

## Overview:

For the month ended April 2025, the Nifty 50 index was up 3.46% over the previous month. Nifty Midcap 100 index was up by 4.75%, while the Nifty Smallcap 100 index was up by 2.19%. Mid-caps, represented by the Nifty Midcap 100 outperformed smallcaps and largecaps. Within sectors auto, banking & financial services, realty, consumer durables and oil & gas outperformed Nifty 50, whereas technology services, media, metal, and healthcare underperformed.

Sr. No.	Index Name	Apr-25
		M-o-M Change
1	NIFTY 50	3.46%
2	NIFTY Midcap 100	4.75%
3	NIFTY Smallcap 100	2.19%
4	NIFTY Auto	4.76%
5	NIFTY Bank	6.83%
6	NIFTY Financial Services	4.14%
7	NIFTY FMCG	5.33%
8	NIFTY IT	-2.96%
9	NIFTY Media	2.62%
10	NIFTY Metal	-5.62%
11	NIFTY Pharma	3.00%
12	NIFTY Private Bank	6.67%
13	NIFTY PSU Bank	4.45%
14	NIFTY Realty	4.06%
15	NIFTY Consumer Durables	4.06%
16	NIFTY Oil & Gas	5.97%
17	NIFTY Healthcare Index	2.72%

Source: National Stock Exchange of India

Foreign funds (FIIs /FPIs) were net buyer in April 2025 at USD0.51bn and domestic institutions were net buyers at ~USD3.31bn. Despite ongoing global uncertainty, for the first time this CY 2025, Foreign funds (FII/FPIs) turned net buyers and made a strong comeback in Indian equity market.

## **Fig: Fund flows**

(USD mn)	Curr	MTD	CYTD
FII - Cash	276	510	-12,911
DII - Cash	212	3,288	25,044
FII - Debt	-123	-1,553	-1,474

Source: Axis Capital

Foreign funds (FII/FPIs) recorded strong inflows of USD 4.46 billion during the latter part of April 2025. This surge in foreign investment contributed to the continued recovery of the Indian rupee, which had earlier touched a record low of INR87.95/USD in February 2025. By the end of April, the rupee had appreciated INR84.60/USD registering a notable 3% gain in just a few months.

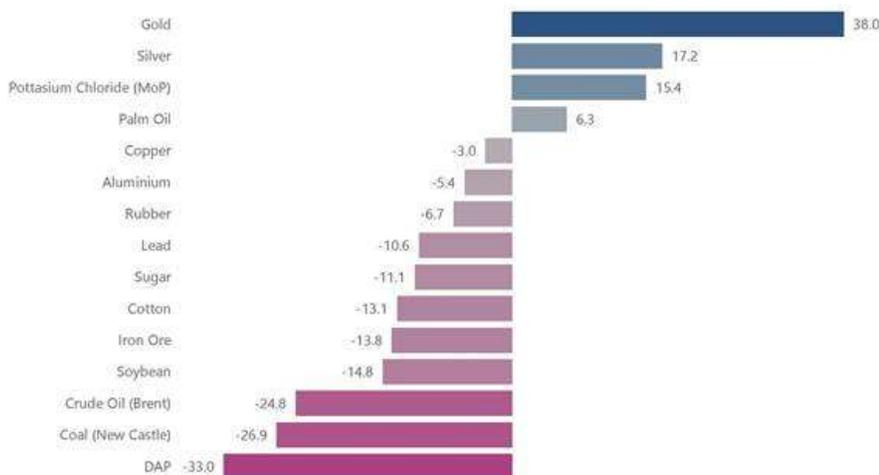
**Fig: INR strengthening against USD**



Source: IndiaDataHub

The Indian Rupee (INR) has appreciated sharply in the last few days. INR closed below 84.4 against the USD yesterday after having reached a low of 87.95 a few weeks back. On a YoY basis, the rupee is thus down less than 1.5% over the past year. It has reclaimed back most of its recent fall.

**Fig: Change in international prices of key commodities (YoY %, April 2025)**

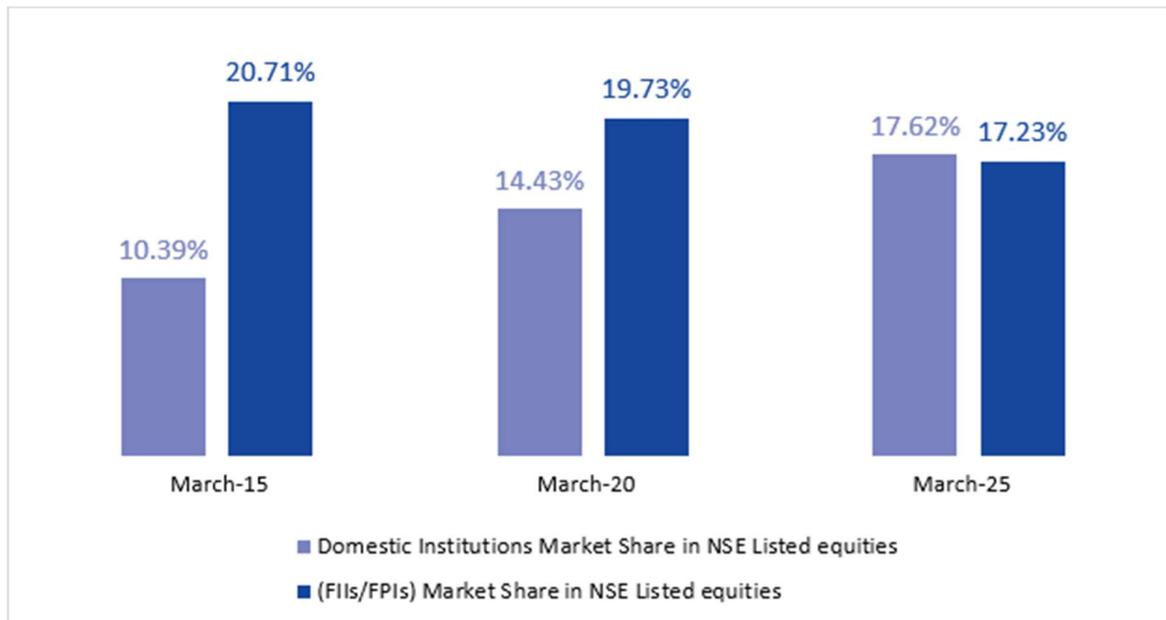


Source: IndiaDataHub

This recent decline in commodity prices, if sustained, should transmit to the domestic economy in terms of lower import prices, hence lower inflation. This in turn should benefit the commodity-consuming businesses and in general the Indian economy.

Domestic institutions have remained consistent net buyers in the Indian equity market for 21 consecutive months. This sustained buying momentum has led to a significant structural shift. Domestic institutions have now surpassed foreign funds in ownership of companies listed on the National Stock Exchange (NSE) for the first time in over 22 years. This milestone highlights the growing depth of India’s domestic capital base and the increasing confidence of Indian investors in the long-term prospects of the economy. As of the March 2025 quarter, domestic institutions held a 17.62% stake in NSE-listed companies, slightly ahead of foreign funds, whose ownership stood at 17.23%. In contrast, 10 years ago, foreign funds ownership was 20.72% of listed equities, significantly higher than the combined 18.47% stake held by domestic institutions, retail investors, and high-net-worth individuals (HNIs). The reversal in ownership trends underscores a major shift in market dynamics, driven by rising domestic savings, strong SIP inflows, and increasing retail participation.

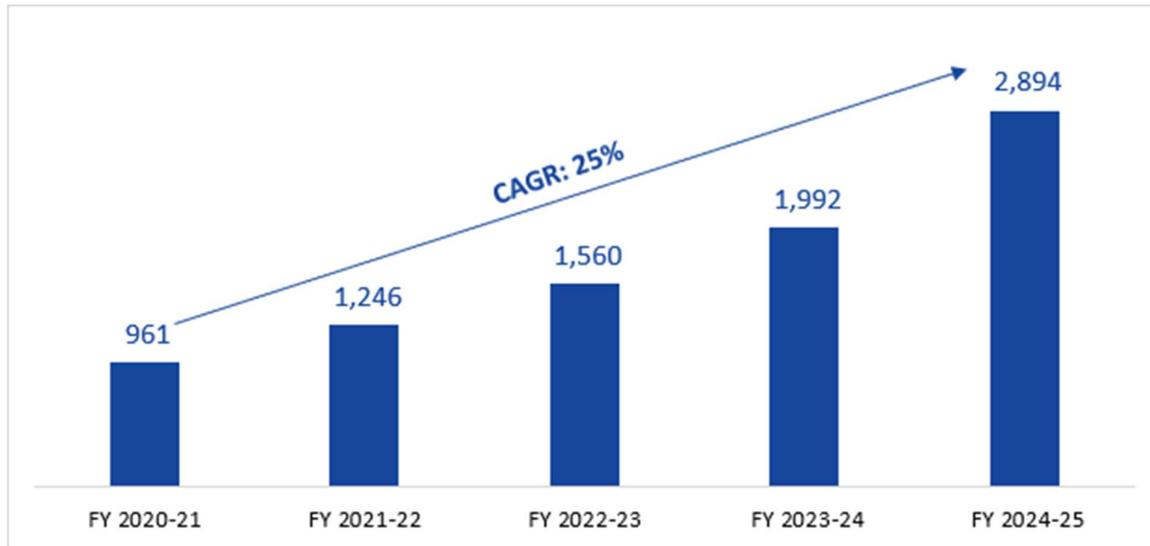
**Fig: NSE listed equities market share (Domestic Institutions vs FIIs/FPI)**



Source: Primeinfobase

The significant rise in ownership of domestic institutions has been strongly supported by sustained domestic inflows, particularly through systematic investment plans (SIPs). Over the past five years, SIP inflows have recorded a robust compound annual growth rate (CAGR) of 25%, reaching an all-time high of INR2,894bn in FY2025. This consistent growth in retail-led, long-term investments has enhanced the resilience of Indian markets and played a key role in strengthening domestic ownership.

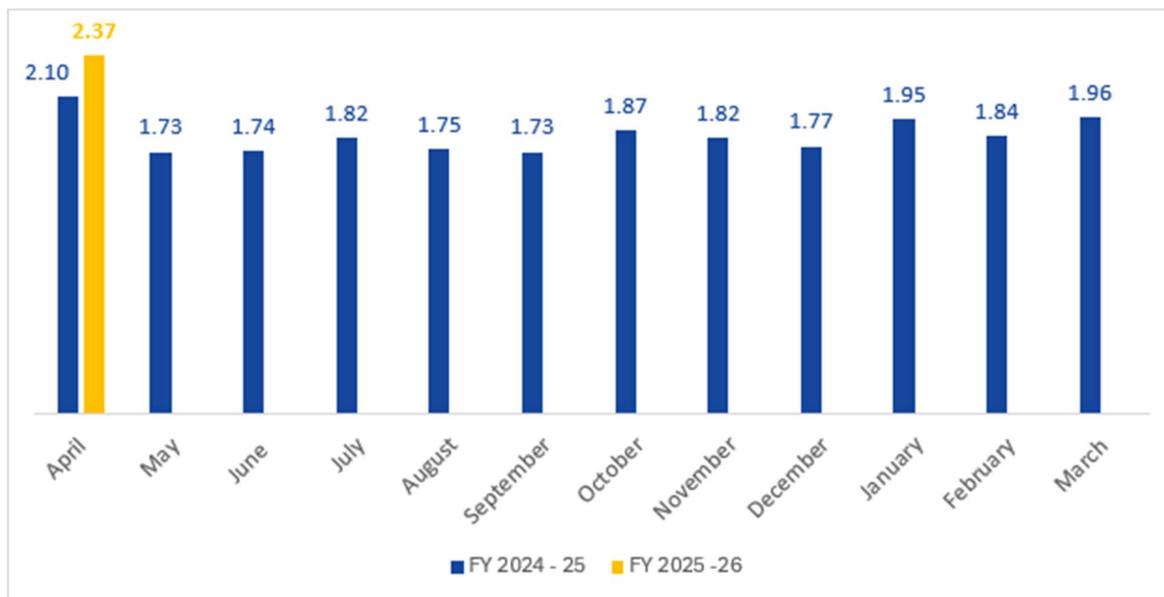
**Fig: Last 5 Years SIP inflows (INR bn)**



Source: AMFI

On the macroeconomic front, Good and Services Tax (GST) revenue for April 2025 were INR2.37 trillion, up 12.9% YoY. This phenomenal surge right at the beginning of the new financial year reflects underlying strength in domestic consumption, greater formalization of the economy, and improved tax and regulatory compliance. These structural tailwinds indicate a healthy demand environment and suggest that the Indian economy continues to build on a more stable and broad-based growth trajectory.

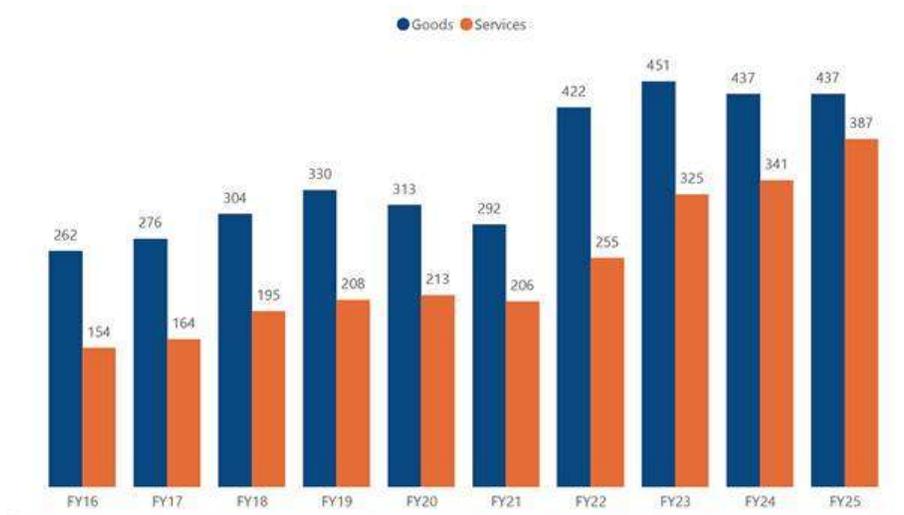
**Fig: GST collections trend (in INR Trillion)**



Source: EquiPoise Capital Research

India’s economy is witnessing another significant change (we call it A Revolution called GCC i.e. Global Capability Centres). Global services exports i.e. telecom, information technology and other business services exports rose 18% YoY in March 2025, recording the fastest growth since October 2024. While the imports rose 5% YoY, the services trade surplus rose over 30% YoY for the second consecutive month. For the full year FY2025, services exports rose 13.5% YoY. In contrast goods exports were unchanged for the year. Services exports now total to almost 90% of merchandise exports. Merely 5 years back, services exports were less than 70% of goods exports. If the current growth rate were to sustain in FY2026, services exports may well overtake goods exports. India may well become the only large economy where services exports exceed the goods exports.

**Fig: Growth in India’s services exports (USD bn)**



Source: IndiaDataHub

**Our view:**

Amidst US tariffs unleashed on the world and the resulting volatility, India which was navigating these uncertain times well through patience and negotiations, was faced with another challenge in the form of Pakistani terrorist attack on innocent tourists on April 22, 2025. Nearly 26 Indian tourists were mercilessly and gruesomely gunned down in the Himalayan hill station of Pahalgam, Kashmir in broad daylight by Pakistani terrorists. This has resulted in further deterioration of relations between India and Pakistan. The Indian response so far has been measured, mature and entirely non-kinetic. We are closely watching the news flow on US tariffs, Bilateral Trade Agreement between India and USA, and the Indian response to Pak terror attack on Indian civilians.

We believe, India thanks to its approach of negotiation (not confrontation like China) may well gain US exports market share because of relatively better terms of trade with US via bilateral trade agreements particularly in areas where India already has shown manufacturing prowess. Given that US is proposing higher tariff hikes for its top three trading partners viz China, Mexico and Canada compared to blanket tariff of 10% for most other countries even in the base case, it may make exports from countries like India relatively competitive for overlapping export goods. For example, machinery and mechanical parts, chemicals and textiles made up 46%, 12% and 10% of Chinese exports, respectively, to the US in 2022 while India also had a significant contribution

from these product categories at 14%, 22% and 15%, respectively. Hence, any significant tariff differential in these categories could create export competitiveness for countries like India. Relatively weak US and Chinese economy (although averting a recession) takes away the case of higher global equity allocation towards US and China at the cost of India which was becoming apparent since September 2024. A weaker global growth should result in commodity prices (other than gold, silver) remaining low and further aiding the Indian economy.

**Fig: Sectoral breakup of US imports from India and China**



Source: U.S. Census Bureau USA Trade Portal and ISec

We also notice the effects of recent measures taken by Government showing up in the economy in the sharp surge in surplus banking system liquidity from acute deficit situation in quarter four FY2025 driven by a combination of liquidity measures announced by the RBI (CRR cut, OMOs etc), likely rise in government spending, decline in seasonal pressures on liquidity (tax outgo, cash leakage etc.) and one-time effects of RBI intervention in the forex market. The effects of the INR1trillion direct tax stimulus unveiled in the Union Budget FY26 will likely start showing up Apr'25 onwards, while being a non-election year, we expect both government capex and private capex to pick up. However, the investment decision for the private sector exposed to global economy may get clouded and could lead to postponement. Growth-inflation dynamics improves further with inflation dipping and economic activity remaining robust.

We are tracking the global trade, geopolitical developments as well as the current quarter four FY2025 company results closely. We maintain that India's long term growth story, despite all the global uncertainties, is intact and corrections present an opportunity for long term investors.

**Ashish A. Wakankar**

Founder and Chief Investment Officer

**EquiPoise Capital Management Private Limited**

May 06, 2025.

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