

2nd June, 2025

Dear Investor,

Market sentiment in May 2025 improved substantially positive, post the operation Sindoor/ceasefire with the benchmark index rebounding, closing at 24750 up 2% over last month. This was boosted by the improved 4Q earnings and the continued domestic and FPI buying. The Nifty after rebounded in April second half, never looked back due to the strong rupee against the dollar, lower Indian 10-year government bond yields and anticipated cut in the rates. The Indian market has survived the global chaos and doing all the right things.

GDP growth rebounds strongly

In good news for the economy, India's GDP has grown at the fastest pace in four quarters to hit 7.4% in Q4. This was impressive growth rate which adds up to 6.5% for the year - is in line with government expectations and bolsters India's position as a global growth engine. With the central bank expected to ease monetary policy further, the economy is poised to outperform despite escalating trade tensions. There were lot of perceived growth fears from tariffs lower government capex, lower consumption etc. Seen from that perspective, India's Q4 growth has been very resilient. In fact, gross fixed capital formation (GFCF) has moved up sharply in the fourth quarter. Year-on-year GFCF growth in the March quarter has been 9.4 percent, the highest since the second quarter of FY24. The contribution of GFCF growth to GDP growth in Q4 has been 42 percent, almost the same as the contribution of private consumption expenditure. Most of the increase in capex is very likely on account of the central and state governments stepping up spending after a pause on account of the elections. But the biggest contributor to growth in Q4 has been the external sector. The contribution of Exports less Imports (X-M) was 50 percent. The primary driver of this growth has been the lower value of imports, a consequence of the fall in commodity, especially oil prices.

Early and better than normal monsoon predicted

Good monsoon is essential for the agriculture sector assisting better crop production and thereby improved rural demand. This would be favourable for food inflation and the interest rate decline. Rains during July/August are mostly watched including better distribution of rainfall. Rural economy also in a way drives the consumption and sectors indirectly.

4QFY25 corporate earnings concluded on a strong note.

A surprise surge in most companies performance with better than expected in the large and mid cap companies. This numbers see much better than the first 3 quarters which slowed down due to election events. This is back of the tariff impact on many sectors especially in the external sectors. Among the companies most delivered better than expected results and many inline. The quality of results was notable, with widespread distribution of strong growth and resilience across several Mid-cap sectors – in several cases better than the large-cap counterparts.

**Future Outlook**

Despite global economic episodes, 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 reiterate and believe that Wealth is created in the long term more so in the next decade. With valuations getting to reasonable levels, Investors should take a long-term perspective. With rupee getting stronger, benign inflation outlook and with massive sizable manufacturing opportunity there should be no looking back for India and we become attractive destination for the world now already becoming the third largest economy.

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

KRIIS – The Portfolio Management Company