

17th July, 2025

Dear Investor,

Market sentiment in June 2025 improved and remained better, with the benchmark index steady, at 25517 up 3% over last month. This was boosted by the improved 1Q2026 earnings expectations and the continued domestic and FPI buying. The market remained buoyant with early wide spread good monsoon, better expected earnings and lower interest rate. The Indian market has survived the global chaos and doing all the right things.

RBI Bonanza

The highlight of the month of June 2025 was the big monetary stimulus, which took almost everybody by surprise. RBI cut the repo by 50 basis points and the CRR by 100 points. Simply put, given the current heightened uncertainties in trade and geopolitics, the big rate cut is meant to counter that by boosting the domestic economy. RBI also made certain that there would be abundant liquidity by his 100-basis point cut in the cash reserve ratio. That would ensure swift transmission of the rate cuts by the banking sector, boosting growth. As a broad-based and durable consumption recovery is increasingly critical for a revival in the private capex cycle, RBI has delivered a bumper rate cut and liquidity boost that in turn will boost credit offtake.

Why frontload the cuts? The reason, of course, is that inflation is currently remarkably well-behaved. So are inflation expectations, with the RBI survey showing a clear downturn for one year ahead median inflation expectations. The RBI's projection for Q1 FY26, has been retained at 4.4 percent, well above the current rate.

Trump tariff tantrums

The single largest conviction on the Street is that the US President Donald Trump's flip-flopping should end sooner than later. Hence, the worst is behind us. Other economies would work to negate any impact from tariffs, although the benefits may accrue over time.

**Future Outlook**

Indian equity investors seem to have a strong gut to be able to digest all negative news from war, tariffs and an earnings slowdown. The benchmark indices - Nifty 50 and BSE Sensex -- are in a happy state, swinging within a small range. For India, a low base from last year's elections that temporarily hit economic activity, good monsoons and the positive impact on rural areas in terms of income and demand for goods and services should help. Also, an early beginning to the festive season should revive sales growth for India Inc. Importantly, India has reined in inflation, which along with the benefits of a

sharp 100 basis points (bps) interest rate cut (so far in CY2025), should turn the wheel of economic activity as rate transmission kicks in. Despite global economic episodes, India's growth story remains intact, supported by improvement in rural consumption, infrastructure spending. Policy and political stability continue to provide confidence, reinforcing a favourable economic environment. The recent budget targeted tax relief, aiming to address the cyclical slowdown in urban consumption, thereby supporting overall economic growth. Long-term growth drivers such as increasing affluence, low penetration, and strong demographics continue to provide structural tailwinds.

Valuations

With valuations getting to reasonable levels, Investors should take a long-term perspective. With rupee getting stronger, benign inflation outlook and with massive sizable manufacturing opportunity there should be no looking back for India and we become attractive destination for the world now already becoming the third largest economy.

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

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