



31<sup>st</sup> March 2025

Dear Investors,

As we step into April 2025 and the new financial year (FY26), we are pleased to share an update on the Indian stock market, reflecting on recent performance and providing an outlook for the month ahead. This update aims to equip you with insights to navigate the evolving market landscape.

### Market Recap: March 2025 and FY25 Highlights

The Indian stock market concluded FY25 on a resilient note, despite a year marked by volatility. The Nifty 50 ended FY25 with a modest gain of approximately 5%, snapping a five-month losing streak with a strong March rally—the best in 15 months. The BSE Sensex also demonstrated stability, closing the fiscal year around the 78,000 mark, with a year-to-date gain of 8.2%, while the Nifty 50 achieved an 8.8% rise for calendar year 2024. Broader markets outperformed, with mid-cap and small-cap indices gaining 25%-29% in 2024, though recent corrections have tempered some of this exuberance.

March 2025 saw a notable rebound, driven by renewed foreign institutional investor (FII) inflows—amounting to ₹31,000 crore in the last six trading sessions—buoyed by attractive valuations and macroeconomic stability. Financials led the rally, supported by strong domestic growth indicators, such as a 9.1% year-on-year increase in GST collections from April to December 2024 and a 21% rise in advance tax collections. However, global uncertainties, including trade tensions and geopolitical conflicts, continue to pose challenges.

Recent short covering and FII buying have fueled this upswing, but market analysts suggest caution. Charts suggest the possibility of a "double bottom" pattern, potentially leading to a stabilization phase over the next three months.

### April 2025 Outlook

Looking ahead to April 2025, the Indian stock market is poised for a cautiously optimistic trajectory, with the BSE Sensex forecasted to average around 82,087, reflecting a potential upside of 5% from current levels. The Nifty 50 may see a slight dip, potentially closing around 23,146, according to some projections. Here are the key factors shaping this outlook:

#### Positive Drivers

- Macroeconomic Stability:** India's GDP growth for FY26 is projected at 6.3%-6.8%, supported by strong domestic consumption, rising middle-class wealth, and government initiatives. Inflation is expected to moderate, with estimates for FY25 at 4.8% and further softening to 4%-4.2% in FY26, aligning with the Reserve Bank of India's (RBI) target range.
- Policy Support:** The Union Budget 2025-26 is anticipated to focus on boosting consumption through tax relief and increasing capital expenditure, particularly in agriculture and MSMEs. Morgan Stanley expects the RBI to implement a 25 basis point rate cut in April, following a cut in February, which could stimulate growth.
- Earnings Growth:** Corporate earnings are expected to rebound, with listed companies projected to outpace nominal GDP growth (11.5%-12%). Sectors like banking, financial

services, and insurance (BFSI), industrials, and IT are anticipated to lead, supported by a nascent private investment cycle and discretionary consumption.

4. **Sectoral Opportunities:** Financials, consumer discretionary, and industrials remain favored by global brokerages like Morgan Stanley, which sees an 18% upside for the Sensex by December 2025. Small-cap stocks, after recent consolidation, present attractive valuations, as noted by Mirae Asset's Varun Goel, with potential for alpha generation.

### Challenges and Risks

1. **Global Uncertainties:** The implementation of reciprocal U.S. tariffs, set to take effect in early April, could impact global growth and Indian exports. Geopolitical tensions, particularly in West Asia and between Russia-Ukraine, may push oil prices higher, affecting India's import bill.
2. **Market Volatility:** Trading volumes may be lower due to holidays such as Mahavir Jayanti (April 10), Ambedkar Jayanti (April 14) and Good Friday (April 18), potentially leading to short-term fluctuations. CLSA forecasts muted returns for the Nifty, citing high valuations and a near-term economic slowdown.
3. **Earnings Pressure:** While a revival is expected, any deceleration in corporate earnings could undermine investor confidence, as highlighted by Master Capital Services. Sectors like chemicals, autos, and consumer goods currently show rich valuations relative to their earnings outlook.

### Investment Strategy for April 2025

Given the mixed signals, we recommend a balanced approach:

- **Diversification:** Focus on large-cap stocks for stability, as they are likely to offer better risk-adjusted returns compared to mid-caps (*we shall review this post Trump tariff regime settles*). Consider allocating to commodities like gold and Silver as a hedge against volatility.
- **Sector Focus:** Emphasize long-term growth areas such as infrastructure, renewable energy, and banking, which offer solid potential with lower risk.
- **Systematic Investments:** Utilize Systematic Investment Plans (SIPs) and Systematic Transfer Plans (STPs) to manage market volatility. For conservative investors, hybrid funds can provide diversification.
- **Monitor Global Developments:** Keep an eye on U.S.-India tariff policies, the RBI's monetary policy meeting, and the upcoming earnings season, which will be critical in shaping the market.

### Conclusion

April 2025 presents a landscape of opportunities tempered by global and domestic challenges. While India's structural growth story remains intact—driven by favorable demographics, stable governance, and policy support—investors should remain vigilant. A diversified, long-term approach, focusing on sectors with strong fundamentals, will be key to navigating this dynamic market environment.

We wish you a prosperous start to the new financial year and look forward to supporting your investment journey. For personalized advice, please feel free to reach out.

Warm regards,

Team Esdee