

BAJAJ AMC EQUITY OUTLOOK OCTOBER 2026

FIRM ROOTS, SHIFTING WINDS

Domestic Growth Resilient, External Pressures Intensify

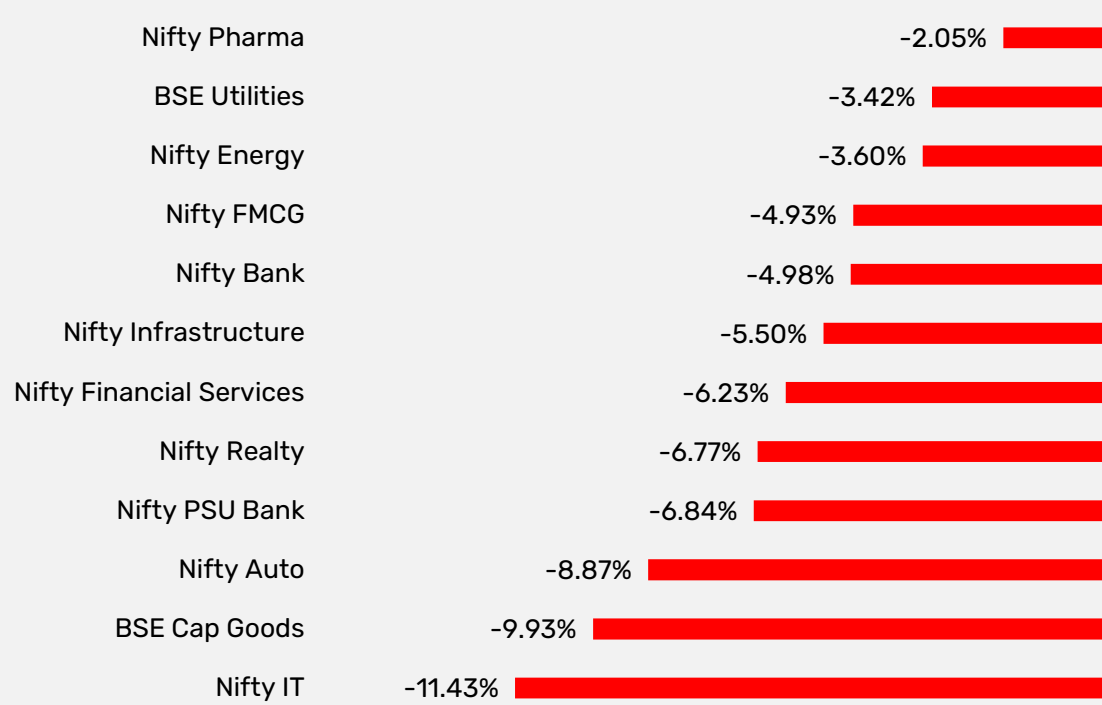


Sept 2026 Developments at a Glance

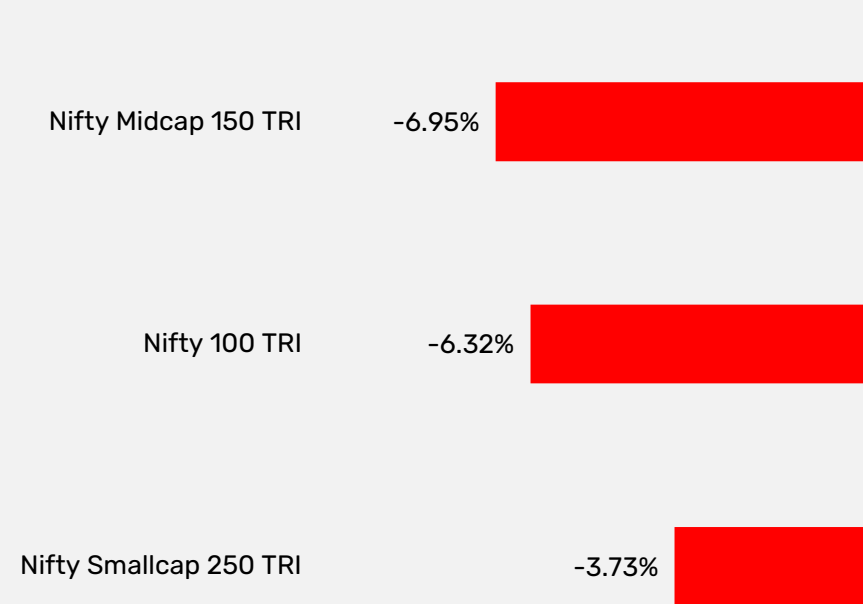


SEPT 2026 WITNESSES A BROAD-BASED DECLINE

Sector Performance (1 month)



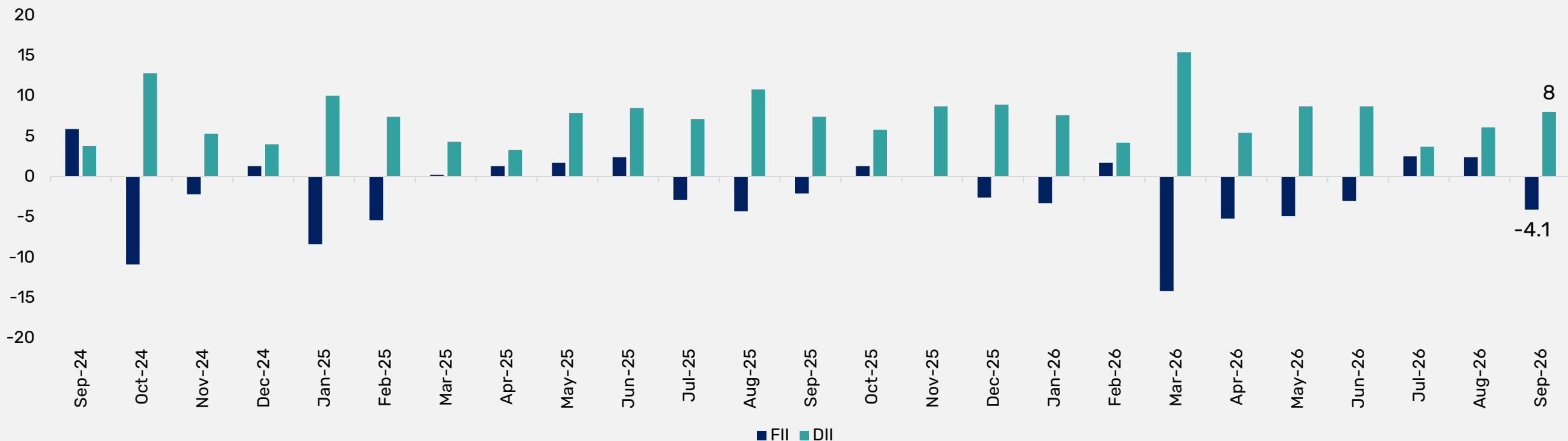
Market Cap Performance (1 month)



- IT led the decline, as uncertainty around US policies and technology spending compounded concerns over AI-led disruption and pricing pressure in traditional services. Auto and capital goods faced a sharper correction, consistent with concerns that higher input costs and borrowing rates could squeeze margins and moderate demand, despite a supportive domestic growth backdrop. Pharma was relatively resilient, supported by less discretionary demand and export opportunities.
- Small caps held up better than large & mid caps, suggesting domestic investor support and stronger earnings momentum provided a cushion, while renewed foreign selling weighed on larger stocks.

DOMESTIC BUYING CUSHIONS RENEWED FOREIGN SELLING

FII and DII Flows (in USD Bn)



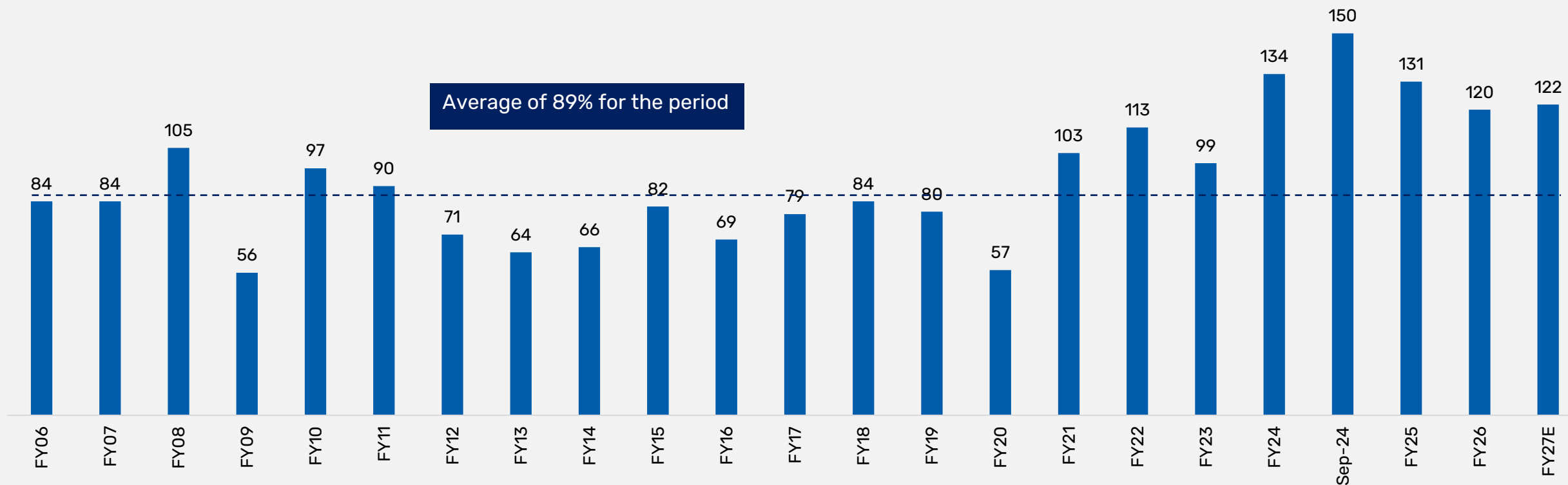
- FII sentiment weakened in September 2026 as global rate hikes began, bond yields surged and crude stayed above USD100/bbl. Outflows exceeded USD4b, reversing two months of positive flows.
- DII stepped up buying to ~USD8b, extending their net-buying streak to 38 months and taking CY26 YTD inflows to ~USD68b.
- FII outflows reached ~USD28.3b in CY26 YTD, already 50% above their full-year CY25 outflows.
- DII remained the dominant liquidity source, investing USD287.4b between CY21 and CY26 YTD, against cumulative FII outflows of ~USD40b.

MARKET CAP-TO-GDP RATIO EASES FROM PEAK, REMAINS ELEVATED

Market cap-to-GDP (in %)

Nominal GDP growth in FY26/FY27E: 8.9%/11.5%

Average of 89% for the period



- Following strong GDP growth and revisions, India's market cap-to-GDP ratio is expected to moderate to 122% in FY27E from its September 2024 peak of 150%, while remaining at around 120% in FY26.
- The ratio remains elevated, having largely stayed above 100% since 2021, except in FY23.

Four headwinds posing near-term risks



Geopolitical tensions

Conflicts are increasing uncertainty around energy supplies and global trade, keeping investors cautious.



Higher crude oil prices

Supply disruptions are raising oil prices, adding to India's import bill and inflation pressures.



Rising U.S. bond yields

Inflation and interest-rate concerns are lifting U.S. bond yields and tightening global financial conditions.



Foreign investor selling

Higher U.S. yields, oil prices and a weaker Rupee are driving FPI selling, adding pressure on Indian equities.





PIECING TOGETHER INDIA'S STRUCTURAL GROWTH STORY

Resilient Economy

Robust Earnings

Accelerating Credit

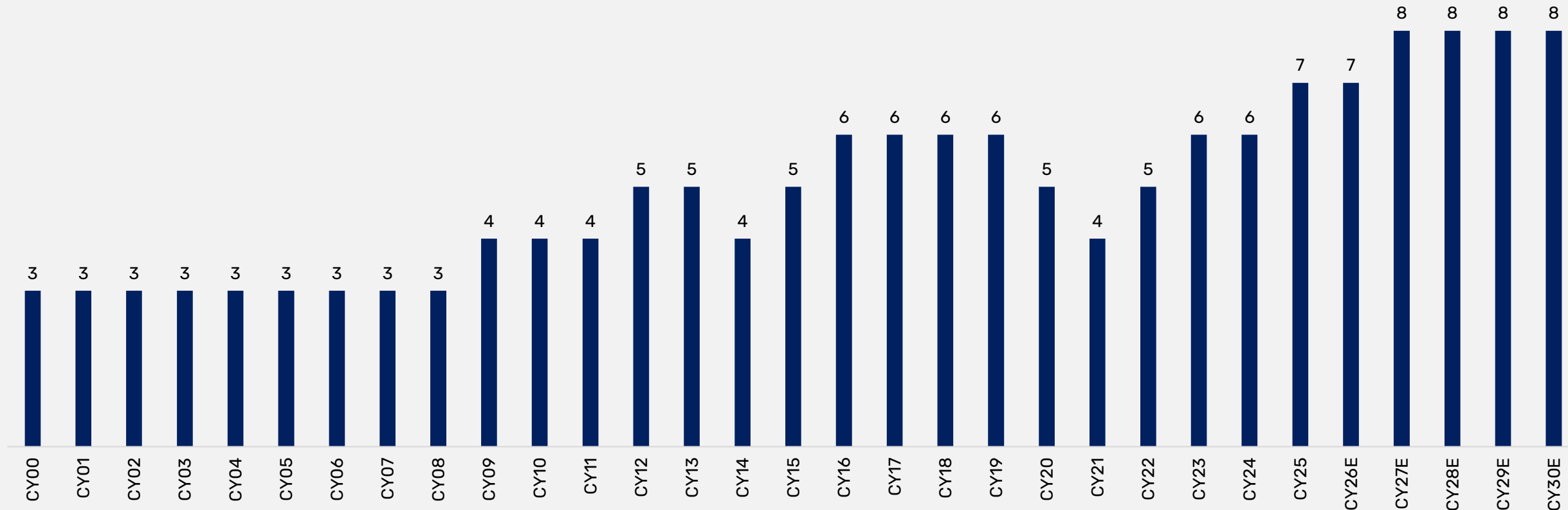
Subdued Sentiment



RESILIENT ECONOMY

INDIA'S CONTRIBUTION TO GLOBAL GROWTH CONTINUES TO RISE

India's contribution to world GDP growth (%)



- India's contribution to global growth has increased over time, reflecting its growing weight in the world economy.
- The recovery from the CY21 dip has continued, with India contributing a larger share of global growth in subsequent years.

INDIA'S GROWTH OUTLOOK GAINS GLOBAL CONFIDENCE

India's FY27 growth outlook has seen a broad round of upgrades, led by Moody's, S&P and Fitch. Multilateral institutions and the RBI have also raised their projections.

Agency / institution	Revision date	Type of revision	Earlier	Revised	Upgrade
Moody's Ratings	18-Sep-26	FY27 GDP growth	6.00%	7.00%	↑ 100 bps
S&P Global Ratings	23-Sep-26		6.60%	7.00%	↑ 40 bps
Fitch Ratings	23-Sep-26		6.40%	6.90%	↑ 50 bps
Asian Development Bank	23-Sep-26		6.60%	7.00%	↑ 40 bps
OECD	23-Sep-26		6.30%	7.10%	↑ 80 bps
World Bank	06-Oct-26		6.60%	7.10%	↑ 50 bps
Reserve Bank of India	07-Oct-26		6.70%	7.10%	↑ 40 bps
Japan Credit Rating Agency (JCR)	02-Sep-26	Sovereign credit rating	BBB+ / Stable	A- / Stable	↑ One notch

DOMESTIC ACTIVITY REMAINS RESILIENT, LED BY CREDIT AND DEMAND

Category	Indicator	Aug-25	Sep-25	Oct-25	Nov-25	Dec-25	Jan-26	Feb-26	Mar-26	Apr-26	May-26	Jun-26	Jul-26	Aug-26	Sep-26
Industry	PMI manufacturing	59.8	57.7	59.2	56.6	55	55.4	56.9	53.9	54.7	55	54.2	53.5	52.8	55.1
	Credit growth (industry)	7	7.8	10	9.6	12.8	12.1	13.5	15	15.1	17.5	19.2	20	18.2	
	Petroleum products consumption (industrials)	6.8	5.8	-11.3	-12.6	-2	-9.8	2.1	3.2	-15.9	-18.1	-19.1	-2.1	-15	
	Bitumen consumption	28.9	21.7	-5.4	24.9	13.2	-0.1	0.2	-6.9	-52.2	-52.1	-35.2	5.2	20	
	Diesel consumption	1.2	6.5	-0.3	4.8	5.2	3.3	4.3	8.1	0.8	1.6	6.1	10	6.8	
	Core infrastructure	6.2	3.1	0.8	3.5	5.6	5.2	3.2	2.9	2.7	3.2	6	5	4.8	
	IIP mining	15.8	15.7	2.8	3.3	0.8	-0.5	-2.4	-2.6	-3.8	-1.4	1.6	-0.9	-5.6	
	IIP manufacturing	3.6	5.5	-0.7	8.8	7.7	4.6	5.7	4	6.1	5.2	9.5	8.2	9	
	IIP electricity	3.7	3.3	-7	-1.6	5.9	5.6	1.9	1.2	4.6	10.3	11.3	8.7	12.3	
	IIP coal	10.8	-1.1	-8.4	2.2	3.7	0.9	1.4	-4	-9	-9.5	1.4	7.6	-3.8	
	Railways freight traffic	8.5	3.9	2.3	4.2	3.2	2.9	4	3.1	-1	1.4	4	8.9	5.3	
	Steel production	13.8	14	7.2	12.4	10.9	12.5	8.6	8.2	6.3	5.9	4.1	2.3	3.2	
Services	PMI services	62.9	61.6	58.9	59.8	58	58.5	58.1	57.5	58.8	59.8	57.4	53.3	54.1	55.2
	Credit growth (services)	10.3	9.8	13	11.7	15.4	15.5	16.3	19	18.6	20.4	21.4	22.9	24.3	
	Airport passenger traffic	-1.4	-2.9	2.7	6.9	-4.2	3.7	-0.4	-1.2	-3.5	9.5	-1.1	-4.8	-6.3	
	Airport cargo	6.3	2.5	-2.3	15.6	9.4	8.5	17.9	0	9.9	10.5	15.5	10.8	11	
	Foreign tourist arrivals	-5.5	-10	-5.4	-1.6	1.7	2.5	2.2	-5.4	-14.4	5.6	3.2			
Demand	Credit growth (personal loans)	11.9	11.8	14	12.8	14.6	14.9	15.2	16.2	16	15.4	15.8	16.2	16.9	
	Centre's expenditure (net of interest payments)	-15.9	8.3	-19.3	11.4	-15.1	-14.4	12.9	14.5	25.1	3.5	30.9	15.6	-3.1	
	Fuel consumption (retail)	3.4	7	2.8	4.6	6.7	4.6	5.7	4	-0.3	-2.1	2.6	4.4	2	
	Passenger vehicle sales	-8.8	4.4	17.2	18.7	26.8	12.6	10.6	16	25.4	27.3	24.1	34.3	36.5	
	Two wheeler sales	7.1	6.7	2.1	21.2	39.4	26.2	35.2	19.3	28.4	14.9	18.7	22.7	10.9	
	Non-oil imports	-13.6	25.6	34	1.8	11.5	25.9	29.1	6.7	19	10	27.9	17.5	10.9	

- Domestic activity remains resilient, with manufacturing expansion strengthening in September and services expanding through August.
- Credit growth has strengthened across industry, services and personal loans, supporting businesses and household demand.
- Manufacturing and electricity remain healthy, while mining lags, reflecting uneven industrial momentum.
- Passenger vehicle sales have accelerated, while fuel consumption and two-wheeler sales continue to grow, signaling sustained demand.



ROBUST EARNINGS

WIDENING GAP BETWEEN EARNINGS GROWTH AND MARKET RETURNS

Gap between Earnings Growth and Nifty 50 Returns (YoY)

	Nifty 50	12m Forward EPS	Gap
Sep-26	-8.09%	9.62%	17.71%
Sep-25	-4.65%	1.63%	6.28%
Sep-24	31.43%	15.90%	-15.54%
Sep-23	14.88%	10.98%	-3.90%
Sep-22	-2.97%	17.17%	20.14%
Sep-21	56.64%	39.47%	-17.17%
Sep-20	-1.98%	-9.75%	-7.78%
Sep-19	4.98%	0.76%	-4.21%
Sep-18	11.67%	9.88%	-1.79%
Sep-17	13.67%	11.90%	-1.78%
Sep-16	8.33%	-0.42%	-8.75%

Sept-26
Gap widens

Sept-25
Gap turns
positive

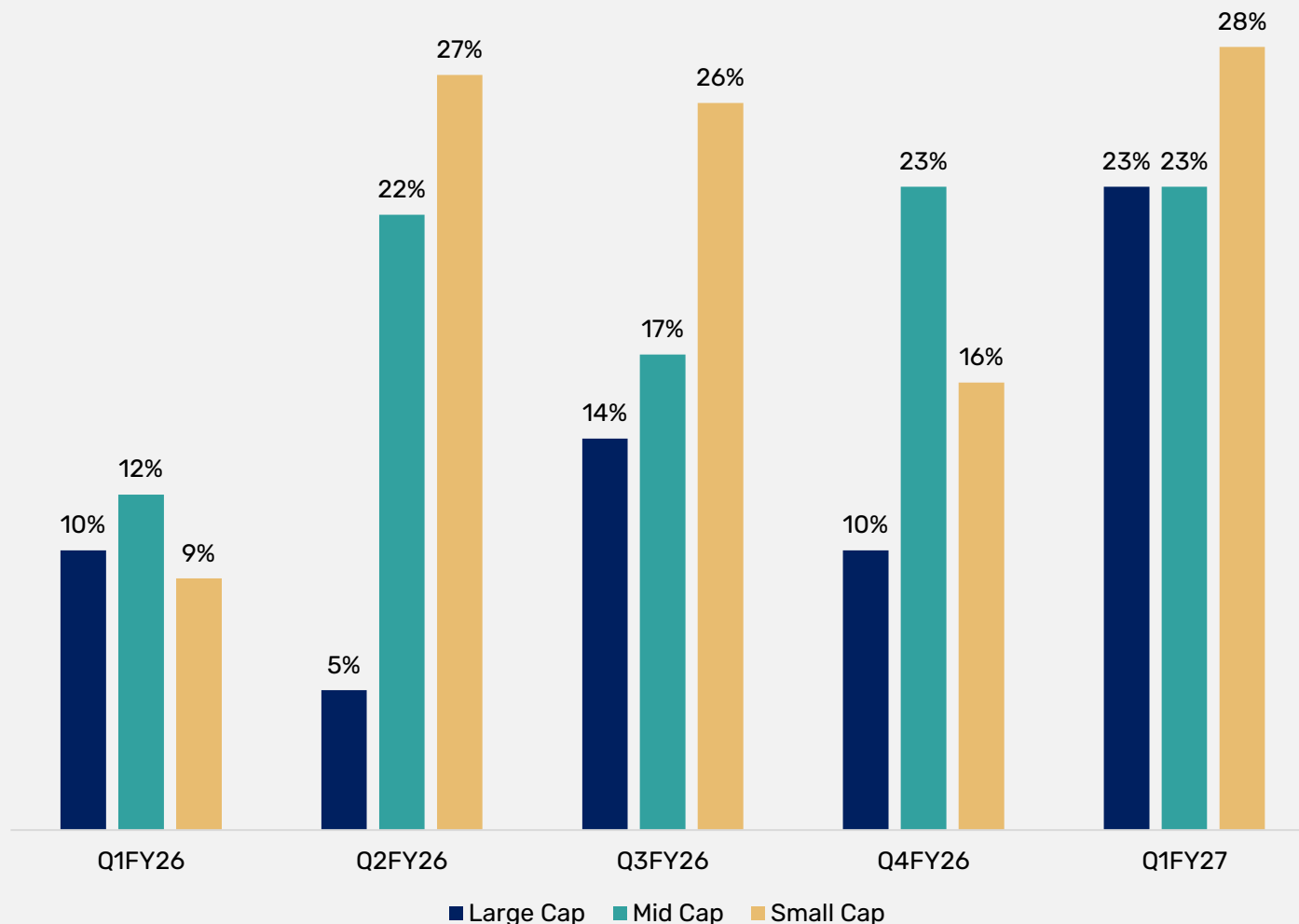
Sept-24
Market highs

From
market
gains
outpacing
earnings to
earnings
outpacing
market
returns

- The past year was difficult for equities, yet forward earnings expectations strengthened, widening the gap between market performance and expected profitability.
- The divergence has widened for a second consecutive year, reversing the September 2024 position when market gains outpaced earnings growth.
- This points to a lower forward valuation multiple and improved valuation comfort.

LARGE CAPS CATCH UP AS EARNINGS GROWTH BROADENS

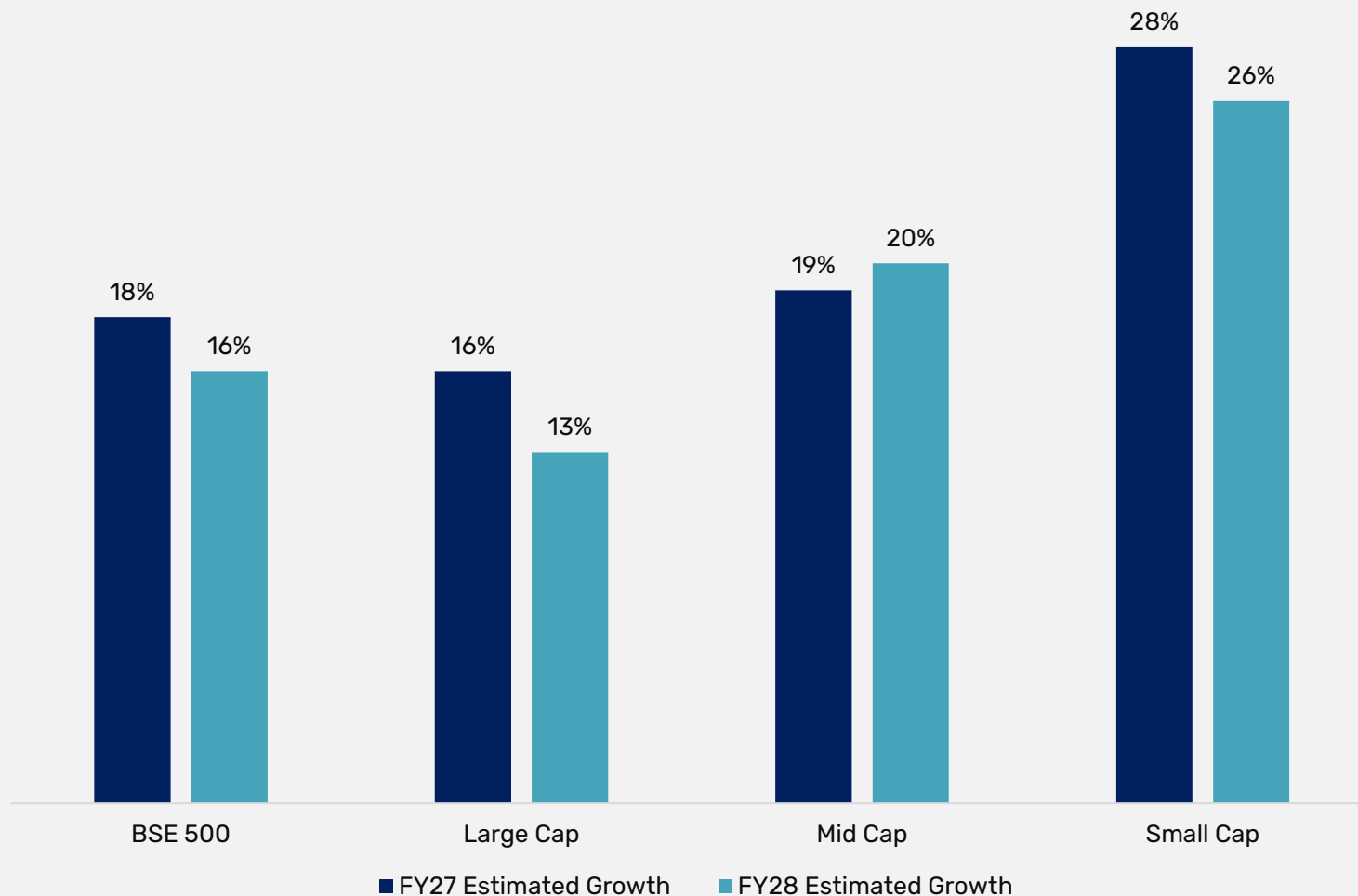
Earnings Growth across market caps



- Earnings growth was strong across market caps in 1QFY27, with small caps growing 28% YoY and both large and mid caps delivering 23%, indicating that the recovery was no longer concentrated in one segment.
- Large caps recorded the sharpest acceleration, with earnings growth rising from 10% in 4QFY26 to 23%. This catch-up strengthens the overall quality and breadth of the earnings cycle.
- Mid cap earnings growth remained steady at 23%, while small caps accelerated from 16% to 28%, retaining their leadership.
- Small cap performance remained relatively more dispersed, with a higher proportion of companies reporting EBITDA contraction. With earnings-growth differentials narrowing, valuations and company-level execution become increasingly important for market-cap allocation.

EARNINGS ESTIMATES REMAIN STRONG ACROSS MARKET CAPS

FY27 and FY28 Estimated Growth



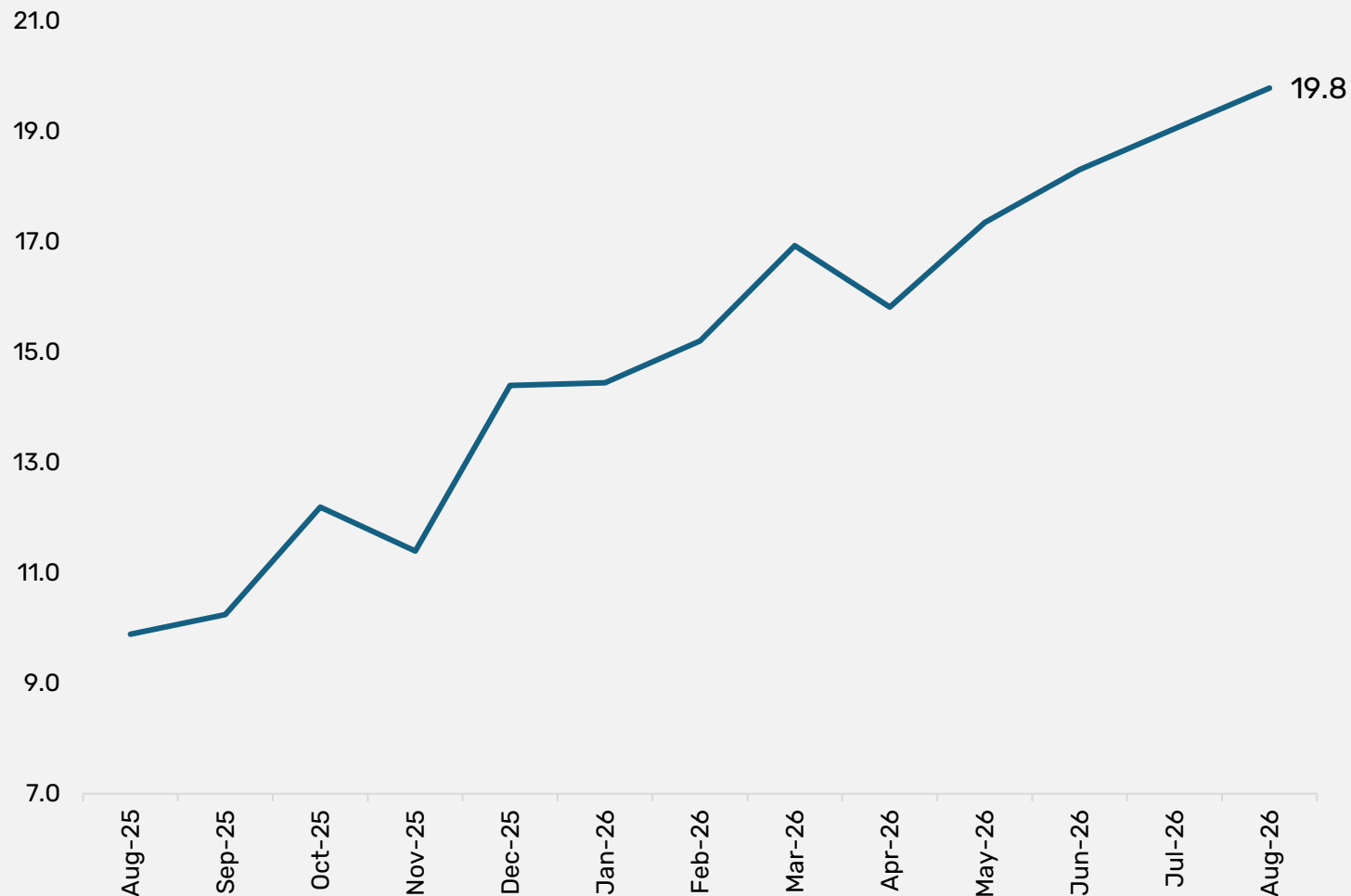
- Robust volume-led performance and improved earnings conversion have strengthened FY27 expectations, with upgrades out numbering downgrades and most companies retaining their guidance.
- The improvement has broadened across market caps, led by a sharp recovery in large and mid cap expectations, while small caps retain the strongest growth outlook.
- FY28 estimates remain healthy but indicate some normalization from a strong FY27 base. Sustaining the cycle will depend on domestic demand, job creation, investment and exports, while prolonged West Asia tensions remain a key risk.



ACCELERATING CREDIT

CREDIT MOMENTUM STRENGTHENS AS CORPORATE DEMAND BROADENS

Credit Growth (YoY in %)



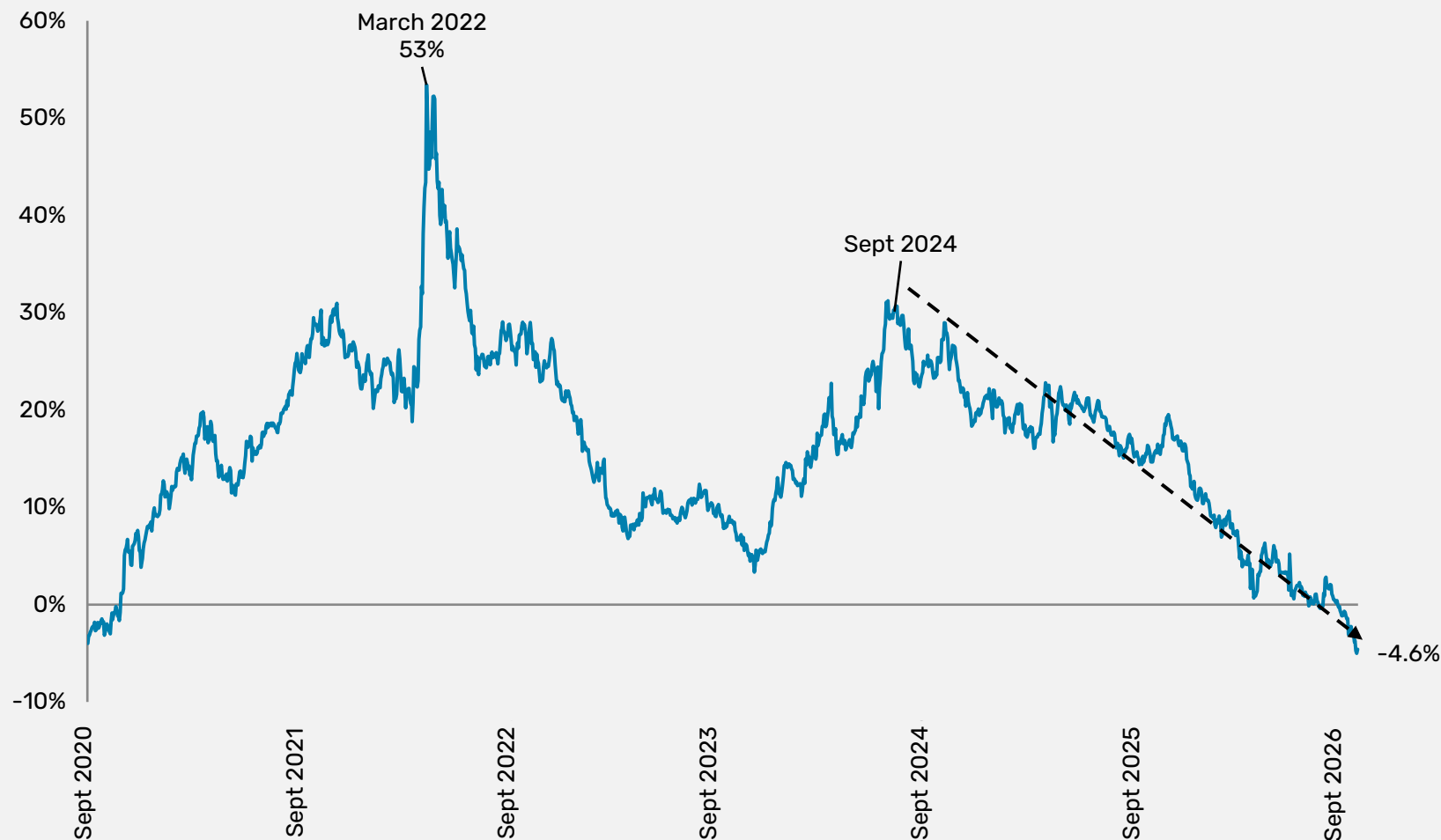
- Credit growth has strengthened across segments, indicating broader financing demand in the economy.
- Large industries are driving the pickup in industrial credit, supported by financing needs from infrastructure projects and corporates.
- Companies are increasingly choosing bank loans over bonds, strengthening banks' role in meeting business funding needs.
- FCNR(B) inflows have boosted deposit growth and reduced reliance on short-term market funding, improving banks' ability to support lending.



SUBDUED SENTIMENT

THE MARKET STOOD STILL WHILE FUNDAMENTALS CAUGHT UP

Nifty 500- 2 years Rolling CAGR (in %)

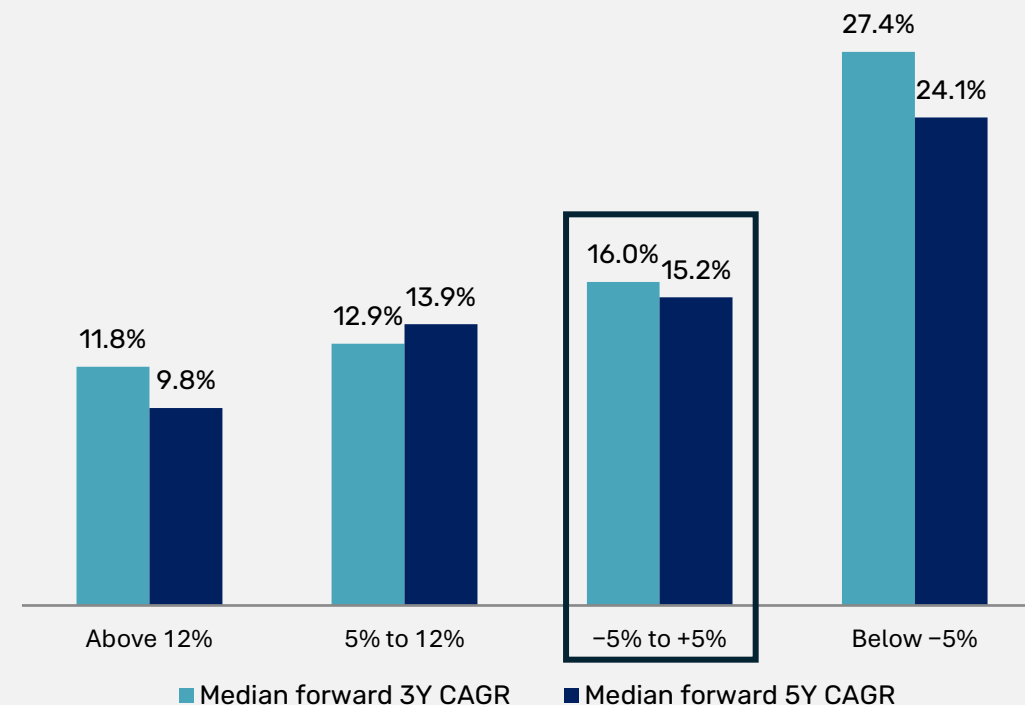


- Two years of muted returns have created investor fatigue: recency bias makes the market feel unattractive precisely because recent performance has been weak.
- Investors remain cautious and wait for clearer returns before committing, even as the economic, credit and earnings cycles continue to improve.
- This creates a sentiment gap— fundamentals are strengthening, but confidence and market prices have yet to catch up.
- Such phases can offer better long-term entry points, as sentiment often improves only after markets have already begun to recover.

MUTED RETURNS HAVE HISTORICALLY OFFERED BETTER STARTING POINTS

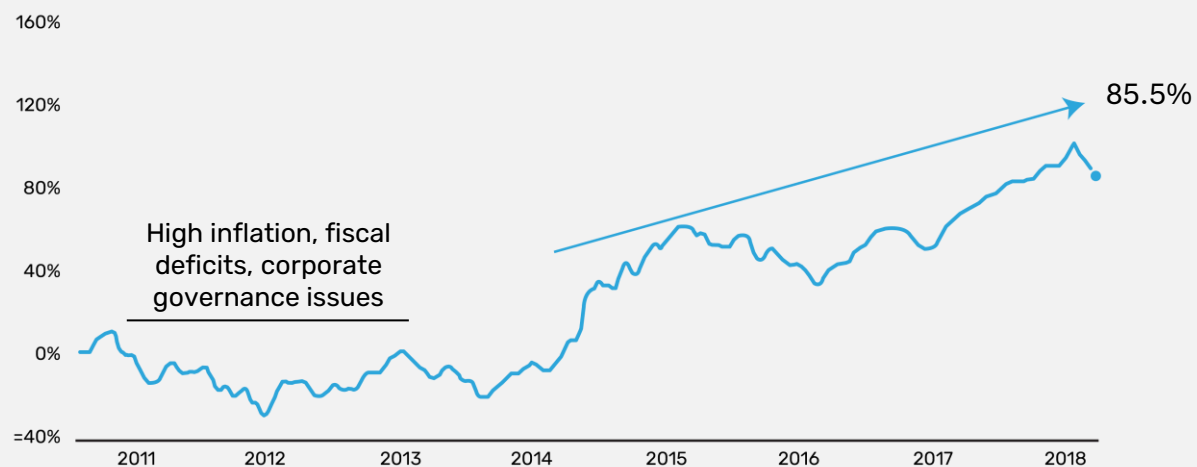
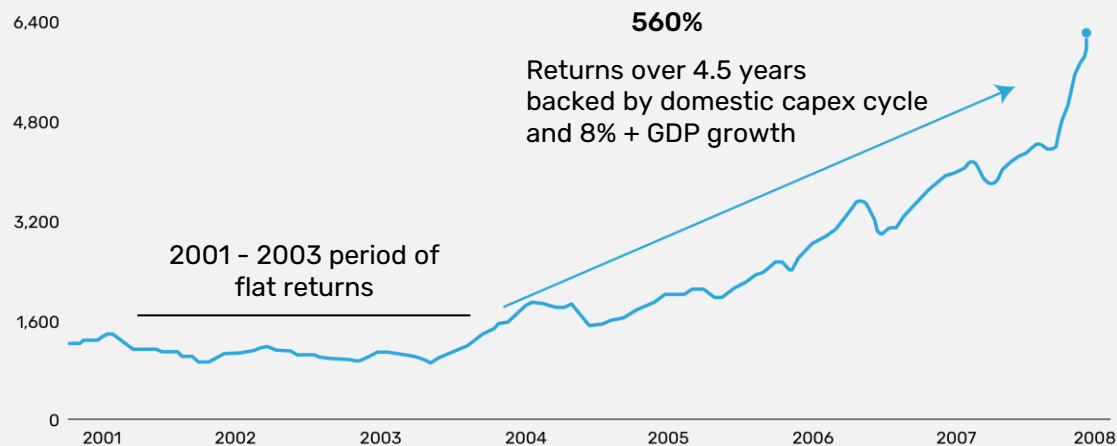
Trailing 2Y CAGR bucket Of Nifty500	Subsequent 3-year Nifty 500 performance		Subsequent 5-year Nifty 500 performance	
	% times the index delivered positive returns	% times returns were > 12%	% times the index delivered positive returns	% times returns were > 12%
Above 12%	89.7%	48.7%	97.1%	31.9%
5% to 12%	92%	58.3%	100.0%	77.7%
-5% to 5%	100.0%	67.1%	100.0%	81.7%
Below -5%	100.0%	89.6%	100.0%	90.7%

Median forward CAGR by trailing 2Y bucket



- After two years of muted returns, it is natural for investors to wait for the market to improve before investing.
- Yet history shows that such periods offered better starting points: when the trailing two-year CAGR was between -5% and +5%, the median subsequent CAGR was 16.0% over three years and 15.2% over five years.
- By the time returns look favourable again, prices may have already moved, leaving investors to enter at a less favourable starting point.
- With fundamentals improving while sentiment remains cautious, this may be a time to accumulate gradually, not remain on the sidelines.

WEAK RETURNS CAN HIDE A STRENGTHENING INVESTMENT CASE

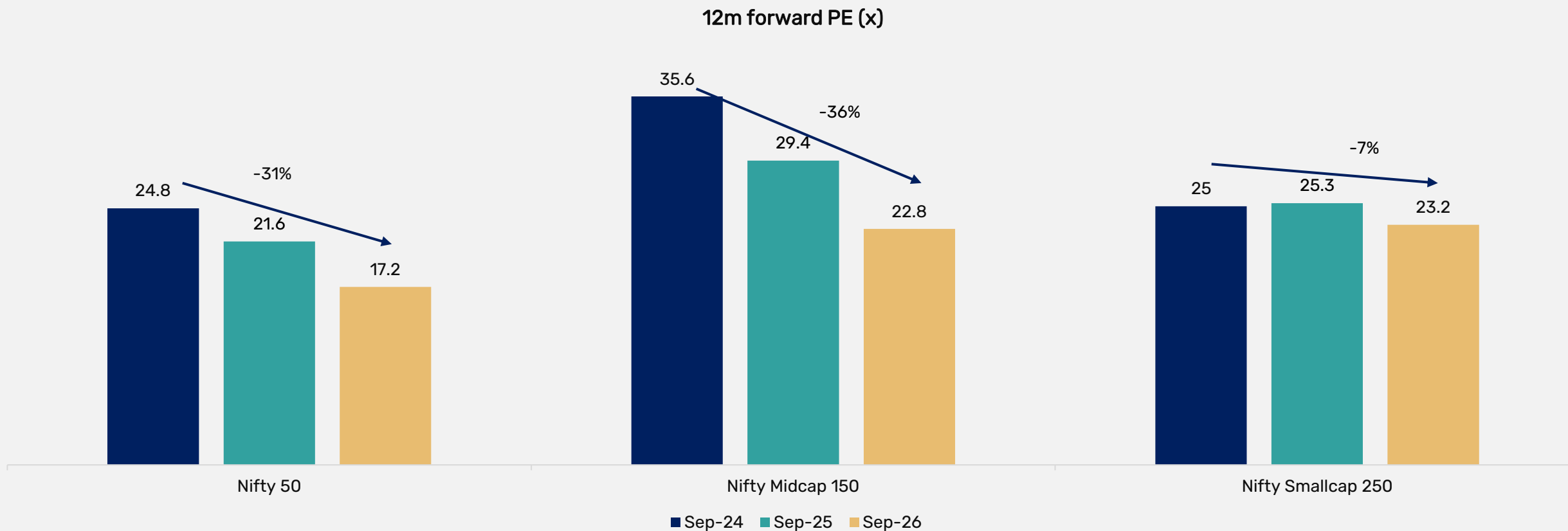


- “Two years, and little to show for it.” The flat periods in the chart look temporary today. Living through them, investors could easily have mistaken a difficult phase for a permanently disappointing market.
- “Why invest if nothing is changing?” Recent returns can become our expectation for the future. The more useful question is whether the underlying investment case has weakened—not simply whether prices have moved.
- “I’ll wait until the recovery is clear.” Once prices rise, buying above levels we previously rejected can feel uncomfortable. Waiting for reassurance can therefore turn into further hesitation.
- A phased plan gives that hesitation a structure. Where the long-term allocation remains appropriate, predetermined amounts and dates allow gradual participation without depending on the confidence to commit everything at once.



COOLING VALUATIONS

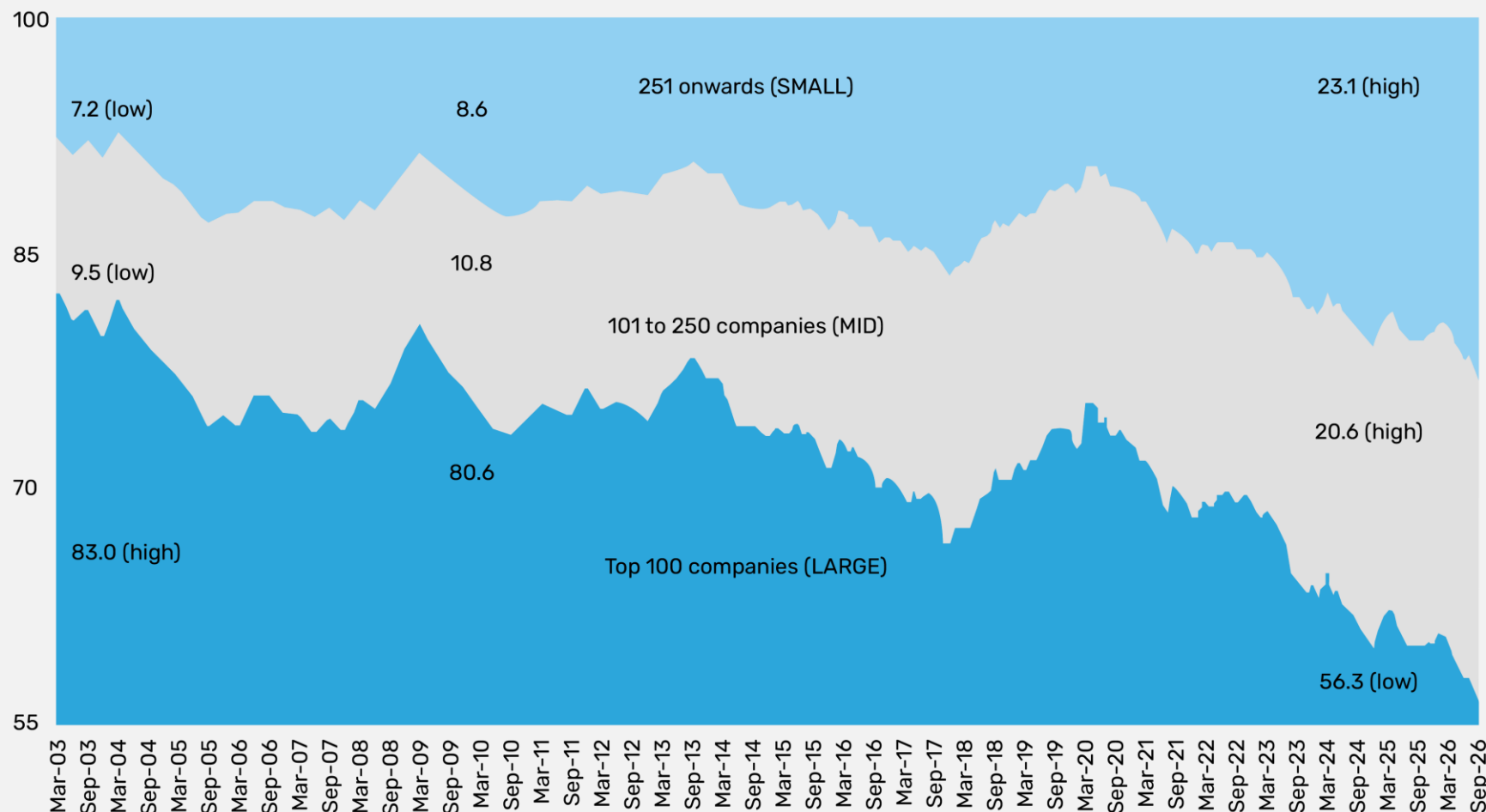
VALUATIONS MODERATE, LED BY LARGE AND MID CAPS



- Valuations have moderated across market caps, easing the premium investors pay for expected earnings.
- Large and mid caps have seen the sharpest correction in valuation multiples, creating a more favourable starting point for selective investing.
- Small-cap valuations have adjusted far less, making earnings visibility and stock selection particularly important.

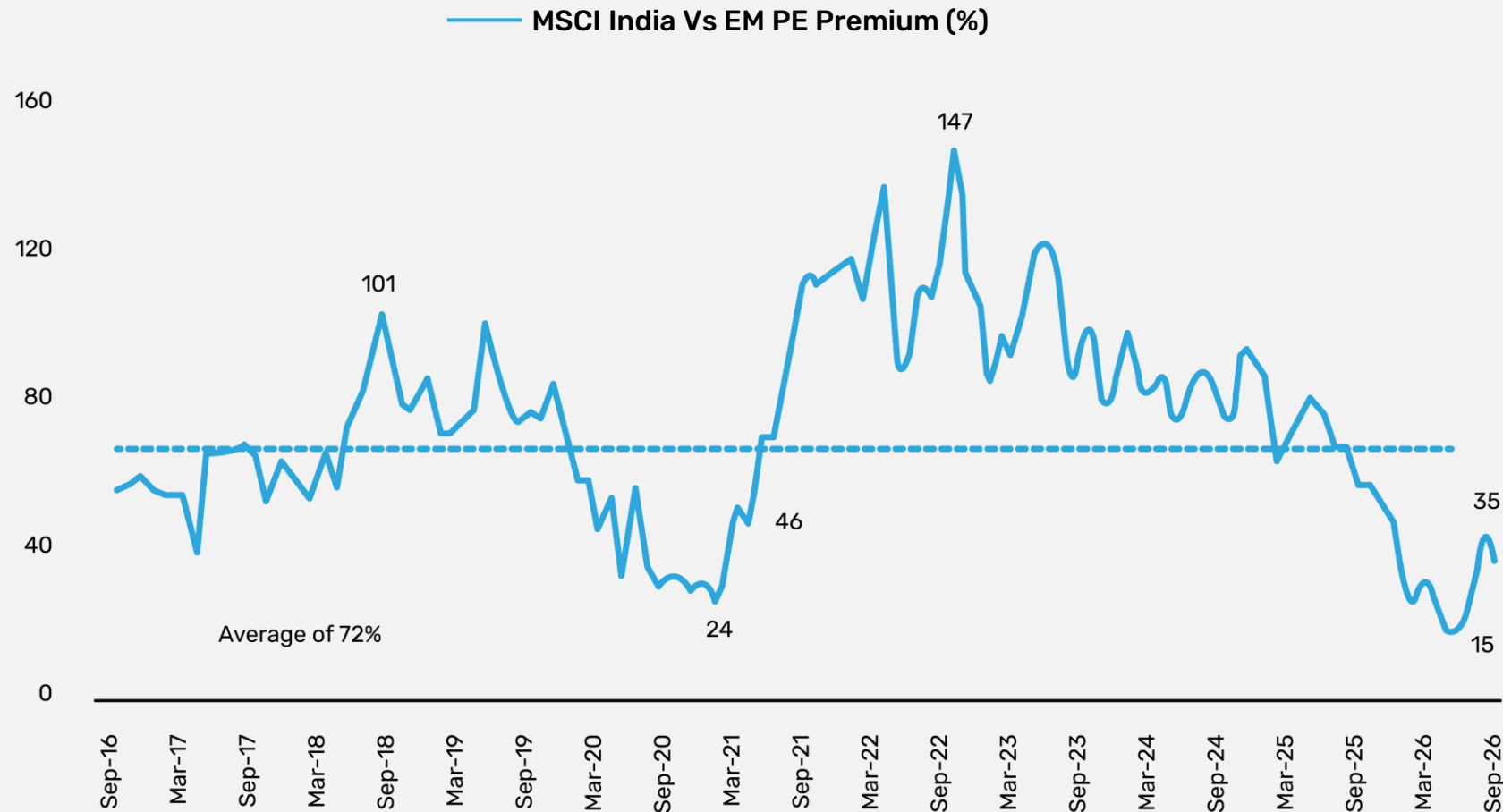
MID AND SMALL CAPS GAIN RECORD MARKET-CAP SHARE

Market cap contribution (%)



- Continued large cap underperformance and strong investor interest in mid and small cap companies, particularly in emerging and high-growth sectors, have shifted market capitalisation toward smaller companies.
- Their combined share reached a record 43.7% in September 2026, while the large cap share fell to a record low of 56.3%.

INDIA'S VALUATION PREMIUM BELOW ITS HISTORICAL AVERAGE



- India's valuation premium over emerging markets has narrowed sharply from its 2022 peak, easing a key concern around relative valuations.
- Despite a recent rebound, the premium remains well below its historical average, indicating that much of the earlier valuation excess has unwound.
- India still commands a premium, but investors now pay considerably less for that distinction, creating a more favourable backdrop if earnings growth holds up.
- The narrower premium supports valuation comfort; sustained market gains will depend on earnings delivery and improving investor confidence.



ECONOMIC CYCLE

Resilient Economy

Growth remains resilient.



EARNINGS CYCLE

Healthy Earnings

Corporate profit growth remains robust.



CREDIT CYCLE

Accelerating Credit

Strong credit activity supports the economy.



VALUATIONS

Cooling Valuations

Froth has eased, improving valuation comfort.



SENTIMENT CYCLE

Subdued Sentiment

Moderate past returns and geopolitical tensions keep sentiment muted.

India's long-term structural story remains intact

INVESTMENT APPROACH

**Staggered
Investment**
Over the next 3–6
months



- Bajaj Finserv Large Cap Fund
- Bajaj Finserv Flexi Cap Fund
- Bajaj Finserv Multi Cap Fund

INVESTMENT APPROACH

Long-term SIP



- Bajaj Finserv Small Cap Fund

INVESTMENT APPROACH

Lumpsum



- Bajaj Finserv Multi Asset Allocation Fund



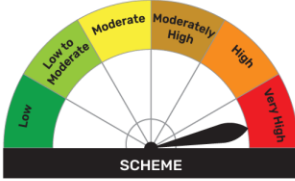
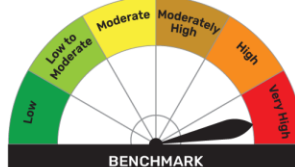
OUTLOOK

- India's long-term fundamentals remain strong, supported by healthy GDP growth, resilient services and manufacturing, and broadening credit growth. Equity valuations have moderated, with India's premium to Asian and emerging-market peers narrowing.
- Near-term volatility has increased as geopolitical tensions, elevated oil prices, higher global yields and rupee weakness weigh on foreign flows and Indian equities. We expect volatility to remain elevated over the next 2-3 months.
- We are strengthening portfolio resilience by lowering beta, increasing large-cap exposure where mandates permit and using hedging selectively, while prioritizing earnings visibility, valuations and liquidity.
- Corrections can offer opportunities for disciplined investors. Consider staggering equity investments over six months through STPs or investing through SIPs in suitable flexi cap and small cap funds; multi-asset allocation funds offer a diversified option for lump-sum investments.
- Stay disciplined through near-term volatility, while remaining invested in India's long-term growth opportunity.

RISK-O-METER AND PRODUCT LABEL

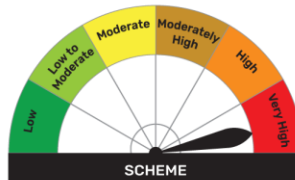
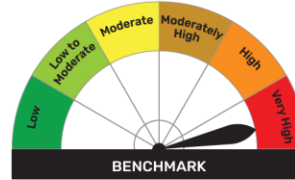
Bajaj Finserv Large Cap Fund

An open ended equity scheme predominantly investing in large cap stocks

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: ● wealth creation over long term ● to invest predominantly in equity and equity related instruments of large cap companies *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 SCHEME The risk of the scheme is very high	 BENCHMARK The risk of the benchmark i.e. Nifty 100 Total Return Index (TRI) is very high

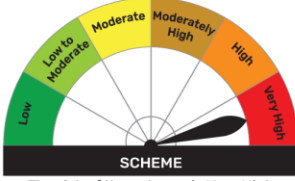
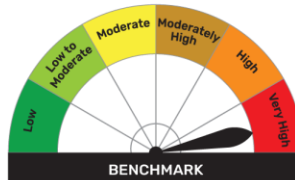
Bajaj Finserv Flexi Cap Fund

An open ended dynamic equity scheme investing across large cap, mid cap, small cap stocks

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: ● Wealth creation/capital appreciation over long term ● Investment in equity and equity related instruments across large cap, mid cap and small cap stocks *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 SCHEME The risk of the scheme is very high	 BENCHMARK The risk of the benchmark i.e. BSE 500 TRI is very high

Bajaj Finserv Multi Cap Fund

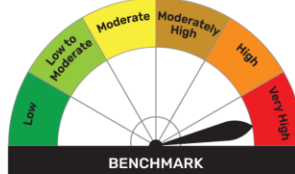
An open ended equity scheme investing across large cap, mid cap, small cap stocks

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: ● wealth creation over long term ● to invest predominantly in equity and equity related instruments of large cap, mid cap, small cap companies. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 SCHEME The risk of the scheme is Very High	 BENCHMARK The risk of the benchmark i.e. Nifty 500 Multicap 50:25:25 TRI is Very High

RISK-O-METER AND PRODUCT LABEL

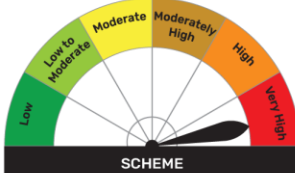
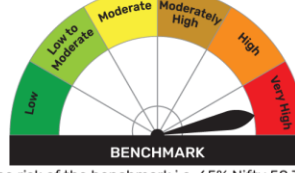
Bajaj Finserv Small Cap Fund

An open ended equity scheme predominantly investing in small cap stocks

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: ● wealth creation over long term ● to invest predominantly in equity and equity related instruments of small cap companies. *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 SCHEME The risk of the scheme is Very High	 BENCHMARK The risk of the benchmark i.e. BSE 250 SmallCap TRI is Very High

BAJAJ FINSERV MULTI ASSET ALLOCATION FUND

An open ended scheme investing in equity and equity related instruments, debt & debt derivatives and money market instruments, Gold ETFs, Silver ETFs, exchange traded commodity derivatives and in units of REITs and InvITs

	SCHEME RISK-O-METER	BENCHMARK RISK-O-METER
This product is suitable for investors who are seeking*: ● Income generation from fixed income instruments ● Wealth creation/Capital appreciation over long term from investments in equity and equity related securities, Gold ETFs, Silver ETFs, exchange traded commodity derivatives (ETCD) and in units of REITs & InvITs *Investors should consult their financial advisers if in doubt about whether the product is suitable for them	 SCHEME The risk of the scheme is very high	 BENCHMARK The risk of the benchmark i.e. 65% Nifty 50 TRI + 25% NIFTY Short Duration Debt Index + 10% Domestic Prices of Gold is very high

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