

3<sup>rd</sup> April, 2025

Dear Investor,

The equity market continued to drift down in March 2025 with fiscal year end considerations, planned imposition of tariff and reciprocal tariff on April 2nd by USA, the resultant inflation fears, delay in the rate cut by Fed and FII selling. The bench mark nifty closed higher at 23519 up 6% during the month. The tide seems to be turning finally with foreign investors. After two months of outflows, FIIs have turned into net buyers in March with their Provisional figures indicating that their net monthly buying so far exceeds Rs 8,083 crore. The renewed interest is driven mainly by expectations of rate cuts by RBI and more attractive valuations.

#### **Trump's reciprocal tariff could be less disruptive for India....**

Today marks a pivotal day for global markets, as it is the day when US President Donald Trump will implement reciprocal tariffs. India being a domestic oriented economy, has relatively low exposure to US tariff hikes compared to several other countries. India's gross exports to the US constitute only about 2 percent of its GDP, making it one of the lowest among emerging market peers. While India may not be at the forefront of this trade conflict, it will certainly feel the repercussions. India has begun taking proactive measures in response to this looming tariff threat. The country has already lowered tariffs on certain items of US importance. Additionally, India is committed to increasing defence purchases from the US and exploring oil imports to mitigate potential economic fallout. S&P Global Ratings suggests India's robust economy and limited exposure to US markets could shield it from severe consequences. India however can neutralise majorly with discussing and signing the Free Trade Agreements (FTA) with UK and European Union thereby could offer compensatory market access opportunities. India is also in negotiation with the US administration for BTA Business Trade Agreement which can be signed in the next 6 months.

#### **Imposition of US tariff could also trigger to reform**

In the long run and more generally, both Indian industry and policy makers should view this as an opportunity to further improve the global competitiveness of our merchandise through improvements in factor productivity, cost cutting and scaling up. Like all reforms are undertaken during crisis this is the one which should help India to relook inwards to focus on ease of business, reduction in transaction and compliance costs at the border, expediting the disbursement of export incentives and drawbacks, encouraging advanced production technology etc.

#### **A signal to the MPC**

One could argue that the current situation forces a re-evaluation of monetary policy. The current March 2025, PMI index jumped to 58.1 from 56.3 in February 2025, its highest in eight months period mainly due to domestic demand offering a ray of optimism. However the uncertainty introduced by the US tariffs casts a shadow over the future outlook. There are every possibilities of the repo rate cut by RBI to growth slowdown with inflation aligning with target.



**India undoubtedly offers growth opportunities medium/ long term.**

India's foreign policy has to be appreciated being the only country with cordial and friendly relations with the world without taking any sides with purely domestic focus. We have a strong relationship with the US and Business Trade Agreement (BTA) in the near term is a reality. While the Indian Government is working hard to counter the tariff decision by possibly reducing duty on certain goods imported from America. Another factor which could be positive is the evolving defense strategies and expenses by Europe to protect itself. This could provide a massive opportunity for India's Defence exports, Also all out efforts of US to bring peace in Ukraine and Mideast is highly favourable for India especially low oil prices.

**Future Outlook**

Despite global economic uncertainty, India's growth trajectory remains resilient though with hiccups due to domestic elections and priorities. India's growth story remains intact, supported by improvement in rural consumption, infrastructure spending. Policy and political stability continue to provide confidence, reinforcing a favourable economic environment. The recent budget targeted tax relief, aiming to address the cyclical slowdown in urban consumption, thereby supporting overall economic growth. Long-term growth drivers such as increasing affluence, low penetration, and strong demographics continue to provide structural tailwinds.

**Valuations**

We believe that Wealth is created in the long term. With valuations getting to reasonable levels, Investors should take a long-term perspective. Those with ability to tolerate short-term volatility may benefit from maintaining a disciplined and systematic approach to investing.

**Thanks with Regards,**

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**Principal Officer & Fund Manager**

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