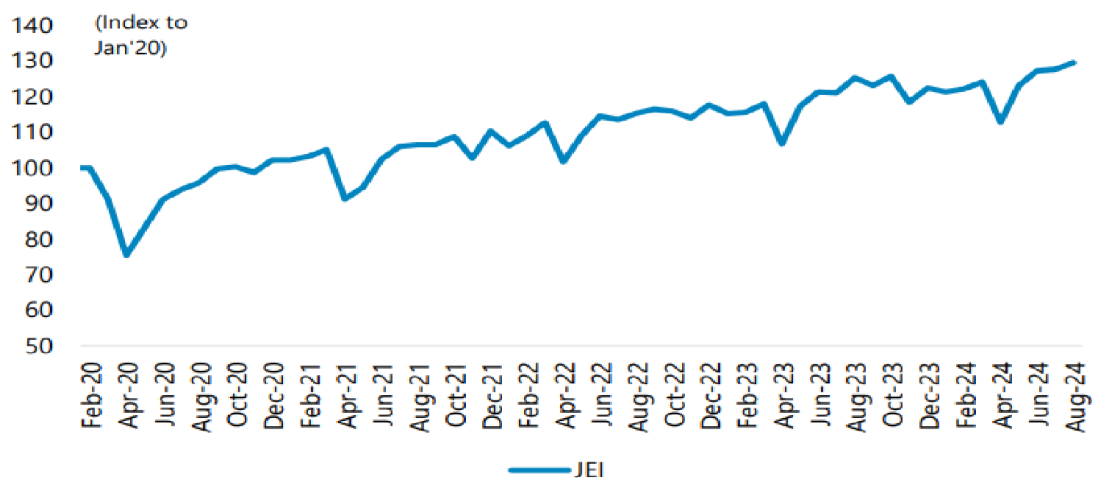
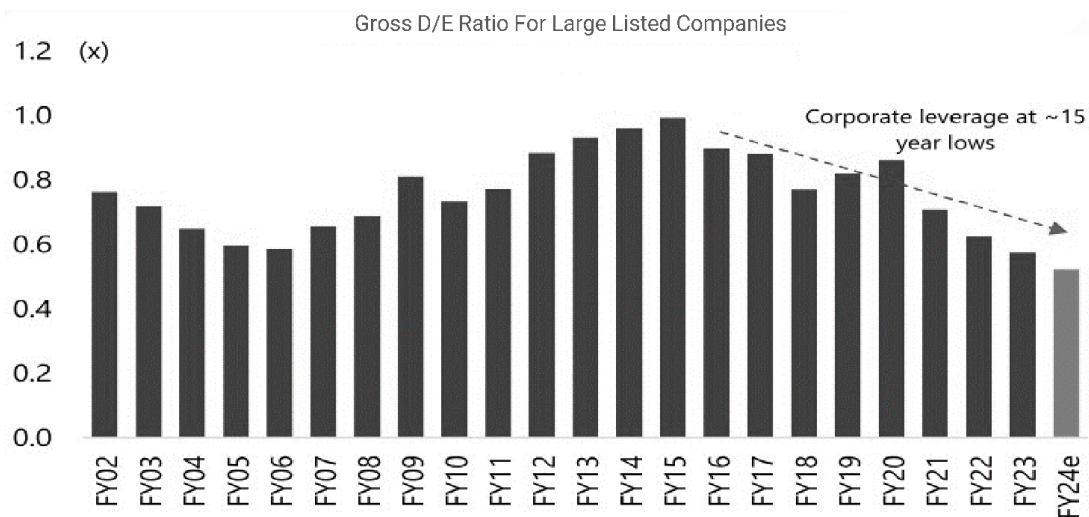


Indian Economy

- In the latest Monetary Policy meeting, RBI has kept interest rates unchanged. The policy stance has changed to 'neutral'. FY25 GDP growth estimates retained at 7.2% and CPI inflation forecast for FY25 at 4.5%.
- India's Forex Reserves hit an all-time high of USD 704 Bn.
- Services PMI (60.9) and Manufacturing PMI (56.5) continue to be 'expansionary'.
- Economic activity is at an all-time high as indicated by the Jefferies Index below:



- Capacity Utilization is at an all-time high. Thus operating leverage is improving for Corporate India.
- Corporate Balance Sheets in aggregate have the lowest debt in the last 15 years. This implies corporates have the capacity to take on large projects.



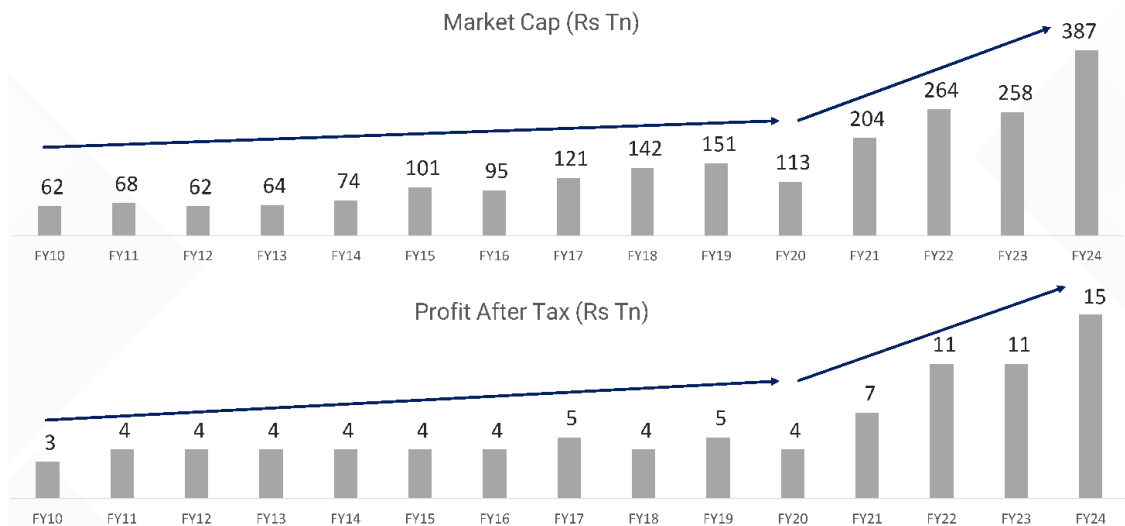
- Private sector Capex projects have increased in both value and volume.
- In the last decade India's Infrastructure efficiency has improved markedly. Turnaround time at ports has decreased from 10 to 3 days, road construction has increased from 12 Km/day to 34 Km /day and freight rail speed has increased from 26 Km/hr to 36 Km/hr.
- Monsoon season has concluded with approx. 8% surplus rainfall. Kharif crop acreage has increased (except Cotton & Jute)

Global Economy

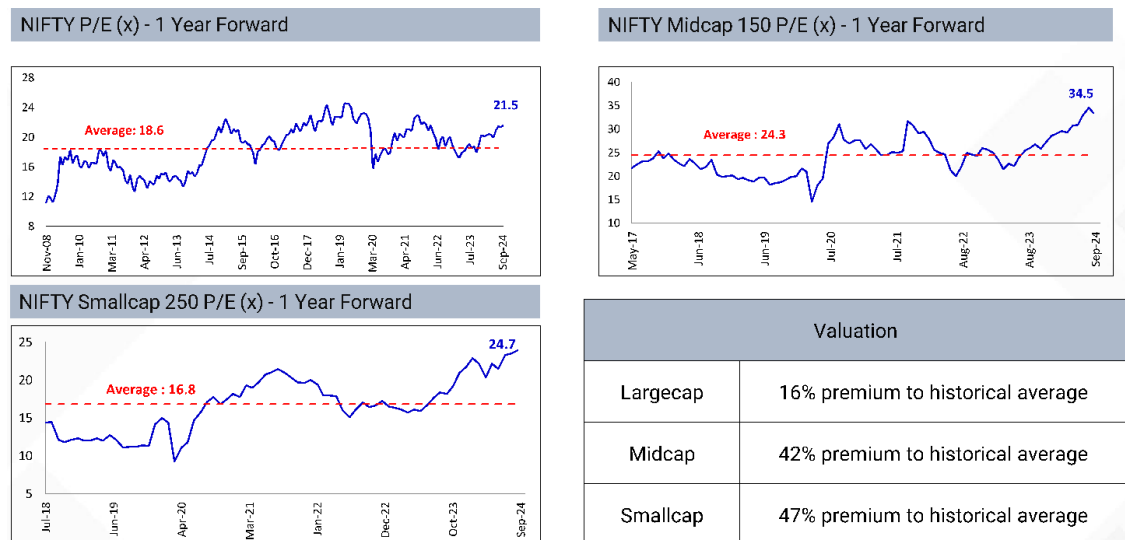
- Geopolitical risk in the Middle East is at elevated levels and can escalate over time.
- Commodity prices are at the lowest levels since 2008.
- The US Fed started the rate cut cycle with a 50bps cut. This is the first cut after Mar'20
- China has announced one of the biggest stimulus (approx. 6% of GDP) in their history. The focus is on reviving Consumption, the Real Estate sector & Capital markets
- Globally many Central Banks have announced rate cuts. This is expected to bring respite in servicing high levels of debt.
- Amidst all of the above Gold has found favour globally with prices near USD 2600 levels

Outlook

- Corporate Earnings are expected to remain healthy. Profit after tax (PAT) is steadily increasing and so is the market cap of the companies. Corporate Return on Equity (ROE) and Profitability are on an uptrend. Profits are projected to reach 6% of GDP by FY2026E.



- As on 30 September 2024, valuations are at a premium to historical levels. To some extent present valuations are relatively higher due to changes in the Nifty50 composition: higher Privately Owned, higher Domestic share & more B2C companies. Mid & Small caps are at a much higher premium than Large caps. Higher valuations of the Mid & Small cap are reflected in the higher contribution of the Mid & Small cap to the overall market cap of the Indian markets.



- High-frequency economic indicators (GST, Auto sales, PMI, etc.) are showing a slight slowdown in momentum.
- The beginning of the festive season and good monsoons is indicative of improving consumption. The Housing Sector is in an upcycle that could last for another few years.
- In a slowing global economy, India retains its position as the fastest-growing major economy with strong Macros, an easing Inflation cycle and a good Monsoon.
- We remain neutral on equities. Maintain asset allocation and rebalance if required. Risk return is in favour of large caps and one should rebalance portfolios in favour of large caps as mid and small caps have greatly outperformed large caps in the last 2 years.
- Debt: Globally, inflation is trending down. Higher than expected rate cut by the Fed and huge stimulus announced by China will affect global liquidity. RBI has announced a 'neutral' stance

and is expected to cut rates by 50 bps by Mar'25. This is the time to add 'duration' through long-duration bond funds.

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