



Equity ETF Picks

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Picking the right cherries

Summary

- In this inaugural edition of our Equity ETF Picks report, we look at three key themes – automobile, PSU banks and the Nifty 50 itself. Riding on the strength of these, we have also recommended apt ETF picks.
- The auto sector is set to race ahead led by GST rate cuts, better rural sentiment, government's infrastructure spending and rising disposable incomes
- PSU banks are transforming structurally, marked by robust profitability and a historic improvement in asset quality; they are reclaiming market share from private peers, particularly in the MSME and corporate lending segments
- The Nifty 50's path is blazed by earnings acceleration, lack of macroeconomic imbalances, sustainable rock-solid domestic inflows; valuations are cheaper versus the start of 2025..

Automobiles sector:

Automobile industry is at an inflection point after the government rationalized GST rates across automobile categories. Prices declined for cars, two-wheelers and commercial vehicles, providing an immediate boost to demand, particularly at the entry level.

India's automobile industry wrapped up 2025 on an impressive high, with leading manufacturers reporting strong year-on-year growth in December. Healthy consumer demand, improved rural sentiment and continued government infrastructure spending helped sustain the industry's positive momentum through the final quarter of the year. Major automakers such as Maruti Suzuki, Mahindra & Mahindra and Tata Motors recorded robust domestic sales, supported by favourable macroeconomic conditions and rising disposable incomes. Two-wheeler players also recorded encouraging growth, reflecting revived urban mobility demand and sustained traction in semi-urban and rural markets. Strong festive season momentum, stable financing conditions and consumer preference for feature-rich models further underpinned performance across categories.

Tractor players yet again clocked growth in December, driven by several factors. Recent government policies that encourage tractor buying, reduction in GST on tractors, ongoing state subsidies, a strong Kharif harvest, and an increase in Rabi planting all supported the tractor industry's continued record growth into December.

With these positive levers of low vehicle penetration, GST rate cut, eighth pay commission rollout and lower interest rates auto sector is well posed for double-digit value growth over the next 3-5 years. Underlying premiumisation trend remains unabated. Commercial vehicle segment is also undergoing a structural demand leading to next upcycle. Supportive factors such as improving freight rates, GST cuts, Reducing average fleet age help improve traction for commercial vehicles. An uptick in infrastructure spending, healthier demand indicators across segments and new model launches across powertrains further strengthen the near-term outlook. LCV demand has already picked up well post the GST cuts, and exports are gradually improving, thereby providing additional tailwinds.

Preferred auto ETFs

ETF	NAV	Asset (Cr)	Exp ratio	1m Return	3M return	1yr return	3 yr return
Nippon Auto ETF	296.4	452	0.22%	3.24%	7.69%	23.868%	131.77%
ICICI Pru Nifty Auto ETF	29.7	175	0.20%	3.44%	8.06%	24.21%	133.41%

Source: Mirae Asset Sharekhan Research

PSU Banks:

Indian PSU banks are currently undergoing a structural transformation, marked by robust profitability and a historic improvement in asset quality. By March 2025, aggregate GNPA ratios plummeted to approximately 2.58%, down from a 2018 peak of 14.6%, showing strong balance sheets. Driven by governance reforms and aggressive digitalization, PSBs are successfully reclaiming market share from private peers, particularly in the MSME and corporate lending segments. Despite a sluggish credit environment, PSBs have leveraged stable funding profiles to maintain competitive NIMs and benefit from treasury gains. Credit cost is expected to be benign on steady asset quality which will add up for the profitability.

With credit growth projected to reach 11-11.5% for FY2026, PSBs offer a compelling risk-reward profile supported by favourable valuations and strong capital adequacy. As credit costs stabilise and corporate borrowing revives in H2FY26, the sector is well-positioned for sustained core profitability and outperformance in the broader market.

Preferred PSU bank ETF picks

ETF	NAV	Asset (Cr)	Exp ratio	1m Return	3M return	1yr return	3 yr return
Nippon Nifty PSU bank ETF	97.8	4050	0.49%	4.67%	15.2%	38.57%	104.65%
Kotak Nifty PSU bank ETF	878.0	2322	0.49%	5.09%	15.82%	38.71%	105.03%
SBI BSE PSU bank ETF	51.2	866	0.25%	2.0%	16.04%	20.65%	--

Source: Mirae Asset Sharekhan Research

Nifty 50:

The setup for H2FY26 and FY27 is much better than in 2025. Markets are broadly 20% cheaper in terms of valuations as compared to the start of 2025. Indian corporates in the longer term are likely to deliver earnings growth in line with a nominal GDP growth of 10-11% and the same should be reflected in performance of benchmark indices. Earnings acceleration, no macroeconomic imbalances, sustainable rock-solid domestic inflows. With all the aforementioned positives, we that believe Indian markets offer a better risk-reward ratio. Historically, the Nifty 50 has consistently risen up in the long term, reflecting the overall growth of the Indian economy. The investment thesis assumes that India's economic expansion will continue, driving the performance of the top 50 companies and, by extension, the Nifty 50 ETF.

Preferred Nifty 50-based ETF Picks

ETF	NAV	Asset (Cr)	Exp ratio	1m Return	3M return	1yr return	3 yr return
SBI Nifty 50 ETF	279.9	218948	0.04%	0.0%	5.32%	11.57%	50.19%
UTI Nifty 50 ETF	288.0	70427	0.05%	0.1%	5.25%	11.86%	50.31%
Nippon Nifty 50 ETF	296.0	56726	0.04%	0.0%	5.29%	11.93%	50.21%

Source: Mirae Asset Sharekhan Research

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