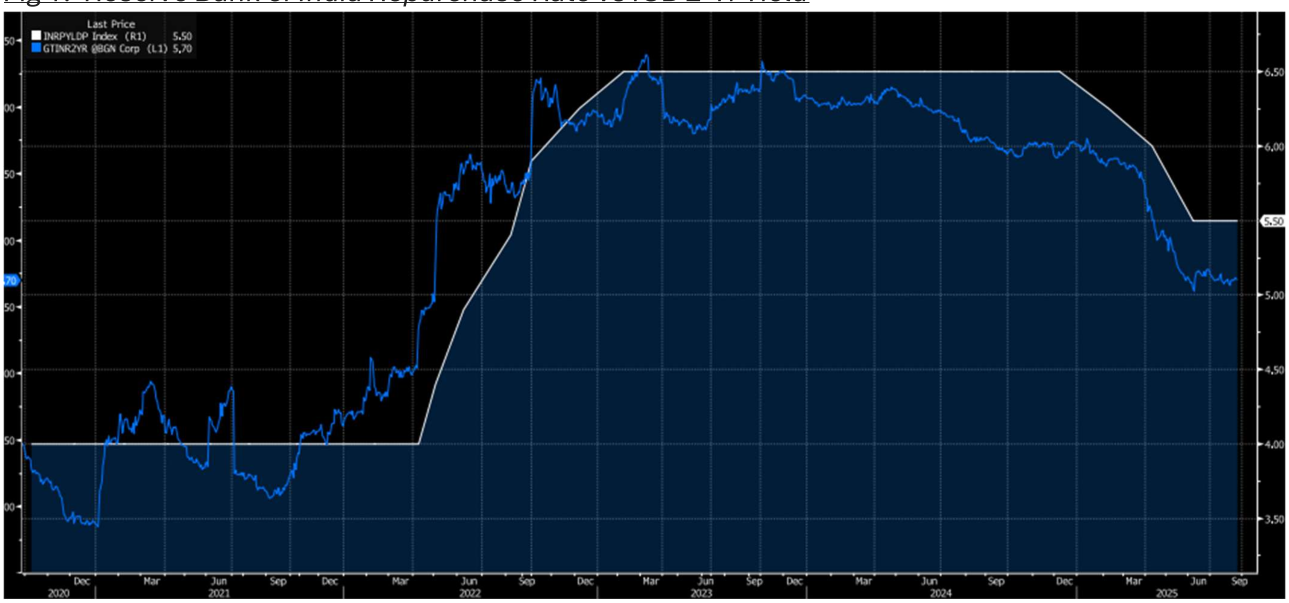
The Macro, Valuation, Sentiment and Technical Lens

Macro: Last week saw the preliminary PMIs in India moderate yet remain at very high levels by historical standards, and above all regional peers. Infrastructure spending was up in August and foreign exchange reserves resilient, despite the weakness in the currency. For this week, the key date release is August Industrial production which is forecast at +5.1%, up from 3.5% prior. The RBI meets on the 1st and we expect rates to remain on hold at 5.5%. The HSBC PMI Manufacturing is released (final) for September and along with PMI services and the composite.

Fig 1: Reserve Bank of India Repurchase Rate vs IGB 2-Yr Yield



Source: Bloomberg Finance LP / MNI

Valuations: The NIFTY 50 P/E at 21.8x remains consistent with valuations over the last 3-Years. The forecast for the remainder of the year is for a very modest increase before a modest fall in 2026. The Rupee has continued to weaken, last week hitting new lows of 88.71.

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Fig 2: NIFTY 50 Price to Earnings

NSE Nifty 50 Index Compare <Sec> Acct Consolidated Periodicity Annuals Cur FRC (INR)

1) Key Stats | 2) Fundamentals | 3) Custom | 4) Shared

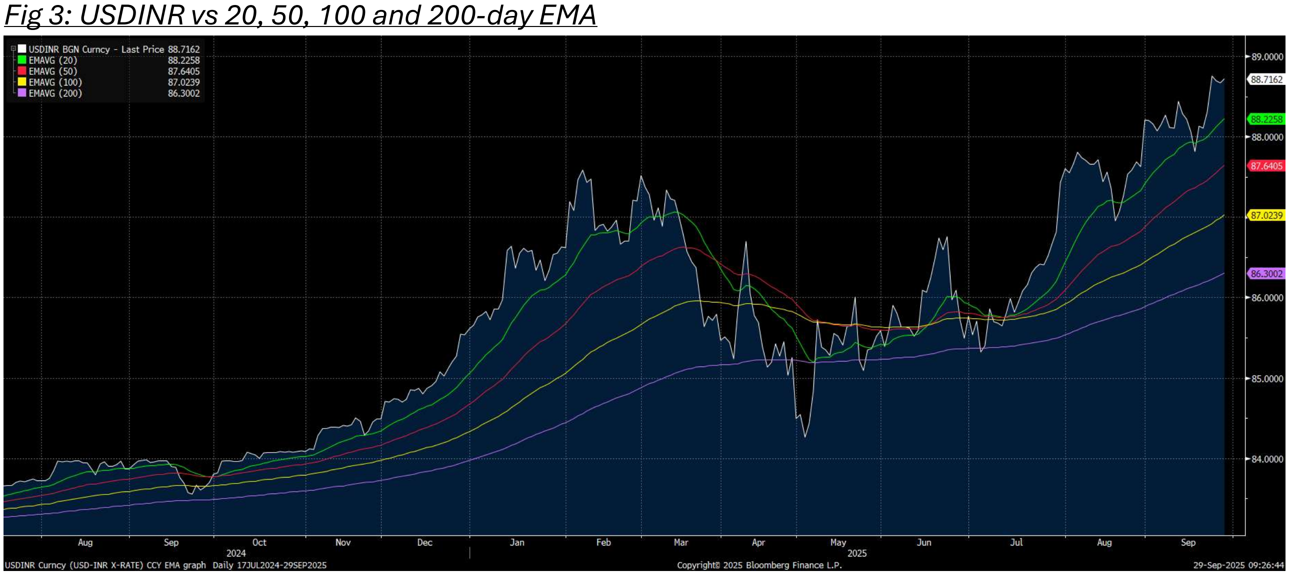
11) Highlights | 12) Valuation | 13) Profitability | 14) Leverage & Liquidity | 15) Market Data

	2021 Y	2022 Y	2023 Y	2024 Y	Current	2025 Y Est	2026 Y Est
12 Months Ending	12/31/2021	12/31/2022	12/31/2023	12/31/2024	09/28/2025	12/31/2025	12/31/2026
Valuation Metrics							
Price/Earnings	27.10	23.13	23.50	22.43	21.88	22.13	19.09
Price/Earnings before ...	26.57	22.02	23.35	21.49	21.29	21.83	19.96
Price/Earnings before ...	27.55	22.62	23.23	21.45	21.60		
Price/Book Value	3.54	3.36	3.65	3.52	3.33	3.21	2.88
EV/Sales	3.41	3.01	2.95	2.85	2.93		
EV/EBIT	19.93	18.50	19.02	18.11	17.99		
EV/EBITDA	15.13	14.59	14.64	15.28	14.13	13.88	12.86
Dividend Yield	1.20	1.33	1.33	1.30	1.34	1.60	1.56
Fundamentals							
Gross Margin	42.64	44.45	39.69	34.71	36.92	45.21	46.35
Operating Margin	17.12	16.29	15.49	15.74	16.29	15.61	16.59
Profit Margin	12.31	11.94	11.75	12.40	13.37	11.60	12.28
Return on Assets	2.40	2.68	2.63	2.78	2.74	3.24	3.59
Return on Equity	12.70	14.30	15.20	15.81	14.94	14.51	14.44

Sentiment: The equity market performance as indicator for sentiment, remains weak and when compared to the positive returns of regional peers over the last month, has underperformed. The imposition of further US tariffs for buying Russian oil and the subsequent move closer to China and Russia suggests this trend could continue.

Technicals:
The Rupee has traded above all major moving averages in the recent period of extreme weakness. All major moving averages are upward sloping, indicating that the bearish momentum may remain in place for some time.

Fig 3: USDINR vs 20, 50, 100 and 200-day EMA



Source: Bloomberg Finance LP / MNI