Impact of the Current Market Scenario on Mr. X's Portfolio

Large Cap Companies:

1. **HDFC Bank Ltd (Banking Sector)**:
   - **Interest Rate Changes**: With reduced interest rates, borrowing costs decrease, potentially increasing loan demand and profitability for banks. However, lower interest rates may also squeeze net interest margins.
   - **Political Change**: If the opposition wins, increased corporate taxes and reduced privatisation could negatively impact the banking sector's profitability and growth.
2. **ITC Ltd (FMCG Sector)**:
   - **Interest Rate Changes**: Lower interest rates may have a limited direct impact on FMCG companies, but increased consumer spending due to cheaper loans can boost sales.
   - **Political Change**: Higher corporate taxes could reduce profitability. However, FMCG companies typically have stable demand, making them less vulnerable to political shifts.
3. **Reliance Industries (Conglomerate)**:
   - **Interest Rate Changes**: Reliance's diversified portfolio means that reduced borrowing costs could benefit its various business arms, including telecom, retail, and petrochemicals.
   - **Political Change**: Increased taxes and reduced privatisation could impact its industrial and telecom segments. However, its strong market position may mitigate some of these effects.

Mid Cap Companies:

1. **IDFC Bank Ltd (Banking Sector)**:
   - **Interest Rate Changes**: Similar to HDFC, lower interest rates can increase loan demand but may squeeze margins.
   - **Political Change**: Smaller banks might struggle more with higher taxes and reduced government support for privatisation.
2. **TVS Motor Company (Auto Sector)**:
   - **Interest Rate Changes**: Lower interest rates can boost consumer auto loans, increasing sales. However, there's a lag before this demand materialises.
   - **Political Change**: Increased corporate taxes could hurt profitability. If the opposition reduces privatisation, it might impact the availability of investment for expansion.
3. **Aarti Industries (Chemicals Sector)**:
   - **Interest Rate Changes**: Lower borrowing costs can reduce operational expenses and support expansion.
   - **Political Change**: The chemicals sector could face challenges with higher corporate taxes and reduced government support for privatisation.

Small Cap Companies:

1. **Castrol India Ltd (Auto Ancillary)**:
    - **Interest Rate Changes**: Lower interest rates can indirectly benefit through increased auto sales, boosting demand for auto ancillaries.
    - **Political Change**: Higher taxes could strain profitability, and a shift away from privatisation might limit growth opportunities.
2. **Birlasoft Ltd (IT Sector)**:
    - **Interest Rate Changes**: Reduced rates have minimal direct impact, but increased economic activity can drive demand for IT services.
    - **Political Change**: IT companies are less affected by political changes due to their global client base, but higher taxes could still impact margins.
3. **Glenmark Pharmaceuticals (Pharmaceuticals Sector)**:
    - **Interest Rate Changes**: Lower borrowing costs can aid in funding R&D and expansion.
    - **Political Change**: The pharmaceutical sector is relatively insulated from political changes, but increased taxes could still affect profitability.

Rebalancing Measures:

Eliminate or Reduce Exposure to Vulnerable Sectors:

1. **Reduce Exposure to Banking Sector**:
    - **Reason**: Both HDFC Bank and IDFC Bank may face margin compression due to lower interest rates and potential profitability challenges due to higher corporate taxes.
    - **Action**: Consider reducing holdings in HDFC Bank Ltd and IDFC Bank Ltd and reallocating to sectors more likely to benefit from the current scenario.
2. **Reduce Exposure to Chemical Sector**:
    - **Reason**: Aarti Industries could face challenges with increased taxes and reduced government support.
    - **Action**: Reduce or eliminate holdings in Aarti Industries and seek investments in sectors with more stable demand.

Increase Exposure to Beneficial Sectors:

1. **Increase Exposure to FMCG Sector**:
    - **Reason**: FMCG companies like ITC Ltd are less impacted by interest rate changes and political shifts, with stable demand likely to continue.
    - **Action**: Increase holdings in ITC Ltd or add other FMCG companies with strong market positions and robust demand.
2. **Increase Exposure to IT and Pharmaceuticals Sectors**:
    - **Reason**: Both sectors are relatively insulated from interest rate changes and political risks. Birlasoft Ltd and Glenmark Pharmaceuticals have stable demand and potential for growth.
    - **Action**: Increase holdings in Birlasoft Ltd and Glenmark Pharmaceuticals or add other IT and pharmaceutical companies with strong growth potential.

Diversify into New Sectors:

1. **Consider Adding Technology Stocks**:
   - **Reason**: The technology sector is likely to benefit from increased economic activity and has robust growth potential.
   - **Action**: Add technology companies with strong fundamentals and growth prospects.
2. **Consider Adding Renewable Energy Stocks**:
   - **Reason**: Renewable energy is a growing sector with significant investment potential, relatively insulated from interest rate changes and political shifts.
   - **Action**: Add renewable energy companies to the portfolio to capitalise on the growing demand for clean energy.

Conclusion:

To rebalance Mr. X's portfolio in light of the current market scenario, it is essential to reduce exposure to sectors vulnerable to interest rate changes and political risks, such as banking and chemicals. Increasing exposure to FMCG, IT, and pharmaceutical sectors can provide stability and potential growth. Additionally, diversifying into technology and renewable energy stocks can further enhance the portfolio's resilience and growth potential. By making these adjustments, Mr. X can position his portfolio for maximum returns with minimised risks.