

# INVESTMENT PERSPECTIVE

## JULY 2025

The Nifty index concluded June 2025 with a solid gain of 3.37%. Several sectors significantly contributed to this uplift, with "Financial Services excl. Banks," "Healthcare," and "IT & Telecom" emerging as top performers, each rising by over 4% during the month. In contrast, "Nifty FMCG" was the weakest, experiencing a slight decline of 0.53%. Other notable sector performances include "Nifty Auto" and "Nifty Private Bank," which saw increases of 2.4% and 2.7% respectively.

Looking at a broader timeframe, the Indian equity market has shown robust growth over the past three months. The Nifty has climbed by 9%, while the "Nifty Midcap 150" and "Nifty Smallcap 100" indices have delivered even more impressive returns, surging by 15.1% and 18.6% respectively. Despite this recent outperformance by mid and small-cap segments, they still exhibit a marginal underperformance when viewed over a one-year period.

India's Gross Domestic Product (GDP) growth for Fiscal Year 2026 is projected to exceed the 6.5% achieved in FY25. This improved outlook follows a significant reversal of the restrictive conditions that marked the beginning of FY25, which included a tight fiscal environment, stringent monetary policy, and considerable regulatory intervention. The initial two months of FY26 have already seen robust growth in public capital expenditure. Furthermore, the Reserve Bank of India has proactively implemented substantial interest rate cuts and reduced the Cash Reserve Ratio. These supportive policy shifts are expected to significantly bolster economic performance throughout FY26. Current projections indicate a growth rate of approximately 6.75%, with an upward bias, a trend anticipated to become clearer as global uncertainties, particularly concerning tariffs, diminish. India is currently benefiting from a period of "reasonable growth with low inflation" and "low interest rate volatility," creating a favorable domestic environment that underscores a superior structural investment opportunity despite global challenges.

While the Indian economy's underlying trend is now positive, its full impact on corporate financial results will likely take a few quarters to materialize. For the upcoming Q1 FY26 corporate earnings season, the key development to monitor will be whether the current 12-13% full-year FY26 earnings growth projection is upgraded. This upgrade will depend on companies' operational performance and their managements' forward-looking statements made during the earnings calls.

In terms of short-term market direction, with the recent rally, the Nifty's PE ratio (based on trailing twelve-month earnings) has reached 23, suggesting that substantial short-term gains might be constrained. Concurrently, the mid and small-cap segments have seen their valuations inflate to levels that advise short-term prudence. But we must also remember that a decline of around 5% in the market would once again create an opportune moment to aggressively invest in the Indian market.



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