



## The Eagle Eye – November 2025

**Markets rebound on earnings optimism and hopes of trade resolution**

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- ❖ Indian markets rebounded in Oct'25, while South Korea, Japan and Taiwan outperform
- ❖ AI-driven growth is redefining market cap contributions across key economies

## DOMESTIC MARKETS

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- ❖ 2QFY26 Interim Review: A beat driven by Commodities; mid-caps outperform
- ❖ About 71% of BSE-200 constituents end higher in Oct'25

## FLOWS AND VOLUMES

- ❖ Foreign flows turn positive as DII inflows stay resilient
- ❖ Institutional holdings: DIIs extend their lead in ownership
- ❖ Monthly average cash volumes inch up, while F&O volumes jump MoM

## KEY RESEARCH REPORTS

- ❖ Initiating Coverages on:
  - ❖ LG Electronics India
  - ❖ Rubicon Research
- ❖ India Strategy | Flows meet fundamentals: MSCI India's enduring edge!

## MULTI-YEAR HIGHS/LOWS

- ❖ Sep'25 CPI falls to an eight-year low
- ❖ Mid-caps' market cap share hits record high, while large-caps' share near all-time low
- ❖ India-US 10-year yield spread widens MoM to the highest level since Feb'25

## VALUATIONS

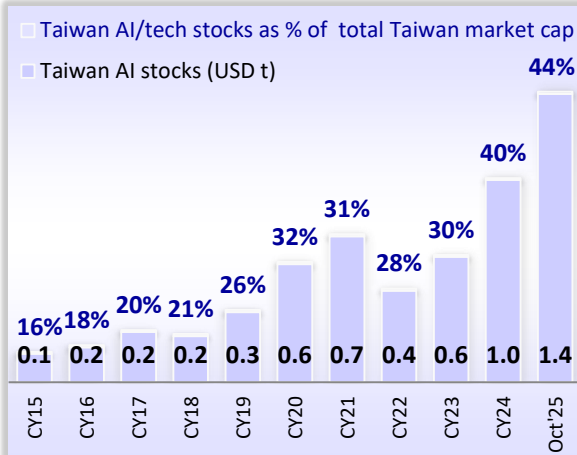
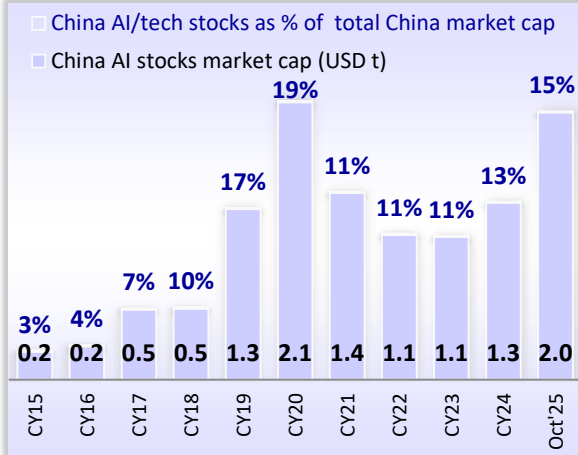
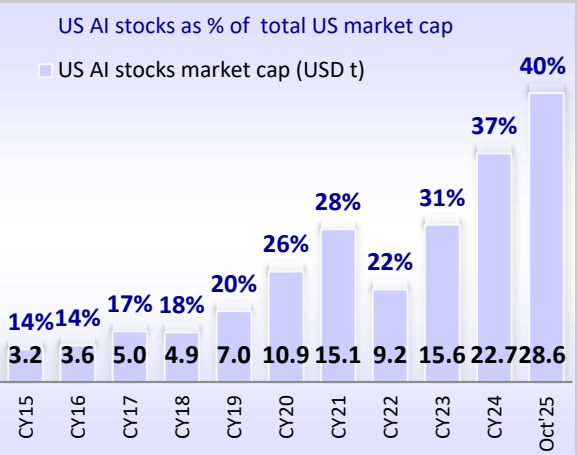
- ❖ Large-cap valuations hover near average; SMIDs valuations remain elevated
- ❖ Auto and Private Banks trade below their average valuations
- ❖ India's market cap-to-GDP ratio remains high

# **A view from the EAGLE'S EYE!**

# KEY EXHIBITS AI-driven growth is redefining market cap contributions across key economies

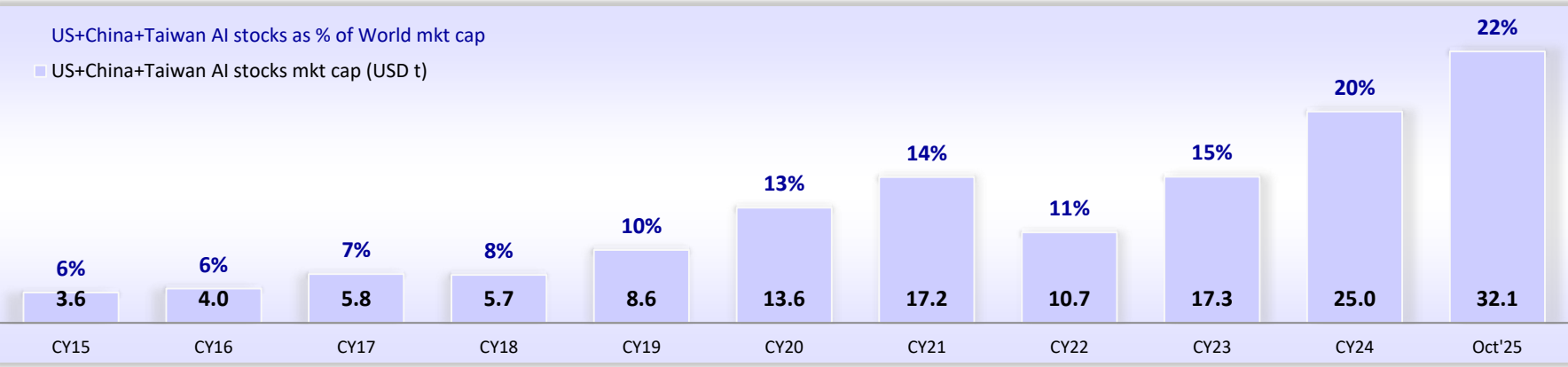
- ❖ The development of Artificial Intelligence (AI) is accelerating globally, with the US, China, and Taiwan emerging as key innovation hubs driving advances in AI software, semiconductors, and computing infrastructure.
- ❖ AI-linked companies witnessed strong growth worldwide, led by firms at the core of the AI supply chain - from hardware and chip manufacturing enablers to cloud and model developers.
- ❖ The contribution of AI-related sectors has risen significantly, now accounting for a major share of market cap gains - roughly ~40% in the US, ~15% in China, and ~44% in Taiwan in recent years, and collectively accounting for ~22% of global market capitalization.

## US, China, and Taiwan see sharp rise in market cap of AI-linked companies



Note: We have considered key AI, big tech, semiconductor, and chip manufacturing companies from the US (41 companies), China (17 companies), and Taiwan (9 companies).

## Global share of Key AI stocks in total market capitalization

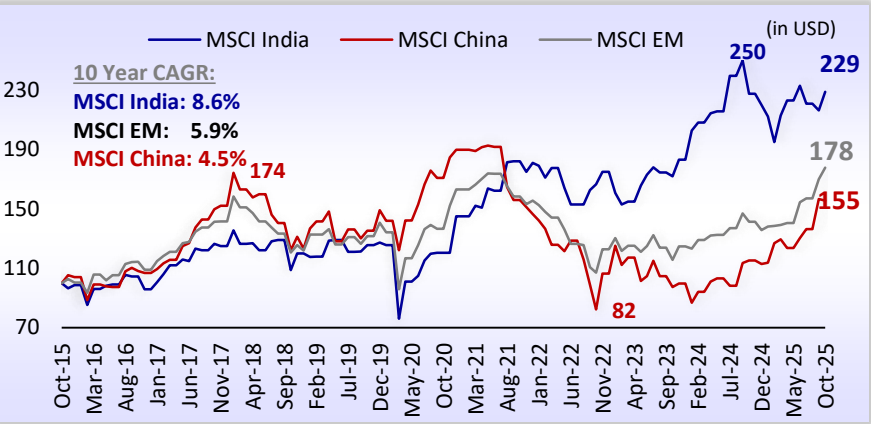


KEY EXHIBITS

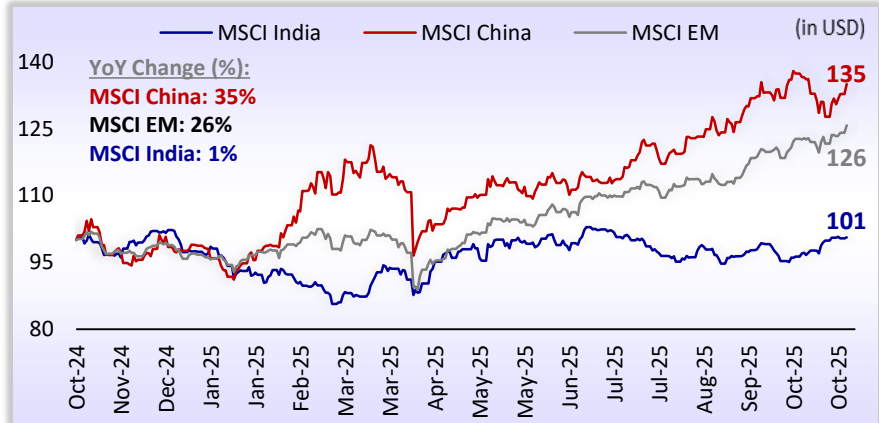
Flows meet fundamentals: MSCI India's enduring edge!

- ❖ Over the past decade, MSCI India outperformed other EMs, growing at an 8.6% USD CAGR vs. 6% for MSCI EM and 4.5% for MSCI China.
- ❖ After strong outperformance till Sep'24, Indian markets entered a phase of healthy consolidation with flat returns over the past year.
- ❖ As China and other EMs rebounded, India's relative valuation premium eased to 54% in Oct'25, below its long-period average (LPA) of ~79%.
- ❖ Following muted 2% earnings growth in FY25, MSCI India's aggregate earnings are expected to rise 11%/16% in FY26/FY27.

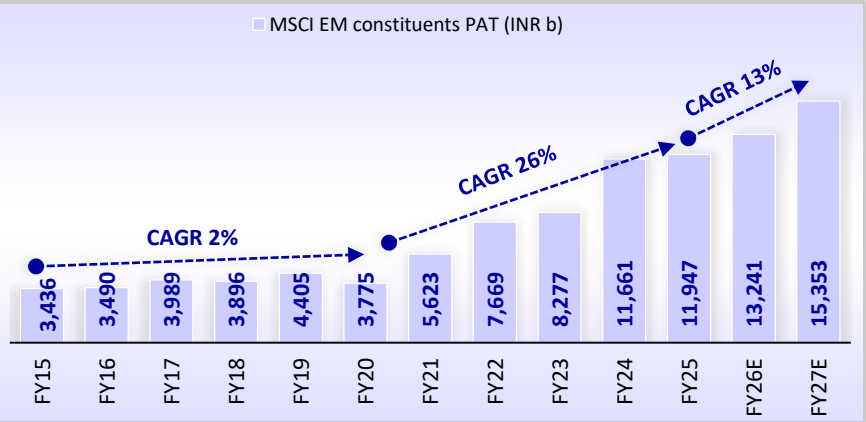
MSCI India notably outperforms MSCI EM by 51% over last 10 years



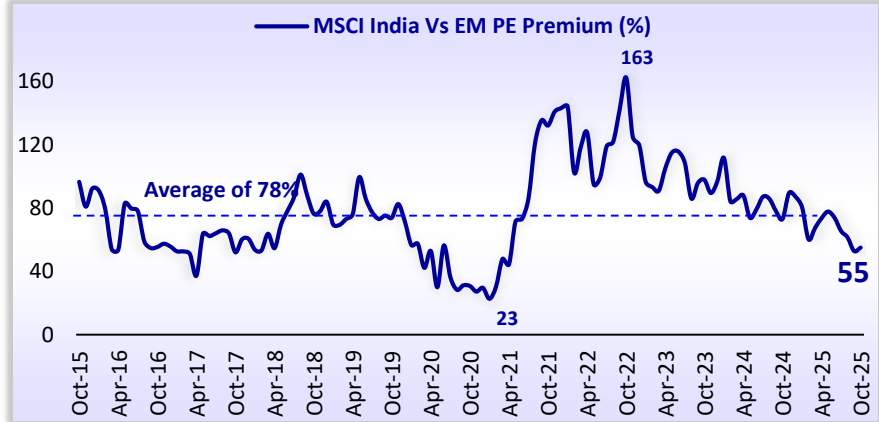
MSCI India underperforms MSCI China and MSCI EM over the last 12 months



Earnings growth set to pick up after a muted FY25



In P/E terms, MSCI India trades at a premium to MSCI EM, but below its 10-year average (%)

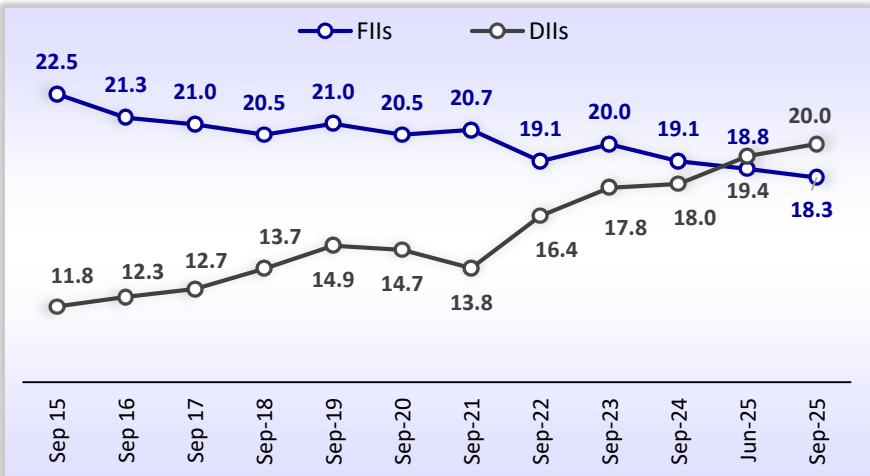


KEY EXHIBITS

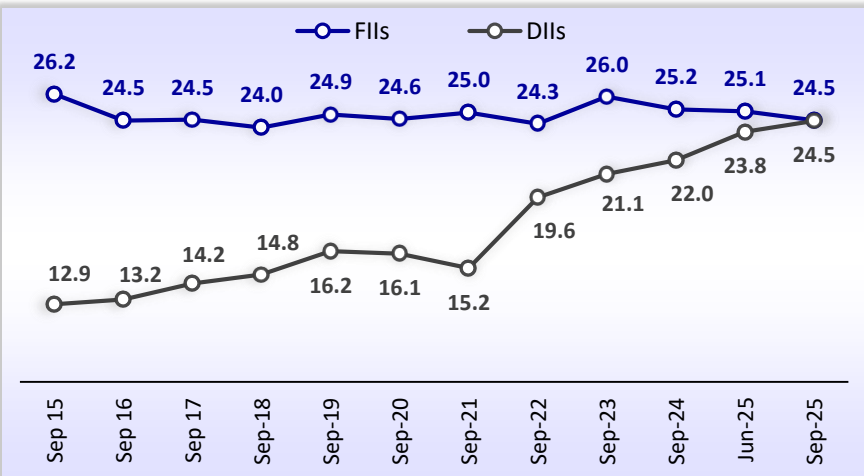
Institutional Holdings: DIIs extend their lead in ownership

- ❖ Strong domestic inflows and buoyant capital markets drove a historic shift in ownership, with DII holdings surpassing FII holdings in Nifty-500 companies for the first time in Mar’25 and rising further in Sep’25.
- ❖ Both promoter and FII holdings declined to all-time lows of 49.3% and 18.3%, respectively, in Sep’25, while public holdings remained stable at 12.4% in NSE-500.

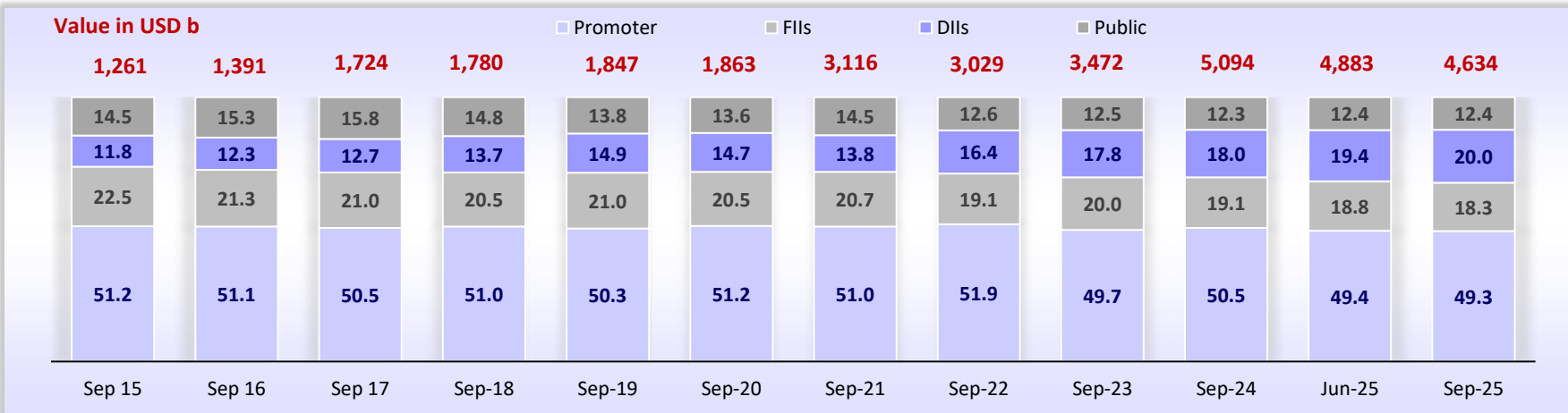
Trends in FII/DII holdings for Nifty-500 (%)



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



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

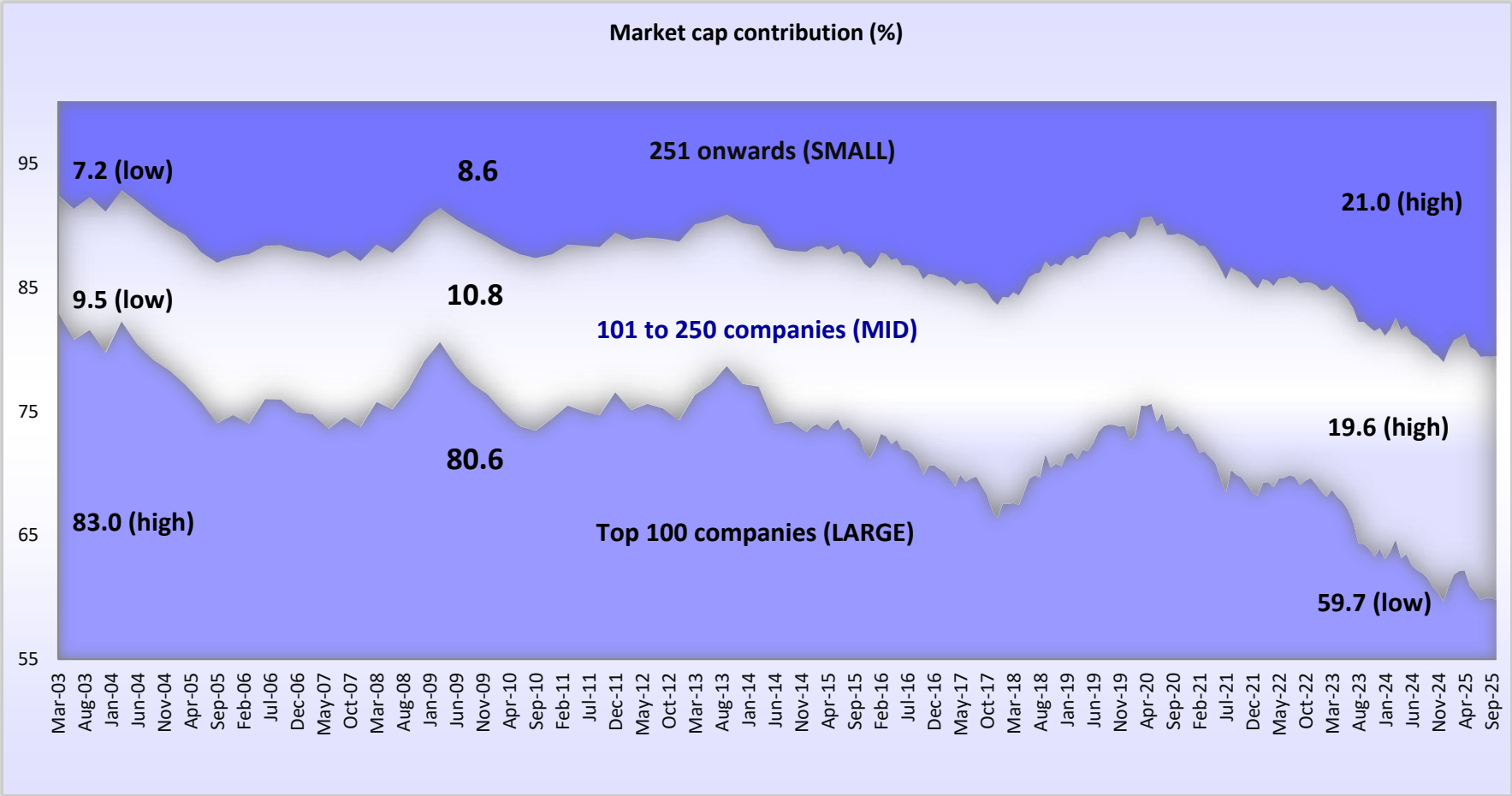




Mid-caps’ market cap share hits record high, while large-caps’ near all-time low

- ❖ Large-caps’ market cap contribution fell to 59.8% in Oct’25, near the record low of 59.7% seen in Dec’24.
- ❖ Mid-caps’ contribution rose to an all-time high of 19.6% during the month, while small-caps’ share remained range-bound over the past year at 20.6%, after hitting a high of 21% in Dec’24.

Market cap contribution of Top 100, Next 150, and 251st onward listed companies



# KEY EXHIBITS 2QFY26 Interim Review: A beat driven by Commodities; mid-caps outperform

- ❖ As of 31st Oct'25, earnings of 151 MOFSL Universe companies grew 14% YoY (in line with our estimate of 9% YoY) in 2QFY26. Overall earnings growth was driven by O&G (OMCs' profit up 9x YoY), which grew 79% YoY, Technology (8% YoY), Cement (147% YoY), Capital Goods (17% YoY), and Metals (7% YoY). These five sectors contributed 86% of the incremental YoY accretion in earnings so far.
- ❖ Earnings of 27 Nifty companies that have declared results so far have grown 5% YoY (vs. est. of +6% YoY), driven by HDFC Bank, Reliance Industries, TCS, JSW Steel, and Infosys. Conversely, Coal India, Axis Bank, Eternal, HUL, and Kotak Mahindra Bank dragged down Nifty earnings.

## Sector-wise 2QFY26 performance of the MOFSL Mid-cap Universe companies (INR b)

[Click here for detailed report](#)

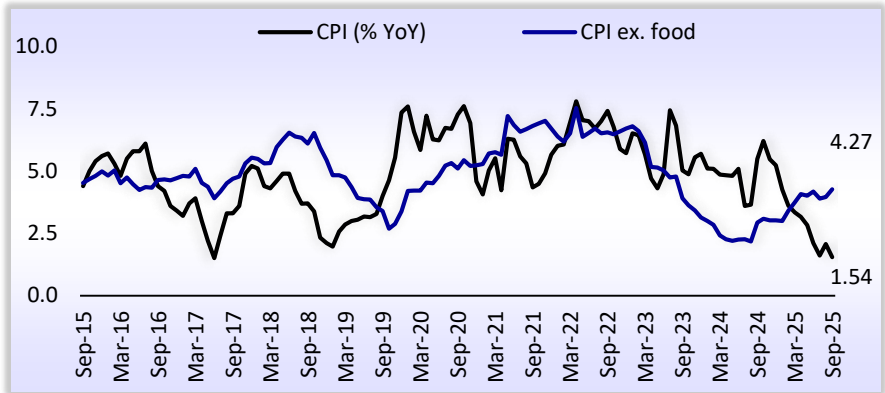
Sector (no of companies)	Sales				EBITDA				PBT				PAT			
	Sep-25	Chg. % QoQ	YoY	Var. over Exp. %	Sep-25	Chg. % QoQ	YoY	Var. over Exp. %	Sep-25	Chg. % QoQ	YoY	Var. over Exp. %	Sep-25	Chg. % QoQ	YoY	Var. over Exp. %
Automobiles (2)	35	-4.0	2.2	0.7	8	-8.1	-9.7	-6.3	6	3.4	-12.4	-15.7	4	4.6	-13.3	-13.3
Cement (2)	93	-4.5	20.1	4.6	15	-8.5	75.6	19.4	9	-19.2	122.2	24.8	6	-26.5	92.9	6.2
Chemicals (1)	36	-4.7	6.3	-6.3	8	-2.0	43.5	-2.4	5	-3.4	78.8	-3.5	4	-1.1	87.0	-2.3
Consumer (4)	83	-10.3	4.8	-0.6	14	-14.5	-1.3	-3.1	13	-16.9	-3.2	-5.2	10	-16.5	-2.9	-4.6
Consumer Durables (2)	92	8.3	18.3	-0.5	13	12.7	46.8	6.8	12	9.5	46.0	7.1	9	9.6	45.2	6.7
EMS (1)	149	15.7	28.8	3.1	6	16.4	31.7	7.1	9	157.1	75.3	128.9	2	10.0	15.5	-3.1
Financials (15)	590	9.1	3.6	1.3	287	-0.4	2.0	5.6	196	-6.3	-2.0	3.0	150	-5.7	-0.2	2.4
Banks-Private (4)	142	1.5	-2.2	3.1	68	-11.6	-17.9	4.7	19	-44.2	-55.6	-30.5	14	-43.0	-54.7	-28.3
Banks-PSU (2)	157	2.1	1.2	2.5	134	0.8	8.4	7.2	103	0.5	14.4	7.2	78	0.9	15.9	8.4
Insurance (2)	179	27.4	5.0	-1.4	4	152.4	-2.7	31.8	14	6.4	18.2	52.7	11	6.6	18.3	11.8
NBFC - Lending (4)	87	3.5	12.2	1.4	65	5.0	13.5	2.8	42	3.8	8.4	4.6	32	2.6	8.5	3.9
NBFC - Non Lend. (3)	24	9.4	19.6	3.0	16	8.2	16.5	3.0	17	-7.4	4.9	0.9	14	-3.6	16.4	5.2
Healthcare (1)	17	5.3	35.1	5.8	4	5.5	126.1	17.9	3	20.3	1,083	40.3	2	21.0	877.9	37.8
Logistics (1)	13	3.4	26.4	5.4	6	4.9	17.1	0.7	5	7.4	17.5	2.2	4	2.2	38.9	1.0
Metals (2)	331	1.8	18.3	8.9	45	-10.9	69.9	19.8	32	-8.3	174.1	31.0	24	-6.6	185.0	36.5
Oil & Gas (1)	1,008	-9.0	0.9	11.4	76	-0.7	175.1	29.0	51	-12.1	512.7	29.4	38	-12.4	506.9	29.4
Real Estate (2)	29	49.2	29.3	15.9	17	55.6	26.7	7.1	15	64.9	29.6	9.8	11	60.8	31.8	1.4
Retail (1)	7	3.6	11.2	0.0	2	-12.0	10.3	-2.7	1	-29.9	-3.1	-14.2	1	-29.4	-2.8	-12.6
Technology (5)	154	5.9	18.0	-0.2	28	8.7	20.3	0.4	25	10.5	20.2	1.2	18	4.8	17.8	0.8
Telecom (1)	61	2.3	8.1	0.8	12	3.2	12.5	-2.9	3	-11.6	28.0	-29.5	2	-3.0	108.5	-33.7
Utilities (1)	52	0.7	59.9	-9.1	30	7.5	77.8	-1.1	10	-5.8	-4.3	-22.4	7	-5.2	-17.4	-15.7
Others (5)	245	14.4	25.3	3.2	30	14.0	13.3	3.6	12	48.3	1.7	-9.6	6	104.7	-11.4	-11.6
<b>MOFSL Midcap Univ.</b>	<b>2,992</b>	<b>0.6</b>	<b>9.6</b>	<b>5.3</b>	<b>601</b>	<b>0.8</b>	<b>23.8</b>	<b>8.0</b>	<b>404</b>	<b>-2.3</b>	<b>26.1</b>	<b>7.4</b>	<b>297</b>	<b>-3.7</b>	<b>25.6</b>	<b>5.6</b>
<b>Ex Financials (32)</b>	<b>2,402</b>	<b>-1.3</b>	<b>11.1</b>	<b>6.3</b>	<b>313</b>	<b>2.0</b>	<b>54.0</b>	<b>10.3</b>	<b>208</b>	<b>1.7</b>	<b>72.7</b>	<b>11.9</b>	<b>147</b>	<b>-1.4</b>	<b>70.5</b>	<b>9.0</b>
<b>Ex Metals &amp; Oil (44)</b>	<b>1,653</b>	<b>7.2</b>	<b>13.9</b>	<b>1.3</b>	<b>479</b>	<b>2.4</b>	<b>11.2</b>	<b>4.3</b>	<b>321</b>	<b>0.1</b>	<b>6.9</b>	<b>2.8</b>	<b>235</b>	<b>-1.8</b>	<b>5.9</b>	<b>0.3</b>
<b>Ex OMCs (46)</b>	<b>1,984</b>	<b>6.3</b>	<b>14.6</b>	<b>2.5</b>	<b>525</b>	<b>1.1</b>	<b>14.6</b>	<b>5.5</b>	<b>353</b>	<b>-0.7</b>	<b>13.1</b>	<b>4.8</b>	<b>259</b>	<b>-2.2</b>	<b>12.4</b>	<b>2.8</b>



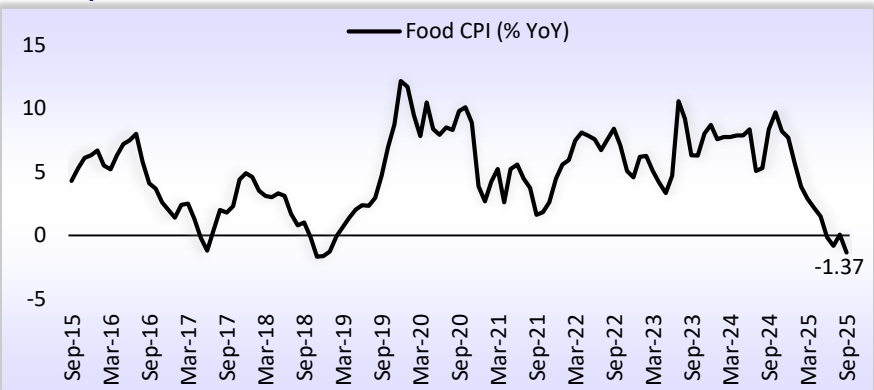
# KEY EXHIBITS    Sep'25 CPI falls to an eight-year low

- ❖ Headline inflation softened to 1.5% in Sep'25 (lowest since Jun'17) from 2.1% in Aug'25. It remained below the 3% mark for the 5<sup>th</sup> consecutive month. In 2QFY26, CPI stood at 1.7% YoY, in line with the RBI's forecast of 1.8%.
- ❖ Core inflation increased to a two-year high of 4.6% in Sep'25, led by an increase in housing inflation and gold and silver prices. Excluding gold and other volatile components like oil, inflation stood at 3.2% in Sep'25, which is well within the RBI's comfort zone.
- ❖ The RBI has reduced its FY26 inflation forecast to 2.6% (3.1% earlier) in order to account for the GST rate cut impact. The significant moderation in inflation has created additional policy space to support growth. As per the RBI, the adverse impact of tariffs is more than offsetting the positive impact of GST cuts on consumption. This, we believe, provides the rationale to cut rates and further support growth. Against this backdrop, we see a window of a 50bp rate cut opening up in Dec'25/Jan'26.

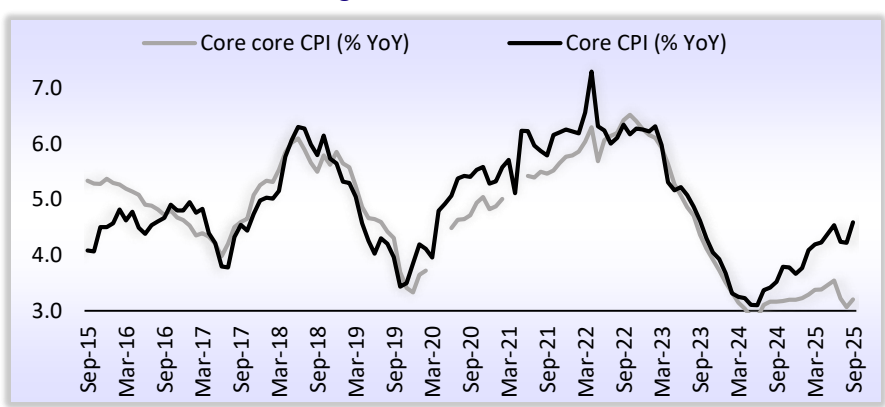
CPI softened to 1.54% in Sep'25...



...led by decline in food inflation

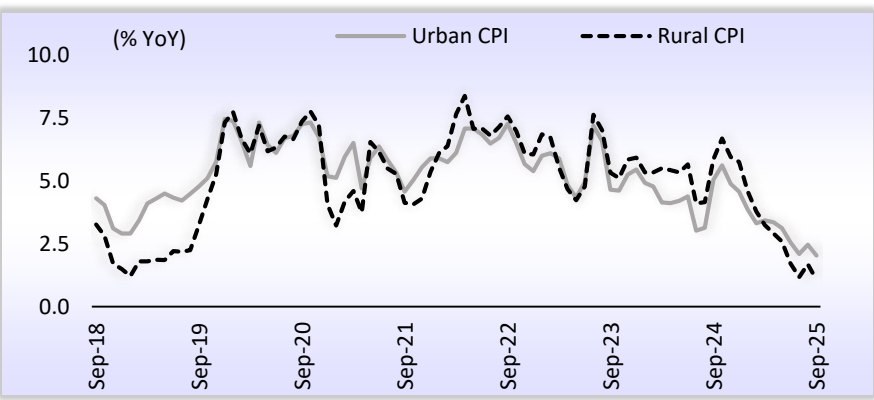


Core CPI increased to 4.6%, highest in 25 months



Trends in rural and urban inflation

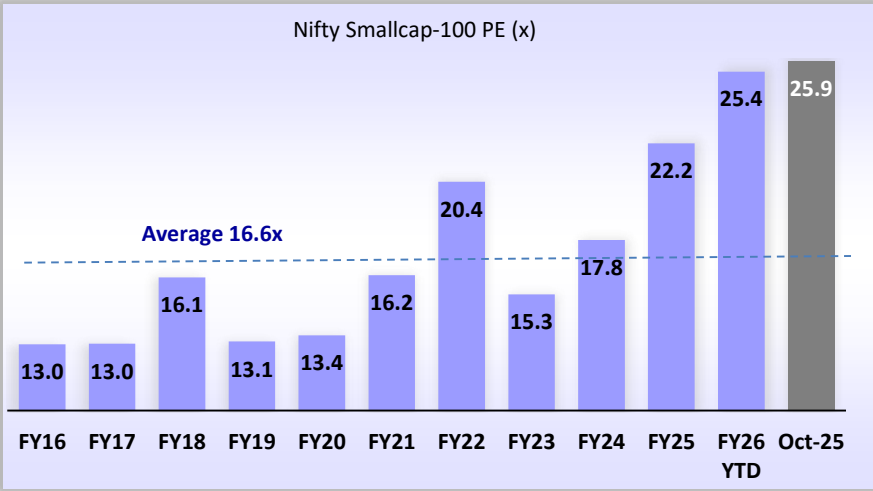
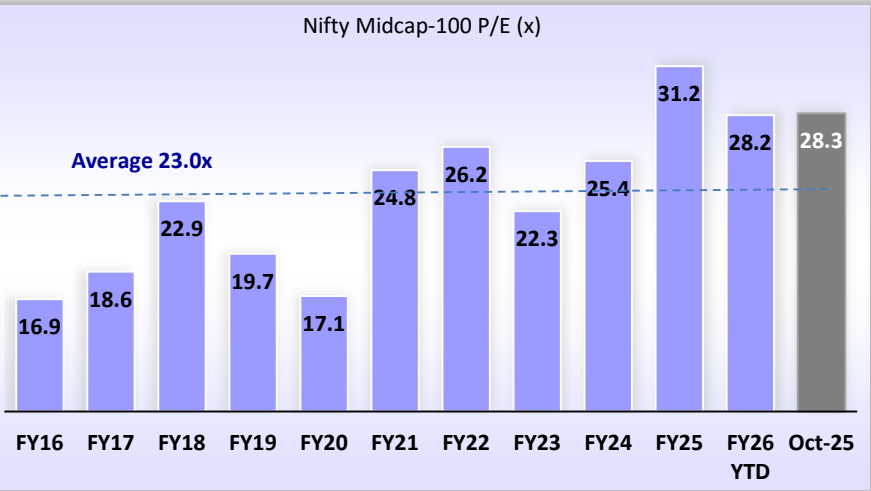
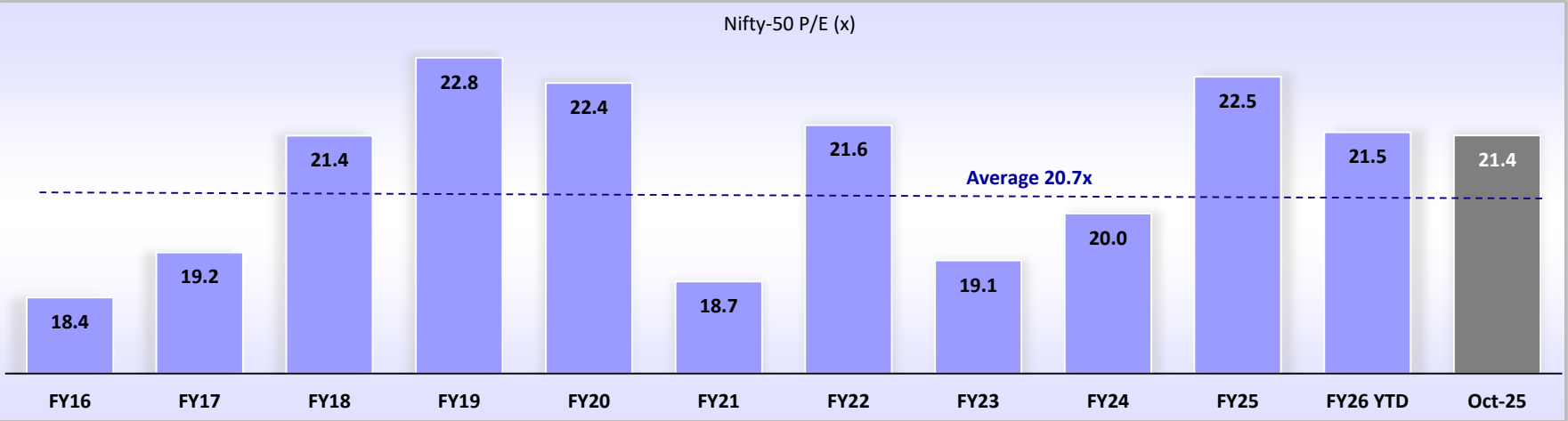
Source: CEIC, MOFSL



# KEY EXHIBITS Large-cap valuations hover near averages; SMIDs' remain elevated

- ❖ The Nifty-50's one-year forward P/E stood at 21.4x, above its long-period average (LPA) of 20.7x.
- ❖ In contrast, the Nifty Midcap-100 and Nifty Smallcap-100 indices are trading at 28.3x and 25.9x, representing a premium of ~23% and ~56% to their respective LTAs.

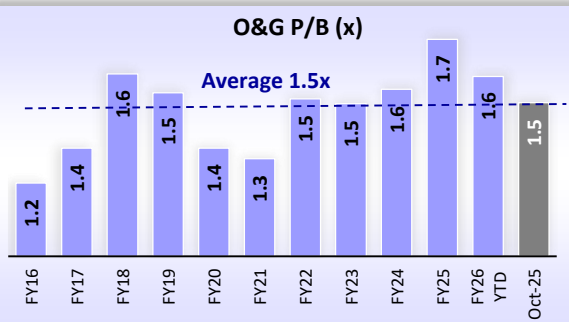
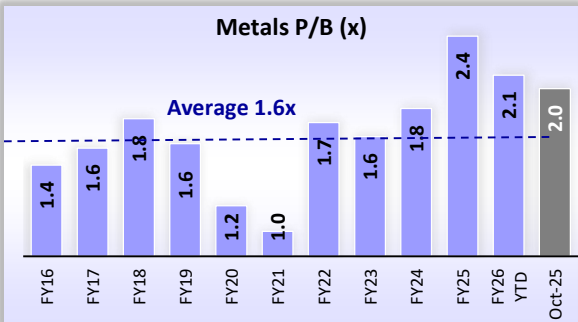
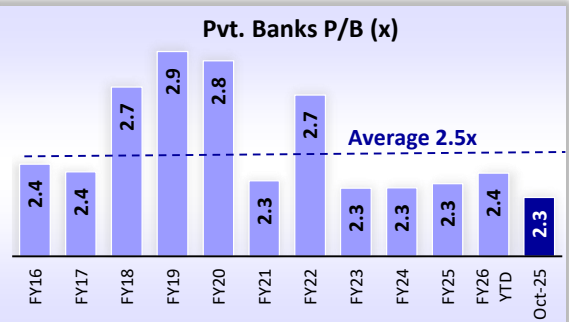
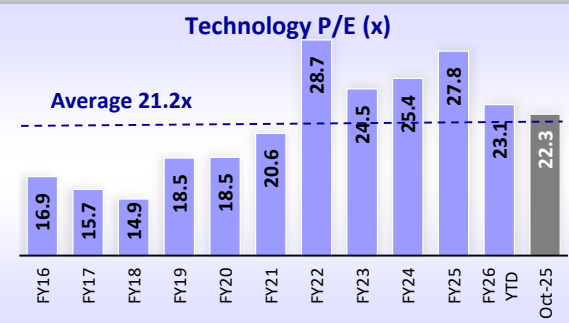
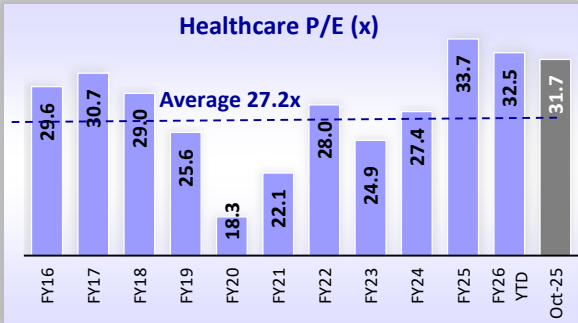
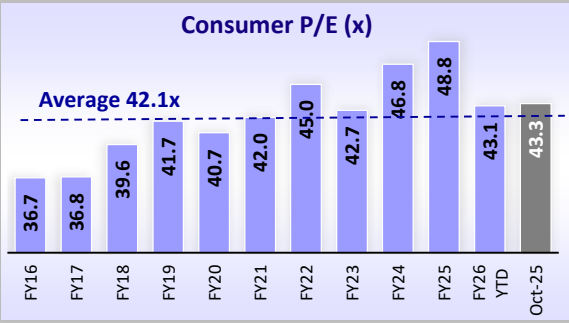
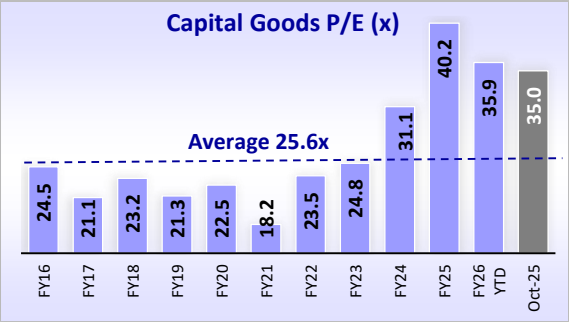
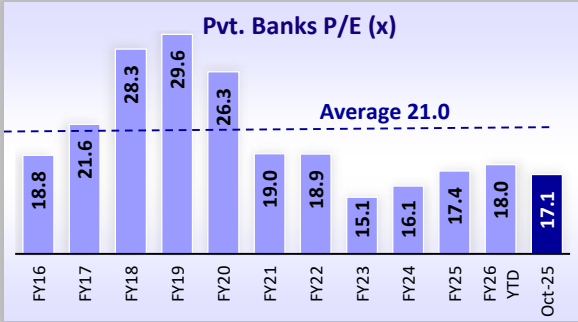
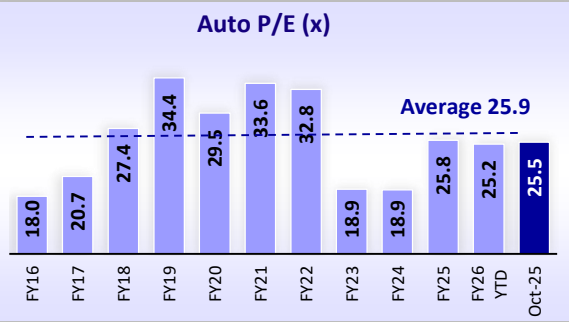
One-year forward P/E trends across the Nifty-50, Nifty Midcap-100, and Nifty Smallcap-100 indices (x)



Note: The bars represent the 12-month average of one-year forward P/E on an FY basis as of 30th Oct'25.

# KEY EXHIBITS      Auto and Private Banks trade below their average valuations

❖ Valuations have been trading below the 10-year average for Automobiles and Pvt. Banks, while they have remained above the average for Capital Goods, Consumer, Healthcare, Technology, and Metals, and O&G.

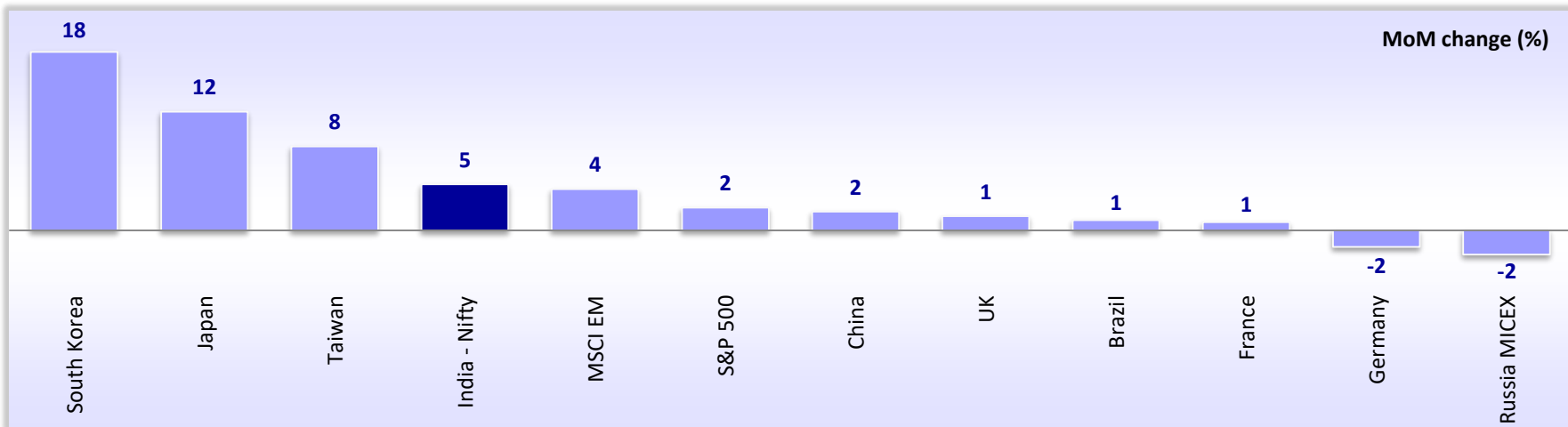


Note: The bars represent 12-month average of one-year fwd P/E and P/B across MOFSL Universe sectors and as of Oct'25; Blue and Grey bars represent latest sectoral valuations below and above the 10-year average, respectively.

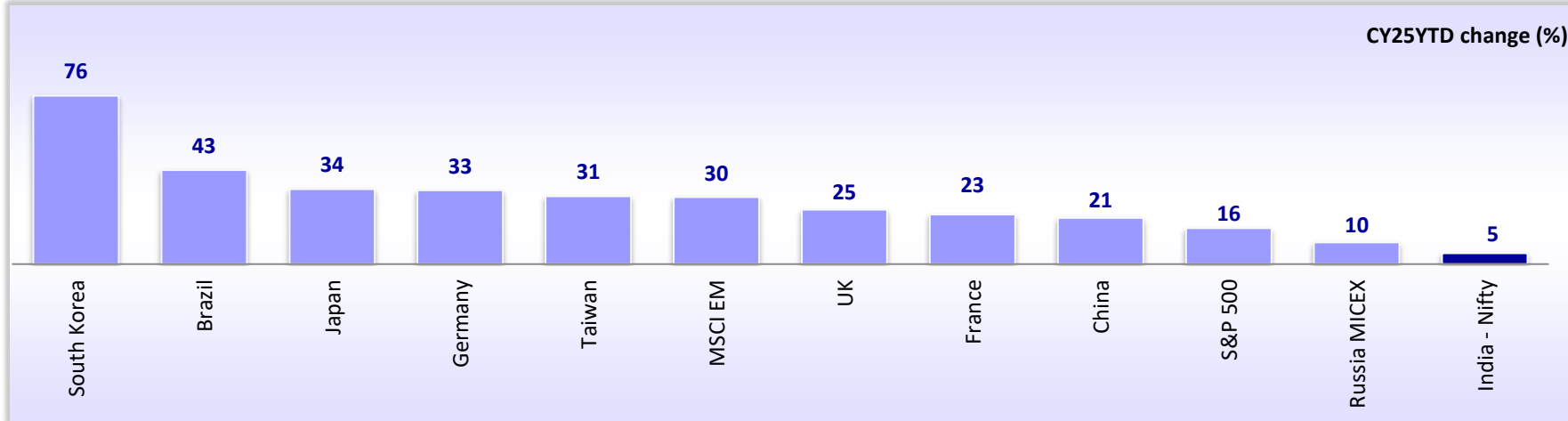
# Macro, Markets, and More...

# Indian markets rebound in Oct'25, while South Korea, Japan and Taiwan outperforms

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

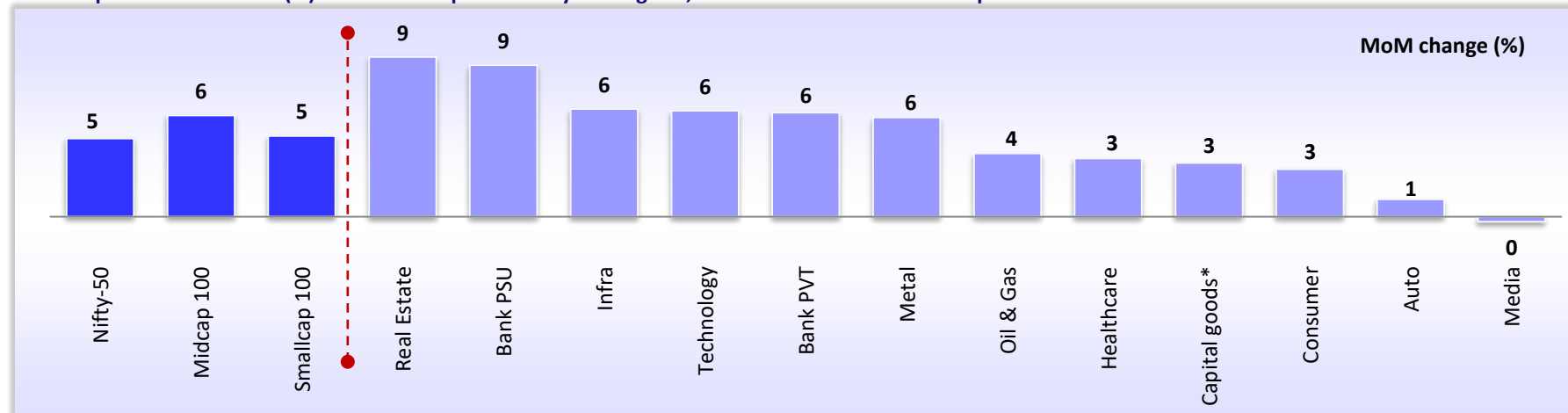


CY25YTD performance of global equity indices in USD terms (%)

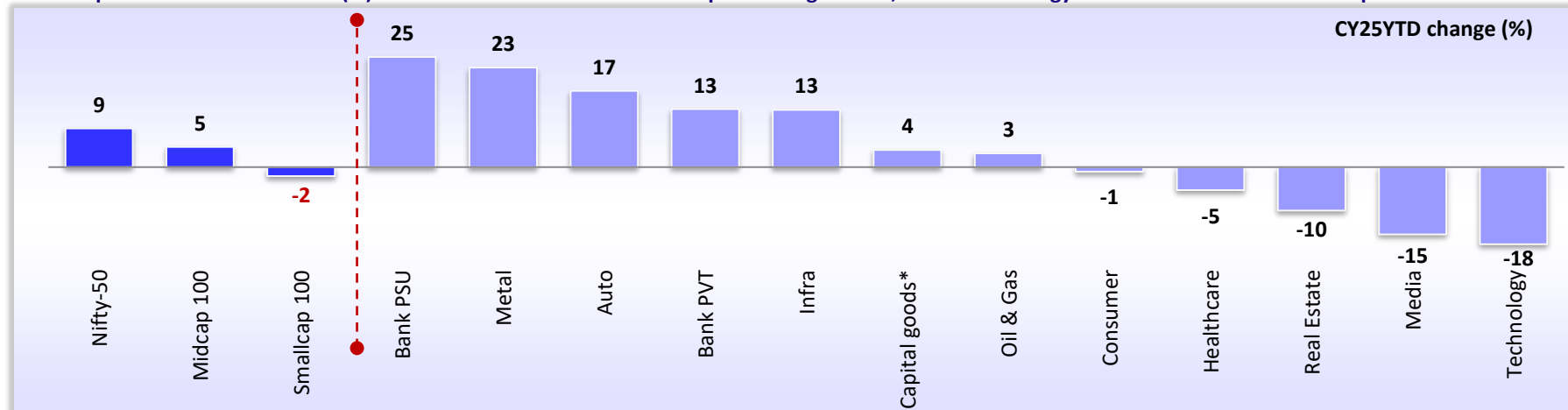


# Markets post broad-based MoM gains; Real Estate and PSBs outperform

Sectoral performance MoM (%): RE and PSBs post healthy MoM gains, while Auto and Media underperform



Sectoral performance in CY25YTD (%): PSBs and Metals remain the best performing sectors, while Technology and Media continue to underperform



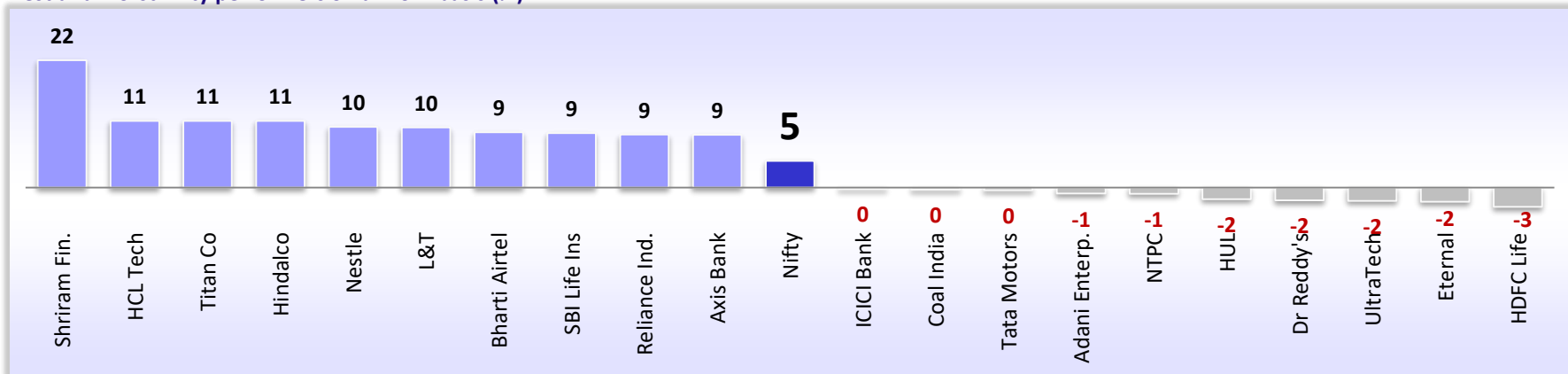
Note: (\*) represents BSE Capital goods index.



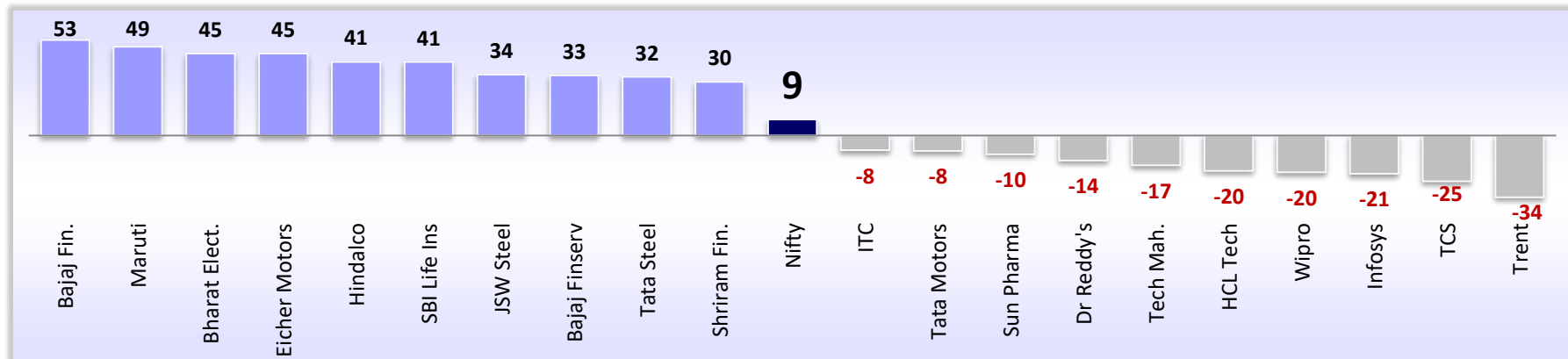
## About 78% of Nifty constituents end higher in Oct'25

- ❖ Among Nifty constituents, 39 stocks closed higher MoM in Oct'25. Eicher, Shriram Fiannce, HCL Tech and Titan Co. were the leaders, whereas HDFC Life, Eternal, and Ultratech were among the laggards.
- ❖ About 37 Nifty constituents trade higher in CY25YTD. Bajaj Finance, Maruti, and BEL are the top gainers, whereas Trent, TCS, and Infosys are the key laggards.

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



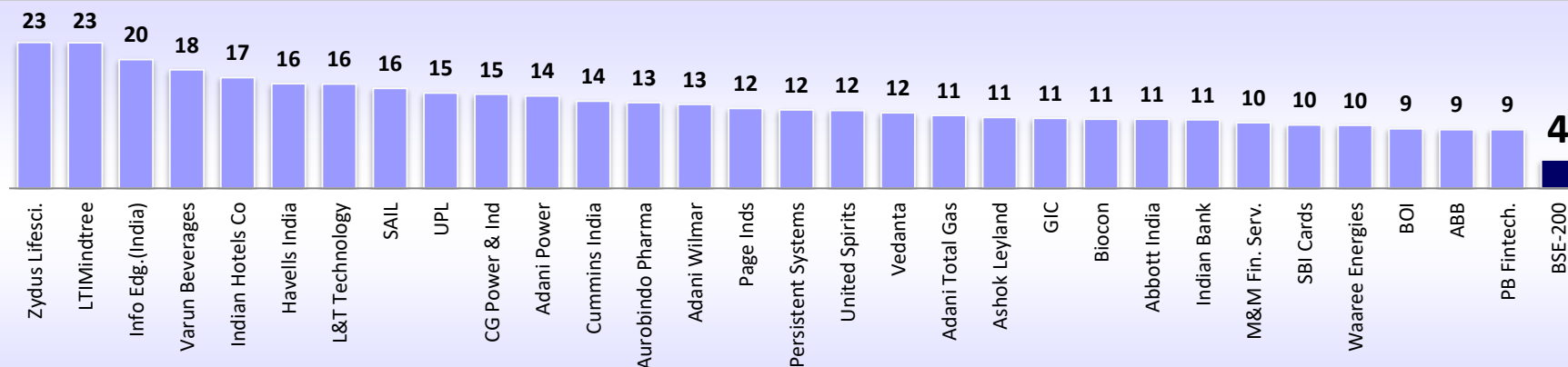
Best and worst Nifty performers in CY25YTD (%)



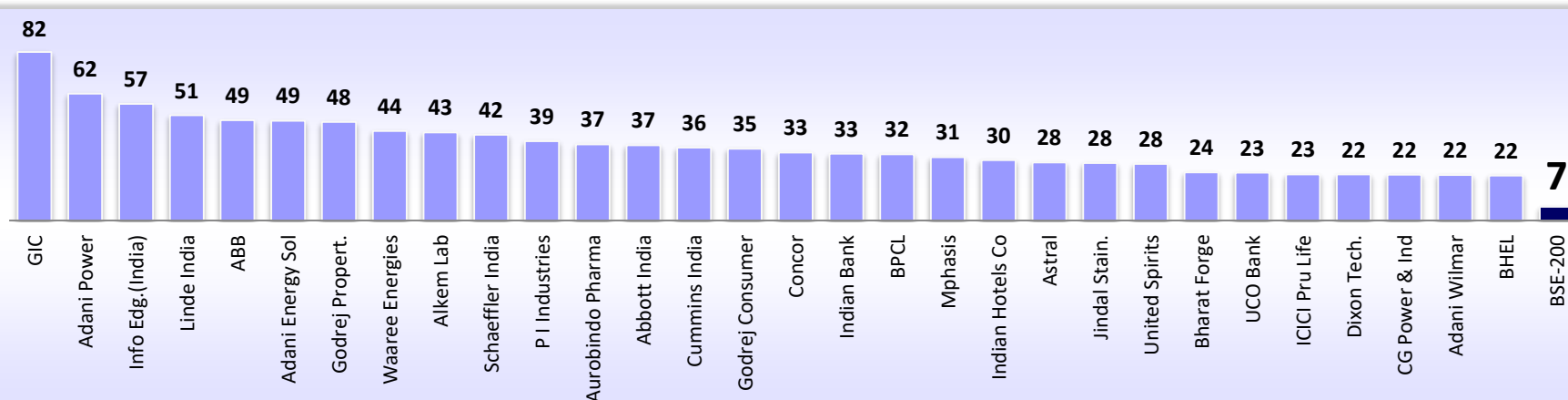
## About 71% of BSE-200 constituents end higher in Oct'25

- ❖ In Oct'25, about 142 BSE-200 stocks closed higher. Zydus Life, LTI Mindtree and Info Edge gained the most during the month.
- ❖ About 120 BSE-200 constituents trade higher in CY25YTD. GIC, Adani Power and Info Edge are the top gainers.

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



Top gainers within BSE-200 CY25YTD (%)\*

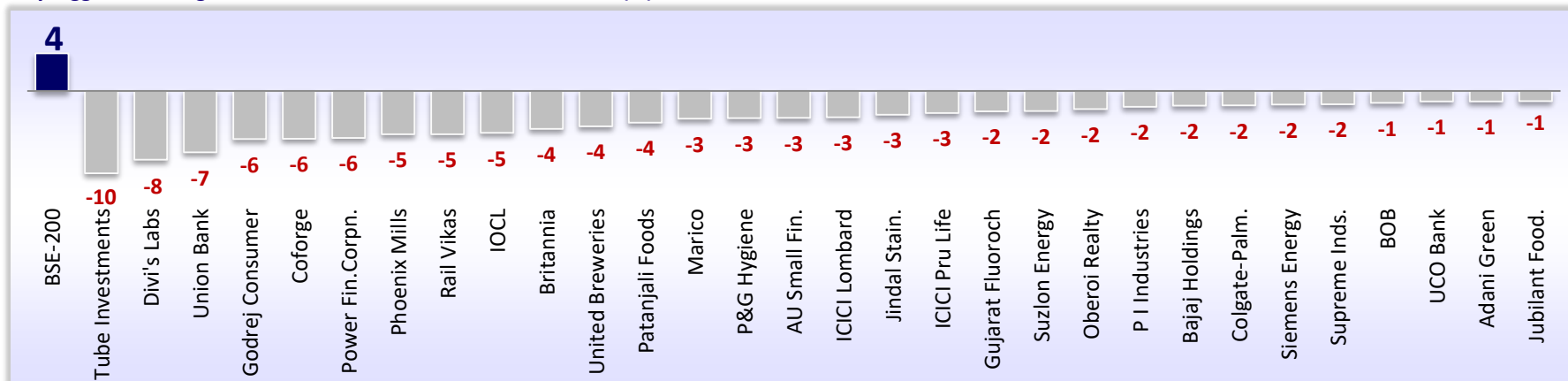


\*The list excludes Nifty-50 constituents.

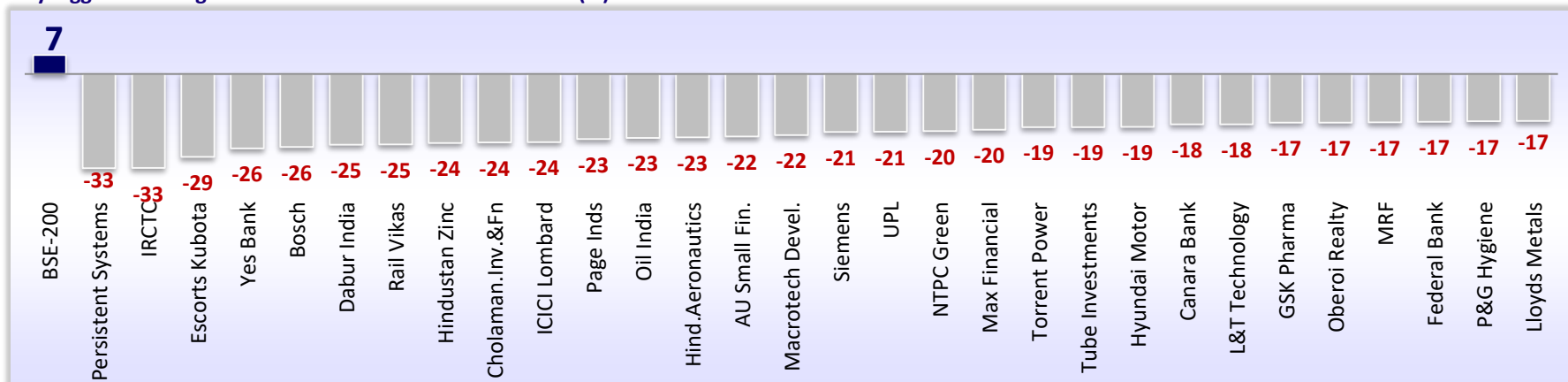
## About 29% of BSE-200 constituents end lower in Oct'25

- ❖ In Oct'25, 58 companies closed lower. Tube Investments, Divis Labs and Union Bank were among the key laggards.
- ❖ About 80 of BSE-200 companies trade lower in CY25YTD. Persistent, IRCTC, and Escorts Kubota are the key laggards in CY25YTD.

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



Key laggards among the BSE-200 constituents in CY25YTD (%)\*



\*The list excludes Nifty-50 constituents.

## Nifty sectoral weights: O&G, Capital Goods, and Retail gain weight; Pvt Banks and Autos decline MoM

- ❖ O&G weight rose by ~40bp MoM, primarily driven by an increase in Reliance's weight. Retail and Telecom weights also grew by 20bp MoM each.
- ❖ On a YTD basis, Technology (-420bp) witnessed the sharpest decline in weight, followed by Consumer (-130bp), Retail (-60bp), and Private Banks (-60bp). In contrast, NBFCs & Insurance (+200bp), Telecom (+70bp), and Metals (+60bp) recorded the highest gains.

### Nifty sectoral weights (%)

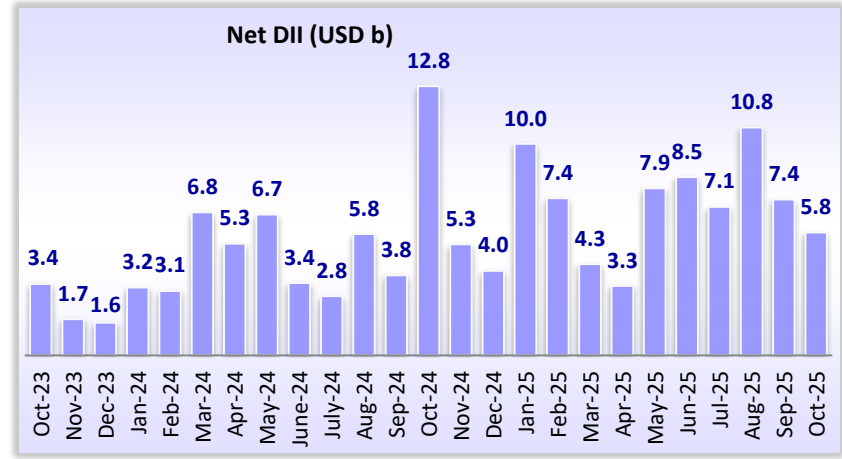
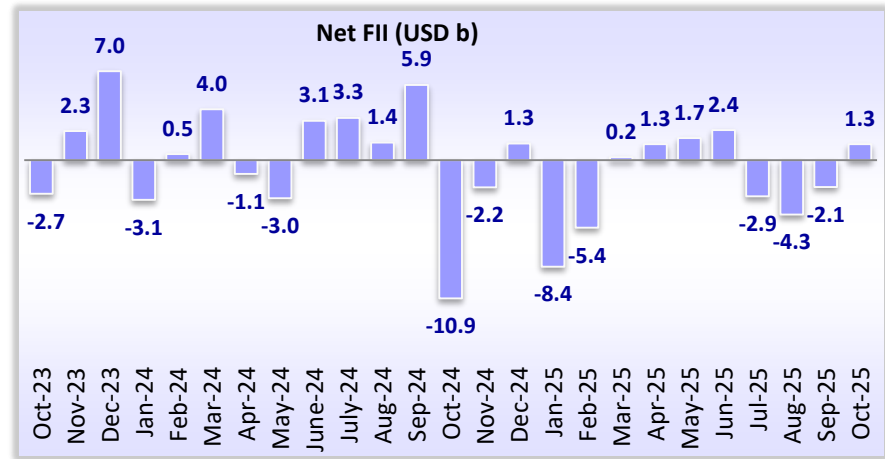
	Weightage in the Nifty (%)									
	Dec'08	Dec'12	Dec'20	Dec'21	Dec'22	Dec'23	Dec'24	Mar'24	Sept'25	Oct'25
Automobiles	2.5	8.8	5.4	5.0	5.3	6.5	7.4	7.6	7.5	7.3
Banks – Private	5.0	16.9	24.7	21.9	24.2	28.2	27.1	25.6	26.9	26.5
Banks – Public	5.4	4.7	1.8	2.3	2.9	2.6	2.9	2.9	3.2	3.3
NBFC + Insurance	2.3	7.9	12.3	11.4	10.6	4.5	4.6	5.0	6.4	6.5
Capital Goods	7.7	5.9	2.6	3.0	3.1	4.4	5.0	4.5	5.1	5.3
Cement	1.7	4.2	2.2	2.4	1.8	2.1	2.1	2.0	2.2	2.1
Consumer	6.5	12.3	10.4	9.4	10.3	10.8	9.0	9.5	7.7	7.7
Healthcare	2.6	5.0	3.6	3.4	3.8	4.0	4.2	4.4	4.3	4.2
Metals	4.8	3.8	2.0	2.9	2.9	3.0	2.7	2.9	3.2	3.3
Oil and Gas	24.5	12.3	12.5	12.3	12.1	10.5	9.2	11.9	9.0	9.4
<b>Reliance</b>	<b>10.6</b>	<b>7.4</b>	<b>10.7</b>	<b>10.8</b>	<b>11.0</b>	<b>9.2</b>	<b>7.8</b>	<b>10.2</b>	<b>8.2</b>	<b>8.5</b>
Retail	0.0	0.0	1.1	1.4	1.4	1.6	2.8	1.6	2.2	2.2
Telecom	11.6	2.0	2.0	2.1	2.5	2.7	4.0	3.2	4.5	4.7
Technology	9.0	11.4	16.3	19.1	14.0	13.6	14.1	13.0	9.9	9.9
Utilities	13.3	4.5	2.1	2.1	2.5	3.6	3.6	3.9	3.3	3.2
Miscellaneous	3.3	0.5	1.0	1.2	2.6	1.9	1.4	1.9	4.6	4.4
<b>Nifty</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

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

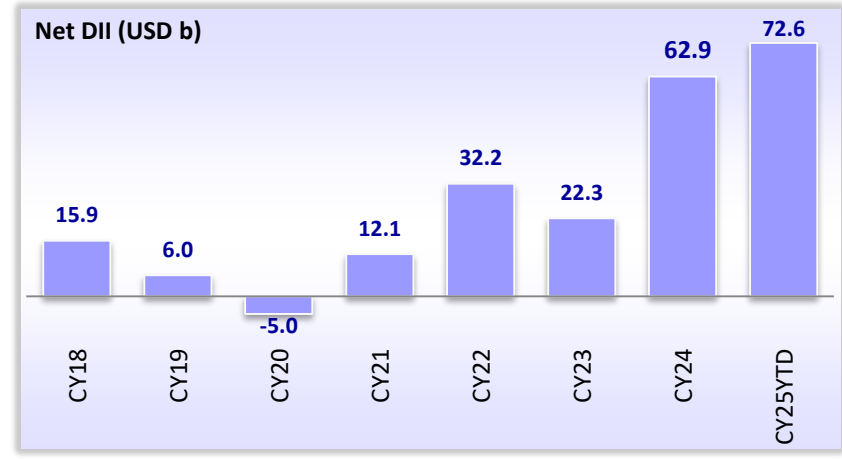
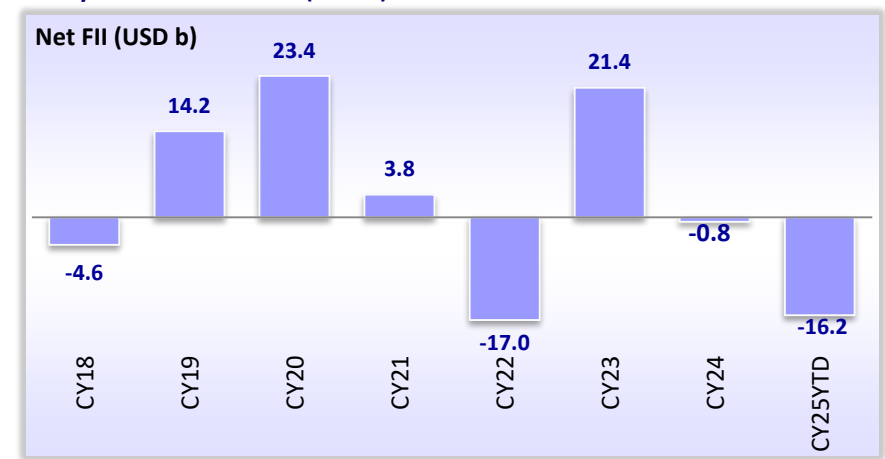
# Foreign flows turn positive as DII inflows stay resilient

- ❖ DIIs invested a record USD5.8b in Oct'25, marking their 27<sup>th</sup> consecutive month of inflows, while FIIs turned positive after three months of selling, recording inflows of USD1.3b.
- ❖ In CY25YTD, DIIs have invested USD72.6b, already surpassing their entire CY24 inflows, whereas FIIs have sold USD16.2b of Indian equities.
- ❖ Over CY21-CY25YTD, DII inflows touched a record USD202.1b, while net FII outflows stood at USD8.8b.

Monthly institutional flows (USD b)



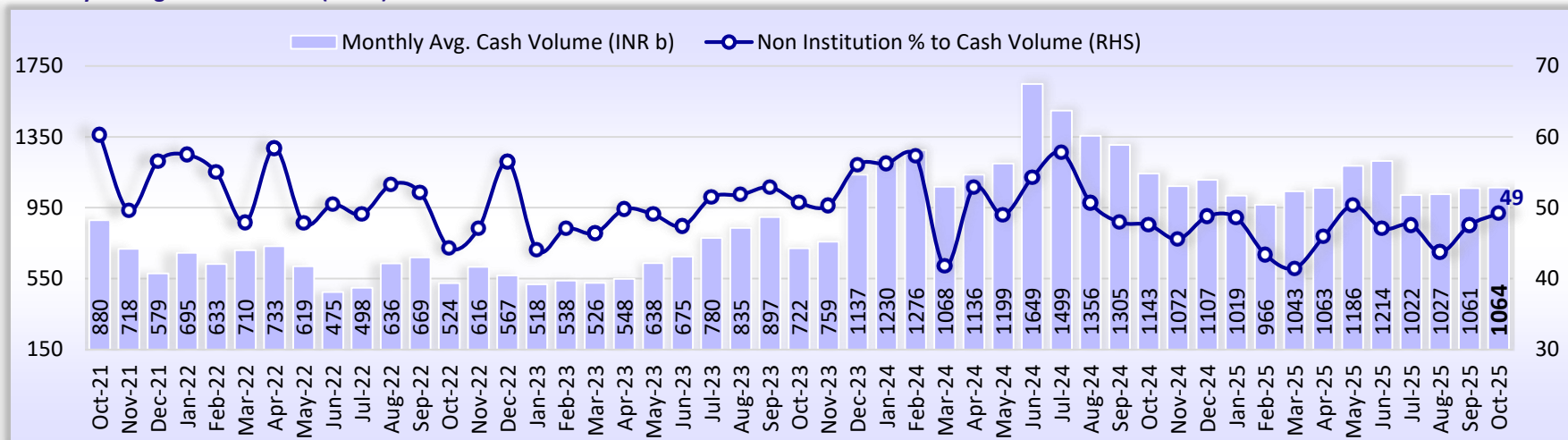
Yearly institutional flows (USD b)



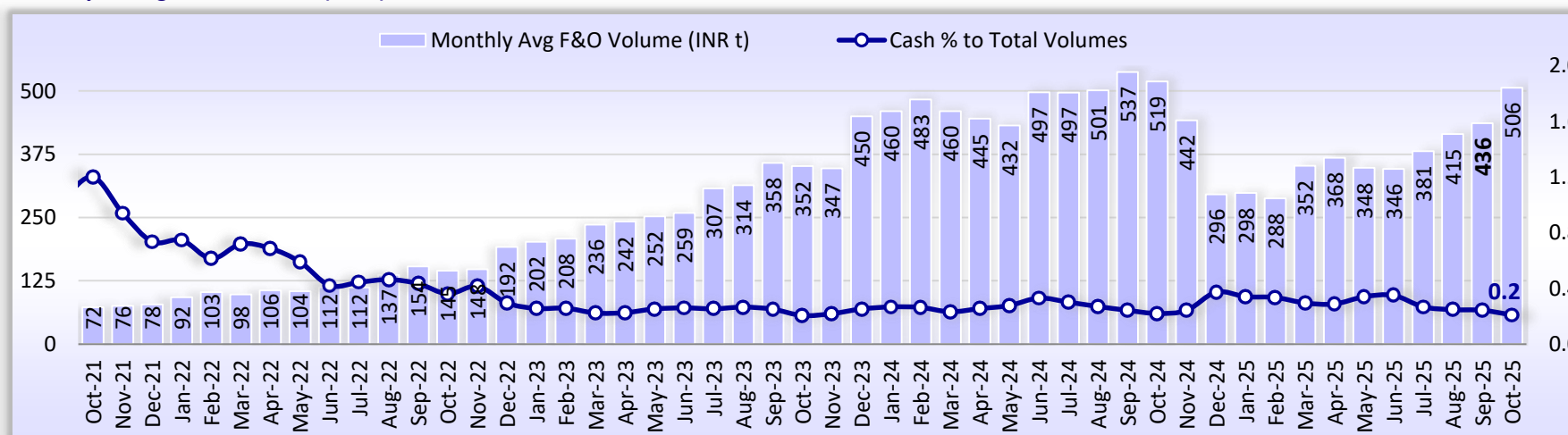
# Monthly average cash volumes inch up, while F&O volumes jump MoM

- ❖ Monthly average cash volumes remained nearly flat MoM in Oct'25 at INR1.06t. Non-institutional participation rose 100bp MoM, accounting for 49% of total cash volumes.
- ❖ Monthly average F&O volumes increased 16% MoM, reaching the highest level in CY25, just 6% below the Sep'24 peak.

Monthly average cash volumes (INR b)



Monthly average F&O volumes (INR t)

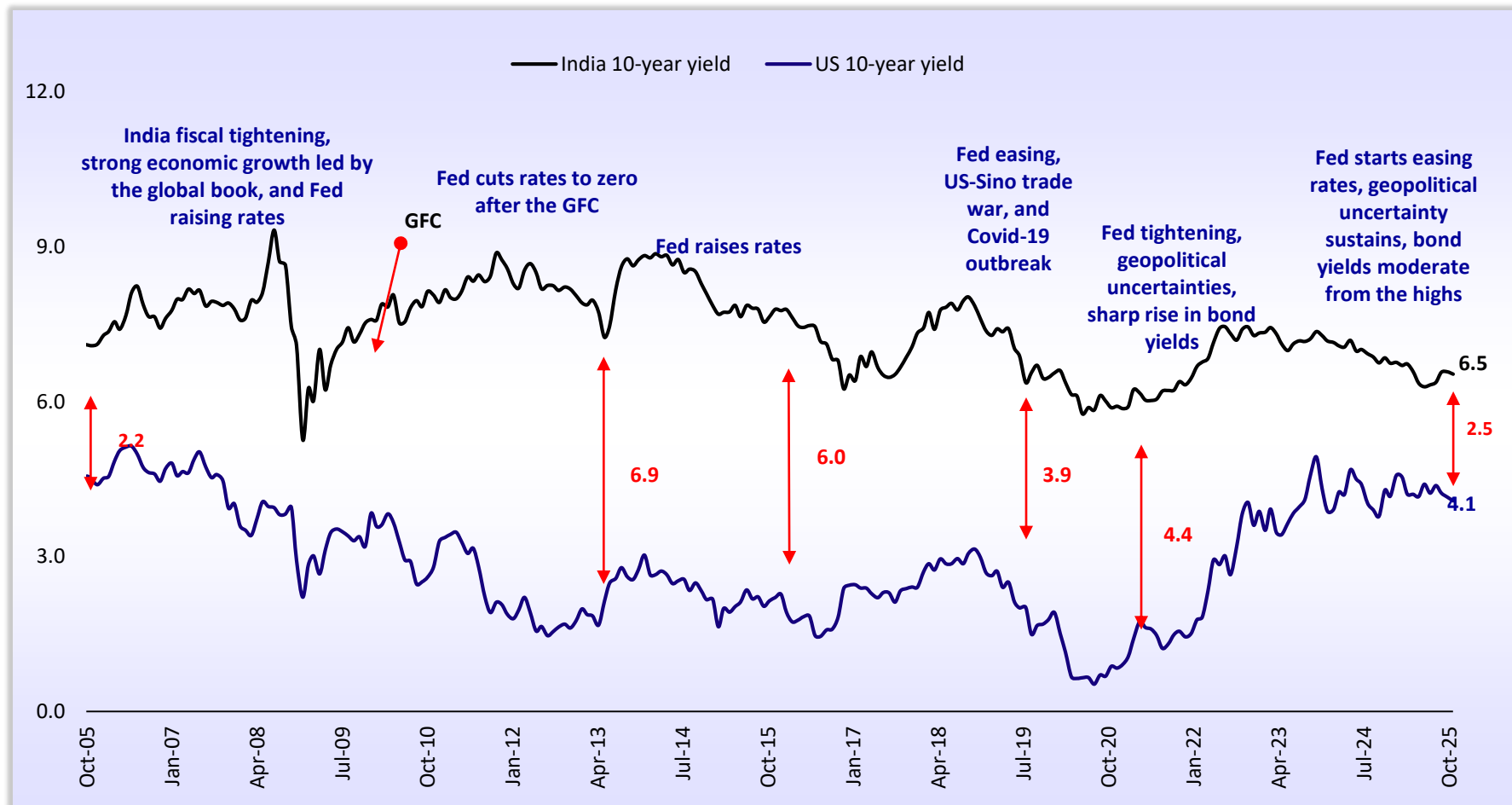




# India-US 10-year yield spread widens MoM to the highest level since Feb'25

❖ India's 10-year government bond yield declined 10bp MoM to 6.5%, while the US yield also fell 10bp MoM to 4.1%. As a result, the yield spread expanded 10bp MoM to 2.5% in Oct'25 (highest since Feb'25).

India-US 10Y bond yield (%)

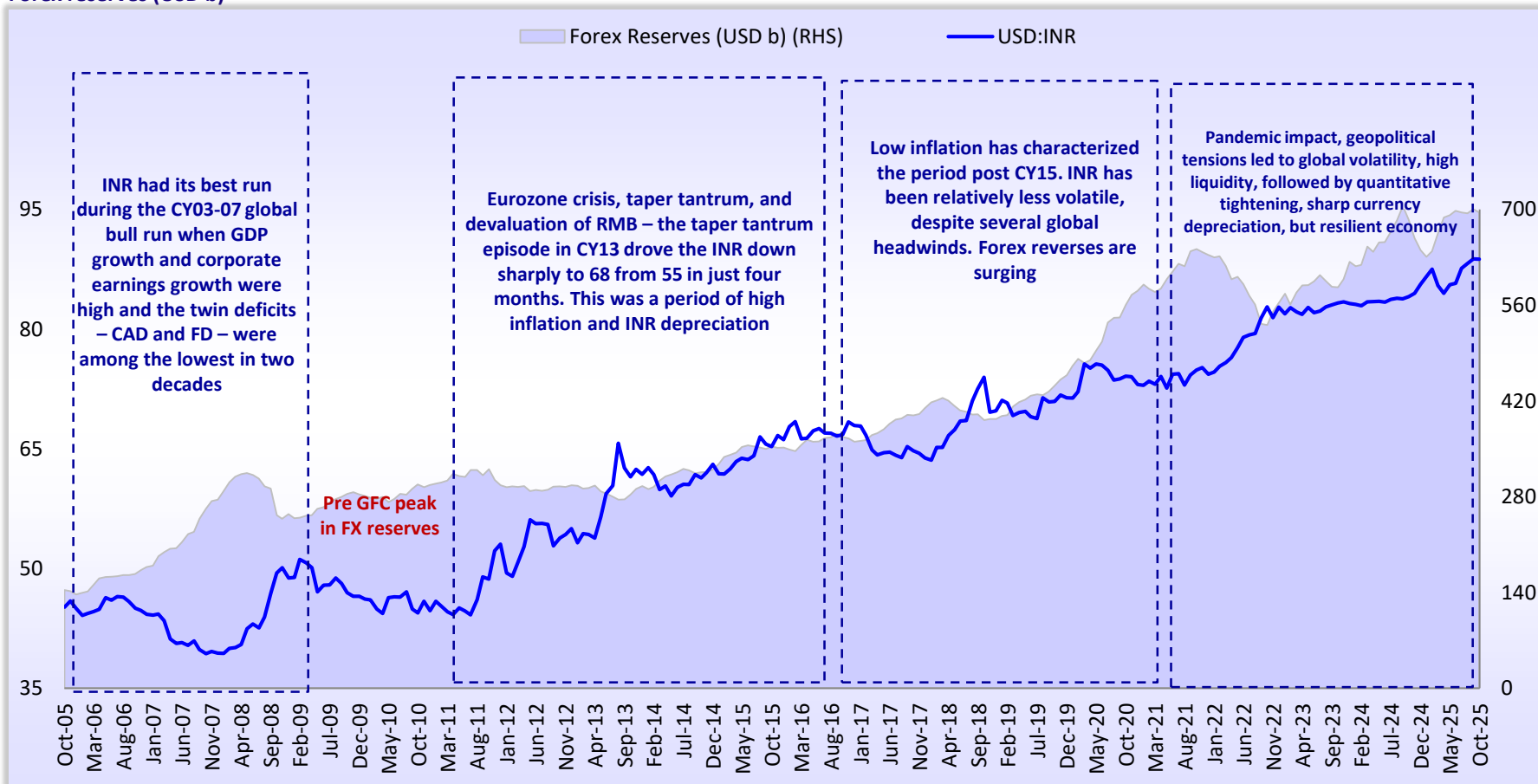


Source: Bloomberg, MOFSL

## Forex reserves hover near all-time highs; INR remains flat MoM

- ❖ India's forex reserves declined marginally to USD695b, remaining close to the all-time high of USD705b recorded in Sep'24.
- ❖ On the currency front, USD/INR remained flat MoM (depreciating 6% YoY) at an all-time low of 88.8 against USD.

Forex reserves (USD b)



Source: Bloomberg, MOFSL

# Notable reports from MOFSL's research desk published in Oct'25

## Initiating Coverage | LG Electronics India | Beyond gadgets –building lifestyles!

[Report link>>](#)

- ❖ **High industry growth potential:** India's home appliances and consumer electronics market is estimated to post a CAGR of ~14% over CY24-29. LGEIL, with its leadership across key product categories, is well-positioned to capitalize on this growth opportunity. The company plans to balance between premium and mass product as part of LG's global strategy and aims for premiumization of mass products which would help to improve affordability.
- ❖ **Focus on export; higher B2B and AMC revenue:** The company plans to increase its export share to ~10% by FY28E from 6% in FY25. It also aims to generate 14-15% of its revenue from the B2B segment over the next few years (vs. ~10% in FY25), noting that B2B margins are higher than those in the B2C segment. Additionally, the company targets over 25% YoY increase in AMC revenue for the next few years.
- ❖ **Premiumization and localization drive profitability:** LGEIL's strategic focus on premiumization has resulted in innovative launches across OLED TVs, inverter ACs, and advanced smart appliances.
- ❖ **Strong fundamentals; initiate coverage with a BUY rating:** We initiate coverage on LGEIL with a BUY rating and a TP of INR1,800, premised on 40x FY28E EPS. LGEIL should trade at higher multiple, given the strong return ratios, higher OCF conversion and a focus on localization.



## Initiating Coverage | Rubicon Research | Gains in the gale

[Report link>>](#)

- ❖ Rubicon Research is a fast-growing research and development-driven pharmaceutical manufacturing company with a focus on regulated markets. Notably, over the past decade, Rubicon has built a sustainable moat through a) full spectrum capabilities across multiple dosage forms (oral solids, oral liquids, Nasal Sprays, Topicals) with a track record of successful specialty projects (170 scientist pool); b) building supporting manufacturing capacities with a consistent compliance track record of supplying to US; and c) focusing on commercial success.
- ❖ Over FY22-25, Rubicon's revenue has increased at a CAGR of 60% to INR12.8b. From an operational loss of INR392m in FY22, it has posted EBITDA of INR2.5b in FY25 with a margin of 19.9%. Effectively, from a net loss of INR671m in FY22, it has reported PAT of INR1.3b in FY25.
- ❖ Over FY25-28, we estimate a CAGR of 29%/32%/43% in revenue/ EBITDA/PAT to INR27.8b/INR5.8b/INR3.9b, driven by a) new launches in generics, including nasal sprays; b) enhanced focus on prescription-led business in CNS therapy; c) stable R&D productivity; and d) curated approach toward supply chain management to maintain high commercialization rate/minimize supply failure. Considering a strong earnings CAGR of 43% over FY25-28 and 30%+ RoE, we believe Rubicon should command a premium valuation. Rubicon scores well-ahead of peers in pharma space on ROE\*earnings CAGR matrix. Hence, we assign 35x (30% premium to sector multiple of 27x) 12M forward earnings to arrive at a TP of INR740. Initiate with BUY.



## India Strategy: Flows meet fundamentals: MSCI India's enduring edge!

[Report link>>](#)

- ❖ Indian markets experienced a strong rally over the past decade, fuelled by robust economic growth, solid corporate earnings, and healthy domestic inflows. India remained the fastest growing major economy in the EMs, recording an average GDP growth rate of over 6% during the past decade, compared to the broader EM average of ~4%. In contrast, China, the largest EM economy, expanded at a relatively slower pace of about 4.5% over the same period. This growth differential positioned India as a key driver of overall EM growth throughout the decade.
- ❖ Over the past decade, MSCI India outperformed other EMs, growing at an 8.6% USD CAGR vs. 6% for MSCI EM and 4.5% for MSCI China.
- ❖ After strong outperformance till Sep'24, Indian markets entered a phase of healthy consolidation with flat returns over the past year.
- ❖ As China and other EMs rebounded, India's relative valuation premium eased to 54% in Oct'25, below its long-period average (LPA) of ~79%.
- ❖ India's improving corporate earnings outlook, sustained domestic inflows, superior RoEs among EM peers (at over 15%), and the historically underweight positioning of foreign investors (since 2009), coupled with a weak base in CY24 and CY25YTD FII flows, suggest a higher likelihood of upside from current levels.



# Valuations: Key observations

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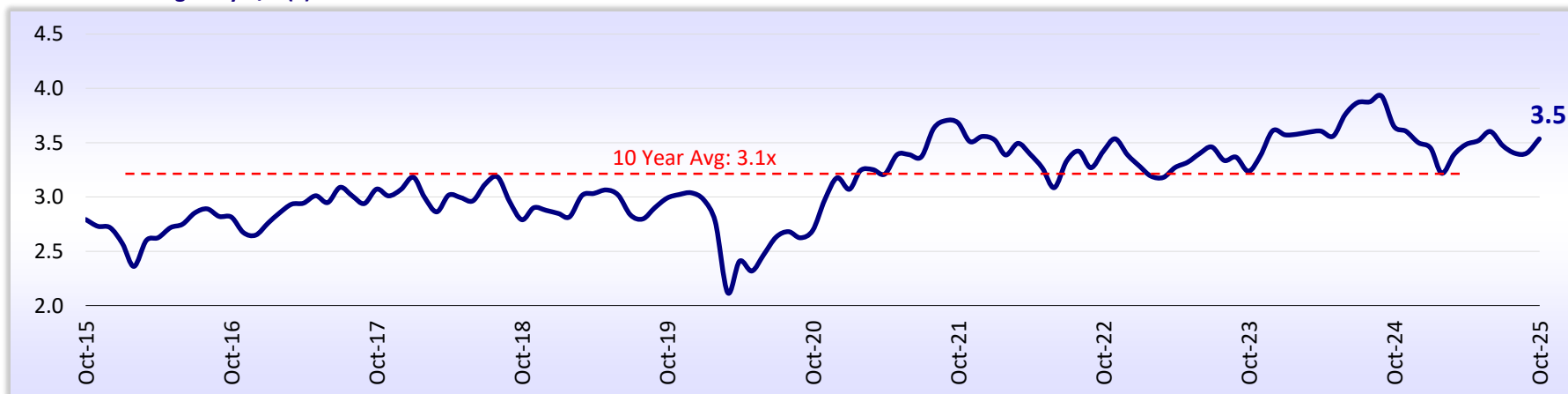
## Valuations: Nifty's 12-month trailing P/E rises MoM

- ❖ The 12-month trailing P/E for Nifty-50, at 24.2x, was 5% above its LTA.
- ❖ At 3.5x, the 12-month trailing P/B was 13% above its historical average of 3.1x.

12-month trailing Nifty P/E (x)



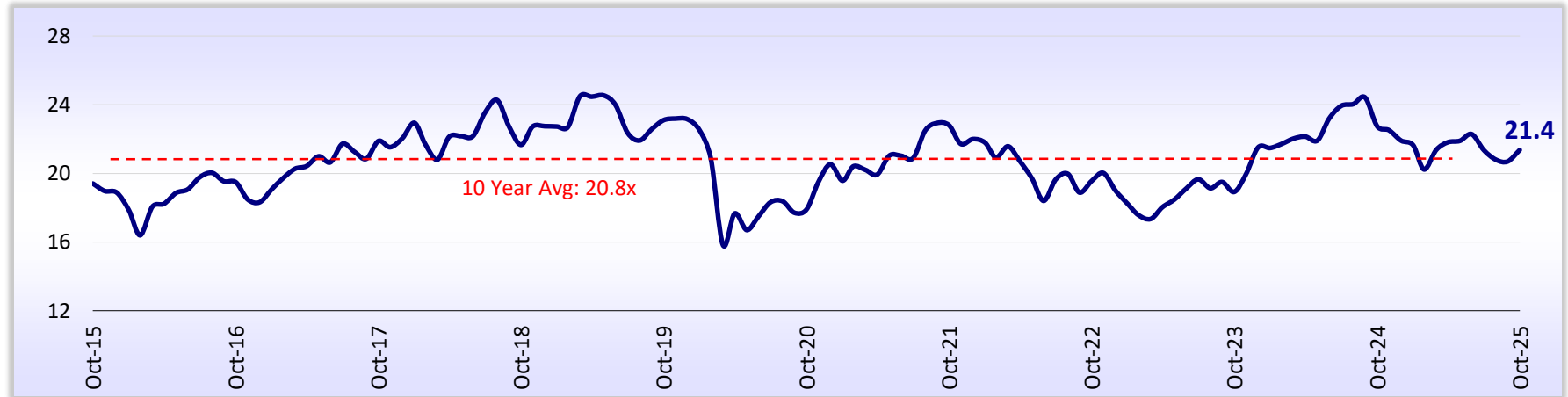
12-month trailing Nifty P/B (x)



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

- ❖ Nifty's 12-month forward P/E at 21.4x was 3% below its LTA of 20.8x, but it was down 12% from the Sep'24 high.
- ❖ At 3.2x, the 12-month forward P/B traded at a 12% premium to its LTA of 2.9x.

12-month forward Nifty P/E (x)



12-month forward Nifty P/B (x)

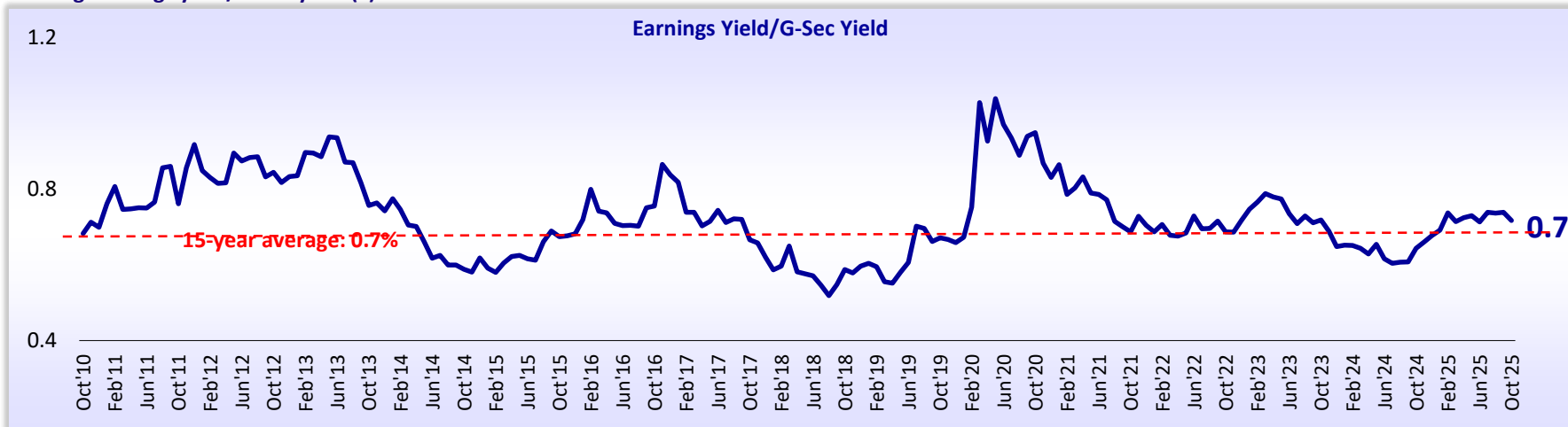




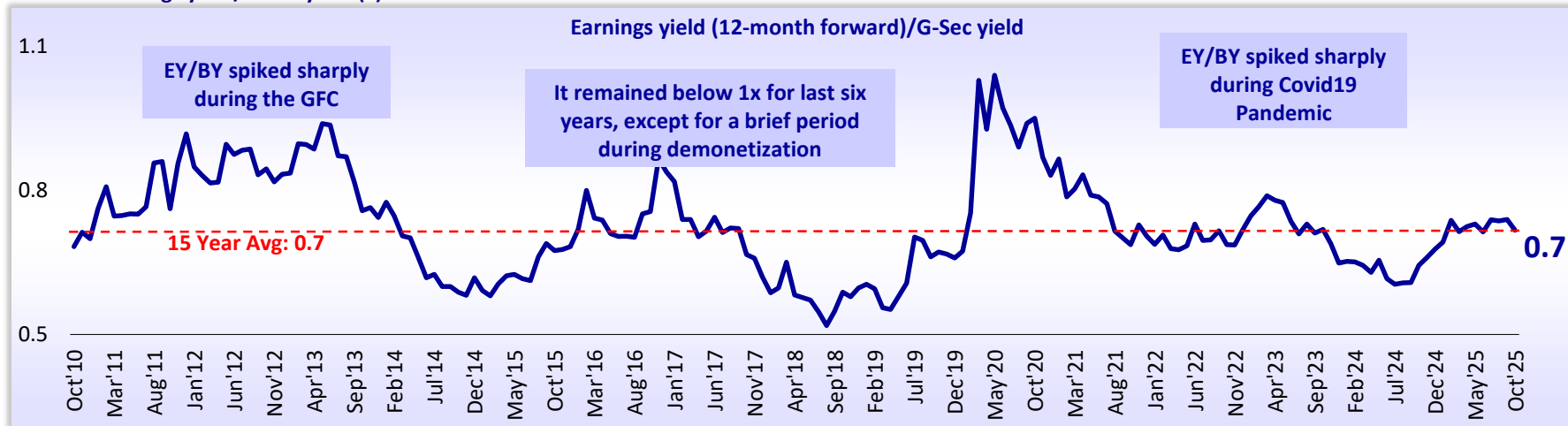
# The EY/BY ratio remains flat MoM

- ❖ India's 10Y bond yield stood at 6.5% (down 1% MoM). Consequently, the earnings yield-to-bond yield (EY/BY) remained flat MoM on both trailing and forward basis at its LPA.

Trailing earnings yield/G-Sec yield (x)



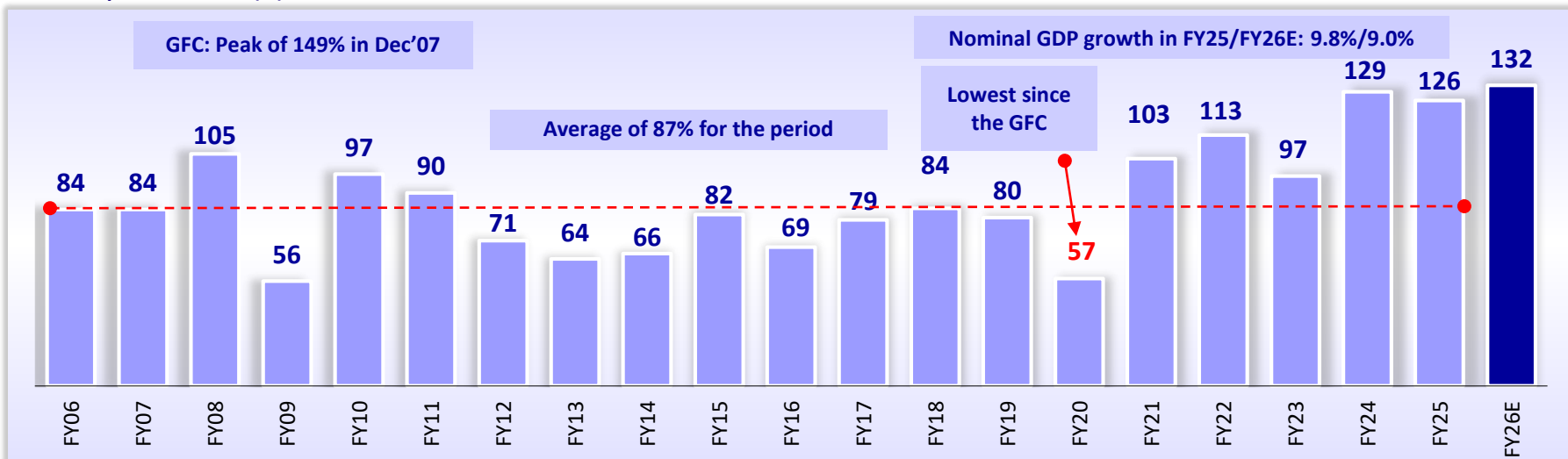
Forward earnings yield/G-Sec yield (x)



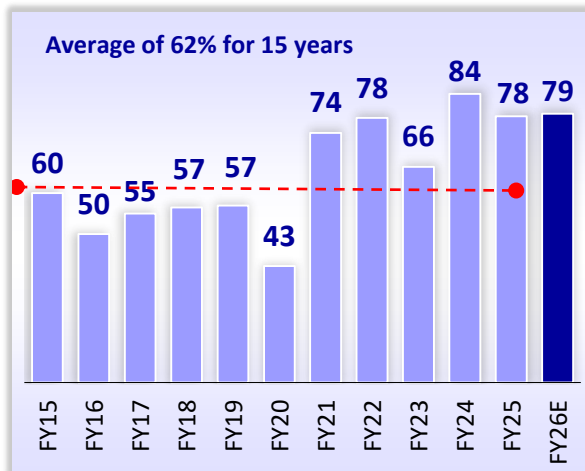
# India's market cap-to-GDP ratio remains high

- ❖ India's market cap-to-GDP ratio is projected to be at 132% in FY26 (up 700bp MoM), lower than the peak of 146% in Sep'24 but above the Feb'25 low of 120%.
- ❖ The market cap-to-GDP ratio for broader markets continues to trade at a significant premium to the long-term average.

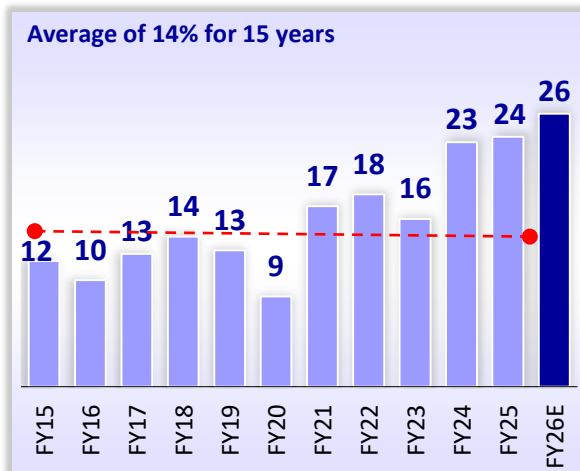
Market cap-to-GDP ratio (%) – Overall



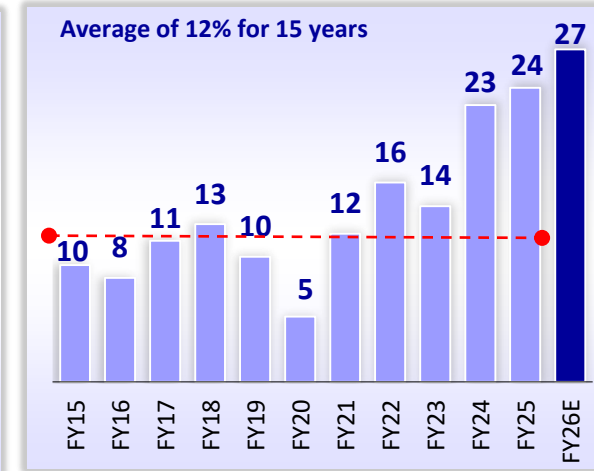
Market cap-to-GDP ratio (%) - Top 100 Large-caps



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



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



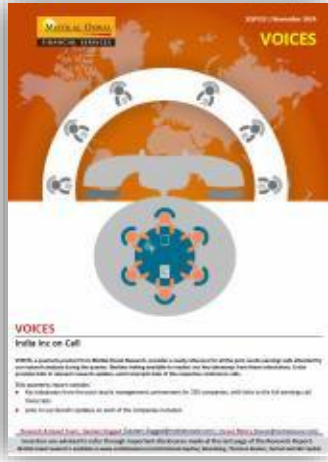
# Top ideas: MOFSL

Company	Mcap (USDb)	CMP	EPS (INR)			EPS CAGR (%) FY25-27E	PE (x)			PB (x)			ROE (%)		
			FY25	FY26E	FY27E		FY25	FY26E	FY27E	FY25	FY26E	FY27E	FY25	FY26E	FY27E
Preferred largecap stocks															
Bharti Airtel	141.7	2,055	48.9	65.3	86.1	32.7	42.0	31.5	23.9	8.7	6.7	5.8	23.0	26.2	28.3
ICICI Bank	109.7	1,345	72.8	82.7	95.7	14.7	18.5	16.3	14.0	2.9	2.5	2.1	16.7	16.5	16.5
St Bk of India	97.1	937	87.4	101.1	119.6	17.0	10.7	9.3	7.8	1.6	1.3	1.1	15.4	15.3	15.5
Larsen & Toubro	61.8	4,031	130.2	154.9	184.9	19.2	31.0	26.0	21.8	5.0	4.4	3.9	17.2	18.1	19.0
M & M	49.1	3,486	120.7	143.7	163.0	16.2	28.9	24.3	21.4	5.7	4.8	4.1	21.5	21.6	20.7
UltraTech Cem.	40.0	11,947	272.7	350.5	423.9	24.7	43.8	34.1	28.2	4.6	4.3	3.9	11.0	13.0	14.3
Titan Company	37.6	3,745	55.1	65.5	77.7	18.7	67.9	57.2	48.2	22.1	17.4	13.9	36.8	34.1	32.1
Bharat Electronics	33.8	426	8.2	9.8	11.7	19.4	51.9	43.4	36.4	12.5	10.0	8.0	24.0	22.9	22.1
Tata Steel	25.9	183	9.2	14.2	15.6	29.9	19.8	12.9	11.7	2.3	2.0	1.7	12.1	16.5	15.7
Interglobe Aviation	24.9	5,623	222.1	246.4	276.2	11.5	25.3	22.8	20.4	12.4	8.2	5.9	64.2	43.4	33.9
TVS Motor Co.	18.7	3,508	76.2	96.4	121.9	26.5	46.0	36.4	28.8	12.9	10.0	7.8	31.7	31.0	30.5
Tech Mahindra	15.8	1,425	60.1	78.0	86.3	19.9	23.7	18.3	16.5	4.5	4.3	4.2	19.2	24.1	25.8
Max Healthcare	12.9	1,148	18.7	24.3	25.6	17.1	61.5	47.2	44.8	9.2	7.8	6.6	16.0	17.8	16.0
Indian Hotels	12.0	742	13.1	15.9	17.7	16.2	56.6	46.5	41.9	8.2	7.0	6.0	15.5	16.2	15.5
Preferred midcap/smallcap stocks															
Swiggy	11.7	410	-17.2	-8.7	3.8	NM	NM	NM	107.8	13.2	16.0	13.6	-45.5	-30.9	13.6
Dixon Tech.	10.6	15,497	174.9	276.9	363.8	44.2	88.6	56.0	42.6	23.3	16.6	12.1	30.0	34.7	32.8
Suzlon Energy	9.0	59	1.3	2.3	2.4	37.7	46.8	26.3	24.7	10.3	7.4	5.7	24.9	32.9	26.1
Jindal Stainless	7.3	754	36.4	44.7	49.2	16.4	20.7	16.9	15.3	3.2	2.7	2.3	15.4	16.2	15.3
Coforge	6.8	1,780	44.7	58.7	74.3	28.9	39.8	30.3	24.0	8.3	7.3	6.3	17.4	20.7	23.5
Page Industries	5.1	41,172	725.3	830.8	937.2	13.7	56.8	49.6	43.9	27.1	22.6	19.1	47.7	45.6	43.5
Kaynes Tech	5.1	6,711	82.2	132.9	196.2	54.5	81.6	50.5	34.2	8.6	7.3	6.0	14.1	16.4	20.1
Radico Khaitan	4.7	3,130	41.9	53.3	65.5	25.0	74.7	58.7	47.8	13.3	11.3	9.5	17.9	19.2	19.9
Delhivery	4.0	466	4.8	6.1	8.0	28.9	96.3	77.1	58.0	3.6	3.4	3.2	3.8	4.5	5.7
V-Mart Retail	0.7	829	13.7	22.5	33.1	55.3	60.4	36.8	25.0	7.2	6.0	4.8	12.6	17.7	21.4
VIP Industries	0.7	407	2.4	9.3	13.4	NM	170.4	43.9	30.3	8.9	7.4	5.9	5.4	18.3	21.6

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# Quant Research & India Strategy Gallery



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

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