

Dear Investor,

In March 2026, market conditions deteriorated sharply, reversing the tentative recovery seen in February as broad-based selling pressure returned across all segments. The Nifty 50 declined steeply by 11.31% to 22,331, reflecting a significant breakdown in large cap sentiment and pointing to renewed risk aversion among institutional participants. Unlike February, where broader markets had shown relative resilience, March saw uniform and severe losses across the capitalisation spectrum, suggesting that the earlier stabilisation had been fragile and short-lived.

The sell-off spared no segment, with the Nifty 500 falling 11.39%, confirming that weakness was systemic rather than isolated. The Nifty Midcap 150 declined 11.06% while the Nifty Microcap 250 shed 11.29%, indicating that the correction was deep and largely indiscriminate, with smaller and less liquid segments offering little shelter. The Nifty Smallcap 250 fell 10.03%, a marginal distinction that nonetheless reflected continued pressure on risk assets across the board. Meanwhile, the Nifty Next 50 bore the brunt of the correction with a 13.43% decline, sharply unwinding the selective rotation that had characterised February's modest recovery, while the Nifty India FPI 150 slipped 10.48%, suggesting that foreign investor participation remained firmly in retreat despite any expectation of stabilisation.

Index	Feb-26	Mar-26	1M Change (%)
Nifty 50	25,179	22,331	-11.31%
Nifty Next 50	69,711	60,350	-13.43%
Nifty 500	23,167	20,528	-11.39%
Nifty Midcap 150	21,847	19,431	-11.06%
Nifty Smallcap 250	15,881	14,288	-10.03%
Nifty Microcap 250	21,297	18,893	-11.29%
Nifty India FPI 150	1,565	1,401	-10.48%

FII & DII Flows

In March 2026, foreign investors turned significantly more aggressive on the sell side in the cash segment, with outflows intensifying sharply compared with February. FIIs recorded a net outflow of ₹1,22,540.41 crore, with gross purchases of ₹2,78,800.39 crore against gross sales of ₹4,01,340.80 crore. The scale of selling indicates that global investors meaningfully reduced their equity exposure amid heightened risk aversion, contributing substantially to the broad-based market decline witnessed through the month. DIIs, however, continued to provide critical market support, posting a net inflow of ₹1,42,960.37 crore. Domestic institutions recorded gross purchases of ₹4,14,657.07 crore against sales of ₹2,71,696.70 crore, reflecting sustained domestic participation through mutual fund inflows and consistent SIP contributions. Overall, March flows underscore the widening divergence between foreign and domestic investor behaviour, with DII buying providing a meaningful but insufficient offset to the significant FII-driven selling pressure that weighed heavily on market sentiment.

IPO Highlights

March 2026 saw several mainboard IPO listings, with **SEDEMAC Mechatronics** and **CMPDI (Central Mine Planning and Design Institute)** among the key offerings. However, in a challenging market environment dominated by the West Asia conflict and record FII selling, most of the listings ended in the red. SEDEMAC Mechatronics, a Pune based control electronics company, listed at a modest 7% premium, while CMPDI, the Coal India subsidiary, listed at a discount of 11%.

SEDEMAC Mechatronics is a Pune based technology company (IIT Bombay-incubated, founded 2007) designing and manufacturing control-intensive Electronic Control Units (ECUs) for automotive and industrial applications, including the world's first sensorless ISG ECU for 2W/3W ICE vehicles. The company commands ~35% domestic market share in ISG ECUs and a dominant 75-77% share in India's genset controller market, with ~14% global market share in genset controllers. Financially, revenue grew 25.3% from ₹535.90 crore in FY24 to ₹662.54 crore in FY25, while net profit surged 700% from ₹5.88 crore to ₹47.05 crore, with EBITDA margins of ~19% and RoE of 22.01%. Key risks include high customer concentration (>80% revenue from 2W/3W mobility OEMs like TVS and Bajaj), cyclical auto sector exposure, and a rich valuation of ~127x FY25 earnings. The ₹1,087 crore IPO, entirely an OFS with no fresh capital accruing to the company, was subscribed 2.68x overall (QIBs 8.46x, retail 0.20x), and listed on March 11, 2026 at ₹1,535 on NSE, a 13.5% premium to the issue price of ₹1,352.

Central Mine Planning & Design Institute Ltd (CMPDI) is a Ranchi-headquartered Mini Ratna (Category I) PSU, established in 1974 as a wholly-owned subsidiary of Coal India Limited, providing end-to-end mining consultancy covering geological exploration, mine planning and design, environmental management, and geomatics. It commands ~61% market share in India's coal and mineral consultancy segment with a client base that grew from 38 in FY23 to 76 by December 2025, though over 66% of revenues remain concentrated in Coal India and its subsidiaries, a key risk. Total income rose from ₹1,398.78 crore in FY23 to ₹2,177.53 crore in FY25 (~56% cumulative growth), while PAT more than doubled from ₹296.66 crore to ₹666.91 crore, with EBITDA of ₹915.71 crore in FY25, and a high-margin capital-light operating model. The ₹1,842 crore IPO, entirely an OFS by Coal India at ₹172/share, was subscribed only 1.05x overall (QIBs 3.48x, retail 0.35x), reflecting muted demand driven by a West Asia-spooked market and valuation concerns at ~18x FY25 earnings. CMPDI listed on March 30, 2026 at a 6.98% discount to issue price (₹160 on NSE), settling at ₹153 by day-end, a stark contrast to other PSU listings, underscoring how market timing and sector-specific energy transition risks can dampen even fundamentally sound issuances.

Upcoming IPO

In the month of April 2026, the primary market will have the following offerings:

Name	Industry	Subscription Period	Listing Date	Market Cap	PE
Om Power Transmission Limited	Power Transmission Infrastructure EPC	09th Apr - 13th Apr	17th Apr	599	19

Economic Updates

West Asia Conflict Triggers India's Worst Energy Supply Shock in Years

On February 28, 2026, the United States and Israel launched joint air strikes on Iran, sending global oil prices into extreme volatility. Crude and oil product flows through the Strait of Hormuz plunged sharply, and Gulf countries cut total oil production by at least 10 mb/d. IEA After the conflict broke out, Brent crude surged to nearly \$120/bbl before pulling back to around \$100/bbl, compared to below \$75/bbl pre-conflict. For India, the consequences were immediate and structural: India's LPG imports fell over 45% month-on-month to around 1.12 million tonnes in March 2026 from 2.04 million tonnes in February, per Kpler data. Each increase in crude prices raises inflation by roughly 0.2 percentage points, widens the current account deficit by \$9-10 billion (0.4% of GDP), and reduces GDP growth by nearly 0.5 percentage points. India imports nearly 88% of its crude oil, making the Hormuz disruption an outsized macro risk.

SEBI Board Grants AIFs Extended Flexibility on Wind-Downs; FPIs Get Net Settlement

In its March 2026 board meeting, SEBI approved two significant reforms: AIFs will now be permitted to retain liquidation proceeds beyond their fund life to cover pending tax, litigation, or operational expenses, reducing the compliance burden during wind-down while maintaining regulatory oversight. Simultaneously, FPIs were permitted to settle outright cash market transactions on a net basis, enhancing operational efficiency and reducing funding costs, particularly during index rebalancing. On the AIF front, SEBI also approved a framework to tag certain funds as "inoperative," with lighter compliance requirements for AIFs intending to surrender their registration that have one or more schemes already wound down. On FPI netting: if an FPI buys a stock worth ₹100 crore and sells another worth ₹100 crore, the net settlement eliminates the gross ₹100 crore pay-in obligation, materially reducing capital requirements and transaction costs.

Indian Rupee Hits Historic Low of ₹95.22/\$; RBI Intervenes with FX Position Caps

On March 27, 2026, the Indian rupee breached the 94 to a dollar mark for the first time, touching an all-time low of 95.22 against the US dollar, shedding heavily in March alone and on a free fall since the start of 2026. The depreciation pressure began earlier: on March 4, the rupee fell as much as 0.9% to 92.3050 per dollar, the steepest single session drop in 10 months, forcing the RBI to intervene by selling dollars after the currency breached the 92-per-dollar level. FIIs withdrew nearly ₹1.2 lakh crore (~\$12 billion) from Indian markets in March 2026, the largest monthly foreign institutional sell-off in Indian market history. In response, the RBI capped authorized dealers' open onshore FX positions at \$100 million each at end-of-day, a significant tightening of FX market regulations aimed at curbing one-way speculative bets

India PE/VC Deployment Slows Sharply in Early 2026, Uncertain Phase Amid Geopolitical Overhang

At the 15th IVCA Conclave in Mumbai on March 10, 2026, the EY-IVCA Trendbook 2026 reported that India's PE/VC ecosystem closed 2025 at its second-highest investment value on record: \$60.7 billion across 1,475 deals, an 8% YoY rise in value and 9% in volume. Fundraising hit an all-time high at \$23.2 billion in 2025. However, 2026 has opened with a meaningful deceleration: PE/VC activity averaged just \$3.8 billion per month in January-February 2026, significantly below the \$5.1 billion monthly average in 2025 and the \$4.8 billion in the same two months last year. February 2026 specifically recorded \$3.7 billion across 109 deals, with PE/VC exits declining sharply to \$405 million, a 93% year-on-year collapse. The most important variable at the moment is the Iran-Israel-US conflict, its aftermath, and its impact on LNG and crude oil prices and availability. Deloitte's India PE Almanac (March 16) separately noted that while deal volumes in FY25 declined 8%, total transaction value rose 23%, confirming a structural shift toward fewer, larger, higher-conviction bets.

HSBC India Manufacturing PMI Falls to Near 4-Year Low of 53.9 in March; Input Cost Inflation Hits 43-Month High

India's Manufacturing PMI dropped to 53.9 in March 2026 from 56.9 in February, its lowest since June 2022 and the first slip below its long-run average of 54.2, as the West Asia conflict drove the sharpest input cost inflation in 43 months. Aluminium, chemicals, fuel, and steel all rose sharply in price, yet firms absorbed costs rather than passing them through, with output price inflation receding to a two-year low, directly compressing margins for input-cost-sensitive businesses. New orders and output grew at their slowest pace since mid-2022. On the positive side, export orders recorded their strongest expansion since September 2025, with demand from clients across Europe, China, Australia, and Japan, and employment rose at the fastest pace in seven months. The index remained above 50 for the 45th consecutive month, confirming continued, if decelerating, expansion.

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



Sources: HSBC, S&P Global PMI.

Data were collected 11-25 March 2026.

Small & Mid-cap Update

Equity mutual fund flows remained resilient in March 2026, supported by sustained retail participation, with SIP contributions at ₹32,087 crore, the highest monthly SIP figure on record, continuing to reflect strong household financialisation and steady retail allocation toward equities. Total net inflows into large, mid and small cap categories stood at ₹15,324.93 crore for the month. The allocation trend remained distinctly growth oriented: small cap funds led with ₹6,263.56 crore (40.87%), mid cap funds attracted ₹6,063.53 crore (39.57%), while large cap funds garnered ₹2,997.84 crore (19.56%). Compared to February 2026, total category inflows rose sharply, up from ₹9,995.73 crore to ₹15,324.93 crore, a MoM jump of over 53%, driven by a meaningful acceleration across all three segments. The relatively lower allocation toward large caps, dipping further from 21.13% in February to 19.56% in March, indicates that investors continued to tilt decisively toward higher-growth market segments. While large cap funds retained their role as a stability anchor within portfolios, the dominant and growing combined share of mid and small cap allocations, now exceeding 80%, underscores sustained and deepening investor appetite for broader market opportunities despite periodic volatility.

Outlook

The March 2026 investor letter paints a picture of a market caught in a genuine macro storm rather than a routine correction, the confluence of the West Asia conflict, a historic rupee depreciation to ₹95.22/\$, record FII outflows, and a near four-year low in Manufacturing PMI at 53.9 created conditions where no segment of the market offered shelter, with every major index shedding over 10%. What stands out most strikingly, however, is the behavioural divergence between foreign and domestic investors: while FIIs executed the one of the largest monthly institutional sell off in Indian market history, domestic retail investors responded by channelling a record ₹32,087 crore through SIPs and directing over 80% of category inflows into mid and small cap funds, the very segments that bore the brunt of the sell off. This is either a testament to the maturation of Indian retail investors who are buying decisively into weakness, or a potential risk if the geopolitical overhang proves more durable than current expectations, given that the same macro headwinds, elevated crude at ~\$100/bbl, a structurally weaker rupee, and compressed manufacturing margins, will disproportionately pressure the earnings of the smaller, less globally diversified companies that dominate mid and small cap indices. The DII offset of ₹1,42,960 crore buying against FII selling of ₹1,22,540 crore technically kept the market from a deeper collapse, but the durability of this domestic support will ultimately depend on whether SIP inflows hold if NAVs continue to erode, a key variable worth watching closely in the months ahead.

Newsroom

1. [SKG in BW - Market Valuations Cheap But Not At Crisis Level Discount](#)
2. [SKG in Upstox - FY27 structural outlook remains constructive](#)