1st January, 2026

Dear Investor,

Wish You and Your Dear-ones Very Happy New Year. On the market, Nifty benchmark remained steady sideways despite several domestic news but concerned on the geo-politics developments. However the strong macro performance with GDP growing at 8.2% and RBI interest rate cut provided the stability.

A Year of Reforms:
2025 will be remembered as a year for India when it focused on reforms as a continuous national mission with efforts on simplified governance, and strengthened the foundations for long-term.

- Sweeping changes in the Goods and Services Tax (GST), including the introduction of a clean two-slab structure of 5 per cent and 18 per cent.
- The reform eased the burden on households, MSMEs, farmers and labour-intensive sectors, reduced disputes and improved compliance, while boosting consumer sentiment and festive season sales.
- Relief for middle class Individuals earning up to Rs 12 lakh annually now pay no income tax, while the six-decade-old Income-tax Act of 1961 has been replaced by the simplified and technology-driven Income Tax Act, 2025.
- Reforms aimed at businesses included expanding the definition of small companies to those with turnovers up to Rs 100 crore, reducing compliance costs for thousands of firms.
- In a major step towards liberalisation, 100 per cent foreign direct investment was permitted in the insurance sector to enhance competition, improve service delivery and increase insurance penetration.
- Securities Market Code Bill has been introduced in Parliament. It will enhance governance norms in SEBI, also enhance investor protection, reduce compliance burden and enable a technology-driven securities market for a Viksit Bharat.
- Landmark legislations measures replaced colonial-era laws dating back to 1908 and aim to simplify documentation, ease dispute resolution and lower logistics costs.
- Another major thrust was on decriminalisation and ease of doing business. Hundreds of outdated laws were scrapped, with 71 Acts repealed through the Repealing and Amendment Bill, 2025.
- Several Quality Control Orders were revoked or suspended across sectors, a move expected to lower production costs, boost exports and reduce prices for consumers.
- "A total of 22 QCOs were revoked across synthetic fibres, yarns, plastics, polymers, and base metals, while 53 QCOs were suspended in various steel, engineered, electrical, alloy, and consumer end product categories, covering a broad spectrum of industrial and consumer materials.
- Labour reforms that merged 29 fragmented laws into four labour codes, ensuring worker protection while enhancing business efficiency. These reforms promote fair wages, social security, safer workplaces and greater participation of women and unorganised workers in the formal economy.

- On the global front, India has expanded and diversified markets for its products through trade deals with New Zealand, Oman and the UK, and operationalised a free trade agreement with the European Free Trade Association, marking India's first FTA with developed European economies.
- Reforms in rural employment through the Viksit Bharat-Gram Rozgar Guarantee framework, which raises guaranteed employment from 100 to 125 days, and education reforms proposing a single unified higher education regulator to replace multiple overlapping bodies.

Recent developments in the defense sector:
India's Defense Acquisition Council (DAC) approved capital acquisition proposals worth INR790b in its winter session, taking FY26YTD approvals to ~INR3.3t, nearly double the capital outlay on defense of INR1.8t. Almost half of these approvals were announced in 3QFY26, with proposals worth INR1.6t announced in Oct'25 and Dec'25 combined. This provides order inflow visibility for the next 2-4 years, as conversion of AoNs (Acceptance of Necessity) takes time to convert into firm orders. The DAC has also extended the current emergency procurement window for the Armed Forces until mid-Jan'26, allowing them to continue fast-track purchases of critical weapons, platforms, and equipment to meet urgent operational needs.

Semiconductor and AI future drivers:
India's semiconductor push is moving beyond announcements and capital commitments, as global customers start to sign up for local manufacturing and assembly. While the momentum so far has been policy-led, customers coming on board shows that India is increasingly viewed as a workable link supply chains. It also signals a fundamental shift – that the country is moving from basic assembly to high value silicon production. American chip giant Intel tied up with Tata Electronics to explore manufacturing and assembling its products in India. Japanese semiconductor and electronics manufacturer Rohm is partnering with Tatas for semiconductor manufacturing in India besides exploratory conversation of Iphone manufacturer Apple with CG Power.

On the AI front big tech companies are doubling down on investing billions in India, drawn by its abundance of resources for building data centers, a large talent and digital user pool, and market opportunity. Microsoft and Amazon pledged more than $50 billion toward India's cloud and AI infrastructure. While India trails the U.S. and China in the race to develop a native AI foundational model, and lacks a large domestic AI infrastructure company, it wants to leverage its expertise in the information technology sector to create and deploy AI applications at enterprise level, also offering Big Tech companies a huge opportunity.

Outlook and Valuations:
We strongly 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 emerge stronger going forward.

Thanks with Regards,

CA Rakesh Doshi

Principal Officer & Fund Manager

KRIIS – The Portfolio Management Company