November 9, 2026

Equity valuations remain reasonable despite the market uptick!

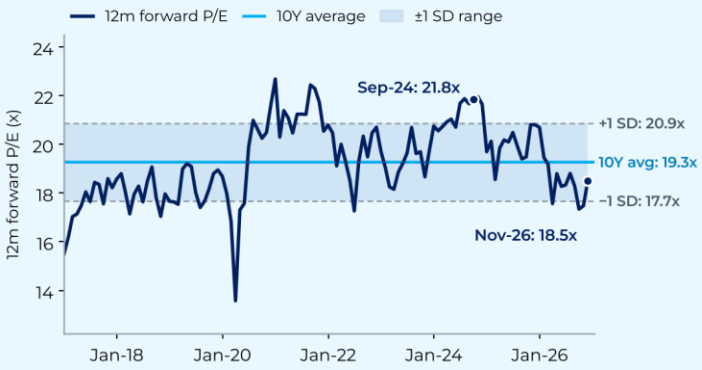
What's the Point?

- Despite the gains Indian markets saw last week, equity valuations remain reasonable relative to September 2024, which is when the broader markets peaked.
- The forward P/E ratio of the Nifty 100 stood at 18.5x vs its 10-year average of 19.3x. For the Nifty Midcap 100 Index, the forward P/E ratio stood at 22.8x vs. 10-year average of 23.2x, and the forward P/E for BSE Smallcap 250 Index was 21.9x vs. its 10-year average of 18.7x (as of Nov 6, 2026).
- The normalization of valuations is broad-based: far more stocks now trade below 30x forward earnings, and 5 of 12 sectors trade below their own 10-year average, compared with just 1 in September 2024.
- With valuations close to or below long-term averages, investors can potentially continue to accumulate equity mutual funds, especially through SIPs.

Index Level: The Premia of 2024 have Largely Unwound

When the broad markets peaked in September 2024, large, mid and smallcap index valuations were all priced well above their 10-year averages. Midcaps and smallcaps in particular had steep valuation premia at that time, with their valuations nearly three standard deviations (SD) above the historical 10-year average. Since then, valuations of all 3 indices have come closer to their long-term averages.

Nifty 100 forward P/E has slipped slightly below its 10-year average



Nifty Midcap 100 forward P/E has reduced from 34x to close to its 10-year average

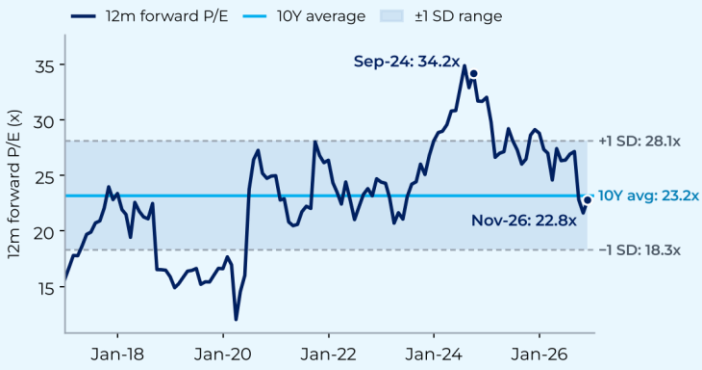
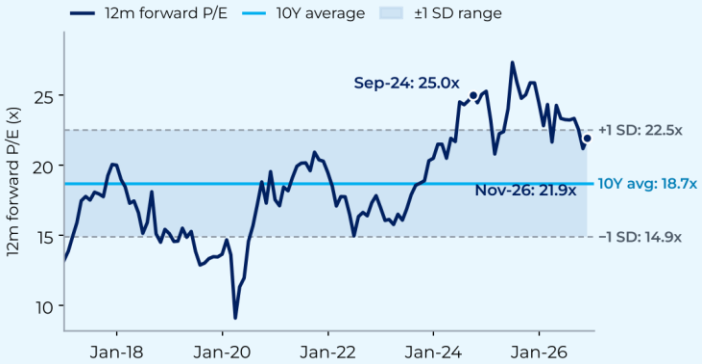


Chart 3: BSE Smallcap 250's forward P/E has reduced relative to Sep 2024 levels



Valuation premia have narrowed sharply across all three indices

Index	Sep-24 fwd P/E	vs 10Y avg	Nov-26 fwd P/E	vs 10Y avg
Nifty 100	21.8x	18%	18.5x	(4%)
Nifty Midcap 100	34.2x	64%	22.8x	(2%)
BSE Smallcap 250	25.0x	51%	21.9x	17%

Brackets denote a discount. The 10-year average is the trailing 120-month average as at each date, so the Sep-24 figures use the average that applied at the time.

Source: Bloomberg, Kotak Institutional Equities, HDFC MF calculations. Data as of Nov 6, 2026. 10-year average and SD are calculated over the trailing 120 months.

HDFC Mutual Fund: SEBI Registration Number: MF/044/00/6

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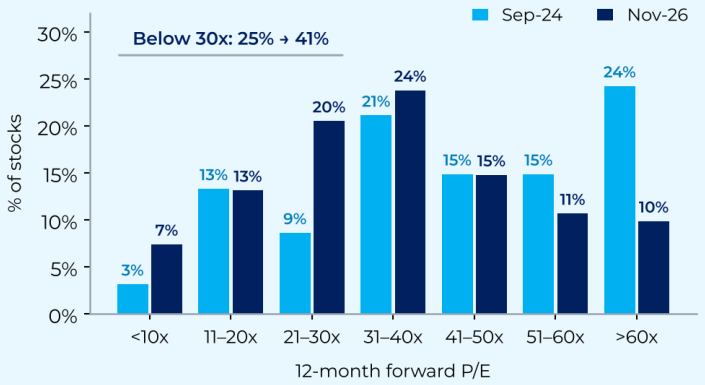
Stock Level: Fewer stocks within indices command premium valuations

Index multiples can hide what is happening underneath. Grouping each index's stocks by their forward P/E shows that the valuation multiple compression is broad-based, not driven by a few large companies.

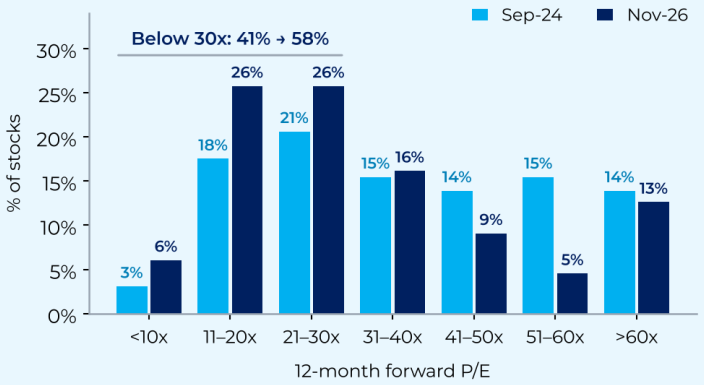
41% Nov 2026 — **Midcap stocks below 30x**: 41% of Nifty Midcap 150 stocks now trade below 30x forward P/E, up from 25% in Sep-24. The share above 60x has fallen from 24% to 10%.

58% Nov 2026 — **Smallcap stocks below 30x**: 58% of BSE Smallcap 250 stocks now trade below 30x, up from 41% in Sep-24, and the share above 40x has fallen from 43% to 26%. About 13% still trade above 60x, so stock selection remains important.

Fewer Nifty Midcap 150 stocks now trade at high multiples



58% of BSE Smallcap 250 stocks now trade below 30x forward P/E



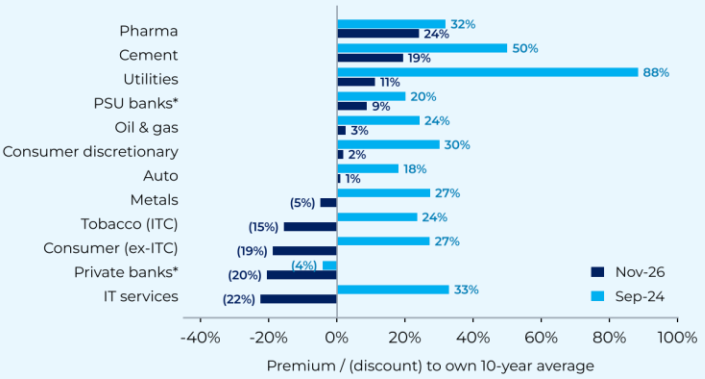
Source: Bloomberg, Kotak Institutional Equities. Data as of Nov 6, 2026

Sector Level: Sector premia have broadly narrowed since September 2024

In September 2024, 11 of the 12 sectors tracked traded above their own 10-year average, led by utilities (+88%), cement (+50%), IT services (+33%) and pharma (+32%). Today, 5 of 12 trade below it:

- **Deepest discounts**: IT services (−22%), private banks (−20%), consumer ex-ITC (−19%) and tobacco (−15%). Private banks, at 2.0x forward book value, remain in the lower part of their 10-year range.
- **Near average**: Near average: metals (−5%), consumer discretionary (+2%), oil & gas (+3%) and autos (+1%). These sectors traded at premia of 18–30% in Sep-24.
- **Still at a premium**: pharma (+24%), utilities (+11%), cement (+19%) and PSU banks (+9%), though utilities and cement valuations have recently corrected considerably relative to September 2024 levels.

5 of 12 sectors trade below their 10-year average



Several sector valuations are below their 10-year averages

Sector	Current	10Y avg	vs 10Y avg
Private banks*	1.98x	2.49x	(20%)
Consumer (ex-ITC)	41.1x	50.5x	(19%)
IT services	16.4x	21.1x	(22%)
Tobacco (ITC)	18.6x	22.0x	(15%)

Brackets denote a discount.

Source: Kotak Institutional Equities. Data as of September 30, 2024 and November 6, 2026. *Banks on 12-month forward P/B; all other sectors on 12-month forward P/E.

HDFC Mutual Fund: SEBI Registration Number: MF/044/00/6

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Conclusion

Across index, stock and sector levels, the message is consistent: the valuation excesses of September 2024 have largely been worked off. Largecaps and midcaps now trade close to their 10-year forward P/E averages and smallcap valuations remain moderately above average. Several sectors trade at a discount to their history, and the share of very expensive stocks has fallen significantly across midcaps and smallcaps.

While valuations do not predict short-term market moves, starting valuations tend to influence returns going ahead. In light of this, today's starting point is far more comfortable than it was two years ago. This could potentially be an opportune time to accumulate equity mutual funds, especially through SIPs, which could help average out short-term volatility.

Sources: Kotak Institutional Equities, Bloomberg, HDFC MF calculations.

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