

1st January, 2025

Dear Investor,

First let me Wish You and Your Family a very Happy, Prosperous and Healthy 2025!!!

The Month of December 2024 remained volatile month for the markets with fluctuations correcting nearly 2% for the month. The key event of the month was the fed hawkish comment after rate cut, the rising bond prices and RBI cutting the GDP for 2024-25. The Indian Markets fell in line with the global markets and continuous foreign investor selling.

Solid internal macro with uncertain externals

After a rewarding 2024, when global growth, corporate earnings and financial markets were resilient in spite of several geopolitical upheavals, elections and even climatic conditions, challenges and uncertainties loom ahead in 2025. The Reserve Bank of India's (RBI) Financial Stability Report (FSR) (December 2024), recently released, gives cues on global economic growth with detailed analysis and outlook forecasts on India's macro-economic stability, financial sector and corporate earnings. The underlying message from the bank is that the Indian economy is displaying steady growth against an uncertain global backdrop. Globally, growth is steady with the battle against inflation (the topmost concern across economies) winding down without the risk of a major recession. But what one needs to watch out for is the risk from escalating geopolitical tensions, uncertainty about trade and industrial policies in the aftermath of major global elections, and potential tightening of financial conditions. FSR's reference to India's resilient financial system, underpinned by strong macroeconomic fundamentals and healthy balance sheets of banks and non-banks, is particularly comforting at a time when the global developed economies are seeing rising indebtedness.

Cushioning economy with liquidity.

With growth slowing down but inflation remaining high, the 50 basis point cut in the cash reserve ratio (CRR), freeing Rs 160K crores up liquidity for banks, was perhaps the only safe option for RBI. The liquidity enhancement measure, as well as the move to attract more NRI deposits, is aimed at fortifying the economy from the huge uncertainties ahead, what with Donald Trump taking office as US president in January, the political turmoil in France and Germany, the extension of the Middle East war to Syria, and the escalation of America's economic war on China. Nor is it just geopolitics---Trump and his team's pro-growth agenda has sent investors rushing into the US markets from emerging markets.



We believe that most of our companies continue to deliver growth despite the various short term challenges in the economy. Consumption, rising urbanization and higher demand for financial services are some themes which are expected to benefit due to India's demographics. 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 ~14% 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 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

KRIIS – The Portfolio Management Company