

November 27, 2025

Narrow rally, tough portfolios: Devina Mehra explains why Nifty highs don't reflect market reality

Synopsis

The Nifty is near record highs, but Devina Mehra warns the broader market remains weak, with nearly half of stocks still 20% below their peaks. In an interview, she explains why the rally is narrow, why PSU banks still offer value, and why FMCG, pharma and autos remain strong bets as investors await a broader market recovery.



Despite the Nifty inching within touching distance of an all-time high, the broader market tells a very different story, says Devina Mehra, Founder & CMD, First Global. While indices look strong, nearly half the stocks in the market are still down over 20% from their peaks, reflecting one of the narrowest rallies India has seen in years.

Nifty is up, portfolios are not

Mehra notes that up to August, fewer than 10% of stocks outperformed the index, and even today, the breadth is far from healthy. The smallcap and microcap frenzy of 2024—where investors expected 30% annual returns as “conservative”—has fully unwound.

She reminds investors that market sentiment is a contrarian indicator:

- Extreme euphoria = below-normal future returns
- Anxiety and fear = above-normal future returns

“The superpower,” she says, “is staying invested when you feel nervous.”

Financials: Huge underperformance for years, still not expensive

Banks, especially PSU names, finally came out of a multi-year slump this year.

Mehra points out that banks underperformed in 2020, 2021, 2023, and 2024. Only in 2022 did they beat the index. Many PSU banks still trade near or below 1x book value.

First Global has added bank exposure through the year, though Mehra stresses she remains a “nervous investor” in lenders due to inherent risk.

Consumption: FMCG favoured, Trent out of favour

While several consumption stocks have corrected sharply—Trent is down 20–25%—Mehra says FMCG remains overweight in First Global portfolios.

Notable positions:

- **FMCG:** Overweight
- **Pharma & healthcare:** Overweight
- **Autos & auto components:** Added more this year
- **IT:** Slightly overweight, with recent shifts from largecap IT to midcap IT

Market strategy: Largecaps first, smallcaps later

Mehra expects the largecaps to lead the next phase. Only after meaningful gains there will money rotate into midcaps and smallcaps.

For now, she advises:

- Stay invested but avoid chasing “mad smallcap rallies.”
- Focus on quality sectors benefiting from improving earnings cycles

As the Nifty eyes a breakout, Mehra’s message is clear: This is a stock-picker’s market—not a rising-tide market.