

Monthly Newsletter

April 2026



The Wrong Question

March 2026 was a difficult month by any measure.

The Strait of Hormuz was effectively closed. Brent rose 62%¹ - its largest monthly gain in four decades. Global equities had their worst month since 2022. A two-week US-Iran ceasefire was announced on April 8, but it is already under strain - Israel's continued operations in Lebanon prompted Iran to pause Hormuz traffic again, and talks in Islamabad ended without a deal last weekend.

The question most investors are asking is some version of: **is it safe to come back to India?** Reasonable to ask. The problem is it's structurally unanswerable - it requires knowing where oil settles, whether the ceasefire stabilises, and when FII flows return to India. Meanwhile, a different question has been accumulating a more interesting answer: at current prices, what is India implying about its own future, and does that hold up against the fundamentals?

Eighteen months of correction have moved India from a meaningful premium over global peers to something that looks, statistically, like a discount. This newsletter covers what that correction has left behind.

01 What March Did to Global Markets

March was, arithmetically, an energy importer tax. The pattern across markets was clean: countries that export oil gained; countries that import it didn't. India, at 85% crude import dependency, was at the wrong end of that equation - and has been since the correction began in September 2024. The table below shows where major markets stand.

Market	March 2026	YTD April 13	Note
S&P 500 (US)	-5.0%	0.9%	Net oil exporter; partially insulated
FTSE All-Share (UK)	-7.9%	7.9%	Commodity tilt + weak GBP
CSI 300	-6.0%	2.9%	Large importer; Russian pipeline supply bypasses Hormuz
MSCI EM (Broad)	-13.0%	9.9%	Mixed — commodity EMs partially offset
Nikkei 225 (Japan)	-14.3%	10.8%	100% importer; major Hormuz exposure
MSCI EAFE (Dev. ex-US)	-10.2%	5.8%	Europe most exposed to energy shock
MSCI India	-14.9%	-10.6%	85% oil dependent · worst YTD
Bloomberg Commodities	11.1%	21.9%	Oil, gas, grains all elevated

Source : Bloomberg, Total Returns in USD %
Past performance is not indicative of future results.

¹ Source : Bloomberg

02 The Question Worth Asking - and what the price implies

Eighteen months of correction have done something specific and measurable: they have compressed India's valuation from a meaningful premium over global peers to something that looks, by several measures, like a discount. That is not an editorial judgment - it is what the numbers show. Whether it represents opportunity depends on what you believe about India's fundamentals, which we cover below. But the starting point is to understand how unusual the current valuation position actually is.

Metric (India vs Global Context)	Context	What it Means
P/B Relative to World -1.9 SD From 20-year historical average	India's current P/B of 3.03x represents a ~7% discount to MSCI World - a reversal from the significant premium India commanded for most of the past decade. The 20-year average premium is ~41%.	Historical Context This level of relative P/B compression was not observed during the GFC selloff or the COVID crash - making the current de-rating both deep and statistically rare
1yr Forward P/E 19.5x Current reading (13 th Apr'26)	5-Year Range (1yr Forward P/E) 18.7x - 25.9x SD Current near the lower bound of range	-1.9 SD Among the deepest negative deviations of any major market globally (based on 5yr average)
1yr Forward ROE 15.2% India earnings quality	Selected Peers for Context USA: 20.4% , China: 10.1%, Brazil: 18.1%, UK: 15.1%, Europe: 13.5% , Germany: 11.4% Japan: 9.6% , Singapore: 10.7%	India's ROE is competitive and has not deteriorated through the correction. The valuation compression is not tracking an earnings deterioration - it is tracking sentiment and flows

Source: Bloomberg (Valuation data as of 13th Apr'26).

YES Securities Institutional Equities — "Where Money Flows Mar'26" (March 20, 2026).

Past performance is not indicative of future results.

Put simply, India used to trade at a premium to global peers for good reason: strong growth, high ROE, and a large domestic market. That premium has now been fully priced out. At around -1.9 standard deviations on relative P/B, valuations have moved to the other end of the historical range, even as ROE remains broadly intact.

That's the more relevant question today. Not "is it safe?", but what the current price is implying about India's earnings trajectory, and whether that assumption holds up.

What the price implies

At 19.5x forward P/E, India is trading near the bottom of its five-year range, down from around 25x at the September 2024 peak. Eighteen months of correction have given back most of the premium India commanded for the better part of a decade.

What makes it worth paying attention to is that the ROE hasn't followed the price down. At 15.2%, India's return on equity remains competitive across global peers. The correction has been driven by sentiment, flows, and a genuine macro shock - not by a deterioration in the earnings base. The market has re-rated India without a commensurate change in fundamentals.

03 What March Actually Damaged - and what it didn't

The valuation compression is not happening in a vacuum. March created real macro headwinds for India, and those headwinds are relevant to the earnings trajectory. Here is an honest split.

Real & Persistent	Overstated / Likely Reverting
<ul style="list-style-type: none">• Rate cut cycle paused. RBI held at 5.25% in April MPC. 125bps of easing since Feb 2025 is now on hold. The monetary tailwind underpinning the recovery thesis has stalled.• RBI projects India's FY27 GDP growth at 6.9%, down from 7.6%. A real step-down. Not a collapse, but earnings growth assumptions need revisiting.• CAD pressure. Each \$10/bbl rise adds ~0.4% to current account deficit. Sustained \$100+ pushes toward 2% of GDP.• INR at ~93/dollar. Imported inflation building in the pipeline - not yet reflected in headline CPI.	<ul style="list-style-type: none">• Physical supply disruption was managed. India secured 60-day crude supply via 41 nations. Domestic fuel prices held stable - government absorbed the shock.• India's route diversification held. Russia, Saudi, West Africa routes bypassed Hormuz. Iran gave India-bound vessels safe passage throughout.• ROE and earnings quality intact. Corporate India's fundamentals have not deteriorated at the pace the price correction implies.

Source: RBI MPC, Ministry of Petroleum, NSDL, Bloomberg, NSE. Data as of April 9, 2026.

04 The RBI and Earnings - the two variables that matter most from here

RBI: Pause, Not Pivot

The April MPC held at 5.25% with a neutral stance. The last cut was in December 2025. 125bps of easing is paused, not reversed.

The inflation is supply-side, not demand-driven. Rate hikes don't produce more oil, and the RBI knows this. The neutral stance preserves flexibility - if oil corrects in Q2, cuts could resume.

Earnings: The Real Test Starts Now

Q4 FY26 results season is underway. The quarter covers January-March, capturing only the early weeks of the conflict. Management commentary on FY27 outlook will matter more than the numbers themselves.

Early signals are constructive. Banks reported solid Q4 loan growth across the board — th- credit cycle appears intact despite the macro noise. FMCG has shown sequential improvement. IT results are being watched closely for FY27 demand guidance, particularly on the US client side.

The full impact of \$100+ oil and INR depreciation won't appear until Q1 FY27 results in July-August.

05 Two Propositions Worth Separating

The conversation around India right now often mixes up two different ideas. They're not the same, they need different evidence, and conflating them causes confusion in both directions.

Proposition A - What the data supports

India's valuation has undergone a structural shift. At the lower end of its 5-year PE range, at -1.9 standard deviations on relative P/B, with an ROE profile that remains competitive globally and broadly unchanged through the drawdown, the premium story is over.

What exists at current prices is a different asset from the one that was being discussed at the September 2024 peak.

Historically, periods of this depth of valuation compression, when not accompanied by a fundamental earnings deterioration, have preceded above-average medium-term returns. That is a factual observation about the past. Whether it repeats is a separate question.

Proposition B - What the data does not support

That the time to act is now. Valuation is not a timing tool. Deep compression can persist well beyond any rational threshold. The re-rating requires actual catalysts - oil correcting, FY27 earnings confirming the thesis, the RBI resuming its easing path. Each of those is macro-dependent, not valuation-dependent.

The data answers Proposition A. It does not answer Proposition B.

What to Watch - The Catalyst Checklist (April to June 2026)

- Brent crude trajectory post-ceasefire
- IT sector FY27 demand guidance
- CPI prints for March, April, May
- RBI June MPC - pause or pivot?
- FII net flows - any sign of reversal
- IMD monsoon forecast (June)
- Ceasefire durability beyond 45 days
- INR stability above or below 93

Bottom Line

India's valuation has compressed meaningfully, relative to its own history and relative to global peers, without a commensurate deterioration in fundamentals. The earnings base has held. The premium has not. The bear case is largely priced in. The bull case awaits confirmation. That is the position we are in - and it is one worth watching closely.

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