

3rd November, 2025

Dear Investor,

Nifty benchmark made a festive rally high of 26104 in October 2025 and closed at 25722 with improving sentiment powered by strong performances from banks, auto and consumption-led sectors and foreign investors tiptoed back in, and the rupee staged a modest rebound from record lows. Wall Street set the tone with upbeat earnings and rate cut by Fed Of 25bps.

Let understand the new emerging macro factors of India:

Lets glance at the broader picture — the quiet shifts in policy, money, and trade that are shaping India's next market chapter. Think of it as our "macro morning coffee" — a space to connect the dots that don't always make headlines, but matter deeply if you care about where India's economy is really heading. And this week, those dots lined up beautifully. From a near-final trade deal with the U.S. to the RBI quietly swapping dollars for gold, and RBI cautioning banks' lending to markets to GST empathy, India's economy is undergoing a fascinating transition.

1. India-US Trade Deal: Finally, Some Real Movement

So, apparently, India and the U.S. are this close to signing a trade deal. We have heard this before, but this time the tone from both sides feels different. What's on the table? Tariffs, agriculture, and energy. If things go right, tariffs on Indian exports to the U.S. could drop sharply — from around 50% to maybe 15–16%. That's huge for sectors like textiles, leather, and gems & jewellery — the kind of industries that employ thousands of Indians. But India's being cautious.

2) RBI choosing gold over dollars

RBI has been cutting down its U.S. Treasury holdings and stacking up on gold instead. India's gold reserves are now above \$100 billion — that's not small change. The share of gold in our total reserves has climbed from about 9% to almost 14% in a year. They buy it because they don't trust where the dollar is heading. It is a subtle, almost philosophical shift — away from dependence on the U.S. financial system and toward self-reliance in reserve management. With gold, there is no counterparty risk. No one can "freeze" your gold. For an investor, this is a quiet sign that the RBI is preparing for a world that's getting riskier — geopolitically and financially.

3. RBI to Banks: limit Market exposure

The RBI also issued a circular this week telling banks to limit their capital-market exposure to 20% of their Tier-1 capital. Basically: banks, stick to banking. It means less money chasing stocks and derivatives, but also less risk if markets get wild. The focus will shift back to the basics: lending, deposits, and asset quality. A boring bank is usually a safer bank.

4. Tax empathy means ease of doing business

Honorable Finance Minister asked GST officers to be “polite and empathetic” toward honest taxpayers. On the surface, that sounds like a small thing, but culturally, it is big. Anyone who’s run a small business in India knows how nerve-wracking a tax notice can be. Even when you have done nothing wrong, If the GST administration actually becomes more tech-driven and less intimidating, that’s a silent productivity boost for the economy. Less time wasted on red tape, more energy on running the business.

5. The Bigger Picture: India’s Quiet Reset

Put all the above moves together, and you can sense a pattern. India is not sprinting right now — it is building muscle. It is not a flashy reform, but it is a deep reform. As an fundamental investor we find this moment fascinating. We are watching India evolve from a high-growth, high-risk story to a more balanced, self-aware economy. And maybe, this is the start of a new chapter where resilience, not just growth, defines India’s rise.

Earnings so far:

2QFY26 earnings have generally been in line, with the intensity of earnings cuts moderating. Although Indian equities have registered a lacklustre performance over the past one year, we continue to highlight that the Indian markets now appear to be in a healthy state vs. last year. The earnings cycle is bottoming out, with growth expected to accelerate into double digits. Valuations are reasonable. Any signs of earnings growth acceleration should support valuation expansion. We believe that the cavalry of measures by the government will help reset the trajectory of corporate earnings as domestic reforms are expected to continue. Additionally, any resolution of the tariff stalemate will be a key external catalyst, in our opinion. Our portfolio is more aligned towards domestic names, driven by expectations of a domestic economic rebound.

Outlook and Valuations

We strongly feel one should take a long 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

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