KRIIS
PORTFOLIO PRIVATE LIMITED

01st September, 2025

Dear Investor,

Market sentiment got worse in August 2025 with the imposition of additional tariff of 25% by US over and above the 25% reciprocal tariffs taking a total duty of 50%, as a penalty for India's procurement of Russian crude. The benchmark nifty was 1% down at 24500 against 24768 last month. The only positive thing is the lower oil prices which would help the growth. However India unlike the other Asian economies is more domestic oriented and depends less on exports which is a cushion.

India's goods exports to the US economy account for only 2-3% of India's GDP and again 65% of which are outside the tariffs like software and pharmaceuticals. "If the 50% US tariffs persist, a modest downward revision of 50–60 basis points cannot be ruled out. Some loss in exports to the US could be offset by redirecting exports to other nations. How ever the economic loss is not much, but there would be short term job losses issues in certain sector like gems , jewelleries, textiles which are labour intensive. Government is seriously working a package to reduce the pain and unemployment in the affected sectors.

India on a solid base.
India's GDP growth accelerated to a robust five-quarter high 7.8 % in Q1 FY2026 from 7.4 percent in Q4 FY2025, contrary to the expectations of a sequential slowdown as signalled by high frequency indicators. The 7.6 percent growth in GVA was boosted by a sharper than anticipated expansion in manufacturing and the services sector, even as agriculture and mining & quarrying underperformed our forecasts. Also S&P Global Ratings had recently upgraded India's rating after a near two-decade hiatus to BBB, projecting a 6.5 % growth for the economy in FY26 and 6.8 % over the next three years.

More Reforms in the offing.
India is actively pursuing a diversified trade strategy to sustain its resilient trade performance, the ministry said. This includes the recently concluded FTA with the UK and EFTA and ongoing FTA negotiations with the US, EU, New Zealand, Chile, and Peru. "But, these initiatives will take time to show results and may not fully address the shortfall in exports to the United States that may arise if the current tariff rates on India persist.

Government has taken several initiatives to boost economic growth amidst the challenging global landscape, the creation of a Task Force for next-generation reforms aims at further simplifying regulations, lowering compliance costs, and fostering a more enabling environment for start-ups, MSMEs, and entrepreneurs.

Second, the planned rollout of the GST reforms in the coming months, with an emphasis on reducing the tax burden on essential items, is expected to provide direct relief to households and boost consumption demand, it said. "Complementing these measures, the rating upgrade (by S&P Global) is anticipated to reduce the borrowing costs, attract greater foreign capital inflows, widen the access to global capital markets, boost disposable income, reduce inflationary pressures, cut input costs for businesses, and support growth."

Focus on domestic internals

India is largely a domestic driven economy and with great aspirations and population with large markets. While definitely we want to take this forward to produce for the world which would help India to the next level of growth and prosperity which is was we are aiming. While the tariff issue is a major short-term concern, equity markets tend to be forward-looking and may gradually shift focus toward domestic fundamentals and broader global trends. Tariff-related headlines will remain important, but market participants are likely to weigh them alongside key variables such as:

- Rural demand dynamics amid strong monsoons
- Trade policies to offset the US trade, along with low inflation

Additionally, the onset of the festive season good monsoon should support consumption demand, especially in rural sectors. As a broad-based and durable consumption recovery is increasingly critical for a revival in the private capex cycle.

Future Outlook

Indian equity market should be resilient going forward and to digest all negative news. The Q1 earnings has been better than expected while the markets have corrected reasonably well 4-5 % recently. The market correction due to tariffs which should get sorted over 6 months should be used to add. This is on the back of strong economy and being made more stronger with the reforms.

Outlook and Valuations

We feel one should take a longer term perspective, post the healthy correction. With massive sizable manufacturing opportunity and digital and AI world India offers attractive investment destination. We firmly believe that India will overcome in this crisis as well and come out stronger.

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

KRIIS – The Portfolio Management Company