

# Compelling valuations emerge after recent market corrections



Recent market movements have led to a meaningful correction across market segments. When we look at the data over the last three calendar years, the adjustment is evident not just in prices but also through a phase of market consolidation, which together is helping bring valuations closer to long-term averages.

## Price adjustments across market segments

Small and mid-cap indices have witnessed deeper corrections compared to large caps.

BSE Small Cap index has corrected from a high of 57,827 in 2024 to around 45,225 in 2026, a decline of nearly 22% from peak levels.

Year	Open	High	Low	Close
2024	42,854.34	57,827.69	40,097.13	55,180.60
2025	55,358.44	56,497.39	41,013.68	51,525.46
2026	51,573.66	52,130.17	44,970.31	45,224.97

BSE Mid Cap index has moved from a high of 49,701 in 2024 to about 42,138 in 2026, reflecting a correction of nearly 15% from peak levels.

Year	Open	High	Low	Close
2024	37,020.08	49,701.15	36,576.85	46,444.66
2025	46,578.79	47,549.40	37,203.21	46,954.34
2026	47,015.30	47,764.30	41,817.27	42,138.48



The BSE Sensex, after touching an all-time high of ~86,000 in 2025, is currently around 74,500, representing a correction of roughly 13–14% from peak levels.

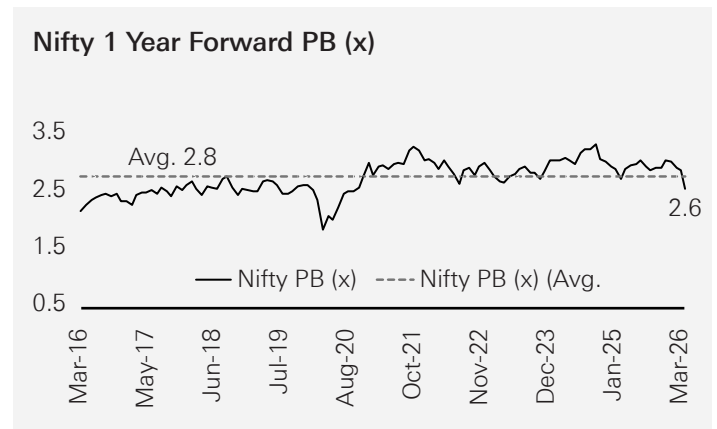
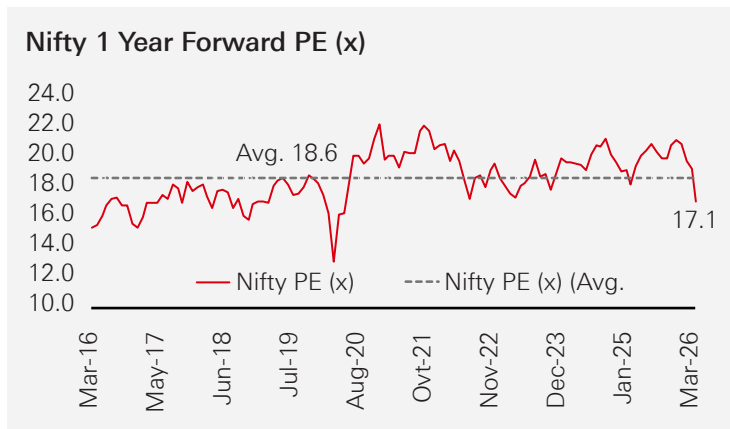
Year	Open	High	Low	Close
2024	72,218.39	85,978.25	70,001.60	78,139.01
2025	78,265.07	86,159.02	71,425.01	85,220.60
2026	85,255.55	85,883.50	73,949.76	74,532.96

Source – BSE India. Period under consideration for all three indices is Jan 1, 2024 to March 20, 2026. “Open” represents the index level on Jan 1 of the respective year. “High” and “Low” represent the highest and lowest levels recorded during the year. “Close” represents Dec 31 for 2024 and 2025, while the closing level for 2026 is March 20, 2026. Past performance may or may not be sustained in the future.

Such adjustments across segments have helped cool off elevated valuations that had built up during the previous rally.

### Valuations moving closer to long-term averages

The recent phase of market correction has not only adjusted prices but has also helped moderate valuation multiples across the market.



As of 23 March 2026, the Nifty 50 is trading at a 1-year forward Price-to-Earnings (P/E) multiple of around 17.1x, which is below its long-term average levels, indicating a meaningful cooling in valuations compared to the earlier phase of the rally.

Similarly, the Price-to-Book (P/B) ratio stands at around 2.6x, also trending close to historical averages. This moderation reflects how the recent consolidation phase has helped normalise valuations that had become elevated during the previous market upcycle.

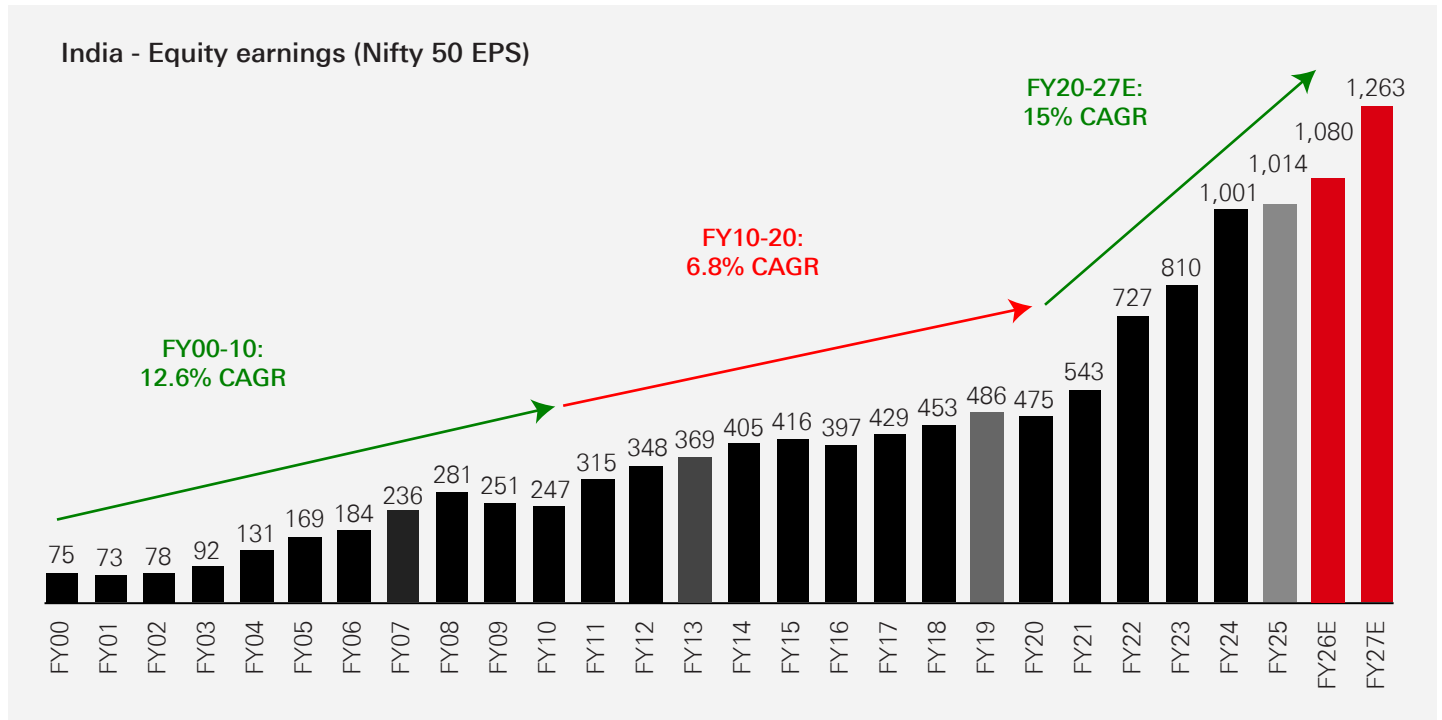
In essence, the market has witnessed both price correction and valuation normalisation, bringing valuations closer to more sustainable levels. Historically, such phases have often created attractive opportunities for long-term investors to gradually build exposure to equities through disciplined investment approaches.

### Earnings growth outlook remains supportive

While valuations have moderated following the recent market correction, the earnings outlook for Indian corporates continues to remain encouraging.

Historical data shows that corporate earnings growth has evolved across different phases. Between FY00–FY10, Nifty 50 earnings grew at a CAGR of around 12.6%, followed by a relatively slower phase of ~6.8% CAGR between FY10–FY20.

## Earnings trend



Source: MOSL, Bloomberg, Data as on 27 February 2026. Past performance may or may not be sustained in future and is not a guarantee of any future returns. Note: The details provided above is as per the information available in public domain at this moment and subject to change. Please consult your financial advisor for any investment decisions.

However, the earnings cycle has improved meaningfully in recent years. Estimates indicate that Nifty 50 earnings are expected to grow at around 15% CAGR between FY20 and FY27, reflecting stronger corporate balance sheets, improved profitability and sustained economic momentum.

This improving earnings trajectory suggests that the recent market consolidation has occurred at a time when the earnings cycle remains supportive, which could help justify valuations over the medium to long term.

### What does this mean for investors?

For long-term investors, periods of market consolidation have often been opportunities rather than setbacks.

Instead of attempting to time the exact market bottom, investors may consider:

- Continuing Systematic Investment Plans (SIPs)
- Deploying idle money gradually through Systematic Transfer Plans (STPs)
- Staying invested to benefit from rupee cost averaging during volatility

Periods of volatility help investors accumulate more units at relatively lower prices, potentially improving long-term outcomes when markets recover.

### The bottom line

Market adjustments are an inherent part of the equity journey. While volatility may create short-term discomfort, it often lays the foundation for future opportunities.

With valuations becoming more reasonable after both price corrections and a consolidation phase, the current environment could present attractive entry levels for investors with a long-term horizon.

The message remains consistent: Stay disciplined, stay invested and use volatility as an opportunity rather than a deterrent.

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**Source:** Bloomberg, BSE, NSE, MOSL & HSBC MF estimates as on March 23, 2026 end or as latest available

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HSBC Mutual Fund, 9-11th Floor, NESCO - IT Park Bldg. 3, Nesco Complex, Western Express Highway, Goregaon East, Mumbai 400063. Maharashtra.

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