

1st January 2024

Dear Investor,

Greetings! Jai Shri Ram

Hope you have had a great start to 2024. The first month is flying by and many of us might be re-evaluating the new-year resolutions we set just a few weeks ago. The journey of self-improvement is a road filled with twists, turns, and the occasional detour. Just like we navigate the market volatility stay resilient in life and your investments.

Indian equities continued to be steady, with Nifty benchmark index closing flat after touching a high of 22124. The markets remained buoyant during the first half and became volatile during later part of the month, mainly due to profit booking and selling by FPIs. The build up to the recent declines had several multiple reasons like the General elections scheduled in April 2024, the Red sea attacks and the consequent logistical costs and likely energy prices increases with a possibility that anticipated interest rate reductions by various central banks may be postponed. All this fear led to the unwinding of FPIs positions.

Ramrajya encompasses both dharma and economic prosperity.

The most important event in the history of Bharat has been the construction and the opening of Ram temple in Ayodhya on 22nd January, which will be memorable day for every Indians, after numerous sacrifices and legal battle. Unapologetically forward-looking and embracing of modernity, the PM's speech was a call for building an India that was technologically advanced and yet rooted in its ancient founding wisdom. The popular misconception about the Ram Janma-bhoomi movement has been that it is a mob that was only looking to take India back in time. A strong and prosperous Indian state is as much an objective of every Indian citizen as the temple. There cannot be a Ram-Rajya, if we cannot show significant improvements in our economic and social indicators in the next 10 years. The pursuit of Ram Rajya encompasses both Dharma and economic prosperity. As PM said that from Dev to Desh, from Raj to Rashtra - our work has only begun. We have just laid the foundation for a Bharat of a thousand years later. That's why we obsess over how India could build state-of-the-art semiconductor chips, make high-speed rail lines, make in India, build ever longer bridges, help businesses flourish, go to the moon, and pull out millions of our fellow countrymen from poverty. This is important, that only when the Nation prospers Individual Wealth gets created exponentially.

Outlook

Domestically, robust activity indicators, fuelled by capex and discretionary consumption, alongside strong corporate profits from lower input costs, contribute to the positive outlook. Looking ahead, sentiment seems buoyant with India's relatively stronger macros, potential higher foreign inflows, and a narrative of policy continuity in the upcoming general elections. Ongoing geopolitical challenges may impact the growth trajectory, and tepid rural demand persists domestically.

India is entering a phase of multi-year capex cycle. Strong fundamentals such as healthy balance sheets for corporate and banking system, moderating inflation, stable external account, policy reforms to boost infrastructure and manufacturing are key factors supporting a robust and resilient GDP growth. In addition, a cumulation of multiple factors like demographic advantage, rising disposable income, political stability, focus on infrastructure development has greatly shaped consumer sentiments to boost consumption thereby favoring premiumization and high value, long term purchases (housing).

Growth is expected to be driven by

(a) domestic consumption, premiumization of consumption

(b) infrastructure and capital investment. Capex boost would be led by continued momentum in Government spending, uptrend seen in private sector capex and household capex growth.

(c) Green transition – opportunities to emerge as the economy moves towards net zero target of 2070. New opportunities are emerging in Gen-AI, new energy businesses, digital space which needs to be tapped.

Valuation and Growth -stock specific.

The country is currently experiencing high growth among major developed and emerging economies. Hence, despite fair valuations, the above factors augur well with potential for further upside. We anticipate continued optimism in the market and maintain a positive outlook. The new private and public capex and improving utilization should provide good operating leverage across sectors and keep equities strong. We try to capture companies with reasonable valuation with potential high growth to get the alpha. Happy investing! Jai Siya Ram!

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

KRIIS – The Portfolio Management Company