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Market Wrap



Global headwinds forced extreme selling in Indian equities

- The equity benchmark staged a rebound in the fag end of the week, snapping an eight-week losing streak and concluding the volatile week at 22,520, marking a modest gain of 0.5%. The broader market followed suit, with small caps gaining 0.75%.
- Sectorally, the financial sector rallied post the RBI's policy announcement, while IT saw a notable rebound driven by TCS's earnings kickoff. Conversely, cyclicals like metals, realty, and auto continued to face pressure, undergoing extended corrections.
- Moreover, with current 10% correction seen over the past nine weeks, Nifty index has approached the April 26 low (22182). Meanwhile, the Nifty Next 50 Index remains 13% above the April lows, highlighting relative strength. This suggests that during the next phase of upward movement, these higher-quality stocks are likely to lead the charge.
- Elevated global yields—with the U.S. 10-year Treasury yield scaling multi-year highs—have altered the risk-reward equation for foreign capital, diverting institutional liquidity away from emerging markets like India and intensifying depreciation pressures on the rupee. Moreover, persistent volatility in global energy prices has compounded anxieties.
- Foreign Institutional Investors (FIIs) intensified their sell-off across as September progressed, culminating in a steep net outflow of nearly ₹36k crore. Heavyweight sectors like Financial Services faced the most intense selling with over ₹13k crore. Other major sectors witnessing relentless selling included Oil & Gas (-₹7k crore), Automobile and Auto Components (-₹6k crore) and Telecommunication (-₹3.5k crore).
- However, in the October month, the intense capital flight has spilled over the broader markets. Foreign portfolio investors continue to pull out capital at an accelerated pace, driven primarily by tightening global financial conditions. In Just 6 trading sessions of October so far, FIIs have pulled over ~35k crores from Indian equities as Nifty almost retested its March lows.
- FIIs remained significantly negative in through derivatives positioning as well where their net shorts remained elevated around 3 lakh contracts.
- From the index perspective, we believe a recovery beyond 23800 should be considered as a first sign of improved sentiments and we expect BFSI space to take the lead. Strong supports at placed at the April 25 lows of ~21,700.

RBI changes stance to calibrated tightening; rate cycle increasingly supportive for bank margins"

- RBI raised the repo rate by 25 bps to 5.50% and shifted the stance to "calibrated tightening", signaling more hawkish policy bias.
- FY27 CPI inflation has been revised up to 5.2% from 5.0%, while Q1FY28 inflation is projected at 5.6%, with RBI flagging continued supply-side pressures amid geopolitical volatility and deficient Southwest monsoon.
- At the same time, FY27 real GDP growth has been revised up to 7.1% from 6.7%, indicating resilient growth despite external uncertainties and volatility.
- With market participants looking for another 50–75 bps of tightening, taking the repo rate toward ~6.0–6.25%, the 10-year yield near ~7.25% appears to discount a large part of the domestic rate cycle; however, higher global yields, crude prices and broader risk premia could keep bond yields elevated and limit treasury gains.
- For banks, the rate-hike cycle should turn increasingly supportive for margins from Q3 onwards. With around 68% of floating-rate loans linked to external benchmarks, we estimate that a 25 bps repo hike could drive ~14–15 bps of margin expansion on industry level, as asset yields reprice. The transmission on the liability side could be slower given abundant system liquidity, while rates on a meaningful portion of term deposits, including FCNR(B) deposits raised under recent mobilisation window, are already locked in and may remain unchanged in the near term.
- In terms of relative benefit, large private banks should gain the most, followed by PSBs and then mid-sized private banks, reflecting EBLR exposure, deposit mix and the pace of liability repricing. Although Q2 margins may remain under pressure, the benefit of higher lending rates should become more visible from Q3, with PSBs likely to see the uplift on a more staggered basis.

BFSI Business update - "Deposits growth rebounds; Balance sheet turns more favorable"

- Deposits played catch-up in Q2FY27, emerging as the key highlight of provisional business updates, while credit growth sustained its already-strong momentum.
- As per our tracking universe, Private banks were particularly balanced, with advances/deposits growing ~19%/~19.5% YoY, while PSU banks reported ~18.8%/~17% growth, respectively. The improvement in liability mobilization has helped ease funding pressures and brought greater balance to bank's balance-sheet growth.
- The improvement was also visible sequentially, with several banks seeing deposits either outpace or broadly keep pace with credit, helping stabilise or improve CD ratios.
- BoB, Bank of India, South Indian Bank and Kotak Mahindra Bank stood out on this front, while large private banks also benefited from sizeable FCNR(B) mobilization, which provided additional liquidity and balance-sheet headroom for further credit growth.
- However, the stronger deposit growth came with a weaker mix in several cases. Incremental mobilisation was tilted towards term deposits, including FCNR(B), resulting in CASA ratio moderation across names such as HDFC Bank, Kotak, Axis, South Indian Bank and IndusInd Bank which can keep margins under pressure. Overall, Q2 shifts the focus from simply sustaining credit growth to funding that growth efficiently, with liability mobilisation improving meaningfully but CASA dilution resulting in marginal pressure on margins.

Q2FY27 provisional data	Advances (in ₹ crore)	YoY (%)	QoQ (%)		Deposits (in ₹ crore)	YoY (%)	QoQ (%)	CASA ratio (%)	CD
IDFC First Bank	338,749	29.9%	13.7%		348,582	25.9%	11.8%	51.3%	97.2%
Kotak Bank	577,094	24.7%	12.7%		651,491	23.2%	13.7%	38.2%	88.6%
IndusInd Bank	362,393	11.2%	11.1%		429,038	10.1%	3.4%	28.0%	84.5%
Axis Bank	1,384,600	22.7%	8.8%		1,452,100	20.7%	5.8%	36.5%	95.4%
Bank of Baroda	1,512,435	18.3%	6.7%		1,751,262	16.8%	7.2%	NA	86.4%
Indian Bank	723,000	16.6%	5.5%		873,000	12.4%	3.4%	39.3%	82.8%
HDFC Bank	3,219,500	16.3%	5.2%		3,327,500	18.8%	4.9%	31.6%	96.8%
South Indian Bank	109,519	18.7%	4.9%		137,258	18.7%	9.1%	31.6%	79.8%
CSB Bank	42,373	22.0%	3.7%		46,889	18.0%	3.2%	19.0%	90.4%
Bank of India	854,045	20.4%	7.1%		1,037,618	21.6%	8.3%	NA	82.3%

"NBFC business momentum remains steady, microfinance recovery continues"

- Q2FY27 provisional updates indicate sustained credit growth across NBFCs, with diversified lenders benefiting from healthy urban demand and gold finance, while microfinance lenders continue to recover through stronger collections and improving asset quality.
- Among diversified NBFCs, L&T Finance continued to execute its retailisation strategy, with urban and gold finance supporting growth despite softer rural business finance. Bajaj Finance sustained healthy AUM growth despite slower growth in new loan bookings, with festive demand shifting into Q3FY27.
- Microfinance trends remained encouraging although regional stress from deficient rainfall and flooding remains a risk, with CreditAccess Grameen reporting sustained disbursement recovery alongside improvement in delinquency buckets. Muthoot Microfin's collection efficiency improved to 98.1%, while cost of funds fell below 10%, supporting profitability; the rising non-JLG portfolio also indicates progress towards diversification.

Q2FY27 provisional data	Advances (in ₹ crore)	YoY (%)	QoQ (%)
Bajaj Finance	5,84,750	26.5%	6.9%
Bajaj Housing Finance	1,58,190	25.0%	5.7%
L&T Finance (Retail book)	1,34,500	29.0%	5.5%
Credit Access Gramin	30,946	19.5%	2.1%
Muthoot Microfin	15,323	22.0%	5.9%

Consumption – FMCG Demand environment remained stable; inflated crude to dent margin for most

- Domestic demand environment remained stable in Q2FY27 in the backdrop of below par monsoon and rising inflationary environment.
- Marico, Godrej Consumer Products and Dabur are expected to report double digit revenue growth (in range of 10-20%YoY) with volume growth expected to remain at high single digit to low double digit.
- Spike in the crude oil/crude derivative prices coupled with increase in the other key input prices will have impact on the EBIDTA margins of most of the home care and personal care companies under coverage. Exception will be Marico, which is likely to witness improvement in the EBIDTA due to correction in the copra prices and improved mix towards high margin products.
- Outlook: We expect Q2FY27 performance for most FMCG companies to be mixed bag with revenue growth expected to be in double digit while EBIDTA growth will be lower compared to revenue growth due to spike in the commodity prices. Lesser rainfall in most of part of India is likely to affect the farm output and would lead to moderation in the rural demand. Further spike in the food inflation might have impact on the urban demand in the quarters ahead. Also inflated input prices will put dent on margins in H2FY27. In FMCG space we continue to prefer food companies such as Nestle India.

Jewellery Companies – posted decent performance in Q2FY27

- Despite shift in festive season to Q3, volatility in gold prices and uncertain macro environment, jewellery companies posted decent performance in Q2FY27 with most companies delivering revenue growth in the range of 20-30%.
- Titan's domestic business grew 22% YoY, led by 21% YoY growth in domestic jewellery. Standalone domestic jewellery (Tanishq, Mia, Zoya and beYon) grew 20% YoY, while CaratLane grew 32% YoY. Other businesses such as eyecare and watches registered 28-30% growth.
- Amongst the other jewellery players Kalyan Jewellers, Senco Gold and PNG Jewellers registered revenue growth of 26%, 31% and 22% respectively driven by double digit same-store-sales growth.
- Outlook: Q2 witnessed moderation in revenue growth due to shift in festive season to Q3FY27. However the companies are confident of witnessing strong improvement in the revenue growth in H2FY27 on back of upcoming festive and wedding season. Demand momentum for jewellery segment has remained buoyant. Studded jewellery are growing ahead gold jewellery during the quarter. Titan remains our top pick in the space.

Real estate developers sustain sales momentum amid global headwinds

- **Demand depth-strong sustenance sales plus fast new launch absorption:** Despite geopolitical uncertainties causing supply chain disruptions, rising crude prices and weakening rupee, Real Estate developers across Mumbai and Delhi NCR region reported strong presales growth over Q2FY26. Raymond Realty, Max Estates and Keystone Developers presales came in at ₹ 902, ₹ 1423 and ₹ 2100 crore respectively up 98%, 84% and 12.5x over Q2FY26. Both Raymond Realty and Max Estates presales growth was led by sustenance sales whereas Keystone Realtors presales growth was led by new project launch. DLF also received exceptional response (400+ LOI for 172 residences) for its launch of maiden luxury senior living project worth ₹ 1985 crore which is sold out.
- **Strong launch pipeline for H2 to tap festive demand:** Going ahead the companies have strong pipeline of projects for launch in H2FY27E. DLF, Max Estates, Keystone Realtors and Raymond have project pipeline of more than ₹ 15000, ₹ 6500, ₹ 6000 and ₹ 4000 crore respectively which will help them achieve their presales guidance for FY27E.
- **Longer term outlook stays positive:** Resilient demand for quality real estate is led by India's emergence as a global hub for talent as GCCs shift from simple back office to high-value R&D, AI and strategic business hubs, continued urbanization (40% population expected to live in urban areas by 2036) coupled with healthy GDP growth of 7.1%. The Indian real estate market which is currently ~$600 billion is projected to become a $1 trillion market by 2030 growing at ~11% CAGR over 2025-30 respectively.
- The Nifty Realty Index has provided 7.7% return over the last 6 months, during which DLF and Max estates have provided 15% and 43% respectively. We prefer DLF (TP: 810 +26% upside), Oberoi Realty (TP 2200 +30%), Arvind smart spaces (TP 820 +36%) and Aditya Brila Real Estate (TP 1800 +78%)

TCS Q2FY27 – Steady state, growth remains elusive

- Revenue growth remained modest as TCS reported revenue of 0.5% QoQ and 2.8% YoY in CC terms. North America, the largest market, grew a modest 0.4% QoQ indicating that meaningful acceleration in core demand is yet to emerge. The silver lining was that annualized AI revenues rose 19.2% QoQ to US$3.1bn, crossing 10% of revenue. However, management noted that discretionary projects without near-term value remain under scrutiny, while AI-led productivity gains are not yet fully offset by incremental opportunities, suggesting that the rising AI revenue pool may take time to translate into a meaningful acceleration in overall company growth.
- On the margins front, EBIT margin was stable at 24%, despite higher subcontracting costs, increased bench strength and investments in strategic partnerships, M&A and niche talent. Management flagged ~50bps of margin dilution from the proposed MHP acquisition in H2FY27, alongside normal furlough seasonality and continued ecosystem investments, implying that near-term improvement is likely to be minimal with management prioritising growth investments.
- Thus, while the AI momentum continues to remain strong, we believe growth visibility is still elusive with a long path ahead for meaningful growth recovery trajectory. Hence, we maintain HOLD rating with target price of ₹2,050 at 13x P/E on FY28E EPS.

IT News flows: US PERM suspension for major IT firms raises longer-term talent retention concerns

- The US administration has suspended Microsoft, Adobe and six major IT companies including TCS, Infosys, Cognizant, Wipro, HCLTech and Capgemini from the PERM (Permanent Labor Certification) programme, which is a key step for employment-based green-card sponsorship.
- We believe this is only sentimentally negative for Indian IT stocks, primarily through longer-term talent-retention concerns rather than an immediate revenue impact. Importantly, Indian IT companies have very limited PERM dependence, accounting for less than 2% of the 117,849 applications filed between October 2024 and September 2025; Infosys had no PERM cases since 2022, while Wipro, TCS and HCLTech received only 523, 513 and 393 permanent-residency approvals, respectively.

Hidden Gem - Symbiotec Pharmalab: Transforming generic API business into complex extensions

- Symbiotec Pharmalab is a fermentation-based API player focused on corticosteroid and steroidal-hormone APIs, with a global volume market share of ~30% in these segments. The company has invested ₹1,000+ crore over the past 3–4 years towards new growth businesses, including ~₹380 crore in Complex Injectables and ~₹585 crore in CDMO fermentation.
- In CDMO business, the company has multiple contracts with **assured payment** arrangements, including alternate-protein contracts with US and European customers and contracts for insulin/GLP-1 drug substances, providing good visibility on future revenues.
- Whereas in Complex injectables, the company has partnered with a global pharma player for roll out of its first two injectable products in the US. The milestone income for the same is expected in FY27E, while commercial revenues likely to commence from FY28E.
- The Complex Injectables business is forwarding integration of the company's existing API capabilities, hence will have better unit economics, while the CDMO business is also expected to command higher margins than the legacy API business.
- With new modalities coming in, we estimate EBITDA margins can improve from ~27% currently to ~33% by FY29E whereas return profile to gradually improve to ~18% over the medium term. Besides this management has aspiration of 3x Revenue, 4x EBITDA in 5 Year time frame.
- We believe Symbiotec has the capabilities and investments required to transition from a legacy API manufacturer towards a more diversified **complex API/CDMO-led business model**, supported by strong revenue visibility, higher margins and improving returns. We initiate coverage with a **BUY** rating and a **TP of ₹1,540/share** based on 19x FY29E EBITDA.

Pankaj Pandey Head – Research pankaj.pandey@icicisecurities.com

ICICI Direct Research Desk,
ICICI Securities Limited,
Third Floor, Brillanto House,
Road No 13, MIDC,
Andheri (East)
Mumbai – 400 093
research@icicidirect.com

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Name of the Compliance officer (Research Analyst): Mr. Atul Agrawal

Contact number: 022-40701000 E-mail Address: complianceofficer@icicisecurities.com

For any queries or grievances: Mr. Jeetu Jawrani Email address: headservicequality@icicidirect.com Contact Number: 18601231122

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