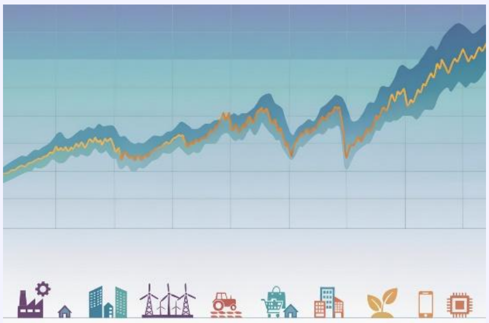
PL Capital
PRABHUDAS LILLADHER

Quants

Navigating Crests & Troughs

December 12, 2025



Monthly sectoral PE trend

This report reviews one-year forward price-to-earnings (PE) ratios for key sectors over the past decade. It highlights how valuations have moved through different cycles and compares current levels with historical trends to provide a clear view of sector positioning. We have chosen companies from the BSE 500 index as our sample.

- **Automobile & ancillaries:** FY23 had a higher base post Covid recovery, weaker macro and global environment, supply chain issues, stricter emission norms, with higher interest rates, leading to declining profitability. Valuations improved by FY24 end with vehicle premiumization and commodity costs moderating, thereby boosting profitability, with upbeat overall macro scenario. Now, with GST rationalization and reduced interest rates, there is a surge in auto sales, which is driving the rating upward.

- **Capital goods:** Post Covid, the industrial upcycle, led by strong public as well as private capex, resulted in stronger execution and better operating leverage, driving profitability across companies engage in the manufacturing of industrial machinery, electrical equipment and infrastructure projects.

- **Chemicals:** The sector PE stayed below its long-term average until 2020, surged sharply in 2021–22 on post-COVID recovery and China+1 tailwinds, and peaked near historical highs in 2023. Since then, valuations have moderated and are now close to the long-term average, reflecting normalization largely due to tepid growth across chemical companies impacted due to global agrochemical slowdown as well as cheap dumping from China.

- **Construction materials:** PE has reverted to its long-term average as earnings normalized post-Covid, supported by steady demand recovery and infrastructure-led growth. With no extraordinary triggers and moderated volume expectations, valuations now reflect historical norms, rather than extremes.

- **Consumer durables:** FY25 delivered strong earnings for RAC brands and contract manufacturers, supported by a low base in FY24, exceptionally harsh summers, and robust primary and secondary sales that improved margins. This weather-driven demand spike, combined with easing input costs, led to a sector-wide rerating. However, H1FY26 saw the cycle reverse, as a milder summer onset, weak consumer sentiment, and elevated channel inventory resulted in subdued consumer demand.

- **Electricals:** The wires & cables segment experienced a revenue and earnings uplift from FY23-25 driven by an industry-wide capex cycle across power infrastructure, renewables, manufacturing and utilities. Subsequently, the sector's valuation multiples corrected around Feb'24, following the announcement of a large new entrant, which led to concerns about potential competitive intensity, future pricing pressure, and market share redistribution. These factors led to a contraction in PE multiples.

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- **FMCG:** One-year forward PEs for the sector rose steadily from Mar'22 to a peak in Nov'24 as investors sought defensives amid post-Covid recovery, benign input costs, and improving rural sentiment. Post-Nov'24, these elevated multiples corrected as volume growth softened, inflation persisted in rural markets, commodity costs turned volatile and competitive intensity from regional/e-commerce players drove earnings downgrades. More recently, partial recovery in rural consumption and easing inflation coupled with favorable macro environment have helped stabilize earnings visibility, which is why PE is now hovering around its long-term average.

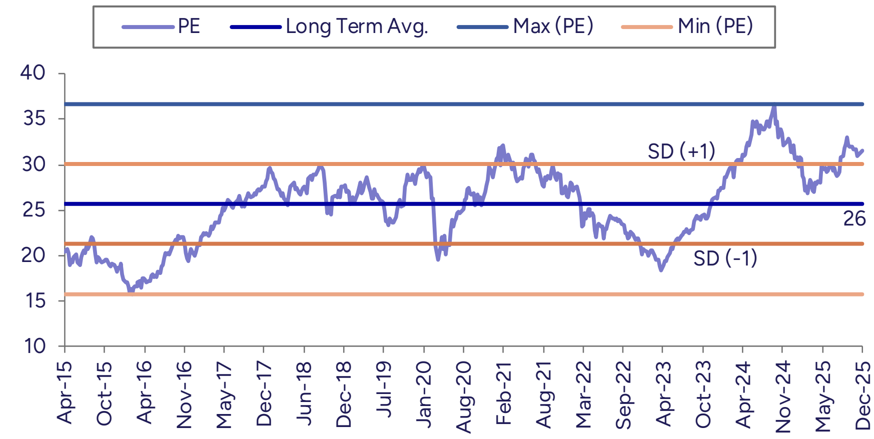
- **Healthcare:** Healthcare sector valuations continue to trade above their long-term averages over last 2 years given stable US pricing, resilient domestic demand, INR depreciation, and controlled input costs. We believe the sector's PE has limited room to re-rate forward and sector performance will be driven largely by earnings trajectory**.**

- **IT:** IT services' PE multiples have corrected meaningfully in the last year amid macro uncertainty, tariff risks, and absence of a revival in discretionary tech spending, pushing valuations toward their long-term mean PE band. However, as macro conditions stabilize, deal momentum remains steady, and traction in AI-led programs increases, growth visibility is gradually improving (with some segment-level exceptions). These factors are supporting an early and gradual uptick in the sector's PE trajectory.

- **Logistics:** The PE band chart for the logistics sector shows that valuations have moved down to the lower band, below the long-term average. Similar declines have happened before during periods of weak economic activity.

Automobile & Ancillaries

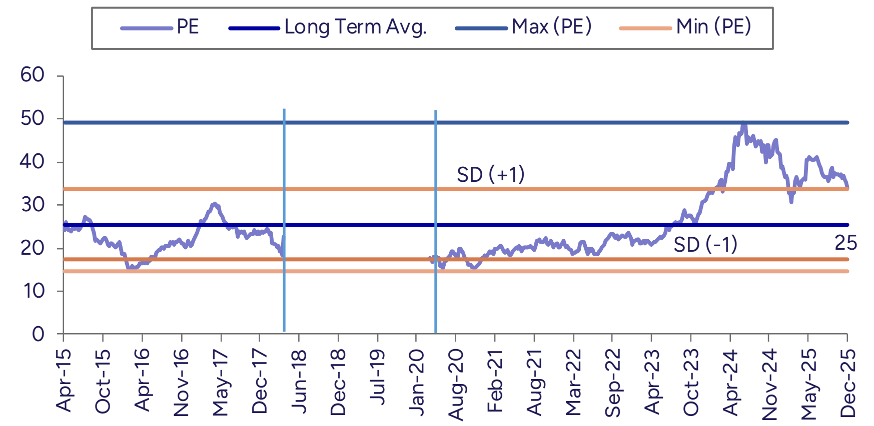
Exhibit 1: One-year forward PE of automobile & ancillaries trading at 31x



Source: Company, PL

Capital Goods

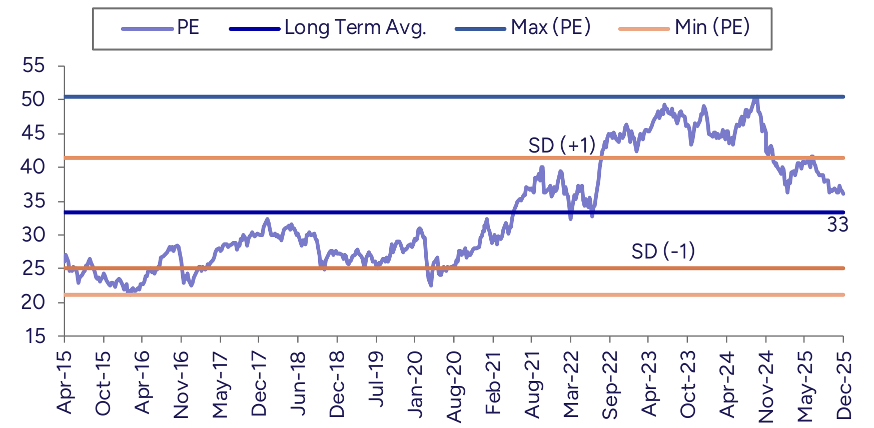
Exhibit 2: Capital goods trading at 34x of one-year forward PE



*Source: Company, PL; * Unusual spike seen in PE from Mar'18 to Apr'20 due to sharp PAT decline in a few companies like BHEL, Graphite India Ltd, and Suzlon Energy Ltd*

Chemicals

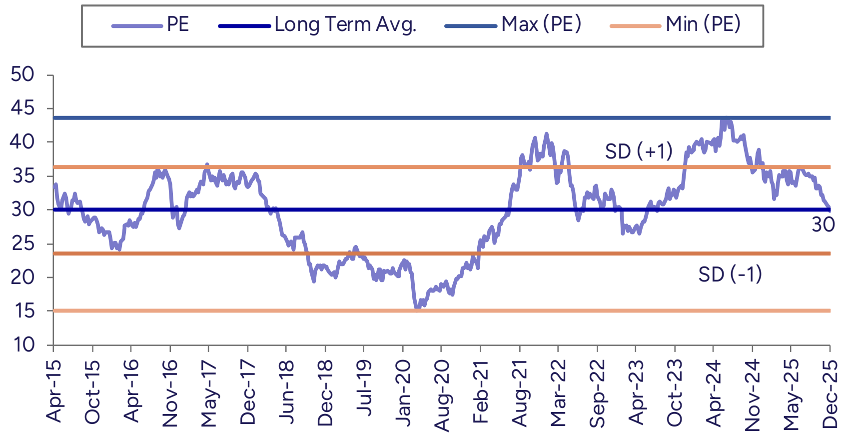
Exhibit 3: Chemicals trading at 36x of one-year forward PE



Source: Company, PL

Construction Materials

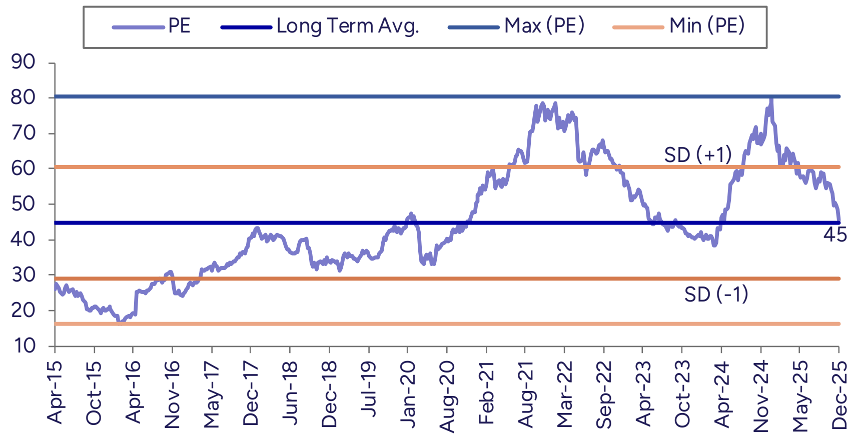
Exhibit 4: Construction materials trading at long-term mean at one-year forward PE



Source: Company, PL

Consumer Durables

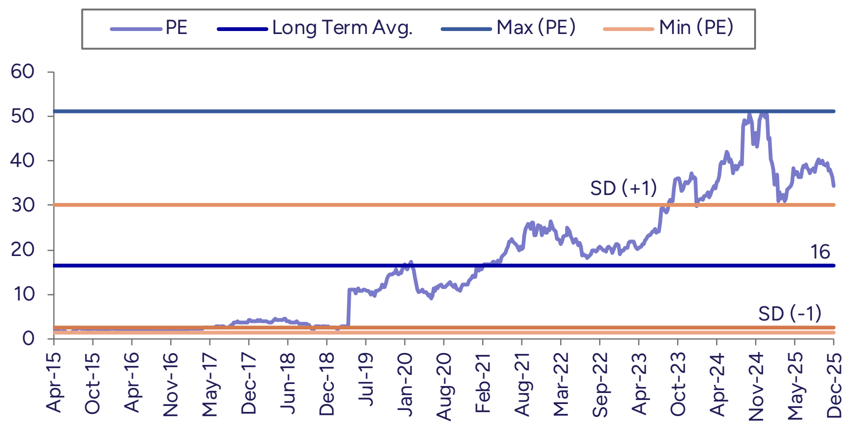
Exhibit 5: Consumer durables trading at long-term mean at one-year forward PE



Source: Company, PL

Electricals

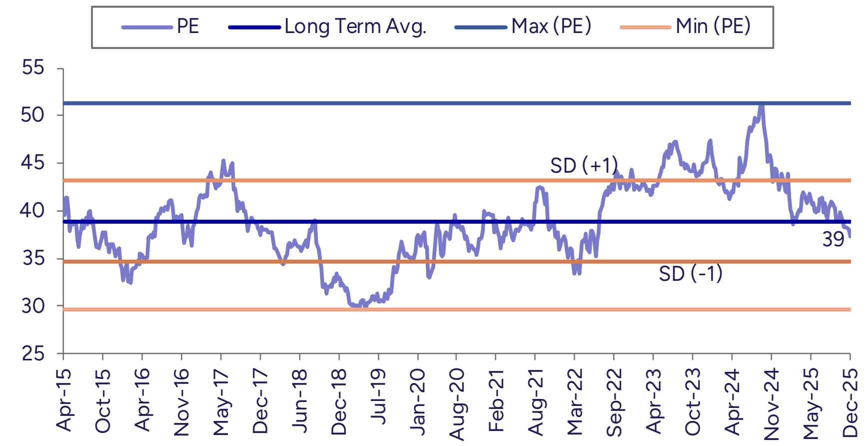
Exhibit 6: One-year forward PE of electricals trading at 34x



Source: Company, PL

FMCG

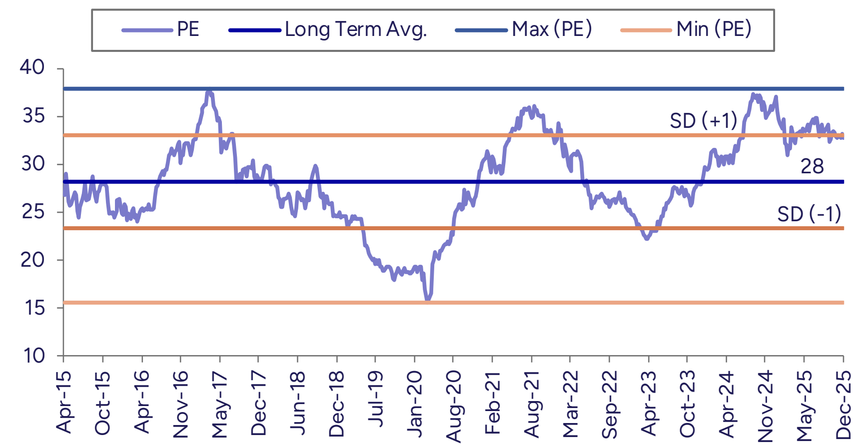
Exhibit 7: FMCG trading at 37x of one-year forward PE



Source: Company, PL

Healthcare

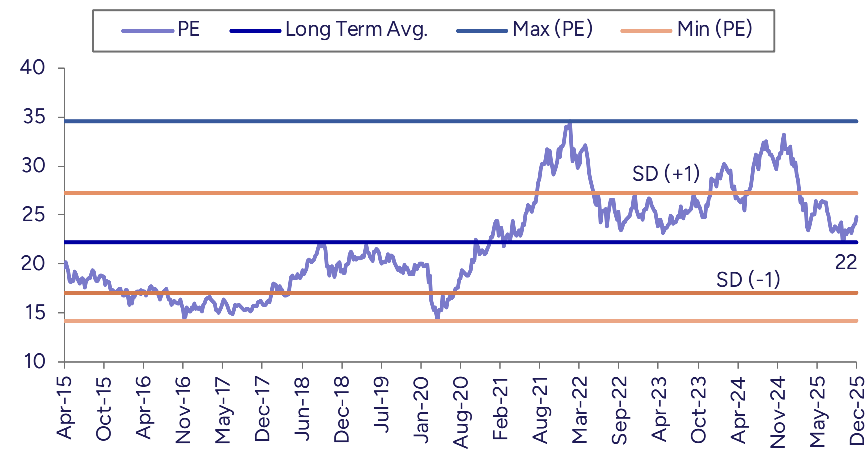
Exhibit 8: One-year forward PE of healthcare trading at 33x



Source: Company, PL

IT

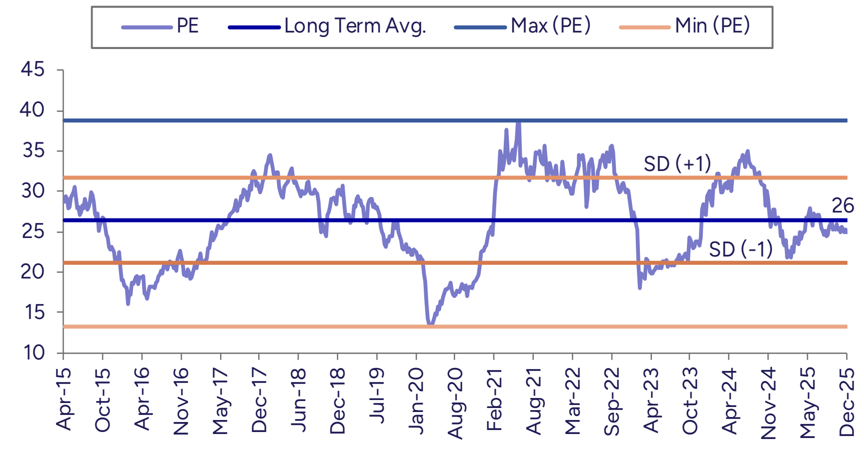
Exhibit 9: One-year forward PE of IT trading at 25x



Source: Company, PL

Logistics

Exhibit 10: Logistics trading at 25x of one-year forward PE



Source: Company, PL

PL's Recommendation Nomenclature

Buy	:	> 15%
Accumulate	:	5% to 15%
Hold	:	+5% to -5%
Reduce	:	-5% to -15%
Sell	:	< -15%
Not Rated (NR)	:	No specific call on the stock
Under Review (UR)	:	Rating likely to change shortly

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