



Market Correction

Heavy FII/FPI selling
Buy, **Sell** or **Wait**?

ANITHA

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AMFI Registered Mutual Fund Distributor

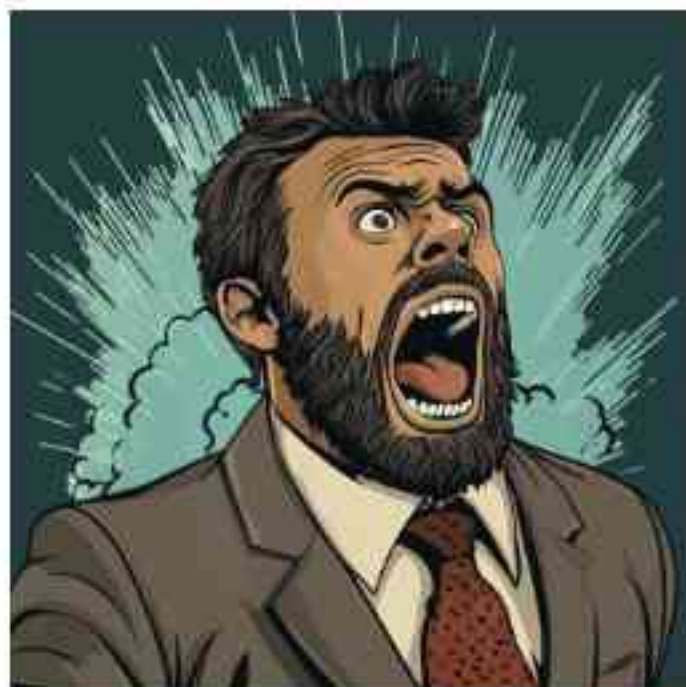
Common headlines during the Correction!

- Bloodbath on Dalalstreet
- Indian stock market crashed, 10 Lakh crore wiped out
- Sensex plunges over 1100 points.
- Can stock market crash trigger a capitulation phase?
- Stock market crash! Equity investors lose Rs. 16.97 lakh crores in just 5 days.



Foreign funds have withdrawn over Rs 1 lakh crore from the Indian stock market in 2025.

What next?



Total Number of registered FPIs in India

11979

Source: <https://www.sebi.gov.in>

(Registered intermediaries as on date 7th Feb. 2025)



Understanding FII/FPI

- FPI is a foreign portfolio investors registered in India also commonly known as FIIs.
- FPI is not single entity
- There are around 11979 FPIs as on 7th Feb., 2025
- They are from different parts of the world.
- All of them may not require the money at the same time.

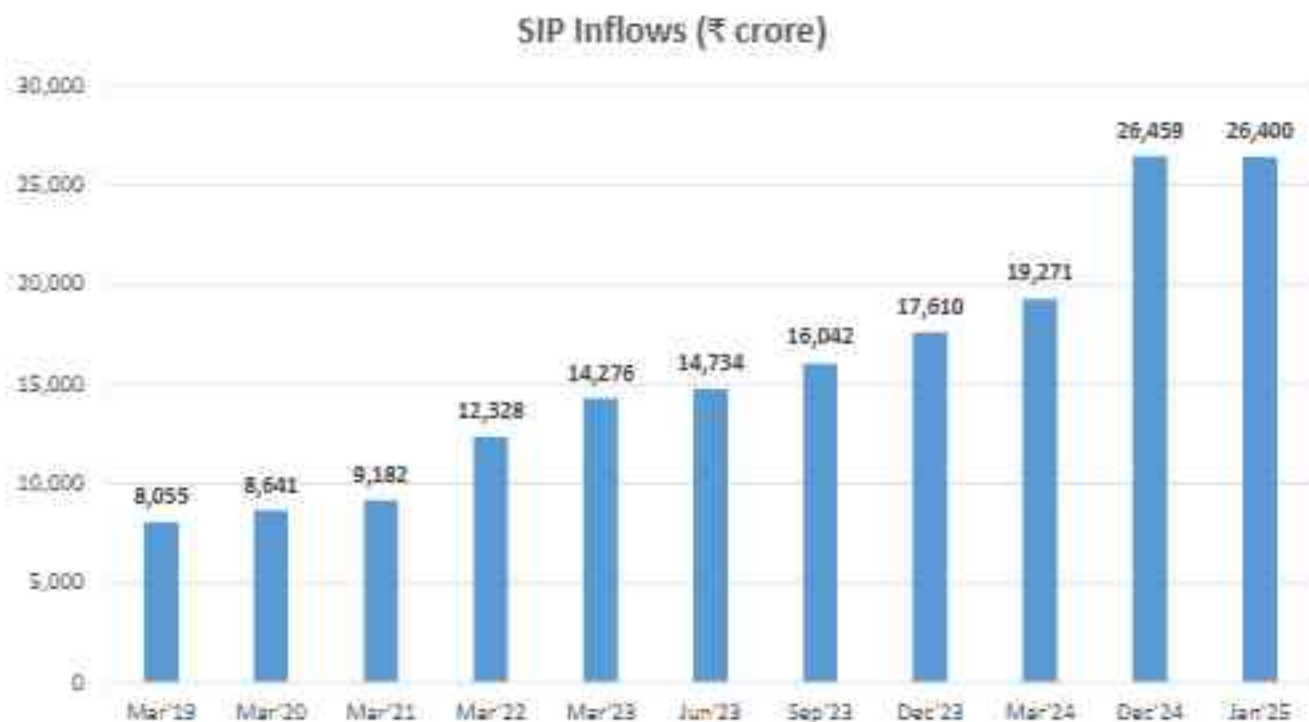


FPI inflow in Indian Equity Market

FY	FPI Inflow	FY	FPI Inflow	FY	FPI Inflow
1992-93	13	2003-04	39959	2014-15	111333
1993-94	5127	2004-05	44121	2015-16	-14172
1994-95	4796	2005-06	48800	2016-17	55703
1995-96	6942	2006-07	25236	2017-18	25635
1996-97	8546	2007-08	53404	2018-19	-88
1997-98	5267	2008-09	-47706	2019-20	6153
1998-99	29973	2009-10	30877	2020-21	274032
1999-00	9669	2010-11	110121	2021-22	-140010
2000-01	10207	2011-12	43738	2022-23	-37632
2001-02	8072	2012-13	140031	2023-24	208212
2002-03	2528	2013-14	79709	2024-25	-91094

As on 6th Feb., 2025- Source - <https://www.fpi.nsdl.co.in/Reports/Yearwise.aspx?RptType=5>

SIP flow above 26,000 cr.



Source: AMFI India

History of correction

- **First-grade corrections:** 5–10% declines occur approximately every 1.5 years.
- **Second-grade corrections:** 10–20% declines occur approximately every 3 years.
- **Third-grade corrections:** Declines of more than 20% occur approximately every 4 to 5 years.



Volatility is nature of market



Start Date	End Date	Event
Jan-08	Mar-09	Global Financial Crisis
Jul-11	Oct-11	US Credit Rating Downgrade
Jun-13	Sep-13	Taper-Tantrum
Apr-15	Feb-16	Yuan Devaluation
Oct-16	Jan-17	Fed Hikes / Demonetisation
Apr-18	Nov-18	NBFC Crisis
Jun-19	Sep-19	Slowdown
Feb-20	Apr-20	Onset of Covid-19
Nov-21	Jul-22	Geo-political worries
Sep-24	Oct-24	Currently Ongoing

Successful Investing



Mindset vs. Knowledge

Successful vs Others

Successful investors
focuses on their own
behaviour in the market



Other investors
focuses on their
market behavior.

Success Mantra



“Be greedy when others
are fearful, and be fearful
when others are greedy.”

Warren Buffett

Biggest enemies of investors



Million-dollar question

- If you get a time machine to use to go back in historical market correction, will you go back and invest aggressively?
- All past corrections feels like 'lost opportunity' while during the current correction we feel 'this time it's different'



Million-dollar question



“The four most dangerous words in investing: *‘This time it's different’*.”

Sir John Templeton

What affects market?

- In Short term
 - **Sentiments** (budget, election, fpi flow, monetary policy, global crisis, liquidity, etc.)
- In Long term
 - **Fundamental** (profitability and growth story of company and economy)



Let's check fundamental

- Profit growth of company
 - Sales Growth + Price Growth
- Profit growth of economy
 - GDP + Inflation
- Assumed Profit growth - 12%*
(*Assumed - GDP - 7 & Inflation - 5)

Current EPS of Sensex – **Rs. 3,508**

EPS of Sensex after 10 Years – **Rs. 10,895**

*This calculation is only for explanation and illustrative purposes only. Do not consider this as a prediction or advice.



Understanding sentiments

- **Definition:** The Price-to-Earnings (P/E) ratio is a valuation metric that measures a company's current share price relative to its per-share earnings.
- **Formula:** $P/E \text{ Ratio} = \text{Market Price Per Share} / \text{Earnings Per Share (EPS)}$
- **Usage:** It is used to determine whether a stock market is overvalued, undervalued, or fairly valued compared to its earnings.



Different values @ different sentiments

- **Lowest PE – 15.67 times**
- **Average PE – 22.28 times**
- **Highest PE – 36.21 times**

Based on the data of historical BSE Sensex PE ratio from 1st January 2011 till 14th Feb., 2025



Different values @ different sentiments

Situation	PE	EPS	Sensex*
Most bearish sentiment	15.67	10895	170725
Average Sentiments	22.28	10895	242741
Most bullish sentiments	36.21	10895	394508

*Based on the data of historical BSE Sensex PE ratio from 1st January 2011 till 14th Feb., 2025. The calculation is for illustrative purposes only and not the prediction. Actual Sensex value may differ. The calculation is not to be considered as a prediction or the advice.

Lesson from History

**Correction is
temporary,
Growth is
permanent**

