

## Overview:

For the month ended March 2026, the Nifty 50 index was down by 11.31% over the previous month. The Nifty Midcap 100 index fell by 10.94%, while the Nifty Smallcap 100 index declined by 10.19%. Midcaps and smallcaps relatively outperformed largecaps during the month. Within sectors, technology, pharma, healthcare, and metals outperformed the Nifty 50, while auto, banks, financial services, private and PSU banks, realty, consumer durables, and oil & gas underperformed the benchmark.

While March 2026 was a tough month for Indian equities, the financial year 2026 itself began with the shock of sweeping tariff announcements by the US and ended with uncertainty caused by the US - Iran war. Both these events, which are over and above the ongoing Ukraine conflict, have impacted ever single country in the world.

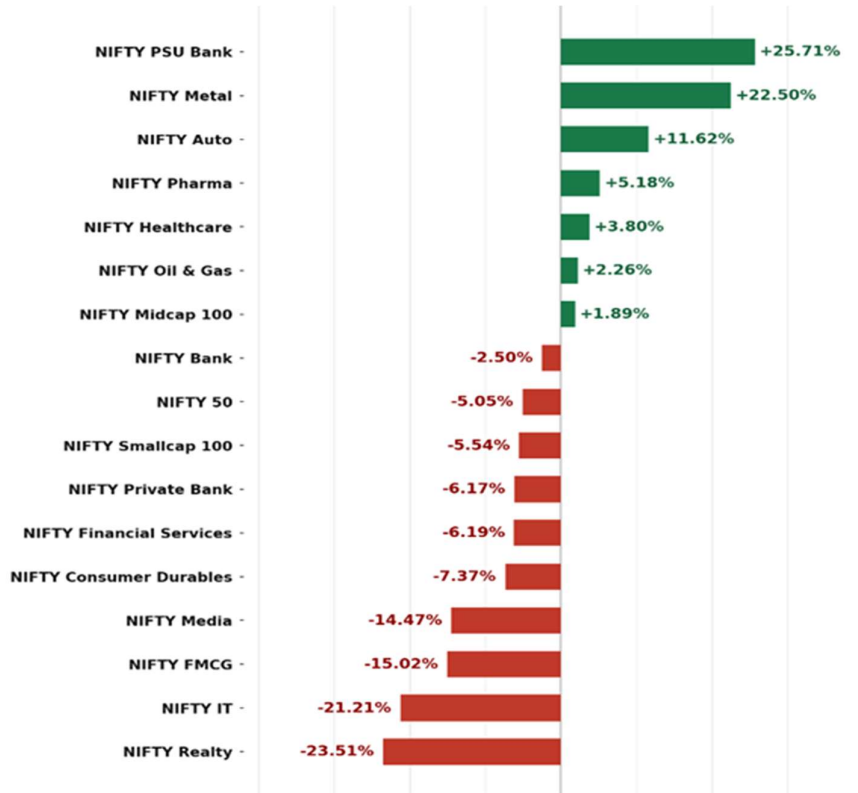
Sr. No.	Index Name	Mar-26
		M-o-M Change
1	NIFTY 50	-11.31%
2	NIFTY Midcap 100	-10.94%
3	NIFTY Smallcap 100	-10.19%
4	NIFTY Auto	-15.59%
5	NIFTY Bank	-16.94%
6	NIFTY Financial Services	-15.60%
7	NIFTY FMCG	-10.96%
8	NIFTY IT	-5.04%
9	NIFTY Media	-10.90%
10	NIFTY Metal	-9.00%
11	NIFTY Pharma	-3.14%
12	NIFTY Private Bank	-15.63%
13	NIFTY PSU Bank	-19.83%
14	NIFTY Realty	-16.58%
15	NIFTY Consumer Durables	-12.14%
16	NIFTY Oil & Gas	-12.04%
17	NIFTY Healthcare Index	-4.51%

Source: National Stock Exchange of India

Financial year 2026 (Mar 31, 2025 to March 31, 2026) saw market performance driven by a few sectors that significantly outperformed the broader market. Nifty PSU Bank (+25.71%) and Nifty Metal (+22.50%) led the gains, while Nifty Auto (+11.62%) also delivered strong returns during the year. Despite this, weakness in several sectors weighed on the broader market, resulting in the Nifty 50 declining by 5.05% over the year. Within the broader market, the Nifty Midcap 100 gained 1.89%, while the Nifty Smallcap 100 declined by 5.54%. However, several sectors fell significantly during the year, viz real estate (-23.51%), information technology (-21.21%),

consumer goods (-15.02%), and media (-14.47%). Sectors like pharmaceuticals (+5.18%), healthcare (+3.80%), and oil & gas (+2.26%) delivered modest positive returns, thereby providing some stability to the market.

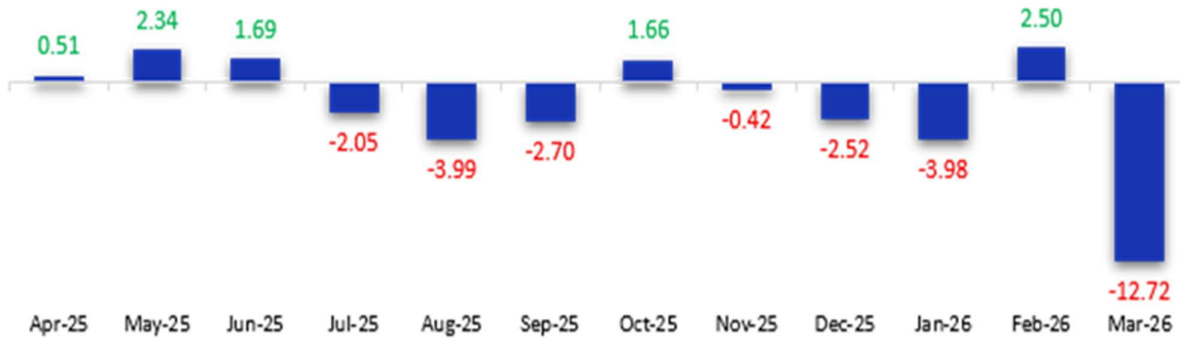
**Fig: Index Performance (FY2026, YoY)**



Source: National Stock Exchange of India

Foreign funds (FIIs /FPIs) were net sellers in March 2026 at USD12.72bn and domestic institutions were net buyers at USD15.11bn. In FY2026 foreign funds were net sellers at USD19.69bn and domestic institutions were net buyers at USD95.7bn. This period saw the highest monthly outflow by foreign funds and the highest ever inflow by domestic institutions recorded. The sell-off was largely driven by the Middle East conflict, which increased geopolitical risk and triggered a global risk-off sentiment among investors. Despite this pressure, domestic institutions were able to absorb the heavy selling from foreign funds in March 2026, mainly supported by strong structural domestic liquidity flows and long-term capital pools in India. The ability of domestic funds to absorb the shock was largely driven by rising mutual fund inflows, and strong retail investor participation in the equity market.

**Fig: Monthly foreign fund flows (USD bn)**



Source: NSDL

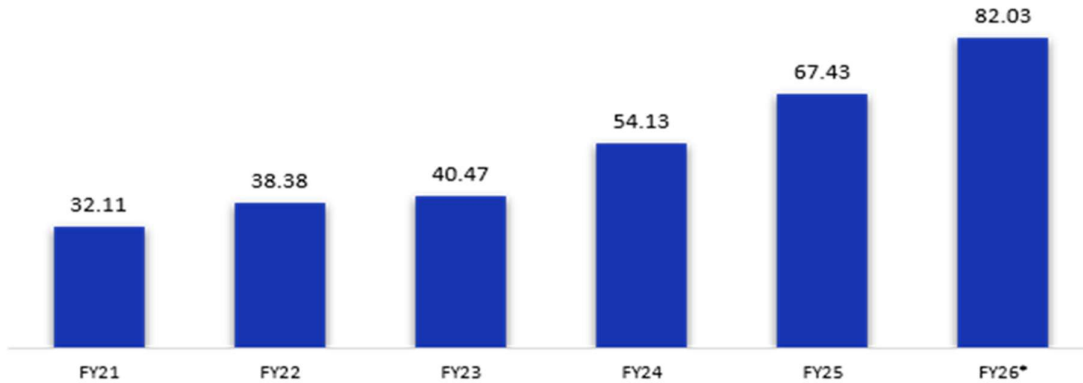
**Fig: Monthly domestic fund flows (In USD bn)**



Source: NSDL

The Indian mutual fund industry has delivered one of its most remarkable growth stories over the past five years, with assets under management (AUM) nearly tripling from INR32.11 trillion in FY2021 to INR82.03 trillion as of February 2026. At the same time, investor folios have increased sharply from 9.62 crore in February 2020 to 27.06 crore by February 2026, representing a more than 2.5-fold rise. This growth reflects a structural shift in India’s investment culture, with retail investors increasingly moving towards market-linked products instead of traditional fixed deposits. With financial literacy improving, digital adoption expanding, and the working-age population continuing to grow, the structural drivers for AUM growth remain strong. The industry’s ability to remain resilient during periods of global volatility, including US tariff shocks and sustained FII outflows, highlights the growing role of Indian retail investors as a long-term force in the capital markets.

**Fig: Mutual fund AUM growth (In INR Trillion)**



Source: AMFI, \* Data as of February, Data across all scheme categories (equity, debt, hybrid, passive and solution-oriented schemes)

Systematic Investment Plan (SIP) contributions in India have grown significantly in recent years, reflecting rising investor participation and strong confidence in capital markets. Annual SIP inflows increased from INR0.96 trillion in FY2021 to an estimated INR3.18 trillion in FY2026, representing more than a threefold increase in five years. This steady rise highlights the growing shift of household savings toward financial assets and the increasing acceptance of mutual funds as a long-term investment avenue. The growth in SIP contributions has strengthened the role of Domestic Institutional Investors (DIIs), particularly mutual funds, in the Indian equity market, and this structural shift has gradually made the Indian market less dependent on foreign capital compared to the past.

**Fig: SIP contribution (In INR Trillion)**



Source: AMFI, \* Data as of February

FY2026 marked another record year for India’s IPO market, even as volatility in the secondary market increased during the latter part of the year. Strong participation from domestic investors helped sustain primary market activity despite global uncertainties, geopolitical tensions, and persistent foreign funds outflows. During the year, 112 companies raised approximately INR1.8 trillion through mainboard IPOs, surpassing the previous record of INR1.62 trillion raised by 78 IPOs in FY2025. This marks the second consecutive year of record fund-raising in the primary market, breaking the historical pattern where a strong IPO year is typically followed by a prolonged slowdown. The strong performance of the IPO market in FY26 highlights the increasing depth of India’s capital

markets and growing domestic investor participation, which continues to support fund-raising activity even during periods of secondary market volatility.

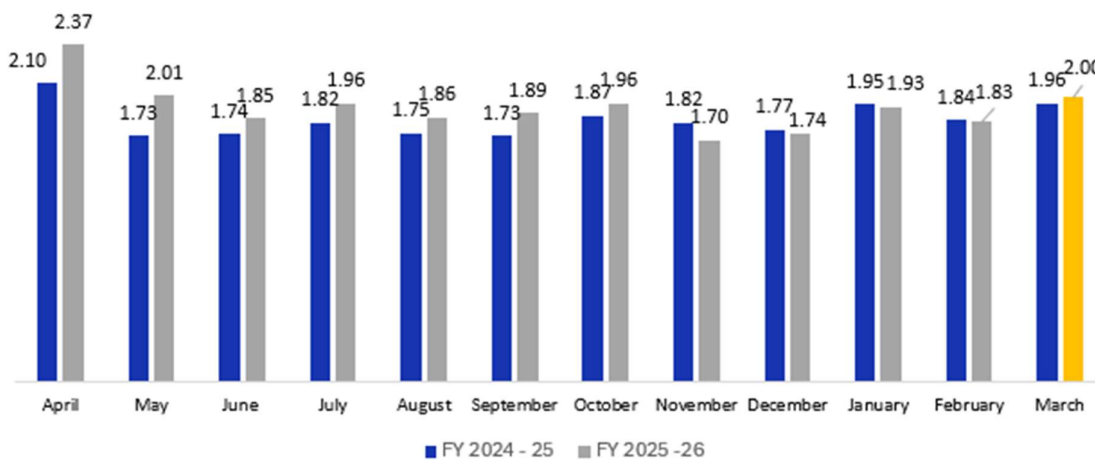
**Fig: India IPO market**

Financial year	No. of IPOs	Amount raised (₹ cr)	Nifty change (%)
2019-20	13	20,350	-26
2020-21	30	31,268	70.9
2021-22	53	111,547	18.9
2022-23	37	52,116	-0.6
2023-24	76	61,922	28.6
2024-25	78	162,387	5.3
2025-26	112	178,963	-5.1

Source: Prime Database, Rupees One Cr = Rupees Ten million

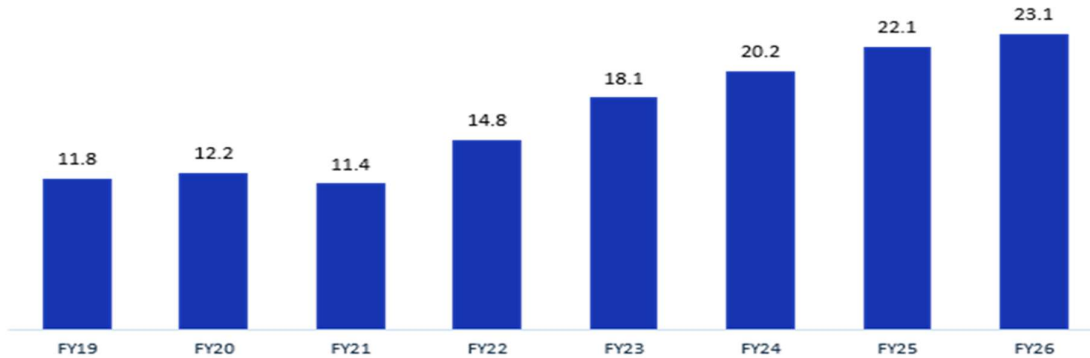
On the macroeconomic front, Goods and Services Tax (GST) revenue for March 2026, despite the US – Iran war, stood at INR2 trillion, up 2% YoY. GST growth has begun to show signs of recovery, with collections rising by 9.29% in the latest month compared to previous month. For FY2026, total GST collections reached INR23.10 trillion, marking a 5% increase compared with INR22.08 trillion collected during the same period in FY2025. The average monthly GST collection for the fiscal year stood at INR1.93 trillion, exceeding the previous year’s average of INR 1.84 trillion. This consistent increase highlights strong economic activity, improved compliance, and a resilient consumption trend across sectors.

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



Source: EquiPoise Capital Research

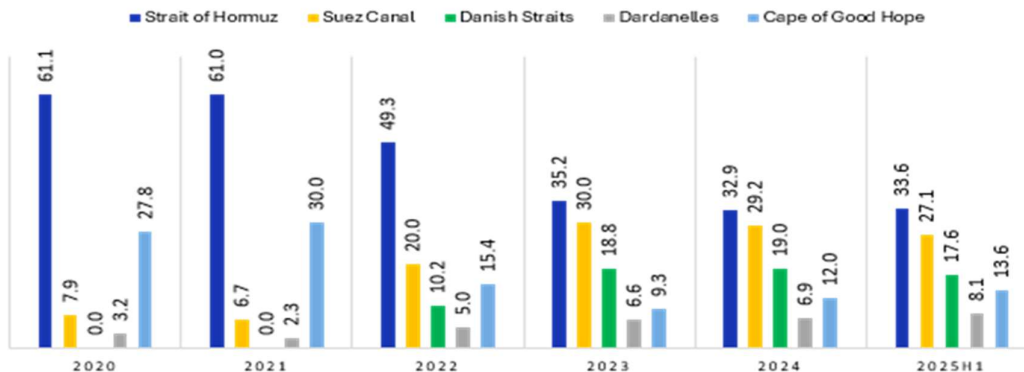
**Fig: GST Collection INR Trillion**



Source: Ministry of Finance, EquiPoise Capital Research

India’s crude oil import structure has shifted significantly in recent years, reducing its dependence on the Strait of Hormuz while increasing diversification across alternative routes. The share of imports passing through Hormuz has declined from about 61% in 2020 to nearly 33% by 2024–25, reflecting India’s efforts to reduce geopolitical concentration risk in the Middle East. A major driver of this change has been the increase in Russian crude imports rising from almost 0% in 2020 to around 19% by 2024. This shift improves India’s energy security, as heavy dependence on the geopolitically sensitive Hormuz Strait had previously exposed the country to supply disruption risks during Middle East conflicts. However, with around one-third of imports still passing through Hormuz, the risk has not disappeared. Any major disruption could still push global crude prices higher, affecting India’s import bill, inflation, and fiscal balance, and impacting sectors sensitive to oil prices such as oil marketing companies, aviation, chemicals, paints, and logistics. Overall, India’s large strategic oil reserves (78 days) and diversified crude sourcing strategy has strengthened resilience, but oil price volatility driven by geopolitical tensions in West Asia remains a key macro risk for the Indian economy and markets.

**Fig: India’s crude oil import routes, 2020-2025**



Source: Ministry of Finance, EquiPoise Capital Research

Despite the war in the Middle East and impact on world oil prices, India’s consumption remained resilient in March 2026. India's passenger vehicle (PV) market closed March 2026 on a strong note, clocking 4,47,702 units,

marking a robust 16.0% year-on-year (YoY) growth and a healthy 6.4% month-on-month (MoM) increase. Strong growth was witnessed even in the tractors and two-wheeler (scooters and motorcycles) segments.

Another indicator of robust consumption is the data released by the National Payments Corporation of India which showed digital transactions value rose 10% month-on-month to Rs.30 trillion (~USD330bn) and digital transactions volumes increased by 11% to 22.64bn. The surge is attributed to higher consumption activity in the economy.

### **Our view:**

Despite the ongoing US - Iran war, S&P Global Ratings has raised India's GDP growth forecast for fiscal year 2026-27 to 7.1%, up from previous projections, while upgrading the FY2026 estimate to 7.6%. It expects growth to be driven by resilient domestic demand, private consumption, and strong investment, although it is expected to moderate slightly from 7.6% in FY2026 to 7.1% in FY2027.

We believe Government of India and the Reserve Bank of India have handled the Indian economy well through 2020 (Covid) to date (Ukraine crisis, US tariffs, US - Iran war). However, the fall in Indian rupee has raised the question whether the current value of rupee correctly reflects India's macro fundamentals. Emerging market currencies, including India's, have been targets for speculators and arbitrageurs in overseas non-deliverable forward (NDF) markets.

While the Indian Rupee's current slide reminds of the 31% depreciation seen during the 2013 "Taper Tantrum," the underlying drivers have shifted fundamentally. A decade ago, India was hobbled by fragile macro fundamentals (India was among Fragile Five) - specifically a massive current account deficit of 4.8% (versus 1.3% currently). Today, the economy is structurally sound, yet the currency is being battered by a "perfect storm" of external factors. Portfolio outflows in FY2026 reached almost USD20bn, the highest in nearly three decades. We believe, the exodus of foreign capital, particularly in March, reflects a global flight to safety rather than a lack of confidence in India's growth.

The RBI currently sits on a formidable ~USD700bn reserve cushion.

We reiterate that though the trade agreements between India and Canada, India and EU, India and US, and the Union Finance Budget 2026 have set the Indian economy for the next leg of major growth, the Israel-US and Iran war has created fresh challenges for global markets including India.

The recent market correction has brought the Nifty 12-month forward P/E multiple, nearly close to the pre-Covid (January 2015-2020) average and 12% discount to the last 5 years. While corporate earnings cuts cannot be ruled out for March 2027, we believe they may not be significant if the Middle East war ends by April 2026.

We are cautious in the short to medium term given the unfolding and ongoing geopolitical crisis but remain optimistic on India in the long term.

### **Ashish A. Wakankar**

Founder and Chief Investment Officer

**EquiPoise Capital Management Private Limited**

April 06, 2026.

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