

1<sup>st</sup> August 2023

Dear Investor,

### **Greetings from KRIS Portfolio.**

Indian markets continued to rally in July 2023 and made an all time high. The Nifty benchmark ended at 19754 an All Time High and 3% higher than the previous month. The nifty netted a rally of 14% during the last 4 months. FPI and domestic funds continued to be aggressive net buyers during the last 4 months with 77k and 40k crores rupees.

In the current note we will understand and discuss, why India is in spotlight globally and how we have managed to be robust in economic parameters vis-vis developed economies and why markets touching all time high and if it can sustain its levels. Equity investing can only do well if our nation itself is becoming more progressive. We tend to forget the what is happening in India on the lives of more than a billion people. The most important factor has been the leadership at the centre with focus to develop the country by stimulating the various facets of economy, allocating resources where required and providing necessary incentives to industries.

India's recent economic growth has been well appreciated by the whole world for its resilience amid global chaos. So, the question is, what helped India to defy the odds and become the bright spot in a dull global economy?

### **Connecting India**

The government's push for better infrastructure is fuelling India's economic growth and competitiveness.

- The latest budget 2023, the government has allocated roughly 12 per cent of its total spending to transport against 4% decade ago. The total road network grew 21 per cent over FY13-23, the highway network grew 83 per cent over the same period, and nearly 66,000 km of highways were added.
- Similarly, the number of domestic air passengers has more than doubled over the 2013-23. The number of airports has doubled too.
- The launch of PM GatiShakti (2021) and National Logistics Policy (2022) should improve connectivity and lower the logistics costs.
- GST truly was a game-changer. It brought a uniform tax structure, reduced compliance, made logistics more efficient and eliminated the cascading effects of tax on the supply chain.

## **The digital revolution**

India began setting a solid foundation for more digital economy over a decade ago with the launch of its national identification program, (Aadhaar). This yielded many social benefits and has been instrumental in advancing digital financial inclusion.

Govt. introduced Unified Payments Interface (UPI) in 2016, a payment system that enabled anyone with a mobile phone, bank account and UPI ID to transfer money to and from an individual or merchant with a mobile phone, bank account and UPI ID. UPI has taken off like a rocket. In FY23, more than 8,300 crore transactions were done using UPI, worth around `140lakh crore. This is equivalent to around 57% of India's nominal GDP in FY23. It has successfully brought a vast informal economy into the formal fold.

## **The manufacturing growth drivers**

India's manufacturing sector had an average GDP share of only 18 per cent in the last 10 years. Since the pandemic, the government has tried to spur manufacturing sectors like the "Make in India" initiative and production-linked incentive schemes. Global players want to reduce their dependence on China. India's low labour costs, improving infrastructure, and digital transformation will help it become a global manufacturing hub.

## **A new green revolution**

The government has announced that it plans to make India net carbon zero by 2070. And non-fossil fuels already account for more than 40 per cent of its installed capacity of electricity generation. In fact, it has over achieved its commitment made at the COP-21 Paris Summit. It is estimated that by 2030, India is expected to add over 340Gigawatts of renewable energy capacity comprising over 60% of the total capacity. This will lead to job creation in the renewable sector and decrease India's dependence on imports.

To summarise robust infrastructure and the digital revolution have broken some age-old shackles that have held India back for years. They have already helped formalise the economy to a great extent, boosted job creation and will continue to buoy India's growth in the coming years. The Indian economy has three structural tailwinds - robust private consumption, mighty services sector and a young population. Together, these three factors can play a huge role in driving India forward. So, in short, we must be saying that this is going to be India's decade, right?

## **Valuation**

India's long term structural story remains strong. We have been reiterating to investors to remain invested through this current volatility and consider this good opportunity to top-up. There can be no better place to invest than INDIA. Wishing you the best from KRIIS team and stay safe.

**Thanks with Regards,**

**CA Rakesh Doshi**

**Principal Officer & Fund Manager**

**KRIIS – The Portfolio Management Company**