

OMNISCIENCE CAPITAL NEWSLETTER

February 2025

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The Budget-2025 introduces significant tax relief by raising the zero-tax slab from INR 7 lakhs to INR 12 lakhs, potentially boosting middle-class consumption. Additionally, it emphasizes capital investment with nearly INR 16 lakh crore allocated to infrastructure projects, marking an 18% increase from the previous year. This focus on capex aims to stimulate economic growth, aligning with the Government's Amrit Kaal vision. Read our report on Budget [here...](#)

FEBRUARY MONTH OVERVIEW

February 2025

BUDGET 2025

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OMNIVIEW – FEB 2025

In January the markets continued falling with continued selling by FIIs. While this is distressing for first time investors, or investors who are seeing their first downcycle, market veterans have seen much deeper market falls once every 3 to 5 years.



Dr. Vikas V. Gupta

On an average, every year, the markets fall somewhere between 10%, which is called a correction, every 3-4 years the markets fall by somewhere around 20%, which is called a bear market and once in 10-20 years there could be 30% to 50% market falls. The corrections recover quicker, the bear markets take more time, and crashes take about 1.5 to 2 years. These are very general data points and not cast in stone and varies depending on which specific period is studied in which country and which index. But it gives a very general idea of how equity markets behave.

Berkshire Hathaway, Warren Buffett's investment company, has fallen around 50% several times during its history. He is considered the greatest investor of all time by most people. The point to make is that it is not possible to predict what the markets will do in the near term even for the greatest.

Bernard Baruch, one of the wall street veterans about 100 years back, said: *Don't try to buy at the bottom and sell at the top. It can't be done except by liars. During my eighty-seven years I have witnessed a whole succession of technological revolutions. But none of them has done away with the need for character in the individual or the ability to think.*

We at OmniScience capital, and our long-term clients, the scientific investors, have three characteristics. Originality, Character and Patience. The portfolio selection framework or process has to be original; naturally, the portfolio stocks are also original and quite different from portfolios of other fund managers in the industry, whether, PMS, MF, AIF, or RIA and RA recommended portfolios. Further, the difference from most indexes is also very high. The investors have character to bear downturns in their portfolio values. And finally, they have the patience to hold on for 3-5 years or more.

Now what gives them that confidence? The significant falls in the NAV of the portfolio, typically, frightens new investors or who don't understand business and markets. However, those who understand, the fundamental data gives them confidence to hold through market downturns, and, in fact, many times do more top-ups at the lower prices. For example, the scientific investors look at the balance sheets of their businesses, both during the bull markets and during the bear markets. Imagine, if the company was unlisted then one could only study their financial statements every quarter to determine the health of the portfolio. What stops someone to look at that when the company is listed? That is the core performance of the company which drives the stock price over the long term.

For example, during the covid downturn, we did a stress test, in March 2020, of nearly 80 stocks each, total 150+, across our different Indian and US portfolios. The test was how long will the companies last while having full expenses but zero revenues? A slightly less stringent test was how long will the companies last if the expenses are cut to some extent, what is reasonable if there is a lockdown. In both cases, most companies could last from 4 months to as long as 2 years. This is what gave us the, portfolio managers, and the clients confidence in holding through the 30% downfall in the portfolio NAV and complete uncertainty during a period with no clarity on how long it will take to come out of the lockdowns.

Similarly, the market downfall in 2022 in both the US and Indian markets, was a situation when we added several very well established companies which were available at a significant discount to their intrinsic values into the portfolio even when the portfolio was down significantly. Coming out of market downturns, our observation is that Mr. Market, meaning rest of the fund managers and investors, look at their portfolios afresh and end up buying what was in our portfolio, thus driving high performance for our portfolio coming out of a downturn. Of course, these things are not guarantees, but it is our observation across different markets in different countries.

Rather than the notional market-to-market loss in NAVs of the portfolio, we advise our scientific investors to look at the valuations, PE, PBV, and other market valuation metrics. For example, the various OmniScience portfolios are available at PE of 9 to 26, with most of the portfolios around 11 to 15. Thus, the focus is on the very attractive valuations. The expected returns of such portfolios have 3 components. The free cash flow yield, the expected growth over the holding period, say 2-3 years, and the expected re-rating if the stock is mispriced at the current fcf yield. We encourage clients to not panic and try to understand the businesses in their portfolios.

OMNIVIEW – EQUITY ASSET ALLOCATION TOOL

The first two months of 2025 have been quite eventful so far. The year started with lower-than-expected second quarter GDP growth number, sharp fall in rupee of nearly 2% YTD, Trump taking office, imposing tariffs and then immediately suspending it for 30 days, Budget 2025 and finally RBI announcing a policy rate cut after nearly 5 years. In the backdrop, FII kept selling Indian markets for their own specific reasons and this added to the significant fall in market indices with smallcap and midcap indices falling around 7 to 10% in Jan 2025. All these created doubts in the minds of investors on the outlook for the Indian economy. We addressed most of these issues in a webinar which you can access on our YouTube channel or [here](#).



Ashwini Kr. Shami

With clarity emerging on multiple fronts such as government's continued focus on capex, Trump's trade-wars and normalization of regional disputes, we believe it is time for long-term investors to focus on their strategic equity asset allocations. We have always focused on bringing multiple investment offerings so that investors can build an equity portfolio allocation plan which is alpha-oriented, robust and diversified enough to capture multiple growth-vectors. I wish to draw readers attention to some very useful data tables that are presented in our monthly letters, so that investors can take well-informed decisions while deciding on which of the Omniscience's smallcases are most attractive and how to tweak their allocations across various core and growth-vector oriented thematic smallcases.

Omniscience smallcase valuation metrics table on [page no. 6](#) lists our smallcases which are sorted on the bases of month-end P/E ratios, a valuation multiple that indicated the relative undervaluation vis-à-vis market and other strategies. While P/E is not the absolute metric to gauge valuations but, given that the scientific investing framework focuses primarily on companies with low debt and the firms that are exposed to established growth vectors, P/E is a reasonably good indicator of valuations. Long-term investors with a minimum 3-5year horizon can use this table to identify the most undervalued smallcases and allocate capital to the smallcases that have the highest potential returns. It is important to understand one's risk appetite, risk tolerance and the financial goals before any such equity allocation and also maintain a structured and disciplined allocation approach where one should have 40-60% allocation to the core strategies and maximum 5-10% allocation to any single thematic portfolio. This table is also useful to make tweaks to your allocation profile by reducing exposure to the smallcases that move lower in the table as the undervaluation gets resolved and they become fairly priced. Though you may not see significant change in the valuation ranking on a month-on-month basis, it is important to revisit this space on a quarterly basis or whenever one is allocating any fresh capital. Recently many MF managers have advised investors to move out of the Mid(index PE 30) and Smallcap(index PE 32) funds because of the overvaluation. While we agree to staying away from the overvalued portfolios, it is important to note that our Omni Knights midcaps (PE 13.6) and Omni Supertrons smallcaps (PE 15.3) offer great alternatives to take exposure to the same market segments.

MACROECONOMIC INDICATORS

ECONOMIC ACTIVITY:

| Macro Trends | Current | Previous | Latest Reported Date |
|---------------------------------------|---------|----------|----------------------|
| S&P Global Manufacturing PMI | 57.7 | 56.4 | Feb 03, 2025 |
| Services PMI | 56.5 | 59.3 | Feb 05, 2025 |
| Bank loan growth(%) | 11.5% | 11.2% | Jan 31, 2025 |
| Deposit growth (%) | 10.8% | 9.8% | Jan 31, 2025 |
| India Industrial Production YoY | 5.2% | 3.7% | Jan 10, 2025 (Nov) |
| Trade Balance (E-I) (Billion USD) | -22 | -38 | Jan 15, 2025 (Dec) |
| Power Generation (BUs) | 121 | 118 | Dec 2024 |
| Railway Freight Activity Index (IRFA) | 65.0 | 62.9 | Sep 2024 |
| Monetary: | | | |
| WPI (YoY) | 2.37% | 1.89% | Jan 14, 2025 (Dec) |
| CPI (YoY) | 5.22% | 5.48% | Jan 13, 2025 (Dec) |
| Repo Rate | 6.25% | 6.50% | Feb 07, 2025 |
| Bank Rate | 6.50% | 6.75% | Feb 07, 2025 |

GDP:

| Particulars | Q1FY25 | Q2FY25 | FY25 (E) | FY26 (E) |
|-------------------------------|--------|--------|----------|----------|
| Nominal GDP growth (%) | 9.7% | 8.0% | 9.7% | 10.1% |
| Real GDP growth (%) | 6.7% | 5.4% | 6.4% | 6.7% |

OTHER KEY INDICATORS:

| Particulars | Jan 31, 2025 | Dec 31, 2024 | Change |
|---------------------------------------|--------------|--------------|-----------------|
| India 10-yr Bond Yield | 6.69% | 6.76% | -7 bps |
| USD/INR | 86.54 | 85.55 | -1.15% |
| FX Reserves (Billion USD) | 630 | 644 | -2.30% |
| FII Net Buy/-Sell (Rs Cr) | -87375 | -16982 | -3,42,966 (YTD) |
| DII Net Buy/-Sell (Rs Cr) | 86,592 | 34,195 | 5,05,596 (YTD) |
| GST Collection (Rs Cr) | 1,95,506 | 1,76,857 | 10.5% |
| UPI Transactions Value (Rs trillion) | 23.48 | 23.25 | 1.0% |
| No of UPI Transactions (Volume in Cr) | 1,700 | 1,673 | 1.6% |
| Metals: | | | |
| 10g Gold | 84,400 | 78,245 | 7.9% |
| 1 Kg Silver | 99,500 | 90,500 | 9.9% |
| Crude Oil (USD/Bbl) | 73 | 72 | 1.1% |
| Lithium (CNY/T) | 77,940 | 75,215 | 3.6% |
| Cobalt | 21,550 | 24,317 | -11.4% |

OMNISCIENCE SMALLCASES: VALUATION METRICS AS OF 31ST JAN 2025

| Name | P/E | P/BV | Div. Yield |
|---------------------------------------|------|------|------------|
| Omni Bank on Bharat | 8.9 | 1.1 | 1.70% |
| Omni Capital Enablers | 9.6 | 1.2 | 1.80% |
| Omni Super Dividend | 10.8 | 1.6 | 3.40% |
| Omni Power - Electrifying India | 11.1 | 1.4 | 2.70% |
| Omni Royals - LargeCap | 11.7 | 1.9 | 2.10% |
| Omni Fintech, Digital Bank & Payments | 12.1 | 1.7 | 1.50% |
| Omni Amrit Kaal | 12.9 | 1.7 | 1.64% |
| Omni UP & Ayodhya | 13.0 | 1.6 | 1.60% |
| Omni Knights - MidCap | 13.6 | 1.7 | 1.60% |
| Omni Future of Mobility | 14.1 | 2.1 | 2.20% |
| Omni Supertrons - Smallcap | 15.3 | 1.8 | 1.30% |
| Omni Bullet Train | 21.2 | 3.0 | 1.50% |
| Omni Defence | 22.2 | 3.2 | 1.60% |
| Omni DX- Digital Transformation | 25.8 | 4.6 | 1.50% |
| Omni AI-Tech Global | 26.4 | 4.7 | 1.50% |
| Benchmarks | | | |
| Equity Largecap | 24.5 | 3.9 | 1.20% |
| Equity Midcap | 29.7 | 4.2 | 1.00% |
| Equity Smallcap | 32.4 | 4.1 | 0.60% |
| Equity Multicap | 26.2 | 4.0 | 1.10% |

Source: Omniscience Research, <https://omniscience.smallcase.com>

EQUITIES MARKET: PERFORMANCE AS OF 31ST JAN 2025

| Total Returns (%) | 1 Month | 1 Yr | 5 Yr |
|--------------------|---------|-------|-------|
| Nifty 50 | -0.5% | 9.6% | 15.8% |
| Nifty Midcap 150 | -6.1% | 11.6% | 25.4% |
| Nifty Smallcap 250 | -10.7% | 5.9% | 26.0% |

EQUITIES MARKET: VALUATION METRICS AS OF 31ST JAN 2025

| Sectoral Indices | P/E | P/B | Div. Yield |
|--------------------------|-------|-------|------------|
| Nifty PSU Bank | 7.02 | 1.23 | 2.33 |
| Nifty Oil & Gas | 12.89 | 1.6 | 2.8 |
| Nifty Bank | 13.15 | 2.18 | 1.01 |
| Nifty Private Bank | 14.24 | 2.21 | 0.6 |
| Nifty Financial Services | 15.77 | 2.8 | 0.93 |
| Nifty Metal | 20.61 | 2.39 | 2.46 |
| Nifty 50 | 21.33 | 3.51 | 1.38 |
| Nifty Auto | 22.16 | 4.7 | 0.99 |
| Nifty 500 | 24.27 | 3.74 | 1.22 |
| Nifty Smallcap 100 | 29.64 | 3.75 | 1.12 |
| Nifty IT | 32.33 | 8.82 | 2.41 |
| Nifty Pharma | 33.31 | 5.24 | 0.66 |
| Nifty Midcap 100 | 37.98 | 4.94 | 0.84 |
| Nifty Healthcare Index | 38.35 | 5.85 | 0.57 |
| Nifty Realty | 44.26 | 5.26 | 0.42 |
| Nifty FMCG | 45.98 | 11.23 | 1.82 |
| Nifty Consumer Durables | 75.27 | 11.92 | 0.41 |

Report of the Month: Omni Insights on Budget 2025

Budget Battle 2025: Consumption vs Capital Investments

The recent budget has raised the zero-tax threshold from INR 7 lakhs to INR 12 lakhs, capturing public and media attention. This change is expected to result in approximately INR 1 lakh crore of revenue foregone by the Government of India. The tax relief will benefit the middle class, potentially sparking a consumption boom and investments in housing, consumer durables, and vehicles.

On the other hand, capital investments remain a key focus, with nearly INR 16 lakh crores allocated, marking an 18% increase from the previous year. Sectors like Defence, Railways, Roads, Housing & Urbanization, and Power are prioritized, reinforcing the government's long-term infrastructure development vision. The capex budget has grown significantly, reflecting a strategic shift towards sustainable economic growth.

We are thrilled to share our latest research report on the Budget 2025, highlighting the focus of government on Capital Expenditure. Here, we discussed:

- ☐ Our take on Budget 2025
- ☐ 10-year Budget data analysis
- ☐ Major Industry-wise Capex Break-up
- ☐ How Capex is fueling Amrit Kaal of India
- ☐ Potential GDP boost by projecting next 5-years Capex



[**Download Report**](#)

OmniScience in the NEWS

1 **[Markets rally for 3rd day on buying in blue-chips Reliance, Airtel and HDFC Bank](#)**

"The interplay between global factors and domestic policies is adding to the complexity, making this a crucial period for market participants," Vikas Gupta, CEO and Chief Investment Strategist, OmniScience Capital, said.

Read more [here...](#)



2 **[US Fed to unveil first interest rate decision for 2025 today: Will Donald Trump's remarks impact FOMC policy?](#)**

"US Fed's final rate cut for 2024 is overshadowed by the December meeting's dot plot update, which significantly revised the expectations for 2025 rate cuts from four to just two," said Dr. Vikas Gupta, CEO and Chief Investment Strategist, OmniScience Capital.

Read more [here...](#)



3 **[Make smarter investment choices: How to identify high-potential stocks](#)**

The stock market in India can be overwhelming for investors with over 5,000 listed companies to choose from. A new study by smallcase manager Omniscience Capital, titled Omni Four Folios: Study on Indian Equity Markets, breaks down the market into easy-to-understand categories, helping investors make informed decisions.

Read more [here...](#)



4 **[Daily Voice: This portfolio manager sees strong economic growth in Q3FY25, further correction in mid-smallcaps](#)**

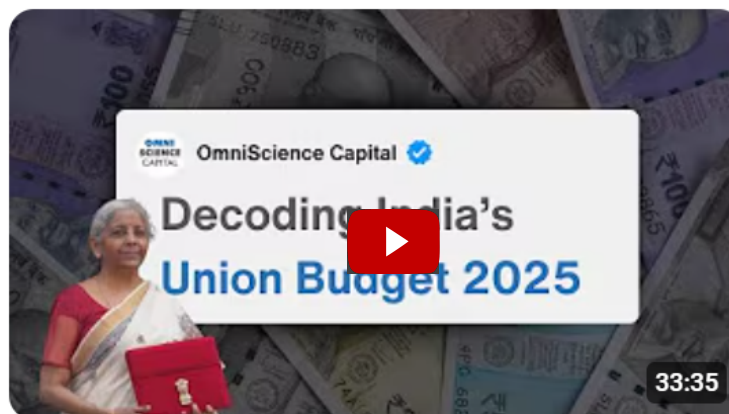
"Various leading indicators suggest strong economic growth during the third quarter of the current financial year," Ashwini Shami, Executive Vice President and Portfolio Manager at OmniScience Capital said in an interview to Moneycontrol.

Read more [here...](#)



[Video of the Month: Decoding India's Union Budget 2025](#)

In this Omnitalk! video, we dive deep into the details of the latest Union Budget and break down what it means for you as an individual investor and for the broader scientific investment community. We'll explore key highlights, policy changes, and financial decisions from the budget, analyzing how these developments can impact your investment strategies, financial goals, and long-term wealth creation. Whether you're a seasoned investor or just starting out, this discussion will give you valuable insights into navigating the budget's effects on the markets. Watch it [here...](#)



Decoding India's Union Budget 2025



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