



2nd December, 2024

Dear Investor,

The Month of November was a volatile month for the markets with wide fluctuations and the markets correcting nearly 12% from the top before bouncing back somewhat. Finally for the month the markets stabilised at 24500 levels. The key event of the month was obviously the US Presidential elections, where the win of Donald Trump activated rally in the US Markets as well as Crypto currencies. The Indian Markets underperformed developed market economies as well as most Emerging Markets driven by slowing growth and continuous foreign investor selling.

Economic Slowdown should be behind now

The GDP growth also slipped to 6.4% and consumer inflation rose to 6% in September. We have seen growth slowdown as a result of two factors, firstly the general elections and 2 state assembly elections that pushed back lot of economic activity and which was followed by a severe heat wave and then an extended monsoon where the monsoons stayed well into October. This combined with high food inflation kept both the consumption and investment cycle muted for the first two quarters. The festival season demand as per most companies has been strong and could mark the start of an improvement in the economic cycle. The second H2 has started decently with improved automobile sales and better rural demand. While the Rabi crops were good the Kharif is expected to better and ease the food inflation. The RBI may consider rate reduction in the coming policy meeting with tepid growth.

Maharashtra Elections results give big boost

The staggering victory of the ruling NDA alliance in Maharashtra should bring the undercurrents back in the markets. For Maharashtra, the last five years were characterized by political instability in the state. This decisive verdict ends the instability in one of India's most industrialized and economically important states. Moreover, the BJP's strong performance (won 132 seats; majority mark 145) will ensure stability in the governance and bring renewed focus on infra development. With elections now behind and the BJP getting a strong boost from Haryana and Maharashtra elections, we expect the government to now focus on spending (1HFY25 govt. spending is flat YoY and is down 17% for Capex spending). This poll result, coupled with a recovery in rural spending (on the back of good monsoon and expected strong Kharif output) should improve the demand narrative. We also expect modest recovery in corporate earnings in 2HFY25E.

India's Growth story remains bright

Overall we believe that opportunities remain strong and the year 2025 will be good for Indian Equities overall. Moderating inflation, lower inflation, an improved consumption and investment cycle all will be contributors. Post the current correction strong opportunities are presenting for investing which we should seek to capture. Consumption, rising urbanization and higher demand for financial services are some themes which are expected to benefit due to India's demographics. Millennials prefer to invest in financial assets rather than physical assets. Over 50% of new investors in mutual funds are millennials. Financialisation of savings is reflected in the rising SIP inflows into mutual funds. Domestic manufacturing across a wide range of sectors is expected to benefit India's GDP. India's digital infrastructure is expected to provide growth opportunities to financial services and e-commerce.

Valuations

Although the market is currently experiencing a tactical breather – evidenced by a ~12% dip in the Nifty index from its all-time high – we remain optimistic that the Indian equities will deliver a healthy long-term compounding given the strength of corporate India's balance sheet and prospects of secular profitable growth. Given the sustained strong growth in economy with some hiccups, good macro outlook, fiscal consolidation, and continuity of policy making we continue to think that valuations should sustain. Identifying and investing in good quality businesses at reasonable valuation with long-term philosophy are the core of our approach which we continue to do with discipline.

Thank you.

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

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