

## Market Commentary

Apr 2025

Broad Market Indices Return (%)					
Index Name	1M	3M	1 Yr	3 Yr	5 Yr
Nifty 50	6.31	-0.29	6.65	11.75	23.69
Nifty Next 50	10.55	-7.09	4.76	16.14	25.42
Nifty 100	7.04	-1.56	6.14	12.08	23.80
Nifty 500	7.35	-4.44	6.37	13.86	26.23
Nifty Midcap 150	7.73	-9.46	8.17	20.53	34.58
Nifty Smallcap 250	9.10	-14.84	6.02	17.81	37.42
Nifty Microcap 250	6.19	-17.33	9.55	27.94	51.94
Nifty Total Market	7.31	-4.95	6.46	14.23	26.72

  

Sectoral Indices Return (%)					
Index Name	1M	3M	1 Yr	3 Yr	5 Yr
Nifty Auto	3.93	-6.69	0.17	27.41	36.25
Nifty Bank	6.66	1.39	10.40	13.29	22.62
Nifty Consumer Durables	3.46	-14.70	10.66	10.04	24.23
Nifty Financial Services	8.91	6.72	20.67	14.58	22.79
Nifty FMCG	5.72	-5.11	1.24	15.88	16.53
Nifty Healthcare Index	7.85	-8.32	14.10	18.13	26.28
Nifty IT	-1.16	-14.40	8.07	2.64	26.04
Nifty Media	6.44	-18.65	-17.28	-14.24	7.86
Nifty Metal	10.62	5.12	10.90	13.47	43.81
Nifty Oil & Gas	10.00	-1.27	-6.87	11.31	25.80
Nifty Pharma	6.68	-9.52	12.01	16.77	24.98
Nifty Private Bank	6.23	3.85	10.11	12.61	20.99
Nifty PSU Bank	10.82	-4.24	-9.97	33.63	37.56
Nifty Realty	6.69	-19.10	-5.23	22.86	37.55

Index Name	% age fall from Sept' 24 Peak
Nifty 50	<b>-10.29%</b>
Nifty Next 50	-18.22%
Nifty 100	-11.74%
Nifty 200	-12.22%
<b>Nifty 500</b>	<b>-12.89%</b>
Nifty Midcap 50	-14.08%
NIFTY Midcap 100	-14.55%
NIFTY Smallcap 100	-16.44%
Nifty Smallcap 250	<b>-18.07%</b>
Nifty Midcap 150	<b>-14.52%</b>
Nifty Microcap 250	<b>-19.51%</b>
Nifty Auto	-22.55%
Nifty Bank	-5.17%
Nifty Energy	-23.95%
Nifty Financial Services	-0.32%
Nifty FMCG	-19.00%
Nifty IT	-12.51%
Nifty Media	-31.32%
Nifty Metal	-8.94%
Nifty MNC	-19.48%
Nifty Pharma	-9.09%
Nifty PSU Bank	-7.95%
Nifty Realty	<b>-24.75%</b>
Nifty India Consumption	-17.78%
Nifty Commodities	-12.94%
Nifty Dividend Opportunities	-15.89%
Nifty Infrastructure	-12.48%

- ⊕ The month of March saw a sharp recovery across all frontline indices & most sectoral indices except IT.
- ⊕ While the 5 year returns look abnormally handsome considering that these are from 31<sup>st</sup> Mar 2020 levels (Covid lows), 1 year returns have barely managed to remain in single digits.
- ⊕ 3 Yr returns are in high teens for most indices barring Nifty 50.
- ⊕ Given the sharp drawdown one has seen, in last 6 months, the 1 month return has lost its significance at this point in time.
- ⊕ We continue to prefer the Nifty 500 Index as a route to broad market participation, through the passive route.

## Common Questions on Investors' Minds today

- When Will the Markets Recover?
- When will the uncertainties Tariffs subside?
- When will FIIs start buying into India again?
- When will the market sentiment turn positive?
- ⊕ What most investors want to know is when will the portfolio value reach the levels they have seen in Sept 24.
- ⊕ The challenge is, steeper the fall from the peak, more the underlying asset has to go up in percentage times to come back to its peak value. Ex: If Nifty Media has fallen -31.32% from its peak, it has to go up by more than 45% to get back to its peak value.
- ⊕ Therefore one who is able to bottom fish & let their fear psychology get challenged, might probably make better returns in the long run – but this is something which only time will say.

## 1 Year Nifty potential has a ~15% upside ?? – Risky Call !!

	Nifty *	22535	
	EPS (Rs)	PE (X)	
FY 2025(E)	1033	TTM	21.82
FY 2026(E)	1177	FY 26 Fwrd	19.15
Scenario	PE (X)	Nifty Value (1 Yr)	
Bearish	18	21186	
Base	22	25894	
Bullish	24	28248	

\*Nifty as of 8<sup>th</sup> Apr 25..Source NSE, Esbee Sharpe Research

- ⊕ Nifty EPS for FY 2024-25 is expected to be around Rs. 1033, while the FY 26E EPS is around 1177, which is a 14.7% expected growth.
- ⊕ Based on Nifty value of 23381 (closing as of 8th Apr 25), Nifty is trading at a forward PE multiple of 19.15X, which is slightly above the long term historical average of 18.7X
- ⊕ We assign a Base case scenario PE multiple of 22X on Nifty FY 26E EPS of 1177 & expect Nifty to trade around 25894 levels in next 1 year.

- ⊕ The risk to the above hypothesis is an earnings downgrade or disappointment in FY 26 (considering the uncertainty looming around the Global Tariff war followed by a possible global economic slowdown), which is likely to result in Nifty PE multiples languishing around the 18 -20X range on a forward basis.
- ⊕ The recent economic survey has pegged FY25 economic growth at 6.5% and FY26 growth at 6.3-6.8% implying no material improvement in India's growth.
- ⊕ We also see most businesses operating at peak margins (with no room for further margin expansion) & therefore, PAT growth is likely to track topline growth going forward.
- ⊕ We believe markets are likely to remain range bound with limited downside, particularly in the large cap space.
- ⊕ Even as we avoid midcap & small cap dedicated portfolios, we believe that, long term portfolio growth will be achieved through prudent exposure to the broader markets.
- ⊕ The earnings season has indicated healthy margins and growth across multiple pockets particularly in the midcap & small cap space & therefore we continue to have exposure in this segment through multi-cap, large & midcap and flexi-cap schemes.
- ⊕ We believe fund managers who follow a bottoms up portfolio strategy will be able to deliver alpha through astute stock picking and allocation.

### How have markets reacted in the next 1Y post corrections\*

Correction Period	No of days of market correction	Nifty50 TRI returns	1Y returns post correction
Mar'15-Sep'15	188	-15.26%	17.97%
Sep'16- Dec'16	109	-11.53%	32.24%
Jan'18-Mar'18	53	-9.85%	16.09%
Aug'18-Oct'18	59	-14.41%	17.52%
Feb'20-Mar'20	40	-37.46%	88.33%
Oct'21-Dec'21	63	-9.93%	9.97%
Jan'22-Mar'22	49	-13.18%	12.20%
Apr'22-June'22	74	-14.83%	24.44%
Dec'22-Mar'22	113	-9.84%	31.89%
Sep'24- Jan'25	127	-10.07%	?
<b>Avg</b>	<b>88 days</b>	<b>-14.64%</b>	<b>27.85%</b>

Source: Edelweiss MF Market Insights – Mar 25

\*Note: Period with ~+10% corrections in the last 10yrs have been considered

## **Summary**

- Mid and small-caps valuations continue to trade at a premium vis-à vis their history as well as vs. Nifty large cap. Therefore, the risk-reward continues to be more towards large caps now.
- Valuations starting to look attractive in pockets. Market euphoria has corrected significantly and with sentiment turning weak, most sentiment indicators suggest a “Neutral” to “Buy” outlook on equities.
- We also believe there is a strong appetite to buy at lower levels, where market players find the risk to reward ratio favourable when the Nifty trades below 20X PE on a trailing basis.
- In the short term, markets will continue to be driven by news flow mostly from America & therefore likely to remain volatile.
- We have however seen markets discounting events and news quickly and bad news tend to get accounted for within 6-8 months most of the time.
- Fundamentals will take prevalence on market direction going forward and the focus is likely to shift back towards companies which have strong business models, long-term earnings growth visibility and sustainable cashflows.
- In this scenario our preference is to stick to funds, which have better consistency of performance across multiple market cycles, managed by a stable fund management team & with smaller size AUMs.

## **Our Investment Thesis**

- We continue to focus on building portfolios by diversifying across different strategies, with fresh allocations directed to large & midcap, multi-cap, focus funds category through weekly Systematic Transfer Plans (STPs).
- Following the market correction in the last 2 months, we prefer to allocate 40% of available funds in lumpsum at current market levels, while adopting 12-16 weeks STP strategy
- We believe Gold can complement a portion of your debt allocation. However considering the volatile nature of the commodity and the fact that it is already trading at an all-time high, one should increase allocation in Gold in a staggered manner.
- Hybrid Funds - balanced advantage & multi asset allocation funds continue to remain a suitable investment option strategy for first time investors (coupled with SIP) as well as conservative investors.
- For investors whose time horizon is 1-3 years, we prefer adopting a strategy using arbitrage funds & equity savings funds

## **Disclaimer**

The information contained herein is from publicly available data or other sources believed to be reliable; Esbee Sharpe Investment Services (Esbee Sharpe) however does not warrant the accuracy, reasonableness and completeness of any information. Opinions expressed are subject to change without notice.

The information provided herein is a reproduction of factual details. No part of the information supplied herein should be construed as investment advice by Esbee Sharpe and/or its employees. Investors/Client must make their own investment decisions based on their own specific investment objectives and financial position. This newsletter does not constitute an offer or solicitation for the purchase or sale of any financial instrument or as an official confirmation of any transaction. It does not have regard to the specific investment objectives, financial situation and the particular needs of any specific person who may receive this newsletter. Investors should seek financial advice regarding the appropriateness of investing in any financial instrument discussed in this newsletter and should understand that statements regarding future prospects may not be realized. Esbee Sharpe may trade for its own accounts in any financial instrument or in related investments mentioned in this presentation. The recipient alone shall be fully responsible / liable for any decision taken on the basis of this material. Investors should note that income from financial instruments mentioned in this newsletter, if any, may fluctuate and that each instrument's price or value may rise or fall. Past performance is not necessarily a guide to future performance. Esbee Sharpe, and any of its officers, personnel and employees, shall not liable for any loss, damage of any nature, including but not limited to direct, indirect, punitive, special, exemplary, consequential, as also any loss of profit in any way arising from the use of this material in any manner. This newsletter is prepared for private circulation. No part of this material may be duplicated in whole or in part in any form and /or redistributed without the prior written consent of Esbee Sharpe. This material is strictly confidential to the recipient and should not be reproduced or disseminated to anyone else. The distribution of this presentation in certain jurisdictions may be restricted by law, and persons in whose possession this presentation comes, should observe, any such restrictions

---

For any queries, please contact:

Subhradip Bhowmick - Phone: +91 98309 90748 || +91 9674156665, Email – [subhradip.bhowmick@esbeesharpe.com](mailto:subhradip.bhowmick@esbeesharpe.com)

**Esbee Sharpe Investment Services (AMFI registered Mutual Fund Distributor)**

Apeejay Business Centre, Suite # 5, Apeejay House,  
15 Park Street, Block A, 8<sup>th</sup> Floor, Kolkata – 700 016  
GST Registration Number : 19AFNPB4294B1ZI