Quarterly Investment Newsletter

March 2025

Quarter review & Outlook

Equity | Market Summary

%	1m	3m	1yr
Broad index			
Nifty 50	6.3	-0.3	6.7
Nifty Midcap 150	7.7	-9.5	8.2
Nifty Smallcap 250	9.1	-14.8	6.0
Nifty Alpha Low Vol	6.3	-7.6	-3.4
Nifty 500	7.4	-4.4	6.4
Sectors			
Auto	3.9	-6.7	0.2
IT	-1.2	-14.4	8.1
Bank	6.7	1.4	10.4
FMCG	5.7	-5.1	1.2
Manufacturing	8.1	-5.1	7.7
Healthcare	7.9	-8.3	14.1
Infrastructure	10.3	0.1	2.3

- ✓ In the fourth quarter of FY 2025 (Jan 2025 – Mar 2025). Indian equity markets saw steep corrections.
- ✓ The correction was more severe in mid and small cap stocks
- ✓ The main reason for this correction were three fold:-
  - ❖ Stretched valuations
  - ❖ Earnings continuing to surprise on the downside
  - ❖ Uncertainties in United States new government policies
- ✓ In sectors, outperformance was seen in Banking. IT, Healthcare and Auto saw severe correction due to USA corporate spending delays and tariffs.

Equity | Market Summary

In the fourth quarter of FY25 and the first 10 days of FY26, equity markets are seeing heightened volatility.

The main reasons for the significant correction are:

✓ **Earnings & earnings forecast below expectations:**

- ❖ Earnings for Q3FY25 came in below expectations. This led analysts and investors to downgrade FY25 and FY26 earnings.
- ❖ We believe this is a natural progression. Earnings growth has been a blockbuster for the past 3 years. At some point this was expected to normalize.

✓ **Valuations in some pockets continue to be a stretch:**

- ❖ While the Large caps universe is trading at a discount, the mid-cap and small-cap universe was at a stretch at the beginning of the quarter. This explains why mid-cap and small-cap corrected a lot compared to large cap.
- ❖ FIIs in this quarter continued to withdraw from Indian equities based on valuations.
- ❖ We believe this correction in valuations is a necessary reset to maintain a healthy market.
- ❖ Several stocks in small and midcap universe lost more than 30-50% in this quarter because their valuations were not backed by robust earnings growth.

✓ **New USA government trade policies:**

- ❖ Trump Tariff and other trade policies hurt the already stretched USA markets fairly deep.
- ❖ Tariffs will have minimal impact on the Indian economy directly because our export economy is very small. Ours is a predominantly domestic consumption lead economy.
- ❖ However, it will have some direct impact on sectors like Auto and Pharma. Also indirect impact on IT industry where USA is the biggest market and US corporates are in a wait and watch mode.

Equity | Outlook

In the current situation, we should look at the outlook from 2 angles:

✓ **Earnings forecast**

- ❖ Regarding earnings forecast, estimates for earnings growth next year is ranging from 14-15% in the large cap universe
- ❖ Expectations are, this might go down by 1-2% as a few quarters progress
- ❖ This implies around 12-13% returns in the broader large cap universe if everything stays as anticipated
- ❖ In large caps, especially private banks which form the biggest chunk of the large cap index, earnings are pretty well predictable and valuations are below historic levels
- ❖ However, mid and small cap valuations continue to be stretched and earnings growth is pretty hard to predict.
- ❖ Even our checks with analysts and fund managers reveal mid and small cap universe is not a favorable area

✓ **Government and RBI push to the Economy**

- ❖ Both the RBI and Government have recognized the slowdown in growth in the economy. Hence both the institutions have taken up on a war footing to bring growth on track
- ❖ RBI is aggressively cutting interest rates and improving liquidity in the Banks using its various tools
- ❖ Government has surprised the consumer with a big tax cut
- ❖ All these initiatives are expected to seep into the system and provide necessary fillip to the economy in a couple quarters
- ❖ The Commerce Ministry is working closely with the US government to soften the blow due to Tariff increases. Currently, this initiative is looking encouraging as well

Summary

✓ *Except for the natural progression of earnings slowdown, we do not see anything structurally wrong in the Indian economy*

✓ *Earnings are expected to claw back to normalcy in FY26 based on corporate efficiency improvements, lower base and consumer demand picking up.*

✓ *Added to this, efforts from the government and RBI are expected to add more boost to the economy.*

Equity | Investment Strategy

What action are we taking / taken ?

- ✓ We continue to believe that the large caps universe has the best valuation matrix and the most predictable future growth prospects. In these times of volatility, predictability and good valuations will fetch good returns in the medium to long term. Stock prices cannot stay stagnant for long in areas where valuations are reasonable and consistent, quality earnings growth keeps getting added every quarter. This we find in large cap universe.

- ✓ From our own analysis and from discussions with experts, we felt these are the times where earnings growth is not uniform across the board. This calls for bottoms up stock pickings. Hence we have added some percentage of carefully curated actively managed funds to the core passive /index portfolio.

- ✓ We are bullish about the Banking sector for primarily 4 reasons
  1. Valuations are below historic average
  2. Earnings growth, especially in private banks looks good and consistent
  3. RBI and the government are taking up various measured to stimulate the economy
  4. RBI in particular is focusing on improving Bank loan growth. All these things bode well for the Banking sector at the moment.

- ✓ We are bearish on IT sector for the following 3 reasons
  1. Due to Trump policy measures, big Indian IT customers globally have cut down spending and are in a wait and watch mode
  2. AI is going to create a major reset in the industry before new business models around AI is worked out
  3. IT companies are facing heightened competition from western consulting majors

- ✓ Based on above 2 points, we moved out of IT and got into Banking in our sector rotation portfolio

What action you can take ?

- Our portfolios are more large cap oriented where the valuation comfort lies.
- Current market level is suitable for adding 30-40% of your incremental money, if any. Another 60-70% should be spread across in the next 3 months.
- As suggested, near term volatilities in next 1-3 months can be expected, hence add on the dips is suggested.

Debt / Fixed Income | Outlook & Strategy

- ✓ In India, RBI is determined to bring interest rates down.
  - ❖ Growth slowing down has brought in a sense of urgency to bring down interest rates
  - ❖ Inflation staying within control is also helping RBI in this endeavor
  - ❖ Currency stabilizing and US interest rates coming down will make the RBI job easier
  - ❖ Government is determined to bring down fiscal deficit
  - ❖ Already RBI has reduced interest rates twice to a total of 50bps
  - ❖ Going forward we expect RBI to reduce interest rates 2 more times

- ✓ With interest rates coming down in India, long duration GSEC investment is in a sweet spot where downside is capped and upside has the potential to generate low double digit returns over the next 1 year.

- ✓ We have already seen this playing out with our smart debt portfolio where investors have earned around 10-11% CAGR.
- ✓ US treasuries are very volatile and are changing by the day.

  We are closely watching this play out. Our interest is in finding how that affects our debt and equity investments. However we expect very little impact from those in India.

- ✓ **One of the option to participate in this debt based rally:**

  - ❖ We had launched the **Smart Debt basket** in Feb 2024 itself which catered to the above investment opportunity of declining interest rates.

  - ❖ Our analysis continues to show that this would be a good time for investment in long term debt to take advantage of the long term debt yields & strategically for mark to market gains earning about 10-12% on a per annum basis in the next 12-18 months.

  - ❖ In the last 6 months, our smart debt basket has given a return of 3.1% inspite of interest rate volatility in between.

About us

Investment Strategies by MIRA Money

mira money
money invested in right assets

Core Portfolio

Moderate (Equity + Equity Savings)
Aggressive (100% Equity)
Core Index + Active
Core Active

+

Satellite Portfolio

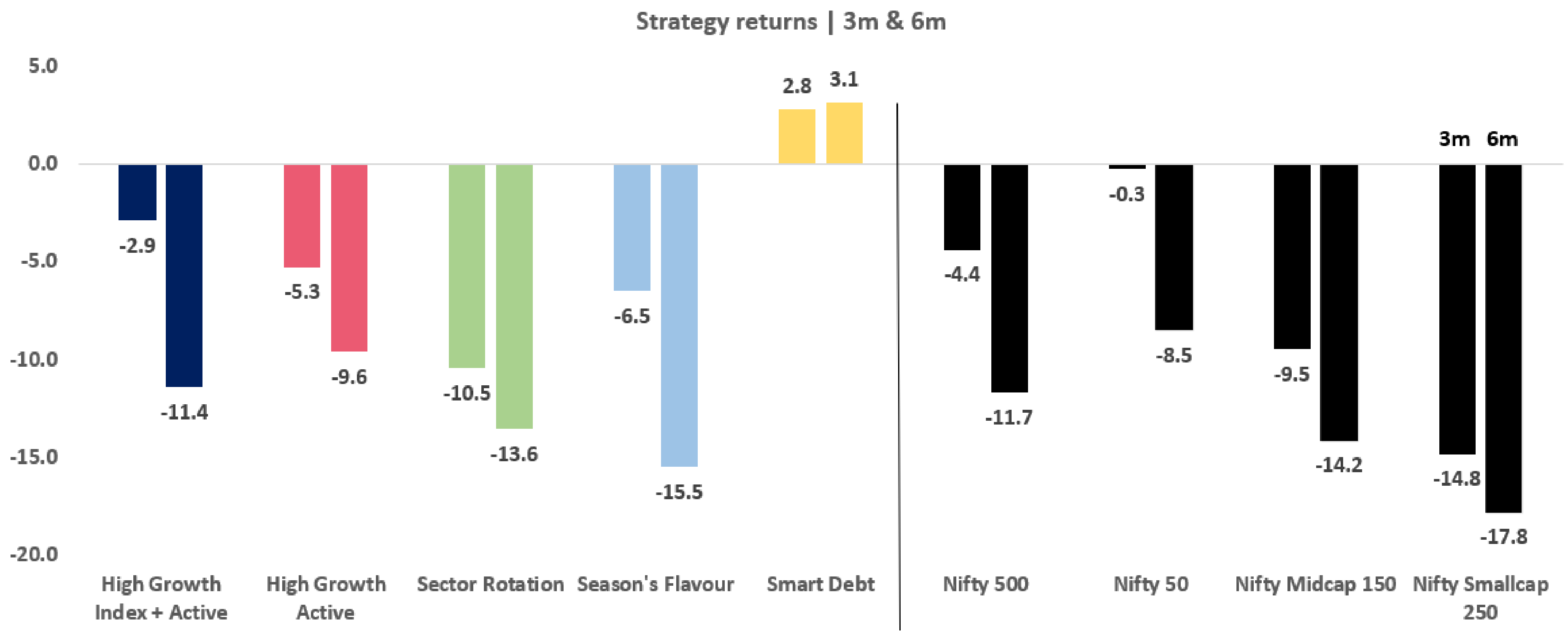
(Ultra Aggressive)

Equity
Sector Rotation
Season's Flavour

Debt
Smart Debt (Long Duration)

- Above mentioned are the strategies under the Core & Satellite portfolios provided by us.
- Our ideal suggestion is 70:30 portfolio mix for Core & Satellite strategies.

Our strategy returns for the quarter



- This is point to point return from 31 Dec to 31 March – 3 months & 30 Sep 2024 to 31 March 2025 – 6 months
- In our **High growth portfolios**, we maintained very low allocation in Mid & Small cap (10-20%) due to valuation & earning concern. This protected the portfolio from significant drawdown which was seen in Mid & Small cap index.
- **Sector rotation & Season's flavour** are high risk & high return strategy. On 6m basis, it has shown slightly higher drawdown compared to Nifty 500 however considering the risk to reward it has continued to perform better than the Mid & Small cap index. In sector rotation, we have further made a change recently by exiting IT fund and entering Banking fund based on risk to reward.
- Please note: Since the above returns are from point to point, SIP returns will be different.

The Team

GIRISH IPPADI

Technology

Engineering leader with
25+ years of industry
experience

ANAND K RATHI

Growth

Investment Manager
for 19 Years, manages 600cr of
assets,
Founder@Augment Capital

NAVEEN SHETTY

Investments

20 years of investment experience
across India and US markets

MOHIT B BAGDI

Investments

Chartered Accountant, Ex-E&Y
Investment Research,Tax Expert

ROHAN GOYAL

Investments

Investment Research Analyst

POOJA SAHU

Growth

Business Growth Executive

Thank you !

investors@mira.money

http://mira.money

© Noble Wealth Technologies Private Limited