

3rd October, 2025

Dear Investor,

Market sentiment was lack-luster in September 2025 post the imposition of additional tariff of 25% by US last month, as a penalty for India's procurement of Russian crude. The benchmark nifty remained sideways the whole month with continued selling pressure from foreign funds with the rupee getting weak further.

US factor continues to haunt the sentiments

The US administration imposed hundred thousand dollar as fees to get the new H1B visa for immigrants. This puts lot of pressure on the costs on tech companies to re-strategize the operations on the onshore –offshore models with the increasing cost of visa. Another issue was the announcement of 100% duty on imported pharma products which are branded. This caused a lot of confusion in the Indian pharma sector despite we not affected by this duty since we are into largely generics and we export substantial amount to the US at zero duty. The markets tried to extrapolate the generics should also be affected going forward with import restrictions. Currently the software and pharmaceuticals are outside the preview of US tariffs. The US trade agreements continue to remain in negotiation stage with difference on the farm and dairy sector.

More trade agreements in the offing

India is actively pursuing a diversified trade strategy to sustain its resilient trade performance, the ministry said. This includes the recently concluded FTA with the UK and EFTA and ongoing FTA negotiations with the US, EU, New Zealand, Chile, and Peru. "But, these initiatives will take time to show results and may not fully address the shortfall in exports to the United States that may arise if the current tariff rates on India persist.

GST reform a booster

The landmark GST reforms announced should progressively result in a sustained positive impact through significant gains in ease of doing business, lower retail prices and strengthening of consumption growth drivers. The decisions of the GST Council in its 3rd September meeting set in motion major structural reforms in the GST regime, simplifying rates and processes. The four existing slabs (5, 12, 18 and 28 per cent) have been streamlined mainly into two (5 and 18 per cent). "Beyond rate simplification, the reforms also tackle challenges relating to inverted duty structure. Processes have also been made business friendly: simpler registration and return filing, faster refunds, and lower compliance costs – particularly benefiting micro, small and medium enterprises and startups. Overall, these reforms are expected to boost tax buoyancy, improve compliance, and contribute to greater ease of living as well as ease of doing business."

**India remains cushioned**

India's GDP growth accelerated to a robust five-quarter high 7.8 % in Q1 FY2026 from 7.4 percent in Q4 FY2025, contrary to the expectations of a sequential slowdown as signalled by high frequency indicators. Post the GST reforms, the rating upgrade (by S&P Global) is anticipated to reduce the borrowing costs, attract greater foreign capital inflows, widen the access to global capital markets, boost disposable income, reduce inflationary pressures, cut input costs for businesses, and support growth." While the tariff issue is a major short-term concern, equity markets tend to be forward-looking and may gradually shift focus toward domestic fundamentals and broader global trends. Additionally, the onset of the festive season good monsoon should support consumption demand, especially in rural sectors. As a broad-based and durable consumption recovery is increasingly critical for a revival in the private capex cycle.

Outlook and Valuations

We feel one should take a longer term perspective, post the healthy correction. With massive sizable manufacturing opportunity and digital and AI world India offers attractive investment destination. We firmly believe that India will overcome in this crisis as well and emerge stronger.

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

KRIIS – The Portfolio Management Company