

Fundamental Market Outlook

The Indian equity markets have witnessed a significant correction in early 2025, with the Nifty 50 down by 13%, Nifty Mid Cap declining by 20%, and Nifty Small Cap dropping by 24% from their recent highs. This correction is primarily being driven by selling pressure fuelled by FII due to high valuations, coupled with lower than expected Q3FY25 earnings, which pointed to slower earnings growth. Additionally, global market volatility has further weighed on sentiment post Trump presidency. The fear of tariffs war under Trump's policies and a strengthening US dollar triggered heavy selling by Foreign Institutional Investors (FIIs), accelerating the market correction in India.

Despite these short-term challenges, we believe the Indian economy remains fundamentally strong and is poised to continue as the fastest-growing major economy in FY26. Several positive developments reinforce a bright long-term outlook, including:

- Income tax reforms in Union Budget 2025, exempting income up to Rs.12 lakh from taxation, boosting disposable income and consumption and eventually push growth.
- Rate cuts by the RBI, which will lower borrowing costs and support economic expansion.
- Declining inflation, with January CPI at 4.31%, marking a five-month low, providing further room for policy support.
- Robust domestic inflows into equity markets through SIPs, reflecting strong retail investor confidence.
- Overall market valuations are trading near a comfortable zone post healthy correction.

Despite the correction, we continue to remain optimistic about India's long-term growth trajectory and believe the market remains structurally resilient compared to other emerging economies. We believe this correction would be healthy and normal market behaviour in any long-term bull market, presenting a strategic best opportunity for investors to accumulate best in class fundamental strong companies. Given this, we continue to hold a positive stance on our stocks & idea's recommended in October 2024 SAMVAT portfolio and advise investors to capitalize this correction as an opportunity for long-term wealth creation.

Technical Market Outlook



Nifty 50 has reached its key support level of 22,700 on the monthly time frame, indicating limited downside from current levels. The crucial support zone around 22,500 serves as a strong accumulation area, suggesting a potential shift in sentiment and a likely continuation of the bull run.

Technically, weakness would be confirmed only if Nifty breaks below 22,500. Otherwise, the upside remains open, with new all-time highs of 26,277 and beyond in sight.

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The Nifty MidCap 100 index has a strong accumulation zone between 47,500 – 48,500 and is showing signs of reversal, similar to the Nifty SmallCap 250 index, which is rebounding from its demand zone of 14,000 – 14,200.

Considering market breadth, which has been negative for some time, indices have entered oversold conditions and are poised for a bounce, potentially triggering the next bull run. We remain optimistic that Indian markets are well-positioned for new all-time highs in FY26, maintaining a strong, positive, and bullish outlook.

PERFORMANCE STATUS

As on 18th Feb 2025

Samvat 2081 Trading and Investment Idea Nov-24	Recommend Price Date 18th Oct 2024 (INR)	Peak rate Post Recommendation (INR)	Price as on 18th Feb, 2025	Return as on 18th Feb, 2025	Peak Gain
Godrej Consumer Products Ltd	1344	1344	1015	-24%	0%
Tata Power Company Ltd	453	465	339	-25%	3%
Hindalco Industries Ltd	737	765	611	-17%	4%
Larsen & Toubro Ltd	3571	3963	3220	-10%	11%
ITC Ltd*	416	426	405	-3%	2%
State Bank of India	812	875	725	-11%	8%
Ola Electric Mobility Ltd	87	102	60	-30%	18%
One 97 Communications Ltd	699	1063	716	3%	52%
Steel Authority of India Ltd	127	131	104	-18%	3%
JSW Infrastructure Ltd	320	338	225	-30%	6%
Suzlon Energy Ltd	73	73	50	-31%	1%
L G Balakrishnan & Bros Ltd	1304	1415	1229	-6%	9%
Imagicaaworld Entertainment Ltd	80	80	64	-19%	1%
Morepen Laboratories Ltd	86	91	49	-42%	7%
SpiceJet Ltd	60	64	42	-30%	6%
TVS Supply Chain Solutions Ltd	187	197	132	-29%	5%
Sunteck Realty Ltd	588	594	400	-32%	1%
Lemon Tree Hotels Ltd	123	159	124	1%	29%
Usha Martin Ltd	421	437	292	-31%	4%
Granules India Ltd	595	628	517	-13%	6%
Piramal Enterprises Ltd	1048	1275	919	-12%	22%

*After the demerger of ITC Hotels Ltd from ITC Ltd, the total cost of acquisition to shareholders of ITC Ltd stands at 86.49% and ITC Hotels Ltd at 13.51%

Average Return	-19%	9%
Nifty 50	-8%	0%
Nifty 100 Mid Cap	-15%	-2%
Nifty 250 small Cap	-22%	-2%



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Msearch's Recommendation (Absolute Performance)

Buy: > 20% within the next 12 Months

Accumulate: 5% to 20% within the next 12 Months

Sell : < -20% within the next 12 Months

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