

1st August, 2024

Dear Investor,

I hope this message find you in good health and spirits. The Indian stock market continued its upward journey with Nifty closing at an ATH of 25000 in July 2024 after the initial volatility post the budget presentation. The volatility mainly due to the unexpected rationalisation of capital gains tax and withdrawal of Indexation on properties.

The Modi government's first Budget of its third term was tough on the markets, strong on jobs and high on political priorities. It was also the first public indication of a political shift by the Modi government in its third avatar and a structured response to the messages inherent in the poll results. Let me put the Gist of the budget 2024-25 in macro parlance. Fiscal consolidation will boost private capex revival which is most positive. The fiscal deficit is targeted to be brought down to 4.9% from the earlier estimate of 5.1 %. Lower fiscal deficit would mean lower inflation and lower interest rate positive for private investments.

Standing firm on fiscal consolidation, other features that would stand out for positive acclaim for this budget on a long-term basis are the following:

- First, is the government's admission that employment generation is a top priority and announcing direct measures to try and **generate more jobs**. The three schemes announced in the budget will incentivize the industries to employ more.
- The second positive is on raising productivity in the agriculture sector using agriculture research establishment. The game changer is targeting an expansion of natural farming package to one crore farmers over the next two years.
- The third commendable feature of the budget is its focus on 'creative redevelopment of cities.' The budget recognizes that it will be cities, with their dynamism and talent pools, which will drive employment generation and economic growth. The targeting of 14 cities with populations larger than 30lakhs for transit-oriented development; urging the states to reduce stamp duties specially for women house owners; building ten million houses for the urban poor, taking the PPP route to build dormitory style housing for industrial workers are all solid initiatives to give the cities their due in driving employment and growth.
- Finally, the measures for ensuring energy security while accelerating the transition to 'green energy' are commendable. Promotion of pump storage for utilizing the seasonally variable power from solar and wind sources is a long awaited move. The encouragement for roof top solar energy with the provision of 300 units of free energy will also help the country minimize its carbon footprint as it increases its energy production by 2-3x in the coming decades.



India growth story is playing out in some of the new age themes like digitalisation which includes fin-tech, food tech, EV automobiles, EMS, social media, logistics, among others. Some of these are born from India's strong start-up ecosystem where India ranks 3rd globally in terms of number of unicorns produced. Many of the companies in these sectors have subsequently listed. An analysis of the total listings that have happened in the past 3 years shows that about 83% of listings were in the small cap space, 14% in the mid cap space and only 3% in the large cap space.

Valuations

Given the sustained strong growth in economy, good macro outlook, fiscal consolidation, and continuity of policy making in the budget we continue to think that valuations should sustain. Mid and small caps are the key beneficiaries of the new policy direction and are experiencing better growth in earnings. Identifying and investing in good quality businesses at reasonable valuation with long-term philosophy are the core of our approach to investments.

Thank you. Happy Investing

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

KRIIS – The Portfolio Management Company