

3rd July, 2026

Dear Investor,

The broader market exhibited cheerful tendency post the May 2026 cease fire declaration by US /Iran. The benchmark remained stable and marginally up 1% with Nifty closing at 23867, close to the resistance levels of 24000. While the crude prices came off to less than \$80 /barrel and RBI announced the foreign liquidity policy which was taken very positively to control the exchange rate as well as liquidity. However delayed monsoon and muted earnings expectations for Q1 2027 was in a way lingering in the investors mind.

### **Exciting India outlook going forward!!!**

Last one year, India faced a real and unique challenging times. Bullying by the US, never-like-before selling by Foreign Investors, faced a real threat to India's service economy due to emergence of Artificial Intelligence, pandemic like threat to India's supply chain during Iran war, and lastly the falling value of Indian Rupee.

As we see the situation today, many of the above factors have started improving – some due to India's internal efforts, some due to external factors, and some due to natural exhaustion. **Whatever the reason, we can now say that the worst for India is over.**

- domestic flow has been good while the FPI selling/outflow has reduced recently post the Iran war cease fire.
- Interest rate, inflation and government finances were affected in the shortterm
- Currency, oil and gas prices, trump tariffs, war effects have moderated recently.

### **RBI's Brilliance comes to play.**

RBI 's proactive foreign currency liquidity management has created positive confluence for monetary policy flexibility and domestic growth. On June 5, the Centre exempted FPIs on interest income and capital gains on government securities. The Reserve Bank of India extended support for hedging costs on FCNR(B) deposits to encourage banks to mobilise more foreign currency deposits along with concessional forex swap window at predictable hedging costs. Nearly \$ 60-70 bn is expected to flow i.e resulting in \$ 5-6 trillion available for credit lending. As at May-end 2026, credit growth of all the scheduled banks at 17.44 per cent outpaced deposit growth of 12.14 per cent by 530 basis points. This attracted foreign capital and thereby reduced forex stress and would stabilise INR and curb FPI selling. Secondly it provided flow of money into banking system and thereby expected better credit offtake and lower interest.

### **Government's Art of Macro Management worked well!**

Now with the benefit of hindsight, one can say that Indian government managed the wartime situation prudently. For example, taking the majority hit of high oil & gas prices on the national balance-sheet rather than passing it all to citizens & corporates. This has ensured no big disruptions in the positive economic cycle. Another point to note is that whenever the currency depreciates, it is the banking system and common man who pays the price (via inflation & higher interest rates). However, this time around, the

government has directed RBI to bear the hedging cost on the upcoming FCNR deposit scheme, ensuring stabilization of the rupee in a non-disruptive manner.

Another factor that has turned positive for India is the stance of FPIs. From being heavy sellers until May'26, they have started turning net-buyers in the month of June. Their positions are light, valuations are attractive, rupee is stabilizing, and government is promising more reforms. While the foreign investors may not rush to buy India, we can breathe a bit easy that the most intense phase of selling in India's capital market history has come to an end.

### **Where are the opportunities?**

With already improving macro set-up, Indian markets seem to be setting up for a broad-based rally. Of course, one must be cognizant of the fact that the "new & fast-growing" part of India is better represented by the mid & small caps rather than large-caps. 70% of Indian stocks with market capitalisations below Rs 10,000 crore have delivered positive returns since April 2026. More than half have gained more than 25%, even as the Nifty and Sensex have risen only about 4% over the same period. Below are some areas of long-term opportunity:

**Manufacturing exports:** While "Make-in-India for the world" isn't a new theme, the recent events like signing of Free Trade Agreements with several nations; a weaker rupee in comparison to US\$ & Chinese Yuan; and rebuilding of middle-east post the war makes this theme even more attractive. Precision engineering companies operating in sectors like auto ancillary, forging, casting, stamping, machining, wire drawing, metal tube making, pump & compressor manufacturing offer multiyear growth runway.

**Domestic consumption:** Sectors like Banks, NBFCs, Autos, Cement, Travel & Tourism slowed down due to the macro shock of past few months. The fundamentals of most of these sectors are intact and they could re-bounce post monsoons.

**AI infrastructure:** While the eventual winners of this AI race are still not clear, it is clear that Indian software & services companies are the losers. Another aspect where clarity is emerging is that huge capital is being committed towards building the infra needed for AI (data-centres). This is an area where opportunities are available in Indian markets as well – companies making optical fibre cables, transformers, power generators, etc and some of them are still available at reasonable value.



**Outlook and Valuations:**

Someone very eloquently put this brutal truth “stock market is a machine that transfers wealth from the impatient to the patient!” We strongly feel that in the longer-term perspective looks good in equities, post the healthy correction and with valuation becoming reasonable. We said in our last note most countries involved cannot afford for war for long. India’s resilience to overcome external shocks, its diplomatic policies, monetary and fiscal policies should take it to new economic highs.

We at KRIIS have always been at our best to choose the right stocks using a solid filtration process to identify Wealth Creating Stocks for our investors. It is common said usually there is lull before the storm we hope that waiting can anytime get over soon.

**Thanks with Regards,**

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