

PORTFOLIO FACTSHEET

August 2025



Of Policies, Profits and the Power of Flows

Last month, we wrote about jobs, jitters, and the global jockeying for power — from Trump’s tariff drums to the BLS drama, and what it all meant for Indian markets ([link](#)). This month, we turn the lens inward because the fog is now domestic: the pivot in fiscal policy, the earnings downgrades, and the delicate balance of flows.

In the August 2025 newsletter, we cover three themes that matter:

- **Policy pivot:** Capex has given way to consumption — a sugar rush today, but weaker growth engines tomorrow.
- **Earnings reality:** A quarter that looked stable on the surface, but was propped up by other income, not operating strength.
- **Flows and the rupee:** USD-INR has broken from the DXY script, RBI’s NDF experiments may keep FIIs wary — but domestic money has few exits.

The common thread is that near-term growth is leaning more on consumption and household savings, providing support at a time when capex and exports are softer. Against this backdrop, India has weathered challenges well, with growth momentum likely to sustain even as the drivers shift.

The economy’s engine will likely continue to run, though on a different fuel for now. In such an environment, cycles change, and sector and stock selection become even more critical. The Buoyant Portfolio has reflected this discipline — up 6.5% over the past year versus minus 4.7% for the BSE 500 TRI — anchored in quality, liquidity, and risk control. We see this as a phase of careful preparation, sharpening our focus to align with the most durable opportunities as the cycle evolves.

Portfolio Metrics

Performance consistency

%	1-yr rolling returns		3-yr rolling returns		5-yr rolling returns		7-yr rolling returns	
	Buoyant portfolio	BSE 500 TRI	Buoyant portfolio	BSE 500 TRI	Buoyant portfolio	BSE 500 TRI	Buoyant portfolio	BSE 500 TRI
Count (#)	3,015		2,285		1,554		824	
Average returns	26.8	17.2	20.8	15.3	22.9	16.8	20.1	15.2
Median	19.5	12.7	22.1	16.3	23.1	16.4	20.7	15.2
Maximum	133.4	102.1	52.7	33.9	42.4	29.2	25.6	17.7
Minimum	-42.7	-33.3	-7.9	-6.3	10.1	10.2	14.3	12.7
Outperformance against benchmark (% no of obs)	60%		80%		96%		100%	

Relative returns

31-Aug-25	1 month	3 months	6 months	1 year	2 years	3 years	5 years	Since Inception
TWRR (%)								
Buoyant Portfolio	-1.3%	2.9%	19.2%	6.5%	17.5%	23.1%	32.2%	21.8%
BSE-500 TR Index	-1.7%	-0.9%	13.6%	-4.7%	16.0%	14.4%	20.3%	15.1%
Absolute (%)								
Buoyant Portfolio					38%	86%	304%	521%
BSE-500 TR Index					34%	50%	152%	269%

Source: Bloomberg for Indices. Buoyant portfolio returns are post-fees and expenses. Returns are for Buoyant Opportunities Scheme - Discretionary portfolio. More than one year returns are annualized. The performance related information provided herein is not verified with SEBI.

Risk metrics

Key ratios	1-yr	2-yr	3-yr
Sharpe ratio (X)	(0.0)	0.8	1.3
Information ratio (X)	4.7	0.3	1.4
Standard deviation (%)	14.5	12.7	12.6
Beta (X)	0.9	0.9	0.9
Sortino (X)	(0.0)	1.6	2.7

Source for all tables: Bloomberg for Indices, Buoyant Capital analysis

1. The policy pivot – Capex to Consumption, but at a cost

The Union Budget for FY26 signalled a decisive shift in fiscal priorities. Around INR 1 trillion of net tax relief has been extended to households, while last year's capex fell short by a comparable amount and the new target has been raised only modestly. Effectively, central capital spending of nearly INR 1 trillion has been pushed out, underscoring a move away from investment-led growth toward immediate income support.

The change is even more pronounced at the state level. Budgets reveal a sharp pullback in aggregate capex, offset by a surge in social spending. Big-ticket schemes—Maharashtra's *Mazi Ladki Bahin* (INR 360 billion), Karnataka's *Gruha Lakshmi* (INR 286 billion), Tamil Nadu's *Magalir Urimai Thogai* (INR 138 billion), along with large-scale power subsidies—have swelled the welfare bill to INR 1.5–2.0 trillion. States are channelling more resources toward direct transfers, often at the expense of infrastructure and capacity creation.

Overlaying this is GST rationalisation, expected to cost another INR 1.5–2.0 trillion in foregone revenues. While the rate cuts provide short-term relief to households, they also weaken tax buoyancy and constrain the fiscal space for future investment.

Taken together, central tax relief, expanded state welfare, and GST rationalisation amount to INR 4.0–5.0 trillion—c1.3% of GDP—reallocated from capital formation to consumption. This represents a decisive rebalancing of fiscal strategy, with long-term growth trade-offs yet to be fully understood.

The growth trade-off is significant. An “output multiplier” measures how much the economy expands when the government spends an extra rupee. For capital expenditure, the multiplier has historically been around 2.5, meaning every rupee spent on infrastructure or investment projects eventually generates two-and-a-half rupees of GDP. That happens because such spending creates demand today (jobs, materials, services) while also building capacity that supports private investment and productivity tomorrow. By contrast, subsidies and transfers tend to have multipliers closer to 1.0—they support near-term consumption but don't add to future capacity. Tax cuts often deliver even less, as a part of the relief is saved rather than spent.

In practice, this means that while the current policy mix may lift consumption in the short run, the growth impulse will fade faster, and the economy may miss the compounding benefits that a capex-driven cycle provides. Over time, this shows up in slower job creation in investment-heavy sectors, muted private capex response, and a heavier reliance on household savings flows to sustain momentum.

2. 1QF26 earnings

This weaker capex impulse is already visible in corporate performance. The 1QF26 earnings season delivered subdued numbers across the board. For the BSE 500, revenue, EBITDA, and PAT grew 7%, 8%, and 10%, respectively. Nifty earnings showed 7% revenue growth, just 4% EBITDA growth, and 8% PAT growth—the slowest EBITDA expansion in 12 quarters. Importantly, Nifty PAT outpaced EBITDA only because of a 29% surge in other income, reflecting gains on cash balances rather than operating strength.

By size, mid-caps led with 18% earnings growth, compared with 8% for large-caps and just 5% for small-caps (ex-financials). Margins stayed under pressure, with 8 of 13 sectors reporting contraction. Domestic-centric small-caps saw declines of ~100 bps, while mid-caps managed a modest +120 bps improvement.

Sector performance was mixed. Cement, chemicals, and metals grew earnings by 16–45%, and telecom EBITDA surged 72% y-o-y. On the other hand, autos reported a 3% PAT decline, textiles were flat, power fell 10%, and FMCG/consumer durables faced margin erosion, restricting PAT growth to just 2–4%. Domestic-oriented Nifty sectors, despite 10% revenue growth, saw earnings contract by 3%, underscoring the drag from weak volumes and pricing pressure.

The downgrade cycle remains dominant. Consensus FY26 Nifty EPS has been cut from INR 1,166 to INR 1,098, implying only 3% growth. FY27 EPS is unchanged at INR1,295, implying 18% growth, but those numbers are already “priced to perfection.” Within the BSE 500, 24% of companies faced downgrades of more than 5%, versus only 9% upgrades. Cuts were concentrated in capital goods, IT, healthcare, consumer durables, and telecom, while cement stood out with upgrades in half the names.

Still, there are potential tailwinds for 2H’26 and beyond: softer rates, lower inflation, selective GST cuts, a strengthening credit cycle in microfinance, and pay-commission-driven demand in FY27. If these coincide with an export pickup and gradual revival in private capex, earnings momentum could stabilise, even against a backdrop of high valuations.

3. Flows

Against this fundamental backdrop, market direction has hinged on flows. Here, domestic investors are firmly in the driver’s seat. Equity mutual funds attracted over INR 420 billion in July, with SIP contributions steady at a record INR 285 billion. Participation has been broad-based—across flexi-cap, mid-cap, small-cap, and thematic funds—suggesting a structural shift in how household savings are channelled into equities.

Why have the foreign flows remained muted?

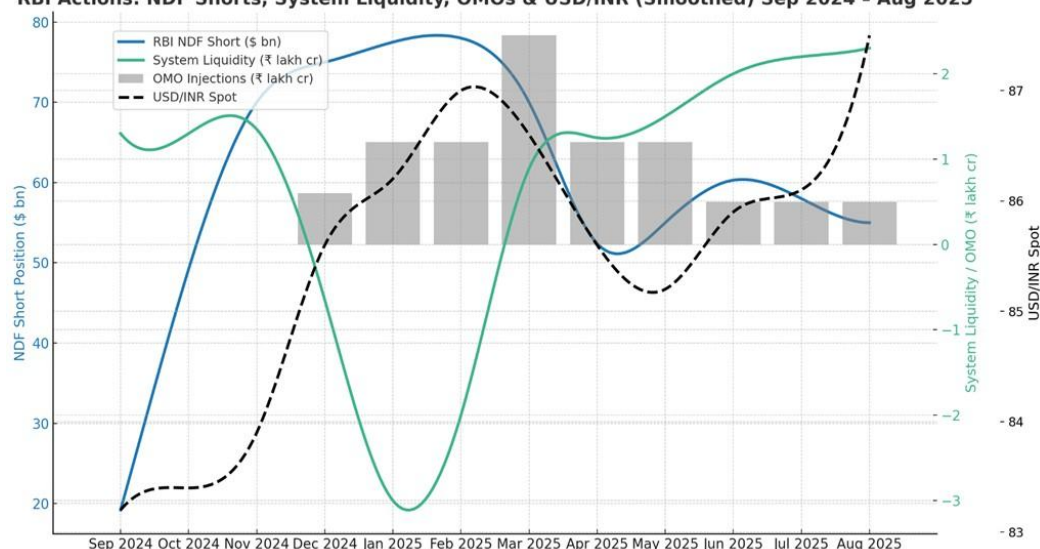
Foreign flows, by contrast, remain hesitant. FIIs have pulled out over \$12 billion year-to-date, including \$1 billion in July, even as China and Taiwan each saw more than \$15 billion of inflows. Currency concerns play a central role: despite a weaker dollar index, the rupee has underperformed. July’s trade deficit widened to \$27 billion, the non-oil, non-gold deficit to \$14.5 billion, and services export growth slowed to just 1–2%. With U.S. tariffs now covering nearly \$55 billion of Indian exports, the current account deficit is tracking toward 2.5–3% of GDP. These imbalances have kept FIIs cautious despite a supportive global backdrop for EM flows.

RBI’s NDF strategy and its unintended consequences

The RBI has taken an increasingly active role in the offshore non-deliverable forward (NDF) market over the past year. Starting September–October last year, its dollar-short positions surged sharply as it leaned against INR weakness. These shorts are essentially a bet that the rupee will not depreciate further, but executing them offshore requires counterparties to fund positions by sourcing rupee liquidity onshore. That drains cash from India’s banking system, tightening overnight funding and pushing the system deeper into deficit.

To neutralize that squeeze, the RBI was forced to inject liquidity back through open-market operations, buying government bonds to release rupees into the system. The result was a policy loop where the central bank was draining liquidity via NDF activity while simultaneously replenishing it at home. This dual action sent mixed signals to the market: was the RBI defending the currency, or was it prioritising domestic liquidity stability? Importantly, even with heavy NDF intervention and subsequent OMOs, the rupee still depreciated through mid-2025. That underscores the limits of intervention when external imbalances are large, and why markets often fade such moves rather than treat them as a durable anchor.

RBI Actions: NDF Shorts, System Liquidity, OMOs & USD/INR (Smoothed) Sep 2024 - Aug 2025



The road ahead

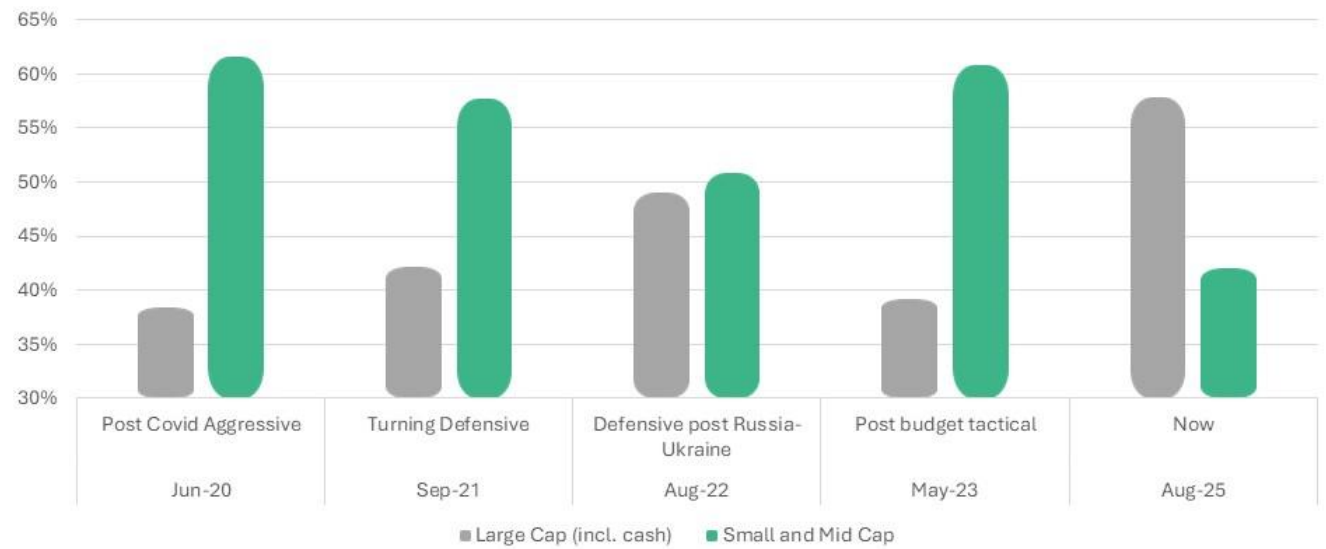
India enters the coming quarters with a mixed setup. Policy has shifted toward consumption, lifting near-term demand but reducing the capex impulse that underpins productivity, job creation, and private investment. The growth boost may therefore fade faster, leaving the cycle more dependent on consumption and liquidity than on structural capacity gains.

Earnings trends reflect this trade-off: investment-linked sectors are under pressure, while consumption-facing industries and financials carry the load. Near-term recovery could be aided by softer rates, lower inflation, and pay-commission-driven demand, but a durable revival in exports and private investment will be needed to extend the cycle.

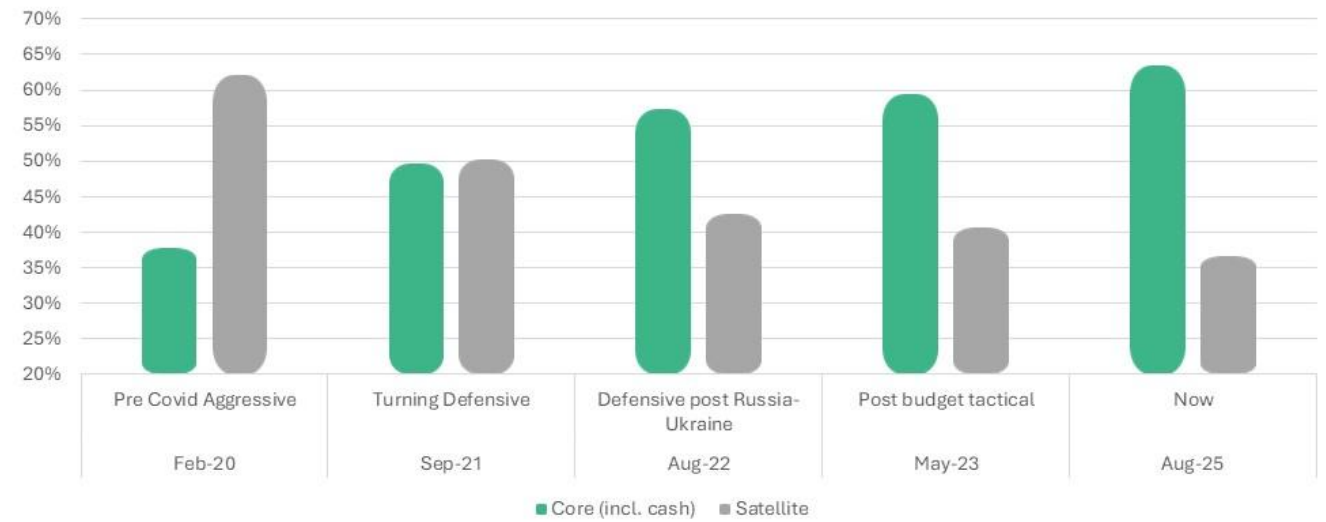
External balances remain a risk, with the trade deficit widening, services growth slowing, and tariffs weighing on exports. The rupee is more likely to face steady depreciation pressure, with RBI intervention cushioning volatility but unable to offset structural imbalances.

What anchors markets is the strength of domestic flows. Steady SIPs and mutual fund inflows have turned household savings into the decisive stabilizer, offsetting foreign outflows and sustaining valuations. The key question is whether India can reignite a new capex and export cycle before the current consumption-led impulse runs its course.

Market cap (select periods)



Core vs. Satellite (select periods)



Source for all charts: Bloomberg for Indices, Buoyant Capital analysis

Sectoral allocation

Banking	20.6%
Insurance	7.8%
Health Care	6.7%
Information Technology	7.0%
FMCG	4.3%
Chemicals	5.8%
Building Materials	4.8%
NBFC	3.9%
Materials	3.2%
Industrials	3.3%
Oil & Gas	2.8%
Telecom	2.5%
Retail	2.5%
Media	2.2%
Automobile	1.2%
Misc	6.1%
Cash	13.5%

Core vs. Satellite

Core (incl. cash)	63.4%
Satellite	36.6%
<i>Cyclicals</i>	12.8%
<i>Turnaround</i>	13.6%
<i>Value</i>	10.2%

Market cap allocation

Large Cap	44.4%
Mid Cap	21.3%
Small Cap	20.8%
Cash	13.5%

Source for all tables: Bloomberg for Indices, Buoyant Capital analysis

Blogs and Media

Our recent blogs and media appearances

Blogs

- [Muskets, markets and models – The Economic Times](#) 28 June 2025
- [Microfinance mysteries – Money control](#) 27 Nov 2024
- [Information vs Insights - The Economic Times](#) 10 Nov 2024
- [Goliaths and Grassroots – Money control](#) 05 Nov 2024
- [Big Bold Numbers – No Big Deal- Money control](#) 22 Oct 2024
- [Value Vacuum – The Economics Times](#) 19 Oct 2024
- [Recalibrating Rates – Money control](#) 08 Oct 2024
- [Inside Intel's Inertia – The Economic Times](#) 05 Oct 2024
- [Steel storms: Wild cyclical whiplashes – Money control](#) 01 Oct 2024
- [Doing nothing could be the riskiest option – The Economic Times](#) 14 May 2024
- [Ten-billion-dollar lesson – The Economic Times](#) 22 February 2024
- [Habit loop – Money control](#) 15 January 2024

Media Appearances

- [Jigar Mistry \(ET Now\)](#) 3 March 2025
- [Jigar Mistry \(CNBC TV18\)](#) 13 January 2025
- [Jigar Mistry \(CNBC TV18\)](#) 20 December 2024
- [Jigar Mistry \(CNBC TV18\)](#) 13 December 2024
- [Jigar Mistry \(CNBC TV18\)](#) 29 October 2024
- [Jigar Mistry \(CNBC TV18\)](#) 21 October 2024
- [Jigar Mistry \(CNBC TV18\)](#) 4 July 2024
- [Jigar Mistry \(CNBC TV18\)](#) 4 June 2024
- [Jigar Mistry \(CNBC TV18\)](#) 18 May 2024
- [Jigar Mistry \(CNBC TV18\)](#) 24 April 2024
- [Jigar Mistry \(ET Now\)](#) 21 April 2024
- [Jigar Mistry \(CNBC TV18\)](#) 13 March 2024
- [Jigar Mistry \(CNBC TV18\)](#) 2 March 2024
- [Jigar Mistry \(ET Now\)](#) 1 March 2024
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- [Jigar Mistry \(ET Now\)](#) 28 February 2024
- [Jigar Mistry \(CNBC TV18\)](#) 11 December 2023

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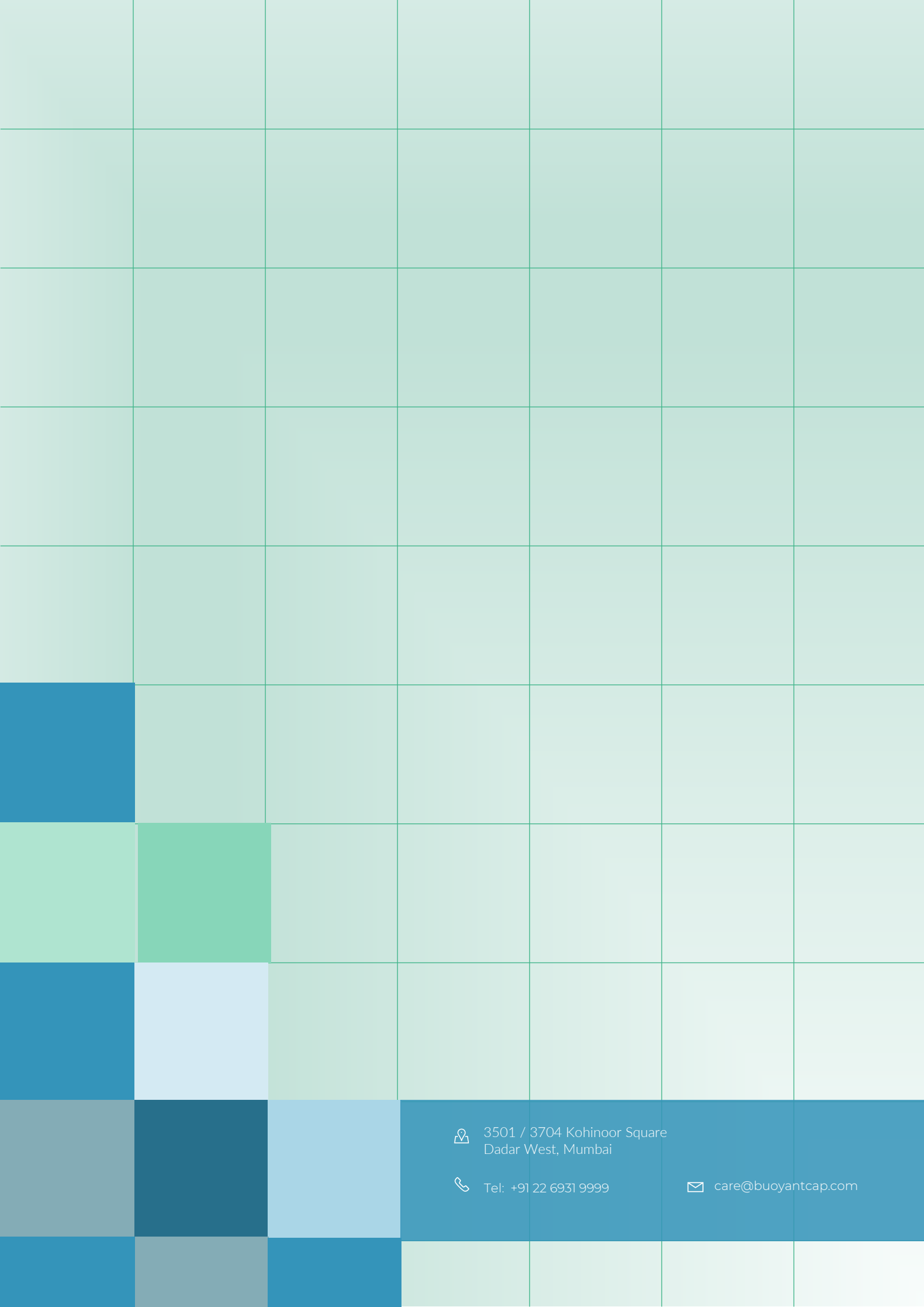
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