

MARKET

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MARCH 2026

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MARKET OUTLOOK FOR MARCH 2026

External headwinds keep Indian equities on the back foot

Indian equities lagged global peers in February '26, with the Nifty ending the month in negative territory. The subdued performance was driven by heightened geopolitical tensions, AI-led disruption concerns, and persistent trade uncertainty with the US despite positive understanding. FPIs continued to remain net sellers in the month of February'26. Domestic macroeconomic indicators were mixed—headline inflation remained in comfortable zone, while India's merchandise trade deficit widened. Q3FY26 earnings modestly exceeded expectations, and the earnings growth outlook for FY27 appears benign, with growth likely to be broad-based across sectors compared to FY26. India's macro fundamentals remain resilient, with GDP growth estimated at 7.8% for FY26, supported by controlled inflation and an improving fiscal outlook. Following recent market underperformance and positive earnings growth outlook, valuations have moderated from peak levels, offering comfort for steady returns. A recent escalation in geopolitical tensions in the Middle East has heightened risks to crude oil supply chains and spike fears of increased volatility in oil prices. In the face of global headwinds, market corrections should be viewed as opportunities to accumulate quality stocks from a long-term perspective.

Mixed Domestic macro data

- **Inflation:** Headline CPI inflation for January 2026, measured under the new CPI series (base year: 2024), came in at 2.75%, compared with our estimate of 2.4% under the earlier CPI series (base year: 2012). Within this, food inflation stood at 2.1%, while core inflation was 3.4%. The revised CPI framework assigns a lower weight to food items and higher weights to housing, healthcare, and transport. Looking ahead, we expect headline CPI inflation to average around 4–4.5% in FY27.
- **Trade deficit:** India's merchandise trade deficit widened to US\$34.7 billion in January'26, primarily reflecting a sharp surge in gold imports. Merchandise imports rose 19.2% yoy to US\$71.2 billion, significantly outpacing export growth. Merchandise exports increased marginally by 0.6% yoy to US\$36.6 billion during the month. Oil imports were broadly flat at around US\$13.4 billion (-0.2% yoy), while non-oil imports jumped 24.8% yoy, led by a sharp spike in gold imports to US\$12.1 billion (349% yoy; 192% mom). The jump in gold imports was driven by strong inflows into gold ETFs. Exports to the US declined sharply by 22% yoy to US\$6.6 billion in January (-4.2% mom). Despite the announcement of a trade deal with the US, near-term export prospects remain uncertain amid ambiguity over tariff rates following the Supreme Court judgment on President Trump's tariffs. We maintain our FY26E/FY27E current account deficit at 1.0% of GDP, with changes in the underlying composition, reflecting a sharp rise in the services surplus alongside higher gold imports.
- **Core sector:** Growth in output across India's eight core sectors slowed on a broad basis to 4% in January 2026, down from an upwardly revised 4.7% increase in December 2025, as per the Index of Core Industries released by the Ministry of Commerce and Industry. Cumulatively, during the first ten months of FY26 (April–January), core sector output expanded by a modest 2.8%, significantly lower than the 4.5% growth recorded over the same period last year.
- **GDP:** India's real GDP grew at 7.8% in Q3FY26 (Vs 8.4% in Q2FY26) and the full year advanced estimates for FY26 are pegged at 7.6% under the new series with base year FY23 (Vs 6.5% in FY25).

RBI likely to maintain an extended policy pause

The RBI's Monetary Policy Committee (MPC) kept the policy repo rate unchanged at 5.25%, following the 25 bps cut in December 2025. The MPC retained its "neutral" policy stance. The RBI raised its FY26 inflation forecast to 2.1% (earlier: 2.0%; Kotak: 2.1%) and also revised Q4FY26, Q1FY27, and Q2FY27 inflation estimates upward by 30 bps, 10 bps, and 20 bps, respectively. The MPC noted that underlying inflationary pressures remain benign, although risks persist from volatility in precious metal prices, geopolitical uncertainties, and adverse

weather conditions. On growth, the RBI increased its real GDP growth projections for Q1FY27 and Q2FY27 to 6.9% and 7.0%, respectively (earlier: 6.7% and 6.8%; Kotak: 7.0% and 7.3%). We expect the RBI to remain on an extended pause through CY26, with policy emphasis on ensuring smooth monetary transmission through adequate liquidity management.

Precious metal flows add pressure on CAD

The recent sharp surge in inflows into (1) emerging market equity ETFs and (2) domestic gold ETFs points to elevated speculative activity among investors. At the same time, domestic equity mutual fund inflows have shown a moderate slowdown. Globally, the strong rise in investments into gold ETFs also signals heightened speculative positioning in gold. We note that a continuation of large inflows into gold ETFs—leading to increased gold purchases and imports by these funds—alongside sustained imports of physical gold, could create pressure on India's CAD.

Uncertainty lingers despite trade understanding with US

On February 20, 2026, the US Supreme Court struck down President Donald Trump's sweeping tariffs that had been imposed under a law intended for national emergencies. In a 6–3 ruling, the Court upheld a lower court's judgment, concluding that the President's exceeded his statutory authority. Following this setback, Trump invoked Section 122 of the Trade Act of 1974, initially imposing a 10% blanket tariff on global imports, which was subsequently raised to 15%.

Earlier, India and the U.S. had reached a trade understanding under which tariffs on Indian exports were reduced to 18% from 25%, and the additional penal tariff of 25% was withdrawn. However, in the wake of the Supreme Court ruling there is uncertainty around the future tariff framework.

While the current 15% tariff offers temporary relief to Indian exporters, the frequent changes in the legal and policy basis for tariffs have increased uncertainty for traders regarding the durability of the current regime. Adding to this uncertainty, the U.S. administration reportedly exploring alternative measures to negate the impact of the court's decision.

The US, with exports of around US\$87 billion in FY25, remains India's largest export destination, particularly for tariff-sensitive, labor-intensive sectors such as textiles, gems and jewellery, marine products, alongside some non-tariffed goods. Although Indian exports to the US have shown resilience despite higher tariffs, any easing or rationalisation of trade barriers provides meaningful relief for these sectors.

Corporate Earnings exceed our expectations

Q3FY26 earnings modestly exceeded our expectations. Net profits for the Nifty-50 and our coverage universe grew 9.8% and 15% yoy, respectively, beating estimates by 7.1% and 6.7%. Earnings upgrades were led by banks (particularly SBI), metals & mining, and retailing. After a phase of sharp downgrades over the past 12 months, earnings trends have stabilised in recent months, improving our confidence in FY27 earnings estimates.

We expect Nifty-50 net profits to grow 16.4%/14.8% in FY27E/FY28E, compared with 8.3% in FY26E and 6.1% in FY25. Importantly, FY27E earnings growth is likely to be more broad-based across sectors, unlike FY26, where profit growth was driven disproportionately by a limited set of sectors and companies.

Steady Returns; Buy on Corrections

Indian equity markets have delivered relatively modest returns in the last 1.5 years, weighed down by significant earnings downgrades during FY25–H1FY26 and elevated valuation multiples. Over the past 12–18 months, India has also underperformed most developed and emerging markets. Within equities, large caps have outperformed mid caps, and mid caps have outperformed small caps, while automobiles, financials, and metals have been the best-performing sectors.

The Nifty is currently trading at ~20x/~17.5x on FY27E/FY28E earnings of Rs1247/Rs1433, respectively. Looking ahead, supported by stronger earnings growth expectations and an improving macroeconomic backdrop, we expect steady returns for Indian equities over the medium term. However, risks remain elevated, particularly from evolving geopolitical developments, trade and tariff uncertainties and potential disruptions arising from AI-led structural changes. In the near term, an escalation of geopolitical tensions particularly in the Middle East and their potential impact on crude oil prices and supply chains may add volatility to the market. Hence any correction in the market should be seen as an opportunity to accumulate quality stocks for long term.

Key Risk

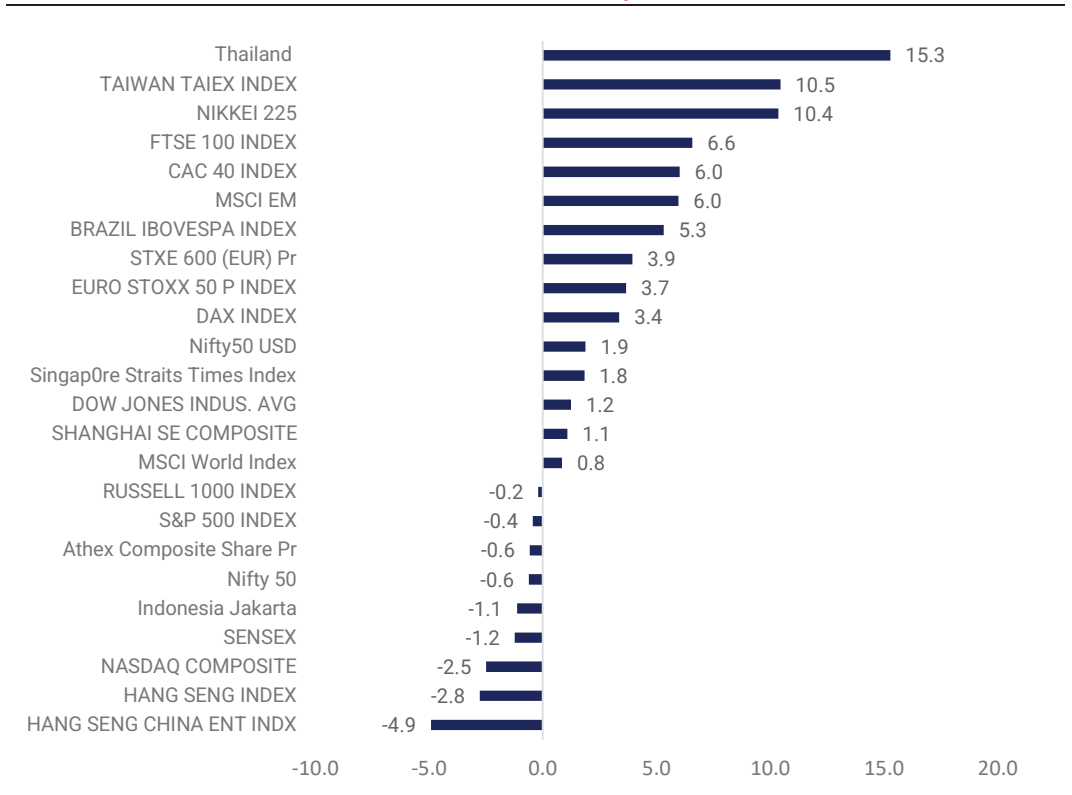
- Geopolitical tensions and its impact on crude oil, supply chain and inflation
- Uncertainty over US tariffs
- Commodity price inflation
- AI led disruptions

TOP INVESTMENT IDEAS

Company	Rating	Price (Rs)*	Fair Value (Rs)	Mkt cap. (Rs cr)	EPS (Rs)		EPS growth (%)		P/E (x)		P/BV (x)		RoE (%)	
					FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E	FY27E	FY28E
					Amber Enterprises	BUY	7,970	8,600	28,032	175.1	225.8	84.2	29.0	45.5
HDFC Bank	ADD	888	1,050	1,366,198	54.5	61.9	9.7	13.5	16.3	14.3	2.2	2.0	14.2	14.5
Mahindra & Mahindra	BUY	3,397	4,300	422,476	145.9	159.9	9.6	9.6	23.3	21.2	4.4	3.8	20.7	19.1
Thermax	BUY	3,108	3,375	37,033	69.7	89.4	27.5	28.4	44.6	34.8	5.8	5.1	13.7	15.7
Vedanta	BUY	718	890	280,922	65.6	77.5	34.4	18.0	10.9	9.3	4.4	3.5	44.8	42.4

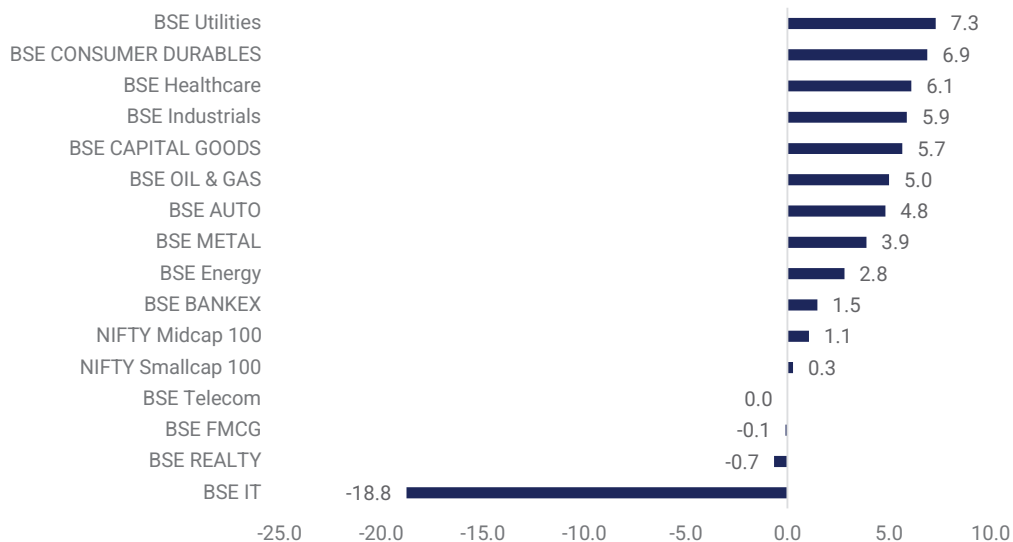
Source: Kotak Institutional Equities Research, *The above valuation summary is based on prices as on 27th February 2026

Exhibit 1: Global Indices Performance - for Month of February 2026



Source: Bloomberg

Exhibit 2: Sectoral Indices: % Chg in the month of February 2026



Source: Bloomberg

Exhibit 3: India Key Economic Calendar

Date Time	Event
2-Mar	HSBC India PMI Mfg
2-Mar	Industrial Production YoY
2-Mar to 9-Mar	BoP Current Account Balance
4-Mar	HSBC India PMI Services/Composite
12-Mar	CPI YoY
13-Mar to 16-Mar	Trade Balance
16-Mar	Wholesale Prices YoY
16-Mar	Unemployment Rate
20-Mar	Eight Infrastructure Industries
24-Mar	HSBC India PMI Composite/Mfg/Services
27-Mar	Industrial Production YoY
30-Mar	Fiscal Deficit YTD INR
31-Mar	Bank Credit YoY

Source: Bloomberg

Exhibit 4: US Key Economic Calendar

Date Time	Event
2-Mar	S&P Global US Manufacturing PMI
2-Mar	ISM Manufacturing
4-Mar	ADP Employment Change
4-Mar	S&P Global US Services/Composite PMI
4-Mar	ISM Services Index
5-Mar	Export/Import Price Index MoM/YoY
5-Mar	Nonfarm Productivity
5-Mar	Unit Labor Costs
5-Mar	Initial Jobless Claims
6-Mar	Change in Nonfarm Payrolls
6-Mar	Unemployment Rate
7-Mar	Consumer Credit
9-Mar	NY Fed 1-Yr Inflation Expectations
10-Mar	Existing Home Sales
11-Mar	CPI/Core CPI MoM/YoY
11-Mar	Federal Budget Balance
12-Mar	Trade Balance
12-Mar	Initial Jobless Claims
13-Mar	Personal Income/Spending
13-Mar	Real Personal Spending
13-Mar	Cor PCE/PCE Price Index MoM/YoY
13-Mar	GDP Annualized QoQ
13-Mar	Personal Consumption
16-Mar	Industrial Production MoM
17-Mar	Pending Home Sales MoM
18-Mar	FOMC Rate Decision (Upper/Lower Bound)
19-Mar	Philadelphia Fed Business Outlook
19-Mar	Initial Jobless Claims
24-Mar	Nonfarm Productivity
24-Mar	S&P Global US Manufacturing/Services/Composite PMI
25-Mar	Import/Export Price Index MoM/YoY
25-Mar	Current Account Balance
26-Mar	Initial Jobless Claims

Source; Bloomberg

Exhibit 5: Eurozone Key Economic Calendar

Date	Event
2-Mar	HCOB Eurozone Manufacturing PMI
3-Mar	CPI Estimate YoY
3-Mar	CPI Core MoM/YoY
4-Mar	HCOB Eurozone Services/Composite PMI
4-Mar	PPI MoM/YoY
4-Mar	Unemployment Rate
5-Mar	Retail Sales MoM/YoY
6-Mar	Govt Expend QoQ
6-Mar	Gross Fix Cap QoQ
6-Mar	Household Cons QoQ
6-Mar	GDP SA QoQ/YoY
6-Mar	Employment QoQ
9-Mar	Sentix Investor Confidence
13-Mar	Industrial Production SA MoM
13-Mar	Industrial Production WDA YoY
18-Mar	CPI MoM/YoY
18-Mar	CPI Core YoY
19-Mar	Construction Output MoM/YoY
19-Mar	Labour Costs YoY
19-Mar	ECB Deposit Facility Rate
19-Mar	ECB Main Refinancing Rate
19-Mar	ECB Marginal Lending Facility
20-Mar	ECB Current Account SA
20-Mar	Trade Balance SA
23-Mar	Consumer Confidence
24-Mar	HCOB Eurozone Manufacturing/Service/Composite PMI
26-Mar	M3 Money Supply YoY
27-31 Mar	ECB 1/3 Year CPI Expectations
30-Mar	Economic/Industrial/Services/Consumer Confidence
31-Mar	CPI Estimate YoY
31-Mar	CPI MoM
31-Mar	CPI Core YoY

Source: Bloomberg

Amber Enterprises (AMBER) - BUY

Q3FY26 Result Update

Current Market Price (CMP) Rs.7970	Fair Value Rs.8600
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Rationale:

- Q3FY26 results: Strong execution coupled with robust profitability.
- Strong performance across electronics/consumer durable segments in the quarter.
- Sharp improvement in profitability of electronics segment was key positive surprise.
- Amber reiterated the Ascent Hosur PCB plant commissioning by Q2FY26 and production by Q4FY26; timely execution will be key.
- We expect earnings per share (EPS) growth of 84.2% in FY27E and 29.0% in FY28E.
- We revise our FV to Rs8,600 and retain BUY.

👍 Positives:

- Revenue was Rs2,943 cr, up 38% yoy and 19% above our estimates.
- Electronics segment: Rs845 cr revenue, up 79% yoy; EBITDA margins was up 320 bps yoy to 10.4%.
- Consumer durable segment's revenue was Rs1,971 cr, a sharp increase of 27% yoy.
- EBITDA margin was at 8.4%, 220 bps above estimates, aided by higher gross margins.

👎 Negatives:

- PCB business is currently facing pressure due to an increase in raw materials.
- Exceptional expenses was Rs103.1 cr, comprised Rs94 cr one-time impairment in Shivalik.

(PCB: Printed Circuit Board; EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization)



The content of this document has been derived from KIE research report. Kotak's PCG Research has summarized the report (Research Team: shrikant.chouhan@kotak.com). Readers who wish to access the complete report are kindly requested to contact their respective Relationship Manager. Further, the recipient of this material should take their own professional advice before investing.

Holding Period: 12 months

HDFC Bank (HDFCB) - ADD

Result Update Q3FY26

Current Market Price (CMP) Rs.888	Fair Value (FV) Rs.1050
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Rationale:

- HDFC Bank reported 12% yoy earnings growth in Q3FY26.
- Loan growth was at 12% yoy, while Net Interest Margin (NIM) improved 10 bps qoq.
- Management's guidance for above-industry growth in FY27 underscores the need for a stronger deposit mobilization.
- Return on Assets (RoA) was 1.8% and Return on Equity (RoE) was 14%.
- Retain ADD with an FV of 1,050 (Rs1,100 earlier).

👍 Positives:

- Loan growth at 12% yoy, led by business banking and retail gold loans.
- The gross Non Performing Loans (NPL) ratio remained flat in the quarter at 1.2%, while the net NPL ratio was 10 bps below at 0.4%.
- Management clarified that all asset quality metrics (NPA ratios, slippages and credit cost) are quite stable across segments.
- Net Interest Margin (reported) was up 8 bps qoq to 3.4%.
- Non-interest income showed strong growth of 25% yoy, supported by healthy fee income.

👎 Negatives:

- Current account and savings account (CASA) ratio declined 40 bps yoy to 34%.
- The Credit Deposit (CD) ratio in the quarter moved up to 99%.



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Holding Period: 12 months

Mahindra & Mahindra (MM) - BUY

Q3FY26 Result Update

Current Market Price (CMP) Rs.3397	Fair Value Rs.4300
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Rationale:

- Segmental profitability was ahead of our expectations for the auto/tractor segments.
- We expect M&M to continue to outperform industry growth in tractor/CV segments.
- Product launches in CY26E should aid in sustenance of the market share in SUV.
- M&M continues to execute well by maintaining leadership position in all 3 segments.
- We expect EPS (earnings per share) growth of 9.6% in FY27E and 9.6% in FY28E.
- Retain BUY with revised FV of Rs4,300 (Rs4,350 earlier), based on SoTP methodology.
- We value the core business at 23x FY28E EPS; reduction in fair value was mainly driven by lower value of subsidiaries.

👍 Positives:

- Automotive division saw 23% yoy increase in volumes.
- Auto EBIT margin was at 9.7% (+50 bps qoq), 30 bps higher than our estimates.
- Tractor division's revenues rose 25% yoy, driven by 23% yoy increase in volumes.
- Tractor's EBIT margin was at 20.5% (+240 bps yoy), 40 bps above our estimates.

👎 Negatives:

- Standalone EBITDA was 5% below our estimates; below expected ASP/RM headwinds.
- MEAL subsidiary's profitability impacted owing to higher marketing spends.

(EBITDA: Earnings Before Interest, Tax, Depreciation and Amortization; ASP: Average Selling Price; SoTP: Sum of the Parts; EBIT: Earnings Before Interest and Tax; MEAL: Mahindra Electric Automobile Limited; CV: Commercial Vehicle; SUV: Sport Utility Vehicle; RM: Raw Material)



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Holding Period: 12 months

Thermax (TMX) - BUY

Q3FY26 Result Update

Current Market Price (CMP) Rs.3108	Fair Value (FV) Rs.3375
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Rationale:

- TMX results were a 1%/16% beat on revenues/EBITDA, mainly led by the projects segment.
- Recovery in project margin entuses, other parts still volatile.
- Select misses in domestic ordering in the project and weak execution/margin in the Products business are areas where it anticipates recovery from Q4.
- Prospects pipelines continue to see improvement with in-roads being made into data center with new IP-led products.
- We trim estimates by 4-5% and revise FV to Rs3,375 (from Rs3,575) valued at 37x.

👍 Positives:

- EBITDA beat of 16%, led by better-than-expected margins.
- Margin beat came entirely from the industrial infra segment.
- Reported PAT was 40% higher on exceptional item.
- Subsequent projects won in the international market have margins much higher than the 8-10% EBIT guidance for the overall projects business.
- Management guided for a better Q4, ahead with double-digit yoy growth.
- Data center offerings widen portfolio, green solutions at inflection point.
- Management has guided for 20% yoy growth in ordering for FY26 (9MFY26 tracking at Rs9400cr)

👎 Negatives:

- Green Solution & Chemical segment were weak on both counts of execution & margins.

(EBITDA: Earnings before interest, tax, depreciation & amortization, PAT: Profit After Tax, IP: Intellectual Property)



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Holding Period: 12 months

Vedanta (VEDL) - BUY

Q3FY26 Result Update

Current Market Price (CMP) Rs.718	Fair Value (FV) Rs.890
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Rationale:

- VEDL's Q3FY26 consolidated EBITDA came in above our estimates, led by the India aluminum/zinc segment.
- The aluminum division (~50% of earnings) is well placed, with the upcoming captive coal/bauxite mines, volume ramp-up and up-trending commodity prices.
- The demerger into five entities should conclude by Q1FY27.
- VEDL is best placed to ride the ongoing rally in base and precious metals, with ~85% of FY2027E EBITDA derived from aluminum (~50%), zinc (~20%) and silver (15%).
- We raise earnings and FV to Rs890. Maintain BUY.

(CAGR - Compound Annual Growth Rate, EBITDA - Earnings Before Interest, Taxes, Depreciation, and Amortization, EPS- Earning Per Share)

👍 Positives:

- VEDL's consolidated adjusted EBITDA in Q3FY26 stood at Rs14600 cr (+31% yoy, +32% qoq), higher than our estimates,.
- Aluminum EBITDA of Rs7020 cr (+54% yoy, +36% qoq) on lower alumina/higher aluminum prices.
- ZI's EBITDA improvement of 11.3% qoq (+17% yoy).
- Aluminum: Shaping up well with expansions, captive mines and strong prices.
- Capex for 9MFY26 stood at US\$130 cr, with FY26 guidance of US\$170 cr.

👎 Negatives:

- O&G division volume decline of 4.7% qoq (-15% yoy), with EBITDA decline of 4% qoq (-18% yoy) on lower volumes.



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Holding Period: 12 months

RATING SCALE (PRIVATE CLIENT GROUP)

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- BUY** – We expect the stock to deliver more than 15% returns over the next 12 months
- ADD** – We expect the stock to deliver 5% - 15% returns over the next 12 months
- REDUCE** – We expect the stock to deliver -5% - +5% returns over the next 12 months
- SELL** – We expect the stock to deliver < -5% returns over the next 12 months
- NR** – **Not Rated.** Kotak Securities is not assigning any rating or price target to the stock. The report has been prepared for information purposes only.
- SUBSCRIBE** – We advise investor to subscribe to the IPO.
- RS** – **Rating Suspended.** Kotak Securities has suspended the investment rating and price target for this stock, either because there is not a sufficient fundamental basis for determining, or there are legal, regulatory or policy constraints around publishing, an investment rating or target. The previous investment rating and price target, if any, are no longer in effect for this stock and should not be relied upon.
- NA** – **Not Available or Not Applicable.** The information is not available for display or is not applicable
- NM** – **Not Meaningful.** The information is not meaningful and is therefore excluded.
- NOTE** – Our target prices are with a 12-month perspective. Returns stated in the rating scale are our internal benchmark.

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