

## Dear Investor,

In January 2026, market conditions deteriorated meaningfully, marking a clear shift from December's consolidation to a broad based corrective phase. The Nifty 50 declined 3.10% to 25,321, reflecting sustained selling pressure amid elevated valuations and cautious global sentiment. Unlike December's mild profit taking, January saw decisive risk reduction, with large caps no longer acting as a stabilising anchor. Broader participation weakened materially, with the Nifty 500 falling 3.32%, indicating that the correction was widespread rather than sector specific.

Pressure intensified across the mid and small cap universe, reinforcing heightened valuation sensitivity and tightening liquidity conditions. The Nifty Midcap 150 declined 3.53%, while the Nifty Smallcap 250 corrected sharply by 5.52%, signalling accelerated derisking beyond frontline names. Weakness remained most acute at the lower end of the market, with the Nifty Microcap 250 down 5.66%, reflecting thinner liquidity and sharper unwinding of speculative positions. Even relatively higher quality segments were not insulated, as the Nifty Next 50 fell 2.20% and the Nifty India FPI 150 declined 3.25%, pointing to a broad reset in risk appetite rather than selective rotation.

Index	Dec-25	Jan-26	1M Change (%)
Nifty 50	26,130	25,321	-3.10%
Nifty Next 50	69,365	67,840	-2.20%
Nifty 500	23,872	23,080	-3.32%
Nifty Midcap 150	22,277	21,491	-3.53%
Nifty Smallcap 250	16,685	15,763	-5.52%
Nifty Microcap 250	22,546	21,269	-5.66%
Nifty India FPI 150	1,621	1,568	-3.25%

## FII & DII Flows

In January 2026 in Cash Segment, FIIs continued to remain on the sell side, recording a net outflow of ₹41,435 crore, exceeding December's selling pressure. Despite strong gross purchases of ₹3.00 lakh crore, selling was materially higher at ₹3.42 lakh crore, reflecting persistent global macro uncertainty, elevated US bond yields, currency volatility and continued risk reduction amid broad based equity corrections. The sustained selling also aligned with valuation recalibration across large, mid and small caps. In contrast, DIIs once again provided meaningful support, posting a net inflow of ₹69,221 crore. Domestic buying was driven by gross purchases of ₹3.64 lakh crore against sales of ₹2.95 lakh crore, supported by steady mutual fund inflows, resilient SIP contributions and long term retail participation. While markets corrected sharply in January, domestic flows helped cushion volatility and absorb foreign selling. Overall, January data further reinforces the structural dominance of domestic capital as the key stabilising force for Indian equity markets amid volatile global flows.

## IPO Highlights

Two new listings : **E to E Transportation Infrastructure Ltd** and **Avana Electrosystems Ltd** dominated the market buzz, both delivering exceptional listing gains of nearly **88.39%** & **36.10%** respectively, from their issue prices.

**E to E Transportation Infrastructure Ltd** is a logistics and container infrastructure company primarily engaged in container freight station (CFS) operations, warehousing and end to end supply chain services. It facilitates container handling, customs clearance support, storage and inland transportation near major ports. The company's revenue is closely linked to EXIM trade volumes and port led logistics activity in India. The company has demonstrated exceptional financial momentum, with revenue surging from ₹170 crore in FY24 to ₹251 crore in FY25 (YoY growth of 48%), while PAT increased from ₹10 crore to ₹14 crore (up 40%), reflecting strong execution in railway infrastructure projects. Operating margins remained steady at 11-12%, supported by the company's asset light turnkey model and growing order book. However, concerns persist around negative operating cash flows of ₹9 crore in FY25, which warrant close monitoring despite the strong revenue trajectory. E to E's SME IPO listed at a strong ~ 88.39% premium, underscoring robust investor appetite and the company is notably backed by marquee investor Mukul Mahavir Agarwal, adding credibility to its long term growth narrative.

**Avana Electrosystems Ltd** is a electronics manufacturing services (EMS) company engaged in designing and producing electronic assemblies and system integrations. It provides PCB assembly, testing and customised solutions across sectors such as industrial automation, defence, telecom, medical equipment and power systems, operating on a technology driven, quality focused manufacturing model. The company has demonstrated exceptional financial momentum, with revenue rising from ₹53 crore in FY24 to ₹61 crore in FY25 (YoY growth of 16%), while PAT more than doubled from ₹4 crore to ₹8 crore (up 107%), reflecting sharp operating leverage and improved execution. Margin expansion was remarkable, with OPM surging from 13.3% to 19.1%, driven by operational efficiency and scale benefits. The company also improved its financial health by reducing debt from ₹9.3 crore to ₹5.7 crore, while generating strong operating cash flows of ₹6.8 crore in FY25. The company presents a compelling profile, though working capital remains slightly stretched with a cash conversion cycle of 188 days. Avana's SME IPO listed at a robust 36.1% premium, reflecting strong investor confidence in the company's growth trajectory and its solid fundamentals with exceptional ROE of 47.1% and ROCE of 49.6% further validate its potential as a promising player in the electrical equipment sector.

## Upcoming IPO

In the month of January 2025, the primary market will have the following offerings:

Name	Industry	Subscription Period	Listing Date	Market Cap	PE
Fractal Analytics Ltd	IT Consulting and Outsourcing	09th Feb - 11th Feb	16th Feb	10,711	109
Marushika Technology Ltd - SME	IT Equipment & Peripherals	12th Feb - 16th Feb	19th Feb	100	16

## **Economic Updates**

### **Modernization of the National Statistical System**

Government announced a comprehensive overhaul of India's core economic statistics framework to improve the relevance, accuracy and transparency of official data. The reforms include rebasing the GDP series to 2022-23 to better reflect structural changes in the economy, updating the Consumer Price Index (CPI) base year to 2024 to capture current consumption patterns and revising the Index of Industrial Production (IIP) to 2022-23 for consistency with national accounts. Additionally, enhancements in informal sector measurement, district level estimates and expanded public access to data through portals such as GoIStats and e-Sankhyiki are expected to support more informed policymaking and economic analysis.

### **Major Free Trade Deal with EU**

In January 2026, India and the European Union finalised a landmark Free Trade Agreement (FTA), concluding nearly two decades of negotiations. The agreement is expected to significantly enhance bilateral trade by reducing tariffs across a wide range of goods and services, improving market access and strengthening regulatory cooperation. Key beneficiary sectors include automobiles and auto components, pharmaceuticals, engineering goods, textiles, chemicals and digital services. The agreement is also expected to streamline customs procedures, promote supply chain integration and provide greater certainty for businesses operating across borders. From a macroeconomic perspective, the FTA strengthens India's export diversification strategy and supports its ambition to integrate more deeply into global value chains. It is also likely to boost foreign direct investment (FDI) inflows from European firms seeking manufacturing and strategic partnerships in India, reinforcing long term growth and external sector resilience.

### **RBI projects GDP growth and activity recovery**

The Reserve Bank of India signalled continued economic momentum, highlighting improving private consumption, steady credit growth and robust GST collections. PMI indicators pointed toward expansion in both manufacturing and services, suggesting broad based recovery. The RBI's commentary reinforced expectations of stable macro conditions despite global volatility.

## **IMF raises India's FY26 growth forecast to 7.3%**

In January 2026, the International Monetary Fund revised India's FY26 growth forecast upward to 7.3%, reinforcing its status as the fastest growing major economy globally. The upgrade was largely attributed to resilient domestic demand, strong services sector momentum and sustained public capital expenditure. Private consumption recovery, improving investment activity and stable banking system liquidity further supported the outlook. The revision was significant in the global context, where many advanced and emerging economies were witnessing growth moderation. For markets, this upgrade strengthened the structural India growth narrative and provided macro support amid equity market volatility and foreign outflows. It reaffirmed India's medium term growth premium relative to peers.

## **SEBI Allowed Easier Registration for Offshore Investment Funds**

On January 16, 2026, SEBI introduced reforms to simplify registration norms for well regulated offshore funds investing in Indian markets. The move reduces compliance complexity and accelerates approval timelines, improving ease of capital entry for global institutional investors. This reform is expected to enhance foreign portfolio inflows, deepen market liquidity, and strengthen India's attractiveness as a global investment destination amid rising domestic and international investor participation.

## **Government Economic Survey projects 6.8-7.2% growth**

The Economic Survey projected India's growth for FY27 in the range of 6.8-7.2%, supported by infrastructure spending, manufacturing push and structural reforms. The Survey emphasised fiscal consolidation alongside capex continuity, balancing growth priorities with macro stability.

## Rupee hits record lows amid outflows

In January 2026, the Indian rupee fell to a record low of ₹92 per US dollar, pressured by sustained foreign portfolio outflows and heightened importer dollar demand. Despite strong domestic growth fundamentals, elevated US bond yields and global risk off sentiment weighed heavily on the currency, highlighting India’s vulnerability to external capital flow volatility.

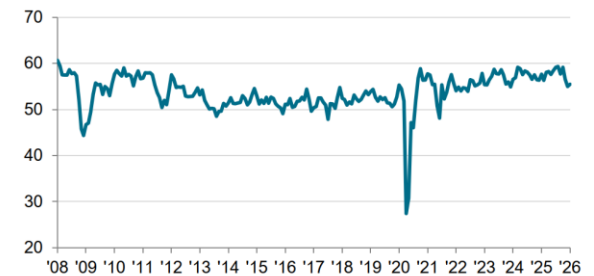
## Growth outlook clouded by uncertainty - Chief Economic Adviser, INDIA

By month end, policymakers cautioned that global uncertainties including geopolitical tensions, trade disruptions and financial market corrections, pose downside risks. While India’s structural growth story remains intact, near term volatility in capital flows and exports could moderate momentum going forward.

## Manufacturing Activity Rebounds in January, Expansion Gains Fresh Momentum

India’s manufacturing activity improved in January 2026, with the HSBC Manufacturing PMI rising to 55.4 from 55.0 in December, signalling a renewed expansion after a late 2025 slowdown. Growth strengthened across new orders, output and employment, driven primarily by domestic demand, while export growth remained among the weakest in 15 months amid global trade headwinds. Input costs rose at the fastest pace in four months but remained mild historically and output price inflation eased to a 22 month low, limiting margin pressure. Although hiring picked up modestly and input purchasing increased on restocking, business confidence slipped to a three and a half-year low, indicating cautious forward sentiment despite the operational rebound.

HSBC India Manufacturing PMI  
sa, >50 = improvement since previous month



Sources: HSBC, S&P Global PMI.  
Data were collected 9-26 January 2026.

## Small & Mid-cap Update

Equity mutual fund flows remained resilient in January 2026, supported by sustained retail participation, with SIP contributions touching ₹31,002 crore, marking one of the highest monthly inflows on record and reflecting continued household financialisation. Total net inflows into large, mid and small cap categories stood at ₹8,133 crore for the month. The allocation trend showed a balanced yet growth oriented stance: mid cap funds attracted ₹3,185 crore (39.2%), small cap funds received ₹2,942 crore (36.2%), while large cap funds garnered ₹2,005 crore (24.7%). Compared to prior months, the relatively higher allocation toward large cap funds (24.7%) signals a cautious shift in investor positioning, suggesting a preference for stability and earnings visibility amid market volatility. While mid and small cap segments continue to attract meaningful flows, the steady participation in large caps indicates that investors are balancing growth aspirations with defensive exposure, leaning toward established franchises and liquid names to manage downside risks while staying invested in equities.

## Outlook

January 2026 marked a decisive shift from December's consolidation into a broad based corrective phase, as risk appetite weakened meaningfully across market segments. The Nifty 50 declined 3.10% to 25,321, while broader participation deteriorated with the Nifty 500 falling 3.32%, signalling that the correction was structural rather than sector specific. Pressure was more pronounced in the mid and small cap space, with the Nifty Midcap 150 down 3.53% and the Nifty Smallcap 250 correcting sharply by 5.52%, reflecting valuation sensitivity and tightening liquidity conditions. Even higher quality segments such as the Nifty Next 50 (-2.20%) were not insulated, indicating a broad reset in positioning rather than selective rotation.

Flows data reinforces this recalibration. FIIs remained aggressive sellers with net outflows of ₹41,435 crore in January, driven by elevated global bond yields, currency volatility and valuation realignment. However, DIIs absorbed a significant portion of this pressure with net inflows of ₹69,221 crore, supported by record SIP contributions of ₹31,002 crore and resilient domestic participation. While macro data such as improving PMI and steady growth projections remain constructive, near term sentiment is cautious. The market environment appears increasingly selective and earnings driven, with stability anchored by domestic liquidity but upside constrained by global uncertainty and capital flow volatility.

## Newsroom

1. [SKG in Live Mint - Promoters' ownership of India Inc slips](#)
2. [SKG in Economic Times - Reeling in bear market, should investors buy](#)
3. [SKG in Moneycontrol - Three things Union Budget 2026 must get right](#)