EQUITY MARKET ASSESSMENT

-Aug'25

PMS RESEARCH DESK

Right Horizons Portfolio Management Services (RH PMS)

RH PMS is a SEBI registered PMS for segregated accounts

MACRO UPDATE

KEY INDICATORS	Jul'25	Jun'25
MARKET UPDATE		
SENSEX	81,185.58	83,606.46
P/E	23.62	23.11
P/B	4.39	4.27
Dividend Yield (%)	1.18	1.05
CURRENCY UPDATE		
USD/INR	87.524	85.700
USD/EUR	0.8755	0.8484
USD/CNY	7.2005	7.1639
COMMODITY UPDATE		
Brent Oil (USD Per Barrel)	70.87	68.15
Gold (USD per ounce)	3,288.66	3,303.69
Bloomberg Commodity Index	101.18	102.02
FPI NET INVESTEMNTS		
Equity (INR Cr)	-17,741	14,590
Debt (INR Cr)	11,812	-22,527
ECONOMY UPDATE		
GDP Growth (FY25) (YOY)	6.50%	
CPI (Jun'25)	2.10%	
Repo Rate (Jun'25)	5.50%	

COMMENTARY

In a bid to spur growth, the Reserve Bank of India's Monetary Policy Committee on Wednesday voted to keep the policy repo rate unchanged at 5.5%. Given that the Indian Rupee is weakening and narrowing of the global interest rate differentials, the scope for rate reduction was slim.

The Reserve Bank of India has projected real GDP growth at 6.5 per cent for FY26. The quarterly projections stand at 6.5 per cent in Q1, 6.7 per cent in Q2, 6.6 per cent in Q3, and 6.3 per cent in Q4.

Manufacturing is showing early signs of revival amid improved business sentiment, and the services sector continues to demonstrate resilience.

Headline inflation eased further during May and June 2025, driven by a sharp decline in food prices. The sharp decline in crude oil prices during second half of the month has further strengthened the disinflationary outlook. CPI inflation for FY26 projected down at 3.1%as compared with 3.7% projected in June.

Early monsoon has led to weak commentary from consumer durable companies for Q2 however early festive season can bring some cheers for the street.

Dot plot suggest 25 bps rate cut by US Fed while inflation data for July and August would be keenly watched by analysts.

Although financial market volatility and geopolitical uncertainties have abated somewhat from their peaks in recent months, trade negotiation challenges continue to linger. Global growth, though revised upwards by the IMF, remains muted. The pace of disinflation is slowing down with some advanced economies even witnessing an uptick in inflation

MACRO DASHBOARD- POSITIVE

KEY INDICATORS			
PMI			**Outlook**
PMI MANUFACTURING (Jul'25 Vs Jun'25)	59.2	58.4	POSTIVE
PMI SERVICES (Jul'25 Vs Jun'25)	59.8	60.4	
DEMAND			
Consumer Confidence (May'25 Vs Mar'25)	95.4	95.5	POSITIVE
Infrastructure O/P (YOY) (Jun'25 Vs May'25)	1.7%	1.2%	
UTILIZATION	**4QFY25**	**3QFY25**	
Capex Utilization	75.3%	74.7%	POSITIVE
PRODUCTION			
Industrial Production (YOY) (Jun'25 Vs May'25)	1.5%	1.9%	POSITIVE
Manufacturing Production (YOY) (Jun'25 Vs May'25)	3.9%	3.2%	
Mining Production (YOY) (May'25 Vs Apr'25)	-0.1%	-0.2%	
Steel Production (Thousand Tonnes) (Jun'25 Vs May'25)	13,600	13,500	
Passenger Vehicle Sales (Units) (Jun'25 Vs May'25)	2,75,766	3,03,099	
FISCAL	**Jun'25**	**May'25**	
GST Collections (INR in Cr)	1,84,597	2,36,716	POSITIVE

COMMENTARY

Private consumption, aided by rural demand, and fixed investment, supported by buoyant government capex, continue to boost economic activity.

On the supply side, a steady south-west monsoon is supporting kharif sowing, replenishing reservoir levels and boosting agriculture activity.

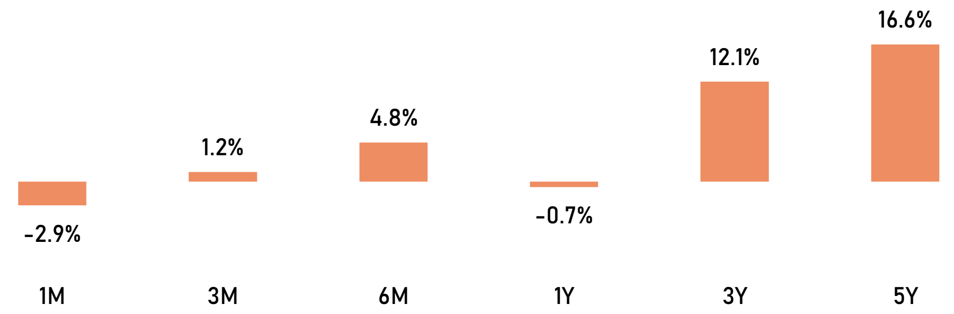
Moreover, services sector and construction activity remain robust.

However, growth in industrial sector remained subdued and uneven across segments, pulled down by electricity and mining

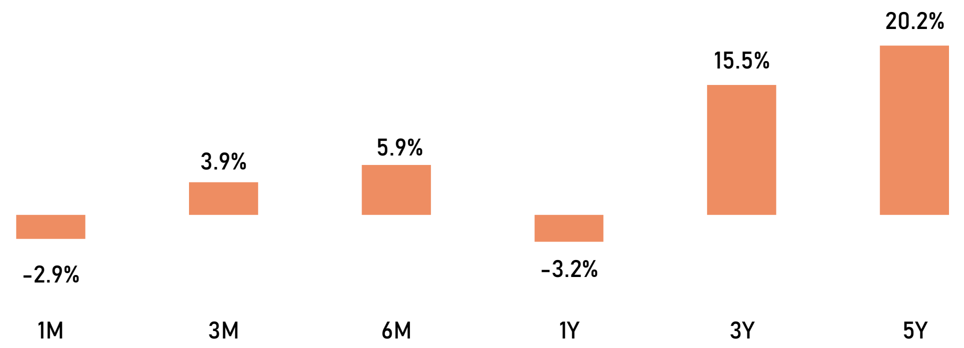
DOMESTIC MARKET PERFORMANCE

The current market correction has aligned with a slowdown in earnings growth. SMIDs fair better than larger counterparts on 3Y & 5Y basis.

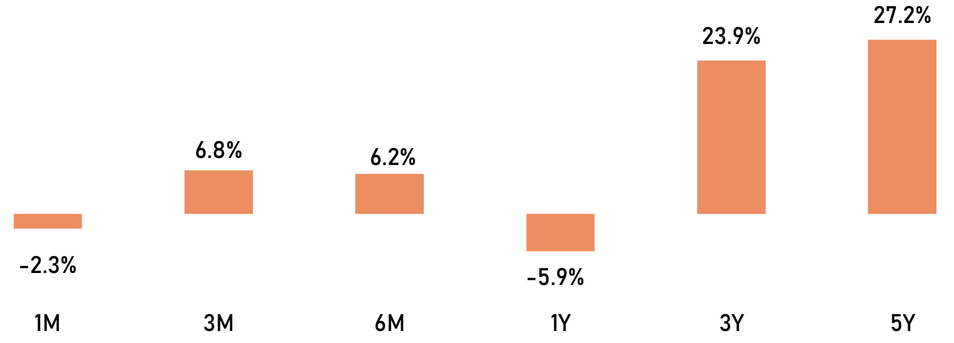
SENSEX



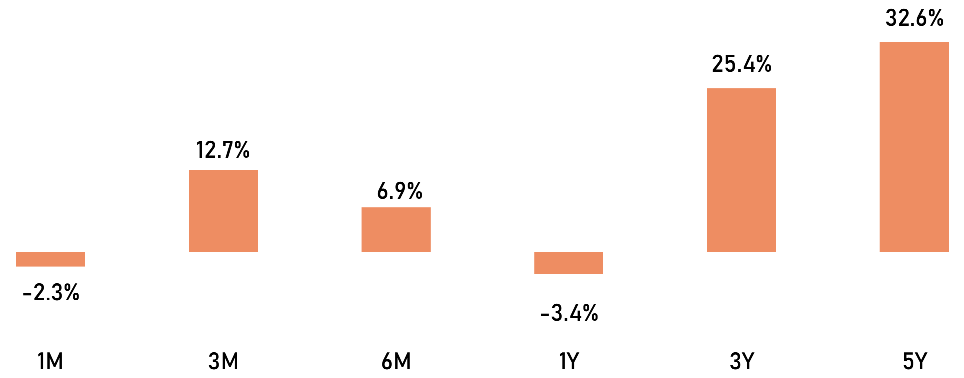
BSE 500



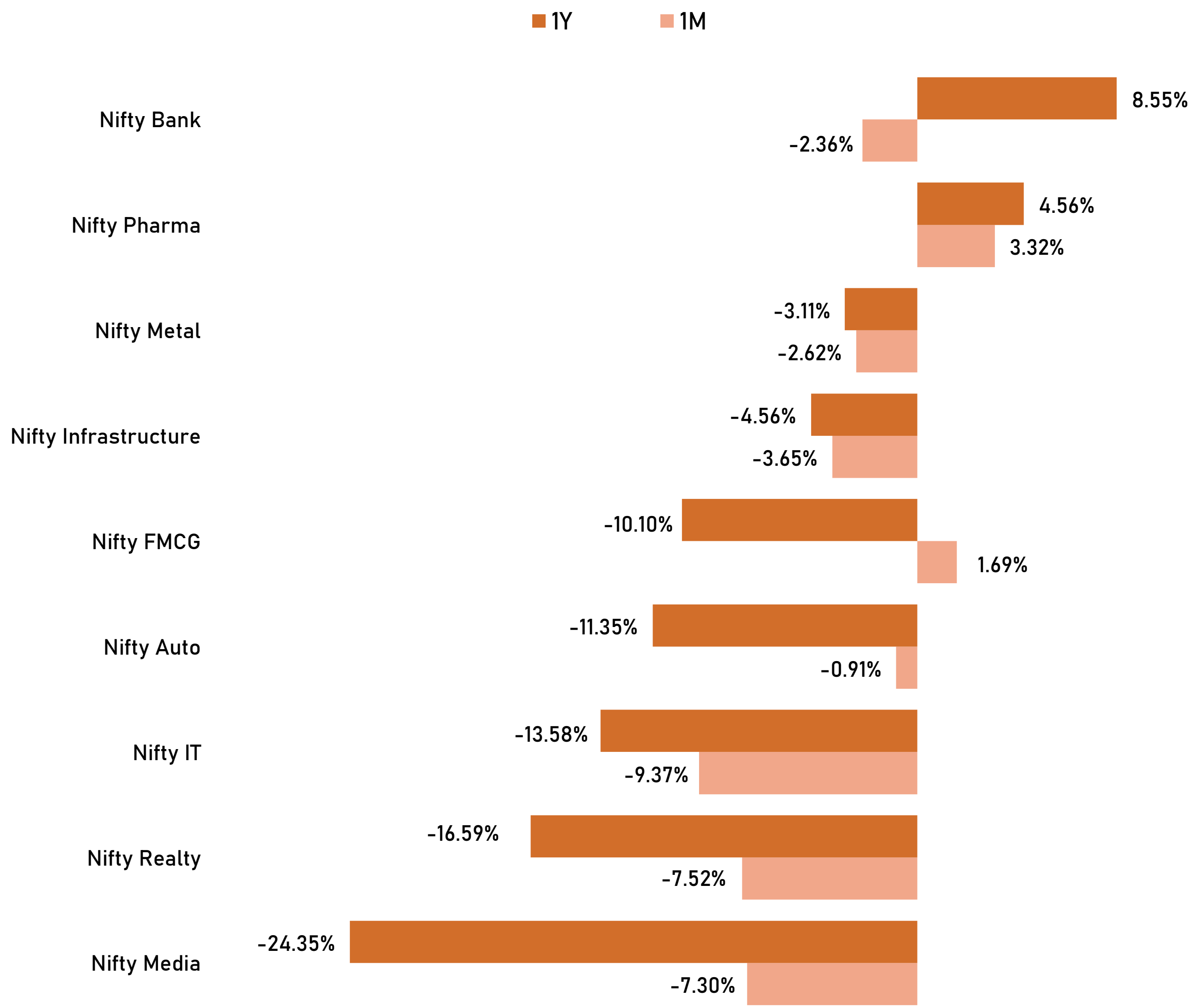
BSE MIDCAP



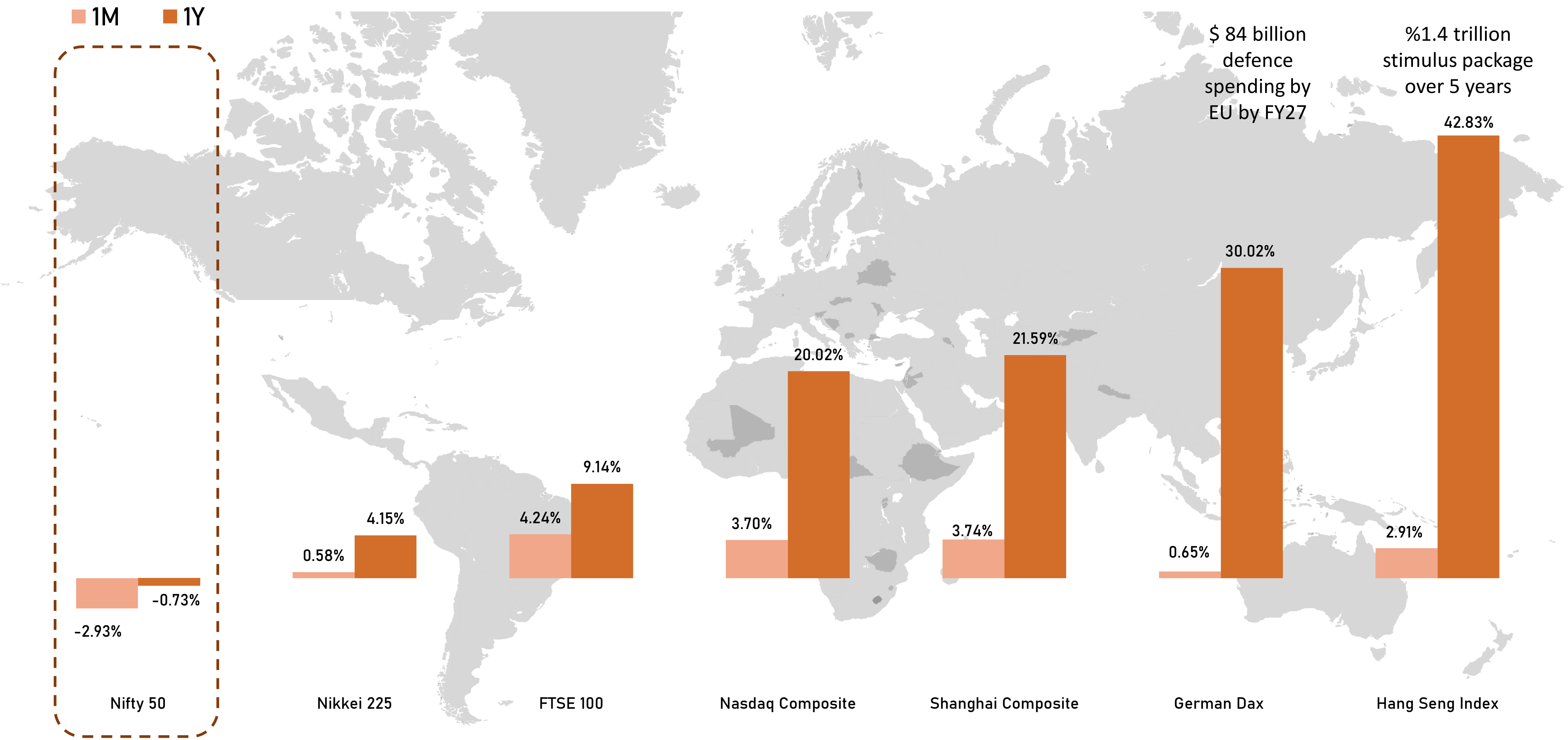
BSE SMALLCAP



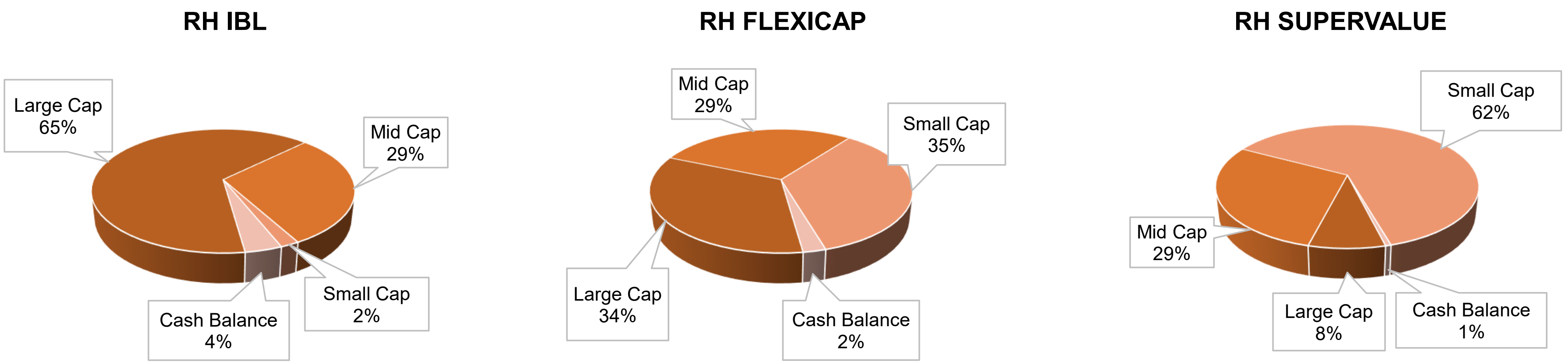
MARKETS PERFORMANCE: SECTORAL



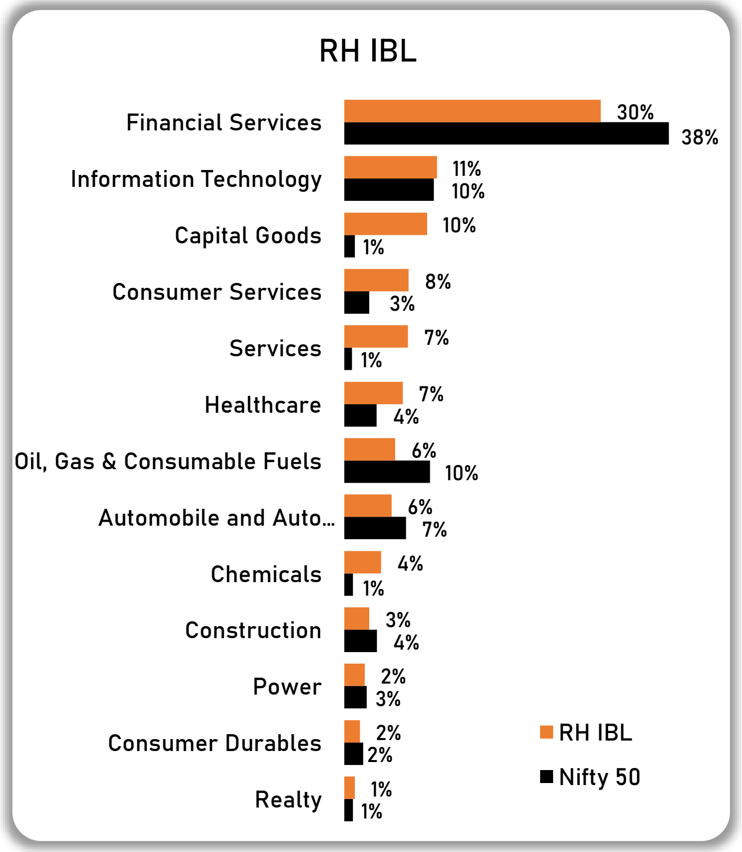
GLOBAL MARKET PERFORMANCE

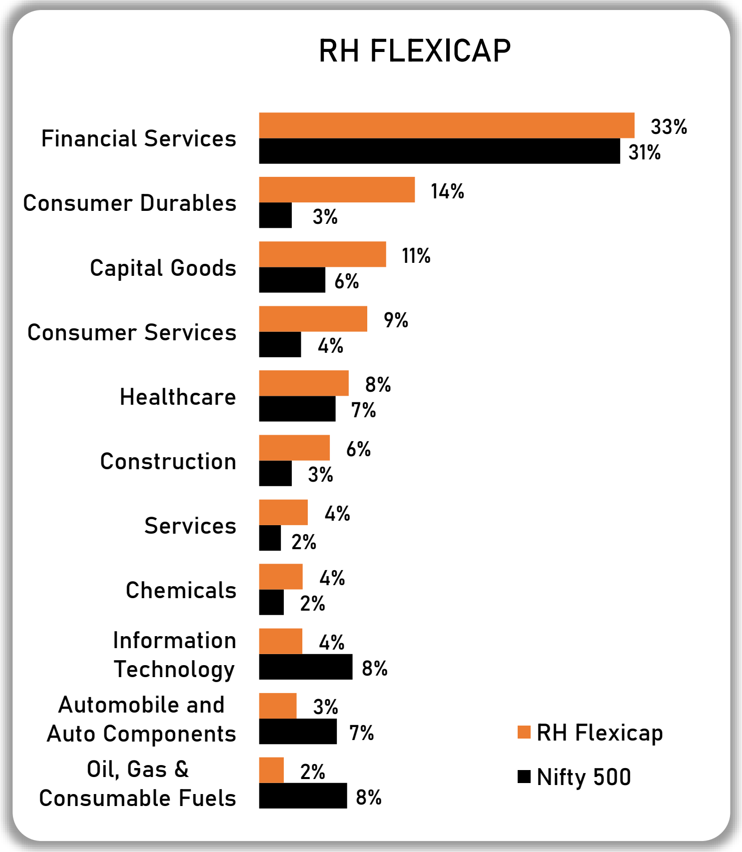


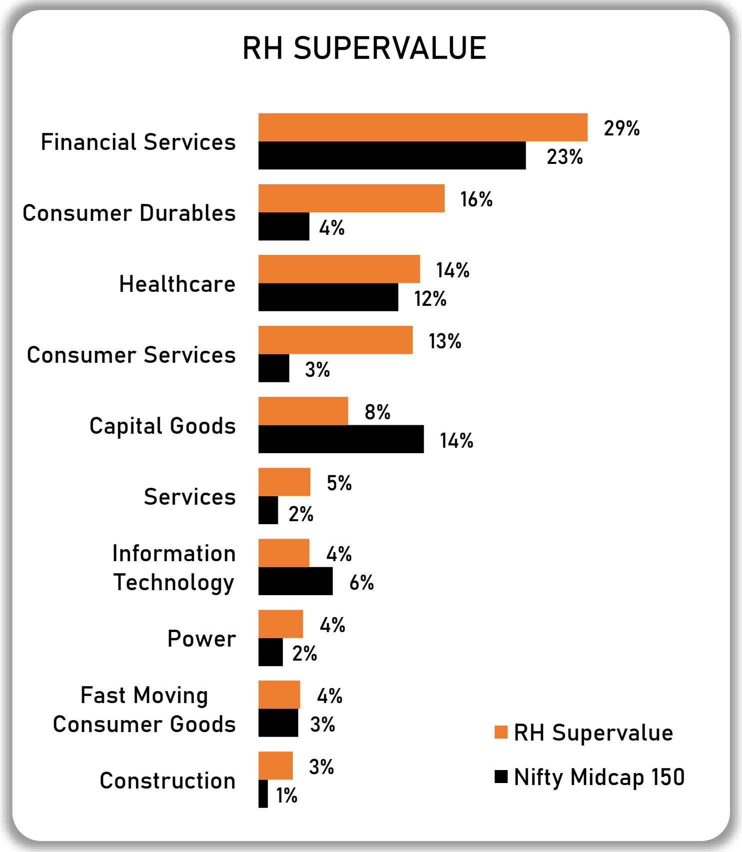
M-CAP BREAKUP



PMS VS BENCHMARK SECTOR COMPARISON







VALUATION SNAPSHOT

TTM P/E	Jul'25	LT Avg.	SD+1	SD-1	SD
Nifty 500	24.3	25.4	31.1	19.6	5.7
Nifty Midcap 150	33.8	29.6	39.7	19.6	10.0
Auto	24.7	39.8	103.1	23.4	63.2
Bank* (PB)	2.2	2.6	3.1	2.0	0.5
Consumer Durables	68.0	43.7	77.6	9.9	33.9
FMCG	42.1	36.0	43.1	28.9	7.1
Healthcare	38.2	34.9	43.5	26.3	8.6
IT	25.5	23.4	29.3	17.4	5.9
Metal	18.4	15.1	22.2	8.0	7.1
Oil & Gas	13.1	14.6	21.5	7.6	6.9
Pharma	32.3	36.4	46.5	26.4	10.0

SECTOR	RH IBL	RH FLEXICAP	RH SUPERVALUE
Construction	UW	OW	OW
Healthcare	OW	UW	OW
Auto	OW	UW	-
Services	OW	OW	OW
Consumer Durables	-	OW	OW
IT	UW	UW	OW
Financials	UW	UW	UW
Chemicals	OW	OW	-
Capital goods	OW	OW	UW

Sectoral Stance is derived from underlying portfolio holdings; valuation numbers are for historical reference.

OW-Overweight N-Neutral UW-Underweight

TARIFF IMPACT

CATEGORY	EXPORTS TO US ($ BILLION)	TOTAL TARIFF (%)	EXPOSURE*
Smartphones	10.6	0	<2%
Diamonds, gold, related products	10	52.1	0%
Pharmaceuticals	9.8	0	0%
Machinery, mechanical appliances	6.7	51.3	<2%
Steel, aluminium, copper	4.7	51.7	0%
Textiles	3	59	0%
Apparel (knitted)	2.7	63.9	0%
Apparel (woven)	2.7	60.3	0%
Organic chemicals	2.7	54	0%
Vehicles and parts	2.6	26	<2%
Shrimp	2	50	0%
Carpets	1.2	52.9	0%
Furniture, bedding, mattresses	1.1	52.3	0%

*share of portfolio revenue exposed to US exports

- Implementation of 25% additional tariffs will take weighted average US tariff to 42.4% from 13.2%;
- 5% of India's total export impacted
- 0.6-0.8% downside risk to annual growth
- Current and capital account flows could be impacted, currency market could see pressure
- Direct financial cost to India of replacing Russian oil is less than 15 bps of GDP
- 21 days negotiation window still there to bring down tariffs
- Domestic sectors like consumption, hospital, capital markets, financials won't be impacted much
- Electronics, Pharma and IT services exempted from tariffs
- Government is expected to roll out policy to support exporters

Market Stance: Cautiously Optimistic

GOING FORWARD

- Nifty, Mid Cap and Small Cap- valuations have cooled down by 10% to 20% across benchmarks as markets have delivered negative returns in a year and earnings have grown around 5% to 15%
- Valuations should expand considering we are in interest rate easing environment; earnings growth should catch up in H2FY26
- Earnings season progressing well for portfolio companies and broad based recovery is visible in earnings growth across sectors and market caps
- Consumer durable sector was impacted due to early monsoon but early festive season could be a trigger for
- Themes such as domestic consumption, hospitals, financials, manufacturing and China+1 expected to do well in FY26
- DII buying has been very robust and would continue to provide support to the domestic markets- July SIP at ATH of 28’464 Cr; Small Cap funds have seen highest MoM growth in SIP flow at 64% growth.
- FIIs index short position is at 92% and any recover in market can trigger short covering
- **Global Volatility:** Changing Geo-political landscape, Tariff Uncertainty, Cross border developments,
- **Domestic Volatility:** Slowdown in Consumption, Weak Q2 Earnings, INR volatility
- Markets are expected to be volatile in short term on account of Tariff uncertainty, FII selling, INR weakening and guidance cut by select Industries; however medium to long term India’s structural story is well supported by low inflation, low interest rates, DII buying and sustainable earnings growth in range of 14-16%

Market Stance: Cautiously Optimistic

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