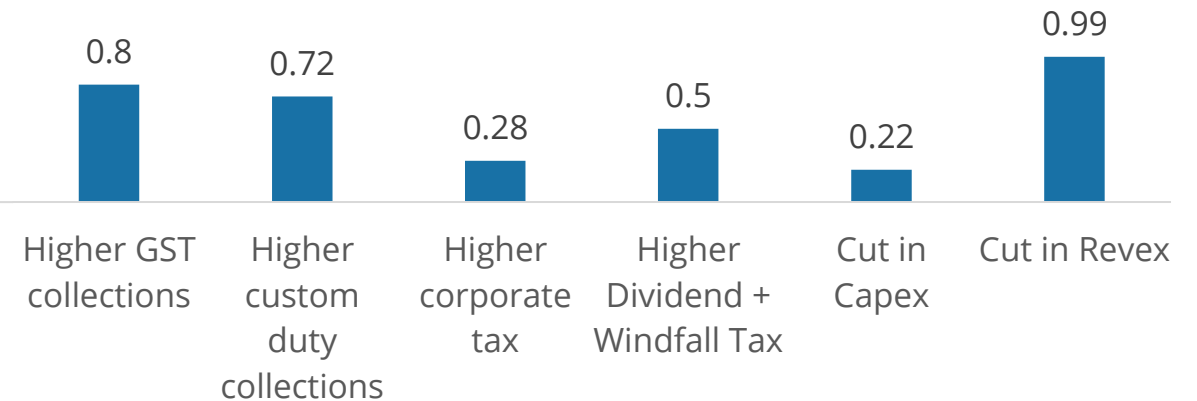
# Cost of war in west Asia for India: ~1% of GDP

Impact of the West Asia war on Govt. finances is likely to be Rs. 3.5 lakh Cr. on a full year basis is likely to be fully offset enabling the govt. to meet its fiscal deficit target of 4.3% of GDP.

**Revenue Short Fall + Cost Overrun in FY 27E =  
-3.5 Lakh Cr.**



**Estimated change in Govt. revenues & spendings in FY27E =  
3.5 Lakh Cr.**



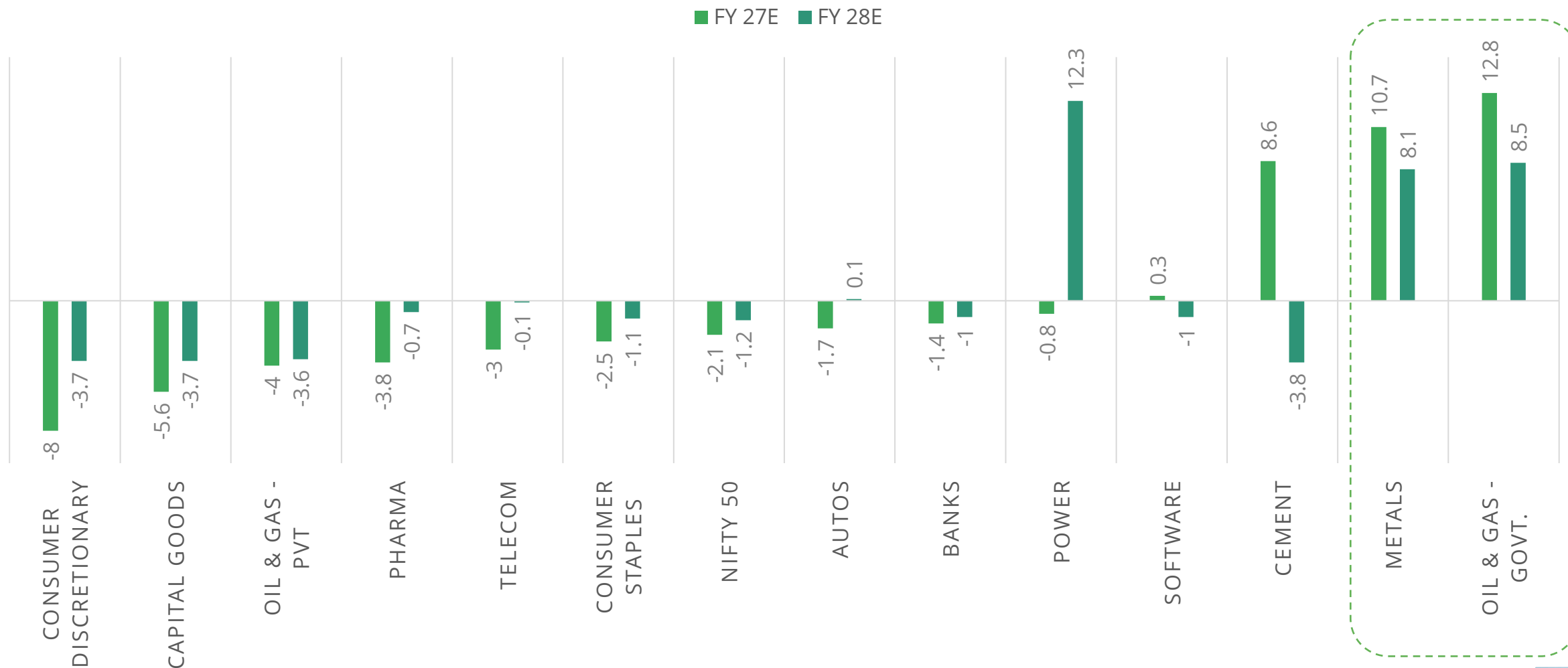
# Centre & States to earn from hike in custom duty on gold

Custom duty has increased to 15% from 9% including IGST, Effective duty surged to 18.5% vs. 9.2% earlier. The rates have almost doubled from FY 2026

	FY 26	FY 27 Expected Scenarios		
		Case I - Gold import falls by 10%	Case II - Gold import falls by 15%	Case III - Gold import falls by 20%
		Gold price considered at 4490/Oz		
Gold Imports	6356	7059	6666	6274
Basic Custom duty	5%	10%	10%	10%
Agri Cess	1%	5%	5%	5%
Total Custom duty collections	381	1059	1000	941
Gold Imports including duty	6737	8118	7666	7215
IGST Collections (3%)	202	244	230	216
Total Revenue for Govt	583	1303	1230	1157
<b>Incremental over FY 26</b>	-	<b>719</b>	<b>647</b>	<b>574</b>

# Public Oil-gas and metal may see highest earnings upgrades

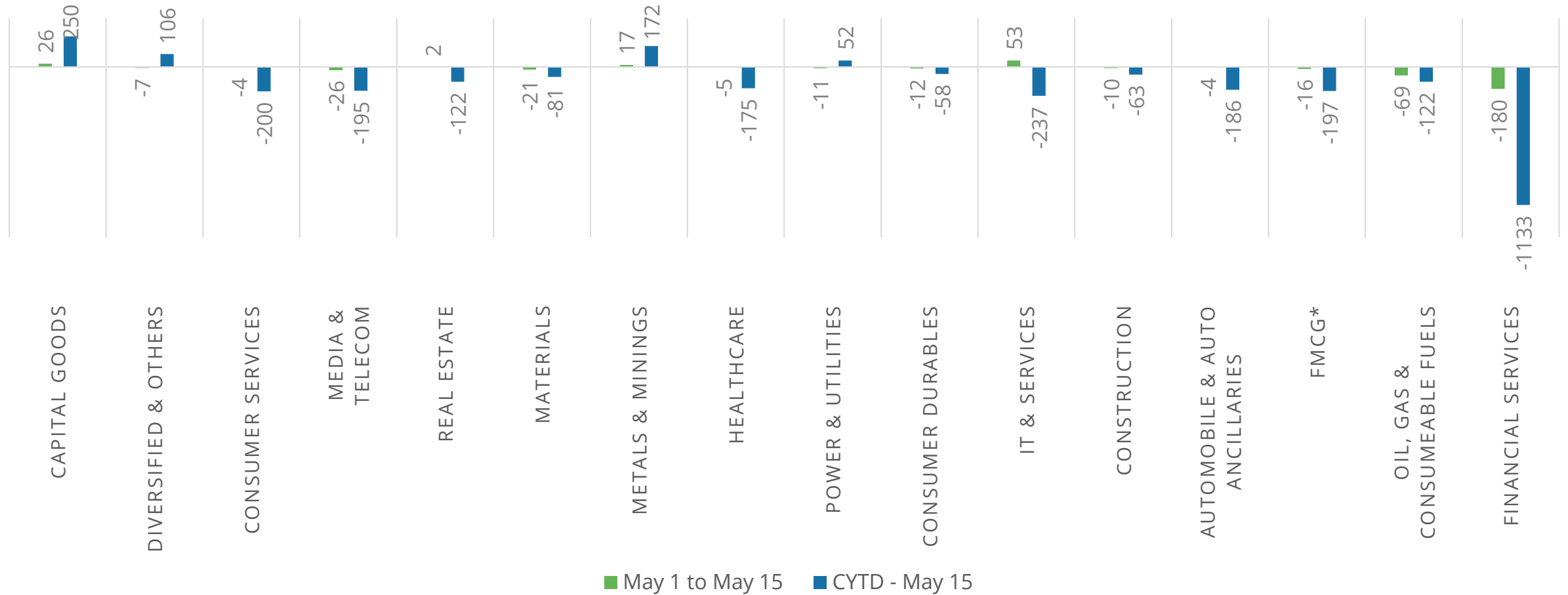
## CONSENSUS UPGRADE/DOWNGRADE IN FY 27E & FY 28E EPS DURING Q4FY26



Source: Bloomberg, CLSA

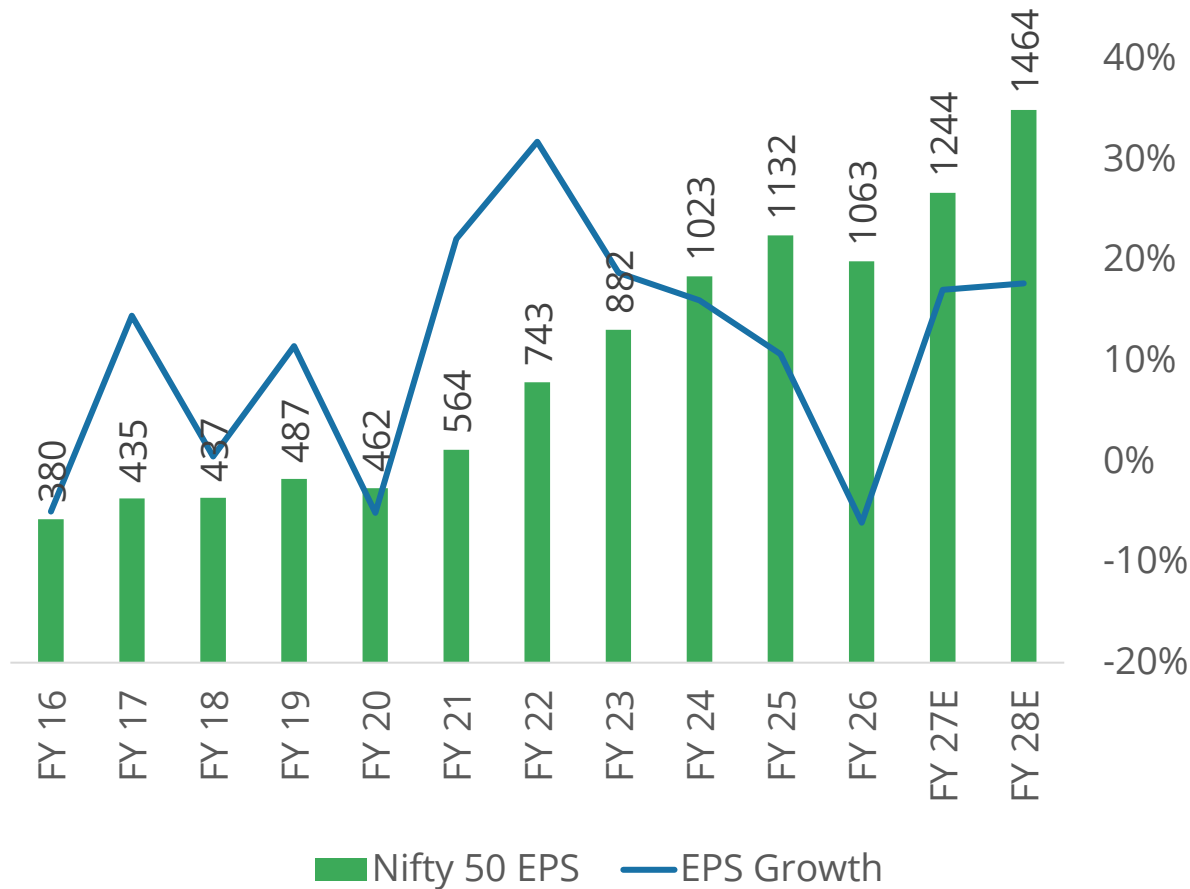
# INR 2.19 lakh Cr. FII outflows in CY 26

In first half of May 26, Capital Goods, Metals & Mining & IT Services were the only sectors to attract FII Flows

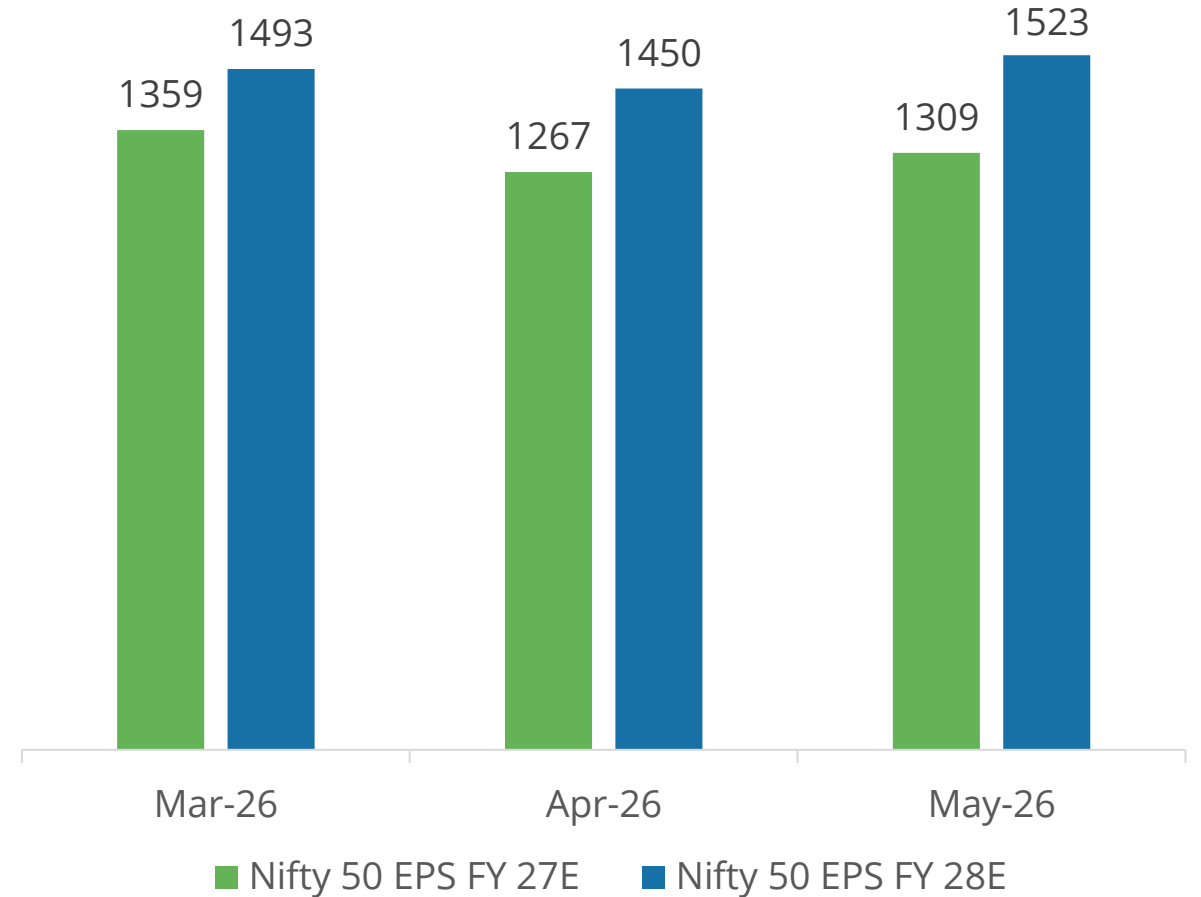


# Earnings picking up pace

Earnings for the next 2 FY is expected to grow at 17-18%

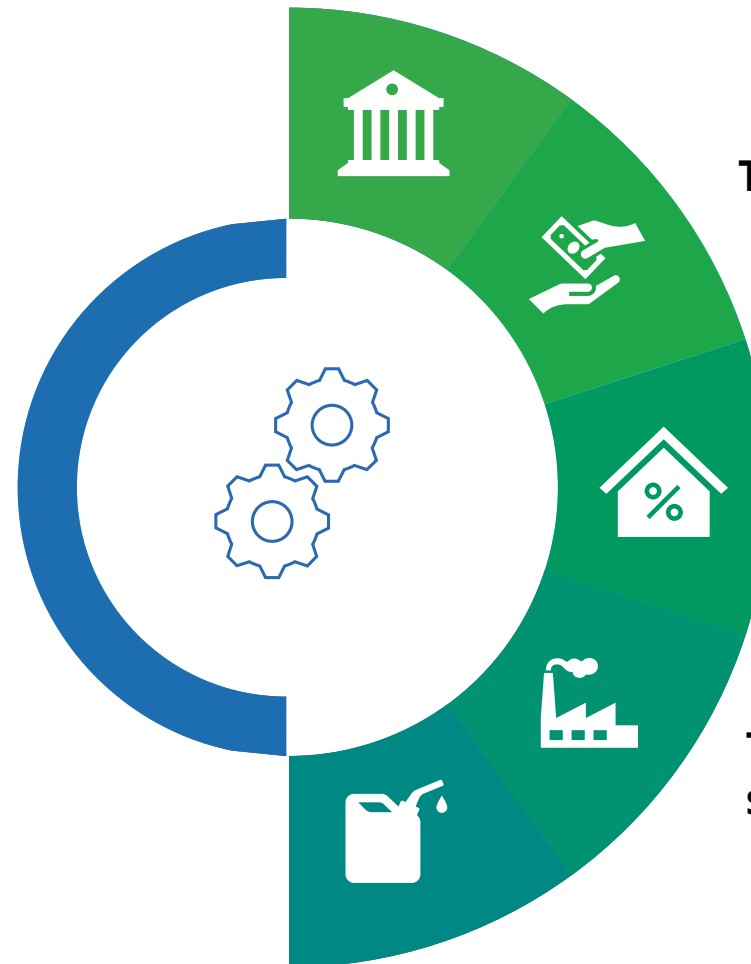


Earnings expectations remains volatile amid West Asia conflict



The pickup in the investment cycle

The longer-term drivers  
of earnings in India



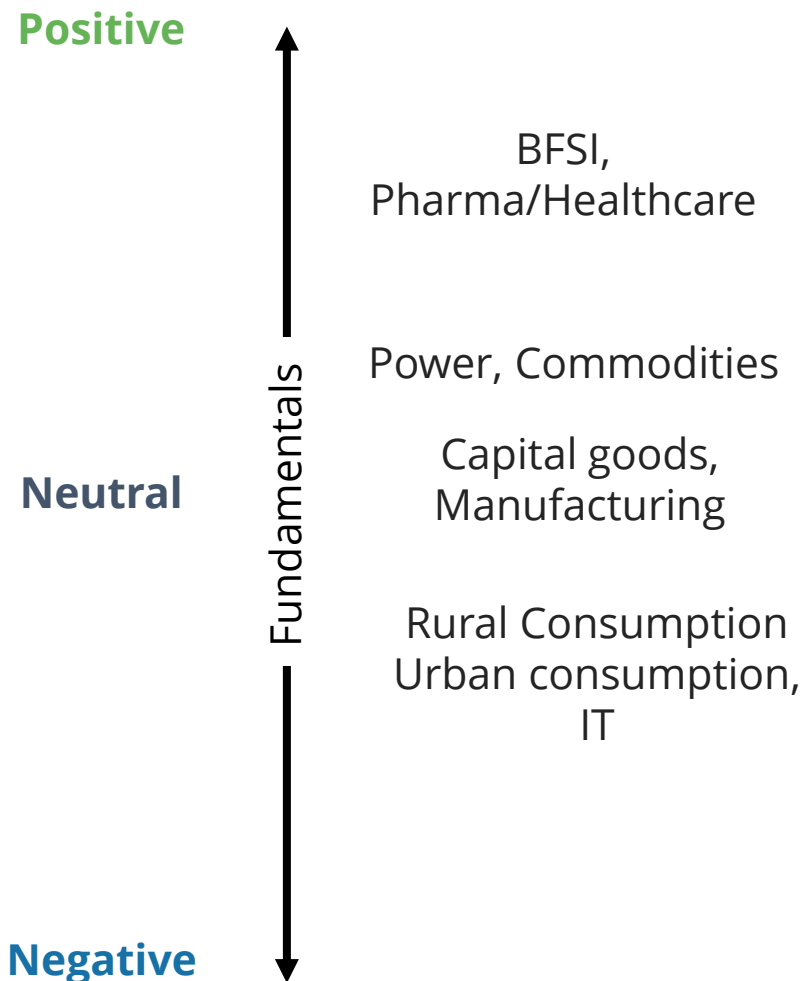
The pickup in the credit cycle

The pickup in real estate

Tailwinds for Indian manufacturing  
sector and the industrial sector

Improving asset quality and  
attractive growth outlook

# Profitability trends improving marginally

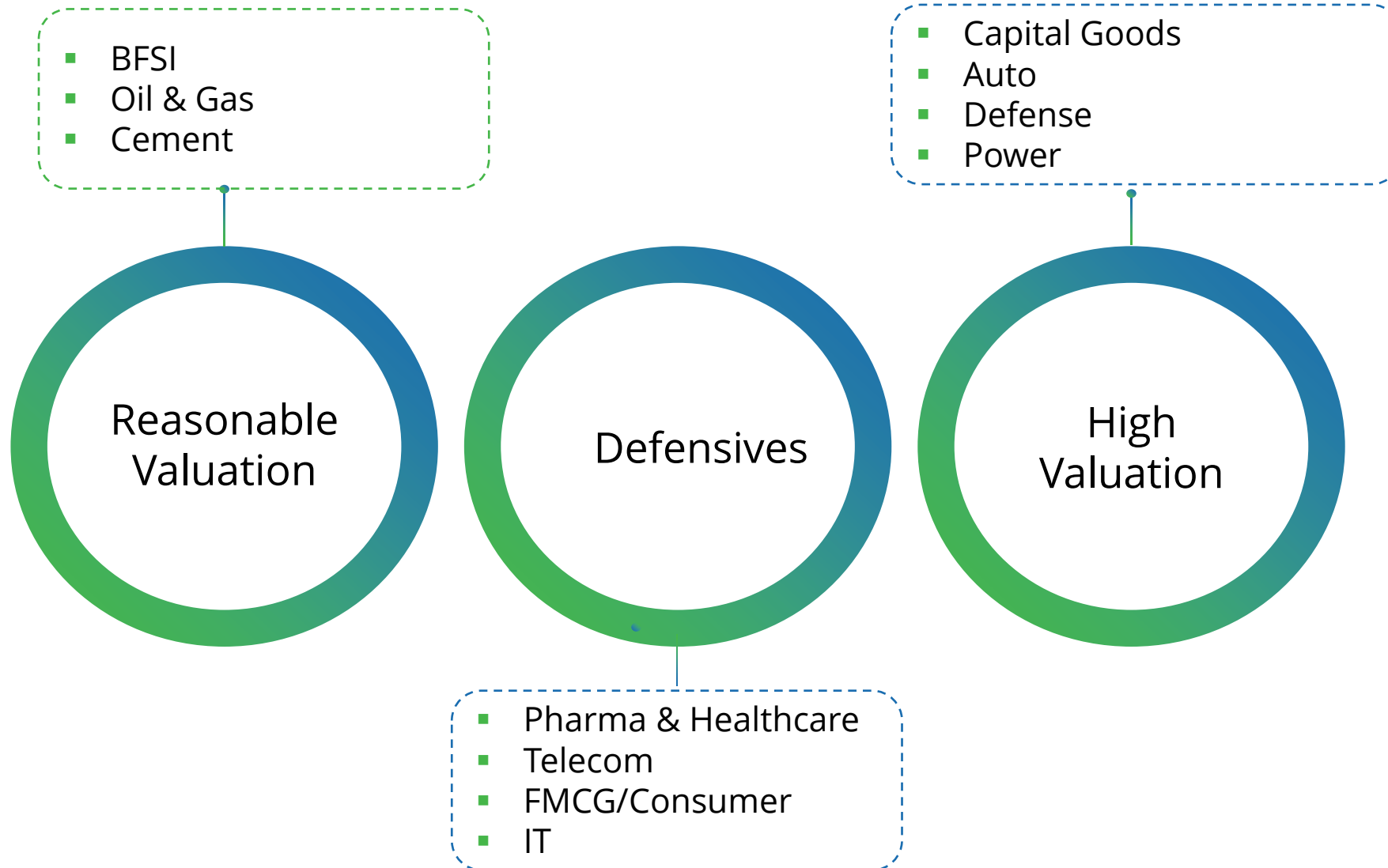


India's outperformance vs its EM peers has reduced due to earning downgrades in FY25-26 and China stimulus. Corporate earnings are expected to recover in FY27.

1. Banks upgrade cycle likely in FY27, one cycle of re-rating has come into effect now and currently the sector is going through a consolidation phase. The expected FY27 growth of 15-20%, aided by credit growth recovery, benign asset quality and recovery in NIMs after the bottom in FY26.
2. Pharma valuations are now reasonable and defensive sector in the current geopolitical context. Diagnostics & Hospitals benefit from GST 2.0
3. Recovery in power demand, capex in generation (renewable + thermal) and transmission and hot summer implies positive for power sector. Incremental approach is bottom-up but valuation normalization over last 18 months makes the sector a good prospect.
4. Commodities: Resource crunch and supply disruption likely to lead to earlier than expected recovery in commodity cycle across metals and chemicals
5. Consumption recovery visible in FMCG in Q4FY26 results; high valuations and El Nino are constraints for significant upside even though they remain defensives.
6. Capital goods - Domestic order inflows are being driven by gov-led infra and energy projects, with selective private sector activity in defense, data centers, renewables, and metals. While valuation re-rating is difficult, the sector offers stock-specific opportunities at current valuation and the evolving power sector scenario.

The biggest risk to the market is global trade policies and commodity prices incl. crude.

# Current valuations view



Risk-reward more in favour of large caps. Selective exposure to Mid & Small Caps in favoured sectors.

Actively seeking GARP opportunities (Value with Triggers, Earning Upgrade Cycle) on bottom-up basis; valuation discipline key in a range bound market

**Balanced portfolio strategy to capture the economic cycle**

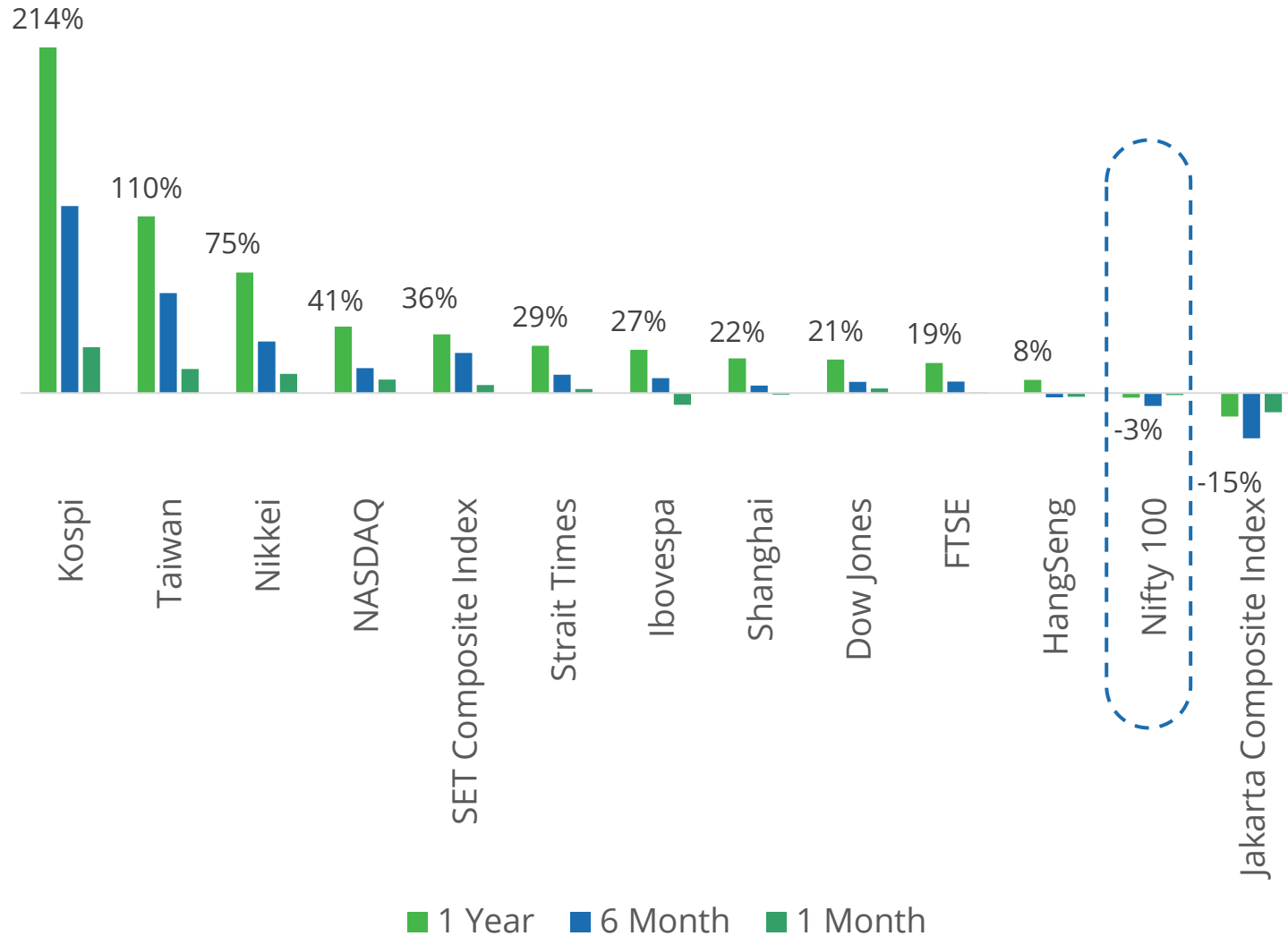
- ❑ Balanced portfolio strategy to capitalise on the various pockets of strong earnings recovery and outlook
- ❑ An increased focus towards large caps
  - A likely slowdown in US and reduced “trust” in dollar is positive for emerging market flows which can reverse the trend over last many years. China may benefit the most, but Indian corporate earnings also appear set for recovery in FY27 and could benefit from GST despite cuts from IT sector.
  - Geopolitical risks have led to higher bond yields and weak INR. We expect large caps to outperform given cheaper valuation + earnings stability although the valuation premium of mid and small caps has also come down post recent correction.
  - Large private sector banks have undergone one leg of re-rating. Faster rate transmission on liabilities and easy liquidity conditions will create transient decline in NIMs. Asset quality impact from unsecured loans/MFI is concerning but relatively low. Valuations are at fair levels especially given that there is room for positive earning surprises in FY27.



# Market performance

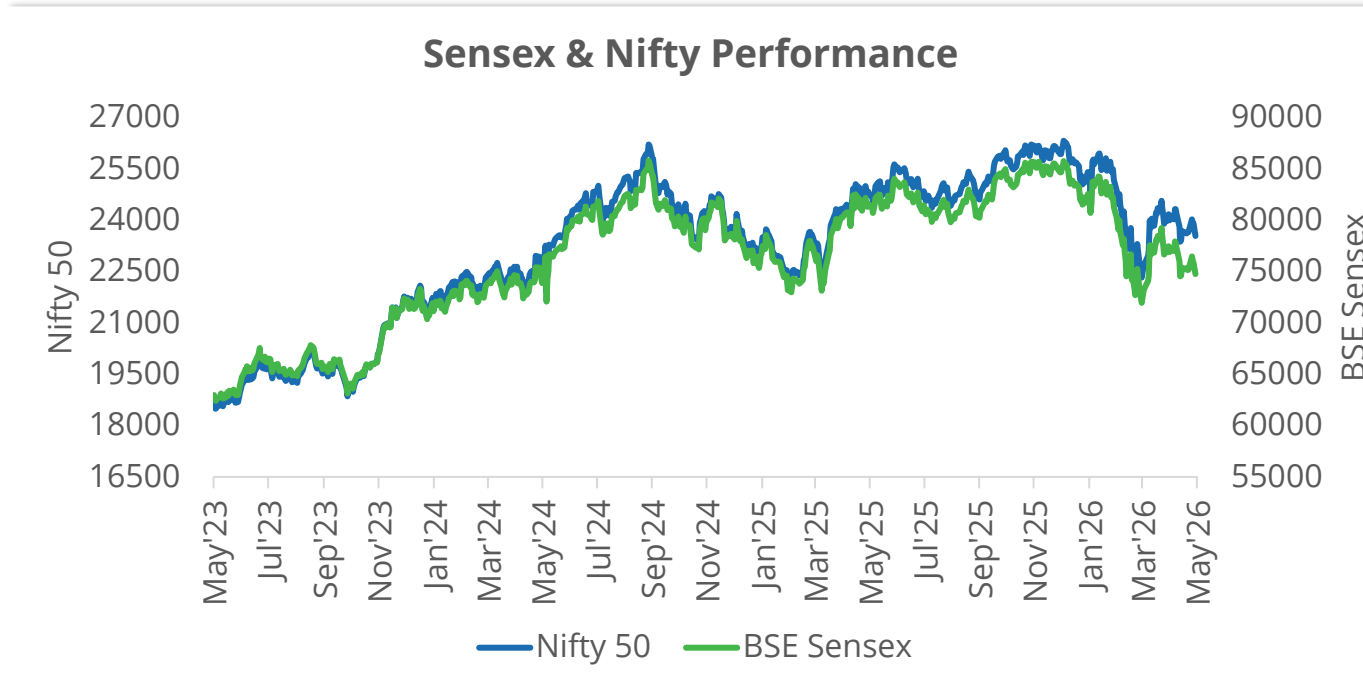
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# Global market performance – Kospi leads



- Global markets saw a rebound in April after a significant sell off in March with hopes of de-escalation in Middle East.
- The US index, Dow Jones gained at 7.14% whereas Nasdaq gained 15.29%, outperforming Dow Jones.
- India's Nifty 100 saw rebound too, closing April with 7.46% gains outperforming majority of emerging markets.
- China's Shanghai index closed with 5.66% gains underperforming Indian market during April.

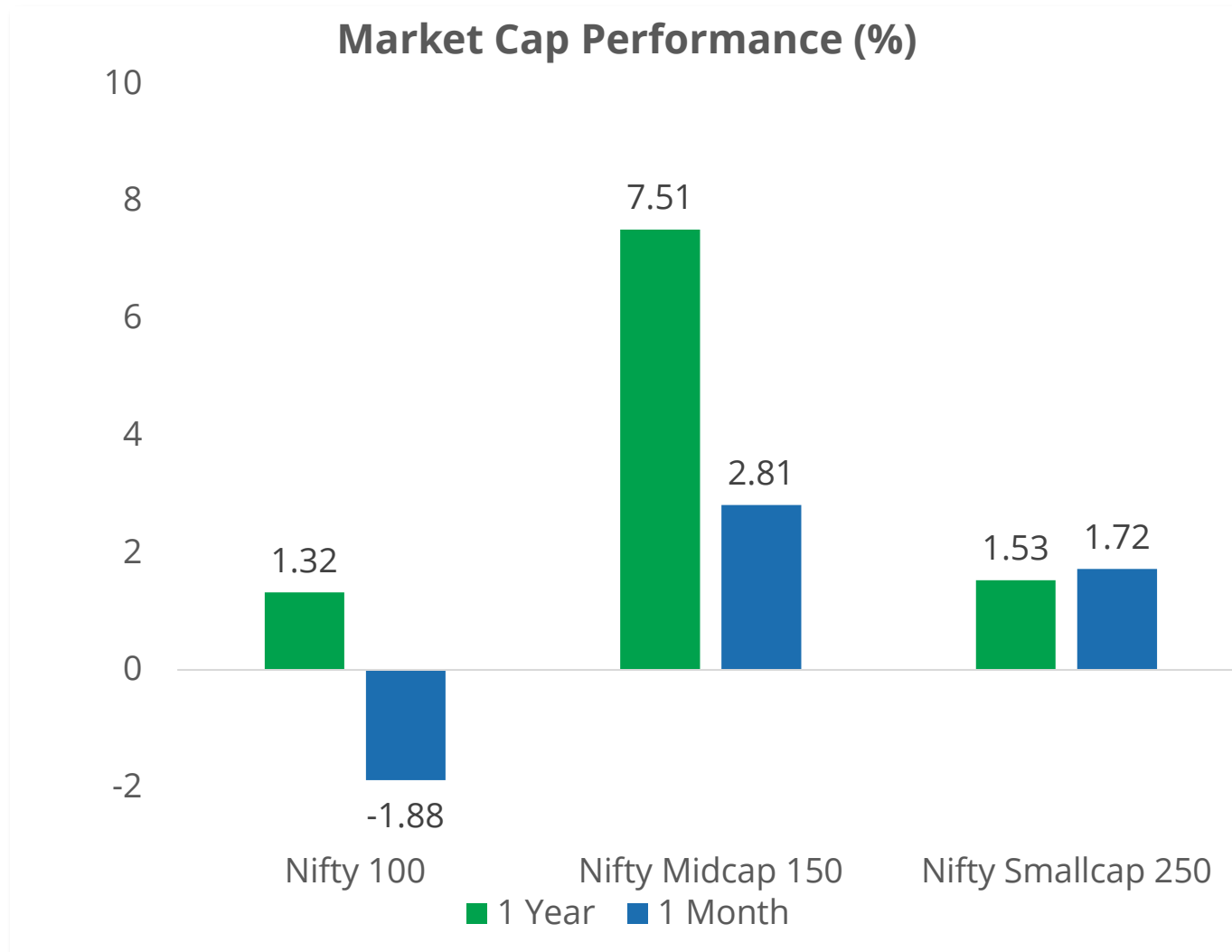
# India - Broader market update



- Nifty 50 ended the month at 23,997 (7.46%). The April month was defined by bullish price action.
- The FYTD returns for Nifty 50 stood at 7.22% and CYTD returns at -8.16%.

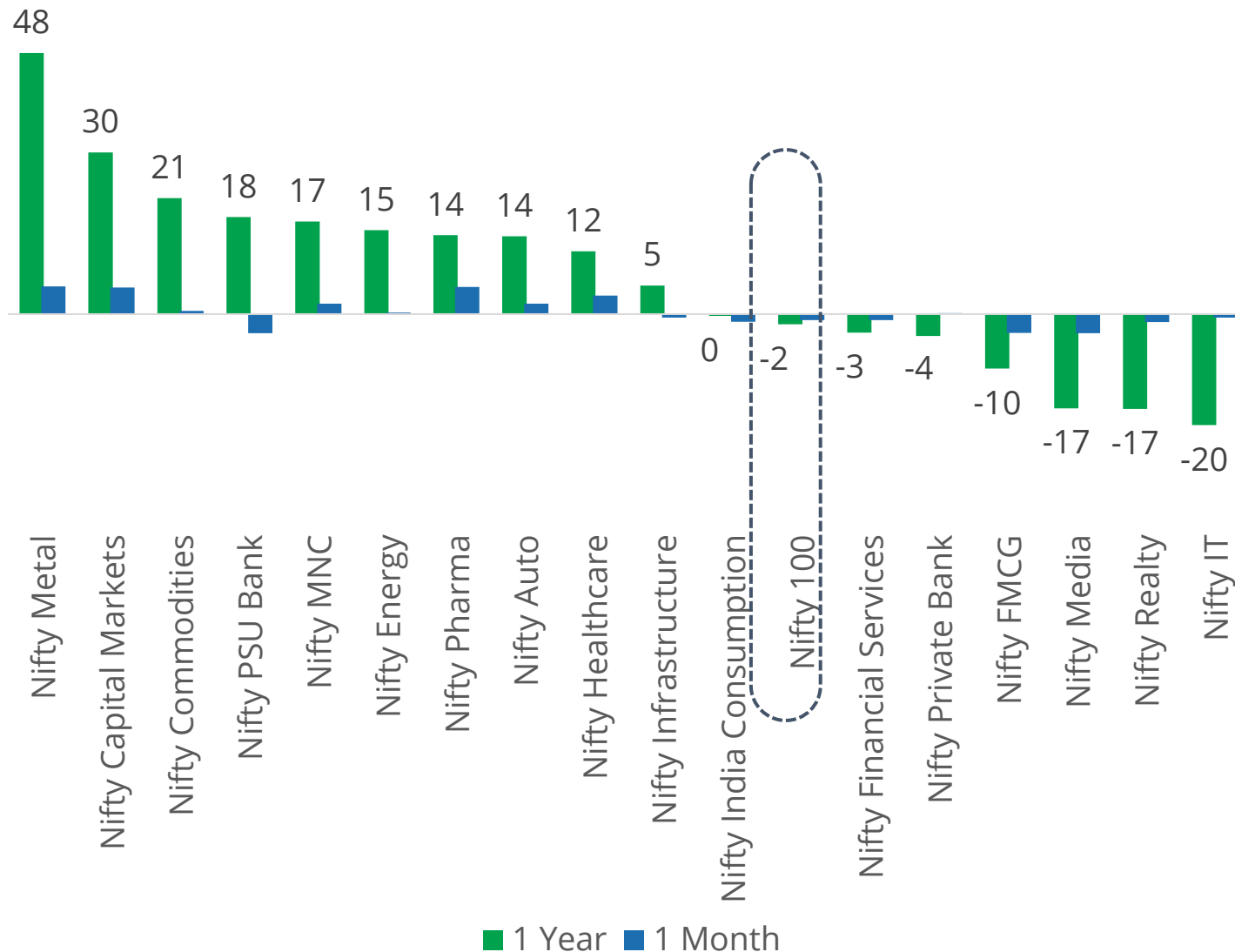
	<b>BSE Sensex</b>	<b>Nifty 50</b>
FYTD	4.00%	7.22%
CYTD	-12.42%	-8.16%
1 Month	-2.97%	7.46%

# Indian Market cap performance



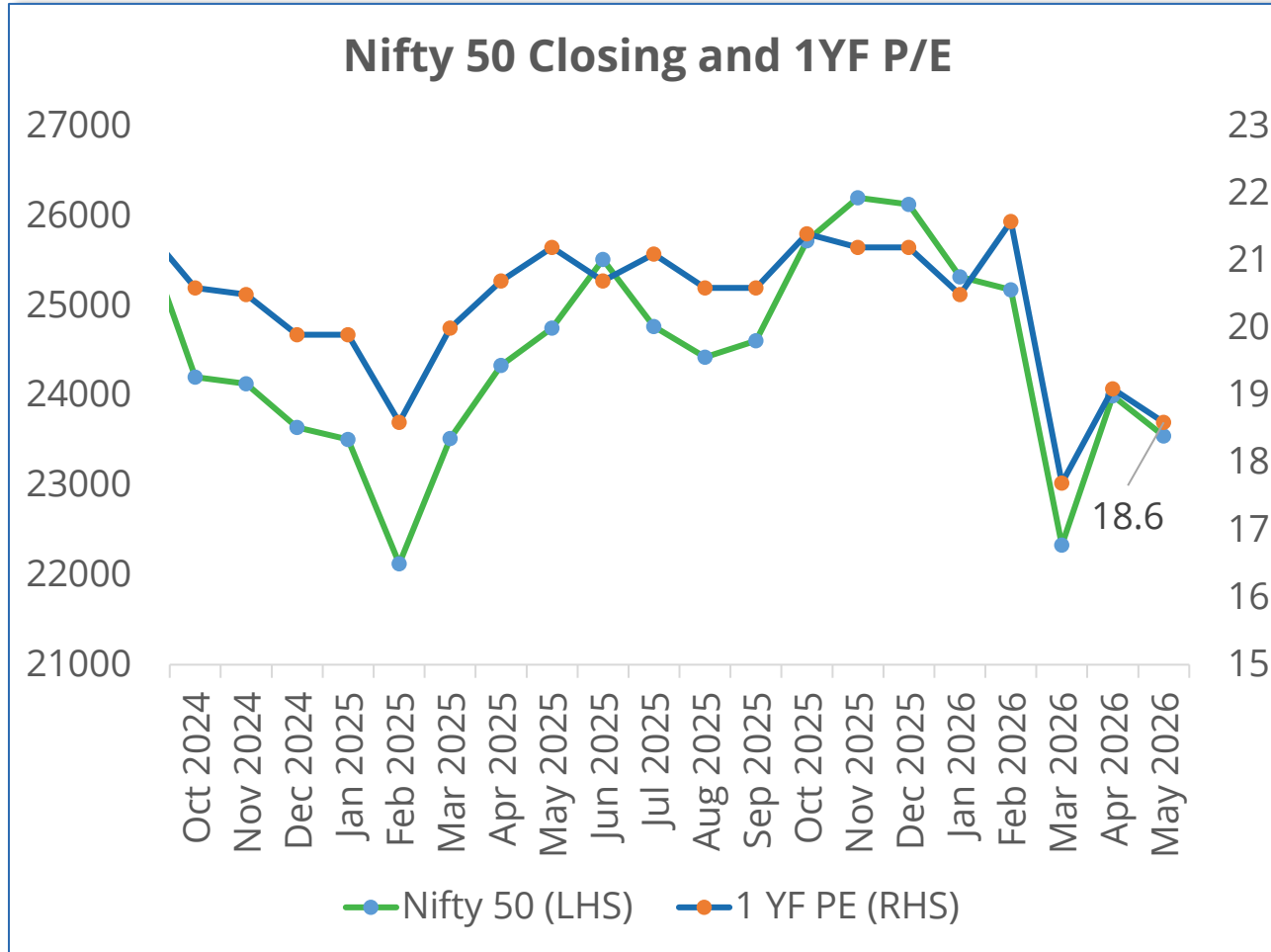
- The mid cap index has relatively outperformed small cap and large cap indices in the last 1 year. Mid cap index gained 11.40% while Nifty 100 and Nifty Smallcap 250 gained 1.32% and 9.56% respectively.
- Nifty 100 surged by 8.86% in April 2026, while mid and small cap indices surged by 13.24% and 17.10% respectively.
- EPS growth for Nifty 50 is expected to rise to ~9.8% YoY in 3QFY26 and by 15-17% in FY 27 aided by a likely improvement in the macro environment owing to stimulative fiscal and monetary measures.

# Sectoral Performance



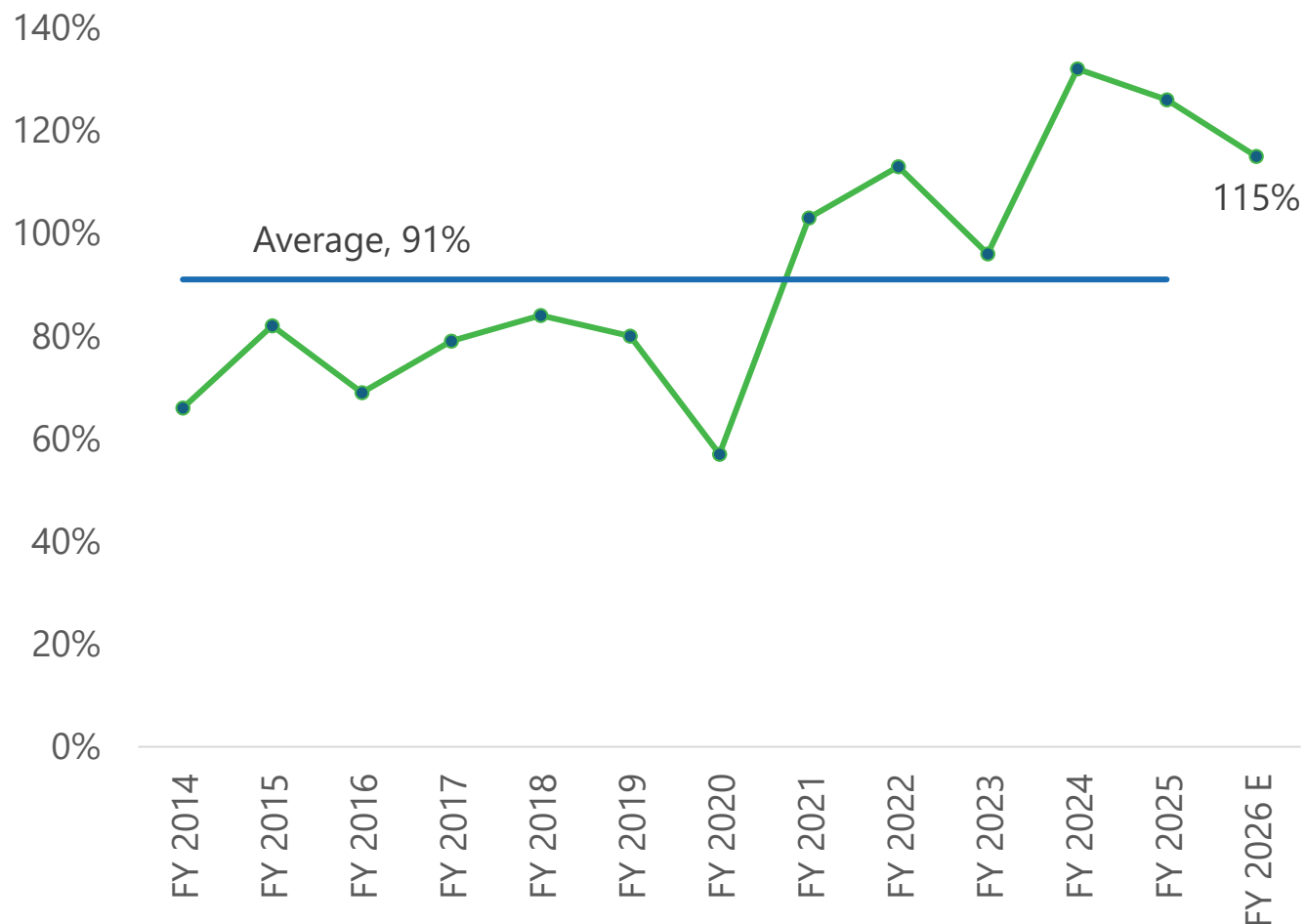
- Sectors that have largely outperformed Nifty 100 includes Metals, PSU Banks, Capital Markets and Autos in the past 1-year returns
- Media, Realty, IT, Financial Services and FMCG have underperformed the Nifty 100 index in the past 1-year period.
- In the past month, sectors like Capital Markets, Realty, Energy have underperformed Nifty 100 with correction across market categories.
- Banks carry a relatively lower risk of a negative earning surprise. Chemicals, Cement & power valuations are reasonable but facing margin pressure.
- Capital goods/Industrials affected by weaker execution and/or margin pressure although supported by strong order book. Growth available in few pockets.

# Nifty Performance & Valuation Trends



- Markets saw significant rebound in April 2026. The rebound may be factoring in de-escalation in the Middle East and mean reversion in crude prices.
- Nifty 50 saw signs of rebound and bulls gripping over during the month and India VIX corrected to levels of 18-19, showing rising confidence in the market
- Nifty 50 ended the month the month of Mar 2026 at 23997(7.46%), showing a strong rebound in the index.

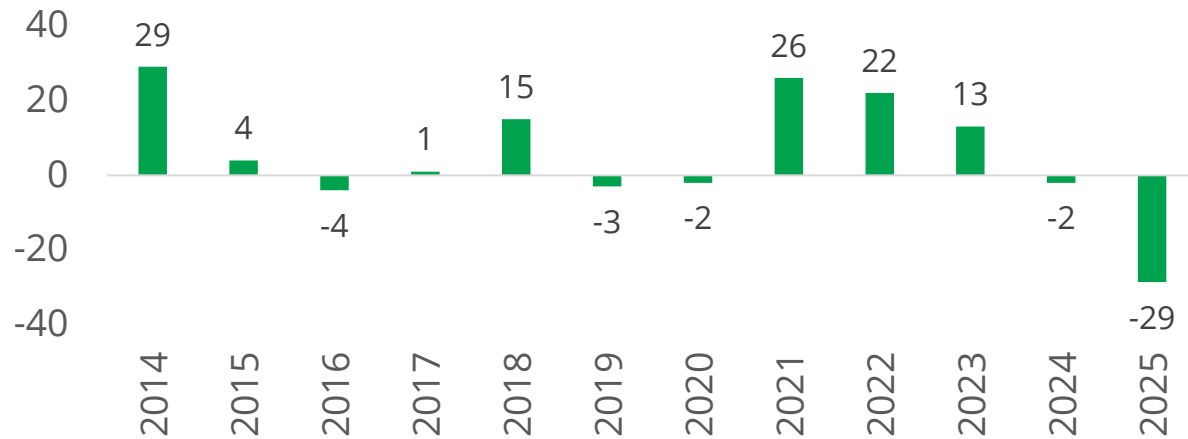
### India's Market Cap to GDP ratio



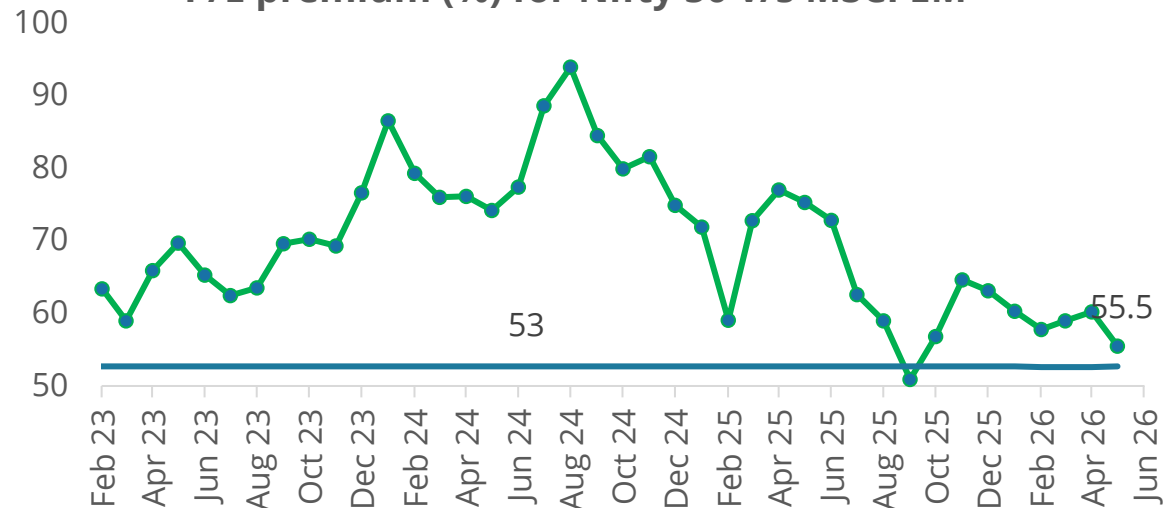
- ❑ India's market cap to GDP ratio in FY 26 is to remain 115% of GDP after slipping in during March.
- ❑ India's FY 2025 market cap to GDP ratio plumed to 126% below the levels of FY 2024 i.e., 129%
- ❑ RBI in its April 2026 MPC estimates India's GDP growth at 6.9% in FY27 and CPI inflation is projected at 4.6%. The policy rates remained unchanged at 5.25%.

# India vs MSCI EM

■ Nifty 50 returns over MSCI EM\*



P/E premium (%) for Nifty 50 v/s MSCI EM



- In CY 26, Indian markets are showing reasonable valuations is well positioned to attract emerging market flows.
- India's earnings differential with EMs is now narrowing. India continues to trade at ~10% premium vs its peer Asian economies.
- P/E premium of Nifty 50 vs MSCI EM has reduced from 77% in Mar 2025 to 60.2% by the end of April 2026.
- The global macroeconomic landscape is partly shaped by US policies in 2025, ongoing war in the middle east and the squeeze in the strait of Hormuz.

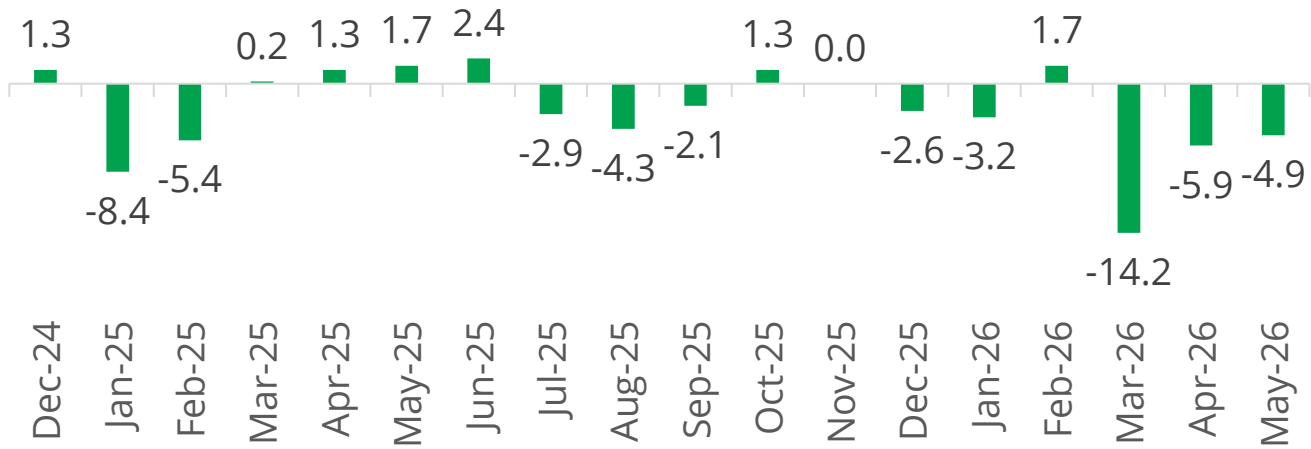


# Flows

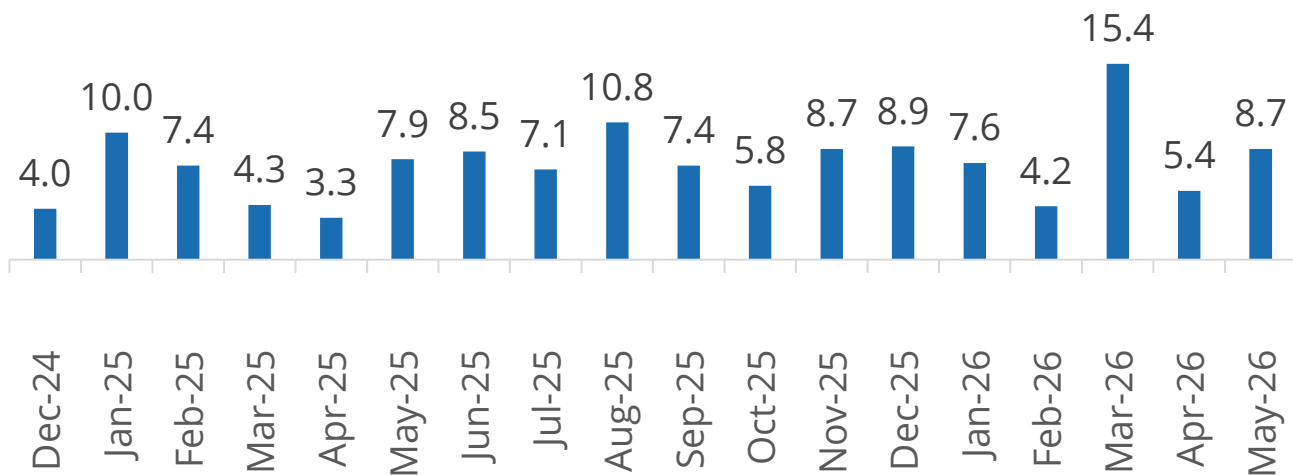
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# DII inflows remain strong; FII turns red

FII Net Flows (\$Bn)



DII Net Flows (\$Bn)



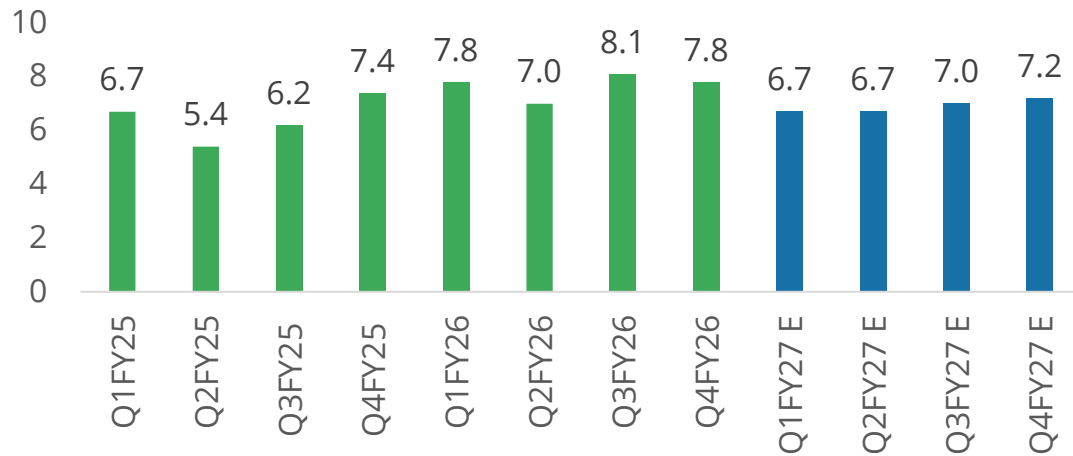
- FIIs continued to be net sellers in April 26. FII outflows in April 26 amounts to USD 5.9bn.
- DIIs flows continuous to remain positive but have reduced in April. Inflows in April 26 amounts to USD 5.4. Total inflows from DIIs in CY 26 amounts to USD 32.6 bn.
- Geopolitical tensions and rising crude prices, considering India's sensitive position to rising crude prices clubbed with weakening currency resulted in underperformance during the month. Moreover, the DII flows have remained strong during the month in April



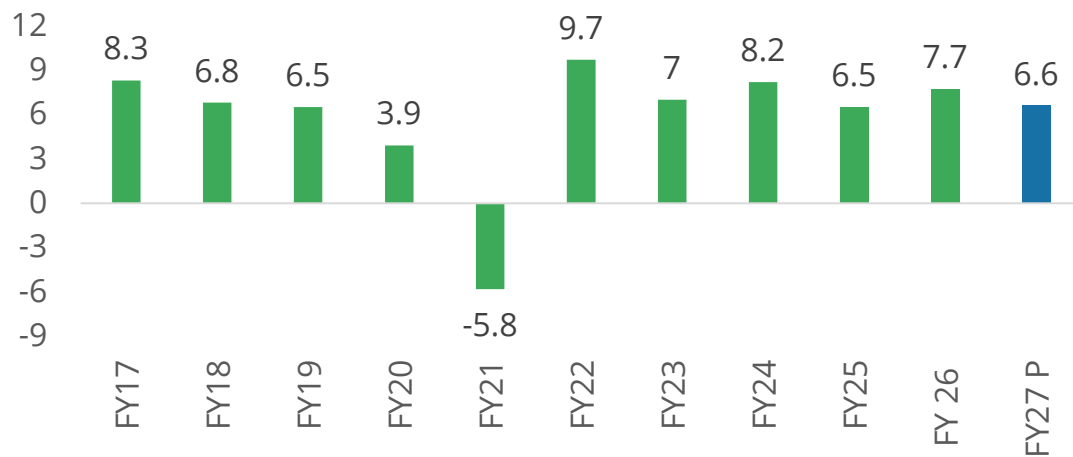
# Macros

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### Quarterly GDP growth (%)

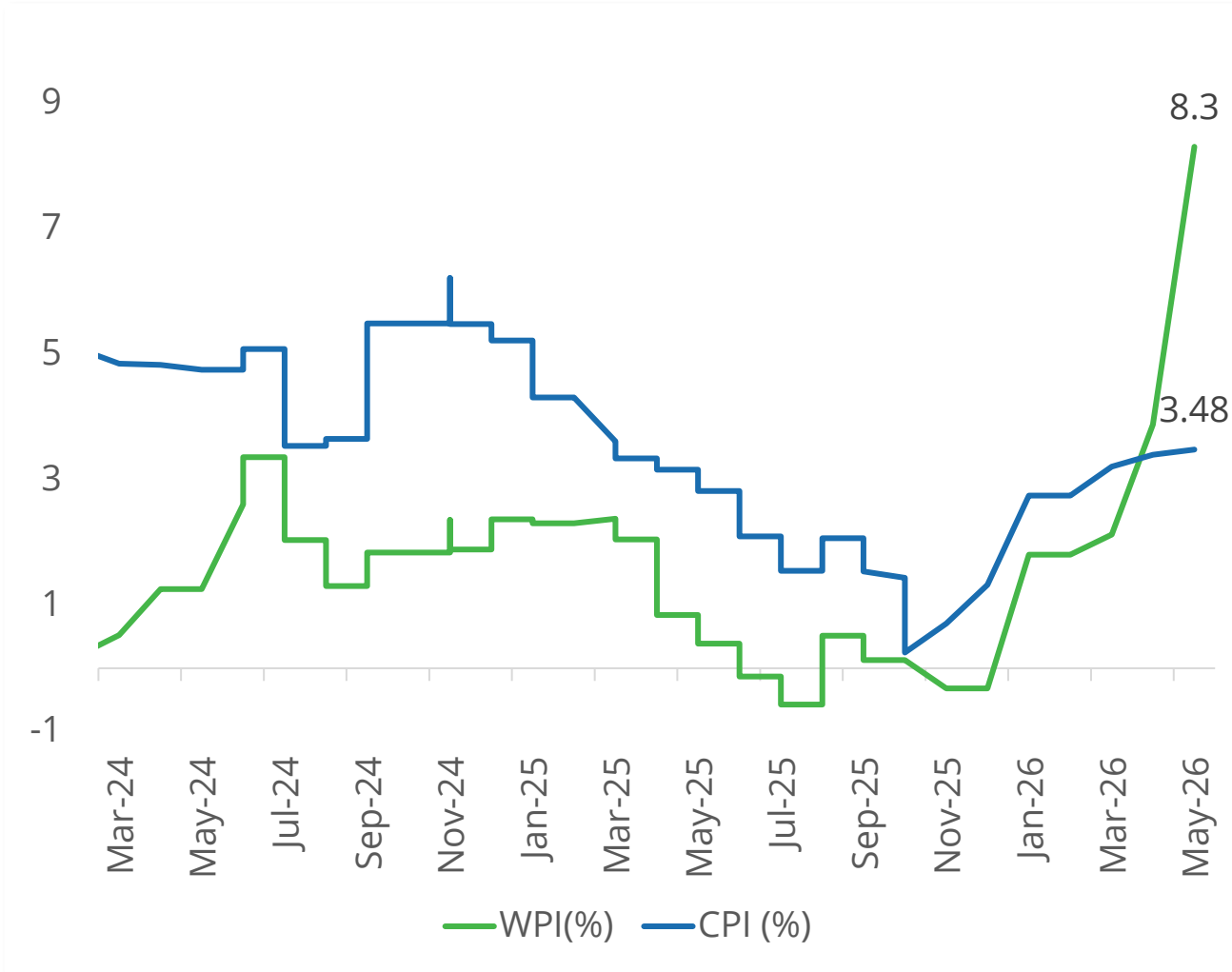


### Annual GDP Growth (YoY %)

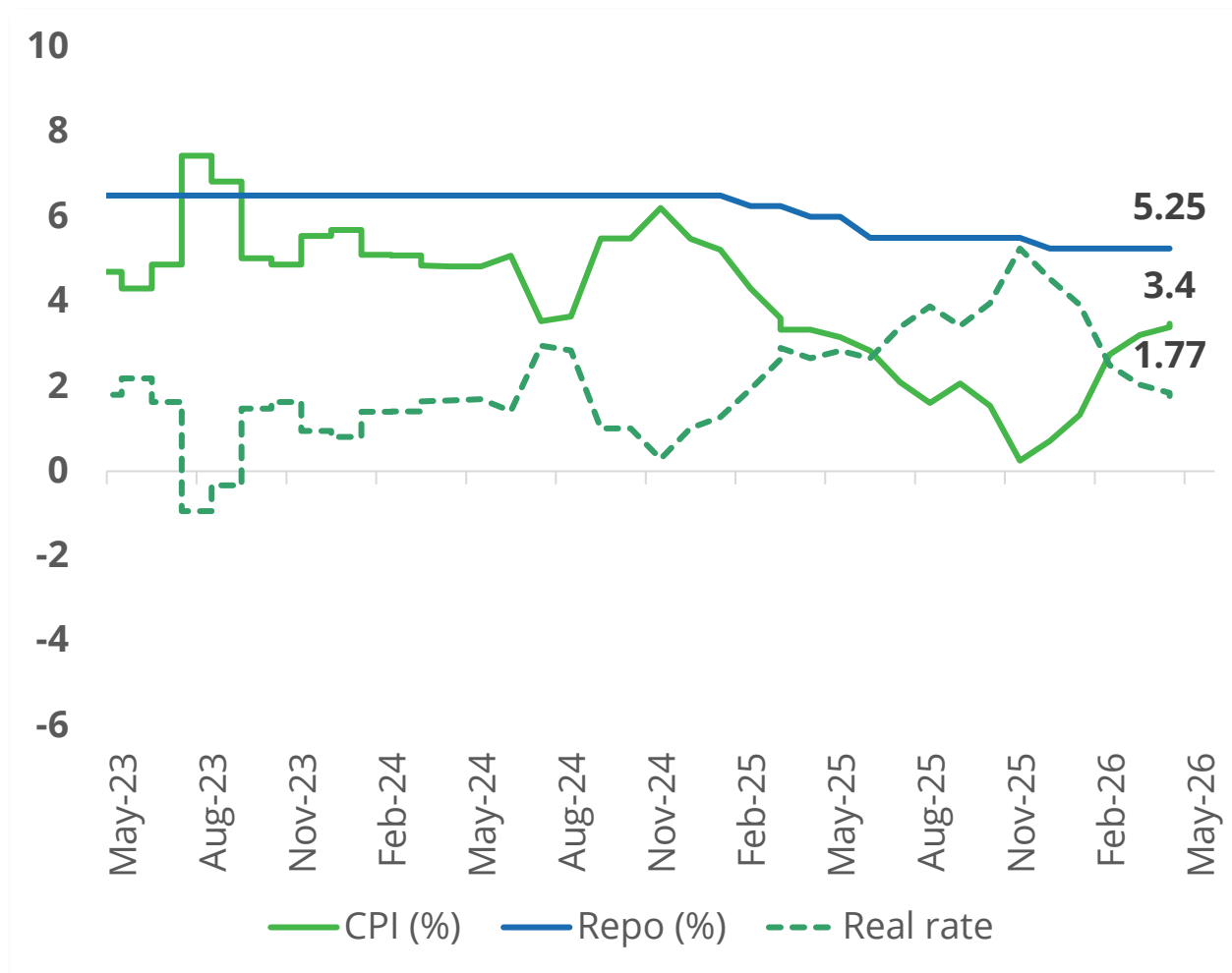


- ❑ RBI in its MPC estimates real GDP is to grow at 7.4% in FY26 supported by indicating sustained domestic demand-driven momentum amid a challenging global environment.
- ❑ Looking ahead to FY27, growth is expected to remain supported by agricultural recovery, improving corporate sector performance, firm construction activity, and resilient services, alongside strengthening domestic demand.
- ❑ RBI in its April MPC meeting stated the GDP growth for FY 27 is projected at 6.9% with robust & healthy expected growth across the next financial year.

# Domestic Inflation

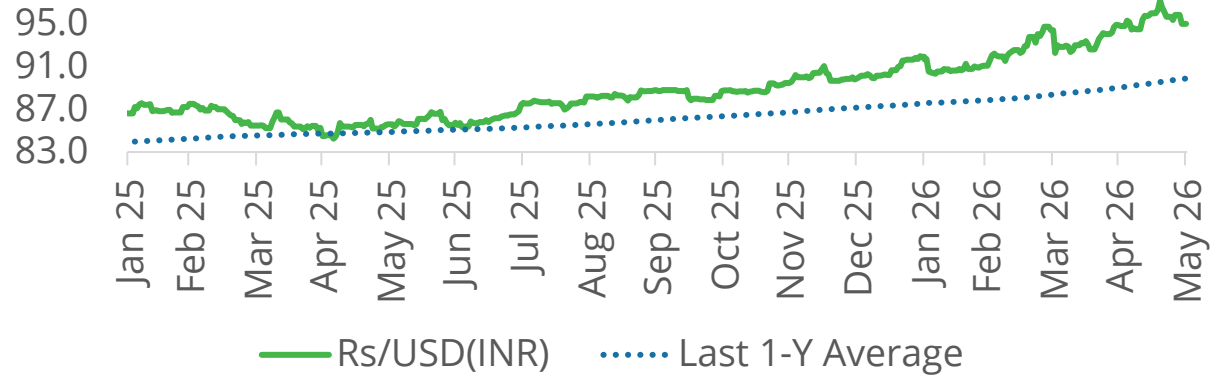


- YoY CPI-based inflation for the month of April remained to the levels of 3.40%.
- The YoY WPI levels stood at in 3.88% in April 2026 compared to 2.13% in March 2026.



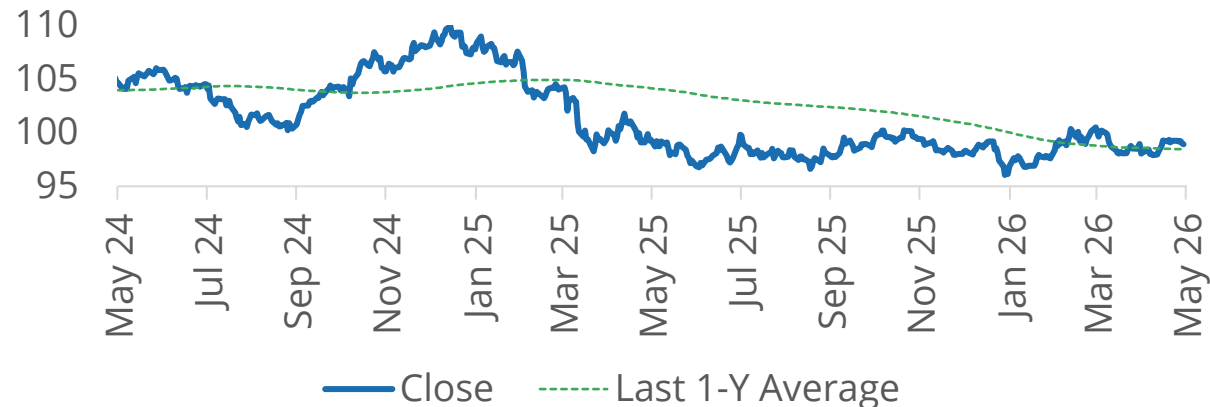
- ❑ In April MPC meeting the RBI voted unanimously to keep the rates unchanged. Current policy rate stands at 5.25%.
- ❑ MPC decided to maintain its stance to neutral with a continued focus on growth-inflation dynamics.
- ❑ RBI provided the GDP growth forecast for the FY 27 at 6.90%. India is expected to grow twice as fast as the global GDP growth (3.0%)
- ❑ Primary risks includes challenges from geopolitical tensions, volatility in international commodity prices, actions of central banks of developed economies and geoeconomic fragmentation.

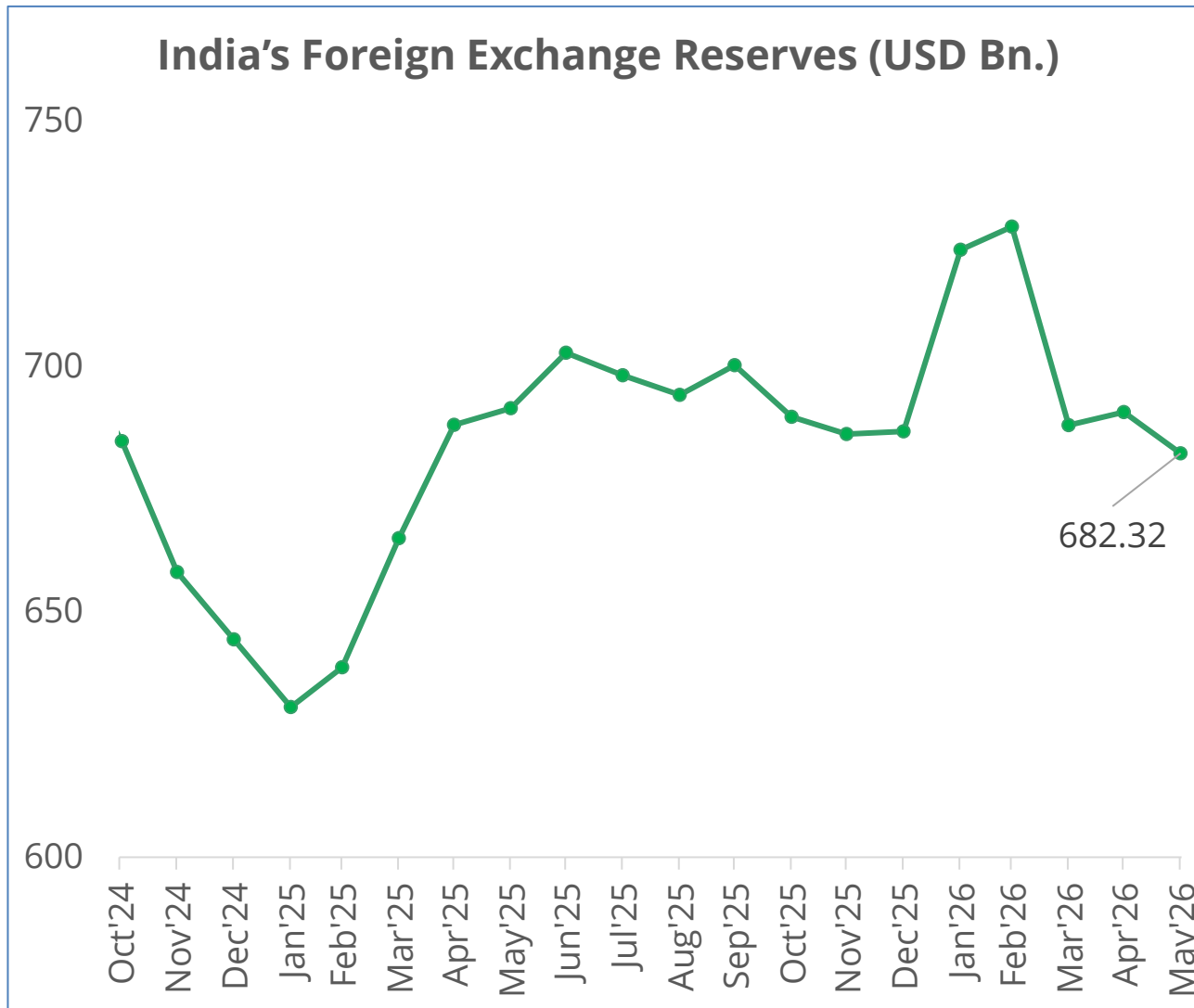
## USD-INR



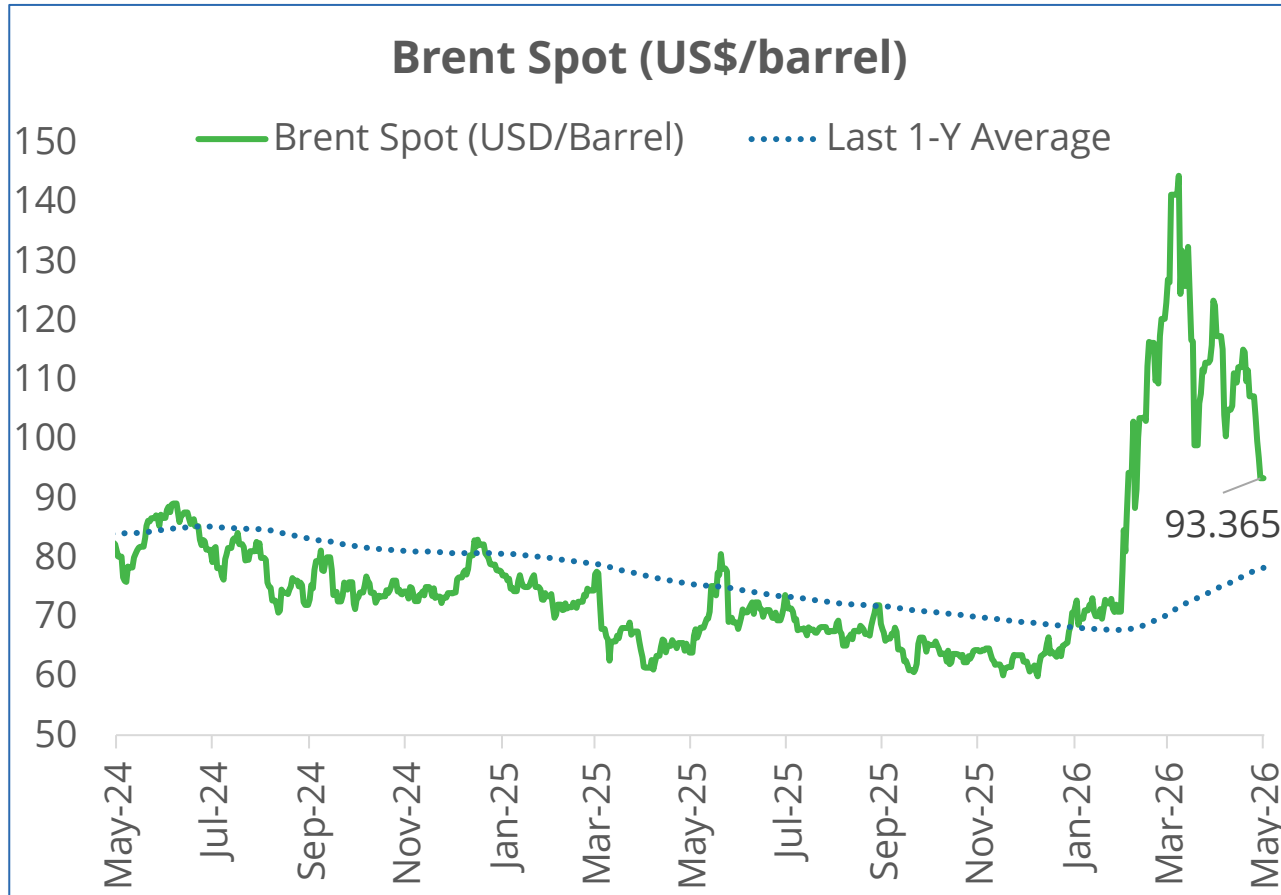
- ❑ INR underperformed relative to its peer Asian currencies and the USD. The last 1-year average INR stood at 88.74 per USD.
- ❑ USD-INR exchange rate fluctuated between 92.26 and 94.89 with an average of 93.31 in April 2026.
- ❑ INR has been one of the weakest performer among Asian currencies, while some regional peers have delivered strong performance against USD
- ❑ RBI continuous to maintain its stance on currency intervention that it wants to smoothen excessive volatility rather than targeting any specific exchange rate or band.

## Dollar Index





- ❑ India's Foreign exchange reserves in April 2026 saw a gradual rise to USD 690.69B compared to USD 688.06B in March.
- ❑ India's foreign exchange reserves remain adequate, providing cover for goods imports imated external debt outstanding as of April 2026.
- ❑ India's forex reserves includes but not limited to foreign currency assets, Gold reserves, Special Drawing Rights (SDR) and Reserve positions in IMF.
- ❑ RBI intervenes in the spot and forwards markets to prevent runaway moves in the rupee and acts as a rupee stabilizer.
- ❑ Changes in foreign currency assets, expressed in dollar terms, include the effects of appreciation or depreciation of other currencies held in the RBI's reserves.



- ❑ Brent \$ spot prices shot up significantly posing to tensions in Middle East. The average Brent crude prices over the month of April 2026 stands at \$121.63.
- ❑ Brent crude prices remained elevated during the March with fears mounting over Middle East.
- ❑ 2026 demand is expected to rise by driven by non-OECD countries, global supply is simultaneously growing, creating a significant surplus.

# Resilient domestic macros

*	FY 16	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	Latest*
GDP Growth (%)	7.9	7.9	7.3	6.1	4.2	-7.4	4.5	7.2	8.2	6.5	7.7	6.6
CPI Inflation (%)	4.9	3.8	3.6	3.4	5.8	5.5	7	5.7	4.8	3.6	3.4	5.1E
Current Account Deficit (% of GDP)	-1.1	-0.6	-1.8	-2.1	-0.9	0.9	-1.2	-2.7	-0.6	-1.3	-0.6	-1.8E
Projected Fiscal Deficit (% of GDP)	-3.9	-3.5	-3.5	-3.4	-4.6	-9.3	-6.7	-6.4	-5.6	-4.7	-4.4	-4.3
Crude Oil (USD/Barrel)	39	60	58	65	23	59	111	80	87	79	104	93
Currency (USD/INR)	66	65	65	70	75	73	76	82	83	87	94	94.9
Forex Reserves (USD bn)	356	370	424	413	490	579	606	579	646	665	688	682
GST collections (lakh Cr.)					10.2	11.4	14.8	18.1	20.2	20.6	22.2	4.4*

SOURCE : Bloomberg

\*Crude oil, Currency, Forex Reserves and GST collections as on 31<sup>st</sup> May 2026 | GDP growth, CPI Inflation, Current account deficit and fiscal deficit – Latest available.

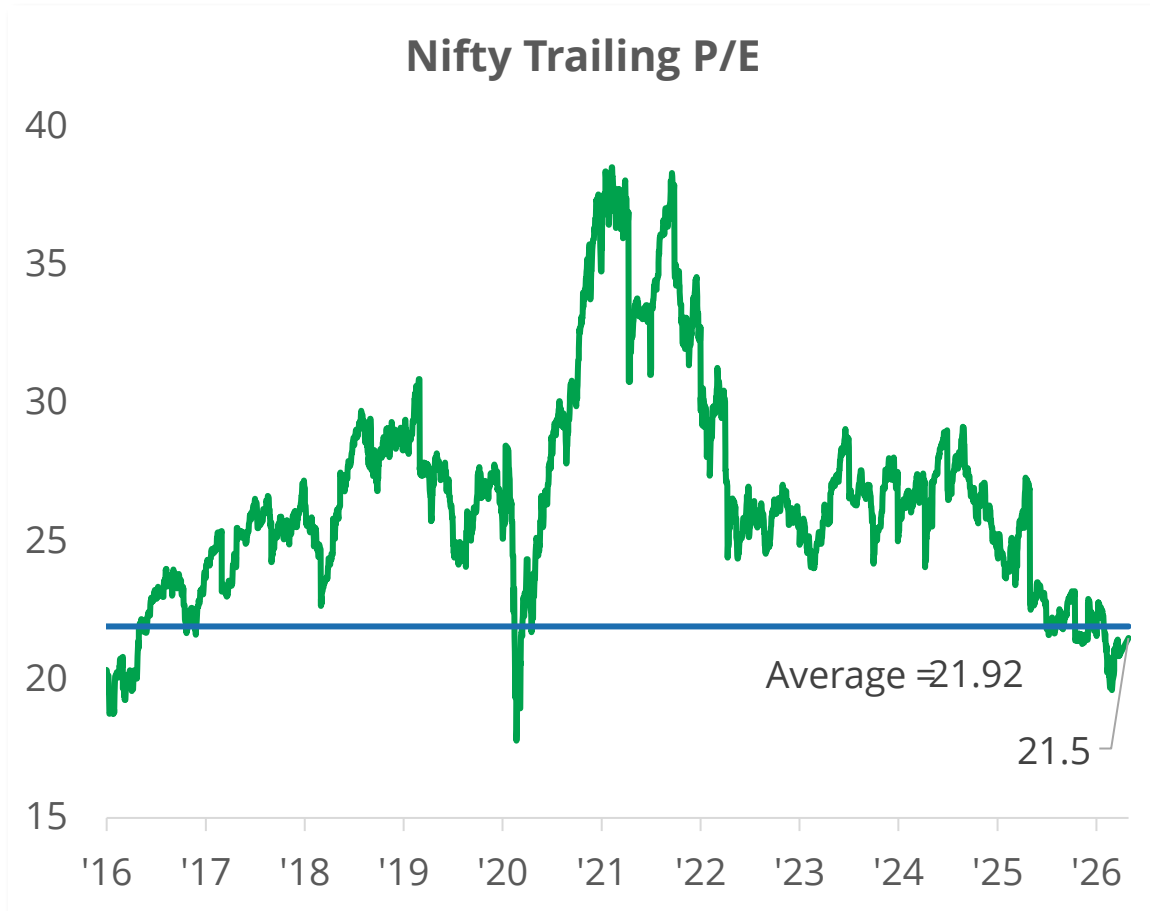
# Monthly key macro indicators

	Jun-25	Jul-25	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26*
Trade Balance (USD Bn.)	18.8	-27.4	-26.5	-32.15	-41.68	-24.53	-25.04	-34.7	-27.1	-20.67	-27	-28
Crude Indian Basket (USD)	71	71	69	70	65.08	64.31	62.2	63.08	69	123	118.7	106
Bank Credit (%)	9.5	10	10	10.4	11.3	11.5	14.5	14.6	14.5	16.1	16	16.2
Bank Deposit (%)	10.1	10.2	10.2	9.5	9.7	10.2	12.7	12.5	13	13.4	12.3	12.2
Manufacturing PMI	58.4	59.1	59.3	57.7	59.2	56.6	55	55.4	56.9	53.9	54.7	55.0
Services PMI	60.4	60.5	62.9	60.9	58.9	59.8	58	58.5	58.1	57.5	58.8	59.8



# Valuations

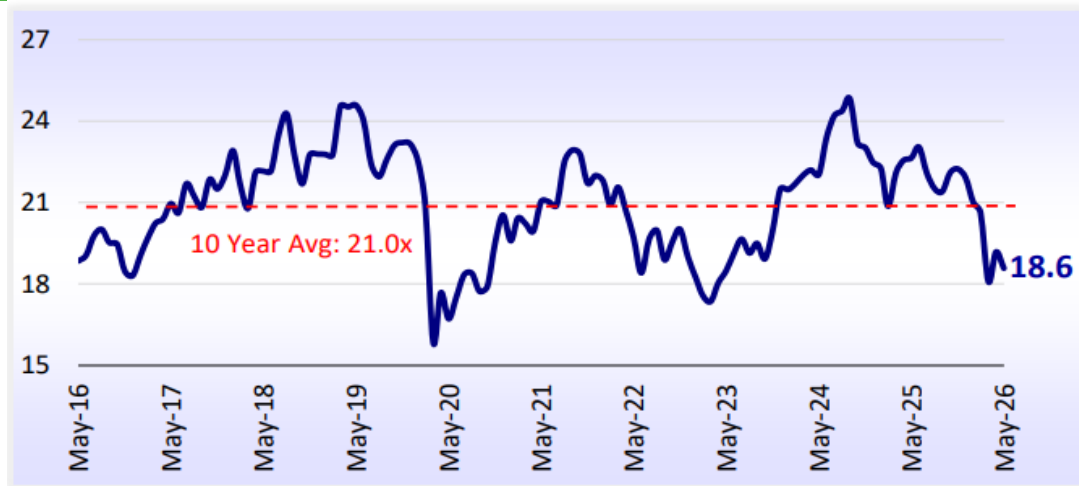
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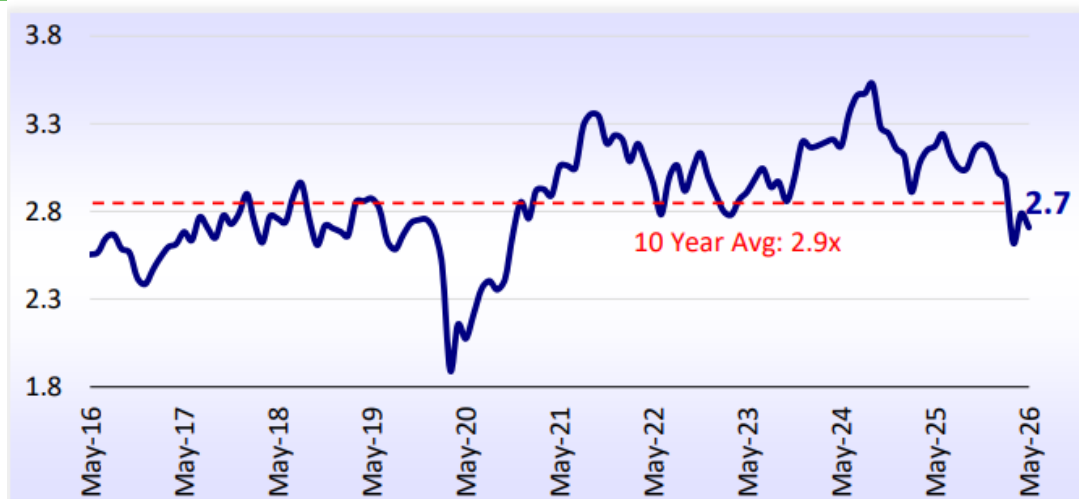
- ❑ 1-year forward PE for Nifty 50 stands at ~19.1x is below its 10-year average of ~21.0x.
- ❑ 1-year trailing PE for Nifty 50 stands at 20.94x, below its 10-year average at 21.92x.
- ❑ Nifty is now trading at reasonable PE of 21x and with earnings growth of 15-17% visible next financial year. This sets the tone for better equity returns in next 12-18 months. Midcap and small cap premium has come down but risk reward and flows will still favor large caps more.

# Forward valuations

## 1 year forward Nifty P/E

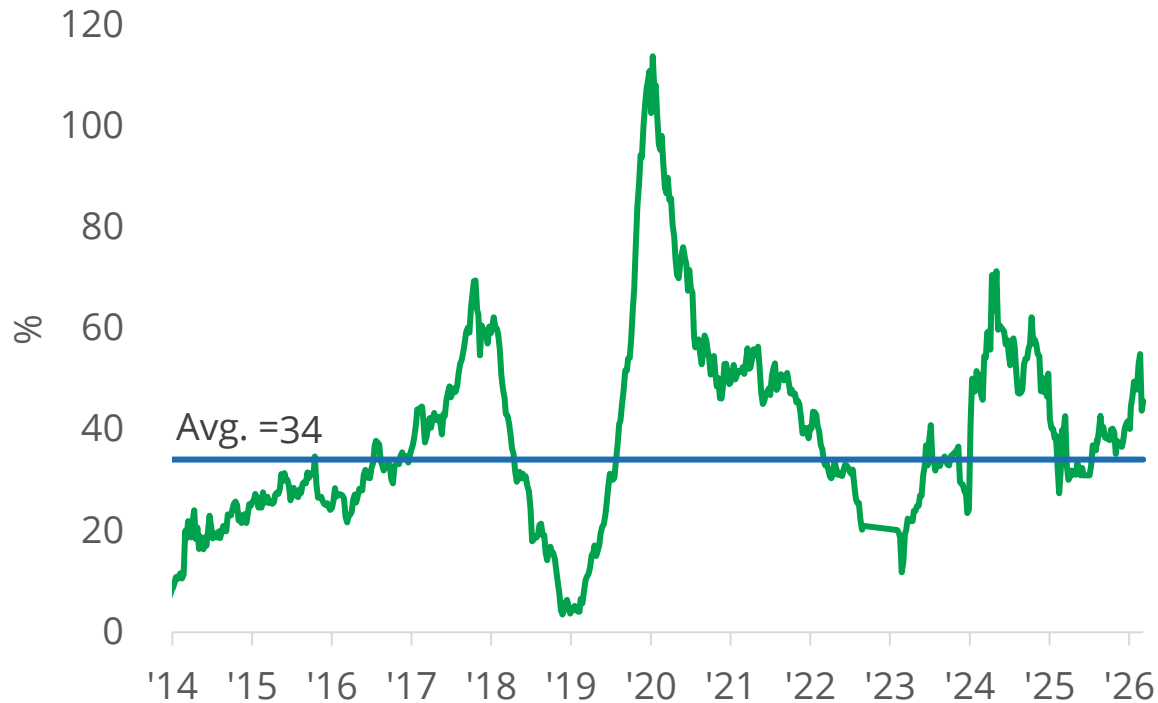


## 1 year forward Nifty P/B



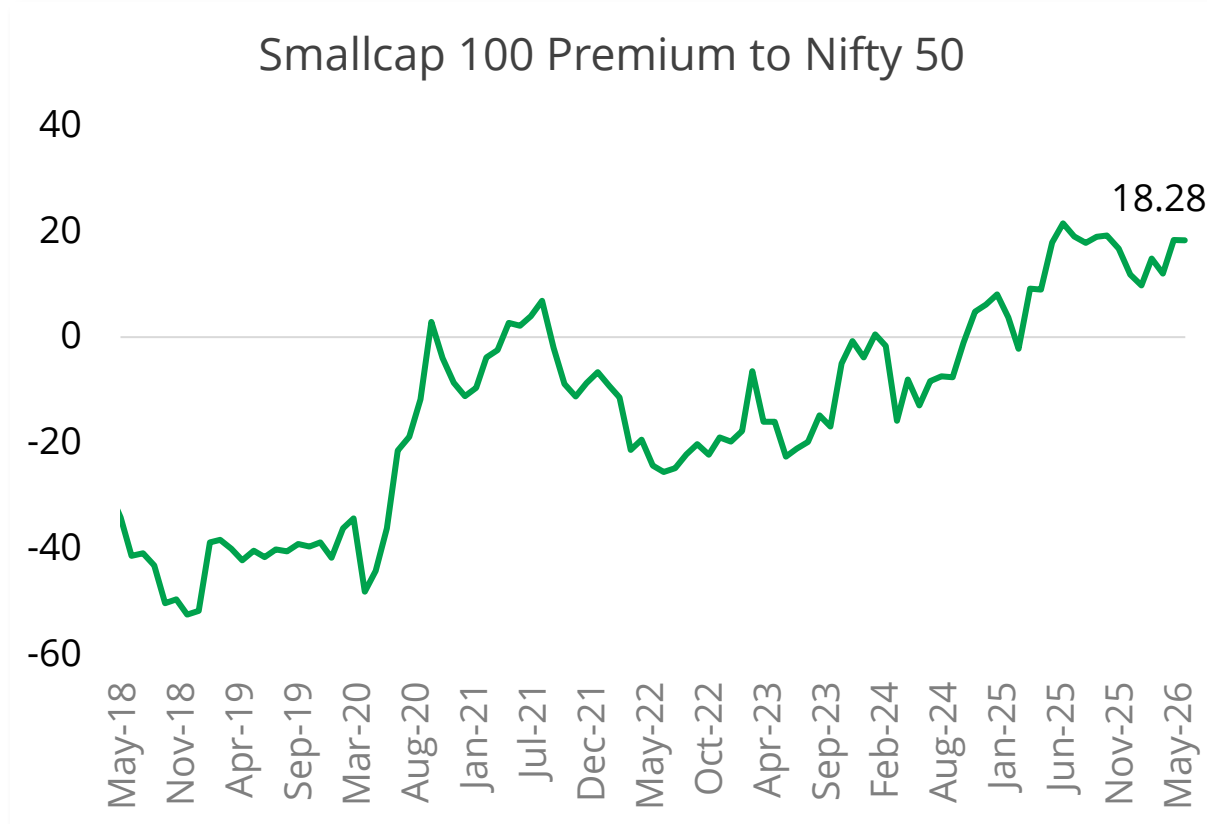
# Valuations – Midcap vs Nifty 50

Midcap 100 Premium to Nifty 50



- Headline valuation premium for Nifty Midcap 100 vs Nifty 50 has climbed to 50% by the end of April 2026.
- Valuations presently are marginally expensive to their long-term average. The index valuations have corrected from the peak of mid 2024.
- Current valuation metrics suggests relatively attractiveness of large caps over mid and small caps as they offer better risk-reward.
- Broad-based economic & investment cycle recovery implies sustained opportunities in mid and small caps in the long term.
- Stock selection based on execution and margin trends will become more critical in the medium term.

# Valuations – Smallcap vs Nifty 50



- Headline valuation premium for Nifty Smallcap 100 vs Nifty 50 has surged to ~18% by the end of April 2026 from 12% by end of previous month.
- Nifty Smallcap 100 1-year forward P/E remained at 22.6, higher than the long-term average of 16.9x
- Amid high valuations within the small cap space vs large caps and global peers. Current valuation metrics suggests relatively attractiveness of large caps over mid and small caps as they offer better risk-reward.
- Stock selection based on execution and margin trends will become more critical in the medium term.

# Sector valuations

Out of the 17 sectors included in the below data, 11 sectors trade below 10-year average, with the latest one being Private Banks after a steep correction in the sector during March 2026.

Sector	May-26		Apr-26	
	P/E	10 year Average	P/E	10 year Average
Auto	25.8	23.6	26.2	23.7
Private Banks	13.6	20.9	14.3	20.9
PSU Banks	8.4	9.2	8.3	11.0
NBFC	14.5	13.2	15.1	13.1
Capital Goods	42.3	27.5	41.2	27.5
Cement	33.5	30.2	34.3	30.3
Consumer	38.5	42.6	39.2	42.7
Healthcare	34.1	27.9	32.1	27.7
Infrastructure	15.3	14.3	15.7	14.2
Logistics	26.4	23.3	24.2	23.2
Media	14.8	24.7	16.4	24.5
Metals	13.3	10.5	13.3	10.6
Oil & Gas	16.4	13.3	17.5	13.3
Real Estate	26.1	33.7	24.7	31.5
Retail	60.0	88.9	64.8	89.5
Technology	16.0	21.5	16.5	21.5
Telecom	Loss	56.7	Loss	45.7

P/E < 10-year  
average

# Portfolio positioning – Active Funds

## Steady State Category

Large Cap Funds  
Flexi Cap Funds  
Multi Cap Funds

Value Funds

Multi Asset  
Allocation Funds

## Thematic/Sectoral Funds Category

Financial  
Services Sector  
Funds

Resources &  
Energy based  
Funds

Consumer based  
Funds



# EVENT MOSAIC

## June 2026

Monday	Tuesday	Wednesday	Thursday	Friday	Saturday	Sunday
01 Manufacturing PMI (May)	02 CPI (YoY) (May)	03 Manufacturing & Services PMI (May) Global Services PMI	04	05 Interest Rate Decision, CRR, Reverse Repo Rate GDP (YoY) (Q1) GDP Quarterly (YoY) (Q4), Fx Reserves - USD	06	07
08 GDP (QoQ)(Q1)	09	10 PPI (YoY) (May) CPI (YoY) (May)	11 Core PPI (YoY) (May)	12 HOLIDAY - Russia Day GDP (YoY) (Apr)	13	14
15 WPI - Food, Fuel, Inflation, Manufacturing Inflation (YoY) (May)	16	17 CPI & Core PPI (YoY) (May)	18 Interest Rate Decision (Jun)	19 HOLIDAY - Dragon Boat Festival HOLIDAY - Juneteenth Interest Rate Decision	20	21
22	23	24	25	26 HOLIDAY - Muharram	27	28
29	30	01	02	03	04	05

# Thank You

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**Mutual Fund investments are subject to market risks, read all scheme related documents carefully**