

NETRA

Early Signals Through Charts

April 2026



Why You Should Be More Constructive About Indian Equities – Valuations Are Better

Raise Equity Exposure.

We are dropping our conservative stance on equities. A few signs suggest that the current correction is suitable for adding equity exposure in moderate proportions:

1. Valuations, especially in large caps with the Nifty below 22,300, are now close to long-term averages. Banks, IT, healthcare, insurance, housing finance, and parts of FMCG, which together account for more than half the market cap, are at or below long-term valuations.
2. The Nifty's trailing price-to-earnings multiple has fallen below 20x. On Q4FY26 estimates, it is already below 19x, around its long-term average of 18.9x. Is 18.9x cheap? Not really. It is still slightly above what may be fair. At a 16% ROE and earnings growth of 10% to 12%, the index should likely trade at 16.5x to 18x. That means valuations are now between fair and average. It is prudent to start raising equity weights while the market is falling and moving closer to fair value. Each incremental addition of capital buys more units of equity. A preset course of action in such phases is the best way to increase exposure.
3. For SMIDs, a more cautious approach is warranted. Allocation should preferably be through active managers focused on valuations and quality, and ideally through SIPs.
4. The bond yield to earnings yield gap is now just 1%. This is an attractive zone for owning stocks. It has been meaningfully better only during full-blown panics.
5. India VIX moved above 25 and has started to recede. That usually signals a reasonable degree of panic. The Nifty has not fallen 20%+ in six years, except during the COVID crash. So far, the drawdown from the peak is only 15.5%, which leaves room for further downside. Panic-selling days should be used to add to equity exposure.
6. Most indices and large-cap stocks are at deeply oversold readings. Only 18% of Nifty 500 stocks are above their 200-day moving average, and only 13% are above their 50-day moving average. These readings are approaching extremes, though they are not at the absolute extreme yet.
7. Bonds and G-Secs are also oversold. The Indian rupee, on a REER basis, is at an oversold reading as well.
8. Indian G-Secs are at a 160 to 170 bps premium to the repo rate, which limits how much further rates are likely to rise.
9. The time to add aggressively to equities may come when value also starts to emerge in SMIDs. For now, this is a time to raise equity allocation by a notch.

Nifty At Long Term Average Valuations

Nifty Index trailing price to earnings multiple has declined below 20x. This number considers the Dec'25 quarter. If we consider the Q4FY26, Nifty is already trading below 19x or below its long period average multiples of 18.9x.

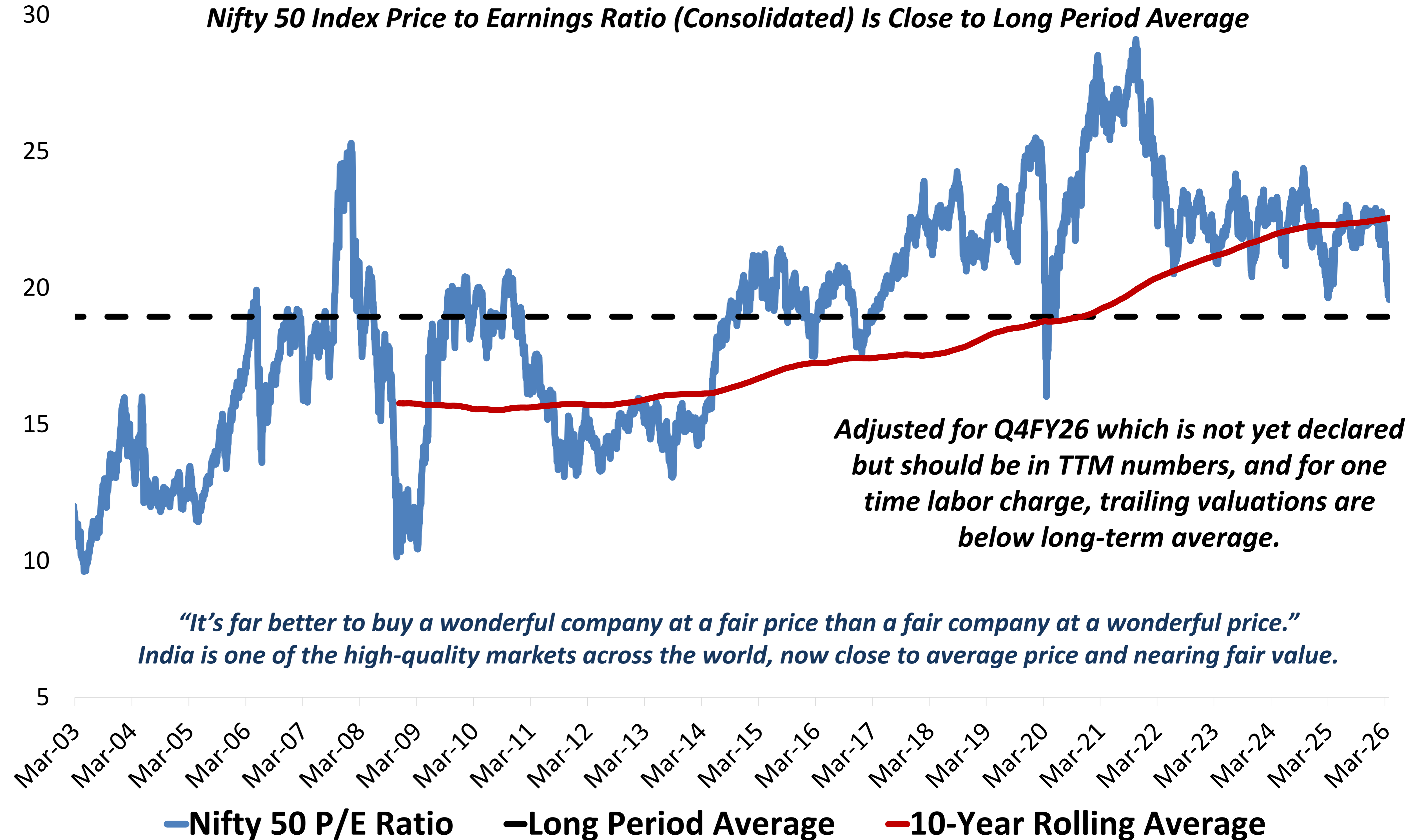
Is 18.9x cheap?

Certainly not. It is probably a notch higher than the fair multiple that the index should command. At 16% ROE and earnings growth of 10% to 12%, the index should command a multiple of between 16.5x to 18x.

What does the current multiple signify?

The index is between fair and average valuations. It is prudent to start raising equity weights while the market is in a downtrend and reaching towards fair value. By doing this, every incremental addition of capital buys more units of equity. A preset course of action during these times is the most optimum way to increase equity exposure.

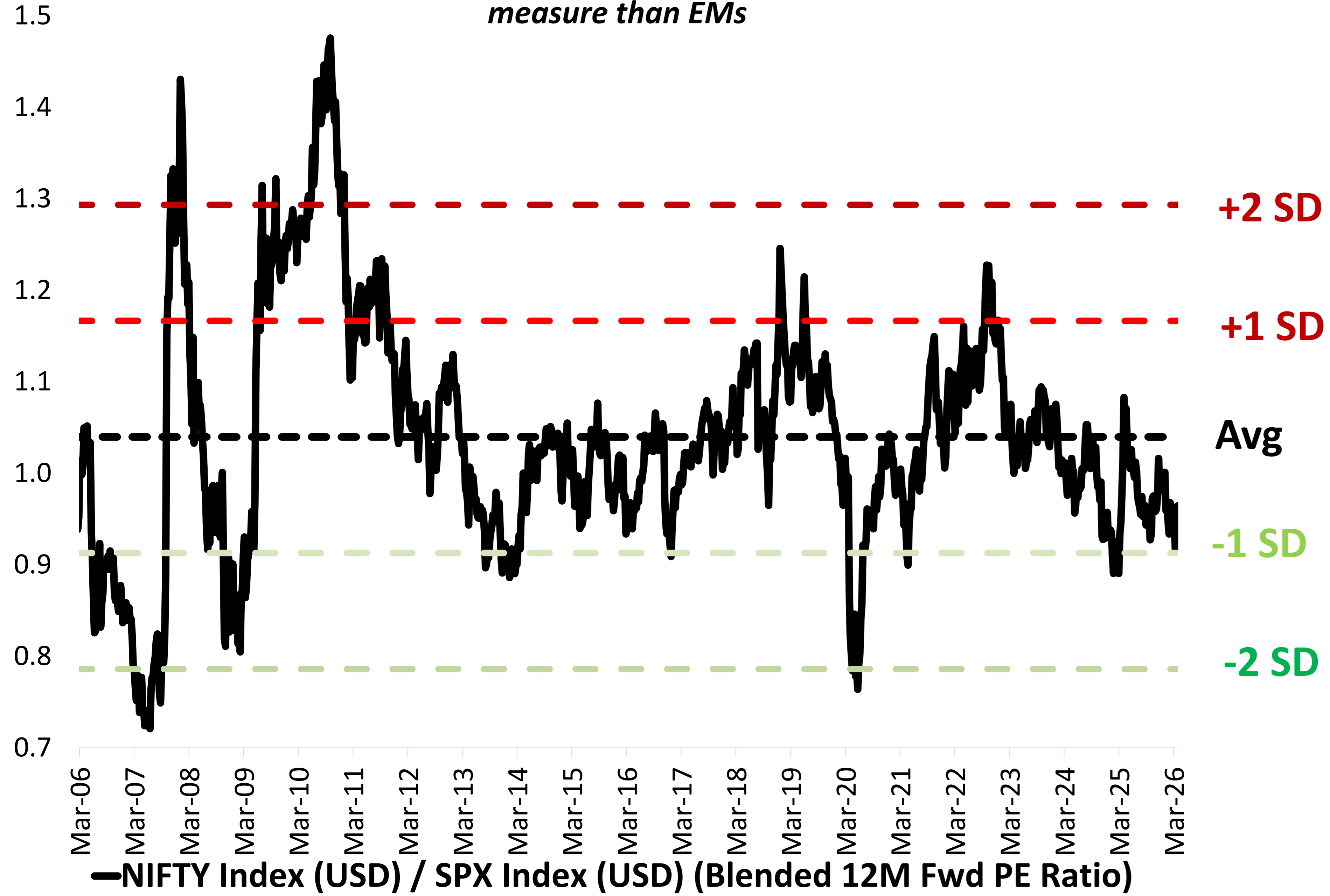
Hence, our stance is now of buying equity. Increase your allocation to equities.



India's Valuation Premium Has Declined

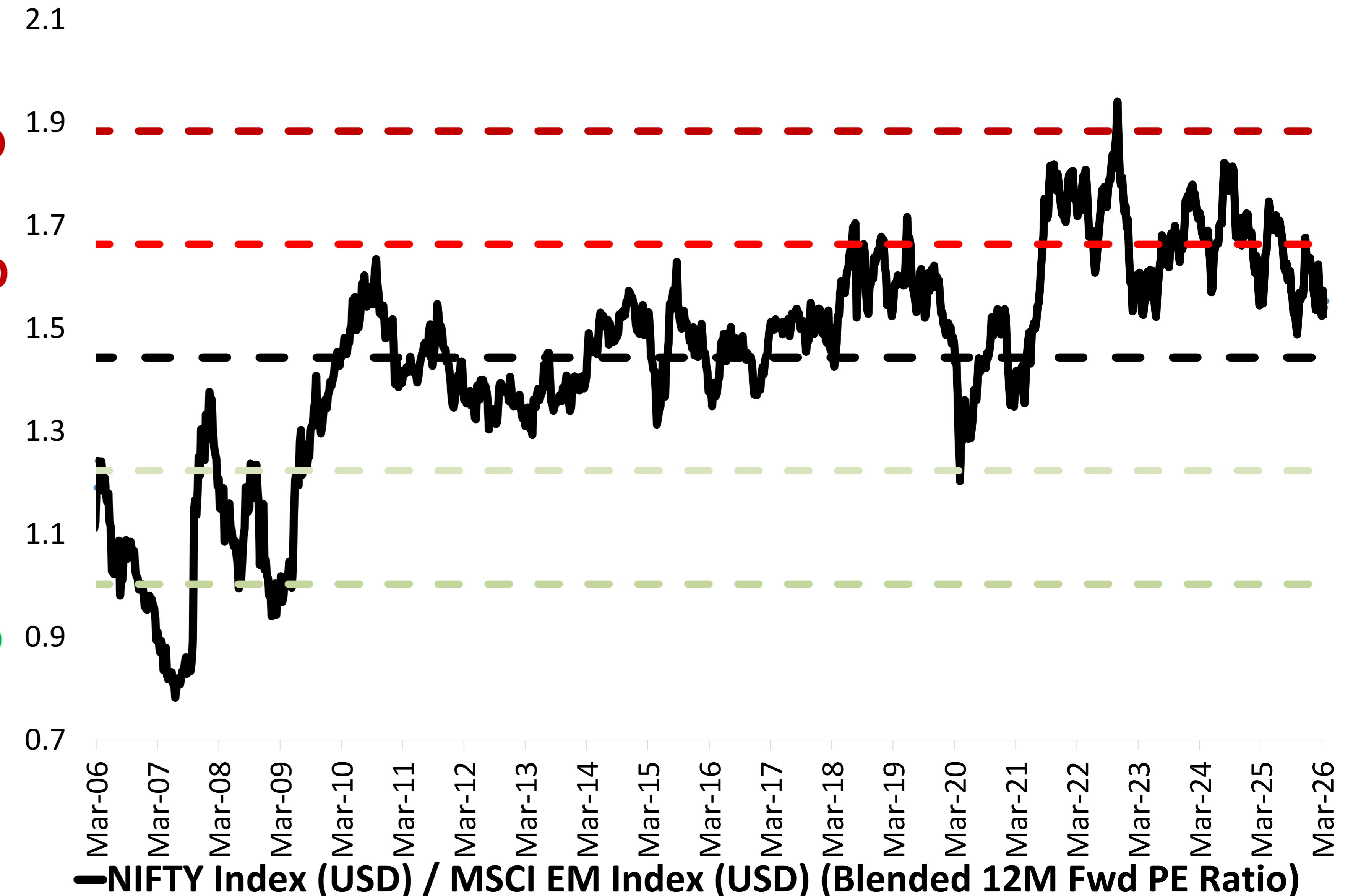
Nifty Index Is Now At A Discount to S&P500 Index.

US & India are more aligned on quality of businesses, and this is a better relative measure than EMs



Nifty Index Is Still Above Average Valuations vs EM Peers

India's premium versus other EMs has come on back of deterioration in ROEs & earnings of peers rather than India's absolute improvement.



Buying At Average Valuations? Have You Seen The Balance Sheet?

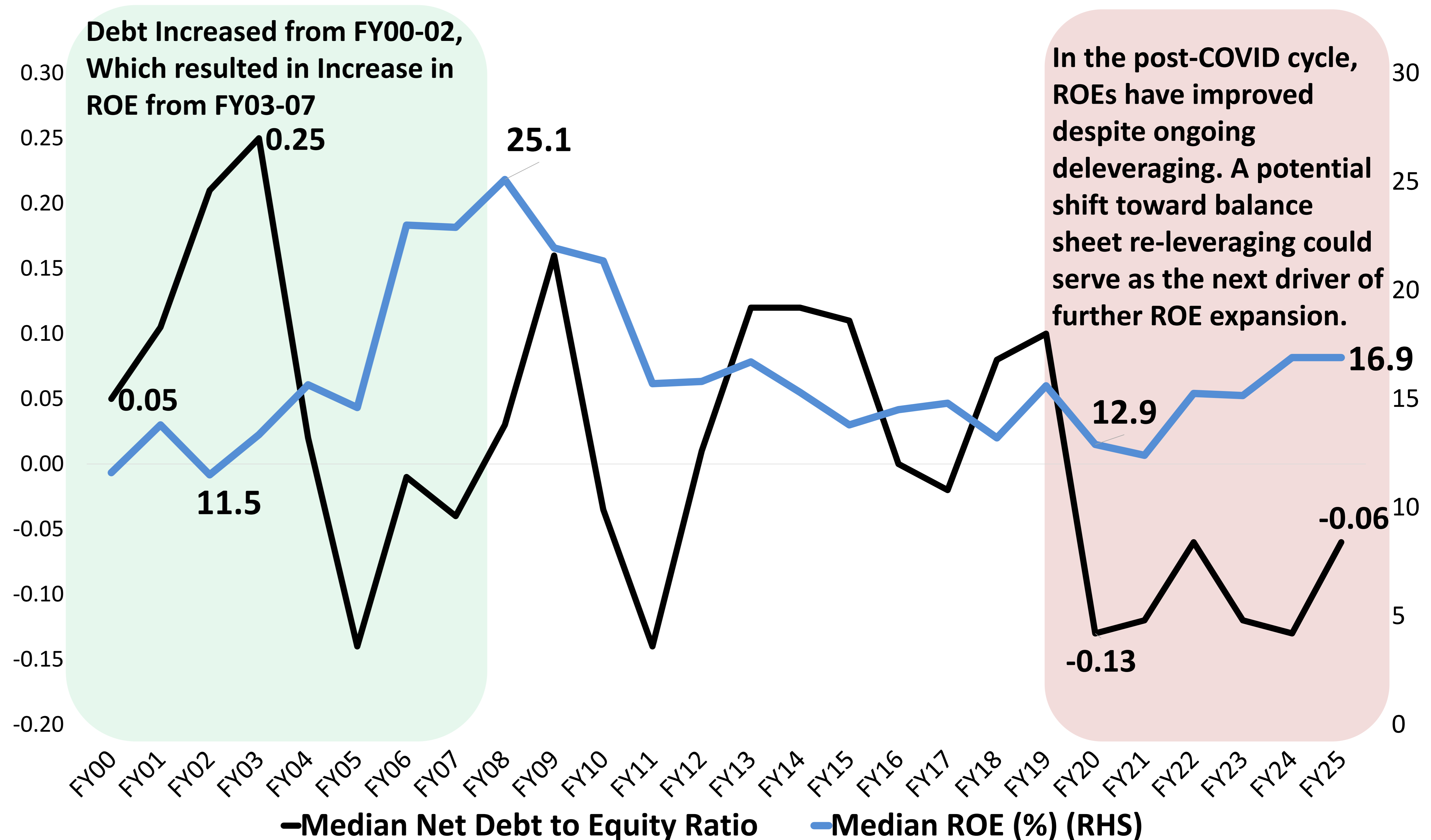
Return on Equity (ROE) is a function of a company's profitability relative to the equity capital employed, making it a key metric for assessing shareholder returns.

In the FY03–07 cycle, Indian corporates had already levered their balance sheets by the early 2000s to fund capex and expansion. As these investments translated into higher earnings, ROEs expanded meaningfully supported by the fact that debt was a cost-effective source of funding.

In contrast, the post-COVID cycle has been marked by record profitability and strong cash flows, which was utilized for deleveraging the balance sheets. Looking ahead, the next leg of ROE expansion could be driven by a measured reintroduction of leverage.

With corporate balance sheets now significantly stronger, a prudent use of debt has the potential to further enhance shareholder returns. What's missing is the sustained recovery in demand.

Median Debt to Equity and ROE of Nifty 50 (ex-financials)



Nifty Index Shaves Off 4.5 Years Of USD Returns

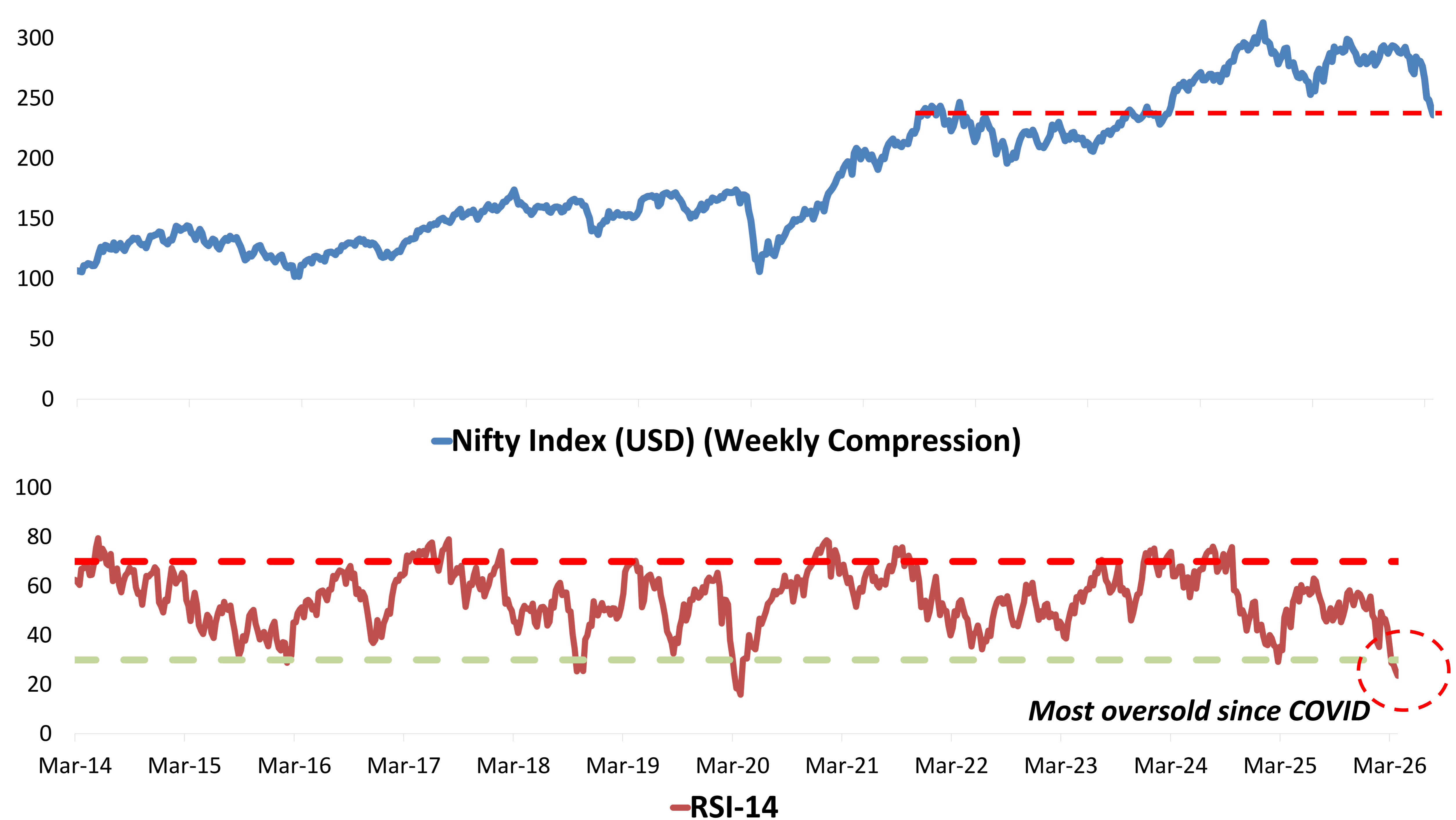
Nifty Index priced in USD is now back to levels seen in Sep'21. This is 4.5 years of no returns for investors who invest in India using US Dollar (the FIIs).

This is a major price froth removal mechanism and the same mechanism by which stocks approach attractive valuations.

As investors, we have a behavioural flaw. We tend to disregard mean reversion, which is the iron law of financial markets, and accept continuation and extrapolation. We think that what has happened will continue.

Given investors' tendency to extrapolate, the market switches from believing one day that it's the end of the world to the next moment thinking that profits will grow fabulously forever. If we as investors didn't extrapolate current conditions, the stock market would have been 17 times less volatile. But we, investors, are not sensible. We assume today's conditions will last forever.

Nifty Index (priced in USD) is back to Sep 2021 levels, losing 4.5 years of \$ returns, and is Oversold



When Will FIIs Come Back To India?

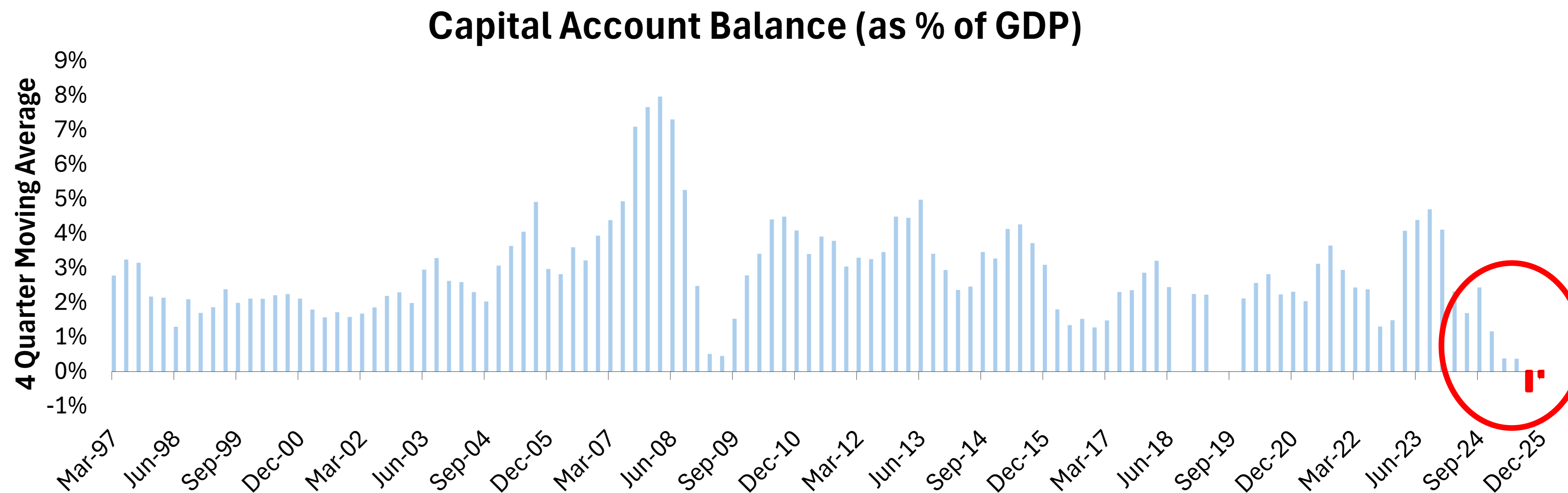
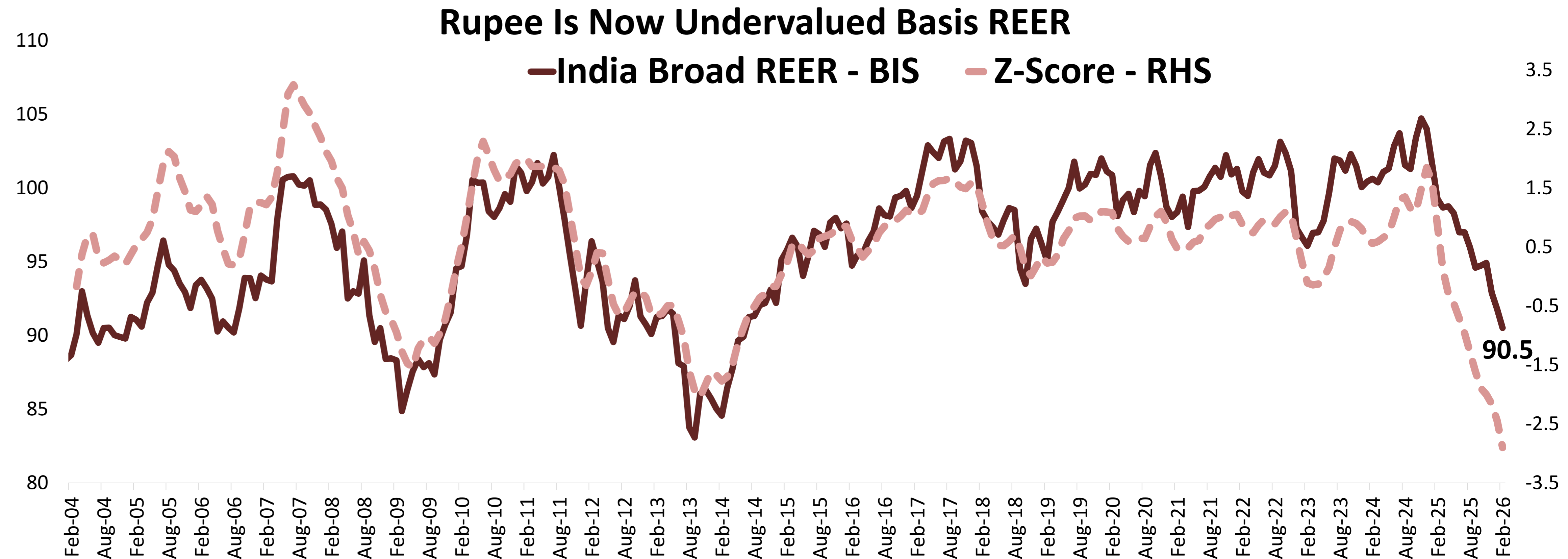
Equity prices do not move because FIIs buy. Like most investors, FIIs chase price. They usually do not create trends. This question should interest economists tracking India's Balance of Payments. India's capital account has recently slipped into deficit. The reasons are visible. Weak FDI inflows. FPI outflows. Large outward investments by Indians. Easy exits through IPOs, FPOs and OFS. Stretched equity valuations. A shaky macro backdrop. That is precisely why this may be a strong contra signal.

What do foreign investors see today?

More reasonable valuations. In some pockets, perhaps even cheap ones, especially in large, high quality, liquid listed firms. More important, the Indian Rupee is near one of its weakest REER levels in many years.

And many of India's macro stresses now look near their peak. Which means they are more likely to be priced in than ignored. Historically, the biggest foreign inflows into India have come when valuations were cheap or at least reasonable. Not when optimism was highest.

If there is a period after the COVID crash when FPI and FDI flows can begin to improve again, it is around this zone.



Large Caps Are In The Buy Zone

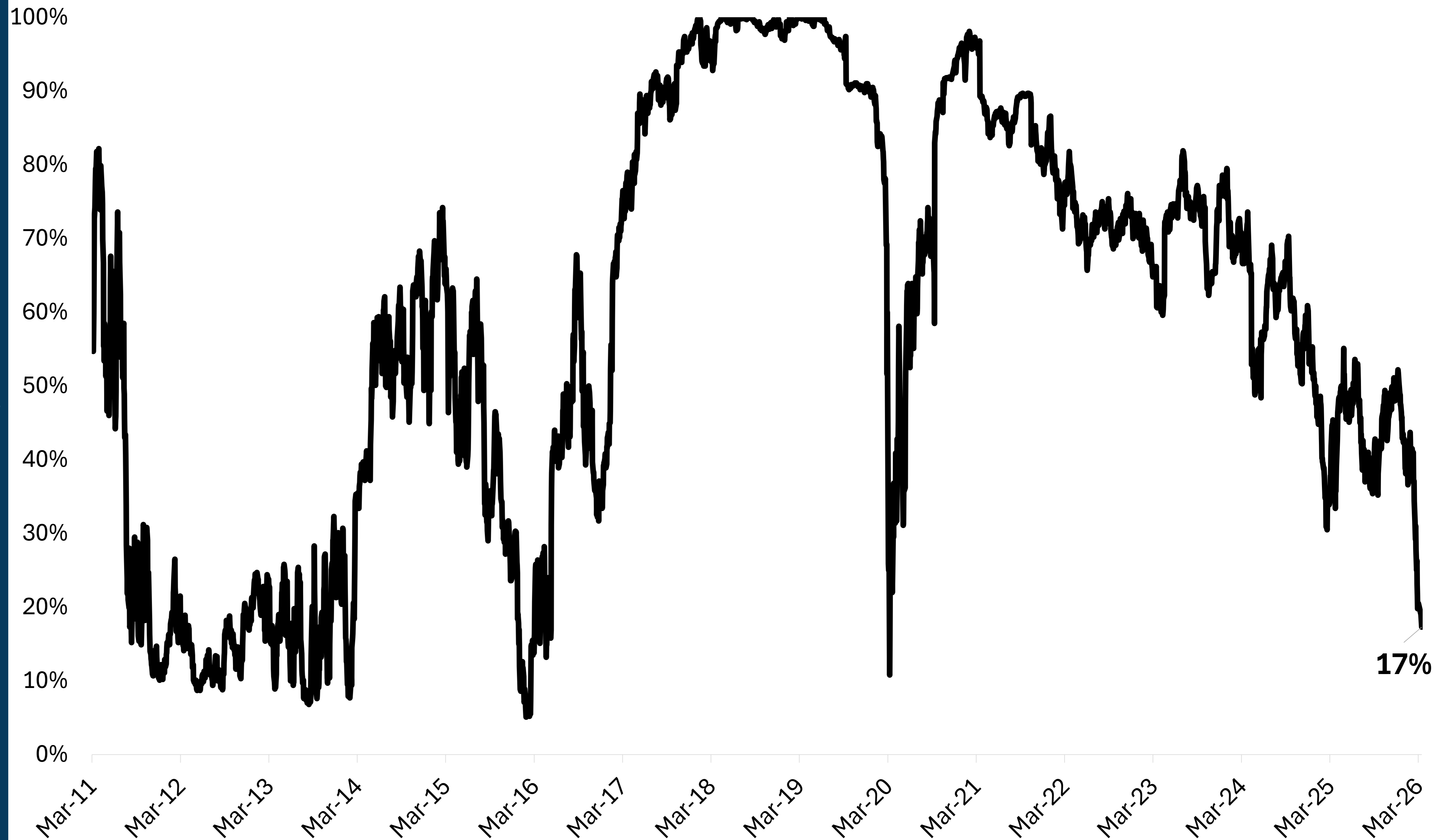
Large part of the \$12.7Bn selling by FIIs in March 2026 would have been in the largest 10 stocks. Yet they have shown remarkable resilience with normal impact costs and no jumps in trading activity.

Currently, the Top 10 stocks are trading at valuations that are among the lowest seen in the past decade. On a percentile basis, the P/E of Nifty Top 10 Equal Weight Index stands at 17th percentile (data considered since March 2006), a level last observed in 2016 and 2020, periods marked by heightened pessimism and muted growth expectations for these businesses. However, these are the businesses which have seen these business cycles time and again, emerging stronger over time.

That said, the real challenge for investors is behavioral, not analytical. When sentiment is weak and narratives are unfavorable, acting on opportunity becomes inherently difficult. Yet it is precisely during such phases that disciplined allocation tends to be most rewarding. The opportunity is visible. The question remains - can we act when it matters the most?

Why is it tough to act when valuations are at such levels? The patient investor is likely to take this benefit.

Percentile ranking of P/E of Nifty Top 10 Equal Weight Index



Large Cap: Valuations At Levels Where Timing Doesn't Matter

100% of the portfolio is available at or below average valuations

Nifty Top 10 Equal Weight Index	Valuation Matrix	TTM PE Ratio	10 Year Avg PE	Post GFC Avg PE	Valuations
Infosys	P/E Ratio	17.6	23.4	22.1	Buyback, Below Average
ITC	P/E Ratio	17.5	26.0	28.2	Cheaper vs Own History
Reliance Industries	P/E Ratio	24.0	23.7	20.5	At Average
TCS	P/E Ratio	16.7	27.0	25.2	Buyback, Below Average
Axis Bank	P/B Ratio	1.8	2.2	2.3	Cheaper vs Own History
HDFC Bank	P/B Ratio	2.0	3.8	4.1	Cheaper vs Own History
ICICI Bank	P/B Ratio	2.5	2.6	2.3	At Average
Kotak Mah. Bank	P/B Ratio	2.1	3.9	3.8	Cheaper vs Own History
Bharti Airtel	EV/EBITDA	11.0	13.5	11.3	Cheaper vs Own History
Larsen & Toubro	EV/EBITDA	14.0	14.2	14.1	At Average

*Green highlight is where the current valuation is at or below the 10-year average

80% of the portfolio is available at or above average ROE

Nifty Top 10 Equal Weight Index	Current ROE*	10 Year Avg ROE	Post GFC Avg ROE	Return On Equity (ROE)
Infosys	29%	29%	29%	At Average
ITC	27%	25%	28%	At Average
Reliance Industries	8%	10%	11%	Below Average
TCS	52%	41%	41%	Higher than Average
Axis Bank	16%	10%	14%	Higher than Average
HDFC Bank [#]	14%	17%	18%	Below Average
ICICI Bank	18%	12%	12%	Higher than Average
Kotak Mah. Bank	15%	14%	14%	At Average
Bharti Airtel	23%	9%	11%	Higher than Average
Larsen & Toubro	17%	14%	15%	Higher than Average

*Green highlight is where the current ROE is above the 10-year average

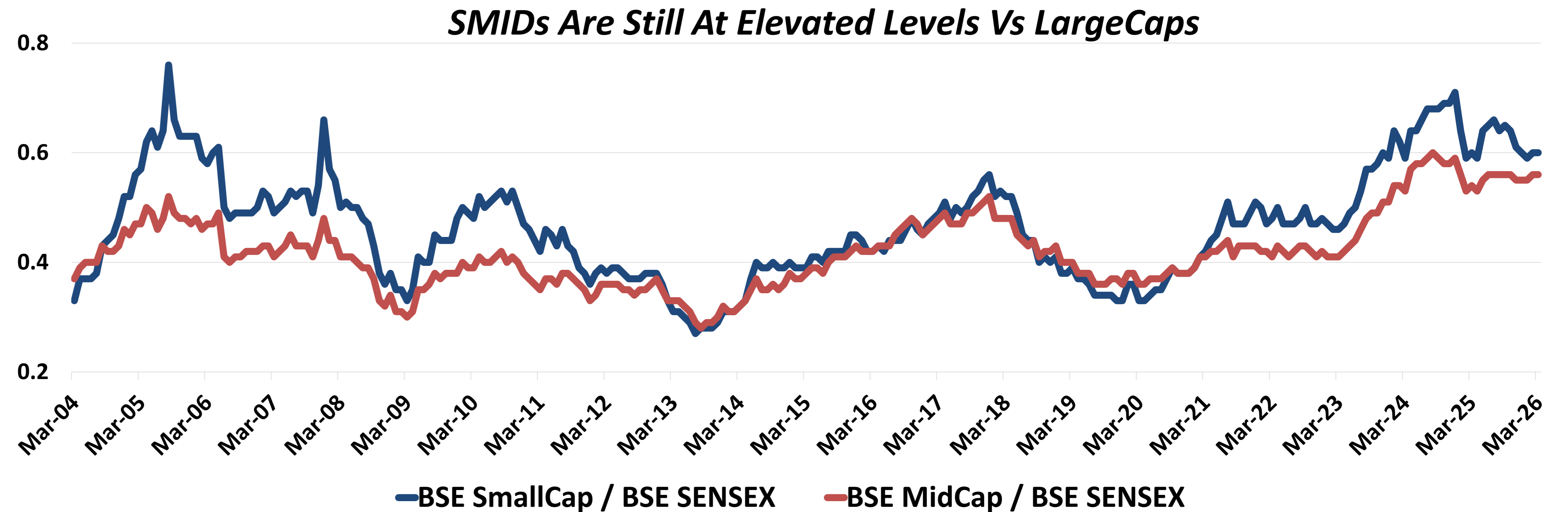
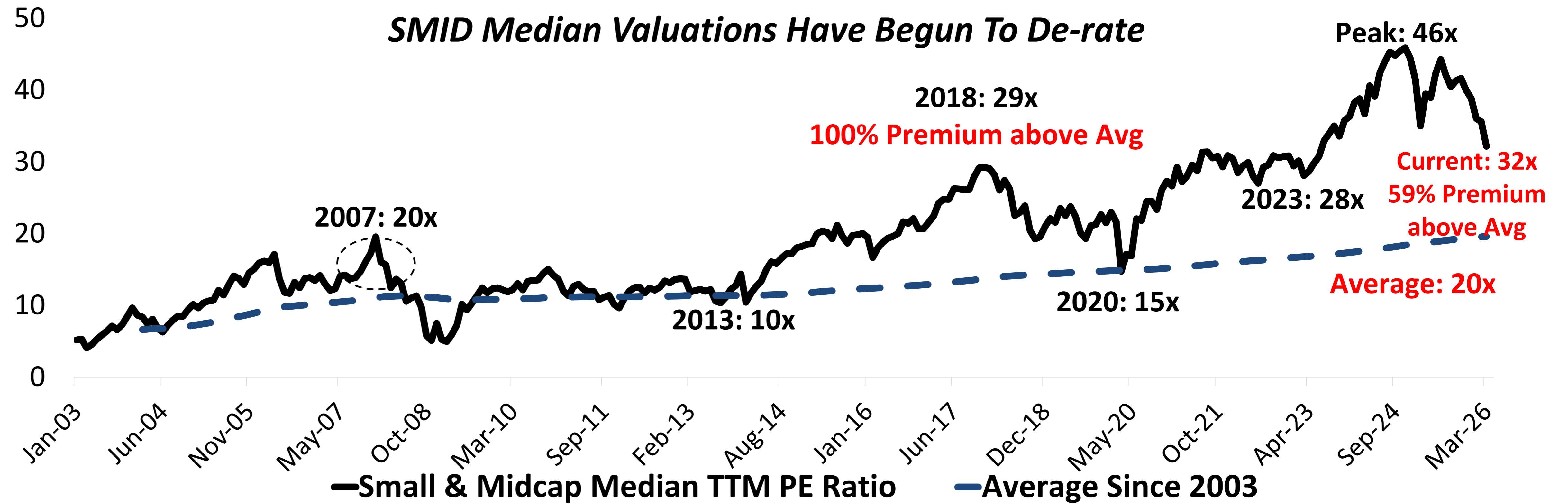
[#]The numbers are not comparable due to the Merger impact of HDFC and HDFC Bank

SMIDs Valuations Have Started To Normalize, Over To Active Managers?

Small and mid caps (SMIDs) continue to see a normalization in median multiples. At a broad index level, small cap stocks have seen some moderation from very expensive levels. Even so, given their long-term earnings trajectory and current trailing valuations, there is still room for SMIDs to correct further before they present broad investment opportunities.

SMIDs are also still at much higher price levels than large caps. In the current correction, SMIDs have not seen a large degree of underperformance so far, which is usually the trend during downcycles. This does not mean they cannot underperform or that they have avoided the damage. In fact, large caps have become much more attractive, not only in terms of price levels, but also because the large-cap cohort offers much better ROEs and a similar earnings trajectory. From current levels, it will be difficult for SMIDs to continue outperforming.

Hence, the focus should be on larger, cheaper names. Within SMIDs, active managers with a strong focus on valuations and quality may be the better way to invest.



Four Consecutive Months of Decline On Nifty Is Rare. Further Decline Improves Uptrend Odds

Four consecutive months of decline in the Nifty is rare. In the full monthly history, we found 105 distinct negative streaks. More than half, 57 episodes, lasted just 1 month. Only 7 episodes lasted 4 months or longer, and the longest was an 8-month run from September 1994 to April 1995. incidentally, Nifty also completed 6 consecutive weeks of decline which in itself is a useful and rare contra signal.

The data also suggests that the longer the decline persists, the better the odds for the next uptrend.

For Nifty episodes involving 4 or more consecutive negative months and measuring returns from the end of the full streak, the subsequent outcomes have historically been strong: across the 7 completed cases, the average return was 12.2% over 3 months, 22.4% over 6 months, and 40.7% over 1 year, while the median return was 13.9%, 17.0%, and 20.8% respectively. The gap between average and median, especially over 6 months and 1 year, suggests that a few very strong rebounds lifted the average, while the median gives a cleaner sense of the more typical outcome. In short, these 4+ month losing streaks have been rare, but once they ended, forward returns were usually favourable.

By March 2026, Nifty Had Four Consecutive Monthly Negative Closes

End of Streak	Negative Returns Streak Length (months)	4M decline	Full decline	3M forward return	6M forward return	1Y forward return
Jan-91	4	-28.5%	-28.5%	23.8%	58.6%	117.9%
Apr-95	8	-13.9%	-31.4%	5.6%	4.9%	18.3%
Nov-96	5	-19.0%	-26.0%	20.3%	26.6%	23.3%
Aug-98	4	-26.4%	-26.4%	-4.1%	10.4%	65.6%
Sep-01	4	-21.8%	-21.8%	15.9%	23.6%	5.4%
Feb-25	5	-8.9%	-14.3%	11.9%	10.4%	13.8%
Mar-26	4	-14.8%	-14.8%	NA	NA	NA

Negative streak length (Months)	Episodes	Share of all streaks	Avg full decline	Avg 3M return	Avg 6M return	Avg 1Y return
1 month	57	54.2%	-4.2%	10.4%	13.2%	22.4%
2 months	28	26.7%	-10.8%	9.6%	10.0%	21.0%
3 months	13	12.4%	-13.2%	3.7%	10.9%	21.9%
4+ months	7	6.7%	-23.3%	12.2%	22.4%	40.7%

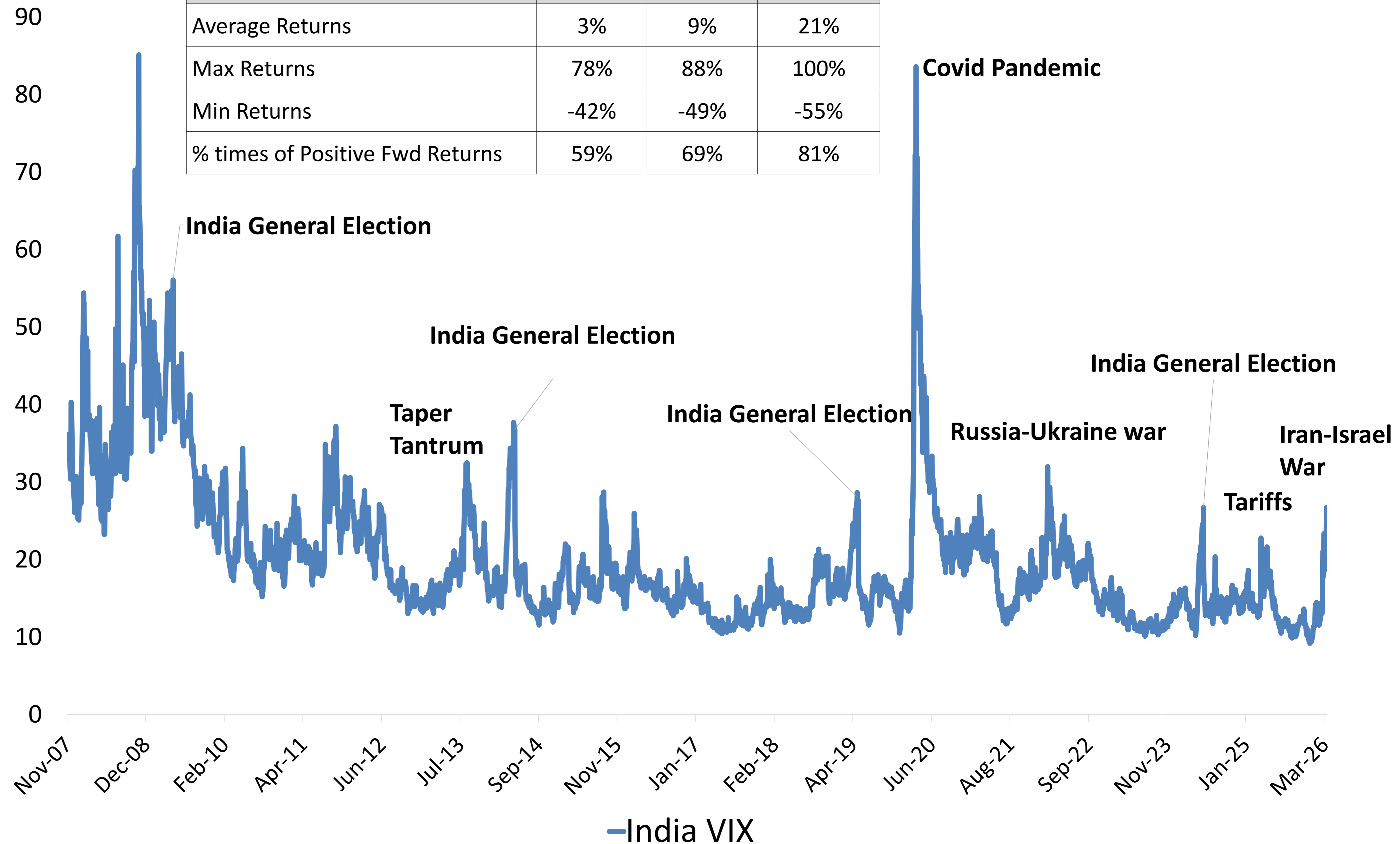
What Happens When India VIX Crosses 25? & Why?

Once VIX rises past the 25 reading we enter what Jeremy Grantham calls the “vampire phase” of the bear market, where you throw everything, you have at it: you stab it with fiscal spend, you shoot it with the end of rates cuts and poison it with attractively low valuations and still the creature lives. Until, just as you’re beginning to think the thing is completely immortal, it finally, and perhaps a little anticlimactically, keels over and dies.

Remember that it is usually anticlimactic and unexpected. The market bottoms are usually visible only in hindsight. On that particular day, it is as commonplace as any other day.

High levels of VIX price in enough fear and purchase of portfolio insurance. This means that incremental selling becomes weaker and shallower. This becomes the basis of the next uptrend.

Forward Returns when VIX goes above 25	3 Months	6 Months	12 Months
Average Returns	3%	9%	21%
Max Returns	78%	88%	100%
Min Returns	-42%	-49%	-55%
% times of Positive Fwd Returns	59%	69%	81%



Weak Market Breadth Signals Widespread and Indiscriminate Selling

The market is displaying weak Market Breadth on all parameters. This is a contrarian indicator.

- Number of Stocks making 52-week low,
- % of members above 50DMA ,
- % of members above 200DMA,
- Distance of Index from 200DMA at one of the highest readings since Covid,

What does weak market breadth signify?

It shows lack of discrimination between quality, & valuations during the selling episode. When most sectors and stocks move together on the downside it indicates the emotion laden selling which creates opportunities for the patient investor.

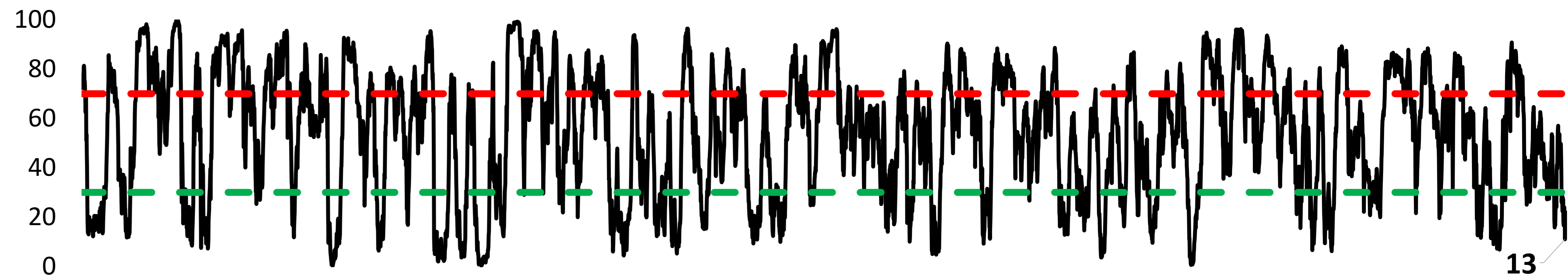
The current phase of selling hasn't hit the extreme readings but is now in the vicinity of extremities.

This suggests that when these readings are reached (this time with Nifty Index at ~22,500), market breadth suggests limited downside from these levels.

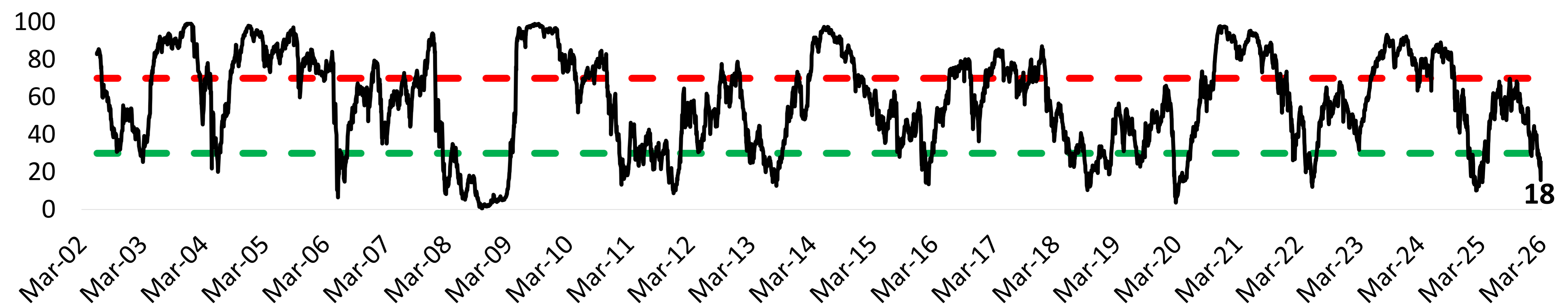
NSE500 Index - Last Price



NSE500 Index - Percentage of Members with Px > 50 Day Moving Avg



NSE500 Index - Percent of Members Above 200 Day Moving Average



Several Statistical Contra Signals Triggered With Bullish Implications.

1. Nifty Index (USD) has given up nearly 4.5 years of gains and is back to Sep'21 levels. Price froth is gone.
2. Four months of consecutive decline on the Nifty Index (only 7 such episodes since 1990s). This improves the odds of better forward returns.
3. Six weeks of consecutive losing streak (a rarity with 1 in 54 chance). This improves the odds of better forward returns.
4. India VIX has crossed 25 and touched a high of 28.9, close to levels that have historically signalled panic selling.
5. Oversold readings on more than a dozen large caps
6. Nifty Index below long period average valuations of 18.9x (considering Q4FY26 earnings). Valuations froth is gone.
7. Stocks above 200 DMA (from Nifty 500 constituents) close to lowest readings
8. A few Index heavyweights at close to GFC'08 valuations.
9. Three sectors with large weights (Private banks, IT, FMCG) at some of the most oversold (weekly) readings in years.

Selective Opportunities In High Quality Sectors Beginning To Appear

FMCG, IT, Auto, O&G, and Consumer Durables are among India's most consistent high-ROE sectors. A core high-ROE cohort of FMCG, IT, O&G (ex RIL), and Consumer Durables makes up over one third of market cap and earns ROEs about 50% above the rest. This is the source of India's premium valuation over the long term.

But since the pandemic, cyclicals such as metals, mining, and construction materials have rerated sharply despite weaker long-term ROEs. Meanwhile, earnings momentum in the high-ROE cohort has cooled: revenue growth is slowing, and margins look late cycle. The source of India's premium valuation in this cycle is the weak ROE cohort, not the high-quality names. Yet the market still trades at an overall premium, buoyed by cyclicals and lower-quality names.

Bargains have started to appear, in patches, in the high quality (high ROE) cohort when valuations cool. The high multiples for low quality businesses present a challenge for the broader market.

This is a constructive setup for value investors who stay focused on quality.

Sector Name	Weight as per Total Market Cap	Average ROE	Average ROE since GFC	Avg of Current Valuations	Avg Valuations Since GFC	Avg Valuations premium / discount	Average 3 Year EPS CAGR
Fast Moving Consumer Goods [#]	7%	35%	45%	50.9	46.6	9%	8%
Information Technology	12%	27%	29%	19.7	21.1	-7%	3%
Automobile and Auto Components [@]	7%	22%	20%	25.7	28.9	-11%	42%
Oil, Gas & Consumable Fuels	14%	19%	22%	14.2	13.9	2%	8%
Financial Services	28%	14%	14%	3.5	4.6	-23%	20%
Healthcare	5%	17%	13%	39.4	54.3	-27%	25%
Consumer Services*	2%	45%	31%	52.0	85.3	-39%	70%
Services	2%	19%	20%	23.9	27.8	-14%	26%
Telecommunication	6%	23%	12%	35.4	103.1	66%	85%
Power	4%	15%	14%	16.3	13.6	20%	6%
Construction	3%	17%	16%	28.0	26.3	6%	24%
Consumer Durables	3%	26%	31%	61.4	61.2	0%	12%
Capital Goods	2%	29%	20%	49.1	22.9	114%	30%
Metals & Mining	5%	8%	10%	34.8	32.1	9%	-4%
Construction Materials	3%	7%	13%	38.8	25.0	55%	-14%
Heavy weights							
Cyclicals							
Defensive							
Sensitive							

Average ROE and PE Skewed by HUL acquisition of Glaxosmithkline Consumer
 @ Base effect is causing high EPS growth
 For Valuations PB is considered for Financials and PE for all other sectors

Opportunities Are Propping Up Across Industries

Buying assets when they are cheaper relative to their own history partly compensates for a lack of high intellect. A margin of safety is an antidote to stupidity.

Broader markets are approaching average valuations while largecaps are already below it. Additionally, there are some niche segments where a margin of safety is beginning to appear. Some of the major industries highlighted are from BFSI, IT, and Oil & Gas sectors.

However, it is important to consider where these companies are in their business cycle, as lower valuations may also be influenced by recent profitability and business cycle challenges.

There are market-wide opportunities when panic selling occurs, sector-wide opportunities every few years due to business cycle changes, and stock-level opportunities due to specific reasons. Patient investors can benefit from these opportunities if they focus on buying assets for less than what they are worth.

Basic Industries	Total Companies	Companies trading below 33rd percentile	% of Companies trading below 33rd percentile
General Insurance	6	5	83%
LPG/CNG/PNG/LNG Supplier	5	4	80%
Investment Company	5	4	80%
Life Insurance	5	4	80%
Housing Finance Company	9	7	78%
Hotels & Resorts	8	5	63%
Industrial Products	5	3	60%
IT Enabled Services	7	4	57%
Private Sector Bank	14	7	50%
Refineries & Marketing	6	3	50%
Personal Care	7	3	43%
Computers - Software & Consulting	19	8	42%
Hospital	9	3	33%
Household Appliances	6	2	33%
NBFC	15	5	33%
Cement & Cement Products	10	3	30%
Residential, Commercial Projects	10	3	30%
Pharmaceuticals	37	11	30%

Basic Industries	Total Companies	Companies trading below 33rd percentile	% of Companies trading below 33rd percentile
Power Generation	11	3	27%
Civil Construction	12	3	25%
Telecom - Cellular & Fixed line services	5	1	20%
Financial Institution	6	1	17%
Passenger Cars & Utility Vehicles	6	1	17%
Auto Components & Equipments	19	3	16%
Heavy Electrical Equipment	14	2	14%
Specialty Chemicals	10	1	10%
Public Sector Bank	11	1	9%
Integrated Power Utilities	5	0	0%
Aerospace & Defense	6	0	0%
Iron & Steel Products	7	0	0%
Compressors, Pumps & Diesel Engines	5	0	0%
2/3 Wheelers	6	0	0%
Iron & Steel	7	0	0%
Other Textile Products	5	0	0%
Tyres & Rubber Products	5	0	0%

Opportunity – Large Private Banks

Strong Fundamentals & Supportive Valuations

Large private banks trade near 2x trailing book. At roughly 2% ROA and 8x leverage, they can deliver 14% to 15% ROE. Their internal capital generation rate is about 12%, so credit growth above that should be ROE accretive. With inflation likely past its low and nominal growth likely to improve, credit growth is also beginning to recover. If the current energy-risk overhang fades, these valuations leave room for upside. HDFC Bank and Kotak Mahindra Bank are already trading below their long-term multiples and close to levels seen in past periods of severe stress.

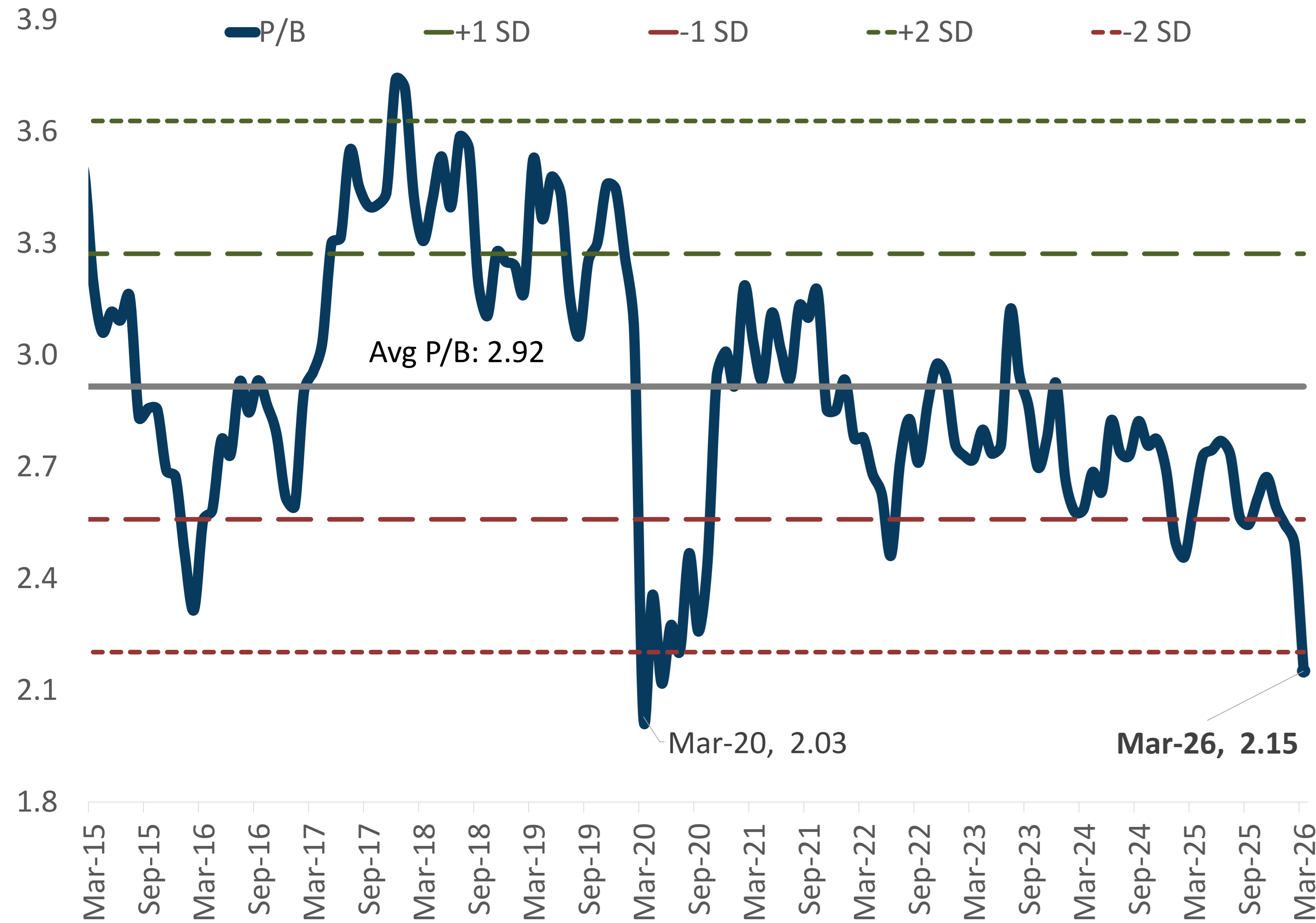
Asset quality remains strong, with net NPAs still near cycle lows, though these benign credit costs are unlikely to keep improving indefinitely, but they are not a headwind either.

Without pencilling in any re-rating, large private banks present an attractive opportunity for investors today. More price decline, will make them more attractive.

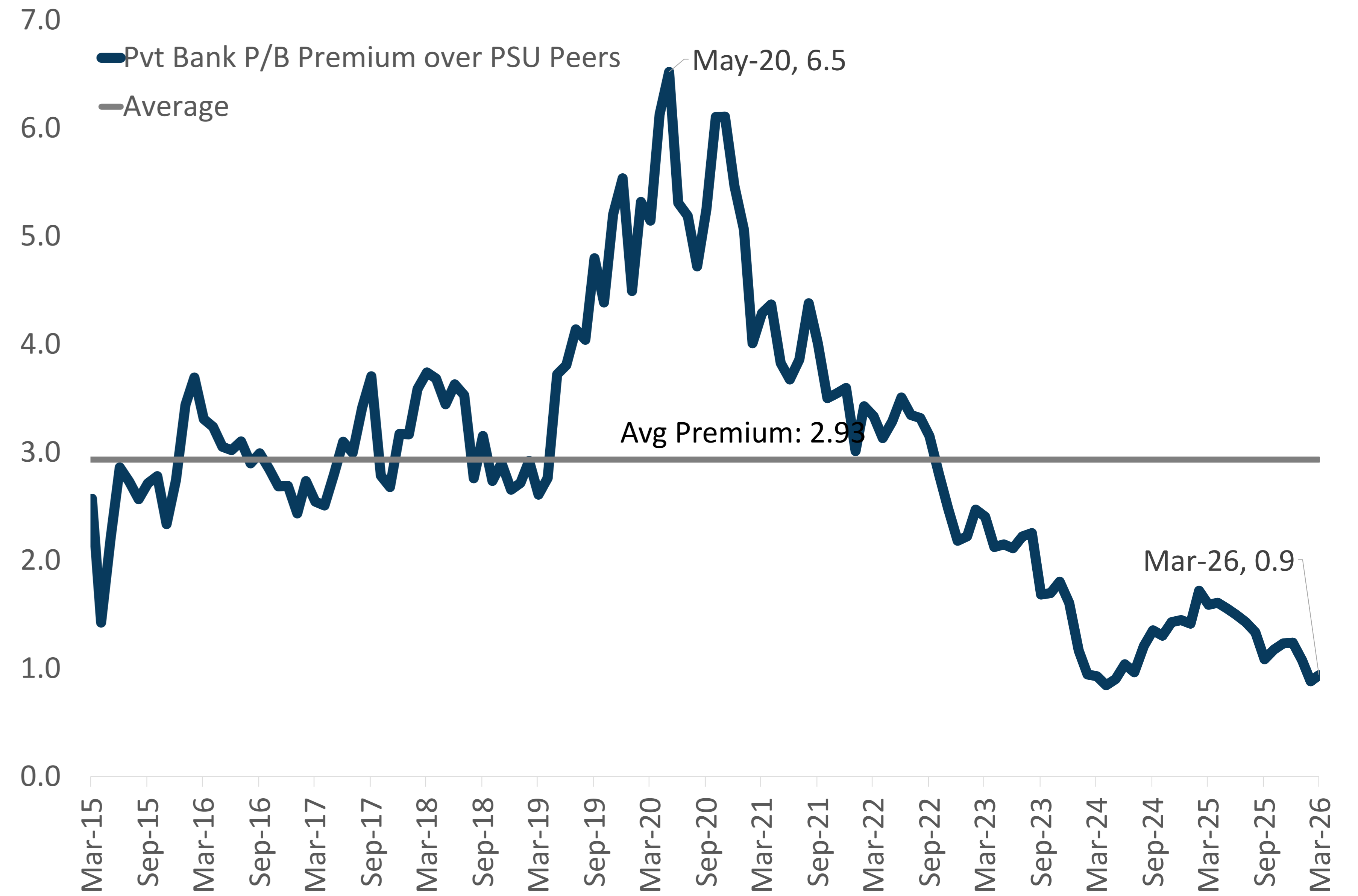
	Price to Book	Price to Book (10 yr avg)	ROE	ROE (10 yr avg)	ROA	ROA (10 yr avg)	Leverage	Credit Growth (10 yr avg)	Net NPA (%)*
HDFC Bank	2.0	3.8	14.0%	17.0%	1.7%	1.7%	8.4	17.9%	0.4%
ICICI Bank	2.6	2.6	18.0%	12.0%	2.2%	1.2%	8.4	13.3%	0.4%
Axis Bank	1.8	2.2	16.0%	10.0%	1.8%	0.9%	8.9	15.2%	0.4%
Kotak Mah. Bank	2.2	3.9	15.0%	14.0%	2.7%	2.0%	5.6	20.5%	0.3%
Average	2.1	3.1	15.8%	13.3%	2.1%	1.5%	7.8	16.7%	0.4%

Private Banks – Correction Increases Valuation Comfort

Private Banks are trading below 2 SD after recent correction



Valuation Premium over PSU Banks have contracted sharply to ~0.9x



Large IT Firms Are Now Below Long-Term Valuations

The largest weights in the Nifty IT index now trade at about 17.5x trailing earnings, despite weighted ROICs of over 45%. Nearly 60% of the index by market capitalization is trading below the 33rd percentile of its own historical valuation range. As of March 2026, these firms were holding cash equal to about 9% of market cap, generating free cash flow yields of over 6%, sitting at their most oversold technical readings since the GFC'08, and showing record underperformance versus global technology stocks.

This is a sector with no price froth, little valuation excess, and a weak business cycle already reflected in prices.

The IT sector's weight in the Nifty 50 is also near an all-time low, which suggests it is under-owned. We do not claim special insight into the ultimate impact of AI on Indian IT, so we prefer to rely on valuations.

Importantly, margins have not yet shown the kind of damage that usually signals real distress. Even in a bear case of zero revenue growth and some margin compression, the downside appears closer to a de-rating toward 13–14x trailing earnings than a collapse in business quality.

Our base case remains that these companies will continue to play an important role in enterprise technology. These are debt-free businesses with high and stable returns on equity, which should slow any regression in quality.

At current prices, terminal-value risk appears limited, and we remain overweight.

~60% of the index (weight by Mcap) is trading below the 33rd Percentile of historical valuations, despite high ROEs and strong cash flows.

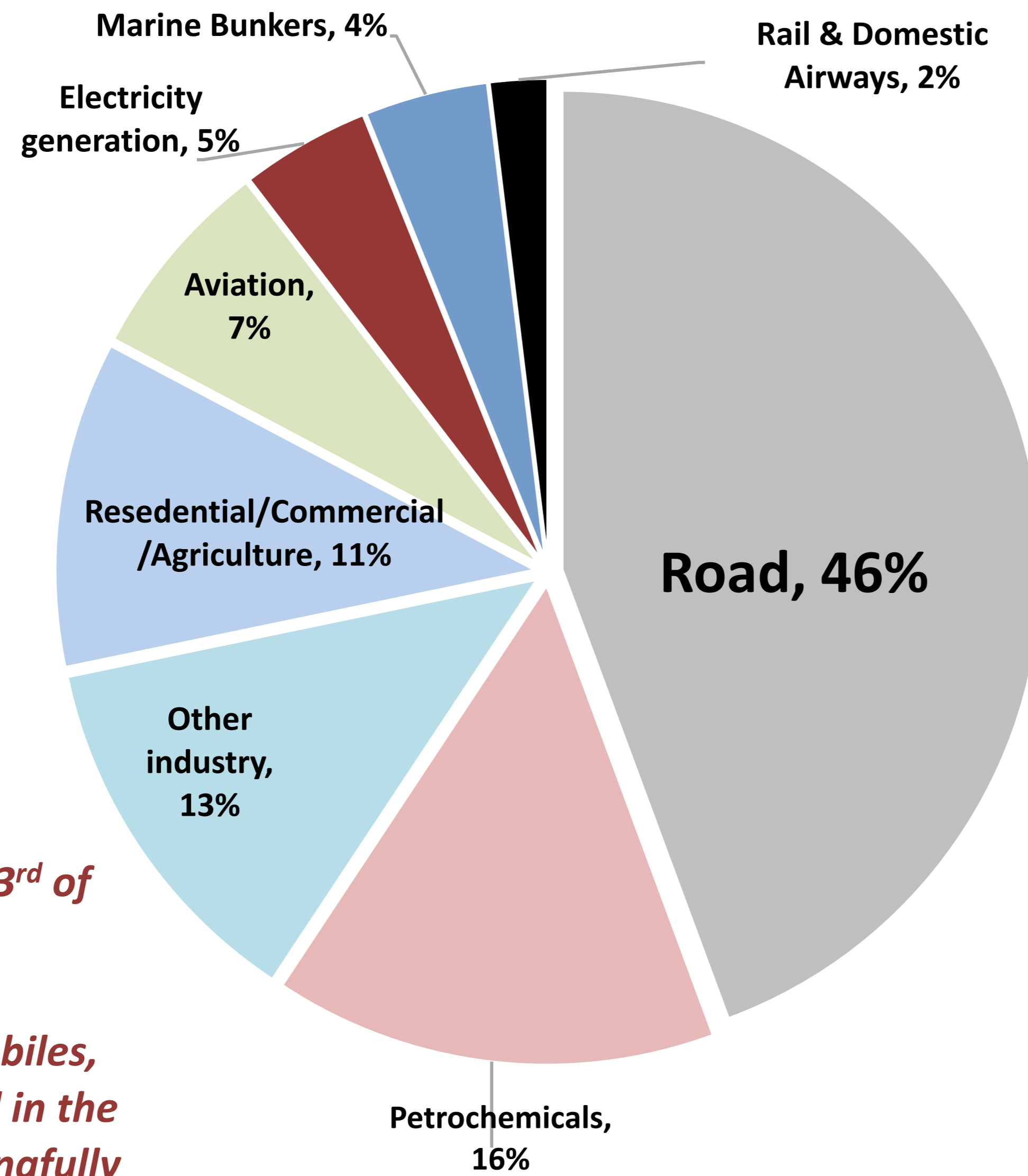
Stock Name	Weight (%)	Current Percentile of Valuation*	Valuation (P/E)	ROE	Cash as a % of Mcap [#]	FCF Yield [@]
Infosys Ltd.	29.2	23%	17.6	29%	5%	6%
Tata Consultancy Services Ltd.	20.6	6%	16.7	52%	7%	6%
HCL Technologies Ltd.	12.1	67%	21.6	25%	9%	6%
Tech Mahindra Ltd.	10.7	82%	28.4	15%	5%	5%
Wipro Ltd.	6.5	15%	15.2	17%	29%	8%
Persistent Systems Ltd.	6.5	79%	43.0	24%	2%	1%
Coforge Ltd.	4.6	76%	30.3	16%	2%	2%
LTIMindtree Ltd.	4.5	42%	24.1	22%	11%	3%
Mphasis Ltd.	3.3	65%	22.1	18%	7%	4%
Oracle Financial Services Software Ltd.	2.0	62%	24.8	29%	8%	4%
Nifty IT Index	100.0		20.7	26%	9%	6%

The Oil Crisis

Demand & Supply For Oil Favours The Bears

Crude Oil Demand Is Under Pressure As The Share of Biggest Consumer, The Road Transportation Sector Shrinks

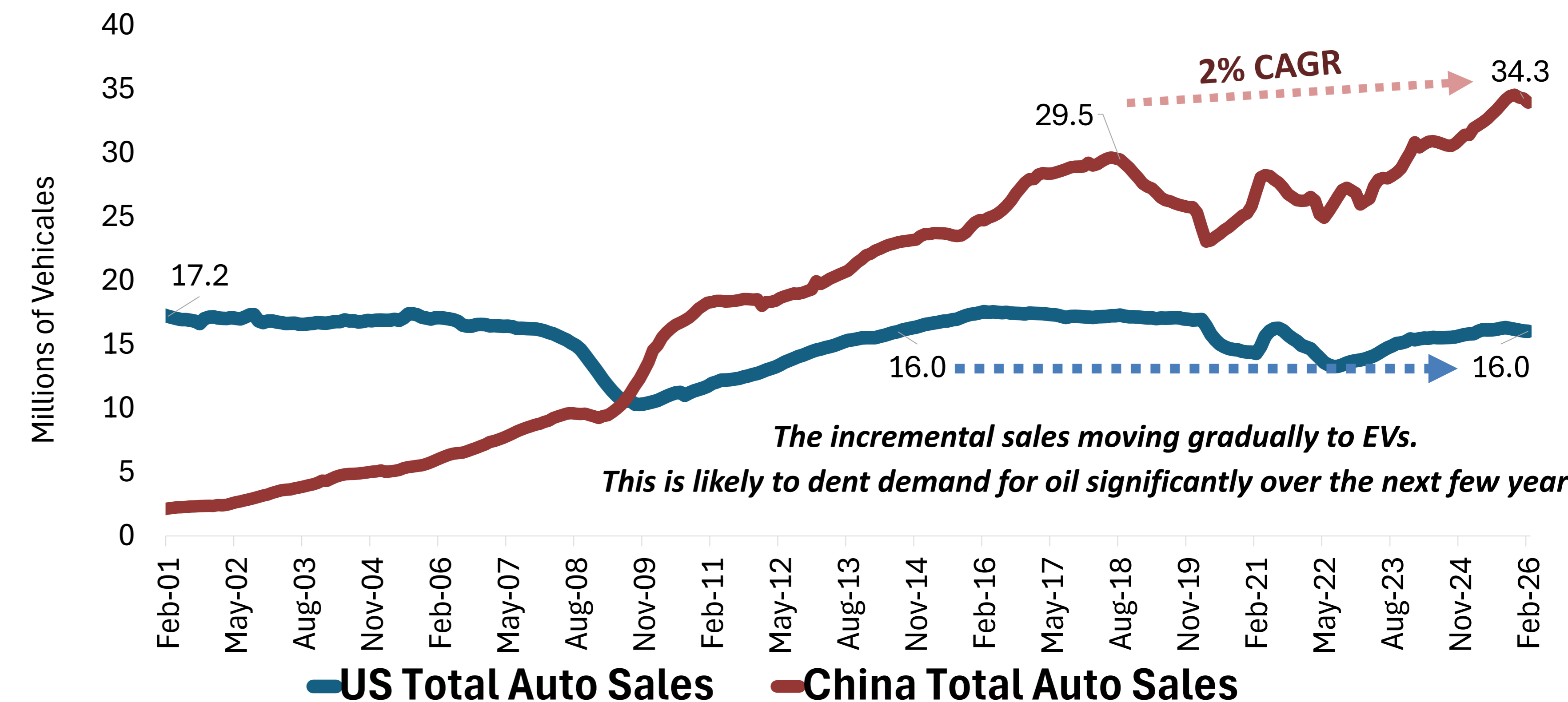
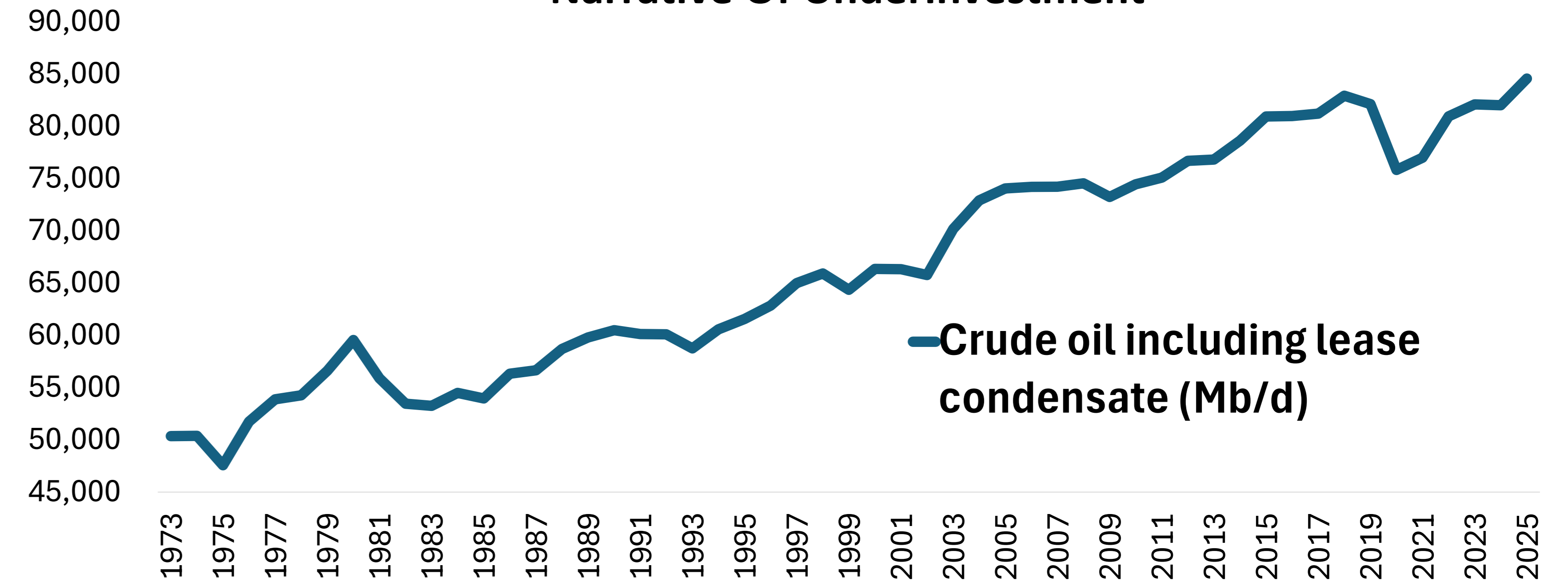
Distribution of oil demand in the OECD in 2024, By Sector



US and China, together account for 1/3rd of Global Oil Consumption

Two of the largest markets for automobiles, account for over 40% of all vehicles sold in the world. Auto sales haven't grown meaningfully in these markets over the past decade.

Crude Production Increasing At A Steady Pace In Spite Of The Narrative Of Underinvestment



Is This The Last Significant Crude Oil Led Scare For India?

India consumes far more oil than it produces. The gap must be imported and paid for in dollars.

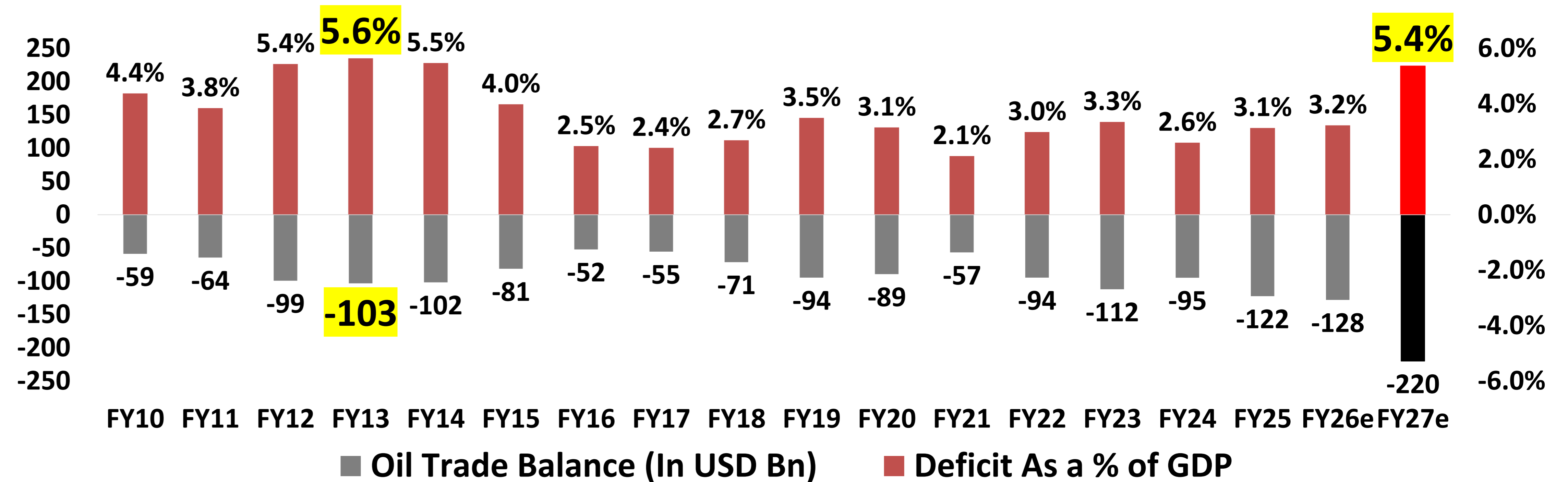
India crude consumption is about 5.3–5.5 mbpd while domestic production is ~0.6 mbpd. Import dependence is 85%. Petroleum imports are 25 to 30% of total imports. Every \$10 increase in crude adds roughly \$12–15 bn to India’s annual import bill. But this correlation is convex, at higher prices, deficit rises sharply.

Assuming crude oil prices rise beyond \$120 and India imports at this price for the whole of FY27, the Oil trade deficit could rise to \$220 Billion thereby raising India’s current account deficit beyond 3.1% of GDP. Deficits of this kind can lead to significant currency depreciation, heightened inflation and liquidity crunch. In prior episodes, Rupee depreciated more than 10% on such occasions, if the deficits persisted.

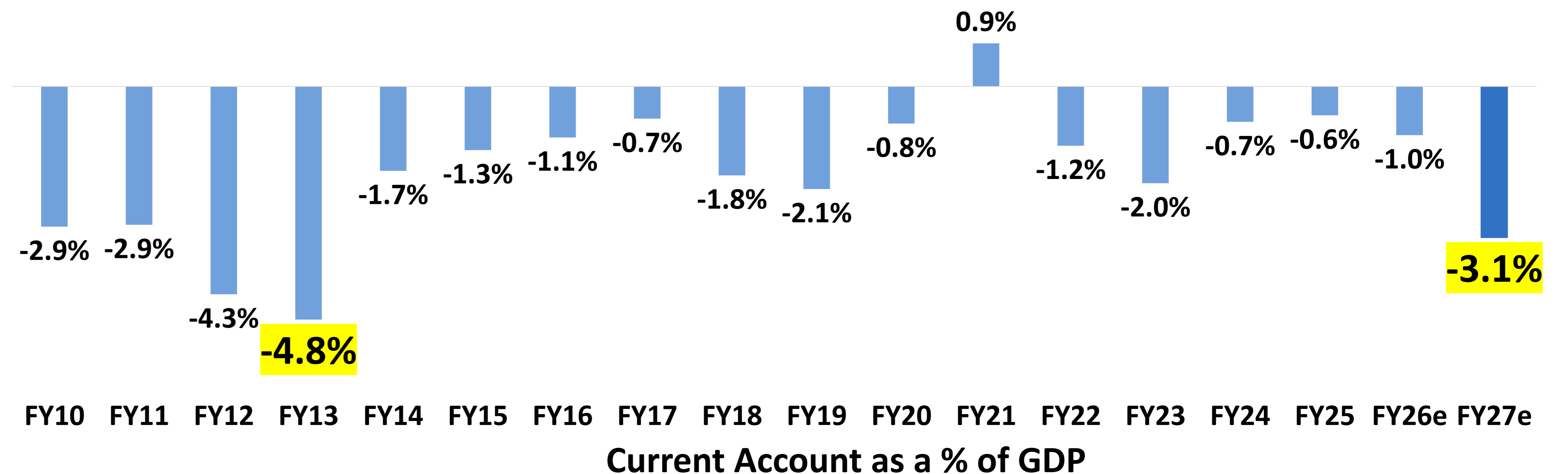
Oil is India’s largest macro variable outside India’s control. Although it is becoming a smaller problem, as you can see for the same Oil trade deficit of 5.4% of GDP, India’s CAD would not reach 4.8% of GDP. This is because India’s services exports and remittances have become large.

Yet in such years, large inflows of FDI & FPI can stabilize India’s economy. That seems to be a headwind as of now.

What Happens When Crude Oil Prices Go To \$120 per Barrel



In Case of \$120 Oil, India’s Current Account Deficit Can Rise To 3.1% of GDP



Bob Farrell's 10 Timeless Investing Rules – Read Rule 5 Again!

1. Markets tend to return to the mean, over time
2. Excesses in one direction will lead to an opposite excess in the other direction
3. There are no new eras - excesses are never permanent
4. Exponential rapidly rising or falling markets usually go further than you think, but they do not correct by going sideways
5. The public buys the most at the top and the least at the bottom
6. Fear and greed are stronger than long-term resolve
7. Markets are strongest when they are broad and weakest when they narrow to a handful of blue-chip names
8. Bear markets have three stages — sharp down, reflexive rebound and a drawn-out fundamental downtrend
9. When all the experts and forecasts agree — something else is going to happen
10. Bull markets are more fun than bear markets



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Mutual Fund investments are subject to market risks, read all scheme related documents carefully.