

OMNIVISTA

SEPTEMBER – 2026



A lower FII ownership share does not necessarily mean lower confidence in India. As domestic participation grows, foreign investors can own a smaller percentage of a much larger market while their absolute investments remain substantial. India's equity market is increasingly supported by domestic capital, reducing its reliance on foreign flows. The real story is not just how much FIIs own, but how the overall ownership structure of Indian equities is evolving. Watch full episode [here...](#)

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SEPTEMBER MONTH OVERVIEW

RESELIENT ECONOMY DRIVES RETURN POTENTIAL

Starting valuations have historically played a key role in shaping future market returns, with lower P/B levels offering greater return potential.

- NIFTY 50 P/B of 2.75 suggests stronger-than-average historical return potential
- Higher valuations can limit future returns and increase long-term risk



OMNIVIEW – SEP 2026

Importance of the Fundamental Equation of Future Returns in Investing



Dr. Vikas V. Gupta

The question at the top of the mind of investors is similar to the tagline from a famous Maruti ad:

Deti kitna hai? (How much will it give?)

This is a difficult question to answer. But there is a formula for this: The Fundamental Equation of Future Returns.

This can be summarized as follows:

Expected Future Return = Div. Yield + Earnings Growth + PE re-rating

Here it is assumed that all the free cash flow is distributed as dividends, net income and free cash flow are similar, and the company is financed primarily through equity.

Let us take an example.

Example 1:

Assume that the stock has:

- Div. Yield of 2%
- Earnings Growth of 12% over the future 10 years
- PE of 20

To estimate whether the PE will de-rate or re-rate, one has to have an idea for the fair PE. Here we share a simple thumb rule which can be used in many cases, but not all. Based on our models, all else being equal, for a company expected to grow at x% p.a. for the long-term in the future, the fair PE is around 2x.

One also needs to have an estimate of how long it will take for the re-rating. We normally assume a 3 year to 5-year horizon. Let us assume 3 years in this case. (One can also test with a scenario of 5 years).

Expected Return = 2% + 12% + $\{(24/20) ^ (1/3)-1\}$ = 2%+12%+6% = 20% CAGR over next 3 years

If this took 5 years instead:

Expected Return = 2% + 12% + 3.7% = 17.7% CAGR over next 5 years

Let us take another example.

Example 2:

Assume that the stock has:

- Div. Yield of 2%
- Earnings Growth of 12% over the future 10 years
- PE of 40

Expected Return = 2% + 12% + $\{(24/40) ^ (1/3)-1\}$ = 2%+12% - 15.66% = -1.66% CAGR over next 3 years

If this took 5 years instead:

Expected Return = 2% + 12% - 9.7% = 4.3% CAGR over next 5 years

In the 3-year case, the de-rating impact is more than the earnings growth and the total return is negative, while in the 5-year case the de-rating impact is high, but the earnings growth and dividend yield still provide some positive returns.

However, the return is very low even while holding over a 3–5-year period.

What we are trying to convey with these examples is that in Example 1 above when the stock was undervalued at a PE of 20 and went to 24 while also getting return contribution from the dividend yield and earnings growth, the total return was alpha generating, while in Example 2, when the stock was severely overvalued at a PE of 40 and de-rated to 24 over a 3 or 5 year period, even with the same dividend yield and earnings growth, the returns were negative or very low and not comparable to the long-term market returns or even FD returns.

Most investors are aware of how many favourite stocks from 5-6 years back which were trading at PEs above 40 or 50, mostly from the consumption sector, have delivered returns similar to Example 2 above.

One should be clear now as why:

Great Companies need not be Great Investments, unless available at a Great Price.

Investors can also use the Fundamental Equation of Future Returns to select stocks, portfolios, and funds. Most of the time the dividend yield and PE ratio of the fund is available. Sometimes the dividend yield might not be available. But one can assume that the dividend yield is anywhere between 0.5% to 2.5%; mostly nearly 1%. Similarly, for a normal fund the earnings growth is around 12%. However, if one think that the fund is a growth fund, one could assume a 15% earnings growth rate, and in rare cases, 18%. Finally, the future fair PE thumb rule, mentioned above, can be used.

This way one can estimate to some extent what to expect from a given fund, portfolio or stock even when one has incomplete information. Of course, the idea here is not to use it for greed, i.e. chasing a fund or stock with high expected returns, but rather for being cautious of overvalued stocks or funds.

The reason is that most investors are attracted to a stock or fund after it has performed well. At that point most likely, the PE is already high, and the fund or stock is overvalued with a high chance of de-rating over the next 3-5 years. If the de-rating happens then the investor faces meagre returns and is likely to be disappointed.

So, use the Fundamental Equation of Future Returns for being conservative.

Watch the Economy, Not Just the Screen: Why Staying Invested, and Adding Gradually, May Make Sense



Ashwini Kr. Shami

Indian markets were in the red in September 2026, with the Nifty 50 index falling more than 5% since the beginning of the month. The Midcap 150 index is lower by nearly 6%, and the Smallcap 250 index is down more than 3%. The last few months have not been easy, with news flow full of worry, and many investors looking at the markets are wondering, "Is something wrong with India?" We believe the answer is a simple no. The Indian economy is progressing with fiscal discipline in place, the corporate and banking systems are growing with strong asset positioning, and GDP is increasing steadily. However, the stock market, especially the large-cap segment, has gone through a rough patch for various reasons that may not be directly related to the Indian economy per se, and some of these are discussed here. We believe investors may consider staying patient and, where it suits their goals and risk profile, adding capital with an investment horizon of 3 to 5 years.

India's real GDP is growing at 7% or more a year, and nominal GDP is growing at 10–12%. Very few large economies can match this pace. Companies are also doing well. As of June 2026, BSE 500 companies are showing sales growth of around 9–10% and profit growth of around 17–18%. Banks are lending more, with the bank loan book clocking high double-digit growth rates. Outstanding loans have grown by ₹52.6 lakh crore in the last two years, from ₹168 lakh crore to ₹221 lakh crore in 2026.

The reason behind the stock market not doing well is not that the Indian economy has become weaker. Global money has moved elsewhere. Large global funds have been chasing AI stocks. India's weight in the MSCI Emerging Markets Index (uncapped) has fallen from about 19.8% in September 2024 to about 16.5% in 2025, and to about 11.9% today. In the same period, Taiwan's (AI play) weight has risen from about 18.5% in 2024 to about 24.8% in September 2026, more than double that of India. This is money chasing the AI trend, not a change in Indian fundamentals. Another way to understand this is to look at the US healthcare sector. It is a strong and useful sector, yet it delivered only about 7% a year while the Nasdaq 100 delivered about 24%. Clearly, there is a move away from non-AI companies to the AI theme in emerging markets as well as in the US market.

Another concern that is widely discussed is Rupee depreciation, which is also, to a large extent, a fallout of FII outflows. Higher inflation expectations in the US have also pushed the 10-year Treasury yield up by more than 50 bps in a month to above 5.2%. This has pulled global funds away from emerging markets, putting further pressure on the Rupee. India has faced pressure from global money flows in the past. In 2013, the steps taken to bring in foreign money mobilized about \$34 billion. In 2026, the same effort has brought in about \$136.4 billion, far above the initial target of \$50–80 billion. Our foreign exchange reserves are at a record high of about \$729.3 billion, which provides a much stronger cushion against global shocks.

Currently, the Nifty 50 trades at a price-to-earning (P/E) multiple of 19.26 and a price-to-book (P/B) multiple of 2.75. One of our studies, released in April this year, evaluated over 25 years of data to understand the relationship between valuations and future returns for the Nifty. It showed that when the Nifty traded in the 2.5 to 3 P/B range, the average annualized returns over the next 3 and 5 years were around 14%, across more than 1,500 such observation periods. From a fundamental viewpoint, the Nifty 50's long-term earnings growth is also expected to be in double digits, in line with nominal GDP growth. Together with an earnings yield of about 5% and the potential for rerating, this takes expected returns higher. With our Scientific Investing Framework, where we focus on mispriced-growth opportunities, we have been able to carve out a portfolio that is fundamentally stronger and available at a nearly 50% discount to market valuations, which may improve the potential for outperformance over the full cycle, though there is no assurance of this.

We suggest that clients consider staying invested through this consolidation phase, in line with their goals and risk profile. The economy and company earnings are growing, and prices usually catch up with earnings in time. Investors with surplus money may also consider adding capital in tranches with a 3–5-year horizon. If you have surplus money, adding it in a few instalments over the coming months can reduce the worry of timing. Our equity strategies remain focused on good businesses with strong earnings growth and sensible valuations. Markets often feel most uncomfortable at times when valuations become more attractive for long-term investors. We have seen this cycle before, and we are confident about the road ahead for patient investors.

MACROECONOMIC INDICATORS

ECONOMIC ACTIVITY:

Macro Trends	Current	Previous	Latest Reported Date
S&P Global Manufacturing PMI	52.8	53.5	01-Sep-26
India Nikkei Services PMI	54.1	53.3	03-Sep-26
Bank loan growth (%)	18.3%	17.7%	28-Aug-26
Deposit growth (%)	14.7%	12.7%	28-Aug-26
India Industrial Production YoY	6.70%	7.3%	28-08-2026 (July)
Trade Balance (E-I) (Billion USD)	-31.98	-30.43	13-08-2026 (July)
Monetary:			
WPI (YoY)	9.78%	9.87%	14-Aug-26
CPI (YoY)	4.45%	4.38%	12-Aug-26
Repo Rate	5.25%	5.25%	Dec 05, 2025
Bank Rate	5.50%	5.50%	Dec 05, 2025

GDP:

Particulars	Q4FY26 (E)	Q1FY27(E)	FY26 (PE)	FY27 (Proj.)
Real GDP growth (%)	7.8%	7.8%	7.7%	6.7%
Nominal GDP growth (%)	9.1%	10.3%	8.9%	10%-11%

OTHER KEY INDICATORS:

Particulars	Aug 31, 2026	July 31, 2026	Change
India 10-yr Bond Yield	6.94%	6.83%	+ 11 bps
USD/INR	95.16	95.39	0.24%
FX Reserves (Billion USD)	729.33	682.35	6.89%
FII Net Buy/-Sell (Rs Cr)	-7985	2514	
DII Net Buy/-Sell (Rs Cr)	4558	34369	
Commodities:			
10g Gold	1,59,610	1,46,600	8.87%
1 Kg Silver	2,55,000	2,35,000	8.51%
Crude Oil (USD/Bbl)	85.76	84.67	1.29%
Lithium (CNY/T)	1,58,500	1,43,000	10.84%
Cobalt (USD/T)	56,290	56,290	0.00%

Particulars	Month	2026	2025	Δ y-o-y (%)
GST Collection (Rs Cr)	Aug	1,68,057	1,55,181	8.3%
UPI Transactions Value (Rs trillion)	Aug	29.82	24.85	20.0%
No of UPI Transactions (Volume in Cr)	Aug	2451	2000	22.6%
Power Generation (BUs)	Aug	144	133	8.3%

Source: OmniScience Insights Lab, <https://in.investing.com/economic-calendar/>,
<https://www.npci.org.in/what-we-do/upi/product-statistics>, <https://tradingeconomics.com>

Equities Market: Performance as of 30th August 2026

Total Returns (%)	1 Month	1 Yr	5 Yr
Nifty 50	-1.14	-0.35	8.32
Nifty Midcap 150	1.79	14.13	17.83
Nifty Smallcap 250	2.62	11.95	16.56

Equities Market: Valuation Metrics as of 30th August 2026

Sectoral Indices	P/E	P/B	Div. Yield
Nifty PSU Bank	7.75	1.19	0.74
Nifty Oil & Gas	10.99	1.37	1.79
Nifty Bank	13.73	1.74	0.68
Nifty Metal	16.06	2.71	1.28
Nifty Financial Services	16.13	2.43	0.95
Nifty IT	19.9	5.49	2.57
Nifty Private Bank	17.44	2.01	0.62
Nifty 50	20.36	2.92	1.17
Nifty 500	22.73	3.27	0.95
Nifty Midcap 150	29.44	4.46	0.58
Nifty Auto	33.51	4.4	1.01
Nifty FMCG	31.93	7.68	1.03
Nifty Smallcap 250	33.9	3.59	0.56
Nifty Realty	38.4	3.95	0.47
Nifty Pharma	42.09	5.11	0.52
Nifty Healthcare Index	44.39	5.49	0.46
Nifty Consumer Durables	65.84	12.46	0.35

Source: OmniScience Insights Labs, <https://www.niftyindices.com/reports/monthly-reports>

Resilient Economy drives Return Potential in an Undervalued Market

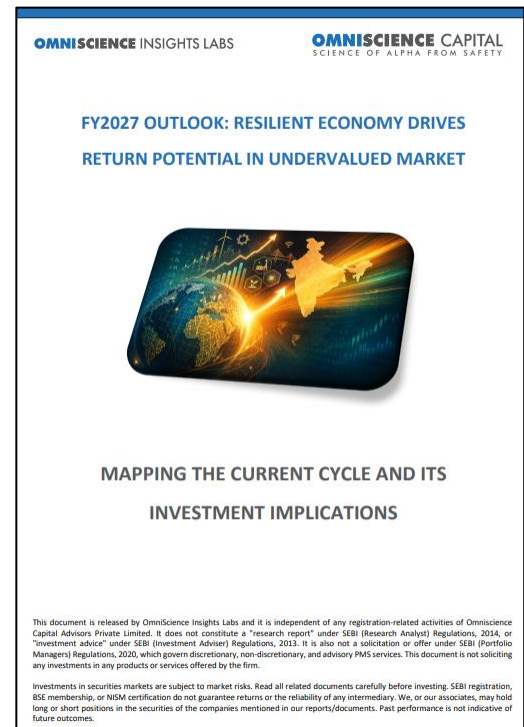
The report examines how starting market valuations have historically shaped forward returns, using NIFTY 50 rolling returns across different P/B bands. With the market remaining stagnant and the analysis now extended through September 2026, the findings provide a timely framework for understanding the relationship between entry valuations and long-term returns.

The analysis shows that lower starting P/B levels have historically provided stronger return potential, while elevated valuations have increasingly capped forward performance. At the current NIFTY 50 P/B of 2.75, the historical evidence points to returns well above long term averages in coming years.

What to Expect from the Report:

- **Historical relationship between starting valuations and forward returns**
- **What the current NIFTY 50 P/B of 2.75 indicates based on historical return patterns**
- **How high starting valuations can create structural headwinds for future returns**
- **A valuation-based framework to navigate the current period of market stagnation and assess long-term risk-reward**

[Download Report...](#)



FII Ownership at a 17-Year Low: Should Indian Investors Be Worried? | Scientific Investment Strategy

FII ownership in Indian equities has fallen to a 17-year low of around 15.8%. But does this mean foreign investors are losing confidence in India, and should Indian investors be worried?

In this video, we put the headline into context and examine what the data really tells us about FII ownership, foreign capital flows, domestic investor participation and the changing structure of Indian equity markets.

We discuss:

- Why the \$50 billion FII outflow needs to be viewed in context
- Why FII ownership percentage can be misleading
- How FII holdings have grown significantly in absolute value over the long term
- The rise of DIIs and retail investors in Indian equity markets
- How financialization of household savings is changing market ownership
- Whether LTCG tax is responsible for FII outflows
- How rupee depreciation affects FII holdings measured in US dollars
- Why global portfolio allocation and the AI boom may have influenced recent FII selling
- Whether India is becoming less dependent on foreign capital

Watch full Video [here ...](#)



OmniScience in the NEWS

1 [India needs \\$435 billion for AI economy](#)

A report by **OmniScience Capital** estimates that India will require an investment of \$350 billion to \$435 billion by 2030 to meet the rapidly growing demand for an Artificial Intelligence (AI)-driven economy. Driven by the demand for cloud computing and digital services, the country is poised to emerge as a key hub in the data centre ecosystem, witnessing unprecedented growth in public infrastructure and capacity.



एआय अर्थव्यवस्थेसाठी भारताला ४३५ अब्ज डॉलरची गरज

नवी दिल्ली : कृत्रिम बुद्धिमत्ता (एआय) आधारित अर्थव्यवस्थेच्या वेगाने वाढणाऱ्या मागणीची पूर्तता करण्यासाठी भारताला २०३० पर्यंत ३५० ते ४३५ अब्ज अमेरिकी डॉलर इतक्या गुंतवणुकीची आवश्यकता भासेल, असा अंदाज ओम्नीसायन्स कॅपिटलच्या अहवालात वर्तवण्यात आला आहे. अहवालानुसार, एआय, क्लाऊड कॉम्प्युटिंग, डिजिटल सार्वजनिक पायाभूत सुविधा आणि डेटा लोकलायझेशनच्या वाढत्या मागणीमुळे देशातील डेटा सेंटर क्षमतेत अभूतपूर्व वाढ होणार असून भारत जागतिक एआय परिसंस्थेतील एक महत्वपूर्ण केंद्र म्हणून उदयास येईल.

एआयचा वाढता वापर, सरकारी डिजिटल उपक्रम, डेटा लोकलायझेशनची गरज आणि क्लाऊड सेवांचा वाढता स्वीकार यामुळे भारतातील डेटा सेंटर उद्योगाला मोठी चालना मिळेल. परिणामी, भारत केवळ देशांतर्गत डिजिटल गरजा पूर्ण करणार नाही, तर जागतिक एआय आणि डिजिटल पायाभूत सुविधा गुंतवणुकीचे महत्वाचे केंद्र म्हणूनही उदयास येईल.

सध्या सुमारे १.६ गिगावॅट (जीडब्ल्यू) असलेली कार्यरत डेटा सेंटर क्षमता १९ ते २३ जीडब्ल्यूपर्यंत वाढवावी लागेल. यामध्ये पारंपरिक डेटा सेंटरसाठी १२-१५ जीडब्ल्यू, एआय मॉडेल ट्रेनिंगसाठी २-३ जीडब्ल्यू आणि एआय इन्फरन्ससाठी ५-६ जीडब्ल्यू अतिरिक्त क्षमतेची आवश्यकता असेल.

2 [Share Market News: Want good returns from the stock market? Dr. Vikas V Gupta says..](#)

According to **Dr. Vikas V Gupta**, the growth of a country's economy and the increase in corporate profits have a major impact on the stock market. If the economy is growing rapidly, the industrial sector is performing well and corporate profits are increasing, then the stock market is likely to remain positive in the long run.



Share Market News: Want good returns from the stock market? Dr. Vikas V Gupta says...

By Riddhi Vanne Updated On: Aug 06, 2026 | 03:59 PM IST

Summary

Share Market News: Choosing the right companies, long-term thinking and patience are important to get good returns while investing in the stock market. Many investors take risks in an attempt to make big profits in a short period of time.

3 [FPIs Warm Up to IT, Turn Net Buyers for First Time in 2026](#)

Vikas Gupta, CEO at OmniScience Capital, said the shift may reflect tactical trades. "The current selling of financial services and buying into IT could be reflecting a short-term trade. There is significant uncertainty about mediumterm revenues and profits of IT companies, while financial services show clearer growth visibility." Gaikar said while pressure in IT haseased, he would wait a few more fortnights before calling a bottom for these stocks.



4 [India needs \\$350.435 billion investment in AI and data center infrastructure: Report](#)

Omniscience Capital today released its latest report, which states that India will require an investment of US\$350-435 billion by 2030 to meet the rapidly growing demand of an artificial intelligence-based economy. According to the report, the growing demand for AI, cloud computing, digital public infrastructure and data localization will drive unprecedented expansion of data center capacity in the country and play a key role in establishing India as a major hub in the global AI ecosystem.



भारत को एआई एवं डेटा सेंटर इंफ्रास्ट्रक्चर में 350-435 अरब डॉलर के निवेश की जरूरत: रिपोर्ट

नई दिल्ली, (बीएन)। ओम्नीसाइंस कैपिटल ने आज अपनी नवीनतम रिपोर्ट जारी की, जिसमें कहा गया है कि कृत्रिम बुद्धिमत्ता आधारित अर्थव्यवस्था की तेजी से बढ़ती मांग को पूरा करने के लिए भारत को वर्ष 2030 तक 350 से 435 अरब अमेरिकी डॉलर के निवेश की आवश्यकता होगी। रिपोर्ट के अनुसार, एआई, क्लाउड कंप्यूटिंग, डिजिटल पब्लिक इंफ्रास्ट्रक्चर और डेटा लोकलाइजेशन की बढ़ती मांग देश में डेटा सेंटर क्षमता के अभूतपूर्व विस्तार को गति देगी तथा भारत को वैश्विक एआई इकोसिस्टम में एक प्रमुख केंद्र के रूप में स्थापित करने में महत्वपूर्ण भूमिका निभाएगी। रिपोर्ट के अनुसार, भारत की परिचालन डेटा सेंटर क्षमता को मीजूदा लगभग 1.6 गीगावाट से बढ़ाकर 19-23 गीगावाट तक ले जाना होगा। इसमें पारंपरिक डेटा सेंटरों के लिए 12-15 गीगावाट एआई मॉडल ट्रेनिंग के लिए 2-3 गीगावाट तथा एआई इंफरेंस के लिए 5-6 गीगावाट अतिरिक्त क्षमता की आवश्यकता होगी। इस लक्ष्य को प्राप्त करने के लिए ऊर्जा, अवसंरचना, हार्ड-परफॉर्मेंस कंप्यूटिंग, फाइबर नेटवर्क, उन्नत कूलिंग सिस्टम और सेमीकंडक्टर इकोसिस्टम में बड़े पैमाने पर निवेश आवश्यक होगा। रिपोर्ट का अनुमान है कि एआई इंफ्रास्ट्रक्चर में होने वाला निवेश केवल डेटा सेंटर निर्माण तक सीमित नहीं रहेगा, बल्कि इससे ऊर्जा, डिजिटल कनेक्टिविटी, क्लाउड सेवाओं, रियल एस्टेट, सेमीकंडक्टर, इंजीनियरिंग और औद्योगिक विनिर्माण सहित अनेक क्षेत्रों में नए अवसर सृजित होंगे। यह निवेश भारत की डिजिटल अर्थव्यवस्था को नई गति देने के साथ-साथ वैश्विक निवेशकों के लिए भी महत्वपूर्ण अवसर प्रस्तुत करेगा।

5 [Chaotic Debut: How SEBI's Closing Auction Reform Fared In Its First Week](#)

"The slight divergence in Sensex and Nifty closing values is not arbitrary but stems from multiple structural set ups including independent order books, different liquidity depth, and decoupled randomised closing timestamps at NSE and BSE during the call auction period," said **Ashwini Shami**, President & Chief Portfolio Manager at Omniscience Capital.



6 [Small-caps steal the show as equities extend gains](#)

Broadening the sectoral perspective, **Ashwini Shami**, president and chief portfolio manager at **OmniScience Capital**, said capital goods and infrastructure companies reported expanding order books and healthy execution in the June quarter. "Easing geopolitical tensions in West Asia have stabilized commodity prices and could reduce input costs for automobile and metal companies," Shami said.



7 [SIP inflows hit four-month high at Rs 31,961 crore in July, despite market volatility: AMFi Data](#)

Vikas Gupta, CEO & Strategist, OmniScience Capital, said retail investors continued to focus on mid and small cap equities, while large cap and flexi cap categories remained comparatively behind in terms of inflows. "The focus on mid and smallcap equities remains with retail investors. Comparatively large cap and flexicap are behind in terms of inflows. Possibly indicates chasing earnings and stock price momentum by the retail," Gupta said.



8 [AMFI July 2026 data: Small-cap fund inflows jump 39% as equity flows moderate; debt sees major turnaround](#)

Vikas Gupta, CEO & Strategist, OmniScience Capital, remained cautious. "The focus on mid- and small-cap equities remains with retail investors. Comparatively, large-cap and flexi-cap are behind in terms of inflows." He said this could indicate retail investors are chasing earnings and stock-price momentum. Gupta warned that small- and mid-cap indices have significantly high PEs, suggesting the underlying stocks could be overvalued. "The day earnings slow down will be the beginning of significant falls in stock prices," he said, urging investors to consider this risk at current valuations.



AMFI July 2026: Small-cap fund inflows jump 39% even as equity flows moderate; debt sees major turnaround (AI-generated image)

9 'Completely mispriced': Why Vikas Gupta sees PSU banks offering the highest alpha potential

According to **Vikas Gupta**, the CEO and Chief Investment Strategist at OmniScience Capital, the PSU banks have the highest alpha-generation potential over the mid-term. In fact, his favourite remains the banking sector, with the cleanest balance sheets in decades, finding double digit asset and revenue growth and available at significant discounts to their intrinsic values. This is the most important theme that is completely mispriced right under the nose of Mr. Market, he said in an interview to Moneycontrol.



10 Indian equities open lower, Sensex falls over 300 points, Nifty below 24,300 amid geopolitical tensions, elevated crude prices.

Giving a broader outlook on the equity markets, **Ashwini Shami**, President and Chief Portfolio Manager, OmniScience Capital, noted, "The geopolitical tensions in the Middle East remain elevated this week, impacting crude oil and global commodity prices. Inflation numbers cooled slightly in both India and the US."



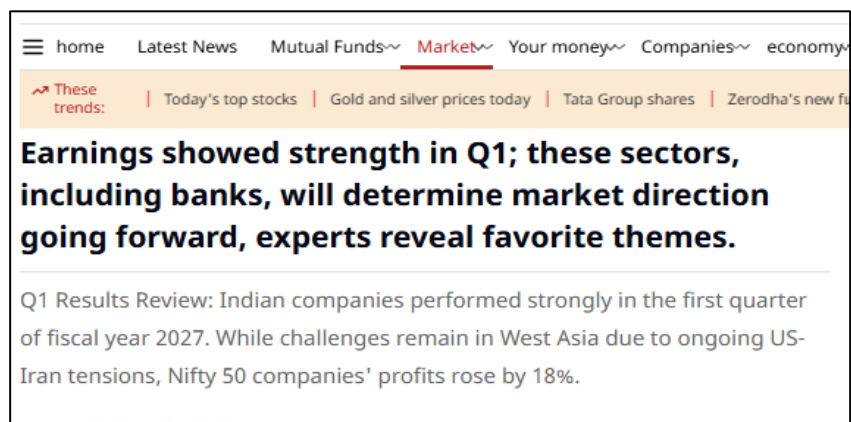
11 [Foreign Investors Continue to Buy, Financials Top the List](#)

"Financial services is one of the sectors which has very clear growth visibility over the next 3-5 years and is significantly undervalued. It can be a pick for the long term oriented FPIs," said **Vikas Gupta, CEO at OmniScience Capital**. "IT seems more like a tactical trading bet given the huge uncertainty in terms of manpower, revenues and earnings predictably from a 5-year perspective." Gupta said that assuming that FPIs continue allocating to India, this is probably an initial positive trickle indicative of a turnaround phase in sentiment towards India and non-AI allocations.



12 [Earnings showed strength in Q1; these sectors, including banks, will determine market direction going forward, experts reveal favorite themes.](#)

Meanwhile, Vikas Gupta, CEO & Strategist at OmniScience Capital, believes that the strong Q1 numbers indicate that earnings growth for non-oil and gas companies could be 15 to 20 percent in FY27.



13 [PSU banks face margin squeeze despite powerful valuation upside](#)

OmniScience described banking as "completely mispriced", arguing that PSUBank balance sheets are among their cleanest in decades. Macro tailwinds endure India's resilient domestic economy provides another earnings tailwind. The GDP growth above 7% remains achievable this fiscal year, even if West Asian tensions persist, provided other growth drivers remain supportive.



FUNDING COSTS BITE | Clean balance sheets confront borrowing pressures

PSU banks face margin squeeze despite powerful valuation upside

Business Desk
MUMBAI

India's state-owned banks are entering a tougher liability-management cycle, where robust credit expansion and repaired balance sheets are colliding with heavier dependence on wholesale borrowings that threatens to compress spreads, according to a report by Bernstein on Friday.

Bernstein, the global investment research and brokerage firm, expects healthy FY27 banking growth on abundant system liquidity and recovering nominal credit demand. It cautions, however, that PSBs' funding mix could become their principal earnings pressure point as private lenders accelerate deposit mobilisation. With the loan-growth

gap narrowing to barely one percentage point, the competitive battleground is shifting from asset expansion towards liability-franchise strength, cost-of-funds discipline and the ability to defend net interest margins without sacrificing credit momentum.

Liability costs bite
Private banks continued gaining traction during the quarter, narrowing their loan-growth deficit with PSBs to around one

percentage point while extending their advantage in deposit growth and market share.

PSBs, by contrast, remained more dependent on borrowings to bankroll credit expansion, potentially exposing spreads to funding-cost pressure. Nevertheless, state-owned lenders continued outperforming private peers on net interest income growth, aided by favourable shifts in their loan mix.

Profitability trends diverged, with PSBs recording sequential improvement in return on assets while private-bank performance remained mixed. Bernstein expects margins to remain broadly stable after deposit repricing largely ran its course. Higher policy rates could provide incremental NIM support, although monetary tightening later in FY27 could temper credit momentum.

Valuation discount beckons
Meanwhile, OmniScience Capital offered a more bullish investment thesis, describing banking as India's most compelling equity opportunity and identifying PSBs as possessing particularly strong medium-term alpha-generation potential.

The firm remains over-weight PSU, large private and mid-cap private banks, citing repaired balance sheets, double-digit asset and revenue growth and valuations materially below intrinsic value.

OmniScience described banking as "completely mispriced", arguing that PSU-bank balance sheets are among their cleanest in decades.

Macro tailwinds endure
India's resilient domestic economy provides another earnings tailwind. The GDP growth above 7% remains achievable this fiscal year, even if West Asian tensions persist, provided other growth drivers remain supportive.

14 [Chief portfolio manager explains why new-age stocks are not a strong investment bet at current levels](#)

Ashwini Shami of OmniScience Capital sees this market consolidation phase as an accumulation window for disciplined, long-term investors to deploy capital into high-quality growth opportunities available at attractive relative valuations.



Daily Voice: Chief portfolio manager explains why new-age stocks are not a strong investment bet at current levels

Ashwini Shami of OmniScience Capital sees this market consolidation phase as an accumulation window for disciplined, long-term investors to deploy capital into high-quality growth opportunities available at attractive relative valuations.

SUNIL SHANKAR MATKAR | AUGUST 22, 2024 / 05:07 IST

Ashwini Shami is the President and Chief Portfolio Manager at OmniScience Capital.

15 [Expert view: FPIs turn positive on India | OmniScience Capital CEO sees non-AI diversification boosting inflows](#)

Vikas Gupta, CEO of OmniScience Capital, discusses the recent positive shift in Foreign Portfolio Investors (FPIs) towards Indian equities. With a focus on non-AI diversification and strong growth sectors, Gupta outlines a hopeful outlook for the Indian market amid global inflation pressures.



16 [India can reach a \\$5.1 trillion economy by FY29 as growth strengthens: Omniscience Capital](#)

India's economy could reach \$5.1 trillion by FY29, according to OmniScience Capital. Stronger real growth and healthier balance sheets support this expansion. The pandemic and rupee depreciation had previously delayed this \$5 trillion ambition. Real GDP growth averaged 7.4% between FY22 and FY26. An optimistic scenario projects India's GDP reaching \$5.9 trillion by FY29.



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