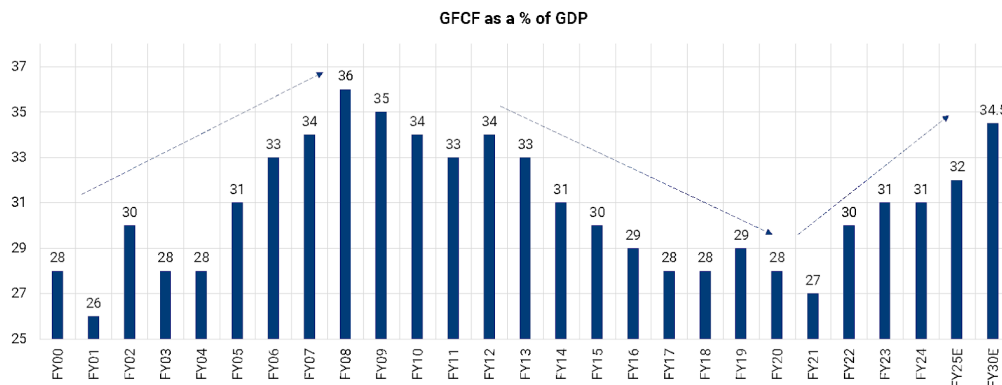




Indian Economy

- High frequency indicators point towards improvement in economic activities in April. Composite PMI touched 8-Month high In April. This signals robust expansion In both Manufacturing And Services.
- GST revenue hits record high of ₹2.37 lakh crore in April, up 12.6% Y-o-Y . But industrial output growth slipped to 4-year low of 4% In FY25.
- India's Capex cycle is now clearly in an upswing. More room to grow before reaching peak of '08.



- Government capital expenditure has returned and real estate sector continues to gain momentum.
- Rural economy is now showing signs of improvement. Real rural wage growth turning positive after 3 yrs.
- Monsoon is expected to be above normal. Crop output is expected to be higher. Inflation is at a 5 year low. Giving scope to RBI to cut rates further.
- There is pick up in discretionary spending as the benefits of income tax cuts start flowing through economy.
- Oil prices (Brent) have fallen below \$ 65 per barrel, a huge positive for India. In FY'25, our average oil price was \$79. With lower prices, India could save up to Rs 2.26 lakh crore annually.
- Global slowdown is likely to impact India. World Bank has cut India's growth forecast to 6.3% for FY26.

Global Economy

- US & China have agreed to substantially lower their respective trade tariffs for 90 days.
- Globally growth forecasts are falling and inflation forecasts rising amid tariff pressures.
- Ratio of MSCI Emerging Market Index to S&P 500 is at its lowest level, indicating reversal.



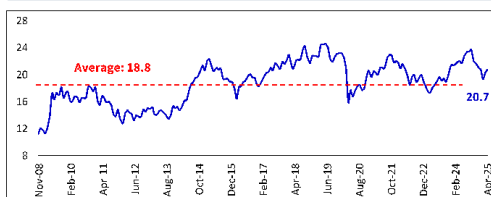
Indications are that capital will move out of US and toward EM

- Global economic uncertainty is close to its Covid-era peak.
- Uncertainty around tariffs and concerns around global growth led to significant correction in commodity prices.

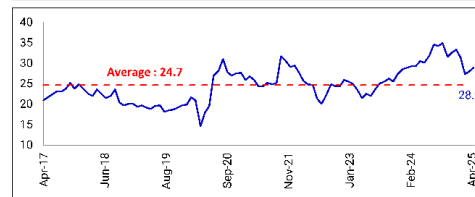
Outlook

- India's growth momentum improved sequentially in April'25. Even with a reduction in projected GDP growth to 6.3%, India will still be better than global peers.
- Urban consumption is likely to get a boost from income tax cuts. Rural consumption too is likely to remain steady on back of bumper rabi harvest.
- Monsoon expected to be higher than long term average. This will translate to higher agricultural output, thus lower inflation. This will allow RBI to reduce interest rates further.
- RBI is in accommodative stance, government policies are supportive of business, both Services & manufacturing in expansion phase, infrastructure push continues, inflation is tolerable and oil prices are below \$65. All this together supports India's growth of 6% plus and makes India an attractive investment destination.
- Equity valuations are slightly stretched. Large caps are near to long term averages, but mid & small cap are at higher premium.

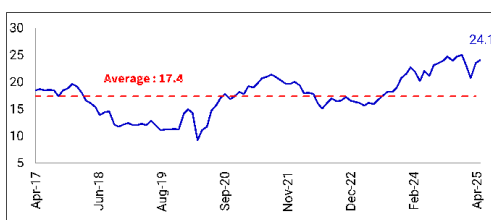
NIFTY 50 Index P/E (x) - 1 Year Forward



NIFTY Midcap 150 Index P/E (x) - 1 Year Forward



NIFTY Smallcap 250 Index P/E (x) - 1 Year Forward



Valuation

Largecap	10% Premium to historical average
Midcap	17% premium to historical average
Smallcap	28% premium to historical average

- **Debt:** RBI has been taking steps to infuse liquidity. It has projected that inflation will remain below 4% and thus there is expectation of further rate cuts. Debt yields are likely to remain rangebound with downward bias. Bond funds with medium duration (up to 5 yrs) can be considered. With longer investment horizon & higher risk appetite, one can consider longer duration funds.

- Medium term outlook for India remains positive - Robust domestic growth outlook, healthy corporate profitability, strong macroeconomic fundamentals and supportive pro-growth policies. Near term risks include tariffs, slowdown in global growth or irregular monsoon.

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