



Market Outlook

Presentation

APRIL 2026



Indian *Markets*

Going back to our Annual Note 2026

Crisis	What could happen?	Assumed outcome	What actually happened?	1Y Return
Covid-19 23rd March 2020	India is a large labour market if we face any large Humanitarian crisis	Large scale unemployment	Covid-19 made the entire country sit at home - which ended with India being a global leader in the Digital and Technology space	85%
Russia Ukraine War 24th February 2022	If World faces large geopolitical event, the inflation could skyrocket	India could get poorer at a fast pace	Russia-Ukraine spiked global inflation, disrupting supply chains. Yet Inflation in India is comfortably within target	7.5%
India Pakistan War 10th May 2025	India could enter in a war with our neighbour	This could set India 10 years behind	India Pakistan went neck to neck - With India disrupting leading global defence companies	0%
Prolonged FII Selling 27th September 2024	FIIs start selling and continue for extended periods of time	Markets could crash; there wouldn't be any support	Financialization of savings worked surprised everyone with DIIs upholding the Indian markets	-5.90%
US Tariffs 7th April 2025	USA starts going against India	Economy could spiral down without our largest ally	India's growth remains unaffected by the current 50% tariffs	7.5%

As of 13th April 2025

Whenever Investors questioned India, India's perceived weakness had been an opportunity in hindsight

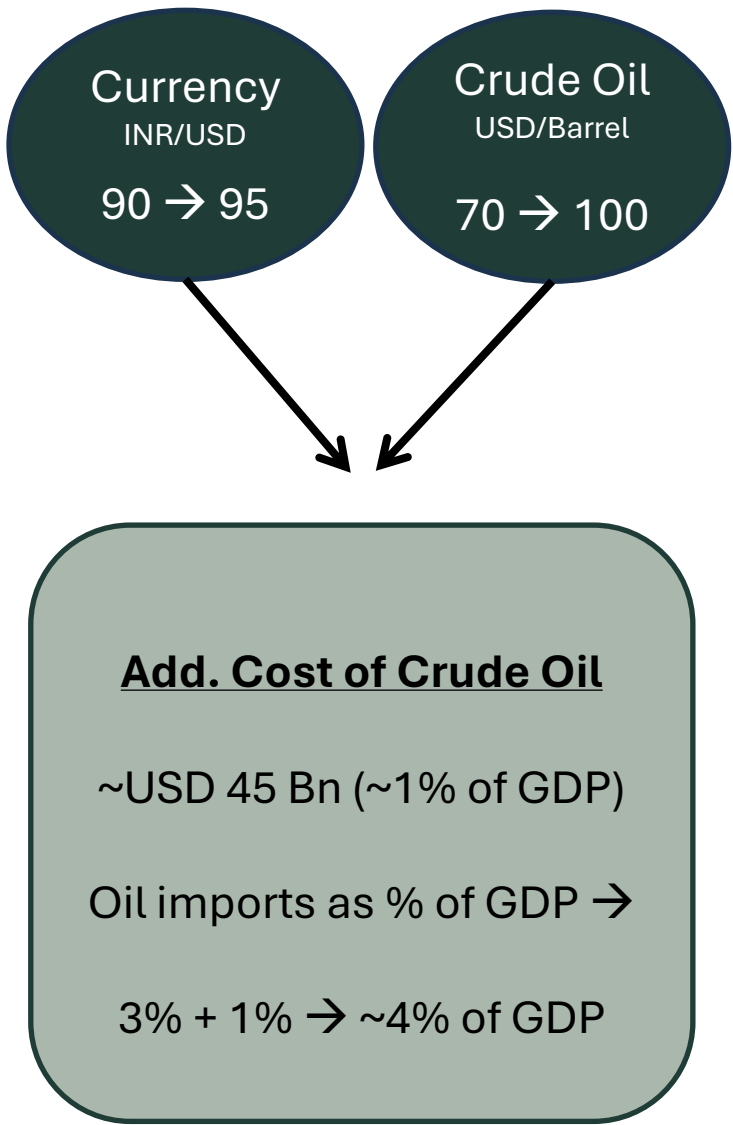
India's macro parameters are in better shape compared to earlier crises like GFC & COVID

Indicator	1991 crisis	Pre GFC	Pre COVID	Present	
	FY91	FY07	FY19	FY25	FY26E
Inflation (%)	14.6	6.7	3.4	4.6	2.5
Real GDP Growth (%)	5.5	8.1	6.5	6.5	7.4
CAD	3.0	1.0	2.1	0.6	1.0
Fiscal Deficit to GDP (%)	7.6	3.3	3.4	4.8	4.4
External Debt to GDP (%)	26.1	18.3	20.1	18.8	19.2*
FX Reserves (USD bn)	6	199	413	668	710
Corporate Leverage (%)	NA	86.8	57.8	49.8	NA
Banks' Net NPA (%)	NA	1.0	3.7	0.5	0.5

Source: RBI, CMIE, IMF, NSO, KIE, Bloomberg, Ace Equity | Note: Based on old GDP series data. | * As on Sep-25

Fig.12

The US-Iran war impact on Indian macros is real but manageable



Impact of Government Actions

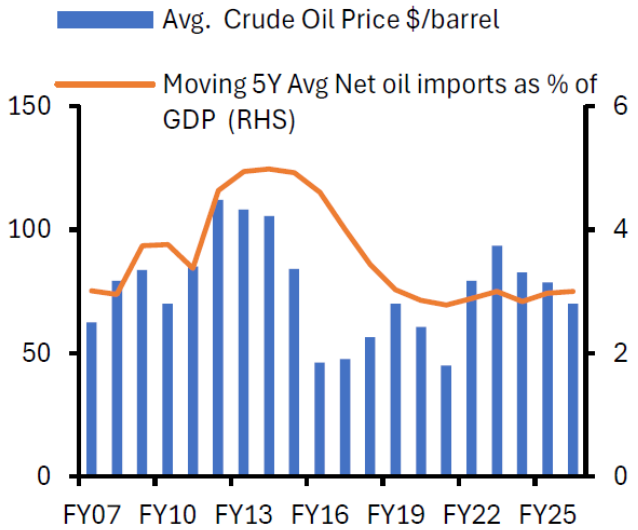
Fiscal Impact (USD bn)	FY27
Impact on Government	24
- Excise Duty Cut	16
- Increase in Fertilizer Subsidy	8
Resources / Revenue available with Government	15.5
- Economic Stabilization Fund	10.5
- SAED on Diesel and ATF Exports	5
Total Increase in Net Fiscal Deficit	8.5
As a % of GDP	0.2

Source: Budget Documents, 3PIM calculations

Fig. 11

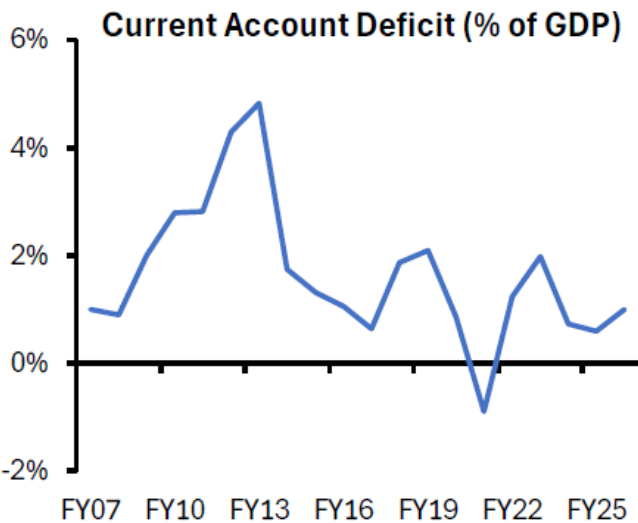


Total Impact on Fiscal deficit will be in range of 1.2% to 1.3% of GDP



Source: RBI, PPAC, Bloomberg, 3PIM

Fig. 5



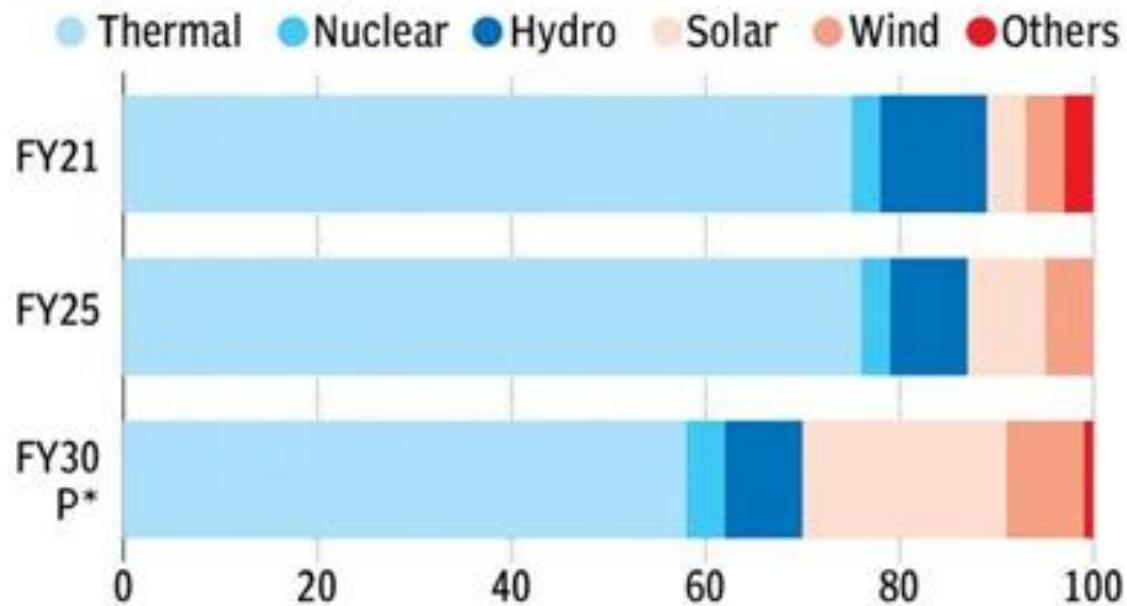
Source: RBI, Bloomberg

Fig. 6

A. Energy Independence

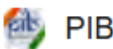
Renewable energy share is expected to more than double in 2030

Power generation mix projections in India



Source: RHP of Clean Max Enviro Energy Solutions and Crisil Intelligence
GW refers to Giga Watt *Projected

B. New Technology



A New Chapter in India's Nuclear Journey

Indigenously built 500 MWe fast breeder reactor attains first criticality.

- 2. Green Hydrogen via the National Hydrogen Mission – INR 19,744 crore
- 3. Energy Storage Systems (ESS) - 74 GW of storage capacity by 2032

C. Diversifying Sources of Energy

Energy Sources	Decade Ago	Currently
Crude Oil	27 Countries	41 Countries
Natural Gas	6 Countries	30 Countries
LPG	10 Countries	15 Countries

Source: Petroleum secretary, GOI



Global *Markets*

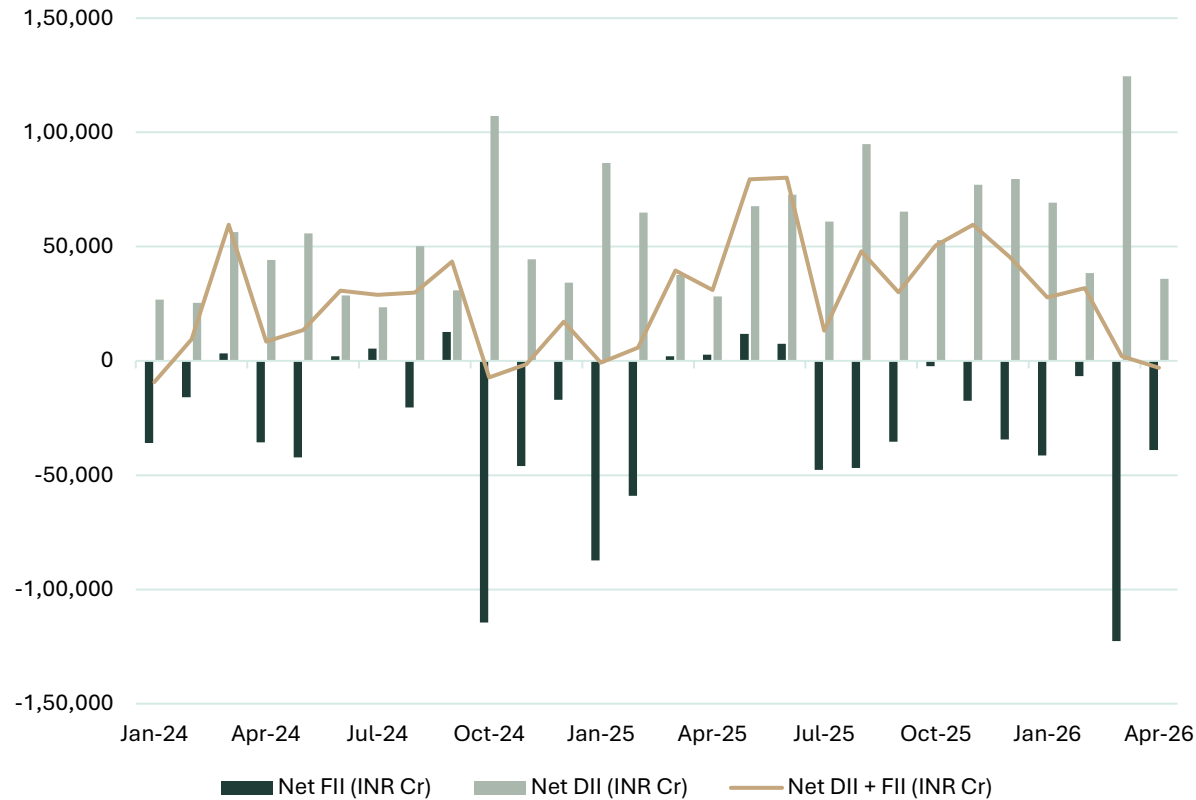
Nifty 50 has lagged in 2-year returns, but should bounce from these levels

Market	Benchmark Used	1 Month	3 Months	6 Months	1 Year	2 Years	3 Years	5 Years
Developed Markets								
Germany	FSE DAX	-0.69	-5.77	-1.80	15.76	14.70	15.13	9.34
Eurozone	Euro Stoxx 50	1.79	-0.77	7.88	25.94	11.60	13.97	10.91
Japan	Nikkei 225	6.72	8.40	17.24	64.38	21.06	28.81	15.66
UK	FTSE 100	2.48	5.81	14.25	38.48	19.58	15.19	12.99
US	S&P 500	0.63	-1.84	4.67	31.02	16.45	20.03	12.17
US	Nasdaq 100	0.68	-2.40	3.93	37.58	18.71	25.04	13.26
Emerging Markets								
Taiwan	TAIEX	8.07	16.93	29.73	86.41	30.63	30.66	16.01
South Korea	KOSPI 100	6.56	31.86	75.97	175.76	55.58	40.05	15.88
Brazil	Bovespa	7.56	20.78	40.26	56.17	24.15	24.66	10.89
Mexico	S&P/BMV Mexico	3.98	5.63	15.48	36.03	11.71	8.83	8.13
India	Nifty 50	-0.87	-6.25	-4.63	8.57	4.03	12.21	11.44
China	CSI 300	-0.81	-2.40	1.01	27.24	18.20	6.83	0.61

- India has been one of the worst performing countries in the last 2 years, but we ask this question – Is it due to sentiment or macroeconomic fundamentals deteriorating significantly?

DII buying has been offsetting FII selling

FII/DII Flows (INR Cr)

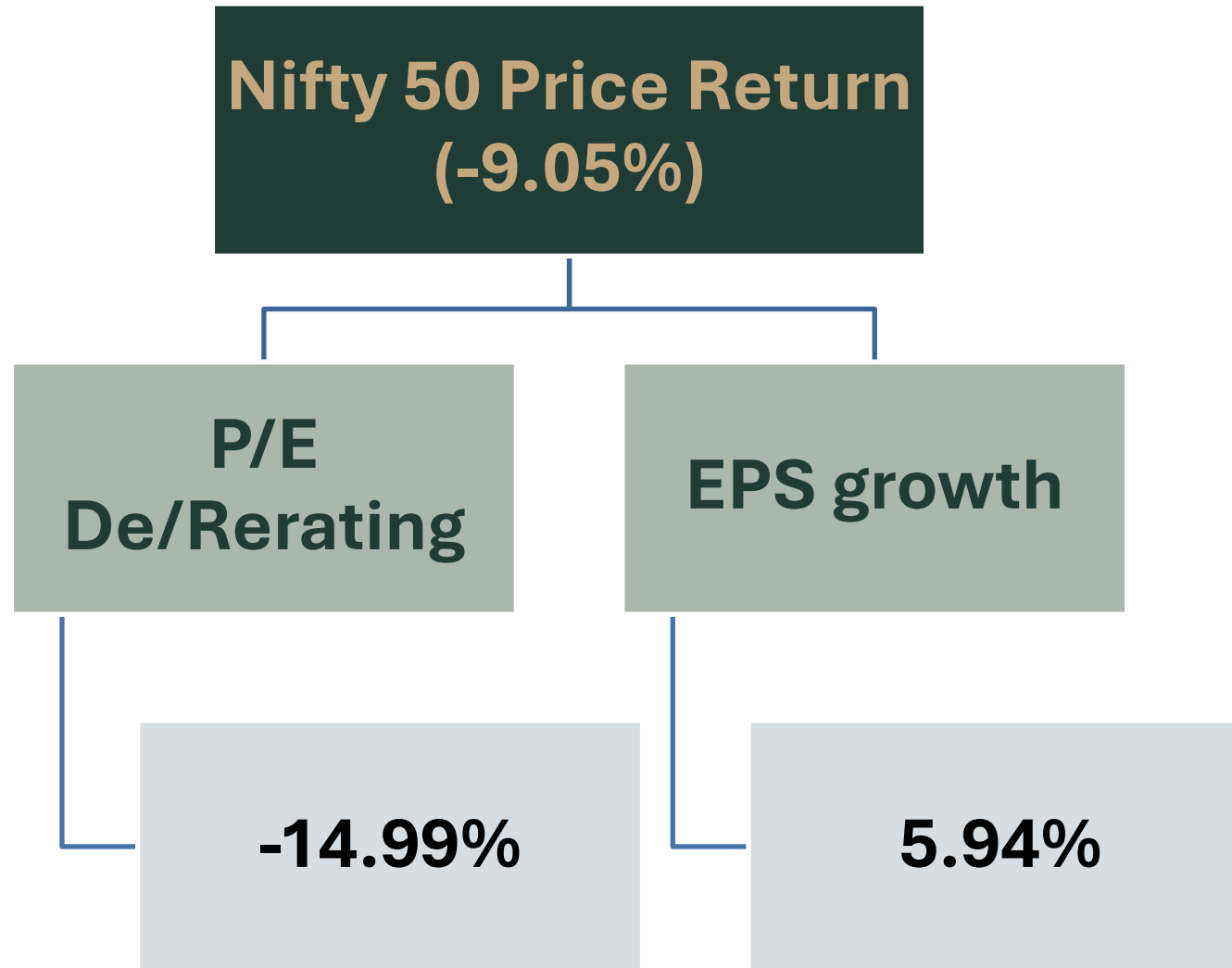


Nifty 50 PRI



- Indian markets have remained resilient despite FIIs selling over the last 2 years.
- Most global fund houses were overweight India during the Sep-24 peak, but have cut forecasts recently despite no change in underlying fundamentals

Markets have fallen due to sentiment and not earnings



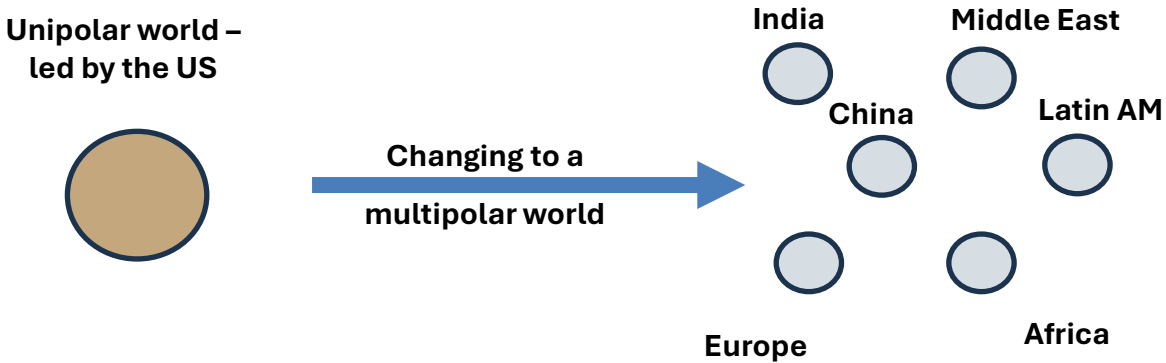
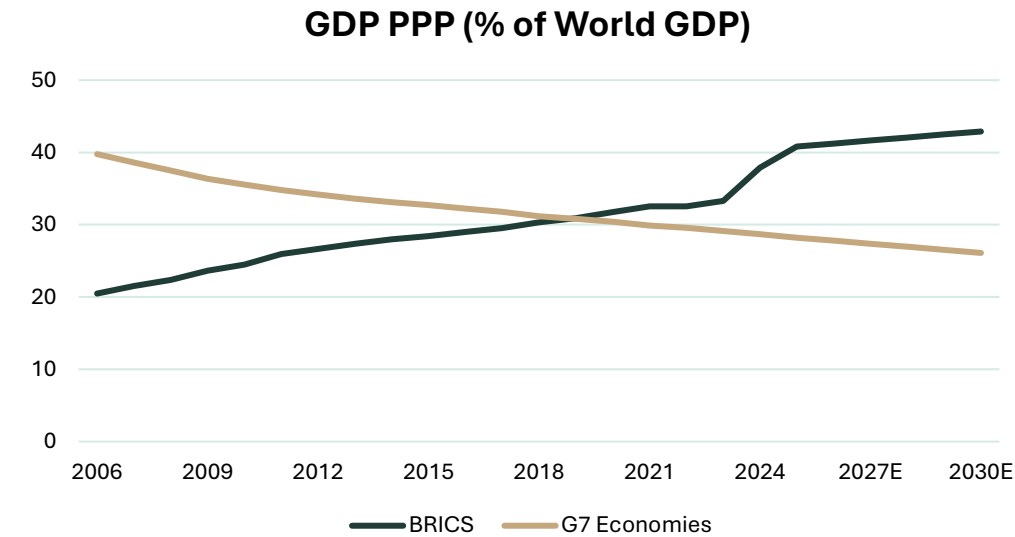
- Despite almost no returns over the past 2 years, Nifty 50 has made ~12% and 11% over 3 and 5 years respectively

Fundamentals have remained resilient

Major Indicators		2024												2025												2026		
Category		Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar
No. of Vehicle Sold (In lakhs)																												
2W		14.6	14.4	15.3	16.4	15.3	13.8	14.4	13.4	12.0	20.7	26.2	12.0	15.3	13.5	15.1	16.9	16.5	14.5	13.6	13.7	12.9	31.5	25.5	13.2	18.5	17.0	19.5
3W		1.0	0.9	1.1	0.8	1.0	0.9	1.1	1.1	1.1	1.2	1.1	0.9	1.1	0.9	1.0	1.0	1.0	1.0	1.1	1.0	1.0	1.3	1.3	1.3	1.3	1.2	1.1
PV		3.9	3.3	3.2	3.4	3.0	2.8	3.2	3.1	2.8	4.8	3.2	2.9	4.7	3.0	3.5	3.5	3.0	3.0	3.3	3.2	3.0	5.5	3.9	3.8	5.1	3.9	4.4
Tractors		0.9	0.8	0.8	0.6	0.7	0.7	0.8	0.7	0.6	0.6	0.8	1.0	0.9	0.7	0.7	0.6	0.7	0.8	0.9	0.9	0.6	0.7	1.3	1.2	1.1	0.9	0.8
CV		0.9	0.9	0.9	0.9	0.8	0.7	0.8	0.7	0.7	1.0	0.8	0.7	1.0	0.8	0.9	0.9	0.8	0.7	0.8	0.8	0.7	1.1	0.9	0.8	1.1	1.0	1.0
Macro Indicators																												
IIP		3.8%	5.7%	4.9%	5.0%	5.9%	4.2%	4.8%	-0.1%	3.1%	3.5%	5.2%	3.2%	5.0%	2.9%	3.0%	2.7%	1.2%	1.5%	3.5%	4.0%	4.0%	0.4%	6.7%	7.8%	4.8%	5.2%	
Manufacturing PMI		56.5	56.9	59.1	58.8	57.5	58.3	58.1	57.5	56.5	57.5	57.3	57.4	57.7	56.3	58.1	58.2	57.6	58.4	59.1	59.3	57.7	59.2	56.6	55.0	55.4	56.9	53.9
Services PMI		61.8	60.6	61.2	60.8	60.2	60.5	60.3	60.9	57.7	58.5	58.4	59.3	56.5	59.0	58.5	58.7	58.8	60.4	60.5	62.9	60.9	58.9	59.8	58.0	58.5	58.1	57.2
UPI Transactions (INR Lakh Cr)		18.4	18.3	19.8	19.6	20.4	20.1	20.6	20.6	20.6	23.5	21.6	23.2	23.5	22.0	24.8	23.9	25.1	24.0	25.1	24.9	24.9	27.3	26.3	28.0	28.3	26.8	29.5
GST Revenue (INR Lakh Cr)		1.7	1.7	1.8	2.1	1.7	1.7	1.8	1.7	1.7	1.9	1.8	1.7	1.9	1.7	1.8	2.4	2.0	1.9	2.0	1.9	1.9	2.0	1.7	1.8	1.9	1.8	2.0
Air Pax (Lakhs)		131.3	126.5	132.0	135.0	138.0	130.0	134.0	137.0	130.3	138.5	135.0	149.0	150.3	140.4	145.0	148.0	143.6	135.0	138.0	141.0	135.0	139.0	136.0	118.2	152.5	140.0	145.4
E-Way Bills (INR Cr)		9.7	9.7	10.2	9.7	10.2	9.5	10.2	10.5	9.8	9.7	10.2	11.2	11.8	11.2	12.5	11.9	11.5	10.8	11.2	11.8	13.2	12.5	13.0	13.8	13.7	13.3	12.5
Urban Consumer Confidence (Future)		33.7		37.3		33.5		26.1		26.9		27.0		26.2		28.0		29.2		32.3		32.6		32.9		29.3		
Rural Consumer Confidence (Future)		40.0		42.4		39.5		33.1		33.6		34.0		34.6		36.6		37.2		40.4		40.3		40.4		42.0		

3 forces reshaping the investment world

Force	What's happening	Investment implication
Geopolitics	Fragmentation, de-dollarisation, defence buildup	Real assets, commodities, defence, gold
Government Spending	Fiscal dominance, nominal GDP targeting	Infrastructure, Capex cycle, Increased Interest costs and higher borrowing driving bond markets
Disruption	AI, supply chain rewiring, tech decoupling	Manufacturing, Semiconductors, New themes



Geopolitics -

- **Trust erosion:** Defence budgets have increased across the board post covid
- USD's share of reserve currency has dropped from >70% to 56%
- **Increased inflation:** Supply chain disruption

Government Spending -

- Expenditure despite widening deficits – Increasing interest costs, boosting energy and border security
- **De-globalization:** Increased fragmentation, each country focusing on real assets – Infrastructure, commodities, capex-linked sectors
- Real GDP growth → Nominal GDP growth → Higher rates for longer

Disruption –

- **Increasing productivity:** Resulting in job losses
- **Further rift between US-China:** Both competing in an AI race
- **Supply chains rewired:** China+1 as a factor of trust erosion and cybersecurity issues

Favoured Sectors:

- Manufacturing
- Logistics
- Semiconductors
- Infrastructure
- Defence
- Energy
- Commodities
- Consumption
- Tourism



Portfolio

Navigation & Strategy

Pravia's Mutual Fund Portfolio – Resilient Amidst Volatility

Mutual Funds	1 month %	3-month %
* <u>Recommendations are for clients only</u>	2.96	-7.28
	5.52	-3.22
	5.68	-3.02
	5.91	-3.18
	3.54	-4.90
	4.07	-5.72
	3.28	-4.85
	6.06	-1.81
	6.50	-1.56
	9.38	8.80
	3.09	8.44
	6.21	2.08
	5.60	-16.68
	5.74	-6.40
Average Pravia MF Portfolio	5.25	-2.81
Nifty 50 TRI	2.98	-7.24
Nifty 500 TRI	3.70	-5.40

- During the correction in the month of March, we deployed in equities on every fall in a staggered manner
- Our mutual fund bucket comprises of –
 - Market participation** viz. passive funds, and smart beta (factor indices)
 - Active funds** – based on strategy and fund manager comfort
 - Thematic Funds** – we have expressly taken an overweight allocation to themes and sectors we are positive on
- Our mutual fund portfolio outperformed the broader markets, mainly on account of thematic funds which delivered an average return of 2.8%

Mutual Fund Portfolio – Tilt to Asset-Heavy sectors

Sector	Holding %	Nifty 500
Financial Services	21.17%	30.38%
Metals & Mining	9.89%	4.33%
Industrials	9.01%	9.81%
Energy	8.99%	6.56%
Technology	7.66%	7.93%
Healthcare	7.34%	6.97%
Consumer Cyclical	7.18%	5.39%
Automobile and Auto Components	6.23%	5.92%
Communication Services	4.56%	4.12%
Basic Materials	4.18%	3.75%
Consumer Defensive	3.46%	6.07%
Cash	2.33%	0.00%
Consumer Durables	1.81%	0.88%
Chemicals	1.76%	0.56%
Real Estate	1.73%	0.95%
Agro Chemicals	1.31%	0.52%
Services	1.30%	0.51%
Textiles	0.07%	0.07%
Consumer Durables	0.02%	0.12%
Diversified	0.00%	5.18%

- The portfolio sectoral allocation reflects our positivity on asset heavy sectors relative to asset-light sectors
- The portfolio is overweight asset heavy sectors such as – energy, metals, consumer discretionary, materials, etc. Moreover, it is under-weight asset light sectors such as – FinServ, FMCG, IT-Services.
- This construct has enabled our portfolio to remain resilient despite the fall in the broader markets.

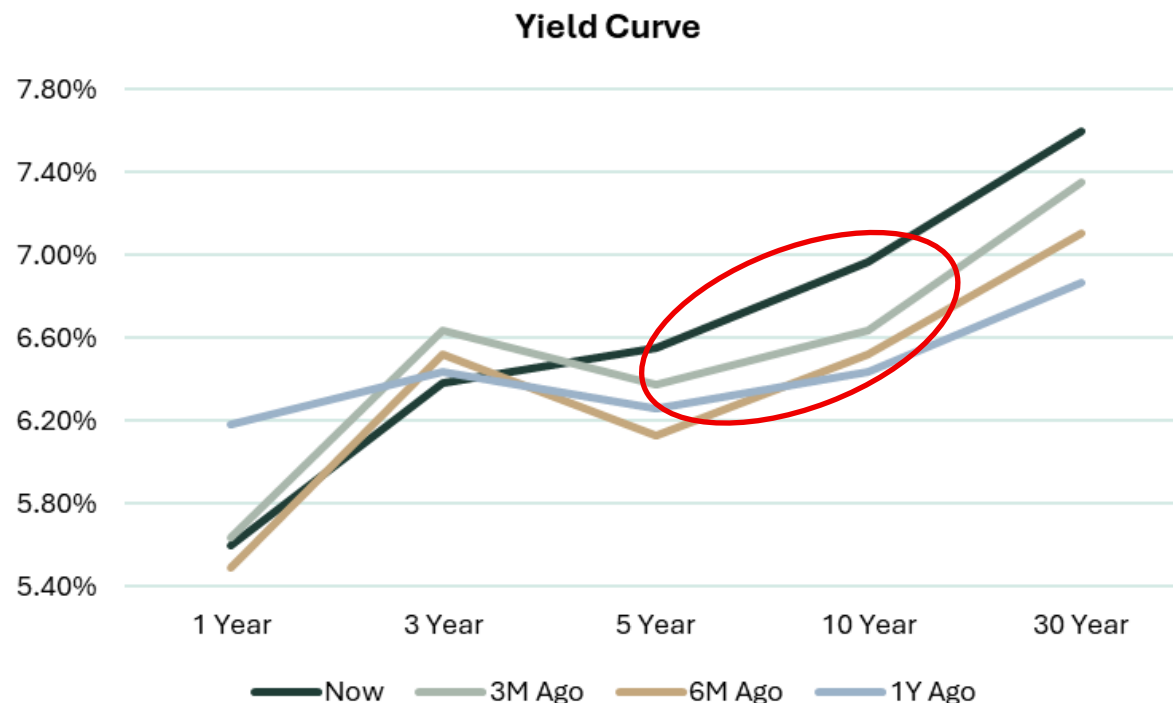
Direct Equity Portfolio – Niche ideas & Themes

Stock Name	Sector	1M return (%)	3M return (%)
<i>* Recommendations are for clients only</i>	Industrials	20.17	30.58
	Energy	16.24	7.76
	Industrials	14.98	1.72
	Consumer Cyclical	14.44	14.72
	Energy	13.54	67.54
	Basic Materials	10.73	19.83
	Consumer Cyclical	10.00	-1.22
	Energy	9.19	7.54
	Basic Materials	8.47	-9.13
	Consumer Cyclical	7.53	23.49
	Chemicals	3.40	-1.00
	Technology	-3.06	-17.72
	Technology	-3.91	7.30
	Consumer Cyclical	-4.42	-17.06
	Energy	-8.25	-14.69
Average Pravia Direct Equity Portfolio		7.27	7.98
Nifty 500 TRI		3.70	-5.40
Nifty 50 TRI		2.98	-7.24

- Our direct equity bucket represents niche ideas, in themes that we are positive on, which do not have a representation in our Mutual Fund portfolio
- Our portfolio is heavy on sectors like energy, metals, manufacturing, and infrastructure.

Absolute Return – 14th March to 14th April 2026. Data source – Morningstar

Safety Bucket – Allocation Strategy



Duration	Allocation	View
Short (1-3 years)	30%	Attractively positioned; accruals are interesting
Medium (3-5 years)	30%	Better placed v/s Short term. We are evaluating opportunities via bonds as well
Long (5-10 years)	25%	Aggressively allocate when 10Y is above 7.25% in a staggered manner
Very Long (10 years+)	15%	Aggressively allocate when 30Y is above 8.00% in a staggered manner

- **Liquid/Liquid+/Arbitrage funds (0-1 year):** Status quo continues. No effect of the recent rise in interest rates in this duration
- **Short-term (1-3 years) and Medium-term (3-5 years):**
 - Currently, the short end of the Yield curve looks favourable due to its steepness. Accrual opportunities are well-placed in this duration
 - The Medium term is, however, better placed than the short term, given that rates can fall further and steepen the yield curve
 - Opportunistically, we are evaluating bond opportunities in the medium duration, as we feel Macros are still comfortably placed
- **Long-term (5-10 years) and Very Long-term (10+ years):**
 - While we like this duration, we wait for the 10Y to reach 7.25% and the 30Y to reach 8.00% to begin aggressive yet staggered allocation

- **Income plus Arbitrage Funds:**

- We would like to allocate funds that have a holding period of 2+ years to **Income plus Arbitrage** funds (underlying is a combination of corporate bond funds and arbitrage funds) due to their favourable taxation
- LTCG if held for >2 years is at 12.5% - same as Equity

- **Hybrid Mutual Funds:**

- We believe Balanced Advantage funds offer a great opportunity post-2022 to create allocation as both Equity and Fixed Income markets are well placed
- Since Apr-22 (4 years ago), Balanced Advantage funds as a category have outperformed Nifty 50 by ~0.5% (9.49% vs 9.01% CAGR) – with lower volatility

- **REITs/InvITs:**

- Can present lucrative opportunities if interest rates remain elevated, as rental yields can become attractive.
- We are evaluating select REITs (commercial) and InvITs (transmission) as investment opportunities

- **Geopolitics Risk –**

- West Asia crisis → Strait of Hormuz is still disrupted. Oil and Gas prices being elevated for longer will widen India's Current Account Deficit
- Fertilizer costs remain elevated → Government will have to provide higher subsidies for the same output
- Under the US President Donald Trump, the US has become an unpredictable player in global geopolitics

- **Currency Risk –**

- Lower Remittance flows + Elevated oil prices → Act as a dual pressure on the CAD, resulting in a depreciating rupee
- Rupee depreciation (e.g. USD/INR 92 → 93) adds ~INR 8,000 to INR 10,000 Cr to the oil import bill.

- **AI Disruption –**

- India's IT/BPO sector faces direct displacement risk from agentic AI
- AI led job losses can be a major problem for India's high population
- Cybersecurity due to AI is one of the leading risks today, especially after the recent meeting of the US Fed with leading US bank CEOs

Thank
you!

Pravia Investment Advisors

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